DOES THE TOURISM INDUSTRY CONTRIBUTE TO THE ECONOMIC GROWTH OF THE PHILIPPINES?: EVIDENCE FROM COINTEGRATION ANALYSIS

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ABSTRACT

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Tourism is one of the largest and fastest-growing industries in the world which has attracted the attention of scholars to study the relationship between tourism and economic growth. Several studies have investigated the contribution of tourism to economic growth using the Tourism-Led Growth Hypothesis (TLGH), which holds that tourism expansion leads to economic growth. Using time-series data from 1988-2019 for the Philippines, the researchers investigated the relationship between tourism and economic growth. The Johansen cointegration test was employed to assess the existence of long-run relationships among variables. Its results showed that variables are not cointegrated. This leads to proceeding with investigating the short-run dynamics within the variables using a Vector Autoregressive (VAR) Model. This showed that Philippines Tourism Revenue (PTR) has a short-run effect on Gross Domestic Product (GDP) but Philippines Visitor Arrivals (PVA) does not have a significant relationship with GDP. Specifically, if PTR increases by 1%, GDP will increase by 0.18%. Moreover, the Granger causality test found that there is a unidirectional causality from PTR to GDP. This means that PVA does not have a significant relationship with GDP, but PTR has a short-run effect on economic growth.

Keywords: Tourism, Economic Growth, Gross Domestic Product, Philippines Visitor Arrivals, Philippines Tourism Revenue