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Construction of tourism cycle indicator: a signalling tool for tourism market dynamics

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The composite leading indicators approach has been popularised in general business and property forecasting extensively, but only rarely in a tourism framework. By utilising the National Bureau of Economic Research (NBER) approach in the construction of a tourism cycle indicator (TCI) for Maldives, a significant signalling attribute regarding international tourists arrivals (TA) to Maldives can be determined. This study spanned approximately two decades of data (2000-2017). Both logarithm forms of TCI and TA with seasonal adjustment are detrended by Hodrick-Prescott (HP) filter. Turning points are detected using Bry-Boschan (BB) dating algorithm. This study explored the possibility of a TCI to capture the information needed for policy planning, risk monitoring and community development. Empirical findings highlighted that the forecasting ability of TCI is vital in reducing crisis burden and should be considered by Maldivians policymakers and tourism industry players.

keywords: tourism forecasting, leading indicator approach, near-term forecasting, turning point chronology

1 Introduction

Tourism can play a crucial role in a country as an evolving and dynamic industry. This is due to the potential of the tourism industry in creating a potential multiplier effect

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