UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

TOURISM IN MONTENEGRO BEFORE AND DURING COVID-19 PANDEMIC

Ljubljana, March 2022 NENAD KARADŽIĆ

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

LIST OF ABBREVIATIONS

EU – European Union

T&T – Tourism and Travel

WTTC – World Travel & Tourism Council

BMZ – Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany

DEG – German Society for Investment and Development

GDP – Gross domestic product

MTEP – Ministry of Tourism and Environmental Protection

Monstat – Statistical Office of Montenegro

€ – The euro sign, is the currency sign used for the euro, the official currency of the eurozone and some other countries such as Montenegro.

INTRODUCTION

The travel and tourism industry is one of the largest industries in the world that creates jobs, drives exports, and creates wealth around the world (Uniting Travel, 2018). Comprised of a variety of services (i.e. accommodation and transportation, provision of food and beverage, retail and culture, and sports and leisure), the industry aims to serve domestic, international, business and leisure travellers. Research by the World Travel & Tourism Council (WTTC) shows that the industry accounted for € 8,220 billion (i.e. 10.4% of global gross domestic product (GDP)) and 334 million jobs (i.e. 10% of total employment) in 2019 - in the year before COVID-19. There are numerous studies that demonstrate the importance of tourism. In general, tourism has many economic effects on destinations, especially stimulation of local production and output, creating new employment opportunities, generating foreign exchange earnings, creating new investment opportunities, increased government revenue and assist in regional development (Dwyer, Forsyth, & Dwyer, 2020) Tourism, especially domestic can strengthening territorial cohesion in the EU, especially for less developed regions and regions in transition (Rodríguez, Olmo, & Jurado, 2021). However, tourism resource endowment, tourism reception facilities and the development level of regional economy are important factors for regional disparities in tourism-based economies, with a highly significant positive correlation (Jia, 2021). In addition, Majeed & Mazhar (2021) note that international tourism contributes to high economic growth. In 2020, with the COVID-19 pandemic, the world is in an unprecedented global health, social, and economic emergency, and the travel and tourism industry is among the hardest hit (UNWTO, 2021a). As a result, the industry declined by 49.1% and generated €4,274 billion (i.e. 5.5% of global GDP), resulting in an -18.5% change in jobs or 272 million jobs (i.e. 9% of total employment). During this period, the global economy slumped by 3.7%, highlighting the impact of the pandemic on the travel and tourism industry (WTTC, 2021).

The importance of tourism as a strategic economic sector of the Mediterranean countries is well-known and Montenegro is no exception (Golubović, 2019). Montenegro recorded the largest number of tourists in history in 2019, with 2.65 million tourists and almost 14.5 million overnight stays (Investor.me, 2020). In 2019, the total contribution of the travel and tourism sector to GDP in Montenegro was 30.9% and tourism contributed 31.9% to total employment (WTTC, 2021), which best illustrates the importance of tourism for a country with a GDP of €4.9 billion and a population of just over 600,000 (World Bank, 2021a). A significant proportion of tourists come from the Balkan Peninsula and Russia, although the share of tourists from European Union (EU) countries has increased in recent years (Bakota, 2018). The tourism in Montenegro is characterized by high seasonality, as an estimated 65-70% of tourism revenue is generated in June, July, and August, as well as regional imbalances, as an estimated 90-95% of tourism revenue is generated in the coastal region (Ministry of Economic Development, 2021). The impact of COVID-19 in Montenegro was even more severe: in 2020, tourist arrivals decreased by 83.2%, resulting in a 75% decrease in the contribution of the travel and tourism sector to GDP and a -18.5% change in jobs

(WTTC, 2021). As a result, the overall economy in Montenegro contracted by 12.2% of GDP in real terms in 2020 (MONSTAT, 2021a).

The purpose of this master thesis is to provide an overview of tourism in Montenegro before the occurrence of COVID-19, during COVID-19 and the recovery of tourism in 2021, which was a consequence of the emergence of vaccines and good epidemiological situation.

The first goal is to examine the development of tourism in Montenegro over time. The starting point is the year 2000, because in that year the Montenegrin government, with the help of the German Society for Investment and Development (DEG), created a Tourism Master Plan. This Tourism Master Plan marked a new beginning of tourism in Montenegro, which had previously vanished due to the wars in the surrounding states in the 1990s (Ministry of Tourism and Environmental Protection, 2008). The second goal is to examine the importance of the tourism industry in Montenegro in terms of contribution to employment, exports, and GDP (i.e. direct, indirect, and induced contribution). In addition, tourism indicators are presented (e.g., tourist arrivals, overnight stays, breakdown by regions and cities, seasonality, structure by categories of accommodation establishments). The indicators (i.e. contribution to GDP and employment, are compared with other Mediterranean countries (Albania, Croatia, France, Greece, Italy and Spain) that have a similar climate, similar dependence of the economy on tourism and offer a similar attractions (sea, sun and beach). The third goal is to examine the impact of COVID-19 in Montenegro on the basis of the same indicators mentioned in the first goal and to make comparisons with Croatia, another Mediterranean country similar to Montenegro in terms of the share of tourism and travel in GDP and employment and average length of stay of tourists and is a neighbouring country The fourth goal is to investigate whether COVID-19 has affected hotels equally, regardless of the category of accommodation establishments (number of stars), by comparing the financial statements of 2019 and 2020. The fifth goal is to investigate what impact COVID-19 has on the structure of foreign tourists by country of arrival in Montenegro. The sixth goal is to examine the extent of the fiscal stimulus and credit moratorium provided by the government and the central bank to address the consequences of COVID-19 in tourism industry. The focus of the seventh goal is to study the recovery of tourism in 2021 and compare the recovery of the industry with Croatian.

To achieve the goals of the master's thesis, I answered the following seven research questions:

1. How did the development of tourism in Montenegro since 2000 look like?
2. What are the main characteristics of tourism in Montenegro (i.e. seasonality, guest structure, regional development, and categories of accommodation establishments)?
3. What is the contribution of tourism in Montenegro to employment, exports, and GDP (i.e. direct, indirect, and induced contribution) and also compared to other Mediterranean countries?

4. How COVID-19 affected tourism in Montenegro (i.e. tourist arrivals and overnight stays, change in the structure of overnight stays by country of arrival, total contribution of T&T to GDP and employment, and in comparison with Croatia).
5. What was the impact of COVID-19 on operating revenues of hotels by number of stars?
6. What was the extent of the fiscal stimulus and credit moratorium provided by the Montenegrin government and the Central Bank to overcome the consequences of COVID-19 in tourism?
7. What was the recovery of tourism in Montenegro in 2021 in terms of tourism indicators (e.g. tourist arrivals, overnight stays) and in comparison with Croatia?

To answer the research questions, I mainly used secondary data on the tourism industry, such as GDP and GDP by sectors, employment, exports, and tourism demand and supply indicators (i.e. tourist arrivals, overnight stays, breakdown by regions and cities, seasonality, structure by categories of accommodation establishments) collected by the World Travel and Tourism Council (WTTC), statistical data available on the website of the Statistical Office of Montenegro, statistical data available on the website of the Statistical Bureau of Croatia, the official website of the Ministry of Tourism of the Republic of Montenegro and the official website of the Central Bank of Montenegro, and the Revenue and Customs Administration of Montenegro.

Specifically, I used the following data to answer each of the research questions. To answer research question 1, I used the Strategy for the Development of Tourism in Montenegro until 2020, developed by the Ministry of Tourism and Environmental Protection. To answer research questions 2, 3, 4, and 7, I used data from the World Travel and Tourism Council (WTTC), the Statistical Office of Montenegro, the Statistical Bureau of Croatia, and the World Bank. For research question 5, I also used data from the Revenue and Customs Administration of Montenegro to calculate the percentage change in hotel revenues between 2019 and 2020. To answer research question 6, I used studies available on the website of the Central Bank of Montenegro and the Ministry of Economic Development of Montenegro.

The methodology used to answer these research questions is descriptive statistics based on quantitative data. As for the quantitative part, I made comparisons between time periods and calculated percentage changes and indices. To answer research question 4, which refers to the decline in revenues by category of accommodation establishments, I had to select hotels from each category and compare their operating revenues in 2020 with those in 2019. Since I could not collect data for the entire population for various reasons (e.g. if the hotel operates within a group and it is not possible to obtain financial results for individual hotels within a group, or if the hotel belongs to a company that engages in other activities besides hotel operations, such as construction, etc.), I selected a sample of 49 hotels based on the number of beds (in descending order), while if it was not possible to obtain data, I would take the next largest. The next step was to obtain a financial report for 2019 and 2020 from the Revenue and Customs Administration of Montenegro and calculate the percentage change in operating revenues between these two years. After that, I performed ANOVA analysis to check if the differences between groups of hotels were significantly different. After that, I performed Tukey-Kramer post hoc test to find out which mean values of each group (compared to each other) are different.

The thesis consists of six parts. First, I present Montenegro and its tourist attractions and in the second part, I explain how the development of tourism in Montenegro took place from 2001 to 2019. In the third part, I write about the characteristics and contribution of tourism in Montenegro before COVID-19 and in comparison with other Mediterranean countries. The fourth part is about how COVID-19 affected tourism in Montenegro in 2020 and in comparison with Croatia. The fifth part explains what support has been provided by the government and the Central Bank to overcome the consequences of COVID-19. The sixth part addresses (or analyses) with the recovery of tourism in 2021.

1 TOURISM IN MONTENEGRO

Montenegro is a Mediterranean country located on the Adriatic Sea. It covers an area of 13,812 km^2 and has a population of 620,029 according to the latest 2011 census (World Bank, 2021a). Montenegro declared independence in 2006 and uses the Euro as its official currency, although it is not a member of the EU (Kubosava, 2007). In this chapter first the tourism attractions are presented then the development of tourism in Montenegro followed by a discussion to answer the first research question (RQ1).

1.1 Tourist attractions in Montenegro

Apart from its relatively small size, the country has many attractions suitable for the development of all types of tourism, as it has beautiful beaches, a mountainous region in the north, a rich cultural heritage, and a well-preserved natural environment. The "Law on Regional Development" has divided the country into three regions for statistical purposes in order to create a framework for a more balanced economic development of Montenegro, without giving legal or executive powers to these regions which are: the coastal, the central and the northern region (Assembly of European Regions, 2017).

The coastal region with 293 km coastline of which 72 km are beaches attract the most tourists in Montenegro. It attracts its visitors with stone promenades, six towns of ancient civilizations and botanical gardens with plants brought by sailors from all over the world (Nacionalna Turistička organizacija Crne Gore, 2021). Each town tells its own story, from Ulcinj (which used to be a pirate town and is now a tourist paradise), Bar (a town rich in historical monuments, with the new modern city centre, harbour, marina and hotels), Budva (which is the tourist capital of Montenegro and covers the area from Buljarica through Petrovac and St. Stefan to Jaz beach), to Tivat (a beautiful, quiet town with a first-class marina for superyachts), to Kotor (protected by UNESCO as part of the World Heritage), to Herceg Novi (an irresistible tourist town, rich in greenery, flowers, stairs and beautiful historical buildings) (Visit Montenegro, 2021a).

The central region, or the business part of Montenegro, with the capital Podgorica at its centre, is a hub for business, entertainment, and relaxation. The central region itself is a mixture of several smaller regions that differ both scenically and historically, such as the old royal capital of Montenegro- Cetinje, the Morača canyon, the archaeological remains of Duklja (Doclea) from Roman times, or the Orthodox pilgrimage site - Ostrog Monastery (Visit Montenegro, 2021b).

The northern region of Montenegro is primarily a place of pure, untouched nature. Many tourists come to this region to seek unforgettable experiences in an extraordinary environment. The north of Montenegro attracts with countless adventures in the highlands. This region is home to the deepest canyon in Europe - the 1300-meter-deep canyon of the river Tara, and Biogradska Gora, the last virgin forest on the continent. The magnificent nature that includes Durmitor, Biogradska Gora and Prokletije National Parks is a dream destination for everything related to hiking, mountain biking, canyoning and rafting. Next to Durmitor and Prokletije, Komovi is the third largest mountain range in Montenegro. Surrounded by the long, raging rivers Tara and Lim and the vast mountains Bjelasica and Prokletije, Komovi consists of three mountain wreaths Kom Kučki (2,487 m), Kom Vasojevićki (2,461 m) and Kom Lijevorečki (2,483m) (Visit Montenegro, 2021c).

1.2 The re-emergence of tourism in Montenegro

Montenegro was a well-known tourist destination in the 1980s, focusing on sea, sun, and beach tourism, but due to the wars fought in the surrounding states in the 1990s, its image as a tourist destination was tarnished (Dowling, 2013). Montenegrin tourism did not begin to recover until the early 2000s, and since then the number of tourists and overnight stays has increased significantly (Vukčević & Vukčević, 2020). The revival of tourism began in 2000 within the framework of the Stability Pact for South Eastern Europe, when the Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany (BMZ) commissioned DEG (German Society for Investment and Development), in cooperation with the Government of Montenegro, to develop a tourism master plan for its institutions and experts to contribute to the sustainable economic progress of Montenegro, taking into account economic, environmental and social principles (Ministry of Tourism and Environmental Protection, 2008). The Master Plan recommended, among other things, the development of five regional concepts to highlight the characteristics typical of the region and thus initiate the diversification of the GDP. Two of the five regional master plans, for Boka Kotorska (Bay of Kotor) and Velika plaža (Long Beach) in Ulcinj, were prepared by DEG in cooperation with Montenegrin experts and the Ministry of Tourism in 2003. The planned goal of this document was to create a sustainable, high quality and diverse tourism products, which will allow growth of income and number of tourists, and thus create new jobs and increase the standard of living. The focus was on sustainability, which is particularly important in the tourism sector, because the tourist offer in Montenegro should be based on the exclusivity of natural and cultural attractions and various tourist activities that embrace the natural environment and the diversity of historical and cultural heritage in a small area (Ministry of Tourism and Environmental Protection, 2008). As a result, tourism revenues increased by a total of 460 % from 2001 to 2007, from € 86 million to € 480 million. (Ministry of Tourism and Environmental Protection, 2008).

In December 2008, the Ministry of Tourism and Environmental Protection adopted Tourism development strategy in Montenegro until 2020. The document states that at the time of the publication of the Strategy, Montenegrin tourism was facing many challenges: the growth of the market which at times exceeded the development of infrastructure and human resources, the accelerated development of customer preferences and needs, the need to develop new markets and new products (Ministry of Tourism and Environmental Protection, 2008). The vision outlined in the Tourism Development Strategy is for Montenegro to become a Mediterranean destination with a diverse year-round offering with several unique features that are attractive to several key segments of the mid-range and luxury market. This shall be achieved by developing appropriate luxury tourism products that have not been offered in Montenegro before - such as yachting and golf. Other potentials of tourism development are also recognized, which can contribute Montenegro on its way to become a year-round tourist destination. They lie in the development and improvement of rural, cultural and religious, health, sports and recreation, ski tourism, adventure tourism, MICE, nature-based tourism (i.e. hiking and biking), camping, glamping and more.

1.3 Discussion for RQ1

The first research question was how tourism has developed in Montenegro since 2000. Tourism in Montenegro has experienced a great expansion and development in the last 18 years. Originally, it was a way to boost and diversify economic activity by taking advantage of the numerous tourist attractions that this small country has to offer. Over time, mass tourism became a problem as it put a lot of strain on the infrastructure. This problem was recognised by the Ministry of Tourism and Environmental Protection. In its strategy for the period 2008-2020, the Ministry decided to focus on tourists with higher spending by developing new products such as yachting tourism, golf tourism, investing in ski resorts, etc. and improving existing accommodation capacities or providing subsidies to investors who build new hotels with 4 - stars or more (i.e. building permits are reduced by 80%[1]).

[1] Investors who started building four-star and more hotels by 2013 and completed the hotel by the end of 2015, their obligations to the municipality for building permits were reduced by 80% (Privredna komora Crne Gore, 2012).

2 CHARACTERISTICS AND CONTRIBUTION OF TOURISM IN MONTENEGRO BEFORE COVID-19

Development of luxury tourism, investment of foreign capital in infrastructure, intensive advertising campaigns in foreign markets and entry of global brands such as Aman Resorts, Iberostar, Hilton and Regent have contributed to the development in Montenegro's tourism industry. Table 1 shows the demand (i.e. number of arrivals and overnight stays) and supply indicators (i.e. number of beds) of tourism development in Montenegro from 2001 to 2019. From 2001 to 2009, there was no data on the total number of beds, and since 2017, the number of beds in individual accommodation is no longer recorded in the official statistics of the Statistical Office of Montenegro. Still, the data show continued growth in two indicators (i.e. tourist arrivals and overnight stays), while the total number of beds declined in some years. The number of beds in collective accommodation has increased by 6.8% since 2017, reaching 48,837 beds in 2019 (MONSTAT, 2021b). In the period 2001-2019, the CAGR of tourist arrivals was 8.6% and the CAGR of overnight stays was 7%. In 2019, there were 20.0% more tourist arrivals compared to 2018, while the number of realized overnight stays was 11.8% higher.

Table 1: Demand (i.e. number of arrivals and overnight stays) and supply indicators (i.e. number of beds) of tourism development in Montenegro from 2001 to 2019.

Year	**Total number of beds**	**Tourist Arrivals**	**Tourist Overnight stays**
2001	n/a	555,040	4,011,413
2002	n/a	541,699	3,689,504
2003	n/a	599,430	3,976,266
2004	n/a	703,484	4,561,094
2005	n/a	820,457	5,211,847
2006	n/a	953,961	5,936,270
2007	n/a	1,133,432	7,294,530
2008	n/a	1,188,116	7,794,741
2009	n/a	1,207,694	7,552,006
2010	166,288	1,262,985	7,964,893
2011	157,697	1,373,454	8,775,171
2012	163,969	1,439,500	9,151,236
2013	163,149	1,492,006	9,411,943
2014	159,347	1,517,376	9,553,783
2015	164,004	1,713,109	11,054,947
2016	166,842	1,813,817	11,250,005
2017	45,733*	2,000,009	11,953,316
2018	46,553*	2,204,856	12,930,334
2019	48,837*	2,645,217	14,455,920

* Individual accommodation facilities are no longer included in the calculation due to the unavailability of data.

Source: MONSTAT (2021b); MONSTAT (2021c).

2.1 Accommodation supply in collective establishments

Historically, hotel categorization systems were developed to assure travellers of safe and reliable accommodation and food when there were very few such trustworthy establishments (Kumar, 2021). Although the star rating or other rating system is a useful guide, there are no universal criteria that mean that, for example, a 4-star hotel in one country is equivalent to a 4-star hotel in another country (Simpson, 2015).

In Montenegro, according to the Regulation on Types, Minimum Technical Conditions and Categorization of Accommodation Establishments ("Official Gazette of Montenegro" No. 63/11, 47/12) of 2012, the following are considered as a rough guide:

- 1-star category minimum standards
- 2-star category accommodation capacity with adequate comfort and basic services
- 3-star category standard level of comfort and services
- 4-star category accommodation units with high level of comfort and services. The number of apartments shall not be less than 10% of the total number of rooms. High quality cuisine and additional facilities.
- 5-star category accommodation units - exceptional features, with more than 10% apartments in relation to the total number of rooms, high level of comfort, service and ambience, many general (e.g. elevator for guests and staff) and personal facilities (e.g. 24-hour service), etc.

According to official data, the number of accommodation capacities in hotels, as the most important segment of accommodation supply in Montenegro, has increased over the last decade. In 2010, there were 308 registered hotels and similar establishments (collective accommodation), and in 2019, there were 403 establishments which represents a growth of 30.8% (MONSTAT, 2021b). The largest number of beds is available in 4-star hotels, which account for 51.8% of the total number of beds in accommodation establishments, followed by 3-star hotels (21.8%) and 2-star hotels (14.6%), while the number of beds in 5-star hotels is 6.5% and in 1-star hotels 5.3%. The detailed information on accommodation capacity by category in 2019 is shown in Table 2.

Table 2: Accommodation establishments capacity by categorization in 2019

Category	**No. of establishments**	**No. of accommodation**	**Rooms**	**Apartments**	**Camp sites**	**No. of beds**	**Permanent beds**	**Temporary beds**
All-suite hotels	10	385	251	134	0	1,166	1,020	146
*	1	142	142	0	0	415	404	11
***	2	25	4	21	0	86	74	12

(table continues)

Table 2: Accommodation Establishments capacity by categorization in 2019 (continued).

Category	No. of establishments	No. of accommodation units	Rooms	Apartments	Camp sites	No. of beds	Permanent beds	Temporary beds
****	7	218	105	113	0	665	542	123
Boutique hotels	13	255	161	94	0	447	406	41
****	9	125	96	29	0	274	243	31
*****	4	130	65	65	0	173	163	10
Hotels garni	49	841	653	188	0	1,945	1,732	213
**	2	24	24	0	0	57	57	0
***	24	411	354	57	0	914	844	70
****	23	406	275	131	0	974	831	143
Hotels	132	12,404	11,246	1,157	1	27,623	24,908	2,715
*	3	145	145	0	0	338	338	0
**	19	1,866	1,791	75	0	4,455	4,201	272
***	28	1,637	1,472	165	0	3,892	3,757	119
****	74	7,701	6,892	808	1	16,516	14,596	1,920
*****	8	1,055	946	109	0	2,422	2,016	460
Camping sites	12	950	48	20	882	2,925	2,895	30
*	2	135	n/a	20	115	510	480	30
**	3	333	3	n/a	330	1,166	1,166	0
***	4	115	45	n/a	70	346	346	0
****	3	367	n/a	n/a	367	903	903	0
Mini hotels	140	2,298	1,722	576	0	5,615	4,900	716
*	1	5	4	1	0	10	10	0
**	17	268	233	35	0	663	626	35
***	57	928	712	216	0	2,309	2,127	111
****	59	995	711	284	0	2,366	1,903	214
*****	6	102	62	40	0	267	234	28
Motels	5	56	40	16	0	107	107	0
**	1	19	3	16	0	42	42	0
***	4	37	37	n/a	0	65	65	0
Tourist settlements	5	1,762	1,542	220	0	3,911	3,785	125
*	1	404	376	28	0	1,026	980	45
***	3	864	725	139	0	1,944	1,864	80
****	1	494	441	53	0	941	941	0
ETNO villages	3	62	28	19	15	277	273	4
Hostels	9	286	284	2	0	908	903	5
Others	25	1,535	1,306	209	20	3,913	3,854	59
Total (2019):	**403**	**20,834**	**17,281**	**2,635**	**918**	**48,837**	**44,783**	**4,054**
Total (2017):	**370**	**19,112**	**15,829**	**2,491**	**792**	**45,964**	**43,061**	**2,903**

Source: MONSTAT (2021b).

2.2 Tourism demand in Montenegro

Focusing on tourism demand, Table 3 shows tourist arrivals and overnight stays by categorization of accommodation establishments in 2019. Of all tourist arrivals, 51.11% and 67.62% of all overnight stays were realized in individual accommodation establishments (i.e. households renting rooms, suites, or houses, for which capacity data are unfortunately not available). Among collective accommodation establishments, hotels accounted for the majority of tourist arrivals (i.e. 69.4%) and overnight stays (i.e. 66.7%), followed by mini-hotels (i.e. 12.7% of all tourist arrivals in collective accommodation establishments) and tourist settlements (i.e. 4.6% of all tourist arrivals in collective accommodation establishments).

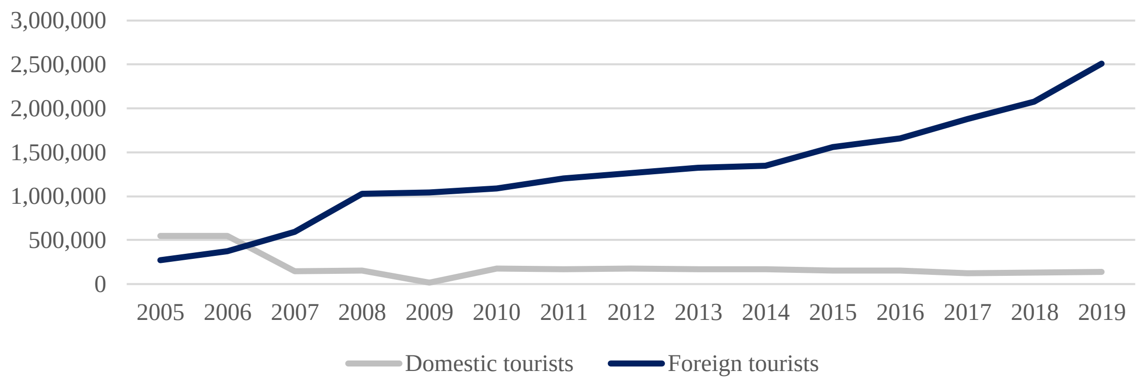
Table 3: Tourist arrivals and overnight stays by categorization of accommodation establishments in 2019

Categorization of accommodation establishments	**Tourist arrivals**	**Share (in %)**	**Overnight stays**	**Share (in %)**
Hotel	896,872	33.9	3,121,877	21.6
Hotel garni	51,318	1.94	141,098	0.98
Mini Hotel	164,253	6.21	420,329	2.91
Boutique hotel	28,237	1.07	79,263	0.55
All-suite hotels	15,491	0.59	69,187	0.48
Tourist settlements	59,380	2.24	356,335	2.46
Motel	784	0.03	949	0.01
Inns	783	0.03	968	0.01
Pension and villa	4,241	0.16	29,672	0.21
Camping sites	7,644	0.29	33,670	0.23
Hostel	15,645	0.59	50,504	0.35
ETNO village	3,713	0.14	7,302	0.05
Vacation facilities and Health spas	44,828	1.69	369,633	2.56
Total: Collective accommodation establishments	**1,293,189**	**48.9**	**4,680,787**	**32.4**
Total: Individual accommodation establishments	**1,352,028**	**51.1**	**9,775,133**	**67.6**
Total:	**2,645,217**	**100**	**14,455,920**	**100**

Source: MONSTAT (2021c).

From 2007 onwards, the majority of tourists are foreign. Figure 1 shows the number of tourist arrivals from 2005 to 2019 by domestic and foreign tourists. From the figure it can be seen that in 2005 the number of domestic tourists dropped significantly due to changes in the reclassification of tourists from Serbia since Montenegro left the state union with Serbia and tourists from Serbia were listed as foreign tourists from that point on. Montenegro experienced a strong increase in foreign tourists, which did not stop even during the period of global and financial crisis (2009-2011), however this was also a trend in international tourist arrivals (Scott, Gössling, & Hall, 2020). In 2019, there was 2,645,217 tourist arrivals and 14,455,920 overnight stays. 94.9% of tourist arrivals were foreign tourists and 96.4% of all overnight stays foreign tourists and 3.6% of overnight stays were domestic tourists.

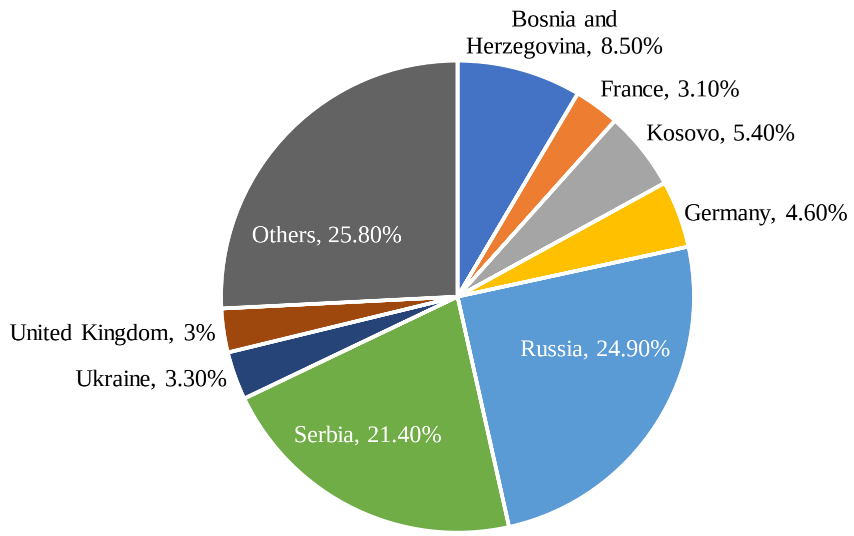
Figure 1: Tourist arrivals of domestic and foreign tourists in Montenegro, 2005 - 2019



Source: MONSTAT (2021c).

Next, I examined foreign tourists' overnight stays by country of arrival to investigate from where tourists come to Montenegro the most. As shown in Figure 2, most overnight stays come from Russia (24.9%), followed by Serbia (21.4%) and Bosnia (8.5%). A much smaller number of guests come from Kosovo (5.4%), Germany (4.6%), Ukraine (3.3%), France (3.1%) and the United Kingdom (3%). Tourists from these countries cumulatively account for 74.2% of all overnight stays in Montenegro in 2019. This implies that a small number of countries have a large share in the total number of overnight stays in Montenegro.

Figure 2: Foreign tourist overnight stays by country of arrival, 2019



Source: MONSTAT (2021c).

The structure of tourist arrivals and overnight stays by cities/regions in 2019 is shown in Table 4. Montenegro has a very pronounced unbalanced regional development in terms of tourism, which is best indicated by the fact that the number of tourist overnight stays in the coastal region was 94.9%, followed by the capital (2.1%), mountain areas (1.8%) and other destinations (1.2%). In addition to pronounced unbalanced regional development, there are even great inequalities within the coastal region itself. Namely, Budva accounts for 40.5% of all tourist arrivals in the coastal region followed by Ulcinj (18.8%) and Herceg Novi (16.9%).

Table 4: Tourist arrivals and overnight stays by region in 2019, in hundreds and in percent

	Tourist arrivals				**Overnight stays**			
	Foreign tourists	**Domestic tourists**	**Total**	**Share (in %)**	**Foreign tourists**	**Domestic tourists**	**Total**	**Share (in %)**
Coastal region								
Herceg Novi	3,670	161	3,830	14	29,423	1,647	31,070	21
Kotor	1,684	24	1,709	6	6,727	80	6,806	5
Budva	8,779	408	9,187	35	44,566	1,366	45,932	32
Bar	2,006	102	2,108	8	19,708	396	20,105	14
Tivat	1,562	49	1,612	6	11,512	159	11,671	8
Ulcinj	4,188	70	4,258	16	21,240	324	21,564	15
Total: Coastal region	**21,890**	**813**	**22,703**	**86**	**133,176**	**3,972**	**137,148**	**95**
Central region								
Podgorica	1,704	158	1,862	7	2,769	337	3,106	2
Nikšić	146	20	166	1	245	44	289	0
Tuzi	23	0	23	0	49	0	49	0
Danilovgrad	36	2	38	0	152	7	158	0
Cetinje	135	125	260	1	269	382	651	0
Total: Central region	**2,043**	**305**	**2,348**	**9**	**3,483**	**770**	**4,253**	**3**
Northern region								
Plužine	41	3	44	0	75	4	79	0
Šavnik	16	1	17	0	37	1	38	0
Žabljak	431	63	494	2	974	158	1,132	1
Pljevlja	49	29	78	0	94	57	151	0
Bijelo Polje	48	24	72	0	176	41	217	
Berane	35	32	67	0	76	43	119	0
Andrijevica	7	3	10	0	53	4	58	0
Plav	16	0	16	0	136	0	136	0
Rožaje	22	2	24	0	134	4	138	0
Gusinje	1	0	1	0	1	0	2	0

(table continues)

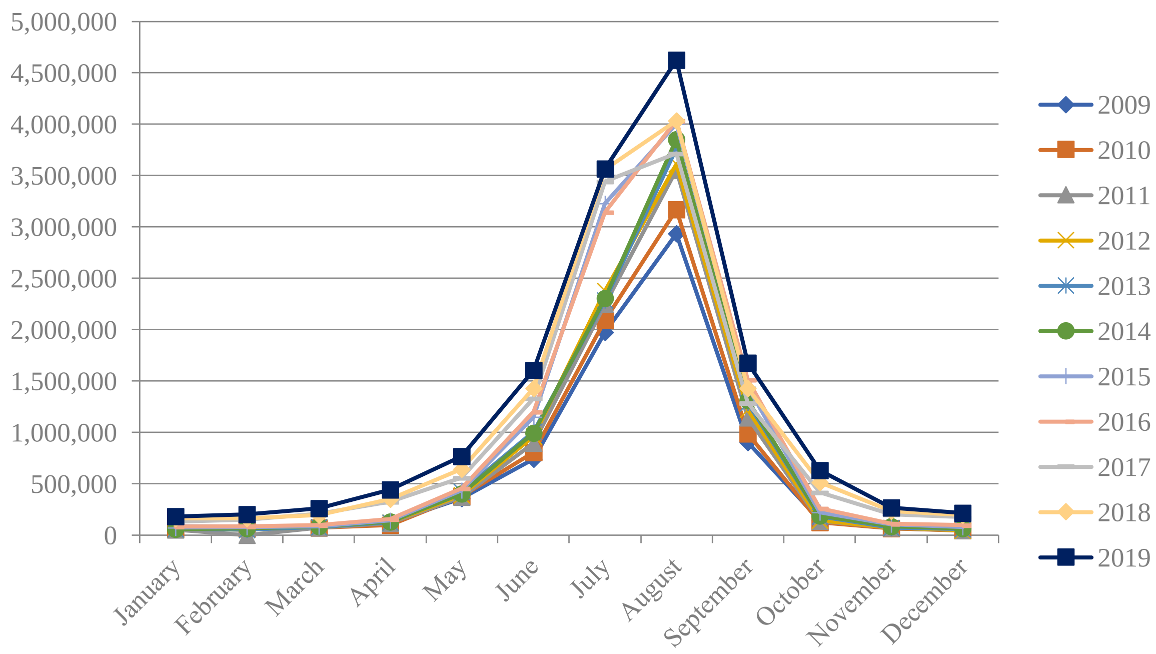
Table 4: Tourist arrivals and overnight stays by region in 2019, in hundreds (continued).

	Tourist arrivals				Overnight stays			
	Foreign tourists	**Domestic tourists**	**Total**	**Share (in %)**	**Foreign tourists**	**Domestic tourists**	**Total**	**Share (in %)**
Petnjica	2	0	2	0	6	0	6	0
Mojkovac	44	4	48	0	76	7	82	0
Kolašin	452	76	528	2	838	162	1,000	1
Total: Northern region	**1,163**	**237**	**1,401**	**5**	**2,676**	**482**	**3,158**	**2**
Total:	**25,096**	**1,356**	**26,452**	**100**	**139,335**	**5,224**	**144,559**	**100**

Source: MONSTAT (2021c).

In addition, the analysis of overnight stays of tourists by month in the period from 2009 to 2019 shows that tourism in Montenegro has a pronounced seasonality and a high concentration of tourists in the coastal region during the peak tourist season (June-August), as shown in Figure 3. In August 2019, 31.2% of total overnight stays were realized, and by adding June and July, a total of 68.9% of all overnight stays are realized within 3 months. This causes enormous pressure on infrastructure, environmental areas, beach facilities, local people, etc. However, compared to 2009, when these three months accounted for 74.8% of the total number of overnight stays, there was some success in making the peak season longer.

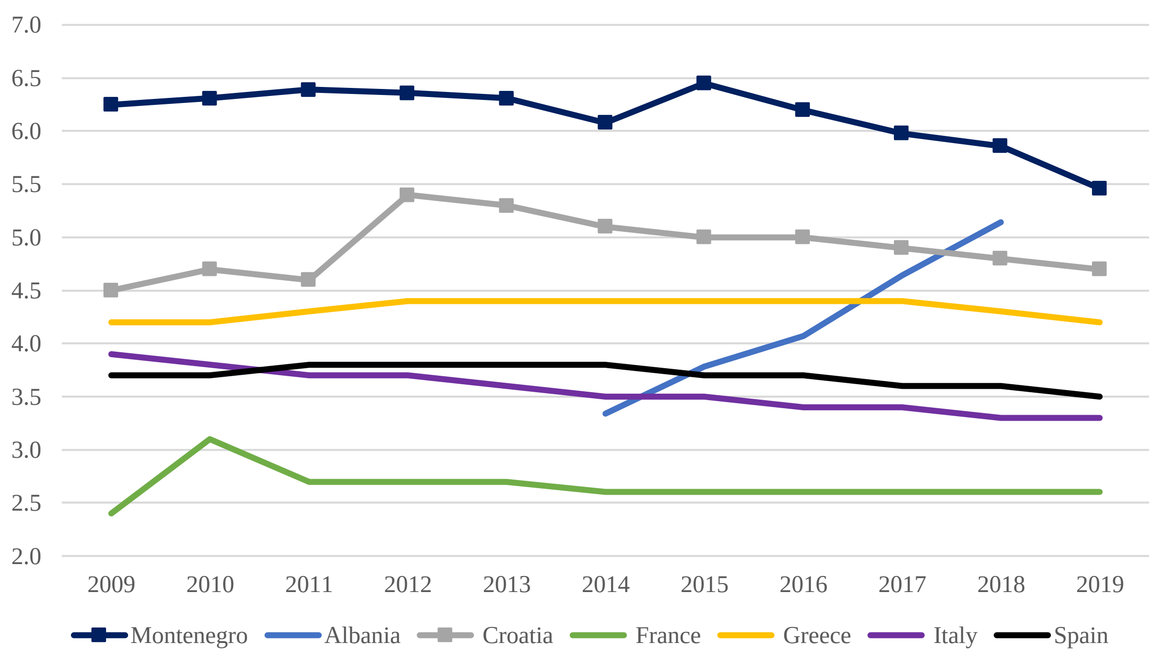
Figure 3: Tourists overnight stays by month, 2009-2019



Source: MONSTAT (2021c).

The average length of stay of tourists in Montenegro in 2019 was 5.8 days, which has decreased from 6.41 days in 2009. In order to check if this is a unique characteristic of development of Montenegrin tourism, the average length of stay of tourists in Montenegro is compared to other Mediterranean countries and shown in Figure 4. In both Montenegro and other countries, there is a slight decrease in the number of days tourists spend in the country on average. The only exception is Albania, which showed an increase in the periods for which I collected data (i.e. 2014 to 2018). This trend of decreasing average length of stay is due, on the one hand, to more frequent but shorter interregional trips and, on the other hand, to the increasing presence of tourists from distant markets who stay in one place for shorter periods of time because they want to visit as many destinations as possible. However, Montenegro also has the highest average length of stay among other Mediterranean countries, followed by Croatia (4.7 days). Further analysis of the average length of stay of tourists by municipality shows that in 2019 tourists spent the longest time in Bar (9.54 days), Plav (8.74 days), Herceg Novi (8.11), Tivat (7.24) and Rožaje (5.76), which is closely related to the offer (in Bar the tourist product is based on the sea, the lake and the rural area in between) and the guest structure (in Plav guests from the diaspora predominate) (MONSTAT, 2021c; Hungarian Central Statistical Office, 2021; Albanian Center for Economic Research, 2021).

Figure 4: Average length of stay in Mediterranean countries, 2009-2019



Source: MONSTAT (2021c); Hungarian Central Statistical Office (2021); Albanian Center for Economic Research (2021).

2.3 Discussion for RQ2

The second research question was related to the main characteristics of tourism in Montenegro. First of all, there is a strong increase in demand (i.e. tourist arrivals and overnight stays) from 2001 to 2019. Tourist arrivals increased from 555,040 in 2001 to 2,645,217 in 2019. In the observed time period also the supply increased and the total number of accommodation establishments increased from 370 in 2017 to 403 in 2019, while the number of beds in collective accommodation establishments in 2019 was 48,837 (an increase of 6.8% compared to 2017). Most beds in collective accommodation establishments in 2019 are in 4-star hotels, a total of 51.8%, which indicates that Montenegro has focused on tourists who spend relatively more money, which was one of the goals of the 2008 strategy. Looking at the structure of tourist overnight stays, the largest number of tourists, i.e. 67.6% of all overnight stays, are realized in individual accommodations. Considering from which countries tourists come to Montenegro, tourists from the Balkan Peninsula and Russia dominate. Upon further analysis, I concluded that a major problem for Montenegrin tourism is its strong seasonality and unbalanced regional development. This is reflected in the fact that no less than 95% of all overnight stays take place in the coastal region, while 68.9% of all overnight stays take place within 3 months. Finally, when I look at the average length of stay, tourists stay longer in Montenegro than in other Mediterranean countries.

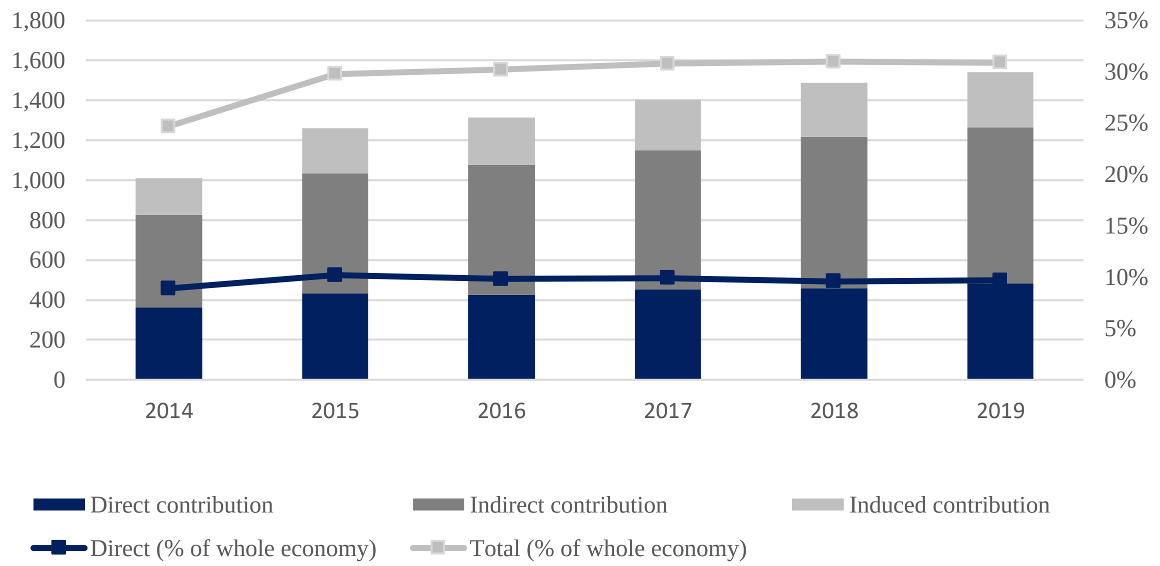
2.4 Contribution of Travel and Tourism to GDP

Travel and tourism (T&T) refers to the activity of travellers on trips outside their usual environment that last less than a year. These trips cause various economic impacts on a country's economy, namely direct, indirect, and induced impacts (WTTC, 2021). **The direct contribution** of the travel and tourism sector to GDP reflects the GDP generated by industries that deal directly with tourists, including hotels, travel agencies, airlines, and other passenger transportation services, as well as the activities of the hospitality and leisure industries that deal directly with tourists. **The indirect contribution** is composed of three factors, namely, capital investment by industries involved in T&T, government spending to support general tourism activities (such as tourism promotion, visitor information, etc.), and the supply chain effect, which is composed of purchases of domestic goods and services by various industries in T&T as inputs to their final tourism output. **The induced contribution** captures the expenditures of those directly or indirectly employed in the travel and tourism sector. The three factors are consistent with the Tourism Satellite Account of UN: Recommended Methodological Framework 2008 (TSA: RMF 2008) (WTTC, 2021).

Figure 5 shows the total contribution of T&T to GDP from 2014 to 2019, indicating that the total contribution of T&T to GDP in 2014 was around €1,000 million (i.e. 25% of the total economy). From then until the year before COVID-19, the total contribution of T&T grows and amounts to 1,541 million (i.e. 30.9% of the total economy) in 2019. If I exclude the indirect and induced contribution of T&T and consider only the direct contribution of T&T

to GDP, which amounted to 363 million (i.e. 8.9% of the total economy) in 2014, while in 2019 it amounts to 483 million (i.e. 9.7% of the total economy).

Figure 5: Montenegro: Total contribution of travel and tourism to GDP (left in million, right as percent of GDP)

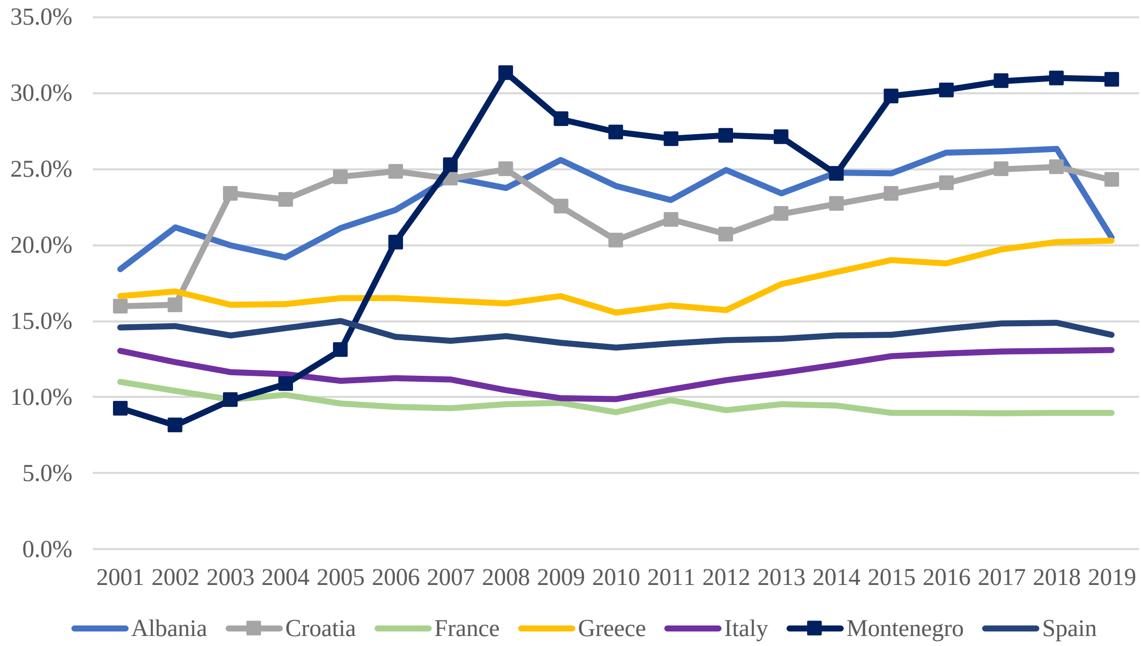


Note: All values are in constant 2020 prices & exchange rates.

Source: WTTC (2021).

Given the large share of T&T contribution to GDP in Montenegro, I wanted to examine if this is also the case in other Mediterranean countries. Figure 6 shows the total contribution of T&T to GDP in Montenegro and other Mediterranean countries from 2001-2019 (i.e. Albania, Croatia, France, Greece, Italy, and Spain). Since 2002, Montenegro has had the highest total contribution of T&T to GDP of all other Mediterranean countries, which is not surprising considering that tourism in Montenegro was just beginning to develop in those years. It grew very quickly, reaching a peak of 31.3% in 2008. One reason for this peak, besides the increase in the number of tourists, was the global and financial crisis, which led to a decline in industrial production, forestry and construction (Dulovic, 2011). From 2008 to 2014, the share of T&T in GDP has slowly decreased. The reason for this is the recovery of previously affected sectors, and in all these years Montenegro has experienced an increase in tourist arrivals. In 2019, the total contribution of the T&T sector to global GDP was 10.4%, with Montenegro having the highest share among other Mediterranean countries (i.e. 30.8%), followed by Croatia (i.e. 24.3%). Among all Mediterranean countries, the total contribution of the T&T sector to GDP is only in France below the global median (WTTC, 2021).

Figure 6: Total contribution of T&T to GDP in Montenegro and other Mediterranean countries, 2001-2019, in percent

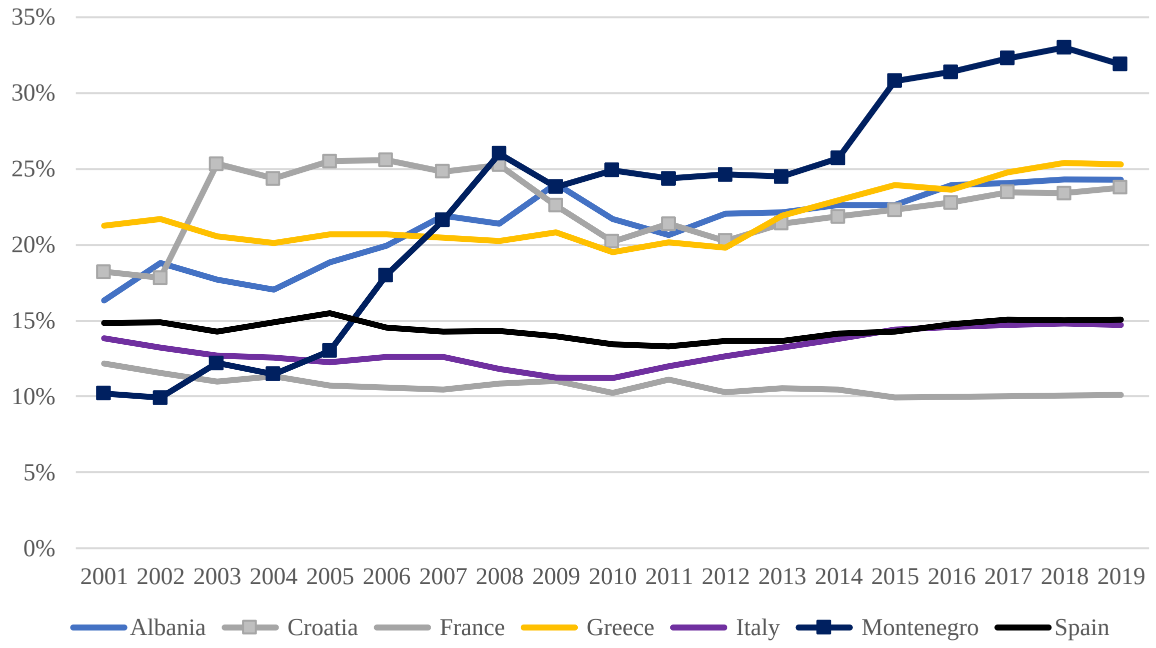


Source: WTTC (2021).

2.5 Contribution of travel and tourism to employment

The travel and tourism sector generated 10% of employment worldwide in 2019, and among Mediterranean countries, the share of travel and tourism in total employment is highest in Montenegro, where 31.9% of the labour force works in this sector, as shown in Figure 7 (WTTC, 2021). The countries (i.e. Greece, Croatia and Albania) have a similar share of employees in this sector, which varies between 23.8% and 24.3% of total employment. Among the selected countries, Montenegro has the highest year-on-year average growth rate of 4.94%, while France has the lowest year-on-year average growth rate of -0.94%, and less than 10% of the labour force works in this sector.

Figure 7: Total contribution of T&T to employment in Montenegro and other Mediterranean countries, 2001-2019, in percent



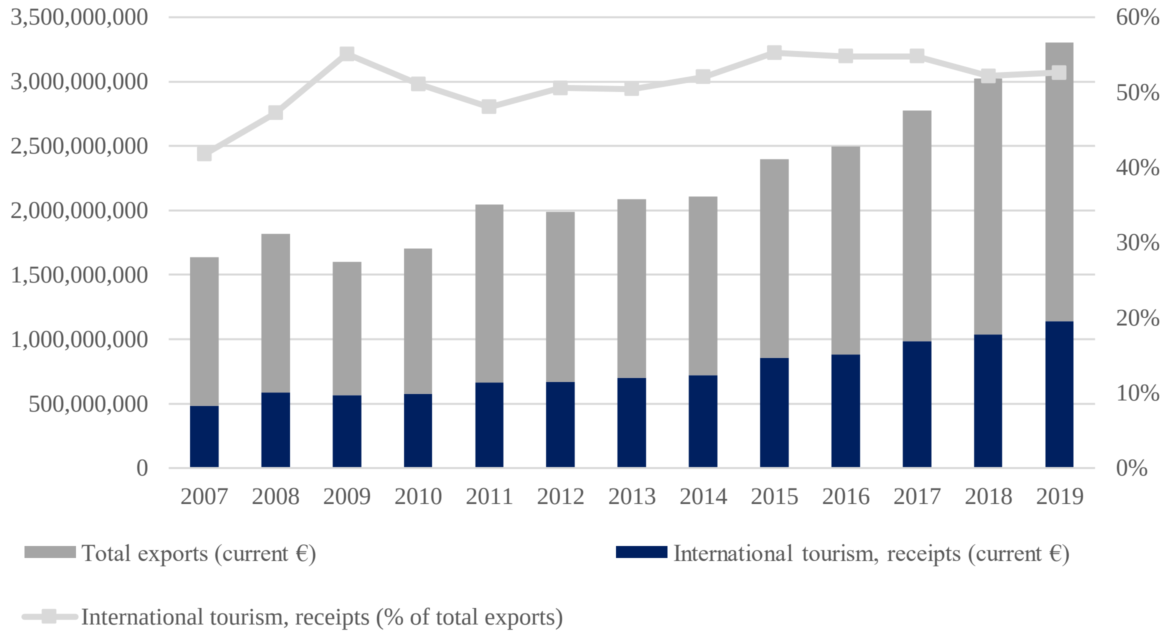
Source: WTTC (2021).

2.6 International tourism receipts and exports

Tourism is trade, tourism is export. As a key sector in many developing countries, tourism makes a significant contribution to increasing socioeconomic growth and foreign exchange earnings (International Trade Centre- UNWTO, n.d.). This section focuses on international tourism receipts as a share of total exports. International tourism receipts are important because they are the expenditures of international inbound visitors, including payments to national carriers for international transport. Their share in exports is calculated as a ratio to exports of goods and services, which include all transactions between residents of a country and the rest of the world that involve a change in ownership from residents to non-residents of general merchandise, goods sent for processing and repair, nonmonetary gold, and services earnings (World Bank, 2021b).

Figure 8 shows international tourism receipts and exports in Montenegro from 2007 to 2019. Since gaining independence, the share of international tourism receipts in total exports has been increasing from 41.7% to a peak in 2009, when it was 55.1%. Thereafter, this share declined and grew, reaching a level of 52.6% in 2019. By comparison, global international visitor spending amounted to $1.7 trillion in 2019, or 6.8% of total exports, 27.4% of global services exports (WTTC, 2021).

Figure 8: International tourism receipts and exports in Montenegro, 2007-2019 (left in euro, right as share of total exports, in percent)



Source: World Bank (2021b).

2.7 Discussion for RQ3

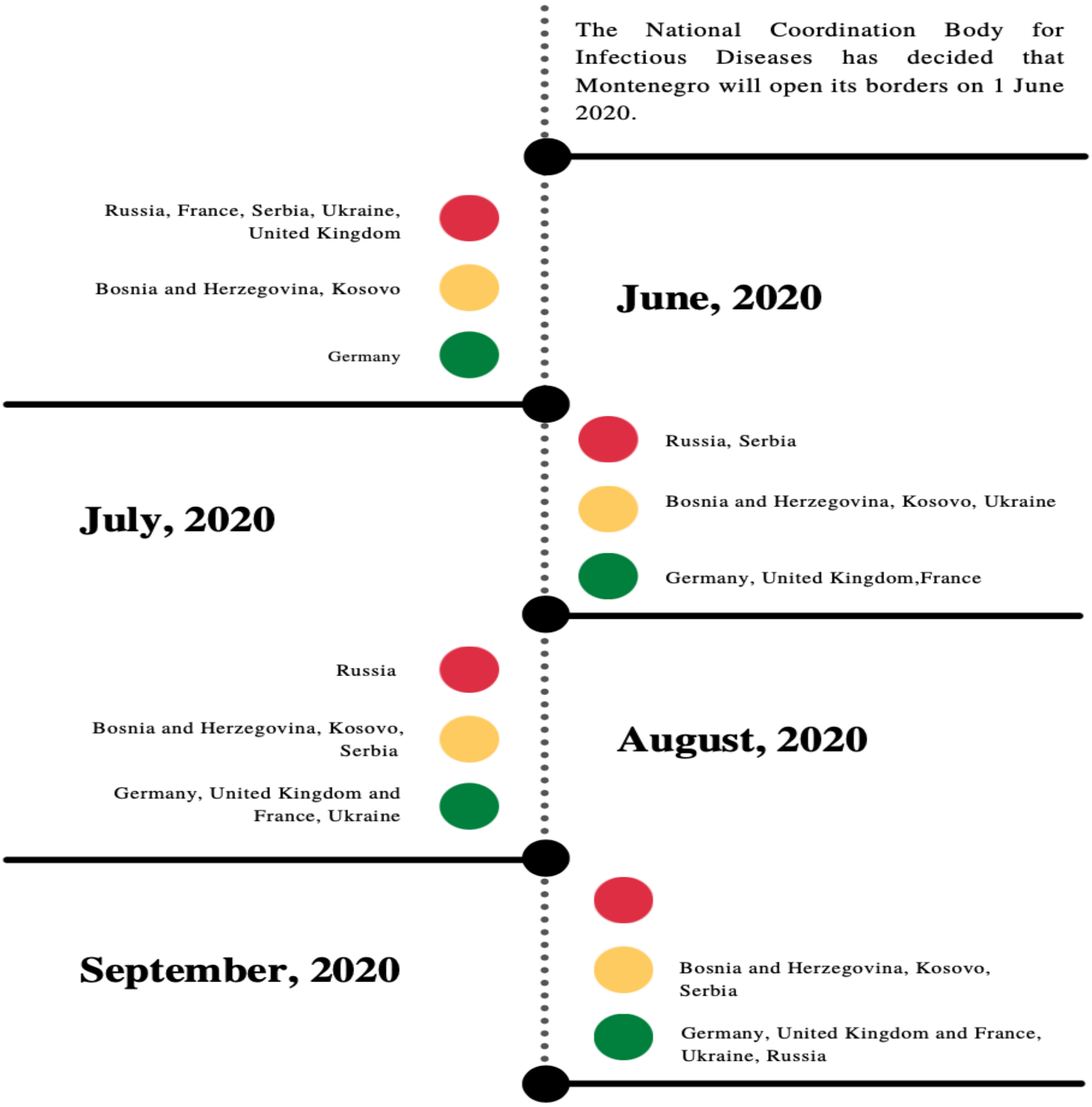
The research question focused on the contribution of tourism in Montenegro to employment, exports and GDP, and in comparison with other Mediterranean countries. With the growth of tourist numbers and the development of tourism in Montenegro, tourism has become the most important sector of the economy and in 2019 the total contribution of travel and tourism to GDP is 30.8%. No other country in the Mediterranean region is as dependent on tourism as Montenegro (i.e. Croatia is in second place with a total T&T contribution of 24.3%). This is also reflected in the contribution of the travel and tourism sector to total employment in Montenegro, which accounts for 31.9% of total employment. The share of international tourism receipts in total exports has increased since 2007, reaching 52.6% of total exports in 2019.

3 TOURISM IN MONTENEGRO DURING COVID-19

The first COVID-19 case occurred in Montenegro on March 17, 2020 (Vasiljevic, 2020). Like many other countries, Montenegro has introduced a traffic light system for entry, based on the epidemiological situation in the countries (Government of Montenegro, 2020).

Tourism in Montenegro heavily depends on international demand, since in 2019 96.3% of all realized overnight stays were realized by international tourists (Figure 1). Therefore the restrictions to enter the country could affect the international tourism demand. Figure 9 shows the entry requirements for countries that are important for tourism (i.e. Russia, Serbia, France, Ukraine, the United Kingdom, Bosnia, Kosovo, and Germany). The list was updated weekly by the National Agency for Infectious Diseases. The period from June to the end of September was deliberately chosen because Montenegro's borders were closed until June, and these 4 months recorded a total of 74.6% of all tourist arrivals in 2019.

Figure 9: Entry conditions for citizens of most important markets for tourism demand



Note: Red means that entry from that country is prohibited, yellow means that it is allowed with a test, while green means that entry is allowed without conditions. The list is updated weekly, so there may be inaccuracies on monthly basis. For example, in June, Bosnia was on the green list for part of the month, while the rest was on the yellow list. The figure was presented as if the country had been on the yellow list for the entire month.

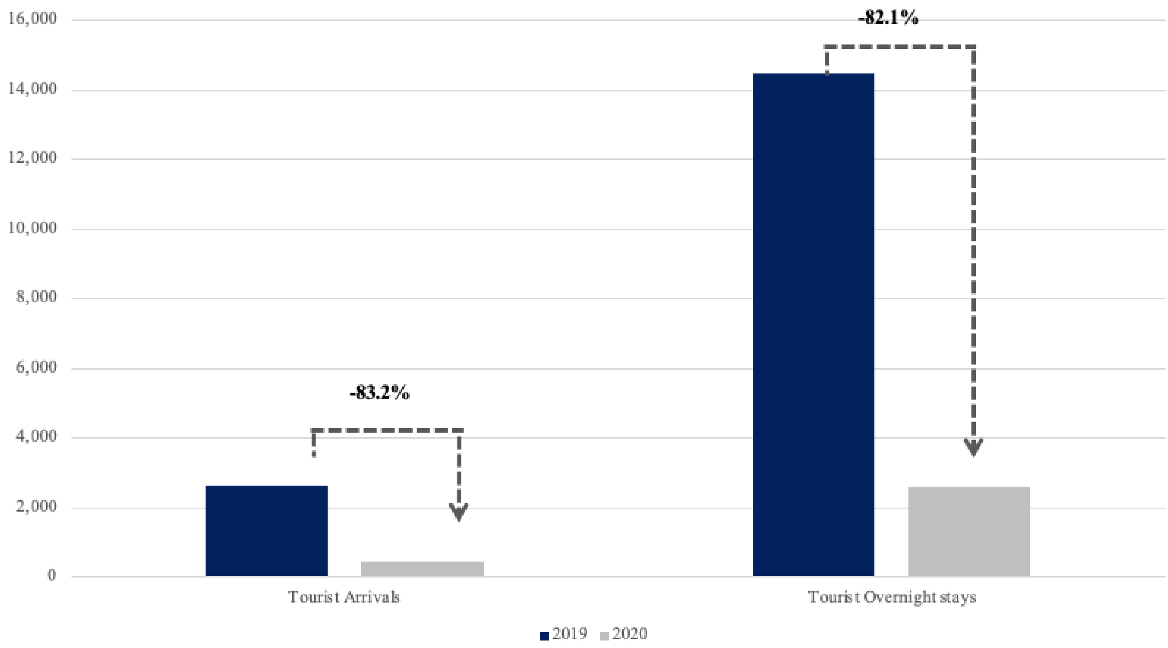
Adapted from CovidOdgovor (n.d.).

In June, Montenegro's borders were open only to German citizens without any requirements, while they were open to citizens of Bosnia and Herzegovina and Kosovo with a test requirement. This means that in June tourists from countries that participated in 2019 with 18.5% of the total number of overnight stays were able to enter. In July, the situation improved, and Montenegro allowed the entry of citizens of the next three countries, namely the United Kingdom, France and Ukraine. Thus, in the month of July, Montenegro was open to tourists from countries that had participated in the previous year with a total of 27.8% of total overnight stays. In August, Montenegro allowed tourists from Serbia to enter the country, while the borders were opened for Russian citizens only in September. It was not until September that Montenegro opened to all major markets, which accounted for 74.2% of total overnight stays in Montenegro in 2019. A very important note is that although Montenegro opened its borders to some countries, they did not respond with reciprocity or closed them soon, so the potential number of tourists who could visit Montenegro is even smaller. Already on July 16, 2020, the European Union removed Montenegro from the list of safe countries ("EU revises safe travel list", 2020). Moreover, tourists returning to the UK from Montenegro had to self-isolate for 14 days, so fewer and fewer tourists from the UK wanted to travel to Montenegro. This led low-cost airlines such as Easy Jet, which had brought many British tourists to Montenegro in recent years, to cancel flights (EX-YU Aviation News 2008-2022, 2020a). Apart from the fact that tourists from Russia could not come to Montenegro until September, they also had no direct flights, as the Russian airline Aeroflot also suspended all flights to Montenegro. So, tourists had to look for alternative routes with connecting flights via Turkey or Serbia, which meant higher travel prices, which, according to the law of supply and demand, led to lower demand from tourists for Montenegro as a destination (EX-YU Aviation News 2008-2022, 2020b).

3.1 Changes in demand from 2020 onwards

As a result of COVID-19 and the imposed entry conditions, the number of tourist arrivals in 2020 decreased by 83.2%, while the total number of overnight stays decreased by 82.1% compared to 2019, as shown in Figure 10. In comparison, Croatia recorded 7.0 million tourist arrivals and 40.8 million overnight stays in commercial accommodation establishments, i.e. 64.2% fewer arrivals and 55.3% fewer overnight stays than in 2019 (Croatian Bureau of Statistics, 2020a). The fact is that both countries have experienced a sharp decline, but it is very difficult to determine why Croatia has experienced a smaller decline. It can be argued that Montenegro has kept its borders closed to its main markets for a long time, so a sharp decline was to be expected. On the other hand, as a member of the European Union, Croatia has certainly benefited from the reopening of the Schengen internal borders, which was coordinated by EU institutions and member state governments (Schade, 2021).

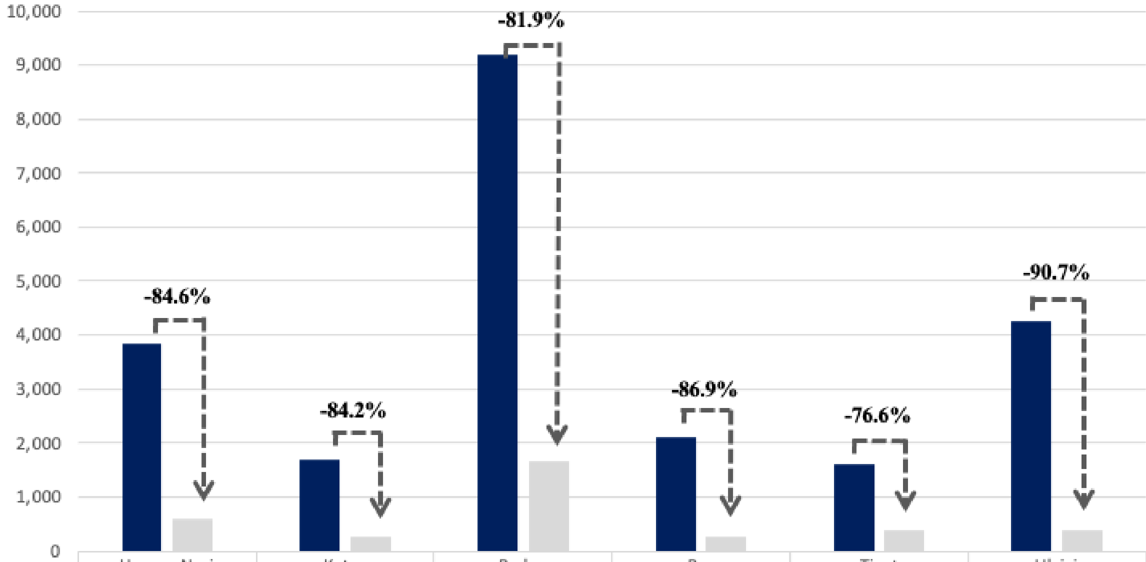
Figure 10: Tourist arrivals and overnight stays comparison, 2019 and 2020 (in thousands)



Source: MONSTAT (2021c).

Looking at tourist arrivals in the coastal region between these two years, as shown in Figure 11, the decline in tourist arrivals was highest in Ulcinj with 90.7%, which is 7.5% points higher than the percentage recorded at the state level. The lowest decrease was recorded in Tivat with 76.6%, which is 6.6% points less than the decrease recorded at the state level. Other coastal cities have achieved similar results to those at the state level, with the exception of Ulcinj, which, interestingly enough, recorded the greatest decrease, as it is located on the border with Albania and is the most frequent destination for tourists from Albania (i.e. Figure 12 shows that the smallest decrease in tourist arrivals came from Albania).

Figure 11: Tourist arrivals in the coastal region comparison, 2019 and 2020 (in hundreds)



	Herceg Novi	Kotor	Budva	Bar	Tivat	Ulcinj
2019	3,830	1,709	9,187	2,108	1,612	4,258
2020	591	270	1,664	279	377	396

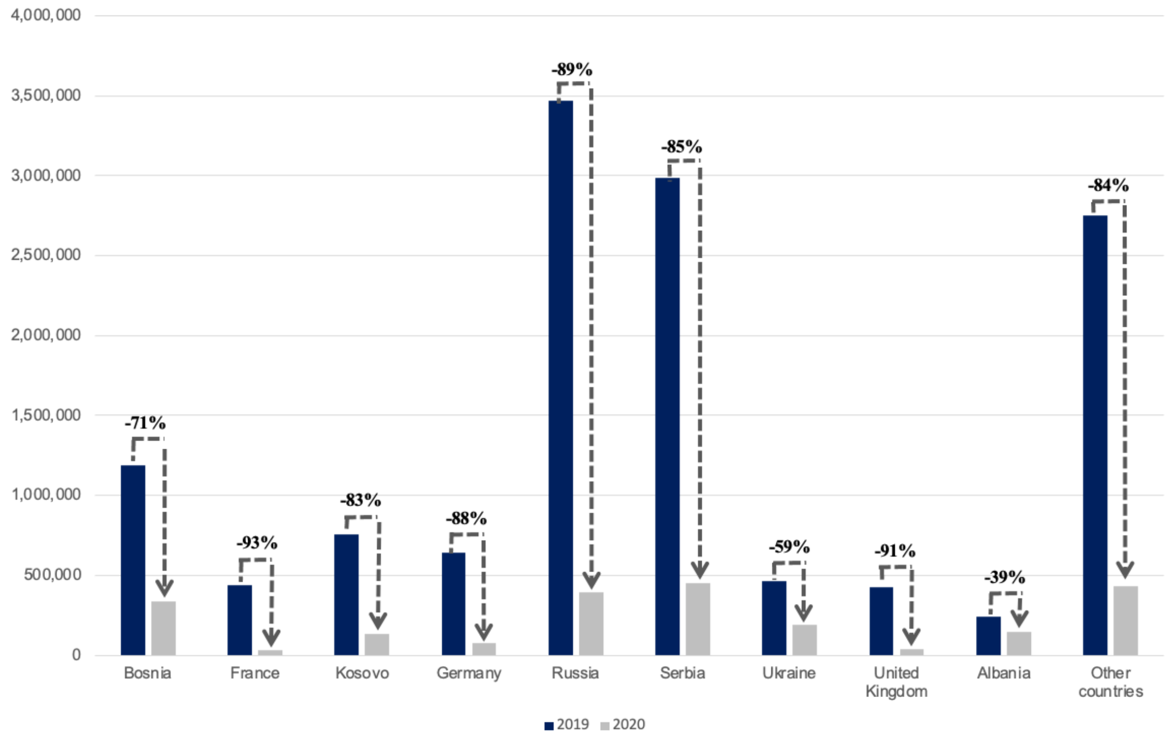
Source: MONSTAT (2021c).

3.2 Change in structure of foreign tourist by country of arrival

This section examines how the government's decision to introduce a traffic light system for entry into the country in 2020 (i.e. previously shown in Figure 9) affected the structure of guests by country of arrival.

First, tourist overnight stays by country of arrival in 2019 and 2020 are compared in Figure 12. The largest decrease was recorded by tourists from countries with which Montenegro's borders were open the longest (i.e. France (-93%), Germany (-88%), and the United Kingdom (-91%)). This sounds contradictory, but indicates that these countries kept Montenegro on the red list during these months, which made it more difficult for tourists from these areas to come. The smallest decrease was recorded by Albania (-39%) and Ukraine (-59%).

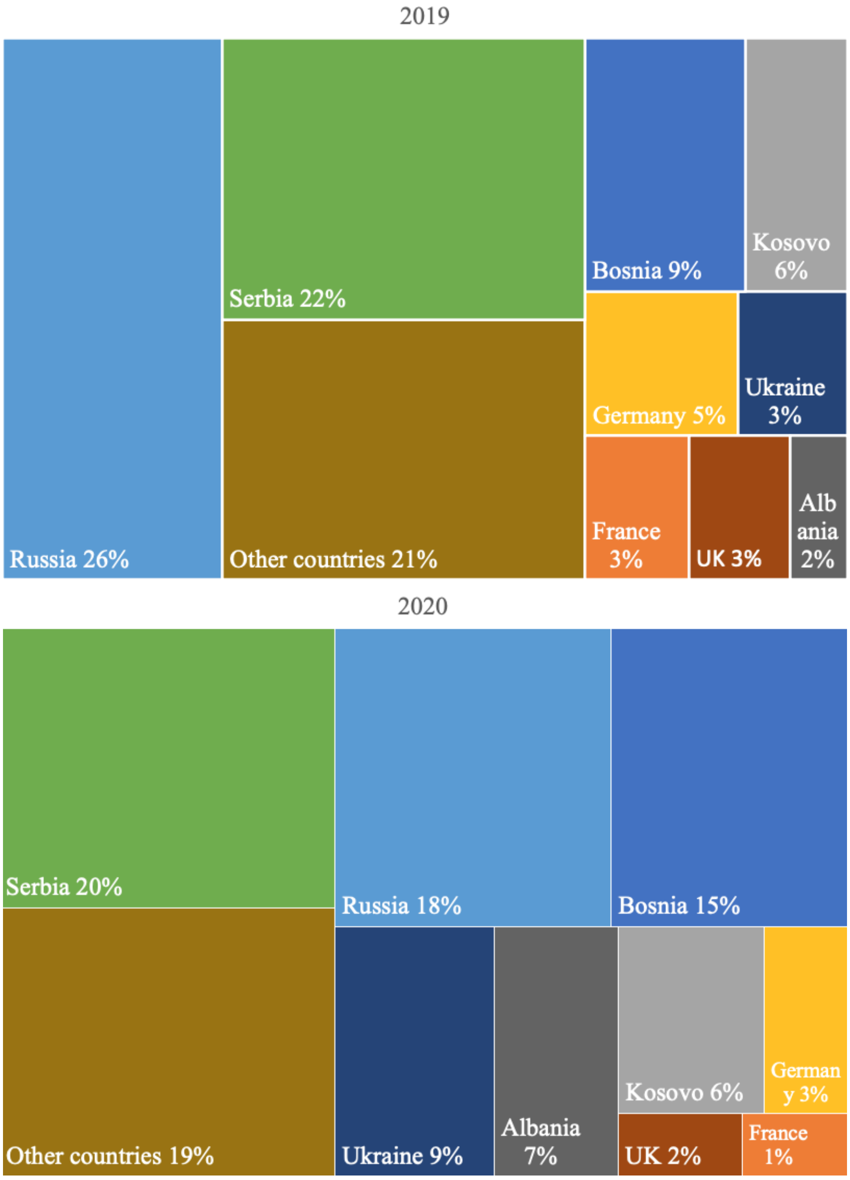
Figure 12: Tourist overnight stays by country of arrival in 2019 and 2020



Source: MONSTAT (2021c).

Next, tourist overnight stays by country of arrival in 2019 and 2020 as a percentage of the total number of overnight stays by foreign tourists are compared. As Figure 13 shows, the countries that have increased their share of the total number of overnight stays are Bosnia, Albania, and Ukraine. Other countries decreased their share, and interestingly, the share of tourists from Russia and Serbia decreased from 26% to 18% and from 22% to 20%, respectively, although Montenegro kept its borders closed with Russia and Serbia the longest. Overall, COVID-19 has contributed to change the share in the structure of overnight stays of foreign tourists by country of arrival.

Figure 13: Structure of foreign tourists overnight stays by country of arrival, comparison between 2019 and 2020

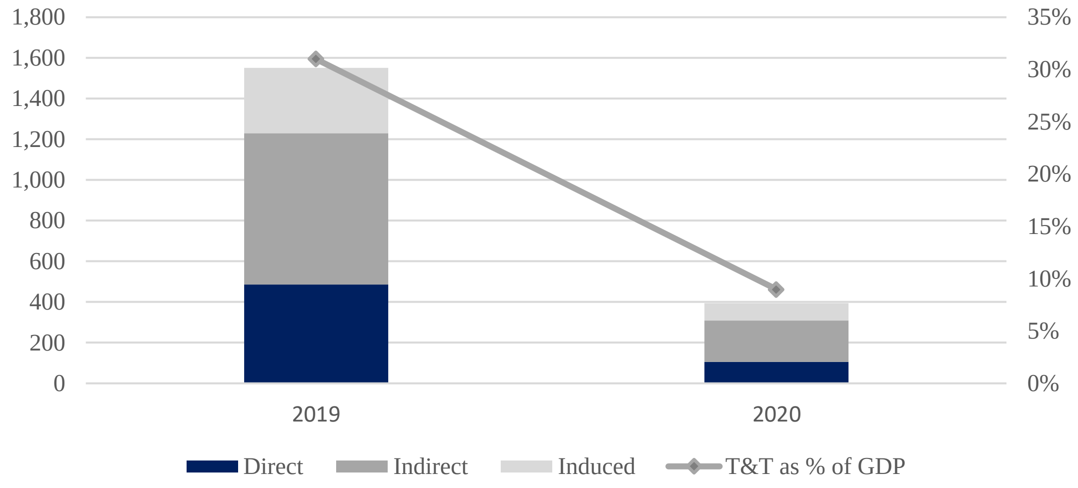


Source: MONSTAT (2021c).

3.3 Contribution of travel and tourism to GDP

The decline in tourist arrivals and overnight stays resulted in a 49.1% drop in the total contribution of T&T to GDP worldwide. In Montenegro, however, the impact was larger, as the decline in tourist arrivals caused a 75% drop from €1.54 billion or 30.9% of GDP in 2019 to €0.4 billion or 8.8% of GDP in 2020, as shown in Figure 14.

Figure 14: Total contribution of travel and tourism to GDP comparison in Montenegro, 2019 and 2020 (left in million, right as share of GDP in percent)

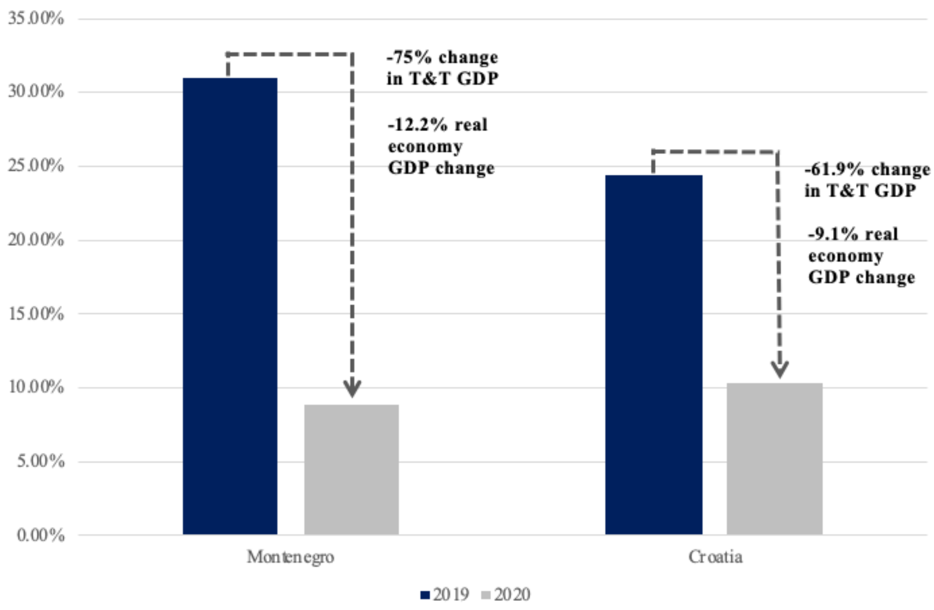


Note: All values are in constant 2020 prices & exchange rates

Source: (WTTC 2021).

Over the same period, Montenegro recorded a 12.2% decline in real GDP. In comparison, Croatia recorded a 61.9% decline in the total contribution of T&T to GDP and a 9.1% decline in real GDP as shown in Figure 15.

Figure 15: Travel and tourism contribution comparison between Montenegro and Croatia, 2019 and 2020, in percent

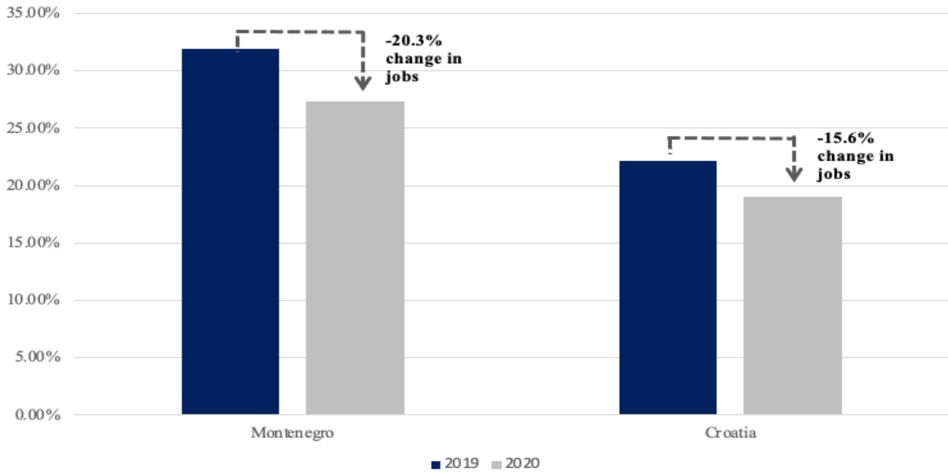


Source: (WTTC 2021).

3.4 Contribution of travel and tourism to employment

Compared to 2019, when the total contribution of T&T to employment was 31.9% of total employment, in Montenegro in 2020 it amounted to 27.3% of total employment. This corresponds to a -20.3% change in jobs. On the other hand, Croatia is less dependent on tourism in terms of the total contribution of T&T to employment. In 2019, it was 22.2%, while in 2020 it decreased to 19%. The resulting change in jobs in Croatia is -15.6% (Figure 16).

Figure 16: Travel and tourism contribution to employment in Montenegro and Croatia, in percent

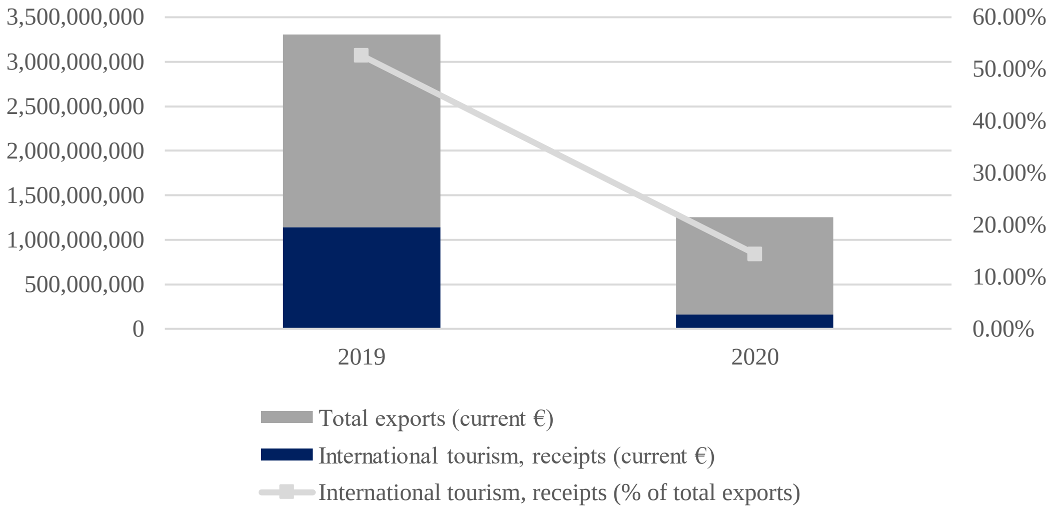


Source: (WTTC 2021).

3.5 International tourism receipts and exports

The decline in tourist arrivals and overnight stays resulted in an 86.1% decrease in international tourism receipts. International tourism receipts decrease from over €1.1 billion in 2019 to just over €157 million in 2020. The share of international tourism receipts in total exports was 52.6% in 2019 and decreased to 14.4% in 2020.

Figure 17: International tourism receipts and exports in Montenegro, 2019-2020 (left in euro, right as share of total exports in percent)



Source: World Bank (2021b).

3.6 Discussion for RQ4

The research question was how COVID-19 affected tourism in Montenegro. In order to limit the spread of COVID-19 and protect the population, the government introduced a traffic light system for entry into Montenegro. Unfortunately, Montenegro was closed for the longest time to the countries that traditionally had the highest proportion of overnight stays (i.e. Russia and Serbia) because the epidemiological conditions in these countries were not satisfactory. Some of the countries to which Montenegro had opened its borders kept the borders closed or required quarantine upon entry, which prevented their citizens from traveling to Montenegro. This led to a change in the structure of overnight tourists by country of arrival. Montenegro could not rely on domestic tourists to save tourism, as these travellers represent an insignificant percentage of the total number of tourists. As a result, Montenegro experienced a sharp decline in tourist arrivals and overnight stays. This resulted in a 75% decrease in the total contribution of T&T to GDP and the total contribution of T&T to employment decreased by 20.3%. International tourism receipts decrease from over €1.1 billion in 2019 to just over €157 million in 2020. As a result, Montenegro recorded a 12.2% decline in real GDP. In comparison, Croatia recorded a 61.9% decline in the total contribution of T&T to GDP and a 9.1% decline in real GDP.

3.7 Revenue decline comparison by categorization of accommodation establishments

In the master thesis I already presented the categorization of hotels according to the number of stars (Chapter 2.1), and in the following I would like to answer the research question whether certain hotel categories were more resistant to a pandemic. To do this, I had to select hotels from each category and compare their operating revenues in 2020 to those in 2019. Since I could not collect data for the entire population for various reasons (e.g. the hotel operates within a group and it is not possible to obtain financial results for individual hotels within a group, or the hotel belongs to a company that has other activities besides hotel operations, such as construction, etc.), I selected a sample of 49 hotels based on the number of beds (in descending order). If it was not possible to collect data, I would take the next largest. Thus, the sample of 1-star hotels represents 57% of the total number of beds in that category, 2-star hotels represent 41% of all beds, 3-star hotels represent 30% of all beds, 4-star hotels represent 41%, and 5-star hotels represent 60% of all beds.

The next step was to obtain a financial report for 2020 and 2019 from the Revenue and Customs Administration of Montenegro and calculate the percentage change in operating revenues between these two years. The 4-star hotels recorded the largest decrease in revenue, 85%, while the decrease in 2-star and 3-star hotels was 81%. The 1-star hotels fared slightly better with a 74% decrease in revenue, while the 5-star hotels experienced the smallest decline with a 63% decrease compared to 2019, as shown in Table 5. Some hotels have temporarily closed in 2020, as the sample shows that they have a decrease in operating revenue of or close to 100%, and there are such hotels in all categories except the 5-star category.

Table 5:Operating revenue for selected hotels in 2019 and 2020

Hotel category	Number of beds	Revenue in 2019	Revenue in 2020	Change in percentage
1-star hotels (n=57% of all beds)				
Hotel "Galapagos", Ulcinj	72	8,234 €	2,325 €	-72
Hotel "Talas", Bar	70	11,570 €	5,785 €	-50
Mini-Hotel "Tri Bora", Podgorica	10	50,884 €	41,281 €	-19
Pansion "Despotovic", Bar	58	87,260 €	0 €	-100
Pansion "Vasilisa", Bar	51	238,701 €	6,956 €	-97
Hotel "Agroseme", Herceg Novi	45	26,490 €	0 €	-100
Total: 1-star hotels	**187**			**-74**
2-star hotels (n=41% of all beds)				
Hotel "Trend Korali", Bar	736	1,264,734 €	47,530 €	-96
Hotel "Lighthouse", H. Novi	357	1,815,910 €	745,303 €	-59
Hotel "Onogost", Niksic	135	1,652,619 €	1,077,913 €	-35
Hotel "Sumadija", Budva	216	524,069 €	1,826 €	-100
Hotel "Becici", Budva	295	1,031,767 €	5,217 €	-99
Hotel "Vojvodina", Herceg Novi	340	283,873 €	36,029 €	-87

(table continues)

Table 5: Operating revenue for selected hotels in 2019 and 2020 (continued).

Hotel category	Number of beds	Revenue in 2019	Revenue in 2020	Change in percentage
Hotel "Albatros", Ulcinj	322	612,589 €	54,573 €	-91
Hotel "Ada Bojana", Ulcinj	592	1,452,761 €	241,242 €	-83
Total: 2-star hotels	**2,993**			**-81**
3-star hotels (n=30% of all beds)				
Hotel "Galia", Kotor	20	82,115 €	17,900 €	-78
Hotel "Park", Budva	706	1,272,979 €	157,008 €	-88
Hotel "Poseidon", Budva	228	983,094 €	270,421 €	-72
Hotel "Kruna", Budva	16	26,877 €	1,068 €	-96
Hotel "Mogren", Budva	100	419,928 €	19 €	-100
Hotel "Slovenska Plaza", Budva	1,985	10,075,493 €	490,220 €	-95
Hotel "Podostrog", Budva	140	387,501 €	90,735 €	-77
Hotel "Sidro", Bar	181	426,946 €	120,221 €	-72
Hotel "Novi", Herceg Novi	60	234,661 €	117,561 €	-50
Total: 3-star hotels	**3,436**			**-81**
4-star hotels (n=41% of all beds)				
Hotel "Karisma", Ulcinj	1,190	7,420,235 €	533,154 €	-93
Hotel "Iberostar", Budva	1,227	14,233,921 €	2,494,696 €	-82
Hotel "Carine", Herceg Novi	1,362	8,391,705 €	672,333 €	-92
Hotel "Primorje", Tivat	229	2,742,721 €	499,988 €	-82
Hotel "Mediteran", Budva	520	5,360,937 €	1,717,708 €	-68
Hotel "Falkensteiner", Budva	482	4,069,182 €	617,722 €	-85
Hotel "Vile Oliva", Budva	546	4,270,590 €	585,829 €	-86
Hotel "Tara", Budva	672	4,247,557 €	54,856 €	-99
Hotel "Sun Resort", Herceg Novi	457	2,423,473 €	51,925 €	-98
Hotel "Otrant", Ulcinj	626	3,550,613 €	705,624 €	-80
Hotel "Palas", Budva	342	2,704,471 €	968,455 €	-64
Hotel "Aleksandar", Budva	454	2,502,291 €	166,679 €	-93
Hotel "Castellastva", Budva	370	1,660,963 €	19,277 €	-99
Hotel "Central-Ville", Podgorica	246	3,383,143 €	968,130 €	-71
Total: 4-star hotels	**8,723**		**-85**	
5-star hotels (n=60% of all beds)				
Hotel "Regent", Tivat	68	7,462,374 €	3,307,550 €	-56
Hotel "Hilton", Podgorica	360	6,401,501 €	2,606,333 €	-59
Hotel "Lazure", Herceg Novi	54	1,530,313 €	556,535 €	-64
Hotel "Hemera", Podgorica	30	974,461 €	335,448 €	-66

(table continues)

Table 5: Operating revenue for selected hotels in 2019 and 2020 (continued).

Hotel category	Number of beds	Revenue in 2019	Revenue in 2020	Change in percentage
Hotel "Voco", Podgorica	174	1,497,461 €	544,448 €	-64
Hotel "Aman Sv. Stefan", Budva	118	13,398,003 €	3,192,081 €	-76
Hotel "Maestral", Budva	398	20,074,793 €	7,359,702 €	-63
Hotel "AMI", Budva	228	1,851,867 €	226,748 €	-88
Hotel "Ananti", Budva	94	219,459 €	67,515 €	-69
Hotel "Infinity By Dukley", Budva	30	4,757,245 €	2,332,908 €	-51
Hotel "Slavija", Budva	286	3,828,557 €	2,549,358 €	-33
Hotel "Avala", Budva	809	12,059,404 €	3,767,356 €	-69
Total: 5-star hotels	**2,649**			**-63**

Adapted from Revenue and Customs Administration of Montenegro (2021).

To determine if there was a statistically significant difference between the corresponding sample means, I performed a one-way ANOVA ("analysis of variance"). The results are shown in Appendix 2. The null hypothesis (i.e. all sample means are the same) is rejected because at least one population mean differs from the others $F(4,41)=3.46$, p-value=0.016.

To find out exactly which groups differ from each other, I performed a Tukey-Kramer test comparing the means between each pairwise combination of groups. Based on the results of the Tukey-Kramer post hoc test, shown in Table 6, I found the following:

Table 6: Tukey-Kramer test results

Group 1	Group 2	Difference	n_1	n_2	SE	Studentized range	Critical value at 0.05= 4.04)
1-star	2-star	0.084	6	8	0.070	1.201	Support Null Hypothesis
1-star	3-star	0.079	6	9	0.068	1.158	Support Null Hypothesis
1-star	4-star	0.122	6	14	0.063	1.933	Support Null Hypothesis
1-star	5-star	0.098	6	12	0.065	1.516	Support Null Hypothesis
2-star	3-star	0.005	8	9	0.063	0.078	Support Null Hypothesis
2-star	4-star	0.038	8	14	0.057	0.664	Support Null Hypothesis
2-star	5-star	0.182	8	12	0.059	3.082	Support Null Hypothesis
3-star	4-star	0.043	9	14	0.055	0.778	Support Null Hypothesis
3-star	5-star	0.178	9	12	0.057	3.104	Support Null Hypothesis
4-star	5-star	0.221	14	12	0.051	4.324	**Reject Null Hypothesis**

Source: Own work

Of all groups, the only difference in means between 4-star hotels and 5-star hotels is statistically significant (alpha level of .05). I also ran tests with an alpha level of .1 and .01, but the results remained the same. Therefore, I can conclude that there was a significant difference in financial performance between 4-star and 5-star hotels due to COVID-19 in 2020 and that 5-star hotels performed better.

3.8 Discussion for RQ5

The research question was related to whether certain hotel categories are more resilient to a COVID -19 pandemic. Looking at the percentage change in operating revenue between 2019 and 2020, I find that all hotels experienced a huge decrease in operating revenue. However, the one-way ANOVA test I performed showed that at least one mean of the population is different from the others $F(4.41) = 3.46$, p-value = 0.016. I then performed a Tukey-Kramer test to determine exactly which pair was different between the groups. As a result, I found that there is a significant difference in financial performance between 4-star and 5-star hotels due to COVID -19 in 2020 and that 5-star hotels performed better.

4 SUPPORT DURING COVID-19

The Government of Montenegro has adopted measures to support the economy, within which measures to support the tourism industry have been defined and implemented to enable the sustainability of the sector, especially the most endangered activities, and the tourism and travel sector proved to be one of the most affected by the crisis.

4.1 Government support

The following is an overview of measures taken by the Government of Montenegro to mitigate the impact of COVID-19.

- **Measure to support the economy through wage subsidies** - the measure was implemented from April 2020 to June 2021, and entities in the tourism and hospitality sector were paid € 45.5 million for this purpose.
- **Subsidizing interest rates during the grace period in the reprogramming of existing special-purpose loans for tourism and hospitality** - the measures were implemented until May 2021. Out of a total of 180 applications from companies and entrepreneurs whose main activity is tourism and hospitality, 136 applications were approved. An amount of € 7,000,000 was allocated for this measure, and € 6,735,372 were disbursed according to the approved applications.
- **Application of a reduced VAT rate of 7% on the preparation and serving of food and beverages, excluding excisable goods and coffee** - The measure was in effect from September 1, 2020 to August 31, 2021. The fiscal impact of the measure is € 5 million in 2020 and € 11 million in 2021.
- **Support for users of marine resources** (i.e. users that lease marine resources such as beaches from state owned company “Morsko Dobro”) - the measure includes a reduction

in the annual fee for the use of marine resources with a fiscal impact of € 3.5 million in 2020.

- **Subsidization of travel agencies and tour operators** - the procedure was carried out through a public tender in February 2021. The total 71 applications were received, and on this basis, funds for 59 travel agencies were disbursed in the amount of € 150,000.
- **Distribution of travel vouchers to health, social and educational workers** - support for private accommodation - the procedure was carried out through a public tender in February 2021, and 439 issuers of registered private accommodation met the conditions to be on the platform through which reservations for accommodation are made. The estimated number of users of one-time vouchers of € 200 is about 26,000, and the measure was limited until December 31, 2021. The budget for the implementation of the measure is € 5,500,000 and by November 10, 2021, € 1,428,886 had been disbursed on this basis.
- **Granting of one-time financial support for tourist guides** - the procedure was carried out in May 2021 through a public tender, to which 128 tourist guides applied. After checking the fulfilment of the conditions, funds were granted to 123 tourist guides and support was paid in the amount of € 36,900 or € 300 for each tourist guide.
- **Distribution of travel vouchers in the amount of 50 euros to all citizens over 50 years of age who were vaccinated with the first dose of the vaccine in July 2021** - all citizens over 50 years of age who were vaccinated with the first dose of the vaccine in July 2021 are entitled to a voucher in the amount of 50 euros, i.e. on the basis of 2 nights with half board in the hotels Hotel group "Ulcinjska rivijera", Hotel Group "Budvanska rivijera" and the "Dr. Simo Milošević" Institute. Out of the total 12,800 vaccinated citizens aged 50 and older, about 2,730 citizens have applied to use the vouchers. The measure was in force until the end of 2021 (Ministry of Economic Development, 2021).

4.2 Central Bank support

The quick and proactive action of the Central Bank was aimed at maintaining solvency, i.e. liquidity of borrowers - citizens, legal entities and entrepreneurs - in the short term, by taking measures for continuous monitoring of the epidemiological situation and its impact on the Montenegrin economy and financial system. In the long term, the goal is to maintain the stability of the financial system. The measures were profiled within five sets ending in October 2020 and in direct communication with the Government of Montenegro and banks (Centralna banka Crne Gore, 2021).

The first set of temporary measures adopted by the Central Bank on 17.03.2020 is based on the decision on temporary measures to mitigate the negative effects of the new coronavirus on the financial system. The measures give all users of loans approved by banks the right to a moratorium on repayment for up to 90 days. The moratorium means the temporary suspension of all payments of obligations on the basis of loans (principal, interest, default interest, fees, etc) The right to a moratorium may be exercised until 21.05.2020. The decision allows borrowers whose financial situation has deteriorated or will deteriorate in the near future due to the COVID-19 to agree with the bank on a restructuring of the loan if they consider that such a solution is more acceptable to them.

Of the total amount of active loans, which amounted to € 2.8 billion in the banking sector, the moratorium affected an amount of € 1.3 billion, or 47.2% of total loans. Loans to legal entities and entrepreneurs in moratorium, in the amount of € 557.5 million, represent 38.6% of the total loans of these users as of 31.05.2020. Observed by sector of operations, in the structure the loans to legal entities and entrepreneurs performing the activity of wholesale and retail trade, repair of motor vehicles and motorcycles take part with as much as 26% and the amount of € 145.0 million. They are followed by accommodation and food services with 17.5% and the amount of € 97.3 million (Centralna banka Crne Gore, 2021).

The second set of temporary central bank measures was adopted on 31.03.2020. Two new measures were introduced to encourage and maintain the stability of the banking system by strengthening bank solvency and supporting the real sector. The first measure temporarily prohibits the payment of dividends to bank shareholders. Other measures were introduced, such as reducing the fees that banks must pay to the central bank for using the prescribed amount of required reserves that they do not repay on the same day. The reserve requirement ratio was also reduced by two percentage points.

The second set of temporary measures taken by the central bank had a strong positive impact on the solvency and liquidity position of banks. The measure of temporary prohibition of dividend payments to shareholders, except in the form of shares, partially increased the capitalization of the banking system. The measure of reducing the reserve ratio by two percentage points had an impact on the current increase in banks' liquid assets by about € 70 million, which increased the banks' available lending potential for new loans and enabled access to liquid assets (Centralna banka Crne Gore, 2021).

The third set of temporary measures of the Central Bank was adopted on 19.05.2020. Unlike the first moratorium, which was binding on banks, these measures give banks the option of approving a new moratorium on repayment of loans of up to 90 days that are adversely affected by COVID-19, provided that as of 31.12.2019, they were not more than 90 days delinquent in repaying the loan, whose loan was not classified as non-performing and that the loan for which a moratorium is being requested was not restructured in 2020.

According to the data of the Central Bank's Credit Register as of 30.06.2020, out of the total debt, which amounted to € 2.8 billion in the banking sector, the new moratorium includes an amount of approximately € 260 million, or 9.22% of total loans. Loans to legal entities and entrepreneurs in the moratorium II in the amount of € 115.9 million represent 8% of total loans to these users as of 30.06.2020. Observed by sector of operations, loans to legal entities and entrepreneurs providing accommodation and catering services dominate with 38.1% and an amount of € 44.1 million (Centralna banka Crne Gore, 2021).

The fourth set of temporary measures of the Central Bank was adopted on 30.07.2020. The measures complement the third set of measures adopted by the Government of Montenegro and focus on sectors that have been severely affected by the crisis caused by the pandemic and are important for economic development. Banks are obliged to grant a moratorium to borrowers (individuals, legal entities and entrepreneurs) from the tourism sector (for "accommodation and food services" and for "tourist season preparation"), as well as from the agriculture, forestry and fisheries sectors. The right to moratorium can be exercised during the period from 01.09.2020 to 31.08.2021, and only by borrowers who meet the prescribed conditions: They were not in delinquent in repaying the loan for more than 90 days on 31.12.2019 and their loan was not categorised as non-performing assets on that date.

According to the data from the credit register of the Central Bank on 31.10.2020. The total amount of debt on active loans, which amounted to 2.9 billion. In the banking sector, the moratorium (II and III) covered the amount of € 69.9 million, or 2.4% of total loans. In the structure of loans in moratorium (II and III) by beneficiaries, € 54.1 million or 77.3% were related to legal entities, € 15.26 million or 21.8% to individuals and € 0.58 million or 0.8% to entrepreneurs. Loans to legal entities and entrepreneurs in moratorium, amounting to € 54.6 million, represent 3.5% of total loans to these users as of 31.10.2020. Observed by sector of operations, the dominant share belongs to loans to legal entities and entrepreneurs providing accommodation and food services with 81,98% and an amount of € 44.8 million (Centralna banka Crne Gore, 2021).

The fifth set of temporary measures of the Central Bank was adopted on 22.10.2020. The measures are aimed at easing the financial situation of certain categories of people who have been severely affected by the COVID-19 pandemic or will be affected in the near future. Banks are required to approve a moratorium for a period of six months to individuals who are terminated from employment on or after 31.03.2020, due to the COVID-19 epidemic, provided that they were not in delinquent in repaying the loan for more than 90 days on 31.12.2019 and their loan was not categorised as non-performing assets on that date. Banks are also required to prolong loan repayment at the request of individuals whose salaries have been reduced by at least 10% due to the impact of the pandemic on their employer's business.

According to the data from the credit register of the Central Bank on 30.11.2020 from the total amount of debt on active loans of 2.98 billion in the banking sector, the moratorium covered the amount of € 61.4 million or 2.1% of total loans. Loans to legal entities and entrepreneurs in moratorium, in the amount of € 47.4 million, represent 3% of total loans to these users as of 30.11.2020. Observed by sector of operations, loans to legal entities and entrepreneurs providing accommodation and food services have a dominant share in their structure with 90% and an amount of € 42.7 million (Centralna banka Crne Gore, 2021).

4.3 Discussion for RQ6

The research question was what measures have been taken by the Montenegrin government and the Central Bank to overcome the consequences of COVID-19 in tourism. In the first part, I described the fiscal incentives that the government provided to the tourism and travel sector, which totaled €77.23 million. A large portion of this went to wage subsidies to save jobs in this sector that were affected by temporary business closures due to COVID-19 measures (e.g. restaurants and bars). Eventually, these businesses were allowed to reopen, but with reduced hours. Another important support for these businesses was a reduced VAT rate of 7% for food and beverages. In addition to tax incentives and wage subsidies for restaurants and bars, the government also supported businesses that lease marine resources (e.g. beaches, ports, etc.), travel agencies, tour operators, and tour guides. The government also provided travel vouchers for health, social, and education workers, both rewarding those on the front lines of the fight against COVID-19 and supporting those who rent private accommodations. To incentivize the elderly population to get vaccinated, the government also provided travel vouchers for this category, but only 21% of those eligible took up their vouchers. In the second part, I described the actions of the central bank, which were also very quick and proactive, as were those of the government. The measures are divided into five sets and were implemented between March and October 2020. The first set of measures gave the right to a moratorium on loan repayments for up to 90 days. The measures included restructuring and reclassification of loans on favourable terms. The second set of measures was aimed at maintaining the stability of the banking sector. These measures prohibited the payment of dividends (except in the form of shares), reduced the fee for using the required amount of required reserves that are not returned on the same day, and reduced the required reserve ratio by two percentage points. The third set of measures was similar to the first, except that it was non-binding and affected customers who suffered the negative effects of the pandemic and met certain prescribed conditions. The fourth set of measures also included a moratorium, but this time for beneficiaries in the tourism and agriculture, forestry and fisheries sectors, the industries most affected by COVID-19. The fifth set of measures provided a moratorium for individuals whose employment was terminated for six months due to the COVID -19 epidemic, as well as loan restructuring if their income decreased by at least 10% due to the impact of the pandemic on their employers.

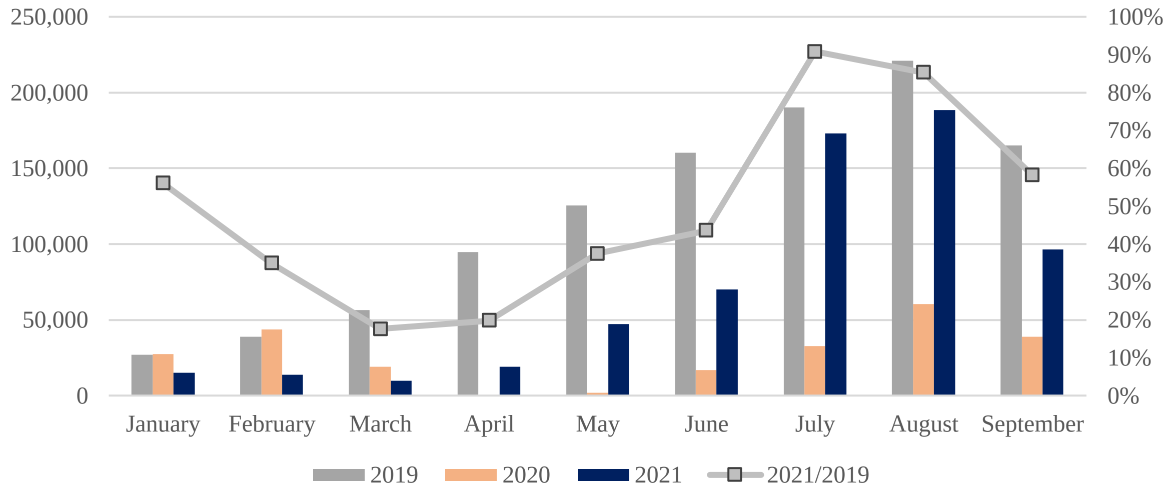
5 TOURISM RECOVERY IN 2021

Due to favourable epidemiological trends, the first major relaxation of the measure took effect on May 28, 2021. This meant that citizens from neighbouring countries Serbia, Croatia, Bosnia and Herzegovina, Albania, Kosovo and Northern Macedonia, as well as Russia, Ukraine and Belarus could enter Montenegro without any conditions. Other citizens may enter the country if they meet one of the following conditions: vaccinated, recovered, or tested.

5.1 Changes in demand from 2021 onwards

The measures described above had a positive impact on the number of tourist arrivals in Montenegro in the first 9 months of 2021, as shown in Figure 18. The period of the first 9 months was chosen due to data availability, i.e. at the time of writing this master thesis, the data for the first 9 months of 2021 were available. The number of tourist arrivals in the first 9 months of 2021 was 631,970, while this number was 240,292 in 2020. The number of tourist arrivals in 2020 was higher in January, February, and March than in 2021, and in all other months the number of tourist arrivals in 2021 was higher. Comparing 2021 with 2019, I find that the number of tourist arrivals in the first 9 months of 2021 was 58.6% of the level of 2019, when the number of tourist arrivals was 1,079,186. A comparison of monthly figures also shows that the number of tourist arrivals in 2021 did not reach the 2019 level in any month. The months that came closest to the 2019 level were July, with 90.9%, and August, when the number of arrivals reached 85.3% of the level of the same month in 2019.

Figure 18: Tourist arrivals in Montenegro in 2019, 2020 and 2021 (left number of arrivals, right arrivals in 2021 as share of arrivals in 2019, in percent)



Source: MONSTAT (2021c).

Table 7 shows tourist arrivals and overnight stays by city/region in 2021. Comparing 2021 with 2019, I find that in 2019 86% of all arrivals and 95% of all overnight stays were realized on the coast, while in the first 9 months of 2021 this percentage was 81% and 91%, respectively. The number of tourist arrivals in the central region is 12% of all arrivals and 5.9% of all overnight stays in 2021, compared to 9% and 2.9% previously. A higher percentage also refers to the northern region, which previously accounted for 5% of all arrivals and 2.2% of all overnight stays, this percentage increased to 7% and 3.6%, respectively. I cannot draw a conclusion, but one of the reasons for these changes could be the fact that the data for 2021 refer to the first 9 months and that a large number of tourist arrivals in the coastal region are realized in October. However, if these percentages remain at this level, even if the remaining 3 months are included, this could be taken as a positive indicator of a slight decrease in the regional imbalance.

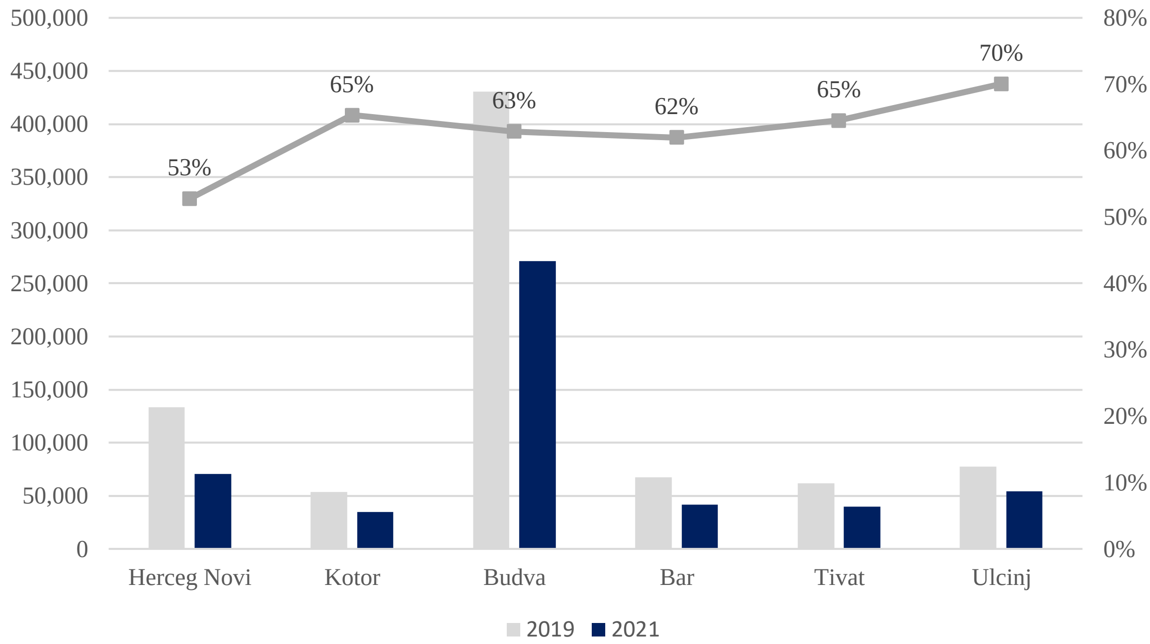
Table 7: Tourist arrivals and overnight stays by region in 2021, in hundreds and percent

	Tourist arrivals				Overnight stays			
	Foreign tourists	**Domestic tourists**	**Total**	**Share (in %)**	**Foreign tourists**	**Domestic tourists**	**Total**	**Share (in %)**
Coastal region								
Herceg Novi	600	105	705	11	3,348	900	4,249	16
Kotor	329	20	349	6	933	57	990	4
Budva	2,452	257	2,709	43	12,106	874	12,980	49
Bar	371	48	419	7	1,946	175	2.121	8
Tivat	365	35	400	6	1,386	112	1.499	6
Ulcinj	496	45	541	9	2,130	197	2.327	9
Total: Coastal region	**4,614**	**510**	**5,124**	**81**	**21,849**	**2,316**	**24,165**	**90.6**
Central region								
Podgorica	578	85	663	11	1,141	202	1,343	5
Nikšić	36	9	46	1	66	24	90	0
Tuzi	0	0	0	0	0	0	0	0
Danilovgrad	8	1	9	0	17	3	20	0
Cetinje	23	14	38	1	49	73	121	0
Total: Central region	**646**	**109**	**755**	**12**	**1,273**	**302**	**1,575**	**5.8**
Northern region								
Plužine	0	0	0	0	0	0	0	0
Šavnik	0	0	0	0	0	0	0	0
Žabljak	91	54	145	2	166	159	325	1
Pljevlja	9	11	20	0	21	19	40	0
Bijelo Polje	21	7	28	0	34	13	47	0
Berane	14	14	28	0	24	20	43	0
Andrijevica	0	0	0	0	0	0	0	0
Plav	0	0	0	0	0	0	0	0
Rožaje	1	1	2	0	18	4	22	0
Gusinje	0	0	0	0	0	0	0	0
Petnjica	0	0	0	0	0	0	0	0
Mojkovac	7	1	8	0	15	3	18	0
Kolašin	123	72	195	3	256	196	452	2
Total: Northern region	**265**	**160**	**425**	**7**	**534**	**414**	**947**	**3.6**
Total:	**5,525**	**779**	**6,304**	**100**	**23,656**	**3,031**	**26,687**	**100**

Source: MONSTAT (2021c).

Figure 19 shows tourist arrivals in coastal cities between 2019 and 2021. The recovery in tourist arrivals is not equally strong in all coastal cities. The recovery was the weakest in Herceg Novi, where tourist arrivals in the first 9 months of 2021 reached 53% of the 2019 level. The cities of Kotor, Budva, Bar and Tivat achieved the same recovery, and the number of tourist arrivals is between 62% and 65% of the 2019 level. The best recovery of tourism was achieved in Ulcinj and is 70% of the 2019 level. It is interesting to note that Ulcinj experienced the strongest decline in tourist arrivals in 2020 and the best recovery in 2021, in addition to the fact that Figure 22 shows the continued decline of tourists from Albania, who spend most of their summer in this city.

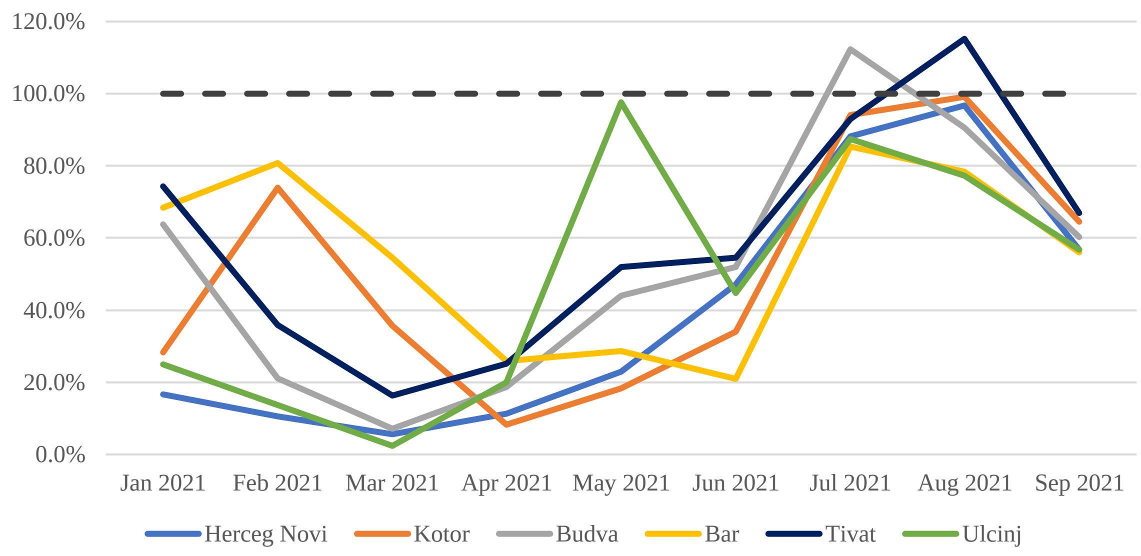
Figure 19: Comparison in tourist arrivals in the Coastal region between the first 9 months of 2019 and 2021(left number of arrivals, right arrivals in 2021 as a share of 2019, in percent)



Source: MONSTAT (2021c).

Tourist arrivals in coastal cities by month as a percentage of the same period in 2019 are shown in Figure 20. Interestingly, Budva and Tivat surpassed 2019 visitor numbers in certain months. Budva did so in July, when visitor numbers reached 112.3% of 2019 levels, while Tivat did so in August, when visitor numbers reached 115.2% of 2019 levels. Although Ulcinj did not reach the 2019 level, it came very close in May, when the number of tourist arrivals reached 97.6% of the 2019 level.

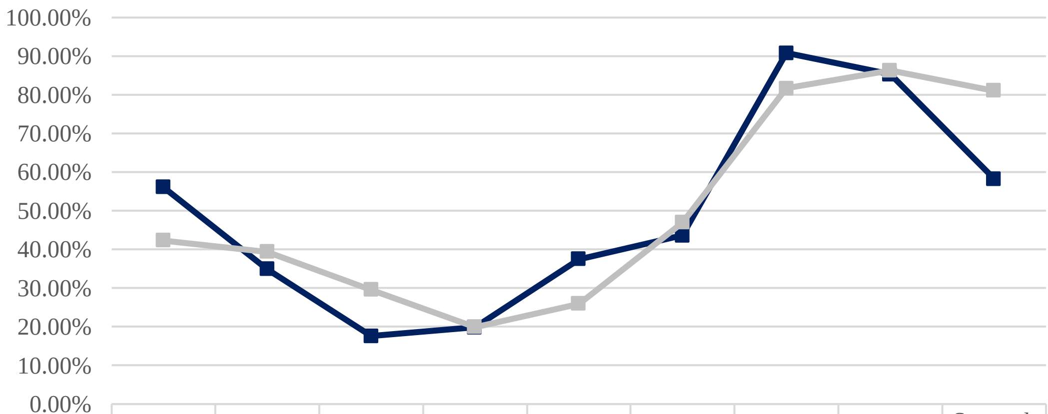
Figure 20: Tourist arrivals in coastal cities by months as a share of 2019, in percent



Source: MONSTAT (2021c).

Figure 21 shows tourist arrivals in Montenegro and Croatia in the first 9 months of 2021 as a percentage of 2019. Montenegro achieved better recovery in tourist arrivals in January, May, and July, while it achieved roughly the same results in April and August, while Croatia achieved better results in February, March, June, and September.

Figure 21: Tourism recovery in Montenegro and Croatia in 2021 (as a share of tourist arrivals in 2019, in percent)



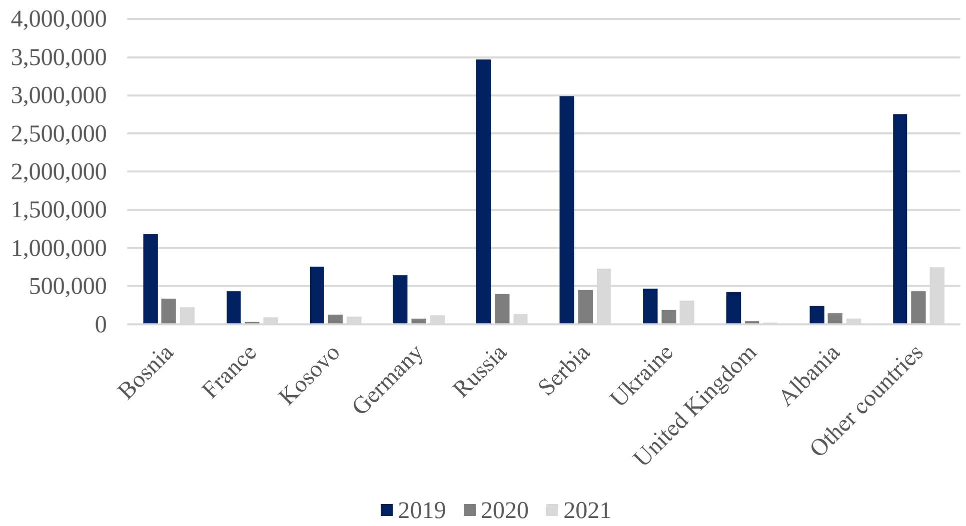
	January	February	March	April	May	June	July	August	Septemb er
Montenegro	56.08%	34.93%	17.61%	19.84%	37.49%	43.59%	90.85%	85.28%	58.30%
Croatia	42.31%	39.39%	29.56%	19.89%	25.94%	46.94%	81.67%	86.31%	81.11%

Source: MONSTAT (2021c); Croatian Bureau of Statistics (2021b).

5.2 Change in structure of foreign tourist by country of arrival

Figure 22 compares overnight stays by tourists by country of arrival in 2019, 2020, and 2021. Besides the fact that entry to Montenegro was more liberalized than in 2020, of the main markets, only Serbia, Ukraine, Germany, and France recorded more overnight stays by tourists, while Russia and Bosnia continued to decline. More overnight stays than in 2020 were recorded by tourists from other countries that are not among the main markets.

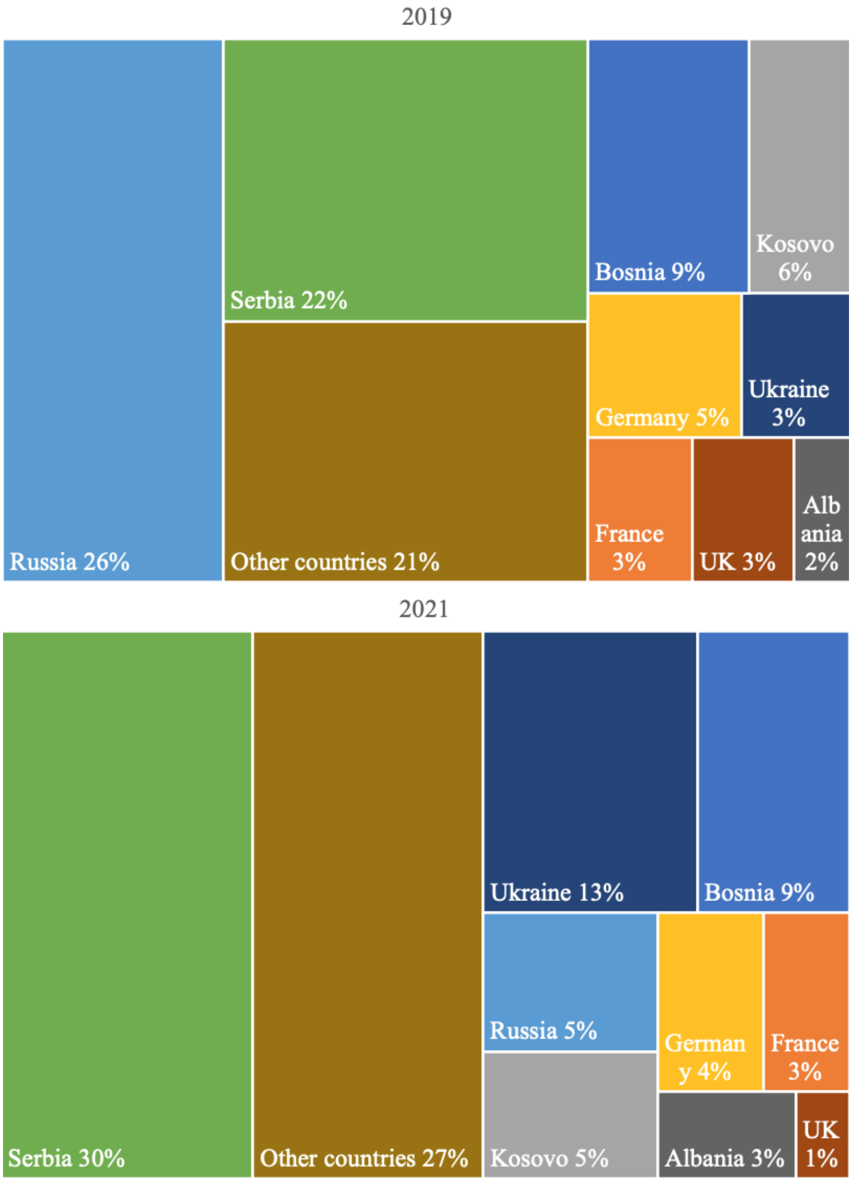
Figure 22: Tourist overnight stays by country of arrival in 2019, 2020 and 2021



Source: MONSTAT (2021c).

The structure of overnight stays by foreign tourists by country of arrival between 2019 and 2020 is shown in Figure 23. Comparing the share of foreign tourists in the total number of overnight stays by country of arrival, the largest growth is in Serbia, which participated with 22% in 2019, while this share increased to 30% in 2021. In addition to Serbia, a larger share has tourists coming from other countries outside the main markets, whose share in 2021 is 27%. The biggest decrease in the share in the total number of overnight stays is seen in Russia, which used to have the biggest share next to Serbia, while in 2021 this share is as high as the share of tourists from Kosovo or Germany of only 5%. The structure has changed significantly compared to 2019. It will be interesting to see when tourism has fully recovered whether COVID-19 has permanently changed the guest structure, or this is a temporary phenomenon.

Figure 23: Structure of foreign tourists overnight stays by country of arrival, comparison between 2019 and 2021



Source: MONSTAT (2021c).

5.3 Discussion for RQ7

The research question was related to the recovery of tourism in Montenegro in 2021 in terms of tourism indicators (e.g. tourist arrivals, overnight stays) and in comparison with Croatia. Montenegro opened its borders to tourists from major markets at the end of May due to favourable epidemiological trends. This resulted in the number of tourists in the first 9 months of 2021 exceeding the level of 2020 by more than 2.5 times. However, 631,970 tourist arrivals in the first 9 months of 2021 were not enough to exceed the level of 2019, when 1,079,186 tourists visited Montenegro. Tourists continue to stay mostly in the coastal region, while the greatest recovery in tourist numbers was recorded in Ulcinj (70% of the 2019 level). The structure of overnight stays of foreign tourists by country of arrival has changed compared to 2019, but only when the pandemic is over will we know if this change is permanent. When I compare with Croatia, the recovery of tourism in both countries is quite similar.

5.4 Tourism outlook for 2022

In December 2021, the Montenegrin Ministry of Economic Development stated that in 2022 revenue from tourism will reach or even exceed the 2019 level (Mirjačić, 2021). However, according to UNWTO Expert Panel full recovery is not expected before 2024 or later (UNWTO, 2022b). While they are confident that travel activity will increase this year, only 4% of experts surveyed expect a full recovery in 2022. About one-third believe international arrivals will return to pre-pandemic levels in 2023, while 63% believe it will take longer. UNWTO's scenarios predict that international tourist arrivals could increase by 30 to 78 % in 2022 compared to 2021. While this sounds like a significant improvement, it would still be more than 50 percent below pre-pandemic levels (UNTWO, 2022b).

On February 24, Russia began its military invasion of Ukraine (Psaropoulos, 2022). In Figures 13 and 23, I have previously shown how much Montenegro depends on tourists from Russia and Ukraine, and that their share in the structure of foreign tourists by country of arrival varies from 29% or about 800,000 tourist arrivals in 2019 to 18% or about 500,000 tourists arrivals in 2021. The conflict in Ukraine has created a difficult economic environment that could further affect the recovery of tourism in the world and in Montenegro, as oil prices have risen sharply, inflation has increased, interest rates may rise, high debt volumes and supply chains continue to be disrupted (Jones, 2022).

Since the government of Montenegro on their revenue side for the budget for 2022, assumes that tourism will fully recover, i.e. that it will generate one billion euros from tourism, Figure 24 shows the price of the Montenegrin bond that was issued in 2020. After the Russian invasion, bond prices fell, implying investors are sceptical that Montenegro will achieve the planned recovery of tourism.

Figure 24: Montenegro bond price from September 2021 to March 2022

Note: Montenegro- Bond ISIN: XS2270576700

Source: Boerse-Frankfurt (2022).

Table 9 shows the comparison of bonds of countries in the region with similar credit ratings. First of all, in 2020, despite the poor tourist season caused by the COVID-19 pandemic and the worst credit rating among selected countries, Montenegro managed to issue a bond at the most favourable interest rate of 2.875%. However, on March 7, 2022, the yield of the bond was 6.173%, the highest of all other countries, representing an interest rate increase of 114.72%. I believe that such a decrease in bond prices, as well as an increase in interest rates on Montenegro's future debt, is an indicator that the forecasts for the recovery of tourism in 2022 are not optimistic and that now everything depends on the ability of the Montenegrin government to attract a large number of tourists from new markets.

Table 8: Bonds comparison of countries in the region with similar credit ratings

Country	S&P Rating	Interest rate (at T_0 in %)	Yield on 07.03.2022 (in %)	Absolute increase (in %)	Interest rate increase (in %)
Montenegro	**B**	**2.875**	**6.173**	**3.298**	**114.72**
Albania	B+	3.5	3.759	0.259	7.39
Northern Macedonia	BB-	3.675	3.781	0.196	2.87
Serbia	BB+	3.125	4.789	1.664	53.24

Source: Boerse-Frankfurt (2022), Tradingeconomics (2022).

CONCLUSION

The global tourism market has experienced continuous growth in recent decades, making it one of the fastest growing economic sectors in the world (Glaesser, Kester, Paulose, Alizadeh, & Valentin, 2017). The number of international tourist arrivals has steadily increased from 25 million in 1950 to a total of 1.5 billion arrivals in 2019 (Statista, 2022). Many developing countries have sought to turn to the tourism industry as a means to shift resources away from goods that have become less competitive in world markets and to diversify their economies (Lejárraga & Walkenhorst, 2013). The tourism industry in Montenegro began to develop in the second half of the 20th century but was temporarily halted due to the wars waged on the territory of the former Yugoslavia in the 1990s. The re-emergence of tourism began in early 2000, when the Government of Montenegro, with the help of the German Society for Investment and Development (DEG), prepared a master plan for tourism with a goal of boosting and diversifying economic activity. As a result of the master plan is that the tourism industry in Montenegro has grown significantly. However, with the development of tourism in Montenegro, mass tourism soon became a major problem as it overwhelmed the modest infrastructure of this small country. To solve this problem, the Ministry of Tourism and Environmental Protection decided in its 2008-2020 strategy to focus on higher-income tourists by developing new products such as yachting tourism, golf tourism, investing in ski resorts and improving existing accommodation capacity.

The number of tourist arrivals increased from 555,040 in 2001 to 2,645,217 in 2019. With the increase in tourism demand, the number of accommodation establishments also increased from 370 in 2017 to 403 in 2019, while the number of beds in collective accommodation establishments was 48,837 in 2019 (an increase of 6.8% compared to 2017). Most of the beds in collective accommodation establishments in 2019 are in 4-star hotels (i.e. 51.8%), which indicates that Montenegro has focused on tourists who spend more money. The average length of stay of tourists in Montenegro in 2019 was 5.8 days, which is the highest average length of stay among other Mediterranean countries. A disadvantage of tourism in Montenegro is the fact that only a few countries of the Balkan Peninsula and Russia have a significant share in tourist overnight stays (i.e. Russia, Serbia, Bosnia and Kosovo have a share of 60.2% in total foreign tourist overnight stays). Moreover, tourism in Montenegro is highly seasonal (i.e. 68.9% of all overnight stays take place in June, July and August) and regionally unbalanced (i.e. 95% of all overnight stays take place in the coastal region).

With the increase in the number of tourists and the development of tourism in Montenegro, tourism has become the most important sector of the economy, with the total contribution of travel and tourism accounting for 30.8% of GDP in 2019. No other country in the Mediterranean region is more dependent on tourism than Montenegro (i.e. Croatia is in second place with a total contribution of the travel and tourism sector of 24.3%). This is also reflected in the contribution of the total travel and tourism sector to employment in Montenegro, which accounts for 31.9% of all jobs, while the share of international tourism receipts in total exports reached 52.6% in 2019.

The global health crisis triggered by the COVID-19 pandemic has created a series of negative and simultaneous shocks that have led to a dramatic slowdown in the global economy. Countries around the world have been affected by this crisis, but economies that rely heavily on the services sector have suffered greater damage than others (Centralna banka Crne Gore, 2021). Of the services, travel was the hardest hit, experiencing an immense 63% decline in 2020 and severely impacting tourism-focused economies (UNCTAD, 2021). To contain the spread of COVID-19 and protect the population, the government introduced a traffic light system for entry into Montenegro, as in many other countries. Because of that Montenegro was closed for the longest time to the countries that traditionally had the highest proportion of overnight stays (i.e. Russia and Serbia) because the epidemiological conditions in these countries were not satisfactory. As a result, Montenegro experienced a sharp decline in tourist arrivals and overnight stays. This resulted in a 75% decrease in the total contribution of T&T to GDP and the total contribution of T&T to employment decreased by 20.3%. As a result, Montenegro recorded a 12.2% decline in real GDP. I also determined that there is a significant difference in financial performance between 4-star and 5-star hotels due to COVID-19 in 2020 and that 5-star hotels perform better and are more resilient to COVID-19.

The Montenegrin government and the Central Bank have taken measures to overcome the consequences of COVID-19 in tourism. I described the fiscal incentives that the government provided to the tourism and travel sector, which totalled €77.23 million. A large part of this went to wage subsidies to save jobs in the sector that were affected by temporary business closures due to the COVID-19 measures (e.g. restaurants and bars). Eventually, these businesses were allowed to reopen, but with reduced hours. Another important support for these businesses was a reduced VAT rate of 7% for food and beverages. Other support was directed at travel agencies, tour operators and travel vouchers for health, social and education workers. Central Bank measures were aimed at helping businesses and individuals affected by COVID-19 (e.g. the right to a moratorium on loans or loan restructuring) or maintaining banking sector stability by prohibiting the payment of dividends (except in the form of shares), reducing the required reserve ratio by two percentage points, etc.

Tourism began to recover globally in 2021, and rising demand was driven by increased tourist confidence in the face of rapid progress on vaccinations and easing of entry restrictions in many destinations, but was still well below levels prior to COVID. Overall, global tourist arrivals in the first nine months of 2021 are 76% below pre-pandemic levels (ICEF Monitor, 2021). In Montenegro, tourist arrivals in the first 9 months were 58.6% of 2019. In addition, the guest structure has changed, and only the future will show whether this is a permanent change. The government is optimistic that Montenegro will reach the 2019 level in 2022, although tourism outlook for 2022 is not promising due to ongoing conflict between Russia and Ukraine. COVID-19 has shown the weaknesses of the Montenegrin economy and its dependence on tourism. Despite the future efforts of the Montenegrin government to diversify the Montenegrin economy, the tourism sector will continue to be an important driver of growth and employment. Therefore, further development of tourism in Montenegro must be environmentally sustainable and focused on guests with higher income. It must also have a much more favourable structure of accommodation capacities and a more diverse offer of tourist facilities. Moreover, it must also be accompanied by a much more even spatial distribution of tourist capacities and supply between regions. Finally, Montenegro should focus on becoming a year-round tourist destination. These are the key elements for developing tourism resilience to external shocks.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Turizem je bila do začetka pandemije Covid-19 ena izmed najhitreje rastočih gospodarskih panog na svetu. Tako kot mnoge države v razvoju se je tudi Črna gora skušala osredotočiti na turistično panogo kot alternativno panogo, ki bi se odmaknila od proizvodnje in se usmerila na storitvene dejavnosti. Zato je namen magistrskega magistrskega dela podati pregled turizma v Črni gori pred pojavom COVID-19, v času COVID-19 in okrevanja turizma v letu 2021, ki je bil posledica pojava cepiv in dobrega epidemiološka situacija.Magistrsko delo se začne z opisom razvoja turizma v Črni gori od leta 2001 do leta 2019, ko se je število prihodov turistov povečalo iz 555,040, na 2,645,217 prihodov turistov. V tem času je turizem postala tudi najpomembnejša panoga v Črni gori in je skupni prispevek turizma in potovanj k BDP v letu 2019 znašal 30.8 %. Sektor potovanj in turizma je v letu 2019 ustvaril 31.9 % vseh zaposlenih v Črni gori. Poleg tega turizem v Črni gori pomembno prispeva k deviznim prihodkom, saj je delež prihodkov od mednarodnega turizma v celotnem izvozu Črne gore v letu 2019 znašal 52.6 %. V magistrskem delu so opisane tudi značilnosti turizma v Črni gori, kot je neuravnotežen regionalni razvoj (95 % vseh prenočitev v letu 2019 je bilo realiziranih v obalni regiji), zelo visoka sezonskost (skupaj 68.9 % vseh prenočitev v letu 2019 realizirani v treh poletnih mesecih - v juniju, juliju in avgustu) ter visoka udeležba nekaterih držav v strukturi tujih gostov (turisti iz treh držav, in sicer iz Rusije, Srbije in Bosne, so v letu 2019 ustvarili 54.8 % turističnih prenočitev).

Svetovna zdravstvena kriza, ki jo je sprožila pandemija COVID-19, je sprožila vrsto negativnih in sočasnih šokov, ki so povzročili dramatično upočasnitev svetovnega gospodarstva. Kriza je prizadela države po svetu, vendar so gospodarstva, ki so močno odvisna od storitvenega sektorja, utrpela večjo škodo kot druga (Centralna banka Črne gore, 2021). V nadaljevanju magistrskega dela analiziram turizem v Črni gori v času pandemije COVID-19, kjer opisujem, da je Črna gora, tako kot druge države, uvedla semaforski sistem za vstop v državo glede na epidemiološko situacijo, iz katere prihajajo turisti. Zaradi tega je bila Črna gora leta 2020 za daljše obdobje zaprta za tiste države, ki imajo tradicionalno najvišji odstotek turističnih prenočitev. Zaradi tega je Črna gora doživela močan upad prihodov in prenočitev turistov. Tako se je skupni prispevek turizma in potovanj k BDP-ju zmanjšal za 75 %, skupni prispevek turizma in potovanj k zaposlovanju pa za 20.3 %. Tudi zaradi upada turizma je Črna gora v letu 2020 beležila 12.2-odstotni padec realnega BDP. V magistrskem delu tudi analiziram kako je močan upad števila turistov vplival na upad prihodkov hotelov glede na kategorijo hotela (število zvezdic). Za analizo sem zbral podatke o prihodkih hotelov iz vsake kategorije in primerjal njihove prihodke v letu 2020 s tistimi v letu 2019. in izračunal odstotne spremembe prihodkov med tema dvema letoma. Ugotovil sem, da je med vsemi skupinami edina razlika, ki je statistično značilna med povprečjem znižanja prihodkov hotelov s štirimi zvezdicami in hotelom s petimi zvezdicami. Zato lahko sklepam, da je bila zaradi COVID-19 v letu 2020 pomembna razlika v finančni uspešnosti med hoteli s štirimi in petimi zvezdicami in da so hoteli s petimi zvezdicami delovati bolje.

V magistrskem delu opisujem tudi ukrepe, ki sta jih črnogorska vlada in Centralna banka sprejeli za premagovanje posledic COVID-19 v turizmu. Opisal sem fiskalne spodbude, ki jih je država zagotovila sektorju turizma in potovanj, ki so znašale 77,23 milijona evrov. Velik del tega je šel za subvencije plač za ohranitev delovnih mest v sektorju, ki so ga prizadela začasna zaprtja podjetij zaradi ukrepov COVID-19 (npr. restavracije in bari). Druga pomembna podpora tem podjetjem je bila znižana stopnja DDV v višini 7 % za hrano in pijačo. Ostala podpora je bila usmerjena v turistične agencije, organizatorje potovanj in izdaja potovalnih bonov za zdravstvene, socialne in izobraževalne delavce. Ukrepi centralne banke so bili usmerjeni v pomoč podjetjem in posameznikom, ki jih je prizadel COVID-19 (npr. pravica do moratorija na posojila ali prestrukturiranje posojil) ali ohranjanje stabilnosti bančnega sektorja s prepovedjo izplačila dividend (razen v obliki delnic), zmanjšanje količnik obveznih rezerv za dve odstotni točki itd.

Turizem je leta 2021 začel okrevati po vsem svetu, naraščajoče povpraševanje pa je bilo posledica povečanega zaupanja turistov ob hitrem napredku pri cepljenju in popuščanju omejitev vstopa na številnih destinacijah, vendar je bilo še vedno daleč pod ravnjo pred pandemijo. Na splošno so svetovni prihodi turistov v prvih devetih mesecih leta 2021 za 76 % nižji od ravni pred pandemijo (ICEF Monitor, 2021). V Črni gori so prihodi turistov v prvih 9 mesecih znašali 58.6 % ravni 2019. Poleg tega se je spremenila struktura gostov in šele prihodnost bo pokazala, ali je to trajna sprememba. COVID-19 je pokazal slabosti črnogorskega gospodarstva in njegovo odvisnost od turizma. Razvoj turizma v Črni gori mora biti okoljsko trajnosten in usmerjen v goste z višjimi dohodki. Imeti mora tudi veliko ugodnejšo strukturo namestitvenih kapacitet in pestrejšo ponudbo turističnih zmogljivosti. Spremljati ga mora tudi veliko bolj enakomerna prostorska razporeditev turističnih zmogljivosti in ponudbe med regijami. Črna gora bi se morala osredotočiti na to, da postane celoletna turistična destinacija. To so ključni elementi za razvoj odpornosti turizma na zunanje šoke.

Appendix 2: ANOVA- Single Factor, results.

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
1-star hotels	6	-4.3772165	-0.7295361	0.10996901
2-star hotels	8	-6.5091407	-0.8136426	0.05273052
3-star hotels	9	-7.278446	-0.8087162	0.0247671
4-star hotels	14	-11.925528	-0.8518234	0.01288323
5-star hotels	12	-7.574511	-0.6312093	0.01776076

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.36335072	4	0.09083768	2.70067856	0.04261685	2.58366743
Within Groups	1.47994583	44	0.03363513			
Total	1.84329655	48				

Source: Own work