Mexico’s Tourism Sector and its Poverty Reduction Potential

Tourism is not generally considered as a sector of economic activity in the System of National Accounts (SNA).

As a result, the tourism sector’s contribution to GDP cannot be assessed directly.

INEGI, Mexico’s National Statistics Institute, produced the Tourism’s Sector Satellite Account, which is part of the SNA.

This allows one to decompose the tourism sector’s contribution to GDP into five sources:
- Manufacturing Industry
- Trade, Restaurants and Hotels
- Transportation, Storage and Communications
- Communal, Social and Personal Services
- Other Goods and Services
Mexico’s Tourism Sector’s GDP

Tourism Sector’s GDP as a share of total GDP in Mexico: 1993-2004

Source: Cuenta Satélite del Turismo de México. Instituto Nacional de Estadística, Geografía e Informática (INEGI).

8.3%
7.0%
6.0%
6.5%
7.0%
7.5%
8.0%
8.5%

Percent

Mexico’s Tourism Sector’s GDP and its Composition

Composition of Mexico’s Tourism Sector’s GDP: 1993-2004

Trade, Restaurants and Hotels 46.4%
Manufacturing Industry 20.3%
Other Goods and Services 2.2%
Transportation, Storage and Communications 25.3%
Communal, Social and Personal Services 5.9%

Source: Cuenta Satélite del Turismo de México. Instituto Nacional de Estadística, Geografía e Informática (INEGI).
Mexico’s Tourism Sector’s Employment

Mexico’s Tourism Sector Employment as a Share of Total Employment: 1993-2004

Source: Cuenta Satélite del Turismo de México. Instituto Nacional de Estadística, Geografía e Informática (INEGI).

Mexico’s Tourism Sector’s Employment and its Composition

Composition of Mexico’s Tourism Sector’s Employment: 1993-2004

Source: Cuenta Satélite del Turismo de México. Instituto Nacional de Estadística, Geografía e Informática (INEGI).
Mexico’s Tourism Sector’s Average Productivity

Average Labor Productivity in Mexico’s Tourism Sector: 1993-2004

The Tourism Sector Satellite Account reveals the following facts:

- The tourism sector represents close to 7% of GDP and 5.4% of total employment in Mexico.
- Within the tourism sector’s GDP, the Trade, restaurant and hotel subsector accounts for the largest part of (47%), followed by Transportation, storage and communications (25%), Manufacturing industry (20%), Communal, social and personal services (6%) and Other goods and services (2%).
- The tourism sector has grown at a lower rate than the rest of the economy: over the period 1993-2004 the economy grew at an average annual growth rate of 2.9%, whereas the tourism sector grew at 1.6%. As a result, the tourism sector contribution to GDP, although high relative to other sectors, has been declining.
- The tourism sector has significantly higher average labor productivity than the rest of the economy.
### Mexico’s Tourism Sector’s Competitiveness

#### World Economic Forum’s 2009 Travel & Tourism Competitiveness Index (TTCI)

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<th>Overall Score</th>
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<th>Travel and Tourism Regulatory framework Score</th>
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Mexico’s Tourism Sector needs to improve particularly in the following areas:

1. Policy rules and regulations
2. Environmental sustainability
3. Safety and security
4. Health and hygiene
5. Prioritization of Travel & Tourism
6. Air transport infrastructure
7. Ground transport infrastructure
8. Tourism infrastructure
9. ICT infrastructure
10. Price competitiveness in the T&T industry
11. Human resources
12. Affinity for Travel & Tourism
13. Natural resources
14. Cultural resources
### Mexico’s Tourism Sector’s Potential for Poverty Reduction

#### Main characteristics
- **National surveys of employment**
  - ENEU
  - Includes 32 metropolitan areas
  - Performed quarterly
  - Rotative panel data of 1 year
  - 199X-2004
- **ENOE**
  - Performs every 10 years
  - Data based on AGEB and aggregated to municipalities
- **National census**
  - Performs annually
  - Data based on AGEB and aggregated to municipalities
  - 199X-2004
- **National count**
  - Performs every 5 years
  - Data based on AGEB and aggregated to municipalities

#### Variables of interest
- **Detailed data on labor markets participation, including sector, income and characteristics of the job**
- **Detailed data on labor markets participation, including sector, income and characteristics of the job**
- **Detailed data on individuals characteristics: location, education, income and some variables of labor markets**
- **Limited data on individuals characteristics: location, education**

#### Limitations
- Information from both sources can not be merge
- Includes “big” metropolitan areas and not “small” communities
- Vary few variables can be used
- Not reliable data on income

### Selection of “touristic” cities
- **Objective**
  - To identify cities where tourism is a driver of growth
- **Criteria**
  - Cities were a high share of economic activity is related to tourism
  - Big cities?
  - Growth?
  - Different types of cities, beaches, colonial towns, cultural capitals and cities in the border
- **Database**
  - Economic census 2004

### Selection of comparison cities
- **Objective**
  - To identify cities where other sectors are drivers of growth
- **Criteria**
  - Cities related to:
    - Maquila
    - Oil
    - Agriculture
    - Government expenditures
    - Match touristic cities with comparison cities in population and marginality index 1995
- **Database**
  - Economic census 2004
  - CONAPO
  - ENOE

### Comparison of outcomes
- **Conclusions**
  - Analyze differences in means in: total employment, formality vs. informality, marginality index 2005, migration
  - Same variables adjusted for migration
  - If possible inequality using ENOE
In the period of our study:
Beaches show the highest growth
Archaeological sites show the lowest growth

Mexico’s Tourism Sector’s Potential for Poverty Reduction