DETERMINANTS OF U.S. OUTBOUND TOURISM TO CANADA, MEXICO AND WESTERN EUROPE: EMPIRICAL EVIDENCE FROM AN AUTOREGRESSIVE DISTRIBUTED LAG MODEL

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ABSTRACT

This article investigates U.S. outbound tourism demand for selected major foreign destinations, namely Mexico, Canada and Western Europe, using the Autoregressive Distributed Lag model (ARDL) and quarterly data during the period 1995Q4 - 2016Q4. No study in the tourism literature conducted an empirical analysis on U.S. outbound tourism demand, the largest source of tourist arrivals in foreign destinations in the world, using ARDL modelling. Results from the Augmented Dickey-Fuller unit root testing methods ruled out that none of the variables under consideration, in this study, is in the order of I(2): both indicated that all the time series are integrated in the order of, either I(0), or I(1). The ARDL bounds tests reveal the existence of a long-run equilibrium relationship between the number of U.S. tourists' arrivals, relative prices of tourism in these selected foreign destinations, transportation costs, real U.S. personal disposable income, and real U.S. median home price as proxy for wealth. The estimated coefficients of the short-run dynamic ARDL models are negative as expected, and significant; thus, indicating that short-term deviations, due to shocks, are restored back into equilibrium from one period to the next at the rate of 46% , 87% and 91% for Mexico, Western Europe and Canada, respectively. Results of the CUSUM and CUSUMSSQ stability tests show that the models have remained relatively stable over the course of the study period. Overall, the findings provide useful insights for lawmakers and tourism management practitioners in those countries on how to develop policies aimed at promoting their tourism industries in order to achieve desired national goals.

Keywords: *Outbound Tourism, Auto Regressive Distributed Lag Model, Bounded Testing, Long-Run Equilibrium*