



ISSN: 2651-2742  
2024- Cilt: 7 Sayı: 2  
Sayfa: 195-202.

Dergi Web Sitesi: <http://sita.cumhuriyet.edu.tr/tr/>

Gönderilme Tarihi: 02.06.2024

Kabul Tarihi: 17.12.2024

Arařtırma Makalesi (Research Article)

**TOURISM DEVELOPMENT AND ITS IMPACT IN ECONOMIC GROWTH,  
EVIDENCE OF NORTH MACEDONIA**

**Turizmin Geliřimi ve Ekonomik Büyüme Etkisi, Kuzey Makedonya Örneęi**

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**ÖZ**

Turizm, küresel olarak ekonomik büyümenin en önemli faktörlerinden biri haline gelmektedir ve birçok sektörde olumlu etkiler göstermektedir. Bu nedenle, tüm ülkeler turizmi geliřtirmekle ilgilenmektedir. Turizmin geliřimi, ekonomik, çevresel ve sosyo-kültürel etkilerin hem günümüzde hem de gelecekteki yansımalarını içermektedir. Bu kaynakların uygun şekilde kullanılması, ev sahibi toplulukların kültürel ve geleneksel deęerlerine saygı gösterilmesi ve gelir seviyesini artırma ve yoksulluęu azaltma gibi sosyo-ekonomik faydaların sağlanması ile mümkündür.

Bu çalıřma, Kuzey Makedonya'daki turizmin geliřimini analiz edecek ve özellikle toplam turist sayısına odaklanacaktır. Analiz, yabancı turistlerin geliřleri ve toplam gecekleri ile yerli turistlerin geliřleri ve toplam gecekleri üzerine yapılacaktır. Toplam turist verilerine dayanarak, ülkemizin ziyaretçilere sunduęu çekim gücünün durumu deęerlendirilecektir.

Analizin ikinci kısmı, turist harcamalarından elde edilen toplam gelirlerin hesaplanması yoluyla elde edilen gelir düzeyine odaklanmaktadır (yabancı ve yerli turistler). Son kısım ise turizm sektörünün Gayri Safi Yurtiçi Hasıla'ya (GSYİH) katkısını, yani ekonomik büyümenin önemli bir göstergesini ele almaktadır. Bu analizler, turizm trendlerine daha derin bir bakış açısı sağlamak amacıyla uzun bir dönem (1990'lardan 2023'e kadar) için yapılmıştır.

Kuzey Makedonya'nın farklı dönemlerden geçtięi göz önünde bulundurularak, üç kritik dönem boyunca turizm durumu deęerlendirilecektir: Eski Yugoslavya'dan Kuzey Makedonya Cumhuriyeti'ne geçiş dönemi (1993), 2000 yılındaki silahlı çatışma ve 2019

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Önerilen Atıf: Tachi A. ve Tachi S. (2024). Tourism Development and its Impact in Economic Growth, Evidence of North Macedonia, Sivas İnterdisipliner Turizm Arařtırmaları Dergisi, 7(2), 195-202.

yılındaki pandemi krizi. Sonuç olarak, turizmin ülkenin ekonomik büyümesi üzerinde önemli bir etkisi olduğu görülmektedir.

**Anahtar Kelimeler:** Turizm ve Gelişim, Ekonomik Büyüme GSYİH, Ekonomik Kalkınma

**JEL Kodları:** Z32, F43, O1

## **ABSTRACT**

Tourism is becoming the most important factor of economic growth globally which indicates positive impact in many sectors, and this is the reason that all countries are interested in developing the tourism. Tourism development is the current and the future of economic, environmental and socio-cultural impact, and this by making optimal use of resources, respecting the cultural and traditional values of host communities and ensure socioeconomic benefits such as increasing the level of revenues and reducing poverty. This paper will analyse the development of tourism in North Macedonia by special emphasize in the total number of tourists, including the analysis of foreign tourist arrivals and total overnight stays and domestic tourists' arrivals and total overnight stays. Based on the evidence of total tourist we can see the condition of our country regarding the attraction provided to visitors. The second part of the analyses is regarding the level of revenues earned by calculating the total number of receipts of tourist expenses (foreign tourists and domestic tourists). The last part is regarding the contribution of tourism sector to the Gross Domestic Product, an important indicator of the economic growth. These analyses are done for a longer period (from the early 90 up to 2023), to have a deeper overview of tourism trend. Since North Macedonia was going through different times, will have an overview of tourism condition during three risky periods such as transition period from Former Yugoslavia to Republic of North Macedonia (1993), the armed conflict in 2000 and the last crisis of pandemic in 2019. And as a result there is an important impact of tourism in the economic growth of the country.

**Keywords:** Tourism & Development, Economic Growth GDP, Economic development

**JEL Code:** Z32, F43, O1

## **1. INTRODUCTION**

North Macedonia is a landlocked country on the Balkan peninsula in southeastern Europe. The land has a total area of 25,710 km<sup>2</sup> (9,927 mi<sup>2</sup>). North Macedonia is thus the 17th smallest country in Europe and ranked 150th in the world

Tourism has become the major player in the international commerce and is experiencing a continuous growth. We can say that tourism is having the fastest growing sector of the economy in the world which surpasses other industries such as food production, oil exports, automobile etc.

Achieving sustainable tourism requires a strong political leadership, monitoring necessary agendas to increase the tourist satisfaction level by offering meaningful attractions and experiences.

The economy of North Macedonia has experienced a radical change during the transition from communism to democracy after the fall down of the former Yugoslavia in 1990. As A.Gosar (2012)<sup>†</sup> mentioned that Western Balkans countries were unstable during that time, and each

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<sup>†</sup> Gosar A., 2012, Tourism in post-socialist countries of South-eastern Europe: Trends and challenges

countries had to enter the global tourism market individually and independently, including North Macedonia. Before the transition, for the tourism sector was responsible the non-governmental institution the Tourism Association of the Socialist Federative Republic of Yugoslavia and they were responsible for promotion of tourism of Macedonia in Yugoslavia and worldwide. After the establishment of Republic of Macedonia, there was no National tourism organizations, and since there were no ministries the responsibly of tourism was under travel agencies that made all the promotion, the support and implementation of programs for tourism. The first law for tourism activity and law for hospitality activity was created in 2004. Now for the development of tourism sector is responsible the ministry of economy.

Economy is closely linked with the development of tourism. A tourist is an important consumer because he performs his expenditures such as housing or accommodation, transportation, food and use of other services. With this the local budget increases but also one part goes to the state budget through different forms of fees or taxes, meaning that tourism support economic growth.

## **2. LITERATURE REVIEW**

This section includes contributions to the literature by a variety of scholars regarding the tourism importance and tourism growth as an important factor of economic growth. The tourism sector has become important in many countries. Rapid expansion of international tourism has made it a key income source to develop newly industrialised countries (Dwyer & Forsyth, 2016). Tourism development in the post-socialist countries was associated with the desire to make up for the lost time and the fast growth of income from tourism industry (Banaszkiewicz et al., 2016).

The tourism potential is determined by the sum of all resources such as natural, human, cultural, historical, infrastructure etc, which constitutes a destination's tourist offer. (Heath & Wall, 1992). The economic impact of tourism in specialized literature is known in the form of a multiplier effect. (Minciu, 2004). The multiplier effect measures the changes produced in income levels, results, employment and balance of payments due to modification of tourist spending. (Witt, Brooke, & Buckley, 1995)

For having a stable tourism development it's important to have a planning, as R. Butler (1980) mentioned that without comprehensive planning strategies and suitable tourism policy, destinations are intended to face of eventual decline and possible collapse. Tourism contributes to economic growth and the expansion affects the demand for certain goods and services (Syriopoulos, 1995), including transportation facilities, such as roads and airports (Eugenio-Martín & Morales, 2004). Establishing the relationship between tourism and economic growth is essential as this sector is increasing at impressive rates and policy-makers are attributing to the sector major importance (Sequeira & Campos, 2005).

The evidence from a lot of articles shows that there is a positive relation between tourism and economy growth, such as Granger (1969) causality tests based on Error Correction Models indicated that there is a strong Granger causal relationship between international tourism earnings and economic growth.

## **3. RESEARCH METHODOLOGY**

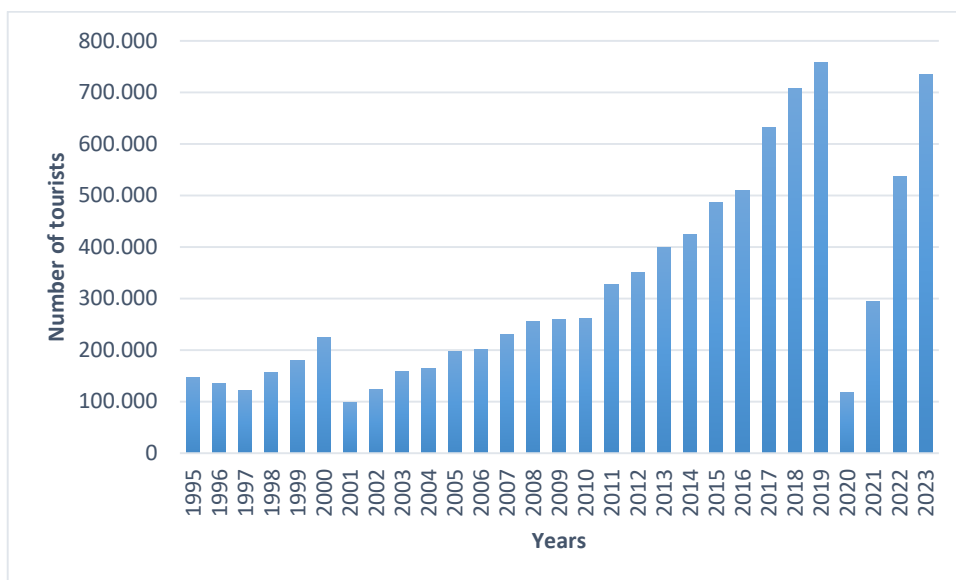
In this study we will have a descriptive analysis regarding the importance and effect of development of tourism sector in North Macedonia using secondary data from State statistical office, World Bank, reports from World Travel and Tourism Council (WTTC) for the period between 1995 and 2023.

First, we analyse the development of tourism sector in North Macedonia, then analysing data that refers to tourism statistics including the number of tourist arrivals and overnight stays as total, domestic and foreign tourists. And in the last part we have the importance and contribution of tourism to GDP including total tourism income.

#### 4. EMPIRICAL RESULTS

The tourism in North Macedonia has been through a continuous growth after the revolution of the system of the former Yugoslavia (1990). Based on the data from World Data † and State statistical office of RNM§ the income from tourism in 1995 was 18.5 million euro as 0.4 % of GDP (€ 126 per tourist), after more than 20 years the country's dependence on tourism has increased drastically up to 392 million euro or €517 per tourist (around 3.2% of GDP). In below graph we will have an overview of tourism development from 1995 up to 2023.

Graph 1. Development of tourism sector in North Macedonia 1995-2023



Source: World Data, State statistical office of Republic of North Macedonia, authors calculation

In 2023 a total of 1.168.730 tourists were registered in North Macedonia, which 434.598 were domestic tourists and 734.139 foreign tourists. Compared to 2022 the number of tourists has grown by 20.6%. The lowest level of tourism in North Macedonia was in 2001, as a result of the armed ethnic conflict in this country in 2000, and in 2020 as a result of post pandemic period 2019. In 2021 North Macedonia was ranked as 77<sup>th</sup> place in the world and 13<sup>th</sup> in

† World Data <https://www.worlddata.info/europe/north-macedonia/tourism.php>

§ State Statistical Office [www.stat.gov.mk](http://www.stat.gov.mk)

Southern East \*\*. The evidence shows that his country has generated around \$ 387.000 million in the tourism sector.

The dynamics of tourism activity depends on the size and the intensity of development of the country. North Macedonia as a small country has a modest volume of tourism contributing to the economic growth. The statistics of tourism are expressed through the number of the tourist arrivals, as a total number of tourists, domestic tourist and foreign tourists. The following table shows the number of tourist arrival from 2010 to 2023, data from Statistical office RNM.\*\*

Tabel 1. Number of tourist and night spent in North Macedonia 2010-2023

Year	Total number of tourists	Domestic tourists	Foreign tourists	Total overnight stays	Domestic overnight stays	Foreign overnight stays
2023	1,168,737	434,598	734,139	111,668	46,454	65,214
2022	969,277	431,841	537,436	2,848,604	1,703,841	1,144,763
2021	702,463	408,500	293,963	2,313,543	1,643,083	670,460
2020	467,514	349,308	118,206	1,697,535	1,444,605	252,930
2019	1,184,963	427,370	757,593	3,262,398	<b>1,684,627</b>	<b>1,577,771</b>
2018	1,126,935	419,590	707,345	3,176,808	1,685,273	1,491,535
2017	998,841	368,247	630,594	2,775,152	1,480,460	1,294,692
2016	5,856,843	346,359	5,510,484	2,461,160	1,407,143	1,054,017
2015	816,067	330,537	485,530	2,394,205	1,357,822	1,036,383
2014	735,650	310,336	425,314	2,195,883	1,273,370	922,513

\*\* World Data Info [www.worlddata.info/europe/northmacedonia/tourism.php](http://www.worlddata.info/europe/northmacedonia/tourism.php)

†† State statistical office [www.makstat.stat.gov.mk](http://www.makstat.stat.gov.mk)

2013	701,794	302,114	399,680	2,157,175	1,275,800	881,375
2012	663,633	312,274	351,359	2,151,692	1,339,946	811,746
2011	647,568	320,097	327,471	2,173,034	1,417,868	755,166
2010	586,241	324,545	261,696	2,020,217	1,461,185	559,032

Source: MakStat database of the State Statistical Office of the Republic of North Macedonia

International tourism has been developed especially in the recent years, as shown in the above table 2019 is the year where the number of foreign overnight stays is almost equal to the number of domestic overnight stays.

In 2020 there was a drastic decline of the level of foreign tourist due to the COVID-19 pandemic, for - 60% compared to 2019, in 2021 compared to 2020 an increase of + 50.3%, and +38% positive difference from 2021 to 2022. According to official data from Tourism Promotion and Support Agency (APPT)‡, the average length of stay of foreign visitors in the country is 1.9 nights and this is a decrease compared to 2021 when the average stay was 2.3 nights.

For the analysis of tourism revenue growth or receipts (total % of exports) as expenditures of international inbound visitors including any payment for goods and services received in the country, we will use data from the World Bank§§ and CEIC\*\*\* for the period 1995 to 2023 in million USD and the percentage participation in gross national product in North Macedonia.

Table 2. Tourism revenues and participation in GNP, 1995-2021

Year	Total revenues from tourism (in millions of USD)	% of GNP	Year	Total revenues from tourism (in millions of USD)	% of GNP
1995	\$ 19,000,000	0.40%	2009	\$ 232,000,000	2.50%
1996	\$ 35,000,000	0.75%	2010	\$ 199,000,000	2.10%
1997	\$ 29,000,000	0.74%	2011	\$ 242,000,000	2.30%
1998	\$ 30,000,000	0.80%	2012	\$ 237,000,000	2.40%
1999	\$ 80,000,000	2.10%	2013	\$ 270,000,000	2.50%

‡ Tourism Promotion and Support Agency (APPT) <https://tourismmacedonia.gov.mk/>

§§ World bank - <https://data.worldbank.org/indicator/ST.INT.RCPT.CD?locations=MK>

\*\*\* <https://www.ceicdata.com/en/indicator/macedonia/tourism-revenue-growth>

2000	\$	88,000,000	2.30%	2014	\$ 298,000,000	2.60%
2001	\$	49,000,000	1.30%	2015	\$ 268,000,000	2.70%
2002	\$	55,000,000	1.40%	2016	\$ 283,000,000	2.70%
2003	\$	86,000,000	1.70%	2017	\$ 331,000,000	2.90%
2004	\$	103,000,000	1.80%	2018	\$ 380,000,000	3.10%
2005	\$	116,000,000	1.90%	2019	\$ 401,000,000	3.20%
2006	\$	156,000,000	2.30%	2020	\$ 253,000,000	2.00%
2007	\$	219,000,000	2.60%	2021	\$ 387,000,000	2.80%
2008	\$	262,000,000	2.60%			

Source: World Bank and CEICdata

During the 1995-2023 period, the average value for North Macedonia was 2.13%, with a minimum of 0.74% in 1997 and a maximum of 3.20 % in 2019. Considering that in 2019 there were 757,594 international tourists in North Macedonia, and contributed 401 million USD, around 529 USD per international tourist and 3.2 % of gross national product.

In 2020, tourist receipts plummeted from 401 million USD (2019) to 253 million USD (2020) due to the COVID-19 pandemic, and this is a 37 percent decrease in North Macedonia. There is favourable positive increase of total receipts, as in 2021 increases to 387 million USD, as 2.8% of GNP. Since the number of tourists has increased in 2022 (969.277 tourists) and 2023 (1.168.737 tourists), also the revenues and the contribution to the GDP of the country is obviously increased.

## 5. CONCLUSIONS

Based on the evidence from the analyses we conclude that the growth of economy of North Macedonia is significantly related with tourism sector. In this regard the government should implement policies to help preserve and increase the level of tourist visits. For being more attractive for tourists, there should be more accommodation and public facilities, more lodging options, and more marketing campaign.

Having into consideration the contribution of tourism sector to GDP in our country is really an important factor, we should invest more in the private sector and in that way will be generated more job opportunities.

North Macedonia has been through some losses, especially during the period of transition 1990, then in the armed conflict in 2000 and the last one in 2019 during the pandemic. From the data analysis we concluded that our country had managed this sector, but it's important to mention that our country needs to reach the development policy in global concept of tourism by observing macroeconomic factors. In this regard governmental institution that are responsible for tourism development needs to pay more attention and to realise the tourism policy, the review and updating the laws for tourism and hospitality by categorising accommodation facilities, restaurants and other attractions. And since marketing these days is

playing an important role in business world, our country needs to invest in marketing campaign for promoting the tourism sector.

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