



Research

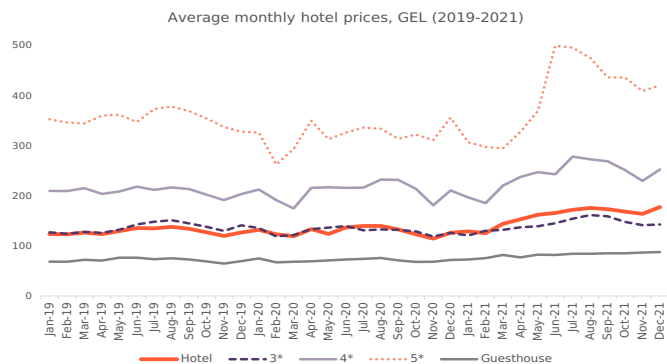
Monthly Tourism Update

December 2021

- The number of international travelers¹ increased by 249.2% in December 2021, compared to the same period of 2020, and declined by 73.3% compared to the same period in 2019. Meanwhile, the number of international visitors² increased by 226.4% (2021/2020) and declined by 69.9% (2021/2019), and the number of international tourists³ increased by 239.1% (2021/2020) and declined by 53.7% (2021/2019).
- At the beginning of 2021, the Hotel Price Index (HPI) was negative compared to both 2020 and 2019, however the monthly prices showed a significant YoY increase from June 2021 onwards and recovered considerably compared to 2019 levels.
- In 2021, the average monthly prices of hotels exceeded both the pre-pandemic level (by 23.7%) and the 2020 level (by 39.1%). Looking at specific categories, the price increase has been most significant for 5-star hotels (by 12.1% compared to 2019 and by 51.4% compared to 2020), while for 3-star hotels the price increase has been least significant (by 4.8% compared to 2019 and by 20.1% compared to 2020).

Hotel price dynamics in Georgia throughout 2021

According to the Georgian National Tourism Administration, in 2021 some positive recovery trends has been shown both in terms of revenue from international travel and in the number of international visitors. In particular, the revenue from international travel reached 38% of pre-pandemic (2019) level, while the number of international visitors amounted to 20% of the pre-pandemic level and recorded a 7.7% year-over-year increase⁴. Against this background, it is worthwhile to evaluate the dynamics and recovery trends of hotel prices in Georgia throughout 2021.



Source: Booking.com, calculations of PMC Research Center

Over the course of 2021, the prices of hotels and restaurants category increased significantly. The monthly dynamics of YoY price increase fluctuated between 2% and 15% with an average monthly price increase of 10%. Such trends are observable from a sample of Georgian hotels' average monthly prices in 2021. Across the 2019-2021 period, the prices were lowest in 2020 due to the outbreak of the COVID-19 pandemic, however, since the beginning of 2021 prices have increased significantly.

In 2021, the average monthly price of hotels exceeded both the pre-pandemic (2019) level (129 GEL) and the 2020 level (115 GEL) considerably and reached 159 GEL. Prices increased for all categories of hotels, with the price increase being highest in the most volatile category, namely 5-star hotels, for which the average monthly price peaked in June 2021 (reaching 500 GEL). In the case of 4-star hotels, prices showed similar fluctuations, while for 3-star hotels and guesthouses, the prices increased relatively steadily.

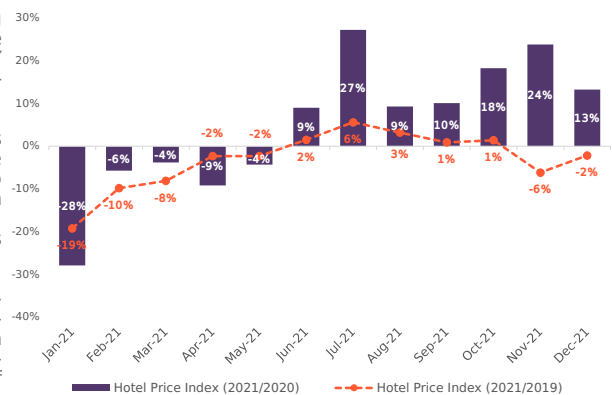
To further evaluate the monthly hotel price dynamics year-over-year HPI index should also be analyzed. At the beginning of 2021, the hotel price index for Georgian hotels calculated in GEL was negative until June of 2021, meaning that prices were lower compared to the corresponding month of 2020. Since then, the prices have been increasing each month. The magnitude of the YoY price increase was the highest in July of 2021 (27% increase) followed by November 2021 (24%).

However, when compared to pre-pandemic values, even though the HPI was positive throughout June-October 2021, in this period the magnitude of the month-on-month price increase was low with an average of 3%. It must also be noted that in the last two months of 2021, the HPI compared to 2019 again returned to negative values. Looking at categories, in 2021 compared to 2020, the month-on-month price increase was higher in the case of 3, 4, 5-star hotels (with an average monthly HPI of 28%) than guesthouses (7%). Meanwhile, compared to 2019, the average monthly HPI for 3, 4, 5-star hotels was -3%, while the average monthly HPI for guesthouses was -1%. Moreover, the magnitude of price fluctuations was greater in the case of 3, 4, 5-star hotels compared to guesthouses. However, it must also be noted that the high inflation rate and depreciation of the GEL's exchange rate against the USD could realistically render the HPI compared to 2019 close to zero, thus real decrease of prices being more than reported.

¹ Source: Georgian National Tourism Administration - Tourism recovery dynamics (2021)

² Source: National Statistics office of Georgia - Consumer Price Index (CPI) over the same month of the previous year by categories, calculations of PMC research

Yearly hotel price index in 2021 compared to 2020 and 2019



Source: Booking.com, calculations of PMC Research Center

Hotel Price Index

Region	Hotel		3*, 4*, 5*		Guesthouse	
	2021 Dec/ 2021 Nov	2021 Dec/ 2019 Dec	2021 Dec/ 2021 Nov	2021 Dec/ 2019 Dec	2021 Dec/ 2021 Nov	2021 Dec/ 2019 Dec
Kakheti	-2.0%	33.0%	-2.7%	27.5%	-1.6%	35.6%
Imereti	3.4%	38.0%	0.1%	27.5%	6.0%	45.8%
Guria	0.1%	-25.7%	0.1%	-33.8%	0.0%	-21.2%
Kvemo Kartli	0.0%	54.9%	0.0%	54.9%	0.0%	-
Adjara	9.1%	-27.3%	11.3%	-27.9%	3.6%	-25.6%
Racha	0.0%	6.7%	-	0.0%	0.0%	6.7%
Shida Kartli	0.0%	12.9%	-	41.7%	0.0%	-10.0%
Samegrelo-Zemo Svaneti	-1.3%	6.0%	0.0%	-0.7%	-2.6%	9.1%
Samtskhe-Javakheti	9.4%	-10.7%	24.0%	-50.0%	5.0%	-4.0%
Mtskheta-Mtianeti	16.6%	26.7%	41.7%	71.5%	-4.0%	10.8%
Tbilisi	-2.4%	0.9%	-3.3%	1.7%	3.9%	-4.4%
Overall Price % Change	2.5%	-2.2%	4.4%	-3.7%	3.1%	-5.5%

Table 1: Percentage change of prices in December 2021 over November 2021 and over December 2019.

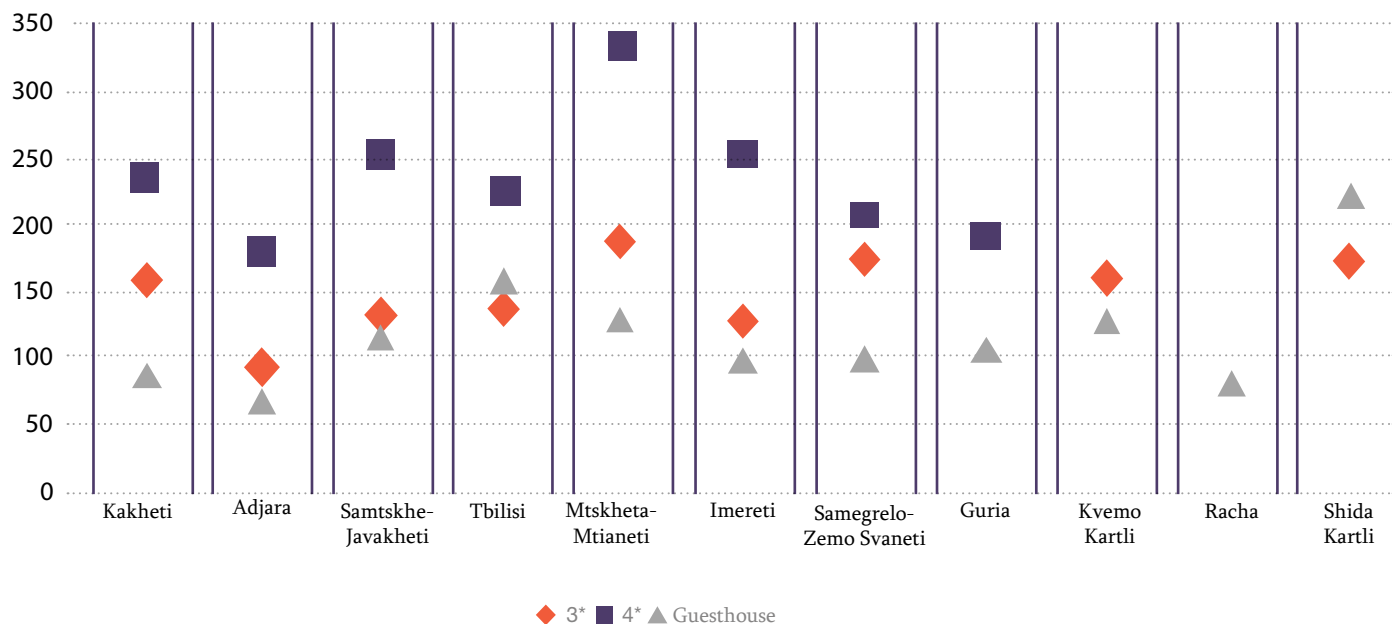
In December 2021, in Georgia the hotel price index⁴ increased by 2.5% compared to November 2021. The 3-star, 4-star and 5-star hotel price index increased by 4.4%, while for guesthouses, the price index increased by 3.1%.

In December 2021, compared to December 2019, hotel prices in Georgia decreased by 2.2%. The prices of 3*, 4*, 5* hotels decreased by 3.7% and the prices of guesthouses decreased by 5.5%.

Average Hotel Prices

In Georgia, the average cost of a room⁵ in a 3-star hotel was 135 GEL per night in December 2021, while the average cost of a room in a 4-star hotel in Georgia was 246 GEL per night and the average cost of a room in a guesthouse⁶ was 106 GEL per night.

The average prices of 3*, 4* star hotels and guesthouses by regions (December 2021, in GEL)



Graph 2: In the graph, average prices for standard double rooms in 3 and 4-star hotels and guesthouses are given by region. 5-star hotel prices are provided below.

The average cost of a room in a 5-star hotel in Georgia in December 2021 was 423 GEL per night. In Kakheti, the average price was 548 GEL, followed by Tbilisi - 524 GEL, Guria - 398 GEL and Adjara - 391 GEL.

Basic Economic Indicators

	2016	2017	2018	2019	I 2020	II 2020	III 2020	IV 2020	2020	I 2021	II 2021	III 2021	IV 2021
1	1054.1	1437.5	1800.0	2 223.0	404.7	216.5	340.6	242.6	1204.5	197.8*	452.2*	602.3*	-
2	6720.0	7902.5	8679.5	9357.9	1333.1	114.2	150.3	149.6	1749.3	134.7	351.3	815.4	579.8
3	3297.3	4069.4	4756.8	5080.5	765.3	82.3	113.6	125.9	1087.0	116.6	305.8	670.4	484.7
4	2110.7	2704.3	3222.1	3268.7	427.7	28.8	42.5	42.6	541.7	53.6	246.1	566.0	-
5	386.3	463.6	524.7	657.2	124.1	13.5	20.9	22.0	180.5	19.8	37.1	62.6	-
6	120.0	109.5	82.3	123.4	7.4	-6.0	1.5	-252.4	-249.5	-0.8*	-1.5*	6.9*	-

1	GDP in current prices from Accommodation and Food Service activities (mln)	2	Number of International Travelers (thousand persons)	3	Number of Tourists (thousand persons)
4	Revenue from international travel (mln USD)	5	The Expenditures of Georgian travelers Abroad (mln USD)	6	Foreign Direct Investment in Hotels and Restaurants Sector (mln USD)

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 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)).

5 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.

6 Guesthouse: a type of accommodation that is characterized by having a small number of rooms and services are usually offered by the resident family.

* Preliminary results