



Tourism as an international traded service



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Tourism: definition

Tourism statistics identify tourism as “the activities of **travellers** taking trips to a main destination **outside their usual environment** for less than one year for any main purpose (business, leisure and other personal) **other than to be employed by a resident entity in the place visited**”, where usual environment is defined as the geographical area (though not necessarily a contiguous one) within which an individual conducts his or her regular life routines.

Such travellers are called **visitors**.

Visitors are further classified in two ways:

- (a) Either, according to length of stay, as tourists, who stay for at least one night in the place visited, or as same-day visitors, whose visit does not include an overnight stay;
- (b) Or, according to the country visited, as international visitors, when their country of residence is different from the country visited, or as domestic visitors, when their country of residence is the country visited.

International tourism

International tourism refers to the activity of visitors outside their country of residence.

For the country of reference, international tourism refers to **outbound tourism** (that of resident visitors traveling outside the country of reference) or **inbound tourism** (that of non-resident visitors traveling inside the country of reference).

In association with trips (for (before) or during trips), visitors acquire consumption goods and services, as well as valuables for their own use or to give away.

Tourism expenditure refers to expenditure corresponding to those acquisitions.

Scope of tourism expenditure

4.2 [...] It includes expenditures by visitors themselves, as well as expenses that are paid for or reimbursed by others. [...]

4.4. All individual goods and services that the System of National Accounts considers as consumption goods or services (those that satisfy the wants and needs of individuals) can potentially be part of tourism expenditure.

This includes the typical services acquired by visitors like transportation, accommodation, food and beverage, etc., but also other items such as valuables (paintings, works of art, jewelry, etc.) irrespective of their unit value and acquired on trips because of their role as stores of value over time [...], durable consumer goods (computers, cars, etc.) irrespective of their unit value and purchased on trips, all food prepared and without preparation, all manufactured items whether locally produced or imported, all personal services, and so on.

From IRTS 2008

This means that tourism expenditure/consumption might include any good and service acquired by a visitor, even those that are not considered as tourism characteristic.

Tourism expenditure/consumption goes beyond expenditure paid directly by the visitors

4.5. In addition to the monetary expenditure on consumption goods and services paid for **directly by visitors**, tourism expenditure includes in particular:

- (a) Monetary expenditure on consumption goods and services **paid for directly by the employer** for employees on business travel;
- (b) Monetary expenditure by the visitor **refunded by a third party**, either employers (businesses, government and non-profit institutions serving households), other households or the social insurance scheme;
- (c) Monetary payments made by visitors for the individual services provided and subsidized by Government and non-profit institutions serving households in the areas of education, health, museums, performing arts, etc.;
- (d) Out-of-pocket payments for services provided to employees and their families on tourism trips financed principally by employers, such as subsidized transport, accommodation, stays in holiday residences of employers or other services;
- (e) Supplementary payments made by visitors to attend sports or any other cultural events on the invitation of, and principally paid for by, producers (business, government, non-profit institutions serving households).

These third parties payees might be resident of the country visited....

Not all payment by visitors is acquisition of goods and services

4.6. Tourism expenditure does not include all types of payments that visitors might make. **Excluded are all payments that do not correspond to the acquisition of consumption goods and services**, and in particular:

- (a) The payment of taxes and duties that are not part of the purchasers' prices of the products acquired by the visitor;
- (b) The payment of all classes of interest, including those on expenditures made during and for trips;
- (c) The purchase of financial and non-financial assets, including land and real estate, but excluding valuables;
- (d) The purchase of goods for resale purposes, either on behalf of third parties (producers or others) or on own account;
- (e) All transfers in cash, such as donations to charities or to other individuals (in particular to family and relatives), as they do not correspond to the purchase of consumption goods or services.

4.7. The purchase of housing, real estate, and all expenditure related to major repairs and improvements thereof are considered by the System of National Accounts 1993 and by the balance of payments as capital expenses even in the case of households purchasing them and, therefore, are also excluded from the concept of consumption. **It is recommended** to exclude them also from tourism expenditure. Current expenses related to vacation homes, such as those usually incurred by an owner as a producer of accommodation services, should also be excluded from tourism expenditure.

Tourism expenditure/consumption and international trade in services

International trade in services has to do directly with tourism expenditure (or rather with the more inclusive concept of tourism consumption that includes the acquisition of certain items such as social transfers in kind that benefit visitors, the imputation of accommodation services from owned vacation homes and financial intermediation services indirectly measured which are excluded from tourism expenditure), **when the acquisition refers to a resident/non resident transaction.**

This is not always the case for all expenditure on goods and services as even when travelling abroad (international tourism), visitors might acquire goods and services from providers belonging to the economy of their country of residence (case of goods and services purchased for the trip but before the trip, transportation services provided by carriers of their country of residence, travel agency services, tourism guide services, etc.).

Categories of tourism expenditure/consumption

4.15 [...] 3 categories of tourism expenditure/consumption based on the country of residence of the transactors involved, can be defined as follows:

- (a) **Domestic tourism expenditure** is the tourism expenditure of a resident visitor within the economy of reference;
- (b) **Inbound tourism expenditure** is the tourism expenditure of a non-resident visitor within the economy of reference;
- (c) **Outbound tourism expenditure** is the tourism expenditure of a resident visitor outside the economy of reference.

4.16. Not all expenditures attached to a specific trip will fall under the same category. Moreover, domestic and inbound tourism expenditure might include goods imported from another economy, but these goods need to be acquired within the economy of reference from a resident provider to be part of domestic or inbound tourism expenditure.

Only inbound tourism expenditure/consumption and outbound tourism expenditure/consumption are related with international trade in services.

Inbound/outbound tourism expenditure/consumption are mostly related with mode 2 of supply of services (consumption abroad) but tourism statistics might also refer to mode 4 (delivery of services with displacement of the provider).



Relationship between visitors, the venue of consumption and tourism expenditure/consumption

visitors perspective	venue of expenditure	macroeconomic perspective
consumption of domestic visitors	consumption within the e.r. of resident visitors traveling within the economy of reference	} domestic tourism expenditure/consumption
consumption of outbound visitors	consumption within the e.r. of resident visitors taking trips outside the economy of reference	
	consumption outside the e.r. of resident visitors taking trips outside the economy of reference	outbound tourism expenditure/consumption
consumption of inbound visitors	consumption within the e.r. of non resident visitors taking trips to the economy of reference	inbound tourism expenditure/consumption
	consumption outside the e.r. of non resident visitors taking trips to the economy of reference	excluded from tourism consumption of the e.r

3.115 [...] Travel [as a BoP and international trade in services item] is defined as : covering goods and services for own use or to be given away, acquired from an economy, by non-residents during visits to that economy. It covers stays of any length, provided that there is no change in residence.

3.116. *Travel* includes goods and services acquired by persons undertaking study or medical care while outside the territory of residence. It also includes acquisitions of goods and services by seasonal, border and other short-term workers in the economy of employment.

3.117. The goods and services may be purchased by the persons concerned or by another party on their behalf; for example, business travel may be paid for or reimbursed by an employer; tuition and living costs of a student may be paid by a Government; and health costs may be paid or reimbursed by a Government or insurer. Goods and services supplied by the producer without charge are also included, for example, tuition and board provided by a university.

3.119. [...] Goods and services may be acquired by being paid for by the person going abroad, paid for on his or her behalf, provided without a quid pro quo (for example, free room and board received: in such a case, there is also a corresponding transfer) or produced on own account (as in some cases of ownership of real estate and time-share accommodation).

Difference in persons

Categories of persons	Travel	Tourism
Diplomats, consular staff, military personnel (other than locally engaged staff) and their dependents	No	Yes, when they travel within the country except on official duty
Border workers	Yes	No
Seasonal workers	Yes	No
Other short term workers (in an employer/employee relationship)	Yes	No
Crews	Yes	Yes except for regular and occasional crews on public modes of transport
Students	Yes	Yes except for those taking courses during more than a year (usual environment)
Patients	Yes	Yes except long term treatments (more than a year)
Nomads, refugees, displaced persons	Yes if less than a year	No

Differences in types of expenditure

Type of expenditure	Travel	Tourism expenditure (TE) /tourism consumption (TC)
Acquisition of goods and services other than international transport	Yes but only if under custom threshold	Yes
Acquisition of valuables	Yes but only if under custom threshold	Yes if acquired on trips
Expenditure on education	Yes, inclusive if social transfer in kind	Yes if course less than a year; if social transfer in kind, only in TC
Expenditure on health	Yes, inclusive if social transfer in kind	Yes if treatment less than a year; if social transfer in kind, only in TC
Expenditure that does not correspond to acquisition of goods and services	In principle, no; some exceptions though	No: no transfers; on interests; no GFKF
Transactions on goods and services that do not imply a monetary transaction and represent social transfers in kind or require imputations	In principle, yes; some exceptions?	Not included in TE but included in TC

International passenger transport

Type of expenditure	International passenger transport	Tourism expenditure (TE)/ Tourism consumption (TC)
Transport to and from the country of reference in a resident to non resident transaction (R/NonR T)	Yes	Yes
Transport between two points outside the country of reference (R/NonR T)	Yes	Not in inbound TE: the person transported is not a visitor to the country of reference
Transport within an economy by a non-resident carrier (R/NonR T)	Yes	Yes in outbound TE (an exception)
Intermediation of travel agencies and tour operators	Different treatments according to who pays (customer or service provider)	All intermediation services are deemed to be paid by customer: uniform net treatment

Operations of travel agencies and tour operators

Who pays	In Balance of Payments	In Tourism measurement
Payment of services of travel agency or tour operator by the service provider	Intermediate consumption of the service provider. Not in travel nor passenger transport. The value of the service produced by service provider include implicitly the value of this payments	Considered as purchased directly by visitor. The value of service provided by service provider is net of this value. Both transactions in TE if a (R/nonR T)
Payment of services of travel agency or tour operator by the visitor	Sale of service of travel agency and tour operator to the visitor: in travel if (R/nonR T)	Purchase of services of travel agency or tour operator; in TE if a (R/nonR T)





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