Determining the immediate and multiplicative economic effects of conference tourism

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1. Executive summary

With its expert knowledge and resources, the Hungarian Convention Bureau supports the work of service providers interested in the meeting industry in order to make more efficient use of the potential of the MICE market. Its goal is to make Budapest a MICE destination that competes with every city that is a world leader in the congress market. It has formulated a goal that supports the operation and the strategic objectives of the organization, one of these elements is to explore for the decision makers the added value of this segment of tourism for the Hungarian economy now and in the future. This is particularly interesting at the time of the fading of the COVID epidemic when the opportunity to acquire new markets and business partners is top priority.

In the present study we examine the macroeconomic impact of international events organized in Hungary in accordance with the criterion system of the International Congress & Convention Association (ICCA) (hereinafter for these events we use „examined conferences” as terminus technicus). This is due to the fact that in addition to the total conference tourism measured by the HCSO (Hungarian Central Statistical Office), there are reliable statistical data on ICCA conferences. ICCA conferences may include those that meet the following criteria:

- they are held in at least 3 countries (on a rotating basis),
- there are organized with the participation of at least 50 people,
- and they are arranged according to a specific frequency.

The analysis focuses on the activities of the year 2019, i.e. in the examined period we examine the direct and spillover effects of the conferences organized in 2019 for the time between 2019 and 2023. The concept of the analysis focuses on the quantification of direct and indirect, multiplicative effects. The impact analysis study determines the additional effect of the examined conferences on several macroeconomic indicators (GDP, consumption, investment, government income).

The examined conferences affect the macroeconomy through several channels. On the one hand, with the payment of items arising from the organization of conferences, an additional source appears in the economic cycle in certain sectors (event organization, catering, transport). In addition, of course, the individual, non-event expenses of the conference

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1 In the Hungarian specialized literature professional tourism is also called business or MICE (Meetings – business trips, business negotiations; Incentives; Conferences and Conventions; Exhibitions and Events) tourism.

2 Later (2022-2023) this research will be completed by an impact analysis of events organized by companies.
Participants represent an additional demand, which also has positive effects on the country's foreign exchange position and financing capacity. Apart from the direct effects, two indirect channels can be identified. These are the effects on productivity, as well as the extractor/absorbing effect of knowledge. For this reason, we have added a so-called behavioral block to the model which captures additional effects over the long term. Beside the so-called basic scenario, our forecast was supplemented with optimistic and pessimistic scenarios by changing the number of interactions of the conference participants and the „quality” of the participants (business ability etc.) as behavioral elements.

The economic effects resulting from the organization of the examined conferences consist of two parts: the primary and the spillover (multiplicative) effects. The primary effects can be examined by enumerating the results achieved in specific areas of intervention. Capturing multiplicative, spillover effects, thus exploring the impact on the overall macroeconomy, is possible using a dynamic macromodel type DSGE. One element of these spillover effects is the impact on the participants’ further activities (subsequent business transactions, scientific results, discoveries, inventions etc.). This effect was presented and calculated with functions describing the disparate behavior of the participants of different types of conferences and events.

We examined the direct and indirect impact on the conferences organized in 2019 on the Hungarian economy as a whole and by specialization. This refers primarily to the additional effects related to the GDP, but also to the effects of excess consumption and investment on the use of the GDP. Besides, the effects per one conference participant were also taken into account, mainly for the purpose of comparing the performance and the functional efficiency of the examined conferences with the entire Hungarian conference tourism welcoming foreign guests (the whole sector published by HCSO, hereinafter referred to as „whole sector”). In addition, the significance of the direct and indirect economic impacts quantified by the model is presented for the overall impact, which demonstrates the importance of taking into account indirect impacts that are not directly related to the conference (organizational costs, spending of the participants, spending of the arriving guests, tax revenues).

According to the basic scenario, the conferences held in 2019 and included in the examination will increase the gross domestic product by a total of 157 billion HUF between 2019-2023, of which nearly 35 billion HUF will be actually the immediate effect in 2019. The falloff of the effects of the GDP will have an impact on the long-term, so the impact of a conference in 2019 will appear even 5 years from now. The efficiency of this examined conferences in relation to

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3 Included in the tourism satellite invoices. Based on the question asked among foreigners when going abroad, the content of which related to the purpose of the travel, and in which one of the options is „congress, conference” (the definition of the latter is not included in the questionnaire).
the whole sector is actually shown by the specific GDP effect per participant. Between 2019 and 2023 the **GDP effect per capita will be a total of 3.6 million HUF, which is 44% higher than the 2.5 million HUF measured in the entire conference sector.**

The largest impact was achieved by conferences held in the field of Medical Sciences, raising the value of the GDP by a total of about 39 billion HUF. Science area is on the second place with a GDP effect of more than 20 billion HUF. **In terms of the GDP per participant, the conferences of the Social Sciences area are in the leading position** with an added value indicator of 7 million HUF/person for five years, followed by Commerce and Industry with 5-5 million HUF/person. But even the lower-yielding Science (3.5 million HUF/person), Technology (3 million HUF/person) and Management (2.8 million HUF/person) are more „profitable” than an average conference.

Although one of the important elements of the GDP use is the **consumption** (residential and communal), the course of the immediate and multiplicative effects lasting until 2023 of the examined conferences for nominal consumption are different from the course of the GDP effect. According to the basic scenario, **the examined conferences will directly and indirectly increase the level of consumption by a total of about 86 billion HUF**, especially in the period between 2021 and 2023. The impact on the additional consumption of these conferences in 2019 will add up to an average of 13% of the consumption impact of the entire sector (which is a higher ratio than the assumed on the basis of the headcount ratio alone) between 2019 and 2023. The largest impact was/is achieved by the conferences of the Medical Sciences field, increasing the total value of consumption by about 22 billion HUF in the period between 2019-2023.

**In the examination, there is an additional consumption effect of 2 million HUF per conference participant in 5 years, which is 43% higher than the 1.4 million HUF/person measured in the entire conference sector.** In terms of consumption per participant, the conferences of the Social Sciences are in the lead with an additional consumption indicator of 4 million HUF/person in 5 years, followed by Commerce with almost 3 million HUF/person.

The course of the immediate and multiplicative effects lasting until 2023 of the examined conferences on investment, differs significantly from the course of the GDP effect. **In the case of investment, the immediate effect is much more significant** than the multiplicative effects. As a result of this, according to the basic scenario **the examined conferences will directly and indirectly increase the level of investment by a total of about 64 billion HUF, or about 1.5 million HUF per participant in 5 years.** **This effect is almost 50% higher than the 1 million HUF measured in the entire conference sector.**
The largest investment effect was achieved by the conferences of the Medical Sciences field, increasing the value of the investment in the national economy by almost 20 billion HUF. At the same time, in terms of investment per participant, the conferences of the Industry field are in the leading position with an additional investment indicator of 5 million HUF per person, followed by the Social Sciences with nearly 4 million HUF per person calculated for 5 years.

Concerning the government incomes driven mainly by taxes and contributions, a mechanism of action similar to consumption (partly due to consumption-based taxes) and a corresponding course are typical. Additional effects typically emerge from the second year onwards and peak in 2021, and thereafter decay, but with typically a positive effect. As a result of this, according to the basic scenario the examined conferences will directly and indirectly increase the government incomes by more than 17 billion HUF, or about 400,000 HUF per participant, which is 45% higher than the 275,000 HUF per capita measured in the entire conference sector. According to the study by specialization, the largest impact on government income was achieved by conferences in the Medical Sciences field, raising the government income by more than 3 billion HUF in total. The additional government income per participant in the case of conferences in the field of Social Sciences is the highest, nearly 700,000 HUF per person for five years.