



Tourism At A Glance



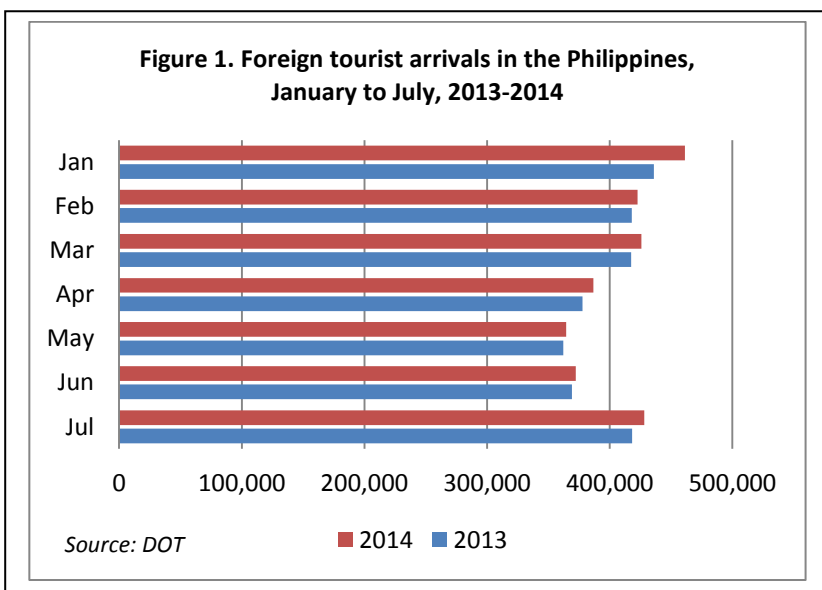
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The tourism industry in the Philippines is an amalgam of services captured in the sectors of hotels and restaurants, transportation, food and beverage, entertainment, and retail trade, among others. An important part of the economy, it is a major contributor in terms of income, employment and foreign exchange earnings.

Tourism statistics. Tourism comprises of the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.¹

- In 1980, foreign tourist/visitor arrivals in the Philippines hit the one-million mark but given the political instability in the years that followed, they started to drop and would not reach that level again until 1988. Since then, tourist arrivals have been on a generally upward trend, breaching the two-million mark in 1996, three million in 2007, and four million in 2012.
- In 2013, tourist arrivals increased to 4.7 million, higher by 9.7 percent compared to the previous year with 4.3 million, but were short of the annual target of 5.5 million set by the Department of Tourism (DOT).
- The lower-than-targeted tourist arrivals were attributed to political and diplomatic conflicts² as well to the spate of natural calamities such as the earthquake in Bohol and Cebu and the super typhoon Yolanda in the last quarter of 2013.



- For the first seven months of 2014, 2.86 million foreign tourists arrived in the country, a growth of 2.24 percent compared to the same period a year ago (Figure 1). South Korea remains to be the country's top tourist market, comprising more than a fifth (23.1 percent) of the total inbound traffic. The next biggest markets are the United States (US), China, Japan and Australia. However, there was a noticeable decline in the number of South Korean tourists as well as those from Hong Kong and Taiwan. Meanwhile, despite the ongoing maritime dispute between the Philippines and China, 8.5 percent more Chinese visited the country during the said period. Tourist arrivals from Malaysia, United Kingdom (UK) and Canada likewise picked up (Table 1).
- These arrivals translated to nearly PhP189.8 billion in tourism receipts in 2013. From January to July 2014, foreign tourists in the country spent PhP126.33 billion, up by 15.3 percent from the same period in the previous year (PhP109.57). According to the DOT, tourism is the fourth largest source of foreign exchange earnings in the country. In terms of employment and contribution to the economy, tourism directly employed 4.9 million people, 32 percent higher than in 2010 and contributed PhP748.3 billion (6.5% of gross domestic product), more than the PhP523.9 billion (5.8%) contribution in 2010.
- In 2013, the average length of stay of foreign tourists was 9.6 days, with tourists from the US staying the longest at 13.4 days. Average spending per foreign tourist in 2013 is estimated at US\$970, up by 8.7 percent in 2012. Tourists from Canada topped the list of biggest spenders at US\$1,393.68 per capita, followed by tourists from

¹ Tourism as defined by the United Nations World Tourism Organization (UNWTO).

² These include the fatal shooting of a Taiwanese fisherman by members of the Philippines Coast Guard, the armed incursion and standoff of the Moro National Liberation Front (MNLF) forces with government troops in Zamboanga, and the so-called Sabah siege where purported members of the Royal Army of the Sultanate of Sulu fought with Malaysian security forces to highlight their territorial claim to Sabah.

Australia (US\$1,334.48), Germany (US\$1,360.34), US (US\$1,334.34), UK (US\$1,306.86) and South Korea (US\$874.59). On a daily basis, a foreign tourist spent an average of US\$101 per day. South Koreans spent the most at US\$140.81 per day.

- As for local tourism, the DOT estimated that domestic tourists also increased from 40.7 million in 2012 to 44.1 million in 2013. Domestic tourists spent approximately PhP2,000 per travel with an average length of stay of four days. Considered as peak seasons for local tourists are Christmas and Holy Week.

Philippines: the region's most improved country. Based on the 2013 Travel & Tourism Competitiveness Index (TTCI),³ the Philippines in 2013 was the most improved country in the Asia-Pacific region due to the policy improvements effected in the industry. It ranked 17th regionally (out of 25 countries) and 82nd overall (out of 140 countries), up by 12 notches from the last report edition (Table 4). It was noted that of the 14 “pillars” of the travel and tourism (T&T) industry (Table 2), the Philippines’ comparative strengths were in its natural resources (44th), price competitiveness (24th) and its prioritization of the T&T industry (15th). In terms of specific indicators, the report likewise showed that government spending on tourism (as a percentage of total government spending) the Philippines ranked 1st in the world.⁴ The country also ranked favorably and made it to the top 50 in some tourism-related indicators (Table 3).

Table 1. Foreign tourist arrivals in the Philippines (Top 12 markets) January to July 2013-2014

Country	Jan.-July 2014	% Share	Jan.-July 2013	% Share	Growth Rate (in %)
1. South Korea	662,228	23.14	706,998	25.26	-6.33
2. United States	449,793	15.72	417,904	14.93	7.63
3. China	268,028	9.37	246,967	8.82	8.53
4. Japan	259,086	9.05	245,817	8.78	5.40
5. Australia	126,745	4.43	118,186	4.22	7.24
6. Singapore	105,333	3.68	100,334	3.58	4.98
7. Canada	86,225	3.01	77,756	2.77	11.03
8. United Kingdom	81,248	2.84	71,088	2.53	14.29
9. Taiwan	82,787	2.69	95,545	3.41	-13.35
10. Malaysia	78,149	2.73	62,893	2.24	24.26
11. Hong Kong	67,034	2.34	76,555	2.73	-12.44
12. Germany	43,559	1.52	41,990	1.50	3.74

Source: DOT

Table 2. Philippines’ Ranking in TTCI subindexes and pillars (out of 140 countries)

TTCI (Biennial Report)	Rank
2013 Travel & Tourism Competitiveness Index	82
2011 Travel & Tourism Competitiveness Index	94
2009 Travel & Tourism Competitiveness Index	86
TTCI’s 3 Subindexes and 14 Pillars	
T&T Regulatory Framework	70
Policy rules and regulations	53
Environmental sustainability	83
Safety and security	103
Health and hygiene	94
Prioritization of T&T	15
T&T Business Environment and Infrastructure	89
Air transport infrastructure	69
Ground transport infrastructure	89
Tourism infrastructure	92
ICT infrastructure	96
Price competitiveness in T&T industry	24
T&T Human, Cultural and Natural Resources	64
Human resources	82
Affinity for T&T	42
Natural resources	44
Cultural resources	83

Source: World Economic Forum

Table 3. Philippines’ ranking in some TTCI indicators in 2013 (Top 50 only)

Indicators	Rank
Visa requirements	7
Environmental treaty ratification	39
Government prioritization of the T&T industry	46
Travel and Tourism government expenditure	1
Timeliness of Travel and Tourism data	17
Domestic airline seat km/week	20
International airline seat km/week	31
Number of operating airlines	39
Road density	44
Presence of major car rental	32
Ticket taxes and airport charges	17
Fuel price per liter	34
Hotel price index	36
Quality of educational system	45
Extent of staff training	32
Attitude of population toward foreign visitors	26
Extension of business trips recommended	20
Degree of customer orientation	27
Number of world heritage natural sites	25
Total known species	40
Marine protected areas	39
Creative industries exports	50

Source: World Economic Forum

³ The TTCI aims to measure the factors and policies that make it attractive to develop the T&T sector in different countries. It covers three broad categories of variables or pillars that facilitate or drive T&T competitiveness which are presented into the three subindexes, which are further divided into 14 pillars, which, in turn, are composed of 83 individual indicators.

⁴ Based on the 2013 TTCI Technical Notes, this indicator measures T&T government expenditure as percentage of the total government budget in 2011. The measure includes transfers or subsidies made by government agencies to provide T&T services such as cultural (e.g., museums), recreational (e.g., national parks), and clearance (e.g., immigration/customs), among others, to visitors.

The report likewise noted that the Philippines has been ensuring that several aspects of its policy and regulations regime are conducive to the development of the T&T industry. Among these are better protection of property rights, more openness toward foreign investments, and few visa requirements for foreign visitors (ranked 7th). Still, there remain some challenges—difficulty of starting a business in the country in terms of cost and length of the process; safety and security concerns; inadequate health and hygiene; and underdeveloped ground transport, tourism and information and communications technology (ICT) infrastructure.

Table 4. TTCI: Asia Pacific (25 countries) and overall (140 countries)

Country	2011		2013		Travel and tourism index		
	Regional	Overall	Regional	Overall	Regulatory framework	Bus. envi. & infra.	Human, cultural & natural resources
Singapore	1	10	1	10	6	4	25
Australia	3	13	2	11	23	25	4
New Zealand	4	19	3	12	4	12	22
Japan	5	22	4	14	24	24	10
Hong Kong	2	12	5	15	19	3	29
South Korea	6	32	6	25	38	17	20
Taiwan	8	37	7	33	29	34	44
Malaysia	7	35	8	34	55	41	17
Thailand	10	41	9	43	76	44	23
China	9	39	10	45	71	63	13
India	12	68	11	65	110	67	21
Indonesia	13	74	12	70	95	84	31
Brunei	11	67	13	72	94	57	67
Sri Lanka	15	81	14	74	61	86	66
Azerbaijan	16	83	15	78	46	87	96
Vietnam	14	80	16	80	88	94	43
Philippines	18	94	17	82	70	89	64
Kazakhstan	17	93	18	88	62	79	119
Mongolia	19	101	19	99	91	107	90
Cambodia	21	109	20	106	105	112	78
Kyrgyzstan	20	107	21	11	93	131	103
Nepal	22	112	22	112	100	128	105
Tajikistan	23	118	23	114	90	123	122
Pakistan	24	125	24	122	131	104	116
Bangladesh	25	129	25	123	124	109	124

Source: World Economic Forum

Prospects. Consistent with the National Tourism Development Plan, the DOT has set the following targets:

Table 5. Tourism targets, 2013-2016

Particulars	2013	2014	2015	2016
International visitors (in million)	5.5	6.8	8.2	10.0
Inbound receipts (in billion PhP)	205.4	269.6	350.2	455.0
Domestic travelers (in million)	44.1	47.7	51.7	56.1
Domestic receipts (in billion PhP)	1298.6	1409.2	1607.1	1852.1
Total visitor receipts (in billion PhP)	1504.0	1679.1	1957.5	2307.1
% Share of gross domestic product (GDP)	6.7	7.0	7.8	8.7
Tourism employment (in million)	4.9	5.4	6.3	7.4
% Share to national employment	13.0	14.2	16.2	18.8

Source: DOT

The DOT initially targeted 35.5 million domestic travelers for 2016. But as early as 2011, this was already surpassed with local travelers hitting 37.5 million. It thus raised its target on domestic tourists to 47.7 million in 2014 and 56.1 million by 2016, 58 percent higher than what was originally planned.

Despite missing the target for foreign tourist arrivals in 2013, the government is still targeting 6.8 million foreign tourists for 2014. The Philippine tourism industry is expected to benefit from the numerous tourism-related awards

and citations it received in 2013 (Table 6). Moreover, the return of the local commercial aviation industry to Category 1 status by the US Federal Aviation Administration (FAA) will allow Philippine carriers to schedule more flights to US destinations and hence likely to bring in more foreign tourists.

Table 6. Philippines' citations and awards, 2013

Citation and Award	Organization
Philippines - Best tourist destination	Oriental Morning Post
Philippines - Most romantic destination	Shanghai Morning Post
Philippines - Most improved country in Asia	World Economic Forum-TTCI
Philippines - Top 2 hottest destination	Conde Nast Traveller
Philippines - One of the 15 hottest destinations	Travel+ Leisure
Philippines - 46 places to go in 2013 (rank 17 th)	New York Times
Philippines' DOT - One of the most innovative foreign tourism departments	Beijing News
Philippines' DOT - Highly recommended in destination marketing category	11 th Routes Conf. & Exhibition
Palawan and Boracay - World's best islands 2013	Travel+ Leisure
El Nido, Palawan; Puka Beach, Boracay; and Palau Island, Cagayan - World's 100 best beaches	CNN Travel
Boracay - 10 Best proposal destinations	CNN
Boracay - Traveler's choice best beaches in Asia	TripAdvisor

Source: DOT

Currently, the Philippines is developing its niches in diving, medical travel and wellness, and cruise destination. With its advantage of having English as a second language, it is also developing its education tourism niche. For 2014, the DOT is targeting more European countries. To date, the government has granted visa-free privilege to seven more countries whose tourists are high-spending and long-staying: Belize, Croatia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The granting of the same privilege is also being considered for China and India. Furthermore, investments have been lined up to meet the room demands and improve room capacity by some 5,100, mostly in Metro Manila.

Strategic directions. The DOT shifted its marketing efforts towards site-specific destinations. The strategy is for more popular attractions to help boost tourism in other destinations in the same cluster. It identified seven clusters in Northern Philippines with 27 tourism development areas (TDAs), six clusters in Central Philippines with 25 TDAs, and seven clusters in Southern Philippines with 26 TDAs. The top nine cluster destinations in order of importance are: Central Visayas; Metro Manila and environs; Central Luzon; Palawan; Western Visayas; Davao Gulf and Coast; Northern Mindanao; Bicol; and Laoag-Vigan.

On the legislative front, eight tourism-related Senate bills⁵ seek to promote tourism and improve the practice of the industry in the country are filed in the 16th Congress: 1) Senate Bill No. 1805 or the Visit Philippines Act seeks to establish an intergovernmental task force for international visitor assistance to make the country a premier T&T destination in the world; 2) SBN 1989 or the Online Travel Safety Act seeks to protect the health and safety of consumers/travelers by requiring all site operators of locally-hosted travel or shopping websites to provide information regarding the health and safety risks that may be associated with a particular travel destination; 3) SBN 1697 or the Responsible Tourism Act seeks to establish the Center for Responsible Tourism, which shall create a program for the promotion of responsible and sustainable tourism; 4) SBN 990 or the National Scenic Byways Program seeks to recognize, protect and promote outstanding roads in the country with scenic, historic, cultural, natural, recreational and archaeological qualities; 5) SBN 2092 or the Medical Tourism Act seeks to capitalize on the country's burgeoning popularity as a medical tourism destination by putting in place policies that will help ensure the international competitiveness of the industry; 6) SBN 899 or the Travel Agents Act seeks to improve the quality of travel agents in the country by regulating the profession; 7) SBN 2018 or the Travel Tax Reform Act seeks to allocate all proceeds from the collection of travel tax to the Tourism Infrastructure Enterprise Zone Authority (TIEZA) since under the present set-up, the TIEZA receives 50 percent of the proceeds of the tax with the Commission on Higher Education (CHED) receiving 40 percent and the National Commission for Culture and the Arts (NCCA) receiving 10 percent; and 8) SBN 1463 or the National Ecotourism Policy Act seeks to create a National Ecotourism Commission that will formulate and implement an ecotourism master plan and establish an Ecotourism Fund sourced from 20 percent of the proceeds from the travel tax which will be used to carry out the objectives of the said master plan.

⁵ SBNs 899 and 990 were filed by Senator Antonio "Sonny" Trillanes IV; SBNs 1463 and 2018 by Senator Jinggoy Ejercito Estrada; SBNs 1697, 1805 and 1989 by Senator Miriam Defensor Santiago; and SBN 2092 by Senator Manuel "Lito" Lapid.