

## **O 45. CORONAVIRUS IMPACT ON THE TOURIST SECTOR IN ALBANIA**

Klodian Muço<sup>1</sup>, Flora Merko<sup>2</sup>

<sup>1</sup>*Catholic University “Our Lady of Good Council” Research Centre on Economics of Transition Countries,*

<sup>2</sup>*Aleksander Moisiu University, Business Faculty*

*E-mail: k.muco@unizkm.al, floramerko@uamd.edu.al*

**ABSTRACT:** Tourism is one of the most important sectors of the economy. According to a study conducted by the World Travel & Tourism Council (2019) in 185 countries around the world, tourism represented 10.4% of global GDP; 10% of employment, 6.5% of global exports and contributed 3.9% of global growth in 2018. Tourism is also a priority for the Albanian economy, overall contribution of tourism to the country's economy for 2019 is estimated at around 14.3% of GDP. Employees in this sector for 2019 reached about 100 thousand, with an increase of 26% in the third quarter compared to the second quarter. According to some INSTAT projections (2018), in 2025 employees in this sector will reach 220 thousand or about 20.4% of total employment, with an average increase of 2% per year. However, with the spread of Covid19 in the country, the tourism industry will have a resizing, the negative impact on this sector will be high. UNWTO estimates that tourism could decrease by 20-30% by 2020, which in monetary terms is a loss of \$ 300 billion to \$ 450 billion. This decline in this sector is higher than in 2003 caused by the SARS virus or in 2009 by the global economic and financial crisis. Our goal in this document, based on the above facts, is to study the impact that Covid19 has on Albanian tourism sector. In order to carry out the study in question, we will analyze the tourism sector in Albania and the complementary activities related to it. As a methodology for conducting the study will use descriptive statistics and statistical projections. The results expected from this study suggest that also in Albania the 2 main sectors this pandemic will damage the most are: tourism and transport. This decline will be only in the short term as a positive upward trend is expected by the third quarter and on. This study will be organized as follows: a brief introduction; a paragraph on the review of literature and various opinions on tourism, a synthetic methodology, a statistical analysis, closing and some final conclusions.

**Keywords:** *Tourism, Economics Growth, COVID-19, Albania*

### **1. INTRODUCTION**

We are in a sanitary emergency, where the objective of many countries is to protect the system so that the level of infection does not get out of control as it turned out in Northern Italy, the UK or Spain.

Apparently, in the early days, it seemed that this sanitary crisis would be exogenous to economic functioning. The strategy implemented to protect the economy, that of lockdown, led to a significant slowdown in economic activities. This strategy, instead of producing antibodies, caused the current system to spread the instability virus with devastating effects on the countries' economies where Albania is expected to be among the most affected ones, with the largest economic decline (-10%) since the beginning of the economic transition in the 1990s.

The most affected sector by this crisis in Albania, as in any other country in the world, will be the tourism sector, which has a significant direct impact on the domestic economy and the behavior of foreign currency. Tourism is also considered a re-balancing factor thanks to its growth and the indirect impact it has on many sectors of production and to the multiplier effect it generates in income and employment (Busetta and Ruozzi, 2006).

While worldwide tourism for 2020 was expected to increase significantly, wherein Albania it was expected that the comprehensive contribution of tourism to the country's economy would reach over 15% of GDP in 2020, COVID-19 severely damaged this sector.

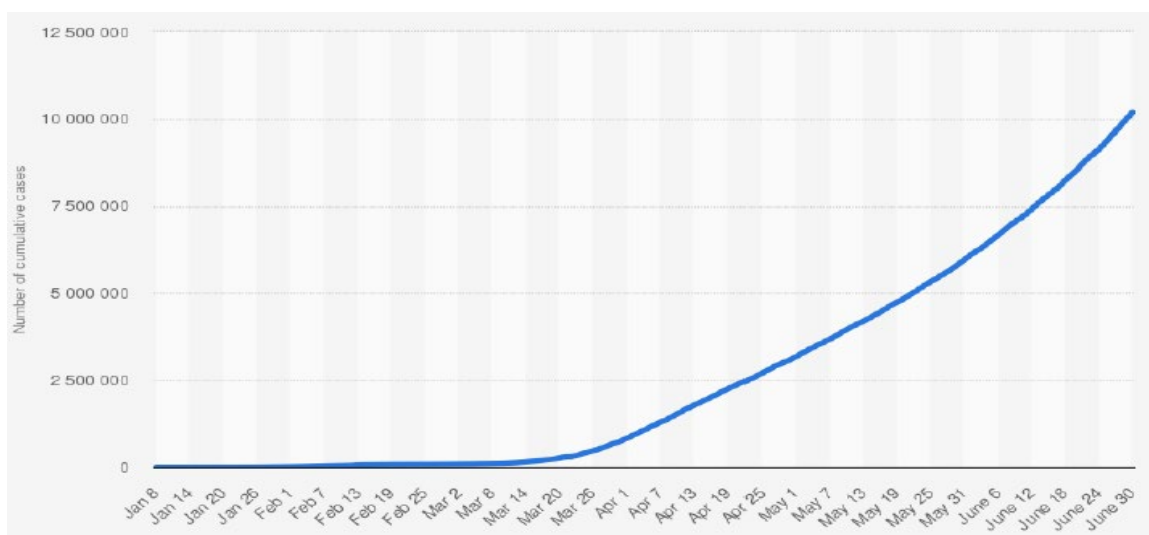
Worldwide, according to some preliminary estimates, global airlines may lose more than 110 billion \$ in sales (Riley, 2020) due to the suspension of human movements. Large losses will also have accommodation or transport structures (Strielkowski, 2020).

Based on the above facts, our objective in this paper is to study the impact that COVID-19 has on the Albanian tourism sector. To carry out the study in question, we will analyze the tourism sector in Albania and the complementary activities related to it. As a methodology for conducting the study, we will use descriptive statistics and statistical projections.

The expected results from this study suggest that even in Albania the two main sectors that this pandemic will harm mostly are tourism and transport. This decline will be only in the short term as by the end of the third quarter it will be a completely different reality. Tourism like any other sector of the economy will start to have positive growth. The organization of the study will be as follows: after this brief introduction, there will be a paragraph on the review of the literature and various opinions on tourism, followed by a synthetic methodology to continue with statistical analysis, closing with some conclusions.

## 2. THE IMPACT OF CORONAVIRUS ON THE ECONOMY

In December 2019, when the Albanian Ministry of Finance and Economy presented the draft budget, Albania's economic growth for 2020 was expected to be 4.1%, while public debt would reach 62.2% of GDP<sup>1</sup>. With the spread of the COVID-19 pandemic in Italy, it was noticed that economic growth could change, as lockdown in Italy would affect disrupt global value chains, and would be created delays in the purchase of machinery and raw materials from China. However, although the number of those affected in the world was increasing day by day, as can be seen from graphs 1 and 2, Albania seemed a safe place with sporadic cases of infections.



**Figure 1.** Number of cumulative cases of coronavirus (COVID-19) worldwide from Januar 8 to June 30, 2020 by day. Source: Statista, 2020

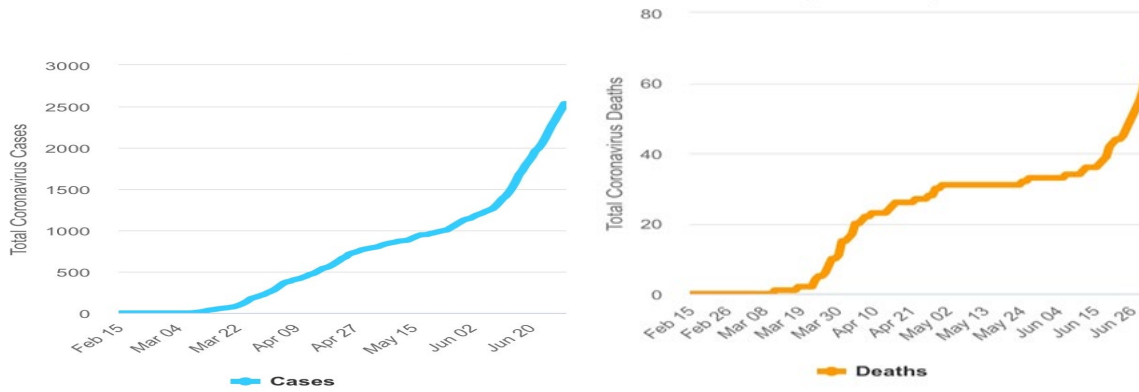
While the International Labor Organization issued the first forecasts for the closure of jobs globally, which could be higher than those caused by the financial crisis of 2007-2009<sup>2</sup>, in Albania again there was no talk of recession but lower economic growth. While over 60,000 employees left the system and will probably reach 200,000 by September, according to ILO, 50% of the economy was shut down, generating a monthly cost of 650 million \$, and the first predictions were that the economy would fell by at least 1.5 billion \$ if no measures were taken to curb this economic crisis<sup>3</sup>. According to the IMF, the global economic decline is expected to fall from 3.5%, while that of Albania to 9.5%<sup>4</sup>. Albania's public debt is expected to reach 74% from 64% in 2019.

<sup>1</sup><http://financa.gov.al/ministrja-denaj-projektbuxheti-2020-mbeshtet-reformat-per-rritje-ekonomike-te-qendrueshme-dhe-sektoret-prioritare/>

<sup>2</sup>ILO Monitor: COVID-19 and the world of work. Second edition Updated estimates and analysis, 07/04/2020; ILO Monitor: COVID-19 and the world of work. Fourth edition Updated estimates and analysis, 27/05/2020

<sup>3</sup>Muco, K., The economic costs of coronavirus and some measures that can be taken, 16/03/2020 <http://www.Panorama.com.al/848667-2/>; Muço, K., Coronavirus kneels economy, thousands of jobs will be closed in June, 14/04/2020, <http://gazetashqiptare.al/2020/04/14/koronavirusi-gjunjezon-ekonomine-eksperti-klodian-muco-skenari-mundshem-mijera-te-papune-ne-qershor/>

<sup>4</sup>IMF, World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery June 24, 2020



**Figure 2.** Total cases and total deaths in Albania Source: Statista, 2020

In addition to the direct costs, this crisis caused by the COVID-19 pandemic will also have indirect costs such as: Mental Disorders; Pessimism; Panic and Depression, consumption reduction for some products and future behavior. To curb the costs of economic downturn and the economy as a whole, according to the IMF, various countries had to finance the economy by at least 9.5%<sup>5</sup>, and Albania, like many Balkan countries, spent much less. This is probably one of the reasons why the negative effects on the economy will be so high. Unemployment may rise again and labour market conditions may further deteriorate given that a notable share of the workforce live abroad (around 30% of the population)<sup>6</sup>. According to the latest World Bank report, the country's poverty rate could increase by 40% if the baseline scenario is taken into account. In the worst-case scenario, however, this rate could go up to 44 %<sup>7</sup>.

**Table 1.** Budget support measures adopted by Western Balkan Countries

Country	Total	Percent of GDP
Albania	0.4	2.4
B & H	0.4	2.3
Kosovo	0.2	2.8
Montenegro	0.05	1
North Macedonia	0.2	2
Serbia	3.2	6.7

Source: Ministry of Finance, World Bank staff calculations, (Note: the estimates include budget support in 2020 but not guarantees, announced until April 22.

### 3. THE IMPACT OF COVID-19 ON TOURISM

The tourism industry has seen steady growth in recent years. In 2019, the number of tourists increased to 1.5 billion, an increase of 0.5 billion in only the last 8 years (UNWTO, 2020). Expectations were that this number would continue to rise throughout 2020, but after the spread of the COVID-19, the tourism industry is going through a severe crisis that is provoking the decline of the stock market in all sectors. The tourism industry is among the most affected (Ashikul et al., 2020). Hotels, airlines, or cruise ships have already stopped in most parts of the world.

Human history has been filled with infectious diseases that have caused millions of deaths, ranging from the Black Plague to Sleeping Disease or the Spanish Flu (Strielkowski, 2020). Only by the last

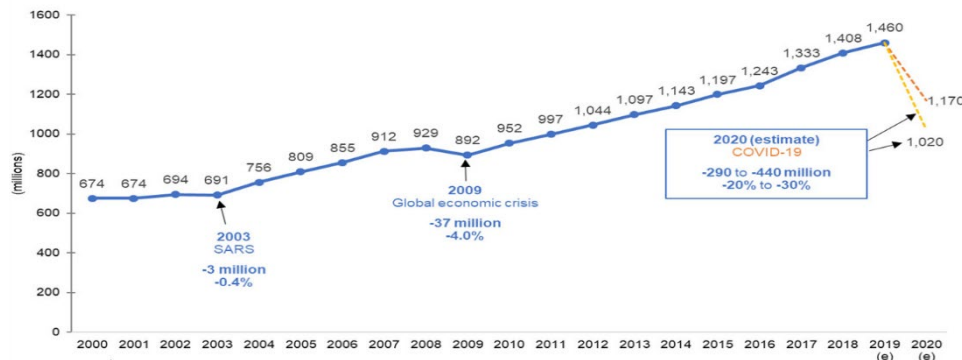
<sup>5</sup>Muço, K., Coronavirus kneels the economy, thousands of jobs will be closed in June, 14/04/2020, <http://gazetashqiptare.al/2020/04/14/koronavirusi-gjunjezon-ekonomine-eksperti-klodian-muco-skenari-mundshem-mijera-te-papune-ne-qershor/>

<sup>6</sup>OECD, the Covid crisis in Albania, 29 June 2020, <https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Albania.pdf>, p-6.

<sup>7</sup>World bank, projected poverty impacts of Covid-19, 7 June, 2020.

one, in four months died about 21 million people, with the same number of victims caused by the first world war in four years (Oxford et al., 2002).

Even a pandemic of a coronavirus is not the first time this has happened. The first case was that of acute respiratory syndrome SARS when it first broke out in the province of Guandong, China in November 2002 and began to spread rapidly across South East Asia, infecting 8,000 people and causing 774 deaths in 26 different countries around the world (Wilder-Smith, 2006). Under such conditions, the World Health Organization declared Guangzhou and Honk Kong as high-risk tourist destinations (Jamal and Budke, 2020). This led to a slowdown in the number of tourists from other areas (Zeng et al., 2005). But as can be seen from the table below, the decrease in the number of tourists this year was relatively low by only 3 million or -0.4% compared to the previous year.



**Figure 3.** Evolution of the number of tourists over the years. Source: UNWTO, 2020 (note: (e) estimate)

Unlike SARS, the COVID-19 virus is much more aggressive and has spread rapidly around the world. The World Health Organization stated on March 19 that it is a global pandemic. Currently, there are 10,819,762 confirmed infections, 519,272 deaths in 213 different countries (data as of 02/07/2020).

The solutions adopted by different countries to deal with the situation are heterogeneous (Pinguillem and Shi, 2020), however, two policy lines can be identified, that of strengthening sanitary structures and that of lockdown to isolate the virus (Hamzelou, 2020; Piguillem and Liyan, 2020). The latter, in addition to the debate over the positive or negative effects on the preservation of human life (Sardar et al., 2020), has a very serious impact on the economy and tourism. As for the latter, according to some estimations, global companies alone will lose about 113 billion \$ from sales, or about 15 times more than in the case of SARS (Riley, 2020). Tourism will be one of the most affected sectors, UNWTO predicts that the decline of the tourism sector globally will be around 20-30% by 2020.

The influx of safe tourists for 2020 will consist mainly of people who have been affected by the virus and who have passed it or acquired immunity (Bacon, 2020) even though there are some people whose virus has returned (they are sick again) see e.g. (Leussink & Swift, 2020). Moreover, even if the phenomenon of reinfection was not present, the accommodation structures or flight companies would still find it difficult to identify the recovered (immunized) from those who may have been affected but have no signs. Of course, technology can help in this aspect<sup>8</sup>. However, for poor countries like Albania, technological solutions can be costly.

### 3.1. The impact of COVID-19 on tourism in Albania

The tourism industry in Albania is one of the main factors that contribute to the country's economy. According to data from the WTTC, in 2019 in Albania should host around 5.7 million foreign tourists. This year only 3.99 million foreign tourists are expected to be hosted (estimate by representative tourism association Albania). Employees in this sector for 2019 reached about 100 thousand, with an increase of 26% in the third quarter compared to the second quarter. According to some INSTAT projections (2018), in 2025 employees in this sector will reach 220 thousand or about 20.4% of total employment, with an average increase of 2% per year. As regards the contribution of the tourism sector and that of

<sup>8</sup>In Hong Kong they have started using quarantine localization bracelets, in China color applications are being used to identify the status of the person paying in Alipay and Wechat, in India seals are used with quarantine expiration date, etc. See: Strielkowski, W. COVID-19 recovery strategy for tourism industry, p.2.

travel to Albania's GDP, instead, it is expected that for the 2019 rise to 27.3%, up 5.2% compared to last year. This year the drop is expected to be 35% lower than 2019 (estimate by representative tourism association Albania).

While the direct contribution of the tourism sector to the country's GDP in 2018 was 4.6%. Also in this year, the tourism sector has contributed to around 286,000 new jobs. While in 2020 will probably be only 90,000. In 2018, the total contribution of the tourism sector to the occupation of the country - considering also the jobs indirectly supported by the industries - amounted to 25.2% of total employment. But with the spread of coronavirus in the country, the tourism industry has had a strong impact, people around the world have been asked to stay at home to protect themselves from coronavirus and a large proportion of foreign tourists have cancelled bookings while locals do not visit different tourist sites within the country during the weekends<sup>9</sup>.

Regarding the tourist typology of the country, Albanian tourism is mainly based on summer tourism with about 60 days of tourism that extends to 80% of the coastline. Except this Albania has also the cultural tourism of groups starting from April to October. Based on these facts and according to different estimates we can say that summer tourism will experience a drop of 35%. Whereas cultural tourism is having a 20% suspension of bookings according to the representatives of the Touristic Operator Association. According to experts, Coronavirus will completely paralyze the tourism sector by the end of June. At the moment, all bookings have been cancelled until the end of June and part of the individual bookings until the end of August.

According to INSTAT (2019), about 17% of the total number of tourists visit Albania during the period from March to June. Taking in consideration that this period Albania has been under lockdown because of coronavirus, and contribution of tourism for 2020 would be about 5.2% of GDP seems that tourism will lose in this period roughly 143 million euros. This prediction is according to the optimistic version, while according to the pessimistic version, the booking cancellations will continue for the following months and the decrease will be about 30% or about 260 million euros. The indirect fall for the economy as a whole is estimated at up to 1.5 billion euros (Muço, 2022). It is understood that, as Galbraith says, the only function of economic forecasting is to give more credibility to astrology (URL). In this context, we can say that nothing is certain, that the performance of the tourism industry will depend on the performance of the COVID-19 virus, on government support policies and on the decision of local consumers to spend some savings on summer vacations regardless of the situation, and above all that these consumers/tourists spend their holidays in Albania and not abroad, so we need economic patriotism.

#### **4. CONCLUSIONS**

This paper has analysed the economic situation of Albania after the spread of the COVID-19 pandemic. From this analysis, it emerged that the most affected sector of the economy will be that of the tourism industry. In Albania, accommodation facilities, restaurants, and some services closely related to summer tourism will be further impacted.

Specifically, closing the borders will significantly reduce the arrival of foreigners from abroad, which last year was about 6 million tourists. On the other hand, patriotic tourism will shrink significantly. This is because, over 60 thousand people have lost their jobs and over 100 thousand others have had salary reductions, so fewer Albanians will go on vacation this year. Keeping social and physical distances, not attending indoor facilities will certainly lead to an increase in the price of many services in the tourism sector.

Many potential investors who had planned to invest in this sector are re-evaluating their projects as such crises can severely damage the economic situation of companies investing in tourism. Therefore, in the future, it is expected that there will be less investment in this sector.

According to some estimates, it will take at least 1 year for many hotels to recover the losses caused by this pandemic (many entrepreneurs have rented structures). While for the air transport sector it will take at least 3 years to reach the same level of flow of people that they had before the pandemic started.

---

<sup>9</sup>See the interview of president of the tourism hotel association: <https://www.faxweb.al/industria-e-turizmit-megoditura-nge-pandemia-covid-19-topuzi-situata-eshte-e-erret-garancia-sovrane-ne-sektorin-tone-e-pamundur/>.

Concluding, we can say that this pandemic, in addition to direct and indirect costs, will lead to changes in people's behaviour in the future and will make it more difficult for the Albanian tourism sector to function, which is considered a priority for the country's economic development.

## REFERENCES

- Ashikul, H., Shikha, F. A., Hasanat, M. W., Arif, I., & Hamid, A. B. A., 2020, The effect of Coronavirus (COVID-19) in the tourism industry in China. *Asian Journal of Multidisciplinary Studies*, 3(1), 52-58.
- Bacon, J., 2020, 75,000 ill, 2,000 deaths, many thousands recovered: Can you get coronavirus twice? Available at: <https://eu.usatoday.com/story/news/nation/2020/02/19/coronavirusafter-2000-deaths-can-you-get-virus-again/4804905002/> (accessed on 22.05.2020)
- Busetta, P., & Ruozi, R. (Eds.), 2006, *L'isola del tesoro: le potenzialità del turismo culturale in Sicilia* (No. 5). Liguori Editore Srl.
- Hamzelou, J., 2020, Wuhan virus spreads. *New Scientist* (1971), 245(3266), 7.
- ILO Monitor, 2020, COVID-19 and the world of work. Second edition Updated estimates and analysis, 07/04/2020; ILO Monitor: COVID-19 and the world of work. Fourth edition Updated estimates and analysis, 27/05/2020.
- IMF, 2020, World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery, June 24, 2020.
- Jamal, T., Budke, C., 2020, Tourism in a world with pandemics: local-global responsibility and action. *Journal of Tourism Futures*.
- Leussink, D., Swift, R., 2020, PM Abe asks all of Japan schools to close over coronavirus. Available at: <https://www.reuters.com/article/us-china-health-japan/japanese-womanconfirmed-as-coronavirus-case-for-second-time-weeks-after-initial-recoveryidUSKCN20L0BI> (accessed on 28.04.2020)
- Ministria e Financaeve dhe Ekonomise, 2019, Projekt buxheti 2020. Available at: <http://financa.gov.al/ministrjadenaj-projektbuxheti-2020-mbeshtet-reformat-per-rritje-ekonomike-te-qendrushme-dhe-sektoret-prioritare/> (accessed on 24.04.2020)
- Muco , K., 2020, Kostot ekonomike të koronavirus dhe disa masa që mund të merren, 16/03/2020. Available at: <http://www.Panorama.com.al/848667-2/> (accessed on 10.05.2020).
- Muço, K., 2020, Koronavirusi gjunjezon ekonomine, mijera vende pune do te mbyllen ne qershor, 14/04/2020. Available at: <http://gazetashqiptare.al/2020/04/14/koronavirusi-gjunjezon-ekonomine-eksperti-klodian-muco-skenari-mundshem-mijera-te-papune-ne-qershor/> (accessed on 10.05.2020).
- OECD, 2020, The COVID crisis in Albania, 29 june 2020. Available at: <https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Albania.pdf>.
- Oxford, J. S., Sefton, A., Jackson, R., Innes, W., Daniels, R. S., & Johnson, N. P., 2002, World War I may have allowed the emergence of "Spanish" influenza. *The Lancet infectious diseases*, 2(2), 111-114.
- Piguillem, F., & Shi, L., 2020, Optimal COVID-19 quarantine and testing policies.
- Riley, C., 2020, 'This is a crisis.' Airlines face \$113 billion hit from the coronavirus. Available at: <https://edition.cnn.com/2020/03/05/business/airlines-coronavirus-iata-travel/index.html> (accessed on 24.04.2020)
- Sardar, R., Satish, D., Birla, S., & Gupta, D., 2020, Comparative analyses of SAR-CoV2 genomes from different geographical locations and other coronavirus family genomes reveals unique features potentially consequential to host-virus interaction and pathogenesis. *bioRxiv*.
- Strielkowski, W., 2020, International Tourism and COVID-19: Recovery Strategies for Tourism Organizations.
- UNWTO reports, 2020, International tourist numbers could fall 60-80% in 2020, 7 may, available at: <https://www.unwto.org/news/COVID-19-international-tourist-numbers-could-fall-60-80-in-2020> (accessed on 26.05.2020)
- Wilder-Smith, A., 2006, The severe acute respiratory syndrome: impact on travel and tourism. *Travel Medicine and Infectious Disease*, 4(2), 53-60.
- World bank, 2020, Projected poverty impacts of COVID-19, 7 june, 2020.
- Zeng, B., Carter, R. W., & De Lacy, T., 2005, Short-term perturbations and tourism effects: The case of SARS in China. *Current Issues in Tourism*, 8(4), 306-322.
- URL. <https://www.economist.com/finance-and-economics/2016/01/09/a-mean-feat>.
- Muço, K. 2020: Corona viurs "kneels" the economy, expert klodian muço: possible scenario, thousands of unemployed in june, gazeta shqiptare 14.04.2020, <http://gazetashqiptare.al/2020/04/14/koronavirusi-gjunjezon-ekonomine-eksperti-klodian-muco-skenari-mundshem-mijera-te-papune-ne-qershor/> coronavirus, what are the economic expectations and possible solutions, gazeta panorama, 17.04.2020, <http://www.panorama.com.al/koronavirusi-cilat-jane-pritshmerite-ekonomike-dhe-zgjidhjet-e-mundshme/>.