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## The tourism industry as a significant link in the European economy

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### ABSTRACT

In the paper there is presented the tourism industry in relation to European economy. The attention was given to the European economy and its importance at the level of global economic system. The special emphasis was put on the tourism industry and its significant contribution to the European economy. Some data gathered from The World Travel and Tourism Organization and Eurostat was compiled to show and confirm the important role of the tourism industry in Europe. The data concern inter alia the receipts and expenditure made by Europeans for various tourist purposes, as well as the contribution of tourism industry to the European economy on the basis of the share in GDP in years 2013-2015.

**Keywords:** tourism industry, European economy, GDP ratio, receipts and expenditure for tourism, domestic / outbound tourism

### 1. INTRODUCTION

Economy means a system (nowadays the most often regulated by country and market) of private entities as well as enterprises or public institutions, which generally care about ensuring of needs that a given population may have. Economy comprises the whole of economic activity, which is being to lead in a given region (regional economy), country (national economy) or around the world (global economy), and its aim is to create many different values and to provide services according to the given society's needs. [1]

In the frameworks of economy there can be distinguished three basic sectors, namely: rural, trade and service sector. Despite of that, there are many different classification of economy, according to different aspects, as for example money (natural or commodity-monetary economy), regulatory mechanisms (market, command or mixed economy), cooperation with external entities (open, closed or partly open economy) and other (i.e. service-, knowledge-, resource-based economy, energy-efficient, extensive, municipal or shortage economy). [2] Within the European economy many various industries are present, which contribute to the rise of budget in particular countries in Europe. In this paper the attention is however given to the one of the most important industries around the world, namely the tourist industry, [3] that is constantly developing and bringing one of the biggest benefits to the European economy.

## **2. THE IMPORTANCE OF EUROPEAN ECONOMY**

Considering the economy, Europe is one of the best developed regions of the world. The countries as Great Britain, Germany or France belong to the ones of the richest, but despite of that even these countries may have some economic problems. Although the data usually inform about the economic difficulties in the regions of Central-Eastern Europe, as for example Belarus, Ukraine, Romania or Moldova. [4]

The big economic potential of our continent is confirmed by the fact, that European economy produced in the last decade about 1/3 of world GDP. Moreover, Europe plays a very significant role in the international trade, because the around 45% of the value of the world trade is transacted in this continent. The high quality of socio-economic development of Europe is also provided by the structure of GDP. About 65% of GDP is made by service sector, but the small share - only 3% - belongs to agriculture. [5] Comparing the given countries or regions of Europe, it is to observe a big differentiation according to the level of economic development.

The huge differences are generally seen in relation to the life standard of the residents of particular countries. The significant disproportions between such regions are the result of the fact, that in the rich West European countries lives the half of Europeans, and over  $\frac{3}{4}$  of the value of the European GDP is there produced.

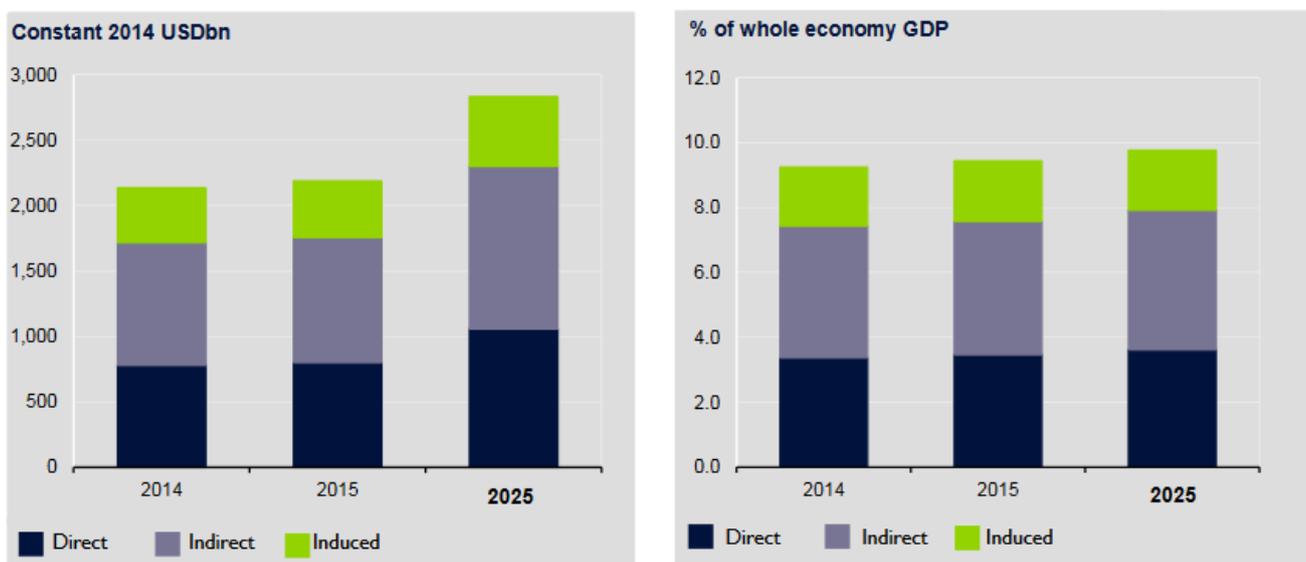
The reasons of these varieties are connected with the different historic-economic development in these two parts of the Europe. In the countries of West Europe the industrial revolution has begun much earlier, and in the years 1945-1990 these differences has increased also because of the inefficient socialist economy, that was functioning in the countries of Central-Eastern Europe in those times. [6] As a matter of fact, the European economy in general plays nowadays a very important role in the world economy, because of constant development and creation of new branches or because of new ideas and innovations, that are often implemented by the European entrepreneurs.

## **3. THE IMPORTANCE OF TOURIST INDUSTRY**

The industry that appears in all regions of the world is doubtless the tourist industry, which is, at the same time, one of the most important industries of the international economy.

The tourist trade means a complexity of entities, enterprises and organizations, which are not only connected with each other, but they are also involved in production of values and services. This production would not be possible without the demand introduced by participants of the tourist flow or the other way round – without this production tourist would not meet their touristic needs. [7]

Tourism and created as a result the tourist industry become more and more significant for tourist enterprises as well as consumers of tourist services. This led to the establishment of the United Nations World Tourism Organization. UNWTO is one of the most significant international organizations which, being connected with UN, deals with issues and statistics of the tourist flow. According to the UNWTO there can be distinguished three basic forms of tourism: domestic tourism – involves residents of the given country travelling inside their country; inbound tourism – involves non-residents arriving to a given country; outbound tourism - involves residents of a given country travelling abroad. All forms of tourism have a great contribution to the global economy, and especially to the European economy (among 10 top countries the most likely visited by tourists from the whole world at least five countries from Europe are usually in the ranking, namely: Spain, France, United Kingdom, Germany and Italy). [8] Despite of many different cultural, spiritual or esthetical values, that tourists may get by traveling in Europe, the importance of the tourist industry in Europe is also confirmed by economic data. Figure 1 depicts the total contribution of tourism to GDP and it was 2,188.0 billion USD in 2014, which constitutes 9.2% of GDP. In 2015 it was 2,136.0 billion USD (9.4% of GDP), and it is expected to grow by about over 2% in the following years. It is forecast to rise about 2.6% achieving 2,833.1 billion USD by 2025 and a number of 9.8% of contribution to GDP.



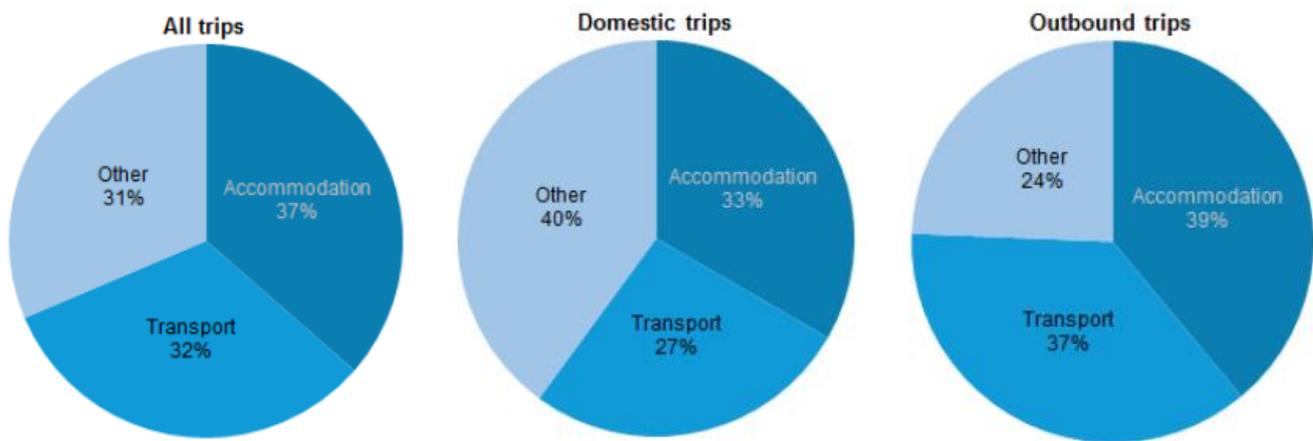
<sup>1</sup> All values are in constant 2014 prices & exchange rates

**Figure 1.** Total contribution of tourism to GDP in Europe.

Source: Publication of WTTC available at: <http://www.wttc.org/-/media/files/reports/economic%20impact%20research/regional%202015/europe2015.pdf>

#### 4. THE TOURISM INDUSTRY’S CONTRIBUTION TO THE EUROPEAN ECONOMY

In order to fulfil tourist needs some conditions must have been organized, namely a proper functioning of a tourist flow. The tourist flow means all kinds of movements of people or goods for touristic purposes, as well as all phenomena induced by these movements. By organizing of the tourist flow the most important is tourist infrastructure comprising not only accommodation base (various accommodation facilities as for example hotels, hostels, motels, guesthouses, shelters, etc.), but also transport, catering (restaurants, cafes, pubs, etc.), and finally facilities for sporting or cultural purposes. [9] The accommodation base is one of the most important elements of the tourist infrastructure, because it helps tourists to stay outside their permanent place of residence in conditions, that are in accordance with their needs or preferences. Accommodation is taking up the one of the largest shares of the tourism budget considering EU residents in general. It constitutes 37% of tourism expenditure, which means the first position in the ranking. Transport is placed just behind with the score of 32%. Other costs of various kinds achieved the third position, which constitutes 31%. [10] Considering the domestic and outbound tourism separately, for outbound trips the share of transport was higher (by 10%) than for domestic trips, while the difference between the share of accommodation expenditure for outbound and domestic trips was less important and it constitutes 6% more for outbound trips (Figure 2).



**Figure 2.** Expenditure by the kind of expenditure made by Europeans

Source: Publication of Eurostat: [http://ec.europa.eu/eurostat/statistics-explained/index.php / Tourism\\_statistics\\_-\\_expenditure](http://ec.europa.eu/eurostat/statistics-explained/index.php/Tourism_statistics_-_expenditure)

The Table 1 presents some data connected with expenditure of tourists from Europe for travelling. [11] The residents of European Union spent in 2013 an estimated 416 billion Euro for tourist purposes. They spent 45 % of this on trips in their own country of residence, so on domestic tourism and 55% constitute travels abroad, so the outbound tourism. The highest percentage of total expenditure for domestic trips achieved Spain (72%), whereas tourist from German are likely to spend more on outbound travels (63%). The similar preferences have tourists from United Kingdom – only 38% of expenditure for domestic trips and the bigger

number (62%) for traveling abroad. The biggest share of the tourism expenditure is made by German and French tourists. They accounted for almost half of the tourism expenditure (48%) of all tourists from Europe. This share is higher than the proportion of tourists from Germany and France in the total number of trips constituting 40 %. A very important issue is, that 77% of all expenditure for tourism was spent on trips to destinations inside the European Union.

**Table 1.** Expenditure by destination according to domestic and outbound trips in 2013.

	Total expenditure (Million EUR)	Share in total expenditure (%)	
		Domestic trips	Outbound trips
EU – 28(*)	415 748	45	55
France	76 764	67	33
Germany	120 785	37	63
Italy	22 540	59	41
Spain	25 068	72	28
United Kingdom	61 213	38	62

*Source:* Own compilation on the basis of data from Eurostat: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Expenditure\\_by\\_destination\\_\(domestic\\_outbound\)\\_and\\_by\\_duration\\_of\\_the\\_trip,\\_2013\\_.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Expenditure_by_destination_(domestic_outbound)_and_by_duration_of_the_trip,_2013_.png)

Concerning the importance of economic aspects of travelling organized by European tourists, it is measured by ratio of international tourism receipts or expenditure relative to GDP. [12] The data compounding from balance of payments statistics are presented in Table 2 and they show, that the ratio of tourism receipts to GDP in 2014 was highest in Croatia =17,2%, Malta =14,4% and Cyprus = 12,3%. This data confirm the significance of tourism trade for these countries. In all term it was Spain, where in 2014 there were recorded the highest international tourism receipts (49 billion Euro). The second position achieved France with the score 43,2 billion Euro followed next by the United Kingdom (35,2 billion Euro), Italy (34,2 billion Euro) and Germany (32,6 billion Euro). However, concerning the expenditure on international travelling Germany is placed at the first position spending in 2014 70,3 billion Euro. According to this criteria Germany is followed by the United Kingdom, where tourist spent 47,8 billion Euro and ,than by France with the score 36,7 billion Euro. [13] In relations to the level of net prices from travelling in 2014 on the highest position stays Spain again with 35,4 billion Euro, whereas the biggest deficit recorded Germany -37,6 billion Euro.

**Table 2.** Travel expenditure and receipts in balance of payments in 2014.

	Receiptes		Expenditure		Net (Million EUR) 2014
	2014 (Million EUR)	Relative to GDP 2014 (%)	2014 (Million EUR)	Relative to GDP 2014 (%)	
EU-28 (*)	109 532	0,8	98 038	0,7	11 494
Croatia	7 394	17,2	634	1,5	6 760
Cyprus	2 142	12,3	946	5,4	1 196
France	43 234	2,0	36 657	1,7	6 577
Germany	32 613	1,1	70 261	2,4	- 37 648
Italy	34 241	2,1	21 713	1,3	12 528
Malta	1 146	14,4	300	3,8	846
Spain	49 010	4,7	13 573	1,3	35 437
United Kingdom	35 255	1,6	47 762	2,1	- 12 507

Source: Own compilation on the basis of data from Eurostat: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Travel\\_receipts\\_and\\_expenditure\\_in\\_balance\\_of\\_payments,\\_2010%E2%80%9314\\_Y\\_B16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Travel_receipts_and_expenditure_in_balance_of_payments,_2010%E2%80%9314_Y_B16.png)

## 5. CONCLUSIONS

Economy comprises the whole of economic activity, which is being to lead in given regions, countries, or around the world. The main aim of the economy is to create different values and to provide services being in accordance with the given society's needs. Europe is one of the best developed regions of the world. The European economy plays a very significant role in the international trade, because the around 45% of the value of the world trade is transacted in this continent. The high quality of socio-economic development of Europe is also provided by the structure of GDP. About 65% of GDP is made by service sector. Within the European economy many various industries are present and they contribute to the rise of budget in particular countries in Europe. The industry that appears in all regions of the world is doubtless the tourist industry, which is, at the same time, one of the most important industries of the international economy. The tourist trade means a complexity of entities, enterprises and organizations, which are not only connected with each other, but they are also involved in production of values and services. Despite of many different cultural, spiritual or esthetical values, that tourists may get by traveling in Europe, the importance of the tourist industry in Europe is also confirmed by economic data. The total contribution of the tourism industry to GDP ratio was 2,188.0 billion USD in 2014, which constitutes 9.2% of GDP. In 2015 it was 2,136.0 billion USD (9.4% of GDP), and it is expected to grow by about

over 2% in the following years. For the good functioning of the tourism industry the tourist infrastructure must be created or developed, which comprises accommodation base, transport, catering and other facilities supporting fulfilment of tourists' needs. Accommodation is taking up the one of the largest shares of the tourism budget considering EU residents in general. It constitutes 37% of tourism expenditure, while expenditure for transport reached the score of 32%. The residents of European Union spent in 2013 an estimated 416 billion Euro for tourist purposes. They spent 45 % of this on trips in their own country of residence, so on domestic tourism and 55% constitute travels abroad, so the outbound tourism. The biggest share of the tourism expenditure is made by German and French tourists. 77% of all expenditure for tourism was spent on trips to destinations inside the European Union. Spain is the country, where in 2014 there were recorded the highest international tourism receipts (49 billion Euro). However, concerning the expenditure on international travelling, Germany is placed at the first position spending in 2014 70,3 billion Euro. In relations to the level of net prices from travelling in 2014 on the highest position is placed Spain with 35,4 billion Euro, whereas the biggest deficit is recorded in Germany -37,6 billion Euro.

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