

Greek tourism sector: recent trends, outlook and challenges

This report presents a brief overview of the Greek tourism sector. To this end it assesses its performance in 2014 and the first three months of 2015, discusses the sector's importance to the Greek economy based on its total contribution to GDP and employment and presents the sector's competitive position, on the basis of a number of criteria that affect global competitiveness. The key findings of the report regarding the Greek tourism sector are:

- Strong 2014 performance
- Good start in Q1 2015 mixed with worrying signs at the beginning of Q2
- Significant contribution to the economy in 2014
- Good competitive position but action is needed to maintain it

Greek tourism sector performance in Q1 2015

Balance of travel services

Provisional balance of payments data for the first quarter of this year show a 22.7% YoY increase in the travel services' surplus to ca €70mn (Table 1). This development is attributed to a rise in travel receipts by 12.8% YoY (or €60.2mn), which more than offset a concomitant increase (by €47.4mn) in travel payments. Increased arrivals by 45.6% contributed to higher travel receipts, offsetting the impact of the decline in the average expenditure per journey by 22.2% YoY, to €300 per journey from €386 per journey in the same period in 2014.

Table 1

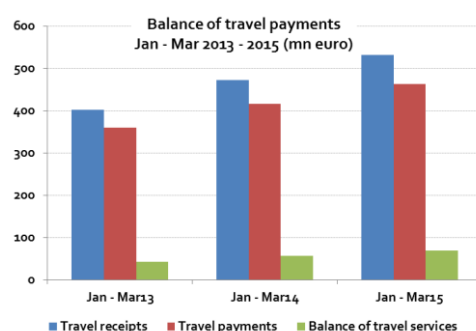
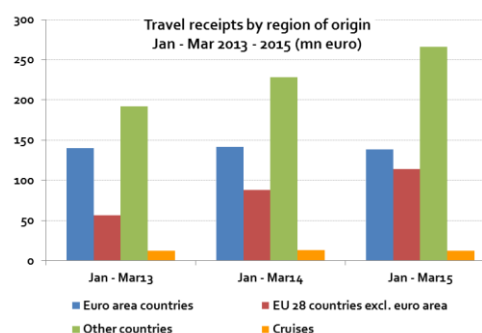


Table 2



In January – March 2015 travel receipts reached €531.6mn increased by 12.8% YoY. Receipts from EU28 countries excl. euro area rose by almost 30% contributing the most to the total increase, while receipts from countries outside the EU rose by 16.7%. On the other side, receipts from Euro area countries and cruises fell by 2.4% and 4.9% respectively (Table 2). It is worth noting that receipts from Russia recorded the steepest drop, namely c.73%, a development that appears to be primarily attributed to the devaluation of the ruble against the euro.

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Inbound travelers

In January – March 2015, inbound travelers amounted to 1.7mn, recording an increase of 45.6% compared to the same period in 2014. This development is mainly due to an increase in visitors from EU28 countries (+70.6%). More specifically, visitors from Euro area countries rose by 29.7%, whereas visitors from EU28 countries excl. euro area rose by 105.7% (Table 3). On the contrary, visitors from Russia declined by almost 70% in sharp contrast to the same period in 2014, when they had increased by 100% YoY. Negative developments have also been recorded in the competitive market of Spain where visitors from Russia declined by 17.4% in January, by 23.7% in February and by 33.9% in March 2015 (Source: Frontur, Movimientos Turisticos en Fronteras). With regard to Greece's other major tourist markets, visitors from France have increased by 94.2%, visitors from Germany by 35.9%, visitors from the UK by 37.7% and visitors from the USA by 49.7% (Table 4). Nonetheless, it should be noted that based on some recent press reports a slow-down in arrivals from Germany has been recorded in recent weeks and, given that Germany is Greece's most important market with a share of 10.1% in total inbound travelers, if this slow-down persists, this year's increase in arrivals may not be as high as initially expected. In addition, provisional data regarding international tourist arrivals at the main Greek airports in April 2015 show a decrease in a number of regional airports that in some cases is considerable, namely in Aktio (-50%), Mykonos (-31.1%) Kos (-26.9%), Kefalonia (-22.1%) and Kavala (-12.7%).

Table 3

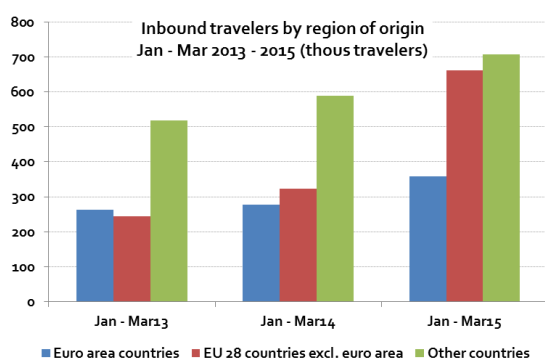
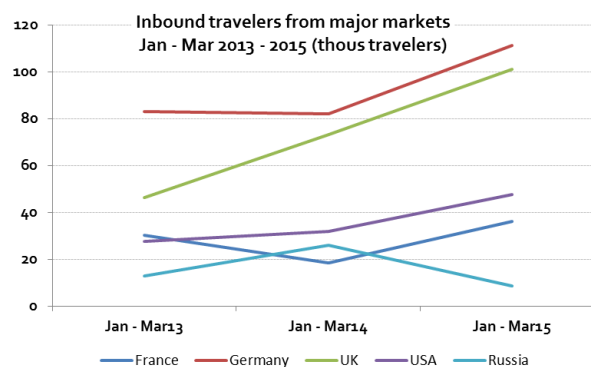


Table 4

**Performance of the tourism sector in 2014 and its contribution to the Greek economy***Balance of travel services*

The surplus of the balance of travel services in 2014 reached €11,317mn, up from €10,310mn in 2013, an increase of 9.7% (Table 5). This development is due mainly to an increase in travel receipts by €1.241mn (+10,2%), which was caused by an increase in non-residents' arrivals by c.21% and not by the average expenditure per journey, which, in fact, decreased by 8,7% amounting to €552 per journey.

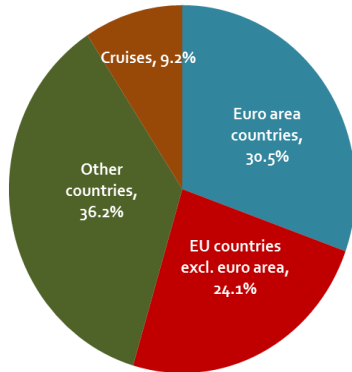
Inbound travelers

Total travelers to Greece in 2014 increased by 20.7% compared to 2013, reaching 24.3mn. Travelers from euro area countries accounted for 30.5% of the total, increased by 16.6% compared to 2013, whereas travelers from EU countries excl. euro area accounted for 24.1% of the total, increased by 40% YoY. Travelers from countries outside the EU accounted for 36.2% of the total, increased by 18.8% YoY. Cruise travelers rose slightly (2.1%) in 2014, accounting for 9.2% of the total (Tables 6 and 7). Finally, based on provisional data from Greece's main airports¹, international tourist arrivals for the period Jan-Apr 2015 reached 1.5mn increased by 15% compared to the same period in 2013.

¹ Athens, Thessaloniki, Rhodes, Kos, Heraklion, Chania, Corfu, Zakynthos, Kefalonia, Aktio, Mykonos, Santorini, Araxos, Kalamata, Samos, Skiathos, Kavala, Karpathos, Mitilini

Table 7

Share of inbound travelers by region of origin in 2014



Expenditure per journey

Expenditure per journey declined from €604 in 2013 to €552 in 2014. This downward trend has persisted since 2008 when expenditure per journey was €730. More specifically, expenditure per journey by region of origin decreased by 4% from Euro area countries, by 13.6% from EU countries excluding euro area, by 11.5% from countries outside the EU and by 8.7% from cruises (Table 8).

Duration per journey

The average duration per journey was 7.7 overnights in 2014, decreased by 5% compared to 2013, while expenditure per overnight stay dropped by 4% in 2014 from €75 to €72 (Tables 8 and 9). This negative development is attributed to the significant rise in arrivals from countries outside the Eurozone, which have a shorter average duration per journey and expenditure per overnight stay. The average duration per journey has been decreasing at least since 2005 when the earliest such data are available. In total, however, the number of overnight stays increased by 14.7% in 2014, amounting to 187mn overnight stays.

Table 8

Non-residents' expenditure per journey by region of origin, 2005 - 2014 (euro)

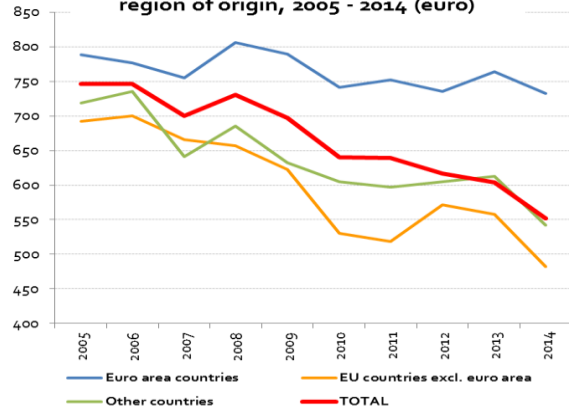


Table 8

Non-residents' average duration of stay by region of origin (in number of overnight stays)

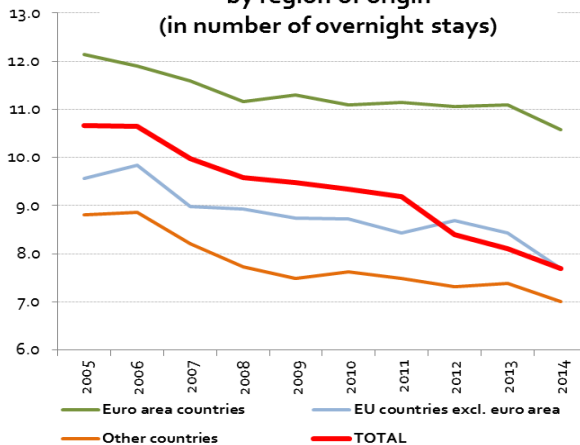
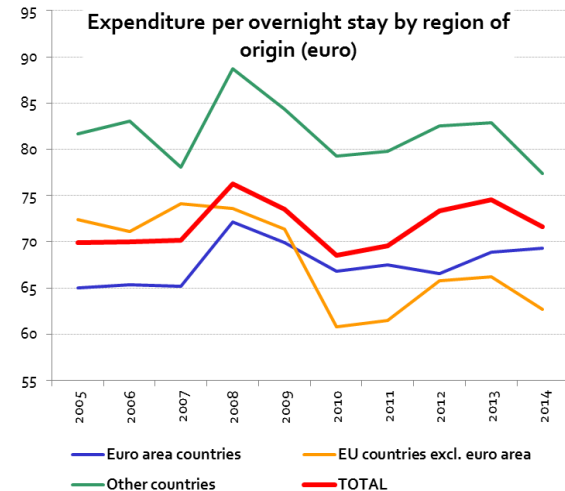


Table 9

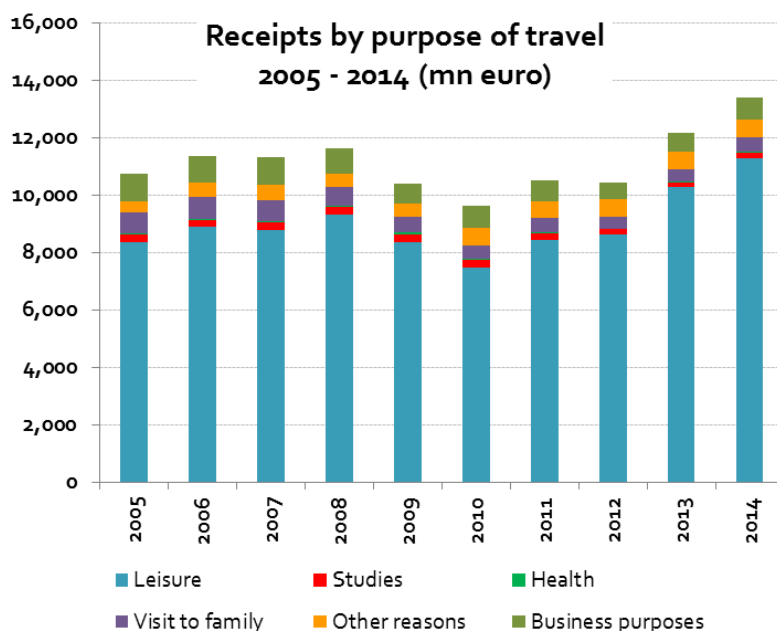
Expenditure per overnight stay by region of origin (euro)



Travel receipts

In 2014, travel receipts reached €13,393mn, increased by 10.2% YoY, which is primarily due to an increase in receipts from EU28 countries that amounted to €8,243mn, increased by 15% and accounting for 62% of total receipts. Receipts from travel for leisure purposes had by far the largest share in total receipts, namely 84.3% in 2014, amounting to €11,290.1mn increased by 10.1% in comparison to 2013. Receipts pertaining to travel for health reasons and for visiting family increased by 45.6% and 25.1% respectively, accounting, however, for only 0.2% and 3.8% of total receipts respectively. Receipts from travel for studies declined by 5.1% amounting to almost €181mn, whereas receipts from travel for other reasons amounted to €604mn declined by 5.8%. Finally, receipts from travel for business purposes rose by 22.4% amounting to €776mn and accounting for 5.8% of the total (Table 10).

Table 10



Contribution to the economy

According to data released by SETE (Association of Greek Tourism Enterprises) in February 2015, it is estimated that the *direct* contribution of tourism to the Greek economy in 2014 amounted to around 9% of GDP. Taking into consideration the *indirect* effects of tourism, its total contribution is estimated between €34bn and €45bn, i.e. between 18% and 25% of GDP, which renders tourism an important pillar of the Greek economy². Tourism is a significant source of income for Greece that contributes significantly to the balance of payments. In 2014, travel receipts amounted to 43% of total services' receipts and 57% of total goods' exports. With regard to employment, the World Travel & Tourism Council estimates that in 2013 travel and tourism in Greece directly supported 319,500 jobs (8.9% of total employment), which is expected to rise by 2.6% in 2014 and by 1.7% per annum to 389,000 jobs in 2024 (9.8% of total employment). In addition, in 2013 the total contribution of travel and tourism to employment (direct and indirect jobs), was 18.2% of total employment (657,000 jobs). This figure is expected to rise by 2.7% in 2014 to 675,000 jobs and by 2.3% per annum to 846,000 jobs in 2024 (21.4% of total).

² Based on studies conducted by IOBE (2012) and KEPE (2014).

Competitive position

With regard to Greece's performance vis-a-vis that of its competitors, according to the "Travel & Tourism Competitiveness Report 2015" published bi-annually by the World Economic Forum, Greece ranked 31st out of 141 countries, marginally better from 32nd in 2013. Based on this report, Greece fares better than some of its competitors but lags well behind others, who did significantly better in 2015, having improved their ranking considerably compared to 2013. In particular, in 2015 Spain ranked 1st (from 4th in 2013), Italy ranked 8th (from 26th in 2013) and Portugal ranked 15th (from 20th in 2013). Table 11 shows Greece's ranking and changes thereof since 2011 compared to those of its competitors.

Table 11

Travel & Tourism Competitiveness Report			
Country	Ranking 2015	Ranking 2013	Ranking 2011
Spain	1	4	8
Italy	8	26	27
Portugal	15	20	18
Greece	31	32	29
Croatia	33	35	34
Cyprus	36	29	24
Turkey	44	46	50
Egypt	83	85	75

Source: World Economic Forum, The Travel & Tourism Competitiveness Report 2015

Each country's ranking is the result of a combination of sub-indices that show how well each country performs in a number of areas that define a destination's tourism attractiveness. Tables 12a & 12b summarize how Greece fares vis-a-vis its main competitors in these areas³.

Table 12a

Country	Total Ranking	Ranking in areas that define Travel & Tourism competitiveness					
		Business Environment	Safety & Security	Health & Hygiene	Human Resources & Labour Market	ICT Readiness	Prioritization of Travel & Tourism
Spain	1	100	31	33	34	31	6
Italy	8	127	48	20	75	35	65
Portugal	15	58	10	35	18	40	18
Greece	31	104	57	9	45	49	24
Croatia	33	125	28	18	80	38	74
Cyprus	36	43	27	51	20	50	3
Turkey	44	59	121	63	88	68	83
Egypt	83	95	136	64	103	80	69

Source: World Economic Forum, The Travel & Tourism Competitiveness Report 2015

³ Based on the WTTC "Travel & Tourism Competitiveness Report 2015".

Table 12b

Country	Ranking in areas that define Travel & Tourism competitiveness							
	International Openness	Price Competitiveness	Environmental Sustainability	Air Transport Infrastructure	Ground & Port Infrastructure	Tourist Service Infrastructure	Natural Resources	Cultural Resources & Business Travel
Spain	41	105	29	12	10	4	14	1
Italy	24	133	47	26	32	3	13	3
Portugal	14	104	36	34	34	10	36	17
Greece	25	113	61	27	51	12	46	32
Croatia	19	101	42	53	44	6	33	36
Cyprus	48	111	83	46	23	2	84	56
Turkey	61	94	95	16	54	38	73	16
Egypt	115	2	77	63	103	89	100	41

Source: World Economic Forum, The Travel & Tourism Competitiveness Report 2015

The business environment in Greece remains unfavourable with an inefficient legal framework, unstable taxation, low competition and obstacles in the issuance of construction permits. The perceived safety & security of the country, a critical determinant of a destination's attractiveness, has suffered due to heightened economic uncertainty and increased social tensions that have been at times exaggerated by foreign media. However, some improvement has been recorded in this area compared to 2013. Greece's ground and port infrastructure lags significantly behind that of most of its competitors, which is a worrying finding given that Greece relies heavily on the "Sun & Beach" model and aims to develop nautical tourism. In spite of its rich and unique cultural resources, Greece fares relatively low compared to some of its major competitors in this area. This does not reflect a shortage in cultural attractions per se but rather a weakness in promoting them and making them easily accessible. Finally, environmental sustainability, an increasingly important element of tourism attractiveness, has been overlooked in Greece contrary to most of its competitors.

On the other side, Greece is relatively strong in air transport infrastructure, health and hygiene conditions, prioritization of travel and tourism and international openness.

Another critical element with regard to competitiveness is VAT on accommodation and restaurants. The current VAT rate in Greece is 6.5% for accommodation and 13% for restaurants. Table 13 presents the VAT rates for accommodation and restaurants in Greece and its EU main competitors.

Table 13

	Greece	Spain	Croatia	Italy	Cyprus	Portugal
Hotel Accommodation	6.5	10	13	10	9	6
Restaurants	13	10	13	10	9	23

Source: European Commission, VAT Rates Applied in the Member States of the European Union, Situation at 1st January 2015

The VAT rate has recently come into the forefront of public discussions as Greece's official creditors have reportedly requested that this rate be increased in order to contribute to public revenues. These requests have been met with strong resistance both by the Greek government and tourism professional associations who claim that such an increase would seriously undermine the country's tourism competitiveness. According to a number of press reports the Greek side has proposed an 11% VAT rate for both restaurants and accommodation effective immediately, but, at the time of writing nothing has been finalised since the negotiations between Greece and its creditors are in progress.

Conclusion

The performance of the Greek tourism sector has been particularly strong in 2014 and has had a good start in 2015 in spite of heightened uncertainty with regard to the outcome of Greece's negotiations with its official creditors. However, recent provisional data point to a decrease in international arrivals in some regional airports in April 2015 - a worrying sign in view of the peak season which is now commencing. Tourism is extremely important to the Greek economy especially given the weak performance of most other economic sectors in the past few years. Greece's tourism competitive position remains satisfactory but action must be taken so that it doesn't deteriorate as a result of dwindling resources, under-investment and prolonged economic uncertainty.

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