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Where is Serbia on the global tourism map?

To catch the attention of major tourism business players, Serbia has to cope with and overcome quite a few challenges.

Apart from its vibrant capital city and few other destinations, the Serbian tourism offering is still not ready for international trading. The tourism industry contributes between 1% and 1.5% to the country's gross domestic product.

To restore health of the national economy, one of the key challenges for the Serbian government is to maintain public debt sustainability and improve financial sector stability while enabling economic growth and job creation. According to the World Economic Outlook 2015, issued by the International Monetary Fund, short-term prospects in Serbia indicate a modest GDP growth rate. It's expected to accelerate in the medium term, depending on the implementation of comprehensive structural reforms. Unemployment rate remains high, providing the argument to public sector authorities to strongly support tourism industry development, as a labor-intensive industry, fostering job creation and promoting entrepreneurship.

To catch the attention of major tourism business players, Serbia has to cope with and overcome quite a few challenges. According to the "Travel & tourism competitiveness report 2015," Serbia is ranked 95th out of 141 countries of the world. Some of the major challenges identified are related to the environment for doing business; prioritization of travel and tourism; natural and cultural resources; international openness; and transport infrastructure.

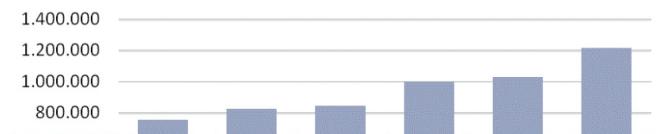
Nevertheless, business climate in the country is significantly improving, according to the ease of doing business index published by the World Bank, which compares business regulation in different countries. Serbia achieved remarkable progress, rising to 59th in the 2016 overall ease of doing business ranking with respect to the previously published ranking (91st out of 189 economies). The greatest progress has been made in the areas of dealing with construction permits and paying taxes.

Belgrade: Rising star of Europe?

In contrast to the rest of the country, Belgrade is coming back to the stage; its cosmopolitan appeal and increasing business activities are bringing more tourists to the city every year.

According to the Belgrade statistical office, the total number of hotel overnights reached 1.2 million in 2014. Over the past five years (2009-2014), hotel overnights achieved a remarkable growth trend, with the average annual growth rate of 8%.

Overnights in Belgrade hotels (2009-2014)



The hotel demand profile is becoming more international; the relative share of foreign hotel overnights relative to total overnights volume increased on a year-by-year basis. International hotel demand, as a primary source of demand for Belgrade upscale and upper-upscale hotels, shows stable growth at an average annual rate of 10% (2009-2014).

Belgrade is becoming a major transport hub of the region. The rebirth of a national air carrier and modernization of the International Airport Nikola Tesla are achieving outstanding results, with a 31% passenger traffic growth rate in 2014 (according to the airport statistics). Belgrade airport is one of the fastest growing capital city airport in Europe.

However, the city has not yet capitalized on its tourism potential. To enable tourism business of the capital city going forward, there are two crucial things to be done:

- introduction of professional destination management, including stronger tourism marketing and promotion towards international sources of demand; and
- renovation of Belgrade Sava Centre, to enable further increase in the number of international events and promote the city as a competitive congress destination.

Revival of Belgrade hotel market

The Belgrade hotel market has been progressing significantly over the past couple of years, undergoing dynamic quality restructuring and volume growth. The city remains in the center of attention for international hotel management companies, followed by Novi Sad, the capital city of the province of Vojvodina. Major recent additions to the supply include: Crowne Plaza Belgrade; Metropol Palace, a Luxury Collection Hotel by Starwood; Radisson Blu Old Mill.

Also, the first Marriott hotel in Serbia is opening its doors, the Courtyard by Marriott in Belgrade, located at the core of the city center. According to the previous announcements, future entrants to the market include: Hilton Belgrade; Kempinski; InterContinental; and the recently announced deal with Starwood Hotels & Resorts Worldwide related to the W-branded hotel project within the Belgrade Waterfront, which is a conversion project developed by the UAE company Eagle Hills and the Serbian Government.

Hotel demand in the city comprises mainly corporate demand, accounting for 70% to 80% share in the total hotel demand volume, resulting in the average rate disparity between weekdays and the weekend, according to Horwath research.

Despite the international hotel demand growth, the Belgrade hotel market in general experienced an overall drop of average daily rate in most upscale and upper-upscale hotels, due to the simultaneous opening of several large-sized hotels, which added a significant number of rooms to the total supply. Taking into consideration the majority of them are in the introductory period to the market, Belgrade's upscale and upper-upscale hotels are expected to enter into a consolidation phase and stabilization of business performances over the next couple of years. The process should further be supported by organized destination management and marketing approach, which is now lacking.

To strengthen competitiveness, facilitate investments and build a new image, the Serbian tourism industry needs to be placed on the agenda as one of key priorities, backed by a clear vision and strong leadership. Only this way can Serbian tourism become a true driving force of the economy.

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Silvija Lovreta is a Managing Partner at the Belgrade office of Horwath HTL, the world's leading tourism and hospitality consulting group with 50 offices in 39 countries.

Graduated at the Faculty of Economics in Belgrade with major in Marketing and earned Master of Science degree in Economics of Tourism at Bocconi University in Milan, Italy. After graduation, Silvija worked at the office of Deputy Prime Minister of the Government of the Republic of Serbia on economic development strategies of the country, particularly involved in the activities of international financial institutions – IMF, WB and EBRD.

In 2006, she joined Horwath HTL and participated in numerous tourism destination and hotel development projects, primarily focused on tourism and hospitality projects in Serbia and the region. Since then, Silvija is dedicated to introducing international practice and up-to-date expertise in tourism and hospitality industry development in the region of Southeast Europe. In close cooperation with Ecosign Mountain Resort Planners, she was actively involved in mountain resort development projects in Serbia, Montenegro, Macedonia, Kazakhstan, Ukraine and Romania.

In 2009, Horwath HTL office in Belgrade was established and Silvija was appointed as a start-up managing director of the company, acting proactively to "unlock" the potential in the region for tourism and hospitality business growth. In 2011, she was awarded a scholarship by Cornell University Hotel Administration School, NY, USA and became a member of Cornell Hotel Society.

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