

Economic Impact of Tourism

Tourism ecosystems are so interconnected that a dollar spent by a visitor not only benefits one business or sector but cascades through the entire economy, creating value that extends far beyond the initial transaction. Spending by visitors stimulates direct revenues for transport providers, hotels and attractions, while also creating indirect and induced effects through suppliers, contractors and household consumption. Research shows that globally, for every \$1 in GDP directly generated by tourism, over \$2 in indirect and induced GDP is generated, with the ratio expanding to over \$3 in tourism-centred economies.

Tourism also generates extensive employment ripple effects. The sector directly and indirectly contributes to one in 10 jobs worldwide, with additional employment supported in retail, food production, construction and cultural industries. In one US city study, nearly 18 jobs were created for every \$1 million of tourism output.

Beyond employment, tourism creates powerful fiscal impacts. Taxes collected on accommodation, transport, food and retail purchases provide governments with critical resources for education, healthcare and infrastructure. Visitors to New York, for example, spent \$88 billion across the state economy in 2023, creating \$137 billion in total economic impact and generating \$11 billion in state and local tax revenues.

Tourism-driven investment in infrastructure and experiences enhances the quality of life for both visitors and residents. Improvements to airports, regional/local transport systems, public spaces and event facilities generate value that persists well beyond any single occasion. The Houston Livestock Show and Rodeo is among the world's largest recurring events and delivers consistent economic impact and multiplier benefits to its region. In 2024, the event generated \$326 million in local economic activity, an increase of 44% compared to 2019.²⁴ That spending supported hotels, restaurants, transportation services and ancillary businesses that benefit not only during the event but throughout the year. The regular cadence of the rodeo promotes business confidence in hospitality investment, encourages enhancements of venue capacity and along transport corridors and strengthens the destination's brand internationally. Over time, these recurring benefits contribute to improved services, stronger local employment and infrastructure upgrades that uplift resident well-being.

A similar pattern can be seen in Munich during the annual Oktoberfest. In 2023, the festival drew a record 7.2 million visitors and generated an estimated \$1.3 billion in economic impact for the city. Visitors spent more than \$550 million on accommodation

alone, and the event supported between 12,000 and 13,000 jobs during the festival period. This surge in demand strengthens local supply chains and stimulates continuous improvements in public transport, venue capacity and service infrastructure while reinforcing Munich's cultural brand worldwide. The repetition of these benefits each year provides residents with enhanced urban amenities, a more dynamic economy and lasting tourism momentum.

Tourism's contribution is not only economic. By connecting people across geographies and cultures, it strengthens social fabric, fosters intercultural understanding and empowers communities through inclusive business models. The evidence shows that growth in tourism receipts is closely associated with reductions in poverty levels. Empirical studies across developing and emerging economies find that as tourism revenues rise, poverty rates decline measurably, and in some cases even modest increases in visitor spending have translated into outsized improvements in income distribution and local livelihoods.

Beyond the financial impact, tourism delivers important intangible benefits for individual well being. Research in psychology and tourism studies consistently demonstrates that people derive greater and longer-lasting happiness from anticipating and experiencing travel than from material purchases. As destinations increasingly prioritize holistic well-being, tourism holds the potential to act as a driver of thriving societies as well as thriving economies.