

# TOURISM BUSINESS INDEX

Mainstreaming Travel and Tourism in the South African Economy



An Initiative of:



In Partnership with:



Tourism Business Council of South Africa (TBCSA) is the official umbrella body for organised business in the South African travel and tourism industry. The organisation was set up in 1996 by tourism businesses to engage with government with the objective of creating an enabling environment for tourism development.

**We are:**

- An organisation that is made up of members from key travel and tourism associations, leading tourism businesses, as well as corporate companies who recognise the value of tourism to South Africa and to the general economy
- An organisation that represents the South African tourism private sector on macro-economic and high-level issues that affect business at both national and international levels
- The official umbrella body for private sector tourism businesses in South Africa, representing the views of its members in a number of national and international

structures and bodies such as BUSA, UNWTO and is affiliated to the World Travel and Tourism Council (WTTC)

- An organisation that aims to ensure that tourism business plays a constructive role in the country's economic development, growth and transformation; As well as to create a tourism environment in which businesses of all sizes can thrive, expand and be competitive
- A managing agent for TOMSA (Tourism Marketing Levy), through which the tourism private contributes to the funding of our country's marketing budget.

The TBCSA does not only speak on behalf of the travel and tourism private sector, but also plays an active role in galvanising business into action.

The TBCSA FNB Tourism Business Index (Tbi) is one of the groundbreaking initiatives driven by the organisation with the key objective of mainstreaming travel and tourism in the South African economy.



## Foreword:

Chief Executive Officer: TBCSA  
- **Mmatšatši Marobe**



*“The first anniversary of the TBCSA FNB Tourism Business Index (TBI) is a real milestone for the South African travel and tourism industry.. Through this performance monitoring tool, not only is business empowered to plan more effectively, but as a collective we are now in a better position to inform, educate and inspire confidence in travel and tourism as a key economic driver.”*

For an industry which is sometimes described as fragmented, we are certainly making some headway in breaking this stereotype. Since the launch of the project in 2010, business support has been growing at an impressive rate. In our view, we need to reach a stage where each and every tourism operator in the country contributes to the index, consistently, on a quarterly basis. This way we will be able to expand and develop sub-indices of all sectors of the tourism value chain and possibly expand this initiative beyond the borders of South Africa. It can be done!

This information booklet outlines the TBI results for the full year of 2011, as well as the latest results of the first quarter of 2012. Last year proved to be a tough one for many in the business with TBI reporting low performance levels for much of the year. The situation was evident on the ground, with increased closures in the restaurant and tour operator sectors while the hotel sector saw more properties changing hands through mergers and acquisitions, etc. The beauty of having a “tool” such as the TBI is that we are kept in the loop when the tide starts to turn.

As I conclude, I want to thank all the travel and tourism businesses that supported the TBI in the past year. Our appreciation also goes to our committed partner that is First National Bank, a TBCSA Crown Member and TBI project sponsors for their continued support of the industry. Lastly, I also want to thank the team behind the compilation of the TBI at Grant Thornton.

The journey continues as we seek to firmly establish the TBI as a valuable information tool for business by business. We ask all businesses in the industry to look out for the TBI and support it by completing the quarterly survey – it will take you between 15 to 20 minutes to complete, it is that simple. Moreover, it is for the good of our industry if we want to be mainstreamed in the economy.

## Foreword:

*Head of Tourism: FNB Commercial*  
*- Wiza Nyondo*



As the leading bank for Tourism in South Africa FNB prides itself on the close relationships it has forged with the Tourism industry. FNB also has Innovation as one of its key strategic pillars with the TBI another example of value adds FNB brings to its clients and the industry in true HOW CAN WE HELP YOU style.

Any solution is as good as its usability and do we believe that this can be a very useful tool for Private Business as it is build by Private Sector for Private Sector. Information is always a problem in the Tourism industry and will this help businesses to drive informed decision making on for example capital outlays etc.

Finally is the TBI another step closer to making the South African Tourism Industry World Class.

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## INTRODUCTION

### Mainstreaming Travel and Tourism in the South African Economy



We in the tourism industry realise the incredible importance of Travel and Tourism for many destinations. Tourism creates and sustains jobs and generates economic activity and tourists are the main market for many businesses -some such as hotels can be readily identified, whereas others such as restaurants and retail facilities less so.

But not everyone in the policy, strategy and decision making arenas understands the business of tourism, whether we are talking about government or other significant economic players such as mines, banks, property developers etc. Raising the knowledge levels and understanding of the industry is a key priority at a global level through the World Travel and Tourism Council (WTTC) and locally through the TBCSA.

The Tourism Business Index (TBI) is an initiative of the Tourism Business Council of South Africa, sponsored by FNB and compiled by Grant Thornton, to address these two issues; stressing the importance of the tourism industry and its players to other economic stakeholders, and providing business intelligence to the various businesses in the industry. The index is produced quarterly through a survey of business leaders, owners and operators across the various sectors in the industry nationally. Currently three main indices are calculated - one for the entire industry, one for the accommodation sector and one for the non-accommodation industry.

It must be stressed that the survey and index cover tourism industry businesses and business performance, and not the tourism industry per se. There are instances when the overall industry may be growing, but over-supply, or changes in spending patterns, may mean that businesses are not performing well. The index is therefore developed by the private sector and aimed, in the first instance at informing private sector players about business conditions.



Tourism is an industry that is well-suited to a business tendency survey and index compilation. It is an industry that is difficult to measure and one which is volatile and subject to short term fluctuations. These are dimensions that the OECD cites as making the use of business tendency surveys beneficial. These surveys provide rapid information in areas not covered by quantitative statistics, which have their own shortcomings. The TBI survey and compilation follows the OECD guidelines for a business tendency survey and index.

The index is based on normal performance (excluding seasonal variations) set at 100, and an index above 100 is better than normal performance while below 100 is worse than normal performance. If every business polled stated that every aspect of their operation had performed significantly worse than normal, then the index would register 0. Similarly if every respondent stated that performance was significantly better than normal across all the dimensions surveyed, then the index would register 200.

In addition there are two indices compiled; one being the actual performance last quarter and the second being the expected performance next quarter. A series of questions on factors affecting business performance positively and negatively, provide more detailed feedback on what did (last quarter) and what is expected to (next quarter) influence industry performance.

The overall trend in industry performance that the TBI shows, allows businesses to judge whether they are doing better or worse than the industry generally. Particularly when times are difficult businesses can use the TBI to inform stakeholders, including Boards, Unions and other business partners of the general industry performance levels. Even for smaller independent business, the index is beneficial as it can assist in highlighting new business impacts that might not have been considered, thus assisting SMMEs to strategise and take decisions based intelligence garnered from other players in the industry.

The benefits of the TBI do not stop at assistance to industry players. By providing a snapshot of tourism business performance, the index becomes a useful tool in positioning the value of Travel and Tourism in the South African economy. Those in economic policy and strategy decision making are therefore also better informed about the industry and its needs.

To sum it up, with a quote from the international OECD (Organisation for Economic Development and Cooperation) Standards and Guidelines for Business Tendency Surveys: "surveys of this type provide information that is invaluable to the respondents themselves, and to economic policy makers and analysts." The TBI's aims are just that - to inform businesses in the industry, market analysts and the economic policy makers.

## DEFINITIONS

### What is a Business Index?

The Tourism Business Index is a business tool that focuses on the performance and profitability operating in the travel and tourism sector. The index tracks actual recent business performance and is an indicator of prospects for short-term future performance.

The information is designed to assist individual businesses understand the current tourism operating environment and plan for the likely future business climate.

### What is Normal?

The reported changes or expected changes in demand and profitability are expressed relative to the expected normal levels of business for the relevant period. Normal is defined as “the level of acceptable business performance in line with the realistic long term average performance you would hope to achieve, or the long term average historical performance experienced, during this quarter, i.e. taking seasonal variances into account”.

Normal is then calibrated to an index of 100. When the index shows Performance or Prospects at higher than 100, this indicates better than normal performance while, below

100 indicates worse than normal performance. If all business surveyed indicate a significantly better than normal performance across all dimensions covered, the index could register a maximum high of 200, while significantly poor performance for all businesses would result in an index of 0.

2 – 3 Years is usually required before a business tendency index can be said to be fully bedded-down. This allows performance and prospects to be compared over time and any underlying response bias that could impact on the index to be adjusted for.

### The Balance Statistic

Results from qualitative questions are provided in the form of a “balance” statistic. This is the difference between the percentages of positive and negative responses. A balance for each question is calculated by deducting the percentage of negative replies from the percentage of positive answers given to each question.

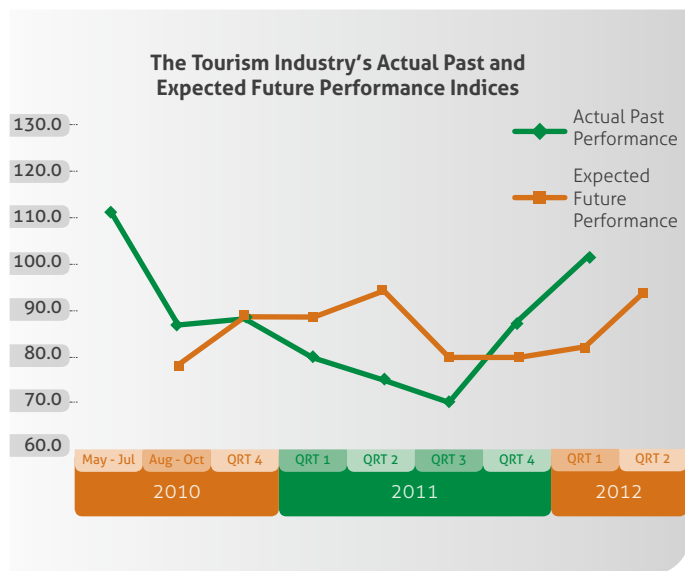
The final value is a single figure, with a minus representing an overall negative outlook or performance and a positive figure an overall positive outlook or performance. For a given balance, the varying percentage of “normal” replies and the split of positive/negative replies over the two options in the scale may indicate a varying degree of uncertainty or a stronger positive or negative outlook amongst managers.



# SECTION 1

TBI Quarter 1 - 2012

## The Tourism Business Index Quarter 1-2012



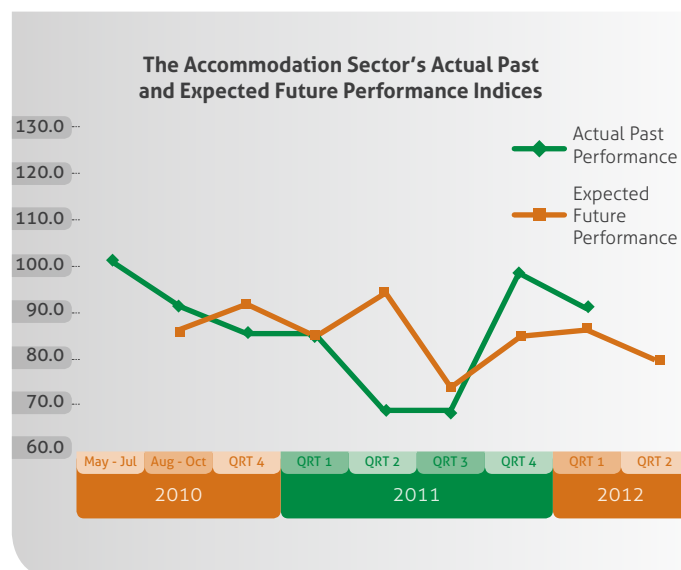
Since the start of the 4th quarter of 2011, the Tourism Industry's actual performance index has been rising steadily, breaking the "normal" index of 100 for the first time since the pilot phase in the first quarter for 2012. For the first quarter of 2012, the TBI registered a performance index of 101,9 against a normal of 100, indicating a slightly higher than normal performance. When compared to the expected industry performance index of 82,2 for the first quarter of 2012, the Industry performed much better than expected. The Tourism Industry also performed much better than in the last quarter of 2011 (a performance index of 87,3 at the end of 2011, compared to the actual performance index of 101,9 for the first quarter of 2012).

The TBI has recorded a higher actual performance than expected for the second consecutive quarter, indicating a degree of caution in the industry in terms of outlook, with actual performance beating these cautious expectations.

The future expected performance however, is lower than the last quarter performance with an index of 93.2 for the second quarter of 2012. This however, is almost on a par with the previous highest expected performance for the second quarter of 2011 of 94,1 and is therefore an improvement on the expected performance indices recorded by the Industry for the last three quarters. The actual and expected performance indices are all indicating that tourism businesses are starting to emerge from the recessionary impacts felt during the second half of 2010 and 2011.

Both sub-indices (accommodation and other tourism business sectors) indicated performance better than anticipated for the first quarter of 2012.

The accommodation sector performance index for the first quarter of 2012 was 92,2 compared to the expected performance index of 85,5 for this quarter. The result indicates that overall accommodation businesses have had a better





than expected quarter, but have still performed slightly worse than during the last quarter of 2011 (a decrease of 6,7 index points from a performance index of 98,9 for the fourth quarter of 2011 to 92,2 for the first quarter of 2012).

The accommodation sector has indicated a more conservative outlook for the second quarter of 2012 of 79,8, which is also lower than its outlook in the last two quarters. Compared to the actual performance index (92,2) for the last quarter, this indicates an expected decline in performance and the sector is certainly not indicating that they expect a repeat of the almost normal performance levels experienced in the same quarter of 2011. This outlook could be as a result of the various factors affecting domestic leisure and business travel such as the recent fuel price hike.

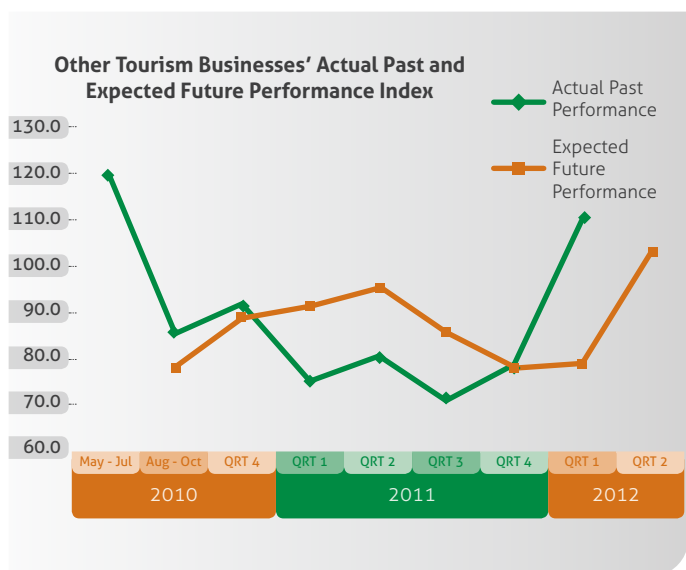
The last quarter's higher accommodation sector performance index is largely influenced by the backpackers, independent hotels and the independent and group self catering and camping establishments, which, during the first quarter of 2012, all recorded better than normal performance levels. The index was also

assisted by the B&B's and guest houses and the timeshare establishments, which all recorded normal or very close to normal performance levels.

During the first quarter of 2012, the other tourism sector recorded a performance level higher than the accommodation sector with an actual performance index of 109,3, compared to an expected performance index of 79,4 for the first quarter of 2012, indicating, that to a significantly greater extent than the accommodation sector, these business experienced a much better than expected quarter.

This other sector of the Tourism Industry also recorded a more bullish outlook than accommodation regarding their expected performance levels for the second quarter of 2012 with an expected performance index of 103,5. This prediction is much higher than all the predicted performance indices recorded in the past and closer to the actual past performance index for the first quarter of 2012 (in contrast to the accommodation sector which expects a poorer second quarter of 2012 and performance levels well below normal). This is also the first time since the inception of the index that any forecast performance levels have bettered normal.

The last quarter's actual past performance index within this sector of the Tourism Industry, was influenced by the conference and event organisers, the travel agents, retail outlets, the FOREX service providers as well as the vehicle rental companies which all recorded higher than normal levels of performance during the last quarter. The coach operators and airlines however, recorded performance levels below normal levels.

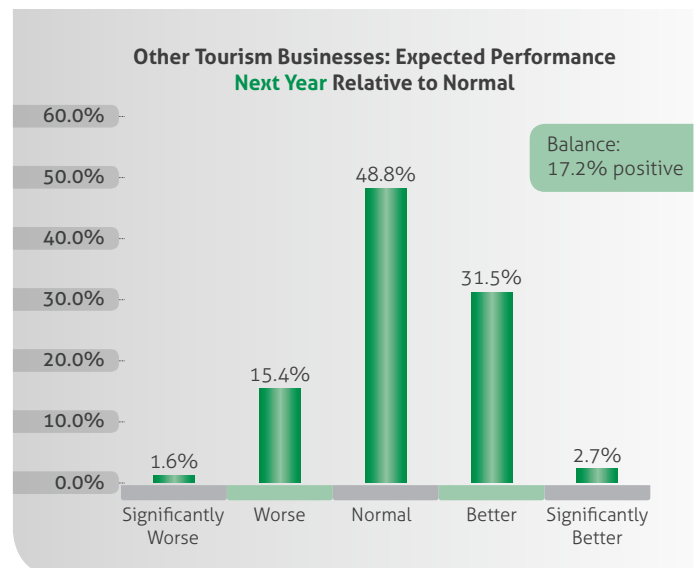
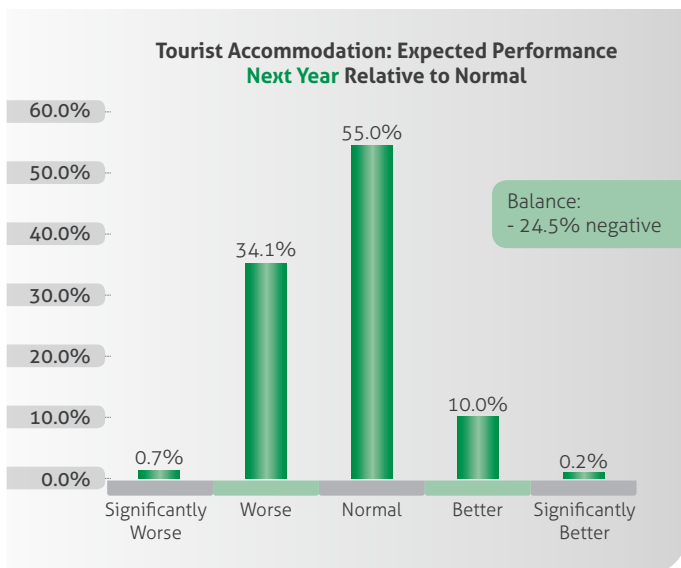


### TBI Summary

		Overall		Accommodation		Other	
		Actual	Forecast	Actual	Forecast	Actual	Forecast
2011	1 <sup>st</sup> Quarter	79.6	89.1	85.3	85.5	75.1	91.9
	2 <sup>nd</sup> Quarter	74.5	94.1	67.8	94.0	79.6	94.1
	3 <sup>rd</sup> Quarter	70.0	81.0	67.7	73.9	71.8	86.4
	4 <sup>th</sup> Quarter	87.3	80.7	98.9	84.9	78.3	77.4
2012	1 <sup>st</sup> Quarter	101.9	82.2	92.2	85.8	109.3	79.4
	2 <sup>nd</sup> Quarter		93.2		79.8		103.5

## Balance Statistics

### Next Year

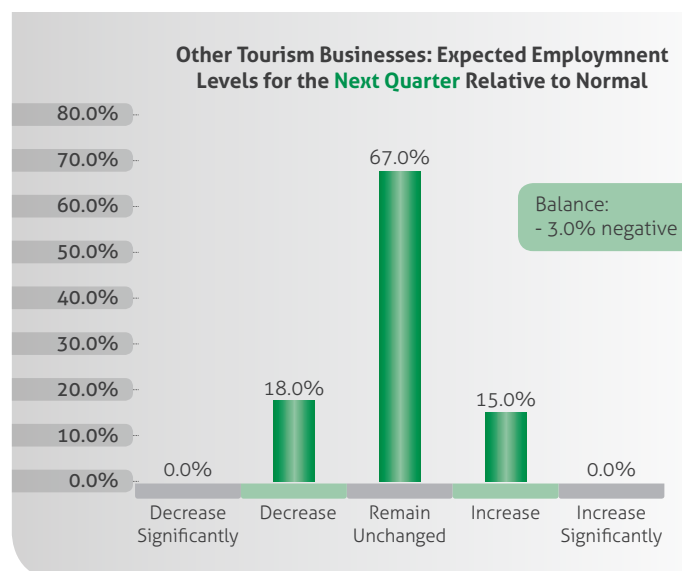
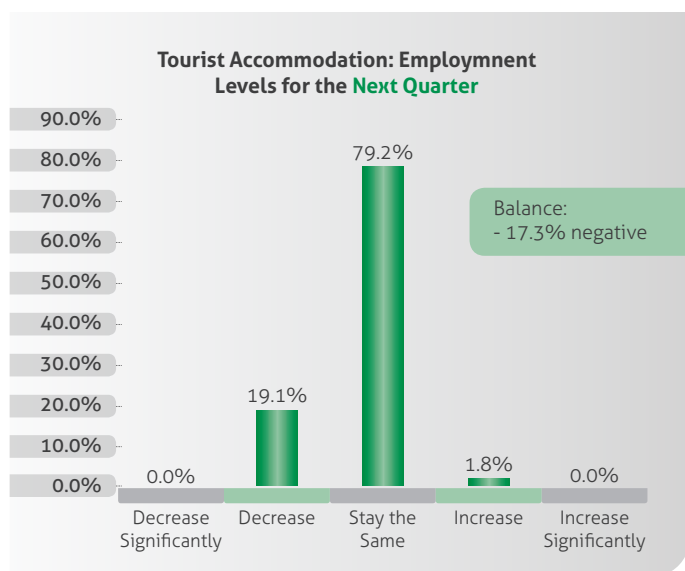


When considering the next year (as opposed to the next quarter) prospects are improving, but are still fairly pessimistic. The accommodation sector is pessimistic, with a negative balance statistic of -24,5%. A large portion of accommodation businesses (34,1%) still expect worse than normal performance levels; down from 63,1% in the last edition, and only 0,7% expect significantly worse than normal performance. In contrast, only 10,0% are expecting higher than normal performance levels within the next year. The majority of the accommodation businesses (55%) expect normal performance levels. This balance statistic has however improved from the next year expectations of -53,0% in the last edition.

The other tourism businesses are much more optimistic about the next year, with a balance statistic of 17.2%. This is a significant turnaround from the -16,9% balance statistic recorded by the other tourism businesses regarding the next year in the previous edition. In this edition, over a third of the other tourism businesses (34,2%) expect performance levels to be better or significantly better than normal over the next year, while only 17% are expecting worse than normal or significantly worse than normal performance levels. The largest portion of the other tourism business (48,8%) are expecting normal business performance levels during the next year.



## Employment Levels



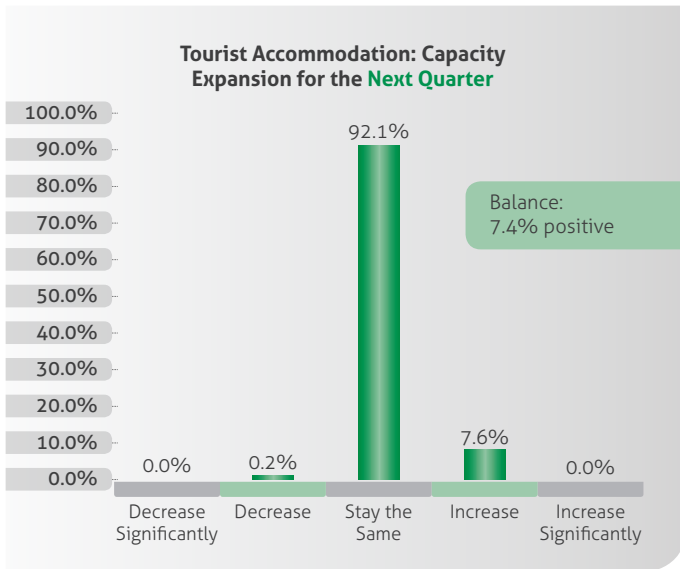
Both the accommodation sector and other tourism business have a negative expectation regarding employment levels in the second quarter of 2012. The accommodation sector recorded a negative balance statistic of -17,3%, while the other tourism businesses are less negative with a balance statistic of -3,0%.

Very few accommodation operators (1,8%) intend to increase their employment levels during the second quarter of 2012, while 15% of the other tourism businesses are expecting increases in employment levels. The majority of operators (79,2% for accommodation operators and 67,0% of the other tourism businesses)

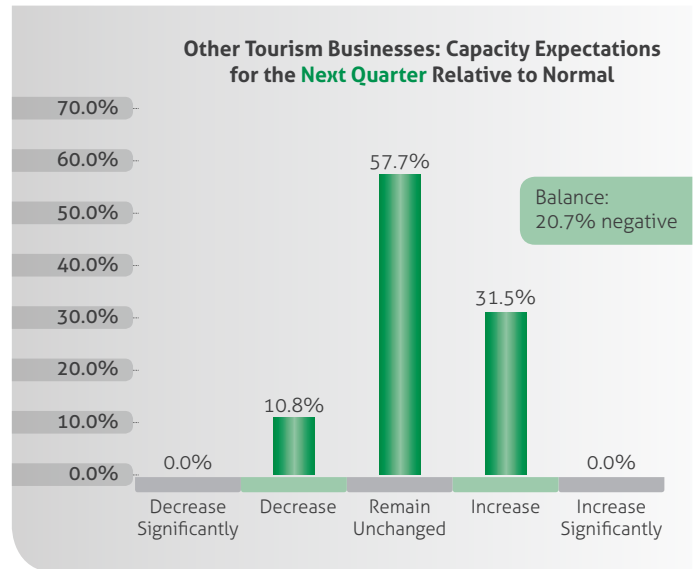
expect their employment levels to remain unchanged, while 19,1% of accommodation respondents and 18% of the other businesses expect to decrease their employment levels.

When compared to the expectations regarding employment levels recorded during the previous edition within the accommodation and other tourism businesses (balance statistic of -15,4% and 1,6% respectively), it is discouraging to see that there is a somewhat more negative outlook emerging within the tourism industry regarding future employment levels.

## Capacity Growth Expectations



The majority of the accommodation operators (92,1%) indicate that their room/unit capacity will remain unchanged in the next quarter compared to 69,3% in the last edition. Only 7,6% indicate that they plan to increase their unit/ room capacity, while 13,7% expected to increase their room/unit capacity in the prior edition. However, only 0,2% of the accommodation operators expect a decrease in their room capacity during the second quarter of 2012, resulting in the positive balance statistic of 7,4%. This 0,2% decreasing capacity is a 16,8% percentage point decrease from the 17% who expected decreases in the first quarter of 2012.

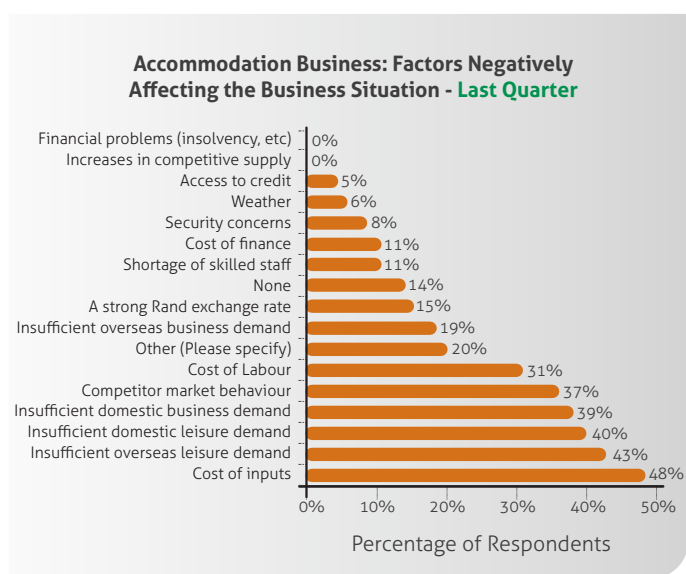


Other tourism businesses report even a higher positive balance statistic of 20,7% regarding their expected capacity for the next quarter. The majority of the operators (57,7%) are expecting that their capacity will remain unchanged, while a large number (31,5%) feel that their capacity will increase. 10,8% Of the operators expect their capacity to decrease. When compared to the expectations within this sector regarding capacity recorded for the first quarter of 2012 (positive balance statistic of 21,0%), expectations are slightly less optimistic regarding of capacity growth within this sector of the tourism industry for the second quarter of 2012.

## Factors Affecting Business Conditions

When considering the performance of the Tourism Industry, this report considers both positive and negative possible factors which are impacting on the performance of the different sub-sectors.

### Negative Factors - Last Quarter

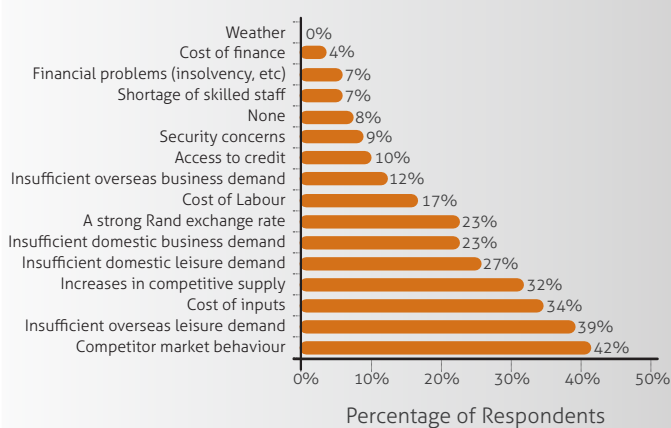


In the accommodation sector, the most recorded negative factor during the first quarter of 2012 is costs of inputs (reported by 48% of respondents), followed closely by insufficient overseas and domestic leisure demand (reported by 43% and 40% of the respondents respectively). In the previous edition, these were the three most mentioned negative impacting factors, but all at lower levels; insufficient overseas leisure demand was mentioned the most (by 41% of respondents) in the last edition, followed by costs of inputs (mentioned by 38% of respondents), while 34% of respondents felt in the last edition that insufficient domestic leisure demand was a negative impacting factor on their business. In this edition, 14% of the accommodation

respondents felt that no specific factor had a negative impact on their business performance during the first quarter of 2012, compared to 16% in the last edition. Insufficient domestic business demand, competitor market behaviour and cost of labour were also cited by many of the respondents (39%, 37% and 31% respectively) as negative impacting factors during the first quarter of 2012. Noteworthy is that in the previous edition, no respondents cited insufficient domestic business demand as a negative impacting factor, compared to the 39% of respondents who cited this factor in this edition. Furthermore, in the previous edition, no respondents predicted this factor to be a negative impacting factor for the first quarter of 2012 indicating that levels of domestic business demand have disappointed.

Once again a limited number of respondents felt that the shortage of skilled staff negatively affected their business in the first quarter of 2012 (mentioned by 11% of respondents), however, this is up from the 6% who stated this as a negative contributing factor in the previous edition. Security concerns have decreased by 2 percentage points as a negative impacting factor from 10% who stated it as a negative factor in the previous edition to 8% in this edition, after it declined from 10% to 6% from the second to third quarters of 2011.

### Other Business: Factors Negatively Affecting the Business Situation - Last Quarter



Some other specific factors cited which had a negative impact on players in the accommodation industry during the first quarter of 2012 include; increases in municipal tariffs, increased fuel costs, the lack of marketing done by DMCs in certain parts of the country, the economic decline in Europe which has caused a significant decrease in tourists from the UK and other European Regions, and the increase in the number of so called “illegal” guest houses and B&Bs which are coming up in certain areas of the country, which are undercutting rates.

A strong rand exchange rate has increased from its expected negative impact mentioned by 9% during the last edition to 15% for the first quarter of 2012. Insufficient overseas business demand decreased very slightly from the 20% who cited this as a negative factor during the last quarter of 2011 compared to 19% of respondents who cited this as a negative impacting factor this quarter.

Increase in competitive supply and financial problems were not indicated as negatively impacting factors for the first quarter of 2012, as they were similarly not indicated in the last edition. This is also in line with the expectation regarding these factors from the last quarter edition.

Other tourism businesses indicate more impediments to business performance in the first quarter of 2012, compared to the accommodation sector. Competitor market behaviour (42%, compared to 37% in the previous edition), insufficient overseas leisure demand (39%, compared to 61% in the previous edition), costs of inputs (34%, compared to 37% in the previous edition) and increases in competitive supply (32%, compared to 25% in the previous edition) were most indicated as negative contributing factors.

Insufficient domestic leisure and business demand were mentioned by 27% and 23% of the respondents as negative impacting factors during the first quarter of 2012, compared to 44% of the respondents who cited insufficient domestic leisure demand and 20% who cited insufficient domestic business demand during the last edition. Insufficient domestic leisure demand was expected by 45% of respondents in the last edition to have a negative impact on the first quarter of 2012, while only 20% expected domestic business demand to have a negative impact. This indicates that domestic leisure had less of a negative impact on the first quarter of 2012 than expected while domestic business demand had more of an impact than expected.



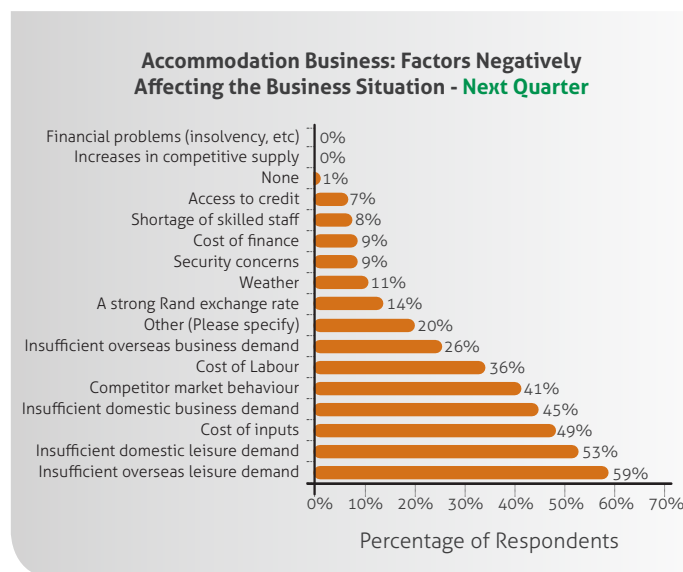


A strong Rand exchange rate and cost of labour (23% and 17%) were also perceived by many as impacting factors during the first quarter of 2012. The factors which were indicated as least impacting on these businesses were: weather (mentioned by none of the respondents), cost of finance (mentioned by 4% of the respondents), financial problems (mentioned by 7%), security concerns (mentioned by 9%) and access to credit (mentioned by 10%) Noteworthy is that only 8% of the respondents in the other tourism businesses felt that no specific factor had a negative impact on their business during the first quarter of 2012, in comparison to the 14% of respondents who cited no specific impacting factor in the accommodation sector.

Only 7% of the other business operators felt that the shortage of skilled staff negatively affected their business operations during the first quarter of 2012. This factor had decreased slightly from the 8% of the other tourism business respondents reporting the shortage of skilled staff as a negatively impacting factor in the previous edition.

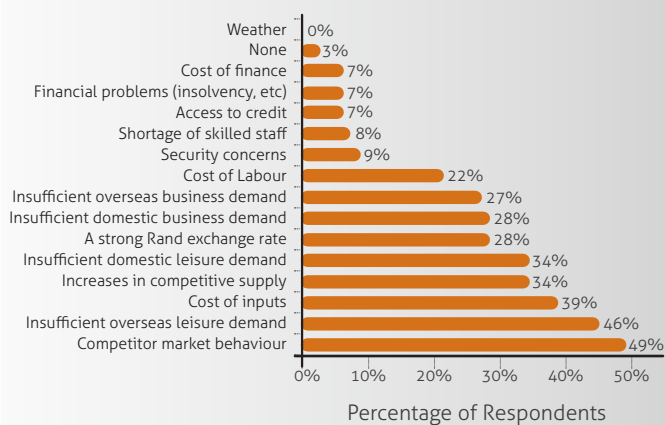
Some of the other negative factors cited to have impacted on other tourism businesses' performance during the last quarter include: the increases in fuel prices, food prices and municipal tariffs, the perception of political instability in South Africa and that South Africa is not seen as a shopping destination.

## Negative Factors - Next Quarter



Insufficient overseas and domestic leisure demand is expected by 59% and 53% of the respondents to have a negative impact on the second quarter of 2012. Cost of inputs (49%), insufficient domestic business demand (45%), competitor market behaviour (41%) and the cost of labour (36%) are all important expected negative impacting factors. Insufficient overseas business demand is expected to have a greater impact during the next quarter (cited by 26% of respondents as an expected negative impacting factor for the next quarter) than compared to the first quarter of 2012 (cited by only 19% of respondents). Only 1% of the respondents felt that no specific factor will have a negative impact on their business operations during the next quarter.

**Other Business: Factors Negatively Affecting the Business Situation - Next Quarter**



The shortage of skilled staff is expected to have less of an impact on the second quarter of 2012 than in the first quarter (8% of the respondents cited this factor as a expected negative factor for the next quarter, compared to 11% who stated that the factor had a negative impact on the first quarter of 2012). Increases in fuel costs and municipal tariffs, as well as the increasing number of so called “illegal” guest houses and B&Bs which undercut rates, as well as ineffective marketing strategies by DMCs and the economic down turn in Europe were mentioned by a number of respondents as specific negative factors expected to have an impact on the accommodation sector during the next quarter.

For other tourism businesses, competitor market behaviour (49%) and insufficient overseas leisure demand (46%) is seen by many respondents as negative impacting factors for the next quarter. Cost of inputs (39%), increases in competitive supply (34%) and insufficient domestic leisure demand (34%) are some of the other important negative impacting factors.

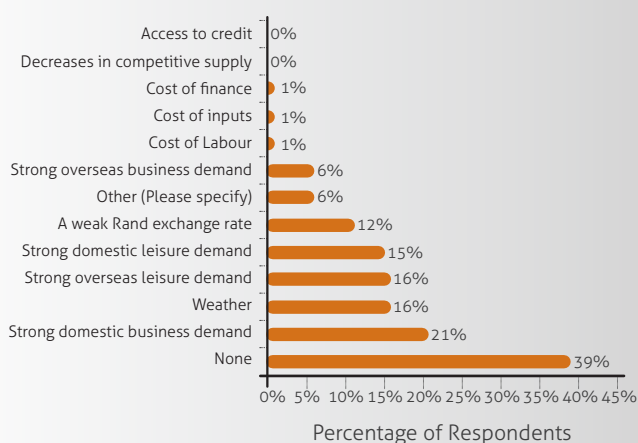
Weather, cost of finance, financial problems and access to credit are the least mentioned negative impacting factors expected for the second quarter of 2012. Only 3% of the respondents expect no specific factor to have a negative impact on their businesses during the next quarter. Shortage of skilled staff is expected by 8% of the respondents, compared to 6% who expected this factor to have a negative impact in the last edition. While security concerns has also decreased as a negative impacting factor from 13% in the first quarter of 2011 to only 9% predicting that this factor will have a negative impact in the second quarter of 2012. Cost of labour is expected to be an impacting factor by 22% of the respondents, compared to 17% who expected it to have a negative impact in the last edition.

The economic down turn in Europe, the high fuel and food costs and the planned e-tolls were cited as expected major negative impacting factors for the next quarter.



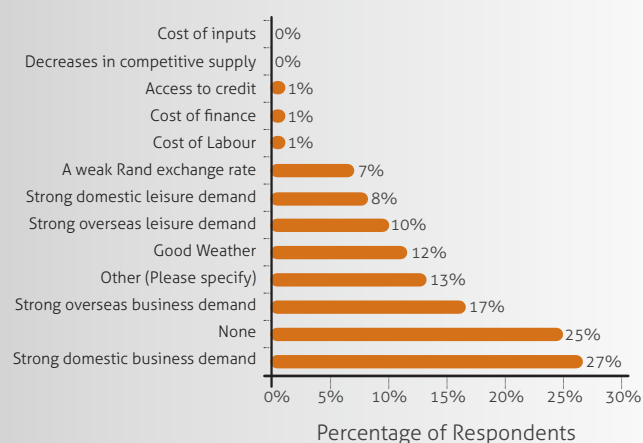
## Positive Factors - Last Quarter

**Accommodation Business: Factors Positively Affecting the Business Situation - Last Quarter**



A large portion of the respondents (39%) felt that no specific factor had a positive impact on their business during the last quarter. This is an increase from the 25% of respondents who cited no positive impacting factors in the previous edition. Strong domestic business demand, weather, and overseas and domestic leisure demand were important positive impact factors for a few of the respondents (21%-15%) in the first quarter of 2012. Decreases in competitive supply, access to credit, cost of finance, cost of inputs and cost of labour were not relevant as positive impacting factors, as was the case in the previous edition. However, strong overseas business demand was mentioned by 6% of the respondents as a positive impacting factor over the last quarter, compared to none of the respondents who cited this as a positive impacting factor in the last edition.

**Other Business: Factors Positively Affecting the Business Situation - Last Quarter**



Some of the other factors mentioned by the accommodation operators include; overseas guests who travel to South Africa during the cold European winter, corporate business contracts signed during the last quarter already started to bring in more business and one respondent felt that their location close to business centres and the airport really boosted their business performance during the last quarter.

A large portion of the operators (27%) in the other tourism sector felt that strong domestic business demand had a positive impact on their business operations during the first quarter of 2012, while 25% felt that no factor had a positive impact during this quarter (this is an increase from the 18% which felt that there was no real positive impacting factors in the last edition).

Strong overseas business demand (17%), the weather (12%), overseas and domestic leisure demand (10% and 8%) and a weak exchange rate (7%) were the only noted factors selected by some respondents as positive impacting factors.

As in the case of the accommodation sector, the cost of inputs, decrease in competitive supply, access to credit, cost of finance and the cost of labour were not relevant as positive impacts during the first quarter of 2012.

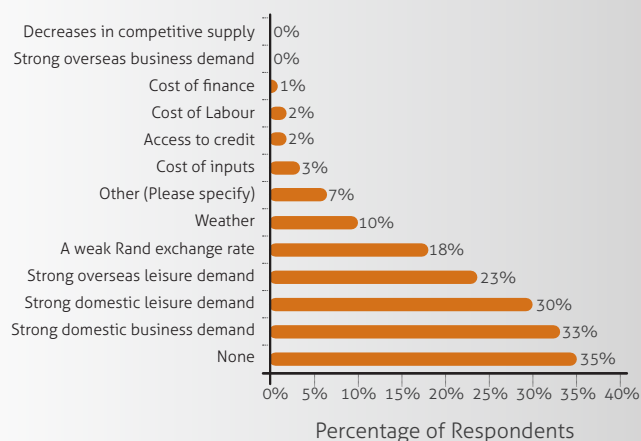
Some of the respondents felt that their business was impacted on positively by more exposure through successful marketing strategies, relationship building with their loyal clients which resulted in higher return business during the first quarter of 2012 as well as revised pricing policies to assist their cash strapped clients.

## Positive Factors - Next Quarter

For the second quarter of 2012, a large portion of the accommodation operators (35%) expect no specific factor to have a positive impact on their business operations, compared to 24% who expected no specific factor for the previous edition. Strong domestic business and leisure demand and overseas leisure demand are expected by some of the respondents (33%-23%) to have a positive impact on their business operations. Other impacting factors mentioned are; a weak Rand exchange rate (18%) and weather (10%).

Decrease in competitive supply, strong overseas business demand, cost of finance, cost of

**Accommodation Business: Factors Positively Affecting the Business Situation - Next Quarter**



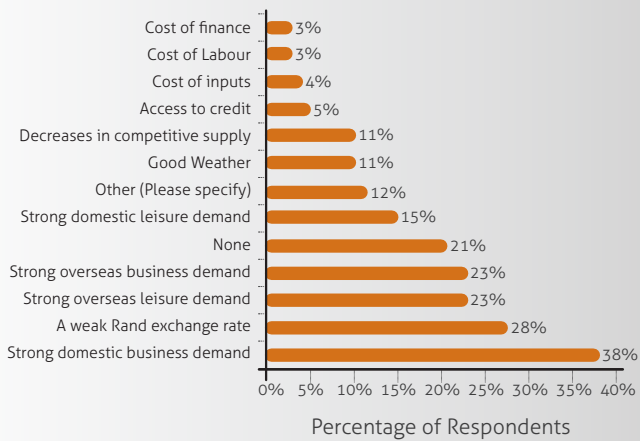
labour, access to credit and cost of inputs are all expected to have no or limited impact in the next quarter.

One of the respondents felt that there is an increase in the demand for sporting travel, which is expected to have a positive impact on their business during the next quarter. Other positive impacting factors cited by the respondents include the reduction of their overheads and expenses, increase spend expected by the Government and private sector as well as the Indaba in Durban.

Looking at the other tourism businesses, 38% expect strong domestic business demand to have a positive impact on their business performance in the next quarter (compared to 24% who cited this as a positive impacting factor during the last edition). A weak Rand exchange rate, strong overseas leisure and business demand (both cited by 23% of the respondents) and strong domestic leisure demand (15%) are also expected to have a positive impact.



**Other Business: Factors Positively Affecting the Business Situation - Next Quarter**



Noteworthy is that 21% of the operators expect no specific factor will have a positive impact on their business during the next quarter, compared to only 5% in the previous edition.

12% of the operators within the other sector of the tourism industry cited other factors as important positive impacting factors for the next quarter and these include: innovative marketing ideas, higher standards of service, greater relationships with clients which will result in repeat business and more competitive pricing models.

Once again cost of finance, cost of labour, cost of inputs, access to credit and decrease in competitive supply were not cited by many of the respondents as factors expected to have a positive impact on the next quarter's business performance. Good weather was only cited by 11% of the respondents as a positive impacting factor during this edition, in comparison to the 13% who expected this factor to have a positive impact in the previous edition.

## General Business Indicators

The Quarterly RMB/BER Business Confidence Index ("BCI") from 2010 to the first quarter of 2012 is illustrated in the table below.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2010	43	36	47	44
2011	55	48	39	38
2012	52			

Source: BER

As 50 indicates neutral levels of confidence, the index was in negative territory during 2010. In the first quarter of 2011 the index went into net positive territory for the first time in years. However, the index declined by 7 index points to 48 in the second quarter of 2011 and continued to decline during 2011, ending the year on 38, the lowest it had been in eighteen months, but still above the lowest registered point of 23, which was during the global economic recession in 2009.

In the first quarter of 2012, however, the index rose by 14 points to 52, indicating that the companies in South Africa who are optimistic about the prevailing business conditions are now in the majority. This is the first time in a year that the index is in positive territory, however, it is slightly below the positive index of 55 recorded in the first quarter of 2011.

The tourism business index, similarly to the RMB BER index in the first quarter of 2012, also reached positive territory for the first time in a year for the BER and over almost 2 years for the

TBI, with tourism at 101,9 above 100, compared to 52 above 50 for the BER. The RMB/BER is a business tendency survey based on OECD methodology as is the TBCSA FNB TBI.

The SACCI Business Confidence Index ("BCI") is a composite indicator, as oppose to a tendency survey. The BCI is a market-related index that reflects not what business is saying, but what it is doing and experiencing. It is therefore not an opinion/perception-based index. It is likely that in any one month the business mood will be influenced both positively and negatively by various developments in the economy. The BCI seeks to reflect the net results of these

influences. Even though the BCI is not tendency survey like the TBI, it is another regular and timeous indicator of economic activity to which the TBI can be compared.

The index is based on the average economic activity for 2005 being a base of 100. The index rose above 100 in 2006 reaching 119 at its highest level and stayed above 100 in the early part of 2007 and thereafter declined. The index average for 2009 was 97,7. The index average rose only slightly in 2010 with 2,3 index points to 100. The average index for 2011 was 100.4 (only a marginal increase from the 2010 index average).

The SACCI BCI for 2011 and 2012 is presented in the below table.

2011											
Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
103,1	101,9	104,2	102,5	101,2	102,4	99,0	98,6	98,4	97,5	97,4	99,1
2012											
Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
97.1	99.5	95.7									

Between January and March 2012, the SACCI BCI reduced slightly from the previous quarter (a quarterly average of 98 for the last quarter of 2011, compared to the quarterly average of 97,4 for the first quarter of 2012).

The TBCSA FNB Tourism Business Index possibly indicates somewhat stronger (more positive) business performance for the first quarter of 2012 when compared to the SACCI BCI.

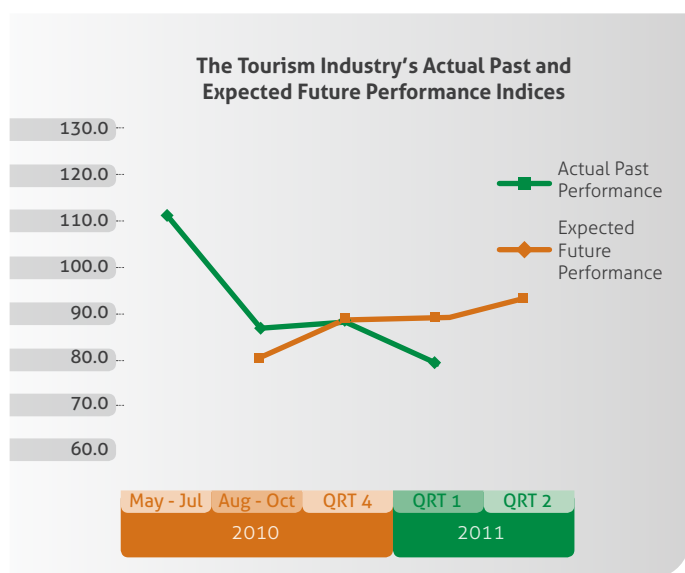
## Respondents

For this edition of the TBI we received 136 responses, which are broken up into 97 within the accommodation sector and 39 responses from the other tourism business.

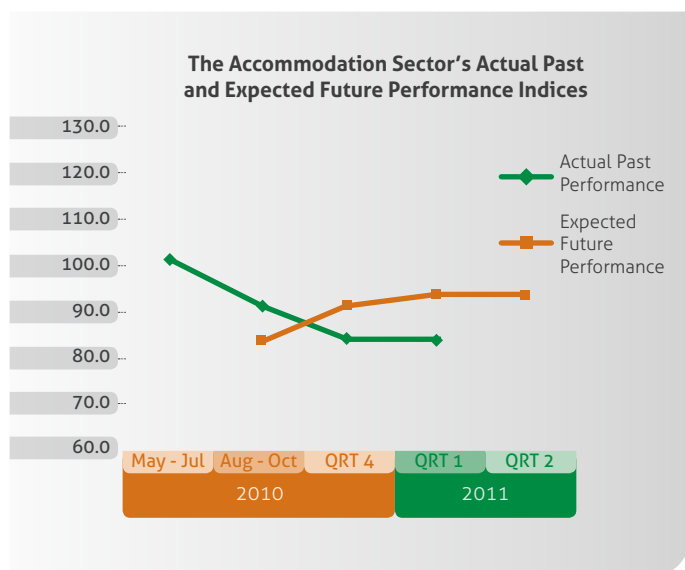
# SECTION 2

TBI Quarter 1 - 2011

## The Tourism Business Index Quarter 1-2011



For the first quarter of 2011 the TBI registered a performance index of 79,6 against a normal of 100. When compared to the expected industry performance index of 89,1 for the first quarter of 2011, the tourism industry overall has performed significantly worse than expected.



Both the accommodation and other tourism business sectors performed worse than what was anticipated for the first quarter of 2011.

The accommodation sector performance index for the first quarter of 2011 was 85,3. When compared to the expected performance index of 93,7, for this quarter, the result indicates that overall accommodation businesses have had a poor quarter compared to their expectations, and are operating well below normal levels. Surprising then is the bullish outlook of the accommodation sector for the second quarter of 2011. Operators have recorded an expected performance index of 94 for the accommodation sector in the second quarter of 2011.

This poor accommodation sector performance index is largely influenced by the large hotel and lodge groups which, during the first quarter of 2011, performed well below normal. The accommodation index was also depressed by the worse than normal performance experienced by B&Bs and guest houses and the smaller independent hotels, self-catering and camping operators and game lodges. In contrast, the timeshare and large self catering group operators actually recorded higher than normal levels of performance.

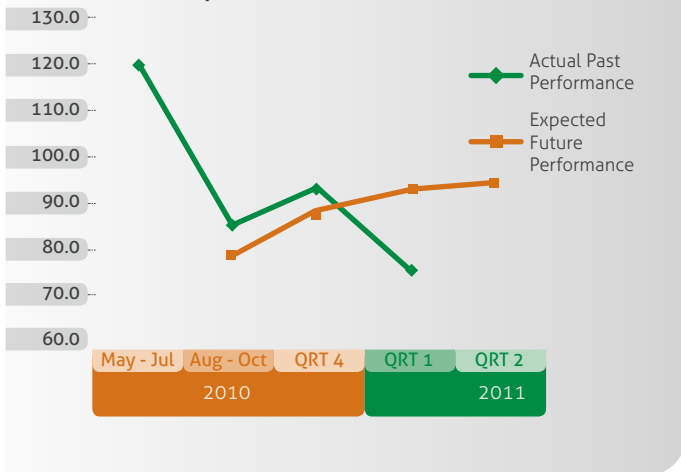
Other tourism businesses had the lowest performance during the first quarter of 2011 with an index of 75,1. Once again, when this performance is compared to the sector's expected performance index of 91,9 for the first quarter, and this sector of the tourism industry therefore performed much worse than had been expected.





## Balance Statistics

**Other Tourism Businesses' Actual Past and Expected Future Performance Index**



Within this sector of the tourism industry, activities and attractions, tour operators, retail and FOREX operators all recorded significantly worse than normal performances. Conference centres and travel agents recorded normal performance levels, while airlines were the only respondent group who had recorded higher than normal performance levels.

The current environment for tourism is tough to operate in, compounded by the many global disasters and political unrest felt in the first quarter of 2011.

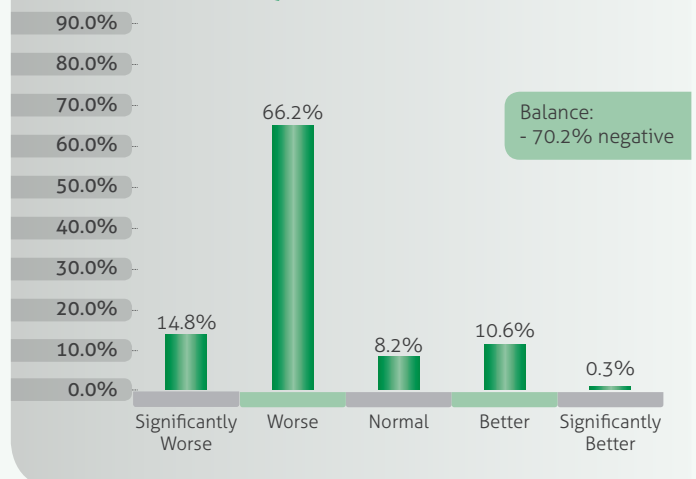
It is very surprising therefore to notice a bullish outlook within this sector of the tourism industry. For the second quarter of 2011, the other tourism business operators reported an expected performance index of 94,1, much higher than the actual quarter 1 performance index.

### Last Quarter

Considering the balance statistic, the accommodation sector was very negative about the first quarter of 2011, illustrated in the negative balance statistic of -70,2%. When compared to what the sector had expected their performance to be in the first quarter of 2011 (negative balance statistic of -59,1%), this indicates that these operators felt that they had performed even worse than expected. This highly negative outlook is as a result of 66,2% of the operators feeling that their business performance was worse than normal, while 14,8% felt that they performed significantly worse than normal during the last quarter. Only around 11% recorded performance levels above normal.

This overall negative performance is no doubt disconcerting for the industry, taking into consideration the over-supply and recessionary conditions which are still very prominent in the accommodation market.

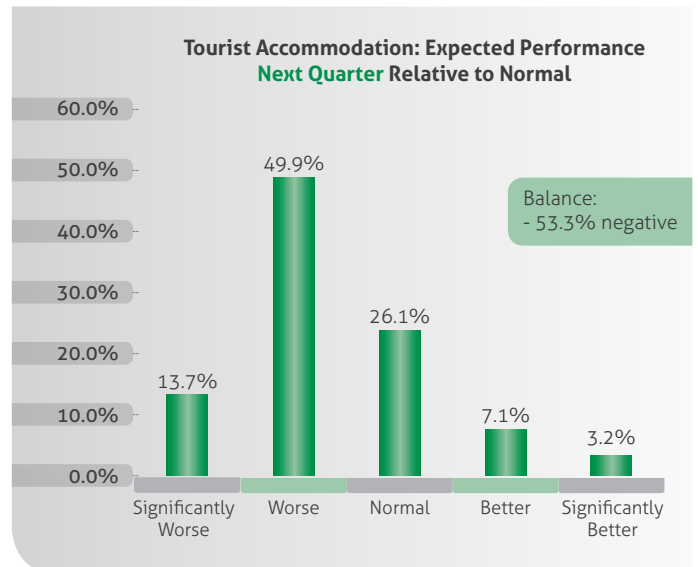
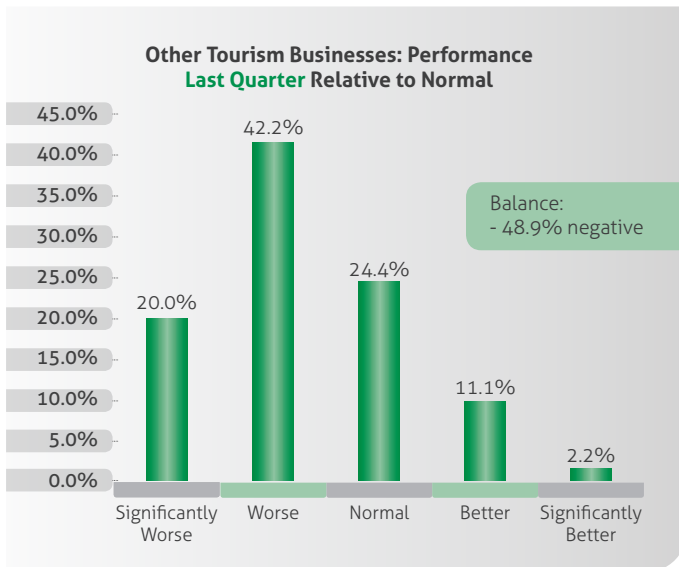
**Tourist Accommodation: Performance Last Quarter Relative to Normal**



The other tourism businesses were slightly less pessimistic about the first quarter of 2011 with a negative balance statistic of -48,9%. The majority (42%) of these business operators feel that their performance levels during the last quarter were worse than normal, while

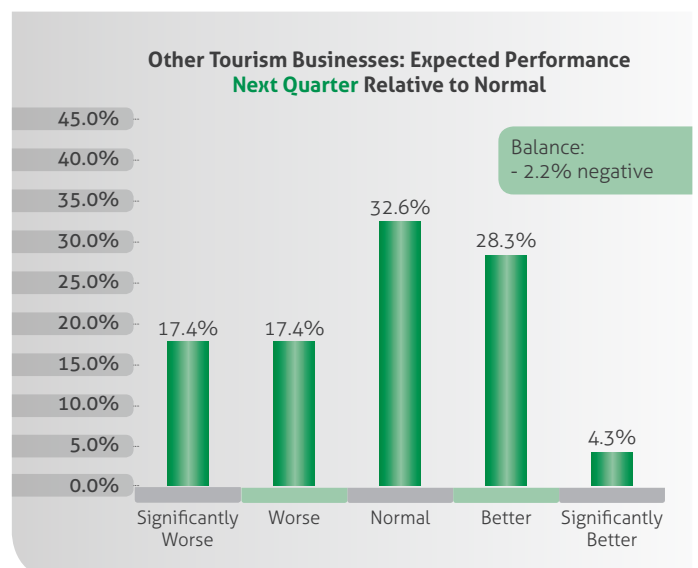
## Next Quarter

For the next quarter, the accommodation sector is once again strongly negative (-53,3%) about their performance levels. The majority of the accommodation operators (49,9%) felt that



20% recorded significantly worse than normal business performance. Only 13,3% of the operators recorded performance levels better or significantly better than normal.

Once again, by comparing this negative balance statistic with the expected performance balance statistic for this quarter (negative -42,2) the operators within this sector felt that they had performed even worse (if only slightly) than expected in the first quarter of 2011.





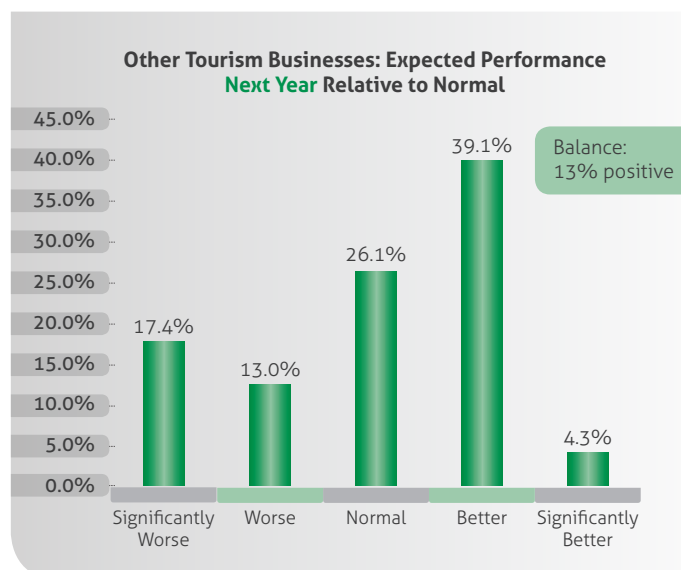
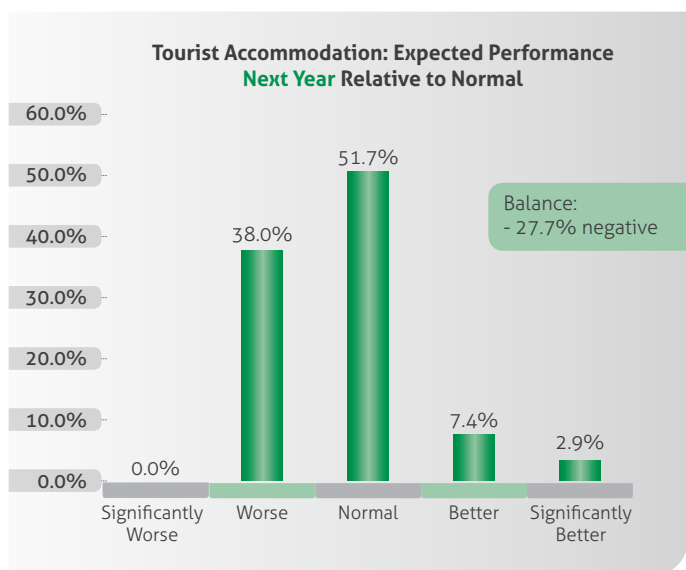
their performance levels during the second quarter of 2011 will be worse than normal, while 13,7% felt that their performance will be significantly worse than normal. However, a significant number of operators (26,1%) felt that the next quarter's performance levels will be normal.

Other tourism businesses are much less pessimistic about the second quarter of 2011, with a negative balance statistic of only -2,2%. 34,8% Of the operators expect the performance levels to be worse or even significantly worse than normal, compared to 32,5% expecting better than normal performance, while 32,6% expect the performance levels to return to normal, resulting in the slightly negative balance statistic.

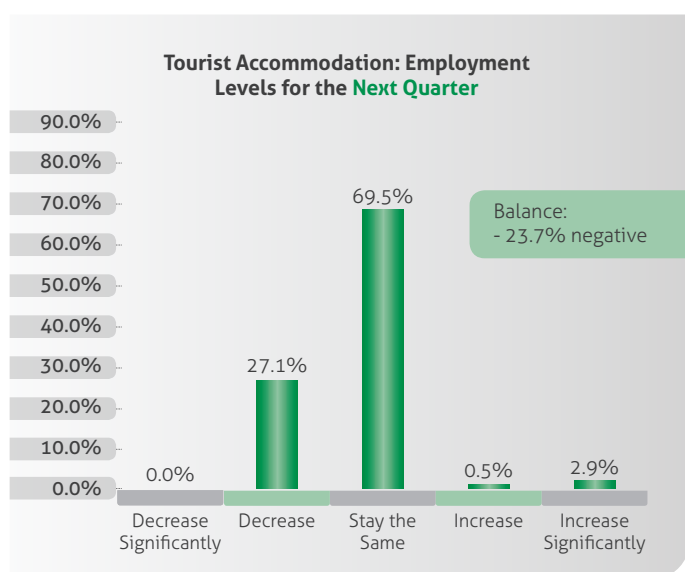
## Next Year

When considering the next year (as appose to the next quarter) overall prospects start to improve. The accommodation sector remains negative on balance, indicating a balance statistic of -27,7%. A minimal number (2,9%) of accommodation businesses expect better than normal performance whilst 51,7% expect normal business levels. 38,0% Of the accommodation operators expect the business levels to be worse than normal.

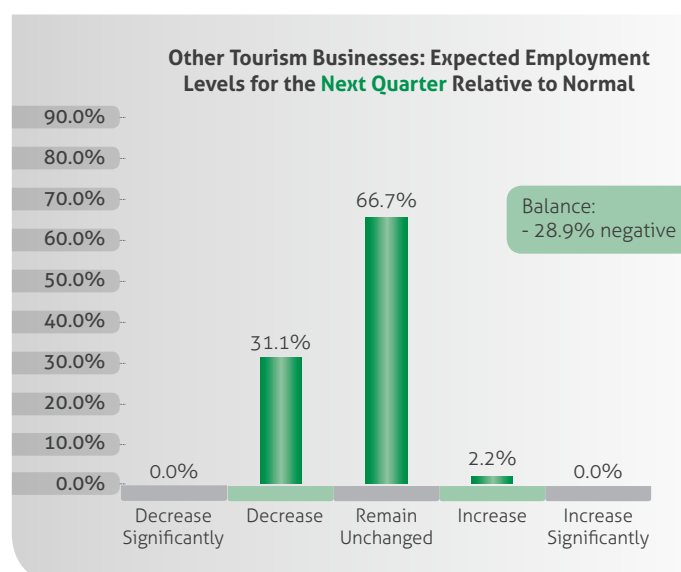
Overall, the other tourism businesses are more optimistic about the next year. This sector's balance statistic for the next year is positive for the first time at 13%. Even though a large portion of the operators (30,4%) expect performance levels worse and significantly worse than normal, 65,2% are expecting better than normal and normal performance levels. Only a small number (4,3%) are actually expecting significantly better than normal business performance levels during the next year.



## Employment Levels



The accommodation sector has a negative expectation regarding employment levels in the second quarter of 2011. Miniscule numbers of operators (0,5%) believe that their employment levels will increase , while 2,9% are expecting significant increases. While it is concerning that 27,1% of the operators stated that they expect their employment levels to decrease, the majority (69,5%) of the operators are expecting their employment levels to remain unchanged. This expectation, even in spite of their negative outlook regarding their expected future business performance levels, indicates that the majority of the operators expect to retain their employees even if the business situation is tough to operate in.

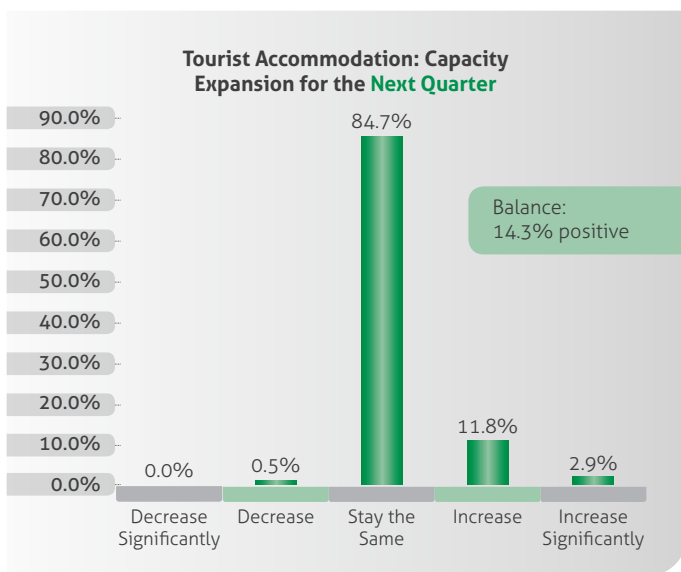


Likewise, the other tourism businesses do not expect growth in their future employment levels. The same trend is visible in the other tourism businesses as was highlighted above for the accommodation sector. The majority (66,7%) of the operators expect that there will be no change in their employment levels, while 31,1% expect decreases in employment levels.

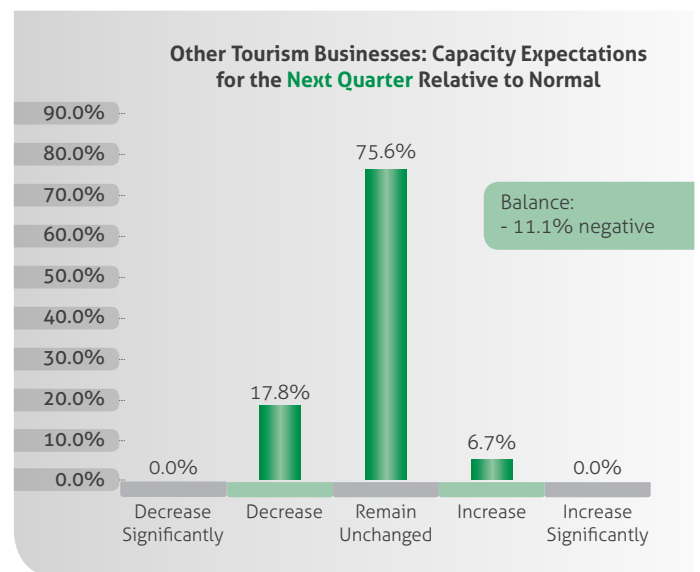
Again this highlights the culture of retaining staff even if the operating conditions are difficult. However, the tougher than expected conditions for operators in these sectors is reflected in the change in their expectations regarding employment levels which decreased from a positive expectation (9,5% balance statistic) for the first quarter of 2011, to a negative balance statistic of -28,9% for the second quarter.



## Capacity Growth Expectations



The accommodation operators indicate limited plans to bring on extra room/unit capacity within the next quarter, as is to be expected with the over-supply currently present in many locations for the accommodation sector. 84,7% Of the operators indicate that their capacity is expected to remain the same, while only 11,8% expect to increase their room/unit capacity. A miniscule number of operators (0,5%) indicate an expected decrease in the room capacity during the second quarter of 2011, resulting in the positive balance statistic of 14,3%.



In contrast the other tourism businesses report a negative balance statistic of -11,1%. The majority of the operators (75,6%) are expecting that their capacity will remain unchanged, while 17,8% felt that their capacity will decrease. Only a very small number of operators (6,7%) expect their capacity to increase.

## Factors Affecting Business Conditions

When considering the performance of the Tourism Industry, this report considers both positive and negative possible factors which could impact on the performance of the different sectors.

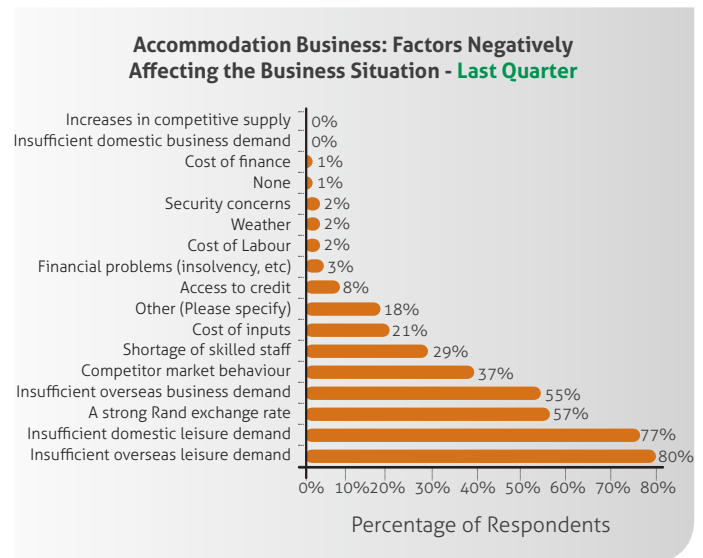
### Negative Factors - Last Quarter

In the accommodation sector, 80% of the operators reported insufficient overseas leisure demand as a negative impacting factor during the first quarter of 2011. This was closely followed by insufficient domestic leisure demand, a strong Rand exchange rate and insufficient foreign business demand (77%-37%). Noteworthy is that 29% of the operators felt that the shortage of skilled staff negatively affected their business in the first quarter of 2011 compared to only 4% who stated this as a negative contributing factor during the last quarter of 2010.

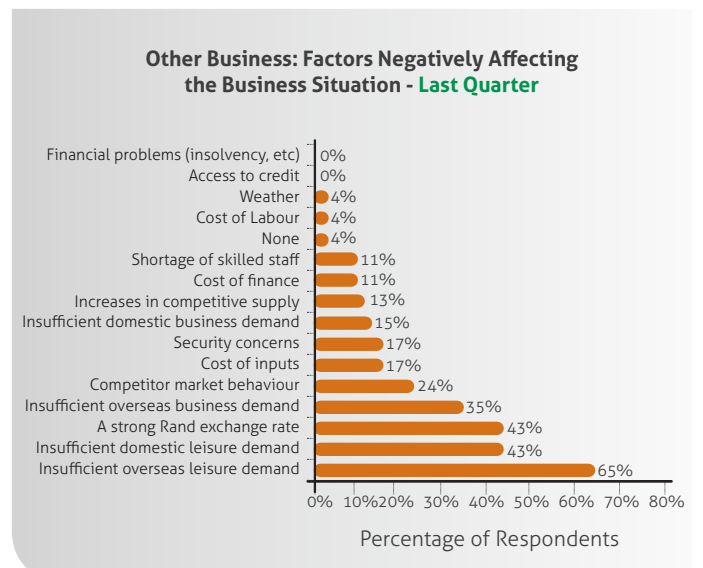
Some specific other factors cited which had a negative impact on players in the accommodation industry during the first quarter; include municipal tariffs, increased fuel costs and the increase in numbers of illegal guest houses and B&B.

Increase in competitive supply, insufficient domestic business demand and the cost of finance were indicated as the least impact factors.

Other businesses indicate more impediments to business performance in the first quarter of 2011. Insufficient overseas leisure demand (65%), insufficient domestic leisure demand (43%), and a strong Rand exchange rate



(43%) were indicated as the main negative contributing factors. Insufficient foreign and domestic business demand (35% and 15%), competitor market behaviour (24%), security concerns (17%) and the cost of inputs (17%) were all perceived as strong negative impacting factors. The factors which least impacted these businesses were: access to credit; cost of finance and weather.





Only 11% of the operators felt that the shortage of skilled staff negatively affected their business operations during the first quarter of 2011. This is significantly lower than the operators in the accommodation sector and unlike the significant increase noticed in the accommodation sector; this level has remained stable in the other business tourism sector.

## Negative Factors - Next Quarter

60% of the accommodation operators report that competitor market behaviour is expected to have a negative impact on the accommodation sector's operations during the next quarter. Insufficient overseas leisure demand (59%), a strong Rand exchange rate (57%) and the insufficient overseas and domestic business demand are all important expected negative impacting factors. 24% of the operators quote the shortage of skilled staff as a negative factor. Increases in municipal tariffs, increased fuel costs and the growing number of illegal

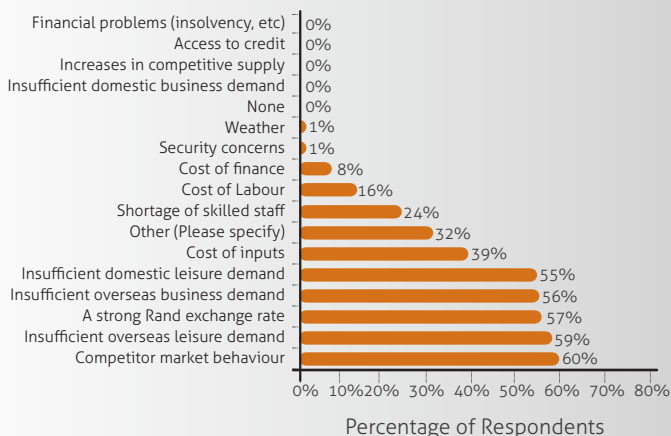
guesthouses and B&Bs are cited as specific factors by some establishments that are expected to continue having a negative impact on the accommodation sector.

Only 1% of the accommodation operators choose security concerns as a negative impact.

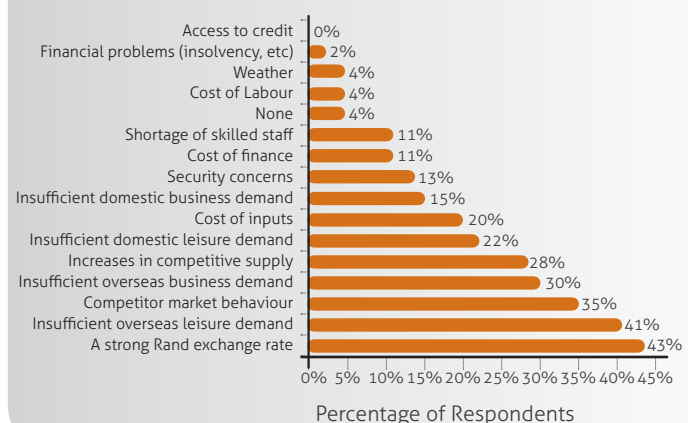
For other tourism businesses, a strong Rand exchange rate (43%) is seen by the largest number of respondents as a negative impact factor. The decrease in foreign leisure and business demand (41% and 30%), competitor market behaviour (35%), the cost of inputs (20%) and insufficient domestic leisure and business demand (22% and 15%) are some of the other important negative impacting factors.

Weather, access to credit, financial problems and the cost of labour were the least mentioned negative impacting factors expected for the second quarter of 2011. Shortage of skilled staff remains as an expected moderate negative impacting factor for 11% of the operators.

**Accommodation Business: Factors Negatively Affecting the Business Situation - Next Quarter**

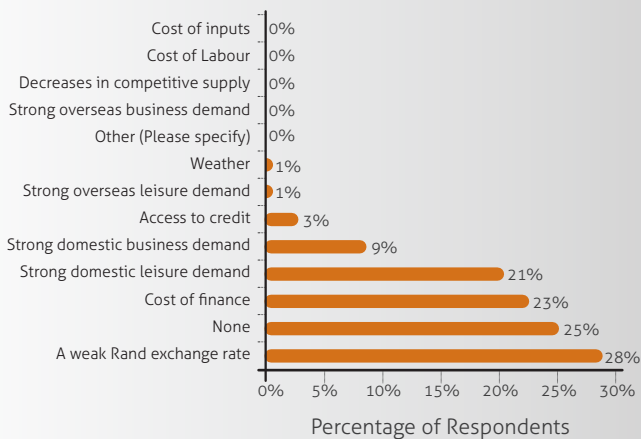


**Other Business: Factors Negatively Affecting the Business Situation - Next Quarter**



## Positive Factors - Last Quarter

**Accommodation Business: Factors Positively Affecting the Business Situation - Last Quarter**



A large portion of the accommodation operators (28%) felt that a weak Rand exchange rate was a positive impacting factor during the first quarter of 2011, however, 25% did feel that there was no particular positive impacting factor at all. Cost of inputs, cost of labour, a decrease in competitive supply and a strong foreign business demand were the least positive impacting factors.

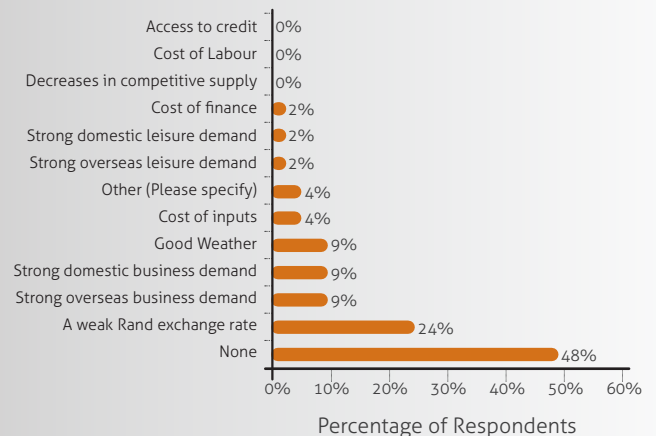
One accommodation operator felt that the additional conference venue they opened added to their product offering and had increased business performance.

The largest portion of the operators (48%) in the other tourism sector felt that no specific factor had a real positive impact on their business operations during the first quarter of 2011. Again a weak Rand exchange rate was quoted by a large portion of the respondents as a strong positive impacting factor (24%). It seems that whether real or perceived, the temporary weakening of the rand during the quarter was seen as positive.

A strong foreign and domestic business demand as well as good weather (24% combined) were the other important factors which contributed positively on the operator's performance levels.

One respondent felt that their targeted PR and advertising campaign which was aimed at a well kept database of preferred clients contributed positively to their business performance during the last quarter.

**Other Business: Factors Positively Affecting the Business Situation - Last Quarter**

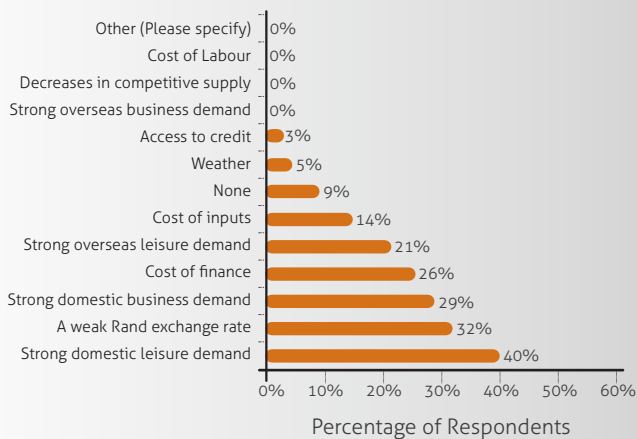






## Positive Factors - Next Quarter

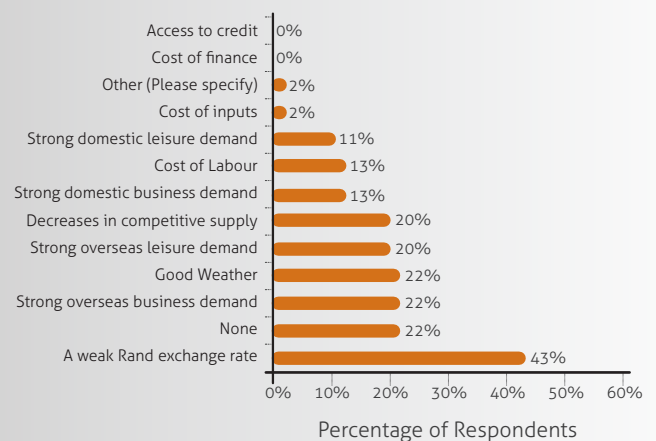
**Accommodation Business: Factors Positively Affecting the Business Situation - Next Quarter**



For the second quarter of 2011, the largest portion of the accommodation operators (40%) expect strong domestic leisure demand to be an important positive impacting factor. Other important factors expected to have a positive impact on the operators' business performance include; a weak Rand exchange rate (32%), strong domestic business (29%), cost of finance (26%) and strong foreign leisure demand (21%). Noteworthy is that none of the operators expect strong foreign business demand to have a positive impact in the next quarter.

Looking at the other tourism businesses, 43% expect a weak exchange rate to have a positive impact on their business performance in the next quarter. Strong foreign business demand and good weather (44% combined) are also expected to have a positive impact. This is surprising in light of only 18% of operators who felt that these two factors had a positive impact on their business performance levels during the first quarter of 2011. Noteworthy is that 22% of the operators expect no specific factor will have a positive impact on their business during the next quarter of 2011.

**Other Business: Factors Positively Affecting the Business Situation - Next Quarter**



## General Business Indicators

The Quarterly RMB/BER Business Confidence Index ("BCI") for 2010 and the first quarter of 2011 is illustrated in the table below.

2010				2011
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
43	36	47	44	55

Source: BER

As 50 indicates neutral levels of confidence, the index was in negative territory during 2010, however its lowest point in the recent recessionary cycle was 23 in Q4 2009. In the Q1 2011 the index number is in net positive territory and means there are now more companies that are optimistic than pessimistic about prevailing business conditions. The last time this was the case was three years ago. What the Q1 2011 results imply is that growth momentum is spreading, according to RMB/BER, with the exception of the building sector. However, one of the industries which therefore also seems to be remaining negative, along with building, is the tourism industry.

Currently the general and tourism business outlook is somewhat more pessimistic, with tourism at 79,6 below 100, compared to 55 above 50 for the BER. The RMB BER is a business tendency survey based on OECD methodology as is the TBCSA FNB TBI.

The SACCI Business Confidence index is a composite indicator, as oppose to a tendency

survey, but it is another regular and timeous indicator of economic activity. The index is based on the average economic activity for 2005 being a base of 100. Given that the index rose above 100 in 2006 and the early part of 2007, the index, now being significantly below 100 indicates generally low levels of business confidence. The index average for 2009 was 82,8, the lowest it has been since 1997. The index average rose only slightly in 2010 with 2,1 index points to 84,9.

2011		
January	February	March
87,4	86,4	88,3

The SACCI BCI for the first quarter of 2011 is presented in the above table.

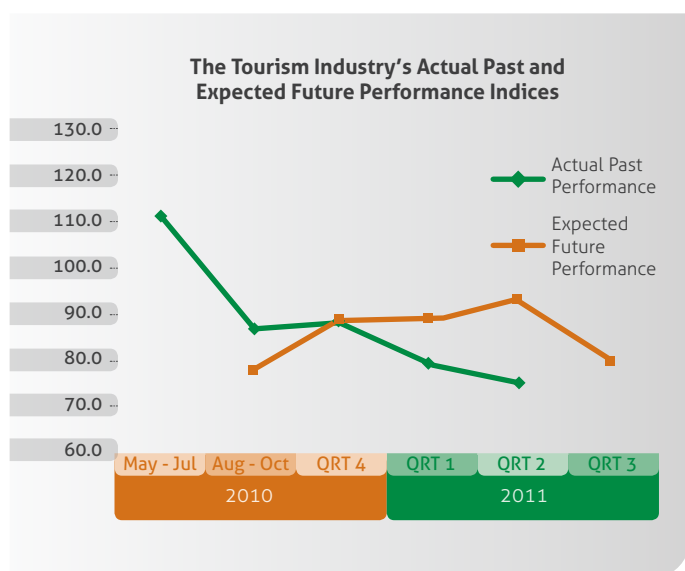
The BCI moved ahead to 88,3 in March 2011 after contracting to 86,4 in February 2011. The BCI is 5,1 index points higher than in 2009 and is the highest, in recent times, since September 2008 when the BCI stood at 89,9. March 2011's improvement might further enhance the momentum in business confidence as the 88 is indicative of a growing base for more sustainable economic improvement.

The TBCSA FNB Tourism Business Index indicates slightly weaker business performance for the first quarter of 2011 when compared to the SACCI BCI.

# SECTION 2

TBI Quarter 2 - 2011

## The Tourism Business Index Quarter 2-2011



For the second quarter of 2011, the TBI registered a performance index of 74,5 against a normal of 100. When compared to the expected industry performance index of 94,1 for the second quarter, the industry performed significantly worse than expected, and somewhat worse than quarter 1 2011.

This trend of over expectation and under performance of the Tourism Industry has been noted since the first quarter of 2011. The TBI recorded an expected industry performance index of 89,1 for the first quarter of 2011. However at the end of the first quarter the TBI indicated an actual performance index of 79,6, indicating a significantly worse than expected performance.

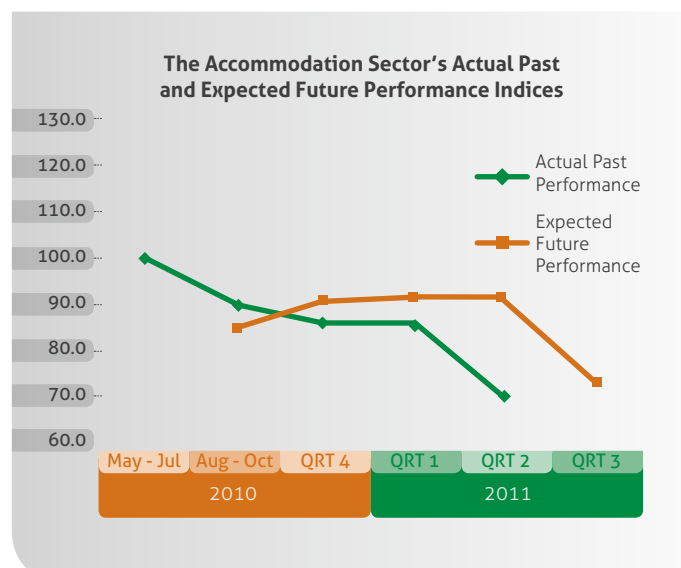
This lower actual performance of the TBI , once again shows that the current environment is tough for tourism industry operations. Thus not surprising is the much more modest expected

performance index of 81,0 recorded for the third quarter of 2011.

In terms of this edition of the TBI, both sub-indices (accommodation and other tourism business sectors) performed worse than was anticipated for the second quarter of 2011.

The accommodation sector performance index for the second quarter of 2011 was 67,8. When compared to the expected performance index of 94 for this quarter, the result indicates that overall accommodation businesses have had a poor quarter compared to their expectations, and are operating well below normal levels. Not surprising then that the accommodation sector has indicated a more reserved outlook for the third quarter of 2011.

Accommodation operators have recorded an expected performance index of 73,9 for the third quarter of 2011, slightly above current performance levels, but still very significantly



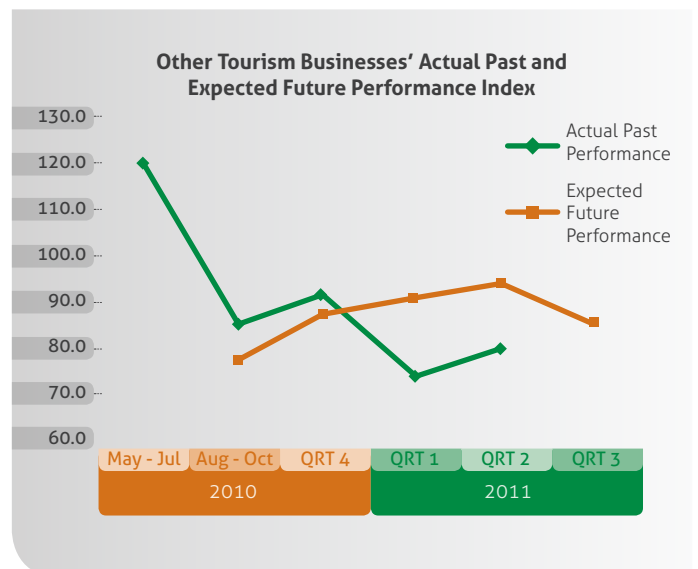


below normal, and the lowest outlook the index has produced to date.

This poor accommodation sector performance index is largely influenced by the large hotel groups which, during the second quarter of 2011, performed well below normal levels. The accommodation index was also depressed by the worse than normal performance experienced by B&Bs and guest houses and the smaller independent hotels, while timeshare and backpacker operators recorded normal levels of performance.

Other tourism businesses for the first time in 2011 indicate a higher performance level than the accommodation sector. During the second quarter of 2011 the other tourism businesses recorded an actual performance index of 79,6. However, when this performance is compared to the sector's expected performance index of 94,1 for the second quarter, this sector of the tourism industry also performed worse than had been expected.

Within this sector of the tourism industry, the FOREX operators recorded significantly worse than normal levels of performance, while activities and attractions and tour operators recorded worse than normal performance levels. Conference venues and travel agents recorded normal, or very close to normal, performance levels, while tourism retail operators were the only respondent group, within this sector, who recorded higher than normal performance levels.

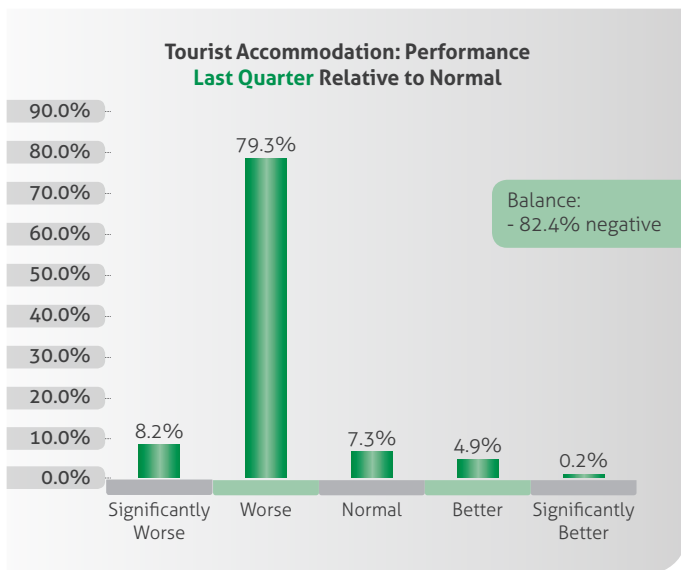


Again, it is not very surprising to notice a decline in this sector's outlook regarding their expected performance levels during the 3rd quarter of 2011. The other tourism business operators report an expected performance index of 86,4 for the 3rd quarter of 2011, a prediction which is much lower than the expected performance index recorded in the previous edition and much closer to the actual performance index recorded for quarter 2.

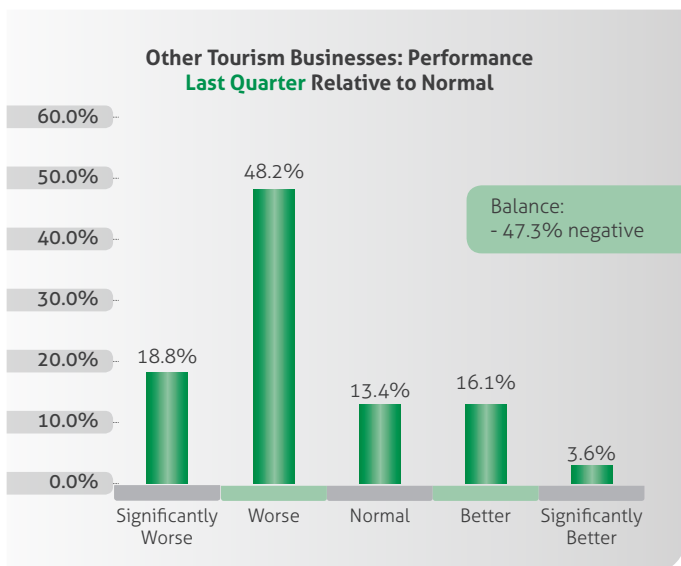
This expected performance index still implies some improvement in the next quarter over last quarter performance levels, and an expectation that business performance will be better in these other tourism businesses than in the accommodation sector (86,4 compared to 73,9). But future performance expectations are still significantly below normal.

## Balance Statistics

### Last Quarter



Considering the balance statistic, the accommodation sector was very negative about the second quarter of 2011, with a negative balance statistic of -82,4%, which is also worse than the actual prior Quarter 1 balance



statistic of -70,2%. When compared to sector expectations their performance for the second quarter of 2011 (negative balance statistic of -53,3%), corroborates with the much poorer than expected performance.

This highly negative outlook is as a result of 79,3% of the accommodation operators feeling that their business performance was worse than normal, while 8,2% felt that they performed significantly worse than normal during the last quarter.

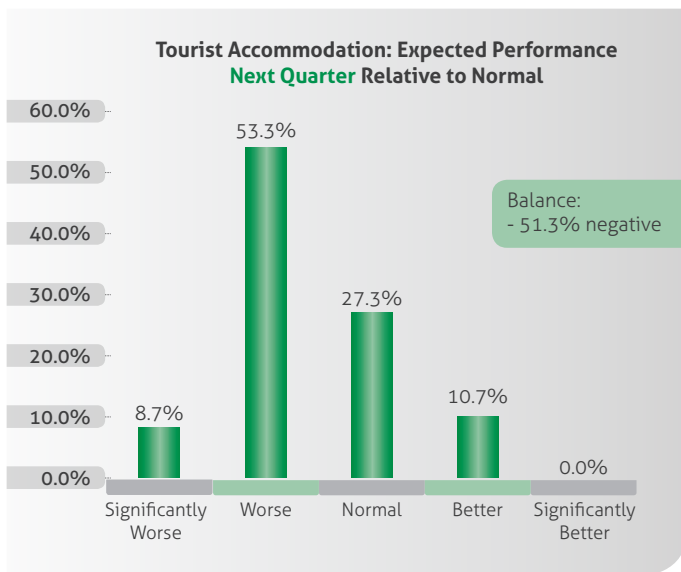
Only around 12% of the respondents recorded performance levels of normal or above normal, while only 0,2% felt that they had performed significantly better than expected.

The other tourism businesses were slightly less pessimistic about the second quarter of 2011 with a negative balance statistic of -47,3%. The largest proportion (48,2%) of these business operators feel that their performance levels during the last quarter were worse than normal, while 18,8% recorded significantly worse than normal business performance. 19,4% of the operators recorded performance levels better or significantly better than normal.

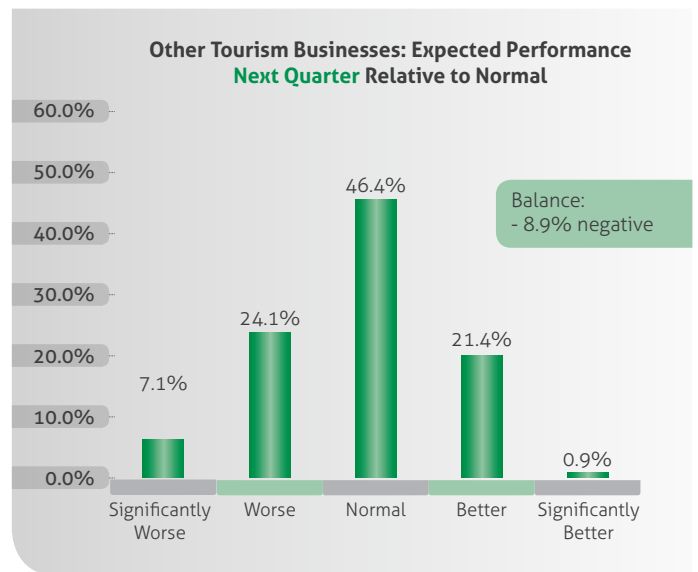
Comparing this negative balance statistic with the expected performance balance statistic for this quarter (negative -2,2) the operators within this sector recorded performance significantly worse than they had expected.



## Next Quarter

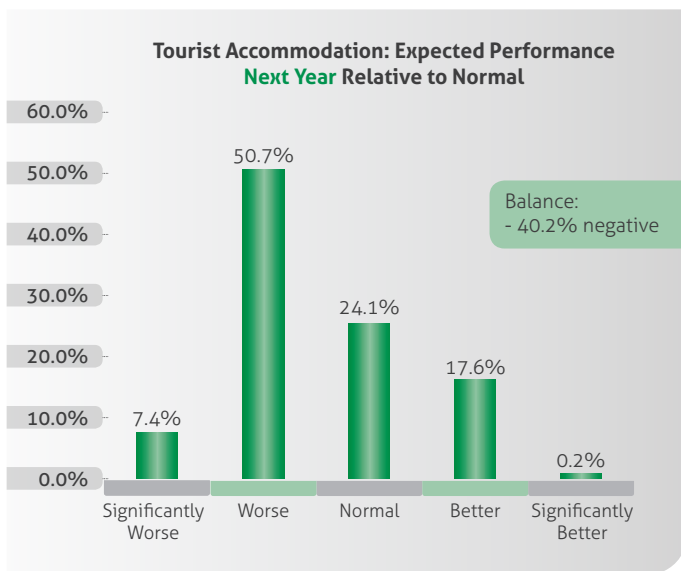


Regarding the next quarter, the accommodation sector is once again strongly negative (-51,3%) about their performance levels. The majority of the accommodation operators (53,3%) felt that their performance levels during the 3rd quarter of 2011 will be worse than normal, while 8,7% felt that their performance will be significantly worse than normal. However, a significant number of operators (26,1%) felt that the next quarter's performance levels will be normal.

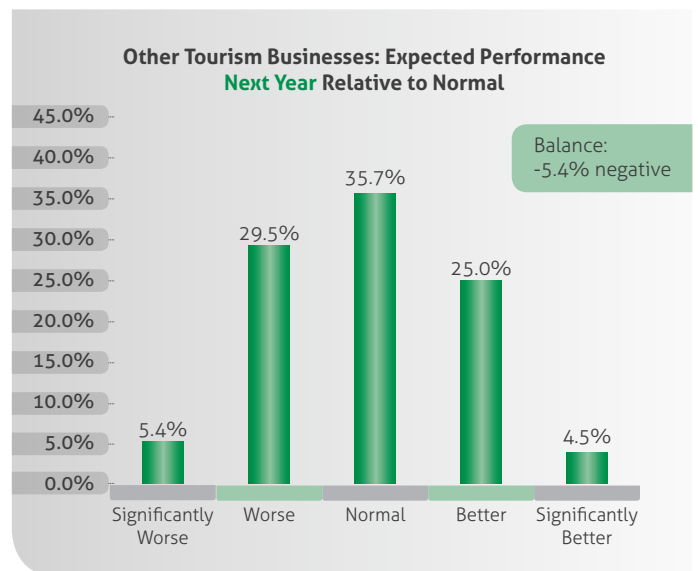


Other tourism businesses are less pessimistic about the 3rd quarter of 2011, with a negative balance statistic of only -8,9%. 31,2% of the operators expect the performance levels to be worse or even significantly worse than normal, while 22,3% are expecting better or significantly better than normal performance levels. The largest portion of the operators, however, expect performance levels to be normal within the next quarter.

## Next Year



When considering the next year (as opposed to the next quarter) overall prospects start to improve slightly. The accommodation sector remains negative on balance, indicating a balance statistic of -40,2%. The majority of accommodation businesses (58,1%) still expect worse or significantly worse than normal performance levels, and this also represents a decline compared to next year expectations of -27,2 in the last edition. While only 17,8% of accommodation operators expect higher than normal performance levels, 24,1% of the accommodation operators expect the performance levels to return to, or remain normal, within the next year.



Overall, the other tourism businesses are less pessimistic about the next year. This sector's balance statistic for the next year is -5,4%. Even though this is a relatively low negative balance statistic, it is concerning that the other tourism businesses' confidence levels for next year have decreased from a positive 13% balance statistic recorded in the previous edition.

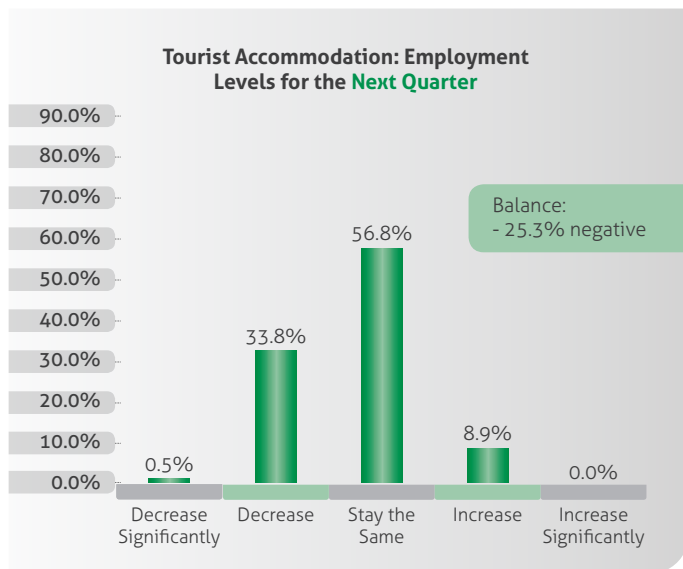
In this edition, a large portion of the other tourism businesses (34,9%) expect performance levels to be worse or significantly worse than normal within the next year, while 60,7% are expecting better than normal and normal performance levels. Only a small number (4,5%) are expecting significantly better than normal business performance levels during the next year.





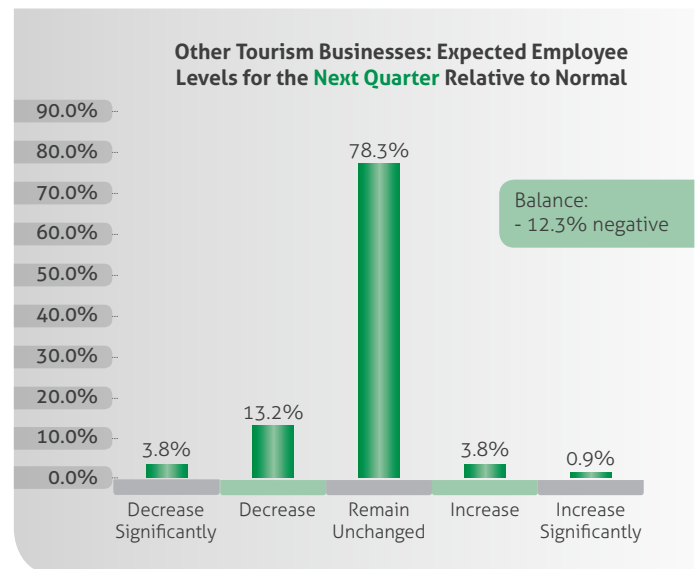
## Employment Levels

The accommodation sector has a negative expectation regarding employment levels in the third quarter of 2011, reflected in the negative balance statistic of -25,3%. Very few operators (8,9%) intend to increase their employment levels. The majority of operators (56,8%) expect their employment levels to remain unchanged.



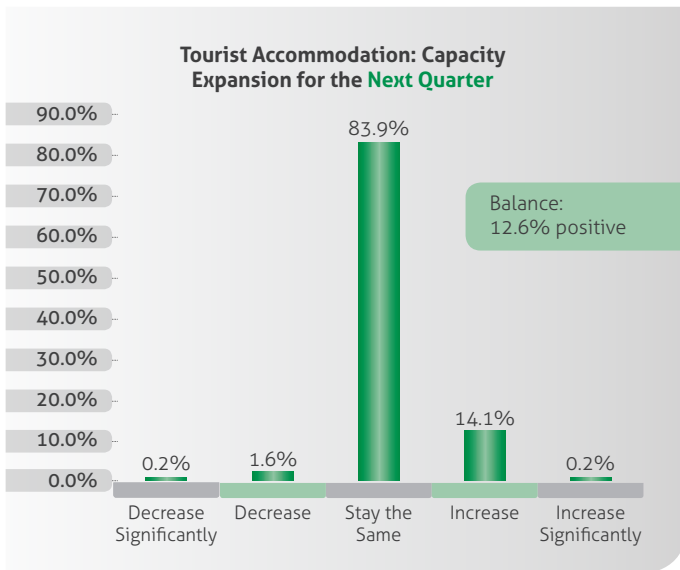
However, it is still concerning that 33,8% of the operators state that they expect their employment levels to decrease within the next quarter. In the last index, 27% were expecting to decrease their employment levels, so this percentage is creeping up, and decreases in employment are likely to be ongoing for some time.

Likewise, the other tourism businesses do not expect growth in their future employment levels (negative balance statistic of -12,3%). The majority (78,3%) of the operators expect that there will be no change in their employment levels, while 13,2% expect decreases in employment levels.

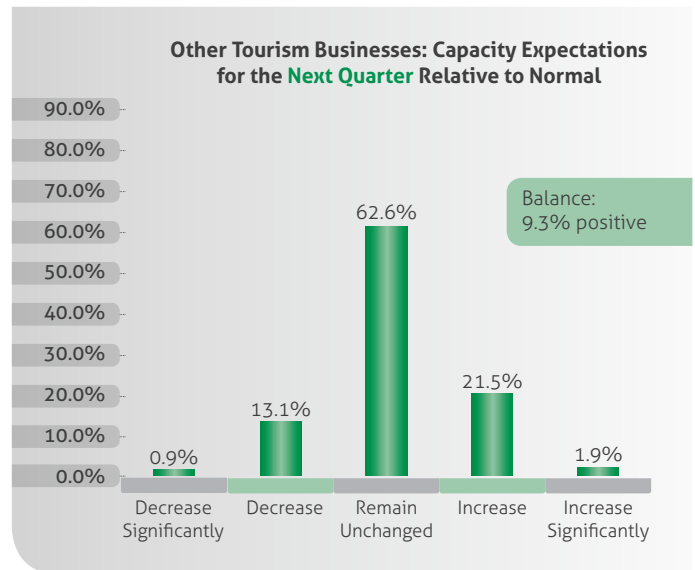


The above highlights the culture of retaining staff within these industries even if the operating conditions are difficult. However, the majority indicating that employment levels will remain unchanged does not bode well for the expectation that the tourism industry will be the main driver of job creation and poverty relief for the South African economy; certainly in the near term.

## Capacity Growth Expectations



The accommodation operators indicate limited plans to bring on extra room/unit capacity within the next quarter, as is to be expected with the poor performance and over-supply currently present in many locations for the accommodation sector. 83,9% Of the operators indicate that their capacity is expected to remain the same, while only 14,1% expect to increase their room/unit capacity. A miniscule number of operators (1,8%) indicate an expected decrease in the room capacity during the second quarter of 2011, resulting in the positive balance statistic of 12,6%. This has to be tempered with the knowledge that



capacity decreases can be hard to achieve in the accommodation sector, and accommodation operators may be “prisoners” of current capacity.

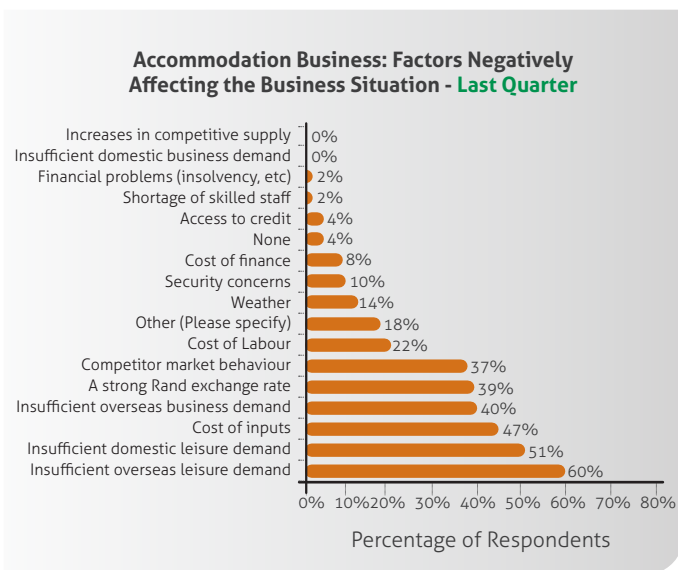
Likewise the other tourism businesses report a positive balance statistic of 9,3% regarding their expected capacity for the next quarter. The majority of the operators (62,6%) are expecting that their capacity will remain unchanged, while 13,1% felt that their capacity will decrease. 21,5% Of the operators expect their capacity to increase.



## Factors Affecting Business Conditions

When considering the performance of the Tourism Industry, this report considers both positive and negative possible factors which could impact on the performance of the different sub-sectors.

### Negative Factors - Last Quarter



In the accommodation sector, 60% of the operators reported insufficient overseas leisure demand as a negative factor impacting on their business during the second quarter of 2011. This was closely followed by insufficient domestic leisure demand, the cost of inputs, insufficient overseas business demand, a strong Rand exchange rate and competitor market behaviour (51%-37%). Noteworthy is that only 2% of the operators felt that the shortage of skilled staff negatively affected their business

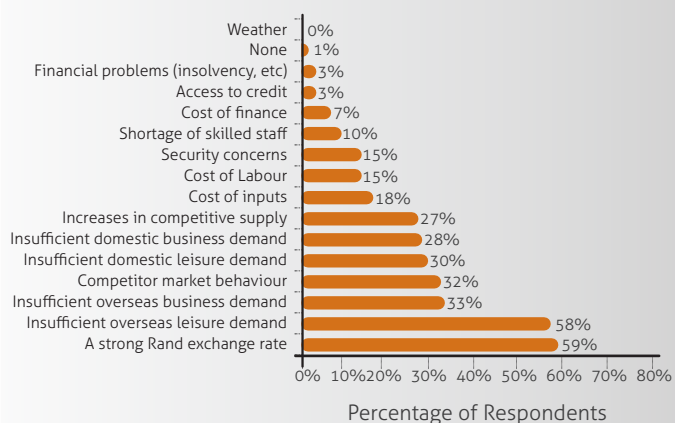
in the second quarter of 2011 compared to the 29% who stated this as a negative contributing factor during the previous edition. The impact of insufficient leisure demand has also declined from 80% mentions to 60% of mentions for overseas and from 77% to 51% for domestic.

Some specific other factors cited which had a negative impact on players in the accommodation industry during the second quarter include; increases in municipal tariffs, increased fuel costs and the perception of crime in certain parts of the country. Some respondents who cater for the business market also cited the many public holidays during the last quarter as something which particularly negatively impacted in their business. Cost of inputs has increased from a mention by 21% of respondents last quarter to 47% this quarter. A likely reflection of, Eskom and other administered price, increases. A strong rand exchange rate has decreased from a mention by 57% last quarter to 39% this quarter. Otherwise insufficient demand particularly overseas and leisure, and competitor market behaviour remain at similar levels as high impact factors.

Increase in competitive supply, insufficient domestic business demand and the cost of finance were not indicated as negatively impacting factors.

Other businesses indicate more impediments to business performance in the second quarter of 2011. A strong Rand exchange rate (59%),

### Other Business: Factors Negatively Affecting the Business Situation - Last Quarter



insufficient overseas leisure demand (58%), insufficient overseas business demand (33%), and competitor market behaviour (32%) were most indicated as negative contributing factors. Insufficient domestic leisure and business demand (30% and 28%), increase in competitive supply (27%) and costs of inputs (18%) were also all perceived by many as impacting factors. The factors which were not indicated as impacting on these businesses were: financial problems, access to credit; cost of finance and weather.

Insufficient leisure demand has declined somewhat in impact from last quarter to this quarter; overseas leisure from 65% to 59% (which is exactly in line with expected impacts in the last edition) domestic leisure from 43% to 30%, , but business demand impact levels have remained similar, or in the case of domestic, have worsened from 15% to 28%. Only 10% of the operators felt that the shortage of skilled staff negatively affected their business operations during the second quarter of 2011.

This has remained stable in the other business tourism sector with 10% of respondents reporting the shortage of skilled staff as a negatively impacting factor in the previous edition.

Some of the other negative factors cited to have impacted on other tourism businesses' performance during the last quarter include: the global economic condition which makes people more price sensitive, high fuel prices, the many public holidays within the second quarter of 2011 and the change in travel patterns, where people are booking directly with suppliers and travelling alone rather than using a travel agent to make bookings or a tour operator to arrange tours.

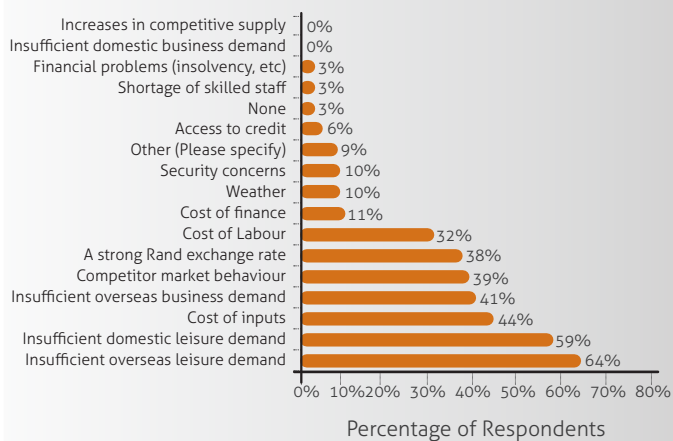
### Negative Factors - Next Quarter

64% Of the accommodation operators report that insufficient overseas leisure demand is expected to have a negative impact on the accommodation sector's operations during the next quarter. Insufficient domestic leisure demand (59%), cost of inputs (44%) and insufficient overseas business demand (41%) are all important expected negative impacting factors.

Only 3% of the accommodation operators quote the shortage of skilled staff as a negative factor. Increases in energy costs, increased fuel costs and the rising food costs were highlighted by many respondents as specific negative factors expected to have an impact on the accommodation sector during the next quarter.



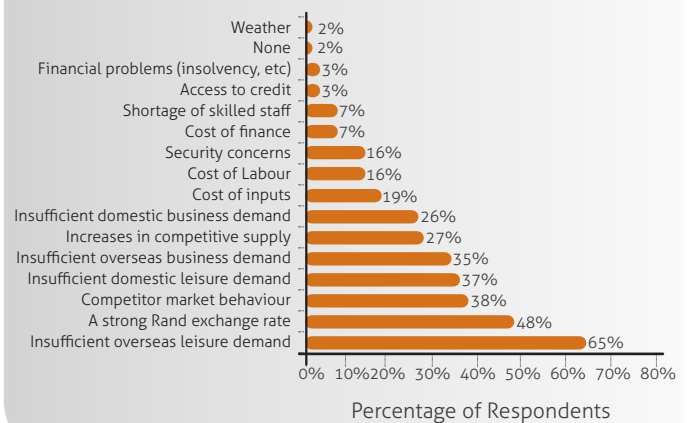
### Accommodation Business: Factors Negatively Affecting the Business Situation - Next Quarter



Some accommodation operators feel that the regional or local tourism authorities are also not doing enough in terms of marketing and assisting the operators in generating business, which they expect will continue to have a negative impact on their performance levels over the next quarter. Cost of labour has jumped from being expected by 16% to have an impact over the next quarter in the last edition, to 22% who felt it actually had an impact during that quarter and now 32% expecting the cost of labour to have an impact next quarter. This is likely a reflection of the current militant labour environment and generally high wage demands.

For other tourism businesses, insufficient overseas demand (65%) is seen by the largest number of respondents as a negative impacting factor. A strong Rand exchange rate (40%), competitor market behaviour (38%), the decrease in domestic leisure and business demand (37% and 27%), the decrease in foreign business demand (35%) and increases

### Other Business: Factors Negatively Affecting the Business Situation - Next Quarter



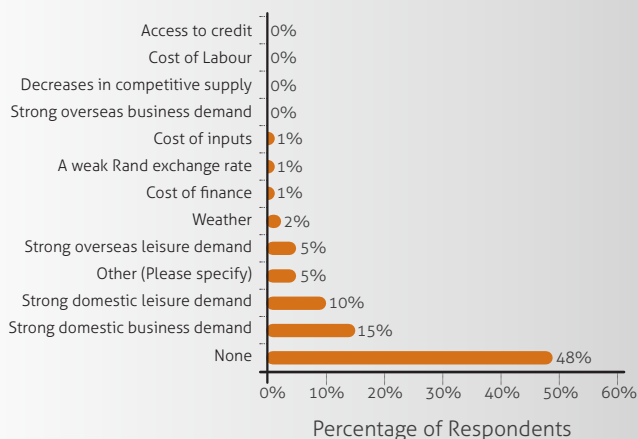
in competitive supply (27%) are some of the other important negative impacting factors.

Weather, financial problems and access to credit are the least mentioned negative impacting factors expected for the third quarter of 2011. Shortage of skilled staff and security concerns remain expected by few respondents as negative impacting factors for 7% and 10% of the operators respectively. Compared to the accommodation operators, cost of labour as expected in the last edition, experienced in that quarter, and now expected in the next quarter has remained at the 15% - 16% level of mentions. Perhaps indicating the somewhat less militant and unionised levels of labour outside the accommodation sector.

Once again, the high fuel costs and increasing electricity costs were cited as expected major negative impacting factors for the next quarter as was a constraint on pricing with the need to provide the consumer with value for money as a result of the global economic recession.

## Positive Factors - Last Quarter

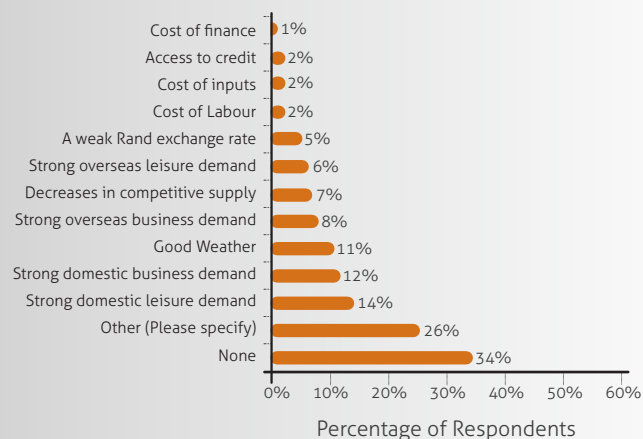
**Accommodation Business: Factors Positively Affecting the Business Situation - Last Quarter**



A large portion of the accommodation operators (48%) felt that no particular factors had a positive impact on their business during the last quarter. Strong domestic business and leisure demand (15%-10%) and a strong overseas leisure demand (5%) were positive impacting factors during the second quarter of 2011 for a few respondents. Access to credit, cost of labour, a decrease in competitive supply and strong foreign business demand were not relevant as positive impacting factors. The fact that decreases in competitive supply do not figure for any accommodation operators indicates that while the businesses are experiencing very tough times, accommodation establishments are not closing their doors, and other than this, capacity in this sector is inflexible.

Some accommodation operators felt that additional marketing campaigns implemented during the last quarter, positively contributed to their business, while one operator felt that it is the high rate of return customers achieved during the last quarter that was its most positive contributing factor.

**Other Business: Factors Positively Affecting the Business Situation - Last Quarter**



Overall, the extent to which any positive factors were indicated has declined from the last edition (i.e. there were three factors indicated by 20% or more of respondents last quarter as positive impacts, whilst in this edition the highest positive factor only achieves 15% of mentions). This is in line with the overall very poor performance seen in the last quarter.

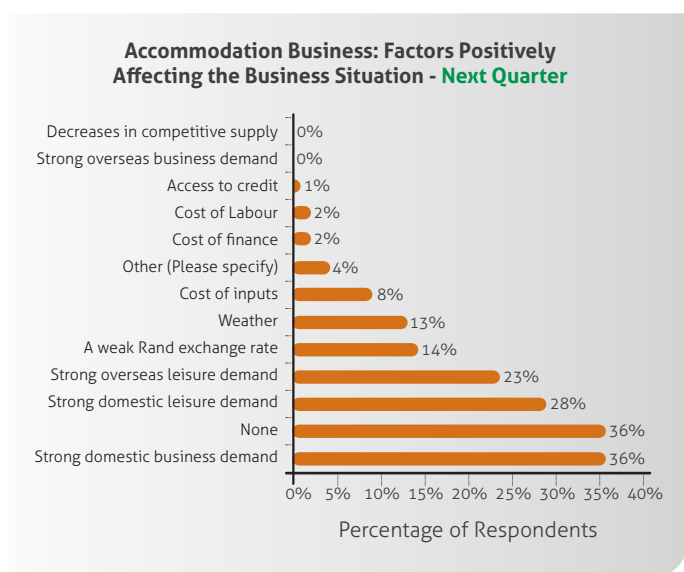
A large portion of the operators (34%) in the other tourism sector felt that no specific factor had a real positive impact on their business operations during the second quarter of 2011. Again, strong domestic leisure and business demand (14%-12%) and good weather (11%) were the only noted factors selected by a few respondents as positive impacting factors.

Unlike in the accommodation sector, some respondents (7%) experienced a decrease in competitive supply; possibly an indication of the greater capacity flexibility in many of the businesses in the other category, compared to the largely inflexible accommodation plant. Some of the other important factors reported which contributed positively to the operators'



businesses during the last quarter included: longer holidays, more exposure through successful marketing campaigns, especially internet marketing initiatives, and the establishing of new foreign markets.

## Positive Factors - Next Quarter



For the third quarter of 2011, the largest portion of the accommodation operators (36%) expect strong domestic business demand to be an important positive impacting factor, however, another 36% think that no specific factor will have a real positive impact on their business during the next quarter. Other important factors include; a strong domestic and foreign leisure demand (28%-23%), a weak Rand exchange rate (14%) and weather (13%).

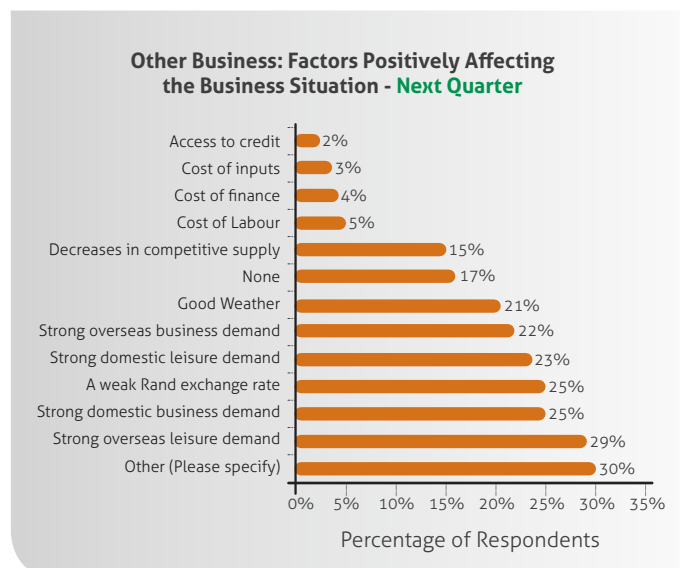
Some of the other factors cited which are expected to have a positive impact on the accommodation sector's performance in the next quarter include targeted promotions and new markets from marketing campaigns.

Looking at the other tourism businesses, 29% expect strong overseas leisure demand to have a positive impact on their business performance in the next quarter. Strong domestic business demand and a weak Rand exchange rate (25% each) are also expected to have a positive impact.

Noteworthy is that 17% of the operators expect no specific factor will have a positive impact on their business during the next quarter of 2011.

A large portion of the operators within the other sector of the tourism industry cited other factors as important positive impacting factors for the next quarter and these include: targeted promotions and events planned to try and target new markets, specific internet marketing initiatives as many respondents have reported increased activity in internet bookings and relationship building with key stakeholders, especially government departments.

Overall it seems that internal marketing and promotion initiatives, especially those that are internet based, are amongst the most frequent factors impacting on past and expected performance across both sectors.



## General Business Indicators

The Quarterly RMB/BER Business Confidence Index ("BCI") for 2010 and the first two quarters of 2011 is illustrated in the table below.

2010				2011	
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
43	36	47	44	55	48

Source: BER

As 50 indicates neutral levels of confidence, the index was in negative territory during 2010, however its lowest point in the recent recessionary cycle was 23 in the fourth quarter of 2009. In the first quarter of 2011 the index number went into net positive territory for the first time in years, however, the index contracted again with 7 index points to 48 in the second quarter of 2011. Even though the index decreased in Q2 of 2011, business confidence still remains at a higher level than during 2010.

Currently the general and tourism business performance is somewhat more pessimistic, with tourism at 79,6 below 100, compared to 48 below 50 for the BER. The RMB BER is a business tendency survey based on OECD methodology as is the TBCSA FNB TBI.

The SACCI Business Confidence Index ("BCI") is a composite indicator, as oppose to a tendency survey, but it is another regular and timeous indicator of economic activity. The index is based on the average economic activity for 2005 being a base of 100. Given that the index rose above 100 in 2006 and the early part of

2007, the index, now being significantly below 100 indicates generally low levels of business confidence. The index average for 2009 was 82,8, the lowest it has been since 1997. The index average rose only slightly in 2010 with 2,1 index points to 84,9.

2011					
January	February	March	April	May	June
87,4	86,4	88,3	86,9	85,8	86,8

The SACCI BCI for the first two quarters of 2011 is presented in the adjacent table.

At the end of the second quarter, the BCI had contracted by 1,5 index points from 88,3 in March 2011 to 86,8 in June 2011. The BCI averaged 86,9 in the first half of 2011 compared to 82.8 in the first half of 2010. The improvement in the first half of the year as compared to the corresponding period of 2010 was quite strong, but this improvement must be viewed in the context of weak performance in the first half of 2010. Notwithstanding the improved average level in the BCI in the first half of 2011 relative to 2010, the business confidence index has been on a slight downward trend since the start of 2011.

The TBCSA FNB Tourism Business Index indicates weaker business performance for the second quarter of 2011 when compared to the SACCI BCI. However, a similarity is the fact that both indices are on a downward trend since the start of 2011.

## Respondents

For this edition of the TBI we received 190 responses, which are broken up into 107 within the accommodation sector and 87 responses

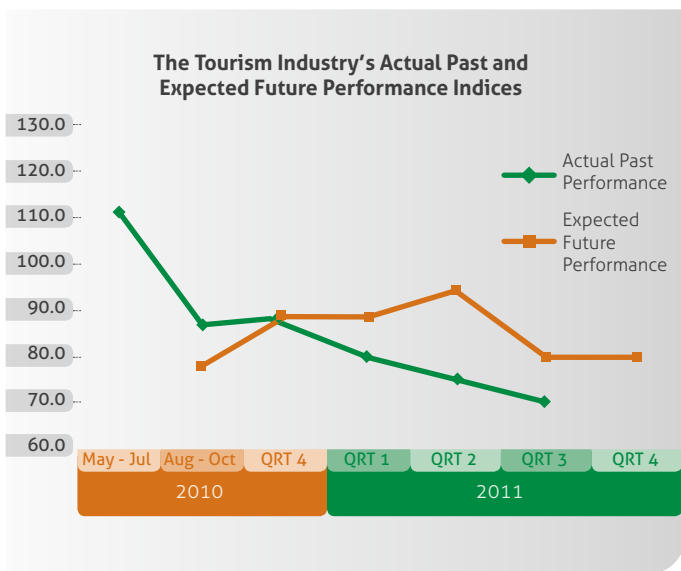
from the other tourism business. Listed below are the businesses who participated in this quarter's survey.



# SECTION 2

TBI Quarter 3 - 2011

## The Tourism Business Index Quarter 3-2011



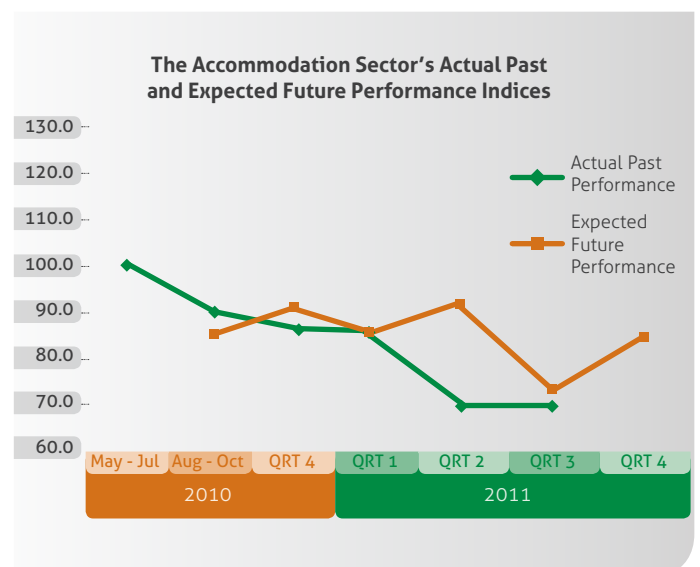
For the third quarter of 2011, the TBI registered a performance index of 70,0 against a normal of 100. When compared to the expected industry performance index of 81,0 for the third quarter, the industry performed significantly worse than expected, and somewhat worse than in quarter 2 (index of 74,5).

At the end of the 4th quarter of 2010, the Tourism Industry had performed exactly as expected; however, since the start of the first quarter of 2011, the Tourism Industry has been performing well below expectations. For the first quarter of 2011, the TBI recorded an expected industry performance index of 89,1 however at the end of the first quarter the TBI indicated an actual performance index of 79,6, indicating a significantly worse than expected performance and this trend has been continuing throughout 2011.

This lower actual performance of the TBI, once again shows that the current environment is tough for tourism industry operations. Operators in the industry however, continue to expect an improvement in performance going forward, in spite of their prior expectations this year not having been met. The future expected performance is still a modest index of 80,7 for the fourth quarter of 2011.

In terms of this edition of the TBI, both sub-indices (accommodation and other tourism business sectors) performed worse than was anticipated for the third quarter of 2011.

The accommodation sector performance index for the third quarter of 2011 was 67,7. When compared to the expected performance index of 73,9 for this quarter. The result indicates that overall accommodation businesses have had a slightly worse than expected quarter, but this is still well below normal levels.



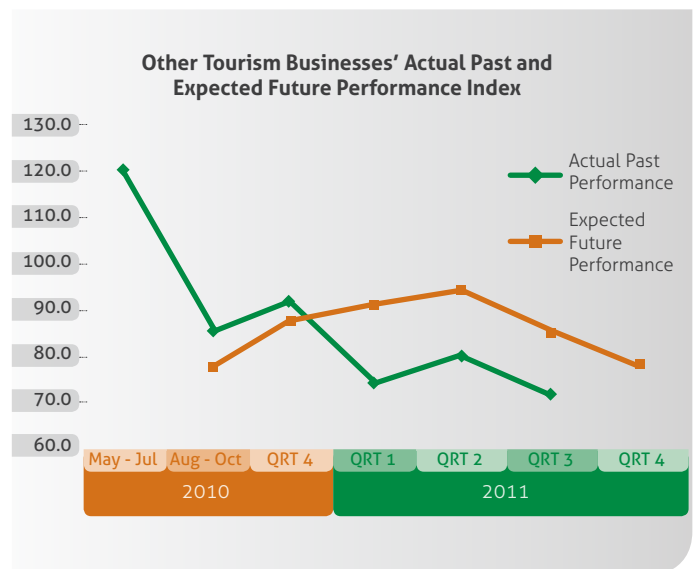


The accommodation sector has indicated an improved outlook for the fourth quarter of 2011, up to 84,9 for the fourth quarter of 2011, somewhat above the overall future index and current performance levels, but still significantly below normal levels.

The poor accommodation sector performance index is largely influenced by the independent lodges and backpacker establishments which, during the third quarter of 2011, performed well below normal levels. The accommodation index was also depressed by the worse than normal performance experienced by B&Bs and guest houses, the smaller independent hotels and the larger hotel groups. In contrast, timeshare operators recorded higher than normal levels of performance.

Once again, other tourism businesses indicated a higher performance level than the accommodation sector. During the third quarter of 2011 the other tourism businesses recorded an actual performance index of 71,8. However, when this performance is compared to the sector's expected performance index of 86,4 for the third quarter, this sector of the tourism industry also performed worse than they had expected.

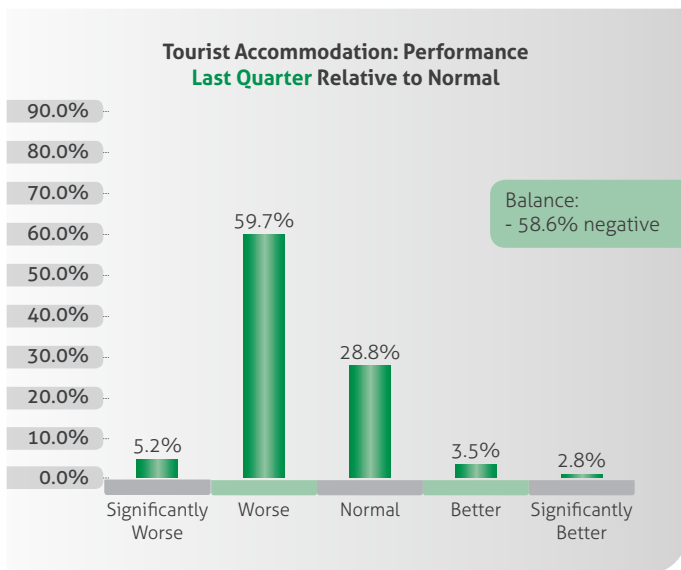
Within this sector of the tourism industry, the FOREX operators recorded significantly worse than normal levels of performance, while activities and attractions, travel agents and tour operators recorded worse than normal performance levels. Conference venues were the only respondent group, within this sector, to record normal performance levels.



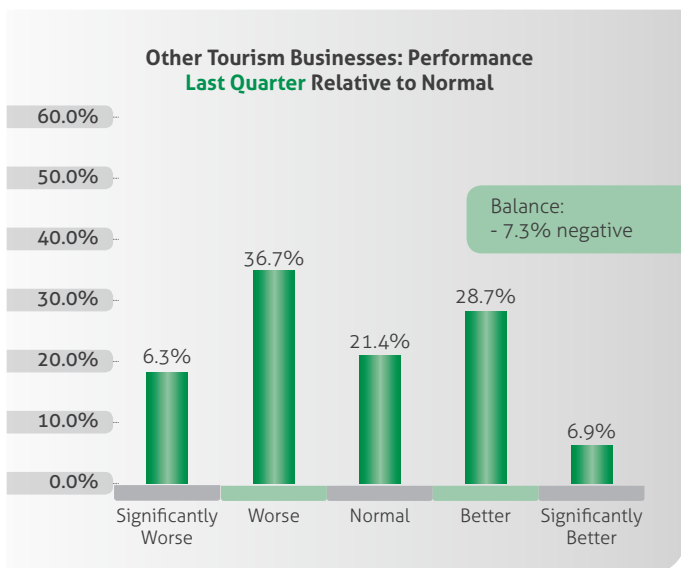
Again, it is not very surprising to notice a decline in this sector's outlook regarding their expected performance levels during the 4th quarter of 2011. The other tourism business operators report an expected performance index of 77,4 for the 4th quarter of 2011, a prediction which is much lower than the expected performance index recorded in the previous edition and closer to the actual performance index recorded for the 3rd quarter. This expected performance index still implies some improvement in the next quarter over last quarter performance levels, however, noticeably other tourism businesses expect to perform worse than the accommodation sector (77,4 compared to 84,9). The future performance expectations among both sectors are still well below normal levels.

## Balance Statistics

### Last Quarter



Considering the balance statistic, the accommodation sector was very negative about the third quarter of 2011, with a negative balance statistic of -58,6%. This is similar to expectations for the third quarter of 2011



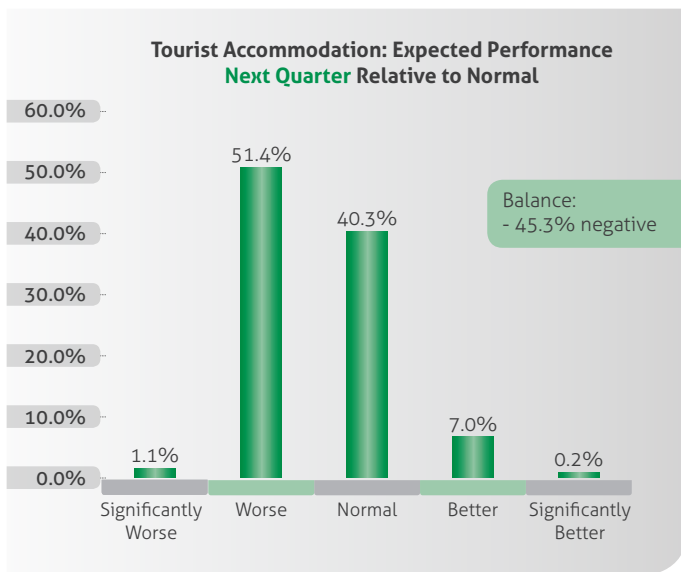
(negative balance statistic of -51,3%), and an improvement on the negative -82,4% balance statistic for performance in the second quarter. This ongoing negative performance is as a result of 59,7% of the accommodation operators feeling that their business performance was worse than normal, with only 28,8% indicating that their performance levels were normal. 5,2% Of the accommodation operators actually recorded significantly worse than normal performance levels during the last quarter, while 6% recorded better than normal performance.

The other tourism businesses were much less pessimistic about the third quarter of 2011 with a negative balance statistic of -7,3%. A large proportion (36,7%) of these business operators feel that their performance levels during the last quarter were worse than normal, with 6,3% recording significantly worse than normal business performance levels. More than a third (35,6%) of the operators however recorded performance levels better or significantly better than normal, while 21,4% recorded normal business levels.

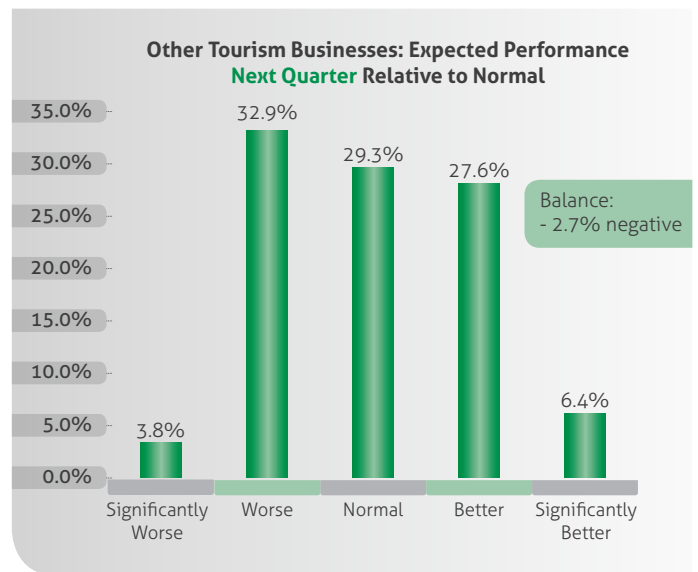
Comparing this negative balance statistic with the expected performance balance statistic for this quarter (negative -8,9%) the operators within this sector recorded a similar balance statistic to their expectations. However, when comparing the third quarter's actual balance statistic (-7,3%) to the second quarter's actual balance statistic (-47,3%), the business operators within this sector of the tourism industry indicate some overall improvement on balance.



## Next Quarter

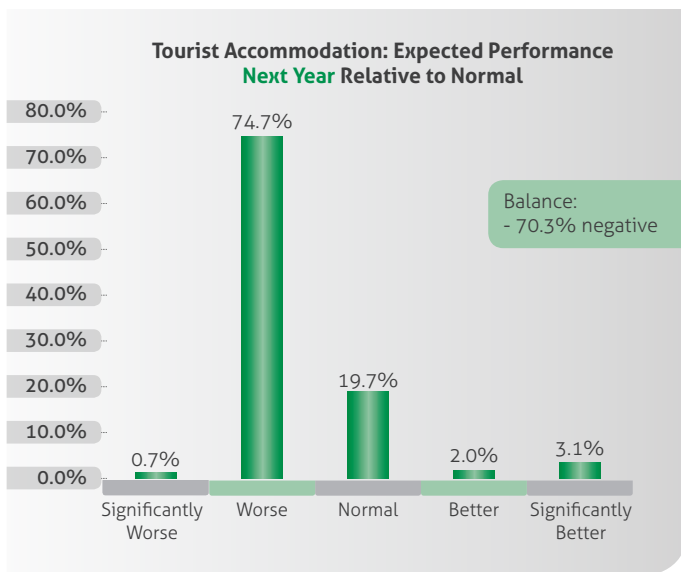


Regarding the next quarter, the accommodation sector is once again fairly negative (-45,3%) about their performance levels. The majority of the accommodation operators (52,5%) felt that their performance levels during the last quarter of 2011 will be worse or significantly worse than normal, while a large number of operators (40,3%) felt that their performance levels during the next quarter will be normal. Only 7,2% of the accommodation operators felt that they will achieve higher than normal business levels during the last quarter of 2011.

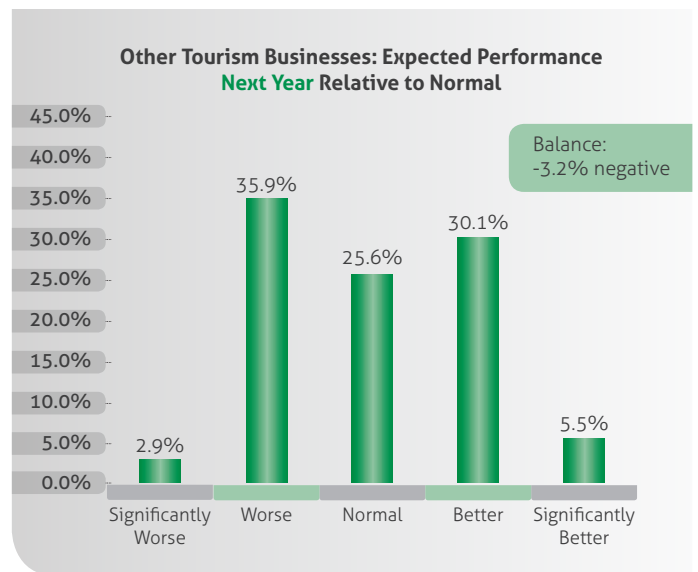


Other tourism businesses are less pessimistic about the last quarter of 2011, with a negative balance statistic of only -2,7%, with the majority (65,3%) of the operators expecting normal or better than normal performance levels. 36,7% Of the operators expect performance levels to be worse or even significantly worse than normal.

## Next Year



When considering the next year (as opposed to the next quarter) prospects do not improve. The accommodation sector is more pessimistic, with a negative balance statistic of -70,3%. The majority of accommodation businesses (74,7%) still expect worse than normal performance levels. This balance statistic also represents a decline compared to the next year expectations of -40,2% in the last edition. In contrast, only 19,7% of accommodation operators expect their performance levels to be normal, while 5,1% are expecting higher than normal performance levels within the next year.

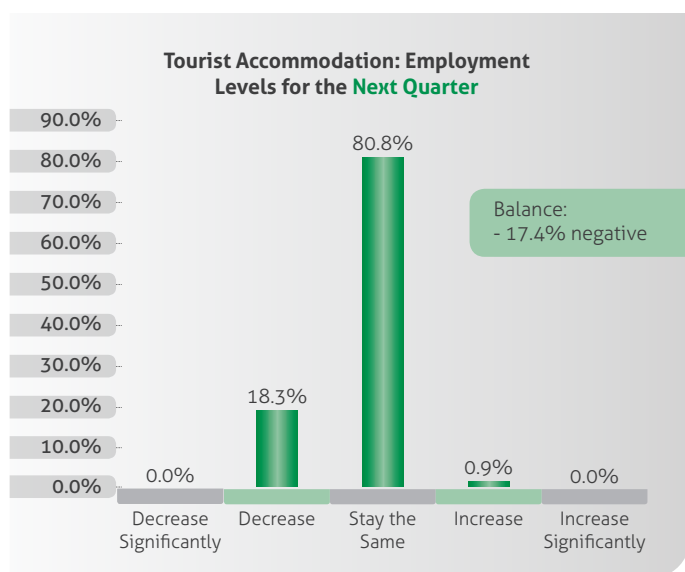


Overall, the other tourism businesses are less pessimistic about the next year, with a balance statistic of -3,2%. This is a slight increase from the -5,4% balance statistic recorded by the other tourism businesses regarding the next year in the previous edition.

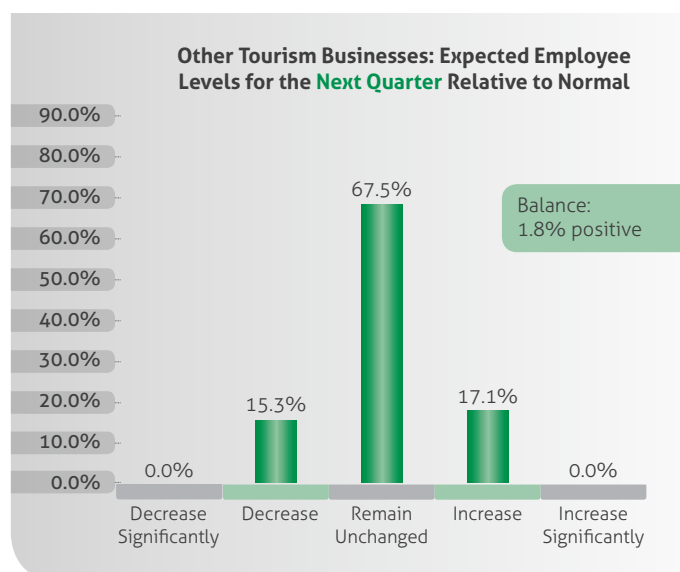
In this edition, a large portion of the other tourism businesses (38,8%) expect performance levels to be worse or significantly worse than normal within the next year, while 55,7% are expecting better than normal and normal performance levels. Only a small number (5,5%) are expecting significantly better than normal business performance levels during the next year.



## Employment Levels



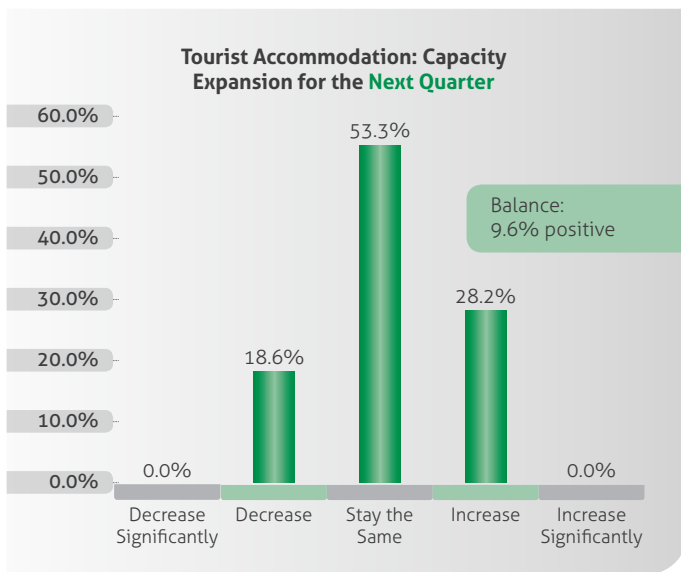
The accommodation sector has a negative expectation regarding employment levels in the last quarter of 2011, reflected in the negative balance statistic of -17,4% . Almost no operators (0,9%) intend to increase their employment levels. The majority of operators (80,8%) expect their employment levels to remain unchanged, while 18,3% expect to decrease their employment levels. Even though it is still concerning that 18,3% of the operators are expecting to decrease their employment levels, it is encouraging that this number has decreased from the 34,2% of operators who indicated expected decreases in employment levels in the previous edition.



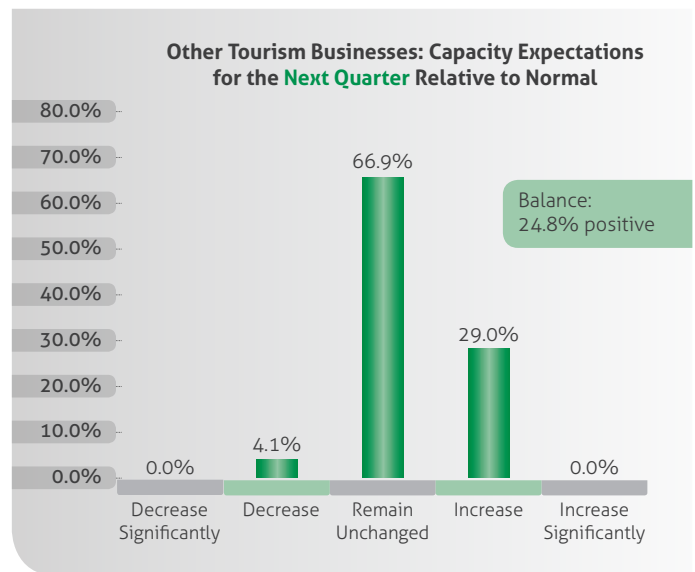
In contrast, the other tourism businesses are more positive about their future employment levels (positive balance statistic of 1,8%). The majority (67,5%) of the operators expect that there will be no change in their employment levels, while 17,1% actually expect increases in their employment levels during the next quarter of 2011. However, still a significant number (15,3%) of operators feel that there will be a decrease in their employment levels.

When compared to the negative expectations regarding employment levels within the other tourism businesses (balance statistic of -12,3%) recorded during the previous edition, it is encouraging to see that there is a more positive outlook emerging within this sector of the tourism industry regarding employment levels.

## Capacity Growth Expectations



The majority of the accommodation operators (53,3%) indicate that their room/unit capacity will remain unchanged within the next quarter compared to 83,9% in the last edition. 28,2% Indicate that they plan to increase their unit/ room capacity, while only 14,1% expected to increase their room/unit capacity in the prior edition. 18,6% Of the accommodation operators expect decrease in their room capacity during the last quarter of 2011, resulting in the positive balance statistic of 9,6%. This 18,6% decreasing capacity is a noticeable increase on the 1,6% indicating a decrease in capacity in the last edition and indicates that business performance imperatives and other timing opportunities/issues have allowed, or pushed, some operators to shed rooms or properties; something that is hard to achieve in the accommodation sector, and requires a major risk assessed decision.



Other tourism businesses report a much higher positive balance statistic of 24,8% regarding their expected capacity for the next quarter. The majority of the operators (66,9%) are expecting that their capacity will remain unchanged, while a large number (29%) feel that their capacity will increase. Interesting is that only 4,1% of the operators expect their capacity to decrease. When compared to the expectations within this sector regarding capacity recorded in the previous edition (positive balance statistic of 9,3%), there are better expectations of growth within this sector of the tourism industry for the last sector of 2011.

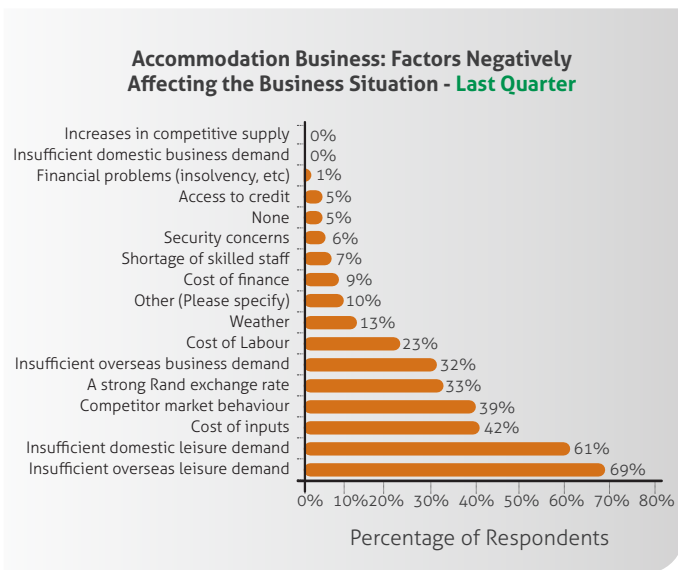




## Factors Affecting Business Conditions

When considering the performance of the Tourism Industry, this report considers both positive and negative possible factors which are impacting on the performance of the different sub-sectors.

### Negative Factors - Last Quarter



In the accommodation sector, 69% of the operators reported insufficient overseas leisure demand as a negative factor impacting on their business during the third quarter of 2011. This was closely followed by insufficient domestic leisure demand, the cost of inputs, competitor market behaviour, a strong Rand exchange rate and insufficient overseas business demand (61%-32%). 7% Of the operators felt that the shortage of skilled staff negatively affected their business in the third quarter of 2011, this is up slightly from 2% who stated this as a negative

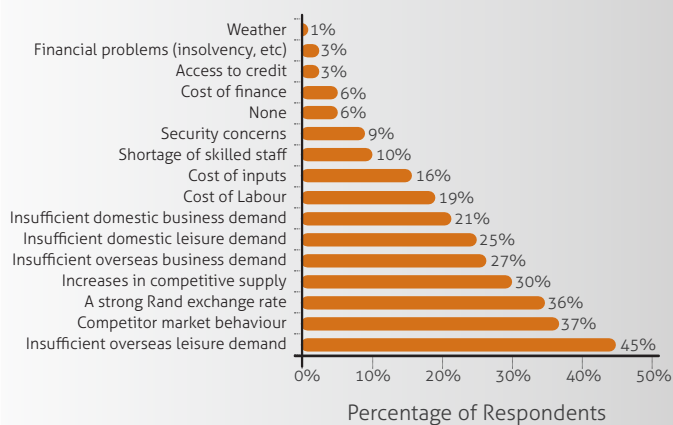
contributing factor during the previous edition. Security concerns have decreased as a negative impacting factor from 10% who stated it as a negative factor in the previous edition to only 6% in this edition. Some specific other factors cited which had a negative impact on players in the accommodation industry during the third quarter include; increases in municipal tariffs, increased fuel costs and the bad conditions of the roads.

Cost of inputs were expected to have an important negative impact in the 3rd quarter (recorded by 44% of the respondents during the previous edition), and now 42% in this edition, possibly reflecting the negative impact of the increase in municipal tariffs experienced by many of the respondents. A strong rand exchange rate has decreased from its expected negative impact mentioned by 37% last quarter to 33% this quarter. Otherwise insufficient demand particularly overseas and leisure, and competitor market behaviour remain at similar levels as high impact factors.

Increase in competitive supply, insufficient domestic business demand and financial problems were not indicated as negatively impacting factors for the third quarter of 2011, as was the case in the last edition.

Other tourism businesses indicate more impediments to business performance in the third quarter of 2011. Insufficient overseas demand (45%), competitor market behaviour (37%) and a strong Rand exchange rate (30%)

### Other Business: Factors Negatively Affecting the Business Situation - Last Quarter



were most indicated as negative contributing factors. Insufficient overseas business demand (27%), insufficient domestic leisure and business demand (25% and 21%), cost of labour and inputs (19% and 16%) were also all perceived by many as impacting factors. The factors which were indicated as least impacting on these businesses were: weather, financial problems, access to credit and cost of finance.

Insufficient overseas leisure demand has declined in impact from 58% last quarter to 45% this quarter, while domestic leisure demand as decreased only slightly in impact from 28% in last quarter to 25%. When compared to the expected impact of these factors stated during the previous edition (65% stated overseas leisure demand as an expected impacting factor, while 37% stated domestic leisure as an impacting factor for this quarter), these factors did not have such a big an impact as expected. Business demand impact levels have also decreased from 33% for overseas business demand in the last quarter to only

27% in this quarter and 28% for domestic business demand to only 25% stating it as an impacting factor during the third quarter.

Only 10% of the operators felt that the shortage of skilled staff negatively affected their business operations during the third quarter of 2011. This has remained stable in the other business tourism sector with 10% of respondents reporting the shortage of skilled staff as a negatively impacting factor in the previous edition.

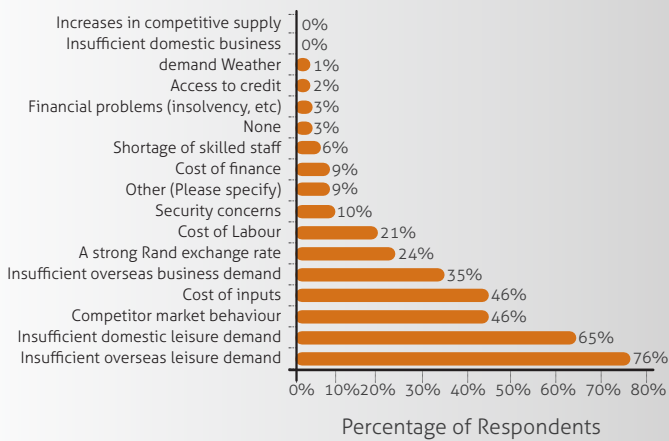
Some of the other negative factors cited to have impacted on other tourism businesses' performance during the last quarter include: undercutting of prices within some sectors of the tourism industry, trade unions and service delivery disputes, changes in tourist patterns with people travelling for shorter periods and booking on shorter notice and the increases in fuel prices and municipal tariffs.

### Negative Factors - Next Quarter

76% Of the accommodation operators report that insufficient overseas leisure demand is expected to be a negative impact on the accommodation sector's operations during the next quarter. Insufficient domestic leisure demand (65%), cost of inputs (46%), competitor market behaviour (46%) and insufficient overseas business demand (35%) are all important expected negative impacting factors. The strong last quarter impact and projected next quarter impact of competitor market behaviour possibly implies aggressive marketing tactics and rate wars are somewhat prevalent.



**Accommodation Business: Factors Negatively Affecting the Business Situation - Next Quarter**

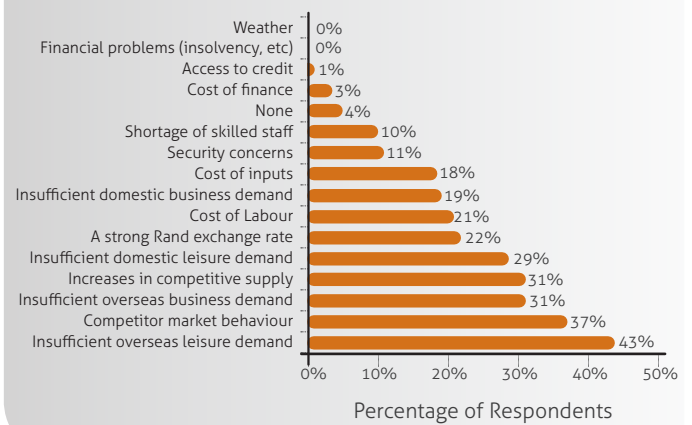


6% Of the accommodation operators quote the shortage of skilled staff as a negative factor, this is an increase from the 3% who mentioned this as an expected negative impacting factor during the previous edition. Increases in energy costs, increased fuel costs and the bad road conditions were highlighted by many respondents as specific negative factors expected to have an impact on the accommodation sector during the next quarter.

Cost of labour has decreased from being expected by 32% to have an impact over the next quarter in the last edition, to 15% who felt it actually had an impact during the third quarter and now 21% expecting the cost of labour to have an impact next quarter.

For other tourism businesses, insufficient overseas demand (43%) is seen by many respondents as a negative impacting factor for the next quarter. Competitor market behaviour (37%), insufficient overseas business demand (32%) and increases in competitive supply

**Other Business: Factors Negatively Affecting the Business Situation - Next Quarter**



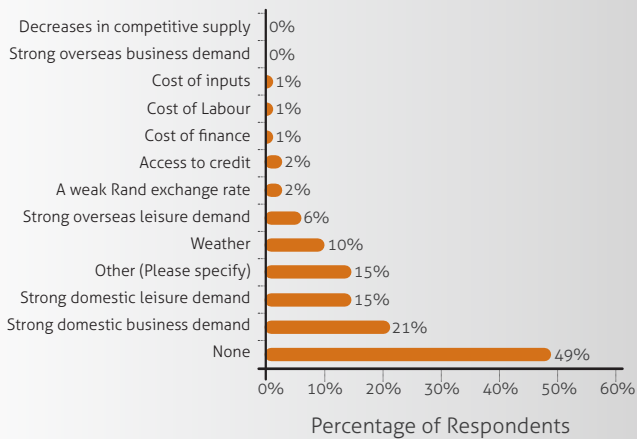
(31%) are some of the other important negative impacting factors.

Weather, financial problems and access to credit are the least mentioned negative impacting factors expected for the last quarter of 2011. Shortage of skilled staff and security concerns remain expected by few respondents as negative impacting factors for 10% and 11% of operators respectively. Cost of labour is expected to be an impacting factor by 21% of the respondents, compared to 19% who expected it to have a negative impact during the last edition.

Once again, the high fuel costs, increases in ACSA tariffs and increasing electricity costs were cited as expected major negative impacting factors for the next quarter as was a constraint on pricing with the need to provide the consumer with value for money product offerings as a result of the global economic recession.

## Positive Factors - Last Quarter

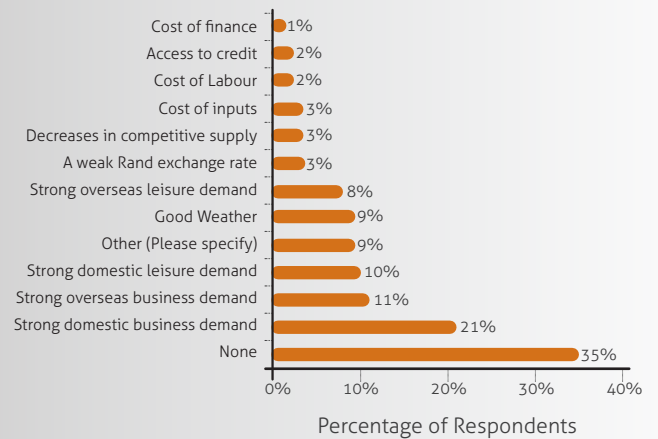
**Accommodation Business: Factors Positively Affecting the Business Situation - Last Quarter**



A large portion of the accommodation operators (49%) felt that no particular factors had a positive impact on their business during the last quarter. Strong domestic business and leisure demand (21%-15%), weather (10%) and a strong overseas leisure demand (6%) were positive impacting factors during the third quarter of 2011 for a few respondents. Decreases in competitive supply, strong overseas business demand, cost of inputs, cost of labour and cost of finance were not relevant as positive impacting factors. The fact that decreases in competitive supply do not figure for any accommodation operators indicates that while the businesses are experiencing very tough times, accommodation establishments had not yet closed their doors in significant numbers during the third quarter of 2011, therefore positively influencing the remaining operators.

One accommodation operator felt that their long term business strategy of offering guests better service and quality for money was paying off during the last quarter, while one operator

**Other Business: Factors Positively Affecting the Business Situation - Last Quarter**



felt that it is the high rate of return customers achieved during the last quarter that was its most positive contributing factor.

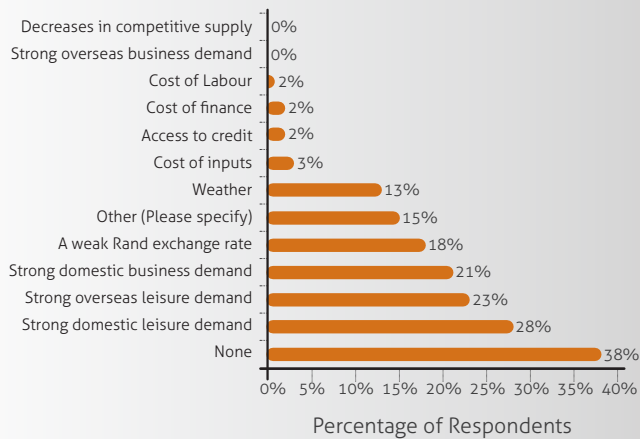
A large portion of the operators (35%) in the other tourism sector felt that no specific factor had a real positive impact on their business operations during the second quarter of 2011. Again, strong domestic and overseas business demand (21% and 11% respectively) and domestic leisure demand (10%) were the only noted factors selected by a few respondents as positive impacting factors.

Unlike in the accommodation sector, some respondents (3%) experienced a decrease in competitive supply.

Some of the other important factors reported which contributed positively to the operators' businesses during the last quarter included: more exposure through successful marketing campaigns, the introduction of new market segments such as weddings and the increase in demand from the government segment.

## Positive Factors - Next Quarter

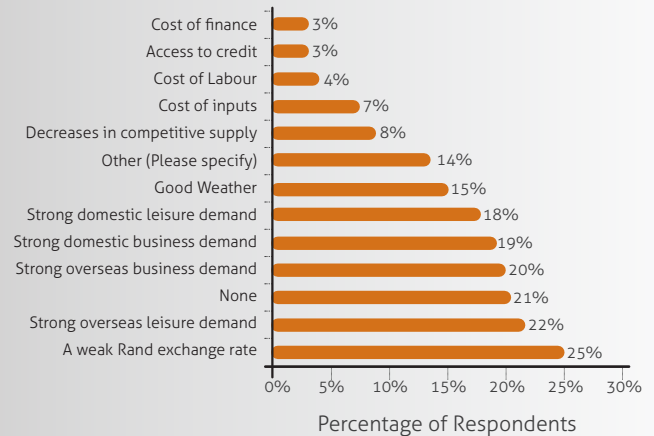
**Accommodation Business: Factors Positively Affecting the Business Situation - Next Quarter**



For the last quarter of 2011, the largest portion of the accommodation operators (38%) expect no specific factor to have a positive impact on their business operations. Other impacting factors mentioned are; strong domestic leisure demand (28%), strong overseas leisure demand (23%), strong domestic business demand (21%), and a weak Rand exchange rate (18%). Some of the other factors cited which are expected to have a positive impact on the accommodation sector's performance in the next quarter include targeted promotions and new markets from marketing campaigns, the expectation that COP 17 will bring in some extra business demand and reduced rates.

Looking at the other tourism businesses, 25% expect a weak[er] Rand exchange rate to have a positive impact on their business performance in the next quarter. Strong domestic business demand (22%), strong business demand, both overseas and domestic (20% and 19% respectively) and strong domestic leisure

**Other Business: Factors Positively Affecting the Business Situation - Next Quarter**



demand (18%) are also expected to have a positive impact.

Noteworthy is that 21% of the operators expect no specific factor will have a positive impact on their business during the next quarter.

A large portion of the operators within the other sector of the tourism industry cited other factors as important positive impacting factors for the next quarter and these include: active marketing campaigns, new clients and markets from promotions and value added services implemented during the last quarter and various cost saving initiatives which are now starting to show returns.

Overall it seems that internal marketing, loyalty and promotion initiatives, coupled with "value – add" approaches are amongst the most frequent factors impacting on past and expected performance across both sectors.

## General Business Indicators

The Quarterly RMB/BER Business Confidence Index ("BCI") for 2010 and the first three quarters of 2011 are illustrated in the table below.

2010				2011		
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
43	36	47	44	55	48	39

Source: BER

As 50 indicates neutral levels of confidence, the index was in negative territory during 2010. In the first quarter of 2011 the index number went into net positive territory for the first time in years. However, after declining with 7 index points to 48 in the second quarter of 2011, the Index contracted once again with a further 9 index points in the third quarter of 2011. Currently, the RMB/BER Business Confidence Index is at 39, the lowest it has been in a year, but still above the lowest registered point of 23, which was during the global economic recession in 2009.

Currently the general and tourism business performance is somewhat more pessimistic that the RMB/BER Business Confidence Index, with tourism at 70,0 below 100, compared to 39 below 50 for the BER. The RMB/BER is a business tendency survey based on OECD methodology as is the TBCSA FNB TBI.

The SACCI Business Confidence Index ("BCI") is a composite indicator, as oppose to a tendency survey, but it is another regular and timeous indicator of economic activity. The index is

based on the average economic activity for 2005 being a base of 100. Given that the index rose above 100 in 2006 and the early part of 2007, the index, now being significantly below 100, indicates generally low levels of business confidence. The index average for 2009 was 82,8, the lowest it has been since 1997. The index average rose only slightly in 2010 with 2,1 index points to 84,9.

The SACCI BCI for the first three quarters of 2011 is presented in the below table.

2011								
Jan	Feb	March	April	May	June	July	Aug	Sep
103,1	101,9	104,2	102,5	101,2	102,4	99,0	98,6	98,4

At the end of the third quarter, the BCI had continued the downward trend which was started in the second quarter of 2011. By the end of September, the BCI had contracted by 4 index points from 102,4 in June 2011 to 98,4.

The TBCSA FNB Tourism Business Index indicates much weaker business performance for the third quarter of 2011 when compared to the SACCI BCI.

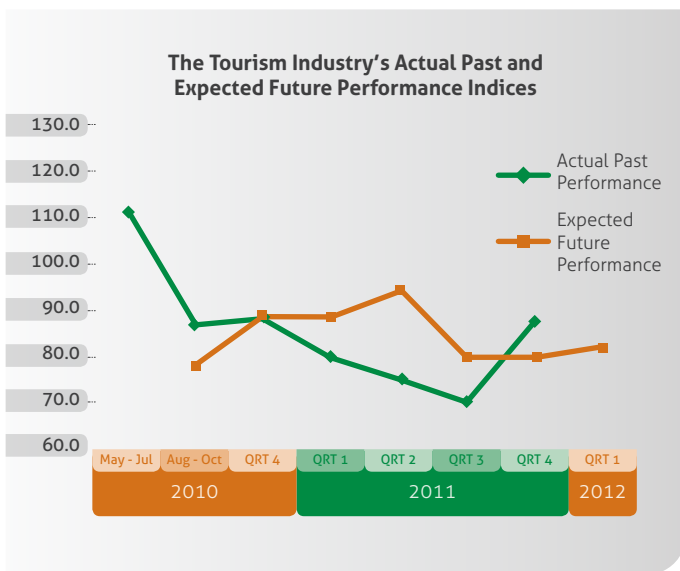
## Respondents

For this edition of the TBI we received 178 responses, which are broken up into 126 within the accommodation sector and 52 responses from the other tourism business. Listed below are the businesses who participated in this quarter's survey.

# SECTION 2

TBI Quarter 4 - 2011

## The Tourism Business Index Quarter 4-2011



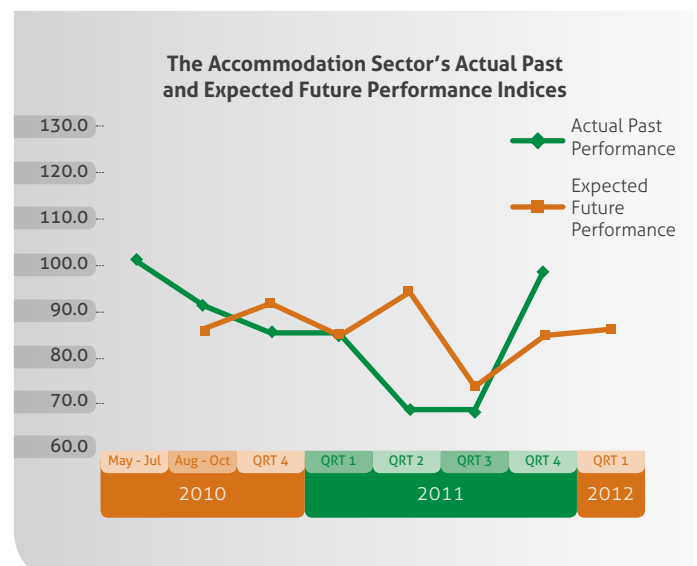
For the last quarter of 2011, the TBI registered a performance index of 87,3 against a normal of 100. When compared to the expected industry performance index of 80,7 for the fourth quarter, the industry performed better than expected, and much better than in quarter 3 (an increase of 17,3 index points from 70,0 at the end of quarter 3 to 87,3 at the end of quarter 4).

It is encouraging that the TBI recorded a higher actual performance than expected during the last quarter of 2011, as the TBI has been in a steady decline since the start of 2011. At the end of the 4th quarter of 2010, the Tourism Industry had performed exactly as expected; however, for the first three quarters of 2011, the Tourism Industry performed well below expectations. For the first time since the pilot phase, we see the Tourism Industry performing above the Industry's expectations. The 4th quarter's actual performance index (87,3) is also the highest actual index achieved during 2011.

The future expected performance is still a more modest index of 82,2 for the first quarter of 2012. This indicates that businesses remain cautious on whether the improvement will be sustained. This may be due to the strength of domestic leisure business and a major event (Cop 17) in the last quarter of 2011, which are not expected to manifest in the first quarter 2012, especially as Easter is in the 2nd quarter of the year.

In terms of this edition of the TBI, both sub-indices (accommodation and other tourism business sectors) performed better than was anticipated for the fourth quarter of 2011.

The accommodation sector performance index for the fourth quarter of 2011 was 98.9. Compared to the expected performance index of 84,9 for this quarter. The result indicates that overall accommodation businesses have had a much better than expected quarter, and very nearly returned to normal operating levels. The accommodation sector performance was also significantly better than the third quarter of





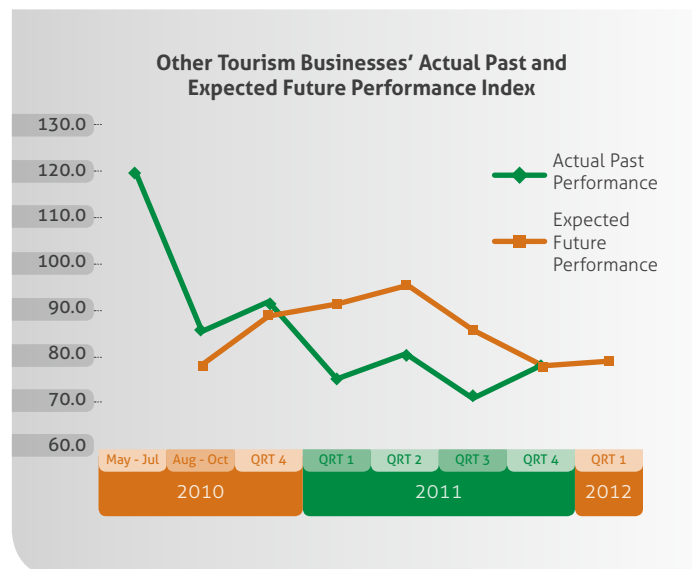


2011 (an increase of 31,2 index points from an index of 67,7 in the third quarter to an index of 98,9 in fourth quarter) The accommodation sector has indicated a slightly improved outlook for the first quarter of 2012 of 85,8. However when compared to the actual performance index (98,9) achieved by this sector during the last quarter, the sector is certainly indicating that they do not expect a repeat of the almost normal performance levels of late 2011 in early 2012.

The fourth quarter's higher accommodation sector performance index is largely influenced by the independent hotels and self catering and camping establishments which, during the last quarter of 2011, recorded better than normal performance levels. The index was also assisted by the hotel groups, the independent lodges, B&Bs and guest houses, the timeshare establishments and backpacker operators, which all recorded normal or very close to normal performance levels.

In contrast to the last two quarters, the other tourism businesses indicated a lower performance level than the accommodation sector. During the fourth quarter of 2011 the other tourism businesses recorded an actual performance index of 78,3. However, this sector of the Tourism Industry performed close to their expectations during the last quarter of 2011, with an expected index of 77,4 compared to an actual performance index of a slightly higher 78,3.

This other sector of the Tourism Industry recorded a more conservative outlook regarding the expected performance levels for the first quarter of 2012. They report an expected



performance index of 79,4 for the first quarter of 2012, a prediction which is slightly higher than the last quarter's performance index (in contrast to the accommodation sector which expects a poorer 1st quarter 2012 compared to last quarter 2011). This expected performance index still implies some improvement in the next quarter over last quarter performance levels, however, noticeably other tourism businesses also expect to perform worse than the accommodation sector (85,8 compared to 79,4). The future performance expectations among both sectors are still well below normal levels.

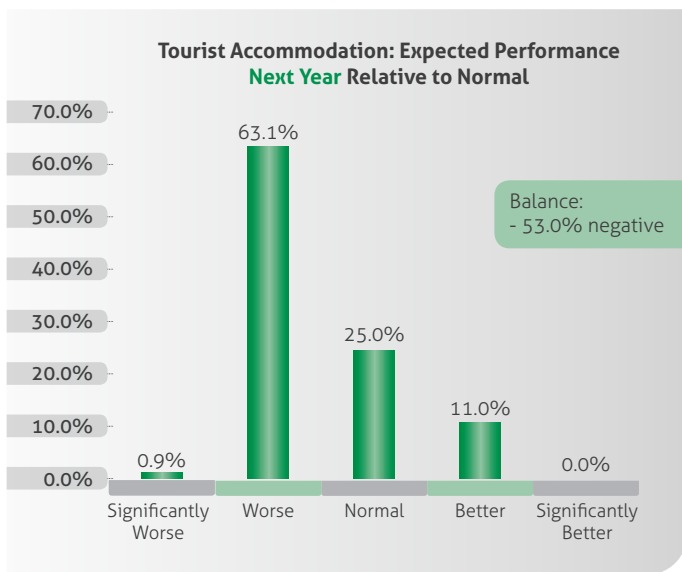
The fourth quarter's actual past performance index within this sector of the Tourism Industry, was influenced by the conference and event organisers as well as the vehicle rental companies which recorded higher than normal levels of performance, while activities and attractions, tour operators, airlines and coach operators recorded worse than normal performance levels.

### TBI Summary

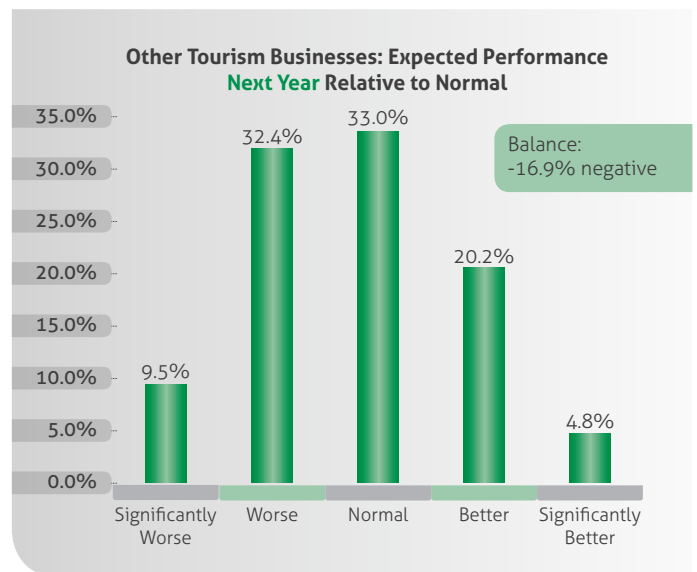
		Overall		Accommodation		Other	
		Actual	Forecast	Actual	Forecast	Actual	Forecast
2011	1 <sup>st</sup> Quarter	79.6	89.1	85.3	85.5	75.1	91.9
	2 <sup>nd</sup> Quarter	74.5	94.1	67.8	94.0	79.6	94.1
	3 <sup>rd</sup> Quarter	70.0	81.0	67.7	73.9	71.8	86.4
	4 <sup>th</sup> Quarter	87.3	80.7	98.9	84.9	78.3	77.4
2012	1 <sup>st</sup> Quarter		82.2		85.8		79.4

## Balance Statistics

### Next Year



When considering the next year (as oppose to the next quarter) prospects are declining. The accommodation sector is pessimistic, with a negative balance statistic of -53,0%. The majority of accommodation businesses (63,1%) still expect worse than normal performance levels. In contrast, only 25,0% of accommodation operators expect their performance levels to be normal, while 11,0% are expecting higher than normal performance levels within the next year. None are expecting significantly better than normal performance. This balance statistic has however improved from the next year expectations of -70,3% in the last edition.



Overall, the other tourism businesses are less pessimistic about the next year, with a balance statistic of -16,9%. This is though, a decrease from the -3,2% balance statistic recorded by the other tourism businesses regarding the next year in the previous edition.

In this edition, a large portion of the other tourism businesses (41,9%) expect performance levels to be worse or significantly worse than normal over the next year, while 53,2% are expecting normal or better than normal performance levels. Only a small number (4,8%) are expecting significantly better than normal business performance levels during the next year.



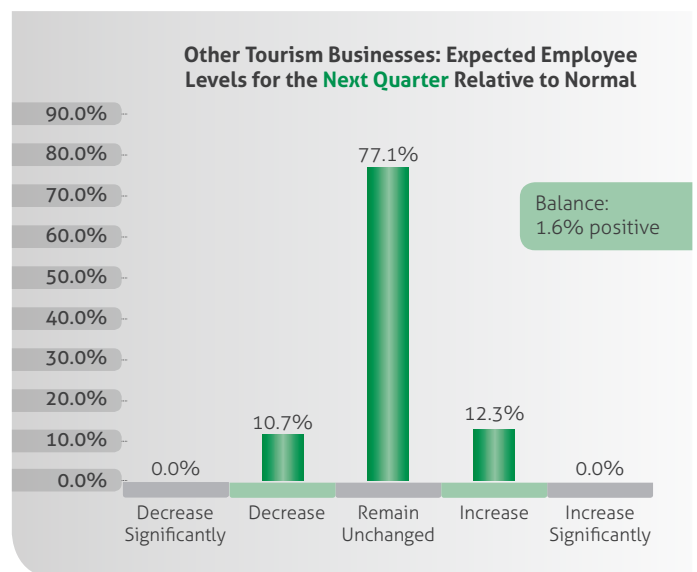
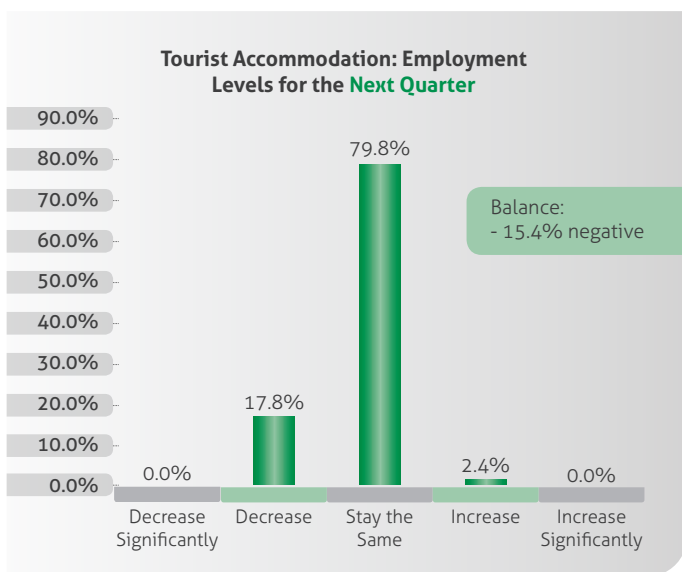
## Employment Levels

The accommodation sector has a negative expectation regarding employment levels in the first quarter of 2012, reflected in the negative balance statistic of -15,4% . Very few operators (2,4%) intend to increase their employment levels. The majority of operators (79,8%) expect their employment levels to remain unchanged, while 17,8% expect to decrease their employment levels. Even though it is still concerning that 17,8% of the operators are expecting to decrease their employment levels, it is encouraging that this number has decreased from the 18,3% and 32,2% of operators who indicated expected decreases in employment levels in the previous two editions.

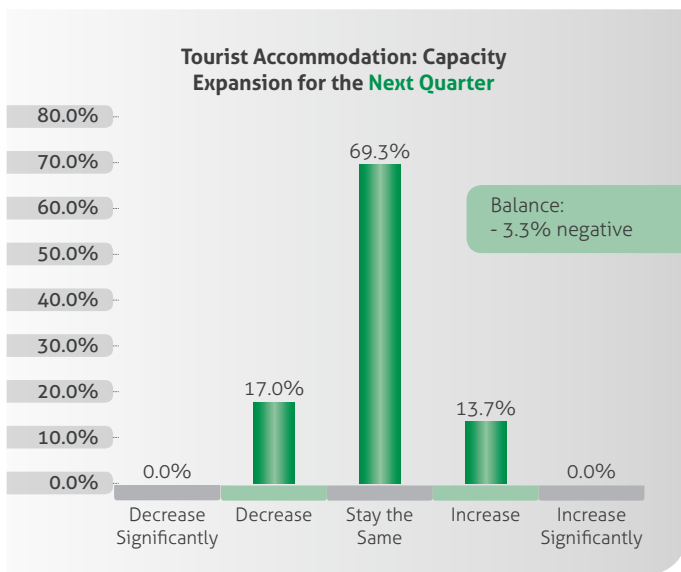
In contrast, the other tourism businesses are more positive about their future employment

levels (positive balance statistic of 1,6%). The majority (77,1%) of the operators expect that there will be no change in their employment levels, while 12,3% actually expect increases in their employment levels during the next quarter. However, still a significant number (10,7%) of operators feel that there will be a decrease in their employment levels.

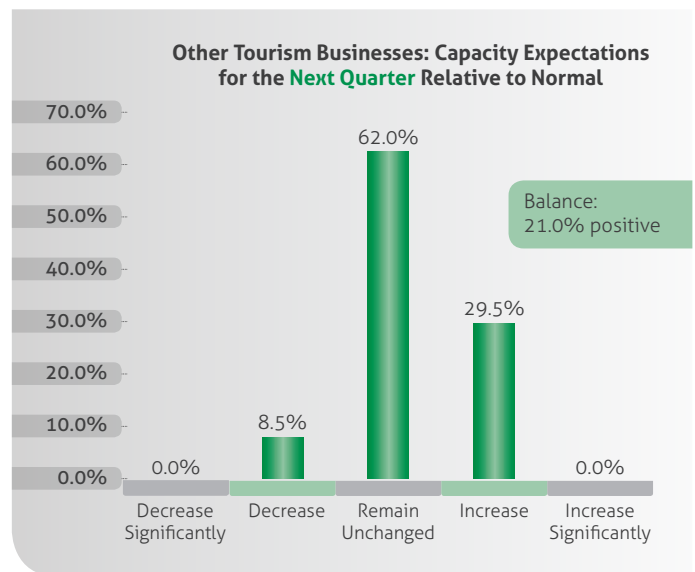
When compared to the negative expectations regarding employment levels within the other tourism businesses (balance statistic of 1,8% and -12,3%) recorded during the previous two editions, it is encouraging to see that there is an ongoing more positive outlook emerging within this sector of the tourism industry regarding employment levels.



## Capacity Growth Expectations



The majority of the accommodation operators (69,3%) indicate that their room/unit capacity will remain unchanged in the next quarter compared to 53,3% in the last edition. Only 13,7% indicate that they plan to increase their unit/ room capacity, while 28,2% expected to increase their room/unit capacity in the prior edition. 17% Of the accommodation operators expect a decrease in their room capacity during the first quarter of 2012, resulting in the slightly negative balance statistic of -3,3%. This 17% decreasing capacity is 1 percentage point decrease from the 18,6% who expected decreases for the fourth quarter of 2011, but still much higher than the 1,6% of operators who expected decreases for the third quarter of 2011.



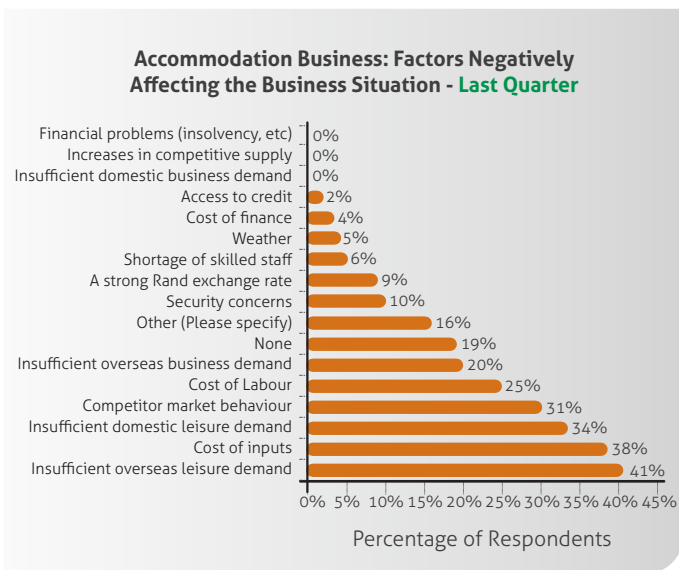
Other tourism businesses report a much higher positive balance statistic of 21% regarding their expected capacity for the next quarter. The majority of the operators (62%) are expecting that their capacity will remain unchanged, while a large number (29,5%) feel that their capacity will increase. 8,5% Of the operators expect their capacity to decrease. When compared to the expectations within this sector regarding capacity recorded for the fourth quarter of 2011 (positive balance statistic of 24,8%), there are slightly less optimistic expectations of capacity growth within this sector of the tourism industry for the first quarter of 2012, however, it is still higher than the positive balance statistic of 9,3% recorded for the third quarter of 2011.



## Factors Affecting Business Conditions

When considering the performance of the Tourism Industry, this report considers both positive and negative possible factors which are impacting on the performance of the different sub-sectors.

### Negative Factors - Last Quarter



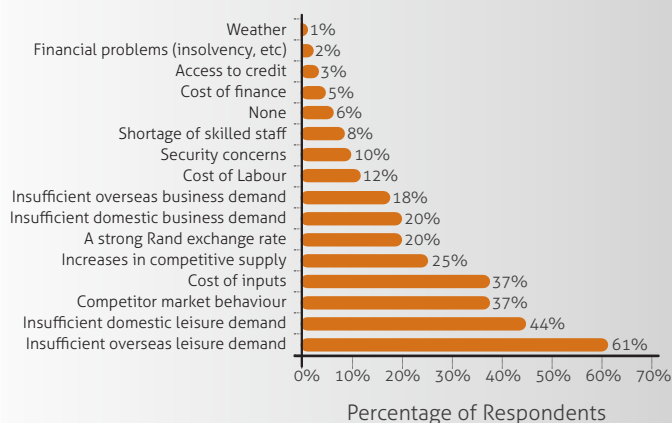
In the accommodation sector, the most recorded negative factor during the last quarter of 2011 is insufficient overseas leisure demand (reported by 41% of the respondents, compared to 69% who reported this as a negative factor in the previous edition). This was closely followed by the cost of inputs, insufficient domestic leisure demand and competitor market behaviour (38%-31%). Noteworthy is that 19% of the accommodation respondents felt that no specific factor had a negative impact on their business performance

during the last quarter of 2011, compared to only 5% in the last edition. Cost of labour and insufficient overseas business demand was also cited by many of the respondents (25% and 20%) as negative impacting factors during the last quarter of 2011. 6% Of the operators felt that the shortage of skilled staff negatively affected their business in the last quarter of 2011; this is down slightly from 7% who stated this as a negative contributing factor in the previous edition. Security concerns have increased again as a negative impacting factor from 6% who stated it as a negative factor in the previous edition to 10% in this edition, after it declined from 10% to 6% in the last edition. Some specific other factors cited which had a negative impact on players in the accommodation industry during the last quarter include; increases in municipal tariffs, increased fuel costs ,the bad conditions of the roads, and the increase in the number of so called "illegal" guest houses and B&Bs which are coming up in certain areas of the country.

A strong rand exchange rate has decreased from its expected negative impact mentioned by 24% last quarter to only 9% this quarter. Otherwise insufficient demand particularly overseas and leisure, and competitor market behaviour remain at similar levels as high impact factors.

Increase in competitive supply, insufficient domestic business demand and financial problems were not indicated as negatively impacting factors for the last quarter of 2011, as was the case in the last edition. This is also in

### Other Business: Factors Negatively Affecting the Business Situation - Last Quarter



line with the expectation regarding these factors from the last quarter edition.

Other tourism businesses indicate more impediments to business performance in the last quarter of 2011. Insufficient overseas demand (61%), insufficient domestic leisure demand (44%), competitor market behaviour (37%, same as in the previous edition) and cost of inputs (37%) were most indicated as negative contributing factors. Increases in competitive supply, a strong Rand exchange rate, and insufficient domestic and overseas business demand (25%- 18%) were also all perceived by many as impacting factors. The factors which were indicated as least impacting on these businesses were: weather, financial problems, access to credit and cost of finance (same as in the previous edition). Noteworthy is that only 6% of the respondents in the other tourism businesses felt that no specific factor had a negative impact on their business during the last quarter of 2011, in comparison to the 19% who cited no specific impacting factor in the accommodation sector.

Both Insufficient overseas and domestic leisure demand increased significantly in impact from 45% last edition to 61% and 25% to 44% respectively. When compared to the expected impact of these factors stated during the previous edition (31% stated overseas leisure demand as an expected impacting factor, while 43% stated domestic leisure as an expected impacting factor for this quarter), domestic leisure demand was almost as expected, while foreign leisure demand was worse than expected. Insufficient business demand impact levels have also decreased from 27% for overseas business demand in the last edition to only 18% in this quarter and slightly from 21% for domestic business demand to 20%.

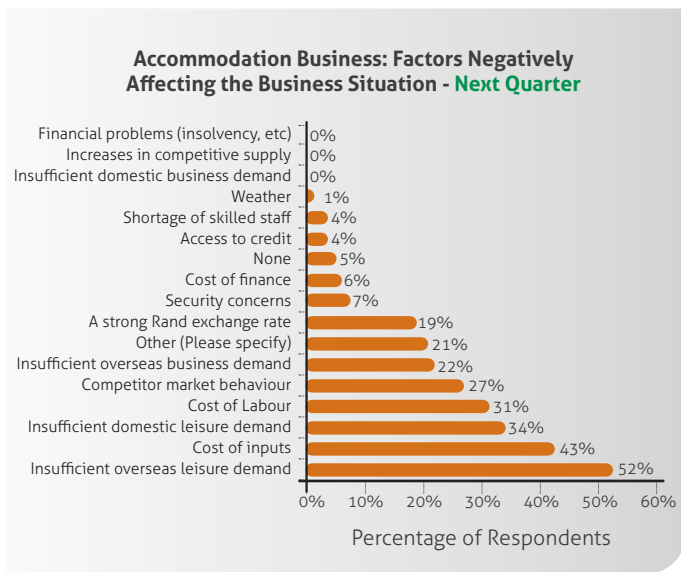
Cost of inputs increased in impact from 16% last edition to 37% during the last quarter of 2011.

Only 8% of the operators felt that the shortage of skilled staff negatively affected their business operations during the last quarter of 2011. This factor had decreased slightly from the 10% of the other tourism business respondents reporting the shortage of skilled staff as a negatively impacting factor in the previous edition.

Some of the other negative factors cited to have impacted on other tourism businesses' performance during the last quarter include: undercutting of prices within some sectors of the tourism industry, changes in tourist patterns with people travelling for shorter periods and booking on shorter notice and the increases in fuel prices and municipal tariffs.

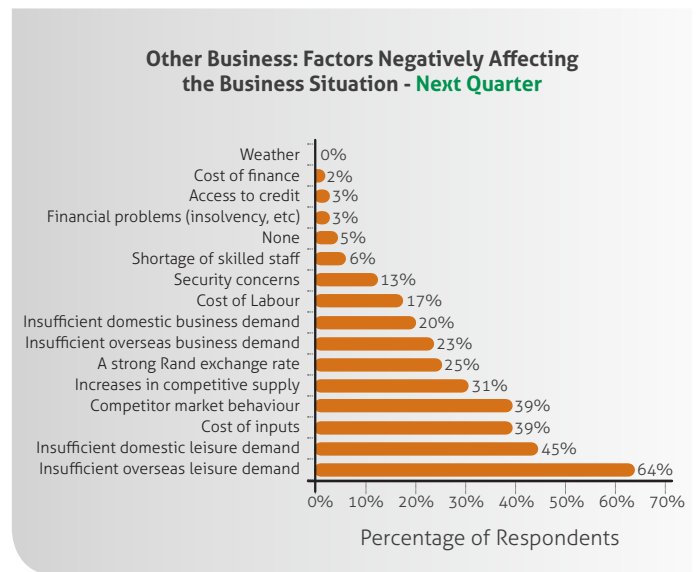


## Negative Factors - Next Quarter



52% Of the accommodation operators report that insufficient overseas leisure demand is expected to be a negative impact on the accommodation sector's operations during the first quarter of 2012. Cost of inputs (43%), insufficient domestic leisure demand (34%) and the cost of labour (31%) are all important expected negative impacting factors. Competitive market behaviour (cited by 27% of respondents as an expected negative impacting factor for the next quarter), was also cited as a strong impacting factor during the last quarter, but this was down from 46% of respondents last quarter. 5% Of the respondents felt that no specific factor will have a negative impact on their business operations during the next quarter.

4% Of the accommodation operators quote the shortage of skilled staff as a negative factor,



this is a decrease from the 6% who mentioned this as an expected negative impacting factor for the previous edition. Increases in fuel costs and municipal tariffs, as well as the increasing number of so called "illegal" guest houses and B&Bs which undercut rates, as well as ineffective marketing strategies were mentioned by a number of respondents as specific negative factors expected to have an impact on the accommodation sector during the next quarter.

For other tourism businesses, insufficient overseas demand (64%) is seen by many respondents as a negative impacting factor for the next quarter. Insufficient domestic leisure demand (45%), cost of inputs (39%), competitor market behaviour (39%) and increases in competitive supply (31%) are some of the other important negative impacting factors.

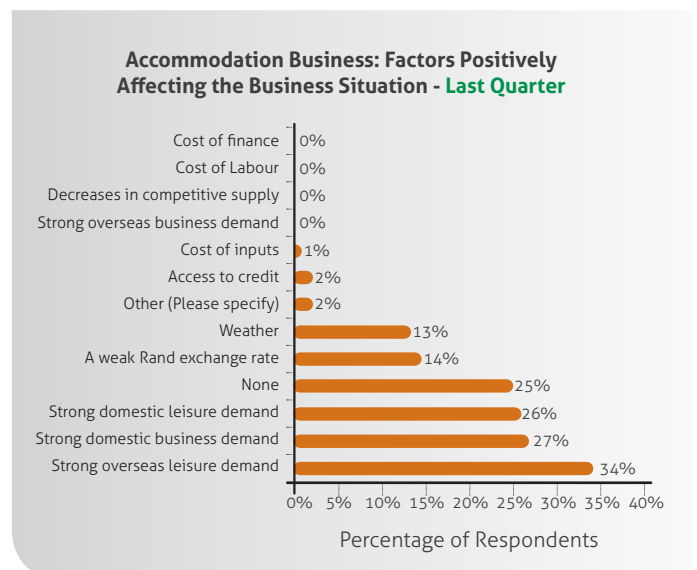


Weather, cost of finance, financial problems and access to credit are the least mentioned negative impacting factors expected for the first quarter of 2012. Shortage of skilled staff and security concerns remain expected by few respondents as negative impacting factors for 6% and 13% of operators respectively. Cost of labour is expected to be an impacting factor by 17% of the respondents, compared to 21% who expected it to have a negative impact during the last edition.

Decreases in marketing budgets, the economic down turn in Europe and the high fuel costs were cited as expected major negative impacting factors for the next quarter.

Insufficient overseas leisure demand decreased from 76% of the respondents who thought this will be a negative impacting factor during the last edition to 64% in this edition, while insufficient domestic leisure demand decreased from 65% to 45%. Competitive market behaviour was expected by 46% of the other tourism business respondents to have a negative impact on the last quarter of 2011 during the last edition, while 39% expect this to be a negative impacting factor during the first quarter of 2012.

## Positive Factors - Last Quarter



Strong overseas leisure demand (34%), strong domestic business and leisure demand (27%-26%), a weak Rand exchange rate (14%) and weather (13%) were positive impacting factors during the last quarter of 2011 for a few respondents. 25% of the Respondents felt that no specific factor had a positive impact on their business performance levels during the last quarter. This is a decrease from the 49% of respondents who cited no positive impacting factors in the previous edition. Decreases in





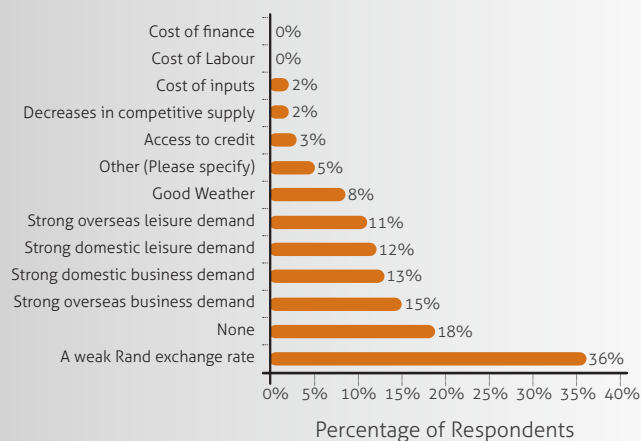
competitive supply, strong overseas business demand, cost of labour and cost of finance were not relevant as positive impacting factors, as was the case in the previous edition.

One accommodation operator indicates that their overseas demand has increased since joining Trip Advisor while another felt that COP17 had a significant positive impact on their business during the last quarter.

A large portion of the operators (36%) in the other tourism sector felt that a weak Rand exchange rate had a positive impact on their business operations during the last quarter of 2011, while 18% felt that no factor had a positive impact during the last quarter (this is a decrease from 35% which felt that there was no real positive impacting factors in the last edition).

Again, strong domestic and overseas business demand (13% and 15% respectively) and domestic and overseas leisure demand (12% and 11%) were the only noted factors selected by a some respondents as positive impacting factors. Overall the level of positive factors cited was considerably lower for the other tourism businesses compared to the accommodation businesses.

#### Other Business: Factors Positively Affecting the Business Situation - Last Quarter

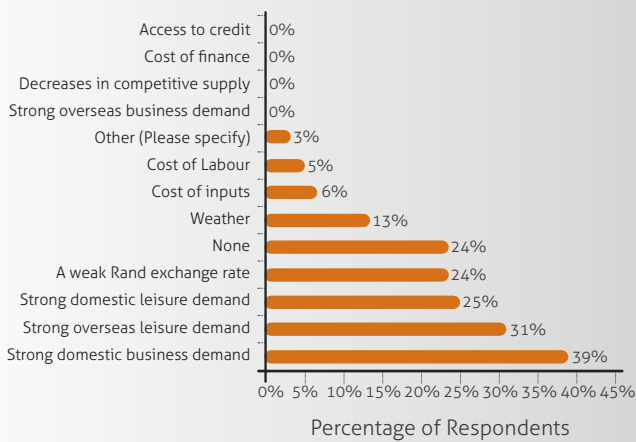


Unlike in the accommodation sector, some respondents (2%) experienced a decrease in competitive supply, while the cost of finance, the cost of labour and the cost of inputs were not cited as positive impacts during the last quarter.

Some of the respondents felt that their business was impacted on positively by more exposure through successful marketing and PR campaigns during the last quarter of 2011.

## Positive Factors - Next Quarter

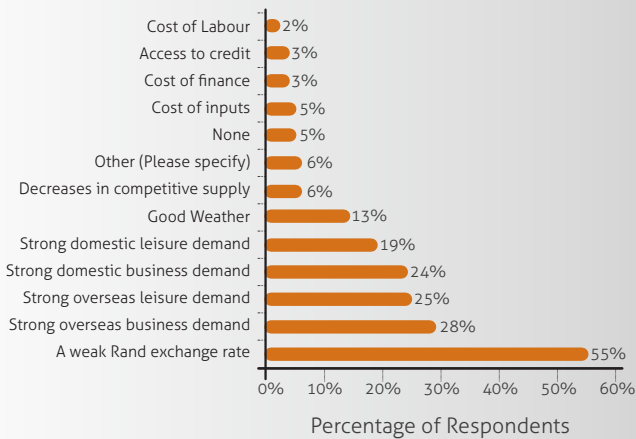
**Accommodation Business: Factors Positively Affecting the Business Situation - Next Quarter**



For the first quarter of 2012, the largest portion of the accommodation operators (70%) expect strong domestic business demand and overseas leisure demand to have a positive impact on their business operations. Other impacting factors mentioned are; strong domestic leisure demand (28%), a weak Rand exchange rate (24%) and weather (14%). 24% Of the respondents felt that no factor will have a positive impact on their business in the next quarter. This is a decrease from the 38% of the accommodation respondents who cited no positive factors in the previous edition.

Access to credit, cost of finance, decreases in competitive supply and strong overseas business demand are all expected to have no impact in the next quarter.

**Other Business: Factors Positively Affecting the Business Situation - Next Quarter**



Some of the respondents felt that more exposure on Trip Advisor will assist with their overseas demand, while another respondent stated that they are planning to redesign their website to allow for easier booking, which they believe will increase their business demand.

Looking at the other tourism businesses, 55% expect a weak[er] Rand exchange rate to have a positive impact on their business performance in the next quarter (compared to 25% who cited this as a positive impacting factor during the last edition). Strong overseas business and leisure



demand (29% and 28% respectively), strong domestic business and leisure demand (24% and 19% respectively) and good weather (13%) are also expected to have a positive impact. Noteworthy is that only 5% of the operators expect no specific factor will have a positive impact on their business during the next quarter, compared to 21% in the previous edition.

6% Of the operators within the other sector of the tourism industry cited other factors as

important positive impacting factors for the next quarter and these include: pro- active marketing campaigns, an improved world economy and improved branding strategies.

Once again cost of labour, access to credit, cost of finance and cost of inputs were not cited by many of the respondents as factors expected to have a positive impact on the next quarter's business performance.

## General Business Indicators

The Quarterly RMB/BER Business Confidence Index ("BCI") for 2010 and 2011 is illustrated in the table below.

2010				2011			
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
43	36	47	44	55	48	39	38

Source: BER

As 50 indicates neutral levels of confidence, the index was in negative territory during 2010. In the first quarter of 2011 the index number went into net positive territory for the first time in years. However, after declining with 7 index points to 48 in the second quarter of 2011, the Index contracted once again with a further 9 index points in the third quarter of 2011. During the fourth quarter of 2011, the RMB/BER Business Confidence Index contracted even further to 38, the lowest it has been in eighteen months, but still above the lowest registered point of 23, which was during the global economic recession in 2009.

The general and tourism business performance is somewhat more positive for the last quarter than the RMB BER index, although both are in negative territory, with tourism at 87,3 below

100, compared to 38 below 50 for the BER. The RMB/BER is a business tendency survey based on OECD methodology as is the TBCSA FNB TBI.

The SACCI Business Confidence Index ("BCI") is a composite indicator, as oppose to a tendency survey, but it is another regular and timeous indicator of economic activity. The index is based on the average economic activity for 2005 being a base of 100. The index rose above 100 in 2006 reaching 122 at its highest level and stayed above 100 in the early part of 2007 and thereafter declined. The index average for 2009 was 82,8, the lowest it has been since 1997. The index average rose only slightly in 2010 with 2,1 index points to 84,9.

The SACCI BCI for 2011 is presented in the below table.

2011											
Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
103,1	101,9	104,2	102,5	101,2	102,4	99,0	98,6	98,4	97,5	97,4	99,1

Between November and December 2011, the SACCI BCI increased meaningfully for the first time in 2011 since its current decline began in April 2011. The December 2011 upturn follows the significant easing of the decline phase in November 2011. The BCI increased by 0.7 index points from 98.4 in September 2011 (end of quarter 3) to 99.1 in December 2011 (end of quarter 4) but was still 4.2 points below the December 2010 level. The SACCI BCI therefore appears somewhat more positive than the RMB BER confidence index.

The TBCSA FNB Tourism Business Index possibly indicates somewhat weaker business performance for the last quarter of 2011 when compared to the SACCI BCI.



## Respondents

For this edition of the TBI we received 119 responses, which are broken up into 79 within the accommodation sector and 40 responses from the other tourism business. Listed below are the businesses who participated in this quarter's survey.

## Gratitude

The Tourism Business Council of South Africa and its partners First National Bank and Grant Thornton would like to express their profound gratitude to the following organisations for their support and contributions to the TBI.

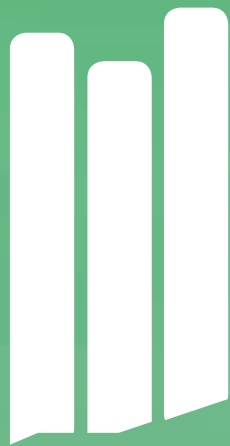
It is only through your continued and consistent support that the TBI will grow establish the sector as a formidable force in the South African economy.

12 Apostles Hotel & Spa	Free State National Botanical Garden	Royal Hotel Somerset East
3 Melrose Road	Gallagher Convention Centre	Rus en Raas BnB
39 On Church Guesthouse and Conferencing	Gallivanter Tours 2000cc T/A Africa 2000 Tours	Vineyard Hotel and Spa
5 Third Avenue Guesthouse	Gametrackers - A Division of Tourvest Holdings (Pty) Ltd	SAB World of Beer
A Place to Stay	GAP Tours & Transfers	Safaris Direct (Pty) Ltd
AA Holidays / AA Travel	Go Safari	SALT, Southern African Luxury Travel
Africa Beckons	Gomo Gomo Game Lodge	Sand Forest Lodge Hluhluwe
African Outposts	Grande Roche Hotel	Sasendle Adventure Tours CC
African Pride Tours	Graton Guest House	Selftours cc
African Rock Holidays	Greenways Hotel	Shamrock Arms Guest Lodge
African Sky Hotels	Group Sport Travel SA cc	Sica's Guest House
African Wanderer cc	Gunner's Lodge	Signature Life Hotels
Afrika Unique	Harold Porter National Botanical Garden	Signature Tours
AmaSun B&B	Hermanus Lodge on the Green	Siyanqoba Tours
American Express Foreign Exchange	Hertz SA	Sleeping Beauty Guest House
Anabel's Bed & Breakfast	Hide-Away Guest House	Snappy Coach Hire
Anchor's Rest Guest House	Hilton Bed n Breakfast	South African National Parks
Assagay Country Guest House	Holiday Inn Express	Southern Circle Tours & Safaris
At Whale-Phin Guest House	Holiday Tours 4 U	Southern Sun
Auberge Hollandaise Guest House	Hongonyi Game Lodge	Spier Resort Management (Pty) Ltd
A Villa House	Hotel Numbi & Garden Suites	Springbok Atlas
Avis Rent a Car	Humewood Hotel	Strathavon B&B
AWOL Tours cc	Iluka Tourism Investments Pty Ltd	Summerstrand Hotel
Balmoral Guest House	Jacaranda Place	Sun International
Bayswater Lodge	Jean-Lee Guest Cottages	Sunset Voyages
Baz Bus	JHB Zoo	Superiorchoices
Bed and Breakfast by the Sea	JMT Tours & Safaris	Sussi Safaris & Travel Services

Belmont Square Conference Centre	Journey Into Africa Tours & Safaris	Sylvan Grove Guest House
Bidtravel (Pty) Ltd	Jufroushoogte guest farm	Tanda Tula Safari Camp
Bill Harrop's "Original" Balloon Safaris	Kievits Kroon Country Estate	Tantivey Guest Farm
Blue Jay Lodge	Kontrei Traveller	Tehillah Guest House
Bohlale Safari & Golf Tours	Kwa Maritane Bush Lodge	Thatch22
Bona Bona Game Lodge	Kwa-Lala B&B	The Cellars-Hohenort
Bosavern Guest House	KwaZulu-Natal Sharks Board	The Celtis Manor Guest House
Bosch Luys Kloof Private Nature Reserve	La Gratitude Guest House	The Colonial on Arundel
Botanical garden - Recreation	La Providence Guesthouse	The Commodore and Portswood Hotels
Boundless Africa Safaris	LAL Language Centres South Africa (Pty) Ltd	The Homestead
Brookes hill suites hotel	Legacy Hotels and Resorts	The Inside Edge [Pty] Ltd
Bryanston Guest House	Legend Lodges Hotels & Resorts	The Kelway Hotel
Bulungula Lodge	Lekkerbly Guest House	The Lodge @ Currys Post
Bushfellows Game Lodge	Linkside Lodge	The Look out Lodge
Cape Spirit	Living African Tours	The Manderson Hotel & Conference Centre
Cape St Francis Resort	Liz at Lancaster Guesthouse	The Monte Carlo B&B
Cedarberg African Travel	Lobelia Cottage	The Pavilion Conference Centre
Cherry Tree Cottage B&B	MalaMala Game Reserve	The Red House
City Lodge Hotels	Maropeng Visitor Centre and Sterkfontein Caves	The River Club
City of Choice Travel & Tours	Mfafa Safaris c.c.	The Royal Hotel
Click Afrika Tours	Mirage Leisure/Dream Circle Destination Club	The Saffron House
Climax Tourism Services	MyPond Hotel	Three Cities
CMH Car Hire Pty Ltd t/a First Car Rental	New Fusion	Tigers Eye
Coffee Shack	Nigel House Guest House	Tourvest Accommodation and Activities
Comair	Nox Rentals	Travel For Life
Cornerstone Cottage B&B	Ocean View Bed and Breakfast	Travel Unite
Cornwall Hill B&B	Oysterbox Pty Lts	Two Oceans Aquarium
Craigownie Guest House	Panhandle Place	Tzaneen Country Lodge
Cresco Tours	Paradise Found	Umbhaba Lodge
Crooked Tree Cottage	Parkmore Lodge	Ushaka Marine World
Cybele Forest Lodge and Health Spa	Pecanwood Wedding and Conference Centre	Value South Africa
De Afrique Tours and travel (Pty)Ltd	Pembury Tours cc	Vintage Cape Tours
De Herberg Lodge	Pillars Accommodation	Wailana Beach Lodge
De Keurboom Guesthouse	Pinetown Self Catering Cottage	Westin Cape Town
Detour Africa Tours and Safaris	Place on the Bay	Whale Song
Dolphin View Holiday Apartments	Platinum Afriva	White Elephant Safari Lodge
Domba Executive Suites	Premier Hotels & Resorts (Pty) Ltd	White Shark Projects
Dragonfly Africa	Premiere Classe Suite Hotel	Wilderness Safaris Pty Ltd
Drive Africa (Pty) Ltd	Pro Dive	Wilro Tours & Transfers (Pty) Ltd
Dunkelly	Protea Hotels	Winchester Mansions
ECCO Tours Ltd	Pulse Africa	Woodpecker's Inn



Eight Bells Mountain Inn	Quarry Lake Inn	Wow Cape Town Tours
EQuanimity Bookings	Queensburgh Caravan Resort	Zinkwazi Lagoon Lodge
ERM Tours (Pty) Ltd	Quest House	Zuider Zee Guest House
Ezethu Tours	River Crossing B&B and SC	Zulwini Tours and Safaris
Field Guides Association of Southern Africa (FGASA)	Rivonia Bed & Breakfast	Tour d'Afrique
Fish River Sun	Roscommon Cottage	1 Time Airline
Forever Resorts SA	Roseland House	A Tuscan Villa Guest Lodge
Franverleigh Lodge	Rosetta House	Abange Guest Lodge
Accor	African Rock Hotels	Arlington Guest Lodge
ATKV Resorts	Bay Language Institute	Beach Cabanas
Budget Car Rental	Cape Town ICC	CSIR International Convention Centre
Europcar	Grootbos Nature Reserve	Guvon Hotels & Spa
Ikapa Tours & Travel	Magalies Manor	Protours Coach Charters
Pillars Accommodations	Bubez Guesthouse	ETC Conference Centre
Rossetta House	Siyabona Africa	Snappy Coach Hire CC
Tourvest Travel Services	Sure Travel	Tempest Car Hire
White Elephant Safari Lodge	Thompsons Africa	Top Notch Car Rental
Devonshire House Conference Facility	Two Oceans Aquarium	Voortrekker Monument
Focus Rooms	Hotel 224	Kenings Car Van & Truck Hire
Luderitz Nest Hotel	Nelson Mandela Metropolitan University	NH the Lord Charles
Pace Car Rental CC	Randlords	South African Airways
South African Express Airways	South of Africa	The Planatation
The Pyramid Conference & Venue Centre	Tiger's Eye	Turffontein Racecourse
Addo Elephant Back Safaris & Lodges	AKTV Resorts	Cresto Tours
Europe Cars	Sandton Convention Centre	Feathers Lodge
Woodford	Spier	Sure Travel (Pty) Ltd
Table Mountain Aerial Cableway	The Collection by Liz McGrath	The Inside Edge (Pty) Ltd
Glenburn Lodge	The Rezidor Hotel Group	Top Notch Car Rental
La Vita Conference Centre	Mandela Rhodes Place Hotel & Spa	Abangane Guest Lodge
Allandale	Alphine Attitude Boutique Hotel	And Beyond
AKTV Goudini Spa	Blue Waters Hotel	Budmarsh Country Lodge
Corporate Conference Centre	Court Classique Suite Hotel Pretoria	Courtyard Hotel Port Elizabeth
Driemfields Guesthouse	Durban ICC	Emperors Palace
Garden Court Eastern Boulevard	Highlands Country House	Inn on the Square
Le Bac Estates	Lily Guest House	Little Scotia Guest House
Loeriebos B&B	Mango	Porterhouse Eleven Gastehuis
SA Airlink (Pty) Ltd	Scropio Guest House	Sethlare Guest House
Sinosteel Plaza Conference Centre	Sisca's Guesthouse	Southern Sun The Cullinan
The Caledon Hotel	South Safari	The Square Boutique Hotel & Spa Conference Centre
The Windmills Boutique Hotel	The Windmills Boutique Hotel	



# TOURISM BUSINESS INDEX

Mainstreaming Travel and Tourism in the South African Economy

The TBCSA FNB Tourism Business Index is a project of the Tourism Business Council Of South Africa in partnership with FNB and Grant Thornton.

To find out more about the index and other TBCSA projects, contact us:

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