



TBCSA  
TOURISM BUSINESS INDEX  
**4<sup>th</sup> QUARTER 2016**  
**EXECUTIVE SUMMARY**



**TOURISM  
BUSINESS INDEX**

Mainstreaming Travel and Tourism in the South African Economy

# Executive summary

In 2015, total contribution from travel & tourism to global GDP was US\$7.2 trillion (9.8% of global GDP). In South Africa, travel and tourism’s contribution to GDP in 2015 stood at ZAR375.5bn (9.4%) and is forecast to rise by 3.7% pa to ZAR555.1bn (10.6%) of GDP in 2026. Against this backdrop, the local industry experienced better than normal business performance in the last quarter of 2016, recording a TBI score of 104.5. This represents a significantly higher score than the anticipated index of 81.7

The quarterly TBCSA Tourism Business Index (TBI) is an initiative of the Tourism Business Council (TBCSA) and is compiled by Grant Thornton.

The index comprises of two sub-indices. The first sub-index called “Accommodation” includes all types of tourism accommodation. The second sub-index called “Other Tourism Businesses” comprises of all travel and tourism businesses excluding accommodation establishments.

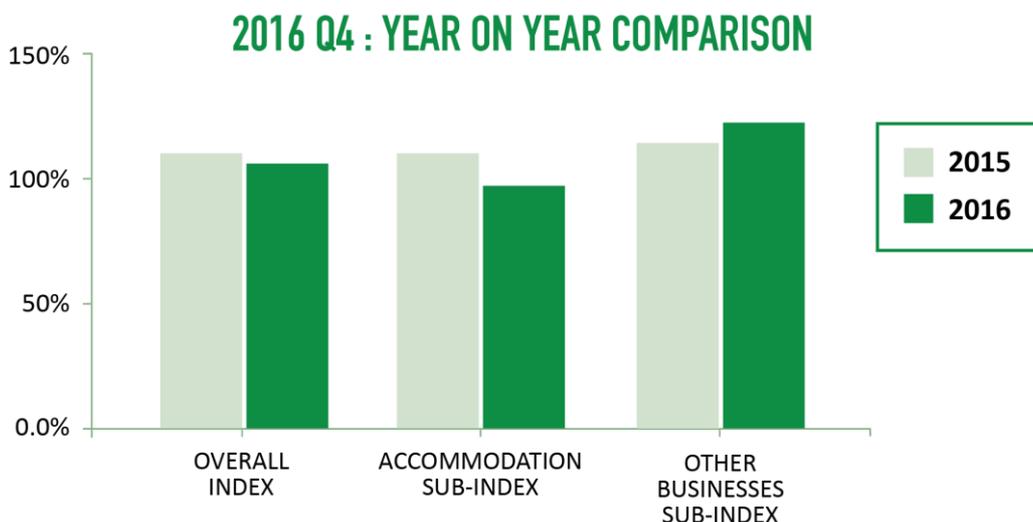
Overall, the TBI index for Q4 2016 decreased by 2.0 index points when compared to Q4 2015. The Accommodation sector saw a substantial 14.9 year-on-year (YOY) index point decrease when compared to Q4 2015, whereas Other

Tourism Businesses performed better with an 8 (YOY) index point increase.

## TBI’S INDUSTRY PERFORMANCE FOR Q4 2016 COMPARED TO Q4 2015

The Accommodation segment scored below normal levels at 89.5 in the previous quarter. This score is also lower than the score of 109.4 that was anticipated for this segment last quarter.

The Other Tourism Businesses segment scored above normal trading levels with a score of 116.1, significantly higher than the level expected of 69.9 for the last quarter of 2016.





## NEGATIVE FACTORS AFFECTING BUSINESS

In terms of the contributing factors negatively affecting business conditions in the Accommodation sub-index, costs of inputs (49% of segment respondents) was cited as the biggest hindrance to business performance in the previous quarter. This was followed by cost of labour (41%).

Other cited negative contributing factors for the Accommodation sector include:

- Poor economic activity and uncertainty regarding the Ratings downgrade;
- Unrest at Universities tarnishing SAs image as a stable/ safe destination;
- Inconsistency with Immigration and Home Affairs requirements;
- Lack of training of Immigration officials causing delays at airports

As for the Other Tourism Businesses segment, competitor market behaviour (54%) was the greatest negative contributing factor to poor business performance last quarter. Other negative contributing factors included:

- Political instability within Government Departments;
- Limited Guiding services with adequate foreign language skills;
- Poor road infrastructure in rural areas and an increase in traffic congestion delaying transfer and tour times.

## POSITIVE FACTORS AFFECTING BUSINESS

Strong overseas leisure demand was cited by 35% of Accommodation segment respondents as a positive contributing factor to business in the previous quarter. A weak exchange rate (26%) and Strong domestic leisure demand (13%) were also cited as positives for business.

In the Other Tourism Businesses segment, 57% of respondents cited the weak exchange rate as

a positive contributing factor to business last quarter; followed by strong overseas leisure demand (48%) and strong domestic leisure demand (35%).

## WHAT THE OTHER INDICES SAY

2016 Q4 results of the RMB/BER Confidence Index fell to 38 points as businesses indicated worse than normal performance. The SACCI Business Confidence Index shows a slight rise in the quarterly average (from 93.1 to 93.6) in Q4 of 2016, but again reflects low business performance levels.

## EXPECTATIONS FOR NEXT QUARTER

For next quarter, the Accommodation Sector anticipates an index of 89.3, with cost of inputs (42%) remaining as the main negative contributing factor. Added to this is the instability in the exchange rates; continued political instability, and the impact of the water shortages.

The Other Tourism Businesses sub-index anticipates an index of 101.1, with 68% of respondents predicting that competitor market behaviour will be a main negative factor to their business in Q1 of 2017. This is followed by cost of inputs (64%) and an increase in competitive supply (59%).

## POSITIVE EXPECTATIONS FOR NEXT QUARTER

For next quarter, it is expected that a strong overseas leisure demand (40%) and a weak exchange rate (23%) will continue to have a positive impact on business performance for the Accommodation segment.

As for the Other Tourism Businesses segment for next quarter, a weak exchange rate (65%) and strong overseas leisure demand (60%) are expected to have a positive impact on business. Additional positive contributing factors expected

for next quarter include:

- Weakening Rand making the destination more affordable;
- Continued increase in foreign leisure travel;
- Increase in domestic leisure demand.

In terms of employment, 97.9% of respondents in the Accommodation sector expect employment levels for next quarter to remain the same. As for the Other Tourism Businesses segment, 28.2% of respondents expect to increase employment levels next quarter, whilst 25.4% expect to decrease employment levels.

In terms of capacity expansion for next quarter, 76.0% of respondents in the Accommodation sector and 61.7% in the Other Tourism Businesses segment cited capacity will remain the same for the first quarter of 2017.

#### ABOUT THE TBCSA TOURISM BUSINESS INDEX

The TBCSA Tourism Business Index provides individual travel and tourism businesses with regular, up-to-date information on the performance of tourism businesses, including the outlook for performance over the next quarter.

The information is also designed to help individual businesses and policy/strategy makers understand the current tourism-operating environment.

Sign up to participate in the quarterly survey and receive the TBI reports here: [www.tbcsa.travel/economic-reports/](http://www.tbcsa.travel/economic-reports/)