

# The Economic Value of Tourism in Cape Town

Presented to: Cape Town Tourism

Compiled by: I and M Futureneer Advisors Pty Ltd

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## Executive Summary

### Introduction

The City of Cape Town (CoCT) started to monitor the economic value of tourism in Cape Town in 2008. The main purpose of the monitoring was to create baseline data on the economic value of tourism (EVT) and to elicit discussion on how the methodology could be improved. Cape Town Tourism has appointed I and M Futureneer Advisors Pty Ltd to update the EVT for Cape Town.

Given the lack of data on a city level, national data from SA Tourism (SAT) and Statistics South Africa (Stats SA) were disaggregated to project the number of foreign and domestic tourists to Cape Town, the bed nights sold to foreign and domestic tourists to Cape Town and the direct spend by foreign and domestic tourists to Cape Town.

Care should be taken when comparing these projections to previous reports as some data were retrospectively adjusted by SAT and Stat SA.

### Summary of Projections

	2013	2014	2015	2016	2017	2018	Annual Growth 13 - 18
<b>Number of Overnight Tourists</b>							
Foreign Tourists	1 260 002	1 222 540	1 214 774	1 508 759	1 655 341	1 659 924	5.7%
Domestic Tourists	775 500	454 400	533 975	705 870	507 840	425 040	-11.3%
<b>Average Length of Stay (Nights)</b>							
Foreign Tourists	9.2	9.6	9.1	8.0	10.1	10.2	2.2%
Domestic Tourists	6.7	11.4	6.7	6.3	4.7	4.9	-6.1%
<b>Bed Nights Sold</b>							
Foreign Tourists	11 570 401	11 736 076	11 015 651	12 022 607	16 776 214	17 003 787	8.0%
Domestic Tourists	5 203 860	5 196 980	3 575 880	4 468 990	2 411 750	2 085 930	-16.7%
<b>Average Spend per Day (R)</b>							
Foreign Tourists	806	879	952	851	670	699	-2.8%
Domestic Tourists	186	232	245	243	290	384	15.6%
<b>Total Direct Tourism Spend (R'millions)</b>							
Foreign Tourists	9 329	10 314	10 487	10 226	11 233	11 878	4.9%
Domestic Tourists	968	1 208	876	1 086	701	801	-3.7%
<b>Total (R'millions)</b>	<b>10 297</b>	<b>11 522</b>	<b>11 364</b>	<b>11 312</b>	<b>11 934</b>	<b>12 679</b>	<b>4.2%</b>

Source: SAT data and I and M Futureneer Advisors Pty Ltd projections

The projections show strong growth in foreign tourism to Cape Town. Foreign tourist arrivals to Cape Town is projected to have grown at an average annual compound growth rate of 5,7% between 2013 and 2018 to reach 1 659 924 tourists in 2018.

An increase in the average length of stay from 9,2 nights in 2013 to 10,2 nights in 2018 resulted in the number of foreign bed nights sold increasing to 17 million in 2018.

An decrease in average spend per day from R806 to R699 could not prevent the increase in direct foreign spend from R9,3 billion (R9 329 million) in 2013 to R11,9 billion (R11 878 million) in 2018, representing an average annual compound growth of 4,9% during this period.

Domestic tourism to Cape Town has declined along with the decline in national domestic tourism, to reach a projected 425 040 domestic tourists to Cape Town in 2018. A decline in the number of domestic tourists and the average length of stay could not be countered with the increase in the average expenditure per day. Accordingly, the total direct spend by domestic tourists declined by an average annual compound rate of 3,7% between 2013 and 2018 to reach R0,8 billion (R801 million) in 2018.

#### Projected Tourism Value Add (R'million)

		+ Foreign tourism expenditure	+ Domestic tourism expenditure	= Total output	- Total intermediate consumption	= Total gross value add	Tourism GVA as % of Total GVA
2013	South Africa*	94 183	124 137	218 320	123 823	94 497	3,0%
2013	Cape Town**	9 329	4 918	14 247	8 081	6 167	2,0%
2014	South Africa*	106 728	133 990	240 718	136 718	104 000	3,0%
2014	Cape Town**	10 314	4 493	14 808	8 410	6 397	2,0%
2015	South Africa*	108 760	122 744	231 504	131 458	100 046	2,8%
2015	Cape Town**	10 487	2 750	13 237	7 517	5 721	1,8%
2016	South Africa*	121 400	143 652	265 052	150 328	114 724	3,0%
2016	Cape Town**	12 984	1 845	14 829	8 411	6 419	1,9%
2017	South Africa*	120 979	130 227	251 206	142 794	108 412	2,9%
2017	Cape Town**	11 233	1 574	12 807	7 280	5 527	1,6%
2018	South Africa*	120 037	153 196	273 233	154 787	118 446	2,9%
2018	Cape Town**	11 878	4 216	16 094	9 117	6 977	2,0%

Source: \*Stats SA and \*\* I and M Futureneer Advisor Pty Ltd Projection

Tourism is projected to directly contribute 2% to the gross value add of Cape Town equating to R7 billion of value add in 2018. Tourism’s gross value add contribution to Cape Town grew by an average annual compound growth rate of 2,5% between 2013 and 2018.

Tourism is projected to contribute 43 566 people directly to the Cape Town’s economy, representing around 3,2% of all direct employment. Direct employment is defined as persons directly engaged in producing goods and services purchased by tourists.

Tourism’s contribution to direct employment in Cape Town has grown by 0,4% per annum between 2013 and 2018.

### Projected Tourism Employment

		Employment	Tourism GVA as % of Total GVA
2013	South Africa*	655 587	4,4%
2013	Cape Town**	42 783	3,5%
2014	South Africa*	681 915	4,5%
2014	Cape Town**	41 947	3,3%
2015	South Africa*	669 653	4.3%
2015	Cape Town**	38 291	3,0%
2016	South Africa*	705 871	4.4%
2016	Cape Town**	32 128	2.5%
2017	South Africa*	681 619	4.5%
2017	Cape Town**	34 750	2.6%
2018	South Africa*	739 657	4.5%
2018	Cape Town**	43 566	3.2%

Source:

\*Stats SA

\*\* I and M Futureneer Advisor Pty Ltd Projection

The purpose of these reports was always to elicit discussions and suggestions on how the methodology could be improved. The projections of the gross value add intuitively seems to be understated given that the projected foreign direct spend in Cape Town was on average 15% of the total foreign direct spend in South Africa, between 2013 and 2018, as projected by SAT, while the gross value add in Cape Town constitute between 2% and 3% of total gross value add. A possible explanation can be found in Stats SA’s treatment of total tourism inbound expenditure and comments on the explanation and possible alternative methodology is welcomed.

## 1. Introduction

### 1.1 Background

The CoCT started to monitor the economic value of tourism in Cape Town in 2008. The main purpose of the monitoring was to create baseline data on the economic value of tourism (EVT).

Cape Town Tourism (the Client) has appointed I and M Futureneer Advisors Pty Ltd to update the EVT for Cape Town. The update is to specifically highlight the following and the changing trends:

- The number of foreign and domestic arrivals to Cape Town;
- The number of people employed in the tourism industry in Cape Town; and
- The economic value of tourism for Cape Town.

### 1.2 Our Approach, Methodology, Deliverable and Timing

#### 1.2.1 Approach

Given the lack of tourism data on a city level, the approach to this assignment was to utilise the disaggregation of SAT data as well as the disaggregation of the National Tourism Satellite Account published by Stats SA.

This approach quantified the number of arrivals to Cape Town, employment in Cape Town's tourism industry and the EVT for Cape Town. The approach also provided a consistent basis to measure the changing trends in the data between 2013 and 2018.

#### 1.2.2 Comparability with previous reports

There have been two major changes in the data from Stats SA and SAT that should be considered when reading this report and comparing it with previous reports.

Firstly, prior to the SAT report in 2010, SAT only reported on foreign visitor arrivals as there was no way of separating out day visitors from the overall arrivals. For the first time in 2009, Stats SA was able to separate tourists and day visitors and started to publish a data series for tourist arrivals that was aligned to the globally accepted definition of a tourist. SAT could only utilise this information for the first time in its 2010 reports. Because of this change, the weighting methodology of SAT has been revised and the results in reports prior to 2010 are not comparable to reports post 2010.

Secondly, in 2014 Stats SA started to exclude overnight transit visitors from the tourist arrivals data that it publishes. Previously, overnight transit visitors (who spend at least one night in South Africa on their way to another destination) have been included in the tourist arrivals data. This is in accordance with the definition of a tourist by the United Nations World Tourism Organisation (UNWTO). The argument is that even though the overnight transit visitors are travelling to another destination, they are still utilising the tourism products in South Africa, such as overnight accommodation.

The result from this exclusion is that the SAT report for 2014 was revised to reflect the change. The 2014 SAT report included comparative data for 2013. Unfortunately, none of the prior year reports were revised resulting in only 2013 and 2014 data being available from SAT for analysis.

Due to these changes in the published data, as well as retrospective revision of expenditure data by SAT in the 2018 report, care should be taken when comparing this report to previous reports. The following data has been revised by SAT in their 2018 report:

- Expenditure by foreign tourists in the Western Cape for 2016 and 2017;
- Number of domestic overnight trips to the Western Cape in 2016 and 2017; and
- Total domestic day trip spend for 2014 to 2017.

Please also note that Stats SA has revised the domestic tourism expenditure in the Tourism Satellite account for 2015, 2016 and 2017.

### 1.2.3 Methodology

During this assignment we have:

- Conducted an inception meeting with the Client to ensure that all parties agree on the proposed approach, deliverables and timeframes;
- Obtained the relevant data from SAT, Stats SA, ACSA, STR Global, ForwardKeys and others;
- Analysed the data and formulated relevant insights;
- Quantified the economic value of tourism for Cape Town, including the number of arrivals to Cape Town, employment and the EVT;
- Compiled a report detailing the approach, Projections and results of the process; and
- Conducted three presentations to the Client or industry stakeholders on the results of the study.

## 1.3 Terminology and Abbreviations

The following terminology and abbreviations were used in this report:

ACSA	Airports Company of South Africa
Cape Town	The geographical area represented by the municipal boundaries of the City of Cape Town
CoCT	City of Cape Town
EVT	Economic Value of Tourism
GVA	Gross value add
SAT	South African Tourism
Stats SA	Statistics South Africa
The Client	Cape Town Tourism
TSA	Tourism Satellite Account
UNWTO	United Nations World Tourism Organisation
WTTC	World Tourism and Travel Council

## 2. Projected Direct Tourism Spend in Cape Town

### 2.1 Introduction

The projection of direct tourism spend in Cape Town between 2013 and 2018 was based on:

- Information contained in the SAT, Tourism Annual Report 2018;
- Information contained on the dashboard on SAT’s website at [www.southafrica.net](http://www.southafrica.net);
- Information contained in the NDT, State of Tourism Report 2017/18; and
- Projections by I and M Futureneer Consulting Pty Ltd regarding Cape Town’s share of arrivals, bed nights and spend utilising data obtained directly from SAT during previous studies and SAT reports prior to 2009.

The data previously obtained directly from SAT, SAT reports prior to 2009 and arrivals on international and domestic flights at Cape Town International Airport was utilised to benchmark and serve as proxy for the change in Cape Town’s share where data were not available from SAT.

### 2.2 Foreign Arrivals and Domestic Trips

Table 2.1 indicates the Foreign Arrivals to South Africa, the Western Cape and Cape Town.

**Table 2.1: Projected number of Foreign Arrivals to Cape Town**

	2013	2014	2015	2016	2017	2018
Total Foreign Arrivals to South Africa*	8 961 565	9 549 236	8 903 773	10 044 163	10 285 197	10 472 105
Share of Foreign Arrivals to the Western Cape*	14,8%	14,5%	14,9%	15,6%	16,8%	16,5%
Number of Foreign Arrivals to the Western Cape*	1 330 520	1 386 100	1 323 283	1 568 357	1 727 913	1 729 087
Share of Foreign Arrivals to Cape Town**	94,7%	88,2%	91,8%	96,2%	95,8%	96,0%
Number of Foreign Arrivals to Cape Town**	<b>1 260 002</b>	<b>1 222 540</b>	<b>1 214 774</b>	<b>1 508 759</b>	<b>1 655 341</b>	<b>1 659 924</b>

Source:

\*SAT

\*\* I and M Futureneer Advisor Pty Ltd Projection

Growth in foreign arrivals to Cape Town is projected to have outperformed national and provincial growth between 2013 and 2018. Total foreign arrivals to South Africa has grown by an average

annual compound growth rate of 3,2% between 2013 and 2018. During this time the foreign arrivals to the Western Cape has grown at 5,4% per annum, while Cape Town has grown at 5,7% per annum to more than 1 659 000 foreign arrivals in 2018.

Table 2.2 indicates the Domestic Overnight Trips to South Africa, the Western Cape and Cape Town. Please note that SAT has revised the number of domestic overnight trips to the Western Cape in 2016 and 2017 in their 2018 report.

**Table 2.2: Projected number of Domestic Overnight Trips to Cape Town**

	2013	2014	2015	2016	2017	2018
Total number of domestic trips taken in South Africa*	25 170 000	28 009 000	24 446 000	24 260 000	17 168 428	17 645 342
Share of domestic trips taken to the Western Cape*	9,3%	5,1%	6,7%	8.8%	9.2%	7.3%
Number of domestic trips taken to the Western Cape*	2 350 000	1 420 000	1 643 000	2 139 000	1 587 000	1 288 000
Share of domestic trips taken to Cape Town**	33,0%	32,0%	32,5%	33.0%	32.0%	33.0%
Number of domestic trips taken to Cape Town**	<b>775 500</b>	<b>454 400</b>	<b>533 975</b>	<b>705 870</b>	<b>507 840</b>	<b>425 040</b>

Source:

\*SAT

\*\* I and M Futureneer Advisor Pty Ltd Projection

Domestic trips to Cape Town have suffered due to the decline in national and provincial domestic trips. National domestic trips have declined by an average of 6.9% per annum between 2013 and 2018, while domestic trips to the Western Cape has declined by 11,3% per annum.

The SAT report states that the main reason (40%) for not taking a domestic trip is that the respondents cannot afford travel. The recovery of the domestic tourism market is thus dependant on the recovery of the South African economy.

### 2.3 Foreign and Domestic Bed Nights

Table 2.3 indicates the Foreign Bed Nights in South Africa, the Western Cape and Cape Town.

**Table 2.3: Projected number of Foreign Bed Nights in Cape Town**

	2013	2014	2015	2016	2017	2018
Total Number of Bed Nights by Foreign Arrivals to SA*	73 429 569	78 852 721	81 341 230	88 819 067	120 560 518	118 100 000
Share of Foreign Bed Nights in the Western Cape*	22,2%	20,9%	19,2%	18,9%	19,3%	19.7%
Number of Bed Nights by Foreign Arrivals to the Western Cape*	16 296 340	16 483 252	15 625 036	16 744 578	23 300 297	23 292 859
Share of Foreign Bed Nights in Cape Town**	71%	71,2%	70,5%	71,8%	72,0%	73.0%
Number of Bed Nights by Foreign Arrivals in Cape Town**	<b>11 570 401</b>	<b>11 736 076</b>	<b>11 015 651</b>	<b>12 022 607</b>	<b>16 776 214</b>	<b>17 003 787</b>

Source:

\*SAT

\*\* I and M Futureneer Advisor Pty Ltd Projection

Foreign bed nights spent in Cape Town has shown healthy growth of 8% per annum between 2013 and 2018 to reach 17 million in 2018. This growth has been achieved despite a decline in the share of bed nights spent in the Western Cape over this period.

Table 2.4 indicates the Domestic Bed Nights in South Africa, the Western Cape and Cape Town.

Domestic bed nights spent in Cape Town has declined along with the decline in domestic overnight trips. The decline was significant with an average annual decline of 16.7% per annum between 2013 and 2018. This decline has resulted in the number of domestic bed nights in Cape Town halving from 5,2 million in 2013 to 2,1 million in 2018.

**Table 2.4: Projected number of Domestic Bed Nights in Cape Town**

	2013	2014	2015	2016	2017	2018
Total number of domestic bed nights in South Africa*	116 570 000	115 907 000	102 483 000	103 417 000	70 109 000	69 300 000
Share of domestic bed nights on trips taken to the Western Cape*	10,4%	10,4%	8,1%	10,0%	8,0%	7,0%
Number of domestic bed nights on trips taken to the Western Cape*	12 102 000	12 086 000	8 316 000	10 393 000	5 608 720	4 851 000
Share of domestic bed nights on trips to Cape Town**	43%	43,0%	43,0%	43,0%	43,0%	43,0%
Number of domestic bed nights on trips to Cape Town**	<b>5 203 860</b>	<b>5 196 980</b>	<b>3 575 880</b>	<b>4 468 990</b>	<b>2 411 750</b>	<b>2 085 930</b>

Source:

\*SAT

\*\* I and M Futureneer Advisor Pty Ltd Projection

## 2.4 Foreign and Domestic Direct Spend

Table 2.5 indicates the Foreign Direct Spend in South Africa, the Western Cape and Cape Town.

Please note that SAT has revised the expenditure by foreign tourists in the Western Cape for 2016 and 2017 in their 2018 report. The downward revision of the expenditure of foreign tourists to the Western Cape for 2016 and 2017 seems to be contradictory to the increase in the number of foreign tourists to the Western Cape.

The revised data indicates that foreign direct spend in Cape Town has grown at an average annual compound rate of 4.9% between 2013 and 2018 to reach R11,9 billion in 2018. By comparison, the foreign direct spend in South Africa has grown at an average annual compound rate of 5,2% over the same period.

**Table 2.5: Foreign Direct Spend in Cape Town (R'million)**

	2013	2014	2015	2016	2017	2018
Total Foreign Direct Spend in South Africa (R million)*	63 937	64 171	68 162	75 546	80 725	82 500
Share of Foreign Direct Spend in the Western Cape*	20,6%	22,6%	21,8%	18,9%	19,3%	19,7%
Total Foreign Direct Spend in the Western Cape (R million)*	13 140	14 486	14 876	14 242	15 601	16 271
Share of Foreign Direct Spend in Cape Town**	71,0%	71,2%	70,5%	71,8%	72,0%	73,0%
Total Foreign Direct Spend in Cape Town (R million)**	<b>9 329</b>	<b>10 314</b>	<b>10 487</b>	<b>10 226</b>	<b>11 233</b>	<b>11 878</b>

Source:

\*SAT

\*\* I and M Futureneer Advisor Pty Ltd Projection

Table 2.6 indicates the Domestic Direct Spend in South Africa, the Western Cape and Cape Town.

**Table 2.6: Domestic Direct Spend in Cape Town (R'million)**

	2013	2014	2015	2016	2017	2018
Total spend by domestic tourists in South Africa (R million)*	24 280	26 836	23 600	26 513	22 117	26 400
Share of total domestic spend in the Western Cape*	9,0%	10,0%	9,0%	10,0%	10,0%	7,0%
Total spend by domestic tourists in the Western Cape (R million)*	2 251	2 798	2 031	2 525	1 616	1 848
Share of domestic spend in Cape Town**	43,0%	43,2%	43,2%	43,0%	43,4%	43,4%
Total spend by domestic overnight tourists in Cape Town (R million)**	<b>968</b>	<b>1 208</b>	<b>876</b>	<b>1 086</b>	<b>701</b>	<b>801</b>

Source:

\*SAT

\*\* I and M Futureneer Advisor Pty Ltd Projection

The decline in domestic overnight trips impacted directly on the domestic direct spend in Cape Town that declined by an average annual compound rate of 7,8% between 2013 and 2018 to reach R0,8 billion in 2018. Domestic direct spend in 2018 did, however, increase 14,4% over 2017.

### 3. Projected Tourism Gross Value Add in Cape Town

#### 3.1 Introduction

The compilation of a tourism satellite account on a city or regional level to quantify the gross value add and employment of the tourism industry has various limitations and challenges. These include the ability to accurately measure the total and tourism economy of the city or region due to the lack of border posts where goods and services and the movement of tourists could be surveyed to allocate the flow of money through the economy.

For example, a scheduled tour of foreign tourists to South Africa may include, overnight stays in Johannesburg, the Kruger National Park and Cape Town. When compiling a tourism satellite account for Cape Town, the accommodation spend would need to be allocated between the various destinations. More problematic would be the allocation between the destinations of the transport costs and the commission owed to the tour operator.

Two approaches to regional tourism satellite accounts have been formulated to address these issues. Firstly, a regionalization approach can be adopted where the national tourism satellite account is apportioned on a regional basis using different indicators and methods. Secondly, a regional estimation approach can be followed where a tourism satellite account is calculated for a region on a similar basis as a national tourism satellite account. This approach requires sufficient data on a regional basis.

Given the lack of data on a city and regional level, a regionalization approach was adopted to quantify the economic contribution of tourism to the economy of Cape Town. The approach disaggregates the National Tourism Satellite Account produced by Stats SA to project the tourism gross value add in Cape Town.

#### 3.2 Methodology

For the purposes of this report, the Tourism Satellite Account for South Africa, final 2016 and provisional 2017 and 2018, published by Stats SA in November 2019 was used. Please also note that Stats SA has revised the domestic tourism expenditure in the Tourism Satellite account for 2015, 2016 and 2017.

The national tourism satellite account quantifies the foreign, domestic and outbound tourism expenditure for South Africa. The foreign and domestic direct tourism expenditure, as calculated utilising the disaggregation of national tourism data, was utilised to calculate a comparable figure for Cape Town. Unfortunately, the outbound tourism expenditure for Cape Town is not available and there is no reliable source available to estimate this figure.

The national tourism satellite account deducts the intermediate consumption from this tourism expenditure to calculate the gross value added by the tourism industry. The intermediate consumption relates to the expenses related to the tourism expenditure such as salaries of staff, consumables, etc.

The intermediate consumption for Cape Town was assumed to have the same ratio of tourism expenditure to intermediate consumption as South Africa. The national tourism satellite account

utilises input-output tables to calculate the intermediate consumption but given the lack of detail on a Cape Town level it was assumed that Cape Town tourism enterprises would have intermediate consumption on a similar ratio than tourism enterprises in South Africa as a whole.

The national tourism satellite account also quantifies the number of persons directly engaged in producing goods and services purchased by visitors. It was assumed that Cape Town's share of the number of persons engaged would be the same as the ratio of Cape Town's gross value add for tourism to South Africa's gross value add for tourism.

It should be noted that the national tourism satellite account produced by Stats SA measures the direct contribution of tourism to the economy. The World Tourism and Travel Council (WTTC) approach measures the direct, indirect and induced contribution of tourism to the economy. For example, the expenditure by a guest in an hotel (direct) results in expenditure by the hotel on food, (indirect) and expenditure by the hotel's employees in local shops (induced). The direct, indirect and induced contribution is often used to compare to the contribution of other industries to the economy while this report quantifies the direct contribution.

### 3.3 Projected Tourism Gross Value of Add in Cape Town

Tourism's gross value add contribution to Cape Town grew by an average annual compound growth rate of 2,5% between 2013 and 2018. This growth is attributed to strong growth in foreign direct spend in Cape Town in 2018.

Tourism is projected to directly contribute 2% to the gross value add of Cape Town equating to R7 billion of value add in 2018. Tourism in Cape Town's share of total gross value add (2%) is less than tourism in South Africa's share of total gross value add (2,9%).

These projections seem to be understated given that the projected foreign direct spend in Cape Town was on average 15% of the total foreign direct spend in South Africa as projected by SAT, between 2013 and 2018. Similarly, the projected domestic direct spend in Cape Town was on average 4% of the total domestic direct spend in South Africa as projected by SAT, between 2013 and 2018.

A possible explanation is provided in Section 3.4 where the methodological differences are discussed.

**Table 3.1: Projected Tourism Value Add (R'million)**

		+ Foreign tourism expenditure	+ Domestic tourism expenditure	= Total output	- Total intermediate consumption	= Total gross value add	Tourism GVA as % of Total GVA
2013	South Africa*	94 183	124 137	218 320	123 823	94 497	3,0%
2013	Cape Town**	9 329	4 918	14 247	8 081	6 167	2,0%
2014	South Africa*	106 728	133 990	240 718	136 718	104 000	3,0%
2014	Cape Town**	10 314	4 493	14 808	8 410	6 397	2,0%
2015	South Africa*	108 760	122 744	231 504	131 458	100 046	2,8%
2015	Cape Town**	10 487	2 750	13 237	7 517	5 721	1,8%
2016	South Africa*	121 400	143 652	265 052	150 328	114 724	3,0%
2016	Cape Town**	12 984	1 845	14 829	8 411	6 419	1,9%
2017	South Africa*	120 979	130 227	251 206	142 794	108 412	2,9%
2017	Cape Town**	11 233	1 574	12 807	7 280	5 527	1,6%
2018	South Africa*	120 037	153 196	273 233	154 787	118 446	2,9%
2018	Cape Town**	11 878	4 216	16 094	9 117	6 977	2,0%

Source:

\*Stats SA

\*\* I and M Futureneer Advisor Pty Ltd Projection

Tourism is projected to contribute 42 566 people directly to the Cape Town's economy, representing around 3,2% of all direct employment. Direct employment is defined as persons directly engaged in producing goods and services purchased by tourists.

Tourism's contribution to direct employment in Cape Town has grown at an average annual growth rate of 0.4% per annum between 2013 and 2018.

As with the gross value add, the tourism employment in Cape Town seem understated.

**Table 3.2: Projected Tourism Employment**

		Employment	Tourism GVA as % of Total GVA
2013	South Africa*	655 587	4,4%
2013	Cape Town**	42 783	3,5%
2014	South Africa*	681 915	4,5%
2014	Cape Town**	41 947	3,3%
2015	South Africa*	669 653	4.3%
2015	Cape Town**	38 291	3,0%
2016	South Africa*	705 871	4.4%
2016	Cape Town**	32 128	2.5%
2017	South Africa*	681 619	4.5%
2017	Cape Town**	34 750	2.6%
2018	South Africa*	739 657	4.5%
2018	Cape Town**	43 566	3.2%

Source:

\*Stats SA

\*\* I and M Futureneer Advisor Pty Ltd Projection

### 3.4 Methodological Differences

The projection of the gross value add for Cape Town in this report utilises the foreign and domestic direct spend, disaggregated from the data published by SAT.

The Tourism Satellite Account for South Africa, final 2016 and provisional 2017 and 2018, published by Stats SA in November 2019 states that: *“It is important to note that there are conceptual and methodological differences between the tourism foreign direct spend (TFDS) published by SAT, the BoP as compiled by the SARB, and consequently also the total inbound tourism expenditure in the TSA (Table 1 of the TSA).*

*TFDS includes all expenditure by foreigners in South Africa. From this total, SAT excludes capital expenditure and the shopping expenditure of traders ('shuttle trade') as this is already included elsewhere in BoP statistics. The BoP is inclusive of concepts such as 'travel' receipts and 'international transportation' receipts. 'Travel' receipts include the domestic spending of seasonal and non-resident workers. The total inbound tourism expenditure as reflected in Table 1 of the TSA therefore includes the 'travel' receipts and 'international transportation' receipts from the BoP as provided by the SARB, but excludes the domestic spending of seasonal and non-resident workers.”*

Table 3.3 indicates the difference between the foreign direct spend in South Africa as projected by SAT and the inbound tourism expenditure in South Africa as projected by Stats SA. On average, between 2013 and 2018, the Stats SA projection was 155% more than the SAT projection.

Table 3.3 also indicates the difference between the domestic direct spend in South Africa as projected by SAT and the domestic tourism expenditure in South Africa as projected by Stats SA. On average, between 2013 and 2017, the Stats SA projection was 540% more than the SAT projection.

**Table 3.3: Projections by SAT and Stats SA (R'million)**

	2013	2014	2015	2016	2017	2018
Foreign direct spend in South Africa*	63 937	64 171	68 162	75 546	80 725	82 500
Inbound tourism expenditure in South Africa**	94 183	106 728	108 760	121 400	120 979	120 037
Difference	<b>147%</b>	<b>166%</b>	<b>160%</b>	<b>161%</b>	<b>150%</b>	<b>145%</b>
Domestic direct spend in South Africa*	24 280	26 836	23 600	26 513	22 117	26 400
Domestic tourism expenditure in South Africa**	124 137	133 990	122 835	143 816	130 227	153 196
Difference	<b>511%</b>	<b>499%</b>	<b>520%</b>	<b>542%</b>	<b>589%</b>	<b>580%</b>

Source:

\*SAT

\*\* Stats SA

Table 3.4 and Table 3.5 indicates the tourism value add for Cape Town between 2013 and 2018 when the projected foreign direct spend in Cape Town is adjusted by the difference between the foreign direct send in South Africa as per SAT and the inbound tourism expenditure in South Africa as per Stats SA.

The projected domestic direct spend in Cape Town is adjusted by the difference between the domestic direct spend in South Africa as per ST and the domestic tourism expenditure in South Africa as per Stats SA.

The projected tourism value add in Cape Town in 2018 increase from R7 billion (2% of the Cape Town economy) to an adjusted R18,1 billion (5,3% of the economy). The projected tourism employment in Cape Town in 2018 increase from 43 566 (3,2% of total Cape Town employment) to an adjusted 113 009 (8,3% of total Cape Town employment).

Intuitively, the adjusted figures seem to be more accurate as it indicates that tourism comprise a larger share of the Cape Town economy than tourism comprise of the South African economy. Stats SA projects that tourism constitutes 2,9% of the South African economy and 4,5% of South African employment in 2018. The adjusted projections indicate that tourism constitutes 5,3% of Cape Town's economy and 8,3% of Cape Town's employment.

The adjusted figures do however indicate an average annual growth in the projected tourism value add of 1.5% per annum and a decline 0.7% of employment for Cape Town between 2013 and 2018, while the original figures indicate an increase in both indicators.

These adjusted figures are included in this report to elicit comment, discussion and suggestions from tourism stakeholders.

**Table 3.4: Adjusted Projected Tourism Value Add (R'million)**

		+ Foreign tourism expenditure	+ Domestic tourism expenditure	= Total output	- Total intermediate consumption	= Total gross value add	Tourism GVA as % of Total GVA
2013	South Africa*	94 183	124 137	218 320	123 823	94 497	3,0%
2013	Cape Town**	13 743	25 144	38 887	22 055	16 832	5,4%
2014	South Africa*	106 728	133 990	240 718	136 718	104 000	3,0%
2014	Cape Town**	17 154	22 435	39 589	22 485	17 104	5,4%
2015	South Africa*	108 760	122 744	231 504	131 458	100 046	2,8%
2015	Cape Town**	16 734	14 303	31 036	17 624	13 413	4,1%
2016	South Africa*	121 400	143 816	265 216	150 591	114 625	3.00%
2016	Cape Town**	16 433	10 009	26 442	15 014	11 428	3.46%
2017	South Africa*	120 979	130 227	251 206	142 794	108 412	2.90%
2017	Cape Town**	16 834	9 267	26 101	14 837	11 265	3.34%
2018	South Africa*	120 037	153 196	273 233	154 787	118 446	2.90%
2018	Cape Town**	17 282	24 464	41 746	23 649	18 097	5.27%

Source: \*Stats SA and \*\* I and M Futureneer Advisor Pty Ltd Projection

**Table 3.5: Adjusted Projected Tourism Employment**

		Employment	Tourism GVA as % of Total GVA
2013	South Africa*	655 587	4,4%
2013	Cape Town**	116 773	9,4%
2014	South Africa*	681 915	4,5%
2014	Cape Town**	112 150	8,9%
2015	South Africa*	669 653	4,3%
2015	Cape Town**	89 777	7,0%
2016	South Africa*	705 871	4.4%
2016	Cape Town**	70 376	5.4%
2017	South Africa*	681 619	4.5%
2017	Cape Town**	70 823	5.3%
2018	South Africa*	739 657	4.5%
2018	Cape Town**	113 009	8.3%

Source: \*Stats SA and \*\* I and M Futureneer Advisor Pty Ltd Projection