

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and management

Department of Economics



BACHELOR THESIS

**An Economic Analysis of International Tourism Flows in
the Czech Republic**

Andrea Komůrková

© 2012 CULS

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Economics
Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Komůrková Andrea

Agricultural Economics and Management

Thesis title

An economic analysis of international tourism flows in the Czech Republic

Objectives of thesis

The aim of the thesis is to provide readers with a profound analysis of tourism in The Czech Republic as well as to introduce the main attractions of this country.

Methodology

The concept of methodology used in this thesis lies in a critical assessment of quality and quantity supplied through both comparative and SWOT analysis.

Schedule for processing

4/2011: determination of work objectives and methodology

5-12/2011: literature research and theoretical part of work

1-2/2012: analytical part, analysis of results, conclusion

3/2012: submission

The proposed extent of the thesis

30 - 40 stran

Keywords

an economic analysis, tourism, tourism destination, infrastructure of tourism, superstructure of tourism, supply of tourist destination, statistics, market

Recommended information sources

český statistický úřad www.cssz.cz

www.czechtourism.cz

www.kudyznudy.cz

A. Woodside and D. Martin, 2008 - Tourism management, Analysis, Behavior and Strategy, Washington D.C.:Cabi, 2008

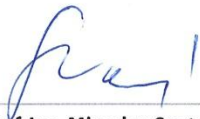
M. Smith and collective 2010 - Key concepts in tourist studies. London: Sage, 2010

The Diploma Thesis Supervisor

Maitah Mansoor, doc. Ing., Ph.D. et Ph.D.

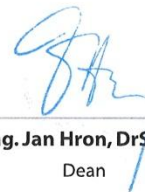
Last date for the submission

březen 2012



prof. Ing. Miroslav Svatoš, CSc.

Head of the Department



prof. Ing. Jan Hron, DrSc., dr.h.c.

Dean

Prague March 22. 2012

Statutory Declaration

I, the undersigned, declare that the thesis ‘An Economic Analysis of International Tourism Flows in the Czech Republic’ is wholly my own work, and only sources I used are listed in the references.

In Prague, March 30th, 2012.

.....

Andrea Komůrková

Acknowledgement

I would like to thank my supervisor doc. Ing. Maitah Mansoor Ph.D. et Ph.D. for his recommendations and guidance in writing this thesis.

An Economic Analysis of International Tourism Flows in the Czech Republic

Ekonomická analýza mezinárodního přílivu turistů do ČR

Summary:

The goal of this bachelor thesis is to make readers more familiar with a term Tourism and its features. The situation of tourism in the Czech Republic in the past and nowadays is also the aim.

The thesis consists of two parts. The theoretical part describes the tourism in the Czech Republic and general. It introduces all important terms and defines them. The literature review also describes the historical development of tourism in the Czech Republic in order to put the current state of tourism into a historical context. It is also defined the position of tourism in 2011 and what the Czech Republic offers to tourists.

The practical part analyses the relationship between the Czech Gross Domestic Product and the total international tourism expenditures. How the expenditures influence the national economy and its prediction. In the practical part there is also a SWOT analysis made describing the position of tourism in the Czech Republic.

Souhrn:

Cílem práce je seznámit čtenáře s pojmem Turismus a jeho podobami. Tato práce též popisuje pozici turismu v české republice jak v minulosti, tak v dnešní době.

Tato práce se skládá ze dvou částí. Teoretická část popisuje turismu jako takový a turismus v České republice, popisuje jej a definuje. Práce se též zabývá historií turismu, aby stanovil pozici a důležitost turismu do historického kontextu. Také nabídka České republiky a pozice turismu v roce 2011 jsou zde stanoveny.

Praktická část analyzuje vztah mezi hrubým domácím produktem české republiky a výdaji turistů v České republice. Je zde popsáno, jak moc výdaje turistů ovlivňují hrubý domácí produkt a jeho predikce. V praktické části je též vypracována SWOT analýza zabývající se pozicí turismu v České Republice.

Keywords:

An economic analysis, tourism, tourism destination, statistics

Klíčová slova:

Ekonomická analýza, cestovní ruch, destinace cestovního ruchu, statistiky

Content

1. Introduction.....	9
2. Thesis Objectives	10
3. Thesis Methodology	10
4. General information about Tourism	11
4.1. Tourism characteristics	11
4.2. Destinations of Tourism.....	12
4.3. History of Tourism.....	12
4.3.1. Before the First World War	13
4.3.2. Between the World Wars.....	13
4.3.3. Since the Second World War until the 90's.....	14
4.3.4. Since 90's until the present.....	14
4.4. Assessing the impact of tourism	15
4.4.1. Statistical assessment.....	15
4.4.2. Economic and monetary assessing of tourism.....	15
4.4.3. Individual assessing	16
4.4.4. Social and cultural assessment.....	16
4.4.5. Global impacts of tourism on the national economy	16
4.5. Tourism Demand.....	17
4.6. Tourism supply.....	19
4.6.1. The supply according to an economic theory	19
4.6.2. The offer in tourism supply	20
4.6.3. Services in tourism supply.....	22
4.6.4. Trends in tourism supply	23
4.7. Balance of payment and tourism.....	24

4.8.	Economic Importance of Tourism	26
5.	Tourism in the Czech Republic	27
5.1.	Tourism in the Czech Republic until the year 1989.....	27
5.1.1.	Tourism between 1848-1918	27
5.1.2.	Tourism between the World Wars (1918-1939).....	28
5.1.3.	Tourism in 1945-1989	29
5.2.	Tourism in the Czech Republic after the year 1989.....	30
5.2.1.	Tourism between 1989-1993	30
5.2.2.	Tourism since 1993 until nowadays in the Czech Republic	30
5.3.	Tourism supply in the Czech Republic	31
5.3.1.	The most visited places in the Czech Republic	32
5.4.	Incoming tourists.....	32
5.5.	Analysis of the tourism in the Czech Republic in 2011	36
6.	Results.....	36
6.1.	Tourism and GDP	36
6.1.1.	GDP in the Czech Republic	37
6.1.2.	Tourism Expenditures	38
6.1.3.	Dependency of International Expenditures on the Czech GDP.....	39
6.2.	SWOT Analysis of the Tourism in the Czech Republic	40
7.	Conclusion	42
8.	Resources	44

1. Introduction

Tourism is very important for the Czech Republic and generates about 3% of gross domestic product of the Czech Republic (ČSÚ, 2011). Tourism is important for country's economics not only because it enriches the state cash but it can also improve the public's (foreigners') perception of country and it builds the better image of the country. The tourism can be beneficial for the country's economics also indirectly; by improving its image it can attract some investors and therefore increase the gross national product.

The Tourism is in fact social and economic phenomenon. Social phenomenon means that the subject is a person or group of people or bigger or smaller society. It is a picture of human acting, his needs and wants and satisfaction of them. It is a part of a life-style of the population in economic developed countries. The Economic perspective shows that tourism is part of the general economy in terms of macroeconomic as well in terms of microeconomic. It is a category that is developing all the time and that is important to understand because it influences the economy significantly.

This thesis is focused on tourism in the Czech Republic and analyses the main factors. The theoretical part of this thesis introduces the term tourism and other related terms and defines them. The first part is focused on tourism and its issues in order to present, how it influences the society and economy of a state. Also the history of tourism in the Czech Republic is described with the purpose of understanding the context of its position. As well some economical terms, gross domestic products, for instance, are defined to enable the reader to comprehend the further analyses. What does the Czech Republic offer, position of tourism in the Czech Republic in 2011 and description of top ten nationalities visiting the Czech Republic in the year 2009, 2010 and 2011 and their flows are providing readers with knowledge about the situation of tourism in the country.

The practical part consists of two sections; the quantitative one, where various charts with forecasting of development of Gross Domestic product and International Tourism Expenditures and their dependency are presented and commented. All the results are commented in order to make the reader more familiar with the current and forecasted

economic position of tourism in the Czech Republic. By using SWOT analysis, the tourism in this country is described from the internal and external point of view.

2. Thesis Objectives

The objectives of this Thesis are stating the position of the tourism in the Czech Republic, forecasting of development of tourism and how it influences the Czech Gross Domestic Product. The nationalities of incoming tourists visiting the Czech Republic and their flows compared to the previous years are analysed. The supply of the Czech Republic is defined and the most favourite places that tourists visits as well. This is followed by SWOT analysis. This analysis has been made to look at the Czech Republic in terms of tourism and to determine what may assist the republic in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results.

Particular steps in the fulfilment of Thesis objectives:

- Find out which nationality visits the Czech Republic the most often and prove own hypotheses, that the most visitors come from Russia
- Analyse whether the world crisis influenced in 2009 the incoming tourism of the Czech Republic
- Verify the influence of the International Tourism Expenditures on the Gross Domestic Product of the Czech Republic.

3. Thesis Methodology

The practical part of this Thesis consists of quantitative analysis of the influence of tourism expenditure on the national GDP. Simple Regression method in program GRETL is also used to define the relation-ship between the objectives and verifies the validity of them. In the second step is additionally done the forecast by using Microsoft Excel and its statistical functions. To analyse and interpret the results qualitative analysis was used. The SWOT analysis was implied, as well, to specify the tourism in the Czech Republic.

4. General information about Tourism

4.1. Tourism characteristics

The beginnings of tourism we can record from the second half of the 20th century, where this activity became a part of an economically developed world. Every day millions of people travel to foreign places to see the nature, to have a rest, to meet new people and get to know new culture or to undergo a new experience. There are a plenty of reasons why people do travelling. It has also a positive effect to final destinations of tourists because tourism is a source of subsistence of millions of people all over the world. The discipline that is taking care of tourism is called tourism management. The tourism management has 5 parts of concern, state Woodside and Martin (2008). These are: scanning and sense making, planning, implementing, activity and impact assessing and administering.

Tourism is an economic subject meaning that people are going out of their normal or usual environment not for business or similar purposes. It is an industry that has to be abnormally flexible because to earn money means satisfying the customer needs and that has to happen as fast as it is possible. Tourism is really competitive industry; there exist a lot of types of tourism and a lot of services providing the customer satisfaction. Every day new types of tourism, new types of services and new opportunities are created and the supplier has to watch all the time the changes and has to adopt his offer to those needs. Macroeconomics and as well as microeconomics are sciences that includes this phenomenon (go2, 2012).

We have to be careful in mixing up tourism with travel, which are to different activities. According to a definition of tourism, there has to be a displacement, which is provided by travelling. So that to be a tourist, you have to travel, but you do not have to be a tourist always when you are travelling.

There are criteria specifying the tourism:

- It has to include displacement outside the usual environment of a person
- The type of purpose. As I said the traveller is described as a tourist when the aim of his travel is not a business purpose or any remuneration opportunities.

- Duration. The definition of tourism defines just the maximal duration of the visit, not the minimal one. By this definition we can deduce that the displacement can be with or without an overnight stay (World Tourism, 2012).

According to Palatková and Zichová (2011) the tourism is divided into four following types:

- International
 - o Inbound tourism is a type of tourism where visits of a country are done by non-residents
 - o Outbound tourism is the opposite and means that tourists of a one country are visiting another country.
- Internal is a tourism including residents or non-residents travelling within the country
- Domestic tourism includes tourists of a given country travelling within the country.
- National tourism should be the combination of inbound and internal tourism.

4.2. Destinations of Tourism

As the WTO (2007) states: “A local tourism destination is a physical space in which a tourist spends at least one overnight. It includes tourism products such as support services and attractions and tourist resources within one day’s return travel time”.

The Tourist is choosing his destination by a lot of factors that differs in tourist’s need and wants. The quality and value added determine the customer’s choice of a destination. The elements of a destination are Attractions, Private and Public Amenities, Accessibility, Human Resources, Image and Character and Price.

4.3. History of Tourism

This part of my thesis is divided into four parts: the era before the First World War, the era between the World Wars, the era after the Second World War until the 90’s and the last one since 90’s until the present, (Freyer, 2009). In each period the main factors that are mutual for that time and that are significant for developing the tourism industry are described. The beginnings of tourism are recorded since the second half of the 19th century and connected with the industry revolution which meant the simplification of travelling. There are also basic constraints needed for existence of tourism. Those are:

- Freedom in movement
- Free resources available
- Free-time fond
- Potential of tourism and its infrastructure

4.3.1. Before the First World War

The first era of Tourism virtually copies the world's economy in sense of building of a classical colonialism and economic progress in cities. The Tourism increased in developed countries and mostly just higher social classes were involved in this activity. People could have travelled without bigger administrative restrictions. Spa holidays were one of the favourite types of spending a free time and the most used travel mean was a rail transport. The first organized trip has realized Thomas Cook in 1841 when he prepared a one-day trip from Leicester to Loughborough for a non-alcohol association. In 1845 T. Cook has established the first travel agency in the world.

4.3.2. Between the World Wars

The second era of a tourism development is divided into two parts. The first part, the 20's, is generally continuation of the first era, which was quiet successful period until the big Crash of the New York Stock in 1929, when the whole process rapidly declined and recovering was slow and really difficult. There were two factors influencing the decline in tourism. The first one was already mentioned Crash and the other one were restrictions after the First World War that regulated the international market and so the tourism. On the other hand the First World War was brought to the society incredible improvement of transportation. Popular means of transportation became to be individual automobiles, buses and the biggest improvement was recorded in an air transport. But the real impacts of those factors were significant in the other part of this era. In this second part there is a wider range of population that could have travel for tourism purposes. Because of the consequences of the Crash in 1929, there is less money and so the tourism has divided into many sectors. The international organizations and councils concerned in tourism were established due to the internationalisation of tourism and a real influence on economy of countries.

4.3.3. Since the Second World War until the 90's

After the Second World War the world has divided into socialistic and capitalistic parts that were influencing the tourism process. The tourism is developing in every part totally separately. However, tourism in 70's and 80's become the usual needs of consumers and became a mass. In socialistic blocks the economy was firstly really effective based on economy of natural resources, unfortunately, after the resource depletion the economy of states became critical and unemployment increased. The tourism in these countries was mainly national, which was as well the consequence of restrictions of a free movement. Developing countries are taking a part in this period, because of a successful economic progress. States such as Singapore, Hong Kong, South Korea or Thai-wan were influencing tourism significantly. If we talk about tourism of this period in general, it is usual part of an economic and social life and every social class is involved. Also interesting improvement in tourism are winter holidays that are becoming more popular. Still there is a higher demand than supply, which means opportunities for building comprehensive tourism centres. The transportation is still the main indicator of the industry. The air transport became really popular since 50's when charter flights were invented and access the tourism to penetrate into the already mentioned developing countries.

4.3.4. Since 90's until the present

The beginning of this era is established due to the changes in central and east Europe and disintegration of a centrally planned economy. In this period there is a transformation of the economy and the tourism is fully international. There are new opportunities as for the former socialistic states from the demand point of view as for the western states supplying their products. There were new destinations opened to the world as well as investment opportunities. The biggest progress in tourism is recorded in Asia states. There are a lot of factors influencing the tourism in the present such as political-economic factors, globalisation factors, integration and liberalisation processes, security factors (wars, terroristic attacks, epidemics...), and technical and technological, demographic, social and many others. According to the empirical researches, the tourism declines are quick and the consequences are long-termed. The refreshing is slow and costly. In this period the total decline in tourism happened in 11th of September 2001 (terroristic attack, New York), in 2003 (the war in Iraq) and mainly in 2009 due to the world crisis.

4.4. Assessing the impact of tourism

According to Freyer (2009) there are five categories of assessing the impact of tourism on to the national economy. These are Statistical assessment, Economic and monetary assessing, individual assessing, socio-cultural assessing and global impacts of tourism to a national economy.

4.4.1. Statistical assessment

Statistical assessment is a statistical monitoring of tourism from the point of view of observation of the tourism market (supply and demand). For example, CzechTourism is using this assessment category.

4.4.2. Economic and monetary assessing of tourism

This assessing is a base for evaluating the effects of tourism. To evaluate these effects we have to determine them and their mutual interactions within a four factors: GDP, employment, inflation and external economic balance. The evaluating of those four parameters pictures the tourism position in economy and his influence to the current or future status of the given economy.

Gross Domestic Product (GDP)

As the server Investor Words states, “the Gross Domestic Product is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports”. Generally, this factor is used to determine the economic efficiency of a given country. The GDP and tourism relationship is measured from two points of view: the influence of GDP on tourism and, vice versa, the influence of tourism on GDP.

Employment

The influence of tourism on employment is the second most important factor in determining the position of tourism in economy. We have to take into account that not all working places in tourism are created just for tourists, because many of services are used by tourists and by residents, as well, such as restaurants, cultural services, etc. Because of working places which are seasonal or part-time, measuring of this factor is complicated.

Inflation

The demand for tourism services results the high price elasticity. The elasticity is a factor that shows the change in quantity of good or service demanded when the price changes. The sensitivity of a price in tourism is really high.

The external economic balance

The external economic balance is determined in balance of payments of national economy (see chapter 1.7.) and in exchange rate of national currency. The rate is determining the price of a foreign currency expressed in national currency. It is the connection between domestic and foreign economies and affects inflation and international business.

4.4.3. Individual assessing

Individual assessing of tourism importance and impacts deals with observation of an individual participant of tourism. This participant is a person with needs that tourism can satisfy. This assessment is using analysis of a need and wishes of a participant and analysis of his consumer behaviour.

4.4.4. Social and cultural assessment

Tourism is affecting the social and cultural structure of our society. In tourism there are interactions between residents and visitors of a destination interaction between their cultures. How tourism affects residents is more risky than how residents affect tourists. Usually it is resident who is willing to adapt to the situation, the adaptation of a tourist is limited. Positive effects are that destination's income increases as the competition increases, learning of foreign languages and cultures and expansion of infrastructure.... Into the negative effects belong the economic unbalance in society or tourists could be preferred to residents and higher delinquency or criminality is also possible.

4.4.5. Global impacts of tourism on the national economy

Global impacts of tourism on national economy can be characterized as the summary of direct, indirect and inducted impacts of tourism.

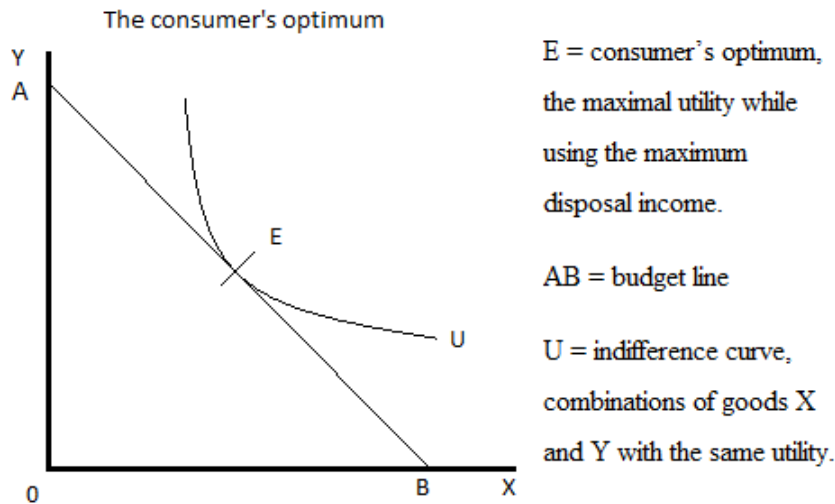
- The direct impacts are those that are directly connected with tourism, situations where there is a direct contact with the supplier of tourism and the participant of tourism.
- The indirect impacts are those that are not connected with the direct contact with tourist and supplier. Example is account service, marketing services for hotel, supplier of furniture or equipment to a hotel, supplier of food to restaurants and many others.
- The inducted impacts are those that represent other realization of income from tourism from the private sector, public sector and households. The example is increasing household costs based on increasing revenues from a foreign tourism in a destination.

4.5. Tourism Demand

Nowadays, general market is a market of demanders who are dominant. According to an economic theory it is possible to define three demands, Aggregate, Individual and partial demand. The aggregate demand of a consumer is a total amount of goods and services that every consumer wants to buy for a specific price. The individual demand is a demand of a single consumer or the demand after the production of a single supplier. The partial demand is a demand for a one specific product or service.

The usual consumer is trying to maximize his utility in the market. In most cases this utility increases as the amount of good consumed increases as well. The utility is not a simple function of an amount of good consumed, but it comes from preferences. These preferences and the way of their satisfaction are dependent on social, cultural and similar factors and so they are difficult to be involved in the function of a utility and so those preferences are mention to be given.

Graph 1: The Consumer's Optimum



Source: Own processed

The graph above pictures the optimal behaviour of a consumer, when he is maximizing his disposal utility when using maximum of his disposal income.

There are three main factors affecting the demand for tourism and these are disposal income, the price of demanded good and prices of other good. But in general, the reality is different. The tourist is willing to spend his money according to his preferences that are influenced by social, cultural or personality factor. Virtually, there are plenty of factors that are, however, divided into two groups. Motivating factors such as that are influencing the willingness of the customer. The other group, Limiting factors, refers to the ability of spending the money. The market demand is really difficult to predict due to all of these factors mentioned and there is a need of qualitative as well as quantitative methods. The demanders are not a homogenous group and the resulting behaviour is significantly individualised. Buying process is dependent on the experiences, frequency of the purchase, quantity of information and financial abilities. Because the market is individual and difficult to predict, the market segmentation is absolutely necessary to get an idea about the consumer's behaviour.

4.6. Tourism supply

In this subchapter it is described the most important features of tourism supply and show the trends of it. The most common subject of this supply is a company and its goal of maximizing its profit. The company's decisions are based on the amount of production supplied and the price. The supply in tourism industry is really diverse; nevertheless we can divide the objects of the supply to attraction and facility of a final destination (infrastructure and superstructure), that are described below. The company is the main supplier of a service in tourism, but we have to mention the state's government, a lot of association and non-profit organisations.

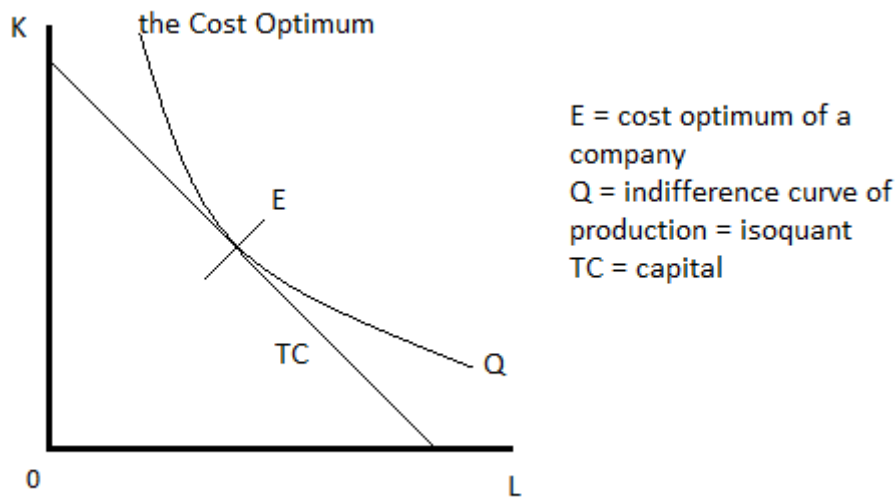
4.6.1. The supply according to an economic theory

The economic theory defines supply based on the same structure as the demand. The aggregate supply is a total amount of all sales (goods and services) which are provided by suppliers. The individual supply is a supply of a single producer. And the partial supply is the supply of one specific good provided by different suppliers.

The most common subject coming to the market is a company. The advantage of a single company is in need of team work. The team work is a result of a specialization and the effort of minimization of a company's expenses. Today's trend of a company is cooperation with other companies in order to increase its productivity and decrease the costs. This trend is technically called outsourcing, according to Žák (2002).

The company usually enters the market aiming to maximize its profit (difference between the total expenses and total revenues). Due to the economic theory the company is focused on the amount of a production supplied (considering technical and cost constrains) and it is also focused on a selling price (considering the level of demand). The cost optimum of a supplier is a place where isocost (the line of the same total costs) touches isoquant ("the same quantity of output is produced while changing the quantities of two or more inputs", according to Varian, Hal R, 1992), as it can be seen on a graph below.

Graph 2: The Cost Optimum



Source: Own processed

4.6.2. The offer in tourism supply

According to Malá (1999) offer of a supply is composed from attractions, services, tangible goods and useful effects that are available in a certain time and place to a customer. The offer in tourism has two important components, the attractions of final destinations and facilities of them.

Attraction of final destinations is dominant part of the offer and has the ability of attracting the customers to a final destination. It is also called as a primer offer, because it is the main aim of the tourism and satisfies the tourism needs. Attractions are divided into three categories, according to Vanhove (2005):

- The primer nature attractions
- Primer attractions built or organized, that are result of a human attractions
- Purpose-built or organized attractions

The primer nature attractions are able to attract visitors from the farer distances for longer vacations. Examples of these categories are mountain or coastal destinations. There are several factors affecting the curiosity of the nature attraction: Climate conditions, Morphological, hydrological and fauna and flora.

The second category describing attractions built or organized were originally not purposed to tourism, but nowadays are useful to tourism industry. The individual attractions are usually searched by tourists for shorter vacations. Typical examples are sights registered in UNESCO. These attractions originally built to different purposes that tourism are divided into four categories: Architectonical and Technical attractions (modern architecture, castles, temples...), Built and Natural attractions (parks, gardens, ZOO ...), Cultural and Sport Attractions (Museum, Galleries ...), Social Attractions (traditions, events, gastronomy ...)

Purposed built and organized attractions for tourism purposes are the last category that motivates tourists to longer or shorter vacations and considers: Entertainment Parks (Disneyland, Legoland ...), Spa centres, Sport centres, Congress centres...

Attractions are mostly localised and capacity limited, hence the tourism is defined by supply and usually not flexible. It is also needed to create legislative restrictions to protect the development of the tourism.

Facilities of final destinations are not attracting but are offering the product right on the place, which is the reason why this part of a tourism offer is called secondary. Facilities and services are predictions for the attractions. With its range and structure of facilities it has to match the primer attractions. The secondary category is able to adapt to the primer one. The facilities of final destinations are divided into two categories infrastructure and superstructure.

The most important part of superstructure is an accommodation services sector, such as hotels, pensions, camps or country houses, etc. In each country this sector is divided into many groups and categories due to their quality, facility and services offered, unfortunately, these are not united into any international categorisation. The other part of superstructure is food service sector, like restaurants, bars, coffees and so on. Beside those two sectors there are other components that are used not only by tourists but by residents, as well. Examples of them are sport centres, cultural components and bank or exchange services, renting cars, information services, health care and plenty of others.

Infrastructure is usually divided into transport infrastructure in a given destination. The main part of this sector is road and rail network, sometimes air corridors, public

transportation and even parking places and resting places. The other part of infrastructure is a public one and to this part belong water supply, canalization, lightening, telecommunication and so on. This public infrastructure is not primary built for tourism purposes but the development of tourism is places demands on this service.

4.6.3. Services in tourism supply

Services are, in general, one of the most important parts of the national economy and international market. It significantly affects the economy growth in terms of influencing gross domestic product of a country and employment, in general. The tourism market is mostly created from the services and that is why I am focused on them. According to Kubišta (2003), the service is a performance designed for a market and is an intangible commodity.

GATT (General Agreement on Tariffs and Trade) is dividing the services from the macroeconomic and microeconomic point of view.

If we talk in terms of macroeconomic, there are four categories set:

- Services materialized in goods
- Services that are complementary to trade in tangible goods
- Services that are substitution to trade in tangible goods
- Services that are unrelated to trade in tangible goods

According to this categorization, tourism is included in the fourth group.

In terms of microeconomic there are many categories such as: Business services, Communication services, Distributional services, Services connected with education, Services connected with the environmental protection, Financial services, Health and social services, Tourism, Cultural and sport services, Transport services and others.

There are four main specifics tourism has:

- Intangibility
- Transience
- Inseparability
- Heterogeneity

The intangibility is the most typical feature of tourism. The customer cannot touch, see or try the product before the consumption. The customer can hardly measure other competitive products and he risks his financial availability.

The transience of tourism means the unavailability of product storage. That means that the service can be produced only at the same time when the demand is specified. In terms of tourism there are a lot of fixed costs in transportation and accommodation services.

The inseparability means that the services have to be personal. The service has to be put into effect with the customer.

The human factor is affecting tourism, what confirms the last category – heterogeneity. The high percentage of human factors results in difficult measurability of the product's quality.

According to Oriška (2010), the tourism services are heterogeneous and that is a reason for dividing them according to a different criteria:

- According to their type: this feature is the most common and includes a wide range of services such as accommodation, food, transport and many of other services...
- According to a payer of costs: from this point of view we can possibly divide services into those paid (commercial) or not paid (public)
- According to a character of a need: these services are offered directly to tourists and these services are called personal. Or there are services mediated such as repair of sports equipment.
- According to a satisfaction of a service: in this category we can divide them into basic services (transport, accommodation, food) and additional services (all others).

4.6.4. Trends in tourism supply

Vanhove (2005) considers there are trends in tourism supply widely known. These are

Constantly increasing competition: from the beginnings of tourism there is increasing competition, new products and new suppliers are coming into the market faster and faster. The market is now extremely variable and tends to be more.

Legal, financial and marketing company connecting: the main trend in tourism supply is concentration. The most significant concentration is visible on air transport in a form of fusion or alliances, e.g. Star Alliance or Sky Team. Its goal is higher the additional value for a client and lower the cost and, of course, profitability. Other examples are American Express, Hilton Hotels...

Increasing importance of information technology: beside other components, the most revolutionary one is the Internet. We can search for a new products, book them and operate with them. Virtually, it is a great business.

Increasing importance of branding: as it was mentioned, there are plenty of new products coming every day to a market and to be successful in competition the brand can be one of the best tool. According to Palatková and Zichová (2011), the brand is a communicational tool, which is consisted by all the marketing activities and values of the entity.

More attention to the frequent tourists (customer relationship management): in this time the demand is very individualized with a wide range of requirements. It can happen that one customer will require different services in different situations, e.g. the customer's family trip and his business trip. There is a need to know all those preferences and thanks to information and communication technologies, there is a possibility to offer sophisticated and personalized products.

New products: because there is need of a customer's satisfaction, the market is coming up with many of new and different products. In the last years trends are showing that healthy life style, ecological or entertainment forms of tourism are one of the most attractive.

4.7. Balance of payment and tourism

According to Stein (2012) "The balance-of-payments accounts of a country record the payments and receipts of the residents of the country in their transactions with residents of other countries. If all transactions are included, the payments and receipts of each country are, and must be equal. Any apparent inequality simply leaves one country acquiring assets in the others". If we talk about tourism in balance of payment, there is a foreign active and passive tourism category. The domestic tourism is not mentioned in a balance of payments

because there is no movement of a good or service across the borders. Czech National Bank and European Central Bank are setting the balance of payments for the Czech Republic. The balance is made quarterly with currency in Czech crown, Euro, and US dollars.

The balance of payment has horizontal and vertical structure. Horizontal structure considers credit and debit. According to Maitah (2012) the credit in the balance of payments represents payments from foreigners, which means supply of foreign exchange and demand for the local currency. On the other hand, debit considers payments to foreigners, which means demand for foreign exchange and supply of the local currency. Vertical structure considers current, financial and official settlement account. In the current account there are payments for imports of goods and services from abroad, receipts from exports of goods and services sold abroad, net interest paid abroad, and net transfers. The financial account represents foreign investment in the country minus investment of that country abroad. And the last one, official settlements account, is an account that comprises the change in the country official reserves. If the balance of payments is created well, all the accounts summed (Current, Financial and Official Settlement) has to be equal zero.

The field Tourism in the balance of payments is recorded in balance of services in the current account. According to Palatková and Zichová (2011) the tourism balance of payment is created from the economic transactions between national and international economy, including every operation connected with tourism. Simply, in every account in balance of payment there is operation related to tourism, these are:

Trade balance, that consists of import and export of consumer and capital goods for tourism.

Transport services that consider private transport for tourism.

Revenues, which consider revenues from capital, investments and work from the activities related to tourism.

Unilateral transfers can include, for example, a pension of domestic workers, who were working in tourism area in abroad.

Capital account records transactions of intangible rights (licences, patents...) related to tourism, as well.

Financial account shows operations related to creation, extinction and change of property of financial assets and liabilities of a private sector.

4.8. Economic Importance of Tourism

The tourism has an influence to employment, creating of new job opportunities, support of small or medium entrepreneurship, the flow of financial means, inflow to the state budget, the salvation of the cultural or art or historical monuments, the increase of the level of education and life standard of society and stimulation of investments to the local infrastructure (CzechTourism, 2011a).

The impacts of the tourism can be positive or negative. Positive impacts are new work places, increase of income, and reconstruction of monuments and improving of infrastructure. Some of the negative impacts are danger of natural welfare, threat in losing the uniqueness of the local culture or monument and losing the privacy of the local inhabitants.

All the tourism activities should be realised with considering the negative effects of this industry and to keep this threats in mind in long-term period.

To estimate Economic Importance of Tourism we have to consider domestic as well as international type of tourism. The advantage of this industry is in foreign exchange without exporting of any product and in fact, that money earned is staying within the country and makes the earning stable. It also helps in creating new and quality job positions, which of course makes up a positive impact to an economic sphere of a country. In general, the number of jobs tourism is offering is closed to 200 million job positions in the whole world. The government usually benefits from the tourism by establishing specific taxes and other laws. About US\$6 trillion is spent in tourism globally and generates almost 12 per cent of the world's GDP. Tourism is also the fastest way how to recover from the crisis, because of the reasons mentioned. And single tourists benefit from travelling as well by interacting between the countries and cultures and getting to know more about the world, as Wong (2012) states.

As the World Travel and Tourism Council estimates from the research that has been doing since 1991, the Tourism is one of the biggest and most important industries. In this sector there are plenty of job opportunities and one of the best paid job positions. The Council did another research in 2008 and predicted the trend of tourism until 2018. Their forecasts are positive and the industry is predicted to extend. Europe and America will remain the most visiting countries. Nevertheless, East Asia has, as well, good presumptions to follow the trend.

5. Tourism in the Czech Republic

In the second half of the 19th century the development of tourism in the Czech Republic was not different from other European countries. Later there were significant differences in micro and macroeconomic factors influencing supply and demand of tourism. In macroeconomic environment those factors were for example political and legal factors, social, demographical, technological or ecological. In microeconomic factors belongs character and structure of firm, suppliers, marketing or current customers. (Palatková, Zichová; 2011)

5.1. Tourism in the Czech Republic until the year 1989

According to Malá (1999) development of tourism is a need of recreation and a need of immediate cognition. These needs are connected with a development of production which caused a need of recovering the connection with nature, need of education and cognition and need of recovering the contact with people. Factors affecting the establishment and following development of tourism are divided as said by Palatková and Zichová (2011) into economic and non-economic factors:

Economic factor includes development of production, satisfaction of a basic living needs, sufficient funds and sufficient of free time.

Non-economic factors are peaceful living conditions, existence of potential for development of tourism and personal freedom (freedom of movement).

5.1.1. Tourism between 1848-1918

This era is significant by its fast development in inventions, industrial production, communicational technologies and transportation. Prague at these times was the second

most important industry centre after Wien in the Austro Hungarian monarchy. This industrial production led to a development of a money market and establishing of other financial institutions. In terms of transportation, the leader was rail transport and sustainable building of railways. There was also a need of public transportation within the cities and that was satisfied by so called electric railway. Also postal institutions were established and developed and telephone traffic, as well. One of the most important improvements of these times in Prague was canalisation and supply of fresh water into households which result in a positive change in healthy environment.

This infrastructure building was helpful for tourism and his development. It was not only Prague, but as well spa centres such as Karlovy Vary and Mariánské Lázně. More and more demands on education of qualified work force were recorded. Tourism of these days was more frequent during the summer season and first tourist associations were established, like Klub českých turistů (The Association of Czech Tourists), in 1888. State did not interfered into the tourism so much and there were minimal state regulations.

5.1.2. Tourism between the World Wars (1918-1939)

During this era, the most important event was a new state created – the Czechoslovakian republic, which had visible consequences on the social and economic changes. Great progress was significant in vehicular traffic and railways were built still very frequently and were electrified. Air traffic has to mentioned, because there was the first airport built in Prague and in 1923 Czechoslovakian airlines were founded. The development of tourism was really successful and in 20's the tourism in Prague increased by more than five times. This statement was supported by the creating the Prague's airport to be international. The most of tourism activity was recorded in Bohemia; other parts of the republic such as Moravia, Silesian, Slovakia and Ruthenia were not so attractive.

According to a lot of factors such as stopping the inflation and great realisation of deflationary politic the Czech currency, Czech crown, was a strong monetary unit. Nevertheless, after the crisis in 1929, the crown was devaluating and the consequences on tourism were significant. There were also visible negative impacts on industry and unemployment not just a financial crisis, but agrarian crisis begun, as well. In this period, the economic crisis affected negatively all types of tourism. A mild change was visible after the Second World War ended, in 1945.

5.1.3. Tourism in 1945-1989

This period is influenced by consequences of the Second World War and also by political changes in 1948, when Czechoslovakia was part of a socialistic block. These political factors are reflected in other economic conditions for the tourism development. The Republic has started to isolate itself from the world market. Because of the strict legal restrictions, the international tourism was limited a lot, but this is a good time for the domestic tourism. There are 8 factors influencing the development of Czechoslovak tourism:

Economic factors – appeared centrally planned economy based on common ownership, where the private ownership vanished. There were lost connections with convertible currencies. Although the population was increasing, the total economy stagnated against the capitalistic countries.

Political factors – there was a freedom in movement limited which is the basic constrain for tourism. The international tourism was considered to be ideologically inappropriate in terms of different idealisms of socialistic and capitalistic blocks. The foreign tourism was allowed only to the countries of socialistic block, with unique exceptions.

Social factors – tourism is a part of the life-style, but mainly the domestic type. The tourism is understood as a form of a rest for working people. Just the best and the hardest workers were rewarded to spend a week or a weekend on a vacation.

Demographic factors –the number of family members lowers and the position of a woman in household has changed due to the emancipation. Urbanisation is increasing.

Technological factors – the development of transport and so mobilisation, but still not on the level of capitalistic countries.

Ecological factors – the protection of environment was declared, because of statement that tourism has to be developed only in clear and healthy environment.

Factors of demand – limited opportunities to travel into the foreign countries, the prices of goods and services tourism offered were rigid, because they were officially defined. The short-term tourism was popular, the working Saturdays were cancelled.

Factors of competitive environment – first of all, there was no competitive environment, only a monopoly in a foreign market of tourism. Supply is greater than the demand is and we have to talk only about the domestic suppliers.

Microeconomic factors – goods and services are provided just by state enterprises and the services are provided without the consideration of needs of the customer.

5.2. Tourism in the Czech Republic after the year 1989

There were great changes in economic and political changes of development of the Czech Republic and so the tourism, mainly the international one. The Czech Republic has divided from the socialistic block, which means that national economy has started to be an economy of a market.

5.2.1. Tourism between 1989-1993

The fall of restrictions has started with an explosion of international tourism. From the 1st of January 1990, there is a move from centrally planned economy to the market economy which considers five basic pillars: the price liberalisation, liberalisation of an international trade, macroeconomic stabilisation, privatization and creation of social network.

5.2.2. Tourism since 1993 until nowadays in the Czech Republic

On the 1st January 1993, Czechoslovakia split into the Czech Republic and Slovakia. The Czech Republic immediately recovered from the socialistic era and there is a fast economic progress. The Czech Republic was one of the fastest states that recovered from the socialistic block and was rewarded by “A” by rating agency called Standard and Poor’s. The import of goods and services increased, tourism included. Unfortunately, the tourism in the Czech Republic negatively influenced floods in 1997 and 2002, when Prague was affected, as well. Another critical moment was after the 11th September 2001, when tourism stagnated. On the other hand, preparing the Czech Republic to join the European Union had positive effects to the international tourism. After the EU accession, Czech economy was growing until the 2009. The Czech Republic could benefit from the European funds which helped to tourism development. Since 2007, there is world economic crisis starting to influence the expenditures for tourism. The Czech Republic was just in an economic increase, unfortunately, the crisis consequences affected the foreign

countries faster and the international tourism has started to decline. The effects of a crisis still insist, on the other hand according to the World Travel and Tourism Council, there are positive forecast and tourism is expected to increase.

5.3. Tourism supply in the Czech Republic

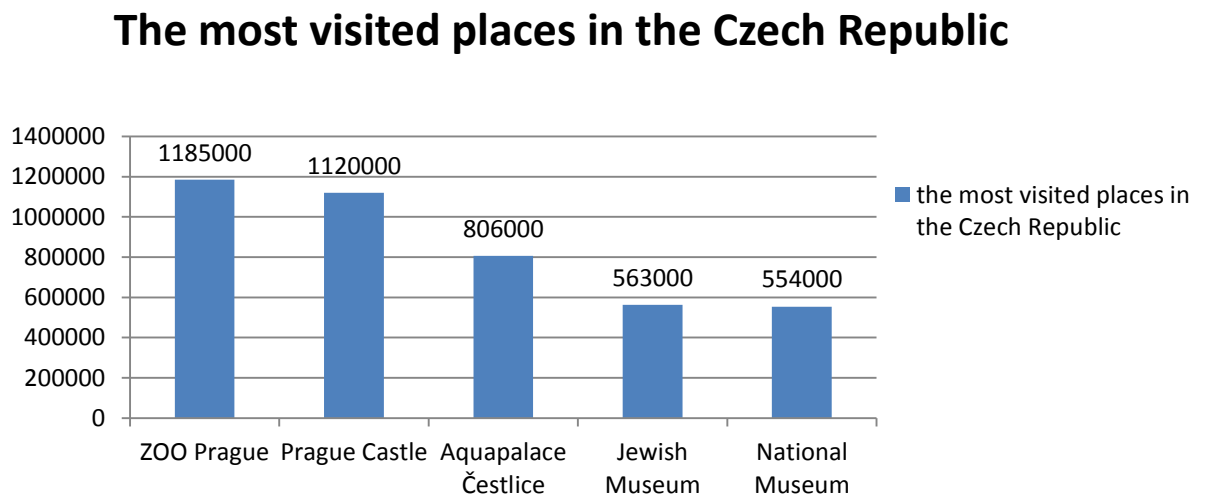
The Czech Republic is offering a lot of opportunities for tourism. From the cultural, historical, entertainment or sport activities, there are many of others. Places where incoming tourism is greater than the domestic one are only Prague and region of Karlovy Vary. In comparison to other Czech regions, in Karlovy Vary, tourists stay there for the longest time as a result of the spa tourism. For the foreign tourists the Czech Republic is connected only with the capital city of Prague, unfortunately for other beautiful parts and attractions of the Czech Republic. Prague is the most promoted attraction of this country and in the eyes of foreign tourists is magical and mysterious. Approximately two thirds of all incoming tourists coming to the Czech Republic are spending their vacation in Prague. According to these facts, it is understandable that the most common activities of the foreign tourists are urban tourism and visiting cultural and historical attractions. (CzechTourism, 2012b)

The Czech Republic has strong tradition in tourism and in abroad it is popular. This republic has a long history and many of historical monuments attract the tourists from abroad to see. The UNESCO organisation is taking care of most of them. UNESCO shortcut stands for United Nations, Educational, Scientific and Cultural Organization. In the Czech Republic there are 12 places and 3 cultural events recorded in UNESCO organisation, according to UNESCO Czech Heritage web sites. These are Brno, Český Krumlov, Hološovice, Kroměříž, Kutná Hora, Lednice-Valtice Areal, Litomyšl, Olomouc, Prague, Telč, Třebíč, Žďár nad Sázavou, Falconry, Carnival, Slováký Verbuňk. The UNESCO is one of the most respected organisations and provides, in terms of tourism, the target destinations for tourists. If the place is registered on the list of UNESCO heritage, it could be used as an attraction for tourists, for the reason that it warrants something special, which the tourist cannot find anywhere else in the world. The place also profits and with the help of this organisation is protected. (UNESCO Czech Heritage, 2012)

5.3.1. The most visited places in the Czech Republic

In this part of the thesis top 5 tourism destinations of the Czech Republic are described. Data are taken from the Czech Tourism organisation.

Graph 3: The Most Visited Places in the Czech Republic



Source: IDNES.cz, 2012; Own Processed

All of the first destinations are placed in the capital of the Czech Republic, Prague. Prague attracts incoming tourists the most and it is also because of its good promotion in the world. Prague attracts the tourists because it is a capital city but has also a mysterious reputation. On the first place there is the Prague Zoo with almost 1.2 million of tourists. On the second place there is Prague castle with 1.12 million of tourist, although this statement is questionable. In the complex of Prague castle there are just a few attractions that tourists pay for and from where the number of visitors comes from. But the whole complex of Prague Castle visited definitely more tourists, approximately 5.67 million, says Tomio Okamura, vice-president of The Czech Association of Travel Offices and Agencies. From those data, about 46 per cent of all tourists are visiting Prague Castle. (Mediafax; 2012)

5.4. Incoming tourists

In this chapter the Ethnic Composition of Tourists of the years 2009, 2010 and 2011 are compared. In each graph there are ten nationalities that visit the Czech Republic the

most. The comparison shows the influence of the world crisis in 2009. In every country, there was a decrease of tourists incoming to the Czech Republic in 2009. In 2011 there is a significant difference, because all the top ten countries increased their visits of the Czech Republic. The Germans are visiting this country the most, however, there are not increasing the number of visits sustainably. Although the Russian visitors create only about one third compared to the Germans, they enlarge their visits in the country rapidly and every year there is a big increase in their arrivals. The other nationalities are the same each year. These are the Poles, the Slovaks, the Italians, the British, the Americans, the French, the Spanish and the Dutch. Almost every country raises their numbers of visits in the last year, excluding the British. In general, the increasing trend is positive. Also tourists from Asia are important component of the incoming tourism in the Czech Republic. On the first places there are the Japans and the Chinese are following (thanks to their strong economy) and their numbers are increasing.

Graph 4: Ethnic Composition of Tourists in the Czech Republic, 2009

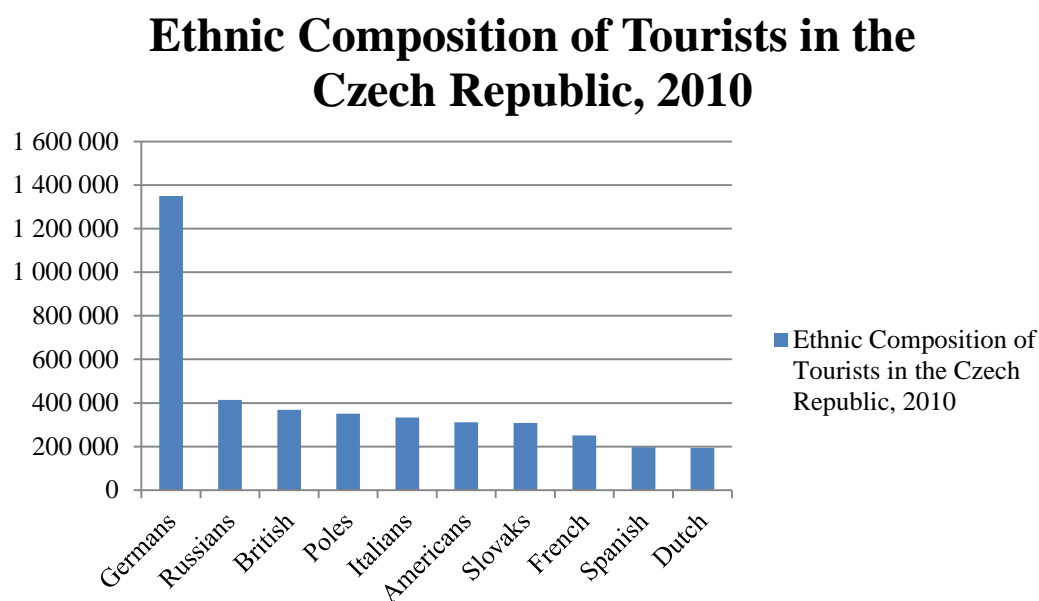


Source: Travel Digest, 2010; Own processed

As stated by Travel Digest and its data, in 2009 are shown the effects of the world crisis. In statistics there is a decrease of visits in each country visiting the Czech Republic. The leading country is Germany with 1,404,000 of visitors; however they reduced their

numbers of visits by 5 per cent. Other nationalities visiting the Czech Republic were the British, the Italians, the Poles, the Russians, the Slovaks, The Americans, the French, the Dutch and the Spanish. The most significant decline in visits is recorded in countries such as the Great Britain (-23 per cent), Russia (-22 per cent) and Spain (-21 per cent). Excluding the world crisis, there was another factor influencing British and Russian decline and that was the price of the Great British Pound and Russian Rouble which decreased against the Euro. The result was more costly vacation for these countries. The decrease of incoming tourist was significant for the Czech Republic because the decline was lower by 9 per cent in total, according to previous year. The lack of tourists resulted in cuts of accommodation prices that were the lowest in modern history.

Graph 5: Ethnic Composition of Tourists in the Czech Republic, 2010



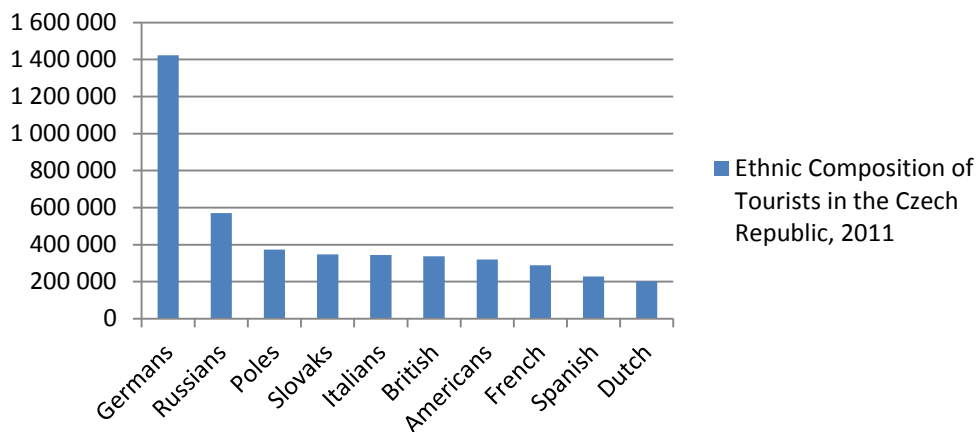
Source: ČSÚ, 2011; Own processed

According to data took form the Czech Statistical Office, the Germans were totally leading in the visiting of the Czech Republic in 2010. The Number of visitors from Germany was 1,350,336 visitors, however, they lower their visits by 3 per cent compared to the previous year 2009. On the other hand, the Russians, who are on the second place of this chart with number of visitors of 413,765, increased their visits of

the Czech Republic by 27 per cent, which is the highest increase of visitors recorded. The other nationalities that follow are the British, the Poles, the Italians, the Americans, the Slovaks, The French, the Spanish and the Dutch. These nationalities are on the same places over a few years and are slightly increasing in their numbers of visits.

Graph 6: Ethnic Composition of Tourists in the Czech Republic, 2011

Ethnic Composition of Tourists in the Czech Republic, 2011



Source: ČSÚ, 2012; Own processed

According to data taken from the Czech Statistical Office, the leaders were definitely again the Germans. 1,422,348 of visitors from Germany came to see the Czech Republic and higher their number of visits by 5 per cent when comparing with year 2010. The reason could be increasing German economy and their low level of unemployment, which results in their willingness to pay and spend money for tourism in the Czech Republic. The most favourite type of vacations in this country is spa stays for Germans. On the second place are the Russians as it was in the previous year 2010. The Russian tourists enlarge their numbers of visits every year very progressively. In 2011, they broke the record from the previous year and increased their visits by 37 per cent. Following countries are similar as in the year 2010. These two leaders follow the Poles, the Slovaks, the Italians, the British, the Americans, the French, The Spanish and the Dutch. Only British

lowered their number of visits by 9 per cent, all of the other nationalities increased visits of the Czech Republic, especially the Spanish (+19 per cent), the French (+15 per cent) and the Slovaks (+13 per cent).

5.5. Analysis of the tourism in the Czech Republic in 2011

Following statistical statements are brought from the web server Czech Tourism. The visiting of the Czech Republic was record high in 2011. The incomes from the international tourism were 135 billion of Czech Crowns (rate is approximately 25 Czech crowns for 1 EURO). The balance of payments results 54.4 billions of crowns of surplus. All of these statements are taken from the Czech National Bank. In comparison to other years, there are no bigger differences. Although the number of visits was the highest in the history, the tourists preferred more low-cost vacations. Finally, the incomes from tourism are not higher than in the previous years. According to Czech Statistical Office, in 2011 there were 6.8 million of foreign tourists, which is by 7.9 per cent more than in the previous year and the highest amount in the history.

6. Results

In the chapter Results it is verified the relation between the Tourism and GDP in the Czech Republic. By using the Gretl statistical program and Microsoft Excel program was computed and testified the relationship between GDP and tourism expenditures. The dependency and forecast of these two parameters are determined and included in this chapter. SWOT analysis is used in this part of this thesis to describe the position of tourism in the Czech Republic.

6.1. Tourism and GDP

Tourism in the Czech Republic generates approximately 3% of GDP (ČSÚ, 2011). This margin fluctuated in past years, but 3% is average. In order to investigate whether the GDP is dependent on tourism or not the analyses were made. The results of the first analysis prove that the GDP will reach its maximum in 2012 and then it will stay more or less the same until 2014 when the slight decrease is predicted. This calculation has been made with the data about tourism expenditures as well. This analysis shows that the maximum has been reached in 2007, since this year there is a slight decline. The year 2007 is connected with world crisis and that is why we obtain diminishing results. Values for years 2012-

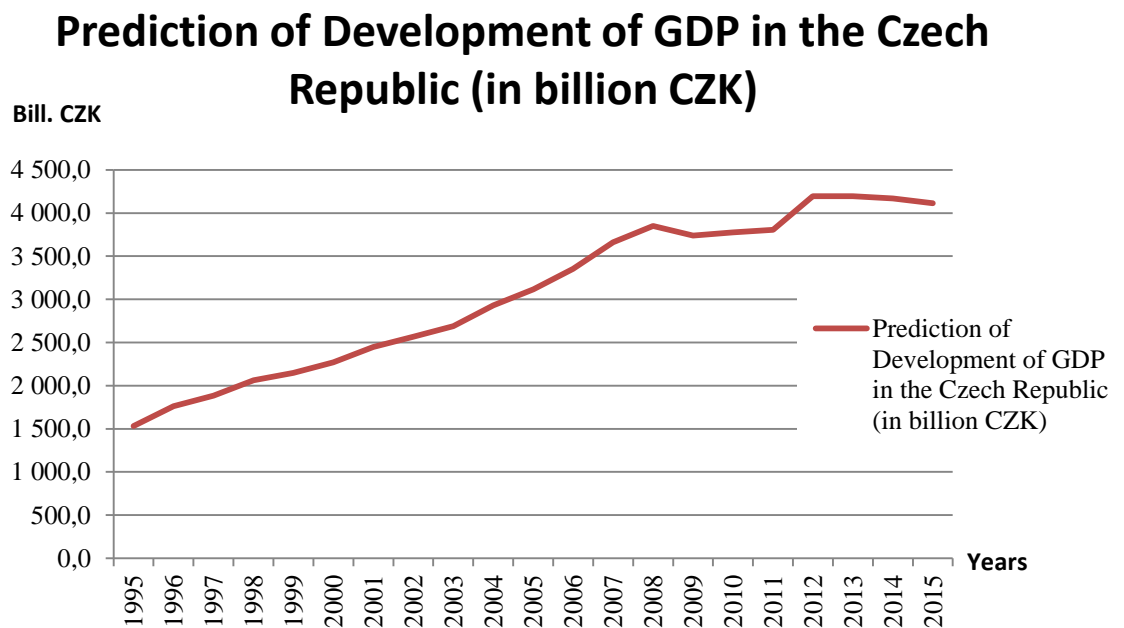
2015 are calculated by MS Excel. From the GRETL analysis there is significant relationship between the tourism expenditures and the Czech GDP is generated.

6.1.1. GDP in the Czech Republic

The other analysis predicts the development of GDP in the Czech Republic. The GDP in the Czech Republic will reach the maximum of 4.197 billion CZK in 2012 and then it will stagnate. Maybe in 2014 it will start to decrease, but not significantly. The tourism will probably decrease as well.

This forecast is only illustrative, because the development of GDP is very dependent on character of government of the Czech Republic. The government and its reforms are essential for further development of GDP.

Graph 7: Prediction of Development of GDP in the Czech Republic



Source: ČSÚ, 2010; Kurzy.cz, 2012; Own processed

Table 1: Prediction of Development of GDP in the Czech Republic

Year	2012	2013	2014	2015
GDP in bill CZK	4197.0	4194.2	4167.9	4114.5

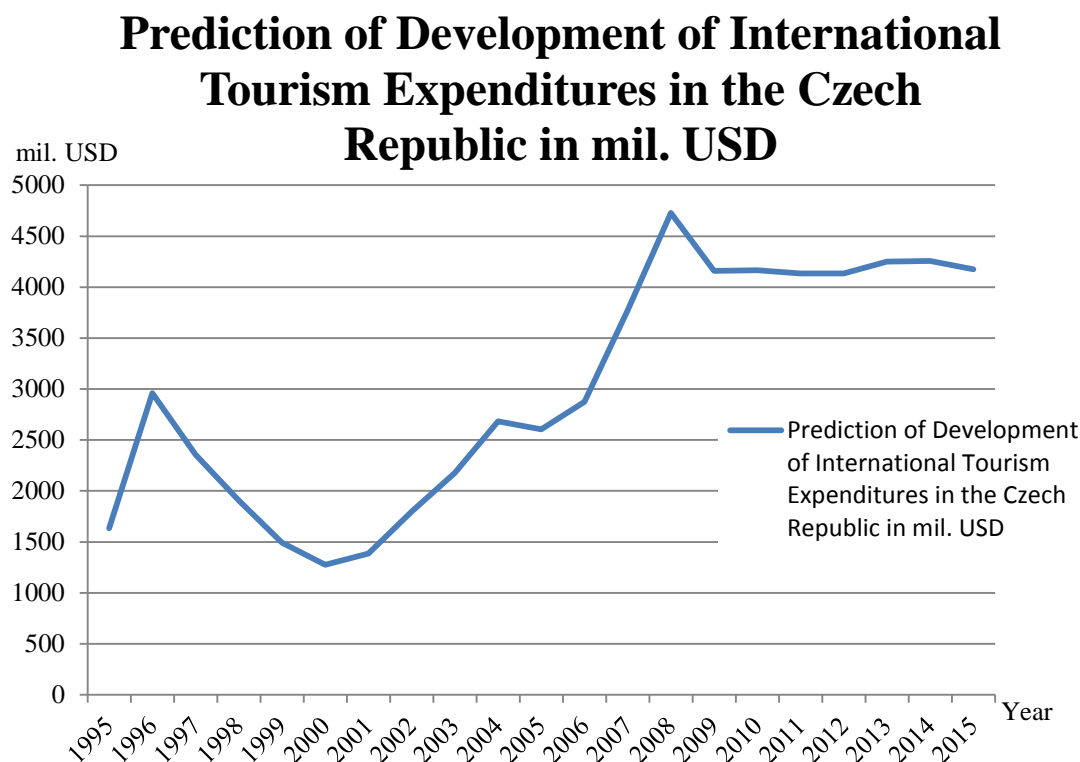
Source: ČSÚ, 2010; Kurzy.cz, 2012; Own Processed

6.1.2. Tourism Expenditures

“International tourism expenditures are expenditures of international outbound visitors in other countries, including payments to foreign carriers for international transport. These expenditures may include those by residents traveling abroad as same-day visitors, except in cases where these are important enough to justify separate classification. For some countries they do not include expenditures for passenger transport items“ (WTO, 2011).

According to data available from World Tourism Organization the highest expenditures from international tourism were reached in 2008 and generated 4,729 million USD (87,486.5 CZK, if 1 USD=18.54CZK). Then the expenditures significantly decreased in 2009 and are stable until the predicted results in year 2013 where there is a visible increase, but not significant.

Graph 8: Prediction of Development of International Tourism Expenditures in the Czech Republic in mil. USD



Source: WTO, 2011; Own processed

Table 2: Prediction of Development of International Tourism Expenditures

Year	2012	2013	2014	2015
Expenditures mil. USD	4123.2	4239.3	4243.9	4165.4

Source: WTO, 2011; Own Processed

6.1.3. Dependency of International Expenditures on the Czech GDP

For the calculation of Dependency of International Expenditures on the Czech GDP it is used statistical program GRETL and its Ordinary Least Square Method. The program generated the equation $Y = 53901.1 + 37.8779x$, where Y stands for GDP and X for tourism expenditures. If the tourism expenditures will increase by 1 unit, total GDP of the

Czech Republic will increase by 36.266 units. This result signs the strong dependency. The important result is P-value that is really close to zero and proves us that the result is statistically significant. The Gross Domestic Product is definitely influenced by many factors and with this calculation it is proved that tourism expenditures is one of them. The R-squared shows that from more than 70 per cent are the results computed form the data given, which is quiet satisfying and the result of our calculation is probably correct.

Figure 1: Dependency of International Tourism Expenditures on GDP

Model 1: OLS estimates using the 21 observations 1995-2015				
Dependent variable: GDP				
VARIABLE	COEFFICIENT	STDERROR	T STAT	P-VALUE
const	56409,3	15024,2	3,755	0,00134 ***
Expenditures	36,2660	4,68866	7,735	<0,00001 ***
Mean of dependent variable = 165071				
Standard deviation of dep. var. = 48458,2				
Sum of squared residuals = 1,13198e+010				
Standard error of residuals = 24408,6				
Unadjusted R-squared = 0,758969				
Adjusted R-squared = 0,746283				
Degrees of freedom = 19				
Durbin-Watson statistic = 0,46577				
First-order autocorrelation coeff. = 0,722957				
Log-likelihood = -240,903				
Akaike information criterion (AIC) = 485,807				
Schwarz Bayesian criterion (BIC) = 487,896				
Hannan-Quinn criterion (HQC) = 486,26				

Source: own processed

$$Y = 56409.3 + 36.266x$$

Y = GDP

X = International Tourism Expenditures

If the tourism expenditures will increase by 1 unit, total GDP of the Czech Republic will increase by 36.266 units. This result signs the strong dependency.

6.2. SWOT Analysis of the Tourism in the Czech Republic

The SWOT analysis is “a tool that identifies the Strengths, Weaknesses, Opportunities and Threats of an organization. Specifically, SWOT is a basic, straightforward model that assesses what an organization can and cannot do as well as its potential opportunities and threats. The method of SWOT analysis is to take the information from an environmental analysis and separate it into internal (strengths and weaknesses) and external issues

(opportunities and threats). Once this is completed, SWOT analysis determines what may assist the firm in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results” (Investopedia, 2012). In this chapter it is described where the Czech Republic is strong and weak and its potentials.

Strengths: the Czech Republic lies in the middle of Europe, which is great strategic position, because of easy accessibility. As it was already mentioned, there is a wide range of opportunities in tourism. In the Czech Republic there are a lot of places recorded in UNESCO, especially whole historical centre of Prague, the capital of the Czech Republic, which is a phenomenon for international tourists and is the target destination of this republic. Also there is beautiful nature that attracts international tourist in every annual season. The Spa localities such as Karlovy Vary and Teplice with a long and popular history are likewise very famous across the borders. Overall, the Czech Republic offers enough accommodation and services for tourist. The republic is also stable and tolerant state in terms of economic, cultural or political problems. And finally, for foreign tourists, especially for those from the West, the Czech Republic is very cheap in expenditures for goods and services.

Weaknesses: One of the most problems in tourism is badly educated personal. In services, employees do not speak foreign languages (except Prague). The customer relation-ship is one of the areas that should be intensively improved. Taking care of sights should be also more precise. In my opinion, there is lack of promotion abroad of the Czech Republic. People abroad know mostly just Prague, but the Czech Republic offers more.

Opportunities: one of the opportunities could be bigger focus on sights and tourism attractions out of Prague. Also take care of new or forgotten attractions or curiosities and maybe let them to be recorded in UNESCO, as well. The government should support more work places in tourism field and enable workers to be educated, because with a good service and good reviews, there will be more tourists coming and spend money in this country. Another opportunity is to let people know about vineyards in the South Moravia, so that rural areas would benefit from the tourism, as well. To summarize all, be more proactive in the promotion of this republic and extend and use its potential.

Threats: There is a potential threat in maintenance of sight and touristic destinations due to a high frequency of tourists on the specific location. With more tourists the pollution of the locality increases and criminality, sometimes, as well. When a new locality starts to be touristic attractive, the level of service do not have to be satisfying for the customer needs and wants in terms of language skills, behaviour to customers or skills in providing services. If the level of satisfaction is not high enough, the location loses its attractiveness followed by lower amount of visitors and so the benefits from tourism. There also do not have to be enough resources and capital for extension the tourism industry in this country.

7. Conclusion

In this thesis, the definition of tourism has been stated. Tourism has been defined with all of its features and effects on the economy and the historical development of tourism has been described, as well, to make readers more familiar with the context of tourism in the society and asses the effects and impacts of it. The state can benefit from tourism a lot nonetheless the negative consequences has to be considered, as well. The officials should think about how to use the tourism in terms of helping the economy and society. The tourists spend a lot of money in the state, tourism creates many of job opportunities and people are getting to know new culture and population is then better educated. However, there is a thread of the negative tourism effects, such as higher criminality or devastating the monuments resulted by a big frequency of incoming tourists.

The predictions of development of tourism are positive thanks to the fact, that tourism became the everyday part of people's life-style in developed countries and it extends every day. Not only the high-class society can afford to travel, but the opportunity of tourism is available to a wider range of population. The tourism becomes to be more and more popular and more available so that the forecasts are optimistic.

The tourism is one of the biggest and most important industries that changes really fast and so far the Europe and America benefits the most from it. This industry is extremely flexible and competitive. The money spend on tourism generates approximately 12 per cent of the world's GDP which is significant proportion and prove that tourism became an important part of the economy. That is the reason, why it is effective to study tourism more deeply and to be familiar with all of its features.

The tourism is put into the context of the Czech Republic and its impacts are evaluated. The most favourite places that tourists visit in the Czech Republic are defined, as well. With Microsoft Excel, the incoming tourism flows in years 2009, 2010 and 2011 are put into the graph. The ethnic composition of tourists, their amount and annual differences are described and clearly displayed in the graphs. This analyse proved the negative effects of the world crisis in 2009 where all the inflows of incoming tourism were diminishing. Fortunately, in 2011 the increase in almost all visitors are proven and the optimistic forecasts are expected. The research also proved that the Germans are nation that visits the Czech Republic the most, nevertheless the Russians increase their numbers of visits every year very rapidly and so we should not underestimate it.

The Gross Domestic Product and International Tourism Expenditures are analysed as well, and the prediction until the year 2015 has been calculated in Gretl program. The relation-ship between these two variables has been generated and the results confirm a significant dependency.

This all is followed by SWOT analysis. This analysis has been made to look at the Czech Republic in terms of tourism and to determine what may assist the republic in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results.

8. Resources

BOOKS

Freyer, W: Tourismus, Muenchen 2009, ISBN 80-238-6275-8.

Hesková, M.: Základní problémy cestovního ruchu. Praha, Vysoká škola Ekonomická v Praze, 1999, 142s., ISBN 80-245-0439-1.

Kubišta, V. a spol: Mezinárodní ekonomické vztahy, HZ edition, Praha 2003, ISBN 80-86009-29-7.

Malá, V.: Cestovní ruch (vybrané kapitoly) VŠE, Praha 1999, ISBN 80-7079443-7.

Orieška, J.: Služby v cestovním ruchu, Idea servis, Praha 2010, ISBN 978-80-85970-68-5.

Palatková, M., Zichová, J.: Ekonomika Turismu, Grada Publishing, a.s., Praha 2011, ISBN 978-80-247-3748-5.

Vanhove, N.: The economics of tourism destinations, Elsevier Ltd., Oxford 2005, ISBN 0 7506 6637 4.

Varian, Hal R.: Microeconomic Analysis, third edition, Norton, 19927

WTO, 2007: A Practical Guide to Tourism Destination Management, WTO, Spain, ISBN: 978-92-844-1243-3.

Žák, M.: Velká ekonomická encyklopedie, vydavatelství Linde, Praha 2002, ISBN 80-7201-381-5

ONLINE SOURCES

CzechTourism, 2012a: Cestovní ruch přinesl Česku 135 miliard. [online]

<http://www.czechtourism.cz/tiskove-zpravy/cestovni-ruch-prinesl-cesku-135-miliard-korun.html>, 17.3.2012

- CzechTourism, 2012b: Cestovní ruch na počátku 3. tisíciletí. [online]
http://www.czso.cz/csu/tz.nsf/i/cestovni_ruch_na_pocatku_3_tisicileti20110512/,
17.3.2012
- Český Statistický Úřad, 2011: Cestovní ruch. [online]
http://www.czso.cz/csu/redakce.nsf/i/cestovni_ruch, 15.2.2012
- Go2, 2012: What is Tourism?. [online]
<http://www.go2hr.ca/BCsTourismbrIndustry/WhatisTourism/tabid/71/Default.aspx>,
28.2.2012
- IDNES.cz, 2012; Prvních šest nejnavštěvovanějších míst v Česku obsadila Praha.. [online]
[http://praha.idnes.cz/prvnich-sest-nejnavsteovanejsich-mist-v-cesku-obsadila-praha-p7v-
/praha-zpravy.aspx?c=A110824_1640026_praha-zpravy_ab](http://praha.idnes.cz/prvnich-sest-nejnavsteovanejsich-mist-v-cesku-obsadila-praha-p7v-/praha-zpravy.aspx?c=A110824_1640026_praha-zpravy_ab), 17.3.2012
- Investopedia, 2012: Definition of SWOT analysis. [online]
<http://www.investopedia.com/terms/s/swot.asp#axzz1pPGiTJCN>, 17.3.2012
- Investor Words, 2012: Definition of GDP. [online]
<http://www.investorwords.com/2153/GDP.html> 7.3.2012
- Maitah, M., 2012: Macroeconomics, Balance of Payments. [online]
<http://www.maitah.com/Macroeconomics/Balance%20of%20Payments.pdf>, 17.3.2012
- Mediafax, 2012: Pražská ZOO zůstala nejnavštěvovanějším turistickým cílem v Česku.
[online] [http://www.mediafax.cz/domaci/3264006-Prazska-zoo-zustala-
nejnavsteovanejsim-turistickym-cilem-v-Cesku](http://www.mediafax.cz/domaci/3264006-Prazska-zoo-zustala-nejnavsteovanejsim-turistickym-cilem-v-Cesku)
- Stein, H., 2012: Library of Economics and Liberty, Balance of Payments. [online]
<http://www.econlib.org/library/Enc/BalanceofPayments.html> 17.3.2012
- Travel Digest, 2010: Do ČR jezdí nejvíce turistů z Německa a Asie. [online]
<http://www.traveldigest.cz/2010/03/08/do-cr-jezdi-nejvice-turistu-z-nemecka-a-britanie/>
- UNESCO Czech Heritage, [online] <http://www.unesco-czech.cz/unesco-pamatky/>,
12.3.2012

Wong, N., 2012: Tourism, Geography Insights. [online]

http://www.slideshare.net/wong_teck_kiong_nicholas/tourism-8556458, 3.3.2012

World Tourism, 2012: UNWTO. [online] www.world-tourism.org , 28.2.2012

World Travel and Tourism Council, [online] www.wttc.org, 24.2.2012