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THE EFFECT OF THE REAL EXCHANGE RATE ON TOURISM INCOME IN TURKEY: AN EMPRICAL STUDY ON 2010-2017 PERIODS

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EXTENSIVE SUMMARY

Along with this, the tests known in the literature as the seasonal unit root tests should be applied so as to find out the seasonal unit roots for the series possibly affected by the season. During the analyses, the test developed by Hylleberg et al. (1990) known in the literature as HEGY Seasonal Unit Root test for the seasonal unit root is applied. Before beginning the cointegration analysis, VAR models are utilized to determine the appropriate lag length. After revealing the cointegrated structure between the series, Vector Autoregressive Model (VAR) is utilized in order to establish their long-term relations to each other. VAR models are frequently utilized in the literature as they do not bear any limitations on the structural models in the time series analysis.

The importance of the Turkish tourism sector progressively increases in both national and global economies. Thus, all the investments on tourism sector have positive effect on the national economy as well as increasing the tourism income which has a major role in terms of national finance. Tourism is also a sector, which contributes to the national finance as it helps to increase the foreign currency, provides employment opportunity, acts as a tool in international communication in terms of social and cultural aspects, and helps to maintain the world peace with its integrating role.

Real exchange rate (RER), which reflects the relative price of the goods manufactured in the foreign countries for the goods manufactured in Turkey, is one of the commonly used signifiers to measure the international competition. RER plays a determining role by affecting the distribution of the production and consumption decisions of the economical units between the goods manufactured in foreign countries and in Turkey. In most of the theoretical studies, RER is defined as the relative price of the tradeable and non-tradable goods. (Edwards, 1988:56).

In terms of economics, the fact that the real exchange rate is a reason behind the tourism incomes may be explained as follows. With the increase of the real exchange rate, foreign currencies get appreciated in the country and Turkish tourism becomes cheaper. In consequence, the demand in tourism expands, which increases the tourism income. The decrease of the real rates makes the Turkish tourism expensive for the foreign tourists, causing a decrease in the tourism demand for Turkey, thus a decrease in the tourism incomes.(Şen ve Şit, 2015:6761) As it is not possible to intervene directly to the exchange rates, it is essential to establish and apply the appropriate exchange rate policies so as to benefit from tourism, especially from the price advantages.

As a result of the study, it is determined that the real exchange rate is effective on the tourism incomes of Turkey. In other words, a change of 1 standard unit on the exchange rate creates 1.089% of decrease on the tourism income. According to the results of the Granger Causality Test, it can be put forward that "Null"

hypothesis, which claims that Real Exchange Rate (RER) is not a reason of the Tourism Income series may be rejected with 95% reliability. Thus, it can be concluded that exchange rate is "a reason of the tourism income in terms of Granger causality". By examining the cointegration model, it can be seen that there are negative-inclined long-term relations between the tourism income and exchange rate. As a result of the applied Granger Causality Analysis, it is determined that there is a one-direction causality from exchange rate to tourism income. The exchange rate is one of the reasons that cause changes in the tourism income. However, it is seen that there is not any causality in the direction from tourism income to exchange rate. Thus, it can be deduced that the tourism income is not one of the reasons that affect the changes in the exchange rates. Consequently, the fact that there is not any causality between the exchange rate and tourism income means the foreign demand for Turkish tourism sector does not bear any sensitivity to the exchange rate. Despite the recent increases of the tourism income and the number of the tourists, the expected positive results decreases as the investment, expensing and incentive regarding the tourism sector are not sufficient.