

## **Effects of the COVID - 19 Impact on the Tourism Sector in Bulgaria**

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### **Abstract**

*The negative consequences of the Covid-19 pandemic are significant and cover all sectors of the economy, with the biggest impact on the Tourism sector. Some of the impacts are related to the growth of the registered unemployed, the financial difficulties of the enterprises and the impossibility to carry out economic activities due to the decline in the interest of tourists in travel and leisure. It is necessary to derive a set of measures to deal with the complicated situation of the enterprises in the tourism industry, which will quickly overcome the critical situation for the sector.*

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### **Introduction**

The past months of 2020 went by under the influence of the pandemic COVID-19. Not only have the sick and their households been affected by the infection, but also businesses in various sectors of the economy. This has led to the dismissal of many employees, mostly low-skilled staff in the service sectors. For almost all member states of the European Union the development of tourism has been a key driver for their economic progress. Being an industry that creates a large number of jobs and income for the population of regions, where this sector is the only way to make a living, tourism should be supported.

#### **1. Situation analysis of the sector**

Global recession that we have been witnessing is the result of a combination of measures, which have been taken worldwide, to control the coronavirus contagion, the collapse of oil prices and the instability of capital markets. These factors have affected the activities of enterprises in many sectors of the economy in various regions and markets.

Tourism is one of the most affected industries in the world. The unforeseen crisis resulting from the infection requires an analysis of the current situation and forecasting the future course of development of the tourism industry. Tourism demand is the basis of tourism growth and forecasting the development of tourism is crucial for the people involved in it. Forecasting the long-term development of tourism demand is crucial in developing and implementing various business strategies, national strategies and policies. Short-term forecasts are focused on operational decisions related mainly to variable factors such as pricing, capacity, etc. The specificity of the tourist service does not allow its storage thus making short-term changes a tool for optimizing the use of available resources (Bozhinova, M., 2020). The analysis of tourism demand is one of the major areas of economic research in the sector, as it is the basis of all business decisions made by entrepreneurs. What is especially significant in forecasting and making analysis are the indicators giving information on visits to destinations, number of overnight stays, visitors' expenses incurred, etc. The turnover index in the Hotels and Restaurants sector indicates the current state and short-term trends in the development of the industry. "The index reflects changes in the turnover when comparing two periods of time - the reporting month, related to the previous one, and the same

month of the previous year, as the time series make it possible to compare any period of time, randomly selected from the time series, to another period of time” (NSI, 2020).

The turnover index at comparable prices for higher aggregation levels is calculated by using the formula (NSI, 2020):

$$I_t^K = \frac{\sum_{L=1}^n \frac{Q_t^L}{I p_t^L}}{\sum_{L=1}^n \frac{Q_0^L}{12}}$$

where:

$I_t^K$  - turnover index for aggregation level K in the current month t

$\sum_{L=1}^n \frac{Q_t^L}{I p_t^L}$  - turnover for aggregation level K in the current month t at average annual prices of the base year

$\sum_{L=1}^n \frac{Q_0^L}{12}$  - average monthly turnover for aggregation level K during the base year

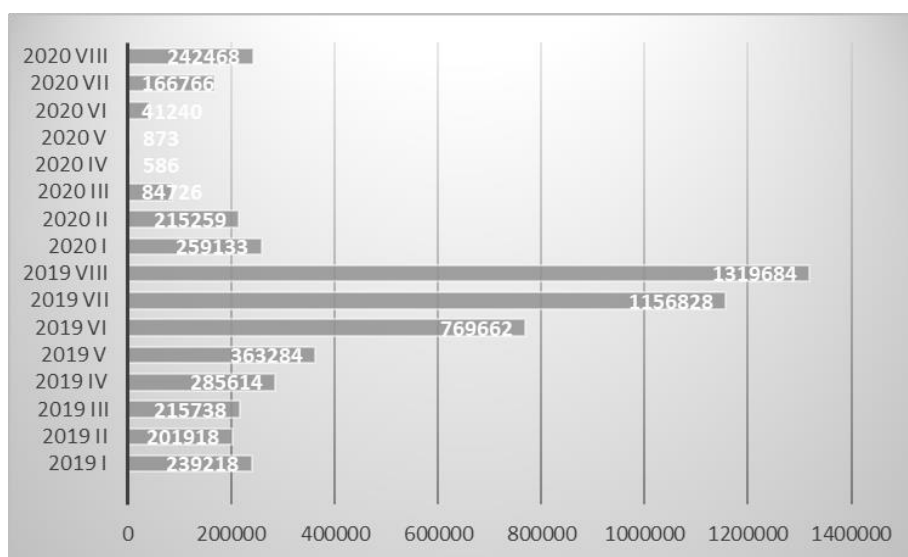
L = 1... ..n - number of groups forming aggregation level K.

Situation analysis is of vital importance for effective business forecasting of the development in the difficult situation the sector is in.

## **2. Dynamics of the major assessment indicators of tourism activities**

The outbreak of the COVID-19 pandemic and the ensuing health crisis are the main causes of serious losses in the tourism industry. Given that the tourism industry employs more than 22 million people in the EU alone, it was identified as one of the fastest growing sectors in 2019. This is a strong motive for the political elite to seek ways for supporting tourism in terms of the observed economic shocks. In order to preserve the activities of the enterprises in the sector, the majority of countries have supported the companies through direct financial payments, tax and social benefits. The introduced travel restrictions in connection with the pandemic have negatively affected the income of entrepreneurs in the sector. The decrease in both domestic and foreign tourists' visits and the collapse in the financial receipts of the enterprises are a consequence of the lower number of trips and higher unemployment rate (Ilieva, L., 2020). The decline registered in the money of hoteliers and restaurateurs is about 50%, of travel agencies - 70%, of cruises and airlines - almost 90% (NSI, 2020). These negative trends can be seen in the data presented in the graphs below, summarized on the basis of information published by the NSI (see Fig. 1 - Fig. 4).

Foreign tourists' visits to Bulgaria in the first eight months of 2020 marked a significant decline due to the COVID-19 pandemic and the measures introduced to limit its spread. The most significant measures are the closure of national borders and a large number of sites in the sector. This, in turn, raised the unemployment rate, which led to increased financial difficulties for the households. Highly unfavourable are the values of the indicator in April and May. After this period, there is a slight increase in international arrivals, mainly related to holidays on the Bulgarian Black Sea coast. The highest values are reported for August of the current year, when the attendance of foreign tourists increases, which against the background of the general decline can be reported as an increase (see Table 1).



Source: NSI

Figure 1. Foreign tourists' visits to Bulgaria with the purpose of recreation and excursions over the period January-August 2019 – January- August 2020

Table 1. Visits of foreigners to Bulgaria for the purpose of the trip and by countries in August 2020

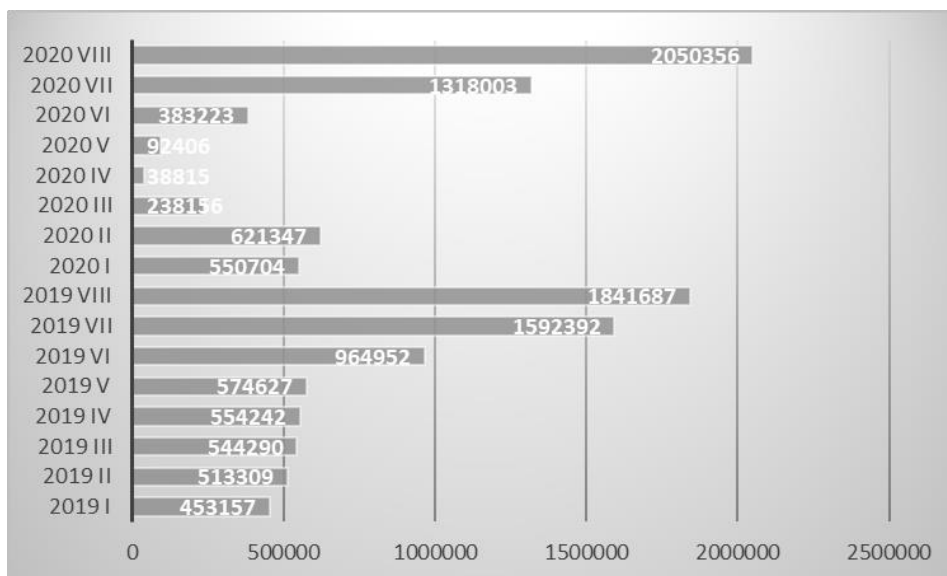
(Number)

Countries	Total	Purpose of the trip		
		Rest and excursion	Business	Others
<b>TOTAL</b>	<b>747079</b>	<b>242468</b>	<b>67840</b>	<b>436771</b>
<b>European Union <sup>3</sup></b>	<b>471443</b>	<b>191138</b>	<b>37541</b>	<b>242764</b>
Austria	14310	463	215	13632
Belgium	19388	1898	342	17148
Germany	97174	23158	5486	68530
Greece	17859	1875	3072	12912
Denmark	902	153	137	612
Ireland	784	372	-	412
Spain	2267	1255	415	597
Italy	3826	1621	242	1963
Cyprus	318	72	58	188
Malta	138	67	-	71
The Netherlands	21524	926	624	19974
United Kingdom	16147	2599	1050	12498
Poland	47796	25311	7696	14789

Portugal	550	358	52	140
Romania	158227	110190	11304	36733
Slovakia	1791	405	107	1279
Slovenia	253	105	51	97
Hungary	5284	2411	634	2239
Finland	360	150	52	158
France	35017	6200	595	28222
Croatia	1291	279	139	873
Czech Republic	21583	10324	4986	6273
Sweden	2962	387	107	2468
Other EU countries	1692	559	177	956
<b>Other European countries</b>	<b>238546</b>	<b>43343</b>	<b>25471</b>	<b>169732</b>
Norway	456	402	-	54
Republic of Northern Macedonia	21604	2706	3485	15413
Russia	3267	1429	427	1411
Serbia	25749	2776	5910	17063
Turkey	135552	1383	13296	120873
Ukraine	49028	33202	2353	13473
Switzerland	2890	1445	-	1445
<b>Other countries</b>	<b>5499</b>	<b>3211</b>	<b>267</b>	<b>2021</b>
Israel	2937	2763	33	141
Canada	389	195	22	172
USA	2091	207	200	1684
Japan	82	46	12	24
<b>The rest of the world</b>	<b>31591</b>	<b>4776</b>	<b>4561</b>	<b>22254</b>

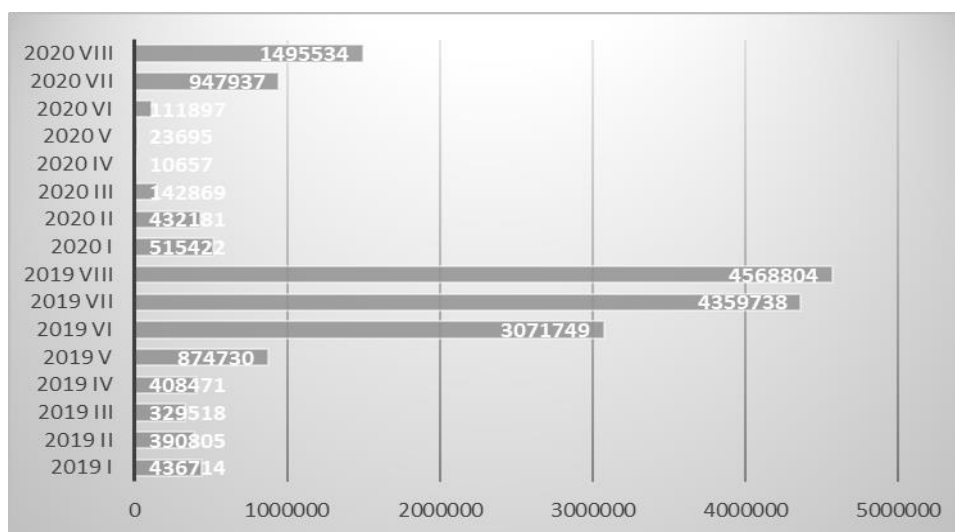
*Source: NSI*

Data from Figure 2 and Figure 3 show the overnight stays of Bulgarian and foreign citizens in the Republic of Bulgaria from January 2019 to August 2019 and 2020. There is a decrease of 67% in the number of overnight stays of foreign visitors in August of the current year compared to the same month of the previous year. These results can be considered expected, given the global measures taken with regard to the free movement of people. The indicator representing the changes in the overnight stays of Bulgarian citizens in Bulgaria for the same period (from January to August 2019-2020) reported an increase of 11% in August 2020. This proves the thesis that a large part of Bulgarian people have chosen to spend their holidays in their country.



Source: NSI

Figure 2. Bulgarian citizens' overnight stays in Bulgaria for the period January-August 2019 – January-August 2020



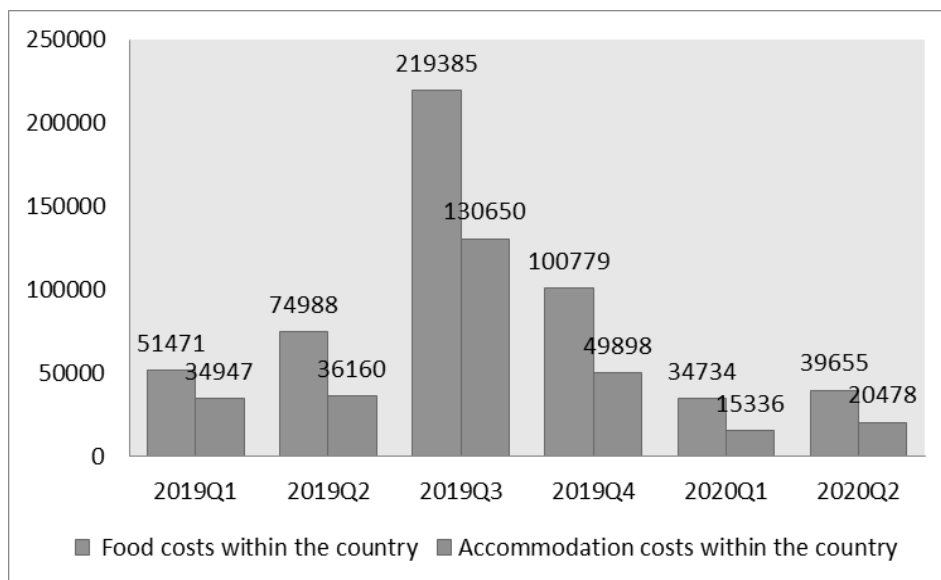
Source: NSI

Figure 3. Foreign citizens' overnight stays in Bulgaria for the period January-August 2019 - January - August 2020

Decrease in tourist visits affects the costs the population has made for travels related to accommodation and food. Data on these changes can be seen in Figure 4.

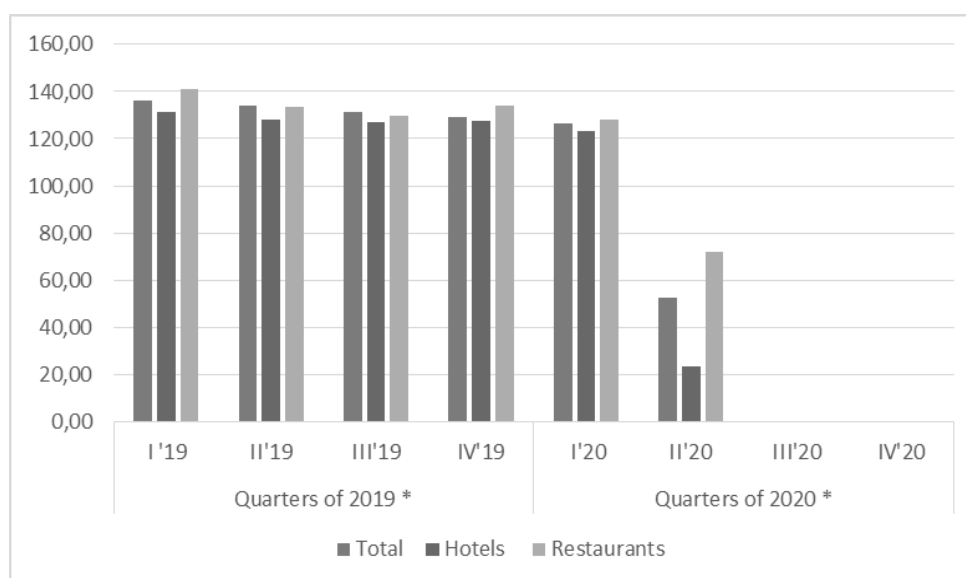
The Figure 4 shows a decrease of 33% in food costs, which the population made in the first quarter of 2020 compared to the same period in 2019. In the second quarter of the same period the decrease was 47%. Tourism is irreversibly transformed. During the period of crisis, more than 60% of Bulgarians limited their spending. A large number of our compatriots (74%) limited their visits to restaurants, and 54% of them reduced their spending on travel and leisure (NSI, 2020). In addition, both hoteliers and restaurateurs in the sector have been experiencing difficulties. In larger

cities, the turnover of restaurants has decreased by 45-50% (Bulgarian Association of Restaurants, 2020). This trend can be seen in the data published by the NSI on a quarterly basis about the turnover index in the hotels and restaurants sector at current prices (see Figure 5). The turnover index is a key indicator for assessing the current state and short-term trends in the development of the hotels and restaurants sector. It monitors the dynamics of demand and supply of hotel and restaurant services, taking into account the impact of ongoing economic processes in the country" (NSI, 2020).



Source: NSI

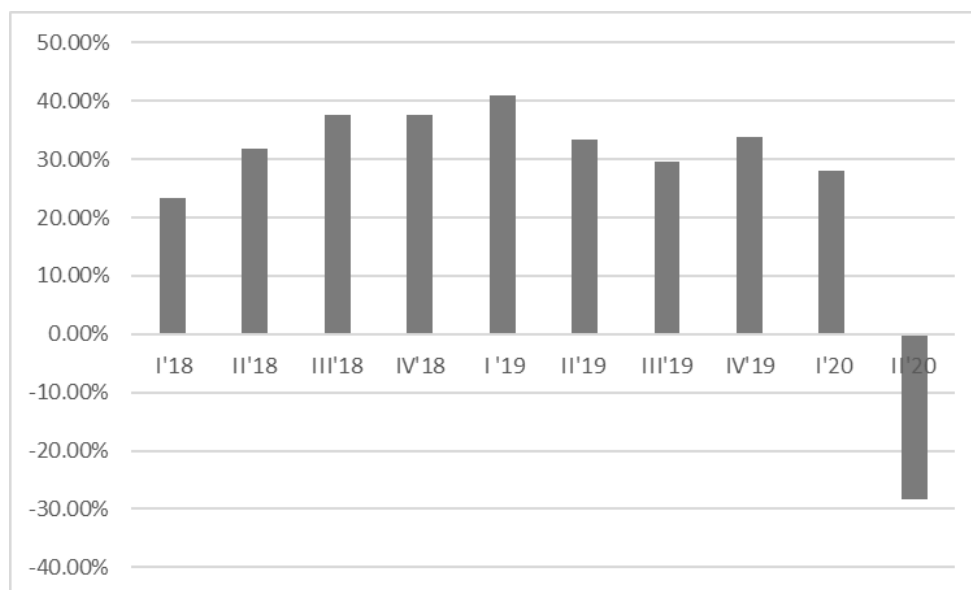
Figure 4. Expenses by types (without tourist packages) for tourist trips of the population for the period 2019 - 2020 – quarterly.



Source: NSI

Figure 5. Turnover indices in the hotels and restaurants sector at current prices for 2019-2020 (quarterly)

Taking into account the graph in Figure 5, it can be summarized that the turnover index in the sector in 2019 and the first quarter of 2020 fluctuates in close range, while in the second quarter of 2020 there is a significant decline. It is due to the force majeure circumstances and the related measures, which limited the activities of enterprises in the sector.



*Source: NSI*

Figure 6. Growth of the turnover index in the restaurants sector at current prices for the 2018 - 2020 period on a quarterly basis

Data in Figure 6 show a steady increase in the index in 2018 and the first quarter of 2019. After this period, there are fluctuations in turnover in 2019 and a significant decrease in the first two quarters of 2020. For the period from April to June, the index is negative. Due to periodicity of the data published by the National Statistical Institute, at the time of publication of the article there is no information on the indicator for the third quarter. Considering the period under review, namely the summer months and easing of the measures related to pandemic COVID-19, we could expect slightly higher values of the index. This by no means indicates growth, but rather a slight increase in the indicator that takes into account the turnover in the hotels and restaurants sector.

### **Conclusion**

To preserve tourism and help its recovery, it is necessary to carry out a number of actions resulting in:

- gradual restoring of free movement of citizens of the European Union Member States in strict compliance with the measures for preventing the spread of the infection. This step is necessary in order to resume international visits. Not only is it of vital importance for Bulgarian tourism, but also for European tourism. It is particularly important for the tourism sector that Europeans can move freely within the EU;
- resuming the normal activities of companies providing transport services is a key factor for the development of tourism. Limiting the risks of infection during travel or in the transport centres by ensuring strict requirements for compliance with anti-epidemiological measures;
- introduction of rules for the use of hotels and restaurants services by the visitors and clearly defined requirements for social distance. Procedures for using services in

- accommodation and catering should be clearly established;
- financial support provided by the state to companies in the tourism sector in the form of temporary reduction of the VAT rate not only for restaurants, but also for other services offered in the sector;
  - rebranding of destination Bulgaria as a country offering safe year-round tourism;
  - promoting alternative types of tourism that the country offers to attract new segments of tourists;
  - adaptation of the companies to the changes occurring in the sector. They need to reorganize their services to make them attractive to Bulgarian tourists. Taking into account the data, which have been reported in recent months, showing increased consumption of the tourist services by Bulgarian citizens, it can be concluded that this was a necessary step.

At this stage, it is important to restore the feeling of security and tranquility in tourists when travelling and using tourist services. Resuming the normal functioning of the sector is going to be slow and difficult. However, this does not mean that it should be left to survive on its own. What is needed is timely analysis of the situation in the tourism industry and proper forecasting of its development.

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