



Weekly Briefing

**Greece economy briefing:
Greek Tourism at a crossroad
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Greek Tourism at a crossroad

Summary

The importance of tourist sector for Greece, as well as the need for increasing the tourism revenues in the years to come is well known. However, it is evident that tourism is globally at a crossroad. Greece needs to carve a strategic plan for the future in order to effectively manage the constantly increasing tourist flows and develop a more extroverted, antagonistic, as well as a sustainable and environmentally friendly tourism industry for benefiting all, the travelers, the local communities and the businesses.

Introduction

Greece is among of the tourist destinations with the greatest demands worldwide. Greek tourism contributes directly and indirectly to 20% of Greece's national Gross Domestic Product (GDP). Thus, tourism is one of the main sources of national revenue. Despite the difficulties that the sector has faced during the pandemic and the war in Ukraine, the sector has been proved to be resilient and a pillar of growth and stability for the Greek economy during the last years. Following the end of the anti-COVID-19 restrictive measures, the country has almost reached the tourist revenues of 2019. However, the increasingly travelers' flows, in addition to the high demands of the travelers, urgently call for an effective plan for further developing the sector. Upgraded and high-quality infrastructure are urgently required. But at the same time protecting the natural landscape, the environment and the traditions of the regions is equally important. In addition, the increasing tourist flows calls for a plan focused to fairly distributing the flows from geographically and seasonally aspect.

The increase of tourist flows

In 2022 international tourist arrivals were decreased 37% worldwide, compared to 2019. However, Greece's tourist sector proved to be resilient to this crisis. Specifically, in 2022 inbound travel traffic in Greece decreased by 11.2% compared to 2019 (1). Concerning the year 2023, it is projected to be a record year for the tourism sector in Greece, with the revenue of the first quarter surpassing the one of the same period the previous year (2).

According to the May 2023 bulleting published by the Tourism Business Association Institute (INSETE), in the period January-April 2023, 2.7 million international arrivals were recorded, exceeding the levels of the same period of 2022, exhibiting an increase of +871 thousand arrivals, which is +47.1% in comparison to last year. It should be mentioned that, at the Athens International Airport alone, 1.5 million international air arrivals were recorded, showing an increase of +640 thousand (+71.3%) from last year. At the Thessaloniki airport, 529 thousand international air arrivals were recorded, indicating an increase of +158 thousand arrivals (+42.6%) in comparison to last year (3).

According to data published by the Bank of Greece (BoG), the balance of travel services posted a surplus of 100.2 million euros in March 2023 and 233.2 million euros in the period between January-March 2023. Travel receipts increased by 45.6% in March 2023 and by 63.8% in the period January-March 2023. Moreover, inbound travel flows also increased by 60.8% in March 2023 and by 74,7% in January-March 2023. According to the same data, inbound travelers increased in March 2023 by 60.8% year-on year to 666.1 thousand. Specifically, traveler flows within the EU27 increased by 67.6% and 53.9% outside the EU27 (4).

The need for an effective strategic plan

The national goal for accelerating the development of tourism industry calls for an effective strategy plan for the sustainability of the sector long-term. The newspaper Kathimerini, aiming to create a platform for discussing the future of the tourism sector in Greece, organised the initiative “Reimagine Tourism in Greece”. The initiative provides the opportunity to experts, leaders and policymakers of the sector to get together and discuss the opportunities and challenges in promoting sustainable tourism practices in the country. The aim of “Reimagine Tourism in Greece” is to create a framework of guidelines for a more responsible and sustainable tourism industry that will benefit not just the industry, but the local communities and the country as a whole (5). Through this initiative, in the upcoming months, a thinktank will be established with experts submitting their ideas and proposal for the optimal course of the sector in the future.

It is worth noting that during the event held in the framework of the “Reimagine Tourism in Greece” initiative, research was presented indicating that tourism is at a crossroad internationally, which concerns both travelers and residents of the destinations as well as the businesses. Over-tourism, high prices and sustainability of the products offered are increasingly issues concern the travelers, which are progressively aiming for authentic experiences of

tradition and local customs, as well as high level of tourism services. The rise of the traveler's higher demands creates the need for higher number of businesses and investments. However, in parallel, according to a poll conducted for the initiative organiser, showed that Greek citizens recognize the importance of tourism but are majorly concerned about its further development regarding the impact on the local communities, the environment, as well as the ability to take vacations themselves at affordable prices (6).

Another issue of concern that needs to be taken into account is the destruction of the aesthetics and landscape of destinations, due to a non-careful planning of the construction of new hotels. The absence of a clear framework remains a major challenge and it is responsible for many pathologies, while it is an inhibiting factor for investments (6). In addition, due to the rapid climate change, tourism needs to be shifted towards more environmental practices. In addition, ecotourism is a concept introduced not that long ago. Thus, Greece needs to also create a framework for regulating it and simultaneous developing ecotourism for protecting the environment for the current and the future generations.

The future of Greek tourism

The Institute of the Association of Greek Tourism Enterprises (INSETE), presented the action plan "Greek Tourism 2030", attempting to provide a framework of a sustainable development of the tourism industry. The plan aims to gradually soften the seasonality and expand the Greek tourist season, as well as enlarge tourism in regions of the country that have developmental potential and increase the average spending and length of stay per visitor until 2030 (7).

According to the plan, under certain conditions, tourism revenue can reach 27 billion euros by 2030, exhibiting an increase of 52% compared to 2019, which was 18 billion euros. In addition, the plan foresees that visitors in the Greek region can reach 50 million, registering an increase by 27% compared to 2019, which was 39 million and overnight stays at 307 million, indicating an increase of 32% compared to 2019 which was 233 million. According to the study, these results can be achieved with feasible average annual rates over the period between 2023 and 2030 of 6.2% for revenue, 3.5% for visits and 4% for overnight stays. Thus, the plan aims to provide the framework for distributing the visitors more fairly, both geographically and seasonally, alongside with the implementation of destination management policies by all stakeholders such as local government, society and businesses. In order to do so the plan aims to developing 13 regions of the country in 5 strategic axes. In particular, it focuses on the

development of public infrastructures, the digital upgrade, the innovation and marketing, the protections of the environment and the strengthening of the skills and entrepreneurship (7). All in all, the plan's goal is to contribute to the country's efforts to create a more extroverted, resilient, competitive and sustainable production model of the tourism industry.

Moreover, Greece's National Recovery and Resilience Plan -"Greece 2.0"- largely focuses on further developing and diversifying tourism sector. Greece 2.0 includes strategies to extend the tourism season and promote alternative forms of tourism, such as mountain tourism, wellness tourism, underwater tourism, agrotourism, as well as upgrading the accessibility to beaches for elderly people and people with disabilities. In addition, significant actions are being taken to protect against climate change, which simultaneously protect the country's cultural heritage and monuments. Besides, it is one of the main goals of the Plan to connect culture and tourism, an area that Greece can do better. Furthermore, the Plan aims to also focus on the main tourist product of the country, which is the islands and the country's ports. The goal is to introduce state of the art infrastructures on the Greek ports in order to make them more efficient and attractive to travelers. Introducing legislation, including amendment of provisions relations to installations and operation licensing, will provide the necessary legal framework for tourist ports law that will encourage investments. In addition, digitalizing the sector is also addressed in Greece 2.0. Specifically, digital Transformation of the Greek National Tourism Organisation, including the creation of a digital tourist map, a digital repository of Greece's cultural assets and a new system for tourism information is also proposed (8).

Conclusion

Greek tourism contributes a great share to the country's GDP. Especially, during the energy crisis the sector has emerged as a force of stability for the Greek economy. The government aims developing the sector further and capitalizing the full potential of the country as a top touristic destination worldwide. In parallel, in order to offer a topnotch travel experience and acquire a competitive advantage, the government in cooperation with experts of the industry keeps aiming to carve an action plan for a more extroverted, resilient and sustainable tourist production model. In parallel, it is important that during the developing of the tourist industry, the landscape, the traditions and the culture of the regions would be treasured and protected. Thus, an effective strategic plan for developing the sector towards a more environmentally friendly and sustainable model in the near and long term future will benefit both the businesses and the local communities.

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