The tourism industry and the South African economy during a pandemic and recovery prospects

Ephrem Habtemichael Redda (a)* Jhalukpreya Surujlal (b)

(a,b) Professor, Faculty of Economic and Management Sciences, NWU Vanderbijlpark Campus, South Africa

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ABSTRACT

The tourism industry is a substantial contributor to the South African economy. The main aim of this study is to analyse the tourism industry’s performance during the Covid-19 pandemic, with specific reference to tourism accommodation income, and to shed light on the recovery prospects of the tourism industry and the overall South African economy. The study followed a descriptive research design and quantitative method using secondary data obtained from Statistics South Africa. The data covers a span of over 16 years, from January 2007 to May 2023. Results indicated that the economic impact of the Covid-19 pandemic on the tourism industry was marked by a drastic drop in total income at the height of the pandemic, which coincided with similar performance of the overall economy. The tourism industry as well as the overall economy showed a V-shape recovery with a negative trendline suggesting their recovery potential and the need for sustained efforts by industry players and policymakers for full recovery in the medium term. Among the strategies for full recovery are diverse offerings by tourist accommodation providers, intensified digital marketing campaigns and providing exceptional service experiences.

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Introduction

The tourism industry plays a hugely significant role in the South African economy, and it is a source of job creation and sustainable development. The outbreak of the Covid-19 pandemic in late 2019 has had widespread consequences throughout the world, affecting nearly every sector of society, among which is the tourism sector. Global economies, including the tourism sector of various economies, experienced the profound negative effects of the virus, especially tourism-dependent economies (Behsudi, 2020). Shortly after the pandemic struck, the World Travel and Tourism Council (2020) estimated a daily loss of approximately one million jobs in the tourism sector (Council, 2020).

Within the South African context, one of the industries impacted severely by the pandemic was the tourism sector, which is a significant contributor to the economy. The pandemic not only disrupted the tourism sector itself, but also had a spillover effect on the entire South African economy, particularly on South Africa’s economic growth trajectory expressed by the gross domestic product (GDP). The tourism sector in South Africa is one of the fastest-growing sectors, contributing 3.7% of South Africa’s gross domestic product, more than agriculture, utilities, and construction (Sisulu, 2022). The severe impact of the pandemic was unexpected and underestimated in the beginning. The sector experienced a sharp decline in tourist arrivals with the volume of tourists dropping by 72.6 percent from 10 228 593 in 2019 to 2 802 320 in 2020 and declining by 19.5 percent between 2020 and 2021 (De Lille, 2023). This happened as South Africa implemented one of the strictest lockdown restrictions during the pandemic (Redda, 2022). Arnadt et al. (2020) described the situation as South Africa finding itself at war and the enemy being the Covid-19 disease. The authors contended that, at the time, the government’s only tool to mitigate the demographic effects of Covid-19 was some form of lockdown to reduce the spread of the virus through social and economic forms of contact. Such policies inevitably had a severe negative economic impact, with immediate loss of economic activity followed by medium- and long-term impacts.
Many studies have reported that the tourism sector has experienced the worst negative socio-economic consequences of the pandemic (Musavengane et al., 2022; Nagaj & Žuromskaitė, 2021; Soliku et al., 2021). The tourism sector has always been vulnerable to events such as earthquakes, volcanic explosions, bushfires, tsunamis, or floods. The Covid-19 pandemic, however, was one of the worst events to hit this sector. Globally, pandemics have always resulted in negative consequences for the tourism sector. Citing several studies, Sucheran (2021) highlighted the severe impact of the Covid-19 pandemic outbreak on the tourism sector in East Asia, which reportedly resulted in the loss of approximately 3 million jobs. Hotels experienced a decline in occupancy and increased cancellations, which had an immediate impact on revenue to the businesses.

The tourism industry is highly dependent on mobility and sociability (Rogerson & Rogerson, 2020), and is therefore readily impacted by restrictions on the movement of people. Most forms of travel were prohibited under the Covid-19 protocols. People’s freedom of movement was also restricted. This had a negative impact on the travel industry, particularly air and rail travel. Tourist accommodations were also forced to close due to social distancing restrictions. Individual movement restrictions and explicit restrictions on restaurants had a significant impact on accommodation and catering activities, and hotels were expected to close their doors (Arndt et al., 2020). The restrictions allowed only some skeleton staff to be deployed to continue basic activities that do not require front-line staff, such as bookings and other administration; however, hotels were expected to remain shut for regular business during the height of the pandemic in mid-2020. Given that the tourism industry has a significant impact on a country’s economy and contributes significantly to long-term development, economic growth, and job creation (Sucheran, 2021), the closure of these establishments had a ripple effect on other sectors and large-scale unemployment was experienced.

South Africa has one of the most developed and largest tourism markets in Southern Africa (Dube, 2021). According to the World Economic Forum, South Africa is ranked 68th in the top tourism destinations globally, according to the 2022 report (Uppink & Soshkin, 2022; WEF, 2022). The South African tourism sector is known for its diverse landscapes, wildlife, cultural heritage, and vibrant cities. The travel restrictions, lockdowns, and fears of infection led to a dramatic decline in both international and domestic tourism, which impacted tourism income. This loss of income could be attributed to the closure of international borders and the grounding of flights. This abrupt halt in tourist activity resulted in a substantial loss of revenue for businesses related to accommodation, transportation, entertainment, and hospitality.

The primary aim of this research is therefore to examine the tourism industry’s performance during the Covid-19 pandemic, with a focus on tourism accommodation income, and to shed light on the tourism industry and South Africa’s overall economic recovery prospects. The study will focus on the impact of the Covid-19 pandemic on income generated from hotels, caravan parks and camping sites, guest houses and guest farms and other accommodation facilities as per categorisation provided by Statistics South Africa (Chihwai et al., 2023; Stats SA, 2023b). In the ensuing sections, the various forms of accommodation (Ionel, 2016) that generate income for the tourism industry and the factors that influence the income generated are discussed in order to provide perspective on why and how the Covid-19 pandemic may have impacted on the tourism industry.

Theoretical and Conceptual Background

Hotels

Hotels in South Africa have traditionally been significant players in the country’s tourism industry. The income per stay unit nights sold in hotels can vary widely depending on location, quality, and amenities. In cities such as Cape Town, Johannesburg, and Durban, upscale hotels typically earn more per stay unit night sold than budget or mid-range options do. Factors that influence income per stay unit nights sold in hotels include:

i. Location: Hotels in prime locations near tourist attractions or business districts tend to charge higher rates and thus earn more money per stay unit night sold.

ii. Star ratings: Because of their superior services and facilities, higher-rated hotels (4-star and 5-star) command higher prices, resulting in a higher income per stay unit night sold.

iii. Seasonality: The tourism industry in South Africa experiences seasonal fluctuations, with peak periods (e.g., the summer and holiday seasons) generating higher income per stay unit night sold than off-peak periods.

iv. Special events: Because prices tend to rise during major events, conferences, and festivals, they can have a significant impact on hotel income per stay unit nights sold.

v. Marketing and branding: Well-known hotel chains with strong branding frequently attract more guests willing to pay higher prices.

Caravan parks and camping sites

Caravan parks and camping sites have grown in popularity as an affordable and adventurous accommodation option in South Africa in recent years. The income per stay unit night sold in these facilities can vary depending on several factors, including:

i. Location: Campgrounds in or near national parks, coastal areas, or scenic areas frequently charge higher fees, resulting in higher revenue per stay unit night sold.
ii. Campgrounds with better amenities, such as electricity, clean bathrooms, and recreational activities, may charge a higher price.
iii. Seasonality: Camping is highly affected by seasons, with income per stay unit night sold peaking during the warmer months.
iv. Longer stays may result in lower daily rates, but the overall income per stay unit nights sold can be higher.

**Guest houses**

Guest houses and guest farms are popular options for travellers looking for a more personalised and local experience. The income per stay unit night sold in these accommodations is also dependent on the season. Other factors that may influence include:

i. Location: Guest houses in scenic or historic areas may charge higher rates, resulting in a higher per stay unit night sold income.
ii. Size and quality: Larger and better-maintained guest houses frequently charge higher prices and attract more guests, increasing their revenue per stay unit night sold.
iii. Positive guest reviews and an online reputation can have a significant impact on the income per stay unit night sold by attracting more guests.
iv. Specialisation: Some guest houses specialise in niche markets (for example, wine tourism or eco-tourism), allowing them to charge higher prices.

**Other types of accommodation**

Other types of accommodation include a variety of alternative lodging options such as hostels, vacation rentals, and boutique lodges. The revenue per stay unit night sold in these accommodations can vary greatly:

i. Type of accommodation: Prices vary depending on the type of other accommodation. Vacation rentals, for example, may charge based on the size and amenities of the property.
ii. Location: The proximity to an attraction, a transportation hub, or a business district can influence the income per stay unit night sold.
iii. Market segment: Some alternative accommodations cater to specific market segments, such as backpackers or luxury travellers, which influences pricing and earnings per stay unit night sold.
iv. Listings on popular online booking platforms and positive reviews can increase revenue per stay unit nights sold by attracting more guests.

**Destination image**

In addition to the accommodation-specific qualities, an overall destination image is key to influencing tourist preference and willingness to spend. Tourist destination image (TDI) can be described as a mental snapshot of a place, encompassing its natural beauty, culture, safety, and overall appeal (Kotler et al., 1993). A positive and alluring destination image can, for example, captivate travellers, igniting their desire to explore and experience what the place has to offer. The destination image is said to represent a large number of associations and pieces of information that are linked to a certain place. “An image is a product of the mind trying to process and retrieve important information from many data points about a place” (Susanti et al., 2023). Destination image can also instil confidence in tourists’ choices, assuring them of a memorable trip. This confidence often translates into a greater willingness to spend on various aspects of the journey, including accommodations, dining, activities, and souvenirs. Conversely, a negative or uninspiring destination image may deter tourists, impacting not only their choice of destination, but also their spending (Kotler et al., 1993; Kotler & Gertner, 2002). Destination marketers and stakeholders are therefore seen to work diligently to craft and promote a compelling and positive image to attract tourists and stimulate economic growth in the travel industry.

**Covid-19-specific factors**

In addition to the above traditional factors that influence income from various forms of accommodation, specific factors became relevant during the pandemic in light of the contagious virus. The World Health Organisation (WHO) came up with several guidelines such as sanitisation, social distancing, and ensuring proper ventilation and personal protective equipment (PPE) for those dealing with the patients to curb the spread of the virus (WHO, 2023). Del Chiappa et al. (2022) identified four factors that influenced the accommodation preference during the pandemic, namely PPE and sanitisation, physically-distanced restaurant service, room service and reception automation, and social and environmental engagement. Travellers were forced to weigh between perceived risks and perceived benefits during the Covid-19 pandemic. Perceived risks during the pandemic are described as “whether a potential traveler feels comfortable and safe during a trip” and perceived benefits are “related to reducing one’s vulnerability towards an illness (i.e. Covid-19) through specific behaviours” (Gupta et al., 2023).
The tourism industry and the overall economy

Arndt et al. (2020) suggested four channels by which the lockdown and other efforts were expected to influence the overall economic activity of the country. These channels include the forced reduction in the production of goods and services as a result of a national lockdown and other restrictions of business operations, the impact on demand as households are locked down such as on tourism as a result of travel and movement restrictions, the effect of disrupted global production of goods and the supply chains on South African exports, and the general effect of uncertainty on business investment. As a labour-intensive industry (Sucheran, 2021), the tourism industry is regarded as a source of employment for millions around the globe (ILO, 2020, 2022). In terms of contribution, the tourism sector in South Africa is one of the fastest-growing, accounting for 3.7% of the country’s GDP, more than agriculture, utilities, and construction combined (Sisulu, 2022). The tourism industry is also known for its poverty alleviation and sustainable development for the local economy (Muhanna, 2007; Spenceley, 2008a, 2008b).

Research method

The study followed a descriptive research design and quantitative method using secondary data obtained from Statistics South Africa. The data covers a span of over 16 years, from January 2007 to May 2023, with a total of 197 monthly data points on tourism accommodation income (Stats SA, 2023c). The tourist accommodation survey is a monthly survey collected by Statistics South Africa. The survey covers a sample of public and private enterprises involved in the short-stay accommodation industry (hospitality industry) in South Africa. The data for tourism accommodation income includes income from hotels, caravan parks and camping sites, guest houses and guest farms and other accommodation types. The data is available in actual and seasonally adjusted values. Seasonal adjustment is a statistical technique used to remove the effects of seasonal variations from a time series (Stats SA, 2023a, 2023b). This helps in identifying underlying trends and patterns. The adjusted data is smoother and provides a clearer representation of the overall trend. The study received relevant ethical clearance from an appropriate university structure (NWU-00615-22-A4), and all precautionary measures have been taken to ensure that the analysis is carried out correctly.

Results and analysis

Figure 1 illustrates the monthly total industry income of actual and seasonally adjusted figures for the period from May 2019 to May 2023 for tourism accommodation, with a total of 49 observations. As can be observed, the actual total income figures do show some fluctuations, but generally exhibit an increasing trend over the period. The seasonally adjusted total income figures also show fluctuations; however, they do seem to follow a more stable pattern compared to the actual figures. A closer look at the monthly data reveals that total income for the tourist accommodation industry increased by 21 percent in May 2023 compared with May 2022, suggesting a promising recovery in the immediate future.

What is very striking is the sharp decline in actual total income observed in March and April of 2020 due to the Covid-19 pandemic’s impact on the economy. South Africa implemented one of the strictest lockdown restrictions, which affected many industries, including the tourism industry. However, this sharp decline was short-lived, and one can observe that both actual and seasonally adjusted total income figures experienced a recovery starting in mid-2020, with some fluctuations afterward. Therefore, the economic impact of the Covid-19 pandemic is evident in the drastic drop in total income in early 2020 as South Africa implemented a level 5 lockdown from 26 March to 20 April and a level 4 lockdown from 1 May to 31 May 2020. The data, as reflected in the figure, does also seem to exhibit cyclic patterns where income tends to increase during certain periods and decrease during others, which could be due to various economic factors such as business cycles, market trends, and seasonal effects. The monthly variability of income in month-to-month data could be attributable to factors such as holidays, payment cycles, and other economic factors. This fluctuation and sharp decline due to the Covid-19 pandemic and the recovery trends are congruent with what is happening in the overall economy (Arndt et al., 2020; Redda, 2022)

![Figure 1: Monthly tourism accommodation income for South Africa; Source: Researchers’ own construction](image)

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The immediate factor that contributed to low levels of tourism accommodation is the decline in occupancy rates, which resulted from lockdown and travel restrictions imposed by the South African government. Figure 2 depicts the average monthly occupancy rate of tourism accommodation in a given year (2018-2022). Akin to the monthly income from accommodation, the actual total occupancy rate and the seasonally adjusted total occupancy rate figures do show fluctuations over the same period. As can be observed, there was a relatively stable total occupancy rate in 2018 and 2019, followed by a significant drop in the actual total occupancy rate in 2020 during the height of the pandemic. This is followed by a slight increase in 2021, and another increase in 2022 demonstrating steady progress.

**Figure 2:** Average monthly occupancy rate tourism accommodation in a year; *Source:* Researcher’s own construction

In order to provide a global overview, an annual observation and analysis are needed. Figure 3 illustrates the average monthly tourism accommodation income in a year based on actual figures for the years 2018 to 2022. As can be seen from Figure 3, following a sharp decline in 2020 during the height of the pandemic, there is a visible recovery; however, the figures (all categories of income: income from the accommodation, income from restaurant and bar sales, other income and total income) have not returned to pre-pandemic levels. Therefore, the trendline is showing a negative slope. This clearly demonstrates that there is a long way before the tourism industry returns to normal and starts showing progress.

**Figure 3:** Average monthly tourism accommodation income in a year: Actual figures; *Source:* Researcher’s own construction

Figure 4 shows the seasonally adjusted average monthly tourism accommodation income in a year (2018-2022). As depicted in Figure 4, there is a significant drop in 2020, which corresponds to the peak of the pandemic’s impact. Subsequently, a marked recovery is evident across the different categories. Nonetheless, when considering the various categories of income, namely income from accommodation, income from restaurant and bar sales, other income, and total income, it is apparent that these figures have not yet managed to fully rebound to their levels prior to the pandemic outbreak. This is clearly demonstrated by the negative slope of the trendline. This observation highlights an important point: The path toward restoring the tourism industry to its pre-pandemic state and initiating significant progress remains to be seen. One can also observe that the tourism industry’s return to normalcy and its growth are processes that require sustained and concerted effort by all role-players.
Figure 4: Average monthly tourism accommodation income in a year: Seasonally adjusted; Source: Researchers’ own construction

Figure 5 illustrates the performance of the economy (gross domestic product percent change) over the past five years. As can be observed, 2020 stands out with a substantial negative growth rate (step decline) of -6.342%, primarily attributed to the global economic shock caused by the Covid-19 pandemic. The significant contraction in 2020 is indicative of lockdowns, reduced consumer spending, disrupted supply chains, and other pandemic-related issues that were felt across the economy. The figure also shows a V-shape recovery indicating the ability of the economy to recover. However, the trendline is still showing a negative trend, which suggests there is a need for sustained economic growth in the future before full recovery is achieved. It should be noted that the performance and recovery of the tourism industry, as indicated above, are moving in the same fashion with the overall economy. This highlights the importance of the tourism industry in the South African economy as far as job creation and income generation are concerned. Arndt et al. (2020) were of the view that there were four channels by which the lockdown and other efforts influenced economic activity, namely: (i) the forced reduction in production as a result of a national lockdown and other restrictions on non-essential business operation, (ii) the impact of the lockdown on household demands for goods and, especially, services (e.g., tourism as a result of travel and movement restrictions), (iii) the effect of disrupted global production and supply chains on South African exports, and (iv) the effect of uncertainty on business investment.

Discussion

The results of this study corroborate the anecdotal news reports (Dayimani, 2022) and brief economic reports of Stats SA (2020), which indicated industry struggling due to the pandemic, Stats SA (2022), which indicated a slight recovery of the industry after the pandemic, and a government report that suggests a rise on tourist visits (Nicholson, 2023). As elaborated on earlier, the actual total income figures exhibit fluctuations, but generally display an upward trend. On the other hand, seasonally adjusted total income figures show fluctuations but maintain a more consistent pattern than the actual figures. Notably, the severe decline in total income observed in March and April 2020 directly correlates with the economic repercussions of the Covid-19 pandemic. This impact was exacerbated by strict lockdown measures, especially in South Africa, affecting various sectors, including tourism. However, a rapid recovery is evident from mid-2020, albeit with occasional fluctuations, showcasing the pandemic’s economic shock and subsequent recuperation.
Similarly, the occupancy rate for tourism accommodation witnessed significant changes due to pandemic-induced lockdowns and travel restrictions. Analysing the average monthly occupancy rate across the years 2018 to 2022, the data highlights a steady trend. The actual total occupancy rate and the seasonally adjusted figures exhibit fluctuating patterns, with stability in 2018 and 2019, a noticeable drop in 2020 during the pandemic’s peak, a modest increase in 2021, and a further improvement in 2022 – akin to tourism-dependent economies.

The study also indicates that the annual observation of average monthly tourism accommodations had a significant drop in 2020, which corresponds with the peak of the pandemic’s impact on the overall economy (Arndt et al., 2020). Subsequently, a marked recovery is evident across the different categories. Nonetheless, when considering the various categories of income, namely income from accommodation, income from restaurant and bar sales, other income, and total income, it is apparent that these figures have not yet managed to fully rebound to their levels prior to the pandemic outbreak. This observation underscores a notable point: The journey toward the restoration of the tourism industry to its pre-pandemic state and the initiation of substantial progress remains to be seen. This outcome serves as a clear indication that the tourism industry’s return to normalcy and its growth are both processes that require a sustained and concerted effort by policymakers and industry players.

The study found that there was a significant contraction of the South African economy in 2020 as a result of lockdowns, reduced consumer spending, disrupted supply chains, and other pandemic-related factors that were felt throughout the economy (Arndt et al., 2020). As illustrated in Figure 5, the decline in economic activities was a result of the inevitable and pronounced reduction in the production of goods and services resulting from the imposition of a strict national lockdown and stringent business operations during the height of the pandemic. The economy was at its weakest as numerous industries were compelled to curtail or entirely halt their business operations to curb the spread of the virus. This entailed the closure of non-essential businesses, restrictions on manufacturing, and limitations on labour force mobility. The sharp decline of the economy can also be attributed to the demand side of economics where households and individuals were forced to stay at home affecting sectors that rely on physical presence such as the hospitality industry. Another source of the decline in the economy is the disruption of production and supply chains of products that impacted industries that rely on exporting their products. The last blow to the economy was the uncertainty with which businesses had to operate during the uncertain times and business confidence levels were at their lowest level.

The study also found the economy was able to show a sign of recovery rather quickly while the overall trendline still remains negative, implying that sustained economic growth is required in the future before full recovery can be achieved. The study also found that there is a similar recovery process in the tourism industry and the overall economy. Dayimani (2022) is of the view that following the catastrophic impact of the pandemic, domestic tourism was on its way to recovery as early as first half of 2022. Moving forward, as South Africa opens its doors to international travellers, the tourism industry will soon rebound to pre-Covid levels as suggested by the trendline and forecast.

**Conclusion**

The study concludes that the Covid-19 pandemic has had a major impact on the South African tourism industry and the overall economy. The study further made an observation that the sharp decline in income in March and April 2020 was directly linked to the Covid-19 pandemic and strict lockdowns, particularly impacting the tourism sector as South Africa implemented strict movement of people and a complete shutdown of the hospitality industry. However, a rapid recovery began in mid-2020, albeit with occasional fluctuations, reflecting the pandemic’s economic shock and subsequent rebound.

The South African economy experienced a significant downturn (a sharp decline) due to a combination of factors, including the forced closure or reduction of operations in various industries to mitigate the spread of the virus, especially non-essential businesses, manufacturing restrictions, and limited workforce mobility. Additionally, the decline in economic activity was exacerbated by reduced demand in sectors reliant on physical presence such as the tourism industry due to the imposition of movement restrictions on individuals.

Based on the findings and in light of current and future tourist needs and expectations, some recommendations are offered to industry players and policymakers to improve the tourism industry by increasing income from hotels, caravan parks and camping, guest houses, guest farms, and other accommodation-related income in order to positively contribute to the South African economy. Hotels, caravan parks, and guest houses should consider diversifying their offerings. This can include adding unique experiences, and the need to diversify their products and services to cater to a wider range of travellers’ preferences. Hotels, caravan parks, and guest houses should focus on delivering exceptional customer experiences to encourage repeat visits and positive word-of-mouth recommendations. This can be achieved by providing training programmes for staff to provide excellent service and personalised attention to guests. Industry players should develop a robust online presence and engage in effective digital marketing campaigns to reach a broader audience by utilising social media, travel websites, and online booking platforms to attract new customers and retain existing ones. Industry players should also offer special deals and packages during off-peak seasons to attract tourists year-round and mitigate the impact of seasonal fluctuations, which are clearly visible from the analysis. Finally, the government can engage in showcasing South Africa’s rich cultural and natural heritage through thematic stays, cultural events, and guided tours to boost the tourism industry.
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