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### **ECONOMICS OF TOURIST ACTIVITY AND PROSPECTS FOR ITS DEVELOPMENT IN UKRAINE**

**Abstract.** *The main aspects of the economy of tourist activity, factors influencing the tourist economy development have been analysed in the article, the impact of tourism development on the economy of the state has been mentioned, the aspects of the current state of the tourism industry in the world and Ukraine have been examined, and also the ways of development and improvement of the position of the tourism business in Ukraine in the future have been studied.*

**Keywords:** *economy of tourism; factor of tourism business; state of the tourism industry in the world; development of tourism in Ukraine.*

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### **ЕКОНОМІКА ТУРИСТИЧНОЇ ДІЯЛЬНОСТІ ТА ПЕРСПЕКТИВИ ЇЇ РОЗВИТКУ В УКРАЇНІ**

**Анотація.** *У статті проаналізовано основні аспекти економіки туристичної діяльності, фактори, що впливають на її розвиток, зазначено вплив розвитку туризму на економіку держави, досліджено аспекти поточного стану у туристичній галузі у світі та Україні, а також досліджено шляхи розвитку та покращення становища туристичного бізнесу в Україні в майбутньому.*

**Ключові слова:** *економіка туризму; фактори туристичного бізнесу; стан туристичної галузі у світі; розвиток туризму в Україні.*

**Introduction.** In many countries, tourism is one of the top three leading industries of the state, develops at a rapid pace and plays an important social and economic role, as it increases local incomes, creates new jobs, develops all industries related to the production of tourist services, develops social and industrial infrastructure in tourist centers, activates the activity of folk crafts and the development of culture and promotes them, ensures an increase in the standard of living of the local population, increases foreign exchange earnings [1].

**The aim of the research** is to define the science of tourism economics, its main characteristic features and problem issues. According to the aim of the research the following tasks have been set: to give the definition of the tourism economics, to analyse the main factors that influence the development of the economy of tourism, describe the current situation in the tourist sector of economy in the world and explain the prospects for the development of tourism in Ukraine.

Peculiarities of the development of the tourism business economy were studied by such Ukrainian scientists as L.P. Diadchko, V. Azar, M.P. Malska, M.Y. Rutynskyi, S.V. Bilous, N.L. Mandiuk, O. Morozova, V. Hranovska, V. Krykunova and others.

**Findings.** Tourism economics is a science that studies and analyzes the economic relations that arise in the process of production, distribution and consumption of tourism products and services that are necessary to meet the needs and desires of travelers.

The subject of tourism economics is the economic relations that arise in the process of production, distribution and consumption of tourism products and services designed to meet the needs and desires of tourists.

The object of the tourism economy is economic patterns and methods for their efficient use in conditions of limited resources.

The economics of tourism explores the following issues:

- what tourism products and services will be produced for a certain period of what variety and quality;
- what resources and technologies will be necessary for production of the tourist resources and products;
- to what extent these tourist products will be in demand and how they will be distributed among tourists;
- how economic activity will evolve over time.

People are the backbone of the tourism economy. The existence of tourism depends on a large number of people satisfying their needs and desires in tourism.

The main directions of the tourism economy are focused on the export and import of tourism. Tourist export is a system that is connected with the system of exporting emotions and impressions from the country by bringing a certain amount of money into the country by a tourist.

Tourist demand is accompanied by a set of individual demands, reflecting the need of people to acquire goods.

Tourism is a complex multifaceted socio-economic system, which is determined by a complex set of relationships, and also includes a large number of various components. Thus, the tourism economy must be considered as a multi-level system and studies economic processes at various levels of the economy. Let's take a closer look at these levels of the economy.

In the early stages, the tourism economy was reduced to the study by travelers of the customs, traditions, levels and nature of the development of other countries and peoples. Already in the era of the Roman Empire, the first economic resources of ancient tourism arose – inns, which had both a public and a private character.

In the Middle Ages, in connection with the development of Christianity and trade, traveling ministers of the church and merchants appeared. The first pursued the goal of spreading Christianity, the second – the goal of enrichment. Tourist resources take on the appearance of monasteries, and inns are also being developed [1, с. 7].

In the era of the great geographical discoveries, the economic goals of travellers, sailors and pioneers are the capture and development of new territories.

Travel and excursions take economically new forms – forms of tourism. So, in 1908, in Russia, a Commission of educational excursions was created at the Educational Department of the society for the dissemination of technical knowledge in order to familiarize educated people with the culture of the West and East. This commission enjoyed the support of a number of ministries and departments. Financial report of the treasurer of this commission in 1909–1910 shows that the main sources of financing these educational excursions were the contributions of persons who applied for their desire to participate in trips, as well as donations.

In the era of the industrial revolution, fundamentally new means appear – the material basis for the development of tourism, both domestic and international.

Tourism as a sector of the economy is influenced by several essential factors.

*Political factors.* The stability of the political background in the state is one of the most important conditions for the development of tourism. Also, for the functioning of the tourism industry, relations that have developed with other countries, the ratio of the development of the economies of the country and its partners, the international situation and the situation in specific regions are important.

*Economic forces.* The high standard of living in developed countries allows the citizens of these countries to allocate large amounts of money for tourist trips. Analyzing the incomes of tourists in Western European countries, it can be determined that in the tourist flow in terms of wealth, the middle class prevails in almost all countries (from 40% in Holland to 59% in

Italy), and the category of people with incomes above the average, who have increased requirements for comfort and service [6, с. 7].

Citizens of states with a high level of prosperity are characterized by high costs for tourism. According to such costs, all states can be divided into three groups:

- spending more than \$500 per resident;
- costs from \$150 to \$500 per inhabitant;
- costs less than \$150 per inhabitant.

Tourism is greatly influenced by the foreign economic activity of states, integration and globalization processes occurring at all levels of the world economy. Such processes contribute to the growth of business activity of the world's population and the increase in the scale of business tourism.

The same phenomena as the complication of formalities at customs, the instability of financial indicators, strikes, can largely hinder the development of tourism social democratic factors. The development of tourism is influenced by population growth, and primarily in cities. The lifestyle in the city is characterised by stressfulness, a limited number of close contacts with people, and withdrawal from nature. In this regard, tourism for urban residents can be a way to find peace of mind.

A large number of states are characterized by trends in the ratio of time spent on work to time allocated for rest. Working time is reduced while increasing the intensity of work. This leads to an increase in stressful situations. Tourism is one of the ways to maintain working capacity. With an increase in the length of free time, two main trends have emerged in the life of the population: the division of holidays into several parts and the reduction in the duration of travel, that is, trips become shorter, but occur more often.

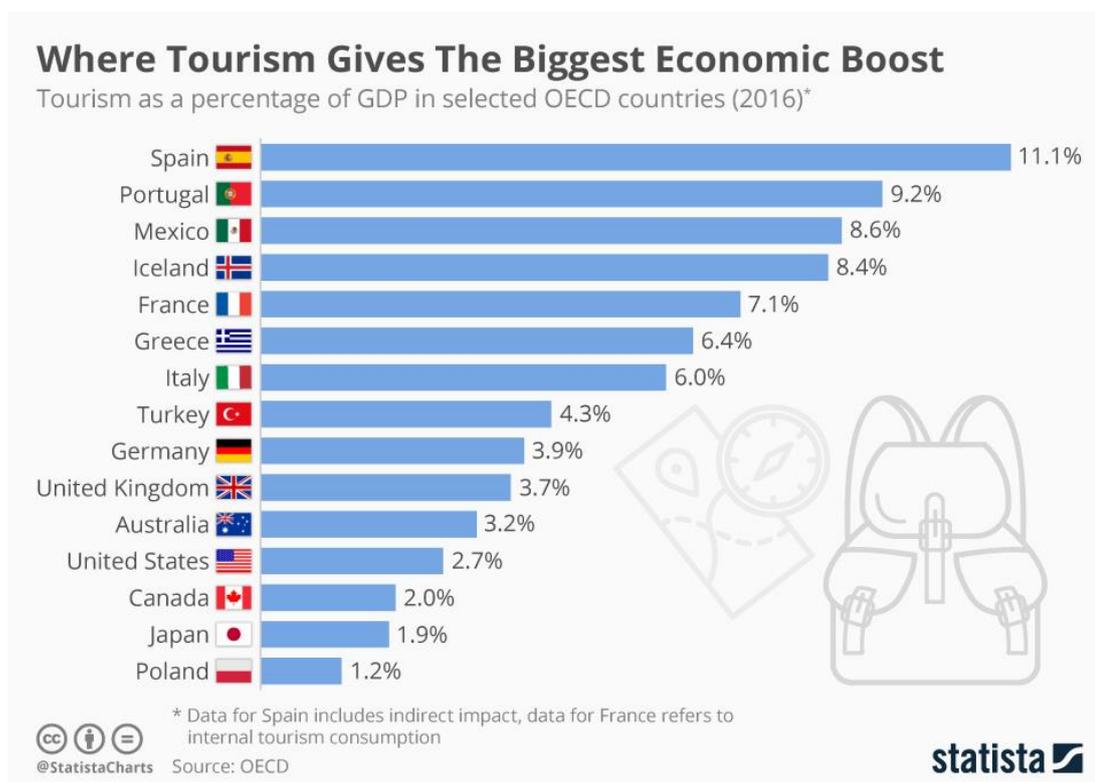
The development of tourism is greatly influenced by the aging of the population, an increase in the age of marriage, an increase in the proportion of people out of wedlock, an increase in the proportion of working women, an increase in the age of young mothers, and an increase in the number of couples without children.

An increase in life expectancy, as well as a decrease in the birth rate, lead to an increase in the proportion of the elderly to the total number of people. This market segment is very important for travel companies, as retired people have a huge supply of free time and, in developed countries, a fairly high purchasing power. The importance of this market segment prompted the World Tourism Organization to devote one of its conferences to the development of tourism services for "persons of the third age", during which some recommendations were made for representatives of the tourism sector, namely: to strengthen security measures in programs for such tourists; raise the level of medical care; introduce diet food into the diet of tourists; adjust cultural activities; adjust the physical activity of tourists, making them age-appropriate; organize the provision of the most clear and complete information about the services provided.

Among the important changes affecting tourism, it is necessary to highlight the increased involvement of women in the sphere of social work. Many women are career oriented, which leads them to put marriage and childbearing on the back burner. These events are postponed to a later age. The desire for financial independence by women leads to an increase in the number of women involved in business trips. Travel companies are trying to take into account the requirements of this group of consumers [6, с. 8].

The growth of the population of megacities increases the number of single people who can be characterized by a high level of education, the desire for growth in the professional field, high mobility, and increased requirements for the quality of life. Such tourists are one of the most promising target groups of the tourism industry, characterized by sustainable growth. Most major travel companies are trying to create specialized tourism products for this group

cultural factors. Such factors include the satisfaction of cultural, educational and aesthetic needs, which is expressed in people in the knowledge, study of life, traditions, culture and history of other states and peoples. Adherence to various forms of leisure activities and satisfaction of cultural needs vary quite a lot in different countries. For example, look at the Graph 1 [8]. Scientific and technical progress also effects tourist industry. Thanks to scientific and technological progress, the time of moving over long distances is rapidly decreasing; the level of service is constantly growing. Transport becomes more comfortable for tourists. New highways are constantly appearing to facilitate movement.



Graph 1.

It is impossible to ignore the rapid development of computer technology, affecting more and more aspects of life every day. The extensive capabilities of global computer networks make it possible to form tourism products in the shortest possible time and take into account a wide range of tariffs and incentive systems. Further development of the tourism industry is impossible to imagine without the construction of new and reconstruction of old tourist facilities, taking into account the latest scientific achievements.

The development of tourism is inextricably linked with the development of the media. The awareness of the population about possible vacation spots significantly increases the number of tourists. The media allow you to advertise not only specific tourist products, but tourism in general.

In a number of countries around the world, tourism will continue to be the largest source of employment in the coming decades. The researchers suggest a continuation of the trend to divide tourism products into different consumer groups. New groups are predicted to be identified. The process of consolidation and globalization of the tourism industry, an increase in the number of international companies will continue.

Tourism plays an important role in job creation and is projected to create 2,500 new jobs every day in the world over the next five years. Covering many sectors of the economy, it

becomes almost impossible to determine an accurate estimation of the number of workers employed in the tourism sector. In addition, the solution of the problem of a real assessment is further complicated by the specific nature of labor (seasonality, part-time work, temporary work, and the like) [2]. And yet the number of people employed in the tourism sector is constantly growing. This is one of the few sectors of the economy where the attraction of new technologies does not lead to a reduction in the working staff. This is important because, by absorbing more labor, tourism reduces social tension in society. In addition, world experience shows that tourism industry can be developed even during economic crises, which is important for the countries of Eastern Europe. The cost of creating one job here is 20 times less than in industry, and the turnover of investment capital is 4 times higher than in other sectors of the economy. An example would be countries such as Argentina, Brazil, Mexico, Egypt, Tunisia, Peru and others.

In many countries of the world, tourism is one of the most priority industries, the contribution to the gross national income of which is 20–45%, and the income from foreign tourism is the main source of foreign exchange. Consequently, the tourism industry not only brings a significant part of the profits to the budget of tourist-developed states, but it is also extremely promising and can undoubtedly become one of the main sources of revenue for the state budget of other countries.

International travel levels are considered to soar again in 2022.

- Until the COVID-19 pandemic, the global tourism sector had seen almost uninterrupted growth for decades.

- Now there are signs that travel sector is bouncing back after 'the worst year in tourism history'.

- The UNWTO's latest World Tourism Barometer shows an increase of 182% for international tourism in the first three months of 2022 compared to the previous year.

- While optimism builds, the tourism industry is still vulnerable to new variants of COVID-19, the war in Ukraine and global economic conditions.

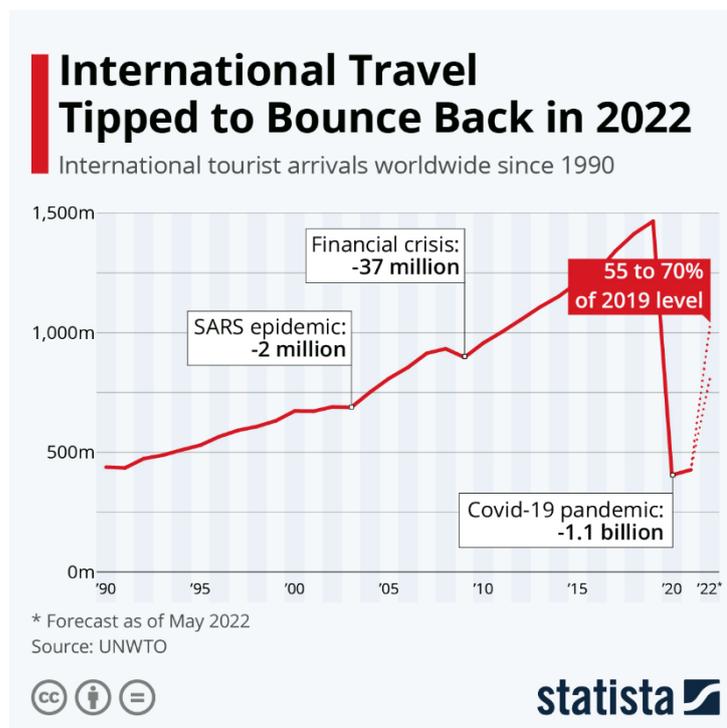
While few industries have been spared by the impact of the Covid-19 pandemic over the past two years, even fewer have been hit as hard as the tourism sector. After "the worst year in tourism history", international tourist arrivals increased by just 5 percent in 2021, as travel restrictions remained in place for protracted periods in many parts of the world. International tourist arrivals once again fell more than one billion short of pre-pandemic levels, keeping the industry at levels last seen in the late 1980s [9].

Prior to the coronavirus outbreak, the global tourism sector had seen almost uninterrupted growth for decades. Since 1980, the number of international arrivals skyrocketed from 277 million to nearly 1.5 billion in 2019. As our Graf 2 shows, the two largest crises of the past decades, the SARS epidemic of 2003 and the global financial crisis of 2009, were minor bumps in the road compared to the Covid-19 pandemic.

A sense of optimism is felt regarding the tourism industry. Almost six months into 2022, a sense of optimism has returned to the tourism sector, as travel demand finally shows signs of a significant uptick. According to the UNWTO's latest World Tourism Barometer, international tourism increased by 182 percent in the first three months of 2022 compared to the previous year. While that's still 60 percent below 2019 levels, the uptick in international arrivals gathered pace in March, pointing towards a strong second quarter leading into the summer holiday season [7].

As the following chart shows, the UNWTO now expects international tourist arrivals to reach 55 to 70 percent of 2019 levels this year, which is equivalent to a 90 to 140 percent improvement over 2021. While confidence is slowly building in the industry, there are some big ifs to consider. Not only could Covid make a comeback in the fall or whenever a more lethal

variant emerges, but the war in Ukraine, inflation and global economic conditions could also stifle tourism's return.



Graph 2

According to the Deputy Minister of Sports and Tourism of Poland, between 30% and 40% of foreign tourists canceled their tour bookings to this country by the end of March. Jet2 stopped flights to Poland in March and will resume flights only in September, which is too late for the summer season [5].

Interlocutors from tour operator Last Night of Freedom, which specializes in hosting stag and hen parties in Europe, reported that the number of bookings in Krakow for the summer was reduced by 60%, and the Jordan Group hotel company in Krakow lost 80% of its group bookings after the start of the war.

In the Lesser Poland Voivodeship, the number of foreign tourists has decreased by 60%, and only corporate guests keep their bookings, says the Deputy Director of the Voivodeship Chamber of Hotels.

Orders for tours to Budapest decreased by 45%, and to Riga – by 39%. The Hungarian Tourism Agency reported that the total number of foreign visitors in the country in the first 6 months of the year decreased by 37% compared to 2019 figures. Most of all, the number of tourists from the United States decreased – they decreased by 65%.

The Slovak Tourist Board claims a 49% decrease compared to 2019 for the first 5 months of the year. However, a spokesman for the department said that since the numbers are compared to 2019, part of the difference is still due to the pandemic. They also emphasized that Bratislava is only an hour from Vienna and 16 hours from Kyiv, but people are scared away by the common border with Ukraine.

Estonia also suffered. Most of all – Tallinn, where cruises often depart in peacetime, says the director of the Estonian Department of Tourism Liina Maria Lepik. Of the 350 ships that were supposed to stop in the city this year, half have canceled flights because they can't go further to St. Petersburg due to sanctions against the Russian Federation.

In Romania, Intrepid Travel's regional general manager for Europe, Tom Smith, says that the number of tourists to Romania has been especially reduced in the Danube Delta region, which is closest to Ukraine.

On the other hand, he believes it is caused by post-pandemic trends and not by the war. He believes that after two years of restrictions, people now prefer to travel on a "list of destinations".

Is it possible to rest during the war on the Ukrainian territory? Recently, the State Tourism Development Agency came out with an encouraging message – travel in the country continues even during the war.

Even in conditions of existing restrictions (for example, on visiting forests or border areas), citizens continue to discover their native country. And this is quite understandable, because constant stress is tiring, and the body needs recovery.

Outbound tourism is also gradually recovering. Mostly women with children travel to popular summer destinations departing from Chisinau (Moldova).

Ordering ground service also remains relevant – citizens who find themselves in Europe book hotels and services with Ukrainian tour operators and get to the vacation spot on their own.

From a business point of view, these orders are only sufficient to partially cover the usual travel volumes. In order to reach full capacity, Ukrainian tour operators are looking for new ways of development and are gradually studying the European market, as well as the opportunities of other countries [4].

This is how business is developed in Moldova and Kazakhstan, and in the spring the projects were started on the territory of Estonia, Latvia and Lithuania. Here, however, it is worth noting that starting a business in the EU is not the fastest process.

For example, the preparation for the start of work in the Baltic countries lasted more than a year. This means that the path for Ukrainian business in the EU will not be easy. On the other hand, the travel market is rapidly recovering and in some places does not even have time to satisfy the demand for trips. In London, Heathrow Airport announced a few days ago that it will serve no more than 100,000 passengers per day in order to reduce queues.

For our realities, these are colossal numbers and another confirmation that Europe needs new players. However, tourism should return to Ukraine.

Currently, in the mass media, you can find a lot of optimistic forecasts about the tourism industry after the victory in the war in Ukraine. There are indeed prerequisites for this: we have many tourist attractions, and the world is now interested in Ukraine.

But at the same time, you need to understand that everything will depend on the speed of infrastructure restoration and the general standard of living in the country. This will affect both inbound and outbound tourism.

The war is currently going on in Ukraine has no analogues in modern European history in order to draw a correct analogy and assess the possible impact on the tourism sector [3].

An example is often given of Croatia, which managed to become a very popular location after the war. But it should not be forgotten that the hostilities there were not as destructive as those that are going on in Ukraine now.

In addition, an important factor will be the ability of post-war Ukraine to implement a large-scale marketing campaign in foreign markets, which will allow switching the perception of our country from a place of hostilities to a safe location for travel.

**Conclusion.** The future recovery programs that the Government is now talking about should also cover tourism. In addition, it is important to start negotiations with global hotel chains today and to offer them entering Ukraine, to think over development strategies after the

war. Planning in advance, it is important to take advantage of the moment when interest in Ukraine is still high and hostilities will finally end.

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