



TOURISM UPDATE

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Quarterly Watch

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TBC CAPITAL

2023 IN BRIEF

2023 vs 2019

80%



INTERNATIONAL VISITOR
TRIPS RECOVERED BY 80%

127%



INTERNATIONAL TRAVEL
RECEIPTS RECOVERED BY 127%

58%



AVERAGE OCCUPANCY
RATE

\$125



ADR in large Hotels

The main highlights of tourism in 2023 and 2024 travel industry outlook

- World tourism rebounded to 88% of pre-pandemic levels by the end of 2023, with a strong trajectory expected to continue into 2024
- The recovery of Georgia's tourism lags behind the world's figure and posted 80% recovery in 2023 compared to 2019. The region's volatile geopolitical situation is noticeably shaping the trajectory of tourism development in Georgia. There is considerable potential for further growth in demand, primarily because the recovery still lags behind the levels observed in 2019.
- Turkey and Israel performed strongest in 2023, registered 121% and 106% recovery rate, respectively, compared to 2019. However, Israel experienced a declining trend in tourist flow in the fourth quarter of 2023. Israel's decline was attributed to the persistent conflict with Palestine, and a further decrease in tourist flow from Israel is anticipated in 2024.
- Azerbaijan, with a closed border, continues to register the lowest rate of visitor trip recovery among its neighbors at 13%. Recovery is not expected in the first two quarters of 2024.
- The number of international visits from the EU and UK showed a robust recovery, reaching 87% compared to 2019 levels. Further increases in tourist flow are anticipated, especially with the introduction of a new direct flight from Tbilisi in the second quarter of 2024.
- In 2023, revenue from travelers remained high compared to the 2019 level. However, the recovery of international travel receipts slowed down, reaching 128% and 127% in the third and fourth quarters of the year, respectively, compared to the robust 138% recovery rate in Q1 2023. Additionally, revenues in Q4 2023 were lower compared to the same period in 2022.
- The demand for hotels remains robust, particularly for high-budget establishments. In 2023, high-budget hotels witnessed a significant recovery, achieving an average occupancy rate of 58%, reflecting a notable 8-percentage point increase from 2022. A moderate increase of 4% in the occupancy rate is anticipated for 2024.
- Furthermore, the hotel industry experienced a remarkable recovery, with the average daily rate (ADR) in large hotels surpassing pre-pandemic 2019 levels by 3%.



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Source Markets of Georgia in 2023

In 2023, the number of international visitor trips reached more than 5.8 million, registering a significant annual growth rate of 23% compared to 2022. The recovery of international visitor trips compared to 2019 level reached 80%.

Despite a strong recovery throughout 2023, the last quarter saw a decrease in the overall recovery rate. The primary factor influencing this slowdown was Israel, due to the ongoing conflict with Palestine. Additionally, other contributing countries include Russia, Turkey, Ukraine, and Iran.

In 2023, neighboring countries showed notable differences in their recovery to 2019 levels, and Azerbaijan recorded the lowest rate at 13%. The main factor behind this limited recovery is the partially closed border on Azerbaijan's side, a measure related to COVID-19 regulations.

International trips from Russia saw a 96% recovery rate in 2023. While visitors from Russia exceeded 2019 levels in the third quarter, the pace slowed down in the last quarter. Turkey surpassed pre-pandemic figures, achieving the highest recovery among neighboring countries at 121%. Armenia, however, experienced a slightly reduced 60% recovery compared to the previous three quarters.

In the last quarter of 2023, Israel's recovery rate fell behind the 2019 figure for the first time, posting a 64% recovery. The total number of visitors in 2023 reached 106% of the 2019 level. The share of Ukraine in visitors marginally increased to 3%, with the recovery rate reaching 70% compared to 2019.

Other countries fully recovered and outperformed the number of visits registered in 2019 achieving a remarkable recovery rate of 135%.

FIGURE 1 Recovery of international visits compare to 2019 level

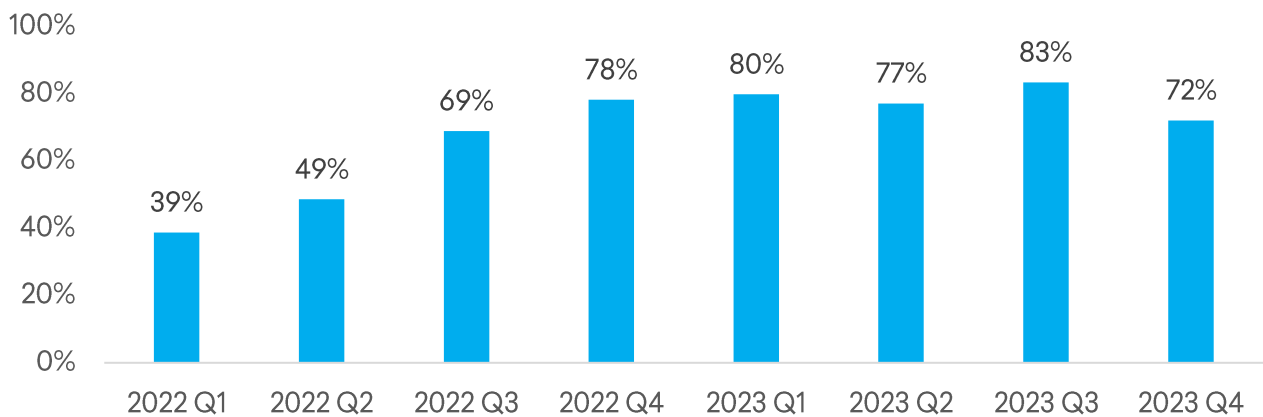
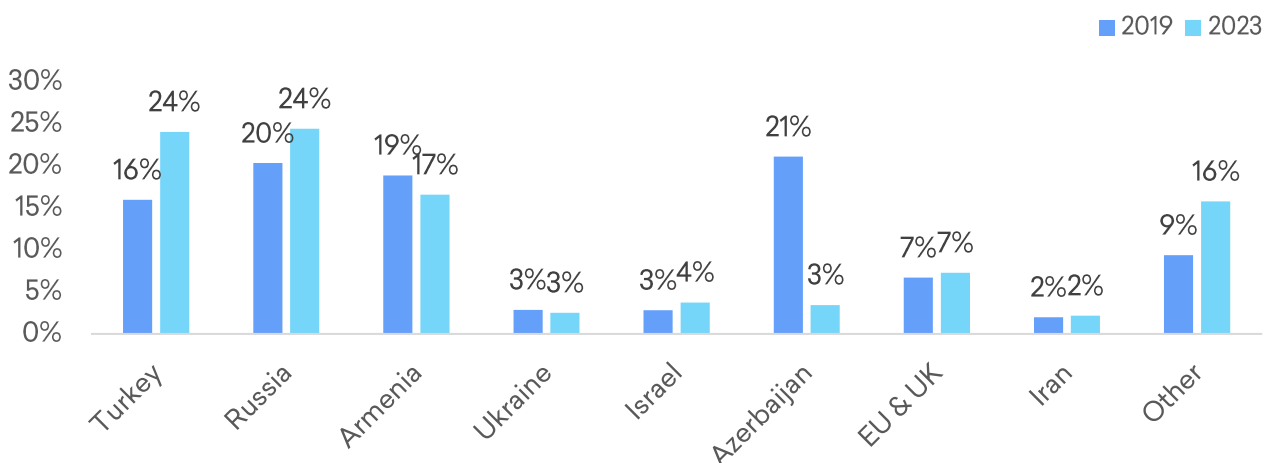


FIGURE 2 Shares of Countries in International Visitor Trips



Source: Geostat

Revenues from Tourism

In December 2023, the growth of international travel receipts surpassed the 2019 level by 27%.

The share of neighboring countries in international travel receipts slightly decreased, dropping to 45% in 2023 and falling behind the pre-pandemic level by 5 percentage points. The slight decrease in the shares of Azerbaijan and Armenia is the primary factor contributing to this difference.

The total revenue from Armenia in 2023 reached 84% of the 2019 level. Notably, the total receipts from Armenia in 2023 surpassed the 2022 level by 3%.

The share of Ukraine in international travel receipts continues to trail behind pre-pandemic levels. In contrast, the share of revenues received from tourists in Israel remains slightly above the 2019 level. However, there is an expectation that travel receipts from Israel may decline slightly in the coming months.

The EU's share in international travel receipts remains behind the 2019 level, amounting to 13%, while the 2019 figure stood at 15%.

In December 2023, the share of Saudi Arabia fell behind its pre-pandemic level and amounted to 2%.

FIGURE 3 Recovery of Revenues from Travelers relative to 2019 Level

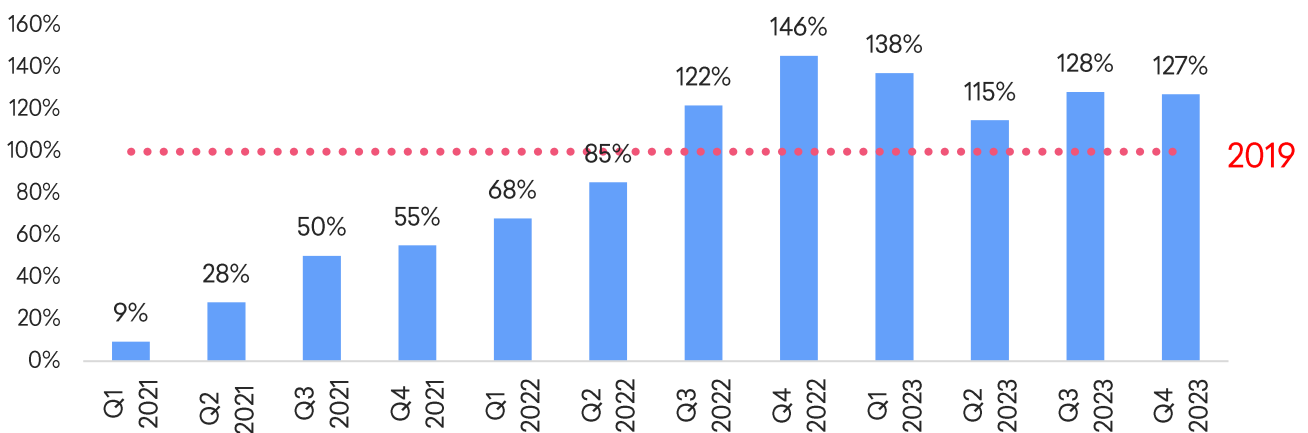
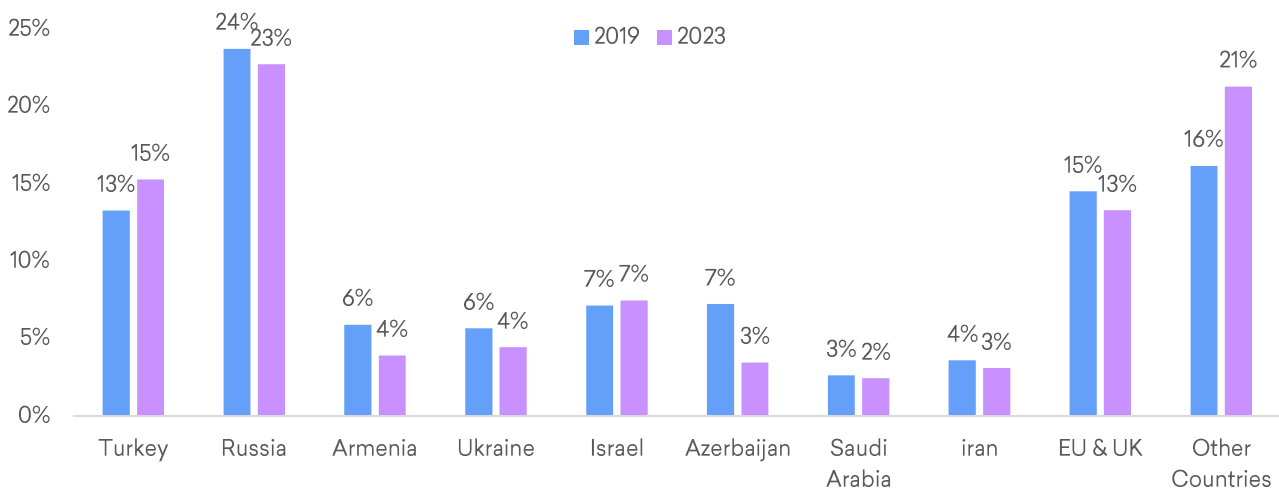


FIGURE 4 Share of Countries in Revenues Generated by International Travelers



Source: NBG

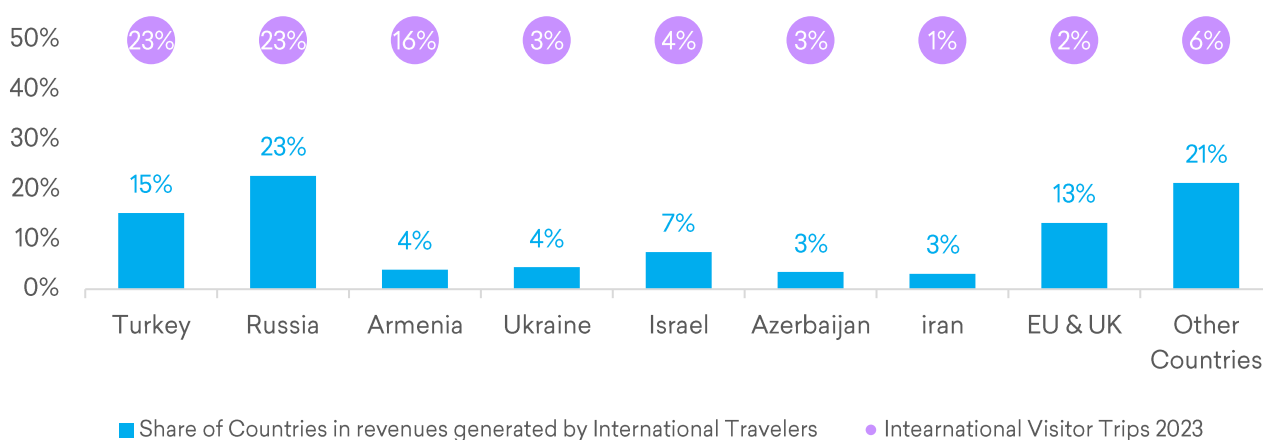
Economic Indicators

In quarter 2023, Russia, Turkey, Ukraine, Israel and EU+UK were the primary sources of tourism revenues. Visitor trips translated differently in travel revenues for different countries: Armenia, holding 17% of visitor trips, contributed a moderate 4% to travel receipts. Ukraine, with 3% share in international visitors held 4% share in revenues.

A significant portion of travel receipts, constituting 13% of the total, comes from the EU+UK. In terms of international visitor trips, EU+UK collectively holds a 7% share.

As for the other countries they held only 16% in international visitor trips, but their share in total revenues reached 21%.

FIGURE 5 International Visitor Trips and International Travel Receipts by Countries (2023)



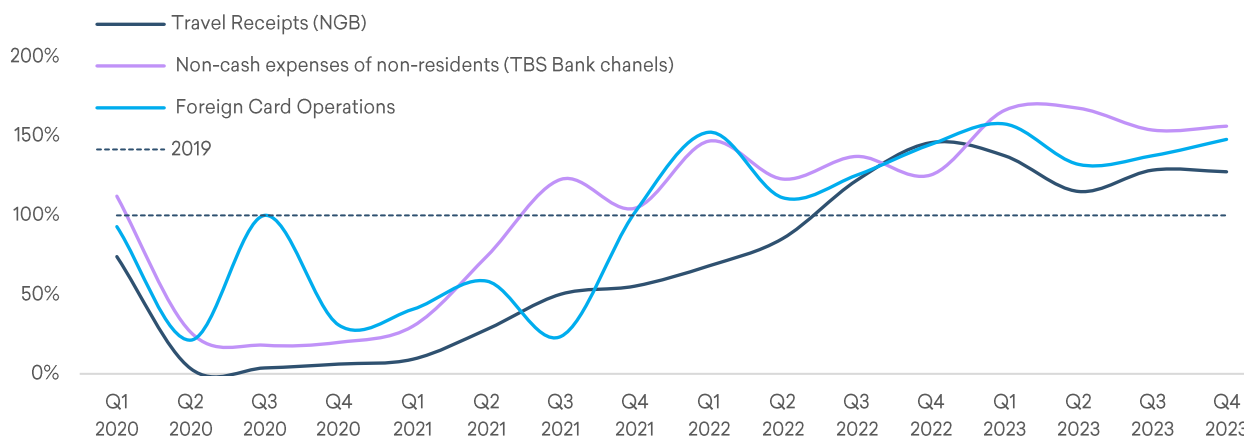
Source: Geostat, NBS

The non-cash expenditure of non-residents through various channels in Georgia showed significant improvement in 2023.

a substantial 21% growth compared to 2022. Moreover, it saw an impressive 60% growth when compared to the pre-pandemic levels of 2019.

In 2023, non-cash expenditure through TBC Bank's channels demonstrated

FIGURE 6 Recovery of Economic Indicators relative to 2019 Level



Source: NBS, TBC Bank

Hotels in Georgia



58%

2023



125\$

2023

In 2023, high-budget hotels experienced a notable recovery, with the average occupancy rate reaching 58%, a 8 percentage point increase from 2022. The final quarter of 2023 saw heightened occupancy levels, surpassing those of the same months in the previous year.

large hotels surpassing pre-pandemic 2019 levels by 3%. By the fourth quarter of 2023, the average room cost in high-budget hotels remained higher than 2022 levels, suggesting a sustained trend of increased room prices and continued industry resilience.

In 2023, the hotel industry experienced a remarkable recovery, with the average daily rate (ADR) in

High occupancy rates and elevated ADR indicated strong demand for hotel services, reflecting a positive trend in the sector's overall health.

FIGURE 7 Average cost of a room in high-budget hotels

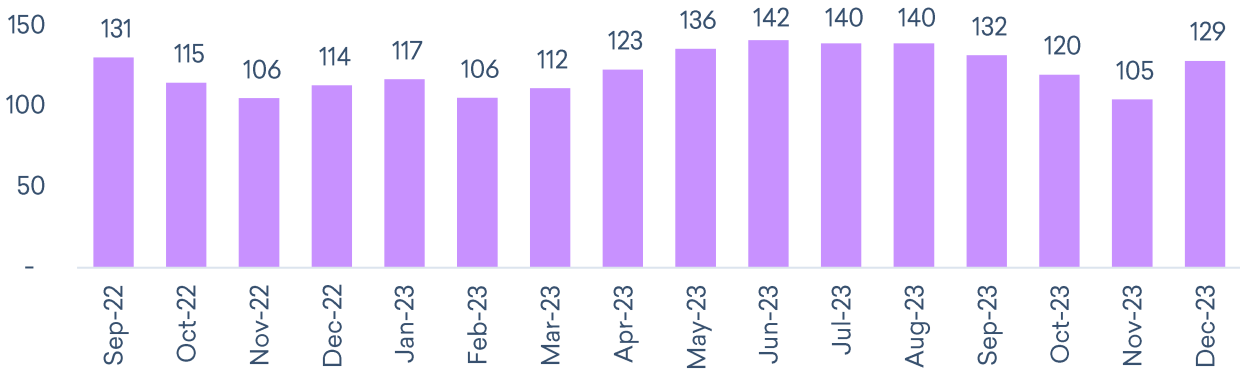
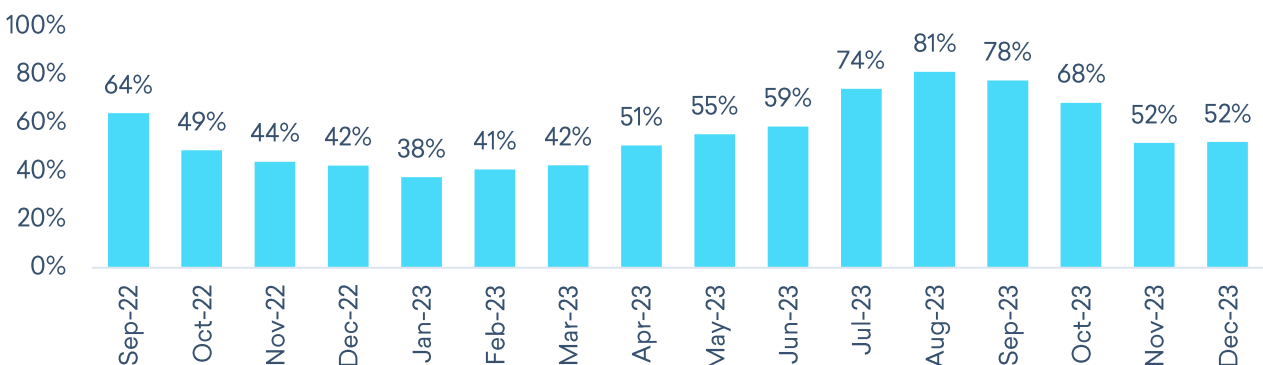


FIGURE 8 Average Hotel Occupancy in high-budget hotels



Source: TBC Capital

<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.</p> <p>ADR – The average daily rate (ADR) measures the average rental revenue earned for an occupied room per day.</p> <p>RevPAR-Revenue per Available room measures the average rental revenue earned for an available room per day.</p>

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