

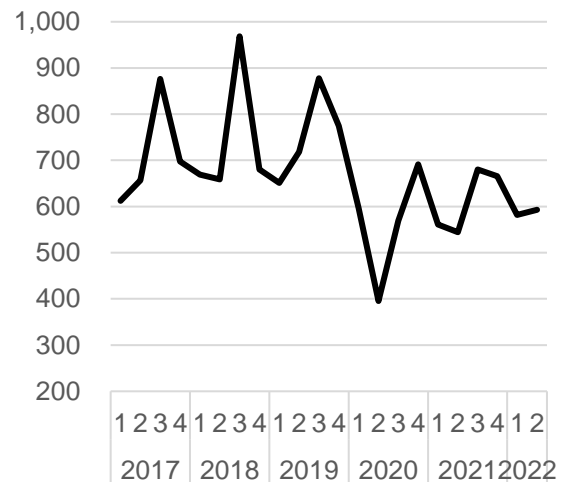
We believe the recovery in the tourism sector is understated when observing economic growth rates in the Hotels and restaurants sector (a proxy for tourism) (Figure 1). Of course, it depends on which hospitality establishments are included in the Namibian Statistics Agency's (NSA's) survey. The sector's real value has not recovered back to pre-pandemic levels, but currently accounts for 78.5% of pre-pandemic's real value (Figure 2).

Figure 1: Real GDP growth for the Hotels and restaurants sector (%) – 1Q2017 to 2Q2022



Source: NSA/SS

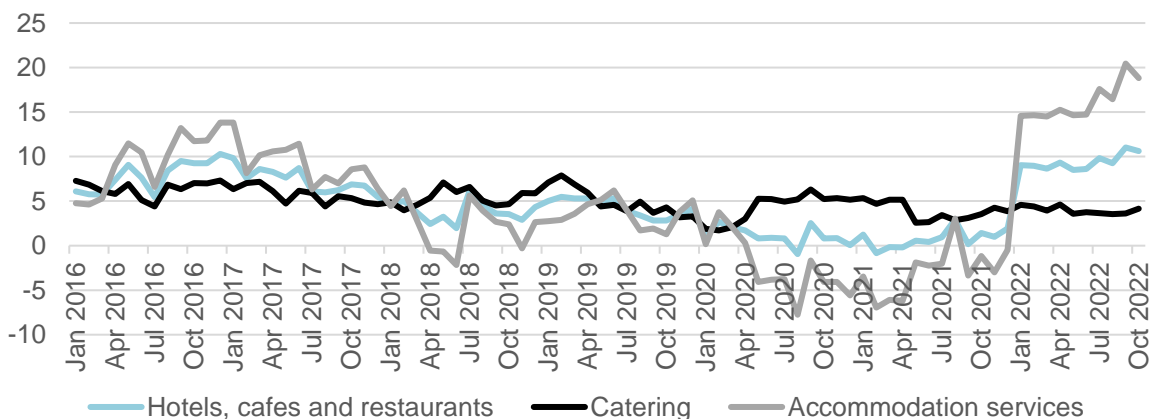
Figure 2: Real value of the Hotels and restaurant sector (N\$ million) – 1Q2017 to 2Q2022



Source: NSA/SS

YTD, the Hotels and restaurants category in our consumer price basket has recorded 9.4% in annual inflation on average, compared to a long run average of 6.2% (Figure 3). This has primarily been driven by a significant increase in the Accommodation services sub-category which has risen 16.2% on average YTD, compared to a long run average of 5.3%. On the other hand, catering inflation has remained stagnant, averaging 4.0% YTD. An increase in operating costs such as electricity, diesel, wages, food and interest rates have justified increasing accommodation rates. On the other hand, it can be that local hospitality establishments have increased rates to take advantage of improved tourist inflows.

Figure 3: Annual inflation rates in the Hotels and restaurants category (%) – January 2016 to October 2022



Source: NSA/SS



According to the World Tourism Organisation (UNWTO) the international tourism industry continues to show strong signs of recovery, with international arrivals almost tripling in the January to July 2022 period ($\uparrow 172\%$ compared to the same period in 2021). This implies that the global tourism industry has recovered to about 60% of pre-pandemic levels according to UNWTO's latest World Tourism Barometer.

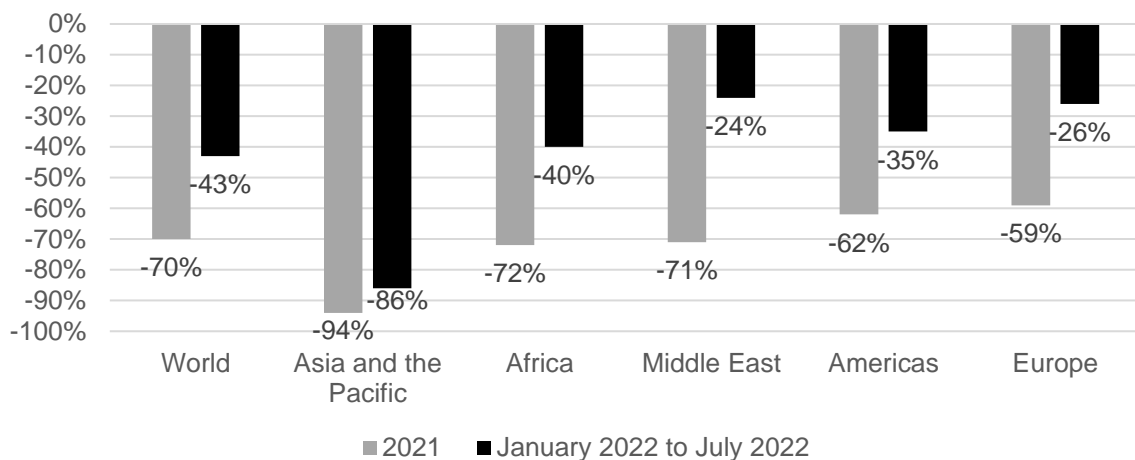
The recovery is "reflective of an increase in demand for international travel as well as the easing or lifting of travel restrictions to date". About 86 countries had no covid related restrictions as of mid-September 2022. However, challenges in the global tourism sector remain and includes elevated fuel and airfare costs, as well as a deteriorating global economic outlook. Despite these issues, 65% of respondents remain optimistic about the global tourism industry in 2023 from the UNWTO's latest survey conducted in October 2022.

Stronger than expected demand also "created important operational and workforce challenges in tourism companies and infrastructure, particularly airports". While global air traffic increased by 234% in the first seven months of 2022 compared to the same period last year, air traffic levels still remain 45% below pre-pandemic levels.

Increased demand for international travel is consistent with services Purchasing Managers Indices (PMIs) which started trending above manufacturing PMIs since mid-2022 as the average global consumer shifts spending away from merchandise goods towards services.

Most regions still have not seen their international tourist arrivals recovering back to pre-pandemic levels, however, arrivals have improved the most in Europe, the Americas and the Middle East (*Figure 4*). International tourist arrivals in Africa remain 40% below levels recorded in 2019.

Figure 4: International tourist arrivals compared to 2019 (%) – 2021 to 2022

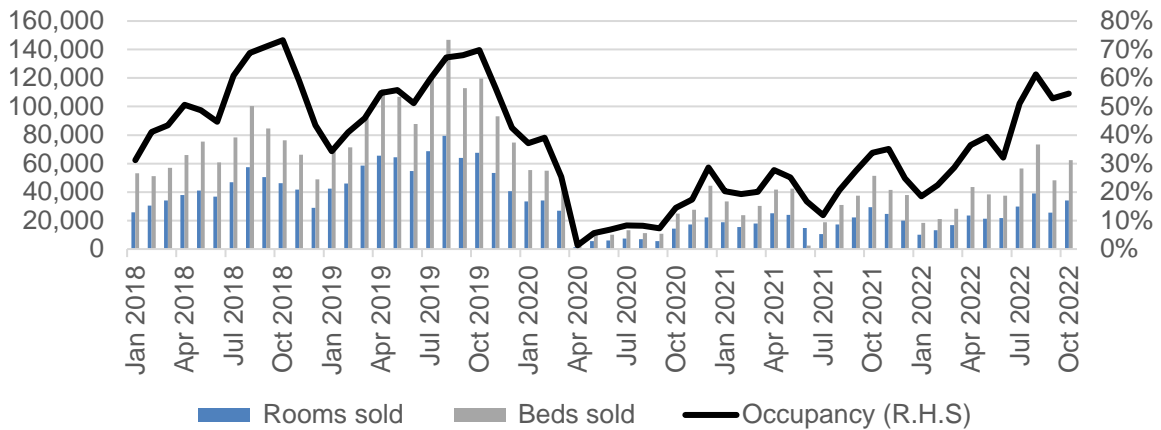


Source: UNWTO/SS

A national occupancy rate of 54.6% was recorded during October 2022, compared to 52.9% in the prior month and 33.8% in October 2021 according to the Hospitality Association of Namibia (HAN) (*Figure 5*). YTD, the national occupancy rate averages 39.7%, compared to 22.3% in 2021 and 15.4% in 2020 for the same period (January to October).



Figure 5: Rooms and beds sold nationwide, with national occupancy rate – January 2018 to October 2022

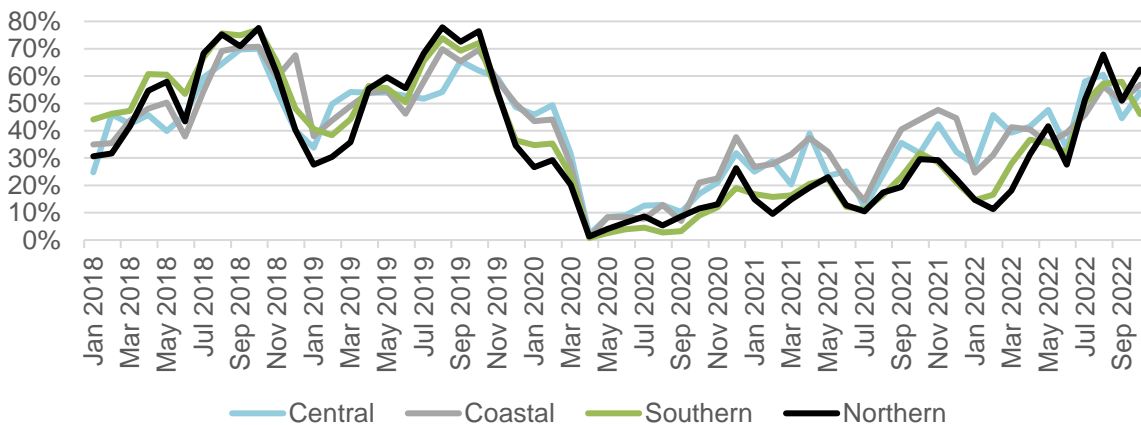


Source: HAN/SS

The proportion of Namibian guests at local hospitality establishments increased from 16.0% in September 2022 to 22.2% in October 2022. This is the second consecutive month of increased locals making up total guests, signaling that Namibia’s peak tourist season has come to an end (as it normally does in September).

Most guests at nationwide hospitality establishments came from Germany, Switzerland and Austria (39.7%), France (7.4%), South Africa (5.5%), UK and Ireland (3.9%) and Italy (2.7%). Hospitality establishments in the northern area recorded the highest occupancy rate (62.3%), followed by the coastal area (56.8%), central area (53.9%) and southern area (46.1%) in October 2022 (Figure 6).

Figure 6: Regional occupancy rates (%) – January 2018 to October 2022



Source: HAN/SS

Tourism theme of the month: develop new sites (man-made tourist attractions)

“Namibia sells itself best for its natural untouched, and authentic experiences, so man-made attractions thus far have focused on providing services for travelers to view and experience our natural beauty. Be it ballooning, boat cruises both oceanic and in our Zambezi region with houseboats and overnight boat cruises there. What is sorely missed is the unique experience of a desert caravan trip, with our Desert Express train used to being a very unique and popular tourism product” according to HAN CEO Gitta Paetzold.



She adds that “there have been ideas floating around about entertainment/amusement parks, but the tourism sector is not very keen on this as it contradicts the Namibian image of authentic, rugged, natural and untouched beauty. A safari may provide the opportunity for game viewing in wide open spaces, but not the guarantee of seeing it all in man-made zoos and parks”.

SS Thoughts

The tourism sector continues to play a key role in the Namibian economy, as it has strong links to other sectors and is an important enabler of job creation. The sector typically makes use of Namibia’s abundant unskilled labour and should be seen as a solution to high unemployment rates in certain rural areas. We continue to see favourable developments in the sector (e.g. nomad visas, green hydrogen projects at the coast, growing number of flights servicing local airports and no covid restrictions being in place). As a result, we expect the tourism industry to support local economic activity in 2023.

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