Benchmarking Travel & Tourism in South Korea

How does Travel & Tourism compare to other sectors?

Summary of Findings, November 2013
Outline

Introduction .................................................................................................................. 3
South Korea summary ................................................................................................. 8
Data sources and methodology .................................................................................. 17
About WTTC and Oxford Economics ........................................................................ 21
Introduction

• The World Travel & Tourism Council (WTTC) has spearheaded global analysis of the economic importance of the sector for over 20 years. This research has established the contribution of Travel & Tourism on an ongoing basis to over 180 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 Tourism in generating GDP, income, and employment.

• WTTC is now releasing new research on the role that Travel & Tourism plays in the world economy in comparison to 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.
# Summary of Research Structure

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

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<th>Regions</th>
<th>Countries</th>
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<td>World</td>
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<td>USA</td>
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Summary of Research Structure

• The following metrics are analysed by sector for each country:
  • GDP (size and share of economy)
  • Employment contribution (size and share of economy)
  • Historic growth
  • Expected growth
  • Export contribution
  • Strength of linkages to the rest of the economy
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.

- **Mining**: includes the extraction of oil, natural gas, coal, metals, and related services
- **Education**: includes all levels of educational services
- **Higher Education**: includes learning that occurs at universities, academies, colleges, seminaries, and institutes of technology
- **Chemicals manufacturing**: includes drugs & medicines, manufacture of basic pharmaceutical products and pharmaceutical preparations, plastics, rubber, paint, polishes, ink, perfumes, cosmetics, soap, cleaning materials, fertilizer, pesticides, other chemicals
- **Automotive manufacturing**: includes motor vehicles and parts & accessories
- **Communications**: includes post (national and private) and telecommunications
- **Banking**: includes all banking activities and related services.
- **Financial services**: includes banking, investment services, insurance
The analysis examines the economic value of industries on three levels.

- **Direct:** this includes only those employees and the related value added 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.

- **Indirect:** this measures the supply chain impact (also called inter-industry linkages) for each sector.

- **Induced:** this measures the impacts of incomes earned directly and indirectly as they are spent in the local economy.

- The sum of direct, indirect, and induced impacts equals the total economic impact of a sector.
South Korea

How does Travel & Tourism compare to other sectors?
Benchmarking Travel & Tourism in South Korea: GDP

**GDP Size**
- Travel & Tourism generated a total impact of $US 68 billion of South Korea’s GDP in 2013.
- Travel & Tourism GDP is larger than that of the higher education and mining sectors.
- Travel and Tourism’s direct impact is approximately a quarter the size of the impact on GDP of the financial services sector.

**GDP Share**
- Based on its direct, indirect, and induced GDP impact, Travel & Tourism generated 5.8% of South Korea’s GDP in 2013.
- This is less than half the size of chemical manufacturing’s and communication services’ GDP impacts at 12.1% and 12.3% respectively, and is greater than mining’s GDP impact at 0.3%.

**South Korea GDP Impact by Industry**

- $US billion (2012 prices)
- $US 250
- $US 200
- $US 150
- $US 100
- $US 50
- $US 0
- $US billion (2012 prices)
- $US 25%
- $US 20%
- $US 15%
- $US 10%
- $US 5%
- $US 0%
- $US billion (2012 prices)
Employment Size

- Travel & Tourism sustained a total of 1.6 million direct, indirect, and induced jobs in South Korea in 2013.
- Travel & Tourism in South Korea directly employs more people than the chemicals manufacturing, banking, higher education, and mining sectors.
- Travel & Tourism directly supports double the number of jobs as the higher education sector and nearly three times as many jobs as the chemicals manufacturing sector in South Korea.

Employment Share

- Travel & Tourism generated, either directly or indirectly, 6.3% of employment in South Korea in 2013.
- For every job directly in the Travel & Tourism sector, nearly two jobs are created on an indirect or induced basis, making its linkages stronger than in the education sector.

South Korea Employment Impact by Industry

2012, millions

- Indirect & Induced
- Direct

South Korea Employment Impact by Industry

share of total economy employment

- Indirect & Induced
- Direct
**Growth Trends**

- Travel & Tourism direct industry GDP expanded 126% between 1990 and 2013 while the total economy expanded 209%.
- Other large industries contracted over this same period of time. The mining sector contracted 23%.
- The financial services industry grew 334% over this 23-year period.

**Growth Forecasts**

- Travel & Tourism GDP is expected to grow at an annual average of 4.7% over the next decade.
- In comparison, the total economy is expected to expand 3.3% per annum while auto manufacturing is forecast to grow 2.5% per annum in real, inflation-adjusted terms.

**South Korea GDP Growth by Sector (1990=100)**

- Mining
- Automotive manufacturing
- Chemicals manufacturing
- Communication services
- Education
- Financial services
- Higher education
- Banking
- Travel & Tourism

**South Korea GDP Forecast by Industry**

- CAGR% 2013-2023
  - Mining: 2.1%
  - Chemicals manufacturing: 2.4%
  - Automotive manufacturing: 2.5%
  - Education: 3.3%
  - Total economy: 3.3%
  - Communication services: 3.5%
  - Higher education: 4.4%
  - Financial services: 4.5%
  - Banking: 4.5%
  - Travel & Tourism: 4.7%
Benchmarking Travel & Tourism in South Korea: Exports

Tourism’s Share of Exports

- Travel & Tourism is a significant source of export revenue for South Korea.
- In 2013, visitor exports totalled $21.5 billion. This was 18% of all service exports and 3.0% of all exports (including goods and services).

Growth of Tourism Exports

- Between 2000 and 2013, South Korea’s Travel & Tourism exports expanded 152%.
- Total exports of goods and services outpaced Travel & Tourism exports and grew 245% between 2000 and 2013.

South Korea Service Exports (2013)

- Travel & Tourism, $21,496 million
- Other Service Exports, $96,937 million

South Korea Exports Growth, 2000-2013 (2000=100)

- Travel & Tourism Exports
- Total Exports of Goods & Services
Comparing the effect of $1 million in spending

- Spending in a sector will have varying impacts on GDP, depending on the local value added and linkages to the rest of the economy.

- In South Korea, $1 million in Travel & Tourism spending (consumption) generates $1.1 million in GDP. This is roughly the same impact as the agriculture and auto manufacturing sectors.

How much of T&T spending stays in the economy?

- When travellers spend money in a destination, not all of it remains in the economy as some goods and services need to be imported. This represents “leakage” to the economic value produced.

- In South Korea, a mere 18% of Travel & Tourism spending leaks out of the economy through imports. The chemicals industry requires imports amounting to 37% of sales.

Impact of $1m spending - South Korea

GDP ($m)

Leakages per $100 spend - South Korea

- Supplier Imports
- Direct Imports

Whole Economy
Travel & Tourism
Education
Financial Services
Communications
Auto Manufacturing
Chemicals
Mining
Agriculture

0% 5% 10% 15% 20% 25% 30% 35% 40%
Travel & Tourism is interconnected with the entire South Korean economy. These links exist through the supply chain to the Tourism industry (indirect linkages) as well as through Tourism-earned incomes as they are spent across a variety of other sectors.

In this sense, the Travel & Tourism sector has many “beneficiary” sectors across the whole spectrum of the economy.

For every $1 million in Travel & Tourism sales, $94,000 of GDP is generated in the real estate sector.

The financial services sector gains $66,000 for every $1 million in spending on Travel & Tourism.

T&T links with other sectors - South Korea

GDP generated per $1 million in Travel & Tourism sales

- C80 Education
- Petroleum products
- Mfg. of food, beverages and tobacco
- Agriculture
- Financial services
- Real estate
- Other community services
- Wholesale and retail
- Hotels and restaurants
- Transport and Storage

GDP ($000s)
Travel & Tourism’s employment potential

- For every $1 million in Travel & Tourism spending, 25 jobs are supported. (10 direct, 11 indirect, and 4 induced)
- This compares favourably to the average of the economy, which generates 12 jobs per $1 million in spending.
- Financial services: 17 jobs per $1 million
- Auto manufacturing: 15 jobs per $1 million
- Communications: 16 jobs per $1 million
- Chemicals: 9 jobs per $1 million
## Benchmarking Travel & Tourism in South Korea

### GDP, 2013 ($US billion, 2012 prices)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Direct</th>
<th>Indirect + Induced</th>
<th>Total</th>
<th>% total economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>0.3%</td>
</tr>
<tr>
<td>Chemicals manufacturing</td>
<td>37</td>
<td>104</td>
<td>141</td>
<td>6.2%</td>
</tr>
<tr>
<td>Automotive manufacturing</td>
<td>44</td>
<td>190</td>
<td>234</td>
<td>12.1%</td>
</tr>
<tr>
<td>Communication services</td>
<td>58</td>
<td>85</td>
<td>143</td>
<td>12.3%</td>
</tr>
<tr>
<td>Education</td>
<td>62</td>
<td>73</td>
<td>136</td>
<td>11.6%</td>
</tr>
<tr>
<td>Higher education</td>
<td>18</td>
<td>21</td>
<td>40</td>
<td>3.4%</td>
</tr>
<tr>
<td>Financial services</td>
<td>86</td>
<td>99</td>
<td>185</td>
<td>15.9%</td>
</tr>
<tr>
<td>Banking</td>
<td>49</td>
<td>56</td>
<td>105</td>
<td>9.0%</td>
</tr>
<tr>
<td>Travel &amp; Tourism</td>
<td>24</td>
<td>44</td>
<td>68</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

### Employment, 2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>Direct, '000s</th>
<th>Indirect + Induced, '000s</th>
<th>Total, 000s</th>
<th>% total economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>15</td>
<td>26</td>
<td>41</td>
<td>0.2%</td>
</tr>
<tr>
<td>Chemicals manufacturing</td>
<td>201</td>
<td>1,353</td>
<td>1,554</td>
<td>6.2%</td>
</tr>
<tr>
<td>Automotive manufacturing</td>
<td>448</td>
<td>2,683</td>
<td>3,131</td>
<td>12.6%</td>
</tr>
<tr>
<td>Communication services</td>
<td>709</td>
<td>1,197</td>
<td>1,907</td>
<td>7.7%</td>
</tr>
<tr>
<td>Education</td>
<td>1,712</td>
<td>1,158</td>
<td>2,869</td>
<td>11.5%</td>
</tr>
<tr>
<td>Higher education</td>
<td>360</td>
<td>243</td>
<td>603</td>
<td>2.4%</td>
</tr>
<tr>
<td>Financial services</td>
<td>857</td>
<td>1,588</td>
<td>2,445</td>
<td>9.8%</td>
</tr>
<tr>
<td>Banking</td>
<td>475</td>
<td>880</td>
<td>1,355</td>
<td>5.4%</td>
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<tr>
<td>Travel &amp; Tourism</td>
<td>616</td>
<td>980</td>
<td>1,597</td>
<td>6.4%</td>
</tr>
</tbody>
</table>
Data Sources & Methodology

How does Travel & Tourism compare to other sectors?
Data sources and methodology: GDP and Employment

- Main data sources for comparative sectors:
  - United Nations International Labour Organization;
  - OECD;
  - CEIC Data Manager;
  - Eurostat (European Commission);
  - UK Office for National Statistics (ONS);
  - Oxford Economics Cities and Regions Forecasting Service;
  - UNESCO;
  - 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; and
  - Various country-specific National Statistics Office websites

- Travel & Tourism GDP and employment figures are drawn from Oxford Economics analysis for WTTC using the Tourism Satellite Account framework.
Data sources and methodology: Exports

- Main data sources:
  - World Trade Organization (WTO)
  - IMFBOPA
  - Oxford Economics.

- Total exports, total service exports and total goods/merchandise exports are sourced originally to national accounts and central bank balance of payments data.

- Service exports taken from IMFBOPA database for all countries where possible.


- All currency figures are stated in 2012 US dollars.
Data sources and methodology: Linkages

- 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 spending in an economy that occurs as a consequence of spending in a given industry.

- For each of the comparator sectors, a spending shock of $1 million was simulated, with the resulting spending impacts in every industry in the economy recorded.

- These spending 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 developed from the GDP and employment figures derived elsewhere in the study.

- Travel & Tourism multipliers are drawn from Oxford Economics / WTTC ongoing Tourism Satellite Account analysis.

- Global and regional multipliers were calculated as the weighted average of all relevant nations, with weightings assigned according to sector GDP.
The World Travel & Tourism Council (WTTC) is the forum for business leaders in the Travel & Tourism industry. With Chief Executives of some one hundred of the world's leading Travel & Tourism companies as its Members, WTTC has a unique mandate and overview on all matters related to Travel & Tourism.

WTTC works to raise awareness of Travel & Tourism as one of the world's largest industries, supporting 260 million jobs and generating 9 per cent of world GDP in 2012.

WTTC advocates partnership between the public and private sectors, delivering results that match the needs of economies, local and regional authorities and local communities with those of business.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice.

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