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Athens, 22 September 1999

P R E S S R E L E A S E

The Size and Dynamics of Tourism Sector

RIT presents the study of professor and General Director of RIT Mr. Pavlopoulos "The Size and Dynamics of Tourism Sector".

The great importance of the tourism sector, as a means of economic growth and job creation, is realized worldwide during the last two decades. The relatively rapid increase of demand for tourism services, combined with the substitution of labor from industry due to technological change, has made clear the comparative importance of tourism for economic development. However, the lack of sufficient information did not allow economic policy and business leaders to establish the position of the sector. The present study aims to cover the information gap regarding economics in tourism sector.

More specifically, the present study of RIT estimated the domestic added value produced directly and indirectly from tourism demand, in order to quantitatively determine the sector, to clarify its dynamics and to reconsider the development roles of the various industries. The applied method was simple Keynesian model with public sector and external transactions, and the results are surprisingly identical to those of the first satellite accounts, which were recently published.

- (a) The annual tourism foreign exchange earned is \$ 9 billion (reference year 1994).
- (b) Tourism economy i.e. the total added value created directly or indirectly by the demand for tourism product ranges from 18-20% of GDP.
- (c) The corresponding employment of tourism GDP is 690.000 people (1994).

- (d) As shown in another study, almost all of the improvement in the distribution of regional income over the last 20-30 years has been driven by tourism activity.
- (e) The annual foreign exchange earned from tourism is 2,5 times higher than the foreign exchange inflow from industrial exports and 1,8 times higher than the foreign exchange earned from total exports.

Examined in terms of dynamics, the tourism economic activity:

- (f) Represents today a ratio almost equal to 20% of GDP compared to 3% in 1960.
- (g) The period 1960-1997 tourism contributed by 21,6% to GDP increase compared to 15,4% of industry. The recent period 1980-97 the corresponding ratios are 53,2% for tourism and only 4,6% for manufacturing.
- (h) The period 1981-1997 the increase in employment in tourism economy was 87,5%, compared to a decrease of 15% in manufacturing and compared to an increase equal to 9,2% of total employment.
- (i) During the period 1980-97, period of rapid growth of the share of services in GDP, the share of total services increased from 49,5% to 64,8% (increase equal to 29,9%). Tourism increased its share from 10,5% to 18,4% (75% increase).

The above figures indicate in an indisputable way that tourism is finally a protagonist in the development process. In view of the natural and cultural wealth of the country, but also of the size and growth of demand worldwide, it seems that the main obstacle to the rapid and continuous growth of the tourism sector is the speed of the utilization of the elements from **nature** and **history**.

In contrast to the comparative importance of tourism for the development, the sectoral economic policy has been following a model of sectoral distribution of state resources without any economic logic. All the comparisons made either in the distribution of bank credits, grants and subsidies and in the sectoral distribution of Community funds (3 CSF), or in the distribution of state resources, regarding the creation of the main infrastructure of the economy, indicate that policy is in favor of manufacturing sector.

While according to all indications regarding the development costs of the various industries, tourism is the most dynamic part of the national economy, it has been inferior. Manufacturing, with only 4,6% contribution to development during the period 1980-97, now represents 24,7% of the bank financing of the production sectors, compared to 3,6%

of tourism, whose contribution to development was 53,2%. Funds invested in manufacturing from grants and from the stock market and Community support frameworks indicate that economic policy does not support tourism sector. The grants and the aid from the relevant programs favor the manufacturing sector, with much higher amounts. From the stock market, the raising of funds from manufacturing is even higher compared to the social costs (loss of significant capital of small investors).

The results of the study depict the importance of the tourism sector and shed light to the responsibilities of the state and immediately involved in the relevant production process. The results reflect the allocation of valuable financial resources to support unsustainable long-term economic activities and the need to reconsider sectoral economic policy to adapt to economic reality.

Tourism creates more job positions compared to other production sectors. The capital / employment ratio is 11,4 for manufacturing compared to only 2,1 for tourism (even with a large statistical error, the superiority of tourism is obvious). Tourism is based on the large and growing international market, and thus it can be argued that the main obstacle to the development of the tourism sector is the ability to offer services at competitive prices and quality.

Therefore, if economic policy is aiming to provide resources to the private economy to promote economic growth and address unemployment, tourism has to be the first, highest priority. **This needs to be more widely understood, so that not only state-allocated resources but also certain institutional structures are adjusted to the needs of society.**

The quantitative findings indicate the need to redefine the sectoral policy as well as to adjust certain institutions to the conditions of society, considering the dominant position of tourism in the economy. As government policy continues not to support tourism (the third CSF, although significantly improved, is a confirmation of this claim), it is of utmost importance for tourism and economy that the sector itself realizes its potentials, and proceed to appropriate organization and review of government legislation and practices.