

# #Covid19 and the current state of tourism in SA

In April 2020, the Department of Tourism in collaboration with the Tourism Business Council of South Africa (TBCSA) and IFC, a member of the World Bank Group, conducted the Tourism Industry Survey of South Africa: Covid-19. The survey, which was completed by 1,610 respondents, looks at the extent of the impact of Covid-19, how effective the support has been and what kind of work is still required. The survey found that, 99% of respondent businesses have been impacted negatively by Covid-19 and the measures taken to limit its spread globally and in South Africa.



Image source: [Gallo/Getty](#)

The survey aims to quantify the extent of the impact of COVID-19, how effective the support has been, and what kind of help is still required.

The lockdown which was imposed to contain the spread of the virus curtailed both the supply and demand side of the tourism market and in essence, the lockdown has rendered the tourism sector totally inactive and the sector's contribution to the GDP for this year is expected to be very low with severe job losses.

## Business impact of Covid-19

In this industry, which employs more than 700,000 people, the fact that 43% of businesses have already furloughed or made 50% of their staff redundant is not unexpected and indicates that more than 160,000 employees in tourism in South Africa may already have been affected by the global health crisis.

"In February 2020, 79% of businesses in the industry felt neutral or positive about the future of their business and tourism in the country. However, it comes as no surprise that in April, 78% of tourism business had swung to feeling negative about the future. This is an unprecedented crisis for the tourism industry, with the impact felt before lockdown and expected to last well beyond easing of restrictions, and unless steps can be taken to support the industry, a major component of our economy will close down and re-starting it will be a challenge," says Tshifhiwa Tshivhengwa, CEO of TBCSA.

Since the introduction of restrictions in the country, 69% of businesses have temporarily closed and 58% have applied significant downscaling. This rises to 82% and 65% respectively for accommodation businesses, a sub-sector of the industry which has high capital investment levels and has a high fixed cost component – no revenue leads to extreme losses if costs are not minimised in this sub-sector.

The survey also indicates that 58% and 54% of businesses respectively could not cover debt repayments or fixed costs in March.

The further waning of longer-term confidence is evident with 51% of businesses having already cancelled planned upgrades, expansions or improvements, and this rises to 65% of large businesses, where the larger investment projects which would have generated significant impacts and employment, are on hold.

Blacky Khomani, Chairperson of TBCSA says: "The current inability of businesses to cover costs is likely to lead to more business closures. This, together with the cancellation of planned investments, indicates a huge concern that there will be no supply, when tourism moves more fully towards recovery, which we hope will be during 2021. Tourism is an important sector of our economy and we risk being unable to participate in what will be a competitive global industry when the recovery gains momentum."

## **Support measures**

Thirty-five per cent to sixty-nine per cent of businesses have applied for the various relief programs available and as expected the success rates were still universally low in these early days. Of more concern is that across those who have applied, the perception that the schemes offered value ranged from 1% to 8%. This implies that the schemes' benefits are not clear or that the schemes are insufficient to assist given the severity of the financial circumstances faced by these businesses.

Financial support for liquidity (cash flow) and financial support for recovery are by far the most stated support required at 66% and 63% respectively, followed by 47% suggesting tax relief and then 32% business recovery advice. The fact that businesses are looking for cashflow and recovery financial relief indicates the desire to survive and the desire to revive and participate when the recovery starts.

"IFC recognises that tourism is an important sector for South Africa. The survey results show that it's not only important to help businesses manage the crisis now, but to also work together to find solutions to help with recovery and job preservation," said Adamou Labara, IFC's country manager for South Africa.