The South African Tourism Sector : An Economic Outlook

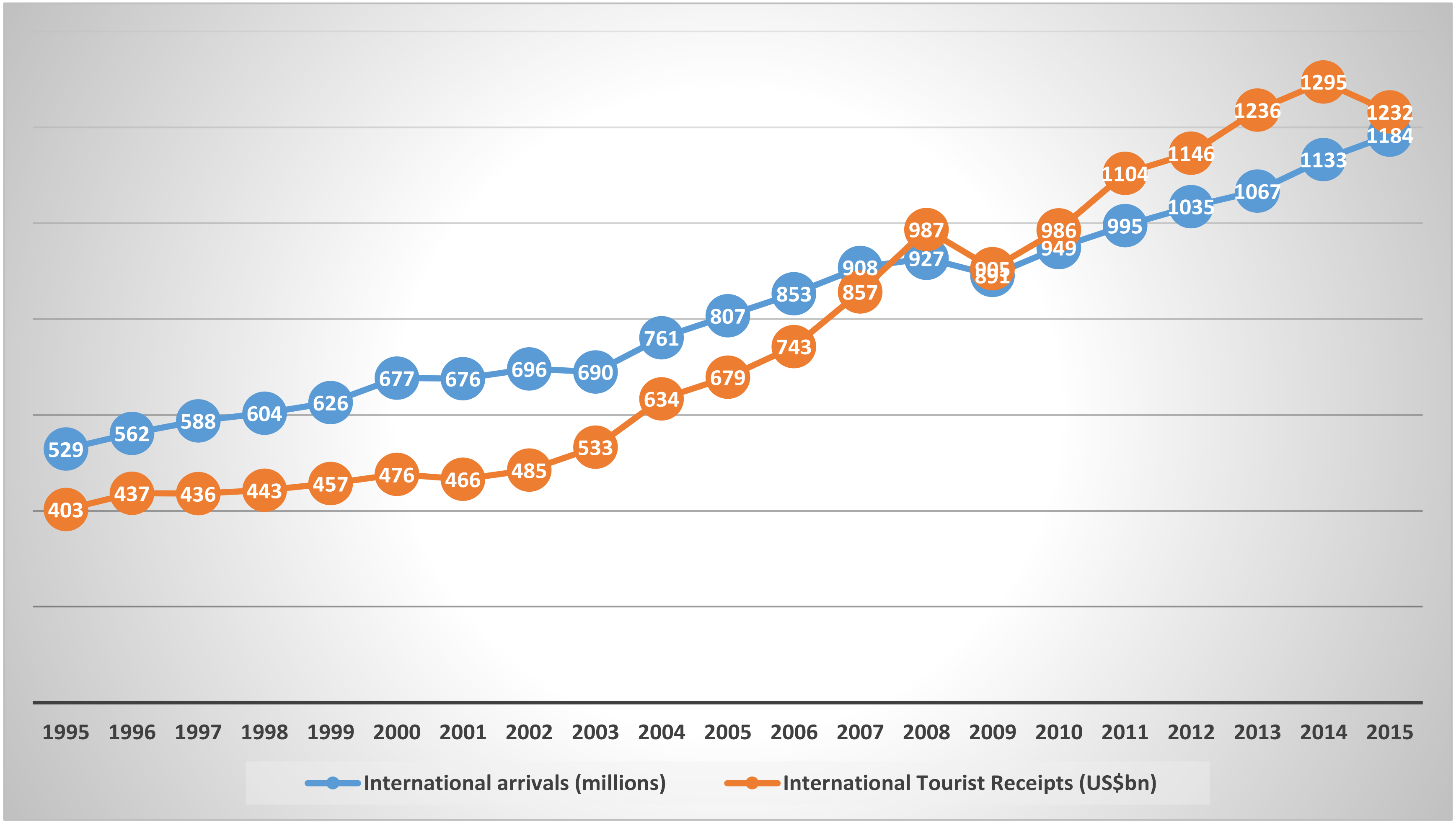
Gillian Saunders

April 2017

Global Tourism Performance

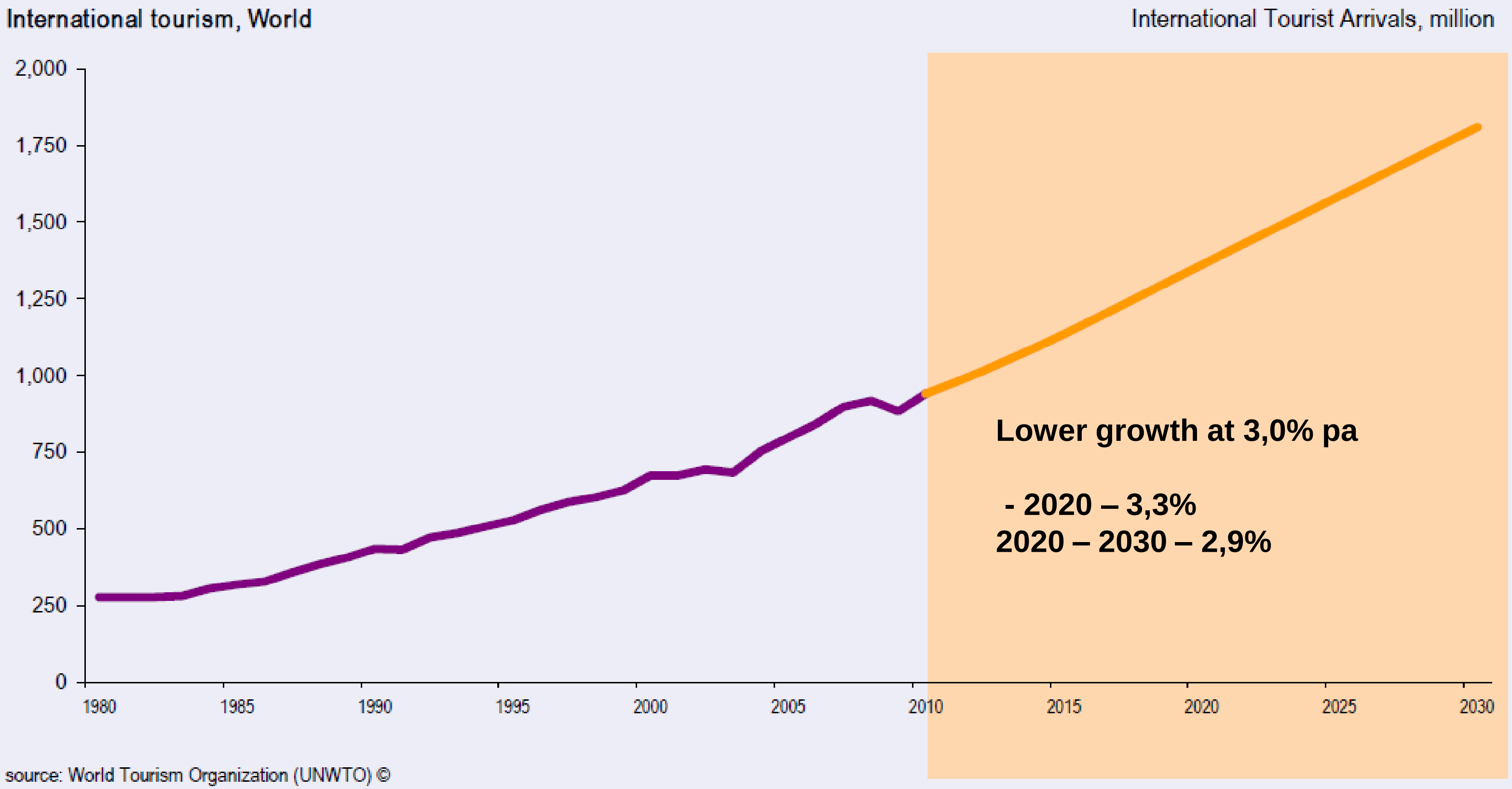
Global International Tourism Growth

- 2015 4,5% arrivals growth
- 2015 3,6% receipts growth (blended local currency)



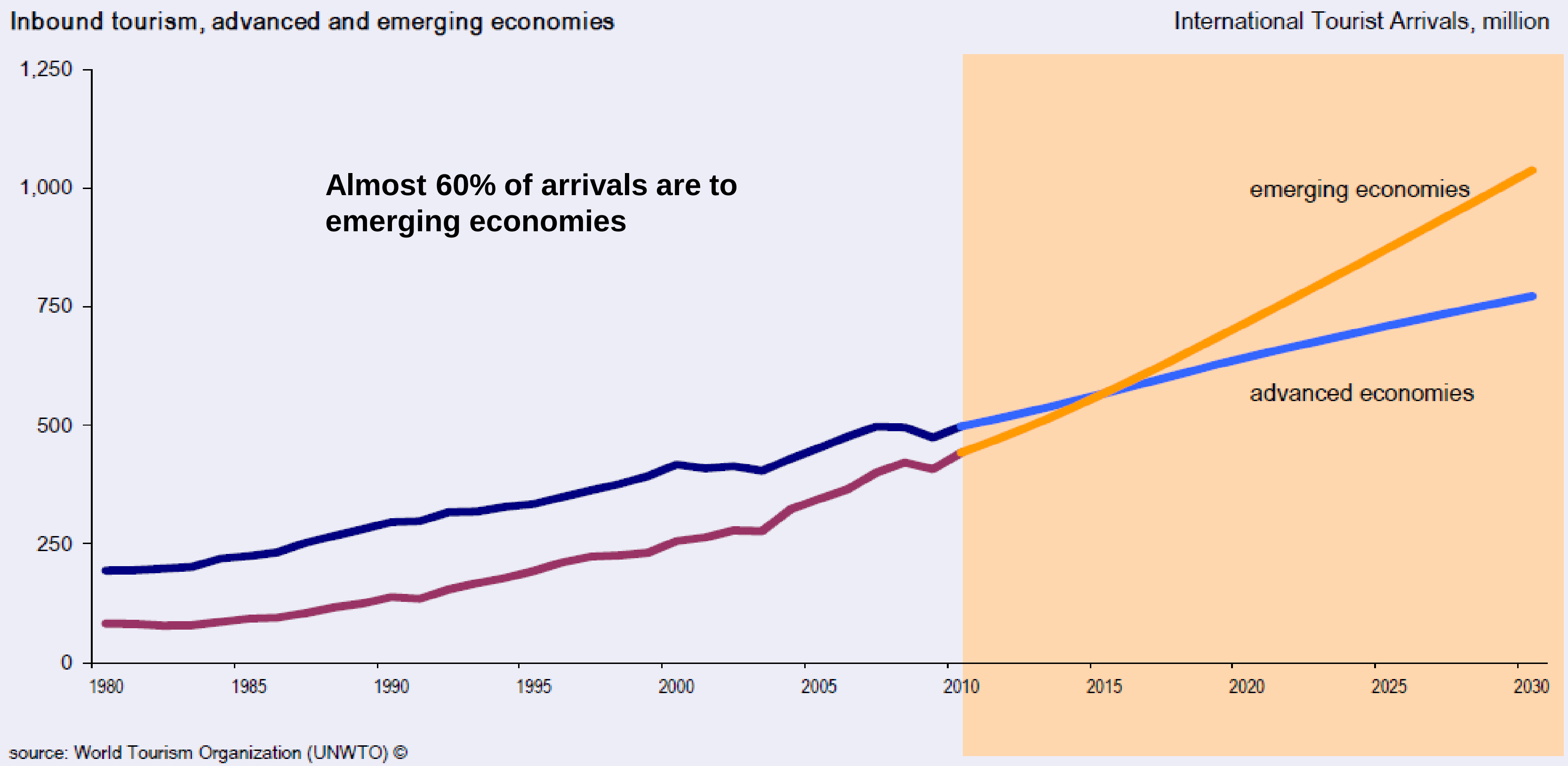
Global International Tourism

International tourist arrivals to reach 1.8 billion by 2030



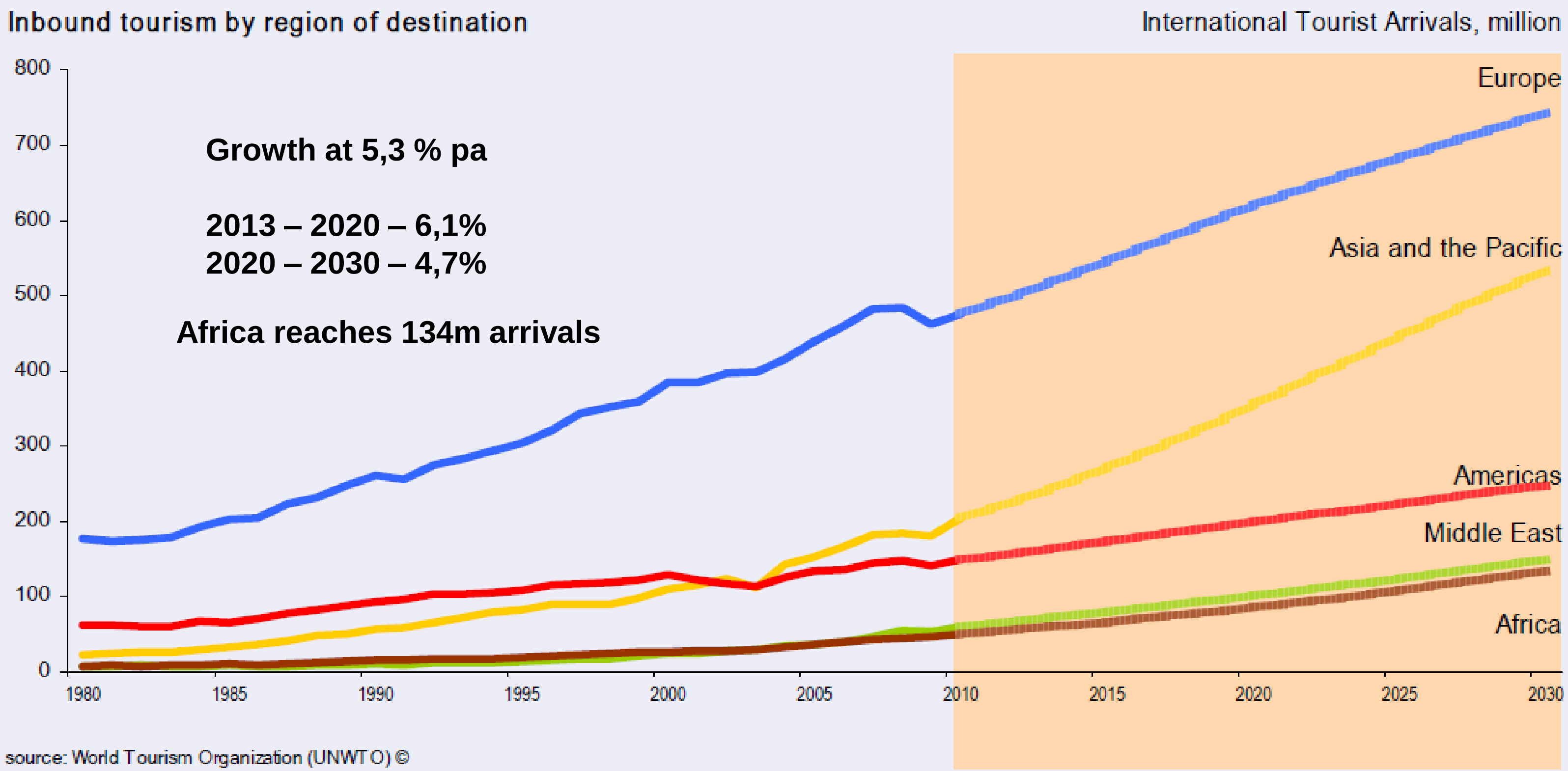
Global International Tourism

Emerging economy destinations to surpass advanced destinations in 2015



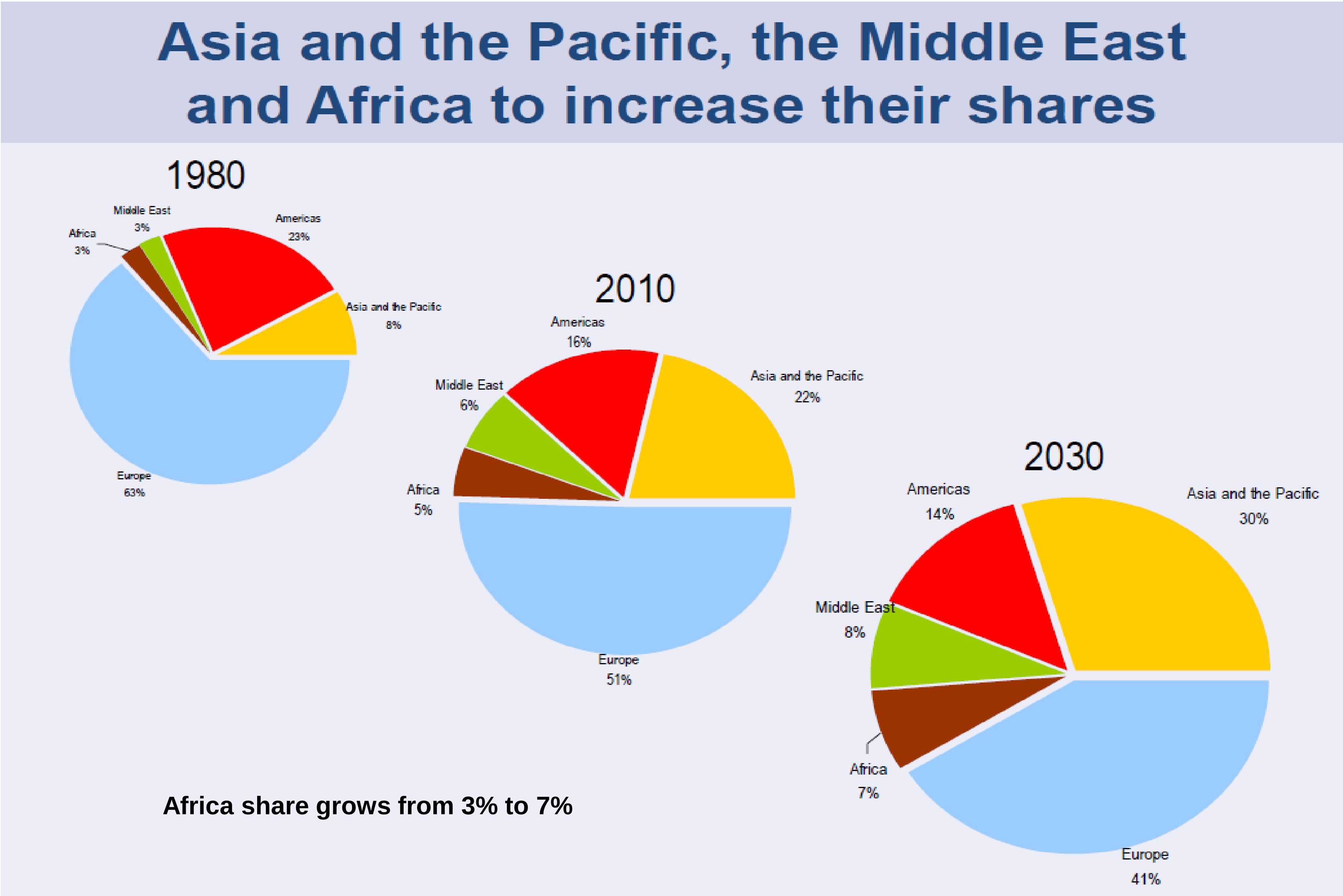
Global International Tourism

Asia and the Pacific will gain most of the new arrivals



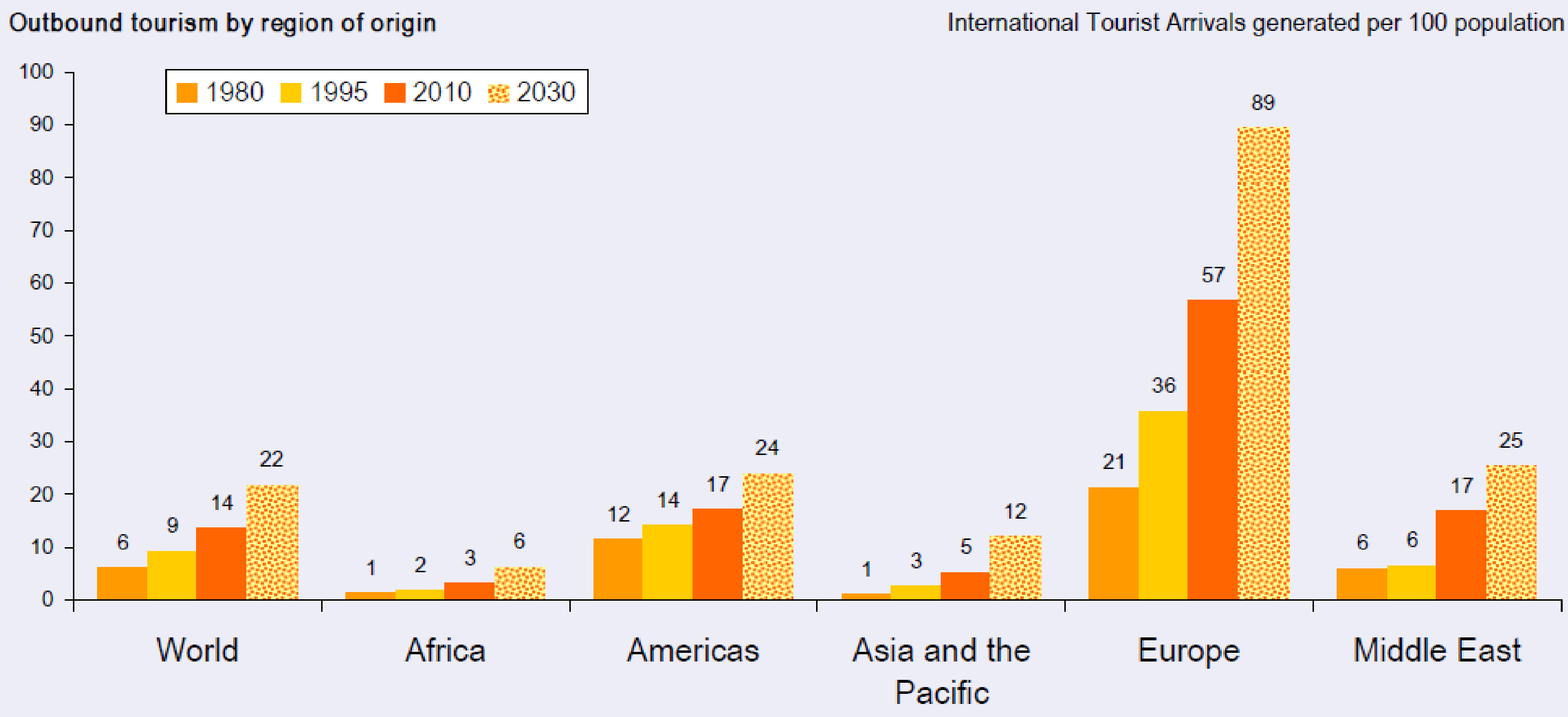
source: World Tourism Organization (UNWTO) ©

Global International Tourism



Global International Tourism

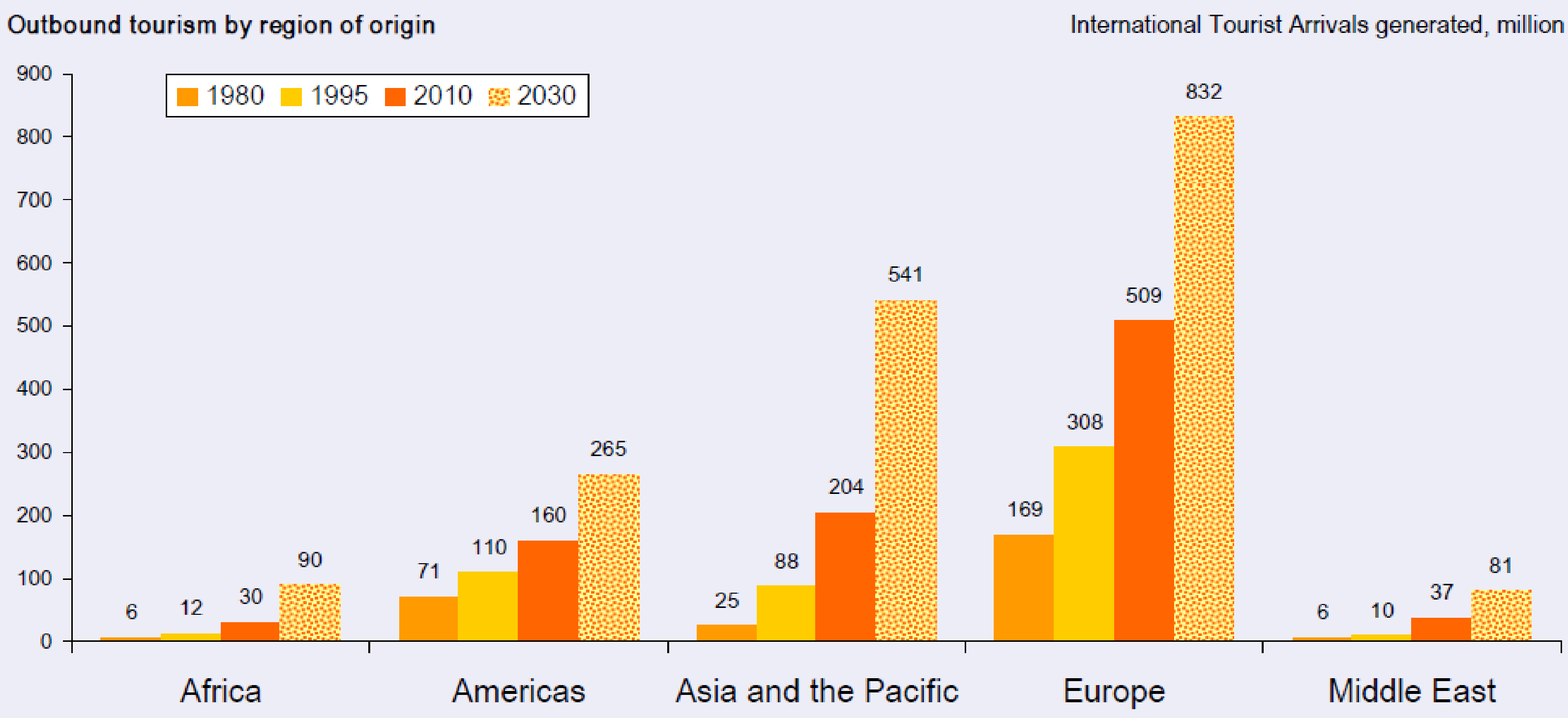
Outbound tourism participation is highest in Europe and still low in Asia and the Pacific



source: World Tourism Organization (UNWTO) ©

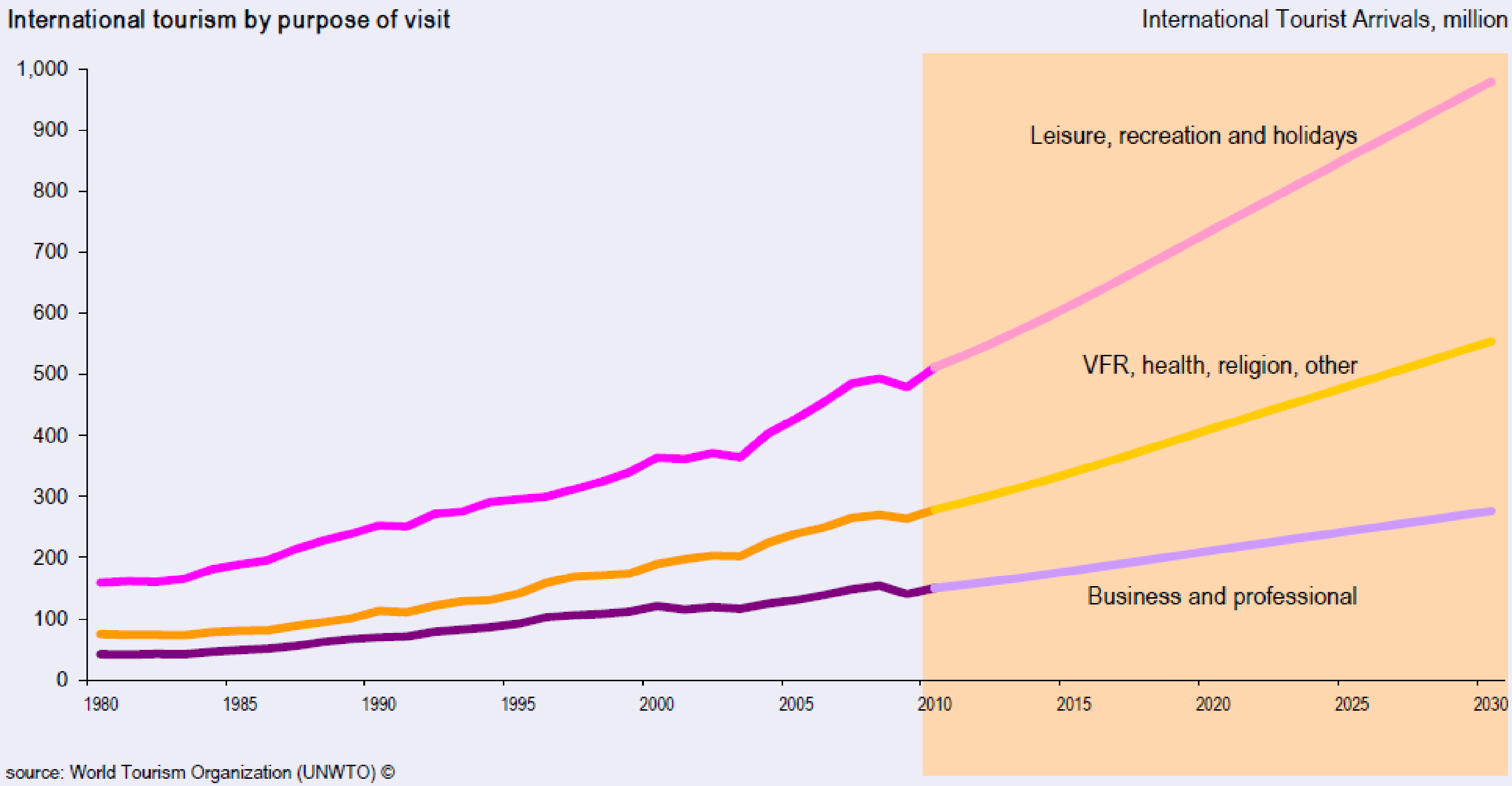
Global International Tourism

Asia and the Pacific will also be the outbound region that grows most



Global International Tourism

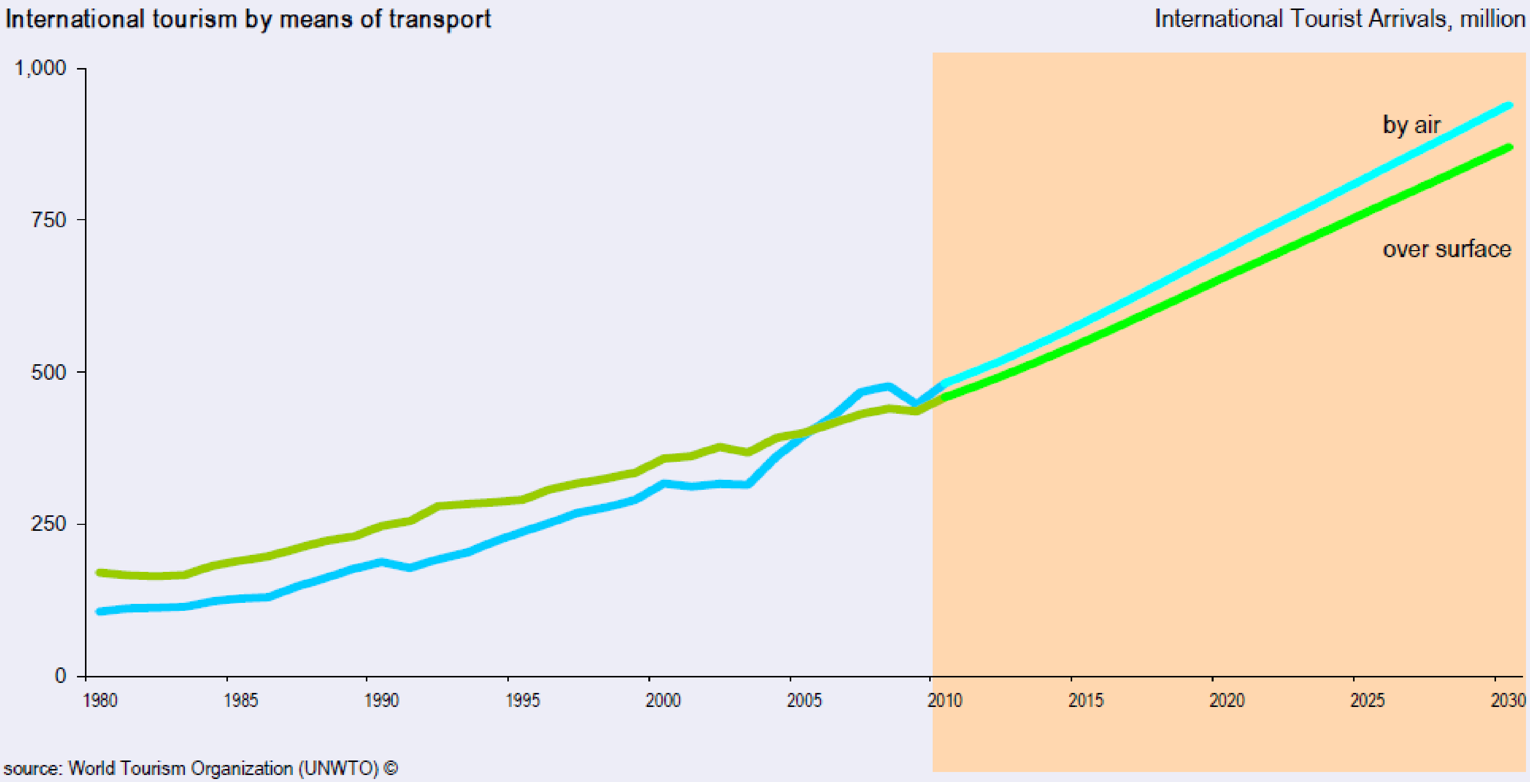
No major change in share by purpose of visit



source: World Tourism Organization (UNWTO) ©

Global International Tourism

Air transport will continue to increase market share, but at a slower pace



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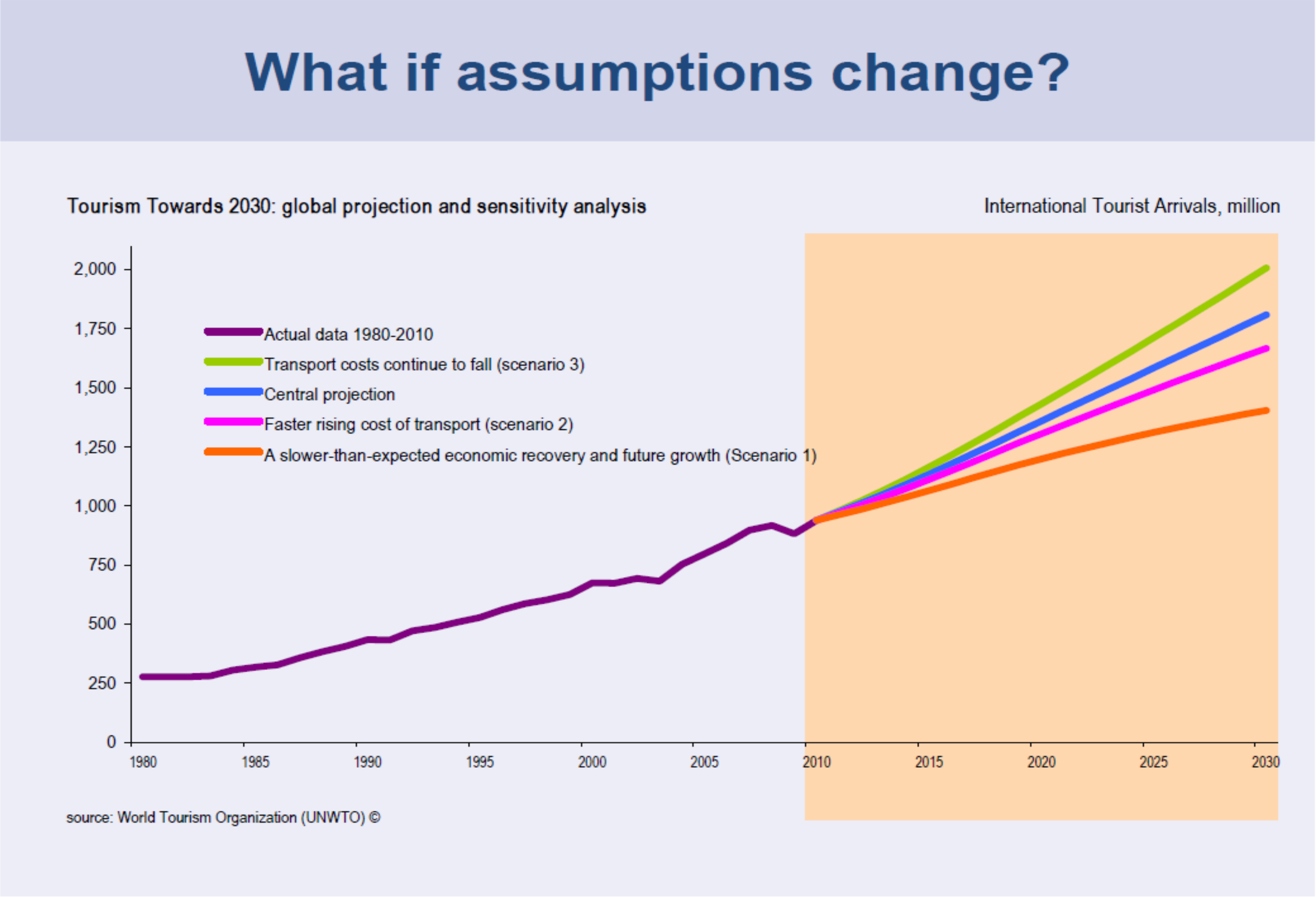
Global International Tourism



Global Outlook

- Global growth in international tourism arrivals continues
- **More moderate pace**, from 4,2% per year (1980-2020) to 3,3% (2020 -2030):
- Substantial potential for further expansion in coming decades
- **Established as well as new destinations can benefit**
- provided **adequate conditions and policies:**
  - **business environment**
  - **infrastructure**
  - **facilitation**
  - **marketing**
  - **human resources**
- **challenges**
  - **maximising social and economic benefits**
  - **minimising negative impacts**

the long-term tourism growth pattern:

more moderate, sustainable and inclusive

Global League Tables - Inbound

International tourist arrivals						
			(million)		Change (%)	
Rank		Series	2014	2015*	14/13	15*/14
1	France	TF	83.7	84.5	0.1	0.9
2	United States	TF	75.0	77.5	7.2	3.3
3	Spain	TF	64.9	68.2	7.0	5.0
4	China	TF	55.6	56.9	-0.1	2.3
5	Italy	TF	48.6	50.7	1.8	4.4
6	Turkey	TF	39.8	39.5	5.3	-0.8
7	Germany	TCE	33.0	35.0	4.6	6.0
8	United Kingdom	TF	32.6	34.4	5.0	5.6
9	Mexico	TF	29.3	32.1	21.5	9.4
10	Russian Federation	TF	29.8	31.3	5.3	5.0

(Data as collected by UNWTO, July 2016)

Global League Tables - Inbound

International tourism receipts[1]		US$				Local currencies	
		(billion)		Change (%)		Change (%)	
Rank		2014	2015*	14/13	15*/14	14/13	15*/14
1	United States	191.3	204.5	7.8	6.9	7.8	6.9
2	China	105.4	114.1	n/a	8.3	n/a	9.8
3	Spain	65.1	56.5	3.9	-13.2	3.9	4.0
4	France	58.1	45.9	2.8	-21.0	2.8	-5.4
5	United Kingdom	46.5	45.5	11.8	-2.3	6.2	5.2
6	Thailand	38.4	44.6	-8.0	16.0	-2.7	22.0
7	Italy	45.5	39.4	3.6	-13.3	3.6	3.8
8	Germany	43.3	36.9	4.9	-14.9	4.9	1.9
9	Hong Kong (China)	38.4	36.2	-1.4	-5.8	-1.5	-5.8
10	Macao (China)	42.6	31.3	-1.1	-26.4	-1.1	-26.5

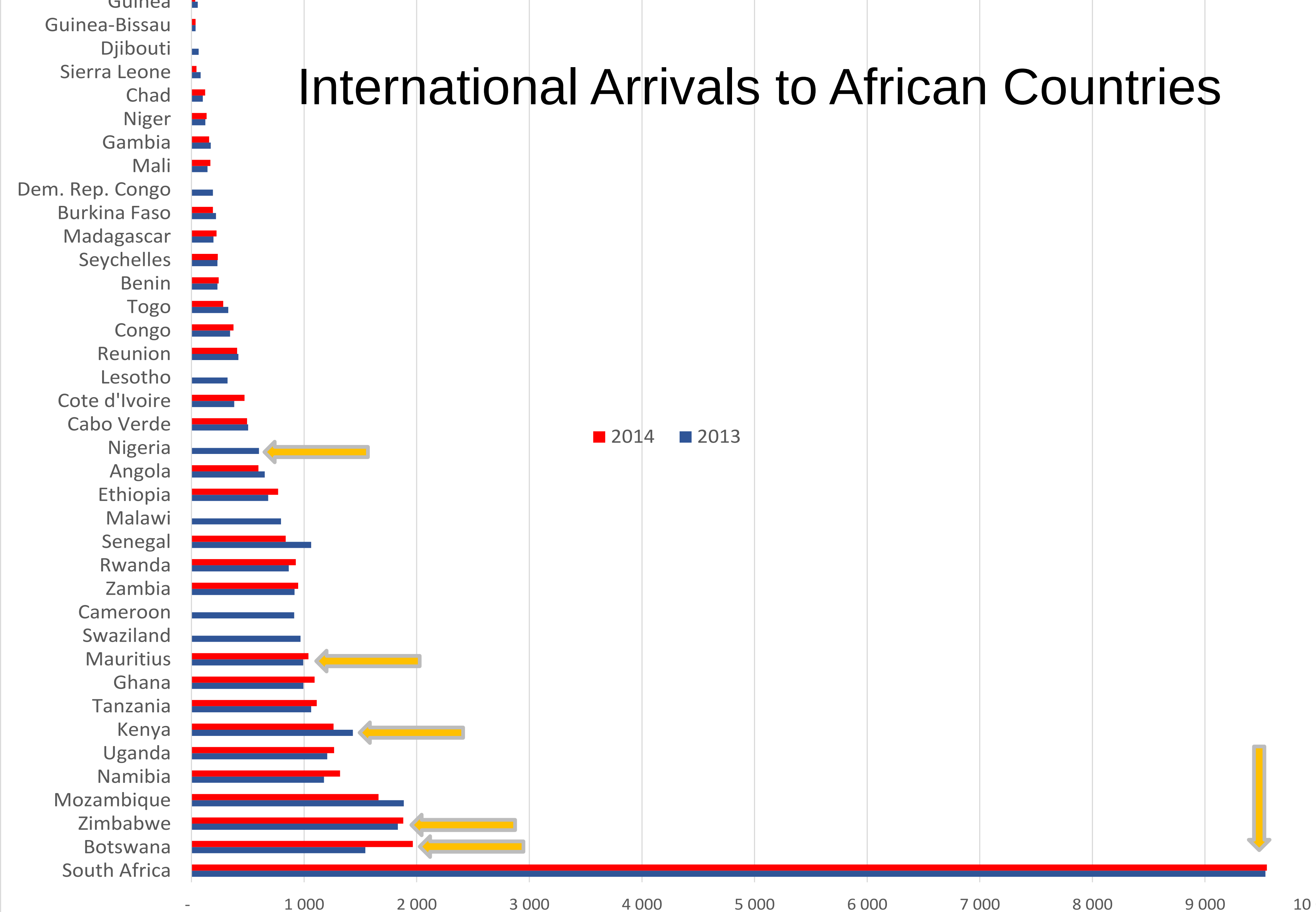
(Data as collected by UNWTO, July 2016)

Africa Tourism Performance

Tourist Arrivals – World vs Africa

	International tourist arrivals by region of origin (million)										Market share (%)	Change (%)		Average a year (%)
Destinations	1990	1995	2000	2005	2010	2011	2012	2013	2014	2015*	2015*	14/13	15*/14	2005-15*
World	435	527	674	809	950	994	1,040	1,088	1,134	1,186	100	4.2	4.6	3.9
From:														
Europe	250.7	304.0	390.3	452.3	497.0	518.8	537.7	560.7	571.7	594.1	50.1	2.0	3.9	2.8
Asia and the Pacific	58.7	86.3	114.1	152.8	205.9	220.6	236.5	253.7	271.6	289.5	24.4	7.1	6.6	6.6
Americas	99.3	108.1	130.6	136.5	156.0	163.5	170.8	175.9	188.8	199.4	16.8	7.4	5.6	3.9
Middle East	8.2	8.5	12.8	21.4	33.3	31.7	33.3	35.1	36.8	36.3	3.1	4.9	-1.6	5.4
Africa	9.8	11.5	14.9	19.3	28.3	30.0	31.0	32.0	34.4	35.4	3.0	7.3	2.9	6.2
Origin not specified[1]	7.9	8.6	11.1	26.7	29.8	29.5	31.2	31.0	30.8	31.5	2.7			
Same region	349.1	423.1	532.9	632.3	728.9	767.0	802.1	838.7	872.0	912.7	76.9	4.0	4.7	3.7
Other regions	77.6	95.3	129.8	149.9	191.5	197.6	207.2	218.7	231.3	242.0	20.4	5.8	4.6	4.9

International Arrivals to African Countries



Tourism Competitiveness

WEF Tourism Competitiveness

Ranking 2015 East and Southern Africa

	Eastern & Southern Africa Rank	Global Rank
South Africa	1	48
Seychelles	2	54
Mauritius	3	56
Namibia	4	70
Kenya	5	78
Botswana	7	88
Tanzania	8	93
Rwanda	9	98
Zambia	10	107
Swaziland	11	108
Uganda	14	114
Zimbabwe	15	115
Ethiopia	17	118
Madagascar	19	121
Malawi	22	126
Lesotho	24	129
Mozambique	25	130
Burundi	28	135

WEF Tourism Competitiveness

Ranking 2015
South Africa

Enabling Environment	86	4.38
Business Environment	15	5.35
Safety and Security	119	4.30
Health and Hygiene	114	3.85
HR & Labour Market	105	4.09
ICT Readiness	62	4.29
T&T Policy & Conditions	72	4.14
Prioritization of Travel & Tourism	46	4.88
International Openness	102	2.38
Price Competitiveness	42	4.99
Environmental Sustainability	56	4.29
Infrastructure	50	3.97
Air Transport	48	3.28
Ground & Port	63	3.59
Tourist Service Infrastructure	40	5.02
Natural and Cultural Resources	15	3.83
Natural Resources	22	4.28
Cultural & Business Travel	20	3.39

Demographic shifts

- Ageing
- The number of elderly will explode
- Surprisingly, 90% of this growth will take place in emerging markets
- Non-retirement will increasingly be a major theme.

The Wealthy

- In America over 50s control 75% of the country's wealth
- The UK's 17 million Baby Boomers hold an estimated 80% of the country's wealth
- Australia's 5,25 million Baby Boomers own almost 35% of Australia's superannuation assets and 50% percent of total household wealth
- Baby Boomers – aim to stay mentally and physically fit – "forever young"
- Travel is a high priority for Baby Boomers.

The Wealthy

- High Net Worth Individuals' wealth grew 4% in 2015 to US$61.1 trillion
- The global population of HNWIs grew 4.9% to 16.11 m
- The US has largest HNW segment
  - the number of HNWIs in the country expanded to 4.4 m an increase of 8.6%, while the investable wealth grew by 9.4% to US$15.2 trillion.
  - since 2008, US has accounted for 28.6% of new HNWI wealth added globally
- Asia-Pacific
  - strongest rates of HNWI population growth – 9.4% to 5.1 m
  - surpassed Europe with HNWI population 4.2 m lower than the global average growth rate of 4.9%, due to Europe's ongoing fragile economic recovery
- The HNWI population is becoming more fragmented across the globe
- **Ultra**-HNWI - grew by 4.2% in 2015 and its wealth by 2.5%
- **Ultra-**HNWIs accounted for around 35% of global HNWI wealth – but only 0,9% of the global HNWI population.

The Consumer Psyche

- Cartography of the emerging consumer psyche - *ConsumerShift* Andy Hines
- **Authenticity, Connection, Anti-Consumerism, Self-Expression, & Enoughness**
- **Modern, Post Modern, Integral**
- "Mindful Consumption " – "Deep Travel" idiosyncrasies and detail
- "slow travel" boat, bike and train
- Give back to destinations
- "Carbon guilt" – geo-local travel
- "mass localisation" - not if, but when!
- Hyper-local sourcing
- Reflect my values
- Spending my money and time
- Declining trust in brands (gen Y)

The Question is – will emerging market consumers adopt this Psyche?

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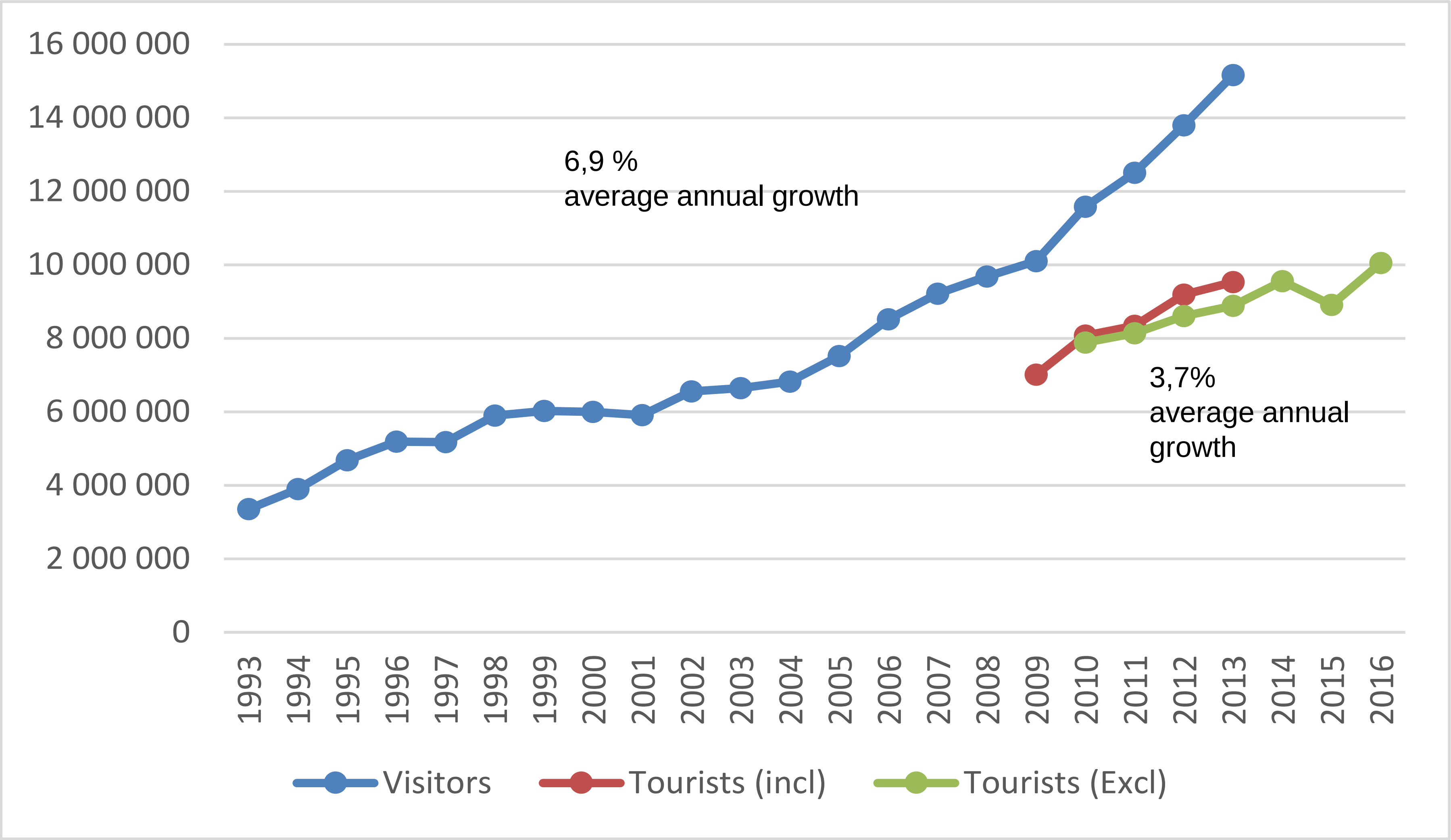
South African Tourism

International visitor & tourist arrivals for South Africa



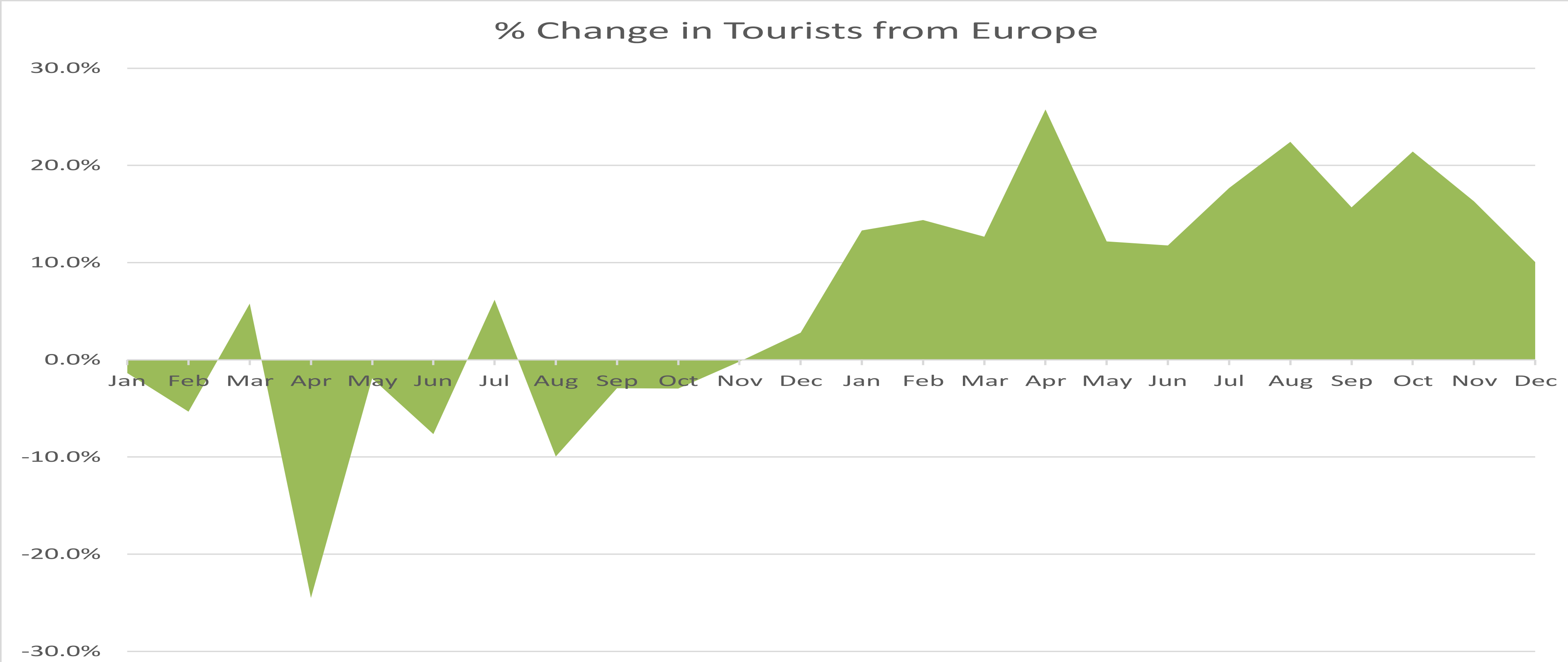
Source: Statistics South Africa

Note: Stats SA started publishing information on TOURISTS as defined by United Nations World Tourism Organisation ("UNWTO") with the January 2009 data. Prior to this the volume of TRAVELLERS and VISITOR'S were only reported on.

Foreign Tourism

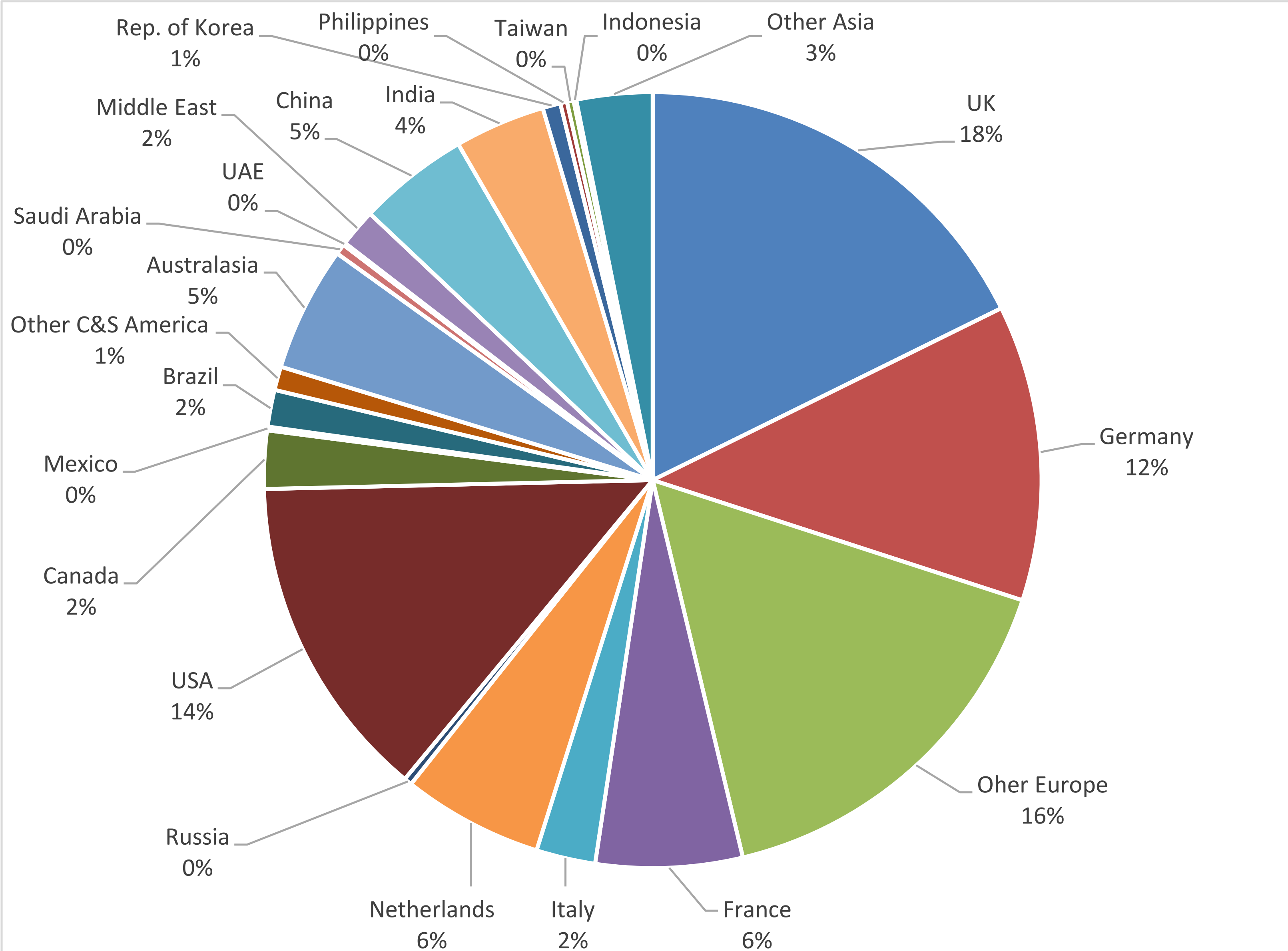
	Overseas	African Air*	African Land	Total
Total Tourists				
2016	2 531 046	635 950	6 877 167	10 044 163
2015	2 144 988	600 464	6 145 650	8 891 102
Growth 16/15	18.0%	5.9%	11.9%	13.0%
% Tourists 2016	25.2%	6.3%	68.5%	100.0%
Holiday Tourists - 2015				
No. on Holiday	916 684	114 088	534 672	1 565 443
% Holiday tourists	58.6%	7.3%	34.2%	100.0%
Holiday Tourist growth 15/14	-10.1%	-4.7%	-23.2%	-14.7%
% of total on holiday	42.7%	19.0%	8.7%	17.6%
Length of Stay - 2015				
Average length of stay - nights	13.8	14.9	7.6	9.5
Most common length of stay	7 -1 4	6	3	5
Spend - 2015				
Average spend in SA per tourist	R 16 164	R 19 200	R 5 200	R 8 100
Average spend in SA per Holiday Tourist	R 17 867	R 19 600	R 4 900	R 12 900
Average Spend per business traveller	R10 400 - R22 500	R12 600 - R68 700	R6 400 - R14 900	R9 300 - R15 100
Total Tourist Spend - Excl Capital spend	R24.9bn	R3.5bn	R35.5bn	R63.9bn
Average pre-paid expenditure	R40 000 - R58 000	R 14 200	R 1 000	R 16 000
Day Visitors -				
2015	207 039	71 418	4 769 671	5 048 128

*SAT reports on Africa Land markets as all neighbouring country tourist arrivals, not tourist arrivals at border posts, we use actual StatsSA Border post arrivals. SAT percentages of holiday makers are on the same basis, but we apply to actual arrivals as indicative

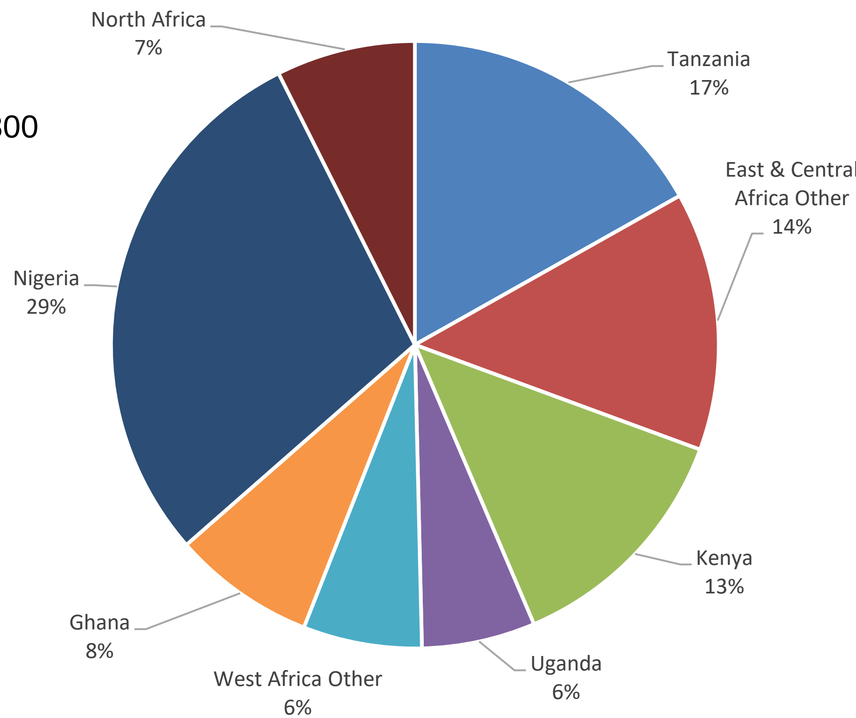

% Change in Tourists from Europe
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

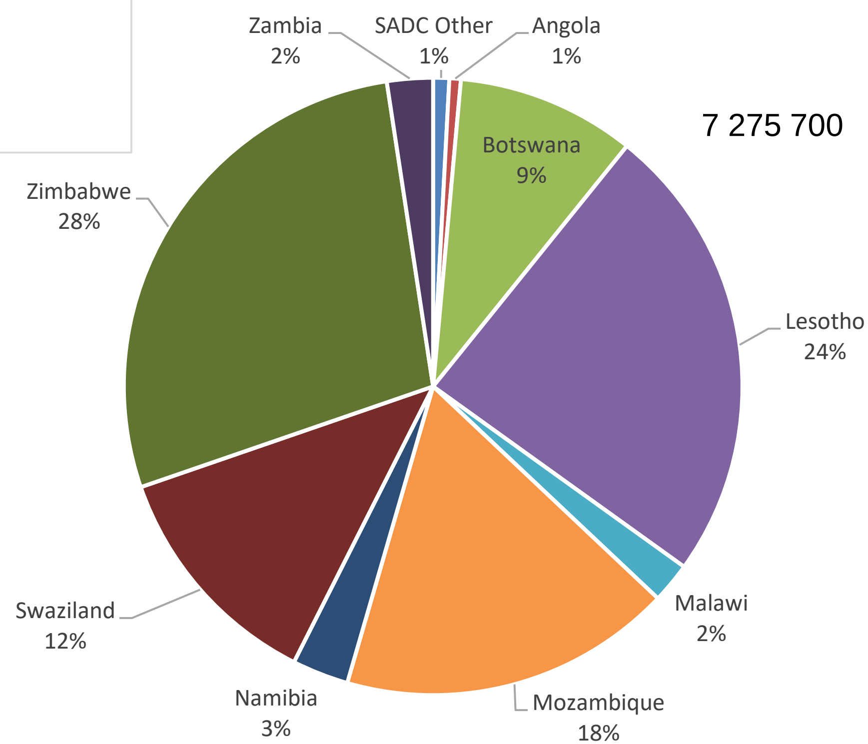

18.5
17.0
15.5
14.0
12.5
2016
2017

Overseas Tourists

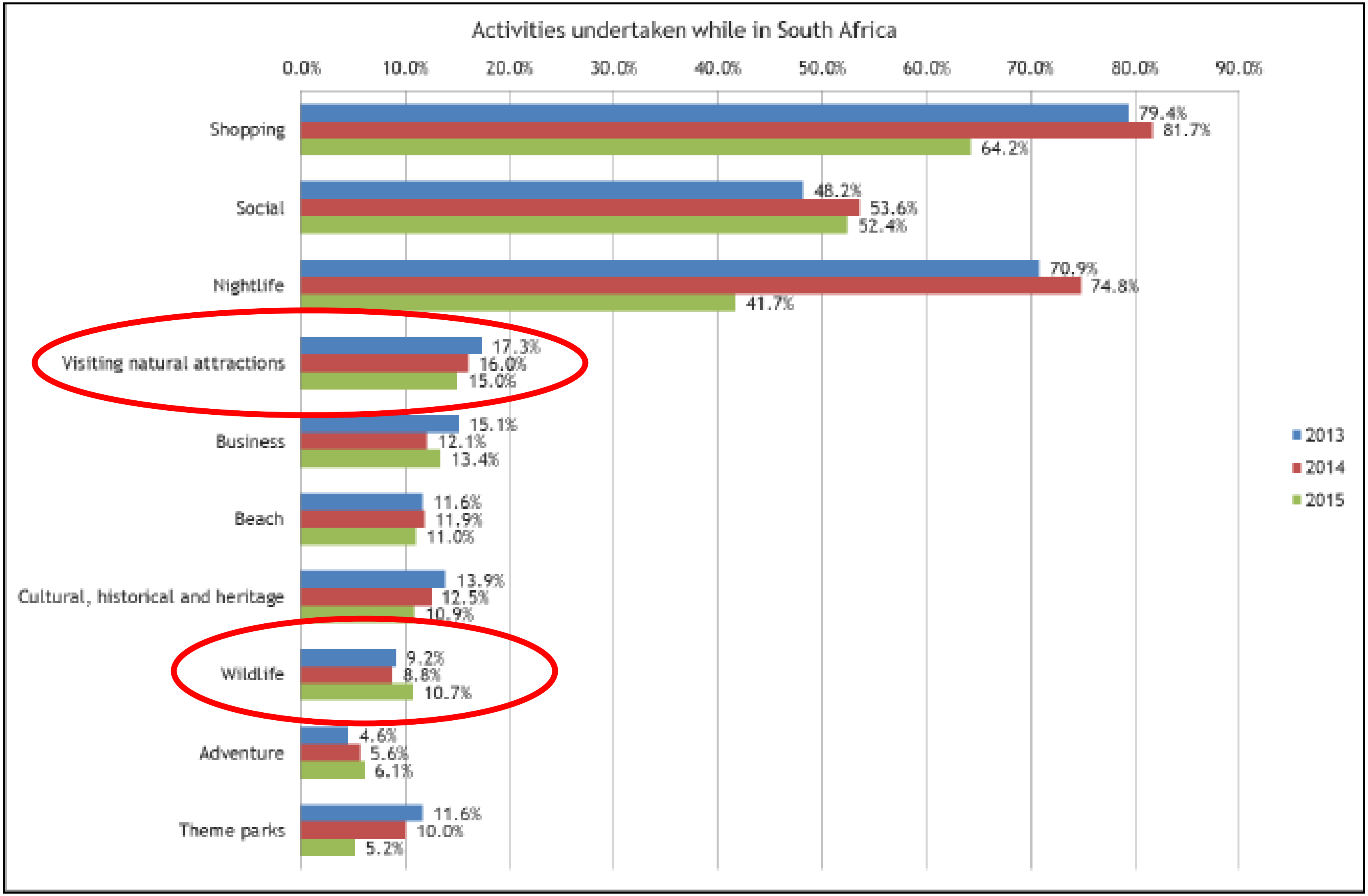


African Tourists

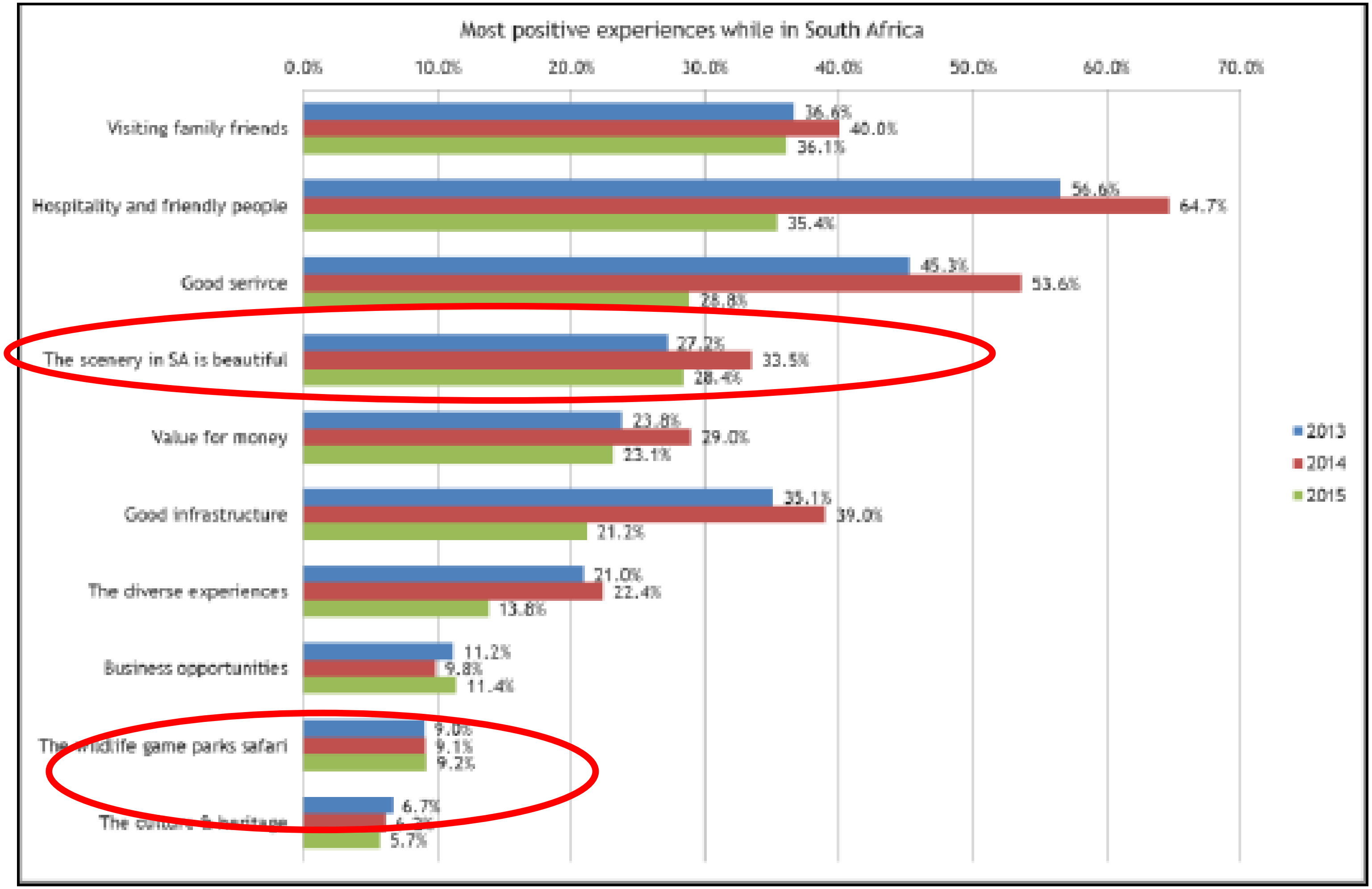




International Tourists – Activities Undertaken



Most Positive Experience



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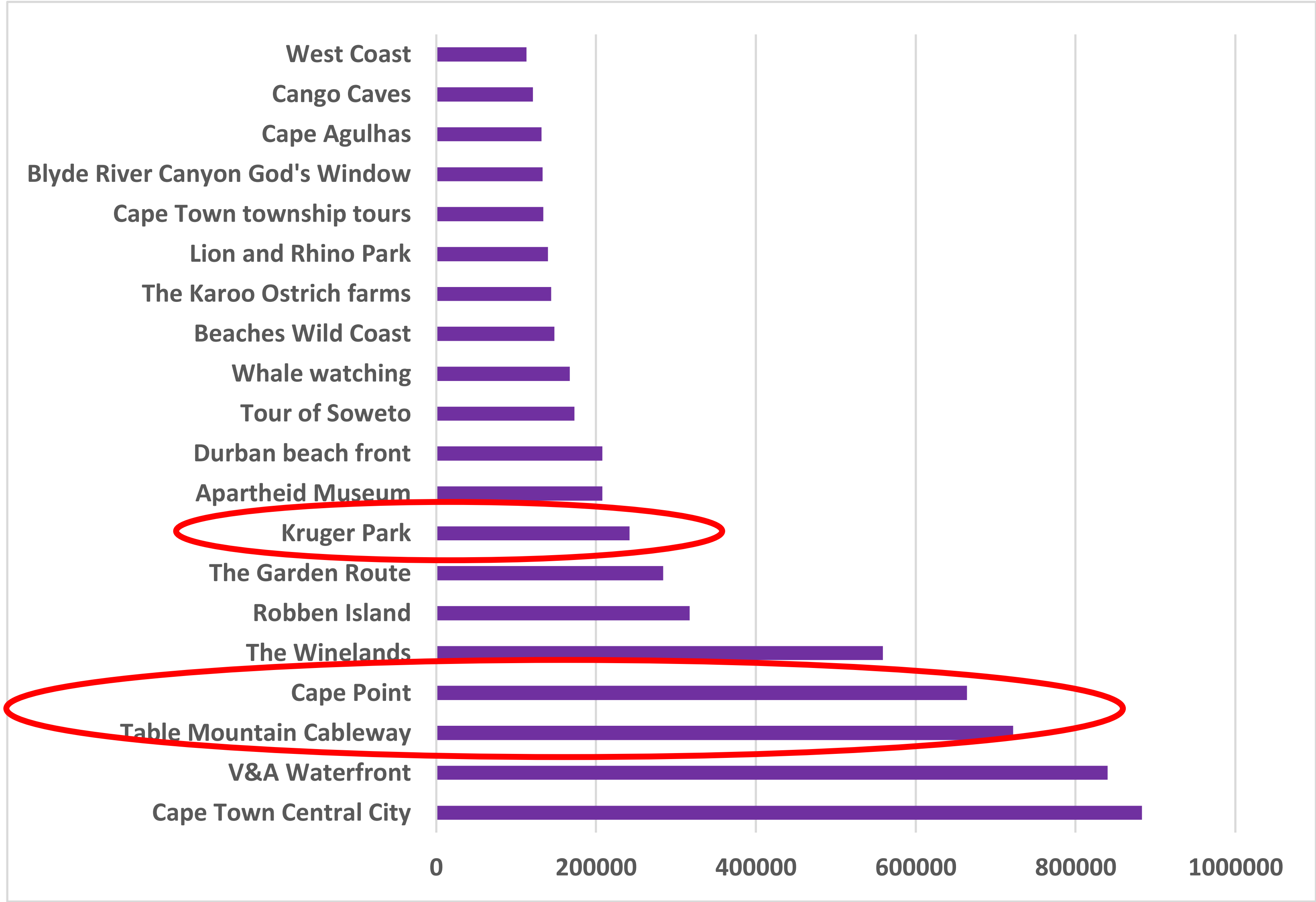
International Tourists - Most Visited Attractions & Landmarks



Domestic Tourism

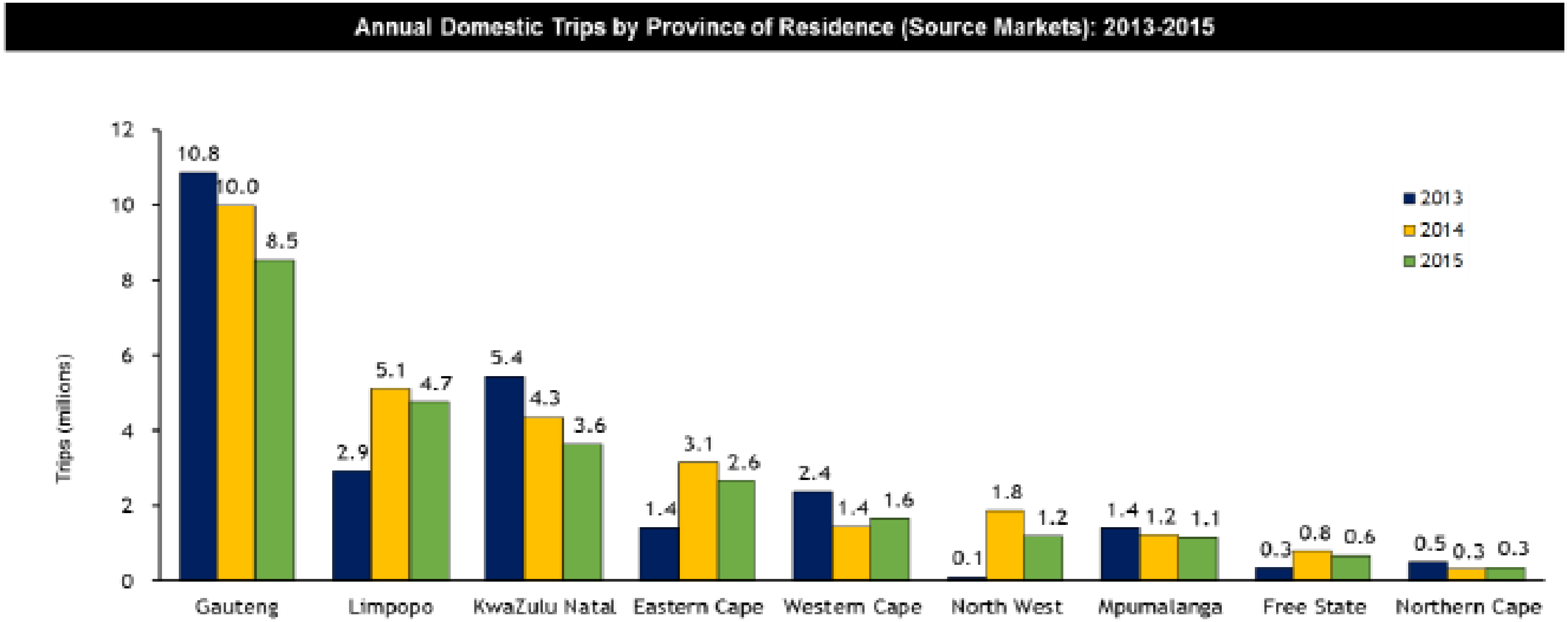
Overnight Trips

	VFR	Holiday	Business	Religious	Total
No. Tourists Trips 2014	20.7	2.8	1.6	2.2	28.0
No. Tourists Trips 2015	17.4	2.7	2.4	1.7	24.5
Tourist Trip Growth 15/14	-15.94%	-3.57%	50.00%	-22.73%	-12.50%
% Tourists 2015	71.02%	11.02%	9.80%	6.94%	100.0%
Average Tourist Length of Stay nts (2015)	4.4	5.4	2.9	2.0	4.2
Average Spend per Tourist Trip in Rand (2015)	710	2170	1890	490	960
Total Tourist Spend 2015 - Rbn	12.4	5.9	4.5	0.8	23.5

Day Trips

Day Trips 2015 (m)	224.8
Day Trips Growth 15/14	-8.58%
Day Trip Average Spend	380
Day Trip Total Spend Rbn	123.3

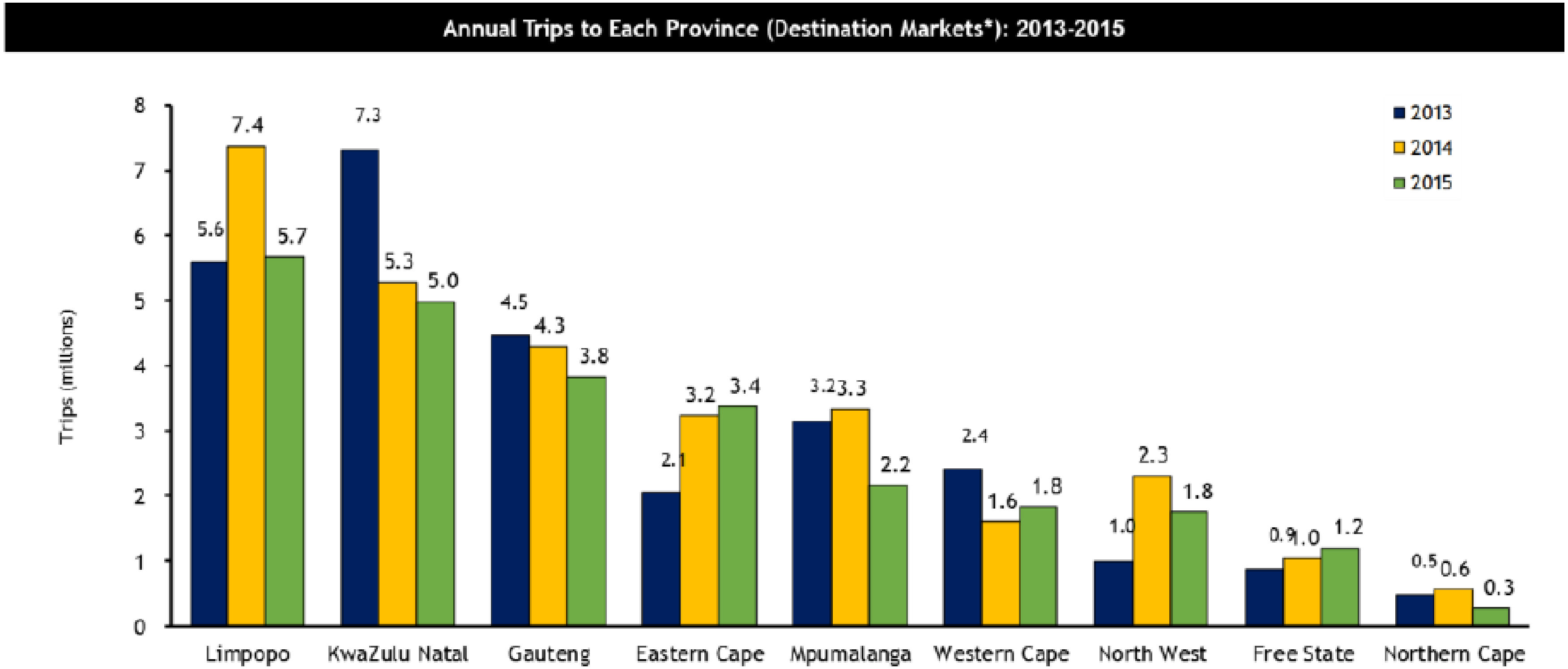
Domestic Tourism – Province of Origin



% growth '14 vs '13	-8.0%	75.1%	-20.1%	123.4%	-39.5%	2253.5%	-12.6%	134.0%	-42.9%
% growth '15 vs '14	-14.5%	-7.0%	-16.6%	-15.5%	15.7%	-35.9%	-5.1%	-15.2%	20.8%
CAGR '13 to '15	-11.3%	27.6%	-18.4%	37.4%	-16.4%	288.4%	-8.9%	40.8%	-16.9%

Source: SAT Domestic Surveys for 2013-2015

Domestic Tourism – Provinces Visited



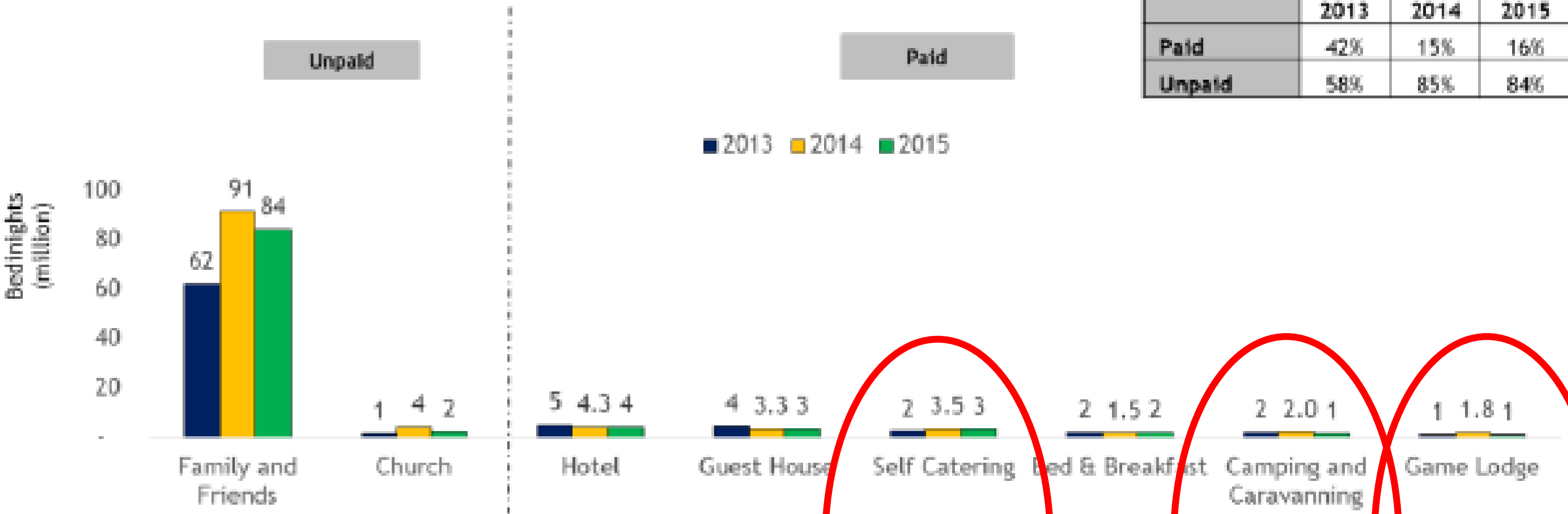
	Limpopo	KwaZulu Natal	Gauteng	Eastern Cape	Mpumalanga	Western Cape	North West	Free State	Northern Cape
% growth '14 vs '13	31.9%	-27.7%	-3.7%	57.2%	5.6%	-33.3%	131.2%	18.7%	16.0%
% growth '15 vs '14	-23.1%	-5.7%	-10.8%	4.5%	-35.2%	13.9%	-23.8%	15.1%	-50.5%
CAGR '13 to '15	0.7%	-17.4%	-7.3%	28.2%	-17.3%	-12.8%	32.7%	16.9%	-24.3%

Source: SAT Domestic Surveys for 2013-2015
Note: *Trips to Provinces exceeds the total number of trips as one can go to more than one province in one trip

Domestic Tourism – Accommodation Utilised

Bednights by Accommodation Type (million): 2013 - 2015

	2013	2014	2015
Paid	42%	15%	16%
Unpaid	58%	85%	84%



% growth '14 vs '13	47.4%	176.7%	-13.4%	-26.3%	45.5%	-6.5%	10.1%	72.7%
% growth '15 vs '14	-8.1%	-49.0%	-2.0%	4.4%	-9.6%	5.7%	-29.3%	-49.5%
CAGR '13 to '15	16.4%	18.8%	-7.9%	-12.3%	14.7%	-0.6%	-11.8%	-6.6%

Source: SAT Domestic Surveys for 2013 - 2015

Domestic Tourism Activities Undertaken

Top Activities Undertaken During Domestic Trips			
	2013	2014	2015
Social	77%	83%	82%
Shopping	40%	33%	32%
Beach	9%	7%	10%
Natural Attraction	6%	5%	6%
Wildlife	2%	5%	5%
Cultural, historical & heritage	3%	2%	5%
Night Life	6%	4%	5%
Business Professional	5%	3%	4%
Business	8%	5%	2%
Adventure	1%	1%	2%
Casino	3%	3%	2%

Economic Contribution of Tourism

South Africa Travel & Tourism Contribution to GDP and Jobs	2013	2014	2015	2025	Real 2015-2025 CAGR
Direct Contribution to GDP					
Rand (billion)	108.8	113.4	117.8	184.7	
Real growth (%)	2.00%	4.30%	3.80%		4.60%
% share	3.00%	3.00%		3.40%	
Total Contribution to GDP					
Rand (billion)	345.7	357	369.3	561.4	
Real growth (%)	4.30%	3.30%	3.40%		4.30%
% share	9.50%	9.40%		10.40%	
Direct Contribution to Employment					
Number of jobs ('000)	645.5	679.6	705.6	947.5	
Growth (%)	3.00%	4.90%	3.80%		3.00%
% share	4.60%	4.50%		5.40%	
Total Contribution to Employment					
Number of jobs ('000)	1 404	1 438	1 551	2 028	
Growth (%)	2.80%	4.20%	3.60%		2.70%
% share	10.00%	9.60%		13.30%	

Source: WTTC

So what is the outlook?

Various scenarios

- High scenario - address challenges & win the Africa market
  - 6 – 7% growth in foreign
  - 7 – 9% growth domestic
- Medium Scenario – address some challenges
  - 4 – 5% growth foreign
  - 5 – 6 % growth domestic
- Low scenario – bumble along
  - 3% growth foreign
  - 3% growth domestic

Challenges:

- Real Levels of Tourism Priority – understanding & resourcing
- "Joined-up" government - across levels & between departments
- Safety and Security
- Ground transport - Integrated public transport
- Price competitiveness
- Ease of access – air routes, visas, UBC
- Cohesive, good, destination marketing (understand our consumers) and branding
- Public Private sector trust and cooperation
- Ease of development and operation – less red tape
- Sustainable practices
- Species and biome protection
- Human resources – skills and attitude – service – legislation
- Agility and capacity to implement

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Questions?