

Box 4 The importance of travel receipts and payments in the current account of South Africa's balance of payments^{1,2}

In the compilation of the current account of the balance of payments statistics, travel³ receipts and payments are classified as services, as shown in the accompanying table. Unlike most other services, travel is not a specific type of service but rather a transactor-based item that covers an assortment of goods (acquired for own use) and services. Travel receipts reflect purchases by non-residents temporarily in South Africa, whereas travel payments reflect such purchases by residents temporarily abroad. As the name suggests, travel services are part of the services, income and current transfer account. Together with the trade account, which comprises the exports and imports of goods, it renders the balance on the current account of the balance of payments.

South Africa has recorded a persistent deficit on the services, income and current transfer account of about 3.5% of gross domestic product (GDP), on average, over the past 30 years, with the deficits on services, income and current transfers contributing 0.4, 2.5 and 0.6 percentage points respectively. The total services deficit is smaller than the other two deficits because of South Africa's travel surplus, resulting from travel receipts being about 2.5 times more than travel payments, on average, since 2010.

Travel receipts contributed significantly to total services receipts, at almost 56% on average during the past decade, whereas travel payments account for only about one-fifth of total services payments. Travel receipts have thus had a significant impact on the evolution of the services, income and current transfer account.

1 The methodology used to compile balance of payments statistics adheres to the guidelines of the *Balance of Payments and International Investment Position Manual – Sixth Edition (BPM6)* of the International Monetary Fund (IMF), available at <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

2 This box relates to the statistics published in the tables on pages S–82 to S–84 and S–86 to S–89 of this *Quarterly Bulletin*.

3 The purpose of travel could be business or personal related, or a combination of both. Business travel is associated with spending on goods and services acquired for personal use when the primary purpose is for business, while private travel includes goods and services acquired in relation to vacations, participation in recreational and cultural activities, visits with friends and relatives, pilgrimage, as well as education- and health-related activities.



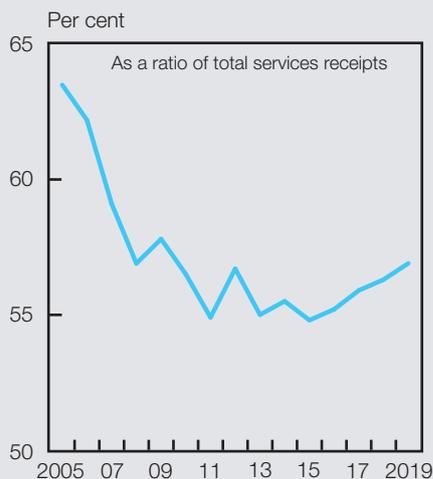


South Africa's current account of the balance of payments

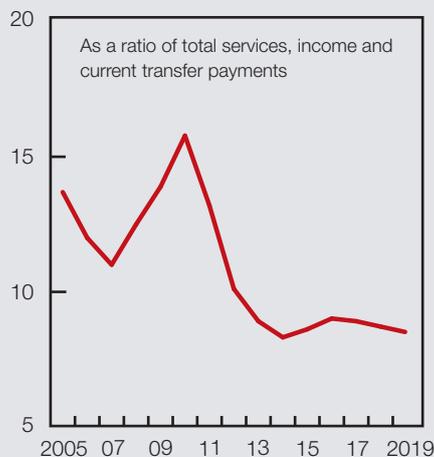
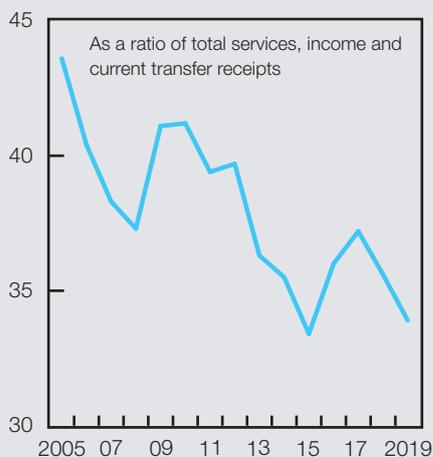
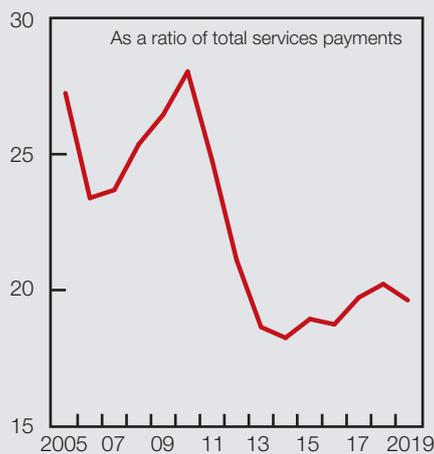
Calculation	High-level items	2019 R millions
	Exports of goods	1 303 145
<i>Less</i>	Imports of goods	1 263 824
<i>Equals</i>	Trade balance (A)	39 321
	Service receipts	212 721
	<i>Of which: Travel receipts</i>	121 132
<i>Plus</i>	Income receipts	116 781
<i>Plus</i>	Current transfer receipts	26 759
<i>Less</i>	Service payments	226 494
	<i>Of which: Travel payments</i>	45 407
<i>Less</i>	Income payments	259 944
<i>Less</i>	Current transfer payments	62 320
<i>Equals</i>	Service, income and current transfer balance (B)	-192 497
	Balance on current account (A+B)	-153 176

Sources: Stats SA and SARB

Travel receipts



Travel payments

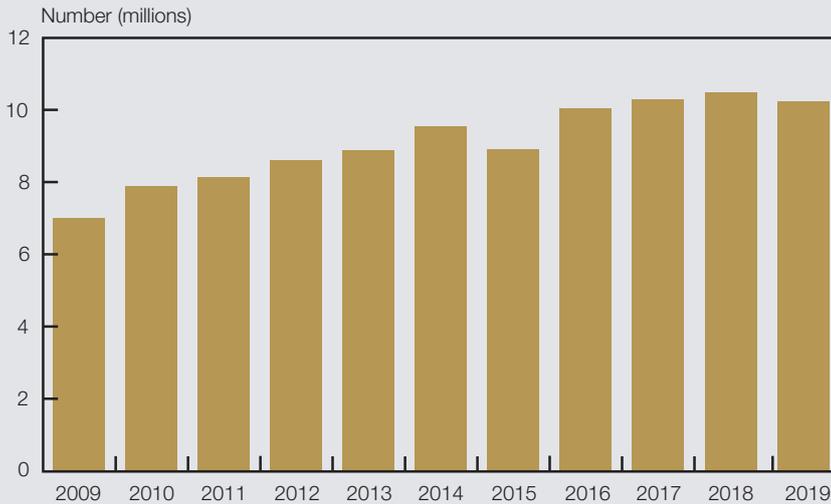


Sources: Stats SA and SARB

The bulk (around 92%) of the estimated total value of travel receipts reflects spending activities associated with a typical tourist, including spending on food, accommodation and transport. Hence, the number of foreign tourists⁴ visiting South Africa is an important indicator to assist in the estimation of the value of travel receipts, complemented by a variety of other sources, such as credit card payments. Similarly, the number of South Africans going temporarily abroad on business and personal travel is an important indicator to determine the value of travel payments.

The number of tourists visiting South Africa has been increasing steadily after South Africa's successful hosting of the 2010 FIFA World Cup™ before levelling off at just more than 10 million annually between 2016 and 2019. The origin of people visiting South Africa is diverse, and includes tourists from high-income countries in Europe and the United States (US) who tend to stay longer and spend more. Enticed by a depreciated domestic currency, especially since 2010, tourism from these countries has boosted overall travel receipts.

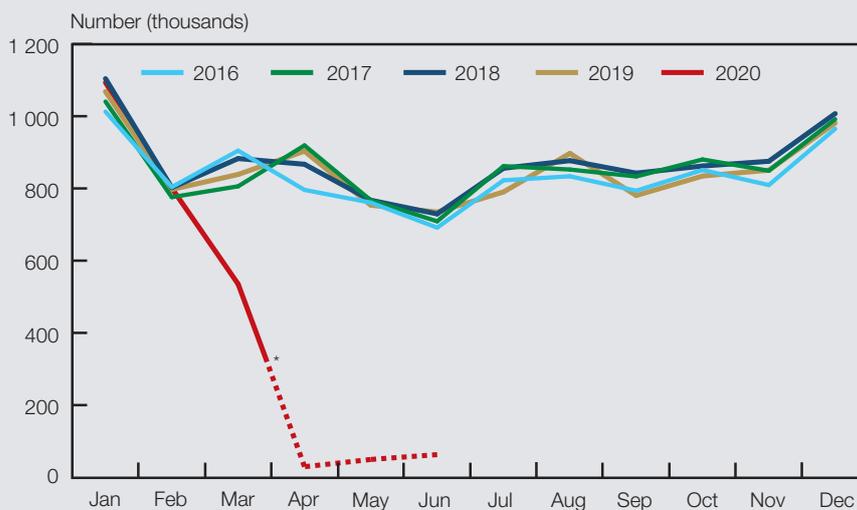
Foreign tourists visiting South Africa



Source: Stats SA

The number of tourists to South Africa is seasonal, with more arrivals in the months of January and December of each year, lifting the totals for both the first and the fourth quarters, which represents South Africa's summer season. In contrast, the second quarter (April, May and June) represents the start of the winter season, with fewer arrivals. This pattern is also related to the opposite seasons in the Northern Hemisphere. In 2020, the number of tourist arrivals in South Africa already declined notably in the first quarter, even though the domestic lockdown restrictions in response to the COVID-19 pandemic only took effect during the last week of March.

Foreign tourists visiting South Africa



* As from April, all foreign arrivals
Source: Stats SA

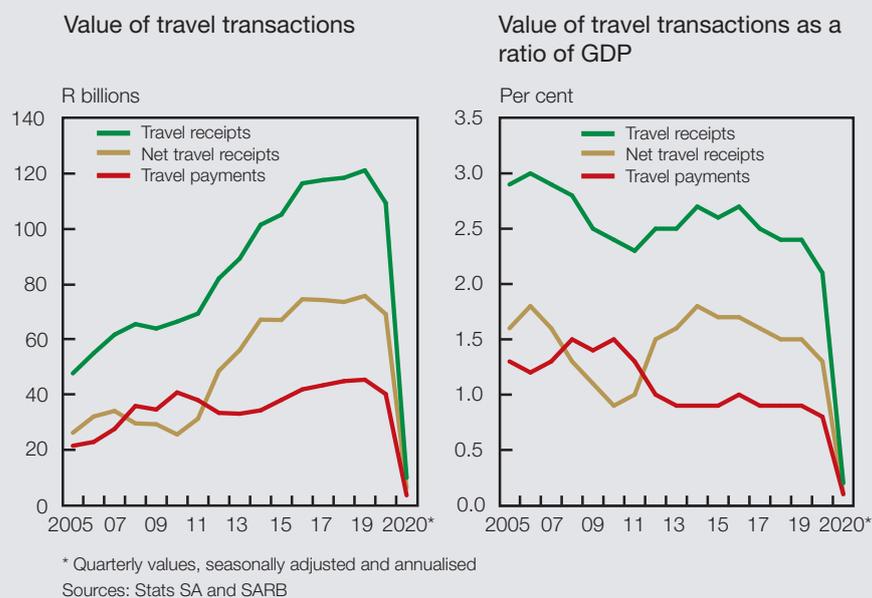
⁴ This information has been obtained from Statistics South Africa's monthly newsletter, P0351, *Tourism and migration*, available at <http://www.statssa.gov.za/publications/P0351/P0351March2020.pdf>





However, certain countries of origin of tourists had already imposed such restrictions much earlier. This was followed by no foreign tourist arrivals during the second quarter.

In the second quarter of 2020, the sudden stop in inbound tourism, which resulted in plummeting travel receipts, was mitigated to some extent by a marked contraction in outbound travel payments.⁵ The net effect of these changes resulted in net travel receipts declining to as little as 0.1% of GDP in that quarter, compared with an average annual ratio of 1.5% for the 10-year period to 2019 and 1.3% in the first quarter of 2020. Although still marginally positive, this sudden and sharp decline in net travel receipts contributed to the current account balance reverting to a deficit of 2.4% of GDP in the second quarter of 2020 from a surplus of 1.2% in the first quarter.



International tourism is not likely to normalise soon. South Africa's borders remained closed by late September 2020, along with restricted international flights which are generally associated with the initial spread of COVID-19. Therefore, given the circumstances, the current account of the balance of payments is not expected to benefit much from travel receipts in the near future.

5 The quarterly statistics indicated in this box are seasonally adjusted and annualised to facilitate the calculation of ratios relative to GDP.