De La Salle University - Dasmariñas

EFFECTS OF TOURISM ON THE PHILIPPINE ECONOMY

A Thesis
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LUNINGNING D. LLAMES

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ABSTRACT

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The purpose of this study was to determine the effects of tourism on the following selected macroeconomic variables: inflation rate, unemployment rate, and real gross domestic product. This study aimed to describe the trend of tourism over time, describe the trends of the selected macroeconomic variables vis-a-vis tourism over time, and estimate the effects of tourism on the selected macroeconomic variables. Tourism was expressed in terms of number of visitor arrivals and tourist receipts. Tourism was treated as independent variable and each selected macroeconomic variables as dependent variable. Descriptive analysis was used to describe the trends of tourism in the Philippines, as well as the trends of the selected macroeconomic variables vis-a-vis tourism, over time. Pairwise Granger Causality test was employed to determine causation among the variables.

Vector Autoregression (VAR) analysis was utilized to evaluate the pass through effect of tourism on the selected macroeconomic variables. Two VAR models were made for this study. The first model consisted of number of visitor arrivals, inflation rate, unemployment rate, and real GDP while the second model included tourist receipts, inflation rate, unemployment rate, and real GDP. The

optimal lag length for each model was determined through the use of Akaike Information Criterion by rank (rows) and model (columns).

Number of visitor arrivals positively affects inflation rate and real GDP in the long run. Unemployment rate negatively responds to number of visitor arrivals in the long run. Tourist receipts positively affect unemployment rate and negatively affects inflation rate in the long run. VAR model suggests that tourist receipts negatively affects real GDP in the long run. In general, tourism has positive effect on the Philippine economy.

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