

TBCSA TOURISM BUSINESS INDEX

January to June 2023



FOREWORD FROM CEO OF TBCSA



The TBI results reflect our industry's challenges for the first half of 2023, with below-normal business performance driven largely by the energy crisis (load-shedding). The accommodation sector has been the worst affected, with high input costs caused by loadshedding and inflation negatively impacting business performance. However, the outlook for the remainder of 2023 is positive, with near "normal" performance expected.

The TBCSA is encouraged by data from Stats SA year to date (January to July) 2023 revealing that foreign tourism arrivals for the period have exceeded 2019 and even 2018 (our best year for tourism ever) levels for the same period. The strong recovery is driven mainly by our African market. In comparison, the recovery of our high-spending overseas market is behind 2019 (14% down) and 2018 (16% down) numbers.

The impact of the slower recovery rate for the overseas market is significant as this not only impacts negatively on tourism receipts but also on the industry's ability to increase capacity and recover jobs lost during the Covid-19 pandemic.

We are hopeful that the strong foreign arrivals recovery will continue as positive sentiment returns to our industry.

Feedback from the industry on future booking levels is optimistic as strong overseas arrivals as well as improved domestic demand, are anticipated for the second half of 2023.

To accelerate the recovery of our industry, specifically the overseas market, tourism stakeholders have indicated that the sector needs significant investment into destination marketing in our key source markets as well as addressing growing concerns around safety and security.

The TBI is not only a useful tool for understanding the operating environment for tourism in South Africa but also assists decision-makers in both the public and private sectors in plotting a way forward for the tourism sector and individual businesses. As such, we urge all travel and tourism businesses to continue to support the index.

Your sincerely,

Tshifhiwa Tshivhengwa

Tshifhiwa Tshivhengwa
CEO of TBCSA

✉ tshifhiwa@tbcса.travel
www.tbcса.travel



ABOUT THE TBCSA

The Tourism Business Council of South Africa (TBCSA) is the umbrella organisation representing the unified voice of business in the hospitality, travel, and tourism sector. The TBCSA was established in February 1996 by leading tourism businesses and associations to form a unified platform to engage with the South African government around the development of the sector. It is a not-for-profit, member-centric organisation mandated to facilitate key industry programmes aimed at driving growth and the development of the sector. In its scope of work, the TBCSA serves to unite and influence the diverse travel and tourism sector to contribute to a competitive, responsible, and inclusive tourism economy. The TBCSA monitors and influences macro-economic developments which impact on the sector.

Associations affiliated to the TBCSA are: Airlines Association of Southern Africa ("AASA"), Association of Southern African Travel Agents ("ASATA"), Attractions Africa Visitor Experience Association (AAVEA), Agri-Tourism SA, Board of Airline Representatives of South Africa ("BARSA"), Cape Town Tourism, Drakensburg Experience Tourism Association, Federated Hospitality Association of South Africa ("FEDHASA"), National Accommodation Association of South Africa ("NAA-SA"), Professional Hunters Association of South Africa ("PHASA"), Southern African Association for the Conference Industry ("SAACI"), Southern African Bus Operators' Association ("SABOA"), Southern Africa Tourism Services Association ("SATSA"), Southern African Vehicle Rental Association ("SAVRALA"), Rendzo Network, VOASA - Vacation Ownership Association of Southern Africa and Wildlife Ranching SA (WRSA).

ABOUT THE TBI

The Tourism Business Index ("TBI") is an initiative of the Tourism Business Council of South Africa ("TBCSA") and is compiled by BDO. The TBI provides an indication of the current and likely future performance of businesses operating within the Tourism Sector in South Africa.

The information for this TBI was collected through an online survey of tourism businesses. The overall tourism index includes accommodation operators (reflected in the "Accommodation" sub-index") and responses from tour operators, coach operators, vehicle rental companies, airlines, travel agents, retail outlets, forex traders, conference venues and attractions (referred to as "Other Tourism Businesses" sub-index).

The TBI is reflective of the actual performance for the first 6 months of 2023 and looks forward to the likely performance for the next 6 months (i.e., 2nd half of 2023).



THE TOURISM BUSINESS INDEX

The Tourism Industry achieved below normal business performance for the 1st half of 2023 at

76.0

101.0

is forecast for the next period (i.e., July to December 2023) and reflects an optimistic outlook for the Tourism Industry at normal business performance.

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 one would hope to achieve, or the long-term average historical performance experienced, during this period, 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 businesses 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.

Sub-Indices

The Accommodation Sector

Actual business performance for the consolidated Accommodation Sector continues to struggle at **58.4**, which is lower than the corresponding period in 2019 of 67.9.



	Actual index for Jan to Jun 2023	Forecast index for Jul to Dec 2023
Accommodation Sector	58.4	95.7

The Accommodation Sector covers 9 types of facilities including; Hotel groups, Independent Hotels, Lodge Groups, Independent Lodges, Timeshare, B&B/Guesthouses/Guest farms, Backpackers, Self-catering and Camping Groups as well as Independent Self-catering and Camping.

The Accommodation Sector forecasts a significant improvement in performance to reach near normal business performance in the next period with an index of **95.7**. This indicates an optimistic outlook as the industry seeks to leverage improved efficiencies to mitigate the negative impact of loadshedding.

	Actual index for Jan to Jun 2023	Forecast index Jul to Dec 2023
Other Tourism sub- index	100.7	108.5



The Other Tourism Business sub-index is an amalgamation of responses from tour operators, coach operators, vehicle rental companies, travel agents, retail outlets, forex traders, conference venues and attractions/activities. For this edition, only vehicle rental companies and attractions/ activities, tour operators, and travel agents' sub-sectors are identified as being a representative sample based on the number and caliber of responses thus, they are also shown separately from the main sub index.

Other Tourism Businesses

Other Tourism Businesses recorded stronger business levels relative to the accommodation sector, at **100,7** which indicates that the sub-sectors were operating at normal levels for the first half of 2023.

A forecast index of **108.5** is expected for the 2nd half of 2023 reflecting an above normal business performance outlook.

Note: Below normal business performance is depicted in red as a thumbs down and above normal business conditions is depicted in green as a thumbs up. Normal business performance is calibrated to an index of 100.

BALANCE STATISTIC

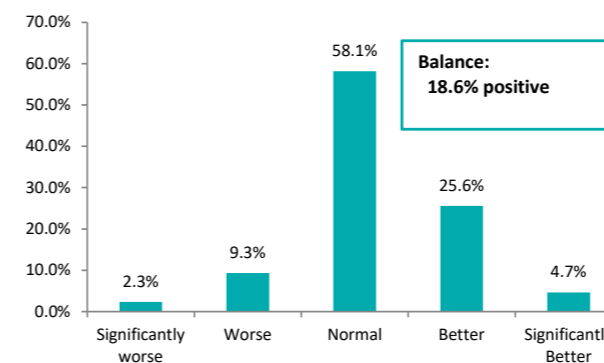
Results from quantitative questions are provided in the form of a "balance" statistic. This is the difference between the percentages of positive and negative responses. A balance for each question is calculated by deducting the percentage of negative replies from the percentage of positive answers given to each question. The final value is a single figure, with a minus representing an overall negative outlook or performance and a positive figure which represents an overall positive outlook or performance.

Projected Performance for the 2nd Half of the Year

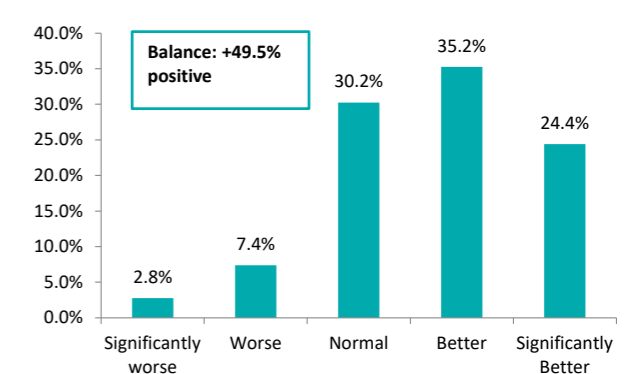
When looking at the 2nd half of 2023, on balance, the accommodation respondents have a positive outlook with +18.6% of respondents anticipating business performance to improve above normal levels in the 2nd half of 2023. The majority (58,1%) of the accommodation sector anticipate that normal conditions will prevail in the 2nd half of 2023, while 11% anticipate worse than normal conditions.

Other Tourism businesses are on balance significantly more optimistic, with a +49.5% outlook for the 2nd half of 2023. Of the respondents, 35.2% expect better than normal business performance and 24.4% expect to experience significantly better than normal business performance. By contrast, only 10.2% expect worse than normal business performance, while 30.2% expect normal business performance.

Tourist Accommodation: Expected Performance Next Half Relative to Normal (Jul - Dec 2023)



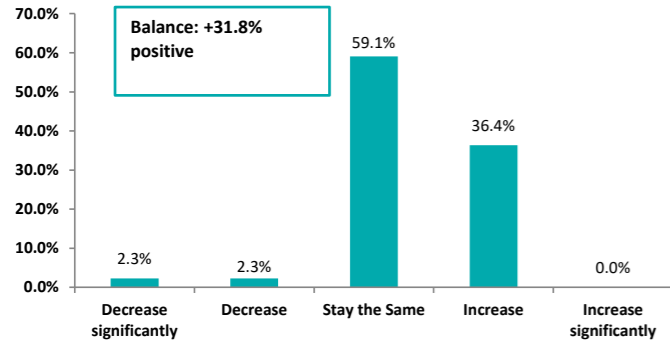
Other Tourism Businesses: Expected Performance Next Half Relative to Normal (Jul - Dec 2023)



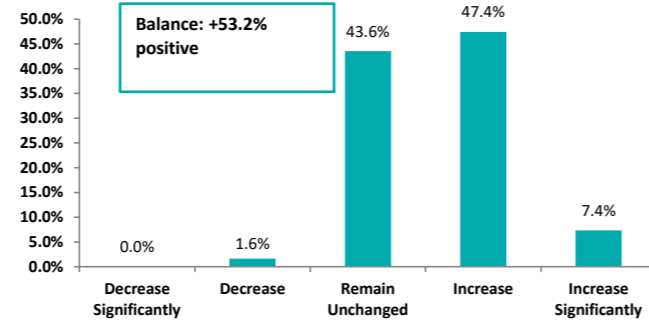
Employment Expectations

Notably, many of the respondents in the Accommodation Sector (31.8%) and Other Tourism Businesses (53.2%) expect to increase employee levels in the next half year. This indicates that overall employment growth is positive into the future for tourism businesses despite continued cost pressures. On a positive note, despite current performance below normal levels, very few operators are planning to reduce employment levels.

Tourist Accommodation: Expected Employee Levels for the Next Half of Year (Jul - Dec 2023)



Other Tourism Businesses: Expected Employee Levels for the Next Half of Year (Jul - Dec 2023)

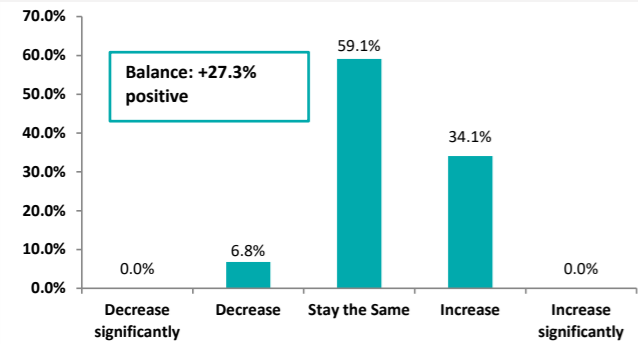


Capacity Expectations

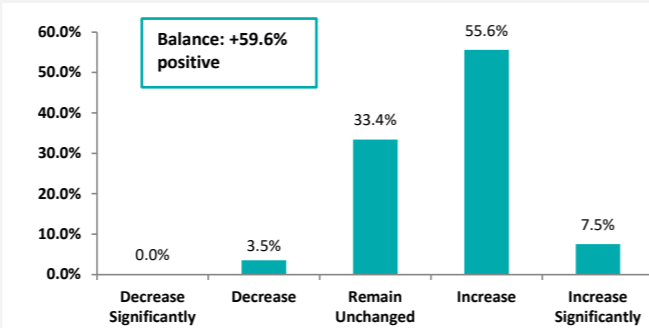
Other Tourism businesses anticipate a strong positive balance for capacity growth expansions with +59.6%, with the majority (63.1%) anticipating an increase in capacity, as opposed to only 3.5% who are expecting a decrease.

A positive balance of +27.3% also features for Accommodation Businesses. Nearly 60% of respondents indicate that capacity for the next half year will remain unchanged. However, 34.1% anticipate an increase in capacity with only 6.8% expecting a decrease.

Tourist Accommodation: Capacity Expectations for the Next Half of Year (Jul - Dec 2023)



Other Tourism Businesses: Capacity Expectations for the Next Half of Year (Jul - Dec 2023)



FACTORS AFFECTING BUSINESS

The major contributors to the significantly below normal business performance were the cost of alternative power supply i.e., diesel and generator costs, batteries, etc. as well as increased operating costs in general which affected operational performance, in addition to safety and security concerns that dampened demand. The lifting of Covid-19 restrictions, strong overseas leisure demand as well as improved efficiencies account for the few meaningful positive factors contributing to business performance in the first half of 2023.

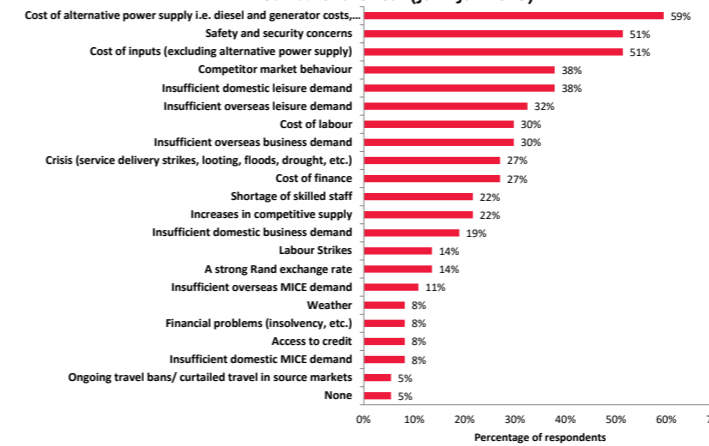
	Top 5 Negative contributing factors	Top 3 Positive contributing factors
Accommodation sub-index	<ul style="list-style-type: none"> Cost of alternative power supply i.e., diesel and generator costs, batteries, etc. - (59%) Cost of inputs (excluding alternative power supply) - (51%) Safety and security concerns - (51%) Insufficient domestic leisure demand - (38%) Competitor market behaviour - (38%) 	<ul style="list-style-type: none"> Lifting of Covid-19 Restrictions in South Africa and in source markets - (43%) Strong overseas leisure demand - (41%) Improved operational efficiencies - (32%)
Other Tourism Businesses sub-index	<ul style="list-style-type: none"> Cost of alternative power supply i.e., diesel and generator costs, batteries, etc. - (31%) Safety and security concerns - (29%) Shortage of skilled staff - (24%) Insufficient domestic business demand - (17%) Crisis (service delivery strikes, looting, floods, drought, etc.) - (16%) 	<ul style="list-style-type: none"> Strong overseas leisure demand - (39%) A weak Rand exchange rate - (31%) Strong overseas business demand - (26%)

Negative Factors – January to June 2023

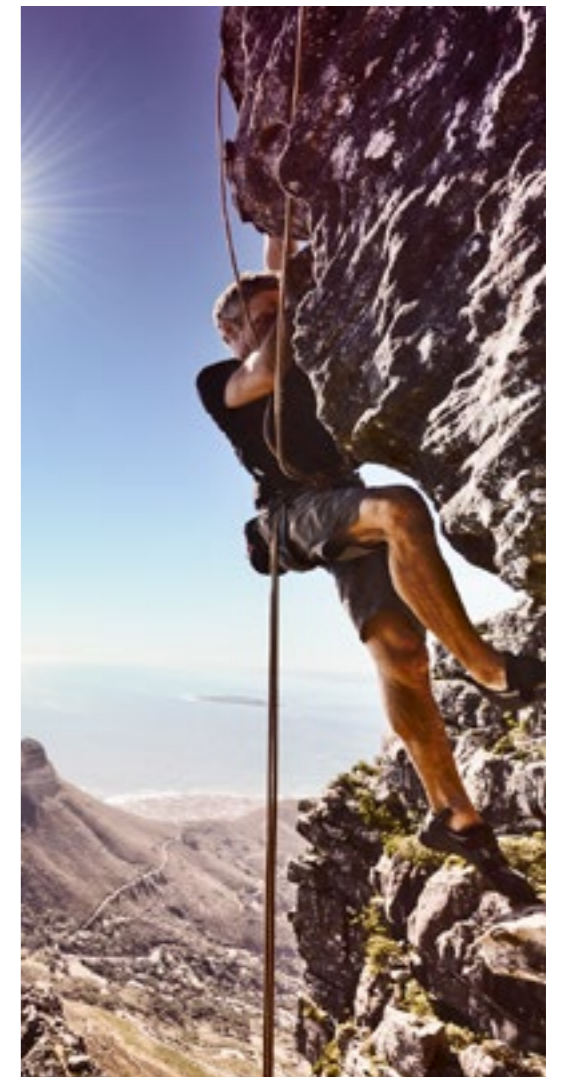
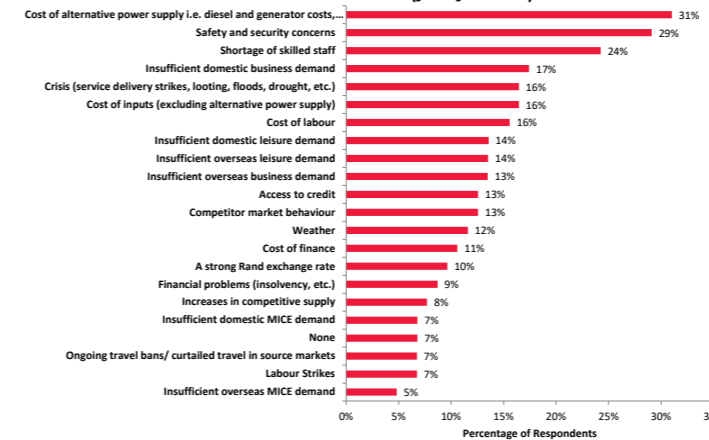
The most influential negative contributing factors for Accommodation Businesses over the 1st half of 2023 were Cost of alternative power supply i.e., diesel and generator costs, batteries, etc. (59%), Cost of other inputs (excluding alternative power supply) (51%), Safety and security concerns (51%), Insufficient domestic leisure demand (38%) and overseas leisure demand (32%), as well as Competitor market behaviour (38%).

Negative Factors – January to June 2023

Accommodation Business: Factors Negatively Affecting the Business Situation - First Half of the Year (Jan - Jun 2023)

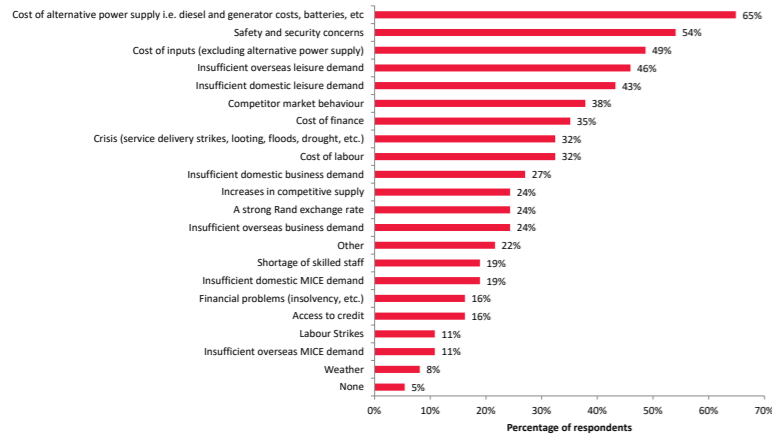


Other Business: Factors Negatively Affecting the Business Situation - First Half of the Year (Jan - Jun 2023)

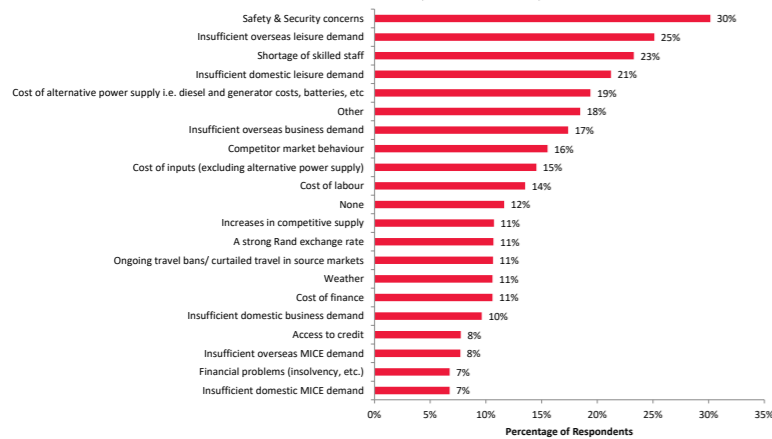


Negative Factors outlook for July to December 2023

Accommodation Business: Factors Negatively Affecting the Business Situation - Next Half of the Year (Jul - Dec 2023)

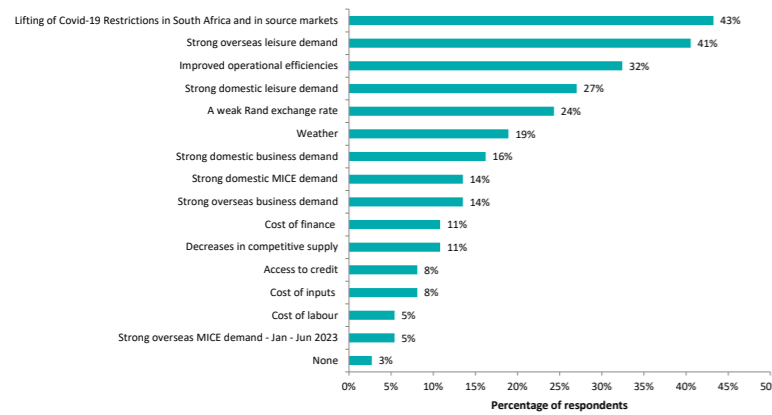


Other Business: Factors Negatively Affecting the Business Situation - Next Half of the Year (Jul - Dec 2023)

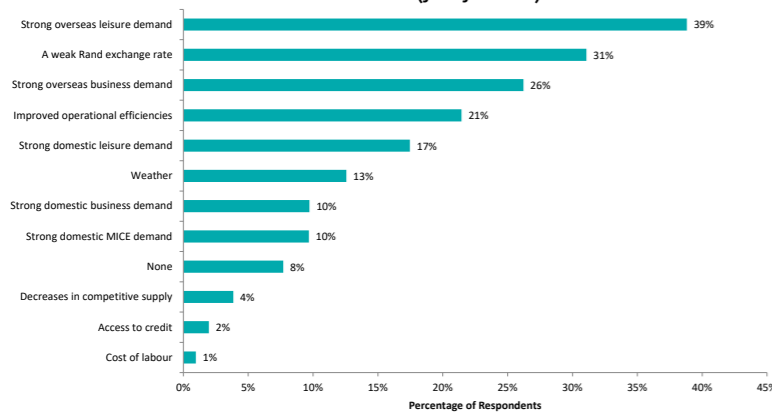


Positive Factors – January to June 2023

Accommodation Business: Factors Positively Affecting the Business Situation - First Half of the Year (Jan - Jun 2023)



Other Business: Factors Positively Affecting the Business Situation - First Half of the Year (Jan - Jun 2023)

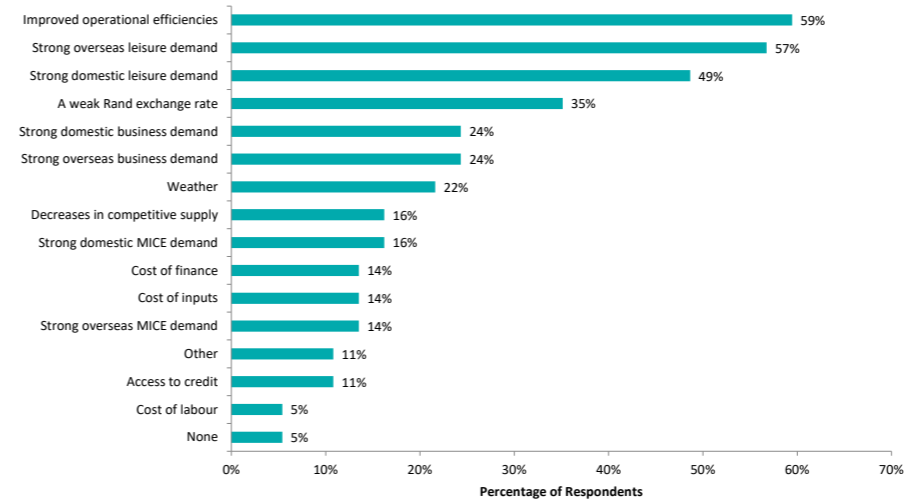


Unfortunately, the outlook for Accommodation Businesses remains pessimistic for the next half year when it comes to the Cost of alternative power supply (65%), Safety and Security concerns (54%), Cost of inputs (49%), as well as insufficient overseas and domestic leisure demand (46% and 43%).

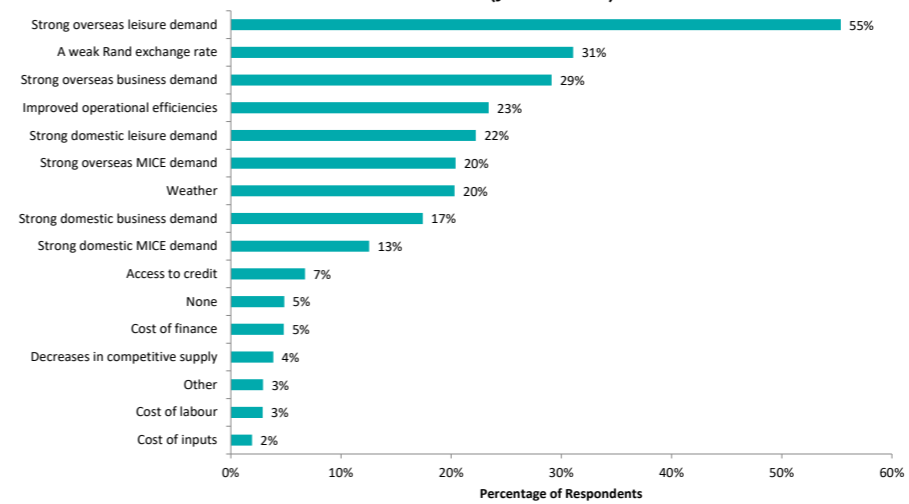


Positive Factors outlook for July to December 2023

Accommodation Business: Factors Positively Affecting the Business Situation - Next Half of the Year (Jul - Dec 2023)

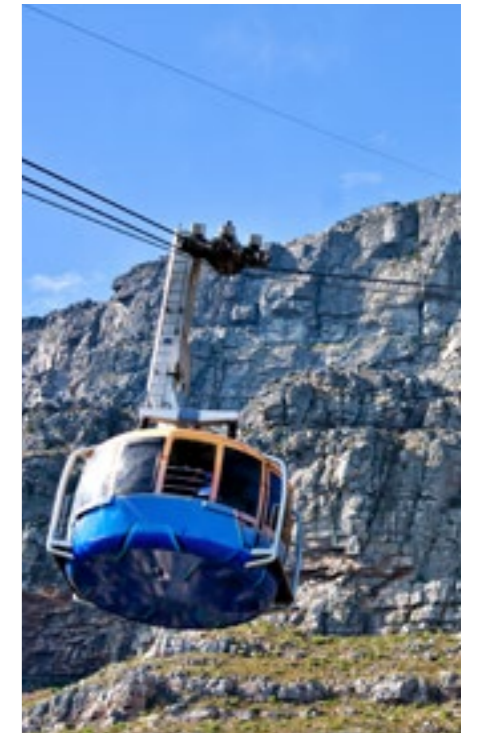


Other Business: Factors Positively Affecting the Business Situation - Next Half of the Year (Jul - Dec 2023)



Looking towards the second half of 2023, the Tourism sector is optimistic about strengthening demand from overseas leisure travellers. Improved operational efficiencies is forecasted to impact positively on performance for Accommodation Businesses (59%) and Other Tourism Businesses (23%).

Strong domestic leisure demand, strong overseas business demand and a weak rand exchange rate are forecasted by a sizeable number of businesses in the Accommodation and Other Tourism Sector as factors to positively impact on business performance in July to December 2023.



TOPICAL ISSUES

These issues vary by period based on their relevance to the industry at the time.

The majority of respondents cited that the following issues in South Africa had a significantly negative impact on their business:



Overall, both Accommodation Businesses (41%) and Other Tourism Businesses (39%) cited strong overseas leisure demand as a positive factor in the 1st half of the year (January to June 2023). The same trend is observed from the high number of respondents for Accommodation Businesses (32%) and Other Tourism Businesses (21%) who cited Improved Efficiencies as a positive contributing factor in business performance.

Some other significant positive factors highlighted for the Accommodation Sector include:

- ▶ Lifting of Covid-19 restrictions in South Africa and in source markets
- ▶ Strong domestic leisure demand

Some of the other significant positive factors highlighted for the Other Tourism Businesses include:

- ▶ A weak Rand exchange rate
- ▶ Strong overseas business demand



Count on 35 years of seasoned tourism and hospitality experience delivered by passionate Audit, Advisory and Tax experts.

We appreciate that clients want to partner with an adviser who knows their business and understands the broader operating environment. Founded on strong, lasting relationships, at BDO, we are committed to what drives our clients and their businesses.

What you can expect from us



- ▶ Client-centric solutions tailored for your needs
- ▶ An insights driven decision making process
- ▶ In-depth understanding of the segments in which you operate

The value chain: the sectors we cover



- ▶ Tourism planning and development
- ▶ Tourist accommodation
- ▶ Tourism transport - air (airports and airlines), road, rail, water (cruising and boating)
- ▶ Tourist attractions
- ▶ Casinos and gaming
- ▶ Meetings, incentives, conferences and exhibitions
- ▶ Sports and events
- ▶ Food services and catering
- ▶ Travel and tourism services
- ▶ Culture, heritage and leisure
- ▶ Entertainment
- ▶ Tourist retail / shopping

Christelle Grohmann

Director: Advisory Services
T: +27 (0) 82 338 3121

Lee-Anne Bac

Director: Advisory Services
T: +27 (0) 82 579 5907

Jabulani Debedu

Principal Consultant: Advisory Services
T: +27 (0) 73 513 2272

www.bdo.co.za