Impact Assessment of COVID-19 on the Tourism Industry in North Macedonia

Kristina Velichkovska¹
Besnik Mustafa²
Bojan Georgievski³

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Abstract: As a result of closed borders, limited mobility, and social distancing, tourism is one of the first and most severely affected economic sectors during pandemics. Considering the characteristics of Covid-19 in terms of speed of spread and the consequences it has on human health, it was the most serious crisis that the tourism industry has faced so far. To prevent the spread of the virus, many countries implemented border lockdowns which disrupted life and caused a severe economic downturn. The restrictive measures caused a significant decline in economic activity and brought tourism to an abrupt halt. This paper estimates the impact of Covid-19 on tourism and contributes to a better understanding of the effects of COVID-19 on tourism in North Macedonia and the required response in different sectors at various scales.

1. INTRODUCTION

Tourism, as one of the most important sectors of the global economy, is a significant contributor to the world’s GDP and an important driver of every nation’s economic growth (Naradda Gamage et al., 2017). It is of vital economic, social and cultural importance, and offers real prospects for sustainable and inclusive development. Not surprisingly, the tourism sector is one of the fastest-growing economic sectors in the world. Although in the short-term this growth can be often disrupted mainly due to economic uncertainty and health crisis, over the long-term tourism is expected to continue to grow. Governments are well aware of the significance of developed tourism on the economic growth of the countries, therefore they are creating and implementing policies and strategies so that local communities can fully benefit from the dynamic tourism economy.

Tourism plays a significant role as well in the Macedonian economy. This sector has been on the rise in the past ten years with a more than double increase in the number of tourists in 2019 compared to 2010. Domestic tourists increased by 31.7% in the last decade, while international tourists increased by an incredible 189,5% from 2010 to 2019 (SSO). These data indicate the new approach towards tourism activities, which has the goal to maximize the contribution of tourism to the economic development of the country.

Unfortunately, this upward trend was interrupted by the Covid-19 global pandemic in the early months of 2020. Due to the health and economic crisis caused by the virus, the tourism sector was affected on a large scale. All countries, including North Macedonia, suffered tremendous losses. To determine the exact impact that Covid-19 had on the North Macedonia tourism industry, this paper analyses the latest available data for the country and makes comparative
analyses among different sectors in the industry, as well as with the impacts on the other countries in the region.

Investigations on the impact of COVID-19 on the tourism industry in North Macedonia are extremely rare in the existing literature. Limited literature was available on the global impact of COVID-19 on economic growth as well. Fortunately, there are many reports by UNWTO, WTTC, and UNCTAD which have identified the impact of COVID-19 on the tourism sector. Thus, the main contribution of this study to the existing literature is adding new, significant relationships between the COVID-19 pandemic and the tourism sector.

2. LITERATURE REVIEW

Considering the recent appearance of COVID-19, there is not enough literature that analyzes the effects of the pandemic caused by this virus on the economy in general, and on the tourism industry, in particular. However, numerous studies demonstrate that a pandemic can cause severe consequences on society, implicitly in the field of tourism (Gössling, 2002; Hall, 2006; Page & Yeoman, 2007; Scott & Gössling, 2015). Studies of government agencies (National Academies of Sciences, Engineering and Medicine, 2017, 2018) and institutions (Jonas, 2014; World Bank, 2012) also confirm these conclusions. Looking at the published data from the first six months since the pandemic spread globally, it is needless to say that the COVID-19 outbreak had greater influence than other recent pandemics. International tourist arrivals are forecasted to decline in 2020 by up to 30%, with a loss of worldwide tourism revenue of US$ 450 billion (UNWTO, 2020) which is ten times more than the global financial impact of the SARS epidemic (Shretta, 2020).

In fact, according to the authors Gössling et al. (2020), it shows that: “tourism as a system has been resilient to external shocks”. Still, the COVID-19 crisis will have unprecedented impacts (OECD, 2020). According to Burkle (2006): “The connections between pandemics and travel are fundamental to understanding health security and global change.” In this regard, authors like Gössling (2002), Hall (2006), Fauci and Morens (2012), Rossello et al. (2017), Qiu et al. (2018), Bloom and Cadarette (2019) and many others, have warned about the possibility of a pandemic crisis affecting society and tourism on a large scale. The SARS epidemic, which started in a Chinese province, is another representative example of an epidemic with a negatively profound impact on tourism around the world. This negative impact is coming from the fact that nowadays, there are a lot of people traveling worldwide, which makes it easy for a local epidemic to be transferred abroad.

To assess the exact economic impact of this pandemic on tourism and the measures needed to revive the global economy, several studies and reports of various international organizations (UNWTO, WTTC, OECD, and the European Commission) were conducted. UNCTAD (2020) analyzes 65 individual countries and regions and 65 sectors, covering the global economy where it tries to estimate the direct and indirect costs of the shutdown of the tourism sector. The research confirms that in some countries, unemployment could rise by more than 20 percentage points, while some sectors could nearly be wiped out if the duration of the tourism standstill is up to one year. In addition to the supportive measures by governments, UNWTO and other relevant organizations, a sustainable approach to tourism is needed, to learn from the crisis and anticipate trends (Mihai & Toma, 2020).
3. METHODOLOGY AND DATA ANALYSIS

The study analyzes the impact of the COVID-19 outbreak on the tourism industry in North Macedonia using a secondary data set from the National State Statistical Office and reports from the World Travel and Tourism Council (WTTC). Descriptive analysis using the available secondary data was implemented in the analysis of the tourism industry and other supporting sectors to the tourism industry. The applied data set covers the period from January 2019 to October 2022, which is the last available data at the moment of research. The international tourist receipts were the authors’ calculation using secondary data from the State Statistical Office and WTTC. Following that, the structure of international tourist spending was used to estimate the impact on sectors. The difference in the number of international tourists in each region, between 2019 and 2020, was used to estimate the loss in revenue in each respective region.

The study first analyses the exposure to tourism as % of the GDP of North Macedonia and its neighboring countries. It looks at the decline of international tourists in North Macedonia and the loss of international tourists’ receipts. Based on this information, the loss in revenue as a result of the decline in tourism activity by region and by sector was calculated. It should be noted that this study analyzes only the decline in international tourists and their impact on overall tourism.

3.1. TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO GDP

Tourism in North Macedonia participated with 6.6% of the total GDP in 2019, 4.8% in 2020 and 5.6% in 2021. This sector employed 54,800 people or 6.9% of total employment in 2019, 48,100 people, or 6.1% of total employment in 2020, and 51,300 people, or 6.4% of total employment in 2021. Compared to the region, only Serbia is in a less favorable position with a 5.9% total contribution of travel and tourism to GDP in 2019, to 3.7% in 2020 and even 3.6% in 2021. Even though Bulgaria was in a better position having 9.9% total contribution of travel and tourism to the total economy in 2019, as a result of the pandemic this percentage has significantly decreased to 4.2% in 2020 and 4.9% in 2021. Next is Bosnia and Herzegovina with 9.7% of travel and tourism to GDP in 2019, 5.0% in 2020 and 6.6% in 2021. Greece had a 20.7% of the total contribution of travel and tourism to GDP in 2019, decreasing to 9.2% in 2020 to 14.9% in 2021. Albania was in a similar position to Greece in 2019 having 20.3% travel and tourism as part of the GDP, decreasing to 10.5% in 2020 and then rising again to 17.4% in 2021. Montenegro suffered the most in 2020 in terms of tourism losses, however, they managed to recover quickly the next year. In 2019 travel and tourism contributed 30.8% of the total economy. This number decreased to 7.7% in 2020 but increased to 25.5% of the GDP in 2021 (Figure 1) (WTTC, 2022).

Furthermore, the exposure to international tourists in North Macedonia is more balanced, with 50% of revenue generated from tourism coming from international tourists, and the other 50% from domestic tourists in 2019. The situation in 2021 has not changed much, 51% of the revenue was generated from international tourists, while the remaining 49% was from domestic tourists. In Bosnia and Herzegovina, the situation before the pandemic in 2019 was 36% of revenue generated from domestic tourists and 64% from international tourists. The situation in Bosnia and Herzegovina after the pandemic in 2021 was 44% of the revenue generated from domestic tourists and 56% from international tourists. In Serbia in 2019 the revenue from domestic tourists was 31% and from international tourists 69%, changing to 34% in 2021 from domestic and 66% from international. Greece generated 32% revenue from domestic tourists and 68% from international tourists in 2019, and 37% from domestic tourists and 63% from international tourists.
in 2021. Albania’s revenue from travel in tourism was generated 23% from domestic and 77% from international tourists, while in 2021 it was 20% from domestic and 80% from international tourists. In Bulgaria, 12% of domestic and 88% of international tourist spending was generated in the total revenue, changing to 20% of domestic and 80% of international in 2021. Lastly, Montenegro generated 11% of domestic and 89% of international tourists in terms of the total revenue from travel and tourism in 2019. The situation in Montenegro returned to the same position in 2021 having 12% from domestic and 88% from international spending as part of the total contribution to the revenue from travel and tourism (WTTC, 2022).

Figure 1. Travel and tourism as a % of GDP
Source: World Travel & Tourism Council, 2022

3.2. COVID-19 AND THE TOURISM INDUSTRY IN NORTH MACEDONIA

Covid-19 has changed the way people live. One of the changes is the restriction of free movement, and because of that tourism has suffered losses. North Macedonia was not immune to this trend. In March 2020, compared to the beginning of the year, there was a decrease of 68% in international tourists in North Macedonia. In April, when the state closed its borders, there was a drop of as much as 99.5%. If we take into account the trends for the previous 4 years, the impact of Covid-19 is obvious. As the borders opened up, from June till the end of 2020, there is a noticeable rise in the number of international tourists, albeit it is still far lower than the previous four years. The beginning of 2021 continues with a slight increase following a sharp increase during the summer months. The last data from 2022 show that this trend continues and the situation is slowly but surely coming back to the pre-pandemic period. The most significant improvement proving this point is shown in the busy summer season starting from May till October 2022 (Figure 2) (State Statistical Office, 2022).

Consistent with previous years, the first two months of 2020, the last two pre-pandemic months for North Macedonia, had growth in the number of incoming international tourists: 21% growth in January and 10% growth in February. As Covid-19 spread, however, the measures aimed at containing it, brought the tourist sector to an abrupt halt. As a consequence, in March 2020, there was a decrease in the number of international tourists by 26,464 tourists, compared to March 2019, which was a decline of 70%. In April, that number was even higher as a result of the pandemic, when only 171 international tourists visited North Macedonia, a fall of 59,747 tourists from the previous year and bringing the sector to a standstill. The picture was not much better in May as there were 183 international tourists, 68,697 less than the previous year. Albeit
in the following months the borders opened up and numbers went up, they were still even worse as in June there were 87449 fewer international tourists, for July 92,675 and August 92,937, and so on. The trend continued throughout the rest of 2020 and the beginning of 2021. As mentioned before, the first steps of recovery started to be noticed with the opening of the summer season in May 2021 and have so one continued in the right direction. The last available data from October 2022 show a difference of only 15,471 international tourists less compared to October 2019, which is the smallest monthly comparison difference since the start of the pandemic in March 2020 (Figure 2) (State Statistical Office, 2022).

Through quantifying the amount of revenue generated per international visitor, the study estimates the number of losses in revenue from the lower inflow of international tourists. In 2019, international tourists contributed 433 million USD in tourism (WTTC, 2022). Considering that in 2019 there were 757,593 international tourists in North Macedonia, 572 USD per international tourist flowed into the tourism sector. In 2020, international tourists contributed 262.8 million USD in tourism with 118,206 international tourists in North Macedonia, i.e. on average 2,223 USD spending per international tourist. The data from 2021 show that international tourists have contributed to the country’s budget with 377.1 USD. Having in mind that the number of international tourists in 2021 was 293,963, the spending per international tourist for 2021 is 1,283 USD on average.

Despite the sharpest decline in April and May 2020 when there was a decline of 99.7% compared to the same period in 2019, the tourist sector has had the least amount of loss. The loss in April 2020 compared to April 2019 was approximately 34 million USD, while that of May 2020 compared to May 2019 was a 39 million USD loss. In total, during these two months with the lowest number of international tourists, North Macedonia has lost 73 million USD in international receipts. Nevertheless, the largest losses in revenue were at the peak of the holiday season, June, July and August 2020, with losses of 50 million USD, 53 million USD and 53 million USD respectively. In total, for 2020, compared to 2019, there has been a loss of 365.7 million USD for North Macedonia’s budget (Figure 3) (State Statistical Office, 2022; WTTC, 2022).

Looking at the expenditure structure, the amount of revenue that each category has lost by the decline in the number of international tourists can be calculated. As such, the category that has lost the most revenue is the Other needs (entertainment, recreation, health, etc.), with a total estimated loss of 46.4 million USD, followed by Shopping in stores with 41.4 million USD, Food
and Beverages with 40.8 million USD, Accommodation services with 25.3 million USD estimated loss and last, Fuel and road tolls with a loss of 16.3 million USD (State Statistical Office, 2022) (Figure 4).

![Figure 3. Loss of International Tourists Receipts, up to August (in USD)](source: State Statistical Office, 2022; WTTC, 2022; authors' calculations)

Figure 5 represents the expenditure structure of international tourists, based on which impacts have been assessed. The loss from other needs like entertainment, recreation, and health, accompanied 27.6% of the total loss as a result of the pandemic in 2020. Following were Shopping in stores with a 24.32% of loss, Food and beverages with a 23.96% of loss, Accommodation services with a 14.88% of loss, and Fuel and road tolls with a 9.57% of loss (State Statistical Office, 2022).

![Figure 4. Results, loss by sectors, up to August (in USD), 2019-20](source: State Statistical Office, 2022; Calculations: Authors, 2022)

By comparing the changes in incoming international tourists’ year on year the study was able to quantify an estimated loss of revenue for each region of North Macedonia. The two regions that stand out are the two regions with the most developed tourism, namely Skopje and Ohrid (Southwest region). Skopje with an estimated loss of revenue of 94 million USD and Southwest region with an estimated loss of revenue of 81 million USD. The Northeast region and the East region show the least amount of revenue loss possibly because in these regions international tourists are more expats whose arrival is not as affected as much as tourists who come for leisure (Figure 6) (State Statistical Office, 2022).
4. CONCLUSION

North Macedonia suffered from the loss of international tourists during the pandemic period 2020-22. Although this loss was not as severe as in the regional countries, still it affected the budget. Travel and tourism revenues as % of GDP from 6.6% in 2019 decreased to 4.8% in 2020 and 5.6% in 2021. This loss was highest in the sectors of foods and beverages, shopping in stores and other needs like entertainment and recreation. In terms of the regional losses, Skopje and the Southwest region felt this loss of international tourists most severely. Considering that this study is limited to international tourists, the impact could be made more or less severe depending on the spending choice of domestic tourists. In case domestic tourists were discouraged from spending, the loss would be more severe. On the other side, if domestic tourists were more encouraged to travel within the country as a result of the closed borders, this would make up for the loss of revenue from international tourists. Moreover, considering that the study takes an average flat rate of 572 USD generated from each tourist, their spending in North Macedonian regions could be different. To that avail, this study encourages more in-depth, qualitative research to get a better picture of the impact that Covid-19 has induced on the economy in North Macedonia.

References


