

Development Planning Unit
Ministry of Finance
Government of the British Virgin Islands

TOURISM PRICE INDEX

by

Rameshwar P. Srivastava,
CFTC Expert/ Price Indices Economist
attached to the
Development Planning Unit

Any views in this paper are those of the author and do not necessarily represent the opinions of the CFTC or DPU.

TOURISM PRICE INDEX

Tourism is considered an activity essential to the life of nations because of its direct effects on the social, cultural, educational and economic sectors of national societies and on their international relations.

(World Conference on Tourism, Manila 1980)

All types of travelers engaged in tourism are described as visitors. Therefore the term "*visitor*" represents the basic concept for the whole system of tourism statistics.

International visitors

For statistical purposes, the term "international visitor" describes "any person who travels to a country other than that in which s/he has his/her usual residence for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited". International visitors include Overnight visitors, who stay at least one night in a collective or private accommodation in the country visited and Same-day visitors (this include cruise passengers).

TOURISM EXPENDITURE

Insight into the volume and structure of tourism expenditure makes it possible to monitor and assess the impact of tourism on national economy and on the various sectors.

Tourism expenditure is defined as "the total consumption expenditure made by a visitor or on behalf of a visitor for and during his / her trip and stay at destination ".

It is not limited to the purchase of consumer goods and services inherent in travel and stays, but it also covers the purchase of small durable goods for personal use, souvenirs, etc. It is not restricted to payments made during the trip. It also includes advance outlays necessary for the preparation and undertaking of the trip and travel-related purchases made in the place of residence before and after returning from the trip.

CLASSIFICATION OF TOURISM EXPENDITURE

One of the most important requirements of tourism expenditure data is a breakdown of the expenditure by main item groups. This is done for (a) to evaluate and analyze the influence of tourism on the various Sectors; and (b) to establish a weighting base (or tourist 'market basket') to prepare Tourism price index. WTO recommends that data on tourism expenditures should be collected and presented by at least the seven primary groups:

1	Package travel, package holidays and package tours
2	Accommodation
3	Food and drinks
4	Transport
5	Recreation, culture and sporting activities
6	Shopping
7	Other

TOURISM PRICE INDICES (TPI)

Price Indices on tourism can be divided into the following two main categories:

- (a) Price Indices from the demand side;
- (b) Price Indices from the supply side.

Price Indices on tourism from the demand side measure changes in prices over time of a given pattern of tourist expenditure i.e. inter-temporal (time) price indices or compare the price level of tourist expenditure in space i.e. inter-spatial (space) price indices, which could further be divided into inter-regional and inter-national price indices.

Price Indices on tourism from the supply side measure changes over time in the cost of tourist production and of gross fixed capital formation due to changes in the prices of relative goods and services and changes in the remuneration of production factors.

Inter-temporal tourist expenditure price indices are generally considered of first priority. Inter-national (spatial) price indices on tourism comparing the price level of tourists' expenditure between countries are also important.

Frequency: It is proposed that the TPI should be calculated and published every quarter of a year. The monthly periodicity would be too short and not necessary for an index of specific interest. The biannually or annually would not show the seasonal fluctuations, which are strong on tourism.

Base period: The duration of base period could be a month, a quarter or a year. In case of TPI a calendar year is ideal but since no tourists expenditure details and related prices data were available for 1998, it was proposed to use 1999 as base. The advantage of using a period of one year as base is that the averaged prices are free from seasonal variation.

Index calculation

The Laspeyres formula as a weighted aggregative Index is recommended to be used.

$$I = \left(\frac{P_t \cdot Q_o}{P_o \cdot Q_o} \right) * 100 \quad \text{or}$$

$$I = \left\{ \frac{(P_t/P_o) * W}{W} \right\} * 100$$

Where P_t is the price of the individual items in the current period under consideration, P_o and Q_o are respectively the price and quantity of the individual items in the base period.

W is the weight assigned to the individual item, $W = (P_o \cdot Q_o / \sum P_o \cdot Q_o)$

TOURISM PRICE INDEX:QUARTERLY,1999
(1999=100)

Groups	Weight	1st Qtr,99	2nd Qtr,99	3rd Qtr,99	4th Qtr,99
Package travel	14.36	125.5	103.7	78.4	92.6
Accommodation	56.20	131.3	89.9	81.1	99.1
Food & drinks	18.21	111.2	111.3	118.7	118.7
Clothing & Jewelry	1.72	116.1	116.1	165.9	165.9
Transport	4.03	101.7	101.7	101.7	102.7
Recreation & sporting activities	2.49	100.0	100.0	100.0	100.0
Miscellaneous	2.99	100.0	100.0	100.0	97.7
All groups	100.00	123.6	97.2	90.9	103.0

Those who are familiar with the BVI will know that the Christmas/New Years season and the first quarter (Winter) is the high season and the prices especially of hotel rooms and packages are at their maximum. It drops in the spring and the summer (2nd & 3rd quarter). The tourist arrivals are also low during the Hurricane season, which extends from May to November. The arrivals as well as prices pick up in the last quarter. The Index reflects the same scenario.

