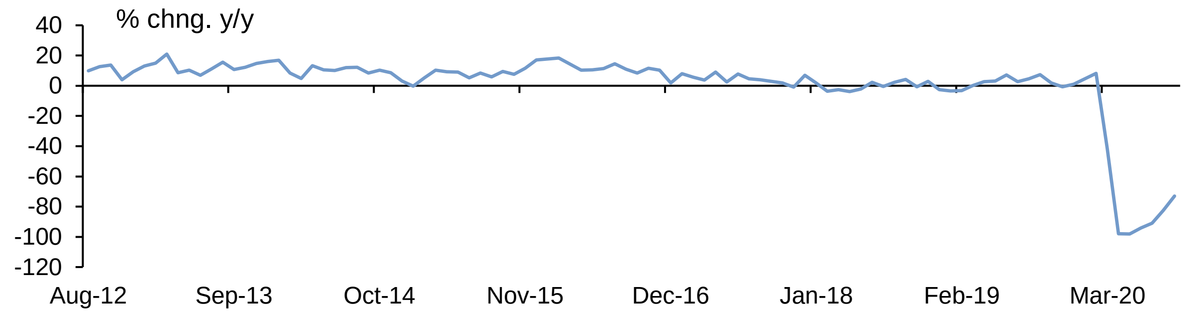
Investec

Tourism update: Tourist accommodation statistics fell at a decelerated rate in September, but remain depressed

Tuesday 24 November 2020

Figure 1: Income from just the accommodation component (current prices)



Source: Stats SA, Investec

- Consistent with routine data gathered by immigration officers from the Department of Home Affairs (DHA), the number of travellers (both South African residents and foreign travellers) passing through SA's ports of entry/exit plummeted by -93.6% y/y in September. Overnight visitor (tourist) stats however, were not monitored by Stats SA in September as SA's borders were closed to international leisure travelers until 1 October 2020.
- The resumption of international travel was a welcome development for many players in the domestic tourism and hospitality sector whose businesses rely heavily on the support from overseas leisure travel. However, many of the country's key overseas tourist markets, especially in Europe, were placed on a high risk list, according to the State's risk categorization model and its residents were largely prevented from entering the country until recently.
- Government announced the lifting of inbound travel restrictions from all international destinations on the 11th November, subject to strict protocols. Namely, all travellers are compelled to provide "a valid certificate of a negative test which was obtained not more than 72 hours before the date of travel", according to Government. Failure to present "a certificate as proof of a negative test, the traveler will be required to quarantine him or herself at his or her own costs."
- A surge in infection rates in many parts of the world has, however, led to certain countries placing outbound travel restrictions on its residents. This hindrance, combined with a shift in consumer behavior, with many still too cautious to travel, until a vaccine is widely available, implies a protracted recovery in international travel.
- The domestic tourism sector and its allied industries have been one of the biggest casualties of the pandemic, with the sector largely shut down until the end of July when intra-provincial leisure travel was permitted. Lifting of restrictions has aided some improvement in activity, with the latest tourist accommodation statistics published by Stats SA, for September, revealing a further deceleration from the sharp contractions recorded over particularly the second quarter of the year.

Figure 2: Income from accommodation by accommodation category (current prices) % chng. y/y

	May	**June**	**July**	**August**	**Sept.**
Hotels	-98.2	-94.0	-90.9	-86.2	-86.2
Caravans, parks and camping sites	-99.5	-99.6	-97.6	-79.8	-79.8
Guest-houses and guest-farms	-99.4	-96.8	-90.3	-82.8	-82.8
Other accommodation	-97.4	-93.9	-91.0	-74.9	-74.9
Total income from accommodation	**-98.1**	**-94.2**	**-91.0**	**-82.5**	**-72.9**

Source: Stats SA

*Excl. restaurants and bar sales and 'other' income

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Figure 3: Contribution of each accommodation category (%)

	May	June	July	August	Sept.
Hotels	-65.9	-62.0	-57.8	-54.2	-51.1
Caravans, parks and camping sites	-1.2	-1.5	-1.0	-0.8	-0.4
Guest-houses and guest-farms	-3.9	-3.7	-3.3	-2.8	-2.5
Other accommodation	-27.0	-27.0	-28.9	-24.7	-19.0
Total income from accommodation *	**-98.1**	**-94.2**	**-91.0**	**-82.5**	**-72.9**

Source: Stats SA

*Excl. restaurants and bar sales and 'other' income

- Specifically, total income from the tourist accommodation industry (incl. restaurants, bar sales and 'other' income), measured in nominal terms, fell by -71.8% y/y in September, following plunges of -80.6% y/y and -88.6% y/y in August and July respectively. Proceeds from the accommodation segment alone eased to -72.9% y/y in September (following a marked -82.5% y/y drop in August), supported by pick-up in the number of stay units sold, from -79.5% y/y in August to -65.3% y/y in September.
- An analysis of the data (income from accommodation), suggests that the hotels category with a weighting of over 60%, was largely responsible for September's decline. Specifically, it detracted 51.1% from the overall reading on the back of a contraction of -78.6% y/y, with occupancy rates still at a significantly depressed level of 15.9% in September, according to Stats SA.
- A notable improvement in the fourth quarter is anticipated as we head into the festive season, with pent up demand and the need to recover from a difficult 2020 supporting the likely strong pick-up in activity. However, the year-on-year performance is still likely to be notably down as the financial effects of the pandemic on consumers has been unprecedented, with many losing their jobs or experiencing salary cuts. As such, many households will likely have had to reduce or eliminate their leisure travel budgets.
- Although, the industry has suffered immensely during these precarious times, strong support from government, with the tourism sector a key focus of the State's reconstruction and recovery plan, should propel the sector forward.

Figure 4: Occupancy rates (%)

	May	June	July	August	Sept.
Hotels	1.3	4.1	6.1	9.3	15.9
Caravans, parks and camping sites	0.3	0.3	0.2	5.3	17.6
Guest-houses and guest-farms	0.3	1.3	3.9	3.9	8.5
Other accommodation	1.2	3.9	5.1	13.8	26.2

Source: Stats SA

*The number of stay unit nights sold, divided by the product of the number of stay units available and the number of days in the survey period, expressed as a percentage.

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