

Tourism Business Index reports worse than expected results for the first quarter of 2011

Results of the second TBCSA FNB Tourism Business Index (TBI) show that the level of tourism business activity was significantly lower than was expected, in the first quarter of 2011.



TBI is an initiative of the Tourism Business Council of South Africa (TBCSA), sponsored by First National Bank (FNB) and compiled by Grant Thornton Strategic Services (GTSS). The index provides a national indication of the current and likely future performance, of the various businesses operating within the South African travel and tourism sector.

According to the index, both the accommodation and other tourism businesses performed worse than anticipated in the first quarter of the year, registering an overall performance index of 79, 6 against a norm of 100. "Normal is defined as the level of acceptable business performance which is in line with the realist long-term average performance you hope to achieve," explains Gillian Saunders, principal consultant for Grant Thornton. "When the index shows performance or prospects higher than 100 this indicates better than normal performance. In the case of this TBI report, performance scores were lower than 100, indicating a worse than normal performance", she said.

A poorer quarter

The index shows that overall accommodation businesses have had a poorer quarter and are operating well below normal performance levels. This depression in business activity is not limited to the large hotel and lodge groups - B&Bs, guesthouses and smaller independent hotels have also reported poor business activity in this period. In contrast, the timeshare and large self catering group operators actually recorded higher than normal levels of performance.

Furthermore, performance levels of other tourism businesses - activities and attractions, tour operators, retail and FOREX operators - have also experienced a decline compared to expectations.

"Essentially, the TBI is telling us that the challenging trading conditions in the tourism sector remain in place," says TBCSA CEO, Mmatšatši Marobe. "Although we had expected a slump in business activity post-World Cup, we were still optimistic that the tide would turn in the new year. Unfortunately, it seems as if we still have a long way to go before we see any signs of improvement."

'Every industry has trading cycles', but a glimmer of hope

Pieter de Bruin, Head of Tourism at FNB Commercial, says this report needs to be viewed in perspective. "Every industry has trading cycles, high and low and we should not be seeing these results as totally negative," he says. He added that information like this is valuable for FNB as a bank in making decisions on how to solution their clients by making informed decisions.

A glimmer of hope comes from the relatively optimistic expectations for the next quarter with an overall future performance index of 94. This is still below normal, but significantly better than the 79,6 of the first quarter.

"Due to the rising input costs such as fuel, electricity and toll-fees, we expect conditions to remain tough for some time. However, we are also hopeful that conditions will improve," Marobe said. She emphasised the vital role that the index will play in influencing how the sector will respond to the job creation targets of the New Growth Path. The results of the index will also inform the sector's approach to the implementation of the new National Tourism Sector Strategy (NTSS).

TBI needs industry's full support

In conclusion, Marobe urged the industry to continue participating in the TBI surveys when requested. "It is important that the TBI has the full support of the industry, irrespective of whether the results are good or bad. It is only through producing the TBI on a consistent basis that we will have a clear picture of how the industry is performing and more importantly, its future prospects. Based on this information, we will be in a better position to lobby, influence government policies and make decisions in the interest of the sector," she said.

The next TBI surveys will be distributed on 27 June 2011. The index will be available for download on the TBCSA website www.tbcsa.travel and copies of the TBI brochures will be distributed at the upcoming Tourism Indaba.

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