

BSTC Baltic Sea Tourism Center

State of the Tourism Industry in the Baltic Sea Region - 2018 Edition



Baltic Sea Tourism Industry 2014 - 2016

GUESTS



227 MILLION

OVERNIGHTS ▲ 8.9%



54 MILLION

INTERNATIONAL
OVERNIGHTS ▲ 9.4%



88 MILLION

ARRIVALS ▲ 10.4%

ECONOMIC IMPACT

THERE ARE

638,400+

PEOPLE EMPLOYED DIRECTLY IN TOURISM
RELATED INDUSTRIES ▲ 6.5%



DEPENDING ON THE REGION BETWEEN
1.9% and 4.6%

IS THE TOURISM'S DIRECT CONTRIBUTION
TO GROSS DOMESTIC PRODUCT

TOP 1 INTERNATIONAL SOURCE MARKETS

DEPENDING ON THE BSR DESTINATION

**GERMANY, DENMARK, RUSSIA,
FINLAND & BELARUS**

IS THE TOP 1 INTERNATIONAL SOURCE MARKET



Björn P. Jacobsen

Editor

State of the Tourism Industry in the Baltic Sea Region

2018 Edition



BALTIC SEA
TOURISM CENTER

Editor

Prof. Dr. Björn P. Jacobsen

School of Business Studies

Stralsund University of Applied Sciences (HOST)

Stralsund, Germany

bjoern.jacobsen@hochschule-stralsund.de

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List of Abbreviations

BRIC	Brazil, Russian Federation, India, China
BSR	Baltic Sea Region
BSTC	Baltic Sea Tourism Center
BSTC TMM	Baltic Sea Tourism Center - Tourism Market Monitor
Eurostat	Statistical Office of the European Union
GDP	Gross Domestic Product
ICT	Information and Communication Technology
KPI	Key Performance Indicator
OECD	Organisation for Economic Co-operation and Development
UNWTO	United Nations World Tourism Organization
WEF	World Economic Forum
WTTC	World Travel & Tourism Council

Time for Action

If you ask people - professionals or visitors alike - **what characterizes the Baltic Sea Region tourism industry** you will receive a multitude of answers. Some people start to think in qualitative terms (“image”) while the more business-minded professionals would describe the industry using facts and figures. The result is - at best - a blurred picture of the most important service industry in the Baltic Sea Region. By publishing this “State of the Tourism Industry Report” the Baltic Sea Tourism Center (BSTC) intends to contribute to a fact-based description of what the tourism industry in the Baltic Sea Region is: an important - but often politically neglected - **driver for the sustainable economic development** in Northern Europe.

Being aware of the situation and identifying common strengths and weaknesses is a good starting point since it shows that other European macro regions are increasing the efforts in developing their tourism industry. Think of the Danube region or the Adriatic-Ionian region. Implementing joint activities, crossing borders and business cultures in the BSR tourism industry are not a “nice to have” but an imperative if the sector does not want to lack behind. This situation has been discussed by industry experts for a while - **from an industry perspective it is believed that it is time for action now.**

Against this background, tourism industry stakeholders have joined their forces to implement actions using the BSTC. These actions focus on three core areas: **① establishing partnerships, ② providing insights and ③ enhancing skills.** Within each of these areas specific activities are implemented - with this report being one of the first joint BSTC products. If the BSR tourism stakeholders want to turn the average annual growth expectations of 3.3 percent (UNWTO, 2011) into real business opportunities for the BSR, more action must follow. We therefore **encourage you to join us** on this journey.

BSTC Management Team

P.S. ... and if you are asked about the BSR tourism industry, keep three facts in mind:

“638,400 people provide 227 million overnight stays - 24 percent by international visitors.”

Tourism Industry in the Baltic Sea Region

The tourism industry in the Baltic Sea Region (BSR) - in a narrow definition¹ - is an economic powerhouse as the key performance indicators confirm. In 2016 the BSR tourism industry ...

- generated **88 million international arrivals** (+10.4 percent from 2014),
- registered **227 million overnight stays** (+8.9 percent from 2014),
- of which **54 million overnight stays by international visitors** were recorded - equal to 24 percent of all overnight stays (+9.4 percent from 2014),
- directly **provided jobs for more than 638,400** (+6.5 percent from 2014).

The basis for this strong position of the BSR tourism industry is confirmed in a European comparison. In 2016 three **BSR destinations succeeded to be in the top ten destinations of UNWTO** (UNWTO, 2017); this includes Germany, the Russian Federation and Poland. Although all three countries only have a fraction of their tourism destinations located along the Baltic Sea coastline, there is a clear indication about the relevance of the coastal tourism for the overall national tourism: in Germany 17 percent of all overnight stays are recorded in the coastal provinces of Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein while in Poland 43 percent of all overnight stays are generated in the two coastal regions of Północno-Zachodni and Północny.

Arrivals and overnights

With a share of 24 percent international visitors (based on number of overnight stays), the BSR compares favourably with other European macro regions. However, when analysing the TOP source markets for the BSR destinations, it becomes obvious that **a considerable part of the international visitors is based on inner-BSR travel** with Germany being the number one source market for both neighbouring Denmark and Poland while the Russian Federation - although with significantly lower absolute numbers - is the number one source market both for Finland and Latvia. Developments show that the **number of Russian visitors is decreasing in all BSR destinations**. Denmark is the top source market for neighbouring Sweden, Finland is the top source market for the Estonian tourism industry while Belarus is the main source for international tourists in Lithuania.

While the top source markets for BSR destinations (based on number of international arrivals) remained relatively stable in the 2014 - 2016 period, there are some noticeable developments:

¹ In a practical geographical definition it includes Denmark, Estonia, Finland, the German Baltic Sea provinces of Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein, Latvia, Lithuania, the Polish Baltic Sea regions Północno-Zachodni and Północny, and Sweden.

- The **decreasing importance of Russia** - mainly based on political decisions - as a source market has already been noted.
- In the context of the BREXIT decision, the importance of the **United Kingdom** as a major source market for Denmark, the German Baltic Sea Coast, the Polish Baltic Sea Coast and Sweden needs to be considered - whether this will be a challenge cannot be said yet, but it is a situation to be observed closely in the coming years.
- Even more interesting is the fact that - likely due to the relatively short flight time between Finland and Asia - **Chinese visitors made it into the top source markets** for one BSR destination, namely Finland. While - so far - the BRIC markets were mainly considered of relevance because of the growth figures (based on low absolute volume), Finland provided 265,000 overnight stays to visitors from mainland China, replacing the United Kingdom as the number five source market for the Finnish tourism industry.

Destination: Denmark	❶ D	❷ N	❸ S	❹ UK	❺ USA
Destination: Estonia	❶ FIN	❷ RUS	❸ D	❹ LV	❺ S
Destination: Finland	❶ RUS	❷ S	❸ EST	❹ D	❺ CHN
Destination: German Baltic Sea Coast	❶ DK	❷ S	❸ CH	❹ NL	❺ UK
Destination: Latvia	❶ RUS	❷ D	❸ LT	❹ FIN	❺ S
Destination: Lithuania	❶ BY	❷ LV	❸ RUS	❹ D	❺ PL
Destination: Polish Baltic Sea Coast	❶ D	❷ RUS	❸ S	❹ UK	❺ DK
Destination: Sweden	❶ N	❷ D	❸ DK	❹ UK	❺ NL

Note: BY = Belarus, CH = Switzerland, CHN = People's Republic of China, D = Germany, DK = Denmark, EST = Estonia, FIN = Finland, LV = Latvia, LT = Lithuania, N = Norway, NL = Netherlands, PL = Poland, RUS = Russian Federation, S = Sweden, UK = United Kingdom, USA = United States of America

Source: BSTC TMM, 2018

Table 1 Top 5 Source Markets in the BSR (International Arrivals, 2016)

Economic impact

The impact of an industry sector on a region's economic development of the region is frequently measured by employment and the generation of gross domestic product (GDP). This report is no exception to the rule of this approach. However, the "State of the Tourism Industry Report" does take a more conservative approach in presenting the economic impact of the industry: the report considers the **direct contribution to the regions employment** as well as **direct contribution to the regions GDP** - thus avoiding the often sky-rocking (and sometimes dubious) high *indirect* contribution measured by other industries.

Considering the contribution of the direct employment by the tourism industry to the overall employment in the BSR, a positive development can be identified: between 2014 and 2016, the **direct employment** of the BSR tourism industry **increased by 6.5 percent** to a total of more than **650,000 jobs** directly provided. The major labour markets can be found on the German Baltic Sea coast with more than 180,000 employees, closely followed by Sweden with 173,000 employees in the tourism industry.

The contribution of the **direct GDP** generated by the BSR tourism industry as a share of the overall GDP generation indicates the importance of the sector to the individual regions economic development. In 2016 the tourism GDP as a percentage of the overall GDP generation ranges from a low 1.8 percent in Lithuania to a high 4.3 percent both in Finland and Latvia. In Lithuania and Latvia this number corresponds with the share of employment (1.8 percent in Lithuania respectively 4.2 percent in Latvia) while in Finland the employment share is significantly lower (2.0 percent) indicating efficiency gains in the Finnish tourism industry.

Comparing the employment share with the GDP share provides initial hints on the **efficiency of the tourism industry** in the respective country / region. If employment share and GDP share show approximately the same figures (like Denmark or the three Baltic States), this points towards a well developed market - with potential for further efficiency gains. In markets where the GDP share is significantly higher than the employment share (like Finland), these efficiency gains have already been realised while in tourism markets with an employment share being significantly higher than the GDP share (like Germany) efficiency gains are not realized.

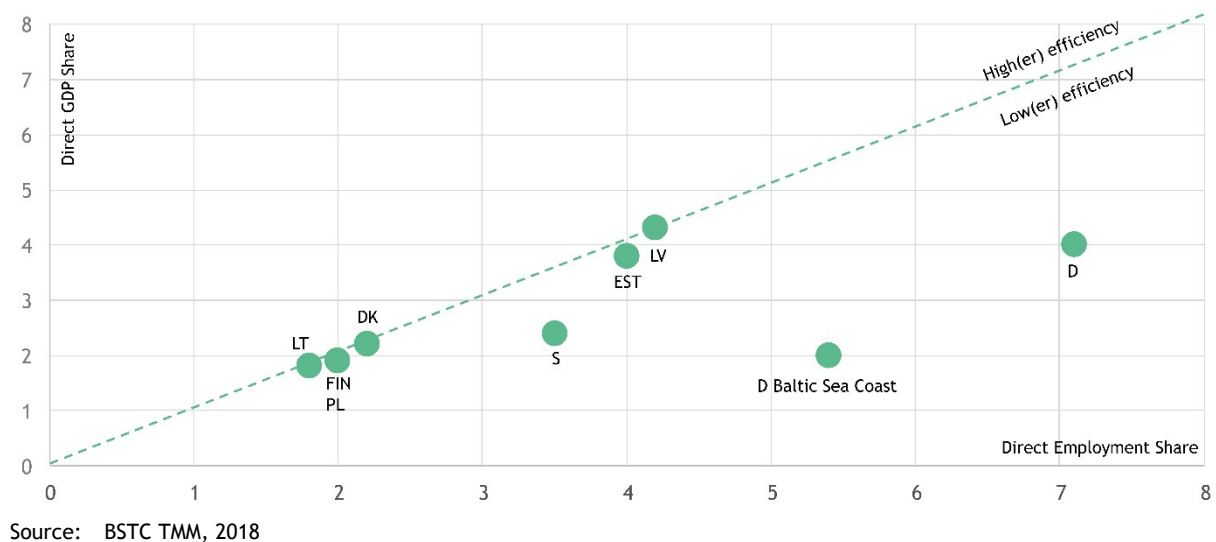


Fig. 1 Efficiency of the BSR tourism industry 2016

Tourism policy

Considering the economic importance of the tourism industry for the BSR as a whole as well as for individual regions, it is worth noting that not all regions put the travel and tourism industry high on the political agenda. In an analysis of the WEF World Economic Forum (Blanke, J. and T. Chiesa, 2013; Crotti, R. and T. Misrahi, 2015; Crotti, R. and T. Misrahi, 2017), a **prioritization of travel and tourism as part of national policies** is performed. Specific indicators include: how much governmental budget is spent on the industry, the brand strategy of the country, and the availability and actualization of the data. According to the 2017 World Economic Forum analysis (Crotti, R. and T. Misrahi, 2017), Germany is the best performing country (rank 3 out of 136 countries) while national tourism policy in Latvia and Lithuania shows room for improvement (rank 54 respectively 56 out of 136 countries).

Tourism industry performance

To analyse the tourism industry in the individual BSR countries (and regions in the case of Germany and Poland), key performance indicators (KPI) have been applied. These **KPIs include**: the number of tourist arrivals (year 2016), the number of overnight stays (year 2016), the number of international overnights (year 2016), the direct employment in the tourism industry (year 2016), the tourism sector gross domestic product (year 2016) as well as the WEF travel and tourism competitiveness index (year 2017). Based on the KPIs, the individual BSR countries and regions can be ranked as following:

Key Performance Indicator	DK	EST	FIN	D ¹	LV	LT	PL ²	S
Number of tourist arrivals (mio.)	5	6	3	2	8	7	4	1
Number of overnights (mio.)	4	7	5	1	8	6	3	2
Intern. overnights (% of total)	4	2	5	8	1	3	7	6
Employment tourism industry (% of total)	5	3	7	1	2	8	6	4
Tourism sector GDP (% of total)	4	2	1	5	1	6	na	3
Travel and Tourism Competitiveness Index	2	4	3	na	5	6	na	1

Note: (1): German Provinces ("Länder") Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein only;

(2): Polish Regions Północno-Zachodni and Północny only

D = Germany, DK = Denmark, EST = Estonia, FIN = Finland, LV = Latvia, LT = Lithuania, PL = Poland, S = Sweden

na = data not available

Source: BSTC TMM, 2018

Table 2 Ranking of BSR Destinations based on KPIs (2016)

It becomes obvious that each BSR region has strengths and weaknesses - but in combination all regions contribute to a powerful industry.

Strengths and Weaknesses

The identification of strengths and weaknesses allows for a realistic assessment of the point of departure. This is critical for the success of the strategy development and implementation. Against this background, the strengths and weaknesses of the BSR tourism sector should be identified.

Apart from obvious advantages - such as a clear and integrated presentation as well as a reduction in complexity - there are also disadvantages of the identification and analysis process. The two main disadvantages refer to the fact that dependencies (or even contradictions) between different strengths and weaknesses are usually not uncovered. Secondly, and even more importantly, due to the complexity and dynamics, the identification and analysis of strengths and weaknesses is always a **selective process**. Having said this, the strengths and weaknesses in this report are not to be considered as final but as **exemplary**.

To present an overview of strengths and weaknesses for the eight BSR tourism markets (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden) the 2017 **Travel & Tourism Competitiveness Report** (Crotti, R. and T. Misrahi, 2017) has been analysed. It is acknowledged that further studies might identify additional / other strengths and weaknesses. However, it is the aim of this report to present an overview and not a comprehensive analysis of all possible strengths and weaknesses. As a result, the **overall key drivers** which potentially influence the situation in the BSR tourism industry can be summarized as follows:

Strengths	Weaknesses
<ul style="list-style-type: none">▪ ICT Readiness▪ Ground and port infrastructure▪ Human resources and labour market▪ Environmental sustainability▪ Health and hygiene▪ Safe & secure environment	<ul style="list-style-type: none">▪ Cultural resources and business travel▪ Natural resources▪ Price competitiveness▪ Prioritization of travel & tourism

Note: Based on the analysis of the strengths and weaknesses for eight BSR tourism markets. top-3 positive and negative factors were identified based on Blanke, J. and T. Chiesa (2013); Crotti, R. and T. Misrahi (2015); Crotti, R. and T. Misrahi (2017).

Fig. 2 Strengths and weaknesses for the BSR tourism industry

A detailed definition of each strength and weakness - clarifying possibly “misleading” headlines - is enclosed at the end of this chapter.

Strength ① - Infrastructure

One of the key strengths that provide the BSR tourism industry with a competitive advantage is its infrastructure - both electronically and physically. The majority of BSR regions do show a high level of ICT readiness which is based on the provision of infrastructure (e.g. mobile network coverage, reliable electricity supply) and services being made available and actually used (e.g. internet usage for B-to-C transactions, ICT use for B-to-B transactions). Among the BSR countries showing the highest degree of ICT readiness are **Denmark**, **Estonia** and **Sweden** (closely) followed by other regions. This provides a solid basis for the **digitalization of BSR tourism services**.

In addition, the physical infrastructure providing the basis for the mobility of travellers in the BSR is considered a major strength. This includes quality and density of the road and rail network as well as the port infrastructure. **Germany** and **Lithuania** are forerunners in this area with potential for further developments in other BSR regions. **Accessibility** as provided by the physical infrastructure is an imperative for the development of the BSR tourism industry and should receive further prioritization.

Strength ② - Human resources

The tourism industry is a service industry, which relies on the availability of a **skilled and motivated workforce**. Despite the fact that even the tourism industry sees a higher degree of automation, it is still mainly people that need to fulfil the expectations of travellers and tourists. Therefore, the concentration on the qualification of the workforce as well as the way customers are treated are a suitable measure for the competitiveness and attractiveness of the BSR tourism industry.

In addition, the framework conditions for the employees in the BSR tourism industry (e.g. hiring practices, pay, female participation) have an influence on the availability of labour. In the majority of the BSR economies, a shortage of labour in all industries can be witnessed putting the BSR tourism industry in competition with other business sectors. **Denmark**, **Finland**, **Latvia** and **Lithuania** are examples of functioning labour markets creating opportunities for further growth.

Strength ③ - Environment

The environmental conditions in the BSR create a favourable climate for the further development of the industry. The Baltic Sea regions are known to be among the world leaders in environmental sustainability. This includes the environmental legislation, the management of natural resources such as forests or water as well as the sustainable approach to travel and tourism in general. **Denmark**, **Estonia**, **Finland**, **Latvia** and **Sweden** are considered to be world class in environmental sustainability

- an asset that needs to be closely watched considering the growing number of tourist and the potential environmental impacts associated with this development.

In today's world safety and security receives growing attention by tourists. The extent of crime and violence not to mention the threat of international terrorism can have a major impact on the tourism industry. The BSR in general, but especially countries like **Estonia**, **Finland** and **Sweden** are considered especially safe with Finland leading the world in this regard. However, selected regions like **Germany** face challenges. As it has been witnessed in other parts of the world, a change in the perception of travellers could have a dramatic effect on the tourism industry. Therefore, attention needs to be paid to further develop this strength into a competitive advantage for the BSR.

Weakness ❶ - Culture & business travel

Culture is a major driver of tourism development and comes in different forms. One of the primary areas is the number of **cultural heritage sites**. In comparison with other countries, the BSR regions - despite significant efforts - have less on offer in this area. In addition, **business travel** is also a major driver of the travel and tourism industry. Comparatively few international association meetings could be attracted to the BSR, which poses a challenge to the convention business. It is notably the three Baltic States - **Estonia**, **Latvia** and **Lithuania** - as well as **Germany** showing potential for improvement.

Weakness ❷ - Natural resources

The BSR is primarily known for its diverse nature. An asset that is extensively used in promoting the region as a destination for nature tourism. Despite this focus, natural resources - as measured for example by the number of **world heritage natural sites**, the total **protected areas** or the **attractiveness of the natural assets** (question: "To what extent do international tourists visit your country mainly for its natural assets [e.g. parks, beaches, mountains, wildlife, etc.]") - do create a challenge for the BSR. Compared to other countries, the BSR has an untapped potential - especially in **Denmark**, **Estonia**, **Finland**, **Latvia**, **Lithuania**, **Poland** and **Sweden**. Considering the already strong position of the BSR in the area of environmental sustainability, further developments in the area of natural resources might contribute to the profile of the BSR as a nature tourism destination.

Weakness ❸ - Price competitiveness

The BSR is for a large part not competitive from a cost perspective. **Price competitiveness** as measured by - among others - hotel price indices, purchasing power parity or fuel price levels all indicate a rather high-cost destination. Considering different price levels between the BSR regions, it is not a destination for price-sensitive tourists. This is especially the case for **Denmark**, **Finland**, **Germany** and **Sweden**.

Weakness ④ - Prioritization of travel and tourism

Still not all BSR policy makers do consider the tourism industry as a valuable contributor to the economic development of the region. This viewpoint limits the development of the tourism industry, as well as indirectly influences the unemployment rate. The tourism sector provides significant employment but the tourism industry requires additional political support to generate further jobs and gross domestic product. Major **challenges such as digitalization, sustainability, and accessibility** need to be addressed. With the exception of **Estonia**, this is a weakness in all BSR regions.

Definitions - Strengths and weaknesses

The strengths and weaknesses have been sourced from Blanke, J. and T. Chiesa (2013); Crotti, R. and T. Misrahi (2015); Crotti, R. and T. Misrahi (2017). These reports apply a set of indicators to establish the competitiveness of a country; the indicators have been cited as strengths and weaknesses in the country profiles. To better understand what these indicators include, the following definition has been adopted:

- **Safety and Security** - Business costs of crime and violence; Reliability of police services; Business costs of terrorism; Index of terrorism incidence; Homicide rate
- **Health and Hygiene** - Physician density; Access to improved sanitation; Access to improved drinking water; Hospital beds; HIV prevalence; Malaria incidence
- **Human Resources and Labour Market** - Qualification of the labour force: Primary education enrolment rate; Secondary education enrolment rate; Extent of staff training; Treatment of customers. Labour market: Hiring and firing practices; Ease of finding skilled employees; Ease of hiring foreign labour; Pay and productivity; Female labour force participation)
- **ICT Readiness** - ICT use for business-to-business transactions; Internet use for business-to-consumer transactions; Individuals using the internet; Broadband internet subscribers; Mobile telephone subscriptions; Mobile broadband subscriptions; Mobile network coverage; Quality of electricity supply
- **Prioritization of Travel & Tourism** - Government prioritization of the T&T industry; T&T government expenditure; Effectiveness of marketing to attract tourists; Comprehensiveness of annual T&T data; Timeliness of providing monthly/quarterly T&T data; Country Brand Strategy rating
- **International Openness** - Visa requirements; Openness of bilateral Air Service Agreements; Number of regional trade agreements in force
- **Price Competitiveness** - Ticket taxes and airport charges; Hotel price index; Purchasing power parity; Fuel price levels
- **Environmental Sustainability** - Stringency of environmental regulations; Enforcement of environmental regulations; Sustainability of travel and tourism industry development; Particulate matter concentration; Number of environmental treaty ratifications; Baseline water stress; Threatened species; Forest cover change; Wastewater treatment; Coastal shelf fishing pressure
- **Ground and Port Infrastructure** - Quality of roads; Road density; Paved road density; Quality of railroad infrastructure; Railroad density; Quality of port infrastructure; Ground transport efficiency
- **Natural Resources** - Number of World Heritage natural sites; Total known species; Total protected areas; Natural tourism digital demand; Attractiveness of natural assets
- **Cultural Resources and Business Travel** - Number of World Heritage cultural sites; Number of oral and intangible cultural heritage expressions; Number of sports stadiums; Number of international association meetings; Cultural and entertainment tourism digital demand

National & Regional Profiles

The following chapters provide a more detailed overview of the tourism industry in the individual BSR countries, namely Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, and Sweden. Where data availability is satisfactory, for Germany and Poland only the provinces linked to the Baltic Sea are included in the presentation to provide a more realistic picture of the BSR tourism industry. Due to a lack of data availability on a sub-national level, Russia respectively the Russian provinces linked to the Baltic Sea have not been included. Consequently, in this report the following definitions are used:

Baltic Sea Region =

Denmark, Estonia, Finland, Latvia, Lithuania and Sweden +

“German Baltic Sea Coast” (comprising the provinces of Hamburg, Mecklenburg-Vorpommern and Schleswig-Holsten) +

“Polish Baltic Sea Coast” (comprising the regions Północno-Zachodni and Północny)

A more detailed definition of the geographic entity “German Baltic Sea Coast” and the “Polish Baltic Sea Coast” is given in the respective profile chapters.

When no sub-national data was available to establish the figures for the “German Baltic Sea Coast” and/or the “Polish Baltic Sea Coast”, national data was used or the regions were excluded from the comparison. When this has been the case, it will be mentioned in the report.

The data is based on the BSTC Tourism Market Monitor (TMM) database, which is populated by various data sources of regional, national and international origin. Due to data availability, **comparability of data cannot always be guaranteed**. Therefore, the data presented needs to be analysed with caution.

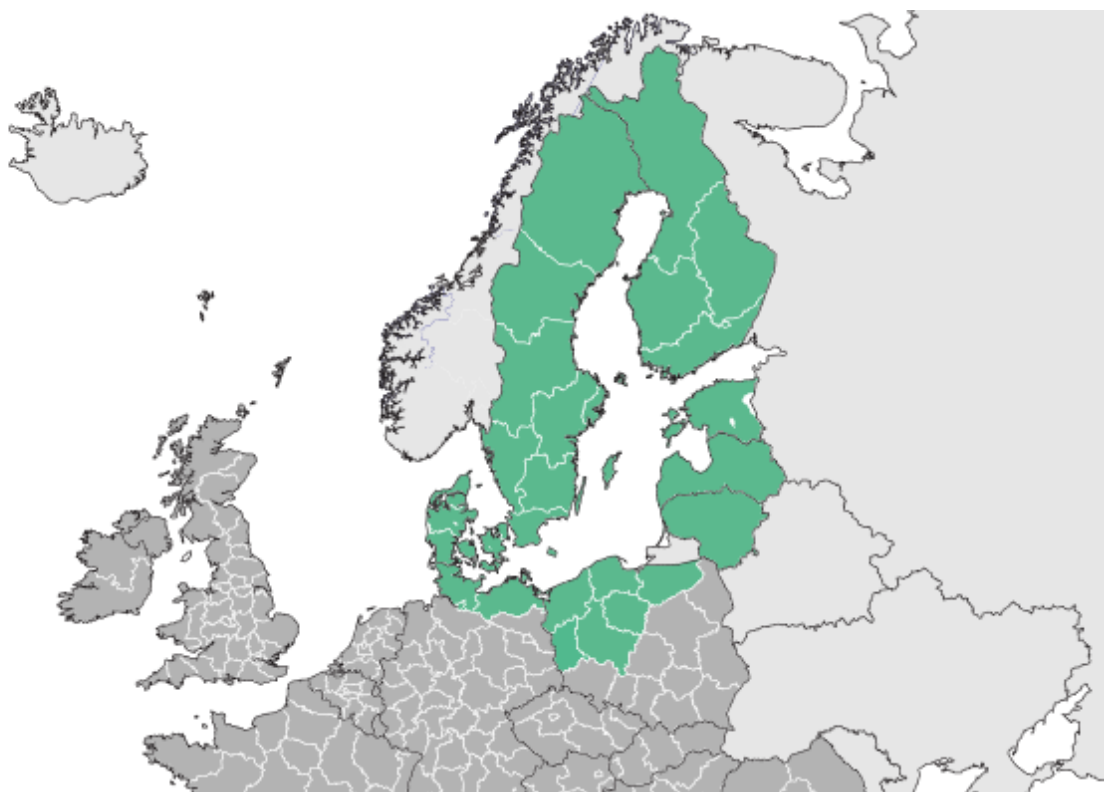


Fig. 3 Definition of “BSR” used in this report by geographic entity

Denmark

Contributions by

Eva Thybo, VisitDenmark

Considering the key performance indicators in the period from 2014 to 2016, tourism stakeholders in Denmark have good reason for being optimistic: The **number of arrivals grew** by 12.1 percent outnumbering the 10.4 percent which was recorded in the BSR with the share of **international overnights also being considerable higher** than the BSR total (DK: 36.5 percent; BSR: 23.9 percent).

The economic footprint of the Danish tourism industry is stable with 2.2 percent of total employment being contributed by the tourism industry. Predictions seeing the employment to rise slightly to 2.3 percent by the year 2025. The contribution of the Danish tourism industry to the country's GDP increased by 0.1 percent to 2.2 percent. Considering both employment and GDP contributions, it can be concluded that the Danish tourism industry has potential for further efficiency improvements.

Taking a broader view on the Danish tourism industry, a **decrease in international competitiveness** can be recorded: While Denmark ranked 14th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum, it dropped to place 31 (out of 136 countries) in the 2017 edition of the index.

Major **strengths** are seen in the ICT readiness, the human resources and labour market that includes - among others - the qualification level and availability of workforce as well as the approach to environmental sustainability. **Room for improvement** has been identified in the area of natural resources, which includes the total number and size of protected areas and the attractiveness of natural assets, the prioritization of the tourism industry by policy makers as well as price competitiveness. However, as the key performance indicators have shown, this does not seem to significantly harm the overall positive development of the Danish tourism industry.

Denmark - Key Tourism Industry Data

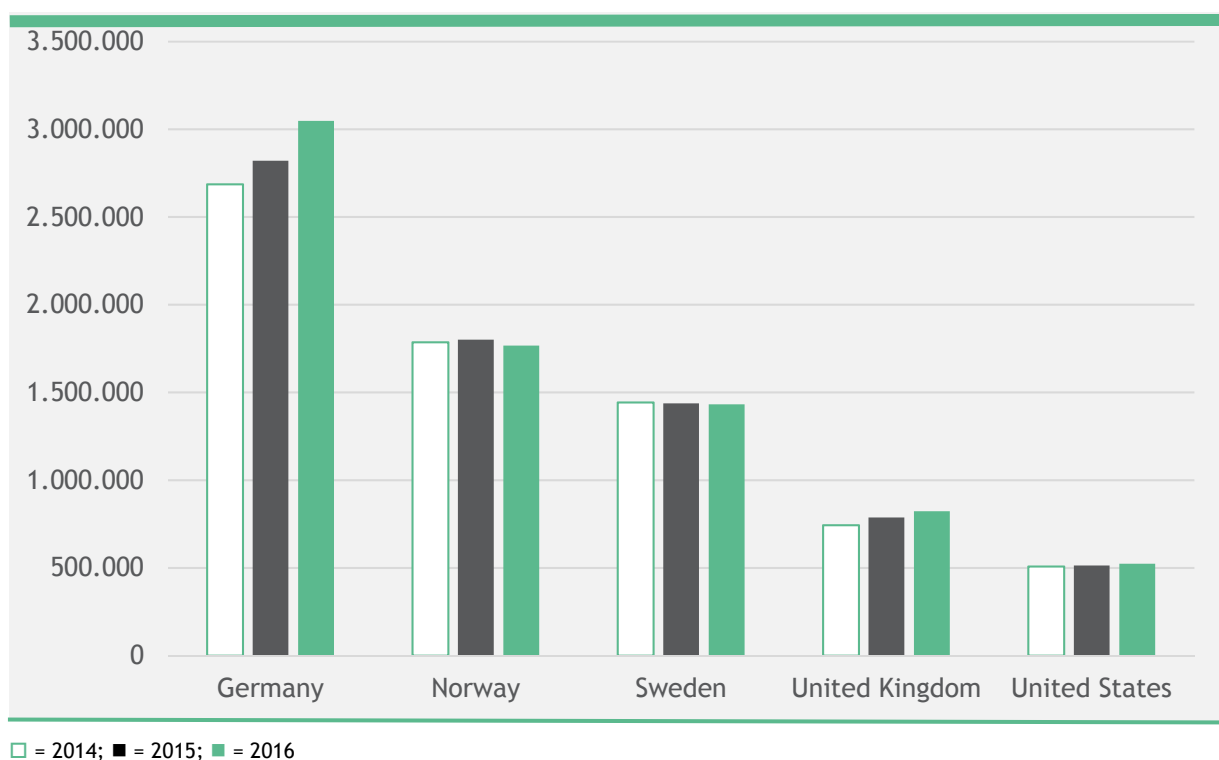
Number of tourist arrivals (mio., 2016) ¹	7.5 ▲
Number of overnights (mio., 2016) ¹	31.9 ▲
International overnights - percentage of total (2016)	36.5 ▲
Employment tourism industry - percentage of total (2016) ²	3.4 ►
Tourism sector GDP - percentage of total (2016) ²	2.2 ▲
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ³	31 ▼

Note: Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year

Source: BSTC TMM, 2018 based on (1) Eurostat; (2) WTTC; (3) WEF

A closer look at the major international source markets for the Danish tourism industry paints a mixed picture. Germany is traditionally the number one source market (as indicated by international arrivals) with an impressive 13.4 percent increase between 2014 and 2016. However, the number two and three source markets - the Scandinavian neighbours Norway and Sweden - at best present a stable situation. A challenge might arise for Denmark with the United Kingdom being another major source market with strong growth of more than 10 percent in the 2014 to 2016. This needs to be closely monitored in the wake of the BREXIT decision. The United States as a major source market is showing a moderate increase of 3.1 percent.

Denmark - Top Five Source Markets 2014 - 2016 (International Arrivals)



Source: BSTC TMM, 2018 based on OECD

Danish Tourism Industry outlook 2018+

The tourism industry is experiencing growth globally and is an important business for Denmark (VisitDenmark, 2018). In 2015, tourism in Denmark generated a turnover of 97.5 billion DKK and 118,000 jobs across the country. In 2016, there were 51.5 million bed nights in Denmark, which is a 4.7 percent increase from 2015. In fact, it was mainly the international tourists' bed nights causing the growth. Thus, **Danish tourism is in a positive development.**

In the “National Strategy for Danish Tourism towards 2025” from 2016, which is based on the work of the National Tourism Forum, the following **benchmarks** for Danish tourism have been set:

- Danish tourism is expected to grow by one third in the number of tourism stays, corresponding to 17 million more bed nights compared to 2015.
- Tourism revenue will reach 140 billion DKK, corresponding to a growth of approximately 45 billion compared to 2014.
- The international tourists must be at least as happy with the holiday experience in Denmark as the average for Northern Europe.

The Status Analysis 2017 shows that the **development is heading in the right direction**. The number of bed nights in Denmark, from Danish and international tourists, rose with 2.3 million from 2015 to 2016, which is a total of 51.5 million bed nights. In 2015, tourism revenue reached a total of 97.5 billion DKK, which is approximately 3.2 billion DKK more than in 2014. With a score of 175, the international tourists' overall satisfaction in regards to Denmark is high, however Denmark is still ranking below the average for Northern Europe. There has been no significant development in the international tourists' overall satisfaction with Denmark, nonetheless the overall satisfaction of the quality of restaurants has improved among tourists since 2015.

The **coast and nature tourism** remains the largest business area in Danish tourism making up 72 percent of all bed nights in 2016. Coast and nature tourists have had 1.6 million more bed nights compared to 2015 (plus 5 percent), city tourists have had 600,000 more bed nights (equivalent to an increase of 9 percent) and business tourists have had 51,000 more bed nights compared to 2015 (plus 0.7 percent). Growth rates should be seen in light of the fact that the field of competition in all Northern European countries have experienced growth since 2008 and that Denmark has been placed in the middle of the field since 2008. Even though Denmark's market share in 2016 has improved marginally compared to the Northern European competitive field, there are several of our neighbouring countries who have experienced higher growth rates than Denmark in 2016.

The recent growth in tourism is beginning to raise the issue of the **development of accommodation capacity**, which has been low for a number of years. Despite this, the Status Analysis shows signs of growth in accommodation capacity, which grew by approximately 3.1 percent in 2016. This was partly due to the expansion of hotel capacity and more new holiday homes for rent. However, in the period 2008 to 2016, the average annual capacity growth was below the growth in demand for bed nights in Denmark. Moreover, there is still a risk that the capacity constraints will impede the future growth in parts of the country, among others along the West Coast of Jutland.

As something new, the development of **Airbnb** bed nights has been a subject of the analysis, which are based on public available information from Airbnb. The figures show that the number of bed nights through Airbnb rose from 1.7 million in 2015 to 2.9 million in 2016. Of this, approximately 64 percent of the bed nights were in Copenhagen. VisitDenmark is working to qualify the Airbnb accommodation figures so that in the future they can eventually be included in the total number of bed nights.

Estonia

When taking a closer look at the key performance indicators of the Estonian tourism industry in the 2014 - 2016 period, tourism stakeholders can be confident about an **overall positive development** of the business sector. The **number of arrivals grew** by 7.7 percent which is slightly below the 10.4 percent increase that was recorded for the total BSR. The share of **international overnights is significantly higher** than the BSR total (EST: 64.5 percent; BSR: 23.9 percent).

The economic impact of the Estonian tourism industry is relatively stable with a high 4.0 percent of total employment being contributed by the tourism industry. Predictions see the employment contribution to even rise to 4.3 percent by the year 2025. The contribution of the Estonian tourism industry to the GDP has decreased by 0.1 percent to 3.8 percent. Considering both the employment share and the GDP share, indications can be found for further efficiency improvements.

Taking a broader selection of aspects into consideration, the Estonian tourism industry is characterized by an **overall decrease in international competitiveness**: While Estonia ranked 27th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum, it is now on place 37 (out of 136 countries).

Major **strengths** of the Estonian tourism industry are seen in the ICT readiness, the approach to environmental sustainability as well as the safe and secure environment. **Improvements** could focus on areas like international openness, cultural resources, and business travel, which includes - among others - international association meetings as well as in the attractiveness of natural resources including protected areas. Despite these findings, the key performance indicators have shown that Estonia is witnessing a **positive tourism development**, especially considering its position in international travel markets.

Estonia - Key Tourism Industry Data

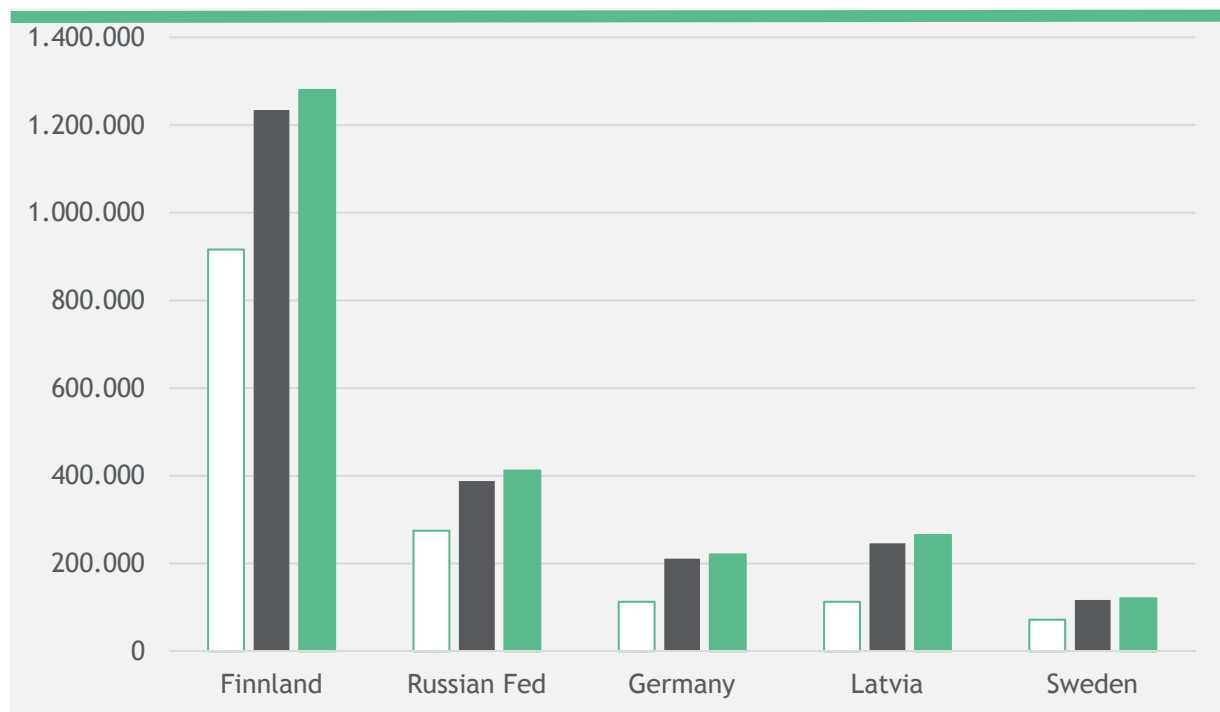
Number of arrivals (mio., 2016) ¹	3.3 ▲
Number of overnights (mio., 2016) ¹	6.2 ▲
International overnights - percentage of total (2016)	64.5 ▼
Employment tourism industry - percentage of total (2016) ²	4.0 ►
Tourism sector GDP - percentage of total (2016) ²	3.8 ►
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ³	37 ▲

Note: Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year

Source: BSTC TMM, 2018 based on (1) Eurostat; (2) WTTC; (3) WEF

Considering the **high relevance of international source markets**, it is worth taking a closer look at the top five international source markets for the Estonian tourism industry. Due to a change in statistical methodology between the year 2014 and 2015, figures are not comparable over time, so a more general approach is taken. First of all, Estonia is witnessing a growth in international arrivals from all of its five major source markets. By far the most important international source market is neighbouring Finland while the Russian Federation is the second most important market - here numbers are increasing in the 2014 - 2016 period. Germany and Latvia have changed places three and four - Latvia now on place three and Germany on place four - while Sweden is the fifth largest tourist market for Estonia. Thus, all major source markets for Estonia can be found in the BSR with the first three places hold by directly neighbouring countries.

Estonia - Top Five Source Markets 2014 - 2016 (International Arrivals)



□ = 2014; ■ = 2015; ■ = 2016

Source: BSTC TMM, 2018 based on OECD

Finland

Contributions by

Terhi Hook and Katarina Wakonen, Business Finland Oy | Visit Finland

Taking into consideration the key performance indicators in the period from 2014 to 2016, it becomes obvious why the development of the tourism industry has received special attention by Finnish policymakers. The **number of arrivals grew** by a modest 4.2 percent, which is below the 10.4 percent that was achieved in the BSR as a total. However, the share of **international overnights was higher** than the BSR total (FIN: 28.4 percent; BSR: 23.9 percent).

The economic impact of the Finnish tourism industry is stable with 2.0 percent of total employment contributed by the tourism industry with predictions seeing an increase to 2.4 percent by the year 2025. The contribution of the Finnish tourism industry to the overall GDP is also stable with 1.9 percent. Considering both employment and GDP contribution, it can be concluded that the **Finnish tourism industry is characterized by an average efficiency** in providing services to their guests.

By taking a closer look at the overall competitiveness of the Finnish tourism sector, a **decrease in international competitiveness** can be witnessed; Finland ranked 15th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum while in the 2017 edition of the index it dropped to place 33 (out of 136 countries).

Finland is the **world's leading country in providing a safe and secure environment** with other major strengths found in its approach to environmental sustainability, the qualification of human resources and labour as well as the ICT readiness. To further improve the competitiveness a closer look into the priority given to the sector by policy makers is suggested while further areas of concern include the area of natural resources as for example shown in the attractiveness of the natural assets as well as the price competitiveness of the industry.

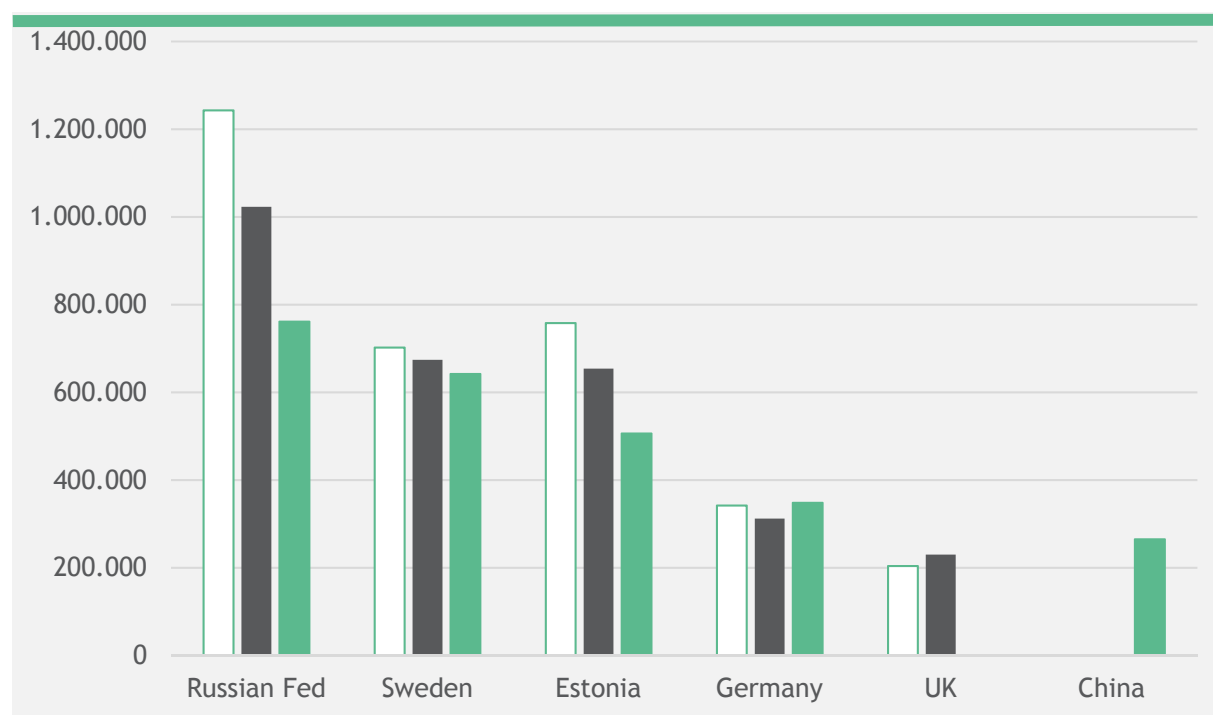
Finland - Key Tourism Industry Data

Number of arrivals (mio., 2016) ¹	11.1 ▲
Number of overnights (mio., 2016) ¹	20.3 ▲
International overnights - percentage of total (2016)	28.4 ▲
Employment tourism industry - percentage of total (2016) ²	2.0 ►
Tourism sector GDP - percentage of total (2016) ²	1.9 ►
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ³	33 ▼

Note: Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year
Source: BSTC TMM, 2018 based on (1) Eurostat; (2) WTTC; (3) WEF

Taking a closer look at the major international source markets for the Finnish tourism industry reveals the challenges and opportunities: The **Russian Federation** has traditionally been the major international source market for the Finnish tourism industry. However, this market **showed a remarkable decline** in the 2014 to 2016 period as indicated by international arrivals. In 2017, this development turned out to be positive with an increase in arrivals of Russian tourists. Also the number two and three international source markets - neighbouring Sweden and Estonia - have shown declines (S: minus 8.5 percent; EST: minus 33.2 percent) while the German market has remained stable. Europe is Finland's number one market for tourism, and indeed poised for even more: More than half of (52%) nights spent by foreign tourists came from within the European Union. With a focus to compensate for the decline of the more traditional international source markets, Finland has invested considerable resources in developing the Chinese market, which paid off for the Finnish tourism industry: **China is the fifth largest source market** replacing the United Kingdom. Finland is therefore the only BSR country that succeeded in attracting remarkable numbers of Chinese tourists.

Finland - Top Five Source Markets 2014 - 2016 (International Arrivals)



□ = 2014; ■ = 2015; ■ = 2016

Source: BSTC TMM, 2018 based on OECD

Finnish Tourism Industry outlook 2018+

International travel to Finland **broke all previous records** last year. Nights spent by foreign tourists grew by 17 percent in comparison to 2016 amounting to 6.7 million overnights. Nights spent by international visitors increased with all major markets and most grew by double digits. **Russian overnights are recovering** from the strong decline from earlier years and at the same time the source

market structure has become more diverse showing a wider range of countries of origin counting to the top performing markets. Finland has managed to create more sustainable growth on several markets.

The **update of the National Tourism Strategy** in 2015 initiated growth programs, which strongly accelerated development, sales and marketing of specific themes (FinRelax, Finnish Archipelago and StopOver). The projects resulted in more than 550 new products. The new working model further led to a retargeting of the focus of operations. In 2018, more efforts will be put on sales promotion, product-based marketing and co-operation with the four main regions (Helsinki-region, Lapland, Lakeland and Coast & Archipelago). Also new target markets were included in the portfolio (India, South-Korea, UAE).

Visit Finland works to increase awareness of Finland as a tourist destination as a unique, non-mainstream holiday choice, being in an exceptionally passionate and uncompromising country. Finland's brand strategy relies on four corner stones: Finland is credible, contrasting, creative and cool.

Contrasts are the main ingredients in Finnish cultural life. Finland offers a chance for downshifting even in the heart of the city, and untouched nature is never more than half an hour away. The ruggedly beautiful wilderness areas provide ideal terrain for outdoor activities.

The **outlook for 2018** seems positive and growth is expected to continue on a moderate level. The Finnish government granted special funding for the tourism sector for 2018 and 2019. Visit Finland will continue their work with the travel industry home and abroad, to further develop Finland's four main tourism regions and their product offerings to create year-round business and visibility on the target markets. The main focus on the overall development is to **enhance the level of digitalization in the tourism industry** as well as to promote sustainability in destinations and on company level.

Remarks on methodology and data - **Finland**

- The **employment in tourism industry** (% of total; Direct contribution to employment) according to Finnish national statistics was 5.5 percent (2016; no change to previous year).
- The **contribution of the Finnish tourism industry to the overall GDP** according to Finnish national statistics was 2.5 percent in 2016 - no change to previous year.

Germany

and the German Baltic Sea Coast

Contributions by

Axel Goers and Michael Steuer, German National Tourist Board

Sebastian Karpe and Johannes Volkmar, Mecklenburg-Vorpommern Tourist Board

To provide a precise picture of the developments in the BSR tourism industry, data is presented for Germany as well as for the three German provinces of Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein bordering the Baltic Sea (= “**German Baltic Sea Coast**”).

Starting with **Germany**, there is good reason for German tourism policy makers to turn their attention to the development of the industry. The number of **arrivals** in the 2014 - 2016 period **grew** by 6.9 percent (German Baltic Sea Coast: 7.2 percent) which is below the 10.4 percent increase that was recorded in the BSR with the **share of international overnights** in 2016 being close to the BSR total (D: 20.6 percent; BSR: 23.9 percent). A potential area of concern is the **low number of international arrivals on the German Baltic Sea Coast**, which stagnates at 9.6 percent.

The economic impact of the German tourism industry shows a mixed picture. With 7.1 percent of total employment being recorded in the tourism industry and predictions seeing the employment to rise up to 8 percent by the year 2025, the business sector is a major job engine. However, this seems to be mainly driven by the large inland urban areas, since **direct employment on the German Baltic Sea Coast is stable** at 5.4 percent of total employment. The direct contribution of the German tourism industry to the national GDP is stable at 4 percent (German Baltic Sea Coast: 2 percent). Taking both employment and GDP into account it can be concluded that the German tourism industry as a whole but especially the German Baltic Sea Coast has potential for efficiency improvements.

Taking an overall perspective on the German tourism industry, a **remarkable positive and stable international competitiveness** can be recorded: Germany constantly ranks 3rd place in the Tourism Competitiveness Index of the World Economic Forum.

Major **strengths** of the German tourism industry are seen in the areas of health care provision where Germany ranks number one with ground and port infrastructure as well as cultural resources and business travel standing out as further strengths. **Areas for improvement** can be found in safety and security, in the prioritization of the tourism industry by policy makers as well as in the price competitiveness.

Germany / German Baltic Sea Coast¹ - Key Tourism Industry Data

Number of arrivals (mio., 2016) ²	165.6 ▲
German Baltic Sea Coast	21.2 ▲
Number of overnights (mio., 2016) ²	388.9 ▲
German Baltic Sea Coast	65.2 ▲
International overnights - percentage of total (2016)	20.6 ▼
German Baltic Sea Coast	9.6 ▼
Employment tourism industry - percentage of total (2016) ³	7.1 ▼
German Baltic Sea Coast ⁴	5.4 ►
Tourism sector GDP - percentage of total (2016) ³	4.0 ►
German Baltic Sea Coast ⁴	2.0 ►
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ⁵	3 ►

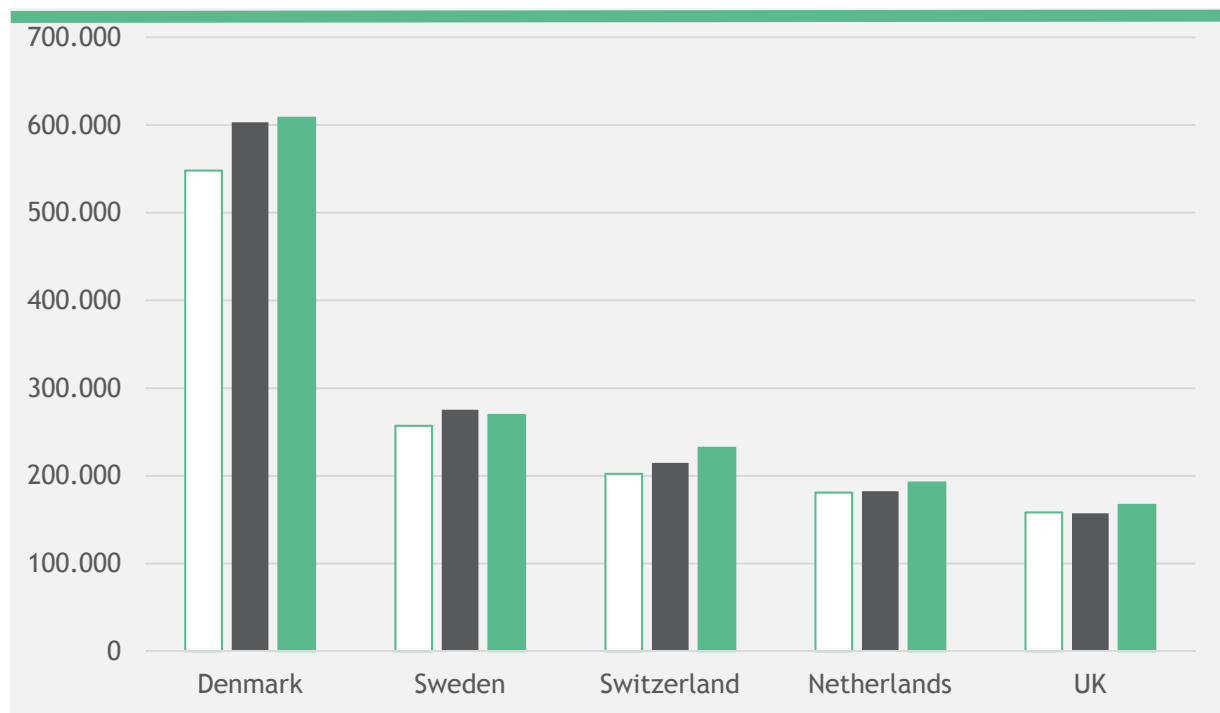
Note: (1) Includes the German provinces ("Länder") Hamburg, Mecklenburg-Vorpommern and Schleswig-Holstein
Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year

Source: BSTC TMM, 2018 based on (2) Eurostat; (3) WTTC; (4) VGR; (5) WEF

As indicated, the **development of international source markets** shows room for improvement on the national level as well as on the German Baltic Sea Coast. On the **national level** the Netherlands are traditionally the number one source market (measured by international arrivals) with a 5.6 percent increase between 2014 and 2016. The number two market is also traditionally Switzerland with an impressive 12.1 percent increase in international arrivals. Place three and four have changed with the USA now on place three and the United Kingdom on 4th place. Last but not least Italy is the fifth largest source market, however showing little dynamic.

The pattern for the **German Baltic Sea Coast** looks different. Here neighbouring markets primarily from Scandinavia play a major role with Denmark and Sweden being dominant. Other important international source markets are Switzerland, the Netherlands and to a lesser degree the UK. Patterns between the three different German provinces making up the German Baltic Sea Coast differ slightly; However, the overall view is given in the following graph:

German Baltic Sea Coast - Top Five Source Markets 2014 - 2016 (Intern. Arrivals)



□ = 2014; ■ = 2015; ■ = 2016

Source: BSTC TMM, 2018 based on Statistik Nord, Statistik MV

German Tourism Industry outlook 2018+

The Travel Destination Germany is well positioned from various perspectives. According to the Anholt-GfK Nation Brand Index measuring country **images**, Germany ranks number one ahead of France and UK. In the segment of tourism, Germany ranks number ten.

Considering at the **supply side**, Germany is constantly well positioned on place three after Spain and France. Germany receives very positive reviews on infrastructure, health and hygiene, cultural resources and business travel. This is proven by the positive results Germany obtains from foreign travellers assessing tourism criteria as accommodation, gastronomy, opening hours, quality-price-ratio et cetera.

Regarding the **demand side**, Germany can report record numbers year after year. With around **460 million overnight stays** - 84 million coming from international travellers - 2017 was the most successful year in German tourism industry. And 2018 looks very promising again: plus 4 percent for the first half of the year. However, not only 2018 looks positive but also the **long-term-forecast shows strong growth of international travellers** to Germany. The GNTB forecasts a potential of 121.5 million international overnight stays by 2030. Growing numbers are expected to come from all European regions. This includes the countries from the BSR where **especially Russia, Poland and Denmark show high-growth-scenarios**.

Therefore, the cooperation among the BSR stakeholders is of high importance and the tourism industry can be seen as the major driver for growth in the BSR.

German Baltic Sea Coast Tourism Industry outlook 2018+

According to the 2018 German Travel Analysis, Mecklenburg-Vorpommern is the most popular destination for domestic holiday trips (share of 5.1 percent). In 2017, the regions between the Baltic Sea and the Mecklenburg lake district recorded around 29.8 million overnight stays. Besides the German, increasingly more foreigners spend their holidays in this region. About 5 percent of all guests came from abroad and spent almost a million overnight stays last year.

Tourism development in Northeast Germany has shown a high level of dynamism over the past 20 years. The number of overnight stays increased by 85 percent between 1998 and 2017. In recent years, however, this momentum declined noticeably. Last year, Mecklenburg-Vorpommern was the only federal state in Germany to suffer a decline in arrivals and overnight stays. Nonetheless, the first five months of the current year 2018 are marked by a slight growth.

The **times of apparent rapid growth seem to be over**. Tourism in Mecklenburg-Vorpommern has reached its maturity stage. In the future, investments in the **quality** of services and **infrastructure** will play an increasingly important role in maintaining the status of Germany's most popular domestic holiday destination with an increasingly international reputation. In terms of **internationalisation**, the focus remains on the important origin markets mentioned above.

Remarks on methodology and data - Germany

- **Geographical coverage** - For reasons of a.) prevailing travel patterns and b.) data availability the City of Hamburg and the province of Schleswig-Holstein as a whole have been included in the definition of the German Baltic Sea Coast. The editors are aware that only a fraction of tourism in the City of Hamburg and between 40 and 60 percent of tourism in Schleswig-Holstein can be directly linked to the Baltic Sea Coast.
- According to German national statistics (Statistisches Bundesamt, 2016), the **number of arrivals** (mio., 2016) amounts to 171.6 (Germany) and 21.5 for the German Baltic Sea Coast. The difference for German national figures can be attributed to different definitions (German national statistics include arrivals in "other tourism relevant accommodations" such as rehabilitation clinics and training centers [Vorsorge- und Rehabilitationskliniken, Schulungsheime]). The difference for the German Baltic Sea Coast can be explained by the fact that arrivals on camping sites have not been included.
- According to German national statistics (Statistisches Bundesamt, 2016), the **number of overnights** (mio., 2016) amounts to 447.2 and 71.8 for the German Baltic Sea Coast. The reasons for differences are explained in the previous paragraph.
- According to German national statistics, the **international overnights** - percentage of total (2016) amounts to 18.1 and 12.8 (including arrivals on camping sites) for the German Baltic Sea Coast.
- The **employment in the tourism industry** (% of total; Direct contribution to employment) according to German national statistics is 6.8 percent (Mattes, A., Becker, L.S. and F. Neumann (2017)) resp. 7.0 percent (Crotti, R. and T. Misrahi (2017)).
- According to German national statistics (Mattes, A., Becker, L.S. and F. Neumann (2017)), the **contribution of the German tourism industry to the overall GDP** amounts to 3.9 percent.

Latvia

Contributions by

Madara Luka, Ministry of Economics, Republic of Latvia and

Dita Zemīte, Central Statistical Bureau of Latvia

The key performance indicators in the period 2014 - 2016 point to a **positive development** of the Latvian tourism industry. If at all, concern needs to be raised about the number of arrivals which grew by 9.8 percent - slightly below the 10.4 percent which were recorded in the BSR with the share of **international overnights being significantly higher** than the BSR total (LV: 68.9 percent; BSR: 23.9 percent). Latvia is the BSR tourism market generating the highest share of international overnights.

The economic impact of the Latvian tourism industry is developing positively with 4.2 percent of total employment being recorded in the tourism industry. Predictions seeing the employment to rise to 5.1 percent by the year 2025. The contribution of the Latvian tourism industry to the **GDP has increased** by an impressive 0.4 percent to 4.3 percent. Considering both employment and GDP, it can be concluded that the Latvian tourism industry has realized efficiency gains.

Taking a broader view on the Latvian tourism industry a slight **decrease in international competitiveness** can be witnessed: While Latvia ranked 48th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum, it dropped to place 54 (out of 136 countries) in the 2017 edition of the index.

Major **strengths** are seen in environmental sustainability, in the area of health care provision and hygiene as well as in the quality and availability of human resources. **Room for improvement** has been identified in the prioritization of the tourism industry by policy makers, the cultural resources and business travel as well as in the areas of natural resources. However, as the key performance indicators show, this does not seem to negatively influence the overall positive development.

Latvia - Key Tourism Industry Data

Number of arrivals (mio., 2016) ¹	2.3 ▲
Number of overnights (mio., 2016) ¹	4.4 ▲
International overnights - percentage of total (2016)	68.9 ▼
Employment tourism industry - percentage of total (2016) ²	4.2 ▼
Tourism sector GDP - percentage of total (2016) ²	4.3 ►
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017)	54 ▼

Note: Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year

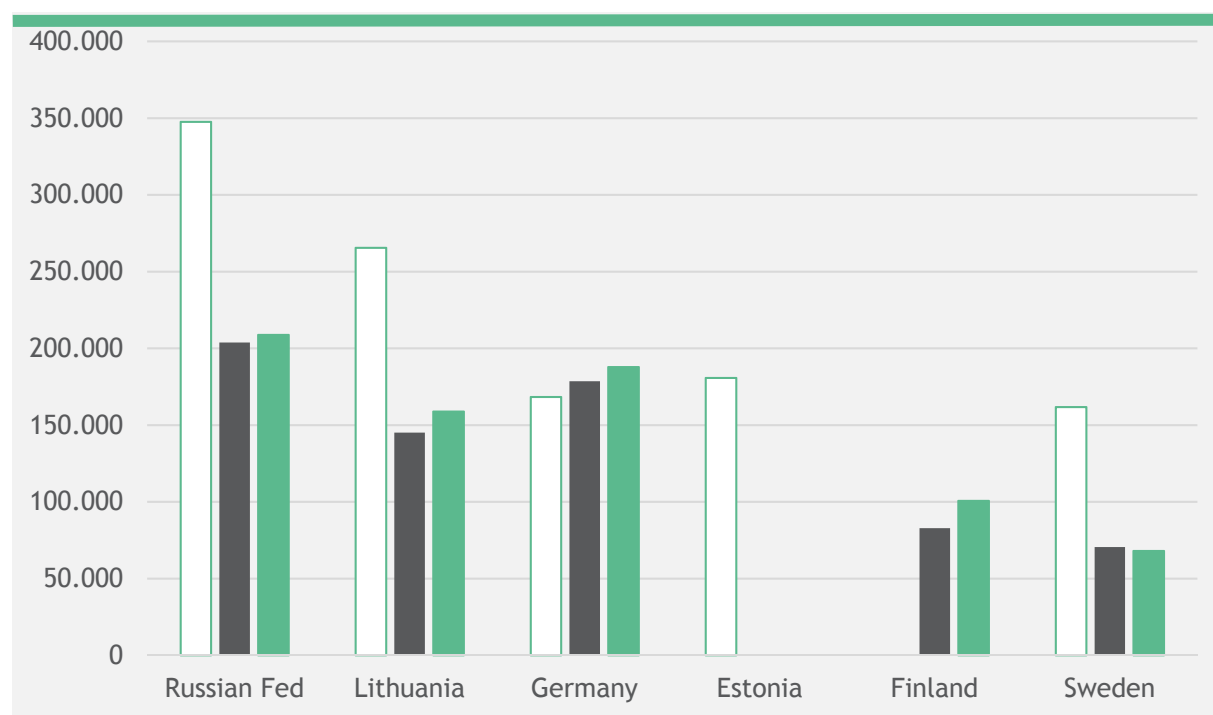
Source: BSTC TMM, 2018 based on (1) Eurostat; (2) WTTC; (3) WEF

Taking a closer look at the major international source markets for the Latvian tourism industry reveals its challenges and opportunities: The **Russian Federation** has traditionally been the major international source market for the Latvian tourism industry. However, this source market does not show a high positive dynamic in the 2015 to 2016 period (as indicated by international arrivals).

The number two and three international source markets - Germany and neighbouring Lithuania - are characterized by a more dynamic development in the 2015 - 2016 period. This is also the case with Finland, which has shown a very dynamic development in the 2015 - 2016 period. The number five source market - Sweden - is characterized by a small decline - although on a basis of low absolute figures.

It needs to be noted that in the source data published by the OECD, a break in time series is apparent. The 2015 and 2016 figures are based on accommodation statistics rather than international arrivals. Alternative data sources are listed at the end of this chapter.

Latvia - Top Five Source Markets 2014 - 2016 (International Arrivals)



□ = 2014; ■ = 2015; ■ = 2016

Source: BSTC TMM, 2018 based on OECD

Latvian Tourism Industry outlook 2018+

The Ministry of Economics has developed the Latvian Tourism Development Guidelines for 2014-2020, which is the main tourism policy document. The overall goal of the Latvian tourism policy is to ensure

sustainable growth of the Latvian tourism sector by **increasing the international competitiveness** of tourism services. The underlying aims are to:

- increase international tourist arrivals,
- reduce **seasonal imbalance** in tourism flows, and
- extend the average **length of stay** and traveller expenditures.

To grow tourist arrivals Latvia is focusing on developing innovative and higher added value tourism products and services. To minimize the negative effect of seasonality and increase the expenditure of foreign tourists, the prime focus is on **MICE and health tourism** development.

One of Latvia's main challenges in tourism is the low international competitiveness as a tourism destination. Therefore, Latvia provides support to SMEs in various activities to improve their international competitiveness, such as:

- Organizing national stands in international tourism fairs abroad,
- Marketing and promotional activities,
- Financial support to SME's for participation in tourism conferences abroad.

In cooperation with other BSR countries, Latvia will continue to grow tourism by developing joint proposals and **cross-border product development** projects in the shared vision of sustainable tourism development.

Remarks on methodology and data - **Latvia**

The OECD data for **international arrivals** does not allow for a time series comparison due to a change in data source. Alternative data sources for Latvia are:

- Data from Border Survey for incoming tourism markets, **Arrivals by country of residence**
- Data from Accommodation Survey for incoming tourism markets, **Arrivals by country of residence**
- Source: <https://data1.csb.gov.lv/>

Lithuania

Taking into account the key performance indicators in the 2014 - 2016 period, tourism stakeholders in Lithuania have a reason for being optimistic. The **number of arrivals grew** by 14.6 percent outnumbering the 10.4 percent increase which was recorded in the BSR, with the share of **international overnights also being significantly higher** than the BSR total (LT: 46.8 percent; BSR: 23.9 percent).

The economic footprint of the Lithuanian tourism industry is stable with 1.8 percent of total employment being recorded in the tourism industry. Predictions seeing the employment to rise slightly to 2.2 percent by the year 2025. The contribution of the Lithuanian tourism industry to the national GDP has increased by 0.1 percent to 1.8 percent. Considering both employment share and GDP share, Lithuania shows the **lowest number among all BSR regions** included in the report.

Taking a broader view on the Lithuanian tourism industry, Lithuania is one of the few BSR regions which was able to slightly **increase its international competitiveness**. While Lithuania ranked 59th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum, it moved to place 56 (out of 136 countries) in the 2017 edition of the index.

Major **strengths** of the Lithuanian tourism industry are seen in the areas of health care provision, the availability of qualified human resources as well as the ground and port infrastructure. According to the WEF ranking, room for improvement has been identified in the areas of cultural resources and business travel, the prioritization of the tourism industry by policy makers as well as in the area of natural resources (such as protected areas or attractiveness of natural assets). A closer look into the opportunities and challenges might contribute to a further development of the tourism industry.

Lithuania - Key Tourism Industry Data

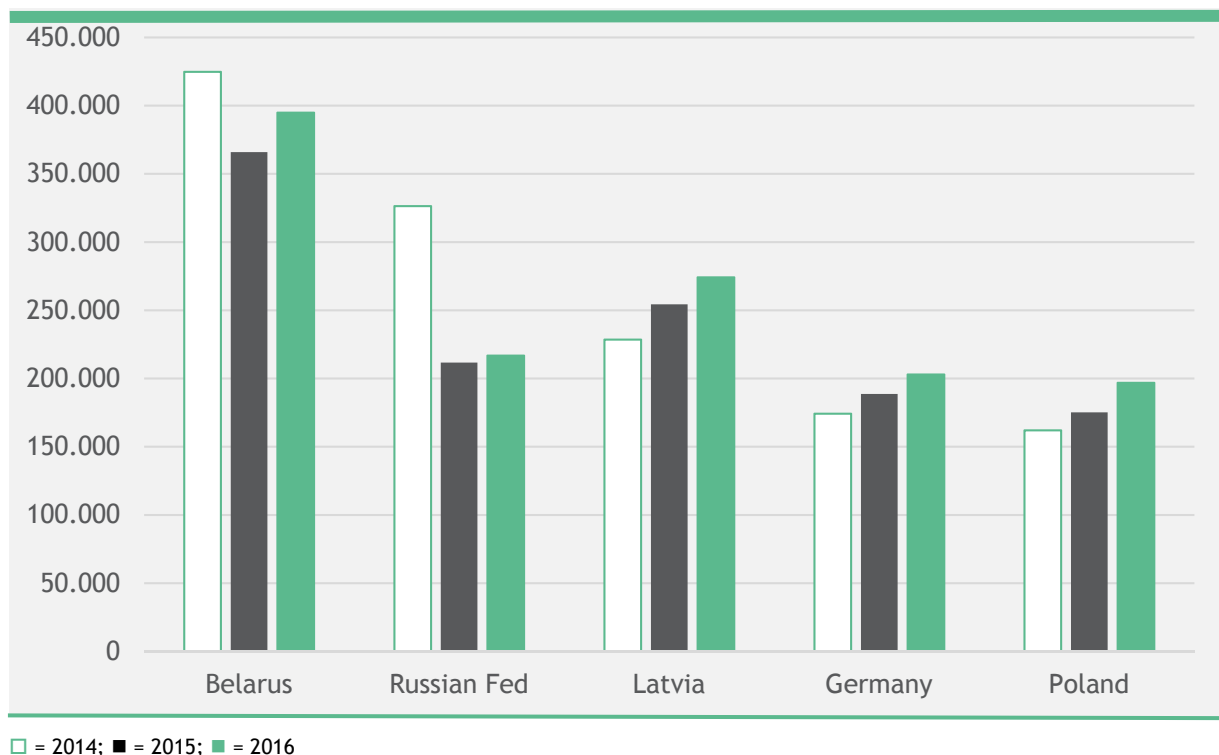
Number of arrivals (mio., 2016) ¹	3.1 ▲
Number of overnights (mio., 2016) ¹	7.0 ▲
International overnights - percentage of total (2016)	46.8 ▲
Employment tourism industry - percentage of total (2016) ²	1.8 ►
Tourism sector GDP - percentage of total (2016) ²	1.8 ▲
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ³	56 ▲

Note: Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year

Source: BSTC TMM, 2018 based on (1) Eurostat; (2) WTTC; (3) WEF

Taking a closer look at the major international source markets for the Lithuanian tourism industry reveals a shift in source market relevance: Belarus has traditionally been the major international source market for the Lithuanian tourism industry. However, this source market showed a decline (minus 7.1 percent) in the 2014 - 2016 period (as measured by international arrivals). Lithuania has also seen a shift in importance of its other major source markets. The number two source market, the Russian Federation, has changed place with Latvia. The German source market has developed positively showing an increase of 16.5 percent while Poland as the number five source market has seen an impressive 21.5 percent increase during the 2014 to 2016 period.

Lithuania - Top Five Source Markets 2014 - 2016 (International Arrivals)



Source: BSTC TMM, 2018 based on OECD

Poland

and the Polish Baltic Sea Coast

Contribution by

Karol Biedrzycki, Ministry of Sport and Tourism, Republic of Poland and

Marta Chelkowska, Office of the Marshal of Pomorskie Voivodeship

To provide a reliable picture of the developments in the BSR tourism industry, data is presented for Poland as a whole as well as for the two Polish regions Północno-Zachodni and Północny linked to the Baltic Sea (in this report defined as “Polish Baltic Sea Coast”).

There is justified reason for Polish tourism policy makers to turn their attention to the development of the industry. The **number of arrivals grew** by 20 percent (Polish Baltic Sea Coast: 17.1 percent), which is above the 10.4 percent increase that was recorded in the BSR with the share of international overnights also being close to the BSR total (PL: 19.6 percent; BSR: 23.9 percent). An area of concern might be the **slightly lower number of international arrivals** on the Polish Baltic Sea Coast which is 17.9 percent.

The economic impact of the Polish tourism industry shows potential for further development. With 2 percent (Polish Baltic Sea Coast: 2,1 percent) of total employment being recorded in the tourism industry and predictions seeing the employment to rise up to 2.5 percent by the year 2025, the business sector is a potential job engine. The contribution of the Polish tourism industry to the GDP has slightly increased to 1.9 percent. Taking both employment and GDP into account, it can be concluded that the Polish tourism industry as a whole has already realised potentials for efficiency improvements.

Taking an overall perspective on the Polish tourism industry, it can be witnessed that Poland is among the few BSR regions that was able to **improve its international competitiveness**: While Poland ranked 58th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum, it moved up to place 46 (out of 136 countries) in the 2017 edition of the index.

Major **strengths** of the Polish tourism industry are seen in the areas of price competitiveness, health care infrastructure as well as international openness. **Areas for improvement** can be found in port and airport infrastructure, the quality of natural resources as well as in the prioritization of the tourism industry by policy makers.

Poland and the Polish Baltic Sea Coast¹ - Key Tourism Industry Data

Number of arrivals (mio., 2016) ²	30.1 ▲
Polish Baltic Sea Coast	10.4 ▲
Number of overnights (mio., 2016) ²	79.4 ▲
Polish Baltic Sea Coast	34.2 ▲
International overnights - percentage of total (2016)	19.6 ▲
Polish Baltic Sea Coast	17.9▲
Employment tourism industry - percentage of total (2016) ³	2.0 ▲
Polish Baltic Sea Coast ⁴	2.1 ▲
Tourism sector GDP - percentage of total (2016) ³	1.9 ▲
Polish Baltic Sea Coast	na
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ⁵	46 ▲

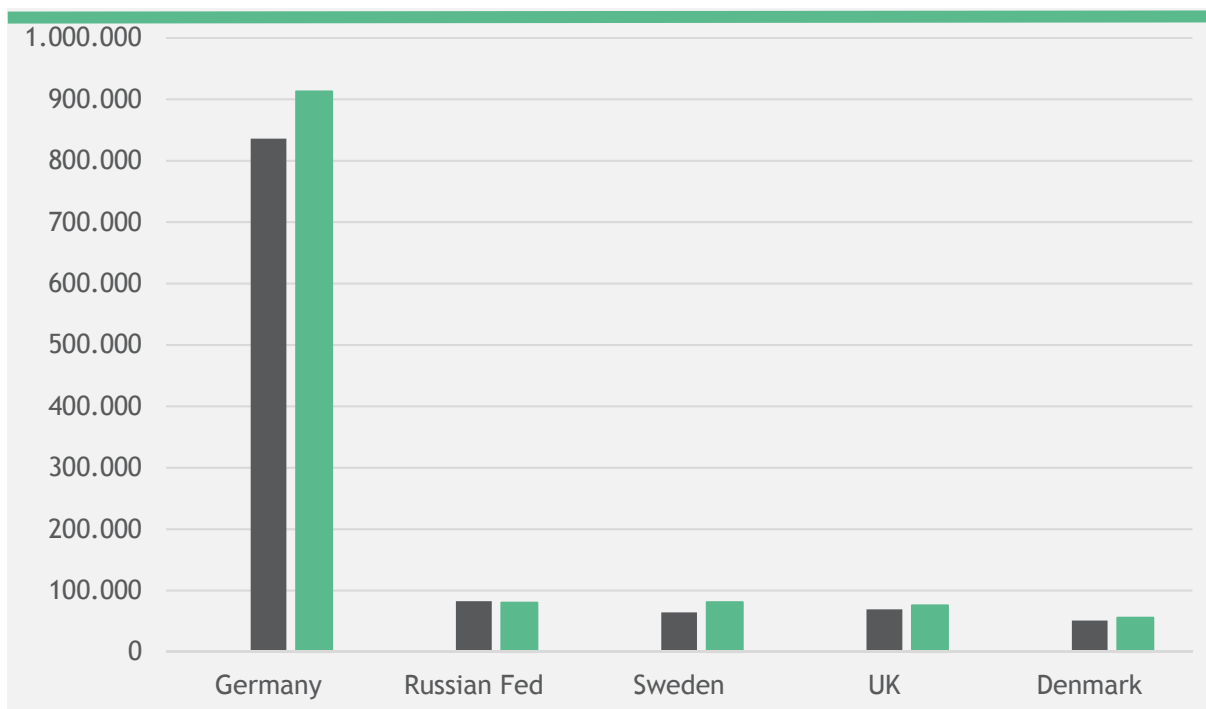
Note: (1) Includes the Polish regions Północno-Zachodni and Północny

Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year; na = not available

Source: BSTC TMM, 2018 based on (2) Eurostat; (3) WTTC; (4) Główny Urząd Statystyczny; (5) WEF

Germany stands out as the major international source market for the Polish Baltic Sea Coast. The **number of international arrivals** of German tourists in the 2014 - 2016 period increased considerably making it the number one source market. A mixed picture can be found on the other markets: While the Russian Federation shows a slight decrease, both Denmark and Sweden show an increased interest in the Polish coastal tourism offerings. Also, the UK, number four source market, shows an increase.

Poland Baltic Sea Coast- Top Five Source Markets 2015 - 2016 (Intern. Arrivals)



■ = 2015; ■ = 2016

Source: BSTC TMM, 2018 based on Główny Urząd Statystyczny

Polish Tourism Industry outlook 2018+

The vision of Polish tourism development until 2020 has been determined as follows: *“A modern and open tourism economy based on smart tourist specialization of Polish tourist regions, constituting a key knowledge-based factor of the regional and national development and strengthening the country's competitiveness in the European Union”*. It focuses on the following **priority areas**:

- competitive and innovative tourism,
- a modern tourism management system,
- competent human resources for the tourism sector,
- tourism as a factor of regional and local development, enhancing economic and social cohesion of the regions and the country, and improving the quality of life for residents.

The analysis of main tourism development factors in Poland found the following **strengths**: biodiversity, rich historical and cultural heritage, maintenance of a good economic situation, potentially wide range of tourism products consistent with general trends in international tourism, a large number of companies and organizations operating in the tourism sector. **Opportunities** for the development of Polish tourism are:

- Increase of the tourism sector employees' competences e.g. by EQF for tourism and training.
- Development of new trends, consistent with the global trends.
- Development of innovative tourism products, including integrated tourism product offers.
- Cooperation between tourism industry enterprises/ institutions with the education sector.
- Increase of transport connections between parts of the country, including tourist attractions.
- Implementation of projects aimed at increase of number of products with supra-regional and international significance.
- Reduction of seasonality of tourism.

According to the "Polish Marketing Strategy in the Tourism Sector for 2012-2020", the **priority markets** for Polish tourism are:

- Germany and the United Kingdom - a strong position of Polish tourism,
- France, Italy - steps should be taken to strengthen the position of Polish tourism,
- US China, India, Brazil - long-term investments needed to strengthen the position of Polish tourism.

The main **marketing activities** indicated in the strategy:

- Poland as a brand is fuzzy, less expressive and still weak, for this purpose the country's branding should use the brands of cities that are stronger than the brand of the country as a whole.
- Creating and strengthening interest in Poland as an attractive travel destination in the field of meetings industry (place of association meetings, corporate events and incentive travel).

- Creating a coherent visualization of various domains that constitute national branding, reliance on the message about people and the present, not about places.

Polish Baltic Sea Coast Tourism Industry outlook 2018+

Based on a detailed evaluation of the Polish Baltic Sea Coast, major **strengths** have been identified in the area of cultural heritage and related offers, the accessibility to museums and historical objects, the availability of natural resources, the price competitiveness of the tourist offerings (“value for money”) as well as the accessibility as witnessed by the increasing number of national and international flight connections.

Weaknesses to be addressed can be found in the area of touristic infrastructure (parking space, public transportation such as local bus connections, tourist information availability, “crowding”), especially in dealing with the increasing number of tourists. This could be addressed by an increased cooperation between the institutions involved. To deal with these aspects, based on facts, tools and processes to monitor traffic flows / tourist movements as well as related statistics are required.

The **priority** for the further development of the tourist industry is seen in making full use of the potentials of the entire voivodeship of the region. Seasonality should be addressed by developing an all-year round offer by making use of existing trends in tourism, technology and industry. The creation of a supra-regional offer is one of the subjects to be addressed by the Polish Baltic Sea Coast.

Until 2020, the rebranding for example of the Pomorskie Region - from leisure tourism offer to active and cultural tourism and leisure offer - is one of the targets to be followed. The activities linked to this require considerable investments until 2021, which will partly be covered by ERDF funds.

For the consistent development of the Polish Baltic Sea Coast, it is important to use the potential of areas with special touristic, historical and landscape values, which is why the regional government supports the creation of regional products of active tourism and the development of cultural tourism. Equally important is international cooperation allowing to join the European network of investments and promotions, which has a direct impact on tourist traffic. For example, Pomorskie region is making efforts to build a stronger position in the BSR as a transport hub and as a tourist destination.

Remarks on methodology and data - Poland

It should be noted that different definitions on the geographical coverage of the “Polish Baltic Sea Region” exist. The Polish Ministry of Sport and Tourism uses a definition which includes Zachodniopomorskie, Pomorskie and Warmińsko-Mazurskie voivodships. For a.) data comparability reasons and b.) prevailing travel patterns the BSTC report is using an enlarged geographical coverage including Północny and Północno-Zachodni regions.

Sweden

Contributions by

Erika Rosander and Sofi Sjöberg, Swedish Agency for Economic and Regional Growth

Taking into consideration the key performance indicators in the period from 2014 to 2016, the Swedish tourism industry is undergoing a positive development. The **number of arrivals** grew by 12.5 percent (2014 to 2016) which is above the 10.4 percent that was achieved in the BSR as a total with the share of international overnights being slightly above the BSR total (S: 24.5 percent; BSR: 23.9 percent).

The **economic impact** of the Swedish tourism industry is also slightly increasing with 3.5 percent of total employment contributed by the tourism industry. Predictions seeing an increase to 4 percent by the year 2025. The contribution of the Swedish tourism industry to the overall GDP has increased to 2.4 percent. Considering both employment and GDP contribution, it can be concluded that the Swedish tourism industry has **room for efficiency improvements**.

By taking a closer look at the overall competitiveness of the Swedish tourism sector, a significant **decrease in international competitiveness** can be witnessed. Sweden ranked 7th place (out of 133 countries) in the 2009 edition of the Tourism Competitiveness Index of the World Economic Forum while in the 2017 edition of the index it was found on place 20 (out of 136 countries).

Sweden is among the world's leading regions in ICT readiness, as well as in providing a safe and secure environment with other **major strengths** found in environmental sustainability. To further improve the competitiveness of the Swedish tourism industry a closer look into the priority given to the sector by policy makers is suggested. Further areas of concern include the natural resources management as well as the price competitiveness of the Swedish tourism industry.

Sweden - Key Tourism Industry Data

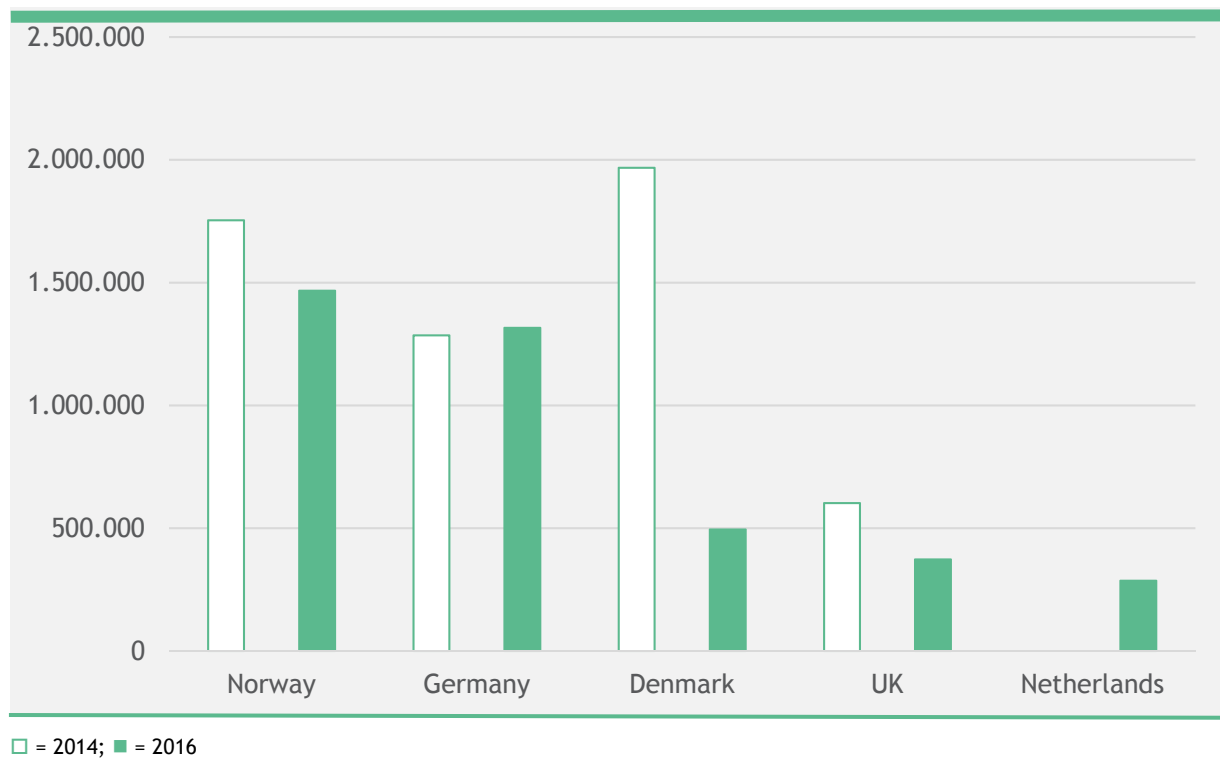
Number of arrivals (mio., 2016) ¹	29.1 ▲
Number of overnights (mio., 2016) ¹	57.2 ▲
International overnights - percentage of total (2016)	24.5 ►
Employment tourism industry - percentage of total (2016) ²	3.5 ▲
Tourism sector GDP - percentage of total (2016) ²	2.4 ▲
Travel and Tourism Competitiveness Index, rank out of 136 countries (2017) ³	20 ▲

Note: Indicators reflect change (▲ increase, ► no change, ▼ decrease) to previous year

Source: BSTC TMM, 2018 based on (1) Eurostat; (2) WTTC; (3) WEF

The availability of internationally comparable data on the importance of source markets for the Swedish tourism industry based on international arrivals is limited (see remarks at the end of the chapter). Therefore, only an indication about the major source markets for the years 2014 and 2016 - but no time series - can be given. **Data for 2014 and 2016 is not comparable** as it comes from different sources:

Sweden - Top Five Source Markets 2014 and 2016 (International Arrivals)



Source: BSTC TMM, 2018 based on OECD (2014 data) and Tillväxtverket (2016 data)

Swedish Tourism Industry outlook 2018+

Swedish tourism has experienced a **strong growth** for a number of years where the total tourism consumption in 2017 noticed the highest increase since 2006. Inbound tourism exceeded the number of domestic travel, with the strongest increase of arrivals from **long haul markets**. Markets outside of Europe accounted for 24 percent of all international overnight stays in 2017, a growth of 14 percent compared to previous year, while European markets outside the Nordic countries grew by a more modest 2 percent.

The national marketing organization Visit Sweden, equally owned by the Swedish Government and the tourism industry, operates in Denmark, France, Germany, Netherlands, Norway, UK, USA, China and India.

Major **challenges** in the Swedish tourism industry are identified as supply of labour and competence, the regulatory burden for SMEs, digitalization, transports to all parts of the country and not least

skills and tools for **sustainable development**. Furthermore, co-operation and coordination between stakeholders at all levels is crucial.

Under the direction of Swedish Agency for Economic and Regional Growth, Sweden has chosen to focus on efforts in knowledge development, sustainable destination development, business development in tourism SMEs and coordination between stakeholders, including a strengthened co-operation between national authorities within different policy areas of importance for tourism development.

Remarks on methodology and data - Sweden

- The **employment in the tourism industry** (% of total; Direct contribution to employment) according to Swedish national statistics is 3.4 percent (2016).
- The **number of overnights** (mio., 2016) according to Swedish national statistics was 61.8.
- The **international overnights** - percentage of total (2016) according to Swedish national statistics was 25.4.
- The **employment tourism industry** - percentage of total (2016) according to Swedish national was 3.4.
- The **contribution of the Swedish tourism industry to the overall GDP** according to Swedish national statistics was 2.7 percent in 2016 - same as in 2015 and 2014.
- Please note that the data for **international arrivals** per source market is based on the assumption that all foreign markets have the same relationship between guest nights and arrivals. Sweden does not have statistics on arrivals per nationality; Swedish statistics only distinguishes between Swedish and international arrivals. The figures are therefore based on total guest nights per nationality divided by 2,3 which is the average length of stay for international guests in Sweden.

BSTC Baltic Sea Tourism Center:

Service Portfolio

Since its initiation in 2016, a group of like-minded partners has been working on the implementation of the Baltic Sea Tourism Center (BSTC). The idea is to establish a **permanent center of expertise for improved communication and cooperation in tourism** at macro-regional level by:

- associating the key tourism stakeholders,
- voicing jointly the interests of the tourism sector and
- promoting sustainable and competitive tourism in the Baltic Sea region (BSR).

The BSTC is the leading center of expertise speaking for tourism development in the BSR - providing **partnerships, insights and skills**.

Partnerships

The **competence area “partnerships”** provides and facilitates connections to BSR-tourism stakeholders. “Connection” refers not only to the community of BSR-tourism stakeholders itself, but also to the link between them, stakeholders from other industries (e.g. culture, transport, education, innovation) and the policy level inside and outside the BSR.

Strong partnerships form the basis for cross-border cooperation by bundling resources and competences. It enables the tourism industry to talk with one voice and represent the interests of the industry more effectively.

Insights

The **competence area “insights”** researches, unlocks and provides knowledge to BSR-tourism stakeholders. Apart from statistical data and individual market research activities, BSR tourism actors regularly work on joint projects and thus create comprehensive knowledge that often still remains unused after the end of the projects. The BSTC will strive to coordinate and facilitate better use of existing data, thus providing knowledge, inspiration and benchmarking possibilities and preparing the ground for strategic decisions.

Skills

The **competence area “skills”** aims at improving the competences of BSR tourism stakeholders. It refers to the dissemination of up-to-date knowledge among stakeholders with relevance for BSR tourism and its future development. This will lead to enhanced quality of tourism offers and further internationalisation of products and services. Specific topics include product development, sustainability, internationalisation, digitalisation or seasonality.

In order to further develop the three competence areas, four BSTC expert groups will be set up to deal with tourism policy, market research, sustainable tourism and training offerings. In the thematic expert groups, a more continuous and strategic work on transnational topics should be enabled. The expert groups will be launched at the 11th Baltic Sea Tourism Forum.

► For further information get in touch under info@bstc.eu

BSTC Market Research: Tourism Market Monitor®

The BSTC Tourism Market Monitor (TMM) provides BSR tourism stakeholders with **current transregional industry data** for strategic decisions on BSR tourism developments. The semi-automatic system uses open data to compile information from different sources through a defined set of indicators on a national and regional level, taking into account different stakeholder data requirements. The collected data provide the basis for **predicting the future demand for BSR tourism and benchmarking the current supply** of BSR tourism infrastructure. The TMM data will help BSR tourism stakeholders to make better-informed decisions, thereby enhancing the competitiveness of the industry.

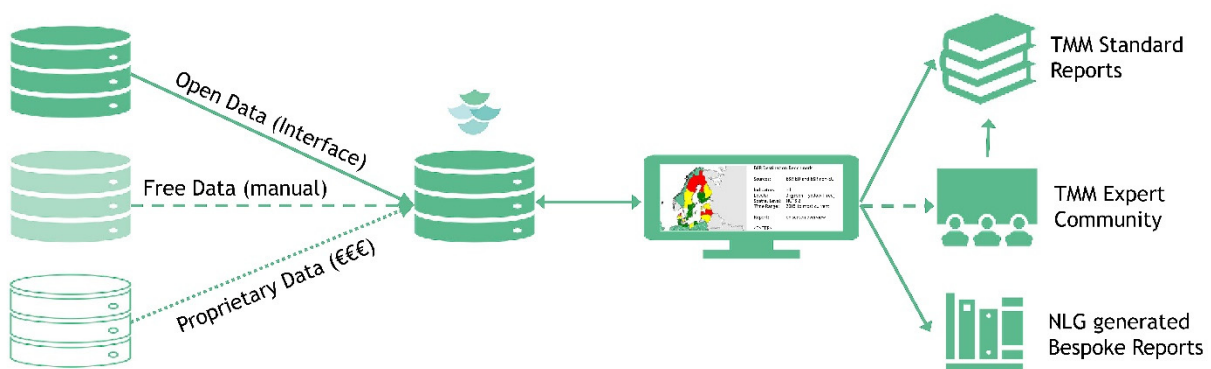


Fig. 4 BSTC TMM Tourism Market Monitor® concept

The “State of the Tourism Industry in the Baltic Sea Region” report - published by the BSTC for the first time in 2018 - is based on data collected by the BSTC TMM.

Access to the BSTC TMM data is provided to BSTC members.

Data

The data on **number of arrivals**, **number of overnights** and **international overnights** on a national and regional level has been sourced via open interfaces from Eurostat.

The data on **employment** and **GDP** on a national level has been sourced from the World Travel & Tourism Council (WTTC, 2018). The same data on a regional level has been sourced from statistical reports published by the statistical offices of the regions.

The data on the **international competitiveness** has been sourced from Blanke, J. and T. Chiesa (2013); Crotti, R. and T. Misrahi (2015); Crotti, R. and T. Misrahi (2017). These reports apply a set of indicators to establish the competitiveness of a country; the indicators have been cited as strengths and weaknesses in the country profiles.

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Unless otherwise stated, all websites mentioned in the text were last accessed on August 1, 2018.

BSTC Baltic Sea Tourism Center

Konrad-Zuse-Straße 2 | 18057 Rostock | Germany

Phone +49 381 40 30 663 | email info@bstc.eu | www.bstc.eu