

## **DISCUSSION DOCUMENT ON SOUTH AFRICA'S ACCOMMODATION INDUSTRY**

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## 1. INTRODUCTION

Without tourism, the tourist accommodation industry would not exist. The tourist accommodation industry is a tourism characteristic industry which contributed over 15% (second to road transport) to tourism direct gross value added in 2015. A tourism characteristic industry is an industry in which at least 25% of the output is sold to tourism. However, in the case of the tourist accommodation industry, tourism consumes the bulk of its output.

Recently, Statistics South Africa's Structural Industry Statistics (SIS) published detailed data for the trade sector, which includes the tourist accommodation<sup>1</sup> industry. According to the Standard Industrial Classification of all Economic Activities (SIC), which is the primary industrial classification used by Statistics South Africa (Stats SA), the tourist accommodation industry comprises hotels, motels and inns; guest-houses and guest-farms; and other short-stay accommodation.

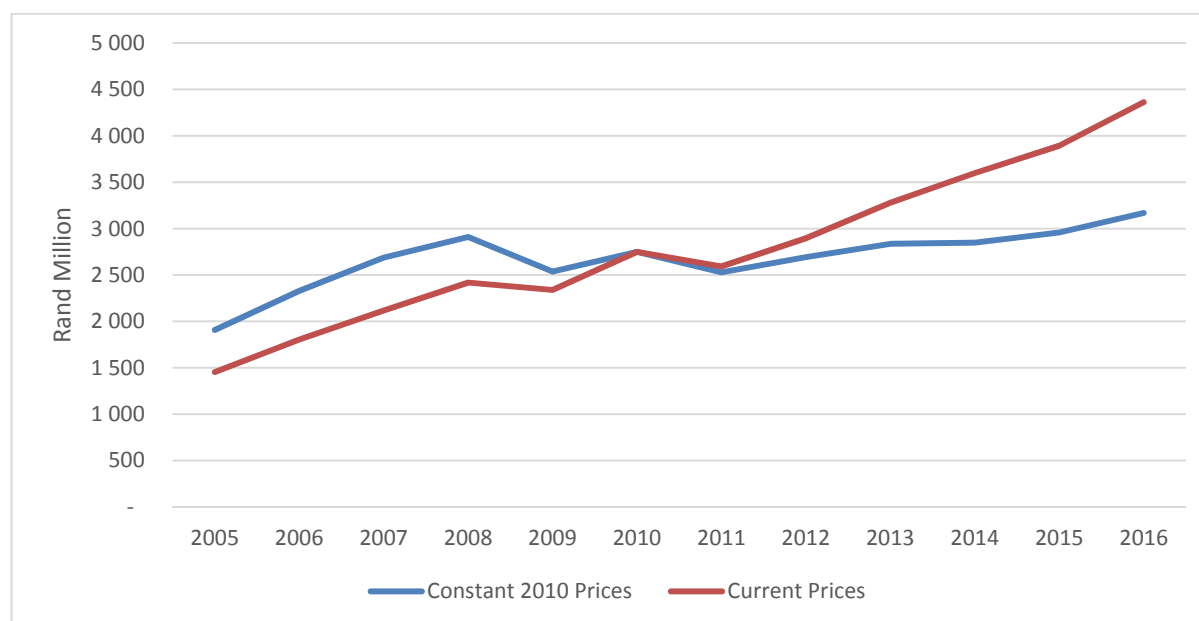
In the rest of this report, 'accommodation' refers to 'tourist accommodation'.

The purpose of this report is to examine and discuss the structural changes in the accommodation industry over time using data from Stats SA.

## 2. OVERVIEW OF THE ACCOMMODATION INDUSTRY

The accommodation industry has a stable demand from the household sector in Gross Domestic Product (GDP). Figure 1 below shows both the constant-price and current-price expenditure of households on accommodation services. Expenditure at constant prices is expenditure measured in the prices of the base year (in this case 2010), thereby showing changes in volume. The constant-price series shows a growth rate excluding the effects of inflation compared with current prices. Measured at constant prices, the annual average growth rate between 2005 and 2015 was 4,3%.

**Figure 1 – Private consumption expenditure on accommodation services, 2005–2016**

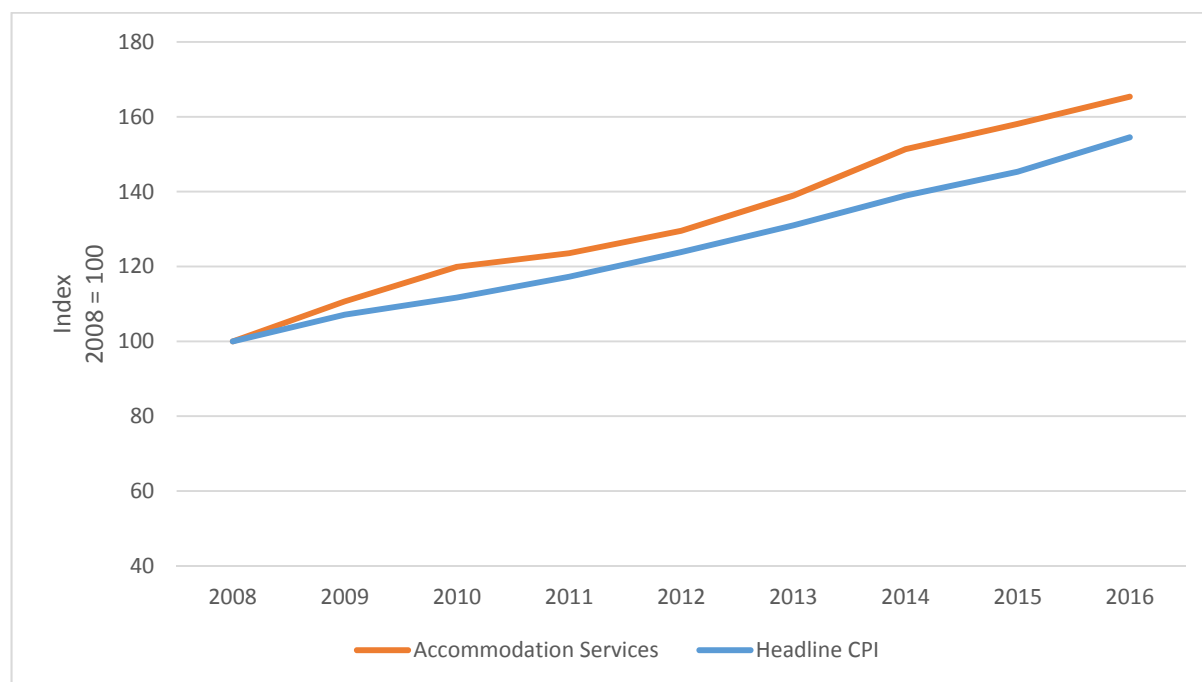


Source: Gross domestic product, P0441

<sup>1</sup> Accommodation industry, Report No. 64-11-01 (2015).

Figure 2 shows the price index for accommodation services from the consumer price index (CPI), with 2008 as the base year (2008 = 100). The CPI measures the price growth of accommodation services. The average price of accommodation services has increased faster than the headline CPI.

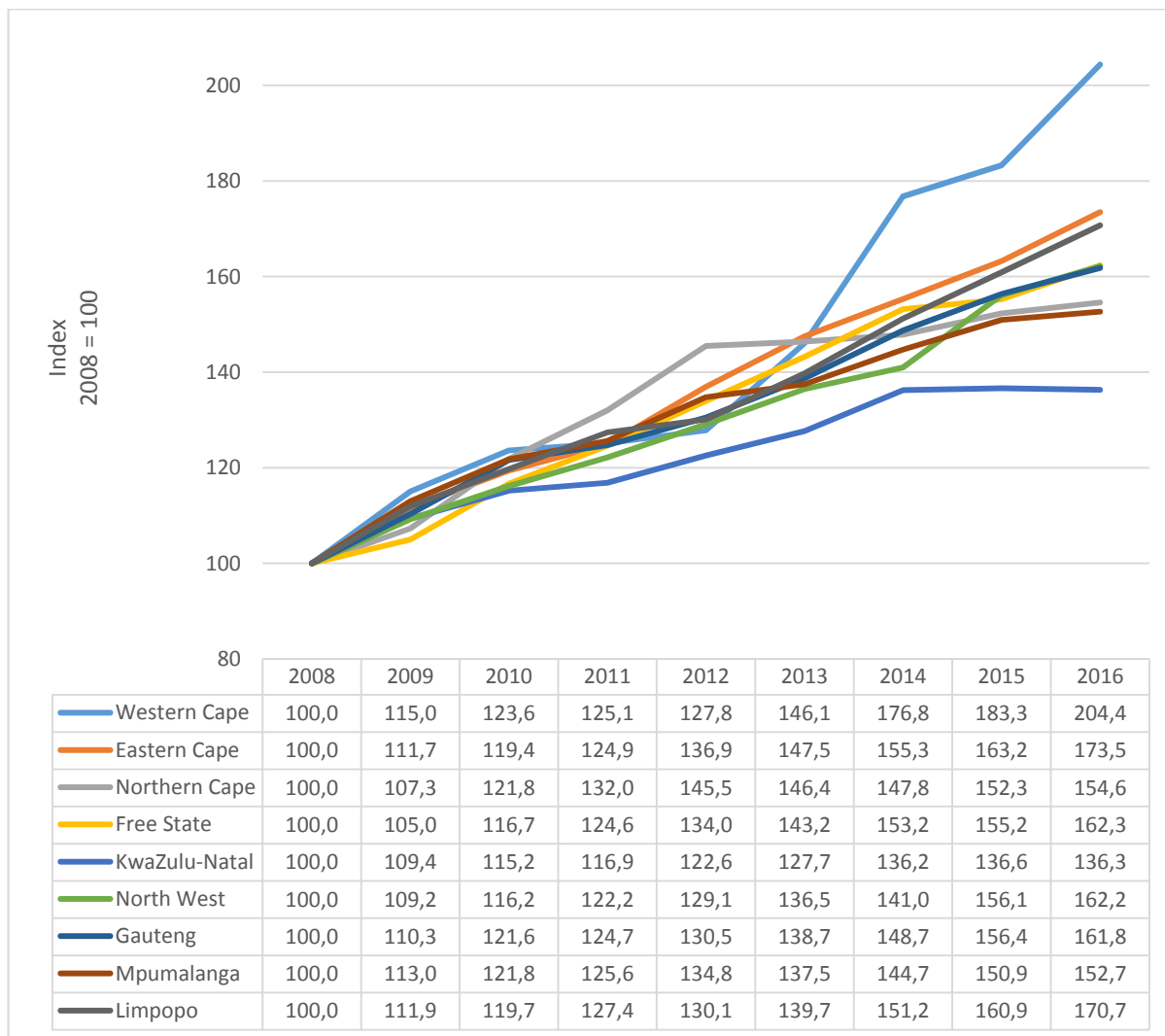
**Figure 2 – Consumer price index for accommodation services, 2008–2016**



Source: Consumer price index, P0141

Examining accommodation services' price data at a province level indexed to the base of 2008, data in Figure 3 show that Western Cape and KwaZulu-Natal were the two notable outliers, where Western Cape showed a sharp price increase from 2012 relative to other provinces. On the other hand, KwaZulu-Natal showed slower relative price growth compared with the other provinces, with the price growth appearing flat from 2014 to 2016. Northern Cape's price performance increased faster between 2010 and 2012, but the price increase stabilised in subsequent years. Note that these price changes do not show which province was cheaper or more expensive in terms of accommodation services, but rather which province's price point has changed the fastest using 2008 as a base year.

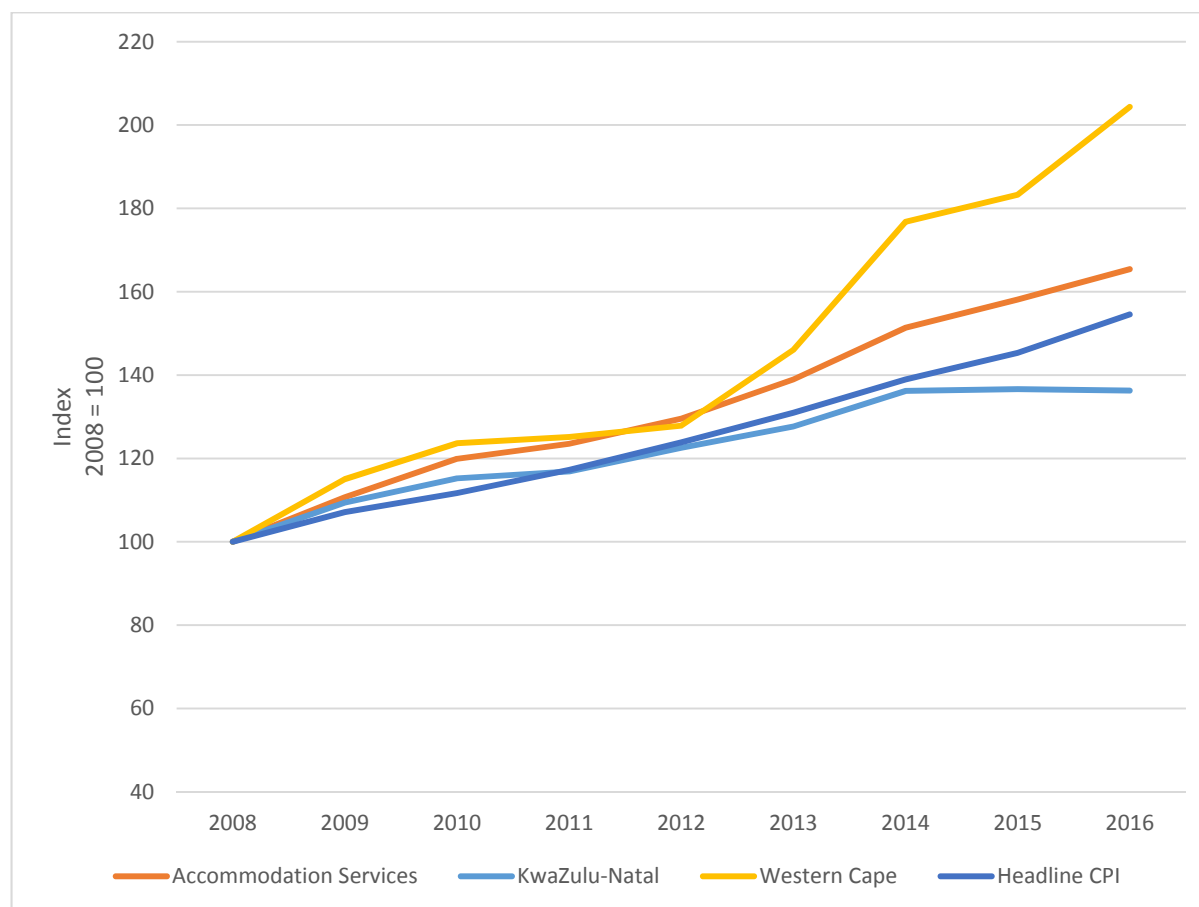
**Figure 3 – Consumer price index of accommodation services per province, 2008–2016**



Source: Consumer price index, P0141

Figure 4 shows the performance of two provinces, i.e. Western Cape and KwaZulu-Natal, when compared with the headline CPI and accommodation services for all the provinces combined. Western Cape's prices increased faster than CPI for accommodation services and headline CPI. Moreover, the growth rate was more pronounced starting from 2013. KwaZulu-Natal, on the other hand, showed a slower price increase when compared with headline CPI and the combined accommodation services price index. As seen in Figure 2 and Figure 4, the price increase in accommodation services was slightly higher than headline inflation.

**Figure 4 – Consumer price index for Western Cape and KwaZulu-Natal accommodation services compared with all items, 2008–2016**

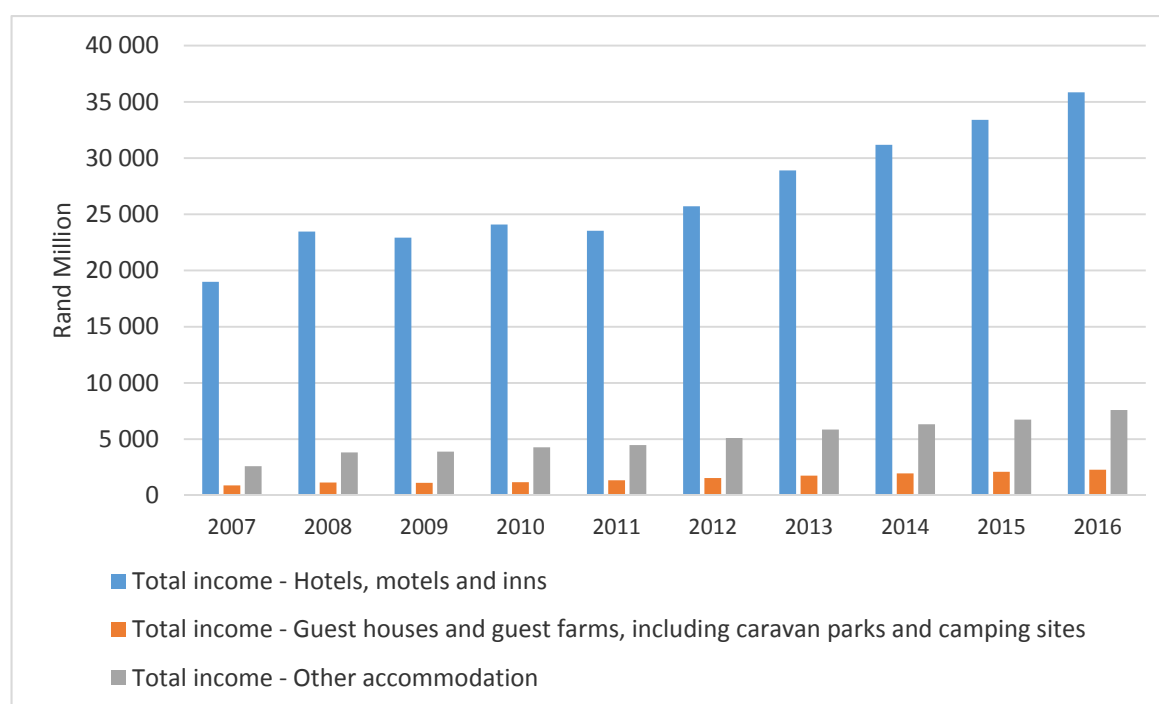


Source: Consumer price index, P0141



In terms of industry performance, 'hotels, motels and inns' account for a large proportion of industry income. As shown in Figure 5, 'hotels, motels and inns' generated R19 billion in 2007, which increased to R36 billion in 2016. 'Other accommodation' generated R2,6 billion in 2007, and R7,6 billion in 2016. On the other hand, 'guest-houses and guest-farms', including caravans and camping sites,<sup>2</sup> generated R0,9 billion in 2007 and R2,3 billion in 2016. These data show that there has been large income generated from 'hotels, motels and inns', followed by 'other accommodation', whereas 'guest-houses and guest-farms' have generated the least when compared with the other two accommodation service types.

**Figure 5 – Total income for the accommodation industry,<sup>3</sup> 2007–2016**



Source: Tourist accommodation, P6410

### 3. STRUCTURE OF THE INDUSTRY

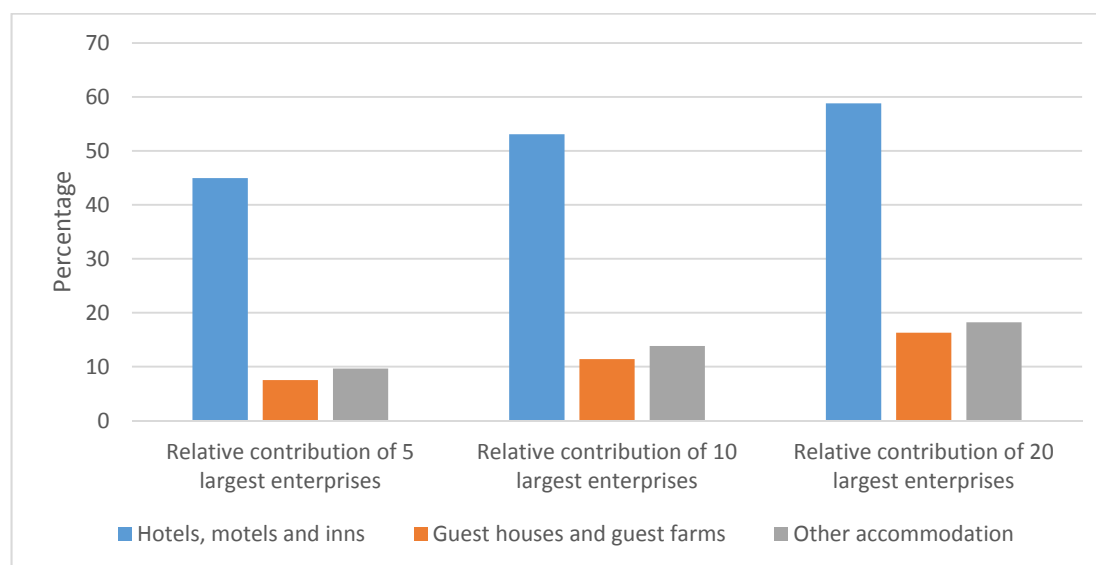
The structure of the accommodation industry and how it has changed over time is examined by analysing the market structure, measured by concentration ratios, income contribution, expenditure and profit margins. An analysis of stay-units is also included.

#### 3.1 Market structure

Concentration ratios were used to assess the market structure and the type of competition prevalent in the accommodation industry. The higher the ratio, the greater is the contribution made by a few large enterprises, implying high concentration. The lower the ratio, the more the income was distributed across all enterprises. High concentration ratios run the risk of being oligopoly markets, where a few large enterprises control the market and collusion on prices becomes highly likely. On the other hand, a low concentration ratio shows a competitive market where entry and exit of new firms are not restricted. Figure 6 below shows the concentration ratios for the accommodation industry in 2012.

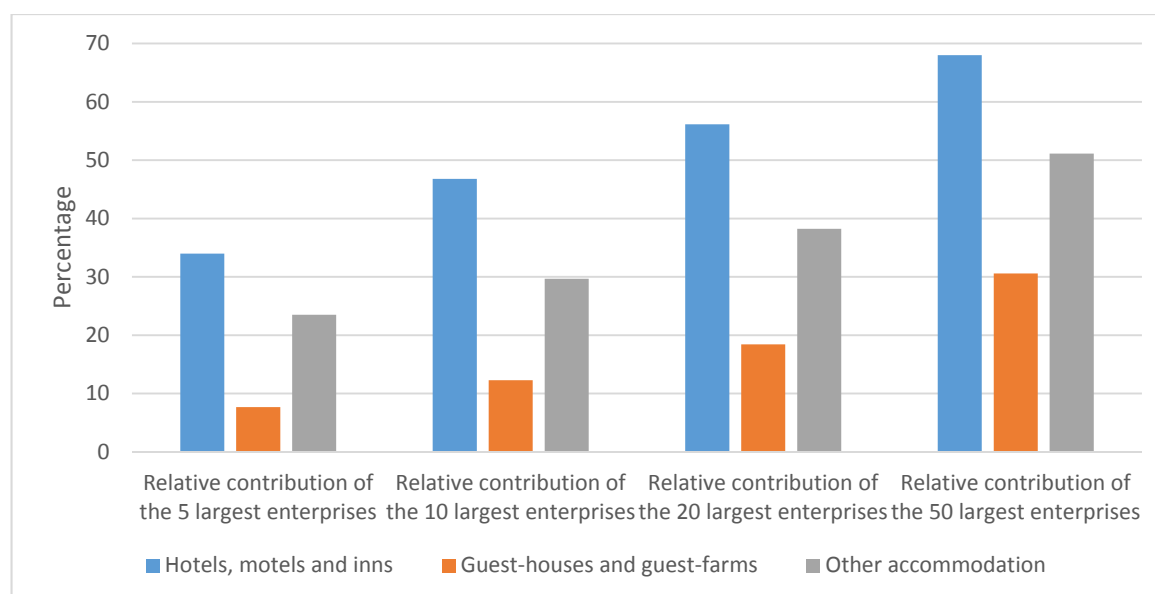
<sup>2</sup> Due to classification, caravan parks and camping sites are grouped with guest-houses and guest-farms.

<sup>3</sup> Based on the short-term indicators.

**Figure 6 – Concentration ratios for the accommodation industry, 2012**

Source: Accommodation industry, Report No. 64-11-01 (2012)

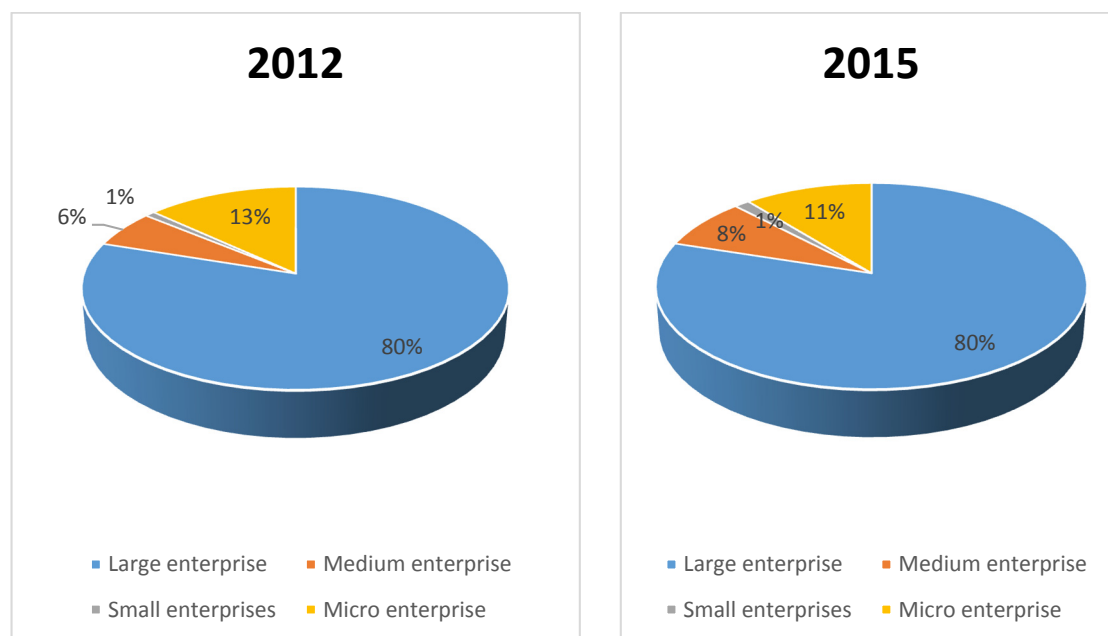
Figure 6 and Figure 7 show the concentration ratios (CR) for the accommodation industry for 2012 and 2015, using the relative income contributions of the largest 5, 10, 20 and 50 enterprises. Looking at the relative contributions of the five largest enterprises (CR5), the data showed that 'hotels, motels and inns' were concentrated (45%) in 2012 (Figure 6). But the concentration level declined to 34% in 2015 (Figure 7). 'Guest-houses and guest-farms' show a different concentration scenario, with the five largest enterprises contributing just 7,5% and 7,7% in 2012 and 2015, respectively. In 2012, CR5 for 'other accommodation' was 9,7%, but it was much higher at 23,5% in 2015.

**Figure 7 – Concentration ratios for the accommodation industry, 2015**

Source: Accommodation industry, Report No. 64-11-01 (2015)

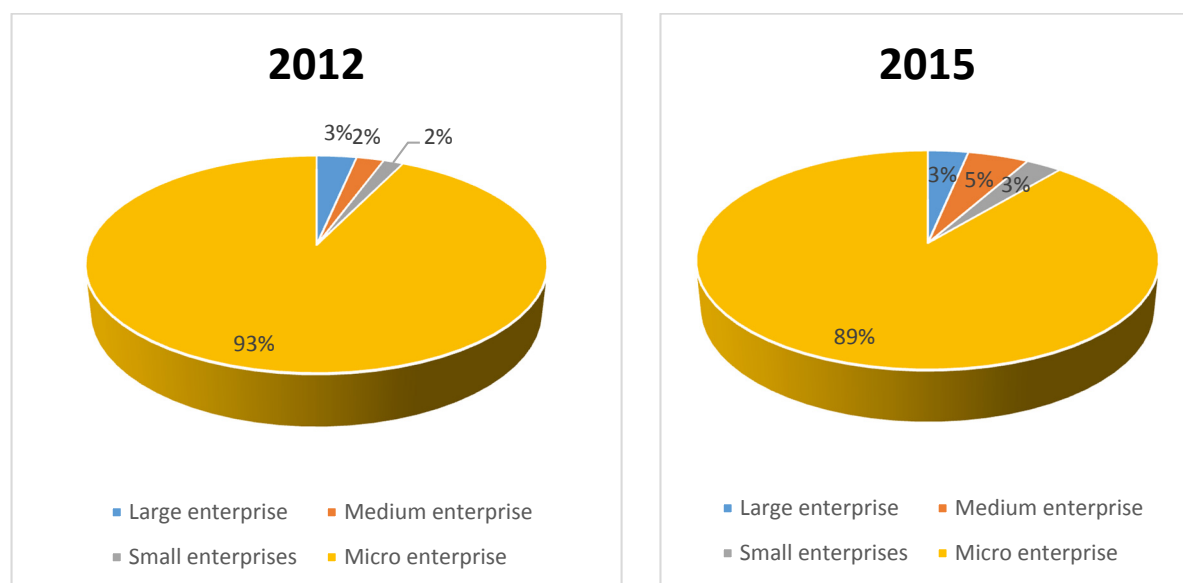
Figures 8, 9 and 10 below show the relative income contributions to each service type based on the enterprise size group for 2012 and 2015. The four size groups discussed are large, medium, small and micro (see glossary for turnover cut-offs).

**Figure 8 – Income by enterprise size group for hotels, motels and inns, 2012 and 2015**



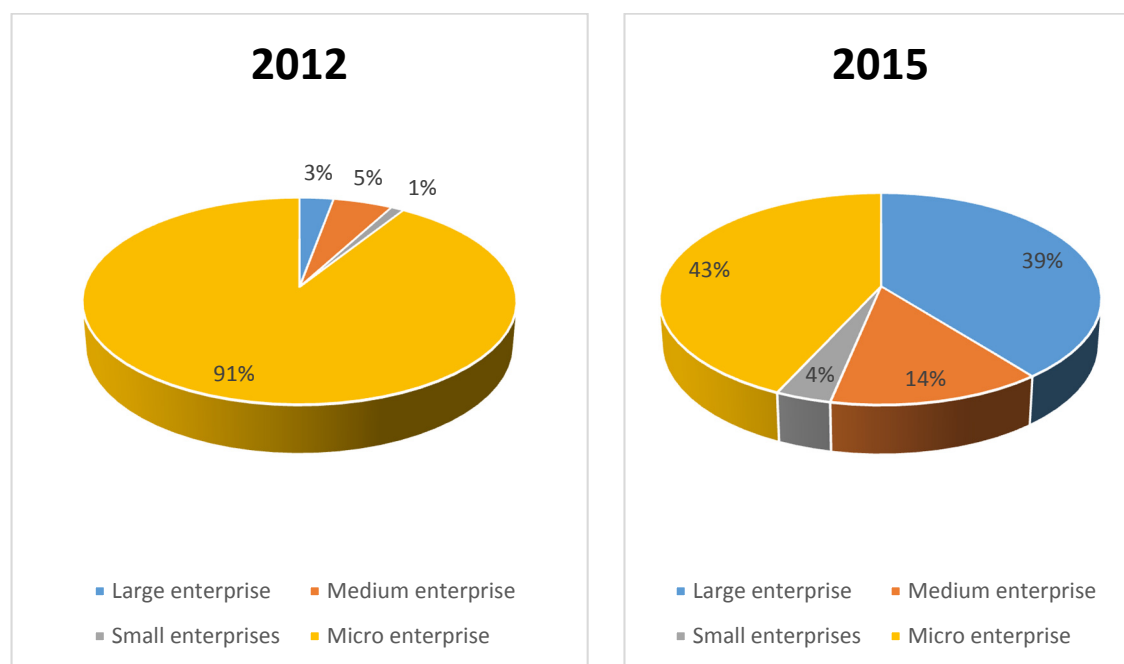
Source: Accommodation industry, Report No. 64-11-01 (2015)

Data in Figure 8 show that for 'hotels, motels and inns', large enterprises accounted for 80% in 2012 and 2015. Thus, the income contribution by large enterprises has remained unchanged. However, the income contribution by medium enterprises increased from 6% in 2012 to 8% in 2015. Over the same period, the income contribution by micro-enterprises declined from 13% to 11%.

**Figure 9 – Income by enterprise size group for guest-houses and guest-farms, 2012 and 2015**

Source: Accommodation industry, Report No. 64-11-01 (2015)

Figure 9 shows that in 'guest-houses and guest-farms', micro-enterprises had the largest proportion of income, accounting for 93% in 2012 and 89% in 2015. Medium enterprises gained market share, with income contribution increasing from 2% in 2012 to 5% in 2015. The income contribution of large enterprises remained unchanged at 3%.

**Figure 10 – Income by enterprise size group for other accommodation, 2012 and 2015**

Source: Accommodation industry, Report No. 64-11-01 (2015)

Large changes in 'other accommodation' are evident in Figure 10. Micro-enterprises accounted for 91% of total income in 2012, but the contribution declined to 43% in 2015. In contrast, the income contribution from large enterprises increased significantly from 3% in 2012 to 39% in 2015. Income contribution by medium enterprises also increased, from 5% in 2012 to 14% in 2015. Similarly, small enterprises increased from 1% in 2012 to 4% in 2015.

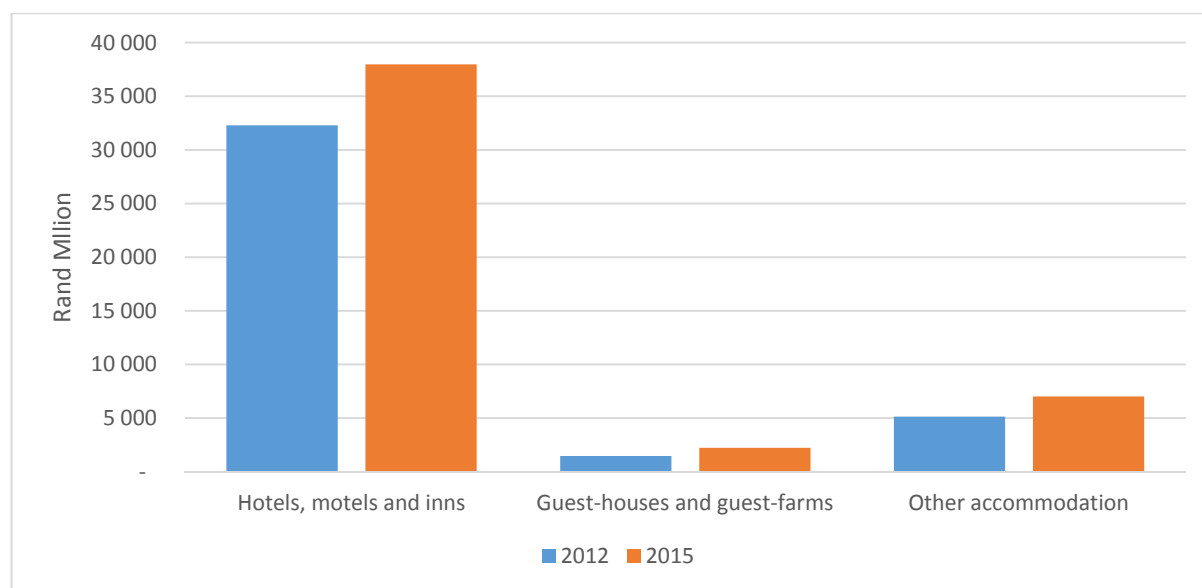
Both the concentration ratios and income contribution by enterprise size showed that 'hotels, motels and inns' were concentrated, but their concentration levels have declined over time. The market share of medium-sized enterprises has increased over time. The data also show that 'guest-houses and guest-farms' were not concentrated and competition was high. 'Other accommodation' has become concentrated over time with large enterprises gaining a significant market share at the expense of micro-enterprises, which declined over time.

### 3.2 Income structure

The tourism sector contributes 3% to the total GDP of the country (in 2015).<sup>4</sup> The accommodation industry is a major contributor to the tourism industry, with 'hotels, motels and inns' dominating the income of the accommodation industry. Figure 11 shows that income generated from 'hotels, motels and inns' grew from R32,3 billion in 2012 to R37,9 billion in 2015, whereas 'other accommodation' grew from R5,1 billion in 2012 to R7 billion in 2015. 'Guest-houses and guest-farms' contributed the least, with income increasing from R1,5 billion in 2012 to R2,2 billion in 2015.

<sup>4</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

**Figure 11 – Total income for the accommodation industry from Structural Industry Statistics,<sup>5</sup> 2012 and 2015**

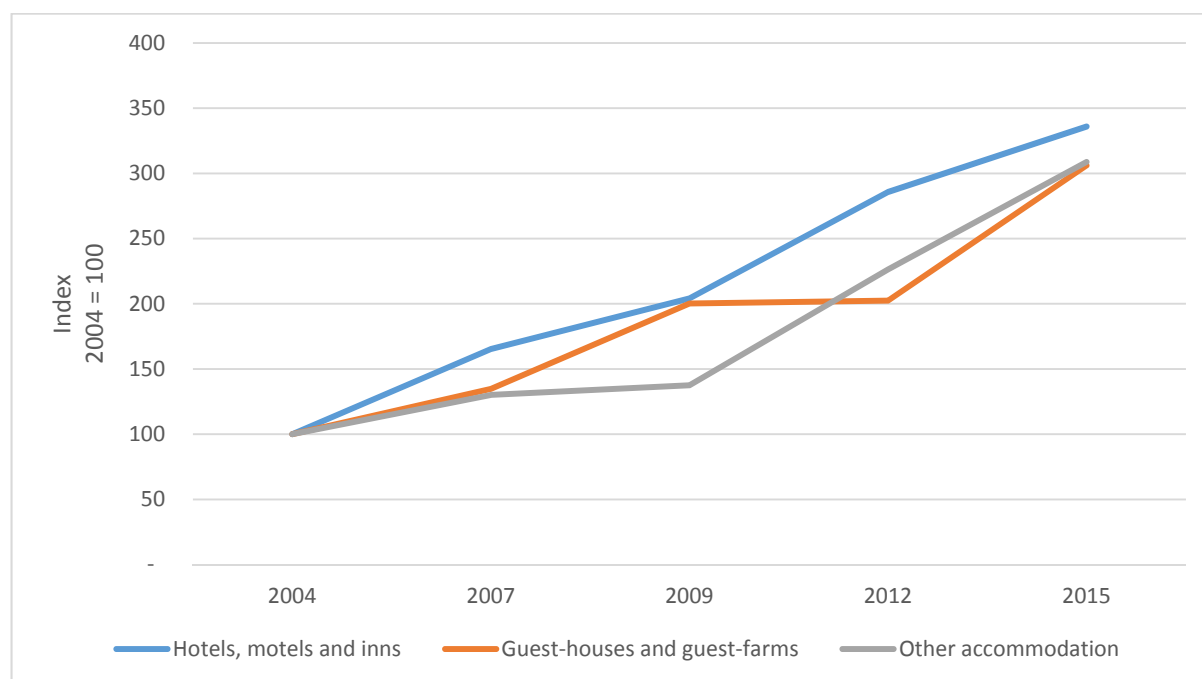


Source: Accommodation industry, Report No. 64-11-01 (2015)

Figure 11 above shows that income generated by 'hotels, motels and inns' was far greater than that generated by 'guest-houses and guest-farms' and 'other accommodation'. In terms of percentage share of the accommodation industry's total income in 2015, 'hotels, motels and inns' had 80%, 'other accommodation' had 15% and 'guest-houses and guest-farms' had 5%. The shares in 2012 were 'hotels, motels and inns' 83%, 'other accommodation' 13%, and 'guest-houses and guest-farms' 4%, suggesting that the structure did not change much between 2012 and 2015.

This is not the full story though. In Figure 12 below, the total income data are indexed with a base year of 2004, showing which of the three service types have shown stronger income growth over the time period.

<sup>5</sup> Differences between Figure 5 and Figure 11 are due to different sample sizes and survey coverages, with Figure 11 covering a large sample.

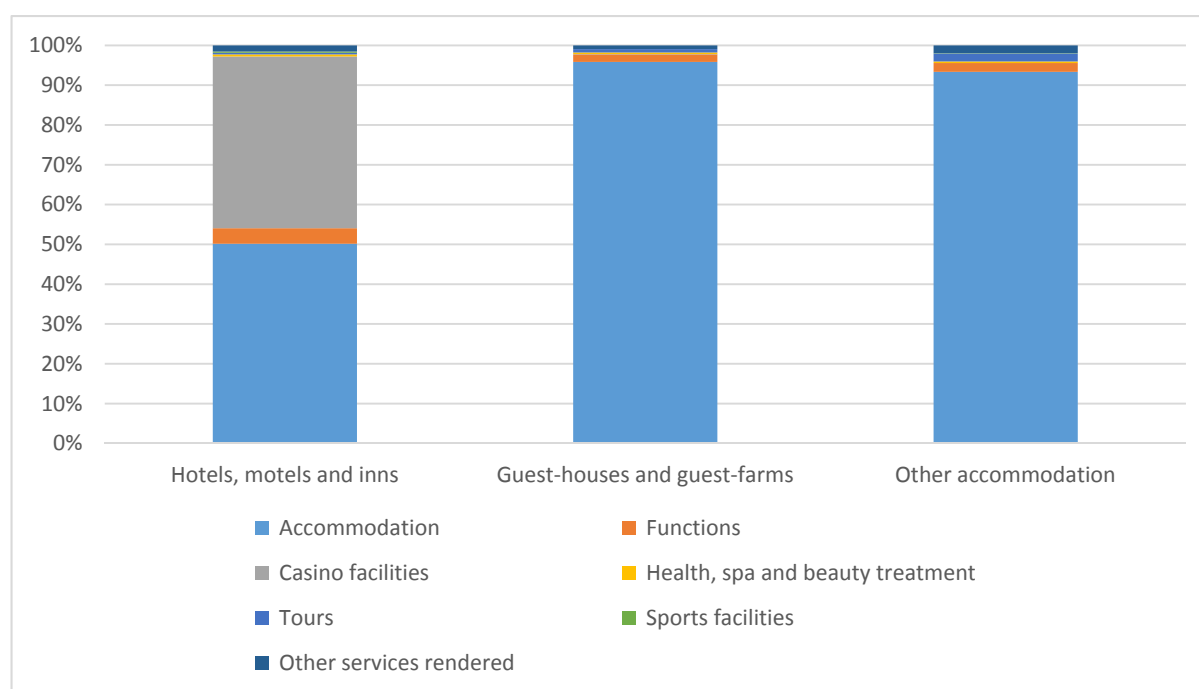
**Figure 12 – Total income of the accommodation industry indexed, 2004–2015**

Source: Accommodation industry, Report No. 64-11-01 (2015)

The data in Figure 12 show that while 'hotels, motels and inns' was the highest performer in terms of the growth of their total income, 'guest-houses and guest-farms' and 'other accommodation' have also shown an increase in total income. Between 2012 and 2015 the highest growth was in 'guest-houses and guest-farms'. With the exception of 2009, 'hotels, motels and inns' grew steadily.

Examining the sources of income for the three service types, it can be seen that accommodation income was the main source in the accommodation industry. Figure 13 below shows the percentage contributions of the various sources of income for 2015. It can be seen that 'guest-houses and guest-farms' along with 'other accommodation' relied heavily on accommodation as a source of income, with it comprising over 90% of their total income. The picture was different, however, for 'hotels, motels and inns', with accommodation comprising only 50% of their total income. While the hosting of functions contributes a noticeable amount to total income, it was casino activity that was the second largest contributor (about 43%) toward total income.

**Figure 13 – Sources of income per accommodation service type, 2015**

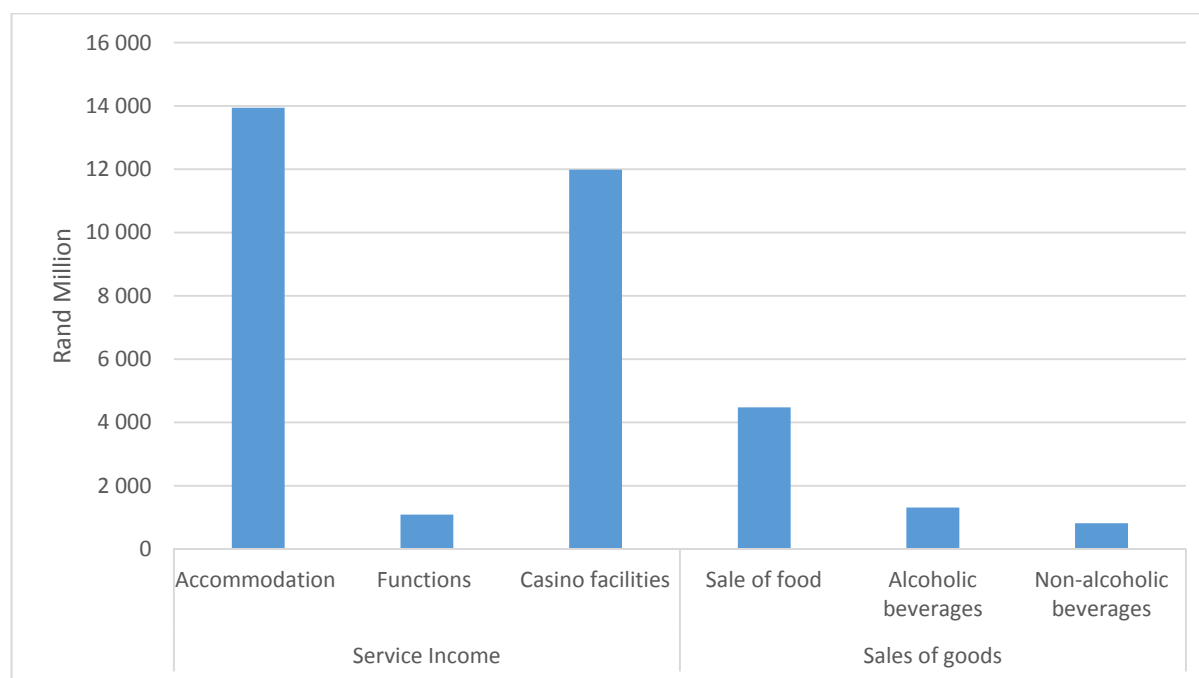


Source: Accommodation industry, Report No. 64-11-01 (2015)



Figure 14 focuses on 'hotels, motels and inns'. Their main sources of income comprise accommodation, casino facilities and functions for services; and sales of food, alcoholic beverages and non-alcoholic beverages for goods. Accommodation accounted for R13,9 billion in 2015, followed by casino facilities with R11,9 billion. Sales of food accounted for R4,4 billion. These three were the main income sources for 'hotels, motels and inns'.

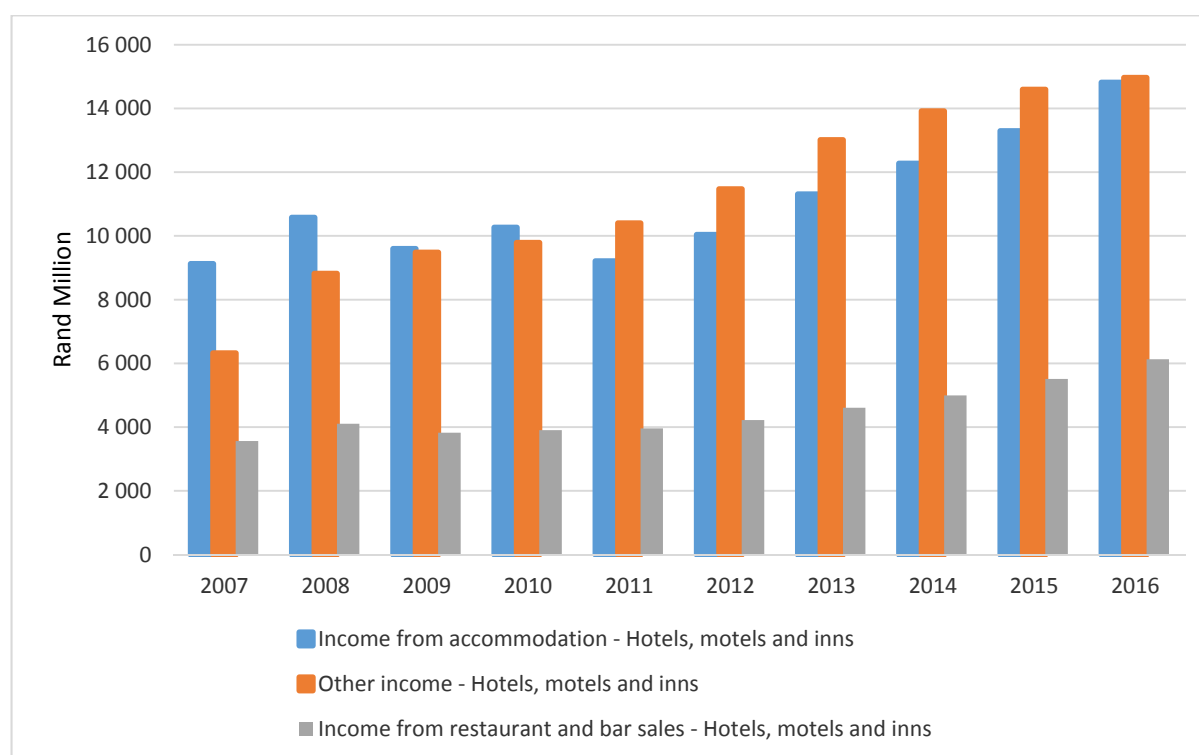
**Figure 14 – Main income sources for hotel, motels and inns, 2015**



Source: Accommodation industry, Report No. 64-11-01 (2015)

Figure 15 focuses on the major sources of income for 'hotels, motels and inns' for the years 2007 to 2016. The data are based on the monthly Tourist Accommodation Survey (Stats SA). Although both Figures 14 and 15 show types of income, the data sources are different, hence the magnitudes differ slightly. The SIS Survey used in Figure 14 has a much larger sample than the Tourist Accommodation Survey used in Figure 15. Despite the minor differences in numbers, the advantage of the Tourist Accommodation Survey is its high frequency, thus allowing for a longer time series. The disadvantage is that data for casino facilities are not available as a standalone item, as these had been incorporated into other income. An assumption was made that due to its relative size, casino income would be the dominant component of other income, thus other income in this case acts as a proxy for casino facilities. Figure 15 shows that other income is an increasingly larger part of the total income of 'hotels, motels and inns'. Starting in 2011, other income contributed more to total income of 'hotels, motels and inns' than accommodation income.

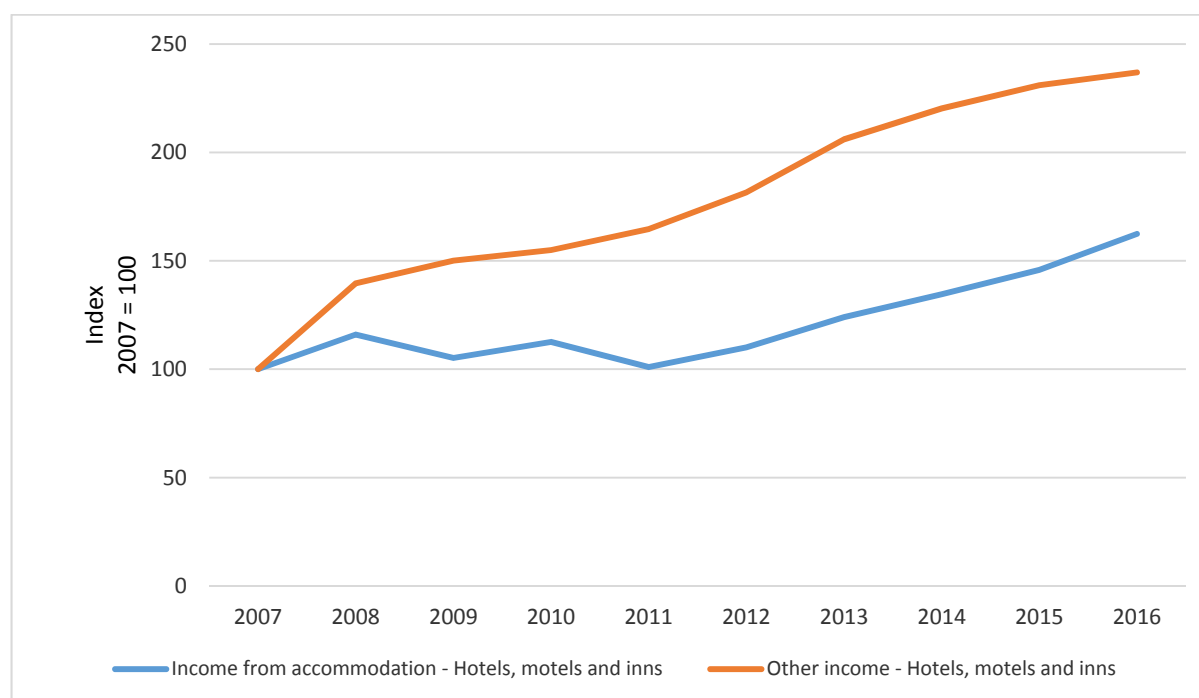
**Figure 15 – Hotel, motels and inns: sources of income, 2007–2016**



Source: Tourist accommodation, P6410

Figure 16 below focuses on the two major sources of income for 'hotels, motels and inns', namely accommodation and other income. The indexed numbers with a base of 2007 are compared over 10 years. As earlier indicated, data for casino facilities are included in other income. Growth in other income outstripped accommodation income by a considerable margin, particularly between 2007 and 2011.

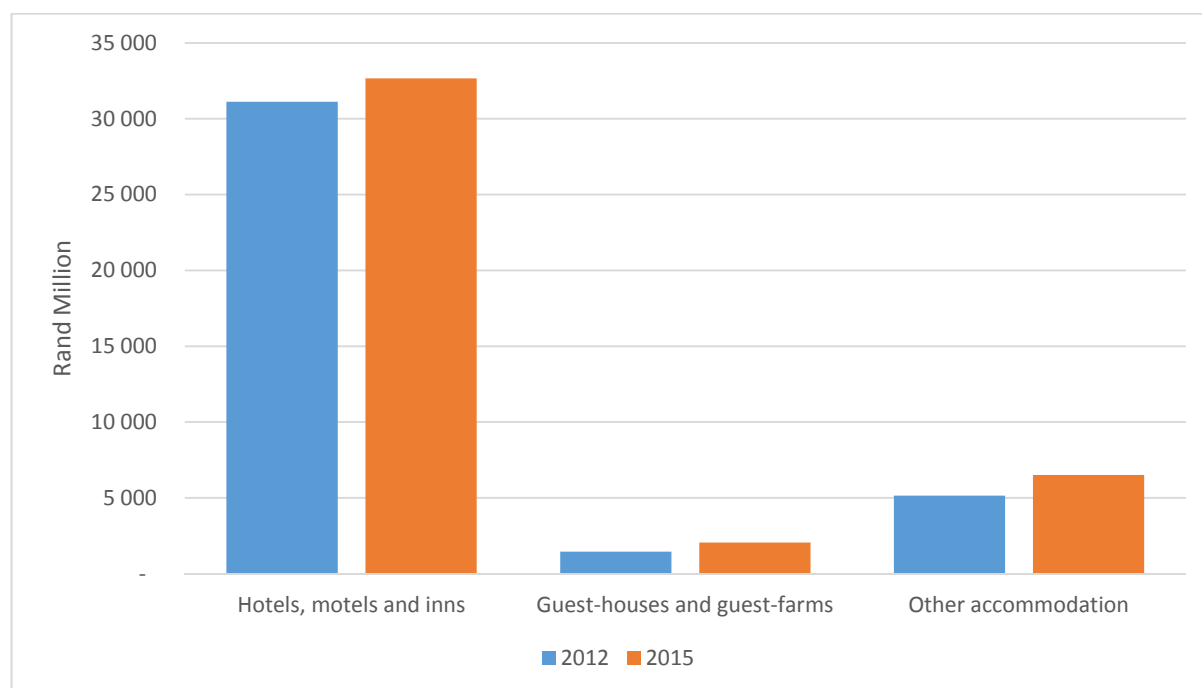
**Figure 16 – Indexed growth of accommodation income and other income of hotels, motels and inns, 2007–2016**



Source: Tourist accommodation, P6410

### 3.3 Expenditure structure

Data in Figure 17 show that total expenditure by 'hotels, motels and inns' increased from R31,1 billion in 2012 to R32,7 billion in 2015. During the same period, 'other accommodation' increased from R5,1 billion to R6,5 billion while 'guest-houses and guest-farms' increased from R1,5 billion to R2 billion. This showed that the bulk of expenditure was accounted for by 'hotels, motels and inns'.

**Figure 17 – Expenditure in the accommodation industry, 2012 and 2015**

Source: Accommodation industry, Report No. 64-11-01 (2015)

A further breakdown of expenditure in Table 1 shows the three main expenditure items per service type in 2015. The largest component for 'hotels, motels and inns' was salaries and wages, with expenditure of R7,8 billion. This was followed by purchases of R4,6 billion and interest paid with a value of R2,9 billion. For 'guest-houses and guest-farms', the two largest expenditures were purchases of R532 million, and salaries and wages of R530 million. For 'other accommodation', purchases was the largest expenditure item (R1,9 billion), followed by salaries and wages (R1,6 billion); rental was R414 million.

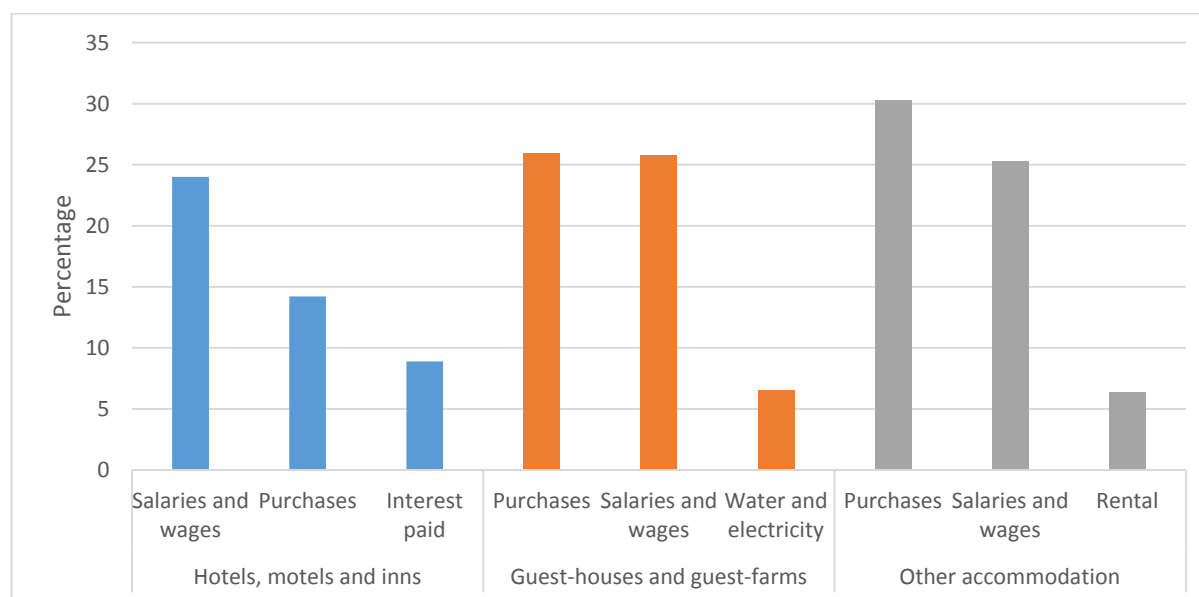
**Table 1 – Main expenditure items per type of service, 2015**

Type of service	Expenditure item	Rand million
Hotels, motels and inns	Salaries and wages	7 839
	Purchases	4 640
	Interest paid	2 905
Guest-houses and guest-farms	Purchases	532
	Salaries and wages	530
	Water and electricity	133
Other accommodation	Purchases	1 970
	Salaries and wages	1 646
	Rental	414

Source: Accommodation industry, Report No. 64-11-01 (2015)

Figure 18 below shows the main expenditure items (listed in Table 1) as a percentage of total expenditure for 2015. For 'hotels, motels and inns', salaries and wages accounted for 24% of total expenditure, followed by purchases at 14%. For 'guest-houses and guest-farms', purchases and salaries and wages each accounted for 26% of total expenditure, while water and electricity accounted for 7%. In 'other accommodation', 30% of expenditure was accounted for by purchases, while 25% was accounted for by salaries and wages.

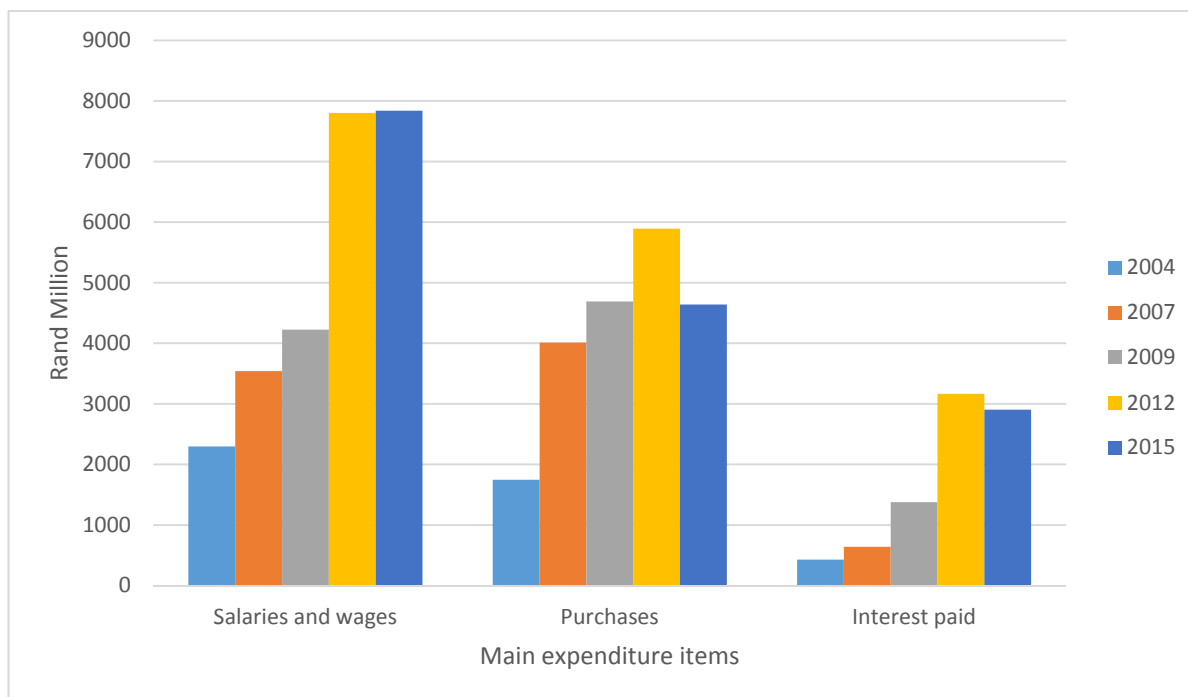
**Figure 18 – Main expenditure items per service type, 2015**



Source: Accommodation industry, Report No. 64-11-01 (2015)

Figure 19 below focuses on the three main expenditure items for 'hotels, motels and inns' over a time period starting in 2004 and ending in 2015. The purpose of this graph is to show how the main expenditure items have increased over time. There was a particularly high increase in salaries and wages between 2009 and 2012. Expenditure on salaries and wages almost doubled, increasing from R4,2 billion to R7,8 billion. Purchases have generally increased over time, except for a decline from R5,8 billion in 2012 to R4,6 billion in 2015. Expenditure on interest paid also increased over time, except when there was a decrease from R3,2 billion in 2012 to R2,9 billion in 2015.

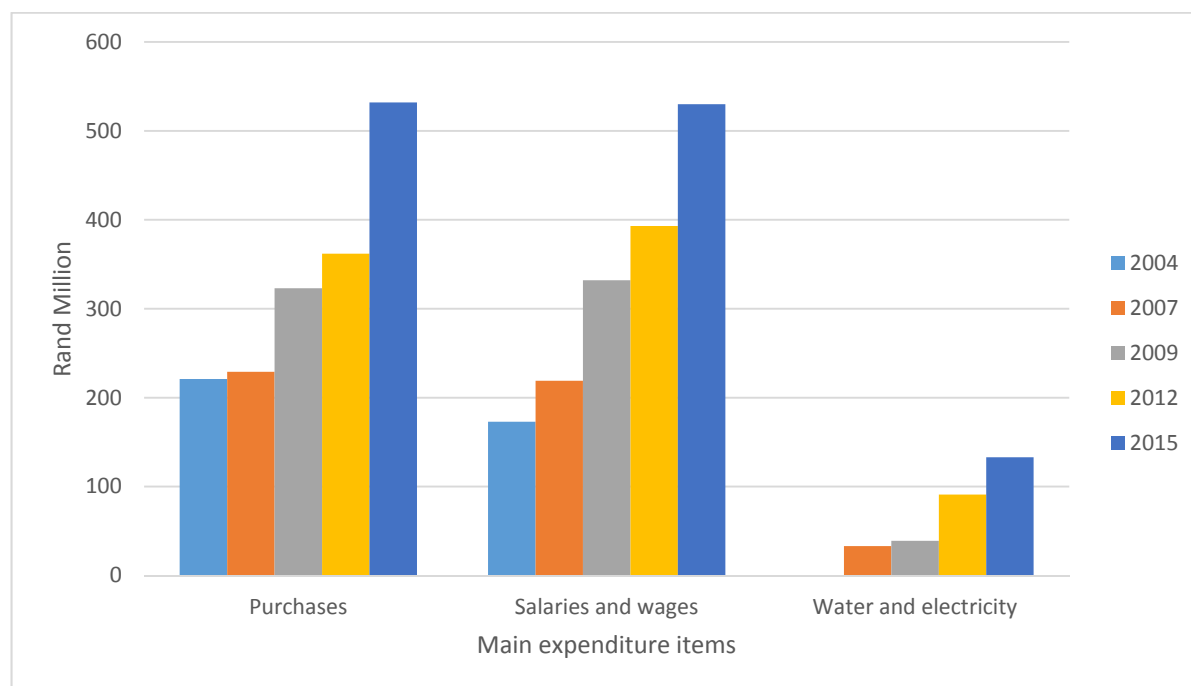
**Figure 19 – Main expenditure items of hotels, motels, and inns, 2004–2015**



Source: Accommodation industry, Report No. 64-11-01

For 'guest-houses and guest-farms', expenditure on the three main items increased over the period 2004–2015. There was a noticeable increase in purchases between 2012 (R362 million) and 2015 (R532 million), such that purchases once again narrowly exceeded salaries and wages as the largest expense.

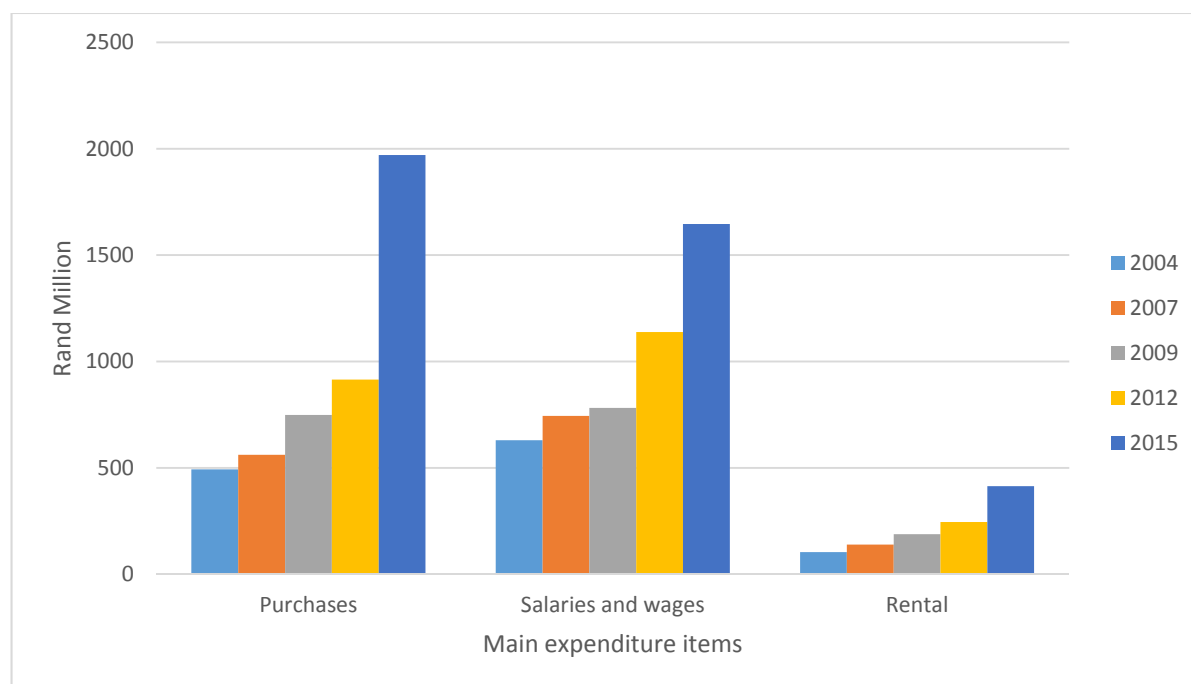
**Figure 20 – Main expenditure items of guest-houses and guest-farms, 2004–2015**



Source: Accommodation industry, Report No. 64-11-01

Figure 21 below focuses on the three main expenditure items for 'other accommodation' over a time period starting in 2004 and ending in 2015. Purchases showed a steep increase between 2012 (R915 million) and 2015 (R1,9 billion), or 115%. Salaries and wages increased by approximately 45% between 2009 and 2012 and between 2012 and 2015. Rental expenditure for 'other accommodation' also increased over time.

**Figure 21 – Main expenditure items of other accommodation, 2004–2015**



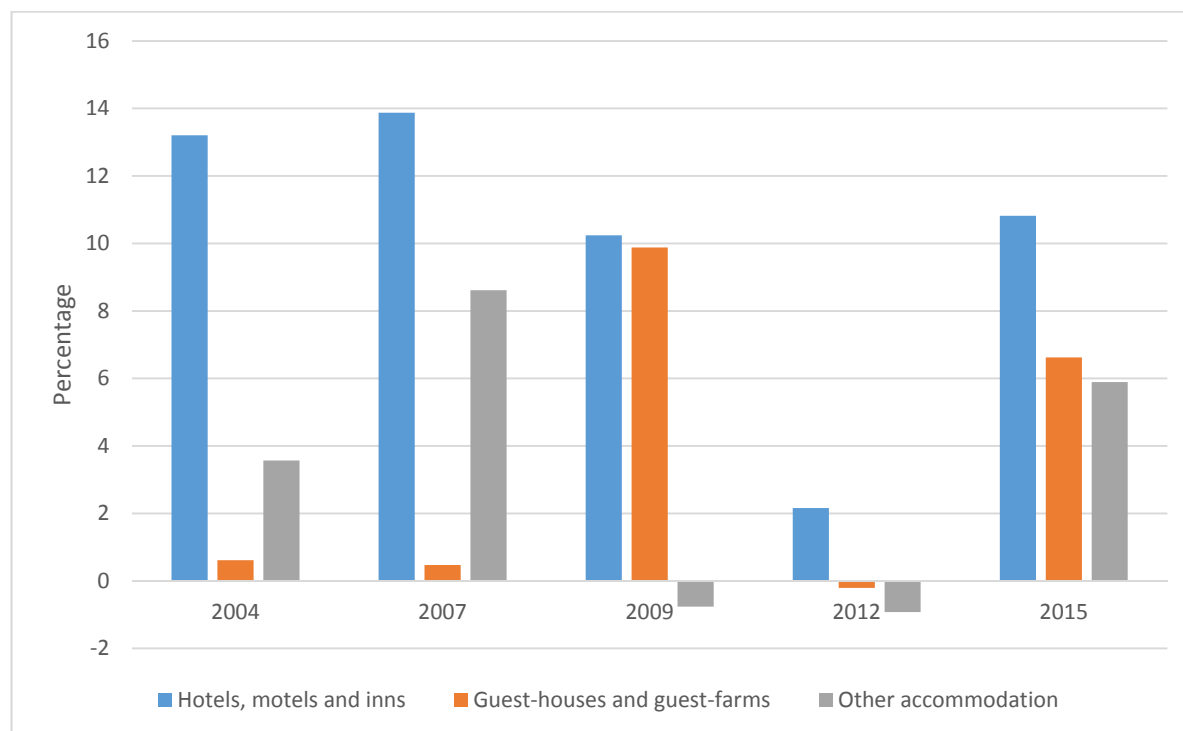
Source: Accommodation industry, Report No. 64-11-01

### 3.4 Profit structure

Figure 22 shows net profit margins<sup>6</sup> in the accommodation industry. It is interesting to note that 'hotels, motels and inns' generated net profit margins above 10% with the exception of 2012, when the margin was just 2%. 'Guest-houses and guest-farms' generated high net profit margins of 10% in 2009 and 7% in 2015, but also experienced a loss of 0,2% in 2012. 'Other accommodation' experienced losses in 2009 and 2012, returning to profit in 2015 with a net profit margin of 5,9%.

<sup>6</sup> This figure is calculated using net profit/loss before taxes.



**Figure 22 – Net profit<sup>7</sup> margins in the accommodation industry, 2004–2015**

Source: Accommodation industry, Report No. 64-11-01

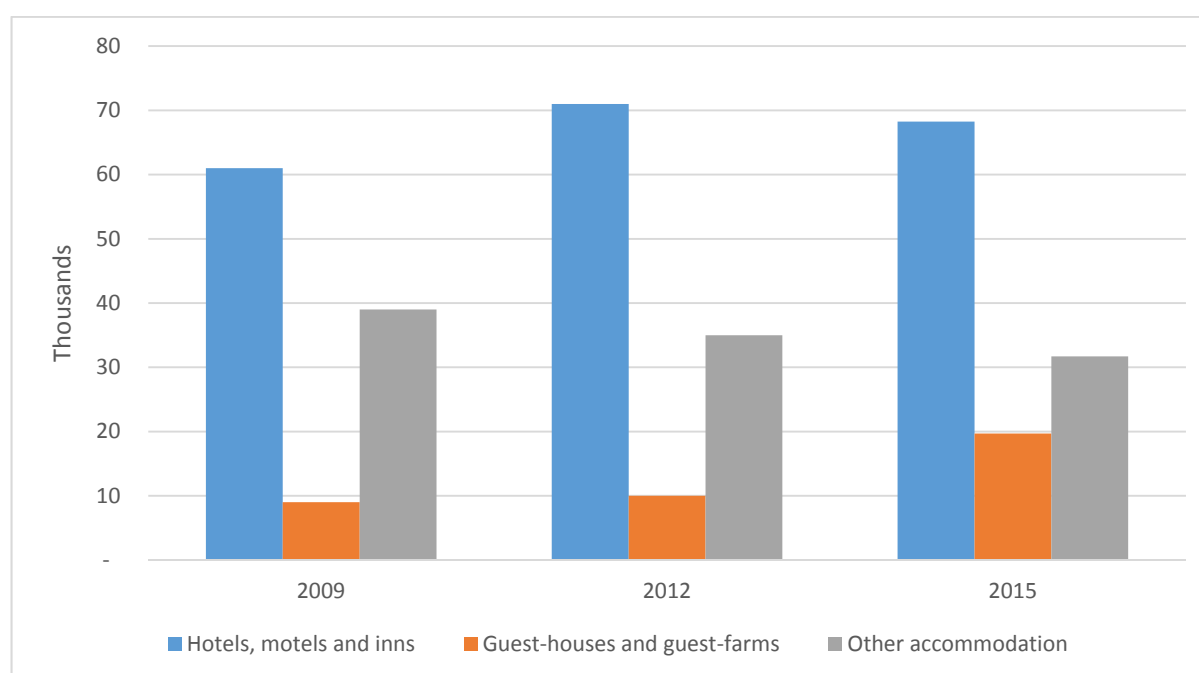
In essence, the data show that 'hotels, motels and inns' have consistently realised higher profit margins than 'guest-houses and guest-farms' and 'other accommodation'. However, their profit margins have declined over time. Profit margins in 'guest-houses and guest-farms' and 'other accommodation' were much lower in 2004, but the differences were substantially less in 2015.

<sup>7</sup> This figure is calculated using net profit/loss before taxes.

### 3.5 Breakdown of stay unit performance per service type

A stay unit is the unit of accommodation available to be charged out to guests, for example, a powered site in a caravan park or a room in a hotel. Figure 23 shows the number of stay units per service type for 2009, 2012 and 2015. 'Hotels, motels and inns' had the highest number of stay units at 61 000 in 2009, peaking at 71 000 in 2012 and dropping slightly to 68 000 in 2015. 'Other accommodation' had the second highest with 39 000 units in 2009, dropping to 35 000 in 2012 and 32 000 in 2015. 'Guest-houses and guest-farms' recorded the lowest number of stay units, with 9 000 in 2009 and 10 000 in 2012, and a big increase to 20 000 in 2015.

**Figure 23 – Number of stay units available per service type,<sup>8</sup> 2009–2015**

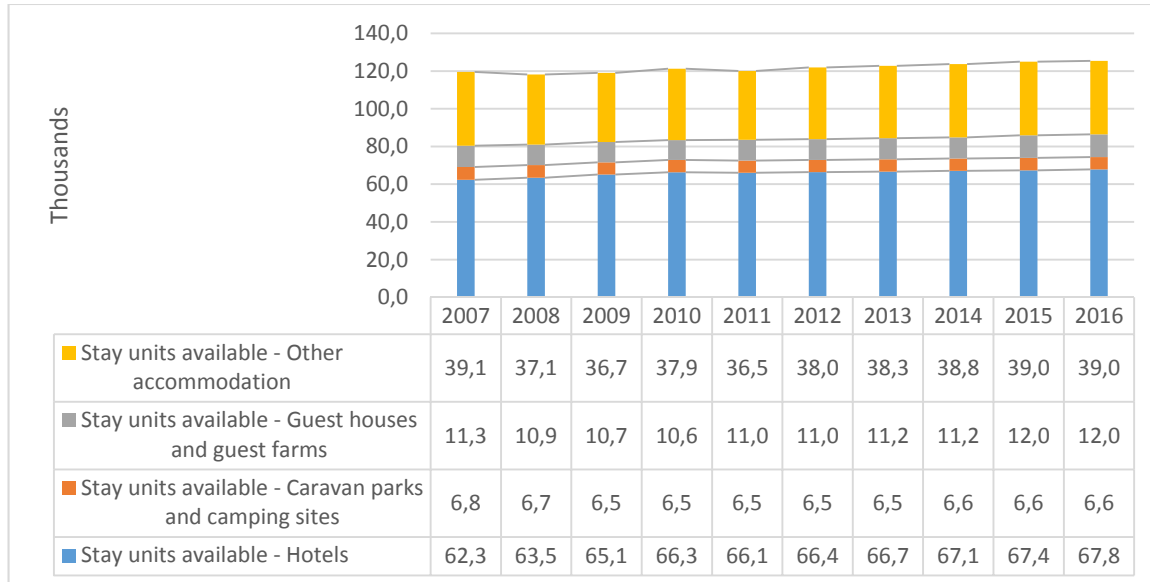


Source: Accommodation industry, Report No. 64-11-01

<sup>8</sup> Differences between Figure 23 and Figure 24 are due to different sample sizes and survey coverages, with Figure 23 covering a large sample.

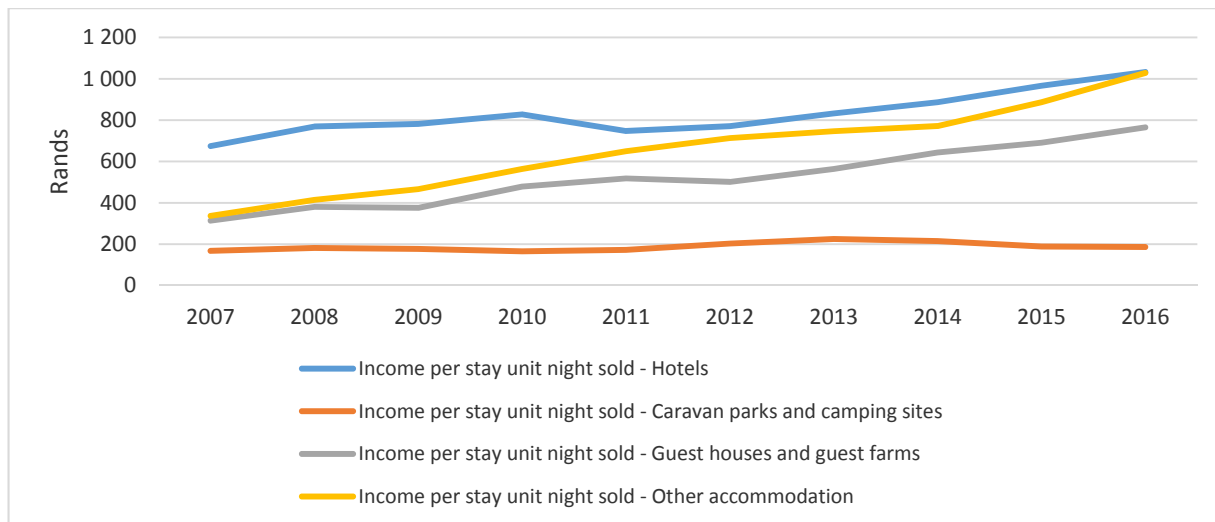
Figure 24 shows the number of stay units available per service type calculated from monthly data. Although the numbers vary from Figure 23 because of differences in survey types, the data paint a similar picture regarding stay units, namely that stay units in 'hotels, motels and inns' are much higher than in 'guest-houses and guest-farms' and 'other accommodation'.

**Figure 24 – Number of stay units available per service type derived from monthly data, 2007–2016**



Source: Tourist accommodation, P6410

**Figure 25 – Average income per stay unit night sold, 2007–2016**



Source: Tourist accommodation, P6410

Figure 25 above shows the average income per stay unit night sold (the unit value or implied price). Note that 'caravan parks and camping sites' are separated from 'guest-houses and guest-farms' to show the difference between the two. 'Hotels, motels and inns' charged the highest unit value; however, in 2016 'other accommodation' charged just a fraction less than 'hotels, motels and inns'. From 2014 to 2016 there was a sharp increase in the unit value for 'other accommodation'.

## 4. OTHER TRENDS RELATED TO THE ACCOMMODATION INDUSTRY

This section outlines other trends related to the accommodation industry. Other trends discussed in this section relates to tourism contribution, the FIFA Soccer World Cup of 2010, and increased long-term loans.

### 4.1 *Tourism contribution*

As indicated earlier, the accommodation industry is a tourism characteristic industry that is heavily reliant on tourism for income generation. Tourism contribution is measured using a satellite account, which is an extension of the National Accounts framework. The contribution of tourism for South Africa is reported in the Tourism Satellite Account for South Africa (TSA). This is because the tourism sector itself is multi-industrial. Thus, tourism consumption spans multiple industries, including accommodation, transport, retail, sports and recreation, and restaurants. In some of these industries, tourism consumes the majority of their output; in others (such as the retail sector), tourism consumes a small amount of the output.

In 2015, tourism contributed 3,1% to direct gross value added of the economy and 3% to the gross domestic product of the economy.<sup>9</sup> A benefit of tourism is that a portion of tourist consumption is foreign tourists consuming locally-produced tourism output; this is (in the National Accounts) regarded as an export of tourism products. This is termed inbound tourism. Inbound tourism comprises the tourism of non-resident visitors within the economic territory.<sup>10</sup> Inbound tourism generated R109 billion in 2015.<sup>11</sup>

Data for domestic tourism, which is defined as the tourism of resident visitors within their economic territory,<sup>12</sup> showed that domestic tourism was larger than inbound, and generated R140 billion in 2015<sup>13</sup> (see appendix for detailed definition, inclusions/exclusions).

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<sup>9</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

<sup>10</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

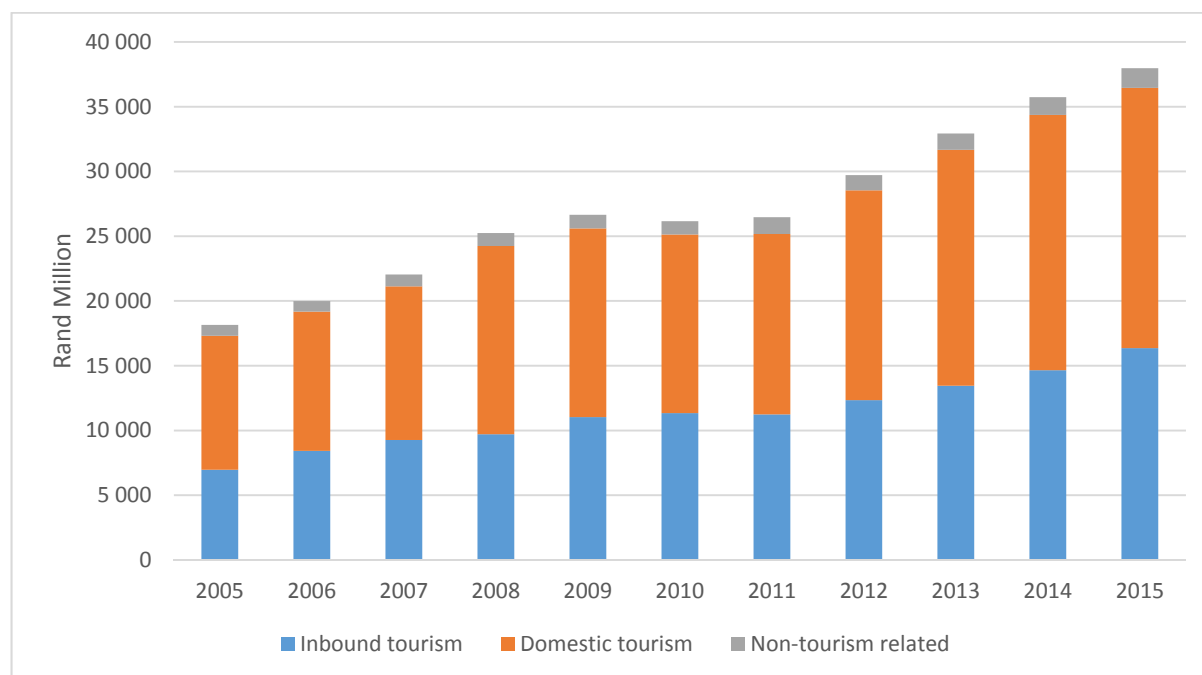
<sup>11</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

<sup>12</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

<sup>13</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

Figure 26 below shows that inbound tourism, which represents foreign consumers of accommodation services, consumed R6,9 billion in 2005 and R16,3 billion in 2015. Domestic tourism consumed R10,3 billion in 2005 and R20,1 billion in 2015.

**Figure 26 – Nature of accommodation services consumption, 2005–2015**

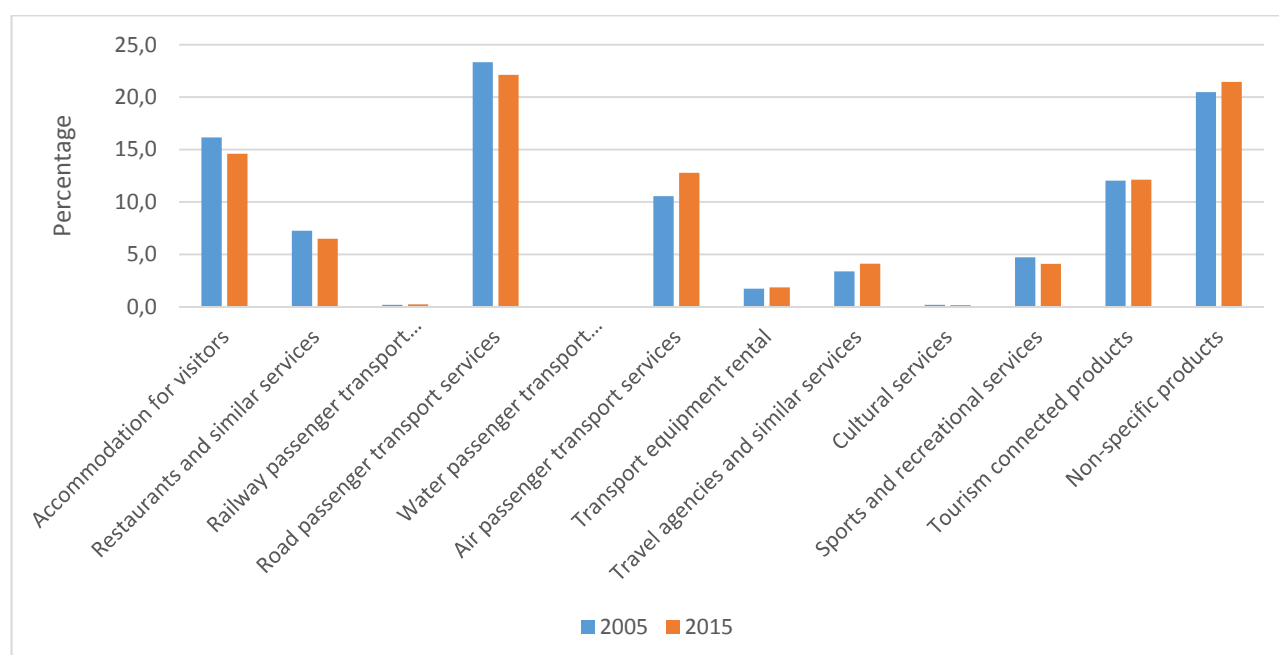


Source: Tourism Satellite Account for South Africa, Report No. 04-05-07

Figure 27 shows the contribution of tourism-connected industries to total internal tourism consumption. Internal tourism consumption is effectively the sum of domestic tourism and inbound tourism consumption, and comprises consumption expenditure of visitors – both resident and non-resident – in an economy<sup>14</sup>.

The percentage contribution of accommodation for visitors declined from 16,2% in 2005 to 14,6% in 2015. The contribution of road passenger transport services, which is the largest contributor to the tourism sector, decreased slightly from 23,3% in 2005 to 22,1% in 2015.

**Figure 27 – Contribution of tourism consumption of related industries to the tourism sector, 2005 and 2015**



Source: Tourism Satellite Account for South Africa, Report No. 04-05-07

In summary, the data show that tourism consumption has increased over time and that consumption for domestic tourism was larger than inbound consumption.

## 4.2 The 2010 FIFA Soccer World Cup

In June/July 2010, South Africa hosted the FIFA Soccer World Cup, in which Spain defeated Netherlands in a thrilling final in Johannesburg. While there were economic benefits in terms of stadium construction, road construction and other major infrastructure improvements, this section explores the effect of the Soccer World Cup from an accommodation and tourism perspective.

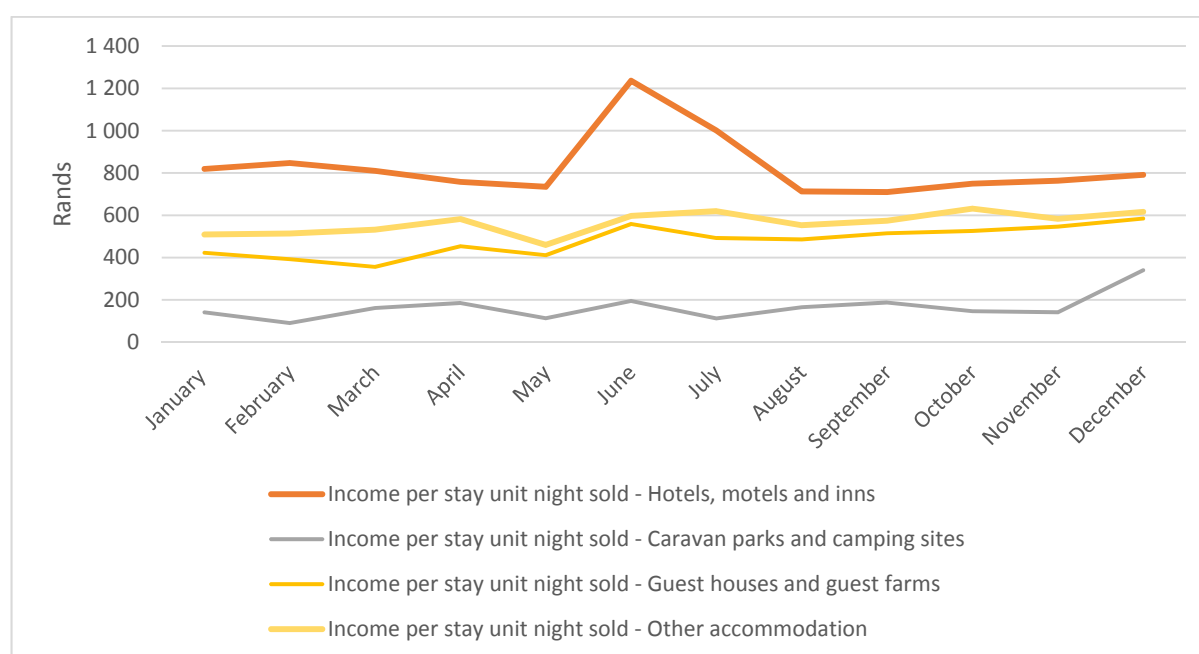
The Soccer World Cup filled stadiums with domestic and inbound tourists, some of whom stayed for the duration of the Soccer World Cup in hotels; others stayed in other forms of accommodation offered. The effect of the Soccer World Cup from a purely accommodation basis was not as large as many would think. As seen in the figures below, there was high demand for hotel accommodation which pushed the prices of hotel stay units up considerably for the month of June. This price increase also affected the CPI for accommodation services.

<sup>14</sup> Statistics South Africa. Tourism Satellite Account for South Africa: Report No. 04-05-07 (2015).

Figure 28 below shows the income per stay unit night sold for the year of 2010. Unlike Figure 25 which reflected annual data, data in Figure 28 are monthly data for the year of 2010. The purpose of Figure 28 is to show the monthly movement of the income per stay unit sold and the effect the Soccer World Cup had on it. Similar to Figure 25, 'guest-houses and guest-farms' are separated from 'caravan parks and camping sites'. While the total income figures combine these values, it is important to see the differences in income per stay unit night sold between the different types of accommodation.

Data in Figure 28 show a sharp increase in the per stay unit night sold income for 'hotels, motels and inns', increasing from R734 in May to R1 236 in June. However, in July the unit value decreased to R712 per night. Most of the matches took place in June (group matches and round of 16), with the finals held in July. The other service types showed less of a sharp move, with 'other accommodation' rising from a May value of R459 to a June value of R596, and July actually being higher at R619 before the price came down. 'Guest-houses and guest-farms' had a June value of R559, before a drop in July.

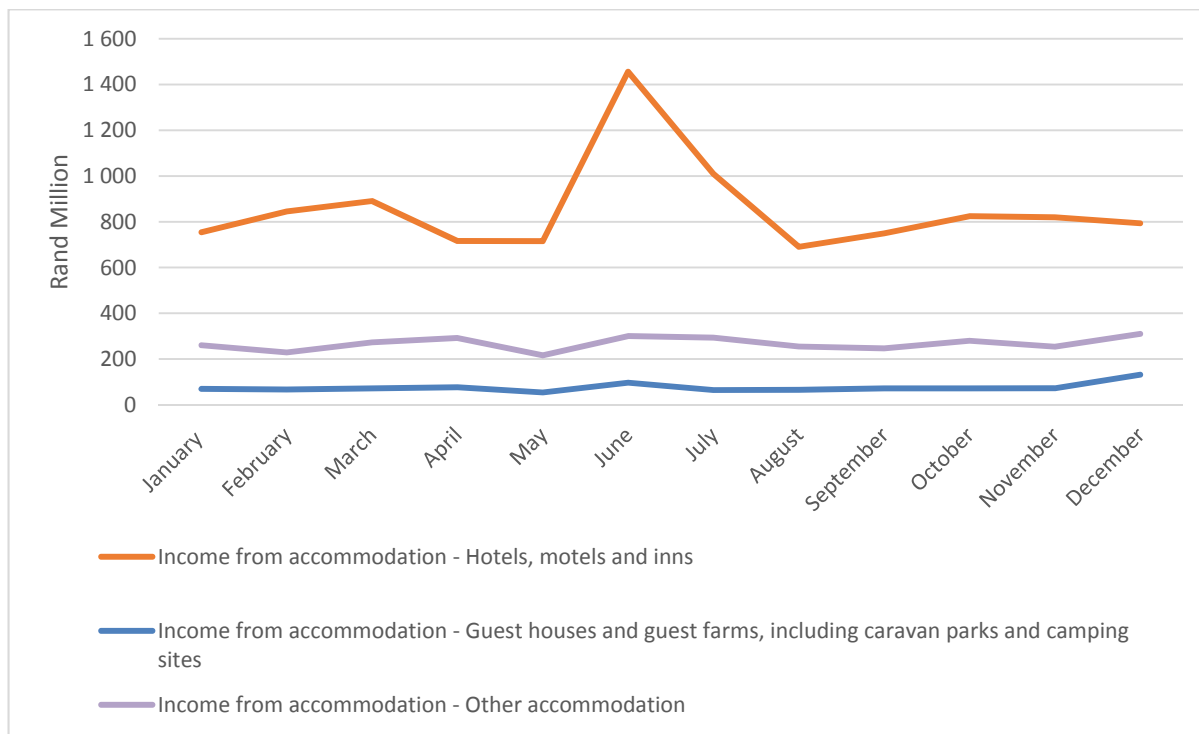
**Figure 28 – Monthly average income per stay unit night sold, 2010**



Source: Tourist accommodation, P6410

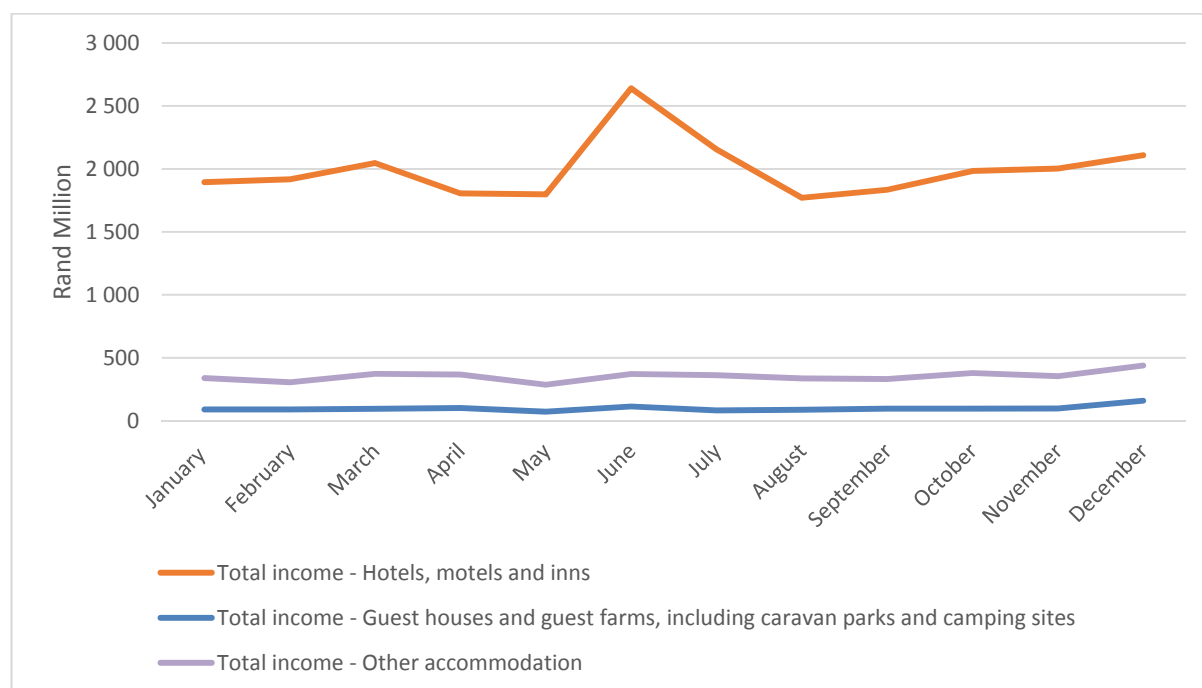
Figure 29 below examines the monthly income from accommodation per service type. This excludes all other forms of income such as casino facilities, rental income, and food and beverages sales. While 'guest-houses and guest-farms' along with 'other accommodation' show a minor increase in income for June 2010, 'hotels, motels and inns' show a large increase for the month of June. 'Hotels, motels and inns' June income was R1 456 million, sharply up from R715 million in May. In other years, income is typically low in June owing to the South African winter. July 2010 saw a large drop from the June value to R691 million. Figure 30 shows a similar trend to Figure 29 when examining total monthly income per service type in 2010. It is interesting to note that 'other accommodation' experienced a dip in May to R286 million from an April figure of R366 million, with a rise in June to R371 million. 'Guest-houses and guest-farms', including caravan parks and camping sites, follow a similar trend: total income in April of R100 million, followed by a decrease in May to R71 million and then an increase in June to R114 million.

**Figure 29 – Monthly income from accommodation per service type, 2010**



Source: Tourist accommodation, P6410

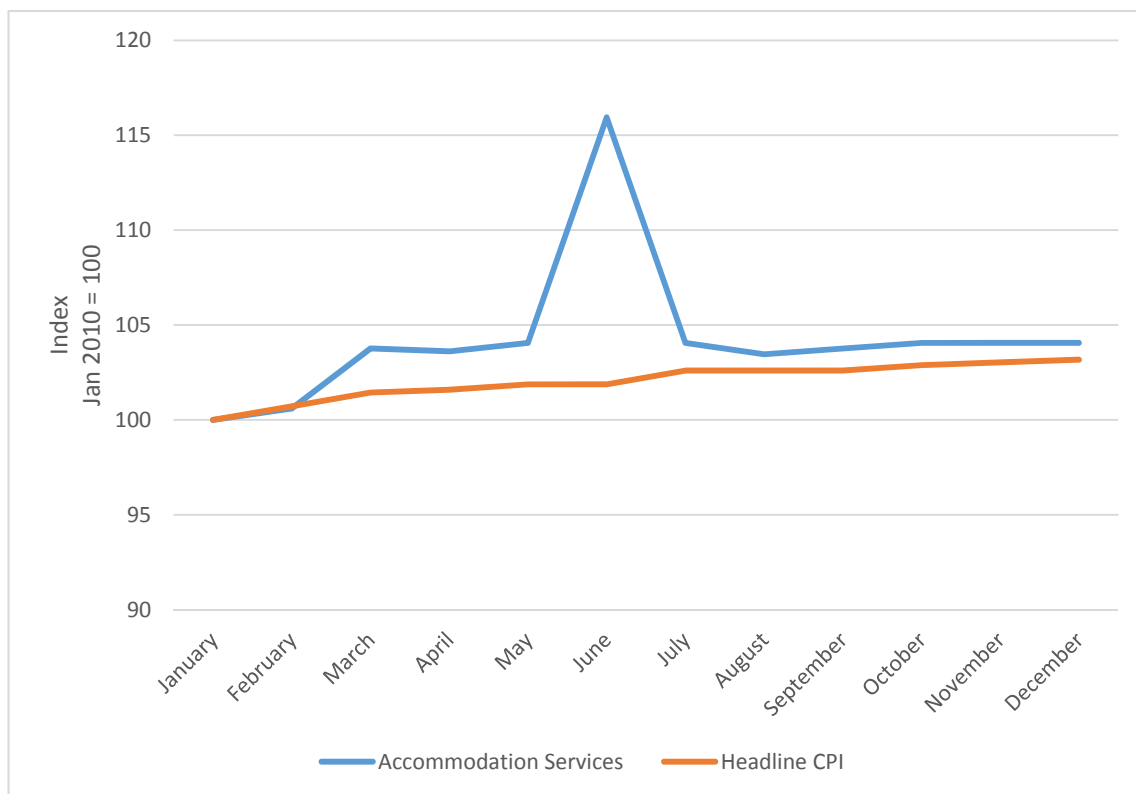


**Figure 30 – Monthly total income per service type, 2010**

Source: Tourist accommodation, P6410

Figure 28 shows an increase in income per stay unit night sold in June 2010, which was the peak demand for Soccer World Cup accommodation. Figure 31 shows the CPI of accommodation services for 2010, and compares it with the headline CPI. Figure 31 is indexed to a base of January 2010. There was a sharp increase in the price index in June for accommodation services, reaching 115,9 from 104,1 in May; thereafter it dropped back to 104,1 in July. The price index for accommodation services moved above the headline CPI index in March 2010. After the Soccer World Cup, the price index returned to lower levels, as seen before the Soccer World Cup.

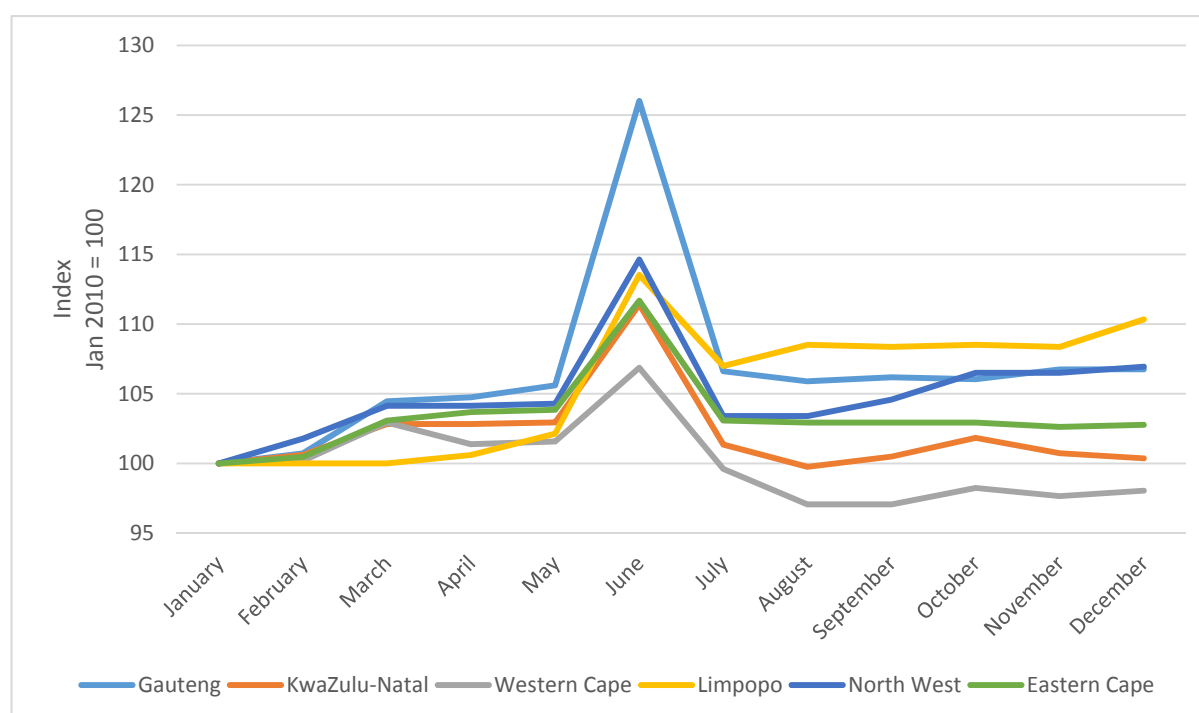
**Figure 31 – Consumer price index for accommodation services compared with all items, 2010**



Source: Consumer price index, Statistical release P0141

Figure 32 shows the CPI for accommodation services from selected provinces during 2010, all indexed to January 2010. The data show a similar trend to Figure 31; however, Gauteng shows the biggest price movement in June compared with the other provinces. Western Cape showed the lowest price movement in June 2010 and the subsequent months compared with the provinces shown in Figure 32. This does not imply that Western Cape's prices were lower than Gauteng in June or any other month: the indices reflect price changes, not price levels. Table 2 lists the CPI for accommodation services for all the provinces, indexed to January 2010.

**Figure 32 – Consumer price index of hotels per province,<sup>15</sup> 2010**



Source: Consumer price index, Statistical release P0141

<sup>15</sup> Selected provinces.

**Table 2 – Consumer price index for accommodation services per province, 2010<sup>16 17</sup>**

Province	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Western Cape	100,0	100,2	102,9	101,4	101,6	106,9	99,6	97,1	97,1	98,2	97,6	98,0
Eastern Cape	100,0	100,5	103,1	103,7	103,8	111,7	103,1	102,9	102,9	102,9	102,6	102,8
Northern Cape	100,0	101,9	110,1	110,9	110,9	112,9	112,2	112,9	114,8	114,8	114,8	114,7
Free State	100,0	100,7	104,1	104,6	104,6	106,7	105,5	107,1	107,1	107,1	108,0	108,0
KwaZulu-Natal	100,0	100,6	102,8	102,8	102,9	111,4	101,3	99,8	100,5	101,8	100,7	100,4
North West	100,0	101,8	104,1	104,1	104,3	114,6	103,4	103,4	104,6	106,5	106,5	106,9
Gauteng	100,0	100,7	104,5	104,7	105,6	126,0	106,6	105,9	106,2	106,0	106,8	106,8
Mpumalanga	100,0	99,9	104,4	104,4	104,5	105,2	105,2	105,0	105,0	103,8	103,8	104,0
Limpopo	100,0	100,0	100,0	100,6	102,1	113,5	107,0	108,5	108,4	108,5	108,4	110,3

Source: Consumer price index, Statistical release P0141

Despite the fact that the Soccer World Cup placed substantial upward pressure on the demand for accommodation and its price in June 2010, the overall effect on the full year of 2010 was minimal. Figure 5 (Total income for the accommodation industry, 2007–2016) shows that while the total income of 'hotels, motels and inns' increased slightly, overall it was not a significant increase in total income for 2010 (when compared with 2009 and 2011). In 2009 'hotels, motels and inns' generated R22,9 billion, rising to R24 billion in 2010 and dropping to R23,5 billion in 2011.

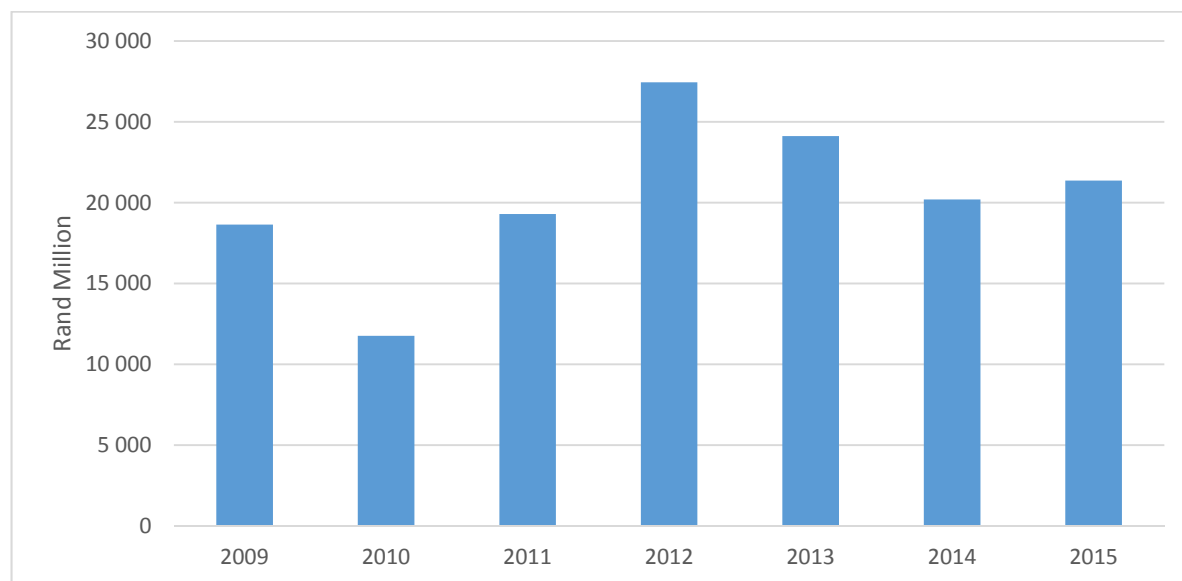
Tourism in 2010 suffered from a deferred effect, where a majority of tourists attended the Soccer World Cup in June 2010 but for the rest of the year the accommodation industry was flat. The implication of this is that major sporting events may not necessarily boost the accommodation industry by as much as anticipated.

### 4.3 Increased long-term loans

Figure 33 shows the long-term loans for the accommodation industry, using data from Stats SA's Annual Financial Statistics. Long-term loans peaked at 27,4 billion in 2012.

<sup>16</sup> This table is indexed where January 2010 is equal to 100.

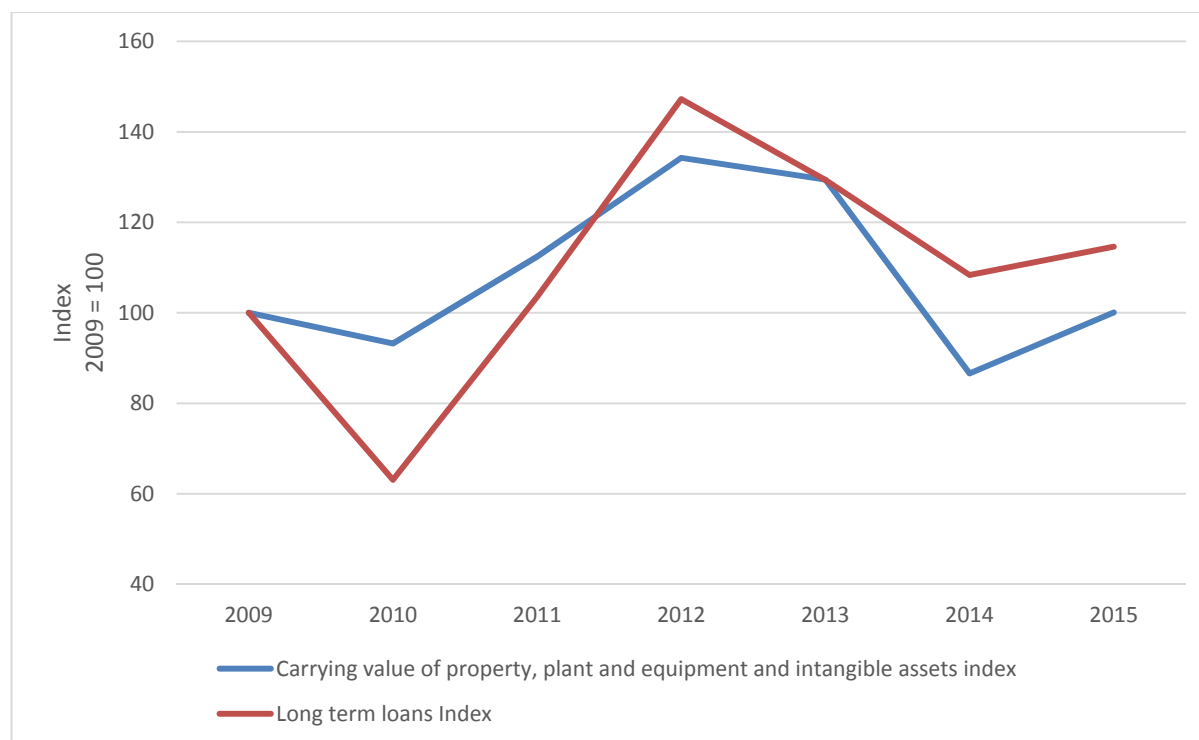
<sup>17</sup> Most of the Soccer World Cup matches took place in June 2010, which has been highlighted in red.

**Figure 33 – Long-term loans of the accommodation industry, 2009–2015**

Source: Annual Financial Statistics, P0021

Recalling data from Figure 24 (number of stay units available per service type), it can be seen that despite an increase in the amount of long-term loans from 2010 peaking in 2012, there has not been a significant increase in the number of stay units available. However, Figure 34 below shows the indexed comparison of long-term loans and the carrying value of property, plant and equipment (PPE) and intangible assets<sup>18</sup> for the period 2009 to 2015. It is interesting to note similar movements of both indices.

**Figure 34 – Index of long-term loans compared with PPE and intangible assets of the accommodation industry, 2009–2015**

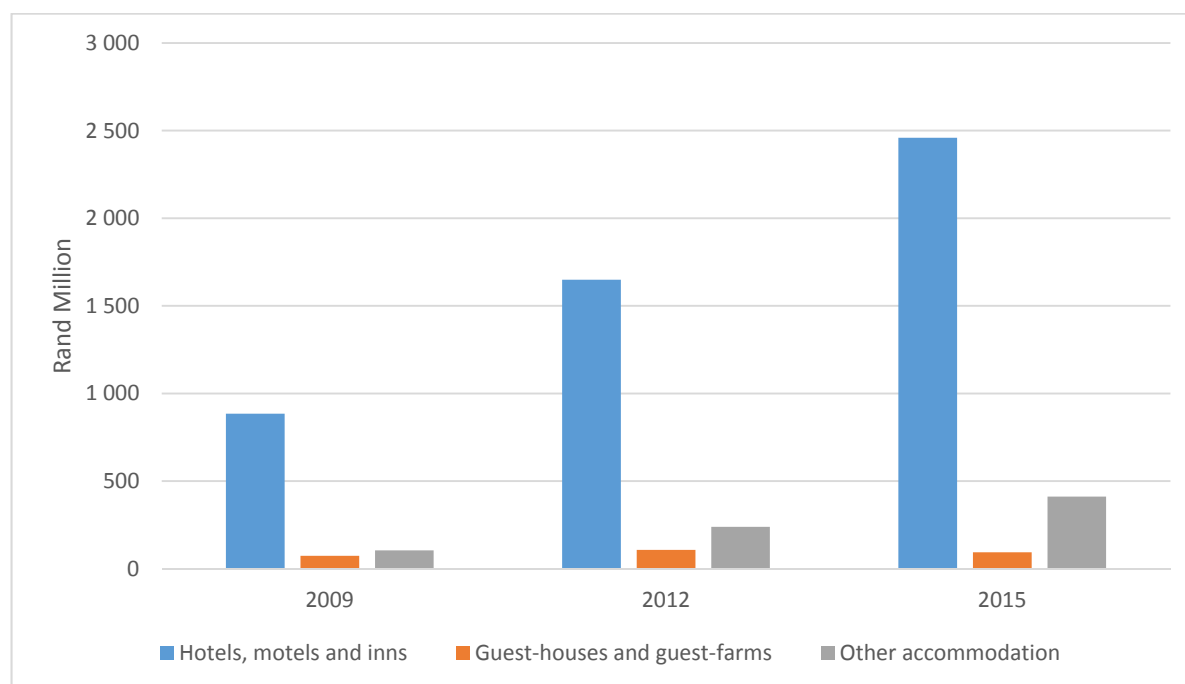


Source: Annual Financial Statistics, P0021

<sup>18</sup> As at the end of the financial year.

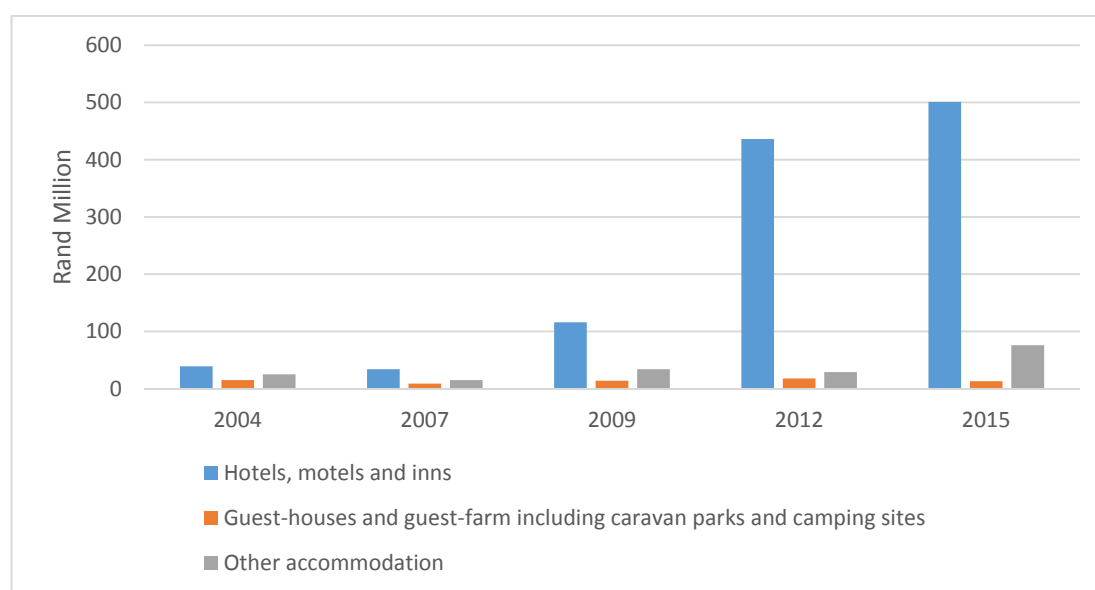
Figure 35 below shows an increase in capital expenditure over time, notably by 'hotels, motels and inns', with a 2009 expenditure of R885 million compared with a 2015 expenditure of R2,4 billion. 'Other accommodation' also showed an increase over time, from a 2009 expenditure of R105 million to a 2015 expenditure of R413 million. Despite the increased expenditure on land, buildings and construction, Figure 23 (number of stay units available per service type) and Figure 24 (number of stay units available per service type based on monthly data) do not show a large increase in stay units available.

**Figure 35 – Capital expenditure on land, buildings and construction, 2009–2015**



Source: Accommodation industry, Report No. 64-11-01

**Figure 36 – Rental income of the accommodation industry by service type, 2004–2015**



Source: Accommodation industry, Report No. 64-11-01

Figure 36 above shows an increase in rental income by service type. There was a large increase in rental income of 'hotels, motels and inns' from R116 million in 2009 to R436 million in 2012, then to R501 million in 2015. 'Other accommodation' saw an increase from R34 million in 2009 to R76 million in 2015. Rental income includes rental of shop space in a hotel, for example a fast-food restaurant not owned by the enterprise but operated within the enterprise's owned buildings. In recent times many large hotels have built casinos and/or very large entertainment areas in the hotel buildings, providing entertainment to hotel guests, tourists and same-day visitors. It is possible that these entertainment facilities and the independent enterprises located within them are contributing to the increase in rental income.

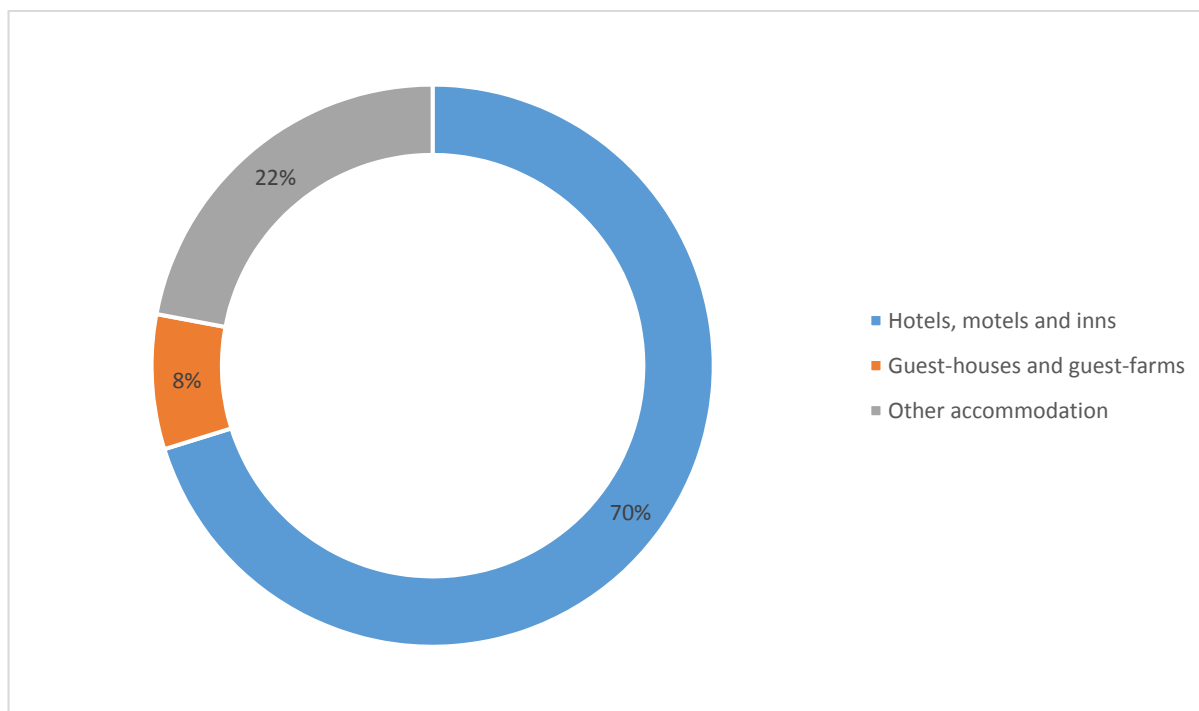
## 5. EMPLOYMENT IN THE ACCOMMODATION INDUSTRY

This section of the report describes employment details for the different accommodation service types using SIS data for 2015. The analysis focuses on the distribution of employees by type of service, gender, enterprise size and type of contract, as well as employment (and income) shares and average earnings.

### 5.1 Employment by service type

Data in Figure 37 show that the largest share of employment in 2015 was in 'hotels, motels and inns', namely 70%. This was followed by 'other accommodation' and 'guest-houses and guest-farms', accounting for 22% and 8%, respectively.

**Figure 37 – Employment of the accommodation industry by service type, 2015**



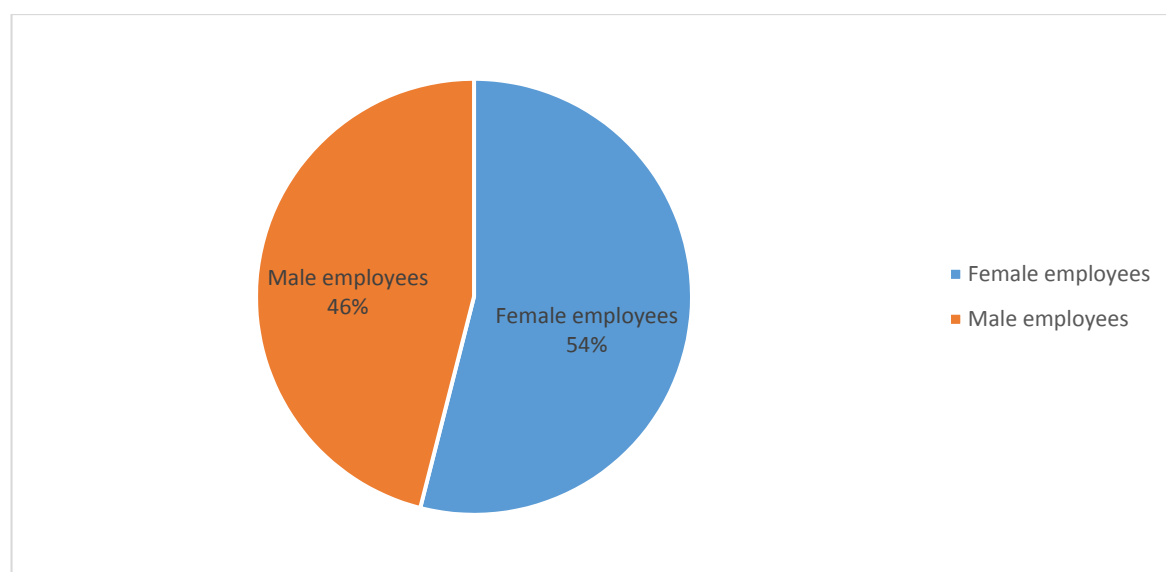
Source: Accommodation industry, Report No. 64-11-01



## 5.2 Employment by gender

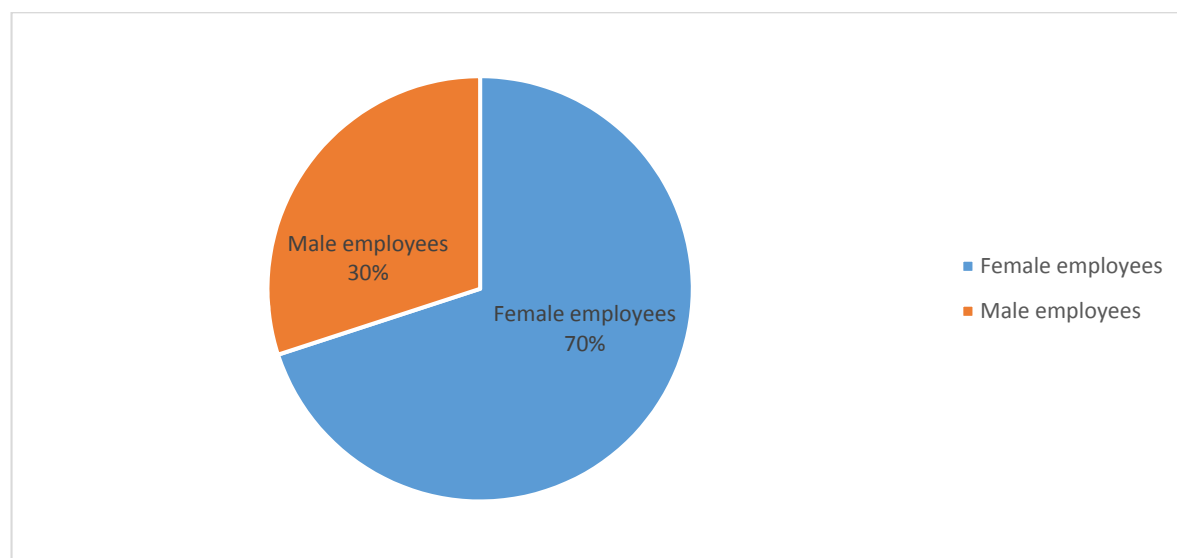
Gender equality in the workplace is a very important aspect of correcting the inequalities of the past, therefore analysis of the number of employed by gender type is critical. Figures 38, 39 and 40 show employment by gender and type of accommodation service. A large proportion of employment in 'hotels, motels and inns' was accounted for by females (54%). Similarly, employment in 'guest-houses and guest-farms', as shown in Figure 39, was female dominated, accounting for 70%. In 'other accommodation', as shown in Figure 40, employment was also dominated by females, accounting for 60%. In essence, employment in the accommodation industry was female dominated and this was consistent across all accommodation types.

**Figure 38 – Employment of hotels, motels and inns by gender, 2015**

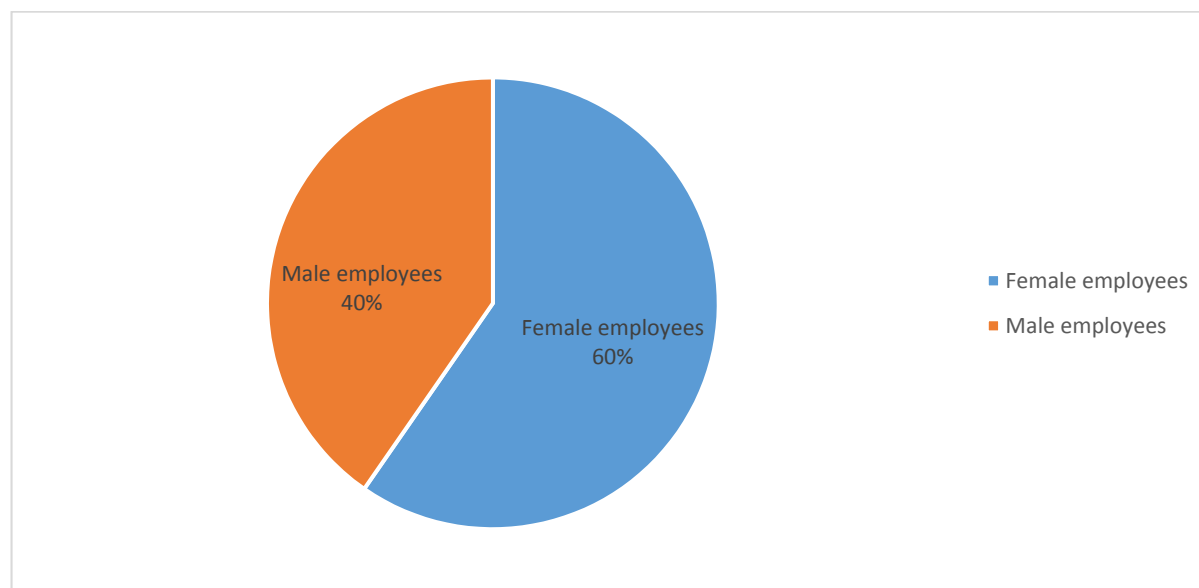


Source: Accommodation industry, Report No. 64-11-01

**Figure 39 – Employment of guest-houses and guest-farms by gender, 2015**



Source: Accommodation industry, Report No. 64-11-01

**Figure 40 – Employment of other accommodation by gender, 2015**

Source: Accommodation industry, Report No. 64-11-01

**5.3 Employment by enterprise size**

Table 3 below shows employment shares by type of accommodation and by enterprise size. The data show that large enterprises had the largest employment share in 'hotels, motels and inns' in 2015, accounting for 65%. In contrast, micro-enterprises accounted for the bulk of employment in both 'guest-houses and guest-farms' (92,9%) and 'other accommodation' (61,8%). However, overall, a narrow majority of employment in the accommodation industry (aggregate) was accounted for by large enterprises in 2015, followed by micro-enterprises (see appendix for definition of large, medium, small and micro-enterprises).

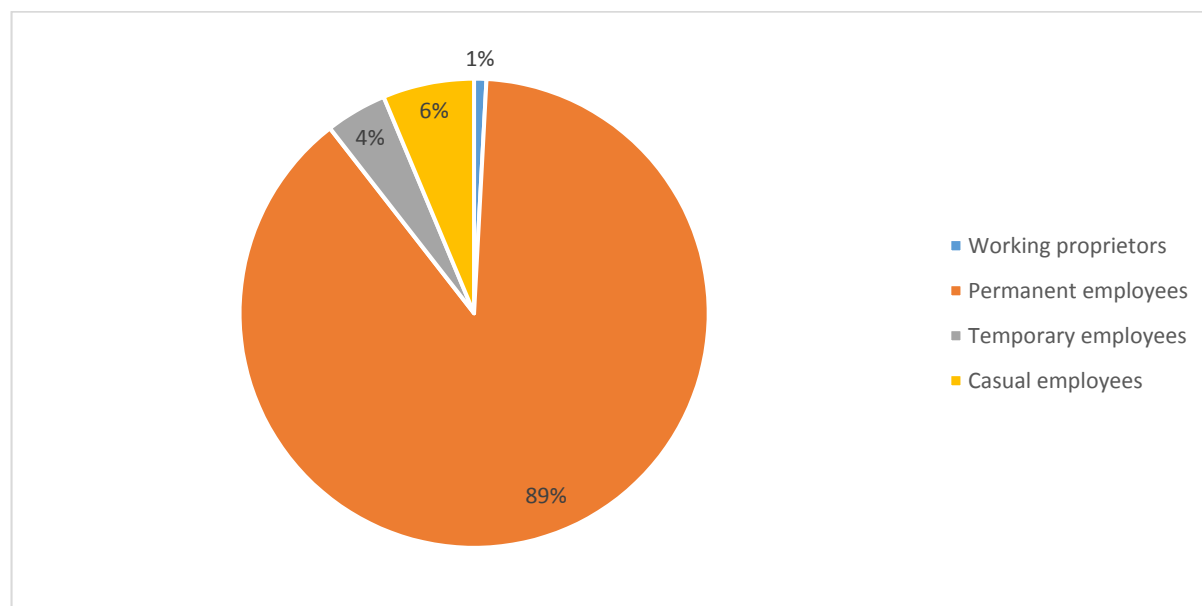
**Table 3 – Employment by enterprise size group, 2015**

Type of service	Large enterprises	Medium enterprises	Small enterprises	Micro- enterprises
Hotels, motels and inns	65,0	11,6	2,1	21,4
Guest-houses and guest-farms	1,5	3,1	2,4	92,9
Other accommodation	22,3	13,2	2,7	61,8
<b>All</b>	<b>50,6</b>	<b>11,3</b>	<b>2,2</b>	<b>35,8</b>

Source: Accommodation industry, Report No. 64-11-01

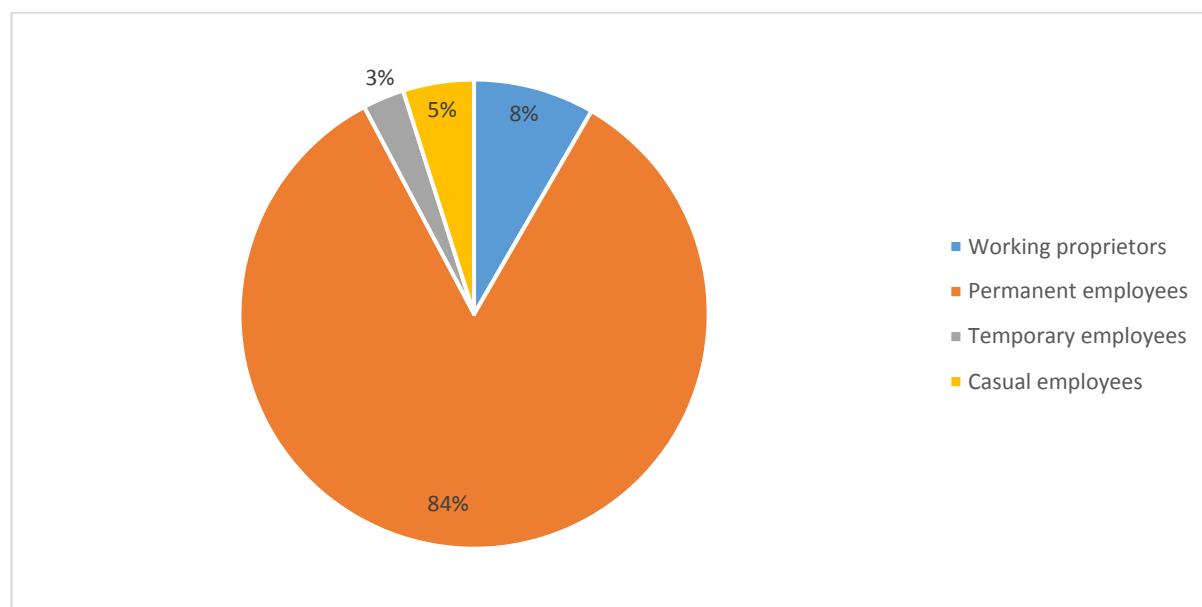
**5.4 Employment by type of contract**

Figures 41, 42 and 43 below show employment by type of contract for all accommodation services. The data show that 89% of employment in 'hotels, motels and inns' was permanent in 2015. The remainder were employed as casual (4%) or temporary (6%) employees or working proprietors (1%).

**Figure 41 – Employment in hotels, motels and inns by type of contract, 2015**

Source: Accommodation industry, Report No. 64-11-01

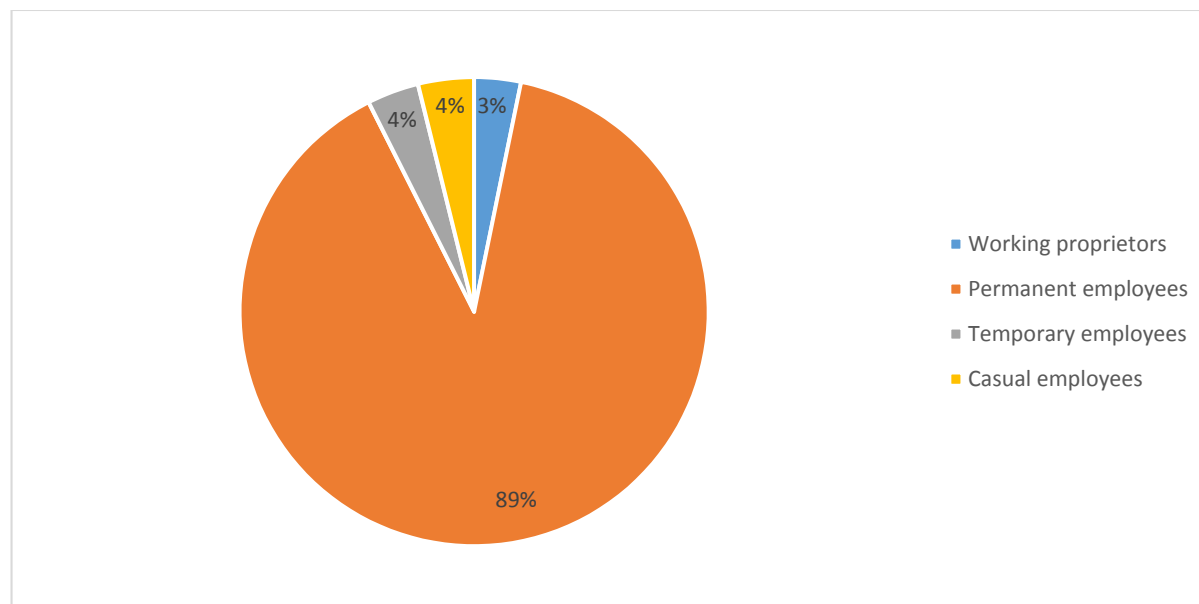
Similarly, employment in 'guest-houses and guest-farms' was predominantly permanent, accounting for 84% in 2015. The rest were casual (5%) or temporary (3%) employees or working proprietors (8%).

**Figure 42 – Employment in guest-houses and guest-farms by type of contract, 2015**

Source: Accommodation industry, Report No. 64-11-01

Figure 43 below shows the employment structure of 'other accommodation', which looks similar to what was observed in 'hotels, motels and inns' and 'guest-houses and guest-farms', where employment was predominantly permanent. As shown in Figure 43, permanent employment accounted for 89% in 2015, with the rest shared among casual and temporary employees and working proprietors.

**Figure 43 – Employment in other accommodation by type of contract, 2015**



Source: Accommodation industry, Report No. 64-11-01

### 5.5 Average salaries and wages, and employment and income shares

Table 4 below shows the income and employment shares by accommodation service type and average monthly salaries and wages per person. Monthly salaries and wages per employee were higher in 'hotels, motels and inns' (R8 521) than in 'guest-houses and guest-farms' and 'other accommodation', averaging R5 221 and R5 692 per person in 2015, respectively. 'Hotels, motels and inns' had the largest income and employment shares, accounting for 80% in income and 70% in employment.

**Table 4 – Percentage distribution of income and number of employees and average earnings per type of service, 2015**

Type of service	Income (%)	Employment (%)	Average monthly salaries and wages per employee (Rand)
Hotels, motels and inns	80	70	8 521
Guest-houses and guest-farms	5	8	5 221
Other accommodation	15	22	5 692
<b>Total</b>	<b>100</b>	<b>100</b>	<b>7 643</b>

Source: Accommodation industry, Report No. 64-11-01

## 6. CONCLUSION

The purpose of the discussion document is to examine structural changes in the accommodation industry and other trends related to the accommodation industry. Analysis was undertaken using secondary data from the SIS Survey. However, other internal data sources were also considered where necessary.

The analysis reveals that the structure of the accommodation industry has changed over time. While accommodation income has always been the staple of this industry, sources of income for 'hotels, motels and inns' show that casino and rental income has become increasingly important. Many 'hotels, motels and inns' form entertainment hubs for domestic and inbound tourists, as well as local visitors, while also serving as an important venues for functions. Casino and other income surpassed accommodation income as the largest source of service income for 'hotels, motels and inns' in 2011, and in 2015 contributed 50% of service income.

The 2010 FIFA Soccer World Cup temporarily raised the prices of accommodation services and the total income earned by the accommodation industry during the month of June 2010, however the overall effect on the year of 2010 was minimal.

'Hotels, motels, and inns' have experienced an increase in long-term loans, with an associated increase in carrying value of property, plant and equipment, and capital expenditure on land, buildings and construction. Despite the increases in capital expenditure and carrying values, there has not been a noticeable change in the number of stay units available.

Employment in the accommodation industry was predominantly female and a large majority of employees were permanently employed (2015 survey). The largest employer was 'hotels, motels and inns', which also pay relatively higher average salaries and wages.

Stats SA values your feedback on this discussion document. If you have any comments and/or suggestions, please contact Robert Mabunda at [robertmab@statssa.gov.za](mailto:robertmab@statssa.gov.za).

## APPENDIX

This section describes details about the terminology used in the paper and the enterprise sizes covering the tourist accommodation industry.

<b>Consumer price index (CPI)</b>	An index that measures the price of a fixed basket of consumer goods and services.
<b>Constant prices</b>	A valuation concept expressed at the prices prevailing during a fixed reference period or base period.
<b>Current prices</b>	A valuation at current prices is expressed at the prices prevailing during the period being referred.
<b>Domestic tourism</b>	The tourism of resident visitors within the economic territory of the country of reference.
<b>Enterprise</b>	A legal entity or a combination of legal units that includes and directly controls all functions necessary to carry out its activities.
<b>Gross domestic product (GDP)</b>	The total value of final goods and services produced within the geographic boundaries of a country for a specified period.
<b>Inbound tourism</b>	Inbound tourism comprises the tourism of non-resident visitors within the economic territory of the country of reference.
<b>Industry</b>	Groups of establishments engaged in the same or similar kinds of activity.
<b>National accounts</b>	Serves as a framework for statistical systems. It also serves as a point of reference in establishing standards for related statistics. The internationally agreed framework that guides the compilation of national accounts is contained in the SNA.
<b>Outbound tourism</b>	Outbound tourism comprises the tourism of resident visitors outside the economic territory of the country of reference
<b>Other accommodation</b>	Includes conference centres, which are not part of a hotel, with accommodation units, e.g. rooms. Holiday resorts where facilities and equipment are provided for guests to cater for themselves.
<b>Usual environment</b>	To be outside the 'usual environment', the person should travel more than 40 kilometres from his/her place of residence (one way) AND the place should NOT be visited more than once a week. This includes place of work and place of study. Leisure and recreational trips are included irrespective of frequency.
<b>Tourism</b>	Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.

## SIZE GROUPS

The enterprises are divided into four size groups according to the value of turnover defined using the Department of Trade and Industry (DTI) cut-off points.

<b>Size groups (2004)</b>	<b>Turnover</b>
Large	Turnover > R13 000 000
Medium	R6 000 000 < Turnover < R13 000 000
Small	R5 100 000 < Turnover < R6 000 000
Micro	Turnover < R5 100 000
<b>Size groups (2007)</b>	<b>Turnover</b>
Large	Turnover > R13 000 000
Medium	R6 000 000 < Turnover < R13 000 000
Small	R5 100 000 < Turnover < R6 000 000
Micro	Turnover < R5 100 000
<b>Size groups (2009)</b>	<b>Turnover</b>
Large	Turnover > R13 000 000
Medium	R6 000 000 < Turnover < R13 000 000
Small	R5 100 000 < Turnover < R6 000 000
Micro	Turnover < R5 100 000
<b>Size groups (2012)</b>	<b>Turnover</b>
Large	Turnover ≥ R26 000 000
Medium	R13 000 000 ≤ Turnover < R26 000 000
Small	R3 000 000 ≤ Turnover < R13 000 000
Micro	Turnover < R3 000 000
<b>Size group (2015)</b>	<b>Turnover</b>
Large	Turnover ≥ R39 000 000
Medium	R18 000 000 ≤ Turnover < R39 000 000
Small	R15 300 000 ≤ Turnover < R18 000 000
Micro	Turnover < R15 300 000