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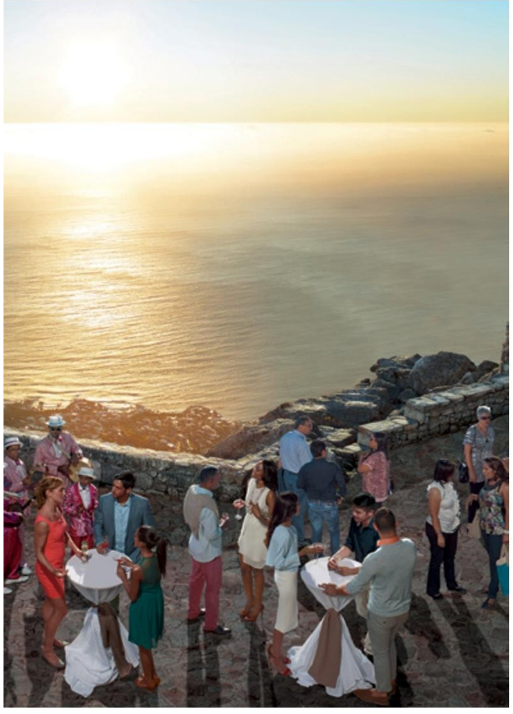
TBCSA reports improved business performance



The Tourism Business Council of South Africa's latest quarterly Tourism Business Index ("TBI"), report, produced and published in conjunction with partner Grant Thornton, shows an overall improvement in business performance in Q3, buoyed by a positive showing in the accommodation sector.

TBCSA represents businesses operating in South Africa's travel and tourism industry, whose total contribution to the country's GDP in 2015 stood at R375-billion or 9.4 per cent. In the same period, the industry's total contribution to employment, including jobs directly supported by the industry was 9.9 per cent of total employment or 1 554 000 jobs. This is expected to rise to 1 557 000 jobs this year.

The latest Q3 TBI report shows a slight uptick in the industry's overall business performance, buoyed by positive results in the accommodation sector. However, the index score is still somewhat below "normal" levels of acceptable performance.

"Normal" is calibrated to an index of 100 and results higher than 100 are an indication of better than normal performance (and vice versa). In Q3 the industry recorded an overall index score of 92.6 – achieving an index score which is below normal performance levels but was better than the forecast score of 84.7. The index score achieved in this quarter is also an improvement from an index score of 78.9 that was achieved in Q2 2016.

TBI comprises two sub-indices, namely accommodation and "other tourism businesses" and the positive results achieved in this quarter are largely thanks to the positive performance score of 109 recorded by the accommodation sub-index, against the anticipated score of 105.

The "other tourism businesses" sub-index (all other tourism businesses excluding accommodation) recorded lower than normal business performance, recording an index score of 80 in this quarter.

Commenting on the performance of the accommodation sector, chairman of the National Accommodation Association of SA (NAA-SA) **Donovan Muirhead**, said the feedback he's received from members is that "the months of July and August were great periods. However, September was a bit more challenging with occupancies and revenue per available room averaging a similar figure to last year."

Federated Hospitality Association of Southern Africa (FEDHASA) chief executive officer **Tshifhiwa Tshivengwa** added that results of the accommodation sub-index needed to be contextualised.

"If there is an increase in bed nights, this could be attributed to corporate and inbound travellers.

"The fact that we are experiencing normal or acceptable business performance does not mean we are where we need to be.

"The cost of labour is still high. The cost of electricity is higher than inflation. If we deduct these two (factors), we might see that we are not doing so well."

Contributing Factors

While the issue of immigration regulations is topical right now, the index report highlights other factors which contributed negatively to performance in Q3, confirmed Mr Tshivengwa's concerns. They are the cost of inputs (a recurring issue); the cost of labour and issues related to competitive market behaviour.

Elaborating on the challenges in the operating environment, **Gillian Saunders**, head of advisory services at Grant Thornton, said: "Local economic growth is seriously constrained and this impacts directly on business travel which is the mainstay of many businesses in the tourism sector.

"This, coupled with government reigning in the travel and conferencing costs means many businesses are seeing lower domestic demand levels and rate pressure."

But, it is not all doom and gloom as respondents of the "other tourism businesses" sub-index highlight: 61 per cent attribute the weak rand exchange rate as a positive contributing factor; followed by 50 per cent who cited strong overseas leisure demand and 29 per cent who mentioned strong overseas business demand as a positive contributing factors.

Outlook for Q4

Looking ahead into the last quarter, expectations remain somewhat subdued, judging by the overall TBI prediction of 87.1. The accommodation and car hire sectors are expected to continue their good form, achieving index scores of 109.4 and 134.1 respectively.

In contrast, the overall index score for "other tourism businesses" is expected to continue the decline with a forecasted index of 69.9.

The cost of inputs, competitor market behaviour and competitive supply are expected to remain key factors impacting negatively on business performance going forward. In addition, respondents have expressed concerns about the impact of current developments in political and socio-economic landscape.

In closing

Mmatšatši Ramawe, chief executive officer of TBCSA, said the TBI results are a clear reminder of how tough current trade conditions are.

"Nonetheless, the improved showing by the accommodation and car hire sectors and our appreciation of the industry's overall economic value motivates us to persevere." ■