



**INTERNATIONAL TOURISM DEMAND
DETERMINANTS FROM SELECTED COUNTRY
IN MALAYSIA: AN ECONOMETRIC APPROACH**

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ABSTRACT

Tourism industry is an important sector in Malaysia economy. This paper investigates the determinants of international demand for tourism in Malaysia from the period 1980-2010 and its significance to the Malaysian economics.

The empirical results show that in the long run, tourism price in Malaysia, travelling costs, tourism prices at alternative destinations and incomes are the important determinants of Malaysia's tourism demand from the selected countries namely Singapore, Thailand, United States and Australia.

The study utilizes data from January 1980 to September 2010 and employs standard econometric techniques that include unit root test and cointegration test. The estimated demand model indicates that depreciation of local currency and increases in prices at substitute destination have positive impact on tourist arrivals while increase in transportation cost has negative impact on tourist arrivals. In addition, the model suggests that higher rate of increase in local prices relative to prices at tourist country of origin may not deter tourists from coming to Malaysia.

Keywords: Tourism demand, ordinary least square, OLS, unit root test