

# Trend of Share of Domestic Tourism Expenditure to Household Final Consumption Expenditure

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**Abstract:** *This study employs a data-driven research methodology to investigate the evolving proportion of domestic tourism expenditure in relation to household final consumption expenditures in the Philippines over the period from 2000 to 2022. Leveraging secondary data from the trusted Philippine Tourism Satellite Account, managed by the Department of Tourism, this research provides a comprehensive analysis that spans both pre-pandemic and pandemic periods, offering insights into trends, fluctuations, and the influence of significant events on the interaction between these variables. The focal point centers on the dynamic relationship between share of domestic tourism expenditure to household final consumption expenditure and time, scrutinized through the lens of linear regression analysis, renowned for its ability to unveil linear trends over time. The years from 2010 to 2019 exhibited substantial growth, reflecting a growing preference for domestic travel, potentially influenced by government initiatives, infrastructure improvements, and rising incomes. However, the COVID-19 pandemic severely impacted the industry in 2020, highlighting its susceptibility to external shocks. While some recovery has occurred in subsequent years, figures remain below pre-pandemic levels, posing challenges for the sector's revival. The regression analysis indicates a gradual annual increase in the growth rate, but only about 26.2% of this variability can be attributed to the linear relationship with time, emphasizing the influence of other factors. Policymakers and stakeholders must consider these dynamics to foster domestic tourism growth in the Philippines, particularly in the post-pandemic era.*

**Keywords:** Philippine Tourism, Domestic Tourism, Tourism Expenditures, Household Final Consumption Expenditures

## I. INTRODUCTION

The dynamics of domestic tourism expenditure hold a pivotal role in understanding the economic landscape of a country, reflecting the preferences and behaviors of its residents in exploring their own nation's attractions. In this context, the trend of the share of domestic tourism expenditure to household final consumption expenditure represents a critical metric that not only mirrors the evolving travel patterns of a nation's citizens but also serves as a barometer of the health and vitality of the tourism industry. This study delves into the intricate fabric of this trend in the context of the Philippines, analyzing the data spanning over two decades, from 2000 to 2022. The Philippines, a nation renowned for its diverse and captivating natural beauty, has witnessed significant transformations in its domestic tourism landscape, influenced by various factors such as government policies, economic fluctuations, and, most notably, the disruptive force of the COVID-19 pandemic.

The share of domestic tourism expenditure to household final consumption expenditure represents the proportion of household spending allocated to domestic tourism activities. It encompasses expenses related to accommodations, transportation, food, entertainment, and other facets of domestic travel. This metric not only reflects the willingness of households to allocate a portion of their budgets to exploring their own country but also indicates the economic significance of the tourism sector within the broader context of household consumption. Analyzing its trends and fluctuations provides insights into the changing preferences of Filipino citizens, the impact of government initiatives aimed at promoting domestic tourism, and the resilience of the industry in the face of external shocks.

The timeframe of this study, spanning from 2000 to 2022, encapsulates both pre-pandemic and pandemic periods, allowing for a comprehensive examination of the evolution of domestic tourism expenditure patterns. The Philippines, like many other nations, has grappled with the multifaceted challenges posed by the COVID-19 pandemic, which

disrupted global travel and had profound implications for the tourism sector. Consequently, this research aims to shed light on how the pandemic has affected domestic tourism expenditure, as well as to discern whether the industry has exhibited resilience and adaptability in its recovery efforts. Furthermore, this study employs rigorous statistical analysis, including linear regression, to provide a data-driven understanding of the relationship between time and the share of domestic tourism expenditure. Such insights are instrumental for policymakers, industry stakeholders, and economists in formulating strategies to nurture and sustain the growth of domestic tourism in the Philippines, especially in a post-pandemic era characterized by shifting travel paradigms and consumer expectations.

## II. LITERATURE REVIEW

Domestic tourism serves as a pivotal driver of the global tourism sector, representing a significant portion of Travel & Tourism spending, with 73% of the total expenditure attributed to it in 2017 (World Travel and Tourism Council, 2016). Governments worldwide recognize the potential of domestic tourism as a versatile tool for addressing various socioeconomic objectives. This includes poverty alleviation, employment generation, and fostering economic growth. Strategies such as discretionary pricing policies and non-wage tourism benefits aim to mitigate overcrowding, upgrade infrastructure, and enhance the well-being of local communities. Moreover, domestic travel effectively tackles seasonality concerns within regions, simultaneously directing tourists toward less-visited rural areas that often escape the attention of international visitors.

China stands out as an exemplar in harnessing the power of domestic tourism, achieving remarkable growth in domestic spending. The country's burgeoning middle-class population and government support have propelled it to the forefront of domestic tourism, with China now leading in domestic spending growth. This transformation has been particularly noteworthy, considering that China rose from the fourth position in 2008 to its current status as the dominant domestic tourism market. Its contribution accounts for a substantial 62% of the absolute growth observed during this period (World Travel and Tourism Council, 2016).

While existing literature accentuates the positive economic impacts of tourism development, such as job creation, investment, production, and overall socioeconomic advancement (Alam & Paramati, 2016; Li et al., 2016), recent studies, including the work of Bangwayo-Skeete & Skeete (2020), increasingly scrutinize the consequences of tourism, especially mass tourism or over-tourism. This evolving perspective highlights the need for a more comprehensive examination of how tourism development affects economic vulnerability.

It's worth noting that while there's extensive research on the contributions and consequences of international tourism in host countries (Nassani et al., 2018), relatively little attention has been paid to the influences of domestic tourism. Domestic tourism, defined as the activities undertaken by a country's own residents for both business and leisure purposes (WTTC, 2019), differs significantly from international tourism. In terms of economic dynamics, international tourism relies on external demand and, to some extent, external supply (e.g., transportation), rendering the domestic economy vulnerable to international shocks. In contrast, domestic tourism primarily relies on internal demand and supply, offering a degree of independence from international fluctuations. These characteristics, coupled with the economic benefits it provides, such as job creation, investment, and production, position domestic tourism as a constructive force in reducing economic vulnerability.

## III. METHODOLOGY

The research methodology employed in this study adopts a rigorous and data-driven approach to investigate the proportion of domestic tourism expenditure relative to household consumption expenditures in the Philippines spanning the years 2000 to 2022. The study relies on secondary data sourced from the Philippine Tourism Satellite Account, a trusted and authoritative repository of tourism statistics administered by the Department of Tourism. This deliberate choice of data source underscores the integrity and precision of the dataset, forming the fundamental basis for our analytical framework. Covering the expansive timeframe from 2000 to 2022, the study encompasses both pre-pandemic and pandemic periods, affording a comprehensive exploration of trends, fluctuations, and the impact of significant events on the interplay between inbound tourism expenditures and exports.

The focal point of interest within this study is the proportion of domestic tourism expenditure relative to household consumption expenditures. To dissect this relationship, the study employs linear regression analysis, a statistical

methodology renowned for its appropriateness in examining linear trends across time. This approach quantifies the strength and direction of the association between years and the share, thereby yielding insights into the evolving dynamics. Incorporating essential statistical metrics, including coefficients, R-squared values, and p-values, bolsters the rigor of the analysis, ensuring that the findings are not merely anecdotal but firmly rooted in robust data analysis.

**IV. RESULTS AND DISCUSSION**

The data representing the Share of Philippine Domestic Tourism Expenditure to Household Final Consumption Expenditure from 2000 to 2022 shown in Figure 1 reveals interesting trends and patterns in the country's tourism industry. In the early 2000s, the share remained relatively stable, fluctuating between 6% and 8%, indicating a moderate level of domestic tourism activity relative to household spending. However, from 2010 to 2019, a significant and consistent upward trend emerged, with the share nearly doubling from 9.2% to 22%. This period suggests a growing preference for domestic travel, possibly influenced by increased tourism promotion, better infrastructure, and rising disposable incomes.

The COVID-19 pandemic, which hit globally in 2020, had a profound impact on the tourism sector. The dataset clearly reflects this shock, with the share plummeting to 4.2% as travel restrictions, lockdowns, and health concerns severely curtailed tourism activities. While there was a modest recovery in 2021 and 2022, with the share rising to 5.4% and 9%, respectively, it is essential to note that these figures still fall significantly short of pre-pandemic levels.

This dataset underscores the sensitivity of the tourism industry to external factors. Government policies, economic conditions, and global events can all influence tourism expenditure patterns. As the Philippines strives to recover and rebuild its tourism sector, understanding these trends becomes crucial for policymakers and industry stakeholders. While there are signs of recovery, it is likely to be a gradual process, and sustained efforts will be necessary to return domestic tourism to its pre-pandemic growth trajectory.

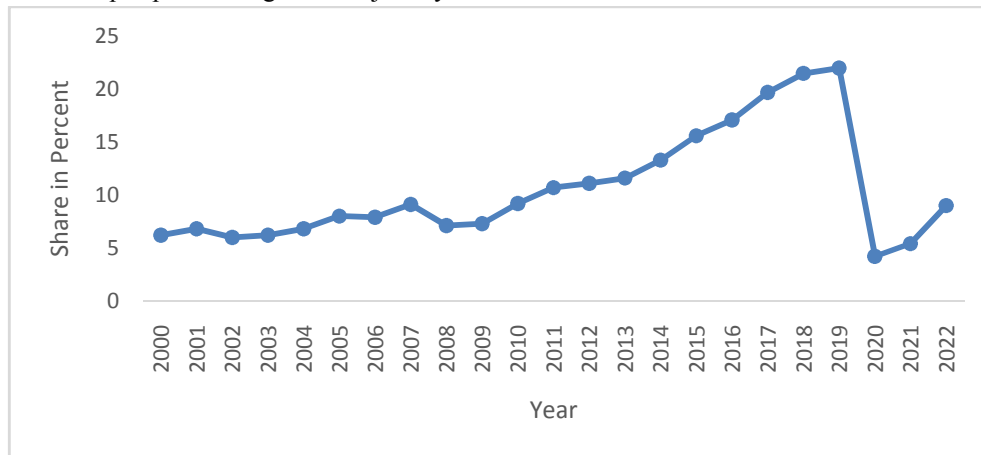


FIGURE 1. GROWTH RATE OF SHARE OF DOMESTIC TOURISM EXPENDITURE TO HOUSEHOLD FINAL CONSUMPTION EXPENDITURE IN THE PHILIPPINES 2000-2022

Table 1 presents the results of a linear regression analysis conducted to examine the relationship between the growth rate of the share of domestic tourism expenditure to household final consumption expenditure in the Philippines and the independent variable, Year. The analysis yielded several key findings.

The constant term in the regression equation was estimated at -786.733 with a standard error of 292.265. This constant represents the intercept of the regression line and indicates the expected value of the dependent variable when the independent variable, Year, is zero. The t-statistic for this constant was -2.692, and its associated p-value was 0.014, which suggests that the intercept is statistically significant at the 0.05 significance level.

The coefficient for the Year variable was 0.396 with a standard error of 0.145. This coefficient represents the change in the dependent variable for a one-unit change in the independent variable, Year. In this context, it suggests that for each additional year, there is an expected increase of 0.396 units in the growth rate of the share of domestic tourism expenditure to household final consumption expenditure. The t-statistic for this coefficient was 2.728, and its associated

p-value was 0.013, indicating that the Year variable is statistically significant in explaining the variation in the dependent variable.

The R-squared value of 0.262 suggests that approximately 26.2% of the variability in the growth rate of the share of domestic tourism expenditure to household final consumption expenditure can be explained by the linear relationship with the Year variable. This value provides an indication of the goodness of fit of the regression model.

In summary, the linear regression analysis indicates that there is a statistically significant positive relationship between the growth rate of the share of domestic tourism expenditure and the passage of time (Year) in the Philippines. The coefficient for Year suggests that this relationship is characterized by an annual increase of 0.396 units in the growth rate. However, it's important to note that the model only explains a portion (26.2%) of the variability in the dependent variable, indicating that other factors may also influence this growth rate.

TABLE 1. LINEAR REGRESSION ANALYSIS ON THE GROWTH RATE OF SHARE OF DOMESTIC TOURISM EXPENDITURE TO HOUSEHOLD FINAL CONSUMPTION EXPENDITURE IN THE PHILIPPINES

Model	Unstandardized Coefficients		R Square	t	Sig.
	B	Std. Error			
(Constant)	-786.733	292.265	0.262	-2.692	0.014
Year	0.396	0.145		2.728	0.013

## V. CONCLUSION

The analysis of the Share of Philippine Domestic Tourism Expenditure to Household Final Consumption Expenditure from 2000 to 2022 paints a dynamic picture of the country's tourism industry. Over this period, we observed notable shifts in domestic tourism patterns. The years from 2010 to 2019 stand out as a period of remarkable growth, suggesting an increasing preference for domestic travel among Filipinos, potentially driven by various factors like government tourism initiatives, improved infrastructure, and rising incomes. However, the COVID-19 pandemic cast a long shadow over the industry in 2020, resulting in a sharp decline in the share, underlining the sector's vulnerability to external shocks. Although there has been some recovery in subsequent years, the figures remain below pre-pandemic levels, highlighting the challenges ahead for the Philippines' tourism sector.

Furthermore, the regression analysis provided insights into the relationship between time (Year) and the growth rate of domestic tourism expenditure relative to household spending. The statistically significant positive coefficient for Year suggests a gradual annual increase in this growth rate. Nevertheless, the model's R-squared value indicates that only about 26.2% of the variability in the growth rate can be attributed to this linear relationship, emphasizing that other factors beyond time may also play a crucial role in shaping domestic tourism expenditure trends. In light of these findings, it becomes imperative for policymakers and industry stakeholders to consider these dynamics while crafting strategies to revive and sustain the growth of domestic tourism in the Philippines, especially in the post-pandemic era.

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