

# The impact of tourism on the economic growth in BiH

## Uticaj turizma na ekonomski rast u BiH

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**Sažetak** - Turizam kao društveno-ekonomski fenomen reflektuje različite uticaje (ekonomske, društvene, političke i dr.) i u skladu sa tim ima važnu ulogu u ukupnom privrednom razvoju. Cilj ovog rada je izračunavanje doprinosa turizma ukupnom ekonomskom rastu u Bosni i Hercegovini (BiH) u periodu od 2006 – 2014 godine. Koristeći metodologiju koju su upotrebili Čerović et al. (2015) za izračunavanje stope rasta realnog GDP-a i doprinosa turizma ukupnom ekonomskom rastu u zemaljima iz okruženja (Srbija, Makedonija, Crna Gora), u ovom radu smo pokazali da turizam, u posmatranom periodu, ima skroman direktni doprinos ukupnom ekonomskom rastu u Bosni i Hercegovini.

**Gljučne riječi** – turizam, turistička potrošnja, ekonomski rast, GDP, BiH

**Abstract** – Tourism as socio-economic phenomenon reflects different influences (economic, social, political etc.), and in line with it, it has an important role in the overall economic growth. The aim of this paper is to determine the contribution of tourism in the overall economic growth in Bosnia and Herzegovina (BiH) during the period of years 2006-2014. Using the methodology which used Čerović et al. (2015) for calculating the rate of real GDP growth and the contribution of tourism towards overall economic growth in countries in the region (Serbia, Macedonia, and Montenegro), in this paper we demonstrated that tourism, in the observed period, had a modest direct contribution towards overall economic growth in Bosnia and Herzegovina.

**Keywords** – *Tourism; Tourist expenditure; Economic growth; GDP; BIH*

### I. INTRODUCTION

When assessing the effects of tourism in some country and its impact on the overall economic growth, it should be started from the quality of the disposable resources, the level of development of the material basis, expected trends in international tourism and readiness to provide an equal treatment for this activity within the rest of economic activities related to export. [1].

Tourism as socio economic phenomenon has very clear economic, political and cultural effects. In addition it causes other influences as well. Thanks to it, tourism can have a very

significant position in the overall global economic and social development. [2]

The development trend of tourism in the previous period was very favorable. [3] [4]. Even though it was exposed to unfavorable influences from the environment very often,, which are again caused by different economic and non-economic factors, tourism recovered more quickly than the world economy. [5]. Numerous authors consider tourism as a economic giant nowadays. [6] [7]. Economic effects from tourism are caused by the influence of tourist expenditure. Therefore, tourism lead to overflow of GDP from developed economies to developing economies. [8] [9]. In this paper, we will analyze results from tourism in BiH with the focus on the effects from tourism to overall economic growth during the observed period.

Before we start with the analysis, we will look back on tourist arrivals and overnights in BiH in the observed period.

Table 1. . *Tourist arrivals in BiH*

	Total	Domestic	Foreign
2005	274000	116000	158000
2006	294000	117000	177000
2007	347000	138000	209000
2008	355000	142000	213000
2009	333000	122000	211000
2010	407000	142000	265000
2011	436000	146000	290000
2012	496000	164000	332000
2013	577000	166000	411000

Source: Institute for statistics of FB&H

Based on the data presented in the previous table, we can conclude that the number of tourists in BiH continuously increased over the time. It is notable that the number of

foreign tourists increased dramatically (over 100% for 8 years) while the number of domestic tourists increased by 2-4% yearly.

Data about overnights which were realized by domestic and foreign tourists in BiH are shown in the table below.

Table 2. *Tourist overnights in BiH*

	Total	Domestic	Foreign
2005	596000	245000	351000
2006	661000	244000	417000
2007	751000	273000	478000
2008	744000	275000	469000
2009	684000	231000	453000
2010	819000	262000	557000
2011	870000	270000	600000
2012	998000	320000	678000
2013	1135000	309000	826000

Source: Institute for statistics of FB&H

The results show that the number of overnights increased during the observed period (except for the 2008. and 2009.).

In the overall structure of overnights, foreign tourists dominate with double the amount of overnights achieved by domestic arrivals. (in 2013. Foreign overnights represent 73% of total overnights). It all resulted with incomes achieved on the basis of services provided. The results are presented below.

Table 3. Income of tourism 2005 – 2013.

Years	Income of tourism in €
2005	3842527
2006	3842762
2007	3842562
2008	3842265
2009	3842566
2010	3843126
2011	3839737
2012	3839737
2013	3831555

Source: Institute for statistics of FB&H

The data about tourism income in BiH in the observed period show that from 2010. income declined which could be worrying since the number of international tourists and the number of overnights have risen.

It is recommended that the cause for this mismatch should be the subject of further analysis.

## METHODS

For calculating the contribution of tourism to the overall economic growth, we used a modified methodology which used Čerović et. al (2015), where, for the calculation of the real GDP growth per capita ( $g_r$ ) at constant prices, they used the preceding formula[9]:

$$g_r = \left( \frac{\frac{\sum_t Y_r^T(p_0)}{N_r} - \frac{\sum_t Y_{r-1}^T(p_0)}{N_{r-1}}}{\frac{Y_{r-1}(p_0)}{N_{r-1}}} \right)$$

Fig. 1. Formula

Where  $\frac{\sum_t Y_r^T(p_0)}{N_r}$  represents total GDP in given period  $r$  in prices  $p_0$  (constant prices) and where  $N_r$  is the number of inhabitants also in period  $r$ . Furthermore, separating total GDP to GDP that creates tourism and the rest of the economy:

$$g_r = \left( \frac{\frac{Y_r^T(p_0)}{N_r} - \frac{Y_{r-1}^T(p_0)}{N_{r-1}}}{\frac{Y_{r-1}(p_0)}{N_{r-1}}} + \frac{\frac{\sum_{t \neq T} Y_r^T(p_0)}{N_r} - \frac{\sum_{t \neq T} Y_{r-1}^T(p_0)}{N_{r-1}}}{\frac{Y_{r-1}(p_0)}{N_{r-1}}} \right)$$

Fig. 2. Formula

At the end we got the formula by which is calculated the direct contribution of tourist industry to the economic growth in period  $r$ .

$$g_r^T = \left( \frac{\frac{Y_r^T(p_0)}{N_r} - \frac{Y_{r-1}^T(p_0)}{N_{r-1}}}{\frac{Y_{r-1}(p_0)}{N_{r-1}}} \right)$$

Fig. 3. Formula

From the formula presented just above, we see that  $g_r^T$  represents the path to calculate the contribution of tourism to the overall economic growth which is calculated through the real GDP rate by formulas already presented above.

## II. RESULTS

Observing the available data from official institutions (Institute for statistics of FB&H) and with methodology which we presented in this paper, we came to the results which are presented in the table below.

Table 3. Contribution of tourism to economic growth

	2006	2007	2008	2009
Growth of GDP per capita	14,10%	12,77%	13,24%	-2,72%
Contribution of tourism to GDP growth	0,21%	0,20%	0,13%	-0,04%
	2010	2011	2012	2013
Growth of GDP per capita	2,34%	3,68%	-0,15%	2,35%
Contribution of tourism to GDP growth	0,14%	0,00%	0,03%	0,02%

With obtained results, we can conclude that the contribution of tourism to the overall economic growth (measured with methodology presented previously) is very low but still, very significant. Excluding the year 2009. the contribution of tourism was very positive in the observed period.

We underline that in this analysis we measured only direct contribution of tourism. If we, however, decide to include indirect and multiplied effects of tourism to the economy of BiH, the contribution would be much more significant.

### III. CONCLUSION

Despite the fact that tourism represents an activity which has very expressed economic, political, cultural and other effects and influences, based on the results obtained in this research we can conclude that the direct contribution of tourism to the overall economic growth in BiH is still very low.

The extent to which will tourism affect economic growth is closely correlated with the diversity and the quality of tourist supply. Of course we have to emphasize that there is a positive

trend ongoing, regarding the number of international arrivals. In line with it, we argue that it is necessary to harmonize the tourist supply with international trends and standards on the market, in order to feel the increase in international arrivals in economic terms.

The trend of increase in international arrivals can be positively evaluated from the aspect of the integration process of BiH into EU. (This increase can correlate closely with the integration process, since the country can present itself better to foreigners and thus influence their opinion towards the country they are visiting, moreover countries are becoming more open and the legislations are changing as well) For further analysis, we see a possibility of comparisons of BiH with countries from the region that are also in the same process of EU integration

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