THE EXAMINATION OF THE RELATIONSHIP BETWEEN TOURISM AND COMPETITIVENESS IN HUNGARY REGARDING THE IMPACTS OF THE GLOBAL ECONOMIC CRISIS

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RUNNING HEAD: The major correlations between tourism and competitiveness

ABSTRACT

In our study we are dealing with tourism as one of the national economic sectors and its relations with the economic competitiveness regarding the economic crisis. According to the estimates of WTO, tourism produces approx. 10 % of the GDP globally. According to several studies, in Hungary it accounts for about 5% of the GDP, although in the case of certain regions it has even more significant role. In gerenal, tourism has become more and more significant in the past decade both globally and nationally until the crisis occured. Based on the long-term predictions, the rising trend will continue in the future: its economic role will strengthen, resulting in the improvement of the economic competitiveness. However, due to the unstable global economic situation, the increase in tourism significantly slowed down last year. The crisis had and still has worldwide influence, which can be clearly seen in the tourism sector as well. Trends, habits and demands are changing**,** but the people are ready to give up a lot of things due to compromises, but not the travelling. Domestic trips may come to the frontline, resulting the increase in the contribution to GDP and improving the economic competitiveness.

INTRODUCTION

Based on the history, we can state that economic crises facilitate developement, since they require serious efforts and cooperation. Moreover, the responses to the short-term crises may be linked to the proposals for long-term problems.

They can strengthen the structure of the whole tourism industry which can have positive effects on the economic competitiveness of Hungary. The financial collision and the global economic recession made the situation of tourism more difficult, which moderate the consumption both in short- and middle-terms. The crisis has negative impacts on not only private people but on businesses. According to their difficult economic situation, the number of business trips and conferences has also significantly dropped. The general tendency in the holiday tourism is that foreign trips to close destinations and domestic trips are becoming more and more popular. The duration of stay and the money spent on trips reduce. In order to reduce the costs, the passengers buy fewer services, while they insist on high quality.

The crisis has less influence on luxury trips, the demand for such trips is further increasing. As mentioned in the abstract, the number of foreign holiday trips increased by an average 7% annually between 2004 and 2007 (Manfred, 2007). However, it halted in the second half of 2008 and this trend is expected to continue in 2009. In yr-on-yr comparison, the international tourism declined by 8% in the first quarter of 2009. Between January and March, 269 million tourists traveled abroad worldwide, which is 22 million fewer than in the same period of 2008. The crisis had rapid impact on Hungary's tourism, similarly to other industries. The number of both domestic and foreign tourists has dropped, still we can benefit from this situation. Due to natural, gastronomical and cultural endowments of Hungary, it can be a perfect place for leasure-time activities. Based on the abovementioned, due to the income spent in the country's territory, economic growth and improved competitiveness are expected.

MATERIALS AND METHODS

The aim of the study is to examine the changes in Hungary's tourism due to the new situation, paying special attention to the change in the number of foreign visitors and consumer demands. We have based our research primarily on the database of the CSO available for 2008 and 2009. We present the changes in tourism on charts and graphs as well. In addition, with the help of a SWOT analysis, we show how the competitiveness has changed in Hungary, with special attention to the tendencies of tourism. Due to a lot of natural beauties, spas, touristical attractions and busy cultural life, as well as its developing infrastructure and reviving spa culture, Hungary is attracting increasingly high number of foreigners. Castles, historical places, museums, cultural, archeological and folk inheritage welcome the visitors here. Therefore we wanted to examine the number of foreign visitors to Hungary.

Hungary has long been among those receiving countries where there is a price-value balance and where attractive travel offers and services wait for the visitors. In our opinion, tourism responds to the changed possibilities and requirements relatively fast (Villányi et al., 2007). In the Table below we can see the distribution of the foreign visitors according to continents:

Table 1.

The distribution of foreigners visiting to Hungary

FROM WHICH CONTINENT	**2005**	**2006**	**2007**	**2008**
	Thousand people			
Europe	37649	40008	41471	38553
Asia	344	348	373	368
Africa	17	20	22	21
America	490	521	533	549

Australia	54	66	68	63
Total	***38554***	***40963***	***42399***	***39554***

Source: CSO, own designing, 2009.

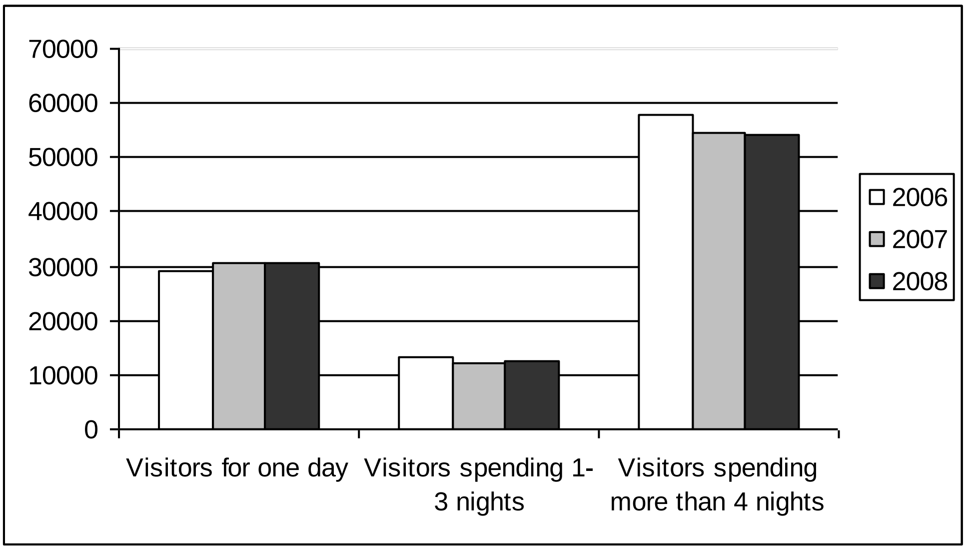
The Table above well displays the share of visitors between 2005 and 2008. In 2005, 38.5 million people visited Hungary, while in 2008 this figure was 1 million higher. Although we need to add that **in the years between we could observe continuous rise**, so the data for 2008 is about 7% lower than that of 2007. Despite of this, the economic competitiveness data reflect that the tourism still has favourable influence on the economy, since the money spent within the country borders can be returned into the economy, boosting its development (Magyar Turizmus Zrt., 2008) . 98% of the foreign visitors came from Europe, 83% from the European Union, while 70% from the neighbouring countries. 85% of those who crossed the Hungarian borders from the neighbouring countries came from Romania, Slovakia and Austria. As we mentioned earlier, in 2008 there was **a decrease in the number of foreign visitors** compared to 2007. The figure in 2008 was 39.5 million, while that of 2007 was 42 million, therefore we can observe a halt in the continuous annual increase of 3–7%.

After examining the number of foreign visitors, we also need to examine the duration of their stay. It would be interesting to see if there is coherence between the duration of stay and the money spent, the quality and quantity of services taken. According to a recent survey by Eurobarometer, due to the economic crisis only **one in six Europeans goes on holiday this year**, and one-third state that the economic **crisis has influenced their summer plans**. However, those who go on holiday, travel for only shorter periods and especially in the pre- or post-season.

The signs of the crisis could alraedy be clearly seen both in the 2007 and 2008 touristical data, because we can see the shift towards **the short-term holidays.** The number of visitors coming for only one day has been slowly increasing since 2006, while that of those who come for 4 or more days has been decreasing. The number of those who come for 1-3 days fell in 2007 by 7%, but the decline was not significant, because their number started to rise again in 2008.

Figure 1.

The distribution of tourists visiting to Hungary according to the duration of stay



Source: CSO, own designing, 2009.

We considered it important to examine how the crisis had influenced the duration of the foreigners' stay in Hungary. On the Table above we can clearly see that between July and September 2008, the tourists preferred **longer trips.** Compared to this, there were only a few who visited our country for 1-3 days. Athough, after the **crisis,** this figure **dramatically decreased** and it started to increase again in the second quarter of 2009, reaching only the 50% of the previous figure. Among those who came for more than one day, the duration of the short trips rose by 0.2%, while that of the longer trips dropped by 1%. The average duration was 2.5 days.

Due to the **seasonal character** of our tourism, both the number of visitors and the duration are the highest in summer – in the third quarter. 36% of the foreigners arrive in that period with 34% of those who come for more than one day. Obviously, the high figures of the third quarter can be considered the tendencies of the peak season as well. At the end of 2007, **Hungary joined the Schengen zone,** resulting in the free border crossings among the countries and the abolishment of the border control on the borders with Austria, Slovakia and Slovenia. Passengers coming from or going to any Schengen countries have not been controlled at Ferihegy either since 1 April 2008. Opening the **abovementioned borders has clearly boosted the traffic**.

As it was mentioned in our introduction, the Hungarian touristical regions are various from several aspects, e.g. the quantity and quality of the touristical services and the related competitiveness. In general, in those regions where there is a wide range of touristical services, the GDP values are higher as well. Therefore, the spatial competitiveness shows also favourable picture in those NUTS II regions.

In Hungary there are nine touristical regions with their own individual touristical supply. These regions are as follows: North Hungary Region, Tisza Lake Region, North Great Plain Region, South Great Plain Region, Budapest-Middle Danube Region, Middle Transdanubia Region, West Transdanubia Region, South Transdanubia Region, Balaton.

The regions are defined on the basis of Act 4/2000. (II. 2.) by the Ministry of Economy, defnining nine regions instead of the former eight. The territory of the regions differ from that of the other administration units e.g. county, statistical sub-regions, holiday district and that of the statistical regions defined by the Act 1996. XXI as well. We had to create them because the European Union primarily supports the development of the regions and created a statistical system called **NUTS system**. In Hungary there were two aspects considered when creating the regions: the borders of the counties must match those of the regions and the population of each region would be nearly the same.

Figure 2.

Touristical regions of Hungary

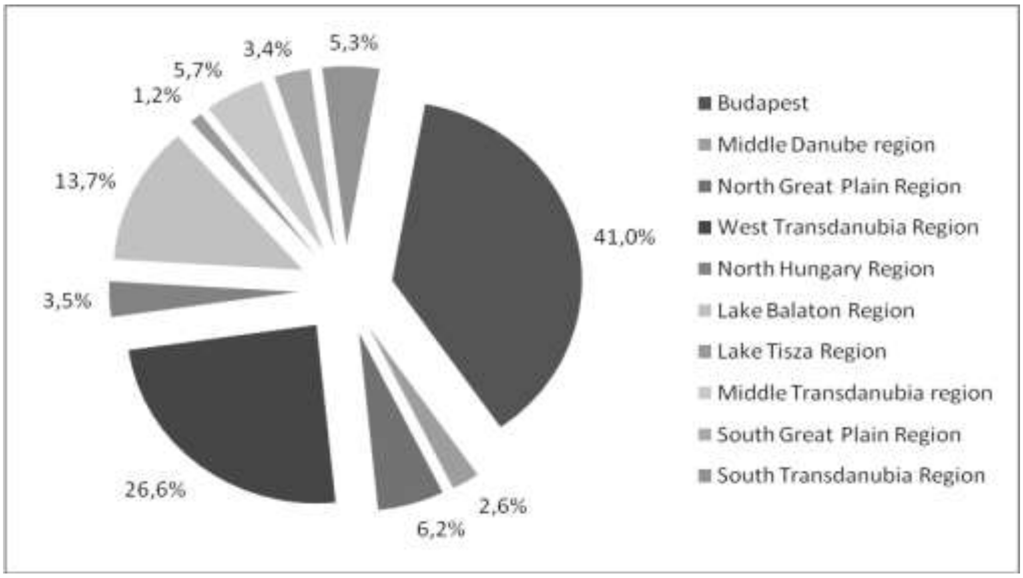
Source: http://wikitravel.org/upload/shared//thumb/d/d7/Hungary_colour.png/500px-Hungary_colour.png

Our most important sending markets had **various representations in the different touristical regions**. At Lake Balaton and Budapest-Middle Danube Region the Austrian and French visitors contributed to the positive balance, while in West Transdanubia Region the number of Italian, Austrian and American visitors increased sharply. In the other regions, there was only slight increase in the traffic from the different markets. At Lake Balaton, the number of German and American tourists has dropped, while in Budapest-Middle Danube Region that of the Dutch, Polish, British, German, Romanian, Spanish and American visitors had the same tendency. In North- and South Great Plain Regions the Romanian, in North Hungary Region the Polish, in Middle Transdanubia Region the British and the German, in West Transdanubia the German and Romanian tourists spent far fewer nights here than earlier. The nights spent by tourists at Lake Balaton and in Budapest between January and December 2008 were 2 and 3% lower than one year before, regardless that the number of visitors to Lake Balaton showed decrease only.

The touristical traffic **exceeded that of the same period of the previous year in West Transdanubia, North Great Plain Region and South Great Plain Region.** The share of foreigners in the total number of visitors in the first three months of 2009 represented 42.4%, while in the nights spent, their share was 47.6%. The incoming tourism was determining primarily in Budapest-Middle Danube Region Region, where the foreigners represented three-fourth of the guest nigths.

Figure 3.

The share of foreigners who spent minimum one night in a Hungarian region, 2008



Source: CSO, own editing, 2009.

We found it interesting that the rate of nights spent by foreigners was much higher in West Transdanubia Region (39.8%), at Lake Balaton (36.4%) and in Middle Transdanubia Region (34.6%) than in the other regions. It is in close correlation with the spatial competitiveness, since apart from the competitiveness figures of Central-Hungary, the competitiveness indicators were the highest in these three reions in the past few years.

The number of nights spent by foreigners **shows high territorial concentration**. More than eight-tenth of the foreign nights were registered in the three most popular regions between January and March 2009: in Budapest-Middle Danube Region (62.6%), in West Transdanubia Region (11.7%) and at Lake Balaton (11.5%). However, there is a remarkable and unbelievable decline in the second quarter of 2009. While at the end of 2008, 43% of the tourists coming for more than one day spent their leasure time in Budapest, this figure decreased at the beginning of 2009, reaching only 9.5% in the second quarter. The same dramatic decline could be observed at Lake Balaton, from 5.3% to 1.9%. The “competition” in the second quarter of 2009 was “won” by Middle Transdanubia Region, South Great Plain Region, West Transdanubia Region and North Great Plain Region.

The current unfavourable effects influence mainly the competitiveness of Budapest. One of the reasons is that **most of the business trips** concentrate on the capital. Companies either **book for shorter periods due to cost-savings or cancel their bookings**. On the other hand, under more difficult circumstances **the number of**

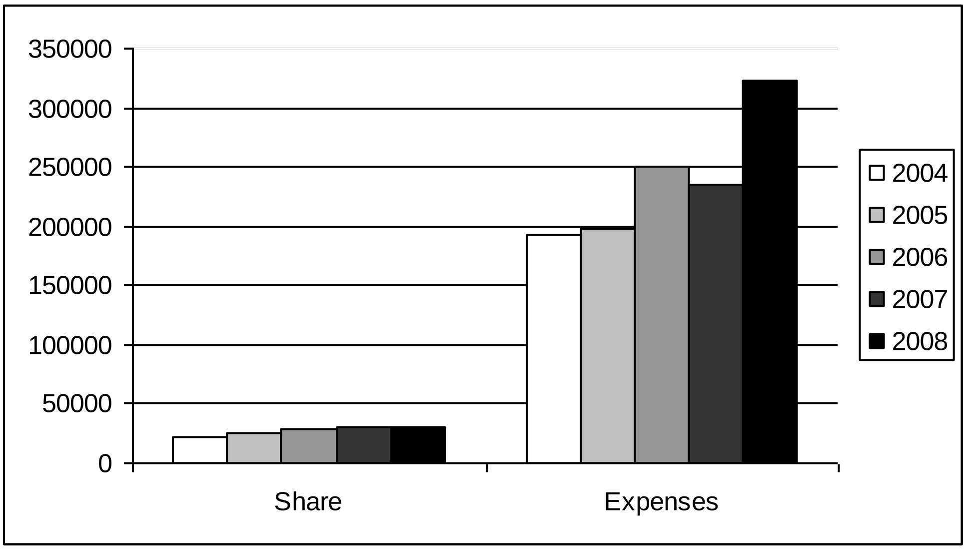
shorter trips in the off-season decreases (e.g. sightseeing) and the internal demand cannot offset the decline in the number of foreigners in the capital.

Those who come for more than one day – with an average duration of 7.1 days – came mostly from Germany and Austria. The number of visitors has slightly increased from both countries compared to the same period of 2008. The number of tourists coming for **one day** rose by 7%, out of which 40% was just traveling through Hungary. The rate of **daily shoppers is also** high (37%), rising to one and a half times higher rate in one year compared to the previous year. Most of the people who come for one day and who are not from the neighbouring countries just travel through our country and those coming from Bulgaria and France all just travel through. Out of the neighbouring countries, the highest rate of those who travel through is from Romania (71%). The most people came from Austria and Slovakia with touristical purposes.

In 2008, **foreigners spent 97.4 million days in Hungary all together**. Days spent by those who came for one day – which represents one-third of the total number of days – was almost unchanged compared to the data of 2007. The Figure below shows that their expenses have increased significantly. They spent 90 million HUF more than in 2007 despite of the fact that there was not any change in the number of visitors, which has a very favourable impact on our economy. Despite of the crisis more people visited our country for one day in the first half of 2009 than in the same period of 2008, and their expenses exceeded the data of January-June of the previous year with HUF 44 million. The cost per capita per day in 2004 was HUF 8,900, rising to HUF 10,500 to 2008. That figure is HUF 12,800 in the first quarter of 2009.

Figure 4.

The number of people staying for one day and their expenses



Source: CSO, own designing, 2009.

The case of those who come for more days is the similar to that of those coming for one day. In 2008, the number and the share of those who came for 1-3 days decreased, but their expenses are in reverse correlation with it. According to the data fewer people wished to spend some time in the country, but those who have come, spent almost HUF 20 million more than in 2007(Nagy and Tóth, 2008). Comapring these data with the actual year we can state that though **far fewer tourists arrived** between January and June in 2009 and such low figures could not be observed in any quarters of 2008, **they spent even far more on the services.** In addition to the analysis of the CSO data, we have also prepared the SWOT analysis of the Hungarian tourism industry, thus we can have quality factors added to the quantitative features to find out and define the fundamental correlations.

Table 2.

<table>
<tr><td>Strengths
Central location in Europe
Widespread touristical investment opportunities
Various touristical attractions
Lake Balaton is the biggest sweet water lake of Central-Europe, suitable for family holiday and sports
Budapest is a unique metropolis
Medical factors for touristical purposes, the leading thermal water supply of Europe
Individual gastronomy
Architecture, rich cultural heritage
Traditional craftsworks, art life
Bridge between cultures</td><td>Weaknesses
High seasonal concentration
The country is not really well-known, lack of image
Lack of client-oriented approach, short-term profit maximalization
Inapprorpiate utilization of cultural values
Inappropriate infrastructure
Shortages in environmental culture
Lack of complex products and services
Lack of language skills
High territorial concentration (Budapest, Balaton)
Lack of necessary development funds</td></tr>
<tr><td>Opportunities
Targeted development policy
Strengthening role of World Heritages and national parks on the touristical markets
Expanding demand for new, special touristical attractions and events
Increasing need for guaranteed program supply
Continous development of the role of IT and internet
Expansion of the creative incentive-demand
Increasing number of health touristical investments and programs
Increasing role of air transportation</td><td>Threats
Lagging behind in sustainable development
Occuring of terrorism
Influence of cultures on one another
Worsening price/values rate
Fashion-oriented character of the holiday travels’ market</td></tr>
</table>

Source: own research, 2007.

After carrying out the analysis, it can be stated that tourism is one of the most dynamically developing driving force in the world. Spectacular and successful developments have been carried out in the sector in Hungary recently. The single European internal market, the ever-increasing competition in tourism, the changing consumer demands and the traveling forms all justify that the development of tourism must be done consciously and along definite objectives.

RESULTS

Taking part in **tourism has several benefits.** Based on our research we can highlight the followings.

- **It is good to our health** (going on trips, going to wellness spas, taking massage etc.). Basically it may increase the years of our lives lived healthy (unfortunately most of the Hungarians suffer from severe locomotor, rheumatic and neurotical diseases, although we have a lot of thermal water which can be used for medical purposes);
- It facilitates the gaining of **new information**, e.g. languages or our own culture and the adoption of other cultures;
- It has significant role in **forming the approaches of new generations** (friendliness, hospitality, tolerance);
- If it is done right, it maked more income, it creates and maintain jobs, thus **it increases the standard of living.**

Based on our research we can characterize the **status of the national tourism** with the following thoughts: Regarding the money spent by one tourist we are in the **middle of Europe**, reflected by the competitiveness ranks related to tourism as well. We lag behind our possibilities, which is due to the lack of high quality and complex services and the inappropriate price/value rate, especially in the countryside. The **territorial concentration** is quite high; Budapest and the Balaton region represent almost 50% of the performance of the tourism. It needs to be highlighted that the **seasonal concentration is very high**. There are only few attractions that are suitable for making the season longer, so the peak season is very short making the touristical service providers maximalize their profits.

Furthermore, according to us, we need to focus on **quality-oriented behaviour,** so that the **acknowledged and high quality as well as the physical and communication access** may come to the frontline instead of the price-competition and so that the major competition factor among the competitors could be the supply of attractive additional services. The sector must provide **safe existence and attractive perspective** for both the entrepreneurs and employees, the rentability of businesses must improve to take the enterprises aiming at short-term profits away from the market. We need to distinguish those **destinations and services that form our activity to become environmentally conscious**. Due to the development primarily of **the health tourism, cultural, natural and landscape attractions as well as congress tourism,** Hungary may become even more well-known and preferred destination in the coming 8-10 years.

Overall, we have come to the point that the touristical regions cannot be handled in their current structure in long-terms, because they are based on the county borders. The **destinations should be dealt with according to their endowments** in their own natural unit. Regarding the preferred destinations, the **international market position of Budapest has to be maintained**, while in the case of **Balaton, the aim is to form it to the largest multi-seasonal leasure center of the country in the next decade**. Based on the abovementioned, we have drawn up a few recommendations to improve the competitiveness of the touristical regions:

- It would be recommended to focus on **the domestic market and the neighbouring countries** as well, targeting our resources and marketing actions to the these countries more than earlier;
- A more moderate and maintaining marketing is necessary **on farther markets**;
- It would be important to take advantage of the benefits of **transit traffic**; to create the service background along the **highways and motorways**;
- In order to receive visitors, we need **accomodation supply** that meets the market demand. It is important that **the territorial distribution of accommodation and catering places must match that of the touristical attractions,** i.e. to cretate complex touristical supply. The quality of the famous Hungarian hospitality must reflect its fame and friendly and reliable places must serve both the tourists and the local population;
- Meeting the EU's **subsidiarity** principle, the objective is that **the funds and the decision-making levels must be at those levels where the touristical tasks are carried out in the most efficient way**.

DISCUSSION

Summerizing the abovementioned we can state that the crisis has worldwide impact and this can be established by the touristic tendencies as well. **The trends, the habits and the demands have changed, but the volume of the income originating from tourism has not changed in Hungary. Therefore, tourism still has positive influence on competitiveness.** In our opinion, today's world money has a very determining role and the increase in the figures might be due to the decrease in the costs. But the case could even be worse if people did not think in a way as they do nowadays. The are ready to make compromise, to give up a lot of things, but the demand for travels, for relaxing and for new experience is still in all of them and it will not change.

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