ECONOMIC RESEARCH REPORT: RELEVANT TOURISM STATISTICS & PERSPECTIVES WITH SPECIFIC REFERENCE TO MPUMALANGA

DECEMBER 2022

WHEN THE SUN RISES
WE WORK HARD TO DELIVER

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KEY FINDINGS

- As a result of COVID-19, global tourist arrivals declined by 71% in 2020 and in 2021 global arrivals were 70% lower than pre-pandemic levels.

- The 2020 international tourist arrivals in South Africa were 73% below the pre-pandemic levels of 2019 and 2021 arrivals were 78% below pre-pandemic levels.

- In the first half of 2022, arrivals recovered both globally and in South African to reach 57% and 45% of pre-pandemic levels, respectively.

- In 2020, South Africa's combined loss in tourist spend amounted to R199.3 billion. In 2021, foreign visitor spend declined by another R19 billion to just 19.3% of the pre-pandemic level, whilst domestic visitor spend increased by nearly R41 billion to reach two-thirds of pre-pandemic spending. In 2021, Mpumalanga recorded a share of 19.9% of South Africa's foreign visitors, the second highest number of foreign arrivals among the provinces. The 2021 foreign visitor numbers were, however, only 30.6% of the pre-pandemic level of 2019.

- In 2021, total foreign direct spend (TFDS) in Mpumalanga was approximately R2.8 billion or 13.4% of TFDS in South Africa and the third largest share. The 2021 TFDS in Mpumalanga was 37.8% of the pre-pandemic level.

- In 2021, international tourists spent some 3.2 million bednights in Mpumalanga, which was equal to 11.7% of total bednights in South Africa and the fourth largest share. The bednights spent in Mpumalanga in 2021 were only 19.2% of 2019 levels.

- In 2021, the average length of stay by foreign tourists in Mpumalanga was 6.3 days, which was the eighth longest/second shortest among the provinces.

- In 2021, Mpumalanga was the destination province of approximately 9.1% of domestic day trips compared to 7.7% in 2020. In 2021, Mpumalanga was also the destination of 9.1% of domestic overnight trips and recorded a decline from 11.3% in 2020.

- In 2021, Mpumalanga recorded the third longest length of stay by domestic tourist with an average of 3.8 nights. The length of stay increased slightly from 3.2 night in 2020 to 3.8 nights in 2021.

- The WTTC estimated the total (direct, indirect, and induced) contribution of tourism to South Africa's GDP in 2021 at 3.2%. If the global change factors, as calculated by the UNWTO and WTTC, are applied to Stats SA's 2019 TSA, the estimated direct contribution is 2.0% of GDP in 2021.

- Total (direct, indirect, and induced) tourism employment in South Africa according to the WTTC was 1.08 million in 2021 or 7.3% of total jobs. If the global change factors, as calculated by the UNWTO and WTTC, are applied to Stats SA's 2019 TSA, it is estimated that tourism directly employed 4.3% of South Africa's employed in 2021.

- In terms of Mpumalanga's GDP, tourism's contribution in 2021 ranges from 2.0% to 3.8% depending on the underlying assumption.
- Mpumalanga's tourism employment contribution in 2021 ranges from 4.2% to 4.7% depending on the underlying assumptions.

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1. INTRODUCTION

South Africa's, and to a large extent Mpumalanga's, tourism attractiveness lies in its diversity. Some of the features which make our beautiful country an incredibly attractive tourism proposition include: accessible wildlife, varied and impressive scenery, unspoiled wilderness areas, diverse cultures (in particular traditional and township African cultures) as well as a generally sunny and warm climate.

Tourism carries the potential to create opportunities for the entrepreneur and breed unique small and medium businesses. Tourism helps to protect the environment and creates unique economic linkages with amongst others agriculture, light manufacturing (arts, crafts, and souvenirs), and the services sector (health, beauty, entertainment, and banking). Importantly for South Africa, tourism creates decent and sustainable work, is labour intensive and presents relatively low barriers to entry for entrepreneurs in terms of skills.

The purpose of the research report is to provide the Mpumalanga policy makers with relevant perspectives on tourism in Mpumalanga. The report will focus on the status of international and domestic tourism in Mpumalanga, the contribution of tourism to the economy of Mpumalanga, as well as the recovery plan for the tourism sector. The main data sources are South Africa Tourism, Statistics South Africa, Department of Tourism, United Nations World Tourism Organisation (UNWTO), as well as the World Travel and Tourism Council (WTTC).
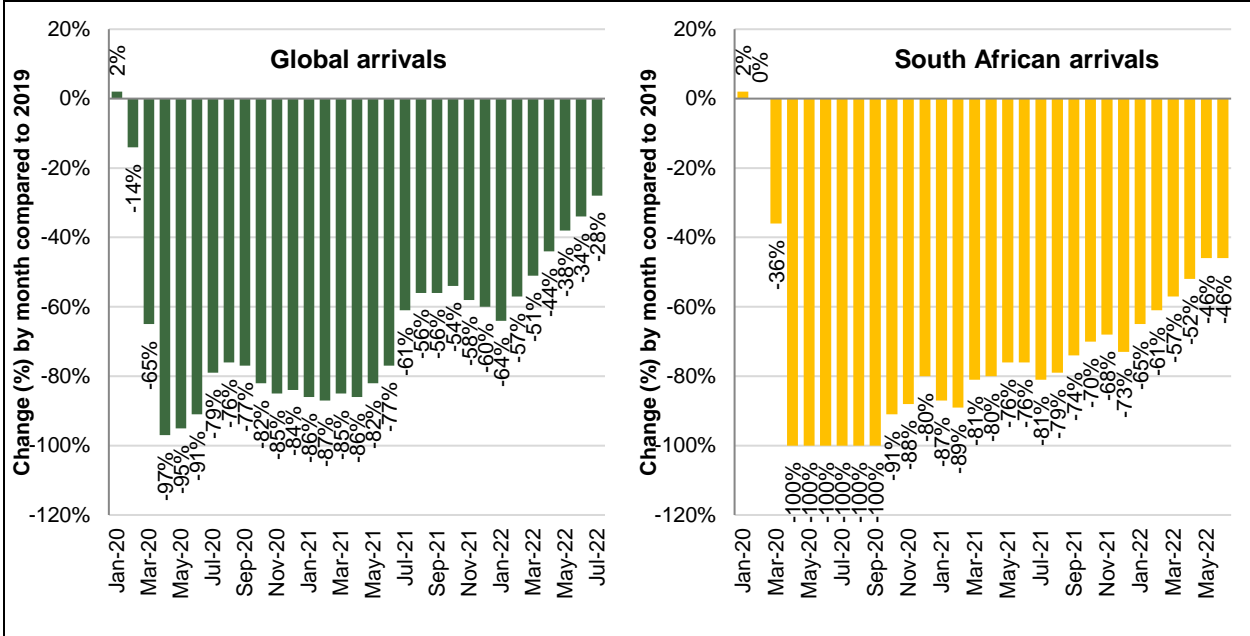
2. GLOBAL TOURISM

International situation

The COVID-19 pandemic has had a devastating effect on the global tourism industry. It is estimated by the UNWTO that 2020 saw a loss of more than 1 billion international tourist arrivals the world over. International tourist arrivals plunged from 1.46 billion to 381 million, which was below the 1990 level of 438 million international tourist arrivals. The UNWTO further estimates that it could take between 2½ and 4 years to recover to 2019 levels.

By region, Asia and the Pacific saw the largest drop with an 84% decrease in arrivals, about 300 million less than in 2019. Arrivals in both Europe and the Americas declined by 68%, representing about 510 and 150 million fewer international tourists, respectively. In the Middle East and Africa arrivals fell by 73% and 74% respectively.

When global international tourist arrivals in 2020, 2021, and 2022 are compared with the pre-pandemic levels of 2019, 2020 international tourist arrivals were on average 71% below the 2019 level (Figure 1). This devastating downturn continued in 2021, with global arrivals down by 70% compared with pre-pandemic levels. After the weakness of 2020 persisted into 2021, international tourism started to show strong signs of recovery, with arrivals reaching 57% of pre-pandemic levels in the first seven months of 2022.

In 2020, the collapse in international travel resulted in a loss of US$1 098 billion in export revenue from tourism, a 63% decline in real terms compared to the pre-pandemic level of 2019. Tourism export revenue increased by US$81 billion in 2021, however, it was still US$1 017 billion or 58% below the pre-pandemic level of 2019.

Figure 1: International tourist arrivals in 2020, 2021 & 2022 compared to the pre-pandemic months of 2019

Source: UNWTO – World Tourism Barometer, November 2022

The global economy contracted by 3.3% in 2020 and the international travel and tourism GDP (direct and indirect) declined by 50.4% - a loss of almost US$4 900 billion. In 2021, international travel and tourism GDP increased by 21.7% (approximately US$1 040 billion) compared with overall global economic growth of around 6%. Despite the 2021 recovery, international travel and tourism was still roughly US$3 800 billion below the pre-pandemic level of 2019.

In 2019, global tourism supported 333 million jobs around the world, directly and indirectly. Despite interventions by governments worldwide, 62 million jobs were lost in 2020 due to the COVID-19 pandemic and travel restrictions. As the sector's contribution increased in 2021, the number of direct and indirect jobs supported by tourism increased by 18.2 million in 2021.

National situation

In 2020, international tourist arrivals in South Africa were 73% below the pre-pandemic levels of 2019 and in 2021 the international arrivals were 78% below the 2019 levels or only 22% of pre-pandemic levels (Figure 1). International arrivals in South Africa improved in the first six months of 2022 to reach 45% of pre-pandemic levels.

In 2020, South Africa's loss in foreign visitor spend amounted to R98.3 billion, whereas the loss in domestic visitor spend was roughly R101 billion. In 2021, foreign visitor spend declined by another R19 billion to R28.1 billion or just 19.3% of the pre-pandemic level of 2019. On the other

hand, domestic visitor spend increased by nearly R41 billion in 2021 and reached two-thirds of pre-pandemic spending.

The national economy contracted by 6.3% in 2020 and the national tourism GDP (direct and indirect) declined by an estimated 44.4%[1] - a loss of roughly R64 billion. In 2021, the national tourism GDP increased by 8.4%[2] (approximately R12 billion) compared with overall national economic growth of 4.9%. Despite the 2021 recovery, tourism's GDP contribution was still more or less R52 billion below the pre-pandemic level of 2019. In 2019, travel and tourism supported an estimated 773 533 direct jobs in South Africa. According to the WTTC, South Africa lost 29.9% of these jobs in 2020 due to the COVID-19 pandemic and travel restrictions. It is further estimated that tourism related jobs increased by 1.9% in 2021 to 606 800.

Most recent traveller[3] data

Data collected by the Department of Home Affairs shows the large decline in especially foreign traveller numbers between January 2020 and April 2020 (Figure 2). Traveller numbers increased slowly from May 2020 onwards to February 2022. It is evident from the data, that from March 2022 onwards, traveller numbers started to increase at a faster rate. Despite the uptick in traveller numbers, the latest numbers were still only 54.7% of foreign traveller numbers in January 2020, and 60.1% of SA resident traveller numbers in January 2020.

Figure 2: Number of travellers, 2019 - August 2022
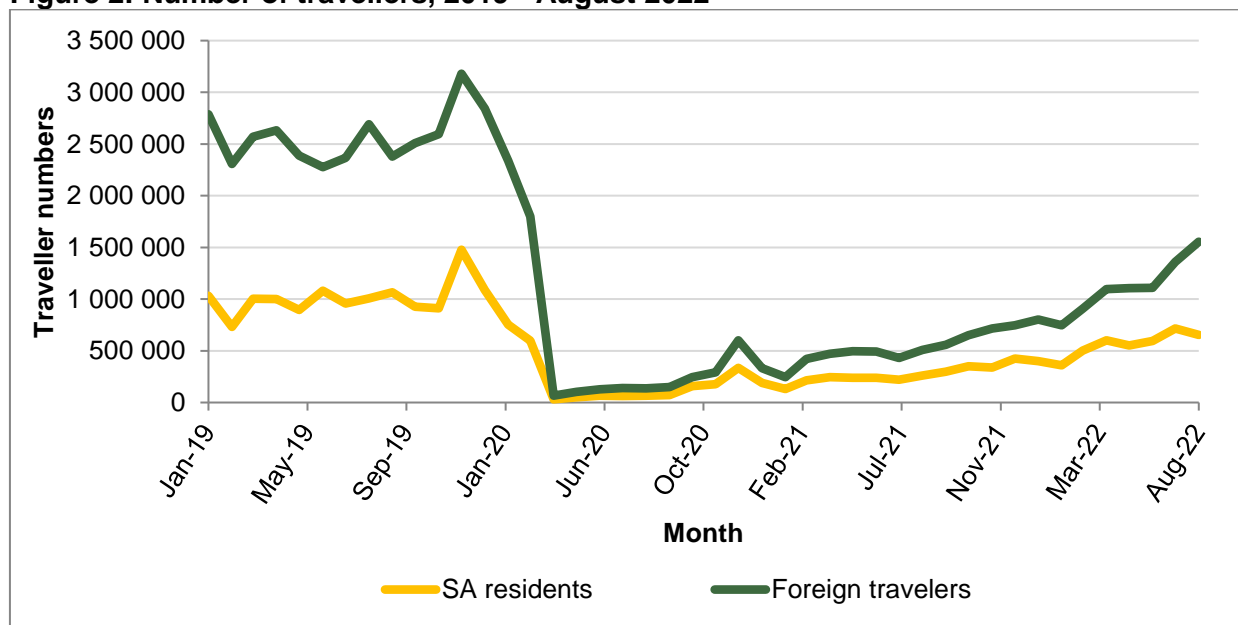
Source: Stats SA – Tourism and Migration, August 2022

Most recent accommodation data

According to the most recent *Tourist accommodation* publication released by Statistics South

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[1] WTTC estimate
[2] WTTC estimate
[3] Travellers include resident and foreign arrivals, resident and foreign departures as well as resident and foreign transit.

Africa in October 2022, total income for the tourist accommodation industry in 2020 was 61.6% lower than in 2019 due to the COVID-19 pandemic. In 2021, total income from tourist accommodation showed an improvement of 2.7% over 2020. The tourist accommodation income for the first eight months of 2022 was 3.3% more than the income for 2021 in entirety, however, the income for the first eight months in 2022 was 35.2% lower than the corresponding eight months in 2019 (Figure 3).

Figure 3: Tourist accommodation income in current prices (R million), 2019–August 2022

Source: Stats SA – Tourist accommodation, August 2022
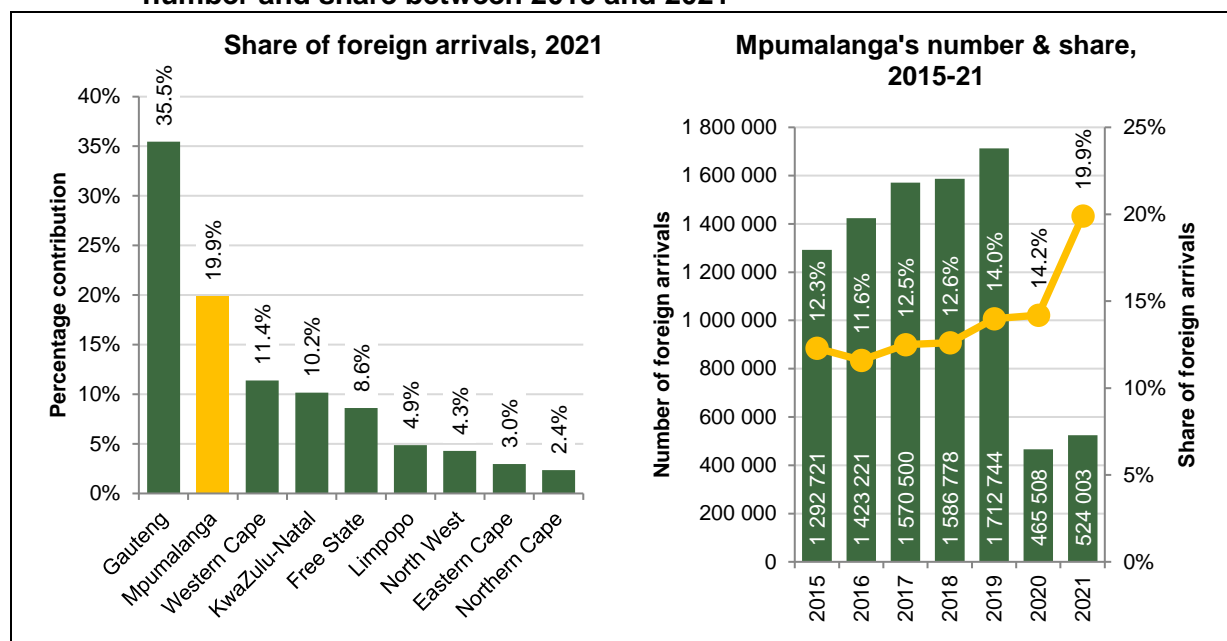
3. TOURISM IN MPUMALANGA

3.1 International tourism in Mpumalanga

Foreign arrivals

According to South Africa Tourism's *Tourism Performance Report 2021*, Mpumalanga was the province that recorded the second highest number of foreign arrivals in 2021, with a share of 19.9% of South Africa's foreign visitors (Figure 4). In 2021, Gauteng (35.5%) held the largest share of foreign arrivals, followed by Mpumalanga (19.9%) and Western Cape (11.4%). Mpumalanga's share increased between 2015 and 2021, although the number of foreign visitors in 2021 was only 30.6% of the pre-pandemic level of 2019.

Mpumalanga's main inbound tourism markets are Africa and Europe. Figure 5 displays the shares of Mpumalanga's main tourism markets in 2015 and 2021. It is clear that the share of Africa increased between 2015 and 2021, whereas the shares of the other regions declined. The largest share of foreign arrivals to Mpumalanga originated in Mozambique (73.6%) followed by arrivals from Eswatini (7.8%). The main inbound tourism countries to Mpumalanga in 2021 is also presented in Figure 3.

Figure 4: Foreign arrivals per province in 2021 & change in Mpumalanga's foreign arrival number and share between 2015 and 2021

Source: South Africa Tourism – Tourism Performance Report 2021

Figure 5: Contribution of Mpumalanga's inbound tourism markets in 2015 and 2021 & 10 main inbound tourism countries to Mpumalanga in 2021
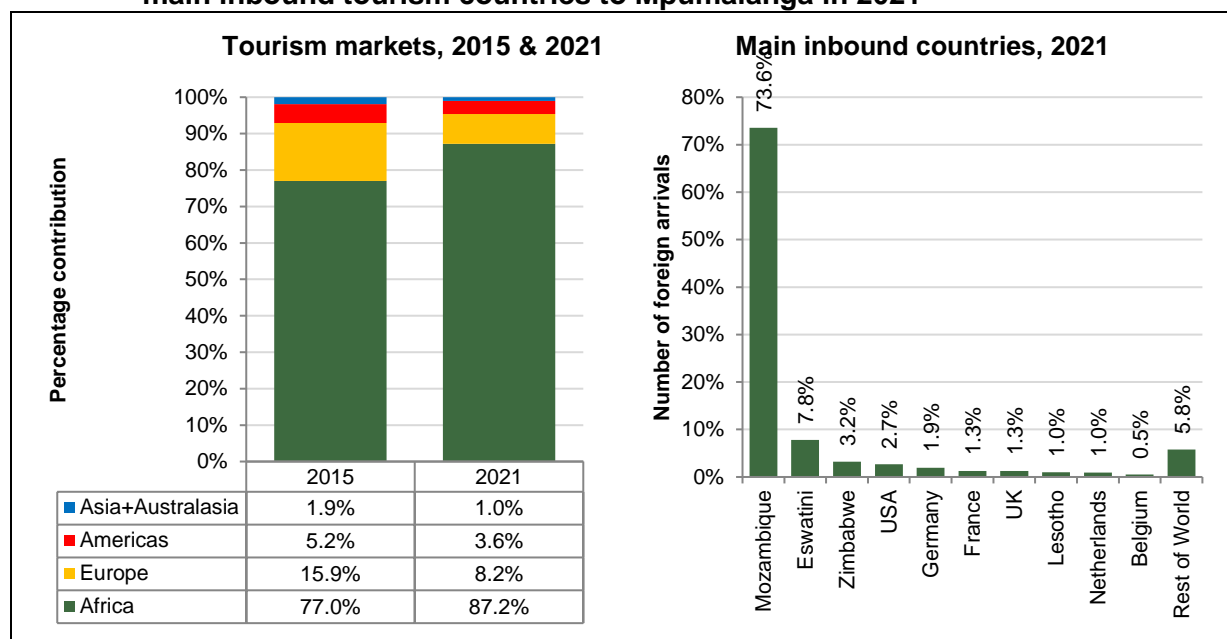
Source: South Africa Tourism – Tourism Performance Report 2021

Total foreign direct spending (TFDS)

In 2021, TFDS in Mpumalanga was approximately R2.8 billion or 13.4% of TFDS in South Africa. In 2021, Gauteng (40.2%) captured the largest share of TFDS among the provinces and Mpumalanga the third largest share (Figure 6). The value of TFDS in Mpumalanga declined between 2015 and 2021 as a result of COVID-19, although the share increased over the same period. The value of TFDS in Mpumalanga declined by 9.7% between 2020 and 2021.

Figure 6: TFDS per province in 2020 & change in Mpumalanga's TFDS value and share between 2015 and 2021

TFDS, 2021

Mpumalanga's TFDS value & share, 2015-21

Source: South Africa Tourism – Tourism Performance Report 2021

Figure 7: TFDS contribution by Mpumalanga's inbound tourism markets in 2015 and 2021 & 10 main TFDS countries in Mpumalanga in 2021
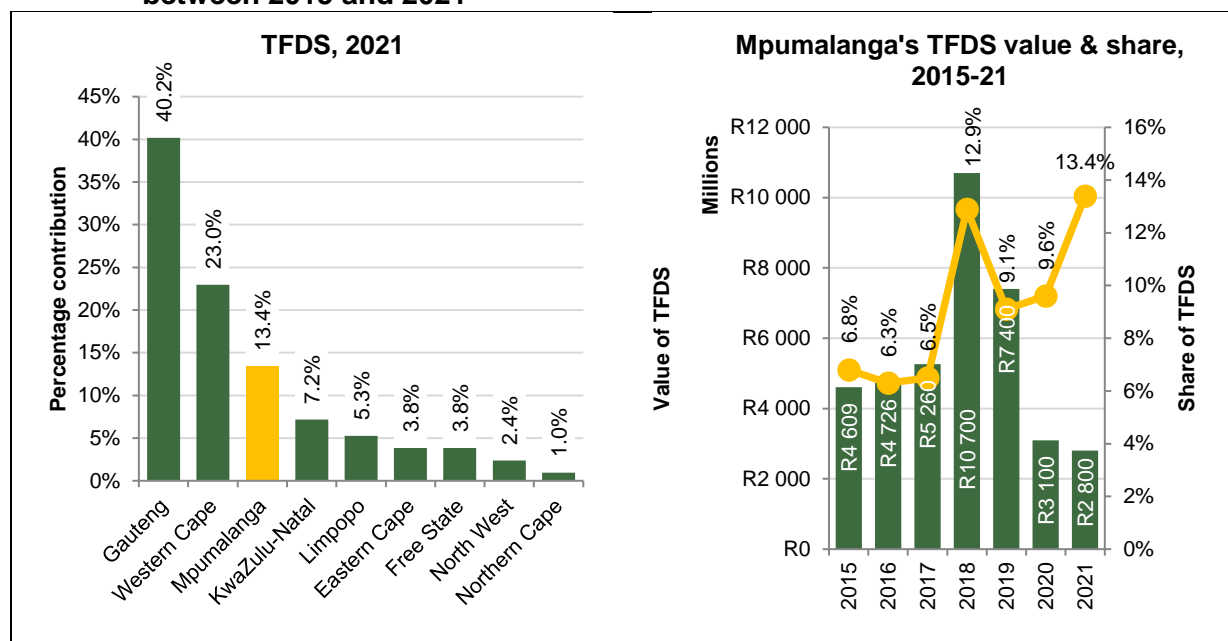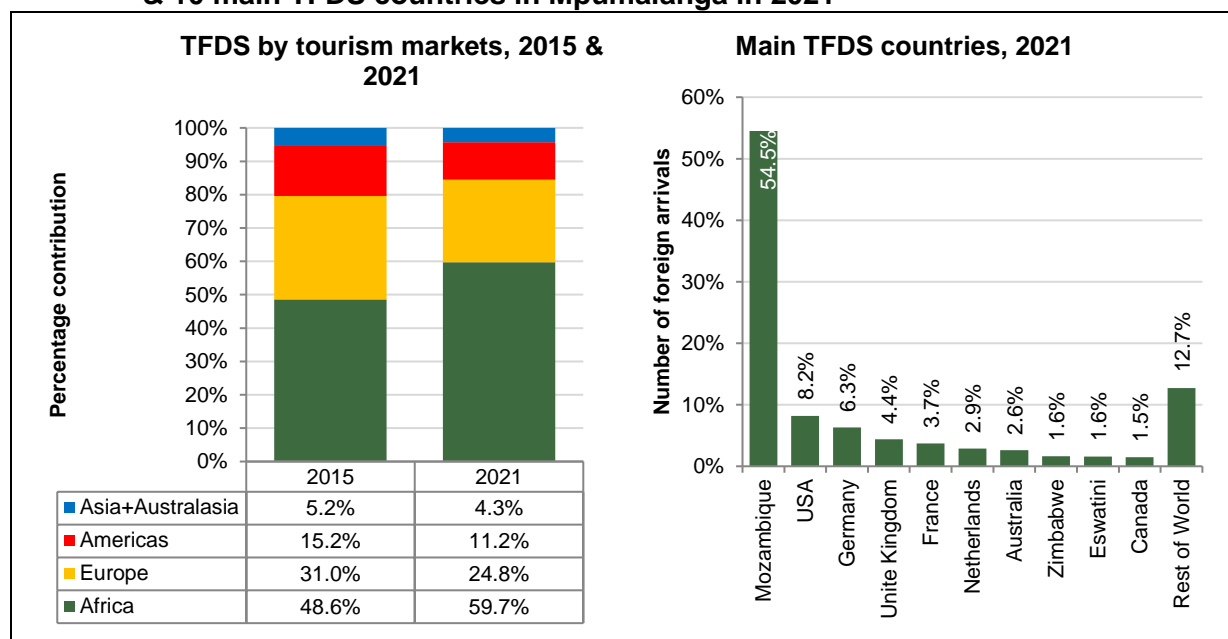

TFDS by tourism markets, 2015 & 2021

	2015	2021
Asia+Australasia	5.2%	4.3%
Americas	15.2%	11.2%
Europe	31.0%	24.8%
Africa	48.6%	59.7%

Main TFDS countries, 2021

Source: South Africa Tourism – Tourism Performance Report 2021

In both 2015 and 2021, Africa was the main inbound tourism market in terms of TFDS in Mpumalanga (Figure 7). Between 2015 and 2021, Africa's share increased noticeably, whereas the share of Europe decreased. In 2021, Africa dominated tourist arrivals to Mpumalanga (Figure 5) but did not quite achieve the same dominance in terms of TFDS when compared with tourists from the other markets.

In 2021, the average TFDS by tourist in Mpumalanga was the highest among tourists from Asia+Australasia with R38 360 per tourist. Average TFDS by tourists from the Americas was

R29 360 per tourist, R28 530 per tourist from Europe and only R6 440 per tourist from Africa. The largest share of TFDS in Mpumalanga were from tourist from Mozambique (54.5%) and was followed by tourist from USA (8.2%). Only three countries from Africa appears in the ten main TFDS countries in Mpumalanga compared with the four European countries among the ten main foreign arrival countries (Figure 5).

Bednights

In 2021, international tourists spent some 3.2 million bednights in Mpumalanga. The 3.2 million bednights were equal to 11.7% of total bednights in South Africa and the fourth largest share amongst the nine provinces (Figure 8). Mpumalanga's share increased from 10.6% in 2015 to 11.7% in 2021. The number of bednights in Mpumalanga increased from 8.6 million in 2015 to 16.7 million in 2019. Between 2019 and 2021, the number of bednights in Mpumalanga decreased by about 13.5 million, in line with the decline in the national number due to the COVID-19 pandemic.

Figure 8: Bednights per province in 2021 & change in Mpumalanga's bednights number and share between 2015 and 2021
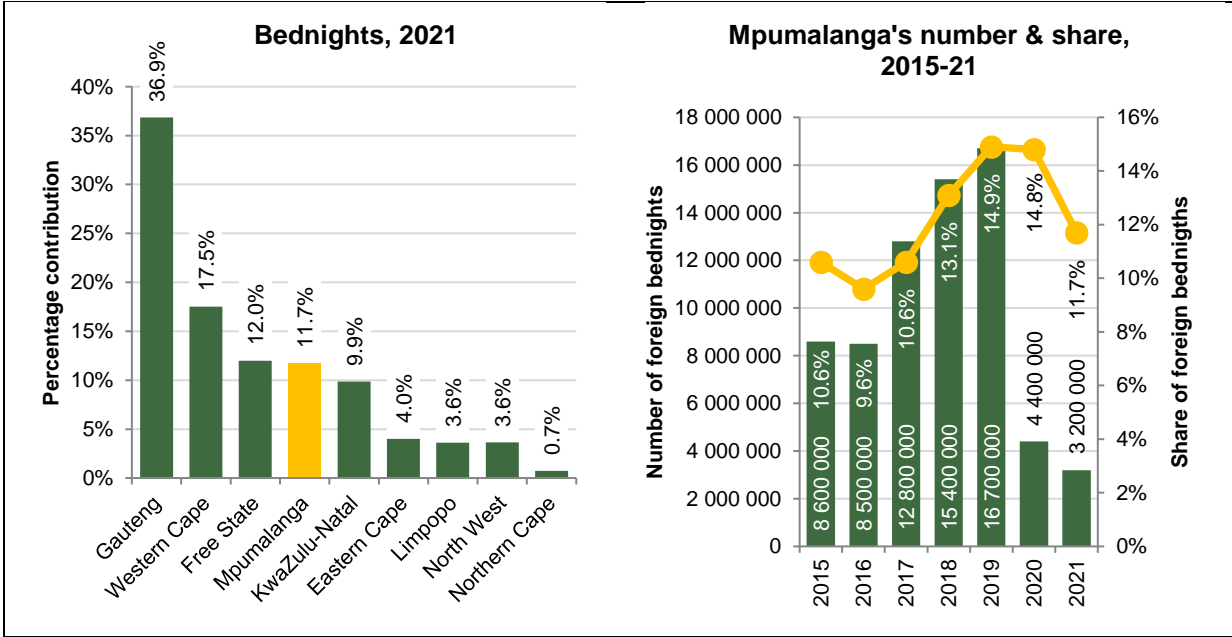
Source: South Africa Tourism – Tourism Performance Report 2021

Length of stay

In 2021, the average length of stay by foreign tourists was 12.5 days in South Africa, which was an increase from an average of 8.8 days in 2015. In 2021, Eastern Cape recorded the longest, average length of stay at 17.7 days and Northern Cape the shortest at 3 days. The average length of stay in Mpumalanga was 6.3 days, which was the eight longest/second shortest among the provinces. The average length of stay in Mpumalanga decreased from 7.9 days in 2015 to 6.3 days in 2021(Figure 9).

Figure 9: Length of stay per province in 2021 & change in Mpumalanga's length of stay between 2015 and 2021
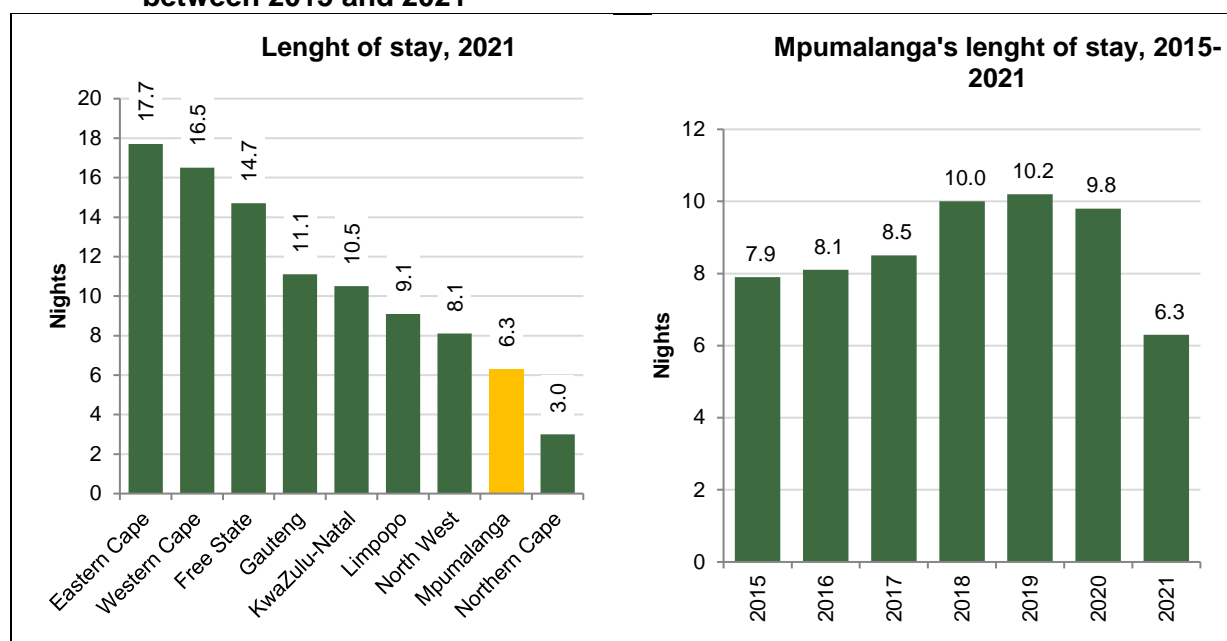
Source: South Africa Tourism – Tourism Performance Report 2021

3.2 Domestic tourism in Mpumalanga

According to Statistics South Africa's *Domestic Tourism Survey 2021*, approximately 6 million day trips and 6.5 million overnight trips were undertaken in South Africa during 2021. Nearly one fifth of day trips were undertaken to Gauteng (18.8%) followed by Limpopo (17.6%), and Eastern Cape (12.8%). Mpumalanga was the sixth most frequented destination province with a 9.1% share of day trips in 2021 (Table 1). In terms of overnight trips, Limpopo (20.3%) was the top overnight destination of domestic tourists in 2021, followed by Gauteng with a 15.1% share. In 2021, Mpumalanga (9.1%) was also the sixth most frequented destination province with respect to domestic overnight trips.

Mpumalanga's share of day trips increased slightly between 2015 and 2021, although the province's share of day trips declined sharply between 2018 and 2021 (Figure 10). Between 2015 and 2021, Mpumalanga's share as a destination of overnight trips decreased from 9.5% in 2015 to 9.1% in 2021. There was a decrease of 2.4 percentage points between 2019 and 2021.

Table 1: Domestic day and overnight trips by province of destination, 2021

Province	% of day trips	% of overnight trips
Western Cape	11.8%	12.2%
Eastern Cape	12.8%	12.7%
Northern Cape	5.0%	3.5%
Free State	5.4%	5.4%
KwaZulu-Natal	9.0%	14.9%
North West	10.6%	6.8%
Gauteng	18.8%	15.1%
Mpumalanga	**9.1%**	**9.1%**
Limpopo	17.6%	20.3%
Total	**100.0%**	**100.0%**

Source: Statistics South Africa – Domestic Tourism Survey 2021

Figure 10: Mpumalanga's share as destination of domestic day and overnight trips, 2015-2021
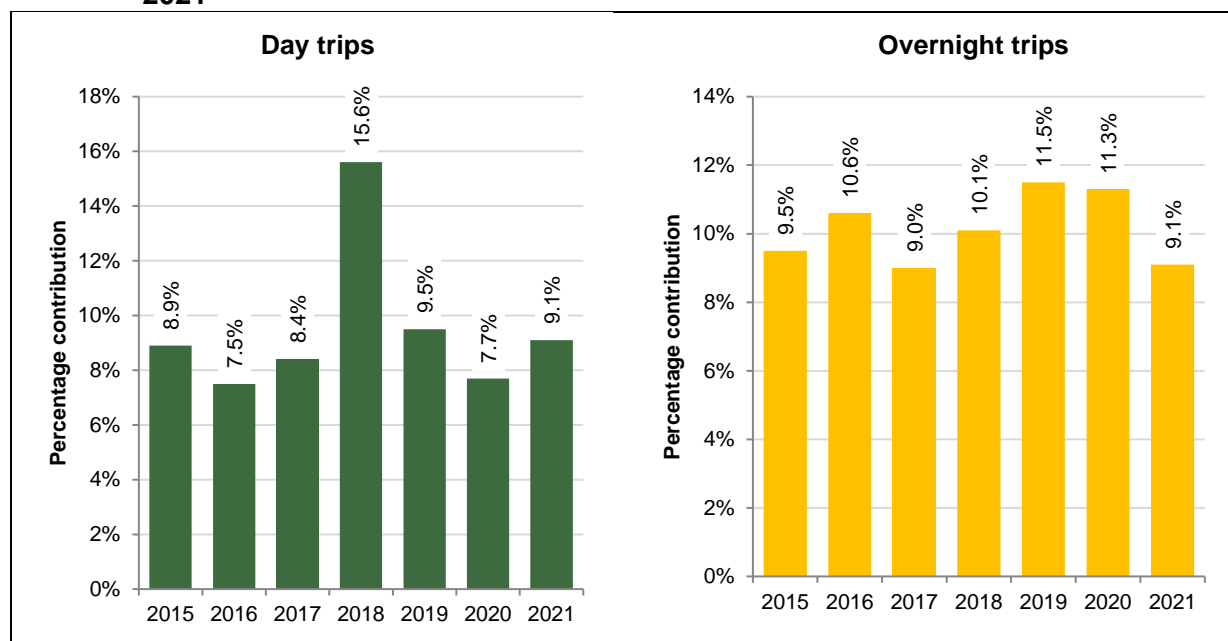
Source: Statistics South Africa – Domestic Tourism Survey 2021

In 2021, Limpopo recorded the longest, average length of stay at 6.8 days and North West the shortest at 2.4 days (Figure 11). The average length of stay in Mpumalanga was 3.2 days, which was the third longest among the provinces. The length of stay in Mpumalanga increased from 3.7 days in 2015 to 3.8 days in 2021. Between 2017 and 2018, there was a sharp drop in Mpumalanga's length of stay from 4.2 days to 2.1 days.

Figure 11: Length of stay per province in 2021 & change in Mpumalanga's length of stay between 2015 and 2021
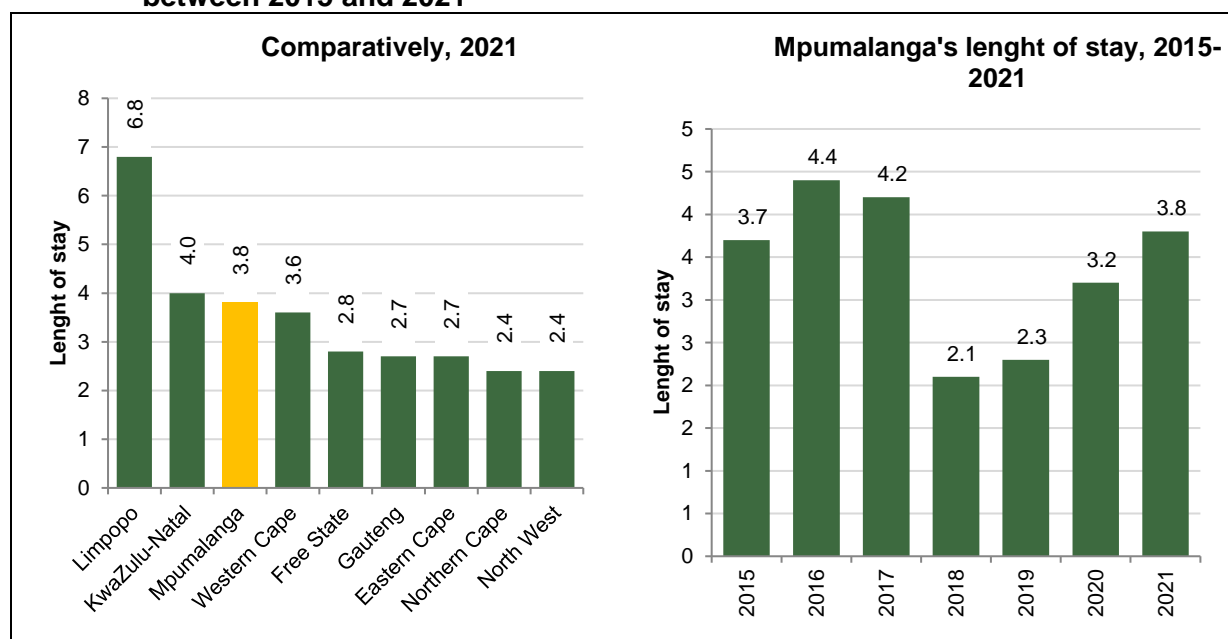
Source: South Africa Tourism – Tourism Performance Report 2021

Figure 12 displays the main purpose for which both day and overnight travellers undertook trips to Mpumalanga. In 2021, shopping (48.7%) was the main reason people travelled to

Mpumalanga on day trips followed by visits to friends and relatives (VFR). In terms of overnight visits, the main purpose in Mpumalanga was to visit friends and relatives (62.0%) followed by funerals (14.6%) and leisure (10.6%).

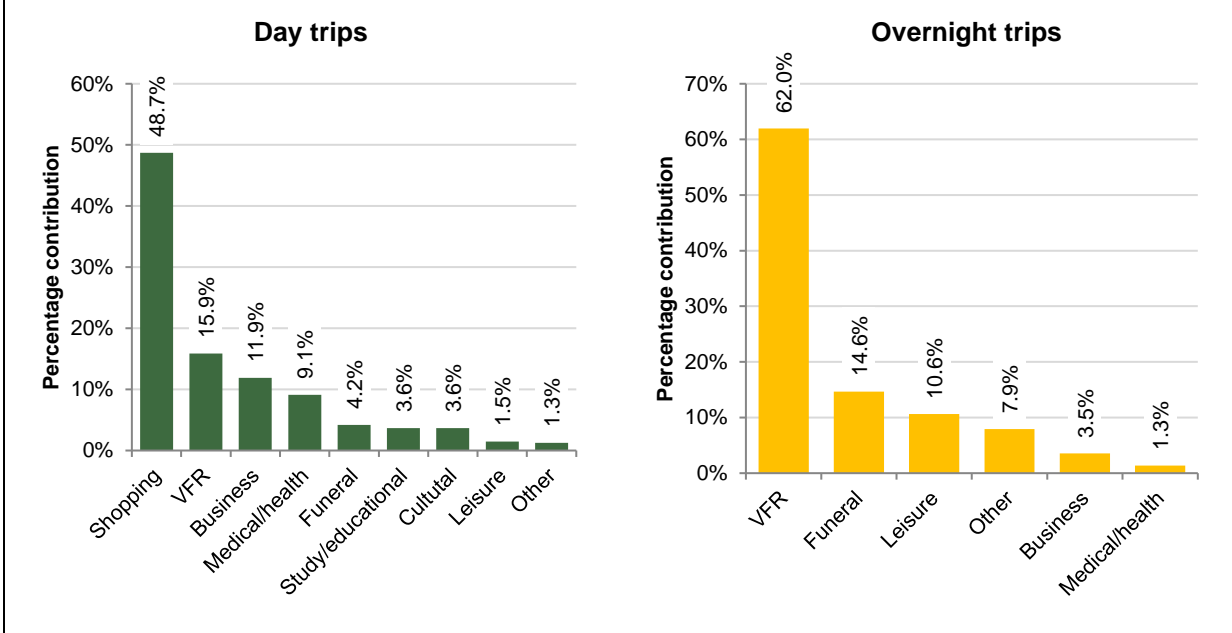**Figure 12: Main purpose of day and overnight trips to Mpumalanga, 2021**

Source: Statistics South Africa – Domestic Tourism Survey 2021

4. ECONOMIC CONTRIBUTION OF TOURISM

4.1 Measurement of tourism's economic impact

Although tourism is by its nature a demand-driven phenomenon, it is necessary, from a macro-economic point of view, to observe how the match between demand and supply operates, and how the latter affects the basic macro-economic variables of the country or region of reference. Within a context of macro-economic analysis, the relationship between supply and demand is best studied within the general framework of national accounts.

Internationally tourism is not measured as an industry in its own right in national accounts, because tourism is not a clearly defined industry in the International Standard Industrial Classification of all Economic Activities (ISIC). This is because industries are classified according to the goods and services they produce, while tourism is a consumption-based concept that depends on the status of the consumer.

A major reason for the difficulties in measuring the size of tourism is the fact that in the ISIC, industries are created on the basis of their activity or output, rather than on data on their customers, whereas tourism is defined by the characteristics of the tourists (customers). Furthermore, tourism consumption includes 'tourism-characteristic' (i.e. accommodation, travel services, cable cars, etc.) and 'non-tourism related' (i.e. retail trade) goods and services, which deliver their services largely to non-tourists. The key factor, to measure tourism, is to relate

purchases by tourists to the total supply of these goods and services within a country or region.

The United Nations (UN) developed an instrument to measure the size of economic sectors that are not defined as industries in national accounts. Tourism was the first economic activity to use worldwide Satellite Account standards to measure its impact on national economies – as approved by the UN Statistics Division in March 2000. The Tourism Satellite Account (TSA) allows for valid comparisons with other industries and eventually from country to country and between groups of countries. With the TSA, reliable data can be gathered to measure the importance and magnitude of tourism with concepts such as contribution to gross domestic product (GDP), employment creation and tax revenue.

4.2 Global contribution

The total contribution of the tourism industry includes the direct, indirect and induced contributions. The direct economic contribution by tourism primarily reflects the economic activity generated by hotels, travel agents, airlines and activities of the restaurant and leisure industries directly supported by tourists. The indirect contribution includes the GDP and jobs supported by:

- tourism investment spending – an important aspect of both current and future activity that includes investment activity such as the purchase of new aircraft and construction of new hotels;
- government spending on tourism marketing and promotion, aviation, resort security services, sanitation services etc.;
- domestic purchases of goods and services including, for example, purchases of food and cleaning services by hotels, of fuel and catering services by airlines as well as IT services by travel agents.

The induced contribution measures the GDP and jobs supported by the spending of those who are directly or indirectly employed by the tourism industry.

In 2021, the total (direct, indirect and induced) contribution of tourism to GDP was estimated at 6.1% of global GDP. It was estimated by the UNWTO that the direct contribution of tourism to GDP in 2021 was US$2.2 trillion or 2.2% of global GDP (Table 2). It was further estimated that global tourism generated 289 million jobs in total.

Table 2: Tourism contribution to global GDP (current prices), employment & exports, 2021

Indicator	Tourism industry	
	Value	**Share**
Total GDP contribution	US$5.8 billion	6.1% of global GDP
Direct GDP contribution	US$2.2 trillion	2.2% of global GDP
Total employment	289 million	9.1% of global employment
Visitor exports	US$732.7 billion	2.6% of global exports

Sources: UNWTO – World Tourism Barometer, 2022
        WTTC – Global Economic Impact & Trends, 2022

Money spent by foreign visitors to a country is a key component of the direct contribution of the

tourism industry. Money spent by foreign visitors is also referred to as visitor exports. In 2021, the world generated US$732.7 billion in visitor exports, which was equal to 2.6% of total global exports.

4.3 National contribution

WTTC calculations

The World Travel and Tourism Council (WTTC) is the global authority on the economic and social contribution of tourism. The WTTC produces annual research on tourism aligned to the United Nations (UN) methodological framework. The reports by the WTTC covers 185 countries in order to provide reliable and comparable information to assess tourism's current and likely future contribution to economic activity and employment.

The WTTC employs the same methodology as the above mentioned to estimate the GDP contribution by tourism in South Africa. Tourism's contribution in South Africa can therefore be compared with 184 countries to determine the comparative size and ranking of the tourism industry. In 2021, the total contribution of tourism to South Africa's GDP was estimated at 3.2%, which was lower than the global contribution of 6.1%. South Africa ranked 18th when the shares of GDP (relative contribution) are compared amongst the G20 countries.

The size of total tourism employment in South Africa was 1.08 million in 2021 or 7.3% of total jobs. The 7.3% contribution to total employment was lower than the world average contribution of 9.1%.

The 2021 visitor exports in South Africa was estimated at R28.1 billion or some 1.5% of total national exports. The 1.5% share of national exports was lower than the global average of 2.6%. Table 3 displays the South African tourism industry's contribution to GDP, employment and exports in 2021.

Statistics South Africa calculations

According to the latest official TSA[4] by Statistics South Africa (Stats SA), the direct tourism contribution of South Africa's tourism industry amounted to R209.2 billion (current prices) or 3.7% of total GDP in 2019 (Table 3). If the global change factors, as calculated by the UNWTO and WTTC, are applied to the 2019 TSA, the estimated direct contribution in 2021 was 2.0% of GDP. When comparing it with other industries, tourism's 2021 contribution in current terms was smaller than agriculture (2.2%), the smallest industry.

There were 773 533 persons (or 4.7% of total employment) directly engaged in producing goods and services purchased by tourists in 2019. If the global change factors, as calculated by the UNWTO and WTTC, are applied to the 2019 TSA, it is estimated that tourism directly employed

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[4] Tourism Satellite Account for South Africa, final 2017 and provisional 2018 and 2019.

4.3% of South Africa's employed in 2021. In 2021, the three smallest employing industries were utilities (0.6% of total employment), mining (2.5%) and agriculture (6.0%). Therefore, according to the adjusted TSA results, tourism contributed more to employment, directly, than the two smallest industries combined in 2021, but less than agriculture.

Table 3: Tourism contribution to South Africa GDP (current prices) employment & exports, 2019 & 2021

Indicator	Stats SA 2019 Share	2021 (adjusted with global change factors) Share
Direct contribution to GDP	3.7% of GDP	2.0% of GDP
Direct contribution to employment	4.7% of jobs	4.3% of jobs
Visitor exports	9.3% of exports	3.5% of exports

Sources: Stats SA - TSA for South Africa, final 2017 and provisional 2018 and 2019
UNWTO – World Tourism Barometer, 2022
WTTC – South Africa 2022 Annual Research: Key Highlights, 2022

Stats SA refers to visitor exports as inbound tourism expenditure. According to the TSA, the value of money spent by inbound tourist in 2019 was equal to R121.5 billion. This was equal to 9.3% of total national exports. According to the adjusted TSA results, tourism's share of exports declined to 3.5% in 2021.

*Industry contribution to tourism according to the TSA*

According to the methodology of the TSA, the tourism characteristic sub-industries listed in Table 4 were identified to have contributed to the GDP calculation of tourism. The largest contributions were from air transport services (22.4%), accommodation (14.1%), and restaurants (14.1%). When one groups the sub-industries under its respective industries, it is apparent that 36.6% of tourism's GDP contribution stems from the trade industry and 33.7% from the transport industry (Figure 10).

Table 4: Contribution of tourism characteristic sub-industries to TSA GDP, 2019

Sub-industry	Share
Air transport services	22.4%
Accommodation	14.1%
Restaurants	14.1%
Sports & recreation	10.9%
Road transport services	10.0%
Travel agencies	9.1%
Transport rental services	5.5%
Retail sales of food	4.9%
Cultural industry	2.6%
Retail sales of fuel	2.0%
Non-specific products	1.6%
Water transport services	1.0%
Retail sales of clothing	0.8%
Retail sales of furniture	0.5%
Railway transport services	0.3%
Retail sales of pharmaceuticals	0.1%

Source: Stats SA – TSA for South Africa, final 2017 and provisional 2018 and 2019

Figure 10: Contribution of industries[5] to TSA GDP, 2019
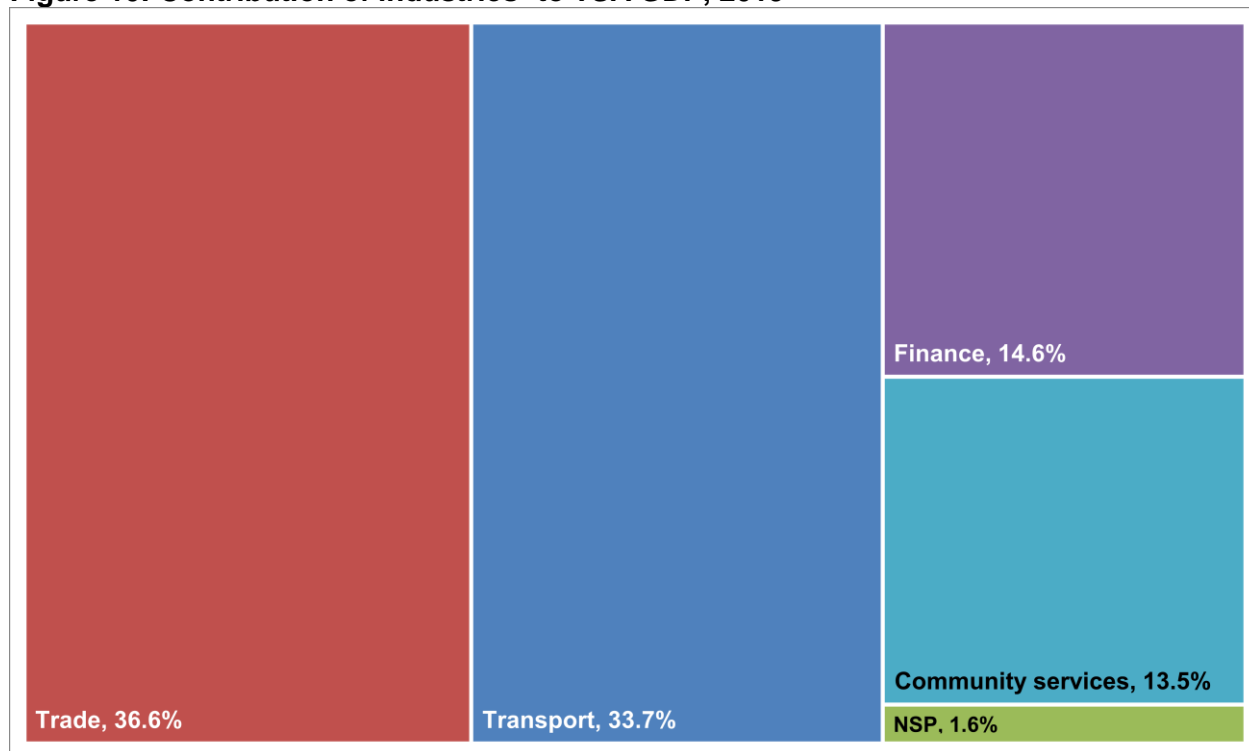
Source: Stats SA – TSA for South Africa, final 2017 and provisional 2018 and 2019

4.4 Provincial contribution

The current lack of sufficient baseline data of tourism supply on a provincial level makes an assessment of the supply side, and therefore a similar exercise such as the TSA by Stats SA for South Africa on a provincial basis, impossible. The WTTC also do not disaggregate their TSA simulations up to provincial level. To address the lack of an official TSA on a provincial level, the following simulations using the adjusted national TSA ratios for 2021 as well as provincial tourism data and ratios, were developed and are presented below.

4.4.1   Simulation 1

Headline national TSA ratios

In this simulation there is no discrimination between the national and provincial tourism industries. It is assumed that the tourism industry's economic impact in Mpumalanga mirror exactly that of South Africa. In such a scenario, the 2.0% direct contribution by the tourism industry to provincial GDP in 2021 would have been R8.1 billion in current terms. The contribution of construction (R8.8 billion) as the smallest industry would have been larger than tourism's contribution. Therefore, tourism would have made the smallest contribution to Mpumalanga's economy in 2021.

The direct jobs contribution of 4.3%, or 45 000 jobs (1 in 23 jobs), would have been larger than

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[5] NSP = non-specific products

utilities (27 458) and smaller than transport (59 421). Therefore, tourism would have also made the second smallest contribution to employment in Mpumalanga. The results are summarised in Table 5.

4.4.2 Simulation 2

Disaggregated national TSA ratios

In this scenario the disaggregated ratios are used and not the headline ratios. In the TSA, Stats SA disaggregates tourism into tourism connected sub-industries with values and shares of GDP contribution for each. The ratios for these sub-industries were applied to the Mpumalanga GDP data for 2021. The outcome of this exercise was that the tourism industry would have contributed 3.6% directly to provincial GDP in 2021. Tourism's contribution would have been larger than construction (2.2%) and agriculture (3.3%), but smaller than transport (5.4%).

When applied to Mpumalanga employment data for 2021, the result of this simulation is that the tourism industry would have accounted for 4.2% of all jobs in Mpumalanga. The 43 800 jobs (1 in 24 jobs) calculated in this manner would have only been enough to rank above utilities, which was the smallest employing industry. The results are summarised in Table 5.

4.4.3 Simulation 3

Provincial shares of tourism spend and bednights

The total tourist spend in Mpumalanga was R6.4 billion or 9.7% of the national tourist spend in 2021. It can therefore be argued that tourism spend in Mpumalanga contributed 9.7% to the national tourism GDP value as calculated in the adjusted TSA. Therefore, it is estimated that Mpumalanga's tourism industry would have contributed R10.7 billion to the national tourism industry in 2021.

In 2021, a R10.7 billion GDP contribution to the Mpumalanga economy would have been equal to 2.6% of Mpumalanga's GDP. Tourism's contribution would have been larger than that of construction, but smaller than agriculture.

In 2021, the combined 7.7 million bednights spent in Mpumalanga by foreign and domestic tourist was equal to 8.0% of total bednights in South Africa. The argument put forward is that bednights will be an indication of employment in a regions tourism industry. Therefore, Mpumalanga was responsible for 8.0% of tourism employment in South Africa, as calculated by the adjusted TSA.

The 49 800 jobs would have been 4.7% (1 in 21 jobs) of Mpumalanga's employment number in 2021. In this simulation, tourism's employment contribution would have been larger than utilities but smaller than transport and thus the second smallest/eighth largest employing industry in Mpumalanga. The results are summarised in Table 5.

4.4.4 Simulation 4

Provincial shares of tourist arrivals and bednights

In 2021, the combined number of domestic and foreign tourist arrivals in Mpumalanga was approximately 13.9% of total tourist arrivals in South Africa. If total tourist arrivals contributed 2.0% to GDP in South Africa, this simulation calculates that Mpumalanga was responsible for R15.4 billion of that. In 2021, a R15.4 billion GDP contribution in the Mpumalanga economy would have been equal to 3.8% of Mpumalanga's GDP. The size of this simulation's contribution is the largest of the four simulations. In 2021, the tourism industry in this simulation would have been the third smallest/seventh largest industry in Mpumalanga.

Tourism employment in this simulation is similar to the previous simulation of 4.7% of total Mpumalanga employment. The results are summarised in Table 5.

4.4.5 Summary of simulations

From the four simulations it is evident that tourism in Mpumalanga is not a very large economic or employment contributor. In terms of GDP, tourism's direct contribution in 2021 ranges from 2.0% to 3.8% depending on the underlying assumption. Tourism's employment contribution ranges from 4.2% to 4.7% (Table 5). From these results the conclusion can be formed that the tourism industry exhibits a higher employment share relative to its GDP share, thereby indicating a high level of labour absorptive capacity in the industry.

Tourism data confirms that Mpumalanga recorded 19.9% of foreign arrivals and 11.6% of domestic overnight trips in 2021, however, much less is spend by tourists in Mpumalanga (only 8..0% of domestic spend and 13.4% of TFDS), in Mpumalanga. One can conclude that although tourist arrivals are relatively high, there is not a correspondingly high spend by foreign and domestic tourists in Mpumalanga, therefore tourism spending rather than tourism arrivals will impact the economy more. As a result, the more realistic GDP simulation is Simulation 3, where tourism made an estimated 2.6% contribution to GDP in 2021 based on total tourism spend in Mpumalanga.

Table 5: Simulated GDP and employment contribution and ranking of tourism in Mpumalanga, 2021

Indicator	Simulation			
	1	2	3	4
Direct GDP contribution	2.0%	3.6%	2.6%	3.8%
Direct GDP ranking	smallest	3rd smallest	2nd smallest	3rd smallest
Direct employment contribution	4.3%	4.2%	4.7%	4.7%
Direct employment ranking	2nd smallest	2nd smallest	2nd smallest	2nd smallest

Source: Simulated calculations

When tourists spend the night in formal establishments, they do not only incentivise the sustained employment of workers in the hospitality industry, but the extra time they spend in a region increases the need for employees rendering related services and producing related goods.

Therefore, the more logical employment simulation is that of Simulation 3 and 4, where tourism makes a 4.7% contribution based on total bednights in Mpumalanga.

5. CONCLUSION AND RECOMMENDATIONS

In 2021, Mpumalanga registered the second highest number of foreign arrivals as well as being the destination province of the fourth highest number of domestic tourism trips. Although Mpumalanga has a high number of international tourist arrivals as well as attracting a high number of domestic tourists, much less is spend by both sets of tourists in Mpumalanga compared with other provinces. Tourist also spends a disproportionate amount of time in Mpumalanga to what the high arrival numbers would suggest. It is therefore suggested that MTPA research how more high spending tourists can be attracted to the province for longer periods.

There is no official data on the economic contribution of tourism in Mpumalanga although it is possible to simulate scenarios that can give an indication of the GDP and employment contribution. From the four simulations conducted it is evident that the contribution that tourism made to the Mpumalanga economy in 2021 could be as small as 2.0% and as large as 3.8%. Furthermore, the provincial tourism industry's contribution to employment in 2021 could be as small as 4.2% or as large as 4.7%.

It is evident that, although tourism does hold the potential to be an engine of growth, it has not yet developed fully. It has the potential to be a provincial economic and employment driver. It is true that the province does benefit from tourism both through value added and employment creation, but especially in a well-endowed province such as Mpumalanga much more should be expected. Data limitations may contribute to the underestimation of tourism in the province, although it is more than likely that the relatively poor performance of South Africa compared to the global tourism industry, disadvantages the province. Competitive advantage in the tourism is no longer only natural splendour, but increasingly man-made - driven by technology, information and innovation. Mpumalanga tourism must complement its natural resources with man-made innovations as successfully as other countries.

COVID-19 resulted in numerous negative socio-cultural, economic and psychological impacts on various tourism stakeholders. The whole of South Africa experienced an adverse impact on inbound and outbound tourism with cancellations and travel bans wreaking havoc. The tourism sector was one of the first sectors that closed shop as soon as the national lockdown was announced and will arguably be the last sector to fully reopen and recover.

It is of great importance that the sector be provided with adequate support during. The support, along the tourisms value chain, must be tangible throughout the gradual re-opening, the kick-start phase and the revitalizing phase post-COVID-19. Mpumalanga has embarked on the

process of developing a provincialised tourism recovery plan in line with the objectives and pillars of the national tourism recovery plan. The provincial recovery plan must remain actionable towards recovery of the sector and must include all role-players, containing neighbouring countries, and involve key stakeholders in the sector.

It is with this in mind that the following key factors are recommended. Studies have shown that small, medium and micro enterprises (SMMES) were the hardest hit by the pandemic and should therefore get support that is tailor-made to suit their specific needs. Financial support to SMMEs could be in the form of exemptions from tourism related taxes, exemption from municipal rates, less onerous access to loans and financial assistance through partnerships with financial institutions. The reduction and elimination of red tape can make this financial support feasible.

The outbreak has brought a new normal to the tourism sector and across all industries. It has presented a new way of doing business with information technology and digital knowledge that has quickly become crucial for the survival of many businesses. Skills that were relevant before the pandemic may have now become redundant and if saving jobs is the focus then support to the sector to reskill workers becomes crucial. In line with that, the provision of relevant information and marketing campaigns to promote domestic tourism is important.

The implementation of the recovery plan should be fast tracked by the Provincial Government and championed by DEDT and its tourism implementing agency (MTPA). The actionable implementation plan must restore confidence in the sector, focus on improving tourism safety and security as well as promoting partnerships between government and key stakeholders. The recovery plan must include constant assessment into the changing needs of the sector during the different phases as well as continuous monitoring and evaluation of the impact of the recovery plan. Tourism is also one of the priorities of the Mpumalanga Economic Reconstruction and Recovery Plan (MERRP).

ANNEXURE A: TOURISM RECOVERY PLAN

South Africa

In response to the aftermath of the COVID-19 lockdown regulations and the impact thereof, the National Department of Tourism and South Africa Tourism came up with the roadmap for the recovery of the tourism sector in the country in August 2020. This national plan serves as the basis of provincial tourism sector recovery plans. In addition to speaking to the current challenge, the plan also caters for challenges that the sector was exposed to prior to COVID-19.

Accordingly, there are three central themes than form the basis of the tourism sector recovery plan namely, *Protecting and Rejuvenating Supply*, *Re-Igniting Demand* as well as *Strengthening Enabling Capability*. Underneath the three themes, the following ten strategic recommendations are proposed along with specific actions, timeframes and accountabilities:

- Conclude a comprehensive industry/government recovery partnership to collaborate on all aspects of tourism recovery guided by the recovery plan.

- Business to take apply for the assistance packages developed by Government, such as the R200 million credit guarantee facility to protect tourism assets and core infrastructure. Government also to prioritise associated infrastructure investment.

- Develop and introduce national norms and standards for safe tourism operations, inspired by globally recognised biosecurity protocols across the value chain to enable safe travel and rebuild traveller confidence.

- Enhance air access and implement an air service development programme to reconnect South Africa to the world.

- Partner with accountable departments to ensure improved travel facilitation through implementation of e-visas, tourist safety in partnership with SAPS and ensure effectiveness in the licensing of tour operators with the Department of Transport.

- Catalyse domestic demand through the phases of economic re-opening with informative and inspirational messaging that encourages safe tourism and domestic vacation experiences.

- Execute a global marketing and travel trade programme, targeted at highest-potential source markets (in terms of volume and value) and intrepid travel consumer segments, to reignite international demand.

- Launch an investment and market-entry facilitation programme to stimulate capital investment, sector transformation and product diversification.

- Prioritise cooperation with neighbouring destinations towards a regional value proposition and a seamless visitor experience through contributing the implementation of the SADC tourism strategy.

- Review and transform the tourism policy and institutional architecture to deliver efficient, effective and purpose-led support for sector growth and development.

The plan also lays out how the implementation should occur in three phases. The phases are as follows:

- Phase 1 Protective Interventions: This phase is expected to have a lifecycle of three months and the emphasis is on the interventions that seek to protect the domestic supply side of the sector.

- Phase 2 Managed reopening: This is the second phase of the recovery plan and will last between three and nine months. In this the emphasis is on managing the reopening as the tourism activities improves and scales up.

- Phase 3 Growth interventions: The last phase will take a little longer than the first two phases; it will take between nine and twenty four months. It will target on factors that can drive long-term growth in tourism supply and demand.

According to the plan, it is anticipated that these interventions will preserve significant value in the tourism sector and save thousands of associated much needed jobs. The plan provides the basis for stimulating tourism supply and structurally increasing both domestic and inbound tourism demand. Taken together, it is estimated that these measures can preserve some R189 billion of value between 2020 and 2022, helping the sector to recover to 2019 output levels. It is further estimated that the proposed measures can reduce the impact of the crisis on employment by 125 000 jobs.

Mpumalanga

Mpumalanga just like other provinces in the country has embarked on designing a roadmap that will ease recovery of the sector and save jobs. The plan was developed in line with the national tourism recovery plan. In the process of developing the plan, the Department of Economic Development and Tourism (DEDT) engaged with relevant key stakeholders in the sector. The plan has since been approved by the Provincial Executive Council.

The provincial intervention should be dynamic and adaptable to respond to the ever-changing patterns of the risk adjustment strategy. It is also important to note that the tourism supply chain involves many components, not just accommodation, transport and excursions, but also bars and restaurants, handicrafts, food production, waste disposal, and the infrastructure that supports tourism in destinations. A further aspect of the tourism supply chain is the activities of customers while on holiday, particularly in relation to their behaviour, and what they source for themselves in particular situations.

The Mpumalanga Tourism Recovery Plan is anchored on three strategic themes, protect and rejuvenate supply, re-ignite demand and strengthen enabling capacity. In the proposed plan eight strategic objectives are identified, which are a combination of supply and demand side interventions as well as changes to the enabling environment in line with the National Framework:

- Industry/Government Recovery Partnership: Conclude a comprehensive industry/government recovery partnership to collaborate on all aspects of tourism recovery.
- Tourism Supply Support Package: Deploy an enhanced Tourism Supply Support Package to protect tourism assets and core infrastructure and to support re-opening.
- Implementation of Biosecurity Protocols: Implement globally recognised biosecurity protocols across the value chain to enable safe travel and rebuild traveller confidence.
- Removal of Barriers to travel: Partner with accountable provincial departments to remove barriers to travel and enable freer entry, such as reduced tourist crime and provide stronger personal safety and security guarantees as well as upgrading of the key tourism road roads.
- Catalyse Domestic Demand: Catalyse domestic demand through the phases of re-opening with informative and inspirational messaging that encourages safe tourism and domestic vacation experiences.
- Targeted International Marketing Programme: Execute an international marketing and travel trade programme, targeted at highest-potential source markets and intrepid travel consumer segments, to reignite international demand.
- Regional Value Proposition: Prioritise cooperation with neighbouring destinations towards a regional value proposition and a seamless visitor experience, e.g. E3Route and Triland initiatives.
- Transform the Institutional Architecture: Review and transform the tourism institutional architecture to deliver efficient, effective and purpose-led support for sector growth and development.

To implement the tourism recovery plan in Mpumalanga, the provincial government took the following steps:

- Interacted with third parties to relax the payment of insurance on properties and vehicles as well as granting a 90-day loan repayment holiday.
- The Mpumalanga Economic Growth Agency (MEGA) has approved a payment holiday of between 3 and 6 months to business (including tourism SMMEs) financed by it.
- The Mpumalanga Tourism and Parks Agency (MTPA) has also assisted tourism businesses to apply for the Tourism Relief Fund Scheme managed by the National Department of Tourism. From this facilitation, a total of R11.9 million was allocated to 238 tourism business in Mpumalanga.
- A Provincial Tourism Relief Fund of R10 million was established in November 2020 to assist the provincial tourism industry, especially those who were not supported by the national relief scheme.
- The MTPA further arranged a Webinar for SMMEs on 'How to Stay in Business During the COVID-19 Pandemic'.
- The MTPA also provides business advice and market access for all tourism SMMEs.

- A stakeholder partnership platform, known as the Mpumalanga Tourism Sector Forum, was created to deal with issues affecting the tourism industry in general.
- Department of Economic Development and Tourism (DEDT) co-ordinated and supported Local Tourism Organisations (LTOs) and Regional Tourism Organisations (RTOs) in Mpumalanga.
- DEDT has recently reviewed the Mpumalanga Tourism Development Strategy, which takes into account the development of the sector and is in fact, looking beyond COVID-19.
- DEDT is also currently finalising the development of the Rural and Township Tourism Plan, which seeks to address the geographic spread and transformation of the sector.