



GROWING IMPORTANCE OF TOURISM TO MALAYSIA'S ECONOMY

K Megala Kumarran¹

National Accounts Statistics Division, Department of Statistics Malaysia
kmegala@stats.gov.my

Kanageswary Ramasamy*

National Accounts Statistics Division, Department of Statistics Malaysia
kanageswary@stats.gov.my

Abstract:

The aim of this paper is to share Malaysia's experiences in developing the Tourism Satellite Account. Tourism plays an increasingly prominent role in driving the growth of Malaysia's economy. Over the decades, the tourism industry has experienced continued expansion and diversification to become one of the major and fastest growing economic sectors in Malaysia. Despite the occasional downturns and unprecedented incidents, the tourism industry has virtually shown encouraging growth. The arrival of inbound tourists to Malaysia has increased from 10.2 million in 2000 to 25.7 million in 2015. Therefore, Malaysia continues to accord high priority towards the tourism industry by forming a Tourism Satellite Account which provides statistics on inbound receipt, income from domestic tourism, contribution of tourism industry to the economy, job creation and investment in tourism industry. Policy makers and businesses can use the comprehensive Tourism Satellite Account report to gauge the performance of this industry and identify potential tourism activities that can provide new market opportunities and precise industry focus.

Keywords: Tourism, Inbound Tourism Expenditure, Domestic Tourism Expenditure, Employment in the Tourism Industry.

1. BACKGROUND

Tourism in Malaysia has undergone a tremendous phase within a period of fifteen years whereby tourist arrivals has increased from 10.2 million (2000) to 25.7 million in 2015. Due to the increasing number of tourist arrivals and expenditure in Malaysia, the initiative to develop Tourism Satellite Account (TSA) was undertaken to measure the direct contribution of tourism industry to the economy especially in analyzing the aspects of demands for goods and services associated with visitors (tourist and excursionist). Tourism industry's continuous contribution in generating foreign exchange earnings, employment and income despite the occasional downturns and unprecedented incidents in the economy crisis has created the necessity in establishing the TSA for the nation. This paper focuses on Malaysia's experiences in developing the TSA.

Tourism industry's has far reaching impact and this partly compliments to the establishment of TSA which one of the strategy under the 8th Malaysia Plan (2001-2005). The initial directive of TSA establishment is to improve the tourism database by undertaking relevant surveys and other sources of data collection in a timely and comprehensive manner. In line with the objective of the Malaysia Plan, TSA unit was proposed to be established in Department of Statistics, Malaysia (DOSM) under National Accounts Statistics Division in 2004. The well-developed System of National Accounts was one of the main criterions for TSA unit to be set up at DOSM.

¹Ms. K Megala Kumarran is a Senior Assistant Director and Ms. Kanageswary Ramasamy is a Deputy Director in the National Accounts Statistics Division, Department of Statistics, Malaysia. The views expressed in this paper are solely the responsibility of the authors' and should not be interpreted as reflecting the views of Department of Statistics, Malaysia.



The Ministry of Tourism and Culture Malaysia (MOTAC) played a vital role in supporting the establishment of TSA in DOSM. Moreover, MOTAC has shown unlimited interest and financial support was provided to make the project possible. In order to produce TSA for the nation, a Steering and a Technical Working Committee was formed in 2005. These committees comprise of seven agencies from DOSM, MOTAC, Malaysia Tourism Promotion Board (TM), Immigration Department of Malaysia (JIM), Ministry of Finance (MOF), Economic Planning Unit (EPU), Bank Negara Malaysia (BNM). The members of the committees are the experts in the area of tourism.

In addition, DOSM participated in the International Workshop on Tourism Statistics jointly organized by UN Statistics Division and UNWTO Department of Statistics and Economic Measurement of Tourism at UNWTO headquarters, Madrid, Spain in 2006. Based on the experiences and knowledge gained from the International Workshop and the study visit to Australia, a pilot study on Domestic Tourism Survey (DTS) and Homestay Survey was conducted in 2007. In 2008, the preliminary DTS finding by 14 states in Malaysia (reference year 2007) was published for limited circulation and in the subsequent year more comprehensive information was released to public. Most of the data used in compiling TSA was from the surveys and censuses carried out by DOSM except for the Departing Visitors Survey (DVS) led by TM.

By having firm data and sound knowledge, TSA Malaysia was successfully launched to public in 2012. Prior to the launching in 2010 and 2011, TSA publications were published for limited circulation. Since 2012 onwards, the Department has fruitfully published six consecutive series of TSA publications and the latest information is for the year 2015.

2. EXPERINCES IN DEVELOPING TOURISM SATELLITE ACCOUNT

TSA was initiated to gauge the contribution of tourism across the industries in the country. One of the crucial challenges in developing the first Satellite Account for Malaysia was to create expertise and tackling the issues on data gaps. However, the journey in producing TSA was effective with the good understanding of the SNA and TSA manuals and capacity training in producing knowledgeable compilers. Some strenuous process was faced by the compilers before the TSA was released to public. Nevertheless, the compilers gained advantage in terms of knowledge and expertise which was a boost to produce other satellite accounts for the nation such as Information Communication Technology Satellite Account (ICTSA) which took only two years.

In Malaysia, several government agencies collaborated in collecting, compiling and disseminating tourism statistics. Malaysia's TSA is produced by DOSM in cooperation with MOTAC, TM and JIM. DOSM was mandated to establish TSA with its capacity as the national statistical authority of official statistics. DOSM also has a well-established System of National Accounts that produces the Supply and Use Table, Input Output Table, Gross Fixed Capital Formation and Gross Domestic Product (GDP). Besides that, Balance of Payment (BOP) and Labour Force Statistics are also under the jurisdiction of DOSM. The department also conducts most of the tourism related surveys such as Domestic Tourism Survey, accommodation survey and surveys at selected tourism activities such as Meeting, Incentive, Conference and Exhibition (MICE), personal care & spa, museum, recreational surveys and to produce up-to-date statistics on TSA.

3. TSA ARTICLES

According to (Frechtling, 2010), TSA is a popular method of measuring the direct contributions of tourism consumption to a national economy. Its unique role in quantifying economic contributions of visitors in a country derives from its nature as an account rather than a model and its observance of the principles of national economic accounting. Whereas (Hanafiah & Harun, 2010) cited, the growing importance of tourism also has embarked many countries to develop tourism sector and increase the



number of incoming visitors. Inbound tourist arrival increases the flow of foreign currency to the host country. The sector is also environment friendly compared to other industries such as the manufacturing sectors. The tourism growth influences retail, entertainment and transportation industries too.

Moreover (Baker, 2013) expressed that, Tourism Direct Gross Domestic Product and the employment contribution of tourism to the national economy has been documented by policymakers from various countries via the Tourism Satellite Account (TSA). At the global level, tourism represents a principal industry in the service sector. Further, this industry is a main contributor of work opportunity and a vital generator of foreign exchange at the national level. Tourism has taken the lead in being a large and rapid moving industry in the global economy.

Besides that, (Steeg, 2009) tabulated related data like investment, employment, balance of payments and government revenues against demand by visitors and supply of products by producers using TSA. Thorough information on different kinds of tourism expenditure is conveyed through the TSA.

4. METHODOLOGY

TSA compilation conforms to the Tourism Satellite Account: Recommended Methodological Framework 2008 (TSA: RMF 2008) and International Recommendations for Tourism Statistics 2008 (IRTS 2008) guidelines, published by the United Nations World Tourism Organization (UNWTO).

Basic understanding of IRTS 2008 manual is a compulsory in producing a sound tourism statistics. IRTS 2008 provides a comprehensive methodological framework for collection and compilation of tourism statistics. In addition, IRTS 2008 provides general guidance in relation to data sources and data compilation methods. Whereas, Tourism Satellite Account: Recommended Methodological Framework 2008 (TSA: RMF 2008), provides a framework for the construction of TSA. For countries to implement TSA, this manual aids in providing related recommendations such as basic standard classifications, guidelines, definitions & concepts & definitions, type of tables that fit in with SNA. The TSA: RMF 2008 is an invaluable and useful tool for those interested in analysing the importance of tourism to the economy.

Supply and Use Table (SUT) was the foundation in developing the framework of TSA precisely in measuring Gross Value Added of Tourism Industries (GVATI), Tourism Direct Gross Domestic Product (TDGDP) and tourism ratios. In Malaysia, the SUT are updated every five years based on the availability of comprehensive information from economic census.

The TSA: RMF 2008 recommended ten sets of TSA summary tables and Malaysia produces the first eight tables. In fulfilling the requirements of policy makers only the first seven tables are released to the public while Table 8 is catered to selected stake holders. Table 10 which describes on non-monetary indicators is made available by TM.

5. ANALYSIS AND FINDINGS

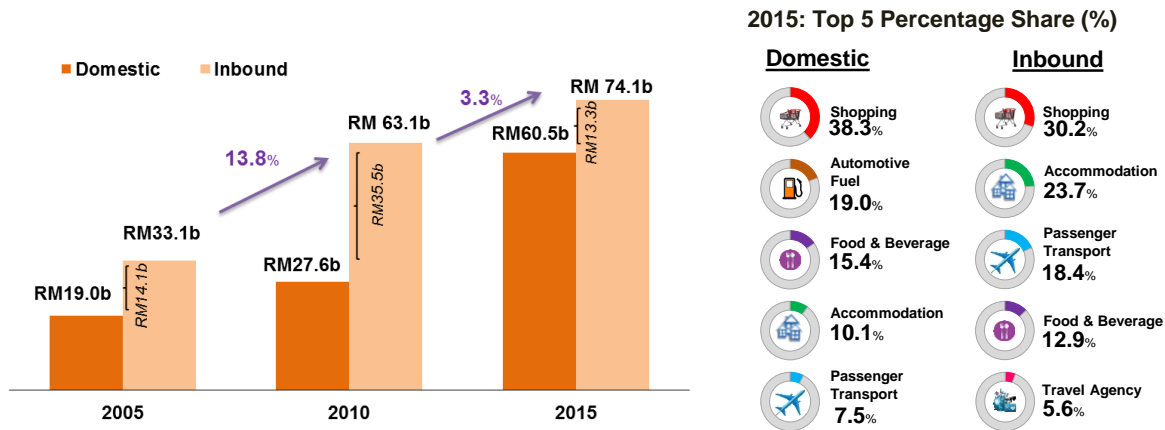
Malaysia has 15 years of TSA time series which is from year 2000 until 2015. TSA compilation comprises of three main aspects which are demand, supply and manpower. The demand data specifically provides information on inbound, domestic, outbound tourism expenditure while the supply data consists of Gross Value Added of Tourism Industries (GVATI), Tourism Direct Gross Domestic Product (TDGDP) and Tourism Ratio. The manpower refers to the measurement of employment in the tourism industry. For the purpose of this paper data are analysed from year 2005 to 2015.



5.1 INBOUND AND DOMESTIC TOURISM EXPENDITURE

Over the years, inbound tourism expenditure recorded a substantial increase in terms of value from RM33 billion (2005) to RM74 billion in 2015. The tremendous increase of RM41.0 billion in inbound tourism expenditure over the decade was in line with the escalation of tourist arrivals to Malaysia from 16.4 million (2005) to 25.7 million (2015). Proactive tourism campaigns such as Visit Malaysia Year (VMY) and Malaysia My Second Home (MM2H) organised by Malaysia has influenced the increasing trend of tourist arrivals.

Chart 1: Inbound and Domestic Tourism Expenditure



From 2005 to 2010, inbound tourism expenditure registered a favourable growth of 13.8% in spite to the global financial crisis that occurred in 2008-2009. Whereby, Malaysia’s economy registered a negative growth of 1.5% in 2009. Nevertheless, services sector registered a positive growth and remained as the biggest contributor to the Malaysia’s economy with a share of 57.6% in 2009. The services sectors were supported by tourism related activities during the turbulence. While the manufacturing, mining and construction sectors recorded negative growth that turn down the economic performance. Looking at the services sector’s performance during economy downturn, the momentum of tourism industry was still encouraging. In addition, activities like wholesale and retail trade, accommodation, food and beverage recorded 0.9% growth in 2009 and sustained with positive double digit growth of 16.8% in 2010.

Referring to the chart 1, from 2010 onwards it was observed that domestic tourism expenditure is growing at the faster pace while the dominance of inbound tourism expenditure is in decreasing trend. In 2010, domestic tourism expenditure only recorded RM27.6 billion and accelerated to RM60.5 billion in 2015 with an exceptional increase of RM32.9 billion. From 2010 to 2015, the domestic tourism expenditure accelerated with a double digit average growth of 17.0% while inbound tourism expenditure only recorded 3.3%.

Moreover in 2015, domestic tourism expenditure cushioned the overall performance of Malaysia’s tourism industry despite the negative growth of 7.5% recorded by the inbound tourism. Growing importance of domestic tourism has encouraged Malaysia’s states governments to play a prominent role in organising campaigns and other tourism related activities such as Visit Malacca, Visit Penang Visit Johor and ‘Cuti-Cuti Malaysia’(Malaysians go for holidays) in a way to attract domestic and as well inbound visitors to the respective states. Besides campaign, introduction of more aviation such as Air Asia, Malindo Fire Fly offers competitive prices enables people to reach more destinations within Malaysia. In line with tourism promotions, the number of domestic trips increased by 5.5% to register 235.2 million trips in 2015 as compared 137.9 million trips in 2010.

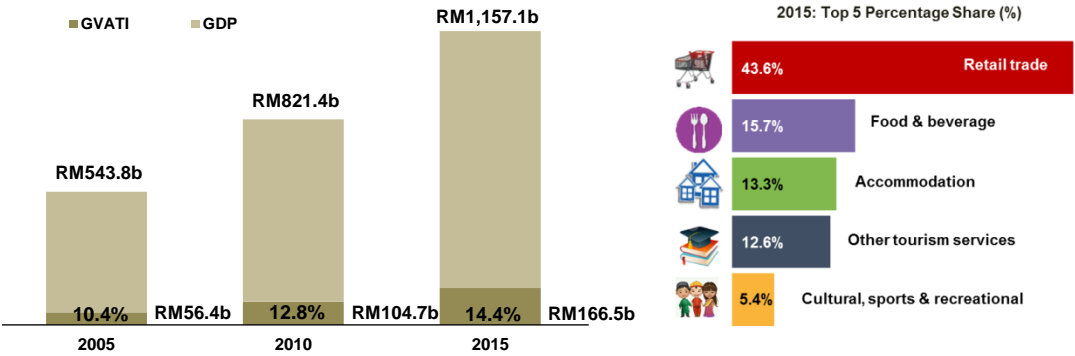


In year 2015, both inbound and domestic visitors spent mostly on shopping. This was followed by accommodation 23.7% and passenger transport services 18.4% for inbound tourism. While, domestic tourism expenditure were on automotive fuel 19.0% and food & beverage serving services 15.4%.

5.2 GROSS VALUE ADDED OF TOURISM INDUSTRIES

Malaysia’s tourism industry elevated to 14.4% in 2015 as against 10.4% in 2005. GVATI grew at a faster pace as compared to the movement of GDP.

Chart 2: Gross Value Added of Tourism Industries



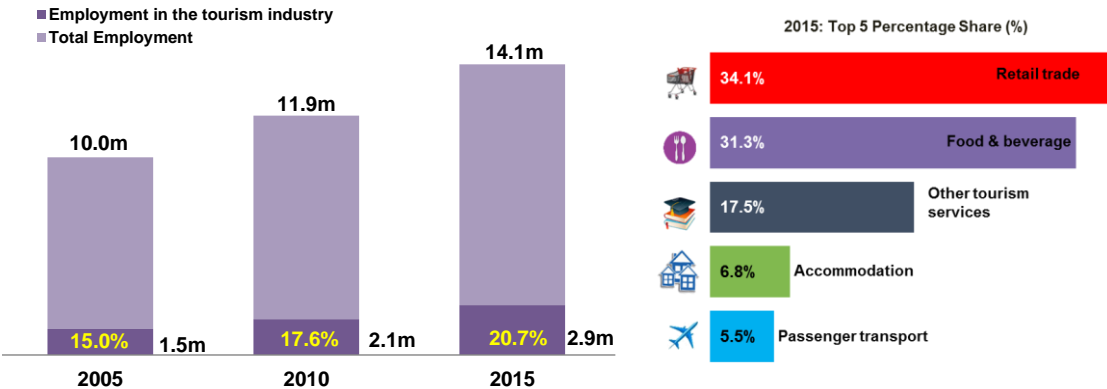
GVATI which measures the total gross valued added of all establishments belonging to tourism industry expanded to RM166.5 billion in 2015 as against RM56.4 billion (2005) with a robust average growth of 11.4%. In overall, the growth of GVATI always outpaces the growth of GDP.

Basically, the retail trade industry was the main driver of GVATI with the share of 43.6%. This finding is in line with shopping activities which is predominant for the internal tourism demand. In addition, many programmes such as Malaysia Shopping Carnivals, GP Sales, and International Shoe Festival were organised in order to encourage shopping activities among visitors. The second highest contributor was food & beverage serving services with a share of 15.7% and followed by accommodation services 13.3%. Malaysia’s multi ethnicity which offers various cuisines plays an important role in attracting visitors to the country.

5.3 EMPLOYMENT IN THE TOURISM INDUSTRY

Tourism plays an important role in creating jobs in the tourism related industry. Over the years, the employment in the tourism related industry shows an increasing trend. In 2015, Malaysia’s tourism industry employed 2.9 million persons and contributed 20.7% to total employment.

Chart 3: Employment in the Tourism Industry





From 2005-2015 employment in the tourism industry increased at a faster rate of 6.8% as compared to the total employment of the nation (3.4%). Employment in the tourism industry was attributed by retail trade industry and food & beverage serving services. Both industries contributed 65.4% to the total employment in tourism.

6. CONCLUSION

By compiling TSA, comprehensive information on the performance of tourism is available in Malaysia on annual basis. It enables policy makers and businesses to gauge the performance of this industry and identify potential tourism activities that can provide new market opportunities and targeted areas to focus. This information is also used intensively by public, academicians and researchers. Realising the importance of tourism sector government also has spell out tourism in Economic Transformation Program (ETP) as one of the 12 National Key Economic Areas (NKEAs). With all the determinations and unlimited support from the government and tourism related private sectors, tourism in Malaysia has much potential to shine. As a way forward as recommended by UNWTO, the department is involved in the constructive discussions on educating the establishment of TSA at sub national level.

REFERENCES

1. Frechtling, D. C. (2010). THE TOURISM SATELLITE ACCOUNT. A Primer. *Annals of Tourism Research*, 37(1), 136–153. <https://doi.org/10.1016/j.annals.2009.08.003>
2. Hanafiah, M. H. M., & Harun, M. F. M. (2010). Tourism Demand in Malaysia: A cross-sectional pool time-series analysis. *International Journal of Trade, Economics and Finance*, 1(2), 200–203. <https://doi.org/10.7763/IJTEF.2010.V1.36>
3. Baker, D. M. (2013). Understanding the Economic Impact of Tourism in the Asian Pacific Region Using the Tourism Satellite Account (TSA). *International Journal of Business and Social Science*, 4(3), 15–22.
4. Steeg, A. Van De. (2009). *Accounting for Tourism The Tourism Satellite Account (TSA) in Perspective*.
5. Department of Statistics, Malaysia, *Domestic Tourism Survey 2015* (2016), Putrajaya.
6. Tourism Malaysia Research Division, *Malaysia Tourism Key Performance Indicators* (2015), Kuala Lumpur.
7. Department of Statistics, Malaysia, *Annual National Accounts Gross Domestic Product (GDP) 2010-2015* (2016), Putrajaya.
8. Commission of the European Communities, OECD, World Tourism Organization, United Nations, *Tourism Satellite Account: Recommended Methodological Framework* (2008), Luxembourg, Madrid, New York, Paris.