Research Paper | Tourism

Impact of Euro Crisis on the Tourism Industry in Euro Zone

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ABSTRACT

Euro Zone also pronounced as euro area is an official economic and monetary union of 18 members who are also the official members of the European Union which is a pre-requisite for joining the euro zone. These 18 member nations have the official currency of euro. The elite zone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, The Netherlands,Portugal,Slovakia,Slovenia,SpainTourism is a vital motivator for almost all the euro zone nations as it helps in reducing the deficit of balance of payments thereby boosting employment,generating income and contributing to overall regional development.This paper focuses primarily on the euro zone and the impact of the euro crisis on the tourism industry in the euro zone. Suggestions and recommendations are made for the revival of the euro crisis through tourism which can prove to be a major economic tool for reviving the economies of the euro zone members.

KEYWORDS Euro Zone, Tourism Industry, Euro Crisis

Introduction:
Future of the euro zone remains uncertain and the tourism industry will be severely impacted by the euro zone crisis. Reduced spending and increased frugality would result in rising unemployment, lower disposable income in member nations and reduced intra regional travel and spending. This zone saw growth in arrivals from emerging economies such as Russian Federation, China and Brazil. The strength of euro has also weakened against the major hard currencies.Monaco,San Marino, Vatican City,Andorra,Kosovo and Montenegro have also adopted euro but these nations do not form a part of euro zone .So they will be hardly affected.

In the aftermath of the euro crisis bailout packages and rescue funds have supported Hellenic Republic of Greece,Portugal,Ireland,Spain and Italy. These nations are facing severe economic depression due to high deficits and debts which needs to be brought under control. Due to euro crisis the tourism industry will be severely affected and will have high level impact on Europe's airlines and accommodation units as tourists would slash their travel budgets and prices would plunge.

Table I : Members of the Euro Zone

EURO ZONE MEMBERS	ADOPTION OF EURO	POPULATION
1.FRANCE	01/01/1999	53.8
2.GERMANY	01/01/1999	38.8
3.ITALY	01/01/1999	42.9
4.BELGIUM	01/01/1999	11.3
5.NETHERLANDS	01/01/1999	14.4
6.LUXEMBOURG	01/01/1999	4.5
7.SLOVENIA	01/01/2007	35.9
8.ESTONIA	01/01/2011	6.1
9.IRELAND	01/01/1999	4.6
10.GREECE	01/01/2001	14.6
11.SPAIN	01/01/1999	59.8
12.PORTUGAL	01/01/1999	11.3
13.AUSTRIA	01/01/1999	19.8
14.FINLAND	01/01/1999	3.6
15.LATVIA	01/01/2014	13.8
16.MALTA	01/01/2008	7.6
17.CYPRUS	01/01/2008	2.5
18.SLOVAKIA	01/01/2009	2.4

Table II: International Tourist Arrivals in 2010 &2011 in the European Union

NATIONS OF EUROPEAN UNION WITH THE YEAR OF JOINING THE EU DEPICTED IN BRACKET	INTERNATIONAL TOURIST ARRIVALS (2010) (MILLION)	INTERNATIONAL TOURIST ARRIVALS(2011) (MILLION)
1.FRANCE (1952)	77.1	79.5
2.GERMANY (1952)	26.8	28.3
3.ITALY (1952)	43.6	46.1
4.BELGIUM (1952)	7.2	7.45
5.NETHERLANDS (1952)	10.8	11.3
6.LUXEMBOURG (1952)	0.79	0.54
7.UNITED KINGDOM (1973)	28.2	29.2
8.DENMARK (1973)	8.74	8.9
9.IRELAND (1973)	6.5	7.1
10.GREECE (1981)	15.0	16.4
11.SPAIN (1986)	52.6	56.6
12.PORTUGAL (1986)	6.8	7.4
13.AUSTRIA (1995)	22.0	23.0
14.FINLAND (1995)	3.6	4.1
15.SWEDEN (1995)	4.9	5.0
16.CZECH REPUBLIC (2004)	8.6	8.7
17.CYPRUS (2004)	2.1	2.4
18.SLOVAKIA (2004)	1.3	1.4
19.SLOVENIA (2004)	1.8	2.0
20.MALTA (2004)	1.3	1.4
21.POLAND (2004)	12.4	13.3
22.HUNGARY (2004)	9.5	10.2

23.ESTONIA (2004)	2.1	2.4
24.LATVIA (2004)	1.3	1.4
25.LITHUANIA (2004)	1.5	1.7
26.BULGARIA (2007)	6.0	6.3
27.ROMANIA (2007)	1.3	1.5
28.CROATIA(2013)	9.1	9.9

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Table III: International Tourism Receipts in 2010 &2011 in the European Union

NATIONS OF EUROPEAN UNION WITH THE YEAR OF JOINING THE EU DEPICTED IN BRACKET	INTERNATIONAL TOURISM RECEIPTS (2010) (USD BILLION)	INTERNATIONAL TOURISM RECEIPTS(2011) (USD BILLION)
1.FRANCE (1952)	46.5	53.8
2.GERMANY (1952)	34.6	38.8
3.ITALY (1952)	38.7	42.9
4.BELGIUM (1952)	10.3	11.3
5.NETHERLANDS (1952)	12.8	14.4
6.LUXEMBOURG (1952)	4.1	4.5
7.UNITED KINGDOM (1973)	32.4	35.9
8.DENMARK (1973)	5.7	6.1
9.IRELAND (1973)	4.0	4.6
10.GREECE (1981)	12.7	14.6
11.SPAIN (1986)	52.5	59.8
12.PORTUGAL (1986)	10.0	11.3
13.AUSTRIA (1995)	18.5	19.8
14.FINLAND (1995)	2.9	3.6
15.SWEDEN (1995)	11.0	13.8
16.CZECH REPUBLIC (2004)	7.1	7.6
17.CYPRUS (2004)	2.1	2.5
18.SLOVAKIA (2004)	2.2	2.4
19.SLOVENIA (2004)	2.5	2.7
20.MALTA (2004)	1.0	1.2
21.POLAND (2004)	9.5	10.7
22.HUNGARY (2004)	5.4	5.6
23.ESTONIA (2004)	1.0	1.2
24.LATVIA (2004)	0.6	0.8
25.LITHUANIA (2004)	1.0	1.3
26.BULGARIA (2007)	3.6	3.9
27.ROMANIA (2007)	1.1	1.4
28.CROATIA(2013)	8.2	9.2

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Recommendations and Suggestions:

Impact on the tourism demand can be understood by the correlation between actual arrival performance and its reflection on GDP in monetary terms.2012 was not a spectacular year for Europe as it struggled through economic depressions, financial bailout packages.Economic slow down was comparatively lower in Germany.It is expected that nations in the north of the euro zone would experience small declines whereas remaining PIIGS(Portugal,Italy,Ireland,Greece,Spain) would be severely affected by the economic crisis. Future of euro zone is grim and will remain depressed.The economic depression would result in lower disposable incomes and rising unemployment. The glimmer of hope are the emerging economies of Russian Federation,Brazil,China who continue to form a large inbound travel segment to the euro zone. Air Transportation will also be severely affected by euro zone crisis. Mergers and acquisitions is the only solution for consolidation of the tourism industry in Europe. Many western European destinations have recorded declines in hotel occupancy including Greece, Italy,France,Belgium,Ireland,Nethelands.Tourism can be the only savior for reviving the ongoing economic turbulence in the euro zone.

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