Benchmarking Travel & Tourism in the UK

How does Travel & Tourism compare to other sectors?

Summary of Findings, November 2013
# Outline

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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.

<table>
<thead>
<tr>
<th>Regions</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>- World</td>
<td>- Japan</td>
</tr>
<tr>
<td>- Americas</td>
<td>- Mexico</td>
</tr>
<tr>
<td>- Europe</td>
<td>- Montenegro</td>
</tr>
<tr>
<td>- Asia Pacific</td>
<td>- Peru</td>
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<tr>
<td>- Middle East</td>
<td>- Russia</td>
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<td>- Africa</td>
<td>- Serbia</td>
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<td></td>
<td>- South Africa</td>
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<td>- South Korea</td>
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<td>- Thailand</td>
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<tr>
<td></td>
<td>- Turkey</td>
</tr>
<tr>
<td></td>
<td>- UAE</td>
</tr>
<tr>
<td></td>
<td>- United Kingdom</td>
</tr>
<tr>
<td></td>
<td>- USA</td>
</tr>
</tbody>
</table>
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.
United Kingdom

How does Travel & Tourism compare to other sectors?
Benchmarking Travel & Tourism in United Kingdom: GDP

GDP Size
- Travel & Tourism generated a total impact of $US 171 billion of the United Kingdom's GDP in 2013.
- Travel & Tourism GDP is larger than that of the chemicals manufacturing, higher education, automotive manufacturing, and mining sectors.
- In terms of its direct GDP, Travel & Tourism is nearly 87% the size of the banking sector, 50% the size of the education sector, and 34% the size of the financial services sector in the United Kingdom.

GDP Share
- Based on its direct, indirect, and induced GDP impact, Travel & Tourism generated 6.9% of the United Kingdom’s GDP in 2013.
- This is nearly three times the size of automotive manufacturing’s GDP impact at 2.6%.

UK GDP Impact by Industry

$US billion (2012 prices)

UK GDP Impact by Industry

share of total economy GDP
**Benchmarking Travel & Tourism in United Kingdom: Employment**

**Employment Size**
- Travel & Tourism sustained a total of 2.5 million direct, indirect, and induced jobs in the United Kingdom in 2013.
- Travel & Tourism in the United Kingdom directly employs more people than the banking, higher education, chemical manufacturing, automotive manufacturing, and mining sectors.
- Of note, Travel & Tourism directly supports nearly as many jobs as the communications services and financial services sector in the United Kingdom.

**UK Employment Impact by Industry**

2012, millions

<table>
<thead>
<tr>
<th>Industry</th>
<th>Direct</th>
<th>Indirect &amp; Induced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Automotive</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Higher Education</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Banking</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Travel &amp; Tourism</td>
<td>1.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Communication</td>
<td>2.9</td>
<td>5.8</td>
</tr>
<tr>
<td>Financial Services</td>
<td>4.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Education</td>
<td>5.1</td>
<td>10.1</td>
</tr>
</tbody>
</table>

**Employment Share**
- Travel & Tourism generated, either directly or indirectly, 7.7% of the United Kingdom’s employment in 2013.
- For every job directly in the Tourism sector, another one and a half jobs are created on an indirect or induced basis.

**UK Employment Impact by Industry**

Share of total economy employment

<table>
<thead>
<tr>
<th>Industry</th>
<th>Direct</th>
<th>Indirect &amp; Induced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Automotive</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Chemicals</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Higher Education</td>
<td>0.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Banking</td>
<td>0.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Travel &amp; Tourism</td>
<td>1.8</td>
<td>3.6</td>
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<tr>
<td>Education</td>
<td>5.1</td>
<td>10.2</td>
</tr>
</tbody>
</table>
Growth Trends

- Travel & Tourism direct industry GDP expanded 20% between 1990 and 2013 while the total economy expanded 58%.
- The mining sector contracted 30% over this time period.
- The auto manufacturing industry grew just 6% over this 23-year period.

Growth Forecasts

- Travel & Tourism GDP is expected to grow at an annual average of 4.6% over the next decade.
- In comparison, the total economy is expected to expand 2.0% per annum while auto manufacturing is forecast to grow 2.0% per annum in real, inflation-adjusted terms.
Benchmarking Travel & Tourism in United Kingdom: Exports

Tourism’s Share of Exports

- Travel & Tourism is a significant source of export revenue for United Kingdom.
- In 2013, visitor exports totalled $US 41.3 billion. This was 13% of all service exports and 5.2% of all exports (including goods and services).

Growth of Tourism Exports

- Between 2000 and 2013, the UK’s Travel & Tourism exports expanded 49%.
- Total exports of goods and services outpaced Travel & Tourism exports and grew 95% between 2000 and 2013.

UK Service Exports (2013)

![Chart showing UK Service Exports (2013)]

- Travel & Tourism, 41,283
- Other Service Exports, 265,898

$US million

UK Exports Growth, 2000-2013 (2000=100)

![Chart showing UK Exports Growth, 2000-2013]
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 the United Kingdom, $1 million in Travel & Tourism spending (consumption) generates $1.3 million in GDP. This is roughly the same impact as the financial services and communications 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 United Kingdom, a mere 15% of Travel & Tourism spending leaks out of the economy through imports. The chemicals industry requires imports amounting to 31% of sales.

Impact of $1m spending - UK

GDP ($m)

- Induced
- Indirect
- Direct

Leakages per $100 spend - UK

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

Supplier Imports
Direct Imports
Beneficiaries of Travel & Tourism

- Travel & Tourism is interconnected with the entire economy of the United Kingdom. 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 $US 1 million in Travel & Tourism sales, $US 119,000 of GDP is generated in the real estate sector.

- The wholesale and retail sector gains $US 135,000 for every $US 1 million in spending on Travel & Tourism.

T&T links with other sectors - UK

GDP generated per $1 million in Travel & Tourism sales

- Mfg of food, beverages and tobacco
- IT Services
- Communications
- Financial services
- Other Business Activities
- Other community services
- Real estate
- Hotels and restaurants
- Wholesale and retail
- Transport and Storage

GDP ($000s)

Indirect
Induced
Travel & Tourism’s employment potential

- For every $1 million in Travel & Tourism spending, 18 jobs are supported. (7 direct, 8 indirect, and 3 induced)
- This compares favourably to the average of the economy, which generates 15 jobs per $1 million in spending.
- Financial services: 13 jobs per $1 million
- Auto manufacturing: 11 jobs per $1 million
- Communications: 12 jobs per $1 million
- Chemicals: 9 jobs per $1 million
### Benchmarking Travel & Tourism in United Kingdom

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

<table>
<thead>
<tr>
<th>Industry</th>
<th>Direct</th>
<th>Indirect + Induced</th>
<th>Total</th>
<th>% total economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>29</td>
<td>16</td>
<td>45</td>
<td>1.8%</td>
</tr>
<tr>
<td>Chemicals manufacturing</td>
<td>33</td>
<td>73</td>
<td>105</td>
<td>4.2%</td>
</tr>
<tr>
<td>Automotive manufacturing</td>
<td>14</td>
<td>50</td>
<td>64</td>
<td>2.6%</td>
</tr>
<tr>
<td>Communication services</td>
<td>186</td>
<td>282</td>
<td>469</td>
<td>18.8%</td>
</tr>
<tr>
<td>Education</td>
<td>147</td>
<td>225</td>
<td>372</td>
<td>14.9%</td>
</tr>
<tr>
<td>Higher education</td>
<td>36</td>
<td>54</td>
<td>90</td>
<td>3.6%</td>
</tr>
<tr>
<td>Financial services</td>
<td>176</td>
<td>331</td>
<td>507</td>
<td>20.4%</td>
</tr>
<tr>
<td>Banking</td>
<td>68</td>
<td>128</td>
<td>197</td>
<td>7.9%</td>
</tr>
<tr>
<td>Travel &amp; Tourism</td>
<td>60</td>
<td>112</td>
<td>171</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

#### Employment, 2013

<table>
<thead>
<tr>
<th>Industry</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>69</td>
<td>178</td>
<td>247</td>
<td>0.8%</td>
</tr>
<tr>
<td>Chemicals manufacturing</td>
<td>153</td>
<td>716</td>
<td>870</td>
<td>2.7%</td>
</tr>
<tr>
<td>Automotive manufacturing</td>
<td>133</td>
<td>456</td>
<td>589</td>
<td>1.8%</td>
</tr>
<tr>
<td>Communication services</td>
<td>1,297</td>
<td>2,999</td>
<td>4,296</td>
<td>13.5%</td>
</tr>
<tr>
<td>Education</td>
<td>2,727</td>
<td>2,444</td>
<td>5,171</td>
<td>16.2%</td>
</tr>
<tr>
<td>Higher education</td>
<td>476</td>
<td>426</td>
<td>902</td>
<td>2.8%</td>
</tr>
<tr>
<td>Financial services</td>
<td>1,148</td>
<td>3,280</td>
<td>4,428</td>
<td>13.9%</td>
</tr>
<tr>
<td>Banking</td>
<td>462</td>
<td>1,321</td>
<td>1,784</td>
<td>5.6%</td>
</tr>
<tr>
<td>Travel &amp; tourism</td>
<td>1,023</td>
<td>1,427</td>
<td>2,451</td>
<td>7.7%</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.

• 2000 figures taken from above, 2013 estimated using 2012 shares of total and applied to totals for 2013.

• 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.
About WTTC and Oxford Economics

- 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.

- For this, it draws on its own staff of over 70 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in New York, Philadelphia, San Francisco, Chicago, London, Oxford, Belfast, Dubai, and Singapore.