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Tourist Consumption Behaviour Before and After the Crisis From 2008

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Abstract

The sharp decline in exports and industrial production, rising unemployment and rapidly eroding consumer confidence had a severe negative impact on tourism consumption. This paper explores the factors that affected tourist's behaviour, hence their preferences and holiday destination choice on the background of the economic crisis. It is focused on a qualitative methodology approach that is based on a questionnaire and a quantitative research based on statistical data. The research was structured to build an understanding of how the economic crisis affected the tourists that "consume" tourism products and which have made changes in their destination choices.

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Keywords: economic crisis, tourist consumption, t test, chi-squared test

1. Introduction

"Life is one crisis after another"
Richard M. Nixon

The world economic crisis that broke out in 2008, has transformed Romania from an emerging country, which was in the process of European Union integration, in one of the most affected by the crisis, at least regarding it regionally. Following several years of pro-cyclical policies, when economy grew excessively, based on consumption and on the

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growth of revenue above the productivity level, the crisis has found Romania vulnerable. The negative economic impacts have spread quickly to other areas: social, institutional, etc... Romania was not ready to face the crisis, and this fact has aggravated the effects of the crisis.

The Romanian government adopted since 2005 neoliberal policies with the stated objective of encouraging economic development. For Romania, a country in developing, these measurements have proved to be inadequate. They were correct for post-industrial western states in response to the crisis in the 1970s, but now they no longer meet the needs of any of these countries, much less for a post-communist country like Romania. In addition, neoliberalism, which has been the dominant ideology, has prevented the adoption of balanced policy measures and sustainable economic development.

According to the Word Bank studies, Romania is in the group of countries with upper middle income and with a share to the Tourism exports in GDP of 1% for the period 1995-2007.

The crisis had two major consequences in Romania after 2008, namely: poverty and the loss of foreign investment due to increased consumer lending during the boom. The sudden drop in foreign investment after 2009 represented the main internal consequence of the world crisis. Before the crisis, foreign direct investment had increased gradually, reaching, in 2008, to a maximum of 9.1 billion euro's. In the next year, however, there was a decrease in investment by 61.5%, and the trend has remained low in the coming years.

Doubling in importance of the financial sector in Romania's GDP, from 36.3% in 2003 to 74.1% in 2007 (Figure 1) illustrates an important component of local economic development during the "boom" economic (2004-2008), which led to the formation of speculative bubbles through unsustainable and irrational rise in the price of assets (especially real estate) (www.bnr.ro).

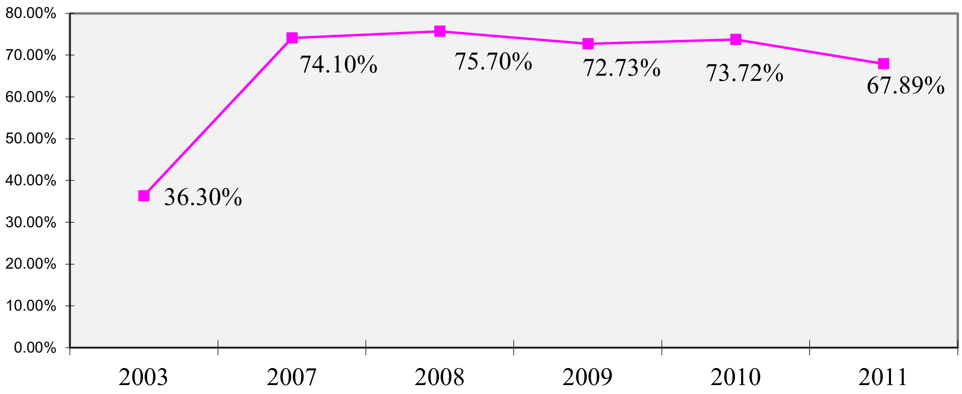

Figure 1. Financial sector in Romania's GDP
Source: made by authors

The growth in that period was largely due to financial transactions, cyclical by nature if not speculative and not due to industrial development needed for a healthy growth. Moreover, it may be concluded that between 2003 and 2007, there was not a significantly increase in the number of financial entities but instead a significantly increase in the turnover of banks due to consumer loans granted. The most important consequence can be seen in the rapid impoverishment of the population, since the beginning of the crisis, which has accessed loans.

In 2009, the Government concluded an agreement for a major loan with the IMF, World Bank and the EU, agreement that determined the economic policies of Romania in the medium term, and which has limited the state capacity for action and prevented the growth of living standards. Following the agreement with international financial institutions, Romania has adopted the most severe austerity program from Europe and the social policies have been virtually ignored. The measures taken by the government were even more severe than what the IMF demanded. This program has sparked social unrest in early 2012, which caused the fall of two governments within a few months and