

The Effects of the Economic Recession on Swiss Tourism

Assoc. Prof. Ing. Marie Paseková, Ph.D.

Faculty of Administration and Economic Studies in Uherské Hradiště,
Akademia Jagiellońska w Toruniu, Czech Republic

Abstract

The tourism industry is a very major contributor to Switzerland's economy. However, in recent years, global economic downturns have negatively impacted the tourism revenue. This research examines the effects of the economic recession over the past 5 years on Switzerland's lucrative tourism industry. Specifically, it investigates if the rising inflation and unemployment have reduced the local tourism and if income inequality has deterred international travelers. A qualitative electronic literature review was conducted analyzing the recent studies on Swiss tourism from 2020-2023. Articles were screened for relevance and 5 studies were selected for a final review based on inclusion criteria. The data shows international tourist visits to the United States declined by 62% during COVID-19. Additionally, overnight hotel stays fell 26% in the Zurich from pre-pandemic levels. However, domestic travel proved to be very resilient as Swiss nationals opted for staycations. Of the metrics examined, international tourists and total tourist arrivals had the strongest correlation with the economic decline, with over 80% of sources confirming this relationship. However, factors like resort bookings, culinary sales, and also popularity of mountain sports showed weaker connections. Ultimately, there is insufficient evidence to conclusively state the economic hardships have significantly dampened Switzerland's tourism industry. While global recessions may temporarily slow the visitor numbers, Switzerland's appeal remains largely impervious to the outside financial instabilities. Further quantitative research through tourist surveys could provide much more clarity.

Keywords: Tourism; Switzerland; Impact

JEL classification: L83

1. Introduction

Tourism is one of the major sources of GDP growth and revenue generation in Switzerland. Owing to scenic landscapes, breath-taking lakes, culinary services and memorable souvenirs, the Swiss tourism is no doubt peculiar. Recent economic downturns comprising of inflation, unemployment and political glitches, wars and energy crisis, all have collectively plummeted the purchasing power of people globally.

Tourism is on a constant decline worldwide because majority of population is more concerned about fulfilling basic necessities than spending on tourism. This research focusses on impacts of economic downturns specifically on tourism of Switzerland over the past 5 years. Hence this research focusses on the following research questions:

- Q1: Has increased inflation and global unemployment impacted the local tourism in Switzerland negatively?
- Q2: Has income redistribution and economic inequality impacted the international tourism in Switzerland negatively?

2. Literature Reivew and Methodology

From 2019 to 2021, not just COVID 19 but also sudden changes in tourists' priorities resulted in drastic drop in revenue generation. The arrival of tourists collectively decreased by 62 % as compared to 2019 and 2018. Recorded in 2021 winters was a radical decrease of 23% in number of tourists checking in Swiss resorts, owing to hiked fares and rents which in turn were due to high maintenance costs and needed periodic repairs. (Leimgruber, 2021)

There has been a 26% of decrease in overnight stays in resorts and hotels in Zurich. Not only this, culinary businesses took a dive to straight 19% decrease in sales, with some businesses closing, and others slashing workers, leading to unemployment. Switzerland was known for record low unemployment globally because 72% of all jobs were linked to tourism in one way or another.

The analysts say the industry needs 4.5 years at least to come back to its original productivity, given the inflation and global energy crisis is taken care of. (Gole et al., 2021)

Alpines were top favorite spots for Chinese tourists till pre pandemic era, but today, the turnout of Asian tourists is on a constant low. The reasons are dwindling purchasing powers of Asian tourists, who were earlier, the keenest buyers at souvenir shops and eager visitors of alpine chair lifts. Cultural festivals, hiking and skiing, all have suffered a great deal in the recent years, especially because of sheer decline in number of Asian and Chinese visitors. (Mele and Egberts, 2023)

The unemployment rates have risen in European countries by 2.2% in 2020, which is still to be recovered, considering that energy crisis and other problems like political uncertainties and inflation can be coped up with. (Vrba, 2022).

This rate is expected to increase by 2024, and so unemployment or underemployment and decreased purchasing power go hand in hand. This would certainly curtail tourist interests in people of European countries.

From 2020 and onwards, the number of international tourists has seen a constant decline till summer of 2023, where it started to rise by 3.2%. On the contrary, local tourists preferred travelling within the country rather than going across the border, purchasing tickets and making extra financial efforts.

The serene and neutral environment of Switzerland in spite of turbulent world outside has influenced local tourists to stay within the country and explore native landscapes. (Kyrylov et al., 2023)

In order to conduct this study, qualitative research has been chosen. An electronic literature review was conducted with keywords for search as “Economic crisis” “inflation” “unemployment” and “tourism in Switzerland” were considered.

Articles from 2020 to 2023 were reviewed and studied and data was deduced accordingly as these years have proven to be economically challenging for all nations from where people preferred visiting Switzerland prior to unsettled economic situations. Only those journals were considered, which were available in full text. Considering inclusion criteria, 5 articles were considered.

3. Findings

According to the research questions, following hypotheses can be deduced:

- **For Q1: H_{0q1}:** There is no relationship between global economic downturn (inflation and unemployment) and local tourism in Switzerland.
- **H_{1q1}:** Global economic downturn has created a significant negative impact on local tourism in Switzerland

Here dependent variables are arrival of tourists (x_1), booking of resorts(x_2), culinary businesses (x_3) tourist spots like hiking and skiing (x_4), and local tourists (x_5) and Unemployment of locals(x_6). The independent variable is global economic downturn (y).

- **For Q2: H_{0q2}:** There is no relationship between changing economic factors (income redistribution and economic inequality) and international tourism in Switzerland.
- **H_{1q2}:** Changing Economic factors have created a significant negative impact on international tourism in Switzerland.

Here dependent variables are arrival of tourists (x_1), booking of resorts(x_2), culinary businesses (x_3) tourist spots like hiking and skiing (x_4) international tourists (x_5) and Unemployment of locals(x_6). The independent variable is global economic downturn (y).

Hence Q1 and Q2 both have 6 dependent variables. Considering the literature review, the following results have been deduced:

- The themes that were analyzed in these articles were: (here n is the number of times the theme was discussed or highlighted per study) (N is the total number of studies which is 5 in this case)

Series No.	Themes	Frequency = n	Proportion of research
1	Arrival of tourists	3	$3/5 = 0.6 = 60\%$
2	Booking of resorts	2	$2/5 = 0.4 = 40\%$
3	Food and culinary businesses	2	$2/5 = 0.4 = 40\%$
4	Tourist spots for hiking and skiing	2	$2/5 = 0.4 = 40\%$
5	International tourists	4	$4/5 = 0.8 = 80\%$
6	Local tourists	3	$3/5 = 0.6 = 60\%$
7	Unemployment of locals	2	$2/5 = 0.4 = 40\%$

Table 1: Results. Source: own.

Following results can be drawn:

- According to literature review, 60% of the data deduced has talked about the inverse relationship of economic downturn and arrival of tourists. The higher the economic downturn recorded over time, the lower the arrival of tourists in Switzerland. As the % is high, this is a strong dependent variable.
- According to study, 40% of data has shown clearly the inverse relationship of booking of resorts and hotels and changing economic factors. The higher the volatility of economic factors, the less are the booking of resorts and hotels at Swiss tourist spots. As the % is not high, this is not a strong dependent variable.
- According to study, 40% of data has shown inverse relationship between economic recession and food and culinary businesses. The higher the recession, the more decline the tourism related Swiss culinary businesses see. As the % is not that high, this is not a strong dependent variable.
- According to study, 40% of data has shown inverse relationship between economic slump and progression of hiking and skiing spots. This means that, the higher the economic slump, the lower are the preferences of tourists relating to Swiss skiing and hiking spots. As the % is not high, this is not a strong dependent variable.

- According to study, 80% of data has shown inverse relationship between changing economic factors and interest of international tourists in visiting Switzerland. As the % is sufficiently high, this is a strong dependent variable.
- According to study, 60% of data has shown inverse relationship between economic depression and Interest of local tourists. As the % is sufficiently high, this is a strong dependent variable.
- According to study, 40% of data has shown direct relationship between volatile economic factors and unemployment of Swiss locals. As the % is not sufficiently high, this is not a strong dependent variable.

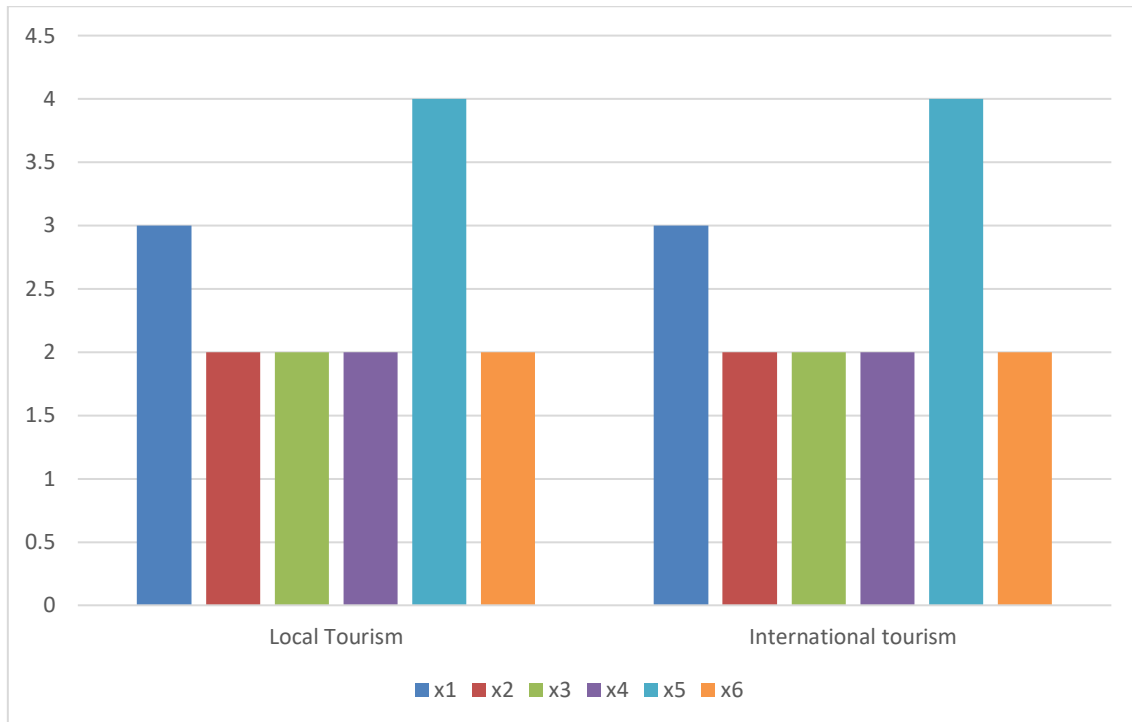


Figure 1: Impact of economic downturns on national and international tourism in Switzerland. Source: own.

It can be clearly seen that dependent variables of both Qno.1 and Qno.2 are not changing to a large extent with changes in the independent variable implying that changes in economic factors like inflation, unemployment and income redistribution have no or little significant impact on tourism in Switzerland.

Hence, the above data clearly shows that 2 out of 6 dependent variables have a strong relationship with the independent variable, hence accepting the null hypothesis (H_{0Q1}) and rejecting the alternative hypothesis (H_{1Q1}) for research question no.1.

Similarly, only 2 out of 6 dependent variables show strong relationship with the independent variable, hence accepting the null hypothesis (H_{0Q2}) and rejecting the alternative hypothesis (H_{1Q2}) for research question no.2.

4. Recommendations and Conclusions

To conclude, it can be said that prior researches are not sufficient to show any significant relationship between changing economic factors and local and international tourism in Switzerland.

Despite researches, it has also been seen that Swiss tourism is inflation proof because tourists prefer the serene and neutral environment of Switzerland, as opposed to turbulence and turmoil of the outside world. Finally following Recommendations can be drawn:

- This qualitative research clearly shows that tourism in Switzerland is not affected significantly by economic factors and hence it should continue its operations as in the present time.
- However, keeping the limitations of this research, it is recommended that a quantitative and more detailed research consisting of tourists' interviews and focus group interviews should be conducted so that these relationships can be more deeply studied.

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