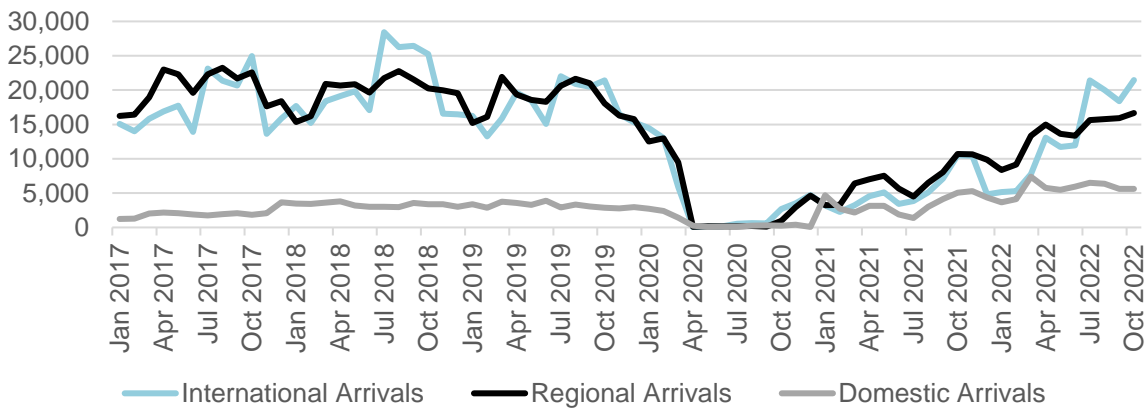


Namibia continues to see an improved inflow of foreigners visiting the country. South African Airlines (SAA) is the latest to join the group of airlines servicing international airports in Namibia which is part of the SAA restart strategy and to grow the airline. Foreign arrivals at nationwide airports increased by 16.8% m/m in October 2022, compared to -8.0% m/m in the prior month. On an annual basis, foreign arrivals increased by 104.4% y/y in October 2022, compared to 159.1% y/y in the prior month (Figure 1).

A strong recovery in foreign arrivals has supported improving occupancy rates at nationwide hospitality establishments in Namibia. Local tourism operators have also increased marketing initiatives to attract visitors from Southern Africa. To this end, we see that regional arrivals have increased by 4.7% m/m and 55.5% y/y in October 2022.

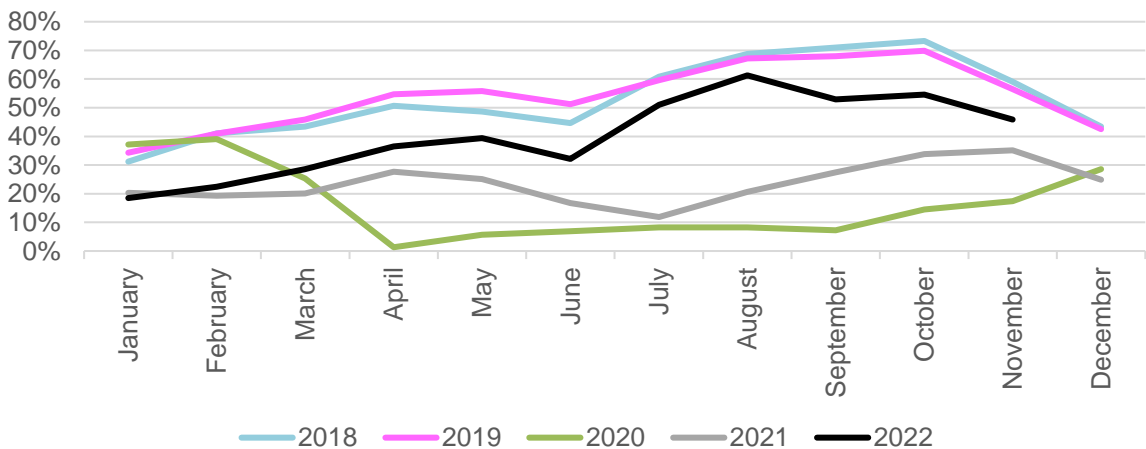
Figure 1: International arrivals (number of individuals) – January 2017 to October 2022



Source: NAC/SS

A national occupancy rate of 45.8% was recorded during November 2022, compared to 54.6% in the prior month and 35.1% in November 2021 according to the Hospitality Association of Namibia (HAN). YTD, the national occupancy rate averages 40.3%, compared to 23.5% in 2021 and 15.6% in 2020 for the same period (January to November). Although occupancy rates are declining for the last two months – as Namibia’s peak tourist season has ended – occupancy rates at nationwide hospitality establishments improved from levels observed for 2020 and 2021 (Figure 2).

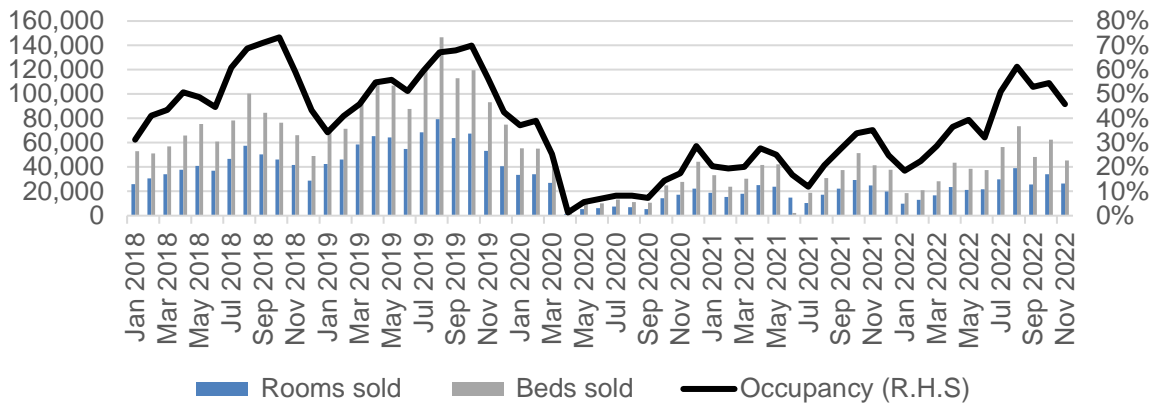
Figure 2: National occupancy rates per year (%) – 2018 to 2022



Source: HAN/SS



Figure 3: Rooms and beds sold nationwide, with national occupancy rate – January 2018 to November 2022

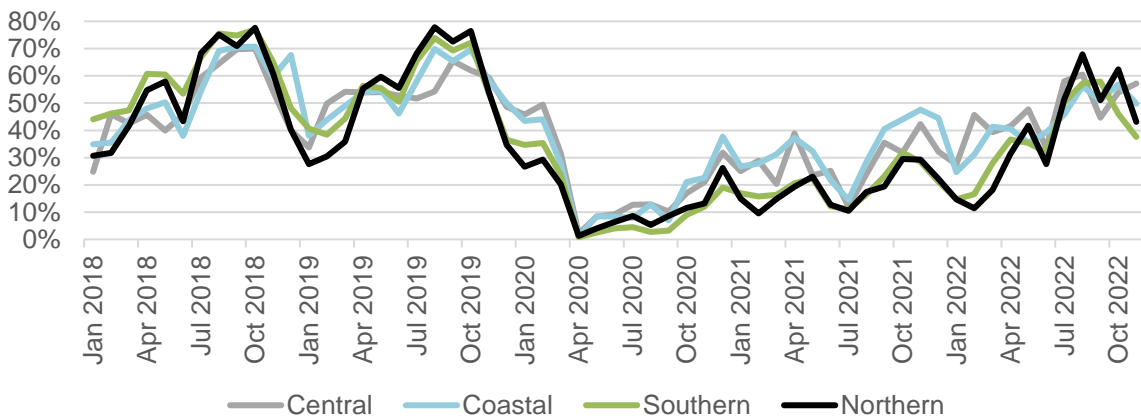


Source: HAN/SS

The proportion of Namibian guests at local hospitality establishments increased since Namibia’s peak tourist season came to an end in September. Namibian guests accounted for 25.3% of all guests nationwide in November 2022, a further increase from 16.0% recorded in the prior month.

Europe continues to be Namibia’s most important tourist source market, with over 40% of all guests in November 2022 visiting Namibia coming from Austria, Germany, Switzerland, France and Italy. The central and coastal areas in Namibia experienced the fastest recovery in tourists visiting hospitality establishments in those areas as they recorded the highest occupancy rates at 46.3% and 42.9% respectively YTD (Figure 4).

Figure 4: Regional occupancy rates (%) – January 2018 to November 2022



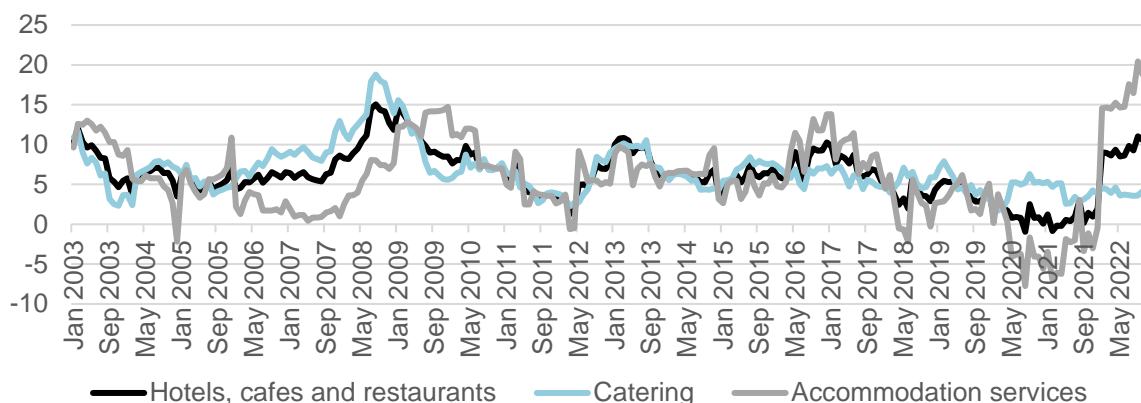
Source: HAN/SS

YTD, the Hotels and restaurants category in our consumer price basket has recorded 9.6% in annual inflation on average (Figure 5), compared to a long run average of 6.3%. This category has become the second largest contributor to the change in annual inflation in recent months, implying that Namibians travelling throughout the country will pay higher prices for their holiday.

Indeed, in our latest inflation report we noted that the average lodge has increased its room price per person per night by 13.4%, the average game drive price increased by 10.0% per person and campsite prices have increased by 13.4% per person per night on average by December 2022, compared to December 2021. This could limit domestic tourism in the upcoming festive season. And with less foreigners expected to visit Namibia (as it is off peak season), occupancy rates could remain stagnant or increase only marginally this festive season.



Figure 5: Annual inflation rates in the Hotels and restaurants category (%) – January 2003 to October 2022



Source: NSA/SS

However, international travel operators regard Namibia as an affordable destination and have diverse travel packages for various budgets according to HAN. Namibian tourist operators could therefore use this as a marketing tool to attract foreigners “to address challenges of curbed travel appetite during economic hardships” by marketing Namibia as “an accessible, affordable and diverse destination”.

## SS Thoughts

We expect Namibians to cut back on their travel spending or opt for special deals where possible, given the significant increase in cost of living throughout 2022. We therefore expect occupancy rates for December 2022 to be stagnant or only slightly improved. However, on an annual basis, tourism would have contributed positively to economic activity and so GDP growth for 2022. Despite official proxies for tourism (i.e. hotels and restaurants) still showing weak signs of recovery, we believe that the positive impact of tourism is not fully accounted for in the data and would have benefited other sectors of our economy as well.

We expect international travel to largely remain unhindered by covid restrictions in 2023. Only the US, China and Indonesia have closed borders to unvaccinated individuals currently, whereas only nine countries in Asia and Africa still require negative PCR test results for entry.

Despite economic hardships facing Europeans, we still expect tourism to improve further in 2023 and recover from lockdown induced losses from 2020. Early indications from various international operators allude to strong demand for travel to destinations in Southern Africa, especially Namibia according to HAN. This supports our view that the local tourism sector will supplement general economic activity in 2023.



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