

**Asymmetries in European inbound and outbound tourism:
Normal, luxury or inferior good?
Fresh evidence from a quantile regression**

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Abstract

This paper studies aggregate inbound and outbound tourist demand in Europe for 1995-2015 with a new panel quantile regression approach. It employs tourist arrivals, tourist receipts and tourist expenditure. Besides real domestic income and real exchange rate, the demand is instrumented with environmental degradation and trade openness. Results show that tourism behaves like a normal good when tourist arrivals are used as a predictor of demand and a luxury good when tourism revenue is used instead. Conversely, tourism behaves like an inferior good when tourist expenditure is used. The results suggest that for inbound tourism in Europe to remain competitive, prices should be low to attract inbound tourism while tourism expenditure subsidization programmes should take place for European residents to be able to afford outbound tourism.

Keywords

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Asymmetries; Panel quantile approach; tourism demand; inbound; instrument; outbound

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