

ABSTRACT

Tourism sector has a strategic role in economy that has been one of foreign exchange sources for country and that has accelerated growth to other economic sector. However, tourism is prone to changes of global economic condition in which could affect Indonesian tourism demand as shown by number of tourism inbound.

The aim of this study was to analyze the change of GNP per capita and relative price; and impact to output and income in Indonesia economy. Two-step-analysis were employed to reach the objectives. The first step is using dynamic panel Error Correction Model to estimate the impact of GNP per capita and relative price to tourism demand in short-run and long-run. The second step is using Input–Output analysis to analyze the impact of the change of tourist's expenditure due to change of GNP per capita and relative price to output and income in Indonesia economy, especially tourism sector.

The results showed that both in the long-run and short-run, GNP per capita and relative price affected Indonesia tourism demand significantly. The decrease in per capita and the increase in relative price decrease tourism demand due to bearing for tourists' expenditure. Furthermore, the decrease induces a decline in output and income of Indonesia, especially tourism sector. The tourism sector which the most suffered of it is food and beverage sector, while the others sector which also the most suffered of it are trades sector, crops sector, oil and gas sector, food industry, processing and preservation sector, fisheries sector and farms sector.

Keyword: Tourism demand, GNP per capita, Relative Price, Error Correction Model, Input Output analysis, Indonesia