The Pattern and the Impact of Middle Eastern Tourist Spending on Malaysia's Economy

(Corak dan Kesan Perbelanjaan Pelancong dari Timur Tengah ke atas Ekonomi Malaysia)

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ABSTRACT

The main objective of this research is to study the spending patterns of tourists from the Middle Eastern countries and to analyse their impact on Malaysia's economy utilising the input-output method. The Malaysian Input Output Table 2000 is used to estimate the important indicators such as the output, the tax revenue, the import and the employment multipliers. Aside from the data and the information in the input-output table, this study also estimates the expenses of the Middle Eastern tourists using a survey. The input-output table is aggregated into 18 sectors, and 5 of the sectors are related to tourism. From the estimation, the values of the multipliers range from 1.109-2.17 for the output multiplier, 0.048-0.592 for the import multiplier, 0.001-0.194 for the employment multiplier and 0.002-0.053 for the tax revenue multiplier. The differences in the multiplier values would provide a different degree of impact from tourist spending on the sectors in the economy. The sectors that provide more services to tourists would benefit from a greater impact than other sectors. The degree of impact experienced by the different sectors is determined by the pattern of tourist spending.

Keywords: input-output; middle eastern tourist; multiplier; totaleconomic impact; tourist spending

ABSTRAK

Tujuan utama kajian ini meneliti corak perbelanjaan pelancong dari Timur Tengah dan menganalisis kesannya kepada ekonomi Malaysia dengan menggunakan kaedah Input-Output. Jadual Input Output Malaysia 2000 digunakan untuk menganggar indikator penting seperti nilai pengganda output, hasil cukai, import, dan guna tenaga. Disamping maklumat dalam Jadual Input Output, kajian ini juga menggunakan data/ maklumat perbelanjaan pelancong Asia Barat yang diperoleh daripada survei. Kajian ini mengagregatkan jadual input output kepada 18 sektor dan 5 daripadanya adalah berkaitan dengan sektor pelancongan. Hasil kajian mendapati nilai pengganda output antara 1.109-2.17, nilai pengganda import antara 0.048-0.592, pengganda guna tenaga antara 0.001-0.194 manakala pengganda cukai antara 0.002-0.053. Perbezaan dalam nilai pengganda memberikan impak yang berbeza dalam sektor ekonomi kesan daripada perbelanjaan pelancong di negara ini. Sektor yang banyak memberikan perkhidmatan kepada pelancong akan menerima impak yang lebih besar berbanding dengan sektor yang lain. Impak yang berbeza di setiap sektor ini bergantung kepada corak perbelanjaan pelancong.

Kata kunci: input-output; pelancong timur tengah; nilai pengganda; impak ekonomi keseluruhan; perbelanjaan pelancong

INTRODUCTION

Tourists from various countries demonstrate different spending patterns for the multitude of tourism activities that they undertake. These activities include the destinations they have chosen, the recreational activities they enjoyed, their choices or purchase priorities and other spending components (Wang and Ryan 1998). Nonetheless, regardless of their spending patterns, the spending is important and it effects the development of the tourism industry.

Internationally, it is estimated that in 1950, a total of USD2.1 billion had been spent by tourists with 25.3 million international tourist arrivals. The total spending has increased to USD944 billion in 2008 with 922 million total tourist arrivals. These numbers translate into almost 2.5 million people travelling internationally and spending over USD2.6 billion on daily basis in 2008. International tourist arrivals are expected to continue to escalate and will contribute USD1,561 billion by 2020. This volume effectively contributes to tourism receipts, and it positively stimulates the economy as a whole (WTO, various years). In fact, this scenario places tourism as the world largest export industry.

Realising tourisms' economic importance, many countries, including Malaysia, develop their tourism

industry. Malaysia has been involved in the tourism industry since 1959, with the establishment of a Tourism Department under the Ministry of Trade. However, the tourism industry only received its first boost in 1987 with the inception of the Ministry of Culture, Art and Tourism. In 2004, this ministry was restructured and dividedinto the Ministry of Tourism and the Ministry of Art, Culture and Heritage to strengthen the tourism industry.

Malaysia's tourism industry has developed rapidly with the involvement of various parties, i.e., the government, corporations and individuals. This growth has also been supported by the availability of a natural environment that supports the development of viable tourism products. This development is proven by the increasing number of arrivals and a level of tourism income that is growing at an encouraging pace. Between 1975 and 2008, Malaysia's tourist arrivals and tourism receipts increased from 1.5 million to 23.6 million and RM390 million to RM53,367 million, respectively. In the context of development, on average during this period, the tourist arrivals and receipts increased annually at the rate of 8.4 percent and 15.6 percent, respectively. Tourism is now becoming an important industry and the second largest contributor to foreign exchange earnings for the country. This is about 5-6 percent of tourism contribution to the country's GDP.

In terms of the number of arrivals, over 50 percent of the tourists to Malaysia are from its nearest neighbour, Singapore, followed by Indonesia and Thailand. However, in terms of arrival growth, Malaysia has recently begun to gain the attention of tourists from the Middle East. This attention might be due to the difficulties these tourists face in gaining entry into Europe and the USA since the incidents on September 11, 2001. However, the significance of the promotional activities by Malaysia's government in these countries cannot be denied. Whatever the reasons behind the increasing number of the Middle Eastern tourists, their arrival brings a positive impact on Malaysia's tourism industry and Malaysia's economy as a whole.

The Middle Eastern tourists have high commercial value for Malaysia's tourism industry and economy. These tourists not only come in great numbers (high growth in arrivals) but they also stay longer while in Malaysia. In addition to their longer stay, they are also big spenders. In 2000, the Middle Eastern tourists had an average spending per capita of RM3,318.30. This spending level increased to RM4,054.10 in 2005 and RM6,0707.70 in 2007. This amount exceeded the per capita spending of other tourists and the average total tourist spending, which is recorded at RM2,196.70 (Ministry of Tourism, various years).

In view of the importance of Malaysia's tourism industry and the importance of the Middle Eastern tourists in terms of the rapid growth rate of arrivals, the high level of spending and the longer length of stay, research on this market is potentially significant. This research can also contribute to the literature in this area. However, there are some limitations to this study.The Input-output

(I-O) table that has been used in this study refers to the I-O 2000 and the average value of Middle Eastern spending of about RM7091. This based on an actual survey that was conducted in 2009. This I-O table and this actual the Middles Eastern spending estimate will be used for the estimation of the economic impact of the tourist Middle Eastern tourists on the Malaysia tourism industry.

LITERATURE REVIEW

The application of the I-O method is not new; however, its utilisation in estimating the impact of tourism on the economy only gained attention after a study performed by Harmston (1969) in Missouri, USA.

One of the major strengthsof the input-output method is its ability to examine the linkages between sectors. In reality, the needs of tourists are provided by various sectors. Thus, any spending by tourists would clearly affect these sectors. Utilising an I-O analysis makes it easier to identify and estimate which sectors are the most and the least affected. Although there are some weaknesses in the I-O method, in particular with regard to its assumptions, it is still a relevant method and is used by many researchers in this field of study. Among the studies using the I-O method are Summary (1987), Fletcher (1989), Archer (1995); Archer and Fletcher (1996), Henry dan Deany (1997), Frechtling and Horvath (1999), Surendra (2000), Kweka et al. (2003), (Zakariah& Bashir (2004), Mohammad et al. (2009).

Most researchers essentially use asimilar approach for their I-O studies. The only difference between the studies is the scope of each. Kweka et al. (2003), for example, use the I-O method to study Tanzania'seconomy. This study emphasises only hotels and restaurants for the tourism sub-sector. Findings from his study have shown that tourists spend a significant amount on these two items.

Surendra (2000) studied the tourist expenditure patterns, the local resources consumed by tourists and the impact of tourism on employment in Nepal. Utilising the closed I-O method, this study found that most of tourist expenditures were on hotels and transportation, including air fare. This study also found a high import multiplier for Nepal's tourism industry. Henry and Deany (1997) also employed the I-O method in a study on Ireland. Allowing for the induced effects from the government and households, their study showed that the impact of tourist expenditures to GNP were greater than the impact of exports. Archer (1995), in his research on Bermuda, found that tourist expenditures had a significant impact on employment. He also found a high income multiplier because of an increase in the value added of the related sectors in the economy.Utilising the standard I-O method, Summary (1987) found that in Kenya, the interrelationship between sectors was very high, whereas the impact on

income and employment were quite low, probably due to a low average wage rate in Kenya.

In Malaysia, Zakariah and Bashir (2004) studied the economic impact resulting from the changing pattern of tourist expenses and tourist profiles for the year 2000 and 2001. Because they used data from the 1991 I-O Table, it is likely that they underestimated the impact, especially for the estimation of income and employment.

Improving on the above study, Mohammad et al. (2009) performed the same study in Malaysia, but used a closed I-O as was done for Nepal. Their results showed that leakages occurred in Malaysia's tourism industry but at a lower rate. The multipliers for the major sectors that are related to tourism such as food and beverages, lodging, transport, shopping and entertainment were found to be moderate. The employment and value-added multipliers were found to be much lower.

This research is not much different from the other studies done by Zakariah and Bashir (2004), Mohammad et al. (2009), Kweka et al. (2003) and Surendra (2000). The main purpose of this study is to analyse the impact of foreign tourist expenses on the various sectors in Malaysia's economy at a macro level. This research focuses on Middle Eastern tourists and uses I-O data generated from I-O 2000 instead of the I-O 1991 data that was employed by Zakariah and Bashir (2004). This study also differs from Mohammad et al. (2009) because this research aggregates the economy into 18 sectors, in which 5 represent the major sectors in the tourism industry.This research also narrows its scope to the Middle East market only, whereas other studies examine all of the markets that contribute to the tourism industry as a whole. This study will be able to evaluate the importance and the strength of the Middle East market for Malaysia's economy as compared to other markets.

As discussed above, the goal of this research is to observe the Middle Eastern tourists' spending patterns and to estimate their impact on Malaysia's economy. The economic impact will be expressed in terms of output (product), government tax revenue, employment and imports.

The discussion framework of this research/paper is as follows: II) The Importance of Middle Eastern Tourism; III) The Research Methodology; IV) The Theoretical Framework for the Input-Output Analysis; V) The Empirical Research Results; VI) The Conclusion and the Policy Implications

THE IMPORTANCE OF MIDDLE EASTERN TOURISM

The Middle East is a region that is politically, geographically and culturally part of the Asian continent, or Africa-Eurasia. The territory is centred between the Mediterranean Sea and the Persian Gulf as well as the area that expands from Anatolia, the Arabian Peninsula and the Sinai Peninsula. The region is also sometimes referred to as an area that encompasses North Africa to the west, Pakistan to the east and Central Asia or the Caucasus to the north. Countries from the Middle Eastern region are countries such as Afghanistan, Algeria, Bahrain, Cyprus, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Turkey, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the UAE, Yemen and Gaza.

The Middle Eastern tourists are well known for their summer travel between June and September. Most of the Middle Eastern tourists who visit Malaysia are from the few major countries of the region. Their arrival is very encouraging. In 1995, the number of tourists from this region was 28,923. In 1998, the number of tourist arrivals improved to 19,571 before escalating to 38,859 in 2000. This number has continued to improve during 2001 and 2002, at 107,775 and 126,239, respectively, before recording a decline in 2003. The tourist arrivals were reduced to 37.96 percent in 2003, as compared to 2002, due to concerns about SARS (Severe Acute Respiratory Syndrome). However, the situation improved in 2004, whenthe number of tourist arrivals from the Middle East escalated to 124,331 for an increase of 58.7 percent. The number of arrivals recorded has continued to improve through 2007, with recorded arrivals at 153,643 and an average annual growth rate of 7.31 percent. Please refer to Table 1.

Based on Table1, out of the region's eight main markets, Saudi Arabia was the highest contributor in terms of Middle Eastern tourist arrivals to Malaysia. Saudi Arabia was followed by the UAE and other countries such as Oman, Kuwait and Lebanon. For example, in 2007, 50 percent of the market was dominated by Saudi Arabia, followed by the UAE at 24.8 percent and then Oman and Kuwait at 12.7 percent and 11.5 percent, respectively.

The arrival of the Middle Eastern tourists not only has a significant impact in terms of the number of tourist arrivals to Malaysia, but, more importantly,it brings high income from tourism receipts. Middle Eastern tourists are fond of shopping and, in general, stay longer in Malaysia (further discussed in the research results). In 2007, Middle Eastern tourists, specifically from Saudi Arabia and the UAE, contributed RM623.9 million and RM239.8 million, respectively, to the Malaysia's tourism receipts. In terms of per capita, both countries recorded spending totals of RM7,968.6 and RM6,283.3, respectively. These numbers are much higher than the average total tourist spending at RM2196.70 (Ministry of Tourism 2008). The higher relative spending and the increased number of tourist arrivals clearly indicate the importance of the Middle East and significantly impact Malaysia's economy.

RESEARCH METHODOLOGY

Two methods have been used in this research. To observe the Middle Eastern tourists' spending patterns, a survey was conducted in Malaysia's primary cities, namely in

TABLE 1. Middle Eastern Arrivals to Malaysia, 1995 – 2007

Countries	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Saudi Arabia				8,925	11,564	27,694	39,815	45,007	20,077	39,432	53,682	67,679	78,298
United Arab Emirates (UAE)				4,637	2,909	2,436	13,735	14,124	6,047	21,161	29,606	35,118	38,170
Kuwait						1,083	7,399	10,470	3,599	12,063	11,506	13,369	17,650
Oman						1,134	7,092	8,634	5,703	7,983	9,228	11,905	19,525
Jordan						2,870	3,653	3,611	2,143	2,029	2,086		
Lebanon						883	4,284	5,336	7,787	9,838	8,522		
Syrian Arab Republic						2,759	18,180	21,109	16,776	8,367	5,613		
Egypt									3,299	4,408	4,888		
Others Middle Eastern Countries	28,923	27,580	16,460	6,009	4,655	5,487	13,617	17,948	12,893	19,050	20,730	20,996	
TOTAL	**28,923**	**27,580**	**16,460**	**19,571**	**19,128**	**38,859**	**107,775**	**126,239**	**78,324**	**124,331**	**145,861**	**149,067**	**153,643**

Source: World Tourism Organisation (Annual)

Kuala Lumpur and Penang. A total of 876 respondents that were Middle Eastern tourists were chosen randomly. The questions in the survey are divided into five sections, as follows: a) Tourist background; b) Travel information such as duration of stay, type of transportation used and destination prior to arriving in Malaysia; c) Purpose and activities as well as factors in choosing Malaysia as a tourism destination; d) Tourist spending patterns; and e) Factors that attracted them to Malaysia as their tourism destination. In this working paper, only the tourist spending patterns will be presented along with some information on the tourist's backgrounds.

To observe the impact of the tourists' spending on Malaysia's economy, the input-output method is employed. Through the I-O method, the economic impact in terms of outputs (products), government tax revenues, employment and imports are presented through their respective multiplier value. Along with these impacts, the total economic impact will also be estimated.

The I-O analysis adopts the I-O Malaysia 2000's business transaction schedule, which was obtained from the Statistics Department of Malaysia. The Malaysian I-O schedule encompasses 94×94 sectors. The sectors are disaggregated into 97×97 sectors and are further aggregated into 18×18 sectors by emphasising the details of the tourism-related sectors. The classification for the aggregation of the tourism sector is in accordance with the classification of the International Standard of Industrial Classification of all Economic Activities (United Nations, 1999).

THE THEORETICAL FRAMEWORK FOR THE INPUT-OUTPUT ANALYSIS

Even though there are various methods that can be used to determine the multiplier value and eventually estimate the impact on the total economy, the I-O method is still almost always the researchers' choice. This preference is due to the I-O model's strength in providing detailed information on allowing for the observation of the direct and indirect impacts in an economic system due to changes in a sector. The I-O model also observes the relationship between/among the sectors (Loomis and Walsh 1997). In this research, the observed changes are referred to as Middle Eastern tourist spending.

As mentioned above, among the researchers who have adopted the I-O method in their research are Summary (1987), Archer (1995), Henry and Deany (1997), Surendra (2000), Raja Albqami (2000) and Kweka et al. (2003). In Malaysia, the I-O model is also used in the research performed by Zakariah and Bashir (2004) and Muhammad et al. (2009).These researches were performed to estimate the economic impact of the tourists' final spending and to further observe whether the income from tourism creates a negative or a positive impact on the economy.

Historically, the I-O method was introduced by Wassily Leontief (1986). This method can be used to analyse the economic structure and the sectors that are inter-related in an economy (Miller and Blair 1985). In the I-O framework, the relationship between/among the economic sectors can be explained by the linear equation below.

$$X - AX = F \qquad \qquad ...(1)$$

where X and F are the vectors for output and final demand, respectively. Meanwhile, A is the technical coefficient matrix. By inserting the identity matrix (I) into the equation, equation (1) becomes equations (2) and (3).

$$(I - A)*X = F \qquad \qquad ...(2)$$

or
$$X = [I - A]^{-1} F \qquad \qquad ...(3)$$

Meanwhile, $[I - A]^{-1}$ is the inverse matrix known as the inter-dependence sector matrix; the elements in this matrix show the purchase input from one sector by another sector when producing a unit of output due to an increase in final demand. In addition, the inter-dependence sector matrix indicates the forward and backward chain/output multiplier for each sector. When this matrix and the final demand vector (F) are multiplied, it indicates the output of a country (X) for each of the total country's sectors.

By using tourist spending, the estimated impact of the tourism industry on a sector's output can be estimated by multiplying the tourist demand vector/spending vector with the Leontief inverse matrix as per equation (3).

The tourist spending impact on employment, tax revenues and imports can also be calculated by using this inverse matrix with some modifications. Here, the inverse matrix needs to be multiplied first with the diagonal coefficients of employment, taxes and imports. The result will produce multipliers for employment, taxes and imports. Meanwhile, the result of the multiplication of these two matrices with the tourist spending vector will produce an estimatefor the economic impact in terms of employment, taxes and imports generated in accordance with a sector or as a total.

This can be seen as per equations (4), (5) and (6) below.

$$GNT = \overset{\Lambda}{W}(I - A)^{-1} F \qquad \qquad ...(4)$$

where GNT is the employment vector and $\overset{\Lambda}{W}$ is the diagonal matrix; its coefficient indicates the employment per ringgit output per sector.

$$HC = \overset{\Lambda}{C}(I - A)^{-1} F \qquad \qquad ...(5)$$

where HC is the vector of total government tax revenue and $\overset{\Lambda}{C}$ is the diagonal matrix; its coefficient indicates tax revenue per ringgit output per sector.

$$IMP = \overset{\Lambda}{M}(I - A)^{-1} F \qquad \qquad ...(6)$$

where IMP is the import vector and $\overset{\Lambda}{M}$ is the diagonal matrix; its coefficient indicates import per ringgit output per sector.

EMPIRICAL RESEARCH FINDINGS

The empirical results from this research are discussed in the following order: a discussion on the Middle Eastern tourists' spending patterns and demographic profile, the estimated multiplier value and the total economic impact analysis.

TOURIST SPENDING PATTERNS

Based on information obtained from the research survey, the spending patterns of the Middle Eastern tourist are shopping (39.4 percent), accommodation (27.3 percent), local transportation (10.0 percent), food and beverages (12.1 percent), entertainment (3 percent) and recreation (7.1 percent). Please refer to Figure 1.

The research found that the tourists' most popular items for purchase are handicrafts, gifts and souvenirs at 35 per cent. The other main shopping items are batik, fabrics and textiles at 16.8 per cent, medical and healthcare at 16.6 per cent, sports equipment at 16.0 per cent and others at 15.6 per cent.

In terms of accommodation expenses, it is found that hotels rated four stars are their primary choice (75.6 per cent). The other options are apartments (6.8 per cent), budget hotels/motels rated three stars (6.1 per cent), dormitories/hostels (3.1 per cent) and staying with relatives/friends (2.9 per cent).

The primary mode of transportation for tourists is public transport, which is good because it contributes toward generating income for the economy. Only 24 per cent of tourists used hired cars.
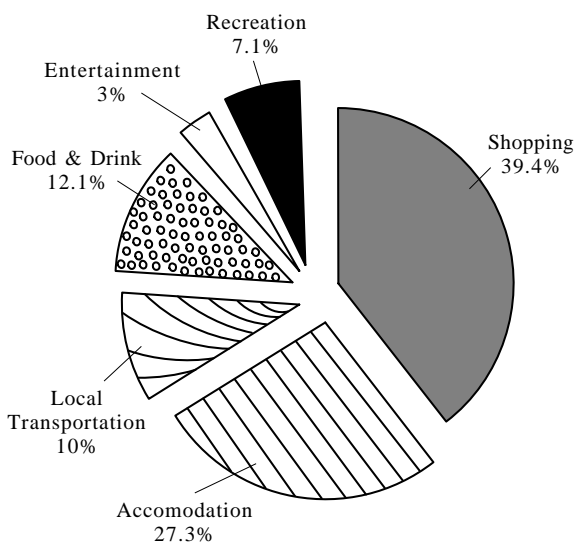

FIGURE 1. Middle Eastern Tourists' Expenses (%)

Majority of the tourists use the American dollar (USD), at 55.8 percent, followed by Malaysia's Ringgit at 32.2 percent, while others use other currencies and credit cards at 12.0 percent.

High spending among the tourists has a relationship with their main activities. Their main activity is city tours (32 percent) with their main choice being Kuala Lumpur. This tour includes a visit to the Kuala Lumpur City Centre (KLCC) and Bukit Bintang area. Other primary activities are visiting the beaches (26.4 percent), the highlands (21.3 percent) and viewing nature (20.3 percent)

TOURIST DEMOGRAPHIC PROFILE

The tourists are from various age groups; most of them are young, with an age range from 20 to 40 (76 percent). Majority of the tourists (75 percent) are male and married. In terms of the purpose of their visit, most of the Middle Eastern tourists (61 percent) are travelling on holiday. Their motives are honeymoons, business, visiting relatives, meetings, tourism incentives, conferences, exhibitions, healthcare and medical reasons and education.

The major occupation of those visiting Malaysia are academics and businessmen, at more than 20 percent; 11.5 percent are managers and 4.9 percent are professionals. Pensioners, the unemployed and support staff represent only 5.2 percent. These statistics show that the tourists visiting Malaysia have high income levels and purchasing power. These tourists contribute to high tourism income. For details, please refer to ATTACHMENT 1.

The research results indicate that the Middle Eastern tourists tend to be big spenders: they stay in expensive hotels, and they are generally younger adults who come for vacation and have good careers. These characteristics are a good indication for the tourism industry because they mirror the tourists' income capability and purchasing power. Moreover, the majority of these tourists (65.2 percent) are from a wealthy nation, Saudi Arabia, followed by Qatar, Jordan, the United Arab Emirates (UAE), Sudan, Syria, Bahrain, Egypt and Iraq. The spending impact for these tourists would be greater if they are excited to buy local goods because it will lessen the leakage due to the outflow of tourism revenue to foreign countries.

ESTIMATED MULTIPLIER VALUES

The economic impact analysis is simplified into two types of analysis: the multiplier analysis and the total economic impact analysis. The multiplier values for all 18 sectors of the economy are shown in Table 2. From this table, we can observe the followings:

1. The highest output multiplier value is contributed by the food and beverage sector (2.170), followed by

TABLE 2. The Output, Government Tax, Employment and Import Multiplier (Based on IO 2000)

Sector/ Industries in the Economy	Output				Government Tax				Employment				Import			
	Initial effect	First Stage effect	Indirect effect	Total	Initial effect	First Stage effect	Indirect effect	Total	Initial effect	First Stage effect	Indirect effect	Total	Initial effect	First Stage effect	Indirect effect	Total
1 Agriculture	1	0.075	0.296	1.370	0.000	0.002	0.003	0.005	0.030	0.006	0.0110	0.047	0.081	0.081	0.105	0.185
2 Mining	1	0.015	0.095	1.109	0.000	0.001	0.001	0.002	0.000	0.001	0.0001	0.001	0.103	0.103	0.025	0.128
3 Food and Drink	1	0.469	0.701	2.170	0.010	0.001	0.005	0.016	0.010	0.008	0.0090	0.027	0.198	0.198	0.145	0.343
4 Manufacturing	1	0.193	0.224	1.418	0.010	0.001	0.002	0.013	0.000	0.005	0.0010	0.006	0.562	0.562	0.030	0.592
5 Utility	1	0.062	0.334	1.396	0.020	0.005	0.004	0.029	0.000	0.003	0.0010	0.003	0.363	0.363	0.091	0.454
6 Construction	1	0.007	0.600	1.607	0.000	0.006	0.006	0.012	0.010	0.008	0.0120	0.029	0.071	0.071	0.199	0.271
7 Wholesale	1	0.008	0.23	1.238	0.000	0.007	0.003	0.010	0.03	0.004	0.0080	0.042	0.082	0.082	0.051	0.132
8 Retail Trade	1	0.003	0.235	1.238	0.010	0.001	0.003	0.014	0.015	0.007	0.0370	0.194	0.212	0.212	0.051	0.263
9 Hotel	1	0.007	0.740	1.747	0.010	0.003	0.006	0.010	0.010	0.003	0.0110	0.023	0.344	0.344	0.132	0.476
10 Transportation	1	0.094	0.504	1.598	0.000	0.007	0.006	0.013	0.020	0.001	0.0110	0.031	0.189	0.189	0.135	0.323
11 Other Transportation and Travel Services	1	0.043	0.555	1.598	0.010	0.007	0.006	0.023	0.000	0.008	0.0040	0.012	0.194	0.194	0.143	0.336
12 Communication	1	0.024	0.264	1.288	0.010	0.001	0.003	0.014	0.000	0.002	0.0010	0.003	0.085	0.085	0.084	0.169
13 Bank	1	0.048	0.192	1.239	0.030	0.001	0.002	0.033	0.010	0.001	0.0020	0.012	0.005	0.005	0.042	0.048
14 Property	1	0.077	0.115	1.192	0.010	0.002	0.001	0.013	0.000	0.002	0.0002	0.002	0.319	0.319	0.026	0.345
15 Private Services	1	0.055	0.309	1.364	0.030	0.002	0.003	0.035	0.030	0.005	0.0110	0.044	0.005	0.005	0.078	0.084
16 Entertainment	1	0.037	0.587	1.624	0.010	0.003	0.008	0.021	0.000	0.0004	0.0002	0.001	0.357	0.357	0.127	0.484
17 Recreation	1	0.037	0.426	1.464	0.040	0.009	0.004	0.053	0.000	0.003	0.0010	0.005	0.007	0.007	0.105	0.112
18 Public Services	1	0.014	0.309	1.323	0.010	0.009	0.004	0.023	0.050	0.001	0.0160	0.067	0.244	0.244	0.075	0.321

hotels (1.747) and entertainment (1.624). These multiplier values indicate that for each ringgit (RM1.00) spent by a Middle Eastern tourist, the output in the food and beverage sector is increased by RM2.17, the output from the hotel sector is increased by RM1.747 and the output from the entertainment sector is increased by RM1.624. It can be seen that the sectors that are related to the tourism industry are the most stimulated by the increased spending by the Middle Eastern tourists.

2. In terms of tax revenue, it is found that each ringgit (RM1.00) spent by a tourist will generate an approximately 11.3sen increase to the government revenue from the tourism sector. This value is from recreation (.053), entertainment (.021), transportation (.013), hotel (.01) and food and beverages (.016).

3. Employment can also be increased with the increase in the Middle Eastern tourists' spending. The highest affected sector is the retail sector, where for each RM10,000 output produced generates 2 units of labour employed. Other sectors,including the farming and public service sectors, have an average number of employed.

4. From the aspect of imports, it is found that the three most stimulated sectors that caused an increase in imports are entertainment, manufacturing and hotels. The materials needed for the manufacturing, the entertainment and the hotel sectors will create high import value. However, each RM1.00 spent on manufacturing or on the manufacturing spending output caused a leakage of 0.592. This leakage occurs because manufacturing expenditure increases imports in terms of the materials needed. Thus, it is desirable to use local materials/products to reduce the leakage in the manufacturing and tourism sectors. In the table, it can be observed that the hotel import value is 0.476 and the entertainment import value is 0.484.

TOTAL ECONOMIC IMPACT ANALYSIS

The Middle Eastern tourist spending directly brings income into Malaysia's tourism industry. The real impact to the total economy from the spending exceeds the initial total tourist spending. This impact is due to the spillover effect. The magnitude of the spillover effect depends on the multiplier. The next section will estimate the total impact to the economy in terms of output, government tax revenues, employment and imports. Please refer to Table 3.

Table 3 shows the tourist spending impact on the tourism output and the other sectors as a whole. While in Malaysia, each tourist from the Middle East spent RM7,091.00. This figure was collected from the 2009 survey. Because the number of tourist arrivals were 200,854 in 2009, this means that a total of RM1,424.3 million had been spent by tourists while they were in Malaysia.

1. Impact on Output
   With spending of RM1424.30 million in 2009 (2009 research result), the impact on the total economy is also increased. It is estimated that there will be an RM2215.92 increase in output in 2009 after the total output of 18 sectors in the economy are added as indicated in Table 3. The sectors that are experiencing an obvious increase are the trade and retail sector (RM576.95 million), followed by the hotel sector (RM403.410 million) and the food and beverage sector (RM389.95 million).

2. Impact on Government tax revenue
   The tourist spending impact on government tax revenue is shown in Table 3. The increased output will generate income for the government through taxes. Table 3 indicates the effect of tourist spending, which generated RM24.158 million in government tax revenue in 2009. The primary sectors that contributed income to the government are the trade and retail sector (RM5.512 million), the hotel sector (RM5.343 million), the recreational sector (RM3.953 million) and the food and beverage sector (RM2.522 million)

3. Impact on Employment
   An increase in Middle Eastern tourist spending will increase the number of employed in all economic sectors. Table 3 indicates that the trade retail sector is the primary sector that generates employment. In 2009, the effect from tourist spending of RM1424.30 million caused a total increase of 127,932 in employment. The main suppliers of employment are the trade retail sector (88.499), the food and beverage sector (8.202), the hotel sector (6.373), the manufacturing sector (4.792) and the transportation sector (4.207).

4. Impact on Import
   Certain tourist products and services cannot be acquired locally. These goods must be imported. These imported activities caused leakages in the economic system. The effects of tourist spending on imported goods and services are shown in Table 3. Overall, a total of RM474.615 million in imported goods is required to fulfil the tourists' requirements/needs in 2009.

CONCLUSION AND POLICY IMPLICATIONS

This study attempts to analyse the spending patterns of the Middle Eastern tourists and their impact on Malaysia's economy. For this purpose, the input-output approach was used. The Malaysian Input-Output Table 2000 was used to estimate the important indicators such as the output, tax revenue, import and employment multipliers. Aside from data and information in the input-

TABLE 3. Estimated Overall Economic Impact on Output, Tax Revenue, Employmentand Imports

No. of Sector	Sector/ Industries in the Economy	Overall Economic Impact			
		Output	Tax Revenue	Employment	Import
1	Agriculture	134.570	0.269	2.597	10.121
2	Mining	8.950	0.010	0.380	0.909
3	Food and Drink	389.950	2.522	8.202	52.680
4	Manufacturing	139.040	1.363	4.792	65.525
5	Utility	54.040	0.785	2.514	18.472
6	Construction	16.480	0.098	1.089	1.167
7	Wholesale and Vehicles	35.880	0.246	1.084	2.922
8	Retail Trade	576.840	5.512	88.499	122.111
9	Hotel	403.410	5.343	6.373	137.791
10	Transportation	189.680	1.269	4.207	32.717
11	Other Transportation and Travel Services	15.110	0.254	0.537	2.804
12	Communications	26.000	0.275	1.742	2.169
13	Bank	12.210	0.366	1.085	0.062
14	Property	27.060	0.294	2.625	8.003
15	Private Services	33.090	1.000	1.600	0.170
16	Entertainment	45.400	0.575	0.049	15.655
17	Recreation	105.460	3.953	0.370	0.672
18	Public Services	2.750	0.024	0.187	0.665

output table, this study also estimates the expenses of Middle Eastern tourists through a survey. The input-output table is aggregated into 18 sectors, 5 of which are related to the tourism sector.

The research results indicate that there is an increased in tourist spending, especially from the Middle Eastern tourists, which has effectively increased output, employment, government tax revenues and the import of goods and services from overseas. Even though the increase in final demand is from the sectors that are related to the tourism sector; the linkages between sectors in an economic system had caused sectors other than tourism to be stimulated as well, with increases in output, employment, tax revenues or import values. This situation will eventually lead to greater economic impact. The research shows that the impacts on the total economy in 2009 through an increase in output, government tax revenues, imports and employment areat RM2,215.92, RM24.158 million and RM474.615 million, respectively, and the total increase in employment is at 127,932.

The increased number of the Middle Eastern tourist arrivals also increased their spending while in Malaysia. More thorough and frequent promotional methods need to be employed to encourage Middle Eastern tourists to choose Malaysia as their holiday destination. The Foreign Ministry and Tourism Malaysia need to be more aggressive in marketing Malaysia overseas. The level of involvement in various international trade expositions also needs to be increased. Currently, Malaysia has promoted health tourism, the Malaysia as a Second Home Program, the "Feel at Home" campaign and education tourism for the Middle Eastern tourists. Malaysia had also taken part in the Arabian Travel Market (ATM) to strengthen the cooperation with over 240 tourism agencies in this region.

The industry's stakeholders also need to take advantage of the opportunities by increasing their service quality and divesifiying of tourism products that correspond with the tastes and desires of the tourists from this region. In view of the different backgrounds of the Middle Eastern tourists, research on the Middle Eastern culture and society should be undertaken so that appropriate and satisfying amenities can be provided. Increased tourist arrivals from this region will continue to bring positive impacts on the country's economy because the Middle Eastern tourists spend more and stay longer in this country and will benefit other sectors as well by increasing employment and job opportunities.

To explore the Middle Eastern market, which is the source of high value tourists for Malaysia's tourism industry, the government needs to provide quality support services and friendly amenities such as road signage in Arabic and encourage the service sector to provide more skilled workers who are able to communicate in Arabic, to ensure the comfort of the tourists from this region. Moreover, job opportunities can be increased by investment in the service sectors to fulfil the needs of the Middle Eastern tourists in this country. In conclusion, joint efforts must be made to attract more Middle Eastern tourists to Malaysia because these tourists have had a huge impact on various related service sectors, throughout the chain of sectors and, ultimately, on the nation's economy.

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ATTACHMENT 1

The Demographic Profile of the Middle Eastern Tourists

Details	Number (person)	Percent (%)
Age Group		
20-<30	397	45.3
30-<40	271	30.9
40-<50	152	17.4
50-<60	50	5.7
60 and above	6	0.7
Gender		
Male	664	75.8
Female	212	24.2
Marital Status		
Married	657	75.0
Single	208	23.7
Divorced	11	1.3
Occupational Group		
Academics	242	27.6
Entrepreneurs	189	21.6
Managers	104	11.9
Professionals	46	5.3
Retirees	25	2.9
Unemployed	21	2.4
Support staff	8	0.91
Other	242	27.6
Primary Market		
Saudi Arabia	571	65.2
Qatar	112	12.8
Yemen	43	4.9
Jordan	43	4.9
UAE	26	3
Kuwait	19	2.2
Sudan	18	2
Egypt	18	2
Syria	10	1.2
Bahrain	8	1
Iraq	8	1
Travel Objective		
Vacation	661	61.43
Honeymoon	133	12.36
Shopping	104	9.67
Education	82	7.62
Business	41	3.81
Visit friend/relatives	33	3.07
Meeting and incentive travel	11	1.02
Health and medicaltreatment	11	1.02

Note: For travel objective, a tourist can have more than one reason.