



# TOURISM BUSINESS INDEX

Mainstreaming Travel and Tourism in the South African Economy

# TBCSA Tourism Business Index

## 2<sup>nd</sup> Quarter 2016



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## TBCSA Tourism Business Index

### 1. Introduction

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

The TBI provides an indication of the current and likely future performance of 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 at the end of each quarter.

The first official edition of the TBI was released on the 18<sup>th</sup> of January 2011.

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

**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, i.e. October to December. October was therefore included in two indices. From the first official edition in 2011 onwards, only regular quarters are covered.

#### 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 results, 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.

**ABOUT THE TOURISM BUSINESS COUNCIL OF SOUTH AFRICA:** The Tourism Business Council of South Africa (“TBCSA”) is a member-based, private organisation. We lobby the public sector on behalf of business, facilitate specific industry programmes such as the TBI, monitor industry developments and seek to ensure that the industry is unified and speaks with **one** voice when engaging stakeholders on macro-economic issues affecting the sector.

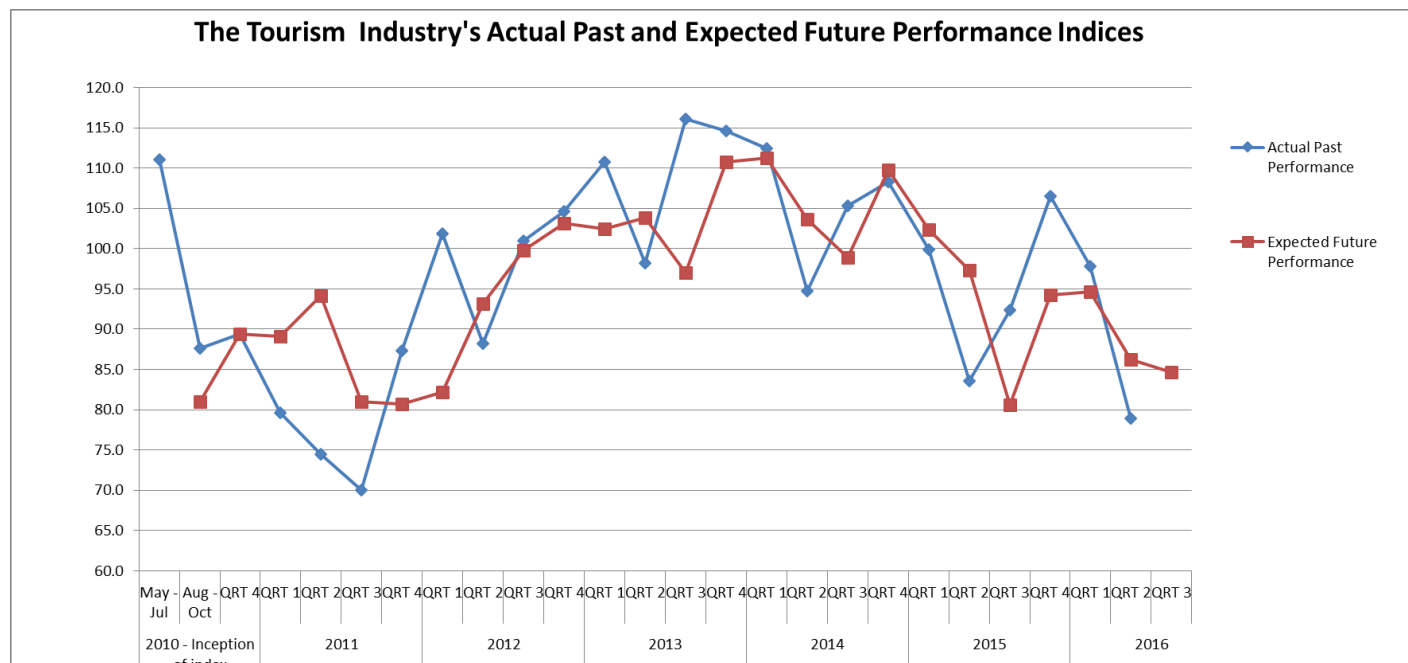
Associations affiliated to the TBCSA are: **Afrikaanse Handelsinstituut (AHI), Airlines Association of Southern Africa (AASA), Association of Southern African Travel Agents (ASATA), Board of Airline Representatives of South Africa (BARSA), Exhibition & Event Association of Southern Africa (EXSA), Federated Hospitality Association of South Africa (FEDHASA), National Accommodation Association of South Africa (NAA-SA), Professional Hunters Association of South Africa (PHASA), South African Chefs Association (SACA), 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), South African Youth Travel Confederation (SAYTC), Vacation Ownership Association of South Africa (VOASA).**

**ABOUT GRANT THORNTON SOUTH AFRICA:** Grant Thornton South Africa is a member firm of Grant Thornton International. We are leaders in our chosen markets, providing assurance, tax and specialist business advice to dynamic organisations – listed companies, large privately held businesses and the public sector. One of our global industry sector specialisations is hospitality and tourism and the South African firm is a leader in this arena with more than 25 years of experience delivering professional services to these industries. Grant Thornton was a founder member of the TBCSA.

# TBCSA Tourism Business Index

## 2. The Tourism Business Index

### 2.1 The Consolidated Index



- Overall, the Tourism Industry experienced a worse than normal business level recording an index of 78,9, which is below the anticipated 86,2 forecast for Q2 2016.
- Anticipated business performance next quarter is expected to improve slightly although remain below normal business levels at 84,7 for Q3 2016.

### 2.2 The Accommodation Index

- Business performance for Q2 2016 was lower than expected at 92,2 compared to the anticipated 101,6, reflecting actual performance below normal levels.
- The Accommodation Sector forecasts that business performance next quarter will be slightly better than normal (105,0) a good outlook considering the poorer performance of last quarter.

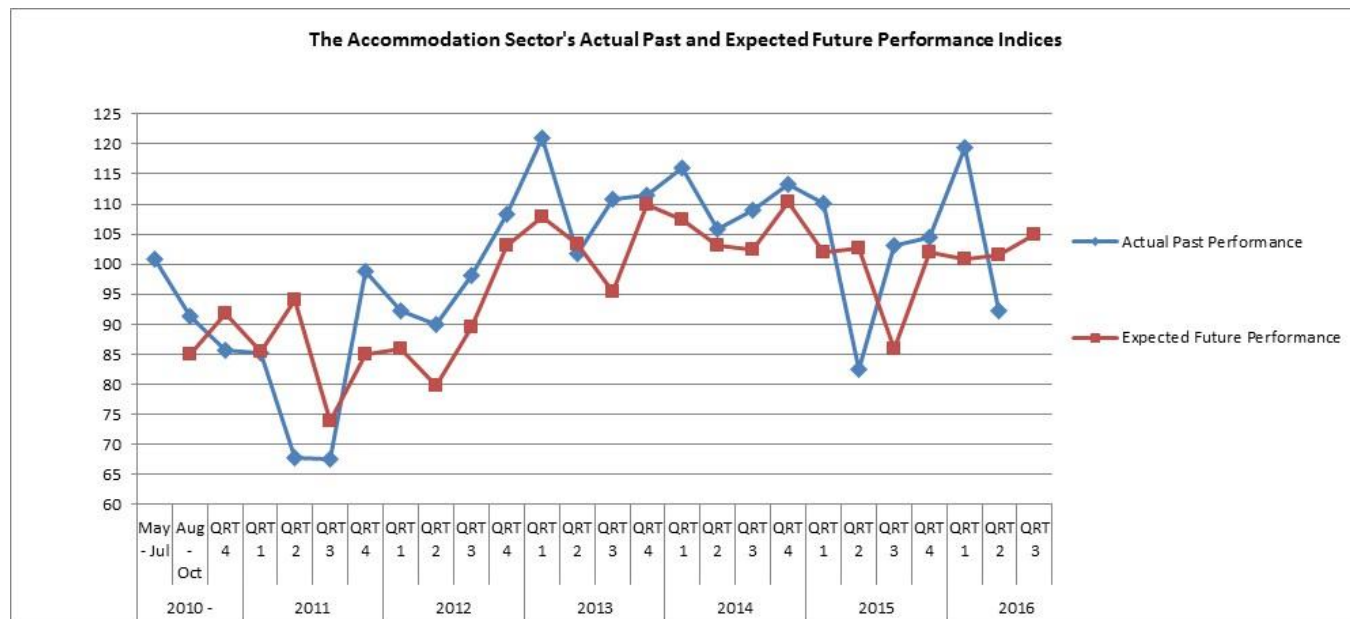
#### What is Normal?

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.

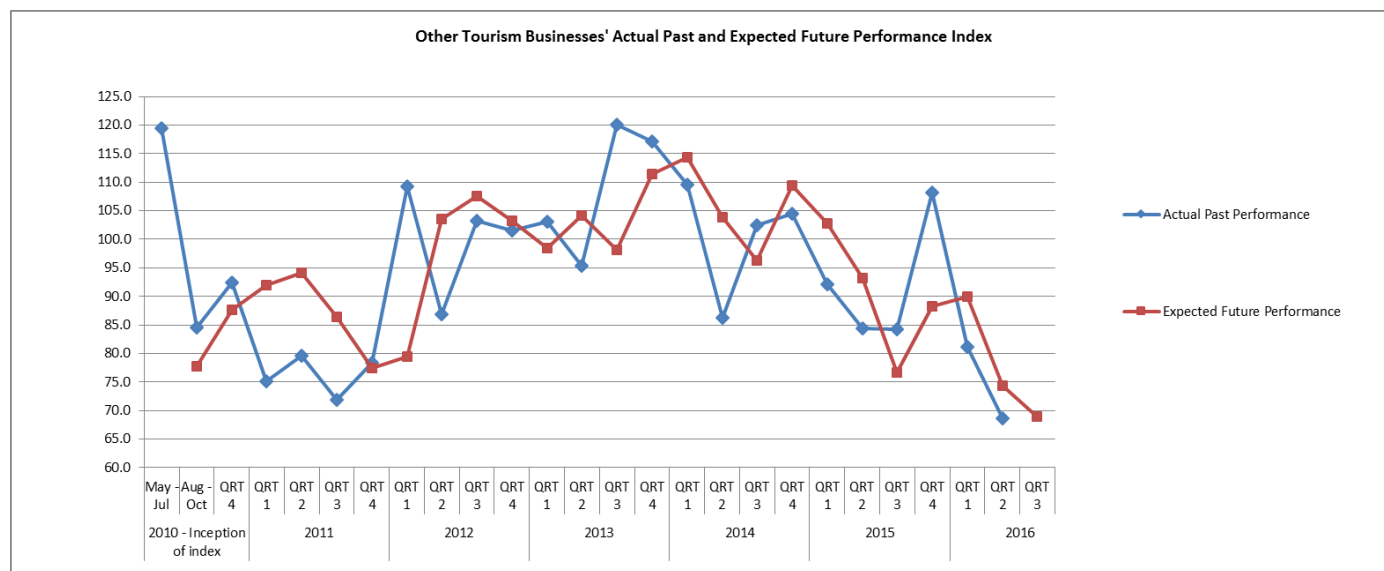
## Accommodation Index



### 2.3 Other Tourism Businesses Sub-Index

- Other Tourism Businesses recorded lower than normal business performance, at 68,7, but not very far from the level that was expected at 74,3 for Q2 2016.
- A forecast index of 69,0 is anticipated for Q3 2016 reflecting a continued pessimistic outlook from Other Tourism Businesses continuing at similar levels to last quarter. This outlook is the worst ever recorded for the other tourism businesses. In contrast, the accommodation sector is expecting above normal business performance in the next quarter which indicates that the accommodation sector can experience very different business performance to other businesses in the sector.

### Other Tourism Business Sub Index



## 2.4 TBI Summary

		Overall		Accommodation		Other	
		Actual	Forecast	Actual	Forecast	Actual	Forecast
<b>2011</b>	1 <sup>st</sup> Quarter	79.6	89.1	85.3	85.5	75.1	91.9
	2 <sup>nd</sup> Quarter	74.5	94.1	67.8	94.0	79.6	94.1
	3 <sup>rd</sup> Quarter	70.0	81.0	67.7	73.9	71.8	86.4
	4 <sup>th</sup> Quarter	87.3	80.7	98.9	84.9	78.3	77.4
<b>2012</b>	1 <sup>st</sup> Quarter	101.9	82.2	92.2	85.8	109.3	79.4
	2 <sup>nd</sup> Quarter	88.2	93.2	89.9	79.8	86.9	103.5
	3 <sup>rd</sup> Quarter	101.0	99.8	98.1	89.6	103.3	107.6
	4 <sup>th</sup> Quarter	104.6	103.1	108.4	103.1	101.6	103.2
<b>2013</b>	1 <sup>st</sup> Quarter	110.8	102.5	120.9	107.8	103.1	98.4
	2 <sup>nd</sup> Quarter	98.2	103.8	101.7	103.4	95.4	104.2
	3 <sup>rd</sup> Quarter	116.1	97.0	110.8	95.5	120.0	98.1
	4 <sup>th</sup> Quarter	114.6	110.8	111.4	110.0	117.2	111.4
<b>2014</b>	1 <sup>st</sup> Quarter	112.4	111.3	116.1	107.3	109.6	114.4
	2 <sup>nd</sup> Quarter	94.7	103.6	105.8	103.2	86.2	103.8
	3 <sup>rd</sup> Quarter	105.3	98.9	108.9	102.4	102.5	96.3
	4 <sup>th</sup> Quarter	108.3	109.8	113.3	110.4	104.4	109.4
<b>2015</b>	1 <sup>st</sup> Quarter	99.9	102.4	110.2	101.9	92.1	102.7
	2 <sup>nd</sup> Quarter	83.6	97.3	82.6	102.7	84.4	93.2
	3 <sup>rd</sup> Quarter	92.4	80.6	103.1	85.9	84.2	76.6
	4 <sup>th</sup> Quarter	106.5	94.2	104.4	102.0	108.1	88.2
<b>2016</b>	1 <sup>st</sup> Quarter	97.8	94.6	119.3	100.8	81.2	89.9
	2 <sup>nd</sup> Quarter	78.9	86.2	92.2	101.6	68.7	74.3
	3 <sup>rd</sup> Quarter		84.7		105.0		69.0

### 3. Balance Statistics

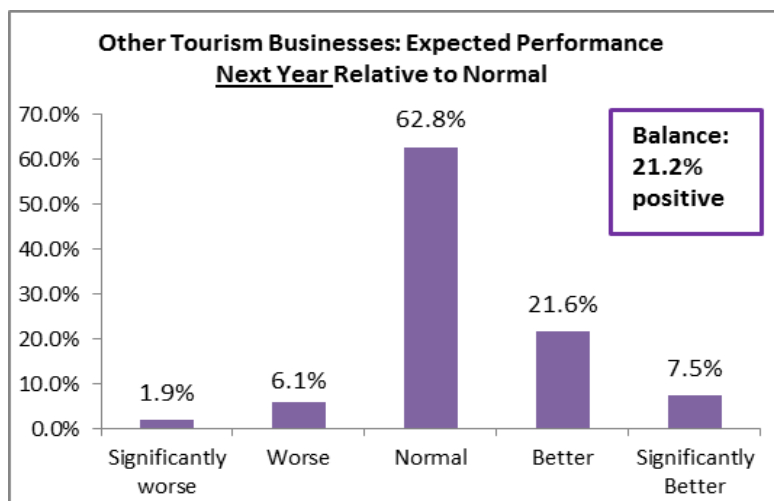
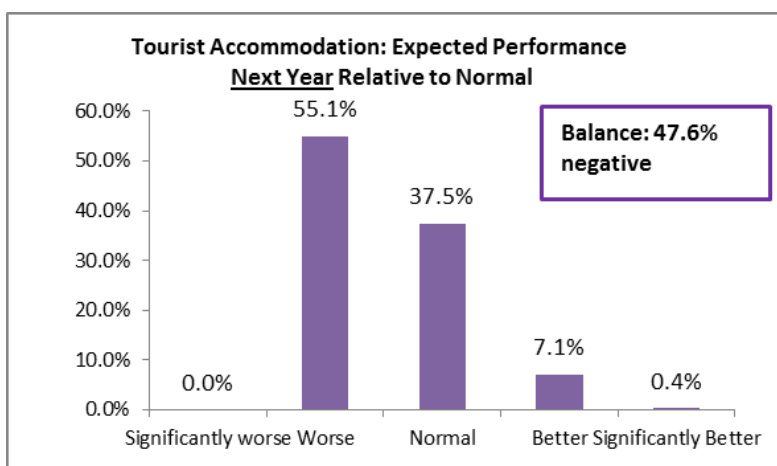
#### 3.1 Performance for the Next Year

When looking at expected performance for next year, the Accommodation Sector records a fairly pessimistic outlook with a negative balance statistic of -47,6%, with 55,1% of respondents anticipating business performance will get worse during the next year. This is the lowest outlook that the accommodation sector has had since 2011. This is a significant swing from the just positive +0.6% balance statistic of last quarter. A third of respondents (37,5%) anticipate business performance to remain the same and 7,5% of respondents expect business performance to improve.

On the other hand, Other Tourism Businesses show a positive annual outlook balance statistic despite their somewhat pessimistic outlook for Q3 2016 (index of 69,0) at +21,2% with 29,1% of respondents expecting better than normal business performance, 8% expecting worse than normal business performance and 62,8% of respondents expecting normal business performance.

#### 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.



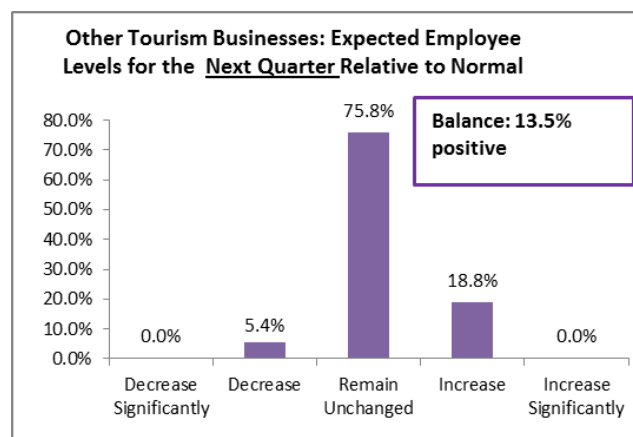
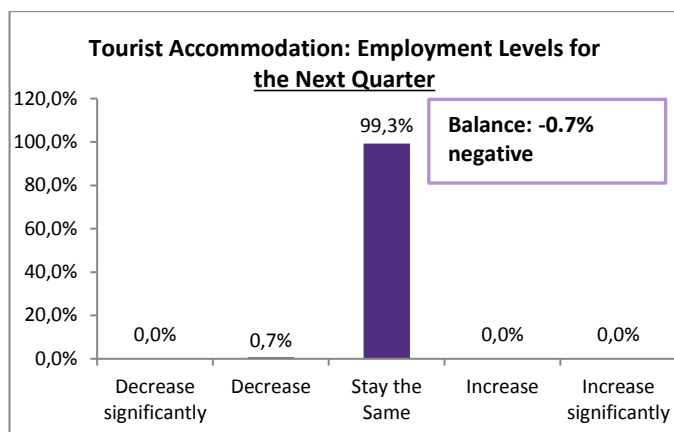
### **Summary of the Next Year Balance Statistic**

		<b>Accommodation Sector</b>	<b>Other Sector</b>
<b>2011</b>	1 <sup>st</sup> Quarter	-27.7%	+13%
	2 <sup>nd</sup> Quarter	-40.2%	-5.4%
	3 <sup>rd</sup> Quarter	-70.3%	-3.2%
	4 <sup>th</sup> Quarter	-53.0%	-16.9%
<b>2012</b>	1 <sup>st</sup> Quarter	-24.5%	+17.2%
	2 <sup>nd</sup> Quarter	-11.7%	+15.3%
	3 <sup>rd</sup> Quarter	-3.8%	+10.5%
	4 <sup>th</sup> Quarter	-0.6%	+37.6%
<b>2013</b>	1 <sup>st</sup> Quarter	+13.1%	+29.7%
	2 <sup>nd</sup> Quarter	-12.7%	+15.2%
	3 <sup>rd</sup> Quarter	-13.6%	+34.5%
	4 <sup>th</sup> Quarter	-22.4%	+28.4%
<b>2014</b>	1 <sup>st</sup> Quarter	+34.2%	+47.3%
	2 <sup>nd</sup> Quarter	+5.1%	+20.0%
	3 <sup>rd</sup> Quarter	0.0%	+15.5%
	4 <sup>th</sup> Quarter	-6.3%	+19.2%
<b>2015</b>	1 <sup>st</sup> Quarter	+36.7%	+5.0%
	2 <sup>nd</sup> Quarter	-19.3%	-18.0%
	3 <sup>rd</sup> Quarter	0.0%	-3.9%
	4 <sup>th</sup> Quarter	-33.2%	+22.3%
<b>2016</b>	1 <sup>st</sup> Quarter	+0.6%	+14.0%
	2 <sup>nd</sup> Quarter	-47.6%	+21.2%

### **3.2 Employment Levels Next Quarter**

When looking at employment levels in the Accommodation Sector for next quarter, a slightly negative employment balance statistic of -0,7% was recorded with 99,3% of respondents expecting employment levels to remain the same. Other Tourism Businesses record a positive balance statistic of +13,5% with 18,8% expecting to increase employment levels and only 5,4% of respondents expecting to decrease employment levels, despite their negative outlook for next quarter.



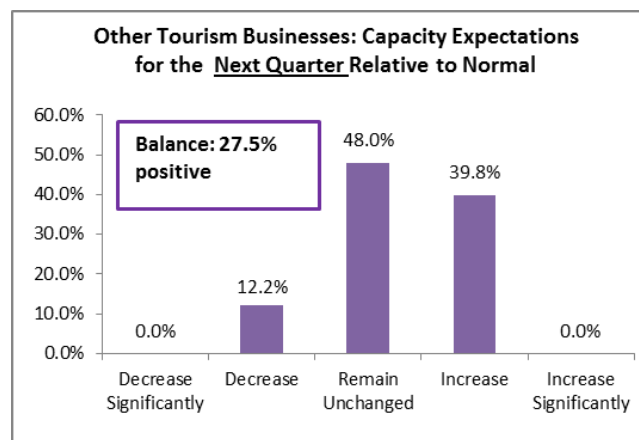
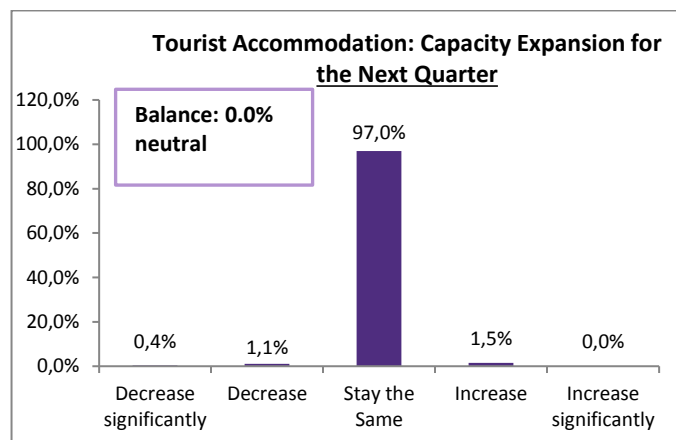


### Summary of the Employment Balance Statistic Historical Results

		Accommodation Sector	Other Sector
2011	1 <sup>st</sup> Quarter	-23.7%	-28.9%
	2 <sup>nd</sup> Quarter	-25.3%	-12.3%
	3 <sup>rd</sup> Quarter	-17.4%	+1.8%
	4 <sup>th</sup> Quarter	-15.4%	+1.6%
2012	1 <sup>st</sup> Quarter	-17.3%	-3.0%
	2 <sup>nd</sup> Quarter	-3.9%	+7.4%
	3 <sup>rd</sup> Quarter	+ 6.4%	-0.6%
	4 <sup>th</sup> Quarter	+5.3%	-8.3%
2013	1 <sup>st</sup> Quarter	+0.9%	+12.5%
	2 <sup>nd</sup> Quarter	-0.2%	0.0%
	3 <sup>rd</sup> Quarter	+8.7%	+10.9%
	4 <sup>th</sup> Quarter	-19.4%	+8.8%
2014	1 <sup>st</sup> Quarter	-49.7%	+12.1%
	2 <sup>nd</sup> Quarter	+2.8%	+8.6%
	3 <sup>rd</sup> Quarter	-4.5%	+15.3%
	4 <sup>th</sup> Quarter	+35.3%	+7.5%
2015	1 <sup>st</sup> Quarter	-1.8%	-4.1%
	2 <sup>nd</sup> Quarter	-3.6%	-21.5%
	3 <sup>rd</sup> Quarter	+10.5%	-4.8%
	4 <sup>th</sup> Quarter	+28.0%	+18.4%
2016	1 <sup>st</sup> Quarter	-1.1%	+22.7%
	2 <sup>nd</sup> Quarter	-0.7%	+13.5%

### 3.3 Capacity Growth Expectations

When looking at capacity expansion for next quarter, the Accommodation Sector records a neutral balance statistic of 0.0% with the majority of the respondents expecting capacity to remain the same (97,0%). Other Tourism Businesses recorded a positive balance statistic at +27,5% with 12,2% expecting a decrease and 39,8% expecting an increase in capacity, again despite their pessimistic outlook for next quarter.



#### Summary of the Capacity Growth Balance Statistic Historical Results

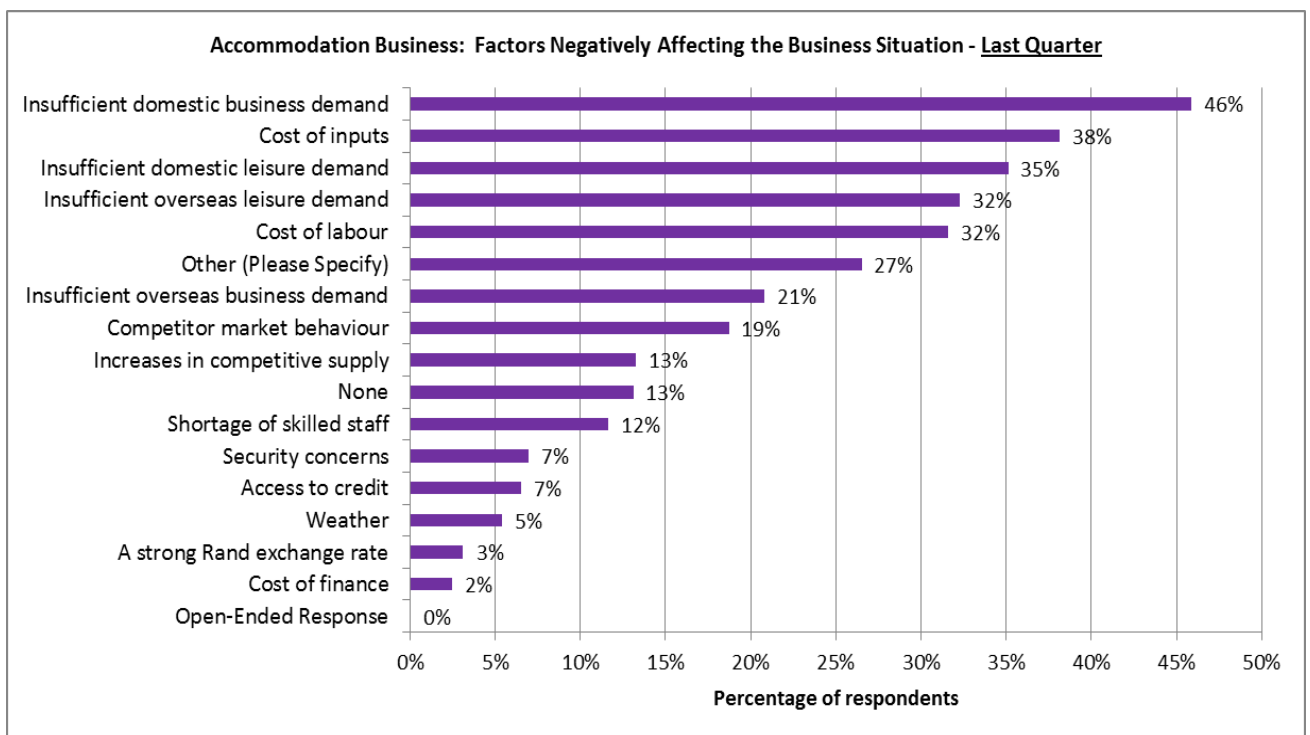
		Accommodation Sector	Other Sector
<b>2011</b>	1 <sup>st</sup> Quarter	+14.3%	-11.1%
	2 <sup>nd</sup> Quarter	+12.6%	+9.3%
	3 <sup>rd</sup> Quarter	+9.6%	+24.8%
	4 <sup>th</sup> Quarter	-3.3%	+21.0%
<b>2012</b>	1 <sup>st</sup> Quarter	+7.4%	+20.7%
	2 <sup>nd</sup> Quarter	+25.6%	+7.2%
	3 <sup>rd</sup> Quarter	+22.5%	+30.3%
	4 <sup>th</sup> Quarter	+11.1%	+26.1%
<b>2013</b>	1 <sup>st</sup> Quarter	+2.0%	+15.5%
	2 <sup>nd</sup> Quarter	-15.6%	+22.4%
	3 <sup>rd</sup> Quarter	+14.1%	+27.4%
	4 <sup>th</sup> Quarter	+5.4%	+40.7%
<b>2014</b>	1 <sup>st</sup> Quarter	+37.5%	+22.1%
	2 <sup>nd</sup> Quarter	+7.1%	+17.7%
	3 <sup>rd</sup> Quarter	+3.9%	+26.3%
	4 <sup>th</sup> Quarter	+61.6%	+18.6%
<b>2015</b>	1 <sup>st</sup> Quarter	+48.5%	-9.7%
	2 <sup>nd</sup> Quarter	+27.2%	+5.2%
	3 <sup>rd</sup> Quarter	-2.3%	+20.7%
	4 <sup>th</sup> Quarter	+35.5%	+25.1%
<b>2016</b>	1 <sup>st</sup> Quarter	-15.9%	+31.4%
	2 <sup>nd</sup> Quarter	0.0%	+27.5%

#### 4. Factors Affecting Business Conditions

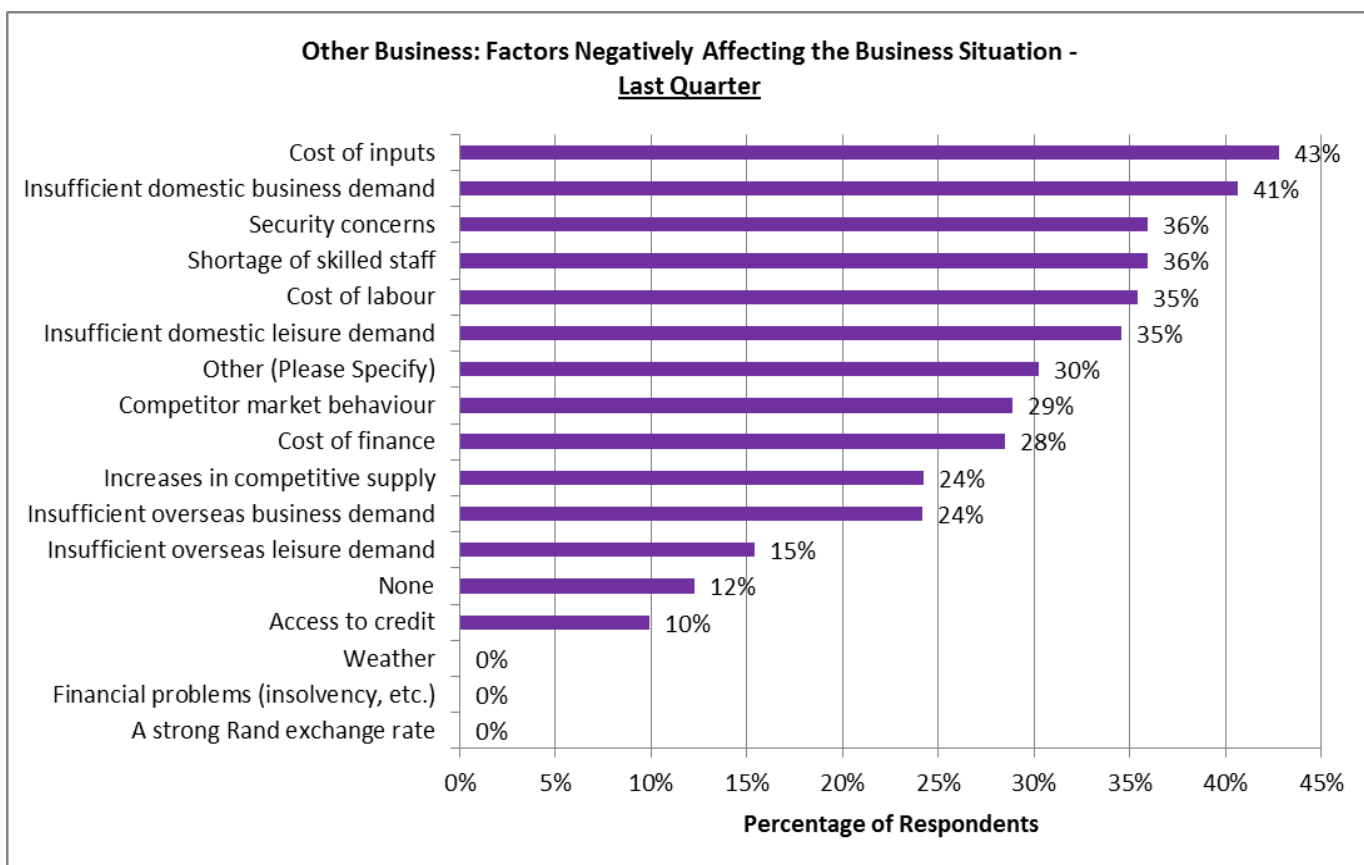
With regard to the performance of the Tourism Industry, the TBI considers both positive and negative factors which possibly have an impact on business performance in the industry.

##### 4.1 Negative Factors – Last Quarter

- Insufficient domestic business demand was the greatest negative contributing factor (46%) to business performance for the Accommodation Sector, followed by the cost of inputs (38%) and insufficient domestic leisure demand (35%).
- Other cited negative contributing factors include:
  - Continued reduced demand from Government business and payment delays from Government departments;
  - Political instability due to upcoming Local Government Elections;
  - Drought and water shortages;
  - Poor infrastructure and road networks around establishments; and
  - The increase in illegal and unlicensed accommodation offerings i.e. increase in competition.

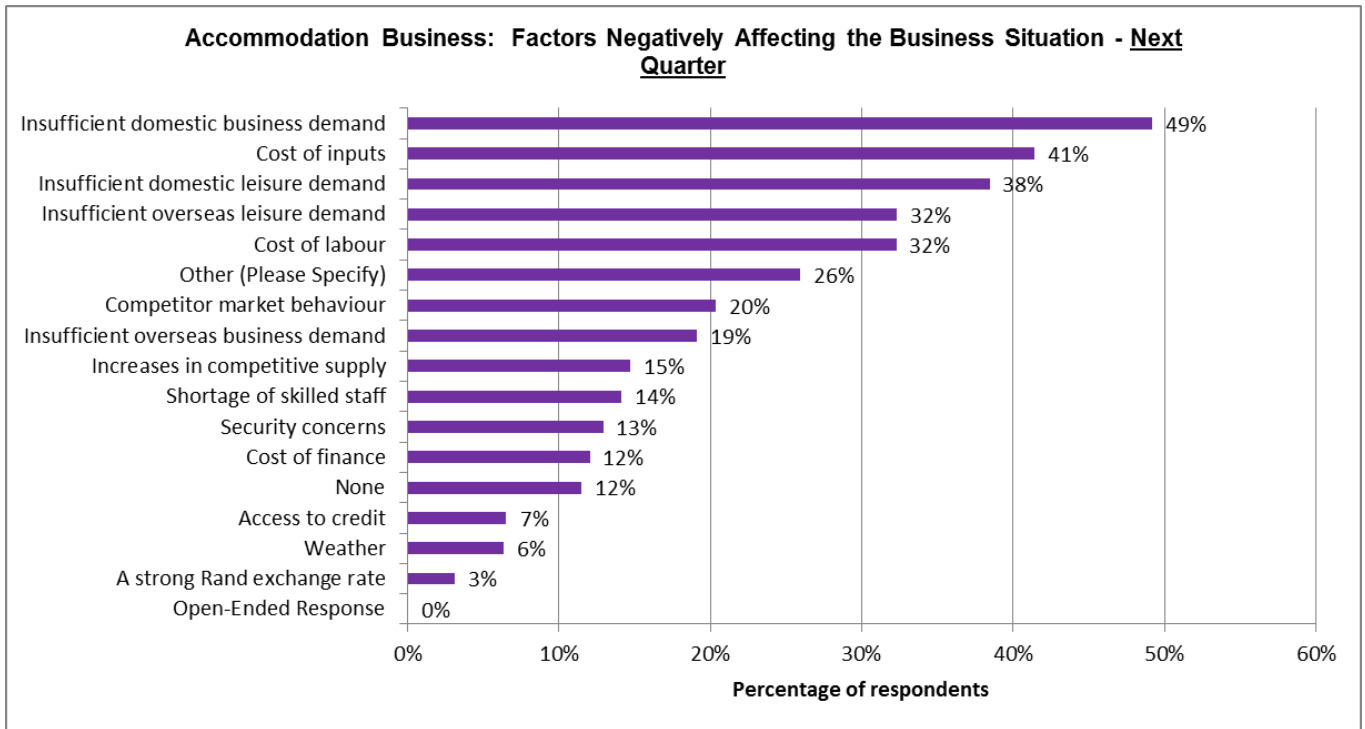


- With regard to Other Tourism Businesses, cost of inputs (43%) remains the greatest negative contributing factor to poor business performance. The insufficient domestic business demand (41%) was cited as the second greatest negative contributing factor, followed by security concerns (36%) and the shortage of skilled staff (36%).
- Other negative contributing factors include:
  - Political instability within Government Departments.

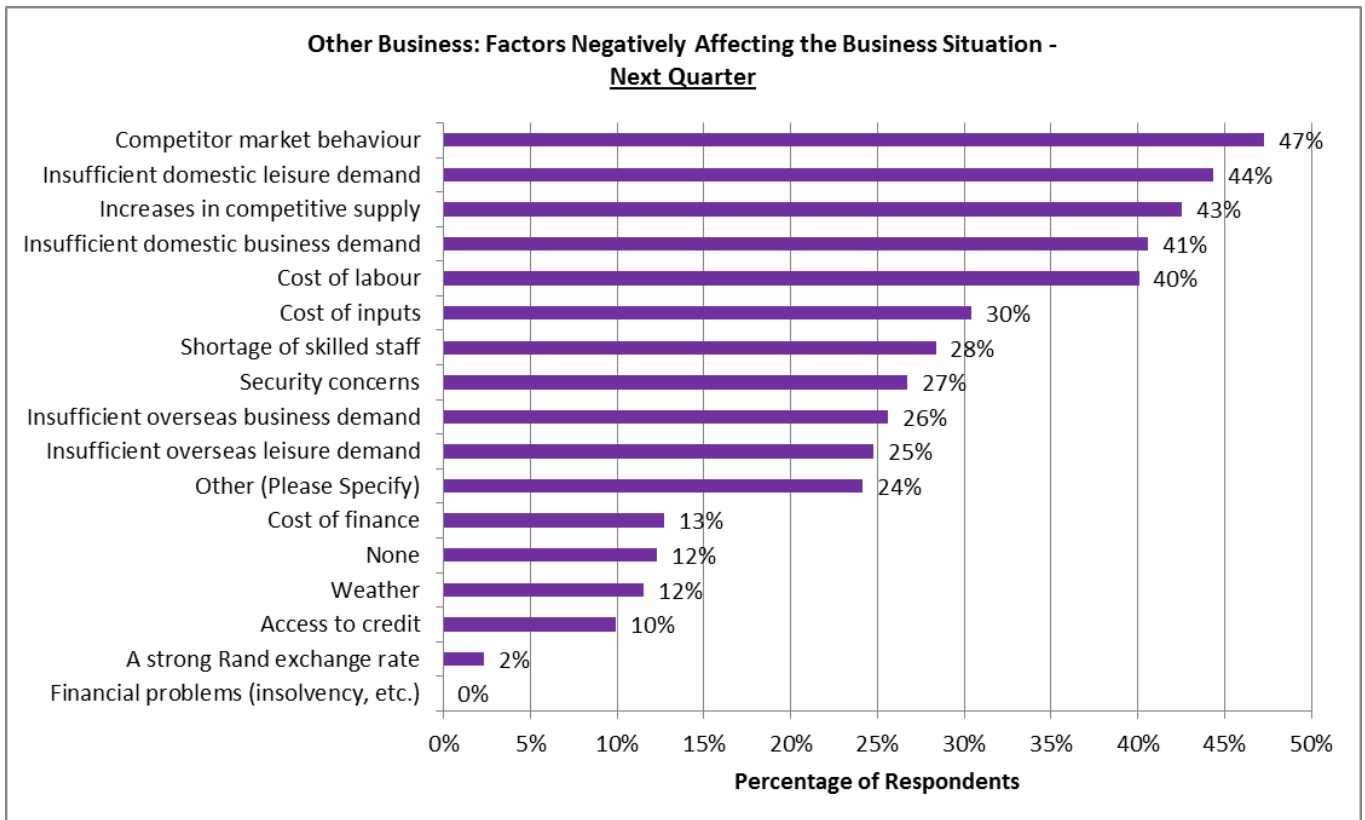


#### 4.2 Negative Factors – Next Quarter

- For the Accommodation Sector insufficient domestic business demand (49%) and the cost of inputs (41%) remain the main negative contributing factor affecting business performance next quarter. Similarly, insufficient domestic leisure demand (38%) and insufficient overseas leisure demand and cost of labour (32%) will continue to negatively impact business performance in the next quarter.
- Similar negative contributing factors are expected for next quarter with the inclusion of the following:
  - Uncertainty around the local government election and political uncertainty;
  - Lower rates charged by competitors, and;
  - Instability in the exchange rates.

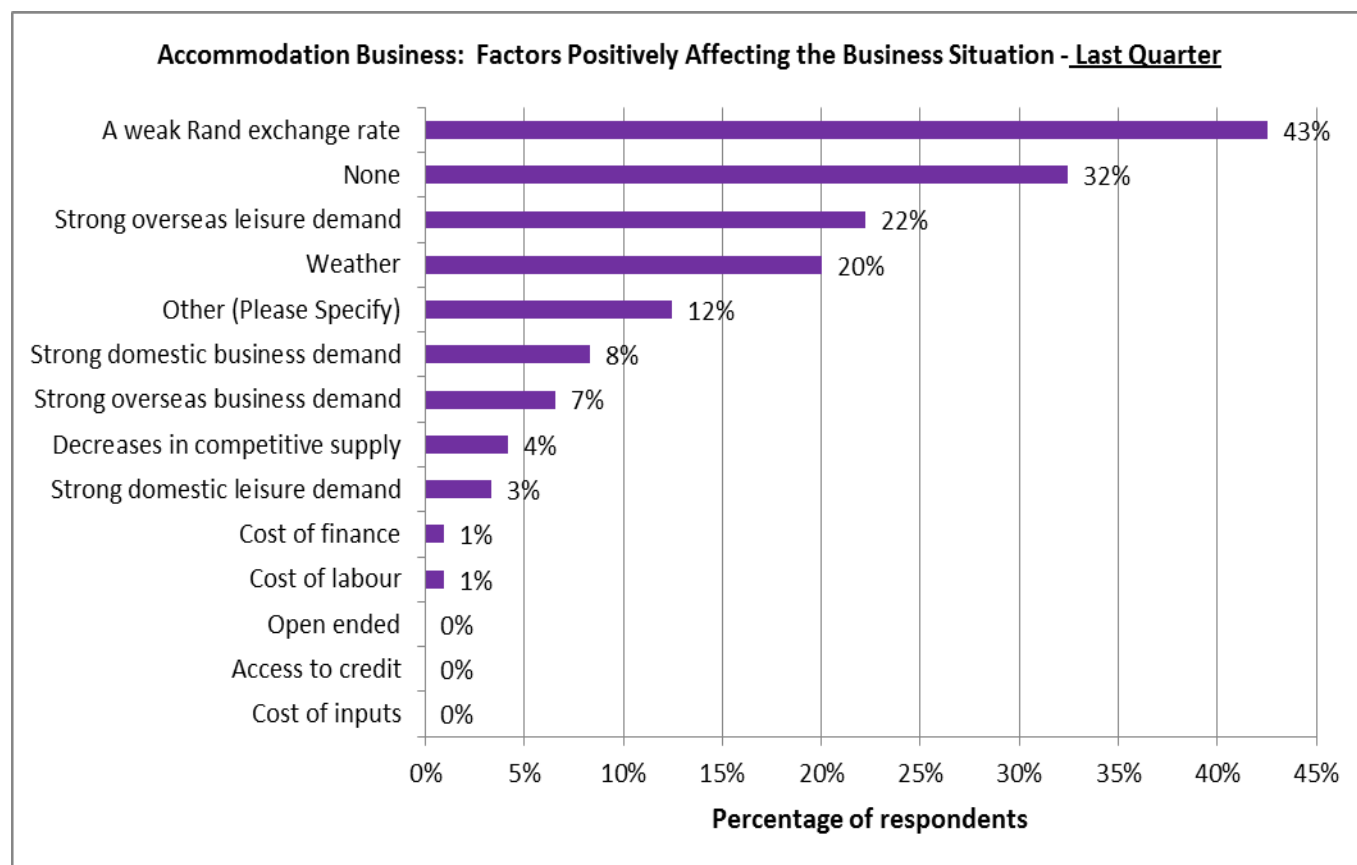


- For Other Tourism Businesses, 47% of respondents expect that the competitor market behaviour will be a negative contributing factor to business performance. Followed by insufficient domestic leisure demand (44%) and the increases in competitor supply (43%).

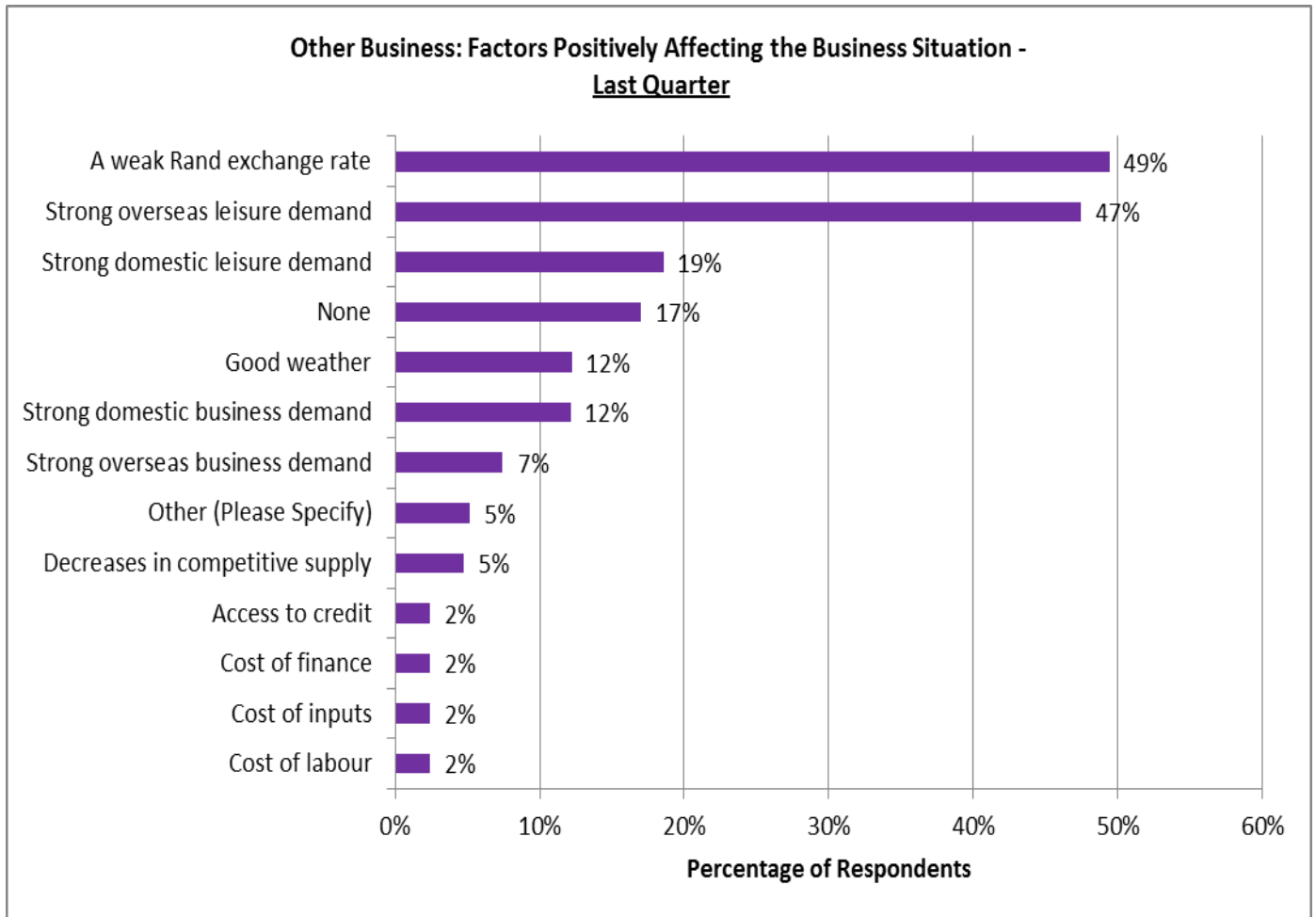


### 4.3 Positive Factors – Last Quarter

- A weak Rand exchange rate was cited by 43% of respondents as a positive contributing factor to business performance last quarter. However, a third of respondents (32%) in the Accommodation Sector did not have any positive contributing factors influencing business performance in the last quarter, this was followed by strong overseas leisure demand (22%) and weather (20%).



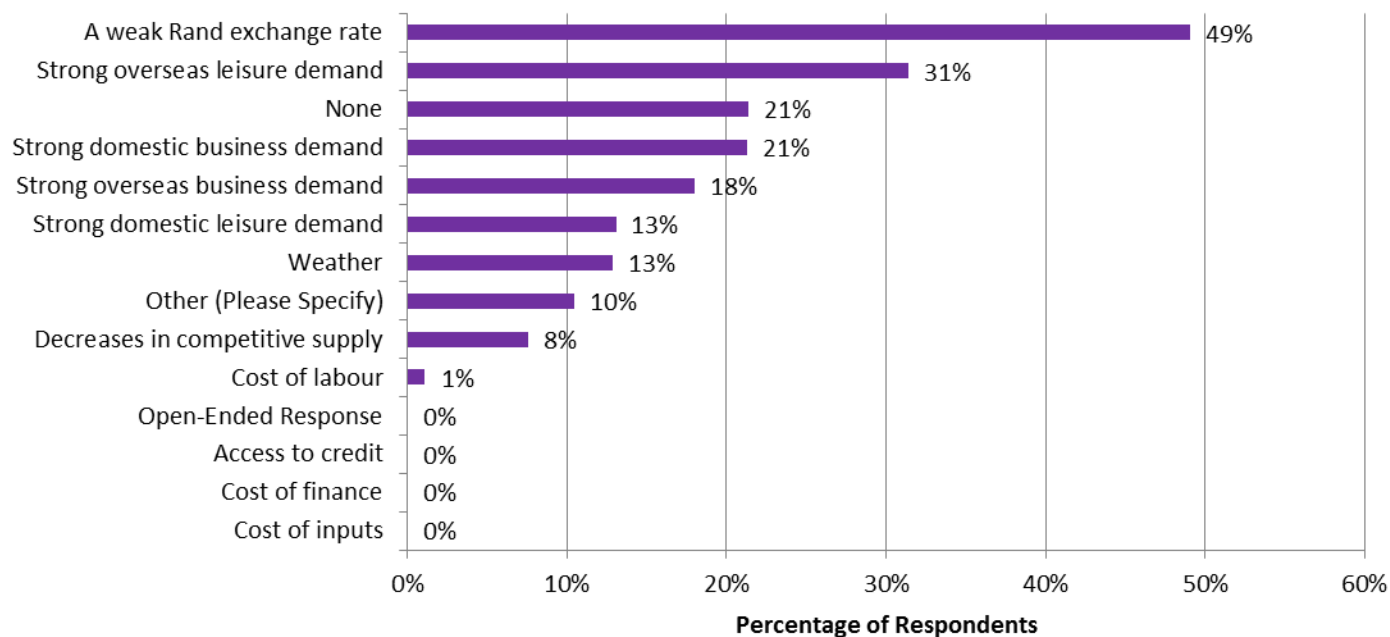
- Similarly, 49% of Other Tourism Businesses cited a weak Rand exchange rate as a positive factor experienced last quarter. This is followed by strong overseas leisure demand (47%).
- Other cited positive contributing factors include:
  - Public holidays which encouraged domestic leisure tourism.



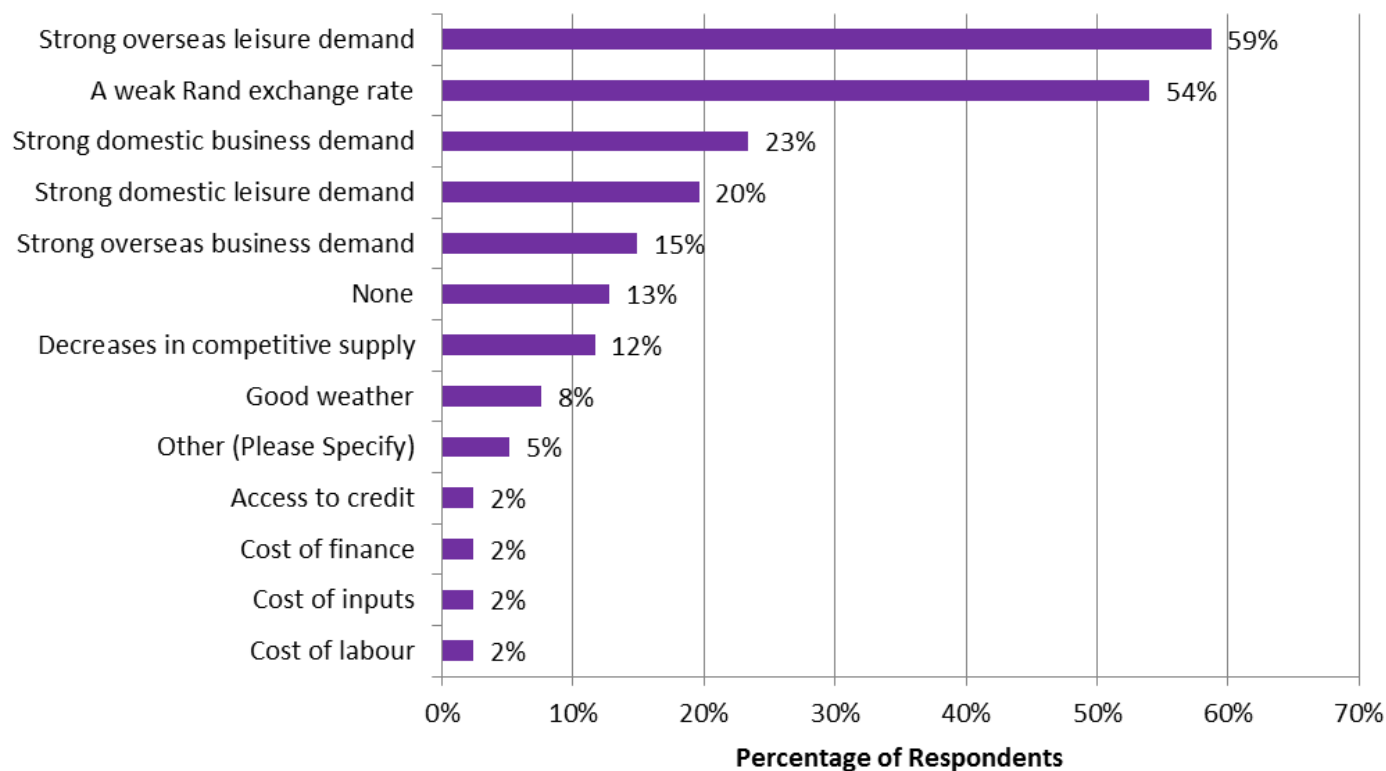
#### 4.4 Positive Factors – Next Quarter

- A weak Rand exchange (49%) will continue to have a positive impact on business performance next quarter in the Accommodation Sector. Other Tourism Businesses anticipate strong overseas leisure demand (59%) to have a positive impact on business performance next quarter.
- Additional positive contributing factors cited include:
  - Festivals and Events occurring throughout the year.

**Accommodation Business: Factors Positively Affecting the Business Situation -  
Next Quarter**



**Other Business: Factors Positively Affecting the Business Situation -  
Next Quarter**





## 5. General Business Indicators

The Quarterly RMB/BER Business Confidence Index (“RMB/BER”) 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	48	42	43
2014	41	41	46	51
2015	49	43	38	36
2016	36	32		

Source: BER

50 Indicates normal levels of confidence. After remaining unchanged from the previous quarter the RMB/BER fell to 32 in Q2 2016. Confidence is now at its lowest level since Q4 2009, when the index was at 28.

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. 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 2015 being a base of 100.

The SACCI BCI from 2011 -2016 is presented in the following table.

Year	2011											
Month	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SACCI BCI	119.4	118	120.6	118.7	117.2	118.5	114.6	114.2	113.9	112.9	112.8	114.7
Quarterly Average	119.3			118.1			114.2			113.5		
Year	2012											
Month	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SACCI BCI	112.4	115.2	110.8	109.2	107.4	109.9	105.2	110	106.2	106.5	106.2	107.7
Quarterly Average	112.8			108.8			107.1			106.8		
Year	2013											
Month	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SACCI BCI	108.8	107.7	104.7	106.9	104.7	104.4	105	104	105.8	105.5	105.1	106.4
Quarterly Average	107.1			105.3			104.9			105.7		
Year	2014											
Month	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SACCI BCI	104.5	106.4	107.3	107.2	102.9	103.8	101.8	103	103.3	102.8	105.1	102.2
Quarterly Average	106.1			104.6			102.7			103.4		
Year	2015											
Month	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SACCI BCI	103.4	107.4	103.2	104.1	100.6	97.9	101.8	97.6	94.5	102.3	95.1	92.2
Quarterly Average	104.7			100.9			98.0			96.5		
Year	2016											
Month	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SACCI BCI	92.6	92.7	94	95.5	91.8	95.1						
Quarterly Average	93.1			94.1								

The SACCI BCI shows a slight increase in the quarterly average (from 93,1 to 94,1) in Q2 2016, but the overall trend is downward from 2015.