

TOURISM INDUSTRY AND ECONOMIC DEVELOPMENT IN BULGARIA

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Abstract

The main objective of this paper is to study the influence of tourism industry on the economic development in Bulgaria during the period 1998-2013. Compared with other sectors in the country the tourism has been the main motive power of economic growth in the last fifteen years. Registering a significant growth rate, the tourism has contributed to improvement of the main economic indicators and therefore is considered as essential development generator. At the same time, tourism in Bulgaria is facing serious structural weaknesses, namely one-sided product mix, dependence on limited number of markets, high seasonality, low performance indicators, and extreme territorial concentration limiting the wider spread of its benefits, while significant part of tourism potential remains unexploited. The conclusion is that the growth of tourist industry and its contribution to the economy could not be sustained with the existing approach, which generates environmental, social and economic pressure. Serious interventions are required in order to ensure sustainable tourism development, to diversify products and markets, to improve tourism performance indicators and to encourage its wider geographical spread.

Key words: economic development, tourism, GDP growth

Introduction

Bulgaria is a unitary state with 7.4 millions population and territory of 111 000 km². At present the administrative-territorial structure of Bulgaria includes two regions, defined as level NUTS I¹, six regions, defined as level NUTS II, 28 administrative districts corresponding to level NUTS III, and 264 municipalities, which represent the level LAU 1.² Currently, Bulgarian regions are on the last positions among the EU (27) regions in respect of the main economic indicators. The GDP per inhabitant in the most developed Bulgarian region at the level NUTS II, namely the South-West region is 75% of EU (27) average, while the rest five of the regions feature rates between 27% and 36%. The least developed NUTS II region in the European Union is the Bulgarian North-West region with GDP per inhabitant equal to 27 % of the EU (27) average. (Eurostat, 2013)

The economic development in Bulgaria during the last 15 years demonstrates clearly manifested territorial dimensions. The major growth-carrier is the South-Westn region,

¹ NUTS I, NUTS II and NUTS III are the abbreviations of the levels I, II and III of the Nomenclature of Territorial Statistical Units within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003.

² LAU 1 is denotation for local administrative unit.

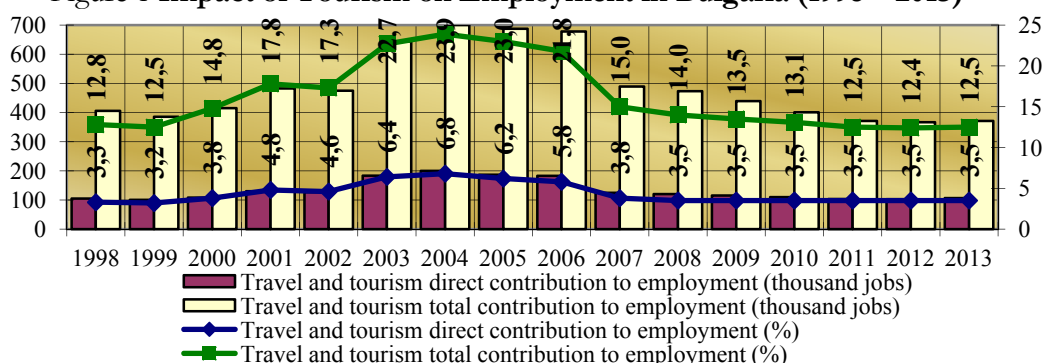
which creates 48.2% of the GDP, while the disparities among the rest of the regions are considerably smaller. The main factor for the faster development of the South-West region is the capital city Sofia, which concentrates a significant part of the national economy. At the more detailed NUTS III level it is visible that the district of Sofia (capital city) recorded a value of GDP per capita equal to 104.3% of the EU(27) average, while the remaining four NUTS III districts in the South-West region report values for this indicator below 50 %. (Eurostat, 2013) The situation is worse at the LAU 1 level, because the network of large cities that are the core centers of economic growth is unevenly distributed over the national territory, creating a significant build-up of municipalities with extremely low economic development indicators.

Tourism impact on the economic development in Bulgaria

In 1990s, during the transition period, Bulgarian economy has been deindustrialized. Compared with other sectors as heavy and light industry, mining and agriculture, the services are the main motive power of economic growth in recent years, contributing to 65.6% of the gross value added. (National Statistical Institute, 2013) Factor of great importance is tourism, which is both a large and a fast growing sector, being amongst the drivers of the Bulgarian economic development.

In the last five years, tourism contributed directly to 3.8% of GDP and 3.5% of employment. Having in mind the indirect and induced effects the contribution grows respectively to 13.9% of GDP and 12.8% of employment on the average. According to the database of the World Travel and Tourism Council, tourism contribution in Bulgaria is slightly above the average for EU (27), namely direct contribution 3.0% of GDP and 3.6% of the employment and total contribution respectively 8.3% of GDP and 9.1% of employment, and significantly higher than the average for the region of the Central and Eastern Europe³ (direct contribution to GDP 2.7% and to the employment 3.1% and total contribution respectively 8.7% to GDP and 8.6% to the employment).

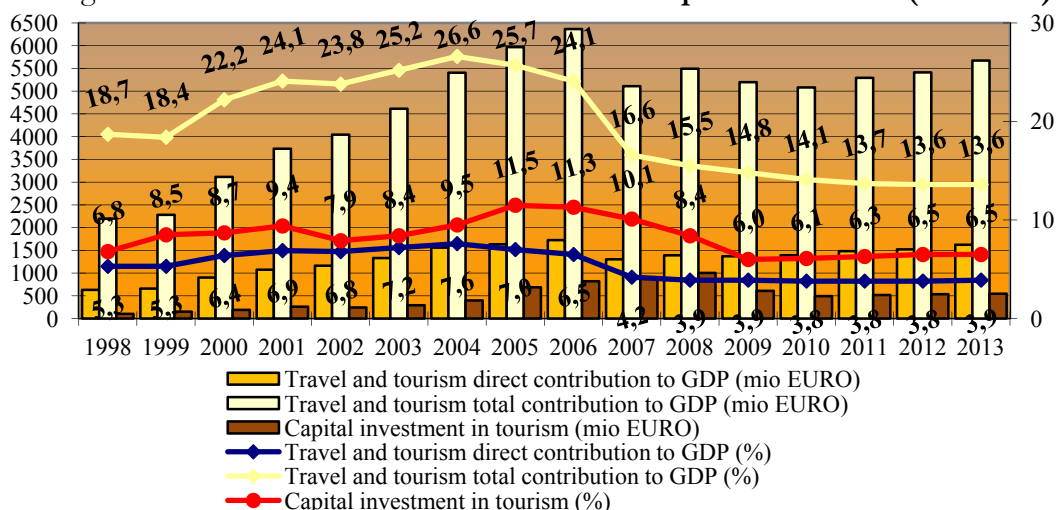
Figure 1 Impact of Tourism on Employment in Bulgaria (1998 – 2013)



Source: World Travel and Tourism Council, **Note:** Data for 2013 are based on prognosis

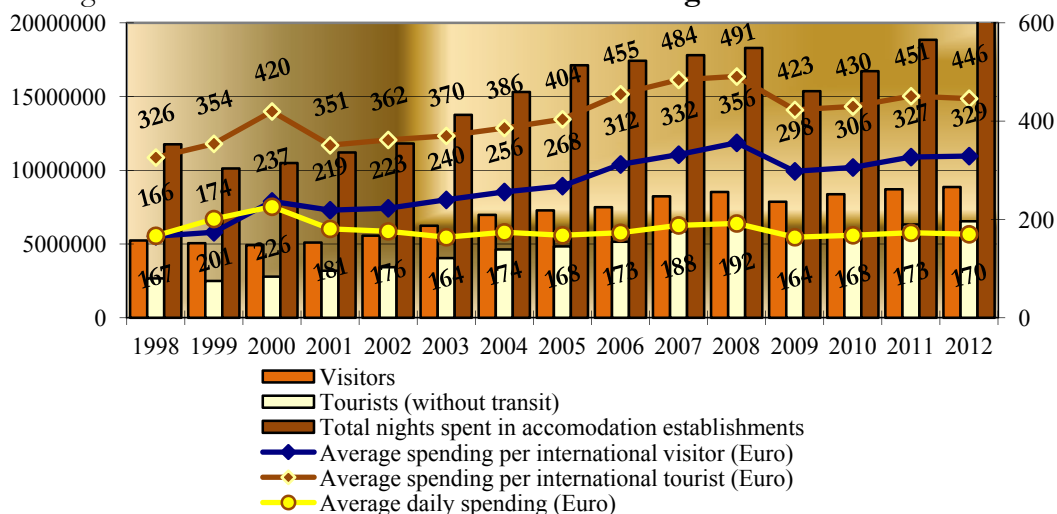
³ The countries included are Albania, Macedonia, Serbia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

Figure 2 Tourism Contributions to GDP and Capital Investment (1998-2013)



Source: World Travel and Tourism Council, **Note:** Data for 2013 are based on prognosis

Figure 3 Trends in International Tourism of Bulgaria



Source: National Statistical Institute of the Republic of Bulgaria

According to the database of the National Statistical Institute, after 1998 most of the Bulgarian tourism industry indicators have improved significantly and in many years featured a two-digit annual growth rates. The bed-capacity of accommodation facilities increased by 25% and reached 301 140 beds by an average annual growth rate of 3.5% for the period 1998 – 2012. Although not so intensive, this tendency is still persistent and only in the last five years the accommodation capacity has increased by 8.9%. The growth in the hotel sector was even higher registering an overall increase of 85% for the period 1998 – 2012. Moreover, the share of beds in higher category (4 and 5 stars) hotels has grown from

7% to 38%. As a result of the privatization process almost all accommodation is private and the structure of the tourist sector has become strongly fragmented and dominated by small and medium-sized enterprises.

Moreover, the number of visitor arrivals has grown by more than 80% and reached 8.9 million in 2012 by annual growth rates after 1998 between 4.5% and 18.9%. Slightly higher is the growth of visitors for the purpose of holiday and recreation that reached 4.6 million (twice more than in 1998). The total nights spent in accommodation establishments reached 20.3 million, including 13.5 million nights spent by foreign visitors and have increased even faster – 2.8 times more than in 1998 with an average growth rate for the period of 17.9% per year. (National Statistical Institute database)

Competitive advantages of Bulgaria as a tourist destination

The above described development is based on the potential and the specific competitive advantages of the country, providing for diversified and sustainable tourism development. Due to its natural and historical diversity Bulgaria has a considerable potential for tourism development. This is represented not only by the Black Sea coast and the mountains covering more than $\frac{1}{3}$ of its surface, but also by the nine monuments included in the UNESCO World Heritage List (seven cultural and two natural), more than 600 mineral springs, thousands of local cultural and traditional attractions, more than 5% of the national territory in protected area status (including 3 national and 11 natural parks), 30 000 historic monuments, 36 culture reserves, 160 monasteries, more than 330 museums and galleries, rich traditions for festivals and holidays, preserved ethnographic heritage, national cuisine and quality wines. The country has 102 officially declared balneology, mud-healing and climatic mountain resorts as well as 33 seaside resorts. (State Tourism Agency, 2009)

Amongst the competitive advantages are also the location in a relative proximity to the major markets in Europe, the competitive price level (reasonable value for money), upgrading and building new accommodation and other facilities in the last years, the still relatively low degree of development of areas, attractive for tourism (more specifically in the mountains), the positive attitude of local population and authorities to tourism and tourists, as well as the relatively long history of international tourism development.

The conclusion is that Bulgaria is a country possessing rich and diverse potential for development of tourism. The available recreation and tourist resources allow the development of different types of tourism, as well as their utilization round the year or at least for two seasons. The National Strategy for Sustainable Tourism Development 2009 – 2013 provides an assessment of the position and prospects for different kind of tourism products, revealing that the potential of culture, conference, eco, rural, balneology, spa, sport and adventure tourism are higher compared to the traditional mass seaside and skiing tourism, as well as that the alternative forms of tourism need more marketing and advertisement. Although no specific and well grounded territorial assessment of tourism potential was carried out in the last 15 years, a number of studies agreed that around half of the national territory possesses favorable conditions for the development of diverse types of tourism as well as that there are no large areas without opportunities for tourism development. (National Center for Regional Development, 2003)

Moreover, all over the country tourism is perceived as one of the main tools to support regional and local development. Tourism sector expansion could have a positive influence not only on the sector itself but also on the development of related industrial and service sectors, employment and the general economic situation in the regions thanks to the catalytic and multiplier effect of tourism. It is especially important for peripheral areas where the development opportunity set is limited. This is evidenced by the fact that municipalities with developed tourism have a stronger economy compared to similar municipalities with no or limited tourism development as well as that in many cases tourism was able to compensate the loss of jobs and income opportunities caused by industrial decline. (UNDP, 1996 and 1998)

Although tourism in Bulgaria has a significant potential and has grown significantly over the last fifteen years, it is far from its volume at the end of 1980s (the number of nights spent is 3 times lower) and the market share in global and European tourism remains insignificant. Bulgaria accounts for 0.6% of international visits and 0.4% of international tourism revenues in the world as well as for 1.1% of international visits and 0.8% of international tourism revenues in Europe. In terms of nights spent in accommodation facilities Bulgarian tourism accounts for only 0.5% of all nights spent and for 1.3% of nights spent by non-residents in EU(27). (Eurostat database, UNWTO, 2012) Growth rates of most indicators are slowing down in the last several years indicating that the tourism growth and its contribution to national and regional economy could not be sustained within the existing trend of development, that is featured by serious interrelated structural weaknesses and obstacles.

Basic weaknesses of Bulgarian tourism development

First of all, there is a **discrepancy** between the diverse tourism potential and the one-sided development of tourism. The product mix is dominated by mass tourism and package tours mainly for summer seaside (52.4%) and winter skiing tourism (16.2%) resulting in low value added for the Bulgarian tourism industry, missed market opportunities as well as strong environmental pressure on traditional resorts which carrying capacity is either exhausted or in most cases overexploited. While the development of specialized tourism products (cultural, rural, eco, spa, conference, etc.) is perceived as the main option for expansion of Bulgarian tourism their current presence in the product mix is insignificant. (State Tourism Agency, 2009)

In addition, Bulgarian tourism is dependent on **limited number of markets**. According to the database of the National Statistical Institute the share of the three leading foreign markets in terms of nights spent (namely Germany, UK, and Russia) is decreasing in the last years from more than 70% at the end of 1990s to 47.7% in 2008 and 44.7% in 2012, but still remains higher than for most of the competing destinations. Moreover, these biggest markets are not the most attractive from the viewpoint of tourism policy objectives like reducing seasonality, enhancing geographical redistribution or increasing the average revenues from a tourist or overnight. On the other hand, tourism industry is heavily depending on international markets (68% of the overnights) that make the access to the market for individual companies more difficult, especially if they are small.

Seasonality of tourism in Bulgaria is the highest within EU (27) with significant implications not only for the occupancy rates and revenues of tourism industry but also for the employment and the skills of the employees, causing the inability to attract and keep skilled staff. More than 45% of nights are spent in only two months (July-August) and 72% - in the period between June and September. In June 2012 rooms occupancy rate reached 89.4%, which places Bulgaria on the first place among the EU (27) member states. (Eurostat database) Seasonality is stronger in international tourism.

The **occupancy rate** of bed places is low and do not tend to significantly increase (35,4% in 2005; 33,3% in 2006; 30,1% in 2008; 24,9% in 2009, 38.8% in 2012) as are the average length of stay of international tourists (2,4 days), the average revenue from one international visitor (€329) and the average daily spending (€170). Obviously, the growth of these indicators is significantly slower than the respective growth of the number of international tourists and nights spent, indicating the ineffectiveness of the recent development. The revenue from international tourist is slightly above 60% of the European average and lower than in most European countries. Particularly low although slightly increasing are the revenues from accommodation (both from foreign and domestic tourists) – respectively €1085 per bed and €16 per night spent in 2005, €1142 per bed and €17 per night spent in 2009, and €1420 per bed and €21 per night spent in 2012. (National Statistical Institute database) Having in mind the very strong positive correlation between the occupancy rate and the total revenues from bed-nights, one can conclude that the intensive exploitation of the accommodation facilities in all seasons is needed, combined with the enhancement of the management efficiency.

Regional dimensions of Bulgarian tourism (2008 – 2012)

All above mentioned weaknesses of tourism development are manifested in and to a great degree are caused by its **extreme territorial concentration**, that does not correspond to the wide spread tourism development potential. In 2012 the North-East and South-East regions, with developed seaside tourism concentrate 46.2% of the accommodation establishments, 71% of the bed-capacity and of the nights spent, 85% of the nights spent by foreigners and 67.5% of the revenues from accommodation. (National Statistical Institute database) The South-East and North-East regions are leading in terms of occupancy rates of bed places in accommodation establishments (respectively 52.1% and 47.9%), while the rest of the regions report values of this indicator between 19.5% and 26.8%. (Eurostat database)

The territorial concentration is strongly expressed on lower (district and municipal) level and in the international compared to the domestic tourism. According to the database of the National Statistical Institute the first five most developed districts (namely the Black Sea districts of Varna, Burgas and Dobrich as well as Sofia – the capital city and Plovdiv) concentrate 74.9% of the beds and 78.9% of the nights spent (91.8% of the nights spent by foreigners) as well as 81.7% of the revenues from accommodation. Moreover, only the first five municipalities, namely the Black Sea municipalities of Varna, Nessebar, Balchik, and Sozopol, as well as the capital Sofia, concentrate 63% of the beds, 71% of the nights spent (87% of the nights spent by foreigners) and 79% of the revenues from accommodation.

Figure 5 Accommodation establishments in Bulgaria (number)

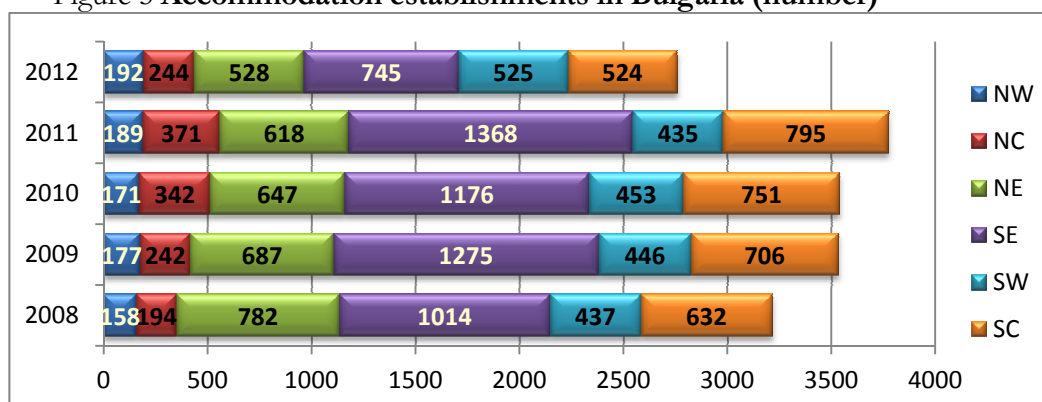


Figure 6 Bed places in accommodation establishments in Bulgaria (thousands)

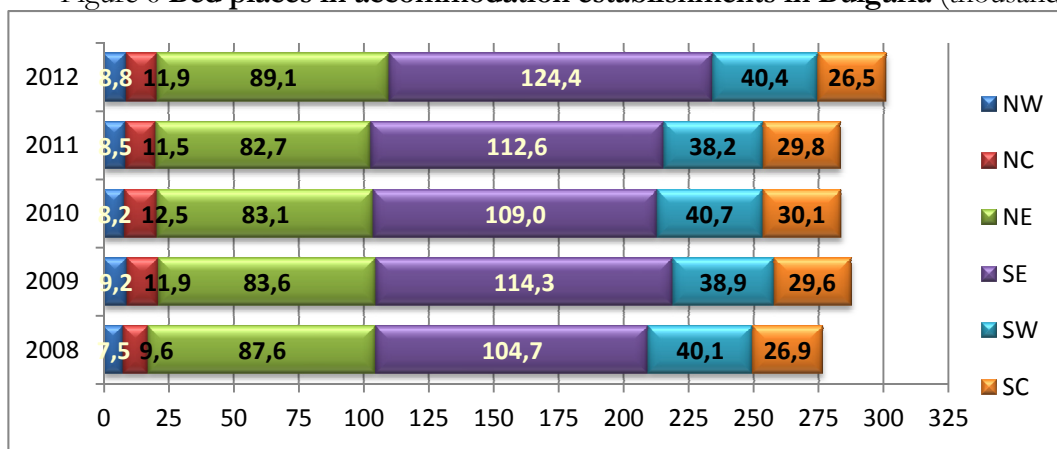


Figure 7 Nights spent in accommodation establishments (thousands)

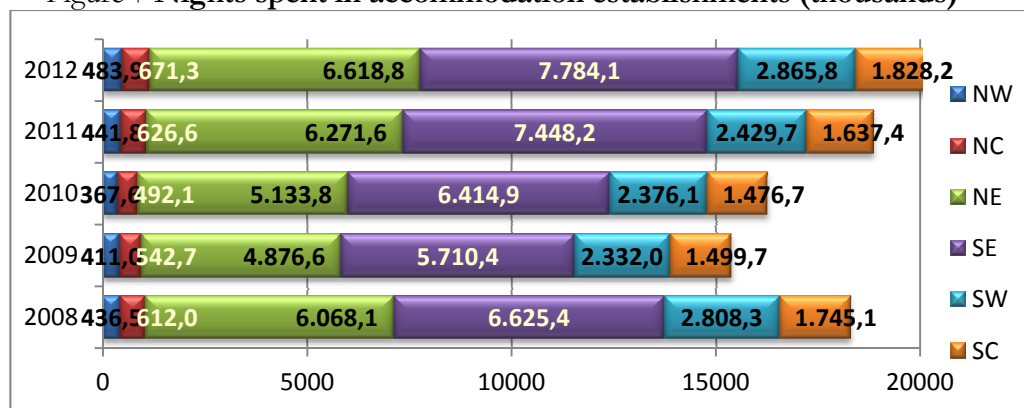
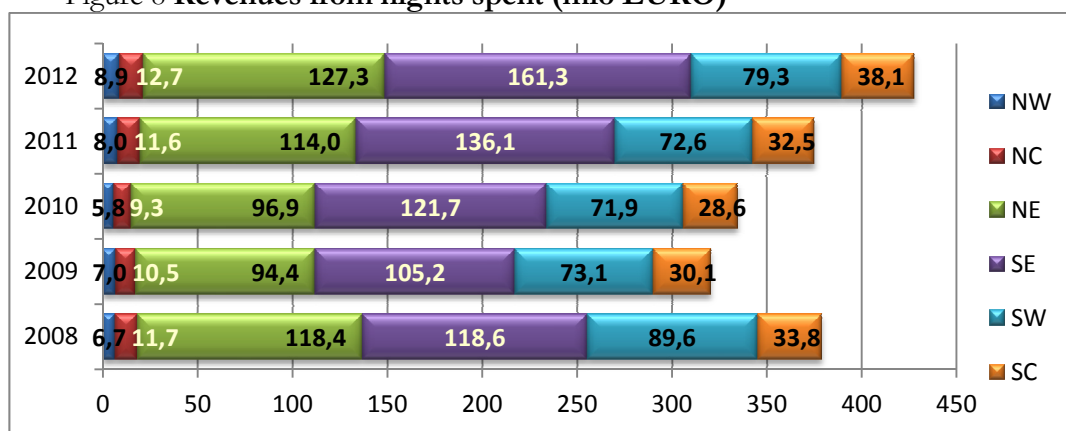


Figure 8 Revenues from nights spent (mio EURO)



Source: National Statistical Institute of the Republic of Bulgaria

Legend: NW – North-West Region; NC – North Central Region; NE – North-East Region;

SE – South-East Region; SW – South-West Region; SC – South Central Region;

Tourism in Bulgaria is dominated by seaside resorts in coastal municipalities, limited number of internationally recognized ski and spa resorts, and the biggest cities (the capital city Sofia and Plovdiv) with developed business and cultural tourism. They concentrate roughly 90% of tourism development. Only the 9 national resorts (namely the seven Black Sea resorts and two mountain ski resorts) are accounting for almost 60% of the total nights spent and revenues and 71% of nights spent by foreigners. Moreover, more than 70% of the beds and nights spent as well as 86% of international tourism fall on the municipalities on the Black Sea coast and only the first 3 of municipalities concentrate more than 55% of tourism development. The remaining part of the country has insignificant share in tourism development and the figures of the most performance indicators are much lower than in the already developed areas.

While investments in tourism are increasing significantly, especially in the period of economic growth (2006-2008), the new development is concentrated mainly in already developed resorts, areas and cities. The remaining parts of the country are developing tourism slowly and in some cases decline is recorded. As a result Bulgarian tourism remains highly concentrated in space leading to significant environmental and social pressure in already developed areas, including the “overbuilding” and growing demand for infrastructure (e.g. water supply, sewage, water treatment, electricity). At the same time the majority of Bulgarian regions have not managed to create quality regional tourist products. Basically, this situation has two main consequences: firstly, the opportunities for further growth in the traditional resorts and tourist areas (sea cost and ski resorts) have reached their limits and the growth trend from the last decade could not be sustained if the existing approach to development is followed and secondly, the significant potential of a great part of the country’s territory remains unused and its business and population is not able to enjoy the benefits of tourism.

Conclusion

In 1990s, during the transition period, Bulgarian economy has been deindustrialized. Compared with other sectors as heavy and light industry, mining and agriculture, the services have been the main engine of the economy during the last 15 years. Factor of great importance is tourism, which has a substantial contribution to the main economic indicators and is considered as essential development generator. In this sense, tourism is a stimulus for a number of areas in Bulgaria to achieve an economic revival, especially the regions, where heavy industries have been withdrawn, thus providing them with opportunities to reveal new development potential.

Tourism sector expansion has a positive influence on the development of related industrial and service sectors, employment and the general economic situation in the regions. At the same time tourism in Bulgaria is facing serious structural weaknesses, like one-sided product mix, dependence on limited number of markets, high seasonality, low performance indicators and an extreme territorial concentration limiting the wider spread of its benefits, while significant part of tourism potential remains unexploited. In spite of the fact that Bulgaria possesses the required development potential, the growth of tourist industry and its contribution to national and regional economy could not be sustained with the existing approach, which generates significant environmental, social and economic pressure. Serious interventions are needed in order to ensure sustainable tourism development, to diversify products and markets, to improve tourism performance indicators and to encourage its wider geographical spread.

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