

# Coping with Recession in the Regions The Role of Tourism Spending

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# Overview

- Tourism **employs more** people than **any** major (NACE) industry in Ireland
- Tourism **Value Added (GVA)** exceeds any major (NACE) industry in Ireland **bar** Chemicals
- **Domestic** Irish tourists spend more than **Out-of-State** tourists – not the other way around.
- **All** regions – **bar Dublin** – rely more on Domestic than on Out-of-State tourists.
- 30% of all Tourist Spending is in Dublin **but** Dublin relies less on tourism for GVA (4.6%) & employment (6.7%) than any region bar the Midlands & East
- The West region tourism spending slice (14%) is less than half of Dublin's but tourism's share of West GVA (12%) & Employment (17%) is over twice Dublin's
- The **Domestic & Out-of-State** segments of Tourism respond differently during the recession.
- Regions reliance on Domestic & Out-of-State tourism segments varies dramatically.

- We begin with Methodology - the lens through which we 'see' Tourism
- It has the power to magnify or diminish what we 'see' as Tourism
- It has the power to clarify or cloud over what we 'see' as Tourism
- We adopt some key Tourism Satellite Account (TSA) methodology concepts
- For a more detailed account of TSA methodology see Kenneally & Jakee *"Satellite Accounts for the Tourism Industry: Structure, Representation and Estimates for Ireland"* (Tourism Economics, 2012)

- We traditionally **define** Industries by their **product(s)**
- We traditionally **measure** an industry's size by the **volume & value** of its **output(s)/supply/production** [e.g. meat & dairy products in food industry]
- **BUT** Tourism is Traditionally “***demand defined***” i.e. by the number of international visitors, how long they stay & how much they spend.
- Traditional estimates categorize some entire service industries as “tourism” (e.g. Restaurants & Hotels) & tally their output & employment.
- **BUT** not all spending in Hotels & Restaurants is by tourists & also some tourist spending seeps into ‘non-tourist’ industries – farming, brewing etc .
- TSA methodology **tracks the direct & indirect effects** of tourist spending on Output and Employment.

# TSA Tourists versus Traditional Tourists

- OECD/UNWTO developed & promoted TSAs in late 1980s.
- TSA define a “tourist” as someone who;
  - (1) travels for business or leisure:
  - (2) to a place outside of their usual environment
  - (3) for less than a year
  - (4) the main purpose of trip is not for remuneration from within the destination
- TSA “tourists”= Traditional (international + domestic) overnights + **Day Trippers**
- Kenneally & Jakee (2012) find that TSA-measured tourism in Ireland:
  1. Increases Domestic Tourism Spending **over three fold!**
  2. Domestic Irish Tourists Spend **more** in Ireland than International Tourists
  3. Tourism employs **more** people than any NACE Industry in Ireland
  4. Tourism generates more Value Added than any industry (bar the Chemical Industry) in Ireland

# How Did Tourism Fare between 2008 - 2011?

## The Traditional View



Tourist Spending	2008 €m	2011 €m	Percentage Change 2008 - 2011
<b>Domestic Tourists</b>			
1. Overnight	1546*	1822*	
2. Day Trips			
<b>3. Total Domestic</b>	<b>1546</b> (25%)	<b>1822</b>	<b>+17.87%</b>
<b>Out of State** Tourists</b>			
4. Overnight (inc. N.I.)	4060	3243	-20.13%
5. Day Trips	36	45	
6. Carrier Receipts	686	626	
<b>7. Total Out of State</b>	<b>4781</b> (75%)	<b>3914</b>	<b>-18.13%</b>
<b>Traditional Grand Total</b>	<b>6327</b> (100%)	<b>5736</b>	<b>-9.34%</b>

'Out-of-State' tourists = tourists from Overseas + Northern Ireland

\*CSO. Household Travel Survey 2011, Table 7 (p10) 11 Oct 2012.

<http://www.cso.ie/en/media/csoie/releasespublications/documents/tourismtravel/2011/hotra2011.pdf>

# A Traditional Account of Tourism Spending in Ireland

## In 2008

- Out-of-State Spending = €4.781bn:
- Domestic Spending was = €1.546bn
- Out-of-State Spending made up 75% of all Tourism Spending

## And between 2008 and 2011

- Out-of-State tourism spending **fell** by 18.13%
- Domestic tourism spending **grew** by 17.87%
- Total Tourism Spending **fell** by 9.35%.

# The TSA View of the 2008 -2011 Recession

	2008 €m		2011 €m	Percentage Change
<b>Domestic</b>				
1. Overnight	1546		1822	
2. Day Trips	5179		6104	
3. <b>Total</b>	<b>6725</b>	(58%)	<b>7926</b>	<b>+17.87%</b>
<b>Out of State</b>				
4. Overnight	4060		3243	-20.13%
5. Day Trips	36		45	
6. Carrier Receipts	686		626	
7. <b>Total</b>	<b>4781</b>	(42%)	<b>3914</b>	<b>-18.14%</b>
<b>TSA Grand Total</b>	<b>11506</b>		<b>11840</b>	<b>+2.9%</b>

# Some Startling TSA Conclusions for 2008-2011

## TSA AGREES:

- Domestic tourism spending **grew** by 17.87% and
- Out of State tourism spending **fell** by 18.14%

## BUT TSA CONTENDS THAT;

- Tourism spending in Ireland in 2011 was €11.8bn and not €5.7bn
- Domestic Tourism Spending in 2011 is €6.1bn higher than Trad view
- Domestic tourists spent 67% (not 31%) of 2011 Tourist Spending
- Total Tourism spending in Ireland didn't fall 9.35% : it grew by 2.9%.

# Different Regions Fared Differently

€m	2008			2011		
	BMW	S & E	IRELAND	BMW	S & E	IRELAND
<i>Domestic Overnight</i>	481	1065	1546	515	1307	1822
<i>Day Trips</i>	1611	3568	5179	1725	4379	6104
<b>Total</b>	<b>2092</b>	<b>4633</b>	<b>6725</b>	<b>2240</b>	<b>5686</b>	<b>7927</b>
<b>Out of State</b>						
<i>Overnight</i>	1198	2861	4060	968	2275	3243
<i>Day Trips</i>	10	25	36	13	32	45
<i>Carrier Receipts</i>	21	665	686	19	607	626
<b>Total</b>	<b>1230</b>	<b>3552</b>	<b>4781</b>	<b>1000</b>	<b>2913</b>	<b>3914</b>
<b>TSA Grand Total</b>	<b>3322</b>	<b>8184</b>	<b>11506</b>	<b>3240</b>	<b>8600</b>	<b>11840</b>
<b>Percentage Change 2008 - 2011</b>				<b>-2.5%</b>	<b>+5%</b>	<b>+2.90%</b>

- Tourism Spending increased 5% in the Southern & Eastern (S &E) Region
- Tourism Spending fell 2.5% in the Border, Midlands & Western (BMW) Region

# Revisions

Domestic Spending on Tourism €m	2008	2009	2010	2011
Overnight – Revised*	1546	1389.8	1560.5	1415.9
Overnight – Unrevised**	1546	1389.8	1870.2	1822.2
Size of <b>Downward</b> Revision			<b>€309.7m</b>	<b>€406.3m</b>
<b><i>Implied TSA Domestic Downward Revision</i></b>			<b>€1,347m</b>	<b>€1,767m</b>

\* CSO. Household Travel Survey 2011. (13 Nov, 2013) Table 8a, p.10.

\*\* CSO. Household Travel Survey 2011. (11 Oct, 2012) Table 8, p.10. See Background Notes

- There is a **break** in the Domestic Spending Series in 2010. The Revised Data suggest:
- Between 2008 – 2011 Domestic Spending did **not** increase by €276m (+17.87%) ***instead***
- Between 2008 – 2011 Domestic Spending **fell** by €130m (-8.4%)
- This changes calculated trends ***but not the importance of Domestic Tourist Spending***

# Domestic Tourism Spending Softens the Recessionary Drop in Inbound Spending

€m	2008	2009	2010	2011	2012
<b>Out of State Tourism Spending in Ireland</b>	4781	4258	3901	3913	4041
Overnight Domestic Spending (HTS Q2 2013)	1546	1389.9	1560	1415.9	1345.5
<i>Spending by Irish on Tourism At Home*</i>	6725	6046	6788	6159	5853
<i>Spending by Irish on Tourism Abroad**</i>	***7728	6043	5801	5399	5233
<i>Total Spending by Irish on Tourism</i>	<b>14453</b>	<b>12089</b>	<b>12589</b>	<b>11558</b>	<b>11086</b>
The 'At Home Share' of Irish Spending	<b>46.53%</b>	<b>50%</b>	<b>53.92%</b>	<b>53.28%</b>	<b>52.80%</b>

\*Equals 4.35 times Overnight Domestic Spending (HTS Q2 2013)

\*\*<http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/saveselections.asp>

\*\*\* [http://www.cso.ie/en/media/csoie/releasespublications/documents/tourismtravel/2008/tata\\_2008.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/tourismtravel/2008/tata_2008.pdf)

- **Out-of-State** Tourism spending trended down - beginning to recover in 2012
- Irish Spending on Domestic Tourism fell (apart from 2010)
- **BUT** an increased '**At Home**' share of Irish Spending on tourism softened the blow.
- Winning the '**At Home**' game is important and rests on slender margins.

## In 2011-2012

- **Domestic** Spending falls by €261m (-4.27%)
- **Out-of-State** Spending increases by €166m (+4.28%)
- Total Tourism Spending falls by €95m (-0.95%)

## Key Consequences for Regions & Sectors

Dublin does well because;

- **(a)** Dublin depends most on “Out-of-State” tourism spending
- **(b)** Dublin bags €108m of the €141m increase in **carrier receipts**
- Tourism Spending falls in **all** other regions bar the North West (NW)
- NW gains €9m from NI spending (despite NI spend falling by €12m)
- Increased ‘**Out-of-State**’ spending favours **Hotels**

# How Much do Irish Regions Depend on Tourism?

Regions/ 2012	Domestic <sup>1</sup> €m	Out of State <sup>2</sup> €m	Total €m	“Out of State” Percentage	Spending Growth 2011-2012	Tourism Spend/ Market Price GVA @ in 2010	Employment Share Approx*
Dublin	1070	1982	3052	65%	+9%	4.6%	6.7%
Midlands & East	527	244	771	32%	-9%	4.2%	6.1%
South East	783	268	1051	25%	-10%	9.1%	13.2%
South West	1357	678	2035	33%	-4%	7.4%	10.8%
Shannon	518	267	785	34%	-1.6%	7%	10.2%
West	1022	392	1414	28%	-7%	11.8%	17.1%
North West	579	210	789	27%	+0.4%	7.8%	11.3%
<b>Ireland</b>	<b>5851</b>	<b>4041</b>	<b>9892</b>	<b>41%</b>	<b>-0.9%</b>	<b>6.3%</b>	<b>9.2%</b>

1. CSO figure scaled up for ‘Day-trippers’. CSO figures available at

[http://www.cso.ie/Quicktables/GetQuickTables.aspx?FileName=HTA07.asp&TableName=Domestic%20Travel%20by%20Irish%20Residents&StatisticalProduct=DB\\_TM](http://www.cso.ie/Quicktables/GetQuickTables.aspx?FileName=HTA07.asp&TableName=Domestic%20Travel%20by%20Irish%20Residents&StatisticalProduct=DB_TM)

2. Includes carrier receipts, day trips and Northern Ireland visitor spending

- Approx. Employment Share = 1.4545 times Tourism share of GVA
- Figures rounded for convenience.

# Next TSA Steps: Refining the Estimates

- Allocate tourism spending in each region to each TSA commodity group (i.e. hotels, restaurants, land, air & sea travel, entertainment etc.)
- Use Leontief input-output model to gauge how much spending (a) leaks away on imports, taxes etc. and (b) how much extra domestic output & employment it generates
- **Infer Tourism GDP and Tourism Employment** in each region.
- The MacFeely I-O model\* facilitates this ... but Steve will short-cut this technical analysis in his presentation.

\* *the 1st regionally based integrated Leontief input-output Model in Ireland*

- Tourism share of National Output (5.5% of GDP) is **much higher** than traditional or ITIC (2013) estimates.
- Tourism's Employment share is even higher (circa 8.2% of all employment).
- Half of tourism employment is in Hotels & Restaurants (60% is female & 33% are non-nationals).
- Much tourism employment is low wage, (64% of average) & part-time (23% Male/ 35%Female)
- **Domestic** Tourism is far more important to Irish Tourism than traditional calculations suggest.

1. Policy **must** recognise the scale of Domestic Tourism
2. It must design policies to promote substitution of ‘domestic’ for ‘outbound’ tourism – i.e. more Irish people holidaying at home.
3. **Regions Differ:** e.g. Dublin vs the West:
  - (a) Dublin absorbs 31% of **all** tourism spending ... but Tourism accounts for just 4.6% of Dublin’s GVA and 6.7% of Dublin’s employment.
  - (b) The West absorbs 14% of all tourism spending ....but Tourism accounts for 12% of the West’s GVA and 17% of its employment.
4. The Domestic/Out-of-State tourism spending split varies greatly e.g. **35%/65%** in Dublin but **72%/28%** in the West.
5. Regional Tourism Policy (Output/Employment Goals) must recognise and **target the right demographic & right market segment.**
6. **All policy-led estimates of tourism policy costs, benefits & returns require serious recalculation.**