

THE IMPORTANCE OF TOURISM IN THE DEVELOPMENT OF THE ECONOMY OF CROATIA

Flamur Miftari

State university UNIBIT, Bulgaria Sofia, Bulgaria, xflamurmiftarix@gmail.com

Abstract: Tourism represents the dominant economic activity of the Republic of Croatia, which in the previous period significantly determined both economic and social processes. The tourism development strategy of the Republic of Croatia until 2020 defined five main goals: increasing international competitiveness, improving the structure and quality of accommodation, new employment, realization of a new investment cycle and increasing tourist consumption. Although progress was visible in the previous period, the realization of the goals was largely absent. In the context of increasing the international competitiveness of Croatian tourism, it was planned to enter the 20 leading tourist destinations in the world, but Croatia ended 2019 in 27th place. Also, the strategy for the previous period predicted the direction of creating added value with the ambition of improving the structure and quality of accommodation. The planned increase in the share of accommodation in hotels from 13.1% in 2011 to 18.1% in 2020 (number of beds) was not realized, and family accommodation grew at higher rates, although a kind of step forward in quality was made (primarily through brownfield).

Keywords: GDP, Croatia, Sustainable Tourism Development Strategy until 2030

1. INTRODUCTION

The planned 20,000-22,000 new jobs in tourism and about 10,000 jobs in non-tourism activities induced by tourist activities were not achieved, primarily due to the strong impact of the pandemic in 2020. New investments in the amount of over 7 billion euros were successfully realized, which primarily achieved a step forward in improving quality. The goal of increasing tourism spending was to reach 14.3 billion euros in 2020, of which 12.5 billion euros related to foreign spending. In 2019, Croatia came close to the goal, i.e. it realized 10.5 billion euros in foreign consumption, and in 2020 it was reduced due to the pandemic year, which had a disastrous effect on the trends in tourism all over the world, including in Croatia. Among other things, the realization of the stated goal is directly related to the absence of a significant conversion of the accommodation structure towards a higher added value, that is, the impossibility of a significant increase in the realized income per night. In addition to the economic aspects, the analysis of Croatian tourism also looked at the environmental and social aspects of sustainability. The local population is aware of the potential that Croatia has and supports the further development of tourism, but at the same time emphasizes the necessity of responsible management and use of available resources. On average, the population believes that the effects generated by tourism are still mostly positive, with a noticeable difference in attitudes by region, where the residents of Adriatic Croatia have a stronger perception of the negative impacts of tourism. In addition to the above, it is important to emphasize that the population of all regions of Croatia strongly supports the further development of tourism and shows a high degree of interest in being involved in tourism development processes. The aforementioned positive attitudes related to tourism, as well as the high level of interest of the local population, indicate their readiness for active engagement and change, and as such represent a solid basis for the sustainable development of tourism in Croatia. Nevertheless, tourism stakeholders still do not sufficiently adopt the principles of environmentally friendly management, eco-certification and the general introduction of ecological management into their business.

2. QUANTITATIVE INDICATORS OF TOURISM DEVELOPMENT

Due to the exceptional importance of tourism for the Croatian economy, data on achieved tourism results should be analyzed with special attention. The analysis of quantitative tourist indicators in this chapter includes the analysis of financial indicators of tourist traffic, trends in the structure of accommodation capacities, analysis of the trends in the number of overnight stays and the number of arrivals (tourist traffic) and the structure of tourist demand. The effects of tourism on the country's economy depend, on the one hand, on the content and quality of direct tourist services, as well as on how much the rest of the country's economy is capable of providing products and services that are directly or indirectly part of the sphere of tourism consumption and investment. On the other hand, the share of tourism in the GDP of a given country also depends on the level of development of other economic activities in the country. It is in the interest of the national economy to strengthen tourism and its effects with the simultaneous development of other activities. In this context, the extremely high share of tourism in the gross domestic product also indicates the weakness of the overall economic system. Analyses show the positive impact of tourism on the prevention of emigration and long-term economic growth, as well as the attractiveness of locations where tourist

activity takes place as places for a good life. Tourism can be a generator of economic development and the creation of quality jobs, social development, contributes to the recognition and preservation of natural and cultural heritage, provides numerous socioeconomic benefits for the local population and promotes multiculturalism, social inclusion and territorial cohesion.

Tourism within the National Classification of Activities is not classified as a separate category, but rather a set of different activities, which significantly complicates the assessment of the significance of tourism for the entire economy. The share of tourism in Croatia's gross domestic product is growing year by year, which proves the extremely high dependence of the Croatian economy on tourism trends in the country, but at the same time it also shows the weaknesses of the overall economic system. According to the State Statistical Office of the Republic of Croatia in 2019, the share of the direct gross domestic product of tourism in the total gross domestic product is 11.8%. (State Statistical Office (2022)). Comparing with competing countries, data from the World Travel & Tourism Council (WTTC) was consulted, which applying a unique methodology published data for 2019 for 28 European countries, of which Croatia has the highest share of tourism in GDP (direct and indirect) of 25%.

They are followed by Greece with 20.3%, Portugal with 17.1%, Malta with 15.8%, Spain with 14.1%, Cyprus with 13.8%, Italy with 13.1%, Austria with 11.8% and other countries with lower estimated shares of tourism in GDP. According to the data of the Croatian National Bank, the total revenues from tourism in Croatia in 2009 amounted to EUR 7,115 million and grew to EUR 10,539 million in 2019, expressed in nominal prices.

It is important to compare the realized income with the realized number of overnight stays in the observed period in order to see if a higher number of overnight stays generates higher realized income. If the income per night expressed in real prices is observed, it can be seen that in the observed period (2009 - 2019) an average annual rate of decline of -0.82% is realized. If we compare the realized revenues per night expressed in nominal prices, then a slight average growth of 0.2% per year is recorded.

Although the goal of the national economy is to develop other economic branches in addition to tourism, it should be noted that in the current situation tourism is expected to further stimulate economic development through new investments, encouraging the development of small and medium-sized enterprises and crafts, with special emphasis on the expected contribution of tourism to sustainable and more even regional development. This is supported by the fact that in 2019, tourism had as much as 11.8% direct share in gross domestic product and as much as 19.5% direct and indirect contribution, with significant deviations in the development of regions. per inhabitant in Adriatic Croatia was 12,955 euros, while in Northern Croatia it was 10,774 euros, and in Pannonian Croatia 9,195 euros. Furthermore, a larger number of residents at risk of poverty and exclusion live in regions with less tourist traffic and lower economic intensity. The aforementioned affects uneven access to various contents intended for tourists, since their availability also improves the quality and living conditions of the local population. Croatian tourism is dominant in Adriatic Croatia, and in this context there have been no significant changes in the last ten years, and in 2009, 96% of overnight stays took place in Adriatic Croatia, and in 2019 this would amount to 94.5%.

Taking into account the resource basis, it is clear that the tourist traffic that is realized in the continental part of Croatia is extremely small, disproportionate to the real possibilities. In 2019, the last pre-pandemic year, Croatia recorded 19.5 million arrivals, resulting in 91.2 million overnight stays. The structure of tourists is traditionally dominated by foreign tourists, and in this respect there were no significant changes in the observed period of 2009-2019. Thus, foreign tourists accounted for 88.7% of arrivals in 2019, while the share of overnight stays was 92.2%. In the observed period, total tourist arrivals grew at an average annual rate of 5.9% (domestic tourists growing at 3.3%, and foreign tourists at 6.4%), while total overnight stays grew at an average annual rate of 4.9% (domestic 2%, foreign 5.2%). Although the share of domestic tourists in total arrivals and overnight stays is much lower compared to foreign tourists, domestic tourists also represent an important part of the tourist market. Namely, in 2019, around 1.8 million citizens of the Republic of Croatia went on trips either abroad or to the Republic of Croatia, which is not a negligible number. If the structure of foreign tourists is analyzed, it is evident that Germany, Slovenia, Austria, Italy and Poland were the most significant Croatian emission markets in 2019.

It is important to emphasize that the local population (92.7%) believes that meeting tourists from different countries is a valuable experience, which they have the opportunity to achieve precisely because of tourism, implying tolerance, openness and hospitality. The above is recognized and appreciated by our guests from the broadcast markets, who, when choosing a foreign holiday destination, place the hospitality of the local population very high on the scale of importance. A long-standing key characteristic of Croatian tourism is its distinct seasonality, the greatest compared to European Mediterranean countries, which is directly correlated with the main product of sun and sea, as well as the structure of accommodation capacities. In the main season (June - September) in 2009, 80% of overnight stays were realized, while in 2019, 84% of overnight stays were realized in the same period. Significant steps need to be taken to shift this curve in a more sustainable direction. It shows that during the peak of the season, the leisure concept prevails primarily related to longer stationary stays in destinations by the sea. In the off-season, the concept

of tours and shorter stays motivated by specific travel reasons (eng. city break, business reasons) is much more prevalent, which causes a slightly more favorable seasonal distribution of arrivals, compared to overnight stays. (Croatian Tourist Board (2020). If we look at smaller locations, after Zagreb, significantly less pronounced seasonality is also realized in Dubrovnik, Split and Opatija.

3. DOMESTIC AND FOREIGN TOURISTS

Domestic and foreign tourists achieve different indicators in terms of realized average overnight stays upon arrival, but on the other hand, they record the same trends in terms of the reduction in the number of overnight stays upon arrival. Such trends are also noted in the international market, where tourists travel more often and stay in the destination for a shorter time. Thus, domestic tourists spent 3.6 nights per arrival in 2009, and 3.2 in 2019. Foreign tourists stay longer, namely, they spent 5.4 nights per arrival in 2009, and 4.8 in 2019. Of course, this number varies by month of the year and in the observed period it can be seen that the most overnight stays upon arrival are realized in July and August primarily due to the use of products related to the sun and the sea, but also the overall richer tourist offer. For comparison, the average number of overnight stays by foreign tourists in Cyprus is 6.2, in Malta 5.2, and in Ireland 5 overnight stays per arrival of foreign tourists. In Greece, identical results are achieved as in Croatia, namely 4.8 overnight stays per arrival, followed by Spain with 4.4, Bulgaria with 4.3, Denmark with 4.2 and Italy with 3.4 overnight stays per arrival of foreign tourists. According to the results of the research conducted by the Institute for Tourism, TOMAS on the attitudes and consumption of tourists in Croatia in 2019, the average consumption of tourists per person and overnight stay in Croatia in 2019 was 98 euros, and its growth is recorded, although insufficient. About half of the expenditure, 54% to be exact, refers to the accommodation service, 17% to the food and beverage service outside the accommodation facility, and 29% to all other services.

The average daily expenditure according to the country of origin of the guests ranges from 67 euros, which is the average amount spent per day by guests from Bosnia and Herzegovina, to 206 euros, which is the amount spent by guests from Japan. According to the National Bureau of Statistics, in 2019 the structure of accommodation capacity in Croatia is as follows: resorts and similar facilities for short vacations (rooms, apartments, holiday homes, etc.) 66%, hotels and similar accommodation 13%, campsites and camping areas 20.4%, other accommodation 0.3%. In the previous period, there were no planned changes in the structure of accommodation facilities as planned in the previous strategy, moreover, the number and share of rooms, apartments and holiday homes grew. At the same time, this type of accommodation has a low occupancy rate of 27.6%, while the highest capacity occupancy is recorded by the hotels and similar accommodation category with 48.2%. The above implies a high seasonality of the tourist business, and in addition to the fact that there is a concentration of accommodation facilities in the area of Adriatic Croatia, where as much as 92.5% of the total accommodation facilities are located, the above also contributes to the high pressure on space, environment and infrastructure on the coast.

However, it should be emphasized that in the last decade, investments have been made in improving the quality of accommodation facilities, both hotels, campsites, rooms, apartments and holiday homes, as well as the construction of a significant number of new accommodation units that fall under the category of urbanization, i.e. the so-called apartment building.

Nautical tourism represents one of the most recognizable and best market-positioned tourism products in Croatia. An extremely attractive coast, good conditions for sailing and sailing during most of the year, good tourist infrastructure and a long tradition are some of the more important reasons for the development and attractiveness of this form of tourism. Ports of nautical tourism, as the main infrastructure for the development of this form of tourism in the period 2009-2019, recorded positive trends in terms of the increase in their number (from 98 in 2009 to 167 in 2019). (Croatian Tourist Board (2020), However, for the sake of a better understanding of this increase, it is important to note that the statistical monitoring of the number of ports has changed, and the only reason for this is the large increase in period 2018 - 2019. The number of berths increased from 16,848 in 2009 to 18,179 berths in 2019, which would mean that the number of berths grew at an average annual rate of 0.7%. In accordance with market requirements, the number of moorings for vessels longer than 12 meters is increasing. (State Statistical Office (2020), Considering the increasing development of nautical tourism, it is necessary to establish anchorage regulation in order to avoid and mitigate the negative impact on marine habitats, especially Posidonia settlements. In 2019, Croatia generated HRK 918 million in revenue from nautical tourism ports (without VAT). This income is generated from the rental of moorings, which accounts for 71% of total income, service services (7.5%) and other income (21.5%). The counties with the largest share in total revenues are: Šibenik-Knin County with 25.4%, Split-Dalmatia County with 22.5% and Zadar County with 19.9%.

In the last few years, river cruises have recorded positive trends in Europe as well as in Croatia. The beginnings of the development of this form of tourism occurred in 2004 on the Danube River and in 2009 on the Drava River. The most important and largest ports are located in Vukovar-Srijem County (Vukovar, Ilok) and in Osijek-Baranja

County (Batina, Aljmaš and Osijek). In addition to these ports, there are ports in Sisak and Slavonski Brod on the Sava River. However, due to navigability problems and the unorganized infrastructure of those two ports on the Sava River, they do not have significant visits by river cruise ships. Currently, international river cruises in Croatia take place for the most part on the Danube River, where on average 90% of the total number of landings are realized, while the remaining 10% of traffic takes place on the Drava River. (Croatian Chamber of Commerce (2021) Considering the available resources in the areas of Croatia along navigable rivers and the existing attraction basis, it is a promising segment for the revival of tourism on the continent.

4. CONCLUSION

Tourist investments are a key lever for maintaining competitiveness and reviving the preseason and postseason. For the purposes of developing the Sustainable Tourism Development Strategy until 2030, a detailed analysis of Croatia's tourism investment indicators was carried out, as well as a comparison with selected competing countries. The aforementioned analysis indicated the need to improve the investment monitoring model and methodology in order to efficiently monitor the realization of the set goals and make adequate strategic decisions. The World Bank Doing business ranking placed Croatia in 51st place out of a total of 190 places. Of the key issues, the 150th place in solving building permits, the 104th place in obtaining loans and the 114th place in starting a business were singled out. In addition to the above, research on the attitudes of key business stakeholders in the private sector in Croatia is also indicated, where the problem of the slowness and complexity of the reaction of the investment preparation system, the legal framework and implementation on the ground, and the reduction of the profitability of high-added-value accommodation have been identified. In particular, from the analysis of data on investments in the period from 2011 to 2019, it is necessary to point out: – slight increase in total investments (average growth rate of 2% per year); – significant growth of private investments since 2011 (14% per year) with a downward trend since 2017 (6% per year); – significant growth of private investments in 2017 as a result of the implementation of large investment cycles of tourist companies; – in case of application of WTTC quantification of investments until 2020, the goal set by the strategy was exceeded; - a significant lag in the level of investments compared to Mediterranean competitors was identified - from 2.5 times to 5 times lower level of investments per night compared to Greece and Spain. Realization of investments in the previous period lagged behind the strategic guidelines set by the Tourism Development Strategy of the Republic of Croatia 2014-2020, i.e. there was no tendency to significantly change the structure of accommodation towards hotel accommodation and higher added value and investment in tourist facilities that enable competition with other tourist products. With the aim of improving business conditions, in accordance with the policy and Program of the Government of the Republic of Croatia, five rounds of tax reform were carried out in the past mandate period, and the changes in tax regulations made it possible to relieve the economy and citizens in the amount of over HRK 10 billion. In order for the tax reform to be carried out systematically and comprehensively, analyzes are continuously carried out and the effects of proposals for tax changes, as well as proposals for expanding the application of the reduced VAT rate, are taken into account from all relevant aspects, while taking into account the tax relief planned by the Program of the Government of the Republic of Croatia for the 2020-2024 mandate, the dynamics of which will depend on the fiscal possibilities of the state budget.

REFERENCES

- State Statistical Office (2022). Satellite account of tourism for the Republic of Croatia in 2019, Release, number 12.1.7.
- Croatian Tourist Board (2020). Analysis of the seasonality of tourist traffic in the territory of the Republic of Croatia - 2020 edition
- Croatian Tourist Board (2020). Nautical tourism of Croatia: nautical charter - 2020 edition
- State Statistical Office (2020). Nautical tourism, Capacities and operations of nautical tourism ports in 2019
- Croatian Chamber of Commerce (2021). Association of River Tourism, <https://www.hgk.hr/zajednica-rijecnog-turizma> (24 June 2021)