TRAVEL & TOURISM

BENCHMARKING RESEARCH TRENDS 2019

HOW DOES TRAVEL & TOURISM COMPARE TO OTHER SECTORS?
Sponsored by American Express, the ‘Benchmarking’ study from WTTC compares Travel & Tourism’s economic impact for 2018 to eight other key sectors – namely Agriculture, Mining, Health, Automotive manufacturing, Retail, Financial services, Banking and Construction - across 26 countries and 10 world regions (please see the Appendix for the full list of countries and regions).

In order to fully assess the level of success of Travel & Tourism’s economic impact, it is crucial to put it in the context of other key global economic sectors.

The research therefore takes a broader and more balanced look at Travel & Tourism and eight other sectors and shows the full impact (direct, indirect and induced) of each sector’s contribution to the economies of the countries and regions involved. The data provides a solid rationale for government support for the sector in countries around the world.

INTRODUCTION

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HIGHLIGHTS

• Accounting for 10.4% (US$ 8.8 trillion) of the total global GDP in 2018, Travel & Tourism’s contribution was 1.7 times higher than Mining, 1.5 times higher than Banking and Automotive manufacturing, and 1.4 times higher than Agriculture

• Travel & Tourism sustained a total of 319 million direct, indirect, and induced jobs (10% of all jobs) across the world in 2018. This exceeds the impacts of Financial services, Health, Banking, Automotive manufacturing, and Mining

• Travel & Tourism was the fastest-growing sector in the world in 2018, expanding by 3.9%, ahead of Automotive manufacturing (3.7%) and Health (3.3%), and at a rate higher than that of the global economy for the eighth consecutive year

• In Asia-Pacific, Travel & Tourism is the fifth largest sector in terms of contribution to GDP (9.9%) and employment (9.3%). Across countries, Travel & Tourism is the largest sector in the Philippines and Thailand while it is the fourth largest in China

• In Europe, Travel & Tourism was the fastest-growing sector in 2018 (3.1%), ahead of Construction (2.8%) and Banking (2.6%), and above the overall economy growth rate of 2.0%

• Travel & Tourism was the second fastest-growing sector in Africa (5.6%) in 2018, only behind Automotive manufacturing (7.1%), and in part driven by North Africa’s rebound from security crises as well as the implementation of policies that promote travel facilitation

• Travel & Tourism is the sixth largest sector in terms of GDP contribution and employment in the Americas. It supports 44 million jobs (9.7% of all jobs), more than double the Banking contribution

• In the Middle East, Travel & Tourism ranked fourth (at 8.7% of total GDP) in 2018 in terms of GDP contribution, ahead of Health (8.0%), Retail (5.7%) and Banking (5.5%). Mining (at 39.4% of GDP) is by far the most dominant sector in the region, 2.4 times larger than Construction in second place
Travel & Tourism plays an important role in job creation and economic development throughout the world. Among the nine sectors analysed, Travel & Tourism took the fifth position in terms of GDP contribution. Accounting for 10.4% (US$ 8.8 trillion) of the total global GDP in 2018, Travel & Tourism’s contribution was 1.7 times higher than Mining, 1.5 times higher than Banking and Automotive manufacturing, and 1.4 times higher than Agriculture.

In terms of employment contribution, Travel & Tourism came fourth, supporting 319 million jobs (10.0% of all jobs) – ahead of Financial services (9.1% contribution) and Health (7.4% contribution).

The output in a specific sector will have varying impacts on GDP depending on the linkages to the rest of the economy. Across many countries, output in Travel & Tourism has a much stronger impact on total GDP than other sectors because of its unique characteristics, such as a strong domestic supply chain (i.e. the use and promotion of local products). For instance, in Saudi Arabia, US$1 million in output in Travel & Tourism generates US$2.1 million in GDP; more than any other sector in the country (Health in second position generates only US$1.2 million in GDP for US$1 million output) and more than Travel & Tourism generates in any other country in our analysis.

Chart 2 shows the GDP impact of US$1 million in Travel & Tourism spending across countries. Travel & Tourism’s impact on GDP is strongest in Saudi Arabia, Indonesia and China while it is the weakest in the UAE, Germany and South Korea.

Travel & Tourism was the fastest growing sector in 2018. It expanded by 3.9%, ahead of Automotive manufacturing (3.7%) and Health (3.3%), and at a rate higher than that of the global economy for the eighth consecutive year. Strong growth in Travel & Tourism is driven by the continued rise in the number of middle-class households, solid growth in global consumer spending, low unemployment rates, continued rebound from security threats, currency depreciation and visa relaxation in several countries around the world.

Chart 3: World – sector GDP growth rates, 2018
By growing on average 4.4% pa, Travel & Tourism was the second fastest-growing sector in terms of GDP contribution during 2010-18, supported by a significant increase in international arrivals (from 952 million people crossing borders in 2010 to 1.4 billion in 2018). It was only surpassed by Automotive manufacturing which grew by 4.9% pa. In the Automotive sector, technology, changing customer preferences and stricter regulation (i.e., rules on car emissions) drive strong demand for new products.

In most sectors, employment growth during 2010-18 did not match GDP growth. This is particularly evident in Agriculture and Mining, but also in Travel & Tourism. While Travel & Tourism GDP grew by 4.4% pa, employment in the sector only expanded by 2.1% due to productivity improvements arising from automation, digitisation and capital investment. Agriculture and Mining saw employment decline during 2010-18, as machines and robots continue to displace the work of humans.

Chart 4: World – sector GDP and employment growth rates, 2010-18 (% pa)

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<tr>
<th>Sector</th>
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<th>Employment%</th>
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1 UNWTO, May 2019, World Tourism Barometer
In Asia-Pacific, Travel & Tourism is the fifth largest sector in terms of contribution to GDP and employment. In 2018, Travel & Tourism’s GDP (9.9% of economy GDP) was ahead of Retail (9.5%) and Health (9.0%). Meanwhile, Construction, which accounted for 24.2% of total GDP, is the largest sector. Across countries, Travel & Tourism is the largest sector in the Philippines and Thailand while it is the fourth largest in China.

Travel & Tourism employment (180 million jobs, 9.3% of all jobs) was ahead of Banking (5.6% contribution) and Health (4.6% contribution). Despite experiencing -2.3% pa decline in employment during 2010-18, Agriculture has remained the largest employer in the region, accounting for 42.6% of all jobs.

Chart 5: Asia-Pacific – GDP and employment shares by sector, 2018

In Asia-Pacific, Travel & Tourism was the fastest-growing sector (6.4%) in 2018, ahead of Health (5.7%) and Financial services (4.3%). Travel & Tourism grew at a remarkable rate in 2018 across several countries in Asia-Pacific including China (7.3%), Indonesia (7.8%), the Philippines (8.9%) and South Korea (5.8%) on the back of an expanding middle class, greater connectivity and improved infrastructure. At 3.6%, Travel & Tourism was the fastest-growing sector in Japan in 2018, ahead of Construction (2.0%), and significantly above the overall economy growth rate (0.8%). In Japan, robust growth has been brought about by a continued relaxation of visa requirements. This, combined with a depreciation of the yen, has made travel to Japan more affordable and has driven international spending.

Chart 6: Asia-Pacific – sector GDP growth rates, 2018

In Asia-Pacific, Travel & Tourism was also the fastest-growing sector in Asia-Pacific during 2010-18 (7.7% pa), ahead of Financial services (6.5%), and above the overall economy growth rate (5.0%). This means that Travel & Tourism’s relative importance compared with other sectors has increased over the last nine years. This contrasts with Agriculture which was the slowest-growing sector and has been losing its relative share compared with other sectors. Agricultural production cannot keep up with Asia’s large and growing population. In the region, the sector struggles with limited arable land, inadequate water supply, low farm yields and environmental and soil degradation.
In Africa, Travel & Tourism occupies the sixth position in terms of GDP contribution (8.5% of total GDP) and fourth in terms of employment (24.3 million jobs, 6.7% of all employment). Unsurprisingly, Agriculture is the largest sector in GDP contribution (21.5%) while it also supports the most jobs (136 million jobs, 37.8% of all employment); more than twice as many as Retail in second place.

Travel & Tourism is the third largest sector in Egypt in terms of GDP contribution (11.9%), ahead of Mining (7.3%), but surpassed by Construction (16.8%) and Agriculture (15.3%). After being the dominant sector in 2010, when it accounted for 16.7% of GDP, Travel & Tourism dropped from first position during 2011-16 as a result of security threats. However, by 2018, the sector was the fastest growing of those in the study – a remarkable 16.5%. This was ahead of Automotive manufacturing (9.6%) and Construction (9.2%), and more than triple the overall economy growth rate (5.3%) – a result of continued safety and security improvements.

Across Europe, Travel & Tourism occupied the fifth position in both GDP (9.7% of total GDP) and employment contribution (37 million jobs, 9.7% of all employment). Travel & Tourism’s GDP was 1.6 times higher than Automotive manufacturing and Banking – each contributing 5.9% to total economy GDP. Accounting for 13.6% of GDP, Construction maintained the first position in terms of GDP contribution, despite slow growth over recent years.

Travel & Tourism occupies a strong position across many Mediterranean countries, including Spain, Italy and Turkey. For instance, in Spain, strong growth during 2010-18 – driven in particular by international spending, led the sector to overtake Construction to become the largest in terms of GDP contribution. Meanwhile, Travel & Tourism occupies second place in Italy and Turkey.

Travel & Tourism’s employment in Europe was 1.5 times higher than Financial services and more than three times higher than Banking and Automotive manufacturing. Accounting for 15.9% of all jobs, Health came first in terms of employment contribution.

In Europe, Travel & Tourism was the fastest-growing sector in 2018 (3.1%), ahead of Construction (2.8%) and Banking (2.6%), and above the overall economy growth rate of 2.0%. Travel & Tourism was the strongest performing sector in Italy and Turkey. In Italy, which has been struggling with economic problems (including the government’s worsening budget deficit), the sector grew by 3.2% in 2018 (vs. overall economy growth rate of 0.9%), driven mainly by international spending. In Turkey, Travel & Tourism expanded by 15.0%, driven by safety improvements and depreciation of its currency; this was the fastest growth of all nine sectors, and significantly ahead of Health in second place (7.9%).

In addition to outpacing overall economy growth, Travel & Tourism was the second fastest-growing sector in Africa (5.6%) in 2018, ahead of Construction (4.8%) and Banking (4.4%). Its growth was only behind Automotive manufacturing, which grew by 7.1%. Strong growth of Travel & Tourism is partly explained by North Africa’s rebound from security crises as well as the development and implementation of policies that promote travel facilitation.
Travel & Tourism is the sixth largest sector in terms of GDP contribution and employment in the Americas. Accounting for 8.3% of all GDP, Travel & Tourism was ahead of Mining (5.4%) and Automotive manufacturing (4.6%). Travel & Tourism supports 44 million jobs (9.7% of all jobs), more than double the contribution from Banking and more than triple the number of jobs in Mining.

Travel & Tourism was the second largest sector in Mexico in both GDP contribution (17.2%) and employment (17.8%). In the USA, Travel & Tourism’s contribution to GDP at 7.8% places the sector ahead of Automotive manufacturing (4.9% contribution), Mining (3.2% contribution) and Agriculture (2.3% contribution).

Travel & Tourism was the second fastest-growing sector in the Americas during 2010-18 (3.1% pa), ahead of Mining (2.6% pa) and Retail (2.4% pa), and only surpassed by Automotive manufacturing which grew by 4.6% pa. Robust growth in Travel & Tourism comes on the back of falling currencies (e.g. Argentina), visa relaxation in many countries, and post-hurricane recovery in the Caribbean region.

In the Middle East, Travel & Tourism ranked fourth (at 8.7% of total GDP) in 2018 in terms of GDP contribution, ahead of Health (8.0%), Retail (5.7%), Banking (5.5%), Agriculture (3.5%) and Automotive manufacturing (0.4%). Mining (at 39.4% of GDP) is by far the most dominant sector in the region, 2.4 times larger than Construction in second place.

By supporting 5.4 million jobs (7.2% of all employment), Travel & Tourism ranks fifth, ahead of Financial services (3.6 million jobs, 4.7% of all employment). Despite its low relative contribution to GDP, Agriculture supports the most jobs (17.9 million), followed by Construction (14.4 million jobs).

Our forecasts show that contribution from Mining to economies in the Middle East is likely to decrease as many countries including the UAE and Saudi Arabia diversify their economies away from a single main income source towards a growing range of sectors including Travel & Tourism.
The World Travel & Tourism Council (WTTC) has spearheaded global analysis of the economic importance of the sector for over 25 years. This research has established the contribution of Travel & Tourism on an ongoing basis to 185 countries in absolute size, share of the economy, and growth. Around the world, WTTC research is referenced as the authoritative source of the role of Travel & Tourism in generating GDP, employment, exports, and investment. This research compares the role that Travel & Tourism plays in the world economy with other economic sectors. The results of these comparisons provide new perspectives on the relative significance of Travel & Tourism, as well as some of its unique advantages in driving current and future global economic growth.

This updated WTTC research benchmarks Travel & Tourism against an assortment of other sectors for 26 countries and for each world region.

The following metrics are analysed by sector for each country and region:

- GDP (size and share of total)
- Employment contribution (size and share of total)
- Historic growth
- Expected growth
- Export contribution
- GDP and employment impacts per $1m output

The following sectors have been analysed in comparison to Travel & Tourism. They were selected as having a similar breadth and global presence as Travel & Tourism:

- **Agriculture**: agriculture, forestry, fishing
- **Automotive Manufacturing**: motor vehicles and parts & accessories
- **Banking**: all banking activities and related services
- **Construction**: those primarily engaged in the construction of buildings (both residential and non-residential), engineering projects or speciality trade contractors. Construction work done may include new work, additions, alterations, or maintenance and repairs
- **Financial Services**: all financial related activities including banking, investment services, and insurance
- **Health**: provision of health and social work activities
- **Mining**: the extraction of oil, natural gas, coal, metals, and related services
- **Retail (Without Wholesale)**: all retail trade (i.e. retail trade, except of motor vehicles & retail codes to motor vehicles
- **Transportation**: transportation of passengers and freight
- **Utilities**: electricity, gas and water services

**INDIRECT**

This includes only direct GDP and employment impacts for the relevant sector. In the case of Travel & Tourism, we only count the value added of the accommodation, recreation, transportation, and other related sectors.

**DIRECT**

This includes all retail trade (i.e. retail trade, except of motor vehicles & retail codes to motor vehicles

**OVERALL**

This includes all retail trade (i.e. retail trade, except of motor vehicles & retail codes to motor vehicles

**APPENDIX: METHODOLOGY**

The analysis examines the economic value of industries on three levels:

- **DIRECT**
  - This includes only direct GDP and employment impacts for the relevant sector. For benchmark sectors (e.g. agriculture, automotive manufacturing etc.) direct impacts may include the changes in output, employment, and income for each sector.

- **INDIRECT**
  - This includes all retail trade (i.e. retail trade, except of motor vehicles & retail codes to motor vehicles

- **INculated**
  - This measures the impacts of indirect impacts

The sum of direct, indirect, and inculcated impacts equals the total economic impact of a sector.

**COUNTRIES AND REGIONS COVERED**

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**DATA SOURCES**

All currency figures are stated in 2018 US dollars.

**GDP & EMPLOYMENT**

Main data sources for comparative sectors:
- United Nations International Labour Organization
- OECD
- Haver Analytics
- Eurostat (European Commission)
- UK Office for National Statistics (ONS)
- Oxford Economics Cities and Regions Forecasting Service
- UNESC
- Groningen Growth and Development Centre
- UN World Input-Output Database (WIOD)
- Oxford Economics Global Industry Model
- Oxford Economics Global Economic Model
- Oxford Economics UK Regional Model
- Various country-specific National Statistics Office websites

**EXPORTS**

Main data sources:
- World Trade Organization (WTO) for global goods and services exports
- IMF/World Bank for total export by country
- National accounts and central bank balance of payments data (from national sources) complement our database where data from above sources is unavailable
- Oxford Economics estimates to fill gaps in historical data
- Data is generally available for 2000-2017 from above sources. Missing years and projected 2018 figures are estimated using available data on industry and trade.

**GDP AND EMPLOYMENT IMPACTS PER $1M OUTPUT**

Main data sources:
- OECD: National Statistical Offices, Oxford Economics
- Input-output tables for all countries were sourced from either the OECD or, when not available, National Statistical Offices. From the input-output tables, multiplier matrices were developed for each economy, detailing the flow of output in an economy that occurs as a consequence of output in a given sector
- For each of the comparator sectors, an output shock of $1 million was simulated, with the resulting output impacts in every sector in the economy recorded
- These outcomes were translated into gross value added (GVA) using the GVA/output ratios available in the input-output tables, and employment, using productivity level data
- Travel & Tourism multipliers are drawn from Oxford Economics / WTTC ongoing Tourism Satellite Account analysis; and, Global and regional multipliers were calculated by averaging the multipliers for all appropriate nations available in the published input-output tables.