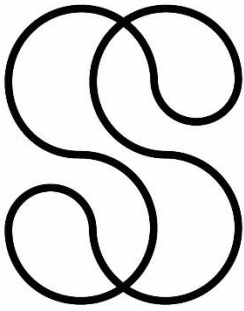
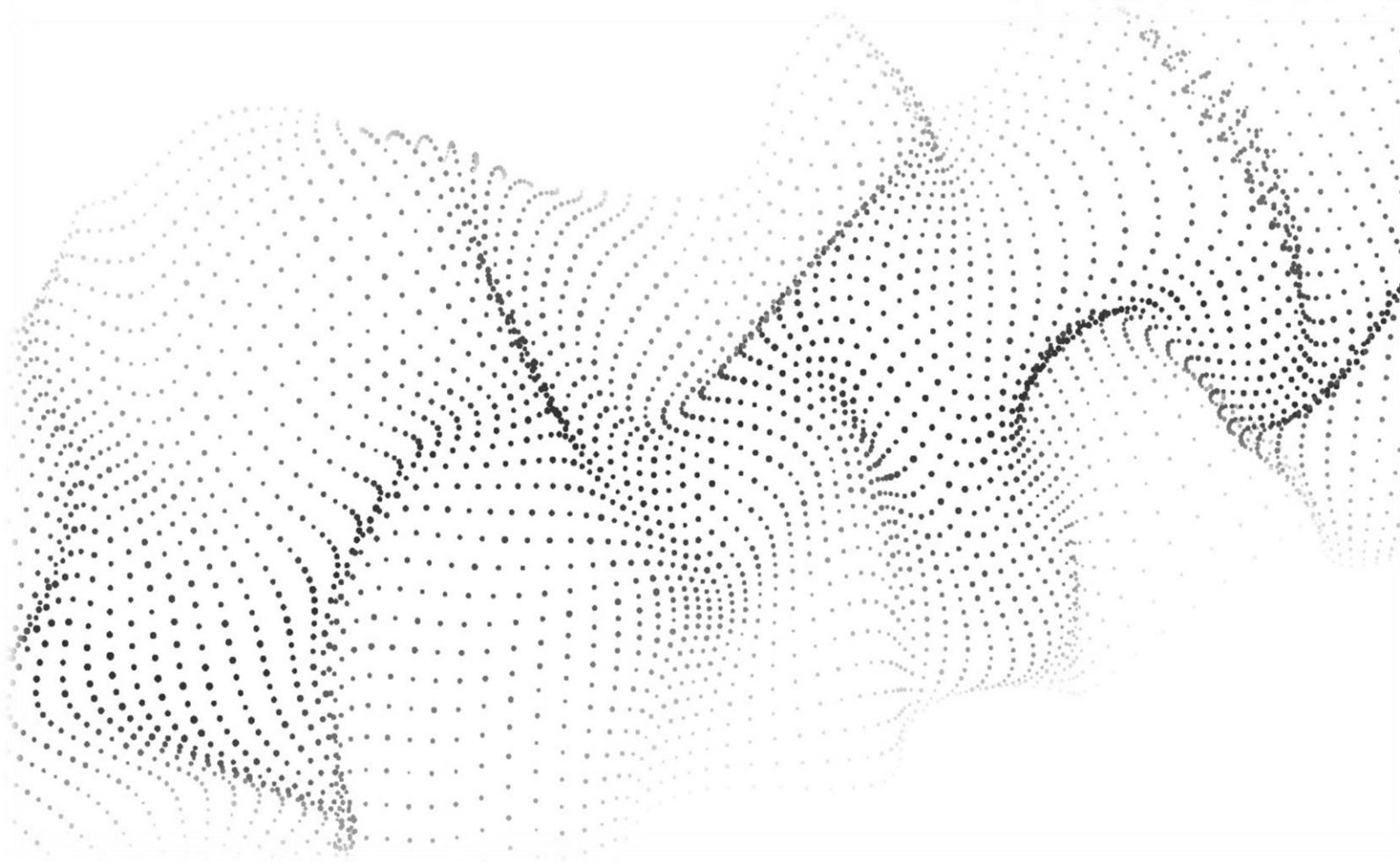


**SIMONIS STORM**



# Socioeconomic Impact of Namibia's Tourism Sector August 2023





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## 1. Introduction

Globally, the tourism sector is considered by many to have one of the widest value chains. Jobs generated by travel and tourism are spread across numerous industries and therefore, the direct and indirect impact of tourism is usually a very large share of GDP across the globe. In addition to the economic benefits, tourism is also a catalyst for conservation, improving the natural environment and maintenance of local diversity and culture.

Conserving the environment and biodiversity will not just benefit current tourists, but will ensure that an interest to visit a country will also be there in the future. In this way, future generations of a country will enjoy their country's natural beauty but will also enjoy job opportunities related to tourism. Tourism activities therefore also have social and cultural benefits to society. Hence, truly measuring the socioeconomic impact of the any tourism industry is very challenging.

According to the World Travel and Tourism Council, travel and tourism activities accounted for 10.4% of global GDP in 2019. After dropping to 5.5% of global GDP in 2020 (due to national lockdowns and travel restrictions), the Council expects travel and tourism to account for 6.4% of global GDP in 2022. In terms of jobs, travel and tourism employs about 330 million jobs worldwide (about 8% of employment across the globe or 1 in every 12 jobs).

Locally, the socioeconomic importance of tourism is not well understood and questioned by government. Instead of trying to estimate and understand the true contribution that tourism makes to the Namibian economy and society, the tourism sector rather gets criticized. In addition to this, tourism statistics are hard to come by and data collected for the National Accounts do not fully capture the full extent of the local tourism industry. As it stands now, the National Accounts has a line item called "Hotels and restaurants" as a proxy for tourism.

However, tourism is more than hotels and restaurants as there are tour operators, hunting guides, air charters, car rentals, travel agents and national parks or conservancy areas. Without adequate data on local tourism activities, the true contribution cannot be measured. Hence, we would argue for a change in the way that data is being collected so that tourism – like many other industries in the Namibian economy – can be better reflected in the National Accounts.

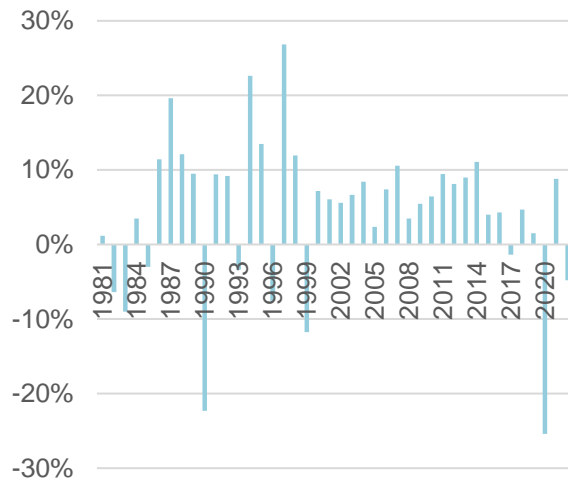
Having a better or more accurate representation in the National Accounts can go a long way in settling disputes or refuting doubts on the economic importance of tourism. This will also allow all stakeholders, government and private sector to make data driven decisions, instead of political or "thumb-suck" decisions. To this end, we have endeavoured to collect financial information from local tourism companies in order to try and assess the economic importance of the local tourism industry.



## 2. Macroeconomic overview of the Tourism sector

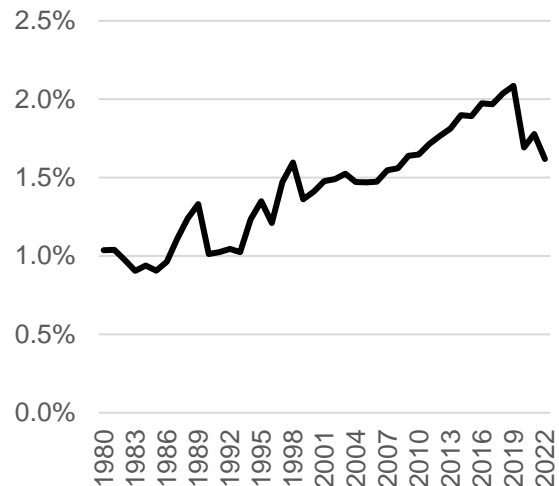
The Namibia Statistics Agency (NSA) does not directly measure economic activity in the local tourism sector, but rather measures activity from hotels and restaurants in various parts of the country. Long run growth in the hotels and restaurants sector has averaged 4.7% annually, between 1981 and 2022 (*Figure 1*). As a share of GDP, there has been a meagre increase over the years from 1.0% in 1980 to 1.8% in 2021 (*Figure 2*).

*Figure 1: Annual growth in hotels and restaurants (%) – 1981 to 2022*



Source: NSA/SS

*Figure 2: Hotels and restaurants as % of GDP – 1980 to 2022*



Source: NSA/SS

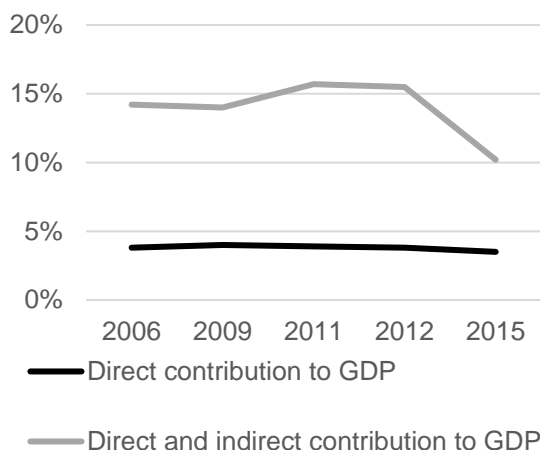
However, we are of the view that these indicators are not an accurate measure of business activity in the local tourism sector. Indeed, the Namibia Tourism Board (NTB) conducted their 5th Satellite economic impact study in 2015 and concluded that the local tourism industry contributed about 3.5% to GDP directly and 10.3% indirectly (*Figure 3*).

This is about double the economic contribution compared to NSA data. In addition, the report indicated that tourism employed about 6.5% of all employed Namibians and supported about 14.5% of all jobs held in Namibia (*Figure 4*). To better understand the economic value of the local tourism sector, we would argue for Satellite Account reports to be released more frequently as this is vital for informed decision making by government, stakeholders and the private sector.

However, the Private Sector is keen to see the outcome of the TSA 2023 report currently in process and to be released before the end of 2023, as this is one of the most effective measures that can be used to identify the importance of the Tourism Industry on a National scale. Tourism associations and their members and all relevant stakeholders are grateful for the initiative taken by all those involved, especially the Ministry of Environment Forestry and Tourism who have taken the lead on this vital project.

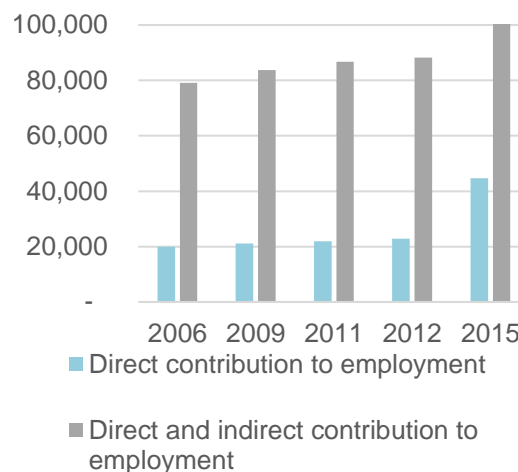


Figure 3: Tourism value indicators from Satellite Accounts – 2006 to 2015



Source: NTB/SS

Figure 4: Tourism employment indicators from Satellite Accounts – 2006 to 2015



Source: NTB/SS

According to the latest available Labour Force Survey of 2018, accommodation and food services was the 6<sup>th</sup> largest employer in the country and had the second highest number of employers (*Figure 5*). This implies that the tourism sector is a significant contributor to tax revenue for government and one of the major employers for our nation and can be crucial in reducing unemployment, if the sector is adequately supported by government and stakeholders. Once again, it should be noted that not all activities within the tourism sector are captured by “Accommodation and food services”. Hence, it can very well be that tourism is within the top 4 or 5 biggest employers and not 6<sup>th</sup>, if we include all relevant activities.

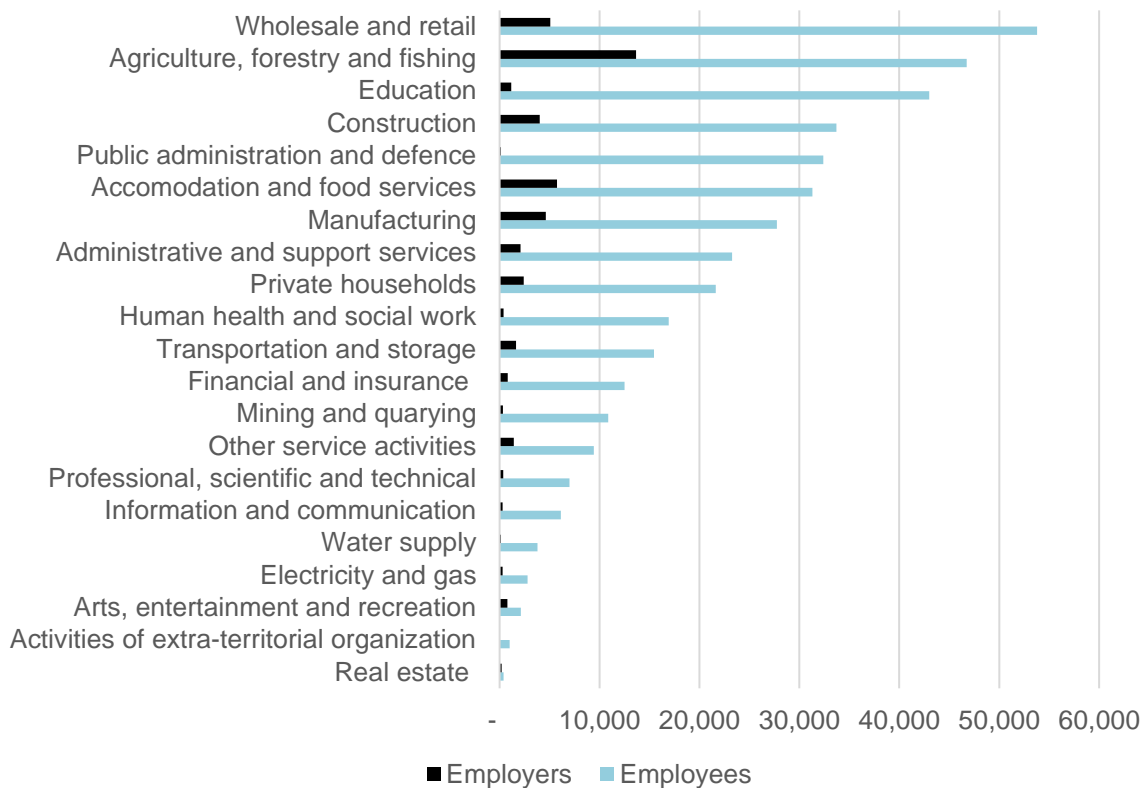
Although this data from the Labour Force Survey already supports the fact that tourism has a significant contribution to employment, these figures are understated as other aspects of the tourism sector (e.g. travel agents, car rentals, tour operators, etc.) are not captured in “Accommodation and food services”. So, the employment contribution from tourism ought to be higher.

Using the latest SAM matrix, we know that the employment multiplier for the hotels and restaurants sector is 11.5. This is the fourth largest employment multiplier across all other sectors. This implies that for every 1 job in the hotels and restaurant sector, up to 12 other jobs are directly and indirectly created or supported.

This supports our notion that tourism has one of the widest value chains in Namibia and can be one of the biggest catalysts in reducing unemployment (particularly in the rural areas of Namibia where many lodges are situated). Part of the wide value chain would include professional services such as forex trading, banking, travel agents, beauty and spa, as well as retail, car rental and government revenue (i.e. tourism levies and airport taxes) are all supported by the local tourism sector to name a few, in addition to your standard tourism companies such as accommodation, safaris and tour operators, hunting guides and aircraft charters.



Figure 5: Number of employees and employers per industry – 2018



Source: NSA/SS

Rising accommodation costs in the current inflationary environment and real disposable incomes being under pressure could imply that Namibia's tourism sector will rely more on foreign nationals visiting the country than locals traveling around Namibia. This does not necessitate a negative outlook on the sector, given that foreigners typically spend more than locals at hospitality establishments, but local tourism remains an important part of overall tourism revenue.

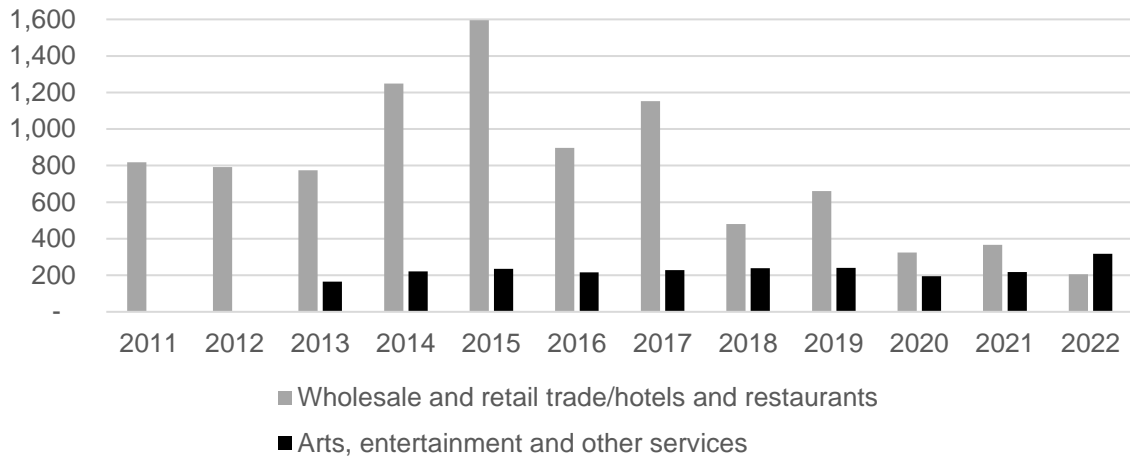
Indeed, some studies by the NTB indicate that foreigners spend 3 times the amount of domestic travellers on average. In the absence of another pandemic restricting international travel, we remain optimistic in seeing an improvement in foreign arrivals despite economic recessions being forecasted in Namibia's main tourist source markets. Hence, it remains crucial to maintain good relations with other countries and implement VISA friendly regulations, as well as increasing the number of international airlines that partner with the Namibian Airports Company.

Weakening economic growth since 2015 has led to a decrease in overall net investment (investment less depreciation of capital) in the country. While net investment in hotels and restaurants are not recorded separately as a line item, we see that net investment in the collective wholesale and retail/hotels and restaurants line has been declining by 22.6% on an annualised basis since 2015 (Figure 6). However, we do not believe this fully reflects investment activities in rural lodges that are not situated in urban areas.

At the same time, net investment in arts, entertainment and other services have increased by 3.8% on an annualised basis. Lastly, in the last 10 years net investments in these sectors averaged only 3.2% of total net investments in the economy. While many factors can explain the apparent decreasing investment trend, private sector has indicated that current government statistics do not take into account the full economic contribution of tourism.



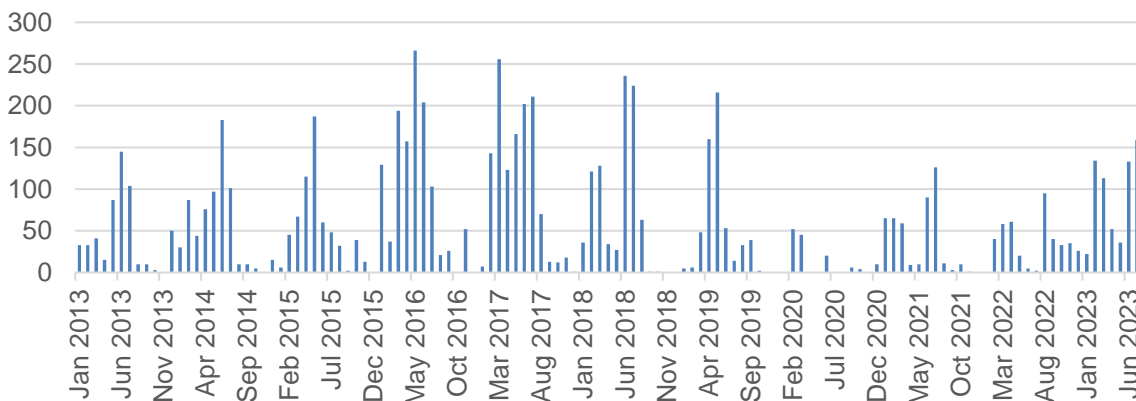
Figure 6: Real net investment in various categories (N\$ million) – 2013 to 2021



Source: NSA/SS

The only indicator at a micro level that we have regarding investment by car rental companies is the number of vehicles they buy on a monthly basis (Figure 7). Car purchases are very volatile and typically increase in the second and third quarters of each year which coincides with Namibia’s peak tourist season (May to September). On average, car rental companies purchase about 5% of all vehicles sold on a monthly basis. Excluding the of-peak tourist season, car rental companies account for about 18% of all vehicles sold in Namibia. Over the last 10-years, car rental companies have bought 7,311 vehicles (665 vehicles per year on average).

Figure 7: Rental company vehicle purchases (units) – January 2013 to July 2023

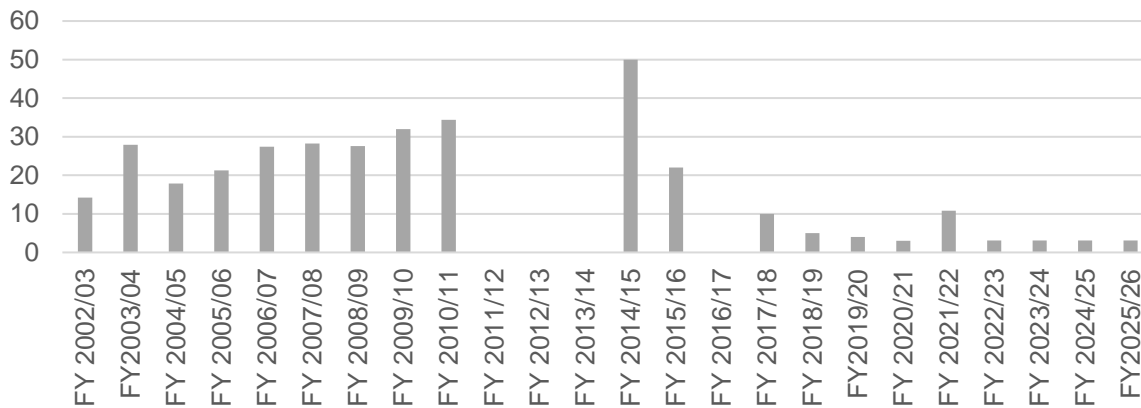


Source: NAAMSA/SS

Apart from declining investments in the sector, it appears that the NTB will not be able to do much marketing activity in 2023 and beyond given that it still has limited funding from central government’s budget (Figure 8). Marketing initiatives will therefore have to come from the private sector in order to advertise Namibia as a welcoming and safe tourist destination to boost tourist inflows going forward. This supports the view that is widely held by private sector, that the government is not fully supporting the interests and sustainability of the local tourism sector to the extent that should be justified by its economic contribution.



Figure 8: Annual budget allocation to the Namibian Tourism Board (N\$ million) – FY2021/22 to FY2025/26

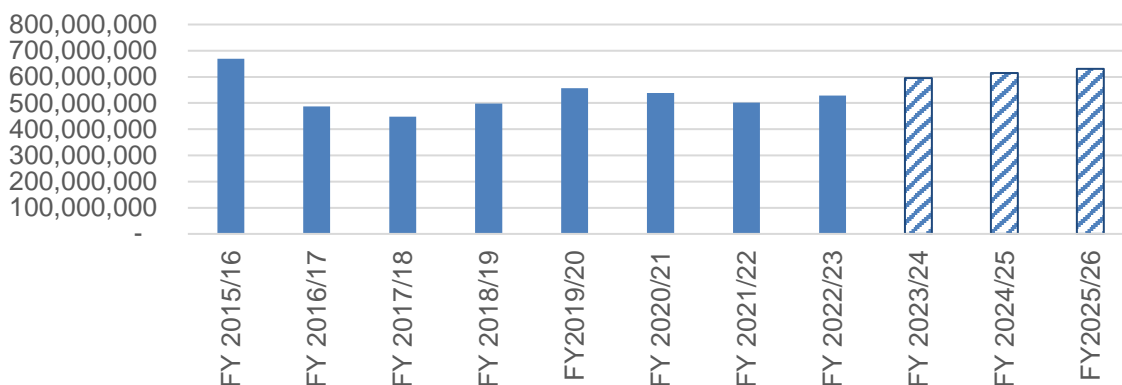


Source: MoF/SS

In his budget statement in March 2023, the Minister of Environment, Forestry and Tourism (MEFT) announced 6 plans that will be executed with the Ministry's N\$595 million allocation from the National Budget. These plans include (1) Tourism Growth Development and Gaming Regulations (N\$23.6 million), (2) Protection and Management of Key Species and Natural Habitats (N\$29.0 million), (3) Infrastructure and Development, Maintenance, Monitoring and Evaluation (N\$63.7 million), (4) Policy Supervision and Support Services (N\$102.0 million), (5) Environment and Natural Resources Protection (N\$154.8 million) and (6) Wildlife and Protected Area Management (N\$224.4 million)

While the budget allocation to Ministry of Environment, Forestry and Tourism is a lot more than other Ministries, complaints from various stakeholders still indicate that tourism often gets sidestepped for the favourable consideration of other sectors such as mining. However, within the Ministry, tourism typically receives about 8% of the Ministry's total budget, where Environment and Forestry components of the budget take up majority of the Ministry's budget. So, even within the responsible Ministry itself, it appears that tourism is not taken seriously. In addition to this, one crucial problem is that the private sector is of the opinion that government does not protect the interests of tourism companies operating in especially sensitive environments and it could do more to help conserve the tourism product in these areas to the benefit of future generations. It could also improve business conditions by refining current policies on the allocation of tourism concessions amongst other.

Figure 9: Annual budget allocation to MEFT (N\$) – FY 2025/26 to FY 2025/26



Source: MoF/SS

In 2019, the global tourism sector was estimated to account for 10% of global GDP (direct and indirect output combined), making "its recovery and long-term growth paramount" according to the World Economic Forum's (WEF's) Travel and Tourism 2021 report released earlier this year. According to the





report, increasing regional trade agreements will be key in facilitating necessary cross border investments in travel and tourism. Recent developments in this regard include the African Continental Free Trade Area (AfCFTA) which came into force in 2021.

According to the WEF's latest report, visa openness and air service agreement liberalization are being looked at in different countries to boost tourist inflows. Covid and current geopolitical tensions have shown the importance of visa openness and to restore consumer confidence in travel. Namibia is one of 5 Southern African countries that improved its visa openness measure the most during the 2016 to 2021 period, according to the 2021 Africa Visa Openness Report. Namibia is now ranked 19<sup>th</sup> (in Africa) in terms of visa openness (compared to 38 in 2016), where 1st is "most open" (*Figure 1313*). Benin, Gambia and Seychelles offered visa-free access to all African visitors in 2021 and 2020. During 2021, 72% of African countries could visit Namibia visa-free.

The main contributor for the improved rankings is Namibia's new visa-on-arrival policy for the nationals of 47 countries worldwide, which includes 27 African countries. This policy was introduced in September 2019 for tourists, visitors and investors entering Namibia. During 2020, 75% of all visitors in Namibia came from other African countries, up from 72% in 2019. We however argue that visa on arrival offices ought to be placed at our main border posts as well, to boost regional tourism inflows but also assist foreigners who travel by car rentals from other African countries.

An example of where private sector initiatives are not fully being supported by government includes the Kavango Zambezi Transfrontier Conservation Area (KAZA TFCA) initiative. The KAZA secretariat is partnering with Angola, Botswana, Namibia, Zambia and Zimbabwe to develop a tourism destination brand and corporate identity for the TFCA. In 2021, the KAZA Ministerial Committee resolved to embark on a joint tourism marketing initiative to make KAZA a globally attractive and competitive tourist destination.

More recently, they announced that part of their initiatives include developing a birding route and developing a Tracks4Africa map of KAZA. Feedback from KAZA consultants indicate that "the product offering in Namibia is the most diverse of all countries" and thus enriches the initiative tremendously. Namibia's pricing is also considered a good marketing tool as it is very competitive compared to regional peers. So much potential can be gained by Namibia from this initiative.

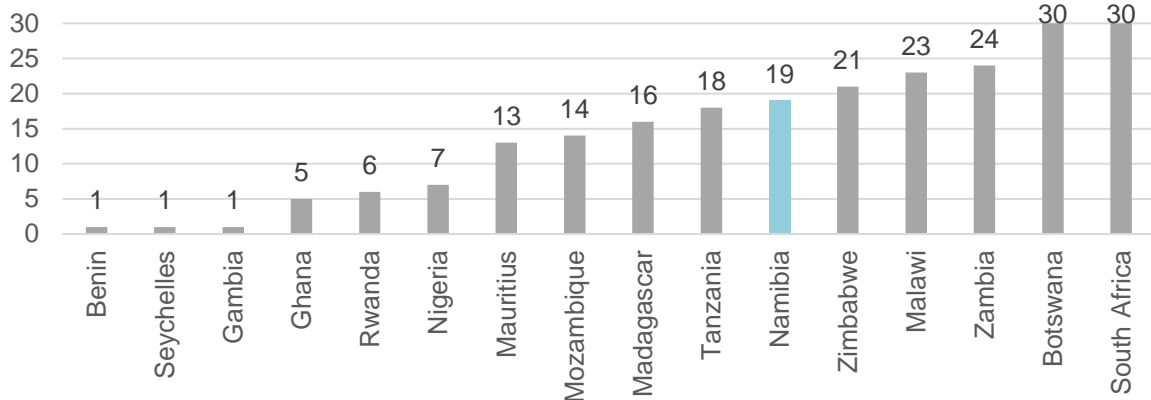
However, Namibia only has visa on arrival offices in Windhoek and Walvis Bay's airport. Hence, tourists visiting neighbouring countries and who want to include Namibia on their round-trips will not be able to do so given that border posts cannot assist with visa on arrival applications. More importantly, the Zambezi border post (crucial to the KAZA initiative) does not cater to visa on arrival travelers. This implies that Namibia will be losing market share in terms of travelers from the transfrontier travel in the KAZA region.

Within the African context, Namibia currently requires a visa for 15 African countries, no visa for 13 African countries and 25 African countries who can apply for a visa on arrival. (*Figure 10*). Based on *Figures 10* and *11*, we see that Namibia ranks more favourably than most other Southern African countries, which supports the view that Namibia's tourism sector stands to experience greater growth in future.

However, growth in tourism can be further enhanced if visa on arrival is rolled out to all border posts and if the full implementation of the long overdue Uni-Visa for the SADC region can take place. The SADC Uni-Visa will also become more important once Namibia and neighbouring countries endeavour to setup green hydrogen, oil and gas projects.

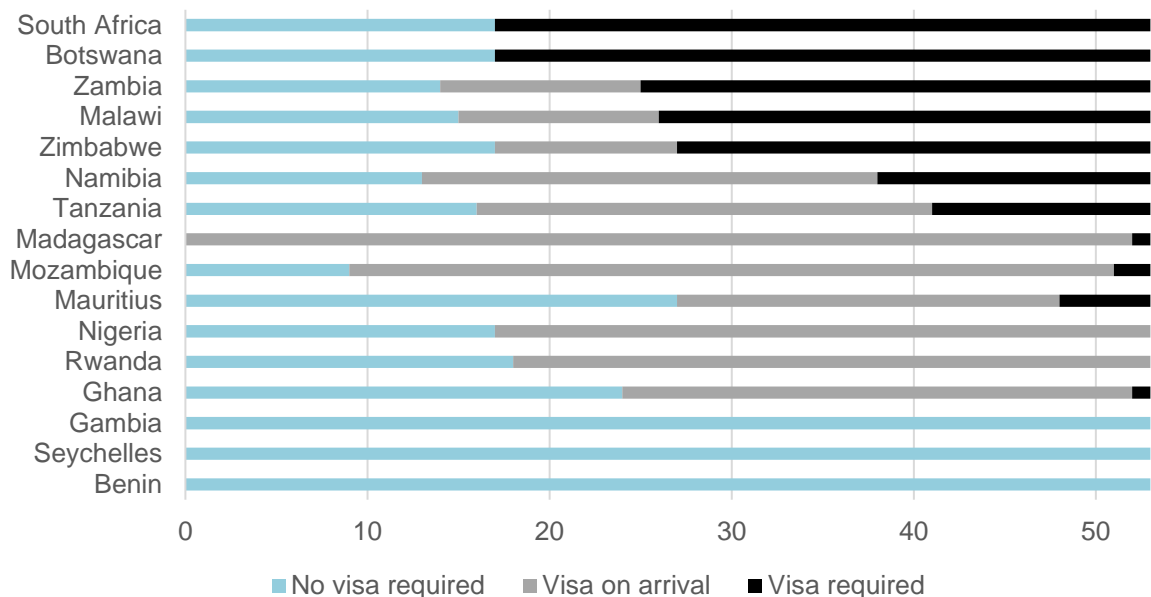


Figure 10: Visa openness rankings in Africa for selected countries – 2021



Source: Visa Openness Index/SS

Figure 11: Visa openness in Africa by category for selected countries – 2021



Source: Visa Openness Index/SS

Indices based on country surveys are never truly a good comparison given that if one country significantly improves in its rankings, it distorts the picture for other countries who either simply maintained their situation or those who did improve but on a lower scale and so is overshadowed by those who improve significantly. However, Namibia ranks poorest when compared to a select group of African countries in terms of the WEF's Tourism Competitiveness Index. A rank closer to 1 is best and Namibia's score has worsened from 70 index points in 2015 to 88 in 2021 (Figure 12).

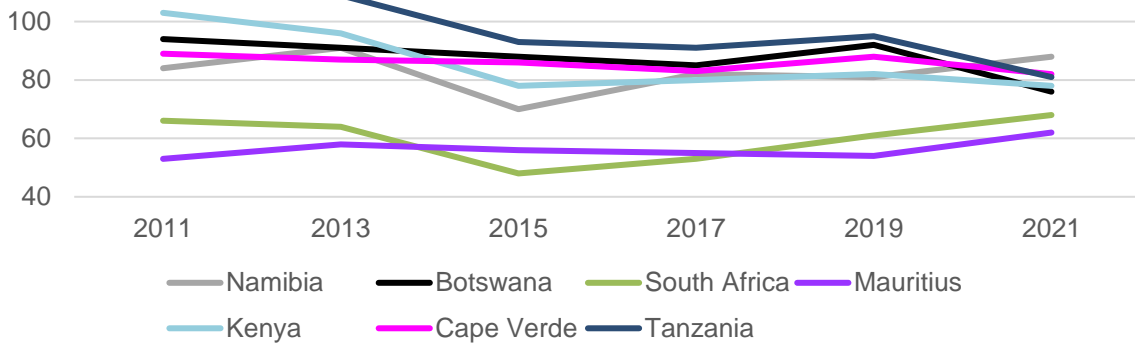
This Index looks at whether a country has an enabling environment (i.e. safety, security, ICT services, business environment, etc.), enabling tourism policies (i.e. openness and price competitiveness, etc.), infrastructure (i.e. airports, roads, tourist services, etc.), tourism demand drivers (i.e. natural, cultural and non-leisure resources) and tourism sustainability (i.e. environmental sustainability, socioeconomic conditions, etc.).

If the WEF observes a deterioration in any of these measures, the index score increases. Hence, this index clearly shows that certain issues in the tourism and complementary sectors need to be addressed



and the best way for this would be through private sector and relevant Ministries and departments within government to engage one another.

Figure 12: WEF Travel and Tourism Competitiveness Index rankings for selected countries – 2011 to 2021

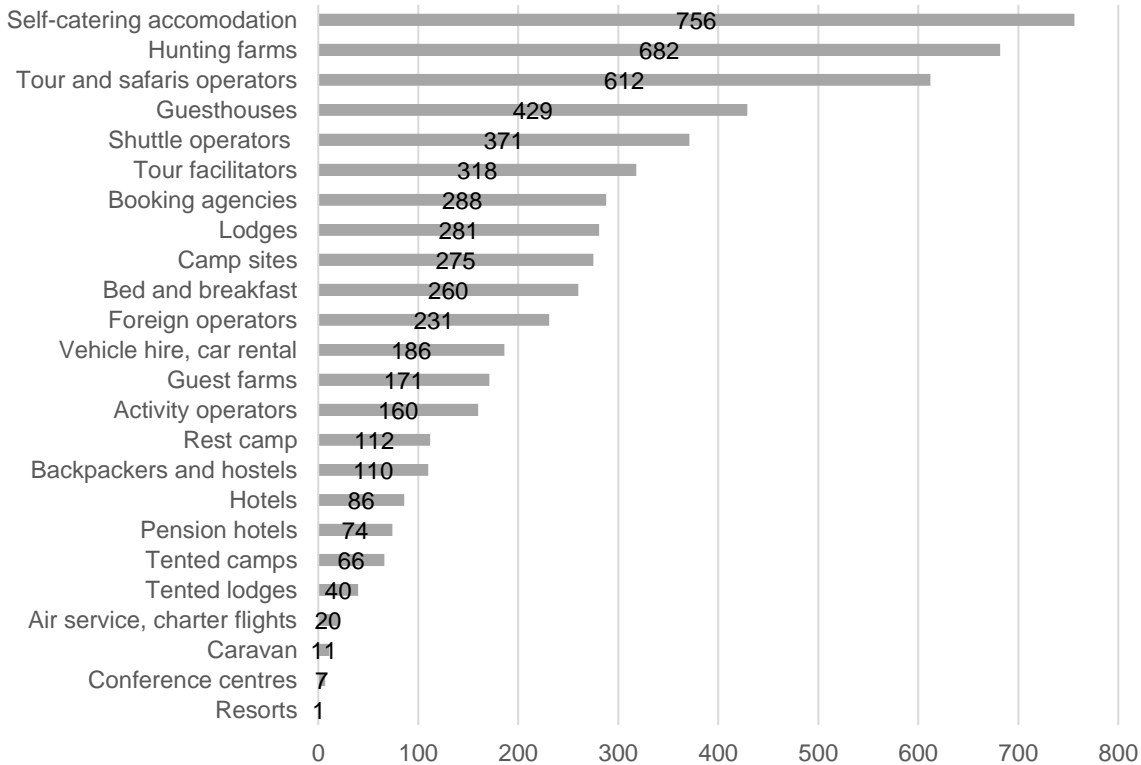


Source: WEF/SS

### 3. Socioeconomic impact study

As at August 2023, the Namibian Tourism Board (NTB) had 5,547 registered tourism companies across different sub-sectors (Figure 13). While not all registered businesses are members of the different local tourism associations, we approached the associations nonetheless for ease of access to information.

Figure 13: Number of registered companies per tourism category – August 2023



Source: NTB/SS



Namibia has about eight different associations representing different sub-sectors of the tourism industry namely:

1. Hospitality Association of Namibia (HAN),
2. Tour and Safari Association of Namibia (TASA),
3. Car Rental Association of Namibia (CARAN),
4. Association of Travel Agents (ANTA),
5. Aircraft Owners and Pilots Association of Namibia (AOPA),
6. Namibia Professional Hunting Association (NAPHA),
7. Emerging Tourism Enterprise Association (ETEA), and
8. Namibian Association of Community-based tourism Organisation (NACSO).

Of the eight associations above, we received data submissions for our survey only from associations 1 to 4 as numbered above. More specifically, 63 companies submitted their company data to us and they represent 30.7% of the most economically significant members from the above associations. While not all local tourism companies participated in our survey, we do believe we have captured the most important players in most of the sub-sectors of the local tourism industry in terms of company size, profits and market dominance. However, the results we present here are definitely understating the full impact of the local tourism sector as a whole, because not all 5,547 companies participated.

Based on the financial data from the 63 members only, we estimate that the local tourism industry has a direct socioeconomic contribution to the Namibian economy and society of N\$7.7 billion (3.7% of nominal GDP) from the operations of these 63 companies, and an indirect contribution of N\$24.8 billion (12.0% of nominal GDP). We estimate that the direct impact represents about half the economic activity of the industry. Sales revenue from these 63 companies alone totalled N\$2.6 billion (1.3% of nominal GDP) in 2022.

The 63 companies employed 3,483 workers (49% male and 51% female), with 99% of workers being Namibians and 87% who were hired on a permanent contract. The total wage bill for these workers was N\$292.6 million which generated personal income tax of N\$54.0 million. From the 3,483 workers at the 63 companies, we know from the SAM matrix that 41,796 additional jobs are directly and indirectly created or supported. This is about 3.8% of the country's labour force and 5.7% of all employed Namibians.

Using the National Accounts from the Namibian Statistics Agency (NSA), we calculate a Marginal Propensity to Consumer (MPC) of 0.69 in Namibia (compared to 0.7 in South Africa). This indicates that for each N\$1.00 earned, 69 cents is spent and only 31 cents is saved by Namibians. Using this, we then estimate a multiplier of 3.23 for Namibia. This means that every N\$1.00 of income generated or spent, leads to N\$3.23 of additional spending in the economy.

Given that the 63 companies pays N\$235.5 million in total after-tax salaries, we can assume that 69% of this (N\$162.5 million) is used for consumption spending (based on the MPC). Using the multiplier in turn, these after-tax salaries lead to N\$525.0 million in additional spending or income throughout the Namibian economy.

Similarly for money spent on suppliers, we use the multiplier and estimate that from the N\$1.6 billion that these 63 companies paid to their suppliers, an additional N\$5.0 billion in income or spending takes place in the economy. This accounts for about 3% of total consumption expenditure in Namibia as measured by the NSA's National Accounts.

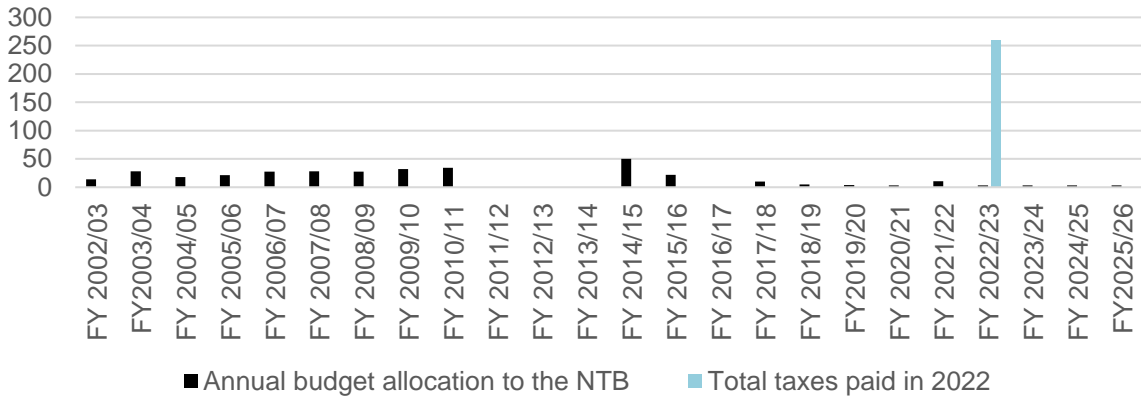
The total taxes paid of N\$269.8 million from the 63 companies is only 0.5% of total tax revenue for government, but it is 45.3% of the total budget allocation to the Ministry of Environment, Forestry and Tourism in the latest financial year of FY2022/23. Furthermore, the total taxes paid of N\$269.8 million more than covers the approximate annual N\$3 million budget allocation to the Namibian Tourism Board (*Figure 14*). In nominal terms, the taxes paid in 2022 also exceeds the largest budget allocation to the Namibian Tourism Board ever recorded, which was N\$50 million in FY2014/15.

This indicates that the tourism sector is definitely adding value to public finances as only the 63



companies can foot the annual bill for the Namibian Tourism Board’s operational expenses. This also warrants an increased resource allocation to the Namibian Tourism Board.

Figure 14: Annual budget allocation to the NTB and total taxes paid by the 63 companies (N\$ million) – FY 2002/03 to FY 2025/26



Source: MoF/Company surveys/SS

The above excludes the statutory payments paid by the 63 companies. Tourism levies paid to government totalled N\$9.2 million in 2022 and levies paid to the Namibia Training Authority amounted to N\$2.7 million in 2022. Just the tourism levies alone could more than cover the N\$3 million budget allocation to the Namibian Tourism Board. In addition, we are also not accounting for levies paid to conservancies which are also a significant cost to local tourism companies.

One therefore needs to ask why the Board’s budget allocation remains insufficient for them to do their jobs adequately. A frequent complaint from the Board is that they cannot do proper marketing to attract more travellers due to budget constraints. When looking at the numbers, this should not be the case.

The 63 companies had an asset stock insured for N\$2.7 billion in 2022, which is about 39% of the total assets held by short-term insurance companies according to NAMFISA data. This implies that tourism companies form a significant customer base for the local short-term insurance industry and its profitability.

Lastly, the 63 companies spent N\$12.9 million on corporate social responsibility initiatives. Regardless of whether these were in-kind donations or actual money given out, this amount would have led to N\$41.7 million in additional spending throughout the economy.



#### 4. SS Thoughts

We want to reiterate that the results discussed earlier are underestimating the full economic contribution of the local tourism industry. While our survey shows a contribution of about 4% to nominal GDP, we believe the true contribution to be in the region of 15% to 18% of our economy.

The employment capability of the local tourism sector has proven to be very impactful. This is supported by our survey results and even government statistics would support this notion. The last official unemployment rate provided by the NSA is 33.4% in 2018. We estimate that unemployment is more likely closer to 40% currently, with youth unemployment most likely close to 60%.

Given our high unemployment, it naturally makes sense to focus job creation efforts and initiatives in an industry that has great employment absorption capabilities such as the tourism industry. Not only can tourism assist in addressing high unemployment, it can improve overall economic activity if tourism is prioritised and job creation takes place.

We would advocate for greater importance and recognition to be given to vocational training and work-integrated learning so that skills needed by the tourism sector can be met and that a career in tourism can become something young individuals in Namibia aspire to. This would not only need additional funding from central government, but also requires better management of vocational training centres across the country. Furthermore, addressing concerns raised by the private sector will go a long way to improve efficiencies, profits and jobs in the tourism sector.

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