REPUBLIC OF KOSOVA
MINISTRY OF INDUSTRY,
ENTREPRENEURSHIP AND TRADE

Tourism Union of
Kosova

REPORT

THE IMPACT OF THE COVID 19 IN THE TOURISM SECTOR

2021

Introduction

This research was carried out by the Ministry of Industry, Entrepreneurship and Trade (MINT), the Department of Tourism and the Tourism Union of Kosova (TUK).

The first cases of Covid-19 have appeared in Kosovo since 13 March 2020 and the pandemic has impacted most of the tourism service providers in the private sector. In order to stop the pandemic, from the aforementioned date and onwards, for a period of around 3 months, most of the tourism and hotel service providers were totally closed as a result of measures taken by the Government of Kosovo for the prevention of the Covid-19 pandemic. Only food and beverage service providers were permitted to offer take-away. From June, relaxation of measures started for all Kosovar businesses, including the tourism sector, where tourism service providers had the opportunity to provide tourism services, albeit, implementing distance and safety measures, respecting government decisions and protocols for part-time work.

As a result of this situation created during 2020 and based on statistical data that indicate a decline in the number of visitors to Kosovo, we can note that the tourism sector, namely the private sector in tourism had a direct impact from the Covid-19 pandemic, although there are no accurate and official data with regard to the economic impact and losses caused by the Covid-19 pandemic. Therefore, the need for such research has come precisely from this situation.

This research will provide an overview of the losses caused from when the pandemic started to spread in Kosovo, i.e., March 2020 and until the end of November 2020. The research will act as a basis for tourism policy makers and other relevant stakeholders that deal with or have an influence in the development of tourism.

The research was conducted in the form of a cooperation between the Ministry of Industry, Entrepreneurship and Trade (MINT), the Department of Tourism and the Tourism Union of Kosova (TUK).

Purpose of the Research

This purpose of this research is to make an impact assessment in terms of the impact of the pandemic on tourism service providers in the private sector in Kosovo. The findings of the research could result in directing attention of all the parties to the support of the tourism sector, providing a closer picture of how much the tourism sector in Kosovo has suffered damages, which represent the sectors most affected as a result of financial damages caused by the pandemic, etc. The purpose of the research is also to reflect the needs of the tourism industry for recovery and the areas in which this industry needs assistance.

Research methodology

Research on the impact of the Covid-19 pandemic was conducted through a survey of tourism service providers including:

- Gastronomy Sector (restaurants, cafeterias)
- Sector of Travel Agencies and Tour Operators (Inbound and Outbound Tour Operators)
- Accommodation Sector (hotels, motels, inns)
- Transport Sector (air and road transport)
- Guides Sector

The survey included the participation of 10% of tourism service providers. The survey had a random approach where a joint working team, consisting of MINT staff, namely the Department of Tourism, together with TUK was engaged in conducting the survey.

The research was conducted in the following sectors of tourism:

- Gastronomy Sector (restaurants, cafes) with 59 respondents or 29.06%.
- Sector of Travel Agencies and Tour Operators (Inbound and Outbound Tour Operators) with 56 respondents or 27.59%
- Accommodation Sector (hotels, motels, inns) with 50 respondents or 24.63%
- Transport Sector (air and road transport) with 33 respondents or 16.26%
- Guides Sector with 5 respondents or 2.46%

The survey was conducted during the period between December 2020 and January 2021. While the survey data and information for businesses represent the period from the beginning of the Covid-19 pandemic in Kosovo, i.e., March 2020 until the end of November 2020. In terms of revenues declared by businesses we have taken the same period of 2020 as well as the same period of 2019 with the aim of providing comparison for the revenue of businesses.

The main findings of the survey

This section reflects the main findings generated by the survey carried out with key stakeholders in the tourism industry, including accommodations, restaurants, cafeterias, tour operators and road transporters. The same also includes the findings resulting from the statements of the respondents themselves.

Since the survey sample was not sufficiently representative, the findings at the sector level of this research should be interpreted with caution.

The Impact of Covid-19 in terms of revenue

As seen from Chart No. 1, the impact of the Covid-19 pandemic on businesses has resulted in a decrease of revenues across all sectors researched.

The largest decrease in terms of revenues was observed in the Guides sector with the same marking a decrease of more than 91%. We notice that 28% of businesses from the Accommodation sector have experienced a decrease in the range of 81-90%. 23.1% of businesses from the Travel Agencies and Tour Operators Sector have experienced a decrease of 71-80%. 42.37% of businesses from the Gastronomy Sector have experienced a decrease in the range of 51-70%. 27.27% of businesses from the Transport Sector have experienced a decrease in the range of 31-50%. The impact from zero to 30% was extremely and only reported by a small by percentage of businesses. While a very low number of enterprises stated that Covid-19 had no impact at all in terms of their revenue.

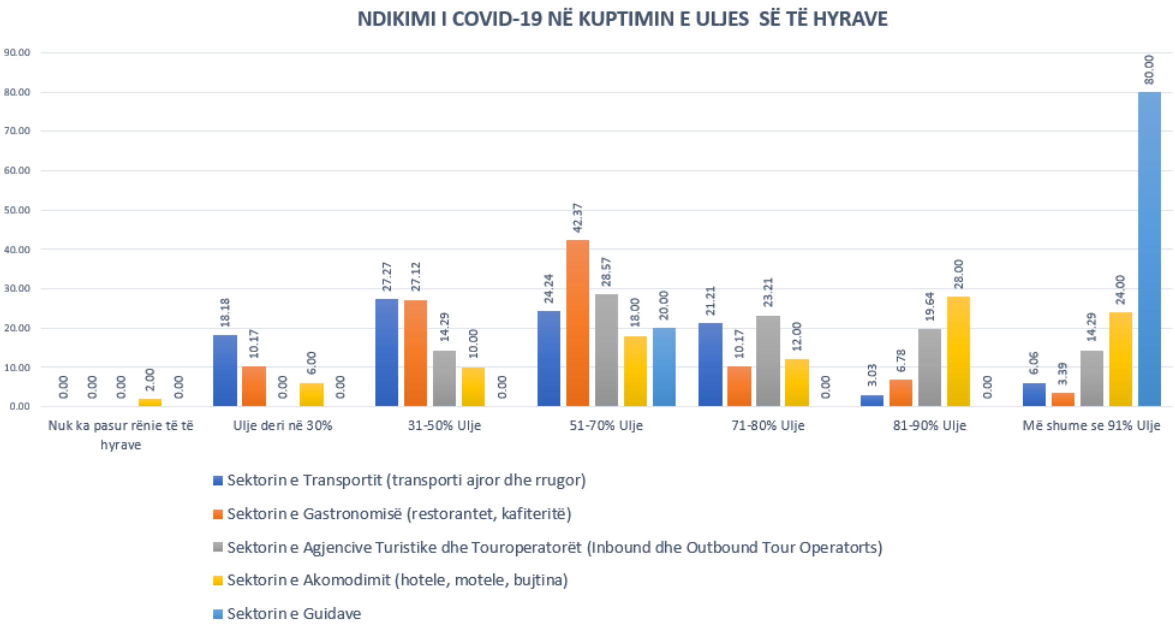

Figure 1: Impact of Covid-19 on tourism businesses in terms of revenue, by percentage and sectors

Percentage of staff who are at risk of being laid off or have already been laid off

The below-mentioned chart (Chart 2), regarding staff reductions that have occurred or are expected to occur according to tourism sectors, based on statements by respondents, it results that 1-20% have had staff reductions with the most significant percentages being among Travel Agencies with 32.14%, Transport Sector with 30.3%, Accommodation Sector with 30%, as well as Gastronomy Sector with 28.81%.

Staff reductions of over 61% were stated by the Guides Sector with 80%, followed by the Accommodation Sector with 34%, the Transport Sector with 24.24%, as well as the Travel Agencies and Tour Operators Sector with 19.64%.

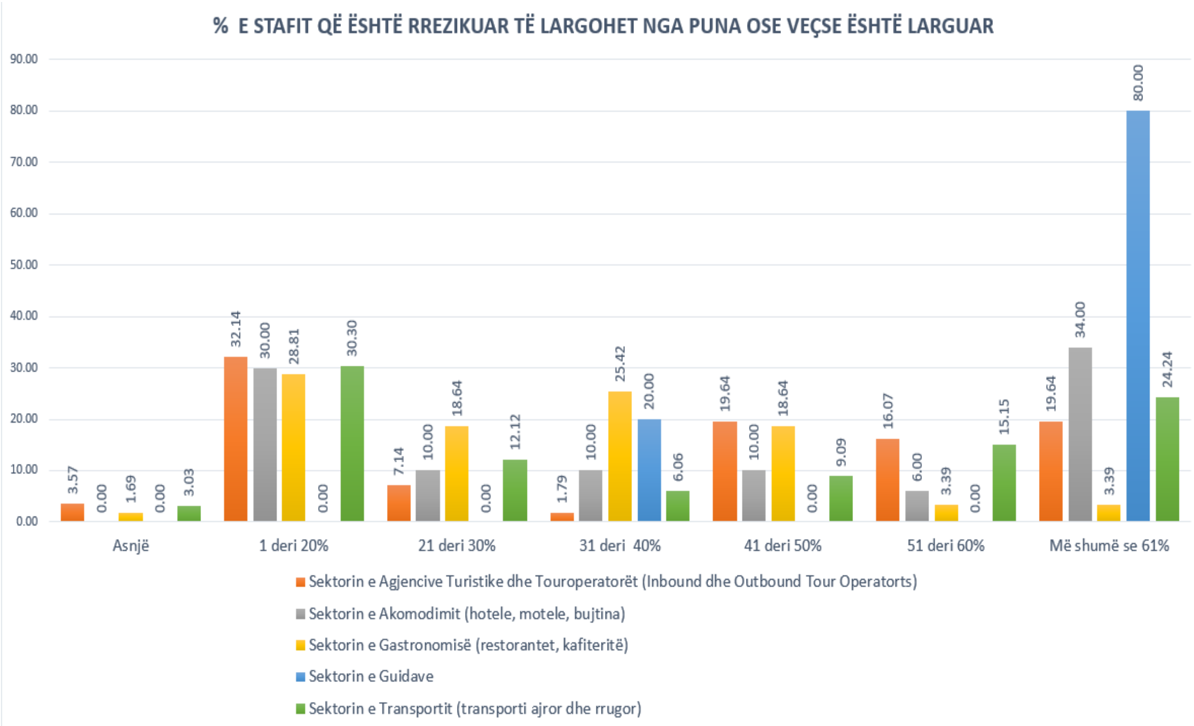

Chart 2: Percentage of staff laid off due to the Covid-19 pandemic

The main financial problems faced by tourism businesses during the pandemic

In the context of the main financial problems faced by tourism businesses, we can see that, among others, two of the problems such as the payment of staff salaries and the payment of rent and utilities have presented problems for the vast majority of tourism businesses. While other problems such as: repayment of loans, payment of suppliers or payment of bills have been less challenging during the pandemic compared to the first two.

Divided into sectors, the payment of staff salaries was the main financial problem for 55.56% of respondents in the Guides Sector, followed by the Accommodation Sector with 48.94%, 43.12% for the Gastronomy Sector, and 40.63% for the Travel Agencies Sector.

Also, another problem declared by tourism businesses in the financial aspect was the payment of rent or utilities (water, electricity, waste) as follows: 34.86% of the Gastronomy Sector have considered one of the main financial problems the payment of rent and utilities, followed by 28.71% of the Travel Agencies and Tour Operators Sector considering the payment of rent and utilities as the main financial problem, as well as 25% of the Transport Sector considering the payment of rent and utilities as the main financial problem.

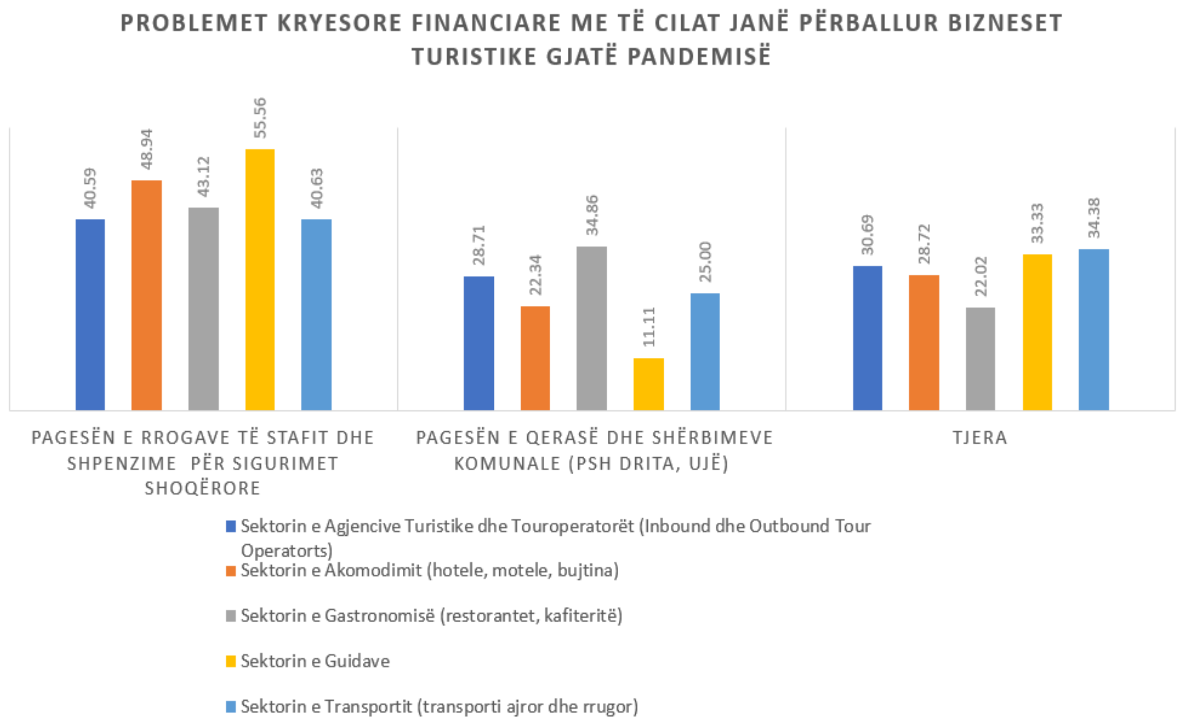

Chart 3: The two main financial problems during the pandemic for tourism businesses

Revenues generated during TUCK 2019

Chart No. 4 indicates that businesses with annual revenues of € 1-10,000 include the Guides Sector with 60%, followed by the Travel Agencies Sector with 37.5% and the Transport sector with 30.3%.

Businesses that had annual revenues of € 50,001-100,000 during 2019, include the Accommodation Sector with 28%, Gastronomy Sector with 25.42%, Transport Sector with 12.12% and Travel Agencies Sector with 7.14%.

The participation of the sectors the businesses of which realized annual revenues of over € 300,000 during 2019 are: Accommodation with 28%, Gastronomy with 3.39%, and Transport with 3.03%.

Some respondents did not prefer to state in which category of income their business falls.

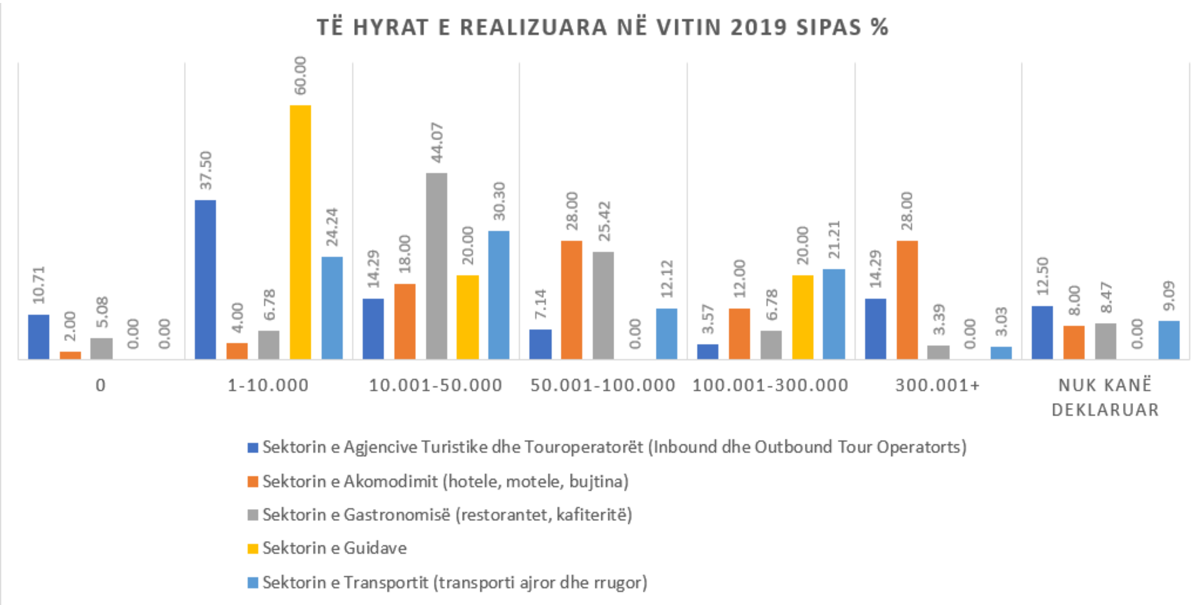

Chart 4: Revenues generated by Tourism businesses in 2019

Revenues generated during 2020

Chart No. 5 indicates that businesses with annual revenues of € 1-10,000 include the Guides Sector with 80%, the Travel Agencies Sector with 39.29% followed by the Gastronomy Sector with 33.9%.

Businesses that, during 2020, had annual revenues of € 10,001-50,000 include the Transport Sector with 55.88%, the Gastronomy Sector with 42.37%, the Accommodation Sector with 34%, and the Guides Sector with 20%.

The table shows that the most significant decrease has been marked among businesses that have annual revenues of € 50,001-100,000, namely the Gastronomy Sector by 10.17%, the Accommodation Sector by 8%, and the Travel Agencies and Tour Operators Sector by 3.57%.

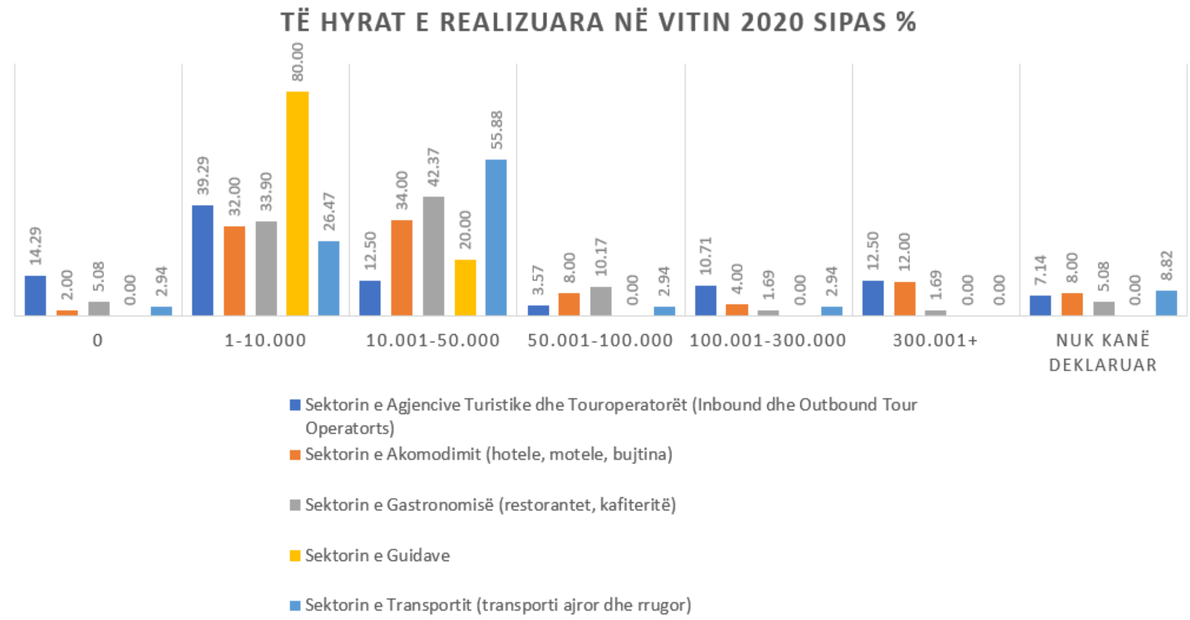

Chart 5: Revenues generated by tourism businesses in 2020

Comparative analysis of revenues for the years 2019 and 2020

If we compare the data of 2019 and 2020, we note that the vast majority of businesses could not generate revenues of more than € 50,000.

Around 28% of businesses from the Accommodation Sector generated revenues over 300,000 € during 2019, while during 2020 most of the businesses in this sector or, if expressed in percentage, 34% of them have failed to generate revenues of more than 50,000 euros.

21.21% of businesses from the transport sector had generated revenues from € 101,000 to € 300,000 during 2019, while only 2.94% of businesses from the same sector managed to generate such revenues during 2020.

If we compare the revenues for Tourist Guides, we can notice that this sector has been the most affected. No guide has managed to generate revenues of more than € 50,000 for their businesses during 2020, while the same sector, with about 20% of them had managed to generate up to € 300,000 in revenues during 2019.

Average losses during 2020 by sectors

Based on the average revenue for tourism businesses, if we compare the average revenue in 2019 to that of 2020 by tourism sectors, it turns out that each tourism sector has suffered a loss. As shown in Table 1, the Guides Sector has suffered a loss of 82.71% during 2020 compared to 2019, followed by the Accommodation Sector where there is a loss of 74.84%, the Transport Sector has suffered a loss of 71.26%, the sector of Travel Agencies and Tour Operators suffered a loss of 66.59% and the Gastronomy Sector suffered a loss of 55.53%.

Sektorët	Përqindje
Sektorin e Guidave	-82.71%
Sektorin e Akomodimit (hotele, motele, bujtina)	-74.84%
Sektorin e Transportit (transporti ajror dhe rrugor)	-71.26%
Sektorin e Agjencive Turistike dhe Touroperatorët (Inbound dhe Outbound Tour Operatoı	-66.59%
Sektorin e Gastronomisë (restorantet, kafiteritë)	-55.53%

Table 1: Average losses during 2020, according to revenues generated by tourism businesses, in comparison to 2019

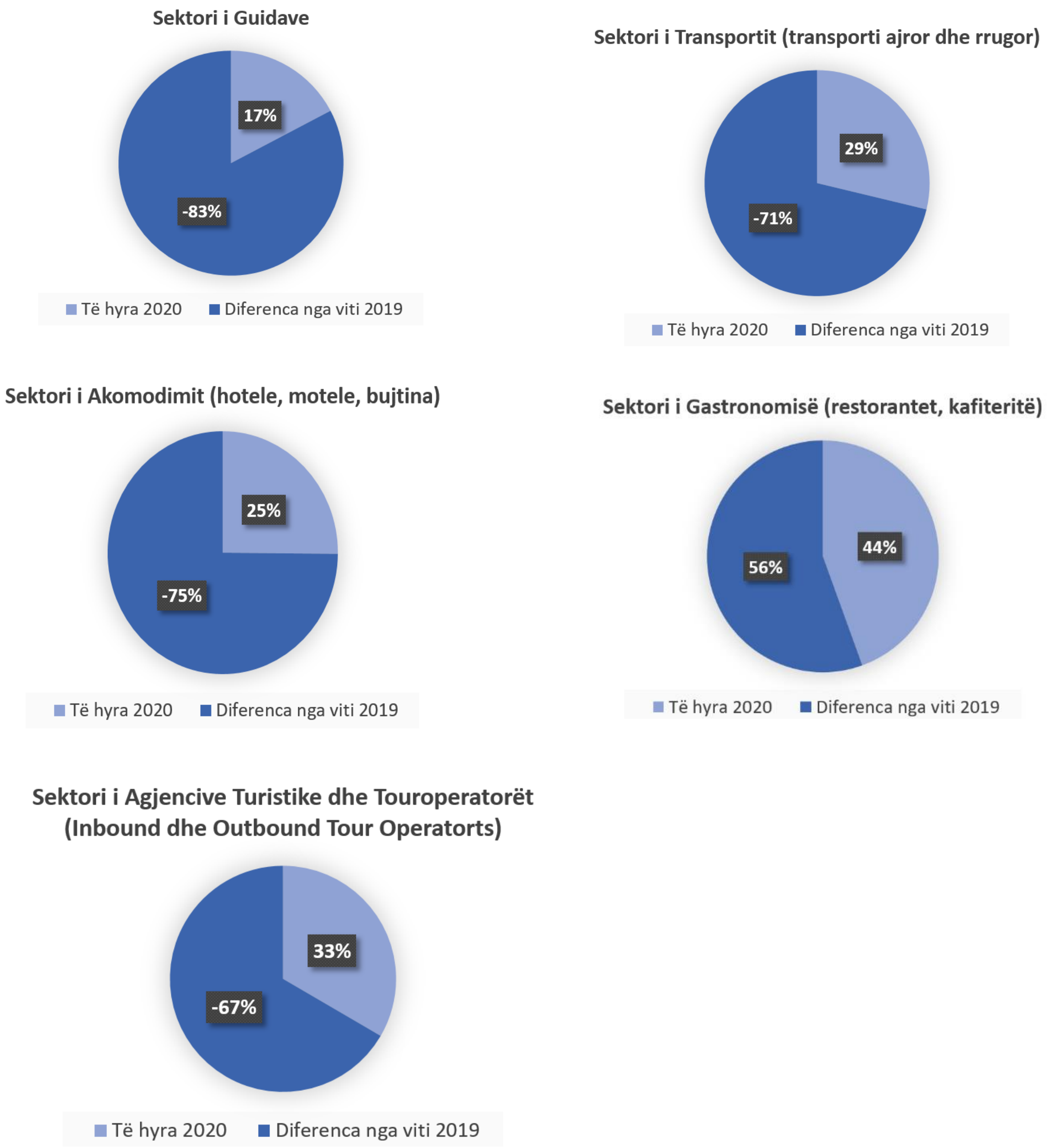

Figure 6: Percentage of losses during 2020, according to revenues generated by tourism businesses, in comparison to 2019

The support needs of businesses in the tourism sector

In the question "what are the support needs?", it can be noticed that the biggest need is "Subsidizing the salaries of workers. All sectors by percentage have resulted in over 30%. There is also an urgent need for support in providing operational grants to businesses. Interest-free loans are also seen as a significant aid. Tax cuts or deferrals do not seem to have a strong impact on business support, with the highest percentage appearing to be in the Gastronomy sector with only 16.67%.

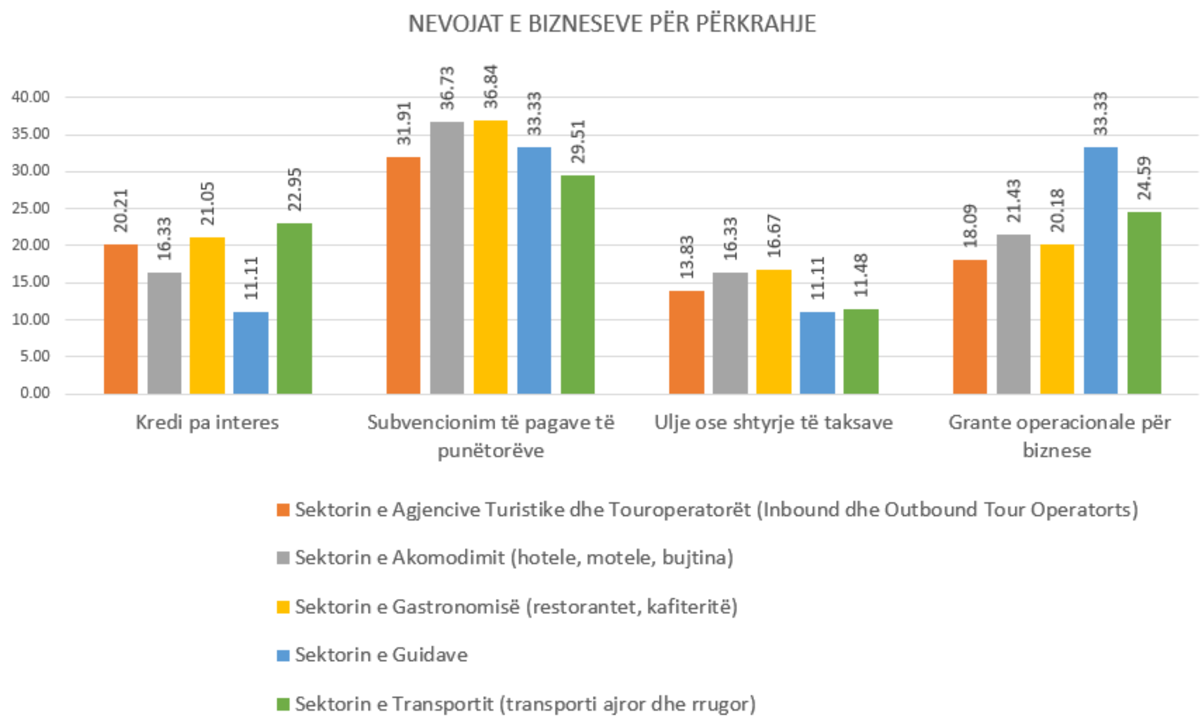

Chart 8: Business needs for support

Conclusion

Countries of the region have taken special facilitation measures for the tourism sector and have treated tourism as a priority sector that needs government support. In the countries of the region, governments have taken direct measures that aim to increase revenues for the private tourism sector. The same have stimulated the growth of domestic tourism as foreign tourists still face travel obstacles due to numerous preventive procedures taken against Covid-19 or due to border closures during the pandemic.

From what the tourism businesses have declared over the course of this research, we can conclude that the tourism sector in Kosovo has been directly affected by the Covid-19 pandemic. Based on the answers given by the respondents in this research it is noticed that the pandemic has resulted in a decrease of revenues during 2020 in every sector. The sector that has suffered the most decrease in revenues is the Guides Sector, followed by Accommodation, albeit, with a small difference, with also the Transport Sector marking a decrease. Likewise, Travel Agencies and Tour Operators as well as Gastronomy saw very large decrease in revenues during 2020. Therefore, it is recommended to take measures for the recovery of the Tourism Sector as a whole, with measures to subsidize tourism businesses in accordance with the damages caused by pandemic.

The main financial problems tourism businesses faced during 2020 turn out to be two identical problems for almost all tourism businesses. These are the payment of staff salaries as well as the payment of rent and utilities. While problems like loan repayment, supplier payment or utility payment have proven less challenging during the pandemic in comparison to the first two mentioned above.

This research shows that many tourism businesses have laid off staff or may lay off staff as a result of the impact of the pandemic and their inability to cope with financial obligations.

Therefore, based on this research, the government and all policy makers at the central or local level, as well as other donor organizations are recommended to plan new measures for the recovery of the tourism sector and compensation of damages caused by the pandemic as well as for salaries of employees who have lost their jobs.