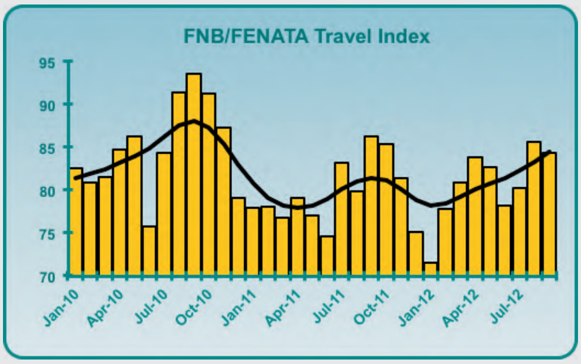
# FNB & FENATA TOURISM Index

Namibia

## STRONG FINANCIAL PERFORMANCE LIFT INDEX

November 2012







The tourism index climbed 2.5% quarter on quarter and 0.5% year on year. Although key operational indicators such as occupancy rates improved from the previous quarter, this was expected as the industry moved into its peak tourism season for international tourists. The increased number of flights to Namibia has not had a corresponding increase in passenger numbers yet and this is causing the airplane load factors to decrease. This can result in higher air travel costs to Namibia as airlines try to recover their losses and ultimately weakening the country's travel appeal in the eyes of the international travellers.

Financially, operators were much better off during the 3rd quarter. Average cash balances rose 170% year on year. For the tourism industry overdrafts, credit card, asset finance and term loans grew faster than the rest of the economy.

The favourable cash balances were used to draw down mortgage balances and save on interest, while having access to such equity in a reasonably short period should the need arise.

Operators' sentiments correlate with financial data as they noted an improvement in overall business during the third quarter. This was due to a rise in revenue from the higher occupancy rates. Since employment decreased in the second quarter and moved sideways during the third, labour expenses were lower and thus leading to higher profitability.

There may also be an increase in foreign direct investment into the local industry as the operational data does not entirely explain the improvement in the industry's financial position of the industry as a whole.

FENATA

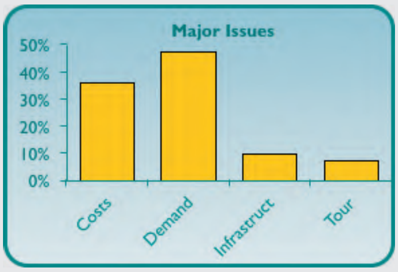
Federation of Namibian Tourism Associations

FNB

First National Bank

how can we help you?




Looking forward, many businesses expect a mild improvement in business performance for the fourth quarter. In this regard, self catering establishments, hotels and guesthouses were the most optimistic, with very good business performance expectations. Operators at the coast also had very high business performance expectations leading into the festive season. Not too far behind were the operators in the Khomas region, who expected business to pick up even further during the festive season.

Revenue is expected to weaken in the fourth quarter and this stems from the weak sentiments amongst tour operators. The tour operators sentiment are significant, since they have downstream implications on the accommodation subsector, which needs to spend a lot more money on marketing to fill the gap. Therefore the accommodation sub sector was equally pessimistic about business revenue, particularly lodges and hotels which showed signs of weak sentiments and therefore reason for caution remains within these sub sectors.

Overall tourist numbers are expected to increase slightly during the fourth quarter. But these are mainly cost sensitive local and South African travellers and therefore B&B and self catering establishments expect to cash in on this influx. This was more evident at the coast. Tour operators, lodges and hotels expected fewer tourists, particularly those from European source markets and who typically spend a lot more cash than the local and regional tourists. Although leisure travel from European markets continues to improve, very little is expected to filter down to the localmarket as Namibia is not a popular Christmas holiday destination. The American market continues to under perform, with austerity measures suggesting increasingly uncertain US economic recovery, and hence less leisure travel from the US source market.

Low demand continues to plague the industry, with 50% of the respondents complaining about low demand from the source markets. Escalating operational cost was also cited as a major issue, particularly the cost of fuel. Although there were more tourists in the third quarter, they spent a lot less money at tourism establishments, as they opted for more self drive holidays and camping.

This is good for the car rental and camp site operators, but not so good for the hotel and lodge operators who have much larger fixed overheads to carry. This is compounded by subdued tourist numbers who are spending a lot less money in the prevailing economic climate.

Analyst: Namene Kalili

nkalili@fnbnamibia.com.na
+264 61 2992725

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

Federation of Namibian Tourism Associations

For further information please contact:
Sophia Snyman
Tel: 264 61 411 201
SSnyman@fnbnamibia.com.na

First National Bank
how can we help you?