Małopolska
Economic
Observatory

Małopolska Economic Observatory

Regional Policy
Department
Marshal Office
of the Małopolska Region

Business tendency indicators in tourism in Malopolska Voivodeship for Q2 of Year 2012

HUMAN CAPITAL
NATIONAL COHESION STRATEGY

Małopolska
KRAKÓW Region

EUROPEAN UNION
EUROPEAN
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Summary

In the current edition 200 interviews were conducted. Each group of the subjects constituted about one-third of the sample: 35% of the interviews were conducted with subjects included in division 79 section N of PCEA[1] (travel agency, tour operator and other reservation service and related activities), 35% with subjects included in division 55 section I (accommodation service) and 30% with subjects included in division 56 section I (food service). 30% of the businesses from the Małopolska Voivodeship in the study were local businesses, 11% regional businesses, 29,5% countrywide businesses and 29,5% international businesses. Businesses hiring from 1 to 9 employees dominated in the study (59%). There were 24,5% one-man businesses in the sample. Bigger businesses accounted for 16,5% altogether, including 13% businesses hiring from 10 to 49 employees and 3,5% businesses hiring 50 employees or more. One business out of three (27,5%) had incomes below PLN 50 thousands. 14,5% of respondents declared business' income from PLN 50 to 100 thousands, 14% from PLN 101 to 250 thousands and 10% from PLN 251 to 500 thousands. Income over PLN 500 thousands was declared by 18% of respondents.

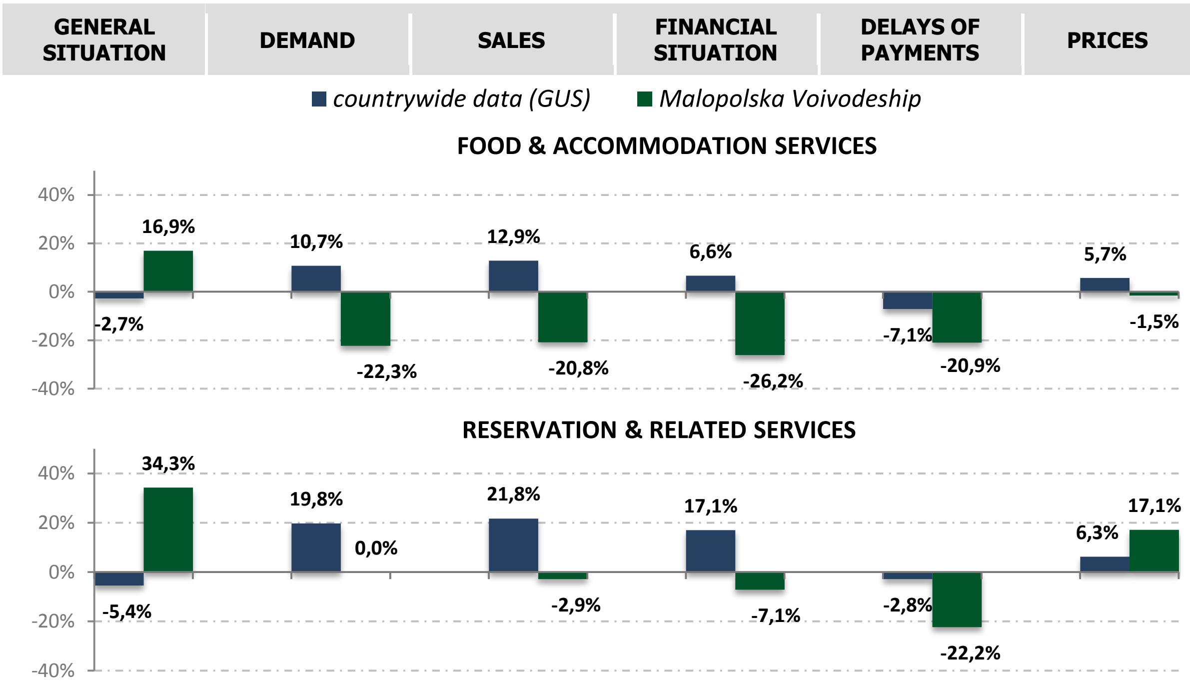
The study was conducted with CATI method (Computer Assisted Telephone Interview). Each interview lasted about 10 minutes.

Among the global factors that could have affected the business situation during the 2nd quarter of 2012 the political struggle for the presidency in the U.S. between Barack Obama and Mitt Romney, economic pressure of the U.S. to block oil export from Iran to decrease nuclear risk and natural disasters were most important. The ongoing downturn resulted in continuing anti-crisis politics. Tourism conjuncture was influenced mostly by the heat in U.S. and the flood in south Russia. Conjuncture was also dominated by EURO 2012 Championships in Poland and Ukraine. They led to increased prosperity in public transport in Europe. EURO 2012 constituted an important factor in the mobility of fans from many countries of the European Union and outside the Union. Poland was the accommodation for the majority of national teams participating in the tournament. Representations of the Czech Republic, Greece, Russia, Denmark, Holland, Germany, Portugal, Croatia, Spain, Ireland, Italy and England remained here. More than 652 thousand of football supporters watched the matches on Polish stadiums. Poland was visited by fans from

[1] Polish Classification of Economic Activities 2007 (*Polska Klasyfikacja Działalności, PKD*) conforms with Statistical Classification of Economic Activities in the European Community Rev 2.

over 110 countries. Number of fans in the fan zones in Warsaw, Poznan, Gdansk, Wroclaw and Krakow during all the matches are over 3 million.

Chart 1.Conjuncture index – comparison of data for the Małopolska Voivodeship and Poland



The conjuncture indicator of general situation in business suggested slight increase of conjuncture considering situation of the businesses from the Małopolska Voivodeship that were included in the study. Value of the indicator was +16,9% for section I and +34,3% for division 79 of section N. This suggests that the conjuncture for businesses in the study was better than the conjuncture for businesses from the whole of Poland. There was slight negative changes in demand for Food and Accommodation Services in Małopolska Voivodeship (-22,3%) but situation of businesses from division 79 of section N didn't change (0%). The sales of the businesses in the study became a bit worse or haven't changed (conjuncture indicators -20,8% and -2,9%). Countrywide, there were slight decreases in demand, sales and financial situation for Reservation and Related Services.

Prices of reservation and related services of the companies in the study was slightly higher (+17,1%). In the whole of Poland prices of similar services remained at the same level (+5,7% for Section I and +6,3% for division 79 of section N).

Delays of payments both for the Section I and division 79 of section N of Małopolska Voivodeship slightly lowered .

Average duration of the assured activity of the businesses in the study was 16 months for businesses from section I compared with about 41 months for the whole of Poland and about 15 months for the businesses from section N compared with about 37 months for the whole of Poland.

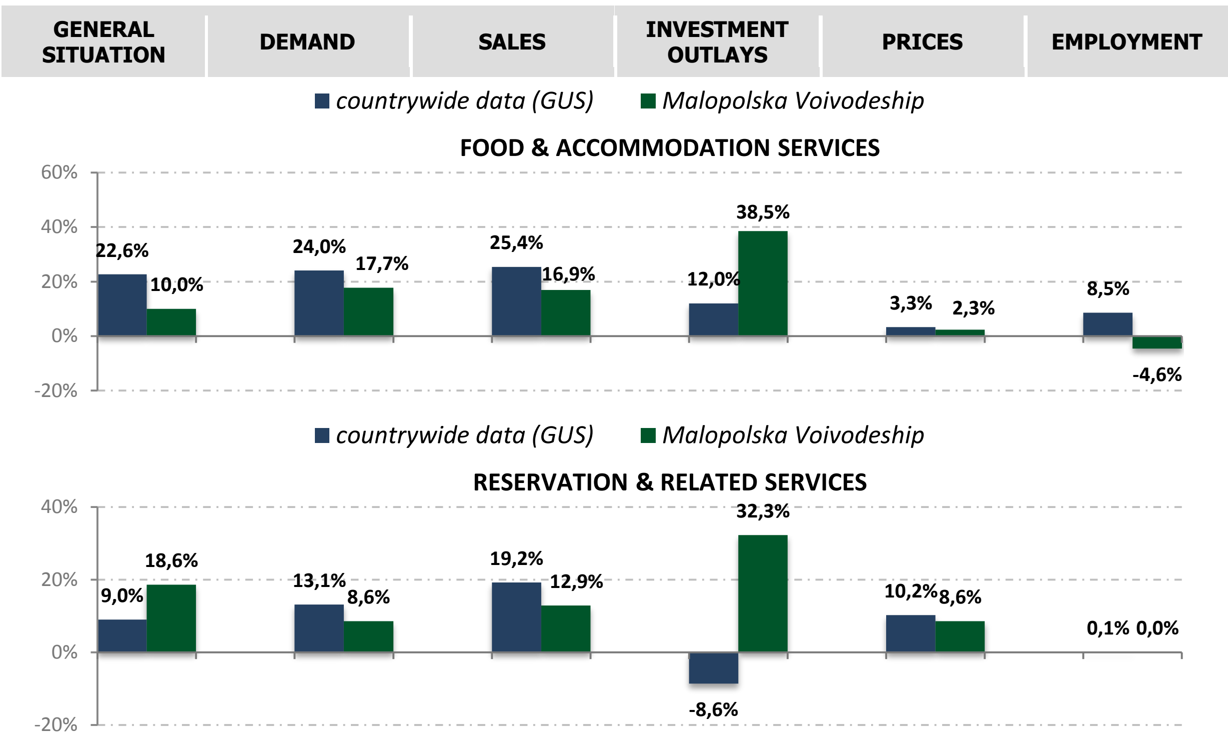
For the businesses in the study most important limit to the company’s service activity was insufficient demand (49%).

The vast majority of entrepreneurs observed positive reaction of foreign tourists considering Carcow and Małopolska Voivodeship. However the vast majority of entrepreneurs did not noted bigger than they expected intensity of tourism in connection with Euro 2012.

Prognosis for the businesses in the study suggests increase. For businesses from section I of PCEA and division 79 of section N in Małopolska Voivodeship slight increase of conjuncture indicator in case of demand and sales are expected while rather clear increase can be observed in case of investment outlays (+38,5%). Positive tendencies were observed in case of prognosis for similar fields for countrywide businesses.

Businesses in the study that provide reservation and related services as well as food and accommodation services are going to maintain their prices at the same level (+8,6% and +2,3%). Countrywide prices should also remain on the same level. Entrepreneurs of both type of surveyed subjects in Małopolska Voivodeship are expecting to increase investment outlays and sales.

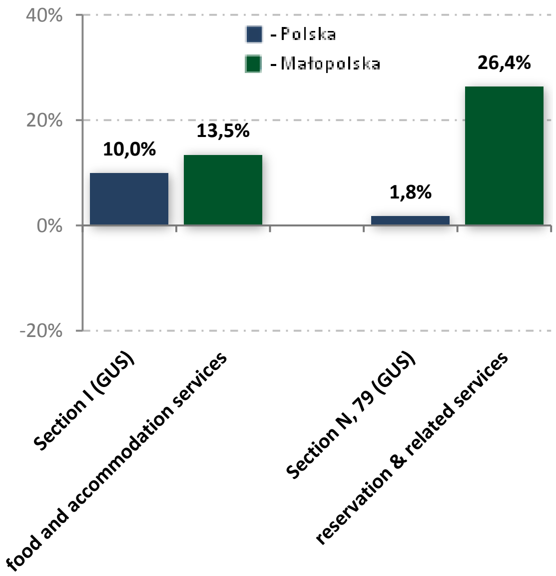
Chart 2. Conjuncture index prognosis – comparison of data for the Małopolska Voivodeship and Poland



For businesses providing food and accommodation services growth of investment outlays is expected both for the businesses in the study (considerable growth +38,5%) and countrywide (moderate growth +12%). For division 79 section N investment outlays are expected to significantly increase in the study (significant increase +32,3%). Own founds are main source of financing for most of the businesses both in the study and countrywide.

No changes in employment are also expected for the businesses in the study regardless of the kind of services provided. Most of the surveyed entrepreneurs (83,5%) consider production capacity of their business sufficient.

Chart 3. Total business climate indicator



Total business climate indicator for all of the businesses in the study (both section I and division 79 of section N) is about +13% and 26,4% and suggests slight and significant increase respectively in business climate.

Comparison of data from the 2nd and the 3rd quarter of 2011 suggest constant downturn in demand and financial situation. In 4th quarter conjuncture indicators for demand and financial situation developed at the same level but they got a bit worse in the 1st quarter of 2012 and remained at that level during 2nd quarter of 2012. However surveyed entrepreneurs are expecting a slight increase of indicator in case of demand. Employment remain at the same level, considering 2nd, 3rd and 4th as well as the 1st and 2nd quarter of 2012. General situation was better in the 3rd quarter compared to the 2nd, but it got worse a bit in the 4th quarter. During the 1st and 2nd quarter of 2012 general situation remained at non-changeable level (slight increase). In case of general situation for 3rd quarter of 2012 the prognosis is still slightly positive. Chart 4 illustrates the above mentioned relations.

Chart 4. Comparison of the 2nd, the 3rd, the 4th quarter of 2011 and 1st, 2nd quarter of 2012 and the prognosis for the 3rd quarter of 2012