

A PROPOSAL FOR DEVELOPING A TRANSPORT AND TOURISM PRICE INDEX (TTPI) FOR SAUDI ARABIA

by
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Objective

The basic aims of this proposal are:

- To expand and develop "National System of Travel & Tourism Information" in Saudi Arabia.
- To assess the current situation and the future prospects of using tourism price index.
- To explore the possibility of developing a "Transport and Tourism Price Index" (TTPI) for Saudi Arabia, based on a monthly "Cost of Living Index" compiled by the Central Department of Statistics and Information (CDS&I) of the Kingdom.

Price Index

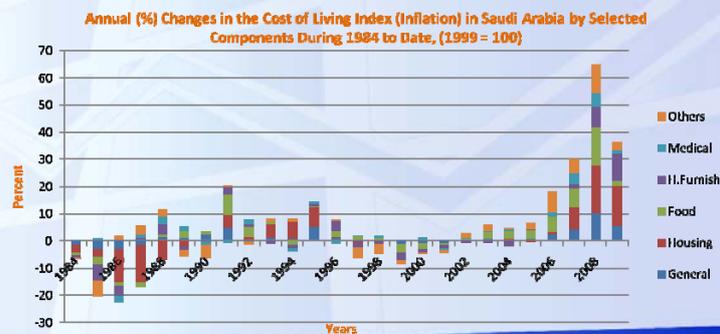
A price index is a normalized weighted average of prices for a given class of goods or services in a given region, during a given interval of time. It is a statistic designed to help to compare how these prices, taken as a whole, differ between time periods or geographical locations. The consumer price index (CPI) is the most widely used indicator of inflation in an economy.

Consumer Price Index (CPI)

The consumer price index (CPI) represents inflation in an economy. Inflation is defined as a sustained increase in the general level of prices for goods and services, which is measured as a percentage increase in the CPI during a specified period.

Kingdom's Cost of Living Inflation

The Kingdom has a track record of very low inflation rates (less than 1% from 1998 to 2005), but the Kingdom entered a period in which inflation was well above its historical norms (9.9% in 2008 and 5.1% in 2009).



The Transport and Tourism price index (TTPI)

Definition:

The Transport and Tourism price index (TTPI) expresses the average changes in prices of services and commodities consumed by foreign tourists. The price data come from the survey on consumer prices and the weighting data are based on a special sample survey on detailed spending of tourists.

Why to Use TTPI

As a tourism indicator, the TTPI is a good measure of inflation in the tourism sector, which could be used as an indicator of the effectiveness of the government tourism policy. It could also be used in planning and research.

Consumption Patterns of Tourists vs. Local Population

Tourism expenditure is defined as "The total consumption expenditure made by a visitor or on behalf of a visitor for and during his / her trip and stay at destination". The consumption expenditure patterns of internal (domestic & inbound) tourists and that of local population are different as follows:

- Local households spent 26% on Food & Beverages, while internal tourists spent relatively less, around 15%.
- Internal tourists (domestic & inbound) spent almost 28% of the total expenditures on shopping while the local population is expected to have spent much less than tourists.
- Both types of consumers spent more or less the same proportion of the total expenditure (15-16%) on transportation (domestic).

Consumption Expenditure Patterns of Internal Tourists vs. Local Population of the KSA

Description	Local Population	Internal Tourists
Accommodation	29.0%	30.7%
Food & Beverages	26.0%	14.9%
Transportation (Domestic)	16.0%	14.6%
Recreation	6.0%	8.4%
Shopping	-	27.8%
Others	13.0%	3.6%
Clothing & Footwear	8.0%	-
Medical Care	2.0%	-
Total	100.0%	100.0%

Consumption Patterns of Inbound Tourists vs. Domestic Tourists

There is a variation in the consumption patterns of inbound tourists and domestic tourists of the Kingdom as follows:

- Inbound tourists spent almost 48% of the total expenditures on accommodation, which was more than twice as much as spent by domestic tourists, 20%.
- Domestic tourists spent 19% of the total expenditures on food & beverages, more than twice as much as spent by inbound tourists, 9%.
- Domestic tourists spent 33% of their total expenditures on shopping compared to 20% spent by inbound tourists.

Consumption Expenditure Patterns of Inbound Tourists vs. Domestic Tourists of the Kingdom

Description	Domestic Tourists	Inbound Tourists
Accommodation	20.1%	47.7%
Food & Beverages	18.6%	8.9%
Transportation (Domestic)	13.8%	16.0%
Cultural - Recreation	12.5%	1.8%
Shopping	32.7%	20.0%
Others	2.3%	5.6%
Total	100.0%	100.0%

Methodology

After reviewing the methodology used by the CDS&I, MAS Center identified the tourism-characteristic commodities available from the CLI-AH (CDS&I) commodity basket and made an attempt to develop "Transport and Tourism Price Index" (TTPI) for Saudi Arabia. The same Laspeyres formula was used which is used for constructing CPI. The formula can be expressed as a weighted mean of price relatives between the base period and the period under consideration.

The UNWTO recommends that data on tourism expenditures should be collected and presented by at least the seven primary groups, while the Cost of Living Index of Saudi Arabia has nine components:

Methodology

Components of the TTPI vs. CLI

Components of TTPI as per UNWTO

Package travel, holidays and tours
Accommodation
Food and drinks
Transport
Recreation, culture and sporting activities
Shopping
Other

General

Components of Cost of Living (KSA) (CLI/CPI) as per CDS&I – KSA

Housing & Related items
Foodstuffs
Transport & Communication

Other
House Furnishing
Clothing & Footwear
Medical Care
Education & Entertainment
General

PRICE INDICES AND TOURISM CONSUMPTION IN THE FRAMEWORK OF THE TSA

In their present form CPIs are tools that hold out great potential in the framework of the TSA, although they do entail problems that will be difficult to overcome in the case of inbound tourism. To construct these indices, the statistical procedures currently in use by the national statistical offices will have to address at least the following issues:

- Exploring the outcome of including the territorial component intrinsic to the TSA.
- Performing additional studies to supplement statistical procedures that will make it possible to establish the composition of the resident's shopping basket inside and outside the usual environment and the resulting weighting structure of the indices.
- Expanding procedures to implement specific modules for compiling the real prices actually paid by non-resident visitors in the economy in question.

Derivation of Transport and Tourism Price Index (TTPI) for Domestic, Inbound and Internal Tourists from the Cost of Living Index of Saudi Arabia

Overall three composite Transport and Tourism Price indices (TTPIs) were estimated for the domestic tourists, inbound (foreign) tourists and internal tourists by calculating the weighted averages of the price relatives for individual groups. A comparison of overall (MAS TTPI-DT, TTPI-FT, TTPI-IT) and (CDS&I CLI-AH) is shown in Statistical Table 3 below:

Overall Travel & Tourism Price Indices (TTPI) vs. Saudi Cost of Living Index (CLI), 1999=100

Description	Type of Indices	Monthly Indices				Rate of Changes (%) in June 2009		
		Jun-09	May-09	Mar-09	Jun-08	Monthly	Quarterly	Yearly
TOURISTS	TTPI – Domestic	146.6	146.6	146.8	141.8	0.0	-0.2	3.4
TOURISTS	TTPI – Inbound	139.3	139.3	139.6	133.2	0.0	-0.2	4.6
TOURISTS	TTPI – Internal	143.8	143.8	144.0	138.4	0.0	-0.2	3.8
LOCAL POP.	CLI - Overall	121.5	121.3	121.0	115.5	0.2	0.4	5.2

Results of the Findings:

- Annual Inflation for local population in June-09 was 5.2% and for internal tourists it was 3.8%.
- Annual inflation faced by inbound tourists was 4.6%, while for domestic tourists 3.4%.
- Quarterly inflation rate for internal tourists was less than zero in a quarter, while it was 0.4% for the local population.
- Monthly inflation for internal tourists was zero, while it was 0.2% for the local population.

Conclusion

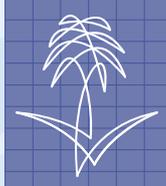
- The TTPI could be derived from the CDS&I CLI but to have the real TTPI index a systematic methodology has to be used according to the international standards.
- The TTPI is needed parallel to cost of living index (CLI) of the Kingdom.
- The TTPI could be a helpful indicator of the effectiveness of the government tourism policy.
- It will be useful in the future tourism research at the national regional and international levels.

Recommendations

- Seek cooperation from the CDS&I to obtain tourism characteristic product weights for 62 items and monthly price quotations on a regular basis and construct TTPI.
- Construct TTPI through the MAS Centre's resources.
- Seek guidance from the UNWTO for constructing TTPI



Thank You



MAS ماس

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