



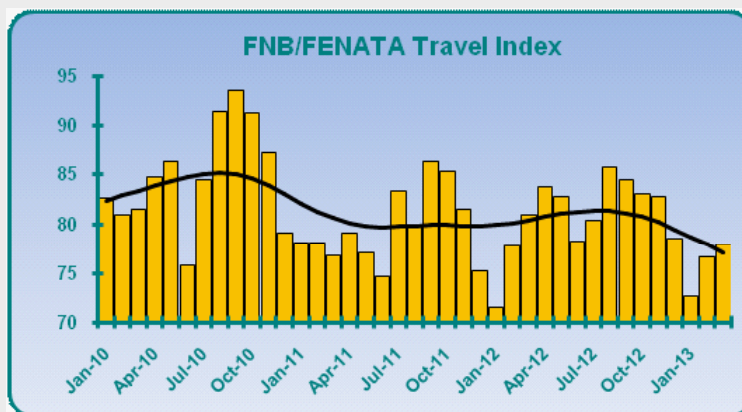
# FNB & FENATA TOURISM

## Index

Namibia

May 2013

### OPTIMISM IN THE FACE OF WEAK DEMAND



The tourism index contracted by 1% year on year and although this may seem small, the shorter term trend does suggest that the decline in the tourism index is accelerating. The decline was underpinned by fewer tourists visiting Namibia and hence bed occupancy rates were lower. The few tourists that did visit spent more than usual for this time of the year with the average swipe per tourist at the tourism establishments increasing by 28% year on year to N\$4,800 per tourist. A weaker Namibian Dollar also meant that tourists had more money in local currency terms and hence could spend more. Operators have since reduced their overdrafts, credit card, term loans and mortgage loans and therefore cash balances were much lower than previous quarters.

The respondents noted that revenue outturn weakened somewhat. Virtually all operators reported lower revenue outturn except bed & breakfast and self catering establishments. Bed and breakfast and self catering operators enjoyed increased tourist numbers.

Furthermore bed and breakfast establishment were better suited to take advantage of the increasing trend in last minute booking.

Although tourist numbers declined, bank data shows that tourists swiped more at tourism establishments than usual. Tourism swipes averaged N\$4,800 per tourist as apposed to N\$4,000 during the same period last year. This can be attributed to rising lodging costs as inflation figures show that accommodation prices increased by 9.7% during the first quarter alone along with a weaker Namibian Dollar translating into greater spend in local currency terms. But more tourist spending more money at bed and breakfast and self catering



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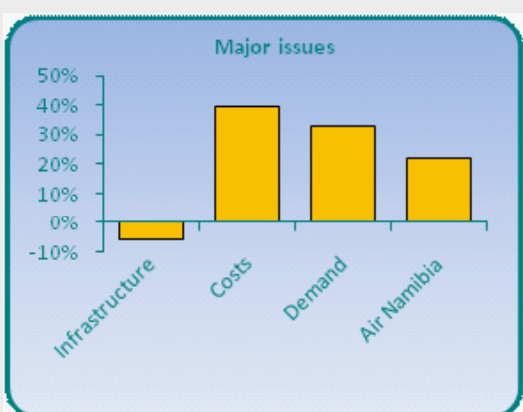
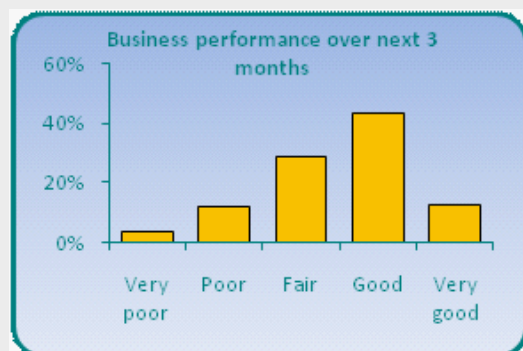
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establishments shows that tourists are still shy to spend. In an effort to reduce costs, operators are reducing employment and mothballing investments to remain cost competitive in the global tourist market.

Looking forward, many operators expect business performance to improve in the second quarter. Revenue is expected to increase along with tourists numbers amidst remarkable increase in US disposable income and increased travel from the northern European source market. Inbound travel to Africa from Europe is expected to grow by 4% and although this figure remains below the world average, tourist arrivals look favorable for Namibia, which is more of a niche tourist market.

Stronger revenue growth is expected across the board, with the exception of bed and breakfast and lodge operators. The Namibian dollar is expected to weaken against the US Dollar and Euro and hence Namibia should be more cost competitive for foreign tourists. Bed and breakfast operators were pessimistic due to the seasonal decline in their market as they don't expect the trend in last minute bookings to remain favorable during the winter months.

Good tourist numbers are expected over the coming quarter, with two thirds of the respondents reflecting this sentiment. Lodge operators were the only respondents who did not expect tourist numbers to increase. Road conditions are concerning the southern operators in terms of tourists coming through and high vehicle maintenance costs. Although tour operators are also expecting high tourists numbers, they are a bit hesitant to book them into southern establishment given the poor conditions of the roads.

There were not too many issues raised during the first quarter. Costs related issues were the most prevalent and understandably so given that the accommodation costs increased by 9.7% during the first quarter alone as measured by the National Statistics Agency. Demand related issues diminished somewhat, but remain a threat to the industry given the lower employment in the industry and the current mothballing of investments. The issues with Air Namibia are dissipating, but are not out of the operators' minds as they are still receiving cancellations from European source markets. On a more positive note, lodge operators complimented the good state of the roads, but this was restricted to the northern operators whose establishments are usually inaccessible after the rainy season.

**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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