Tourism as a Driver of Jamaica’s Economic Development

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Tourism Economics
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Tourism Economics

- Travel data and forecasts for 185 countries
- Policy analysis and recommendations
- Market opportunity and scenario analysis
- Destination visitor tracking and economic impact
Selected clients

Corporations
- Airbus
- American Express
- Boeing
- Etihad Airways
- InterContinental Hotels
- Marriott
- MasterCard
- Theme Park
- TUI

Associations
- Caribbean Tourism Organization
- European Travel Commission
- Pacific Asia Travel Association
- US Travel Association
- Destination and Travel Foundation

Destinations
- Arizona Office of Tourism
- Baltimore CVB
- Bahamas Ministry of Tourism
- Visit California
- Canadian Tourism Commission
- Dubai Tourism
- Georgia Tourism
- Israel Ministry of Tourism
- New York City and Company
- New York State
- Ontario Ministry of Tourism
- Orlando CVB
- Philadelphia Tourism Marketing
- San Diego CVB
- Tourism Ireland
- Visit Britain
- Visit Denmark
- Visit Florida
- Visit Switzerland

Over 100 tourism offices and companies have trusted our staff to help them make better marketing, investment, and policy decisions.
Key findings
Tourism has led economic growth

- In constant prices, the hotel and restaurant sector has outpaced the economy - expanding 36% since 2001.

- In volume terms, tourism has been the leader of economic growth in Jamaica.

Jamaican Industry Value Added, 2010 vs 2001
Cumulative Growth, constant 2007 prices

Source: Statin
...and has competed well in the region

- In 2011, Jamaica hosted 9.6% of all Caribbean stopover visits, up from 7.7% in 2001.

Source: Oxford Economics/STB
...yet has struggled to prosper

- However, tourism has struggled with an ever more competitive operating environment – reducing yield.

- In “current prices”, the hotel and restaurant sector has lagged economic growth, expanding 150% compared with total economy growth of 170% since 2001.

### Jamaican Industry Value Added, 2010 vs 2001
Cumulative Growth, current prices

- Real Estate & Bus.
- Government
- Finance & Insurance
- Electricity & Water
- Whole. & Retail Trade
- Other Services
- Construction
- Total Economy
- Hotels & Restaurants
- Transport, Storage & Commun.
- Agric. & Fishing
- Manufacture
- Mining

Source: Statin
...with falling yields

- Even as operating costs have risen over the past 15 years, average spending per visitor has remained relatively flat.

![Average Spending per Visitor Chart](chart.png)

Source: JTB
How important is tourism to Jamaica’s future?
We must understand the linkages

Travel & Tourism Industry
- The direct effect of visitor spending
- Focus of Tourism Satellite Account

Travel & Tourism Economic Impact
- The flow-through effect of T&T all demand across the economy
- Expands the focus to measure the overall impact of T&T on all sectors of the economy

Direct T&T
- ACCOMMODATION
- CATERING, ENTERTAINMENT
- RECREATION, TRANSPORTATION
- OTHER TRAVEL RELATED SERVICES

Overall T&T Impact
- PRINTING/PUBLISHING, UTILITIES
- FINANCIAL SERVICES, SANITATION SERVICES
- FURNISHINGS AND EQUIPMENT SUPPLIERS, SECURITY SERVICES, RENTAL CAR MANUFACTURING,
- TRANSPORTATION ADMINISTRATION, TOURISM PROMOTION, SHIP BUILDING, AIRCRAFT MANUFACTURING,
- RESORT DEVELOPMENT, GLASS PRODUCTS, IRON/STEEL

Induced T&T
- FOOD & BEVERAGE SUPPLY, RETAILERS
- BUSINESS SERVICES, WHOLESALERS, COMPUTERS,
- UTILITIES, MANUFACTURERS, HOUSING, PERSONAL SERVICES

T&T DIRECT

T&T INDIRECT
Approach based on government data

JTB visitor surveys
- Stopover spend by category
- Cruise spend by category
- Consistent with earlier STATIN analysis

STATIN
- 2000 Input-Output table
- Sector productivity

MOF
- Taxes by type by sector
Step 1: quantify the demand side

Tourism Expenditures (internal consumption)

2010, mn $J

- Accomm., 107,114, 47%
- F&B, 12,218, 5%
- Entertainment, 24,240, 11%
- Transportation, 35,287, 16%
- Shopping, 24,135, 11%
- Misc., 22,752, 10%
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Total: J$ 226 billion

Source: Oxford Economics
Step 2: conduct impact analysis

Jamaica Tourism GDP Impact

J$ 229 billion

- Direct, 94,106
- Indirect, 63,198
- Induced, 71,649

Source: Oxford Economics
Step 3: calculate employment impacts

Jamaica Tourism Economic Impact
Share of economy, 2010

Source: Oxford Economics
Setting impacts into context

Comparing Tourism Impact to Sectoral GDP
2010, billion $J

Source: Statin, Oxford Economics
Debunking the leakages myth

Destination of $100 in Hotel and Restaurant

- Value Added: 33%
- Local purchases (net of their imports): 38%
- Imports of suppliers: 6%
- Direct imports: 23%

71% of each dollar stays in Jamaica

Source: Oxford Economics analysis of 2000 STATIN I-O
How important is tourism to other sectors?

Tourism drives…

- 15% of all construction
- 10% of the finance and banking sector.
- 20% of manufacturing. For every tourism dollar, manufacturing receives 26 cents (15 through the supply chain and 11 cents through locally-spent incomes.
- 21% of both utilities and agriculture/fishing.

Tourism Contribution to Various Sectors
Share of industry GDP, 2010

Source: Oxford Economics
Current tourism tax proceeds

- Including direct, indirect, and induced impacts, tourism generated...

- J$ 38 billion in taxes in 2010

- This comprised 20.4% of all government revenue

**Total Tourism-Generated Taxes**

Billion $J

- Border Taxes, 92.8
- PAYE, 35.2
- GCT Domestic, 43.6
- Travel Tax, 2.6
- PIT, 2.1
- CIT, 13.8

J$ 38 billion

Source: Oxford Economics
Should tourism be taxed as an export?

Composition of Jamaica Total Exports

2010, million $US

Tourism, $2,095
All Other Exports, $2,077

Tourism Contributes 50% of Jamaica Exports

Source: STATIN
Should tourism be taxed as an export?

Jamaican Exports
2010, $US millions

- Machinery and Transp. Equip.
- Manufactured Goods
- Chemicals
- Mineral Fuels
- Food, beverage, tobacco
- Crude Materials (excl. Fuel)
- Tourism

Source: STATIN
Higher CIT risks competitiveness

Corporate Income Tax Rates

Source: Oxford Economics
...and GCT is already at the upper end

Hotel Accommodation Tax Rates

Source: Oxford Economics
Tourism drives the strength of “brand Jamaica”

Jamaica Destination Marketing

$US 147 million

- JTB, $29
- Hotels, $118

Source: JTB, Oxford Economics
…with nearly $6,000 spent annually per room
Summary findings

- Tourism is the core driver of the Jamaican economy.
  - Tourism has posted consistent growth, even when the rest of the region was in decline.
  - Tourism’s linkages to the rest of the economy are strong, extending its total economic impact to 19.5% of GDP.
  - Tourism is Jamaica’s #1 industry in absolute size.
  - Tourism is Jamaica’s #1 export sector.

- Jamaica has a clear competitive advantage in tourism given its location, air service, natural beauty, cultural heritage, and strong international brand.
Tax reform implications

- The hotel sector has a relatively high tax burden in comparison to regional comparisons.

- The incentives offered to the industry have been an essential part of maintaining growth while they remain generally less generous than those offered across the Caribbean.

- When factoring in linkages, the tax contribution of tourism is greater than any other industry and greater than its contribution to GDP.

- Tourism is an export industry and should be treated accordingly.
Marketing implications

- JTB funding is essential and should be maintained as an investment into Jamaica’s economic core strength – tourism.

- Destination marketing has been shown to generate substantive return on investment.

- Jamaica possesses real brand opportunities but also faces perception barriers that marketing can address.

- A real opportunity exists for the tourism sector to create a robust platform for EP hotels to jointly market and promote their properties,

- Jamaica can more effectively market directly to cruise visitors to return for stopover visit. Envision this as an ongoing consumer trade show at cruise ports with incentives, giveaways, and a showcase of the best of what Jamaica has to offer. This should be financed by JTB/TEF and can be cooperatively funded by the private sector in a “pay to play” format.
Investment implications

- Future development should focus on higher end product.

- An attempt to attract major U.S. brands should be made. It should be noted that despite incentives, higher-end flags have been reluctant to invest in Jamaica. This should be explored further with specific flags to learn what must be done to bring these operators—and their considerable customer networks—to Jamaica.

- Casino licenses can be used strategically toward these ends.
Thank you!

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