



TBCSA FNB Tourism Business Index

1st Quarter 2013 Results

Compiled by Grant Thornton

TBCSA FNB Tourism Business Index

Introduction

The Tourism Business Index (“TBI”) is an initiative of the Tourism Business Council of South Africa. It is sponsored by First National Bank, and is compiled by Grant Thornton.

The TBI provides an indication of the current and likely future performance of the various businesses operating within the Tourism Sector in South Africa. It profiles the industry and positions it as an important component of the South African economy.

The index is produced quarterly. The information for the TBI is collected through an online survey of tourism businesses completed after the end of the quarter.

The first official edition of the TBI was released on the 18th of January 2011.

The overall tourism index includes accommodation operators and responses from tour operators, coach operators, vehicle rental companies, travel agents, retail outlets, forex traders, conference venues and attractions. Two sub-indices are produced; “Accommodation” and “Other Tourism Businesses”

What is a Business Index?

The purpose of the TBI is to provide individual tourism businesses with regular, up-to-date information on the performance of tourism businesses, including the outlook for performance over the next three months. It therefore tracks actual recent business performance in the sector and is an indicator of prospects for short-term future performance.

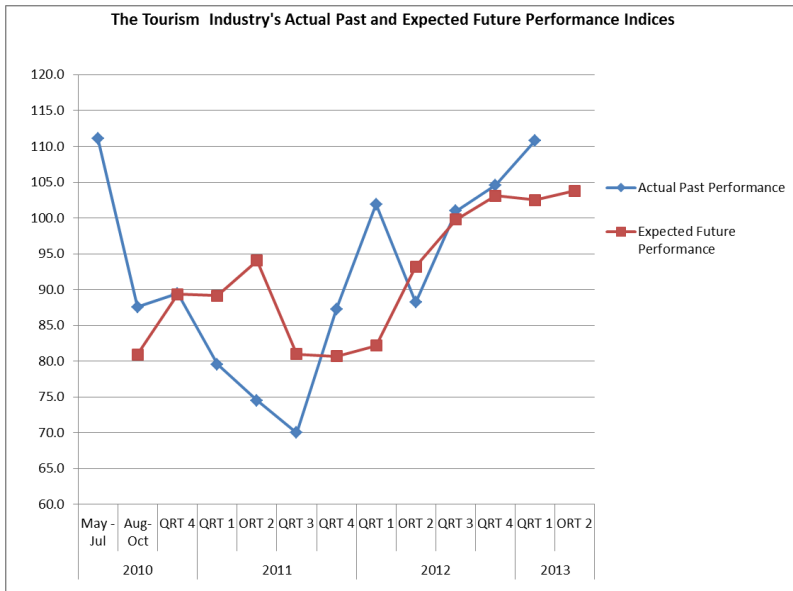
It is a business index that focuses on the performance and profitability of businesses operating in the sector, as oppose to a sector performance index. While in many instances the subtle distinction between the two approaches would not manifest in different indices, in certain circumstances, they may be different. For example, if there is significant over-capacity in the industry, business performance can be weak, while the industry could be experiencing strong growth and making an increasing contribution to GDP. As the TBI tracks and forecasts tourism business performance, it is not separated into domestic and foreign tourism. Many tourism businesses host or handle both inbound and domestic tourists and therefore demand and characteristics in both major markets are inextricably linked to business performance.

The information is designed to help individual businesses and policy and strategy makers, understand the current tourism operating environment and plan for the likely future tourism industry environment.

Note: The first two surveys in 2010 were pilot surveys which did not follow exact quarters. They each covered 3 months from May to July 2010, then August to October 2010, while the last survey of 2010 covered the last quarter, ie October to December. October was therefore included in two indices. From the first official edition in 2011 onwards, only regular quarters are covered.

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The Tourism Business Index



- In Q1, the TBI exceeded expected performance for the quarter and reached 110,8 (compared to an expected index of 102,5). Q1 is also the highest recorded performance level since the pilot phase when the index reach 111,1 and is 22,6 index points above the last turning point (Q2 2012) when the index recorded performance levels below normal of 88,2.
- The TBI has been climbing steadily since Q2 2012 and this is the third consecutive quarter that the TBI has recorded performance levels above the normal level of 100.
- 2013 Q2 expectations at 103,8 is roughly in-line with industry expectations for Q1 (102,5), but is below the Q1 actual performance of 110,8. This continued positive outlook indicates the extent to which the industry is recovering from the recessionary impacts and excess of supply it suffered post 2010.
- The TBI index for the Accommodation Sector in Q1 2013 was higher than normal at 120,9 and better than Q4 2012 (108,4), while the Other Tourism Businesses recorded a Q1 index of 103,1 which is similar to the last quarter (Q4 2012) performance of 101,6.
- Both the Accommodation and Other Tourism Businesses performed better than expected in Q1 2013 (120,9 compared to 107,8 for accommodation and 103,1 compared to 98,4 for Other Tourism Businesses).

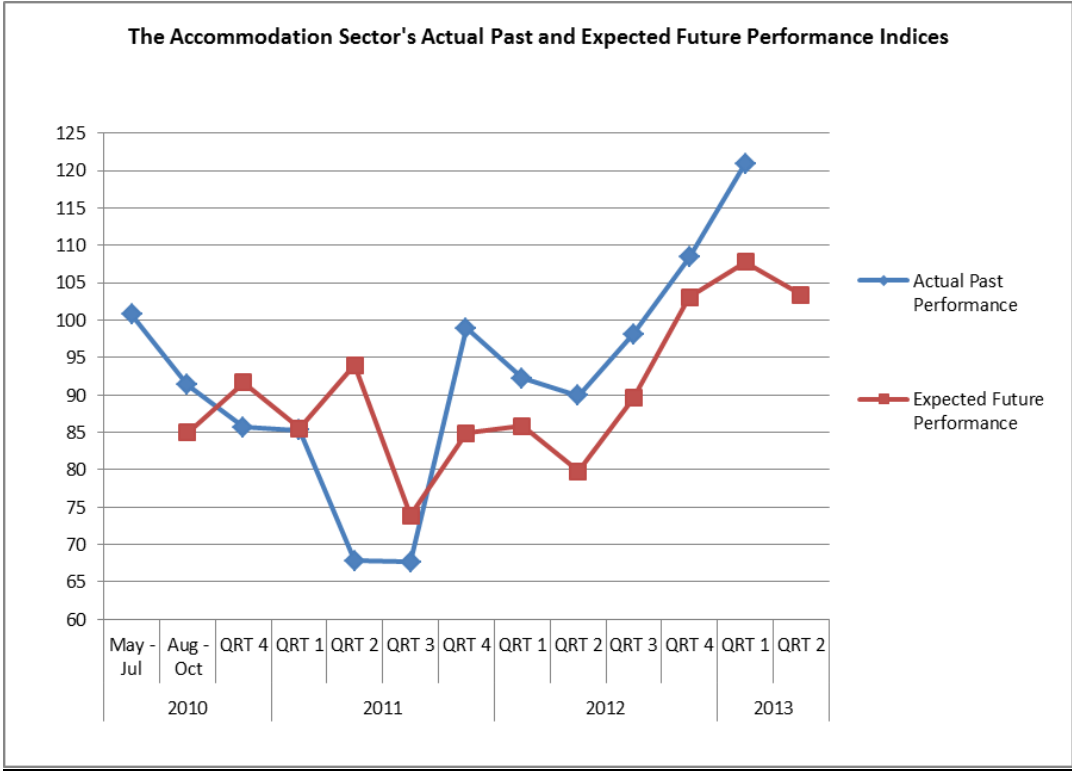
What is Normal?

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”.

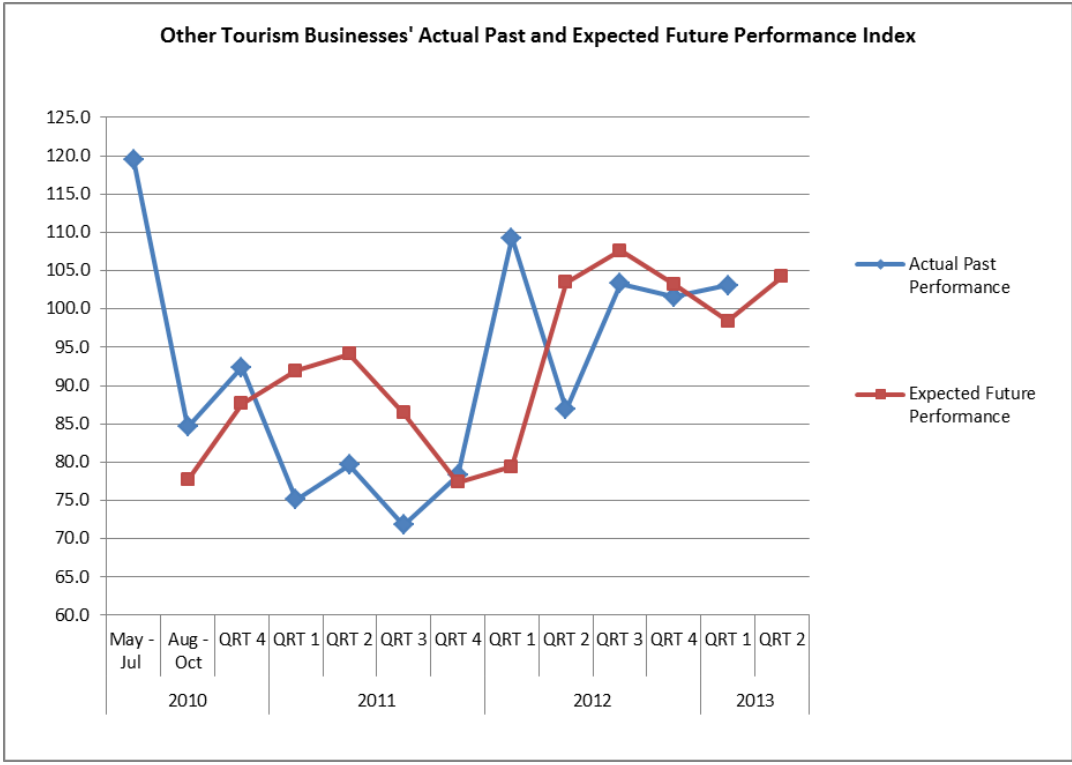
Normal is then calibrated to an index of 100. When the index shows Performance or Prospects at higher than 100, this indicates better than normal performance while, below 100 indicates worse than normal performance.

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.

Accommodation Index



Other Tourism Business Sub Index



TBI Summary

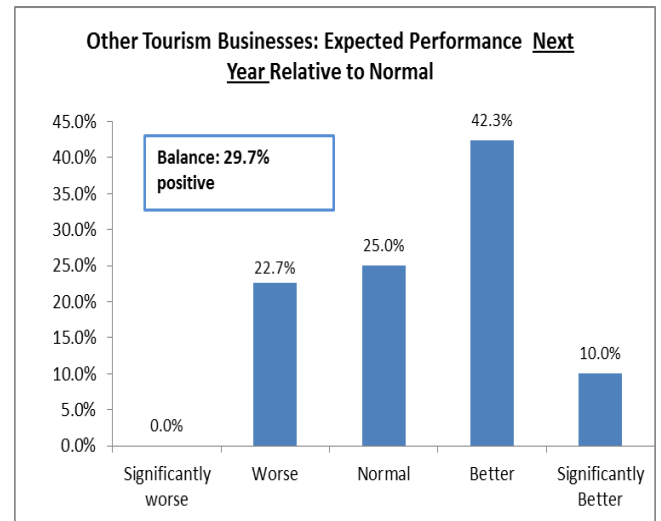
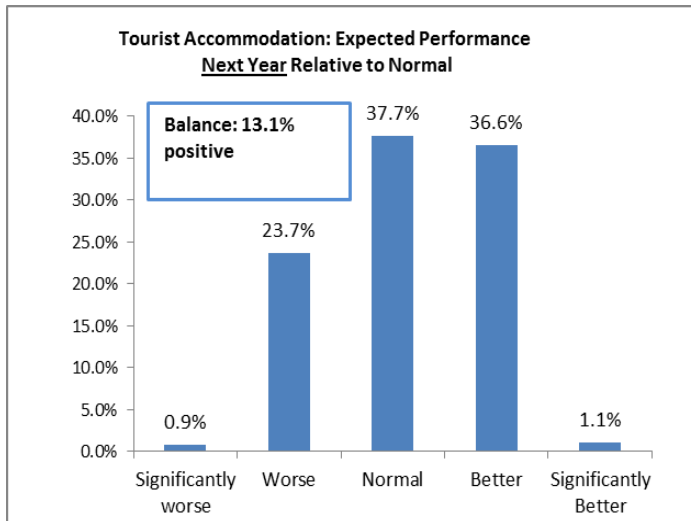
		Overall		Accommodation		Other	
		Actual	Forecast	Actual	Forecast	Actual	Forecast
2011	1 st Quarter	79,6	89,1	85,3	85,5	75,1	91,9
	2 nd Quarter	74,5	94,1	67,8	94,0	79,6	94,1
	3 rd Quarter	70,0	81,0	67,7	73,9	71,8	86,4
	4 th Quarter	87,3	80,7	98,9	84,9	78,3	77,4
2012	1 st Quarter	101,9	82,2	92,2	85,8	109,3	79,4
	2 nd Quarter	88,2	93,2	89,9	79,8	86,9	103,5
	3 rd Quarter	101,0	99,8	98,1	89,6	103,3	107,6
	4 th Quarter	104,6	103,1	108,4	103,1	101,6	103,2
2013	1 st Quarter	110,8	102,5	120,9	107,8	103,1	98,4
			103,8		103,4		104,2

Balance Statistics

- When looking at next year, on balance the accommodation respondents have a very positive outlook (+13,1%) which has increased significantly from the negative-0,6% expected in the last edition. Other Tourism Businesses are on balance positive +29,7% about the outlook for the next year, which is actually a decline from previous annual outlook in the last edition of +37,6%.
- In both Accommodation and Other Tourism Businesses Sectors, there is a positive balance (+2% and +15,5% respectively) regarding capacity expansion for Q2 2013. The majority of respondents expect their capacity to remain unchanged, but a reasonable number of respondents are indicating increases in capacity in the Other Sector. However, these outlooks have decreased in both sectors from the last edition (+11,1% for accommodation and +26,1% for other tourism businesses).
- In terms of employment, the Accommodation Sector is slightly positive on balance in this edition (+0,9%), a decrease from the +5,3% balance statistic recorded for Q1 2013 in the last edition. Other Tourism Businesses have gone from a negative outlook in the last edition (-8,3%) to a positive outlook of +12,5% for Q2 2013 in this edition, with the majority still indicating that their employment levels will remain unchanged.

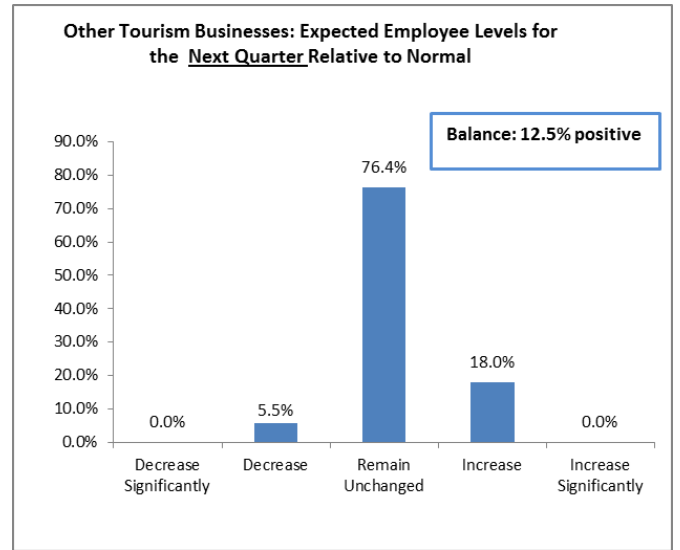
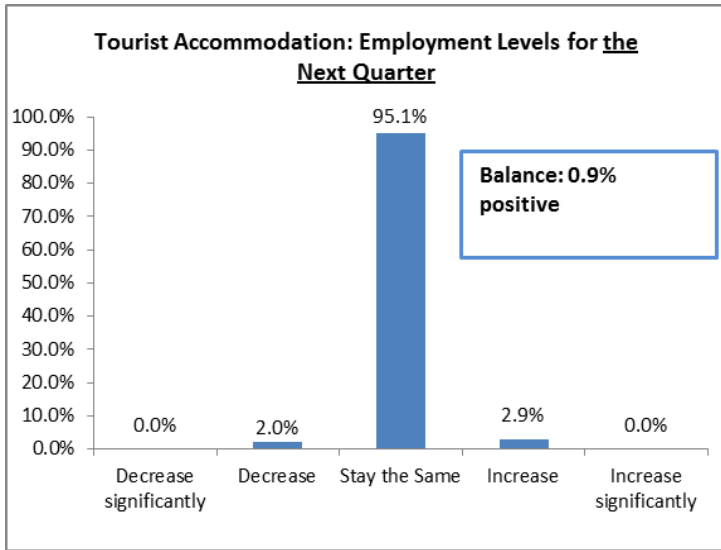
The Balance Statistic

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.

Next Year**Summary of the Next Year Balance Statistic Historical Results**

		Accommodation Sector	Other Sector
2011	1 st Quarter	-27,7%	+13%
	2 nd Quarter	-40,2%	-5,4%
	3 rd Quarter	-70,3%	-3,2%
	4 th Quarter	-53,0%	-16,9%
2012	1 st Quarter	-24,5%	+17,2%
	2 nd Quarter	-11,7%	+15,3%
	3 rd Quarter	-3,8%	+10,5%
	4 th Quarter	-0,6%	+37,6%
2013	1 st Quarter	+13,1%	+29,7%

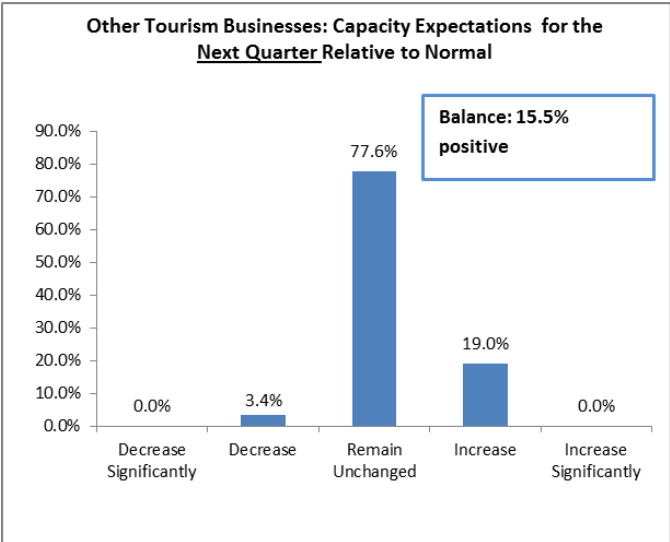
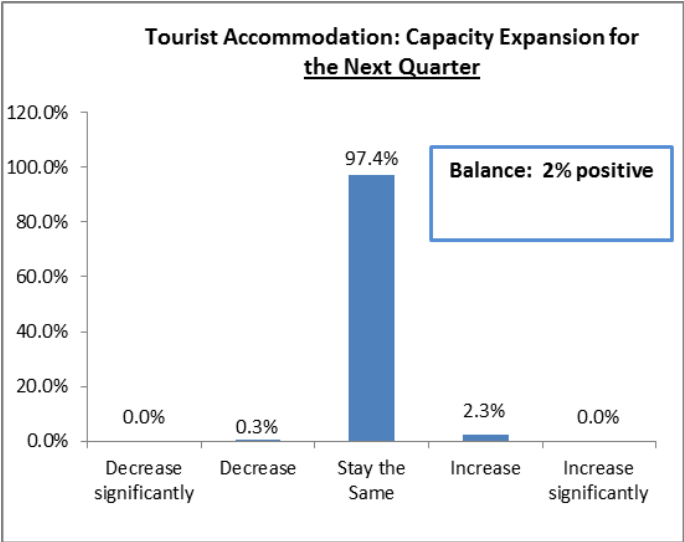
Employment Levels



Summary of the Employment Balance Statistic Historical Results

		Accommodation Sector	Other Sector
2011	1 st Quarter	-23,7%	-28,9%
	2 nd Quarter	-25,3%	-12,3%
	3 rd Quarter	-17,4%	+1,8%
	4 th Quarter	-15,4%	+1,6%
2012	1 st Quarter	-17,3%	-3,0%
	2 nd Quarter	-3,9%	+7,4%
	3 rd Quarter	+ 6,4%	-0,6%
	4 th Quarter	+5,3%	-8,3%
2013	1 st Quarter	+0,9%	+12,5%

Capacity Growth Expectations



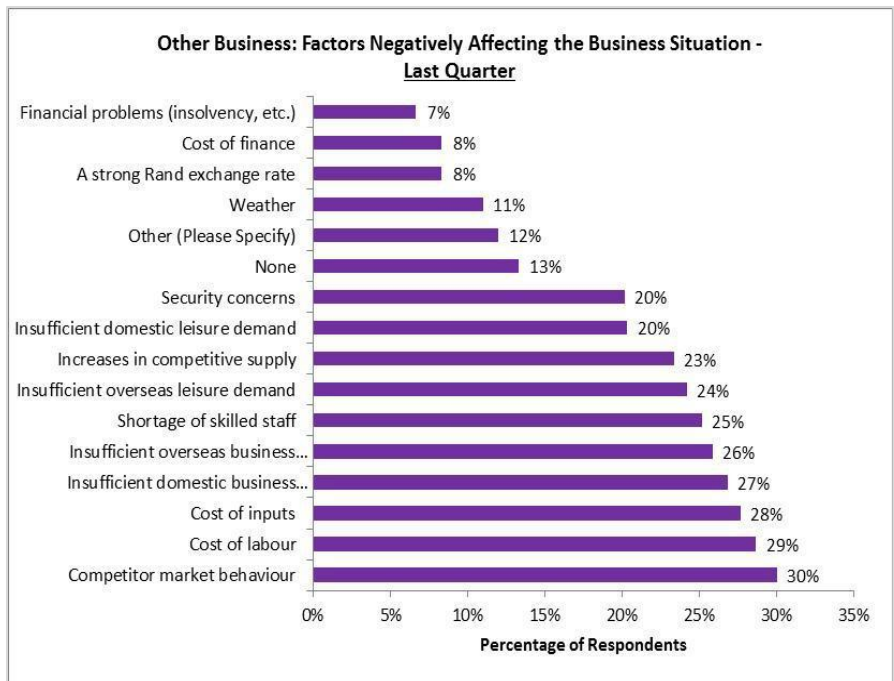
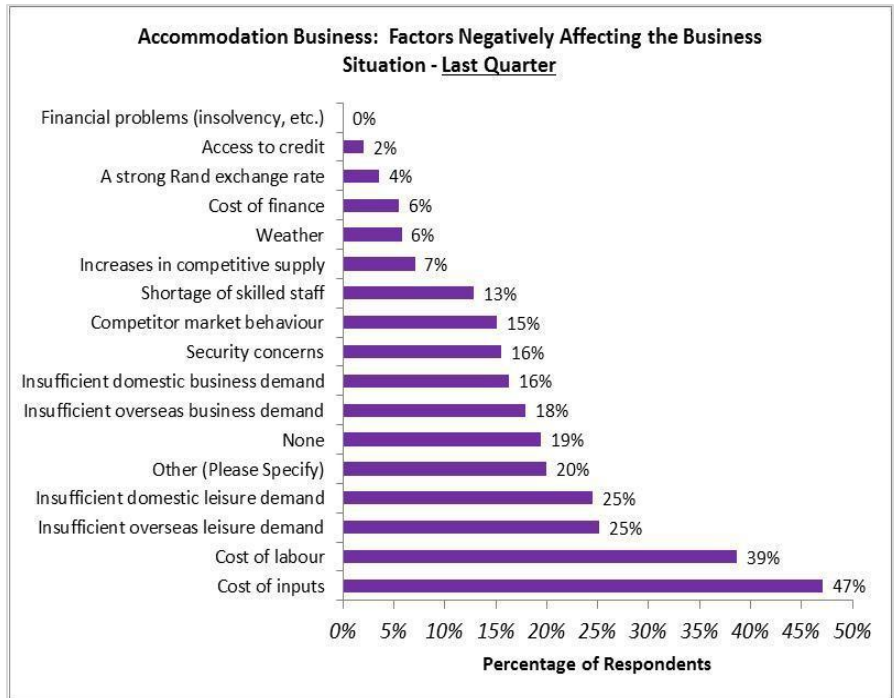
Summary of the Capacity Growth Balance Statistic Historical Results

		Accommodation Sector	Other Sector
2011	1 st Quarter	+14,3%	-11,1%
	2 nd Quarter	+12,6%	+9,3%
	3 rd Quarter	+9,6%	+24,8%
	4 th Quarter	-3,3%	+21,0%
2012	1 st Quarter	+7,4%	+20,7%
	2 nd Quarter	+25,6%	+7,2%
	3 rd Quarter	+22,5%	+30,3%
	4 th Quarter	+11,1%	+26,1+
2013	1 st Quarter	+2,0%	+15,5%

Factors Affecting Business Conditions

Negative Factors - Last Quarter

- Once again, cost of inputs remains a major negative contributing factor for Accommodation Businesses with almost half of the respondents (47%) citing it as having an impact on business performance in the last quarter. Noted contributing influences include high utility (i.e. water, electricity & refuse removal) as well as municipal costs and the impact of the increase in the price of fuel.
- A fair amount of Accommodation Businesses cite insufficient domestic and overseas leisure demand (both at 25%) as a negative contributing factor for the last quarter.
- Cost of labour continues to be an impediment to business performance for both Accommodation Businesses (39%) as well as Other Tourism Businesses (29%).
- An increased number of Other Businesses (7%) cite financial problems as a factor affecting their business situation, compared to last year's quarter 4 (Q4) and quarter 3 (Q3) for 2012 with 0% and 2% respectively.
- Competitor market behaviour is affecting 30% of Other Businesses.



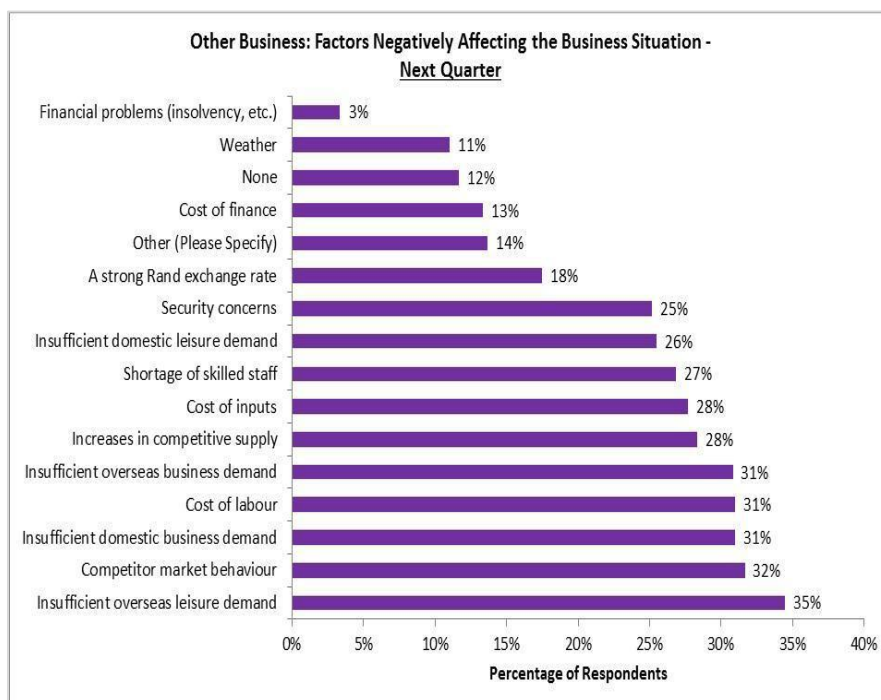
Negative Factors - Next Quarter



- Accommodation Businesses expect the same pattern in negative factors as last quarter to follow into the next quarter. This includes cost of inputs, cost of labour, insufficient overseas leisure demand and insufficient domestic leisure demand in descending order.

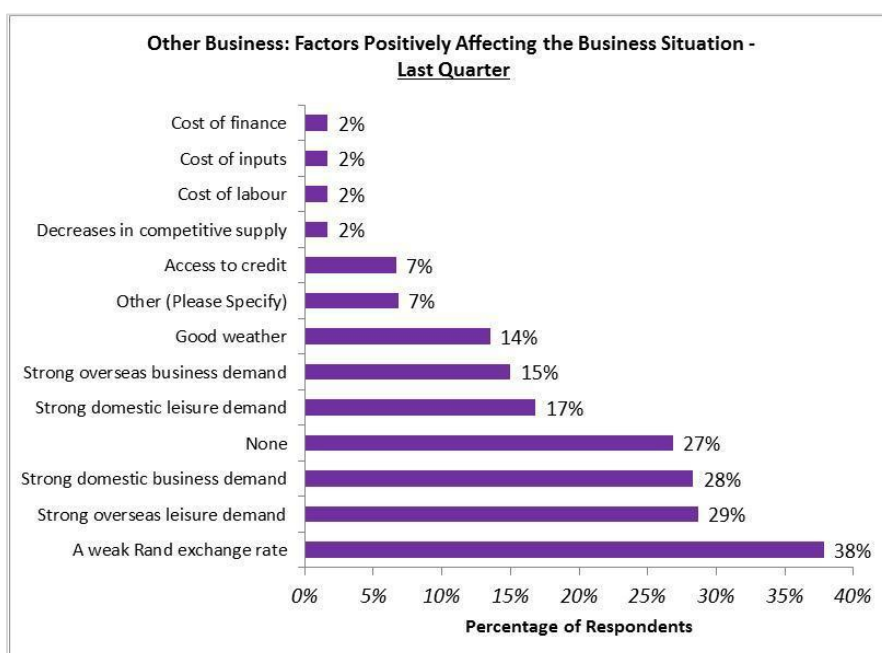
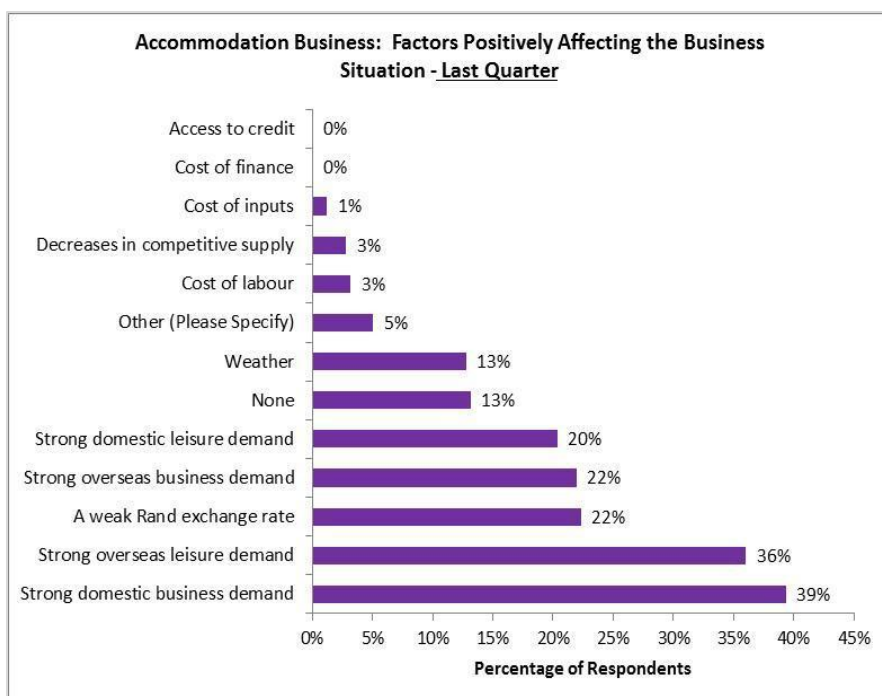
- 32% of Other Businesses continue to expect competitor market behaviour to remain a significant negative factor affecting business performance in the next quarter.

- A slightly unexpected outcome for Other Businesses is the forecasted fear that there will be insufficient overseas leisure demand. One respondent attributed this to ongoing recessionary conditions in generating markets.

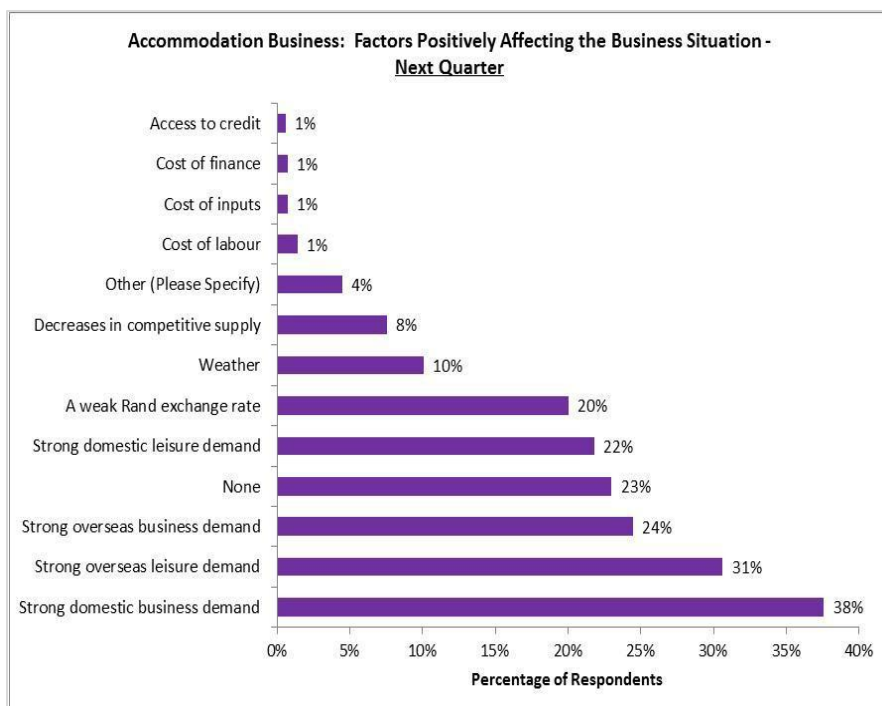


Positive Factors - Last Quarter

- A significant number of accommodation establishments cite strong domestic business demand (39%) and strong overseas leisure demand (36%) as positive contributing factors.
- Again, similar to last quarter (Q4 2012), some businesses experienced strong overseas leisure demand (39% for Accommodation Businesses and 29% for Other Businesses) whereas others felt the demand was weak/ insufficient (25% for Accommodation Businesses and 24% for Other Businesses).
- Positive influences include: increased internet exposure resulting in improved occupancy, tourists spending more even though they are travelling less, change in management and the effect of the long weekends as a result of the public holidays.
- The weakening Rand is also assisting almost 40% of Other Businesses and 22% of Accommodation businesses to perform better.

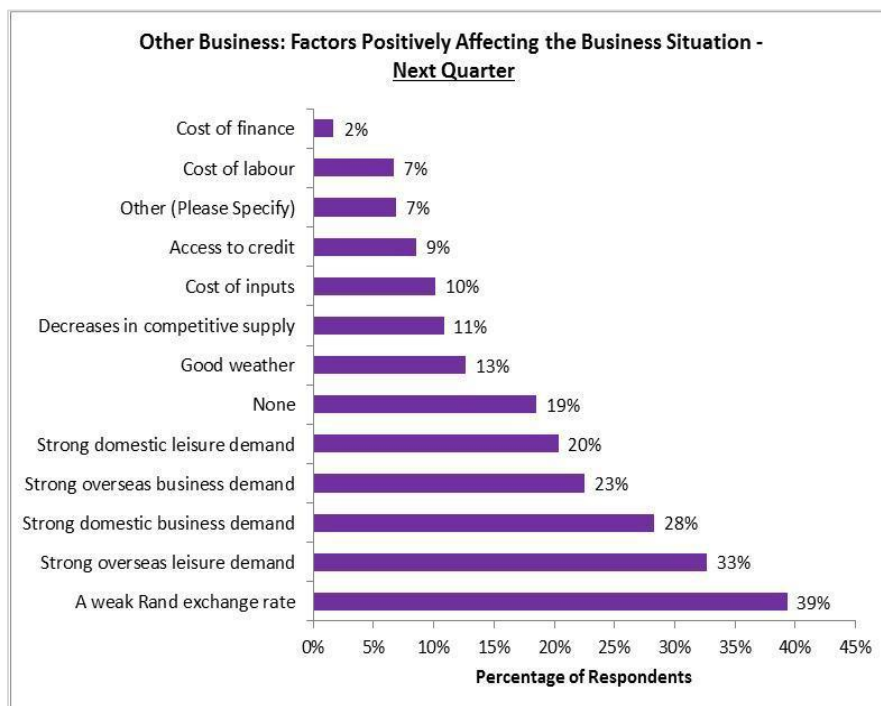


Positive Factors – Next Quarter



- Respondents expect strong domestic business demand with 38% of Accommodation Businesses and 28% of Other Businesses predicting this as having a positive impact.

- Both Accommodation Businesses and Other Businesses expect strong overseas leisure demand with 31% and 33% respectively.
- More Other Businesses (39%) expect a weak exchange rate as a positive factor than Accommodation Businesses at 20%.



General Business Indicators

The Quarterly RMB/BER Business Confidence Index (“BCI”) is shown in the table below.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2010	43	36	47	44
2011	55	48	39	38
2012	52	41	47	46
2013	52			

Source: BER

As 50 indicates neutral levels of confidence, the index has largely been in negative territory since 2010 with exceptions in the first quarters of 2011, 2012 and 2013

In the first quarter of 2013 the BCI increased to 52, a level close to the post-recession peak of 55 registered two years ago and the same as the Q1 2012 level. Still, the first quarter reading implies that only slightly more than half of the respondents in the RMB BER index’s survey rate prevailing business conditions as satisfactory.

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. Likewise, both indices decreased in the second quarter and then increased for two consecutive quarters to once again be in positive territory in the first quarter of 2013, indicating a general rise in business confidence. The TBI recorded a performance index of 110,8 against 100 for the first quarter of 2013, while the BER recorded 52 against a normal of 50 in Q1 2013. This indicates that the Tourism Industry is slightly more optimistic about business conditions than businesses generally.

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

2011											
Jan	Feb	March	Apr	May	Jun	Jul	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	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
97,1	99,5	95,7	94,3	92,8	94,9	90,9	95	91,7	92,0	91,7	93,0
2013											
Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
94,0	93,0	90,4									

In 2012, the SACCI BCI reduced steadily each quarter (from a quarterly average of 97,4 in Q1 to 92,2 for Q4). In 2013, the Q1 average is 92,5 slightly higher than the Q4 2012 average, but below the Q1 2012 (97,4)..

Even though the methodologies are not the same and therefore different results could be expected, it would appear that there is a general downward tendency in business performance according to the SACCI BCI. This is not reflected by the TBI as the TBI has recorded its highest performance index in Q1 2013 since the pilot phase in 2010. Overall therefore Tourism Businesses are experiencing and expecting better performance than businesses in general.

Respondents

For this edition of the TBI we received 145 responses, which are broken up into 92 within the accommodation sector and 53 responses from the other tourism business. Listed below are the businesses who participated in this quarter's survey.

Pledge Respondents	Ad Hoc Respondents
3 Melrose Road	131 on Herbert Baker Boutique Hotel
Abangane Guest Lodge	Aandbloem Guest House
AmaSun B&B	African Travel Concept
Anchor's Rest Guest House	Alpine Attitude Boutique Hotel and Conference Venue
At Whale-Phin Guest House	Askari Lodge
Blue Jay Lodge	Bay Tree Guest House
Bohlale Safari & Golf Tours	Bay view lodge
Bona Bona Game Lodge	BCD Travel
Bosavern Guest House	Beachcomber Bay
Bosch Luys Kloof Private Nature Reserve	Beetleloop Guest House
Boundless Africa Safaris	Benguela B&B
Bulungula Lodge	Blue Horizon Bay Guest House
City Lodge Hotels	Bome Guest House - Dinokeng
Click Afrika Tours	Cape Pillars Boutique Guesthouse
Coachman	Casta Diva
Cornerstone B & B	Cathbert Country Inn
Cornwall Hill B&B	Comfort House B&B
Craigrow nie Guest House	Constantia Manor Guesthouse
Cresco Tours	De Zoete Inval Guest House
Crooked Tree Cottage	Dennis Road Guesthouse & Conference Centre
CSIR International Convention Centre	Eagle's View B & B
Dolphins View Guest House	Faircity Roodevallei
ERM Tours	Green Pastures B&B
Field Guides Association of Southern Africa (FGASA)	Heuglings Lodge
First Car Rental	Homestead House
Gametrackers Outdoor Adventures	Indunduma Resort
Graton Guest House	Karoo Desert Botanical Garden - Recreation
Group Sports Travel SA	Kw alata
Hide-Away Guest House	La Barune Guest House
Holiday Inn Express (IsoLeisure)	Leribisi Lodge and Conference Centre
Hotel Numbi & Garden Suites	Little Scotia Guest House
Journey Into Africa Tours & Safaris	Lombardy Boutique Hotel & Conference Venue
Kievits Kroon Country Estate	Mandela Rhodes Place Hotel & Spa
Legacy Hotels and Resorts	Marita's Guest House
Legend Lodges Hotels & Resorts	Mautaland Lodge
Lekkerbly Guest House	Moolmanshoek Private Game Reserve
Linkside Lodge	Nature's Rest
Liz at Lancaster Guesthouse	NH The Lord Charles
Mfafa Safaris	Ow lhouse Backpackers
National Zoological Gardens	Pinelake Marina
Ocean view bed and breakfast	Riverlodge Backpackers
Parkmore Lodge	Romney Park All Suite Hotel & Spa
Pavilion Conference Centre	Sandals Guest House
Porter House Eleven	Selati 103 Guest Cottages
Queensburg Caravan Resort	South of Africa
River Crossing B&B and SC	Step - Aside George Conference Centre
Rivonia Bed & Breakfast	Susan Sleepover Guesthouse
Roseland House	The Beach House on Tiffany's Bay
Rosetta House	The Upper Room B&B
Safaris Direct	The Voortrekker Monument
Sandton ICC	Toverberg Backpackers
SANParks	Umbrella Tree B&B
Sasendle Adventure Tours	Umhambi Lodge
Shamrock Arms Guest Lodge	Underwood B&B
Signature Tours	Vineyard Hotel and Spa
Siyabona Africa	Waverley Guest House
Southern Sun	Wild Olive Guest House
Spier Resort Management	Wilderness Lagoon B&B
Springbok Atlas	Woodlands Game Lodge & Conference Centre
Sun International	Wow Cape Town Tours
Sure Travel	
Sylvan Grove Guest House	
Table Mountain Cableway	
The Cellars - Honehort	
The Celtis Manor Guest House	
The Colonial on Arundel	
The Kimberley Club	
The Manderson Hotel & Conference Centre	
The Plantation	
The Red House	
The Rezidor Hotel Group, Southern Africa	
The Royal Hotel	
The Saffron House	
Tour d'Afrique	
Tourvest Accommodation and Activities	
Tourvest Financial Services	
Tourvest Retail	
Tourvest Travel Services	
Travel For Life	
Travel Unite	
Tsogo Sun	
Value South Africa	
Wailana Beach Lodge	
Whale Song	
Zinkwazi Lagoon Lodge	
Zuider Zee Guest House	