

The Impact of the Covid 19 Pandemic on the Economy with Focus on GDP in Selected Countries and the Affection on the Tourism

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Abstract

At the end of 2019, a new virus caused by the SARS-KOV-2 virus (Covid 19 / coronavirus) appeared in China. In 2020, it spread around the world and a new pandemic appeared, which caused problems in the global economy, rising unemployment, market stagnation, declining tourist demand and the like. As a result of the Covid 19 virus crisis, many industries have seen their production decline, halting their activities. The products sector ceased to exist, exports and imports of goods were carried out to a minimum, which is why it applies to economies. In addition, almost all European countries have introduced some form of reduced population movement, which has directly affected tourism, but the crisis caused by the Covid 19 virus has continued to spread around the world. Today, there is still uncertainty and risk associated with the continued functioning of the economy, especially in the field of tourism and society as a whole due to the continuous spread of the Covid 19 virus, in all economic and business sectors.

This paper tries to show how the global crisis has affected and still affects various economic and tourism factors that are important for the functioning of society, the connection of transport, the inclusion of tourism and culture. Studying the literature, the purpose of this paper is to show how the Covid 19 pandemic affected the economies of Italy, Croatia, Albania and North Macedonia. The goal of each of these countries is for the others who are not included in the research for this particular paper, to be able to implement the growth strategy and the stabilization strategy as soon as possible, in order to normalize these countries as soon as possible, i.e. to suppress the negative consequences of the Covid virus 19, which differ between the countries in the world.

Keywords: Covid 19 pandemic, global economy, transport stagnation and tourism

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Explaining how the economy and the economic factors affect the business of certain countries, the analysis of GDP of certain countries was analyzed, then the total exports expressed in a longer period that includes the period of the pandemic caused by Covid 19.

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Introduction:

The basis for economic progress and economic growth depends primarily on the specifics of the nation to create new goals and goods and to improve the quality of the old and existing. It is very important for the growth and progress of the economic and economic segments, to significantly increase the domestic product, which will attract more funds. The main priorities of economic development are to increase the goods and benefits in the society. Some of the priorities are productivity growth, growth of disposable income, then better social and health care, high employment and higher exports and competitiveness of the economy, with a special focus on tourism. Creating a vision for the nation's desired future must be a priority of national development planning.

The idea of development includes certain developmental changes in the economy such as the use of available resources to improve the goods in all segments of life and tourism. The goal is for society to gather certain political, social, cultural characteristics that show results, so that more people are in a position to create the desired opportunities and achieve life goals (Cosic and Fabac, 2001).

Thanks to the global analysis of the economic environment, the activities of individual organizations in a particular market can be explained. For this reason, it is not by chance that foreign banks and trade chains entered the domestic markets, and not well-known organizations that would invest in growth and production.

According to Sikavica (2011), the choice of these investment segments is a consequence of the analysis of the economic environment, which advised the management of these organizations to invest in these sectors of the economy. The key trends are the economic indicators in each economy, gross domestic product, annual growth rate of gross domestic product, per capita income, purchasing power of the population, unemployment rate, fiscal policy, monetary policy, inflation rate, interest rates, value or exchange rate, price levels, size of the trade deficit, infrastructural conditions and possible economic integration into which the country enters. A good economy can be described as a set of efficient, successful and profitable companies that appear on the world market with competitive products, and in that market everyone lives and only the best succeed. With access to capital technological innovation, they have become new factors of competitive advantage.

In the new economy, business success depends on intangible factors such as quality, speed, flexibility, design, image and especially information and knowledge, or the economically relevant form - intellectual capital. It can be said that it is a development and growth in which the concept increasingly contains an intellectual component, the transition from economies of scale to the economy of knowledge, or can be described as an economy driven by the power of knowledge (Sundac et al., 2016). More than half of the world's GDP is highly knowledge-based. High-tech companies, their knowledge-based services are growing faster, but they have doubled

their share of production in the last two decades. The nature of competitive advantage changes by measuring the current market position, then the power and size of the company in the past and incorporating knowledge into all the company's activities, then the company's creditworthiness and its ability to convey market information that it has the best solution. (Edvinsson, 2003).

Influence of economic factors on the business of certain countries

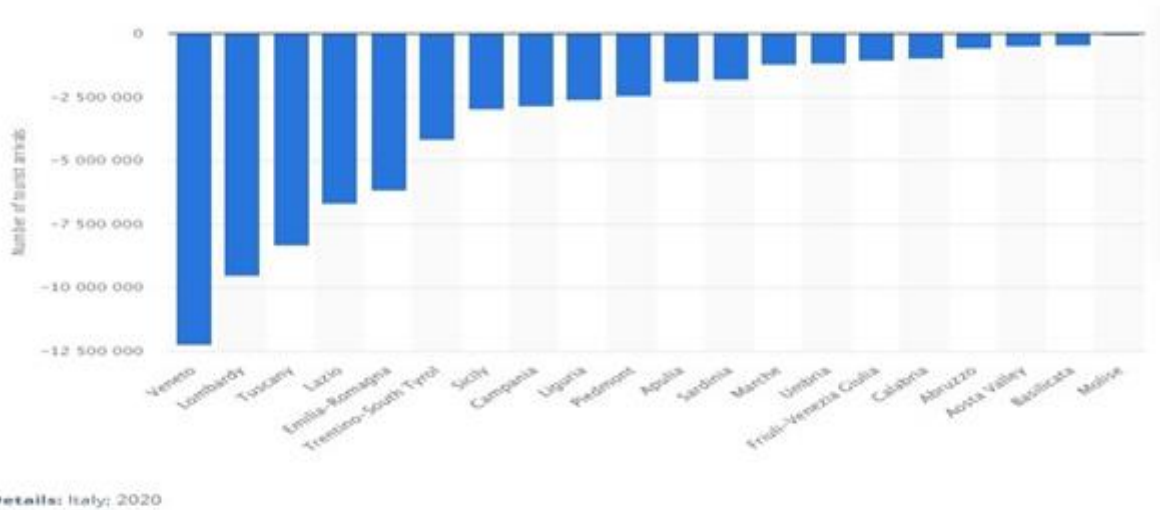
Italy

From an economic point of view, Italy's economy is the fourth largest in the European Union, after Germany, the United Kingdom and France. Italy's population makes up about 11.9% of the European Union's population, so economic power was slightly higher and now slightly lower than the share of the population. It can be said that Italy is one of the four largest economies in the EU, but the only one that has not reached the pre-crisis level of economic activity. In the long run, Italy did not go through a real restructuring of the economy. The downside of the negative impact on Italian business is the controversial labor market, which includes tighter employment conditions and redundancies, and the manufacturing sector, which has a large market share in emerging industries such as clothing and home appliances, which are inefficient, bureaucracy obsolete. Infrastructure, high tax burden, widespread corruption and small investments in education. The reason for all this is Italy's poor position in the global rankings. Despite all its shortcomings and problems, Italy still has a very important and significant role in the economic sector. With a high share in the GDP of the European Union, Italy is among the fourth largest exporter in the EU and the fifth largest importer, and in 2016 it achieved a surplus of 51.5 billion euros, which is the largest amount after Germany and the Netherlands. During the pandemic, the tourism of Italy, which was one of the most affected countries, which has a high percentage of tourism revenues, was damaged. Two years was too long even for the Italian tourism that will be known in the world. The above facts show Italy and its economy as shown in the following diagram.



Source: <https://www.ceicdata.com/en/indicator/italy/nominal-gdp>

Chart 1: Italy's Nominal GDP from March 1980 to December 2020



Source: <https://www.statista.com/statistics/1101025/impact-of-coronavirus-covid-19-on-tourist-arrivals-in-italy-by-region/>

Chart 2: Impact of coronavirus Covid 19 on tourist arrivals in Italy by region

Due to the impact of the coronavirus (COVID-19) pandemic, it was estimated that Italy recorded a decrease of approximately 67 million tourist arrivals in 2020 over the previous year. As estimated, Veneto was the region experiencing the highest drop with a decrease of roughly 12 million arrivals. Lombardy registered the second-highest decrease, losing about 9.5 million tourist arrivals between January and December 2020.

Croatia

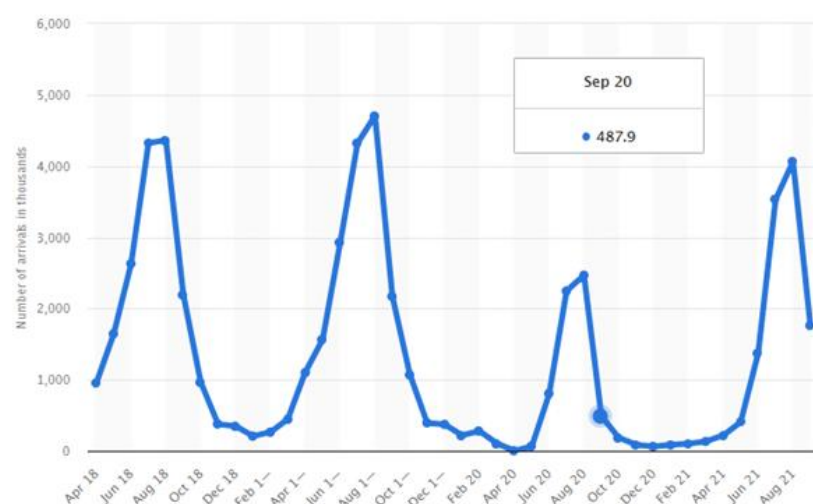
The Croatian economy accounts for about two-thirds of gross domestic product (GDP), and the share of agriculture is significantly lower at less than 4%. In its conception, Croatia's economy is similar to that of other EU member states. The main industries in Croatia are determined by natural resources, but also by industry and technology, mostly processing (food industry, petrochemical and metal processing industry). The most important Croatian industry is tourism, with almost 20 million arrivals of foreign tourists and a 20% share of GDP. In 2019, we record the lowest unemployment rate since independence, but also the beginning of overcoming excessive macroeconomic imbalances. Croatia accounts for two-thirds of its foreign trade, and they are also very important trade partners of both Bosnia and Herzegovina and Serbia.



Source: <https://www.ceicdata.com/en/indicator/croatia/real-gdp-growth>

Chart 3: Croatia's Real GDP Growth from March 1996 to December 2020

In September 2021, almost 1.8 million arrivals were recorded at accommodation establishments in Croatia. This was more than triple the amount of tourists in comparison to the same month a year earlier. The outbreak of the coronavirus (COVID-19) across Europe in early 2020 had a significant impact on travel that year. Although the pandemic was ongoing in 2021, tourist arrivals in Croatia during the summer months were not much lower than the same period pre-pandemic. Arrivals include both resident and non-resident stays in tourist accommodation. Number of monthly arrivals in tourist accommodation in Croatia from April 2018 to September 2021



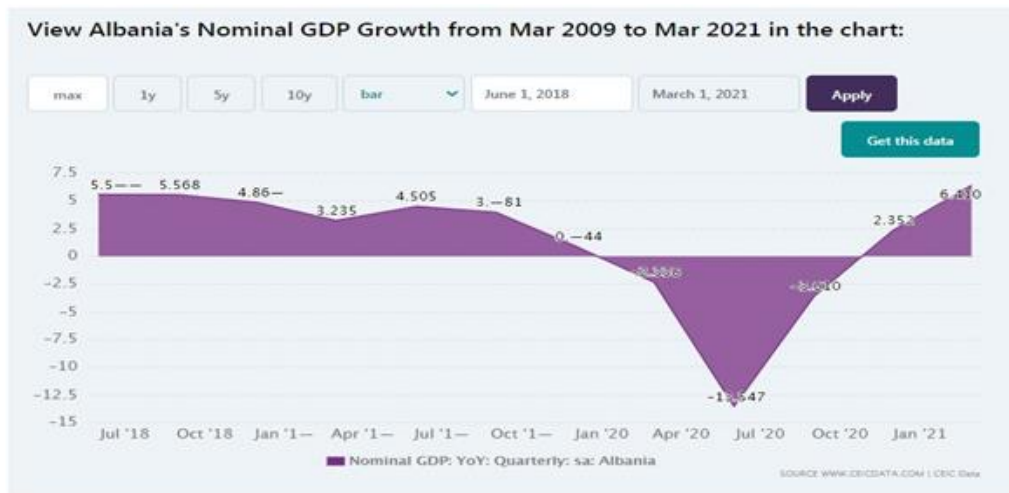
Source: <https://www.statista.com/statistics/1130778/number-of-monthly-arrivals-short-stay-accommodation-in-croatia/>

Chart 4: Number of monthly arrivals short stay accommodation in Croatia

Albania

The Albanian economy is mostly based on services (54.1%), agriculture (21.7%), and industrial (24.2%) sectors. The country has some natural resources, and the economy is mainly bolstered by agriculture, food processing, lumber, oil, cement, chemicals, mining, basic metals, hydro power, tourism, textile industry, and petroleum extraction. The strongest sectors are energy, mining, metallurgy, agriculture, and tourism.

Tourism has been a notable source of national income, particularly during the summer months.



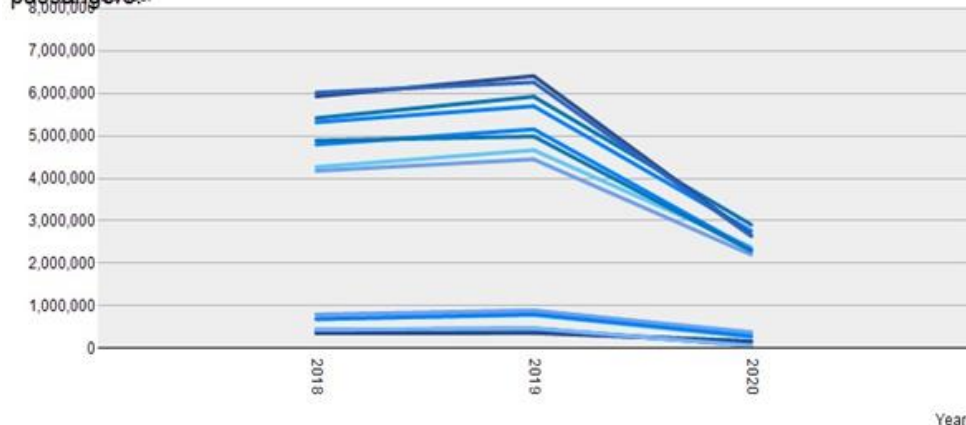
Source: (<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AL>)

Source: <https://www.ceicdata.com/en/indicator/albania/real-gdp-growth>

Chart no: 5 Albania's Nominal GDP Growth from March 2009 to March 2021

According to the data from UNWTO, the number of outbound tourist departures in Albania increased considerably from 2007 to 2019. In 2019, there were more than 5.9 million outbound visitors (including same-day and overnight visitors).

Arrived/Departure of Albanian and Foreign passengers by Means of Transport, Citizenship, Arrived/Departure and Year. Arrived/Departure of Albanian and Foreign passengers



<https://www.statista.com/statistics/1014197/outbound-tourism-from-albania/>

Source: http://databaza.instat.gov.al/pxweb/en/DST/START__TU/TU0001/chart/chartViewLine/

Chart no: 6 Arrived/ Departure of Albanian and Foreign passengers in the the past 3 years and the effect on tourism

North Macedonia

North Macedonia Nominal GDP reached 3.6 USD bn in December 2020, compared with 3.2 USD bn in the previous quarter. Nominal GDP in North Macedonia is updated quarterly, available from March 2000 to December 2020, with an average number of 2.4 USD bn. The data reaches an all-time high of 3.6 USD bn in December 2020 and a record low od 879.0 USD mn in March 2002.

In the latest reports, North Macedonia GDP contracted 0.7% YoY in December 2020.

Its GDP deflator (implicit price deflator) increased 2.0%. North Macedonia GDP Per Capita reached 5,928.8 USD in December 2020.

Its Gross Savings Rate was measured at 12.5% in June 2021.

For Nominal GDP contributions, Investment accounted for 28.0% in June 2021.

Public Consumption accounted for 17.3% in June 2021.

Private Consumption accounted for 70.2% in June 2021.

(Source: <https://www.ceicdata.com/en/indicator/macedonia/nominal-gdp>)



<https://www.ceicdata.com/en/indicator/macedonia/nominal-gdp>

Chart no: 7 North Macedonia's Nominals GDP from March 2000 to December 2020

In April 2020, arrivals at accommodation establishments in North Macedonia fell to around 691 due to the coronavirus (COVID-19) pandemic, down from 84 thousand recorded in the same period a year earlier. In June the number of tourist arrivals reached five thousand. Arrivals include both residents and non-resident stays in tourist accommodation.



<https://www.statista.com/statistics/1131126/number-of-monthly-arrivals-short-stay-accommodation-in-north-macedonia/>

Number of monthly arrivals in tourist accommodation in North Macedonia from July 2018 to June 2020*(in 1000s)

Chart no: 8 Number of monthly arrivals in tourist accommodation in North Macedonia from July 2018 to June 2020

Influence of economic factors on the business of certain countries

The Covid 19 pandemic is becoming the biggest global health crisis in decades. The virus does not stop in developing countries either. The virus is spreading around the world at record speeds and is still spreading, but the government and epidemiologists are trying to slow the spread with precautions and vaccines. Isolation measures in many countries and regions have a strong economic and social impact. Developing countries are directly and increasingly suffering from the onset of the global recession, supply chain disruptions and the shock of commodity prices. Many countries are experiencing a decline in tourism and international trade in goods and services.

The service sector is highly affected by the global pandemic COVID 19. Given the importance of services in providing inputs for other economic activities, including the supply chain as well as the facilitation of trade in goods, disruption in the provision of services has a major economic impact and trade influence. In today's world, services generate more than two-thirds of gross domestic product, attract more than two-thirds of foreign direct investment, provide more jobs globally, and account for over 40% of world trade. (WTO (2019), World Trade Report 2019: The Future of Services Trade, Geneva: WTO)

Disruptions in supply and demand have a strong impact on trade in services, although the type and extent of the impact varies depending on the sector and the mode of supply. Services that are based on physical proximity between suppliers and consumers are most affected by restricted mobility and social distance measures imposed for health reasons. While direct contact can

sometimes be replaced by online supply, this is not always the case with all service sectors or countries. Retail services, tourism and passenger transport are hardest hit. Mobility measures have caused significant disruptions to air, sea and land transport, with serious repercussions on trade in goods and supply chains. According to the classification of services by the General Agreement on Trade in Services, the supply of services in Category 2 (Spending of service abroad), which is predominantly characteristic of tourism, is paralyzed. Services in Category 4 (Individual Movement) due to travel restrictions are characterized by a strictly restricted mode. The global pandemic also had a negative impact on the supply of Category 3 (Commercial Presence) services, both on already established enterprises and on the decision to establish new enterprises abroad. The decline in trade in goods as a result of the economic slowdown has contributed to a decline in trade in related services, such as international maritime transport. The crisis has led to a greater focus on Internet supply in sectors such as retail, healthcare, education, telecommunications and audiovisual services. Hence, suppliers have expanded their network operations, while customers have adopted new habits that can contribute to the long-term shift to online services. In the future, the increased supply of services through digital networks can be expected to have a significant impact on trade, which would lead to an increased supply of services through Category 1 (Cross-border provision of services), (Miteva, Panova, Georgieva Svrtinov, 2020).

The tourism sector, which includes services related to booking hotels, restaurants, tour operators and travel agencies, is probably the hardest hit by the crisis so far, as restrictions on movement and border closures have halted the flow of tourists abroad. This sector mainly covers services classified in Category 2 according to GATS. In March 2020, the Organization for Economic Co-operation and Development (OECD) said that preliminary estimates indicated a 45% decline in international tourism in 2020. This could rise to 70% if recovery could not begin by September. According to the analysis of the World Tourism Organization (UNWTO), from March 27, 2020, the arrival of foreign tourists can be reduced by 20% to 30% in 2020. In other words, this represents a loss of \$ 300 billion to \$ 450 billion in revenue from international tourism. According to World Travel and Tourism Council (WTTC) reports from March 26, 2020, the number of travel and tourism jobs at risk could reach 100 million. In May, the World Tourism Organization stated that the current scenarios indicate a potential drop of 58% to 78% in terms of foreign tourist arrivals, depending on the restraint measures and the duration of the travel restrictions, thus directly endangering 100 up to 120 million jobs in tourism. The evident decline in this sector results in serious economic consequences, given its overall economic contribution to many countries and regions. According to the World Travel and Tourism Council (WTTC), in 2019, tourism directly and indirectly contributed \$ 8.9 trillion to global GDP (10.3%) and 330 million jobs. For some economies, especially smaller ones, tourism not only has the largest share in the structure of total exports, but also a significant share of GDP (for example, 67% in the Seychelles, 62% in St. Christopher and Nevis and 48% in Vanuatu).

On April 1, 2020, the World Tourism Organization released a series of recommendations to help the global tourism sector recover from KOVID 19. So far, the measures taken by governments are social, economic and financial, including work support schemes for sector employees. , tax delays and various other forms of financial support for tour operators.

Conclusion:

Measures of social distance taken as a result of the pandemic underscored the importance of services such as telecommunications and computer services. The increasing importance of

providing services online can further increase the interest in adjusting the regulations, all in order to provide better quality services, including services from abroad. The crisis has also highlighted the infrastructural role of transport services in facilitating international trade in goods and tourism. Given the contribution of this sector to global production and employment, as well as its growing importance for international trade and investment, the impact of the economic slowdown on the Services sector will be significant. On the other hand, the service sector has a key role to play in dealing with the crisis, especially through financial services, telecommunications, distribution, transport and logistics. The ability to provide the service online facilitates work from home and provides online education. Due to their impact on the overall productivity and trade performance of countries, the exchange of services is a key component in the development strategies of countries in recovery from economic slowdown.

Overall the tourism was one of the most impacted areas of work since the borders were closed, there was no chance to go to another country or the measurements for tourism were more than strict in the whole world.

Covid 19 – the pandemic that shocked the world with its appearance is still present in other variations. As it changed itself, it changed the way of living and the way of tourism, at least as it was so far known.

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