

Tourism development and economic growth in BIMP-EAGA: A conceptualization with panel data evidence

ABSTRACT

The tourism–growth nexus within the subregional economic group comprising Brunei, Indonesia, Malaysia, and the Philippines has been virtually unexplored with respect to the exchange rate. The baseline hypotheses are growth-led tourism and tourism-led growth, whereby a model is conceptualized with respect to international prices and exchange rates. Data for the 2004–2018 period are analyzed using error corrections, causality, and panel cointegrating regressions with the consideration of cross-sectional dependence using state-of-the-art empirical methods. Significant findings, aided by a conducive exchange rate, favor the tourism-led growth hypothesis. The exchange rate is determined to be a crucial reason for divergence from and convergence toward the long-run equilibrium. The depreciation of the exchange rate appears to be the major factor supporting a sustainable tourism-led growth performance; hence, spillover effects are also expected to other countries in the Association of Southeast Asia Nations.