



The Importance of Tourism in the Egyptian Economy

(June Workshop)

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The Importance of Tourism in the Egyptian Economy

Issues and Questions

I. Why is it difficult to measure tourism's contribution to GDP?

II. What is the estimated importance of tourism in the Egyptian economy? (with comparison to other sectors)

III. What is the outlook for world tourism and its implications for the Egyptian economy?

I. Why is it difficult to measure tourism's contribution to GDP?

Tourism is a sector with special characteristics

Tourism is a demand-based concept...

- It is the purchaser - the tourist - who provides the distinguishing characteristics to determine how tourism is classified, not the producer.
- The situation is further complicated because when the visitor purchases a commodity, it is not always clear which industry produced it.

I. Why is it difficult to measure tourism's contribution to GDP?

Tourism is not a sector that is fully accounted for in national accounts...

- In the standard national accounts approach, when deriving an industry's value added (its contribution to GDP) the destination of its output is not normally taken into consideration.

Example: restaurant meals

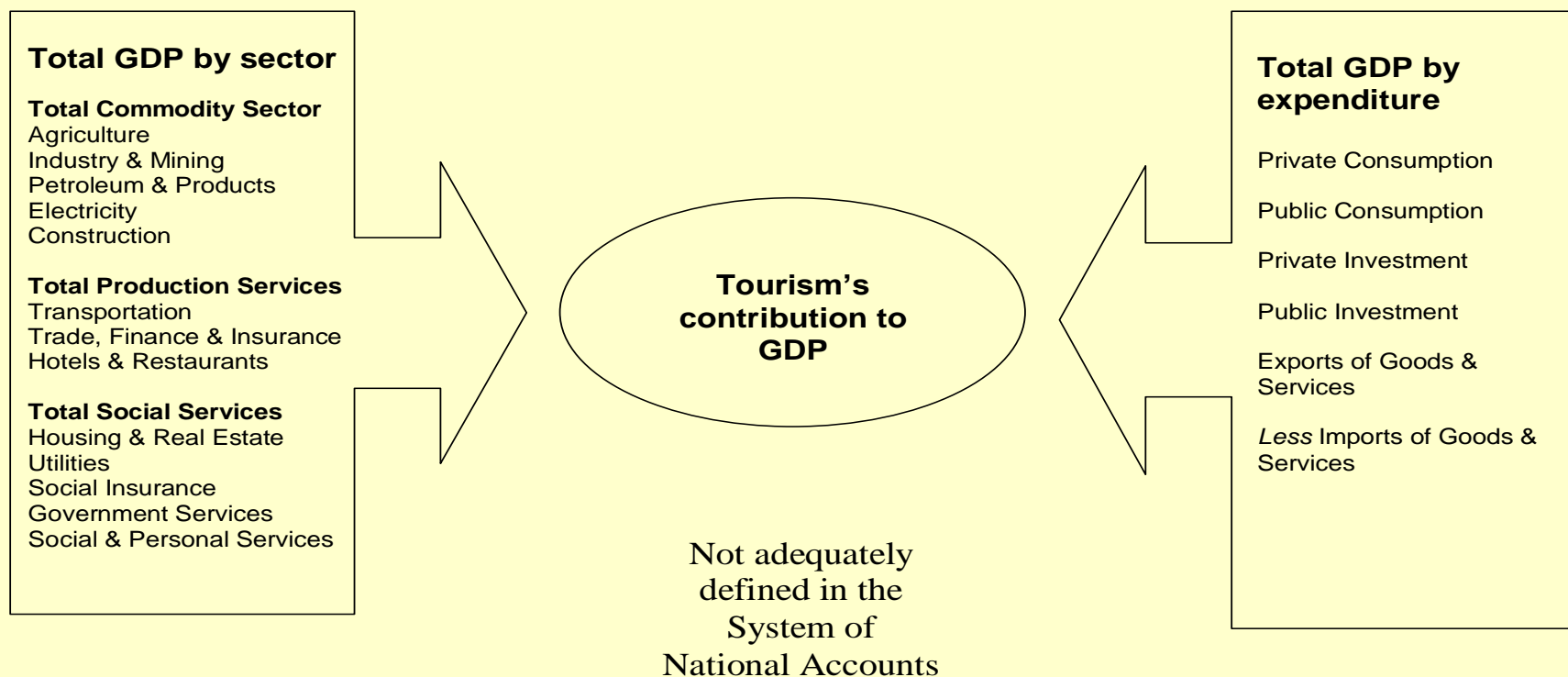
I. Why is it difficult to measure tourism's contribution to GDP?

The Core of the Tourism Business

Accommodation	Food and Beverage	Reservation Systems
Hotels/resorts	Restaurants	Auto Clubs
Motels	Fast Food	Entertainment/Arts Venues
Hostels	Wine Merchants	Museums/Historical Sites
Caravans	Travel Agencies	Construction/Real Estate
Camping	Tour Companies	Distillers/Brewers/Bottlers
Transportation	Souvenirs	Auto/aircraft Manufacturers
Airlines	Luggage	Motor Fuel Producers
Cruise Ships	Hotel/Restaurant Suppliers	Clothing Manufacturers
Railways	Taxi Services	Communication Networks
Car Rental	Cameras and Film	Education/Training Institutes
Bus Coaches	Maps, Travel Books	Recreation/Sporting Equipment
Attractions	Shopping Malls	Food Producers
Man-made	Service Stations	Advertising Media
Natural	Sporting Events	Cartographers/Printers
	Banking Services	

Source: Australian National Tourism Strategy 1992.

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What is an Economic Impact Analysis?

- An economic impact analysis traces the flows of spending associated with a particular activity in a region or country, tourism in this case. This analysis can be used to identify the **direct, indirect and induced** effects on sales, tax revenues, income, and jobs due to changes in that activity.

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I. What is the estimated importance of tourism in the Egyptian Economy?

Contribution to GDP at Factor Cost, 1996/97

Total Commodity Sector	49%	Total Production Services	33%	Total Social Services	17%
Agriculture	16%	Transportation	7%	Housing & Real Estate	2%
Industry & Mining	18%	Suez Canal	3%	Utilities	0%
Petroleum & Products	8%	Trade	17%	Social Insurance	0%
Electricity	2%	Finance & Insurance	4%	Government Services	7%
Construction	5%	Hotels & Restaurants	2%	Social & Personal Services	8%

Source: Ministry of Planning

I. What is the estimated importance of tourism in the Egyptian Economy?

Contribution to employment, 1996/97

II. What is the estimated importance of tourism in the Egyptian economy?

- Ministry of planning formula.
- Weaknesses (common with other countries)
- Weaknesses (special to Egypt)

I. Why is it difficult to measure tourism's contribution to GDP?

- **Direct Effects** are production changes associated with the immediate effects of changes in tourism expenditures.
- **Indirect Effects** are the production changes resulting from various rounds of re-spending of the tourism industry's receipts in industries supplying products and services to the tourism industry.
- **Induced Effects** are the changes in economic activity resulting from household spending of income earned directly or indirectly as a result of tourism spending.

I. Why is it difficult to measure tourism's contribution to GDP?

The principal tools and methods that are used in conducting the economic impact analysis are:

- Visitor-spending surveys.
- **A tourism-establishment survey to obtain sector data on company inputs, wages and employment. (check with adrian)**
- Secondary data on tourism from government economic statistics.
- Input-output model and the use of multipliers.

II. What is the estimated importance of tourism in the Egyptian economy?

Questions:

- What is tourism's true contribution to Egypt's national income?
- How much personal and business income is derived from tourism-related activities?
- What is the role of tourism in generating new employment opportunities?
- How much of the government's taxation revenue comes from tourism and tourism-related activities?

II. What is the estimated importance of tourism in the Egyptian economy?

- Description and analysis of the tourism in Egypt:
- Balance of payments revenues (service export)
- arrivals
- main markets

II. What is the estimated importance of tourism in the Egyptian economy?

- Picture with the process of coming up with the results.
- Components:
 1. Tourist expenditure survey
 2. 1991/92 Input-Output Table
 3. Employment Figures
 4. Tax Revenues, rates

II. What is the estimated importance of tourism in the Egyptian economy?

- Tourist Expenditure survey, 1994, 1996: highlights:
- sample size, categories of expenditures

II. What is the estimated importance of tourism in the Egyptian economy?

- Contribution of tourism to GDP, direct, indirect. 1994, 1996

II. What is the estimated importance of tourism in the Egyptian economy?

II. What is the estimated importance of tourism in the Egyptian economy?

- How the tourism sector's share of overall employment generation has developed over time, 1994, 1996

II. What is the estimated importance of tourism in the Egyptian economy?

- Impact of the tourism sector on government taxation revenue, 1996

II. What is the estimated importance of tourism in the Egyptian economy?

- Comparison with other sectors
- 100 million dollar increase in demand creates:
 - in tourism: sales, income, employment, tax revenues
 - in pick a couple of other manufacturing sectors
 - in agriculture

II. What is the estimated importance of tourism in the Egyptian economy?

- partnership with other sectors:
- A 100 million dollar increase in tourism creates:
 - in agriculture:
 - in manufacturing
 - in services

III. What is the outlook for world tourism and its implications for the Egyptian economy?

WTO, arrivals, receipts, projections, growth rates, implications for Egypt.

Base case scenario: maintain shares.

Competition scenario:

III. What is the outlook for world tourism and its implications for the Egyptian economy?

Egypt: Base scenario, maintain shares ----->expected revenue, arrivals.

III. What is the outlook for world tourism and its implications for the Egyptian economy?

Growth rates, region.

III. What is the outlook for world tourism and its implications for the Egyptian economy?