Enterprise iLembe Tourism Performance Bi-Annual Report Jan-Jun 2022

enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

South Africa
KWAZULU-NATAL
Zulu Kingdom. **Exceptional**

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R1.6 billion
Direct Tourist Expenditure

Total Economic Impact

R2.5 billion
Total GDP Contribution

R595 million
Total Household Income

5 290
Total Jobs Supported

R191 million
Total Taxes

345 150
Visitors from Jan-Jun 2022

65%
visitors in paid accommodation

21%
visitors staying with friends and relatives

14%
day visitors

801 640
bednights from Jan-Jun 2022

3 nights
Length of Stay

3 people
Group Size

50%
Accommodation occupancy rate

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Abbreviations

COVID-19	Coronavirus Disease
GDP	Gross Domestic Product
GGP	Gross Geographic Product
GVA	Gross Value Added
KZN	KwaZulu-Natal
MICE	Meetings Incentives Conferences and Events
SA	South Africa
SAT	South African Tourism
TKZN	Tourism KwaZulu-Natal
VFR	Visiting friends and relatives

Section 1: Introduction

Enterprise iLembe is the iLembe District's economic development agency, and its primary role is to promote trade and investment opportunities in tourism, agriculture, manufacturing, and services. The agency is mandated to conduct tourism industry research to form a baseline of market performance and to quantify the economic impact of the industry. Urban-Econ Development Economists was appointed by Enterprise iLembe to compile tourism industry research and performance reports for a 3-year period.

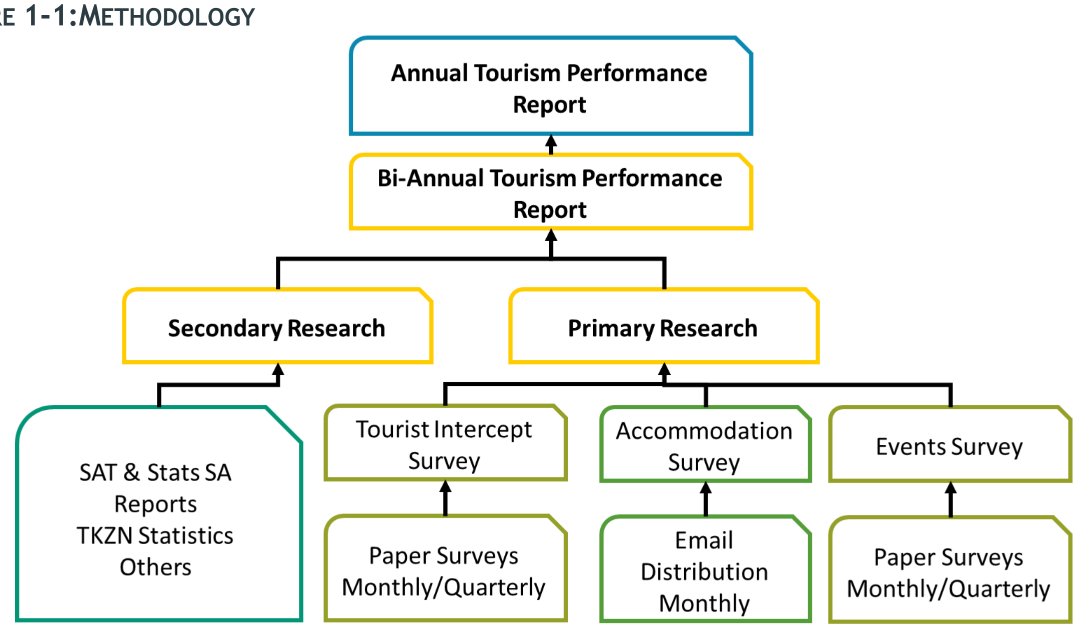
1.1 Purpose

The purpose of this report is to provide the results of research conducted in the iLembe District on the tourism sector during Quarter 1 (Q1) and Quarter 2 (Q2) of 2022, which represents the Bi-annual Tourism Performance Report Jan-Jun 2022. The report considers the long-lasting effects of the lockdown restrictions and April 2022 KZN floods, which further delayed the implementation of tourism sectors recovery strategies aimed at alleviating the devastating effects of the global pandemic. The primary objective of the study is to assist with planning and decision making at a district level.

1.2 Methodology

The study was conducted through primary and secondary research methodologies. Primary data was collected via distribution of various surveys including the accommodation establishment survey, the visitor intercept survey and the events survey. The surveys are analysed on a monthly and quarterly basis. Secondary data obtained from SAT includes domestic and international tourist travel volumes and behavioural indicators. The output of the research is presented in Bi-annual and Annual Tourism Performance Reports.

FIGURE 1-1:METHODOLOGY



1.2.1 Primary Research

The purpose of primary research at a local level is to provide deeper insight into the behaviours and preferences of the tourism demand, and the size and performance of the supply side. Further, it provides more real-time data compared to the secondary sources, which are delayed by almost a year. The data captured can be analysed at a localised level, which can inform tourism development and marketing needs more accurately in terms of geography spread, supplier performance and consumer trends.

Visitor Intercept Survey and Events Survey

The Visitor Intercept Survey are paper based surveys completed by visitors during peak travelling seasons. Whereas the Events Survey is completed by the events attends at selected events hosted throughout the year in iLembe. The responses are captured in Excel format and sent to the service provider for data cleaning and analysis.

Accommodation Survey

The accommodation survey is an electronic survey (Microsoft Forms) distributed to accommodation establishments operating in iLembe District monthly. Responses are exported in Excel format and sent to the service provider. The goal of the survey is to identify trends relating to average occupancy rate, source information on different types of accommodation available, and determine average length of stay between international and domestic tourists.

Data Analysis

The data analysis of the surveys will be conducted using Microsoft © Power BI. The marketing intelligence system of Power BI will give the researcher the ability to:

- Access statistics and pre-set graphs on a dashboard consisting of several selectors which will allow the researcher to select timelines and categorise information to their specific needs.
- The dashboard can be exported as a report or be shared as an interactive web-based link to stakeholders/decision-makers.
- The dashboard will also give the researcher access to annual information which can be exported and further reported in a Comprehensive Annual Tourism Performance Report.

1.2.2 Secondary Research

The bottom-up approach requires the collection of primary data at the local level, thus allowing more comprehensive data on tourists' travel and consumption behaviour. The downside of primary data collection at a local level is that it is very data- and resource-intensive and it is difficult to compare with other data or regions/provinces. The top-down approach is more commonly used since it is secondary data collected at a national level, which is more cost-effective, uses existing resources and allows for regional/provincial comparison.

The main source for secondary data on tourism performance in South Africa and its provinces are from SAT and Stats SA as the official channels. Other data sources, international and national, can also be accessed to assist in reporting, including data on global tourism performance, passenger arrivals and departures, and performance reports from tourism products.

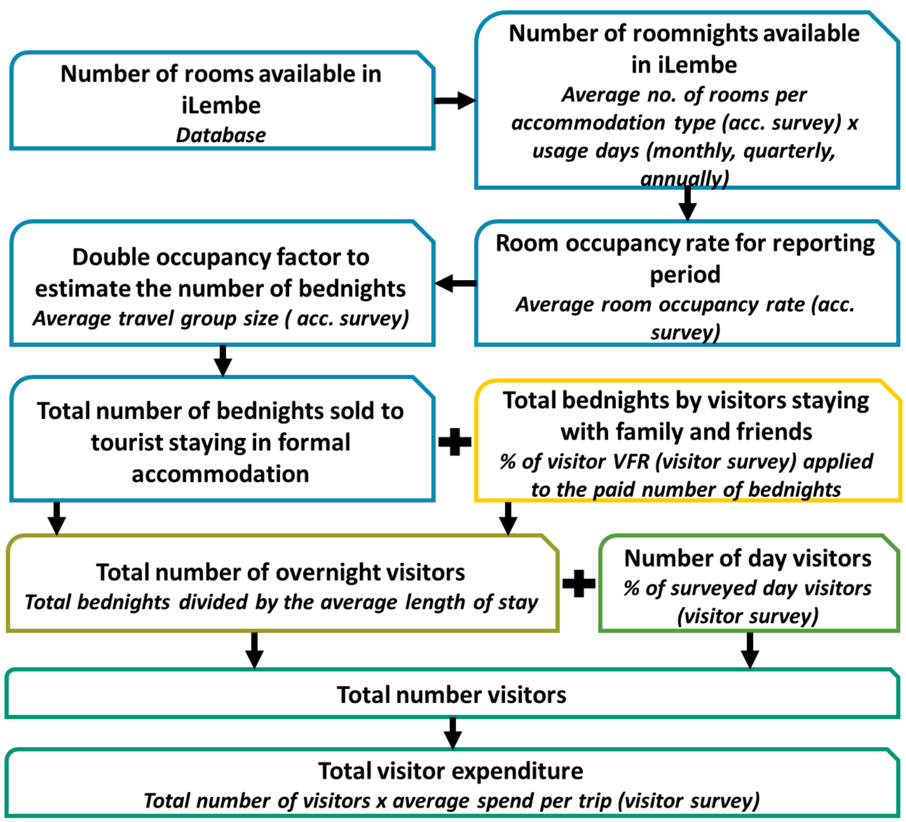
1.2.3 Estimate the size of the Tourism Sector

Tourism is a phenomenon based on the movement of people to places or countries outside their place of residence or work over a short period of time, thus creating an increase in demand for tourism-related products or services. However, measuring the economic impact and behaviour of travellers can be a challenge due to the following:

- Tourism is not an industry by itself; it consists of various industries whose outputs are consumed by residents and travellers alike.
- Defining and tracking the movements and behaviours of travellers are also a challenge since their spending allocation and geographical movements do not correlate or are difficult to determine at a sub-national level.

The methodology used in this study for assessing iLembe's tourism industry is based on a 'bottom-up' approach. The reason for using a bottom-up approach is that it uses both a supply and demand approach to assessing the tourism industry and is based on conducting primary research in the destination on an ongoing basis, throughout the year.

The tourism market assessment model first determines the number of visitor bednights at the paid accommodation. It then weights the number of bednights spent by visitors staying with friends and relatives (VFR). To determine the number of overnight visitors, the total number of bednights (paid and VFR) are divided by the average length of stay. The number of day visitors are weighted as a percentage on top of the overnight visitors. Finally, the total visitor expenditure is estimated based on the average spend per trip by a visitor *(note that average spend per visitor type will be determine with the revised visitor survey)*.



1.2.4 Economic Impact Modelling

The economic impact model's primary goal is to measure economic contributions by determining direct, indirect, and induced impacts based on the total tourist expenditure.

Various socio-economic impact model-tools can be used to quantify the mutual impact of the PAs, such as the Input-Output (OI), Social Accounting Matrix (SAM), and the Computable General Equilibrium (CGE). For this study, the preferred option is the SAM as it determines the impact of activities on both the economy and households. A SAM presents finer details about the circular flow of income, including transactions between different institutions and between production activities. It achieves this by recording the interactions between different sets of agents through the factor and product markets. The data required for the compilation of the SAM can be collected from a variety of information sources (through primary and secondary research). This is permissible in SAM modelling as it incorporates and reconciles the data from different sources and reference years to ensure consistency between a range of social and economic statistics from different sources. As such, a suitably designed and disaggregated SAM could potentially play a unique role in providing a social dimension to economic data which will give users an overall view of the socio-economic situation within an area.

The model will determine the direct, indirect, and induced impacts of the economic activities:

- The **direct effects** occur as a result of the expenditures of the relevant decision-maker, i.e., the economic agent that is responsible for the economic phenomena under assessment. Direct impacts are impacts which are caused directly by the activity and generally occur at the same time and place as the activity. These impacts are usually associated with the construction, operation or maintenance of an activity and are generally obvious and quantifiable. Known or planned facility construction and operating expenditures are typical examples.
- The **indirect effects** occur when the suppliers of goods and services to the new businesses or facilities experience larger markets and potential to expand. Indirect impacts increase job creation, GDP, and household income.
  The **induced effects** represent further shifts in spending on food, clothing, shelter and other consumer goods and services due to the change in workers' payrolls of directly and indirectly affected businesses. This leads to further business growth/decline throughout the local economy.

The following table provides the multipliers used for the economic impact modeling.

TABLE 1-1: SAM MULTIPLIERS

Accommodation and related services	Direct	Indirect	Induced	Total
Production (new business sales)	1,00	0,94	0,55	2,49
GGP	0,51	0,70	0,37	1,58
Income	0,14	0,16	0,08	0,38
Employment	0,92	1,55	0,91	3,38
Taxes	0,04	0,05	0,03	0,12

1.3 Limitations

There are various issues to consider when it comes to tourism data, especially in terms of data collection biases and errors. These issues are myriad, including sample size representation (individual or collective), the structure of the questionnaire (including word biases), data collection periods or constraints, and respondent recall biases in terms of demand. Further, from a supply-side perspective, databases are unreliable and outdated, which means that responses could inaccurately represent the contribution and performance of the tourism sector. Thus, assumptions form a crucial part of any research study as they are a basis for validity and credibility.

The following limitation in the study influence the accuracy of the assumptions made in this report:

- Inability to accurately track the performance of the iLembe tourism industry due to lack of readily available tourism statistics at a local level:
  - Small sample sizes
  - Specific months' data not captured
  - Biases in sample representation
- The visitor intercept survey was only conducted from July to December 2022; however, the data was used to revise the January to June 2022 reporting data.
- 2022 tourism statistical data from reliable sources such as South African Tourism (SAT) and Tourism KwaZulu-Natal (TKZN) is not yet available.
- Tourism is not an industry by itself; it consists of various industries whose outputs are consumed by residents and travelers alike.
- Defining and tracking the movements and behaviours of travelers are also a challenge since their spending allocation and geographical movements do not correlate or are difficult to determine at a sub-national level.

Section 2: Visitor Numbers

This section quantifies the number of visitors to the iLembe District over the selected study period and elaborates on the purpose of the visit.

2.1 Number of Visitors

Tourists staying in paid accommodations are classified as visitors who spend the night in accommodation in the place visited. Tourists visiting friends and relatives are considered tourists who stay overnight, however, do not require any paid accommodation facilities as they will be visiting relatives in the destination area. Day visitors are visitors who do not spend the night in accommodation in the place visited as they are most likely to travel back to their destination of origin on the same day.

The following table provides the estimated number of visitors that iLembe received from January to June 2022.

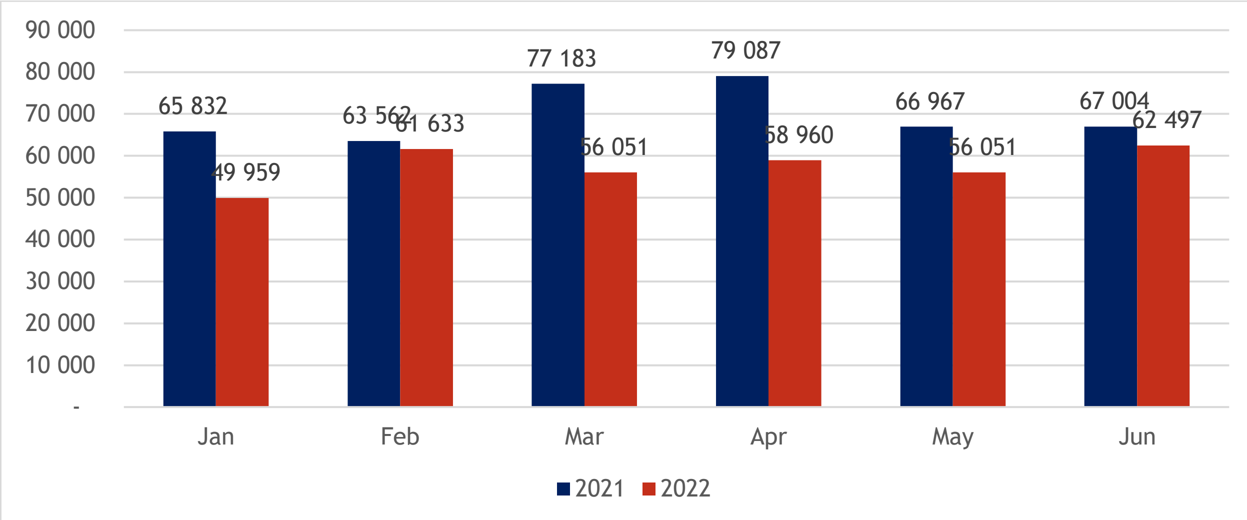
TABLE 2-1: NUMBER OF VISITORS FROM JAN – JUN 2022

Category	Number of visitors	Percentage
Number of visitors in paid accommodation	224 927	65%
Number of visitors staying with friends and relatives	71 977	21%
Number of day visitors	48 247	14%
Total number of visitors to iLembe	**345 150**	100%
Bednights sold (Paid accommodation)	607 303	76%
Unpaid bednights (Staying with friends and relatives)	194 337	24%
Total number of bednights in iLembe	**801 640**	100%

The iLembe District received an estimate of about 224 927 visitors staying in paid accommodations, 71 977 people visiting friends and relatives, and 48 247 day visitors during Q1 and Q2 of the year 2022. The number of bednights sold from January to June 2022 was estimated at 607 303. Number of unpaid bednights (people staying with friends and relatives) was estimated at 194 337. Thus, the total number of bednights spent in iLembe during the study period was 801 640.

The January to June 2021 period experienced had high occupancy rates where people embraced the lifting of travel restrictions during this period, with April showing a proper peak during the school holidays. However, the same period for 2022 did not achieve the same results due to the negative impact that the July 2021 Riots and April 2022 floods had on visitor safety and perception.

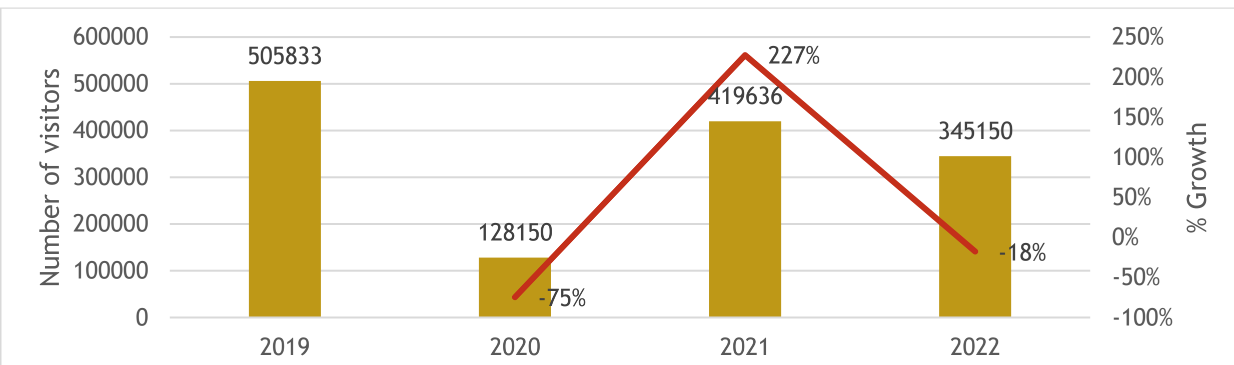
FIGURE 2-1: NUMBER OF VISITORS FOR JANUARY TO JUNE FROM 2021-2022



SOURCE: URBAN-ECON, 2022[1]

The figure below displays the downward trend for visitors to iLembe over the last 5 years for the January to June year-on-year period.

FIGURE 2-2: NUMBER OF VISITORS TO ILEMBE DURING JANUARY TO JUNE FROM 2018-2022



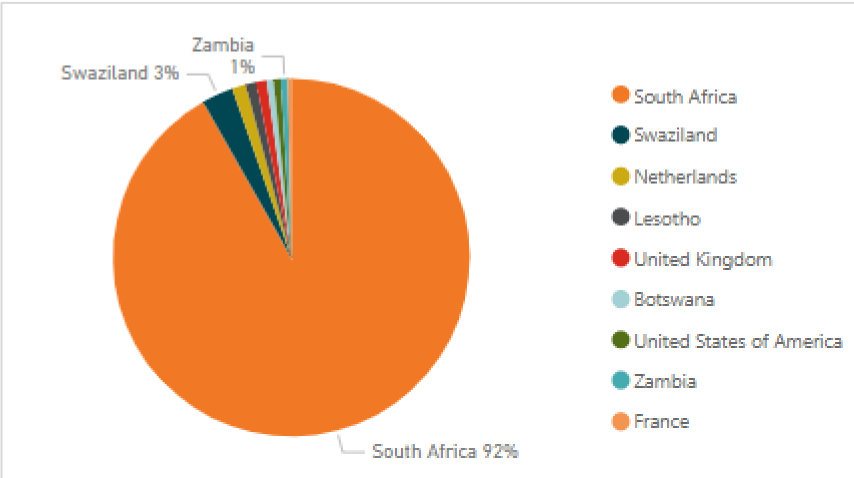
SOURCE: URBAN-ECON, 2022

The 2020 period saw major decline in visitor numbers due to lockdown restrictions. However, the 2021 period showed massive recovery for the January to June period, with 419 636 visitors. Adversely the 2022 period, did not echo the same trend due to other disasters and unrest that hit the region.

[1] Sivandi iLembe Tourism Research July 2020 – June 2021 Report, TKZN Accommodation Performance August 2021 report, iLembe Accommodation Survey and Visitor Survey 2022 were used to determine the visitor numbers.

The majority of visitors to iLembe were South African residents (92%), where a few visitors were from Swaziland (3%), Netherlands (1%), United Kingdom (1%) and Lesotho (1%).

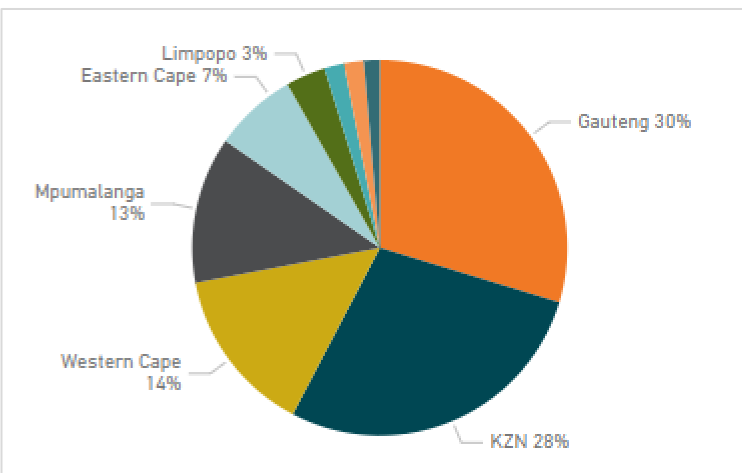
FIGURE 2-3: COUNTRY OF ORIGIN



SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

The figure below shows the province of origin for the South African residents that visited iLembe, with 30% residing in Gauteng, 14% from the Western Cape and 13% from Mpumalanga. A large portion of visitors was from KZN (28%).

FIGURE 2-4: PROVINCE OF ORIGIN

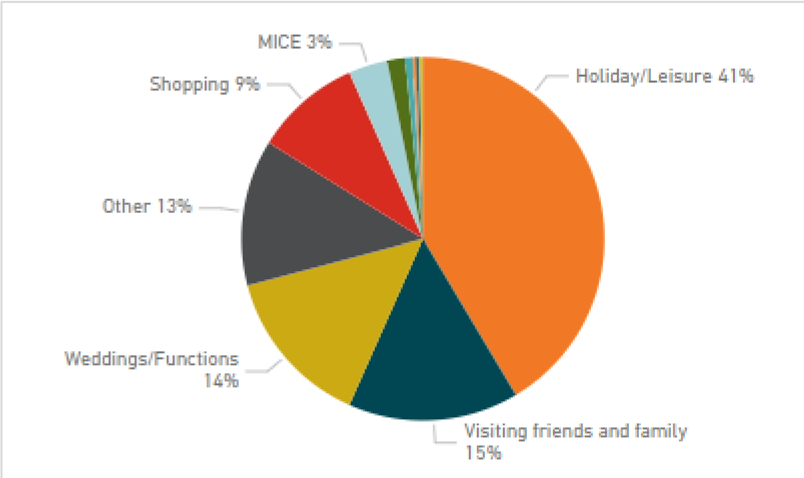


SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

2.2 Travel behaviour

According to the visitor intercept survey, the main purpose of visit was for holiday (41%) followed by VFR (15%), weddings/functions (14%), and shopping (9%).

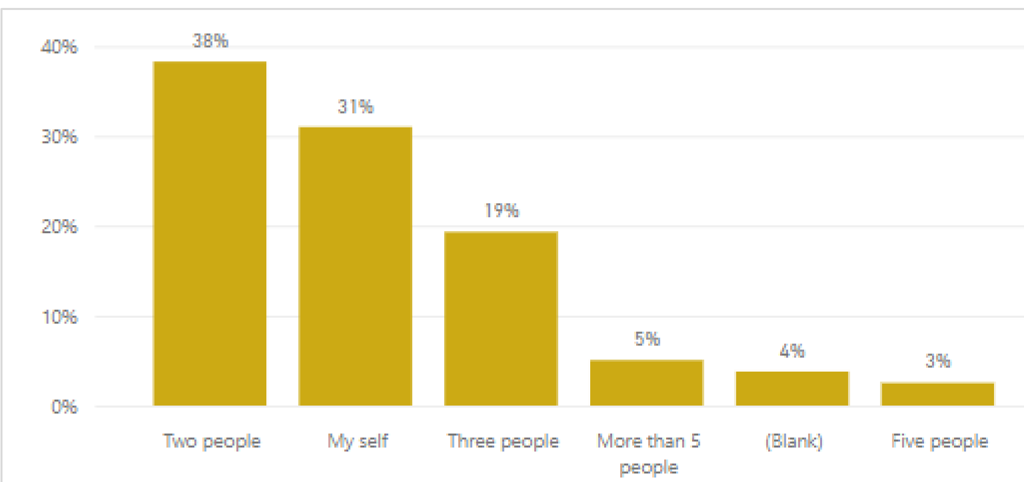
FIGURE 2-5: PURPOSE OF VISIT



SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

The travel group size for the study period saw many people travelling as couples (two people) at 38% of visitors. Further, over 31% of visitors came to the destination by themselves. The rest of the visitors were in groups of three or more. The average travel group size was 2.3 people.

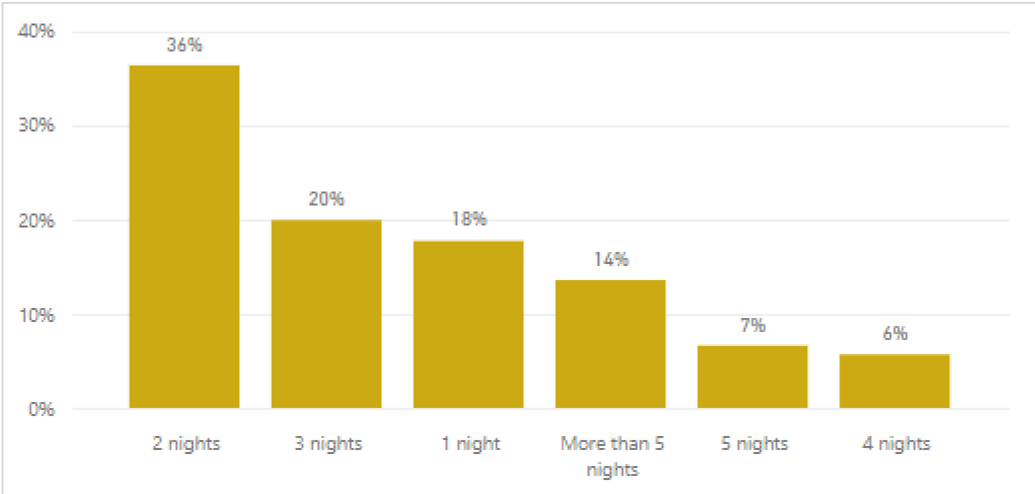
FIGURE 2-6: TRAVEL GROUP SIZE



SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

The figure below shows the average length of stay. The trend remains constant with the overall average length of stay being 2.7 days per visitor.

FIGURE 2-7: LENGTH OF STAY

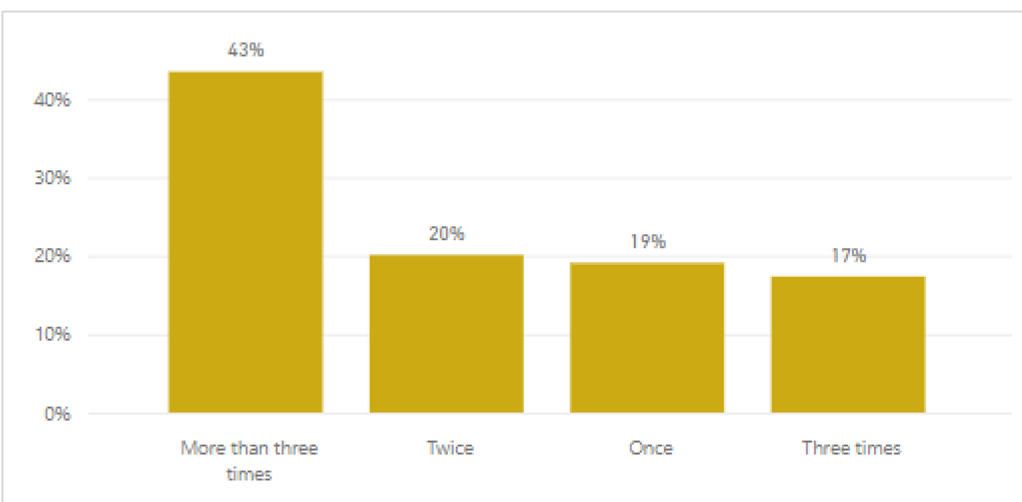


SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

Seemingly, the typical family-oriented visitors were not as prominent this year compared to the previous year. This could be due to the E.coli outbreak and parents fearing for their little one's safety. However, this change in the market was countered by the so-called singles or couples without children market visiting iLembe.

Over 43% of visitors have visited iLembe more than three times whereas 19% indicated this as their first visit, which is a large portion of new markets being attracted to the destination.

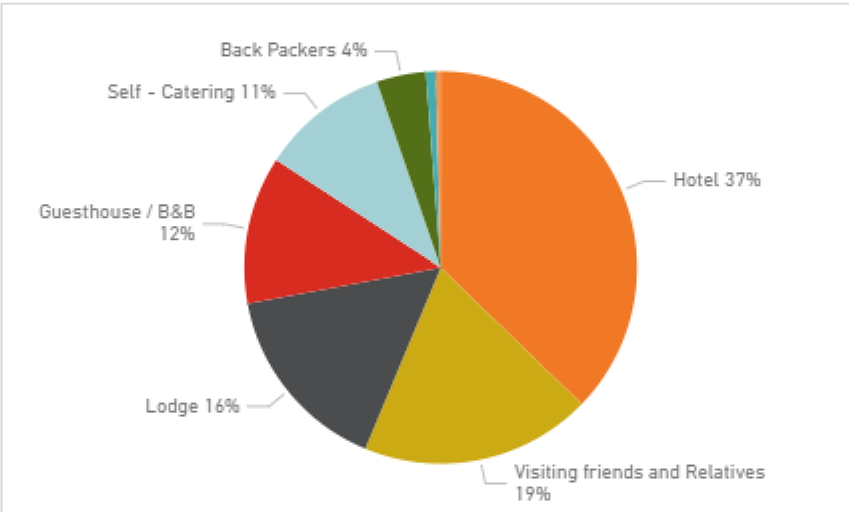
FIGURE 2-8: REPEAT VISITOR



SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

The figure below indicates the type of accommodation used by visitors. The majority used hotels (37%), which could possibly be attributed to the singles or couples without children market. Only 19% stayed with friends and relatives. Further, visitors also used lodges (16%), guesthouses/B&Bs (12%) and self-catering (11%).

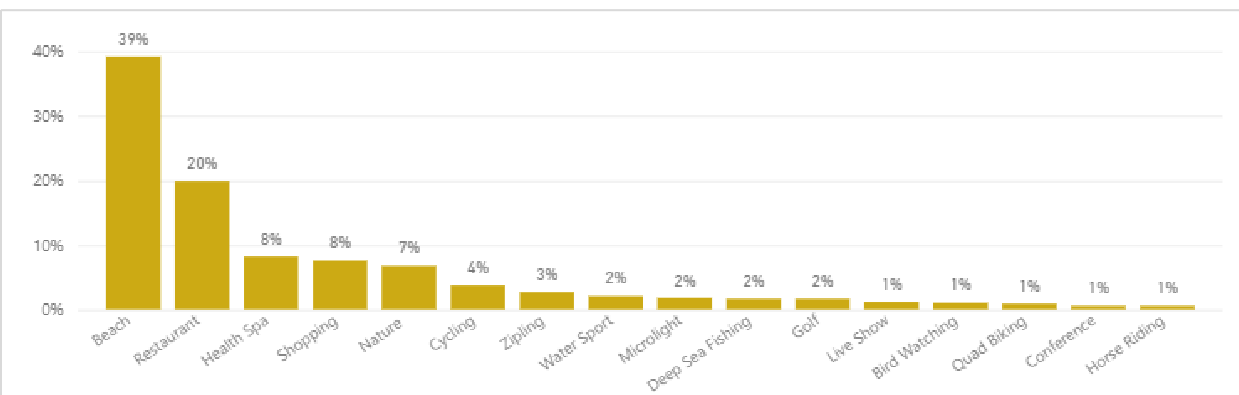
FIGURE 2-9: TYPE OF ACCOMMODATION



SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

Over 38% of visitors indicated that they travel to iLembe for the beach and related activities. Other recreational activities included eating at restaurants (19%), visiting health spa's (8%), shopping (7%), nature-based activities (7%), cycling (4%) and other adventure/outdoor-based activities.

FIGURE 2-10: ACTIVITIES UNDERTAKEN DURING VISIT



SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

According to the survey, visitors spent on average R4 923 per trip, with those who stay in accommodation spending R5 725 on average whereas those staying with friends and relatives spend R3 320 per trip.

2.3 Destination Perception

According to the visitor survey, visitors rated the North Coast as a premium tourist destination with an average score of 4.6 out of 5. Further, the destination is also seen as a value for money offering with an average score of 4.5 out of 5.

FIGURE 2-11: VISITOR SATISFACTION

SOURCE: ENTERPRISE ILEMBE VISITOR INTERCEPT SURVEY 2022

An outstanding 99% of visitor will recommend the North Coast to friends, family and colleagues as a holiday destination. The few that indicated otherwise, stated that the beaches are not safe enough where people in groups were confrontational and some of the beaches not having pools. Nonetheless, for the visitor survey it seems the destination is viewed as a must-visit with both repeat and new visitors seeking its offering.

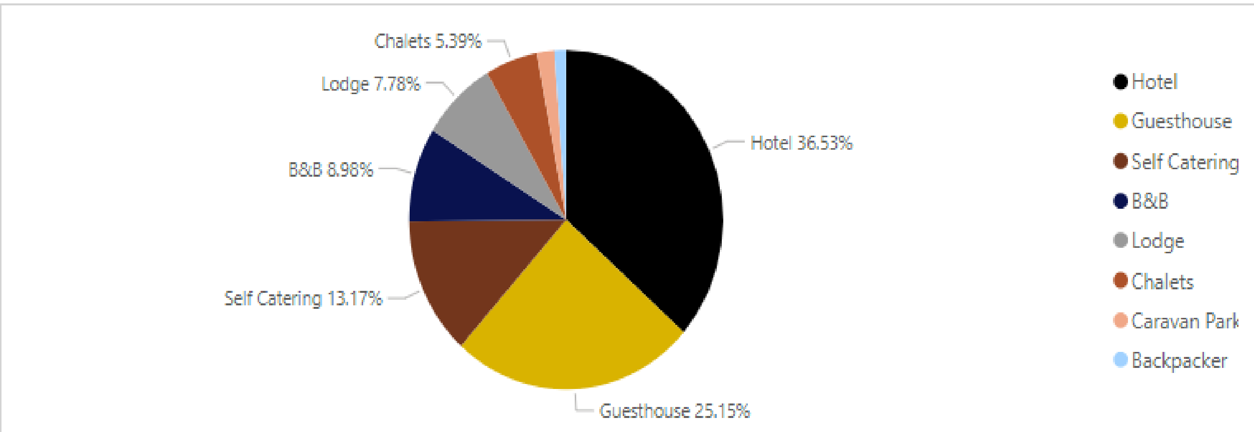
Section 3: Accommodation Industry

The accommodation survey section seeks to solicit crucial information from accommodation and hospitality service providers regarding their respective product offering, trends in the tourism industry, and available tourism amenities in the area.

3.1 Respondents to the Accommodation Survey

There were 158 respondents during Q1 and Q2 to the Accommodation survey. Type of respondents included owners of establishments such as hotels, lodges, guesthouses, chalets, and other available accommodations. The figure below shows that during the period January-June 2022, hotel and guesthouse owners were the most prevalent accommodation survey participants, followed by self-catering, B&Bs and lodges.

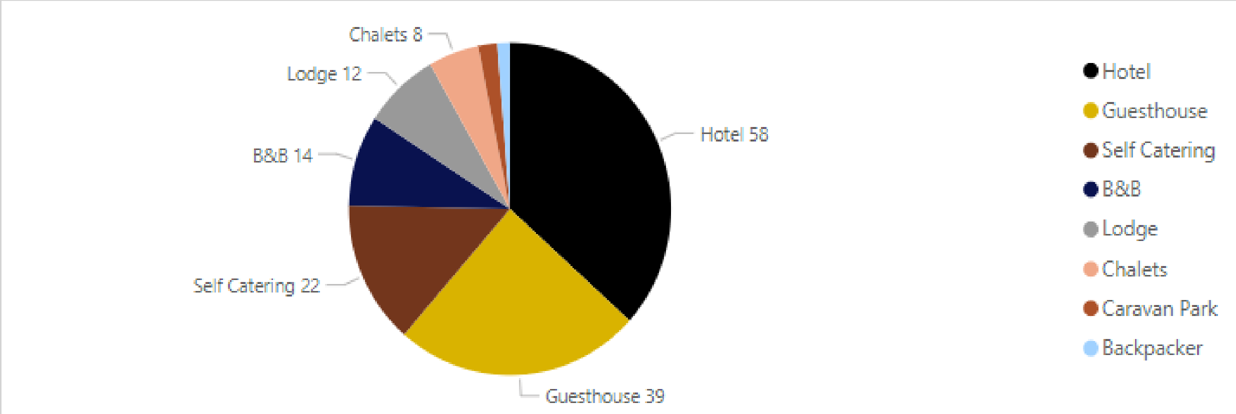
FIGURE 3-1: ACCOMMODATION SURVEY RESPONDENT TYPE, JAN -JUN 2022



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

The figure below displays the average total number of rooms per accommodation type in the iLembe district. There was an average total number of rooms of 32 across all accommodation types during Q1 and Q2.

FIGURE 3-2: AVERAGE NUMBER OF ROOMS AVAILABLE PER ACCOMMODATION TYPE



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

3.2 Average Occupancy Rates

The average occupancy rate for Q1 and Q2 collectively was 50.4%. February and June had the highest average occupancy rates ,55.2% and 53.4% respectively. May had the lowest average occupancy rate of 46.2%. The relatively low average occupancy rate could potentially be attributed to the KZN floods which severely affected certain parts of the province during the previous month.

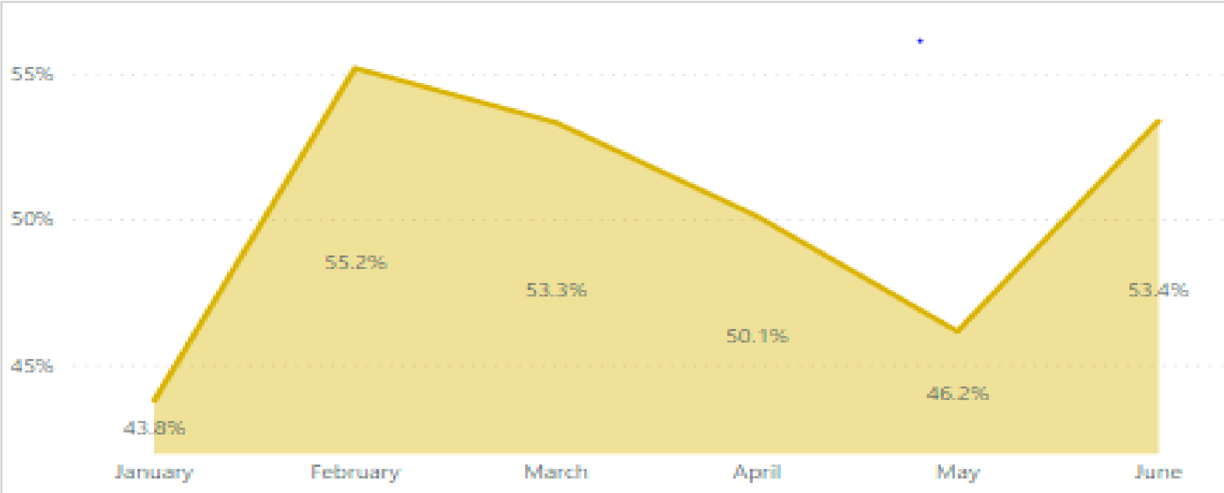
The table below shows that the iLembe District average occupancy rates during Q1 and Q2 are slightly higher compared to the national average occupancy rates over the same period.

TABLE 3-1: NATIONAL OCCUPANCY RATE JAN-JUN 2022

National Occupancy Rate 2022					
January	**February**	**March**	**April**	**May**	**June**
26.6%	30.6%	34.4%	31.5%	31.5%	32.7%

SOURCE: STATS SA, TOURIST ACCOMMODATION SURVEY JAN-JUN 2022

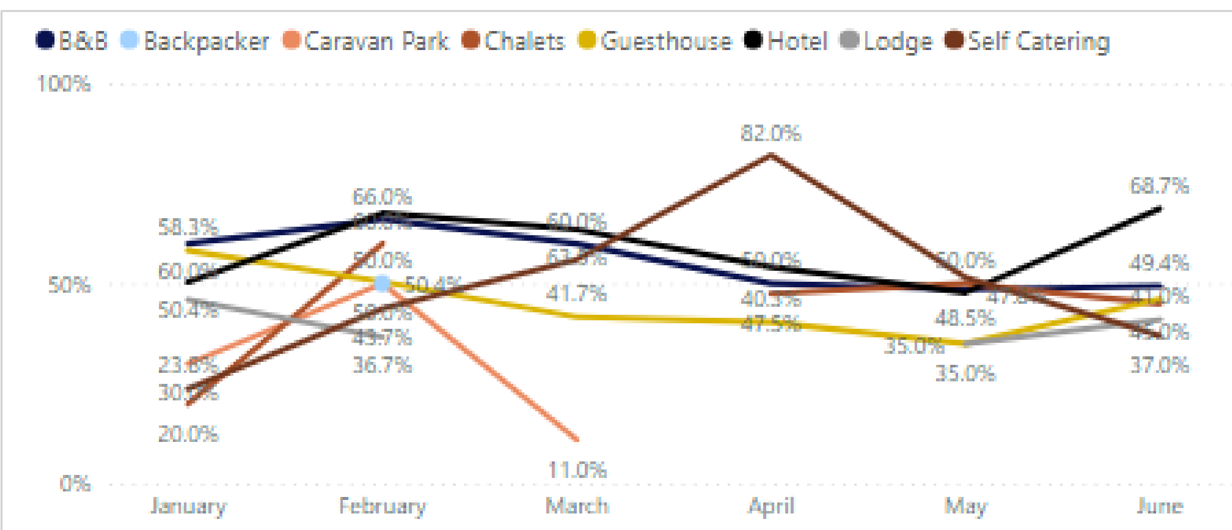
FIGURE 3-3: AVERAGE OCCUPANCY RATE FOR Q1 AND Q2 IN ILEMBE



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

Accommodation establishments are used throughout the year however not all types of accommodation are used constantly throughout the year. Factors such as affordability, location, amenities, and consumer preference often play an integral role in selecting an appropriate accommodation facility. Hotels are utilized throughout the year with a peak occupancy rate of 68.7%, whereas accommodation facilities such backpackers are less prevalent with an occupancy rate of 50.4% in February only. Guesthouses and B&B'S which are deemed less expensive than hotels had a peak average occupancy rate of 58.3% and 66% respectively.

FIGURE 3-4: AVERAGE ROOM OCCUPANCY PER ACCOMMODATION TYPE

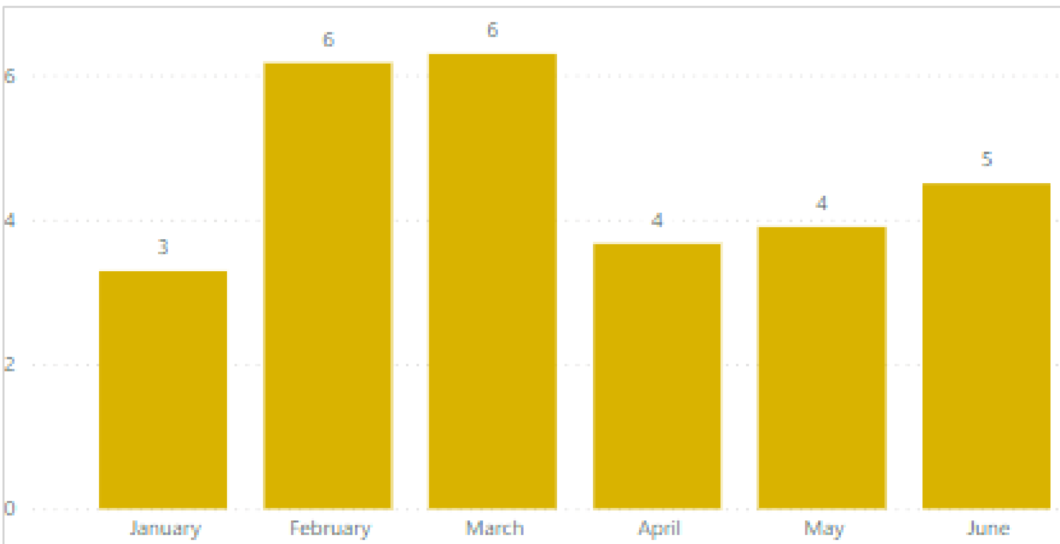


SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

Accommodation usage fluctuates according to seasonality and periods during the year where people are likely to travel to other parts of the country. The figure below displays the average number of nights for per month, whereas June had the highest average number of nights. The assumption is that a significant number of people traveled to the KZN Province for the duration of the school holidays among many other reasons for travel. The months of April and May had the lowest average number of nights, displaying the devastating effects of the KZN floods on tourism.

The figure below indicates the average number of nights in iLembe. Average number of nights shows how many tourists spent money on overnight accommodation.

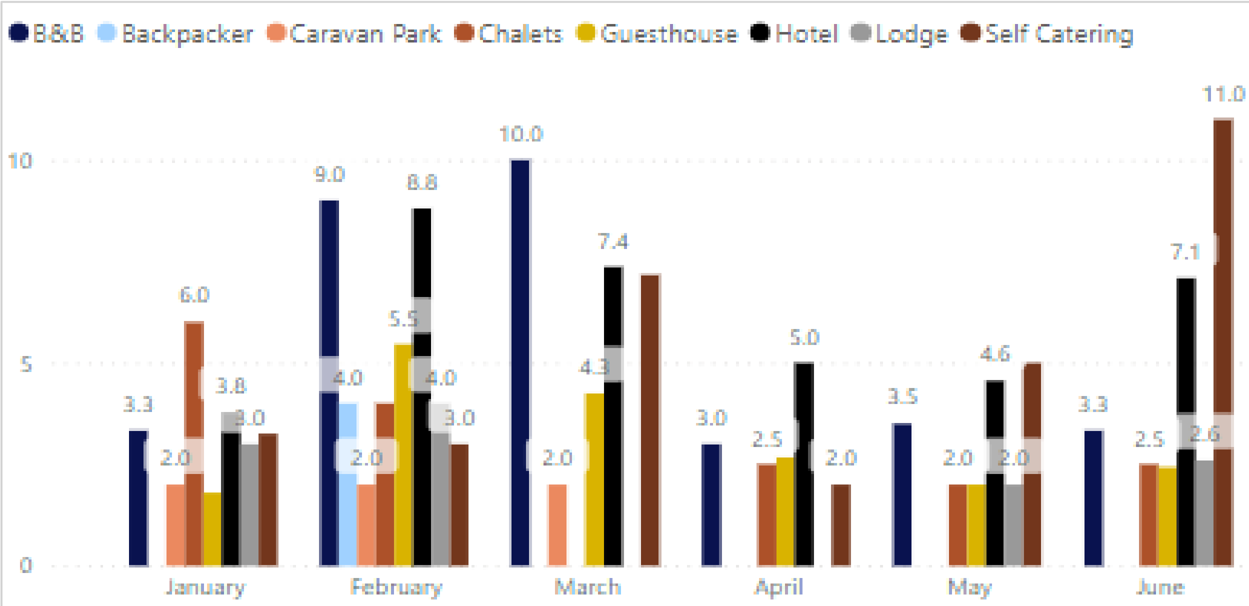
FIGURE 3-5: AVERAGE NUMBER OF NIGHTS PER MONTH



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

The figure below displays the average number of nights per accommodation type over the period Q1 and Q2. Self-catering accommodations (11), and B&B's (10) had the highest average number of nights during the same period.

FIGURE 3-6: AVERAGE NUMBER OF NIGHTS PER ACCOMMODATION TYPE



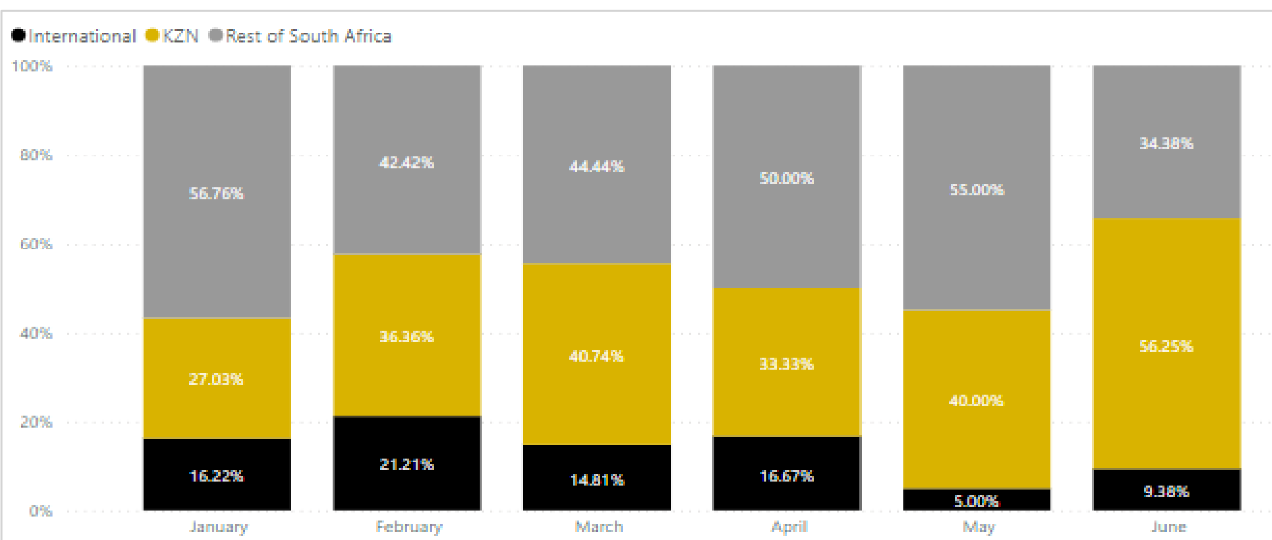
SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

Self-catering accommodations had the highest average number of nights during May and June. Chalets had the highest average number of nights in January.

3.3 Origin of Guests

The figure below displays the origin of guests to iLembe during the period January till June

FIGURE 3-7: ORIGIN OF GUESTS TO ILEMBE DURING Q1 AND Q2



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

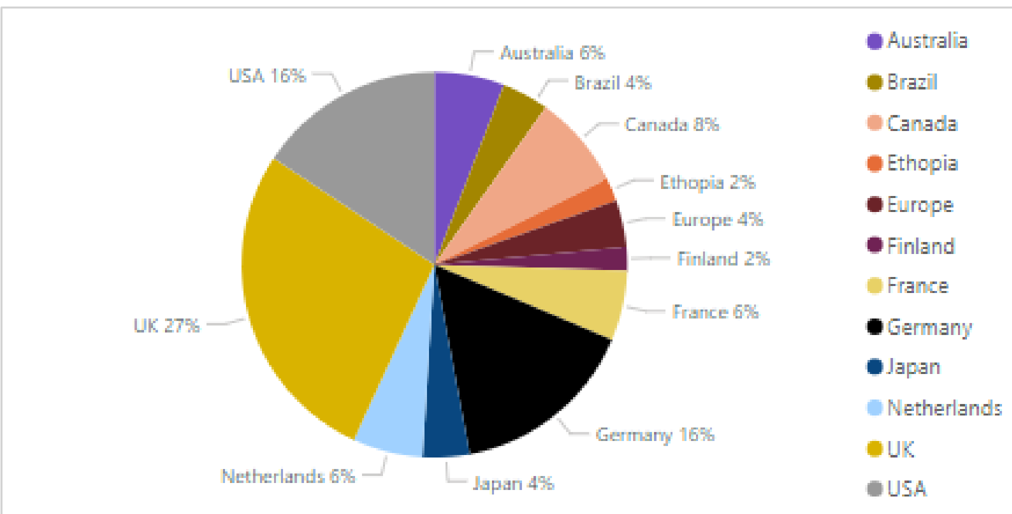
Majority of the guests to the iLembe District over Q1 and Q2 were from the KZN Province and other parts of South Africa representing 44% and 42% respectively. This indicates high levels of inter-provincial tourism within South Africa. The KZN Province was the highest source of guests for the month of June, this displays a fair amount of intra-provincial which can be focused on.

3.4 Top source market of international guests

Tourists often travel to Africa from abroad to experience the culture, food, music, and historical background which is made available by different countries on the African continent. African countries often use the forementioned tourist interests as unique selling points to attract tourists.

International tourist arrivals are prevalent in determining the growth and development of a domestic tourism sector. A high the number of tourist arrivals indicates how much of an ideal tourist destination a particular country is. There are a lot of factors to consider such as infrastructure, available amenities, safety, culture, and heritage which can be used as selling points to market the country's tourism to tourists abroad. The figure below displays identified accommodation industries top source markets to be the UK, Germany, and USA.

FIGURE 3-8: TOP SOURCE MARKET OF INTERNATIONAL GUESTS JAN - JUN



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

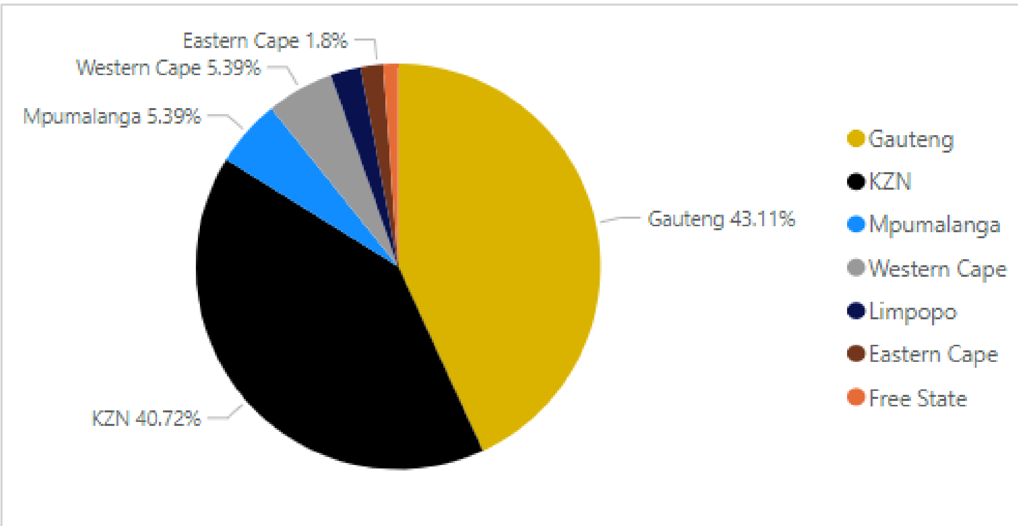
The United Kingdom (27%), Germany (16%) and the United States of America (16%) were the top source market of international travelers over the first half of 2022. This indicates that most of travelers to iLembe coming from abroad were from these countries.

3.5 Top source market of domestic guests by province

Domestic travel often relies on inter-provincial tourism as way of further intensifying tourism industry growth. Coastal provinces such as KZN and Western Cape are often prevalent in this manner due to their ease of access to the beach and other coastal amenities.

The figure below displays the top source markets of domestic guests by province.

FIGURE 3-9: TOP SOURCE MARKET OF DOMESTIC GUESTS BY PROVINCE



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

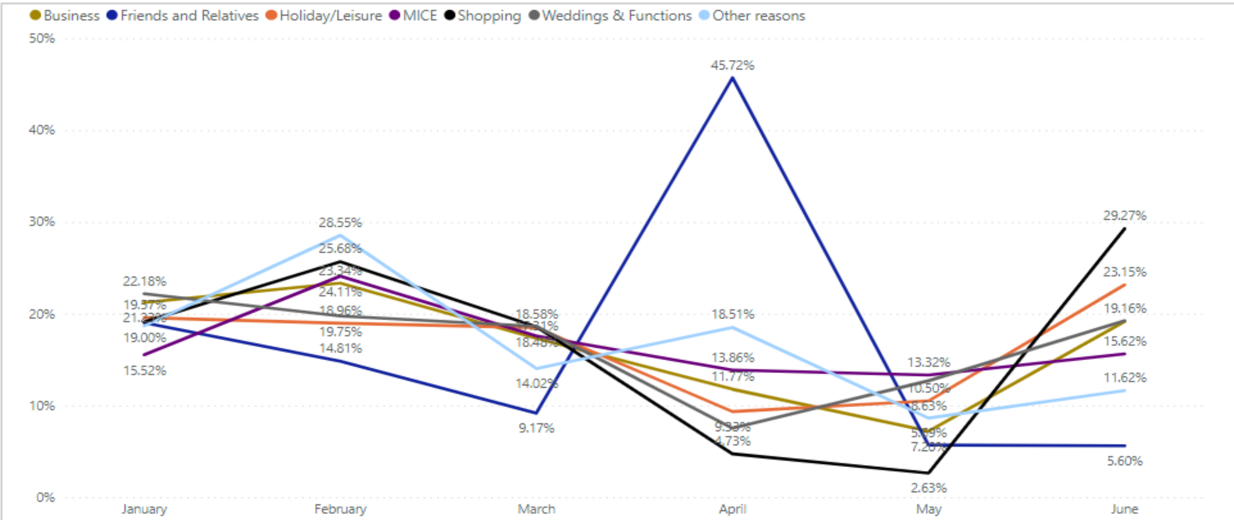
The Gauteng Province (43%) is the top source market of domestic travelers. Other parts of the KZN (41%) province are also a significant market of domestic travelers to the iLembe district. The Western Cape (5%) and Mpumalanga Provinces (5%) contribute to inter-provincial tourism within the country. Primarily, travelers often travel to visit friends and relatives, visit the beach, or for business related purposes.

3.6 Purpose of visit

Tourists travel around the world for different reasons. Most people travel for leisure, while others travel for MICE and business-related reasons. The rest travel for shopping and other reasons.

Figure 3–10 displays the main purpose of visit for travelers to the iLembe District.

FIGURE 3-10: PURPOSE OF VISIT



SOURCE: ENTERPRISE ILEMBE ACCOMMODATION SURVEY, 2022

A significant number of travelers to the iLembe District indicated they travelled to the area for holiday /leisure. Tourists travelling for leisure remained constant throughout however April saw a slight decline. This could possibly be attributed to the floods that took place in some parts of the KZN Province. MICE was a popular reason for traveling during February, the assumption is that this is due to the planning season where most financial years will be coming to an end. Tourists also indicated that they travel to the iLembe District to visit friends and relatives.

Section 4: Impact of Tourism

The economic impact assessment model utilizes multipliers that are used to determine direct, indirect, and induced impacts. The goal is to quantify economic contributions from tourism related industries and activities. The economic activities undertaken in the iLembe District are important contributors to GDP, employment, income generation and taxes in the landscape and country.

4.1 Visitor spending

The table below displays the estimated tourist expenditure for iLembe from January to June 2022. The estimated tourist expenditure was calculated by multiplying the average spend per visitor with the number of visitors. Total visitor expenditure amounted to R1.6 billion.

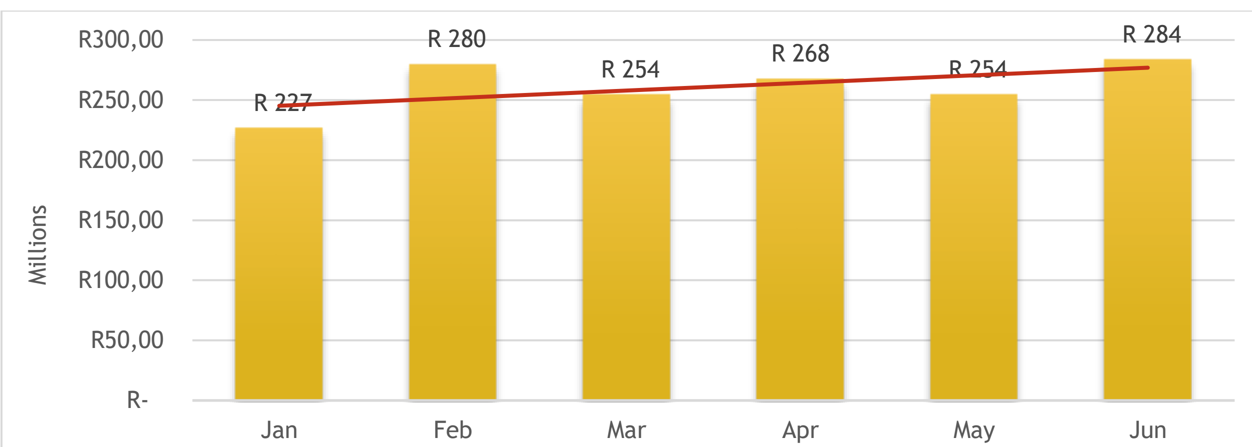
TABLE 4-1: VISITOR EXPENDITURE

Visitor Expenditure	Average Spend	Number	Total Expenditure
Visitors in paid accommodation	R5 724,58	224 927	R1 287 613 725
Visitors staying with Friends and Family	R3 319,50	71 977	R238 927 698
Day visitors	R833,33	48 247	R40 205 833
Total		**345 151**	**R1 566 747 256**

SOURCE: URBAN-ECON, 2022

The figure below shows the direct tourist expenditure per month for 2022. February and June showed a peak in visitor spending, however, the easter period did not experience the expected peak due to the April 2022 floods.

FIGURE 4-1: DIRECT VISITOR EXPENDITURE PER MONTH FROM JANUARY TO JUNE 2022



SOURCE: URBAN-ECON, 2022

4.2 Economic Impact

The table below displays the results from the economic impact assessment modelling. Using the total expenditure on tourism the model calculated the direct, indirect, induced and total impact of production, Gross Domestic Product (GDP), household income, employment and taxes.

TABLE 4-2: ECONOMIC IMPACT ASSESSMENT

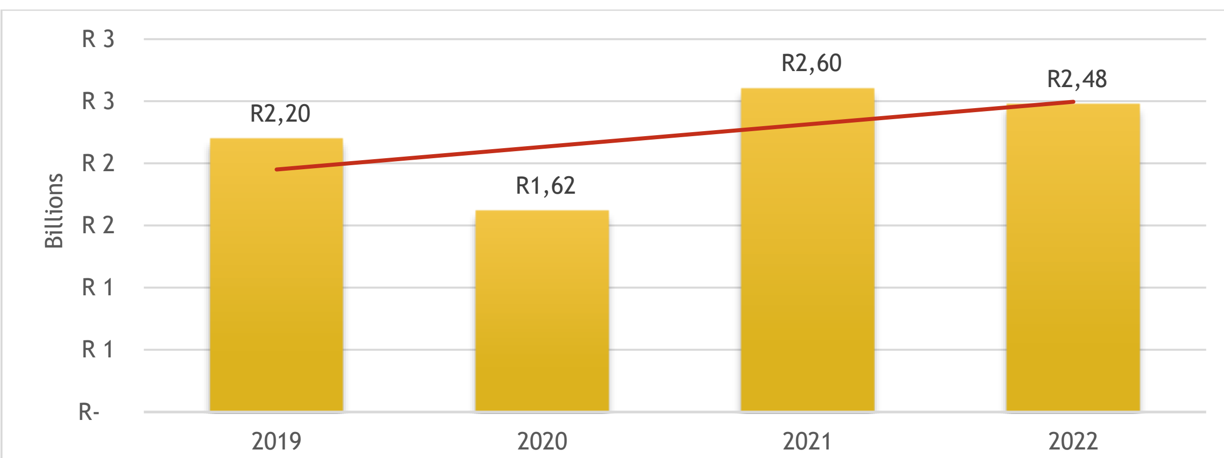
Economic Impact	Direct	Indirect	Induced	Total
Production	R1 566 747 256	R1 476 916 850	R857 789 709	**R3 901 453 815**
GDP	R797 648 436	R1 100 204 740	R577 607 488	**R2 475 460 665**
Income	R220 865 312	R243 062 414	R131 235 791	**R595 163 518**
Taxes	R67 018 466	R81 109 124	R43 291 414	**R191 419 003**

SOURCE: URBAN-ECON, 2022

The estimated total visitor expenditure contribution to the GDP is R2.5 billion from January to June 2022. This means that over R1.7 billion in indirect and induced GDP impacts was added to the economy as a result of the direct expenditure of visitors. Further, contributed a total of R595 million to household income and R191 million to taxes.

The figure below shows the upward trend for GDP contributions over the last 5 years for the January to June year-on-year period.

FIGURE 4-2: GDP CONTRIBUTIONS FOR JANUARY TO JUNE FROM 2018-2022



SOURCE: URBAN-ECON, 2022

Prior to the COVID-19 global pandemic, total visitor expenditure GDP contributions in 2019 amounted to an estimated R2.2 billion. The following year in 2020 total visitor expenditure contribution to GDP decreased by 26%. The decline was primarily due to restrictions to travel and strict lockdown regulation. In 2021, efforts to ensure economic recovery in the tourism sector resulted in R2.6 billion in total GDP contributions. The impact of the July 2021 riots and April 2022 floods in the KZN Province resulted in an estimated decline of about 5% in GDP contributions for January to June 2022.

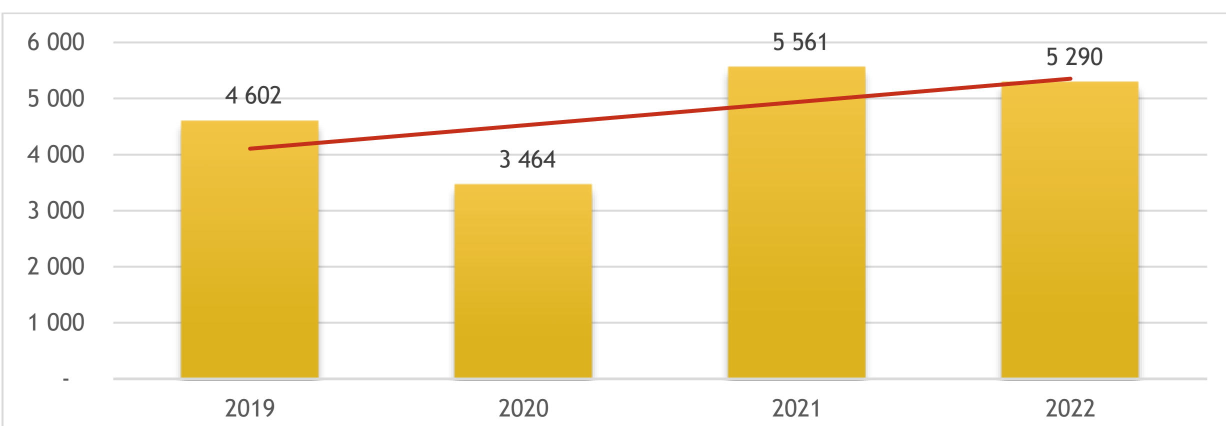
4.3 Job Creation

The direct jobs created by the visitor spend from January to June 2022, potentially supported an estimated 1439 jobs over a year period.

The number of job opportunities supported by the sector is 5 290. Thus, 3.38 job opportunities were created for every R1 million of direct expenditure.

The figure below displays the upward trend for the number of job opportunities created over the last 5 years for the January to June year-on-year period.

FIGURE 4-3:NUMBER OF JOB OPPORTUNITIES FOR JANUARY TO JUNE FROM 2019-2022



SOURCE: URBAN-ECON, 2022

The number of job opportunities potentially supported by economic activity in the tourism sector in 2019 amounted to 4 602 for the January to June period. In 2020, recorded a decline in jobs supported by the sector, which was primarily due to the global pandemic where multiple organisations undertook retrenchment procedures at the peak of the pandemic. Job opportunities supported by the tourism sector increased in 2021 to 5 561 job opportunities and in 2022 there were 5 290 job opportunities supported by tourism related activity.

Section 5: KZN Tourism Performance

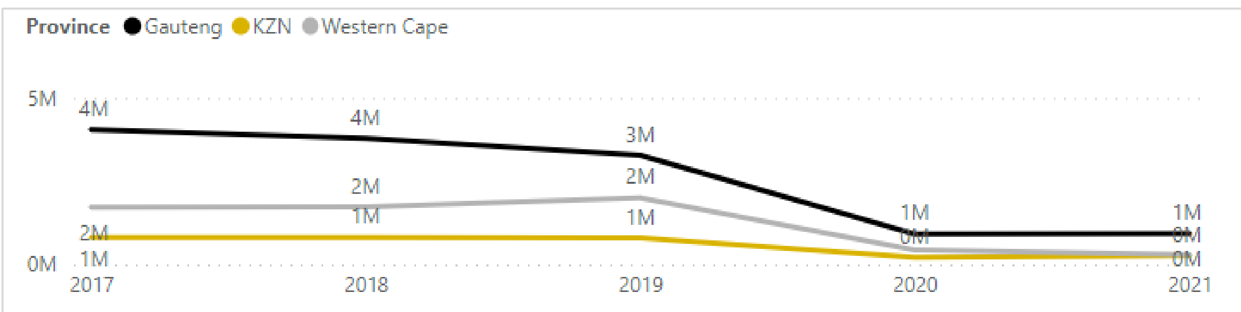
5.1 International Tourism Performance

Tourism plays an important role in the growth and development of any economy. The domestic hospitality industries often rely on international tourism to operate efficiently which enables establishments such as hotels, lodges, game and nature reserves, restaurants, and others to capitalize on international travelers desire for an African experience.

5.1.1 Tourist arrivals

In 2021, there were 2 255 699 million international tourist arrivals in South Africa, displaying a 20% decline in growth from the previous year. However, the year 2020 was the worst decline of about 73% from the year 2019. The assumption is that the lockdown period completely decimated the tourism industry along with related industries. The year 2021 has been described as the starting point of the recovery period which aims to stabilize economies after the global pandemic which severely affected many if not most countries.

FIGURE 5-1: INTERNATIONAL TOURIST ARRIVALS TO SOUTH AFRICA



SOURCE: SOUTH AFRICAN TOURISM INTERNATIONAL TOURIST ARRIVALS SURVEY, 2021

The KwaZulu-Natal Province represents 11.9% of the total international tourist arrivals and other provinces are represented as follows, Gauteng (41.4%), Mpumalanga (23.2%) and the Western Cape (13.3%)[2].

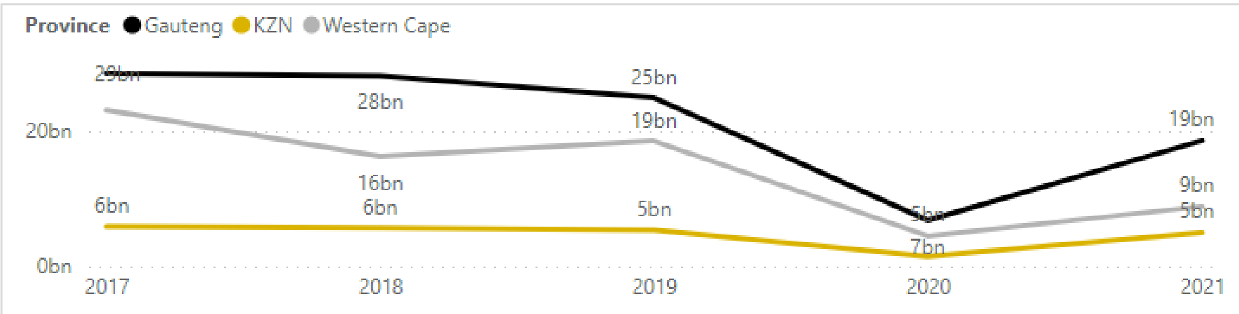
5.1.2 Spend

International spend refers to the money tourists spend during their stay in a particular country. Tourists often spend money on accommodation, transport services, local merchandise, entertainment, and other forms of souvenirs to take back to their country of origin. The money spent by tourists in a country they are visiting boosts the economy and creates opportunities for economic growth and development.

[2] South African Tourism, International Tourist Arrivals Survey 2021

The figure below shows that the international tourist spend for 2021 was approximately R20 billion, sighting a slight reduction compared to the previous spend in 2020 of R22 billion. In 2019, the total spend was over R80 billion, indicating the severity of the effects of the global pandemic on tourism-related industries.[3]

FIGURE 5-2: INTERNATIONAL TOURIST SPEND



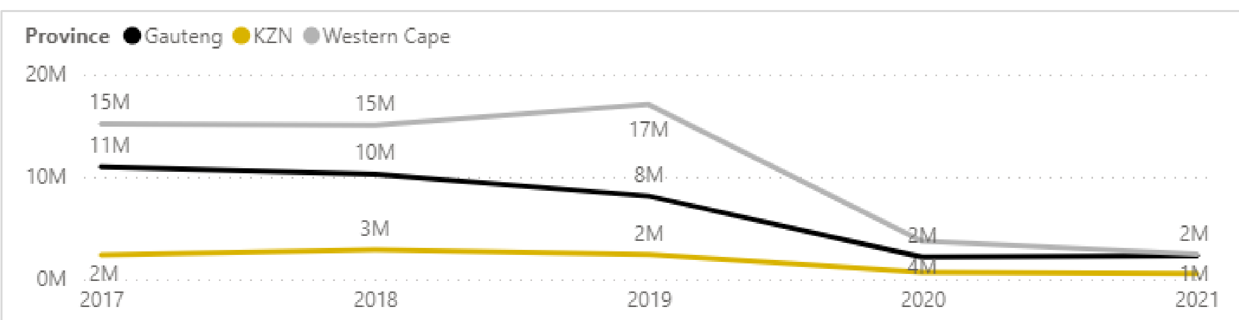
SOURCE: SOUTH AFRICAN TOURISM INTERNATIONAL TOURIST ARRIVALS SURVEY, 2021

The KZN international tourist spend for 2021 was R1.2 billion, a decline of about R200 million from the previous year in 2020. The Gauteng and Western Cape Provinces accounted for R4.7 billion and R2.2 billion respectively.

5.1.3 Paid bednights

This section seeks to quantify the number of tourists who stayed in paid accommodation establishments, tourists who were day visitors, and tourists staying with friends and relatives.

FIGURE 5-3: SUM OF PAID BEDNIGHTS



SOURCE: SOUTH AFRICAN TOURISM INTERNATIONAL TOURIST ARRIVALS SURVEY, 2021

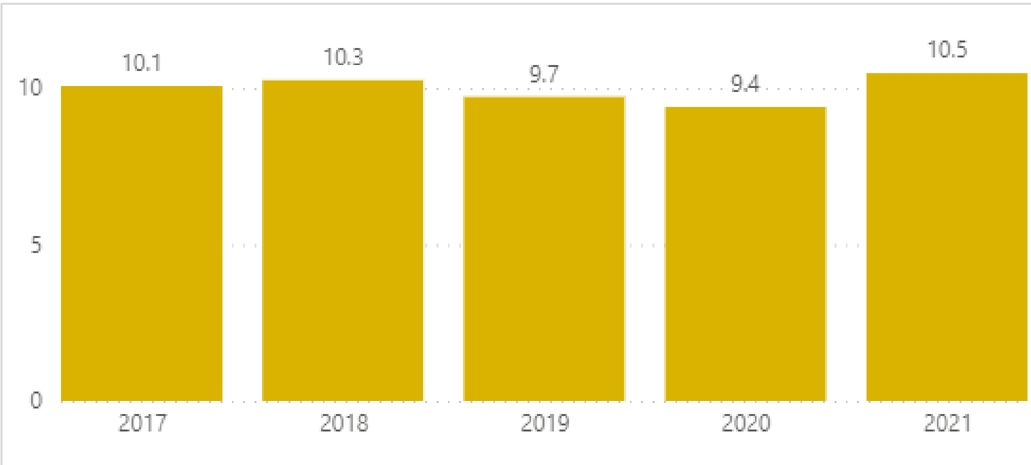
In 2021, the KZN Province had approximately 540 000 paid bednights, a decline of over 100 000 in contrast to the previous year. Gauteng represented 2.3 million paid bednights in 2021 and

[3] South African Tourism, International Tourist Arrivals Survey 2021

the Western Cape represented 2.4 million paid bednights. The figures display significant potential for increased tourism activity in these provinces.

5.1.4 Length of stay

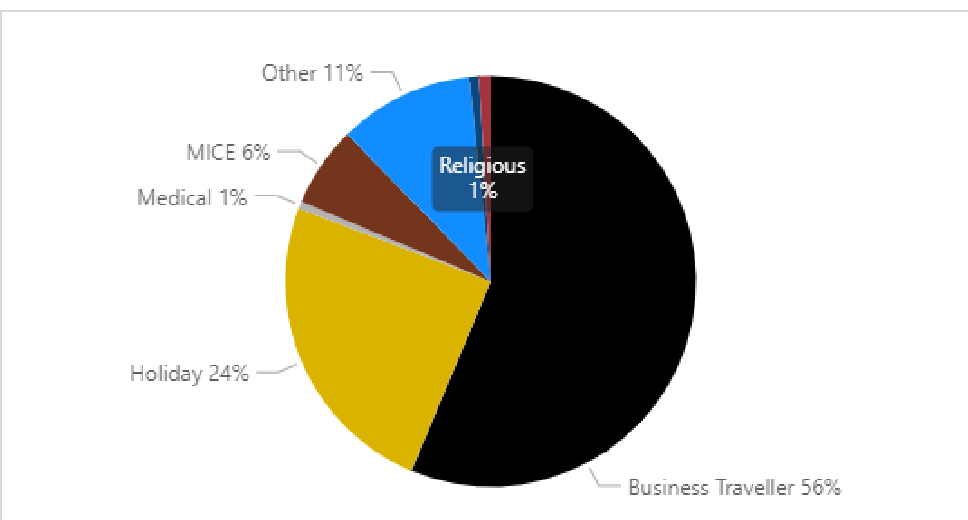
Length of stay describes the trend in the duration of the tourist's visit to the country in contrast to previous years. The figure below shows that tourists in KZN stay an average of about 10.5 days.



SOURCE: SOUTH AFRICAN TOURISM INTERNATIONAL TOURIST ARRIVALS SURVEY, 2021

5.1.5 Purpose of visit

This section seeks to solicit reasons why tourists travel to the KZN Province with the aim of establishing the nature of the tourism activity which is popular in the province.



SOURCE: SOUTH AFRICAN TOURISM INTERNATIONAL TOURIST ARRIVALS SURVEY, 2021

Over 50% of the international tourist arrivals to SA indicated they travel to the country for business related purposes. 24% of the tourists stated their main purpose of travel was holiday and leisure. The rest of the travelers to the iLembe District indicated that their main purpose of the visit was medical reasons (1%), attending MICE(6%), religious and other reasons.

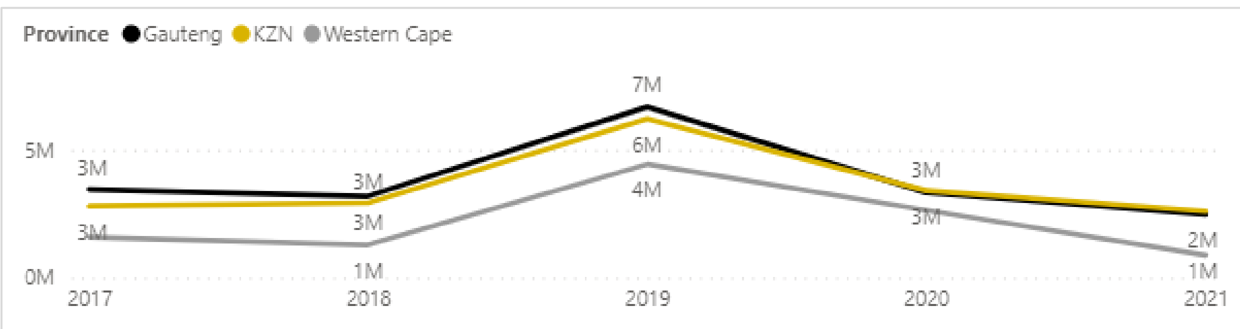
5.2 Domestic Tourism Performance

Domestic tourism is an important aspect of economic development. Not only does it offer locals an opportunity to discover new areas within their country, but it also enables locals to learn new things about their country including food, music, and cultural practices. Domestic tourism is popular among South Africans due to affordability and ease of access, these are aspects tourism establishments should strive to capitalize on.

5.2.1 Domestic Trips

In 2021, there were 16 million domestic trips, a decline of approximately 4 million trips compared to 2020[4]. The significant decline could potentially be attributed to COVID-19 travel restrictions, civil riots and unrest and general financial and economic constraints.

FIGURE 5-4: DOMESTIC TRIPS



SOURCE: SOUTH AFRICAN TOURISM DOMESTIC TOURISM SURVEY, 2021

The KZN Province accounted for 2.6 million domestic trips. The Gauteng and Western Cape Provinces accounted for 2.4 million and 800 000 domestic trips. This indicates a fair amount of inter-provincial travel between KZN and Gauteng [5]

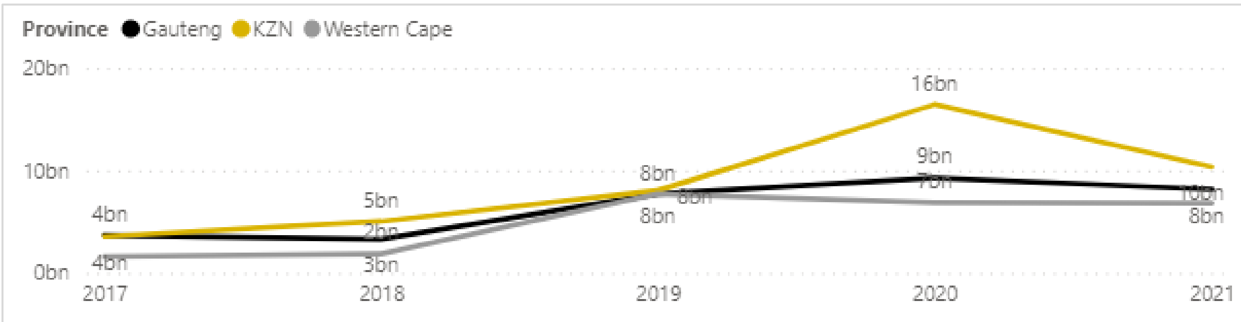
[4] South African Tourism, Domestic Tourism Survey 2021

[5] South African Tourism, Domestic Tourism Survey 2021

5.2.2 Tourist Spend

In 2021, domestic tourist spend amounted to R45 billion, a decline of about R8 billion in contrast to the tourist spend of the previous year of R53 billion.[6]

FIGURE 5-5:DOMESTIC TOURIST SPEND



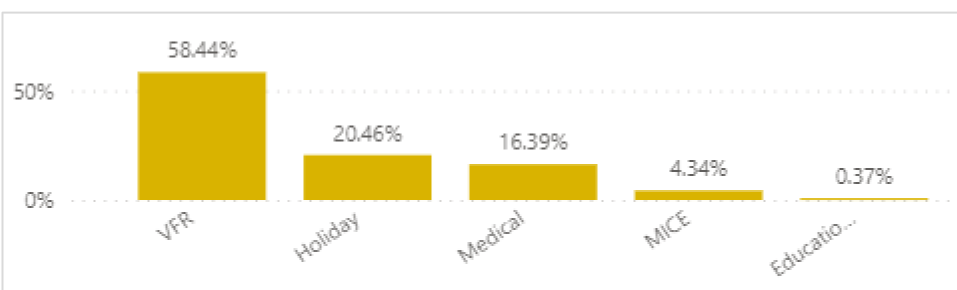
SOURCE: SOUTH AFRICAN TOURISM DOMESTIC TOURISM SURVEY, 2021

The domestic tourist spend for KZN in 2021 was R10 billion and R16 billion for the previous year, sighting a decline of approximately R6 billion[7]. The Gauteng and Western Cape Provinces accounted for R8.2 billion and R6.8 billion in domestic tourism spend for 2021.

5.2.3 Purpose of visit to KZN Province

The main purpose of visit identifies the main reason for travel to the destination. The KZN Province is renowned domestically for being the ideal coastal holiday destination, however, tourists travel to KZN for several other reasons.

FIGURE 5-6: PURPOSE OF VISIT TO KZN PROVINCE



SOURCE: SOUTH AFRICAN TOURISM DOMESTIC TOURISM SURVEY, 2021

The majority of the travelers to KZN indicated that their main purpose to visit the destination is to either visit friends and relatives or for holiday and leisure. Coastal characteristics such as

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[6] South African Tourism, Domestic Tourism Survey 2021

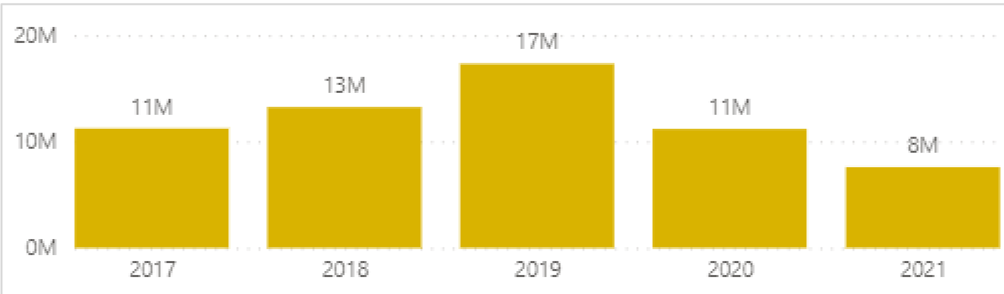
[7] South African Tourism, Domestic Tourism Survey 2021

the presence of multiple beaches and other amenities give KZN an advantage over other provinces that do not have access to a beach. Other reasons for visiting the province include medical-related reasons, attendance of MICE and education/training-related reasons.

5.2.4 Bednights in KZN

Paid bednights indicate the number of accommodation establishments that were occupied during the study period.

FIGURE 5-7:BEDNIGHTS



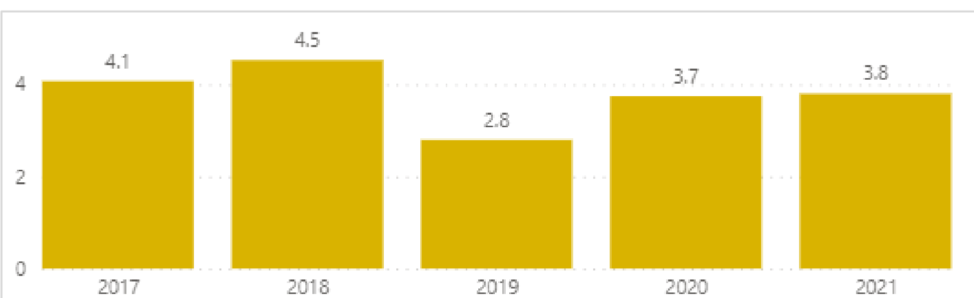
SOURCE: SOUTH AFRICAN TOURISM DOMESTIC TOURISM SURVEY, 2021

In 2021 there were 8 million bednights in the KZN Province, a slight decrease of approximately 3 million bednights in contrast to the previous year.

5.2.5 Length of Stay

The figure below displays the duration of stay for domestic tourists visiting the KZN Province.

FIGURE 5-8:LENGTH OF STAY



SOURCE: SOUTH AFRICAN TOURISM DOMESTIC TOURISM SURVEY, 2021

In 2021, domestic tourists stayed an average of 3.8 days, this figure is considerably low compared to previous years prior to the global pandemic, namely 2017 and 2018[8]. This figure is also significantly lower compared to international tourists' average length of stay. Trends

[8] South African Tourism, Domestic Tourism Survey 2021

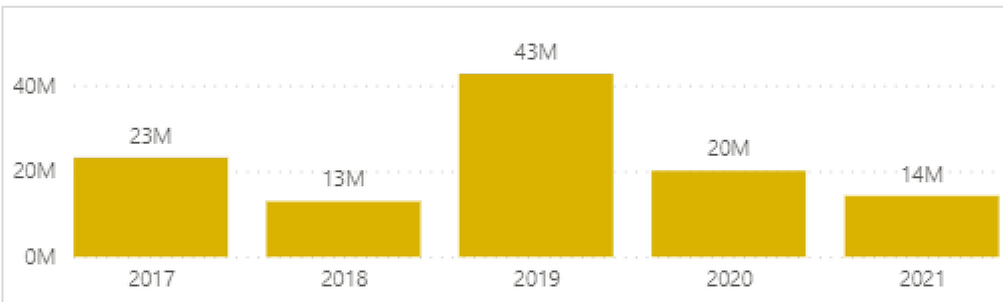
indicate international tourists stay longer than domestic tourists, with international tourists staying longer than a week meanwhile domestic tourists stay less than a week on average.

5.2.6 Day trips in KZN

Tourists are often categorized as tourists who stay in paid accommodations, tourists who visit friends and relatives, and tourists who took day trips to the destination.

The figure below displays the number of tourists who did not require any accommodation during their travel to the KZN Province.

FIGURE 5-9: DAY TRIPS



SOURCE: SOUTH AFRICAN TOURISM DOMESTIC TOURISM SURVEY, 2021

There were 14 million day trips to the KZN Province in 2021. In 2020, there were 20 million day trips, a decrease of more than 50% in contrast to the 2019 figure of 43 million day trips[9]. These figures indicate the severe effects of lockdown restrictions and the global pandemic. The tourism industries were undoubtedly the most economically affected industry, and this can be seen in the negative growth of the tourism sector which is displayed by the significant decline in day trips displaying reduced inter-provincial tourism.

[9] South African Tourism, Domestic Tourism Survey 2021

Section 6: Conclusion

The KZN Province is well known for being a popular coastal province, KwaZulu-Natal is renowned for warm beaches in regions such as Durban. There are several coastal amenities in KZN which make it an ideal tourist destination for both international and domestic tourist arrivals. The KZN Province is one of the most popular provinces which locals travel to during school holidays and over the festive season. The province contributes sustainably towards economic growth with regards to development in the tourism sector, hence it is important for the province to continue to market itself as one of the prime coastal holiday destinations.

The iLembe District hosts many tourists throughout the year, however since the devastating effects of the global pandemic, tourism has been one of the most severely affected industries which disrupted economic growth plans. High levels of crime, minimal economic growth and civil unrest continue to threaten economic development plans. As most countries ease up restrictions and permit travelers into their domestic countries, it is vital for innovative tourism to take place. The global pandemic has left many long-term effects that ultimately resulted in the transformation of the accommodation industry to ensure competence and compliance with modern tourism trends relating to hygiene standards, virtual methods, and adherence to COVID-19 safety protocol.

Annexure: Glossary of terms

CATEGORY	CONCEPT	DEFINITION
Tourism	**Day visitors**	Visitors who do not spend the night in accommodation in the place visited.
	Overnight visitor	Visitors who spend the night in accommodation in the place visited.
	Visitors spending	Spending patterns of visitors on the following:
		- Accommodation (e.g. lodges, campsites, self-catering, timeshare, etc.) – paid accommodation at formal establishments in the destination, *excl. visiting friends or family of staff*
		- Restaurants and related services – paid food and beverage in the destination, *excl. food and beverage not purchased in the area.*
		- ·Public transport – paid transport to and from the destination and within destination, e.g. tour buses, minibuses, aeroplane, shuttles, car rentals, *excl. personal vehicle use.*
		- Recreational and cultural activities – paid recreational and cultural activities in the destination, incl. safaris/tour guiding, adventure activities, cultural dances, etc.
		- Retail – purchase of tourism-related merchandising, crafts, local products.
		- Others – purchase of non-tourism related items, e.g. petrol, toll fees, banking services, etc.
Impact	**Multiplier Effect**	Refers to the increase in final income arising from any new injection of spending.
	Production	Economic rationale of firms supplying goods and services in the economy.
	Gross Domestic Product (GDP) or Gross Geographic Product (GGP)	A monetary measure of the market value of all the final goods and services produced within a country in a specific period. Also known as the Value-Added (sum of wages, profit and tax)
	Income	The income generated in terms of salaries and wages earned by those employed directly and the suppliers of goods and services.
	Taxes	Taxes refer to the revenue generated for government based on the production and sale of goods and services in the economy.
	Direct	On-site impact in terms of production, GDP, Income, Jobs and Taxes.
	Indirect	Supplier or value-chain impact in terms of production, GDP, Income, Jobs and Taxes.
	Induced	Consumer/household impact in terms of production, GDP, Income, Jobs and Taxes.
	Total	Accumulative impact of direct, indirect and induced.