SETE

Greek Tourism

Developments - Prospects

Synopsis

INSETE

ISSUE 1 | JULY 2016

Authors

Dr. Dimitris Maroulis
Economist

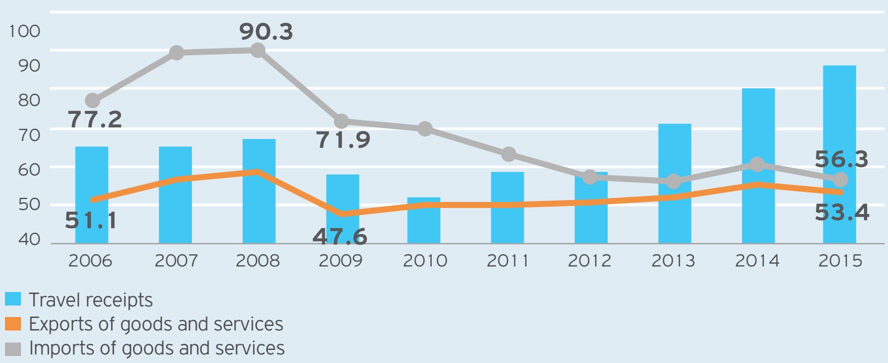
Dr. Aris Ikkos, ISHC
Research Director
SETE Institute

Summary

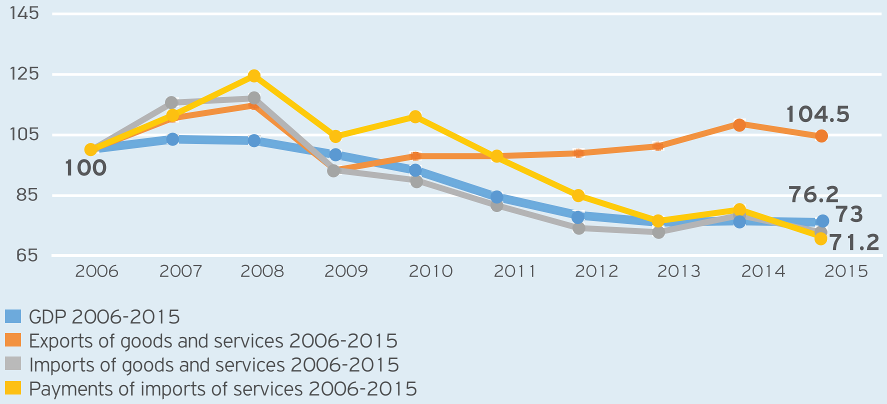
Tourism and Greek Economy Extroversion

Along with exports of goods, tourism is expected to constitute one of the main sectors that will contribute towards the recovery and growth of the Greek economy in the coming years, by assisting in attracting investments, supporting other economic sectors and boosting employment. Tourism has already contributed decisively in this direction, since it recorded an impressive recovery in 2013, a year earlier than the economy overall, and it assisted significantly in intercepting the downward spiralling course of the Greek economy in the period 2008 - 2013. It then went on to post impressive results in 2014 and 2015.

Greece: Travel Receipts and Exports and Imports of Goods and Services (billion €)



Comparative development of GDP - Exports and Imports of Goods and Services

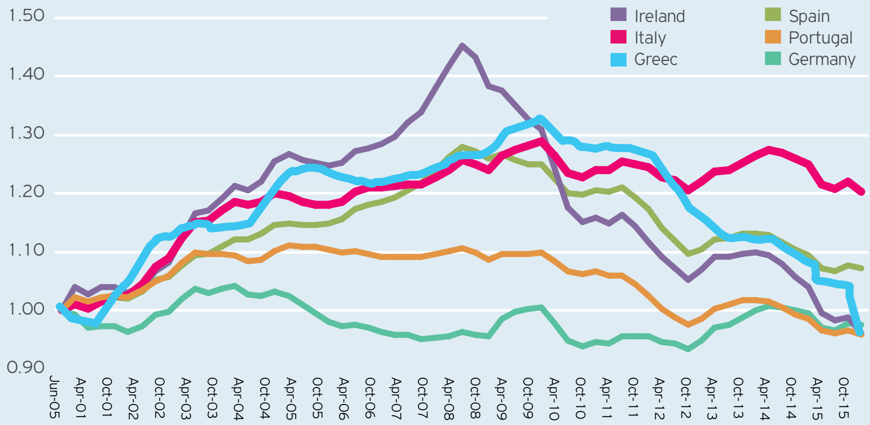


Source: Eurostat, National Bank of Greece

The excessive tax burden, both in terms of direct and indirect taxes, continues to negatively affect the development of tourism and the economy in general. The significant competitiveness gains of Greek tourism arising from internal devaluation are significantly offset by this excessive tax burden.

According to SETE Intelligence calculations, the additional taxes of the last 12 months have undermined the competitiveness of the Greek tourism product by more than 10%, essentially undoing 50% of the recovered competitiveness achieved since the bailout memoranda were first implemented through very painful social and economic internal devaluation.

Real Effective Exchange Rate for Greece and competitors on basis of Unit Labour Cost against 37 competitive countries



Source: European Commission, Price and Cost Competitiveness and Economic Forecasts, Winter 2016

Comparative assessement of tax burden for tourism enterprises

Country	Total Grade
Cyprus	84
Croatia	81
Turkey	69
Spain	60
Greece	42

Source: INSETE

Macroeconomic Prospects

Currently, the euro is trading at around 1.14 USD/EUR, remaining relatively devalued. It is estimated that it will remain at levels below 1.15 USD/EUR for the next two years. The main eurozone markets, as well as those of Central Europe and the Balkans, benefit from the devalued Euro, the low oil prices and the amplified liquidity assistance policy of the ECB, exhibiting higher than expected growth rates, which result in increasing the disposable income of their populations, part of which is used for holidays abroad.

Developments in the exchange rate (USD/EUR)

The – albeit delayed – completion of the 1st assessment and the disbursement of the final instalment of €10.3 billion (€7.5 billion in the 2nd half of June 2016 and €2.8 billion in September 2016) are expected to have a positive impact on the Greek economy and tourism, both until the end of 2016 and in the years to come. The adjustment programme implemented by Greece in the period 2010 - 2015 led to a significant average annual increase in exports of goods by 4.8%, despite the credit crunch experienced by Greek exporters compared to their international competitors. In the same period, the imports of goods recorded an average annual drop of -3.5%. The easing of the credit crunch is expected to boost/facilitate the economic activities of healthy businesses even more so. On the other hand, the export of services posted an average annual decrease of -0.9% in the period 2009-2015, mainly due to the large drop in the inflow of revenue from international transports (mainly shipping). On the contrary, in the period 2009-2015, travel revenue from abroad increased by 35.6%.

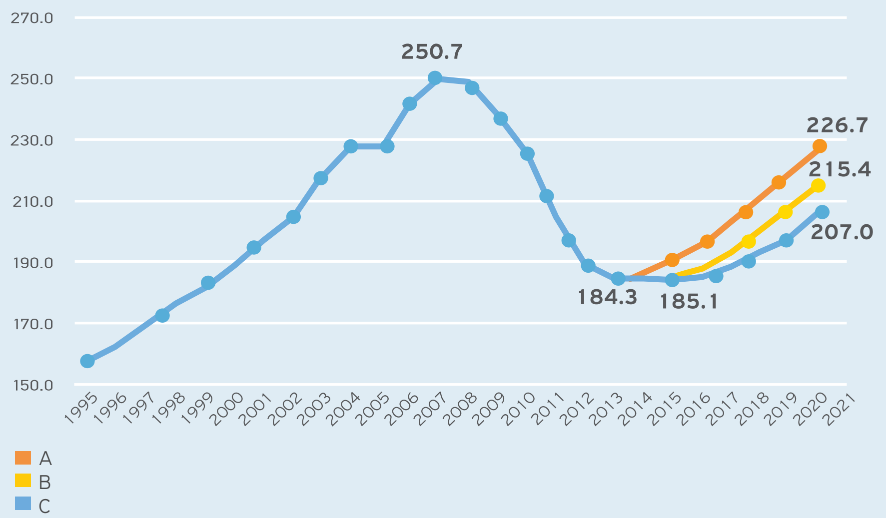
The GDP drop in the 2nd half of 2015 and the 1st quarter of 2016 could be considered temporary, given that normalcy in the banking system and the economy should be restored rapidly following the final completion of the 1st assessment of the 3rd memorandum. Naturally, due to the procrastination in the negotiations for concluding the 1st Assessment and the imposition of new excessive and unwarranted anti-growth fiscal and other measures so as to reach an agreement, it is currently expected that the increase in the GDP for 2016 will be 0.2% instead of 1.5%, which was the estimate had the 1st assessment been concluded on time and without the aforementioned measures.

It is, however, important to note that the turnmoil between September 2014 and July 2015 and the extreme burdening of the economy with new uncertainties and largely useless anti-growth measures, have impacted negatively on but not reversed the growth prospects of the economy, which had been evident since 2014.

»

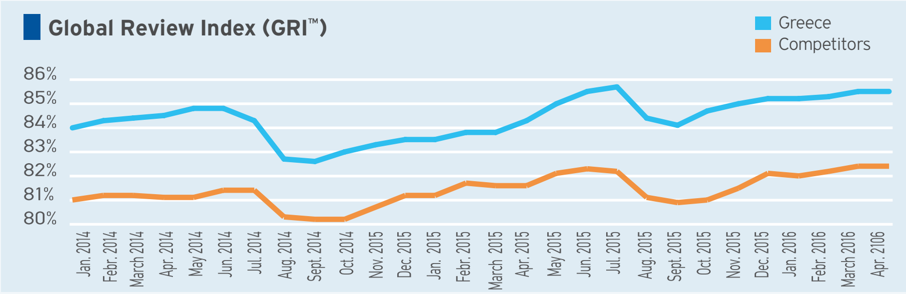
Scenario A: Estimated GDP development, had economic policy not been derailed in Jan-Jul 2015.
Scenario B: Estimated GDP development of early completion of 1st Assessment (March 2016) and without imposition of additional unnecessary fiscal measures in 2016.
Scenario C: Estimated GDP development following the delayed completion of the 1st Assessment and the imposition of additional fiscal measures of € 5.4 billion.

Growth scenarios for the Greek Economy: In current scenario C, recovery is slowed down, but not reveresed



Greek Tourism Prospects

Client satisfaction for provision of services in Greek hotels is – and has been for the last years – significantly higher compared to international competitor destinations.



Source : ReviewPro, Processing: SETE Intelligence

From many aspects, the geopolitical situation of the Eastern Mediterranean region and the crisis in the Russian-Turkish relations have had a positive impact, with increased tourist inflow. However, this was not the case in the 4^{th} quarter of 2015, when tourist arrivals from main markets were down. The refugee issue had a negative impact on the 4^{th} quarter of 2015 and continued to negatively affect tourist arrivals and pre-bookings in the 1^{st} quarter of 2016.

The average per capita tourism expenditure dropped to €580 in 2015 from €590 in 2014 and €653 in 2013. On the other hand, it is worth noting

a) the remarkable stability of spend per night and

b) its increase by 4.6% to €74 in 2015 after dropping in 2014. This means that the reduced expenditure per trip is due to shorter holidays by travellers, rather than lower daily expenses.

The aimed at increase in arrivals and revenues from foreign and domestic tourism in Greece will mainly be determined by the enrichment and diversification of the tourist product, as well as the growth rate of the supply of internationally competitive tourism services in Greece and to a smaller extent, the demand for tourism services, which is largely infinite for small countries such as Greece at times when the originating countries are experiencing positive growth rates. Specifically, demand for tourism services in Greece is mainly determined by the entrepreneurial operation of the businesses supplying tourism services in the country in general and in every tourist area in particular.

Arrivals, Overnight Stays & Revenues from Inbound Tourists

Countries	Arrivals	Overnights	Length of stay	Revenues (thousand €)	Av per capita tour. expe. (€)	Expenditure per over night stay (€)
Data 2015	26.114.200	188.012.000	7,2	14.125.800	541	75
Target 2021	34.800.000	250.000.000	7,2	19.600.000	563	78

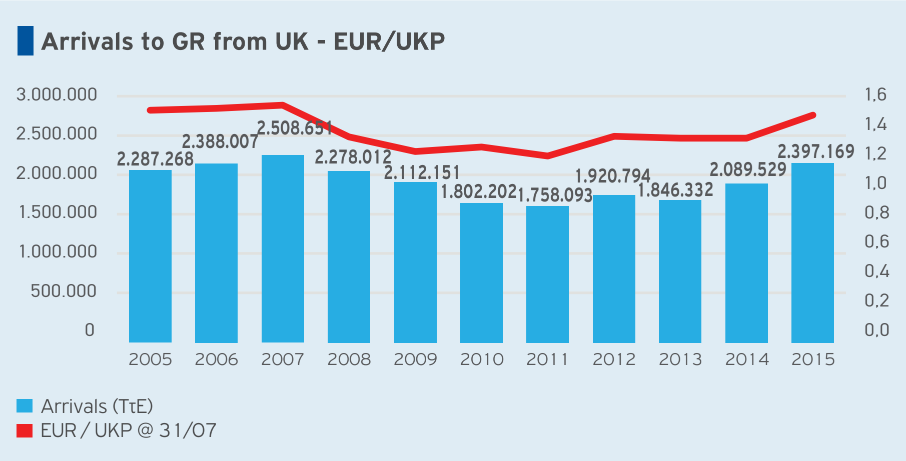
Source: Bank of Greece – SETE Intelligence estimates

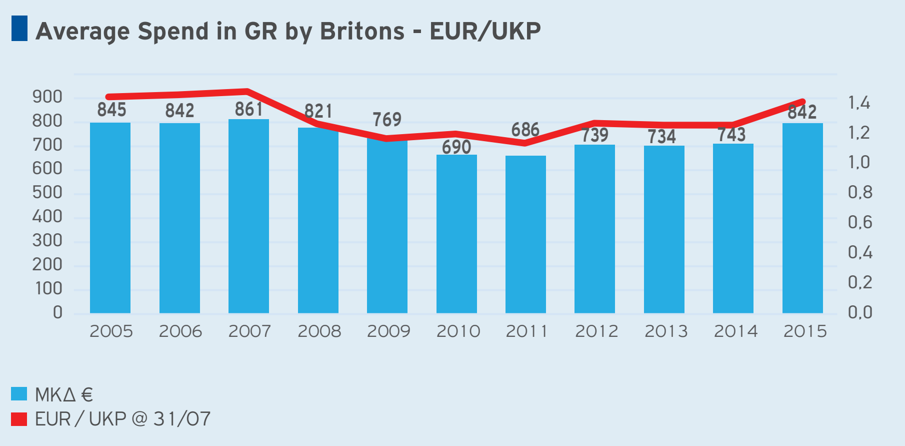
PS. on Brexit and Greek Tourism*

* *This report was prepared prior to the Brexit referendum in the UK.*

Given the referendum results for the Brexit, arrivals and revenues are expected to be negatively affected due to the observed uncertainly and the downward trend of the British pound. Around 50%/30% of the Brits who go on sun & sea holidays book them in the last two months/month. Other forms of non-seasonal leisure trips - such as urban and cultural tourism, as well as conferences, business meetings and incentive travel – are also expected to be negatively affected.

The British market is of paramount importance for Greek tourism, given its size (2.4 million visitors / €2 billion revenues in 2015) as well as the high growth rates recorded in 2016 based on the booking information at hand.





43 Amalias Avenue 105 58 Athens Greece
info@sete.gr **www.sete.gr** | info@insete.gr **www.insete.gr**