Modelling International Tourism Demand: Case of Philippines

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Stakeholders in the tourism industry must be able to reduce the risks of their strategic and operational decisions in order to become effective competitors in the global markets. Their high risks are associated with factors such as the perishability of their products and services (e.g. airline seats) and vulnerability of demand to natural disasters, political uncertainties, image and perceptions. The large investment requirements and long – lead times can likewise lead to excess capacity if future demand is not anticipated correctly.

In this paper, the authors attempt to provide an understanding of the various theoretical and empirical issues related to modeling and forecasting international tourism demand from the Philippines’ source markets. First, it identifies the determinants of and measures of tourism demand. Second, using panel data for sixty source markets for the period 1980-2009, they estimate the quantitative relationship between the volume of visitor arrivals to the Philippines and some hypothesised determinants. They investigate differences in the behavior of short haul and long haul markets, of visitors by purpose of visit (e.g. leisure, business and visiting friends and relatives), and of the Top 10 markets. The determinants used include socioeconomic factors (income, relative prices, population, level of trade activity), geographical variables (distance, climate), and random factors related to unexpected events (political uncertainties and natural calamities). The authors then make recommendations related to the development and use of statistics and information in order to facilitate the conduct of similar research works in aid of the forecasting needs by the stakeholders – public and private.

Keywords: tourism demand, income, tourism price, exchange rate, panel data regression

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