

## Impact of economic crisis on tourism in Slovak Republic

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### ABSTRACT

In this article, authors deal with the analysis of financial income in the Slovak economy in the tourism sector. The aim is to assess the impact of the economic crisis on the sector of tourism services. The analysis is divided into inbound and outbound part of tourism. The last part study total income volume converted to a single currency Euro. The origins of the economic crisis began in 2007 in the U.S. and Europe and other parts of the world hit with a slight delay, but with a significant effect. Its effects persist to this day. Since the crisis started is nearly six years, the causes of the crisis are dealt with many professionals, has been the subject of many analyzes and studies. The negative impact of the economic crisis, involved also Slovak tourism industry as the worldwide trend. In 2010, the impact of the crisis in inbound tourism has widened. One of the reasons that most influenced the recession in tourism is less business activities of companies. The result of this factor is also reduced employment and a decline in disposable income of the population.

**Key words:** economic crisis, tourism, inbound, outbound, income

### INTRODUCTION

During the 2008, crisis was not just in USA, but gradually moves into developed economies worldwide in terms of global financial and economic crisis. These can include economy in Slovakia. For the entire financial and economic crisis, it is interesting that comes from the most advanced economy in the world, while the crisis so far have all been closely associated with developing or underdeveloped countries. For quite interesting fact we consider well her initial association with positive phenomena for which can be regarded as innovations in financial markets [1].

Tourism is undoubtedly one of the most promising and fastest-growing sectors of

the Slovak economy. Slovakia's position in the heart of Europe at the intersection of trade routes, with cultural and historical wealth and the climate creates a potential for tourism development. Country has the potential to create positive economic, environmental, cultural and social effect. Tourism increases employment, creating a multiplier effect and will benefit from tourists in industries that are not part of tourism. In places where tourists go, is a natural concern to preserve the pure nature. Tourism can also compensate regional differences in just a few industrialized regions with high unemployment and poor socio-economic situation of tourism can bring about substantial improvement in the area [2]. The European Union is due to tourism able to generate growth and

employment, while contributing to economic and social development and integration, particularly with regard to rural and mountainous areas, coastal regions, islands, remote and very remote regions. European tourism sector, which accounts for about 1.8 million enterprises, especially small and medium-sized enterprises employing around 5.2% of the total workforce (which is about 9.7 million jobs with large numbers of young people), created in the EU over 5% of GDP and the rate is increasing. [3]

Tourism is the third and most extensive socio-economic activity in the EU, after the retail and distribution sector and construction. The share of tourism in Slovak GDP in 2011 was 2.5%, the same as in 2010. In the EU creates tourism more than 5% of GDP, which means that Slovakia is well below this value.

## METHODOLOGY

The data are results from the processing of annual statistical reports. Detecting exhaustively for all travel agents, tour operators and other providers of tourist services in Slovakia, who has statistical classification of economic activities code 63.30. Since 2003 there has been a change in the methodology of observation and code

63.30 does not include transporting companies. Data refer to entities registered in the Commercial Register and persons registered in the Trade Register, providing tourism services according to their location. Income of organized tourism reflect the proceeds from the sale of services, which are implemented through tour operators, travel agencies and other services in tourism (e.g. sales of tours, services, tickets, commissions, guided activities, etc.). Organized tourism follows international tourist arrivals to Slovakia as inbound tourism, outbound traveling of Slovak citizens abroad as outbound tourism.

## INBOUND TOURISM THROUGH TRAVEL AGENTS

Working in organization of inbound tourism is currently only a small portion of travel agencies, despite the fact that the profitability of inbound tourism is significantly higher than in outgoing tourism. The most common reason is non-standard relations, respectively cooperation between tour operators and hotels and effort to deal directly with foreign service providers. There is a growing tendency to avoid travel agents, respectively use their services only once and liaise with immediate suppliers of services. [5]

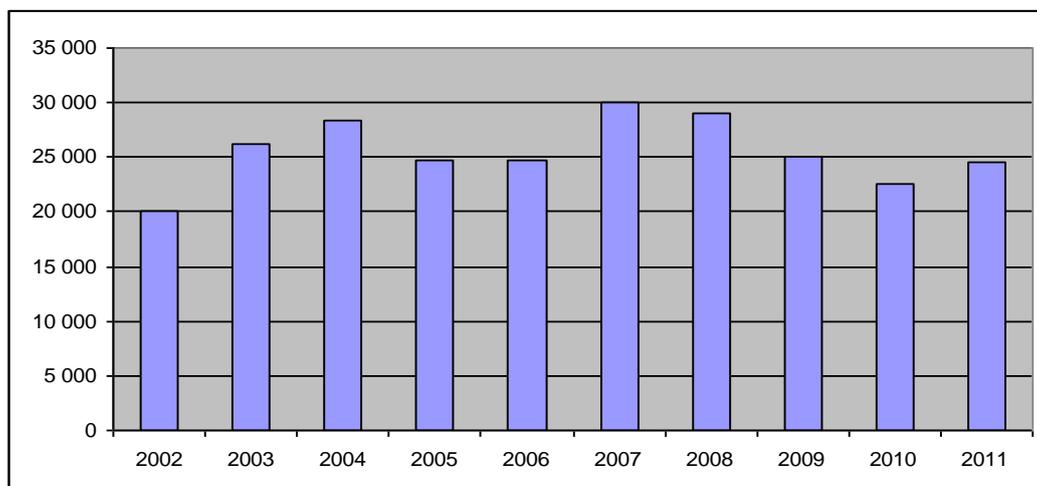


Fig. 1 Income from inbound tourism in thousand Euro

Income from inbound tourism in the Slovak Republic has a fluctuating trend. In 2003 there was a sharp increase in income of 23%, in 2004 subsequent growth of almost 8%. In the next 2 years was a slight decline in income, in 2005 a decrease of 13% and in 2006 to fall by less than half a percent. In 2007 there was an increase of 18% on yearly basis. Subsequent years after the outbreak of the economic crisis, the negative trend occurred. From 2008 to 2010, the decrease follows: 3%, 13%, 10%. The last available data was from 2011, a slight increase in income by 8%. [5]

### OUTBOUND TOURISM

The most common motifs for outbound tourism include: sea vacation (64.4%), visiting friends and relatives (8.2%), staying near water (7.5%), combined stay (6.2%), urban tourism (4.7%), sightseeing (2.8%) and the mountain vacation (2.5%). [4] Outbound tourism is growing faster than Inbound since 2002 and has largely upward trend.

Income of outbound tourism has all the time growing character. Except year 2009 when there was a decline income. From

2002 to the year 2008, the following growth: + 10% + 5% + 8% + 6% + 11% + 14%. In 2009 there was a sharp decline in income year on year by almost 29%. Again year 2010, followed by income growth until the last reference year 2011 as follows: + 15% and + 3%. [5] It is appropriate to take into account the fact that in these observed statistics is not included money that exports residents of Slovakia by individual holiday in abroad, frequently to Croatia, which is the TOP 1 destination for the sea vacation for many years. Therefore the income of outbound tourism should be even more. These tourists' expenses are reflected in the passive balance sheet of payment.

### TOTAL INCOME FROM TOURISM

The total income from tourism had a very similar pattern as income of outbound tourism.

Since 2002 over 2008 the income increased by 41%. Next year 2009, when the economic crisis started to show, there was a decrease of 27%. Another two years 2010 and 2011 represent growth 14% and 3%. [5]

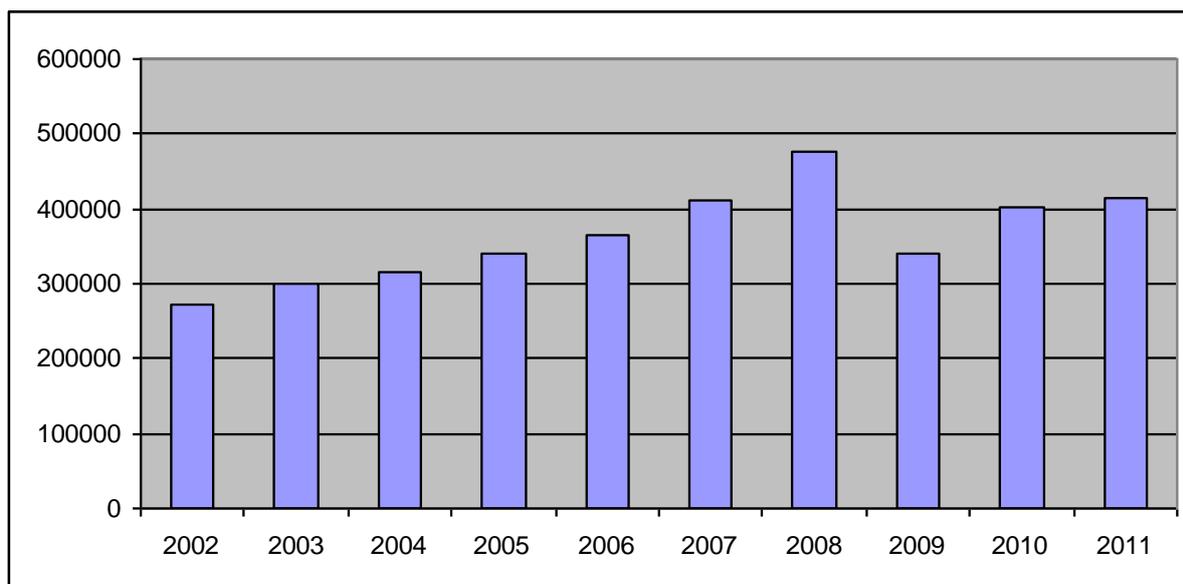
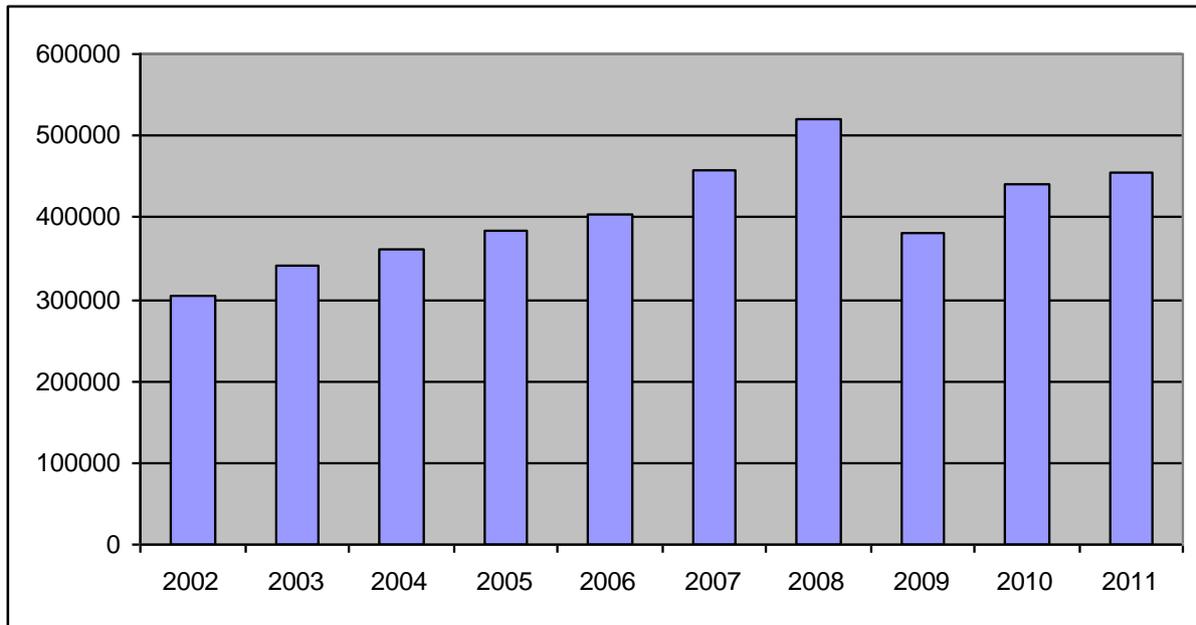


Fig. 2 Income from outbound tourism in thousand Euro



**Fig. 3** Total income from tourism in thousand Euro

In Slovakia, the crisis in tourism showed a decrease in income, but consequently also in prices. Tourism businesses have no space for further cost reduction. Performance of Slovak tourism in 2009 fell by a quarter in response to the impact of the global economic crisis. In the following years the number of tourists in the country and income volume is increasing, but the pre-crisis level in industry is still not reached. Most foreign tourists come to Slovakia from the Czech Republic. According to the World Tourism Organization / UNWTO / Europe would have the highest share of traffic, but this would be from the 60% achieved in 1995 decline to 46% in 2020. Overall, Europe should record in 2020 around 717 million visitor arrivals, which corresponds to an annual growth rate of 3%. UNWTO expects tourism will be fast growing until 2020 in Central, Eastern and Southern Europe. Central and Eastern Europe by 2020 will attract about 40 million visitors more than western Europe.[6] Slovakia should improve promotion to attract people for inbound tourism.[7] Slovak media from time to time point out that Slovakia is increasingly confused with Slovenia. This negative information from press agency could be

also used as a tool for good marketing activities.

## CONCLUSION

Outbound tourism in Slovakia is nearly 10 times higher than inbound tourism. Performance of Slovak tourism in comparison with neighboring countries is much lower. In particular inbound tourism in most countries is significantly higher source of foreign exchange earnings than in Slovakia. When evaluating the level of income from tourism and its share in gross domestic product and exports of services is evident that the Slovak Republic in contrast to neighboring countries has especially excellent natural but also cultural - historical conditions for the development of tourism and influx of foreign visitors, due to the lower standard of service, the state tourism promotion and marketing still unable to realize its potential for development of this sector. Despite the success of globalization tendencies in the economic sector in particular from the general conditions of individual countries. In the competitive global market can succeed only destinations where the public

sector and private sector can work together and can create a level of cooperation that will allow them to create an attractive tourist destination.

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