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Tourism and Hotels in Sarawak: Economic Performance

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Abstract

This study investigates the relationship between output growth in the hotels industry in Sarawak (in term of Revenue), tourist arrivals, exchange rate and economic growth in Sarawak, using the time series data from 1975 to 2004. An Augmented-Dickey Fuller (ADF) unit root test, Johansen and Juselius cointegration approach and causality test based on Vector Error Correction Model (VECM) were deployed to run the analysis. The findings show the existent of the long-run and short-run relationship between the variables. Besides that, the results reveal that tourist arrivals have a positive impact on growth. However exchange rate has a negative impact on economic growth.

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1. Introduction

The tourism expansion is one of the important determinants of economic growth (Hall, 1997) and there were 2,028 hotels operating in the hotel industry in 2004 against 1,984 hotels in 2003. Growth in the hotel industry was attributed mainly to the increase in tourist arrivals into Sarawak. Tourism is an activity that has flourished tremendously over the years as a source of revenue to the country. Tourism sector is one of the important generators of national wealth and employment creation and contributed as the

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