

## THE DEVELOPMENT IN DYNAMICS AND STRUCTURE OF THE ROMANIAN TOURISM IN THE CONTEXT OF THE GLOBAL CRISIS

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### **Abstract**

*The purpose of this study is to make a short presentation of the Romanian tourism in the context of the global economic crisis, highlighting the main data about inbound and outbound tourism. Due to the current global crisis, Romanian tourism disposes of two main options: to ripen or to run low. The empirical results will show the connection between Romanian tourism and the global economic crisis and shall state precisely the decrease or increase for the indicators between 2000 and 2007. In 2007, the year when Romania joined the European Union and when all stipulations regarding free travelling for people who travel in other communitarian countries were passed, Romanian tourists increased their interest in travelling abroad. This also brought to an increased number of persons visiting other countries. The economic crisis might be a chance for Romanian tourism to raise the bid as in such periods tourists usually look for close destinations, developing the incoming indicator that was very low during the last few years. Romania's international touristic feed is characterized by an evolution reflecting the various changes and transformations from the political, economic, and social points of view. The drawn conclusions prove the fact that both the global heating and the global financial crisis take place in the same time and thus we must take actions in order to improve Romanian tourism.*

**Key words:** *Romanian tourism, global economic crisis, inbound tourism, indicators.*

**JEL classification:** *L83, Q01*

### **1. INTRODUCTION**

Tourism is one of the main items of the natural wealth and at the same time a field of activity that requires particular care. Being an interference economic branch, Romanian tourism must become a stimulating factor within the global economic system. As a subsystem of the national economy, tourism is influenced by the other subsystems and exerts, in the same time, a growing influence over their development.

The purpose of this case study is to analyze Romanian tourism in the context of the global economic crisis. The first part describes Romanian tourism status in 2007 and analyses the impact of the global economic crisis over Romanian tourism. It also comprises an analysis of both inbound and outbound tourism indicators. The first part describes various forecasts regarding tourism development during crisis.

### **2. ROMANIAN TOURISM AND THE GLOBAL ECONOMIC CRISIS**

The 90<sup>es</sup> brought a general instability inside the political, economical, social and technological environment and it also spread in tourism field, causing a lack of a coherent development strategy.

Even though up to 2000, in all government programs, tourism and agriculture have been

considered high priority development areas, the first one was faced with a lack of facilities and governmental subventions essential for its promotion and maintenance.

Over the next few years, tourism will be truly affected by the economic and financial global crisis that first started in the USA. The main reason is that every item shall be more expensive and everybody shall consider upon their expenses. There will surely be economic and financial restraints and, therefore, we will face a decrease in tourism area. At the same time, changes in the climate from all over the world and the price for petrol barrel are other factors that will leave a serious mark on the tourism from all over the world. If we talk about Romanian tourism, the financial crisis will reflect its negative effects later, due to the high development trend that this branch has had up to now.

#### **2.1 Natural and socio-economical premises for the development of tourism in Romania**

Romania disposes of a valuable and various natural touristic potential representing the most opulent resource of our country and opens the way for a new sector based on those resources, rising on the international stage and bringing important benefits to the national economy. The natural potential is completed by a cultural and historical patrimony really representative for Romania.

Of all the countries from the Central and Eastern Europe, Romania is endowed with the most abundant and various natural resources which offer her a great availability for tourism.

This valuable economic potential is materialized in several spectacular relief forms and scenic landscapes interweaved in harmony on the whole territory of our country, mineral waters, a climate favorable to touristic attractions all over the year, a reach flora, fauna species for hunting purposes, matchless historical arts and architectural monuments, popular customs, etc. and it is able to satisfy a range of motivations both for Romanian and foreign tourists (Neacșu, 2000).

In the branch of tourism, privatization started later, but during the last few years, this process sped up, exerting a positive influence and having passed several measures meant to increase tourism for Romanian specific style, but mainly as an interesting spot for international tourism (Anghelache, 2008).

Lately, tourism had a positive evolution in Romania and in this respect there have been promoted many possibilities to assure the development of these services over the next period.

During 2007, tourism was distinguished mainly by the following characteristics:

- The privatization process of tourism ended;
- The amount of tourists inside the European Union has grown in which regards touristic services. Thus, in 2007 tourism in Romania had an increase of 6.9% in comparison with the previous year. During 2007, about 500,000 foreign tourists per month visited Romania;
- The development in which regards touristic packages offering a large range of products and services with great attractiveness for both foreign and Romanian tourists;
- Continuing the rehabilitation process for the Black Sea beach and improving skiing conditions in "Carpați" mountains. Due to those programs, "Mamaia" resort arrived to a stream line, skiing and other winter sports conditions were improved in Predeal and Azuga;
- In which regards tourism in the Black Sea area, it improved comparing with 2006. Over 15,000 foreign tourists were present at "A Cruise on the Danube" program and the number of requests was also high for 2007;
- During winter there were many tourists too, even though climatic conditions between 2006-2007 were not particularly favorable.

The main cause for this increase of the amount of tourists was an increase of accommodation available places, as well as an obvious improvement for touristic conditions.

Since 2001, Romania put into practice an aggressive promotion for its touristic products and this brought to an increased number of tourists.

During 2002 – 2007, Romania was present to 73 trades and annual exhibitions in Europe, in the

Middle Orient, North America and Japan. (Anghelache, 2008).

Romania's economic and social development has deep roots in tourism field both for establishing the general infrastructure, setting up technical and material specific database, improving goods consumption and food stuff, etc., and for accomplishing economic targets specific to other sectors, but very important for tourism, some of them becoming very important and attractive sights.

## **2.2 The implications of the global economic crisis over Romanian tourism**

The global economic crisis may be a chance for the development of tourism in Romania, as in such periods, tourists usually look for closer destinations. Incoming in Romania has been in crisis for about 10 years and thus, a bigger decrease would be impossible to happen. Due to this crisis, tourists will start to choose destinations close to their countries and Romania or Bulgaria might be the best choice for these people.

Financial crisis will bring its impact over general touristic agencies and hotels that punted bigger profits without even investing in order to improve and make more competitive their packages. The ones that will offer quality for an acceptable price shall win and this will be a good approach for Romanian tourism.

Within nowadays financial context, Romanian tourism ripens or dies. It is considered that an extremely important measure that would save our tourism is loosening fiscal policy in extra-season. All the countries own a fiscal policy in which regards tourism and it protects and gives advantages to operators during extra-season when it is really hard to maintain your personnel and standards. This should happen also in Romania, where we face up with a pattern of tourism of 3 months per year, for example at the seaside.

The National Association of Tourism Agencies brought up a crisis clue and stakes on three important measures: holidays tickets, early requests, intended to reduce holiday tickets with up to 30% and aggressive promotion of international destinations with a higher price.

The National Association of Tourism Agencies Officials consider that tourism agencies that will receive their customers with new attractive and competitive packages will survive, while the general agencies that are not specialized in a certain field will suffer, some of them disappearing from the market. In the next period, Romania must stake on movements and this means that tourism agencies shall conceive cheaper and more attractive packages for the foreign tourists who, being affected by this crisis would choose the best packages (the best quality – price ratio).

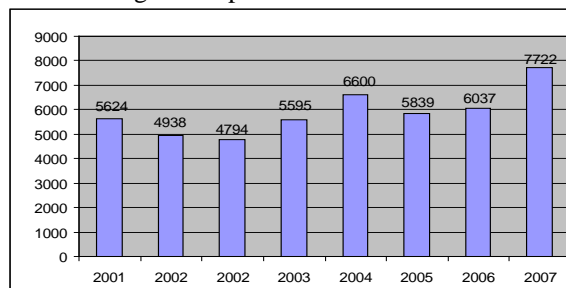
### 3. TOURISTIC FEED EVOLUTION TO AND FROM ROMANIA BETWEEN 2000 AND 2007

Romania's international touristic feed is characterized by a development that comprises with constancy all political, economic and social changes. There is a large range of positive phenomena that leave their mark on the dynamics and structure of tourism, such as: globalization and economical and social internationalization, the break of the highest technologies through economic sectors, industrialization, but also negative ones such as: the global crisis, poverty development and the rate of unemployment.

#### 3.1 Indicators of inbound tourism

Inbound tourism is a certain part of tourism that encounters foreign people arrivals in a certain country, the involved tourists having their permanent residence in the issuing country (Snack, et al, 2003). This pattern of tourism is, for the receiver countries, an important and efficient source of currency income.

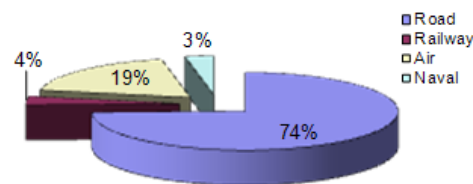
Between 2000 and 2007, there have been encountered variations of the total number of tourists: between 5.2 million in 2000 and 4.7 millions in 2002 and 7.7 millions in 2007. This trend must be connected to the general evolution of political, economic and social situation that marked Romania's state of being in that period of time.



**Figure 1 - Incoming tourists at the borders between 1990 and 2007 (thousands)**

In (Figure 1) there is a clear situation of incoming tourists at the borders between 2000 and 2007. The year 2007 must be observed, when the total amount of 7.7 millions of incoming tourists was encountered – this means one million tourists more than in 2004. This situation was partially caused by the increase of the total number of incoming tourist encountered in the neighbor countries, e.g. Hungary.

In which regards incoming tourists at the borders classified taking into account the means of transportation used, in 2007 you can notice in the second figure a preponderant use of the transport by road (74%). The lowest amount comes to water transport (3%).



**Figure 2 - The amount of arrivals depending on the means of transportation in 2007**

Source: Romania's Statistic Yearbook – 2008.

From the point of view of geographical distribution, inbound tourism feed faced up with a strong concentration, as you may observe in Table 1. The biggest part of the tourists that visited Romania between 2000 and 2007 were European people, more than 95% (5024 thousands from the total number of 5264 thousands) in 2000 and 7289 thousands from 7722 thousands in 2007.

On the second place, at an impressive position there is Asia, in 2007 212 thousands tourists arrived in Romania and America gets the third place, keeping its position until the last year of this analysis. Australia and Oceania were situated on the last place in the hierarchy.

**Table 1 - Tourists incoming in Romania, according to the issuing region between 2000-2007**

Regions	2000	2001	2002	2003	2004	2005	2006	2007
Europa	5024	4696	4551	5344	6306	5522	5690	7289
America	95	96	103	115	139	154	172	189
Asia	126	130	123	119	135	142	151	212
Africa	10	8	9	10	12	12	14	16
Australia & Oceania	7	6	6	6	7	8	9	14
Unspecified country	2	2	2	1	1	1	1	1
<b>Total</b>	<b>5264</b>	<b>4938</b>	<b>4794</b>	<b>5595</b>	<b>6600</b>	<b>5839</b>	<b>6037</b>	<b>7722</b>

Source: Romania's Statistic Yearbook – 2006, 2008.

In 2000, from total number of 5024 thousands tourists arrived from Europe, almost a half were originated in the European Union. After 7 years, as you may observe in (Table 1), this number increased to 7289 thousands and the amount of the ones from the European Union increased with 58% comparing to 2006, the main cause being Romania's accession to the European Union.

As for the international tourism, in 2007 the number of foreign visitors coming in Romania increased by 27.9 % as comparatively to the previous year. There have been 7.722 million visits from abroad in our country, the majority coming from Europe. Basically, the persons having friendship or kinship connections in Romania intensified their visits here. In this respect, the most numerous visits have been paid by citizen from Germany, United States, Israel, France, Republic of Moldova as well as from other countries where there is a significant number of Romanian natives (Anghelache, 2008).

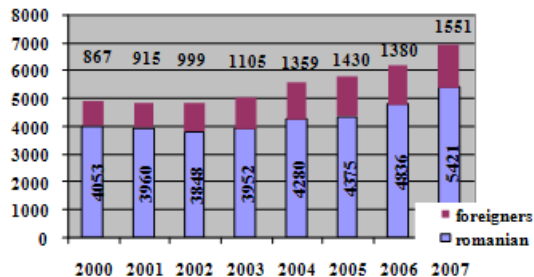
**Table 2 - Foreign tourists arrivals in Romania, depending on their provenience country in 2007 (thousands)**

Rank	Country	2007
1.	Hungary	1743
2.	Republic of Moldova	1110
3.	Bulgaria	818
4.	Ukraine	720
5.	Germany	473
6.	Italy	398
7.	Turkey	284
8.	Austria	218
9.	Poland	191
10.	France	185

Source: Romania's Statistic Yearbook –2008.

If we take into account the provenience country, visitors from Hungary were on the first place according to (Table 2), in 2007, with 1743 thousands tourists and not far from them we can find visitors from Moldavia – 1110 thousands in 2007. The first five positions of the hierarchy were taken by neighbor countries, except Germany. The situation is natural if we take into account the common elements that connect neighbor countries in general.

Analyzing the situation of tourists received in different accommodation forms and structures, we can notice in Figure 3. a slow decrease from 4920 thousands in 2000 to 4847 in 2002, followed by a strong increase starting with 2004 and continuing in 2007, when it arrived to 6972 thousands.



**Figure 3 - Tourists evolution in accommodation structures between 2000 and 2007 (thousands)**

Source: Romania's Statistic Yearbook – 2006, 2008.

It is also very important to notice the fact that in 2000, from a total number of 4920 thousands tourists, only 18% were foreigners, but in 7 years the percent was obviously determined due to a higher and higher interest towards Romania. Thus, from a total number of 6972 thousands arrivals, 22% were foreigners. This means that 1 of 4 tourists that visited Romania in 2007 was foreigner.

In order to analyze inbound tourism, we must also know Romania's income from international tourism. Thus, the collections can be observed in international tourism cash flow. In 2007, the rise in receipts and the decline in payments of "business travel" led to the turn of the 2006 deficit under "tourism-travel" into surplus, as it is shown in Table 3.

**Table 3 - Tourism - travel services**

	Euro million		Indices (%)	Structure (%)	
	2006	2007	2007/2006	2006	2007
Receipts	1,034	1,171	113.2	100.0	100.0
Business travel	652	841	129.0	63.1	71.8
Personal travel	382	330	86.4	36.9	28.2
Payments	1,035	1,119	108.1	100.0	100.0
Business travel	740	578	78.1	71.5	51.7
Personal travel	295	541	183.4	28.5	48.3
Net	-1	52	X		
Business travel	-88	263	X		
Personal travel	87	-211	X		

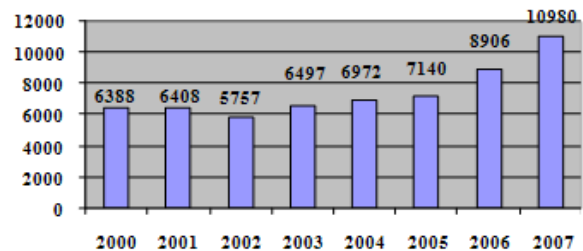
Source: www.bnr.ro

The analysis of inbound tourism in Romania highlighted a slow straighten that became more obvious during the last few years. The main indicators that correspond to inbound tourism are: the increase of tourist arrivals and returns from tourism. All those aspects confirm the status of an inbound country for Romania.

### 3.2. Outbound tourism indicators

Romania's outbound tourism (represented by Romanian people travelling abroad) is quantified in a more ample frame taking into consideration all evidences from the borders (Romanian tourists departures abroad) and also in a specific frame if we take into account tourism agencies activity that organized departures abroad.

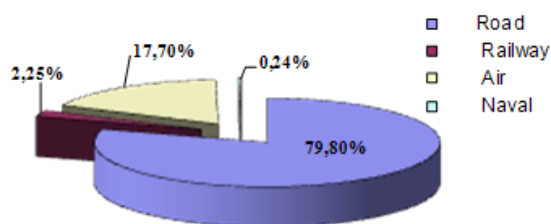
Regarding the second feed, Romanian tourists departures, there were no notable changes between 2000 and 2007. Nonetheless, in 2007 the total number of tourists leaving Romania increased from 8906 thousands (encountered in 2006) to 10980 thousands. The evolution is presented in (Figure 4).



Source: Romania's Statistic Yearbook – 2006, 2008

**Figure 4 - The evolution of Romanian tourists departures abroad between 2000 and 2007**

In 2007, the most frequently used means of transportation was the transport by road (by car) – as you may observe in Figure 5. Its amount was of 79.80% from the total number of departures abroad from Romania. The second place comes to the transport by airplane (17.70%).



**Figure 5 - The total amount of departures by means of transportation in 2007**

Source: Romania's Statistic Yearbook – 2008

For the future years, specialists estimate an important increase of the frequency of using the airplane as a means of transportation due to the increasing number of low cost operators that will become more and more accessible for a big amount of travelers.

A close study of outbound tourism would not be complete without an analysis of the main countries that are in the top of the Romanian tourists preferences. According to the latest information and data issued by the National Institute of Statistics, Romania's outbound tourism targets first of all the European countries. In 2007 Italy held the first place in this top (22% of all travels abroad made by Romanian tourists). The following European destinations agreed by Romanian residents were in 2007: Greece, Hungary, Spain, Germany, Bulgaria, Austria and France. The top of the first 10 favorite destinations for Romanian tourists are presented in (Table 4).

In 2007, 88% of the travels abroad for holidays or business were made in European Union's countries and only 12 % in other European countries.

**Table 4 – Romanian tourists travels abroad for holidays and business in 2007**

Rang	Country	2007
1	Italy	194176
2	Greece	139209
3	Hungary	94121
4	Spain	93664
5	Germany	72211
6	Bulgaria	48197
7	Austria	43316
8	France	27136
9	Slovenia	7832
10	Netherlands	5734
	UE	<b>736279</b>
<b>Total</b>	<b>Europe</b>	<b>833484</b>

Source: Romania's Statistic Yearbook – 2008.

The analysis of the data regarding outbound tourism requires information regarding dispenses made by Romanian tourists abroad. They are comprised in the balance of payments of international tourism and it was studied previously.

A complete board of all dimensions, evolution and structure of intern and international touristic feed supposes on the one hand holding a big amount of

information and data and on the other hand taking a close view of the causes that brought to this situation.

The previous analysis of Romanian tourism puts in evidence both the achievements and the troubles encountered, particularly during the last decade, highlighting once again the fact that rebuilding and restarting this activity is conditioned by both economic and social development and the improvement of the rendered services.

### 3. FORECASTS REGARDING ROMANIAN ROUTING DURING CRISIS

In 2008, analysts were estimating the fact that tourism would encounter increases of around 20% on outgoing market segment and of 10% for intern tourism. According to the National Association of Tourism Agencies in Romania, touristic branch will be negatively marked by this crisis but it will not encounter big decreases like other countries. Thus, 5% plus will be a natural increase in comparison with other countries that estimate a serious recession on this field, encountering increases of 2%.

The crisis could give a chance to Romanian tourism. The local authorities stake on attracting foreign tourists and magnetizing the Romanian ones in order to choose to spend their holidays in their own country. The forecasts regarding tourists' arrivals in Central and Eastern Europe, as you may observe in Ttable 5 are extremely favorable and this should stimulate Romania in passing important adequate measures in order to be incorporated in the European structures.

**Table 5 - Forecasts of arrivals of tourists on sub-regions and countries, for 2020**

Area	1995 (mil.)	2020 (mil.)	Share (%)		Average annual growth rate 1995-2020 (%)
			1995	2020	
Northern Europe	37.6	96.6	11.1	13.5	3.8
Central Europe	78.9	223.3	23.3	31.1	4.2
Romania	2.8	8.5	0.8	1.2	4.6
South Europe	93.7	177.0	27.7	24.7	2.6
Mediterranean Eastern Europe	11.4	34.8	3.4	4.9	4.6
<b>Total Europe</b>	<b>338.4</b>	<b>717.0</b>	<b>100</b>	<b>100</b>	<b>3.0</b>

Source: World Tourism Organization, Tourism 2020 Vision, Volume 7: Global Forecasts and Profiles of Market Segments

Inter-regional feeds in Europe will grow up to 4% a year from 1990 to 2020 in comparison with the rhythm of development of intra-regional travels (2.9%). However, intra-regional travels will continue its domination over European tourism in 2020 for a ratio of 6 to 1 if the countries that were not mentioned will be involved in intra-regional feeds. Up to 2020, 564 millions (almost 80%) of the total number of tourists arrivals in Europe will have a country from the "old continent" as a starting point. The contribution of Travel & Tourism to GDP is expected

to rise from 5.7% (RON 28.9 bn.) in 2009 to 6.6% (RON 80.2 bn.) by 2019.

The contribution of the Travel & Tourism Economy to Employment is expected to rise from 582,000 jobs in 2009, 6.8% of total employment or 1 in every 14.6 jobs to 631,000 jobs, 7.9% of total employment, or 1 in every 12.6 jobs by 2019.

**Table 6 - Estimates and forecasts for Romania**

	2009			2019		
	RON bn	% of Total	Growth <sup>1</sup>	RON bn	% of Total	Growth <sup>2</sup>
Personal Travel & Tourism	15.7	3.9	4.8	37.6	4.7	4.3
Business Travel	2.4	0.5	-1.4	5.1	0.4	3.1
Government Expenditures	1.4	4.4	4.0	3.5	4.6	4.7
Capital Investment	8.8	7.3	2.6	23.3	7.7	5.3
Visitor Exports	4.6	1.9	-6.8	10.5	1.0	3.8
Other Exports	6.6	2.7	8.7	30	2.9	11.2
Travel & Tourism Demand	39.5	4.8	3.0	110	5.2	5.9
Direct Industry GDP	10.8	2.1	-4.0	29.9	2.5	5.8
Travel & Tourism Economy GDP	28.9	5.7	-2.4	80.2	6.6	5.8
Direct Industry Employment <sup>1</sup>	287.2	3.4	-6.5	306.1	3.8	0.6
Travel & Tourism Economy Employment <sup>2</sup>	581.6	6.8	-7.0	631.3	7.9	0.8

Source: World Travel Tourism Council, *Travel & Tourism Economic Impact Romanian*

<sup>1</sup>2009 real growth adjusted for inflation (%);

<sup>2</sup>2010-2019 annualised real growth adjusted for inflation (%); 3'000 jobs

Specialists estimate that in 2009, the number of tourists visiting Romania will decrease with about 10%. According to several organizations from the Romanian touristic sector, the main cause is the global crisis that will surely keep foreigners far from

Romania. But the issue is that our country was also avoided before the start of those financial problems by foreigners who preferred Bulgaria, Hungary, Croatia and Montenegro. The simple promotion inside various trades and exhibitions using catchwords like "Romania always astonishing" with only €5 millions as the one in 1980 was not successful. The money rush specific to Romanian hotels at the seaside they were offering deplorable services for prices comparable with the ones in Ibiza is no longer available. The deepest effects of this crisis shall become evident in 2009. All potential tourists will try to give up this services that somehow become high class goods and will keep their economies in order to satisfy other current needs.

In order to assure a favorable development for the Romanian touristic branch, our country shall make great efforts in order to improve the use of its touristic resources and create attractive touristic packages suited to the global economic crisis.

#### 4. CONCLUSIONS

The analysis reflects the fact that Romanian tourism has passed a hard period, but during the last years, everybody can notice some improvement premises. This improvement cannot be done without the cooperation of all the performers involved in the touristic activity: the Government and its institutions, tourism operators, their personnel and tourists themselves. The global economic crisis may bring to the development of Romanian tourism and especially of incoming indicator or to a negative effect: its entrance on the wane.

From my point of view, both stimulation and diversification of the touristic offer and the increase of Romanian touristic package will determine the development of touristic activity, feed, returns and tourism's share in the GDP.

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