

## **The Impact of Economic Variables on Domestic Tourism in Egypt**

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### **Abstract:**

This study aims at examining the effect of some economic variables such as inflation, rising price, unemployment and EGP low purchase power on domestic tourism in Egypt and also the impact of economic situation in Egypt on what can domestic tourists do in destinations. In order to do this, a random sample was taken randomly from domestic tourists in different cities in Egypt (Hurghada, Alexandria and Sharm El-Sheikh). The sample size is 203 domestic tourists. A questionnaire close-ended on a 5 point Likert scale was distributed to this sample.

The result was analysed using SPSS software V.19. The main result of this survey indicates that there is a light impact of economic variables on domestic tourism, but a clear effect on what domestic tourists do in destinations. Also, the procedures of the Egyptian government helped to soften the impact of economic variables on domestic tourism. A significant recommendation is suggested for both government and tourist businesses: businesses should depend on local goods and the government should not terminate the initiative of the Ministry of Tourism to encourage domestic tourism and help hotels and resorts to reduce the operating expenditure in the short term.

### **Key words:**

Economic Variables, Domestic Tourism, Egypt

**Introduction:**

This study aims at examining the current economic variables in Egypt, especially, inflation, rising prices, unemployment and the EGP purchase power on domestic tourism.

First, the domestic tourist is defined as "any person residing in a country who travels to a place within the country, outside his/her usual environment for a period not exceeding 12 months" (UNWTO, 2008). Although the definition is clear, but the application is difficult and the results vary between countries. The stays in destination and usual environment have become a problem in the survey, so that the statistics about domestic tourists are confusing (Anter, 2012). Tourism sector always focuses mainly on international tourist flows and their expenditures.

Moreover, statistics on domestic tourism in Egypt are difficult to access and not accurate because the nature of domestic tourism and the method of survey which the Ministry of Tourism depends on.

Table 1 shows domestic tourist in Egypt during 2009 – 2013

<b>Year</b>	2009	2010	2011	2012	2013
<b>Variable</b>					
Total domestic trips	17,750,605	18,190,352	16,481,153	16,724,942	19,548,564
Overnight visitors	7,904,754	8,100,441	7,339,847	7,455,686	8,712,854
Same-day visitors	9,845,851	10,089,911	9,141,305	9,269,256	10,835,710

Source: (OECD, 2014 and 2016)

In 2011, domestic tourist arrivals decreased by 20% when the political uprising against President Mubarak occurred, but the year 2012 witnessed 8% increase in movement to more than 16 million (CAPMAS, 2013; Colliers International Hotels, 2013). A heavy promotion and low price policies in hotels helped to attract domestic tourism. So, from 2012 to 2016, there was an increase in domestic tourism in Egypt, which is estimated by CAPMAS by 10% annually.

On the other hand, WTTC estimated that domestic tourism in Egypt represented 53% of total spending and 47% come from the international tourism (WTTC, 2013).

**Economic Situation in Egypt:**

Over the past year, the Egyptian economy has considerably recovered after four years of slow activity (Bank Audi, 2016). Therefore, the

Egyptian authorities have developed a national program that seeks to promote economic recovery, address the country's fiscal and balance of payments deficits, and lay the foundation for rapid job creation and socially balanced growth in the medium term (UN, 2013).

In term of economic prospects, Egypt now faces a problematic combination of rising food prices (UN, 2013), unemployment (CAPMAS, 2016), stability exchange rates and economic growth (The World Bank, 2016).

At the monetary level, headline inflation remains stubbornly at 11.1% in December 2015. Increased downward pressure on the pound has prompted state-owned banks to increase interest rates on some of their local-currency savings products (Bank Audi, 2016). The inflation eased slowly in early 2016, reaching 9% in February 2016 until it reaches 31% in 2017 (CBE, 2017). The Central Bank of Egypt (CBE) has recently started tightening monetary policy to curb inflation, especially in the recent exchange rate depreciation (The World Bank, 2016). On the other hand, the gradual depreciation of the Egyptian Pound against the US dollar affected the consumer prices in Egypt, where the record year of consumer price is 227.5 for January 2017 (CAPMAS, 2017).

In terms of labour force, the UNDP Human Development Index ranked Egypt 131 on the gender inequality out of 155 countries (UNDP, 2017). The CAPMAS (2017) announced that unemployment inched downwards to 12.6% versus 13.3% in 2016. The unemployment situation appears critical in Egypt due to the political and economic uncertainties which have led to a reduction in the income of tourism and the lack of visibility among investors (UN, 2013).

### **Methodology:**

The main purpose of this study is to examine and identify some economic variables and its impact on domestic tourism in Egypt. So, a survey among the domestic tourists has been conducted using a close-ended questionnaire. In order to test the validity and stability of the questionnaire, a pilot study was distributed to a sample of domestic tourists in Egypt during August 2016. Some suggestions and comments have been taken on the questionnaire.

The final questionnaire consists of two parts: the first part is about personal data which describes the sample characteristics and the second part is about some economic variables which could influence domestic tourism in Egypt. For the second part, a 5-point Likert scale was used within the questionnaire, ranking from strongly agree to strongly disagree and marked 1 to 5 points for negative to positive statements respectively.

The Statistical Package for the Social Sciences (SPSS) software version 19 was used to analyse the collected data from the questionnaire. The questionnaire was distributed to 230 domestic tourists in three destinations in Egypt: Hurghada, Alexandria and Sharm El-Sheikh (three of the most preferred destinations to citizens in Egypt). 27 questionnaires were excluded because they did not answer all questions and only 203 questionnaires were accepted to be analysed in this study.

**Results and Discussion**

Table 2 the sample personal data and factors

Items	Number	Percentage %
Gender		
Male	130	64%
Female	73	36%
Age		
Under 25 years	66	32.5%
25-40 years	80	39.4%
40-55 years	46	22.7%
over 55 years	11	5.4%
Material Status		
Married	115	56.6%
Single	88	44.4%
Monthly Income (EGP)		
Less than 3000	17	8.3%
3001– 5000	88	44.4%
5001– 10000	81	40%
More than 10000	17	8.3%
<b>Total</b>	<b>203</b>	<b>100%</b>

The background of the sample indicates that males represent 64% of the sample while females represent 36% of the sample. Most of the sample was married 66.6% and less than 50% were single. Youth segment represents the majority of the respondents, where the respondents aged less than 25 years and those aged from 25 to 40 years represent 71.9% together (32.5% and 39.4% respectively). In terms of the monthly income, less than half of the respondents earn between 3001 and 5000 EGP monthly, and 40% of the respondents earn between 5001 to 10000 EGP monthly. Less than 3000 EGP and more than 10000 EGP represent the same per cent 8.3% of the respondents.

To examine and identify the economic variables which may have impact on domestic tourism in Egypt, the questionnaire contains three different

questions: the first question contains a list of 5 different economic variables which may affect domestic tourism in Egypt, the second question includes a list of 5 different items in the trip which may be influenced by some economic variables in Egypt, and the last question (open-ended) is about the real reasons which motivated the respondents to make a trip.

Table 3 the mean score of economic variables influence domestic tourist in Egypt

<b>Items</b>	<b>Mean</b>
Inflation and rising prices	2.1
High fuel prices	0.38
Unemployment	1.82
EGP drops against US dollar	1.81
The low purchasing power of EGP	1.87

Overall, the analysis of economic variables and its impact on domestic tourism using the SPSS software presents that there is a light impact of economic variables on domestic tourism in spite of the rising prices and inflation in the Egyptian economy which reached over 31% and unemployment which also reached 12.6% in 2016 (CAPMAS, 2016). The analysis shows that the factor of high fuel prices has the lowest impact on the decision of travel making where the Mean score is 0.38. The reason is probably due to the nearness of destination to citizens, so that the cost of fuel is the lowest in the total cost of the trip. On the other hand, inflation and rising prices have the highest impact on trip decision making where the Mean score is 2.1. Some experts note that the increasing of the US dollar price has led to increase in the hotel operating expenditure by more than 25% in 2015. Also, rising prices have led to consuming a large amount of Egyptian income.

Moreover, unemployment, the EGP drops against the US dollar, and the low purchasing power of EGP factors has the same impact on domestic tourism. They have a little impact on trip decision making where the mean scores were 1.82, 1.81, and 1.87 respectively.

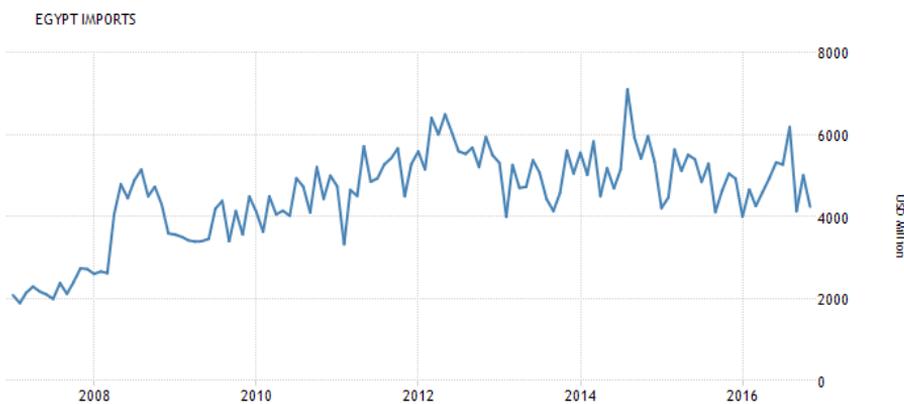
The statistics emphasize that where Ministry of Tourism announced that the number of domestic tourist flows reaches 15 million in 2016 compared to over 15 million in 2015 (Ministry of Tourism, 2016). It means that the impact of economic variables on domestic tourism is low.

Table 4 the Mean score of the economic variables impact on what domestic tourists do at destinations

<b>Items</b>	<b>Mean</b>
Do shopping	2.81

Expenditure at destination	3.34
Dining at restaurants	1.57
Number of nights	0.86
Work optional tours	0.58

In terms of doing shopping and expenditure in the destination, the analysis shows that there is a clear impact on what the domestic tourists do in the destination, where the mean score of doing shopping is 2.81 and the mean score of expenditure in destination is 3.34. This is due to that the tourist business in Egypt is depending on imports from the outside, which affected the price of the US dollar to be doubled against the EGP. So that reducing the price of products depends on the US dollar exchange rates.



SOURCE: WWW.TRADINGECONOMICS.COM | CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS

Source: Trading Economics, 2017.

The analysis of the impacts of the economic variables and their relation to what domestic tourists do at destinations show that there is a little impact of economic variables on what domestic tourists do at destination especially on dining at restaurants 1.57, number of nights of stay in destinations 0.86 and work optional tours 0.58. This may be due to:

- The pricing policies of hotels and resorts at destinations which are low relatively.
- The declines of international tourism demand on Egypt, so that tourist business managed the crisis by depending on domestic tourism.
- Group tours for domestic tourists in Egypt which are low in cost.
- Also, the total cost of hotels and resorts declined because the Ministry of Tourism has been keen on supporting them through delaying loan payments, insurance and electricity bills in order to reduce operational costs (Ministry of Tourism, 2016).

- In addition, "Egypt in our Hearts" initiative that launched from 2015 and extended through 2016 helped domestic tourists in Egypt to travel and make trips.

In terms of the personal variables of the sample, the SPSS software analysis shows that males are more sensitive than females in relation to economic variables and their impact on travel decision where the regression is 0.681. Furthermore, married older and low income tourists are more influenced by economic variables in Egypt than the others, where the regression is 0.683, 0.691 and 0.730 for the married, over 55 years old, and tourists with monthly income less than 3000 EGP respectively.

### **Conclusion**

Upon the above discussion, it can be observed that economic variables in Egypt are still have little impact on travel decision for domestic tourists nowadays, but on the other side, the rising price, inflation and strength of the US dollar against the weakness of the EGP may affect what domestic tourists do in destinations especially doing shopping and expenditure on goods and materials most of which is imported from outside the country.

In addition, the initiative of the Ministry of Tourism in Egypt reduced the side effects of economic variables on domestic tourist flows to destinations and the procedures of the ministry to reduce the operating expenditure for hotels and resorts in order to decline the total cost had a large impact on domestic tourist flows in Egypt and reduced the impact of economic variables on travel decision. Lastly, these procedures cannot be continued in the next period, so economic variable measure will appear clearly on the long run.

### **Recommendations**

In the light of this study, a number of recommendations should be taken into consideration by both government and tourist businesses in Egypt to enhance domestic tourist flows and reduce the side effects of economic variables. This can be summarized as follows:

- Government should continue encouraging domestic tourists and not terminate the initiative of the Ministry of Tourism even if with the return of the international flows.
- Government should continue helping hotels and resorts in destinations on the short run and even to the end of economic crisis in Egypt.

- For tourist businesses, they should depend on local goods and materials not foreign goods. In this way, price will have a little impact and it will help domestic tourists to do shopping in destinations and businesses make profits.
- Government should establish monetary policies to improve the economic conditions.

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