

# HIGHLIGHTS

## Highlight 1: Recovery of international tourism from the consequences of the COVID-19 pandemic in Europe and Serbia

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### Introduction

In 2019, tourism accounted for about 10% of the total world GDP. That this sector is one of those most affected by the COVID-19 pandemic is indicated by the fact that in 2020 this share was almost halved, to just over 5%<sup>2</sup>.

According to data from the World Tourism Organization, more than 900 million tourists traveled outside their countries in 2022, which is almost twice as many as in 2021. The entire world international tourist traffic in 2022 reached 63% of the pre-crisis level from 2019. At the level of European countries, the level of inflow of foreign tourists reached even 79% of the pre-crisis level<sup>3</sup>. International tourism represents the most important indicator of the competitiveness of a country's tourist offer, i.e., the country's ability to attract foreign tourists in competition with other countries. In addition, international tourism is also significant in terms of foreign currency inflow as it in essence represents the export of a country.

As the impact of the pandemic on tourism was very significant, we can only observe the real recovery and the achieved level of tourism in relation to the year that preceded the pandemic, i.e. 2019. Not even three years after the outbreak of the COVID-19 pandemic, the level of tourism in Europe has not returned to the pre-pandemic level, but the latest official data show that a number of countries are close to reaching the level of 2019. The different speed of recovery of individual European countries, including Serbia, is primarily influenced by the still limited movement of tourists from China, different conditions for entering individual European countries, as well as geopolitical instability and the war in Ukraine.

The tourism sector in Serbia is recovering faster than in most other European countries. And although the

number of tourist arrivals and overnight stays is at a higher level compared to 2019, it is a result of the movement of Serbian citizens within their country. The actual recovery of tourism and its development is better observed from the point of view of foreign tourists, their number and the number of days spent in the country. According to this indicator, Serbia is very close to the level from 2019.

The recovery of total tourism in Serbia, including domestic and foreign tourists, will also be presented in this paper. This data shows the success of the recovery of the tourism sector in Serbia, that is, the business of service providers in the tourism sector. However, it should be borne in mind that the success of the tourism sector based on domestic tourists can be influenced by factors that do not reflect the real competitiveness of this sector. Perhaps the simplest example is the distribution by the Government of the Republic of Serbia of 350,000 vouchers for the travel of Serbian citizens within the country in 2022, the financing of which will in the end be transferred to taxpayers. The pandemic and the post-pandemic period some tourist regions of Serbia and tourist places used better of than others resulting in significant changes in the structure of tourist traffic according to regions and tourist locations.

This paper presents data on the recovery of tourism according to the statistics of international tourists (number of arrivals and number of overnight stays) for certain European countries and Serbia. These statistics indicate to the best extent the competitive position of the country in terms of tourism offer. A special analysis for Serbia includes an analysis of the recovery of tourism including domestic tourists, which indicates the different speed and success of the recovery of certain tourist places and regions in Serbia. This analysis mainly shows the success of local tourism organizations in Serbia and actors of the business sector in the recovery from the crisis caused by the COVID-19 pandemic.

### The importance of tourism

Tourism is a sector of great importance for most countries for several reasons. First of all, a number of countries largely depend on tourism as the most important or very important economic sector. Second, the arrival of foreign tourists provides an inflow of foreign currency. Third, a large number of people are employed in the tourism sector. In 2019, almost 1 in 10 employees and 1 in 4 newly employed workers in the world were from the tourism sector<sup>4</sup>. In addition, 54% of employees in the tourism sector in 2019 were women, while this number

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<sup>2</sup> The share of tourism in the world GDP represents the part of the world GDP, shown in %, which was realized by all sectors of the economy that provide services to tourists. This includes products that are produced in other sectors and consumed in tourism. The direct participation of world tourism in world GDP is around 3.6%.

<sup>3</sup> <https://www.unwto.org/news/tourism-set-to-return-to-pre-pandemic-levels-in-some-regions-in-2023#:~:text=According%20to%20new%20data%20UNWTO,increase%20in%20international%20tourist%20numbers.>

<sup>4</sup> WTTC, Global Economic Impact and Trends 2021

in the total world economy in that year was 39%<sup>5</sup>. And finally, tourism contributes the most to the image of the country in the world, contributing to the marketing of the country without direct marketing costs.

A large number of countries, including Serbia, during and after the COVID-19 pandemic decided on budget support for the tourism sector in order to save this sector and avoid a strong slowdown, so that after the pandemic this sector would recover as soon as possible and return to its pre-pandemic trend. Three years after the outbreak of the pandemic tourism in a large number of countries is close to the pre-pandemic level, with certain structural differences, primarily in terms of the distance of tourists from the tourist destinations they visit.

### Characteristics of the recovery of the tourism sector in European countries

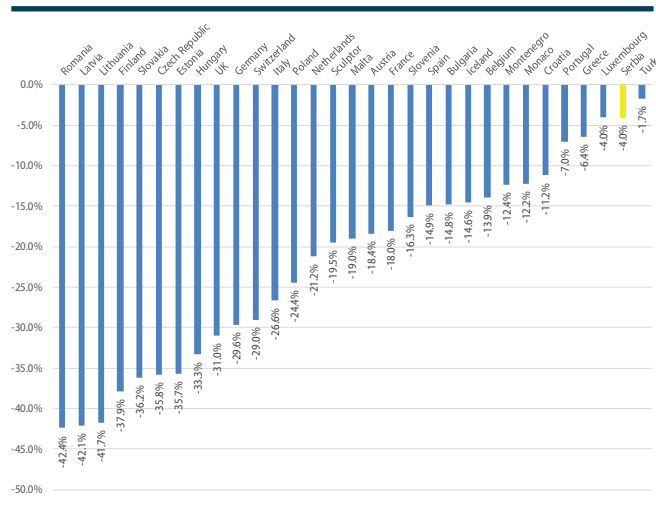
At the European level, the recovery is primarily based on “shorter” trips, while trips from destinations over 4,000 km are still significantly below the pre-pandemic level<sup>6</sup>. Observed according to the number of international arrivals in 2022 compared to 2019, Turkey recorded the best result among the observed countries, with only 1.7% fewer international arrivals in 2022 compared to 2019.<sup>7</sup>

Turkey is one of the most important tourist destinations in Europe, so its rapid recovery is not particularly surprising. The difference compared to other significant tourist destinations lies in Turkey’s significant price competitiveness compared to other destinations due to the strong depreciation of the Turkish lira in 2022. Turkey recorded a relatively strong increase in tourists in 2022 compared to 2019 from countries such as Great Britain, the United States of America, France and Canada.

The worst results compared to 2019 were recorded by Romania (-42.4%), Latvia (-42.1%), Lithuania (-41.7%) and Finland (-37.9%), which are in the immediate vicinity of the Russian-Ukrainian conflict.

Serbia represents the absolute champion of the recovery of the tourism sector if we look at the number of overnight stays recorded in 2022 compared to 2019 by international tourists (Graph 2). Compared to 2019, that number increased by 23%. The data on the number of international arrivals and international overnight stays set Serbia apart from the other observed European

**Graph 1. The difference in the number of international arrivals to the observed European countries, 2019-2022, in %**



Izvor: IMF, World Economic Outlook Database, April 2021

countries individually, but also when viewed together. Namely, Serbia recorded a significant increase in the number of overnight stays (23%) with a recorded decrease in the number of arrivals (-4), so the difference between these two indicators is as much as -27%. The next largest difference is recorded by Italy with -11.9%, while in most other countries this difference ranges from 1 to 6%. In other words, the number of overnight stays after the arrival of a foreign tourist has increased significantly in Serbia. A possible reason for the increased number of overnight stays by tourists in Serbia is certainly the improvement in the quality of hotel accommodation, as well as the reduction in the number of nights that tourists from certain countries can spend in other European countries, which primarily refers to Russian citizens. On the other hand, Serbia probably represents a place of transit to developed European countries where tourists stay until they secure entry to other countries.

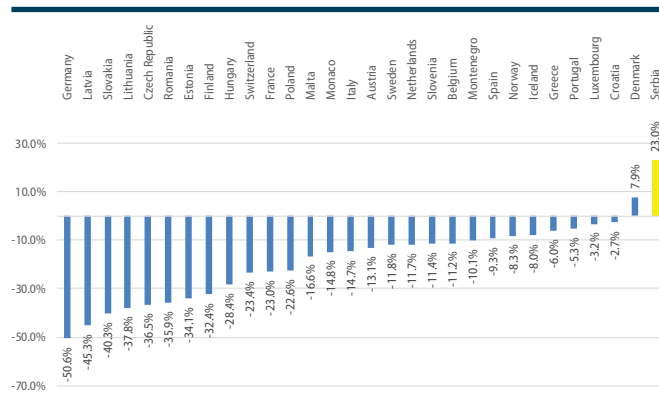
The biggest losers in the number of international overnight stays in the period 2019-2022 are Germany, Latvia and Slovakia (Graph 2). It is interesting to mention that Germany records worse results in the recovery of the tourism sector than other European countries, in terms of the number of international overnight stays, since the COVID-19 pandemic due to a significant decrease in arrivals and overnight stays primarily from Great Britain, and then also from France, Italy, and the United States of America.

5 World Tourism Organization (UNWTO), Global Report on Women in Tourism: Second Edition – Key Findings, 2019.

6 European Travel Commission, European Tourism: Trends & Prospects, February 2023

7 European Travel Commission, European Tourism: Trends & Prospects, February 2023

**Graph 2. The difference in the number of international overnight stays in the observed European countries, 2019-2022, in %**



Source: European Travel Commission, the author's calculation based on SORS data for Serbia

## Characteristics of the recovery of tourism sector in Serbia

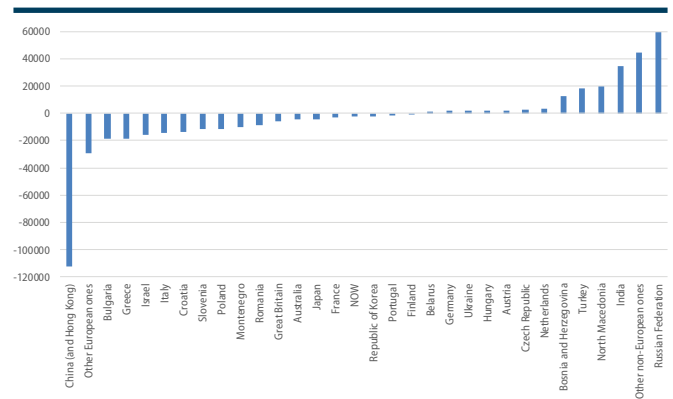
### International tourism

The recovery of Serbian tourism should first of all be observed on the basis of the number of international tourist arrivals. The number of 73,788 foreign tourist arrivals less in 2022 than in 2019 represents the reached level of 96% of the pre-pandemic level, which places Serbia at the very top of European countries in terms of the recovery of international tourism.

A deeper analysis indicates that this good result is largely the result of relatively mild general restrictions for the entry of tourists from other countries into Serbia. Apart from mild general restrictions, Serbia had more favorable conditions for citizens of Russia (increased number of tourists by 59,322), India (increased number of tourists by 34,695), etc. These figures certainly include citizens of foreign countries who temporarily moved to Serbia (due to the war in Ukraine or as transit to the countries of the European Union), and which statistics record as tourists, that is, which are included in the E-tourist system used by accommodation facilities. With the growth of tourist arrivals from these two countries, Serbia managed to largely compensate for the decline caused by travel restrictions for Chinese citizens, which the other observed European countries failed to do.

Most of the other countries from which traditionally the largest number of tourists come to Serbia have reduced the number of arrivals compared to 2019 (Graph 3).

**Graph 3. The difference in the number of foreign tourist arrivals from the observed countries, 2019-2022**



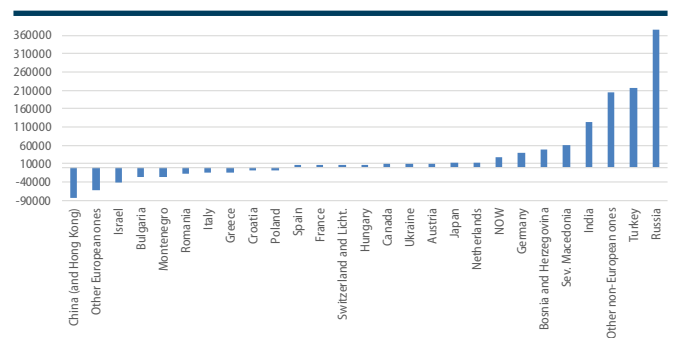
Source: Author's calculation based on SORS data for Serbia

Note: Due to the visibility of the table countries whose changes (positive or negative) are less than 1000 arrivals are not shown in the table.

The increased number of Russian tourists in Serbia had a significant negative impact on the recovery of tourism in European countries which had the most visits from Russian tourists before the war. Thus, the number of foreign tourist arrivals in Finland recorded a drop of 38%, while the drop in Lithuania, Latvia and Romania amounted to as much as 42%<sup>8</sup>.

The largest decrease in the number of overnight stays by foreign tourists in Serbia in the observed period, as expected, came from China (-82,320). A large number of reductions in overnight stays also came from Israel (-42,638), Bulgaria (-27,282) and Montenegro (-26,409). On the other hand, citizens of Russia had the greatest positive impact with over 373,968 overnight stays more than three years ago, which is an increase of 170% compared to 2019. Citizens of Turkey (214,878) and India (122,581) also had a significantly larger number of overnight stays in Serbia compared to 2019 (Graph 4).

**Graph 4. The difference in the number of overnight stays of foreign tourists from the observed countries, 2019-2022**



Source: Author's calculation based on SORS data

Note: Due to the visibility of the table, countries whose changes (positive or negative) are less than 5000 arrivals are not shown in the table.

It is interesting that the number of overnight stays by Japanese citizens in Serbia in 2022 compared to 2019 increased by over 11 thousand, while the number of Japanese tourist arrivals decreased by over 4 thousand. Behind these data is the fact that the number of overnight stays upon arrival of Japanese citizens increased from 2.6 days in 2019 to 11.1 days in 2022. The number of overnight stays of citizens upon arrival in almost all other observed countries did not change by more than one day.

It is also interesting that the number of overnight stays upon arrival of Russian citizens increased by only 1.4 days. This data is probably the result of the fact that a significant number of Russian citizens stay in tourist accommodation only until they find private accommodation that operates in the gray zone, i.e., in which foreign citizens are not registered as tourists, so the official statistics did not manage to include the additional overnight stays in this type of accommodation.

### International and domestic tourism in Serbia

Tourist traffic at the end of 2022 indicates a complete recovery of the tourism sector from the consequences of the COVID-19 crisis, if domestic and foreign tourists are considered.

In Serbia, the number of tourist arrivals in tourist places in 2022 compared to 2019 increased by 179,252 arrivals, i.e., 5%. The region of Vojvodina recorded the best results with a growth of 126,192 arrivals, i.e., 22%. The growth at the level of Serbia is a consequence of the increase in the number of Serbian citizens moving within the country by 253,040, while the number of foreign tourist arrivals in Serbia compared to 2019 was lower by 73,788.

The aforementioned results were not achieved in the same structure of tourist traffic within the country. In other words, certain tourist places managed to recover from the consequences of the pandemic faster than others, some of them managed to establish themselves as the main tourist destinations in Serbia, while some places lost the long-standing trust of both domestic and foreign tourists and greatly damaged their position on the tourist map of Serbia.

For the analysis of the development of tourist destinations in the last three years and the success of the recovery from the pandemic, the statistics of the number of overnight stays shows much more important statistics. The number of overnight stays in Serbia increased compared to the pre-crisis year by as many as 2.2 million overnight stays, i.e., 22%. It is very important to note that this growth is very well distributed between foreign and domestic

tourists, where the growth of overnight stays recorded similar rates of 23% and 21%, respectively.

The statistics indicates a lower number of foreign guest arrivals, by slightly less than 74 thousand, which indicates a higher number of days of stay per arrival of foreign tourists in 2022 compared to 2019. This indicator can be a good indicator of the growth of the quality of accommodation services in Serbia and accompanying events. However, one should be careful when drawing conclusions about the growth in the quality of services, taking into account that a part of tourist arrivals and overnight stays refers to atypical tourists, i.e., to citizens of foreign countries who are fleeing war or are in Serbia only in transit to European countries. This group of "tourist" spends a long time in accommodation facilities waiting for transfer to the countries of the European Union, resolution of the situation in Ukraine or resolution of the issue of their residence in Serbia.

As is the case with the number of guests, in terms of overnight stays, the region of Vojvodina recorded the highest growth, as much as 40%, primarily on the basis of foreign tourists who achieved a higher number of overnight stays in the region of Vojvodina in 2022 compared to 2019, by 54%. The largest increase in overnight stays by domestic tourists was recorded in the region of Southern and Eastern Serbia (of 37%).

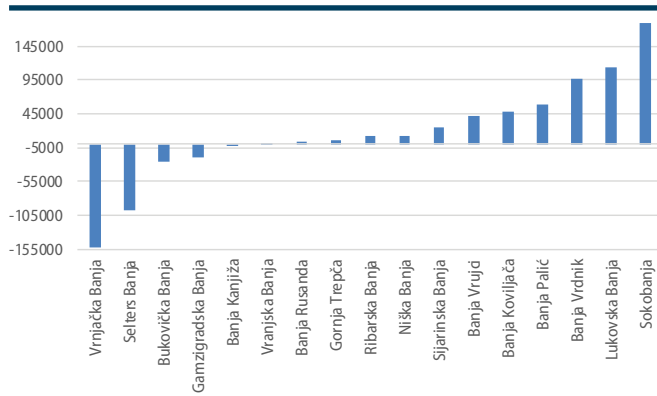
Spas recorded a growth of 10% (273,117 overnight stays), primarily due to the increase in the number of domestic tourists, while the number of overnight stays by foreign tourists was almost at the same level as in 2019 (-784 overnight stays less). Among the spas, Sokobanja recorded the largest increase of 179,303 overnight stays more than in 2019, solely due to the increase in domestic tourist overnight stays of 208,502 (39%), as the number of foreign tourist overnight stays decreased by 29,199 i.e., -61%.

Vrnjačka Banja recorded the biggest decline, with 151,750 overnight stays less than in 2019 (98,154 fewer overnight stays by domestic and 53,596 fewer overnight stays by foreign tourists).

Spas which also recorded significant results in the last three years, that is, they recovered the fastest from the crisis and increased their results, are Lukovska Banja with an increase in the number of overnight stays of 113,544, Banja Vrdnik 96,991 and Banja Palić 59,438. In addition to Vrnjačka Banja, Selters Banja also recorded a significant negative balance in the number of overnight stays - 97,967 less overnight stays than in 2019 (Graph 5).

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**Graph 5. Difference in the number of overnight stays in spas, 2019-2022**



Source: Author's calculation based on SORS data

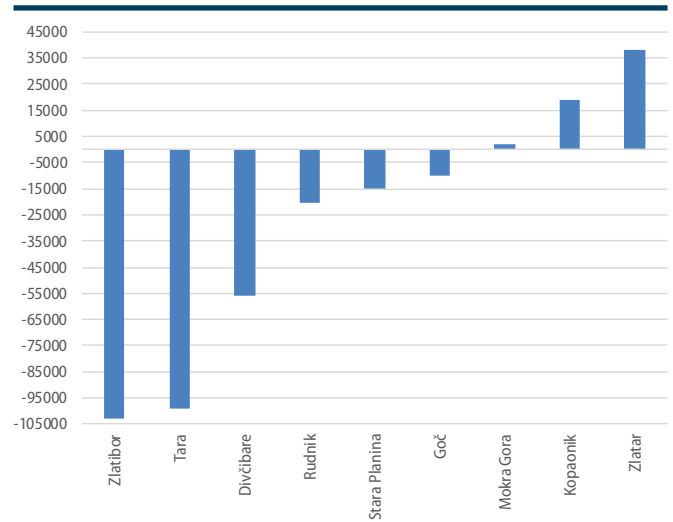
Mountains<sup>9</sup> recorded a decline in the number of overnight stays of 12%, or 244,040. Most responsible for this decline was Zlatibor, with 103,205 less overnight stays compared to 2019. This result is primarily a consequence of the decrease in the number of domestic tourists by 13%, while the number of foreign tourists decreased by 4%. The number of overnight stays on Tara was 99,237 less than three years ago, while the number of overnight stays on Divčibare was 55,814 less. Zlatar Mountain recovered best from the crisis and in 2022 recorded an increase of 38,242 overnight stays compared to 2019.

Kopaonik increased the number of overnight stays by slightly more than 19 thousand compared to 2019, based on the growth in the number of domestic tourist overnight stays, while the number of foreign tourists overnight stays slightly decreased. Under normal winter season conditions Kopaonik would probably achieve much better results, given that in December the number of overnight stays decreased by almost 20 thousand compared to the previous year due to very unfavorable conditions for the winter season. Only in the first two months of the winter season, December and January (for which there is official data), the number of overnight stays on Kopaonik decreased by 38,280.

Almost all cities in Serbia monitored by tourism statistics have recovered from the crisis. The most important result was achieved by the City of Belgrade with an increase of 484,145 overnight stays. It is particularly significant that the number of foreign tourist overnight stays has increased by over half a million overnight stays. The number of overnight stays by domestic tourists in Belgrade is slightly lower compared to 2019 (-5%). This decrease in the number of overnight stays in Belgrade by domestic tourists is also the only decrease when we look at larger cities (Belgrade, Novi Sad, Niš, Kragujevac and Sombor). All these cities increased the number of overnight stays by both domestic and foreign tourists.

<sup>9</sup> Zlatibor, Kopaonik, Tara, Mokra Gora, Divčibare, Zlatar, Rudnik, Stara Planina, Goč

**Graph 6. The difference in the number of overnight stays on mountains, 2019-2022**



Source: Author's calculation based on SORS data

## Conclusion

The recovery of the tourism sector is questionable in the coming years due to the emerging economic crisis, which is currently characterized by high inflation rates, slowing growth of world economies and rising interest rates. In addition, the world is currently facing significant geopolitical problems. These factors not only affect the possibilities of travel, but also the attitudes and mindset of tourists about locations and the financial aspect of travel. A positive factor is the growth of people's awareness of the importance of travel, vacations and exploring different cultures, which has been present in the last decade and has not been significantly changed by the consequences of the pandemic.

In the period of recovery from the crisis, the providers of tourist services are also faced with the rising prices of energy, food and other inputs. In addition, the rising costs of living and housing affect not only the reduction of the available budget of potential tourists, but also put pressure on the costs of workers in the tourism sector and thus on rising labor prices and labor shortages.

In these conditions, the recovery of the tourism sector is expected in the coming years. Whether it will happen depends to a large extent on the length and intensity of the current economic crisis, as well as the resolution of significant geopolitical conflicts, primarily the war in Ukraine.

After three years of the outbreak of the COVID-19 crisis, China announced the opening of its borders, so the influx of Chinese tourists represents one of the most significant potentials in 2023, especially considering that the Chinese market was the world's largest tourist market in 2019, i.e., the largest number of world tourists

came from China. As a large number of countries are expected to maintain or tighten the COVID-19 regulations for citizens from China after the opening of the borders, Serbia can make significant use of this potential and possibly compensate for the decrease in the influence of Russian tourists as a result of the possible introduction of sanctions towards Russia.

Currently, the relatively small but available booking data shows that Chinese travelers continue to choose to travel within the country. In 2023, it is predicted that trips from China to European destinations will remain at 60-70% of the pre-pandemic level, and that the return to the pre-pandemic level will be reached in 2026. By returning to the pre-crisis level, Serbia would regain as many as 82 thousand nights spent by Chinese citizens, and given that countries will probably keep stricter conditions for arrival of Chinese citizens than Serbia the potential is even greater. On the other hand, Serbia faces a potential decrease in the inflow of Russian tourists, if political decisions in 2023 introduce stricter conditions for the entry of Russian citizens into Serbia.

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