SA's travel and tourism industry shows significant drop

Business performance levels across South Africa's tourism value chain slipped from a Tourism Business Index (TBI) of 99.9 in Q1 of 2015 to an index score of 83.6 in the second quarter.

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This is the lowest performance level since the third quarter of 2011, when the industry registered a very low index score of 70.0.

TBI is a quarterly performance-monitoring tool, initiated by the Tourism Business Council of South Africa (TBCSA) in 2010, to track business performance in the industry. The index reports on changes or expected changes in demand and profitability which are expressed relative to the expected normal levels of trade for the relevant period. An index score of 100 is regarded as an indication of normal levels of trade. When the index shows performance or prospects below 100, this indicates worse than normal performance.

Worrying results

"The results are worrying," says TBCSA CEO, Mmatšatši Ramawela. "We anticipated that there would be some decline, judging by our member feedback and the outcomes of the impact assessment study on the new immigration regulations. The past couple of months have been particularly tumultuous for our industry and generally business confidence is low. However, despite the decline in trade conditions, what's coming out strongly from the latest TBI report is that maintaining employment levels remains top priority for many operators."

As expected, new visa legislation with regards to biometrics and unabridged birth certificates topped the list of key factors contributing to the drop in performance.

Whilst the lingering effect of the Ebola outbreak seems to be subsiding, with more than half of respondents citing no or neutral impact, only 16,9% of respondents cited negative impacts as a result of the xenophobic attacks which broke in the second quarter. Labour unrest, electricity and water shortages and reduced demand by the public sector were also cited as negative factors.

The accommodation sector saw worse than normal business performance, with an index score of 82.6 compared to the forecasted 102.7. Other tourism businesses (excluding accommodation) also recorded lower than normal business performance with a score of 84.4 compared to the anticipated 93.2.

Increased capacity

Interestingly, the accommodation sector is still planning to increase capacity in spite of poor recent and expected performance. Gillian Saunders, head of advisory services at Grant Thornton, says expansion plans for accommodation capacity increases have long lead times and many projects were no doubt planned during the high performance years of 2013 and 2014, and cannot be shelved now without worse financial consequences.

On the positive side, the hosting of large summits, long weekends and school holidays were highlighted as positive factors. Whilst the overall outlook for the next quarter is somewhat pessimistic, it is hoped that the weaker exchange rate, as well as the implementation of new promotional initiatives, will boost trade in Q3.

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