IMPACT OF TRADE OPENNESS AND MACROECONOMIC STABILITY ON TOURISM DEMAND IN NIGERIA

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Abstract

This paper examines how trade openness and macroeconomic stability influence tourism demand in Nigeria between the years 2000 and 2024 using annual time-series data obtained from Central Bank of Nigeria. The results have shown that total imports have a positive and significant effect on the demand of tourism, which increases the supply of goods and services that attract local and foreign tourists. On the contrary, the impact of total exports on the demand of tourism is negative which implies that the high level of export business would be a disadvantage to the growth of domestic tourism since it would lead to diversion of resources. Tourism demand is negatively correlated with inflation but the relationship is not significant, which means that it does not have much direct influence over tourism during the review period. The conclusion of the study is that the trade openness especially by imports is essential in stimulating tourism demand whereas inflation plays a smaller role. The recommendations on the policy include the need to increase tourism support that involves imports and the need to balance the tourism promotion with export strategies as well as the need to maintain stable macroeconomic factors to promote tourism in the country.

Key words: *Inflation rate,* Nigeria*, Total exports, Total imports, Tourism Demand*

JEL Classification: *F14, F43, L83, E3*

I. INTRODUCTION

Tourism is now ranked among the most rapidly expanding branches of the global economy, with some of the major functions it carries out being generation of employment, foreign exchange earnings as well as diversification of the economy of developed and developing economies. Tourism is now being considered as part of the strategic options to commodity-based growth regimes in most emerging economies especially during the time of external shocks and unstable export earnings (Seraj, et al., 2025; Çetin, 2025). Good macroeconomic and trade policies have been associated with sustainable growth and structural transformation in Africa when it comes to the development of tourism (Ogbuabor et al., 2025). Nevertheless, with its rich cultural root, natural resources, and huge population, the tourism input to the national output is rather low in comparison with potential (Chioma, 2024).

Tourism demand is a discretionary and highly price-sensitive service and thus is sensitive to the macroeconomic conditions. Inflation, exchange rate fluctuations, openness of trade, and general macroeconomic stability are among the variables that have a direct impact on the purchasing power of tourists, the cost of travelling, and destination competitiveness (Shahbaz et al., 2017; Adewale & Nedelea, 2025). It is empirically believed that volatile macroeconomic conditions deter international tourism inflows and stable and predictable economic environments promote tourism performance (Çetin, 2025). It means that development tourism cannot be separated in terms of macroeconomic and external policy of the sector.

Trade openness which is usually proxied by total imports and total exports is the measure of integration in the global market. The trade openness might boost tourism demand by enhancing international linkages, business travel, transfer of technology, and also exposing the destination country to world economy (Kpoghul, et al., 2020; Ogbuabor et al., 2024). Export growth helps in strengthening national income and enhancing international visibility, thus drawing in tourists, and imports help in accessing capital goods, transport equipment and other inputs in the hospitality industry, which enhance tourism infrastructure and service quality (Ogbuabor et al.,2025).

It can also lead to economies being vulnerable to external shocks and balance-of-payments pressures and macroeconomic instability, especially in those countries where the productive base is weak. Long-term deficits in the trade and overdependence on imports may put a strain on foreign reserves and exchange rates, thus negatively affecting the competitiveness of tourism indirectly (Onakoya et al., 2020; Karabayi & Cetino Gu, 2021). In the case of Nigeria, where the exports are mostly in the form of crude oil, the changes in the global commodity prices tend to create a macroeconomic instability that spills to the tourism and services sectors (Kpoghul et al., 2020).

The question of macroeconomic stability and in this case price stability is important in influencing the tourism demand. Inflation has an impact on tourism due to the escalation of accommodation prices, fare charges on transportation, and the general costs of travelling to the destinations, making them less affordable. The empirical evidence presented by Raifu and Afolabi (2026) is quite good that the increasing inflation decreases tourism arrivals and tourism receipts in Nigeria to a considerable extent. They find that high inflation is undermining the purchasing power and making Nigeria less attractive as a tourism destination. Adewale (2025) has used similar macroeconomic analyses to demonstrate that in Nigeria the fiscal deficit, money supply growth and monetary policy relationships have contributed to the continuous inflationary pressures whilst these ideas have general implications on the performance of the service sector.

The demand of tourism is also affected by the exchange rate dynamics in combination with inflation and trade openness. Adewale and Nedelea (2025) discover that in the long term, the exchange rate depreciation may boost international tourism demand in Nigeria by rendering the destination comparatively cheaper to foreign tourists, and also boosts the export growth, which will enhance tourism inflows. However, these benefits may be countered over time by inflation and macroeconomic doubtfulness, as they add uncertainty and operations expenses to the tourism sector (Raifu & Afolabi, 2026; Adewale & Nedelea, 2025).

In addition to macroeconomic factors, structural and institutional factors also influence tourism demand. Chioma Akinyemi (2024) points out that the infrastructure quality, political stability, internet penetration and hotel capacity are significant when it comes to international tourist arrivals in Nigeria. On the continental level, poor institutional quality and insecurity have been found to have a profound negative impact on tourism performance and trade flows especially in Sub-Saharan Africa (Agu et al., 2026).

Although there is an increasing body of work in tourism, trade openness, and macroeconomic performance, most research work has used tourism arrivals or receipts as a proxy variable of tourism demand. Little focus has also been placed on sectoral output, which is in turn more direct, in the sense that it represents domestic tourism activity and sectoral contribution to GDP (Seraj et al., 2025; Ogbuabor et al., 2025). Further, there are very limited studies that simultaneously explore trade openness and macroeconomic stability in a Nigeria of a single country in terms of sector-specific output measures.

It is against this background that this research paper examines the association between trade openness and macroeconomic stability and the tourist demand in Nigeria has used the accommodation and food services GDP as a proxy of tourism demand, total exports and imports as a measure of trade openness, and the inflation rate as an indicator of macroeconomic stability. The study intends to offer policy-related findings on the relationship between the external sector integration and price stability and tourism performance in Nigeria by using the information published by the Central Bank of Nigeria in the Statistical Bulletin. The results are projected to educate the policy makers about the necessity of coordinated trade, monetary, and tourism policies to enhance sustainable tourism growth and economic diversification. The primary aim of the research is to analyze how trade openness and macroeconomic stability affect the demand in tourism in Nigeria. Other specific objectives of the study are to: determine the impact of total exports on tourism demand in Nigeria; determine the impact of total imports on tourism demand in Nigeria; determine the effect of inflation rate on tourism demand in Nigeria.

II. Literature Review

Conceptual Review

Tourism Demand

Tourism demand is the amount of tourism services that consumers desire and can consume at a particular point in time and at a particular price (Adewale & Nedelea, 2025). It indicates the choices of international and local tourists in terms of traveling, accommodation, food services and leisure amenities. Tourism demand in the empirical literature is often proxied with the number of arrivals of tourists, tourism earnings or sectoral output caused by tourism. According to the latest research in the field, the sectoral indicators of accommodation and food services GDP can be viewed as a more holistic indicator of tourism demand because they reflect the actual economic activity induced by tourism rather than the overall number of visitors (Seraj et al., 2025; Ogbuabor et al., 2025). Tourism demand factors in the Nigerian scenario are influenced by the macroeconomic climate, the price of travelling, the quality of infrastructure, and the stability of the institution (Chioma, 2024). Tourism is a discretionary product, and therefore, its demand is very elastic and responds to price and income changes, as well as any economic uncertainty, thus it is closely connected with the macroeconomic state and the output of other sectors.

Trade Openness

Trade openness refers to the degree to which an economy is connected with the world trading system and is normally gauged by the value of total exports and imports as a percentage of the economic output (Çetin, 2025). Theoretically, trade openness promotes the development of tourism by making countries more aware of each other, creating a more efficient network of transportation and business travel, as well as cultural exchange (Shahbaz et al., 2017). The increased exportation increases the national income and global exposure, which may attract foreign tourists, and imports are essential in the development of tourism as it avails capital goods, technology, and intermediate inputs that can be used in the hospitality and transportation industry (Ogbuabor et al.,2024). Nevertheless, overdependence on imports and constant operational trade deficits can create balance-of-payments pressures which challenge macroeconomic stability (Onakoya et al., 2020; Karabayoglu et al., 2021). Oil export, coupled with the exposure of the Nigerian economy to external shocks, makes trade openness especially significant in Nigeria (Kpoghul et al., 2020).

Macroeconomic Stability and Inflation

Macroeconomic stability is a condition of the economy that has low and constant inflation rates, manageable fiscal positions, a consistent monetary policy, and very minimal fluctuations in major macroeconomic parameters (Karabıyık & Çetinoğlu, 2021). One of the most commonly used macroeconomic stability indicators is inflation since it has a direct influence on purchasing power, cost structures and the investment decisions (Adewale,2025). Inflation increases the accommodation costs, transport expenses and the overall cost of life in the tourism industry and therefore makes a destination less affordable (Raifu & Afolabi, 2026). Continual inflation also leaves uncertainty that deterrifies long-term investment on tourism infrastructure (Adewale, 2026). According to the studies on Nigeria, fiscal deficits, growth in money supply, and monetary policy actions have an impact on inflation (Adewale, 2025). High inflation will cause the demand of tourism to decrease as tourists will use more stable and affordable destinations. This therefore shows that price stability is a key aspect in maintaining the growth and competitiveness of tourism.

Trade Openness, Macroeconomic Stability, and Tourism Demand Nexus

The relationship between trade openness, macroeconomic stability and tourism demand is known to be based on the larger theory of economic openness and growth. Trade openness may cause tourism demand to increase owing to the increased integration of most economies internationally, but the success will heavily rely on the stability of the macroeconomics environment (Karabıyık & Çetinoğlu, 2021). Empirical data indicates that the positive effect of exports and openness is likely to stimulate tourism inflows, but these advantages may be undermined by inflation and instability, raising costs and uncertainty (Raifu & Afolabi, 2026; Adewale & Nedelea, 2025). Trade openness has been found to positively but conditional impact tourism in Africa, which needs supporting infrastructure, institutional quality, and security (Ogbuabor et al., 2024; Agu, Ogbuabor, & Onah, 2026). As such, the sensitivity of tourism demand is not to the openness to trade but to a policy environment that is well coordinated, providing the stability of macroeconomics and integration of the external sector.

Theoretical Review

Tourism-Led Growth Hypothesis (TLGH)

The Tourism-Led Growth Hypothesis (TLGH) Propounded by Balaguer and Cantavella-Jorda (2002) describes how tourism development helps in the process of economic activity and sectoral development. The hypothesis is that rise in tourism demand would lead to economic growth in terms of foreign exchange earnings, the creation of jobs, income and investment into the tourism infrastructure. Balaguer and Cantavella-Jorda (2002) argue that tourism drives the economy through elevation of aggregate demand and enhancement of inter-relationship with other related sectors like transportation, trade, accommodation, and financial services.

The demand of tourism is affected by the external sector conditions of the open economy such as trade and international market integration. Openness to trade also boosts tourism through making the places more accessible, information flow, and international connectivity hence drawing foreign tourists. Nevertheless, macroeconomic stability is also acknowledged in the hypothesis. Inflation increases the price of the services provided in the tourism industry, lowers the buying power, and it makes the destinations less competitive. In turn, the long-term demand in the tourism industry demands stable prices and good trade conditions. Tourism-Led Growth Hypothesis can thus be applied in the analysis of the effects of trade openness and inflation on tourism demand in Nigeria.

Trade Openness Theory

The Trade Openness Theory can be traced to the classical economic theories of international trade especially the Absolute Advantage Theory (1776) of Adam Smith and Comparative Advantage Theory (1817) developed by David Ricardo. The theory focuses on the fact that nations derive pleasure with international trade since they specialize in production of goods and services that they are comparatively most efficient in. Trade openness enables the economies to increase access to markets, productivity, transfer of technologies and trigger economic growth.

Trade openness between countries in the tourism industry means that there is movement of goods, services, capital and people across borders and as a result, this has boosted tourism demand. The open trade regimes enhance international exposure, reduce the transaction costs, and promote investment in the infrastructure that is associated with tourism. Nevertheless, macroeconomic stability is what determines the advantages of trade openness. The advantages of openness can be nullified by inflationary pressures that make traveling more expensive and put potential visitors to the country off. Thus, the Trade Openness Theory substantiates the thesis that external openness has a positive effect on tourism demand in the conditions of stable macroeconomic environment.

Theoretical Framework

The present paper is based on the Tourism-Led Growth Hypothesis (TLGH). The framework describes the association between trade openness, macroeconomic stability and tourism demand in

Nigeria. Openness to trade as measured by the total exports and total imports is an indicator of how Nigeria is integrated in the global economy. With more trade activities, international interactions, income flows, and infrastructural development are promoted, which is critical to the growth of tourism.

The level of macroeconomic stability, which is reflected in the rate of inflation, is very crucial in influencing tourism demand. Stable prices enhance destination competitiveness because it helps to lower the cost of traveling and tourist services and high inflation will deter the inflows of tourists since it will weaken purchasing power. Tourism demand represented by accommodation and food services GDP is a measure of the intensity of tourism related economic activity of the economy.

The model presumes that the openness to trade has a positive impact on the demand of tourism but the impact is conditional on the macroeconomic stability. Therefore, the inflation serves as a control factor, increasing or diminishing the effect of trade openness on the tourism demand. The framework offers a reasonable framework on which the empirical study of the relationship between trade openness, inflation, and tourism demand in Nigeria can be conducted.

Empirical review

Raifu and Afolabi (2026) investigate how the growing inflation rate impacts the industry. By utilizing quarterly data on the tourism industry in Nigeria in 1995Q1 to 2020Q4, It uses tourism arrival and tourism receipt as a measure of tourism performance and uses various econometric methods of estimation to ensure that the study is robust. The results repeatedly indicate that there is a negative correlation between inflation and tourism development which implies that there exists a tradeoff. In particular, the increase in inflation would deter international tourist arrivals and decrease tourism revenue in Nigeria. Findings indicate that high inflation destroys purchasing power, increases the cost of traveling, and undermines competitiveness of Nigeria as a tourist destination. Depending on the results, the authors suggest that the monetary authorities should focus on price stability through keeping the inflation within the acceptable levels to boost tourism development and increase the foreign exchange earnings in Nigeria.

Adewale and Nedelea (2025) look at the effect of exchange rate dynamics, trade performance, and inflation on international tourism demand in Nigeria between the years 1990 and 2023. The analysis employs annual time-series data provided by the central bank of Nigeria, and with Autoregressive Distributed Lag (ARDL) approach, both short- and long-term relationship will be captured among the variables. The results indicate that depreciation of exchange rates has a positive impact on tourism demand, at least in the long-run, since the low prices encourage the attraction of foreign tourists in the long-term. The total exports play a greater role in boosting tourism inflows as compared to constant trade deficits that decrease the number of international tourists. Inflation has weak short-run impacts but has a positive impact in the long run. The paper suggests that macroeconomic stability, competition exchange rates, exportation promotion, and coordinated tourism policies should be maintained to continue the growth in tourism.

In a study by Seraj, Ike, and Ozdeser (2025), data on World Bank shows tourism contribution to the GDP growth and sustainable development in 6 countries of Africa (Egypt, Kenya, Morocco, South Africa, Tunisia, and Uganda) between 1999 and 2020. It uses the Method of Moments Quantile Regression (MMQR) and Westerlund cointegration test to measure short-run and the long-run relations. The outcomes of cointegration indicate that there is no statistically significant long-run correlation between tourism and GDP growth at 1% and 5% levels, but the weak evidence at the 10% level of significance has been obtained. According to the findings, the impact of the growth of tourism is largely determined by the provisions of favorable macroeconomic policies. Therefore, the authors suggest the policies that could be used to boost the Keynesian multiplier effect and stimulate foreign direct investments to boost tourism as a contributor to economic growth in Africa.

Chioma Akinyemi (2024) analyses the determinants on international tourist arrivals in Nigeria based on annual panel data of 53 countries of origin regarding the years of 2010-2016. The researcher uses dynamic panel data regression to reflect economic and non-economic factors that have an effect on tourism flows. The results indicate a strong and significant negative impact of the travel cost on tourist arrivals of the African countries as well as non-African countries. The use of the internet, political stability, urbanization rate and the quantity of the number of hotel rooms positively and significantly affect international tourist inflows, which has an emphasis on the quality of infrastructure and institutions. Remarkably, the level of income of the countries of origin of the tourists which are not African has a negative influence on the arrivals to Nigeria. The paper concludes that the three prerequisites of improving the international tourism competitiveness of Nigeria are to improve infrastructure, political stability, and digital connectivity.

Ogbuabor, Agu and Mba (2024) examine the relationship between foreign direct investment (FDI) inflow and trade openness and international tourism demand in Africa throughout the post-Global Financial Crisis era. The research applies both direct and moderating effects using panel data in 42 African countries and through the system Generalized Method of Moments (GMM) method. The results indicate that FDI inflow has no significant effect on the international tourism demand growth in Africa. The FDI-tourism relationship is however enhanced by the infrastructural development and conducive weather conditions whereas terrorism undermines it. Trade openness demonstrates positive, but to a great extent, insignificant effect on the tourism demand. The research finds that infrastructure and institutional quality and security conditions should be improved in order to increase the growth of tourism using FDI and openness to trade in Africa.

Agu, Ogbuabor and Onah (2026) discuss the impact of terrorism on international tourism, trade, inflow of foreign aid, and the economic growth of Sub-Saharan Africa, alongside a moderating effect of institutional quality. The research on panel data of 40 countries that are SSA members with reference to 2010-2020 and the system Generalized Method of Moments (GMM) technique reveal that terrorism has an important negative impact on tourism inflows, foreign aid, international trade and economic growth. However, the opposite to that, institutional quality fails to counter any negative effects of terrorism on these macroeconomic results. The results indicate that the institutional frameworks of SSA are weak, and thereby their ability to insulate the economies against security shocks is poor. The research suggests enhanced governance, security agencies, and regional integration to minimize the economic impacts of terrorism and enhance resilience in the tourism, trade and growth.

Ogbuabor, Emeka, and Ukwueze (2025) examine the relationship between international tourist arrival, infrastructural growth and trade openness in improving the complexity of the African economy. The study is based on dynamic system GMM and fixed effects estimation methods using the panel data on 34 African countries covering the period between 2010 and 2021. The results indicate that international tourism arrivals and the openness of the trade have positive and significant impacts on the complexity of the economy, which implies that the globalization and tourism related activities favor structural transformation. On the other hand, the infrastructural development has an overwhelming negative impact on economic complexity, which is a measure of inefficiencies and poor productivity interconnections in infrastructure investment in African economies. The research also marks out development of human capital and foreign direct investment as key channels of enhancement of the complexity of the economy. The authors suggest policies that will enhance human capital, efficiency of infrastructure and tourism and trade as a way of promoting diversified and sophisticated economic structures in Africa.

Through the review of the literature, Çetin (2025) investigates how tourism, trade liberalization and political stability affected the economic growth in Turkey between the year 1995 and 2022. It uses Fully Modified Ordinary Least Squares (FMOLS) and Canonical Cointegrating Regression (CCR) methods to explain endogeneity and non-stationarity. The results show that capital investment, employment, human capital development, trade liberalization, and international tourist arrivals have profound positive impacts on economic growth indicating their status as the drivers of economic growth. Conversely, the effect of political instability on the economic performance is pronounced with an adverse effect and this implies that governance issues diminish the growth results. The findings indicate that Turkey has got a future of growth that relies on the reinforcement of human capital, expansion of trade openness, improvement in the development of tourism, and political stability to create a secure and conducive business environment.

In Onakoya et al. (2020), the authors examine the association of macroeconomic variables with the trade openness and tax revenue in 22 Sub-Saharan African countries between 2005 and 2014. The panel unit root tests, panel cointegration analysis, Vector Error Correction Model (VECM), and Granger causality tests were used to study the short run and long run dynamics. The results show a short-term association between inflations, interest rate, openness to trade and tax revenues. In the long term, the performance of tax revenues is identified to have a positive relationship with the inflation rate, interest rate, and unemployment rate. The post-estimation diagnostics indicate that the model is sound and is free of any heteroskedasticity and serial correlation. The paper suggests enhancing effective administration of taxes, stable macroeconomic policies, and further trade liberalization in order to increase mobilization of taxes in Sub-Saharan Africa.

III. Methodology

The research approach proposed in this study is a quantitative study, which aims to determine how openness to trade and macroeconomic stability affects tourism demand in Nigeria. This paper will be based on the annual time-series analysis of 2000-2024, which can be found in the Central Bank of Nigeria (CBN) Statistical Bulletin. The proxies used to estimate tourism demand are the accommodation and food services GDP, trade openness the total exports and total imports, and macroeconomic stability the inflation rate. The trends will be summarized using descriptive statistics, whereas correlation analysis will be used to examine initial relationships between variables. Estimation of the model will be done using Ordinary Least Squares (OLS) method that will quantitatively and qualitatively estimate the strength and direction of relationship between the independent and dependent variables assuming classical conditions. Secondary data are reliable and valid because such data are official and standardized and commonly used in empirical research on economics (Raifu & Afolabi, 2026; Adewale & Nedelea, 2025). This method is a strong policy-relevant analysis framework. Tourism demand in Nigeria is the dependent variable, total exports and total imports is taken as the main independent variables as a measure of trade openness, and inflation rate is used as the control variable to measure macroeconomic stability.

The functional relationship may be formulated as:

$$TD = f(EXP, IMP, INF)$$

Where:

- TD= Tourism Demand (proxied by Accommodation & Food Services GDP)
- EXP= Total Exports (₦ Billion)
- IMP= Total Imports (₦ Billion)
- INF= Inflation Rate (%)

It is assumed that the openness to trade has a positive impact on the tourism demand whereas inflation has a negative moderating impact. This specification offers a clear model to work with in relation to analyzing the relationship between the variables of annual time-series of data between 2000 and 2024.

IV. RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

	INF	EXP	IMP	TD
Mean	14.53797	14767718	12420013	693.2855
Median	12	12011476	9480367	353.2228
Maximum	33.88	77854027	64289077	2121.081
Minimum	6.6	1744178	985022.4	13.94167
Std. Dev.	6.570164	15406617	13760304	675.2275
Skewness	1.453123	2.933122	2.345357	0.707814
Kurtosis	4.733461	12.48208	9.162861	2.221263
Jarque-Bera	11.92829	129.5027	62.48298	2.7192
Probability	0.002569	7.57E-29	2.70E-14	0.256763
Sum	363.4493	3.69E+08	3.11E+08	17332.14
Sum Sq. Dev.	1036.009	5.7E+15	4.54E+15	10942373
Observations	25	25	25	25

Source: Author's Computation, (2026) *Note: TD= Tourism Demand, EXP= Total Exports, IMP= Total Imports, INF= Inflation Rate*

The descriptive statistics indicate that the mean rate of inflation in Nigeria during the period 2000 to 2024 is about 14.54 percent with the median of 12 percent, meaning that there were certain years where the inflation was very high to the highest point of 33.88 percent. The average total exports stood at approximately ₦14.77 trillion, and average total imports stood at approximately 12.42 trillion implying that the values of exports were generally high than the imports made by Nigeria. The mean accommodation and food services GDP is used to measure the tourism demand, and it is ₦693, 29 billion, although it is highly varied, with a maximum of ₦2,121 billion, and a minimum of 13.94 billion.

The skewness values show that there is a positive skewness of inflation, total exports, and total imports meaning that in some years, there were extreme high values, and tourism demand is moderately skewed. According to the obtained results of the kurtosis, exports or imports have fat tails, which indicates the existence of large fluctuations, and the tourism demand is more related to the normal distribution. Jarque Berra tests indicate that the distribution of inflation, exports and imports is not normal whereas tourism demand is more or less normal. Generally, the data demonstrate macroeconomic and tourism indicators have high variability showing that there is a substantial variation in the trade, inflation, and tourism activity across the 25-year span.

Table 2. Correlation Matrix

	TD	*INF*	*EXP*	*IMP*
TD	1	0.589116	0.778088	0.878395
INF	0.589116	1	0.692941	0.720416
EXP	0.778088	0.692941	1	0.969102
IMP	0.878395	0.720416	0.969102	1

Source: Author's Computation, (2026)

Note: TD= Tourism Demand, EXP= Total Exports, IMP= Total Imports, INF= Inflation Rate

The correlation coefficient indicates the relationship between the tourism demand, the rate of inflation, total exports and the total imports. All the independent variables have a positive correlation with tourism demand. Its correlation with inflation rate is moderate and positive (0.589) which implies that increased tourism demand is loosely coupled with increased inflation, but the correlation is not so strong. There is a strong positive relation between tourism demand and total exports (0.778) as well as the demand and total imports (0.878), which means that growth in trade operations is strongly associated with growth in tourism demand.

The relationship between the independent variables themselves is also remarkable. Total exports (0.693) and total imports (0.720) have moderate positive correlations with the inflation rate and hence, it implies that inflation is likely to increase as the trade values increase. The correlation between total exports and total imports is very high (0.969) which indicates how much Nigeria has been intertwined during the period. In general, the matrix indicates that the relationship between the trade openness variables and the tourism demand is stronger as compared to the inflation, which indicates the possible significance of exports and imports in stimulating the tourism activity.

Table 3. OLS Regression Results

Dependent Variable: TD

Method: Least Squares

Included observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	336.2107	143.5396	2.342285	0.029098
IMP	0.000104	1.66E-05	6.287004	0.0000
EXP	-5.31E-05	1.43E-05	-3.72206	0.00126
INF	-10.6861	11.89708	-0.89821	0.379255
R-squared	0.864764	Mean dependent var		693.2855
Adjusted R-squared	0.845444	S.D. dependent var		675.2275
S.E. of regression	265.4563	Akaike info criterion		14.14642
Sum squared resid	1479808	Schwarz criterion		14.34144
Log likelihood	-172.83	Hannan-Quinn criter.		14.20051
F-statistic	44.76119	Durbin-Watson stat		1.163555
Prob(F-statistic)	0.0000			

Source: Author's Computation, (2026) *Note: TD= Tourism Demand, EXP= Total Exports, IMP= Total Imports, INF= Inflation Rate*

The regression analysis shows that the model gives a reasonable explanation to tourism demand in Nigeria as the R-squared of 0.865 show that approximately 86 percent of tourism demand changes can be attributed to total imports, total export and inflation rate. The overall model has been found to be statistically significant (F-statistic of 44.76, p-value of less than 0.001), and this assertion demonstrates that the variables used to explain the demand in tourism do have a collective effect.

On an individual basis, the overall imports positively and significantly affect the tourism demand. This implies that an upsurge in imports will be linked to increased tourism activity which may be due to more availability of goods and services that appeal to tourists. Deversely, the correlation of total exports with the demand of tourism is negative and significant meaning that an increased exportation activity can marginally decrease domestic tourism possibly because resources are directed to exportation sectors. The effect on inflation rate is negative but insignificant meaning that variations in inflation over the period did not significantly affect tourism demand. The Durbin-Watson (1.16) indicates a possibility of autocorrelation. All in all, the findings point to the fact that an openness to trade, and imports, in particular, is a significant predictor of tourism demand in Nigeria, whereas inflation is less and less significant.

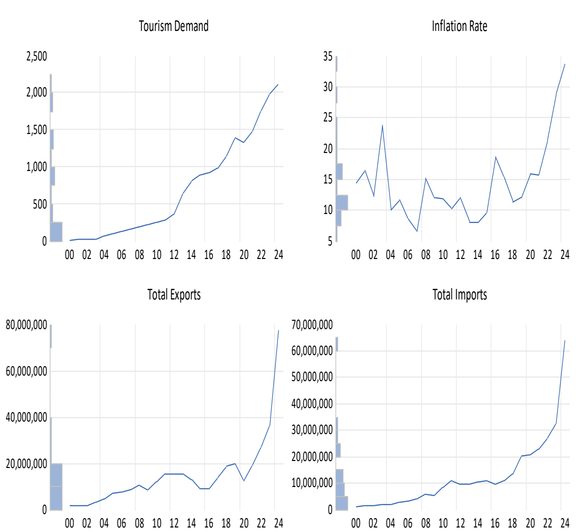

Figure 1 - Trend of Inflation Rate, Total Exports, Total Imports, and Tourism Demand (2000–2024)

According to the figure, there has been a consistent rise in the demand in tourism in the period as indicated by the accommodation and food services GDP. Between 2000 and approximately 2010, the growth was low and nearly flat meaning that there was low activity in tourism. Since 2010, the demand started increasing rapidly, reaching its peak in 2024. The trend indicates that Nigeria has experienced a great growth in tourism in the last few years which may be attributed to the improvement in infrastructure, openness to trade and more national and international interests in the business.

Inflation was varying between the early 2000s with the peaks around 2003-2005, and then the level became moderate in between 2006 and 2016. Inflation started to increase steadily after 2016 and will reach its peak in 2024. The graph is very volatile during the initial days and high rises during the latter years. This is an indication that the macroeconomic instability might have influenced the cost of tourism and overall economic environment though the regression findings indicated that inflation did not significantly impact on tourism demand in this research study.

Total exports were also relatively low and steady till approximately the year 2010. Subsequently, it is increasing, though with a steep rise to 2024. This shows the rise in the export industry in Nigeria, which could be an indicator of more trade activities and entry into international markets. Interestingly, the regression findings indicated that there exists negative correlation between exports and tourism demand, implying that increased exports might not be directly responsible towards growth of domestic tourism.

The total imports had been low and stable until 2010, and after that, the rates increased steadily though with a very steep rise after 2020, reaching its peak in 2024. As it is indicated in the figure, Nigeria is increasingly becoming dependent on imported goods and services in the past 10 years, which helps to boost tourism through better facilities, food, and hotel services. This is in line with the regression result that imports have a positive impact on tourism demand implying that the trade openness acts as a significant channel of tourism growth in Nigeria.

Discussion of Findings

According to the outcomes of the regression, the number of total imports has a positive and significant impact on tourism demand in Nigeria between 2000 and 2024. This shows that when there is an increase in imports, there will be more activity in tourism meaning that the availability of goods and services will be more appealing to tourists or more economic activities related to tourism will be enhanced. This observation is consistent with that of Ogbuabor, Emeka, and Ukwueze (2025), who discovered that in African nations, trade openness has a positive effect on economic complexity based on tourism. It also supplements the study by Adewale and Nedelea (2025) who point out that trade performance, specifically ease of availability of goods, boosts tourism inflows in Nigeria.

On the other hand, the total exports are significantly and negatively related to the tourism demand, meaning that the increase of export activity can have a minor negative effect on the domestic tourism. This outcome could be due to the distribution of resources to export-based industries and thus restrict the investments in infrastructural or service-based tourism. Although Adewale and Nedelea (2025) describe overall exports as a tendency to boost tourism inflows, our results indicate that in the Nigerian case, exports might not directly lead to the domestic tourism development, which might be attributed to the structural imbalances in the economy.

The regression also shows that the impact of inflation is that it negatively impacts on the demand side of tourism although the impact is not statistically significant meaning that when inflation changes within the study period, there was no significant impact on tourism activity. This is in contrast to some extent to Raifu and Afolabi (2026) who indicated a significant negative impact of increasing inflation in tourism in Nigeria. Nevertheless, it substantiates the finding of Adewale and Nedelea (2025), who concluded that inflation has less powerful short-term impacts on tourism demand. This can suggest that there are other variables that can counteract the adverse impacts of inflation on tourism including the trade openness or development of infrastructure.

All in all, the regression analysis indicates that the trade openness, particularly imports have a more powerful predictive of tourism demand in Nigeria compared to inflation. Although inflation is theoretically significant, its direct effect seems to be not significant here. The results highlight the importance of trade facilitation and macroeconomic management in facilitating tourism development, which is in line with the general empirical evidence of Africa and less developed economies.

V. CONCLUSION AND RECOMMENDATIONS

Conclusion

This paper has discussed how trade openness and macroeconomic stability influenced tourist demand in Nigeria between 2000 and 2024. The regression findings show that the total imports have a significant and a positive effect on the tourism demand, which points at the importance of trade in sustaining tourism activities. The total exports, however, significantly and negatively impact it, indicating that export-led resources allocation can confine the development of the domestic tourism. The negative but statistically insignificant effect of inflation on tourism demand was established, which means that there was no strong impact of changes in price levels on tourism in the short term of the study. Generally, the results highlight the fact that trade openness, and not inflation, is the main cause of tourism demand in Nigeria.

Recommendations

1. **Increasing Tourism Demand by means of Trade Imports:** as the total importation has positive influence on tourism, the policymakers should stimulate the importation of goods and services which directly influence the tourism in terms of infrastructure and experience, i.e., hotel equipment, food products, recreational facilities, etc.
2. **Controlling the Implications of the Exports on tourism:** Since total exports have adverse effects in terms of demand of the tourism industry, there should be measures that strive to put in balance the activities of export and domestic investments in tourism. This can be through giving a portion of the export earnings towards tourism development activities.
3. **Macroeconomic Stability:** Despite the fact that inflation was not a critical issue in tourism, a stable moderate inflation is still worth having. The cost of travel and tourism services can be affordable to both the home-based tourists and the international tourists with the aid of policies aimed at price stability.

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