



Rising food prices unlikely to hurt tourism sector

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RISING food price inflation, which is currently driving the increase in operating costs, would not severely affect the tourism sector due to its continued resilience and the increasing foreign arrivals boosted by the weak rand, a tourism specialist said yesterday.

The latest figures from the Tourism Business Council of SA (TBCSA) this week revealed that the sector performed steadily in the first quarter of the year regardless of tough business conditions.

Tourism specialist at FNB Business, Charnel Kara, said in a statement yesterday that the recent drought, which has led to a surge in food prices, coupled with broader economic challenges, was placing strain on the bottom line of many tourism operators. The Treasury earlier this month announced that bread prices were expected to rise at least 10 percent as a result of the 34 percent increase in the import duty on wheat.

Also, the shortage in milk production was expected to lead to a rise in the milk price by at least 60 cents a litre from next month.

Kara said rising food price inflation did not pose an immediate threat to the revenue and growth of the tourism sector regardless of its negative impact on the local economy. Kara acknowledged that the industry was experiencing a slowdown in domestic activities due to tough economic conditions forcing consumers to cut back on spending and luxuries.

“Despite the current challenges, the travel and tourism sector is still showing strong performance, especially in accommodation occupancy rates, which are being driven by foreign and regional arrivals,” Kara said.

Kara cautioned tourism operators that were desperate to increase revenue not to hike the prices of accommodation, food and services unrealistically.

“Drastic price increases would not only harm the reputation and competitiveness of the sector, but could also slow down domestic tourism growth and create barriers to entry for future entrepreneurs,” she said.

According to Statistics SA, the tourism sector contributes a significant 2.9 percent to South Africa’s gross domestic product and employs about 4.4 percent of all employed persons in South Africa. – ANA