

# Impact of tourism on macro – economic indicators: A Comparative study of BRICS nations

Dr. Gomathi Sankar Jeganathan<sup>1</sup>, Dr. Yarlagadda Srinivasulu<sup>2</sup>

<sup>1</sup> Assistant Professor, Saveetha School of Management, Saveetha University, India

<sup>2</sup> Associate Professor, Department of International Business, Pondicherry University, India

## ABSTRACT

*The paper investigates the impact of tourism industry on various macro-economic indicators in BRICS nations. International tourist arrival, international tourist receipt, international tourism expenditure, direct contribution to employment, and contribution to nation's GDP have represented macro – economic indicators. Secondary data were used for this study. Tourism contribution to the nation's growth and development was detailed exclusively, comparative analysis also made in accordance with macro-economic indicators.*

## INTRODUCTION

The BRICS (“Brazil, Russia, India, China, and South Africa”) nations are group of five countries, considered to be an emerging economies in the world. As of 2013, the BRICS nations represent approximately 3 billion people, accounting 40 percent of the world’s total population. “Brazil, Russia, India and China” are the largest countries by land, collectively BRICS nations are accounting 25 percent of the land mass of the globe. The five nations combined GDP was estimated to be USD 16.039 trillion (Nominal GDP), with combined foreign reserves of USD 4 trillion (NIKANDROV, 2014). The growth of these five nations economy was comprehensively better than OECD nations. From 2000 to 2010, the BRICS economies registered an average growth rate of 6 percent annually, whereas OECD nations registered 2 percent average growth per annum. The global tourism has been growing year over year, certainly millions of amount are being invested in this industry by private organisations and government, to manage the growing demand of the tourism industry, London based marketing intelligence firm, Euromonitor International report forecasted that until 2017, the growing global tourism demand would be directed by BRICS. The BRICS economies market share for tourism will progress gradually until 2030 (UNWTO).

**Keywords:** *Tourism, BRICS, FTA, Employment Tourism expenditure, Tourism receipt.,*

### 1. Tourism in BRICS nations

Global tourism industry registered 4.7 percent growth with 1,138 million international tourist arrivals in 2014 (UNWTO, 2015). Tourist arrivals are considered to be a staple for this industry worldwide, it has been registered remarkable growth in the last decade. International tourist arrivals statistics show that the year 2012 considered to be a milestone in the annals of world tourism. In 2012 international tourist arrivals rate recorded an impressive one billion mark worldwide (UNWTO, 2014). The growth and development of the tourism industry comprises economic development, infrastructure development, and employment generation of the nations.

The industry has direct impact, indirect impact and induced impact on global economy. The travel and tourism industry has been giving substantial contribution to Gross Domestic Product (GDP), Foreign Exchange

Earning (FEE), infrastructure development, and employment generation. In the year 2013, the industry's total contribution to global GDP was USD 990.3 billion (US\$990.3 bn). It was 9.5 percent of the global GDP, and it is projected to reach 10.3 percent in 2024 (WTTC, 2014). Tourism is a major source for the FEE in many nations, 38 percent of the nations at least (UNWTO). The tourism industry is major source of employment generation in many countries.

In developing countries tourism is a primary source for employment generation. One in every eleven jobs in the world is being associated with this industry. 100,894,000 jobs were directly supported by this industry in 2013 (UNWTO, 2014). The industry growth was found to be stronger in emerging economies as compared to developed economies in 2012 (UNWTO, 2012). UNWTO forecasted the international tourist arrivals in emerging economies to overwhelm developed nations in 2015. By the year 2030, the emerging economies will be expected to receive over 1 billion tourists (UNWTO, 2013).

As of 2013, the BRICS nations represent approximately 3 billion people, accounting 40 percent of the world's total population. "Brazil, Russia, India and China" are the largest countries by land, collectively BRICS nations are accounting 25 percent of the land mass of the globe. The five nations combined GDP was estimated to be USD 16.039 trillion (Nominal GDP), with combined foreign reserves of USD 4 trillion (NIKANDROV, 2014). The growth of these five nations economy was comprehensively better than OECD nations. From 2000 to 2010, the BRICS economies registered an average growth rate of 6 percent annually, whereas OECD nations registered 2 percent average growth per annum.

India and China are recognised as a "*cradle of civilization*". Russia and Brazil as nations with staggering natural attractions and historical heritage sites. South Africa is also having distinctive cultural attractions. UNESCO heritage site named "*cradle of humankind*" is located in South Africa, where the "*Australopithecus africanus*" fossil, dating 2.3 million year ago, was found by Dr. Robert Broom and John T. Robinson in the year 1947. With archaic cultural heritage, historic monuments, and natural attractions, the BRICS nations have been certainly giving notable contribution to global tourism over the past years.

FIFA (The Fédération Internationale de Football Association) world cup is the world biggest single event competition globally. Cumulative audience, who watched the FIFA world cup in 2006 was estimated to be 26.29 billion (Wong, 2009). South Africa and Brazil hosted FIFA world cup in the years 2010 and 2014 respectively. 2018 world cup is going to be held in Russia. The FIFA world cup attracts millions of spectators to visit the host nation, which enhance infrastructure development, employment generation and economic development in the host nation.

### 1.1 Brazil

Brazil is the largest South American country which is also the fifth largest country in the world by land and population. The country is having distinctive attractions and events, which attracts substantial visitors from all around the world. The nation represents the twelfth most important source market for tourism worldwide (Tourism intelligence Scotland). UNESCO has listed 19 places as world heritage sites in Brazil.

Though carnival celebrations have occurred in many parts of the world, carnival in Brazil is most exuberant and it is famous all around the world. "*Rio de Janeiro Carnival and Salvador Carnival*" have been one of the foremost event among tourists, especially Rio de Janeiro Carnival. The city Rio de Janeiro has been considered as the "*carnival capital of the world*". This carnival is one of the oldest event of the nation dating back to 18th century. The carnival festivals have been attracting huge amount of tourists into the nation. Rio de Janeiro Carnival attracts usually 2 million visitors, it attracted 400,000 international visitors in 2004 (Guinness World Records). The Salvador carnival is another biggest carnival, around 1.5 million tourists generally participate in the event. These festivals make a certain impact on nation's local economy.

The tourism and travel industry has been giving substantial contribution to the nation's development. With 9.2 percent total contribution to the nation's GDP, direct contribution registered 3.5 percent of nation's GDP in 2013 (WTTC, 2014). The industry's total contribution to GDP is forecasted to rise 10.3 percent from present level. 3,048,500 jobs were directly supported by the industry in 2013, which is estimated to be 3 percent of nation's total employment. Combined with indirect employment generation, the industry supported 8,498,500 jobs and it was 8.4 percent of total nation's employment. The industry investment contributed 5.8 percent of nation's total investment in 2013 (WTTC, 2014).

## 1.2 Russian Federation

Russian federation, the world's largest country by geographical area, has the world longest border of 60,932 kilometres. With twenty six UNESCO listed heritage sites, the country certainly has owned staggering distinctive attractions, such as "The deepest lake in the world (Lake Baikal: 1,700 metres; UNESCO), World oldest lake (Lake Baikal: 25 million years; UNESCO), The highest peak in Europe (Elbrus: elevation of 5650 metres), The longest river in Europe (The Volga: 3530 kilometres long), The largest lake in Europe (Lake Ladoga: area of 18,000 square kilometres), North Pole of Cold (Oimyakon) and Eleven time zones, more than any other nations in the world (From UTC +1 to UTC +12)". These distinct astonishments attract more tourists into the nation every year.

The tourism and travel industry had contributed 5.8 percent to the nation's GDP in 2013, it is forecasted to reach 6.4 percent in the year 2024. The direct contribution of the industry to nation's GDP was 1.4 percent in 2013 (WTTC, 2014). In 2013 the industry supported 967,000 jobs directly, held 1.4 percent of nation's employment. It generated 8,498,500 jobs including indirect employment opportunities. It was 6.1 percent of total Russian employment in 2013. The industry investment is expected to hold 2.5 percent of total investment by 2024 from the present share of 2.6 percent level (WTTC, 2014).

## 1.3 India

India, the country is known for its traditional values and cultural diversity. Among 32 UNSECO listed heritage sites, 25 are cultural properties. This emphasis the robust cultural values of the nation. Indian culture is one of the archaic culture in the world, believed to be one of the earliest civilisations in the world that dates back to 3,300 B.C, approximately 5000 years ago. The Vedic age, when Puranic literatures and Upanishads emerged in India, is believed to be from 3000 B.C. to 1000 B.C (P. L. Bhargava, 1971). Tourism in India, is a prominence activity, has been persistently giving immense contribution to the economic progression. The tourism industry directly and indirectly, had employed 11.49 percent of India's total employment in 2014 (The Federation of Hotel & Restaurants Associations of India, 2014). Domestic tourism has achieved stupendous growth in recent past, crossed 1,145 million in 2013.

National tourism policy was formulated in 2002, the objectives of the policy was "positioning tourism as a major engine of economic growth and to harness its direct and multiplier effects for employment and poverty eradication in an environmentally sustainable manner". Government of India introduced promotional campaigns to promulgate the industry to international tourists. The government operationalised E-visa (electronic visa), M-visa (medical visa) and visa on arrival facilities to bring in more international tourists. In the union budget 2015-2016, visa on arrival was proposed to be extended to 180 countries form the present 43 countries.

## 1.4 China

China is the highest populous nation in the world, total population was estimated as 1.357 billion in 2013 (The World Bank, 2014). Officially the nation is called as "People's Republic of China", is third largest nation of the world by land area. At present, it is the world's largest market for manufacturing. It is rated as the second largest economy in the world after the United States of America (Wayne M. Morrison, 2014). China has turned into world largest economy by overwhelm the United States on Purchasing Power Parity basis (IMF Economic outlook, October 2014). The growth of Chinese economy as a noteworthy economic power in global environment happened within a span of three decades, from 1979 to 2013 (Wayne M. Morrison, 2014). China has emerged as one of the major economic power in the world, where the services sector accounts for 48.2 percent of nation's GDP in 2014 (Statista, 2015).

China has become the second largest "Travel and Tourism economy" in the world by 2015 (WTTC, 2014). In terms of domestic tourism, the country has the world "largest domestic tourism market" (OECD, 2014). The domestic tourism has been growing year over year and enhancing employment generation, capital investment, and GDP growth of the nation. The industry directly employed 22,780,000 people, held 3 percent of total employment in 2013. It was estimated to attain 1.7 percent growth in 2014. Total employment generation, including indirect support by the industry was 8.4 percent of total employment with 64,412,500 jobs in 2013. Total contribution was estimated to reach 66,080,500 jobs in 2014 (WTTC, 2014). With 2.8 percent of total investments were happened in this industry, it directly contributed 2.6 percent of nation's GDP in 2013. Total contribution of the industry held 9.2 percent of GDP in 2013 (WTTC, 2014).

## 1.5 South Africa

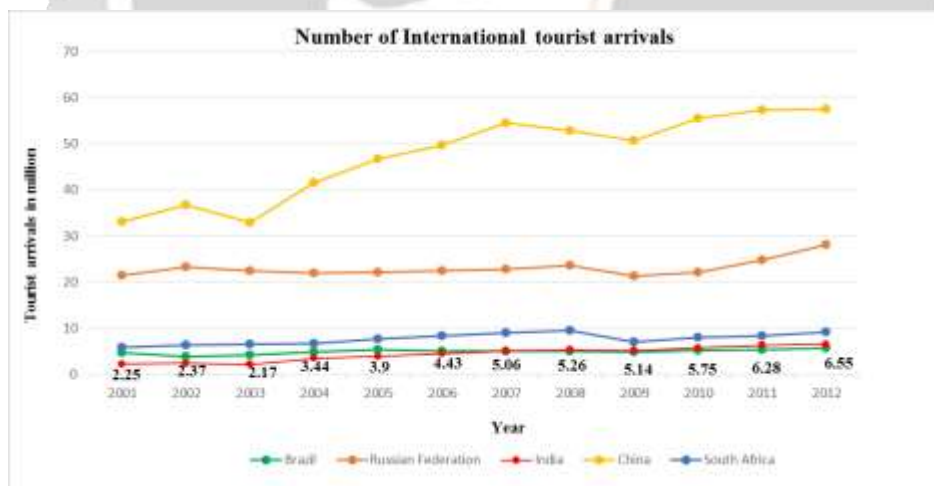
South Africa had joined the BRICS bloc in December 2010. South Africa, officially the “Republic of South Africa” is recognised as a “Multi-ethnic society”, extensive diversity of languages, cultures and religions exist in the nation. Archaeological discoveries from the nation provided the evidence of human existence in South Africa around 3 million years ago. Archaeologists have excavated wide range of fossil from caves located in Gauteng Province, is one of the eight World Heritage site listed by UNESCO in South Africa. This place has come to be known as “Cradle of Humankind” (Stephen P. Broker). Tourists have come for the fossil record from all over the world. Another prime attraction is “UKhahlamba-Drakensberg”, where over 600 rock art sites with more than 35,000 art images are depicting “San” people cultural and spiritual life, dated 4000 years ago.

Tourism is considered as a key industry, having the potential to contribute to the economic growth in South Africa. For every 12 jobs, 1 job has been supported by this industry in South Africa (Department of Tourism, Republic of South Africa). South African Tourism and Travel industry has been substantially contributing to the economic growth and employment of the nation. It had total contribution of 9.5 percent of South African GDP in 2013. Totally 1,404,000 jobs were supported by this industry in 2013, with 645,500 directly supported jobs in the same year (WTTC, 2014). With direct contribution of 4.6 percent, total contribution stood at 10.1 percent of nation’s employment in 2013 (WTTC, 2014). The direct contribution of employment is estimated to rise about 5.1 percent from the present level by the year 2024 (WTTC, 2014).

## 2. Macro-economic indicators comparison

### 2.1 International tourist arrivals

The following graph 1.1 depicts the number of international tourists who visited the BRICS nations in the last decade. China attracted more international tourists among the five nations followed by Russia. China held fourth place in worldwide, in terms of tourist arrivals during 2012. 57.725 million international tourists were arrived in China during 2012 (UNWTO, 2014). India’s position is almost at the bottom of the graph, portrays that international tourists arrival to the nation is certainly very lower than its counterparts. India received 6.55 million international tourists in 2012.



**Graph 1:** Number of International tourist arrivals (Source: World Bank data, 2014)

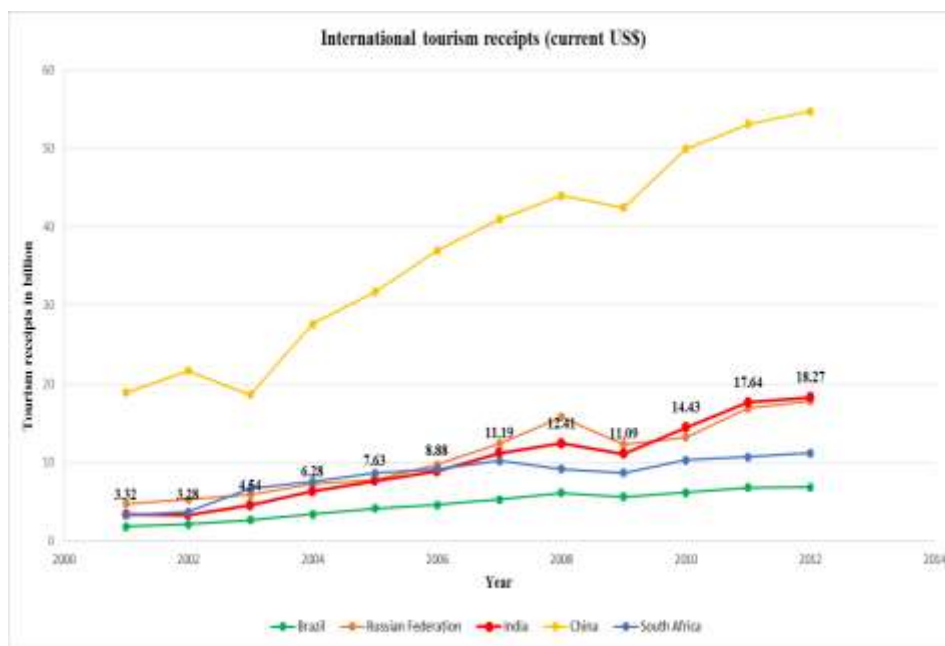
India recorded growth at slow pace in last decade, India recorded 2.25 million international visitors in 2001. Till 2007 India recorded steady growth, with 5.06 million arrivals in 2007. Thenceforth the arrival rate grew at slow pace. The international arrivals growth was 5.4 percent during 2012, much lower than preceding years. It was 9.2 percent and 11.8 percent in 2011 and 2010 respectively as per the report of UNWTO.

### 2.2 International tourism receipts (US\$)

The graph 1.2 portrays the international tourism receipts of the BRICS nations. The World Bank defined international tourism receipt as “The expenditures made by international inbound visitors, including payments to



national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country". Since China attracting more international tourists, the tourism receipts are also high in that nation. China recorded massive growth in last decade, in 2002 the nation received approximately USD 22 billion (US\$ 22 bn) form international receipts. In the span of ten years it grew enormously, it was recorded approximately USD 55 billion (US\$ 55 bn) as international tourism receipts in 2012.



**Graph 2:** International tourism receipts (current US\$) (Source: World Bank data, 2014)

During the same year India registered USD 18.27 billion (US\$ 18.27 bn) as an international tourism receipts, India recorded highest tourism receipts from international tourists after China among BRICS nations. Though India did not receive tourists as its counterparts, the money spent by the tourists in India is higher among BRICS nations after China. In worldwide, India holds the 41st position in terms of international tourist arrivals but 16th position in terms of total tourism receipts (Ministry of Tourism, India, 2013).

### 2.3 International tourism expenditures (US\$)

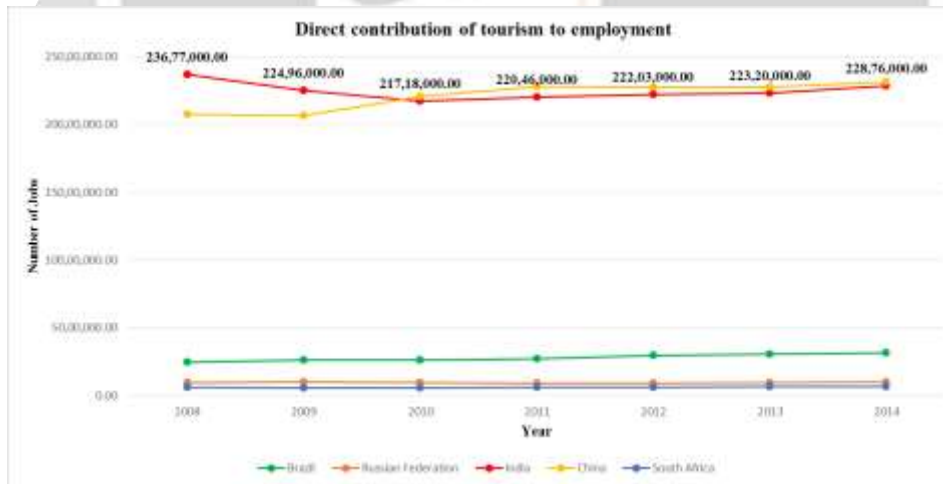
The graph 1.3 depicts the international tourism expenditures made by the BRICS nations. The international tourism expenditure is defined as "International tourism expenditures are expenditures of international outbound visitors in other countries, including payments to foreign carriers for international transport. These expenditures may include those by residents traveling abroad as same-day visitors, except in cases where these are important enough to justify separate classification"(The world bank). The outbound tourism visits gradually started to increase in the last decade. The number of tourists travelling overseas has increased from China and Russia. In 2002 China and Russia were almost in the same position in terms of outbound tourism expenditure. But in 2012 Russian tourists spent approximately USD 50 billion in overseas, whereas Chinese tourists expenditure overseas was estimated approximately USD 110 billion. India registered steady growth from 2002 to 2012. Indian out bound tourism expenditure rose from USD 4 million to USD 14 billion in the span of 10 years. The Associated Chambers of Commerce of India survey report states that increase in number of upper middle class families are the reason for outbound tourism growth. Increase in disposable income is another striving factor for the outbound tourism growth.



**Graph 3:** International tourism expenditures (current US\$) (Source: World Bank data, 2014)

**2.4 Direct contribution of tourism to employment**

The graph 1.4 shows the number of people who are employed in the tourism industry in BRICS nations. Vast difference exist among the BRICS nations in tourism employment. Being the most populace nations in the globe, China and India generated more employment opportunities and supported enormous jobs directly and indirectly over the last decade. Globally these two nations contributed 48 percent of total Travel and Tourism industry jobs during 2011 (World Economic Forum, 2013).

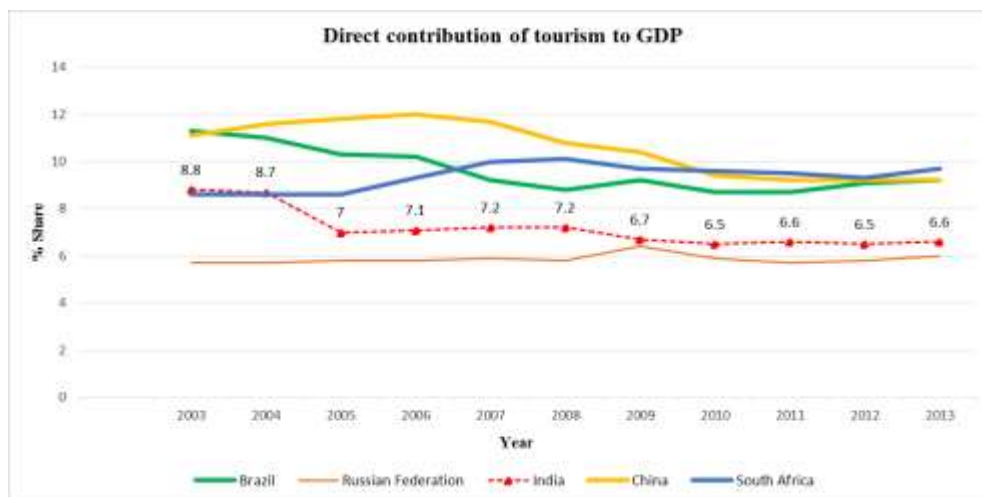


**Graph 4:** Direct contribution of tourism to employment (Source: World Bank data, 2014)

According economic survey 2011-2012, Indian tourism industry provided 6 to 7 percent of world’s directly supported jobs. India leads the BRICS nations in terms of employment opportunities. India surpassed China in 2010, by employed 217.18 million (21,718,000) people in this industry. Thenceforth India led the BRICS nations in terms of tourism employment with stable growth. In 2014 the industry directly generated 228.76 million (22,876,000) employment opportunities in India. Though there is marginal difference between India and China, Indian tourism industry supported more jobs than China over the past years.

**2.5 Total contribution of tourism to GDP (% share)**

The graph 1.5 depicts the tourism industry contribution (direct contribution) to nations GDP. South African tourism industry impact on GDP has attained encouraging growth over a decade, compared to its counterparts. China does BRICS nation in many perspectives of tourism, nonetheless South African tourism industry contribution to GDP did overwhelm China. In India, tourism's direct contribution to GDP was fluctuating in the last decade.



**Graph 5:** Total contribution of tourism to GDP (Percentage share)

(Source: World Travel and Tourism Council Data, 2013)

The industry gave 6.6 percent contribution of total India's GDP, estimated to 217,810 crore INR (Indian Rupee) in 2013. In India, Travel and Tourism industry attained 1.54 percent growth over the preceding year during 2013. The GDP contribution is expected to grow 7.5 percent in 2014 from the present share of 6.6 percent.

### 3. Conclusion

The developing markets of the BRICS nations have long been emphasised as “the future powerhouses of the travel and tourism industry” (Iuliana POP, 2014). Tourism is considered as major resources for any nation that have been blessed with natural tourist attraction, existence of historical monuments, archaic traditional values, and mythological heritage features. Since BRICS nations have all the above stated features, it is obvious to consider that the BRICS nations are the notable and best attractions in the planet. The global tourism has been growing year over year, certainly millions of amount are being invested in this industry by private organisations and government, to manage the growing demand of the tourism industry, London based marketing intelligence firm, Euromonitor International report forecasted that until 2017, the growing global tourism demand would be directed by BRICS. The BRICS economies market share for tourism will progress gradually until 2030 (UNWTO). Cultural tourism has emerged as a fastest and largest growing tourism product globally (OECD, 2009). Cultural monuments are being increasingly used for promulgating the tourism destination abundance and enhance the attractiveness. BRICS nations are having vast cultural treasure with themselves, which has been fascinating tourists to make them travel to these nations. Above comparison infer that China recorded substantial growth in year over year across all indicators, particularly tourist arrival and international tourist expenditure. This extensive growth in tourism certainly have a significant impact on nation's economy.

### Reference

- 1) (n.d.). Retrieved March 26, 2015, from <http://www.rio-carnival.net/>: <http://www.riocarnival>. Net
- 2) (n.d.). Retrieved March 26, 2015, from <http://biggestglobalsports.com/>: <http://biggestglobalsports.com/>

- 3) Barrow, M. (n.d.). <http://www.primaryhomeworkhelp.co.uk/rivers/longest.htm>. Retrieved March 28, 2015, from <http://www.primaryhomeworkhelp.co.uk/rivers.html>
- 4) Broker, S. (n.d.). <http://www.yale.edu/ynhti/curriculum/units/1979/6/79.06.02.x.html>. Retrieved March 26, 2015
- 5) Harmer, D., Dania, D., & Conteh, D. (n.d.). <http://www.aglobalvillage.org/journal/issue9/brics/global-health/>. Retrieved from <http://www.aglobalvillage.org/>.
- 6) Hill, D., & Media, D. (n.d.). <http://traveltips.usatoday.com/famous-historical-sitesrussia> 102223.html. Retrieved March 28, 2015, from <http://www.usatoday.com/>.
- 7) <http://media.unwto.org/en/press-release/2013-05-15/international-tourism-receiptsgrew-4-2012>. (2013, May 15). Retrieved March 25, 2015, from <http://media.unwto.org/>: <http://media.unwto.org/en/press-release/2013-05-15/international-tourism-receiptsgrew-4-2012>
- 8) <http://whc.unesco.org/en/about/>. (n.d.). Retrieved March 23, 2015, from <http://whc.unesco.org/>: <http://whc.unesco.org/en/about/>

