

TOURISM BUSINESS COUNCIL OF SOUTH AFRICA

TRENDS AND INDICATORS REPORT

March 2018



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CONTENTS

INTRODUCTION	3
TRAVEL AND TOURISM CONTRIBUTION.....	3
Global Contribution.....	3
South African Overview.....	4
Africa Overview.....	Error! Bookmark not defined.
TOURISTS ARRIVALS – MARCH 2018	4
Leading Overseas Countries whose citizens visited SA	4
Tourists from African countries.....	5
In terms of the purpose of visit:.....	5
HOTEL PERFORMANCE	6
AVIATION	7
Air passenger market analysis	8
Air passenger market analysis in Africa	9
TOURISM BUSINESS INDEX- HALF YEAR 2017	9
ADVANCED TECHNOLOGY	10

INTRODUCTION

- This trends and indicators report is a quarterly TBCSA report compiled by the Knowledge Management, Policy and Strategic Projects unit. This report is a culmination of collated statistical data that is readily available from different sources. It serves the purpose of informing the TBCSA board of the trends in Tourism both globally and within South Africa.
- This report presents high level trends and indicators in the travel and tourism industry. Sources used or cited in this report range from the WTTC, Stats SA, IATA, Deloitte and Touch, Tourism Business Index and PricewaterhouseCoopers.
- This report should be read in conjunction with the following reports : WTTC report 2018; Stats SA's Tourism and Migration report and January 2018 IATA Air Passenger Reports.

TRAVEL AND TOURISM CONTRIBUTION

Global Contribution

- According to the World Travel and Tourism Council, the direct contribution of Travel & Tourism to GDP grew by 4.6% in 2017. The sector last saw higher growth than this in 2011.
 - Global international tourist arrivals grew by 6.7% in 2017, a strong acceleration in growth compared to 3.9% in 2016.
 - The strongest recorded growth was in North Africa (13.4%), largely attributed to Tunisia.
 - Strong growth was also recorded across other major regions, including Europe (8.4%) while Asia Pacific (5.8%), Sub-Saharan Africa (5.1%) and the Americas (2.9%) also enjoyed robust growth.
 - Global international air passenger traffic also recorded strong performance in 2017, with full year growth of 7.9%, compared to growth of 6.7% for 2016.
 - Contributing to this strong global performance was particularly strong growth in Asia Pacific (9.4%), Europe (8.2%), Africa (7.6%) and the Middle East (6.6%).
 - North America also recorded robust growth of 4.8% for 2017.
 - Regional hotel performance was positive across most world regions in 2017, except - somewhat surprisingly given other key performance indicators - the Middle East, which recorded a decline across all three measures of hotel performance.
 - North Africa recorded stand out growth rates across all key performance indicators.
 - Solid growth was recorded across all hotel metrics in Europe, the Americas and Asia Pacific.
 - Strong 2017 performance in North Africa looks to be continuing in early 2018, while solid performance has also been recorded in Europe and North America across all KPIs.
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- The direct contribution of Travel & Tourism to GDP was USD2,570.1bn (3.2% of total GDP) in 2017, and is forecast to rise by 4.0% in 2018, and to rise by 3.8% per annum, from 2018-2028, to USD3,890.0bn (3.6% of total GDP) in 2028
 - The total contribution of Travel & Tourism to GDP was USD8,272.3bn (10.4% of GDP) in 2017, and is forecast to rise by 4.0% in 2018, and to rise by 3.8% per annum to USD12,450.1bn (11.7% of GDP) in 2028
 - In 2017 Travel & Tourism directly supported 118,454,000 jobs (3.8% of total employment). This is expected to rise by 2.4% in 2018 and rise by 2.2% per annum to 150,139,000 jobs (4.2% of total employment) in 2028.
 - In 2017, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 9.9% of total employment (313,221,000 jobs). This is expected to rise by 3.0% in 2018 to 322,666,000 jobs and rise by 2.5% per annum to 413,556,000 jobs in 2028 (11.6% of total)
 - Visitor exports generated USD1,494.2bn (6.5% of total exports) in 2017. This is forecast to grow by 3.9% in 2018, and grow by 4.1% per annum, from 2018-2028, to USD2,311.4bn in 2028 (6.9% of total).
 - Travel & Tourism investment in 2017 was USD882.4bn, or 4.5% of total investment. It should rise by 4.8% in 2018, and rise by 4.3% per annum over the next ten years to USD1,408.3bn in 2028 (5.1% of total)

Source: WTTC 2018.

South African Overview

The WTTC Travel and Tourism Economic impact report for 2018 reveals the following:

- The direct contribution of Travel & Tourism to GDP was ZAR136.1bn (USD10.2bn), 2.9% of total GDP in 2017 and is forecast to rise by 2.4% in 2018, and to rise by 3.6% per annum, from 2018-2028, to ZAR197.9bn (USD14.9bn), 3.3% of total GDP in 2028.
- The total contribution of Travel & Tourism to GDP was ZAR412.5bn (USD31.0bn), 8.9% of GDP in 2017, and is forecast to rise by 2.9% in 2018, and to rise by 3.5% per annum to ZAR598.6bn (USD44.9bn), 10.1% of GDP in 2028.
- In 2017 Travel & Tourism directly supported 726,500 jobs (4.5% of total employment). This is expected to rise by 1.0% in 2018 and rise by 2.9% per annum to 980,000 jobs (5.2% of total employment) in 2028.
- In 2017, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry was 9.5% of total employment (1,530,500 jobs). This is expected to rise by 3.3% in 2018 to 1,580,500 jobs and rise by 2.8% per annum to 2,082,000 jobs in 2028 (11.1% of total).
- Visitor exports generated ZAR126.7bn (USD9.5bn), 9.2% of total exports in 2017. This is forecast to grow by 3.4% in 2018, and grow by 5.3% per annum, from 2018-2028, to ZAR219.6bn (USD16.5bn) in 2028, 11.4% of total.
- Travel & Tourism investment in 2017 was ZAR71.0bn, 8.2% of total investment (USD5.3bn). It should rise by 3.4% in 2018, and rise by 4.4% per annum over the next ten years to ZAR112.7bn (USD8.5bn) in 2028, 10.1% of total

TOURISTS ARRIVALS – MARCH 2018

- According to Stats SA's latest Tourism and Migration report, in January 2018, 3 917 911 travellers (arrivals, departures and transits) passed through South Africa's ports of entry. These were made up of 1 055 268 South African residents and 2 862 643 foreign travellers.
- For South African residents, the volume of arrivals increased by 8,1% (from 590 949 in December 2017 to 638 928 in January 2018). Departures decreased by 48,4% (from 805 778 in December 2017 to 415 543 in January 2018), while transits decreased by 11,8% (from 904 in December 2017 to 797 in January 2018).
- For foreign travellers, arrivals increased by 2,4% (from 1 561 724 in December 2017 to 1 598 893 in January 2018), while departures decreased by 25,4 (from 1 621 875 in December 2017 to 1 209 841 in January 2018), and transits decreased by 8,0% (from 58 618 in December 2017 to 53 909 in January 2018).

Leading Overseas Countries whose citizens visited SA

- In January 2018, the distribution of overseas tourists was as follows: Europe, 166 328 (68,0%); North America, 28 834 (11,8%); Asia, 22 856 (9,3%); Central and South America, 12 626 (5,2%); Australasia, 9 855 (4,0%) and Middle East, 4 158 (1,7%).
- The ten leading overseas countries whose tourists visited South Africa in January 2018 were United Kingdom (UK), 48 663 (19,9%); Germany, 35 434 (14,5%); United States of America (USA), 23 454 (9,6%); France, 15 681 (6,4%); The Netherlands, 13 665 (5,6%); Australia, 8 871 (3,6%); Sweden, 7 898 (3,2%); Brazil, 7 558 (3,1%); India, 7 115 (2,9%) and Switzerland, 6 696 (2,7%).
- Tourists from these ten countries constituted 71.5% of all tourists from overseas countries.
- The number of tourists increased for eight countries but decreased for France and The Netherlands.
- Brazil had the largest increase of 23,6% (from 6 114 tourists in January 2017 to 7 558 in January 2018).

Tourists from African countries

- 845 163 (98,4%) visitors came from SADC countries.
- The distribution of the remaining tourists from Africa is as follows: West Africa, 6 312 (0,7%); East and Central Africa, 5 454 (0,6%); and North Africa 1 576 (0,2%).
- The ten leading SADC countries in terms of the number of tourists visiting South Africa in January 2018 were: Zimbabwe, 274 008 (32,4%); Lesotho, 239 647 (28,4%); Mozambique, 155 819 (18,4%); Swaziland, 71 113 (8,4%); Botswana, 43 427 (5,1%); Malawi, 16 961 (2,0%); Namibia, 15 039 (1,8%); Zambia 13 061 (1,5%); Angola, 8 680 (1,0%) and Tanzania, 2 815 (0,3%).
- Tourists from these ten countries constituted 99,5% of all tourists from the SADC countries.
- The number of tourists increased for six of the ten leading countries (Angola, Malawi, Mozambique, Zimbabwe, Botswana and Lesotho), and decreased for four (Tanzania, Namibia, Zambia and Swaziland).
- Angola showed the largest increase of 51,7% (from 5 720 tourists in January 2017 to 8 680 in January 2018), while Tanzania showed the largest decrease of 5,4% (from 2 976 tourists in January 2017 to 2 815 in January 2018).
- The ten leading countries in terms of the number of tourists visiting South Africa in January 2018 from 'other' African countries were: Nigeria, 4 093 (30,7%); Kenya, 1 935 (14,5%); Ghana, 1 252 (9,4%); Uganda, 1 186 (8,9%); Egypt, 939 (7,0%); Ethiopia, 663 (5,0%); Gabon, 551 (4,1%); Cameroon, 439 (3,3%); Congo, 268 (2,0%) and Côte d'Ivoire, 189 (1,4%).
- Tourists from these ten countries constituted 86,3% of all tourists from 'other' African countries.
- The number of tourists increased for three of the ten leading countries (Egypt, Ethiopia and Uganda) and decreased for the other seven leading countries (Cameroon, Gabon, Congo, Nigeria, Kenya, Ghana and Côte d'Ivoire).
- Egypt showed the largest increase of 34,0% (from 701 tourists in January 2017 to 939 in January 2018).
- Cameroon showed the largest decrease of 33,6% (from 661 tourists in January 2017 to 439 in January 2018), followed by Gabon, which decreased by 27,8% (from 763 tourists in January 2017 to 551 in January 2018).

In terms of the purpose of visit:

- In January 2018, the majority of tourists, 1 068 229 (96,8%) were in South Africa for a holiday compared to 21 115 (1,9%); 13 994 (1,3%) and 602 (0,1%) who were in South Africa for business, study and for other purposes, respectively.
- A total of 12 349 (97,8%) tourists from Central and South America, 9 630 (97,7%) from Australasia, 160 888 (96,7%) from Europe, 27 654 (95,9%) from North America, 3 828 (92,1%) from the Middle East and 20 746 (90,8%) from Asia were in South Africa for holiday
- Compared to other overseas regions, Europe had the highest number of tourists, 160 888 (96,7%) who came for holiday, 3 735 (2,2%) who came for business, 1 637 (1,0%) who came for study and 68 (less than 0,1%) who came for other purposes.
- Asia had the highest proportion of its tourists who came to South Africa for business, 5,4% (1 224), followed by the Middle East with 4,3% (178). Asia had the highest proportion of its tourists who came for study purposes, 3,8% (872).
- The majority of African tourists, 832 403 (97,0%) came to South Africa for holiday.
- 821 744 (97,2%) of tourists from the SADC countries were on holiday; 10 659 (79,9%) of tourists from 'other' African countries came for the same purpose.
- Tourists on holiday from 'other' African countries constituted 83,7% (5 284); 80,9% (1 275); and 75,2% (4 100) for West Africa, North Africa and East and Central Africa, respectively.

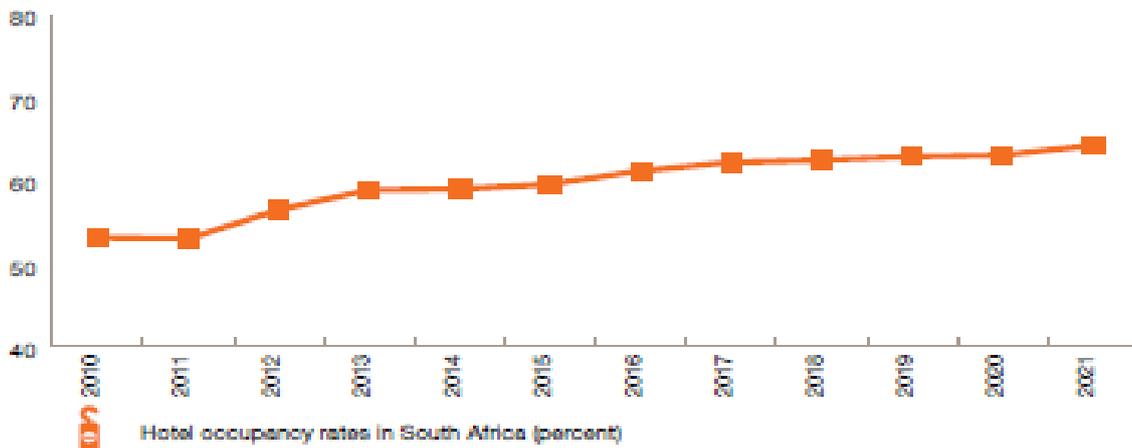
- Business persons constituted 5,5% (733) of tourists from 'other' African countries and 1,7% (14 273) from the SADC countries. North Africa had the highest proportion, 8,8% (138) of its tourists who came to South Africa for business purposes.
- Students made up the highest proportion, 14,0% (1 862) of tourists from 'other' African countries compared with 1,0% (8 742) from the SADC countries. East and Central Africa had the highest proportion of its tourists, 17,6% (961) who came to South Africa for study purposes.

HOTEL PERFORMANCE

- In addition to the amendment of certain visa regulations, the devaluation of the rand made South Africa a more attractive destination, while added routes from London, Frankfurt, Doha and Addis Ababa, among other countries accommodated more visitors.
- Business tourism has increased, benefiting in part from the creation of the National Convention Bureau in 2012. South Africa has been successful in converting business visitors to tourists, as according to research conducted by the National Convention Bureau, 40% of people who come to South Africa for a business convention or conference return within five years as tourists. Tourism contributed 10% to South Africa's GDP in 2016, up from 9% in 2015.
- Domestic travel edged up 1.5% in 2016, below the 1.7% increase in 2015, as economic growth slowed.
- Over the past five years, the occupancy rate has edged up, surpassing the 60% level and reaching 61.2% in 2016. This gain has stimulated interest and a number of new hotels are expected to open in the next five years.
- Three-star hotels accounted for 36% of all available hotel rooms in South Africa
- For four-star hotels, guest nights rose 5.1% in 2016.
- Five-star hotels had the highest occupancy rates in the market at 79.3% in 2016.

The following figures show hotel occupancy rates in South Africa.

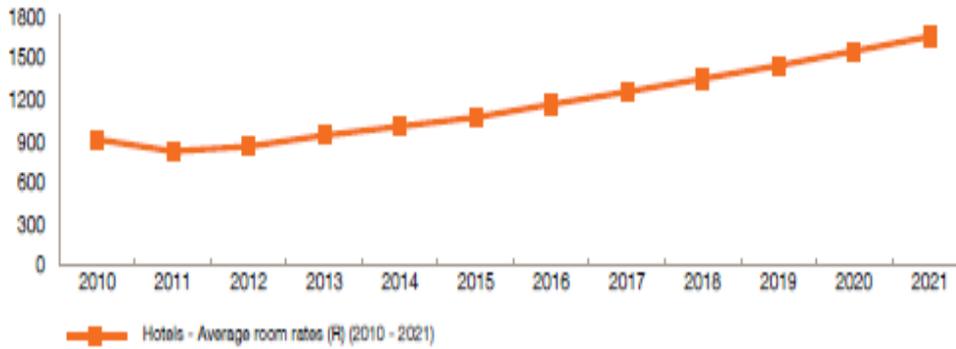
Fig. 4 Hotel occupancy rates in South Africa (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Hotels outlook: 2017-2021

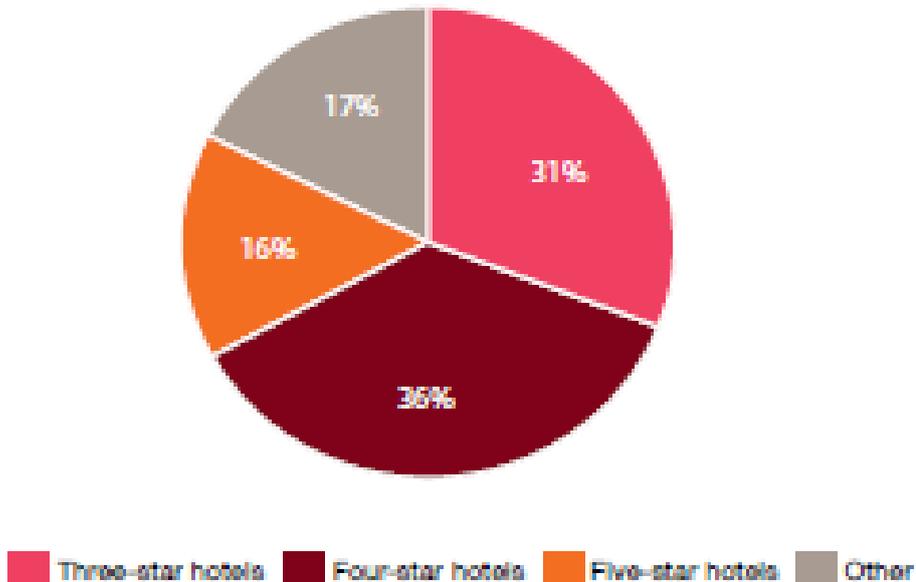
Fig. 5 Hotels: Average room rates, 2010-2021 (R)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Hotel room revenue is expected to expand to R24.8 billion in 2021, up 9.3% compounded annually from R15.9 billion in 2016.

Fig. 6 Total room revenue by category, 2018



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

The figures illustrate that hotel occupancy has actually gone up and is still projected to rise by 2021.

AVIATION

- Growth in passenger numbers at nine South Africa airports held steady at just over 3% in the fourth quarter of 2017.
- Domestic arrivals declined by 1.03%, numbering 3 376 274, while domestic departures fell by 1.1% to 3 390 996 passengers.
- Nearly 11 million arriving and departing passengers used South Africa's main airports in the fourth quarter, which is an increase of 321 000 over the fourth quarter in 2016.

- During peak holiday season, Cape Town International Airport experienced growth in international passengers. International arrivals went up by 13.85% and international departures experienced a 15,69% growth in the fourth quarter compared to the same period in 2016.
- King Shaka International Airport continued to enjoy solid growth in domestic passenger traffic with arrivals up 5.63% and departure up 6.17% in the fourth quarter of 2017.
- Connectivity between King Shaka International and regional airports such as Mthata, East London and Port Elizabeth also grew with the opening of new routes by smaller airlines.
- Overall, domestic air travel remained under strain, with an increase of 2.60% for arrivals and 2.76% for departures in the fourth quarter of 2017.
- Regional arrivals increased by 1.70% to 147 132 passengers, while regional departures went up by 1.20% at 141 186 passengers.

Source (Aviation Barometer, Q4, 2017). www.airports.co.za. Accessed on 29 March 2018.

Air passenger market analysis

- ✚ Year-on-year, growth in industry-wide revenue passenger kilometres (RPKs) slowed to 4.6% in January 2018, down from 6.4% in December.
- ✚ Passenger capacity grew faster than RPKs in annual terms in January for the first time in 15 months.
- ✚ Domestic India RPKs posted their 41st consecutive month of double-digit year-on-year growth in January.
- ✚ Domestic RPKs rose by 5.1% year-on-year in January, down from 7.0% in December.
- ✚ 2018 is expected to be another year of above-trend growth for industry-wide RPKs Industry-wide available seat kilometres (ASKs) increased by 5.3% year-on-year in January 2018. This was the first time in 15 months in which ASKs grew faster in year-on-year terms than RPKs.

Chart 1 – Air passenger volumes

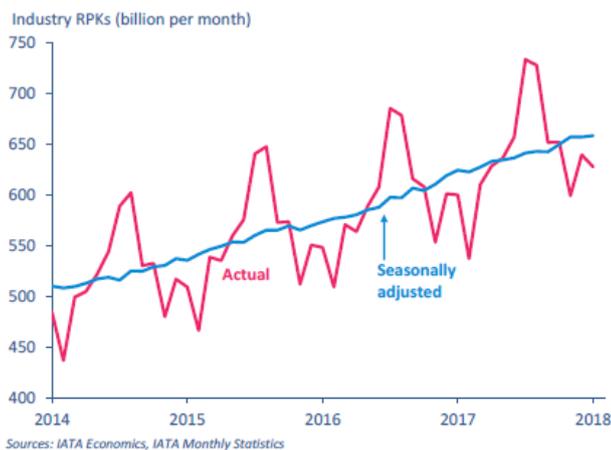
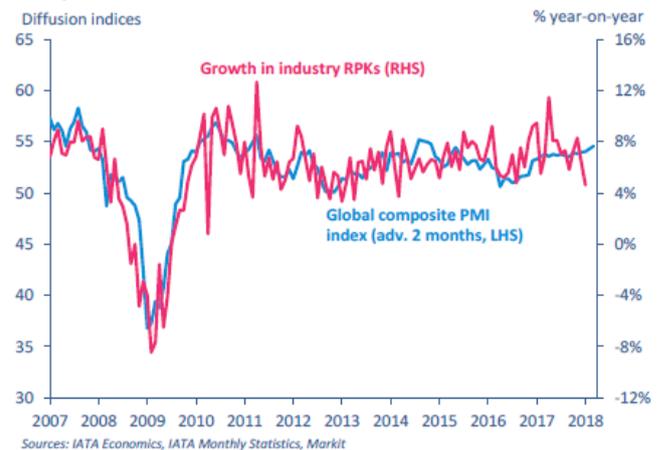


Chart 2 – Air passenger volume growth and global composite business confidence measure



Air passenger market overview - January 2018

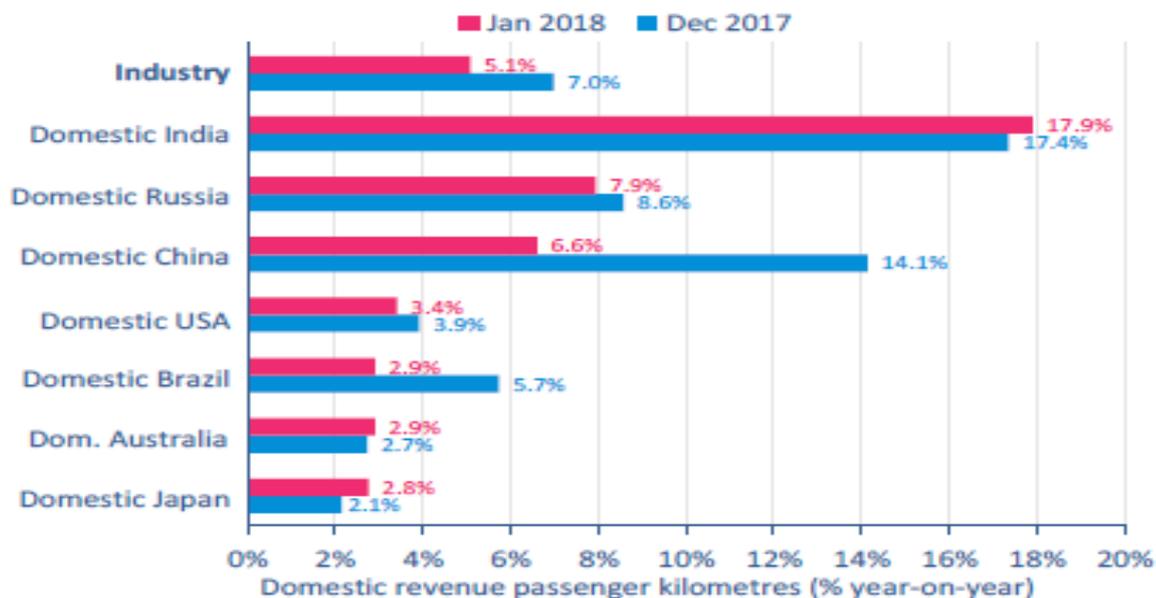
	World share ¹	January 2018 (% year-on-year)				2017 calendar year (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	4.6%	5.3%	-0.5%	79.6%	7.6%	6.4%	1.0%	81.5%
International	63.8%	4.4%	5.3%	-0.7%	79.6%	7.9%	6.4%	1.1%	80.6%
Domestic	36.2%	5.1%	5.3%	-0.2%	79.8%	7.1%	6.2%	0.7%	83.0%

¹% of industry RPKs in 2017 ²Year-on-year change in load factor ³Load factor level

Source: IATA January 2018 – Air Passenger Market Analysis.

The chart below shows the Revenue Passenger Kilometres by market

Chart 5 – Domestic RPK growth by market



Air passenger market analysis in Africa

- Business confidence in South Africa moved above the key index level of 50 for the 1st time in 6 months.
- On a trade-weighted basis, the US\$ rose a modest 0.3% in February, after consecutive monthly declines. The largest moves amongst the main regional currencies were a 0.6% & 0.8% mom rise in the KES & ZAR vs the US\$.
- For the African airlines, RPKs grew by a moderate 2.8% in year on year terms in January, down from 4.1% in December.
- Amongst the main international markets for the region, Africa-Europe & Africa-Asia lead the way with pax volumes currently up 6.8% & 4.5% year on year, respectively.

TOURISM BUSINESS INDEX- HALF YEAR 2017

- Overall, the Tourism Industry experienced significantly lower than normal business performance recording an index of 71,4, which is lower than the anticipated 80,4 forecast for Q3 and Q4 2017 and notably down from the 82,7 experienced in the first half of 2017.
- Anticipated business performance for the next half year is slightly more than current performance at 72,4. This is worse than the then anticipated 80,4 for Q3 and Q4 2017 and shows an expectation which is continuing to become ever more pessimistic.
- Business performance for the 2nd half of 2017 reflects actual performance well below normal levels and more or less in line with expected performance at 66,3 compared to an anticipated 66,1.
- The Accommodation Sector forecasts that business performance for the 1st 6 months of 2018 will remain poor, with a continuing significantly worse than normal performance anticipated at 66,2.
- Other Tourism Businesses recorded worse than normal business performance, at 75,4, which is lower than 91,4, the level that was expected for the 2nd half of 2017.

- A forecast index of 77,1 is anticipated for the 1st half of 2018 reflecting a very slightly more optimistic outlook from Other Tourism Businesses for better business performance compared to the last the last 6 months of 2017.
- When looking at expected performance for the year ahead, the Accommodation Sector records a pessimistic outlook with a negative balance statistic of -21,9%, with 45.8% of respondents anticipating that business performance will get worse during the year ahead.
- When looking at employment levels overall, the outlook remains mixed. In the Accommodation Sector for the next six months, a slightly negative employment balance statistic of -1.9% was recorded with 96,5% of respondents expecting employment levels to remain the same.
- Other Tourism Businesses record a negative balance statistic of -15,5%, the lowest statistic since 2015 during the Ebola crisis and visa/birth certificate impacts
- Insufficient domestic business demand, increases in competitive supply and cost of inputs were the greatest negative contributing factors to business performance for the Accommodation Sector, with over 40% of respondents indicating these negative factors.
- These were followed by the cost of labour, insufficient overseas business demand and insufficient overseas leisure demand (all over 30%).
- 22% of respondents indicate that a weak Rand exchange rate impacted positively on their business performance in the last half year.
- Despite these positive factors, 28% of respondents indicate that nothing has impacted positively on their business performance in the last half of 2017.

ADVANCEMENT IN TECHNOLOGY

- Africa is now at a stage whereby it is continuously seeing new and existing winning companies, and this can be attributed largely to disruptive and innovative business models, and forward thinking methods.
- New companies in this era have adapted through diversifying product offerings and revenue streams.
- Some of the key elements that have led to companies across the continent realising sustainable and winning businesses include the technology revolution, intentional disruption and private-public partnerships (PPPs).
- Growth opportunities of the future lie in being able to deliver solutions digitally. Revolutionising traditional methods offering products and services assists in reducing costs, provides the opportunity of acquiring new customers at reduced rates and offers companies wider reach.
- Companies across all sectors need to learn to adapt to compete within the digital realm, and create and maintain technology strategies.

Ends.