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**ILEMBE TOURISM RESEARCH**

**Report No 8**

**Consolidated Annual Report (January 2020 – December 2020)**

**ENTERPRISE ILEMBE ECONOMIC DEVELOPMENT AGENCY**



*Submitted by:*



**SIVANDI (PTY) LTD**

**24<sup>th</sup> March 2021**

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Table 1: Acronyms

| LIST OF ACRONYMS  |   |
|-------------------|---|
| <b>CGE</b>        | Computable General Equilibrium                      |
| <b>FK</b>         | Forward Keys - suppliers of global airline data     |
| <b>GDP</b>        | Gross Domestic Product                              |
| <b>iLembe</b>     | iLembe District Municipality                        |
| <b>KSIA</b>       | King Shaka International Airport                    |
| <b>KZN</b>        | KwaZulu-Natal                                       |
| <b>Rbn</b>        | Billion Rand  |
| <b>Rmn</b>        | Million Rand  |
| <b>SA</b>         | South Africa  |
| <b>SAT</b>        | South African Tourism                               |
| <b>Stats SA</b>   | Statistics South Africa                             |
| <b>STR Global</b> | Smith Travel Research (global hotel occupancy data) |
| <b>TKZN</b>       | Tourism KwaZulu-Natal                               |
| <b>TSA</b>        | Tourism Satellite Account                           |
| <b>TTRA</b>       | Travel and Tourism Research Association             |
| <b>UNWTO</b>      | United Nations World Tourism Organisation           |
| <b>VFR</b>        | Visiting Friends and Relatives                      |
| <b>WTTC</b>       | World Travel and Tourism Council                    |

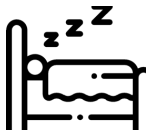
Table 2: Definitions

| LIST OF DEFINITIONS <sup>1</sup> |   |
|----------------------------------|---|
| <b>Adventure Tourism</b>         | A leisure activity that takes place in an unusual, exotic, remote, or wilderness destination and tends to be associated with high levels of involvement and activity by the participants, most of it outdoors.  |
| <b>Avi-tourism</b>               | This type of travel takes advantage of birding-related events, and many tourist destinations promote birding festivals, hotspots, trails, preserves, parks and other locations to encourage birders to travel to the area, as well as highlighting locally endangered or endemic bird species.  |
| <b>Blue Flag Beach</b>           | Blue Flag is an international award given to beaches, boats and marina's that meet excellence in the areas of safety, amenities, cleanliness and environmental standards. The strict criteria of the programme are set by the international coordinators of the Blue Flag campaign in Europe, the Foundation for Environmental Education (FEE). |
| <b>Business Tourism</b>          | The provision of facilities and services to the millions of delegates who annually attend meetings, congresses, exhibitions, business events, incentive travel and corporate hospitality.   |
| <b>Cultural Tourism</b>          | The subset of travel concerned with a country or region's culture, specifically the lifestyle of the people in those geographical areas, the history of those people, their art, architecture, religion(s), and other elements that helped shape their way of life.   |
| <b>Direct Impact</b>             | (... of tourism) is a result of the total amount that is spent by tourists in an area and it refers to any businesses that receive direct payment from tourists.  |
| <b>Domestic Tourism</b>          | Tourism which takes place between and within regions of a particular country. It effectively includes inter-regional tourism and intra-regional tourism.  |
| <b>Holiday</b>                   | An extended period of leisure and recreation, especially one spent away from home or in travelling.   |
| <b>Indicator</b>                 | A measurable variable used as a representation of an associated (but non-measured or non-measurable) factor or quantity.  |
| <b>Indirect Impact</b>           | The 'indirect spend' or indirect impact of tourism is concerned with the consumption of goods and services in the tourism sector, usually calculated using a multiplier.  |
| <b>Induced Impact</b>            | (... of tourism) occur when the locals, who have earned money through tourism either directly or indirectly, spend their income on goods and services, thus stimulating the local economy.  |

<sup>1</sup> Source(s): A. Beaver, 2012, *A Dictionary of Travel and Tourism*, Oxford University Press; Blue Flag, South Africa, 2016, Internet: <http://blueflag.org.za/wessa/>, Accessed: 23 May 2016; T. Var et al, 1993, *VNR's Encyclopaedia of Hospitality and Tourism*, Van Nostrand, New York; United National World Tourism Organization.

|   |  |
|---|--|
| <b>International Tourism</b>                | Travel which involves leaving the borders of one country to enter another.   |
| <b>Long-Haul Travel</b>                     | Travel which covers a large distance and usually involves the use of a variety of transport types to cover many different areas.   |
| <b>Multiplier</b>                           | A factor that is applied to any estimation of the direct economic impact of tourism in an area and makes it possible to estimate the impact of indirect and induced impacts of tourism.  |
| <b>Niche Tourism/Market</b>                 | Consists of tourism based on 'special interests, culture and/or activity-based tourism involving small numbers of tourists in authentic settings'.   |
| <b>Sub-Indicator</b>                        | A sub-set of indicators, e.g., if the indicator is 'accommodation', a sub-indicator could be 'hotels' or 'B&Bs'.   |
| <b>Tourism</b>                              | Comprises the activities of persons travelling to, and staying in places outside their usual environment, for not more than one uninterrupted year, for leisure, business and other purposes. The usual environment of a person consists of a certain area around his/her place of residence, plus all other places he/she frequently visits.  |
| <b>Tourist</b>                              | <p>A person who travels away from their home and stays away for at least one night (more than 24 hours) at their destination, is not remunerated in that destination and may travel for different purposes including business, leisure and exploration.</p> <ul style="list-style-type: none"> <li>• <u>Domestic Tourist</u>: a person resident in South Africa who travels to another part of the country for at least one night, but not more than one year, and is not remunerated in that destination.</li> <li>• <u>International Tourist</u>: a person from outside South Africa who travels into the country for at least one night, but not more than one year, and is not remunerated in that destination.</li> </ul> |
| <b>Traveller</b>                            | A person who moves between different geographical locations for any purpose and any duration. The term traveller in this report refers to an international traveller.  |
| <b>Region</b>                               | A region is an area of land that has common features. A region can be defined by natural or artificial features. Language, government, or religion can define a region, as can forests, wildlife, or climate. Regions, large or small, are the basic units of geography. In this report, the North Coast tourism region consists of the main of the iLembe District Municipality.  |
| <b>Visiting Friends and Relatives (VFR)</b> | A form of travel involving a visit whereby either (or both) the purpose of the trip or the type of accommodation involves visiting friends and/or relatives/family.  |
| <b>Visitor</b>                              | Any person who moves to an area for less than one day (24 hours) or does not spend a night in the area.  |

## Research Findings Highlights



Overnight visitors = 464 303



Day visitors = 113,852

Tourist stayed an average of **6.71 NIGHTS** & spent an average of **3,935**.

### Major reason for visiting



Holiday 26%

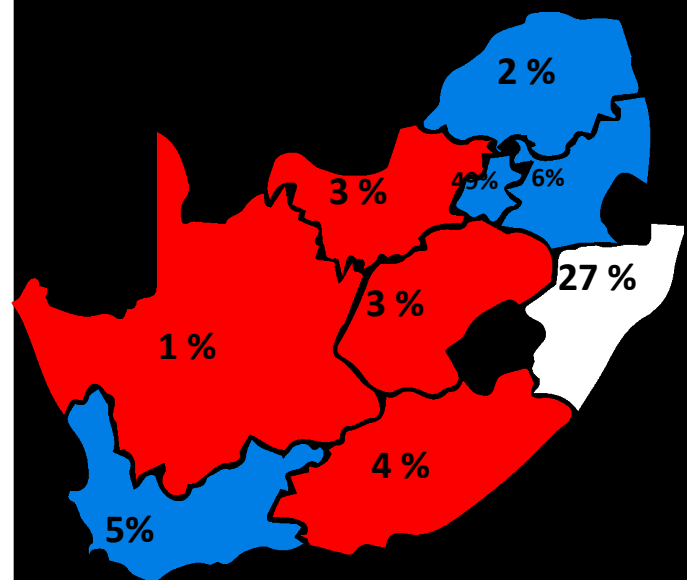
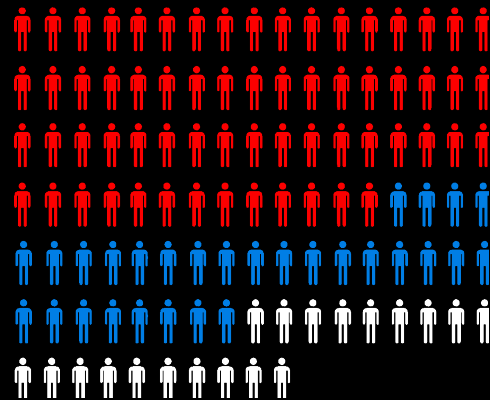
VFR 37.2 %

Shopping 7%

Business 18 %

### TOTAL VISITORS

578,155



Origins of Domestic (RSA)  
Visitors to iLembe District





- 18% United Kingdom
- 16% Germany
- 14% Netherlands
- 8% USA
- 6% Swaziland
- 38% Other

Top foreign overnight  
visitors' origin



Visitors to iLembe spent  
**1,883 billion**

 Jobs  
6 376



GDP Contribution  
**R2,976 Billion**

## **SECTION 1**

### **1. Introduction**

#### **1.1 Purpose of the study**

Enterprise iLembe is a development agency under the iLembe District Municipality, whose role is to promote trade and investment opportunities in the district. In its bid to foster the tourism industry in the district Enterprise iLembe decided to undertake a research project to evaluate the contribution of tourism to the economy of the iLembe area. To this end, they appointed Sivandi to undertake the study aimed at collecting data, both existing and primary, to do the evaluation. This report is a summary of the research results of the tourism sector in the iLembe District for June 2019-July 2020.

#### **1.2 Methodology**

Due to the complexity of the tourism sector as well as to the lack of available information at a sub-destination level, a multi-faceted approach was planned to be able to obtain as much of the required data as possible. Some of the information was available as secondary data, but a large portion required primary data to be collected, collated and analysed.

##### **1.2.1 Data Collection**

To this end, monthly occupancy data was requested from all accommodation establishments in the iLembe District. The returns were collated monthly according to the category, and rigorous analysis is undertaken. All of the data for every six months is to be collated to provide the biannual report.

Intercept surveys were also undertaken with a minimum of 100 respondents, where possible. Only visitors from out of the area, from the rest of South Africa and overseas are interviewed, not residents. This is informed by the international best practice for tourist data collection. Locals are excluded as they represent 'recycled' money, and not new money being injected into the iLembe economy.

License plate surveys were also undertaken to ascertain the ratio of local to visitor vehicles in the study location. This was in the form of air passenger arrivals from King Shaka International Airport (KSIA), toll road numbers for class 1 vehicles heading north through the Tongaat Toll Plaza, and provincial and national hotel occupancy figures obtained for comparative purposes.

A variety of other surveys were also consulted for further background/environmental information. These included South African Tourism (SAT) annual reports, Table Bs, and quarterly domestic tourism reports, as well as reports from Statistics South Africa (STATS SA).

More specific and relevant reports from the provincial tourism authority, Tourism KwaZulu-Natal (TKZN) were also consulted. These included the annual Tourism Statistics Brochures and the monthly updated Tourism Intelligence Report.

### **1.2.2 Economic impact**

The impact from tourism can be summarized into three categories, these are; direct, indirect or induced impact. The direct impact of tourism is a result of the total amount that is spent by tourists in an area and it refers to any businesses that receive direct payment from tourists. An example of this would be the payment by a tourist to an accommodation establishment such as a hotel or B&B. In addition to this, the 'indirect spend' or indirect impact of tourism, which is concerned with the consumption of goods and services in the tourism sector. These goods and services are what tourism businesses purchase from their suppliers, forming the tourism supply chain. The indirect impact can also be calculated by applying a local multiplier (see diagram below).

Lastly, the induced impact of tourism occurs when the residents, who have earned money through tourism either directly or indirectly, spend their income on goods and services, thus stimulating the local economy – as explained in the paragraph above.<sup>2</sup> In other words, the local

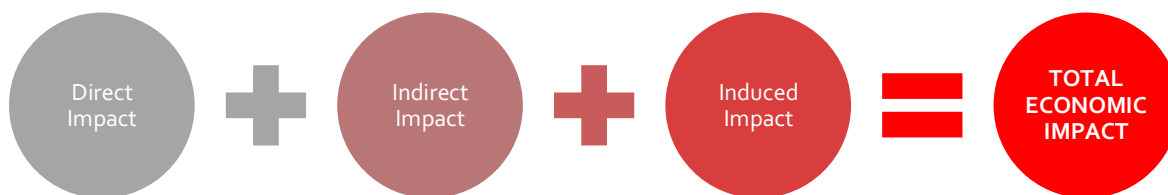
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<sup>2</sup> J.D. Theron, p.17.

spending within an economy is seen as ‘recycling money’ and is important for maintaining the local economy rather than growing it (direct and indirect impacts).

Therefore, to calculate a realistic figure that will show the economic impact of tourism, all of the three impacts (discussed above) must be quantified and are added together.<sup>3</sup> The indirect and induced impacts are often calculated by multiplying the direct impacts with a multiplier factor. The diagram below shows the simple steps that are followed to calculate the total economic impact.

*Figure 1: Calculating the Economic Impact of Tourism<sup>4</sup>*



### ***The Multiplier Effect: Indirect and Induced Impacts***

As mentioned above, the direct expenditure of tourists is only part of the total economic impact of tourism in a local area/region. The notion that every amount of tourist-spend in the area has a re-occurring impact on the economy of an area is known as the ‘multiplier effect’.<sup>5</sup> Essentially, the multiplier is a factor that is applied to any estimation of the direct economic impact of tourism in an area, and it makes it possible to estimate the impact of indirect and induced impacts of tourism.<sup>6</sup> In other words, multipliers are used to quantify the total impact of tourism.<sup>7</sup> Therefore,

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<sup>3</sup> J.D. Theron, p.17.

<sup>4</sup> J.D. Theron, p.17.

<sup>5</sup> A. Nedelea et al, p.283.

<sup>6</sup> J.D. Theron, p.20.

<sup>7</sup> M. Saayman, A. Saayman, and W. Naudé, 2000, *Economic and Sectoral Effects of Tourist Spending in South Africa: Regional Implications*, Faculty of Economic & Management Sciences: Paper prepared for the ABAS International Conference, 10 – 12 July, Prague, Czech Republic, Potchefstroom University for CHE, Potchefstroom South Africa.

for this study, the **multiplier of 2.0** will be applied to ensure consistency with other similar studies and to permit comparability.

### ***Measuring the Economic Impact of Tourism***

The measurement of the economic benefits, along with related costs of tourism, can help a wide range of stakeholders such as marketers, planners, and others with an interest in visitor activities to reach a variety of objectives.<sup>8</sup> For example:

- It informs decision-makers of the benefits that accrue to a community by investing in tourism marketing and facilities
- It allows for public-private partnerships in marketing and the development of infrastructure
- It allows tourism-related employees to understand their role in the community
- By demonstrating the effects of tourism development to the general public, it helps citizens to make informed decisions when choosing whether to encourage or resist additional tourism marketing or development.<sup>9</sup>

When attempts are made to measure the economic impact of tourism, this often results in the development of policies or decisions that are often favourable for tourism development.<sup>10</sup> However, it must be noted that economic impact analysis is a “best guess” rather than being “accurate”.<sup>11</sup>

Most impact models for tourism are variations of the following equation:<sup>12</sup>

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<sup>8</sup> D.C. Frechtling, 2006, An Assessment of Visitor Expenditure Methods and Models, *Journal of Travel Research*, 2006, 45, p.26.

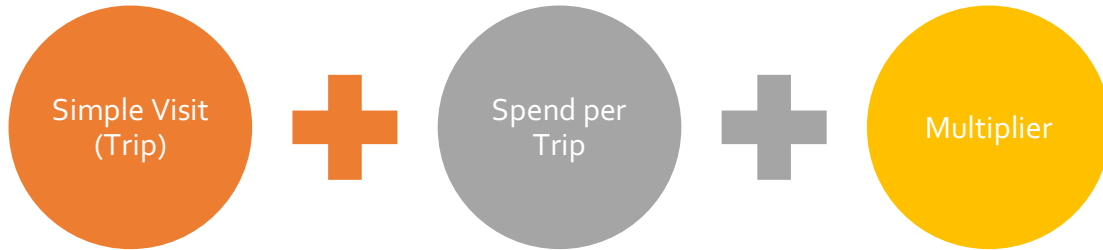
<sup>9</sup> D.C. Frechtling, p.26.

<sup>10</sup> J.W. Pao, 2005, *A Review of Economic Impact Analysis for Tourism and Its Implications for Macao*, Monetary Authority of Macao, p.7.

<sup>11</sup> J.D. Theron, p.22.

<sup>12</sup> D.J. Stynes, p.1.

Figure 2: Economic Impact Formula



For example, in the SA context, the following will be used (based on one calendar year):

Figure 3: Example of Economic Impact Formula



Thus, this brief discussion has laid out the foundation for an analysis of the economic value, or impact of tourism in the North Coast or iLembe region.

### 1.3 Limitations of the study

As with most research in economic development accurate data was one of the major limitations in this study. There is limited readily available tourism statistics at the local level. Where data is available, it is often conflicting amongst the providers of tourism research. At a national level, South African Tourism (SAT) and Statistics South Africa (STATS SA) are the primary sources of tourism data. At a provincial level Tourism KwaZulu-Natal (TKZN) provides tourism statistics for local level tourist activity including the North Coast of the province. Therefore, this means the local level data is not primary but is extrapolated from the National and Provincial data. Extrapolation of data has several weaknesses which make it difficult to accurately quantify economic impact thus there was a need to collect primary data for this research.

## 1.4 Structure of the report

This report is structured as follows.

- Findings Highlights
- Section 1: Introduction
- Section 2: iLembe Tourism Statistics
- Section 3: Economic Impact of Tourism in the iLembe District
- Section 4: Year on Year Trends Analysis

## SECTION 2

### 2 iLembe Tourism Statistics

Table 3: Tourist Statistics

| Description   | Total          |
|---|----------------|
| Total Overnight tourist staying in formal accommodation | 292 511        |
| A total overnight tourist staying with family & friends | 171 792        |
| <b>Total overnight tourist</b>                          | <b>464 303</b> |
| % of KZN Overnight visitors                             | 27 %           |
| % day visitors  | 19.7%          |
| Number of day visitors                                  | 113 852        |
| <b>Total Visitors</b>                                   | <b>578 155</b> |

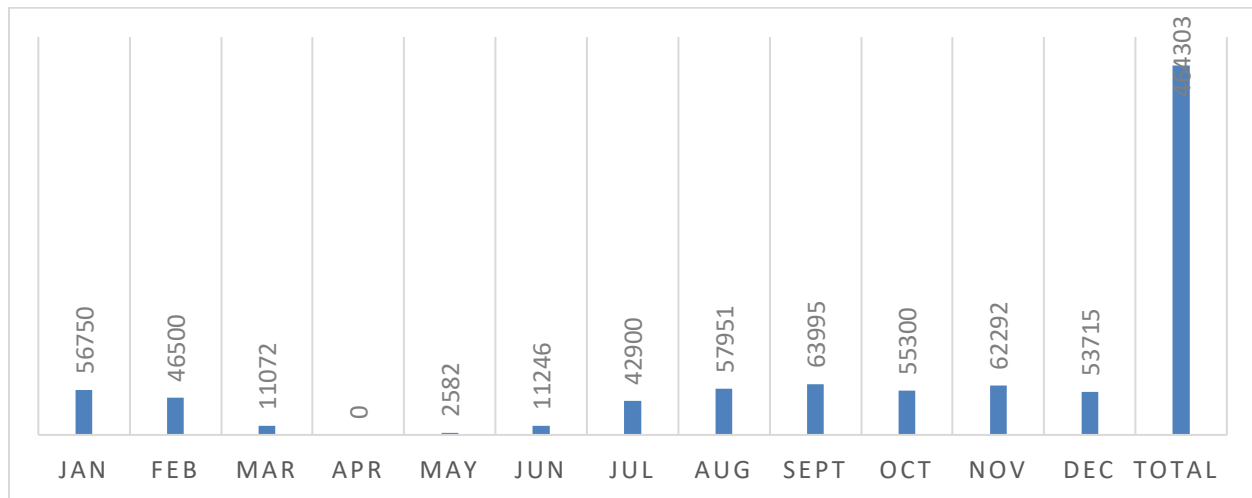
The numbers above still indicate that KZN and iLembe in particular remain the preferred destination for domestic tourists. There is still a lot of work to be done in attracting international tourists into the province. Currently, Mpumalanga and the Western Cape Surpass the province on this front.

#### 2.1 Number Overnight Visitors

A total of 578,155 visitors visited iLembe District over the review period of January 2020 – December 2020. Of these 464 303 were overnight visitors. This included those who stayed in formal accommodation establishments as well as Airbnb's and visiting friends & relatives [VFR]) Table 3. There were 113 852-day visitors recorded during the period under review.

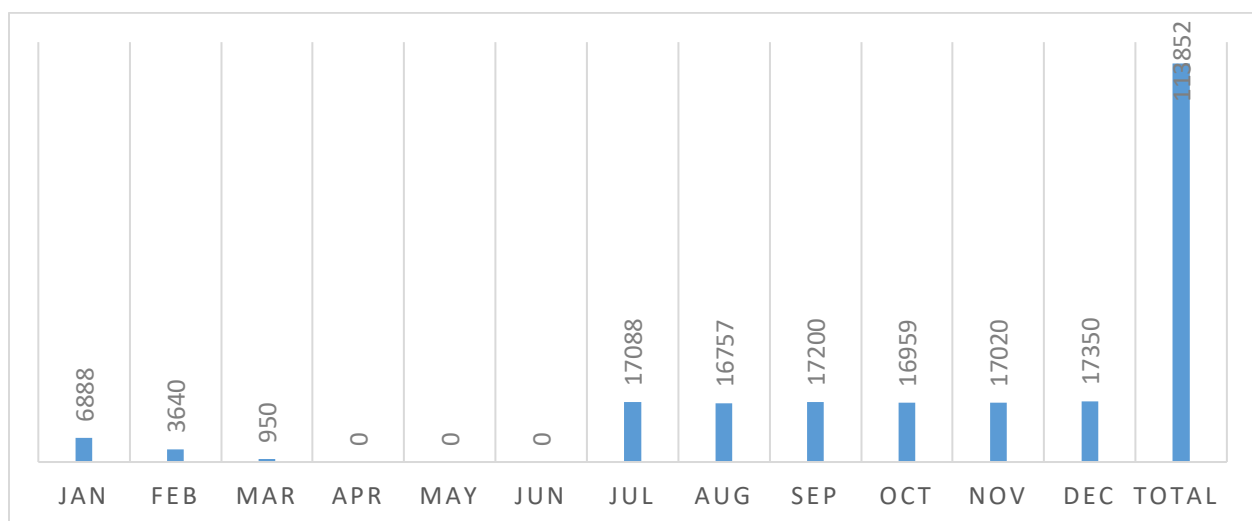


Figure 4: Overnight Visitors Trends January 2020 -December 2020



The COVID-19 has had an impact on the data which has been skewed due to the affected COVID-19 Lockdown Regulations Declared by the President of the Republic Mr Cyril Ramaphosa. The regulations prohibited the operation of tourism and hospitality establishments as well as recreation facilities, this resulted in the recording of zero data as indicated in the graphs in this report.

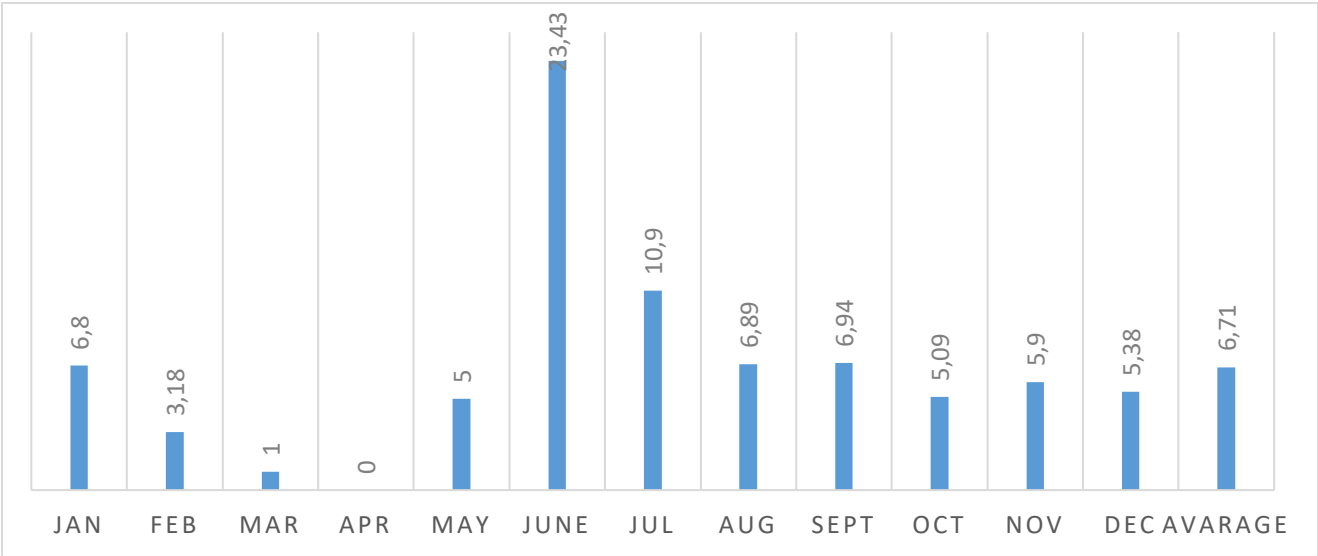
Figure 5: Day Visitors trends



The number of daily visitors peaked at a high of 18 300 in November and took a drastic knock with the effecting of lockdown regulations between March to July 2020 and over the December 2020 period.

2.2 Length of Stay

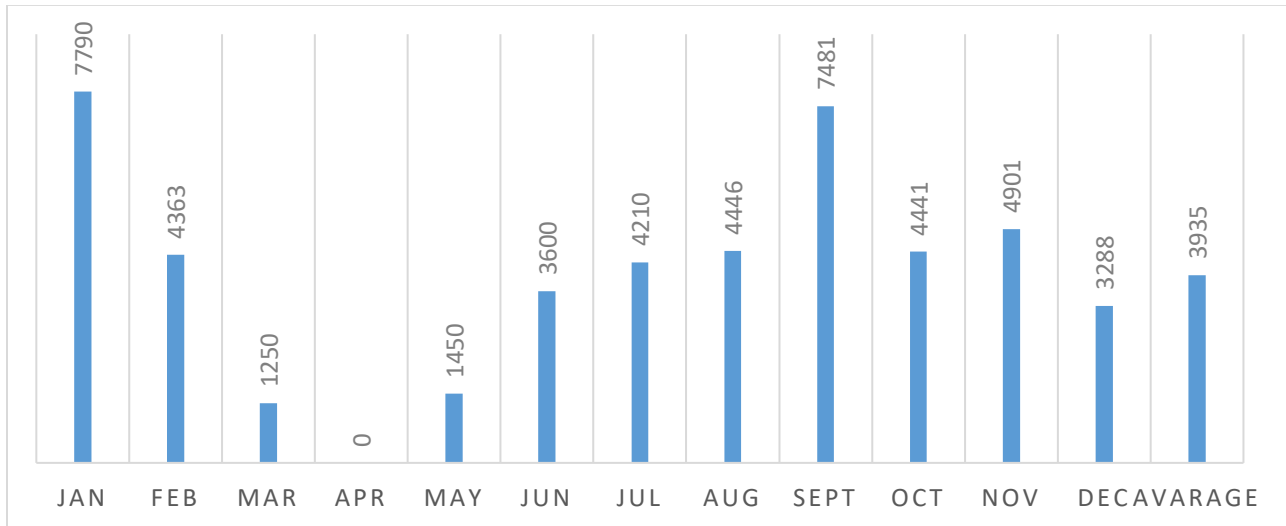
Figure 6: Average length of stay by overnight tourists



Overnight tourists stayed for an average of 6.71 nights over the review period. This peaked in June due to the long stay for business (This caused skewness of the data as this is not a year-round norm).

## 2.3 Average Spend

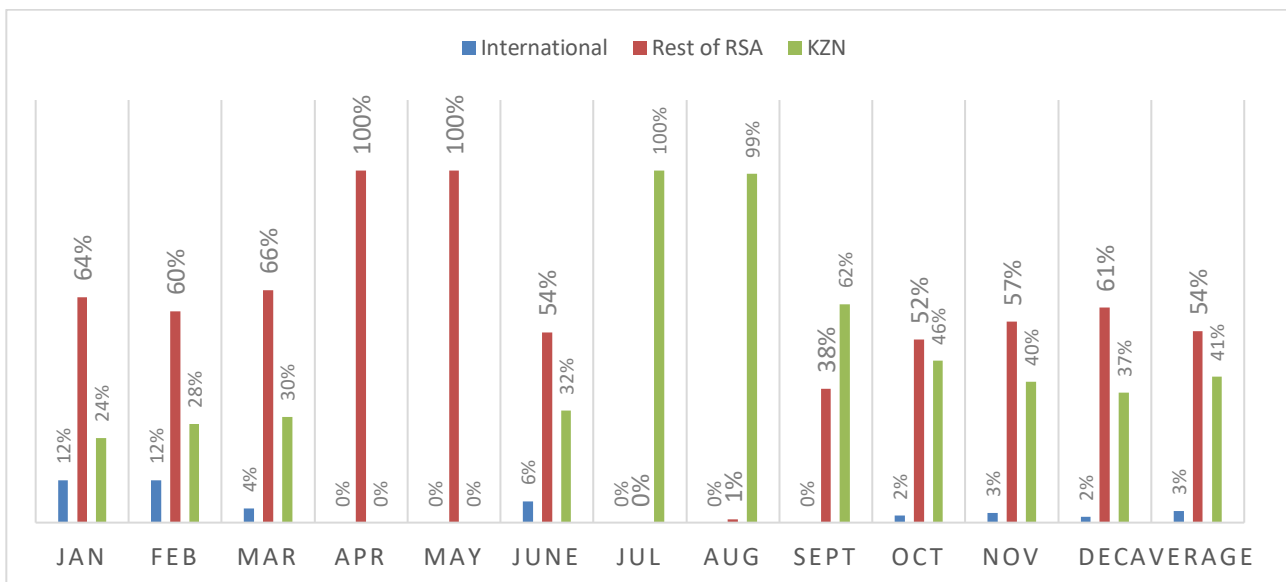
Figure 7: Average spend of tourist's trends



The average spend of tourist visiting iLembe from Jan 2020 to December 2020 was R3 935.00, the average spends peaked in January at R7 790 which is a normal trend around the festive season.

## 2.4 Origin of Tourists to iLembe

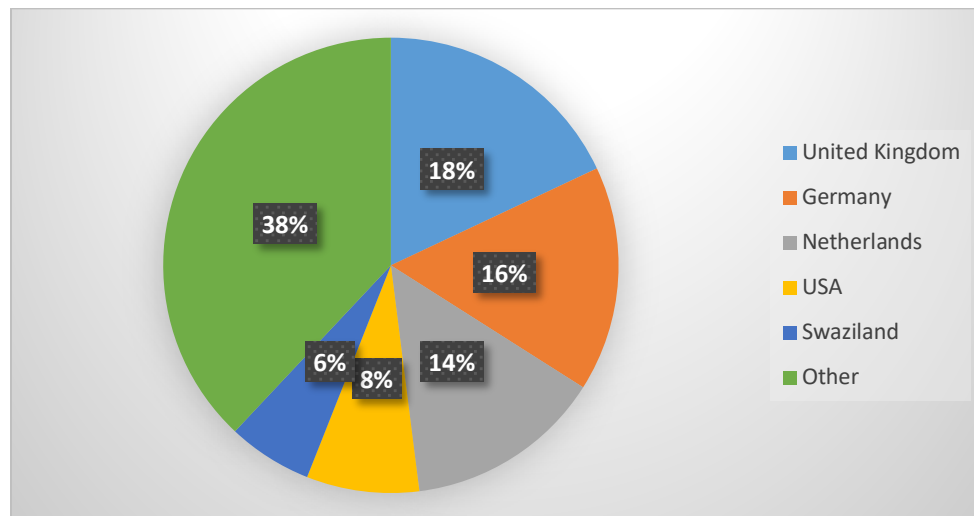
Figure 8: Origin of visitors to iLembe Jan 2020-Dec 2020



The majority of visitors are domestic visitors, averaging 54% over the review period. This is not surprising as the province of KwaZulu Natal has always been the inland country's destination of choice. This was followed by other parts of KZN visitors whose numbers averaged at 41% and international tourists at 3.0% over the review period. However, these statistics are extremely skewed due to the effect of COVID-19. What has been reported as 100% KZN tourists is business long-stay visitors, which mainly has been intra provincial.

## 2.5 Origin of Foreign Tourists to iLembe

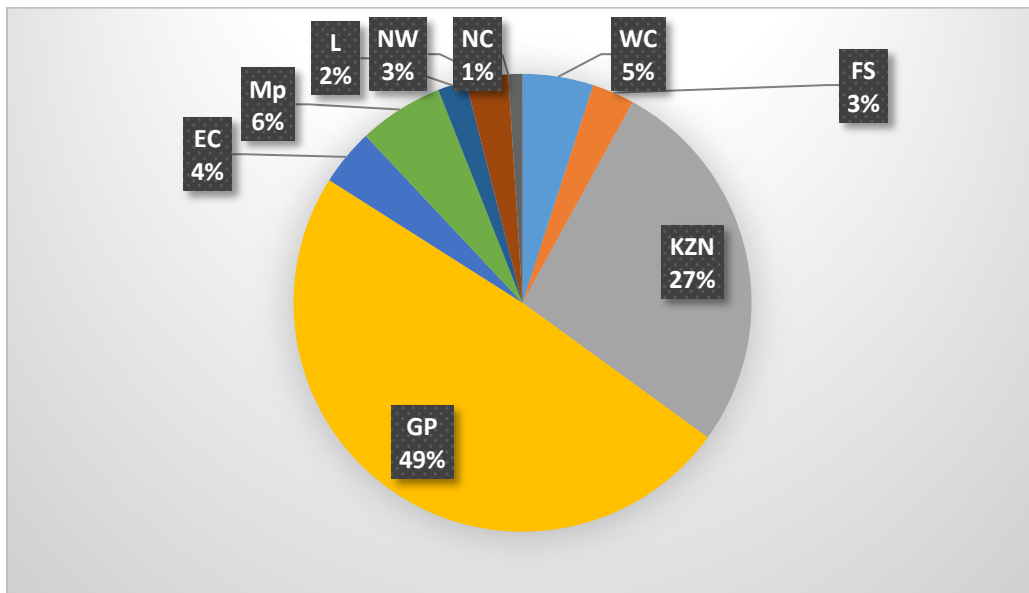
*Figure 9: Origin of foreign tourists*



The majority of foreign visitors came from the traditional markets i.e., United Kingdom at 18%, Germany at 14 % and the USA at 8 %, the rest is made up of the other countries grouped.

## 2.6 Origin of Domestic Tourists

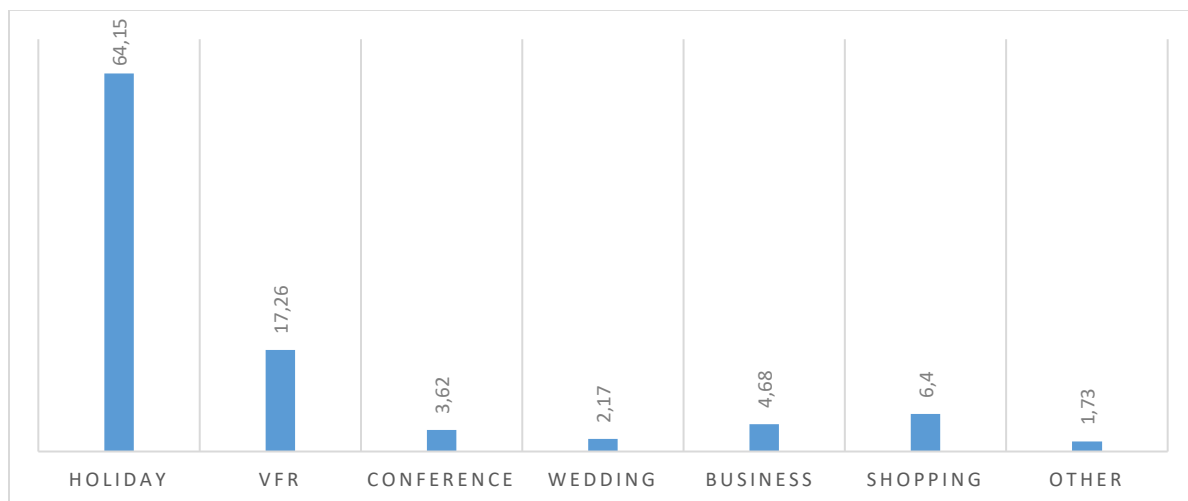
Figure 10: Origin of Domestic Tourists



The majority of domestic tourists originated in Gauteng, followed by those from within KZN, and from Mpumalanga. What is worth noting is the fact that the number of tourists recorded from the furthest provinces of Limpopo and North West was insignificant. This can also be attributed to the fact that tourist from those provinces registers themselves as being from Gauteng.

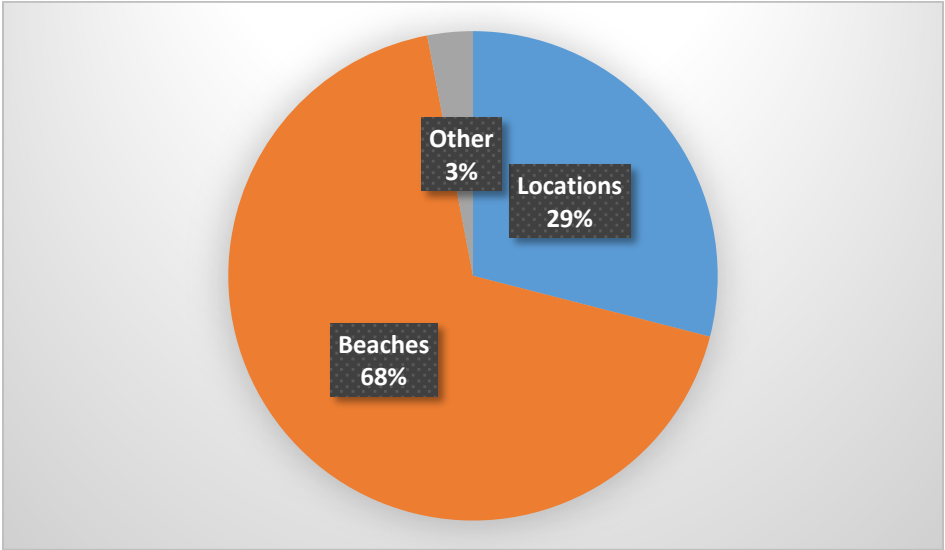
## 2.7 Purpose of Visit

Figure 11: Purpose of Visit to iLembe – Intercept Survey



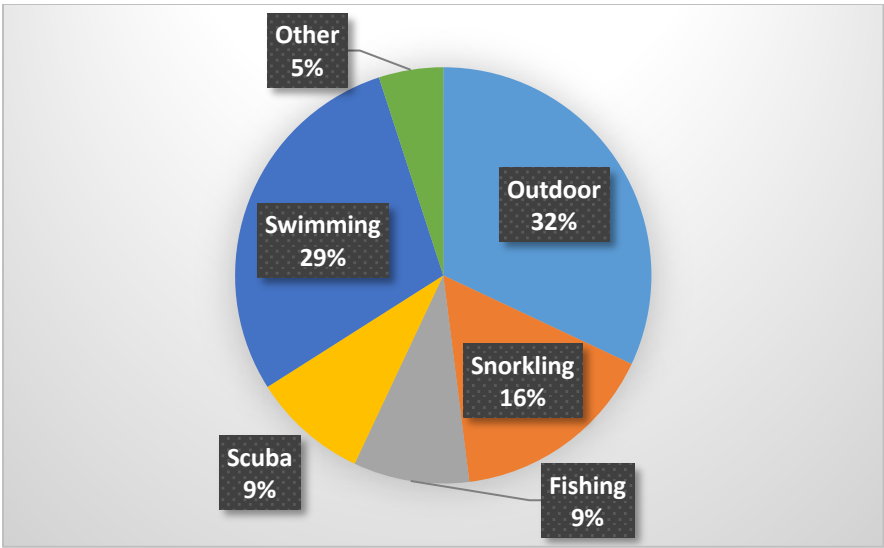
By far the majority of tourists to iLembe were there for a holiday, an average of some 64%, followed by visiting friends and family 17.26 and the third most cited reason is shopping at 6.4%, this should be lumped with a holiday, but it was separated to get the real factor of paid accommodation. This result is different from the previous mainly due to the effect of COVID-19 regulations which prevented any form of tourism. The relaxation of business travel in May created an increase in business related travel.

Figure 12: Reasons for visiting



The majority, 68% of people visited the district over the review period for its beaches, followed by people that visited the district because of its location and least for other reasons such as transit.

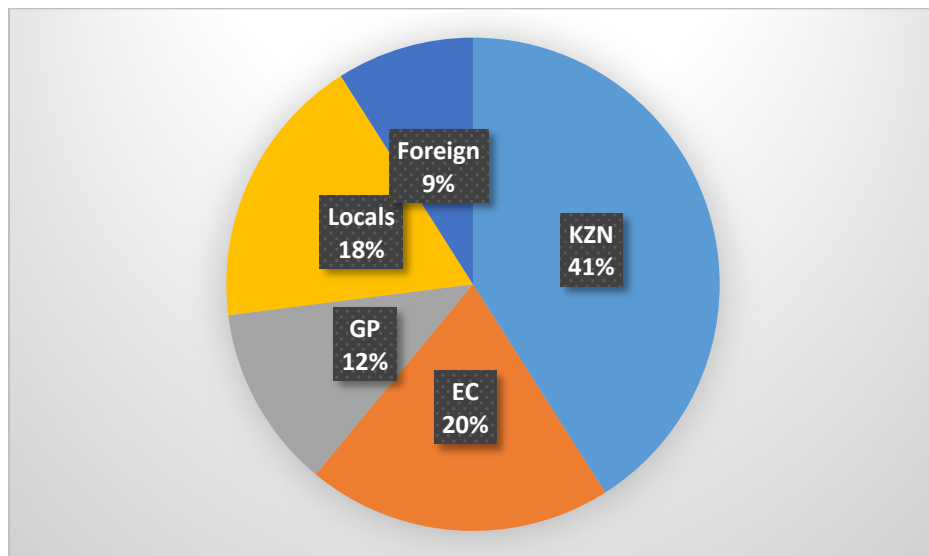
Figure 13: Recreational activities



Most visitors that visited the district over the period in review engaged in outdoor activities 32% (i.e., go-carting, horse riding etc), followed by swimming 29%, and fishing 9%.

## 2.8 Day Visitors

*Figure 14: Origin of day visitors*

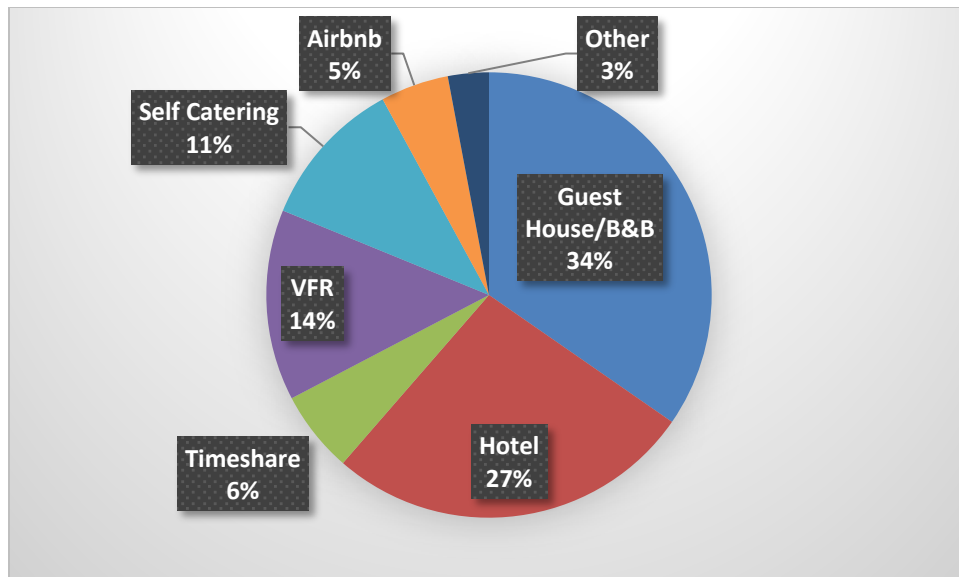


Domestic day visitors to iLembe from other regions of the KwaZulu Natal province accounted for 41% followed by visitors from the Eastern Cape at 20%, Gauteng Province with 12% and only 9% were of foreign origin (Figure 2.8).

## 2.9 Accommodation

### 2.9.1 Accommodation type used

Figure 15: Accommodation type used



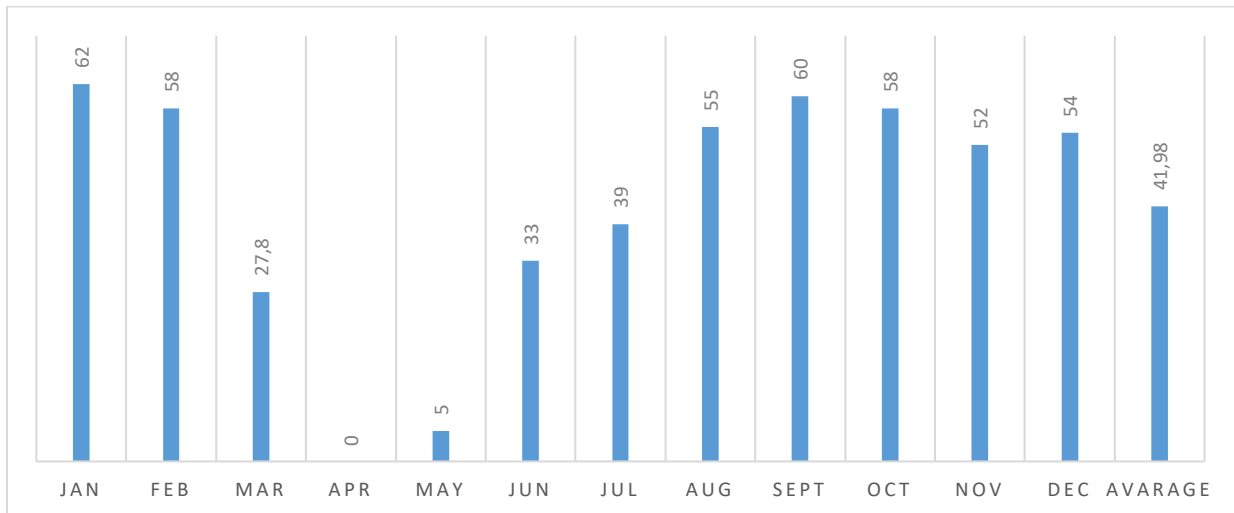
A majority of visitors that visited in the period under review stayed in Guesthouses (including lodges) (35%) followed by hotels (27%), visiting friends and family (14%), as well as self-catering and Airbnb, were some of the used forms of accommodation.



## 2.9.2 Occupancy Rate

### 2.9.2: Occupancy rates

Figure 16:Occupancy rates



The average room occupancy of accommodation establishments that participated in the research during the study period was at its lowest in May where it was 5% this is excluding the 0% occupancy for April (COVID-19 regulations) with the highest occupancy being in September at 60 % (Figure 20). Bed & Breakfast recorded the highest average occupancy over the period under review, followed by Hotels.

## SECTION 3

### 3. Impact

The gross benefit of tourism is the wealth created in the region as a result of the tourist spend or activity. To quantify the gross benefit of the quarter we quantify the direct expenditure derived from all visitor activity during the period on tourism products and services. The estimated value of each of these identified expenditure sources is discussed below and detailed in the **methodology** on **page 12** where details of the different assumptions used are also stated. Following the identification and quantification of the expenditure sources, we apply a multiplier to calculate the overall contribution to GDP as well as the total contribution to employment.

#### 3.1 Tourist and Visitors Spend

A total of 578,155 visitors visited iLembe District over the review period of January 2020 – December 2020. Of these 464 303 were overnight visitors and there were 113 852-day visitors during the period.

*Table 4: Total direct expenditure of visitors*

| Category           | Value          | Expenditure           |
|--------------------|----------------|-----------------------|
| Overnight visitors | 464 303        | R1,827,032,305        |
| Day visitors       | 113 852        | R56,926,00            |
| <b>Total</b>       | <b>578 155</b> | <b>R1,883,958,305</b> |

#### 3.2 Economic Impact

##### 3.2.1 GDP contribution and employment

The results of the economic impact analysis are provided in Table 4. The total direct expenditure of visitors to iLembe during the study period was **R1,883,958,305** with a resultant impact on iLembe's **GDP of R2.976 billion**. The number of job opportunities directly created by the sector is **6,376** between **January 2020 – December 2020**.

*Table 5: GDP and Employment contribution*

|                     | GDP            | Jobs Created |
|---------------------|----------------|--------------|
| <b>Contribution</b> | R2,976 Billion | 6,367        |

\* 1.58 for every R1 of direct expenditure contribution to GDP

\*\*This is based on 3.38 jobs for each R1 millions direct expenditure of R1,883,958,305 used for wholesale & retail trade, catering & accommodation (Tourism) in the iLembe District.

## SECTION 4

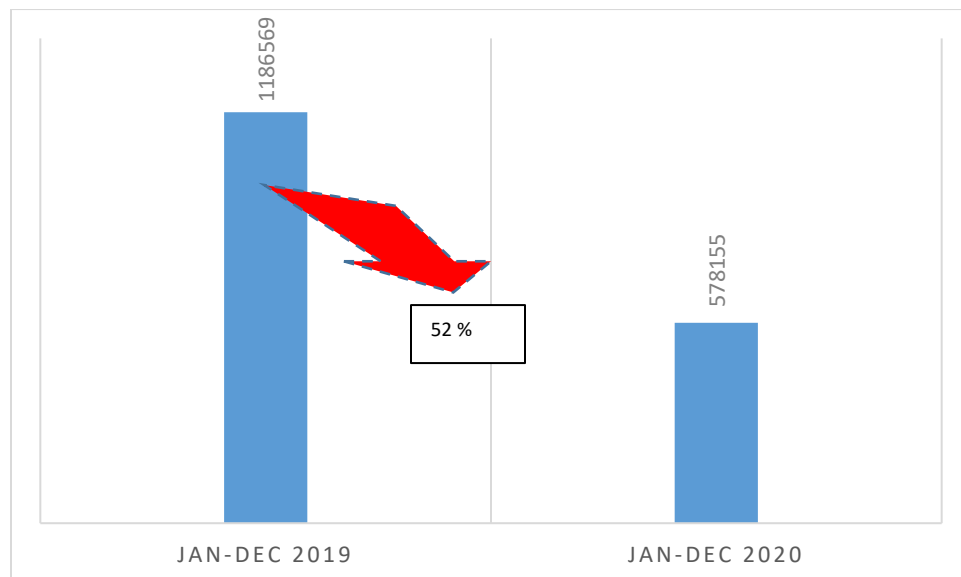
### 4. Year on Year Trends Analysis

#### 4.1 iLembe travel and tourism trends comparison

Table 6: KZN Tourist Arrivals

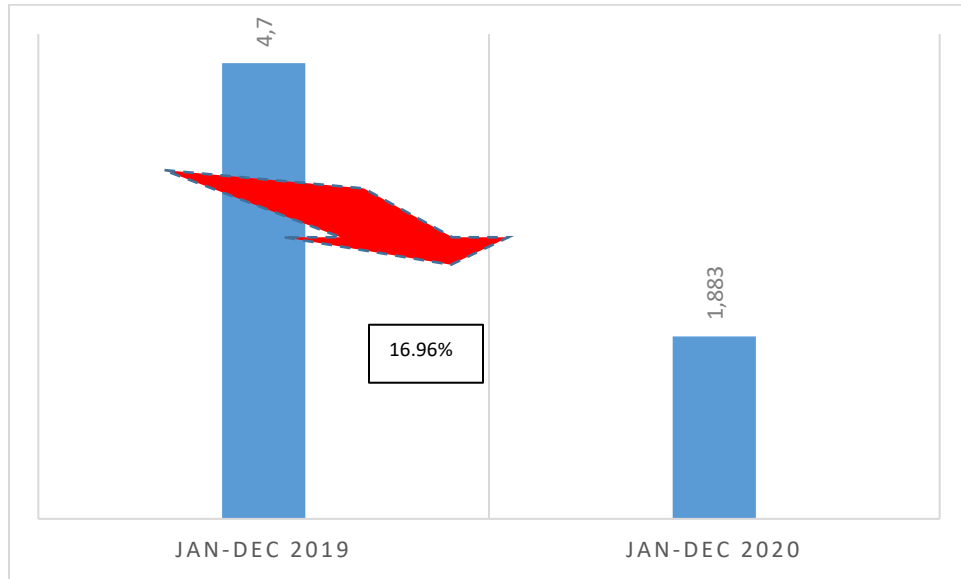
| Description             | 2019             | 2020           |
|-------------------------|------------------|----------------|
| Total overnight tourist | 782 926          | 464,303        |
| Number of day visitors  | 403 643          | 113,852        |
| <b>Total Visitors</b>   | <b>1,186 569</b> | <b>578,155</b> |

Figure 17: Total Visitors



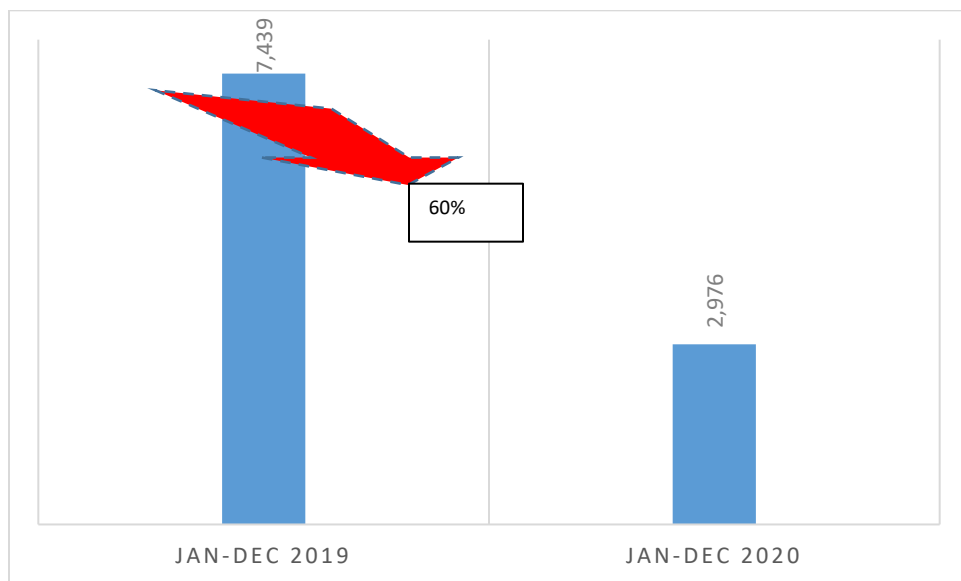
According to the Sivandi survey 1,186, 569 tourists visited the region between January-December 2019 in comparison to the 578 155 tourists between January – December 2020 a decrease of 52%. This drastic drop is attributed to the COVID-19 Pandemic and national lockdown regulations between end-March & July 2020 as well as over the December Holiday season in 2020.

Figure 18: Total Spend



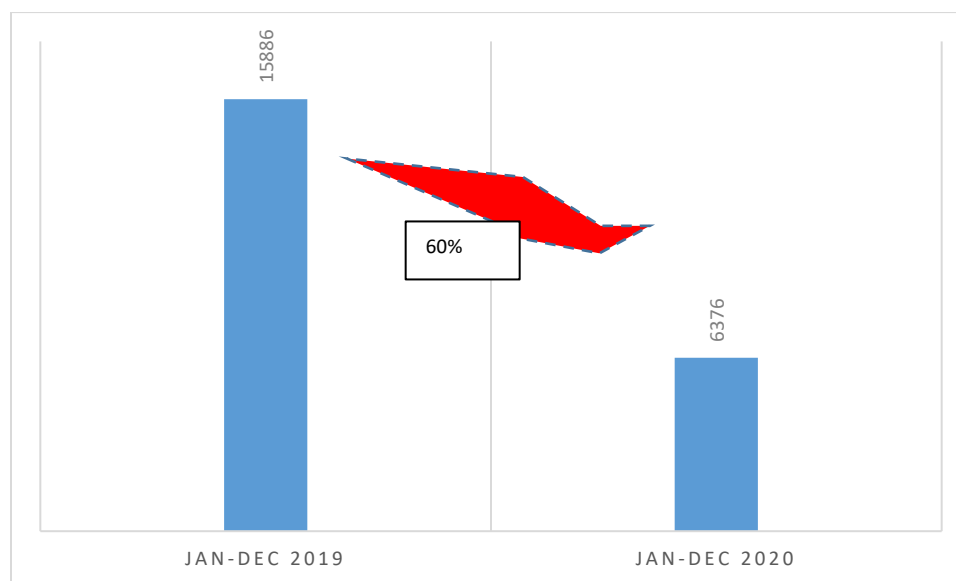
Sivandi survey the total spend from tourism in iLembe district between January – December 2019 was 3.42 Billion in comparison to the R1.883 Billion between January 2020 - December 2020 demonstrating a 60% decrease in direct spend.

Figure 19: GDP Contribution



The GDP contribution from tourism in the iLembe district between January - December 2019 was R7.4 Billion in comparison to January – December 2020 which was R2.9 Billion demonstrating a decline of 60 %.

*Figure 20: Job opportunities*



According to the Sivandi survey, the number of job opportunities created or maintained in the travel and tourism sector in iLembe between January – December 2019 was 15 886 in comparison to 6 376 job opportunities created or maintained between January – December 2020 which reflects a 60 % decline losses this is attributed to the closing down of tourism and hospitality establishments that have closed down or laid off staff due to the tough economic climate as a result of COVID-19 ripple effects.

### 4.3 Conclusion

The recent global COVID-19 outbreak illustrates the vulnerability of the travel and tourism industry to the effects of public health emergencies. Tourism is already being affected by this outbreak. The UNWTO is closely monitoring developments related to the outbreak of COVID-19, both in China and worldwide, and is cooperating closely with the World Health Organisation. For example, on 5 March 2020, China reported a 6.8% decline in its domestic tourism numbers since the beginning of the outbreak in December 2019. Furthermore, Lufthansa announced the grounding of 150 planes from its fleet in response to the outbreak. Notably, as of March 2020, this outbreak has affected key source markets for South Africa. The effect of the COVID-19 outbreak is expected to be significant on the global arrivals in 2020 and terms of arrivals to South Africa, foreign currency earnings, and jobs in tourism.