Consulting

Industry Insights

Tourism Sector

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The rapid growth of Armenian tourism industry illustrates the increased attractiveness of Armenia as a tourism destination, mainly due to increased country awareness and the improved infrastructure.

MAIN INDICATORS

Industry performance:
~4,7% of GDP of RA
~15,4% of exports
~ 285 mln USD capital investments

~ 330mln USD annual international tourism receipts

~ 19,500 employees in the sector;
~ 1,7% of workforce

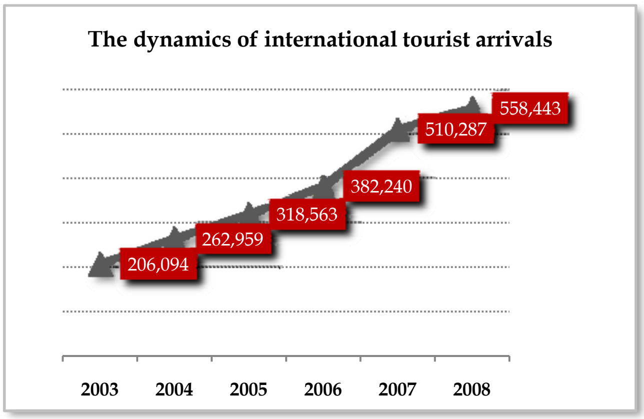
~558,443 inbound tourists
~515,547 outbound tourists

~62% share of Diaspora in the number of arrivals

~4,200 hotel rooms
~8,400 hotel beds

Travel and tourism competitiveness rank:
89th among 130 countries

MAJOR TRENDS: The major Armenian tourism destinations are Yerevan, Tsaghkadzor, Sevan, Jermuk and Dilijan. However, with a relatively well-developed infrastructure and service-oriented tourism cluster, only Yerevan has emerged as a hub for inbound tourism in the country.



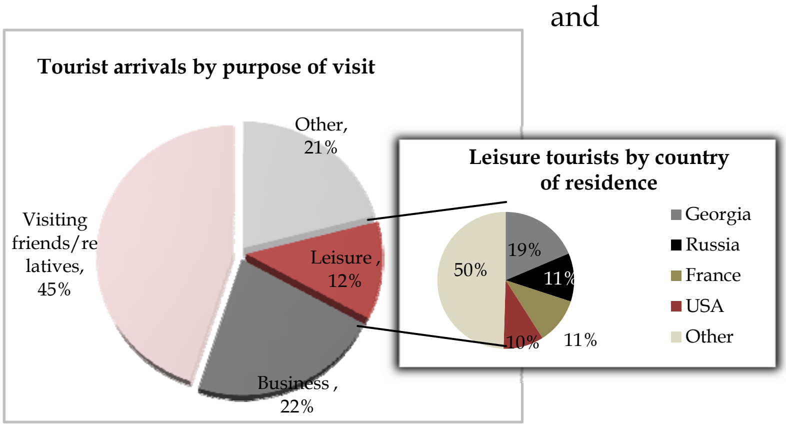
The country's major intrinsic tourism assets are *religion, historical and cultural monuments,* as well as natural conditions favorable for the development of *eco-tourism.* In addition, the elements of adventure and agro-tourism are claimed to be highly feasible for further commercialization in Armenia.

Severe seasonality fluctuation is by far one of the most limiting factors for the sectors development. The occupancy rates in the country's hotels are estimated to average at about 40-50%. The seasonality-caused challenges are starting to be mitigated by the development of resorts with diversified services, such as horseback tours, ethnographic activities, etc.

The distribution channels are still in embryonic levels and do not have structured outlines. The involvement of the tour operators is negligent both in local and inbound tourism industry. According to "Armenian Tourism Industry" Investment Handbook, only 17% of international leisure tourists are estimated to have arranged their visit through tour operators and agents.

DEVELOPMENT METRICS: The gradual improvement of hospitality sector in Armenia has resulted in stable growth dynamics of international tourist arrivals to the country, demonstrating a compound annual growth rate of 22% during 2003-2008. Notably, the sector has grown by 9% in 2008 (compared to 2007), despite the sociopolitical unrest in the country.

The country's tourism industry benefits considerably from the arrivals generated by the Diaspora, the share of which is about 60% in total. The main source countries of arrivals are Georgia and Russia, mainly due to the high concentration of Armenian Diaspora in these countries, the closeness of these countries to Armenia, as well as tight connections with the communities.



Leisure tourism still comprises considerably low share in the total number of arrivals – 10-12% ("Armenian Tourism Industry" Investment Handbook). Being at an early stage of development leisure tourism sector in Armenia is estimated to serve about 40,000-60,000 tourists annually, with average length of stay comprising 11-12 days.

Competitive Stance: The sector development dynamics is strongly dependent upon the overall improvement of tourism infrastructure which is required to be tightly backed by state initiatives on massive development programs. Due to several supporting activities undertaken by the Government, such as nationwide celebration of cultural anniversaries of Armenia, participation in high-class international expos, advertising, establishment of development and information agencies, the country's awareness is increasing as an emerging cultural tourism destination.

According to the Travel and Tourism Competitiveness Report commissioned by the World Economic Forum (WEF) Armenia is ranked the 89th among 130 countries in 2007. The major impediments of development are mentioned to be the visa requirements for the most travelling countries, effectiveness of marketing and branding, the industry's actual prioritization by the government, air and ground transport infrastructure.

Crisis Implications: The local tourism industry is expected to be challenged by the global economic recession. Given the weakening economies and rising unemployment rates, the tourism budgets are expected to decrease worldwide. This trend will presumably hit the local industry, as Armenia is a relatively expensive tourism destination.

The State Tourism Policy 2007-2030 has set long-term development targets, based upon the observed development trends within the industry. The policy claims the level of about 3mln international tourist arrivals and 1.5mln in-home tourists to be a realistic target to be reached by 2030.

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