



The Resilience of the Greek Tourism Sector Ensures Growth Prospects for the Greek Economy: A Note

George Myron Agiomirgianakis^{1,3,4*} , George Sfakianakis^{2,3,4} 

¹Department of Accounting and Finance, Hellenic Mediterranean University, Heraklion (Crete), Greece

²Department of Business Administration, National and Kapodistrian University of Athens, Athens, Greece

³Hellenic Scientific Institute on the Economics of Education & Life-Long Learning, Research and Innovation, Athens, Greece

⁴Hellenic Open University, Patras, Greece

Email: *georgeagios@hmu.gr

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Abstract

In this short paper, we present data on the Greek Tourism sector for the last twenty years to demonstrate our view that this very important sector of the Greek economy has withstood consecutive adverse shocks during this period without significant losses to its competitive position at the international level. Thus, by proving the resilience of this specific sector (a unique case among the sectors of the Greek economy—matched only by the shipping sector albeit to a lesser degree), we corroborate that tourism has supported the growth dynamism of the Greek economy during difficult times; moreover, based on its contribution in the past, specific comparative advantages and current favourable prospects, it could well prove to be a “reliable” driver of growth also during the recovery period and the medium-term as well.

Keywords

Tourism, Resilience, Growth Impact, Growth Prospects, Competitive Position

1. Introduction

Greece was, according to most researchers and policymakers alike, most hardly hit by the financial crisis of 2007-8. At the time when it seemed to be returning on a positive growth track, the COVID-19 pandemic derailed it again—along with many other countries worldwide. However, even before the pandemic, Greece was on the quest for growth drivers suitably chosen in order to help end

the almost decade-long recession. The tourism sector is by far the most important sector of the Greek economy with estimates on its overall contribution to GDP ranging from 27.5% to 33.1% (for example, and among others, [INSETE \(2019\)](#); [Magoutas et al. \(2020\)](#)) depending on the source used (resulting to very high expenditure multipliers ranging from 2.2 to 2.65 respectively—see section 3 for sources). The figures for the contribution of the sector to total employment are equally impressive although caution in reporting them is advised because of the fact that part of these job positions pertain to temporary employment and it is difficult to obtain an estimate of full-time equivalents as these depend on the length of the period establishments operate near full capacity. The fact that the tourism sector is probably the most outward oriented sector of the Greek economy is a typical example of a “mixed blessing” or a “blessing in disguise”. On the one hand, Greece figures very high in international rankings of competitiveness positions and market shares (see data in the following section); but, on the other hand, tourist flows and expenditure are extremely volatile depending on, among others, economic and financial shocks, real (not pertaining to the economic domain) shocks (such as tsunamis, earthquakes or pandemic shocks) and geopolitical events but also widespread rumours and expectations. This characterization of the outward orientation as a “mixed blessing” is the core idea and the main contribution of the paper at hand: given the number of shocks affecting Greece during the last twenty years or so (both national and international), measuring/estimating the resilience of the sector can provide an insight on the prospects for its future contribution to the recovery and, consequently, the growth prospects of the Greek economy, especially in view of the fact that the COVID-19 pandemic is still unfolding. To the best of our knowledge, this is the first study in the literature focusing on the resilience of a specific sector in Greece—thus contributing to existing research ¹.

This note paper is organized as follows. Section 2 presents a historical review and shows the resilience of the Greek tourism sector. Section 3 analyses the contribution and prospects of the tourism sector in Greece, along with the governmental responses to the Covid-19 pandemic. Finally, Section 4 contains concluding remarks. It should be noted here that, as mentioned above, this study is unique in its kind and, as a result, no references can be made to pre-existing literature.

2. Historical Review and Resilience of the Tourism Sector

The main conclusions of the analysis below is based either on hard data (such as tourist arrivals) or on Survey data (such as those used for the compilation of the relevant [World Development Indicators](#))².

¹However, as the data for the most recent period become available, the projections and forecasts of this paper will be tested accordingly.

²It should be noted here that this paper was not meant to be based on econometric analysis as the analysis of the Hard and Survey data mentioned above clearly bring out the point on the resilience of the tourism sector in Greece.

The tourism sector in Greece during the last 20 years has suffered from three distinct adverse shocks, namely:

- 1) The international financial crisis (2008-2009) which affected the global economy and, thus, international tourism flows,
- 2) The debt crisis in Greece (2008-2016) which primarily affected domestic tourism flows but also caused a “cloud” of uncertainty surrounding Greece as a tourism destination country,
- 3) The pandemic stemming from SARS 2/COVID-19, which started in 2019 but is still unfolding.

As mentioned above, the first shock, i.e., the international financial crisis, caused financial uncertainty/instability in most of the tourists’ origin countries, thus resulting in a sharp decline in income and wealth, which in turn created a downfall of tourist arrivals in Greece in 2008 and 2009 (with a fading-out effect for the period after the initial impact).

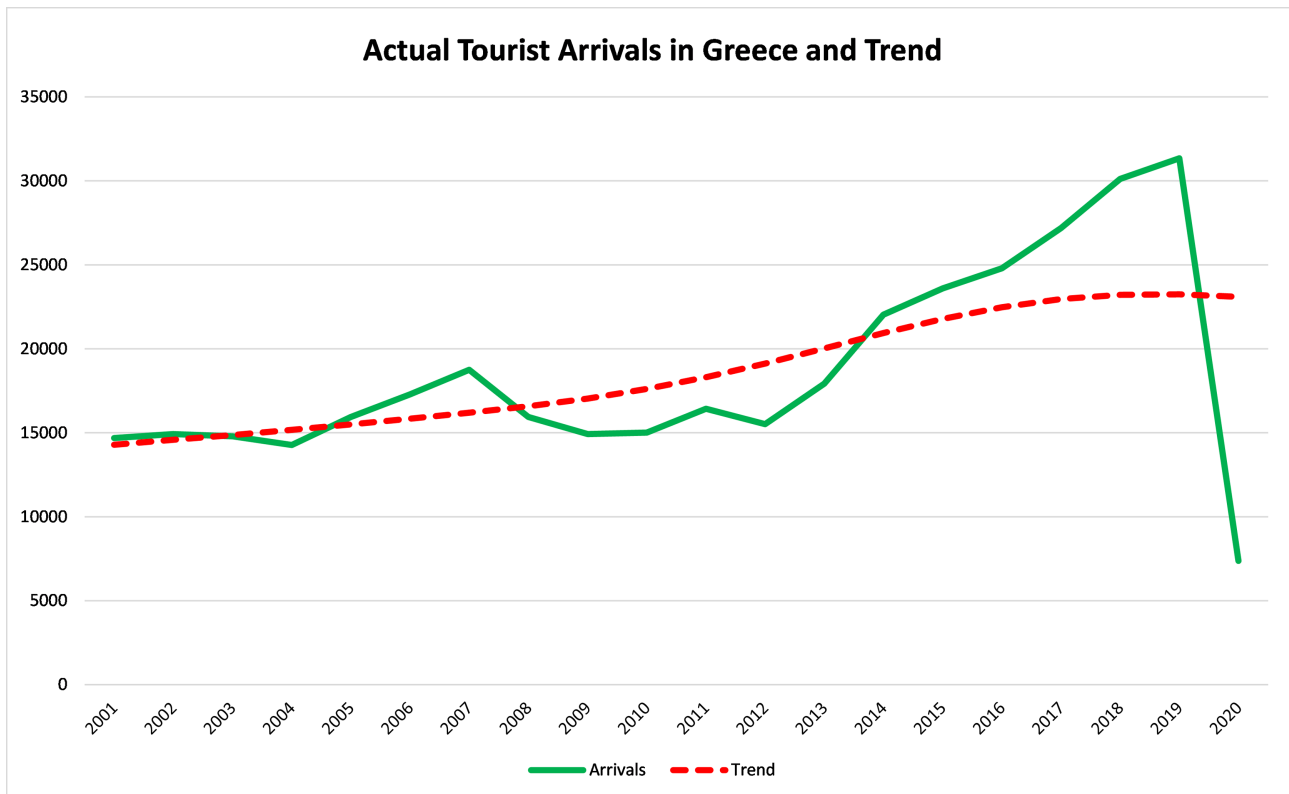
The second shock, initiated from an inability of the public sector in Greece to cover its borrowing requirements (and also the re-financing of its debt) which, in conjunction with the “internal devaluation” economic policy mix imposed to Greece by EU and IMF, resulted in significant losses of real GDP and liquidity shortages for the private sector. The combined effect of the aforementioned factors had a strong negative impact on domestic tourism flows along with difficulties (and a rising cost) of implementing investment projects envisioned or already underway; however, recovering international tourism flows after 2010 restored tourism as a stable and reliable growth driving force for the rest of the decade.

The third shock, the COVID-19 pandemic, put an end to the rising trend of tourist arrivals with a dramatic fall of 76% in 2020 compared to 2019. The “one-million-dollar question”, however, was whether this fall would constitute a complete reversal of the previous trend or an exceptional year (an “outlier” as often termed in economics). The most recent data for reservations and actual arrivals this year strongly support the view that there is no sustainable reversal in the previous trend. This trend is clearly depicted in **Figure 1** with provisional (and still not official) data for 2021, providing observations very close to this trend (shown by the dotted line in **Figure 1**). Greece seems to be emerging as a safe tourism destination country (from a health and hygienic point of view) and, thus, a preferred destination compared to its competitor countries.

Indeed, the international competitiveness of the Greek tourism product has remained more or less stable over the entire period of the three shocks mentioned above, and it is based on specific comparative advantages such as the natural habitat, the cultural heritage, the diversity and quality of tourism infrastructure, the European culture of all those involved in the supply chain of the tourist product, the human capital of the employees in the sector and an easy access to the country—especially for tourists from European countries. Data on the Competitiveness Index as calculated and reported by the **World Economic Forum** are presented in **Table 1** below.

Along the same lines, we should note that throughout this difficult period Greece

has also been gaining ground in the list of preferred destinations at the global level. In **Table 2**, shows the position of Greece as a destination attracting arrivals.



Source: Bank of Greece, 2021.

Figure 1. Actual tourist arrivals in Greece and trend.

Table 1. Competitive position of Greece (travel and tourism competitive index).

	2009	2011	2013	2015	2017	2019
Greece	24	29	32	31	34	25
Total number of countries	140	140	140	141	136	140

Source: World Economic Forum, Travel and Tourism Competitiveness Reports (various issues).

Table 2. Ranking of countries as per total arrivals (position of Greece).

2005	22
2013	23
2014	22
2015	21
2016	20
2017	19
2018	17
2019	15

Source: World Development Indicators, 2021.

Table 3. Market share of Greece in global tourism receipts (% of country receipts in total receipts).

2000	2
2005	2
2010	1.7
2011	1.7
2012	1.5
2013	1.6
2014	1.7
2015	1.5
2016	1.4
2017	1.5
2018	1.6
2019	1.7

Source: *World Development Indicators, 2021* (authors' calculations).

The international status of Greece as a tourist destination is also depicted by its market share in global tourism receipts. This market share, also fairly stable throughout a relatively long albeit difficult period, is presented in **Table 3** below.

3. Contribution and Prospects of the Tourism Sector in Greece

As already mentioned, all the aforementioned comparative advantages (generally about comparative advantages in tourism see *Dwyer et al. (2010)*, *Stabler, (2010)*) are still in place during the last shock but they are topped by the distinction of safety during demanding times: in April 2021 Greece was awarded the “Global Champion Award for COVID-19 Crisis Management” prize by the World Travel & Tourism Council (WTTC). As a result of all the above, the season for tourism was launched according to the original schedule (May 15th) and everything seems to be functioning as planned (with only minor and short-lived/provisional measures affecting specific regions). The initial forecast of the whole year (regarding both arrivals and revenue) may well prove to be too conservative with the actual outcome overshooting them. Should this be the case, the current year could constitute a sound base for growth of the tourism sector in the years to come (also building on delayed/postponed travel plans due to the pandemic). Moreover, the provisional data for real GDP growth for the second quarter of the year (16.2% yoy, *IMF (2021)*, *OECD (2021)*) point in the direction of the tourism sector remaining the main driver of growth for the economy as a whole (with exports of services increasing by 28.8% yoy—an accomplishment attributed almost exclusively on the rebound of tourism arrivals and receipts during the corresponding period).

Indeed, data from INSETE included in a recent study on the contribution of tourism to growth in Greece (INSETE, 2019) show that the total (direct and indirect) contribution of the tourism sector to GDP in 2019 varies from 27.5% to 33.1% depending on the source used (with expenditure multipliers ranging from 2.2 to 2.65—see also FEIR, (2012)). Based on the most conservative of these estimates (27.5% of the sector as a ratio to GDP and a 2.2 multiplier), the tourism sector in its broad definition could potentially contribute 2.7 percentage points to GDP growth in 2019 (authors' calculations)—albeit with other sectors mostly slowing down this extremely significant boost to growth (thus resulting to a lower recorded growth rate of the real GDP).

The provisional data on services mentioned above show that it is foremost the tourism sector that can sustain the favourable estimates for growth in 2021 (ranging from 4.3% by the European Commission to more than 6% as recently stated by the Governor of the Bank of Greece).

4. Conclusion

Based on all the above, we can safely conclude that the tourism sector is more than vital to the Greek economy and has proved to be the most significant pillar of its growth performance. Moreover, the Greek tourism sector has been resilient, withstanding all adverse shocks during the last 20 years. The specific sector not only retained its brand name and its ranking in various comparative indices but also improved its position as in the case of international competitiveness ranking (especially taking into account that this improvement occurred amidst the COVID-19 pandemic).

As already mentioned, the fact that the tourism sector proved to be extremely resilient faced with three major shocks in a relatively short period along with the comparative advantages and favourable prospects outlined above could probably be proof enough that the Greek economy can still count on the specific sector as a sustainable growth driver in the short to medium term. Along these lines, policymakers in Greece should contemplate relevant measures to sustain (to say the least) the momentum of this sector. Such measures could include fiscal measures (reduction of the VAT rate, more regions and diversified grants to be included in the forthcoming Incentive Laws³) along with structural measures (including the simplification of Environmental Studies and the licensing procedure for new and existing units alike⁴).

Compliance with Ethical Standards

We hereby declare:

1) Conflict of interest: Professor Agiomirgianakis has no conflict of interest. Professor Sfakianakis has no conflict of interest.

³It could be expected that the additional fiscal cost of these measures could almost certainly be covered by additional revenue accruing from increasing tourism activity.

⁴In any case bearing in mind that tourism growth should not impair the natural beauty of specific regions or archaeological sites.

2) Ethical approval: This article does not contain any studies with human participants or animals performed by any of the authors.

3) None of the authors has received any funding from any source.

Data Availability Statement

The datasets generated during and/or analysed during the current study are available from the corresponding author on reasonable request.

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