

## F-14: Multiplier effects of the tourism sector

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Expenditure on goods and services in one sector is the initial round of income earnings activity which in turn generates several subsequent rounds of indirect and induced income in the economy through multiplier effects. The objective of this study was to investigate the extent of multiplier effects related to the tourism sector of Sri Lanka.

To examine the multiplier effects numerically, "Tourism Multiplier Coefficients" were estimated using the input-output Table Technique. These Multiplier Coefficients showed the sum total of changes in the final outputs throughout the economy, which result from the initial change in the demand for tourism product/activity. The input-output table (prepared by Dept. of Census & Statistics for the year 1985) was updated and modified. The number of sectors of the economy was expanded to 33 by introducing 5 tourism sub-sectors namely: hotel sector, guest house sector, restaurant sector, tourist shops sector & travel agencies sector. Taking into account these sub-sectors Multiplier Coefficients for the tourism sector as a whole as well as for tourism sub-sectors were estimated.

It was estimated that the Multiplier Coefficient for the tourism sector as a whole was 1.82, which showed that, change in the demand for tourism product by Rs.1.00 will generate an additional Rs. 1.82 worth of output in the economy. Estimated Multiplier Coefficients for tourism sub-sectors were 1.53 for the hotel sector; 2.49 for the guest house sector; 2.34 for the restaurant sector; 2.66 for the tourist shops sector and 1.47 for the travel agencies sector.