

# **Impact of The Hospitality-Tourism- Sector) On The Jamaican Economy, 1974-1993: An Input-Output Approach**

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Publisher: Social & Economic Studies; September 3,2006

## **Abstract**

Tourism has emerged as an important sector of the Jamaican economy and has the potential to become an engine of growth. Against this background the paper used two input – output models, one for 1974 and the other for 1993, to examine the impact of the industry on other sectors of the economy by estimating and comparing the direct and indirect input requirements of tourism, the backward and forward linkages for each of the sectors, in both years. Further, the study sought to measure the multiplier effect of tourist spending in each of the two years.

**Key words: Input – Output, forward linkage, backward linkage, coefficients, Leontief inverse, tourism**

Because of the failure of the traditional sectors, i.e., export agriculture and mining, to provide the stimulus for sustained economic growth, in the decades of the 60s and 70s, tourism (defined as Hotels, Restaurants and Clubs; this definition is used in the national accounts to represent the industry. In reality it covers the hospitality sector of the industry) began to play a more prominent role in the Jamaican economy (Karagiannis & Salvaris 2002; Grassl 2002). Initially, the pursuit of tourism as an export activity was largely influenced by the perceived potential of the industry to provide some critical benefits and, in particular, the earning of much needed foreign exchange and the creation of jobs.(Reid and Reid 1991) Published estimates by the Jamaica Tourist Board (2002) on these performance indicators showed that for the period, 1990-1999, the industry's gross receipts, on average, grew at a rate of 4.32% per annum, moving from US \$740 mil. to US \$ 1,279.5 mil., while, direct employment jumped from 20.5 (000) to 30.4 (000) over the same period.

Today, tourism, however, is not only about the earning of foreign exchange and the creation of jobs; it is seen as an attractive alternate policy tool that is expected to stimulate development in the Jamaican economy (Ramjee Singh 2003). This expectation is premised on the notion that because it consists of a complex and diverse bundle of

economic activities the industry has the potential to promote intersectoral linkages which would result in the development of a wide range of small and medium sized enterprises (Wahab & Pigram 1997, McDavid 2002).

Given this expectation about the capacity of tourism to stimulate development, the primary objective of this paper is to use the input-output (IO) technique to evaluate the impact of tourism on the Jamaican economy over a period of two decades (1974 to 1993) through an examination of the linkages that were forged among industries and to ascertain the impact of changes in tourism export on sectoral output.

The paper, however, begins with an overview of the state of the Jamaican industry, followed by a review of the relevant literature, and a summary of the input-output model. The study, then, concludes with a discussion of the results and the implications they hold for the Jamaican economy.