



MONTHLY TOURISM UPDATE

August 2022

Georgia

Hotel Price Dynamics in Adjara



Research



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Summary

- Since the outbreak of the war in Ukraine, the border crossing statistics have revealed significant **differences in the number of entries and exits by Russians, Belarusians, and Ukrainians**. In August 2022, the difference between the number of entries and exits was highest for Russians, similar to the previous months.
- Throughout the past few months, **in Adjara in particular and Georgia in general, significant hotel price increases have been evident** due to a combination of factors, such as the marked **recovery of international tourism, the rapid inflow of Russians, Belarusians, and Ukrainians** since the beginning of the Russia-Ukraine war, higher demand for Georgian tourist destinations among **domestic visitors**, and a **rise in prices for essential goods** for hotel maintenance.
- In the third quarter of every year between 2016 and 2020, the number of international visits to Adjara, on

average, amounted to **42% of total international visits to Georgia**, while contributing up to **14.9% of all domestic visits**.

- In the summer of 2022, a significant increase has been observed in average hotel prices compared to the pre-pandemic level in Georgia. Specifically, **price increases have been especially apparent in Adjara**. Average hotel prices there increased by 16% compared to 2019 and by 25% compared to 2021. Meanwhile, **in Batumi, average summer prices compared to the same two years increased by 17% and 23%, respectively**.

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- In August 2022, in Georgia, **the Hotel Price Index (HPI)** increased by 1.4% compared to July 2022. The HPI increased by 15.8%, compared to August 2021, with the yearly HPI being highest for **guesthouses (36.3%)**.

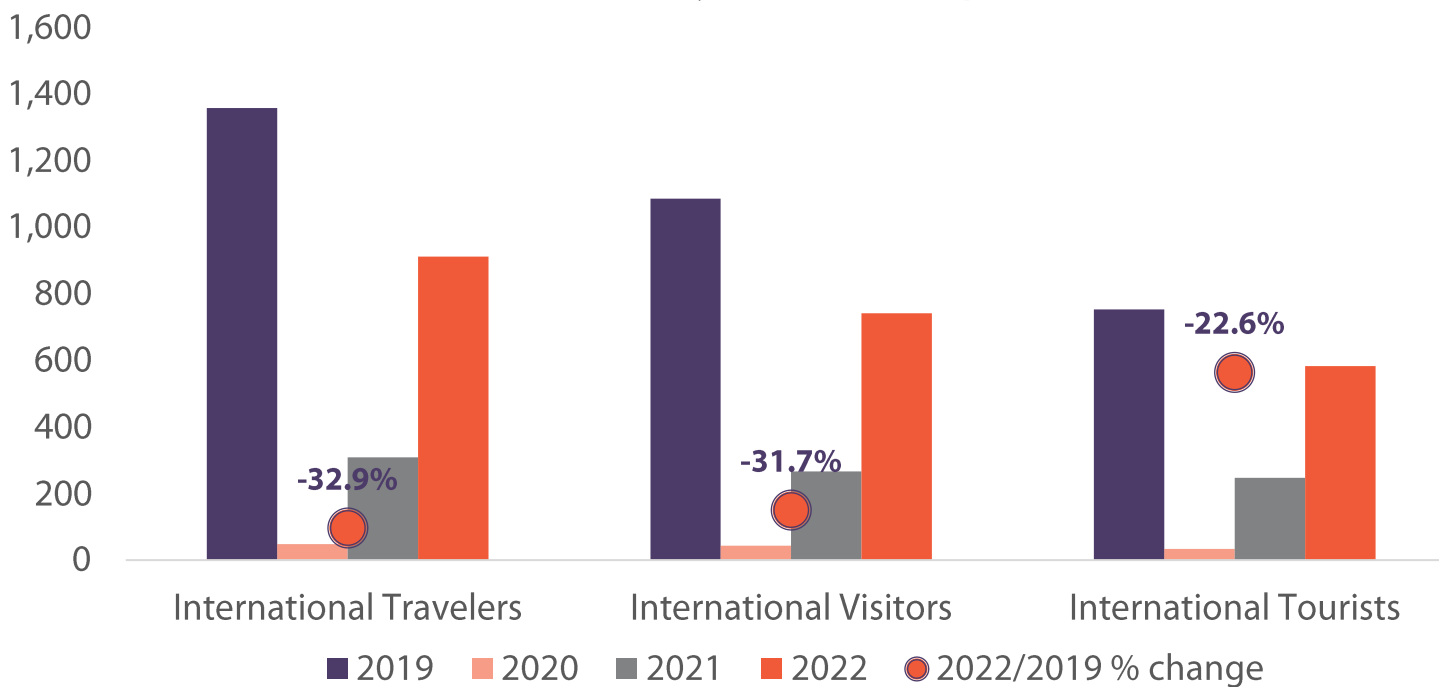


INTERNATIONAL TRAVEL DYNAMICS

✚ The number of **international travelers**¹ increased by 195.5% in August 2022, compared to the same period of 2021, and declined by 32.9% compared to the same period in 2019.

✚ Meanwhile, the number of **international visitors**² increased by 178.5% (2022/2021) and declined by 31.7% (2022/2019), and the number of **international tourists**³ increased by 135.8% (2022/2021) and declined by 22.6% (2022/2019).

International travel dynamics in August (2019-2022)



Source: Georgian National Tourism Administration (GNTA)

✚ In August 2022⁴, the top countries of origin of international visits were **Russia** (213 261 visits), **Armenia** (138 471 visits), and **Turkey** (103 548 visits).

✚ Among the major tourism markets, the number of international visits from **Saudi Arabia** (94.3%), **Belarus** (91.3%), and **Kazakhstan** (21.1%) significantly exceeded the pre-pandemic figure (August 2019). Besides, the number of international visits from **Russia** (2.6%) has returned to the pre-pandemic figure.

1 An international traveler is someone who moves between different geographic locations for any purpose and any duration. This excludes foreign citizens who are Georgian residents and includes Georgian citizens who are foreign residents.

2 An international visitor is a traveler taking a trip to a main destination outside his/her usual environment, for less than a year, for any purpose (business, leisure or other personal purpose) other than to be

employed by a resident entity in the country or place visited. The usual environment of an individual, a key concept in tourism, is defined as the geographical area within which an individual conducts his/her regular life routines. For the purposes of defining "usual environment" in Georgia, travelers conducting 8 or more trips are excluded from the data.

3 A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor) if his/her trip includes an overnight stay.

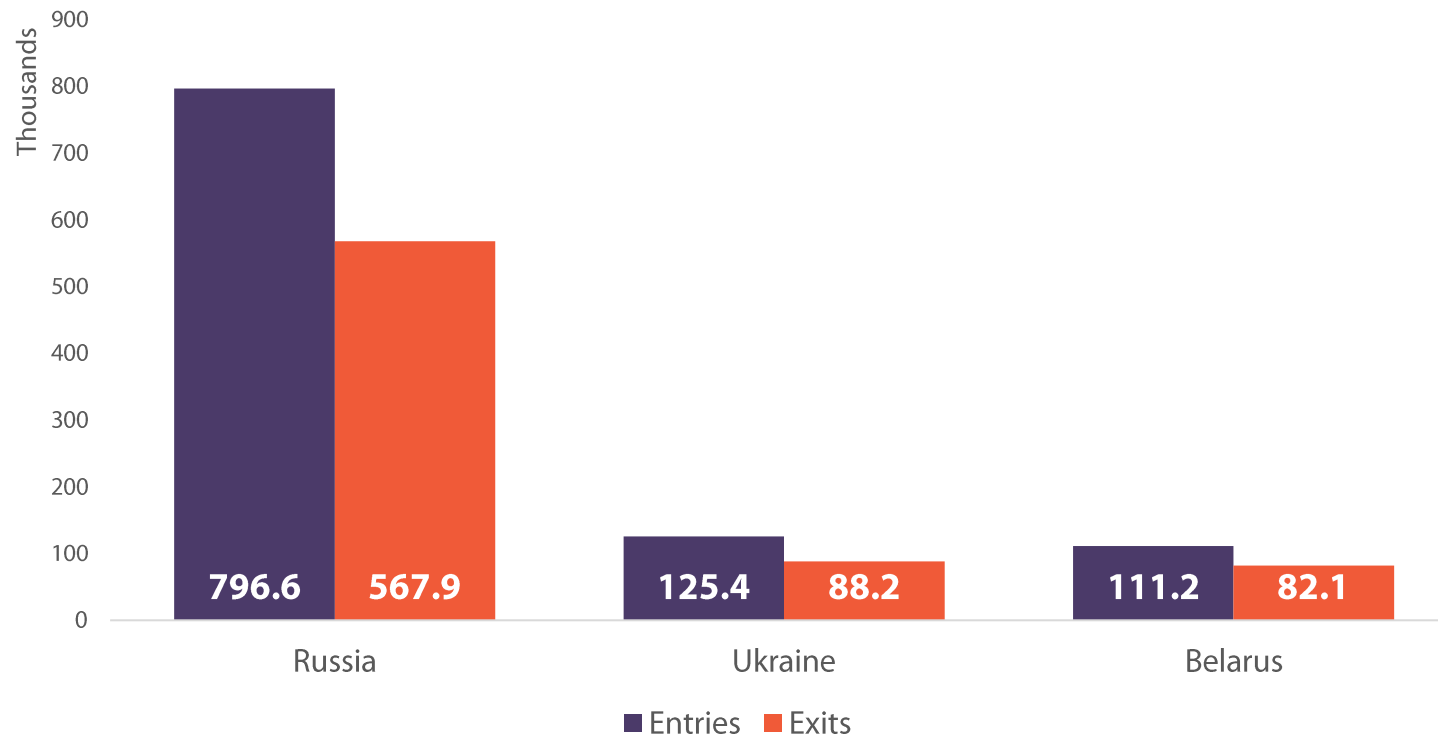
4 Note, that international visitor statistics are counted as the number of international visitors leaving the country, thus the data does not represent the number of total visitor inflow in the corresponding month.



ENTRIES AND EXITS OF RUSSIANS, BELARUSIANS, AND UKRAINIANS

Since the outbreak of the war in Ukraine, the border crossing statistics have shown **significant differences in the number of entries and exits by Russians, Belarusians, and Ukrainians.**

The number of entries and exits by Russian, Belarusian and Ukrainians (sum of March-August 2022)



Source: Georgian National Tourism Administration (GNTA), Ministry of Internal Affairs

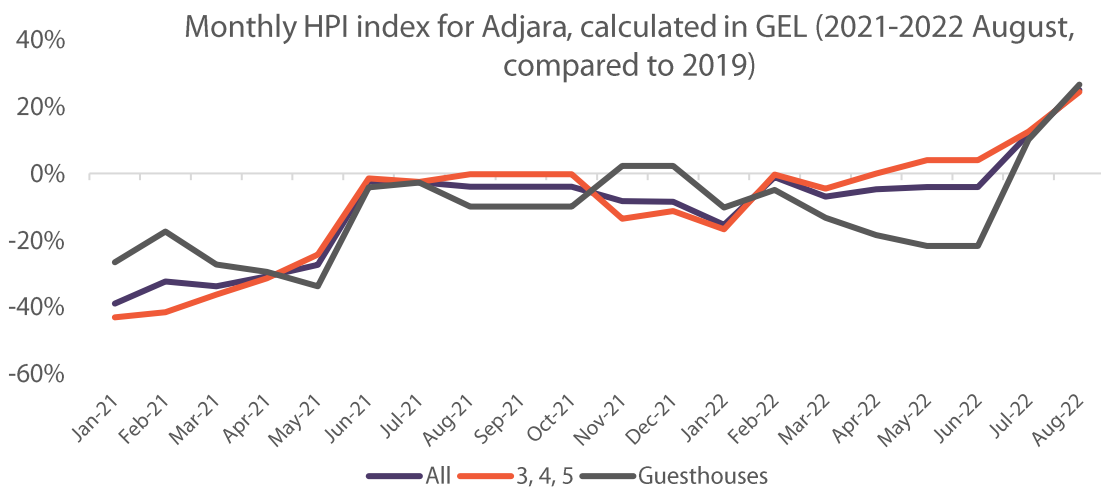
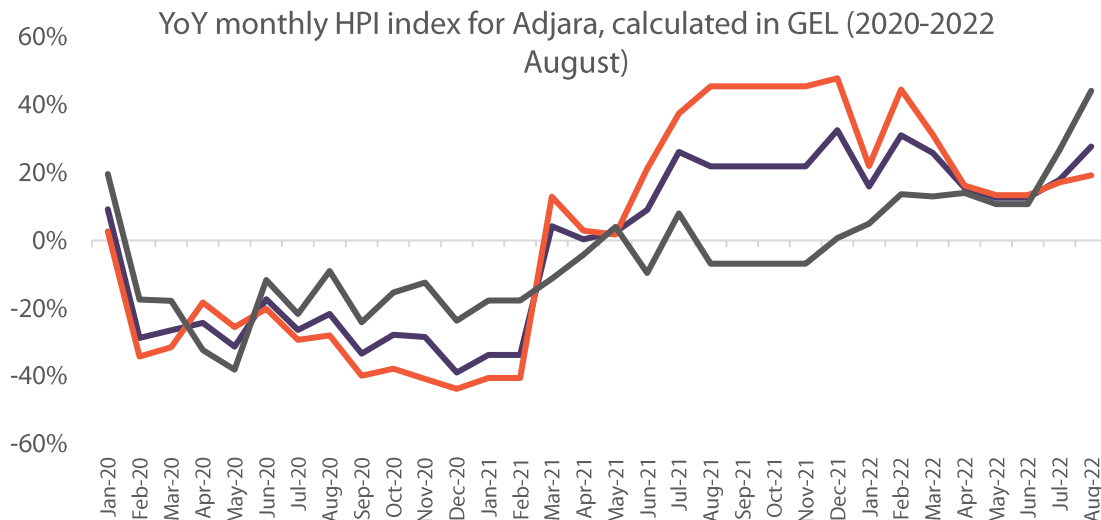
- In August 2022, entries from **Russia** were approximately 48 thousand higher compared to exits. The corresponding figure for **Ukraine** was around 3.6 thousand, while for Belarus, this number was equal to 2.9 thousand.
- Throughout March-August 2022, the total number of entries by **Russians was approximately 228 thousand higher** compared to exits, while for Ukrainians and Belarusians, the corresponding figures were 37 and 29 thousand, respectively⁵.
- The monthly differences (i.e. more entries than exits) were especially high for Russians in this period,** which was followed by Ukraine and Belarus.

⁵ Statistical discrepancies could be caused by the fact that the data on the number of exits reflects the exit of international visitors only (please, refer to footnote 2) and is provided by the National Tourism Administration (GNTA). While the number of entries is counted for all citizens of given countries and is provided by the Ministry of Internal Affairs.



HOTEL PRICE INDEX IN ADJARA

According to the GNTA, since 2016, Adjara has been among **the most-visited regions in Georgia, especially during the summer season**, by international as well as domestic visitors. In the third quarter of every year between 2016 and 2020⁶ the number of international visits to this region, on average, amounted to 42% of total visits to Georgia, while also contributing up to 14.9% of all domestic visits.



Source: Booking.com, PMC RC calculations

At the beginning of 2020, due to the outbreak and spread of the Covid-19 pandemic, hotel prices fell drastically for every type of hotel. In Adjara, the HPI was negative throughout the whole year. The YoY price drop was more pronounced for 3-, 4-, and 5-star hotels, with the HPI for this category falling to -43.8% in December 2020.

From March 2021, the YoY monthly HPI experienced a reversal and became positive, mainly attributed to the low base effect and the partial alleviation of some pandemic-related restrictions. Notably, the increase in the HPI in Adjara that month was driven largely by an increase in the 3-, 4-, and 5-star hotel categories. Meanwhile, the HPI for guesthouses remained negative until December 2021, which could be partially explained by visitors having greater trust in hotels rather than guesthouses to adhere to health and safety regulations.

From June 2021 until the end of the year, the **prices almost recovered to a pre-pandemic level** as the HPI, compared to 2019, fluctuated near zero in Adjara.

Although prices for hotels started to recover in March 2021, prices for **all hotel categories returned and exceeded their pre-pandemic levels only by the summer of 2022**, with the **average seasonal HPI equal to 10.9%**, compared to 2019. The abrupt increase in hotel prices in Adjara could be attributed to the considerably amplified demand for accommodation services, determined by factors such as the full recovery of international flights and the rapid inflow of international visitors (especially from Russia, Ukraine, and Belarus)⁷.

⁶ Georgian National Tourism Administration (GNTA)

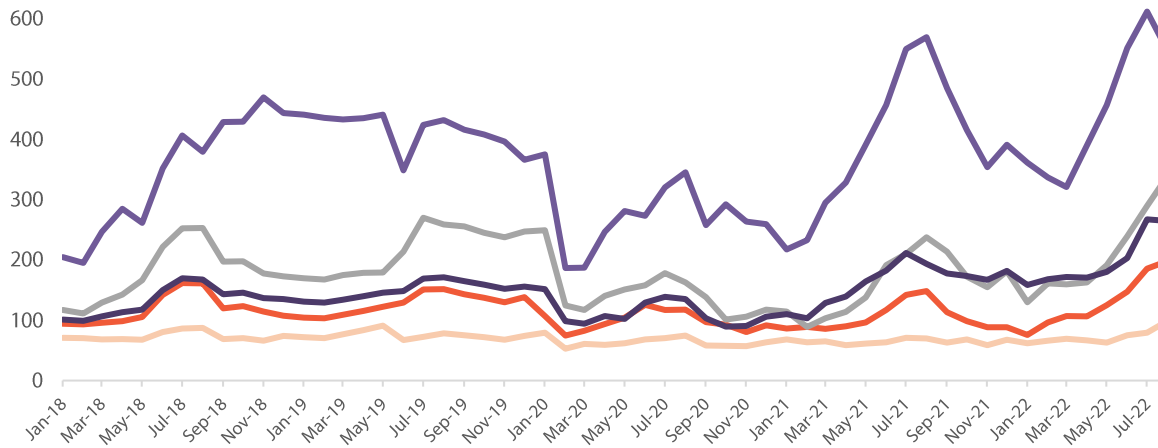
⁷ <https://bm.ge/ka/article/quotacharashi-gvaqvs-turizmis-agdgenis-uprecedento-machvenebeli-wels-savaraudod-rekorduli-weli-iqnebaquot/115063/>



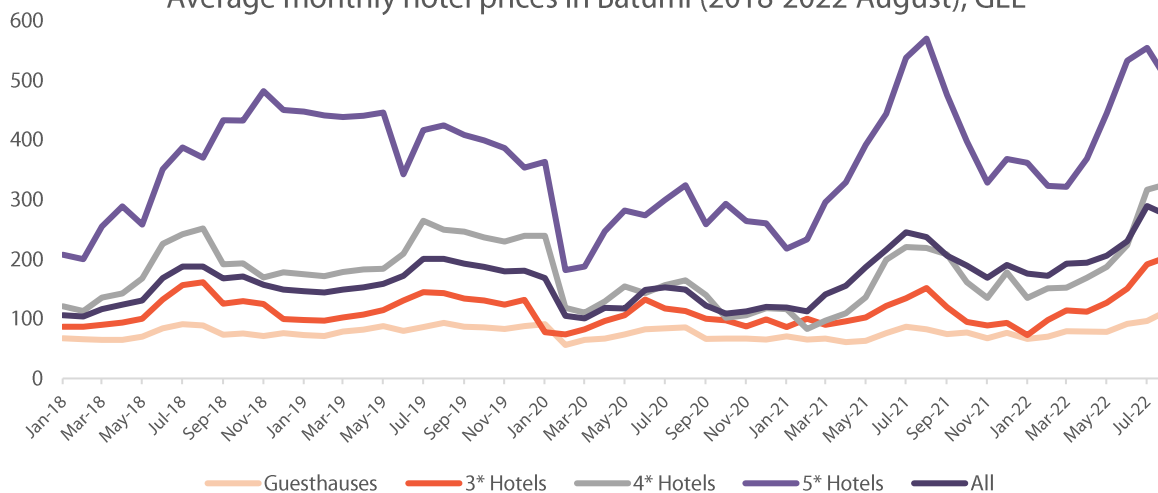
AVERAGE HOTEL PRICE DYNAMICS IN ADJARA

Observing the average hotel prices reveals similar dynamics to those of the HPI. In particular, **the average hotel price dynamics show a degree of seasonality with higher prices during the summer season**, which could be explained by the higher demand for coastal regions during this time. Price fluctuations have been more apparent for 5-star hotels, while the prices of guesthouses are the most stable of all categories.

Average monthly hotel prices in Adjara (2018-2022 August), GEL



Average monthly hotel prices in Batumi (2018-2022 August), GEL



Source: Booking.com, PMC RC calculations

During the summer months, in 2018-2022, **the average hotel prices in Batumi** were between 81-100 GEL, while in **Adjara** prices fluctuated between 68-84 GEL. Notably, monthly hotel prices were, on average, 18% higher in Batumi compared to Adjara as a whole, and this difference has been widening annually.

Since March 2022, **average monthly hotel prices have been increasing in Adjara and Batumi and reached their maximum in July 2022 at 268 and 289 GEL**, respectively. This can be explained by a combination of factors such as the lifting of pandemic-related restrictions and the sudden and rapid inflow of Russians, Belarusians, and Ukrainians, caused by the war in Ukraine.

In the summer of 2022, average hotel prices have shown a considerable YoY increase and **not only recovered but exceeded the pre-pandemic (2019) values significantly**. Average hotel prices in Adjara increased by 16% compared to 2019 and by 25% compared to 2021. Meanwhile, in Batumi, average hotel prices in the summer increased by 17% and 23%, respectively.

The increase in hotel prices during recent months has been mainly determined by the **alleviation of COVID-19 restrictions, the recovery of international tourism, the sudden and rapid inflow of Russians, Belarusians, and Ukrainians, and the increase in prices for essential goods for hotel services**.



HOTEL PRICE INDEX IN GEORGIA

- In August 2022, in Georgia, the hotel price index⁸ increased by 1.4% compared to July 2022. The 3-star, 4-star, and 5-star hotel price index increased by 0.9%, while for guesthouses, the price index increased by 1.5%.
- The monthly HPI was the highest in Adjara (6.5%) and Shida Kartli (5.7%) and the lowest in Guria (-4%).

- In August 2022, compared to August 2021, hotel prices in Georgia increased by 15.8%. The prices of 3*, 4*, 5* hotels increased by 11.4%, and the prices of guesthouses increased sharply by 36.3%.
- The yearly HPI was the highest in Adjara (27.6%) and Racha (19.1%) and the lowest in Shida Kartli (-3.9%).

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2022 Aug/ 2022 Jul	2022 Aug/ 2021 Aug	2022 Aug/ 2022 Jul	2022 Aug/ 2021 Aug	2022 Aug/ 2022 Jul	2022 Aug/ 2021 Aug
Kakheti	2.7%	19.0%	-0.2%	11.5%	4.0%	22.8%
Imereti	-1.5%	15.0%	-1.5%	17.1%	-1.4%	13.6%
Guria	-4.0%	9.0%	-8.6%	-1.8%	11.4%	34.2%
Kvemo Kartli	0.0%	10.0%	0.0%	10.0%	-	-
Adjara	6.5%	27.6%	6.1%	19.2%	7.8%	44.1%
Racha	0.0%	19.1%	-	-	0.0%	19.1%
Shida Kartli	5.7%	-3.9%	0.0%	-3.8%	8.7%	-4.1%
Samegrelo-Zemo Svaneti	2.0%	6.1%	2.0%	1.7%	2.0%	10.2%
Samtskhe-Javakheti	-3.9%	18.0%	-5.5%	6.6%	-3.0%	28.2%
Mtskheta-Mtianeti	-0.5%	1.7%	2.6%	0.4%	-2.6%	2.6%
Tbilisi	0.3%	11.7%	0.2%	10.4%	1.0%	43.7%
Overall Price % Change	1.4%	15.8%	0.9%	11.4%	1.5%	36.3%

⁸ The calculation of the hotel price index is based on the recommendations given by the International Monetary Fund (IMF). The elementary aggregate price index is calculated by Jevons

index (Consumer Price Index Manual-Theory and Practice (2004), Practical Guide to Producing Consumer Price Indices (2009).

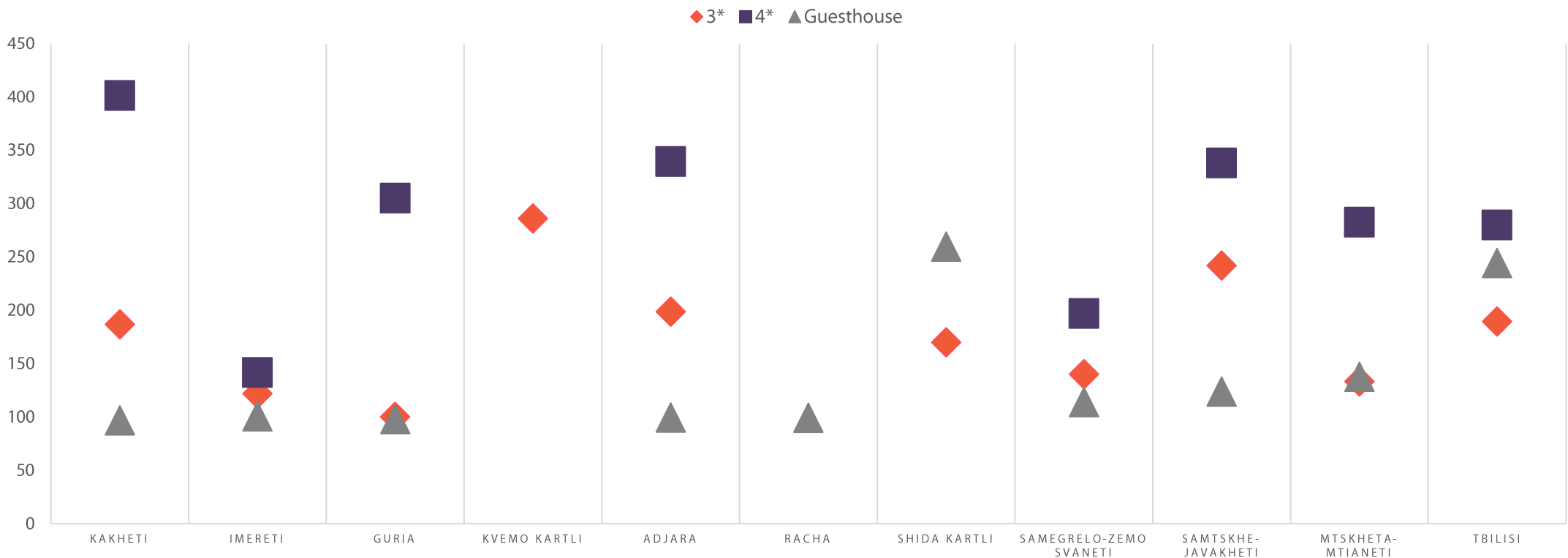


THE AVERAGE HOTEL PRICES IN GEORGIA

In Georgia, the average cost of a room⁹ in a 3-star hotel was **182 GEL** per night in August 2022, while the average cost of a room in a 4-star hotel in Georgia was **284 GEL** per night and the average cost of a room in a guesthouse¹⁰ was **122 GEL** per night.

The average cost of a room in a 5-star hotel in Georgia in August 2022 was **510 GEL** per night. In Guria, the average price was **727 GEL**, followed by Kakheti – **569 GEL**, Adjara – **547 GEL**, and Tbilisi – **538 GEL**.

THE AVERAGE PRICES OF 3*, 4* STAR HOTELS AND GUESTHOUSES BY REGIONS (AUGUST 2022, IN GEL)



⁹ The results are based on the surveying of standard double hotel room prices of 3, 4, 5-star hotels and guesthouses in 10 regions of Georgia. Hotels were chosen arbitrarily according to random sampling principle. The study contains 71% (312) of all 3, 4 and 5-star hotels and 25% (456 guesthouses) of all guesthouses

registered on www.booking.com The 3, 4 and 5-star hotel price data was collected by contacting hotels individually, while the prices of guesthouses were taken from booking.com. The average prices are arithmetic mean of standard double hotel room prices.
¹⁰ Guesthouse: a type of accommodation that is characterized by

having a small number of rooms and services are usually offered by the resident family.



BASIC ECONOMIC INDICATORS IN GEORGIA

	2016	2017	2018	2019	2020	I 2021	II 2021	III 2021	IV 2021	2021	I 2022	II 2022
GDP in current prices for Accommodation and Food Service Activities (mln)	1054.1	1437.5	1800.0	2223.0	1204.5	197.8*	452.2*	602.3*	472.0*	1724.4*	372.8*	-
Number of International Travelers (thousand persons)	6720.0	7902.5	8679.5	9357.9	1747.1	134.7	351.3	815.4	579.8	1881.3	576.5	1049.4
Number of Tourists (thousand persons)	3297.3	4069.4	4756.8	5080.5	1087.0	116.6	305.8	670.4	484.7	1577.5	456.0	749.3
Revenue from International Travel (mln USD)	2110.7	2704.3	3222.1	3268.7	541.7	53.6*	246.1*	566.0*	379.3*	1244.9*	393.7*	748.8*
The Expenditures of Georgian Travelers Abroad (mln USD)	386.3	463.6	524.7	657.2	180.5	19.7*	37.1*	62.6*	64.5*	184.1*	72.2	-
Foreign Direct Investment in Hotels and Restaurants Sector (mln USD)	120.0	109.5	82.3	123.4	-249.5	-0.9*	-1.4*	10.7*	0.7*	7.7*	12.1*	-

* Preliminary data



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Giorgi Khishtovani

Research Director

g.khishtovani@pmcginternational.com

Nika Kapanadze

Researcher

n.kapanadze@pmcginternational.com

Nana Kajaia

Junior Researcher

n.kajaia@pmcginternational.com

Sopio Mkervalidze

Intern

s.mkervalidze@pmcginternational.com

Address: 61 Aghmashenebeli Avenue, 3rd floor,
Tbilisi 0102, Georgia.

Tel: (+995 32) 2921171, 2921181

Email: research@pmcginternational.com

Website: pmcresearch.org