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## Politics and Economic Woes Influence Travel and Tourism in South Africa

*Often referred to as South Africa's 'new gold', the South African travel and tourism sector has grown exponentially over the past two decades. The sector is estimated to have directly contributed approximately ZAR117.8 billion to the country's economy and directly supported an estimated 705 500 jobs in 2015. However, following the political and economic events that unfolded at the end of 2015, travel and tourism in South Africa is anticipated to experience a difficult year ahead.*

Located at the southern-most tip of the African Continent, the Republic of South Africa borders the Atlantic and Indian Oceans in the south; Namibia, Botswana, Zimbabwe, and Mozambique situated in the north; and surrounds Swaziland and Lesotho.

South Africa has experienced a different history from other nations in Africa primarily due to early immigration from Europe which began shortly after the Dutch East India Company founded a station at the Cape in 1652. The strategic importance of the Cape Sea Route further influenced the history of the country.

In 1795 Great Britain seized the Cape of Good Hope area, allegedly to prevent it falling into French hands, although also seeking to use Cape Town in particular as a stop on the route to Australia and India. In 1803 it was returned to the Dutch, however, soon thereafter the Dutch East India Company declared bankruptcy and the British annexed the Cape of Good Hope in 1806.

After the British seized the Cape of Good Hope area in 1806, many of the Dutch settlers (the Boers) trekked north to found their own republics. The discovery of diamonds in 1867 and gold in 1886 spurred wealth and immigration and intensified the suppression of the native inhabitants. Despite resisting British encroachments, the Boers were defeated in the Boer War (1899-1902).

After four years of negotiations, the Union of South Africa was created from the Cape and Natal colonies, as well as the republics of the Orange Free State and Transvaal, on

May 31st, 1910. The Republic of South Africa was declared on May 31st, 1961.

South Africa operated under a policy of apartheid - the separate development of the races. However, the 1990s brought an end to apartheid politically and ushered in black majority rule. When apartheid ended in 1994, the South African government integrated the formerly independent and semi-independent Bantustans into the political structure of South Africa. To this end, it abolished the four former provinces of South Africa (Cape Province, Natal, Orange Free State, and Transvaal).

Today, South Africa has nine fully integrated provinces, fifty-two districts, forty-four district municipalities, two hundred and twenty-six local municipalities and eleven official languages. South Africa is the only nation in the world with three capital cities: Cape Town, the largest of the three, is the legislative capital; Pretoria is the administrative capital; and Bloemfontein is the judicial capital.

South Africa is an ethnically diverse country. According to the mid-2015 population estimate published by Statistics South Africa, South Africa's population is estimated at 55 million of which approximately 80 percent are Black South Africans, approximately 9 percent are Coloured South Africans, approximately 8 percent are White South Africans, and the remaining approximately 3 percent are Indian/ Asian South Africans.

South Africa has a bicameral parliament comprising of a 90-member National Council of Provinces (the upper house) and a 400-member National Assembly (the lower house). The government is formed in the lower house and the leader of the majority party in the National Assembly is the President. Elections for both chambers are held every five years with the next Presidential election scheduled for May 2019. The first democratically elected President of 'the Rainbow Nation' was Nelson Mandela. The current President is Jacob Zuma (first elected in 2009) who succeeded the former President, Thabo Mbeki.

Between 2004 and 2007, South Africa enjoyed a prosperous period of economic growth as gross domestic growth rates breached 4.5 percent per annum. Economic growth slowed in 2008 and this was a precursor to negative growth registered in 2009 due to the global economic crisis which led to reduced commodity prices

and world demand hindering recovery. With the South African government committed to infrastructure projects due to the FIFA Soccer World Cup™, the South African economy recovered quickly in 2010 and 2011; however this relatively robust growth has not been matched since.

The South African provinces have various capabilities and their contributions to national gross domestic product are in line with their respective capabilities. Nevertheless, the contribution to the national economy by Gauteng, Kwa-Zulu Natal, and the Western Cape provinces accounts for approximately two thirds of gross domestic product.

South Africa has a sophisticated service infrastructure including telecommunications infrastructure, financial services, and a world class banking system. As a service-based economy, the sector contributes approximately 70 percent to the country's gross domestic product and absorbs approximately two thirds of the labour force.

The country has a modern and well developed transport infrastructure; in fact South Africa's air and rail networks are the largest on the Continent. Furthermore, the country's sea ports provide a natural stopover for shipping to and from Europe, the Americas, Asia, Australasia and both coasts of the African Continent.

In terms of the country's accessibility for tourists, South Africa has ten airports which handle more than 270 000 arriving aircraft and approximately 18 million arriving passengers annually. The main international airports are OR Tambo International Airport situated in Johannesburg, Cape Town International Airport (Cape Town), and King Shaka International Airport situated in Durban.

Over the past two decades, the South African tourism industry has grown exponentially from an estimated 1 million international visitors recorded in the country in 1990 to an estimated 8.9 million visitors in 2015. Often referred to as South Africa's 'new gold', the South African travel and tourism sector is estimated to have directly contributed approximately ZAR117.8 billion to the country's economy and directly supported an estimated 705 500 jobs in 2015.

Although grading is voluntary, according to the Tourism Grading Council of South Africa, by end August 2015, the South African hospitality sector reported 5 124 graded accommodation establishments representing some 113

110 rooms. Whilst the number of guest house, self-catering, and bed & breakfast establishments numbered more than the number of hotel establishments, almost 50 percent of graded accommodation rooms are associated with graded hotel establishments.

Over the past five years, the South African hotel sector has registered marginal growth in annual occupancy; from approximately 56 percent in respect of the calendar year 2011 to an estimated 63 percent in respect of the 2015 calendar year. However, it should be noted that the supply of hospitality accommodation over this period increased in excess of 10 percent.

In terms of average room rate, the South African hospitality sector has registered a compound average annual growth of approximately 6 percent over the past five years, from an estimated ZAR855 in 2011 to an estimated ZAR1 080 in 2015. With average inflation averaging in excess of 4.5 percent per annum over this period, once adjusted for inflation, average room rate performance over the past five years has not registered particularly favourable results.

Following the political and economic events that unfolded at the end of 2015, travel and tourism in South Africa is anticipated to experience a difficult year ahead. Foreign investment is likely to be limited and whilst more South Africans are anticipated to travel within the country, the average travel and tourism expenditure by domestic tourists is likely to be limited. The announcement by President Zuma in his State of the Nation Address that government travel expenditure will be reduced is likely to place further pressure on the domestic travel and tourism sector. No doubt, in this highly competitive and ever-changing sector, those travel and tourism enterprises that respond and adapt to industry developments will reap the rewards.

## WRITTEN BY:

**MICHELE DE WITT****Director**

Horwath HTL South Africa

email: [mdewitt@horwathhtl.com](mailto:mdewitt@horwathhtl.com)

*Michelè has 25 years of experience in the tourism and hospitality industry with the past decade focussed on providing services across English-speaking sub-Saharan Africa. Her experience covers a wide range of activities enabling her to provide a spectrum of services from market analyses, concept development, financial feasibility studies and operator selection for projects to trouble-shooting for existing operations, and developing and implementing operating standards, policies and procedures to support organisational objectives. More recently, Michelè has assisted hospitality owners with asset management, owner representation, and corporate strategic advice (including the implementation thereof).*

*Michelè holds a National Diploma in Hotel Management from ML Sultan Hotel School, South Africa as well as a National Diploma in Management Accounting and Finance conferred by the Independent Institute of Education and endorsed by the Chartered Institute of Business Management, South Africa. Michelè joined Horwath HTL's South African firm in 2004 and currently holds the position of Managing Director.*

*Michelè has served on various tourism and hospitality committees in South Africa and in 2012 was elected Chairperson of FEDHASA Cape. Michelè serves as a Trustee to the Tourism Hospitality and Catering Pension Fund and is also a member of the South African Property Owners Association and the Institute of Directors of Southern Africa.*

**HORWATH HTL SOUTH AFRICA**

F2 The Courtyard, Central Park on Esplanade, Century City

Western Cape

7441 Cape Town

+27 21 527 2100

[www.horwathhtl.com](http://www.horwathhtl.com)



*Hotel, Tourism and Leisure*

#### **ASIA PACIFIC**

AUCKLAND, NEW ZEALAND  
auckland@horwathhtl.com

BANGKOK, THAILAND  
ischweder@horwathhtl.com

BEIJING, CHINA  
beijing@horwathhtl.com

HONG KONG, SAR  
hongkong@horwathhtl.com

JAKARTA, INDONESIA  
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA  
kl@horwathhtl.com

MUMBAI, INDIA  
vthacker@horwathhtl.com

SHANGHAI, CHINA  
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE  
singapore@horwathhtl.com

SYDNEY, AUSTRALIA  
rdewit@horwathhtl.com

TOKYO, JAPAN  
tokyo@horwathhtl.com

#### **AFRICA**

ABIDJAN, IVORY COAST  
cspecht@horwathhtl.com

KIGALI, RWANDA  
fmustaff@horwathhtl.com

**CAPE TOWN, SOUTH AFRICA**  
capetown@horwathhtl.com

#### **EUROPE**

AMSTERDAM, NETHERLANDS  
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA  
vmarti@horwathhtl.com

BARCELONA, SPAIN  
vmarti@horwathhtl.com

BELGRADE, SERBIA  
slovreta@horwathhtl.com

BUDAPEST, HUNGARY  
mgomola@horwathhtl.com

DUBLIN, IRELAND  
ireland@horwathhtl.com

FRANKFURT, GERMANY  
frankfurt@horwathhtl.com

ISTANBUL, TURKEY  
merdogdu@horwathhtl.com

LISBON, PORTUGAL  
vmarti@horwathhtl.com

LIMASSOL, CYPRUS  
cmichaelides@horwathhtl.com

LONDON, UK  
ehenberg@horwathhtl.com

MADRID, SPAIN  
vmarti@horwathhtl.com

MOSCOW, RUSSIA  
mohare@horwathhtl.com

OSLO, NORWAY  
oslo@horwathhtl.com

PARIS, FRANCE  
pdoizelet@horwathhtl.com

ROME, ITALY  
zbacic@horwathhtl.com

SALZBURG, AUSTRIA  
austria@horwathhtl.com

WARSAW, POLAND  
dfutoma@horwathhtl.com

ZAGREB, CROATIA  
scizmar@horwathhtl.com

ZUG, SWITZERLAND  
hwehrle@horwathhtl.com

#### **LATIN AMERICA**

BUENOS AIRES, ARGENTINA  
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL  
mschnurle@horwathhtl.com

MEXICO CITY, MEXICO  
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC  
speralta@horwathhtl.com

SANTIAGO, CHILE  
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA  
mjgutierrez@horwathhtl.com

#### **NORTH AMERICA**

ATLANTA, USA  
pbreslin@horwathhtl.com

DENVER, USA  
jmontgomery@horwathhtl.com

MIAMI, USA  
acohan@horwathhtl.com

MONTREAL, CANADA  
pgaudet@horwathhtl.com

NEW YORK, USA  
pbreslin@horwathhtl.com

TORONTO, CANADA  
pgaudet@horwathhtl.com