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TOURISTS EXPENDITURE

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TOURISTS EXPENDITURE

The new System of National Accounts adopted by the United Nations, the IMF, the World Bank and other multi-lateral agencies in 1993 (SNA 1993) proposed that countries develop functionally oriented satellite accounts of standard sectors of the economy to supplement National Accounts estimates. As a consequence, the World Tourism Organization (WTO) took the lead and in collaboration with other multi-lateral agencies, as well as a number of national statistical offices and national tourism administrations developed Tourism Satellite Account (TSA).

The TSA recognizes that tourism in a country produces certain impacts on consumption, expenditures, income, investment, revenue and employment in that country's economy. Many of these consequences result from visitors spending. Other occur as businesses, government units, NPISHs (non-profit institutions serving households) and households prepare for accommodating and serving visitors.

Tourism expenditure definition:

The definition of "tourism expenditure" is closely linked to that of tourism consumption. "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." This definition allows that "(a) the consumption of the good or service may not necessarily be by the visitor him/herself." While in most cases the consumption is by the visitor, in some cases the consumption is by a friend or relative, as in the case of a gift or souvenir purchased by the visitor on the trip and given to someone else. "(b) that the expenditure may not necessarily be undertaken by the visitor him/herself." In the case of a group, such as a family, expenditure may be undertaken by one person, such as a parent, on behalf of another, such as a dependent child. (WTO Technical Manual No 2)

International Tourism Expenditure

International tourism expenditure is viewed from the perspective of the destination country for inbound visitors, and from the perspective of the origin country for outbound visitors. In the former case, the visitor's expenditure is a receipt for the destination country, while in the later case, the visitor's expenditure is a payment for the origin country.

"International inbound tourism receipts" are defined as expenditure of international inbound visitors, including their payments to national carriers for international transport. This should also include any other prepayments made for goods and services received in the destination country.

The various components making up tourism expenditure can be divided into three large groups, i.e.:

- (a) pre-trip expenditure;
- (b) on-trip expenditure; and,
- (c) post-trip expenditure.

This paper will concentrate mostly on “International inbound tourism expenditure”, since that is the most significant part of the total tourism expenditure and hence its impact on the BVI economy is crucial.

| Table1: | 1995 | 1996 | 1997 | 1998 |
|--|------|------|------|------|
| International inbound tourism expenditure (\$ million) | 211 | 228 | 220 | 254 |
| Resident Consumer’s expenditure(\$m) | 176 | 192 | 211 | 228 |
| Residents foreign travel expenditure (\$m) | 5.7 | 6.2 | 6.8 | 7.4 |

The estimated International inbound Tourism expenditure was higher than the Resident Consumers expenditure during the period covered above. As mentioned earlier it covers pre-trip, on-trip and post-trip expenditures, so all of it is not spent on the soil of the destination country.

| Table2: Tourist expenditure by type of visitors in million US \$ | | | | |
|---|-------|-------|-------|-------|
| | 1995 | 1996 | 1997 | 1998 |
| Total visitors expenditure | 211.0 | 227.6 | 220.4 | 253.9 |
| Hotel visitors | 100.3 | 109.3 | 95.5 | 107.4 |
| Charter boats visitors | 90.1 | 91.0 | 83.8 | 99.8 |
| Cruise passengers | 4.6 | 6.2 | 4.3 | 4.5 |
| Others* | 16.0 | 21.1 | 36.8 | 42.2 |

* includes tourists in rented accommodation (Guest houses), own accommodation, with friends/relatives, excursionists etc.

The hotel visitors and charter boats visitors expenditure combined constituted about 90% of the total visitor expenditure during 1995, which gradually dropped to 82% during 1998. The cruise passengers expenditure constituted between 2 to 3% of total visitors expenditure during 1995-98.

Table 3 on next page provides some details of tourism statistics for 1998 (the latest available). In 1998, the cruise passengers formed more than one-fourth of the number of visitors arrivals, but their expenditure share was only 2% of the total spending. The hotel visitors, charter boat visitors were 22 and 23 percent of the number of visitors arrivals and their expenditure share was 42% and 39% of the total spending.

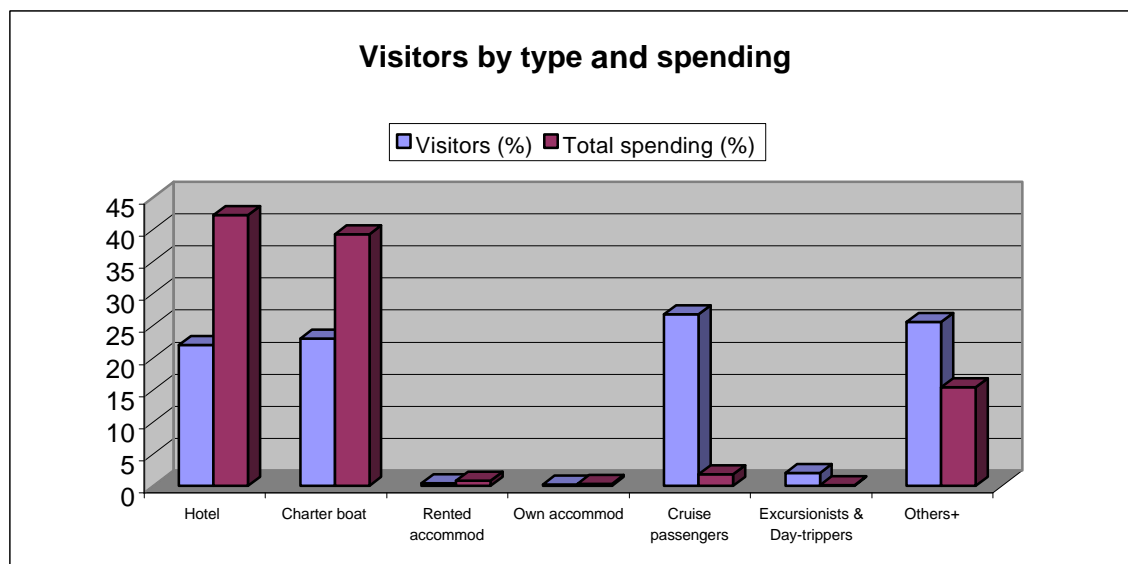
There has been some debate concerning stay-over (over-night) tourists verses cruise passengers. The big operators in the tourism sector like hotels and charter boat operators benefit mainly from over-night visitors, where as the small operators in the game for example taxis operators and small vendors benefit more from the cruise passengers. Some countries have regulated and established the optimum number of cruise passengers that could be admitted per day. ”In The Cayman Islands, the overwhelming growth in cruise passengers led the Government to adopt a fleeting policy of no more than one ship in port on any day. In 1993, however, the policy was revised to limit cruise ships in port to three, or no more than 5,500 passengers per day.” During the 10-year period 1987 to 1997, the total number of tourists, both stay-over and cruise passengers- increased from

480,700 to 1,246,600 and posted an annual growth rate of 9.5 percent. (The Associate, Vol.4 No.1, a ECLAC/CDCC newsletter)

Table3: Tourists arrivals by type and visitors spending in 1998

| | Visitor arrivals (%) | Visitor arrivals (#) | Expenditure (US \$'000) | Average spent per visit (\$) | Length of stay | Share of total spending (%) |
|----------------------------------|----------------------|----------------------|-------------------------|------------------------------|----------------|-----------------------------|
| Hotel visitors | 22 | 86,046 | 107,385 | 1,248 | 8 | 42.3 |
| Charter boat visitors | 23 | 89,951 | 99,846 | 1,110 | 10 | 39.3 |
| Tourists in rented accommodation | 0.4 | 1,705 | 2,150 | 1,261 | 10 | 0.8 |
| Tourists in own accommodation | 0.2 | 920 | 660 | 717 | 12 | 0.3 |
| Cruise passengers | 26.8 | 105,142 | 4,528 | 43 | 1 | 1.8 |
| Excursionists & Day-trippers | 2 | 8,051 | 222 | 28 | 1 | 0.1 |
| Others+ | 25.6 | 100,475 | 39,102 | 389 | . | 15.4 |
| Total | 100 | 392,290 | 253,893 | 647 | . | 100.0 |

+ includes those who stayed with friends/relatives or did not state their place of stay.



Conclusions

The high growth rate of the tourist industry in the 1980s and 1990s necessitated more tourism related facilities. Tourism sector is one of the twin pillars of the BVI economy and it is the largest source of employment in the territory (employs one-fourth of the working labour force). BVI has high prosperity indicators like per capita GDP and average household income. BVI could benefit from the experiences of other tourist economies.