



# Romanian Tourism

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Long-term investment  
in pure nature and  
history

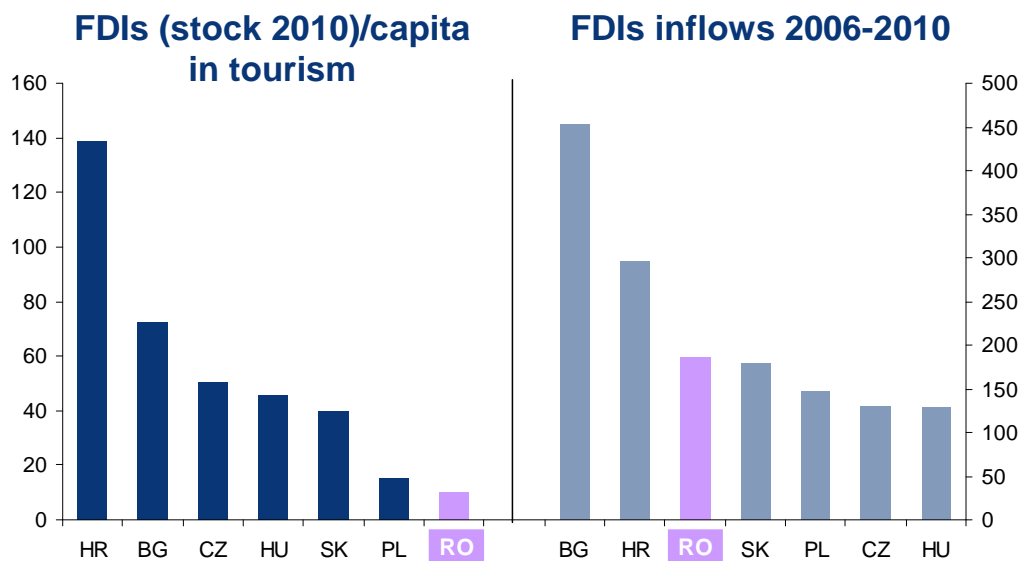


- November 2011 -



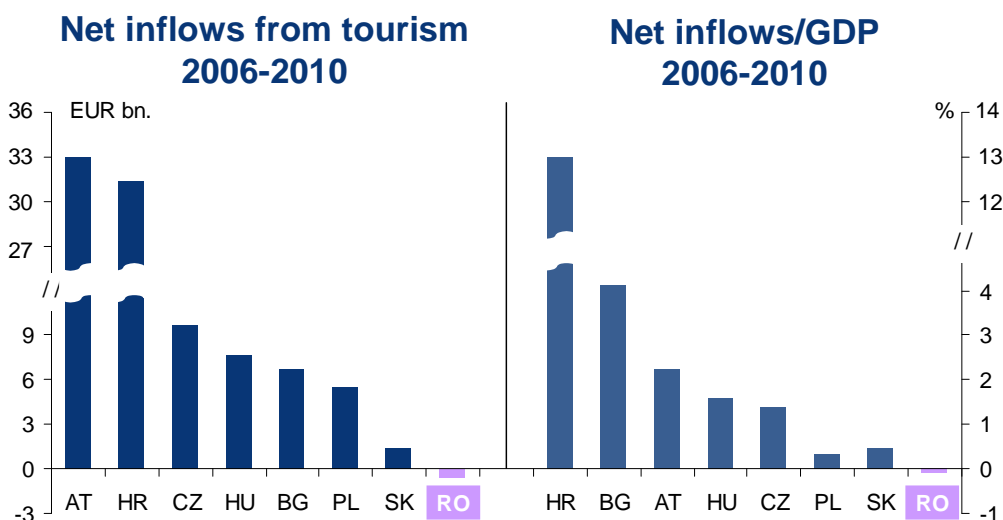
- **More foreign tourists, more tourism activity;** with one of the highest potentials in tourism in the region (natural landscape and biodiversity), Romania is pretty slow in attracting foreign visitors, who spend 12 times more on average than resident ones.
- **More FDIs, more know-how, better services;** this will lay the foundations for a wider base of foreign tourists and longer holiday stays in tourist facilities in Romania
- **More investments, higher income in the balance of tourism, improved performance of the C/A;** organic investments combined with foreign capital in tourism could generate additional inflows in the balance of tourism estimated at up to **EUR ~1-1.5bn in 2016.**
- **More and better road infrastructure, easier access to local tourist attractions;** both coverage and quality should be developed so as to bring road infrastructure closer to the European benchmark; road transportation prevails when travelling from one destination to another.
- **Higher education, better grasp of today's tourism realities;** employment education is an important asset for tourism industry; primary education holds an important share in total employment in Romania; possible negative impact on the quality of service and travelling conditions for foreign tourists.
- **Continuation of well-focused marketing campaigns, higher position of Romania on tourist map;** promoting Romania's image abroad has started to pay off and the number of foreign arrivals in our country rose 11% y/y in the first seven months of 2011, while gross inflows in the balance of tourism were up 16% y/y during January and July.

# Insufficient FDIs in tourism stripped Romania of potential wealth



Source: Eurostat

- Romania came third in terms of FDI inflows in tourism during 2005-2009 with around EUR 186mn; Bulgaria was in a much better position, raking in more than EUR 450mn during the same period, which shows a greater propensity towards this particular area of activity

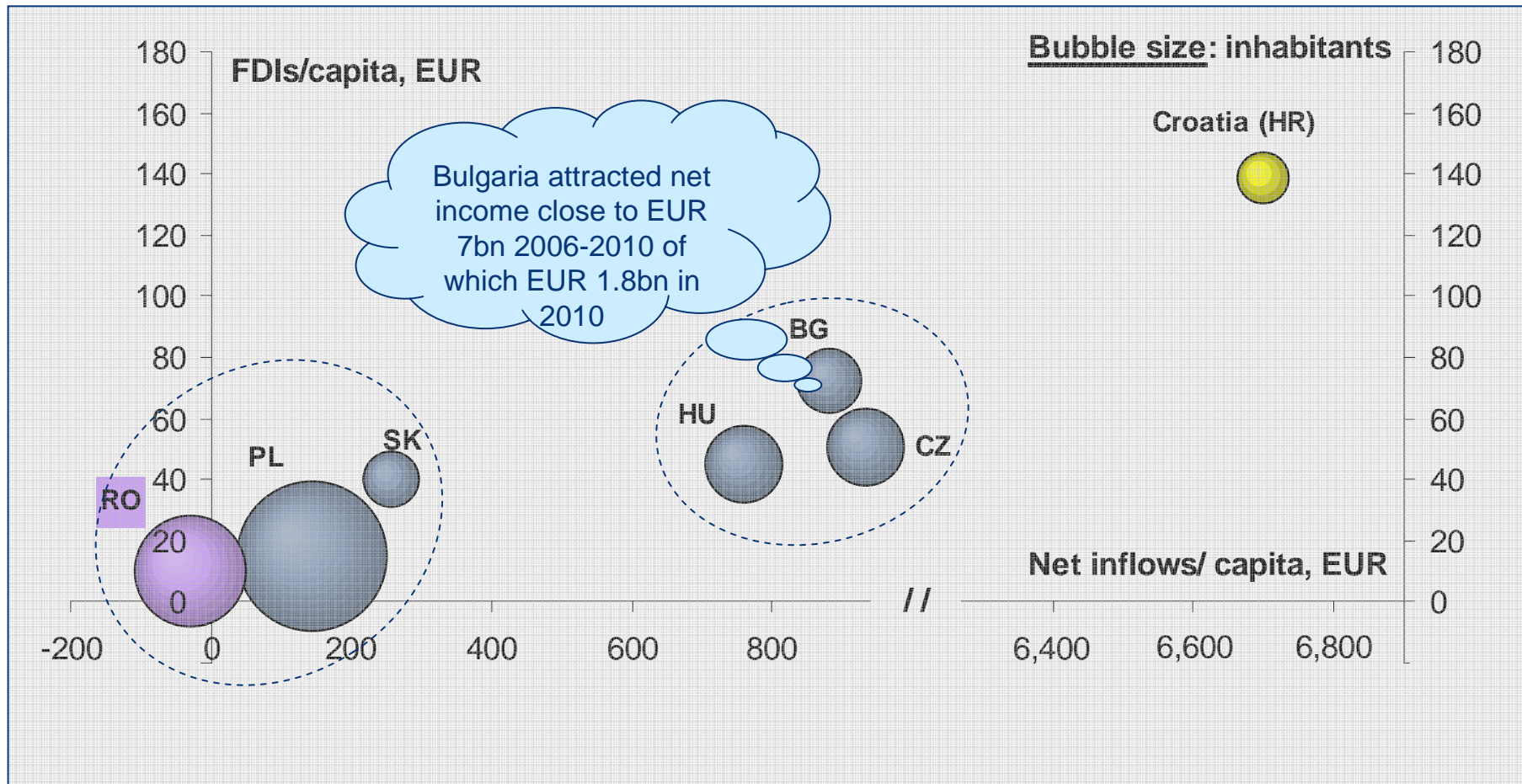


Source: Eurostat

- Romania is the only country within the group that posted a negative aggregate income in the balance of tourism 2006-2010; Croatia is a top dog, earning almost EUR 30bn in only five years; under similar conditions, the C/A deficit of Romania 2006-2010 would have stood at less than 4% of GDP instead of ~9%.

# Tourism profile varies from one country to another

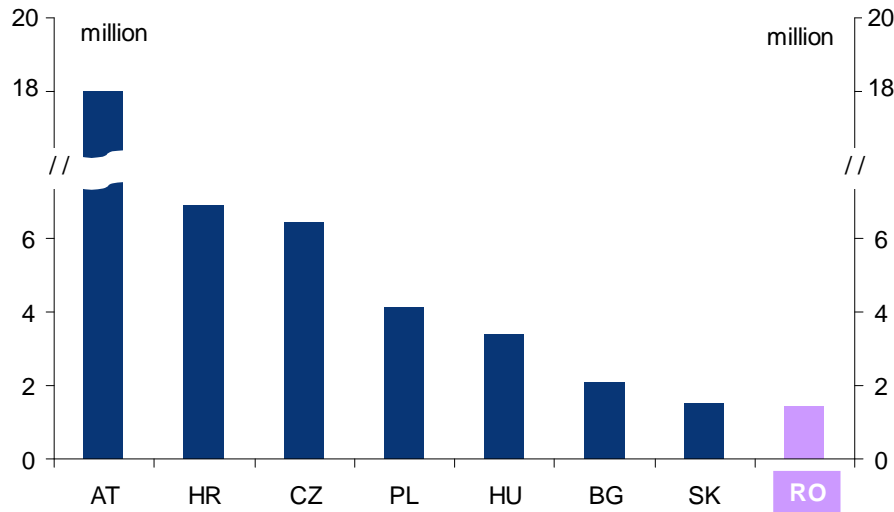
## Status of tourism across Central and Eastern Europe



Source: Eurostat

# The vast majority of foreign tourists visiting Romania come to spend their holiday

Arrivals of foreign tourists 2006-2010 yearly average



Source: Eurostat

- Austria, Croatia and the Czech Republic have by far the highest check-in rates for foreign visitors; ~5 times more foreign tourists put up at a hotel in Croatia than in Romania, which is closer to the numbers reported by Slovakia and Bulgaria.

The purpose of visiting a country (2006-2010)

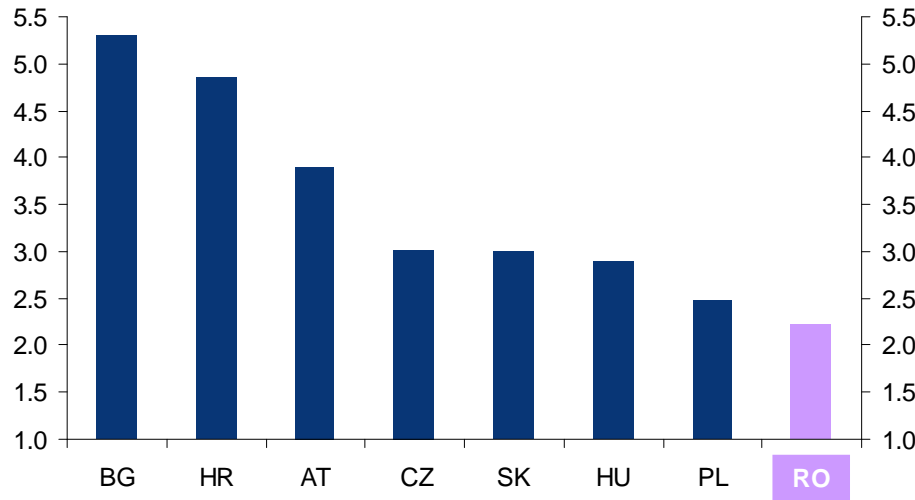


Source: Eurostat

- 90% of the foreigners come to spend their holiday in Romania, which is more or less the case for Hungary; at the other end of the scale, Poland holds a higher share of foreigners coming for business purposes (>22%), which could mean that that country is a preferred business destination.

# Longer holiday stays in Bulgaria than in Romania

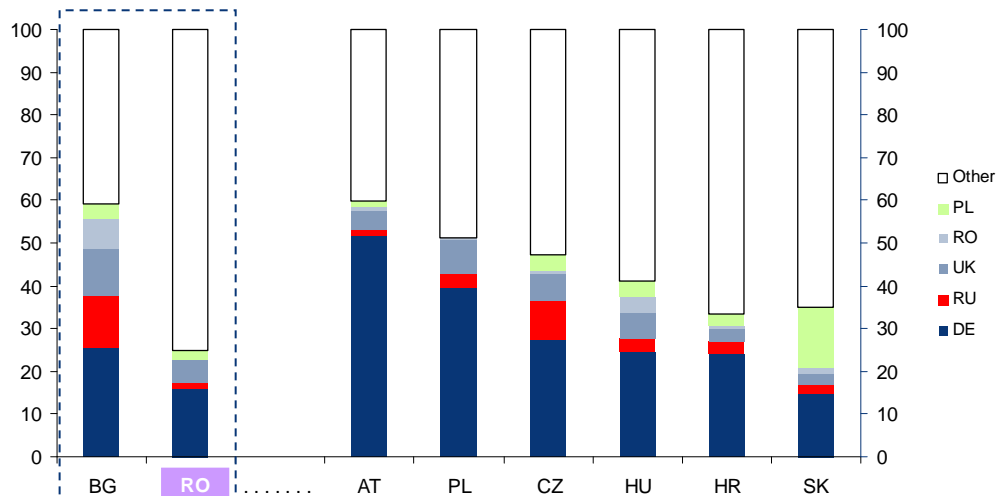
Average stay of non-resident tourists (nights)



Source: Eurostat

- Foreign tourists spend more than twice the time in Bulgaria than in Romania, which is quite something, considering that the largest part of foreign tourists come to Romania for holiday purposes; Bulgaria and Croatia are the two main competitors in terms of average stay per arrival.

Top 5 visiting countries in Bulgaria and selected countries (nights spent)

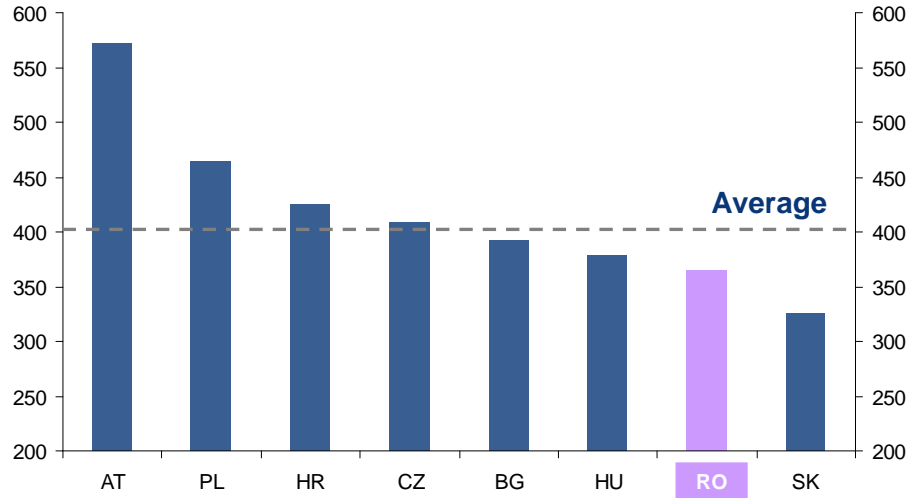


Source: Eurostat

- Top 5 visiting countries in Bulgaria have a lower profile in Romania (~30%); Germany is no.1 in terms of nights spent and here again Bulgaria manages to outstrip Romania; Germans make up more than 25% of the total tourist base, while Romania is trailing well behind with only 16% of the total.

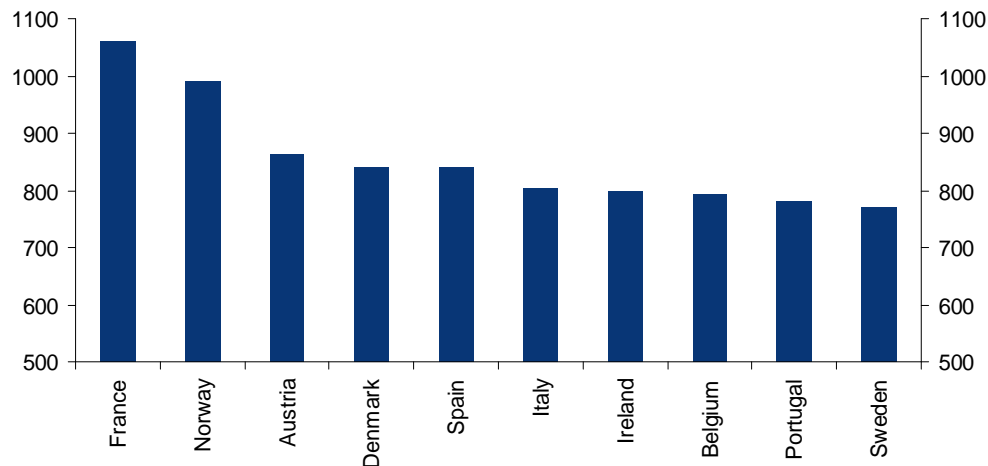
# Who spends what and who spends the most

How much money the top 5 visiting countries spend per trip (EUR)



- Foreign visitors spend less money in Romania than in Bulgaria; service quality combined with poor infrastructure squeeze the country's capacity to earn more money; Romania must put its best foot forward for acquiring new FDIs in tourism in order to develop both infrastructure and know-how.

Top 10 European countries spending the most (EUR/trip)

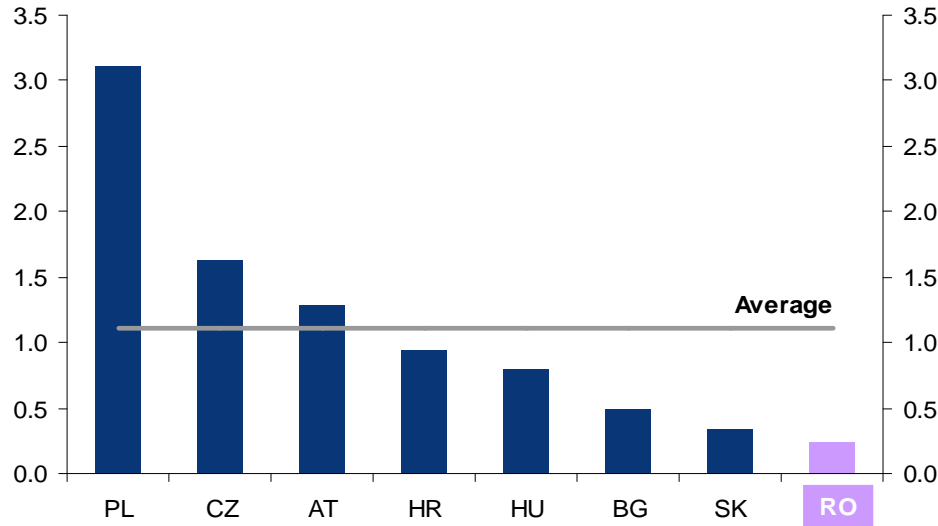


- Romania should focus more on attracting tourists from countries that tend to spend the most per trip; out of the top 10 countries spending the most, Romania is visited only by France and Italy; tourists' financial spending profile is also important when it comes to improving the numbers in the balance of tourism.

Source: Eurostat

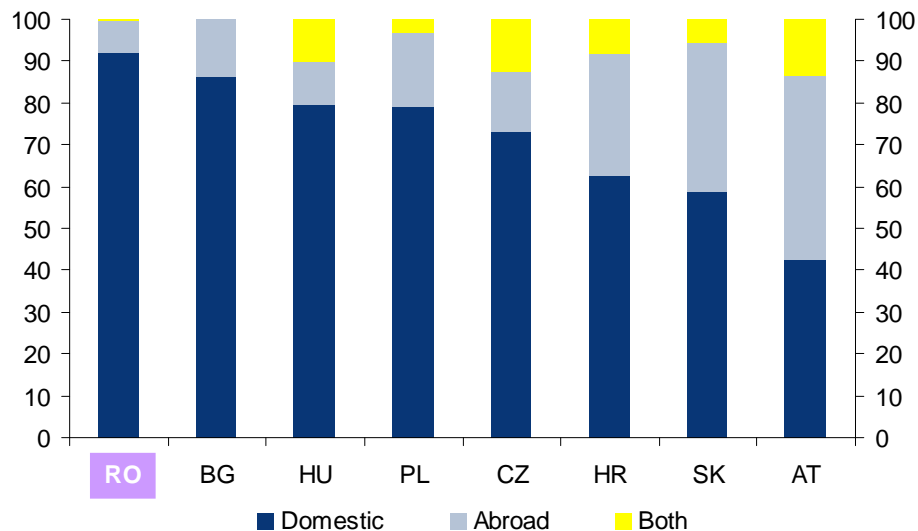
# Domestic travelling – high profile in Romanian and Bulgaria

No. of trips/inhabitant



Source: Eurostat

Travelling destination



Source: Eurostat

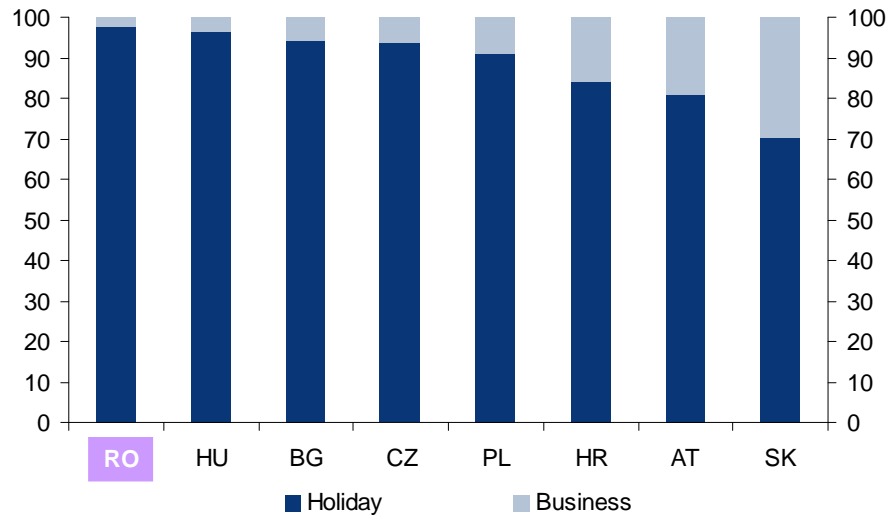
- The financial situation and living conditions could be the main causes for weak tourism participation; more than one out of four people in the EU reported facing financial constraints, whereas in Romania three out of four individuals cannot afford a one-week annual holiday.

- Romanians and Bulgarians prefer travelling domestically, while all others in the group have a greater profile of travelling abroad.



# Travelling purposes of resident tourists

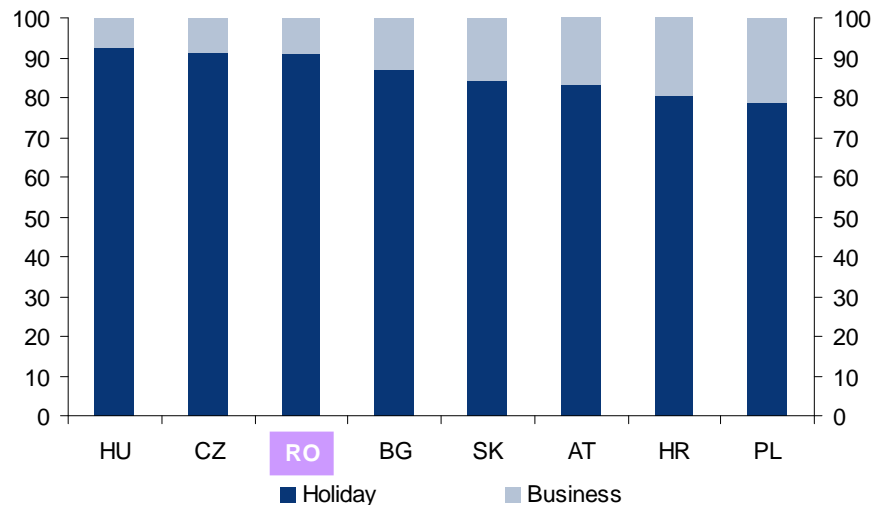
## Domestic travelling



Source: Eurostat

- Almost 98% of Romanians spend their vacation domestically and the situation is pretty much the same in Hungary; in the EU, more than 3/4 holiday trips made by residents were within their country of residence.

## Travelling abroad

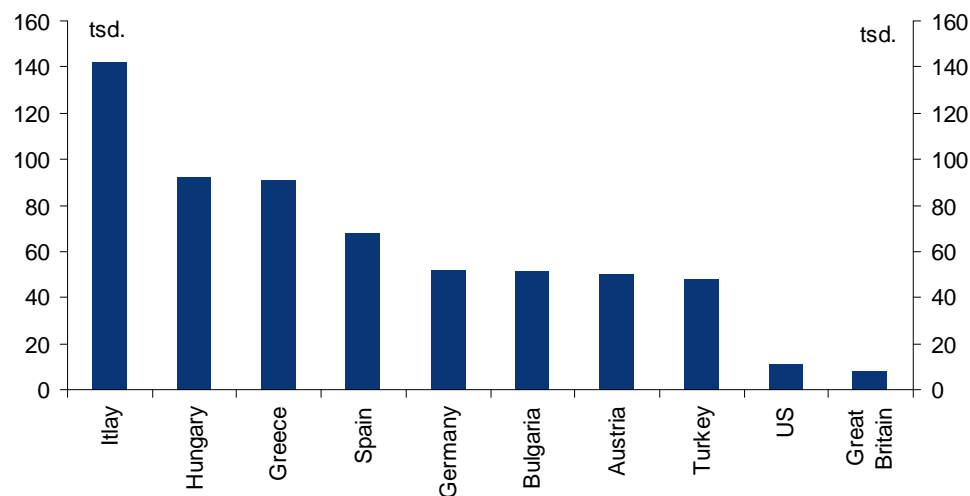


Source: Eurostat

- Only residents of Netherlands, Slovenia, Belgium and Luxembourg tend to spend most of their holiday outside their home countries; business trips abroad among resident tourists have a higher profile in Poland, Croatia and Austria.

# Italy, Hungary and Greece preferred holiday destinations for Romanians

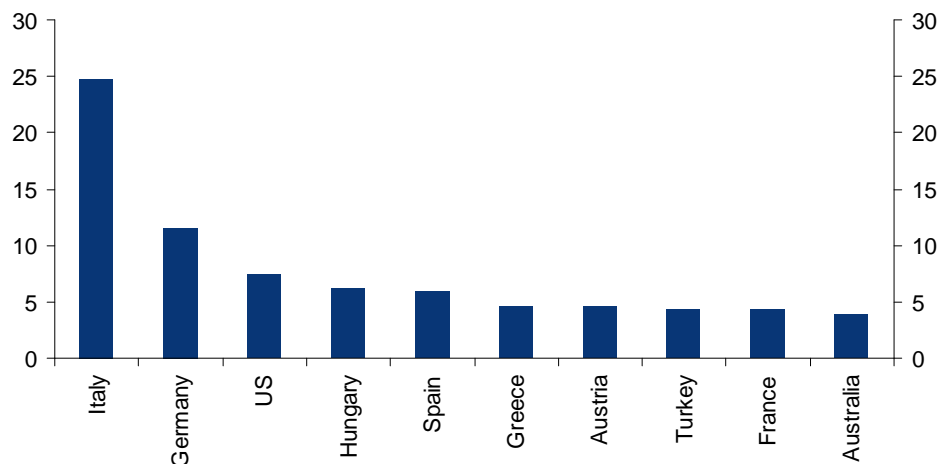
### Holiday destinations for Romanians



Source: Eurostat

- Italy, Hungary and Greece are the most common holiday destinations for Romanians; travelling to Italy could also be related to the large number of Romanians working abroad (family visits).

### Business destinations for Romanians

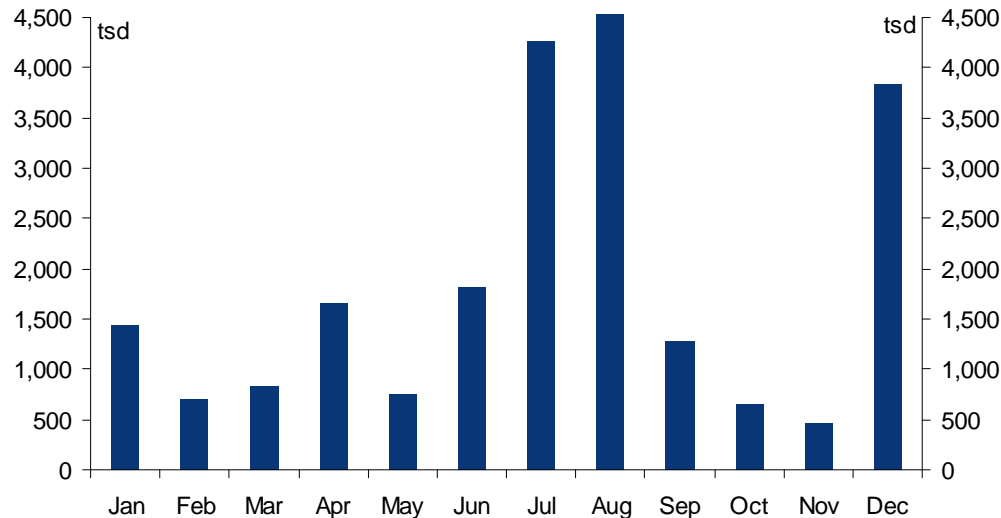


Source: Eurostat

- Italy and Germany are the main foreign trade partners for Romania; around 30% of foreign trade is done with these two countries; the two-fold increase in foreign trade with the US in the last 10 years may have prompted a rise in business trips to the US.

# July and August – the busiest months of the year

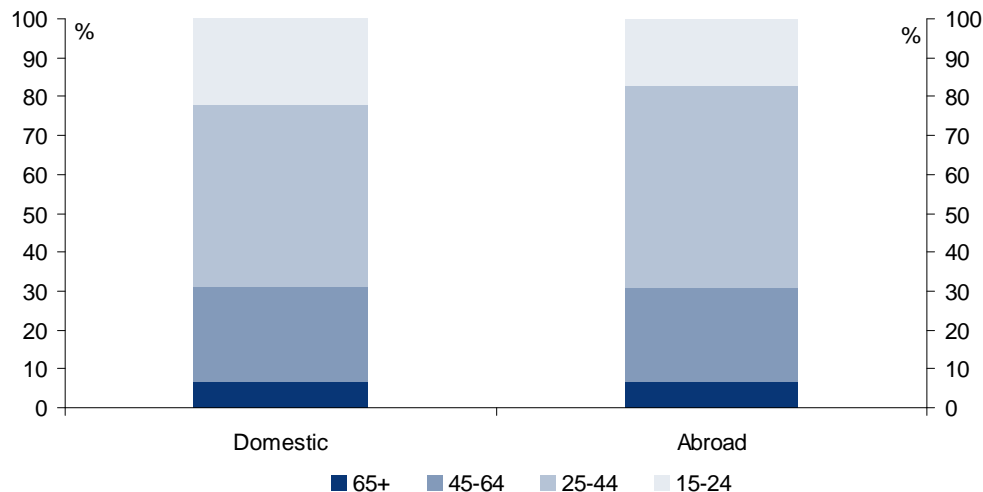
Time of departure for Romanian tourists (2006-2010)



Source: Eurostat

- July and August are the busiest months, cumulating around 30% of total nights spent in local hotels and other collective accommodations (EU27: 34%); Bulgaria manages to concentrate around 36% of total nights spent in these two peak months.

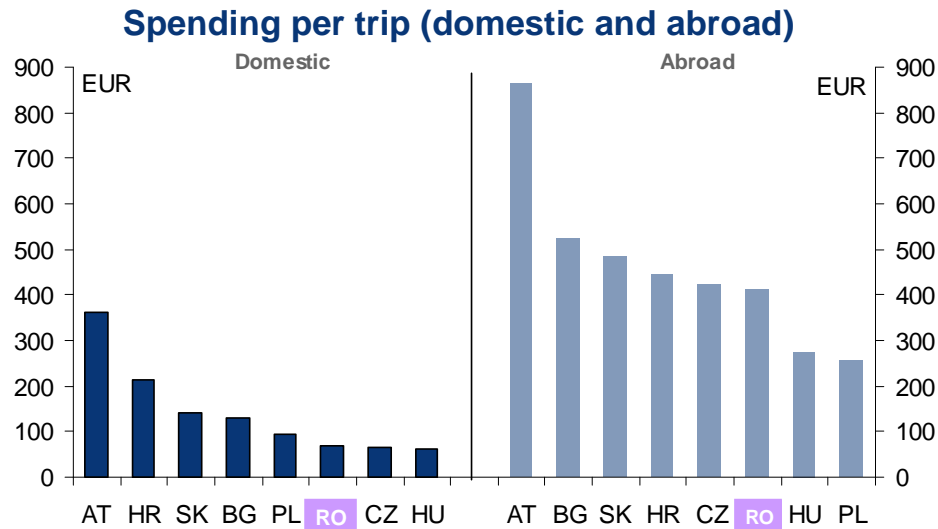
Age groups of Romanians going on holiday



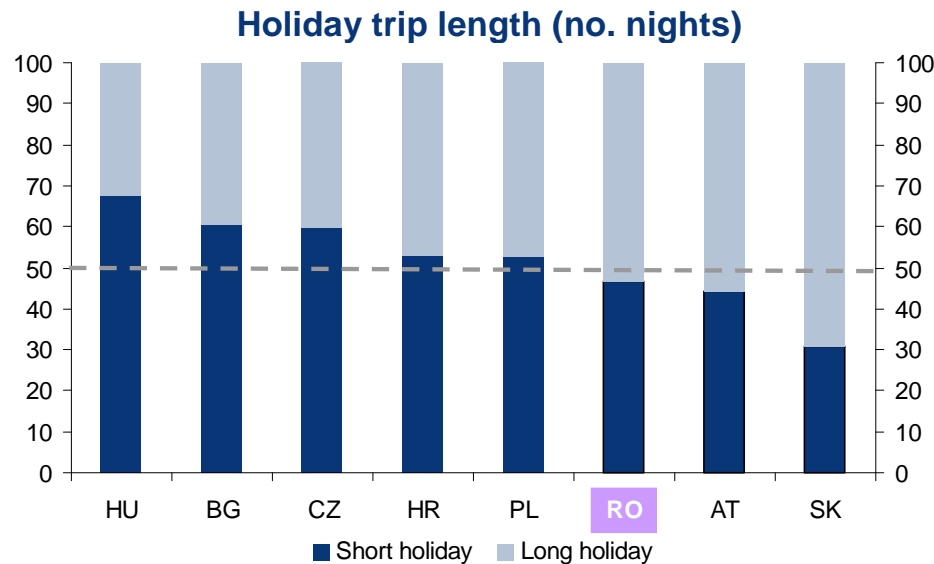
Source: Eurostat

- Tourists aged 25-44 are the main travelling segment in all selected countries, both domestically and abroad; however, Romania displays a higher share of this particular age group within the total trips taken by residents (47% of domestic trips and 52% of outbound trips).

# Romanians prefer long trips, but spend less than most of their counterparts



Source: Eurostat

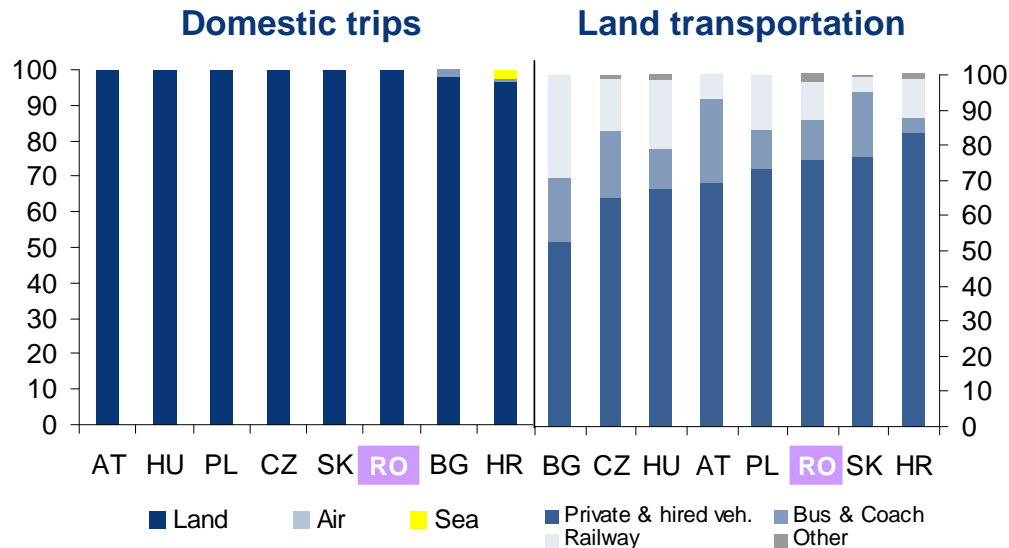


Note: Short = 1 to 3 nights  
Long = 4 nights or more

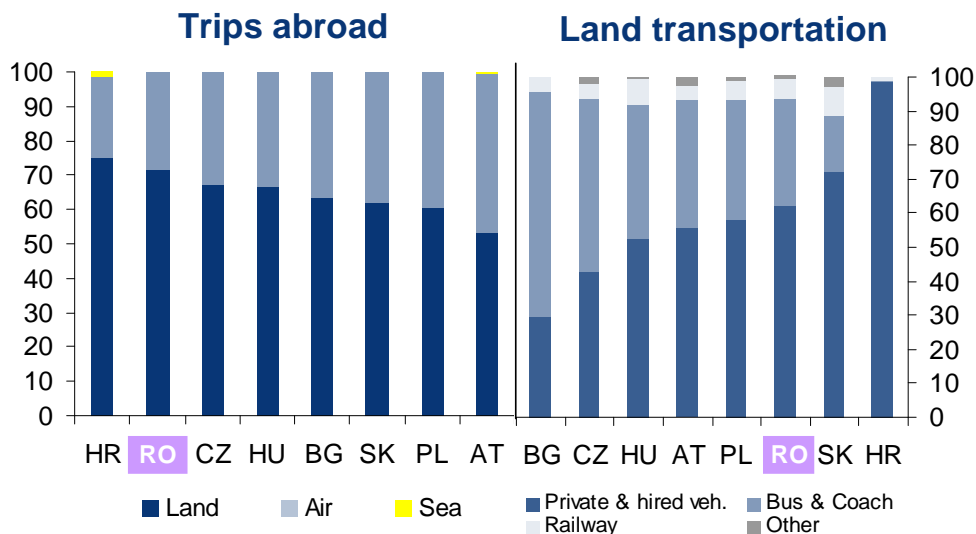
Source: Eurostat

- Romanians spend on average almost 6x more per one trip abroad (~EUR 411) than within the home country (~EUR 70); Bulgarians, however, spend more money than Romanians both at home and abroad; this is pretty odd, considering that the average wage in Bulgaria is more than 20% lower than in Romania.
- Romanians prefer longer holiday trips, while most of the selected countries tend to go on short trips; despite the propensity towards short trips for a number of countries in the group, spending per trip seems to be less influenced by this factor; most likely, service quality is responsible for the overall cost of the trip.

# Land transportation bedrock of tourism industry in the region **BCR**



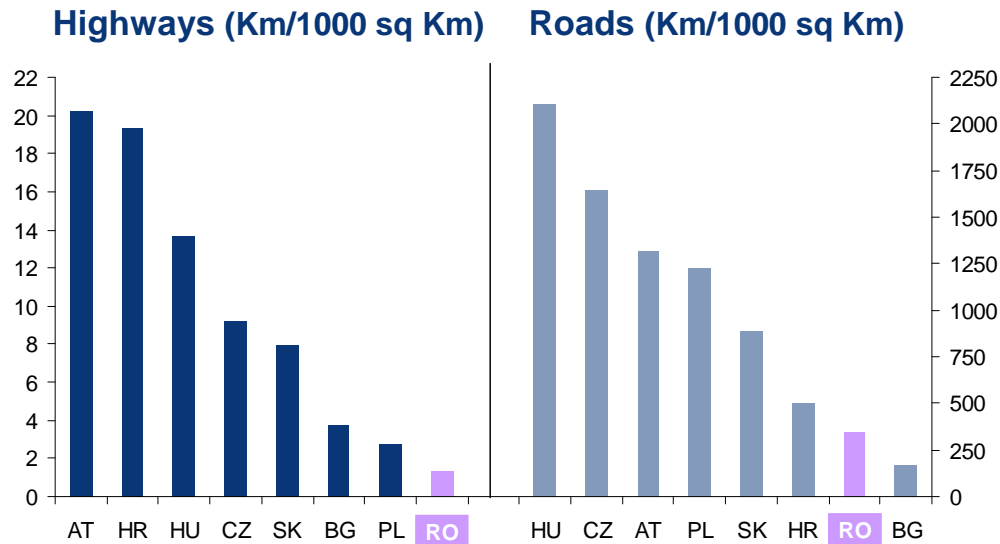
Source: Eurostat



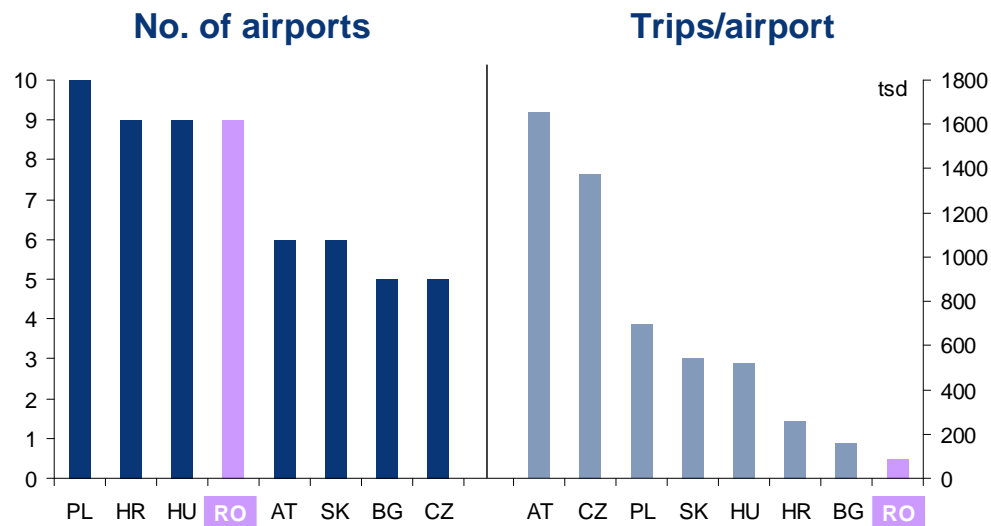
- Land transportation prevails among domestic trips, while private and hired vehicles are at the bottom of land transportation across all countries in the region; private & hired vehicles are more convenient and usually involve lower travelling costs.

- Air transportation is much more visible as far as outbound trips are concerned; however, land transportation continues to have the 'upper hand' in the case of outbound trips; unlike domestic trips, bus & coach transportation are more frequently used when travelling abroad.

# Ailing infrastructure holds down tourism industry in Romania **BCR**



Source: Eurostat

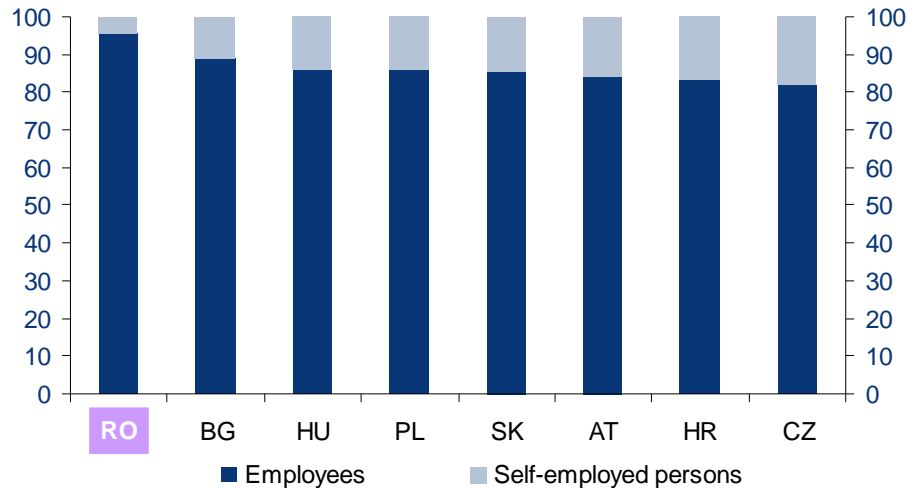


Source: Eurostat

- Not only are highways rare in Romania, but the poor road quality is also a major obstacle for tourism, especially as tourism relies heavily on land transportation; major investments in infrastructure are needed to see the first results in tourism.

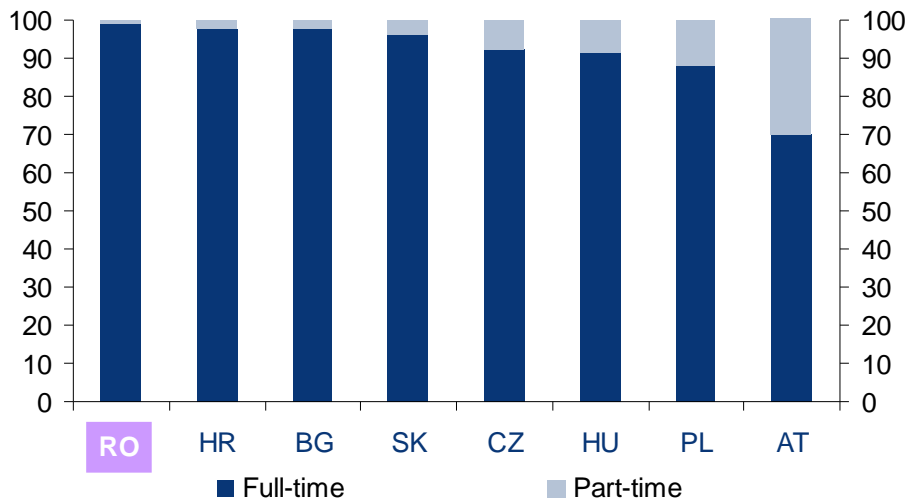
- Airport coverage is good in Romania and this is perhaps the only asset the country should draw more heavily on; in many cases, quality of airport services fall short of the mark and this, combined with clapped-out road infrastructure, is putting up barriers to tourism in Romania.

### Type of employment



Source: Eurostat

### Structure of employment

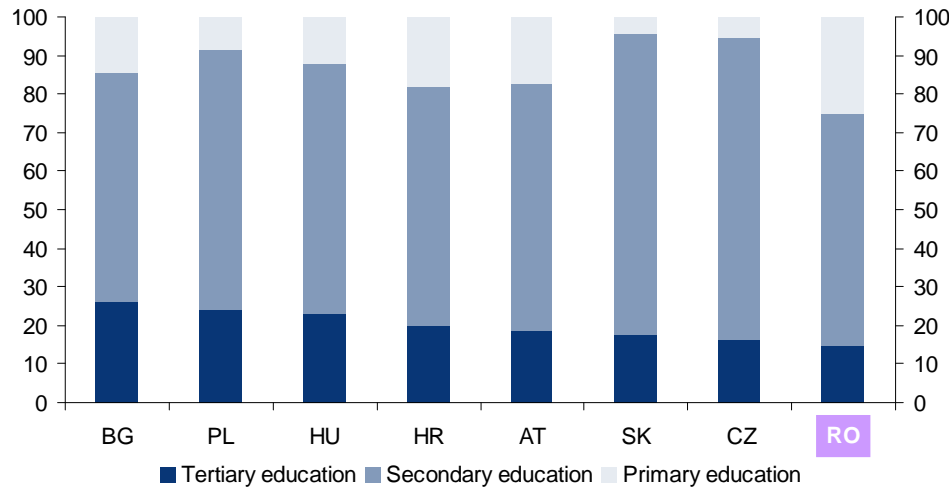


Source: Eurostat

- Employees make up more than 95% of total employment in Romania, while in the rest of the countries, self-employed persons are more visible (10-18%); particular interest should be paid to developing extra-seasonal activities in Romania, considering the high rate of employees and relatively short summer season.
- Generally, the split between full-time and part-time reflects the overall employment in the economy; Romania, Croatia and Bulgaria are on the top end of the full-time range, while Austria, with more than 30% part-time employment, demonstrates greater labor force flexibility.

# Tourism employment in Romania well below EU average

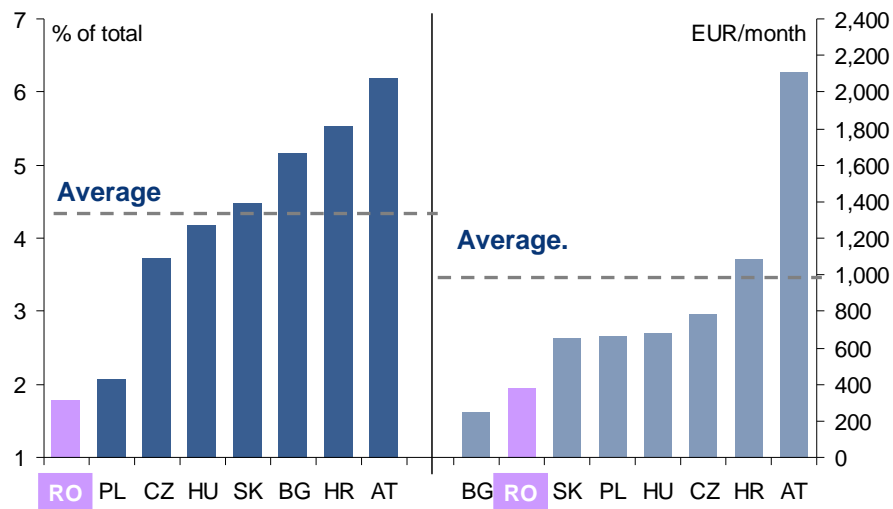
Education in tourism across region



Source: Eurostat

- Secondary education is front and center in the tourism industry; Romania, however, follows a slightly different pattern than most of the countries under review, with primary and secondary education accounting for more than 85% of the total (the average stands at 80%).**

Employment in tourism Compensation in tourism



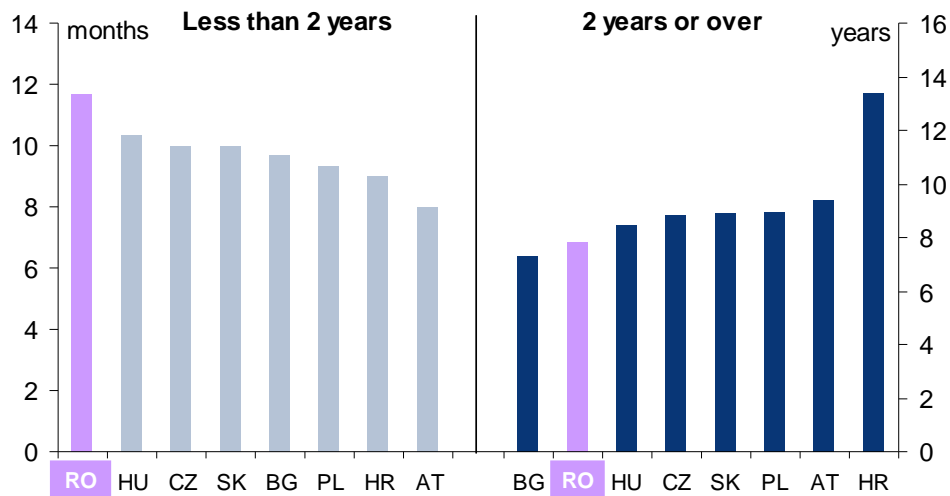
Source: Eurostat

- Tourism employment (hotels and restaurants) holds around 1.8% of the total economy in Romania, which is well below the EU average (~4%); Romania and Bulgaria display the lowest monthly compensation paid to workers, while Croatians are almost 3x better paid.**



# Unlike EU, permanent jobs in tourism are commonplace in Romania

Average seniority with same employer



Source: Eurostat

- On the EU level, the tourism sector is less stable than the rest of the market in terms of the nature of the job (permanent/temporary); Romania stands out with a permanent job rate in tourism of ~94%, well above the EU average (73%); in Bulgaria, permanent jobs account for only 76%.

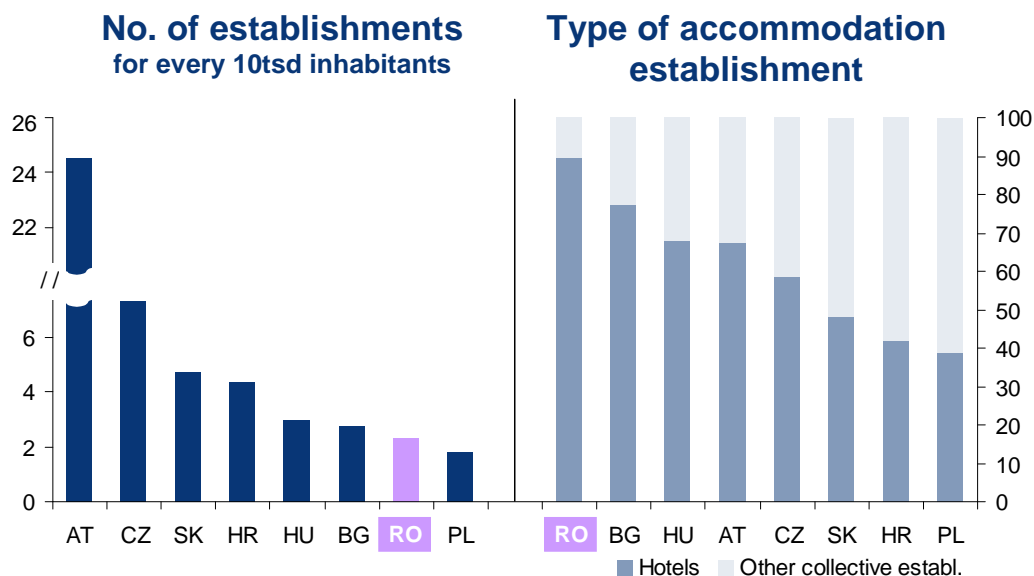
Employment by age



Source: Eurostat

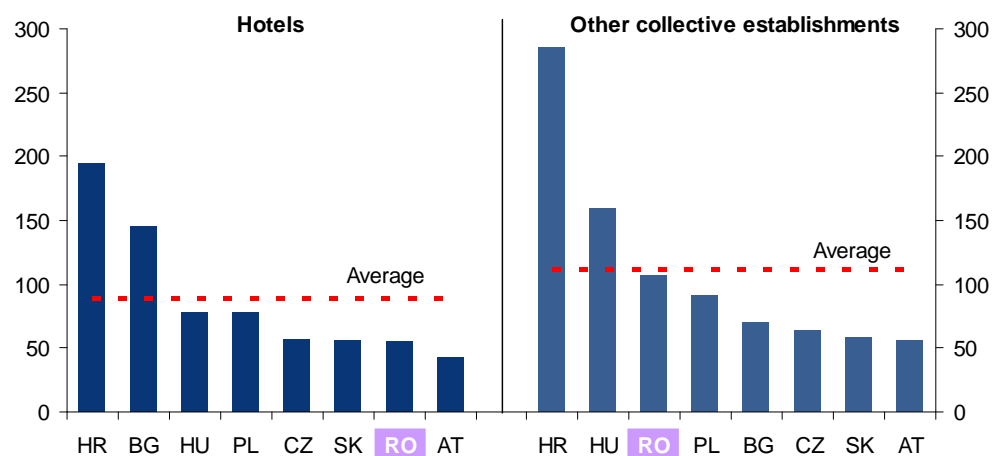
- Tourism usually offers opportunities for young people; the workforce aged 15-34 account for around 47% of total tourism employment in Romania, slightly above the EU level; the top end group (55+), however, has a much lower share and this holds true for all of the countries in the panel.

# Accommodation infrastructure – significant room for improvement in Romania



Source: Eurostat

## No. of beds per hotel and other collective establishments



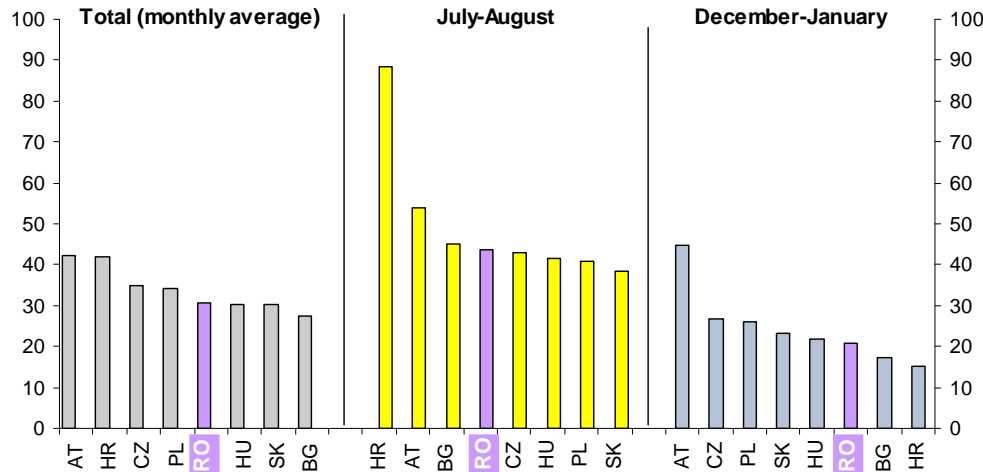
Source: Eurostat

- Density of tourism establishments is almost 11 times lower in Romania than in Austria, which means that there is enough room for improvement in terms of accommodation capacity; hotels are predominant in Romania, holding around 90% of total tourism establishments.
- Big hotels are commonplace in Croatia and Bulgaria, where the number of beds per unit is well above the average of the group countries; for other collective establishments (holiday dwellings with limited hotel service, camp-sites, hostels, etc.), the number of beds is higher than in the case of hotels.

# Romania should make most of its key strengths in tourism



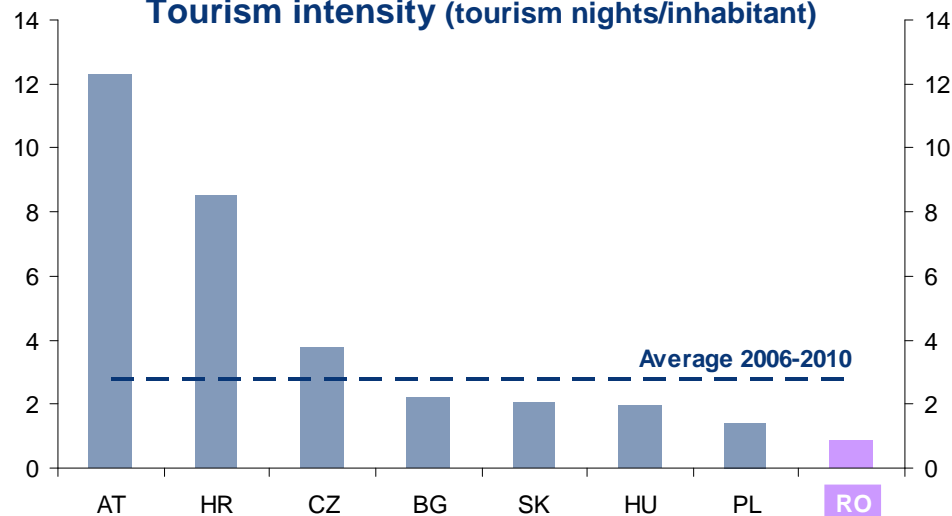
Net occupancy rates - % (NOR)



Note: NOR of bed places/month = overnight stays/(bed places x no. of days when bed places are available for use) Source: Eurostat

- Although Croatia and Bulgaria sit pretty during the peak season (July-August) in terms of net occupancy rates, Romania comes in fifth overall, which reflects the country's bigger potential for tourism activity (compared with Bulgaria) in other periods of the year.

Tourism intensity (tourism nights/inhabitant)



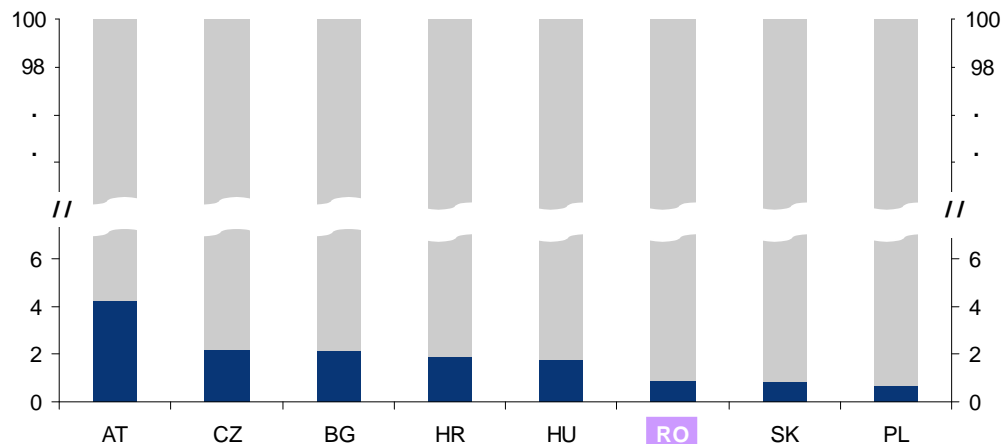
Source: Eurostat

- Except for Austria, Croatia and the Czech Republic, tourism intensity in the rest of the countries is well below the average; a highly diverse natural landscape combined with historical sightseeing and specialized tourism (healthcare, fishing, hunting) could be key ingredients for pushing Romanian tourism one step further.

# Accommodation prices in Romania rose significantly in last five years



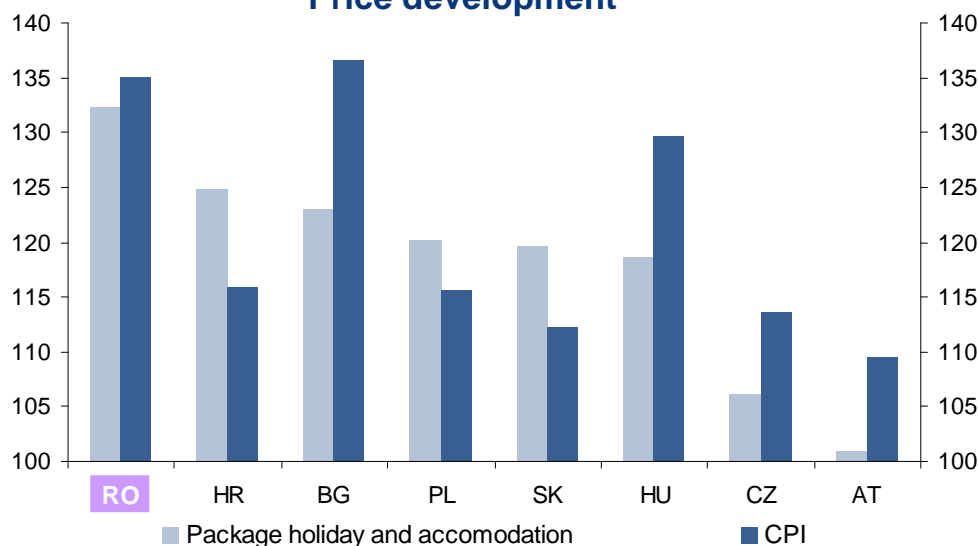
Share of accommodation services in CPI basket



Source: Eurostat

- The share of accommodation prices within the consumer basket varies across the map; Romania is third to last in this ranking with a share of only 0.9%, according to Eurostat, while Bulgaria’s propensity towards accommodation services stands at 2.1%.

Price development



Source: Eurostat

- Romania has seen the quickest increase in accommodation prices over the last five years; transportation fees and food prices, significantly impacted by a substantial FX pass-through, stood behind the less favorable trend seen in accommodation prices in our country.

# Romania vs Bulgaria: foreign tourists preference for visiting Bulgaria is not influenced by climate conditions



## Nights spent by foreign tourists by type of destination

	RO	BG
<b>Total (tsd)</b>	<b>3,124</b>	<b>10,613</b>
Capital	2,169	812
Seaside resorts	258	6,993
Mountain resorts	230	280
Other resorts*	467	2,528

Note: \*Other resorts are places with attractive characteristics (e.g. climate, cultural or historical monuments, etc.), riverside and lakeside areas, health spas and other places that cannot be classified into any of the above-mentioned resorts.

Source: NIS Romania and NSI Bulgaria

- **Romania and Bulgaria are two countries with similar weather condition; the higher number of foreign tourists seen in Bulgaria compared to those in Romania was not influenced by climate conditions.**

## Weather conditions

Air temperature	RO	BG
Summer season	22-24 °C	21 °C
Winter season	-3/-5 °C	0/-2 °C

## Weather conditions at seaside

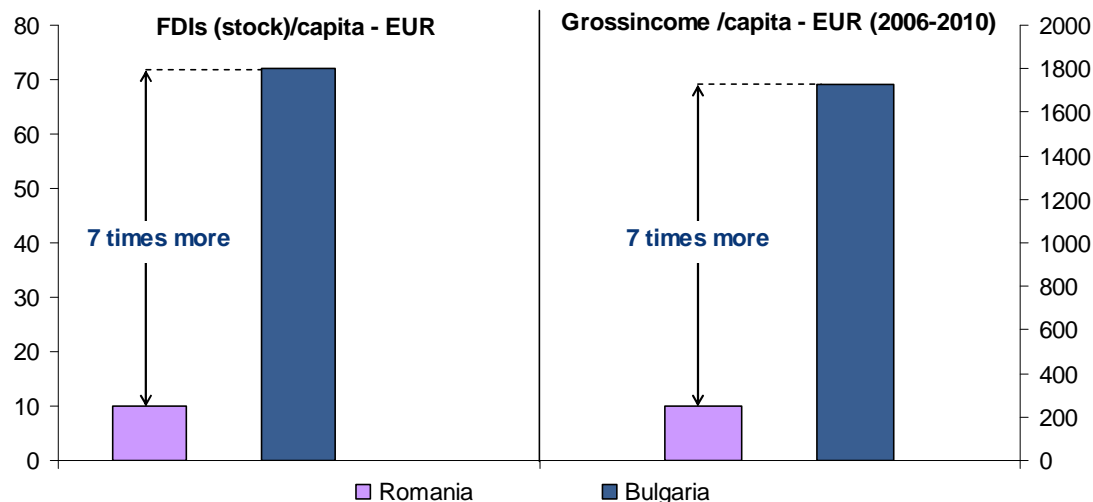
	Constanta	Varna
<b>Temperature</b>		
Annual average	13.2 °C	13.4 °C
Peak summer months:**		
-max.	26 °C	27 °C
-min.	18 °C	17°C
<b>Precipitation</b>		
Yearly quantity	396 mm	472 mm
Peak summer months**	64 mm	71 mm

Note: \*\* July and August

Source: weather.com

# Romania vs. Bulgaria: 7 times less FDIs/capita in Romania, 7 times less gross income from tourism/capita

FDIs and income



Source: Eurostat

- With average GDP/capita that is 1.3 times lower than Romania, Bulgaria manages to earn seven times more per capita from tourism activity than Romania.
- In nominal terms, income from tourism in Bulgaria amounted to almost EUR 13bn during 2006-2010m (Romania x 2.4).

▪ *If weather conditions are similar in both countries, while the natural landscape tips the scale in favor of Romania, then what sets Bulgarian tourism apart from Romania's?*

- Earlier and quality privatizations in tourism – top foreign investors;
- Higher FDI inflows and better absorption of tourism-related EU funds;
- Better transfer of know-how and more efficient advertising;
- Winning combination between tour operators and foreign investors;
- Arrivals at Bulgarian tourist facilities are 1.5 times higher than in Romania.

# Areas that should be further improved

Index 2011	Air transport infrastructure	Ground transport infrastructure	Tourism infrastructure	Affinity for travel & tourism	Natural resources	Cultural resources
1. Switzerland	1. Canada	1. Hong Kong SAR	1. Austria Cyprus Italy	1. Lebanon	1. Brazil	1. Sweden
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48. Bulgaria	.	.	.	.	.	.
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63. Romania	.	.	.	.	.	.
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.	.	101. Romania	.	.	.	.
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139. Chad	139. Lesotho	138. Paraguay	139. Rwanda	139. Angola	139. Lebanon	139. Timor Leste

Source: World Economic Forum

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