

# IMPACT OF TOURISM ON THE WARSAW ECONOMY

## key data from 2014 and 2016

Association for Tourism Research,  
Development and Promotion

Study undertaken for the Warsaw Tourist Office

Warsaw, 2017

### 1. The contribution of tourism to the GDP of Warsaw in addition to the contribution of particular types of tourist activity in the creation of gross value added (GVA)

- Contribution of tourism to the GDP of Warsaw:
  - 2014 – **PLN 14,175m**
  - 2016 – **PLN 15,363m**
- The contribution of particular types of tourist activity in the creation of GVA in the years 2014 and 2016:

| Types of activity                           | GVA created in particular types of activity (millions of PLN) |               |
|---|---|---------------|
|   | 2014  | 2016          |
| Accommodation                               | 416   | 472           |
| Service activities related to gastronomy    | 1,311   | 1,960         |
| Rail passenger transport                    | 1,263   | 1,550         |
| Road passenger transport                    | 2,079   | 1,944         |
| Air passenger transport                     | 2,050   | 2,200         |
| Service activities supporting air transport | 616   | 702           |
| Activities related to tourism               | 316   | 364           |
| Activities covering culture and recreation* | 3,497   | 3,770         |
| <b>Total</b>                                | <b>11,547</b>   | <b>12,962</b> |

\*Activities of libraries, archives, museums as well as other activities related to culture; Sports, entertainment and recreation activities

GDP is currently the generally accepted measure of the size of an economy of a given country or region. The main component of GDP is the value added created in enterprises functioning in an economic territory of an economy which is the subject of interest. A complement to this is the value of net indirect taxes, that is the value of taxes such as VAT and excise less specific subsidies, assigned to specified products. In determining the impact of tourism in the creation of GDP, the fundamental difficulty lies in the fact that tourism is a phenomenon governed by demand and there does not exist one type of enterprise whose products could completely satisfy the demand created by visitors. For this reason it was necessary to divide the different types of economic activity into several categories depending on the strength of their connection with tourism. Those whose connection with tourism is strongest are classified as specific tourist types of activity (branches of tourism) and create the supply side of the tourism industry (this includes types of activity shown in the table above).

The value added produced in Warsaw by enterprises stemming from specific tourist types of activity amounted to **PLN 11,547m in 2014** (current costs) and constituted **5.8% of the GVA produced in Warsaw in 2014**. This figure reached PLN 12,962m in 2016 (current costs) which was an increase of 12%. Nevertheless, the results of particular branches of tourism were varied with the greatest increase to be found in service activities related to gastronomy (49%) as well as in international passenger transport (23%). Next was remaining road passenger transport which saw a drop in GVA of 6%. When interpreting these results, it is important to bear in mind that this data does not take into account micro-enterprises that employ up to 9 people.

In the analysed period, the share of particular branches of tourism in the creation of GVA was relatively stable. The greatest share was cultural and recreational activities, whereas air passenger transport and road passenger transport switched places (2<sup>nd</sup> and 3<sup>rd</sup>). Generally, all types of transport taken together dominated, however, in this group there are enterprises that cover the whole country.

Calculating the share that tourism has in the creation of Warsaw's GDP requires supplementing GVA with net indirect taxes from goods produced in branches of tourism. As a result, it amounted to **PLN 14,175m in 2014 and PLN 15,363m in 2016**. **The share that branches of tourism had in the GDP of Warsaw in 2014 amounted to 6.2%**. The lack of information concerning the GDP of the city from the middle of 2017 for 2016 does not allow us to calculate the indicator for this reference period.

## 2. Employment in branches of tourism in Warsaw in addition to division into types of activity

| Types of activity                           | Employed      |               |
|---|---------------|---------------|
|   | 2014          | 2016          |
| Accommodation                               | 13,190        | 13,000        |
| Service activities related to gastronomy    | 15,965        | 16,300        |
| Rail passenger transport                    | 9,844         | 9,800         |
| Road passenger transport                    | 4,564         | 4,375         |
| Air passenger transport                     | 3,000         | 3,050         |
| Service activities supporting air transport | 4,005         | 4,000         |
| Activities related to tourism               | 3,527         | 3,700         |
| Activities covering culture and recreation* | 15,307        | 15,900        |
| <b>Total</b>                                | <b>69,402</b> | <b>70,125</b> |

\*Activities of libraries, archives, museums as well as other activities related to culture; Sports, entertainment and recreation activities

Labour market data is a key indicator of the economic and social situation of a given country or region. In terms of tourist supply, the collection of such data is extremely difficult due to seasonality and the general low stability of employment, the large market share of micro-enterprises and the grey market. These phenomena are predominantly found in areas where there is seasonal tourism, gastronomy services linked to accommodation services, and partly road passenger transport. The impact of these factors on the tourist labour market in centres of urban tourism like Warsaw is somewhat smaller owing to lesser seasonality and the large share of hotels in tourist accommodation establishments; however, these factors should be taken into consideration during an analysis of the data. According to available statistical data, the number of people working in branches of tourism in Warsaw amounted to **69,402 in Warsaw in 2014 and 70,125 in 2016**. This translates into **6.2% of the total amount of employed people in Warsaw in 2014** (there was a lack of comparable data for 2016). In the discussed period, employment in all branches of tourism grew by 1%.

### 3. Investment expenditure in tourism in Warsaw in addition to division into types of activity

| Types of activity                            | Expenditure (millions of PLN) |                |
|--|-------------------------------|----------------|
|  | 2014                          | 2016           |
| Accommodation                                | 244.9                         | 268.5          |
| Service activities related to gastronomy     | 163.7                         | 178.6          |
| Transport*                                   | 1,238.3                       | 1,358.9        |
| Activities related to tourism                | 19.7                          | 21.8           |
| Activities covering culture and recreation** | 553.4                         | 591.0          |
| <b>Total</b>                                 | <b>2,220.2</b>                | <b>2,418.8</b> |

\*Total with activities supporting air transport

\*\*Activities of libraries, archives, museums as well as other activities related to culture; Sports, entertainment and recreation activities

The calculation of investment expenditure in tourism is not simple. There are limitations related to a lack of data and assigning initiatives to categories of tourism. This can be partly countered using the Polish Classification of Activities (PKD) data provided by the Central Statistical Office of Poland (GUS) thanks to which types of activity associated with tourism can be distinguished. Based on this data, it has been possible to estimate investments in tourism in Warsaw.

The estimated size of five specific tourist activities (branches of tourism) show an increase in expenditure, which cannot be confused with the value of fixed assets generated as an effect of the activities themselves. The highest investment expenditure was associated with transport, which requires the most extensive infrastructure covering the system of roads and tracks (including the Warsaw Metro). It is worth remembering that this also serves the residents of Warsaw. The situation is similar regarding expenditure on sports recreation and cultural activities. This activity serves in building the attractiveness of Warsaw both from the viewpoint of tourists and residents. Lower investment expenditure can be seen in activities for which a priority is the services for tourists, for example, accommodation – PLN 244.9m. This figure demonstrates the potential of tourism. An increasing amount of tourist accommodation establishments, the activeness of large hotel chains investing in establishments whose main source of revenue stems from tourists, proves that tourism is positively regarded as an economic activity.

### 4. Share of tourism in the revenue and expenditure of the City of Warsaw budget

- Income from tourism to the City of Warsaw budget (thousands):
  - 2014 – **PLN 80,926.9**
  - 2016 – **PLN 99,041.7**
- Share of tourism in the City of Warsaw budget revenue:
  - 2014 – **0.59%**
  - 2016 – **0.67%**
- Expenditure on tourism from the City of Warsaw budget (thousands):
  - 2014 – **PLN 4,156.3**
  - 2015 – **PLN 3,955.7**
  - 2016 – **PLN 5,515.9**
- Share of tourism in the City of Warsaw budget expenditure:
  - 2014 – **0.03%**
  - 2015 – **0.03%**
  - 2016 – **0.04%**

Tourism has a direct impact on the amount of income of local authorities. For the City of Warsaw the main sources of income were: a share in revenue from income tax (from both natural and legal persons) as well as revenue from property tax. It should, however, be highlighted that the share of local authorities in income from income tax varies depending on the type of tax payer. For natural persons, in the years 2014-2016, total revenue to the county and municipal budget stemming from income tax from natural persons was 49.59% of the total amount, whereas for legal persons it amounted to 8.11%. The presented analysis shows that the total income from income tax generated by tourism systemically increased and amounted to (thousands): 2014 – PLN 76,721.9, 2015 – PLN 88,303.8, and 2016 – 94,704.8.

A source of income for the budget of the City of Warsaw generated by tourism was revenue from property tax collected from establishments buildings included in tourist infrastructure, in particular establishments used for accommodating tourists. A lack of data concerning the surface area of these establishments meant the need to estimate their size. The basis for this estimate was the number of bed places (given in statistical studies) as well as the minimum surface area per one bed place in a given establishment according to regulations (taking into consideration the variety of different types, kinds and categories of establishment). The resulting calculation shows that revenue from property tax – from establishments offering tourist accommodation – amounted to (thousands): 2014 – PLN 4,305.0, 2015 – PLN 4,313.8, and 2016 – PLN 4,336.9 in 2016. The above calculations do not take into account the taxation of surface areas used by travel agents and tourist information centres. Including these surface areas is justified by the conclusion that the revenue from property tax generated by tourism was greater than the given calculation.

In the years 2014-2016, revenue from tourism in the budget of the City of Warsaw from income tax and property tax taken together systemically increased and amounted to: 2014 – 81m, 2015 – 93m, and 2016 – 99m. Their share of the total income also increased: 0.59% in 2014, 0.65% in 2015, and 0.67% in 2016. On the other hand, expenditure on tourism in the analysed period amounted to: 2014 – PLN 4.2m, 2015 – PLN 4m, and 2016 – PLN 5.5m. The share of expenditure on tourism in the general expenditure of the budget of the City of Warsaw oscillated between 0.03% in 2014 and 2015, and 0.04% in 2016.