

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Diploma Thesis

**Tourism Economy in the United States: A Case Study of
New York City**

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DIPLOMA THESIS ASSIGNMENT

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Thesis title

Tourism Economy in the United States: A Case Study of New York City

Objectives of thesis

The aim of this diploma thesis is to evaluate specific factors and characteristics that impact incoming tourism to New York City. The case study's focus is to mainly determine which of the few factors influences the amount of inbound visitors coming to New York City the most.

Methodology

In theoretical part, methodology consists of the relevant data will be collected in order to explain all definitions and concepts. The following methods of theoretical part include extraction, deduction, induction and abstraction.

In analytical part, methodology consists of qualitative research in the form of SWOT analysis and both both quantitative and qualitative methods such as measuring the volume of flow of tourism and the value of tourism expenditure including graphs and figures. Statistical data will be gathered and analyses by using econometric methods such as ordinary least square method, normality test of residuals and Breusch-Pagan test.

The proposed extent of the thesis

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Keywords

incoming tourism, United States of America, New York City, economics of tourism, economy, exchange rate, case study

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Declaration

I declare that this diploma thesis titled "Tourism Economy in the United States: A Case Study of New York City" was completed myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 27.03.2018

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Tourism Economy in the United States: A Case Study of New York City

Abstract

The focus of this diploma thesis is to evaluate current situation of inbound tourism to New York City, as well as evaluation of specific characteristics and indicators that impact the flow of international tourists to New York City.

The diploma thesis is divided into two parts. The literature review introduces and defines basic terms and concepts, types and forms of tourism, consumer choice, basic economic concepts and how they are influenced by tourism as well as specific characteristics of the United States and New York City concerning incoming tourism. The practical part provides results of own case study based on econometric analysis and statistical monitoring of tourism in NYC. The first objective of this part is to determine the strong and weak aspects of New York City as a destination of incoming tourism. The second objective is to evaluate specific factors and characteristics that impact incoming tourism to New York City. The case study's focus is to determine which of the few factors influence the number of international visitors coming to New York City the most. The third objective of practical part is to forecast inbound tourist's arrivals to NYC during next few years.

Keywords: incoming tourism, United States of America, New York City, case study, international visitors, exchange rate, occupancy, expenditure, analysis, forecasting

Ekonomika Cestovního Ruchu ve Spojených Státech: Případová Studie New Yorku

Abstrakt

Cílem této diplomové práce je zhodnotit současnou situaci příjezdového cestovního ruchu ve Spojených Státech a zhodnotit specifické charakteristiky a ukazatele, které ovlivňují tok mezinárodních turistů do New Yorku.

Diplomová práce je rozdělena do dvou částí. Přehled literatury uvádí a definuje základní pojmy, typy a formy cestovního ruchu, výběr spotřebitelů, základní ekonomické koncepce a jejich vliv na cestovní ruch, jakož i specifické charakteristiky Spojených států a New Yorku týkající se příjezdového cestovního ruchu. Praktická část poskytuje výsledky vlastní případové studie založené na ekonometrické analýze a statistickém monitoringu cestovního ruchu v New Yorku. Prvním cílem této části je určit silné a slabé stránky New Yorku jako cíl příjezdového cestovního ruchu. Druhým cílem je zhodnotit specifické faktory a charakteristiky, které ovlivňují příjezdový cestovní ruch do New Yorku. Cílem případové studie je určit, které z mála faktorů se nejvíce ovlivňují počet návštěvníků přicházejících do New Yorku. Třetím cílem praktické části je prognóza příchozích turistů do New Yorku během příštích několika let.

Klíčová slova: příjezdový cestovní ruch, Spojené Státy Americké, New York, případová studie, zahraniční návštěvníci, směnný kurz, obsazenost, výdaje, analýza, prognóza

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List of Abbreviations

ADF	Augmented Dickey Fuller
ARIMA	Autoregressive Integrated Moving Average
CISSET	International Centre of Studies on Tourism Economics
<i>e.g.</i>	<i>exempli gratia</i> , for example
<i>etc.</i>	<i>et cetera</i> , and so on
EUR	Euro
EWR	Newark
GDP	Gross domestic product
GNP	Gross national product
IRTS	International Recommendations for Tourism Statistics
JFK	John Fitzgerald Kennedy
LGA	LaGuardia
MTA	Metropolitan Transportation Authority
NCAA	National Collegiate Athletic Association
NYC	New York City
OECD	Organization for Economic Co-operation and Development
OLSM	Ordinary Least Squares Method
OTTI	Office of Travel and Tourism Industries
TTCI	Travel and Tourism Competitiveness Index
UNWTO	United Nations World Tourism Organization
USA	United States of America
USD	United States Dollar
WEF	World Economic Forum
WTO	World Trade Organization
WTTC	World Travel & Tourism Council

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1. Introduction

In modern day society, tourism is definitely one of the leading and most dynamic sectors of the world economy. Lately, in particular, over the last fifty years, tourism has had a high growth rate, and demand of tourism among people continues to grow.

Tourism plays a significant role of the formation of gross domestic product, creating jobs and providing employment of population, interacts and making active foreign trade balance. Tourism has such a huge impact on such key industries as transport and communications, construction, agriculture, production of consumer goods, in other words the social and economic development of a country depends on the rate of tourism. It is important to mention that development of tourism has a positive impact on the maintenance and development of historical and cultural heritage, lead to the harmonization of relations between different countries and nations, that makes government entities actively participate in saving and improvement of the environment.

United States of America is the world's second largest source market. Tourism in the U.S. is a major industry that each year provides services to millions of tourists both for people from abroad and for inhabitants of the United States. New York City is the largest city in America and the most popular tourist destination among travelers. New York City is the world's most significant financial, economic, political and cultural center, that is why this city attracts more and more people from all over the world each year.

Tourism and the flow of tourists is depending on many factors. In this thesis it will be example of New York City will be examined. Its incoming tourism will be measured, and its dependency will be shown by several factors and characteristics.

2. Objectives and Methodology

2.1. Objectives

The main focus of this diploma thesis is the evaluation of inbound tourism in the United States of America, particularly in New York City. The first objective is to determine the positive and negative aspects of New York City as a destination of incoming tourism as well as its possible threats and opportunities. The second objective is to evaluate specific factors and characteristics that impact incoming tourism to New York City. The case study's focus is to determine which of the few factors influence the number of international visitors coming to New York City the most. The third objective is to forecast inbound tourist's arrivals to NYC during next few years.

2.2. Methodology

In the literature review, methodology consists of the relevant information are collected in order to explain all definitions and concepts. Accordingly, types and forms of tourism, consumer choice, basic economic concepts and how they are influenced by tourism as well as characteristics of the United States and New York City as a touristic location were defined and explained. The following methods of literature review include extraction, deduction, induction and abstraction.

In the practical part, methodology consists of qualitative research in the form of SWOT analysis and both quantitative and qualitative methods such as measuring the volume of flow of tourism and the value of tourism expenditure including graphs and figures. Statistical data are gathered and analyzed by using econometric methods such as ordinary least square method, normality test and White's test. For the forecasting the econometric ARIMA test was used. All the results were interpreted including the graphs and figures, which were created for the visualization during the analysis and for the outcome.

3. Literature Review

3.1. Tourism

3.1.1. Definition of Tourism

Before concentrating on the main topic of the thesis of tourism economy in the United States: a case study of New York City, it is important to mention the definition of tourism.

There is a various number of definitions that tourism has. The basic concept of tourism is it is a temporary movement of people from place of residence to another country or area within a country where people live in their spare time for the purpose of vacation and recreation, medical, guest, informative or professional and business purposes.

In 1910 the Austrian economist Hermann Von Schullard provided one of the earliest definitions of tourism as "sum total of operators, mainly of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a certain country, city or a region". According to Tourism Society of England (1976) "tourism is temporary, short-term movement of people to destination outside the places where they normally live and work and their activities during the stay at each destination. It includes movements for all purposes". UNWTO (2018) defined tourism as "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". (UNWTO, 2018)

The concept of tourism has a few particular properties connected to it: the length of stay and the purpose of tourism. The length of stay is divided into short term trips, that may vary up to 7 days, and long term trips, that can be up to 1 year. The purpose of touristic travel may be allocated on vacation, education, business tourism, medical tourism, religious tourism and tourism with a purpose to visit somebody. Before people are able to experience tourism they have to have available income, money to spend on minor expenses during the trip, leisure time and tourism infrastructure such as transport and accommodation. (Dwyer, L., 2006)

3.1.2. Types and Forms of Tourism

United Nations classified three types of tourism as follows.

Domestic tourism

Domestic tourism represents the migratory flows of people within the country of permanent residence with the tourist purposes.

This type of tourism has a great importance for each country. Firstly, thanks to domestic tourism the redistribution of capital of the country occurs between the different regions. However, the capital remains within the country, which in turn stabilizes the national economy. Secondly, due to the continuous improvement of the of domestic tourism, other sectors related to the tourist industry develop, which is also beneficial for the economy of the country. Thirdly, the growth of domestic tourism contributes to the formation of new jobs and provides employment. (Mangion, D., 2005)

Domestic tourism may involve excursions and tours to historical places within a country, the medical-preventive recreation in the medical dispensaries, the resort vacations, for example, summer vacation like a sea or lake tour and winter vacation like skiing and snowboarding.

It is a worth noting, internal tourism is not associated with the crossing of the state border of a country and therefore does not require compliance of tourist formalities.

Outbound tourism

Outbound tourism covers residents traveling outside the country of permanent residence with the tourist purposes.

Outgoing tourism is less beneficial to the economy of a country, primarily because of export of capital by travelers outside of the state. The state income from the given tourism is transportation sector and taxes, that are obtained from tourism organizations, which provide the departure of residents abroad. Therefore, only the field of transportation and tourist agencies offer the new working places. In case of outgoing tourism, the other sectors that tourism industry

includes, usually remain untapped. On the other hand, if the outgoing flow of travelers has a mass character, the income from it can be quite significant. (Dwyer, L., 2006)

The departure of tourists is associated with the outflow of national currency from the country of their permanent residence. Outbound tourism is also called passive tourism, because international payments for tourist operations are recorded in the liabilities side of the balance of payments of the country providing tourists.

Inbound tourism

This type of tourism is characterized as tourism of involving non-resident traveling in the given country. Incoming tourism is definitely more profitable for development of economy of a state, than outgoing tourism. This benefit mainly is that a foreign tourist visits a certain country that differs from his place of residence and imports foreign currency. Accordingly, an increase of the state budget occurs due to the money of another state. Besides, there is a large number of new jobs in various fields of the tourism industry that provides employment and helps improve the standard of living of the country as a whole.

Inbound tourism has is also titled as active tourism, because foreign tourists by paying for goods and services provide revenues to the budget of the host country and thus stimulate its balance of payments.

Both incoming and outgoing tourism refer to people who cross the state border of a country their permanent residence with the tourist purposes have to perform the certain formalities: passport, visa, currency, customs and medical formalities. These rules are imposed by the state in order to reduce to minimum illegal migration, international terrorism, drug trafficking, prostitution, etc., and provide the established order of entry and exit of a country. Simplification and tightening of formalities have a direct impact on international tourist flows, facilitating or complicating the movement of people. (Dwyer, L., 2006)

United Nations also obtained different types of tourism by connecting the three main forms of tourism: internal, national and international.

Internal tourism

Internal tourism consists of domestic tourism and inbound tourism and corresponds to the total domestic tourism consumption, i.e. the total costs of domestic and foreign tourists.

National tourism

National tourism implies domestic tourism and outbound tourism and relates with the category of national production, i.e. gross national product (GNP).

International tourism

International tourism contains inbound tourism and outbound tourism and appropriates with the category of domestic production, i.e. gross domestic product (GDP). As proposed by the WTO, the concept of internal, national and international tourism can be used on four levels: global (the planet level), regional (applicable to a group of countries), country level and local (within the boundaries of individual regions of a country). (WTO, 2016)

3.1.3. Factors of International Tourism Development

The study of trends in tourism in the XX century allows to identify several factors that favor international tourism: socio-economic, demographic, technical, political, recreational, resource and geographical position.

Social and economic factors

The social and economic factors play a major role in international tourism development. These include the overall level of development of the country, the structure of its economy, quality of life, socio-professional composition of the population, its educational level, the degree of urbanization and mobility of the population, political stability, etc.

The importance of socio-economic factors in the development of international tourism is constantly increasing. The expansion of international trade and the improvement of transport facilities have been an important material condition for the development of tourism. It should

be noted that the stereotype of human life is changing from static to dynamic. Moreover, this effect has a mass character. At the current modern pace of work and life, the cost for recreational activities goes into the category of necessary. (Dwyer, L., 2006)

The expansion of the social composition of tourists has a positive impact on the development of international tourism, which was made possible by improving the conditions of salaries, increasing the duration of paid leave, providing workers and employees with various social guarantees and benefits at the expense of enterprises and companies. Tourism is also promoted by lowering the retirement age, which with the increase in life expectancy, has led to the desire to travel for people that are 60 and over years old. Recently, in post-industrial countries, the age of the population has begun to have an increasing impact on tourist flows. The greatest tourist and recreational mobility differ people aged from 30 to 50 years old. Young people represent a small part of travelers. However, the proportion of older travelers is increasing. (Dwyer, L., 2006)

The socio-economic group for the development of international tourism can also include an increase in the cultural level, the desire of people to learn, to be interested in culture and history of other countries and nationalities. Simultaneously there is a development of new types of international tourism relations – scientific and business tourism.

Demographic factors

Demographic factors have a great impact on the development of international tourism. As a result of the growth of the Earth's population, the world's tourism potential increases, new labor resources are involved in tourist activities. Demographic factors also include: constantly increasing mutual interest of people in different countries with a common or related language, or connected by a common history and culture.

Technical factors

Technical factors have a great impact on the growth of tourism and the expansion of its social base. The main ones are related to the development of means of transport,

accommodation, communications, catering, retail, service. In recent decades, as a result of scientific and technological progress, transport has become faster, safer and more comfortable. A specific place in tourist activity is occupied by the industry of accommodation and food. The level of hotel and restaurant service plays an important role in serving foreign tourists. But the tourism industry, especially the accommodation and catering industry, fluctuates in demand for tourism services during the year, which leads to increased costs for the maintenance of accommodation and catering facilities and an increase in the cost of their services.

Political factors

As for the political group of factors that actively contribute to the expansion of international tourism relations, it should be noted, first of all, the factor of internal political stability of the country that receives foreign guests. A major political factor is the existence of interstate and intergovernmental agreements on cooperation in the field of economy, trade, scientific, technical and cultural relations, tourism and exchanges.

Recreational and resource factors

Among the important factors for the development of international tourism include the recreational and resource potential of the territory, which is expressed in the number and quality of natural, cultural and historical resources. However, the impact of recreational and resource potential depends on socio-economic factors and primarily depends on the size and type of recreational needs of the population.

Geographical position factor

No less important is the factor of geographical position that has a few major varieties: physical-geographical, economic-geographical, transport-geographical, geopolitical and ecological-geographical position.

3.2. Economics of Tourism

3.2.1. Consumer Choice in Tourism

The theory of demand is based on the economic model of consumer behavior that explains how people make their choice in favor of certain goods and services and what influences their choices. If the individual wishes to participate in tourism, he faces the problem of further choices. He has to decide where he goes, by what type of transport, where he stays, what visits and how his journey will be organized. In search of an answer to these questions a potential tourist explores the big variety of alternatives and weighs all the "pros" and "cons" of each alternative.

Consumer choice does not depend only on its taste but also on several economic factors. These economic circumstances do not allow people to purchase all the desired benefits people want. Consumption is limited by income and prices of goods and services. The level of income and purchasing power of money set the limits of consumption and force to seek ways of achieving a higher satisfaction within the existing budget. Combining personal preferences with budgetary constraints people make their choices.

Free time is the next of the conditions of tourist activity. These factors have an impact on the demand of all potential tourists and determine opportunities to travel despite specific tourist destination.

3.2.2. Tourism Demand Main Features

Tourism demand has next characteristics: dynamism, diversity and elasticity.

Dynamism

Tourists needs and tourists demand, always change. The needs are constantly expanding and getting extensive. Intense quantitative and qualitative changes in the consumption of tourist services occurred after the second world war with the progress of science and technology, with changes in the political, economic and social spheres, especially with the increase of welfare

and purchasing power of the population in developed countries. The massive displacement of people had started and gave tourism a modern look. Tourist flow is developing rapidly, but unevenly. Economic and other crises make tourism a movable system with constantly changing points of growth and trends. (Lim, C., 1999)

Moreover, tourist activity depends not only on the economic situation of a country, but also on the political situation in the world. The aggravation of the political situation leads to a decrease in the real demand for tourist travel. Some armed conflicts intensify their negative effects on tourism. (Lim, C., 1999)

Fluctuations in attendance countries can be caused by natural phenomena. Sometimes they lead to a sharp and rapid increase in tourist activity, sometimes they lead to its decay. For instance, the last solar eclipse that was August 21st in 2017 in North America and it was especially good to observe it from the certain territories in the United States. As a result, the flows of tourists from all over the country flocked these territories, the hotels were booked long before the solar eclipse and total number of tourist arrivals in U.S. rapidly grew up. (Lim, C., 1999)

But natural phenomena can lead to opposite results by making attractive tourist destinations in extremely dangerous. An example can be the earthquake and strong tsunami in Japan that caused extensive destructions in 2011. Consequently, the flow of tourists in that period of time has dropped. (Lim, C., 1999)

Diversity

During a journey travelers consume different amenities. First of all, it requires the services like housing, food and transport. Entertainment, medical treatment, education and some other motives of tourist travel can generate demand on the specific services. For example, the participants of congresses and business meetings demand additional services that are not directly related to the main purpose of their trip. They are willing to buy tours, attend concerts, exhibitions, another words - combine the professional activities with a cultural and educational vacation. The diversity and complexity of tourism demand created a travel service called a tour.

The expenses on purchases, tours and entertainment purposes often is the main purpose of tourist visit. (Lim, C., 1999)

Elasticity

The elasticity indicates the value of growth or decline in demand, how sensitive tourism demand is to the changes in price, what will be the reaction of demand if income increases by 5, 15 or 20%. Price elasticity of demand determines the relationship between a change in the quantity demanded of a particular good and a change in its price. The volume of demand tends to increase when the price falls and to decrease when the price increases. (Lim, C., 1999)

Price elasticity of demand can be elastic – sensitive to changes in price, inelastic – indifferent to changes in price or it can be equal to one. The sharper competition in the market and wider substitutability of products offered, the higher price elasticity of demand. When the costs of services for any resort rise, people are easily switching to substitutes, showing an increased demand for other resorts with lower cost. Also the time frame within which a decision about a purchase should be taken causes a change in elasticity. Normally, the elasticity is higher in a long term than in a short term. For example, with more time consumers can find a greater number of substitutes for a hotel the price of which is increasing because manufacturers expand production of substitutes. (Lim, C., 1999)

3.2.3. Tourism Supply Main Features

Buyer's Expectation

The success of any firm in the tourism market depends primarily on the attractiveness of supply and produced product. It creates the base of the marketing complex, which combines all the other elements: price, promotion and distribution.

Talking about the tourism supply it is important to mention the definition of products. Philip Kotler – an American economist and professor of marketing at Northwestern University in USA, defines products in tourism industry as “everything that can satisfy a desire or need,

and is offered to the market in order to attract attention, purchasing, use or consumption”. Products also include physical objects, services, ideas, etc.

Often it happens that products that are supplied to the tourism market, do not necessarily correspond to the products that are requested by the buyers. Tourists understand tourism product more widely than suppliers do. Tourists do not need the products in its literal sense of the word that are the objects of commercial transactions, but they need new feelings, adventures, opportunities to expand the business, etc. (Lim, C., 1999)

There is an example. In the late 70’s, New York City already had an extensive tourist infrastructure which included hotels, restaurants, theatres, bars, night clubs and other entertainment objects. These enterprises were included in the tourism industry, but they did not consider themselves as part of a whole because there was no connection between them. The situation began to change after conducting market research of potential customers. Based on consumer requests, different types of tourist services have been connected between each other and were combined into one package, which greatly increased the attraction of their purchase by the tourists. The advertisement of such package contained: tourist infrastructure, cultural activities, accommodation, transport accessibility and entertainments. The campaign has been very successful and has led to the rising popularity of New York City as a tourist center not only in the United States, but also all over the world. (Quayson, J., 1987)

Attractiveness

For the tourist product the main thing is a creation of an attractive image for consumer needs. People’s impression about the destinations not necessarily based on personal experience or reality. Millions of Americans and Europeans have never been in Las Vegas, but perhaps among them there will be many people, who has heard and had their own ideas about this tourist center. Images of destinations are usually very highly motivated to travel, therefore, in tourism marketing, special attention is paid to the creation, maintenance and development of the image, helping to influence the expectations of consumers and create the desired view of the destinations.

Intangibility

Intangibility of tourism services means it is impossible to demonstrate, see, or try it before obtaining. Unlike the purchase of goods, it is impossible to own the service. Even more harder to capture the services offered by hotels and transport companies: by making payment, a tourist does not buy a hotel and plane, but accommodation and transportation.

The elusiveness of services causes problems for both consumers and suppliers. For a buyer it is difficult to understand and value of service before its purchase, and sometimes even after its purchase. Suppliers are faced with problems: how to show to customers their offer and how to explain to buyers what they are paying money for. The seller can only describe the benefits that tourist will get while consumes the services. (Lim, C., 1999)

Therefore, enterprises that provide tourism services increase the tangibility of their services, highlight their importance, focus on the customer receives benefits, attract to the advertising services celebrities, etc. For example, some hotels put on their websites three-dimensional images of rooms. A simple press of buttons and the user can change the view of the room, to enlarge the image of separate details, to see the view from the window. Another example, a golf club website might contain different kind of information like a plan of the fields for playing golf, golfers reviews, prices, hours of operation, etc. All these things minimize the intangibility, they show to consumers the offer better and explain better for what they are paying the money for. (Lim, C., 1999)

3.3. Impacts of Tourism on the Economy

3.3.1. Employment

Employment is one of the major indexes and significant characteristics of tourism impact on the economy. World tourism organization's statistics indicates that every 11th person employed in the country directly or indirectly provides services or sells goods to the tourism sector. According to the IRTS, "employment in the tourism industries refers to all the jobs (or persons engaged) in both tourism-characteristic activities and non-tourism-characteristic

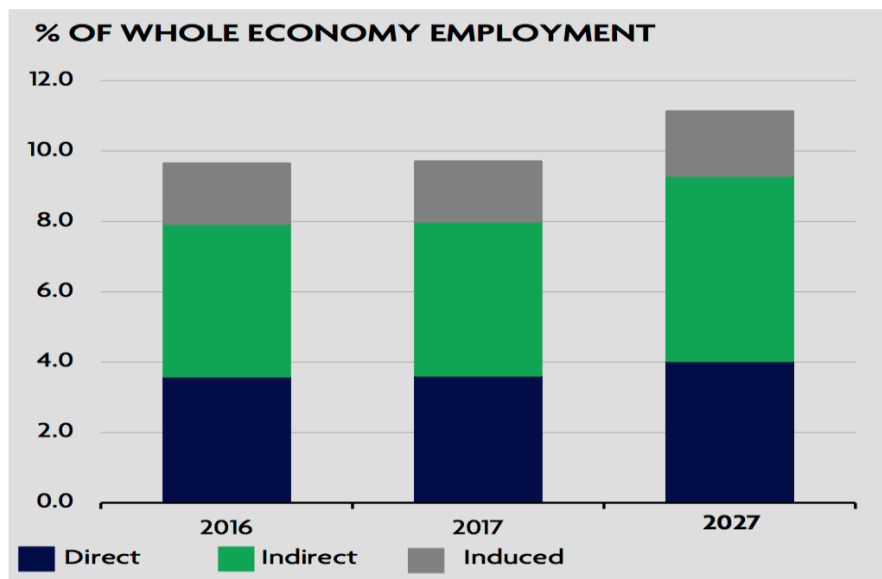
activities in all establishments in tourism industries”. Tourism plays an extensive role in the creation of additional jobs, ensuring employment of population and activation of foreign trade balance. (UNWTO, 2014)

Tourism employment is divided at two different types depending on their engagement and participation in tourism development.

Direct employment presents employees that are in direct contact and direct communication with tourists and that satisfy tourist needs. An example of direct employment would be front offices in hotels, restaurants, travel agencies, tourism information offices aircrafts or shopping malls. (UNWTO, 2014)

Indirect employment presents employees that are in less direct contact and communication with tourists, but still take participation in satisfaction of tourists needs. An example of indirect employment could be restaurant suppliers, construction companies that build and maintain tourist facilities, as well as infrastructure, aircraft manufacturers, marketing agencies or accounting services. (UNWTO, 2014)

Figure 1: World Contribution of Travel and Tourism to Employment



Source: World Travel and Tourism Council (2017)

Figure 1 represents the total contribution of travel and tourism to the world employment and division of direct, indirect and induced employment. According to World Travel & Tourism Council, tourism sector generated 108,741,000 jobs directly in 2016, it is 3.6% of total employment. In 2017 it was forecasted to grow by 2.1% more, which consists of 111,013,000 jobs. This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. (WTTC, 2017)

3.3.2. Tourism Expenditure

Tourism expenditure impacts the national economy of the country, in particular the payment balance, as well as the characteristics of the sectors of the tourism industry itself.

According to the WTO, tourism expenditure is defined as total consumption expenditure made by a visitor, or on behalf of a visitor for goods and services during his or her trip and stay at the destination place. It also includes payments in advance or after the trip for services received during the trip. Visitor's expenditure is determined by the cost of goods and services purchased to satisfy the needs. The goods and services can be extremely various: ranging from services for the transportation, accommodation and food to small consumer durables like goods for a current tourist consumption and souvenirs. (UNWTO, 2014)

There are two types of tourism expenditure: domestic, which is related to the travel of residents in their country; and international, which is related to the direction of the visitor from the country of origin to the country of destination. The outbound tourist flow corresponds to the category of international tourist expenses, and the inbound flow corresponds to the income from international tourist expenses. (Sheldon, P., 1990)

The amount and structure of tourism expenditure during the travel depend on a few circumstances. Experts of the International Centre of Studies on the Tourism Economy at the University of Venice (CISSET) has identified five factors. (NYC Division of Tax Policy, 2016)

Country of origin of a tourist

The social and cultural structure of a country has a strong impact on the purchasing behavior of the residents of that country. In addition, the so-called "currency exchange effect" is associated with the tourist's country of origin. It often determines the choice of a destination, and if the choice is already made — the amount of planned tourist expenses. This applies primarily to countries with a dollar currency or euro currency. (Sheldon, P., 1990)

Area and place of travel

Studies conducted in Italy have shown that trips to the cities with historical heritage, monuments of art and art museums cost tourists more than cities that offer vacation by the sea, by the ocean, in the mountains or on the lakes. The amount of costs also varies by the tourist center. In Venice the international tourism expenditure, as a rule, higher than in Padua or Verona, because the last cities tourist's centers are not as popular. (Sheldon, P., 1990)

Type of accommodation

The amount of costs depends on the type of accommodation that tourists chose: hotel, camping, tourist village, etc. and its category.

Duration of travel

It affects on the choice of type of transport visitors use during the travel, the type of accommodation, as well as the amount of purchases of goods and services made by tourists on vacation, etc.

Season of travel

Season of travel influences tourism expenditure a lot. There are a few seasons when travelers can visit a country: on-season – a season when the most number of tourists comes to visit a foreign country, off-season – a season when the lowest number of travelers comes to visit a foreign country. The amount of tourist expenses varies due to seasonal fluctuations in prices for travel and accommodation at the resort or destination place. (Sheldon, P., 1990)

3.3.3. Exchange Rate

Comparative prices of goods and services in different countries depend on the exchange rates of these countries. As a result, the exchange rates might have a strong impact on tourism flows, their international distribution and a country's economy as whole. In turn, the exchange rates are influenced by international trade and capital flows along with the foreign exchange policy of the state.

Tourist flows and related foreign currency inflows are reflected in the country's balance of payments. For example, if a resident travels abroad, he spends the currency there, this affects negatively on his country's balance sheet and positively on the balance sheet of the host country.

The exchange rate is the comparative price of the currency of one state expressed in the currency unit of another country. Like any market price, the exchange rate is shaped by supply and demand. If supply and demand are balanced in the foreign exchange market that leads to the establishment of an equilibrium level of the market exchange rate, so-called "fundamental equilibrium". (Mangion, D., 2005)

The country's demand for imports of goods and services, tourist expenditure in a host country, the demand for foreign financial assets and the demand for foreign currency regarding of residents to invest abroad allocate the amount of demand for foreign currency. The higher the foreign exchange rate, the less demand for it, therefore, the less people would want to visit a host country; and vice versa – the lower the foreign exchange rate, therefore, more people would want to visit a host country. (Mangion, D., 2005)

Certainly, the variation of exchange rate of one countries might affect the tourism economy of another states. The fluctuation of exchange rates directly affects the cost of flight tickets. For example, if dollar would increase in relation to Czech koruna, there would be a gradual rise in the cost of aircrafts in Czech Republic. The increase of the dollar exchange rate would reduce the purchasing power of Czech people. It is important to note, if such situation would happen, the Czech Koruna's fall would significantly reduce the demand for air tickets to United States and other countries with dollar currency. (Mangion, D., 2005)

The fluctuation of exchange rate also influences the tourist sector of a state through the length of stay abroad, purchasing power, depth of booking, national currency and welfare of a state.

3.4. Tourism in the United States

The United States can offer to the international visitors a respectable and comfortable stay that meets all visitor's possible needs. The country has all the necessities for tourism infrastructure: hotels, restaurants, tourist offices, well-developed system of internal air transport, the possibility of renting a car, a chain of motels and camping sites for trailering and travelling by car, etc.

The country can offer many possibilities for the independent tourism due to many factors: a single language, political stability, the unnecessary presence of a guide, developed public transport in the big cities, road network and highway system. Market of the tourist offer exists in conditions of market competition, which means there is no monopoly, therefore, the tourist services are not overpriced. (Academicworks, 2011)

One of the most important factors in the successful development of tourism in the United States is a strong infrastructure. The hotel industry has 4.6 million rooms in more than 74 thousand accommodation facilities. A specific feature is an absence of a "star" classification of hotels that is adopted in Europe. The income of the hotel business in 2015 amounted to 150 billion U.S. dollars (NYC Division of Tax Policy, 2016). The developed infrastructure makes it possible to organize large – scale sporting events, concerts and festivals that attract millions of tourists from all around the world. For example, only in the last 25 years the United States hosted the Olympic games 4 times (summer 1984 and 1996 and winter 1980 and 2004), and in 1994 the country hosted the world cup championship.

The tourism service infrastructure of the USA is ready to the tourist arrivals of different age groups. It is comfortable to visit a county with children or with the elderly people. A lot of attention devotes to people with the disabilities, some hotels even have rooms equipped specifically for them. In the United States tourists with non-traditional sexual orientation will

feel comfortable as well due to the high level of tolerance in the country. San Francisco is recognized in the world as a sexual minorities center, such thematic festivals take place in the big American cities.

The economic development of the country and the leading role of the United States in the world economy implies the development of business tourism. American cities host a lot of international conferences and business meetings.

Some part of international visitors is attracted by warm ocean coast of the Pacific and Atlantic oceans and Gulf of Mexico. A major international resort, which accounts for more than 16% of the total revenue of the tourism industry that annually attracts about 25 million tourists. On the coast of the Gulf of Mexico there are many seaside resorts, including Galveston with a 50-kilometer sandy beach. Dozens of seaside resorts are located on the Pacific coast of California. (Academicworks, 2011)

From the point of view of the world travelers, especially for European ones, the cultural and historical potential of the United States is not so significant due to the brevity of their history, but the heritage of the indigenous peoples of North America, monuments of the Wild West, as well as the historical neighborhoods of New York, Boston, New Orleans and several other cities are still very attractive for foreign tourists.

Since the history of the U.S. is not the main attraction for foreign tourists, with much greater pleasure they come visit the achievements of modern American culture, many features of which have long been acquired a global scale. If for the average tourist Italy associates with a masterpiece of ancient Rome and the Renaissance, then the United States associates with the Hollywood and Disneyland, casinos and entertainment in Las Vegas, New York City and Chicago skyscrapers, the Golden Gate bridge in San Francisco and the Beverly hills palm trees in Los Angeles. (Academicworks, 2011)

Domestic tourism is very popular among U.S. citizens. Americans are traveling around the country with different purposes. For 82% of people the main reason of the trip is vacation, for 12% is business trip. Among the purposes and activities during travel, Americans often name

shopping (30%), as well as participation in a family or public holiday (27%) and outdoor recreation (11%). Visiting museums and historical sites is important only for 8% of people, and galleries and art museums are interesting for only 2%. Half of all American trips are the weekend trips. (NYC Division of Tax Policy, 2016)

3.4.1. Incoming Tourism in the United States

This section is orienting on the incoming tourism overview recent centuries, how it was changing during the years and what characteristics attract international visitors that USA has.

Incoming tourism in the United States of America is a massive industry that brings millions of international tourists every year. In the beginning of 20th century incoming tourism had started from the urban tourism and was represented as a cultural sector and the sector of production. The cities such as New York, Washington D.C., San-Francisco and other big U.S. cities have started to bring more tourists from the middle of 20th century.

Development of transport technology provided available convenient and cheap travel. In the middle of 19th century till nowadays, the growth of incoming tourism in the United States was significantly affected firstly by the railways, ships and cars, and later by the air planes as well as by the cars.

Thanks to the railways, it became much easier for the tourists from Canada or Mexico to get to many cities in America. Due to the railways, the changes were brought in the hotel industry: the first road hotels started to appear. The construction of the first rail road begun in 1830, but rail transport never became very popular in the United States.

From 1838, a regular steamship communication between New York and London has begun. At that time, the “Great Western” steamship made its first route and delivered 68 passengers from America to Europe. The number of passengers was constantly increasing, and in 1860 the number of passengers amounted to 26 thousands. Since the mid of 60s, tourism between England and the United States began to develop. In 1865, English businessman Thomas Cook undertook a trip to the United States, the purpose of which was the agreement on tourist

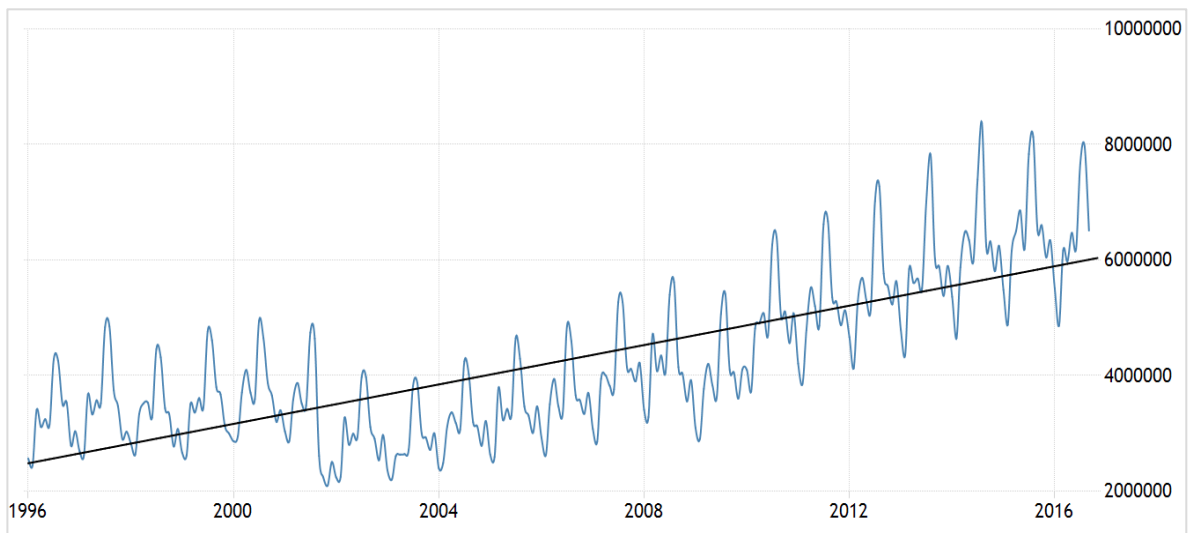
exchange between England and North America. In the same year, the trips from America to England and from England to America were organized. In 1866 year the first group of British tourists visited the United States. The end of the first world war marked the beginning of a new stage in the development of international tourism. This is primarily due to the increased role of the United States in the world and the activation of American capital in Europe. The flow of foreign tourists to America at this time increases significantly, as well as the number of Americans in western European countries. (Encyclopedia Britannica, 2016)

Airlines really pushed the development of incoming tourism. The first airline in the United States, which was connecting San Diego and Los Angeles, was opened in 1915. In 1944, Chicago hosted an international conference on the establishment and maintenance of international routes. American and European delegates disagreed on the issue of restriction of competition: Americans were categorically against any restrictions. Anyway, seventeen of the forty countries have ratified an important agreement on transport tariffs and established the International Air Transport Association. It is the largest trade Association on the world's airlines. International agreements on financial, legal, technical and trade issues have made it possible to establish a worldwide air transport system. (Encyclopedia Britannica, 2016)

In 1954, “Boing-707” was accepted into its first operation. By 1958, Pan American Airways opened up a transatlantic flight from New York to Paris. “Boing-707” could deliver the 111 passengers on distance of 6000 miles with a cruising speed of 600 miles per hour. In the same year, the company "Mac-Donnell-Douglas" has released a “DC – 8” with no less impressive capabilities. In 1970 appears the “Boeing-747”– the first truly capacious aircraft. It could carry from 400 to 500 passengers with a cruising speed of 600 miles at a distance of up to 7000 miles. (Airlines, 2017)

Air transport significantly reduced the cost that a passenger paid for one mile travelling by a railway, a ship or a car, and it allowed millions of people to become inbound tourists with an opportunity to visit America. The speed of air transport allows to the travelers to easily move from a continent to continent. Europe and Asia are just a few hours away from all the cities of North and South America.

Figure 2: Tourist Arrivals to the United States by year: 1996 – 2016



Source: Trading Economics (1996 – 2016)

In beginning of 21st century the steadily growth of inbound tourism fell sharply due to a series of terrorist attacks on September 2001. Terrorists used four commercial airliners as weapons of desolation that led to a reduction of number of visits to America by international tourists from the period of 2001 to 2003.

From 2004 to 2016 the arrivals of international tourists to the United States have been steadily increasing over the last decade, except for 2009. International tourist arrivals had decreased by around 4 percent due to the global financial crisis in 2009, before recovering to a positive growth in 2010. Since 2010 till 2016 there has been a steady increase of foreign arrivals.

3.4.2. Competitiveness of the United States on the Tourism Market

Considering the tourism competitiveness, the United States have to be compared with North American countries, South America, Europe, Asia, Africa and Oceania.

According to the Organization for Economic Co-operation and Development (OECD) tourism competitiveness can be referred as “ the ability of the place to optimize its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good

value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way”. (OECD, 2017)

At economic sector, there are few substantial initiatives of measuring competitiveness in tourism.

At international level, competitiveness can be measured by the Travel and Tourism Competitiveness Index. The Travel and Tourism Competitiveness Index is produced by the World Economic Forum (WEF) and measures the set of factors and policies that provide growth of the travel and tourism, which makes competitiveness of a country as a new source of growth. The TTCI provides methods to measure efficiency of a country and uses sub-indices and their components to perform the complex quality, future potential and long-term sustainable development of the tourism sector by analyzing each country. TTCI analyzes 136 countries and represents each country’s future potential in tourism sector according to three sub-indices: regulatory framework; business environment and infrastructure; and human, cultural and natural resources. These sub-indices contain their component parts, due to them travel and tourism constitute its competitiveness measurement. (WEF, 2017)

Table 1: Travel & Tourism Competitiveness Index in 2017

Rank / 136	Country / Economy	Score 1-7 (best)
1	Spain	5.4
2	France	5.3
3	Germany	5.3
4	Japan	5.3
5	United Kingdom	5.2
6	United States	5.1
7	Australia	5.1
8	Italy	5.0
9	Canada	5.0
10	Switzerland	4.9

Source: World Economic Forum (2017)

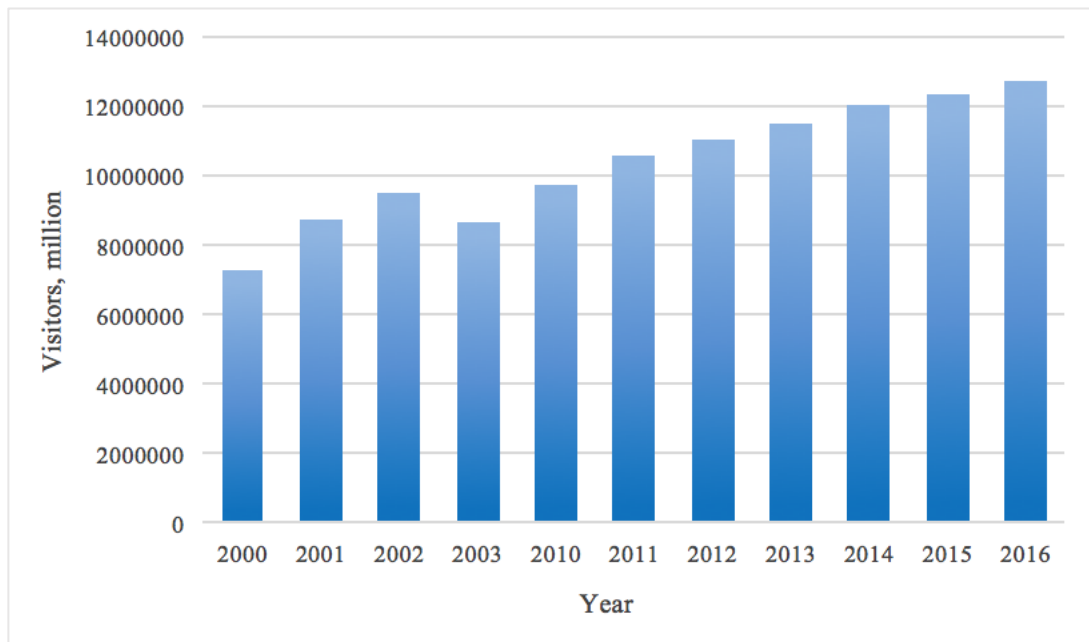
Table 1 represents that the United States has the 6th position (in 2015 the U.S. had 4th position) among 136 countries all over the world in 2017. It arranges the United States in the top 10 of international ranking by TTCI globally. The United States has the most tourism and travel competitive economy in the Americas.

Another method how the tourism competitiveness can be measured is visitor satisfaction. Visitor satisfaction is a measure of demand side attractiveness value, using a comparable measure of visitor satisfaction rating and intention for repeat visits. Visitor satisfaction is an important qualitative indicator from the demand side. The purpose is to collect data which are based on statistical methods and can be compared over time. (WEF, 2017)

3.4.3. New York City as a Tourist Location

New York is the largest metropolis of the United States, located on the East coast of the continent. The city is home to over 8.5 million people. It is the major financial, economic and political center of the planet, often called the "capital of the world". The commercial and financial industries place New York City on the top of the most visited cities by international tourists in the United States. (Pariona, A., 2018)

Figure 3: International Tourist Arrivals to NYC: year 2006 – 2016



Source: Own figure based on data from NYC data (2006 – 2016)

In 2016, over 12,7 million international tourists visited New York City, it is a high increase compared to year 2000, and the increase is predicted to be growing.

Data collected through the U.S. Department of Commerce Office of Travel and Tourism Industries (OTTI) International Survey of International Air Travelers show that Europeans prefer New York, while Asians choose the West Coast. Hawaii are preferred by the Japanese market, while California is in favor for most other Asian travelers to the United States.

The largest market for international tourism for New York City is the United Kingdom, accounting for more than 10 percent of the total overseas travelers. Second is Canada with nearly 10 percent of all international arrivals. If Australia is included, we see that over one-quarter of all international visitors to New York are from English-speaking countries. (City University of New York, 2011)

3.4.4. Touristic Locations in New York City

New York City's tourist attractions, world famous shows, sporting events, cultural sightseeing and concert halls are a main entertainment for international tourists. From Times Square to Central Park, High Line to Empire State Building, Metropolitan Museum of Art to the American Museum of Natural History, no other city can offer such a wide range of globally recognized theater, sports, concerts and special events. (Nycgo, 2016)

In addition, New York city is headquarters center for national and international corporations, companies and banks, a popular venue for business negotiations. It is not surprising that business tourism has received extraordinary development. There are developed cultural and historical attractions. Besides the monuments of architecture of all periods of the American history from the colonial period to the present, in New York are the most famous museums of the country-the subway and Guggenheim. Tourists are also interested in the ethnic districts of the city: Little Italy, China town, etc. (NYC & Company, 2016)

Besides the great touristic locations of the five city districts, among New York's attractions there are also world famous events such as the Major League Baseball All-Star Game, the Formula 1 Grand Prix of America, the NCAA Regional Finals and, of course, Super Bowl.

There are more exciting creation and restoration projects to come that will increase the visitation of international tourists. The National September 11 Memorial & Museum, the reopened Statue of Liberty, miles of bustling waterfronts, Kingsbridge Armory and new Staten Island Ferris wheel will play significant roles in attracting new millions of visitors and grow in economic impact by next few years. (Nycgo, 2016)

Table 2: Visitation of Top 10 New York City Attractions

	Location	(In mill) 2016
1	Central Park	40
2	Prospect Park	10
3	Metropolitan Museum of Art	6,2
4	National Sep. 11 Memorial and Museum	5,3
5	American Museum of National History	5
6	High Line	4,8
7	Empire State Building	4,3
8	Coney Island	4
9	Museum of Modern Art	3,3
10	Top of the Rock	2,5

Source: Crain's New York (2016)

4. Practical Part

4.1. SWOT Analysis of New York City

Table 3: SWOT Analysis of New York City

Strengths	Weaknesses
Landmarks & tourist attractions Sustainable attractiveness Air transport infrastructure Infrastructure Tourism service infrastructure Heritage & museums Transport connection Skyline Shopping Multinational city Nightlife & festivals and events	High cost of tourist services Expensive flight tickets Long duration of a flight Visa requirements Possibility of terrorist attack
Opportunities	Threats
Introduction of new services New products More intensive cooperation with neighboring cities Visa facilitation	Potential competitors Air pollution Possibility of terrorist attack Crime

Source: Own table

Strengths

Landmarks and tourist attractions of New York City are the most attractive attributes for majority of international visitors. Statue of Liberty, Empire State Building, Brooklyn bridge and Times Square are the world famous and most visited tourist sightseeing. Almost every foreign person has a conception of NYC and its landmarks due to American film industry. Since the U.S. cinema production is the largest in the world in terms of produced movies and their cumulative profits, New York City's attractions are well advertised to the overseas potential visitors through the TV screens. Thus, number of travelers to the Big Apple have been increasing every year as well as sustainable attractiveness of the city. (Governor, 2016)

The NYC Port Authority Airport System recorded 45.8 million international passengers in 2016. The growth was driven by three major airports EWR was up 7.5 percent, LGA gained 4.7 percent, and JFK grew 3.6 percent. (Airport Traffic Report, 2016)

According to statistics, New York City is the second city after Hong Kong that has the biggest number of skyscrapers in the world. Certainly, it attracts the attention of foreigners.

Tourism service infrastructure is well organized and structured. NYC can offer a hundreds of different variety of tours with planned routes from full sightseeing city tours to non-traditional city excursions like “hip-hop tour of the Bronx” or “mafia State Island tour”.

Metro, which works around the clock, is the largest metro system in the world by the number of stations. The official number of stations is 472. Also transport is represented by city buses, cable car to Roosevelt island, a ferry to Staten island, as well as the legendary yellow New York taxi cabs. (NYC & Company, 2016)

More than half of the tourists arrive to New York City for the purpose of shopping. City is famous multistory shopping centers, lots of attractive offers and ongoing sales. In addition, NYC is firmly in the top ten fashion capitals of the world and has its own fashion week.

The Mayor’s Office of Immigrant Affairs estimated that nearly 40% of the city’s population is foreign born which makes NYC internationally open. (Governor, 2016)

Each year NYC hosts many big events like fashion week, new year and Christmas, sport games of famous teams, music concerts, film festivals and other festivals and all types of parades.

Weaknesses

High cost of tourist services (living, food, transport, etc.). On the example of accommodation, an average daily room rate in New York City is 260 USD, in comparison in Seoul, which is one of the most visited cities too, it is only around 190 USD, or local

transportation in NYC it is around 40 USD, in Seoul it is approximately 10 USD. (Hotel Intelligence, NY, 2016)

Most of the international travelers come from Europe and Asia, the average price to NYC from Europe is 800 – 1000 USD. The expensiveness of a flight ticket as well as a long flight duration is explained by the location of the city, which is arranged quite far from the most of countries from where visitors travel from.

Visa requirements are considered as a weakness due to their complication. Application processes can take more than 6 months before the trip.

Despite the fact that the number of terrorist attacks has decreased significantly over the past 10 years, but judging by the statistics of the terrorist attacks in NYC a tourist might consider the city as potentially dangerous.

Opportunities

Although, New York City has a variety of different products and services, there are always possibilities to create new ones to provide more interesting offers in tourism sphere, thus, more travelers.

More of an international opportunity is co-operation with neighboring cities. The cities could arrange special touristic offers or packages, which would make them all together more attractive and thus bring more visitors.

Tourist visa facilitation would make an entering to the United States easier and faster for the overseas travelers.

Threats

Other large American cities are potential competitors for New York's tourism industry. According to the website "Escape here", the most visited US cities by foreign tourists are New York City, Miami, Los Angeles, and Orlando. These are all competing for foreign tourists and therefore are potential substitutes and competitors to New York City. (Choros, J., 2018)

A study commissioned by New York City found that annual average PM2.5 levels fell by 16% in the six years to 2014 but warned that air pollutants remain at levels that can be harmful to public health, particularly among seniors, children and those with pre-existing health conditions. There is a transition to electric vehicles but it's not quick enough, but still more people are contributing to and being exposed to pollution in urban areas. (Milman, O., 2016)

As was told above, the number of terrorist attacks has decreased significantly over the past 10 years, but basing on the statistics of the terrorist attacks in NYC, unfortunately, it still remains as a threat.

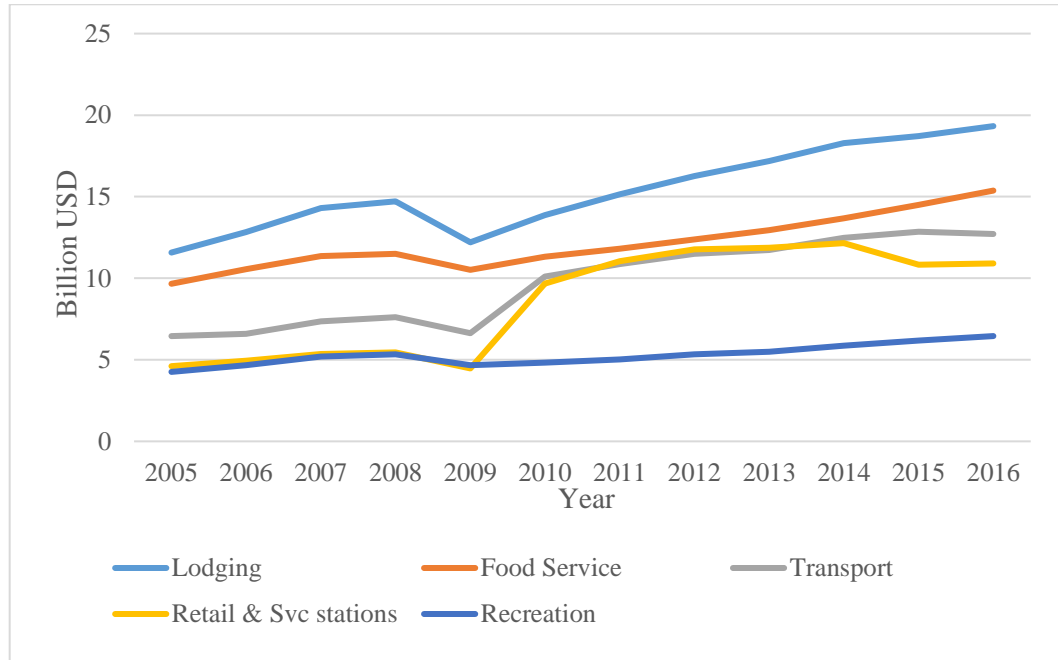
The amount of crime in New York City has been decreasing over the past 17 years, however, it can be a threat. (Disastercenter, 2018)

4.3. Analysis of Traveler Spending Distribution

It's no secret that New York City is one of the most expensive cities to travel in the world. The tourists that visit New York City bring huge revenue on a local and national level. According to NYC & Company, some nearly 13 million international tourists spend on average four times the amount that U.S. tourists do during trips to New York City.

The travel costs depend on the location of staying and the purpose of travel. The figure 4 shows the spending by the foreign tourists by the five main sectors: lodging, food service, transport, retail and service stations and recreation. The figure 4 shows data in billions of USD during twelve years from 2005 to 2016. This analysis will represent the trends of each sector, the overview of the prices of main items in New York city, which tourists demand the most and the overview of the tourist spending. (NTTO, 2018)

Figure 4: Traveler Spending by Sector in NYC: year 2005 – 2016



Source: Own figure based on data from NYC & Company (2005 – 2016)

Travelers increased their spending across all sectors except transportation in 2016. Spending increased the most in the restaurant sector, by 6%, as both volumes and prices rose. Growth was also strong in the recreation sector, increasing 4.4% over 2015.

Lodging

Temporary acquisition of accommodation during the stay in the city is one of the main and obligatory expenses by foreign tourists. Lodging accounts for 30% of traveler's spending in New York City. In 2005, lodging spending was 11,6 billion of U. S. dollars, twelve years later the spending increased to 19,3 billion of U. S. dollars. The trend of traveler lodging spending has been steadily increasing over the years and continues growing, except for 2009, when due to the global crisis the spending fall sharply by more than \$2,5 billion. But the spending had recovered fast, already in 2010. (Nyc, 2018)

Despite the constantly increasing average daily hotel room rate, lodging spending is continuously growing. The average daily room rate in New York City is \$304.

The price of a hotel significantly depends on the area of the city where a foreign traveler decides to stay. New York City encompasses five different country level administrative divisions called boroughs: Manhattan, the Bronx, Queens, Brooklyn and Staten Island.

The lodging at Manhattan is the most expensive in NYC because that area has the best neighborhoods in the city, and has a lot of famous tourist attractions like the Empire State Building, Wall Street, Fifth Avenue, the Statue of Liberty and many other landmarks. In 2016, the average daily rate in Manhattan was \$277.42 with the occupancy 86.8%. Manhattan has 95,449 rooms in 421 hotel properties. (NYC Division of Tax Policy, 2015)

Brooklyn is the second borough regarding the expensiveness of hotel room price, because this area is located in the Western part of Long Island by the Atlantic Ocean. In 2016, the average daily rate in Brooklyn was \$175.06 with the occupancy 78.1%. Brooklyn has 5,953 rooms in 64 hotel properties. (NYC Division of Tax Policy, 2015)

Other city areas have the hotel price much lower compare to Manhattan and Brooklyn. Queens average daily room rate is \$150.09 with the occupancy 84.6%. This part of the city has 12,264 rooms in 116 hotel properties (NYC Division of Tax Policy, 2015). Two international airports are located in Queens: John F. Kennedy International Airport and La Guardia Airport, which can be a decisive factor of choosing an accommodation in this area. The Bronx average daily room rate is \$145.04 with the occupancy 72.4%. This part of New York City has approximately 20 hotel properties and 1,000 rooms total (NYC Division of Tax Policy, 2015). The daily average room rate in Staten Island is \$126.95 with the occupancy 70.3%. With around 800 rooms at 10 hotel properties, Staten Island is the smallest borough market in New York City. Because of its distance from the rest of the city this borough's market serves mostly local tourists. (Nyc, 2018)

Food service

Food service expenses by tourists are placed on the second position by spending distribution and amounts for 24% of visitor's spending in NYC. In 2005, food service spending was 9,7 billion of U. S. dollars, twelve years later the spending increased to 15,4 billion of U.

S. dollars. The trend of traveler food service spending has been steadily increasing over the years and continues growing. The exception only occurred in 2009.

New York City has thousands of different restaurants, cafes, bars and another food services. The average check for a meal in an inexpensive restaurant is \$15, a portion of fast food combo costs \$8, dinner for two – \$80. A bottle of water is around \$2.

Transport

Traveler spending on transport takes the third place out of five and amounts for 19% of visitor's spending in NYC. In 2005, transport spending was 6,5 billion of U. S. dollars, twelve years later the spending increased to 12,7 billion of U. S. dollars. The trend of traveler transport spending has been steadily increasing over the years except for the slight decrease in 2016. Another exception is 2009, when the spending fell by 10%.

As in many large and developed megacities, New York city has a unified transport system that allows local residents and visitors of the city to move around the "Big Apple" with great convenience. The New York City transportation system Metropolitan Transportation Authority (MTA) serves public transportation not only in the city of New York, but also in several districts of the state of New York and in a couple of districts of Connecticut, which can be very helpful for the foreign tourists if they decided to visit some areas around the city. (NYCEDC, 2017)

New York City has a several types of transport: metro, city buses, a ferry, taxi. The trip by metro or bus will cost to a tourist \$ 2.75. One of the convenient and entertaining services of New York Water Taxi is a full day ticket for \$31. If tourists decided to use a taxi, the counter starts counting from is \$2.50 and add \$0.50 for each additional 350 meters. The average taxi receipt is \$12.6 plus tips. (NYCEDC, 2017)

Retail & service stations

Retail and service stations expenses by international visitors are placed on the fourth position by spending distribution and amounts for 17% of visitor's spending in NYC. In 2005,

retail and service stations spending was 4,6 billion of U. S. dollars, twelve years later the spending increased to 10,9 billion of U. S. dollars. The retail and service stations spending trend line is the most unpredictable trend line out of all five. The trend line was increasing till 2009 – the small decline appeared, after that there was a sharp rise and the spending was growing till 2014. From 2014 the spending decreased by almost 1,3 billion U. S. dollars. (NTTO, 2018)

Manhattan is home to one-third of all American apparel companies. The abundance of retail outlets in New York City is amazing: from luxury boutiques of famous brands to small shops with the creations of designers beginners, and large department stores. Levis Jeans in NYC is possible to buy for \$52.2, Zara dress will cost tourists \$40.6 or the average price of Nike or Adidas shoes is \$85.3. If tourists prefer to rent a car, one liter of gasoline in NYC costs \$0.69 plus price for the parking and tolls. (Nycgo, 2013)

Recreation

Traveler spending on recreation takes the last fifth place out of five and amounts for 10% of visitor's spending in NYC. In 2005, transport spending was 4,3 billion of U. S. dollars, twelve years later the spending increased to 6,5 billion of U. S. dollars. The trend of traveler recreation spending has the slowest growth out all other sectors. The trend line has been steadily and gradually increasing over the years except for the slight decrease in 2009. (Nyc, 2018)

About the tourist attractions was written a lot above, it is valuable to know the average prices for main attractions. The Empire State Building observation deck view ticket is approximately \$103 for two people; the Metropolitan Museum of art ticket is \$25, the price of a Broadway musical ticket varies from \$80 to \$150. (Nycgo, 2013)

4.4. Econometric Analysis: Introduction

In the practical part is observed the relationship of incoming tourism and specific factors and characteristics that impact it by using one-equation econometric model. There is one econometric model which is focused on the relationship between variables. The dependent variable is the number of international visitors coming to NYC. The five characteristics with the

highest impact on inbound tourism in New York City were selected: average exchange rate of Euro to US dollar, average daily room rate, hotel occupancy, international aircraft movements.

Table 4: Real Data set for NYC case study: year 2000 – 2016

Year	International Visitors	Average Exchange Rate EUR / USD	Average Daily Room Rate (\$)	Hotel Occupancy (%)	International Aircraft Movements	Total Number of Violent Crime
2000	6 800 000	0,92	233	84,6	173 345	124 890
2001	5 700 000	0,07	203	73,4	165 542	98 022
2002	5 100 000	0,95	195	75,6	161 529	95 030
2003	4 800 000	1,14	193	76,3	152 642	89 486
2004	6 200 000	1,25	209	82,4	166 456	84 914
2005	6 800 000	1,24	241	86,1	175 370	85 839
2006	7 300 000	1,27	267	85,6	182 380	83 966
2007	8 800 000	1,38	303	86,1	197 654	79 915
2008	9 500 000	1,47	307	85,3	209 740	77 546
2009	8 800 000	1,39	237	81,5	202 003	75 110
2010	9 800 000	1,32	261	85,5	208 719	76 492
2011	10 600 000	1,40	273	85,2	213 390	77 463
2012	10 900 000	1,29	281	87,4	218 566	79 535
2013	11 500 000	1,33	290	88,3	224 928	77 563
2014	12 000 000	1,32	295	89	234 245	75 972
2015	12 300 000	1,10	303	89,8	241 898	75 126
2016	12 700 000	1,10	308	90,4	253 259	74 285

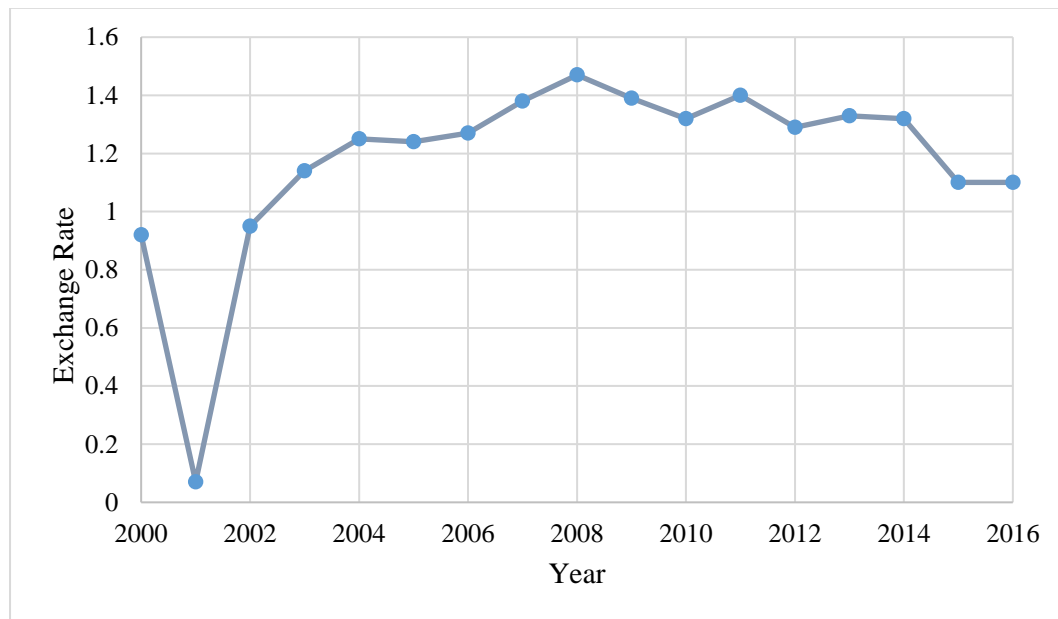
Source: Own table based on data from NYC databases (2000 – 2016)

The international aircraft movements include data of scheduled passenger flights from five main NYC airports: John F. Kennedy International Airport, Newark Liberty International Airport, LaGuardia Airport, Stewart International Airport and Atlantic City International Airport.

The data selected for econometric analysis are from the New York City data (Baruch, 2000 – 2016), the Port Authority of New York & New Jersey (Panynj, 2000 – 2016), the New

York Disaster Center (Disastercenter, 2000 – 2016) and the website “Investing” (Investing, 2000 – 2016) that are presented in the table 4. The data were utilized for the selection of variables and creation of econometric model during the observed period which is from 2000 to 2016.

Figure 5: Exchange Rate of EUR to USD: year 2000 – 2016



Source: Own figure based on data from the website “Investing” (2000 – 2016)

Figure 5 shows the fluctuations of one from five independent variables that is the average exchange rate of one euro to 1 US dollar from 2000 to 2016. In 2001, the United States economy was shocked by the terrorist attacks, which significantly influenced the American currency. After reaching its historical minimum against the dollar, European currency has made repeated attempts to recover but was unable to rise above \$0.96. In January 2002, the Euro was introduced into cash circulation and since that moment there began the gradual growth of the European currency, which should had increased the number of tourists coming to New York City from the countries with European currency. In 2008, the Euro has reached its maximum point during the selected period of seventeen years, which is \$1.47. (Investing, 2018)

But after 2008, a long-term downtrend has begun within which constant medium-term trends can be seen either up or down. Since the beginning of 2008 to the current moment the

Euro against the dollar fell about 35 %, which should have slowed down the inbound tourism to New York City at least from European countries.

The presence of effect of the exchange rate and other factors on NYC incoming tourism is shown below by using the econometric analysis.

4.5. Creation of Econometric Model

The variables are set as follows:

Table 5: Definition of Variables

Variable	Definition of Variable
y ₁	International visitors
x ₁	Unit vector
x ₂	Average exchange rate (EUR/USD)
x ₃	Average daily room rate (USD)
x ₄	Hotel occupancy (%)
x ₅	International aircraft movements
x ₆	Total number of violent crime

Source: Own table

After the variables were established, it is necessary to suggest the influence of exogenous variables on endogenous variable.

Table 6: Prediction of Influence of Variables

Variable	Influence
x_2	Positive
x_3	Negative
x_4	Positive / Negative
x_5	Positive
x_6	Negative

Source: Own table

x_2 – Increase in the value of European currency (Euro) in comparison with United States currency (USD) makes the arrival in New York City cheaper and more affordable. When the exchange rate increases from 2.5 USD per 1 EUR to 2.7 USD per 1 EUR, the incoming European tourist, e.g. from France, can buy more by 2 USD for each EUR, therefore, he would be more willing to visit NYC.

x_3 – Increase of average daily room rate in New York City is foreseen to decrease the number of international visitors. Foreign tourists prefer to travel to a city that has average daily room rate is medium or lower since the accommodation is one of the main expenses when making a trip.

x_4 – Increase of hotel occupancy can forecast both: the increase and decrease of tourist flow. Its increase impacts tourist sphere positively because it means the hotels are full of visitors, which spend money on the city attractions, food, shopping, accommodation, etc. On the other hand, when hotel occupancy increases, there is most likely a lack of places for visitors to stay, so they might choose another city to visit due to such inconvenience.

x_5 – Increase of international aircraft movements is predicted to increase the number of incoming travelers and affect tourist industry positively, because with the expansion of international direct flights to NYC, it becomes easily and freely for foreign people to plan a trip to the largest city in the United States.

x_6 – Increase of total number of violent crime decreases the number of inbound tourists. The presence of crime is one of the most significant factors that people consider while choose the place for vocation. For New York City and its residents, tourism is one of the major sources of income, but if for some reason the violent crime grows, people will cease to go to NYC.

4.6. Econometric Analysis

The variables are set as follows:

Endogenous variable:

y_{1t} – Number of international visitors

Exogenous variables:

x_{1t} – Unit vector

x_{2t} – Average exchange rate (EUR/USD)

x_{3t} – Average daily room rate (USD)

x_{4t} – Hotel occupancy (%)

x_{5t} – International aircraft movements

x_{6t} – Total number of violent crime

The equation of the economic model is following:

$$y_{1t} = \gamma_{11} + \gamma_{12}x_{2t} + \gamma_{13}x_{3t} + \gamma_{14}x_{4t} + \gamma_{15}x_{5t} + \gamma_{16}x_{6t}$$

The economic model determines the theoretical relationship between given variables. To create econometric model is necessary to add stochastic variable u_{1t} .

$$y_{1t} = \gamma_{11} + \gamma_{12}x_{2t} + \gamma_{13}x_{3t} + \gamma_{14}x_{4t} + \gamma_{15}x_{5t} + \gamma_{16}x_{6t} + u_{1t}$$

Data set:

Table 7: Simplified Data set for NYC case study: year 2000 – 2016

n	y ₁	x ₁	x ₂	x ₃	x ₄	x ₅	x ₆
2000	6,8	1	0,92	233	84,6	17,3345	12,489
2001	5,7	1	0,07	203	73,4	16,5542	9,8022
2002	5,1	1	0,95	195	75,6	16,1529	9,5030
2003	4,8	1	1,14	193	76,3	15,2633	8,9486
2004	6,2	1	1,25	209	82,4	16,6445	8,4914
2005	6,8	1	1,24	241	86,1	17,5342	8,5839
2006	7,3	1	1,27	267	85,6	18,2355	8,3966
2007	8,8	1	1,38	303	86,1	19,7654	7,9915
2008	9,5	1	1,47	307	85,3	20,9740	7,7546
2009	8,8	1	1,39	237	81,5	20,2003	7,5110
2010	9,8	1	1,32	261	85,5	20,8719	7,6492
2011	10,6	1	1,40	273	85,2	21,3390	7,7463
2012	10,9	1	1,29	281	87,4	21,8566	7,9535
2013	11,5	1	1,33	290	88,3	22,4928	7,7563
2014	12,0	1	1,32	295	89	23,4239	7,5972
2015	12,3	1	1,10	303	89,8	24,1769	7,5126
2016	12,7	1	1,10	308	90,4	25,3259	7,4285

Source: Own table based on data from NYC databases (2000 – 2016)

4.6.1. Correlation Matrix

Correlation coefficients, using the observations 2000 – 2016

5% critical value (two-tailed) = 0.4821 for n = 17

y ₁	x ₂	x ₃	x ₄	x ₅	x ₆	
1.0000	0.4242	0.8843	0.8394	0.9914	-0.6380	y ₁
	1.0000	0.5091	0.6028	0.3841	-0.5638	x ₂
		1.0000	0.8735	0.8788	-0.5816	x ₃
			1.0000	0.8161	-0.4645	x ₄
				1.0000	-0.6450	x ₅
					1.0000	x ₆

There is no higher value than 0,9 between explanatory variables, thus, the model has no multicollinearity.

4.6.2. Estimation of Model using OLSM

OLS, using observations 2000-2016 (T = 17)

Dependent variable: y_1

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	-10.6607	2.48803	-4.2848	0.0013	***
x ₂	0.32509	0.475386	0.6838	0.5082	
x ₃	-0.00076289	0.00578214	-0.1319	0.8974	
x ₄	0.0308213	0.0496648	0.6206	0.5475	
x ₅	0.823	0.0830074	9.9148	<0.0001	***
x ₆	0.0367481	0.125085	0.2938	0.7744	
Mean dependent var	8.800000	S.D. dependent var	2.627261		
Sum squared resid	1.508167	S.E. of regression	0.370278		
R-squared	0.986344	Adjusted R-squared	0.980137		
F (5, 11)	158.9015	P-value(F)	7.18e-10		
Log-likelihood	-3.532248	Akaike criterion	19.06450		
Schwarz criterion	24.06378	Hannan-Quinn	19.56143		
rho	0.482343	Durbin-Watson	1.024948		

Using coefficients of variables of ordinary least square method it is possible to create equation of econometric model:

$$y_{1t} = -10.6607 + 0.32509x_{2t} - 0.00076289x_{3t} + 0.0308213x_{4t} + 0.823x_{5t} + 0.0367481x_{6t} + u_{1t}$$

4.6.3. Econometric Verification

Normality test

H₀: normal distribution of random variables

H_A: not normal distribution of random variables

According to Gretl, by using the test “Normality of residual”, the result for p-value is 0.946255. In this case, the p-value is bigger in comparison with the level of significance $\alpha = 0.05$ that means H₀ is accepted.

Heteroscedasticity

H₀: no heteroscedasticity

H_A: heteroscedasticity

According to Gretl, by using the “White’s test”, the result for p-value is 0.207867. In this case, the p-value is bigger in comparison with level of significance $\alpha = 0.05$ that means H₀ is accepted and there is no heteroscedasticity.

4.6.4. Statistical Verification

Table 8: Econometric Analysis: Statistical Significance of Parameters

t-value	-4.2848	0.6838	-0.1319	0.6206	9,9148	0,2938
t-tab. ($\alpha = 0.1$)	1,7959	1,7959	1,7959	1,7959	1,7959	1,7959
SS / NS *	SS	NS	NS	NS	SS	NS

Source: Own table

* SS - parameter statistically significant, NS - parameter statistically not significant

At an alpha level of 1% the t-tab. is equal to 1.7959. In this case parameters const. and x₅ are statistically significant. This means that parameters x₂, x₃, x₄ and x₆ are NOT statistically significant.

The explanatory variables: constant, average exchange rate, average daily room rate, hotel occupancy, international aircraft movements and total number of violent crime describe the number of international visitors by 98.634.

4.6.5. Economic Verification

From the function is visible:

If number of international aircraft movements in New York City increases by 1 percentage point, the number of international visitors in New York City increases by 82300. This relationship was expected. The explanation of this positive relationship is if there are more direct international flights the availability of travel for international visitors to NYC goes up.

4.7. Forecasting using ARIMA Test

Autoregressive Integrated Moving Average (ARIMA) model, which also known as Box – Jenkins model (BJ), is useful option of times series forecasting because it helps to set time series data to understand the data better and to forecast future points in the series.

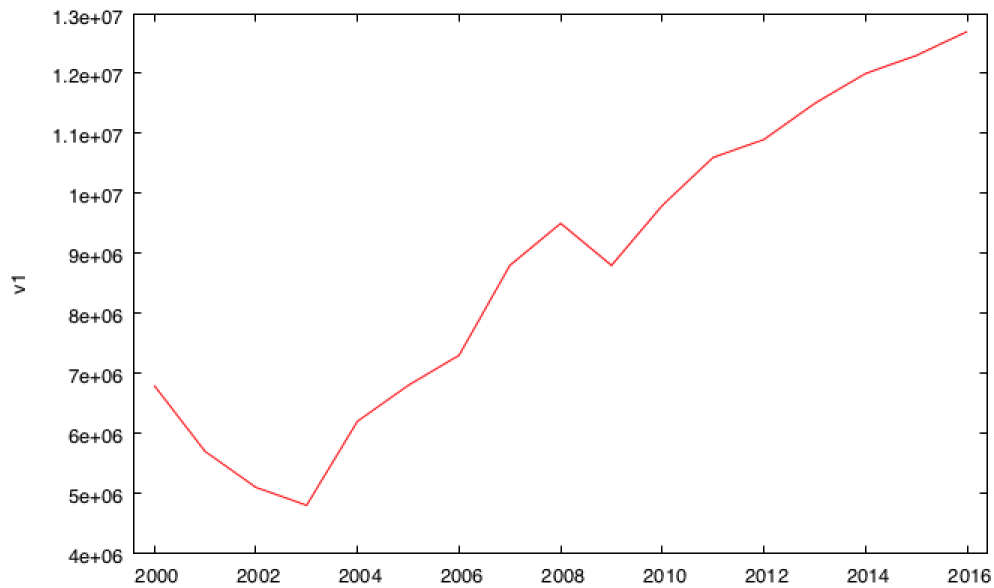
The initial step in the ARIMA model is to establish the order of integration “d”, and to achieve stationarity of time series, by taking a sufficient number of differences. The time series plot indicates the variance and mean. After that, a test will be carried out to indicate the value that ARIMA needs. This is based on the ADF Unit Root Test. The ADF Unit Root test has the following hypothesis’s:

H_0 : Unit Root

H_A : No Unit Root

The null hypothesis signifies there is a unit root in the data set, and the alternative hypothesis means there is no unit root in the data set. If the data is around a stationary constant, it can be estimated that the null hypothesis will be rejected, and the alternative hypothesis will be accepted. If their data is not recognized to be around a stationary constant, it can be estimated that the null hypothesis will be accepted.

Figure 6: Trend of Number of International Tourists in NYC



Source: Gretl computation

The times series plot appears to be showing an upward trend. From this outcome it can be assumed that the null hypothesis will be accepted, meaning there is a unit root. From the presence of a unit root, it can be estimated that the “d” value in the PDQ model is equal to 1.

The next step in the ARIMA process is to do the Augmented Dickey Fuller test, also known as the “ADF test”. It is used to test if the trend line is correct in the model.

Augmented Dickey-Fuller test for v1
including 3 lags of (1-L)v1
(max was 3, criterion AIC)
sample size 13
unit-root null hypothesis: a = 1

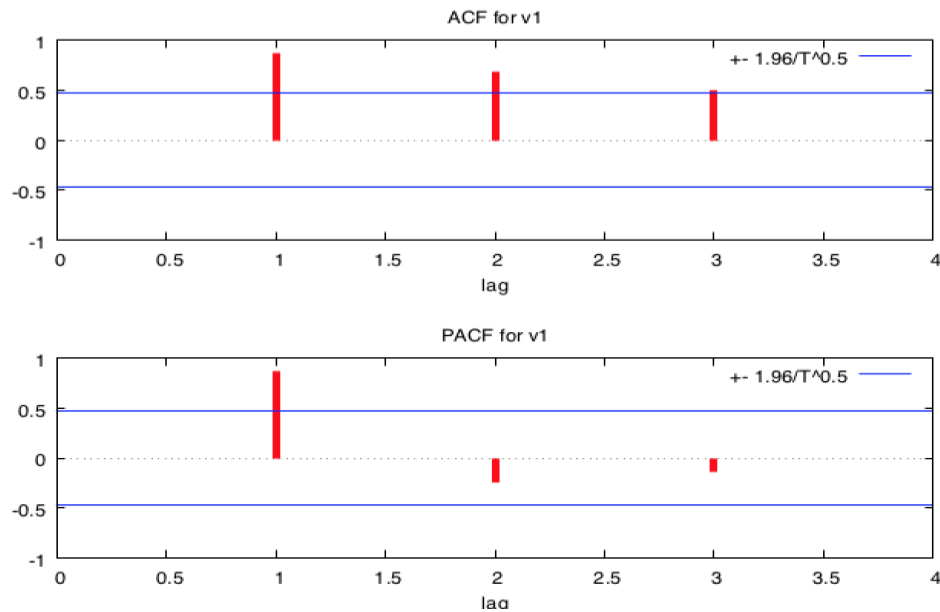
test with constant
model: $(1-L)y = b_0 + (a-1)*y(-1) + \dots + e$
estimated value of (a - 1): -0.113199
test statistic: $\tau_c(1) = -1.99362$
asymptotic p-value 0.2899
1st-order autocorrelation coeff. for e: 0.043
lagged differences: $F(3, 8) = 2.947 [0.0985]$

with constant and trend
 model: $(1-L)y = b_0 + b_1*t + (a-1)*y(-1) + \dots + e$
 estimated value of $(a - 1)$: -0.989551
 test statistic: $\tau_{ct}(1) = -2.19384$
 asymptotic p-value 0.4925
 1st-order autocorrelation coeff. for e: -0.150
 lagged differences: $F(3, 7) = 2.167 [0.1799]$

At given test it is necessary to compare the p-value with the value 0.005 to determine if the p-value is higher than the value 0.005. As shown in the ADF test, the p-value is 0.2829 which in comparison with the value 0.005 is higher and, therefore, the null hypothesis is accepted as predicted in the trend line. This means that the assumption of the “d” value being equal to 1 is correct.

The next two values that need to be determined in order to run the ARIMA model are the “p” and “q” values. These will be found using a correlogram. A correlogram helps to identify correlation. If there is no correlation, then it be concluded the values are equal to 0. If there is a pattern – they are equal to 1.

Figure 7: Correlogram



Source: Gretl computation

In the above correlogram, the PACF and the ACF both are decreasing in a pattern. This is a clear signal that the “p” and “q” values are both equal to 1.

Function evaluations: 89
Evaluations of gradient: 31

Model 1: ARMA, using observations 2001-2016 (T = 16)
Estimated using BHHH method (conditional ML)
Dependent variable: v1

	coefficient	std. error	z	p-value
const	263349	953040	0.2763	0.7823
phi_1	1.00882	0.130495	7.731	1.07e-14 ***
theta_1	0.288609	0.367183	0.7860	0.4319

Mean dependent var	8925000	S.D. dependent var	2660702
Mean of innovations	23986.88	S.D. of innovations	683169.8
Log-likelihood	-237.6550	Akaike criterion	483.3100
Schwarz criterion	486.4004	Hannan-Quinn	483.4682

Table 9: ARIMA Forecasting: Statistical Significance of Parameters

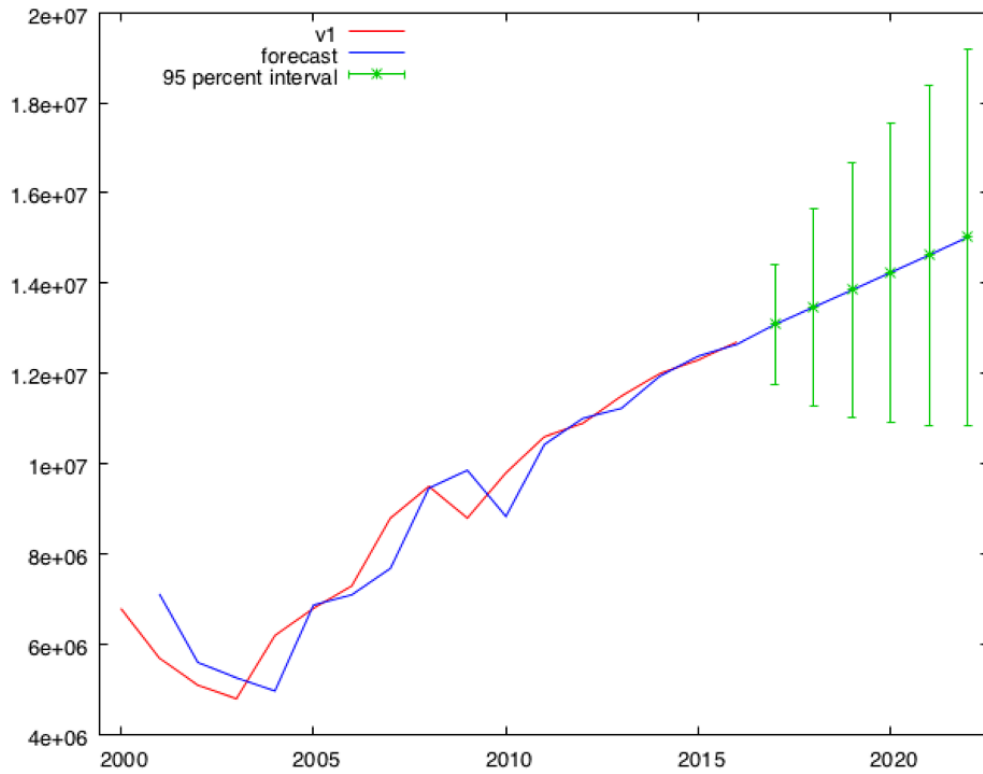
value	263349	1.00882	0.288609
p-value	0.7823	1.07e-14	0.4319
SS / NS *	NS	SS	NS

Source: Own table

* SS - parameter statistically significant, NS - parameter statistically not significant

Determining statistical significance, there is significance shown in the picture above for “phi_1” when comparing the p-value and the coefficient.

Figure 8: Forecast of International Tourists in NYC: year 2016 – 2022



Source: Gretl computation

As shown in the time series forecast, there is a trend pointing towards an increase over the next 6 years. It can be assumed this is with high confidence due to the numbers likely being within that range represented by the green lines on the end of the chart. It can be concluded that there is a high change of a continual increase in the number of international tourists in NYC.

5. Results and Discussion

5.1. Results

In this section of the thesis the results from the findings will be explained.

The first finding was regarding the SWOT analysis that was conducted. It was found that the strengths outnumbered the weaknesses significantly. This is important a tourist is deciding where to go because the positives of the city should outweigh the negatives.

The next results were for the “Analysis of Traveler Spending in New York City”. What was found was that the largest number of tourists spending was on lodging followed by food services. Tourists spent 30% of their budget on lodging and the amount was 19.3 Billion USD in the year 2017, up from 11.6 Billion USD in the year 2005. This is important because it is a large factor to consider when looking at the economic impact of tourism on the city.

The third and most important results to be discussed are relating to the econometric model that was conducted. The econometric model was conducted using the number of international tourists to New York City as the dependent variable in the model, while the following were selected as independent variables: average exchange rate (EURO/USD), average daily room rate (USD), hotel occupancy (%), international aircraft movements, and total number of violent crime. After running the model, it was found that none of the variables had statistical significance in relation to the dependent variable, except for the number of international aircraft movements. It was found that if the number of international aircraft movements increases by 1% then the number of international tourists visiting New York City increases by 82,300.

The last finding to discuss is related to the time series forecasting that was done. It was found that there appeared to be an upward trend in the number of international tourists visiting New York City and after running the time series forecasting it was found that it is highly likely that it will continue to increase.

5.2. Discussion

In this section articles with similar or opposite findings will be compared with the findings of this diploma thesis.

The first article is an article by the New York Times, which is a famous American publication. The article explains that New York City is expecting more tourists, but less international tourists. The primary underlying reason explained in the article is that the Trump administration has negatively impacted the world view on the United States and this is going to lead to less international tourists. The second reason given is that the American dollar is currently very strong, and this reduces international tourists spending power. This is significant because the average international tourists spends \$2000, which is four times as much as the average domestic tourist. When compared with this thesis findings, the New York Times article is the opposite of what is predicted regarding the number of tourists. It should be considered though that, the approach taken in the time series is based solely on quantitative data and, therefore, external factors (i.e. Trump being president) can influence this as the New York Times article explains. The New York Times article also explains that a major reason for a possible decrease in the number of international tourists is the strength of the dollar. In the analytical section of this thesis the exchange rate of the EURO/USD was used in the econometric model and it was found to be on statistically insignificance. However, it is important to keep in mind that the New York Times article applies to all foreign currencies where as in this thesis only the EURO is considered. (McGeehan, P., 2017)

The second is an article written by the Federal Reserve Bank of New York titled “Current Issues in Economics and Finance: Tourism and New York City’s Economy”. In the article, research is discussed that was done in order to find what effects tourism in New York City. The research used a statistical model (similar to the one used in this diploma thesis) and used similar variables such as hotel occupancy rate. The only variable that was found to be of significance was the foreign exchange rates. These variables were used in the model in this thesis, however the results were not the same. The only variable that was found to be of significance in this thesis was the number of international aircraft movements. Also in the article the spending habits

are analyzed, as was done in this thesis. It was found in the article that the largest amount of spending by foreign tourists was on food service, followed by amusement and recreation, and followed by accommodation. This is not what was found in this thesis. In this thesis it was found that the largest percentage was spent on lodging. (Bram, J., 1995)

6. Conclusion

To conclude this diploma thesis, the reader should have been thoroughly informed on the topic of tourism in New York City. In the first part of the thesis, the theoretical section, the reader should have gained knowledge regarding the basics of tourism, tourism economics, and tourism in the United States. Then in the second part, the practical part the reader should have learned about the Strengths, Weaknesses, Opportunities, and Threats to tourism in New York City, followed by an econometric model trying to figure out which of the selected variables have an effect on the number of international tourists visiting New York City. It was found that out of the selected variables the only significant one was “number of international aircraft movements”. Lastly, the reader should have been shown a time series using ARIMA in Gretl, showing a possibly future number of international tourists. It appeared based on historical data that there would be a continually increase in the number of international tourists.

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