

## Modelling Export and Import of travel in Latvia

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**Abstract:** The share of travel in exports of services in Latvia has increased from nearly 3% in 1995 to more than 18% in 2006. Despite the increase in this share, net export of travel has been negative the whole period. This has a negative influence on the current account deficit, which in 2006 reached -21.1% of GDP and is becoming a major problem. This paper is devoted to the elaboration of equations for export and import of travel, which can be incorporated in the macroeconomic model of Latvia in order to show the role of travel in export and import formation. The paper provides the analysis of travellers by countries, as export of travel depends heavily on demand of other countries. The major part (more than 30%) of tourist spending in Latvia comes from the EU-15 countries. Therefore GDP of EU-15 is used as a factor in the export equation. The analysis of motives of travellers is given in this paper in order to distinguish the factors influencing import of travel. In 1990's it was popular to go abroad for shopping. Since 2000 the importance of this motive has decreased, however, it is still one of the major reasons to go abroad. Therefore private personal consumption is included as a factor in the import equation. The paper presents the forecasts obtained with these equations. In 2015 export of travel could reach 620 mln LVL (277.4 mln LVL in 2006) and import of travel – 900 mln LVL (400.4 mln LVL in 2006). Key words: export and import of travel, macroeconomic model, forecasting