
CONTRIBUTION OF TOURISM ON GDP IN NORTH MACEDONIA

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Abstract: Tourism is very important for the success of many economies around the world. There are several benefits of tourism on host destinations. Tourism boosts the revenue of the economy, creates thousands of jobs, develops the infrastructures of a country, and plants a sense of cultural exchange between foreigners and citizens. The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each country. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development. Tourism is one of the sectors most affected by the Covid-19 pandemic, impacting economies, livelihoods, public services and opportunities on all continents. All parts of its vast value-chain have been affected. Export revenues from tourism could fall by \$910 billion to \$1.2 trillion in 2020. This will have a wider impact and could reduce global GDP by 1.5% to 2.8%. The purpose of this paper is to analyze the contribution of tourism to Republic of North Macedonia's GDP, comparing the period before the pandemic and during the Covid-19 pandemic. In 2019, contribution of travel and tourism to GDP (% of GDP) for North Macedonia was 7.4 %. Though North Macedonia contribution of travel and tourism to GDP (% of GDP) fluctuated substantially in recent years, it tended to increase through 2000 - 2019 period ending at 7.4 % in 2019. But in 2020 the contribution of travel and tourism to GDP was 3.3%, a significant decrease comparing compared to 2019.

Keywords: tourism, effects of pandemic, contribution on GDP.

1. INTRODUCTION

Tourism as an industry has recently been one of the main indicators of economic growth in a country. It is understood that the increase of the impact on the economy is done through the development of the same industry. The more a tourist destination has economic development the more we have development of the tourism sector, and at the same time with the increase of tourist arrivals we have a positive impact on GDP. Within this scientific paper we will present the statements of the effect of the tourism industry on the GDP of the state, we have made the analysis in percentage before and after the pandemic.

It is obvious how within a year we have a decrease in the number of incomes since within the period of the pandemic we have a certain percentage of job losses.

During this period, strategies have been drafted through which it has been achieved to maintain the balance in terms of revenues from the tourism sector. we will also present the statistical data borrowed from the World Tourism and Travel Council, from there we have analyzed Balkan countries especially about North Macedonia, countries which offer tourism development in different types, and at the same time we have included as domestic tourists as well as foreigners, overnight stays, multi-day stays, visits, and so on.

Based on the data obtained, we have drafted measures and recommendations which help increase the development of the tourism sector in the country's economy.

Utilizing the recommendations for the recovery of the tourism sector at the global level we can say that the results are visible which have an effect on GDP.

Also in the final part we have presented the measures of overcoming the situation and the economic recovery in the country and the region based on the development of tourism.

2. LITERATURE REVIEW

Considering that tourism is a very important sector for the economies of different countries of the world, there are numerous studies which show the correlation or impact of tourism on GDP or on the economic growth of the country in general.

Dwyer at all (2000) stated in their study that effects of tourism to the host country could be described as “injection of new money”. There are three types of such impacts: direct, indirect and induced. The direct impact reflects as an increased sales revenue. Indirect impact means direct supplies that consume inputs from other firms in the region.

Induced impact happens when recipients of the direct and indirect expenditure spend their increased incomes. This sets off a process of multiple purchases by firms, that increases GDP and employment (Dwyer et al., 2000).

Furthermore, Dwyer et al. (2000) stated that the impact of increased tourism on income depends on many factors. These key mechanisms that determine the magnitude of economic contribution are such as: factor supply constraints, exchange rate appreciation and current government economic policy. According to Dwyer et al. (2000), through factor supply constraints, the tourist industry increases its output by adding labor, land, capital plant and equipment. This leads to increasing labor demand for the tourism sector and increases wage rates. Also, the price level increase attracts more resources into the tourism sector and additional land is required for capital infrastructure, such as hotels, roads and airports. Hence, provision of infrastructure could be considered a key mechanism between tourism and economic level.

The study about the impact of enhancing tourism sector on GDP growth rate in developing countries by depending on annual statistics for the period 1995 to 2009 by using P- VAR found an increasing impact of developing tourism sector on GDP growth rate in developing countries. (Samimi, Somaye and Roraya, 2011)

The study about the impact of tourism revenues on GDP growth rate in 34 OECD countries by depending on annual statistics for the period 1997 to 2012 by using a panel cointegration test found that the revenues of tourism sector have increasing impacts on GDP growth rate in the long term. (Govdeli and Direkci, 2017)

The comparative analysis showed that Republic of Macedonia can be seen as a country in the process of development of the tourism capacities. Ranking the last between the Balkan countries doesn't necessarily mean that the tourism in Republic of Macedonia isn't developed as a sector. Other factors such as geographical location and availability of natural resources still play a vital role in revenues acquired for tourism. Still the importance of the revenues from tourism for the economy is unquestionable. This can be seen from the regression and correlation analysis made in this paper, which shows that the impact of international tourism receipts on the GDP of Republic of Macedonia is strong and the bond between them is true. (Milenkovski and Blazheska, 2016)

The results of all models show a positive and statistically-significant relationship between tourism and economic growth in Western Balkan countries. Based on the results of Hausman test, the Hausman Taylor IV model was found to be most appropriate model for this analysis, holding other factors unchanged. It suggests that for every 1% increase in tourists, GDP per capita increase approximately by 0.08% over time. (Selimi, Sadiku, 2017)

The study about the impact of the development of tourism sector on GDP growth rate in both theoretical and empirical studies on Jordan by depending on annual statistics for the period 2010 to 2017 finds insignificant impacts of receipts of tourism sector percentage to exports and arrivals of tourists on GDP Growth rate for Jordan by depending on annual statistics for the period 2010 to 2017. (Abdulla, Tamimi, 2020)

The coefficient of tourism indicates that with a 1% rise in tourism receipts per capita, GDP per capita of BRICS economies will go up by 0.31% in the long run. (Rasool, Maqbool, and Tarique, 2021)

All these results show an important correlation and contribution of tourism and GDP of a country, therefore economic policy makers should promote tourism, as a very important sector of a country's economy.

3. RESEARCH METHODOLOGY

During this study we used the statistical method to analyze the contribution of tourism expenditures to the GDP of the Republic of North Macedonia for the period before and after the Covid-19 pandemic. By comparing these two time periods in terms of tourism expenditures in GDP, we have highlighted the effect of this pandemic on the tourism sector and at the same time on the economy of North Macedonia in general.

We have also previously analyzed and examined the theoretical aspect of the relationship between tourism and GDP, encountering important relationships between them in different countries.

4. RESULTS

In addition we will give the detailed information about the impact of tourism in North Macedonia during the pandemic period, actually years between 2019 and 2020.

The data are taken from the Oxford Economics, national sources and UNWTO.

Table 1³⁵

Global data			
\$ Total GDP contribution:		Total Travel and Tourism jobs:	
2019	2020	2019	2020
10.4%	5.5%	334 MN	272 MN
USD 9,170 BN	USD 4,671 BN	=1 in 10 jobs	=1 in 11 jobs
Total Travel and Tourism GDP change in 2020:		1 in 4 net new jobs	Change in Jobs in 2020
-49.1% = USD -4,498 BN		Were created by Travel &	- 61.6 MN
Global Economy GDP change: -3.7%		Tourism during 2014-2019	- 18.5%

Table 2³⁶

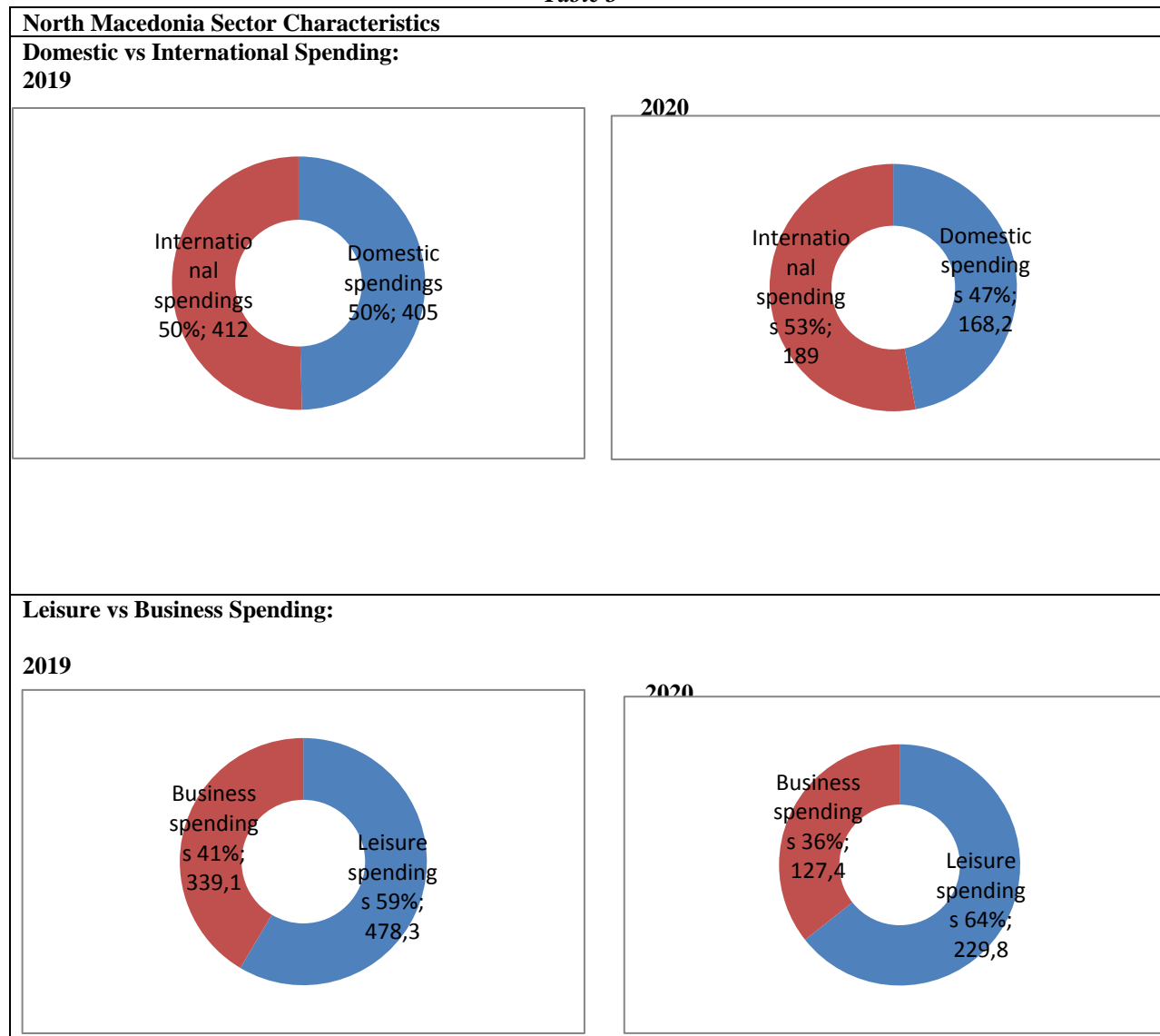
North Macedonia Key Data		
2019	2020	
\$ Total contribution of Travel & Tourism to GDP		
6.6% of total Economy	3.3% of Total Economy	-53.0%
Total T&T GDP=MKD 46.7 BN (USD 862.4 MN)	Total T&T GDP= MKD 21.9 BN (USD 405.0MN)	Change in Travel & Tourism GDP vs - 5.1% real economy GDP change
Total contribution of Travel & Tourism to Employment:		Change in jobs³⁷
54.5	45.2	-17.2%
Jobs (000s)	Jobs (000s)	-9.3 (000s)
(6.8 % of total employment)	(5.7 % of total employment)	
Visitor impact International:		Change in international visitor spend:
MKD 22.3BN	MKD 10.2BN	-54.1%
Visitor spend	Visitor spend	-USD 223.1 MN
5.1% of total exports (USD412.1MN)	2.7% of total exports (USD189.0MN)	
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Domestic:		Change in domestic visitor spend:
MKD 21.9BN	MKD9.1BN	-58.5%
(USD 405.4MN)	(USD 168.2MN)	-USD 237.2 MN

³⁵ Oxford Economics, national sources and UNWTO.

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³⁷ Where the country or region has implemented job support schemes and supported jobs are still recorded as employment by national statistical authorities, job losses exclude those supported jobs (where known)

Table 3³⁸



5. DISCUSSIONS

In the first table we have to do with the global data actually the Total GDP contribution and Total Travel and Tourism jobs presented in 2019 and 2020. From here we see that the difference within a year is obvious, which means that the pandemic caused a decline in the global economy -3.7% and also affected the decline in jobs worldwide.

In the second table we have the data that represent the impact of tourism on GDP in northern Macedonia within 2019 and 2020. In 2019 we have 6.6% of the total economy which in mkd value is Total T&T GDP=MKD 46.7 BN. In 2020 during the pandemic period it's obvious that we have 3.3% of Total Economy and Total T&T GDP= MKD 21.9 BN. There are also shown data from the Travel and Tourism contribution to employment, in 2019 there are 54.5

Jobs (000s) 6.8 % of total employment and in 2020 we have 45.2 jobs (000s) 5.7 % of total employment, so the change in jobs is -17.2% or -9.3 jobs (000s).

Also are shown the data about the visitors' impact, there are international and domestic visitors. So in 2019 international visitor spend was 5.1% MKD 22.3BN of total exports (USD412.1MN) and in 2020 visitor spend was

³⁸ Oxford Economics, national sources and UNWTO.

2.7% MKD 10.2BN of total exports (USD189.0MN) and as change in international visitor spend -54.1% -USD 223.1 MN.

And at the end we have shown domestic visitors in 2019 MKD 21.9BN (USD 405.4MN) and in 2020 we have MKD9.1BN (USD 168.2MN), so the change in domestic visitor spend is -58.5% -USD 237.2 MN.

In the Table 3 we have presented by diagram the percentage Domestic vs International Spending in 2019-2020 periods, in the 2019 we have the equal difference 50%-50% and in the 2020 international spending are 53% and domestic spending are 47%. Also we have Leisure vs Business Spending, in the 2019 Business spending comes with 41% and the Leisure spending comes with 59% which tells us that people traveled more for leisure than for business, but in 2020 Business spending comes with 36% and Leisure spending with 64%, a percentage higher even it was a pandemic period than 2019 because tourists used to travel into their tourists areas inside their country.

6. CONCLUSIONS

The importance of this scientific paper is to highlight the change within a very short period 2019-2020 where the main cause in the country is the global pandemic, which had a negative impact on all industries.

In this scientific paper we have presented the data or better to say the contribution of the tourism sector to GDP. The tourism industry plays an important role in the economic growth of the country, it is clearly seen in tables 1,2 how the period of the pandemic has affected the economy of the state, highlighting the impact of tourism as an economic branch, and in the table 3 with the diagrams there are shown the higher and lower percentages that are divided between business and leisure spending.

Since the pandemic period lasted indefinitely the tourism sectors developed additional measures that would have a positive impact during this period, ie to have movement of local tourists within the tourist areas of the country, taking advantage of various offers supported by the country itself.

So we can conclude that the increase of economic development in North Macedonia should be done through additional measures taken by the public and private sectors to help preserve jobs and increase them as well as create new forms that will initiate economic growth in the country.

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