Tourism Industry Council South Australia

SA Tourism Barometer – March Quarter 2020

Headline: Tourism business activity falls to record low in response to COVID-19 restrictions, long-term outlook collapses

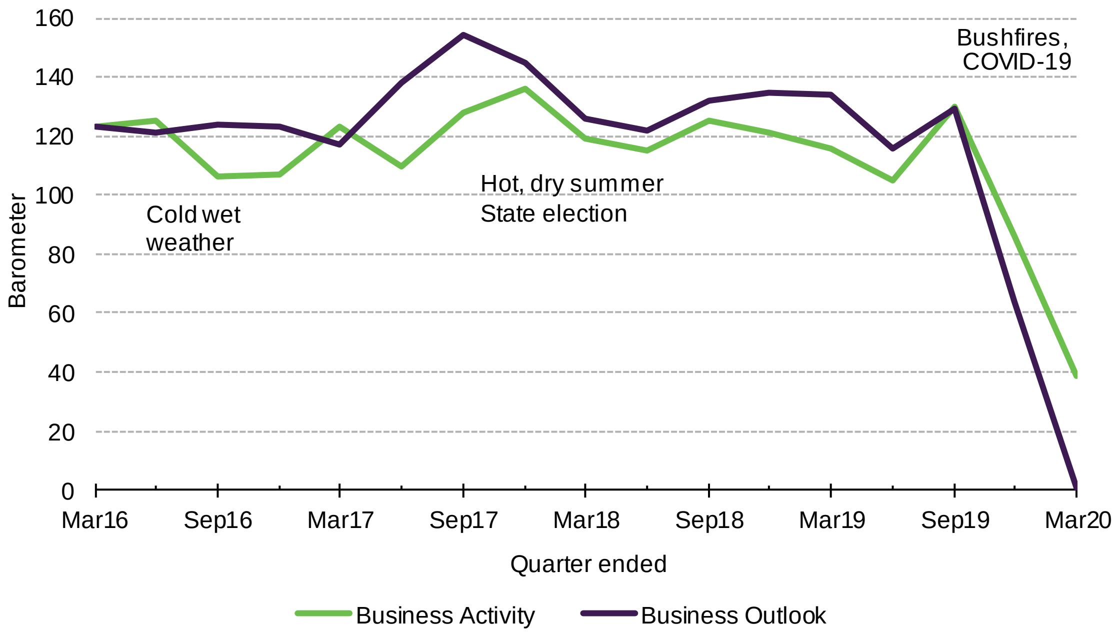
Tourism Barometer: Overview of Results

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, with over 60% more businesses participating in the March 2020 quarter than the March quarter last year. The survey were collected from 3 to 19 April, which corresponds to a period when significant social distancing measures were in place.

The TiCSA Barometer for the March quarter of 2020 showed a further large decrease in the Business Activity index, which fell by 55 per cent to 38.4 points – Figure 1. The March result is the single largest decline in the nine-year history of the survey, and takes the index to a record low, easily eclipsing the previous low recorded in the June quarter of 2012 (65.0 points). Record low activity levels are of course a direct consequence of forced business closures and reductions in demand from tourists due to various social distancing and travel restrictions that have been implemented to curb the spread of coronavirus (COVID-19). Among the COVID-19 related impacts that were identified by respondents included:

- Forced business closure during peak tourism season;
- Reduced forward bookings;
- Cancellations and refunds;
- Shut-down of visitor information centre;
- Cessation of school camps and non-essential travel due to virus;
- Forced adjustments to businesses;
- Temporary closure of business developments; and
- Media coverage of COVID-19 and bushfires.

Figure 1: SA Tourism Barometer



Source: Tourism Industry Council South Australia

The poor March quarter result follows a large decline in activity in the December quarter of 2019 which was mainly attributed to cancellations due to bushfires as well as hot weather and drought, and these factors were again raised as persistent drags by some respondents in the latest survey. Other unfavourable factors cited by respondents included, but were not limited to (in no particular order):

- Closure of the Uluru climb;
- Decline in queries for houseboat market;
- Lower than average wildlife numbers;
- Closure of Granite Island Causeway; and
- Shift in revenue from CBD businesses due to bushfire donations and targeted marketing.

In spite of major negative influences, a small proportion of respondents reported stronger activity for the March quarter 2020 compared to the year ago quarter. Positive influences for businesses who experienced growth included:

- Summer – peak tourism season;
- Increased activity with local wine tours introduced;
- Increased awareness via marketing, social media, advertising and word-of-mouth;
- New agents, marketing paying off;
- Cruise ship visits to Eyre Peninsula;
- More time spent working on business;
- Introduction of additional products/services resulted in large sales growth in February;
- Strong activity in January and February (i.e. pre-COVID-19); and
- Bushfire emergency accommodation pre COVID-19 crisis.

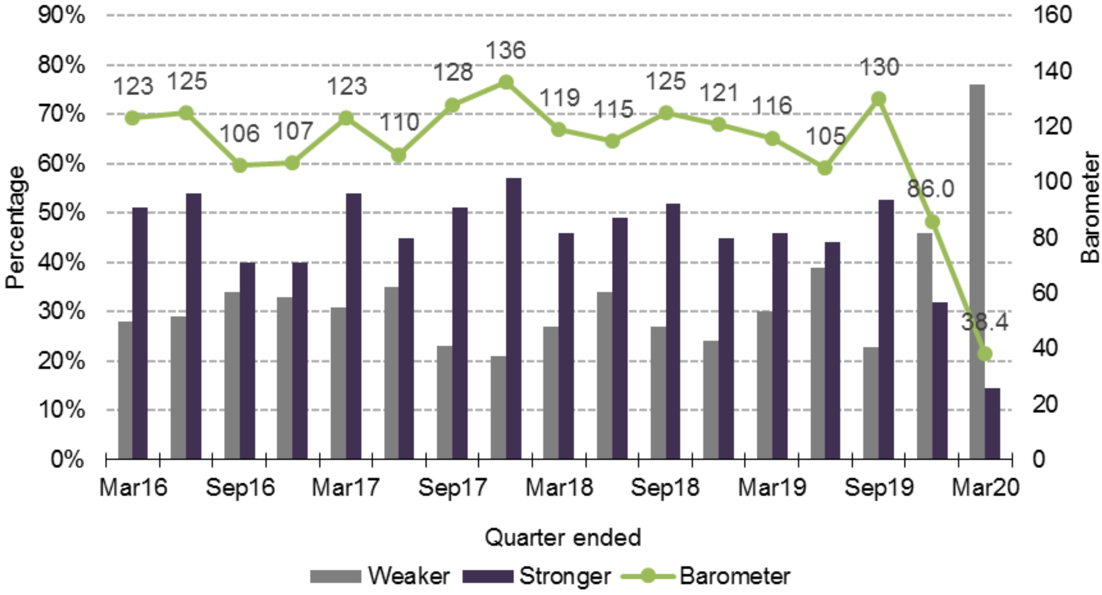
The results for the tourism outlook are startling. The Business Outlook index plummeted to less than one point (0.7) in the March quarter of 2020, which indicates that almost all respondents reported expectations of weaker activity over the current June quarter compared to the corresponding quarter a year ago – Figure 1. While bushfires had already weakened the Business Outlook index considerably in the previous quarter (down 51 per cent), COVID-19 impacts caused the index to collapse in the March quarter (down 99 per cent). Ongoing social distancing measures, operational restrictions – including forced closures – and bans on non-essential travel have reduced or eliminated incomes, and slowed down forward bookings and increased cancellations.

Some of the other factors identified by businesses as negatively impacting their business outlook for the second quarter of 2020 were a lack of funding from sponsors, closure of the Uluru climb, road closures, and a decline in online sales now that panic buying has largely ceased. None of the respondents felt that business activity will be stronger in the next three months. The only positive factor identified related to innovation and business development opportunities.

The proportion of survey respondents reporting improved business activity in the March quarter of 2020 was 14 per cent which is a decrease of 18 percentage points since last quarter and a decrease of 32 percentage points since the March quarter last year. The proportion experiencing weaker business conditions was much higher at 76 per cent, up 30 percentage points compared to previous quarter and up 46 percentage points compared to the same time last year. The proportion of survey respondents reporting weaker business activity and stronger business activity were at record highs and lows respectively.

A decrease in the proportion of businesses experiencing stronger business activity and a sharp increase in the proportion of businesses experiencing weaker business conditions together led to a 48 point drop in the Business Activity index to 38.4 in the March quarter of 2020 – Figure 2. This result represents the largest quarterly decline in the Business Activity index, and a record low by a considerable margin, being almost 27 percentage points below the previous record low recorded in the June quarter of 2012 (65.0 points).

Figure 2: Business Activity in the Last 3 Months



Source: Tourism Industry Council South Australia

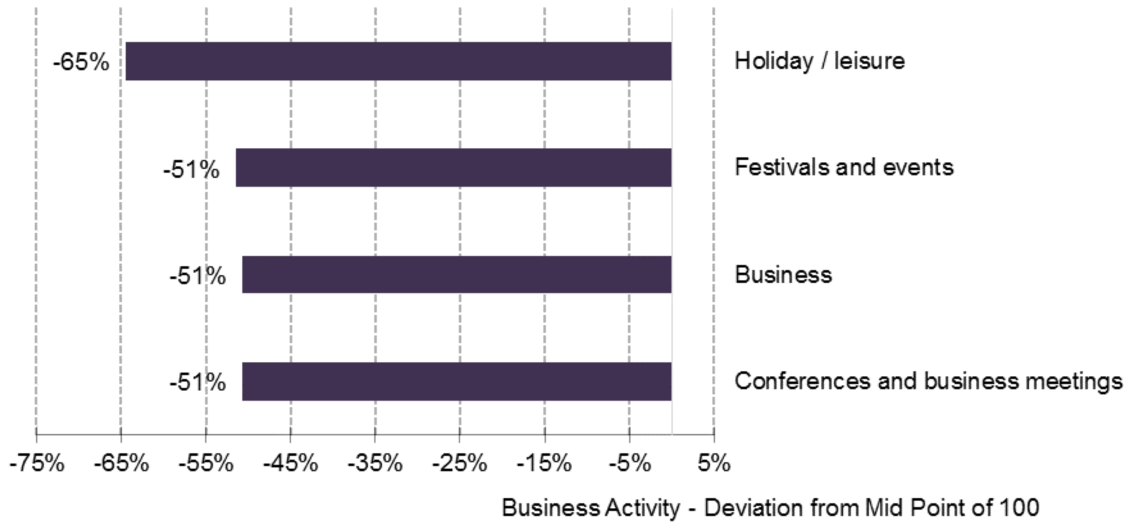
Business Activity is disaggregated into four separate sectors: holiday/ leisure, festivals and events, business and conference and business meetings. The respondents were asked whether activity for each sector had increased or decreased compared to a year earlier. Figure 3 shows business activity in 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.

All sectors recorded large negative activity indices for the March quarter with festivals and events, conferences and business meetings, and business all reporting activity indices of approximately -51 points. Holiday/leisure travel has suffered the most from COVID-19 related impacts with a large negative activity index of -65 points.

Holiday/leisure also recorded the largest proportional fall in business activity between the December quarter of 2019 and the March quarter of 2020 (down 60 per cent). Relatively small, but still large declines over this period were endured by festivals and events (down 51 per cent), conferences and business meetings (down 50 per cent) and business (down 48 per cent).

All four sectors were experiencing substantially weaker market conditions in the March quarter of 2020 compared to previous December quarter, when all sectors were generally experiencing moderately weaker activity, due primarily to bushfires.

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

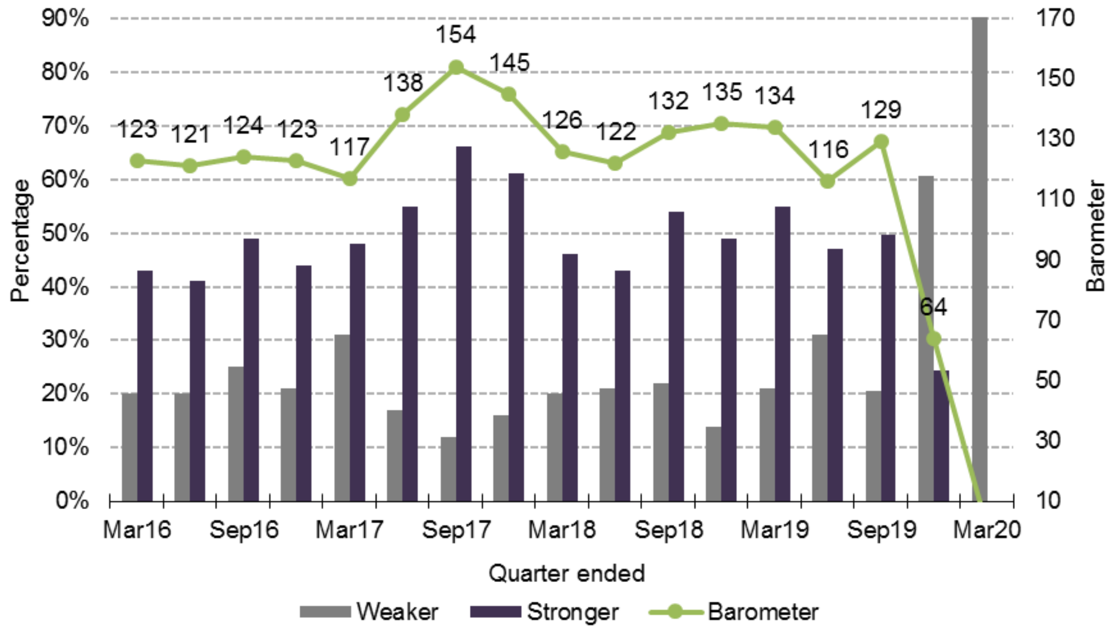


Source: Tourism Industry Council South Australia

Business Outlook for the next three months

Respondents were asked whether they expected business conditions to be stronger or weaker over the second quarter of 2020 compared to the same period in 2019. The proportion expecting stronger activity decreased by 24 percentage points to nil in the March quarter of 2020 compared to the December quarter of 2019, while the proportion expecting weaker market conditions rose by 39 percentage points to 99 per cent – Figure 4. That is, almost all respondents (137 of 138) were expecting weaker market conditions in the next three months, with only one respondent expecting ‘no change’. The net result is astonishing, with the Business Outlook index collapsing to a negligible 0.7 for the March quarter compared to 64 for the December quarter of 2019.

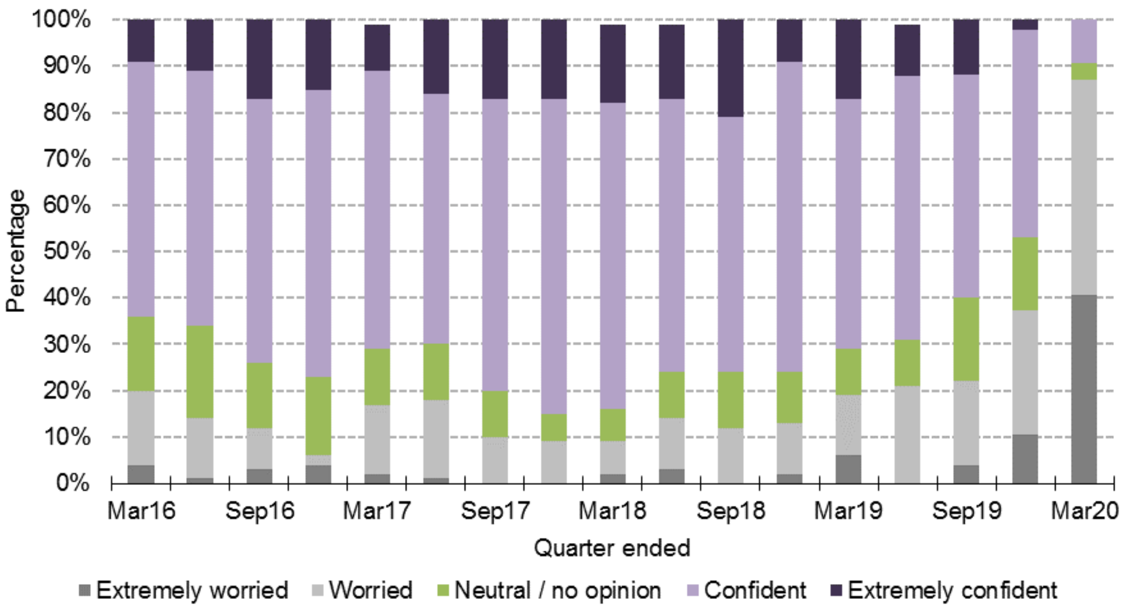
Figure 4: Business Outlook for the next three months



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 deteriorated substantially in the first quarter of 2020 compared to the previous quarter. The proportion of respondents who were either 'extremely worried' or 'worried' rose by 50 percentage points to 87 per cent in the March quarter 2020 – Figure 5. Meanwhile, the proportion of respondents who were either 'extremely confident' or 'confident' dropped by 37 percentage points to only nine per cent. In fact, no one was 'extremely confident' about their business prospects.

Figure 5: Business Outlook for the next twelve months



Source: Tourism Industry Council South Australia

Business sentiment regarding the longer-term outlook is now at its lowest level by historical standards, regardless of the measure used. The proportion of respondents who were 'extremely confident' or 'confident' about their prospects over the next 12 months has never been as low, while the share of businesses who were either 'worried' or 'extremely worried' was at a record high.

The longer term business outlook has been massively impacted by COVID-19. Social distancing and new business restrictions have led to reduced forward bookings, cancellations and refunds. There is uncertainty regarding how long existing travel restrictions and bans will last, and inbound tourism may be slow to resume once restrictions are lifted. A further reason for the longer negative outlook was a belief that a recession was underway and changing economic and labour market conditions such as job losses, reduced employee hours, forced leave etc. would reduce non-discretionary spending on travel. Confidence among the tourism sector and broader community may be eroded for some time, while some businesses will have diminished marketing budgets once travel resumes given recent financial impacts.

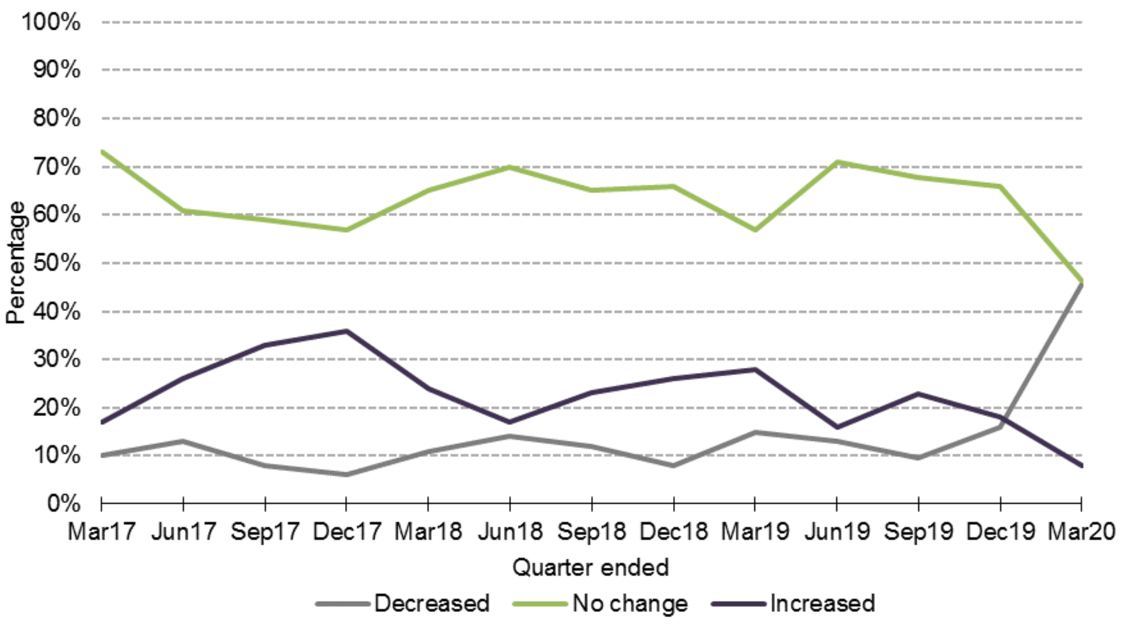
Other factors which were cited as suppressing business sentiment regarding the outlook over the next 12 months were the Uluru closure and drought.

Even though conditions are extremely weak, there are some factors that give reason for optimism. Most notably, people will be eager to get out and about once restrictions are lifted and there is a hope that business will then slowly return. COVID-19 has seen an increase in activity for some businesses with online components (excluding bookings). And the crisis has created an opportunity for some businesses to re-think and re-invest in their business model.

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 significantly impacted demand for workers among tourism businesses. Almost half of respondents (46 per cent) reported that the number of persons employed in their business had decreased, which is an increase of 30 percentage points compared to the previous quarter. Only 8 per cent of respondents reported employing additional staff in their business in the March 2020 quarter, which represents a fall of 10 percentage points from the December quarter.

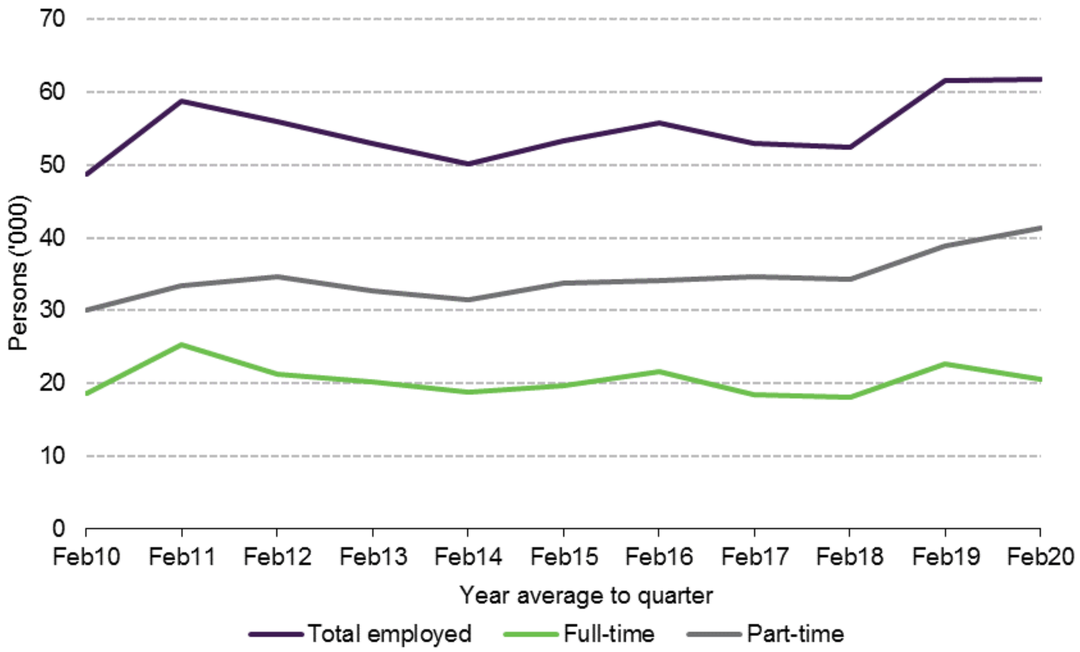
Unsurprisingly, employment outcomes have worsened considerably when comparing the latest results to a year earlier. The proportion of respondents employing more staff in the March quarter of 2019 was down 20 percentage points compared to the year ago quarter, while the proportion employing less staff was up 31 percentage points.

The latest ABS Labour Force Survey that provides insight into employment levels by industry was performed prior to the introduction of social distancing measures and consequently does not capture the major shift which has recently occurred. Nonetheless, employment levels in the South Australian accommodation and food services sector showed little growth over the year prior to the impact of COVID-19, but they remained at a relatively high level compared to earlier years – Figure 7. A total of 61,800 people were employed in the sector on average in the year to the February quarter 2020, which represents an increase of 0.5 per cent or approximately 280 persons compared to the previous year.[1] In comparison, total employment across all industries in South Australia rose by 1.3 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 February 2020 was 20,500 persons on average, down 9.5 per cent (2,150 persons) compared to the year earlier. In contrast, part-time employment rose by 6.3 per cent (2,400 persons) to 41,350 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, Feb 2020, 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 March 2020 quarter survey only 14 per cent reported that their wages bill had increased compared to 31 per cent in the previous quarter – Figure 8. Almost half (46 per cent) reported that their wages bill had decreased compared to 21 per cent in the December quarter. These proportions have changed substantially from those reported in the corresponding quarter of 2019, which would also reflect impacts resulting from the recent summer bushfires.

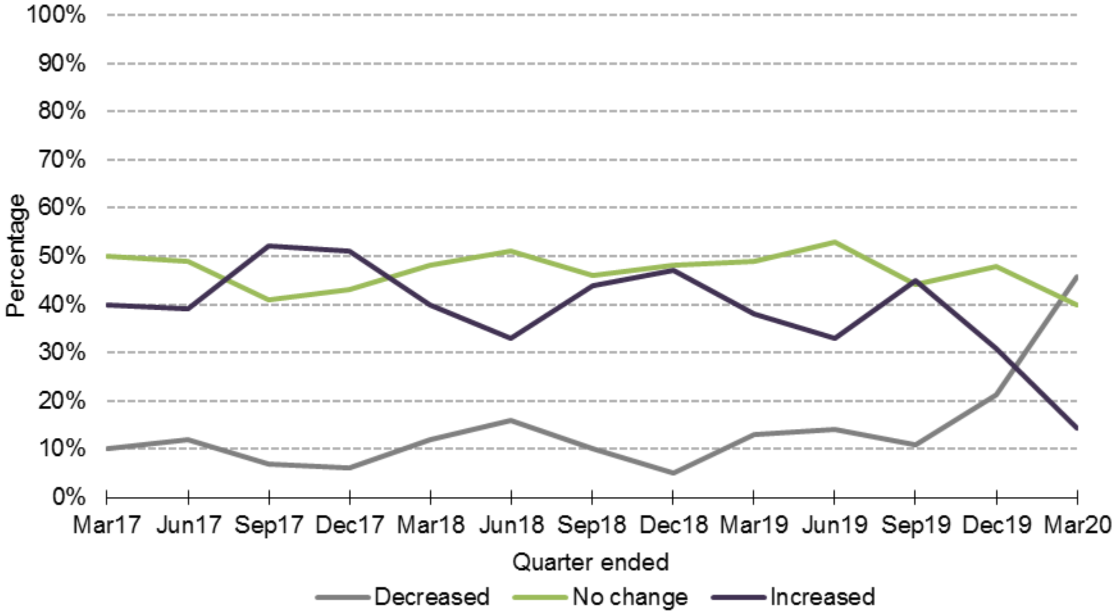
Various factors related to COVID-19 were cited by respondents as contributing to changes in their wages bill, including:

- Less sales and business activity due to COVID-19 leading to cash flow problems;
- Staffing changes such as termination, redundancies and staff stood down due to coronavirus;
- No bookings hence no need for staff;
- Less hours worked due to decreased activity;
- Complete loss of business for sole traders;
- Business confidence is down hence businesses are conservative with hiring;
- Business restructuring; and
- Less need for contractors and cleaning staff.

Some respondents also mentioned more general factors as influencing their wages bill which were not necessarily related to COVID-19, and in some instances contributing to a higher wages bill. These factors included:

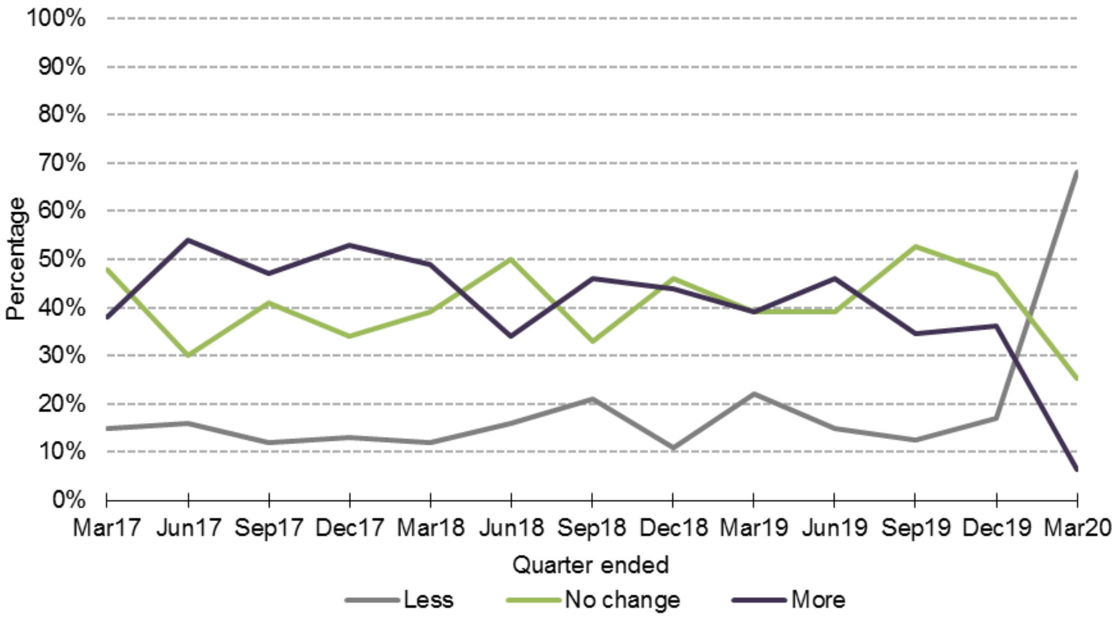
- Weakened wages and increased cost of living;
- Added efficiencies in rostering;
- Inflation and employment of higher skilled workers;
- Increased activity and staff for supporting Chinese visitors;
- Increased staff to support new developments;
- Awards with generous incremental increases built in; and
- Higher volume of people coming through caravan parks.

Figure: 8 Wages bill



Source: Tourism Industry Council South Australia

Figure 9: Planned Investment



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.

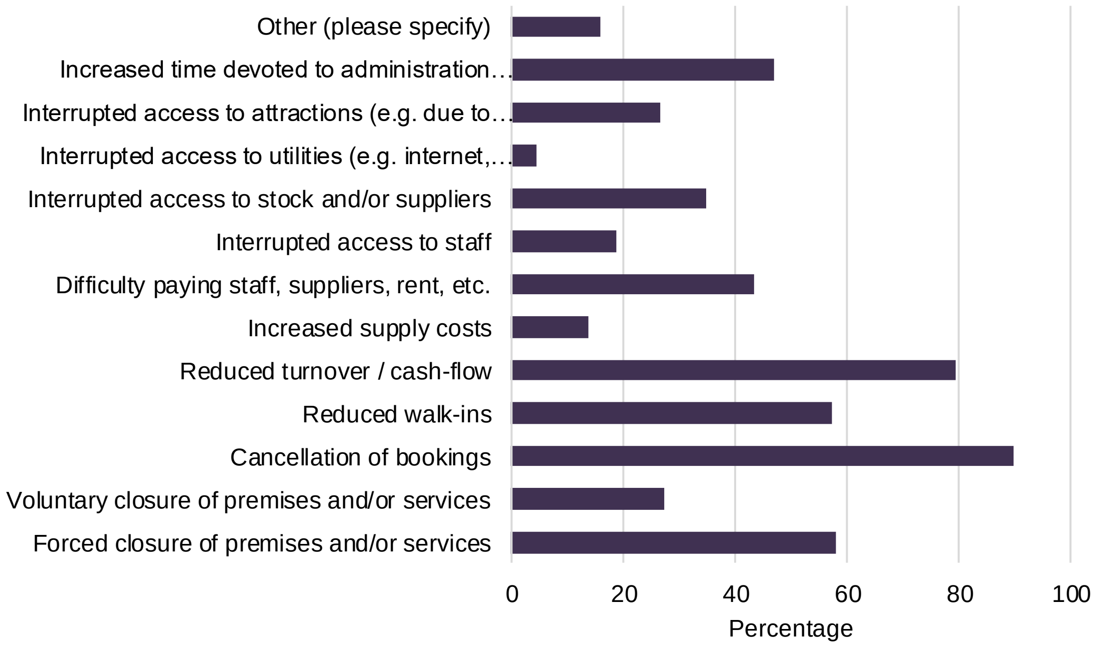
There has been an abrupt shift in investment intensions with the March 2020 quarter survey. Only seven per cent of respondents were planning more investment in their business, which was 30 percentage points lower than in the December quarter 2019 (36 per cent). On the other hand, 68 per cent reported planning less investment, up from 17 per cent in the December quarter. This massive decline in the outlook for investment is consistent with the deterioration in sentiment regarding the longer term business outlook given the large negative impacts that coronavirus has exerted on the sector. Many businesses in the tourism sector are currently unable to earn sufficient (or even any) income to cover their essential needs, let alone fund future investment activity.

Impact of COVID-19

In the March quarter 2020 survey respondents were asked about the extent to which their business has been negatively impacted by COVID-19. Effectively all respondents reported negative impacts on their business, with 95 per cent being impacted to a 'significant' degree, while 4.4 per cent were 'moderately' impacted. Only one respondent was uncertain of the nature of any impact, while no respondents reported 'no impact'.

Respondents were also asked about how the virus has impacted their business – Figure 10. A majority of respondents (90 per cent) stated that cancellation of bookings was the main pathway through which COVID-19 has impacted their business, while 57 percent had experienced reduced walk-ins. More than half of respondents (58 per cent) have been forced to close their premises and/or services, while approximately 28 per cent have voluntarily closed their premises and/or services. As a consequence, the financial performance of a large proportion of tourism businesses has been negatively impacted by the virus, with 80 per cent of respondents reporting reduced turnover or cash-flow.

Figure 10: COVID-19 Impacts on Businesses



Source: Tourism Industry Council South Australia

Reduced cash flows mean that a significant proportion of businesses (43 per cent) have encountered difficulty paying staff and suppliers, and meeting fixed costs such as rent, rates and mortgages. Another major impact experienced by businesses was an increase in time devoted to administration (47 per cent), including dealing with banks, the ATO and Centrelink. Businesses also reported increased supply costs (14 per cent) and various types of interruptions caused by COVID-19 restrictions including:

- Interrupted access to stock and/or suppliers (35 per cent);
- Interrupted access to attractions (27 per cent);
- Interrupted access to staff (19 per cent); and

- Interrupted access to utilities such as internet, mobile, electricity etc. (4 per cent).

Approximately 16 per cent of respondents reported that there were 'other' ways that the virus had impacted their business, including:

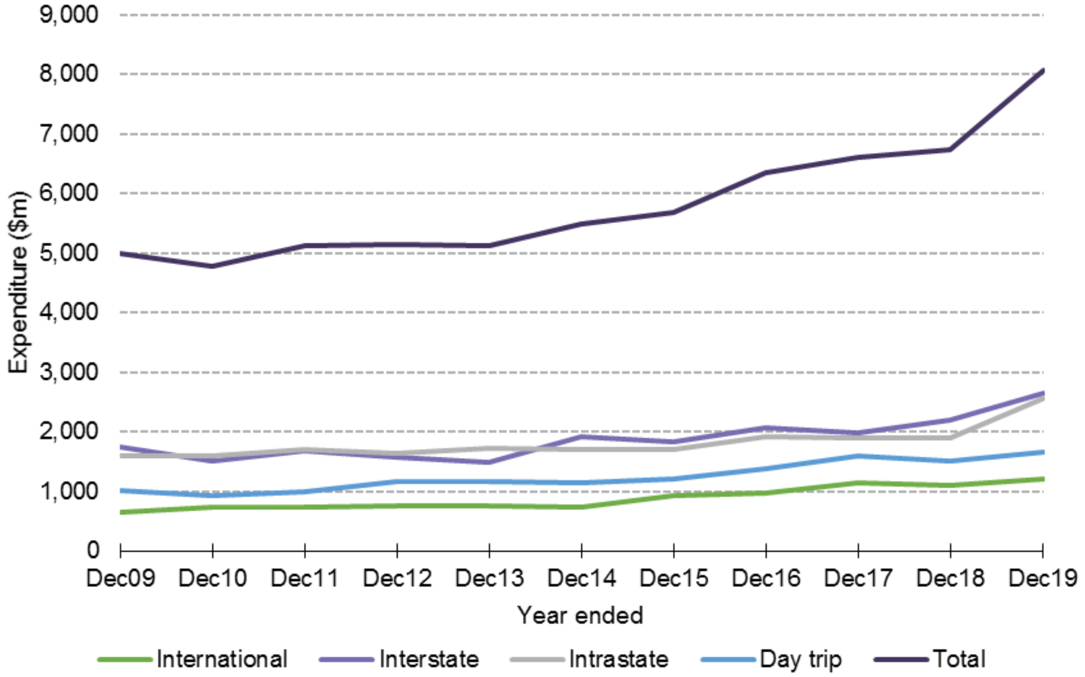
- Not employing staff, as planned;
- Increased time spent researching new regulations and finding solutions to adapt; and
- Additional work and no income for commission agents.

Finally, businesses were asked how long would their business would survive if social distancing and lock-down measures at the time of the survey were maintained. Approximately 12 per cent of respondents expected that their business would survive for three months or less under the current restrictions. Almost one quarter (24 per cent) reported that their business would last for four to six months, while 21 per cent felt they could survive for between seven months to a year. Only 14 per cent of respondents reported that their businesses could survive for more than a year. Finally, 30 per cent of respondents did not know how long their business could survive, which reflects a high degree of uncertainty generated by the current situation.

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 11. It is important to note that since the latest tourism expenditure data is only available up to the December quarter 2019, it will not capture any impacts resulting from COVID-19, nor fully capture the effects of the summer bushfires.

Figure 11: Overview of visitor expenditure in SA



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

Total visitor expenditure in SA was $8,078 million in the year ending December 2019, which was up 20 per cent compared to the previous year – Table 1. In comparison, visitor expenditure for Australia as a whole rose by 11 per cent in 2019.

Both interstate and intrastate overnight visitor expenditures in SA rose strongly last calendar year, by 20 per cent and 34 per cent respectively. These increases were higher than the corresponding changes in the national figures (13 per cent and 12 per cent respectively). Interstate overnight visitor expenditure in SA in 2019 was $2,657 million, followed closely by intrastate overnight visitor expenditure of $2,555 million. Day trip visitors spent an estimated $1,660 million, which represents an increase of 9.4 per cent on last year. In contrast, national day trip expenditure rose more strongly, by 18 per cent.

International visitor spending in SA also strengthened in 2019, rising by 9.5 per cent to $1,206 million, whereas the national total rose 4.0 per cent.

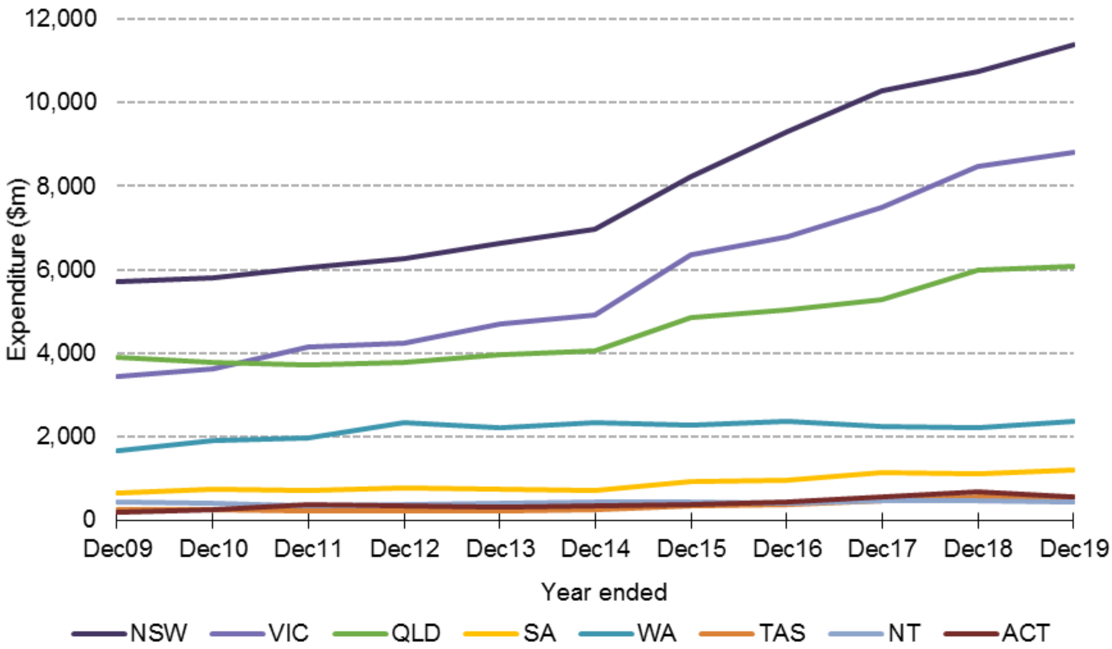
Table 1: Visitor expenditure for SA and All States/Territories, year to December 2019

Expenditure type	South Australia		All states and territories(a)	
	Expenditure ($m)	**% change**	**Expenditure ($m)**	**% change**
International	1,206	9.5	31,438	4.0
Interstate (overnight)	2,657	20.4	37,403	13.4
Intrastate (overnight)	2,555	34.4	43,289	11.5
Day trip	1,660	9.4	26,338	17.5
Total	8,078	20.1	138,468	11.2

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

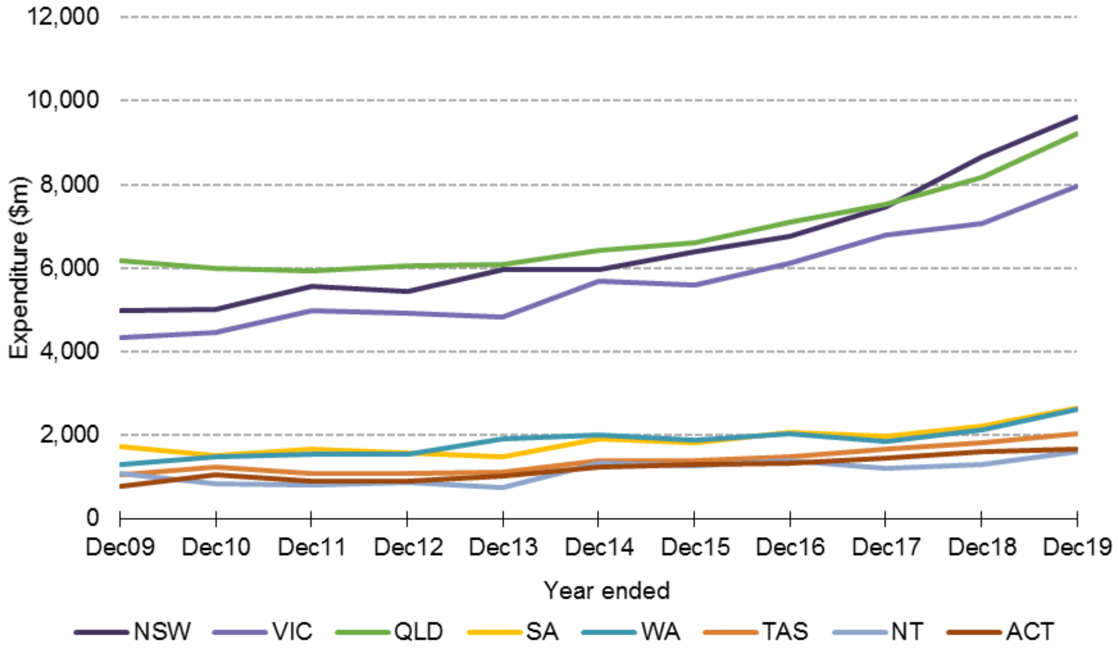
In 2019 NSW had the highest share of international visitor expenditure (36 per cent) followed by Victoria (28 per cent) and Queensland (19 per cent). SA's national share of international visitor spending was 3.8 per cent, which remains well below its national share of total visitor expenditure (5.8 per cent). SA recorded the relatively largest rise in international visitor expenditure of any state or territory in 2019 (9.5 per cent). With the exceptions of the Northern Territory and the Australian Capital Territory, all other regions recorded increases in international visitor spending last calendar year – Figure 12. International visitor expenditure across all regions rose by 4.0 per cent.

Figure 12: International visitor expenditure by State/ Territory



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

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



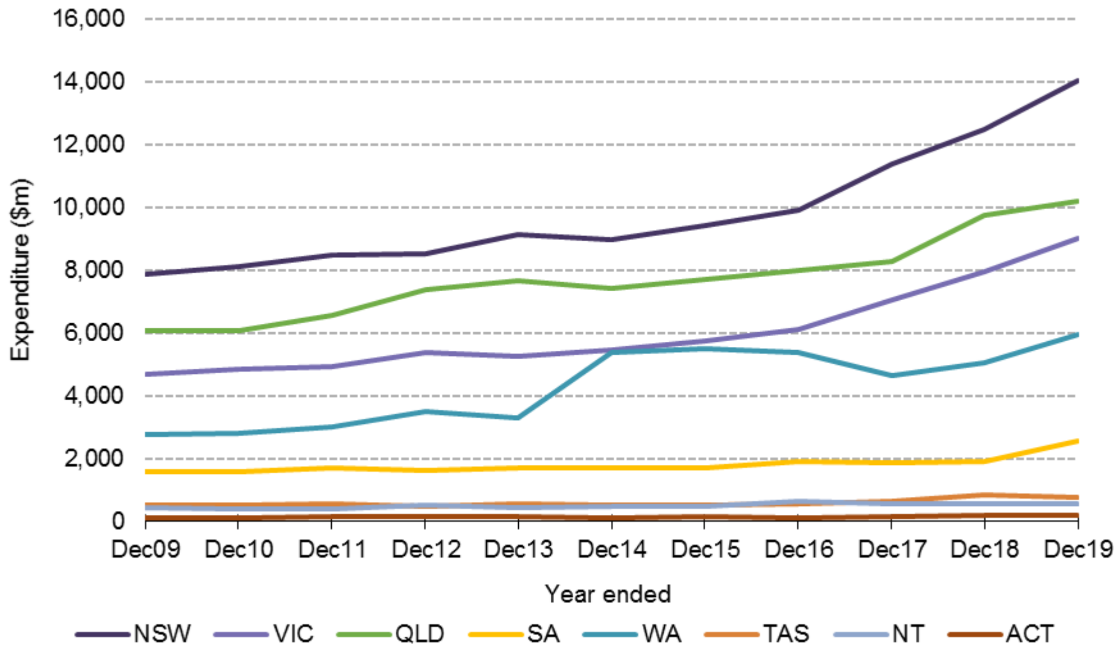
Note: Due to a change of sampling methodology the National Visitor Survey is subject to a break in series from 2014. Sampling methodology was again changed in 2019.
Source: Tourism Research Australia, National Visitor Survey, http://www.tra.gov.au/research

South Australia recorded the third largest increase in interstate overnight visitor expenditure in 2019 (up 20 per cent), being exceeded only by Western Australia (up 22 per cent) and the Northern Territory (up 23 per cent). All other states enjoyed solid increases in interstate visitor expenditure last year. South Australia's share of interstate overnight visitor expenditure was 7.1 per cent in 2019, up from 6.7 per cent in 2018. New South Wales (26 per cent), Victoria (21 per cent) and Queensland (25) still continue to lead in terms of their share of interstate visitor spending – Figure 13.

Intrastate overnight visitor spending also rose quite sharply for South Australia in 2019 (34 per cent), effectively tripling the national rise (12 per cent) – Figure 14. The next largest rises were recorded by Western Australia (18 per cent), Victoria (13 per cent) and New South Wales (12 per cent). In spite of the recent massive rise in intrastate visitor spending, South Australia's national share of intrastate overnight visitor spending (5.9 per cent) remains relatively low when judged by the state's share of the national estimated resident population (6.9 per cent as at 30 September 2019).

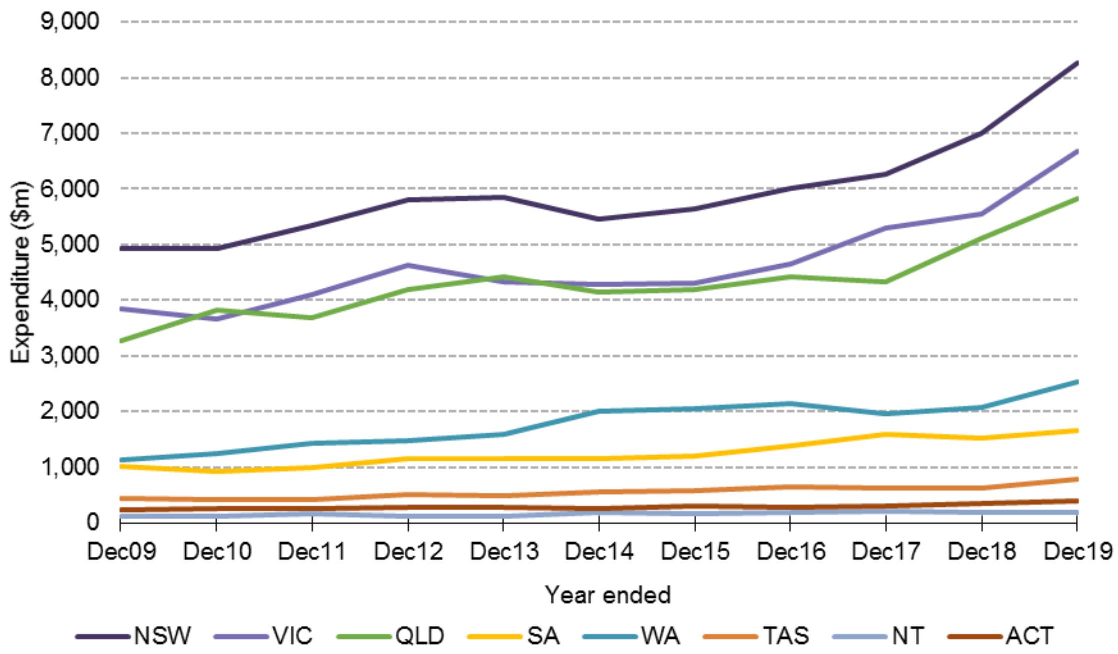
Figure 15 shows recent movements in day trip expenditure by state and territory. In 2019, South Australia's share of national day trip visitor expenditure was 6.3 per cent. South Australia recorded an increase of 9.4 per cent in spending by day trip visitors which was second lowest of all other states and territories in 2019. The Northern Territory recorded the lowest (but still healthy) increase in day trip visitor expenditure of 7.1 per cent. Day trip expenditure for all states and territories rose by 17.5 per cent in 2019.

Figure 14: 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

Figure 15: Day trip visitor expenditure by State/Territory



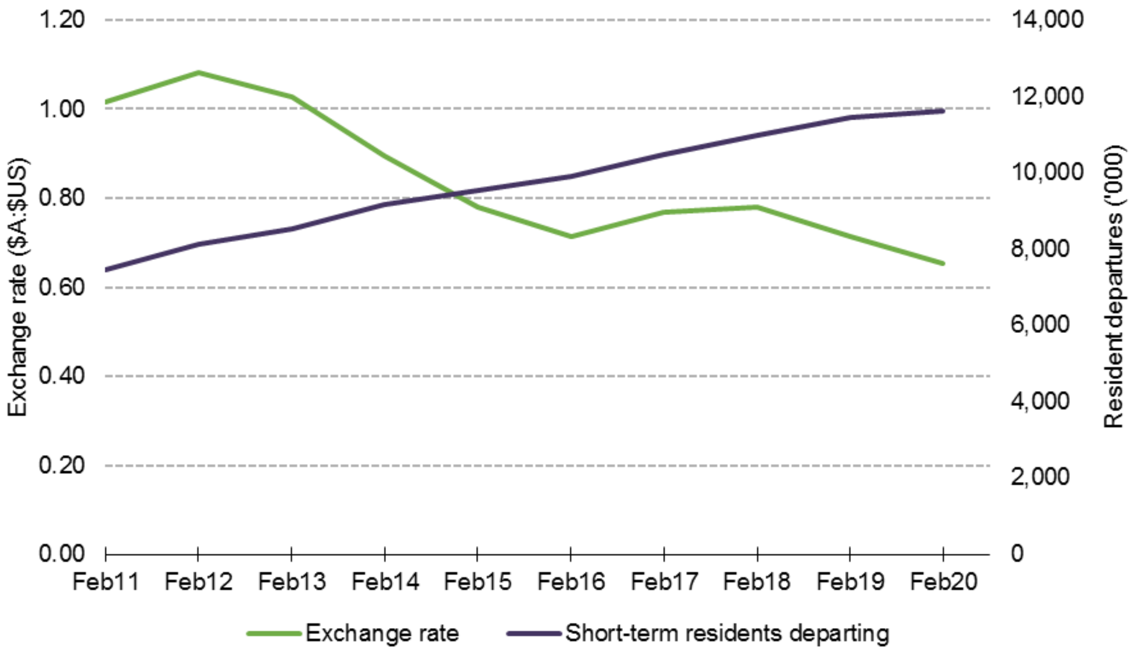
Note: Due to a change of sampling methodology the NVS is subject to a break in series from 2014. Sampling methodology was again changed in 2019.
Source: Tourism Research Australia, National Visitor Survey, http://www.tra.gov.au/research

International Departures and Airport Passenger Movements

In the year ended February 2020 there were 11.6 million short term resident departures[2] from Australia – an increase of 1.3 per cent from the previous year – Figure 16. This latest result is quite weak be recent historical standards, being well below the annual average rate of growth in short-term outbound travel of 5.7 per cent over the past decade.

Expenditure on tourism is a discretionary form of spending. The Australian dollar has softened noticeably 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. Other factors may also have contributed to the slowdown in growth in outbound trips, including ongoing sluggish wage growth, depressed consumer spending, subdued consumer confidence, geopolitical instability overseas and, more recently, disruption caused by the bushfires and emergence of COVID-19 in early 2020.

Figure 16: 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 year) 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, February 2020, Cat. No. 3401.0; and Reserve Bank of Australia, Historical Data, Exchange Rates, https://www.rba.gov.au/statistics/historical-data.html#exchange-rates

Updated passenger statistics for Adelaide Airport have not been released since the previous Tourism Barometer report. The following analysis is consequently unchanged from the December Quarter 2019 report.

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.

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.

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

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.[3]

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.

[3] Adelaide Airport (2020), *Passenger Statistics*, January 2020, https://www.adelaideairport.com.au/corporate/media-centre/media-releases/