

The economic importance of UK outbound tourism to the EU27 economies

A report for ABTA – The Travel Association

September 2017

Cebr

Disclaimer

Whilst every effort has been made to ensure the accuracy of the material in this document, neither Centre for Economics and Business Research nor the report's authors will be liable for any loss or damages incurred through the use of the report.

Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The views expressed herein are those of the authors only and are based upon independent research by them.

The report does not necessarily reflect the views of ABTA.

London, September 2017

Contents

Executive summary	4
Scope, approach and methodology	4
The spending of UK tourists in the EU27	4
The direct impacts of UK outbound tourism spending in the EU27 economies	5
The wider multiplier impacts of UK tourism spending in the EU27 economies	6
The economic reliance of the UK's key 'Summer Sun' destinations	6
1 Introduction and background	8
1.1 Purpose of the study	8
1.2 Overview of the study and methodology	8
1.3 Structure of the report	10
2 The spending of UK tourists in the EU27	11
2.1 The volumes of UK outbound tourist visits	11
2.2 The duration of UK outbound tourist visits	11
2.3 Levels of spending by UK outbound tourists whilst abroad	11
3 The direct impacts of UK outbound tourism spending in the EU27 economies	15
3.1 GVA contributions to GDP arising from UK outbound tourism	15
3.2 Employment supported by UK outbound tourism	16
3.3 The impact on EU27 households through employee compensation	18
4 Wider multiplier impacts of UK tourism spending in the EU27	21
4.1 GVA multiplier impacts of UK tourism spending in the EU27	21
4.2 Employment multiplier impacts of UK tourism spending in the EU27	22
4.3 Employee compensation multiplier impacts of UK tourism spending	24
4.4 The ratio of compensation of employees to GVA impacts	25
5 The economic reliance of the UK's key 'Summer Sun' destinations	28
5.1 The importance of UK tourists within the 'Summer Sun' countries	28
5.2 Economic reliance of Summer Sun countries on UK tourists	29
Appendix I: Approach and methodology	33
The different concepts of 'price'	33
Gross output at basic prices	34
Gross output multiplier impacts	34
Multiplier impacts based on Leontief input-output framework	36
Appendix II: Deconstructed multiplier impacts	37

Executive summary

This is a summary of Cebr's report on the value of UK outbound tourism to the EU27 destination countries through their spending whilst visiting these countries.

Scope, approach and methodology

The purpose of the report is to support ABTA in seeking to influence both sides of the upcoming Brexit negotiations. ABTA can continue to put pressure on UK government departments and ministers by pointing to the economic importance of outbound tourism to the UK economy, as highlighted through Cebr's previous research. This report provides new evidence that is designed to assist ABTA in building relationships with and demonstrating to the European side the economic value to their countries of UK outbound tourism. The EU27 member states thus provides the scope of our report.

The research combined the most up-to-date data on the expenditure of UK tourists abroad with a robust and established methodology for assessing how those expenditures translate to economic contributions and impacts in the destination countries.

The report focuses on how UK tourist spending impacts on three key economic indicators in each of the EU27 destinations. These are:

- **Employment:** jobs supported in the industries that are impacted, directly and through the multiplier process, by UK outbound tourist spending in their country.
- **Gross value added:** the GVA contributions to GDP of the industries that are both directly and indirectly impacted by the UK tourist spending in their country.
- **Employee compensation:** the value of the employee compensation that is supported in the directly and indirectly impacted industries, which is useful in understanding how the GDP impacts of UK tourist spending translate into benefits for households in the destination countries.

The report also provides an analysis of 'economic reliance' of seven of the UK's key 'Summer Sun' destinations. We consider their reliance on inbound tourism more generally as well as on inbound tourism from the UK specifically. This recognises the popularity of these destinations with the UK's sun-seeking outbound tourists. However, it is important to note that none of the estimates presented in the report distinguish between the different types of tourist. As such, the report captures the benefits of travel for all purposes, whether business, holidaying, visiting friends and relatives or for other purposes, such as medical treatment.

Cebr's detailed assessment of the impact of UK outbound tourism in the EU27 economies reveals the following key findings.

The spending of UK tourists in the EU27

- The latest IPS data show that, in 2016, UK residents took just under 71 million trips abroad. The share of total trips made to the EU27 countries in 2013 was 73%, but this increased to 75% in 2016.
- The average duration of stay in a European country was 8 nights in 2016, which is significantly shorter than the average of 17 nights across RoW (rest of world) countries.

- In 2016, UK outbound tourists spent £44 billion across all destination economies. Of this, £25 billion (or 58%) was the combined spend in the EU27 countries, with the remaining £18 billion spent in RoW countries.
- Spain receives the largest proportion of UK outbound tourism spend, standing at £7.9 billion in 2016, equivalent to 18% of the world total and 31% of UK tourists' entire spend in the EU27 countries.
- France follows with about half of the amount spent in Spain - £3.7 billion (14% of the EU27 total). There is another step down to the next largest, which is Italy benefiting from £2.4 billion of UK outbound tourism spend, dropping further then to £1.6 billion in both Greece and Portugal. But, it should be noted that, due to the differing size of these countries, an average per head of population or per capita might yield different rankings.

The direct impacts of UK outbound tourism spending in the EU27 economies

- When the raw expenditure data is converted into turnover and domestic output of the industries meeting the demands of UK tourists in the EU27, it produces aggregate GVA contributions to GDP ranging from €4.4 billion in Spain to just under €0.01 billion in Estonia.
- Across the EU27 as a whole, UK outbound tourists catalyse a direct impact in GVA terms amounting to €15 billion. Spain receives the largest impact, followed by France, Italy, Greece, Portugal and Ireland. The impact is highly concentrated, with the top seven countries (which includes Germany) generating 78% of the total.
- On average, €0.58 of GVA is generated per £1 of expenditure by UK tourists. On an individual country basis, this value ranged from a maximum of €0.76 in Lithuania to a minimum of €0.37 per £1 of expenditure in Sweden.
- UK outbound tourism supported over 380,000 jobs directly in the EU27 destinations. The top five ranking countries – Spain (17%), France (11%), Portugal (10%), Greece (8%) and Italy (7%) – together generate over half (52%) of all the direct employment impact in the EU27 countries that is supported as a result of UK tourism spending.
- On average, 27 jobs were supported for every £1 million of UK tourism spending. This is notably skewed upwards by six countries displaying very high labour intensities in their tourism sectors – Lithuania (141), Bulgaria (82), Romania (51), Hungary and Slovakia (42) and Estonia (39). If we exclude these countries, the average falls by 42% to just 15 jobs per £1 million of UK tourist spend.
- The earnings accruing to employees as a result of UK outbound tourism spending is highest in Spain and France in absolute terms - €2.4 billion in Spain and €1.4 billion in France. Together they account for 49% of all employee compensation catalysed by the spending of UK tourists abroad. This falls to €0.6 billion in Italy, dropping beneath €0.5 billion in every other country.
- In total, €7.7 billion of the €15.2 billion GVA contribution to GDP is paid in employee compensation, equivalent to a 51% share. The majority of the GDP impacts arising from UK tourist spending, in other words, accrue to the households supplying the workforces of the industries in the EU27 nations that generate these impacts. This shows how UK outbound tourism spend filters all the way through to the populations of the EU27.
- For every £1 spent by UK tourists in the EU27, an average of €0.30 is paid in compensation of employees. The ratio was highest in France at €0.40 per £1 and is lowest in Czech Republic at €0.19.

The wider multiplier impacts of UK tourism spending in the EU27 economies

- For every €1 of direct GVA generated by the directly impacted tourism industries and catalysed by UK outbound tourism spending, €0.60 worth of GVA is stimulated in the supply chains of those industries and €0.85 worth of GVA is in the wider economy when direct and indirect (supply chain) employees spend their earnings.
- Applying these multipliers to the direct impacts means that, in absolute terms, Spain yields the largest aggregate GVA contribution to GDP arising from the spending of UK tourists, at over €13 billion. Luxembourg and Estonia appear to be the smallest beneficiaries, the former yielding almost €20 million and the latter €19 million in aggregate GVA contributions to GDP. The EU average is just under €1.4 billion, but this is heavily skewed by the seven countries which exceeded this figure.
- For every job directly catalysed by UK outbound tourism spending, 0.54 jobs are supported in the supply chains of the directly impacted industries and 0.73 jobs are supported in the wider economy through employee spending impacts.
- On average, 32,200 jobs are supported in aggregate by UK tourists across the EU27. However, this is skewed upwards by the top eight countries that have higher employment numbers associated with UK outbound tourism than this average
- For every €1 of direct employee compensation generated by the directly impacted tourism industries and catalysed by UK outbound tourism spending, an additional €0.58 is paid to employees in the supply chains of those industries and €0.83 is paid to employees in the wider economy when direct and indirect (supply chain) employees spend their earnings on the final goods and services consumed by households.
- The average aggregate employee compensation impact across the EU27 is €690 million but this is (as with the other indicators) skewed by the very large impacts in a few of the more popular destinations.

The economic reliance of the UK's key 'Summer Sun' destinations

- The most popular of the UK Summer Sun destinations for UK tourists is Spain, with 14.7 million tourist visits in 2016. This is followed by France with just over 8.5 million UK tourists, after which there is a significant drop in popularity with the third most popular country, Italy, receiving just under 4.1 million UK tourist visits. However, visits to Italy grew by the largest amount of any of the Summer Sun destination – 55% higher in 2016 than in 2012.
- Overall, UK tourist trips to Summer Sun destinations grew by 24% between 2012 and 2016, reaching just under 34.1 million trips in 2016.
- The proportion of overnight tourists to Spain, France, Italy and Portugal who were from the UK remained relatively constant between 2012 and 2016, averaging 19%, 10%, 6% and 25% respectively. In the case of the two countries that saw the proportion of overnight tourists coming from the UK drop between 2012 and 2016 (Spain and Malta), this was due to a larger increase in the number of non-UK overnight tourists, rather than a fall in the number of UK overnight tourists: indeed, the number of UK overnight tourists to Spain and Malta grew by 32% and 42% over the period, respectively.
- Based on 2014 data (the last year for which the relevant data were available), Malta's economy is the most reliant on UK outbound tourism, with an estimated 6.2% of the economy's entire GDP that can

be linked to UK outbound tourism. Cyprus is the next most reliant at 2.8%. This is followed by Portugal (1.0%), Spain (1.0%), France (0.3%) and Italy (0.2%).

- In the extreme scenario of UK outbound tourism disappearing entirely, Malta would stand to lose just under 4,200 enterprises (or 16% of all enterprises in that country), and Cyprus just under 4,000 (8.5%). Whilst Spain could see over 139,000 enterprises run into trouble, which represents 5.9% of all enterprises.

1 Introduction and background

This is a report by the Centre for Economics and Business Research (Cebr) on the contributions made by UK outbound tourism to the individual economies of the European Union. The scope of the assessment is the remaining EU27 member states (following the UK's decision to abandon membership in the Brexit referendum) and uses the latest data available to examine how UK tourist spending filters through these economies, through direct contributions to GDP and employment and through wider multiplier impacts.

1.1 Purpose of the study

The report was commissioned by ABTA and can be seen as complementing, rather than overlapping, Cebr's previous report on the contributions to and impacts on the UK economy of outbound tourism, which is concerned with the spending of these tourists in the UK before their departure. The present report is, rather, concerned with the value of UK outbound tourism to the destination countries through their spending whilst visiting these countries. The European Union member states being the focus also provide the scope of our report.

As such, the purpose of the report is to support ABTA in seeking to influence both sides of the Brexit negotiations. ABTA can continue to put pressure on UK government departments and ministers by pointing to the economic importance of outbound tourism to the UK economy, as highlighted through Cebr's previous research. This report provides new evidence that is designed to assist ABTA in building relationships with and demonstrating to the European side the economic value to their countries of UK outbound tourism.

1.2 Overview of the study and methodology

The research combined the most up-to-date data on the expenditure of UK tourists abroad with a robust and established methodology for assessing how those expenditures translate to economic contributions and impacts. (Further details on the approach and methodology can be found in Appendix I.)

Using the International Passenger Survey (IPS) – which is conducted by the ONS on an annual basis and which surveys thousands of UK tourists returning from abroad – Cebr collected estimates of the total spend by UK residents on visits to each of the EU27 countries. The corresponding estimates for 2014 were cross-checked for consistency against ONS Tourism Satellite Accounts and the broader national accounts. Consistency between the various datasets is clearly apparent.

The supply-use tables, which are the most detailed representation of the national accounts, provide a detailed product-by-product breakdown of "UK resident household expenditure abroad", covering 105 categories of goods and services on which UK residents spend money when abroad.¹ Combining the IPS and supply-use data on UK tourist spending abroad with the same national accounting datasets for each of the EU27 countries facilitated a mapping between UK tourist spend on the 105 categories of goods and services to the industries in the EU27 destination countries that produce those goods and provide those services.

¹ The supply-use tables provide a framework for assessing the contributions made by individual or different combinations of industries in a manner that ensures consistency with the official national accounts. They show how the supply of goods and services in the economy is equated with their demand, as well as the interactions between the different sectors of the economy and how each contributes to GDP and national income.

Having thus established an industry-by-industry breakdown of the recipients of UK tourist spending in each of the EU27 countries, we had the starting point required to estimate:

- The direct contributions made by the industries that benefit directly from the spending of UK tourists to their respective country's economy;
- The indirect contributions made by the industries in the supply chains of the directly impacted industries; and
- The induced contributions made by the industries that provide the goods and services demanded by households when the employees of the directly and indirectly impacted industries spend their earnings in the wider economy.²

This was achieved by working with individual sets of supply-use tables and by constructing individual input-output models for every EU27 economy. For this purpose, we used data supplied by Eurostat and the OECD and, when necessary, the national statistics authorities of the member states.³

The report focuses on how UK tourist spending impacts on three key economic indicators in each of the EU27 destinations. These are:

- Employment: jobs supported in the industries that are impacted, directly and through the multiplier process, by UK outbound tourist spending in their country.
- Gross value added⁴: the GVA contributions to GDP of the industries that are both directly and indirectly impacted by the UK tourist spending in their country.
- Employee compensation⁵: the value of the employee compensation that is supported in the directly and indirectly impacted industries, which is useful in understanding how the GDP impacts of UK tourist spending translate into benefits for households in the destination countries.

The report also provides an analysis of 'economic reliance' of seven of the UK's key 'Summer Sun' destinations. We consider their reliance on inbound tourism more generally as well as on inbound tourism from the UK specifically. This recognises the popularity of these destinations with the UK's sun-

² The final goods and services purchased by households are equated with the 'inputs' they need (shelter, food, clothing etc.) to sustain their ability to supply labour.

³ Input-output models are derived from the supply-use and input-output data provided by national statistics authorities to international organisations like Eurostat and OECD. They are internationally recognised as a useful element of the 'toolbox' required to assess economic impacts. UK government's *Green Book* on appraisal and evaluation in central government explicitly acknowledges input-output and multiplier analysis in these terms.

⁴ GVA or gross value added is a measure of the net value of goods and services which, in the national accounts, is the value of industrial output less intermediate consumption. That is, the value of what is produced *less* the value of the intermediate goods and services used as inputs to produce it. GVA is also commonly known as income from production and is distributed in three directions – to employees, to shareholders and to government. GVA is linked as a measurement to GDP – both being a measure of economic output. That relationship is (GVA + Taxes on products - Subsidies on products = GDP). Because taxes and subsidies on individual product categories are only available at the whole economy level, GVA tends to be used for measuring things like gross regional domestic product and other measures of economic output of entities that are smaller than the whole economy. GVA must be distinguished from turnover measures, which capture the entire value of sales. By contrast, GVA captures the value added to a set of inputs by a firm on their journey from raw materials to finished consumer products. The concept of added value enables the avoidance of double counting when estimating the size of an economy.

⁵ Compensation of employees, as stated in the national accounting datasets, includes total remuneration, in cash or in kind, payable to employees for work done. Therefore, covering all wages and salaries and all supplements to these, such as contributions to the National Insurance Scheme, employers' contributions to other pension schemes together with redundancy payments and compensation payments covering, for example, injuries.

seeking outbound tourists. However, it is important to note that none of the estimates presented in the report distinguish between different types of tourist. As such, the report captures the benefits of travel for all purposes, whether business, holidaying, visiting friends and relatives or for other purposes, such as medical treatment.

1.3 Structure of the report

As such, the remainder of this report is structured as follows:

- Section 2 sets out statistics on the destinations and broad spending patterns of UK tourists in the EU27 destinations;
- Section 3 sets out the direct economic impact of the industries in each of the EU27 economies that provide for the needs of UK outbound tourists, as measured through GVA contributions to GDP, employment and employee compensation.
- Section 4 sets out the wider multiplier impacts on these indicators that arise from UK outbound tourist spending in the EU27, as a result of activity in wider supply chains supporting the directly impacted industries.
- Section 5 analyses the economic reliance of seven key ‘Summer Sun’ destinations on UK tourists, not only on inbound tourist visits from the UK but on all inbound tourism into these countries. These key destinations are Spain, France, Italy, Portugal, Greece, Malta and Cyprus.

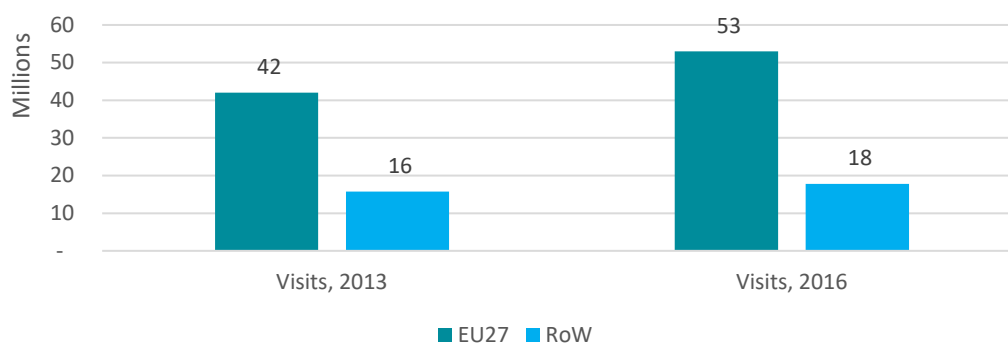
2 The spending of UK tourists in the EU27

This section presents a descriptive analysis of UK outbound tourism with a focus on travel to the EU27 countries. We examine the number of visits, their average duration and the accompanying expenditure made during these visits. Data for this section have been sourced from the ONS comprehensive Travepac datasets derived from the International Passenger Survey (IPS).

2.1 The volumes of UK outbound tourist visits

The latest IPS data show that in 2016 UK residents took just under 71 million trips abroad, be it on business, holiday or visiting friends and relatives. This represents growth of 23% since 2013, when just under 58 million trips were recorded. The share of total trips made to the EU27 countries in 2013 was 73%, rising to 75% in 2016. This is illustrated in Figure 1 below.

Figure 1: Visits abroad by UK residents visits abroad, by region of destination and year, millions



Source: Travepac data from the International Passenger Survey, ONS, Cebr analysis

2.2 The duration of UK outbound tourist visits

The average duration of stay in a European country in 2016 was 8 nights. This is significantly shorter than the average of 17 nights across the RoW (rest of world) countries. The most recent data suggest that, between 2013 and 2016, the average duration of visits to EU27 countries increased (by nearly 1.5%), whilst the average duration of trips RoW countries shrank by 0.7%. However, given the longer travel distances, times and costs required to reach most non-EU27 countries from the UK, the longer duration of stay in RoW countries is intuitive. This is not an underlying feature of UK outbound tourism that is likely to change.

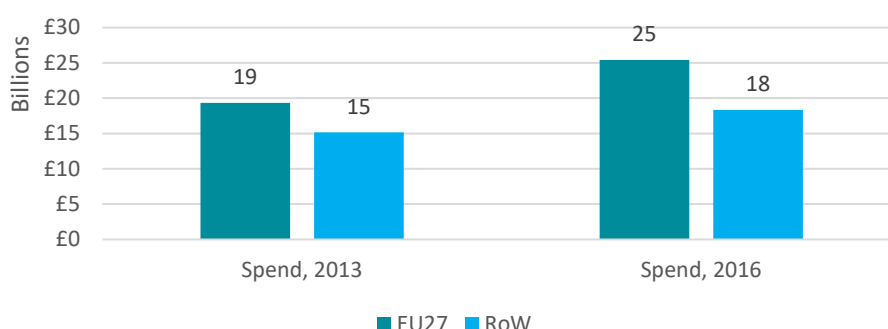
What is clear is that UK outbound tourists spend significantly less time, on average, on visits to European countries than they do in RoW countries. However, the number of trips to the EU27 far outweigh the numbers to RoW countries, which means that the EU27 destinations still account for more than half (58%) of all nights spent abroad by UK tourists, based on 2016 data. (This has increased from 55% in 2013.)

2.3 Levels of spending by UK outbound tourists whilst abroad

Figure 2 provides a breakdown of UK outbound tourist spending between the EU27 countries and the RoW countries, as with the data on visits in Figure 1 above. This shows UK outbound tourists spending £44 billion across all destination economies. Of this, £25 billion (or 58%) was the combined spend in the

EU27 countries, with the remaining £18 billion spent in the RoW countries.⁶ Between 2013 and 2016, the data shows growth in the levels of spending in the EU27 of 32% compared to 21% growth in spending in the RoW countries.

Figure 2: Spending of UK outbound tourists, by region of destination and year



Source: Travelpac data from the International Passenger Survey, ONS, Cebr analysis

Interestingly, the data above translate to spend per night averages that are approximately equivalent for the EU27 (£60.10 per night) and the RoW countries (£59.70 per night).

However, there is good reason to believe that these averages and the aggregate numbers above are underestimates of the aggregate spend of UK outbound tourists. This is because they do not include the cost of travel between the UK and the destination countries, which is traditionally captured through the impact of UK outbound tourism on the UK economy itself.⁷ But some share of the air, sea and train fares paid by UK tourists to travel to other countries will accrue to operators (airlines, ferries, train operating companies) in the destination countries through (e.g., code-sharing agreement), and to the destination airport operators through airport charges (e.g., landing fees and air navigation charges).⁸

The geographic split of spending in the EU27 countries

Figure 3 provides a breakdown of the spending of UK outbound tourists in each EU27 country. The seven 'Summer Sun' destinations of UK tourists are highlighted in red. It clearly demonstrates that Spain receives the largest proportion of UK outbound tourism spend at £7.9 billion in 2016, equivalent to 18% of the world total and 31% of UK tourists' entire spend in the EU27 European countries.

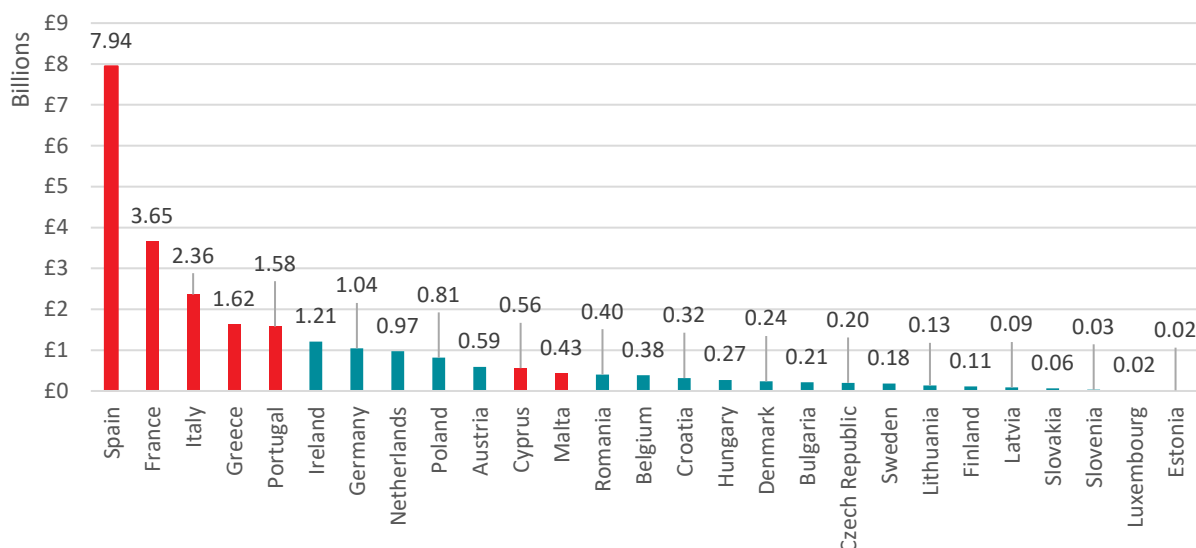
France follows with about half of the amount spent in Spain - £3.7 billion (14% of the EU27 total). There is another step down to the next largest, which is Italy benefiting from £2.4 billion of UK outbound tourism spend, dropping further then to £1.6 billion in both Greece and Portugal. But, it should be noted that, due to the differing sizes of these countries, an average per head of population or per capita measures might yield different rankings.

⁶ Note the close correspondence between the 58% share of spending and the 58% share of nights spent accounted for by the EU27.

⁷ This is also the treatment in Cebr's report for ABTA on this subject, but also in the IPS and the Tourism Satellite Accounts, with which Cebr has sought to be consistent, in this and in previous reports.

⁸ This would need to be the subject of further research, but a 'back-of-the-envelope' estimate suggests that this could be in the range of £2 to £6 billion.

Figure 3: UK tourists' spending in EU27 countries, 2016, £ billions



Source: Travelpac from ONS IPS data, Cebr analysis

Further insight that is not evident in Figure 3 provides further confirmation that UK outbound tourist spending is undoubtedly concentrated in European countries: in 2016, the EU27 countries received a 58% share, the EU27 combined with Norway, Macedonia and Turkey received 59%, whilst all European countries received 62%. There are, furthermore, only two non-European countries ranked in the top ten individual country recipients of UK outbound tourist spending – the USA with £4.8 billion, or 11% of all spending, and the United Arab Emirates with £910 million, or 2% of all spending.⁹

The composition of UK tourist spending abroad

To further dissect how EU countries benefit from UK outbound tourism spending, Figure 4 provides a breakdown of aggregate spending in the EU27 by high-level product category.¹⁰

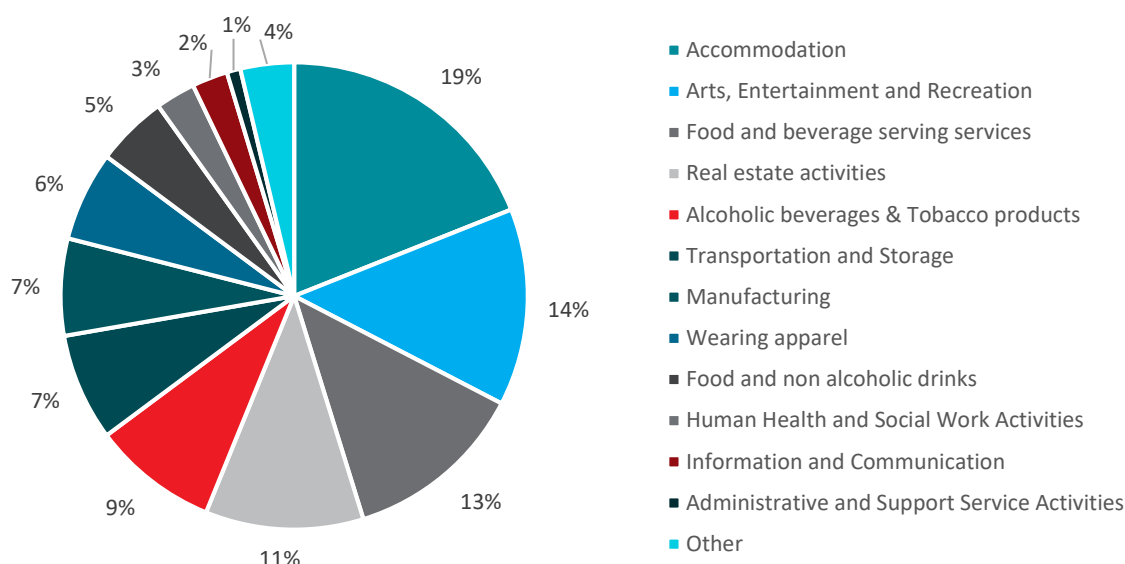
The pie chart in Figure 4 demonstrates where UK tourists are spending their money whilst abroad (excluding money spent on transport services to the destination). Together, accommodation and real estate services make up the largest share of UK outbound tourism spending in the EU27, constituting 30% of the total. The presence of both accommodation (accounting for 19% of all spend) and real estate

⁹ In other words, the rest of the top 10 are all European countries. The next highest non-European countries are Australia and the India, ranked in positions 11 and 13 with £840 million and £810 million respectively.

¹⁰ Most of the categories in Figure 4 are at the SIC 1-digit level (sections). Some, like food, beverage and tobacco manufacturing are combinations of 2-digit divisions that are split out from their broader 1-digit section. The UK SIC was established in 1948 and classifies businesses and other statistical units by the type of economic activity in which they are engaged. It is a hierarchical five-digit system, with the latest revision occurring in 2007. The SIC first divides the economy into broad sections with these sections then disaggregated a further four times to reach a more detailed picture of the economy. There are 21 sections, 88 divisions, 272 groups, 615 classes and 191 sub-classes. The UK SIC system is consistent and comparable with the European NACE system and with the United Nations international standard industrial classification (ISIC) system. The link between these systems provides the basis for mapping the product-by-product expenditures of UK outbound tourists to the industries that produce and provide the relevant categories of goods and services that benefit from those expenditures.

(11%) reflects the different lengths of individual stay that make up the average of eight nights outlined above.¹¹

Figure 4: The makeup of UK outbound tourists' spending



Source: ONS Input-Output tables for the UK, Cebr analysis

The next largest single (SIC 1-digit) product category and, therefore, beneficiary sector in the destination countries, is arts, entertainment and recreation at 14% of the total. Food and beverage serving services (i.e. restaurants, cafes and other eating and drinking establishments) are also significant with 13%.

The purchase of food, beverage and tobacco that falls outside the aforementioned eating establishments can be related to the day-to-day purchases of groceries through retail establishments. In other words, UK outbound tourist spending on any manufactured product not only benefits the manufacturing industry in the destination country, but also the retail sector that makes it available to the final consumers (including tourists). This applies to manufacturing (other) and wearing apparel in Figure 4, as well as to the food, beverage and tobacco categories.

The human health and social work activities category is likely to reflect UK patients travelling abroad to receive treatment that might be available more rapidly or more cheaply elsewhere in Europe. Administrative and support service activities will most likely capture the share of spending by UK tourists on accommodation services (through holiday packages) that is routed directly to property management companies for the cleaning and maintenance of accommodation buildings. (This type of support would also appear in the supply chains supporting the providers of accommodation and real estate services in the destination countries.)

¹¹ Specifically, accommodation services relate to hotels, hostels and camping sites, as well as short-term lettings. Real estate activities refer to longer-term lettings as well as timeshares and lettings agents' fees.

3 The direct impacts of UK outbound tourism spending in the EU27 economies

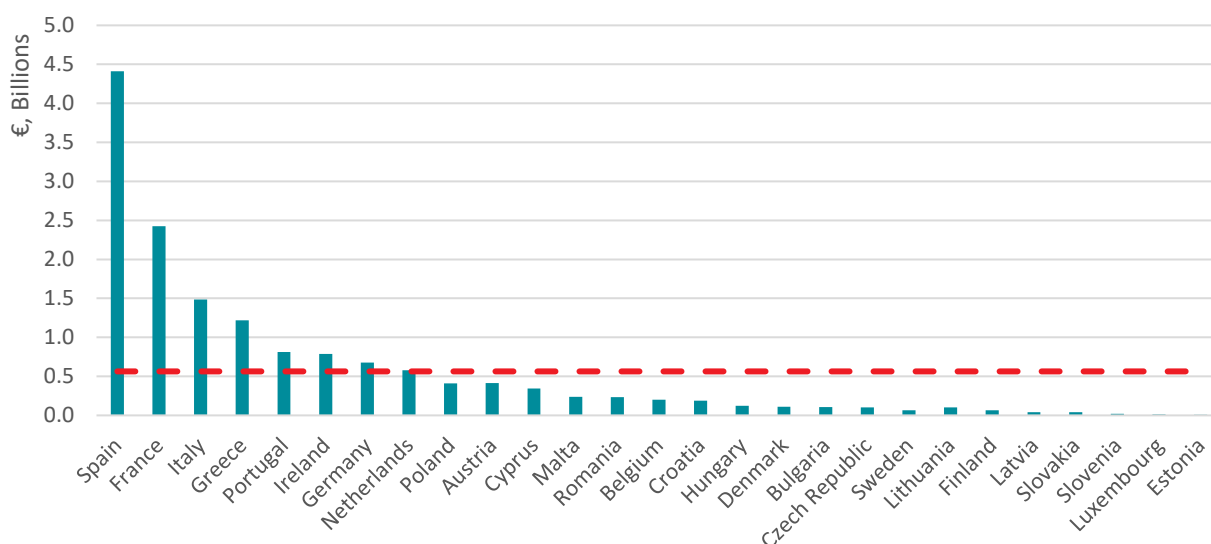
This section presents the findings of our analysis of how the spending of UK outbound tourists analysed in the previous section translate into direct economic impacts in each of the EU27 destination countries. Through the lens of the industries in the destination countries that supply the goods and services demanded by UK tourists during their visit, we consider how UK tourist spending supports the GVA contributions to GDP, the employment and the employee compensation offered by these industries.

3.1 GVA contributions to GDP arising from UK outbound tourism

The expenditure estimates are first equated with the turnover of businesses (by subtracting non-deductible VAT) and then translated into the national accounting equivalent of ‘domestic output at basic prices’ (by subtracting other indirect taxes – such as tobacco or alcohol duties – and the margins charged by the distributive trades on manufactured goods). This is explained in more detail in Appendix I, but is the first step in translating demand-side expenditure data into estimates of the resulting GVA contributions to GDP of the industries meeting that demand.

The GVA contributions to GDP arising from UK outbound tourism in each EU27 country is presented in Figure 5 below. These contributions range from €4.4 billion in Spain to just under €0.01 billion in Estonia. (Note that the order of the countries in Figure 3 is maintained in Figure 5.)

Figure 5: GVA generated by tourism industries in EU27 nations as a result of UK tourism spend, 2016

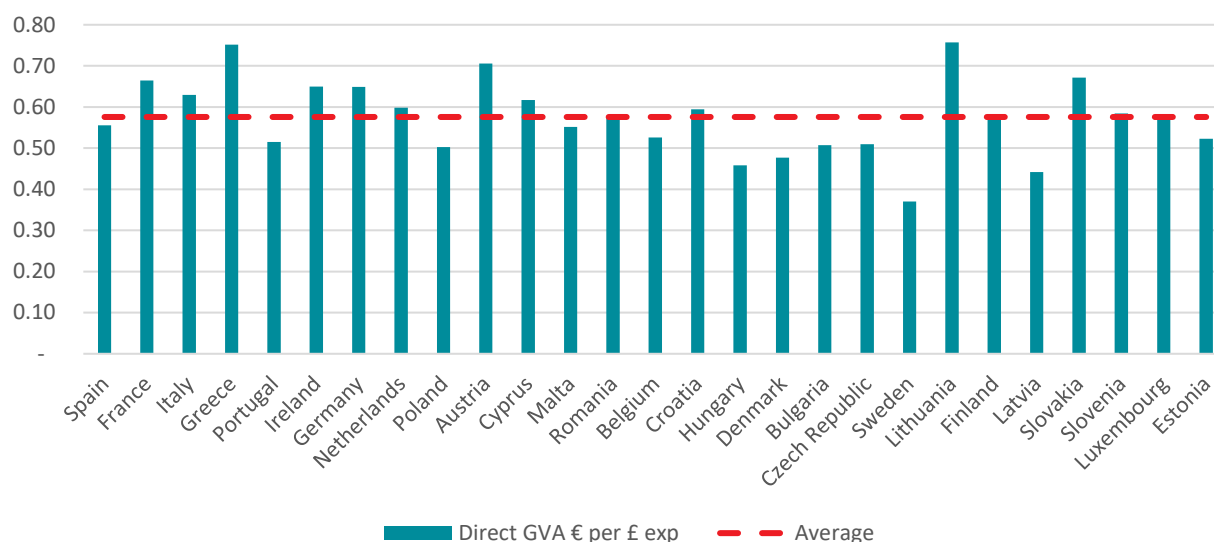


Source: ONS, Eurostat, OECD, Cebr analysis

Across the EU27 as a whole, UK outbound tourists catalyse a direct impact in GVA terms amounting to €15 billion. Spain receives the largest impact, followed by France, Italy, Greece, Portugal and Ireland. The impact is highly concentrated, with the top seven countries (which includes Germany) generating 78% of the total.

Figure 6 below illustrates the different rates at which the relevant set of industries converts UK tourism spend into GVA contributions to GDP.

Figure 6: The € amount of GVA generated per £1 of UK outbound tourism spend by EU27 destination country, including average



Source: ONS, Eurostat, OECD, Cebr analysis

This provides a better basis for comparison between countries. Differences will be driven primarily by:

- Differences in the extent to which indirect taxes other than VAT are levied on the goods and services purchased by UK outbound tourists in different countries;
- Differences in the margins charged by the distributive (retail and wholesale) trades to make available the manufactured food, beverage and other physical goods demanded by UK outbound tourists;
- Differences in the relative prices of the inputs required by the directly impacted industries, which can result in supply chains being more expensive in some countries than in others;
- Differences in the quantity of inputs required by the relevant industries in different countries to produce each £1 of GVA (i.e. their efficiency in converting £1 of inputs into output).

On average, €0.58 of GVA is generated per £1 of expenditure from UK tourists. On an individual country basis, the value ranged from a maximum of €0.76 in Lithuania to a minimum of €0.37 per £1 of expenditure in Sweden. The wide range of these estimates could reflect flaws in some of the data (which is not all drawn from a common source). Otherwise, it would only be possible to comment on the values for individual countries by exploring the aforementioned characteristics and circumstances in each. Unfortunately, this was beyond the scope of this study.

3.2 Employment supported by UK outbound tourism

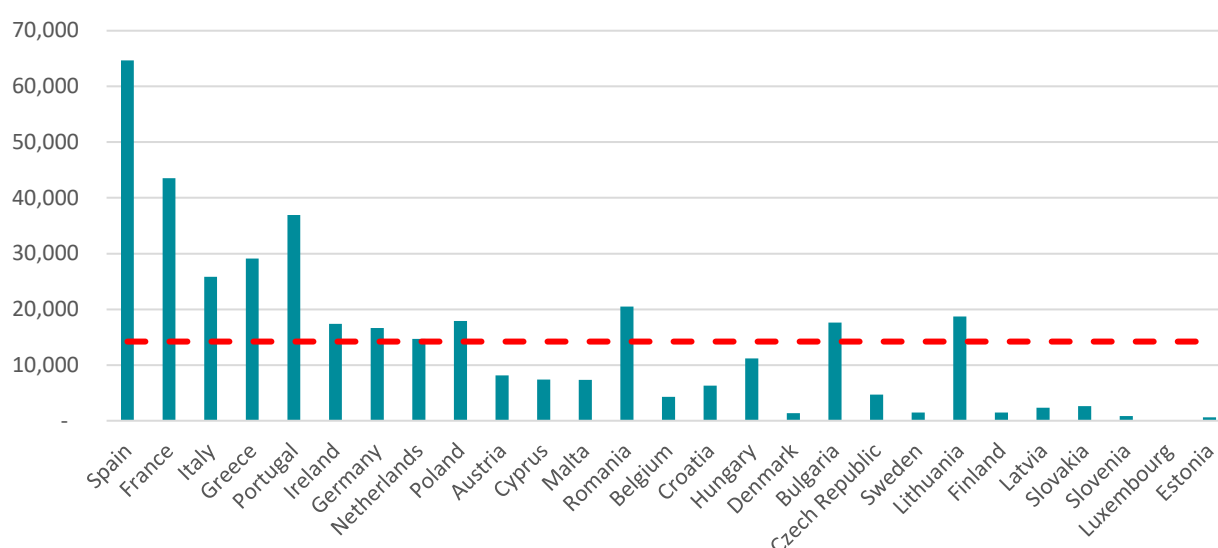
Figure 7 provides our estimates of the employment supported as a direct result of UK tourism spending in each EU27 country. While the estimates are produced on the basis of the consistent application of a common methodology across countries, the data produces some anomalies in the tail of the distribution – specifically, the employment numbers look high in Romania, Bulgaria and Lithuania relative to the GVA

contributions that support them. At the same time, the high labour intensities implied by the data for these countries could explain the high GVA-to-spend ratio derived above for Lithuania, for example.

The anomalies could reflect the lack, as already mentioned, of a single consistent source of both national accounting and employment data for each of the EU27 countries.

Apart from this, the data presented in Figure 7 suggest that UK outbound tourism supported over 380,000 jobs in the EU27 destinations. The top five ranking countries – Spain (17%), France (11%), Portugal (10%), Greece (8%) and Italy (7%) – together generate over half (52%) of all the direct employment in the EU27 countries that is supported as a result of UK tourism spending.

Figure 7: Employment generated by UK tourists in European countries, 2016

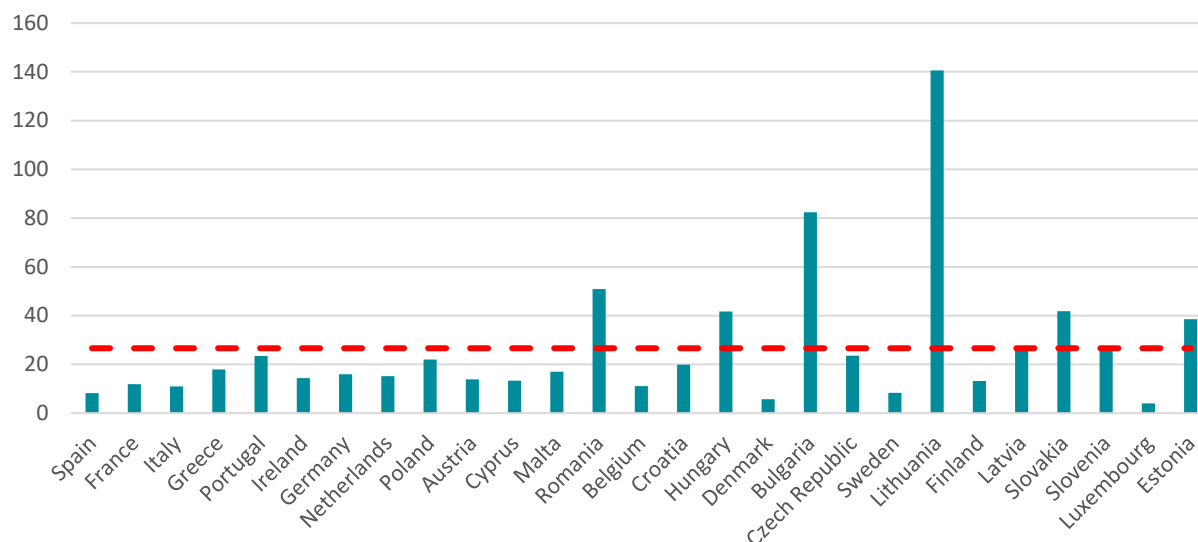


Source: ONS, Eurostat, OECD, Cebr analysis

Figure 8 below shows the number of jobs per £1 million of UK outbound tourism spending in each EU27 destination. This again provides a more useful indicator for comparison between countries. The results are wide-ranging but can be expected to reflect differences in the labour intensities of the relevant industries in different countries. Is it not entirely unusual for the same industry in different countries (as defined under the SIC or NACE systems) to be specialised in different segments of that industry that have different labour intensities.¹²

¹² While this is less of an issue with the 'core' tourism industries (accommodation, art and culture, transport, food and beverage etc.), which are likely to be more 'homogenous' across countries, it could be the case for some of the 'non-core' sectors featured in Figure 4 above (showing the full makeup of UK outbound tourism spend). For instance, some lesser developed countries might be specialist in highly labour-intensive manufacturing compared with some of the more developed nations. Other nations might have a bloated public sector as a way of absorbing unemployment in the private sector. Such is the divergence in economic circumstance underlying the estimates for each EU27 country that are coming through the data.

Figure 8: The amount of employment supported per £1 million of UK outbound tourism spend



Source: ONS, Eurostat, OECD, Cebr analysis

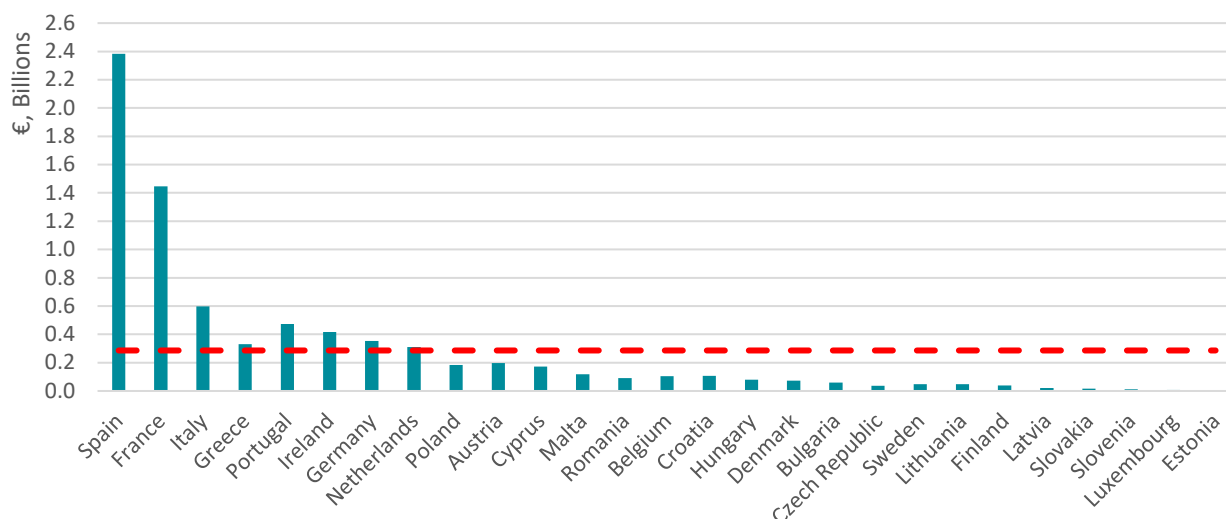
On average, 27 jobs were supported for every £1 million of UK tourism spending. This is notably skewed upwards by six countries displaying very high labour intensities in their tourism sectors – Lithuania (141), Bulgaria (82), Romania (51), Hungary and Slovakia (42) and Estonia (39). If we exclude these countries, the average falls by 42% to just 15 jobs per £1 million of UK tourist spend. In contrast, Luxembourg has the lowest employment to output ratio from the direct impact of UK tourists, with just 4 jobs per £1 million of UK tourist spend.¹³

3.3 The impact on EU27 households through employee compensation

The following figure illustrates the employee compensation element of the direct GVA contributions to GDP outlined above. This is a useful way of linking the GDP impacts of UK outbound tourism spending to the households that supply the labour required by the industries that provide for the demands of UK tourists visiting their country, through the compensation they receive for this labour.

¹³ These data are, unfortunately, subject to the same caveats outlined previously, related to the lack of a single consistent source for national accounting and employment data, both within and across countries.

Figure 9: Compensation of employees generated by UK tourists in European countries, 2016



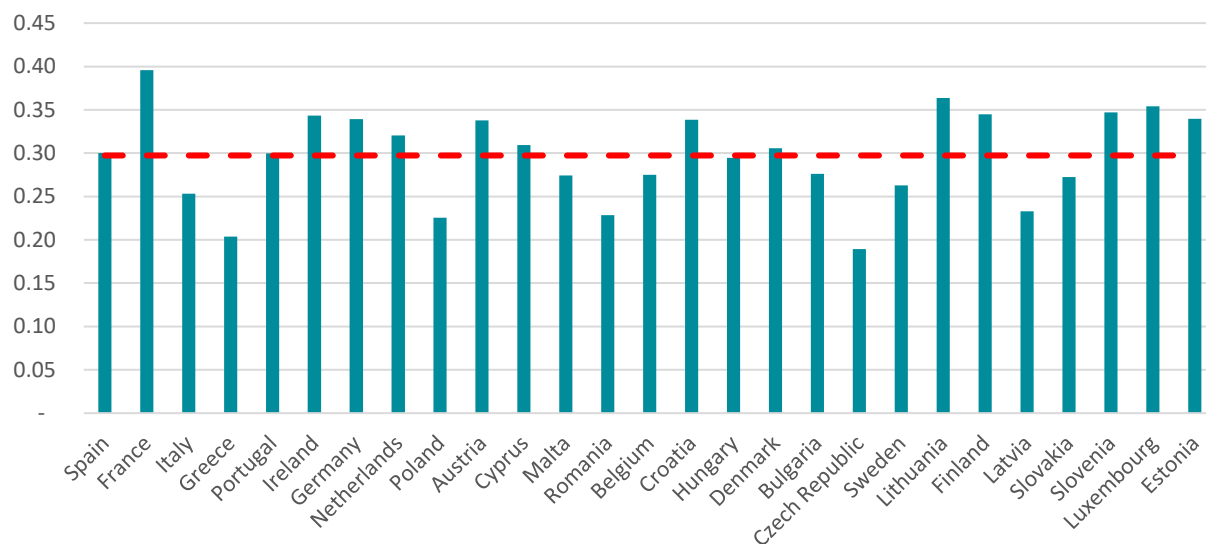
Source: ONS, Eurostat, OECD, Cebr analysis

The earnings accruing to employees is highest in Spain and France in absolute terms - €2.4 billion in Spain and €1.4 billion in France. Together they account for 49% of all employee compensation catalysed by the spending of UK tourists abroad. This falls to €0.6 billion in Italy, dropping beneath €0.5 billion in every other country.

In total, €7.7 billion of the €15.2 billion GVA contribution to GDP is paid in employee compensation, equivalent to 51% of those contributions. The majority of the GDP impacts arising from UK tourist spending, in other words, accrue to households supplying the workforces of the industries in the EU27 nations that generating these impacts in providing for the needs of UK tourists.

To provide a more robust basis for comparison, Figure 10 illustrates the amount of employee compensation supported by each £1 of UK tourist expenditure in EU countries.

Figure 10: The amount of employee compensation supported per £1 of UK outbound tourism spend, €



Source: ONS, Eurostat, OECD, Cebr analysis

As illustrated by the red dotted line, for every £1 spent by UK tourists in the EU27, an average of €0.30 is paid in employee compensation.¹⁴ The ratio was highest in France at €0.40 per £1 and is lowest in Czech Republic at €0.19.

¹⁴ This is very close to the median of €0.30, indicating that the number of countries with a higher ratio approximately equals the number of countries with a lower ratio. In other words, the average is not skewed upwards or downwards.

4 Wider multiplier impacts of UK tourism spending in the EU27

The following section assesses the aggregate impact of UK tourism spending in the EU27 countries by including the indirect (or supply chain) and induced (employee spending) impacts that arise from the activities of the directly impacted industries featured in the previous section.

4.1 GVA multiplier impacts of UK tourism spending in the EU27

Figure 11 below illustrates the GVA multiplier that applies to UK tourism spending when assessed in average terms for the EU27 as a whole. The interpretation is that, for every €1 of direct GVA generated by the directly impacted tourism industries and catalysed by UK outbound tourism spending, €0.60 worth of GVA is stimulated in the supply chains of those industries and €0.85 worth of GVA is in the wider economy when direct and indirect (supply chain) employees spend their earnings.

Figure 11: GVA multiplier impacts of UK tourism spending across the EU27



Source: ONS, Eurostat, OECD, Cebr analysis

The following table shows the direct and aggregate GVA impacts, along with the Type II multipliers, that result from UK tourism spending in the EU27 countries. The table shows substantial variation across the EU27, which is driven by same factors outlined at the end of subsection 3.1 in respect of direct GVA impacts.

Table 1: GVA impact of UK tourists in EU countries

	Direct Impact (€'000s)	TII multipliers	Aggregate impact (€'000s)
Austria	414,041	2.03	840,503
Belgium	201,766	2.26	455,992
Bulgaria	108,445	2.36	255,929
Croatia	188,279	2.68	504,589
Cyprus	343,971	2.05	705,141
Czech Republic	101,581	2.30	233,636
Denmark	112,109	2.81	315,025
Estonia	8,271	2.28	18,858
Finland	63,955	2.43	155,411
France	2,425,576	2.46	5,966,916
Germany	677,869	2.29	1,552,319
Greece	1,219,596	1.78	2,170,880
Hungary	123,175	2.39	294,389

	Direct Impact (€'000s)	TII multipliers	Aggregate impact (€'000s)
Ireland	787,009	1.80	1,416,616
Italy	1,484,760	2.24	3,325,863
Latvia	38,840	2.68	104,091
Lithuania	100,870	1.81	182,574
Luxembourg	11,678	1.67	19,503
Malta	237,890	2.53	601,862
Netherlands	580,198	2.17	1,259,029
Poland	408,677	2.55	1,042,125
Portugal	811,515	2.51	2,036,903
Romania	232,770	2.18	507,439
Slovakia	42,141	1.83	77,118
Slovenia	18,800	2.21	41,548
Spain	4,411,314	2.98	13,145,715
Sweden	66,970	2.67	178,810
EU27	15,222,066	2.46	37,382,747

Source: ONS, Eurostat, OECD, Cebr analysis

Spain is the biggest beneficiary of UK outbound tourism and demonstrates the highest GVA multiplier impact at 2.98. This compares with a EU27 average of 2.46 and the smallest multiplier of 1.67 in Luxembourg.

In absolute terms, Spain yields the largest aggregate GVA contribution to GDP arising from the spending of UK tourists whilst in that country, at over €13 billion. Luxembourg and Estonia appear to be the smallest beneficiaries, the former yielding almost €20 million and the latter €19 million in aggregate GVA contributions to GDP. The EU average is just under €1.4 billion, but this is heavily skewed by the seven countries which exceeded this figure.¹⁵

4.2 Employment multiplier impacts of UK tourism spending in the EU27

Figure 12 below illustrates the average employment multiplier applicable to UK tourism spending in the EU27 as a whole. For every job directly catalysed by UK outbound tourism spending, 0.54 jobs are supported in their supply chains of those industries and 0.73 jobs are supported in the wider economy through employee spending impacts.

¹⁵ Spain (€13.1 billion), France (€6.0 billion), Italy (€3.3 billion), Greece (€2.2 billion), Portugal (€2.0 billion), Germany (€1.6 billion) and Ireland (€1.4 billion).

Figure 12: Employment multipliers of UK tourists' spending across the EU



Source: ONS, Eurostat, OECD, Cebr analysis

The following tables show the aggregate employment impacts of UK tourists in the EU27 countries, by combining each country's multiplier with the direct impact made by the industries supplying the goods and services demanded by UK tourists while visiting their countries.

Table 2: Employment impact of UK tourists in EU countries

	Direct Impact	TII multipliers	Aggregate impact
Austria	8,144	1.79	14,567
Belgium	4,270	1.72	7,352
Bulgaria	17,626	1.73	30,551
Croatia	6,311	3.21	20,289
Cyprus	7,404	2.38	17,593
Czech Republic	4,711	1.82	8,568
Denmark	1,337	3.03	4,048
Estonia	610	1.67	1,020
Finland	1,467	1.95	2,862
France	43,527	2.07	90,308
Germany	16,656	1.81	30,068
Greece	29,119	1.75	50,922
Hungary	11,185	1.75	19,614
Ireland	17,403	1.52	26,537
Italy	25,858	2.06	53,208
Latvia	2,359	2.40	5,653
Lithuania	18,730	1.61	30,247
Luxembourg	81	1.87	151
Malta	7,315	2.58	18,863
Netherlands	14,664	1.63	23,845
Poland	17,888	2.80	50,066
Portugal	36,926	1.99	73,526
Romania	20,483	2.29	46,873
Slovakia	2,620	1.43	3,752
Slovenia	844	1.78	1,502
Spain	64,666	3.65	235,814
Sweden	1,498	1.81	2,710

	Direct Impact	TII multipliers	Aggregate impact
EU27	383,703	2.27	870,508

Source: ONS, Eurostat, OECD, Cebr analysis

On average, 32,200 jobs are supported in aggregate by UK tourists across the EU27. However, this is skewed upwards by the top seven countries that have higher employment numbers associated with UK outbound tourism than this average.¹⁶

There is a bit more variation amongst the countries in respect of the Type II employment multipliers. This is not unusual as employment multipliers are, in general, more sensitive to differences in labour intensities, which can be expected when comparing such a large number of divergent economies.

4.3 Employee compensation multiplier impacts of UK tourism spending

The average employee compensation multiplier across the EU27 is €2.41, as illustrated in Figure 13 below. The interpretation is similar to that of the GVA and employment multiplier. For every €1 of direct employee compensation generated by the directly impacted tourism industries and catalysed by UK outbound tourism spending, an additional €0.58 is paid to employees in the supply chains of those industries and €0.83 is paid to employees in the wider economy when direct and indirect (supply chain) employees of the industries providing for the needs of UK tourists spend their earnings on the final goods and services consumed by households.

Figure 13: COE multipliers of UK tourists' spending across the EU



Source: ONS, Eurostat, OECD, Cebr analysis

Table 3 combines the direct employee compensation impacts outlined in subsection 3.3 above with the estimates of the individual Type II employee compensation multipliers applicable to each EU27 country. The aggregate impacts range from €6.9 billion in Spain to €10 million in Estonia.

Table 3: COE impact of UK tourists in EU countries

	Direct Impact (€'000s)	TII multipliers	Aggregate impact (€'000s)
Austria	198,066	1.98	391,275
Belgium	105,536	2.16	228,315
Bulgaria	58,994	1.99	117,612
Croatia	107,183	2.60	278,187
Cyprus	172,463	2.06	355,419
Czech Republic	37,748	2.33	87,770

¹⁶ This includes Spain (236,000), France (90,000), Portugal (74,000), Italy (53,000), Greece (51,000), Poland (50,000), and Romania (47,000). There is considerable uncertainty attached to the estimate for Lithuania, due to the aforementioned problems with inconsistent data sources.

	Direct Impact (€'000s)	TII multipliers	Aggregate impact (€'000s)
Denmark	71,912	2.84	204,294
Estonia	5,371	1.90	10,215
Finland	38,304	2.22	84,950
France	1,445,663	2.31	3,344,096
Germany	353,998	2.19	774,236
Greece	330,205	2.04	672,374
Hungary	79,114	2.08	164,726
Ireland	416,047	1.73	718,275
Italy	597,321	2.22	1,328,069
Latvia	20,477	2.51	51,406
Lithuania	48,468	1.69	81,936
Luxembourg	7,092	1.60	11,378
Malta	118,285	2.61	308,976
Netherlands	310,658	2.09	649,750
Poland	183,214	2.41	440,972
Portugal	472,605	2.25	1,061,526
Romania	92,014	2.17	199,501
Slovakia	17,085	1.72	29,324
Slovenia	11,169	2.09	23,306
Spain	2,383,023	2.90	6,919,498
Sweden	47,515	2.26	107,527
EU27	7,729,530	2.41	18,644,915

Source: ONS, Eurostat, OECD, Cebr analysis

The average aggregate employee compensation impact across the EU27 is €690 million but this is, as with the other indicators) skewed by the very large impacts in a few of the more popular destinations.¹⁷

4.4 The ratio of compensation of employees to GVA impacts

To provide further insight into how the aggregate GDP impacts of UK outbound tourism spending (including multiplier impacts) accrue to the households that supply the labour required by the range of industries that directly meet the demands of UK tourists visiting their country, to meet the supply chain demands of these industries and to meet the final goods and services demands of the direct and supply chain employees of these industries.

As such, Table 4 shows the proportion of each of the direct, indirect and induced GVA impacts arising from UK outbound tourism in each EU27 destination that accrues to the employees of the relevant set of industries (direct tourism, their supply chains or providers of final goods and services demanded by employees).

¹⁷ In particular, Spain (€6.9 billion), France (€3.4 billion), Italy (€1.3 billion), Portugal (€1.1 billion), Germany (€800 million) and Ireland (€700 million).

Table 4: The ratio of employee compensation to GVA from UK tourists' spending, within the direct, indirect and induced impacts, %

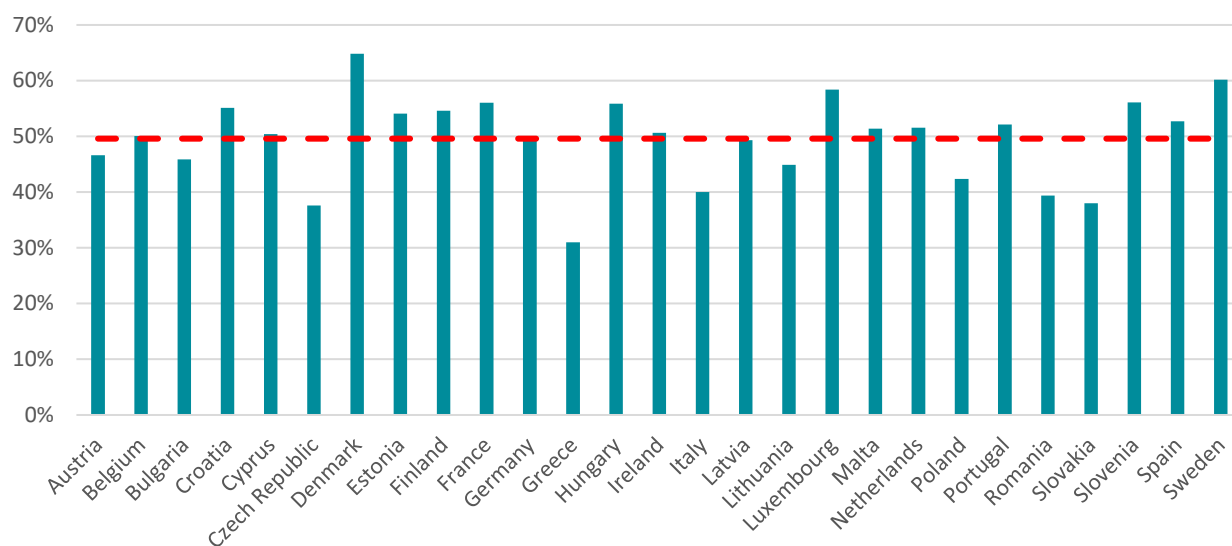
	Direct Impacts, %	Indirect Impacts, %	Induced Impacts, %
Austria	48%	47%	44%
Belgium	52%	51%	44%
Bulgaria	54%	43%	36%
Croatia	57%	53%	55%
Cyprus	50%	42%	55%
Czech Republic	37%	37%	39%
Denmark	64%	63%	67%
Estonia	65%	47%	44%
Finland	60%	54%	47%
France	60%	59%	49%
Germany	52%	49%	48%
Greece	27%	39%	33%
Hungary	64%	52%	48%
Ireland	53%	45%	51%
Italy	40%	42%	37%
Latvia	53%	45%	49%
Lithuania	48%	43%	39%
Luxembourg	61%	42%	59%
Malta	50%	44%	55%
Netherlands	54%	51%	49%
Poland	45%	36%	44%
Portugal	58%	51%	46%
Romania	40%	43%	35%
Slovakia	41%	34%	36%
Slovenia	59%	58%	48%
Spain	54%	50%	53%
Sweden	71%	56%	51%
EU27	51%	49%	49%

Source: ONS, Eurostat, OECD, Cebr analysis

This varies significantly across the countries and across type of impact: the largest direct ratio is in Sweden with 71% of the direct GVA impact seeing its way to Swedish households through employee compensation paid by the directly impacted industries in this country. Denmark has the highest ratio for indirect (63%) and induced impacts (67%), but also in aggregate terms (65%), as illustrated in Figure 14 below. Greece has the smallest ratio for direct impacts at 27%, induced impacts (33%) and in aggregate terms (31%), while Slovakia measures lowest on indirect impacts (34%).

Figure 14 also shows the average of 50% of aggregate GVA impacts arising from UK outbound tourism spending accruing to households in the EU27 through employee earnings.

Figure 14: Employee compensation-to-GVA ratio underpinning the aggregate impacts of UK tourists



Source: ONS, Eurostat, OECD, Cebr analysis

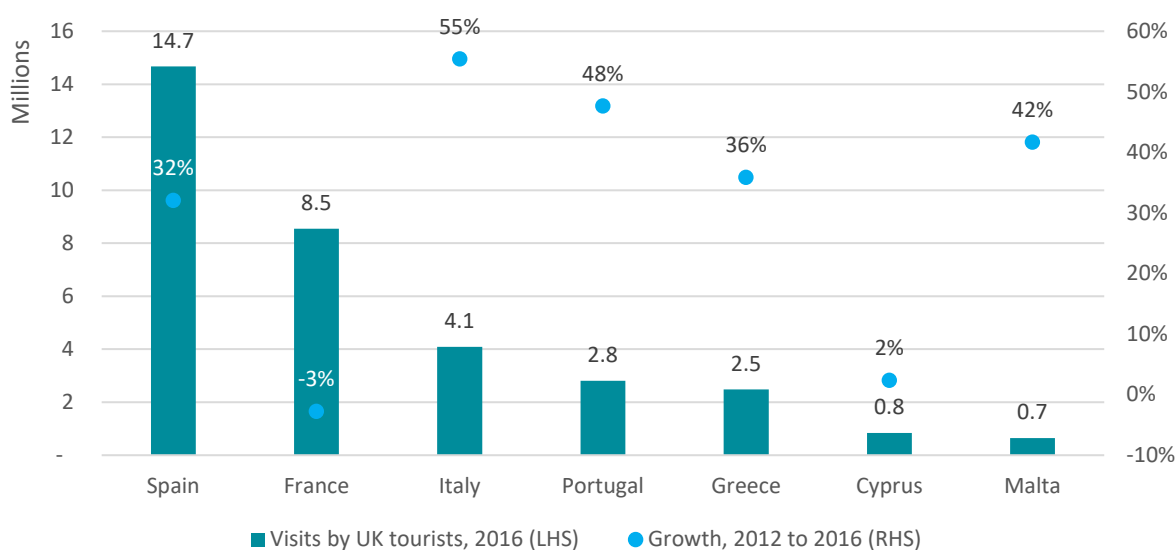
5 The economic reliance of the UK's key 'Summer Sun' destinations

This section provides a specific focus on how UK outbound tourism impacts the key 'Summer Sun' destinations for UK holidaymakers, namely Spain, France, Italy, Portugal, Greece, Malta and Cyprus. We present our estimates of the economic reliance of these destinations UK's 7 summer sun destinations on the direct, indirect and induced economic impacts of UK outbound tourism, in terms of the share of GDP that is accounted for by these impacts. This is accompanied by estimates of the proportion of inbound tourists to these countries that come from the UK.

5.1 The importance of UK tourists within the 'Summer Sun' countries

The following figure illustrates the number of tourists from the UK who have travelled to each of the Summer Sun destinations, along with the growth that have been witnessed in these numbers between 2012 and 2016. Visits in this graph are defined by the ONS as a complete round trip – a UK resident who departs from and returns to the UK.

Figure 15: The number and growth of UK tourists to the Summer Sun destinations, 2012-2016



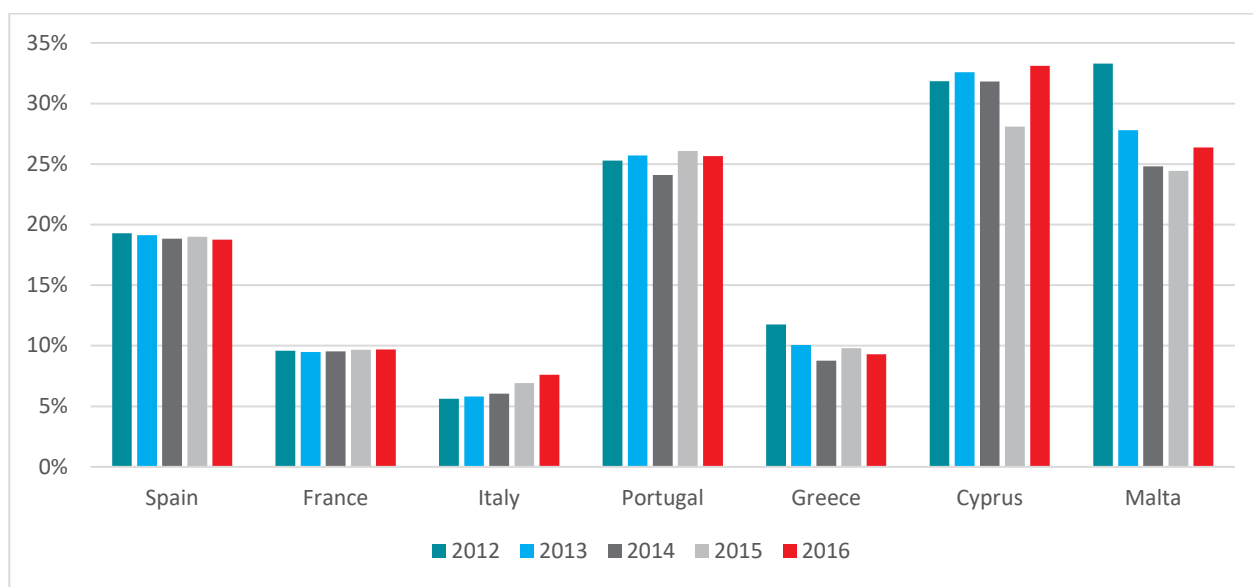
Source: ONS IPS

This confirms the previous findings in suggesting that the most popular of the UK Summer Sun destinations is Spain, with 14.7 million tourist visits in 2016. This is followed by France with just over 8.5 million UK tourist visits, after which there is a significant drop in popularity with the third most popular country, Italy, receiving just under 4.1 million UK tourist visits. UK tourists to Italy grew by the largest amount of any Summer Sun destination between 2012 and 2016, at 55%.

The only country to see negative growth in the number of UK tourist visits in this period was France, which shrank by just under 3%. Interestingly, this is driven by a reduction in the number of UK excursionists (or "day trippers") to France, a conclusion that is derived from the observation that the number of UK tourists to France who stayed for one or more nights grew by 2% between 2012 and 2016.

Across all the seven Summer Sun destinations, UK tourist trips grew by 24% between 2012 and 2016, reaching just under 34.1 million trips in 2016. Figure 16 below shows the proportion of all inbound overnight tourist visits to each of the Summer Sun destinations that came from the UK.

Figure 16: Overnight UK tourist visits to the Summer Sun destinations, as a percentage of all overnight inbound tourists to those destinations



Source: World Bank, ONS IPS, Cebr analysis

The proportion of overnight tourists to Spain, France, Italy and Portugal who were from the UK remained relatively constant between 2012 and 2016, averaging 19%, 10%, 6% and 25% respectively. On the other hand, the remaining countries saw larger variation in the proportion of overnight tourists from the UK: Greece's proportion grew by 3% between 2012 and 2016, with a lowest value of 9% in 2014 and a highest value of 15% in 2016; although this proportion in Cyprus only grew by 1% in the same period, the yearly values ranged between 28% in 2015 and 33% in 2016; this proportion in Malta fell by the largest amount of any country in this period, from 33% in 2012 to 26% in 2016.

In the case of the two countries that saw the proportion of overnight tourists coming from the UK drop between 2012 and 2016 (Spain and Malta), this was due to a larger increase in the number of non-UK overnight tourists, rather than a fall in the number of UK overnight tourists: indeed, the number of UK overnight tourists to Spain and Malta grew by 32% and 42% over the period, respectively.

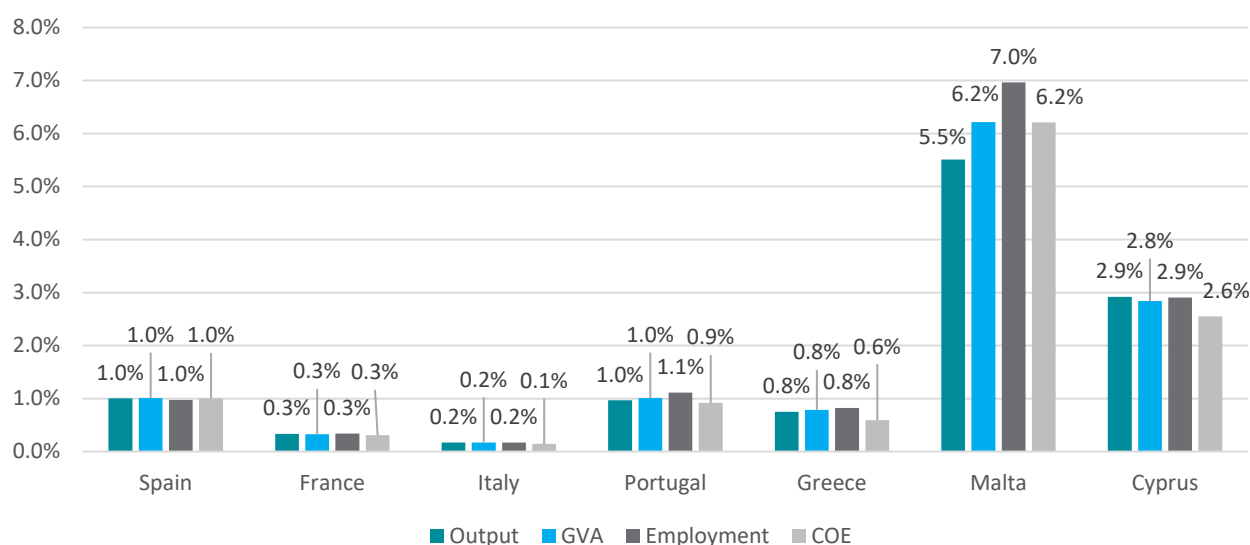
5.2 Economic reliance of Summer Sun countries on UK tourists

The below chart illustrates the economic reliance of the Summer Sun destination economies on the spending of UK tourists in 2014 (relevant data for 2016 are not yet available). This expresses the sum of the direct, indirect and induced impacts in terms of GVA contributions to GDP (as featured in sections 3 and 4 above) arising from the spending of UK outbound tourists as a percentage of each economy's aggregate GDP. It does the same for employment and employee compensation.

The aggregate impacts of UK outbound tourism spending in Spain supports 1% of that country's GDP, with similar percentage shares applying to Portugal and Greece. Relatively speaking, UK outbound tourism is less important in France and Italy, at 0.3% and 0.2% respectively, but even small shares like this produce significant magnitudes when converted to absolute amounts in these larger countries. The

two Summer Sun destinations of Malta and Cyprus appear particularly reliant on UK outbound tourism – 6.2% of Malta’s GDP can be linked back to the spending of UK tourists and the latter accounts for 2.8% of GDP in Cyprus.

Figure 17: UK tourists' contribution to Summer Sun countries' economies



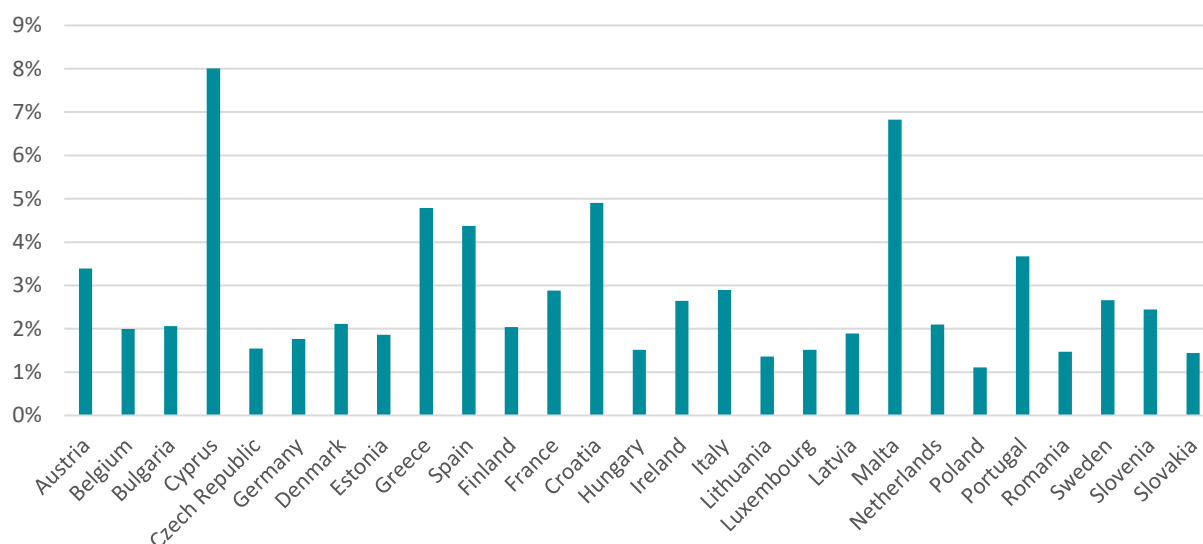
Source: Eurostat, ONS, OECD, Cebr analysis

The shares of the economy-wide employment numbers accounted for by UK tourism spending in 2014 tend to be higher than the GDP shares due to the relatively labour-intensive nature of many activities that are geared towards tourism. The shares of economy-wide employee compensation closely mirrors the GVA shares, but is lower in the countries in which we observed lower employee compensation-to-GVA ratios in the previous sections.

To further assess the importance of tourism to the key Summer Sun destinations, Figure 18 below illustrates the proportion of an economy’s turnover which is contributed by the main tourism sectors. It was not possible to identify the turnover of every single industry that is engaged to a greater or lesser extent than these main industries without a significant additional burden of work that was beyond the scope of this study. As such, the numbers in Figure 18 could well be underestimates.

This, in turn, facilitates Figure 19, which illustrates the number of enterprises that could be negatively impacted and go out of business if UK outbound tourism was to the EU27 were to cease. This has been calculated by estimating the GVA contribution of each tourism enterprise (on average), and then dividing this into the direct GVA yielded by the relevant industry as a result of UK outbound tourism spending. Also illustrated in Figure 19 is the proportion of all enterprises in each country that are dependent on UK outbound tourism.

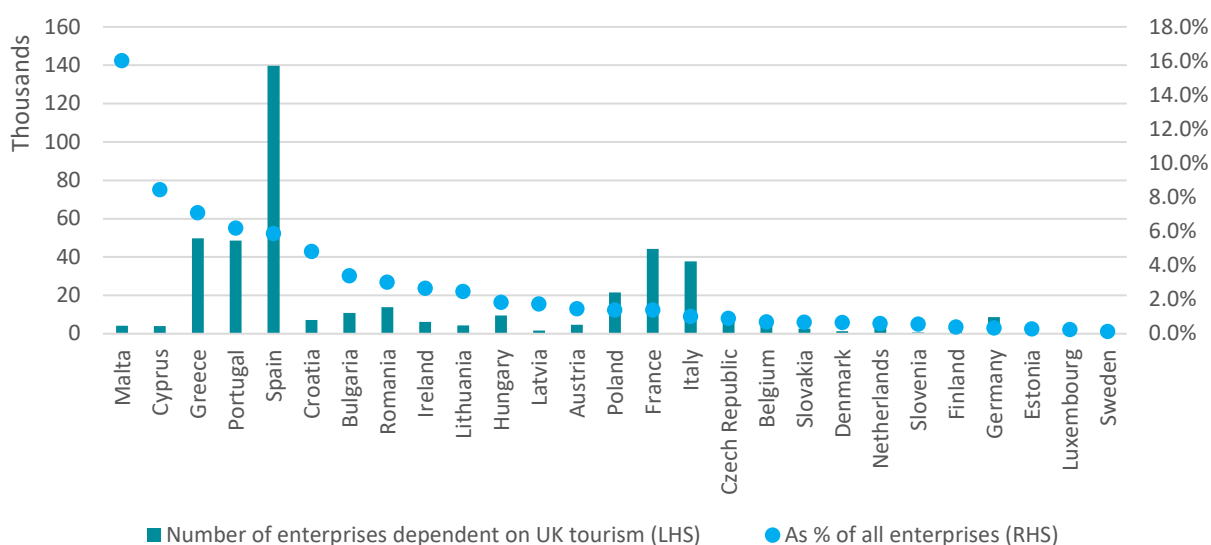
Figure 18: The turnover of tourism related industries as a proportion of all industries' turnover (excluding financial and insurance industries)



Source: Eurostat, Cebr analysis. Data have been extrapolated for Luxembourg.

On average, the estimates suggest that 2.1% of the enterprises could be negatively impacted if UK outbound tourism were to cease or contract. But the results are particularly stark in Malta, which could see 16% of all firms 'disappearing' if UK outbound tourism to this country were to cease. This statistic is 8.5% in Cyprus and 7.1% in Greece. This is, of course, an extreme scenario (UK outbound tourism to EU27 nations ceasing completely), but is nonetheless illustrative of just how numerous are the businesses of the EU27 that are reliant on UK outbound tourism.

Figure 19: The number of establishments related to UK tourism, thousands



Source: Eurostat, Cebr analysis. Data have been extrapolated for Luxembourg.

The data in Figure 19 are presented in table form below.

Table 5: The number of establishments related to UK tourism, thousands, and % share of all businesses

	Enterprises dependent on UK tourism	% share of all enterprises
Austria	4,705	1.5%
Belgium	4,130	0.7%
Bulgaria	10,865	3.4%
Croatia	7,105	4.8%
Cyprus	3,970	8.5%
Czech Republic	8,920	0.9%
Denmark	1,380	0.7%
Estonia	185	0.3%
Finland	900	0.4%
France	44,190	1.4%
Germany	8,605	0.3%
Greece	49,705	7.1%
Hungary	9,485	1.8%
Ireland	6,225	2.7%
Italy	37,690	1.0%
Latvia	1,750	1.7%
Lithuania	4,340	2.5%
Luxembourg	75	0.2%
Malta	4,200	16.0%
Netherlands	6,325	0.6%
Poland	21,600	1.4%
Portugal	48,510	6.2%
Romania	13,785	3.0%
Slovakia	2,740	0.7%
Slovenia	745	0.6%
Spain	139,715	5.9%
Sweden	905	0.1%
EU27	442,752	2.8%

Source: ONS, Eurostat, OECD, Cebr analysis

Appendix I: Approach and methodology

The different concepts of ‘price’

In subsection 3.1 of the report, we touch on the first step required to translate raw expenditure estimates with the turnover of businesses (by subtracting non-deductible VAT) and then further translated into the national accounting equivalent of ‘domestic output at basic prices’ (by subtracting other indirect taxes – such as tobacco or alcohol duties – and the margins charged by the distributive trades on manufactured goods).

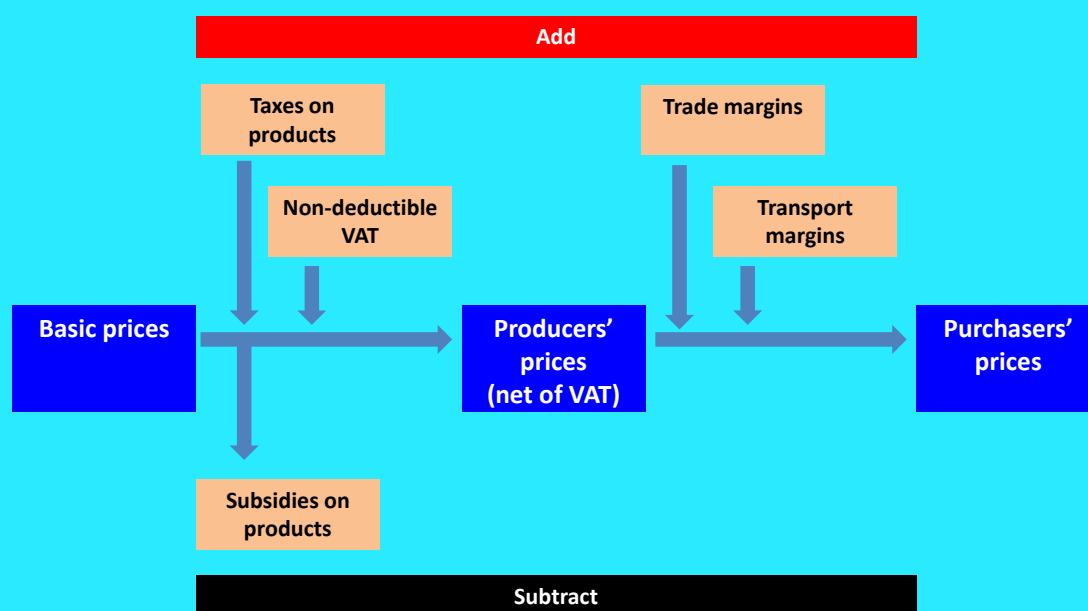
The differences between these different price concepts is explained in the following box, which also explains the need to convert raw spending data (which is denominated in purchasers’ prices) into domestic output at basic prices before proceeding to measure economic impacts.

Box 1: Valuing economic indicators under SBS vs. ESA95

The EU-wide and national accounting methodologies represented by ESA95 combine different types of valuation for the same variable or transaction, thereby showing different actual prices depending on the type of unit implied in the economic transaction. For example, a household that purchases a consumer good in a retail shop does not perceive its price in the same way as the producer who produced the good in question. Different types of valuation of economic indicators like production and contribution to national product (GDP) are, therefore, borne out of different definitions of the price paid in different types of transaction.

The flowchart below shows that production (or ‘industrial’ output) can be valued according to two principal criteria, namely whether it’s a price paid by a purchaser (what the buyer has to pay) or by a producer or ‘basic’ price (a price concept from the producer’s point of view). Producer price is an intermediate concept that is closer to the basic price but which includes taxes and subtracts subsidies on products and adds non-deductible VAT. ESA95 and national accounts use basic prices and purchasers’ prices and do not explicitly define “producer price”.

Flowchart - Valuing production or output



Source: Eurostat input-output methodology

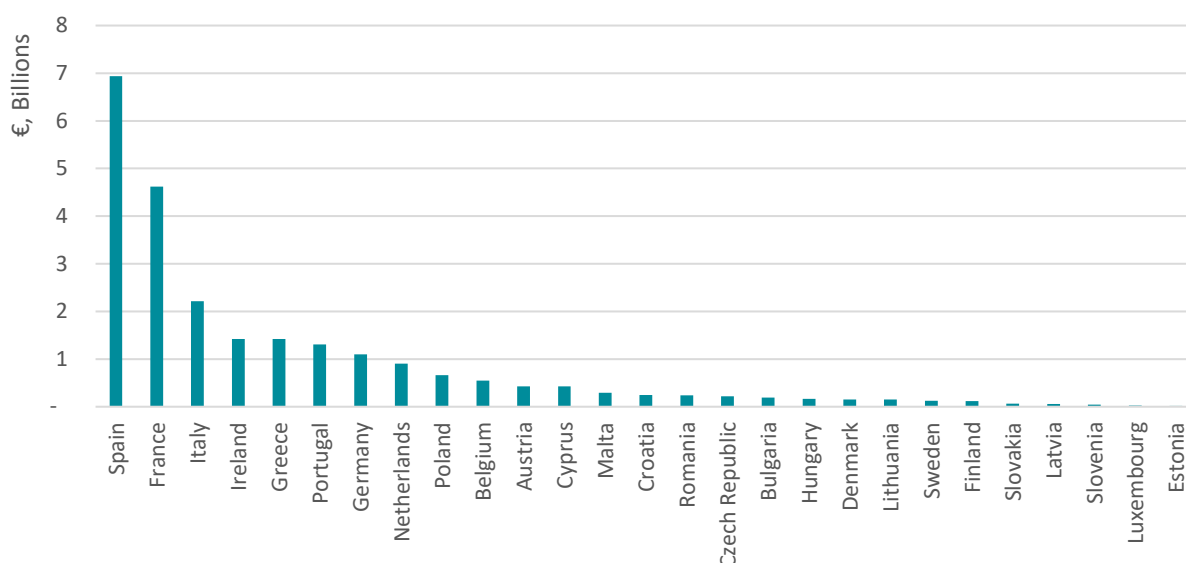
Businesses' turnover is generally recorded at producers' prices. Business survey datasets therefore tend to value production at producers' prices. But it is evident that the basic price is the best option from a theoretical point of view (that is, in terms of more accurately measuring economic impacts), reflecting more exactly than other price concepts the costs of the elements inherent in the product. In other words, the other price concepts disguise the real costs of the product and may be influenced by changes in fiscal policy or in trade and transportation. ESA95 and therefore the supply-use and input-output tables for each EU27 member state value production at basic prices, thus providing a bridge between the 'raw' estimates of the economic impact of UK outbound tourism and the real costs and value of production.

The economic impacts presented in this report have been produced by converting raw expenditure by UK outbound tourists into output at basic prices of the industries providing for the demands of these tourists.

Gross output at basic prices

Figure 20 shows the results of this translation process of raw UK outbound tourism spending to the output at basic prices of industries in the EU27 destination countries.

Figure 20: Gross output generated by UK tourists in European countries, 2014



Source: ONS, Eurostat, OECD, Cebr analysis

As would be expected given the tourist numbers visiting each country, Spain and France see the largest impact on gross domestic output, with a direct impact from UK tourists of €6.9 billion and €4.6 billion respectively. Following this there is a substantial drop, with Italy receiving just over €2.2 billion. Ireland, Greece, Portugal and Germany all receive over €1 billion.

Overall, the direct impact on gross domestic output across all EU27 countries is just over €24 billion, with Spain and France receiving 48% of this together (29% and 19% respectively), and the top seven countries which receive over €1 billion each taking a combined 84%.

Gross output multiplier impacts

Figure 21 illustrates how €1 of output at basic prices catalyses a further €1.46 across the EU27 economies as a whole, through indirect and induced multiplier impacts. In other words, for every €1

direct contribution made by the directly impacted tourist industries, an additional €0.66 worth of output is stimulated throughout the supply chains of those industries and €0.80 worth of gross output is stimulated through spending of the direct and indirect employees in the wider economy on final goods and services.

Figure 21: Gross output multipliers of UK tourists' spending across the EU



Source: ONS, Eurostat, OECD, Cebr analysis

Table 5 presents the results for each of the EU27 nations, showing the gross domestic output directly stimulated by UK outbound tourism spending, the Type II output multiplier for each industry and the consequent aggregate impacts once these indirect and induced multiplier impacts have been counted.

Table 6: Gross output impact of UK tourists in EU countries

	Direct Impact	TII multipliers	Aggregate impact
Austria	429,385	2.16	926,021
Belgium	550,754	2.18	1,199,887
Bulgaria	191,042	2.31	441,426
Croatia	244,117	2.87	701,113
Cyprus	424,547	1.97	837,643
Czech Republic	220,697	2.23	492,704
Denmark	154,390	2.51	398,480
Estonia	19,757	2.13	42,001
Finland	117,510	2.39	281,355
France	4,622,845	2.51	11,591,294
Germany	1,101,417	2.30	2,537,417
Greece	1,422,360	1.85	2,637,680
Hungary	163,002	2.19	357,670
Ireland	1,422,584	1.81	2,567,959
Italy	2,213,716	2.33	5,161,896
Latvia	55,323	2.87	158,664
Lithuania	151,643	1.91	289,833
Luxembourg	21,604	1.60	34,513
Malta	293,579	2.65	777,228

Netherlands	903,899	2.19	1,978,099
Poland	659,281	2.52	1,663,087
Portugal	1,306,902	2.44	3,191,004
Romania	241,510	2.25	542,383
Slovakia	66,572	1.98	131,756
Slovenia	41,076	2.14	87,792
Spain	6,939,449	2.85	19,785,730
Sweden	127,171	2.16	274,107

Source: ONS, Eurostat, OECD, Cebr analysis

Multiplier impacts based on Leontief input-output framework

Multipliers show the ratio of an induced change in national income to an initial change in the level of final demand spending, where the multiplier effect denotes the phenomenon whereby some initial increase (or decrease) in the rate of spending will bring about a more than proportionate increase (or decrease) in national income. The Keynesian approach barely requires a mention but is very much grounded in macroeconomic analysis, offering little capability to analyse impacts of entities that are smaller than the whole economy.

Input-output analysis, due largely to the work of Wassily Leontief, while macroeconomic in the sense that it involves analysing the economy as a whole, owes its foundations and techniques to the microeconomic analysis of production and consumption. According to ten Raa (2005), some people argue that input-output analysis is at the interface of both, defining it as the study of industries or sectors of the economy.

The well-known Leontief inverse matrix, which shows the inter-industry dependencies of an economy, is the basis for producing so-called 'ordinary' (or traditional) input-output multipliers. These multipliers are for the production side of the economy (as opposed to the demand side under the Keynesian approach) – they measure the ratio of an indirect and induced change in a production-side economic indicator (like GVA or employment) in response to a direct change in that indicator. These are some of the most important tools for measuring the total impact on output, employment and income associated with the economic activities like those of the tourism industries in the EU27 member states.

The Leontief inverse matrix can also be described as the output requirements matrix for final demand, that is, it shows the input requirements from the other sectors of the economy per unit of output produced in the sector under examination. The matrix can be used to produce two types of multiplier – the Type I multiplier incorporating direct and indirect (supply chain) impacts and the Type II multiplier incorporating induced (through higher incomes and resulting greater consumption) impacts as well.

The input-output models and multiplier estimates produced for each of the EU27 nations as part of this study is based on this Leontief input-output modelling approach.

Appendix II: Deconstructed multiplier impacts

DOMESTIC OUTPUT

Table 7: Indirect, induced and aggregate multipliers of UK tourists on gross output

	Indirect per €1	Induced per €1	Aggregate per €1
Austria	0.62	0.54	2.16
Belgium	0.72	0.46	2.18
Bulgaria	0.78	0.53	2.31
Croatia	0.66	1.21	2.87
Cyprus	0.37	0.60	1.97
Czech Republic	0.83	0.40	2.23
Denmark	0.60	0.92	2.51
Estonia	0.62	0.51	2.13
Finland	0.74	0.66	2.39
France	0.74	0.77	2.51
Germany	0.68	0.62	2.30
Greece	0.45	0.40	1.85
Hungary	0.64	0.55	2.19
Ireland	0.42	0.39	1.81
Italy	0.81	0.52	2.33
Latvia	0.83	1.04	2.87
Lithuania	0.46	0.45	1.91
Luxembourg	0.19	0.41	1.60
Malta	0.48	1.17	2.65
Netherlands	0.62	0.56	2.19
Poland	0.73	0.79	2.52
Portugal	0.70	0.74	2.44
Romania	0.71	0.54	2.25
Slovakia	0.58	0.40	1.98
Slovenia	0.60	0.54	2.14
Spain	0.67	1.18	2.85
Sweden	0.58	0.58	2.16

Source: ONS, Eurostat, OECD, Cebr analysis

GVA

Table 8: Indirect, induced and aggregate multipliers of UK tourists on GVA

	Indirect per €1	Induced per €1	Aggregate per €1
Austria	0.51	0.52	2.03
Belgium	0.71	0.56	2.26
Bulgaria	0.78	0.59	2.36
Croatia	0.54	1.14	2.68
Cyprus	0.37	0.68	2.05
Czech Republic	0.90	0.40	2.30
Denmark	0.61	1.20	2.81
Estonia	0.68	0.60	2.28
Finland	0.71	0.72	2.43
France	0.66	0.80	2.46
Germany	0.65	0.64	2.29
Greece	0.39	0.39	1.78
Hungary	0.71	0.68	2.39
Ireland	0.40	0.40	1.80
Italy	0.71	0.53	2.24
Latvia	0.70	0.99	2.68
Lithuania	0.38	0.42	1.81
Luxembourg	0.17	0.50	1.67
Malta	0.39	1.14	2.53
Netherlands	0.60	0.58	2.17
Poland	0.70	0.85	2.55
Portugal	0.61	0.90	2.51
Romania	0.63	0.55	2.18
Slovakia	0.48	0.35	1.83
Slovenia	0.60	0.61	2.21
Spain	0.63	1.34	2.98
Sweden	0.79	0.88	2.67

Source: ONS, Eurostat, OECD, Cebr analysis

EMPLOYMENT

Table 9: Indirect, induced and aggregate multipliers of UK tourists on employment

	Indirect per €1	Induced per €1	Aggregate per €1
Austria	0.39	0.40	1.79
Belgium	0.37	0.35	1.72
Bulgaria	0.43	0.30	1.73
Croatia	0.75	1.46	3.21
Cyprus	0.51	0.86	2.38
Czech Republic	0.55	0.27	1.82
Denmark	0.64	1.39	3.03
Estonia	0.34	0.33	1.67
Finland	0.49	0.46	1.95
France	0.49	0.58	2.07
Germany	0.39	0.41	1.81
Greece	0.41	0.34	1.75
Hungary	0.35	0.40	1.75
Ireland	0.24	0.29	1.52
Italy	0.61	0.45	2.06
Latvia	0.47	0.93	2.40
Lithuania	0.31	0.31	1.61
Luxembourg	0.14	0.73	1.87
Malta	0.41	1.17	2.58
Netherlands	0.30	0.33	1.63
Poland	0.80	1.00	2.80
Portugal	0.52	0.47	1.99
Romania	0.69	0.60	2.29
Slovakia	0.23	0.20	1.43
Slovenia	0.39	0.39	1.78
Spain	0.85	1.79	3.65
Sweden	0.42	0.39	1.81

Source: ONS, Eurostat, OECD, Cebr analysis

EMPLOYEE COMPENSATION

Table 10: Indirect, induced and aggregate multipliers of UK tourists on COE

	Indirect per €1	Induced per €1	Aggregate per €1
Austria	0.50	0.48	1.98
Belgium	0.69	0.47	2.16
Bulgaria	0.61	0.38	1.99
Croatia	0.50	1.09	2.60
Cyprus	0.31	0.75	2.06
Czech Republic	0.91	0.42	2.33
Denmark	0.60	1.24	2.84
Estonia	0.50	0.41	1.90
Finland	0.64	0.57	2.22
France	0.65	0.66	2.31
Germany	0.61	0.58	2.19
Greece	0.55	0.48	2.04
Hungary	0.57	0.51	2.08
Ireland	0.34	0.39	1.73
Italy	0.73	0.49	2.22
Latvia	0.60	0.91	2.51
Lithuania	0.34	0.35	1.69
Luxembourg	0.11	0.49	1.60
Malta	0.35	1.26	2.61
Netherlands	0.57	0.52	2.09
Poland	0.57	0.84	2.41
Portugal	0.54	0.71	2.25
Romania	0.68	0.48	2.17
Slovakia	0.41	0.31	1.72
Slovenia	0.59	0.49	2.09
Spain	0.58	1.32	2.90
Sweden	0.63	0.64	2.26

Source: ONS, Eurostat, OECD, Cebr analysis