

Box 2.4

The Impact of Tourism on Growth, the Labor Market and the Current Account Balance

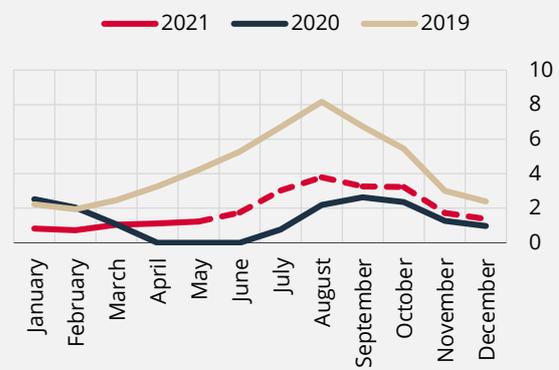
In 2020, the number of foreign visitors to Turkey plummeted by around 70% and tourism revenues decreased approximately to USD 12 billion, due to the travel restrictions imposed alongside other pandemic-related measures (Charts 1 and 2). This situation heavily weighed on growth and employment in 2020, as well as the current account balance outlook, due to the high share of tourism in national income and its strong ties with related sectors (such as restaurants-hotels, transportation, retail trade, etc.). In this box, effects of the contraction in tourism in 2020 and the expected recovery in 2021 on growth, the labor force and the current account balance are quantified by empirical methods.

Chart 1: Annual Number of Visitors (Million People)



Source: TURKSTAT.

Chart 2: Monthly Number of Visitors* (Million People)

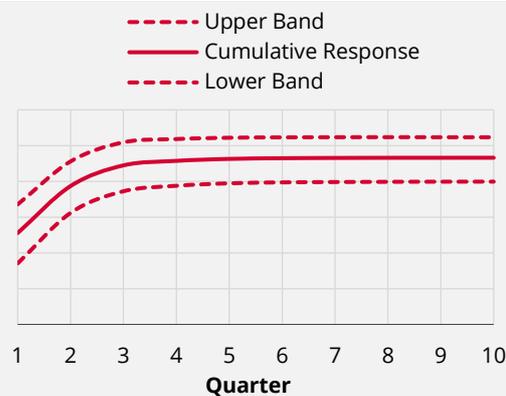


Sources: CBRT calculations, TURKSTAT.

* For the June-December 2021 period, Scenario 2 presented in Chart 5 is used.

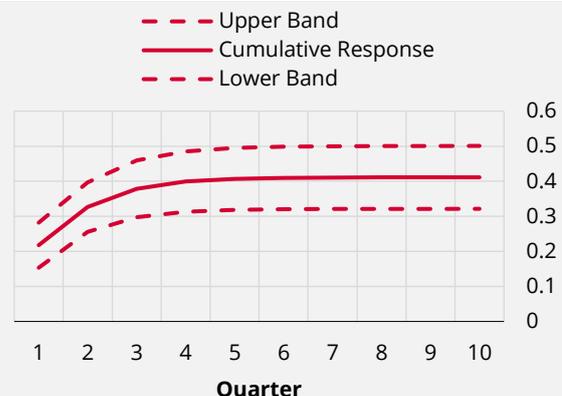
Çelgin et al. (2021) estimate the possible effects of tourism shocks on growth and employment with a vector autoregression (VAR) model. Findings indicate that a 10% increase in the number of tourists increases GDP growth by 0.9 percentage points and employment by 0.4% on a cumulative basis in one year (Charts 3 and 4). Impacts on employment are 1.3% in the accommodation and food services sector, which is closely related to the tourism sector, and 0.5% for wholesale and retail trade. In this context, taking into account the uncertainty range regarding the effects in the model, estimations suggest that the USD 22.5 billion (around 65%) fall in tourism revenues in 2020 reduced growth by 5-6 points and employment by 2.5%-3% (700-800 thousand people).

Chart 3: Impact of 10% Increase in Number of Tourists on GDP Growth (% Points)



Source: Çelgin et al. (2021).

Chart 4: Impact of 10% Increase in Number of Tourists on Employment (%)



Source: Çelgin et al. (2021).

The limiting effect of the pandemic-related restrictions on tourism continued in the first half of 2021. However, the strong momentum in vaccination in the June-July period played an important role in the improvement of the risk perception towards Turkey and the easing of restrictions. In this context, the recovery in the number of tourists is expected to accelerate in the second half of 2021. In addition, the increases in the average expenditure per person and the average number of overnights in the recent data are likely to support the positive contribution of tourism revenues to the current account balance (Table 1). If the current trend continues, there may be a moderate increase in the average expenditure per person in 2021 compared to the previous year.

Table 1: Average Tourism Expenditure per Person (USD) and Average Number of Overnights

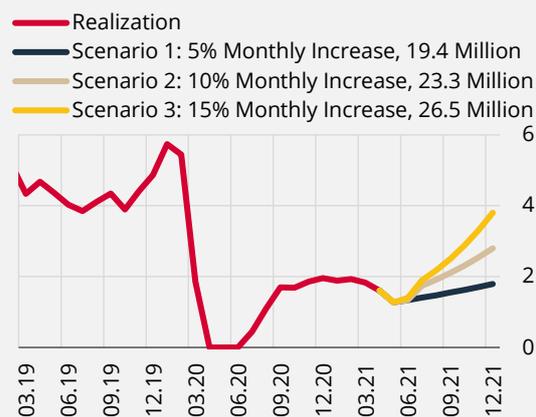
		Average Tourism Expenditure per Person			Average Number of Overnights		
		Total	Foreigners	Citizens*	Total	Foreigners	Citizens*
2019	Annual	666	642	796	9.9	8.9	15.9
	I	697	678	765	10.4	9.7	13.6
	II	625	607	766	9.3	8.9	12.2
	III	649	623	789	9.0	8.2	13.9
	IV	727	702	859	11.9	9.8	24.6
2020	Annual	762	716	926	12.4	10.2	21.1
	I	727	710	788	10.3	9.7	13.5
	II	-	-	-	-	-	-
	III	722	649	969	11.8	9.3	21.1
	IV	854	804	1019	15.6	12.1	29.2
2021	Annual						
	I	943	918	983	16.8	14.5	22.4

Source: TURKSTAT.

* Residents abroad.

In this context, under the assumptions that losses in the second quarter of the year are quickly compensated for in July, and a seasonally-adjusted 10% increase is achieved for the rest of the year, the number of visitors may exceed 23 million in 2021 (Chart 5).

Chart 5: Number of Visitor Scenarios for 2021* (Monthly, Seasonally Adjusted, Million People)



Sources: TURKSTAT, CBRT calculations.

* The seasonally-adjusted monthly increase in number of visitors are for the June-December period under Scenario 1, and for the August-December period under Scenario 2 and 3. Scenario 2 and 3 assume that losses in the second quarter are compensated for in July. The share of citizens residing abroad is assumed to be 15%.

Table 2: Tourism Revenue Scenarios for 2021

	Scenario 1	Scenario 2	Scenario 3
Total Number of Visitors			
(Million People)	19.4	23.3	26.5
Ratio to 2019 Level (%)	37	45	51
Tourism Revenues (Billion USD)			
Average Spending (USD)	750	17.4	19.9
	800	15.5	18.6
	830	16.1	19.3

Sources: CBRT calculations.

The course of the pandemic and consumer behavior will affect the strength of the prospective recovery in tourism. Although there is uncertainty in these two areas, scenarios regarding the number of tourists and per capita expenditure may provide a view of the range in which tourism revenues may be realized. In this context, in the second half of the year, the scenarios constructed for the trend in the number of tourists, the average expenditure per person and length of stay, indicate that tourism revenues may realize between USD 14.6 and 22 billion in 2021 (Table 2). These estimates imply that around 11 to 44 points of the loss of 65% compared to 2019 can be compensated this year. According to the scenarios, the recovery in tourism is likely to add USD 2.5 to 10 billion to the current account balance, while it is likely to contribute by 0.6 to 2.7 points to GDP growth and by 0.3% to 1.2% to employment in 2021.

References

Çelgin, A., Gökcü M., Gül, S., Kazdal, A. (2021). The Effects of Tourism on Growth and Employment (in Turkish), CBRT Research Notes in Economics, No: 21/02.