

The economic importance of tourism in Germany

November 2024



Tourism is not only one of the most important economic factors worldwide, but also makes a significant contribution to the German economy. But how big is this contribution really? The exact determination is complex, as tourism is a cross-sector industry that is closely intertwined with many other markets. This makes it difficult to precisely define the relevant sub-sectors. For example, the retail trade benefits considerably from tourism, but cannot be fully attributed to this sector. As a result, there are often only rough estimates and projections of the amounts generated, as there are no exact figures for individual sectors.

As part of the Hospitality Project at Heilbronn University, the existing travel market analysis from 2006, which Ellen Graeff, Consultant at Horwath HTL Germany, wrote as her dissertation, was updated.

Project Hospitality is an interdisciplinary project in which students carry out independent hotel projects in small groups. They often work in cooperation with tourism companies in order to gain practical experience and master real challenges in the hotel industry.

“Determining the added value of tourism is essential in order to fully understand the economic importance of tourism and to be able to respond strategically,” emphasizes Ellen Graeff. “Precise analyses can not only be used to plan targeted investments and build meaningful partnerships, but also to strengthen competitiveness in the long term and set the course for sustainable growth and regional development.”

The touristic value added

Value added describes the service provided in various economic sectors and distinguishes between direct and indirect value added. Direct value added arises when sales are generated through direct contact between the traveler and a company. Indirect value added results from links with other companies from which intermediate services are purchased. When determining gross value added, intermediate consumption is deducted from the gross production value. For net value added, depreciation, wages, taxes, interest, dividends and profits are also deducted. The proportion of the net result that becomes wages, profits or salaries is known as the value added ratio.



The added value chain covers the various production stages and their intermediate inputs. The first stage is the gross production value, i.e. the value of all goods and services sold to tourists (including business tourists). The second stage is the gross value added, in which the intermediate consumption of the previous stage is deducted. Imports of intermediate goods and services are not taken into account, as they are produced outside the economic area under consideration. To determine the total value added by tourism, the gross value added amounts of the individual stages must be added together. This requires data on tourist expenditure and intra-regional economic interdependencies. The breakdown of tourism expenditure to determine the value added is only possible through the various economic interdependencies in the region.

In the dissertation by Horwath HTL consultant Ellen Graeff and in the updated versions by students at Heilbronn University, the tourism value chain was broken down into services that take place at the home location, including distribution, services provided by tour operators and travel agents, as well as reservation systems and internet portals. This is followed by services provided at the vacation destination, which relate to logistics, i.e. air transport, rail transport, road transport and maritime transport. The hospitality industry includes some of the services at the destination: the accommodation industry with

Figure 1: Tourism value added, own presentation based on Freyer, 2011, p. 136 ff.

conventional accommodation services as well as camping or caravanning and the restaurant and catering industry. The remaining tourism services, some of which are provided at the destination, are ancillary tourism services such as retail, events, entrance fees for cultural events, package deals and travel insurance. The four main sectors all contribute to the overall tourism value added. The respective tourism share of the individual value creation stages in the overall economy is determined by considering and weighting the various sectors and areas in a differentiated manner, depending on whether they have direct or indirect effects, or a primary, secondary or tertiary influence on the overall impact of tourism. The individual service areas and their respective sectors are summarized once again in the following diagram:

Results and developments

The results of the absolute figures for gross and net turnover and the resulting direct and indirect turnover levels show a positive development in the turnover generated in the tourism value chain.

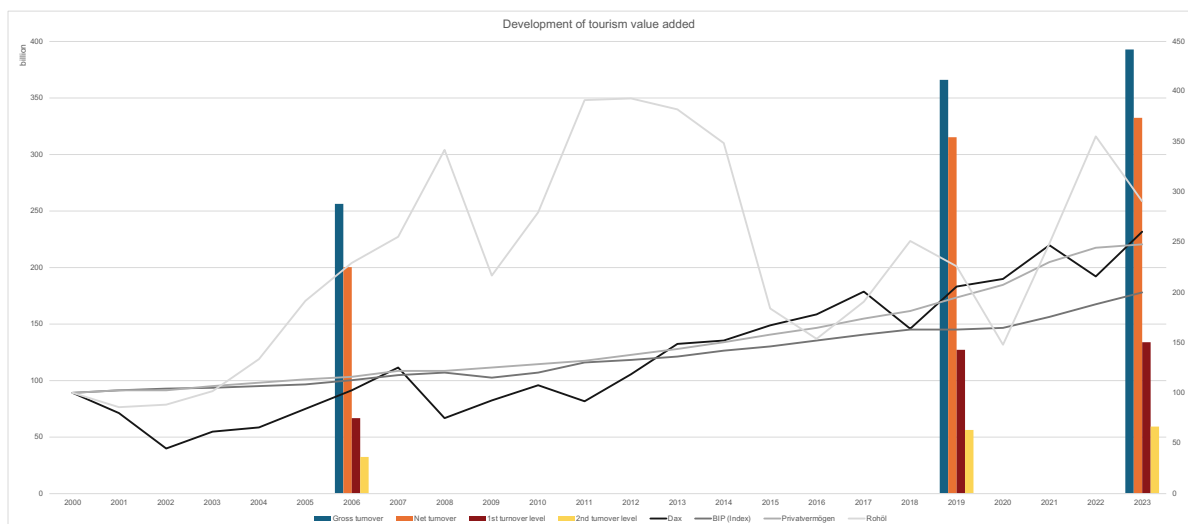


Figure 2: Development of tourism value added, own presentation

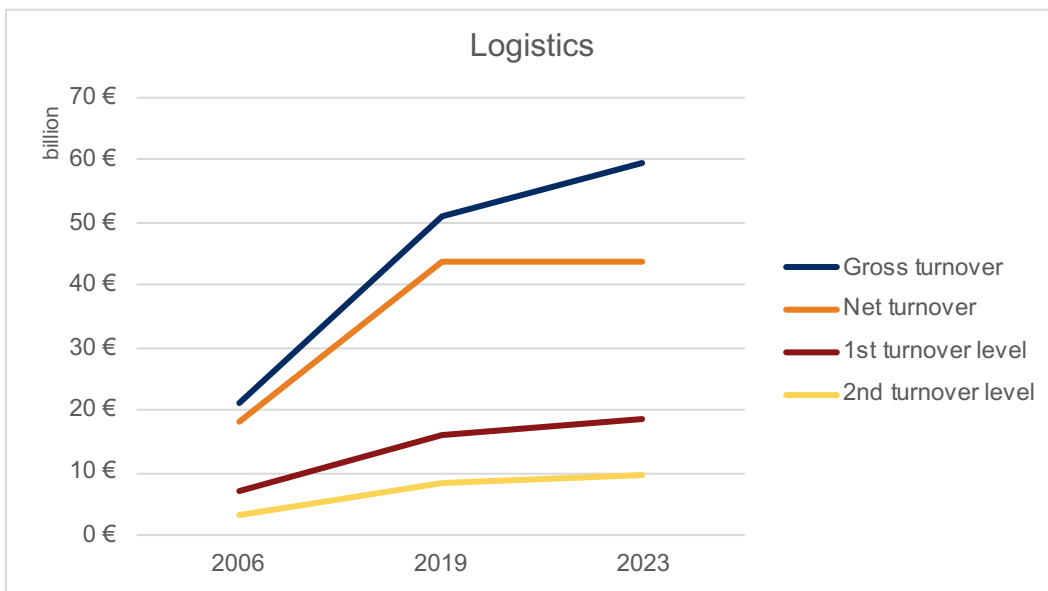
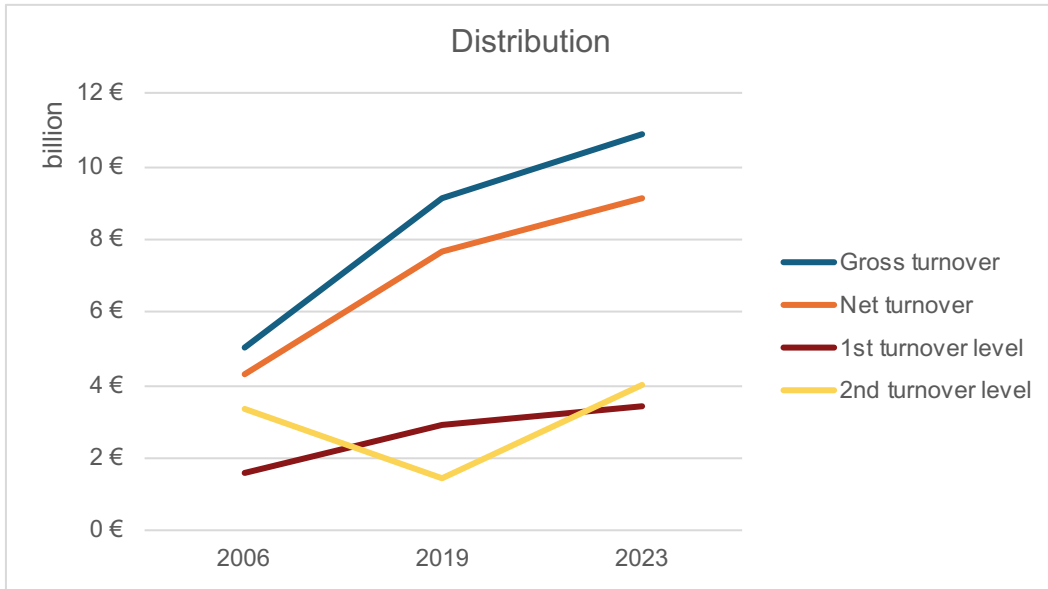
Between 2006 and 2019, tourism's share of GDP rose from 4.27% to 5.28%, underlining the growing importance of this sector for the German economy. This increase illustrates the importance of direct and indirect income from tourism. Until the start of the pandemic, the importance of tourism had been steadily increasing. However, while the overall economy has now exceeded the 2019 level, tourism's share of GDP has not yet returned to its pre-pandemic level. In 2023, the tourism industry accounted for 4.69% of GDP. In comparison, at 4.5%, the automotive industry's share of GDP is slightly lower than that of tourism.

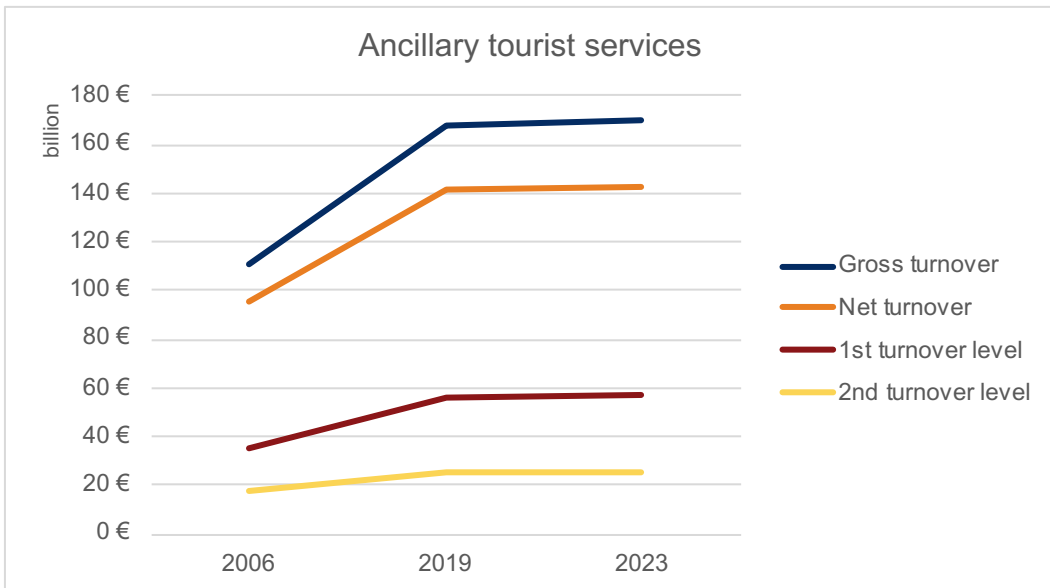
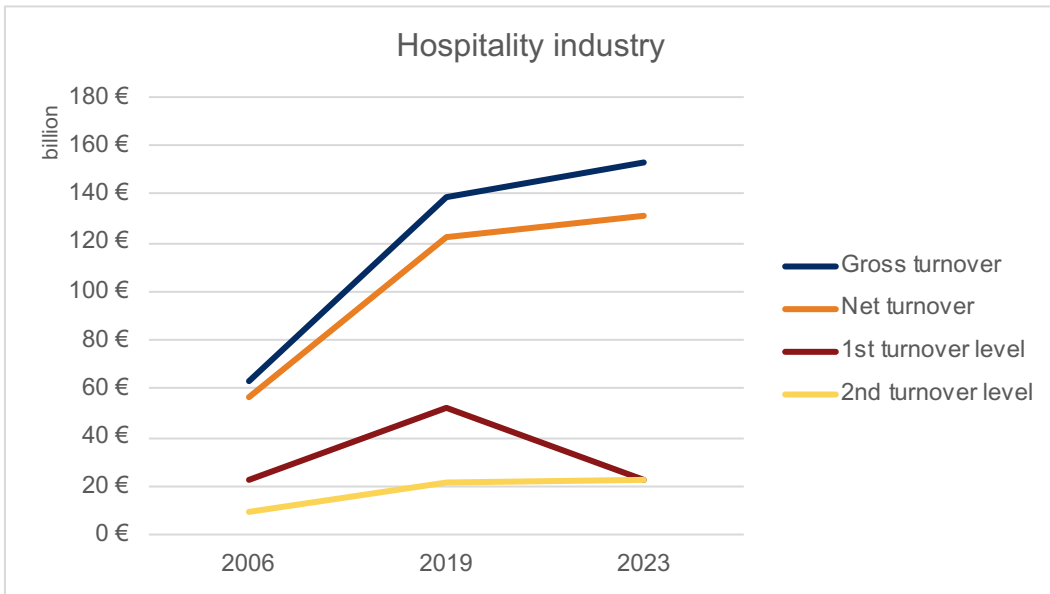
Another key figure in connection with tourism as an economic factor is the employment effect. The special feature of this cross-sector industry is that there are numerous professional qualifications and employment relationships. A significant proportion of employees are seasonal workers, part-time employees, temporary workers or family members. Compared to other sectors, employees in tourism earn below average wages and tend to be younger in the hospitality industry. In 2006, around 5.16 million people were employed in tourism. Of these, 3.48 million jobs were created through direct employment effects and 1.68 million jobs through indirect employment effects. By 2023, this figure has risen slightly and now stands at around 5.29 million. This clearly shows that although many people are employed in the tourism industry, some of them moved to other sectors during and before the pandemic.

The analysis of the tourism value added chain illustrates the complex and multi-layered nature of this industry, the importance of which increased continuously, particularly in the years before the coronavirus pandemic. However, the pandemic has hit the industry hard and the effects are still being felt, particularly in terms of employment figures, which have not yet returned to pre-crisis levels. Since then, the market has been characterized primarily by economic and political uncertainty. Overall, however, the analysis shows that tourism is an extremely resilient industry and continues to play a central role in the German economy.

“In order to strengthen the industry in the long term, a stable foundation of skilled workers is crucial. This includes attractive working conditions and the promotion of genuine enthusiasm for the industry, especially among young people. They must be able to use new technologies and drive innovation themselves in order to be able to react flexibly to future developments. The creativity and flexibility developed during the challenging years should be preserved in order to continue to grow and continuously improve the industry.” Emphasizes Ellen Graeff in conclusion.

Development of the individual sectors of tourism value added within the period under review







Horwath HTL

Hotel, Tourism and Leisure

Horwath HTL Germany

Niedenu 78
60325 Frankfurt am Main
Germany

Kontakt:

Susann Sparwasser

+49 15122070326

ssparwasser@horwathhtl.com



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Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

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