Measuring the Economy-wide Impact of the Tourism Industry in Cyprus

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Abstract

An input-output (IO) model is combined with Tourism Satellite Account (TSA) statistics to estimate the direct and indirect contribution of the tourism industry to the Cypriot economy. Our analysis indicates that defining tourism as ‘Accommodation and Food’, in the absence of TSAs, underestimates the contribution of the sector to the main macroeconomic performance indicators of the country. The results of the IO multiplier analysis reveal that the ‘Accommodation and Food’ definition of tourism overestimates sector’s value added and employment multiplier effects, while underestimates sector’s gross output multiplier effects. Irrespective of the definition of tourism, the sector in general creates medium-to-high direct and indirect effects to the economy. Finally, our findings reveal the importance of establishing annual TSAs in the country in order to provide a comprehensive and holistic measurement of the sector’s contribution to economic growth.

Keywords: Tourism Satellite Accounts; Input-Output Analysis; Sectoral Structure; Inter-industrial Linkages; Accommodation and Food.