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## WHAT IS NEXT FOR CZECH TOURISM?

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### Summary

Tourism is starting to return to pre-pandemic conditions in terms of visitor numbers, which in the case of the main Czech destinations, is linked to the problem of overtourism. At the same time, it appears that a large proportion of visitors are spending below average during their trip. In the future, attention should be focused on profitable markets.

### Key Takeaways

- Each tourist area has its own specific absorption capacity in terms of visitor arrivals, and a high intensity of tourists does not necessarily mean that Czech heritage is being appreciated gracefully.
- The model of simply maximising visitor numbers is outdated.
- There is a need to focus on the segment of wealthier clientele from Austria, Ireland, Sweden, Estonia, and Belgium.

The covid-19 pandemic affected the vast majority of economic sectors, but its impact on global tourism and international mobility was unprecedented.. Restrictive measures reduced tourist arrivals by three-quarters in 2020, and the overall decline in revenue hit a global level of US\$1.3 trillion (Stats&my, 2024). Not since the end of the First and Second World Wars, which significantly slowed the then growing travel trends, has there been another similar upheaval in modern history that has so thoroughly affected global mobility. Tourism in the new millennium has also been crippled by the terrorist attacks in the United States on September 11th, 2001 and the tsunami in Southeast Asia in late 2004. However, the impact of these events can by no means be compared to that of a global pandemic. Now, in the middle of 2024, the industry as a whole can be said to have relatively recovered from the pandemic shock, thanks in part to the postponed demand from visitors seeking to make up for missed travel experiences in the post-tsunami period. Alongside the resuming of the growth in global mobility, indicators quantifying the importance of the sector to the global economy are gradually catching up. Revenues are estimated at USD 1.4 trillion for 2023, 93% of the 2019 figure, while the United Nations World Tourism Organization forecasts that revenues will reach their original level as early as this year (International Tourism, 2023). All this, of course, taking into account the conflict between Ukraine and Russia, which also has significant international implications from a tourism perspective, and has greatly affected the international movement of many peoples.

In the Czech Republic, domestic clientele have been keeping afloat the tourism industry since the pandemic. In 2021, for logical reasons, the number of foreign tourists dropped, but gradually the numbers are coming back. Overall, just under 22 million guests stayed in mass accommodation establishments in the Czech Republic last year, spending a total of 56 million nights in the country. There was a 13.1% year-on-year increase in people spending 10.4% more nights. Traditionally, the highest demand for accommodation has been in the summer months, while January has long been the least attractive month. The largest number of visitors stayed in Prague - 5.9 million guests out of a total of 9.5 million, spending a total of 14.2 million nights in the capital. The second most visited region was the Karlovy Vary Region with more than 700,000 tourists, who spent approximately 2.7 million nights there. In terms of foreign visitors, the South Moravian Region followed with just under 700 thousand clients, then the South Bohemian Region with around 400 thousand (CSU, 2024a).

It is not surprising that foreign tourists choose a higher standard. For example, five-star hotels held six times more foreign than domestic visitors in 2023. In the case of four-star hotels, the number of foreign tourists exceeded Czech tourists by half. On the other hand, for three-star and lower standard accommodation, domestic demand exceeded foreign demand.

In terms of nationality, the largest number of tourists came from Germany, with almost half a million in the first quarter of 2024. This was followed by 177 thousand Slovaks and 143 thousand Poles. The first non-European country in the number of arrivals to the Czech Republic was the United States, in seventh place overall, with almost 64 thousand arrivals. Significant year-on-year increases are evident among tourists from Spain, Taiwan, and China. These figures are often the result of the establishment of direct air links and, in the case of China, the later relaxation of restrictive measures. The opposite trend has been seen for visitors from Russia, where the number of arrivals in the first quarter fell below 9 000 (Eurostat, 2024).

## Tourism, yes, but...

The current summer months mark the peak season for Czech tourism. However, full streets in the centre of Prague, Český Krumlov, Kutná Hora or Štramberk do not necessarily mean ideal and reasonable appreciation of cultural heritage and traditions. Each area has its own specific

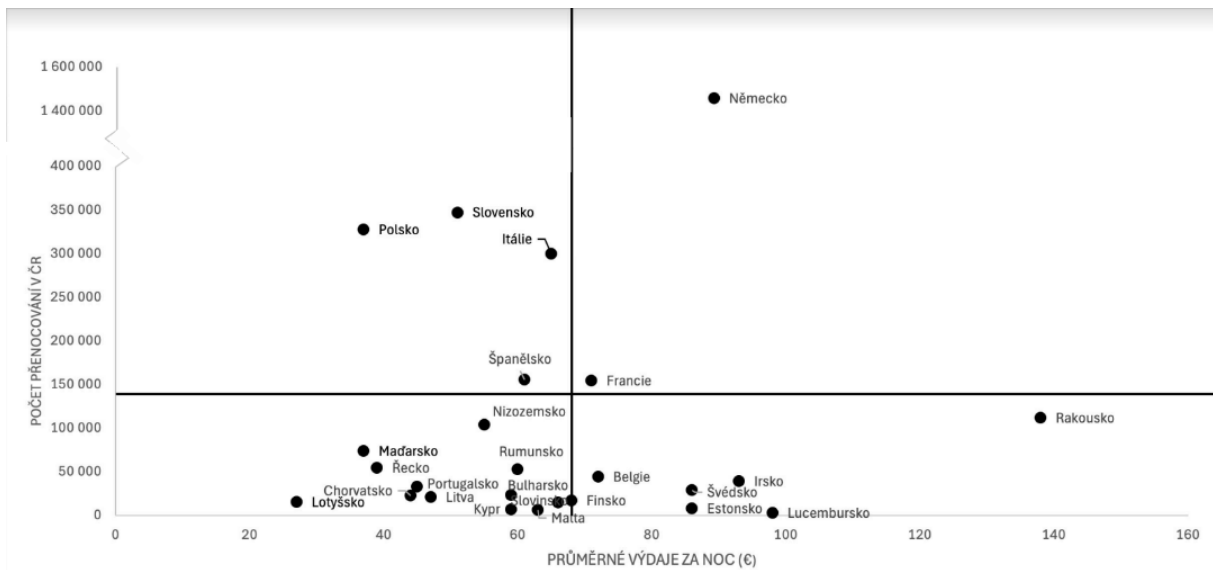
absorption capacity in terms of visitor numbers, and a high intensity of tourists does not necessarily mean that the monuments are being used efficiently. Overtourism is evident in all major sites. Moreover, according to the available data, this phenomenon is accompanied by other negative economic and quality of life consequences (tourist pollution, increased noise pollution, displacement of residents from prestigious districts of cities, devaluation of the cultural or natural value of the destination, etc.). The mantra of the current tourism model, where the objective is to maximise visitor numbers, has already been overcome by 2024.

The focus now needs to shift to markets and clientele that are more affluent and spend more money when they visit. German tourists are also a group to target given their economic status. On the other hand, Slovakian and Polish clients are among those who spend nearly the least of all European travellers in terms of expenditure per day. While the average Pole only spends an average of 37 euros per night, the average German spends more than double that, at 90 euros. Similarly, the spending of Slovak tourists falls far short of that of Austrians, Irish, Germans or Swedes, for example (Eurostat, 2024). The aim of current tourism promotion should be to change the structure of foreign demand, not to try to fill Old Town Square to the point that the whole experience of the destination is significantly diminished. Even for hoteliers, restaurateurs or retailers, it is more profitable to have streets not completely packed of people who are willing to pay a lot of money than to see a horde of visitors who tend to spend much on their vacation. After all, if a pint of beer in the centre of Prague costs almost CZK 80, how many pints does a tourist have to consume to make the same contribution to the economy, as a visitor who pays CZK 3-4,000 per person for dinner?

The attached graph displays the disproportionate structure of foreign spending. On the right-hand side of the chart are European tourists, whose spending per night is above average. These are the countries and areas of demand that the Czech Republic should ideally try to attract. The horizontal axis shows the number of overnight visitor stays. It is quite obvious that the top right segment shows countries whose citizens visit the Czech Republic in large numbers and also spend significant amounts of money here. Thus, relatively many countries should be preferred in this segment. However, these countries are only Germany and France. The upper left quadrant includes travellers from countries with below-average spending and a high number of overnight stays. If we discuss the nature of overtourism and the negative externalities associated with high visitor intensity, these are the regions where promotion should decline.

The bottom right segment, on the other hand, shows countries whose citizens have relatively high overnight spending on their trips, but the number of tourists from these European countries is not as high in the Czech Republic (of course, it is important to take into account the relative size of the country). Visitors from Austria, Sweden, Ireland or Estonia should be a priority target for Czech promotion.

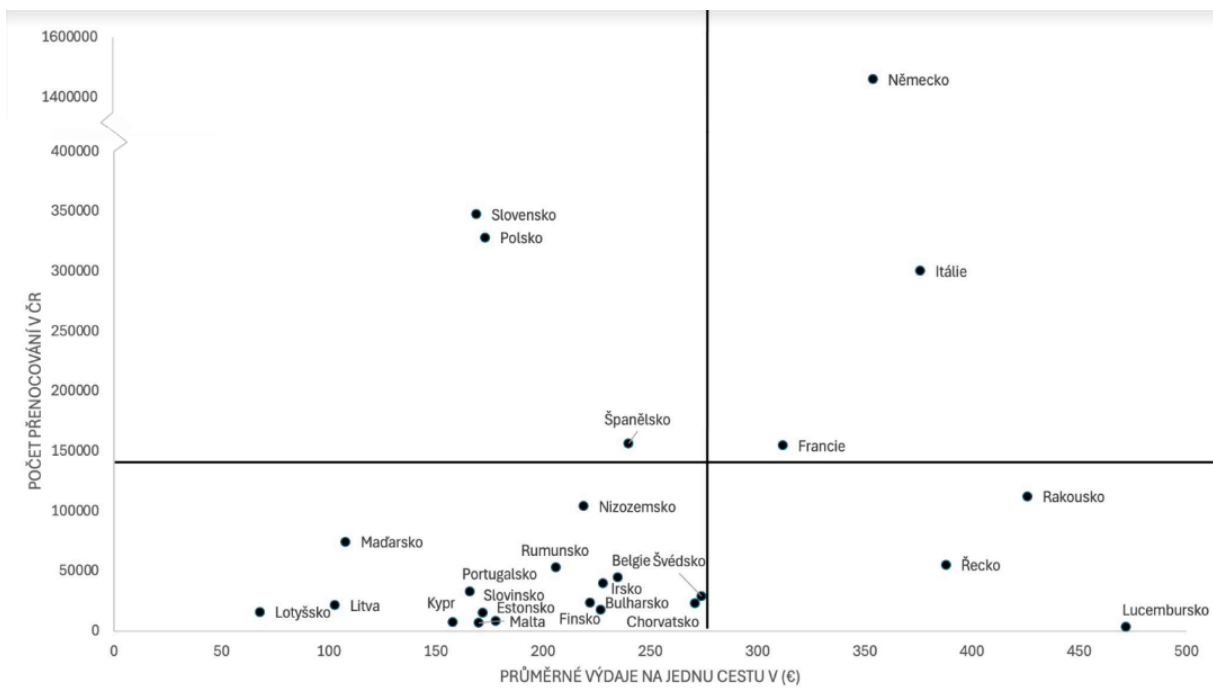
**Graph 1:** Average expenses per night in relation to the number of overnight stays



**Source:** Own quantification according to CZSO (2024a) and Eurostat (2024).

Similar information is also provided by the graph, which shows the average expenses for one entire stay in relation to the number of overnight stays. Here, unlike the previous graph, the total length of stay of people in individual locations is also displayed.

**Graf 2:** Průměrné výdaje na jednu cestu ve vztahu k počtu přenocování



**Source:** Own quantification according to CZSO (2024a) and Eurostat (2024).

The hypothesis of an inappropriate structure of visitors is confirmed by information from the Czech Statistical Office (2024b) on the capacity of mass accommodation establishments by category. Out of a total of 567 thousand beds in 2023, only 16.6 thousand were in the most luxurious 5-star hotels. Logically, this is where the part of tourists who want to spend the greatest amount and turn the wheels of the Czech economy the most. The capacity of 4-star hotels was 97 thousand, and even this group of visitors can still be expected to spend relatively high. In contrast, the capacity of guesthouses, which have the highest bed capacity of all mass accommodation establishments (121 thousand), and of 3-star hotels (109 thousand), is also important.

Focusing on more affluent travellers is also a better option in terms of ensuring the continuity of transport, protecting cultural or natural wealth and avoiding other negative externalities associated with overtourism. However, the Czech Republic has a high number of opportunities for this clientele, which it is not exploiting sufficiently. Prague is a European phenomenon from the point of view of foreign tourists. A typical example of untapped potential is the promotion of cultural tourism associated with classical music greats such as Antonín Dvořák, Bedřich Smetana and also the stay of V. A. Mozart in Prague. After all, the Czech Philharmonic Orchestra has a worldwide reputation. Moreover, the segment of tourists interested in this type of cultural experience is often one of the more affluent.

The way forward is also to promote tourism in non-European developed countries with a creditworthy clientele willing to spend above-average sums on their trips through Europe. In addition, if a traveller goes to a destination that is relatively remote, they will most likely choose to stay there for a longer period of time. Moreover, promotion in these countries is extremely important for the Czech Republic, as we are still recovering from the drop in tourist arrivals from Russia and Israel, which were among the top 3 countries by average length of stay in 2019 (Statistika&my, 2024).

Congress tourism, or MICE(include what this stands for), is also a welcome alternative in the Czech Republic, with the advantage of reversed seasonality compared to standard tourism. In addition, there is still a relatively high potential for people from Germany to visit this area.

## Conclusion

In the future, it can be expected that the tourism economy will continue to face challenges related to the phenomenon of overtourism, as well as changes in the behaviour and structure of tourists. Developments in this area are driven not only by the economic performance of European countries, but also by economic and societal developments in the Americas and the Middle East. These are rich regions where the potential is not yet fully realized by the Czech Republic. However, in these geographical regions, promotion must be linked to simplifying the visa policy, reducing waiting times and switching to a paperless digital visa system.

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Martin Zeman graduated from the Faculty of Economics and the Faculty of Business Administration at the University of Economics in Prague. He also defended his dissertation at VŠE. He specializes in economic policy, fiscal policy and public finance. He is the author of several professional articles, speaks at international conferences and publishes comments in the media. For several years, he worked as an advisor to the minister and also in other institutions dealing with public finances.

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