



GSJ: Volume 7, Issue 3, March 2019, Online: ISSN 2320-9186  
[www.globalscientificjournal.com](http://www.globalscientificjournal.com)

## TOURISM ECONOMICS IN OMAN: A STATISTICAL STUDY FOR THE PERIOD 2000-2017

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### Abstract:

The tourism sector has been targeted by the Oman government as one of the industries to be included in the economic diversification plan. The trends that have emerged as a result of the developments in tourism include the creation of new jobs and the establishment of new business entities. The purpose of this study is to analyze data collected from official government sources in order to show the economic impact of tourism for the period 2000-2017. The results of the analysis indicate that Oman has been experiencing an increased number of tourist and increased tourism expenditure. Although the tourism share to GDP has increased in recent years, it was observed that an increased number of tourists do not necessarily mean an increased tourism share in the GDP. The study concludes by recommending the Oman government to concentrate on tactics to increase the tourism share to GDP in addition to increasing the number of tourists visiting Oman.

**Key Words:** Tourism Development, GDP, Economic diversification, and Tourism in Oman

## **1. Introduction:**

Tourism in Oman has witnessed increased recognition and funding as the government attempts to diversify its economy. Similar to most of the Gulf Cooperation Council countries, the economy of Oman is largely supported by the oil and gas industry (Saxena, 2002). However, the government understands that overdependence on a single industry to support its economy can be dangerous especially with the instability of the oil and gas markets (Mishrif, 2018). Consequently, other industries such as tourism, logistic, fisheries and mining have been identified as potential complements to the oil and gas industry in the contribution to the economy (Subramoniam, Al-Essai & Al-Kindi, 2002).

Political stability is one of the factors which have contributed to the establishment and development of tourism in Oman (Al-Sayegh, 20012). Another recent factor which has contributed to the development of tourism in Oman is the uncertainty in the oil market. Majority of the GCC countries operate under economies primarily supported by the oil and gas industry (Callen, Cherif, Hasanov, Hegazy, & Khandelwal, 2014). Trends in this industry have indicated that the market is unpredictable and prone to external forces. Therefore, the oil-dependent countries face an uncertain future in the economy if they depend solely on oil for revenue. Consequently, governments have implemented policies aimed at ensuring that their countries diversify their economies to reduce their dependence on oil (Hvidt, 2013).

The diversity of the economy considers factors such as direct and indirect investment (Choe, 2003). Oman has been of the countries which have embraced economic diversification and tourism is one of the industries which have been identified as a significant contributor to the economy.

The desire to diversify the economy has led to the establishment of national policies and plans specifically meant to enhance the development of tourism in Oman. The government has worked towards the improvement of the visa provision services for the visitors of the country. Accessibility of visas can promote tourism and encourage foreign invest (Al Samman & Jamil, 2017). Furthermore, supporting services such as air transport and accommodation facilities have been endorsed by the government to improve the attractiveness of the country to tourists (AlMaimani & Johari, 2017). The improvement of such complementary sectors has played a part in the development of the tourism sector in Oman.

This study aims to statistically analyze the trends in the tourism industry in Oman and its role in the economy of the country. The statistical analysis will be aided by technical evaluation of dynamics affecting tourism such as the factors which have enhanced the development of tourism in Oman, the major tourist attractions and the challenges experienced in tourism along with recommendations for the way forward.

## **2. Literature Review:**

Aulia & Almandhari (2015) discovered that the majority of the tourists, 62% were in the age between 25 and 40 years, which revealed that Oman had the opportunity to attract more middle-aged tourists by providing more activities suited for this age group such as adventure activities. It was also discovered that 80% of the tourist depended on flights as there mode of transport and therefore expansion in-flight services were identified as an opportunity of increasing the number of tourists visiting Oman.

Haque, Patnaik & Ali (2016) carried out a study, *Contribution of Tourism Sector to Oman's GDP*, with the objective of evaluating how the tourism sector contributed to the Gross Domestic Product of Oman. Elements such as employment opportunities, visitors' exports, and internal consumption, government spending and capital investment were all analyzed in order to understand the overall economic contribution of tourism in Oman. The study involved correlation and regression analysis which yielded matrices that were used to translate their findings. The correlation matrix was a representation of the correlation- coefficient among the variables of the study which were; contribution to employment, visitor's expenses, government spending, capital investment for tourism and internal consumption (Haque et al., 2016). The results showed that it is a strong correlation between the variables and the dependent variable which is the GDP. The study establishes that variables such as government spending, internal consumption, visitors' exports and capital investment are greater influencers of tourism on the growth of the economy of Oman.

Hamid & Amin (2017) in their study, *Oman's Economic Diversification cum Trade Structure* investigate the potential success of Oman's economic diversification. The study focuses on the fields which have been identified as alternative contributors to Oman's GDP other than the oil industry. The fields of manufacturing, logistics, transport, fisheries and tourism have been identified as the ones with the most potential of contributing to the GDP (Hamid et al., 2017).

The findings of the study show that the existing economic structure has a low chance of achieving the economic diversification proposed by the government in order to reduce the country's overreliance on the oil and gas industry. The study identifies Oman's strategic location as an advantage in the effort of establishing herself as a global logistics center (Hamid et al., 2017). Logistics is one of the fields identified as bearing the potential to contribute to Oman's GDP significantly.

Saidi (2017) in his study, *Oman: Impact of Tourism on the Economy & Diversification*. The study identified expansion of consumer options, employment of under-utilized resources, encouragement of innovation and entrepreneurship, and exploration of less visited places as opportunities available for the tourism in Oman (Saidi, 2017). It is suggested that Oman should concentrate on improving infrastructure such as transport facilities, hospitality, and leisure activities in order to improve the tourist attraction of the country. Additionally, the rebranding of Oman in the digital world is suggested with the development of a digital officer such as a chief digital officer (Saidi, 2017). The study identifies areas of opportunity and recommends steps to be taken in order to develop the tourism industry further.

Sequeira & Nunes (2008) investigated the impact of tourism on economic growth in their study, *Does Tourism Influence Economic Growth? Dynamic Panel Data Approach*. The study analyzed the economic impact of tourism in a broad sample of countries and a sample of developing countries. Panel data was utilized in the study due to its ability to reduce endogeneity and increase the degree of freedom (Sequeira et al., 2008). The results of the study revealed that tourism specialization was a significant determinant to economic growth in general (Sequeira, 2008). The study also concluded that country risk influences the returns on tourism but not necessarily the tourist arrivals.

Alhowaish (2016) investigated the sustainability of tourism in the article, *Is Tourism Development a Sustainable Economic Growth Strategy in the Long Run? Evidence from GCC Countries*. The study uses a panel to analyze the relationship between tourism development and economic growth between the period of 1956 and 2012 in Gulf Cooperation Council countries. The study involved an evaluation of the region as a whole and an in-depth analysis of the relationship between economic tourism development and economic growth in each country. When Individual countries were analyzed, it was observed that Saudi Arabia, Kuwait, Qatar and the UAE follow the path of economy-driven tourism growth while the opposite was observed in

Bahrain (Alhowaish, 2016). Evaluation of Oman revealed that there was no causal relationship between tourism development and economic growth (Alhowaish, 2016). The relationship between tourism development and economic growth was different in specific countries in the Gulf Cooperation Council.

The topic of the relationship between tourism and economic development is also investigated by Holzner (2010) in the study, *Tourism and Economic Development: The Beach Disease?* The study relies on data from 1970 to 2007 which involves 134 countries. The data is analyzed and checked in a panel data framework on GDP per capita levels (Holzner, 2010). Analysis of the data focuses on establishing a relationship between tourism and economic development while the framework allows to control for non-linearity, reverse causality and interactive effects (Holzner, 2010). The findings show that there is no Beach Disease Effect in the countries analyzed with regards to the effect of tourism on economic development. It was discovered that countries which depended on tourism enjoyed growth rates which were above average and that investment in infrastructure was complementary to investment in tourism.

The influence of tourism on economic growth in Spain was investigated by Balaguer & Cantavella-Jordá (2000) in the study, *Tourism as a Long-Run Economic Growth Factor: The Spanish Case*. The results of the study indicated that the earnings from international tourism had a positive effect on the economic growth of Spain. Consequently, the positive impacts of tourism activity had long-run multiplier effects (Balaguer et al., 2000). Spain has increased public intervention with the objective of promoting international tourism demand and foster the development of tourism supply (Balaguer et al., 2000). Public intervention is justified by the impact of tourism on economic growth as established by the study. The study recommends the consideration of the dangers of underestimating investment in infrastructure and services related to tourism.

(Yıldırım, 2017). However, tourism revenues have no significant effect on economic growth in the short-run. Therefore, the hypothesis that revenues acquired from tourism can be used for importing capital goods for production is supported by the empirical findings of the study with a close focus being on the long-run rather than the short-run.

Karolak (2017) investigated the opportunities and challenges in economic diversification through tourism in GCC countries with a focus on Bahrain in the study, *Tourism in Bahrain: Challenges and Opportunities of Economic Diversification*. At the time of conducting the study, it was noted

that Bahrain had a multitude of strengths such as well regional and international communications, beautiful winter-sun weather, quality infrastructure and accommodation facilities and historical heritage sites (Karolak, 2017). These strengths could be considered as opportunities where increased investments in the identified strengths would increase the tourism attraction of Bahrain. However, Bahrain has weaknesses such as low awareness levels outside the Gulf of Bahrain as a tourist destination, lack of national tourism organization, negative image created by the Arab Spring and inadequate funding for tourism-related projects (Karolak, 2017). The weaknesses can be viewed as the challenges facing Bahrain in its implementation of tourism as part of its economic diversification plan. Furthermore, other countries in the Gulf are also diversifying their economies through tourism, and this creates competition in Bahrain. The study notes that Bahrain has numerous opportunities in tourism but faces internal and external challenges in its economic diversification.

Challenges in economic diversification through tourism are analyzed by Sharpley (2002) in the study, *The Challenges of Economic Diversification through Tourism: The Case of Abu Dhabi*. Abu Dhabi has joined other countries in investing in tourism to diversify their economies due to the unstable nature of the oil industry which is its main economic contributor (Sharpley, 2002). While tourism might seem like an attractive venture for countries, the case of Abu Dhabi demonstrates the challenges attributed to its development and corresponding investments. Some of the challenges faced by the by Abu Dhabi include a negative Western perception of the region as a tourist destination, competition from other countries in the region, high cost of products related to tourism and lack of policies and mechanisms at the national level to promote tourism. (Sharpley, 2002) While tourism can be useful in economic diversification, the challenges should be considered. Tourism in Turkey is analyzed by Yıldırım & Öcaz (2017) in their research dubbed *Tourism and Economic growth in Turkey*. It is noted that tourism can lead to the creation of employment opportunities and higher production due to the foreign exchanged which enhances the importation of capital goods which are used in production. The study examines the effect of tourism revenue on economic growth in Turkey between 1962 and 2002. The empirical examination shows that tourism revenues have growth-promoting effects in the long-run.

### **3. Economic Impact of Tourism in Oman and the Importance of the Study**

One of the significant ways in which the tourism sector has contributed to the economy is the creation of job opportunities. Tourists majorly depend on air transport, and this has led to the growth of the aviation industry (WTTC, 2017). The aviation sector has created employment for individuals to work as airport attendants. Tourists are visiting Oman with the intention of staying for more than one day require accommodation facilities. Oman citizens have been employed in hotels to cater to the needs of tourists. Tourism has also created opportunities for self-employment in Oman (WTTC, 2018). Some of the tourists visiting Oman are interested in traditional Oman. Traditional gifts are sold in Oman markets which are frequented by tourists. Therefore, tourism has created direct and indirect employment for Oman citizens.

Tourism also contributes to the economy by triggering investment in Oman. Individuals have realized the potential of attractive returns when they invest in tourism-related sectors such as accommodation. The increased number of tourists visiting Oman has led to the development of accommodation facilities ranging from five-star hotels to residential apartments. In addition to providing returns on investment for the shareholders of the accommodation facilities, the establishments also contribute to government revenue through taxes.

The current study will statistically analyze the effect of tourism on the Oman economy. Since the government is attempting to diversify the economy through other sectors including tourism, this study will evaluate the overall effect of tourism on the economy and determine whether it is a viable sector to be considered in the diversification. The findings of the study can be applied when evaluating the benefits of tourism in Oman. Since the study will consider the trends in tourism between the period of 2000 and 2017, the findings can be applied in the prediction of future trends.

#### 4. Methodology:

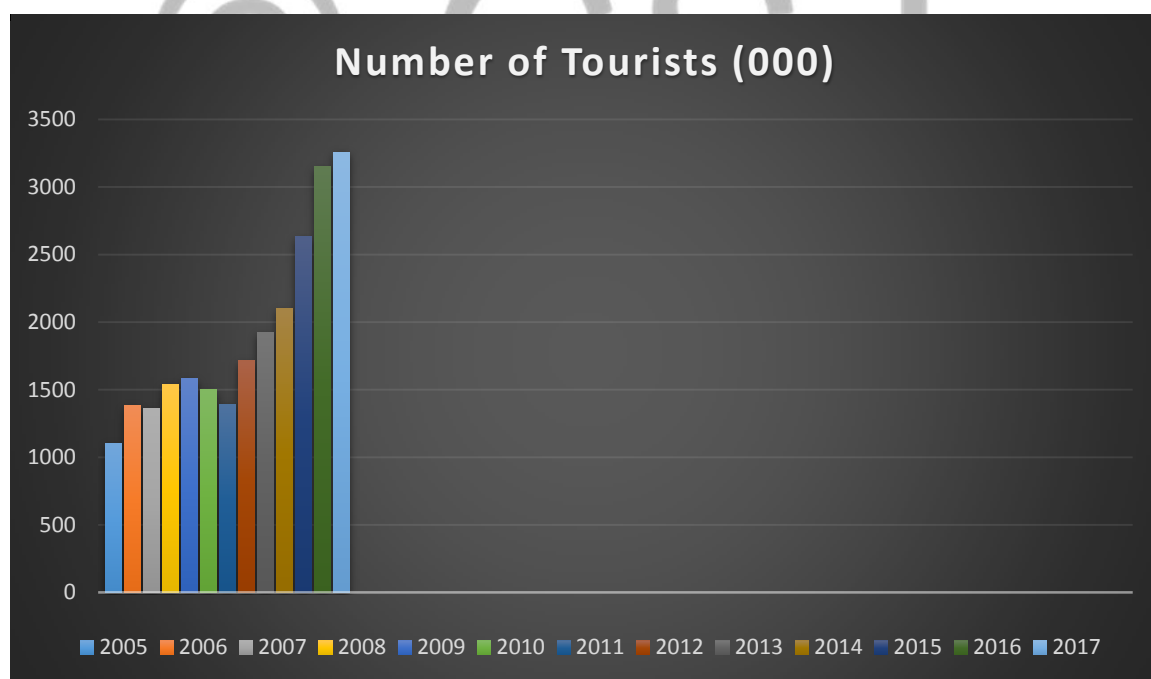
Research Question:

What are the economic trends of tourists in Oman from 2002 to 2017?

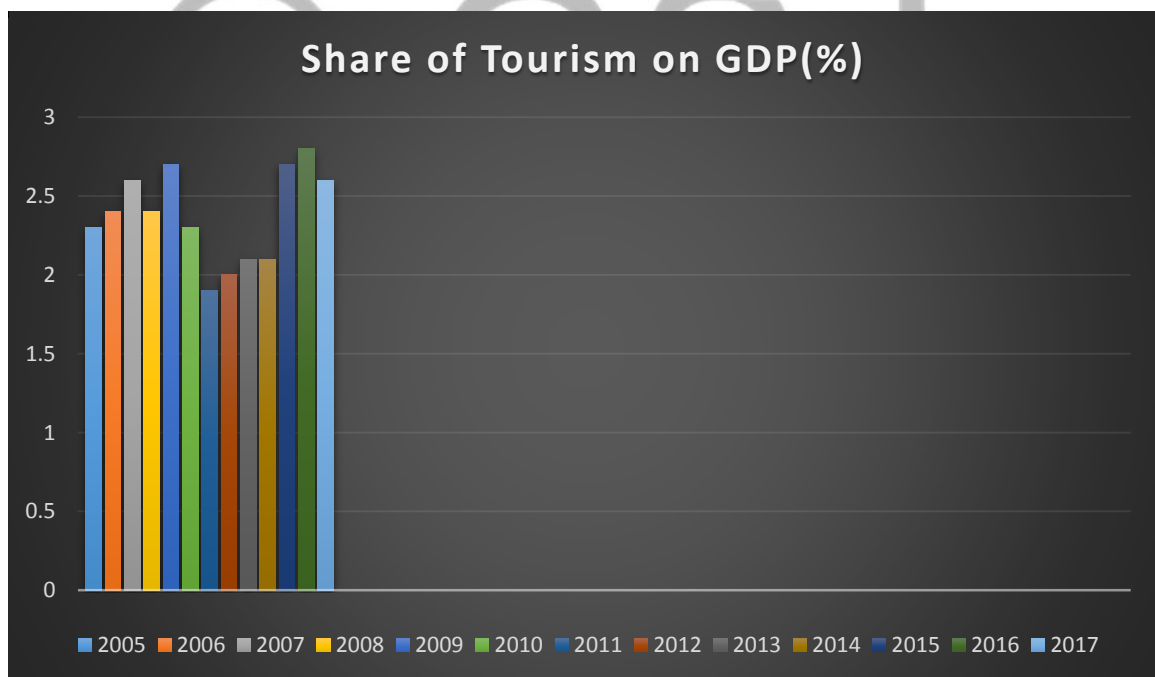
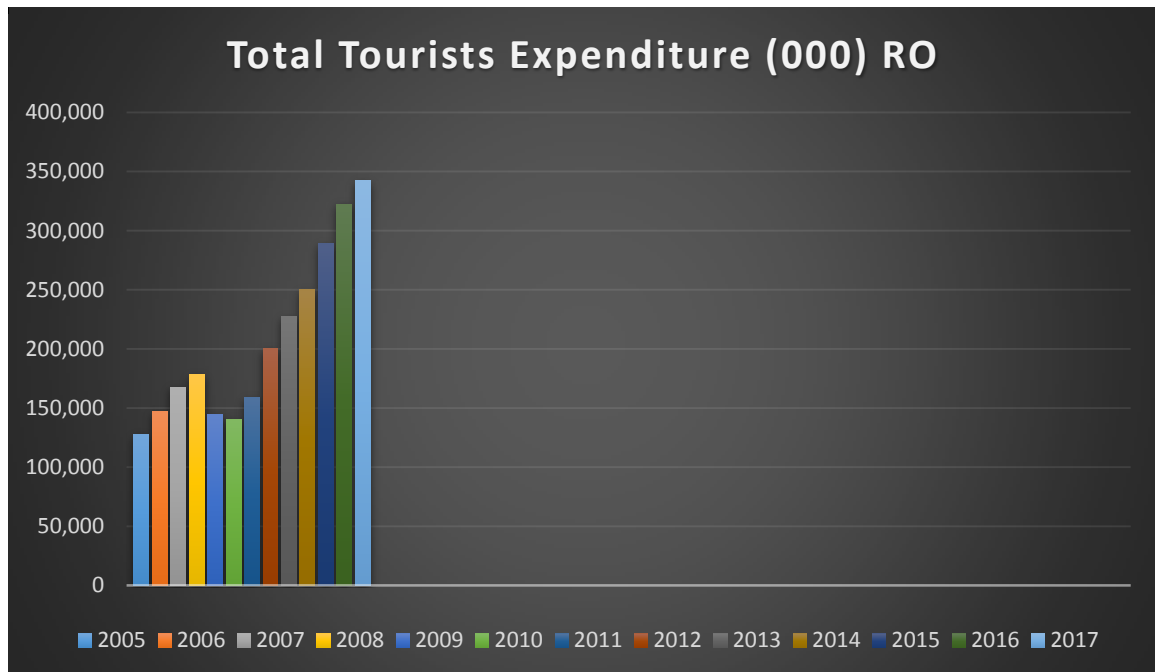
Hypothesis:

In the period between 2000 and 2017, tourism in Oman has increased its share on the economy!

This study gathers data from the official statistics from the National Center for Statistics and Information. The Bulletins provide data that is broken down into an array of categories, and if adequately manipulated, it can show the relationship between tourism and the economy. To investigate the economics of tourism in Oman, this study will construct statistical representations of the number of tourists, tourist expenditure, and the percentage of total tourism revenue to the GDP each year. From the graphs, the trends in the economics of tourism can be observed.







From the representations constructed using data from the National Center for Statistics and Information, it is possible to identify trends in tourism and how it relates to the economy.

## 5. Results and Discussion

The data available in the National Center for Statistics and Information is from 2005 to 2017. From the chart on the number of tourists, it can be observed that Oman has been experiencing an increase. The difference in the number of tourists in 2005 and 2017 is approximately 1.1 million. Which shows that the number of tourists visiting Oman has increased significantly in the last 12 years.

Oman is interested in tourism because of the revenue that it generates. The revenue generated by tourism is represented in the chart of total tourist expenditure. The year 2005 has the least tourism expenditure of approximately 127 million RO while 2017 has the highest expenditure of 342 million RO. The relationship between tourism expenditure and the number of tourists is straightforward. The year with the most number of tourists has the highest tourism expenditure and vice-versa. Therefore it has been established that the number of tourists is directly proportional to the amount of tourism expenditure.

The third chart indicates the contribution of tourism to the Gross Domestic Product of Oman. The year 2011 has the lowest tourism share in GDP with a value of 1.9% while 2016 has the highest share value of 2.8%. Although 2001 has the lowest share value, it does not have the lowest number of tourist or lowest amount of tourism expenditure. Similarly, 2016 does not have the highest number of tourist or highest amount of tourism expenditure despite having the highest value of the share on GDP. Therefore it can be observed that the number of tourists and the amount of tourism expenditure is not directly proportional to the share of tourism on GDP. The most rational explanation for this observation is that various sectors are contributing to the GDP besides tourism. Therefore the trends in those sectors are bound to influence the share of tourism in GDP. Tourists visit Oman for a plethora of reasons among them being visiting relatives, business meetings and conferences and leisure. For tourists who visit Oman for leisure and holidays, they can engage in various activities. Tourist activities in Oman include cultural ceremonies and locations, beach activities and sporting and adventure events. The tourist activities in Oman provide visitors with a wide variety of chooses.

Cultural tourists are usually interested in the heritage, history, art, architecture, religion and other factors which have contributed to the lifestyles of people of a given region. Oman offers such tourists an opportunity to explore the Oman culture through cultural events. For instance, the Muscat is an annual event which is held in January and February. Traditional Oman culture, art

and lifestyle is exhibited along with theatre shows. Another event which displays Oman culture is the Salalah Festival which is held in July and August. Traditional Oman culture is exhibited along with modern artistic shows (Henderson, 2014). Cultural events are a significant tourist attraction in Oman.

Tourists also visit Oman in order to engage in nature-based activities. Oman boasts a coast which is lined by wide beaches where tourists engage in activities such as sun-bathing, swimming, kitesurfing, boating and shell collection (Al Bahri, Al Mujaini, & Al Hinai, 2016). Other nature-based activities practiced by tourists in Oman include desert safaris and caving.

Adventure and sporting activities represent a significant part of tourist attractions in Oman. Tourists can engage in activities such as horse and camel racing, Dubai-Muscat offshore sailing race, Sinbad Classic and the Oman International Rally. These adventure and sporting activities are spread throughout the year making Oman attractive to tourists interested in such events during any time of the year.

While Oman is making progress in the promotion of tourism, there are some challenges which limit government implementation plans. Consequently, the challenges threaten the objective of diversifying the economy through tourism. Challenges in tourism include competition from other countries and inadequate facilities and projects which are supposed to support the tourism industry. The challenges should be addressed if the government aims to achieve the set objective of the tourism sector.

Oman is just one of the countries in the Gulf Cooperation Council which has realized the need for economic diversification and selected tourism to be one of the main contributors to the economy. As a result, the rest of the countries have also embarked on the mission of establishing themselves as attractive tourist destinations. Which has translated to Oman having to share the tourism market with other neighbouring countries? This tourism market in the GCC region has become competitive since tourists have different destinations in the GCC.

The tourism sector is supported by other facilities such as transport and accommodation facilities. The suitability of such facilities to the preferences of the tourists determines the success of the tourism industry significantly. The government is facing the challenge of establishing affordable and yet classy accommodation facilities for the tourist. It has been documented that the accommodation prices in Oman are significantly higher in comparison to

other regions in the GCC such as Dubai. A need to ensure that transport facilities are improved to maintain that tourists are comfortable when travelling into and within Oman.

## **6. Conclusion and Recommendations**

The Oman government has implemented an array of measures to promote tourism in the country. On this front, it can be concluded that the government has been significantly successful by observing the difference between the number of tourists visiting Oman 2005 and 2017. Consequently, tourism expenditure has increased and this has increased the revenue received from tourism.

The crucial reason why the Oman government has promoted tourism is to diversify its economy and reduce its dependence on the oil industry. The oil industry market has been unstable, and this has been acknowledged by the government and the action of economy diversification agreed on. The vision of economic diversification is far from being realized with the highest share of tourism to GDP is 2.8%. Although this value represents an increase from earlier years, the year 2017 recorded a share of 2.6 showing the rate is stagnating.

The government should, therefore, focus on increasing the share of tourism to GDP because the objective of increasing the number of tourists visiting Oman has been achieved in each year. The share of tourism can be increased with an increase in tourism expenditure. Tourism expenditure can be increased by increasing the number of activities and tourist attraction so that tourists spend more currency and days in Oman.

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