

Tourism Industry Council South Australia

SA Tourism Barometer – December Quarter 2019

Headline: Bushfires and coronavirus harm tourism business activity and short-term outlook

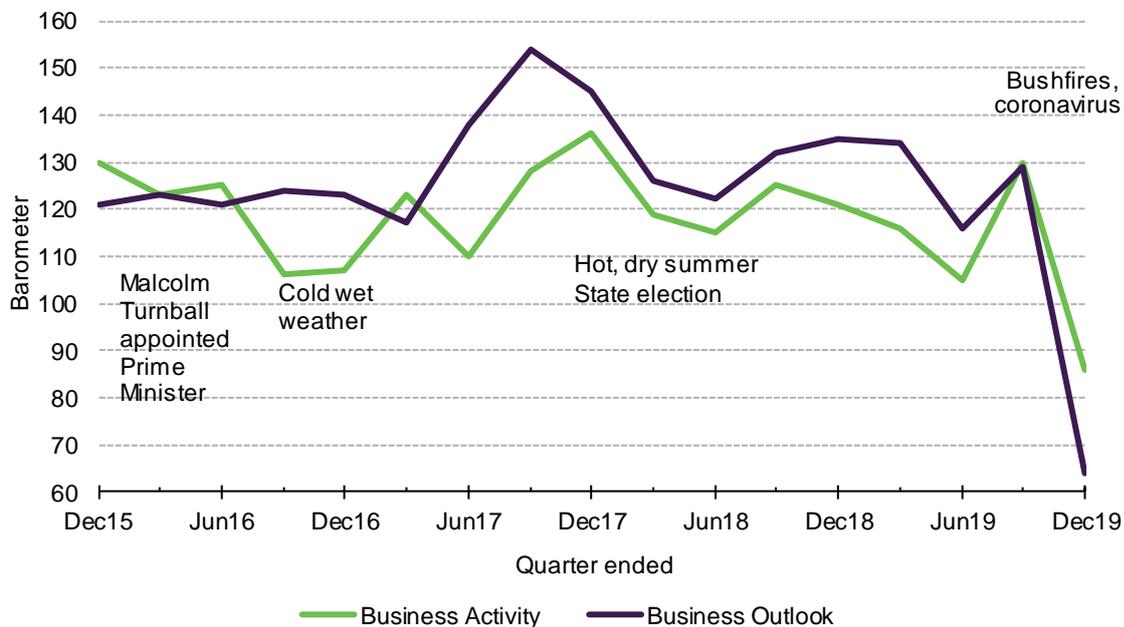
Tourism Barometer: Overview of Results

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 on-line and a total of 94 members responded to the December 2019 quarter survey.

The TiCSA Barometer for the December quarter of 2019 showed a large decrease in the Business Activity index, which fell by 34 per cent to 86 points – Figure 1. The December result represents the equal largest proportional fall and the lowest activity level recorded since the June quarter of 2012. Cancellations due to bushfires as well as hot weather and drought resulting in low visitor numbers were most commonly cited as contributing to a decrease in business activity for this quarter compared to a year earlier. A range of other unfavourable factors were also cited by respondents, including, but not limited to (in no particular order):

- Snapper closure;
- Difficulty in staff recruitment in rural areas;
- Media attention and concerns about global warming;
- Increased costs for tradeshows;
- Funding and project delays;
- Less sharks than normal;
- Technological failures impacting online sales;
- Closure of the Uluru climb;
- High cost of fuel and general business expenses; and
- New competitors.

Figure 1: SA Tourism Barometer



Source: Tourism Industry Council South Australia

Positive influences for businesses who experienced growth in business activity included:

- Business growth and awareness;
- Conferences & events;
- Word of mouth;
- Positive online reviews;
- Purchasing gift vouchers for Christmas;
- Marketing & social media;
- Diversified marketing & product sales;
- Christmas festivals & events;
- New business developments & upgrades; and
- Cruise ships.

Finally, even though visitors are choosing to come to SA, this number has apparently declined in the December quarter due to bushfires.

A substantial decrease of 51 per cent to 64 points was recorded for the Business Outlook index in the December quarter of 2019 compared to the previous quarter – Figure 1. Bushfires were seen as an ongoing deterrent for both domestic and international visitation. While bushfire affected regions are getting more focus through the SATC's '#BookThemOut' campaign, donations and media coverage, some of the other regions expressed some concern regarding the displacement of visitation activity. The major negative influence of bushfires on the Business Outlook has been further compounded by the recent outbreak of coronavirus which has discouraged or prevented travel, leading to booking cancellations or postponements.

Some of the other factors identified by businesses as depressing their Business Outlook for the last quarter of 2019 were:

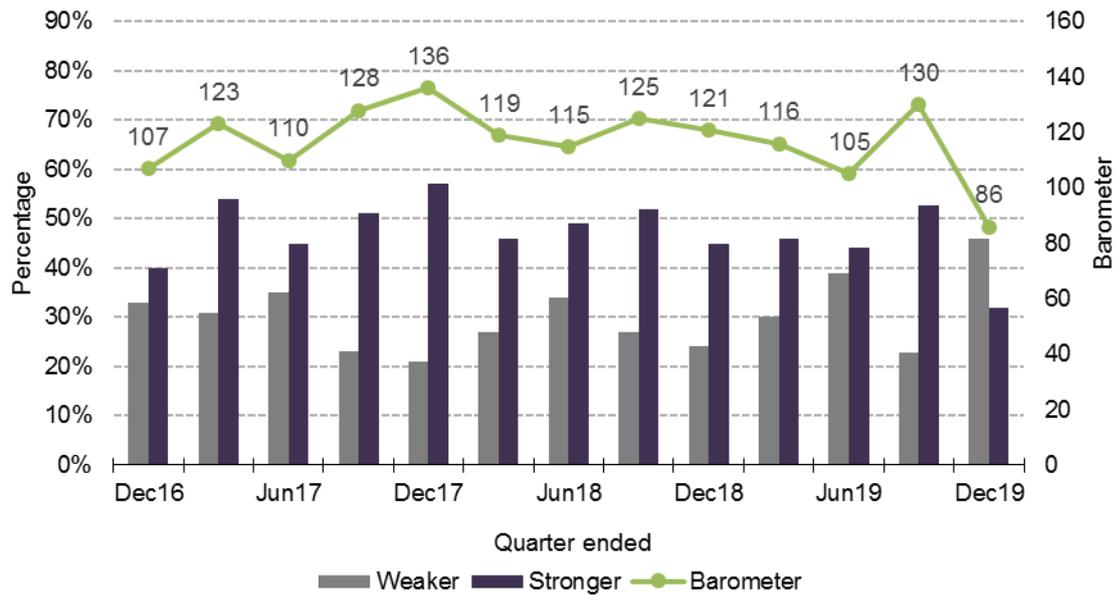
- Financial limitations, weak household spending, and decreased confidence in the economy;
- Slow forward bookings;
- Media coverage of the bushfires - focus on 'Australia on fire' rather than promoting that most of the country is open for business;
- Project delays;
- Staff limitations;
- Drought; and
- Cheap overseas flights.

Although a majority of respondents felt that activity would be weaker in the first quarter of 2020 compared to a year earlier, almost one-quarter felt that activity would be stronger. Positive factors identified by businesses include:

- Increased product offering & business growth;
- Showcases & events, such as Fringe, Kapunda Farm Outdoor Expo & SA Carp Frenzy;
- Trade opportunities;
- Digital marketing & social media;
- Networking;
- Strong business bookings and activity; and
- Easter.

The proportion of survey respondents reporting improved business activity in the December quarter of 2019 was 32 per cent which is a decrease of 21 percentage points since last quarter and a decrease of 13 percentage points since the December quarter last year. The proportion experiencing weaker business conditions was 46 per cent, up 23 percentage points compared to previous quarter and up 22 percentage points compared to the same time last year. A decrease in the proportion of businesses experiencing stronger business activity and a concurrent increase in the proportion of businesses experiencing weaker business conditions together led to a 44 point drop in the Business Activity index to 86 in the December quarter of 2019 – Figure 2. While the latest result represents the largest quarterly aggregate decline in the Business Activity index, in proportional terms a similar decline was recorded in the June quarter of 2012 – a period when the Australian exchange rate traded near a historically high level (dampening spending by international visitors) and the South Australian economy lost significant momentum.

Figure 2: Business Activity in the Last 3 Months



Source: Tourism Industry Council South Australia

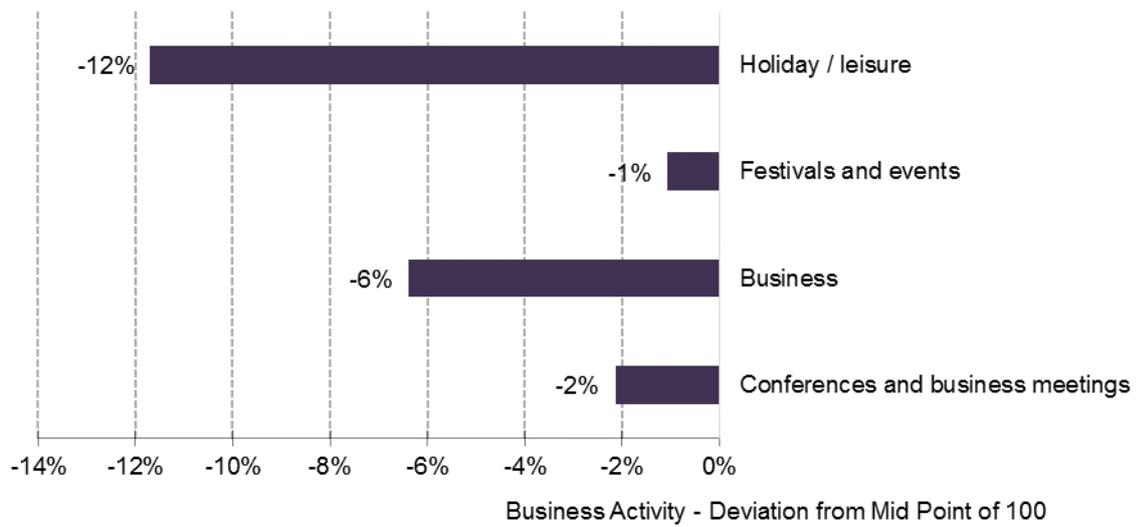
Business Activity was disaggregated into four separate sectors: holiday/ leisure, festivals and events, business and conference and business meetings. The respondents were asked whether activity for each sector had increased or decreased compared to a year earlier. Figure 3 shows business activity in these four sectors as a deviation from mid-point value of 100. An index above 100 indicates growth with more businesses reporting stronger activity for that market segment compared to those experiencing weaker activity. An index below 100 indicates more businesses experiencing weaker than stronger activity.

Comparison of the sectors shows that festivals and events has held up the best with only a marginally negative activity index of 99. This was followed by conference and business meetings (98), business (94) and holiday/leisure (88).

When compared with the survey results from the September quarter 2019, the index for holiday/leisure was down 23 per cent, and down 10 per cent for business. The activity indices for conference and business meetings and festivals and events fell by seven per cent and two per cent respectively.

All four sectors were experiencing weaker market conditions in the December quarter of 2019 compared to September quarter, when all sectors were experiencing solid market conditions.

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

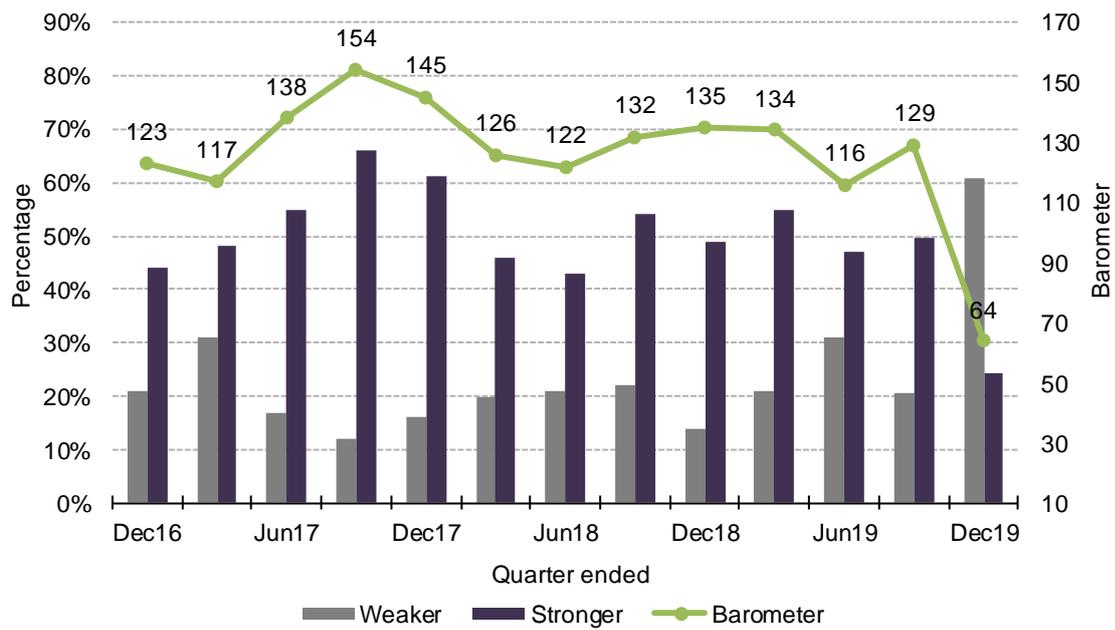


Source: Tourism Industry Council South Australia

Business Outlook for the next three months

The respondents were asked whether they expected business conditions to be stronger or weaker over the first three months of 2020 compared to the same period in 2019. The proportion expecting stronger activity decreased by 25 percentage points to 24 per cent in the December quarter of 2019 compared to the September quarter, while the proportion expecting weaker market conditions rose by 40 percentage points to 61 per cent – Figure 4. The net result was a large decline in the Business Outlook index to a very weak 64 for the December quarter compared to 129 for the September quarter 2019.

Figure 4: Business Outlook for the next three months

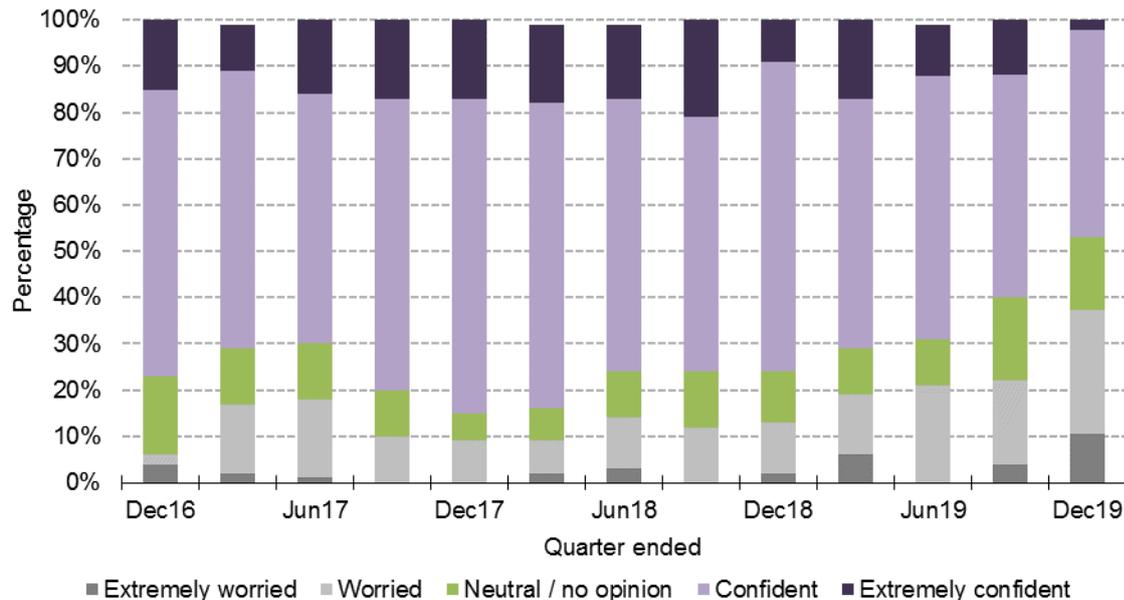


Source: Tourism Industry Council South Australia

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 13 percentage points to 47 per cent in the December quarter 2019 – Figure 5. Meanwhile, the proportion of respondents who were either 'extremely worried' or 'worried' rose by 15 percentage point to 37 per cent.

Figure 5: Business Outlook for the next twelve months



Source: Tourism Industry Council South Australia

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. Nonetheless, businesses remain reasonably hopeful given that a

small majority remain confident or neutral despite recent major negative impacts in the form of bushfires and coronavirus.

The longer term business outlook has been impacted by bushfires and media coverage which is generating a negative perception of Australia. While targeted campaigns such as the SATC's #BookThemOut will assist those regions directly impacted by bushfires, there is some concern that tourist attention is being diverted away from some of the unaffected regions. All these factors have led to large slowdown in forward bookings and walk-ins. More recently, the onset of coronavirus has dealt a further blow to international visitation due to imposition of travel restrictions, especially from China which is a key market. Other factors which were cited as suppressing business sentiment ranged from weather, macroeconomic weakness, political, local events and business specific factors, including:

- Low financial confidence and economic uncertainty affecting visitor spending;
- Granite Island Causeway disruptions;
- Rising cost of running business;
- Global warming;
- Staff wages;
- Increased competitors;
- High fuel cost - reduction in self-drive market;
- Hotel over supply;
- Snapper fishing closure;
- Staff turnover; and
- Low repeat customers.

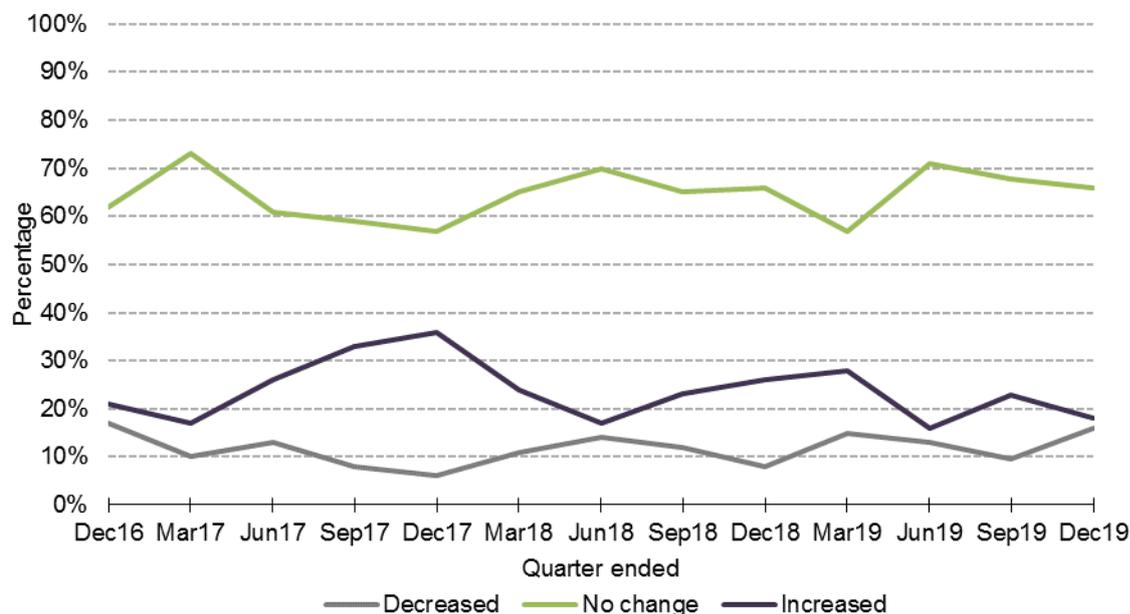
On the other hand, there are a number of factors that are helping to maintain net positive business confidence in the longer term, which include:

- Easter;
- Increased product offering, diversification & business growth;
- Events;
- Marketing and promotions;
- New developments & upgrades;
- Positive word of mouth;
- Repeat business;
- Expectation of rain;
- Council investments;
- Business resilience;
- New hotels on the pipeline;
- Trained staff;
- Domestic catalogue & exposure with travel agents;
- SATC #BookThemOut campaign; and
- Strong stakeholder relationships.

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

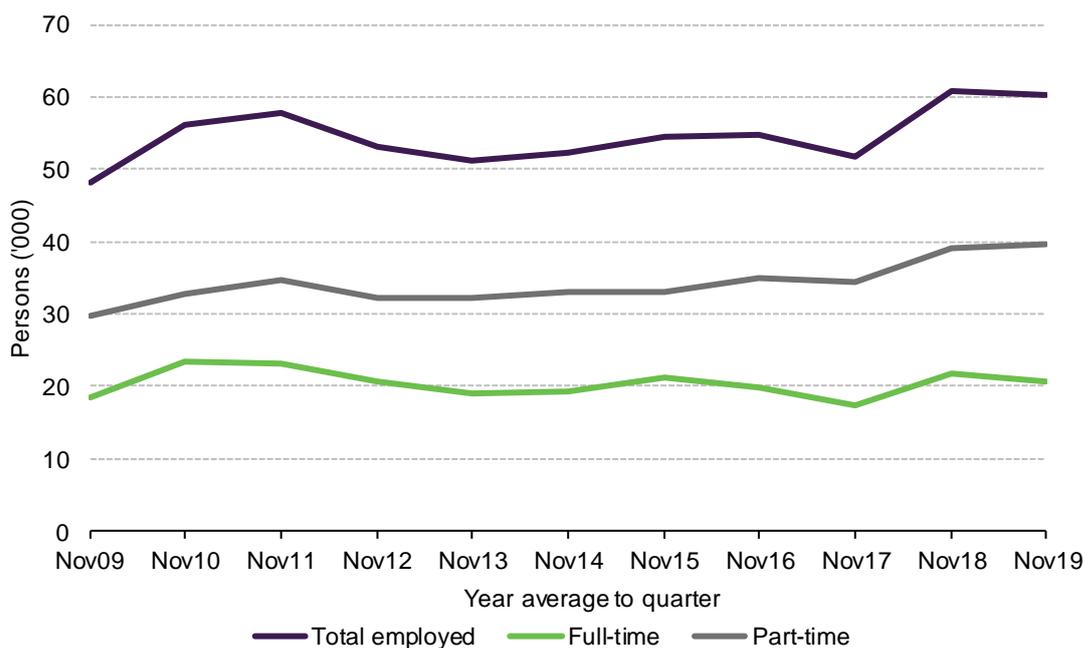
The downturn in activity and sentiment regarding the outlook has affected demand for workers among tourism businesses. Approximately 18 per cent of respondents reported employing additional staff in their business in the December 2019 quarter, which is a decrease of five percentage points compared to the previous quarter. Meanwhile, the proportion of respondents reporting that the number of persons employed had decreased rose by seven percentage points to 16 per cent in the December quarter of 2019. Similar trends are observed when comparing the latest results to a year earlier. The proportion of respondents employing more staff in the December quarter of 2019 was down eight percentage points compared to same time last year, while the proportion employing less staff was up 8 percentage points.

Employment levels in the South Australian accommodation and food services sector have dropped slightly over the past year, according to the latest Labour Force Survey figures from the Australian Bureau of Statistics – Figure 7. A total of 60,353 people were employed in the sector on average in the year to the November quarter 2019, which represents a decrease of 0.8 per cent or approximately 477 persons compared to the previous year.¹ In comparison, total employment across all industries in South Australia was up 1.1 per cent between these periods.

There were disparate trends in employment over the past year for persons employed on a full-time versus part-time basis in the South Australian accommodation and food services sector. Total full-time employment in the year to November 2019 was 20,710 persons on average, down 4.7 per cent (1,029 persons) compared to the year earlier. In contrast, part-time employment rose by 1.4 per cent (552 persons) to 39,643 people.

¹ Employment changes are reported 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.

Figure 7: Employment in accommodation and food services in SA



Source: Australian Bureau of Statistics, Labour Force, Australia, Detailed, Quarterly, Nov 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.

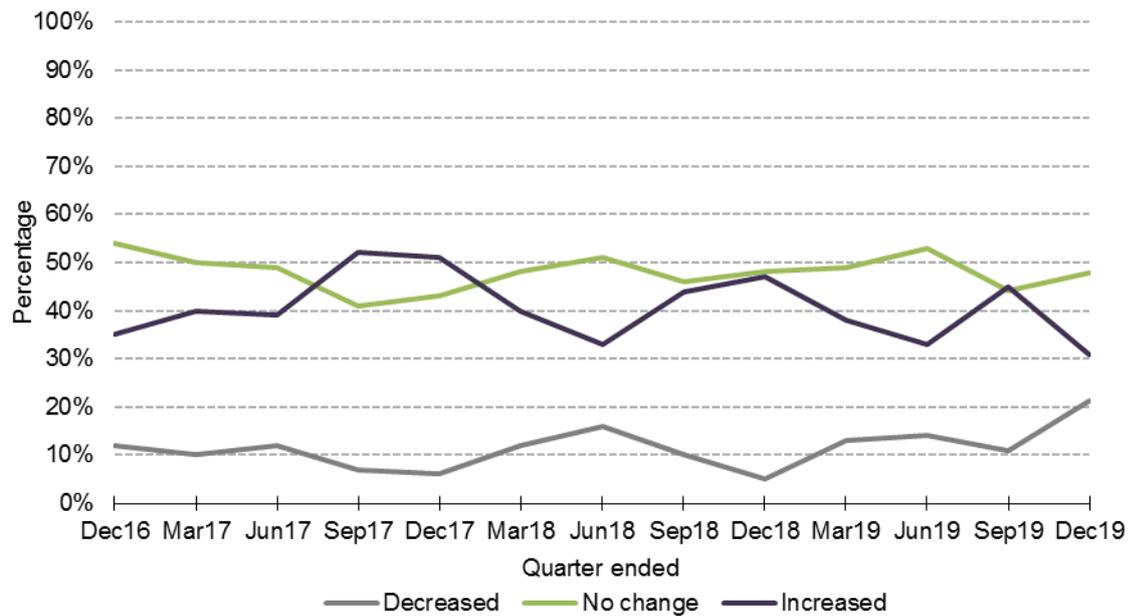
In the December 2019 quarter survey 31 per cent of respondents reported that their wages bill had increased compared to 45 per cent in the previous quarter. 21 per cent reported that their wages bill had decreased compared to 11 per cent in the last quarter. These proportions have changed substantially from those reported in the corresponding quarter of 2018 – Figure 8.

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

- New employment & salary increases;
- New developments & departments;
- Fewer staff hours due to decreased activity;
- Increased costs, including award rates, penalty rates & CPI;
- Less juniors in the workforce;
- More staff rostered on to manage activity over busy periods;
- Cancellations;
- Senior managers on extended leave; and
- Increased casuals and contractors.

Some respondents also mentioned factors like more efficient business operations, business expansion and difficulty recruiting new staff as contributing to changes in their wage bill.

Figure: 8 Wages bill



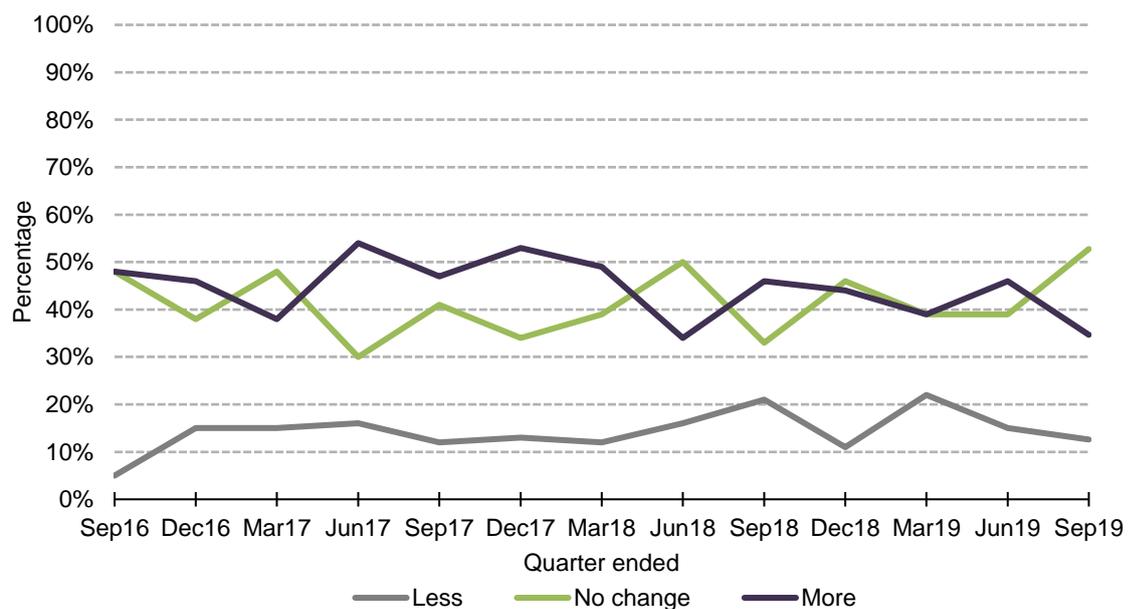
Source: Tourism Industry Council South Australia

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 December 2019 quarter survey, 36 per cent reported planning more investment in their business, which was effectively unchanged from the proportion planning more investment in the September quarter (35 per cent). However, 17 per cent reported planning less investment, up from 13 per cent in the September quarter. While this modest decline in the outlook for investment is consistent with the deterioration in sentiment regarding the longer term business outlook, it is perhaps not as severe as could be expected given the large negative impacts that bushfires and coronavirus have exerted on the sector.

Figure 9: Planned Investment



Source: Tourism Industry Council South Australia

Impact of Bushfire

In the December quarter 2019 survey respondents were asked about the extent of impact on their businesses due to the bushfires. A majority of businesses reported being impacted to some degree, with 80 per cent reporting impacts that varied from “a little” to a “significant” impact. More specifically, 29 per cent of the respondents reported a significant impact on their businesses due to bushfires, while 22 per cent reported being moderately affected. Only 13 per cent of respondents reported that their business had experienced no impact.

Respondents were also asked about how the bushfires have impacted their businesses. A majority of respondents (61 per cent) stated that cancellation of bookings was the main pathway through which bushfires have impacted their business, while 40 per cent had experienced reduced walk-ins. As a consequence, the financial performance of a large proportion of tourism businesses has been negatively impacted by the bushfires, with half of respondents reporting reduced turnover or cash-flow.

For a small but significant proportion of businesses the bushfires have damaged or interrupted local attractions, with 18 per cent stating that bushfires had caused ‘damage to tourism attractions that complement’ their business (e.g. parks), while 14 per cent noted that the bushfires had ‘interrupted access to attractions (e.g. due to road closure)’.

Approximately 23 per cent of respondents reported that there were “other” ways that bushfires had impacted their business, including:

- Less enquiries for future travel and reduced forward bookings;
- Decreased visitation & last minute bookings;
- Perception that bushfires have affected all of SA & Australia is on fire;
- Increased bookings (i.e. some offsetting benefit for businesses/regions not affected by bushfires);
- More enquiries from the public at visitor information centres seeking updates.

Other forms of impact resulting from the bushfires were less common and included:

- Additional costs associated with responding to bushfire impacts (7 per cent of respondents);
- Interrupted access to stock and/or suppliers (6 per cent);
- Increased time devoted to administration e.g. insurance/support applications (6 per cent);
- Interrupted access to staff (4 per cent);
- Difficulty paying staff, suppliers, rent, etc. (3 per cent);
- Interrupted access to utilities e.g., internet, mobile, electricity etc. (2 per cent);
- Damage or destruction to premises (1 per cent);
- Damage or destruction to equipment, e.g. tour vehicles (1 per cent); and
- Resources diverted to clean up and / or rebuilding (1 per cent).

Finally, those businesses who were affected by bushfires either directly or indirectly were asked about the type of assistance that would best support their organisation return to sustainability. A majority of total survey respondents (57 per cent) felt that ‘enhanced tourism promotion to encourage visitation, promote awareness’ was by far the most useful form of assistance they could utilise.² The other most common forms of assistance identified by businesses included:

- Re-establishing physical access to attractions (11 per cent);
- Business coaching (7 per cent);
- Re-establishing utilities and services (5 per cent);
- Provision of low interest loans or grants during rebuilding / disruption (5 per cent);
- Quick settlement of insurance claims (2 per cent);
- Assistance with clean up / rebuilding (1 per cent); and
- “Other” forms of assistance (19 per cent).

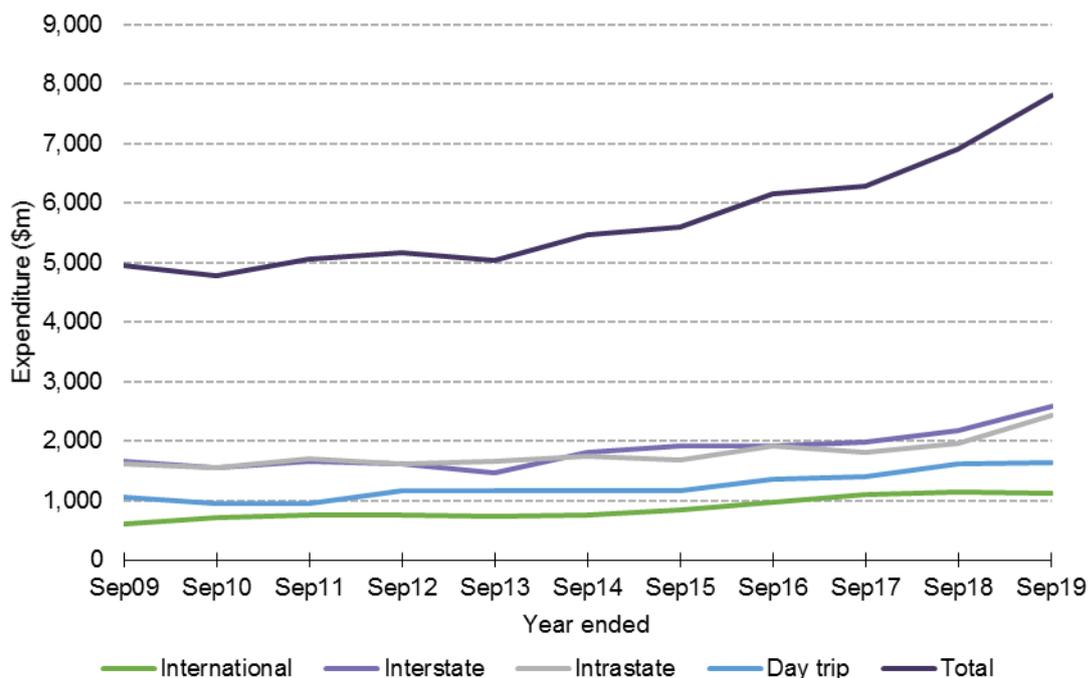
Among the other forms of assistance identified by businesses included receiving increased information on the impacts to assist in the rebuilding and with promotion; no increases to DEW charges; marketing along with government funding to promote that the whole of Australia is not on fire & better regional marketing of SA (to reflect that all regions and the whole industry is affected by negative perceptions); and increased efforts to act on climate change.

² Expressed as a proportion of total survey respondents rather than those who were impacted by bushfires or answered the question in order to determine prevalence across the whole sector.

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. It is important to note that since the latest tourism expenditure data is only available up to the September quarter 2019, it will not capture any impacts stemming from the summer bushfires.

Figure 10: Overview of visitor expenditure in SA



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

Total visitor expenditure in SA was \$7,803 million in the year ending September 2019, which was up 13 per cent compared to the previous year – Table 1. Both interstate and intrastate overnight visitor expenditures in SA rose strongly, by 19 per cent and 25 per cent respectively. These increases were higher than the corresponding changes in the national figures (both 13 per cent). Interstate overnight visitor expenditure in SA in the year ending September 2019 was \$2,589 million, followed closely by intrastate visitor expenditure of \$2,444 million. Day trip visitors spent an estimated \$1,647 million, which represents an increase of only 1.2 per cent on last year. In contrast, national day trip expenditure increased by 15 per cent for the year ending September 2019. International visitor spending in SA softened in the year ending September 2019, falling by 2.1 per cent to \$1,123 million, whereas the national total was up 4.7 per cent.

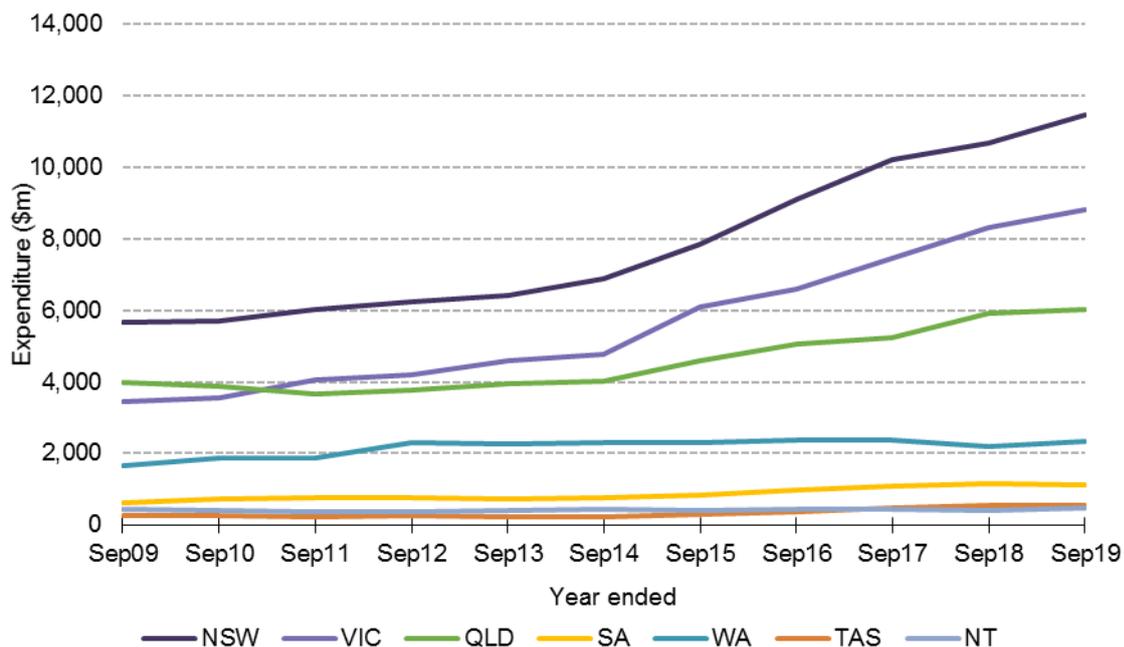
Table 1: Visitor expenditure for SA and All States/Territories, year to September 2019

Expenditure type	South Australia		All states and territories(a)	
	Expenditure (\$m)	% change	Expenditure (\$m)	% change
International	1,123	-2.1	31,340	5
Interstate (overnight)	2,589	19.1	36,528	13.2
Intrastate (overnight)	2,444	25.3	42,587	13.3
Day trip	1,647	1.2	25,286	15.1
Total	7,803	13.1	135,741	11.6

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>

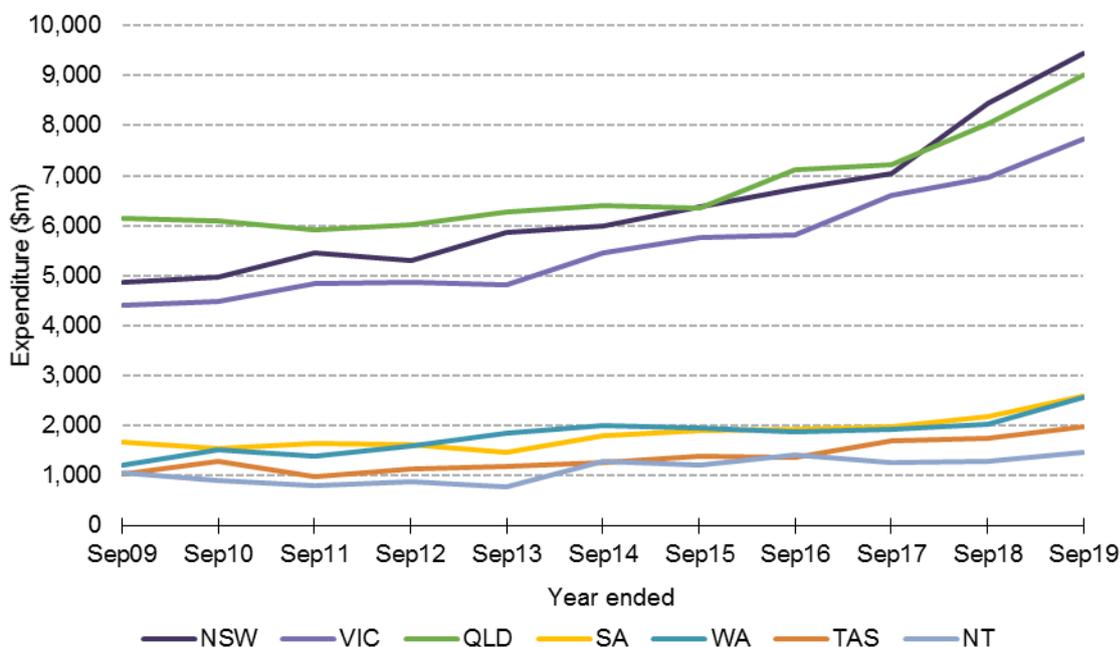
Figure 11: International visitor expenditure by State/ Territory



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

In the year ending September 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 3.6 per cent of total national regional expenditure. Increases in international visitor spending in New South Wales, Victoria, Queensland, Western Australia and the Northern Territory masked falls in spending in South Australia, Tasmania and the Australian Capital Territory – Figure 11. International visitor expenditure across all regions rose by 5 per cent in 2018/19.

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

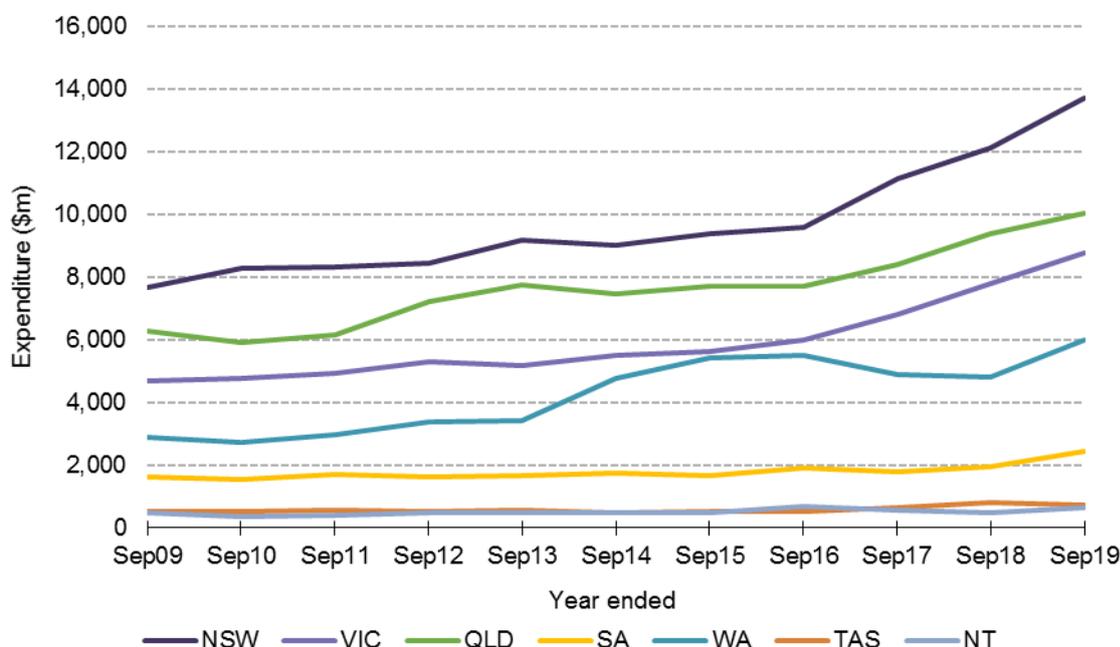


Note: Due to a change of sampling methodology the National Visitor Survey is subject to a break in series from 2014. Sampling methodology was again changed in 2019.

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

Even though South Australia's share of interstate overnight visitor expenditure is only 7.1 per cent, South Australia recorded the second largest increase in interstate visitor expenditure of any state or territory in the year to September 2019 (up 19 per cent), being exceeded only by Western Australia (up 26 per cent). Nonetheless, New South Wales, Victoria and Queensland still continue to lead in terms of aggregate interstate visitor spending, while all states and territories recorded strong growth for the year to September 2019 – Figure 12.

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



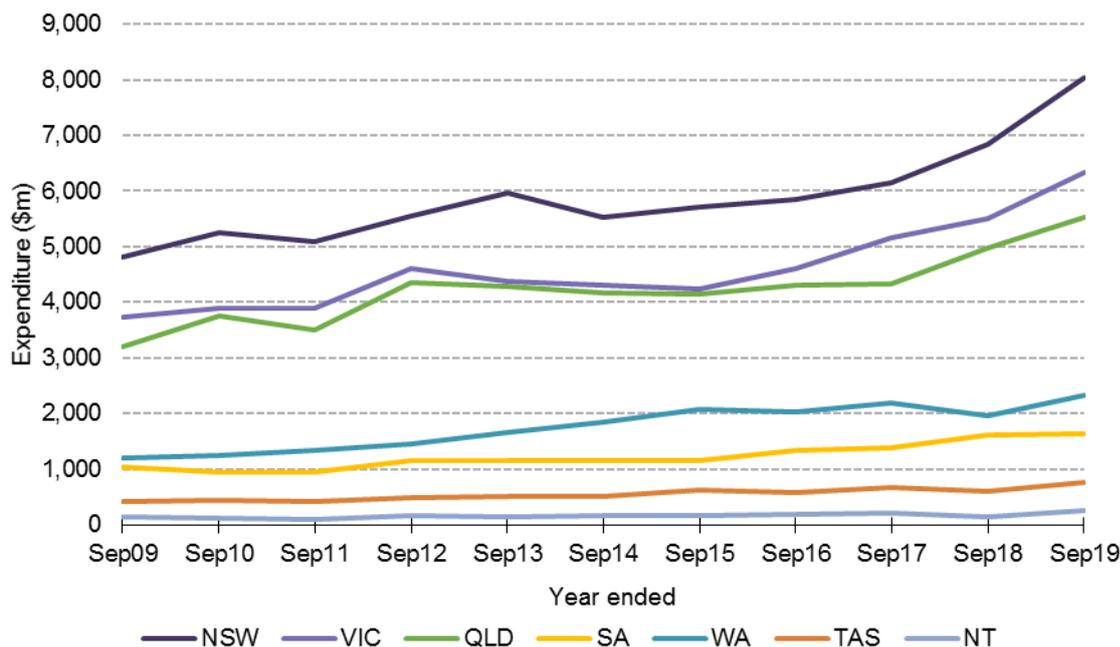
Note: Due to a change of sampling methodology the National Visitor Survey is subject to a break in series from 2014. Sampling methodology was again changed in 2019.

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

South Australia's share of national intrastate overnight visitor expenditure was only 5.7 per cent in the year ending September 2019, but intrastate visitor spending in the state is estimated to have risen by a hefty 25 per cent for the year – Figure 13. Only the Northern Territory recorded a larger proportional increase in intrastate visitor expenditure (up 36 per cent), which may be partly related to a pull forward of activity related to the closure of the Uluru climb. Strong growth in intrastate visitor spending was also observed in Western Australia (up 24 per cent).

Figure 14 shows recent movements in day trip expenditure by state and territory. In the year ending September 2019, South Australia's share of national day trip visitor expenditure was 6.5 per cent, down from 7.4 per cent in the previous year. South Australia recorded the lowest increase in spending by day trip visitors of all other states and territories in the year to September 2019 (up only 1.2 per cent). Day trip expenditure for all states and territories rose by 15 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 December 2019 there were 11.6 million short term resident departures³ from Australia – an increase of 1.9 per cent from the previous year (Figure 15). This latest result compares with an annual average growth in short-term outbound travel of 6.0 per cent over the past decade.

Expenditure on tourism is a discretionary form of spending. The Australian dollar has softened over the past year, which would tend to encourage more domestic travellers to travel in Australia as opposed to overseas as it effectively increases the cost of overseas travel.⁴ Other factors, such as 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 rise of 4.2 per cent in the quarter ending December 2019 compared to a year earlier – Table 2. Total passenger movements of 2.32 million were reported for the latest quarter, with domestic travel accounting for 87 per cent of movements, while international traffic accounted for the remaining 13 per cent of movements.

Although slower growth was observed in international traffic compared to the previous quarter, international travel still expanded at a solid pace. International traffic through Adelaide Airport grew by 10 per cent between the December quarter 2018 and December quarter 2019 (compared with through the year growth of 15 per cent for the September quarter). Factors that Adelaide Airport identified as contributing to the growth in international traffic include increased demand related to the school holiday period and increased capacity, which would include:

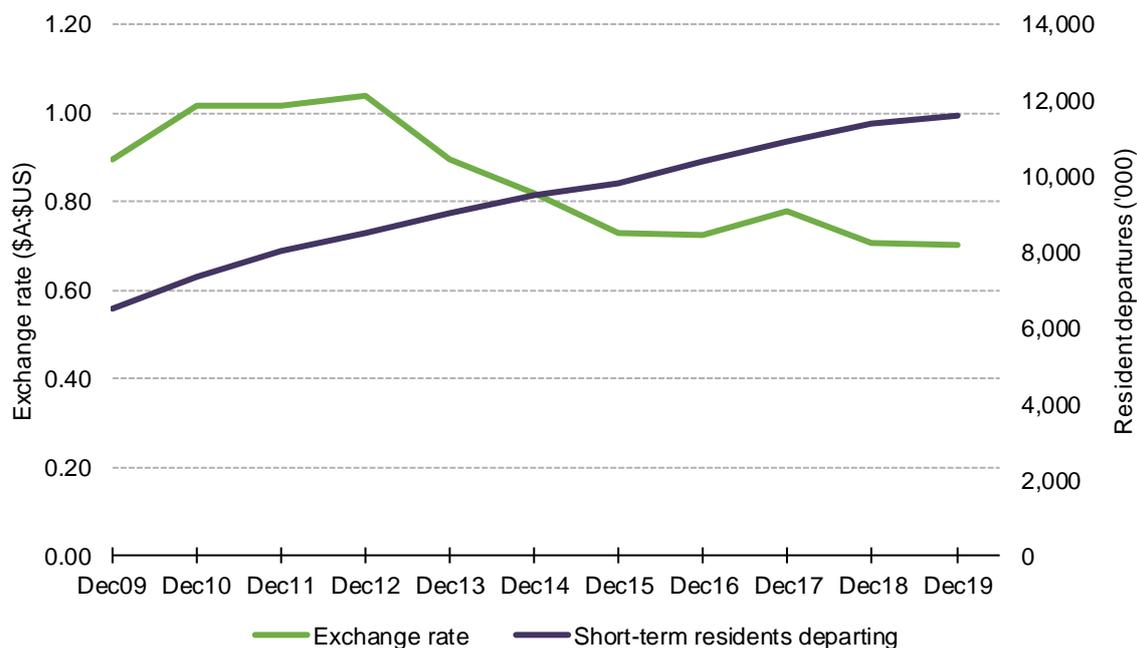
- Start of Malindo Air's four-weekly services on the Adelaide – Denpasar (Bali) – Kuala Lumpur route;
- Additional Jetstar services to Denpasar; and
- Singapore Airlines' increasing aircraft capacity by switching from the Airbus A330 to the Airbus A350, and increasing capacity by adding three weekly services during December.⁵

³ Information regarding short term overseas departures by Australian residents is published by the ABS.

⁴ 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>

⁵ Adelaide Airport (2020), *Passenger Statistics*, January 2020, <https://www.adelaideairport.com.au/corporate/media-centre/media-releases/>

Figure 15: Trend in short term Australian resident departures (annual total) and \$A:\$US exchange rate



Note: Exchange rate data is for a specific point in time (end of December) and does not represent interim periods. Passenger departures are totals for the year to the quarter displayed.

Source: Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia, December 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 (%)
	Dec Quarter 2019	Dec Quarter 2018	
Domestic	2,018	1,951	3.4%
International	298	271	10%
Total	2,316	2,222	4.2%

Note: Domestic movements included regional.

Source: Adelaide Airport, Passenger Statistics, January 2020.

Domestic travel through the Adelaide Airport continued to grow at a moderate pace in the December quarter 2019, rising by 3.4 per cent through the year, reaching a total of 2.02 million passenger movements. Maintenance of growth in domestic travel was attributed to:

- Strong demand for travel to Brisbane, Melbourne and Perth;
- Strong growth for regional routes focused on the resources sector, including Olympic Dam, Port Augusta and Moomba; and
- Increased capacity related to the commencement in late October of a fourth weekly service on Jetstar's direct service between Adelaide and Hobart.