



Black Sea Bulletin

Tourism in the Black Sea Region



Research

The Institute for Economic Research and Policy Consulting

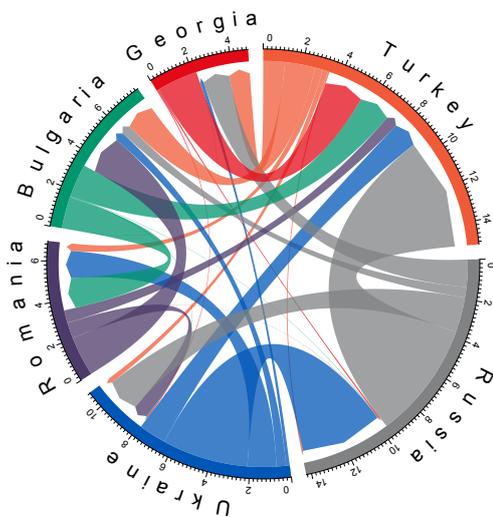
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Tourism is one of the fastest growing sectors in the world. It creates three hundred million jobs and accounts for 10% of global GDP. This bulletin reviews the tourism sectors of countries bordering the Black Sea in the last 6 years. The analysis is centered on the number of visits, dynamics, and the relationship between tourism and economic growth.

General overview

Unsurprisingly, out of all the countries lining the Black Sea, Turkey had the highest number of visits¹ in 2018. Approximately 39.5 million trips were made to Turkey by foreigners, out of which, 11.7 million, or 29.7% were made from Black Sea countries. Turkey is an especially attractive destination for Russian tourists as every seventh visitor in Turkey is Russian. Whilst Turkey received more than 30 billion US dollars in tourism receipts, Turkish tourists spend only 5 billion overseas.

Exchange of Visitors Between Black Sea Countries in Millions (2018)



Meanwhile, Russia had 22.37 million international visits in 2018. This number does not show the whole picture as 7.2 million foreigners have also entered the country for reasons of employment. Interestingly, only 71 thousand international visits to Russia were from Turkey, compared to the 5.96 million Russians visiting Turkey. Instead, the majority of visits - 19.2% or 4.3 million were made from Ukraine². Additionally, Russia is not a popular destination for the rest of the Black Sea countries: trips from other Black Sea countries, like Georgia, Turkey, Romania, and Bulgaria make up as low as 0.8% of total visits. Furthermore, unlike any other country in the region, Russian visitors spend over 34 billion dollars abroad in total, while receiving less than 15 billion in receipts.

Bulgaria and Romania had similar numbers of foreign visits in 2018, 12.3 million and 11.7 million respectively, 57% of which were from the EU. In Bulgaria, 12.4% of visits were made by residents of neighbouring Turkey, and 16.5% by Romanians. Meanwhile, 12.5% of visits were made by Ukrainians to Romania, and 13.7% by Bulgarians, showing how similar tourism patterns are for these countries. Also, both countries experienced a sharp increase in the number of visits in previous years.

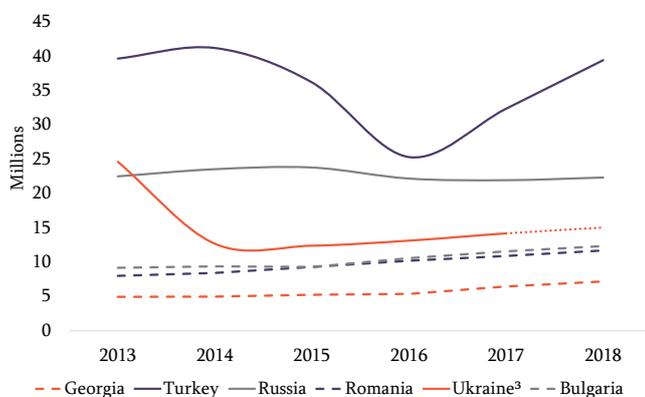
Georgia, much like Romania and Bulgaria, also experienced a sharp increase in the number of visits. In the past 6 years, the number of arrivals has grown by 45.4%. Although the number of Russian visitors has more than doubled in that time span, it only amounts to 35.5% of the growth. In total, arrivals from Black Sea countries account for 37% of visits in Georgia, 92.8% of which are Russian and Turkish visits.

The tourism sector in Ukraine has seen dramatic changes, which are discussed below. Presently, it is important to note that Ukraine has the lowest percentage of visits from the Black Sea region - 19.55%, as well as the fact that the number of visits made by Moldovans to Ukraine last year is larger than the size of Moldova's population.

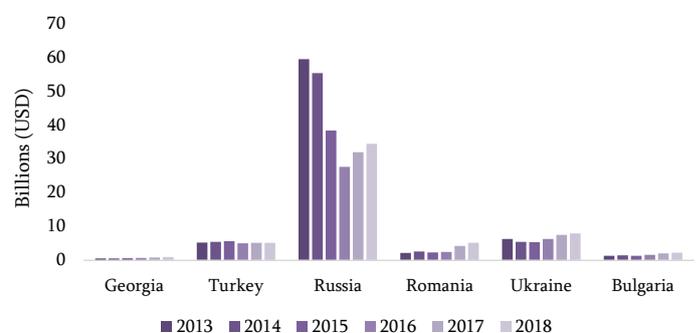
Temporary shocks in the tourism industry

It is important to note that the tourism sector is susceptible to temporary or sometimes even permanent shocks. The tourism sector in Ukraine is a great example. Following Russia's annexation of the Crimean peninsula and the occupation of selected regions in Donbass, in a matter of one year, the number of international visits dropped from 24.67 million to 12.7 million. These aggressive actions affected Russian tourists the most as their number of visits to Ukraine, in a matter of a single year, fell from 10.28 to 2.36 million. This drop shrank tourism receipts by 61.8%, weakening the economy even further.

Number of Total Visitors 2013-2018



International Tourism Expenditure in current USD



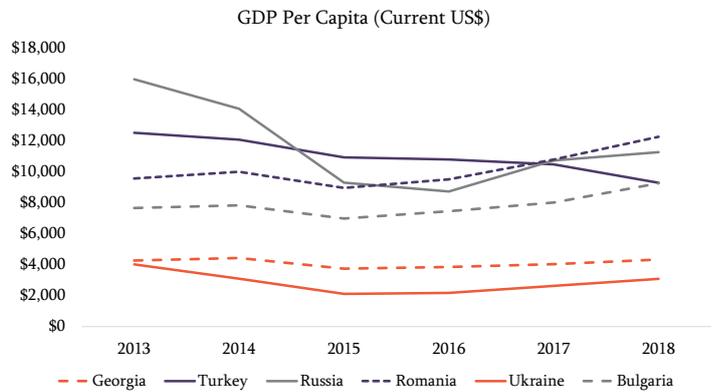
Temporary instabilities heavily affected not only Ukraine but Turkey. After the 2015 jet shutdown incident, a number of sanctions were imposed on Turkey by the Russian government, including the suspension of visa-free travel and prohibition of the sale of travel packages to Turkey. The sanctions turned out to be highly effective, as the number of Russian arrivals fell from 4.48 million in 2014 to 866,000 in 2016.

Overall, 2016 turned out to be one of the worst years for the Turkish tourism sector. As a result of political instability, war in neighboring Syria, sanctions, and more than 35 terrorist incidents in major tourist areas the number of arrivals in Turkey dropped to 25.35 million, the lowest figure since 2007. According to the World Bank data, the annual total of tourism receipts in Turkey decreased by 12 billion dollars in 2 years and it hasn't fully recovered yet. As stated by the IMF, the drop in tourism receipts shrank the economy of Turkey more than 1 percent of GDP.

¹ According to the OECD: "International visits are those whose country of residence is different from the country visited; these international visits also include nationals residing permanently abroad, who may represent an important segment of the market, with special characteristics". Although, all countries in the Black Sea region use different methodologies and define "visitor" differently, they are similar enough to be comparable. Please note that visits include number of trips by foreigners with the purpose of visiting relatives, education, tourism etc. While excluding business trips, services personnel of vehicles and transit.
² There is no data available for the number of visits in Ukraine in 2018, therefore the 2017 data is used for calculations. ³ Visits for Ukraine in 2018 is a trend line.

Importance of economic growth for tourism

Other than temporary shocks, macroeconomic factors also affect tourism, and vice-versa. On the one hand, high economic growth is necessary for more individuals to visit foreign countries. On the other hand, tourism greatly contributes to the growth of an economy. This complex relationship is clearly visible in the Black Sea region. Due to multiple financial crises, all countries in the region saw a significant contraction of GDP per capita in 2014 (measured in US dollars). The drop was so noticeable that only two countries, Romania and Bulgaria, have managed to fully recover as of 2018. Incidentally, total tourism expenditure and receipts have also decreased. Russia and Turkey lost approximately a third of the annual tourism receipts in the following years, while after the occupation of the Crimean peninsula, Ukraine's receipts decreased from 5.93 billion USD in 2013 to 1.66 billion in 2015.



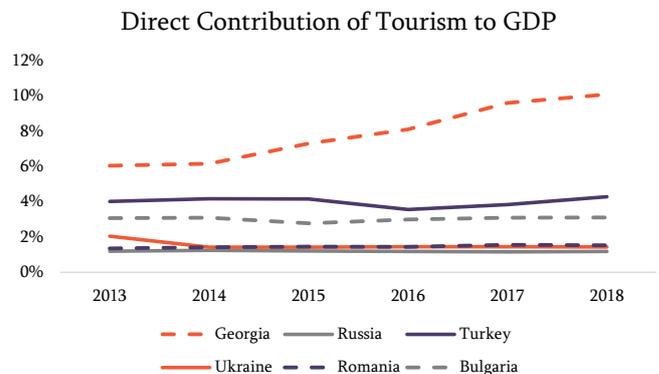
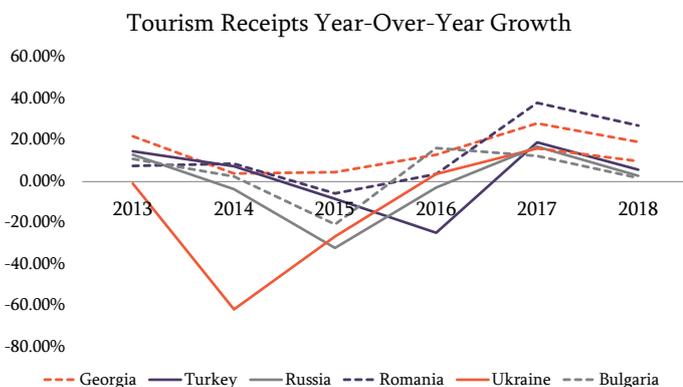
Meanwhile, Bulgaria and Romania managed to retain more than 79.3% and 94.3% of their tourism receipts in the 2014-2015 period. Total expenditures mainly affected the Russian Federation, where in the last 5 years international tourist spending (by Russian tourists) has dropped from 59.5 billion USD to 34.5 billion USD. However, unlike any other country in the region, Georgia has managed to sustain positive growth of tourism receipts every year since 2013. In fact, tourism receipts for Georgia have been increasing at an average rate of 15.1% since 2013. Back then, the receipts amounted to 1.719 billion dollars, and in 2018 they reached more than 3.2 billion. Receipts from tourism have been growing way faster than the GDP denominated, either in lari or in US dollars (the average growth of which was already negative for a period of 4 years). Because of such exponential growth, tourism has become a significant part of the Georgian economy.

Importance of tourism for economic growth

The World Travel and Tourism Council reported that the tourism sector comprises 10.4% of the world's GDP. According to the same organization, there are two ways of measuring the effects of a sector on the economy: the first is the direct contribution to the GDP and the second is the total contribution to the GDP. Total contribution combines the direct contribution, indirect supply-chain purchases, and induced contribution, and is therefore more relevant.

For example in Turkey, where tourism plays a significant role in the economy, the tourism sector made a direct contribution of 3.9% of GDP in 2018, and the total contribution was equal to 12.1% of GDP. According to the Turkish Statistics Institute, the average tourist spends 617 US dollars on a single trip. By comparison, total tourism contribution to GDP in Russia was equal to 4.8% and an average tourist spent about 144,000 rubles, or 2,160 US dollars. In contrast, the Georgian economy is one of the most heavily dependent on tourism in the world, with its total contribution to GDP amounting to 33.7%. According to the WTTC, out of 175 countries, the Georgian economy is the sixteenth most dependent on tourism, right after islands such as Jamaica, Barbados, and Fiji.

Tourism sector growth continues to outperform global GDP growth, and its role in the economy will only increase. As for the Black Sea region, political and economic instabilities in Turkey, Russia, and Ukraine have hindered growth in the highly profitable sector, while in Georgia, Romania, and Bulgaria the sector continues to grow.



Total Number of Visits in Black Sea Countries in Millions (2013-2018)

	2013	2014	2015	2016	2017	2018	Highest Number Of Visits From	Visits From The Black Sea Countries
Turkey	39.725	41.267	36.245	25.352	32.410	39.488	Russia 5.965	20.44%
Bulgaria	9.192	9.409	9.317	10.604	11.596	12.368	Romania 2.036	37.03%
Romania	8.017	8.442	9.331	10.223	10.923	11.720	Moldova 2.330	29.55%
Russian Federation	22.530	23.585	23.829	22.216	21.979	22.368	Ukraine 4.376	36.30%
Ukraine	24.666	12.707	12.425	13.163	14.218	NA	Moldova (2017) 4.435	19.55% (2017)
Georgia	4.954	5.004	5.256	5.393	6.483	7.203	Azerbaijan 1.425	37.45%

Sources:

- National Statistical Institute of Bulgaria
- National Statistics Office of Georgia
- National Institute of Statistics of Romania
- Ministry of Culture and Tourism, Turkey
- Turkish Statistical Institute

- UN World Tourism Organization
- Georgian National Tourism Administration
- State Statistics Service of Ukraine
- Analytical Center for the Government of the Russian Federation

- International Monetary Fund
- World Bank Open Data
- The World Travel & Tourism Council
- United Integrated Informational Statistical System (ЕМИСС)