

3/27/2023

TOURISM SECTOR RECOVERY REPORT

TOURISM KWAZULU-NATAL

TOURISM KWAZULU-NATAL

LUNGANI MNGOMEZULU
CRYSTELL MANIKLALL
WAYNE TIFFLIN

Table of Contents

TOURISM KWAZULU-NATAL	15
1. Introduction	2
2. Global overview of tourism sector	3
2.1 Global travel trends	3
2.1.1 Wellness travel	4
2.1.2 Nature-based tourism	4
2.1.3 Sustainable travel	4
2.1.4 Business leisure (Bleisure) and Flexible vacations (flexcation) travel	5
3. South Africa tourism sector overview	5
3.1 International travellers	5
3.2 Occupancy rates	7
3.3 Length of stay	8
3.4 Spending	8
4. KwaZulu Natal tourism sector	9
4.1 International overview	9
4.1.1 International travellers	9
4.1.2 Key international source markets	10
4.1.3 Occupancy rates	11
4.1.4 Average length of stay	11
4.1.5 Total Tourists Foreign Direct Spend (TTFDS)	12
4.1.6 Month of travel	12
4.1.7 Lead time	13
4.2 Domestic overview	13
4.2.1 Number of domestic trips and average spend per trip	14
4.2.2 Spending (total direct value)	14
4.2.3 Domestic source markets	15
4.2.4 Month of travel	15
5. Conclusion	16

1. Introduction

The tourism sector is at the centre of economic development, particularly in the context of developing economies. The sector's value chain comprises of various small and large key players from various industries i.e., accommodation establishments, transportation, and other tourism related services. Globally, the sector had a total contribution of 6.1% to gross domestic product (GDP) in 2021. In South Africa, the tourism sector contributed a fair share of 3.2% to GDP amid the pandemic with over one million employment opportunities created during 2021. Similarly, KwaZulu Natal attracts a considerable number of tourists each year. The province had a share of 9.7% of international travellers and over seven million domestic trips were taken during 2022.

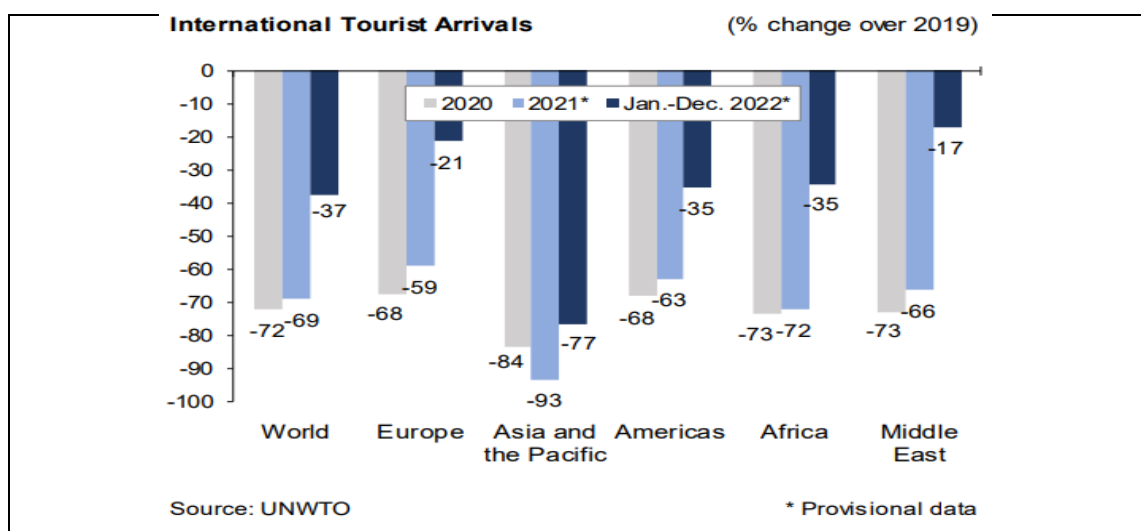
The sector continues to experience the aftermath of the covid-19 pandemic in some parts of the world. In 2020, most regions introduced travel restrictions to curb the spread of the pandemic which saw international travellers declining by 72% globally. Similarly, international arrivals into South Africa also declined by 72% during the same period. However, despite the negative implications caused by the pandemic, there now seems to be an incline in tourism recovery worldwide. Some regions like the Middle East and Europe are expected to fully recover and reach the pre-pandemic levels during 2023 (UNWTO, 2023). The Asian and pacific region is the latest to have its travel restrictions removed and it's still 33% to their pre-pandemic levels. The increase in demand for travel provides a positive outlook for the industry in the years ahead with new trends of travelling also shaping the sector.

This report provides an in-depth analysis of how the tourism sector has been recovering post the pandemic. The report is divided into three parts, namely, global overview, national overview, and provincial overview. Further, year 2019 is used as the benchmark for recovery analysis.

2. Global overview of tourism sector

According to UNWTO (2023), global international tourist arrivals are projected to reach 80% to 95% of pre-pandemic levels this year, depending on the extent of the economic slowdown, the ongoing recovery of travel in Asia and the Pacific and the evolution of the Russian offensive in Ukraine, among other factors. In 2022, More than 900 million tourists travelled internationally. This is double the number recorded in 2021 though still 63% of pre-pandemic levels.

In addition, most global regions experienced an increase in the number of international arrivals during 2022. The Middle East had relatively major increase of arrivals (83%) of the pre-pandemic levels. Similarly, Europe reached nearly 80% of pre-pandemic figures as it welcomed 585 million arrivals in during the same period. Africa and the Americas both recovered about 65% of their pre-pandemic levels. Asia and the Pacific reached only 23% due to stronger pandemic-related restrictions which have started to be removed only in recent months. International tourism recovered 63% of pre-pandemic levels. The graph below exhibit the recovery for each regions over 2019 figures.



There has also been an increase in international tourism receipts across most destinations, in several cases higher than their growth in arrivals. This has been supported by the increase in average spending per trip due to longer periods of stay, the willingness by travellers to spend more in their destination, and higher travel costs partly due to inflation.

2.1 Global travel trends

In 2023, travellers will be looking to deepen experiences by having a lasting positive impact on the places and people they visit. There are many travel trends anticipated

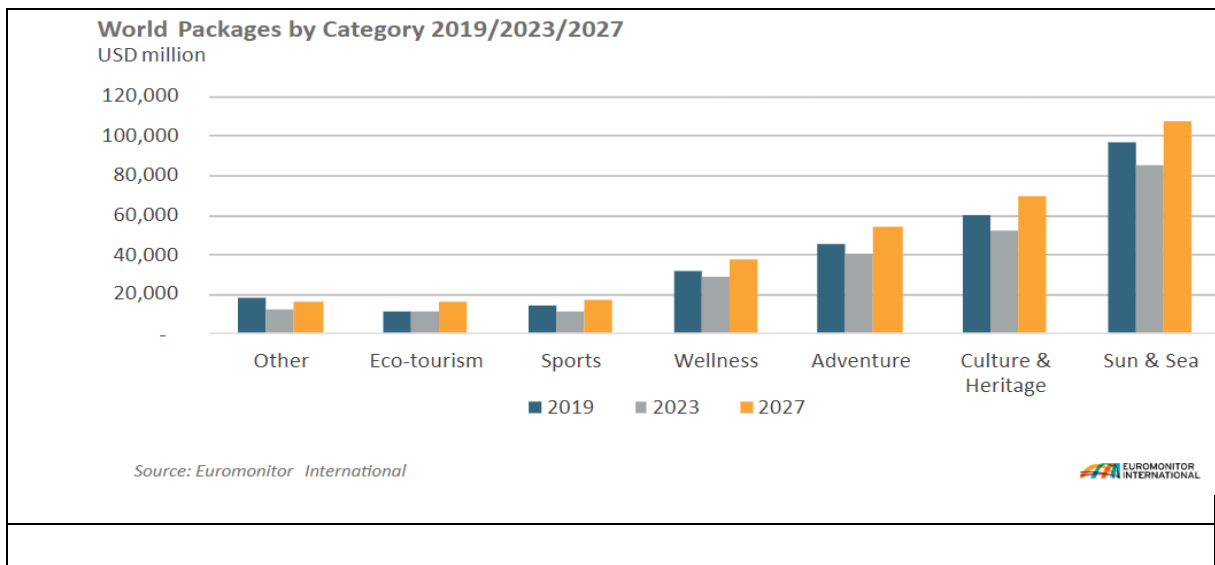
for the upcoming years within the tourism sector. Some of these trends are briefly discussed below.

2.1.1 Wellness travel

Wellness packages, where the focus is on holistic wellbeing, from yoga retreats to destination spas, are forecast to reach USD 29.3 billion in 2023. Wellness has demonstrated strong resilience during the pandemic, with less of a decline than other types of packages in 2020.

2.1.2 Nature-based tourism

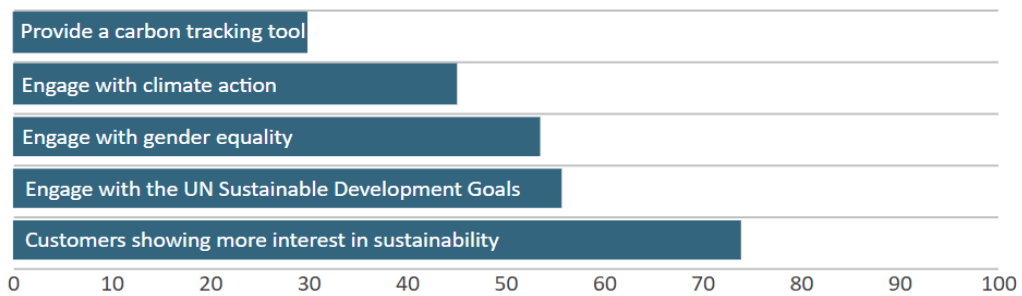
Adventure tourism, eco-tourism, and sun and sea are also enjoying increased consumer appetite and expected to account for 57% of all travel packages worldwide in 2023. These packages encompass rural, beach and adventure destinations and activities, as the appeal of nature and the wild continues to grow post-pandemic.



2.1.3 Sustainable travel

Sustainable travel packages accounting for adventure, culture and heritage, eco-tourism, and wellness are forecast to amount to USD134 billion in 2023, and the larger share of overall packages compared to typical mass-market products like sun and sea. According to Euromonitor’s Travel Survey (2022), about 73.8% of travel executives saw increased interest in sustainability from their customers in 2022. With two thirds of consumers globally saying that they want to have a positive impact through their daily lives, this is a trend that the sector is paying attention to. Moreover, about 57.3% noted that their customers will pay more for sustainable products and services, such as using renewables, carbon offsetting, paying a fair wage or sourcing local food and drink.

Travel Companies' Engagement with Sustainability 2022
% of respondents



Source: Euromonitor International - Voice of the Industry: Travel Survey, fielded in April 2022



2.1.4 Business leisure (Bleisure) and Flexible vacations (flexcation) travel

Bleisure travel is a form of travel that extends business trips for leisure and flexcations. Also, flexible vacations that combine remote work with leisure travel, are on the rise in 2023. According to the Expedia's traveller value index (2023), the likelihood of bleisure travel has jumped to 76% in the next 12 months. On the other hand, for millennials and Gen Zs, flexcations are even more popular, with 43% of millennials and 38% of Gen Zs planning on a flexcation trip in the next year. This new trend presents a strong opportunity for destinations to extend their tourism season beyond the high-demand period, with multiple benefits to local economies and communities.

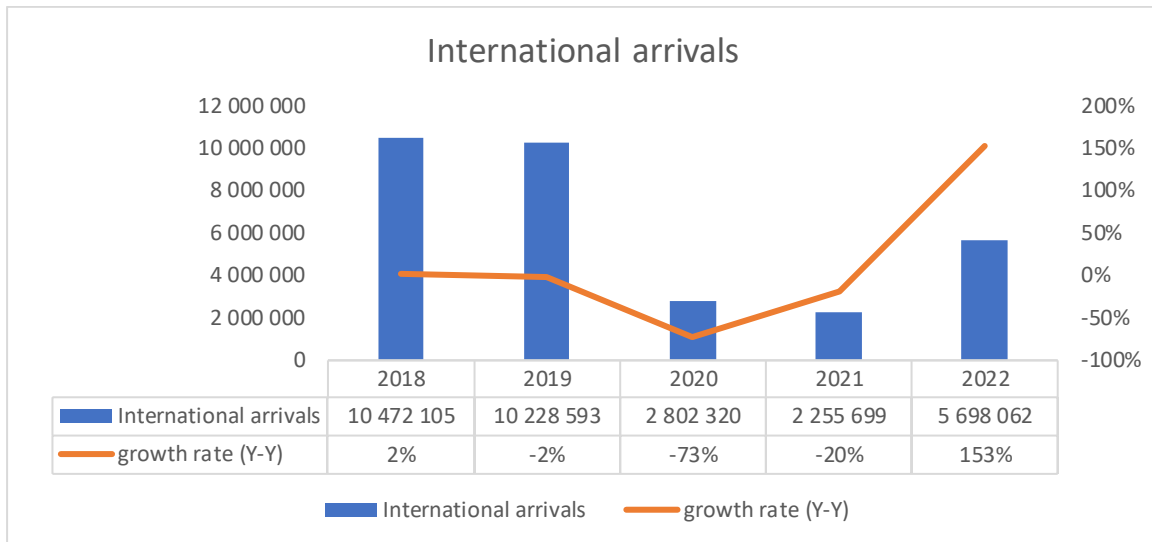
3. South Africa tourism sector overview

The South African tourism sector is one of the multifaceted and thriving sectors. In 2021, the sector contributed approximately 3.2% to the domestic GDP and created over one million employment opportunities (WTTC, 2022). However, the sector was one of the first economic sectors to be deeply impacted by the covid 19 pandemic with measures to contain its spread, including restrictions on movement (TSRP, 2021). In 2020, the number of international arrivals abruptly declined by 73%. This section will look at how the sector has been recovering post the pandemic within South African context.

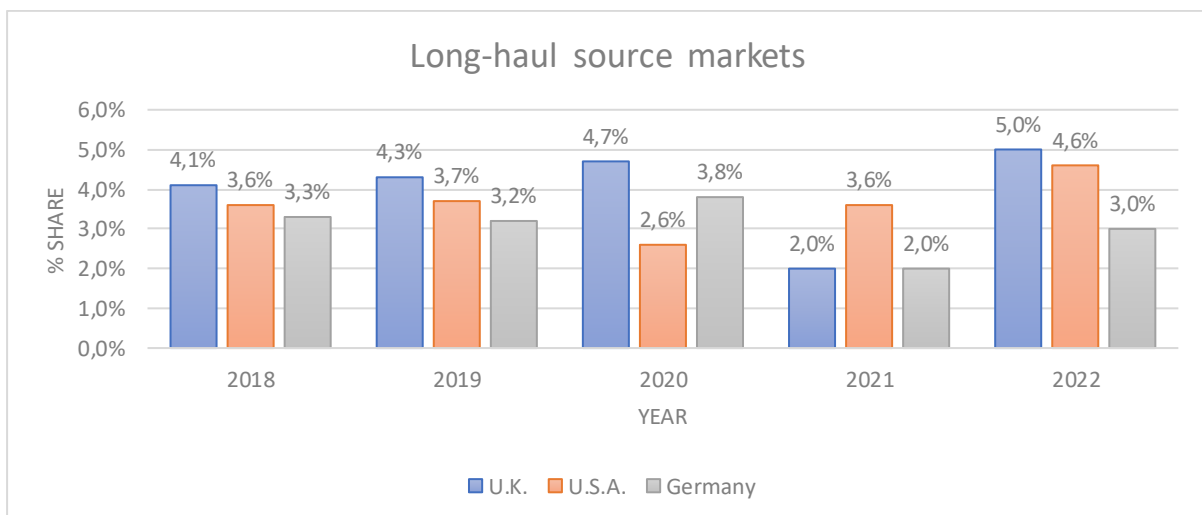
3.1 International travellers

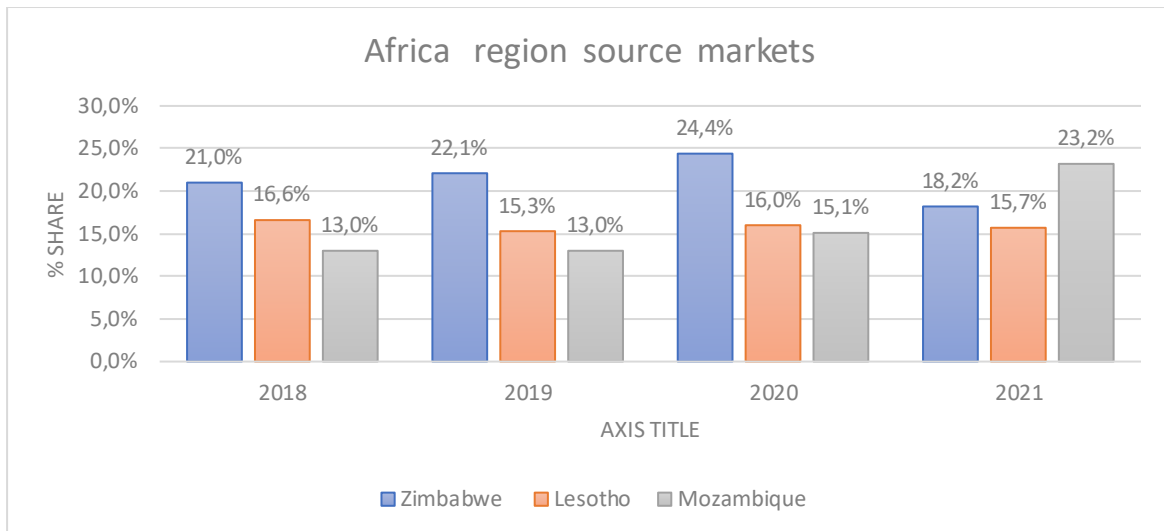
South Africa recorded approximately 5 698 062 international arrivals through its airports and borders in 2022. This is a major improvement of 153% when compared to 2021. However, the sector has not fully recovered to the pre-pandemic levels, and it is still below by 44% to 2019 figure. The number of arrivals is expected to grow steady as most parts of the world have open up for travel. Moreover, the Asian market,

China in particular, is the last market to have had its travel restrictions removed. This will further strengthen the number of international arrivals in South Africa.



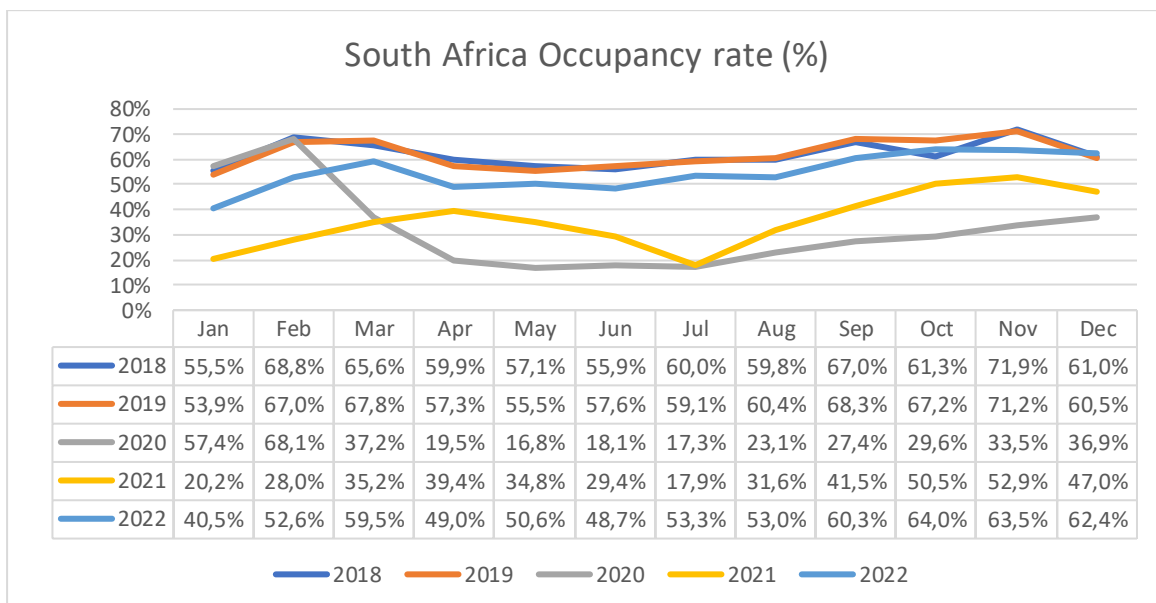
Further, African continent arrivals represent more than 50% of the international arrival in South Africa. In terms of long-haul markets, UK has been a prominent long haul source market for South Africa representing about 30% of all European arrivals. This might be attributed to the strong historical ties that the two countries share. USA and Germany also represent a significant share of international tourists in SA. Most regions, globally, have removed travel restrictions. Hence, we expect to see more of international travelling taking place in 2023 relative the previous two years. The table below summarises the top three long-haul and African source markets for South Africa that subsequently feeds into international arrivals.





3.2 Occupancy rates

The pandemic saw occupancy rates in South Africa dropping to 16% in May 2020 which is a decline of 70% when compared to the same period in 2019. Nonetheless, the hospitality industry is experiencing a strong bounce back in 2022 relative to the previous two years as travel restrictions and covid 19 measures have been scrapped out. This recovery is in line with PWC (2019) projection of 61.1% in occupancy rates during 2023. The graph below shows occupancy rates in South Africa from 2018 to 2022.

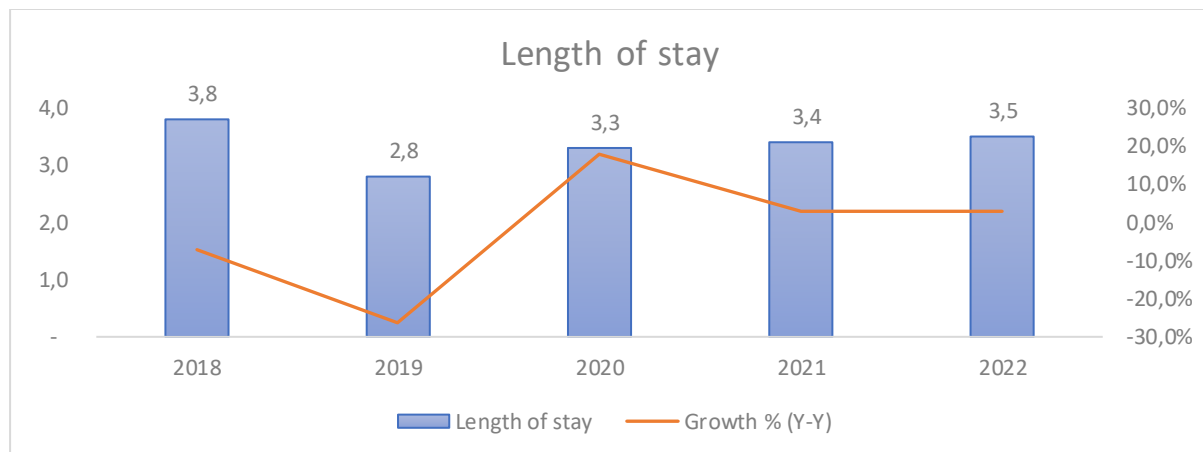


From the graph above, it is evident that the pandemic had a devastating impact on the hospitality industry. Occupancy rates were relatively low during the pandemic (2020 and 2021). This is because of implementation of covid 19 measures to curb the spread

of the virus. Subsequently, low levels of occupancy rates were recorded during this period. In 2022, occupancy rates had recovered closely to the pre-pandemic levels with the highest being 64% in October.

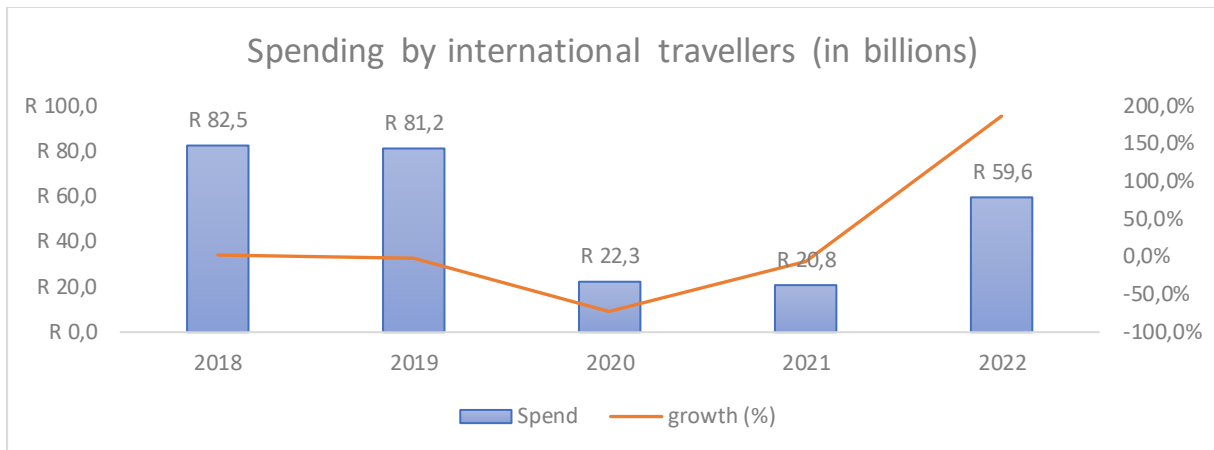
3.3 Length of stay

Length of stay is one of the vital key indicators particularly when measuring international tourism as it indicates a total number of guest nights spent by a given number of visitors in a destination (Gosling, Scott and Hall, 2018). Average length of stay has not changed much during the pandemic. The country recorded an average length of stay of 3.5 nights in 2022, which represents a 25% growth when compared to 2019. This shows that tourists are extending their stay in the country. Subsequently, this will stimulate spending by the tourists which will further boost domestic economy. In addition, more extended stays are more sustainable as the potential effects of tourism interaction with local communities and business entities are less intense and hectic (Oklevik, et al., 2021).



3.4 Spending

Spending by foreign tourists is of importance to the local economy. Yehia (2019) contends that spending by foreign tourists leads to, *inter alia*, high demand for domestic goods and services, employment creation and infrastructure development. Total spending by tourists took a deep knock during the pandemic in South Africa. In 2022, total spending amounted to R59.6 billion which represents an increase of 187% when compared to 2021. This is still below the pre-pandemic levels by 26%. It is expected that spending will further strengthen in 2023 due to the estimated high volumes of international tourist arrivals.



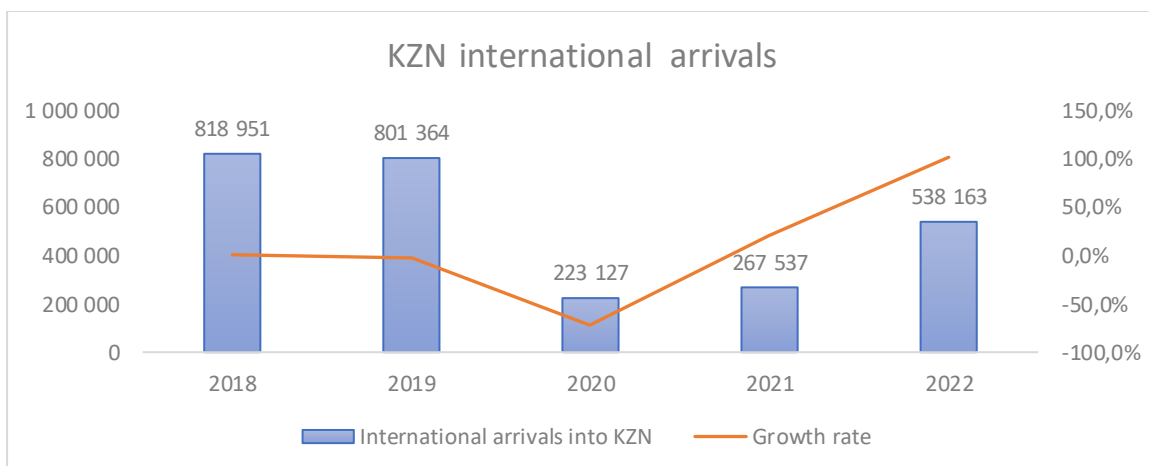
4. KwaZulu Natal tourism sector overview

The tourism is one of the most thriving sectors in KwaZulu Natal with significant share of contribution (5%) to the regional gross domestic product (R-GDP) during 2021. KwaZulu Natal enjoys a competitive advantage over other provinces and attracts a considerable number of tourists each year. This section will focus on the province’s recovery prospects post the pandemic from the international perspective.

4.1 International overview

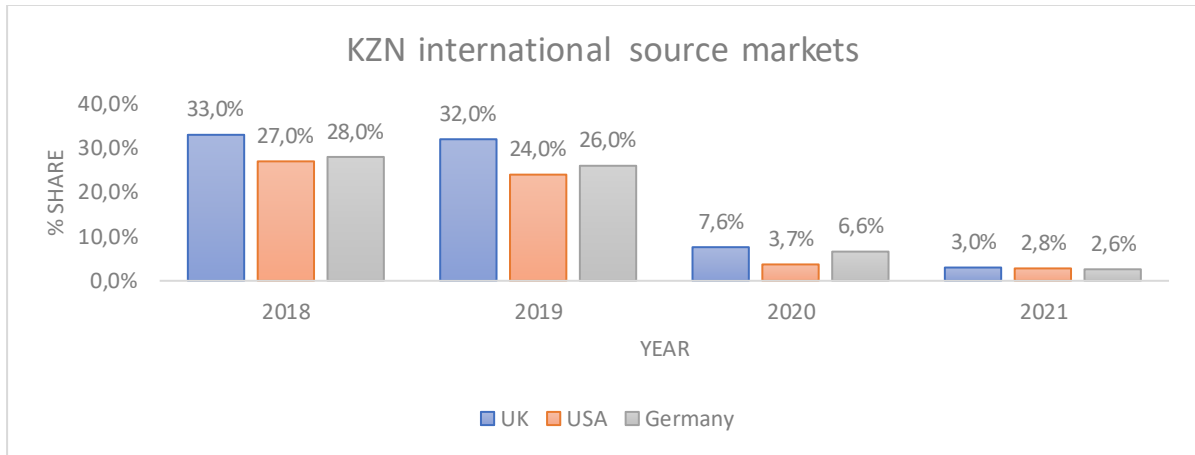
4.1.1 International travellers

KwaZulu Natal recorded a decline in the number of international arrivals into the province during 2020 and 2021, the former had the least number of international arrivals of 223 127. The number of international arrivals picked up during 2022 as some travel restrictions were removed in most regions. In 2022, the province recorded an increase of 101% when compared to 2021. This amounts to 67% of the pre-pandemic levels. The number of international visitors into the province is expected to grow due to an increasing global demand for travelling.

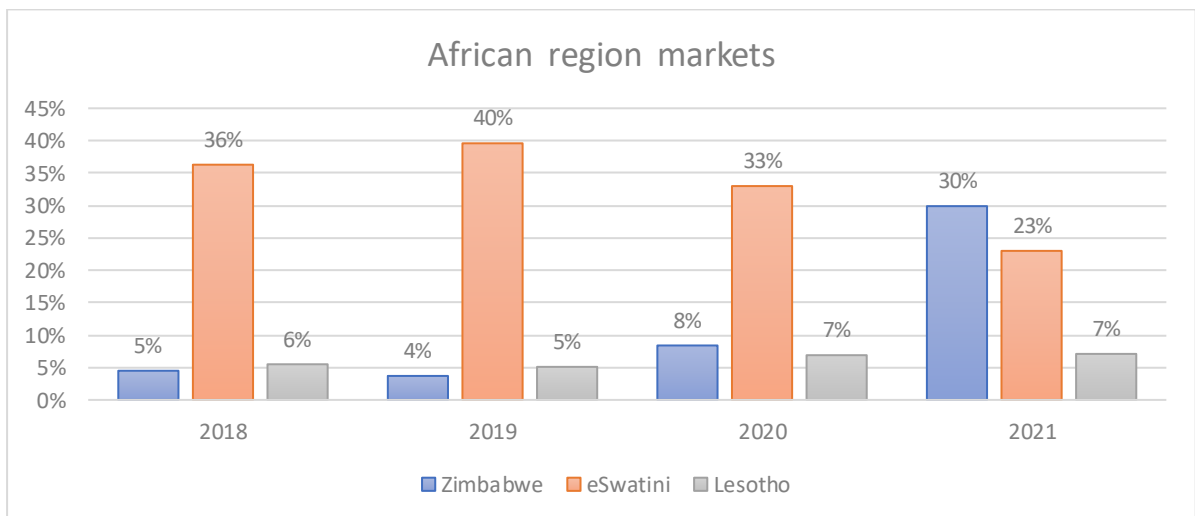


4.1.2 Key international source markets

The graph below represent a percentage share of key long-haul and African region source markets for the province. Majority of these tourist are either here for leisure or visiting friends and relatives. UK, USA, and Germany are the key long-haul source markets for the province. During the pandemic, the province received less tourists from these key source markets due to travel restrictions.

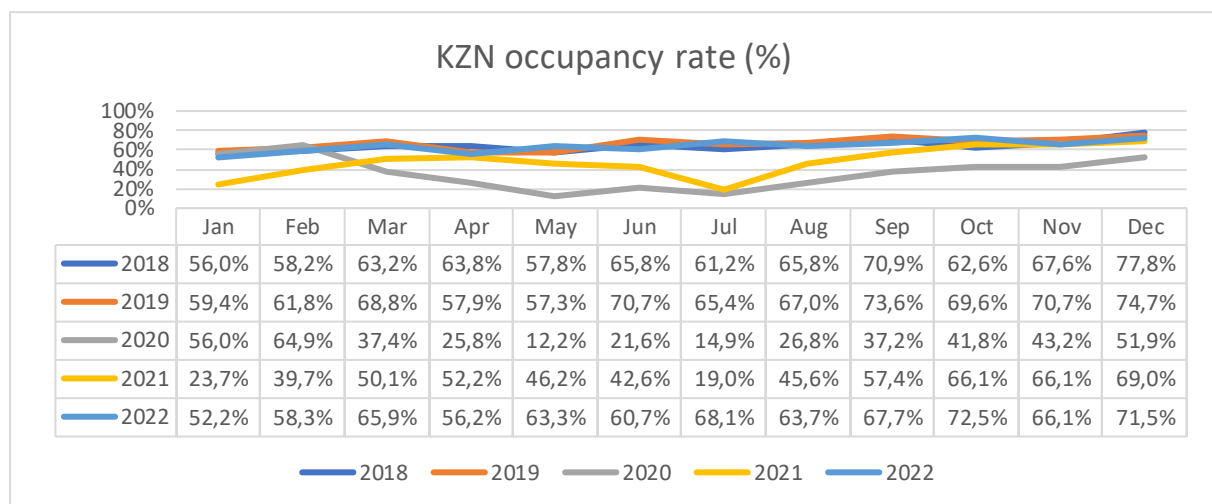


On the other hand, the African region arrivals into the province has been fairly consistent with slightly decrease during the pandemic. Most of the African travellers come from land border ports, hence they have easy access to the country. The province saw an influx of travellers from eSwatini during 2018 and 2019.



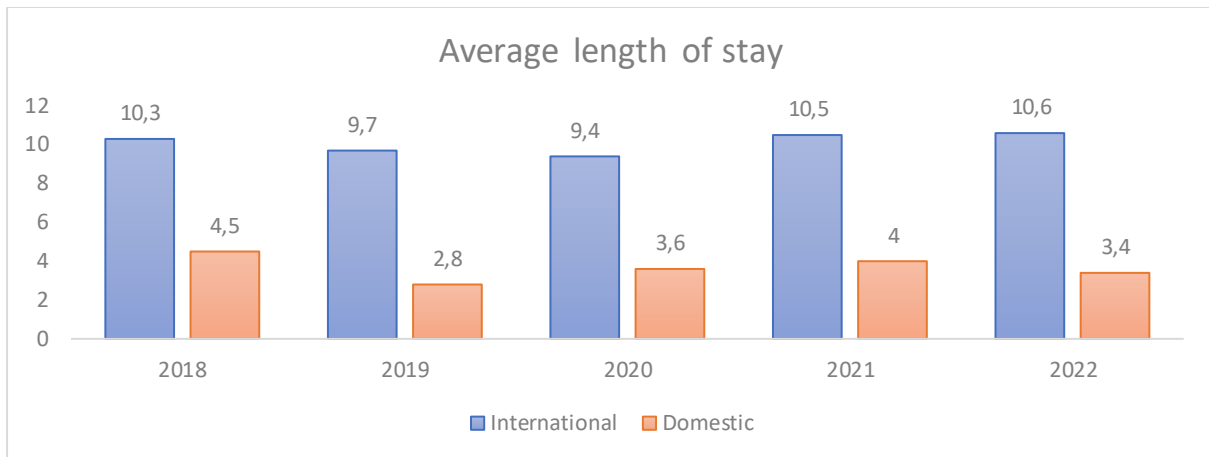
4.1.3 Occupancy rates

There has been some improvements in occupancy rates during 2022 relative to 2021 and 2020. During the pandemic, the province recorded the lowest occupancy rate of 12% in May 2020. Occupancy rates are dependent on the number of tourists the province attract in a given period, hence a decrease in the number of tourist arrivals will subsequently result in low occupancy rates. In 2022, KZN recorded a high of 71.5% occupancy rates which is an increase of 4% when compared to 2021. The province has reached approximately 95% of the pre-pandemic levels occupancy rates. This indicates that KZN will reach the pre-pandemic figures this year given that there are no other factors that may negatively affect the hospitality industry.



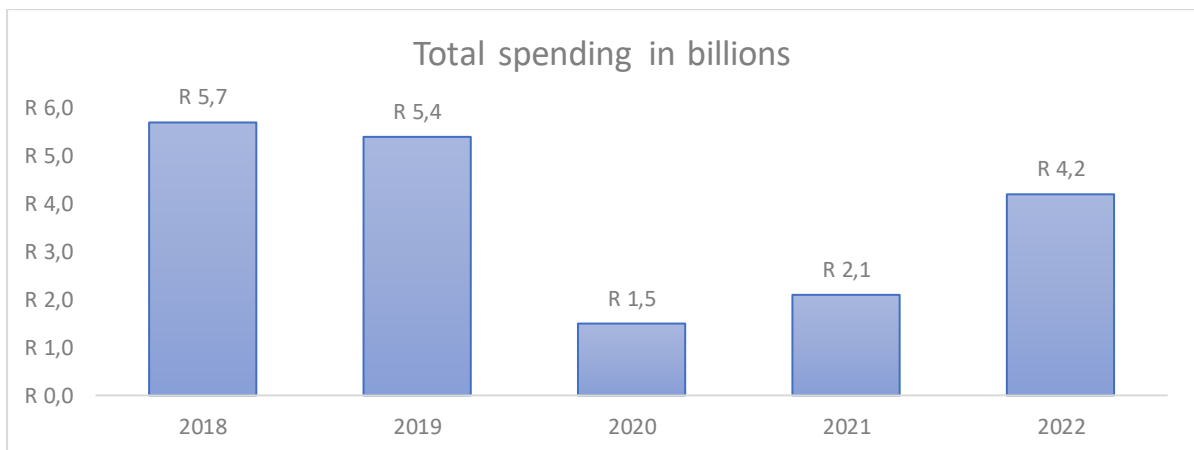
4.1.4 Average length of stay (domestic vs international)

International travellers tend to stay longer than their counterparts. Generally, domestic tourists are more sensitive to economic changes compared to international tourists. Hence, the shorter periods of stay might indicate, amongst other things, socio-economic conditions are prevailing in the country. There has not been major variations in the length of stay across the years. However, there was a notable decline in domestic length of stay from 4.5 nights in 2018 to 2.8 nights in 2019. This might be attributed to the economic recession that the country experienced in 2019, where the GDP contracted by 0.8% and 1.4% in the third and fourth quarters respectively.



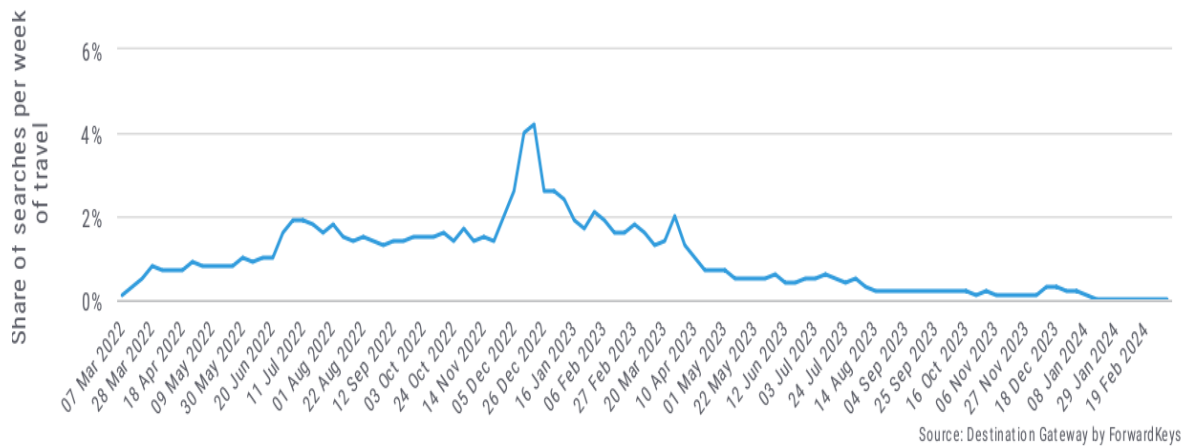
4.1.5 Total Tourists Foreign Direct Spend (TTFDS)

Expenditure by foreign tourists is crucial economic development and can be an important source of foreign exchange. Spending by international tourists took a knock during the pandemic. In 2020, the province received the least amount of R1.5 billion from international tourists. Spending improved in 2022 with a total spending of R4.2 billion being recorded. This represent a recovery of 78% of the pre-pandemic levels.



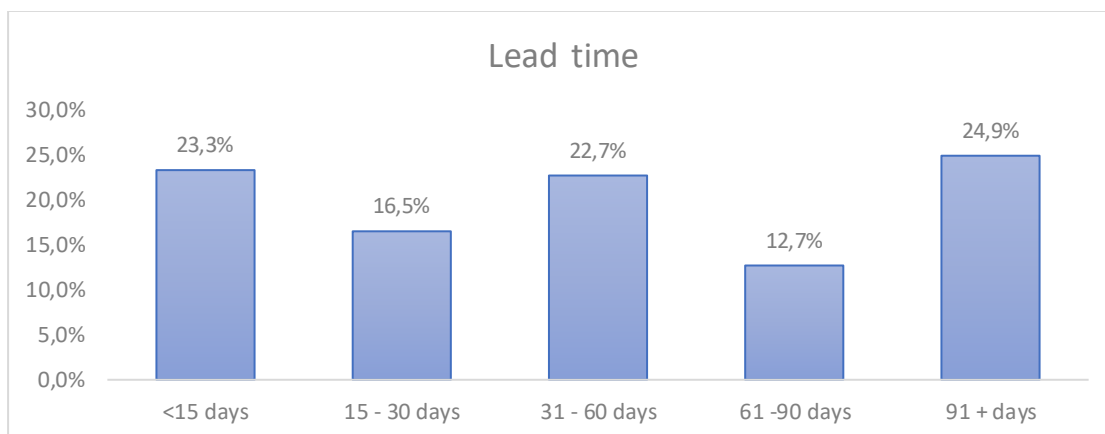
4.1.6 Month of travel

The below graph represent the preferred date to travel by international tourists travelling to Durban. From the graph, it is evident that early December is the most preferred travel month as it is still quiet before the peak season where most people are on holidays.



4.1.7 Lead time

The graph below shows the lead time for international travellers when planning to travel into Durban. A significant share (24.9%) of travellers book their flights 91 days prior to their departure followed by those who book in less than 15 days (23.3%). Those who book between 61 days to 90 days had a relatively minor share of 12.7%. Long lead time enable travellers to take advantage of lower prices and adequately plan ahead of their journey.



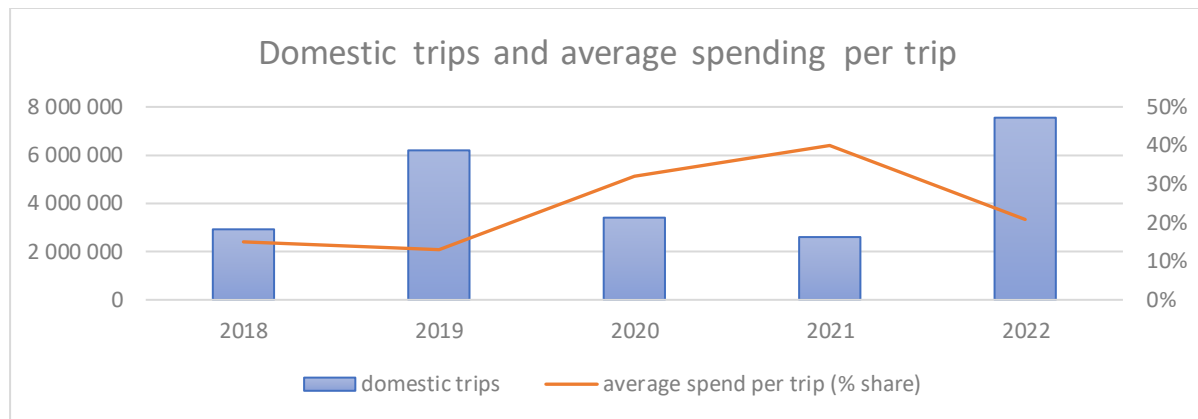
4.2 Domestic overview

From the domestic perspective, the sector has recovered at a faster pace compared to the international space. The biggest driver of domestic travel in the first six months of 2022 was the easing of Covid 19 travel restrictions (SAT, 2022). Majority of domestic travellers travel with an intention to visit friend and relatives. In 2023, growth in the domestic tourism will be dependent on various factors which may include, amongst

others, socio-economic factors, external factors such as geo-political tensions and oil prices.

4.2.1 Number of domestic trips and average spend per trip.

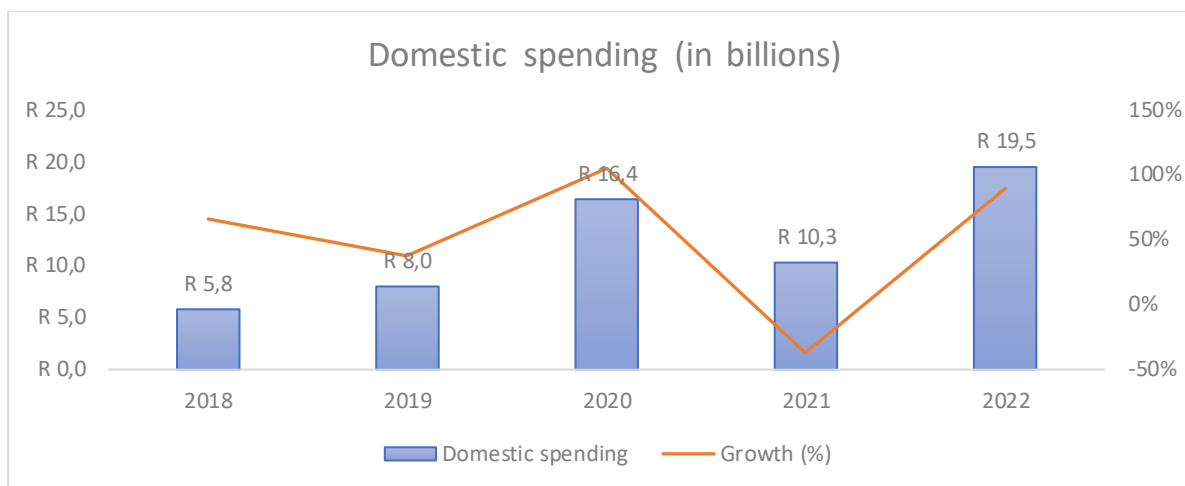
Domestic trips taken in KwaZulu Natal during 2022 surpassed that of the pre-pandemic levels. The province recorded 7 553 050 domestic trips in 2022, which represents 22% increase relative to the pre-pandemic levels. This indicates that the domestic sector experienced revenge travel trend during 2022.



In addition, the average spending per trip was relatively higher during the pandemic than the previous years. This might be associated with high costs of goods and services during the pandemic due to disruptions in the supply chain and consistent interest rates hikes by the South African Reserve Bank (SARB). In 2022, there were less constrains in the market and the economy was fully operationally. This might have reduced the pressure in the market and stabilised prices. Consequently, the average spending declined in 2022.

4.2.2 Domestic spending

Domestic spending declined by 70% in 2019 and slightly improved thereafter. This might also be an indicative of the impact of the economic recession in 2019. During the pandemic, the figure improved in 2020 and declined in 2021. Further, this volatility in domestic spending shows how elastic the domestic market is towards external and domestic economic shocks. That is, any external or domestic factors such as economic recession, high oil prices and geo-political wars (Ukraine vs Russia) have major impact on how domestic tourists spend their money. In addition, recent interest rates hike by the SARB will further reduces tourists' disposable income. High spending during 2022 may be attributed to revenge travelling.



4.2.3 Key domestic source markets

The table below exhibit the top five domestic source markets for KwaZulu Natal from 2019 to 2021. KZN attracts a considerable number of domestic travellers from Gauteng and Eastern Cape. This might be because of ease of geographical mobility amongst the travellers.

	2019	2020	2021
KZN	Gauteng	KZN	KZN
Gauteng	KZN	Gauteng	Gauteng
Eastern Cape	Mpumalanga	Western Cape	Western Cape
Mpumalanga	Eastern Cape	Eastern Cape	Eastern Cape
Free State	Western Cape	Northern Cape	Northern Cape

4.2.4 Month of travel for domestic travellers

Similar to international travellers, the most preferred month of travel amongst domestic travellers is December. During the festive season, most people are on holiday, hence this might be the best time for them to travel. In addition, this is also during the cruise season which attracts quite a number of tourists into the province.



5. Conclusion

This report concludes a variation of insights. It can be noted that globally, there was an incline within the tourism sector in 2022, compared to 2021. Multiple emerging travel trends were also discussed including wellness and sustainable travel, nature-based tourism, as well as bleisure and flexcations. In the context of South Africa, the country experienced major improvement of international arrivals through its airports and borders in 2022. However, as expected, numbers are significantly lower than pre-pandemic levels, but there is possibility of an increase in the coming years as the world opens up.

The increase of international arrivals in 2022 was 107%. International arrivals cannot grow at over 100% year on year; thus, growth will slow down. Long-haul travel, to KZN will increase, but the focus of that increase will be the regional markets. Regional markets have in the past been made up of over 60% of international arrivals into KZN. Arrivals into KZN from Africa was over 70% in 2022. Africa is an important source market for KZN and thus this market will be important in achieving the 2019 arrivals.

Lastly, within KZN, the report concludes that domestic tourism drives the sector in the province. While international tourism is extensive, domestic tourism is prominent. Therefore, it is necessary to focus efforts on the domestic markets to help increase tourism in KZN for years to come.

It is crucial to understand the dynamics of tourism on the various levels to ensure effective planning and marketing for a thriving sector. While the outlook for the tourism industry looks promising, it is up to all stakeholders to work together and ensure tourism is no longer subject to vulnerabilities inflicted by the Covid-19 pandemic.