

Tourism growth outlook looks strong

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Auditing firm PwC on Thursday (13 June) projected total room revenue in SA would grow at a compound annual rate of 9.2% between now and 2017 after overall spending on rooms in all categories rose by 13.4% in 2012 to R15.2bn, reflecting an increase in stay-unit nights and a 5.3% rise in the average room rate.



Statistics SA (Stats SA) said last month that the number of tourist arrivals rose by 5.6% year on year (y/y) in February to 715,769, with the number of overseas tourists increasing by 12.0% y/y to 240,387.

President Jacob Zuma said SA had achieved 10.2% growth in the number of international tourists last year, outstripping the average global growth rate of about 4% as estimated by the UN World Tourism Organisation.

A total of 9.2m international tourists came to SA last year, compared with 8.3m in 2011. They spent R76.4bn, 7.6% more than in 2011.

PwC said that despite the stagnating economic climate, SA's hospitality sector was poised for further strong growth in the next five years, fuelled by a record number of inbound travellers into the African continent.

Hotels growing fast

Nikki Forster, PwC leader of hospitality and gaming, said SA's hotel industry was more positive about the outlook for the future of the sector after a difficult period marked by a combination of an over-supply of hotel rooms and expectations of growth in demand.

"Hotels are expected to be the fastest-growing category over the next five years. As in 2012, we expect the demand for rooms to grow faster than supply and for the overall occupancy rate to increase," she said.

"We expect relatively little incremental growth in capacity during the next five years, as demand rises to fill the supply," she said.

With just a few new hotels now opening and others being upgraded, the number of rooms is expected to increase by 1.2% in 2013 and to then grow at rates averaging just below 1% annually until 2017. By 2017 there are projected to be 63,000 hotel rooms available.

Hotel room revenue was expected to expand to R16.8bn in 2017, up 9.5% compounded annually from R10.7bn in 2012.

The increase in foreign overnight visitors benefited five-star hotels more than any other sector, with room revenue increasing by 18.7% to R1.2 billion.

"We expect five-star hotels to continue to benefit more than three- and four-star hotels from the increase in foreign tourism during the next five years, the result of continued growth in business travel and an increase in tourism from other BRIC alliance countries," she said.

Nigeria booming

Nigeria was expected to be the fastest-growing market over the next five years, exceeding SA and Mauritius.

Mauritius is a more developed market than Nigeria in virtually all categories. However, Nigeria is expected to overtake Mauritius within the next five years to become a larger market.

Stay-unit nights in Nigeria are projected to surpass Mauritius in 2015 and to be 63% greater by 2017. The decline in stay-unit nights experienced in Mauritius in 2012 is expected to continue in 2013 as the market recovers.

An increase in occupancy rates in Nigeria is projected for the year, which will put it ahead of Mauritius. Furthermore, occupancy rates in Nigeria will continue to be higher than in Mauritius throughout the forecast period.

Despite the large number of five-star hotels in Mauritius, the average hotel room in Nigeria cost 27% more than in Mauritius in 2012. Hotel room revenue is forecast to grow much faster in Nigeria than in Mauritius.

The online environment has changed the hospitality industry, particularly that of guests' behaviour.

In the past, discussions of people's experiences of business and leisure accommodation was limited to speaking to a few friends, either in-person or over the phone. Today the voices of the guests tend to reach a lot further due to the online environment. Those guests who had good experiences and those who had bad experiences can now comment, tweet or blog about them.

"Five years on from the financial crisis, there are signs that the world economic environment is beginning to stabilise in certain parts and this is evidenced by the increase in foreign visitors to SA," Forster said.

"While the hospitality sector within SA should be cautious before embarking on further hotel developments, SA with its wide range of offerings, attractions and history, is well-placed to take advantage of the improving economic conditions in both the business and leisure tourism markets," she added.