

CURRENT STATE OF TOURISM BUSINESS IN EUROPEAN COUNTRIES AND ITS TRENDS**Korinnyi S. O., Tsyhanok K.***Zaporizhzhia National University
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

s.korinnyi@gmail.com, tzuganok.karina23@gmail.com

ORCID 0000-0002-9394-7986, 0000-0001-5125-0972

Key words:

inbound tourism, dependence on tourism, excessive dependence, invisible export, direct contribution to total export, coronavirus pandemic.

The article analyzes the impact of the tourism sector in European countries such as Malta, Croatia, Iceland, Switzerland and Cyprus. The key indicators of inbound tourism are considered: direct contribution to employment, the share of tourism services of countries in the structure of total exports, in the export of services specifically, tourist expenses inside countries. The most dependent on inbound tourism countries are characterized. The list of negative consequences they get during coronavirus pandemic are researched. The reaction of the tourism market to the active spread of coronavirus infection around the world has been investigated. The sequence of actions of the authorities to reduce the sickness within the country is also analyzed: in particular, the closure of borders and stopping of tourist flows inside countries. The main niches of the tourism business, which suffer the greatest losses, are highlighted. The help from the authorities, which is provided to airlines, hotels, travel agencies and other entrepreneurs, which are forced to stop their activities during quarantine, is also described. It is noted, that small economies of European countries are mostly excessively dependent on one economic sphere in the international market. Such dependence puts national economies at great risks of influence from outside, as well as difficulties in managing it during crisis periods. The ways to overcome the problem of excessive dependence are proposed by authors.

**СУЧАСНИЙ СТАН ТУРИСТИЧНОГО БІЗНЕСУ В ЄВРОПЕЙСЬКИХ КРАЇНАХ
ТА ТЕНДЕНЦІЇ ЙОГО ЗМІНИ****Корінний С. О., Циганок К.***Запорізький національний університет
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

в'їзний туризм, залежність від туризму, надмірна залежність, невидимий експорт, прямий внесок у загальний експорт, пандемія коронавірусу.

У статті проаналізовано роль туристичного сектора в таких країнах Європи, як Мальта, Хорватія, Ісландія, Швейцарія та Кіпр. Основними показниками в'їзного туризму вважаються: прямий внесок у зайнятість, частка туристичних послуг країн у структурі загального експорту, зокрема в експорті послуг, туристичні витрати іноземних туристів всередині країни. Охарактеризовано європейські держави, найбільш залежні від в'їзного туризму. Перераховано негативні наслідки, що супроводжують економіку цих країн під час пандемії коронавірусу. Досліджено реакцію ринку туризму на активне поширення коронавірусної інфекції по світу. Проаналізовано послідовність дій влади щодо зменшення захворюваності в країні, зокрема, закриття кордонів та зупинення туристичних потоків всередині країн. Висвітлено основні ніші туристичного бізнесу, які зазнають найбільших фінансових втрат під час загальнонаціонального карантину. Також висвітлено допомогу влади, що надається авіакомпаніям, готелям, туристичним агенціям та іншим підприємцям, які змушені припинити свою діяльність під час карантину. Зазначено, які, переважно малі, економіки європейських країн надмірно залежать від однієї економічної сфери на міжнародному ринку. Така залежність піддає національну економіку великому ризику впливу ззовні, а також спричиняє труднощі в управлінні в кризові періоди. Шляхи подолання проблеми надмірної залежності запропоновані авторами.

Statement of the problem

On average about 40% of all tourists in the world are accounted for the countries of Europe. Despite the fact that tourism has a positive contribution to the development of a country, excessive dependence on one branch of

economy is dangerous for the whole national economy. The countries dependent on such a fragile and unstable sphere as tourism are strongly influenced outside. These countries are the first to suffer significant and have financial losses with the destabilization of the situation in the global tourism market.

The search for alternative areas for development is the worthy way out of the situation. This will help to stabilize the cash flow into the country, and allow the locals not to depend so much on the number of tourists. This issue is especially relevant in 2019-2020, as global changes have provoked a very strong reduction in tourist flows, especially due to COVID-19 break out and an increase of terrorist attacks, especially in Europe.

Analysis of recent studies and publications

Tourism development features, as well as tourism role and impact on the economy, were previously studied by such author as Kvartalnov V., Balabanov I., Turkish author Yusuf Akan and British Hall C.M. and Coles T, one of the latest relevant articles about the impact of the pandemic on economy was written by Angelos Delivorias and Nicole Scholz in February 2020.

The work of Kvartalnov V. "Tourism" reveals the basic concepts of tourism, types, means, methods and forms of tourist activity; the motivation of tourist trips, management and marketing of tourism, its legislative framework, economic aspects, the evolution of the development of the international tourism market are analyzed. The author defined tourism as "one of the most profitable and intensively developing industries, bringing about 10% of gross income" (at the beginning of the 21st century) [1].

The recent article «Economic impact of epidemics and pandemics» written by Angelos Delivorias and Nicole Scholz estimates the total value of losses incurred by a severe global influenza pandemic. The authors analyze sector usually impacted by an epidemic – air transport. A

Table 1 – Tourist services 2018 (% in the total export).

Country	The share of tourism services in the total export (%)	Dynamic comparing to 2017 (%)
Cyprus	18,9	-1,8
Malta	8,8	-0,3
Iceland	25,6	-1,1
Croatia	38,6	+1,8
Switzerland	4,4	-0,1

Compiled by the authors based on [3].

Having analyzed the position of tourism in the export structure of countries, it can be said that inbound tourism has the most significant position in Croatia – more than a third of all exports. Iceland also has a substantial share – 25.6%. The smallest part in export can be noticed in Switzerland, 4.4 percent of the total exports. In addition, the largest increase is observed in Croatia – plus 1,8

Table 2 – Tourist services 2018 (% in the export of services).

Country	The share of tourism services in the export of services (%)	Dynamic comparing to 2017 (%)
Cyprus	24,8	+2,22
Malta	10,6	-4,01
Iceland	47,6	-0,02
Croatia	70,1	-1,19
Switzerland	13,4	-1,01

Compiled by the authors based on [3].

More than 70 percent of all services provided by Cyprus abroad are travel services; the figure is really huge for the economy. Moreover, the share of tourism is growing

recent bulletin published by the International Air Transport Association (IATA) notes that, in recent history, SARS was the most serious epidemic to date in terms of impact on traffic volumes [2].

Objectives of the article

The main purpose of the article is to reflect the real situation of European countries' dependence on tourism, to determine the amount of tourists' expenses in the countries, total exports and exports of services, display the direct contribution of tourism to employment, in order to find out how many local people are most exposed to the risks and crises of the global tourism market, and find alternative fields of activity to diversify state revenues and reduce dependence.

The main material of the research

Tourism is one of the leading and most dynamic sector of the economy and it is recognized as an economic phenomenon of the century for the fast pace. Tourism plays a significant role in formation of GDP, activation of foreign trade balance, creation of additional jobs and employment in European countries. Tourism has a huge impact on such key sectors of economy as transport and communications, construction, agriculture, consumer goods production and others. Moreover, tourism acts as a kind of catalyst of socio-economic development.

The table below shows the share of tourism services of countries in the structure of total exports, exports of both services and goods. The changes in share can be reviewed in comparison to 2017.

comparing to 2017, while the largest decline in Cyprus – minus 1,8.

The table 2 displays statistics of the share of tourism services in the export of services specifically both with the dynamic comparing to 2017.

compared to 2017. This confirms the previous idea that Cyprus is one of the leaders depending on the tourism industry. Unexpectedly, almost half of all Iceland's

services are tourism too, and the decrease in this share compared to 2017 is insignificant. Switzerland has the smallest share, as in the previous table; it confirms its least dependence on the studied sector.

An important factor that reflects the strategic importance of the tourism sector for the national economy is a direct contribution to employment.

The direct contribution of tourism to employment is employment in the hotel industry, travel agencies, transport, as well as in catering and leisure activities in the case of providing services directly to tourists. It is calculated as the number of jobs in the tourism industry and their share in the total employment. The contribution to the employment of countries in a percentage for 2016-2018 is shown in the tables 3, 4.

Table 3 – Direct contribution to employment in Malta, Croatia and Iceland, %.

Year	Malta		Croatia		Iceland	
	Contribution to employment, %	Percent change from preceding period	Contribution to employment, %	Percent change from preceding period	Contribution to employment, %	Percent change from preceding period
2016	11,0	0	9,8	+0,2	7,0	+1,5
2017	11,6	+0,6	10,0	+0,2	7,9	+0,9
2018	11,4	-0,2	10,0	0	7,6	-0,3

Compiled by the authors based on [4]

The highest percentage of employed among the studied countries is in Malta, about 11 percent of working citizens work directly in tourism.

Despite the rapid increase in the share of people employed in the tourism sector in Iceland, by 2018 the growth not only stopped, but also showed negative results, which

means that 0.3 percent of employees retrained and changed their jobs.

Croatia ranks second among countries in terms of the number of workers employed in tourism, moreover, their share is growing annually and has already reached one tenth of the total workforce.

Table 4 – Direct contribution to employment in Cyprus and Switzerland, %.

Year	Cyprus		Switzerland	
	Contribution to employment, %	Percent change from preceding period	Contribution to employment, %	Percent change from preceding period
2016	6,6	+0,1	3,5	0
2017	6,6	0	3,4	-0,1
2018	6,3	-0,3	3,4	0

Compiled by the authors based on [4]

In Cyprus, the share of tourism workers stably holds about 6.6 percent and remains almost unchanged from year to year, only in 2018 this figure has shifted a bit. The lowest

rate, as expected, is in Switzerland, only 3.4-3.5 percent of people are employed in the service for tourists.

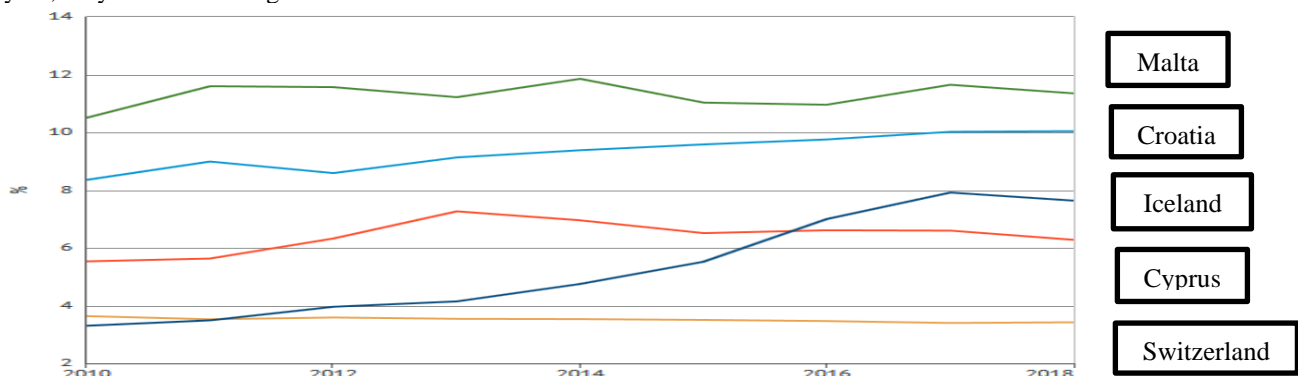


Fig. 1. The dynamics of direct contribution to employment in the countries from 2010 to 2018, %.

Compiled by the authors based on [4]

Judging by the graph 1, it can be concluded that approximately all countries over 8 years had a fairly stable share of workers in the tourism business. Interestingly, the share in Iceland tripled. Since 2017, we can observe a slowdown in growth and a decrease in the share in countries such as Malta, Iceland and Cyprus. It can be concluded that the number of employees in this field is decreasing due to the crisis in world tourism, and people are forced to change the field of activity.

Another indicator for analysis can be picked out as the expenses of foreign tourists into the country during the trip – mainly expenses for accommodation, meals, excursions, souvenirs, domestic trips, large purchases of personal items, equipment, etc. These expenses form the profit of companies engaged in tourism. The dynamics of changes in tourist spending in the analyzed countries from 2014 to 2018 is provided in Tables 5-9.

Table 5 – Expenses of international tourists in Cyprus (billion US dollars).

Year	Expenses of international tourists, billion US dollars	Percent change from preceding period
2018	3,3	8,35%
2017	3,1	14,67%
2016	2,7	11,72%
2015	2,4	-15,75%
2014	2,9	-4,10%

Compiled by the authors based on [5]

In Cyprus, tourist spending after 2014 fell slightly, it is due to the fact that the number of tourists from Russia has decreased due to the political conflict with Ukraine that year. And accordingly, with a decrease in the inflow of

tourists, their spending also decreased. The numbers have stabilized by 2017 and were growing about 8-11 percent every year.

Table 6 – Expenses of international tourists in Iceland (billion US dollars).

Year	Expenses of international tourists, billion US dollars	Percent change from preceding period
2018	4,1	2,48%
2017	4,0	23,50%
2016	3,2	46,78%
2015	2,2	14,09%
2014	1,9	28,95%

Compiled by the authors based on [5]

Tourist spending in Iceland in numerical indicators is small compared with other countries. Nevertheless, if we pay attention to the growth of these expenses in a percentage, we can see that the rate of increase is very

rapid. Especially in 2016, when the figure increased by almost 50 percent. It confirms the fact that Iceland is experiencing the peak of its popularity and increasing its tourist power every year.

Table 7 – Expenses of international tourists in Switzerland (billion US dollars).

Year	Expenses of international tourists, billion US dollars	Percent change from preceding period
2018	20,2	5,28%
2017	19,2	2,15%
2016	18,8	-2,82%
2015	19,4	-8,67%
2014	21,2	5,34%

Compiled by the authors based on [5]

Switzerland has the highest index in billions of dollars. However, it has not been a large increase during 5 years,

on the contrary, in 2015 was a serious drop. Only by 2018, the growth stabilized at the level of 2014.

Table 8 – Expenses of international tourists in Croatia (billion US dollars).

Year	Expenses of international tourists, billion US dollars	Percent change from preceding period
2018	12,6	13,22%
2017	11,1	13,17%
2016	9,8	8,93%
2015	9,0	-10,56%
2014	10,1	3,57%

Compiled by the authors based on [5]

There are also significant tourist expenses in Croatia, this is provoked by rather high prices. Compared with neighboring countries, such as Montenegro, the level of Table 9 – Expenses of international tourists in Malta (billion US dollars).

prices in Croatia is 1,5-2 times higher. This fact is due to that tourism in Croatia focuses more on wealthy Europeans, and not on the CIS market.

Year	Expenses of international tourists, billion US dollars	Percent change from preceding period
2018	2,1	8,98%
2017	2,0	19,70%
2016	1,6	4,22%
2015	1,6	-10,02%
2014	1,8	9,65%

Compiled by the authors based on [5]

Spending in Malta is the most insignificant compared with other countries; it is due to the small size of the country and a smaller flow of tourists.

In the beginning of the year 2020, the tourism sphere has faced the most significant problems since the last century. Firstly, the spread of coronavirus completely limited the opportunity for people to travel, which means an almost complete stop of activity of the tourism sectors of countries. Secondly, climate degradation and increase in tension in relations with Muslims will continue to scare away tourists even after the stabilization of the situation with COVID-19.

The greatest threat for the tourism industry in Europe currently is the coronavirus pandemic. It literally paralyzes all the activities of the sector.

Cyprus in mid-March decided that it would not accept foreign tourists until April 30. Tour operators all over the world are already canceling arrivals at Cypriot hotels up to this date. Companies offer tourists to rebook their holidays on new dates in May or summer months. Certainly, the transfer of trips will not cover all the expenses that are currently incurred by market participants – namely employee salaries, rents, taxes, forfeits, fines and other.

The Association of Tourism Enterprises of Cyprus calls on Cypriot hotels to suspend operations until April 30 due to a sharp outflow of tourists. “Given the inclusion of the UK - the main supplier of tourists to Cyprus - in the list of “unsafe countries”, it makes no sense to continue working. Nobody wants to go where they have to spend 14 days in quarantine”, the association said.

Considering that hotels, excursion agencies, cafes, restaurants and shops that previously served foreign tourists can suspend their activities or reorient themselves to the local market temporarily, fill the demand with its citizens. The situation is much worse for airlines around the world, especially as European countries close their borders completely for all countries with a high risk of infection.

It is noted that many airlines have already faced technical bankruptcy or are experiencing problems with paying debts. Airline cash reserves are rapidly ran out due to cancellation of flights and a sharp drop in demand for air travel. In a situation of 100% cancellation of flights to unsafe countries, airlines are forced to return money to tourists, while not receiving new bookings. It leads to a huge outflow of financial resources and bankruptcy, especially among low-cost airlines and small companies. The profit of global companies in passenger transportation in 2020 may fall by \$ 252 billion, according to the International Air Transport

Association. The Association also believes that the total passenger flow this year will decrease by 38% compared with 2019 [6].

The authorities of Cyprus, realizing the seriousness of the situation, developed a plan to support the business. The measures taken by the Cabinet of Ministers are estimated at 813 million euros or 3.8% of GDP.

This amount includes:

- 182 million euros for subsidies for companies that were fully or partially forced to suspend their activities. Their employees will be able to receive special unemployment benefits in the amount of up to 60% of workers' insurance income;
- companies that are not required to close, but suffer a loss in turnover more than 25%, also fall into this category. Up to 75% of employees in companies will receive benefits. The scheme is expected to reach 220,000 employees;
- 20 million euros for the self-employed workers. About 40,000 people will be able to use the special plan, they will receive 60% of their insurance income (but not more than 1000 euros) [7].

The Swiss government, meanwhile, temporarily stopped issuing Schengen and national visas due to the coronavirus pandemic. Visas will not be issued within 3 months. Currently, quarantine in Switzerland has been extended until April 26th. Passenger traffic at Swiss national airports has decreased more than 95 percent. In this connection, the leading players in the aviation industry are facing a lack of liquidity. Therefore, the Swiss aviation industry, including the passenger transport sector, which was seriously affected by the pandemic, must be fully provided with liquid funds.

This decision was made by the Federal Council. The emphasis was placed on the mechanism of federal loan guarantees for airlines. Guarantees should be provided only if the company is really not able to cover its liquidity needs in any other way [8].

The capital of Croatia - Zagreb, said that in February 6% fewer tourists arrived in the city than in February of the previous year. This contrasted with January. In January, before the pandemic, 10% more tourists arrived in Croatia compared with last year. During the first ten days of March, the number of arrivals in Croatia decreased by 30%. Since the beach season in Croatia begins in late May or early June, it will be necessary to judge the real losses of tourists at the beginning of summer.

The government of Malta has announced a travel limitation with Switzerland, Germany, France and Spain. The same restriction applies to trips to Italy. Most of the

foreigners left the country, those who had permanent residence and official employment remained on the island. All bars, restaurants and hotels are completely closed. If in the hotels were tourists, they would stay until the end of the vacation, but the hotel did not accept any new people. Firstly, they closed flights to Malta, and a week later closed flights out of. That week was left for everyone to leave the island.

A state of emergency has been introduced in Iceland due to the spread of the new coronavirus. Nevertheless, the country copes with a dangerous disease without destroying its business and seriously restricting civil rights and freedoms. Despite this, the borders of Iceland remain closed, as the EU has closed the borders for citizens of all countries outside the European Union and the Schengen Agreement.

All these factors and processes, that now concern the tourism business, show how fragile the situation of countries is. Especially, countries in which one third or even half of all incomes is depended on foreign tourists.

So, the economies of the European countries – Malta, Cyprus, Switzerland, Croatia, Iceland and other countries

are in jeopardy of a collapse. Thus, it is of the highest importance to stabilize their situation during the crisis periods of the tourism sector.

Conclusions

While analyzing the degree of dependence of countries on the tourism sector, it was determined that Iceland and Croatia had the greatest dependence on the income of this sector, while Switzerland was the least affected by changes in the international tourism market, because the share of tourism revenue in GDP and exports are the smallest among 5 countries.

As a result, countries with the greatest dependence on tourism need to develop alternative areas of trade, particularly in export. Consequently, a conclusion is made, that the search and development of alternative areas in trade in goods and services provides the country with a more stable and strong position. It also minimizes the risks in periods of crisis for tourism, such as at the beginning of 2020 – increasing terrorist attacks around the world, natural disasters, financial instability and coronavirus pandemic.

References

1. Kwartalnov, V. (2002). Turizm [Tourism]. Retrieved from https://tourlib.net/books_tourism/kvartalnov_tourism.htm [in Russian].
2. Delivorias, A. & Scholz, N. (2020). Economic impact of epidemics and pandemics. Retrieved from [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/646195/EPRS_BRI\(2020\)646195_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/646195/EPRS_BRI(2020)646195_EN.pdf) [in English].
3. Sait Knoema Data. Mizhnarodnyi turyzm v vidsotkakh vid zahalnoho eksportu [Site of Knoema Data. International tourism, income (% of total exports)]. Retrieved from <https://knoema.ru/atlas/topics/Туризм/Ключевые-показатели-туризма/> [in Russian].
4. Sait Knoema Data. Priamyi vklad turyzmu v zainiatist, realnyi rist v vidsotkakh [Site of Knoema Data. Tourism, direct contribution to employment, real growth rate (%)]. Retrieved from <https://knoema.ru/atlas/topics/Туризм/Прямой-вклад-туризма-в-занятость/> [in Russian].
5. Sait Knoema Data. Dani Vsesvitnoi rady podorozhei ta turyzmu [Site of Knoema Data. World Travel and Tourism Council Data]. Retrieved from <https://knoema.ru/WTTC2019/world-travel-and-tourism-council-data> [in Russian].
6. Eksperty pohirshyly prohnaz vtrat aviakompanii cherez koronavirus [Experts worsen forecast for airline losses due to the coronavirus]. Retrieved from <https://www.rbc.ru/business/24/03/2020/5e7a58119a794780eb2a1dbd> [in Russian].
7. Koronavirus na Kipri: novyny 28 bereznia [Herald of Cyprus. Coronavirus in Cyprus: March 28 news]. Retrieved from <https://vkcyprus.com/coronavirus/11022-koronavirus-na-kipre-novosti-28-marta> [in Russian].
8. Novyny Shveitsarii. Shveitsariiia ta pandemiia koronavirusu, aktualna sytuatsiia [Switzerland news. Switzerland and the coronavirus pandemic: current situation]. Retrieved from <https://www.swissinfo.ch/rus/> [in Russian].