

PREFACE

IN 2006, INTERNATIONAL TOURISTS ARRIVALS STOOD AT 833,345 REFLECTING PERCENTAGE TERMS 7.13% INCREASE WHEN COMPARED WITH ARRIVAL FIGURE OF 777,890 IN 2005. GROWTH OF TOURISM IN NAMIBIA, IN REAL TERMS, IS SO FAR ASTONISHING. IT IS IMPERATIVE THAT THIS MOMENTUM SHOULD NOT ONLY BE SUSTAINED, BUT INFORMATION MUST BE GLEANED WITH REGARDS TO ECONOMIC AND SOCIAL BENEFITS TRAVEL AND TOURISM CONTRIBUTES TO NAMIBIA AS A NATION. TO AFFIRM THIS MAMMOTH TASK, NTB TOGETHER WITH THE MINISTRY OF ENVIRONMENT AND TOURISM WAS INSTRUMENTAL IN DEVELOPING THE TOURISM SATELLITE ACCOUNT, WHICH IS A CARDINAL TOOL TO MEASURE TOURISM INDUSTRY'S PERFORMANCE.

This is the 2nd publication of the Tourism Satellite Account and mainly reflects results for the year 2006 and preliminary and estimated figures for 2007. This update of the Tourism Satellite Account (TSA) is coordinated by the Namibia Tourism Board with the assistance from the Central Bureau of Statistics, Ministry of Environment and Tourism, Bank of Namibia, Namibia Economic Policy Research Unit (NEPRU) and the Federation of Namibian Tourism Associations (FENATA).

The approach of the World Travel and Tourism Council (WTTC) was followed to implement and produce the updated information. The system provides the development of the broader concept of the 'Travel & Tourism Economy' in addition to the narrow concept of the 'Travel & Tourism Industry'.

Given the fact that the GDP deflator is driven by developments in the mining sector the use of the overall GDP deflator has the potential to generate significant distortions in the estimation of the Travel & Tourism GDP at constant prices. To avoid these distortions a new procedure was implemented to calculate the Travel & Tourism GDP series at constant prices. The new procedure makes it possible to calculate consistent real growth rates during the history and forecast periods.

Finally, I would like to gratefully thank the various stakeholders who assisted the NTB staff in gathering information and made the production of this publication possible.

Digu //Naobeb
Chief Executive Officer
Namibia Tourism Board

May 2008



Photograph: Ute von Ludwig

CONTENTS

TSA CONCEPTS & STRUCTURE	5
TRAVEL & TOURISM'S ECONOMIC IMPACT	
Total Demand	11
Gross Domestic Product	13
Employment	15
Personal and Business Consumption	17
Exports	17
Capital Investment	18
Government	19
APPENDIX	
Satellite Account Tables	20



TSA CONCEPTS & STRUCTURE

The TSA project was commissioned in 2006 by the Ministry of Environment and Tourism (MET), under the project leadership of the Namibia Tourism Board (NTB). The World Travel & Tourism Council (WTTC), with its research partner Oxford Economic Forecasting (OEF), was assigned to develop the TSA system for Namibia.

THE MAIN PURPOSE OF THE TSA IS TO QUANTIFY THE CONTRIBUTION OF TRAVEL AND TOURISM TO THE NAMIBIAN ECONOMY AND THE CREATION OF JOBS. It is an extension of the standard National Accounts that measure the size and growth of the economy (GDP). The system provides a straight-forward and efficient way to deal with data input, the calculation of the contribution of tourism and the generation of output tables.

THE APPROACH OF THE WORLD TRAVEL AND TOURISM COUNCIL (WTTC) WAS FOLLOWED TO IMPLEMENT AND PRODUCE THE UPDATED INFORMATION. THE SYSTEM PROVIDES FOR THE DEVELOPMENT OF THE BROADER CONCEPT OF THE 'TRAVEL & TOURISM ECONOMY' IN ADDITION TO THE NARROW CONCEPT OF THE 'TRAVEL & TOURISM INDUSTRY'.

THE TSA IS BASED ON A 'DEMAND SIDE' CONCEPT OF ECONOMIC ACTIVITY BECAUSE THE INDUSTRY DOES NOT PRODUCE NOR SUPPLY HOMOGENEOUS PRODUCTS OR SERVICES AS CONVENTIONAL INDUSTRIES DO (E.G. AGRICULTURE, TEXTILES ETC). Since the 1st publication in 2006, data was updated from the revision of estimated and actual national accounting aggregates and government expenditure data. In line with the standard specification of the TSA model, the calculation of the Travel & Tourism GDP series at constant prices in the original Namibia TSA relied on the use of the overall GDP deflator that was taken from the country's national account. Series at constant prices, then, was the result of dividing current value estimates by the overall GDP deflator. A similar procedure was followed to calculate some of the aggregate demand components (e.g. business travel).



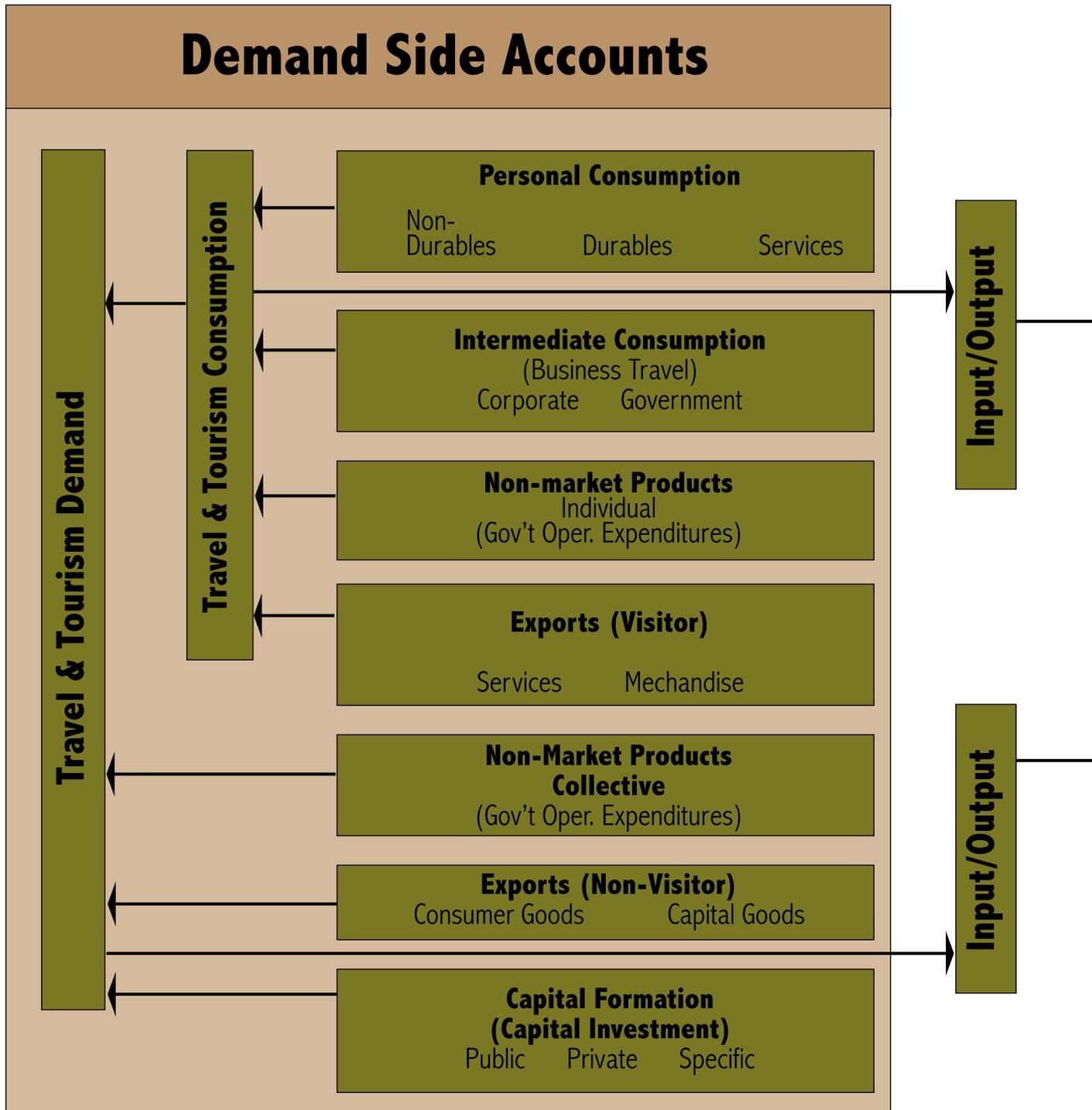
However, this procedure was unsatisfactory given recent developments in the Namibian economy. In particular, the combination of high commodity prices for metals and a significant share of the mining sector on GDP (above 10%), means that the deflator for the overall GDP has been driven by developments in the mining sector. Because the latter is unrelated to tourism activity in the country (i.e. mining is largely an export-oriented sector with no input into tourism demands), the use of the overall GDP deflator has the potential to generate significant distortions in the estimation of Travel and Tourism GDP at constant prices, consequently, in the calculation of the annual real growth rates.

To avoid such distortions, a new procedure was implemented to calculate the Travel & Tourism GDP series at constant prices. Its main new features are:

- EACH TRAVEL & TOURISM DEMAND SERIES (E.G. TRAVEL & TOURISM INVESTMENT, PERSONAL CONSUMPTION, IMPORTS ETC.) AT CURRENT PRICES ARE DEFLATED BY THEIR MATCHING DEFLATORS IN THE NATIONAL ACCOUNTS (E.G., THE TRAVEL & TOURISM INVESTMENT SERIES IS DEFLATED BY THE DEFLATOR OF OVERALL CAPITAL FORMATION) IN ORDER TO OBTAIN SERIES AT CONSTANT VALUES.
- THE TRAVEL & TOURISM GDP AT CONSTANT VALUES IS THEN CALCULATED BY ADDING UP ALL THE TOURISM-RELATED DEMAND COMPONENTS MINUS IMPORTS (ALL VARIABLES AT CONSTANT PRICES).
- ANNUAL REAL GROWTH RATES ARE CALCULATED FROM THE RESULTING SERIES AT CONSTANT PRICES.

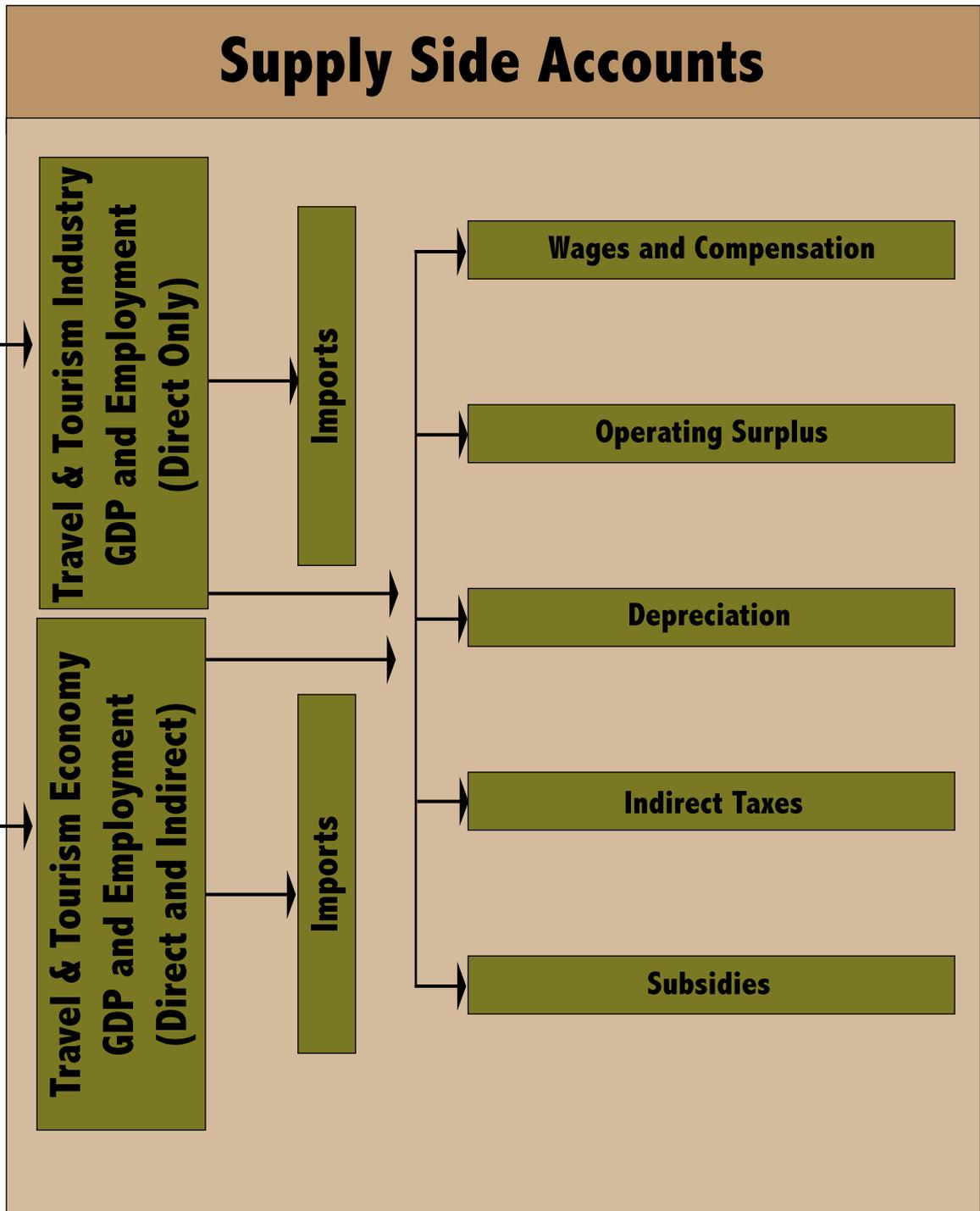
The new procedure also makes it possible to calculate consistent real growth rates during the history and forecast periods and to calculate the tourism contribution in terms of the non-mining economy.

THE TSA FRAMEWORK



Source: WTTC, 2006 - Namibia launch presentation

Supply Side Accounts



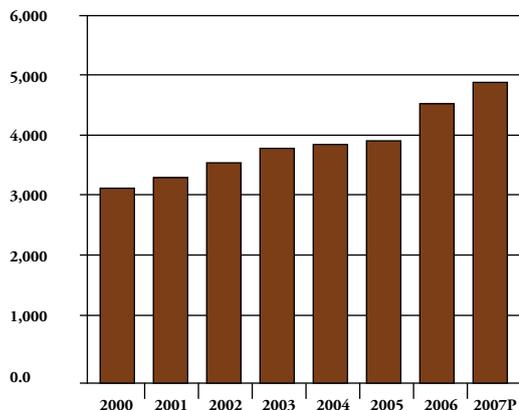


TRAVEL & TOURISM'S ECONOMIC IMPACT

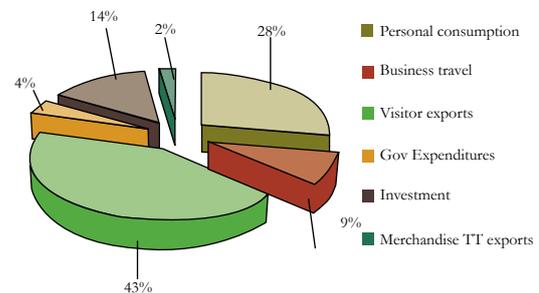
TOTAL DEMAND

IN 2006, TRAVEL & TOURISM DEMAND INCLUDING ALL COMPONENTS OF TRAVEL & TOURISM CONSUMPTION, INVESTMENT, GOVERNMENT SPENDING AND EXPORTS, POSTED N\$9.3 BILLION IN NOMINAL TERMS OF ECONOMIC ACTIVITY WHICH IS, IN TERMS OF REAL GROWTH, 14.2 PER CENT MORE THAN IN 2005.

Travel & Tourism Total Demand
(Constant 1995=100, N\$ mn)



Travel & Tourism Demand Components, 2006



It is expected that the total demand for Travel & Tourism activities increased further with 10.2 per cent (real terms) in 2007.

The chart above shows that Visitor Exports made up the largest chunk, 44 per cent of total Travel & Tourism demand, followed by personal consumption (Namibian residents' amount spent on Travel & Tourism activities) which accounted for 28 per cent.



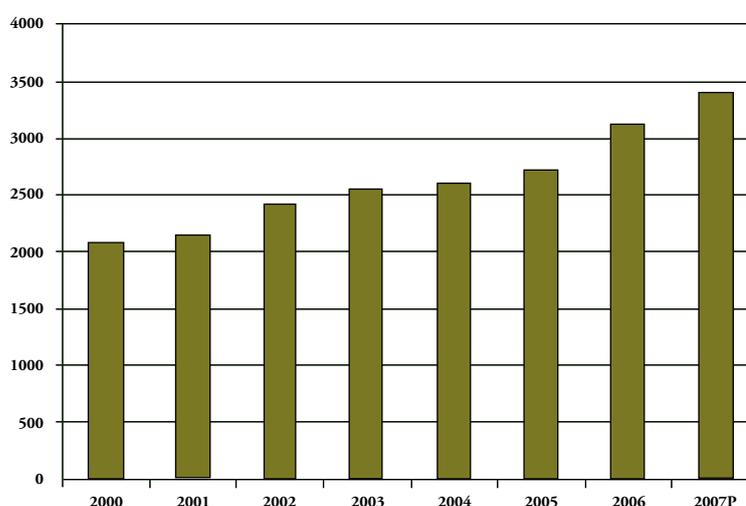
Photograph: Dave Humphreys

GROSS DOMESTIC PRODUCT (GDP)

Travel & Tourism's contribution to the Namibian economy is illustrated by the combined direct and indirect impact of the Travel & Tourism economy. **IN 2006, THE DIRECT IMPACT CONTRIBUTED N\$1. 8 BILLION TO GDP OR 3.9 PER CENT, WHILE THE DIRECT PLUS INDIRECT IMPACT TOTALED N\$ 6.6 BILLION TO GDP OR 14.2 PER CENT.**

Although the percentage contribution to GDP is less than forecasted for 2006, it should be noted that the Mining and Quarrying industry's contribution rose by 15.4 per cent of real growth which increased their share in comparison to other industries. However, the contribution to non-mining GDP also rose from 33.0 per cent in 2004 to 41.5 per cent in 2006.

Travel & Tourism GDP (Constant 1995=100, N\$ mn)



The Travel & Tourism economy showed a healthy increase of 14.8 per cent (real growth) in 2006. The high growth is also reflected in the main traditional industries that provides goods and services to tourists, such as construction, hotels and restaurants, transport and communication and wholesale and retail trade.

It should be taken in consideration that Namibia is moving towards attracting more of the high-end market visitors, and has to upgrade its product to satisfy their demand; this resulted in the increase of import intensity of tourism & travel related goods. Imports have increased



by 12.8 per cent (real terms) and investment by 23.3 per cent of real growth. However, it is foreseen that this situation will stabilize in the next 2-3 years.

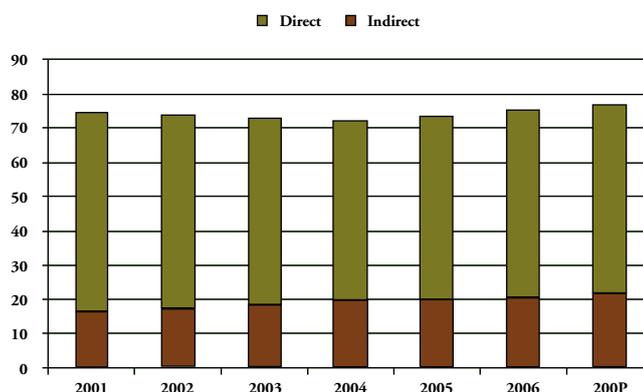
Preliminary accounts indicate that Travel & Tourism’s contribution to GDP increased by 9.3 per cent (real growth) in 2007.

EMPLOYMENT

TRAVEL & TOURISM IS HUMAN RESOURCE INTENSIVE AND CREATES JOBS DIRECTLY WITHIN THE INDUSTRY AND ALSO INDIRECTLY THROUGH THE MULTIPLIER EFFECT. THE NAMIBIAN TRAVEL & TOURISM INDUSTRY (DIRECT IMPACT) ACCOUNTED FOR 20,588 JOBS OR 5.1 PER CENT OF TOTAL EMPLOYMENT IN 2006. THE HOTELS AND OTHER LODGING SERVICES CONTRIBUTED ALMOST 50 PER CENT OF THE INDUSTRY’S EMPLOYMENT.

The broader perspective of the Travel & Tourism economy (direct and indirect), which includes the spillover employment associated with industry capital investment and government spending accounted for 74,911 jobs dependent on Travel & Tourism or 18.7 per cent of total employment.

Travel & Tourism Employment ('000 Jobs)



The number of tourism & travel employees increased by 2.0 per cent from 73,452 in 2005 to 74,911 in 2006. Further more, it is expected that employment escalated to 76,872 in 2007 mainly due to the high demand for travel and tourism activity.



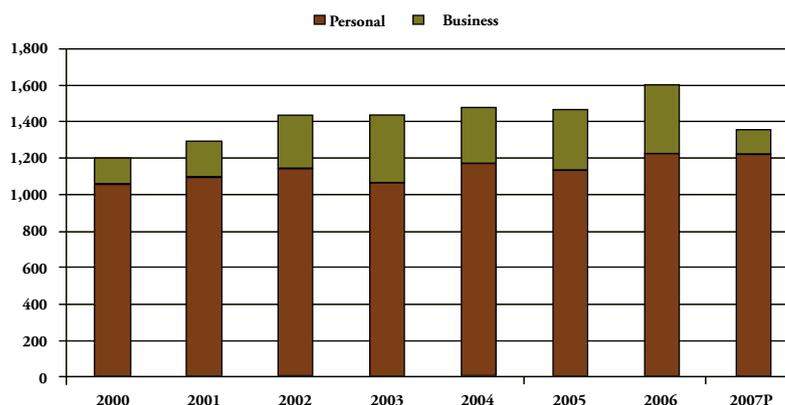
Photograph: Ute von Ludwig

PERSONAL & BUSINESS CONSUMPTION

NAMIBIA'S RESIDENTS HAVE ALLOCATED N\$2.6 BILLION, WHICH IS ABOUT 11 PER CENT OF THEIR PERSONAL EXPENDITURE TO TRAVEL & TOURISM IN 2006. This figure is 7.8 per cent (real rate of growth) higher than in 2005. The relative low interest rates and inflation contributed to this healthy increase.

Furthermore, preliminary accounts for 2007 indicate that personal spending by Namibians on Travel and Tourism declined by 0.4 per cent (real growth) which resulted from the increase in inflation, interest rates and fuel prices.

Personal & Business Consumption (Constant 1995=100, N\$ mn)

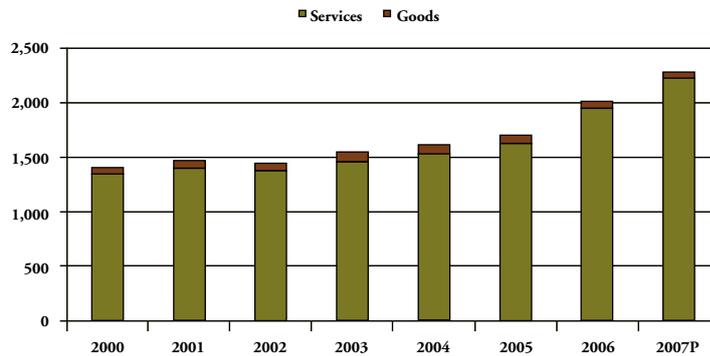


Business travel (corporate and government) totaled N\$ 813 million in nominal terms in 2006, reporting a 14.1 per cent real growth. It is expected that an increase of 4.1 per cent of real growth was reported in 2007.

EXPORTS

Travel & Tourism is a major exporter of services with international visitors injecting foreign exchange directly into the economy.

Travel & Tourism Exports (Constant 1995=100, N\$ mn)

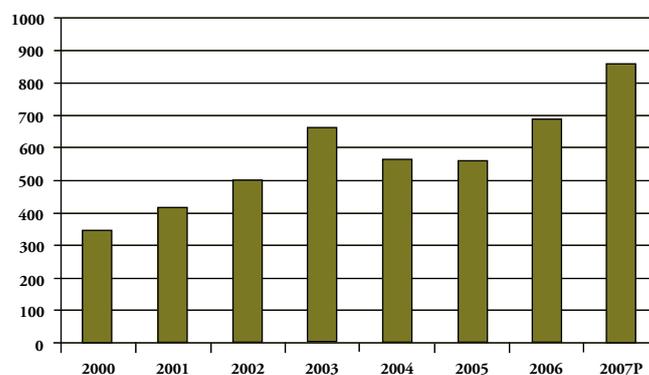


In 2006, spending by visitors totaled N\$4.0 billion (nominal terms), which is, in terms of real growth, 19.6 per cent higher than in 2005, representing 90.1 per cent of total service exports. It is expected that visitor exports escalated by 14.0 per cent (real growth) in 2007. In Namibia, the production of travel & tourism related goods for export purposes are relatively low. A negative rate of real growth (-10.7%) was recorded in 2006.

CAPITAL INVESTMENT

TOURISM REQUIRES INFRASTRUCTURE, AND CONSEQUENTLY THE DIRECT INVESTMENT IN BUILDINGS, PARKS, ROADS, HOTELS, AND OTHER INFRASTRUCTURE RELATED DIRECTLY TO THE SUCCESS OF TOURISM IS USUALLY SIGNIFICANT. NAMIBIA'S TRAVEL & TOURISM CAPITAL INVESTMENT CONTRIBUTED N\$1.3 BILLION (NOMINAL TERMS) OR 11 PER CENT OF TOTAL INVESTMENT IN 2006.

Travel & Tourism Capital Investment (Constant 1995=100, N\$ mn)



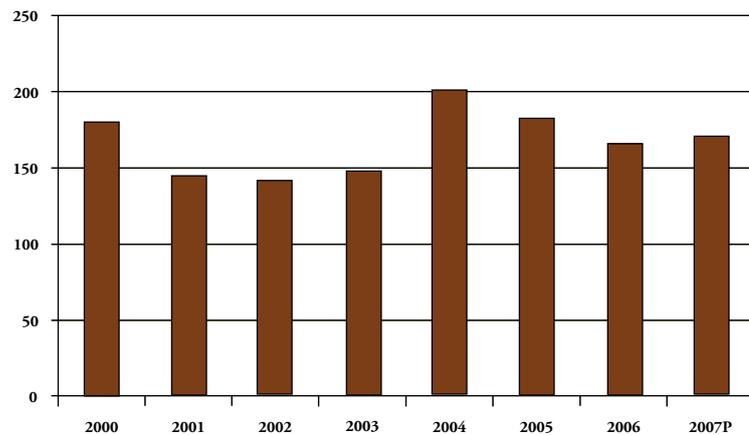
Tourism & Travel capital investment increased by 23.3 per cent of real growth in 2006 and according to the preliminary accounts for 2007, another positive increase of 24 per cent is expected. The growth in capital investment is an indication of the high confidence in Travel & Tourism by both the private and public sectors.

GOVERNMENT

GOVERNMENT TRAVEL & TOURISM EXPENDITURES TOTALED N\$ 360 MILLION IN 2006 OR 3.4 PER CENT OF TOTAL GOVERNMENT CONSUMPTION.

The real rate of growth of Government travel and tourism spending declined by 9.3 per cent in 2006. However, it was estimated that Government spending increased by 3.1 per cent in 2007.

Travel & Tourism Government Expenditure (Constant 1995=100, N\$ mn)



SATELLITE ACCOUNT TABLES

Travel & Tourism Accounts - N\$ mn	2001	2002	2003	2004	2005	2006	2007P*	2008E*	2017F*
Personal consumption	1,788	2,032	2,088	2,337	2,326	2,584	2,756	2,829	5,962
Business travel	331	531	729	628	691	813	911	1,075	3,297
Corporate	184	386	568	520	573	634	700	788	1,792
Government	147	145	162	108	118	179	211	287	1,505
Visitor exports (inbound tourism)	2,281	2,914	3,205	3,040	3,267	4,015	4,900	5,910	20,100
Gov Expenditures	248	265	284	388	370	360	398	447	1,018
Govt individual spending	4	9	13	12	14	16	17	20	44
Tourism consumption	4,404	5,486	6,036	6,017	6,298	7,428	8,585	9,833	29,403
Govt collective spending	244	256	270	376	357	344	380	428	973
Investment	595	731	1,102	974	1,019	1,341	1,787	2,251	6,158
Merchandise TT exports	149	172	207	187	209	219	229	239	408
Tourism Demand	5,392	6,645	7,614	7,554	7,883	9,332	10,981	12,752	36,942
less imports	1,731	1,842	2,127	2,154	2,219	2,684	3,230	3,767	8,506
Direct effect									
GDP	802	1,139	1,403	1,484	1,557	1,827	2,130	2,469	7,815
Employment	16	17	19	20	20	21	22	22	28
Indirect effect									
GDP	2,859	3,664	4,084	3,916	4,107	4,821	5,620	6,516	20,621
Employment	58	56	54	52	53	54	55	57	75
Total effect (Direct + Indirect)									
GDP	3,661	4,803	5,488	5,400	5,664	6,648	7,751	8,985	28,436
Employment	75	74	73	72	73	75	77	79	103
Travel & Tourism Real Growth (per annum except 2017 =10 year annualized)									
Personal consumption	3.4	4.3	-6.7	9.6	-2.9	7.8	-0.4	-4.4	2.8
Business travel	41.9	47.4	24.7	-15.6	7.4	14.1	4.7	9.8	8.2
Visitor exports (inbound tourism)	4.2	-1.7	5.9	4.9	6.5	19.6	14.0	12.3	9.6
Gov Expenditures	-19.6	-1.9	3.8	37.0	-9.5	-9.3	3.1	4.8	4.5
Tourism consumption	5.8	4.5	2.9	4.0	2.9	14.7	8.0	6.7	7.6
Investment	19.9	19.9	32.1	-14.9	-0.7	23.3	24.4	17.3	7.7
Merchandise TT exports	2.6	2.6	44.2	-12.0	-7.7	-10.7	-2.6	-2.5	0.8
Tourism Demand	6.0	6.0	7.9	1.5	1.5	14.2	10.2	8.4	7.4
less imports	12.6	-6.6	12.8	0.4	-4.1	12.8	12.3	8.7	4.9
Total effect (Direct + Indirect)									
GDP	2.7	13.0	5.7	2.1	4.1	14.8	9.3	8.3	8.4
Employment	-1.2	-1.2	-1.3	-1.3	2.1	2.0	2.6	2.7	3.4
Travel & Tourism Accounts as % from National Accounts									
Personal consumption	11.1	11.1	11.1	11.1	11.1	11.1	10.8	9.9	13.0
Govt Consumption	3.2	3.0	3.2	4.3	3.8	3.4	3.4	3.4	4.1
Capital Investment	9.8	10.5	11.2	10.6	10.5	11.0	13.3	15.0	18.7
Goods Exports	1.4	1.3	1.5	1.3	1.3	1.0	1.0	0.9	1.9
Imports	12.0	10.8	11.3	11.2	11.0	10.9	11.9	12.4	12.8
Service Exports	90.3	91.3	91.4	90.5	91.3	90.1	91.2	91.5	93.2
Travel & Tourism Industry Aggregates (Direct Impact only)									
GDP	2.9	3.5	4.1	4.1	3.9	3.9	4.0	4.1	6.5
Employment	3.9	4.3	4.7	5.1	5.1	5.1	5.2	5.3	6.0
Travel & Tourism Industry Aggregates (Indirect and Direct Impacts)									
GDP	13.2	14.6	16.2	14.8	14.3	14.2	15.1	15.6	22.4
Employment	17.8	18.1	18.4	18.7	18.7	18.7	18.8	18.9	20.0

* P - Preliminary; * E - Estimate; * F - Forecast