

Tourism Industry Council South Australia

SA Tourism Barometer – September Quarter 2019

Headline: Business activity and short-term outlook improve, while longer-term outlook deteriorates

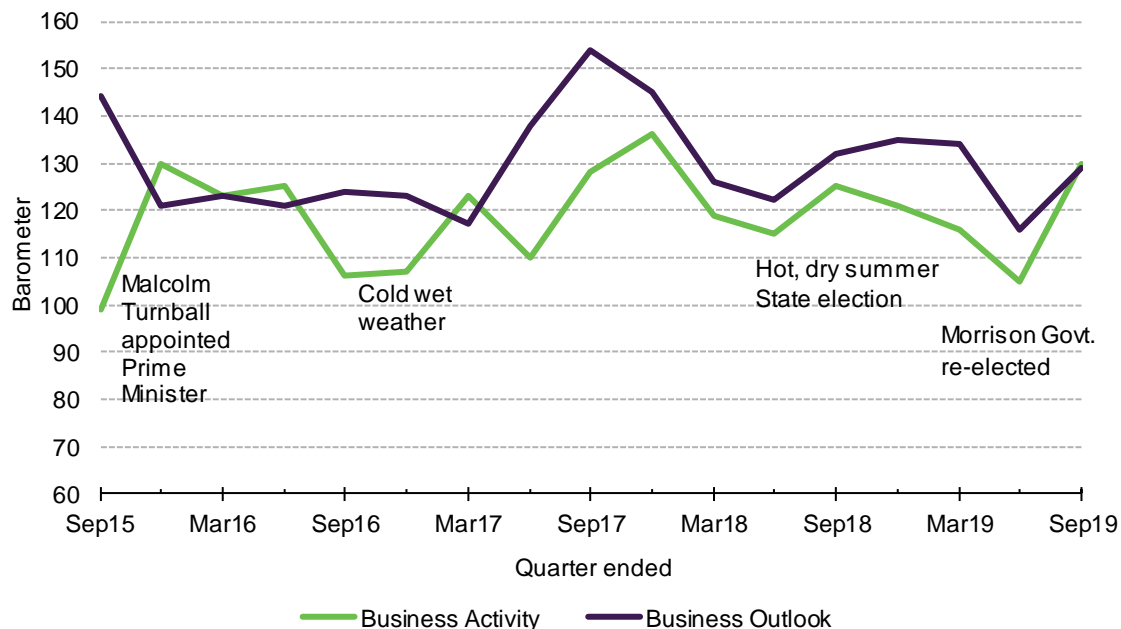
Tourism Barometer: Overview of Results

The Tourism Industry Council South Australia (TiCSA) Tourism Barometer is a quarterly survey of TiCSA members designed to measure recent activity levels and the outlook for the future. The barometer survey is conducted online and a total of 127 members responded to the September 2019 quarter survey.

The TiCSA Barometer for the September quarter of 2019 showed a significant increase in the Business Activity index, which rose by 24 per cent to 130 points. The September result is the second highest activity level since the December quarter of 2017 when the Business Activity index reached a peak of 136 points – Figure 1. A number of positive factors were cited by respondents as contributing to an increase in business activity for this quarter, including, but not limited to:

- The flooding of Lake Eyre which boosted tourism activity in the outback;
- The announcement of Uluru closure leading to a spike in hikers;
- Better seasonal shark sightings;
- Events such as Festival of food, Triple J One Night Stand, SALA After Dark as well as conferences driving group bookings;
- New Port Adelaide Art Gallery;
- ABC Back Roads program attracting more focus to the Flinders Ranges;
- Marketing activities and promotions;
- New websites and social media presence;
- Improved industry relationships;
- Visitor information centres attracting more visitors; and
- Improvement in both staff and business capability.

Figure 1: SA Tourism Barometer



Source: Tourism Industry Council South Australia

Negative influences for businesses included economic and policy issues such as the current state of the economy, lack of job availability, reduced government funding and land tax. Other market factors negatively impacting businesses as identified by respondents included:

- Competition from AirBnB;
- Cold weather;
- Infrastructure related issues such as closure of the Causeway; and
- Increased competition among businesses.

Finally, even though visitors are choosing to come to SA, this number has declined and those who are visiting are engaging less in tourism activities.

A sizeable increase of 13 points (or 11 per cent) was recorded for the Business Outlook index in the September quarter of 2019 compared to the previous quarter. However, the Business Outlook index was down slightly (-2 per cent) compared to the same quarter a year ago, and well down from the buoyant levels seen in 2017 – Figure 1. Positive factors contributing towards the recent improvement in the Business Outlook include:

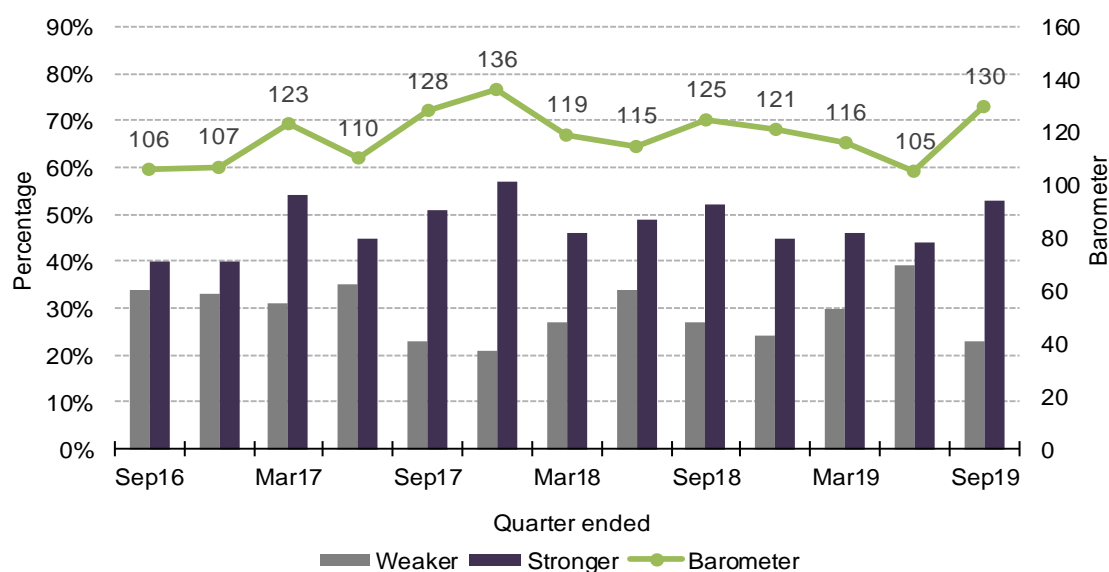
- More events happening in SA, including World Solar Challenge and cricket;
- Increased cruise ship visits;
- Seasonal factors like commencement of summer, school holidays, October long weekend etc.; and
- Development of new tourism products, marketing activities and online presence.

Some of the factors identified by businesses as depressing their Business Outlook were:

- Current state of the economy;
- Reduced government funding negatively influencing Business Activity;
- Unpredictable weather;
- Loss of Stayz;
- Fewer forward bookings from ITOs;
- Decline in overseas bookings; and
- Tourist preference of seeking information online than from visitor information centres.

The proportion of survey respondents reporting improved business activity in the September quarter of 2019 was 53 per cent, which is an improvement of nine percentage points since last quarter and an increment of one per cent since the September quarter last year. The proportion experiencing weaker business conditions was 23 per cent, down 16 percentage points compared to last quarter and down four percentage points compared to the same time last year. An increase in the proportion of businesses experiencing stronger business activity and a concurrent decline in the proportion of businesses experiencing weaker business conditions together led to a stronger Business Activity index of 130 in the September quarter of 2019 – Figure 2.

Figure 2: Business Activity in the Last 3 Months



Source: Tourism Industry Council South Australia

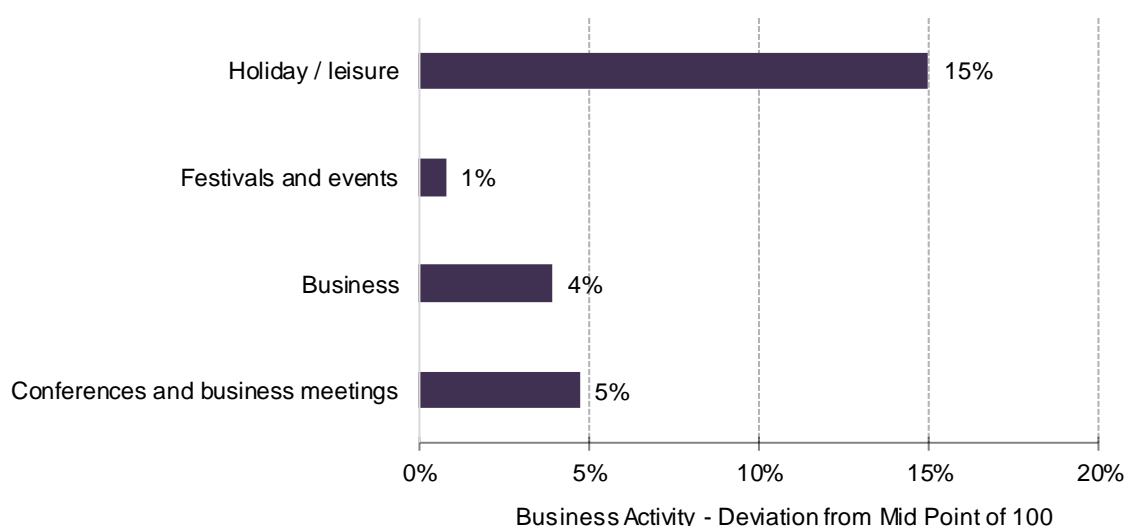
Business Activity was disaggregated into four separate sectors: Holiday / leisure, festivals and events, business, conference and business meetings. The respondents were asked for which sectors activity had increased or decreased. Figure 3 shows business activity in these four sectors as a deviation from mid-point value of 100. An index above 100 indicates growth with more businesses experiencing an increase from the market for tourism when compared to those experiencing contraction. An index below 100 indicates more businesses experiencing weaker conditions.

Comparison of the sectors shows that holiday/leisure was the most positive with the activity index of 115. This was followed by conference and business meetings (105), business (104) and festivals and events (101).

When compared with the survey results from the June quarter 2019, the index was up 15 per cent for conferences and business meetings, and up 13 per cent for the holiday/leisure market segment. The indices for business and festivals and events also increased by seven per cent and two per cent respectively.

All four sectors were experiencing stronger market conditions in the September quarter of 2019 compared to June quarter, when all sectors with the exception of holiday / leisure were experiencing weak market conditions.

Figure 3: Business Activity – Deviation from mid-point of 100

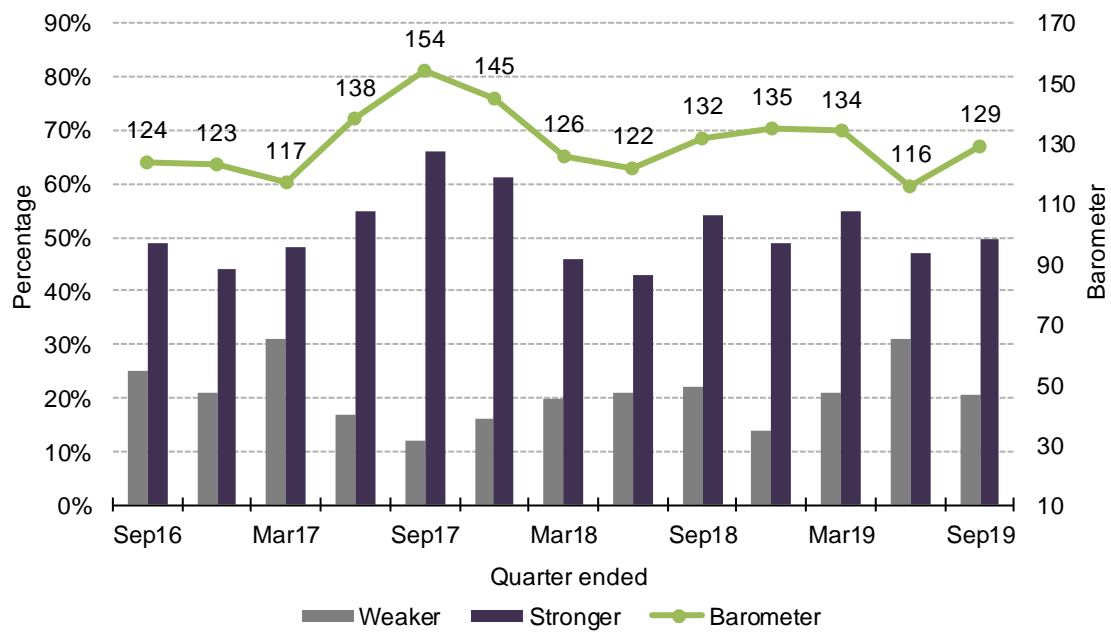


Source: Tourism Industry Council South Australia

Business Outlook for the next three months

The respondents were asked whether they expected business conditions to be stronger or weaker over the next three months when compared to the same period in 2018. The proportion expecting stronger activity increased by three percentage points to 50 per cent in the September quarter of 2019 compared to the June quarter, while the proportion expecting weaker market conditions fell by 11 percentage points to 20 per cent – Figure 4. This resulted in a stronger Business Outlook index of 129 compared to 116 for the June quarter 2019.

Figure 4: Business Outlook for the next three months



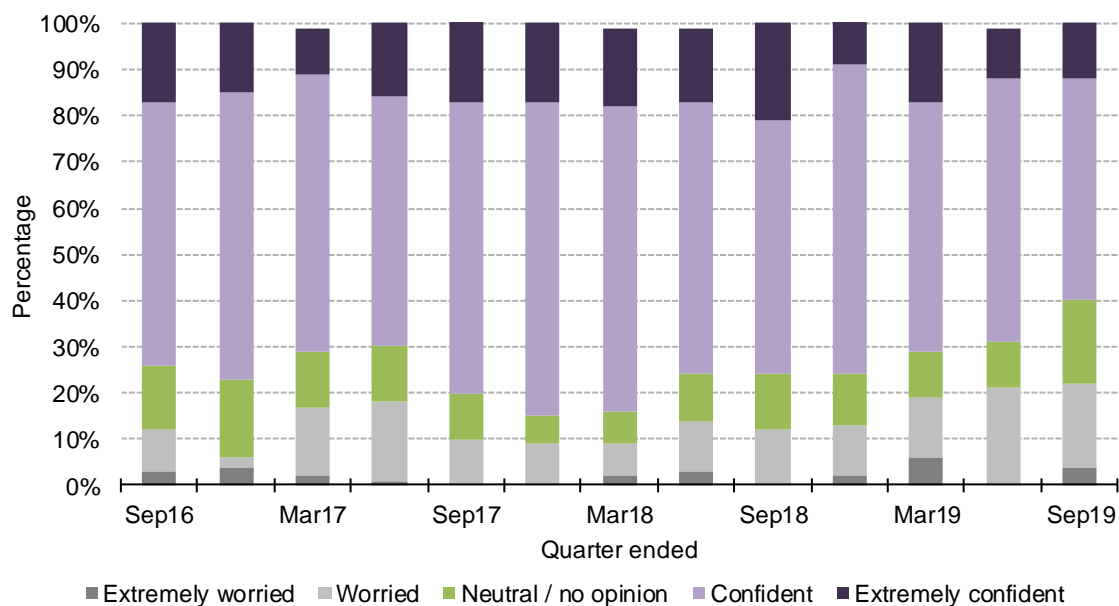
Source: Tourism Industry Council South Australia

Business Outlook for the next twelve months

The respondents were asked about their business sentiments for the next twelve months. Sentiment regarding the longer term outlook has deteriorated. The proportion of respondents who were either ‘extremely confident’ or ‘confident’ dropped by eight percentage points to 60 per cent in the September quarter 2019 – Figure 5. Meanwhile, the proportion of respondents who were either ‘extremely worried’ or ‘worried’ rose slightly, by one percentage point to 22 per cent.

Business sentiment regarding the longer-term outlook is also quite weak by historical standards. Judging by the proportion who were ‘extremely confident’ or ‘confident’ about their prospects over the next 12 months, business sentiment is now at its lowest level since 2012.

Figure 5: Business Outlook for the next twelve months



Source: Tourism Industry Council South Australia

Factors suppressing business sentiment ranged from economic, political and local as well as weather events, such as:

- Uncertainty in world finances and politics;
- Reduced government support and marketing dollars;
- Increased competition from other states;
- Land tax and increased operating costs;
- Uncertainty regarding continued Whale watching operations and Granite Island causeway;
- Snapper ban; and
- Climate change and drought.

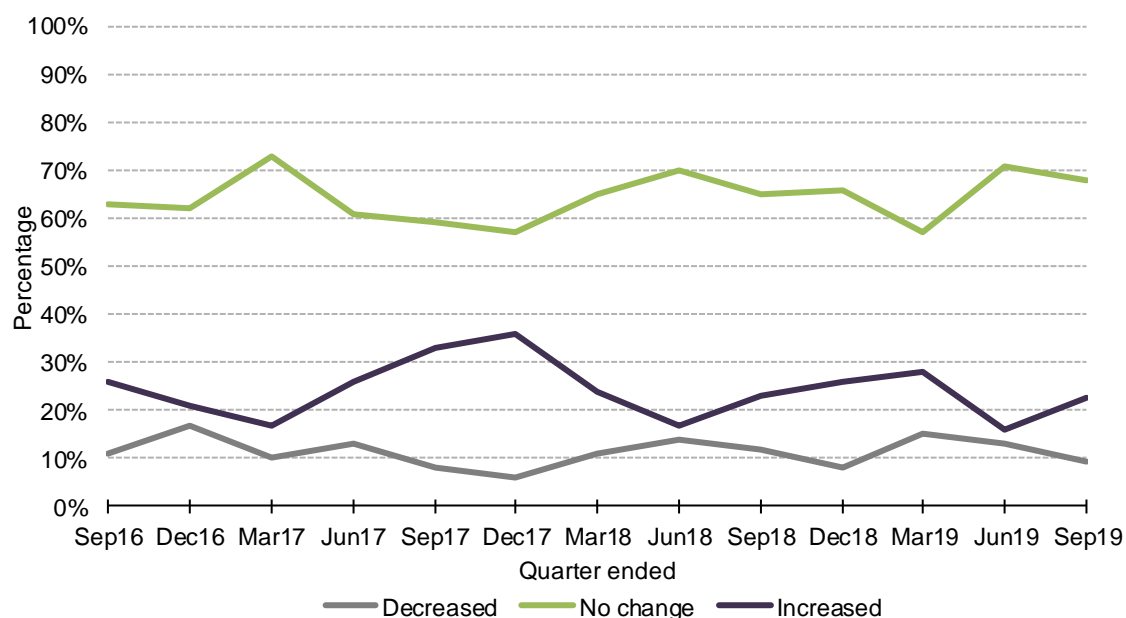
On the other hand, there are a number of factors that are helping to maintain net positive business confidence in the longer term, which include:

- Repeat business, especially due to Lake Eyre flooding;
- New experiences at the Port Adelaide Visitor Information Centre;
- Cruise ships;
- Council support;
- Investment in business development;
- New and unique experiences / products;
- New hotels coming online;
- Increased visitation and events;
- Increased TripAdvisor reviews and social media awareness; and
- Positive word of mouth.

Employment and Wages

Respondents were asked whether the number of people employed in their business had increased, decreased or remained the same when compared to the same period last year. The latest results are illustrated in Figure 6.

Figure 6: Employment trends



Source: Tourism Industry Council South Australia

In spite of the downturn in sentiment regarding the longer term outlook, tourism businesses have continued to expand their employment. Approximately 23 per cent of respondents reported employing additional staff in their business in the September 2019 quarter, which is an increase of seven per cent compared to the previous quarter. However, the proportion of respondents employing more staff was unchanged compared to same time

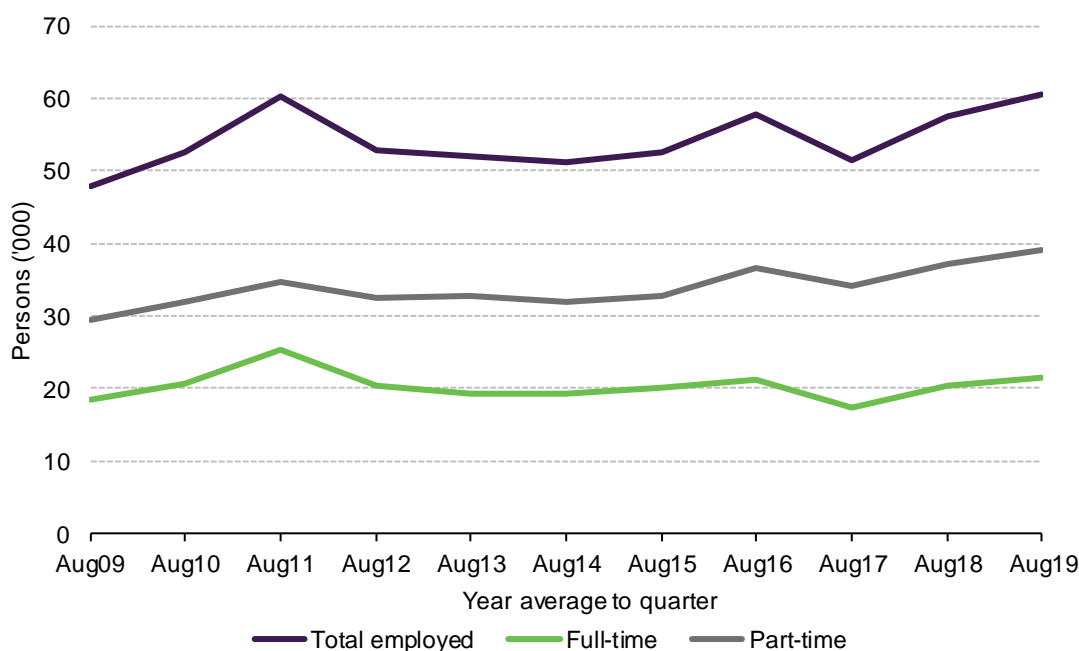
last year. The proportion of respondents reporting that the number of persons employed had decreased fell by four percentage points to nine per cent in the September quarter of 2019.

These results compared with a maximum reported increase in employment levels of 36 per cent and a minimum decrease in employment of six per cent, which both occurred in the December quarter 2017.

Employment levels in the South Australian accommodation and food services sector have improved considerably over the past year, according to the latest Labour Force Survey figures from the Australian Bureau of Statistics – Figure 7. A total of 60,600 people were employed in the sector on average in the year to the August quarter 2019, which represents an increase of 5.2 per cent or approximately 3,000 persons compared to the corresponding period a year earlier.¹ In comparison, total employment across all industries in South Australia rose by 1.4 per cent between these periods.

The increase in employment for accommodation and food services was broadly based, with both full-time and part-time employment rising strongly. Total full-time employment in the year to August 2019 was 21,600 persons on average, up 5.8 per cent (1,200 persons) compared to the year earlier. Part-time employment rose by 4.8 per cent (1,800 persons) to 39,000 people.

Figure 7: Employment in accommodation and food services in SA



Source: Australian Bureau of Statistics, Labour Force, Australia, Detailed, Quarterly, Aug 2019, Cat. No. 6291.0.55.003

Returning to the Tourism Barometer survey, respondents were asked whether their wages bill, when compared to the same quarter last year, had increased or decreased.

In the September 2019 quarter survey 45 per cent of the respondents reported that their wages bill had increased compared to only 33 per cent in the last quarter. Only 11 per cent reported that their wages bill had decreased. However, these proportions were effectively unchanged from those reported in the corresponding quarter of 2018 – Figure 8.

Respondents mentioned the following factors as contributing to changes in their wage bill:

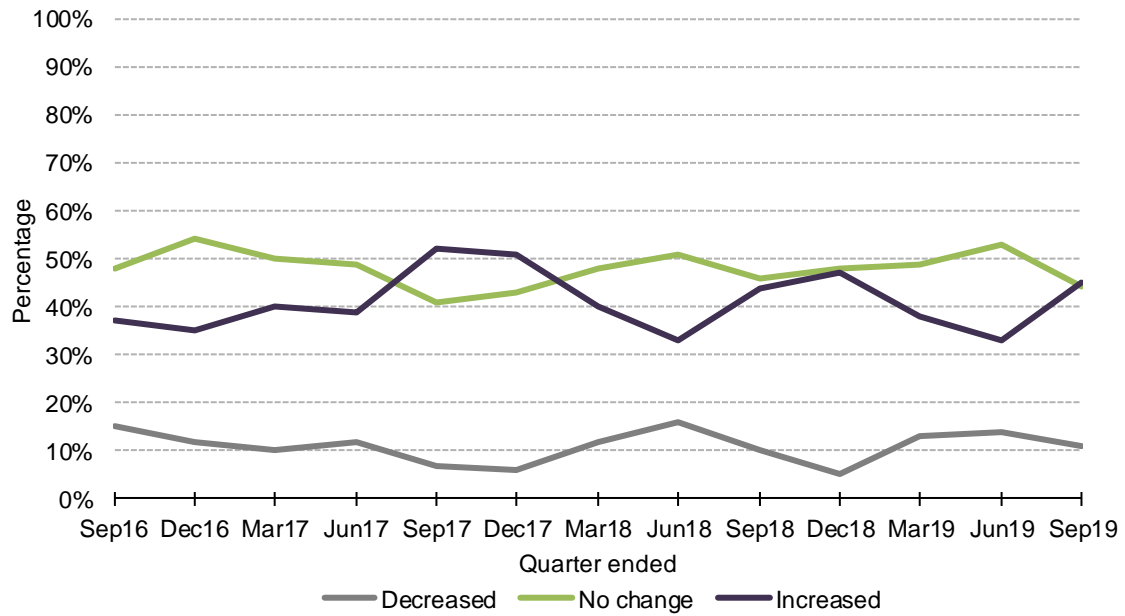
- CPI adjustments;
- award rate changes;
- Long service leave payouts;
- Fair Work pay increase;

¹ We have shifted to reporting employment changes on a year on year average basis in order to better identify underlying movements in employment for the sector. Labour Force Survey estimates of sectoral employment at the state level tend to suffer from relatively high degrees of sampling error, which means quarter on quarter movements may reflect statistical noise as much as actual movements in employment. Smoothing the estimates by using year average figures helps to reduce the effects of sampling error.

- Increase in costs;
- Business growth/ expansion; and
- Hiring additional staff including casual staff.

Some respondents also mentioned factors like more efficient business operations, business expansion or low level of business activity and skill shortage for cleaners contributing to changes in their wage bill.

Figure: 8 Wages bill



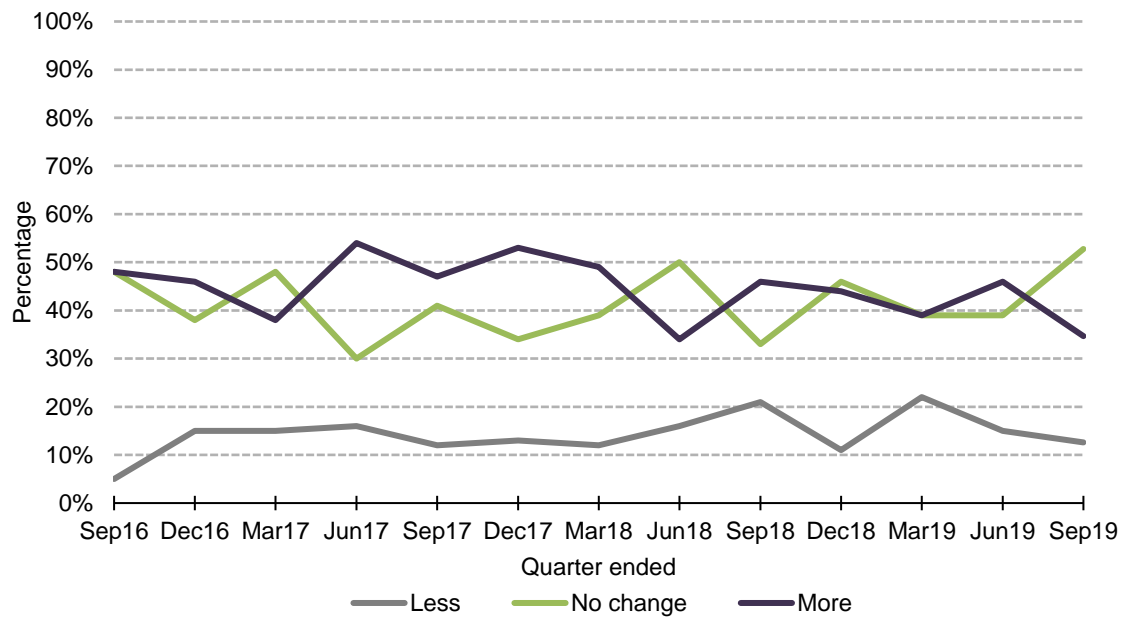
Source: Tourism Industry Council South Australia

Investment Outlook

Respondents were asked whether they were planning more or less investment in their business over the next 12 months compared to the previous 12 months. The latest results are illustrated in Figure 9.

In the September 2019 quarter survey, 35 per cent reported planning more investment in their business, down from 46 per cent in the previous June quarter. This decline is consistent with the deterioration in sentiment regarding the longer term business outlook.

Figure 9: Planned Investment

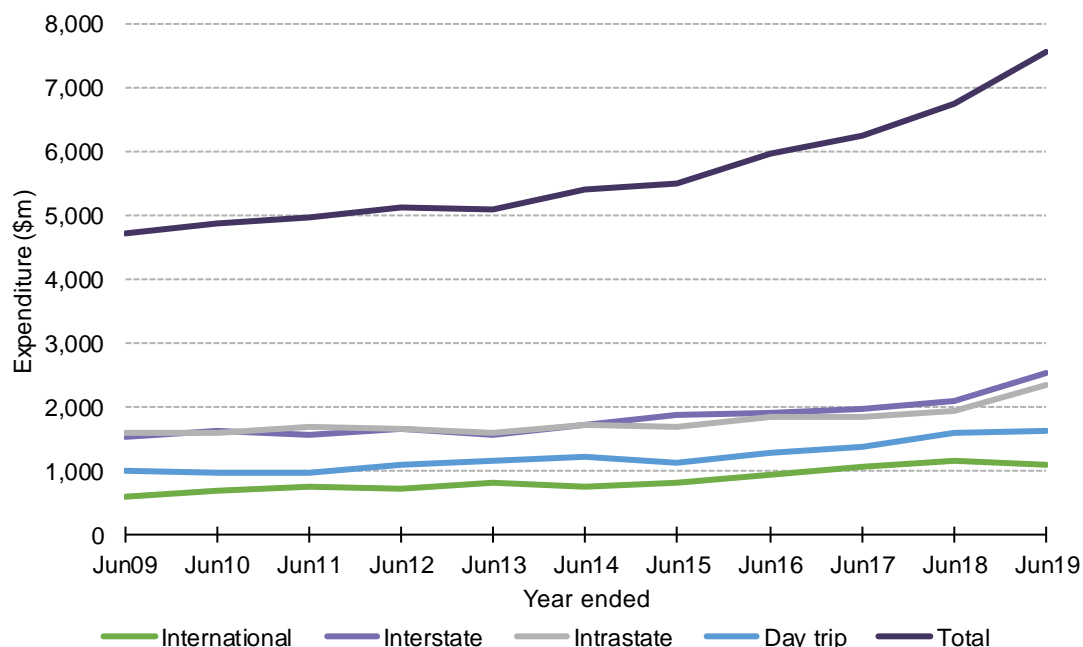


Source: Tourism Industry Council South Australia

International and National Visitor Expenditure

Information regarding travel demand in Australia is collected by Tourism Research Australia through two national sample surveys, the National Visitor Survey and the International Visitor Survey. Recent trends in international, domestic overnight interstate and intrastate, and domestic day trip expenditure are illustrated in Figure 10.

Figure 10: Overview of visitor expenditure in SA



Source: Tourism Research Australia. <http://www.tra.gov.au/research>

Total visitor expenditure in SA was \$7,572 million in the year ending June 2019, which was up 12 per cent compared to the previous year – Table 1. This is similar to the growth in regional visitor expenditure experienced by all states and territories in aggregate. Both interstate and intrastate visitor expenditures in SA rose strongly, by 21 per cent and 20 per cent respectively. These increases were higher than the corresponding changes in the national figures (12 per cent and 17 per cent). Interstate visitor expenditure in SA in 2018/19 was \$2,517 million, followed closely by intrastate visitor expenditure of \$2,334 million. Day trip visitors spent an estimated \$1,638 million, which represents an increase of only 2.4 per cent on last year. In contrast, national day trip expenditure increased by 13 per cent in 2018/19. International visitor spending in SA has softened in the year ending June 2019, falling by 5.4 per cent to \$1,083 million, whereas the national average was up 5 per cent.

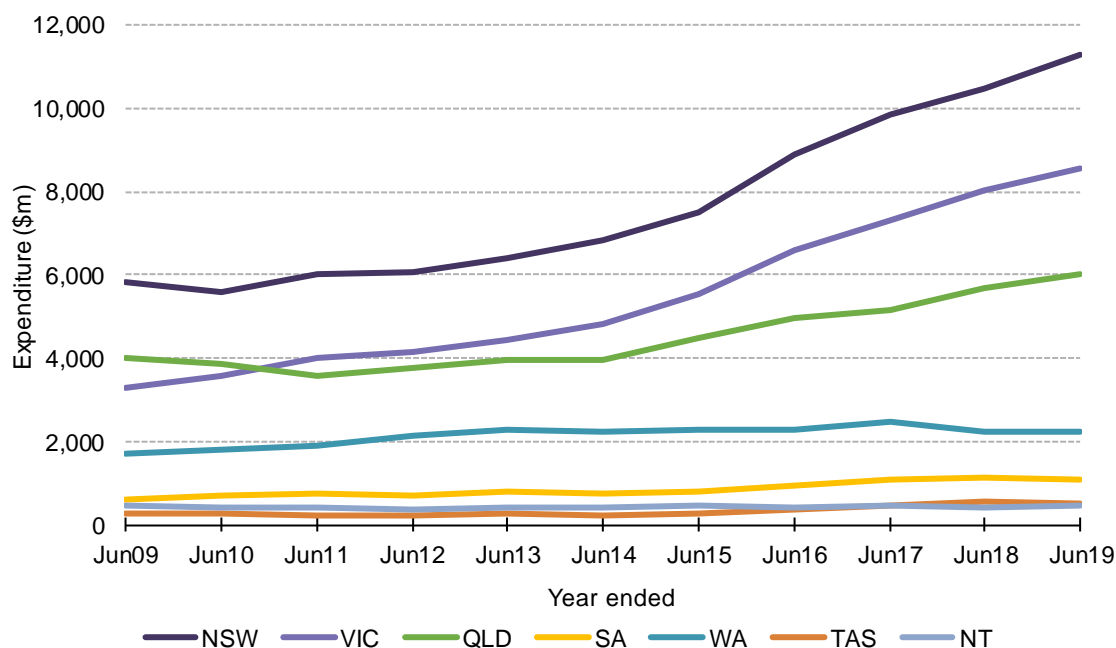
Table 1: Visitor expenditure for SA and All States/Territories, year to June 2019

Expenditure type	South Australia		All states and territories(a)	
	Expenditure (\$m)	% change	Expenditure (\$m)	% change
International	1,083	-5.4	30,780	5.4
Interstate (overnight)	2,517	21.0	35,155	11.9
Intrastate (overnight)	2,334	20.2	42,321	17.0
Day trip	1,638	2.4	24,321	12.7
Total	7,572	11.9	132,577	12.0

Note: (a) Excludes expenditure by international visitors not allocated to regional expenditure (e.g. international airfares).

Source: Tourism Research Australia. <http://www.tra.gov.au/research>

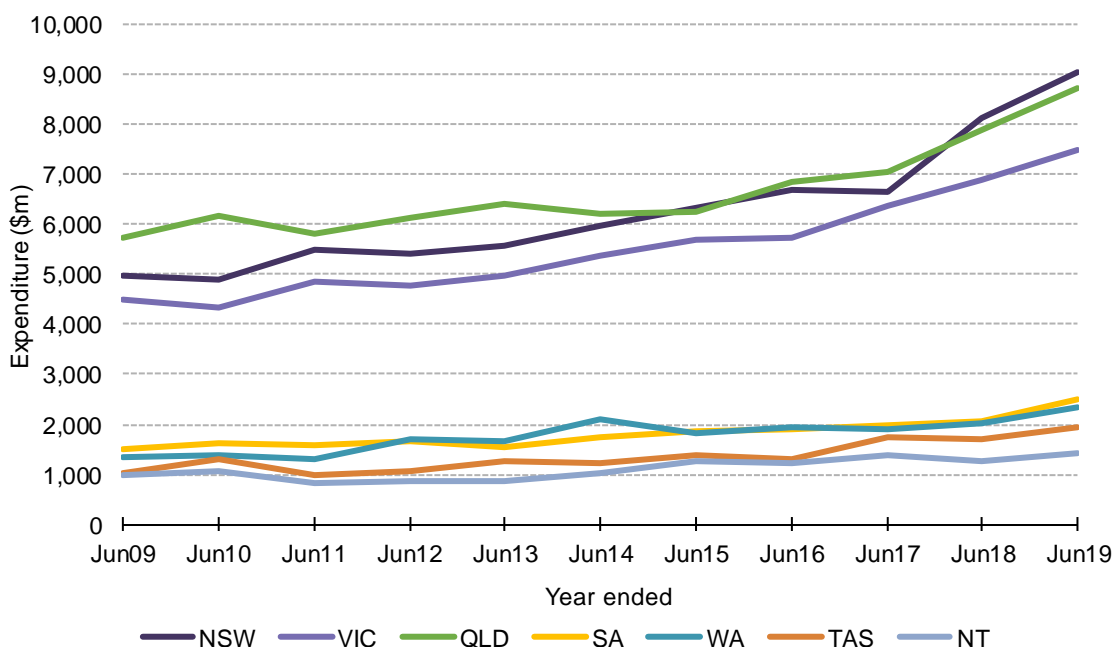
Figure 11: International visitor expenditure by State/ Territory



Source: Tourism Research Australia, International Visitor Survey. <http://www.tra.gov.au/research>

In the year ending June 2019, NSW had the highest share of international visitor expenditure (37 per cent) followed by Victoria (28 per cent) and Queensland (19 per cent). SA's share of international visitor spending was 3.5 per cent of total national regional expenditure. Increases in international visitor spending in New South Wales, Victoria, Queensland and the Northern Territory masked falls in spending in South Australia, Western Australia, Tasmania and the Australian Capital Territory – Figure 11. International visitor expenditure across all regions rose by 5.4 per cent in 2018/19.

Figure 12: Interstate (domestic overnight) visitor expenditure by State/Territory

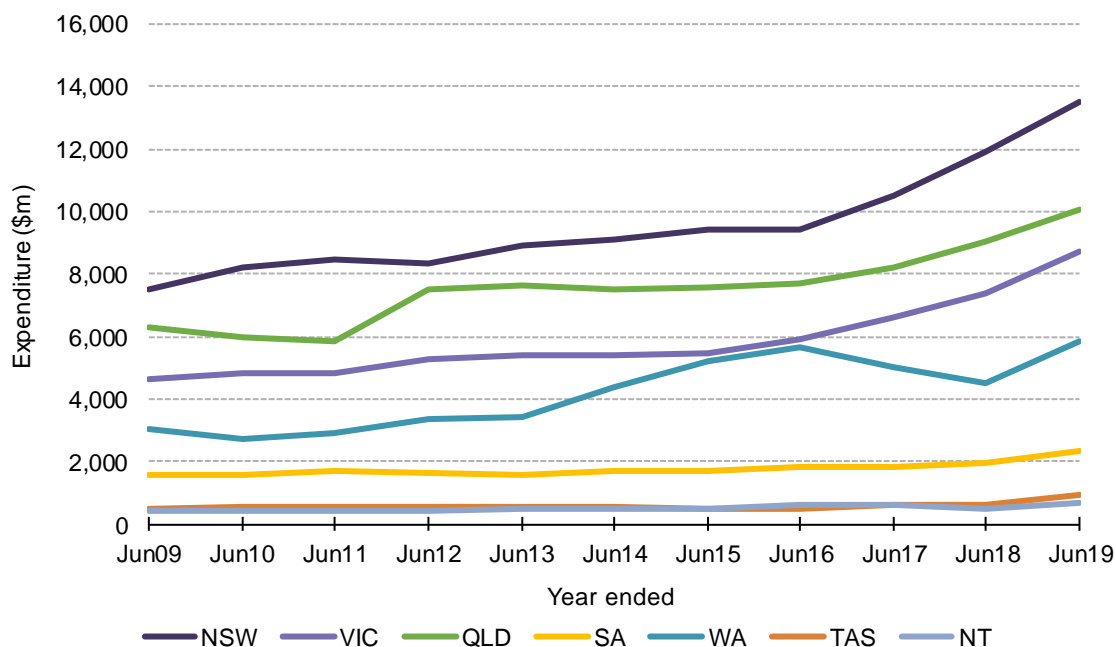


Note: Due to a change of sampling methodology the National Visitor Survey is subject to a break in series from 2014. Sampling methodology was again changed in 2019.

Source: Tourism Research Australia, National Visitor Survey. <http://www.tra.gov.au/research>

Even though South Australia's share of interstate visitor expenditure is only 7 per cent, South Australia recorded the largest increase in interstate visitor expenditure of any state or territory in 2018/19 (up 21 per cent). Nonetheless, New South Wales, Victoria and Queensland still continue to lead in terms of aggregate interstate visitor spending – Figure 12.

Figure 13: Intrastate (domestic overnight) visitor expenditure by State/ Territory



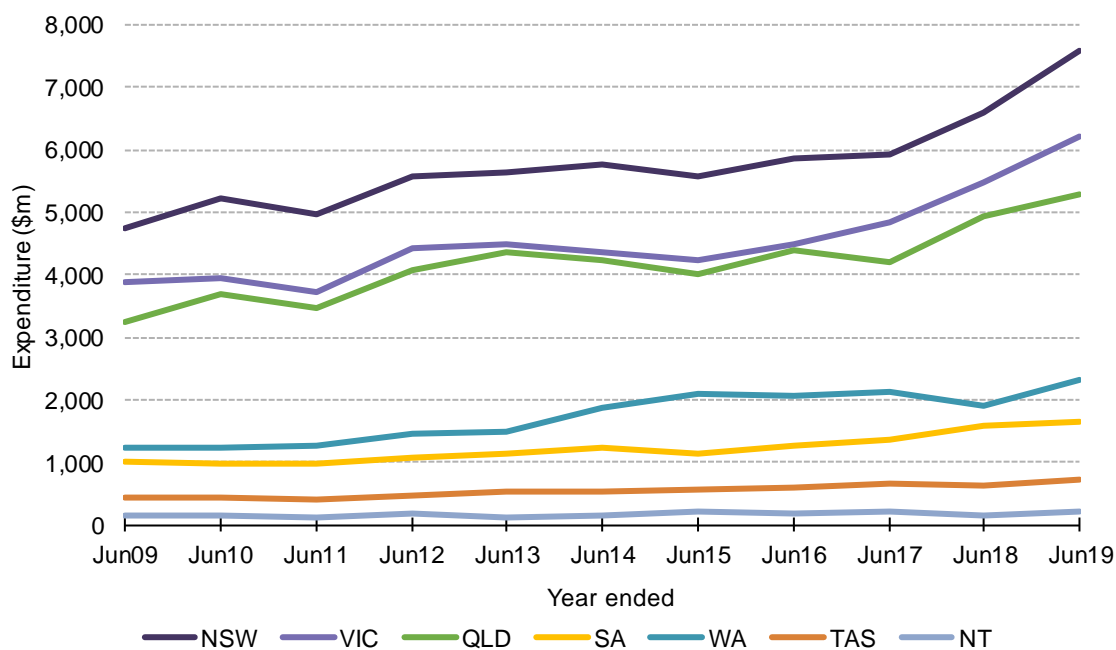
Note: Due to a change of sampling methodology the National Visitor Survey is subject to a break in series from 2014. Sampling methodology was again changed in 2019.

Source: Tourism Research Australia, National Visitor Survey. <http://www.tra.gov.au/research>

South Australia's share of national intrastate visitor expenditure was only 5.5 per cent in the year ending June 2019, but intrastate visitor spending in the state is estimated to have risen by a hefty 20 per cent for the year – Figure 13. Strong growth in intrastate visitor spending was also observed in Western Australia, Tasmania and the Northern Territory.

Figure 14 shows recent movements in day trip expenditure by state and territory. In the year ending June 2019, South Australia's share of national day trip visitor expenditure was 6.7 per cent. South Australia recorded the lowest increase in spending by day trip visitors compared to all other states and territories in 2018/19 (up only 2.4 per cent). Day trip expenditure for all states and territories rose by 12.7 per cent.

Figure 14: Day trip visitor expenditure by State/ Territory



Note: Due to a change of sampling methodology the NVS is subject to a break in series from 2014. Sampling methodology was again changed in 2019.

Source: Tourism Research Australia, National Visitor Survey. <http://www.tra.gov.au/research>

International Departures and Airport Passenger Movements

In the year ended September 2019 there were 11.56 million short term resident departures² from Australia – an increase of 2.8 per cent from the previous year (Figure 15). This latest result compares with an annual average growth in short-term outbound travel of 6.4 per cent over the past decade.

Expenditure on tourism is a discretionary form of spending. A lower Australian dollar would encourage more domestic travellers to travel in Australia as opposed to overseas as it effectively increases the cost of overseas travel.³ That said, sluggish wage growth, depressed consumer spending, subdued consumer confidence and geopolitical instability overseas may also have contributed to the slowdown in growth in outbound trips.

Passenger movements through Adelaide Airport saw an overall growth of 4.7 per cent with an overall passenger movement of 2.24 million in the quarter ending September 2019 – Table 2. 86 per cent of passenger movements in Adelaide airport were domestic whereas 14 per cent were international movement.

Strong growth was observed particularly in international traffic. International traffic in Adelaide Airport grew by 15% between September quarter 2018 and September quarter 2019. One of the factors contributing to this strong growth in international traffic is increased capacity due to:

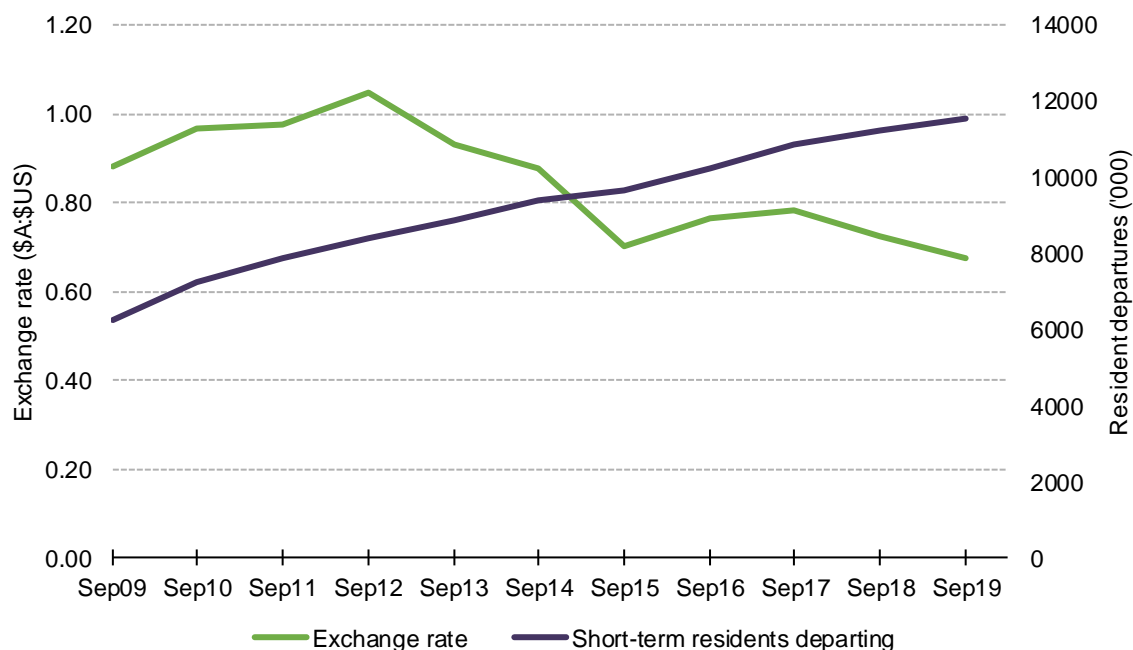
- commencement of Malindo Air's four-weekly services on the Adelaide – Denpasar (Bali) – Kuala Lumpur route;
- Jetstar's additional services to Denpasar;
- the additional capacity from Singapore Airlines' up-gauge of aircraft from the Airbus A330 to the Airbus A350; and
- Qatar Airways' up-gauge of aircraft from the A350-900 to the B777-300ER, providing an additional 71 seats per flight during the September period.

Other factors include South Australians seeking warmer holiday destinations during Australian winter season and the World Routes Aviation Conference.

² Information regarding short term overseas departures by Australian residents is published by the ABS.

³ Tourism Research Australia (2019), "State of the industry 2017-18" Available at: <https://www.tra.gov.au/Economic-analysis/State-of-the-Industry/state-of-the-industry>

Figure 15: Trend in short-term Australian resident departures and \$A:\$US exchange rate



Note: Exchange rate data is for a specific point in time (end of September) and does not represent interim periods.
 Source: Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia, September 2019, Cat. No. 3401.0; and Reserve Bank of Australia, Historical Data, Exchange Rates, <https://www.rba.gov.au/statistics/historical-data.html#exchange-rates>

Table 2: Adelaide Airport Passenger Statistics

	Passengers ('000)		Percentage change (%)
	Sept Quarter 2019	Sept Quarter 2018	
Domestic	1,936	1,877	3.1%
International	310	269	15.3%
Total	2,246	2,146	4.7%

Note: Domestic movements included regional.
 Source: Adelaide Airport, Passenger Statistics, 29 October 2019.

Domestic travel for the September quarter 2019 continued to be strong with a growth of 3.1% to 1.94 million passengers. This was driven largely by:

- Increased demand to the domestic capital cities of Brisbane, Melbourne and Perth; and
- Key regional resource routes such as Olympic Dam, Port Augusta, Moomba and Whyalla.