

TOURISM CONTRIBUTION TO GDP		
Economic Development	Tourism	Core indicator

1. **INDICATOR**

- (a) **Name:** Tourism contribution to Gross Domestic Product (TGDP).
- (b) **Brief Definition:** The sum of the value added (at basic prices) generated by all industries in response to internal tourism consumption and the amount of net taxes on products and imports included within the value of this expenditure
- (c) **Unit of Measurement:** national currency
- (d) **Placement in the CSD Indicator Set:** Economic Development/Tourism.

2. **POLICY RELEVANCE**

(a) **Purpose:** GDP generated by visitor consumption is the most comprehensive aggregate illustrating the economic relevance of tourism. There is an increasing consensus on the importance of tourism as a strategic sector in the national economy insofar as it provides an essential contribution to the economic well-being of the resident population, contributes to the economic objectives of governments and shows its possible role as a relevant player in moving towards a more innovative economy.

(b) **Relevance to Sustainable/Unsustainable Development (theme/sub-theme):**

Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and purposes other than being employed in the place visited

This activity of visitors refers both to non-residents, residents travelling in the country of residence and abroad for tourism purposes (leisure and others) and it is conceptualized as inbound, domestic and outbound tourism, respectively.

Although defined from the demand side, the economic analysis of tourism requires nevertheless the identification of the resources used by visitors on their trips, the consumption of goods and services that they acquire, and therefore the identification of the economic units that provide those goods and services. Both the demand and the supply perspectives are of particular importance.

These sets of flows (both physical and monetary) impact different areas such as travelling, physical planning at destinations, employment and general economic performance, natural and cultural heritage. Consequently, tourism impacts upon the sustainability of national and local economies and the environmental and socio-cultural resource base.

(c) International Conventions and Agreements: the United Nations Statistical Commission approved in 2000 the Tourism Satellite Account (TSA) conceptual framework as a new international standard in tourism statistics. As mentioned in the official document (*Tourism Satellite Account: Recommended Methodological Framework*) the TSA takes the form of a basic system of concepts, classifications, definitions, tables and aggregates linked (“satellite”) to the standard tables of 1993 System of National Accounts (SNA) from a functional perspective. Consequently, TSA aggregates (such as Tourism GDP and related indicators) are comparable with other internationally recognized macroeconomic aggregates and compilations

(d) International Targets/Recommended Standards: UNWTO General Assembly approved in his last meeting (Dakar, Senegal 28 November-2 December 2005) the document “UNWTO Agenda 2010” which identifies the following expected results and performance indicators regarding statistics:

- two-thirds of members countries using United Nations tourism statistics standards;
- two-thirds of the countries of the world regularly providing statistical data for the *Compendium of Tourism Statistics*;
- one-third of member countries having a TSA compliant with United Nations standards;
- one-third of member countries publishing significant data on employment in tourism, within the framework of WTO/ILO cooperation;
- one-third of member countries engaged in improving knowledge of the “travel” item of the balance of payments, within the framework of WTO/IMF cooperation.

(e) Linkages to Other Indicators: the relationship of TGDP and other aggregates from the point of view of supply is indicated in the TSA official document

	Value added of tourism industries (VATI)	Tourism value added (TVA)	Tourism gross domestic product (TGDP)
Value added (at basic prices) generated by the supply to visitors by the tourism industries	Yes	Yes	Yes
Value added (at basic prices) generated by the supply to non-visitors by the tourism industries	Yes	No	No
Value added (at basic prices) generated by the supply to visitors by activities not in the tourism industries	No	Yes	Yes

	Value added of tourism industries (VATI)	Tourism value added (TVA)	Tourism gross domestic product (TGDP)
Value added (at basic prices) generated by the supply to non-visitors by activities not in the tourism industries	No	No	No
Net taxes on products and imports included in the value of internal tourism consumption (at purchasers' prices)	No	No	Yes

It is important to address three issues here:

- The only indicators strictly characterizing tourism supply emerge from tourism value added and tourism GDP. Value added of tourism industries (VATI) is a measure of the supply side of tourism but is not sufficiently well defined in terms of its links to visitor consumption to allow it to be the most accurate measure of tourism supply;
- Tourism value added and tourism GDP can provide measures of the economic importance of tourism in a country in the same sense as the GDP of any productive activity does. However, they do not refer to tourism as a productive activity comparable to productive activities in 1993 SNA. They are indicators emanating from a reconciliation of tourism consumption and supply, and their values will depend on the scope of measurement of visitor consumption that a country adopts;
- The estimation of tourism value added and tourism GDP relies on a number of measurement assumptions, and thus special care must be taken when using or interpreting these aggregates.

The TSA also identifies other related aggregates and indicators such as internal tourism consumption (both in cash and in kind), tourism employment and tourism gross fixed capital formation

3. METHODOLOGICAL DESCRIPTION

(a) **Underlying Definitions and Concepts:**

Travel relates to the displacement of persons between different geographic locations, for any type of purpose and for less than a year. Those who travel are usually called travelers. Travel can happen within a country or region or involve more than one country. Travel has an economic impact mainly in the places visited by the traveler, and has become an important field of economic observation. In

Not all travelers are visitors: Generally speaking, tourism is more limited than travel as it refers to specific types of trips: those that take the traveler outside his/her usual environment for less than a year and for a purpose other than being employed in the place visited. Individuals when taking such trips are called visitors. "Tourism" is therefore a subset of "Travel" both in an international context and in a domestic one. This distinction is crucial both for the compilation of data on flows of travelers and for analysis of mobility.

Tourism statistics identify tourism characteristic products as those products (following the Central Product Classification - CPC) which, in the absence of visitors, in most countries would probably cease to exist in meaningful quantity or for which the level of consumption would be significantly reduced and for which it seems possible to obtain statistical information.

Once the set of tourism characteristic products is defined, the identification of tourism characteristic activities (or tourism industries) may be closed, since they can be identified (following the International Standard Industrial Classification of All Economic Activities- ISIC) as productive activities that produce a principal output which has been identified as characteristic of tourism. Due to the criteria given for the determination of tourism characteristic products, some activities may be considered as characteristic of tourism because of the importance of this typical commodity for the visitors even though their typical output is not principally sold to visitors. This is the case for restaurants, or for transport services where commuting is important, or when the activity of freight transportation cannot be separated statistically from that of passenger transportation.

One important feature of tourism characteristic activities is that they must serve the visitors themselves, that is, there must be a direct contact between the provider of the product and the consumer. Although a direct physical relationship is very often involved in the delivery of the goods and services to the visitor, the term "direct contact" cannot be reduced to physical contact but must be used in a broader sense, in accordance with the objective of measuring the economic impact of tourism in a macroeconomic context.

Definition of GDP can be found in other CSD-ISD files

(b) Measurement Methods:

Physical indicators associated to the flow of visitors (number of tourism displacements - trips by overnight and same day visitors and their characteristics-, as well as overnights) continue to be basic of the measurement of tourism from the demand side, but it is no less true that countries now need additional information and indicators to improve the measurement of the economic contribution of tourism. Without doubt, the estimation of the expenditure associated to the different forms of tourism (inbound, domestic and outbound) is the main priority.

In the case of inbound and outbound tourism, the measurement and characterization of flows of visitors is usually based on that of non-residents entering the country for a duration of less than a year, and is performed at the borders, either using

Entry/Departure cards, or using surveys at the borders usually at the moment the non residents leave the country, although a few countries, combine in an integrated manner both instruments (administrative controls and surveys). Some countries, mainly from Europe where controls at the borders have disappeared, also make measurements in the place of accommodations (either as a complement to border surveys or as an alternative to them)

In the case of domestic tourism, as there are no borders to cross under administrative control, the observation of the flows of domestic tourism requires surveys and not just administrative procedures. UNWTO considers household surveys to be the most efficient and suitable instrument for measuring domestic tourism activity. Usually they use a stratified sample using demographic (size of habitat) and socio-economic criteria

Daily average expenditure by visitors has to be estimated mainly using specific questions within a survey applied to visitors. Alternative estimation methods are different type of administrative data (such as bank reporting systems, transportation expenditures provided by companies or transportation regulatory authorities, etc.). In addition, some components might be estimated from other sources, as for instance those related to vacation homes, time share and social transfers in kind

Finally, estimation of total visitor consumption takes into account the number of trips (estimated by the arrivals/ departures of visitors) and the average daily expenditure by visitors.

From the supply side, it should be remembered that in order for individuals to take tourism trips to a given country or location, an infrastructure of services must be in place to respond to their specific needs: basically this means that modes of transport and transportation facilities, different types of accommodation, food serving services, recreation facilities, as well as other services. The measurement of tourism supply is therefore linked to the proportion of visitors consumption of different type of industries output (not just tourism industries but others): estimation of tourism ratios is the key issue in this regard.

(c) Limitations of the Indicator:

The level of development of national systems of tourism statistics explains the basic limitations of Tourism GDP both in terms of number of information available and the coverage of basic variables.

The reconciliation of information on consumption and supply in the economy is at the core of the TSA exercise. UNWTO recommends, when obtaining and disseminating tourism statistics, to be sure that the data present a basic structure of consistency, internally and with the representation of the remainder of the economy.

This consistency should be checked and this control could cover the following aspects:

- overnights by visitors, supply of beds and bed occupancy rates in organized paid accommodation
- income per room or person night and expenditure per person night in organized paid accommodation
- consistency in the sequences of income per person night among categories of accommodation establishments
- consistency of expenditure by visitors as compared to total supply for some specific tourism products

(d) Status of the Methodology:

The methodology is well established in the TSA official text: nevertheless, an Inter-Agency Coordination Group on Tourism Statistics has been created in order to bringing closer the conceptual framework of TSA to the revision of 1993 SNA and Balance of Payment Manual (BPM5) and introduce editorial amendments to the present text for clarification purposes

(e) Alternative Definitions/Indicators:

UNWTO has designed as a complementary initiative to TSAs work in progress, the development of a number of macroeconomic indicators based on tourism statistics, Balance of Payment and National Account items generally available in most countries. It should be remembered that the TSA is a medium term project.

A total of 55 indicators have been identified and classified in the following groups:

1. Basic macroeconomic equilibria
2. Production
3. Consumption and prices
4. Employment and wages
5. Investment

UNWTO warns about the possibility that once certain countries have their own TSA, the results indicate a different situation regarding the impact of tourism on the economy to that initially foreseen using the indicators proposed here. However, it is also possible that the new data (TSA aggregates and related indicators) will offer greater credibility as they will be the result of rationalisation of the basic statistical research and the application of several consistency tests applied during development of the summary statistics.

4. ASSESSMENT OF DATA

(a) Data Needed to Compile the Indicator: arrivals of international visitors, trips by resident visitors in the country of reference, international departures by resident visitors, expenditure and production of goods and services demanded by visitors, tourism share values (how much value of the variable is attributable to visitor consumption), tourism related imported goods.

(b) **National and International Data Availability and Sources:** about 70 countries are right now in either of these situations: a) they already have an established Tourism Satellite Account, b) expecting that the implementation of their TSA will be highly developed during the next three years and also; or c) countries that have recently developed relevant macroeconomic studies on the economic importance of tourism.

(c) **Data References:** UNWTO will start by 2007 to request TSA data and will distribute the results in the “Compendium of Tourism Statistics”

5. AGENCIES INVOLVED WITH THE DEVELOPMENT OF THE INDICATOR

(a) **Lead Agency:** United Nations World Tourism Organization (UNWTO), located in Madrid, Spain.

Contact: Statistics and Economic Measurement of Tourism (stats@unwto.org)

World Tourism Organization

Capitán Haya, 42

28020 Madrid - Spain

Tel: (+34) 91 5678100

Fax: (+34) 91 5713733

(b) **Other Contributing Organizations:** European Commission, CARICOM

6. REFERENCES

(a) **Readings:**

Juan Falconi, (2003) *Measuring the Economic Contributions of Tourism: A Proposal for some Basic Indicators*, document published in the UNWTO publication “Enzo Paci Papers on Measuring the Economic Significance of Tourism, volume 3”

(<http://www.unwto.org/statistics/tsa/project/indicators.pdf>)

United Nations, World Tourism Organization, Organisation for Economic Cooperation and Development and Commission of the European Communities (Eurostat) (2001). *Tourism Satellite Account: Recommended Methodological Framework*. United Nations, New York.

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World Tourism Organization. (2006). *Compendium of Tourism Statistics*. World Tourism Organization, Madrid.

(b) **Internet site:** World Tourism Organization <http://www.unwto.org/>