Tourism Contribution to the Economic Growth of Romania; a Regional Comparative Analysis

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Abstract
This paper aims to define the realistic position of Romanian tourism in the regional context, compared with its main competitors (Austria, Hungary, Bulgaria). In order to decide on the development directions of the Romanian tourism or even on the development opportunity of this sector through its contribution to the economic growth, we will be considering a series of indicators, such as: the contribution of tourism incomes to the Gross Domestic Product (GDP), the capacity of tourism industry to create jobs, the dynamics of tourist product export and of the domestic demand, the attractiveness for the investment environment, the performances of leisure tourism and of business tourism (the main forms of tourism). To have a relevant image of the performances of the Romanian tourism, we are going to compare each variable with the results obtained by the main competitors: Austria, Bulgaria and Hungary, for which the presented information is based on the reports submitted by these countries to the World Tourism Organization, to the World Tourism Council and/or to the national statistics of said countries. (see Appendix 1)

Key words: role of tourism in the economy/ GDP, benefits of tourism, tourism investment, competitiveness, ranking contribution.

The contribution of tourism to GDP
The strategic importance of tourism for the economy is given by its contribution, direct and indirect, to the constitution of the Gross Domestic Product (GDP). Depending on the profitability of an economic sector, the government of said country decides on the attention given to the relevant sector, and the investment level to increase its performance. Compared to the direct competitors, the Romanian tourism is not very successful.

The contribution of the tourism to the Gross Domestic Product in Romania is much more reduced than the tourism input to the GDP of Austria or Hungary. The value of the goods and services produced in the tourism sector in 2011 is estimated by the World Tourism and Travel Council (WTTC) to 2.73 billion dollars, much below the value of 15.9 billion dollars in Austria, or that of 5.9 billion dollars, in Hungary. Romania is in a better position compared to Bulgaria, but it occupies the last place in terms of tourism contribution to the Gross Domestic Product. Thus, the Romanian tourism makes only 1.9% of the GDP, while the Bulgarian tourism represents 4.3% of this country’s GDP, the same as in Austria. In Hungary, tourism share is even more important, of 4.6%. This small tourism influence to the GDP reveals that:

- the Romanian tourism progress is below its real potential, considering the number, diversity and intrinsic quality of tourism attractions, not lower than Bulgarian or Hungarian ones. The contribution to the GDP that represents less than 50% of that of

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Hungary, a country which, as revealed by the strategy drafted by the Hungarian tourism authorities, counts on two tourist products: Budapest and Balaton Lake. The contribution of the Bulgarian tourism to the country’s GDP is smaller, in real terms, than that of Romanian tourism. We must however consider that the economies have different calibers, in which case the share of tourism in the GDP is relevant. Romania’s number is lower.

- The Romanian tourism has not occupied an important place in the Romanian economy, which was illustrated by the contribution to the GDP of the last few years. However, the growth rhythm is more encouraging for Romania. The share of Romanian tourism in the GDP is estimated to be growing by 11.2% this year, compared to 2010, by far the biggest growth rate in the analyzed group of countries, and the biggest growth rate achieved by Romania in the last years. This accomplishment is the more important as it happens on a moment when the world economy has not completely recovered after the recession. We may say that the active participation in the international tourism events and the launching of the country brand, together with its advertising strategy, represent the main reasons of growth of Romanian tourism’s contribution to the Gross Domestic Product.

The share of Romanian tourism in the national economic system is relatively small. Thus, the figures for 2011 show that the tourism sector contributes to the GDP with an overall amount of 6.4 billion dollars, less even than the number anticipated for Bulgaria (7 billion dollars) and extremely low compared to the impressive numbers registered by Hungary (15.4 billion dollars) and Austria (43.5 billion dollars). The total share in the GDP is, again, much smaller in the case of Romania than in the countries with which Romania intend to compete on the tourism market. Thus, the total contribution of tourism represents only 4.4% of Romania’s GDP, while all the other countries show two-figure values: Austria – 11.8%, Hungary – 12% and Bulgaria – 14.8%. Once again, the only hopeful factor is the growth rate, where Romania occupies the first place, with a growth rate of 6.1%. Beyond this positive aspect, it is certain that Romania does not take advantage yet of the multiplier effect that tourism has. Also, the relationship between the players on the tourism market and the partners in the related industries is not as close as in other States. Finally, the investment level is another factor which may make the difference. It is obvious that, at present, the Romanian tourism evolves below its potential, and the figures registered by the direct competitors, of whom two are countries with which Romania has common borders, show that Romania’s poor performance is not determined by the lacks of the region, but by the place reserved so far to tourism in the economic strategy.

Tourism – as an opportunity to reduce unemployment

One of the benefits of tourism is the reduction of unemployment by creating new jobs. Many countries have turned tourism into a key industry for the areas where there were no other industries and where the local communities had no income sources allowing them a decent way of living. For Romania, a good example is Bucovina, where the rural tourism is a source of economic growth for an extremely limited local economy. The employment rate is an important factor, which plays an essential part in the growth of the tourism multiplier effect. Tourism workers contribute to the development of other services, given the fact that, from the salaries obtained from tourism, they pay for: utilities, food, clothes, services, local taxes etc. According to WTTC, in 2011 in Romania are employed in tourism

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238,700 persons, with a share of only 2.8% of the total active labor force. The number is almost equal to the one registered in Hungary (235,800), but bigger than the one registered in Bulgaria (122,100 persons employed in the tourism industry) and Austria (195,700 persons working in tourism). The importance of tourism as regards the employment rate differs from one country to the next.

While in Romania tourism offers jobs only for 2.8% of the total available labor force, the percent grows in the case of the other three competitors: Bulgaria – 3.9%, Austria – 4.7% and Hungary – 6.1%. In these countries, tourism represents an important catalyst of the labor market in the related industries, a part illustrated by the total contribution of the Travelling & Tourism industry to the creation of working places.\(^3\)

In real terms, tourism has the biggest impact on the labor market in Austria. According to the data for 2011, tourism and the related industries have created 522,500 jobs. With 446,400 jobs, Romania would occupy the second place in the competitors’ classification. In Hungary, the number is of 429,300 jobs, while in Bulgaria, the total contribution of tourism to the labor market has been of 423,500 jobs. This place is hopeful, apparently, but the size of the labor markets differs from one country to another. A complete measurement of tourism’s contribution to the labor market is achieved by the share of the jobs created by tourism in the overall number of jobs existing in these markets. Thus, if in Romania the share is of only 5.2%, in Hungary, it is of 11.2%, in Bulgaria, of 13.6%, and in Austria, of 12.6%. The importance of tourism for the economy is illustrated by the difference between the direct contribution and the total contribution of tourism to the labor market. With a difference of only 2.4%, Romania is the country with the most modest performance of tourism in stimulating the related industrial branches.

In conclusion, the influence of the Romanian tourism on labor market means:
- the smallest impact on the labor market between the profile industries of the four countries we are studying.
- the most reduced synergy in the labor market between tourism and the related industries.
- a lower productivity of the labor force in tourism than in the other three studied countries. The 238,700 workers in the Romanian tourism bring a contribution of 2.7 billion dollars to the GDP, while in Bulgaria, 122,100 workers contribute with 2.03 billion dollars to their country’s GDP. The productivity of the labor force of Hungary and Austria is much bigger than that of Romania and Bulgaria.

There are three explanations for the low productivity of the labor force: lack of motivation; poor training; lack of modern technology.

**International tourism trade**

Both the export of tourist services and the coverage by commercial transactions of the domestic tourism demand are the two ways towards which tourist service providers direct themselves, sometimes alternatively, sometimes simultaneously. The reduction of the commercial deficit and the balancing of the payment balance are two of the reasons that make tourism a priority for many of the countries. At present, in Romania, tourism’s efficiency for both directions is low. Moreover, the numbers registered in the World Travel Council’s statistics show that Romania’s export of tourism services is modest in all respects: value, share, popularity.\(^4\)

The volume of tourism service exports registered in Romania in 2011 was of 1.99 billion dollars, which represents less than half of the consumption of foreign visitors in

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\(^3\) World Travel and Tourism Council 2012

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Bulgaria, almost 25% of the number registered by Hungary, and less than 10% of the consumption of foreign tourists in Austria. This clearly shows that Romania starts with a serious handicap in this competition. In 2009, Romania recorded the biggest rebound of tourism product export in the group of the four – a drop of over 25%. Secondly, we must also consider tourism’s share in the total export, of about 3%, way below the values recorded by the other States: Hungary – 6.9%, Bulgaria – 14.4% and Austria – 10.4%. In terms of this indicator, this year’s strong growth rate, of 14%, is remarkable, which makes us think once more to the contribution of the new tourism brand and of its advertising campaign. The growth of 2011 is doubled in percentage compared to that of the three competitor markets. We are speaking of different calculation bases, but, as we have already mentioned, when a new strategy is implemented, the growth rate is by far more significant than the growth level. Subsequently, while the tourist product approaches its maturity, it is important to maintain a constant growth rate, together with the enhancement of the calculation basis.

The domestic demand is important for the tourism system of a country which intends to become an important player on the international market of tourism services and products. The tourism supply created to satisfy the domestic demand also creates, at the same time, the conditions to satisfy the external demand. In other words, the achievement of a domestic consumption under full development creates the conditions to accumulate the resources and the motivation to invest in the development of a top-quality domestic supply, able to satisfy the external demand as well. It is interesting that all the countries register a growth of the domestic consumption of tourism products and services. Surprisingly, despite the so much advertised „migration” of Romanians towards external destinations, we may however see that, globally, the Romanians have continued to consume the national tourism products. For 2011, we anticipate the consumption of 2.8 billion dollars, smaller than that of Hungary (3.64 billion dollars), much smaller than Austria’s (12 billion dollars), but much bigger than the one recorded by Bulgaria (1.14 billion dollars). Furthermore, the growth rate of 4.5% is almost at the same level as Bulgaria’s and bigger than Hungary’s and Austria’s. Except for the decrease of 27% registered in 2006 (deemed normal for a market saturated with domestic tourism destinations and which had access for the first time to international tourism products such as charter flights at accessible prices), we may say that the Romanian tourism has had a constant evolution, in average, almost similar to that of its competitors.

**Dynamics of tourism investments**

The attraction of foreign investors represents positive signals in the target markets as regards the quality standard and the market profit. An example is Bulgaria, which, at the beginning of the ’90s, through its partnerships concluded with investors such as TUI or Thomas Cook, ensured their access to extremely profitable markets, such as Germany or Great Britain. The tourists of these countries have not decided to travel to the Bulgarian seaside due to Bulgaria’s attractive offer, but because they were familiar with the standards guaranteed by TUI and Thomas Cook, trusted the offer of these great companies and were aware of the price/quality ratio offered. In other words, by adopting such a strategy, Bulgaria has mitigated the tourist’s transaction risk for the procurement of a tourism product. On the other hand, investments also mean an improvement of the quality of

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services. This is why the investment dynamics is a relevant clue for the evolution of tourism in a given country. Analyzing Romania and the three direct competitor countries in the tourism market, we notice different patterns:

- **Austria**: it is the only country where investments have grown during the economic recession that affected the tourism market in 2009. Thus, if during 2004-2008, the boom period of world tourism, the level of investments in the tourism sector in Austria has constantly dropped, in 2009, an year of crisis, it grew by 23%, and in 2010, a year when tourism started to grow, it increased by 6.8%, compared to 2009, without reaching the values obtained in the boom period. It is most likely that this growth tendency of the investment level during 2009-2010 may be related to the decrease of the prices for raw materials and services in the period of economic recession. For 2011, the investment level is anticipated to be 1.8% smaller than the previous year.

- **Bulgaria**: the trend is completely different on the tourism market in Bulgaria, where investments had an impressive growth rate 2004-2006. It is the interval when tourism resorts have been built from scratch in the seaside area, stimulated by the growth in popularity of the Bulgarian seaside on the external markets. The economic recession determined an accelerated decrease of the investment rate in the Bulgarian tourism, by 41.7% in 2009, and 23.7% in 2010. It is the interval when the specialists have noticed an over-sizing of the accommodation capacity at the Bulgarian seaside and where many real estate properties built to be introduced in the tourism circuit have been taken out for sale on the real estate market due to great competition and to the decrease of the number of tourists. For this year, a slight increase is anticipated, but it is not very clear whether it is due to certain activities such as the modernization of the existing material base, infrastructure works or investments in tourism areas included in Bulgaria’s most recent strategy of tourism development.

- **Hungary**: The investment rate in Hungary has been descendent for the last five years. The biggest decrease of investments occurred in 2009, recession year for world tourism. The decrease of the tourism circulation at the global scale and the rethinking of this country’s tourism strategy in order to pass to the tourism development of areas of the country other than Budapest and Balaton lake are, probably, the main reasons behind this decrease of the investment level. The growth of 11.6%, forecast for this year, is a signal that Hungary prepares itself to consolidate its position on the European tourism market.

- **Romania**: Tourism investments in Romania face a downfall beginning with 2009, after a growth interval in 2006-2008. The constant share of tourism investments out of the overall investments, of about 7%, tells us that the level of the amounts of money invested in tourism has fluctuated at the same rate as the level of the amounts invested in Romania’s economy. Consequently, we may say that the dynamics of the investments has not been determined by the evolution in attractiveness of the Romanian tourism sector, but by Romania’s attractiveness as investment market.

As a general trend, we may notice the constant share of tourism investments in the overall investments in Austria and Hungary. On the other hand, the share of tourism investments in the overall investments has dropped in Bulgaria from 11.2% in 2006 to 6.1% in 2011, which clearly shows a decrease of the attractiveness of the tourism sector for the investment environment. Romania proves to be an attractive market for tourism investments, provided that the discrepancy in the investment level compared to Bulgaria and Hungary has decreased. At present, tourism investments in Romania are situated at a

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level which is close to the one registered by Hungary and way over those attracted by Bulgaria.

**Conclusions**
- Romania has an increasing domestic demand, which may give it the necessary basis to develop competitive products externally.
- The position on the external markets (illustrated by the export of tourism products) is very weak, much behind the direct competitors.
- The Romanian tourism has a growth rate over that of the direct competitors in 2011 and it seems to have successfully overcome the recession of 2010. What is interesting is that this recovery happens after the launching of the tourism brand, in mid-2010.

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**Appendix 1**

**ROMANIA ( 1$=3.05RON in 2011)**
The direct contribution of Travel & Tourism to GDP was 2.53 mlde $ (1.4% of total GDP) in 2011, and is forecast to rise by 14.8% in 2012, and to rise by 6.9% pa, from 2012-2022, to RON17.2bn in 2022 (in constant 2011 prices).
The total contribution of Travel & Tourism to GDP was $ 8.23bn (4.5% of GDP) in 2011, and is forecast to rise by 7.6% in 2012, and to rise by 7.1% pa to RON53.6bn in 2022.
In 2011 Travel & Tourism directly supported 184,500 jobs (2.2% of total employment). This is expected to rise by 7.5% in 2012 and rise by 1.6% pa to 233,000 jobs (2.8% of total employment) in 2022.
In 2011, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 5.1% of total employment (435,000 jobs). This is expected to rise by 4.2% in 2012 to 453,500 jobs and rise by 2.1% pa to 561,000 jobs in 2022 (6.6% of total).
Visitor exports generated $ 2.0 bn (2.9% of total exports) in 2011. This is forecast to grow by 21.0% in 2012, and grow by 8.5% pa, from 2012-2022, to RON16.7bn in 2022 (3.7% of total).
Travel & Tourism investment in 2011 was $3.08bn, or 7.3% of total investment. It should rise by 5.1% in 2012, and rise by 6.9% pa over the next ten years to RON19.3bn in 2022 (7.6% of total).

**AUSTRIA ( 1EUR = 1.39 $ in 2011)**
The direct contribution of Travel & Tourism to GDP was $20.16bn (4.8% of total GDP) in 2011, and is forecast to rise by 0.8% in 2012, and to rise by 3.0% pa, from 2012-2022, to EUR19.6bn in 2022 (in constant 2011 prices).

The total contribution of Travel & Tourism to GDP was $57.8 bn (13.8% of GDP) in 2011, and is forecast to rise by 0.1% in 2012, and to rise by 2.5% pa to EUR53.3bn in 2022.

In 2011 Travel & Tourism directly supported 216,000 jobs (5.2% of total employment). This is expected to remain unchanged in 2012 and rise by 1.8% pa to 259,000 jobs (6.4% of total employment) in 2022.

In 2011, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 14.7% of total employment (606,500 jobs). This is expected to fall by 0.7% in 2012 to 602,000 jobs and rise by 1.1% pa to 671,000 jobs in 2022 (16.5% of total).

Visitor exports generated $22.66bn (9.6% of total exports) in 2011. This is forecast to grow by 1.0% in 2012, and grow by 3.1% pa, from 2012-2022, to EUR22.3bn in 2022 (7.5% of total).

Travel & Tourism investment in 2011 was $4.031bn, or 4.6% of total investment. It should fall by 4.4% in 2012, and rise by 3.8% pa over the next ten years to EUR4.0bn in 2022 (5.1% of total).

BULGARIA (1$=1,43 BGN in 2011)

The direct contribution of Travel & Tourism to GDP was $1.93bn (3.6% of total GDP) in 2011, and is forecast to fall by 1.0% in 2012, and to rise by 2.6% pa, from 2012-2022, to BGN3,515.3mn in 2022 (in constant 2011 prices).

The total contribution of Travel & Tourism to GDP was $6.93bn (12.9% of GDP) in 2011, and is forecast to fall by 2.0% in 2012, and to rise by 2.5% pa to BGN12,484.3mn in 2022.

In 2011 Travel & Tourism directly supported 101,000 jobs (3.3% of total employment). This is expected to fall by 3.4% in 2012 and fall by 2.0% pa to 80,000 jobs (2.7% of total employment) in 2022.

In 2011, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 11.8% of total employment (364,000 jobs). This is expected to fall by 4.6% in 2012 to 347,000 jobs and fall by 2.2% pa to 277,000 jobs in 2022 (9.2% of total).

Visitor exports generated $4.16bn (11.9% of total exports) in 2011. This is forecast to grow by 1.0% in 2012, and grow by 2.1% pa, from 2012-2022, to BGN7,379.6mn in 2022 (6.3% of total).

Travel & Tourism investment in 2011 was $0.63, or 6.1% of total investment. It should fall by 2.5% in 2012, and rise by 5.4% pa over the next ten years to BGN1,475.6mn in 2022 (5.1% of total).

HUNGARY (1$=201,09 HUF in 2011)

The direct contribution of Travel & Tourism to GDP was $5.62bn (4.0% of total GDP) in 2011, and is forecast to fall by 0.9% in 2012, and to rise by 2.8% pa, from 2012-2022, to HUF1,481.6bn in 2022 (in constant 2011 prices).

The total contribution of Travel & Tourism to GDP was $14,65 bn (10.5% of GDP) in 2011, and is forecast to fall by 2.0% in 2012, and to rise by 2.7% pa to HUF3,768.9bn in 2022.

In 2011 Travel & Tourism directly supported 213,000 jobs (5.6% of total employment). This is expected to fall by 0.2% in 2012 and rise by 0.8% pa to 231,000 jobs (6.2% of total employment) in 2022.
In 2011, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 9.8% of total employment (373,500 jobs). This is expected to fall by 1.4% in 2012 to 368,000 jobs and rise by 0.7% pa to 394,000 jobs in 2022 (10.6% of total).

Visitor exports generated $6,64bn (5.2% of total exports) in 2011. This is forecast to grow by 3.5% in 2012, and grow by 2.9% pa, from 2012-2022, to HUF1,840.0bn in 2022 (4.5% of total).

Travel & Tourism investment in 2011 was $0,90bn, or 3.9% of total investment. It should fall by 4.5% in 2012, and rise by 4.5% pa over the next ten years to HUF268.1bn in 2022 (4.1% of total)