The tourism industry in Latvia as a mirror of the economy

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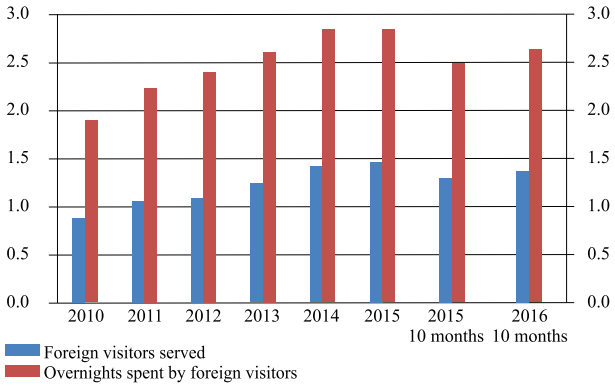
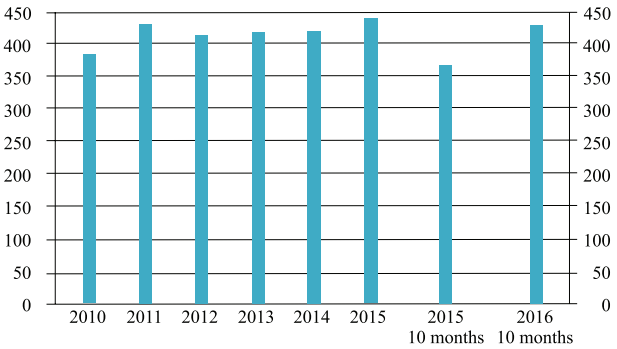
Tourism in Latvia has shown a positive development recently which is good news since it is related to many industries of the national economy, thus affecting positively the general economic trend. The tourism data, for example, those concerning the number of tourist arrivals in Latvia and the number of nights spent by foreign visitors, show an upward trend. According to preliminary data for the first 10 months of 2016, the respective increase stands at 6.2% and 5.7% compared to the corresponding period in the previous year. Moreover, one can see that not only the income of the tourism sector is on the rise, but also residents' private spending abroad shows an increase of 16.7%. Could travelling activities point to improvement of economic welfare in Latvia?

Number of visitors and nights spent in hotels and other accommodation establishments
(millions)



Residents' travel expenditure abroad
(in millions of euro)



The institutions related to tourism are active in attracting visitors from abroad, and the media more often report on the progress achieved. Despite the fact that no significant international events such as those seen over the last two years (the status of Riga as the European Capital of Culture in 2014 and the Latvian Presidency of the EU Council in 2015) were organised in Latvia in 2016, the positive trend towards a flourishing tourism sector continues. This is reflected in the increasing number of both foreign visitors and nights spent by foreign visitors if we compare with the previous year. In 2014, the declining number of Russian visitors in Latvia contributed to the worsening of the tourism data. This was a result of the deceleration of Russia's economy and the dramatic depreciation of the Russian ruble against the euro. However, the deterioration came to a halt in 2016, and the first nine months of 2016 showed an upward trend compared with the previous year. This has been in terms of both the number of Russian visitors increasing by 0.9% and the duration of their stay – by 4.4%. In addition, there have been changes in the composition of hotel guests, with the reduced share of tourists from Russia being offset by the rising number of travellers from EU countries, particularly Finland, the United Kingdom, Germany, Lithuania, and from the US.

The number of tourist arrivals in Latvia and the number of nights spent by foreign visitors, show an upward trend. In addition, residents' travel related spending abroad also shows an increase. The favourable developments in both exports and imports of tourism suggest positive trends in Latvia's economy.

If we look at Latvia's balance of payments data on imports of services covering residents' expenditure abroad, we can see that they also point to an upward movement. The increase in spending in Lithuania, the US, Denmark and Norway has been the main contributor to the above trend. Overall, the majority of spending has been reported in Lithuania, Germany, the United Kingdom and Russia. If spending abroad rises, on the one hand, it could be assumed that this implies an increase in free financial resources. On the other hand, travelling abroad is often affected not only by material values like increased or decreased income, but also by different psychological aspects which are not always easy to quantify and capture visually.

To conclude, although changes in the tourism-related macroeconomic data can be used to measure the overall economic sentiment rather than to make strict conclusions, the favourable developments in both exports and imports of tourism, however, suggest positive trends in Latvia's economy.