

# **The Impact of Public and Private Tourism Investments on Tourism Performance and GDP: The Case of Balkan Countries**

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**Abstract:** *Tourism is one of the most promising industries in the world and is expected to contribute to economic development of countries. The sector also has positive role in balancing national economies in terms of current account deficit and external debts. In this sense, the impact of tourism industry can be measured directly and indirectly in national economies. Because of the increasing importance of tourism industry for national economies, in this study, we will investigate the relationship between investments in tourism industry and tourism performance and contribution to gross domestic product (GDP) in Balkan countries. More specifically, we would like to unravel, first, the impact of our independent variables, which are, “government individual tourism and travel (T&T) spending” and “capital investment”, on dependent variables, which are “tourist arrivals”, “tourism receipts”, “leisure T&T spending”, and “business T&T spending”. Additionally, we used aforementioned dependent variables as independent variables and investigated impact of them on Balkan countries’ T&T direct contribution to GDP and T&T total contribution to DP. Variables and model of the study are presented below.*

*In this study, we used World Travel and Tourism Council’s economic data for the years 1999-2011 to test our model for Balkan countries. In order to test our model, we used correlation analysis instead of using multiple regression analysis because of the limited number of years for each Balkan country. Results of our analysis revealed that for almost all Balkan countries, public and private investments in tourism industry have a positive impact on tourist arrivals and tourism spending, which is made by tourists. Another main finding of this study is that tourism spending has a positive relationship with T&T direct and total contribution to GDP in Balkan countries.*

**Keywords:** *Balkan Countries, Tourism Performance, Gross Domestic Product, Government and Private Investments*