



**TBC CAPITAL**

# Tourism: Resilient March

**MONTHLY WATCH**

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# March in Brief

March 2022 VS March 2019



## INTERNATIONAL VISITOR TRIPS

RECOVERED BY 37% ▲



## INTERNATIONAL TRAVEL RECEIPTS

RECOVERED BY 71% ▲



## OCCUPANCY RATE

RECOVERED BY 118% ▲



## AVERAGE NUMBER OF JOBS IN TOURISM INDUSTRIES

RECOVERED BY 74% ▲ IN 2021

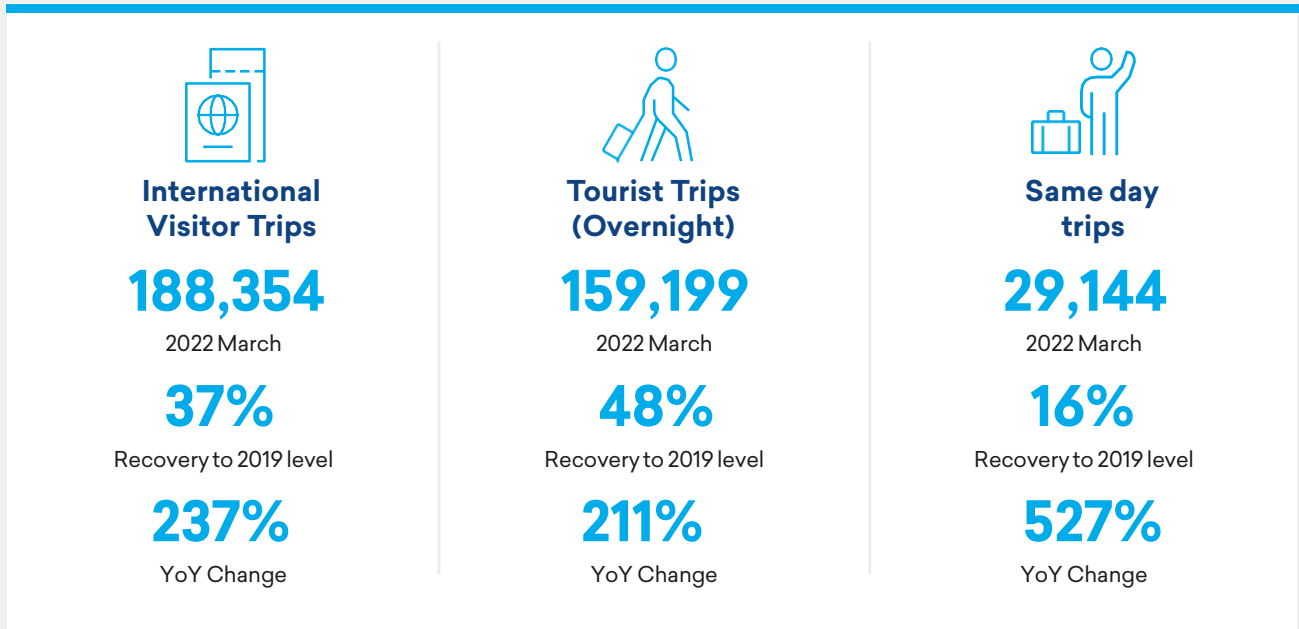


## SHARE OF GROSS VALUE ADDED OF TOURISM INDUSTRIES (GVATI)

RECOVERED BY 76% ▲ IN 2021

6.4%

# Recovery of International Visitor Trips



In March, international visitor trips continued to increase, posting recovery of 49% during the **three months** in 2022.

Conditions for the industry relative to previous years, were significantly improved, the ski season continued more than 4 month due to favorable weather, unrestricted flights, – hence the impressive YoY growth of international visitor trips.

International visitor trips through air **borders** amounting to 42% of total trips showed 59% recovery, while trips through land borders with significantly higher share 57%, recovered to 29% of 2019 level.

**Airport** of Tbilisi was the busiest border amounting to 30% of all trips to Georgia. This was followed by Sarpi (Turkish border) with 22% share in total trips, Sadakhlo (Armenian border) at 11%, Kazbegi (Russian border) - 9%, and Tsiteli Khidi (Azerbaijan border) at 9%. The sum of international visitor trips from these five borders accounted for 81% of all trips.

Most visitor trips to Georgia were conducted by male visitors 71%, while female trips amounted to 29%. The largest number of visitor trips were within the 31-50 age category – 51%.



## Source Markets of Georgia in March 2022

The share of **neighboring countries** was almost half of international visitor trips, 54%, noticeable decrease of their share compared to 74% registered in March 2019. Turkey held the lead with 23%, followed by Russia - 12% and Armenia - 12%.

**Israel** remained the leader among the non-neighboring countries with 7% share of visitors.

The share of the **EU+UK** increased and totaled 6%. The highest number of international visitor trips from the EU was registered from Poland (16%), Germany (16%), the UK (12%), Latvia (8%), and Lithuania (7%).

The **Middle East** accounted for 4% of all visitor trips, up from 1% in March of 2019. The Middle East was primarily represented by the following countries: Saudi Arabia (43%), Kuwait (18%), United Arab Emirates (9%), Jordan (9%), and Egypt (5%).

In March recovery has slowed down among

the non-neighboring countries compared to previous month as the conflict in Ukraine made some visitors to reconsider their visit to Georgia.

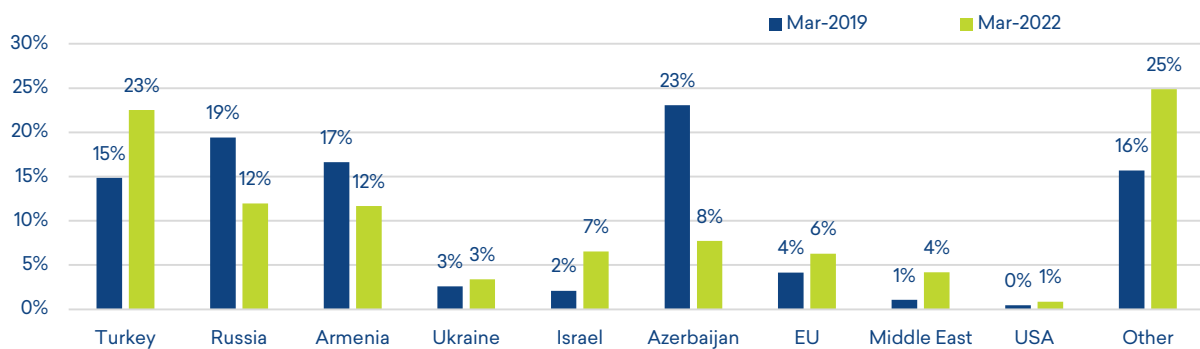
The **recovery** to 2019 level in the neighboring countries maintained slow pace in March 2022, with Azerbaijan registering the lowest rate among the neighbors (12%).

Israel and the Middle East region showed the highest growth, 16% and 47%, respectively.

The US and the EU remained on high level of recovery in March 2022, 57% and 69%, respectively.

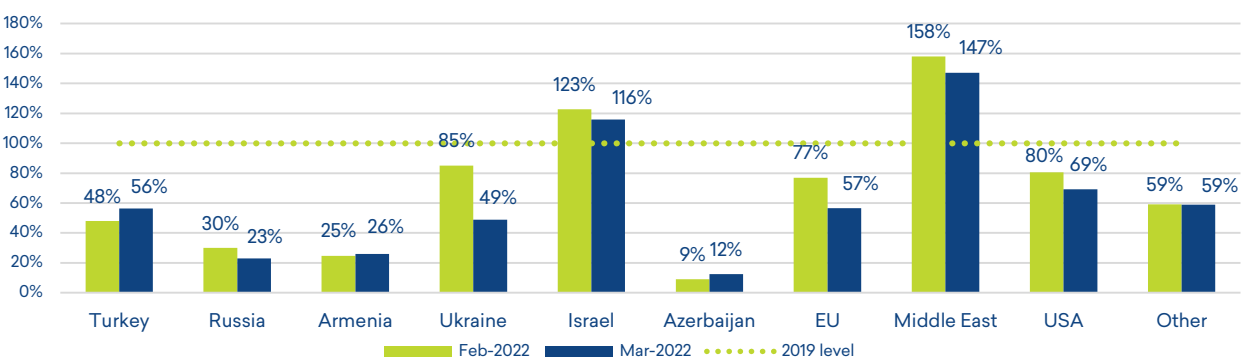
The impact of war on the source markets of Georgia was not as drastic as expected in the beginning of March. So far, the actual recovery of international visitor trips for the three months are in line with the TBC Capital's projections. TBC Capital will adjust projections in line with the new developments.

FIGURE 2 Shares of countries in International Visitor Trips



Source: The Ministry of Internal Affairs of Georgia

FIGURE 3 Recovery of International Visitor Trips



Source: The Ministry of Internal Affairs of Georgia

# Tourism - an Important Sector of the Economy



Recently Geostat updated two important tourism related economic indicators, gross value added of tourism industry (GVATI) and average number of jobs in tourism industry for 2021.

**GVATI** amounted to 3.34 billion GEL in 2021 with the 6.4% share. As a result, tourism’s gross value added, as a proportion of GDP, recovered by 76%. The value added in the tourism industry in 2021 was driven by transport (48%), accommodation (30%), food objects (21%), and travel companies (1%).

Average number of **jobs** in tourism industry recovered by 74% in 2021, amounting to 14K jobs.

In March 2022, the increased number of international visitor trips resulted into higher revenues from international travel, the latter reached the highest 71% recovery level relative to all previous years.

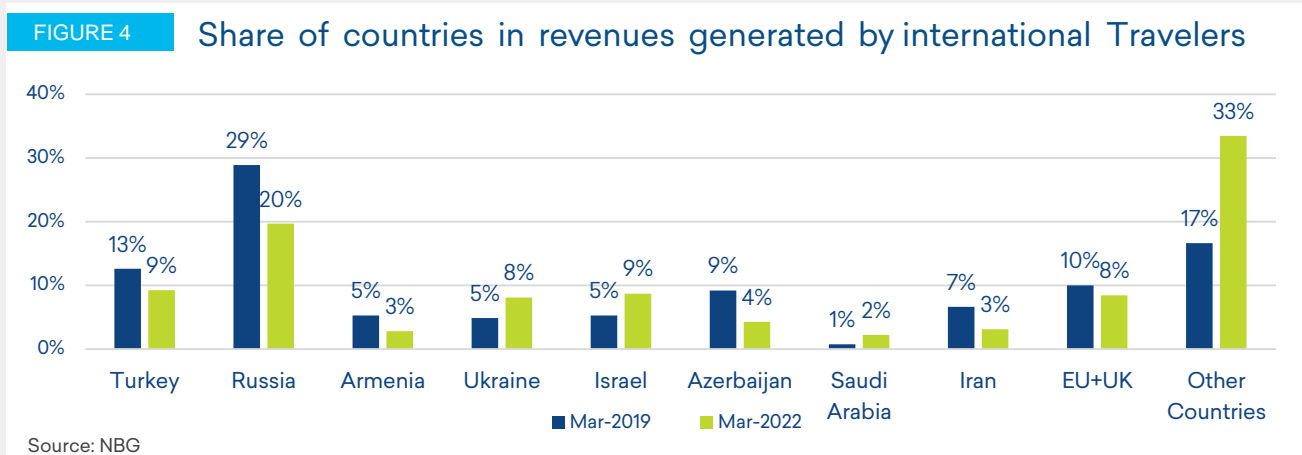
The share of neighboring countries significantly reduced in international travel receipts from 56% to 36% in March of 2022 compared to same period of 2019.

**Ukraine** and **Israel** have notably surpassed the 2019 level of international travel receipts, 8% and 9%, respectively.

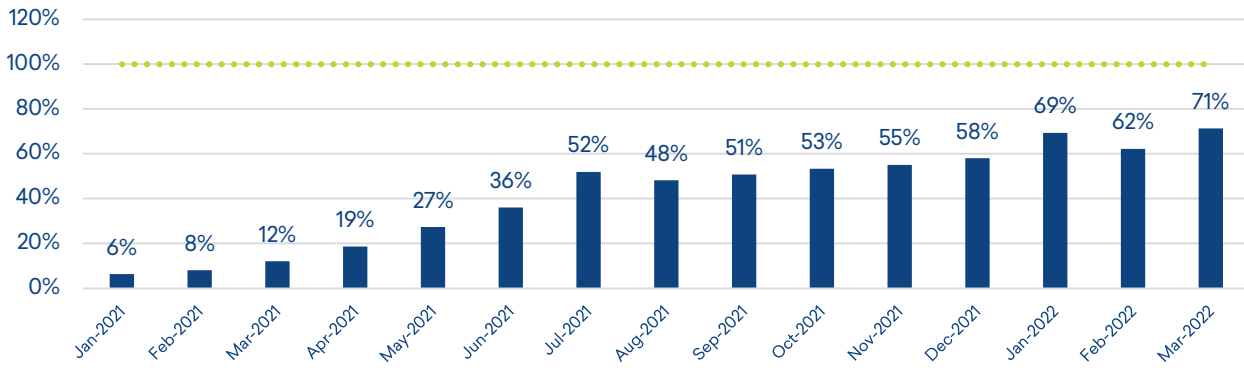
The **EU’s** share marginally decreased and amounted to 8% relative to 2019.

The share of Saudi Arabia from the **Middle East** region registered slight increment relative to the same period of 2019.

The forecast of TBC Capital coincides with the actual recovery of travel receipts of three months, 68%. TBC Capital will update projections accordingly.



**FIGURE 5** Recovery of revenues from travelers compared to 2019 level

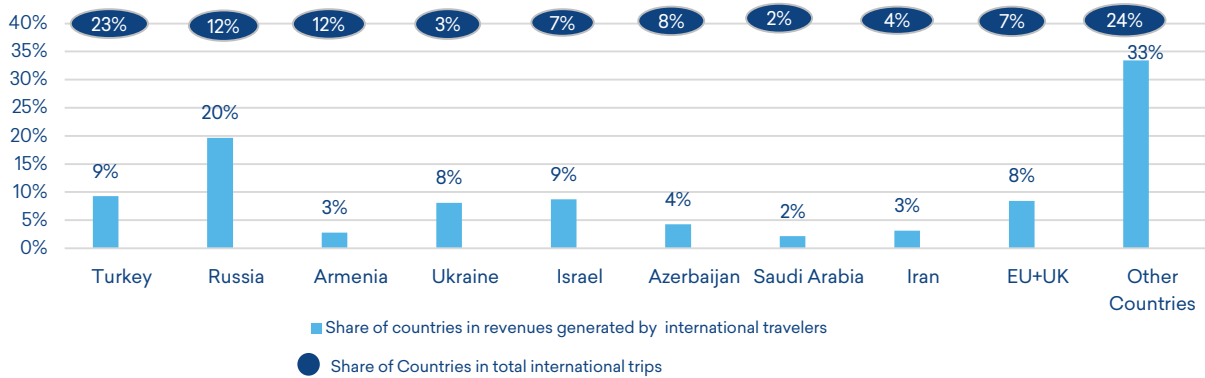


Source: NBG

In March 2022, **Russia, Ukraine, EU+UK, Turkey, and Israel** were major sources of tourism receipts. Visitor trips translated differently in travel revenues for different countries: Armenia, holding 12% in visitor trips contributed moderate 3% to travel receipts, while Ukraine held 8% in the revenues with only 3% share in international visitor trips.

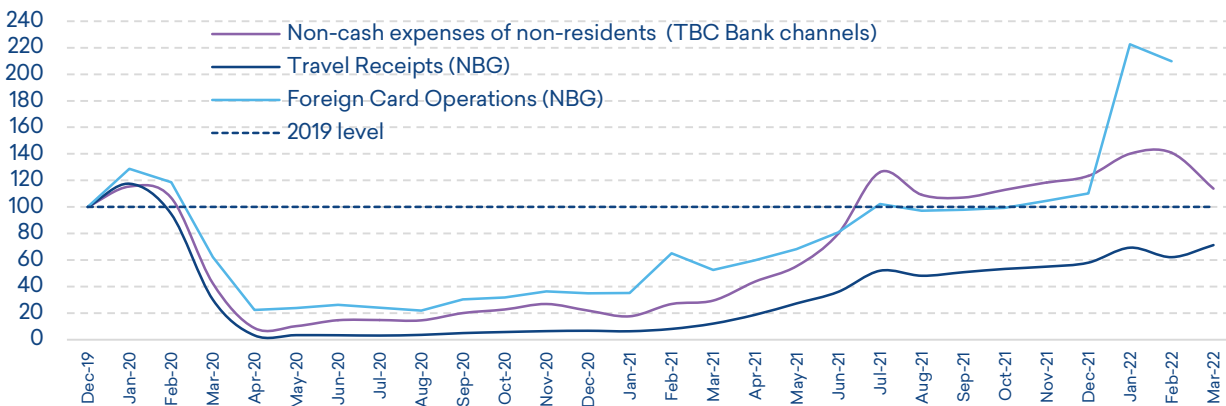
**Non-cash expenditure** of non-residents through all channels in Georgia showed positive trend, while through TBC Bank channels, it posted significant decline and exceeded 2019 level by 14%. The possible reason behind this outcome can be the increased cash spending of non-residents.

**FIGURE 6** International visitor trips and International Travel receipts by countries (Mar)



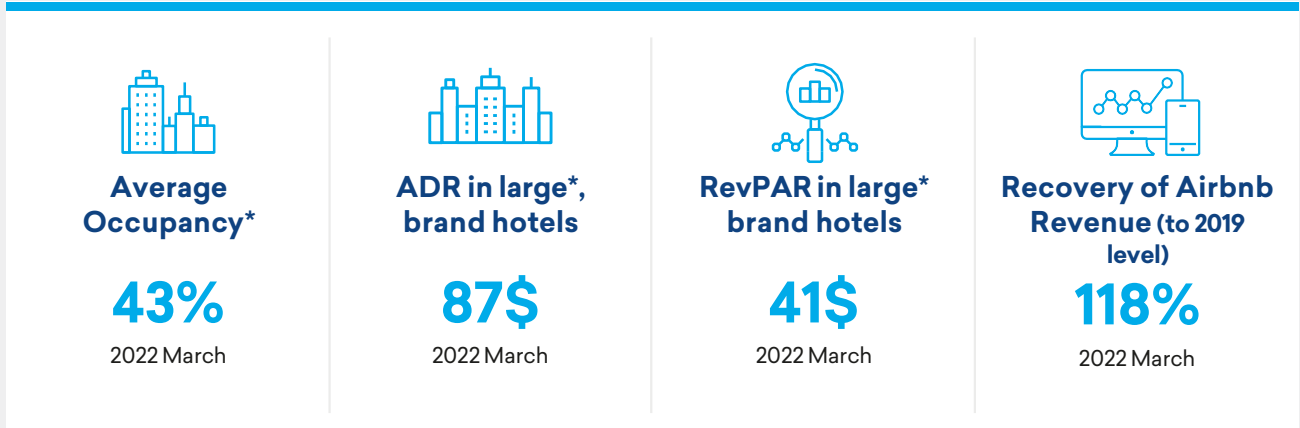
Source: The Ministry of Internal Affairs of Georgia, NBG

**FIGURE 7** Recovery of economic indicators compared to 2019 level



Source: NBG, TBC Bank

# Hotels in Georgia



In March 2022, the average **occupancy** increased relative to March 2019 by 10 percentage points. The reasons behind a better performance might lay in war in Ukraine and a limited choice of hotels (caused by the pandemic).

Kakheti continued to enjoy high occupancy levels. Average occupancy in hotels in other regions and in Tbilisi decreased, relative to March 2019.

**Average daily rate** in large, brand hotels decreased by 22% in March relative to March 2019. The decrease of ADR indicates hotels attempting to keep occupancy high.

**Non-cash spending** in hotels, through TBC Bank’s channels, decreased by 41% in March, relative to 2019. Hotels across the regions and in Tbilisi were 34% and 45% behind their 2019 levels, respectively.

In March 2022, in hotels with 50-120 rooms, growth of non-cash spending, through TBC Bank’s channels, moved to the negative growth territory, amounting to 44% relative to 2019. Expenses in hotels with more than 120 rooms remained behind 2019 level by 36%. Spending remained on negative growth territory in Hostels and small and family hotels.

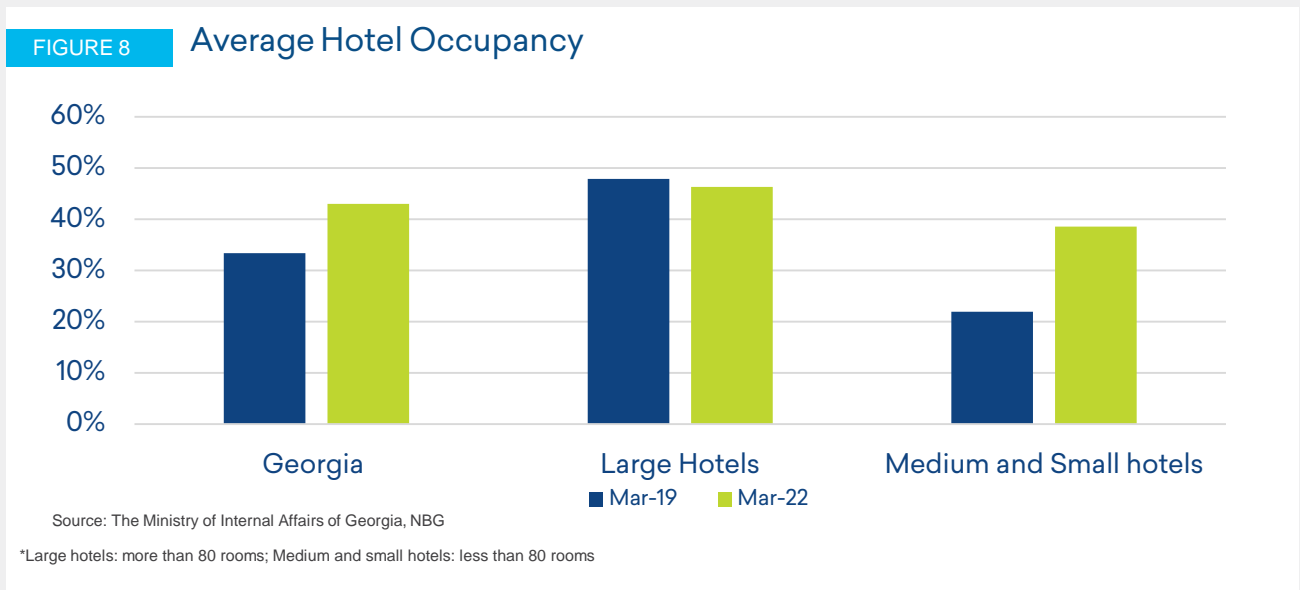
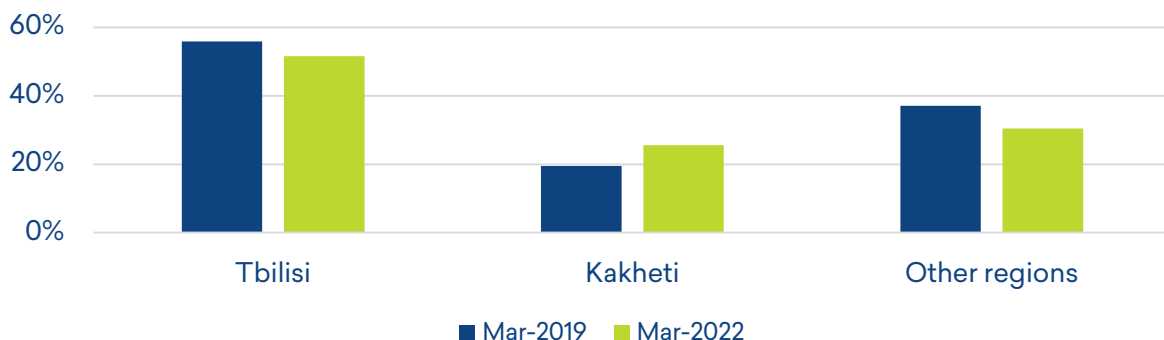


FIGURE 9 Average Hotel Occupancy by Region



Source: TBC Bank

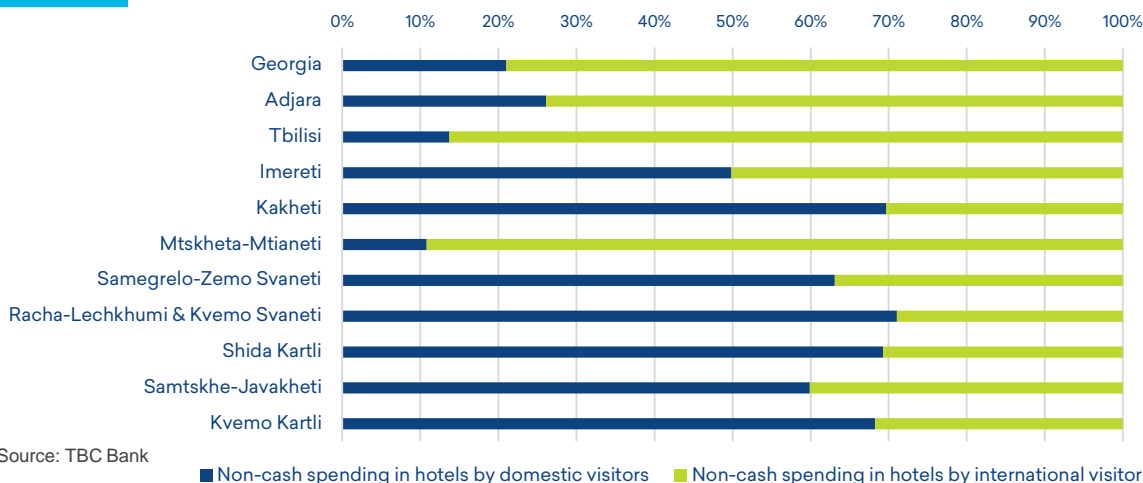
In March 2022, the share of international visitors in non-cash spending in hotels of Georgia, through TBC Bank’s channels, totaled 79%.

The share of international visitors in total non-cash expenditures in hotels was highest in Mtskheta-Mtianeti (89%) (due to arrivals in Ski resort of Gudauri), in Tbilisi (86%), and Adjara (74%), whereas spending by domestic visitors was dominant in Shida Kartli, Kakheti, and Racha-Lechkhumi & Kvemo Svaneti.

Distribution of non-cash spending of international visitors in hotels was uneven among the regions.

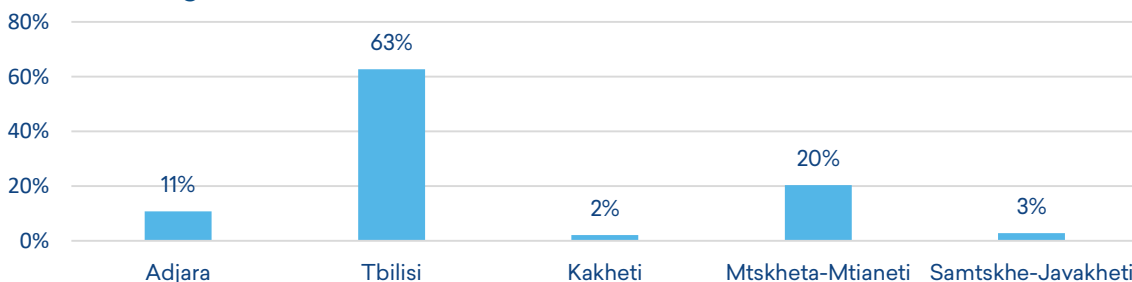
The share of Mtskheta-Mtianeti comes after Tbilisi due to the winter season in Gudauri and Kazbegi. The same reason explains the high share of Samtskhe-Javakheti, famous for winter resort Bakuriani.

FIGURE 10 International and domestic non-cash spending in hotels by regions (Mar)



Source: TBC Bank

FIGURE 11 Distribution of non-cash spending of international visitors in hotels by regions (Mar)



Source: TBC Bank



# Forecast

Scenario 1 Timely Resolution of War	Scenario 2 Delayed Resolution of War
Invasion is relatively short-lived. Part of Ukraine is challenged, however, an uneasy peace returns	The war continues for more than a quarter.
Sanctions are imposed on Russia, however, Russia continues to export energy to Europe using carve-out regarding energy payments and there is only temporary cut-off from SWIFT system for most of the banks. Though, Nord Stream 2 is blocked.	The West imposes full-scale sanctions, including cutoff from SWIFT system and export bans on energy sector, carve-out clause regarding energy payments is abolished.
There is some lifting of the other sanctions, but the process is only gradual.	Russia's own financial messaging system, cryptocurrencies or underlying technologies do not serve as an effective alternative of SWIFT for the international payments, though, domestic payments system continues to operate.
Unlike 2014-2015 shock, oil & gas and other commodity prices surge, being important for both economies.	Energy prices still surge before normalizing to around \$120 by the end of the year.
In 2022 Ukrainian economy shrinks by around 10-15%, and Russian one by around 4%.	In this scenario, in 2022 Ukrainian economy shrinks by around 20% and Russian one by 7-10%.





As the war unfolds in the region, measuring its possible negative impacts on Georgian tourism industry becomes extremely important. We assessed the outcomes of the war in Ukraine for the tourism industries under two possible scenarios: timely and delayed resolution of war. In these scenarios tourism recovery is stronger than in previous two years due to the varied effect of war on source markets.

Ukraine, Russia, Belarus, and Armenia the major source markets for Georgia are affected the most by economic implications of war. Furthermore, war creates a risk for the region to be perceived as an unsafe destination by markets such as EU, USA, Middle East and Israel stay on growth territory in both scenarios.







Migration caused by the war might push up travel receipts. In timely resolution scenario migration lasts for a shorter period and adds around USD 60m to tourism receipts. In delayed resolution scenario migration is responsible for additional USD 110m of tourism receipts.

See following link for the publication on the effects of the war on tourism industry:

[Tourism: What is at Stake?](#)

	2020 Actual	2021 Actual	2022 Expected results, without war	2022 Scenario 1 Timely Resolution of war	2022 Scenario 2 Delayed Resolution of war
 <b>International Visitor Trips</b> Recovery to 2019	20%	22%	62%	47%	40%
 <b>International Travel Receipts</b> Recovery to 2019	17%	38%	85%	68%	56%
 <b>Occupancy</b>	21%	44%	54%	45%	37%
 <b>ADR</b>	\$64	\$85	\$100	\$89	\$79

## Glossary

 <p>International Visitor Trips</p>	<p>International visitor is a non-resident traveler aged 15 or older taking a trip to Georgia outside of his / her usual environment, for less than a year. To define the “usual environment” in Georgia, travelers conducting eight or more trips are excluded from the data.</p>
 <p>Tourist Trips (Overnight)</p>	<p>A visitor is classified as a tourist (or overnight visitor) if his/her trip includes an overnight stay.</p>
 <p>Same Day Trips</p>	<p>A visitor is classified as a same-day visitor (or excursionist) if his/her trip does not include an overnight stay.</p>
 <p>Gross value added of Tourism industries (GVATI)</p>	<p>Gross value added of tourism industries (GVATI) is the total gross value added of all establishments belonging to tourism industries, regardless of whether all their output is provided to visitors and the degree of specialization of their production process.</p>
 <p>Number of jobs in Tourism industry</p>	<p>Tourism Industries provide services to both tourists and non-tourists. This fact complicates estimation of tourism related indicators without proper international methodology and availability of data. For this reason, proposed indicator focuses on the tourism industries relying almost entirely on tourism: Air Transport, Accommodation, Travel Agency.</p>
 <p>Occupancy rate, ADR, RevPAR</p>	<p>Occupancy rate - the ratio of rented or used space to the total amount of available space.            ADR – The average daily rate (ADR) measures the average rental revenue earned for an occupied room per day.             RevPAR-Revenue per Available room measures the average rental revenue earned for an available room per day.</p>

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