TITLE: ASSIMILATION OF TOURISM SATELLITE ACCOUNTS AND APPLIED GENERAL EQUILIBRIUM MODELS TO INFORM TOURISM POLICY ANALYSIS

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ABSTRACT:

Tourism policy analysis in South Africa has historically posed challenges to accurate measurement. The primary reason for this is that tourism is not designated as an "industry" in standard economic accounts. To this end this paper aims to illustrate the relevance and need for applied general equilibrium (AGE) models to be complemented and extended through an integration with tourism satellite accounts (TSAs) as a tool for policy makers (especially tourism policy makers) in South Africa. This integrated approach incorporates information from TSAs into an AGE modelling framework in order to more interactively analyse policy impacts on the tourism sector. This will help provide an accurate understanding of the tourism industry in South Africa, defining and measuring tourism in a framework that will allow comparisons with other industries. In contrast to input-output models, this integrated approach will not only include the whole of tourism's economic impact but also be much more flexible, facilitating its use in other areas, such as tourism planning, policy analysis and forecasting. As such, this integrated approach represents an adequate means to support the evaluation of government's tourism development policies. The paper provides motivation for the need for economic models for tourism policy analysis and other purposes in general, followed by an overview of the differences between TSAs, input-output modelling and the integrated approach of tourism's economic impact. As the integrated approach requires specific data on tourism expenditures and on the structure of production in tourism characteristic sectors, the use of TSAs in AGE modelling presents a significant improvement in the ability to model tourism in South Africa. An integrated model for South Africa is estimated and used to conduct an illustrative empirical simulation of a sustained increase in foreign tourist expenditure in the South African economy combined with a price shock, against the background of the relationship between tourism and economic development. Furthermore, the indirect effects of an input-output model are also presented for comparison.