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THE IMPACT OF THE CORONAVIRUS CRISIS ON REVENUES OF HOTEL AND RESTAURANT BUSINESSES IN BULGARIA

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Introduction. The changes that have taken place in the global economy as a result of the coronavirus pandemic have had a negative impact on all economic sectors. The most negative manifestation of this is in the tourism industry. Bulgarian tourism is also among those hit hard by the crisis. This is evidenced by the many bankruptcies of travel companies and the reported financial difficulties. Many of the restrictions imposed on tourists when crossing national borders and the requirements for those wishing to use tourist services are just some of the reasons for the crisis in the sector. Its deepening is the basis for making recommendations to correct the situation. The reasons for the current study are the problems in the tourism sector and the threatening trends of frequent corporate bankruptcies, as well as the closure of many tourist sites.

Aim and tasks. The aim of the study is to present the situation in which the economic entities of the tourism sector in the Republic of Bulgaria operate and to propose solutions for improving their financial and economic condition. The scope of the study used data for various indicators (visits of foreign tourists, overnight stays of Bulgarian and foreign citizens, turnover indices in the sector, etc.) describing the state of Bulgarian tourism for the period 2019–2021.

Results. The processed data given an idea of the current state of the tourism sector in the Republic of Bulgaria. The study is a corrective to the problems in the industry, which are provoked by changes in the visits of local and foreign tourists. Based on the analysis, a set of recommendations were made to improve the state of the sector: achieving sustainability of tourist visits; stricter requirements for transport companies; provision of financial assistance by the government; opportunities to use the interest-free grace period for received loans; and establishing Bulgaria as a safe destination.

Conclusion. The conducted situational analysis of the hotel and restaurant business in Bulgaria for the period 2019–2021 is the basis for making several recommendations aimed at stabilizing the sector. Some of them are related to: financial support for the tourism business given by the state; reducing the rate of tax due; ensuring an interest-free grace period for loans from financial institutions; providing opportunities for using funds under various programs for the implementation of innovations in the activities of tourism companies in order to increase their competitiveness and bring them into a state that meets national and world requirements for tourism business.

Keywords: Bulgarian tourism, COVID-19, hotel and restaurant business, tourism sector.

1. Introduction.

The impact of the COVID-19 pandemic is having significant repercussions on both the global and national economies, resulting in a deterioration in sensitive sectors such as tourism. The tourism industry has undergone serious changes as a result of the COVID-19 pandemic (Dzhalladova et al., 2021; Linde & Philippov, 2021; Ocheredco, 2020; Sushchenko, Akhmedova & Stryzhak, 2021). The declining number of trips and rising unemployment have reduced local and international tourists' visits which, in turn, have led to a reduction in the financial income of enterprises in the tourism sector (Radukanov, 2021). In order to achieve sustainable development of tourism in the post-crisis period, it is necessary to monitor: visits of foreign tourists in Bulgaria; nights for Bulgarian and foreign citizens in the country; expenditures incurred for travel by the Bulgarian population by type. This will contribute to a more in-depth analysis of the state of the tourism sector in the country and the taking of adequate decisions for its improvement. A lot of businesses are looking for innovative ways to improve efficiency and maintain competitive advantage in order to survive (Jarmusevica et al, 2019; Kurmanov et al, 2018).

2. Literature Review.

Domestic and foreign researchers note that in an innovative economy, the efficiency and effectiveness of the interaction of economic actor's increases significantly from the organization of integration processes as a condition for the effective functioning of the management system of complex social and economic systems (Odinokova, Bozhinova & Petrova, 2018; Odinokova, 2019; Petrova, et al, 2018; Petrova, Davidavicius & Borysova, 2019; Sushchenko & Petrova, 2017; Radukanov, 2017; Radukanov, 2019). Intensification of competition in the context of global economy does not only urge the development and creation of modern tourism products but also requires the development of measures of these products market promotion (Lukjanova & Odinokova, 2020; Labunska, Petrova M & Prokopishyna, 2017; Petrova, Buzko & Dyachenko, 2018).

3. Results.

Negative trends in the tourism industry are presented through analysis and summary on the basis of data published by the National Statistical Institute of Bulgaria (2021) (Fig.1).

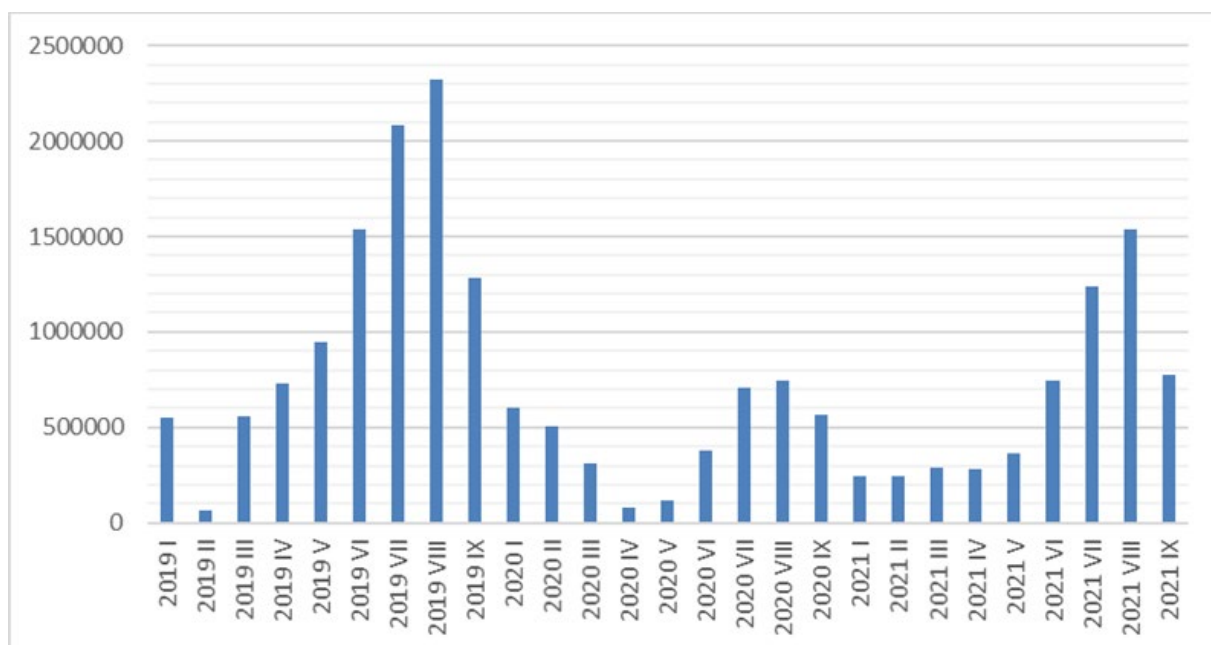


Fig. 1. Visits of foreign tourists to Bulgaria for the period January-September 2019 –January - September 2021.

Source: National Statistical Institute of Bulgaria (2021).

For the period January-September 2020, a significant decrease in the number of visits of foreign tourists to Bulgaria was reported as a result of the pandemic of COVID-19 and the measures taken to prevent its spread. The values of the indicator are most critical in April and May, followed by a slight increase in the visits of foreign tourists during the summer months, mainly holidays on the Bulgarian Black Sea coast. A slight decline in foreign visits was reported in the first quarter of 2021, compared to the same period of the previous year. There was a slight increase in the visits of foreign tourists, due to the complicated conditions related to crossing national borders and making tourist trips. The slow introduction of national

criteria for visitors delayed the start of the summer season. This had a negative impact on the foreign tourists' arrivals, revenue from overnight stays, food and beverage, use of extra tourist services, attracting quality staff, as well as the length of the tourist season.

Figures 2 and Figures 3 show the overnight stays of local and foreign citizens realized in Bulgaria for the period January - September of 2019, 2020 and 2021. The number of overnight stays of foreigners in September 2020 decreased by 68% compared to the same month of the previous year. This is quite logical given the measures taken with regard to the free movement of people worldwide.

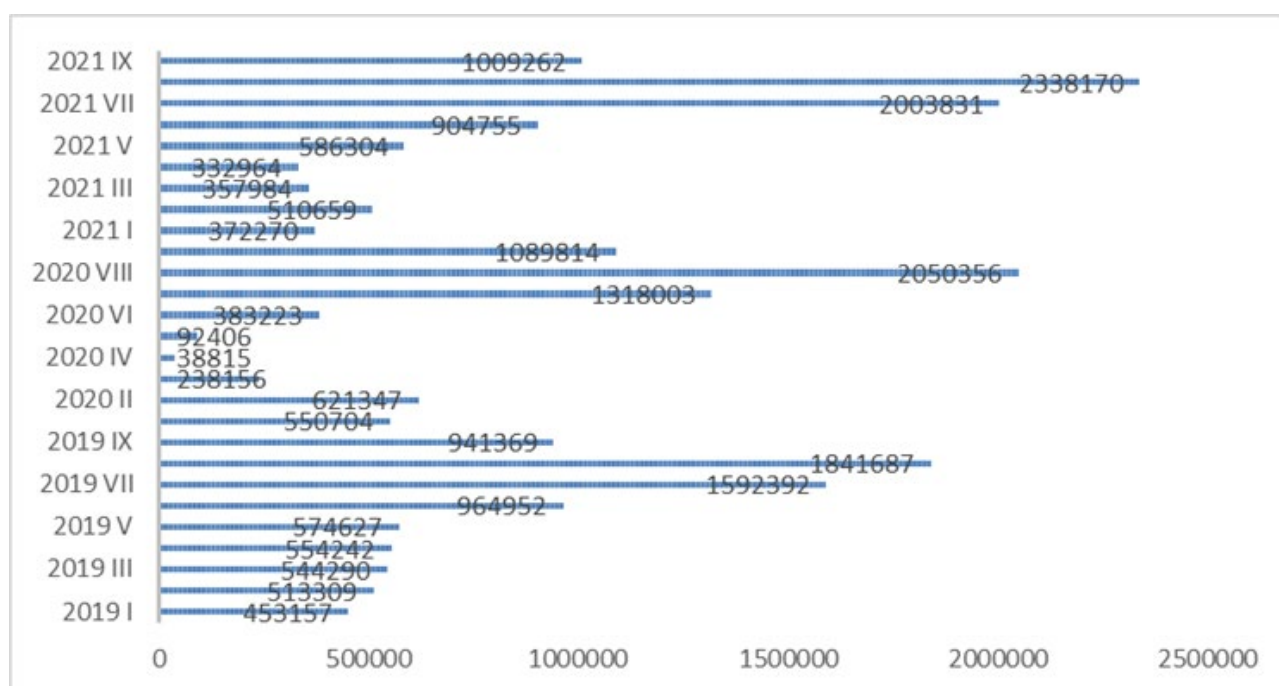


Fig. 2. Overnight stays of Bulgarian citizens in Bulgaria for the period January-September 2019 – January - September 2021.

Source: National Statistical Institute of Bulgaria (2021).

An increase of 46% in the same month of 2021 was reported, compared to the same period of the previous year. This is due to the improved health situation worldwide, as well as greater desire to travel and go on holiday. In September 2020, overnight stays of Bulgarian citizens registered an increase of 16%. This confirms the expectations that most Bulgarians chose to spend their holidays in Bulgaria.

Despite the difficulties, entrepreneurs in the tourism industry report an increase in sales of their services in the current year. This is largely due to Bulgarian tourists. A 14% increase in the registered overnight stays of this consumer group for August 2021 was reported in comparison to the same period of 2020 and a decrease of 7.39% in September 2021.

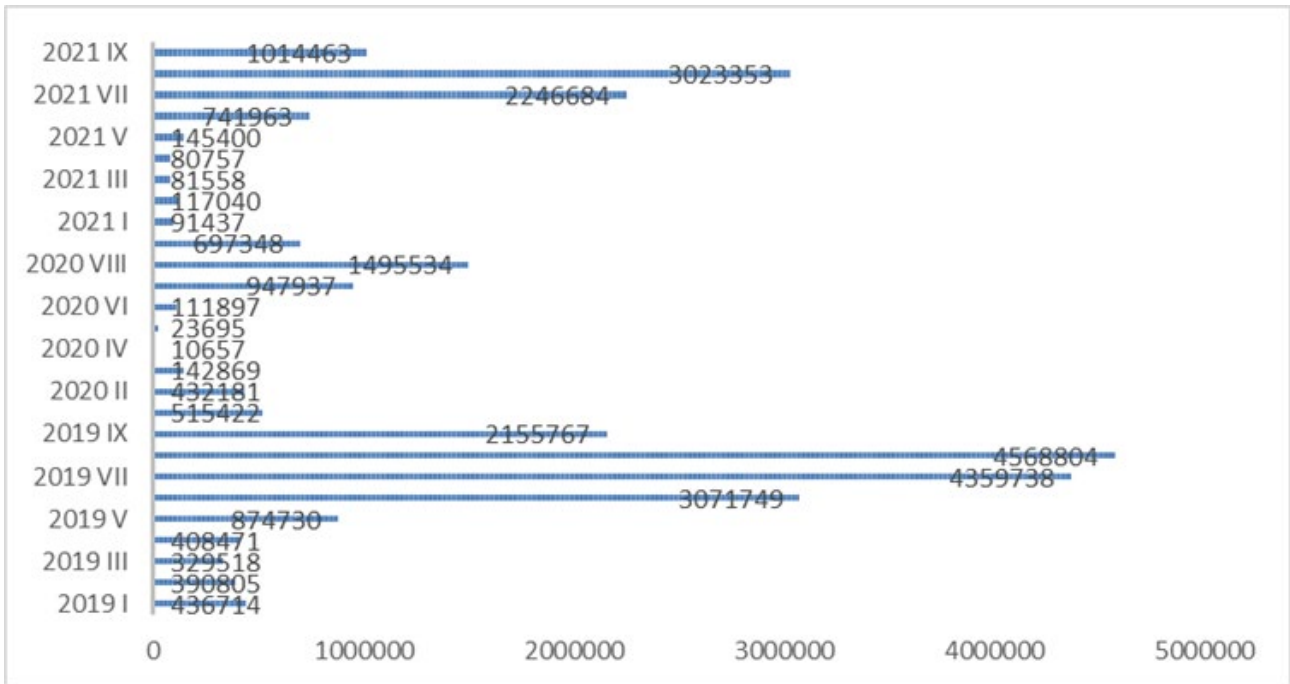


Fig. 3. Overnight stays of foreign citizens in Bulgaria for the period January-September 2019 – January - September 2021.

Source: National Statistical Institute of Bulgaria (2021).

Figure 4 shows a 33% reduction of expenditure on food and beverages that visitors made in the first quarter of 2020, while in 2021 – it is 29% over 2019. The results show changes

in the costs incurred for accommodation for the same period as follows: a decrease of 56% in 2020 compared to 2019 and an increase of 32% in 2021 over 2020.



Fig. 4. Expenditures by types for tourist trips of Bulgarian citizens for the period 2019 - 2021 – quarterly

Source: National Statistical Institute of Bulgaria (2021)

Data about the second quarter of 2020 show a 47% decrease in food expenditures in Bulgaria compared to the same period in 2019, while in 2021 there is an increase of 37% compared to 2019. Data on the second quarter regarding accommodation costs are respectively: a decrease of 43% in 2020 compared to the previous year and an increase of 203% in 2021 over 2020. In the third quarter of 2020, indicators show growth over the same period of the previous year, by 11% in terms of food costs and 14% in accommodation costs.

Consumer demand for products and services in the Tourism sector has undergone substantial and irreversible changes.

During the ongoing crisis, over 60% of Bulgarians have reduced their financial costs (National Statistical Institute of Bulgaria, 2021).

A great number of people (74%) have limited their visits to restaurants, and 54% have reduced their travel and leisure budget.

Both hoteliers and restaurateurs in the industry have had difficulties. Turnover of restaurants in big cities has decreased by 45-50% according to representatives of the Bulgarian Association of Restaurants. This trend can be observed by following the turnover index in the hotel and restaurant sector at current prices (Figure 5).

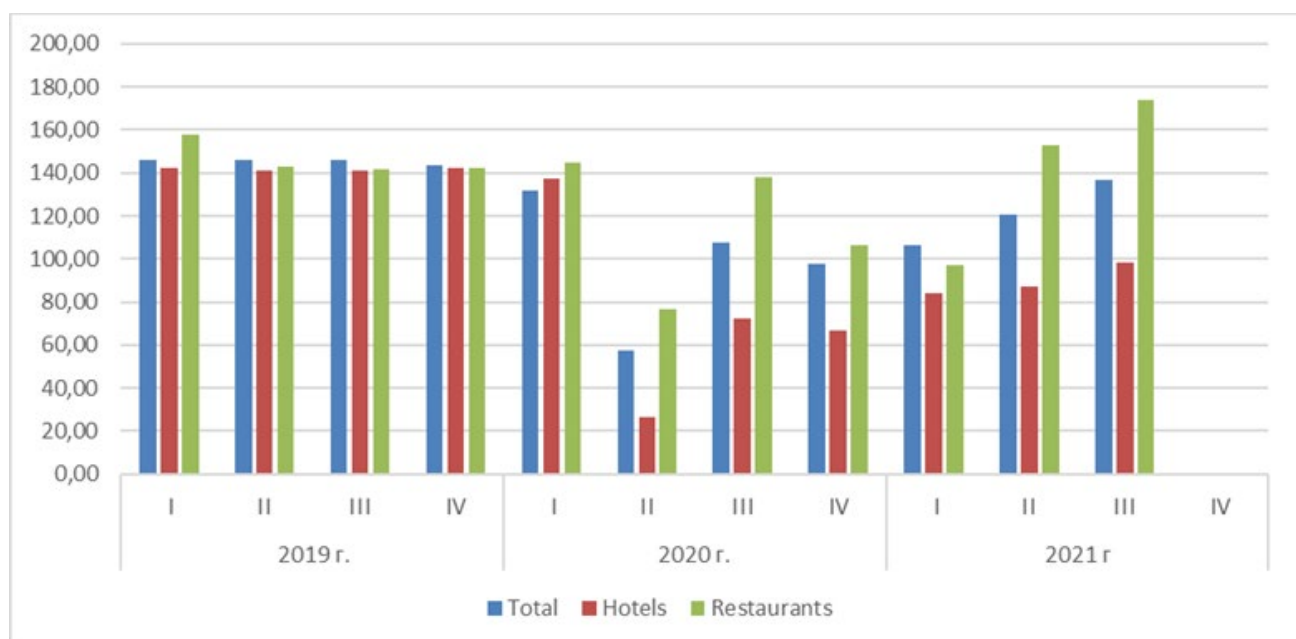


Fig. 5. Turnover indices in the hotel and restaurant sector at current prices for 2019-2021 (quarterly).

Source: National Statistical Institute of Bulgaria (2021).

The presented indicator is key in assessing the current situation and trends in the near future related to the development of the sector. It is important because of the ability to track the dynamics of demand and supply of hotel and restaurant services, as well as to take into account the impact of various economic processes in the country (National Statistical Institute of Bulgaria, 2021). It can be seen that values of the indicator in the sector are close. For the period May-June 2020 there is a decrease due to extraordinary circumstances and the measures introduced to limit them, which reduced the activity of enterprises in

the sector. After this period, there is a gradual increase in turnover, which is far from its values before the pandemic (Yatsenko et al., 2018).

Data presented in Figure 6 show the stability of the index in 2019 and the first quarter of 2020. After this period, a significant decrease is registered. The negative values in the Hospitality sector remain the same throughout the period 2020 – 2021. In the restaurant sector, the data show relatively high values of the index in the third quarter of 2020, as well as the second and third quarters of 2021.

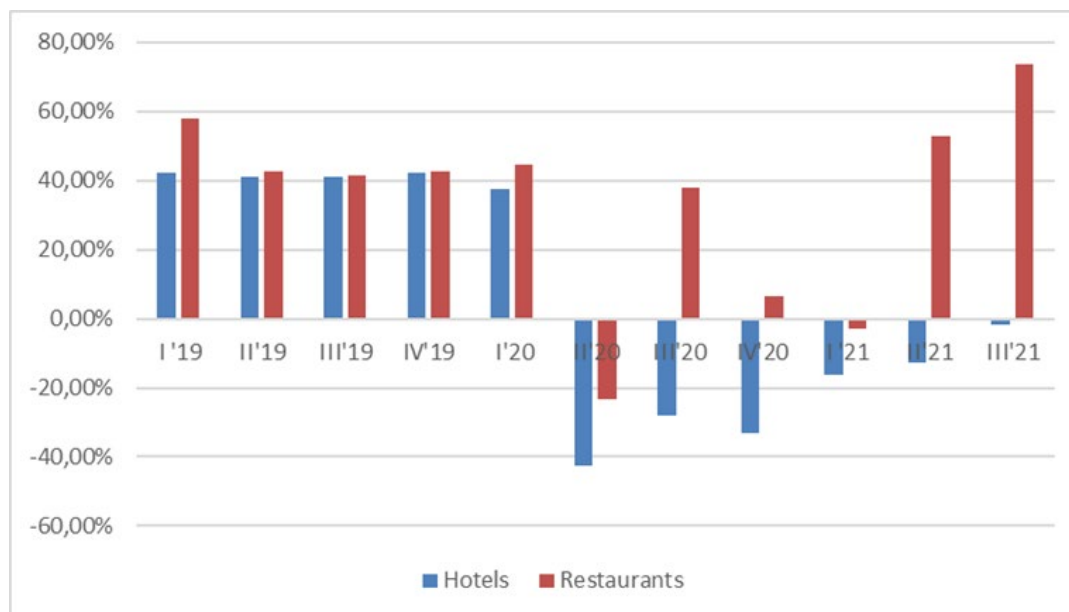


Fig. 6. Growth of the turnover index in the hotel and restaurant sectors at current prices for 2019 - 2021 on a quarterly basis.

Source: National Statistical Institute of Bulgaria (2021).

Due to the periodicity in the publication of information by the National Statistical Institute of Bulgaria, as of November 30, 2021 there are no data on the third quarter for this indicator. Taking into account the analyzed period – the summer months, and easing of COVID-19 pandemic measures, slightly higher values of the index might be expected. This means in no way an increase, but rather a decrease in the reduction in the value of the indicator, which takes into account the turnover in the hotel and restaurant sector.

4. Conclusions.

Recovery of the tourism industry requires concrete actions to be taken towards:

- restoration of international tourist visits. This could be achieved by unification of the requirements for free movement of citizens of EU member states. This is a vital step for Bulgarian tourism, as well as European tourism;
- introduction of strict requirements for compliance with anti-epidemiological measures by the transport companies providing tourism services. This will increase security and peace of mind while travelling;
- introduction of procedures for the accommodation sector and catering services;

- financial assistance provided by the government to enterprises in the tourism sector (it may take the form of a temporary reduction in the VAT rate on services provided by the sector);
- providing an interest-free grace period for loans from financial institutions;
- positioning Bulgaria as a safe year-round tourist destination;
- supporting development of alternative types of tourism to attract new segments of tourists;
- adaptation of business to the changing situation in the sector.

These changes are related to the reorganization of services with the aim of making them more attractive to Bulgarian tourists. Given the travel restrictions imposed in different countries, it is necessary that businesses focus on Bulgarian tourists, adapting the services to their needs. Given the current state of the sector nationally and globally, it is of great importance to restore tourists' feeling of security and peace of mind while travelling and when using tourist services. Full recovery of tourism is going to be a long and difficult process that will require time and resources to adapt to the new normal. To achieve this, timely situation analysis of the tourism industry is needed, as well as proper forecasting of its development and making adequate decisions.

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