THE SIGNIFICANCE OF A VIBRANT HOSPITALITY INDUSTRY TOWARDS ECONOMIC TRANSFORMATION

Institute of Chartered Accountants of Zimbabwe Winter School

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Presentation Outline

- Overview of the global hospitality industry
- The African context hospitality industry
- Zimbabwe’s hospitality industry and its role towards economic transformation
- Concluding remarks
Opening Remarks...

- In many countries, tourism has suffered from a lack of political and popular support because its true economic significance has often been underestimated.

- Now there is increasing awareness of tourism’s role as a productive activity and its potential to:
  - generate direct & indirect employment
  - contribute to government fiscus
  - generate other direct benefits & induced effects in the economy

- UNWTO has adopted Tourism Satellite Accounting (TSA) that “provides an overall view of tourism's impact on the economy on an equal footing with all other sectors”
The tourism industry continues to be amongst the most dynamic economic sectors generating a wide contribution to GDP, foreign exchange earnings and sustainable job creation...

- British Prime Minister promised to establish a new tourism strategy by the end of 2010. In a speech on 13 August 2010, Mr. Cameron said the income generated from the £115 billion-a-year tourism sector was “fundamental” to rebuilding the UK’s economy. The UK is now joining Brazil and China in recognising the economic and political significance of the industry.

- Mr. Cameron is keen to attract Chinese visitors to the UK and wants to see the UK in the top five destinations in the world.

- “We are delighted that …the UK government has recognised the importance of Travel & Tourism, an industry that currently generates 3.145m jobs or 1 in every 10 jobs …and can be one of the best and fastest ways of returning back growth, prosperity and increasing jobs… We hope that more countries around the world will give the industry the value of recognition it deserves” (Jean-Claude Baumgarten, President & CEO of WTTC).
The sector employed over 235 million people and accounted for 9.4% of the world GDP in 2009 (World Travel & Tourism Council, 2010).
Global tourism – international arrivals...

Arrivals grow from 800 to 900 million in two years

- 2007: 090 million international tourist arrivals
- + 6% or 52 million more as compared to 2006

International tourist arrivals declined by 4.2% in 2009 to 880 million

However, international tourist arrivals from Jan to April 2010 totalled over 258 million compared with 242 million during the same period last year.
World Inbound Tourism: International Tourist Arrivals, 2009

- Asia & the Pacific: 21%
- Americas: 16%
- Africa: 6%
- Middle East: 5%
- Europe: 52%
International tourism receipts reached US$852 billion (€611 billion) in 2009, representing a real decline of 5.7% on 2008.
Overview of the African hospitality industry ...

- Africa continues to receive a meagre 5% of global tourist arrivals and 3% of international tourism receipts

- Prospects remain bright due to political stability and bullish economic outlook

- Real GDP growth for the Travel and Tourism economy for Sub-Saharan Africa is expected to average 4.6% p.a. over the next 10 years

- The Sub-Saharan Africa travel and tourism economy is ranked number 6 in terms of long term growth (10 years) prospect.
Tourism contribution to GDP in selected regional economies …

**Figure 2: Tourism Contribution to GDP**

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>6.9%</td>
<td>6.40%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>6.0%</td>
<td>6%</td>
</tr>
<tr>
<td>South Africa</td>
<td>8.7%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Zambia</td>
<td>4.6%</td>
<td>4.70%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>10.8%</td>
<td>11.50%</td>
</tr>
</tbody>
</table>
According to The World Travel & Tourism Council (2010), the top 10 fastest growing economies as measured by the **real Travel & Tourism Economy GDP growth** in 2010 & 2020 are ….

- Qatar: 12.9%
- Lebanon: 10.2%
- Zimbabwe: 9.1%
- Azerbaijan: 9.1%
- Nigeria: 7.8%
- Saudi Arabia: 7.5%
- Libya: 6.9%
- Botswana: 6.7%
- India: 6.7%
- China: 6.5%

Zimbabwe is ranked 3rd in 2010 and 2nd in 2020.
One of Zimbabwe’s fastest growing and promising sectors

Contribution to GDP stood at:

- 6% in 1990
- 7% in 1999, and
- About 6.5% in 2008 and 2009

Accounts for:

- 2.2% - 3% of formal employment
- 10% of foreign exchange earnings
Zimbabwe is projected to receive over 5 million visitors by 2015 from about 1.5 million in 2005 (ZTA, 2008)
Zimbabwe tourism industry has been grappling with the following ...

- Country’s poor image internationally that has raised security and safety concerns, and decline of tourists’ arrivals from the traditional markets, namely the UK, Germany, the Nordic States, Australia and New Zealand.

- Poor competitiveness relative to regional destinations despite being endowed with natural attractions, e.g. Victoria Falls, the ruins etc.

- Victoria Falls had become the tourists’ hub on the back of a deliberate strategy to rebrand Victoria Falls as a standalone destination not tarnished by political events in Zimbabwe since 2000.

- Decline in the human capital base due to a combination of skills migration and deteriorating training infrastructure.
Significance of a vibrant hospitality industry – “stylized facts”...yester -year product offering
Significance of a vibrant hospitality industry – “stylized facts”...today’s and future product offering
Achieving a vibrant hospitality industry

- **Radically revamping** the current product offering through:
  - Investing in new product, upgrades and refurbishments, at an estimated budget of US$80 – 250 million over the next 5 years (*Own Estimates*)

- **Investment in supporting infrastructure:**
  - Roads & airport facilities
  - Tourism facilities, including resorts, hotels, restaurants, shops, golf courses etc.

- **Investment in ICT infrastructure** in view of the strategic importance of internet and ICT in the global economy.
1. Significance of a vibrant hospitality industry towards economic transformation...

- A vibrant hospitality industry has huge potential in creating employment along the industry’s value chain of economic activities.

- Direct employment at the industry’s peak (up-to 1999) stood at about 55,000 jobs, compared with 29,300 jobs in 2005.

- Taking the industry to its 1990’s levels will immediately create more than 25,700 additional jobs.

- This will undoubtedly help alleviate poverty levels in Zimbabwe, currently pegged at more than 85% of the population.
2. Significance of a vibrant hospitality industry towards economic transformation...

- Creation of employment along the industry’s value chain of economic activities (“trickle-down effects”):
  - Agriculture Sector
  - Manufacturing Industry
  - Arts and Crafts
  - Banking
  - Transport and communication infrastructure providers – tour operators, airlines, telecommunications, Internet Service Providers (ISPs), etc.

- The construction as well as Property Investment Industries will also benefit from a vibrant tourism industry
3. Significance of a vibrant hospitality industry towards economic transformation...

- Revenue generation for various sectors of the economy including the Government (*through direct and indirect taxes*)

- Circumventing the leakage effects of tourism...

  “... leakage effects of tourism for each US$100 spent by a tourist from a developed country, only ±US$5 actually stays in a developing country’s destination’s economy…”

- Import leakage – when tourists demand standards of equipment, food and other products that the host country cannot supply. Therefore this will be imported leading to cash outflows...
3. Significance of a vibrant hospitality industry towards economic transformation...

- Thus with a vibrant industry, industry will be incentivised to produce high quality products that will effectively compete with imports thereby reducing the demand for imports.

- A vibrant sector will help industry players retain part of their earnings for re-investment in projects, a strategic initiative that can effectively minimise the demand for debt.

- Promoting innovation through research and development as local players become global in their operations.
Conclusion…

- Tourism has huge potential in encouraging job creation, revenue generation and poverty alleviation (particularly on the back of responsible tourism practices).

- Tourism is the world’s #1 export earner, ahead of automotive products, chemicals, petroleum and food (UNWTO, 2009).

- The future of Zimbabwe’s hospitality industry is very favourable as demonstrated by the UNWTO (2010) statistics.

- However, country image, improved perceptions of the country’s risk profile and investment in tourism and supporting infrastructure are key to the “birth” of a vibrant hospitality industry.
Thank You!