

TiCSA Tourism Barometer

June Quarter 2023



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Fasten your seatbelts, this might get bumpy

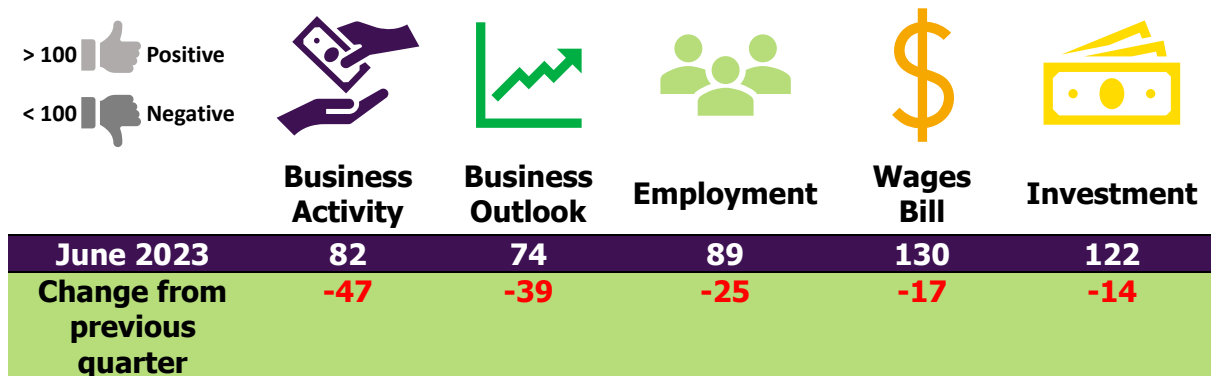
The 2023 June Quarter Tourism Barometer shows the cumulative impact of an environment of rapidly rising operating costs, interest rate rises and wages not keeping pace, complicated further by a significant flood event and lingering low international visitation levels. The COVID-19 recovery or rebound appears to have ended.

Current Barometer readings are down across the board. It's not just the winter blues or a seasonal low. Business activity for the most recent quarter has ventured into negative territory and the business outlook is worse.

There are positive indicators. Some businesses are choosing to invest further in their business. Visitor expenditure in South Australia has never been so high, topping over \$9 billion. Visitor yield is growing strongly and the State is clawing back market share.

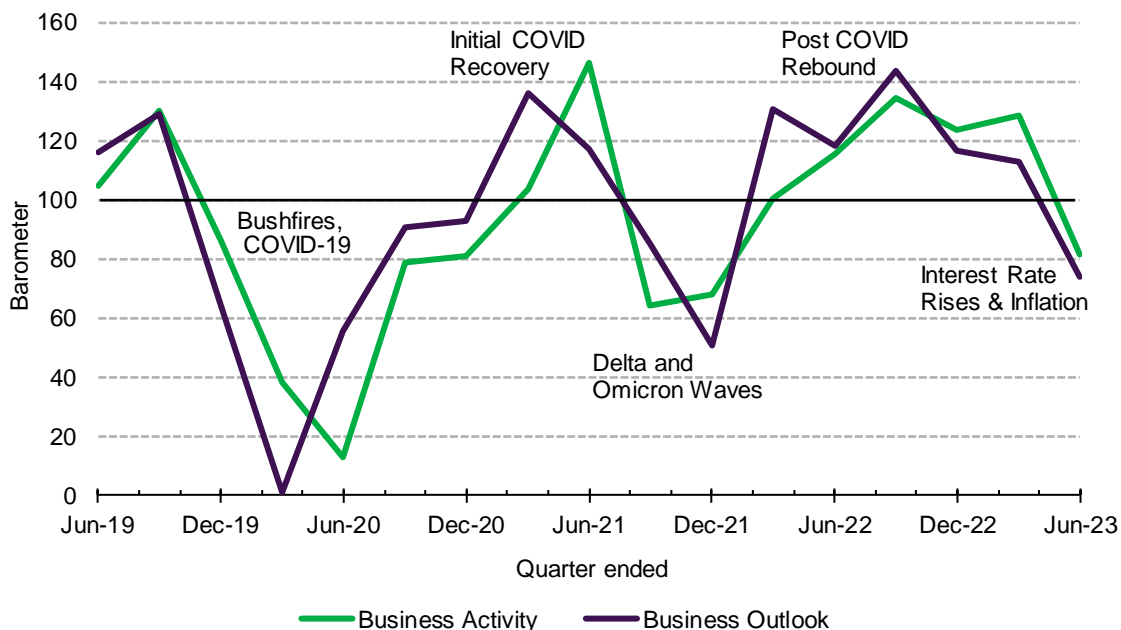
The tourism industry has always been volatile. However, it would be nice to catch a break.

Figure 1: TiCSA Tourism Barometer Dashboard Readings



Source: Tourism Industry Council South Australia

Figure 2: TiCSA Tourism Barometer



Source: Tourism Industry Council South Australia

Business Activity (Last Three Months)

The main reasons for the negative performance in the June quarter remained the same and were:

- Decreased visitors to the area;
- Weaker economy;
- Lack of consumer confidence;
- Low season; and
- Unfavourable weather.

"Higher prices for fuel, energy, food and interest rates going up, how can people afford to travel?"

"After finally getting out of COVID, we are still dealing for flood damage. Can't get a break."

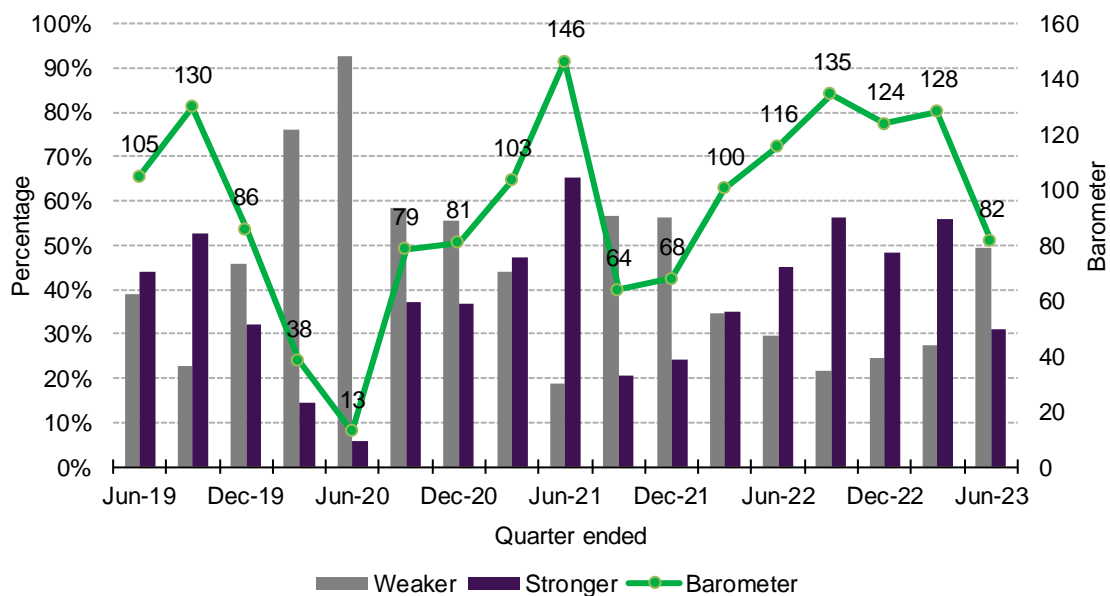
The main reasons for the positive performance in the June quarter were:

- Increase in interstate travel;
- Increase in intrastate travel;
- Reduced COVID-19 impact;
- Travel generally higher than last year's; and
- Increased digital presence.

"Good forward accommodation bookings and functions, conferences."

"I have invested in my brand and our digital presence now."

Figure 3: Business Activity in the Last Three Months

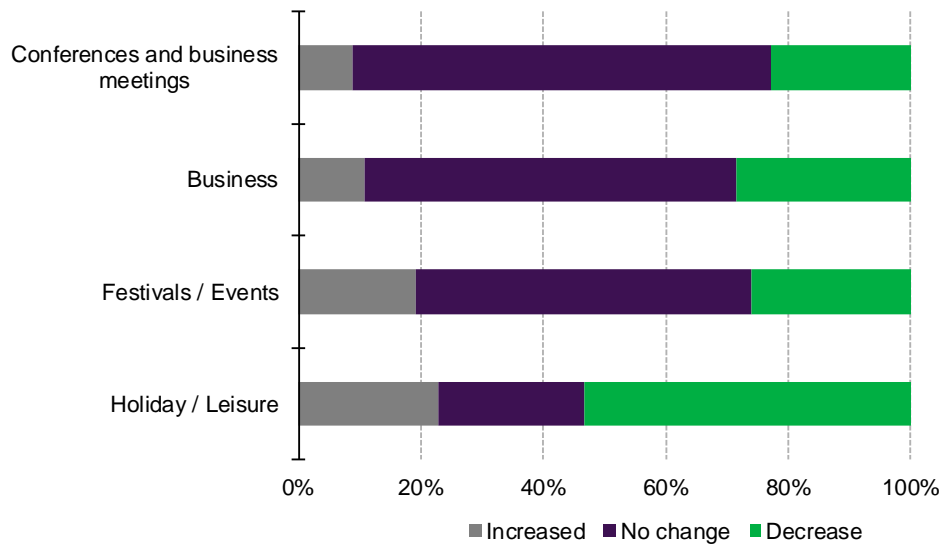


Source: Tourism Industry Council South Australia

Business Activity by Market Segment (Last Three Months)

All market segments reported decreases in the June Quarter. The conference and business meetings market was the most stable, with similar results to the March Quarter. There was a significant decrease in the leisure market (double the responses from last quarter), some of which was associated with the typically slower winter period, but also due to recent increases in the cost of living. The festival/event and business market segments also saw decreases.

Figure 4: Business Activity – By Market Segment (June Quarter 2022)

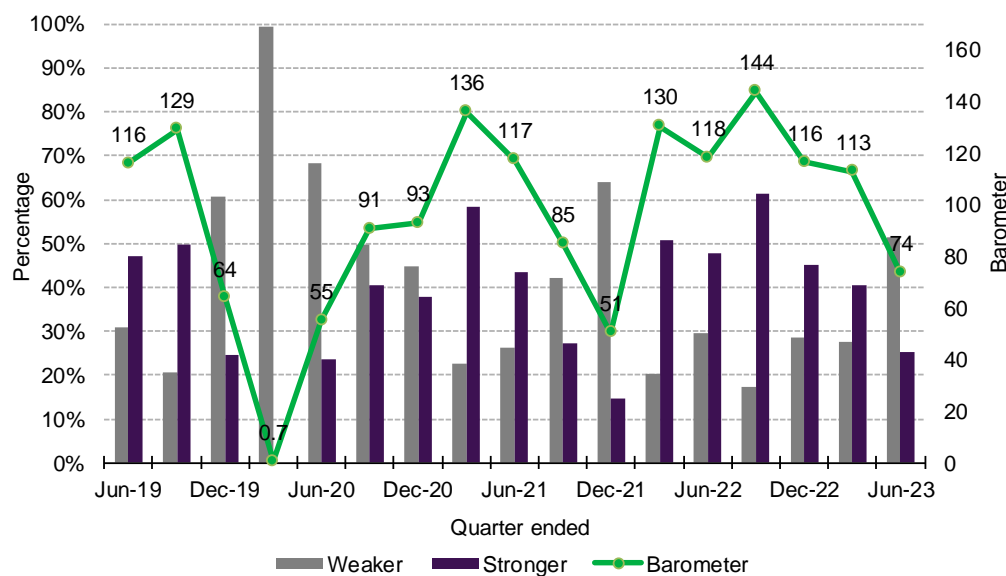


Source: Tourism Industry Council South Australia

Business Outlook (Next Three Months)

The downward trend in business outlook has accelerated, casting the Barometer into negative territory, with those expecting a weaker next three months doubling those expecting a positive period over the next quarter.

Figure 5: Business Outlook for the Next Three Months

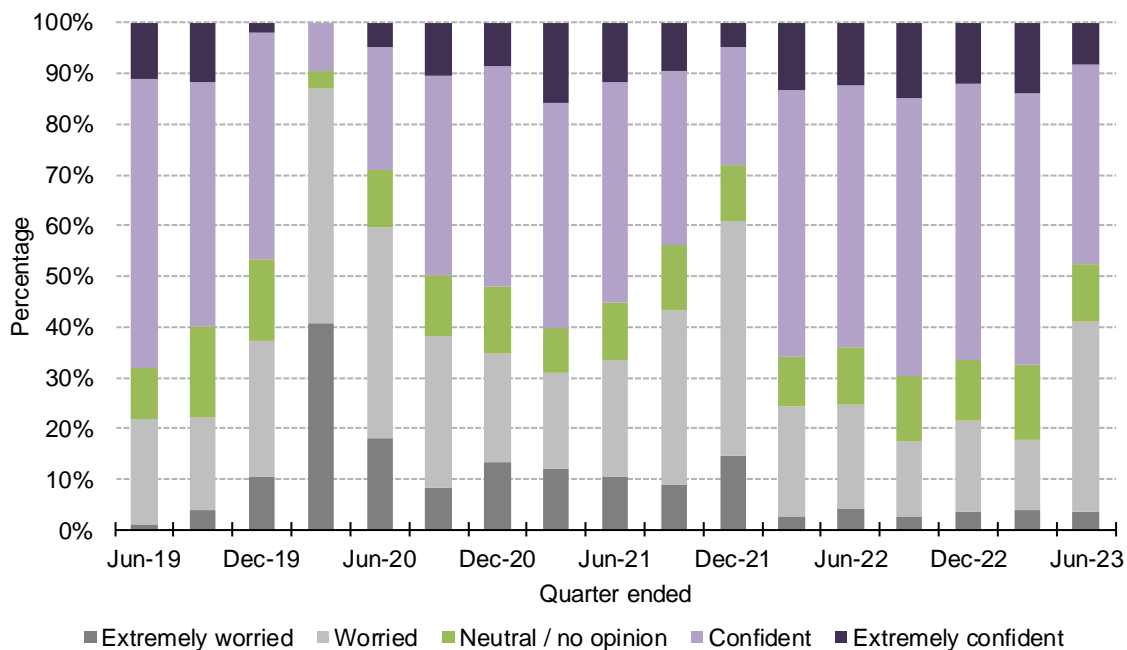


Source: Tourism Industry Council South Australia

Business Outlook (Next 12 Months)

Business confidence is also eroding over the next 12 months, so it is not tied to any season differentiations or short-term issues (i.e. flood impacts). Overall, there are more businesses 'extremely confident' or 'confident' than those worried about the next year, which remains positive.

Figure 6: Business Outlook for the Next Twelve Months



Source: Tourism Industry Council South Australia

Table 1: The Top Factors Influencing the Future Outlook

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • New products or developments; • Strong business marketing; • Increased visitors to the area; • Collaboration with other businesses; and • River Revival Vouchers. 	<ul style="list-style-type: none"> • Cost of living; • Rising business costs; • Rising interest rates; • Lower customer spend; and • Increased outbound international travel.

Source: Tourism Industry Council South Australia

"We are expecting international visitors to return in the summer."

"Flood recovery on the riverfront is slow."

"We have experienced strong post COVID demand, up 300% from 2019."

"Rising costs and wages, falling sales."

"We are building an oasis for guests, it will be very exciting."

"There is a looming recession."

"We have more people coming in, but they are spending much."

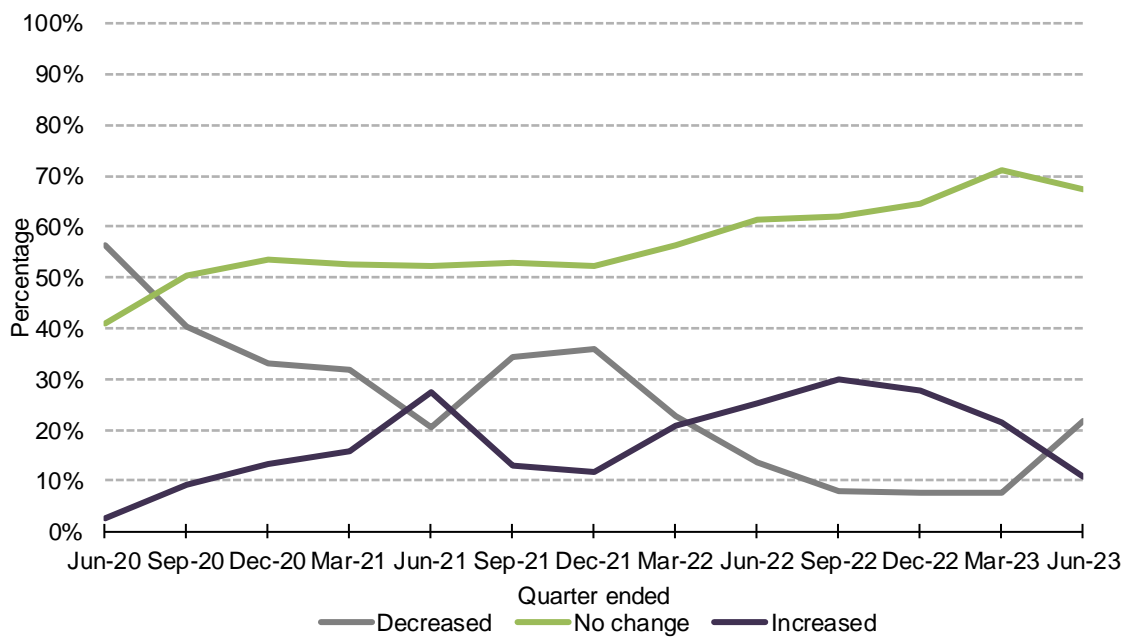
"We have seen an increase in business travellers."

"There is barely any income to survive."

Employment and Wages

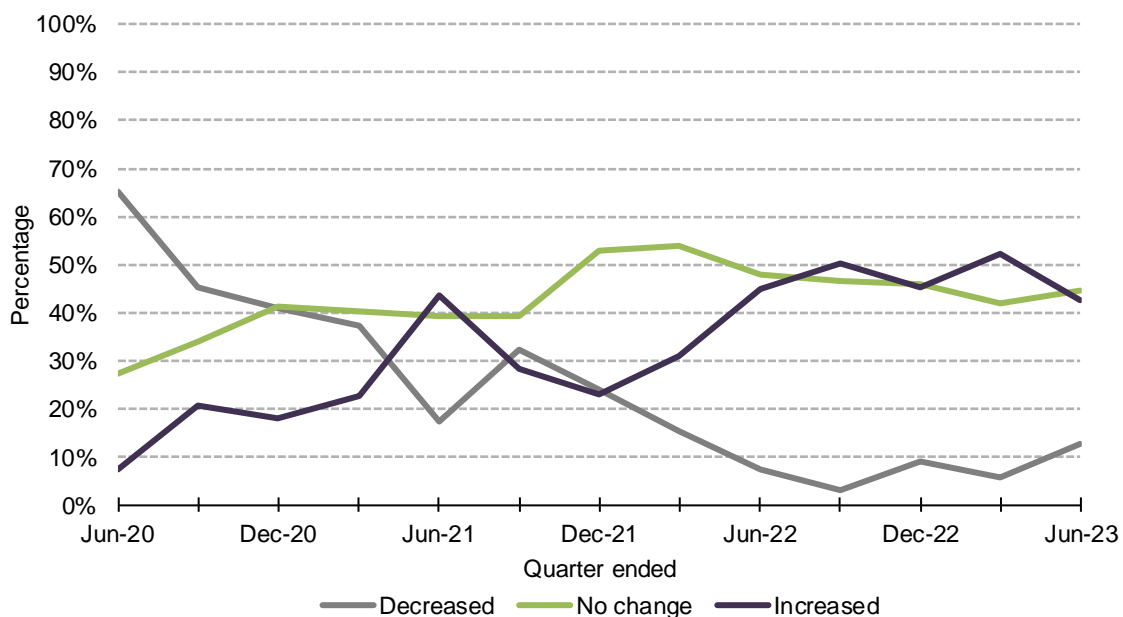
Employment continued to be somewhat stable in the June Quarter, with just under 70% of tourism businesses reporting no change. There was an increase of businesses expecting fewer employees as well as a decrease in businesses looking to expand their team. Wages remained relatively stable. Staff shortages and increasing wages have been an on-going concern over the last year. While these pressures seem to be stabilising, business confidence is turning.

Figure 7: Employment Trends



Source: Tourism Industry Council South Australia

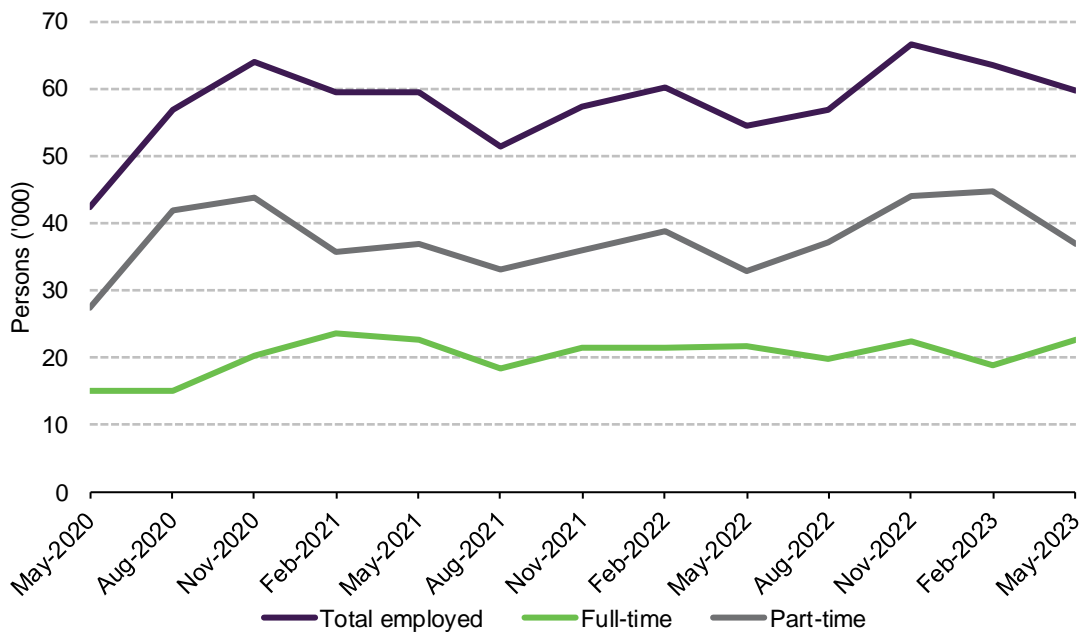
Figure 8: Wages Bill



Source: Tourism Industry Council South Australia

According to the ABS Labour Force Survey, total employment in the accommodation and food services industry decreased to 60,000 in February 2023, driven by a decrease in part-time work. Full-time employment increased slightly. Based on feedback in the Barometer, the trend of employment decreases is expected to continue.

Figure 9: SA Employment, Accommodation and Food Services Industry



Source: ABS Labour Force, Australia, Cat. No. 6291.055.003

A New Wave of Challenges

Having largely left the COVID-19 period behind, the tourism industry in South Australia is facing a new wave of challenges. Staffing problems and rising costs have been featured issues over recent Barometer reports. In the most recent Barometer, 30% of tourism businesses are experiencing a significant impact (i.e. flooding) and nearly a quarter are open but with reduced staff or operating times.

The environment of rising costs has now transitioned into cashflow management being a major issue for many tourism businesses in South Australia. As interest rates have escalated and inflation remained high, wages have grown at a much lower rate. As a result, disposable income, which the tourism sector is very reliant upon, has decreased rapidly. Combined, they create an environment of rising costs and potentially decreasing demand.

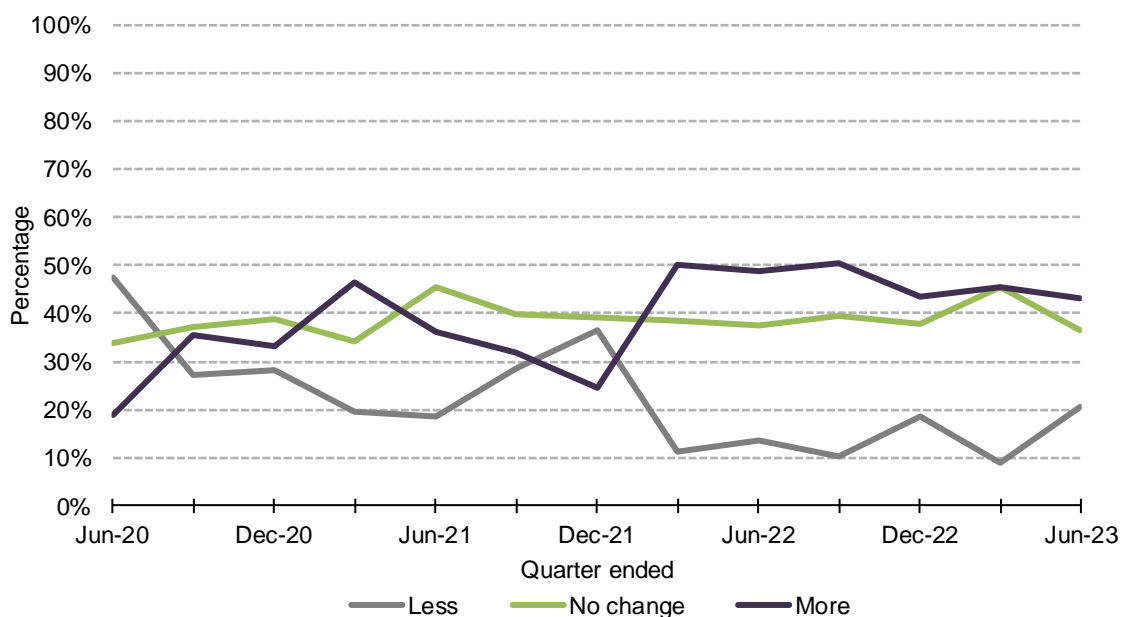
Many tourism businesses never regained the losses sustained during the COVID-19 period and for many that did, flooding, rising costs and/or interest rates are now significantly impacting their business.

This new wave of challenges will create a potentially very challenging environment over the next year, particularly if the economic environment deteriorates further.

Investment Outlook

Given the falling business outlook, it is not surprising that there was an increase in those businesses planning to invest less into the future. On a more positive note, businesses planning future investment outnumber those planning less. Past Barometers have shown that many businesses seek to re-invest in their business when faced with market declines to reinvigorate their business and prepare for a future turnaround. Rising interest rates will put added pressure on those businesses seeking to invest.

Figure 10: Planned Investment



Source: Tourism Industry Council South Australia

Airport Passengers

Domestic and international passengers through the Adelaide Airport continue to increase. Based on visitation statistics, the increase in passenger numbers is likely showing the ongoing recovery of interstate and international markets.

Table 2: Adelaide Airport Quarterly Passenger Statistics

	Passengers ('000)			
	Jun-23	Jun-22	Jun-21	Jun-20
Domestic	1,806	1,684	1,234	91
International	207	80	12	1
Total	2,016	1,764	1,246	92

Note: Domestic movements include regional.

Source: Adelaide Airport, Passenger Statistics, July 2023

Statistical Note:

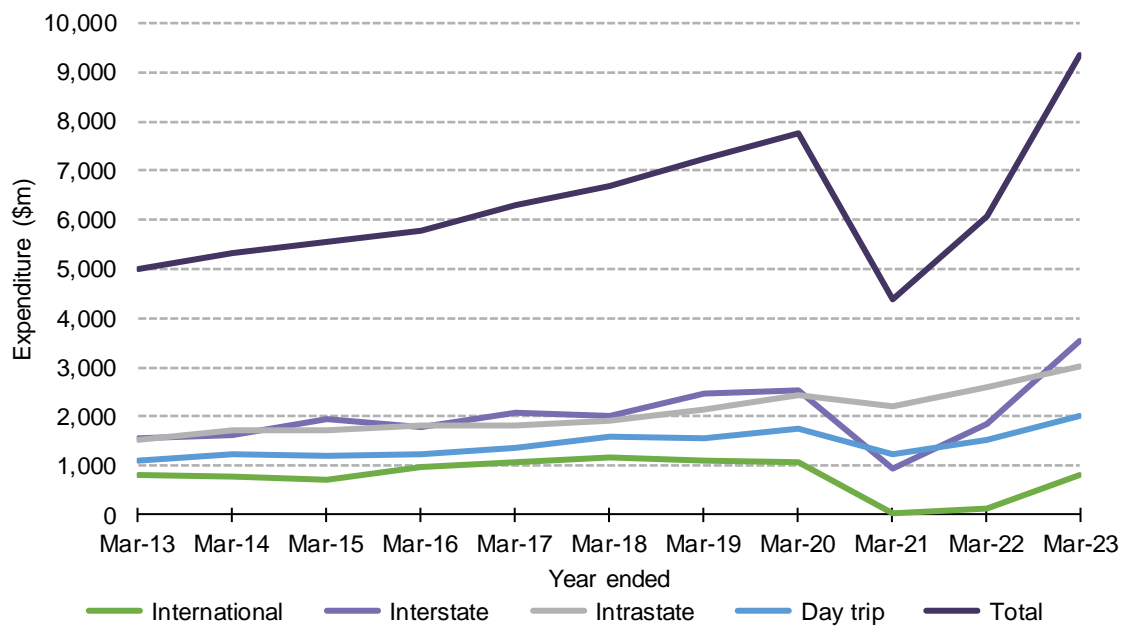
The TiCSA Tourism Barometer June Quarter 2023 survey was conducted online 3 July – 17 July 2023. A total of 121 responses were received, representing a margin of error of +/- 8.8% at a confidence level of 95%.

Visitation and Expenditure

The rebound in visitor expenditure in South Australia has accelerated, now eclipsing \$9 billion, surpassing the pre-COVID high by more than \$1 billion. All visitor types experienced increases in visitor expenditure and annual growth is accelerating greatly across interstate, intrastate and day-trip markets.

While annual growth rates in visitor expenditure in other parts of Australia continue to outstrip South Australia, this growth is not accelerating at the same pace as South Australia (any more).

Figure 11: Visitor Expenditure by Type, South Australia (2023)



Note: Year ending March.

Source: Tourism Research Australia

Table 3: Visitor Expenditure (\$m) by Type (2023)

	South Australia		All States	
	Mar-23	% Annual Change	Mar-23	% Annual Change
International	\$814	578.3%	\$18,287	476.7%
Interstate	\$3,522	90.6%	\$49,618	134.8%
Intrastate	\$3,007	16.5%	\$58,486	38.6%
Day trip	\$2,022	33.5%	\$31,753	69.6%
Total	\$9,365	54.4%	\$158,144	85.6%

Note: Year ending March. % change is from previous year.

Source: Tourism Research Australia

The latest visitor data shows strong growth across all visitor types (as highlighted in the previous Barometer). At the same time, it shows the effects of many South Australians opting for travel outside of the State, with intrastate leisure figures falling.

As visitor expenditure continues to surge, visitation remains below pre-COVID levels (albeit is nearing this milestone).

Overall, visitation shows growth across all sectors and most encouraging, nights are growing at a much faster rate than visitors (particularly across interstate and international visitors), which is likely supporting the growth in visitor expenditure.

Table 4: Visitors and Nights by Type, South Australia (2023)

	Visitors	Holiday	VFR	Business	Visitor Nights
Day trip	14,762	6,803	4,436	1,624	
Annual % Change	23.8%	23.9%	52.5%	1.5%	
3-year trend % Change	-4.9%	-4.9%	-0.3%	-15.5%	
10-year trend % Change	2.5%	1.6%	3.1%	4.0%	
Intrastate	4,695	2,080	1,396	880	13,617
Annual % Change	6.3%	-8.3%	28.8%	12.1%	3.0%
3-year trend % Change	-1.6%	-1.0%	-2.7%	2.1%	-1.0%
10-year trend % Change	3.3%	2.4%	2.8%	6.6%	3.0%
Interstate	2,786	1,136	843	729	12,944
Annual % Change	89.5%	104.5%	66.5%	91.7%	47.3%
3-year trend % Change	-0.7%	6.5%	0.1%	-7.8%	0.3%
10-year trend % Change	4.7%	5.5%	4.8%	3.2%	4.4%
International	286	79	139	34	8,217
Annual % Change	1150.9%	5782.2%	851.7%	1917.2%	535.6%
3-year trend % Change	-13.4%	-25.4%	0.2%	-12.3%	-6.6%
10-year trend % Change	-3.6%	-7.3%	1.3%	-5.2%	-4.5%
Total	22,529	10,098	6,815	3,267	34,778
Annual % Change	26.3%	21.4%	51.0%	18.1%	49.3%
3-year trend % Change	-3.9%	-3.4%	-0.7%	-10.1%	-2.0%
10-year trend % Change	2.8%	2.0%	3.2%	4.3%	1.0%

Note: Year ending March.

Source: Tourism Research Australia

The rapid ascent of visitor expenditure is due to the combination of growing length of stay as well as growing yield (i.e. \$/night). One of the main drivers for these increases is the increase in pricing that has been occurring (as identified in previous Barometers). Faced with rapidly increasing costs, tourism businesses have been forced to increase their prices, which is now being represented in increasing yields and record setting visitor expenditure.

As discretionary incomes are now under a full assault from rising inflation and interest rates, demand growth may soon subside, which is supported by the decrease in the confidence of tourism businesses in South Australia.

More welcoming is that the long established trend of losing market share to other states has now subsided, with market share increasing in this most recent quarter, both in terms of visitors and expenditure. While the change is only minor, it hopefully signals the halt to a worrying trend of declining market share in the post-COVID recovery period.

Table 5: Expenditure and Yield, South Australia, by Type (2023)

	Expenditure (\$m)	Yield (\$/visitor)	Yield (\$/night)	Market Share Visitors (%)	Market Share Expenditure (%)
Day trip	\$2,022	\$137		6.8%	6.4%
Annual % Change	33.5%	7.9%		7.6%	8.1%
3-year trend % Change	5.1%	10.7%		7.2%	6.7%
10-year trend % Change	6.2%	13.0%		6.8%	6.1%
Intrastate	\$3,007	\$641	\$221	5.9%	5.1%
Annual % Change	16.5%	9.6%	13.3%	6.7%	6.1%
3-year trend % Change	7.2%	8.9%	8.3%	6.3%	5.8%
10-year trend % Change	6.9%	12.1%	13.3%	6.5%	5.6%
Interstate	\$3,522	\$1,264	\$272	8.0%	7.1%
Annual % Change	90.6%	0.6%	29.5%	8.2%	8.7%
3-year trend % Change	11.8%	12.5%	11.4%	7.8%	6.9%
10-year trend % Change	8.5%	12.9%	13.9%	7.2%	6.8%
International	\$814	\$2,842	\$99	6.2%	2.8%
Annual % Change	578.3%	-45.8%	6.5%	4.5%	2.6%
3-year trend % Change	-8.4%	5.8%	-1.9%	5.5%	2.6%
10-year trend % Change	0.1%	13.4%	16.9%	7.1%	2.9%
Total	\$9,365	\$416	\$269	6.8%	5.9%
Annual % Change	54.4%	-11.5%	-2.6%	7.5%	7.1%
3-year trend % Change	6.4%	-3.0%	2.3%	7.1%	5.8%
10-year trend % Change	6.5%	-0.7%	1.0%	6.8%	5.7%

Note: NA – not applicable. Year ending March. Market share represents the historical market share currently, for the previous year and from three/ten years ago.

Source: Tourism Research Australia



Report prepared in partnership with Lucid Economics.

**Tourism Industry Council South Australia
(TiCSA)**

25 Pirie Street

Adelaide SA 5000

Ph: (08) 8110 0123

Email: info@ticsa.com.au