

# TiCSA Tourism Barometer

**September Quarter 2023**



**LUCID**  
ECONOMICS

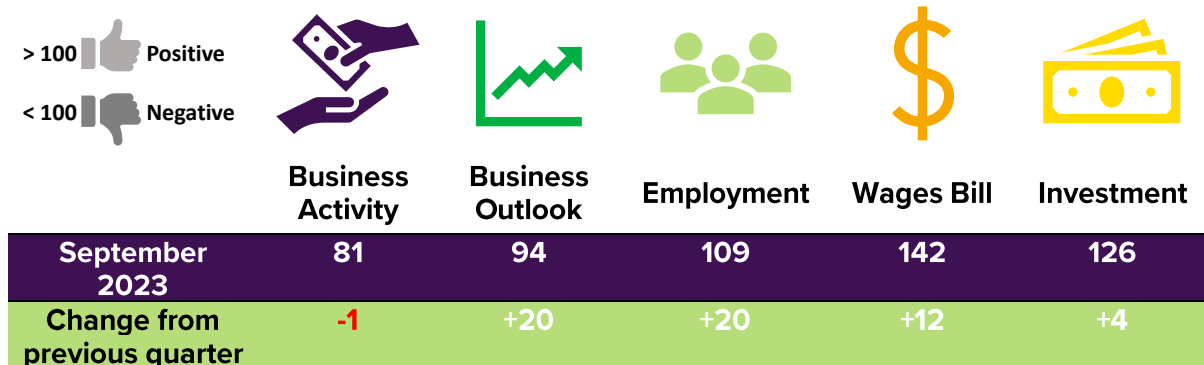
## Reality Bites

The 2023 September Quarter Tourism Barometer shows an overall improvement from the June Quarter Barometer, however it is clear the tourism industry is still struggling in the face of rapidly rising operating costs, labour shortages and interest rate rises. These factors are complicated further by the impact of the cost of living crisis on consumers through lower levels of discretionary income (that fuels tourism).

Typically, the September Quarter Barometer 3-month outlook would be strong as businesses look forward to the Christmas trading season. However, the outlook remains negative (albeit improved from June), which shows the weight of these mounting macroeconomic factors.

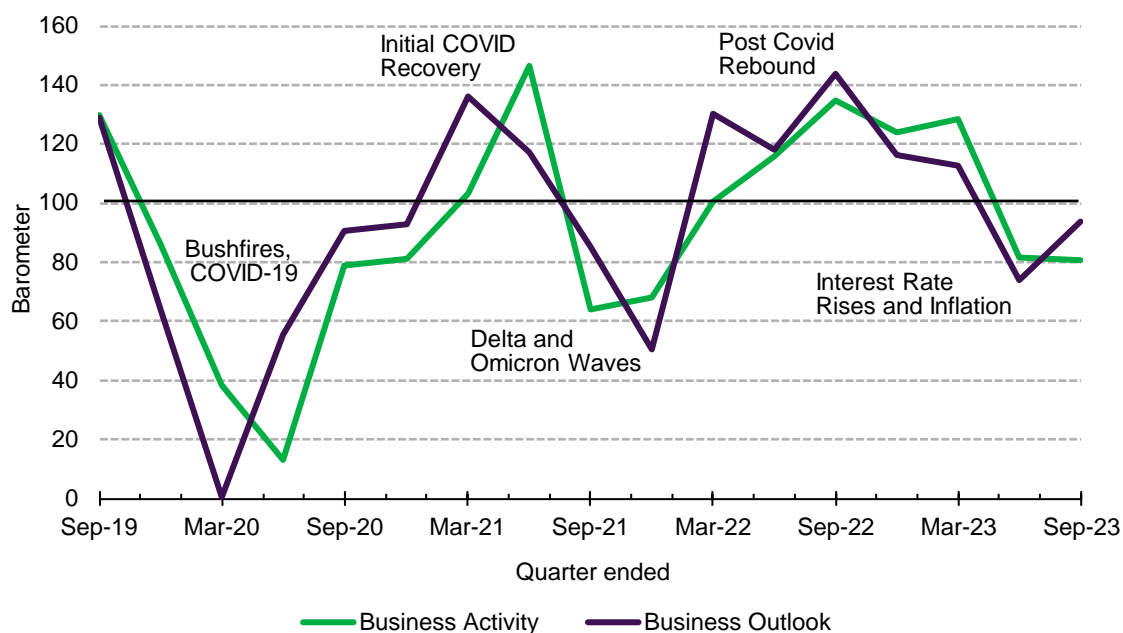
On a positive note, rising tourism prices is contributing to continued growth in visitor expenditure (at a new record of \$9.9 billion) and yield (\$/night). Length of stay in South Australia is increasing (also contributing to visitor expenditure outcomes) and South Australia continues now to increase market share against other states and territories.

**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 September Quarter were:

- Decreased visitors to the area;
- Weaker economy;
- Lack of consumer confidence;
- Rising business costs; and
- High cost of travel to the destination.

***“People are really struggling with the uncertainty of rate rises impacting on the cost of living.”***

***“Insurance is up 100% over three years, wages are soaring, it’s really tough.”***

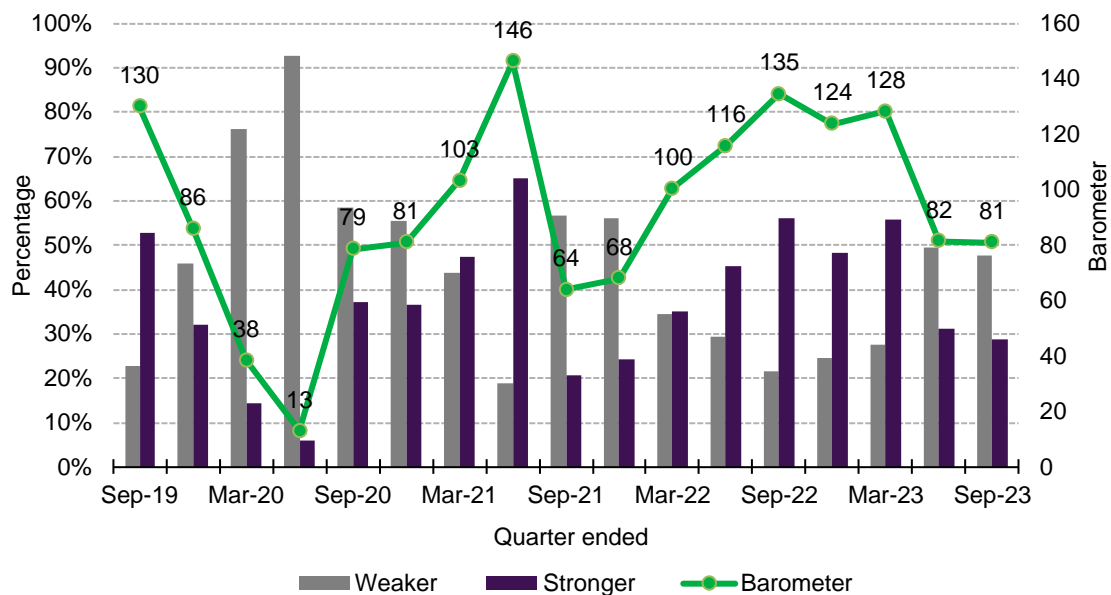
The main reasons for the positive performance in the September Quarter were:

- Travel generally higher than last year’s;
- Increase in interstate travel;
- Increased digital presence;
- Reduced COVID-19 Impact; and
- Local events in the area.

***“We have had a very successful first year and are really optimistic that the coming year will be just as successful.”***

***“The River Revival vouchers has helped immensely.”***

**Figure 3: Business Activity in the Last Three Months**

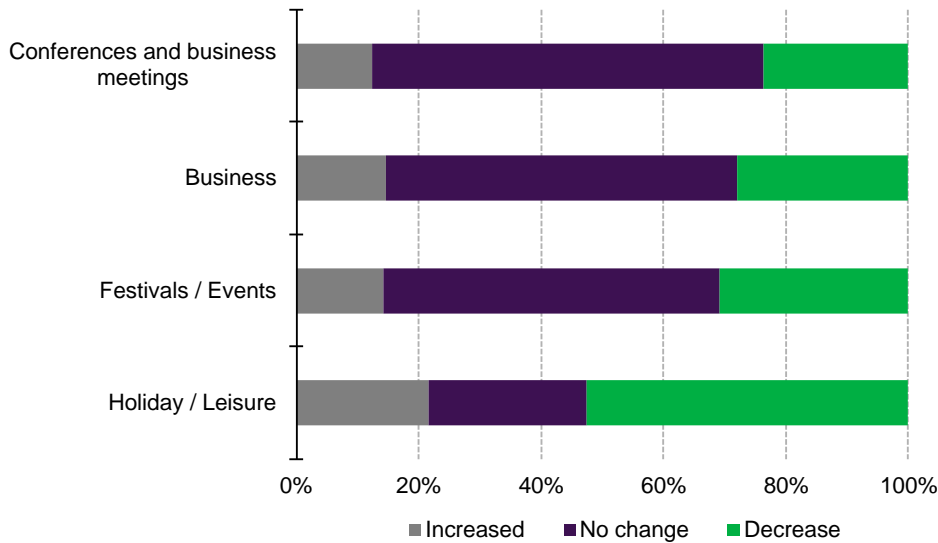


Source: Tourism Industry Council South Australia

### Business Activity by Market Segment (Last Three Months)

All market segments reported a net decrease in the September Quarter. The conference and business meetings market was the most stable, with similar results to the June Quarter. There was a significant decrease in the leisure market (consistent with the June Quarter), some of which was associated with the typically slower winter period, but also due to other factors including the recent increases in the cost of living and the continued recovery in overseas travel. The festival/event segment also saw a decrease in the quarter.

**Figure 4: Business Activity – By Market Segment (September Quarter 2023)**

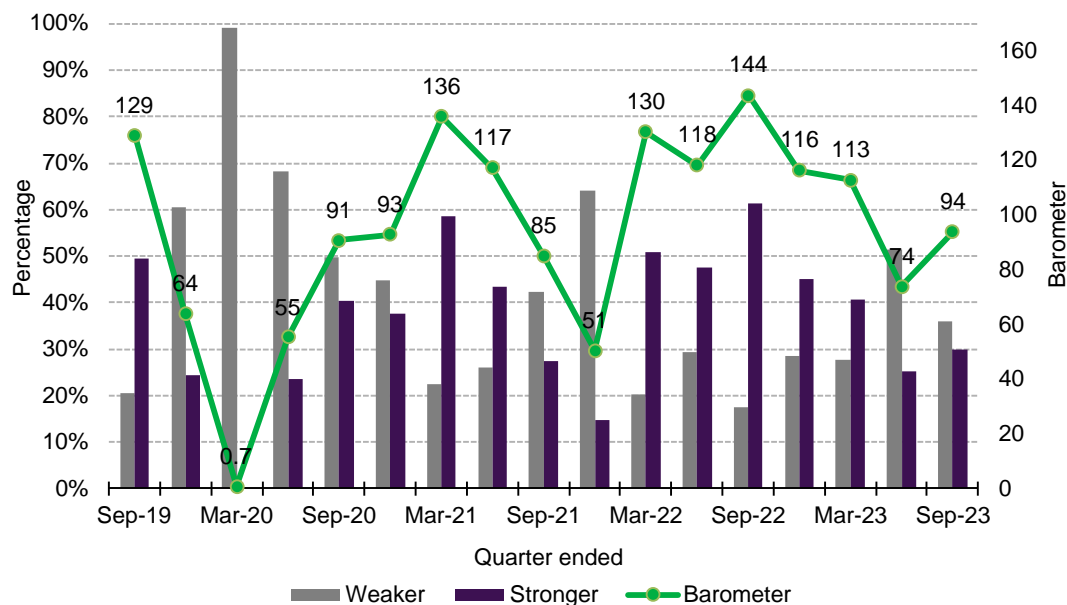


Source: Tourism Industry Council South Australia

### Business Outlook (Next Three Months)

The business outlook partially rebounded following an extended downward trend over the past year, however the Barometer remained in negative territory.

**Figure 5: Business Outlook for the Next Three Months**

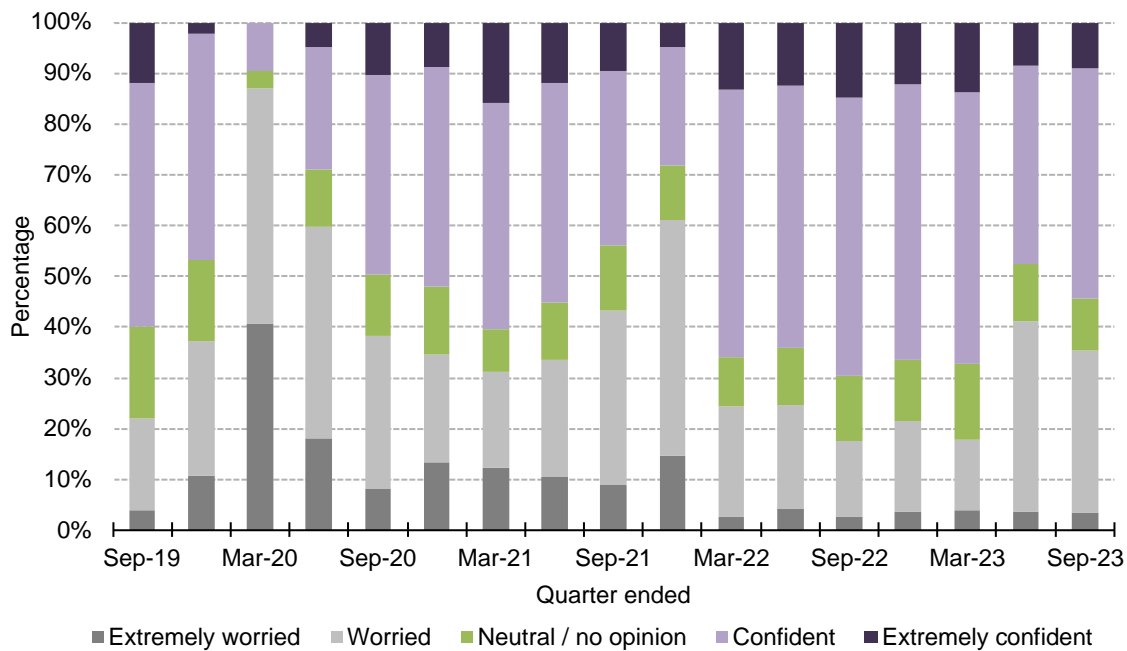


Source: Tourism Industry Council South Australia

### Business Outlook (Next 12 Months)

Similarly, business confidence improved marginally following the significant deterioration in the outlook in the previous June Quarter 2023 Barometer. While there are more businesses ‘extremely confident’ or ‘confident’ than those worried about the next year, the proportion of respondents ‘worried’ or ‘extremely worried’ remains significantly higher than earlier readings from late 2022 and early 2023.

**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"> <li>• Strong business marketing;</li> <li>• New products or developments;</li> <li>• Increased in international travel;</li> <li>• More events in area; and</li> <li>• Strong forward bookings.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of living;</li> <li>• Rising business costs;</li> <li>• Decreased visitation;</li> <li>• Low forward bookings;</li> <li>• Lower customer spend.</li> </ul>

Source: Tourism Industry Council South Australia

***“We provide a great visitor experience that brings people in.”***

***“Something has to be done, this is not going to work too much longer.”***

***“We are currently in a good position to grow, right product, right place, right time.”***

***“Rising costs are really starting to pinch which will lead to job losses.”***

***“We have seen an increase in business travellers.”***

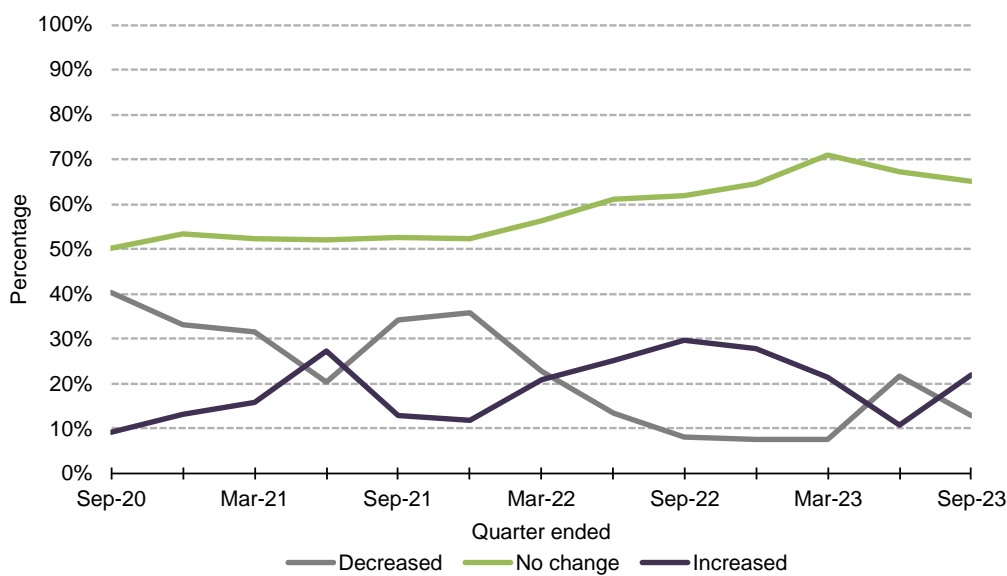
***“Increased awards and lack of staff are still issues.”***

***“I am nervous about the future, don’t know if we can keep this going, costs have increased so much.”***

## Employment and Wages

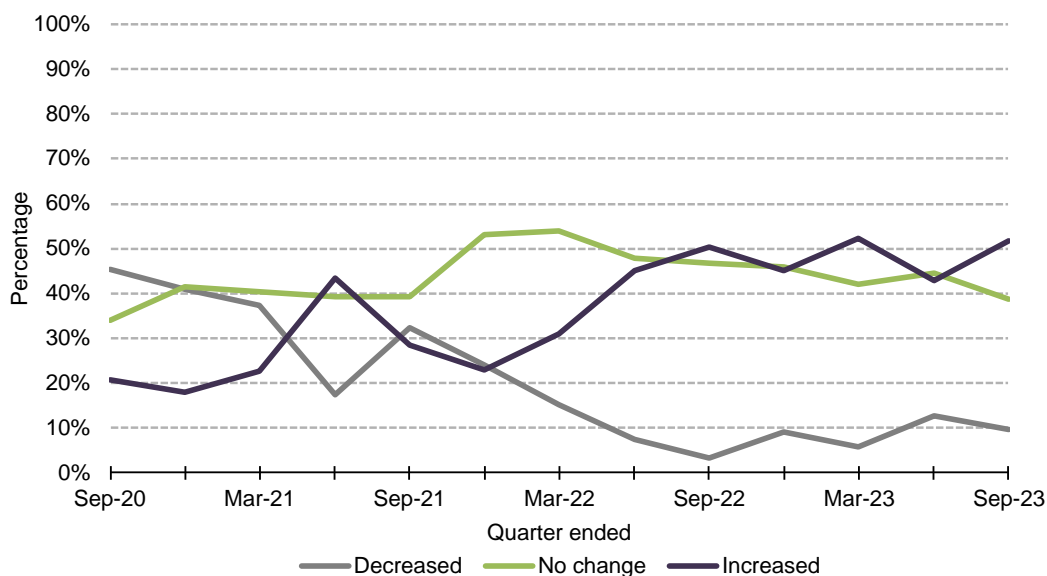
The September Quarter saw employment remain stable, with 65% of tourism businesses reporting no change. Businesses expecting more employees outnumber those businesses looking to reduce their team. The proportion of businesses reporting increasing wage bills remained elevated, as it has since mid-2022. This is consistent with a very tight labour market, with the unemployment rate in South Australia at a near 45-year low, putting upward pressure on wages. Labour shortages have also been an on-going concern with some survey respondents highlighting increases in award / minimum wages and the need to pay higher wages to attract and retain staff as some of the reasons for rising wage expenses for their businesses.

**Figure 7: Employment Trends**



Source: Tourism Industry Council South Australia

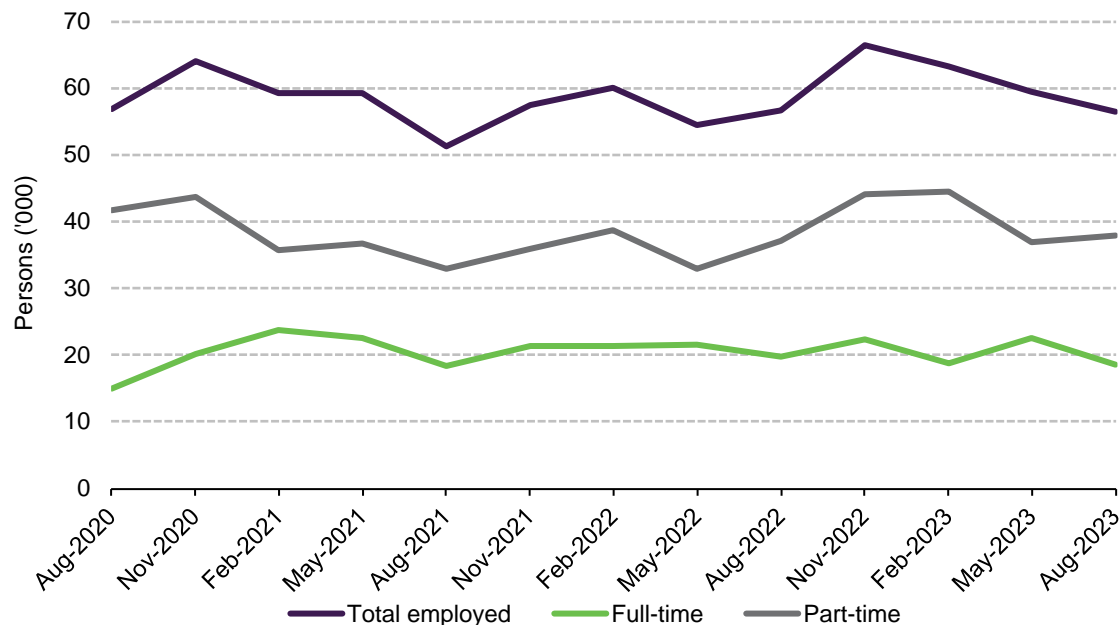
**Figure 8: Wages Bill**



Source: Tourism Industry Council South Australia

Total employment in the accommodation and food services industry decreased a further 3,000 persons in to 56,400 in August Quarter 2023, driven by a decrease in full-time work. Of concern, total employment in the industry has now declined more than 10,000 persons (or 15%) since the recent high in November Quarter 2022. Based on feedback in the Barometer, the trend of employment decreases is likely to continue.

**Figure 9: SA Employment, Accommodation and Food Services Industry**



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

### Approaching the Breaking Point

Staff availability, rising costs and rising interest rates have been consistently mentioned in the Barometer over the last 12 months as major challenges for businesses. In the September Quarter, half of tourism businesses cited rising business cost and rising staff cost as the key issues they face. The average capacity or occupancy for tourism businesses remains depressed at just 46%.

While some of this capacity has to do with winter trade, it is also reflective of the effect of rising inflation and interest rates on household budgets. Tourism runs on discretionary income and as the cost of living crisis unfolds, the household travel budget is hit early.

In an environment where tourism businesses have been forced to increase prices 9%-11% over the past year to combat rising costs, there is a compounding impact on demand from increasing costs and lower levels of discretionary income.

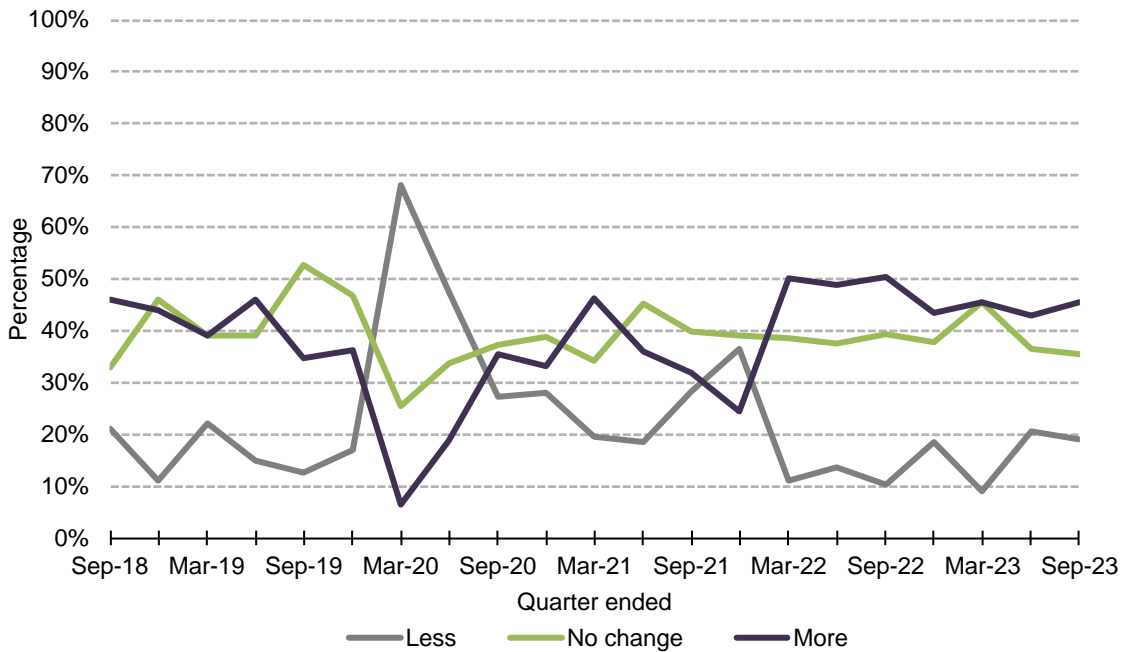
This most recent Barometer bears signs that these factors are forcing some businesses to reconsider their operation altogether. Comments from the Barometer show that some businesses simply shut down over parts of the winter period (as opposed to trading at very low levels). Other comments show that many businesses are considering closing in the face of the current environment.

While the results of the Barometer show that the decline has paused, the current environment could foreshadow further trouble ahead.

### Investment Outlook

Given the current sentiment, the fact there was broadly no change in the proportion of businesses planning to invest in the future would be expected. Encouragingly, businesses planning future investment outnumber those planning less, and the proportion planning to invest has recovered since the low in December 2021. With expectations of rising interest rates that will need to remain “higher for longer”, this could put added pressure on those businesses seeking to invest.

**Figure 10: Planned Investment**



Source: Tourism Industry Council South Australia

**Statistical Note:**

The TiCSA Tourism Barometer September Quarter 2023 survey was conducted online 3 October – 23 October. A total of 203 responses were received, representing a margin of error of +/- 6.4% at a confidence level of 95%.

### Airport Passengers

Passengers through the Adelaide Airport continued to increase in the September Quarter. Based on visitation statistics, the increase in passenger numbers is reflective of the on-going recovery of interstate and international markets. The recent weakening in the A\$ could support the recovery of passenger movements in the near-term.

**Table 2: Adelaide Airport Quarterly Passenger Statistics**

	Passengers ('000)				
	Sept Qrt 2023	Sep Qrt 2022	Sep Qrt 2021	Sep Qrt 2020	Sep Qrt 2019
Domestic	1,871	1,718	428	286	1,936
International	235	132	9	4	310
<b>Total</b>	<b>2,106</b>	<b>1,850</b>	<b>437</b>	<b>290</b>	<b>2,246</b>

Note: Domestic movements include regional. Year ending September.  
Source: Adelaide Airport, Passenger Statistics, November 2023

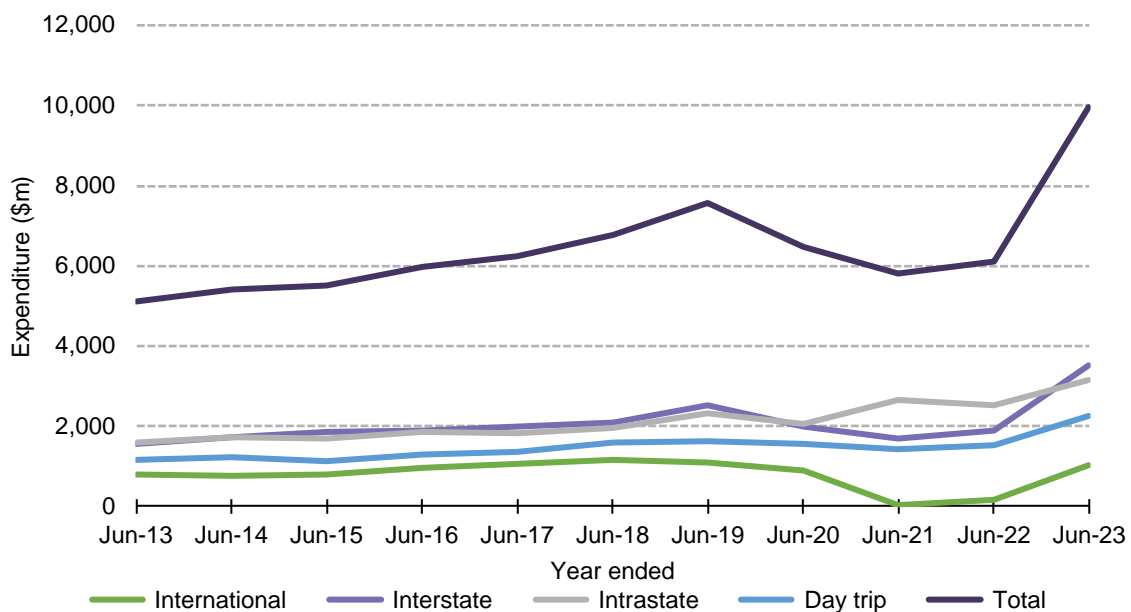


### Visitation and Expenditure

Visitor expenditure in South Australia continues to grow, now at almost \$10 billion, surpassing the pre-COVID high by \$600 million and striking another record. While all visitor types experienced increases in visitor expenditure, interstate visitor expenditure rose sharply in the year, up more than \$1.6 billion (85%). The re-opening of international borders has resulted in an increase of \$850 million in international visitor expenditure.

While the record breaking visitor expenditure results are great news, some of the growth is coming from tourism operators raising their prices to compensate for inflation and rapidly rising costs.

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



Note: Year ending June.

Source: Tourism Research Australia

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

	South Australia		All States	
	Jun-23	% Annual Change	Jun-23	% Annual Change
International	\$1,011	528.0%	\$21,856	345.6%
Interstate	\$3,528	85.5%	\$49,119	100.9%
Intrastate	\$3,165	25.3%	\$59,176	32.7%
Day trip	\$2,243	47.9%	\$32,689	59.9%
<b>Total</b>	<b>\$9,947</b>	<b>62.9%</b>	<b>\$162,840</b>	<b>72.5%</b>

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

Source: Tourism Research Australia

Visitation trends show growth across all visitor types, in particular interstate and international visitors. At the same time, it shows intrastate leisure visitors falling with many South Australians opting for travel outside of the State.

While visitor expenditure continues to break records, visitation remains below pre-COVID levels across all visitor types (albeit is nearing this milestone).

Pleasingly, the average length of visitor stay also continues to increase, which is supporting the growth in visitor expenditure.

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

	Visitors	Holiday	VFR	Business	Visitor Nights
<b>Day trip</b>	<b>15,220</b>	<b>6,977</b>	<b>4,531</b>	<b>1,778</b>	
Annual % Change	26.9%	26.2%	41.6%	11.1%	
3-year trend % Change	-0.6%	0.5%	3.2%	-8.4%	
10-year trend % Change	2.9%	1.8%	3.3%	7.0%	
<b>Intrastate</b>	<b>4,608</b>	<b>2,031</b>	<b>1,388</b>	<b>851</b>	<b>13,273</b>
Annual % Change	3.6%	-7.3%	17.1%	6.7%	0.7%
3-year trend % Change	2.3%	2.9%	0.3%	9.1%	2.7%
10-year trend % Change	2.9%	1.6%	2.6%	6.8%	2.6%
<b>Interstate</b>	<b>2,817</b>	<b>1,118</b>	<b>840</b>	<b>780</b>	<b>13,035</b>
Annual % Change	80.1%	87.0%	53.4%	98.2%	50.6%
3-year trend % Change	7.9%	14.6%	7.9%	2.6%	8.3%
10-year trend % Change	4.7%	5.1%	3.5%	5.1%	4.2%
<b>International</b>	<b>357</b>	<b>102</b>	<b>172</b>	<b>42</b>	<b>9,717</b>
Annual % Change	767.0%	1,678.2%	610.7%	1,018.1%	388.4%
3-year trend % Change	0.2%	-13.3%	16.4%	4.7%	4.6%
10-year trend % Change	-1.5%	-5.2%	3.5%	-2.6%	-2.5%
<b>Total</b>	<b>23,003</b>	<b>10,228</b>	<b>6,931</b>	<b>3,452</b>	<b>36,024</b>
Annual % Change	27.5%	22.9%	39.9%	23.5%	51.2%
3-year trend % Change	0.9%	2.0%	3.4%	-2.5%	5.1%
10-year trend % Change	3.0%	2.0%	3.2%	6.3%	1.3%

Note: Year ending June.

Source: Tourism Research Australia

The strong growth in visitor expenditure is due to the combination of growing length of stay as well as growing yield (i.e. \$/night). Price escalation is one of the key drivers for these increase in visitor expenditure. Over the last year, more than half of tourism businesses said they have been increasing their prices between 9%-11%. Faced with labour shortages and 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.

With interest rates and inflation continuing to rise, discretionary incomes are under significant pressure. Over the next year, demand growth may soon subside.

South Australia has now increased its market share over other states (in terms of both visitation and visitor expenditure) for the second quarter in a row. The biggest increases appeared in international and day trip visitors.

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

	Expenditure (\$m)	Yield (\$/visitor)	Yield (\$/night)	Market Share Visitors (%)	Market Share Expenditure (%)
<b>Day trip</b>	<b>\$2,243</b>	<b>\$147</b>		<b>6.9%</b>	<b>6.9%</b>
Annual % Change	47.9%	16.7%		7.5%	7.4%
3-year trend % Change	13.3%	14.1%		7.5%	6.9%
10-year trend % Change	6.9%	13.3%		6.8%	6.4%
<b>Intrastate</b>	<b>\$3,165</b>	<b>\$687</b>	<b>\$238</b>	<b>5.9%</b>	<b>5.3%</b>
Annual % Change	25.3%	21.0%	24.0%	6.6%	5.7%
3-year trend % Change	15.7%	13.0%	12.5%	6.6%	5.9%
10-year trend % Change	7.1%	14.2%	15.6%	6.6%	5.6%
<b>Interstate</b>	<b>\$3,528</b>	<b>\$1,252</b>	<b>\$271</b>	<b>8.1%</b>	<b>7.2%</b>
Annual % Change	85.5%	3.0%	23.2%	7.9%	7.8%
3-year trend % Change	20.9%	12.1%	11.8%	7.9%	7.0%
10-year trend % Change	8.5%	12.5%	14.6%	7.2%	6.7%
<b>International</b>	<b>\$1,011</b>	<b>\$2,834</b>	<b>\$104</b>	<b>6.6%</b>	<b>2.9%</b>
Annual % Change	528.0%	-27.7%	28.4%	3.7%	2.3%
3-year trend % Change	3.6%	3.5%	-0.9%	5.7%	2.7%
10-year trend % Change	2.4%	13.5%	17.6%	7.1%	2.8%
<b>Total</b>	<b>\$9,947</b>	<b>\$432</b>	<b>\$276</b>	<b>6.8%</b>	<b>6.1%</b>
Annual % Change	62.9%	-11.5%	-2.6%	7.3%	6.5%
3-year trend % Change	15.3%	-3.0%	2.3%	7.4%	6.0%
10-year trend % Change	6.9%	-0.7%	1.0%	6.8%	5.8%

Note: NA – not applicable. Year ending June. 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.**

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