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Measuring Inbound Tourism Demand – Latvian Experience

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Introduction: facts and figures

(Source – TSA, 2014)

- Tourism Value Added – **4.3%**;
- Inbound tourism demand in Latvia constitutes **72%** of the internal tourism consumption;
- Almost **30%** of the inbound tourism demand is created by the same-day visitors;
- Overnight visitors spend on average **EUR 343** per trip and **EUR 81** per night;
- Same-day visitors spent on average **EUR 57** per trip.



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TSA needs vs existing data sources

- Border Survey is the most important data source in measuring inbound tourism demand;
- Expenditure structure in the Border Survey has not been changed since it was introduced (in 1996);
- Current expenditure structure is formed by 6 positions (services and products), whereas TSA requires 14;
- TSA requires high level of detail of expenditures; different estimates have been introduced.



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The data sources for Inbound tourism demand

Inbound tourism expenditure by products and classes of visitors

Products	Inbound tourism expenditure		
	Tourists (overnight visitors) (1.1)	Excursionists (same-day visitors) (1.2)	Visitors (1.3) = (1.1) + (1.2)
A. Consumption products (*)			
A.1. Tourism characteristic products			
1. Accommodation services for visitors		X	
1.a. Accommodation services for visitors other than 1.b	BS	X	
1.b. Accommodation services associated with all types of vacation home ownership	NA, E	X	
2. Food- and beverage-serving services	BS	E (BS)	
3. Railway passenger transport services	E (BoP, BS)	E (BoP, BS)	
4. Road passenger transport services	E (BoP, BS)	E (BoP, BS)	
5. Water passenger transport services	X	X	
6. Air passenger transport services	E (BoP, BS)	E (BoP, BS)	
7. Transport equipment rental services	E	E	
8. Travel agencies and other reservation services	E (TO)	E (TO)	
9. Cultural services	E (BS, oth.)	E (BS, oth.)	
10. Sports and recreational services	E (BS, oth.)	E (BS, oth.)	
11. Country-specific tourism characteristic goods	E (BS, oth.)	E (BS, oth.)	
12. Country-specific tourism characteristic services	X	X	
A.2. Other consumption products (a)	E (BS, oth.)	E (BS, oth.)	
B.1. Valuables	E (BS, oth.)	E (BS, oth.)	
Total			

BS (**The Border Survey**), E (**Estimate**), BoP (**Balance of Payments**), TO (**Survey on Tour Operator Activities**), NA (**not available**)



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Border Survey

- Continuous survey is conducted since 1996 at State border crossing points (airport; long-distance trains and border posts with Russia, Belarus (once in a quarter); and information is acquired with historical modelling procedure for Schengen roads (Estonia, Lithuania);
- Not used to collect data on transport expenditure (source is BoP Services Credit – air, road and rail passenger transport);
- Some of the expenditure categories include products and services.



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Measuring consumption of goods

Expenditure structure in the BS

BS (current)

- accommodation;
- food, beverages (incl. restaurants, bars);
- local transport (rent, taxi, fuel);
- excursions, entertainment;
- **purchases** (incl. tax free);
- other expenditures (any).

BS (structure of «**purchases**» from 2005)

- clothing, footwear;
- household appliances;
- fuel;
- groceries;
- alcohol, cigarettes;
- medicaments;
- building materials;
- cars;
- other products.

Estimates needed according to the TSA demand

- country-specific tourism characteristic goods?
- valuables?



Measuring consumption of goods

Solution for «purchases»

- Source – structure of **Tax free purchases** from *Global Blue Latvia* (expenses from third countries);
- According to the BS, in 2014 Russia took 21% of the expenditures;
- Similarities can be found between tax free structure and BS (2005) – «clothing and footwear» has the highest proportion;
- Difficulties to link with supply as tax free uses its own classification.



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TSA	Type of tax free products (demand)	Supply? NACE Rev. 2	% (as per tax free)
A.2. Other consumption products (a)	Clothing, footwear	47.71, 47.72	60.7%
B.1. Valuables	Jewelry, watches	47.77	12.6%
A.2. Other consumption products (a)	Department store (mix of products)	47.19	12.5%
A.2. Other consumption products (a)	Electric appliances, computer	47.64	4.8%
11. Country-specific tourism characteristic Goods (47.64)	Sporting goods	47.64	2.5%
A.2. Other consumption products (a)	Other products	?	2.6%
A.2. Other consumption products (a)	Products for a household, garden	47.4	2.2%
A.2. Other consumption products (a)	Cosmetics	47.75	0.9%
11. Country-specific tourism characteristic Goods (47.24, 25)	Grocery stores	47.11, 47.2?	0.7%
A.2. Other consumption products (a)	Optical glasses, sunglasses	?	0.5%
11. Country-specific tourism characteristic Goods (47.78)	Souvenirs	47.8	0.1%

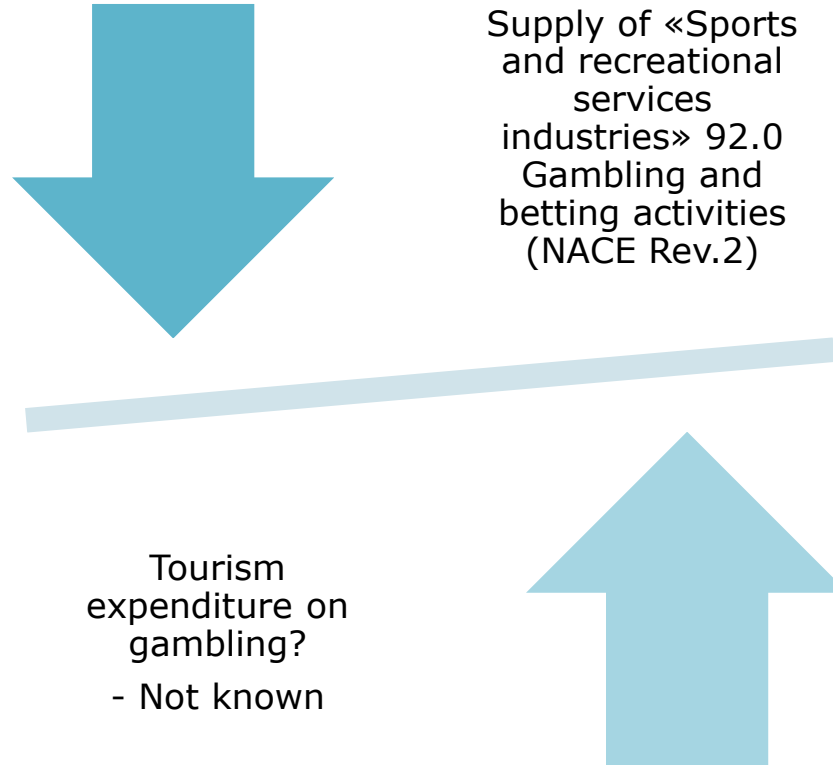
Source – Global Blue Ltd. Structure of Tax Free Purchases (2013)



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Measuring sports and recreational services – gambling

Demand vs Supply





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Measuring sports and recreational services – gambling

Data source:

State Lotteries and Gambling Supervision Inspection

- Number of foreigner visits to national casinos (Lotteries and Gambling Supervision Inspection);
- Almost 40% of the visitors are non-residents – substantial part of earnings may be related to inbound tourism consumption;
- Estimate from **gambling slot machine and gaming table (roulette, cards) turnover** is separated from the expenditure categories «Entertainment» and «Other expenditures»;
- Undervaluation because of the sensitivity towards revealing this type of expenditure in the BS;
- Gambling activities coming from inbound tourism demand could be around 12% from the supply (rough estimate).



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Conclusions

- As a model the TSA demands to analyse tourism demand (survey data) and estimate data quality (under and over estimation recommendations);
- When compiling data or seeking solutions to estimate tourism demand and supply, significant conclusions may be made, e.g. expenditures on gambling;
- More than a half of tourism demand products are estimations from various data sources.



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Future challenges

- Surveys that measure tourism demand should include classification of expenditures according to the TSA;
- Tendency in the countries to abolish surveys and switch to other data sources – will the new ones serve better the needs of the TSA model;
- If survey data include country-specific products, how they may be linked with their supply in line with NACE classification.



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Thank you for attention!

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