



SOUTH AFRICAN TOURISM

# THE ROAD TO RECOVERY REPORT





South Africa went into lockdown on 26th March 2020, thus, all tourism activities ceased operation. Covid-19 hit the tourism sector particularly hard with almost no international tourists arriving on our shores and restricted internal movement for several months. Despite the many challenges and the threat of second waves across the globe, we are seeing signs of recovery in the sector.

As a policy, South Africa has implemented a risk-adjusted strategy which adjusts based on the level of risk. Globally, individual countries are however setting up their own response regime which adds to the complexity of international travel as prospective travellers have to observe different rules for different countries. As we re-emerge from the depths of the global pandemic, this report provides insights on two major foci:

## **WHERE ARE WE ON THE ROAD TO RECOVERY?**

Using available data sources, we view indicators that provide insight into developing trends in who is traveling, accommodation occupancies and rates, and how economic spend is recovering.

## **TOURISM OUTLOOK FOR 2021**

While our borders are open to accept visitors from across the globe, international travel has been throttled by border closures in many of our main international source markets.

We gauge the prospect of travel in our recently identified priority source markets by assessing each country's current COVID-19 pandemic status and growth rates, their government regulations and stringencies and the challenges of reduced air access that will impact travel in the year to come.



# INTERNATIONAL ARRIVALS

South Africa went into lockdown on 26<sup>th</sup> March 2020. International arrivals were reduced to minimal levels. We have moved from level 5 to level 1 and significantly international travel borders were opened on 1<sup>st</sup> October 2020. Since then, we have seen very slow recovery in passenger arrivals with total arrivals for October still being 91% lower than October last year. A noticeable uptick of arrivals from African countries (other than SADC) did, however, occur during October (Fig. 1). These reductions are on par with arrival reductions seen across the globe, with the October world average at -83% and continental reductions ranging from -76% to -97% (Table 1).

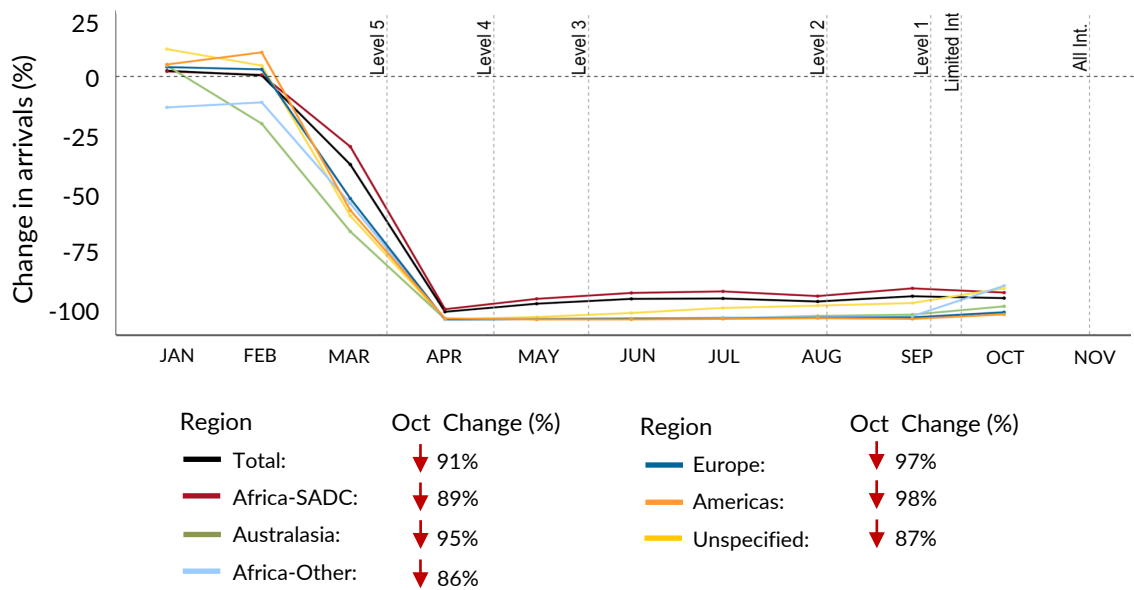


Fig. 1: Percentage change of international arrivals by region in 2020 relative to the same month last year<sup>1</sup>

Table 1: Percentage change of international arrivals by region in 2020 relative to the same month last year<sup>2</sup>

REGION	JAN	FEB	MAR	APR	MAY	JUNE	JUL	AUG	SEP	OCT
Europe	5	2	-61	-98	-96	-88	-71	-67	-72	-76
Asia & the Pacific	-9	-54	-82	-98	-99	-98	-96	-96	-98	-97
Americas	0	3	-50	-94	-93	-92	-88	-87	-83	-81
Africa	0	-2	-40	-90	-90	-91	-90	-86	-88	-87
Middle East	6	-1	-63	-99	-99	-99	-94	-93	-92	-92
World	-1	-16	-65	-97	-96	-91	-80	-77	-80	-83

<sup>1</sup> Source: Stats SA - Tourism & Migration publications ([link](#))

<sup>2</sup> Source: UNWTO Recovery Dashboard ([link](#))

# THE ROAD TO RECOVERY: Who is traveling?



## DOMESTIC AIR TRAVEL RECOVERY

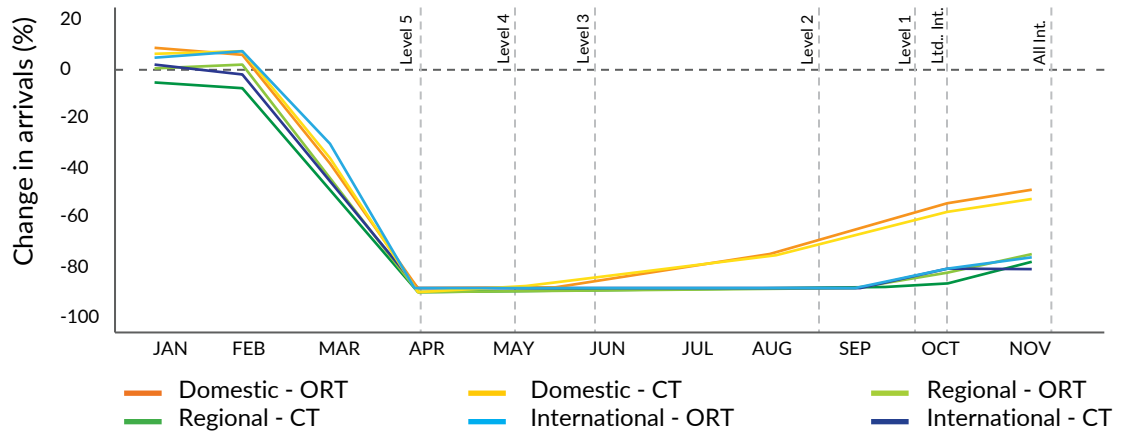


Fig 2: Percentage change of all movement (arrivals and departures) through OR Tambo and Cape Town International Airports in 2020 relative to the same month last year<sup>3</sup>

Movement of passengers through major airports indicates a greater recovery in domestic air travel compared to both international and regional air travel (Fig 2). By November, domestic air passenger movement was only 55% to 65% lower than in November last year, whereas Regional and International movement were 85% to 91% lower (Fig. 2). An additional view of air travel based on a sample of ticket bookings, indicates similar recovery with domestic ticket sales for November only 35% lower than the same period last year (Fig. 3).

Interestingly, outbound international ticket bookings showed lower recovery and is still almost 60% lower than the same period last year (Fig. 3). This suggests that the confidence and prospect for outbound travel is suppressed, opening the doors for our abundance of local options to replace outbound travel appetite.

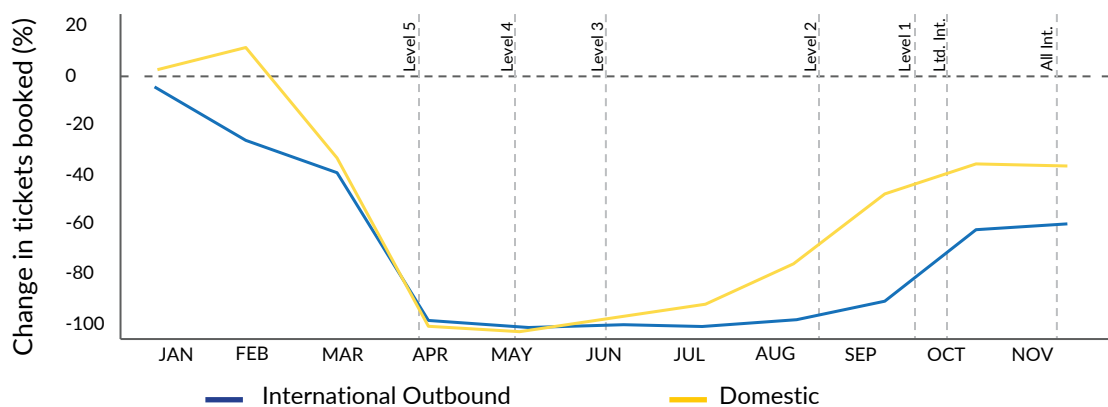


Fig 3: Percentage change of domestic and international outbound air ticket sales of in 2020 relative to the same month last year<sup>4</sup>

<sup>3</sup> Source: Airports Company South Africa – Passenger Statistics ([link](#))

<sup>4</sup> Source: Flight Centre South Africa

# OCCUPANCY

Accommodation trends provide an indication of the level of travel and tourism occurring. In this light it is not surprising that accommodation occupancies plummeted between April to July. Once movement restrictions were eased, however, we began to see signs of recovery in all accommodation types. By the end of October, the greatest recovery had occurred in Caravan and Camping (30%), home-sharing (-41%) and “Other” (-40%) accommodation types, which may indicate a preference for outdoors and smaller establishment types (Fig. 4).

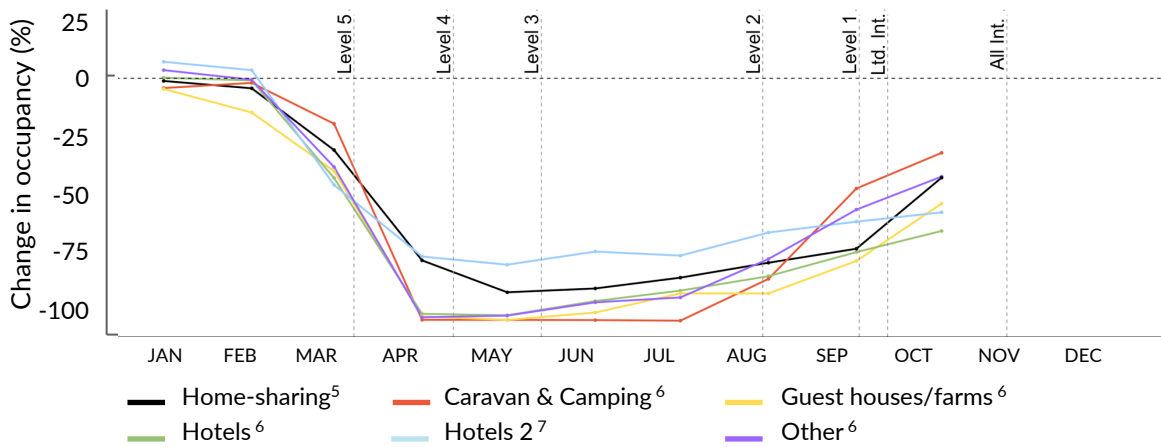


Fig 4: Percentage change in occupancy in 2020 relative to the same month last year



<sup>5</sup> Source: AirDNA  
<sup>6</sup> Source: Stats SA – Tourism Accommodation publications ([link](#))  
<sup>7</sup> Source: TrevPAR World

### AVERAGE DAILY RATE

While many thought low demand would severely impact pricing, average daily rates (ADR) did not show significant long-term reductions. Despite a small dip in the worst months of lockdown, home-sharing, Caravan & Camping and Guest houses/ farms recovered to ADR 5-10% higher than the same period last year. Hotels and "other" accommodation, however, are still 25-33% lower than last year (Fig. 5). Caravan & Camping ADR doubled during July. This coincided with easing of interprovincial travel and may be as a result of the school holidays indicating preference during this period for outdoor accommodation options.

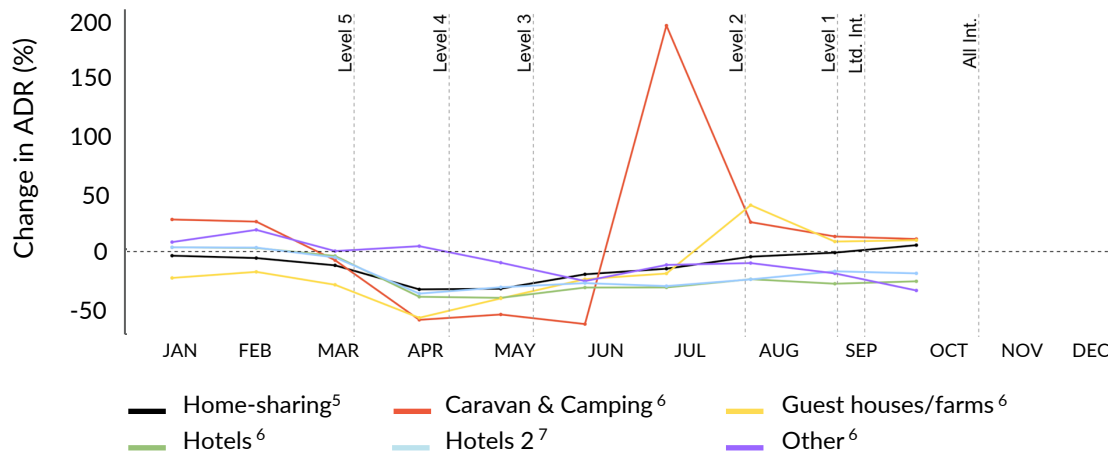


Fig 5: Percentage change in Average Daily Rate (ADR) in 2020 relative to the same month last year<sup>4</sup>

### MONTHLY REVENUE

Despite several months of reduced bookings and slightly depressed average daily rates, early indications of the accommodations sectors total revenue are trending towards recovery, providing a glimmer of hope for the upcoming holiday season (Fig. 6).

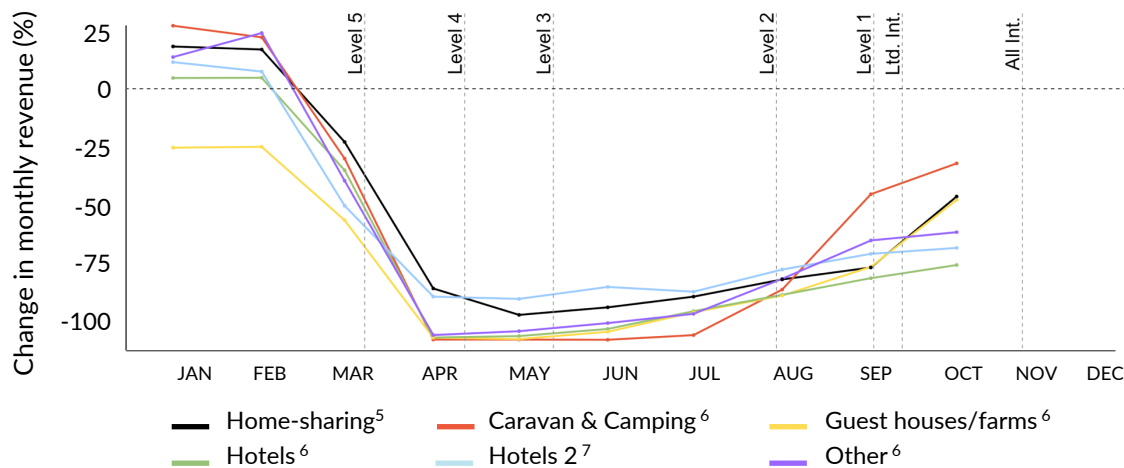
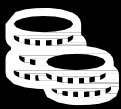


Fig 6: Percentage change in monthly revenue in 2020 relative to the same month last year<sup>4</sup>

<sup>5</sup> Source: AirDNA

<sup>6</sup> Source: Stats SA – Tourist Accommodation Publications ([link](#))

<sup>7</sup> Source: TrevPAR World



## SPEND PATTERNS

Spend recovery can provide a signal of readiness to resume normal spend and economic behaviours. Available data on the turnover recovery of over 80 000 small businesses across the country indicates that while a period of depressed economic activity occurred at the onset of lockdown in late March, a steady increase is observed as restrictions were eased. By September, purchasing patterns had recovered to levels similar to those seen in the two weeks prior to lockdown (Fig. 7). This may indicate that spend behaviors have eased over time and resumption in pre-COVID-19 spending patterns, including travel may occur. In particular, small businesses in hospitality have rebounded to pre-COVID-19 levels which signals continued supply in this segment into the coming months.

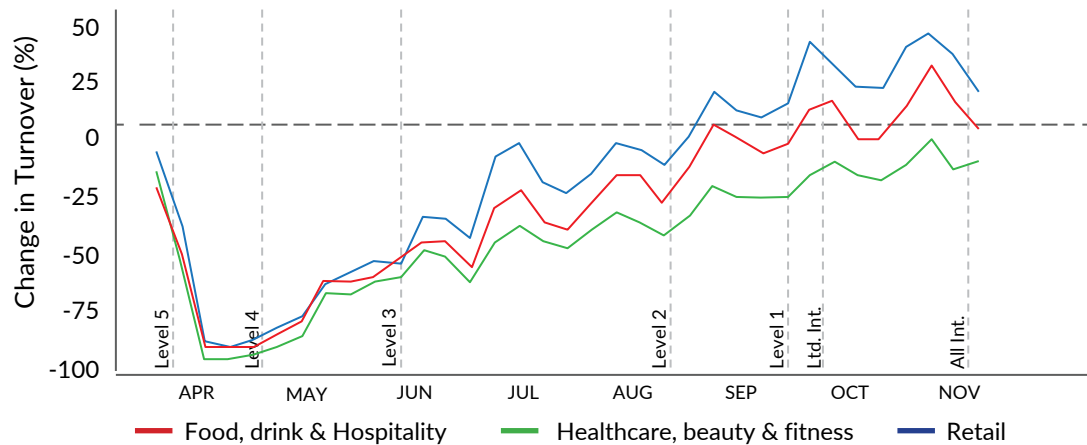


Fig 7: Percentage change in turnover of small businesses until the 20 November 2020. Change is compared to the first two weeks of March as the baseline<sup>8</sup>

Spend recovery differed markedly between provinces. By 20 November 2020, turnover had increased by 22% in the North West Province, Free State and KwaZulu Natal when compared to pre-lockdown levels. In Gauteng, Western Cape and Mpumalanga, however, turnover is still below the benchmark (Fig. 8). The drivers of these differences in provinces is not yet clear and is still to be assessed.

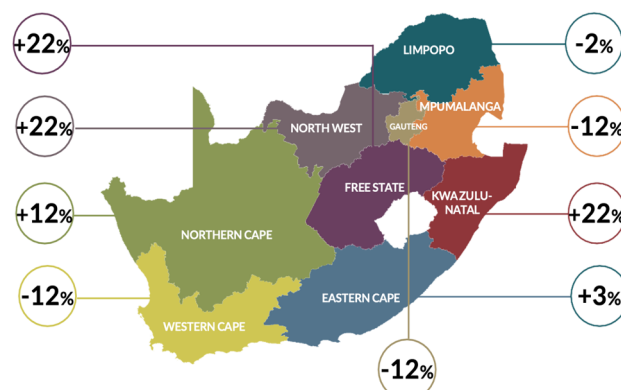


Fig 8: Percentage change in total spend per province as at 20 November 2020. Change is compared to the first two weeks of March as the baseline<sup>8</sup>

<sup>8</sup> Source: Yoco COVID-19 Recovery Monitor ([link](#))

### SUMMARY

The world of travel is very fluid right now with new data points and discoveries coming through on a daily basis. This lends itself to adopting a dynamic approach as we understand variables better. Similarly, the needs and wants of travellers are also constantly evolving as they get new information. Thus, keeping up with changing consumer behaviour is paramount. The sample of available metrics clearly reflected the drastic reduction in arrivals, bookings and spend during months of restrictions related to the COVID-19 pandemic. As restrictions have eased and consumers have displayed higher economic confidence, it appears that tourism is on the up.

Since the observed recovery has occurred despite the lack of international tourists, a large majority of travel can be attributed to domestic travel and spend.

As we turn to the new year and tourism begins to trickle back, we face the challenge of understanding where to focus efforts to boost recovery under ever-changing scenarios.





## WHERE DO WE FOCUS IN LIGHT OF THE ONGOING GLOBAL COVID-19 PANDEMIC?

### Market Investment Framework (MIF)

Tourism lies at the heart of the country's economic recovery as announced by President Ramaphosa in October 2020. Considering tourism is a number one service export and thus meaningfully contributes to the country's balance of payments, it is a major anchor in the recovery. Thus, one of the key selection criteria for international markets is identifying economies that are stronger than ours which can contribute to our growth. An in-depth analysis to determine priorities for marketing investment in the next 3-5 years was undertaken in mid 2020.

This prioritisation uses 33 variables others related to performance and outlook, South Africa's ability to win in the market and return on past investments amongst other criteria. In total, 24 markets / countries were identified and segmented into 16 defend markets and 8 defend markets (Fig. 9). These 24 prioritized markets accounted for 92% of all international trips in 2019.



Fig 9: Priority source markets identified to grow tourism into South Africa over the next five years<sup>9</sup>

The onset of COVID-19, however, decimated the ability of many of these source markets to travel to South Africa. Border closures, government regulations and slashed airline routes will continue to severely impact the ability of international travel for several months to come.

**We must now react, refocus and rebuild to dynamically target regions that will boost our tourism sector in the immediate term as we travel the road to recovery.**

<sup>9</sup> Source: SA Tourism Market Prioritization and Investment Framework 2020





## WHO IS LIKELY TO TRAVEL IN 2021

With the acknowledgement that business as usual is no longer on the table, the vital question of who do we target to boost tourism recovery in 2021-2022 given the world of uncertainty that awaits presses upon us.

Here we provide a view of the 24 priority markets overlaid with information\* that will affect the likelihood of travel from each country. These include:

1. **COVID-19 pandemic severity and outlook:** which is detailed by the current total cases of COVID-19<sup>10</sup>, the current growth rate of COVID-19 (measured as weekly change per 10 000 of the population)<sup>10</sup>, and the projected COVID-19 growth rate for Quarter 1 of 2021<sup>11</sup>.
2. **Government Stringency Index<sup>12</sup>:** Source market government policies to control the pandemic such as border control, travel advisories which include quarantine (isolation), and the risk outlook they may have on South Africa as a travel destination
3. **Accessibility<sup>13</sup>:** ease of travel to and from South Africa (land, air and sea).

When considering these factors, travel from the Americas and Europe is likely to be low, particularly in the first two quarters of 2021 due to poor COVID-19 statuses, high government stringencies and reduced flight capacity (Table 2). While COVID-19 outlook is more positive in Australasia, travel is likely still to be low due to government restrictions and markedly reduced air accessibility.

The outlook for tourism both from Africa and domestic tourism is, however, more likely compared to other regions due to lower COVID-19 statuses, lower government stringency and greater accessibility into South Africa (Table 2).



<sup>10</sup> Source: COVID-19 cases -Our World In Data ([link](#)) and <sup>11</sup> forecast using Gradient Boosted Models

<sup>12</sup> Source: Hale, Webster, Petherick, Phillips, and Kira (2020) Oxford COVID-19 Government Response Tracker ([link](#))

<sup>13</sup> Source: Forward Keys Global Recovery Dashboard ([link](#))

\* Information valid as at 20 December 2020

# WHO IS LIKELY TO TRAVEL IN 2021

## TOURISM OUTLOOK 2021 Who is likely to travel?



	Cumulative COVID-19 Cases (1000 per million population)	Country	Current COVID-19 Growth (10 000 per million pop.)	2021 Q1 COVID-19 Growth	Government Stringency	Accessibility	Travel prospects
South Africa		South Africa	109	33	42	-	Travel Likely
		Eswatini	56	-	39	Land Travel	Travel Likely
Lesotho	11	3	36				
Mozambique	2	1	56				
Namibia	94	15	40				
Botswana	32	13	47				
Zimbabwe	6	2	69				
Zambia	2	2	45				
Malawi	1	0	51				
Kenya	4	12	63	-29%			
Nigeria	2	1	51				
Australasia		China	0	1	78	-80%	Low Travel
		India	10	15	69		
		Australia	1	4	47		
		Japan	13	8	54		
Europe		UK	274	95	79	-54%	Low Travel
		Germany	171	55	82		
		France	135	125	69		
		Netherlands	425	105	56		
		Spain	122	296	71		
		Italy	155	86	80		
		Russia	115	216	48		
Americas		USA	396	435	72	-92%	Low Travel
		Brazil	138	59	60		
		Canada	107	79	66		

Table 2: Travel outlook from priority markets for 2021 based on COVID-19 Status, government responses and flight capacity

## OUTLOOK 2021

A dim outlook for recovery is likely to persist from key European, American and Australasian markets during 2021 (Table 2). The United Nations World Tourism Organisation's (UNWTO's) panel of experts predicts that across the world, international tourism recovery will only begin towards the third quarter of 2021, while 20% of the experts expect recovery to pick up only in 2022<sup>14</sup>. Travel restrictions are suggested to remain the main barrier standing in the way of international tourism recovery, along with slow vaccine response times and low consumer confidence<sup>14</sup>.

This requires a need to refocus sights on the Regional and Domestic markets. Oxford Economics' forecasts predict Domestic and Regional markets will contribute 86% of South African tourism spend in 2021 and 82% in 2022 (Fig. 10).

Similar focus on domestic markets are suggested for countries across the globe in an October report by McKinsey & Co., which highlights that for countries across the world, dependence on domestic and non-air travel will likely determine recovery<sup>15</sup>.

This calls for a drastic reimagination of South African tourism that focuses on servicing and growing domestic and regional tourism in order to drive recovery of the tourism sector in the near to medium-term.

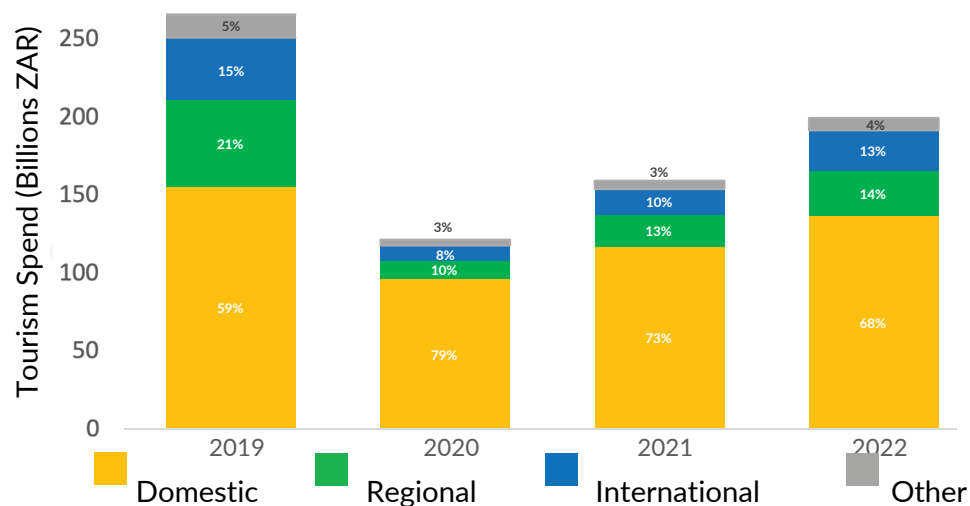


Fig. 10: Contribution of tourism to South African Tourism spend (ZAR billions) of priority source markets by region for 2019 to 2022<sup>16</sup>

<sup>14</sup> Source: McKinsey & Co. - COVID-19 tourism spend recovery in numbers ([link](#))

<sup>15</sup> Source: UNWTO - International tourism down 70% as travel restrictions impact all regions ([link](#))

<sup>16</sup> Source: Oxford Economics



International tourism recovery will strongly depend on pandemic trajectories, travel restrictions, and vaccination developments. There is thus large risk in optimism that international travel will tangibly return during 2021. Instead, we as a sector and a community must seize the gap to re-imagine and redefine the role that domestic and regional tourism can play as a mainstay of our economy for years to come.



**SOUTH AFRICAN TOURISM**