

Thebe Tourism Index – 1st quarter 2010

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1 Introduction and background

Three sets of factors played a decisive role in the decision by Thebe Investment Corporation (Thebe) to launch the Thebe Tourism Index (TTI).

First was the recognition of tourism's growing importance as a key source of value added within the South African economy. The tourism sector's rise to greater significance is particularly due to the well-established infrastructure in the transport and hospitality sectors; the country's extraordinary natural beauty; the rich diversity of its cultures and a high degree of socio-political stability.

Secondly, Thebe has established itself as a key private sector participant in the tourism sector in South Africa. The members of the executive management at Thebe realise the fact that modern economies are knowledge-driven and believe that it is imperative to expand the knowledge base of the trends that impact on the nature and scope of tourism activity. The results of the TTI will be freely accessible to all the current and potential future role players in the tourism industry and should act as a valuable tool in the formulation of business strategy.

Thirdly, Thebe is firmly committed to the broad development objectives of the South African government, especially the need to create employment opportunities. The role that the hospitality industry at large can play in fostering economic development and manufacturing activities at a relatively basic level should not be under-estimated. Tourism, broadly defined, represents one of the largest industries in the world.

The sector's relevance for economic development and broad-based black economic empowerment is related to a fairly extensive value chain of services and manufactured goods closely associated with tourism activity. This includes (but is not restricted to) a wide range of processed foods, beverages, clothing, artefacts, textiles, furniture, footwear, a variety of hospitality industry consumables, as well as transport and communication services.

The management of Thebe believes that the trend information contained in the TTI will contribute to the creation of a larger awareness of the tourism potential of South Africa, also amongst small businesses. Whilst recognising the success, to date, with the development of a modern tourism industry in the country, it is clear that considerable scope exists for enhancing the role of the Afro-centric dimension of tourism and improved coordination in the marketing of the entire region as a tourism destination of choice.

South Africa's successful hosting in the winter of 2010 of the world's biggest event has presented the country with a unique opportunity to raise tourism activity to a structurally higher level. In addition to attracting close to half a million foreign visitors, the event has greatly assisted in marketing the development potential of the whole of the Southern African region, the advantages of which will be reaped well into the future.

It is now up to all South Africans to ensure that the country establishes itself firmly as a premier global tourist destination.

2 Methodology

The methodology employed for the determination of the TTI is composite indexation technique. In economics, indexation technique represents a useful tool for comparing trends for a collection of variables that are measured in different units and cannot, therefore, be compared in absolute terms.

An economic index can be defined as a statistical measure whereby changes can be measured in a representative group of individual data points. These data may be derived from any number of sources, including company performance, sector performance, employment, and prices.

On the basis of a weighting exercise, the TTI has been calculated from three different sets of indicators which have been merged into a composite index of the level of activity within the tourism sector. They are the following:

- *Value added and spending by tourists*
The first set comprises six different sets of variables that are measured in monetary terms. The weighting between the different indicators has been determined by their contribution to the total monetary value, expressed in real terms (i.e. adjusted for the effect of inflation).
- *Tourist arrivals*
Two sets of arrival figures have been utilised, namely the total from overseas and the total for SADC. Collectively, these two sets represent 98% of total tourist arrivals to South Africa. Although tourists from SADC outnumber overseas tourists by a healthy margin, a weighting of 50/50 has been applied, due to the fact that overseas tourists spend more per day, their visits are longer and they influence friends and relatives in relatively untapped markets to visit South Africa.
- *Tourist accommodation*
The third set comprises four different data sets on the number of available rooms and room-nights sold at hotels, guest lodges, bed & breakfast establishments and self-catering units. The availability of accommodation has not been regarded as a reciprocal of actual accommodation business, due to the effect of expansion through capital formation in the hospitality industry. The weighting has been determined by the contribution of each variable to the sum of the available and sold rooms.

The weighting between the three sets of indicators has been determined by means of the perceived relative importance of each set. The sets of indicators identified above are regarded as comprehensive barometers of economic activity within the tourism sector. In the event of being calculated on a quarterly basis, these indices would serve as reasonably accurate indicators of the state of business within tourism.

3 Results for the 1st quarter of 2010

In order to arrive at a firm conclusion regarding recent tourism activity trends, the TTI has been designed with the first quarter of 2009 as the base year. The composite weighted index for this quarter has been stated as 100, with each subsequent quarterly index value representing the percentage change in the overall level of activity (after subtraction of the base year value of 100).

The figure illustrates the performance of the TTI between the first quarter of 2009 and the first quarter of 2010, clearly indicating a strong recovery after the weakness of the first half of 2009. The latter can be attributed to the effect of the recent global recession, which manifested itself, *inter alia*, in lower tourism activity across the world.

It is also clear that South Africa's tourism industry proved to be more resilient than for the rest of the world, where tourism activity only reverted to growth mode during the last quarter of 2009.



The results of the TTI for the first quarter of 2010 are aligned with substantial growth in year-on-year tourist arrivals from key source countries and regions, as depicted by the following table. It is envisaged that the TTI will exhibit extraordinary strong growth for the second quarter of 2010 (due to the Soccer World Cup extravaganza), which may be followed by a structural increase in tourism activity.

% Increase in tourist arrivals - key source countries/regions 1st quarter 2009 - 1st quarter 2010			
SADC countries	26	Germany	13
Asia	22	Belgium	12
The Netherlands	20	Brazil	12
Portugal	16	US	8
Sweden	16	Australia	7