

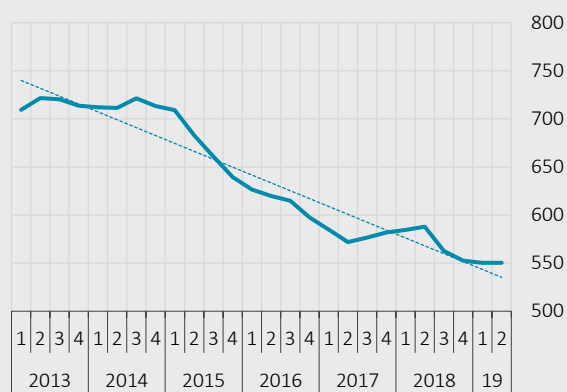
Box 4.3

Average Travel Expenditures per Visitor: Developments in Nominal and Real Terms

Average travel expenditures of foreign visitors and Turkish citizens residing abroad per visitor are analyzed in this box relying on the data on travel incomes published under the CBRT's Balance of Payments Statistics. The data cover the 2013-2019 period at a quarterly frequency. Average travel expenditures per visitor are obtained by dividing total travel expenditures by total number of visitors.¹

The decline in average travel expenditures since the start of 2015 raises the question of the reasons for this outcome. In order to be able to answer this question to a certain extent, an index is created by using the CPI and the USD/TL exchange rate, which shows the development of real travel expenditures per visitor over time (Eren and Oral Çevirmez, 2019).

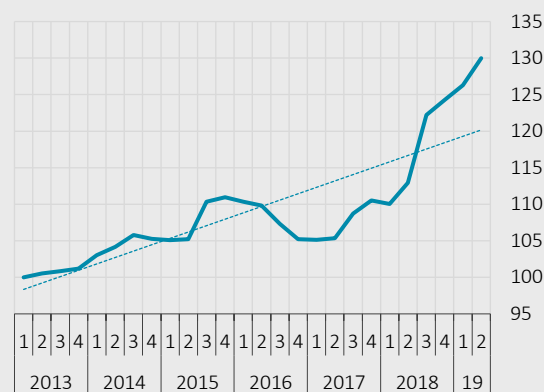
Chart 1: Nominal Average Expenditures per Visitor
(US Dollars, Annualized)*



Source: CBRT, TURKSTAT.

* Covers foreign visitors and Turkish citizens residing abroad.

Chart 2: Real Average Expenditures per Visitor
(Index, Annualized, 2013Q1=100)*



Source: CBRT, TURKSTAT.

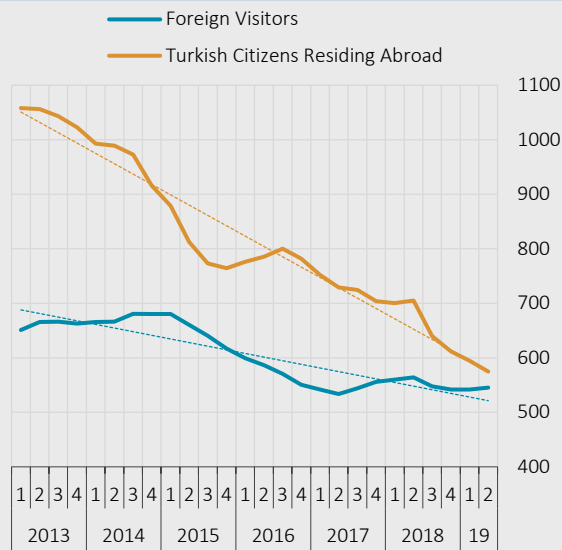
* Covers foreign visitors and Turkish citizens residing abroad.

Annual nominal average travel expenditures per visitor decreased by around 24% from USD 720 to USD 550 in the analysis period (Chart 1). On the other hand, real average travel expenditures increased by 30% in the same period (Chart 2). This indicates that the decrease in nominal expenditures per visitor is mainly due to the real exchange rate adjustment in the relevant period. As a matter of fact, the Turkish lira depreciated against the US dollar by 230%, consumer prices increased by 89.4%, and the CPI-based real exchange rate decreased by 36.6% in the sample period. Due to the depreciation of the Turkish lira, foreign visitors were able to purchase goods and services in higher quantity with a lower nominal expenditure per visitor.

An analysis of nominal average expenditures per visitor is also made in terms of the Turkish citizens residing abroad and foreign visitors. The decline in the expenditures of both groups is noteworthy, while the decrease in the first group is sharper (Chart 3). The most noteworthy decrease in average expenditures per foreign visitor was between the first quarter of 2015 and the second quarter of 2017. Notwithstanding a partial recovery in the succeeding periods, the trend remained downward.

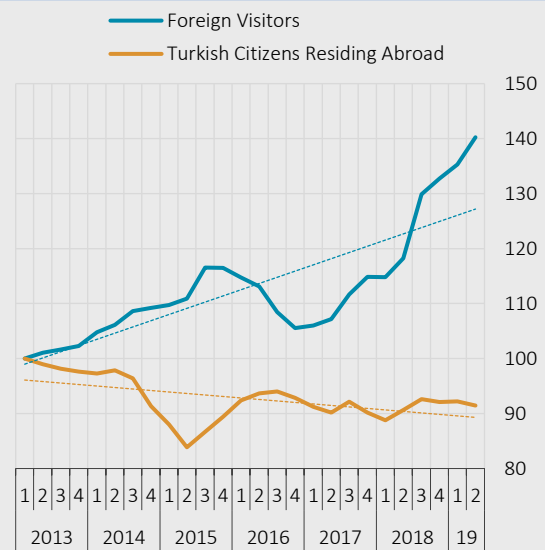
¹ Similarly, Erkilic and Şenoğlu (2019) have calculated and presented average travel expenditures per visitor in nominal figures.

Chart 3: Nominal Average Expenditures per Visitor (US Dollars, Annualized)



Source: CBRT, TURKSTAT.

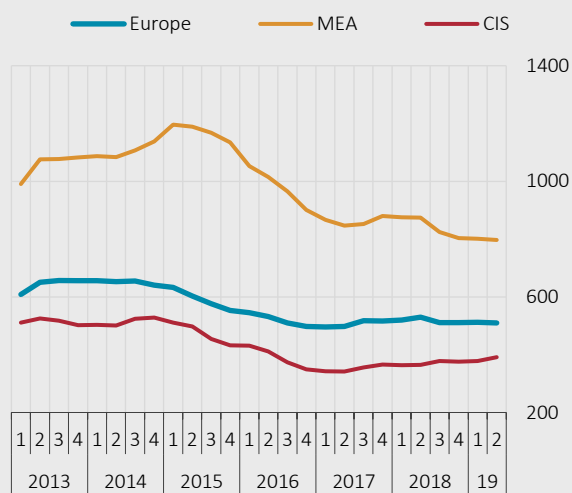
Chart 4: Real Average Expenditures per Visitor (Index, Annualized, 2013Q1=100)



Source: CBRT, TURKSTAT.

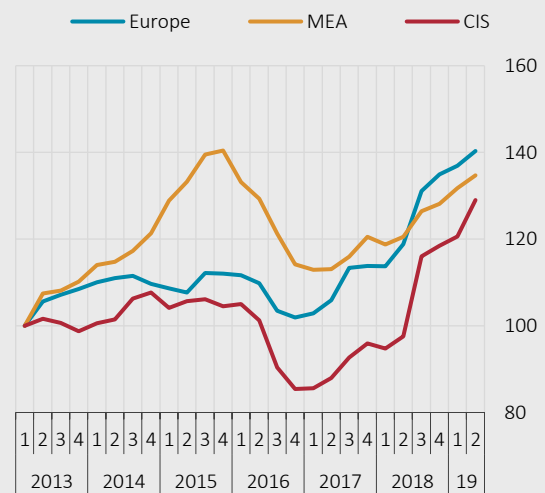
On the other hand, despite a slight fall in 2016, real average expenditures per foreign visitor posted an overall uptick, while the real expenditures per non-resident Turkish citizens decreased slightly (Chart 4). Unlike foreign visitors, one of the reasons for the decrease in the real average expenditures per non-resident Turkish citizens is that –not all but a considerable number of these visitors– may be more affected by price changes in the Turkish lira when deciding on their spending. However, it should be noted that the share of foreign visitors in total travel expenditures is around 80% in the analysis period.

Chart 5: Nominal Average Expenditures per Visitor (US Dollars, Annualized)



Source: CBRT, TURKSTAT.

Chart 6: Real Average Expenditures per Visitor (Index, Annualized, 2013Q1=100)



Source: CBRT, TURKSTAT.

Foreigners come to visiting Turkey mostly from Europe, the Commonwealth of Independent States (CIS) and the Middle East and Africa (MEA). A regional breakdown of the average nominal and real expenditures of foreign visitors per visitor is presented in Charts 5 & 6. Among the foreign visitors, those from the MEA, Europe and CIS countries have the highest nominal average

expenditures, respectively (Chart 5). In the second quarter of 2019, the nominal average expenditures per foreign visitor from Europe, MEA, and CIS countries decreased by 16%, 19% and 23% compared to the start of the sample period, in that order. On the other hand, real average expenditures of all these three country groups decreased significantly in 2016 and then they assumed an upward trend in the following periods (Chart 6).

To sum up, the decline in USD-denominated prices led by the depreciation in the Turkish lira raised the foreign visitors' real average expenditures. However, the increase in real average expenditures remained behind the decline in prices, resulting in a decline in nominal average expenditures per visitor. The upsurge in the number of foreign visitors and the rise in real expenditures per visitor have recently kept the positive contribution of tourism to economic activity strong through direct and related sectors of tourism. Furthermore, if the number of foreign visitors from Europe and MEA, which accounts for a significant portion of tourists visiting Turkey, grows faster than others, total expenditures will increase in the forthcoming period not only in real but also in nominal terms.

References

Eren, O., Oral Çevirmez, E. (2019). "Travel Expenditures per Visitor Have Decreased (or Have They?) (in Turkish)", CBRT, ongoing study, Central Bank of the Republic of Turkey.

Erkılıç, S., Şenoğlu, Ş. (2019). "How Much and What Do Tourists Spend Their Money on?", CBRT Blog, No: 2018-04, Central Bank of the Republic of Turkey.