

# South Africa

## Taking stock of the tourism take-off

### Free to View Economics - South Africa

- ◆ Tourism is gradually recovering....
- ◆ ...but the net gains this year have been dampened by the faster pickup in outbound tourism...
- ◆ ...potentially pointing to a bigger impact in 2023, with tourism gains partly offsetting the squeeze on consumer spending

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Inbound tourism continues to gradually recover from the COVID-19 travel restrictions that prompted a collapse in tourist numbers in 2020 and 2021 (charts 1-2). Overseas tourist arrivals by air (our preferred proxy for inbound tourism spending) have increased to almost two-thirds of pre-pandemic levels in recent months, feeding through to continued gains in hospitality spending and hotel occupancy rates (charts 3-4). On current trends, we think over a million more overseas tourists will have travelled to South Africa by air this year, and while weak arrival numbers from Asia, LatAm and parts of Europe have slowed the pace of recovery, we think there could be another pickup in numbers as the country enters its main tourist season from October (charts 5-6).

Tourism matters for the South African economy, contributing 3% to GDP and 4% of jobs prior to the COVID-19 pandemic, with inbound tourism accounting for almost two-fifths of tourism spending. Yet the net gains for the economy from this year's inbound tourism recovery may have been weaker than we were previously expecting, dulled by a quicker rebound in outbound tourism (charts 7-8). Indeed, resident departures by air and travel payments on the current account have risen much more quickly, and are closer to pre-pandemic levels (charts 9-10).

Notwithstanding the possible headwinds from a deteriorating global backdrop and cost of living squeeze in key source markets, we see scope for further tourism gains next year, with a return to 90% of pre-pandemic levels bringing a further 800k arrivals to the country. This could potentially raise tourist spending in South Africa by cZAR35bn in 2023 (chart 11), equal to c0.8% of nominal household consumption, while a boost for employment in the hospitality and transport sectors, which have suffered some of the biggest job losses from the pandemic, could also support stronger spending (chart 12).

Net tourist spending may see weaker gains, assuming that resident departures normalise and that there has been some staycation spend that now moves abroad. Nevertheless, with household spending power facing a squeeze from elevated inflation and rising interest rates, any further tourism revival could be a key source of upside to the challenging outlook for household consumption, with higher inbound tourism expenditure also lifting net travel receipts and providing a partial offset to current account headwinds that may come from declining commodity prices and rising imports.

*This is a Free to View version of a report with the same title published on 22-Nov-22. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

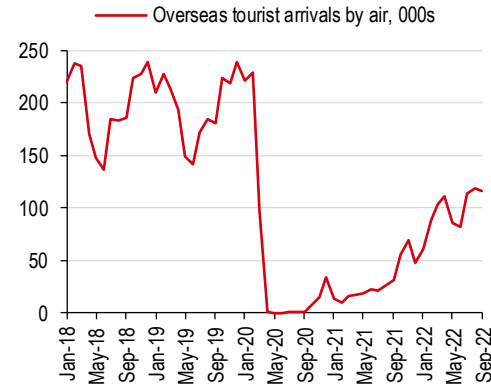
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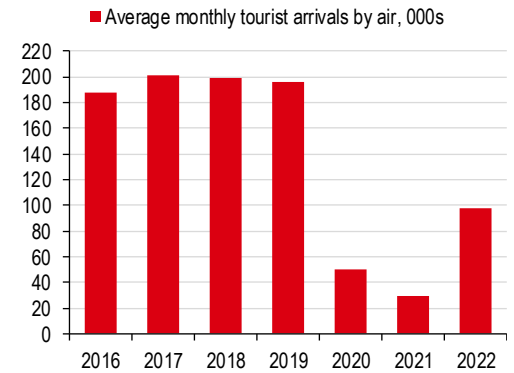
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**1. Tourist arrivals by air have gradually recovered from the COVID-19 shock...**



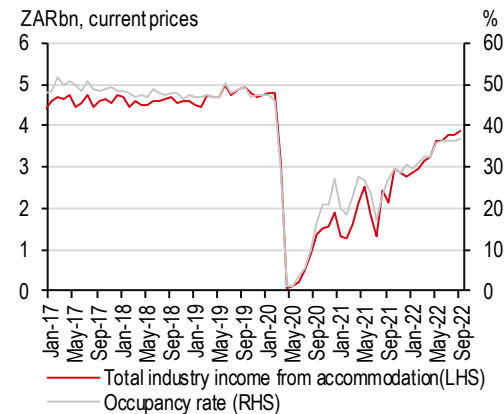
Source: Statistics South Africa, HSBC

**2. ...and have averaged c50% of pre-pandemic levels so far this year...**



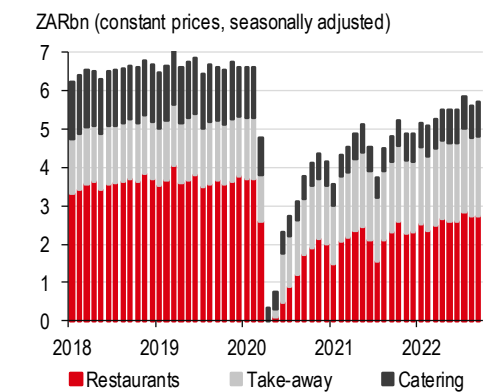
Source: Statistics South Africa, HSBC

**3. ...supporting gains in accommodation income and occupancy rates...**



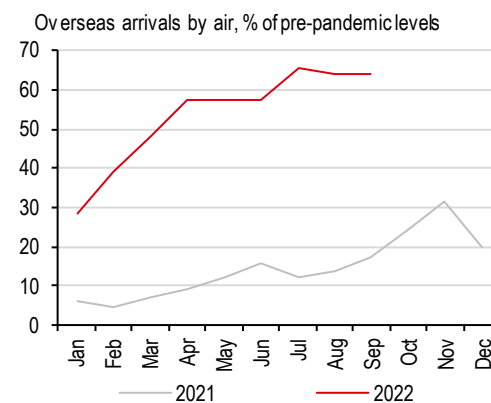
Source: Statistics South Africa, HSBC

**4. ...and a recovery in food and beverages spending**



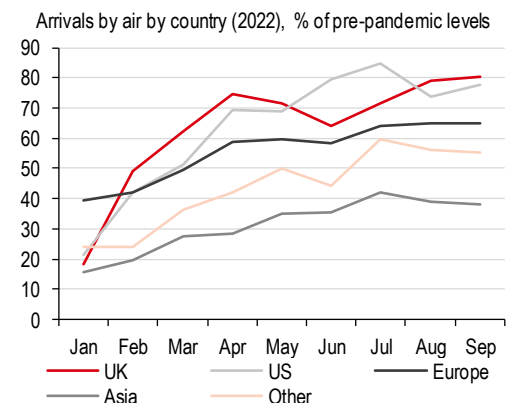
Source: Statistics South Africa, HSBC

**5. But the pace of recovery in tourist inflows has slowed in recent months...**



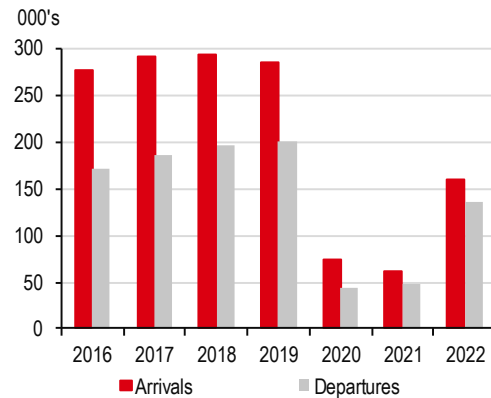
Source: Statistics South Africa, HSBC

**6. ...with tourist arrivals from Asia lagging**



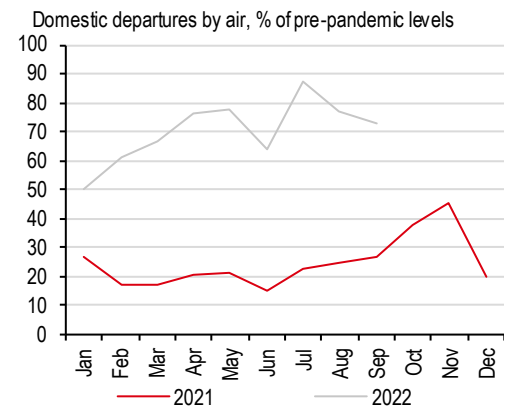
Source: Statistics South Africa, HSBC

### 7. Departures by air have increased more quickly than arrivals...



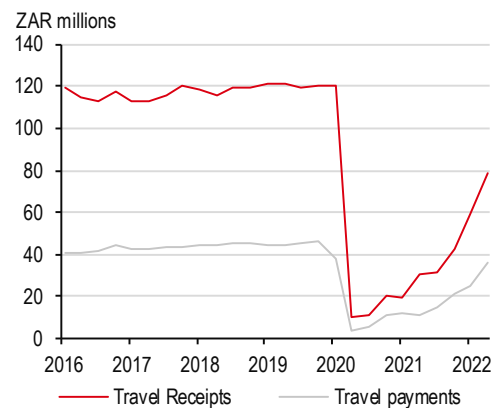
Source: Statistics South Africa, HSBC

### 8. ...averaging 75% of 2019 levels over the past six months...



Source: Statistics South Africa, HSBC

### 9. ...and generating a quicker rebound in travel payments...



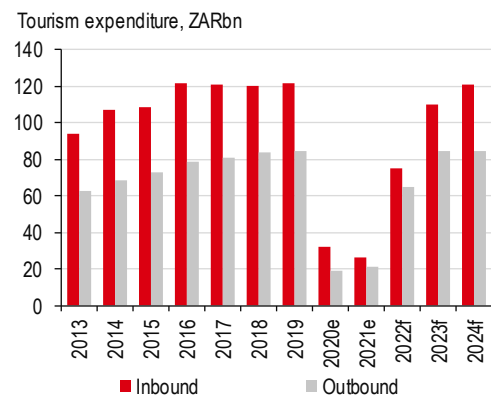
Source: SARB, HSBC

### 10. ...that have weighed on the recovery in net travel receipts



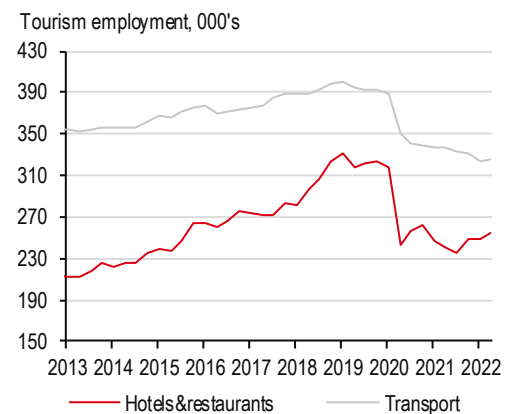
Source: SARB, HSBC

### 11. At 90% of pre-pandemic levels, inbound tourism could boost spending by cZAR35bn next year...<sup>1</sup>



Source: Statistics South Africa, HSBC

### 12. ...and support job creation in transport and hospitality that has been so badly impacted over the past two years



Source: Statistics South Africa, HSBC

<sup>1</sup> These estimates assume that inbound (outbound) tourism expenditure moved in proportion to the number of international overseas tourist arrivals (South African tourist departures) by air over the period 2020-22, and that in 2023 overseas tourist arrivals recover to 90% of pre-pandemic levels while departures return fully to pre-pandemic levels.

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