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# UKRAINIAN TOURISM MARKET: ANALYSIS, CHALLENGES, AND OPPORTUNITIES

## ТУРИСТИЧНИЙ РИНОК УКРАЇНИ: АНАЛІЗ, ВИКЛИКИ ТА МОЖЛИВОСТІ

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This article examines the Ukrainian tourism market and its potential for growth. Tourism is a specialized industry that aims to attract individuals for recreational or business purposes, generating revenue in the process. It plays a significant role in the global economy, and its establishment is relatively easier compared to other industries like agriculture or energy. Ukraine holds a unique position in this market due to its promising capabilities for further development. The article analyzes various factors that provide insights into the current state of the Ukrainian tourism market. These factors include conventional indicators such as exports and imports, as well as tourism-specific metrics like arrivals and departures, which reflect the flow of tourists into and out of the country. Additionally, other determinants are considered to gain a comprehensive understanding of the market's conditions. To assess the market's growth or decline, historical data is presented and compared with the current situation. Comparative data from other countries is also included to offer a broader perspective on global market trends and the factors influencing them. The data suggests that Ukraine has the potential to become a tourist-oriented country. However, this potential is not adequately reflected in the figures for exports or imports, which remain relatively low, even when compared to smaller nations. Nevertheless, indicators such as departures reveal significantly high numbers, surpassing those of much larger countries. This indicates a substantial demand for tourism among Ukrainian citizens, demonstrating their willingness to allocate financial resources to engage in such activities. Unfortunately, the tourism industry has been severely impacted by the COVID-19 pandemic and the ongoing conflict, leading to a sharp decline with no clear signs of a swift recovery to pre-pandemic levels. Overall, Ukraine has great potential to outgrow the tourism market, as it has a large territory to create the necessary infrastructure and a big demand from the population to spend on tourism. However, the situation is uncertain, and it is hard to predict what future lies for the market. With the implementation of the right reforms and more necessary foreign or government investment, the industry may improve, but it is still a long process to take.

**Key words:** tourism, Ukraine, exports, imports, arrivals, departures, demand, COVID-19, war, infrastructure.

У цій статті розглядається український туристичний ринок та його потенціал для зростання. Туризм є спеціалізованою галуззю, метою якої є залучення людей для відпочинку чи бізнесу в країну задля отримання прибутку. Туризм відіграє значну роль у світовій економіці та відносно легко створюється порівняно з іншими галузями, такими як сільське господарство чи енергетика. Україна займає унікальну позицію на цьому ринку завдяки своїм перспективним можливостям для подальшого розвитку. У статті аналізуються різні чинники, які дають змогу зрозуміти сучасний стан українського туристичного ринку. Ці фактори включають показники, такі як експорт та імпорт, а також специфічні для туризму – прибуття та від'їзд, які відображають потік туристів у країну та з неї. Крім того, інші детермінанти враховані для отримання повного розуміння ринкових умов. Для оцінки зростання чи падіння ринку, наведено історичні дані та здійснено порівняння з сучасною ситуацією. Порівняльні дані з інших країн також включені, щоб запропонувати ширший погляд на глобальні ринкові тенденції та фактори, що на них впливають. Дані свідчать, що Україна має потенціал стати туристично орієнтованою країною. Хоча цей потенціал не відображається належним чином у показниках експорту чи імпорту,

які залишаються відносно низькими навіть у порівнянні з меншими країнами. Тим не менш, такі показники, як виїзди, показують значно високі дані, що перевершують показники набагато більших країн. Це свідчить про значний попит на туризм серед громадян України, демонструючи їхню готовність виділяти фінансові ресурси для розвитку такої діяльності. На жаль, індустрія туризму серйозно постраждала від пандемії COVID-19 і триваючого конфлікту, що призвело до різкого спаду без чітких ознак швидкого відновлення до рівня до пандемії. Загалом, Україна має значний потенціал для переростання туристичного ринку, оскільки є велика територія для створення необхідної інфраструктури та значний купівельний попит населення. Однак ситуація невизначена, і важко передбачити, яке майбутнє чекає ринок. Завдяки впровадженню правильних реформ і більшій кількості необхідних іноземних або державних інвестицій галузь можна покращити, але у довгостроковому періоді.

**Ключові слова:** туризм, Україна, експорт, імпорт, прибуття, виїзди, попит, COVID-19, війна, інфраструктура.

**Formulation of the problem.** Tourism is the service that represents the activity of a certain group that visits particular places for some pursuit reason, like for recreational or business purposes. Tourism is quite popular among the middle or high class and many countries consider tourism as the main source of revenue, thus creating more jobs and stimulating the world economy. However, tourism faced a lot of struggles in recent years, including Covid-19 pandemic. The Russian full-scale invasion made devastating effect on Ukraine's positions on world markets of goods and services, especially on tourism. Thus, it is important to analyze the current state of the Ukrainian tourism market, identify the challenges it faces, and explore the potential opportunities for growth and development.

**Setting objectives.** The studies of Su, X., & Yin, W. [6], Bogale, M., Ayalew, M., Mengesha [1], W. Jelinčić, D. A., & Tišma, S. [3] helped to outline the existing world and regional tourism market, while V. Fedorchenko, T. Dyrova, S. Kuzyk [2], outline the tourism in Ukraine, and its development.

**The purpose of this article.** The goal is to identify, analyze, and assess the factors, potential limitations, and challenges of the tourism market of Ukraine.

**Presenting the main part.** Ukraine has quite an ambitious tourism market. Tourism is a long existing industry dating back to 1890 when the first ever mountain tourism club on the territory of today's Ukraine was created in Odesa. It was always considered to be one of the biggest destinations in Eastern Europe for not only international tourists but also when Ukraine was under the Soviet Union (rather said occupation). With the independence of Ukraine and the early 2000s boom, the industry became growing rapidly and was attracting more tourists each year. Ukraine is known for its natural landmarks like the Carpathian Mountains, Crimean Peninsula, etc., and beautiful cities like Kyiv, Odesa, Lviv,

etc. The nation has a good climate, a big territory to build on, and a mostly aspiring population that wants to improve the welfare of the country [2].

However, unfortunately, with the encored corruption that is stealing valuables that can improve the industry, the growing gap of wealth between the rich population and poor, and ongoing economic and political crises like the Russo-Ukrainian war and Covid-19 pandemic, the market is becoming stagnant and is reliant on new investment. It's important to note the situation with Covid-19 and its impact not only on the Ukrainian market but also on the worldwide market. The restrictions imposed on the population have limited their ability to move freely to other countries. Not only the population stayed all day in their houses to not be infected with the virus, but also the travel costs became unbearable. Before the pandemic, for the individual to travel, he/she must have had only a foreign passport (in some instances visa or e-visa) and their personal belongings. After the pandemic or if we can stay on lockdown, the person will need not only that but a vaccination certificate with 2 doses (Some vaccines may have different requirements, for example, Johnson & Johnson is required to be implemented only once) and PCR test for the virus, which are not very cheap and quite time-consuming. To show how Covid-19 impacted the world tourism market, it is crucial to show the dynamic of the top exporter (United States of America) and the top importer (China) from 2018–2022.

The USA is the biggest exporter of tourism services (Figure 1). It accumulates over 11% of the overall exports. That's because of the enormous size of the country as well as beneficial natural advantages. The USA is considered the more stable and economically flourishing country in the world, so the tourism sector and many others cannot be neglected as badly as other countries. From the graph, we can see the gradual impact of the virus on the industry. The pick year of the pandemic came in 2020 and saw a major

decline in figures for both exports and imports. Lockdowns denied citizens to freely travel to different countries and areas, thus cutting the main source of revenue for many companies and countries that are specializing in tourism. The stagnation continued into 2021, although some experienced a slow rise. Nevertheless, in 2022 the figures almost returned to the pre-Covid numbers. It can be expected in 2023 and 2024 the exports will be on par or exceed the 2019 numbers as the virus gradually reduced its impact on society as a whole.

Similarly, to the US, China experienced the same decline as any other country (Figure 2). However, China saw an extremely slow rise, not even half of what it used to import in 2019. This of course is because of the virus, but the effect of it has severely damaged the Chinese society, as the Covid-19 has originally appeared in the Chinese province of Wuhan. The Chinese government has implemented many restrictions on the population to isolate the virus as it cores by locking the population down in their houses or flats for an unknown period, thus prompting large outrage and protest for the less limiting approach. Therefore, the common tourism consumer doesn't want to visit China for safety reasons.

Thus, the tourism industry is heavenly depending on the social, economic, and political of a country. It could be seen in the Ukrainian market, which suffered greatly because of the continuing struggles of the nation. The next discussion will outline the state of the market and the future of it.

First, the important thing to outline is what countries exported Ukrainian tourism products and where Ukrainian tourists liked to purchase this service. In terms of exports, the main exporters of Ukrainian tourism are India, Morocco, and Nigeria. At first thought, it is very strange that we have a lot of Asian and African tourists and not European ones, who have easier routes to the country than others. However, it is easy to explain. The purpose of this is education or for medical check-in. In their countries, the schools or specifically universities are not that sufficient and can be costly. In Ukraine we have mixed education, although there are a lot of universities for every specific specialty of needs, some of the universities don't have the European certification, which is regarded as the well-known educational certificate in the world. Nevertheless, it is perfect for third-world countries, where education is much worse, and is very cheap comparingly with these countries. This indeed confirms the idea that tourism is very intertwined with every other department in a country and it's important to not neglect them.

With the imports, the biggest importers are Türkiye, Cyprus, and Malta. That can be explained by some facts:

1. These countries are very close to Ukraine. They were a lot of air connectivity with these countries, especially cheap ones.

2. The warm weather is ideal for sunbathing and subsequently a good seawater quality that allows for a safe swim. The only seas Ukraine has, are the Black Sea and Azov Sea, which in

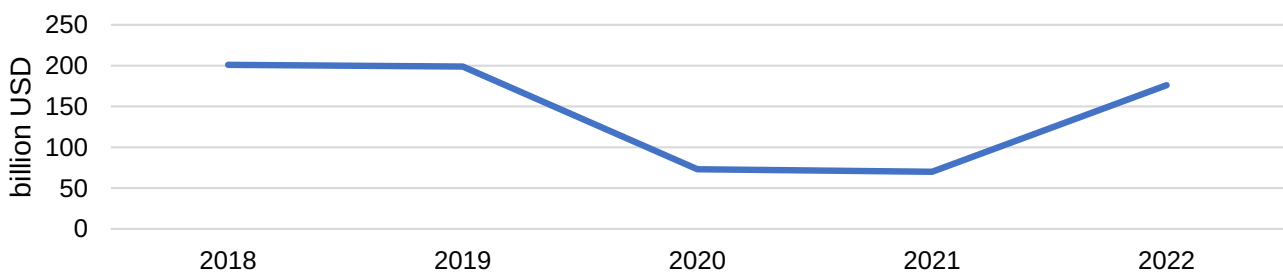


Figure 1. The dynamic volume of US exports from 2018–2022 (in billion, USD) [7; 5]

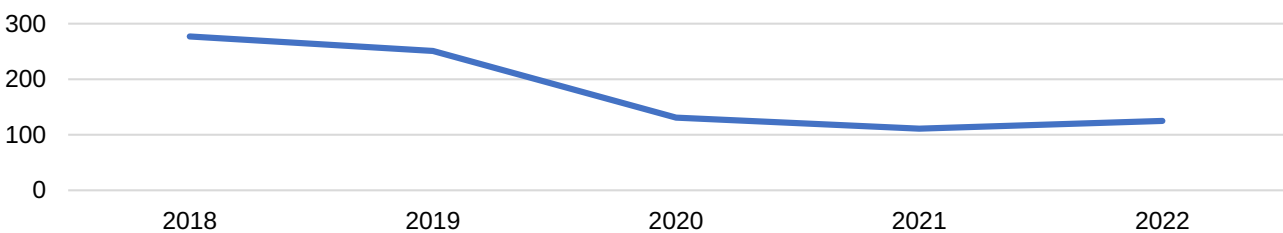


Figure 2. Dynamics volume of Chinese imports from 2018–2022 (in billion, USD) [7; 5]

some countries are considered technical water (only for trade, not for leisure).

3. These countries have a reputation as the “tourism heavens” and are wildly advertised as one. For example, Egypt (4th biggest in imports) was advertising its services, especially to the Slavic nations including Ukraine. It was a much cheaper alternative to domestic travel or European leisure travel, and because of the low income of the country, many choose the cheap variant.

These facts can indicate that the Ukrainian population has a quite big demand for tourism products, as it should considering the sheer size of the nation. Government should pay a close look at what Ukrainians want from tourism activities and try to implement such activities so that the country could earn more from the domestic tourists not only foreigners.

For this reason, we need to get through the data on the exports, imports, arrivals, and departures (Table 1).

The share of Ukrainian tourism in the market is quite insignificant, if we compare it to bigger countries like USA or China. Nevertheless, we have quite a big percentage of worldwide departures – approximately 3%. As already mentioned, the population of Ukraine has a big demand for tourism. Moreover, with the cheap alternatives from the domestic market and cheap flights, there were a lot of people who wanted to purchase the services from other countries.

However, we would like to point out that the data from 2022 in some indicators are quite low. The crisis had led to the avoidance of Ukraine from the general tourism consumer. For foreigners, Ukraine is too dangerous to visit, thus the industry doesn't earn enough revenue to flourish. Although from the Table 1, it is visible that imports have drastically increased, as well as departures. That effect is caused by the influx of refugees from the Ukraine (especially from regions with active warzone) to other countries, in particular, to European Union. Important to note that after the war, the imports can go down on the other hand exports will definitely increase, but not rapidly as it will be hard to achieve levels of pre-pandemic exports (Table 1).

Although it's important to mention how Ukraine adapts to the war. Ukrainian tourist organization such as VisitUkraine [8], are constantly promoting trips to Ukraine, and most importantly ensures the safety of visitors by providing them with air siren apps and accommodating them in hotels where shelters are available. There is also a growth in domestic travel which also, unfortunately, can be contributed to the emigration of East and South regions to the West, which is the safest place in Ukraine.

Thus, it makes sense that we should discover the specialization of Ukraine in this market before arguing about its future of it. Table 2 shows the indicators that are important to understand the output of tourism on the national economy.

Table 1

**Assessment of Ukraine's position on the world market of tourism**

Indicator	Years					Basic deviation	
	2018	2019	2020	2021	2022	Absolute	%
Arrivals, millions of people	14,2	13,4	3,4	4,3	2,5	-11,7	-82
Ukraine's share in the world's arrivals, %	1,004%	0,914%	0,831%	0,947%	0,259%	-0,745	-0,75
Departure, millions of people	27,8	28,9	11	14,7	17,8	-10	-36
Ukraine's share in the world's departures, %	1,966%	1,973%	2,689%	3,238%	1,848%	-1,266	-1,26
Exports, billions USD	1,4	1,6	0,35	0,95	0,77	-0,63	-45
Ukraine's share in the world's exports, %	0,096%	0,107%	0,063%	0,149%	0,076%	-0,02	-0,02
Imports, billions USD	7,8	8,5	4,6	6,2	19,8	12	153
Ukraine's share in the world's imports, %	0,605%	0,649%	0,852%	1,080%	1,958%	1,353	1,35

Formed with data from [7; 4]

The trade balance is the difference between values exported and imported. The ideal situation for the country is to have a positive trade balance but, unfortunately, for Ukraine is not the case, although it went up in 2020, but went down in 2021. Also, shares of tourism exports and imports in the domestic economy are extremely low and not even scraping 1%. As we know, much of exports and imports are contributed to agriculture and mining specifically wheat, coal, etc.

The most important indicator of this data (Table 2) is the coefficient of relative export specialization. It is calculated with the formula:

$$C_{res} = E_c / E_w, \quad (1)$$

where  $E_c$  – Country tourism exports share, and  $E_w$  – World tourism exports share.

The main point of the indicator is to show whether the country specializes in a certain industry or not.  $C_{res}$  is often used to analyze a country's export structure and identify areas where the country has a comparative advantage. By focusing on the export of products in which a country has a comparative advantage, policymakers can promote export-led growth and increase the country's overall competitiveness in the global market.

Mathematically, it should be  $C_{res} > 1$ , If that is so it means that the country is specialized in the tourism sector. In Table 2, we see clearly that Ukraine, mathematically, is not considered a specialized country in tourism. Although it is not that far from becoming one, as we see steadily

growth in coefficient during years. It could be expected that coefficient will be bigger than 1, if the situation will be unchanged.

Another important coefficient is intra-industry international specialization. It is calculated using the formula:

$$C_{iis} = \left( \frac{E - I}{E + I} \right) * 100\%, \quad (2)$$

where  $E$  – exports of a country,  $I$  – imports of a country

Simply saying, it shows either it more leans towards exports or imports. If the percentage is near -100 then the country imports more. If the percentage is near 100 then the country exports more. As you can see, the numbers are negative, which means imports more rather than export. It is quite expected as from precious data about imports and departures (Table 1), it was evaded that Ukraine has a large import and departures capability. Because of the quite large demand for tourism of the general population, especially from the rich and middle-class population.

At last, we need to discover the fair-trade index and the average export and import price (Table 3). Fair-trade index shows for each product (or product group) the level of excess of exports over imports (with a positive value of the index) or the level of excess of imports over exports (with a negative value of the index): Values “-1” and “+1” respectively are considered to be extreme.

The data indicates the price indexes in tourism. The obvious thing to understand is the

Table 2  
Analysis of the volume of foreign trade of Ukraine in tourism (in millions, USD)

Indicators	Years					Basic deviation	
	2018	2019	2020	2021	2022	Absolute	Percentage, %
Trade balance, billions USD	-6,4	-6,8	-4,3	-5,3	-4,2	2,2	33
Foreign trade turnover	9,2	10,1	4,95	7,15	20,57	11,37	123
Specific share of exports in total domestic exports	0,0003	0,0003	0,00001	0,0001	0,0002	-0,0001	-33
Specific share of imports in total domestic imports	0,0014	0,0013	0,0008	0,0008	0,004	-0,0010	-40,9
Coefficient of relative export specialization	0,4304	0,3445	0,2447	0,4891	0,4903	0,0599	13,9
Coefficient of intra-industry international specialization	-69,6	-68,3	-85,9	-73,4	-92,5	-22,9	-32,9

Formed with data from [7; 4]

Table 3

**Analysis of the net terms of trade of tourism in Ukraine**

Indicators	Years					Basic deviation	
	2018	2019	2020	2021	2022	Absolute	Percentage, %
Average export price, USD	158	189	203	220	309	151	95,5
Average import price, USD	284	295	426	422	1112	828	291,5
Index of average export prices	1,144928	1,196203	1,074074	0,393496	1,404545	0,25	22,6
Index of average import prices	1,055762	1,038732	1,444068	0,255869	2,635071	1,57	149,9
Clean trade index	1,084456	1,151598	0,743784	1,537884	0,533019	-0,55	-51

*Formed with data from [7; 4]*

average export and import price. It is simple to explain the average export price – quite a cheap pricing of services makes it so that the average tourist won't spend more money. On the other hand, imports are quite low too, although bigger exports.

That can be contributed to the low income of the nation, thus Ukrainian people can't spend a significant amount of money, especially in Europe, where prices are much higher. In comparison to other countries, Ukrainians spent significantly less money, e.g., Chinese, and Japanese tourist spend from 5000\$ to 6000\$ every trip. [7]

The Fair-trade index (Y) can be calculated by using this formula:

$$Y_t = \frac{I_{ex}}{I_{imp}} = \left( \frac{P_{ex1}}{P_{ex0}} \right) / \left( \frac{P_{imp1}}{P_{imp0}} \right), \quad (3)$$

where –  $Y_t$  – fair-trade index,  $I_{ex}$  – index of average export price,  $I_{imp}$  – index of average import price,  $P_{ex1}$  – average export price from reporting period,  $P_{ex0}$  – average export price from based period,  $P_{imp1}$  – average import price from reporting period,  $P_{imp0}$  – average import price from the base period.

It is the correlation between demand and supply that affects exports and imports. It is calculated by dividing the index of average export prices and average import prices. The findings show that it is closely related to exports rather than imports. However, in 2021 1.5 is an extreme measure to have a stable market, fortunately in 2022, it went down 0.5, which, in fact, can be considered as moderate number.

Overall, based on the calculated indicators, we can there is room for improvements revolving

around the tourist. Government should analyze this indicator to identify potential growth of the industry and further cooperation of the world tourism society. Moreover, indicators show the possibility of it being the case If the country successfully undergoes rebuilding after the war. By using tools such as the Internet and new technologies, Ukraine can effectively attract more visitors to the country that can boost the industry and economy. As well as, improving certain tourism categories like business tourism or medical tourism, that can improve not only the revenue from tourism, but can also benefit the general population. Thus, becoming on the biggest tourism countries in Europe.

**Conclusions.** The future of the tourism market in Ukraine is quite hard to predict, As the situation is not as stable and healthy to predict the further development of the industry as a whole.

On the one hand, the situation in the country is very unstable because of the war. After the start of the Russo-Ukrainian war, the industry completely stagnated with no recent future development in sight. The situations before the start of the conflict weren't ideal either, because of other crises like the Covid-19 pandemic. The exports were not very, and it wasn't having such an impact on the national economy as other industries like agriculture, mining, etc. The only significantly larger numbers in tourism are imports and departures, which are not beneficial for the economy because it's an investment to other's countries' industries to develop and not for the Ukrainian one.

On the other hand, despite the struggles, Ukraine tries to improve the situation. The advertisement of the industry into the world

is, in my opinion, great, efficient, and quickly adaptable. There is a lot of room for improvement and a lot of potential “hot spots” to be created or invested in. A lot of unutilized cities, sites, and landmarks that can flourish.

The government's efforts to develop new tourist routes, simplify visa procedures, and improve infrastructure are steps in the right

direction, but more needs to be done to fully realize the potential of the industry. With the resolution of the conflict and the restoration of peace and stability in the region, there is hope for the recovery and growth of the tourism industry in Ukraine, benefiting both the country's economy and the visitors who come to experience its unique culture and natural beauty.

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