Economic Impact of Tou rism

Tourism ecosystems are so interconnected that a dollar spent by a visi tor not only

benefits one busi ness or sector but cascad es throug h the enti re economy, creating value

that extends far beyond the ini ti al transacti on. Spending by visi tors sti mulates direct

revenues for transport pr oviders, hotels and attract ions, while also creating indi rect and

induced e ffe cts through suppliers, contractors an d household consumption. Resear c h

shows that globally, for every $1 in GDP dir ectl y gener ated by tou rism , over $2 in

indirect and induced GDP is generated, with the ratio expanding t o over $3 in tourism

centred economi es.

Tourism also generates e xtensive employment ripple eff ects. The s ector di rectl y and

indirectl y contributes to one in 10 jobs worldwide, with additional employment

supported in retail, food p roducti on, construction and cult ural industries. In one US city

study, nearly 18 jobs wer e cre ated fo r eve ry $1 mill ion of tourism output.

B eyond employment, tourism creates powerful fiscal im pacts. Taxes co ll ected on

accomm odati on, transpor t, food and retail purchases provide governments with critical

resources for edu cation, healthcar e and infrastr ucture. Visi tors to New York, for

example, spent $88 bil lion across the state econo my in 2023, creating $137 billion in

total economic impact and generating $11 bil li on in state and local tax revenues.

Tourism driven investment in infrastru cture and experien ces enhan ces th e quality o f

life for both visitors and residents. Improv ements to airports, r egional/l ocal transport

systems, public spaces an d event facil it ies gene rate value that persists well beyon d any

single occasion. Th e Hou ston Livestock Show and R odeo is among the wor ld’s largest

recur ring ev ents and d elivers consistent economi c im pact and multiplier benefits to it s

region. In 2024, the event generated $326 million in local economic activity, a n increase

of 44% compa red to 2019.24 That spendi ng supported hotels, restaurants,

transportation servi ces and ancil lary businesses t hat bene fit not only during the ev ent

but throughout the year. T he regular caden ce of th e rodeo promotes business confidenc e

in hospitality investment, encourages enhancem ents of venue capacity and along

transport corridors and st rengthens the desti nation’s brand internationally. Over time,

these re curring b ene fits c ontribute to improved se r vices, stronger local empl oyment and

infrastructure upgrades that uplift resident well being.

A similar patt ern can be seen in Muni ch during the annual Oktobe rfest. In 2023, the

festi val drew a r ecord 7. 2 million visitors and ge nerated an estimated $1. 3 billion in

economic impact for the city. Visitors spent more than $550 million on accommodation

alone, and the event sup ported betwe en 12,000 and 13,000 jobs during the festi val

period. This surge in dem and strengthens lo cal sup ply chains and sti mul ates conti nuous

improvements in publi c transport, venue cap aci ty and service infrastru cture while

reinforcing Muni ch’s cul tural brand worldwide. T he repetition of these be nefits each

year provides residents with enhanced urban am enit ies, a more dynamic economy and

lasting tourism momentum.

Tourism’s contribut ion is not only economic. B y connecting people across geographies

and cultures, it str engthens social f abric, fost ers inter cult ural unde rstanding and

empowers comm unities through inclusi ve busines s models. The eviden ce shows that

growth in tourism rec ei pts is closely associated with reductions in pov erty levels.

Empi rical studi es across developi ng and emergi ng economi es find that as tourism

revenues rise, pov erty rates decline measur ably, and in some c ases ev en modest

increas es in visitor spending have translated int o outsized im provements in income

distribution and local liveli hoods.

B eyond the financial impact, tourism delivers important intangibl e benefits for

individual well being. Research in psychology and tourism studi es c onsistently

demonstrates that people derive greater and longer lasting happiness from anticipating

and experiencing t ravel than from mat erial purchases. As desti nations i ncreasingly

prioritize holistic well be ing, tourism holds the potential to act as a driver of thriving

societies as well as thrivi ng economi es.