SECTION V
MARKETING AND TOURISM

EU TOURISM INDUSTRY UNDER THE IMPACT OF THE CRISIS - IMPACT, MEASURES, VULNERABILITY

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Abstract

The economic and social risks caused by the current economic and sanitary crisis are manifested on tourism on several levels: domestic and international tourism market (declining demand and, by induced effect, supply, tourist flows and exports), labor market (unemployment, vulnerable categories), structural issues (SMEs share in sector, tourism role for some communities and regions), quality of life (incomes, access to tourism). All these implications make the economic and social impact assessments difficult, and the uncertainty regarding the 'back to normal' time horizon shows the complexity of the prognosis. Based by the macroeconomic tourism and demand-side indicators, this article aims to analyse the evolution of tourism in the EU under the impact of the pandemic and assess the vulnerability of the tourism sector in member countries in terms of pre-pandemic levels of economic impact (GDP, labor market, multiplier effect, dependence on tourist exports). The paper also summarizes the main categories of fiscal and financial measures taken by policy makers since March 2020 that have generally aimed at ensuring the liquidity of SMEs and protecting jobs in the most affected sectors.

Key words: *tourism industry, EU, quantitative analysis, policy measures.*

JEL Classification: L83, F01, L88

1. Introduction

Periodic reports published by the World Tourism Organization confirm that we are in the worst crisis that international tourism has faced since the beginning of statistical records in 1950. The year 2020 was marked by a 73% decrease in the number of international tourists and, in absolute terms, the decline is the equivalent of one billion fewer international tourists. In terms of receipts, the decline in international tourism flows has led to a loss of revenues of about $ 1.3 trillion, and this impact is estimated by experts to be more than 11 times greater than that felt after the global economic crisis of 2008-2009. The size of the unprecedented decline is also highlighted if we refer to the number of jobs lost, estimated to be between 100 and 120 million.

Table no. 1: Evolution of the number of arrivals of international tourists, by regions, %

Year / region	World	Europe	Asia - Pacific	America	Africa	Middle East
2017	7.20%	8.80%	5.70%	4.70%	8.50%	4.10%
2018	5.60%	5.80%	7.30%	2.40%	8.50%	3.00%
2019	3.80%	3.70%	4.60%	2.00%	6.00%	7.60%
Average growth rate 2009-2019	*5.10%*	*4.60%*	*7.10%*	*4.60%*	*4.40%*	*2.70%*
Initial forecasts 2020	*3-4%*	*3-4%*	*5-6%*	*2-3%*	*3-5%*	*4-6%*
2020	***-73%***	***-69%***	***-84%***	***-68%***	***-74%***	***-74%***

Source: by author, based on statistical data published periodically by the World Tourism Organization

Unlike the rather local health crises (Ebola in Africa, SARS & MERS in Asia-Pacific), the Covid-19 pandemic has affected all regions of the world. The largest losses, in relative terms,

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were in the Asia-Pacific region, which reported an 84% drop in arrivals, with 11 p.p. above the world average. In absolute terms, Europe suffered the largest decline, registering more than 500 million fewer international tourists in 2020, despite a partial return in the 2020 summer season. Declines above the global average were also recorded in Africa and the Middle East (-74% each), while in America the number of international tourists decreased by 68%, the smallest relative decrease, the region benefiting from better results in the quarter trimester.

Before the outbreak of the pandemic, the tourism sector was characterized by figures that gave it unprecedented importance in the world economy: the total impact (including multiplier effects - indirect and induced) in GDP amounted to 10.4% and, respectively 10.6% of the total jobs, the tourist services accumulated 6.8% of the total exports, and 27.4% of the world exports of services. As 2020 marked a decline in the contribution to global GDP by 49.1%, the sector's contribution almost halved, reaching only 5.5% of the world economy.

Based on a quantitative analysis, this article propose is to answer to some questions regarding the tourism sector in the European Union: 'What measures with impact on tourism activity have been taken to limit the negative effects of the crisis?', 'What were the dimensions of the decline of the tourism activity?' and 'Which EU countries are the most vulnerable from the perspective of the tourism sector?'

2. Policy makers measures

Since march 2020, governments have taken a number of measures at the national level to mitigate the economic impact of the crisis, focusing on ensuring the liquidity of SMEs and protecting jobs in the most affected sectors. Once the crisis escalated, specific measures were taken in support of the tourism industry and its related sectors, especially in the context of pandemic waves that forced the authorities to alternate restrictions-reopening activity, which increased uncertainty and decreased sector resilience. As tourism, a labor-intensive sector, is one of the most at risk throughout the value chain, several measures have been taken to protect employees in tourism: flexibility mechanisms have been set up, such as special incentives and aid funds for companies that retain their workforce, including exemption or reduction of social security contributions, wage subsidies, special support schemes for the self-employed, such as exemptions, delays or reduced tax and social security payments. The most common measures taken by countries are economy-wide stimulus packages targeting the most affected sectors (UNWTO, 2021a, 2020; WTTC, 2021a). The measures generally included two main directions:

- Financing measures, through specific instruments:
    - Credits with preferential interest rate; grants mainly to SMEs (e.g. Austria - allocation of EUR 9 billion for loans and borrowings; France - solidarity Fund loans - EUR 2 billion);
    - Government guarantees (e.g. Portugal - € 3 billion fund for state-guaranteed loans; Spain - € 400 million financing line, with 50% state-guaranteed loans);
    - Subsidies (e.g. Belgium - companies in severely affected sectors - tourism, transport, etc. have access to a € 200 billion emergency fund);
    - Co-financing / compensation of salaries granted to the directly affected persons (e.g. in Italy 80% of the amount of salaries was settled, and people with seasonal jobs could apply for an income of 600 euros);
- Fiscal measures, as:
    - Moratoriums, extended deadlines or exemptions (e.g. Croatia - postponement of property tax and tourism-specific tax payments; Italy - postponement of taxes and social security for the tourism sector);
    - Changes in the tax regime, deferrals / rescheduling / reductions of contributions for social security and pensions, direct taxes and consumption (VAT) (e.g.

Portugal - reduction and / or postponement of social security contributions, installments; Spain - 50% exemption of the employer's social security contributions for workers with permanent discontinuous contracts in the tourism sector and related activities; Hungary - sectors that have been severely affected by the pandemic have been exempted from paying social security contributions, payroll tax and small business tax);

- Sector-specific taxes freezing (accommodation, promotion) (e.g. Hungary - the specific contribution to tourism development has been canceled).

3. The evolution of tourist flows in the European Union

According to statistics provided by the European Commission (2021), throughout the European Union the number of overnight stays of tourists residing in the country of origin decreased by almost 30% compared to 2019, and foreign tourists by about 70% (equivalent to 418 million tourist-days). In total, the number of overnight stays in EU member countries has halved in 2020 compared to 2019, reaching less than 1.5 billion tourist-days. By country, the results for 2020 are as it follows (table no. 2):

- In absolute terms, the most severely affected were France (282 million overnight stays), Germany (-268 million), Italy (-200 million) and Spain (-145 million); in relative terms, the strongest decline in total overnight stays was experienced by Greece (-73%), Malta (-71%), Ireland (-70%) and Spain (-69%); by contrast, the rate of overnight stays did not exceed 33% in Denmark or the Netherlands;
- Looking only at the overnight stays of non-resident tourists, we note that Italy (-65 million) and Spain (-61 million) have suffered the most from international travel restrictions; in relative terms, for Romania, Spain (79% each) and Greece (77% each) the declining rates were the highest in the entire European Union, with Austria at the opposite pole(44%);
- From the perspective of the share of non-resident tourists in the total number of overnight stays, there is a dependence on international tourism of destinations such as Cyprus and Malta, the most affected by cross-border traffic restrictions; however, in countries such as Sweden or Denmark, although international tourism fell by about two-thirds, this was less pronounced in domestic tourism as a whole (down by about one-third); a special case is France, which, despite the decrease in the number of overnight stays of non-resident tourists, benefited from domestic tourist traffic, which limited the proportions of losses.

Table 2: Number and evolution of overnight stays in EU member states, 2020

	Total overnight stays (domestic tourism)		**Non-resident overnight stays**	
	Tourist (mn)	YoY rate 2020/2019	Tourist (mn)	YoY rate 2020/2019
Greece	39	-73%	27	-77%
Malta	3	-71%	2	-74%
Irland	11	-70%	5	-73%
Spain	145	-69%	61	-79%
Cyprus	6	-64%	6	-65%
Portugal	30	-61%	14	-74%
Hungary	14	-57%	4	-76%
Croatia	41	-55%	35	-58%
Bulgaria	12	-55%	5	-72%
Italy	200	-54%	65	-70%

	Total overnight stays (domestic tourism)		Non-resident overnight stays	
	Tourist (mn)	YoY rate 2020/2019	Tourist (mn)	YoY rate 2020/2019
Romania	15	-51%	1	-79%
Belgium	21	-51%	7	-68%
Estonia	4	-49%	1	-67%
Luxembourg	1	-49%	1	-53%
Latvia	3	-47%	2	-60%
Lithuania	5	-45%	1	-72%
Czech Republic	31	-45%	8	-72%
Poland	52	-44%	7	-64%
Slovakia	10	-44%	2	-62%
Slovenia	9	-42%	3	-71%
Germany	268	-39%	33	-63%
Austria	79	-39%	51	-44%
Finland	14	-38%	2	-66%
Sweden	40	-37%	5	-71%
France	282	-37%	43	-69%
Denmark	23	-32%	5	-63%
Nederlands	86	-31%	22	-58%
EU-27	1443	-50%	418	-69%

Source: European Commission (2021)

Also, according to the report of the European Commission (2021), a number of particularities of the evolution of tourism in the European Union last year are highlighted (European Commission, 2021):

- In countries with a higher share of foreign tourists traveling by car (e.g. Croatia, the Netherlands), the decline was slightly lower than in destinations that depend more on air transport (e.g. Cyprus, Malta, the island regions of Spain or Portugal);
- Urban tourism has been hit hardest by the crisis: it accounts for around 60% of all EU travelers, cities have been hit hardest by the seasonality of tourism (spring and autumn, periods with more restrictions than summer, for example) and the structural features of the tourism market (significant shares of business travel, city breaks, non-EU visitors);
- Seaside tourism performed slightly better, taking advantage of the reduction of covid outbreaks and the relaxation of restrictions during the summer season; on the other hand, it must be known that the share of coastal tourism reached, before the pandemic, just around 29% of the EU total, so it only partially contributed to limiting losses; however, Member States that are traditional summer destinations have experienced a significant decline in coastal tourism, also explained by their relative dependence on air travel, but this decline has been less pronounced than in large cities in Italy, Spain, Portugal or Greece;
- Rural tourism has experienced an activity comparable to that of coastal regions, but some rural areas have been affected to a greater extent, a situation attributed, among other things, to the low share of business tourism.

4. Assessments on the impact and vulnerability of the tourism sector in the EU

The real impact of the pandemic on the tourism sector continues to be extremely difficult to predict, both because the time and space dimensions of the crisis cannot be anticipated, but also because its direct, indirect and contagion effects are difficult to quantify. We propose to look at the vulnerability of the EU economies and the tourism sector in the

Member States from the pre-pandemic levels of economic impact on GDP formation, the labor market, the multiplier effect and dependence on tourism exports. The analysis can give us an overview and long-term perspective on the economic and social risks caused by the decline of the tourism industry in the member countries, isolating recent developments, directly dependent on the situation of the health crisis.

Regarding the impact of the tourism industry on the GDP and labor market in the EU member states, the following can be found (see more data on Annex):

- Tourism had a high direct contribution to the GDP of Croatia (11.4%), Greece (8.2%) and Portugal (7.1%), but extremely low in Belgium (1.6%), Ireland (1.5%), or Romania (1.8%); Croatia is in first place and after the total contribution of tourism in GDP, a quarter of the country's GDP being generated by this sector and its indirect and induced effects (25%); Greece (20.8%) is on the second position in the top of the most dependent countries on the tourism industry in the EU, and on the other hand, in Poland, Ireland or Belgium the total impact of tourism did not exceed 5%, while in Romania it was below the EU-27 average (5.3%);
- Tourism contributes directly to 12.3% of the employed population in Croatia, accumulating up to 25.1% if we cumulate the indirect and induced impact of the industry; next to Greece, Malta (10.8%), Portugal (8.5%) and Greece (8%) are among the top countries where tourism has a strong direct impact on the labor market; also, the total share in the employed population reached over 20% in Greece (21.7%) and Malta (21.1%);

The multiplier effect. The highest values of the multiplier in GDP formation were recorded in the Nordic countries - Finland (3.72) and Sweden (3.34), but also in Romania (3.26) and Bulgaria (3.44); on the other hand, in countries such as Austria (1.75) or Croatia (2.19), despite mature tourist markets, the multiplier effect were among the lowest at Community level. From the perspective of the labor market, Finland (3.8) and Romania (3.7) are also in the top of the countries where the multiplier effect of tourism is strong; on the other hand, there are countries where tourism is not a key industry, despite the fact that they are imporant European tourist destinations, but also important international source-markets (Germany, Netherlands, Austria).

Regarding the importance of tourism in the exports, the dependence of some European countries on the revenues from international tourism is confirmed: Croatia (38.6%), Greece (30.1%) and, to a lesser extent, Portugal (23 , 5%) or Spain (18%). At the opposite pole are Slovakia, Ireland, Germany, Netherlands or Belgium, where the share of tourist services in total exports was extremely low in pre-pandemic times (below 3%). The importance of the tourism industry in exports was also low in Romania (3.7%), well below the Community average or neighboring-competing countries (as Bulgaria, Hungary), direct competitors in international tourism.

An extremely important element of vulnerability in the context of the crisis is the share of international tourism (exports) in domestic tourism (total tourism revenues). The countries dependent on foreign tourists are Cyprus, Croatia and Malta, where, before pandemic, in 2019, about 90% of tourism revenues were from exports. In Germany, the most important source market in the EU, the share of international tourism did not exceed 15%, and in Italy or France, top destinations in Europe, 25% or 35%, data that show the high adaptability of domestic tourism. Looking at it from this angle, including the share of international tourism in the total domestic tourism of neighboring countries (Bulgaria - 80%, Hungary - 75%), we can appreciate that Romania is less vulnerable in the long run and has not been equally affected by the position weaker in international tourism. However, the share of 43.5% of revenues is high, especially if we look at the situation and from the perspective of the traditional, in the last decade, the small percentage of foreign tourist arrivals (20%) and the deficit generated in the balance of payments in tourism.

5. Conclusions

The European Commission (2021) estimates that business & city-break / urban tourism will be severely affected again this year, among other things as a result of the more difficult recovery of international and extra-EU tourism, and this situation will have a negative impact on receipts.

Greece, Croatia, Cyprus or Malta have economies with a high degree of vulnerability in tourism, as they are characterized by an extremely high degree of dependence on this sector, both in terms of impact on GDP and the labor market and in terms of international tourism revenues. In the second category among the sectoral risk countries are states that, although not shown to be dependent on tourism, are strongly affected by the collapse of the sector - we are talking here about the countries of South Mediterranean Europe, where we find the most important international tourism destinations. EU - Greece, Portugal or Spain. With medium vulnerability, in particular through dependence on tourism exports, are the countries of Central and Eastern Europe - Bulgaria, Estonia, Hungary, Poland or Slovenia. Other European destinations with mature and highly competitive tourist markets in attracting international tourists, Italy or France, but also Germany or the Nordic countries (Denmark, Finland, Sweden) are characterized by a medium vulnerability, either as a result of less dependent economies. tourism, either because it benefits from a domestic tourism with an important share in domestic tourism. Although the tourism industry in Romania does not accumulate an important share of the sector in the economy, whether we look at GDP or the labor market, the risks could arise precisely from its indirect and induced effects, especially in terms of high multiplier.

Certainly, the pandemic will continue to influence the prospects of the tourism sector on short term, directly, through travel restrictions, but also indirectly - potential tourists want to limit health risks, until immunity is achieved; also, it mult be must also be taken into acount the uncertainty of air travel which makes it difficult to plan holidays and has an impact on travel behavior and their choices for travel destinations. On the one hand, international tourism has been hit hardest by the crisis, but on the other hand, domestic tourism has a greater capacity to recover, so actual trends of the governments support measures, in partnership with the private sector, should be targeted on both dimensions of tha market: stimulating demand – developing and diversifying tourism products, promotional campaigns and significant discounts, vouchers and other forms of support for travel of residents in the country of origin, harmonization of protocols and safety certifications for cross-border travel.

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Annex: Impact and contribution of tourism in EU member states, Pre-crisis (2019), %

	GDP contribution		**Employment contribution**		**Multiplier coefficient**		**share of tourist exports**	**share of international tourism**
Country	**Direct**	**Total**	**Direct**	**Total**	**GDP**	**Employment**		
Austria	6.8	11.8	7.1	12.5	1.7	1.7	9.7	49.9
Belgium	1.6	4.3	2	4.9	2.6	2.4	2.4	47.6
Bulgaria	3.2	10.8	3.7	10.6	3.4	2.8	10.7	79.8
Croatia	11.4	25	12.3	25.1	2.2	2	38.6	89.2
Cyprus	5.4	13.8	4.8	13.2	2.6	2.8	17.3	90.3
Czech Republic	2.6	6.5	4.1	8	2.5	2	4.1	54.1
Denmark	2.4	6.6	2.5	6.9	2.7	2.7	4.8	43.1
Estonia	5.1	11.7	3.5	11.3	2.3	3.3	9.6	73.1
Finland	2	7.5	2.1	8.1	3.7	3.8	4.8	29.2
France	3.7	8.5	4.6	9.4	2.3	2	7.7	34.1
Germany	3.6	9.1	7	12.5	2.5	1.8	2.9	14.5
Greece	8.2	20.8	8	21.7	2.5	2.7	30.1	68.5
Hungary	2.8	8.3	5.1	10	2.9	1.9	6.4	75.7
Irland	1.5	4.3	2.5	5.9	2.8	2.4	3	79
Italy	5.8	13	7.4	14.9	2.3	2	7.9	24.2
Latvia	3.4	7.6	4.3	8.3	2.2	1.9	5	52.9
Lithuania	1.8	5.5	1.8	5.8	3.1	3.2	3.7	55.1
Luxembourg	4.3	8.9	5.8	11.1	2.1	1.9	3.3	81
Malta	5.3	15.8	10.8	21.1	3	2	9.6	89.9
Nederlands	1.8	5.7	5.7	10.1	3.2	1.8	2.9	51.5
Poland	2	4.7	2.2	5	2.3	2.3	4.4	68.7
Portugal	7.1	16.5	8.5	18.6	2.3	2.2	23.5	70.4
Romania	1.8	5.9	1.7	6.3	3.3	3.7	3.7	43.5
Slovakia	2.7	6.3	3	6.3	2.4	2.1	3	51.2
Slovenia	3.2	9.9	3.7	10.3	3.1	2.8	6.2	66.3
Spain	5.9	14.3	5.3	14.6	2.4	2.8	18	56.1
Sweden	2.4	8.2	3.7	9.8	3.3	2.7	6.9	44.6
EU-27	*3.9*	*9.5*	*5.3*	*11.2*	*2.4*	*2.1*	*6.2*	*36.8*

Source: by author, based on statistical data provided by Data Gateway, World Tourism and Travel Council.