



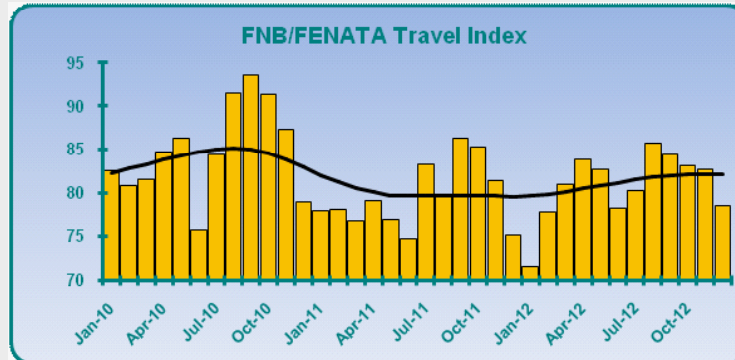
FNB & FENATA TOURISM

Index

N a m i b i a

February 2013

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The tourism index shows that the industry continued to improve on a year on year basis with the index climbing a further 4.5%. Therefore the final quarter of 2012 was better than the final quarter of 2011. The industry enjoyed slightly more favorable exchange rates throughout the final quarter, but the big driver was the December occupancy rates. Year on year, the December occupancy rates increased by 5% mainly, as a result of the joint efforts by the NTB and local establishments. Local establishments aggressively promoted holiday packages to Namibians in the print media, radio and social networks. But recovery remains fragile as the industry moves into its low season and current indications suggest that the first quarter of 2013 will deteriorate from that of 2012 given airline load factors are already deteriorating and first quarter tourists are generally small spenders. The industry's investment appetite continued to deteriorate while employing fewer people. Furthermore, inflation within the tourism sector remains relatively high in relation to inflation in the main source market, Europe, which will make Namibia a less competitive holiday destination when compared to other holiday destinations.

The industry survey shows that revenue deteriorated during the final quarter, with expectations shifting from good to poor. But FNB bank data shows that assets within the tourism sector increased by 6% from the previous quarter, while liabilities declined by 6% and therefore the industry as a whole was much better off financially. The strong negative expectations from the trophy hunters and car rentals, lodges and hotels were responsible for the financial weakness. Quarter on quarter, tourist numbers were reportedly weaker during the fourth quarter. There was a significant increase in operators reporting very poor tourist numbers in the last quarter of the year especially amongst guest farm, tour operators and trophy hunting operators.

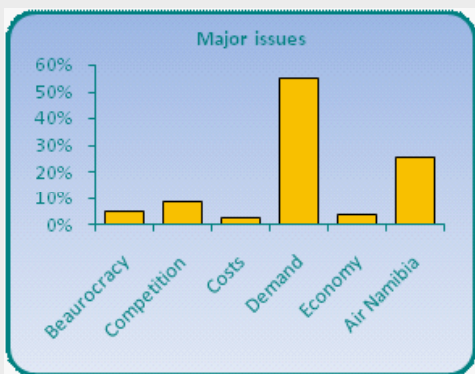


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Looking forward, the sector expects poor business performance for the first quarter of 2013 when compared to the same period last year. Most notably, accommodation, hotel and trophy hunting operators expect their businesses to perform poorly, mainly because this period is traditionally low season and the trophy hunting season only starts in February. However, activity operators were the only operators optimistic for the first quarter and understandably so given the hype surrounding the Adventure Travel World Summit later on in October.

Revenue is expected to deteriorate from the same period last year when cash balances averaged N\$307m according to FNB bank data. The revenue weakness stems from a combination of fewer tourists and declining spend per tourist. FNB bank data also shows that the first quarter historically attracts budget tourists that spend 19% less than tourists that come in other quarters. Generally accommodation, airlines and trophy hunting operators expect poor revenue inflows during the first quarter.

Fewer tourists are expected to visit Namibia during the first quarter when compared to the same period last year when 35,000 international arrivals came to Namibia via the Hosea Kutako international airport. This stems from very weak sentiments from the airlines, who expect very poor passenger numbers during the first quarter from the fewer flights from Europe and credibility issues surrounding the local airline. This obviously affects operators who depend on foreign tourists such as the accommodation subsectors. According to HAN data, 55% of the accommodation subsectors first quarter clients came from abroad. Surprisingly the hunting operators expect the same customer numbers as last year, while activity and car rental operators expect increased customer numbers.

The current world economic climate is still affecting tourist demand, with 55% of the respondents complaining about low demand from the source markets. Air Namibia's lack of communication and customer care in dealing with delayed flights cause the loss of credibility according to 25% of the respondents. In addition, there is still concern over the falling load factors on international flights and the cost implications thereof over the medium to long term. Other issues revolved around unfair competition within the tourism industry and government bureaucracy. Although the industry has performed better over the past months, its resilience during the first two quarters will certainly be tested in the face of falling tourist numbers, spend per tourist and airline load factors. But a recovery is on the cards for the second half of the year given the Adventure Travel World Summit.

Methodological Note: The Tourism Index is composed of tourism inflation, exchange rates, passenger arrivals at Hosea Kutako Airport, bed occupancy rates and quarterly opinion score on business performance, revenue, investment and employment. These figures are indexed and weighted to approximate the business climate in the tourism sector.

This Index is created for and by Namibians



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