

Confidence Intervals for Tourism Demand Elasticity

Abstract

Long-run tourism demand elasticities are important policy indicators for tourism product providers. Past tourism demand studies have mainly focused on the point estimates of demand elasticities. Although point elasticity estimates may have some value for policymaking purposes, their information content is limited, as the sampling variability associated with their estimation is completely unknown. Moreover, point estimates and their standard errors may be subject to small sample deficiencies, such as estimation biases and non-normality, which make statistical inference for elasticity problematic. To overcome this problem, this paper employs a new statistical method called the bias-corrected bootstrap, which is well-known to provide accurate and reliable confidence intervals of demand elasticities. The method is applied to analyze the demand for Hong Kong tourism.

Keywords: Tourism demand, elasticity, bias-corrected bootstrap.