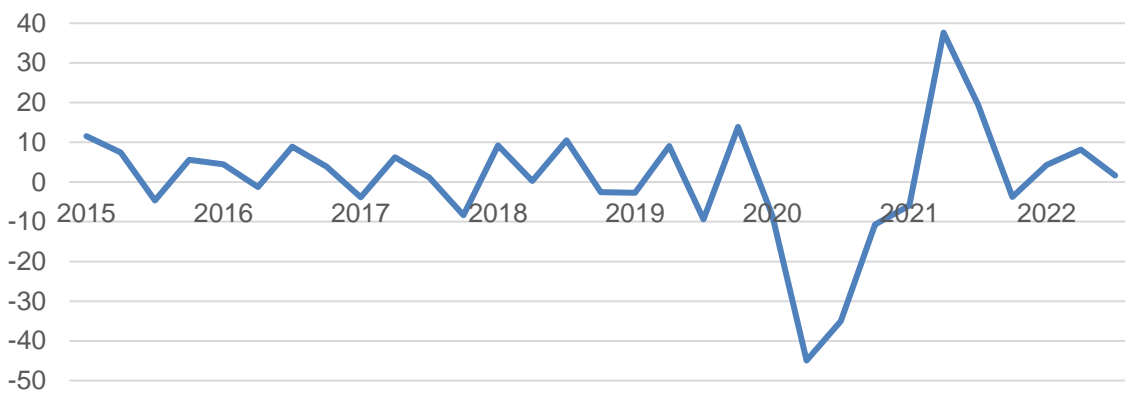


Based on stakeholder engagements and data from the Hospitality Association (HAN) of Namibia, we would have expected GDP growth figures for the hotels and restaurants sector to have been in the double-digit range. However, it all depends on which hospitality establishments are surveyed. During the first three quarters of 2022, the hotels and restaurants sector expanded by a meagre 4.3% y/y, 8.1% y/y and 1.7% y/y in 1Q2022, 2Q2022 and 3Q2022 respectively (Figure 1).

Be it as it may, we still believe that tourism could be one of the biggest drivers of economic activity in 2023, despite recessions that are expected to take place in Namibia’s main tourist source markets in the first half of this year (1H2023).

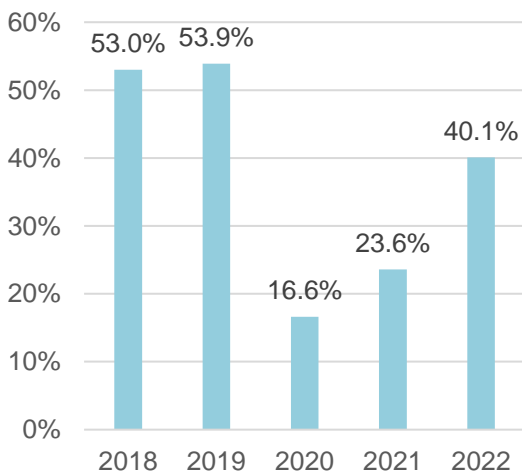
Figure 1: Quarterly GDP growth for the hotels and restaurant sector (%) – 1Q2015 to 3Q2022



Source: NSA/SS

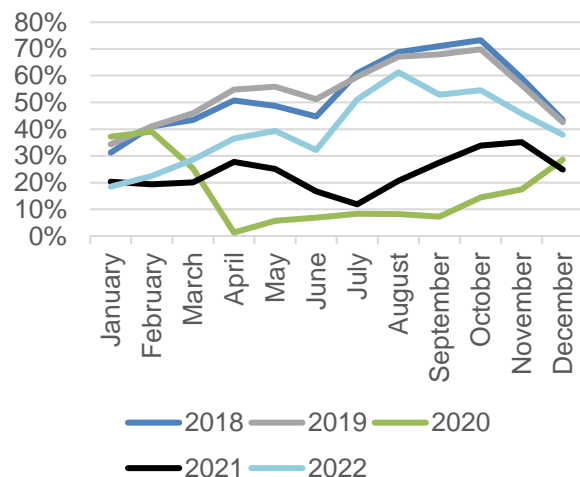
Occupancy rates at nationwide hospitality establishments stood at 37.9% in December 2022 according to HAN data, compared to 45.8% in the prior month, bringing the annual average to 40.1% in 2022 (Figure 2). This is almost double the annual average in 2021 and since June 2022, has reached about 80% of pre-pandemic levels (Figure 3).

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



Source: HAN/SS

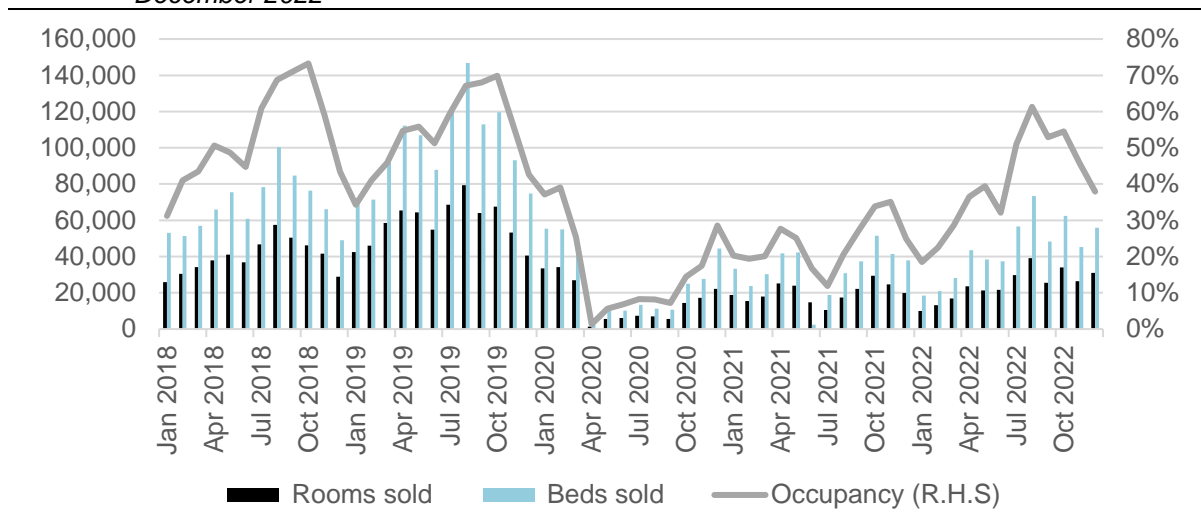
Figure 3: Monthly national occupancy rates per year (%) – 2018 to 2022



Source: HAN/SS



Figure 4: Rooms and beds sold nationwide, with national occupancy rate – January 2018 to December 2022



Source: HAN/SS

During 2021, Namibians accounted for about 51% of all guests at nationwide hospitality establishments. This share has reduced to about 33% in 2022, showing an improvement in global travel as 2022 was free of covid regulations and travel restrictions to a great extent. The share of Namibian guests still remains high, also indicating that local remains eager to support the local tourism industry.

However, this will become more challenging, given inflationary pressures that mounted in 2022. In our November 2022 *Inflation* report, we noted that the average room rate at a lodge increased by 13.4% in 2022 compared to 2021, with the average game drive price increasing by 10.0% and average campsite prices rising 10.3% during the same time. While we do expect inflation rates to decrease in 2023, accommodation costs will remain expensive for locals. Providing some relief to local travelers however, is our expectation that local petrol prices ought to decrease over the next couple of months.

The increase in share of guests by foreigners is once again testament that Namibia does not need its own national airline to support tourist inflows. Also, Namibia recently joined a group of 33 African countries in the Single African Air Transport Market (SAATM). This is a project of the African Union Agenda 2063 which aims to create a single unified air transport market in Africa, reduce travelling costs and enhance the continent's integration. This will not only benefit tourist flows between African countries, but could improve air cargo as well, by reducing taxes and charges at airports.

Joining SAATM comes at a time when the local tourism industry is trying to diversify its tourist source markets. At the moment, Namibia's peak tourist season (between May and September) coincides with Europe's Summer season. The idea is to market Namibia as an "all year" destination by targeting marketing efforts at alternative markets whose Summer season coincides with Namibia's. These countries include Latin America and other African countries.

In addition to this, while local tourism operators are trying to market Namibia as an "all year" destination, it is with a focus not only on the usual safari and game viewing, but adding culture, adventure travel and active travel (i.e. sports) as well. These initiatives, if proven successful, would be a positive for the local tourism industry, a significant employer of Namibians and one the industries with the widest value chains in the local economy. It is commendable to see government trying to support the local tourism sector and we remain hopeful that this sector could be supportive of economic activity in 2023.

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