

AN OVERVIEW ON TOURISM'S CONTRIBUTION TO GDP

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Abstract

Tourism has been developed into the fourth industry in sense of contribution to GDP worldwide. This paper analyses the role of tourism industry to gross domestic product (GDP) of some European countries like as Germany, Italy, France, Spain and Romania, but also countries like USA, China, Japan, Great Britain, Mexico. The objective of this research was to determine the top five tourism markets in 2019 according to annual report of the World Travel and Tourism Council (WTTC, 2020). Romania's tourism industry had a direct role of 3.16 billion USD to the Gross Domestic Product (GDP) in 2018, a little more higher than in 2017, placing Romania on the 64th place in the world.

The analysis the World Tourism and Travel Council (WTTC, 2020) estimates an economic impact of the COVID-19 epidemic on tourism and travel 5 times greater than that of the global financial crisis.

Keywords: *GDP, Tourism Industry, WTTC, TLEG*

JEL classification: *Z31, L83*

1. Introduction

In the recent years, a considerable number of studies were published related to contribution of tourism industry to gross domestic product of a country or a region. The development of tourism industry has been a significant factor with positive influences in many areas, due to its potential to generate income, create jobs and reduce the balance of payments. For areas where there are few alternative sources of economic diversification, tourism plays an important role in economic strategies.

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As a global economic activity tourism facilitates economic and social progress in those regions in which it's developed. There are multiple positive effects derived from tourism, such as job creation, the ability to stabilize the population in a territory or the ability to diversify agricultural production in certain areas. At the same time, there are negative effects, such as uncontrolled flows of tourists, pollution in all its forms (physical, sound, visual, architectural), urbanization of rural areas, etc.

In the globalization era, under-developed countries use tourism as an economic growth tool, peace promoter, develop workforce, and reduce the poverty level. In terms of improving standards of living, the local community could expand their earnings and socio-economic condition. (Manzoor et al. 2019)

2. A brief review of literature

Over the past three decades, tourism industry has been very progressive and rapidly increasing. Ever since 1976, studies have presented that there is a strong and direct relationship between tourism and economic development. The World Tourism Organisation (WTTC, 2020) defines tourism as “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 other purposes”.

According to Roe et al. (2004) this definition was broke down into six categories by the following purposes of the trip:

1. Leisure tourism
2. Business tourism
3. Visiting friends
4. Health tourism
5. Religious tourism
6. Cultural tourism
7. Other

Ogaboh Agba et al. (2010) have a diverse perspective on tourism, seeing it as a business organization that offers places to consumers. The first motivations to travel were education and relaxation. Tourism is also a source of sightseeing and socializing, which means it can enhance people's behaviour and it can create a change in society (Akpan and Obang 2012). In 2013, Massidda and Mattana, using a structural vector error model, identified that tourism and trade contribute rapidly to real GDP, but the period of time necessary for the real GDP to restore is much longer in the other two

variables. Also, the authors explained about policies that help national destinations in the global market may have substantial contribution, as this impact appears self-strengthening profit for the economy in two distinct views; one that is direct, through the GDP-tourism evaluation, and the other that is indirect, through developed trade opportunities (Del P. Pablo-Romero and Molina 2013).

Tugcu (2014) established that the tourism-led economic growth (TLEG) is creating direct, indirect and induced effects on other industries. This hypothesis is used in empirical studies such as Dritsakis (2012), who validated the growth and contribution of tourism on GDP per capita.

The fundamental systems that determine the size of the economic influences resulting from growing tourism demand include: exchange rate appreciation, factor supply restrictions and volatility of current government economic policy (Dwyer et al. 2003). In global economic activity, tourism plays an important role in job creation, export revenue and domestic value added. According to OECD, tourism contribution sector is 4.1% of GDP, 5.9% of tourism jobs, and 21.3% of service exports (OECD 2018).

In conclusion, tourism is one of the largest and higher growing industry in the world economy and the economic performance of tourism are really considerable.

3. Discussion

Tourism industry is continually growing with direct impact to developing countries. In the annual report of the World Travel and Tourism Council (WTTC 2020), which quantifies the economic and employment impact of tourism in 185 countries and 25 geographical or economic regions, the major indicators of the global tourism and travel industry in 2019 are as follows:

- the contribution of tourism to GDP: USD 8.9 trillion, respectively 10.3% of global GDP;
- labor market: 330 million jobs in tourism, 1 in 10 jobs globally;
- value of tourism exports: USD 1.7 trillion, representing 6.8% of total exports of goods and services and 28.3% of global exports of services;
- capital investments in the tourism sector: 948 billion USD, respectively 4.3% of total investments.

According to the same report, the tourism and travel sector registered an increase of 3.5% in 2019, exceeding the growth of the global economy of 2.5% for the ninth consecutive year. In the last 5 years, 1 in 4 new jobs has been created in this sector, which indicate the role of tourism to employment.

The USA, China, Japan, Germany and Italy were the top five tourism markets in 2019, representing a cumulative 49.3% of tourism's contribution to global GDP. The performances of Asia and North Africa meant significant increases, of 9.8% and 7.1% respectively.

Tourism has turned into the fourth industry in role of contribution to GDP worldwide (after retail trade, financial services and construction) and the fourth industry in terms of contribution to employment (after retail, agriculture and construction).

After 2000, the tourism and travel industry was a major driver of economic growth, accounting in 2019 for about 10% of global economic activity (\$ 8.9 trillion). This is reflected in the total contribution (direct, indirect and induced) of this industry to world GDP.

Table 1 represent the relative increase in the total contribution to tourism GDP, from 1995 to 2019, the most important increases being in China, India and Mexico.

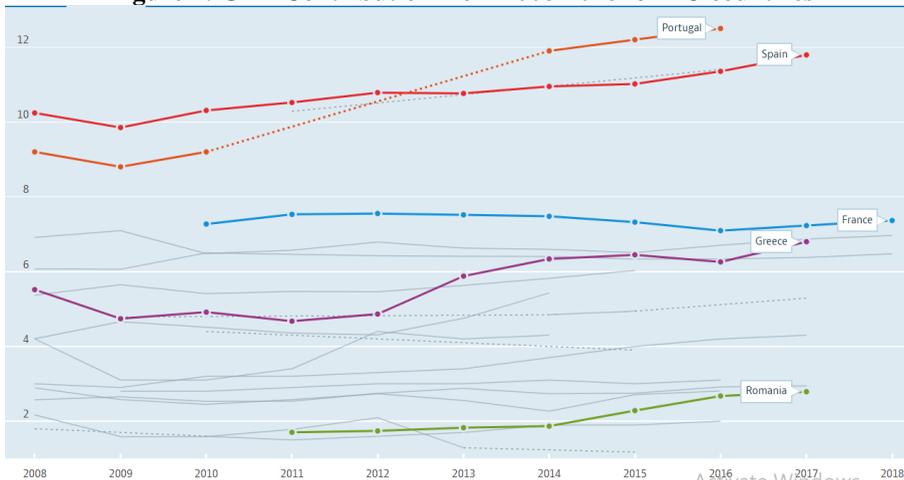
Table 1: Top 10 countries with highest GDP Contribution

Rank	Country	GDP Contribution 1995 (bil. USD)	GDP Contribution 2019 (bil. USD)	Growth (%)
1	USA	898,2	1839,0	104,7%
2	China	157,0	1585,0	909,2%
3	Japan	323,8	359,0	10,9%
4	Germany	333,0	347,0	4,2%
5	Great Britain	214,9	254,0	18,1%
6	Italy	187,2	260,0	39,0%
7	France	187,3	229,0	22,5%
8	India	74,9	19,04	158,8%
9	Spain	115,2	198,0	72,2%
10	Mexico	88,4	196,0	121,3%

Source: WTTC. (2020). Travel & Tourism: Economic Impact. Retrieved from <https://wttc.org/Research/Economic-Impact>

Figure 1 shows the contribution of tourism to GDP in some European countries, including Romania, in the period 2008-2018. It is noted that in Romania, in 2017 for which data is available, the contribution of tourism to GDP was about 2.8%, unlike Portugal - 12.5%, Spain - 11.8%, France - 7.4% and Greece - 7%, EU countries with the highest shares of tourism in GDP.

Figure 1: GDP Contribution from 2008-2018 for EU countries



Source: OECD (2020), Tourism GDP (indicator). doi: 10.1787/b472589a-en

For a growing number of countries, tourism is a strategic sector that needs to be supported and protected by legislation and adequate investment in infrastructure. Increasing the share of tourism in GDP certainly involves increasing investments in tourism infrastructure like as: buildings (hotels), traffic networks and access to transport services, region achievement and supply services to the destination. The negative impact is manifested by increased energy consumption but also the degradation of local natural resources, such as water, soil, landscape and habitat. These pressures, which can exceed the region's support capacity, often occur in environmentally sensitive areas, such as lakes, the coast and mountains.

Currently, the World Tourism and Travel Council (WTTC, 2020) estimates an economic impact of the COVID-19 epidemic on tourism and travel 5 times greater than that of the global financial crisis, with an increase in the global unemployment rate by 2,9% due to the loss of jobs in the tourism sector, forecast loss of 100.8 million jobs, respectively 31%. It is also

expected a decrease in GDP from tourism by USD 2.7 trillion, respectively 30%.

Romania's tourism industry had a direct contribution of USD 3.16 billion to the Gross Domestic Product (GDP) in 2018, a little higher than in 2017, positioning Romania on the 64th place in the world, in front of Costa Rica, Kenya, Puerto Rico and Bulgaria, but behind Croatia, Israel, and Poland. The tourism & travel's direct contribution to the GDP is expected to rise by 22,8% in the next 8 years in Romania.

By 2028, tourism commitment to GDP ought to get near to 4 billion USD, WTTC gauges. By comparison, the travel & tourism industry incorporates a induced, direct and indirect contribution of 10.3% to the world's GDP, and 9.1% to Europe's GDP.

4. Conclusions

Over past decades, the tourism industry has seen a significant development. For the 6th continuous year, this industry has overcome the development of the worldwide economy and has been exceeding critical financial segments such as the automobiles, oil trades, food sector. Regarding this factor, the tourism sector could be a crucial industry around the world significance. Sustainable tourism can be a successful strategy instrument for achieving the *Thousand years Advancement Objectives*. Tourism may be a social movement which includes travel by person or bunch to remain out of their normal environment, for the reason of pleasing leisure, business, healthy treatment or other needs. Tourism has gotten to be a well known worldwide action. Tourism could be a major component of the administrations economy, constitute to 30% of universal exchange in administrations. Tourism especially the motel and catering areas, is one of the few industries of the economy to be at the middle of the generation chain, not as it were for cultivate and nourishment items but moreover for buyer and capital products. It is in a few creating nations that tourism is developing rapidly, and/or making the biggest commitment to the national economy. The importance of tourism to these economies explain that its purpose go well beyond those countries. The number of worldwide traveler entries around the world is anticipated to extend by an normal of 3.3% a year over the period 2010 to 2030, according to Tourism Towards 2030. It is anticipated that the degree of improvement tourism sector in 2030 will continuously reduce over time from 3.8% to 2.9%. In complete numbers, arrivals will rise by approximately 43 million a year, compared with an normal rise of 28 million a year over the

period 1995 to 2010. At the anticipated score of development, worldwide arrivals tourists around the world are anticipated to get to 1.4 billion by 2020, and 1.8 billion by the year 2030.

Tourism industry will expand and that will depend upon its capacity to live up and adapt to emerging economic, political, technological, social and environmental trends. In conclusion, we can consider tourism's potential as a driver force for sustainable and comprehensive growth will need the development of reasonable policies, specific strategies, instruments and structures that cover the private sector and other stakeholders in tourism management.

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