Tough visa regulations slowing down tourism growth in Africa

Countries need to open boundaries to realise proper expansion of domestic tourism

Tourism industry experts say lack of originality among service providers is a major reason the sectors is slow and performing poorly.

Data from the World Travel and Tourism Council shows in 2017, global tourists were 1.2 billion with Africa hosting a paltry 62 million of the world figure. African tourist arrivals supported 8.3 million direct jobs in the same period. This is expected to increase to 11.6 million jobs by 2028.

“There is a lot of copying in the industry. Instead of service providers employing originality, they compete among themselves with the same kind of product hence limiting the growth of the sector,” tourism industry expert Gail McCann told The Star on the sidelines of African Indaba tourism festival in Durban, South Africa. “People travel for many hours to come and experience something different,” she added.

Speaking at a forum dubbed Optimising economic transformations, South Africa Tourism sector support service director general Moronge Ramphele called on African governments to use visa rules that are beneficial to the continent.

“Tough visa regulations are a hindrance to growth, African countries need to open their boundaries for proper domestic tourism growth to be realised,” Ramphele said.

In a joint press conference that marked the official opening of the Indaba, nine African tourism ministers called for greater regional cooperation to ensure growth in tourism across the continent.

Led by South African tourism minister Derek Hanekom, the delegates said an integrated and sustainable tourism framework is the key to unlocking the existing tourism potential in the 54 African countries.

“With global tourist arrivals predicted to reach 134 million by 2030, there is increased need to address the challenges that hinder the growth of tourism. This will require that we find ways to work together to create an enabling environment that will facilitate synergy in the development of regional tourism products, and ensure the growth and sustainability of the African tourism market.”

He has flipped Obama’s oil warfare strategy. Oil prices touched $122.00 a barrel in President Obama’s term in part to bring a recalcitrant Russia to heel and neutral Saudi resistance to his JCPOA deal on its head. Trump, I suspect, is seeking to assist the crown prince of Saudi Arabia up the greasy kingdom of Saudi Pole and the Kremlin is, I’m sure, not complaining.

The US Dollar has been strong-thru across the board. Emerging Markets Bonds which in late January this year touched a record Low spread versus the equivalent US Treasury [just above 200 basis points versus 5 year US Treasuries] blew out. The Spread is at 275 basis points. Argentina [which incredibly sold a Century Bond just last year] after darling up interest rates to an eye popping 40%, has capitulated and distanced the IMF’s Madam Lagarde. At this point in the cycle, the IMF’s importance for many countries cannot be gainsaid.

Turkey’s Lira crashed to all time lows. Countries that have been flying by the seat of their pants are now being caught with their pants down. This has all the ingredients for baking a good old fashioned crisis. The signal in the noise is the yield on 10 year US Treasuries, which yield is around 3%. If we move to 3.5%, we could see a further round of bloodletting.

SSA Governments have tapped the Eurobond markets for more than $15bn so far this year, which is a record haul for any year ever and its not even June. The IMF’s in its latest Africa update judged 6 countries to be in debt distress: Chad, Eritrea, Mozambique [they have lashings and lashings of Natural Gas which means there is a Pathway out of this], Congo Republic, South Sudan and Zimbabwe [there is sufficient goodwill for Zimbabwe to exit this position].

Interestingly, the IMF’s ratings for Zambia and Ethiopia were changed from moderate to “high risk of debt distress.” In Zambia’s case, Eurobond yields are nudging double digits and President Lungu is resisting the only option that is really available, which is the IMF. Faster Growth is a Panacea. In fact after growing just 1.4% in 2016 [a more than 20 Year Low GDP Print] the IMF is projecting growth across sub-Saharan Africa of 3.4% this year. SSA aggregate figures are driven by the big three economies of South Africa [about which I am constructive because of the swing from a scenario of vicious Zambia discount to a Ramaphoria premium], Nigeria and Angola. All three nations are bouncing back from the bottom. Proof of the Pudding will be in the eating, however, and the sustainability of the rebound. The IMF expects that income per person will shrink in all three in 2018, for the fourth consecutive year. That means the Average Individual is empirically worse off for the fourth consecutive year. The Economist correctly concludes: ‘There is reason to worry, then, when the IMF says that regional growth will hover below 4% for the next few years. Since populations are rising, income per person will creep up by barely 1% a year. That makes Africa look more like Italy than China. Better keep praying.”

Bloomberg’s annual Misery Index places six African countries in its top 10 most miserable countries globally in 2018.

Last week, delegates were asked at a @MoodysSivc conference in Lagos what they thought would be the biggest risk for African borrowers, and they were not worried about external shocks but so much as home-grown risks.

Africa has fully loaded the balance sheet. Notwithstanding a record breaking Eurobonds in 2018, it’s as plain as day that the current scenario is a little like Argentina’s century bond moment, a last Hurrah African governments desperate to improve their ROI because envelope space could evaporate momentarily and in a blink of any eye.

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