

Introduction to Tourism Economics

Introduction to Tourism Economics – Study Notes

1. What Is Tourism Economics?

- **Definition:** The branch of economics that examines how tourism activities generate, distribute, and consume economic resources.
 - **Scope:** Includes demand and supply of tourism services, economic impacts on destinations, and the role of policy and institutions.
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2. Core Concepts & Terminology

Term	Meaning	Example
Tourist	Person who travels away from usual residence for ?? 24?hrs and ??1?yr, primarily for leisure, business, or other non?permanent purposes.	A family vacationing in Bali for two weeks.
Tourism Demand	Desire and ability of travelers to purchase tourism goods and services.	Rising demand for eco?tourism experiences.
Tourism Supply	All goods, services, and infrastructure offered to tourists (accommodation, transport, attractions, etc.).	Hotels, airlines, theme parks.
Direct, Indirect & Induced Effects	<i>Direct:</i> Spending by tourists on tourism services. <i>Indirect:</i> Business?to?business purchases needed to deliver those services. <i>Induced:</i> Household spending generated by wages earned in the tourism sector.	
Multiplier Effect	The ratio of total economic impact (direct?+?indirect? +?induced) to the initial direct spending.	
Tourism Satellite Account (TSA)	A standardized framework (UNWTO) for measuring tourism's contribution to GDP, employment, and investment.	
Seasonality	Fluctuations in tourism activity over the year.	Beach destinations peaking in summer.

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Term

Meaning

Example

Carrying Capacity The maximum number of tourists a destination can accommodate without degrading resources or visitor experience.

3. Demand Side of Tourism

1. Determinants of Tourist Demand

- **Income** – Higher disposable income ? more travel (elasticity varies by market).
- **Relative Prices** – Exchange rates, airfare, accommodation costs.
- **Preferences & Trends** – Cultural shifts, adventure travel, wellness.
- **Substitutes & Complements** – Alternative leisure activities; events that boost demand (festivals, sports).
- **Demographics** – Age, education, household composition.
- **Information & Marketing** – Online reviews, social media influence.

2. Tourist Expenditure Patterns

- **Accommodation** (30-40% of total spend)
- **Food & Beverage** (20-30%)
- **Transport** (air, ground) (15-20%)
- **Recreation & Entertainment** (10-15%)
- **Shopping & Miscellaneous** (5-10%)

3. Elasticities

- **Income Elasticity**: >1 for luxury destinations (high-end travel); <1 for budget tourism.
 - **Price Elasticity**: Generally elastic for air travel; less elastic for unique attractions.
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4. Supply Side of Tourism

1. Key Supply Elements

- **Accommodation**: Hotels, resorts, hostels, vacation rentals.

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- **Transportation:** Airlines, rail, cruise lines, car rentals.
- **Attractions:** Natural sites, cultural heritage, theme parks, events.
- **Infrastructure:** Airports, roads, utilities, internet connectivity.
- **Human Capital:** Skilled labor, service quality, language abilities.

2. Cost Structure

- **Fixed Costs:** Capital investment (building, equipment),