



**TBC CAPITAL**

# **Tourism: Challenged August**

**MONTHLY WATCH**

**AUGUST 2021**

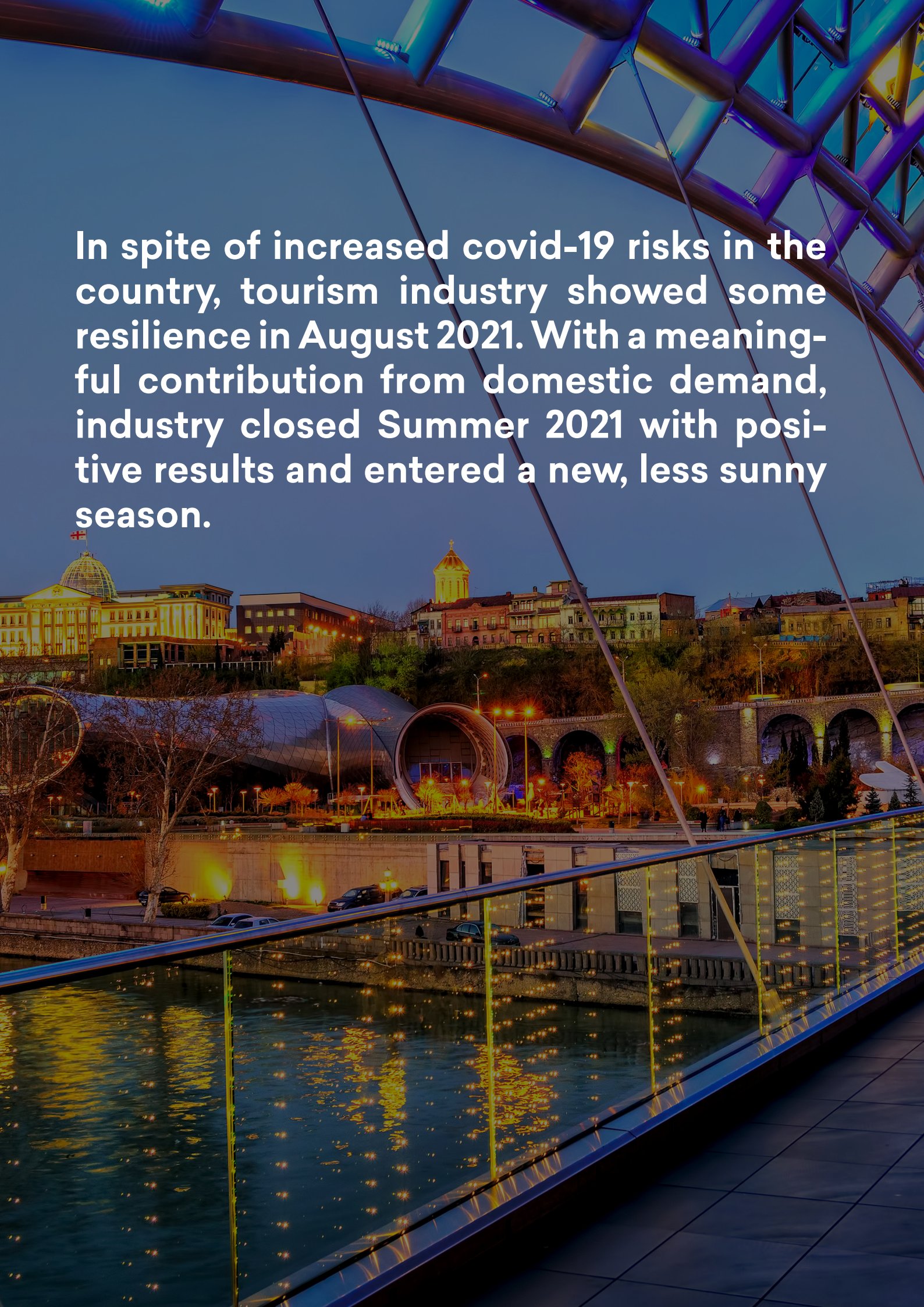
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In spite of increased covid-19 risks in the country, tourism industry showed some resilience in August 2021. With a meaningful contribution from domestic demand, industry closed Summer 2021 with positive results and entered a new, less sunny season.





# August 2021 in Brief

August edition of Tourism Monthly Watch shows that the industry continued to recover despite a strong new wave of pandemic, the recovery was partially supported by a robust domestic demand.

In January-August 2021, number of international visitors recovered to 18.5% of its 2019 level, up from 16.9% in July 2021. The revenues from international visitors in January-August recovered to 31% of its 2019 level, up from 27% in July 2021.

Even though number of international visitors in Georgia was unusually low for August, other main indicators of tourism industry turned out to be more resilient to increased covid-19 risks.

In August 2021, YoY growth of international visitors continued positive dynamics and totaled solid 511%. The recovery of international visitors to 2019, on the other hand, did suffer from new wave: MoM growth slowed down in August and constituted 15%. In June and July 2021 MoM growth were significantly higher, 40% and 57%, respectively. As a result of this slow down, Georgia received 75.5% less international visitors in August 2021 than in August 2019, whereas in July 2021 the recovery had reached 73%.

In August 2021, 41% of visitors came from neighbor countries, up from 38% in July. Meanwhile, number of visitors from Ukraine surpassed its 2019 level by 3%.

New wave had biggest impact on number of international visitors from Israel. The recovery to 2019 levels fell from 77% in July to 9% in August. The share of visitors from Israel decreased to 1%, from 8% in July.

Recovery of revenues generated by international visitors slowed down and totaled 48% in August, 4 pp lower than in July 2021.

The shares of the EU and Ukraine in total revenues generated from international tourists are the largest, 16.6% and 16.3%, respectively.

Average occupancy in hotels was resilient to the new wave of pandemic. It stood at 67%, only 5% behind its 2019 level. High demand from domestic tourists in certain regions of the country has played important role in achieving this result.

As for the ADR, an upward trend was maintained in August and ADR recovered to 88% of its 2019 August level.





# Fruitful, but moderately

August, when the number of visitors is the highest throughout the year, had a potential for a better recovery in 2021. Many from the industry had put high hopes on this traditionally fruitful month of the year, however, the new wave of pandemic changed growth trajectory and brought August results to moderate levels.

Can following months escape Covid-19 limitations and make the most of the coming vintage season? Covid-19 risks are still at place, the number of international visitors is also expected to decline from September due to seasonality of the demand. Domestic demand is also expected to decrease as we enter a busy season: as schools open and employees slowly return to offices, there is less room left for working remotely from favorite destinations. Travelling in cold season means spending significant time of the day indoors, which elevates Covid risks for visitors. The industry will have to be creative to overcome these barriers to recovery.



# International visitors cautious of elevated Covid-19 risks in Georgia

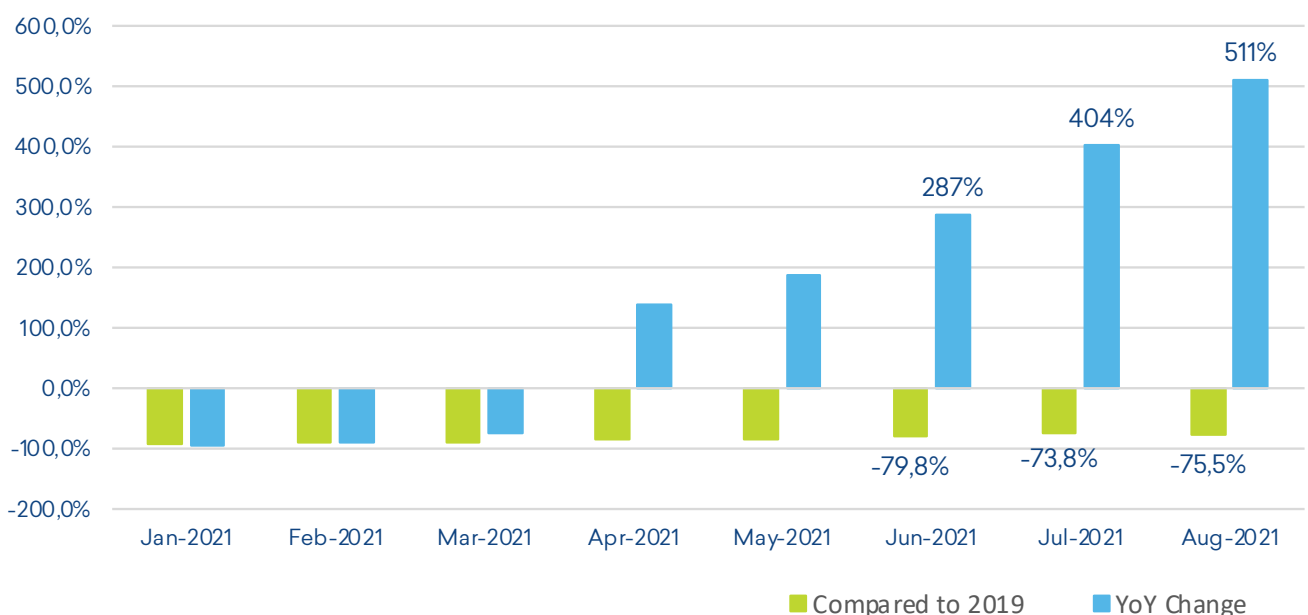
Increased number of daily Covid-19 cases in Georgia brought back doubts to the eager travelers. In August 2021, number of international visitors totaled 266544, 75.5% less than in August 2019.

Even though, recovery to 2019 level was interrupted by pandemic, the YoY growth of international visitors still remained high and totaled 511%. An upward trend of international visitors' YoY growth throughout the year indicates

that the performance of tourism industry has been relatively better in 2021 than in 2020. Whether this trend will continue in the further months largely depends on the level of covid-safety in Georgia and main sources countries.

FIGURE 01

## Interrupted recovery of international visitors to 2019 level in August



Source: GNTA

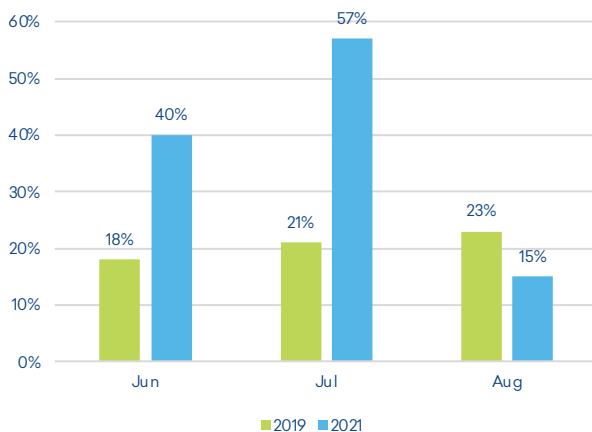


In the first seven months of 2021, delayed demand and lower base pushed MoM growth rates of international visitors higher compared to 2019. If we take a look at the previous months of summer 2021, in July MoM growth of visitors totaled 57%, 36 percentage point higher than in July 2019. In June 2021, MoM change stood at 40%, 22 percentage point higher than in the same period of 2019.

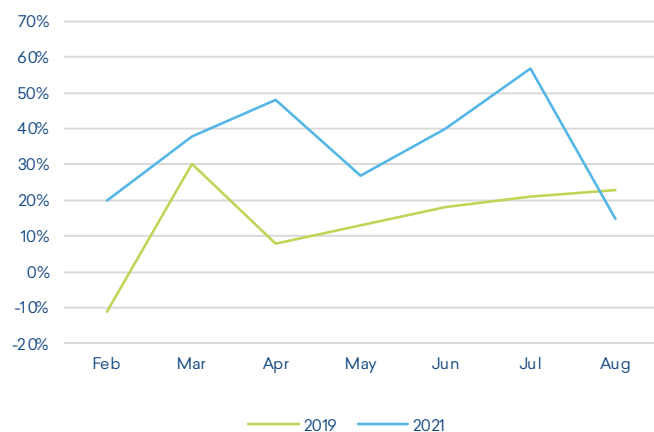
However, the picture changed in August 2021 as a consequence of increased covid-19 cases. MoM change of international visitors totaled only 15%, whereas in the same period of 2019 change stood at 23%.

FIGURE 2 &amp; 3

## Lower MoM change in August 2021



Source: GNTA



As high season for tourism industry is over and covid risks still prevail, it is likely to see higher MoM declines in the following months of 2021.



# Tourists from neighbor countries maintain smaller share than usual

A changed landscape is maintained in August 2021 in terms of share of countries in international visits. In August, only 41% of tourists came from neighbor countries compared to 72% in August 2019. However, we still see an increase in the share of neighbor countries compared to July 2021 (38%).

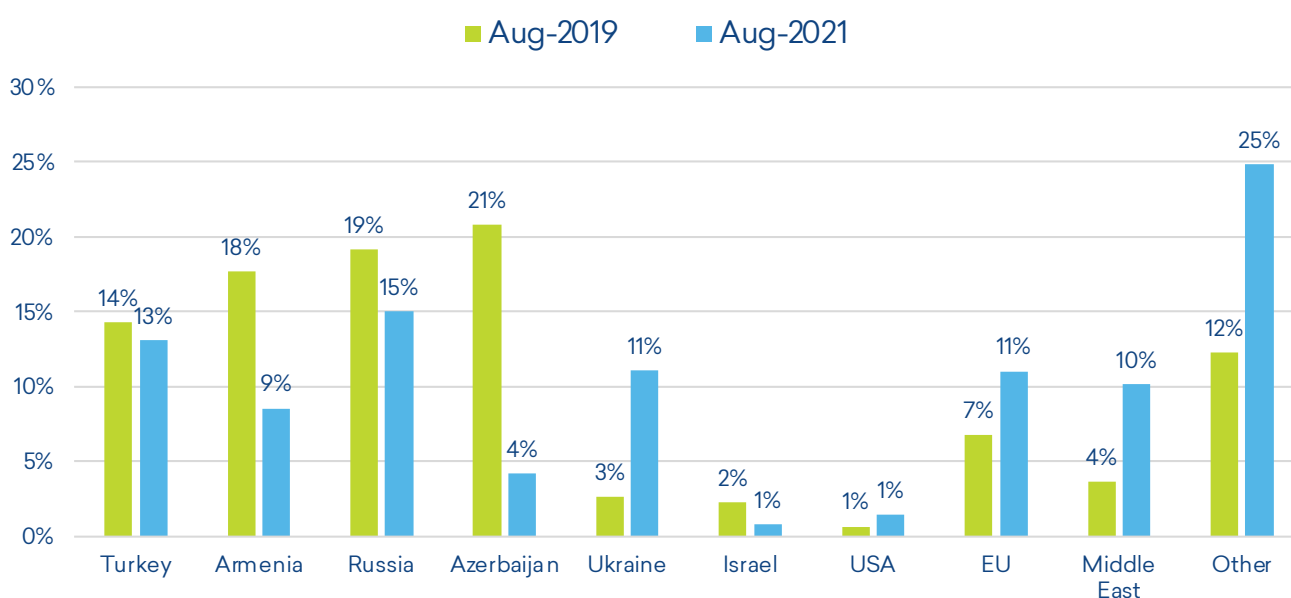
The increase is mainly led by tourists from Russia. In August 2021, the share of

tourists from Russia constituted 15%, 4 percentage point increase compared to July 2021.

Ukraine, EU and the Middle East countries maintain large shares, while share of Israel declined and amounted to only 1%, 7 percentage point less than in July 2021.

FIGURE 4

Turkey, Russia, Ukraine and EU have significant shares in total visitors



Source: GNTA



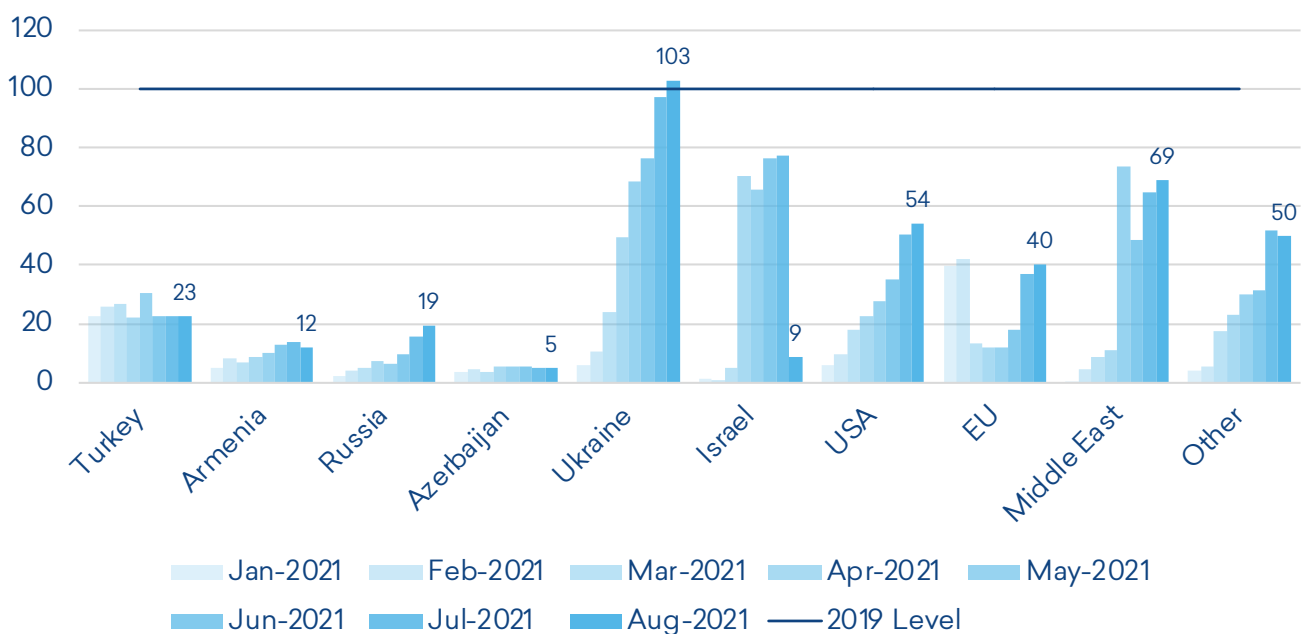
In August 2021, number of international visitors from Ukraine continued positive dynamics and surpassed the level of 2019 by 3%.

An upward trend is observed for the USA and the EU, recovery relative to 2019 totaled 54% and 40%, respectively. In the same period, high rate of recovery was observed for countries of the Middle East (69%) and Turkey (23%).

As Israel moved Georgia to the list of red zone countries and also faced new wave of pandemic itself, recovery of visitors from Israel to 2019 plummeted.

FIGURE 5

### Recovery of international visitor trips to 2019 levels (%)



Source: GNTA

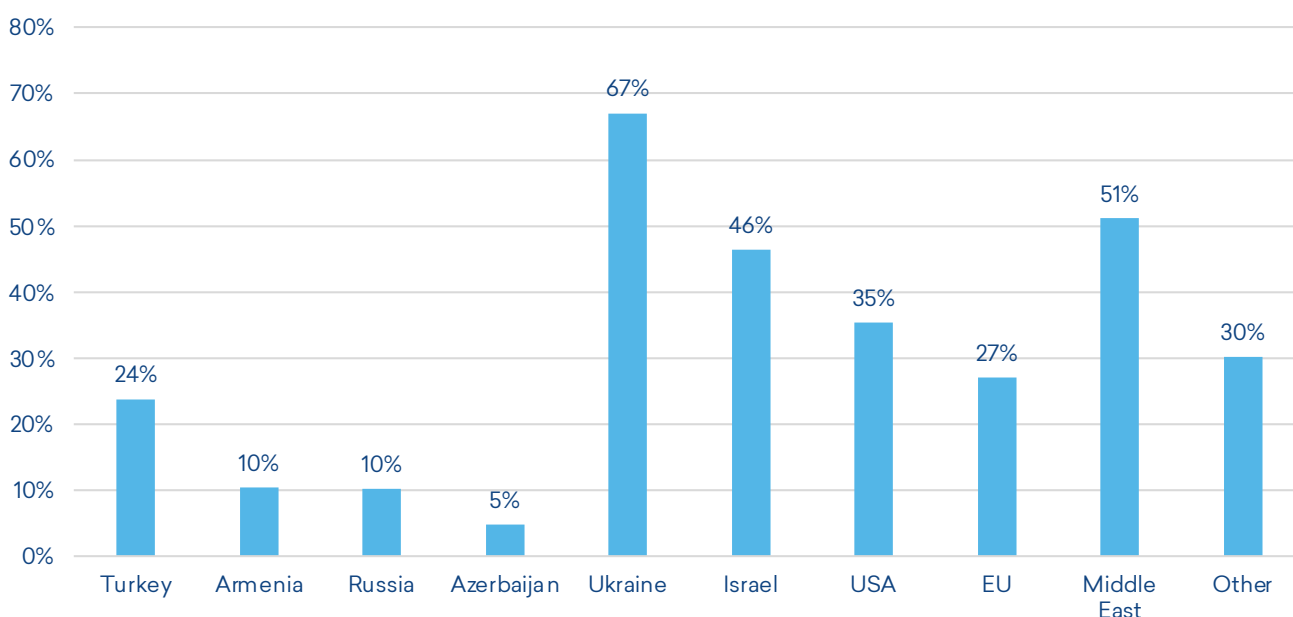


Ukraine and Middle East still maintain high rate of recovery in the period of January-August 2021. However, August changed the picture of visitors' recovery for some countries. With travel restrictions imposed by Israel, recovery relative

to 2019 totaled 46%. Neighbor countries have relatively slow recovery, with highest for Turkey – 24% and the lowest for Azerbaijan – 5%.

FIGURE 6

## Recovery of total international visitor trips in January-August 2021 compared to January-August 2019



Source: GNTA

Considering the pent-up demand and the transition of Georgia by Israel to the orange zone countries, it is likely to expect rise in the number of international visitors from Israel in the following months.



# Arrivals through Batumi airport continue to impress

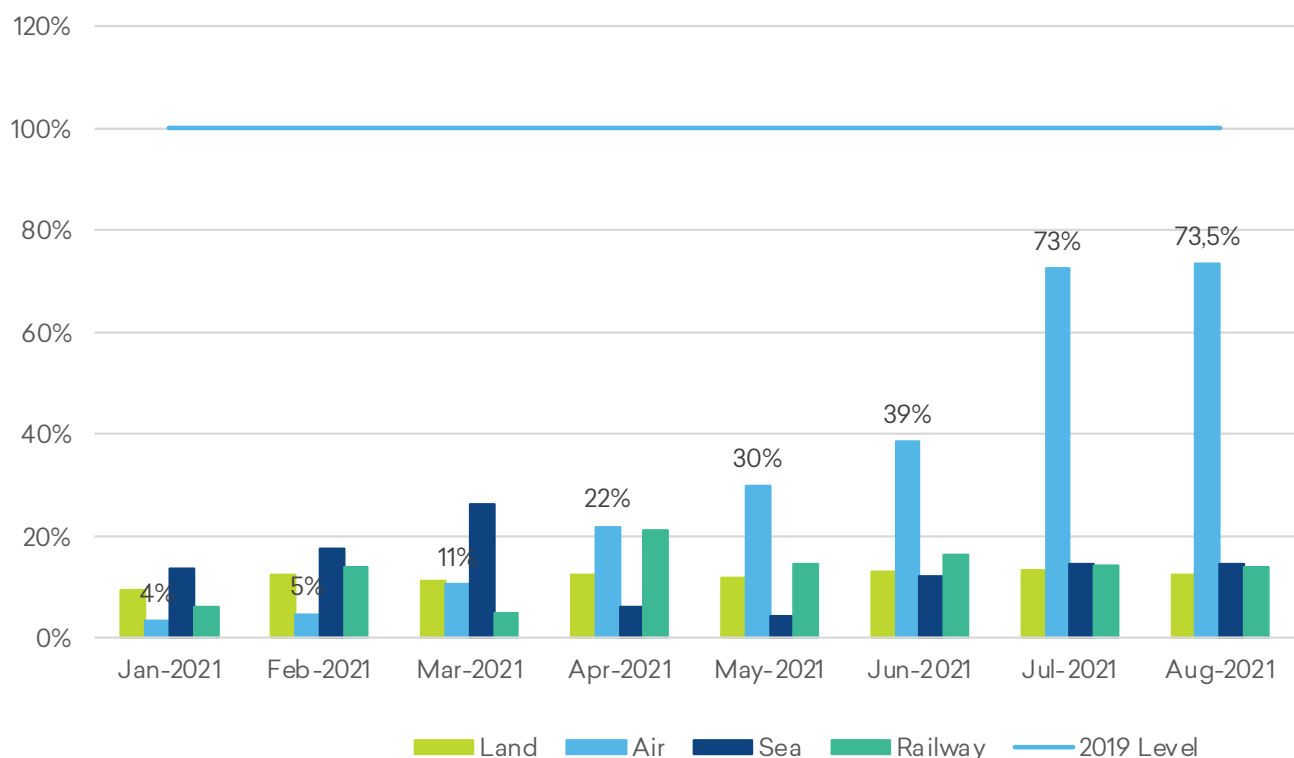
The recovery of air travel remained broadly unchanged compared to July and totaled 73.5% in August 2021. Air travel's high level of recovery is related to high share of visitors from non-neighbor countries.

International visitors' arrivals through Tbilisi International Airport decreased by 37% relative to 2019, while 23%

growth was observed for visitors' arrivals through Batumi International Airport compared to the same period of 2019. In 2021 a new terminal was opened in Batumi International Airport, increasing the capacity of the airport. This partially explains increase of arrivals in Batumi International Airport.

FIGURE 7

## International Visitor Trips by Borders



Source: GNTA



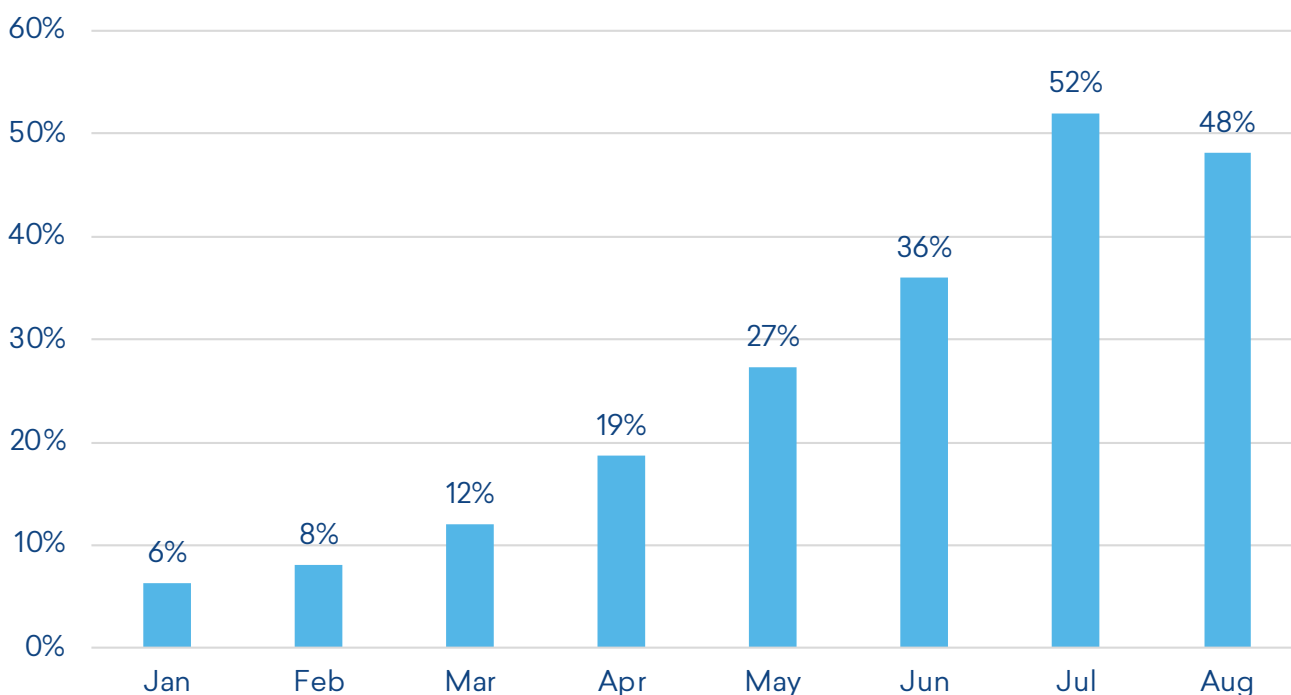
# The Revenue Side

Decline in the recovery of international visitors was reflected on the revenues as well. After continuous improvement throughout the year, August 2021 showed a slight deterioration and growth of revenues totaled 48%, relative to 2019.

If we take a look at total revenues in January-August 2021, the recovery to 2019 level stands at 31,08%, 4.08 percentage point higher than in July 2021 (27%).

FIGURE 8

## Revenues from visitors in 2021 compared to 2019 level



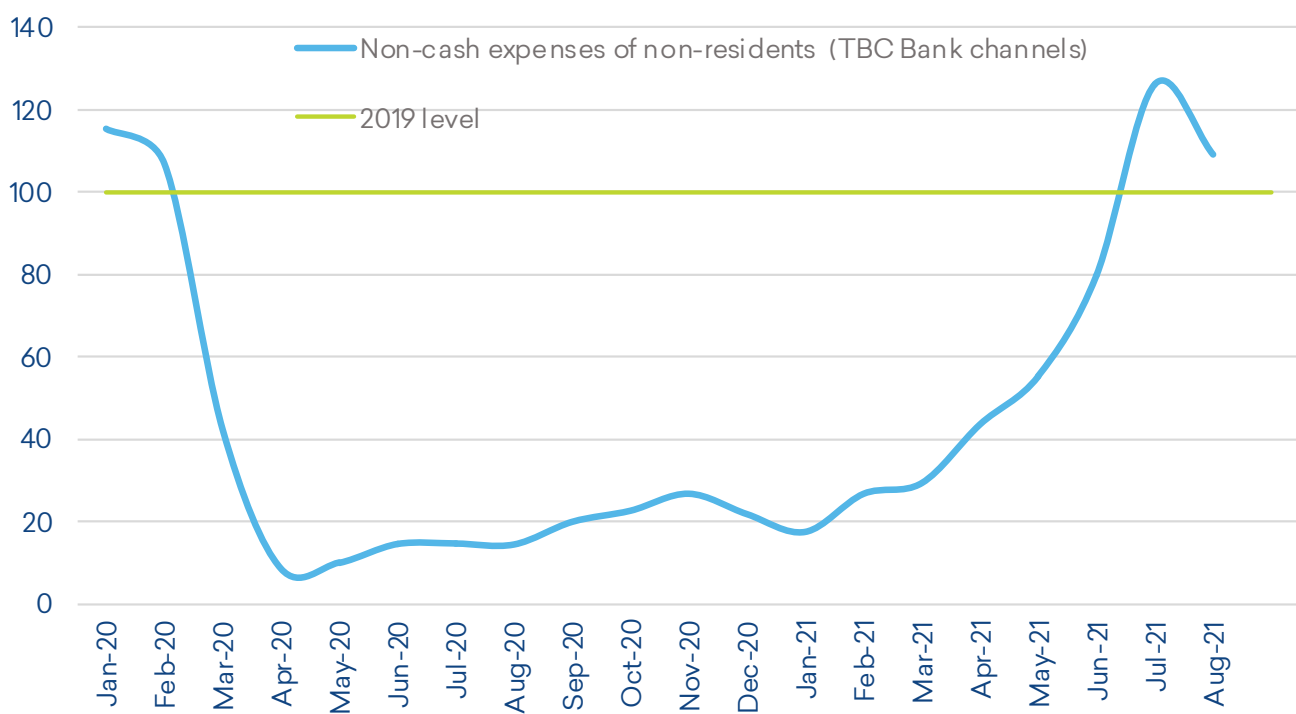
Source: NBG

After a surge in July, growth of non-cash spending by non-residents through TBC Bank's channels, started to gradually decline. In August 2021, it surpassed 2019 level by 9%, whereas in the preceding month spending stood at 26% higher than in July 2019.

A downward trend of growth might continue considering the effect of seasonality and increased number of covid-19 cases.

FIGURE 9

## Non-cash spending by non-residents



Source: TBC Bank



In August 2021, share of neighbor countries in revenues generated by visitors remained lower compared to the same period of 2019, 24% versus 46% in August 2019.

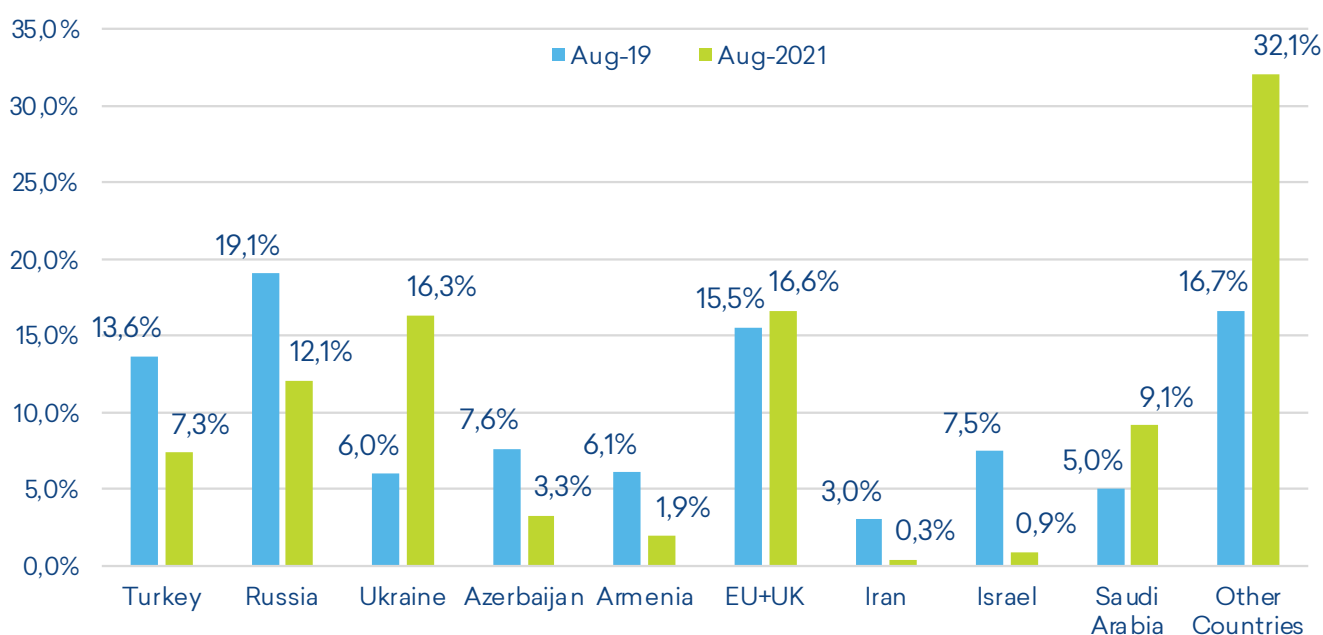
A share of Ukraine increased significantly by 10 percentage point and reached 16.3% in August 2021. Rise can be ob-

served for EU & UK and Saudi Arabia, with shares totaling 16.6% and 9.1%, respectively.

Results of drastic decrease in visitors from Israel can be seen in the share of Israel in total revenues. In July 2021 Israeli's share was 10%, while in August the share decreased to 0.9%.

FIGURE 10

## Share of countries in Revenues Generated by International Visitors



Source: NBG

Ukraine, EU & UK and Saudi Arabia still maintain high, 42% share in total revenues generated from international visitors in August 2021

Even though, in August Israel's share in revenues declined compared to the same period of 2019, its share in the revenues of January-August 2021 period still remained solid, 9%.

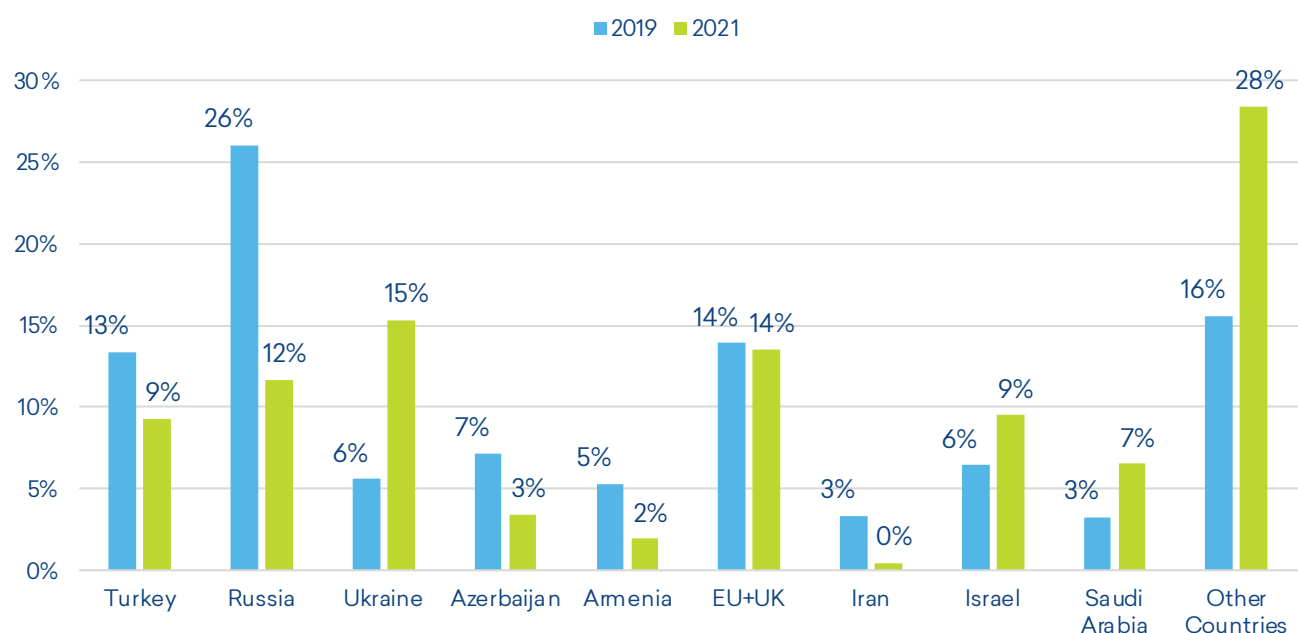
Share of Ukraine in revenues from international visitors in January-August 2021 increased significantly compared to

2019, from 6% to 15%. From the neighbor countries, Russia holds the biggest, 12% share in revenues generated from international tourists in 8 months of 2021, however is still far behind its 2019 level, 26%.

In the first eight months of 2021, neighbor countries' share in the revenues generated by visitors declined significantly, compared to the same period of 2019, from 52% in January-August 2019 to 26% in the same period of 2021.

FIGURE 11

## Share of countries in Revenues Generated by International Visitors (January-August)



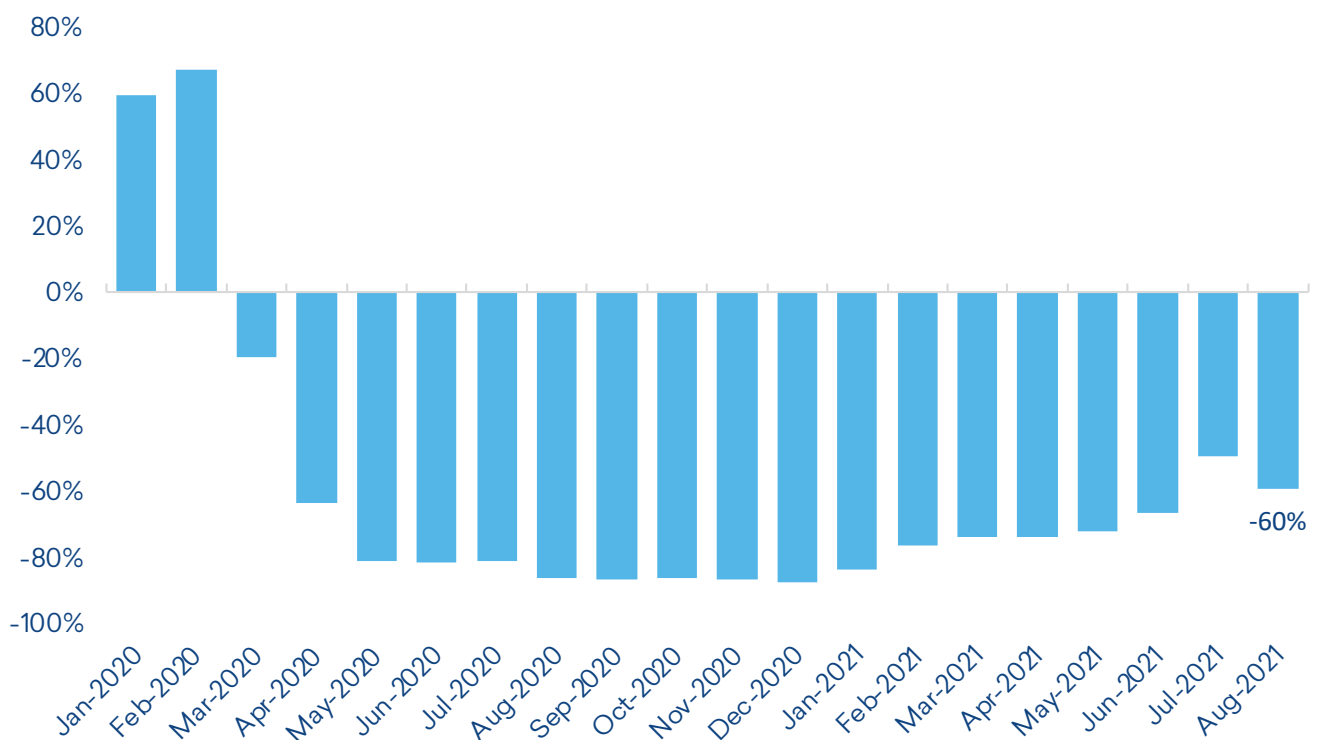
Source: NBG



After a gradual improvement since the beginning of the year, effects of increased covid risks also hit the Tbilisi's Airbnb market. Growth of market revenue, relative to 2019, totaled -60%, down from -50% in July.

FIGURE 12

### Tbilisi Airbnb Market Revenue (change relative to 2019)



Source: Airdna

# Hotels in Georgia: The last month of Summer 2021

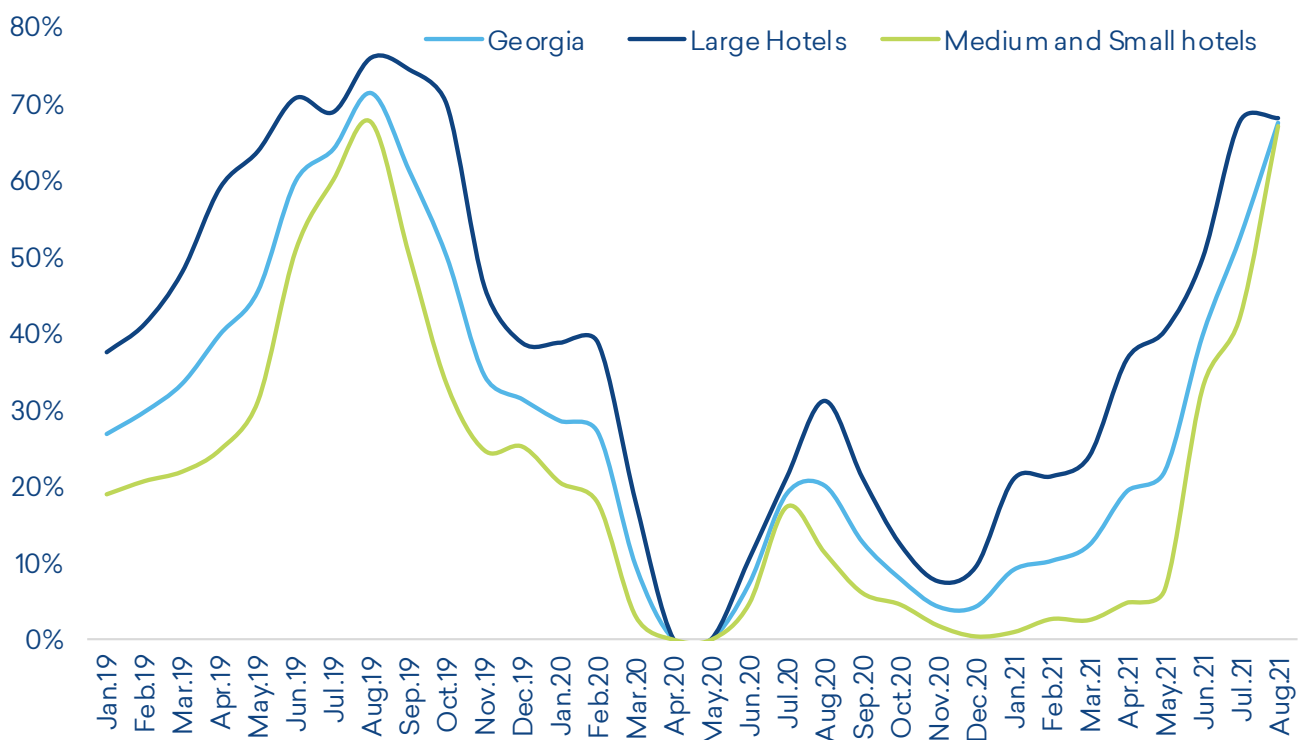
Normally, average occupancy in hotels in Georgia is high in the last month of summer and August 2021 was no exception. Average occupancy in hotels amounted to 67%.

Average occupancy also increased in medium and small hotels and totaled 67%, up from 42% in July 2021.

As for large hotels, occupancy totaled 68%, only 11% behind its 2019 level. Improvement in occupancy, compared to July, can be explained not only by 15% MoM increase of international visitors in August 2021, but also by the strong demand from domestic tourists.

FIGURE 13

## Average Hotel Occupancy



Source: TBC Capital survey;

\* Large hotels: more than 80 rooms, small and medium hotels: less than 80 rooms



In August 2021, average occupancy in hotels of Tbilisi totaled 73%, only 6% behind its 2019 level. As for Seaside, occupancy stood at 64%, which is 11% lower than the same period of 2019.

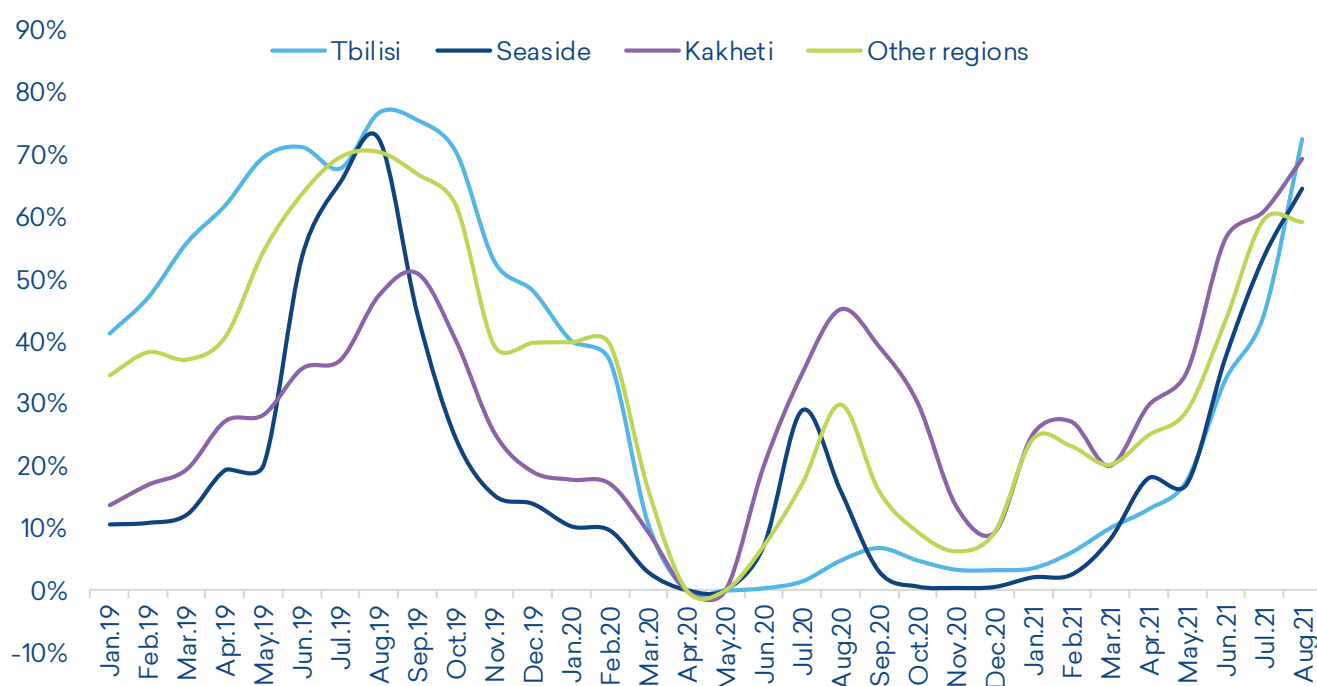
August 2021 was especially fruitful for hotels in Kakheti. The average occupancy in Kakheti improved noticeably

compared to the previous month and totaled 69%, surpassing its 2019 level by 22 percentage points.

Strong domestic demand has largely contributed to high level of occupancy in hotels outside Tbilisi.

FIGURE 14

## Average Hotel Occupancy by Region



Source: TBC Capital survey

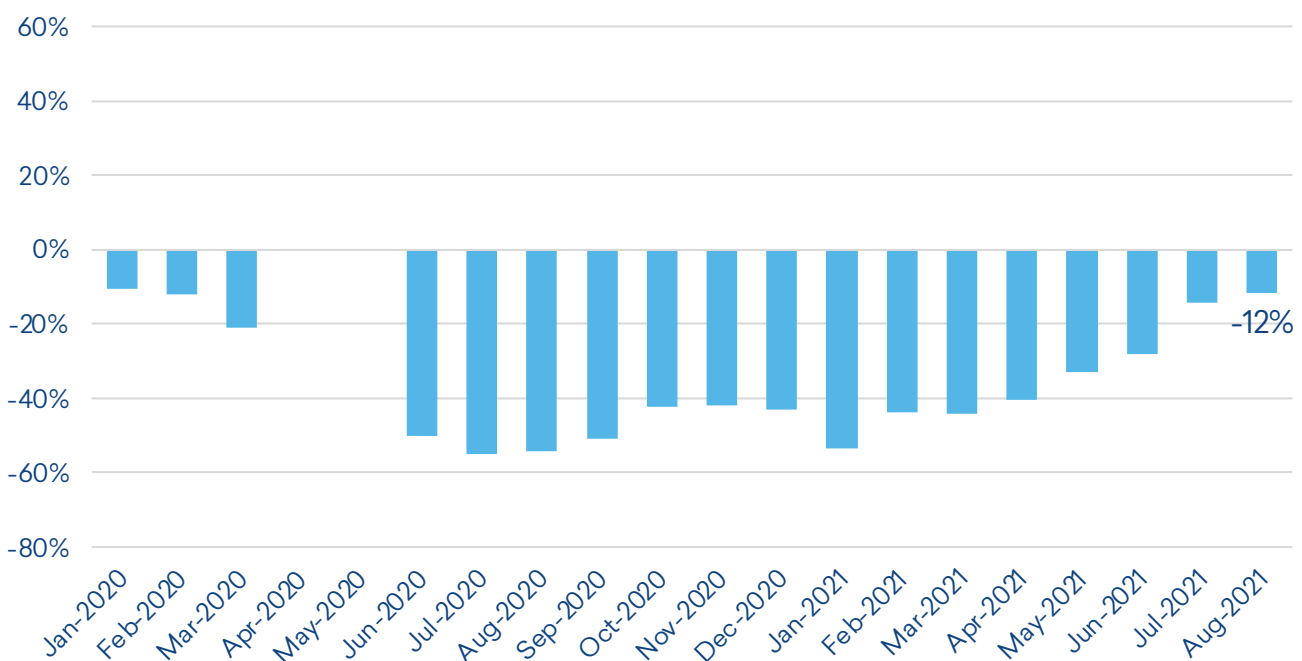
Even though, growth of international visitors slowed down in August 2021 compared to 2019, ADR continued to recover.

Average Daily Rate in hotels was only 12% below its August 2019 level. Factors like high occupancy in hotels and active domestic tourism played pivotal role in this recovery.

Traditionally, in Georgia number of international visitors start to decline from September, as peak summer season is over. This, coupled with Covid risks still at place, could translate into a hampered recovery of ADR and Occupancy in autumn 2021.

FIGURE 15

### Average Daily Rate (change relative to 2019)



Source: TBC Capital survey



Growth of non-cash spending in hotels through TBC Bank's channels, was also affected by interrupted recovery of international visitors. In August, total non-cash spending was 13% behind its 2019 level, while in July it stood only 4% below its 2019 level.

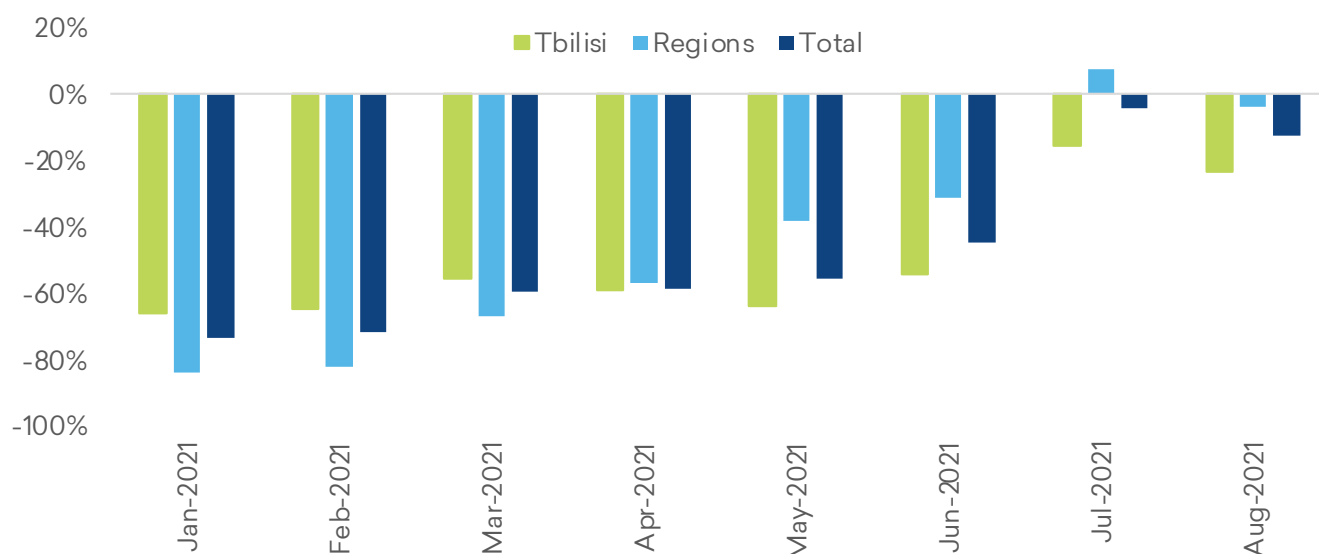
A decline was observed in Tbilisi, where non-cash spending was 23% less than in

August 2019, whereas in July 2021 non-cash spending in Tbilisi was 16% less than its 2019 level.

Non-cash spending in regions rebounded in July 2021 and showed 7% increase compared to July 2019. This positive growth trend did not continue in August 2021 - the spending moved to negative territory and was 4% lower than in August 2019.

FIGURE 16

## Non-cash spending in hotels by region (change relative to 2019)



Source: TBC Bank

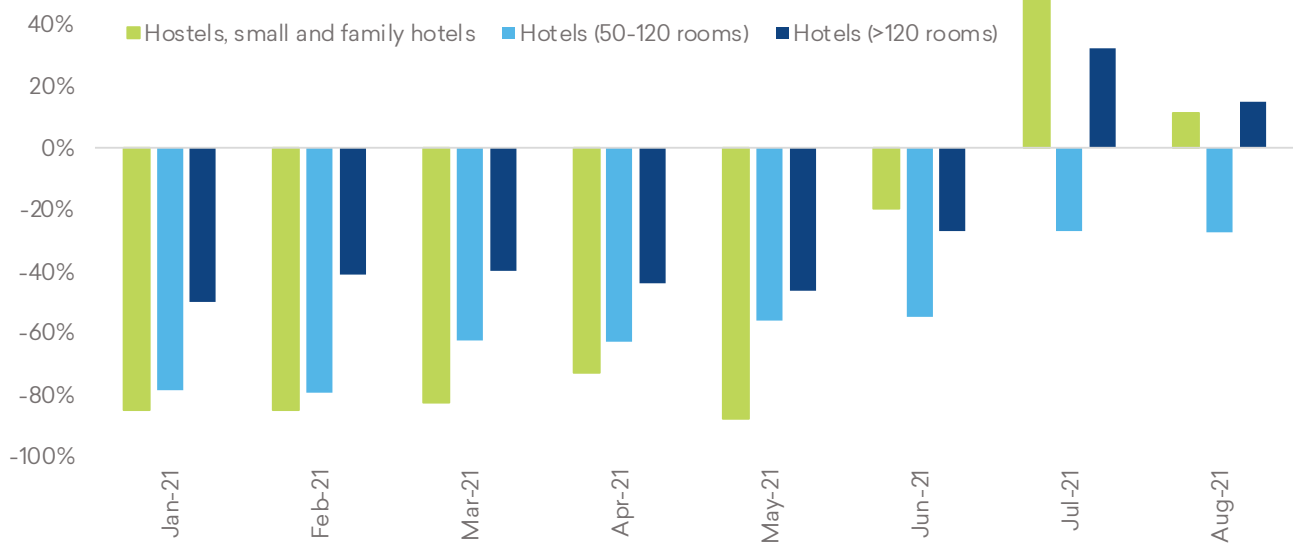
In August 2021, non-cash spending in hotels was still on the positive growth territory in Hostels, small and family hotels and totaled 11.2%, however it is a solid decline compared to the previous month (49.1%). The notable growth of non-cash spending in July and August 2021 compared to same months of 2019 can be explained by higher penetration of noncash payment instruments in hostels and small, family hotels.

Recovery of non cash spending in hotels with 50-120 rooms to its 2019 level did not change significantly in August 2021 and stood at 77.5%.

Change of non-cash spending in large hotels with more than 120 rooms amounted to 14.8%, down from 32.1% in July 2021.

FIGURE 17

## Non-cash spending in hotels by size (change relative to 2019)



Source: TBC Bank

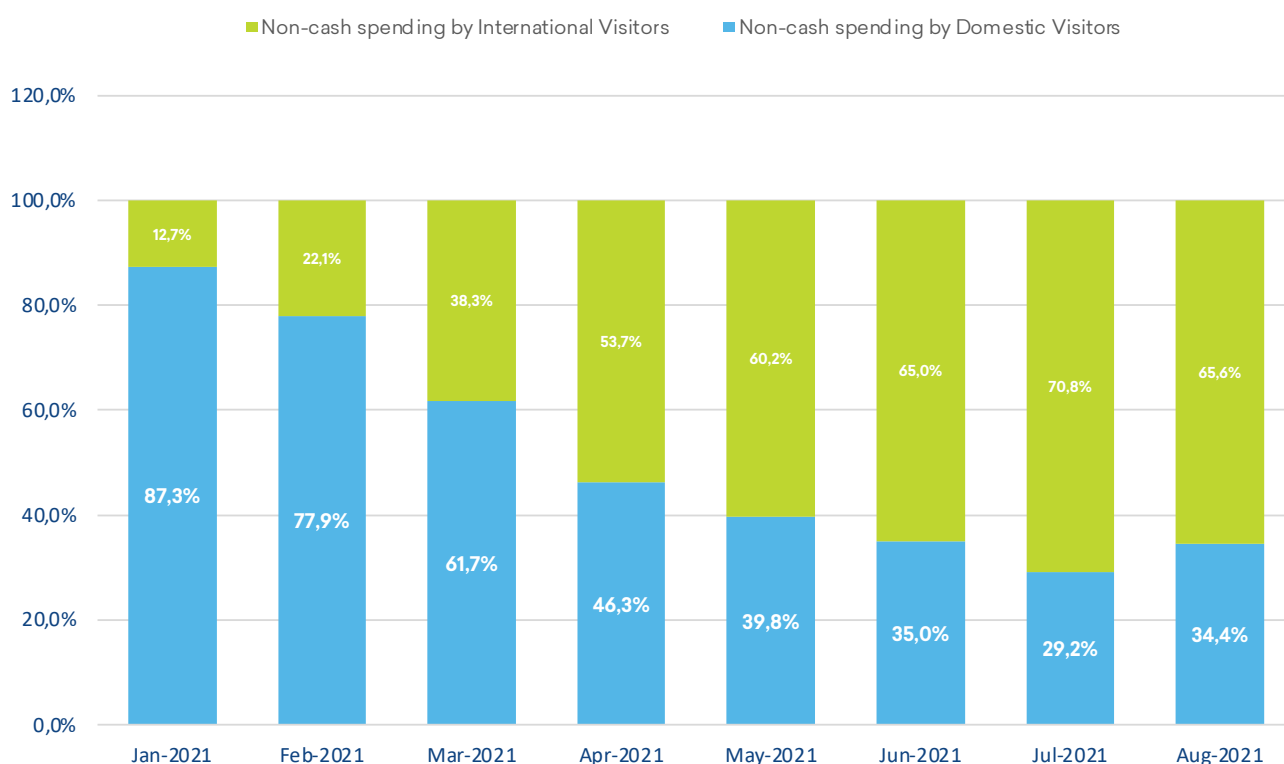
Since January 2021, share of international visitors has been increasing in total non-cash expenditure in hotels, through TBC Bank's channels. The trend, however, changed in August.

In August 2021, the share of international visitors in non-cash spending in hotels declined to 65.6% from 70.8% in July 2021.

Decline of international visitors' share can be explained by relatively lower, only 15% MoM increase of visitors in August and higher domestic demand.

FIGURE 18

## Share in non-cash expenditures in hotels



Source: TBC Bank

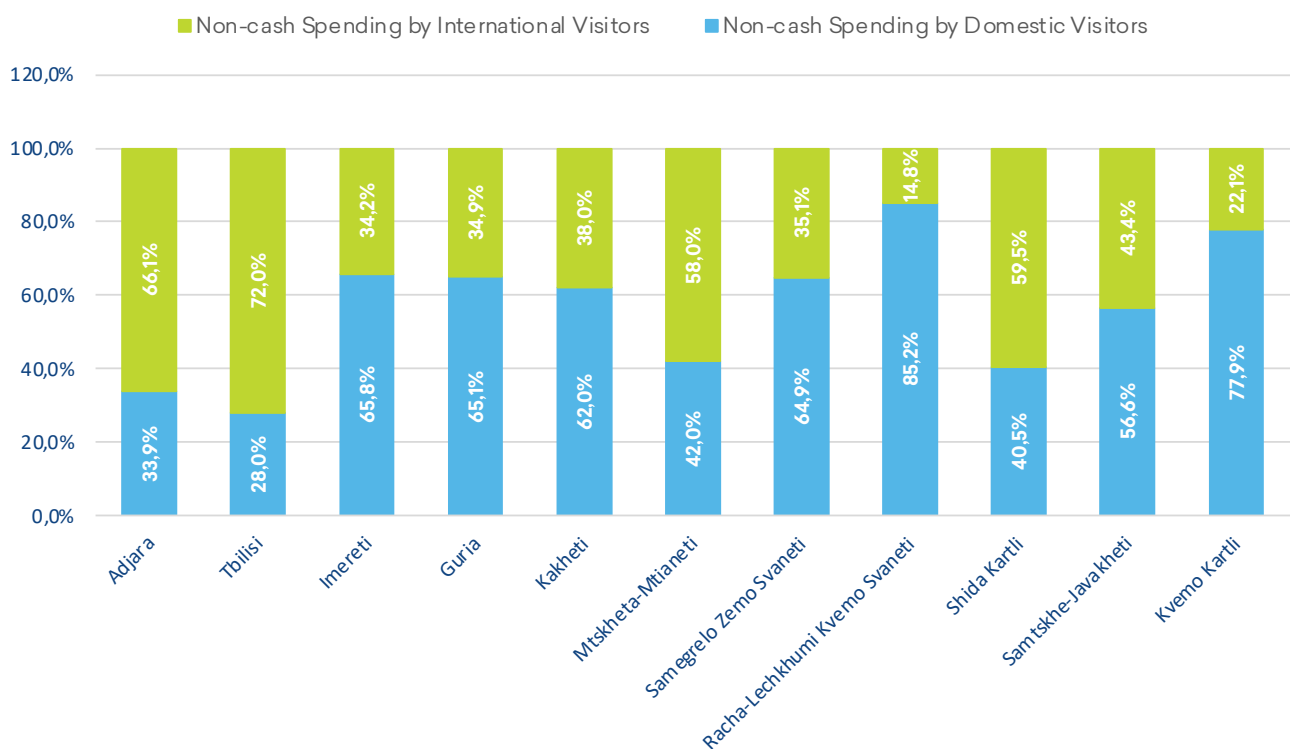


Numbers show, in terms of non-cash spending in hotels (through TBC Bank's channels), Tbilisi, Adjara, Shida Kartli, and Mtskheta-Mtianeti are dominated by international visitors. Their shares in hotel non-cash spending are the following: Tbilisi – 72%, Adjara – 66.1%, Shida Kartli – 59.5%, Mtskheta-Mtianeti – 58%.

As for domestic tourists, their share prevails in Racha-Lechkumi (85.2%), Kvemo Kartli (77.9%), and Imereti (65.8%), Guria (65.1%), and Kakheti (62%).

FIGURE 19

### Share in non-cash expenditures in hotels by region



Source: TBC Bank

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