

Tourism and its link with other economic sector

The distinctiveness of tourism in global trade is that it 'moves people to the product rather than transporting the product of the people,' Tourism is also linked to other areas of the economy: agriculture, land and labour. Tourism not only creates jobs in the tertiary sector, it also encourages growth in the primary and secondary sectors of industry. This is known as the multiplier effect which in its simplest form is how many times money spent by a tourist circulates through a country's economy. Money spent in a hotel helps to create jobs directly in the hotel, but it also creates jobs indirectly elsewhere in the economy. The hotel, for example, has to buy food from local farmers, who may spend some of this money on fertilizer or clothes. The demand for local products increases as tourists often buy souvenirs, which increases secondary employment. The multiplier effect continues until the money eventually 'leaks' from the economy through imports - the purchase of goods from other countries.

Tourism has a variety of economic impacts. Tourists contribute to sales, profits, jobs, tax revenues, and income in an area. The most direct effects occur within the primary tourism sectors --lodging, restaurants, transportation, amusements, and retail trade. Through secondary effects, tourism affects most sectors of the economy.

A simple tourism impact scenario illustrates. Let's say a region attracts an additional 100 tourists, each spending Rs.100 per day. That's Rs.10, 000 in new spending per day in the area. If sustained over a 100 day season, the region would accumulate a million rupees in new sales. The million rupees in spending would be distributed to lodging, restaurant, amusement and retail trade sectors in proportion to how the visitor spends the Rs.100. Perhaps 30% of the million rupees would leak out of the region immediately to cover the costs of goods purchased by tourists that are not made in the local area. The remaining Rs.700, 000 in direct sales might yield Rs.350, 000 in income within tourism industries and support 20 direct tourism jobs. Tourism industries are labor and income intensive, translating a high proportion of sales into income and corresponding jobs. The tourism industry, in turn, buys goods and services from other businesses in the area, and pays out most of the Rs.350, 000 in income as wages and salaries to its employees. This creates secondary economic effects in the region.

While hypothetical, the numbers used here are fairly typical of what one might find in a tourism economic impact study. A more complete study might identify which sectors receive the direct and secondary effects.

There are several other categories of economic impacts. For example:

1} Changes in prices -- tourism can sometimes inflate the cost of housing and retail prices in the area, frequently on a seasonal basis.

2} Changes in the quality and quantity of goods and services – tourism may lead to a wider array of goods and services available in an area (of either higher or lower quality than without tourism).

3} Changes in property and other taxes – taxes to cover the cost of local services may be higher or lower in the presence of tourism activity. In some cases, taxes collected directly or indirectly from tourists may yield reduced local taxes for schools, roads, etc. In other cases, locals may be taxed more heavily to cover the added infrastructure and service costs.

4} Economic dimensions of “social” and “environmental” impacts - There are also economic consequences of most social and environmental impacts that are not usually addressed in an economic impact analysis. These can be positive or negative. For example, traffic congestion will increase costs of moving around for both households and businesses. Improved amenities that attract tourists may also encourage retirees or other kinds of businesses to locate in the area.

A standard economic impact analysis traces flows of money from tourism spending, first to businesses and government agencies where tourists spend their money and then to:

1} Other businesses -- supplying goods and services to tourist businesses,

2} Households – earning income by working in tourism or supporting industries, and

3} Government -- through various taxes and charges on tourists, businesses and households