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**Box: Impact of the 2010 FIFA World Cup™ tournament on the travel component of South Africa's balance of payments in the second quarter of 2010**

The month-long 2010 FIFA World Cup™ tournament, hosted between 11 June and 11 July 2010, had a positive bearing on various economic variables in South Africa. In the case of some variables, the impact of the tournament became evident long before the event. In preparation for the event, construction activity and capital investment in transport equipment, for example, remained firm throughout 2009. In addition to the positive spin-off from these developments, the country probably benefited most from foreign tourism spending during the time of the tournament.

This box elaborates on the estimates of foreign tourism spending as recorded in the country's balance-of-payments statement for the second quarter of 2010. According to the guidelines of the 5th edition of the *Balance of Payments Manual of the International Monetary Fund (BPM5)*, the "travel" item comprises primarily the acquisition of goods and services by travellers from one economy in another economy during visits of less than one year. Personal expenditure on goods and services by seasonal, border and other non-resident workers in economies other than their home economies are also part of this item. Spending by foreign tourists per se is a subset of the "travel" item.

In the balance of payments, inbound-related tourism activities are recorded as part of exports of goods and services. Exports of goods and services include receipts for services rendered to non-resident travellers; inbound-related tourism activities account for almost 90 per cent of total travel receipts. Expenditure by foreign tourists during the recent 2010 FIFA World Cup™ tournament would have affected South Africa's exports of services in three main categories:

- *Travel*, including items such as food and beverages; accommodation; domestic transport; and gifts and leisure;
- *Transportation*, notably passenger transportation where air fares are paid by non-residents to domestic carriers;
- *Other services*, notably in the category for cultural and recreational services, where ticket sales to non-residents are recorded.

Owing to its consumption-based nature, the measurement of foreign tourism activities is internationally acknowledged as one of the most challenging areas in the macroeconomic statistical framework. Adding to the complexity of the measurement is the fact that tourism-related activities are spread among various industries on the supply side of the economy, affecting, *inter alia*, the retail, transportation and accommodation sectors. Traditional source data and indicators utilised in the measurement and compilation of tourism statistics should, however, be treated cautiously as they may, in many instances, reflect similarities in the retail spending patterns by

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domestic consumers and foreign tourists. An example of such expenditure would be expenditure on groceries and clothes.

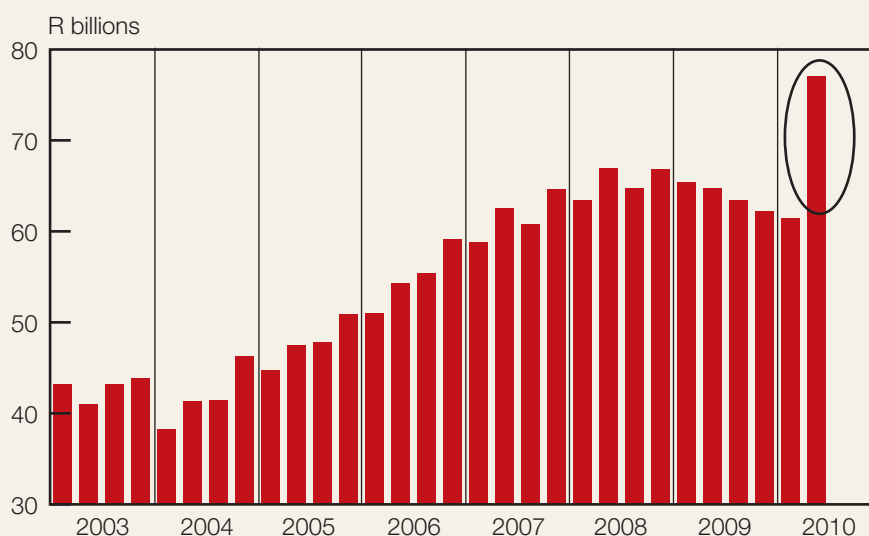
Preliminary estimates suggest that travel receipts benefited substantially from spending by non-residents during the second quarter of 2010. As a result, the historical seasonal pattern of relatively low tourist spending in the second quarter, largely attributable to the winter season in the southern hemisphere, switched around.

The elevated level of spending by foreign football tourists in the second quarter of 2010 is based on a preliminary estimate of around 200 000 additional foreign tourist arrivals. Early indications suggest that approximately two-thirds of the spending occurred during the second quarter of 2010 as the majority of the 64 games took place during June. The increased spending levels were supported by a large proportion of the potentially high per capita income earners from Europe and the United States as almost half of the 32 participating soccer teams came from these two regions.

Total spending by foreign tourists in the second quarter of 2010 is estimated to have amounted to about R15 billion, of which roughly R3,5 billion could be associated with the sport event. Seasonally adjusted and annualised, the additional spending raised travel receipts by almost 26 per cent from the first quarter of 2010 to the second quarter, and by about 19 per cent when compared with the corresponding period a year earlier. The noticeable increase from the first to the second quarter of 2010 represents the first increase in travel receipts since the fourth quarter of 2008. International tourism was severely affected by the unfavourable global economic environment in 2009.

Expenditure by foreign tourists during the soccer event mainly took the form of spending on services such as accommodation, transportation, and food and beverages. Spending on these services is estimated to have collectively accounted for almost 90 per cent of tourism spending, while the remaining 10 per cent was spent on miscellaneous items including gifts, memorabilia and leisure. Although a certain portion of the spending by tourists may have been prepaid, for instance on accommodation, such spending should be recognised against the delivery of the service for eligible inclusion as an international service receipt according to the “accrual” principle applied in the compilation and recording of balance-of-payments statistics.

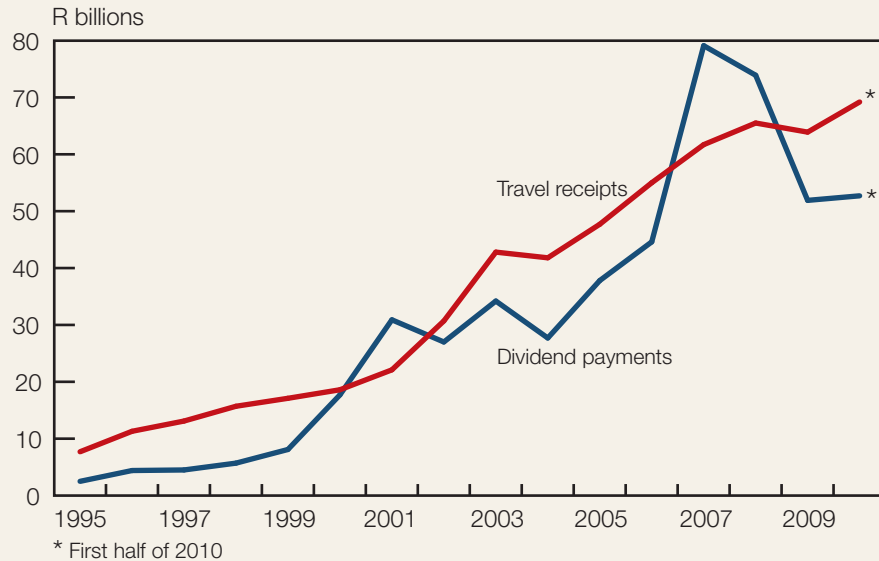
## Travel receipts



Travel receipts accordingly surged to 51 per cent of total receipts for services, income and current transfers in the second quarter of 2010, compared with an annual average of about 42 per cent during the preceding ten years. A further analysis of the composition of the largest inflows and outflows in the overall services account revealed that travel receipts and dividend outflows were the largest items on the opposing sides of the account. During the periods 1995–2000 and 2002–2006,

travel receipts fully countered dividend payments. Rising commodity prices, coupled with firm domestic economic growth, caused dividend payments to be much higher than travel receipts in 2007 and 2008. In 2009 the overall deficit on the services, income and current transfer account narrowed as the after-effects of the financial crisis weighed down dividend payments to non-resident investors. This improvement in the account was further complemented by higher travel receipts in the second quarter of 2010. Relative to gross domestic product, the travel receipts increased from 2,4 per cent in the first quarter of 2010 to 2,9 per cent in the second quarter. This magnitude is larger than the typical share of the gross value added of the agriculture, forestry and fishing industry in overall gross domestic product, amounting to around 2,7 per cent.

### Travel receipts and dividend payments



The successful hosting of the 2010 FIFA World Cup™ tournament has made South Africa proud and should help to unleash the potential of the tourism industry, thereby helping to reduce the deficit on the current account.

Although the impact of the tournament on other areas of the balance on the current account seemed to be less prominent, it is probably of value to highlight briefly the extent of receipts in the transportation category. According to the *BPM5*, transportation services include passenger, freight and other transportation services rendered by residents of one economy to residents of another economy. As a result, the use of domestic airlines by foreign tourists to the first point of entry into the country would be captured under the transportation category. At this stage it is estimated that foreign tourists have spent about R2,3 billion on transportation services, representing an increase of 14 per cent compared with the second quarter of 2009.