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TOURISM AND CRISIS – PAST PATTERNS AND FUTURE CHALLENGES

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Abstract: Being recognized as one of the fastest growing world-wide industries in the last decades, tourism development was sharply interrupted in the middle of 2008 by the global financial crisis. This paper makes an attempt to describe the effects of the world economic crisis on tourism development by elaborating the case of Macedonia. Moreover, it argues the consequences, in the first line the negative ones, to the overall economic growth. In this respect, some commonly applied economic parameters are assessed in order to present an overview of the main indicators which identify tourism industry in Macedonia. Generally, the paper outcomes are based on various analyses made upon available secondary data collected through desk-research on descriptive statistics, thus covering a data set from 2008-2011. The research results point to conclusion that Macedonia was not immune to the negative shocks of the world economic crisis. Finally, the paper urges the need for identifying effective framework for mitigating the impacts of the past crisis, but also for reducing the chances of having a similar one in the future.

Key words: Impacts; Economic development; Tourism; World economic crisis.

INTRODUCTION

Tourism is a dynamic industry which boosts economies by generating income, employment, investment and exports, thus stimulating economic growth. Moreover, everyone identifies tourism industry as a significant catalyst for the economic and social transformation of less resource-rich countries and communities. Additionally, tourism is fundamental to international relations, business and cross-cultural understanding, promotion of global community, international understanding and peace, improved living standard, local commerce and industry, preservation of heritage and tradition etc. (Goeldner *et al.*, 2000). So, a strong mechanism for creating tourism development policy in terms of a document must be prepared (Williams and Shaw, 1991; Frechtling, 2001),

which sometimes might be destructed by lack of identified development priorities (Gunn, 1993; Hall, 2005).

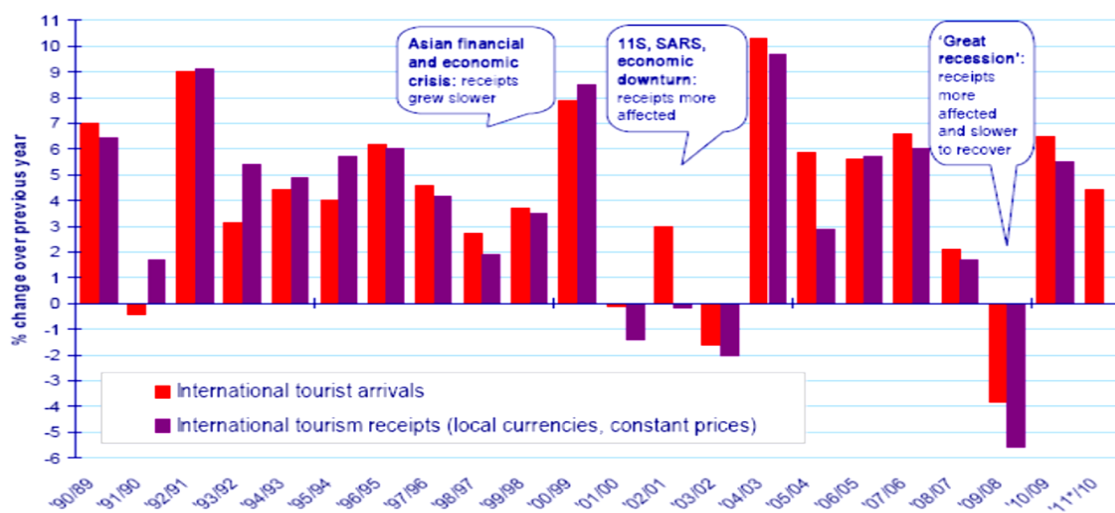
In this respect, this paper makes an attempt to present whether world tourism industry has weathered its fair share of the world financial crisis. Moreover, the research tries to disentangle the effects of the world recession over the Macedonian tourism.

1. BACKGROUND MATERIAL

Due to the fact that the world-wide countries are interested in economic impacts of tourism, numerous researchers by variety of techniques tried to identify and quantify tourism economic effects. Most of them make an effort in defining tourism contribution to the economy of a specific region (Crompton, 1993; Lundberg *et al.*, 1995), by applying different methods, like visitor spending surveys, analysis of secondary statistical data, economic base models, input-output models and multipliers (Frechtling, 1994).

Despite the point that tourism in the world has been experiencing continuing growth, the progressive trend was interrupted by various negative events. The Chart 1 gives a glance of the most significant damaging events in the past two decades. As visually presented, the global financial crisis is legitimately identified as the most profound attack on the world tourism development measured by tourism receipts and tourist arrivals.

Chart 1. International tourist arrivals and receipts, World (% change)



Source: UNWTO. (2012: 5).

The historic shock inflicted by the global financial crisis, has led in many countries in the world to unsustainably high levels of public debt, distressed private-sector balance sheets and a surge in unemployment. With regards to Macedonia, after a moderate output decline of 0.9% in 2009, the recovery in 2010 was weaker than expected, with the gross domestic product (GDP) increasing by only 0.7% instead of the expected 1.3%. Inflation

accelerated markedly during the year, accelerating from close to zero percent at the beginning of the year to 3.7% in December, leading to an annual average inflation rate of 1.6% in 2010, compared to -0.8% in 2011. Overall, the average annual inflation accelerated, from -0.8% in 2009 to 1.6% in 2010. (European Commission, 2011).

2. METHODOLOGY

The paper is reach on secondary and primary sources based on desk-research, whereas different types of analyses are performed. Generally, comparable quantities are analysed with descriptive statistics on economic parameters for the international tourist arrivals, the GDP and the employment in tourism. The applied data set covers the period from 2008-2011. Given that the quantitative analyses do not always disentangle key facts necessary for pointing out concluding remarks some analysis based on qualitative approach are additionally introduced.

3. ANALYSIS, RESULTS AND DISCUSSION

During the research, several obstacles occurred regarding the official statistical data representing the tourism industry in Macedonia. Namely, all applied statistical data refer only to hotels and restaurants, thus being a crucial limiting factor for more in-depth analysis. So, the findings that discuss the number of employees in tourism industry, do not address the employees in tourist agencies, tour-operators and other tourism mediators. More precisely, in Macedonia, it is very often a case when the term tourism is equal to the term hotel industry (Petrevska, 2010). Accordingly, this results into “neglecting various, even more significant effects compared to those produced within the hotel industry” (Sinclair and Stabler, 1997: 36).

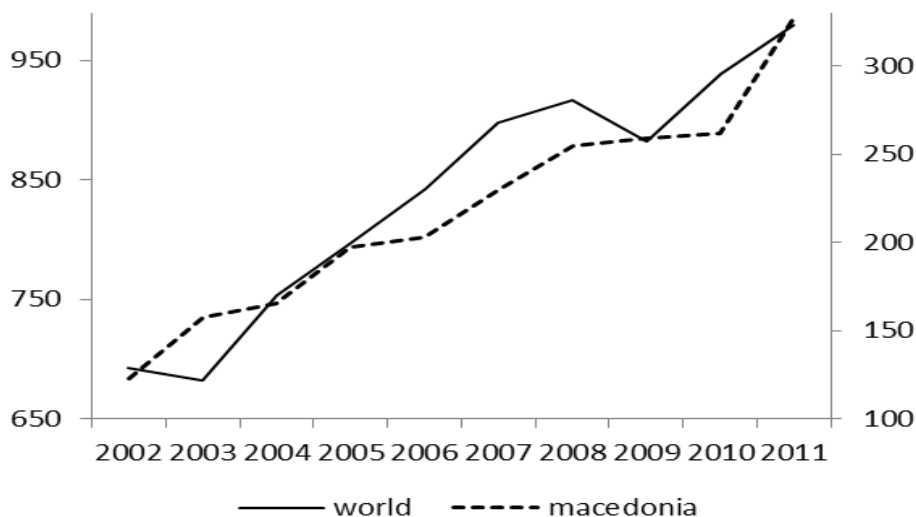
3.1. International tourist arrivals

In order to perceive what was happening in the past decade, the international tourist arrivals is used as a variable to match the world tendency towards the trend line of Macedonia. As presented in the Chart 2, both observed samples have similar trend line representing continuous upward trend. The exception is seen in the World’s trend in 2003 due to the negative impacts of the Iraq crisis and the SARS outbreak. These events had negative effects on Macedonia as well, but they were postponed for the year to follow, so the number of foreign tourists stagnated in 2004.

However, the general conclusion that the financial crisis had superior negative impacts over the world economy starting from 2008, cannot be shared with Macedonia as

well. Namely, as the Chart 2 describes, Macedonia was not faced with intensive negative shocks in the national tourist market in terms of international tourist arrivals. Moreover, an upward line, but in a slight manner was noted in 2010, which ended with impressive growth in 2011. So, 2011 is an exception during a twenty-year independence period of Macedonia, when international tourists prevail over domestic ones by 51% of total share.

Chart 2. International tourist arrivals: World vs. Macedonia, 2002-2011



Source: Authors' own calculations based on: State Statistical Office (various years) and UNWTO. (2012: 5). In order to gain more sustainable facts for this first impression regarding the absence of negative influence over the Macedonian tourism, additional analysis were performed.

3.2. GDP and employment in tourism

When one wants to analyze the economic importance of tourism, than firstly addresses the issue of tourism contribution to the overall economic activity. So, two important economic indicators are analyzed: the GDP and the employment, both addressed in tourism. For the reasons explained previously, the Table 1 presents the GDP and the employees only for the hotel and restaurant sector in Macedonia, during the sample period.

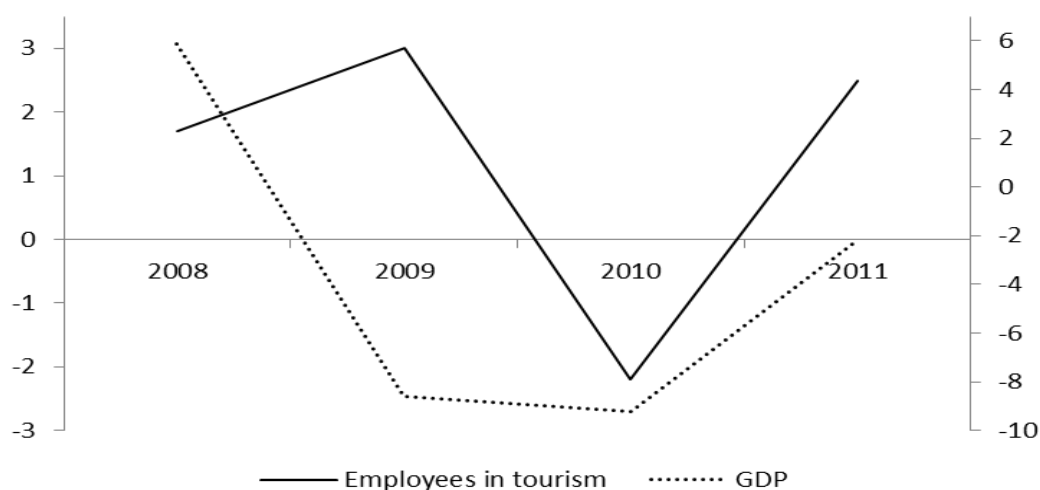
Table 1. GDP and employees in tourism in Macedonia, 2008-2011

Year	GDP tourism annual growth (%)	% of total GDP	Employees in tourism	Employees in tourism annual growth (%)	% total labor
2008	5.9	1.7	13 265	1.7	3.1
2009	-8.6	1.6	13 668	3.0	3.2
2010	-9.2	1.4	13 371	-2.2	3.1
2011	-2.2	1.5	13 702	2.5	3.2

Source: Authors' own calculations based on: State Statistical Office. (various years) and National Bank of the Republic of Macedonia. (various years).

The Chart 3 shows the annual growth of GDP and employees in tourism in Macedonia which visually supports the statistical glance. Namely, it is noticeable the structural breakdown in 2010 as a result to the financial recession. So, one may confirm that the world economic crisis really had intensive negative influence over the tourism industry in Macedonia. This conclusion is additionally supported with another complementary analysis, referring the number of employees in tourism. Moreover, this overview assisted in finding out whether tourism can contribute to job creation, thus acting as a factor for decreasing the high unemployment rate of approximately 35%. However, the lack of appropriate statistical data appeared as a serious obstacle and a crucial limiting factor for more in-depth analysis.

Chart 3. GDP and employees in tourism in Macedonia, 2008-2011 (annual growth %)



Source: Authors' own calculations based on: State Statistical Office. *Statistical Yearbook of the Republic of Macedonia*, Skopje, various years.

During the sample period the tourism, in average, generated 1.6% of the GDP. In comparison to the world average of 3.2% (WTTC, 2009a) means very modest contribution, but not when making comparison to the average for Central and Eastern Europe (CEE) of 1.6% (WTTC, 2009b). In the other hand, the average percentage of tourism employment in total labor is 3.2 %. Although this result might seem moderate, the impression is completely opposite when being compared to wider region. Namely, the national average is more than twice bigger than the average of the CEE being 1.4% (WTTC, 2009b). Yet, the applied official statistical data must be interpreted with a high caution since it does not include unregistered employees in tourism.

4. FUTURE CHALLENGES

In order to reduce the risks of decisions for future, forecasting of tourism demand is helpful as a foundation on which all tourism-related business decisions ultimately rest (Song and Turner, 2006). Moreover, the forecasts are applied to predict the economic, social, cultural and environmental consequences of tourists and travelers (Frechtling, 2001). Yet, there are varieties of changes in the surrounding which often cannot be envisaged, like financial crises, terrorist attacks, war conflicts and crisis, epidemics etc. Even when an ideal forecasting model is identified, it can only serve as an approximation for complex tourists' behavior, for it is possible that tourists' decisions change reflecting the changes in preferences, motivation or economic shocks (Hall, 2005).

The updated analyses of the world leading tourism experts confirm confidence weakening, but still with positive patterns. In this respect, the projection for the full year 2012 for the international tourism in the world is foreseen to decline from 4,4% in 2011 (WTTC, 2011b) to 3-4% in 2012. In absolute figures, it is expected 1 billion tourists to be involved in travel and tourism activities around the world. Furthermore, in these frames, the Europe is forecasted to mark the sharpest decline from 6% in 2011 to 2-4% in 2012.

However, most worryingly, the last world tourism leading panel didnot propose anything to address the main short-term risk, pointing to the danger of a sovereign funding crunch in the early 2012. The potential crisis may spill over to the real economy as banks tighten credit standards and business confidence weakens. This is particularly referred to the Eurozone economy, which has potentially gone back into recession again and has a stagnation forecasts for 2012. This kind of economic backdrop is incredibly challenging environment for tourism. When addressing the challenges in a long-term perspective, a positive upward line is forecasted. It is forecasted that the world's international tourist arrivals from 1 bn. in 2012, will reach its highest point of 1,8 bn. in 2030 (UNWTO, 2012).

Despite the above noted negative effects, the forecasts referring tourism development in Macedonia are much more optimistic than the actual outcomes. Namely, the estimated results are encouraging and by 2021 it is expected that the direct contribution of tourism to the GDP will reach to 1.6 % thus bringing revenue of EUR 170 mil. according to the constant 2011 prices; the total contribution of tourism to GDP will rise to 6 %; the visitor exports are expected to generate EUR 76 mil. (5.1% of total exports); and the investment in tourism is projected to reach the level of EUR 76 mil. representing 2.8% of total investment. Additionally, it is expected that the number of employees that indirectly support the tourism industry in Macedonia will have an upward trend and will reach 35000 jobs in 2021, representing 5.4% of the total workforce (WTTC, 2011a).

Speaking about the international tourist arrivals, the upward trend is expected to continue (Petrevska, 2011a). So, when applying the linear trend as forecasting method, by 2030, an increase of almost 2,5 times may be expected (Petrevska, 2012).

Likewise, it should be pointed out that the anticipated values for Macedonia must be taken in consideration with a large doze of precaution, since they do not indicate the reasons which affect the forecasted results (Petrevska, 2011b). Accordingly, this research underlines the fragile nature of tourism industry and its affection from strong negative events as the world financial crisis.

5. CONCLUSION

This study emphasized that Macedonia, as most tourism-oriented countries, was not immune to negative shocks and it is normally to continue to face numerous and unexpected challenges in future. The undertaken in-depth analyses confirmed that tourism in Macedonia was infected by the world financial crisis. More specifically, the negative impacts were detected in the GDP created in tourism, as well as within the employees from tourism industry, thus producing series of damaging effects on the overall economy.

Despite the fact that there are varieties of changes in the surrounding which often cannot be envisaged, like financial crises, terrorist attacks, war conflicts and crisis, epidemics etc., the paper argues the justification of applying forecasts. The main aim is to be prepared in due time to cope with some future challenges. Finally, regardless the discouraging shocks of the last financial recession and the declined projections for the current year, the forecasts predict that the upward trend in tourism development in Macedonia will continue. Thus, the paper urges the need for identifying effective framework for mitigating the impacts of the past crisis, but also for reducing the chances of having a similar one in the future.

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