TOURISM MACROECONOMICS

Definitions and Key Concepts

Tourism as a complex phenomenon

Need to adopt a multidisciplinary approach

TOURISM AS A SYSTEM – LEIPER MODEL
Tourist - Space – Travel and Tourism Industry

Tourism

- Sociology
- Geography
- Economics
- Anthropology
- Business Studies
- Other disciplines
Tourism Economics

Object of study: the experience of the tourist, an individual who, for leisure or other purposes, temporarily leaves the place of residence for being hosted in a destination, activating successive economic effects that are worth investigating.

Tourism Economics is a branch (an applied discipline) of Economics that studies the economic effects of tourism activity:

1. Expenditure decisions;
2. Investment decisions;
3. Structure and organization of the markets (price, quantity, competition);
4. Tourism Policy and Planning;
5. Issues related to international tourism.

Historical roots: the Economics of Outdoor Recreation: Five founding moments of the tourism experience

i. Anticipation
ii. Outward journey
iii. Experience
iv. Return journey
v. Memory
The Tourist

Many definitions

Von Schullard (1910)
“[Tourism is] the total sum of operators, mainly of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a certain country, city or a region.”

Jafari (1977)
“Tourism is the study of man away from his usual habitat, the industry which responds to his needs, and the impact that both he and the industry have on the socio-cultural, economic, and physical environments.

The League of Nations (1937)
“A tourist is the individual that spends a period of time of at least 24 h in a country different than that of residence”.

British Tourism Society (1974)
“Tourism is deemed to include any activity concerned with the temporary short-term movement of people to destinations outside the places where they normally live and work, and their activities during the stay at these destinations”
Tourism

Official definition of international tourism (1994)
UNWTO e UNSTAT

“The activities of persons travelling to and staying in places outside their usual environment for less than a year, for any main purpose (leisure, business or other personal purpose) other than to be employed by a resident entity in the country or place visited.

KEY DIMENSIONS

Movement  Length of stay  Motivation
### Taxonomy of Tourism Flows

**Table 2.1  The table of tourism flows**

<table>
<thead>
<tr>
<th>Destination within the region</th>
<th>Origin within the region</th>
<th>Origin outside the region</th>
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</thead>
<tbody>
<tr>
<td>Destination outside the region</td>
<td>1. Domestic tourism</td>
<td>2. Inbound tourism</td>
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<tr>
<td></td>
<td>3. Outbound tourism</td>
<td>4. Transit tourism</td>
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</table>

- **1+3: National Tourism**
- **1+2: Internal Tourism**
- **2+3: International Tourism**

> *Visitors = tourists + day trippers:*

- **tourists** - visitors who travel for more than 24 h. These types of trip imply that the visitors stay overnight in the destination, at least for one night (distinction between short holidays (1-3 nights) and long holidays (more than 3 nights)).

- **day-trippers** - visitors who stay in the destination less than 24 h, thus not staying overnight.
Classification of inbound travelers

- Business and professional
- Holidays, leisure and recreation
- Visiting friends and relatives
- Education and training
- Health and medical care
- Religion / pilgrimages
- Shopping
- Transit
- Other

Inbound travelers

- Inbound visitors
  - Tourists (Overnight visitors)
  - Same-day visitors (Excursionist)

Other inbound travelers

- Border workers
- Seasonal workers
- Other short-term workers
- Long term workers
- Nomads and refugees
- Transit passenger not entering the economic and legal territory
- Crews on public modes of transport
- Persons entering the country to establish there their country of residence
- Long term students and patients and their family joining them
- Other travelers deemed not to enter the economic territory:
  - Diplomats, consular staff, military personnel and their dependants
  - Armed forces on maneuver

National's residing abroad
Other non residents (foreigners)

Main purpose of tourism trips
Exercise

Define, on the basis of the UNWTO definition and classification of tourism flows, the following cases:

a) Italian Resident, working in Milan and traveling for business reasons to London, sometimes staying overnight in the British capital.

b) Italian Citizen, resident in Dublin, where she works for an Italian bank. She travels to Italy several times a year for business meetings. She takes advantage of this opportunity to visit her family.

c) Chef from Amsterdam who, during the summer season, moves to the Cote d'Azur where he works in a restaurant.

d) A salesman of a firm located in Barcelona, Spain, who usually travels to all the main cities of Catalunya representing his company.
The Tourism Product

Tourism spending is constituted by a plurality of heterogeneous goods and services which are purchased during or for the holiday: transport, lodging, catering, support services for example in beach or skipass, leisure and entertainment and, finally, other goods purchased in the destination (shopping).

CHARACTERISTICS OF THE TOURIST PRODUCT

HETEROGENEITY

The list of different goods and services which compound the tourism product

PLURALITY

The diversity of the list among tourists, which ultimately defines the different types of tourism
Transport
- Ship
- Bicycle
- Airplane
- Train
- Bus
- Motorcycle
- etc.

Lodging and Catering
- Camping grounds
- Hotels
- Motels
- Rented apartments
- Restaurants
- Bars
- etc.

Attractions
- Recreational activities
- Theme parks
- Events
- Congresses
- Festivals
- Events
- etc.

Shopping
- Souvenir shops
- Art shops
- Craftman shops
- Local products
- Farmers market
- etc.

Base of natural, cultural and organisational resources
### The Matrix of the Tourism Product

A synthetic way to represent heterogeneity and plurality

\[ \Pi = [x_{ij}] \text{ with } i = 1, 2, \ldots, m \text{ and } j = 1, 2, \ldots, n \]

\[ \Pi = [x_{ij}] =
\begin{array}{c|cccc}
   & X_1 & X_2 & \ldots & X_n \\
   \hline
   T_1 & x_{11} & x_{12} & \ldots & x_{1n} \\
   T_2 & x_{21} & x_{22} & \ldots & x_{2n} \\
   \vdots & \vdots & \vdots & \ddots & \vdots \\
   T_m & x_{m1} & x_{m2} & \ldots & x_{mn} \\
\end{array} \]

- The matrix shows the units of each good or service demanded in one single day of tourism;
- Heterogeneity appears in the columns;
- Plurality appears in the rows;
- The matrix of the tourism product does not include ordinary consumption, those goods which are not strictly linked to the tourism activity;
- The tourism product includes: transport, accommodation, meals, attractions, shopping
The Measurement of Tourism Flows

• Searching the tracks that tourists leave behind

  – **Arrivals** (A) - the number of visitors reaching the destination, regardless of the duration of their visit;

  – **Nights, or Overnight Stays** (N) - the total number of nights that the visitors spend in the destination;

  – **Average Length of Stay** (L) - the average number of nights that visitors spend in the destination; \[ L = \frac{N}{A} \]

  – **Saturation Index** (B) – the ratio between the number of overnight stays and the resident population \( P \), multiplied by the number of days \( D \) of the period under scrutiny; \[ B = \frac{N}{DP} \]

  – **Propensity to Travel** (X) – the share of tourists \( T \) (net propensity) or trips \( V \) (gross propensity) in the population of the region of origin; \[ X_N = \frac{T}{P}; \quad X_G = \frac{V}{P} \]

  – **Trip frequency** (F) – average number of trips taken by the tourists; \[ F = \frac{V}{T} = \frac{X_G}{X_N} \]
Exercise

Neverland, with a population of 10 million inhabitants, is a well-known paradise for tourists. In 2010 Neverland has recorded a total of 25 million arrivals for a total of 100 million overnight stays. A large part of these tourism flows consists of foreign tourists (15 million arrivals and 75 million overnight stays). In addition, 7.5 million of Lost Boys (inhabitants of Neverland) have had tourism experiences, not only domestically: of these 7.5 million tourists, a million went abroad for a flow of 1.5 million departures and 4.5 overnight stays abroad. Calculate:

- the net and gross propensity to travel abroad and the travel frequency of Neverland;
- the average length of stay in Neverland, of both internal and incoming tourism;
- The average length of stay of Lost Boys both domestically and abroad;
Tourism Expenditure

The amount paid for the purchase of goods and services, for and during tourism trips. It includes expenditure by visitors themselves, as well as expenses that are paid for or reimbursed by others.

- Theoretical and statistical problems related to its measurement:
  - Specific spending / Ordinary spending;
  - Tourist consumption / Tourist investment

Further specification:
- Goods and services purchased during the trip and the stay;
- Durable goods, which are purchased for tourism purposes and can be used repeatedly for several years (holiday homes, boats, camping tents)

Total tourism expenditure $S$ is computed by adding up the spending for each quantity of goods and services included in the tourism product (it does not include, though, durable goods)

\[
\text{Daily spending} = \frac{S}{N} \\
\text{Per capita spending} = \frac{S}{A}
\]
Tourism in the World Economy

Tourism is estimated to account for 10% of the world GDP, 7% of world exports of goods and services and to employ 235 million people worldwide.

- The trend of international tourism is experiencing a sustained and constant growth, having reached 1.235 billion tourists in 2016.
- The average annual growth rate in the period 2005-2015 was 3.8%
- The UNWTO remarks that the vast majority of destinations worldwide posted positive figures in the last seven years, sufficient to offset losses due to the 2008-2010 economic crisis.
- A striking feature of modern international tourism, hence, is its resilience.
- Another striking feature of international tourism is the changing pattern in the distribution of flows across regions.
- International Tourism Receipts amount (in 2016) to € 1220 billion
- France, the US, Spain, China and Italy are the five most important destinations both for the number of International Arrivals and for International Tourism Receipts (with Thailand).
- China, the US, Germany, UK and France are the five most important “Tourism Spenders” (not Russia anymore).
TOURISM AT A GLANCE

1.235 million international tourist arrivals in 2016
Source: World Tourism Organization (UNWTO)

7% of world’s exports
€1.4 trillion
Source: UNWTO

10% of world’s GDP (Direct, indirect, induced)
Source: World Travel & Tourism Council (WTTC)

1 in 10 jobs
Source: WTTC

1.8 billion international tourist arrivals by 2030
Source: UNWTO
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<th>Region</th>
<th>Local currencies, constant prices (% change)</th>
<th>Market share (%)</th>
<th>Receipts (US$) (billion)</th>
<th>Receipts (US$) per arrival</th>
<th>Receipts (US$) (billion)</th>
<th>Receipts (US$) per arrival</th>
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Sources and Data

Web Site of the UN World Tourism Organization: www.unwto.org
  • Important documents:
    • Tourism Highlights
    • Tourism Barometer
    • Tourism Factbook (the microdata)
Web site of the National Statistical Offices (www.istat.it For Italy)

Regional Statistical Offices (Eurostat) and international organizations (World Bank)

Sub-Country Statistical Offices
Assignment for Tuesday, October the 3rd, 2017

Read and comment the most recent material uploaded in the repository:
UNWTO Tourism Highlights 2017
UNWTO Tourism Barometer, Last edition.

Form five groups and present (10 minutes) the main statistical facts and figures related to:

GROUP A (students with surname beginning A – D)
The recent evolution of Tourism in Africa and Middle East

GROUP B (students with surname beginning E – L)
The recent evolution of Tourism in Asia and Oceania

GROUP C (students with surname beginning M – O)
The recent evolution of Tourism in Europe

GROUP D (students with surname beginning P – S)
The recent evolution of Tourism in Latin America

GROUP E (students with surname beginning T – Z)
The recent evolution of Tourism North America
References for Lectures 01 and 02

