

TiCSA Tourism Barometer

June Quarter 2024

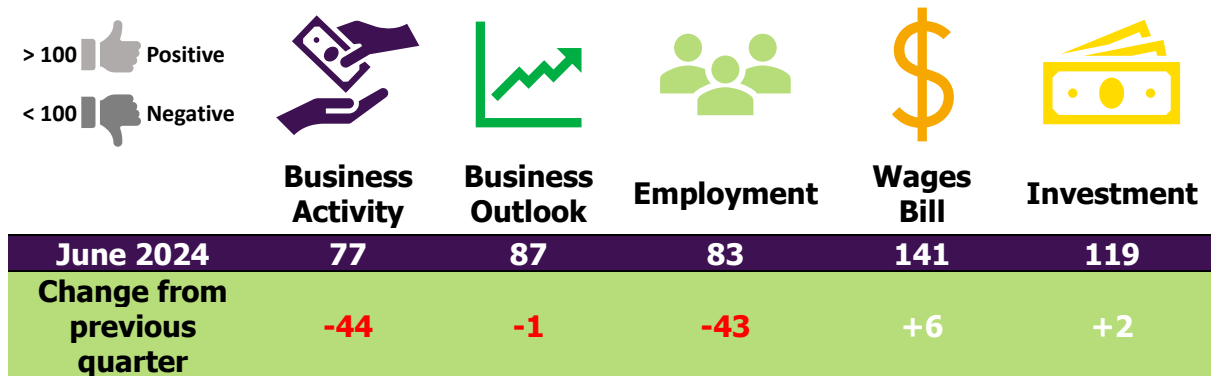


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Reality bites! High cost of living has become a plague upon the tourism industry

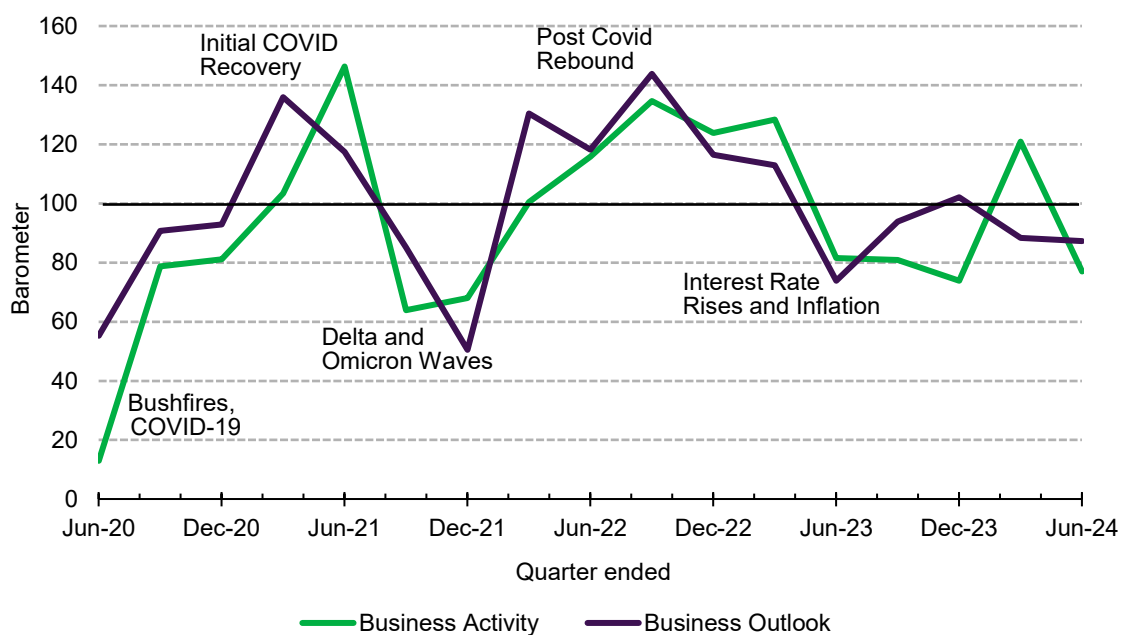
The 2024 June Quarter Tourism Barometer showed activity fell back below the neutral level in the quarter following a sharp rebound in activity in the March Quarter. The Business Activity Index has now been below the neutral level for four of the last five quarters, reflecting the ongoing impact of higher interest rates, elevated inflation and lower household disposable incomes. Unfortunately, the Business Outlook Index remained below the neutral level in the June Quarter, reinforcing that the tourism industry is likely to continue to face significant challenges in the near-term. The sharp fall in the Employment Index and the very elevated level of the Wages Bill Index suggests the tourism industry is still being impacted by labour shortages and rising labour costs. On a positive note, business investment levels remain elevated despite the uncertain economic outlook. Visitor expenditure in South Australia also continues to grow and visitor yields are increasing, however, these outcomes are due to businesses having to increase prices to pay for increasing costs.

Figure 1: TiCSA Tourism Barometer Dashboard Readings



Source: Tourism Industry Council South Australia

Figure 2: TiCSA Tourism Barometer



Source: Tourism Industry Council South Australia

Business Activity (Last Three Months)

The main reasons for the positive performance in the June Quarter were:

- Introduced new product or service;
- Increased collaboration with other businesses;
- Travel generally higher than last year;
- Increased digital presence; and
- Adapted product or service.

"We are continuing to build on experiences and services to keep attracting new customers."

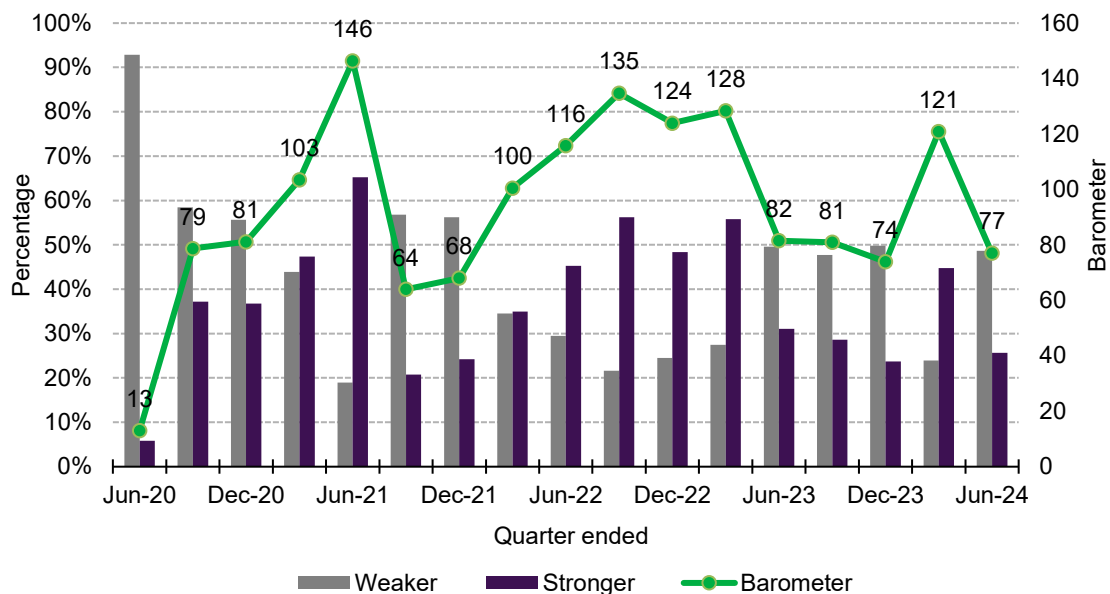
The main reasons for the negative performance in the June Quarter were:

- Decreased visitors to the area;
- Weaker economy;
- Lack of consumer confidence;
- Decreased rates, prices or visitor spend in the business; and
- Rising business costs.

"It's just really tough at the moment."

"Regional flights are too expensive compared to a flight to Melbourne, etc."

Figure 3: Business Activity in the Last Three Months



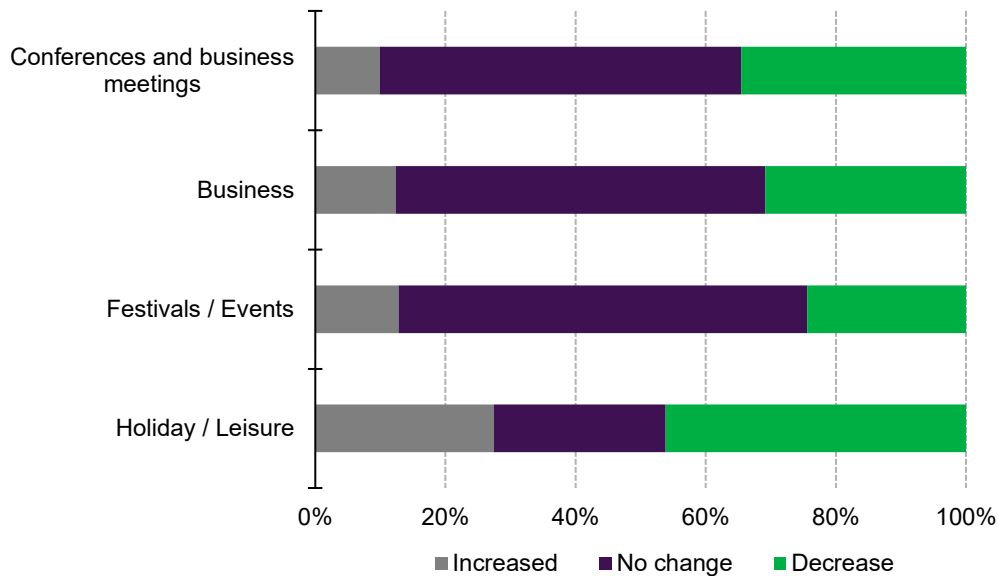
Source: Tourism Industry Council South Australia.

Business Activity by Market Segment (Last Three Months)

Consistent with the negative result in the headline index, all market segments recorded a net decrease in activity from the March Quarter. Conditions were weakest in the conferences and business meetings segment, with just 10% of businesses within this segment reporting an increase in activity, compared to 35% of businesses reporting a decrease.

The holiday / leisure and business segments also remain weak, likely driven by the recent increases in the cost of living, the uncertain economic outlook and the slow recovery in overseas travel.

Figure 4: Business Activity – By Market Segment (June Quarter 2024)

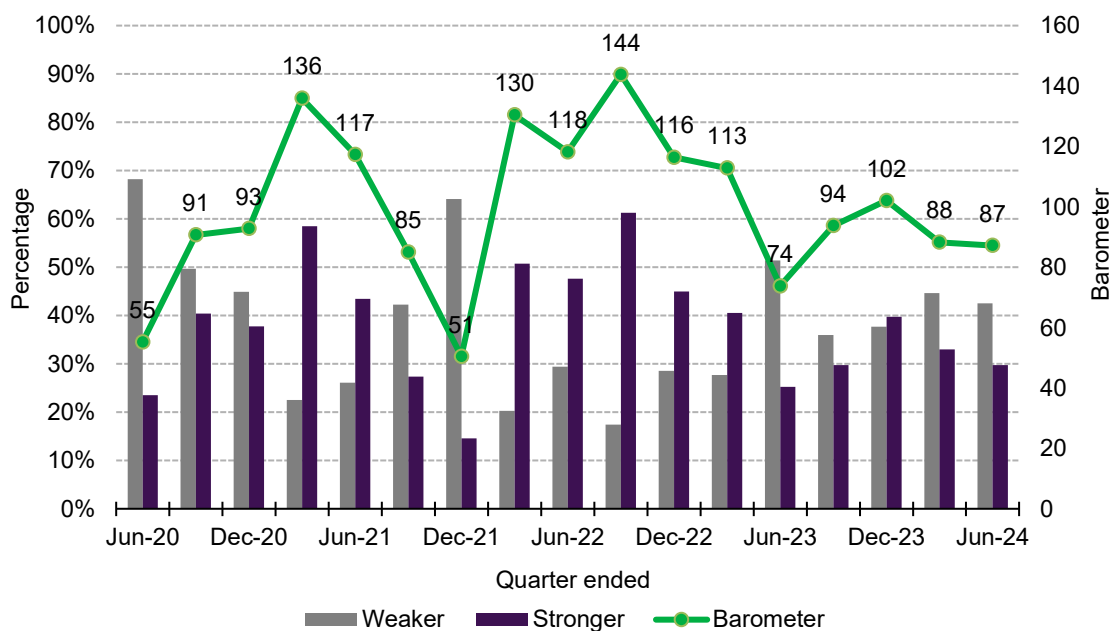


Source: Tourism Industry Council South Australia

Business Outlook (Next Three Months)

The Business Outlook Index remained below the neutral level in the June Quarter. The Index has trended lower since peaking in September 2022 and is likely to stay around current levels while there is so much uncertainty around the outlook for inflation, interest rates and the broader national and global economies.

Figure 5: Business Outlook for the Next Three Months



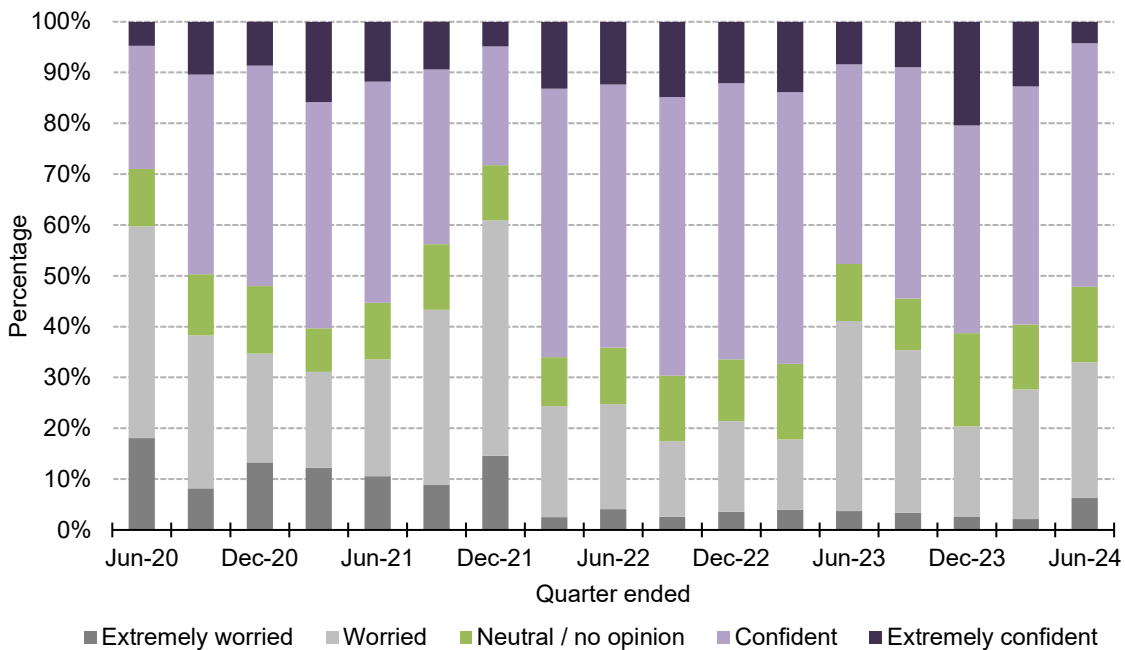
Source: Tourism Industry Council South Australia

Business Outlook (Next 12 Months)

Results in the June Quarter were weaker than those from the previous March Quarter, with the proportion of businesses 'extremely worried' or 'worried' rising to 33% in the June Quarter, up from 28% in the March Quarter.

Pleasingly, a majority of businesses (52%) remain 'extremely confident' or 'confident' in the outlook for their business over the next year, which shows more confidence over the longer-term (compared to the next three months). However, it is important to note that this high level of confidence is well below the long-term, pre-COVID average of 67%.

Figure 6: Business Outlook for the Next Twelve Months



Source: Tourism Industry Council South Australia

Table 1: The Top Factors Influencing the Future Outlook

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • Improvement in facilities upgrade; • Improvement in guest experiences; • High occurrence of events; • High consumer spending; and • Improvement of products. 	<ul style="list-style-type: none"> • High cost of living; • Low business investment; • Less visitors; • Strong market competition; and • Low consumer spending.

Source: Tourism Industry Council South Australia

"We are investing in upgrading and improving guest experiences."

"Low visitation, less spend per head, consumers have less discretionary spend."

"Better planning, adding events and a sense of people spending more money."

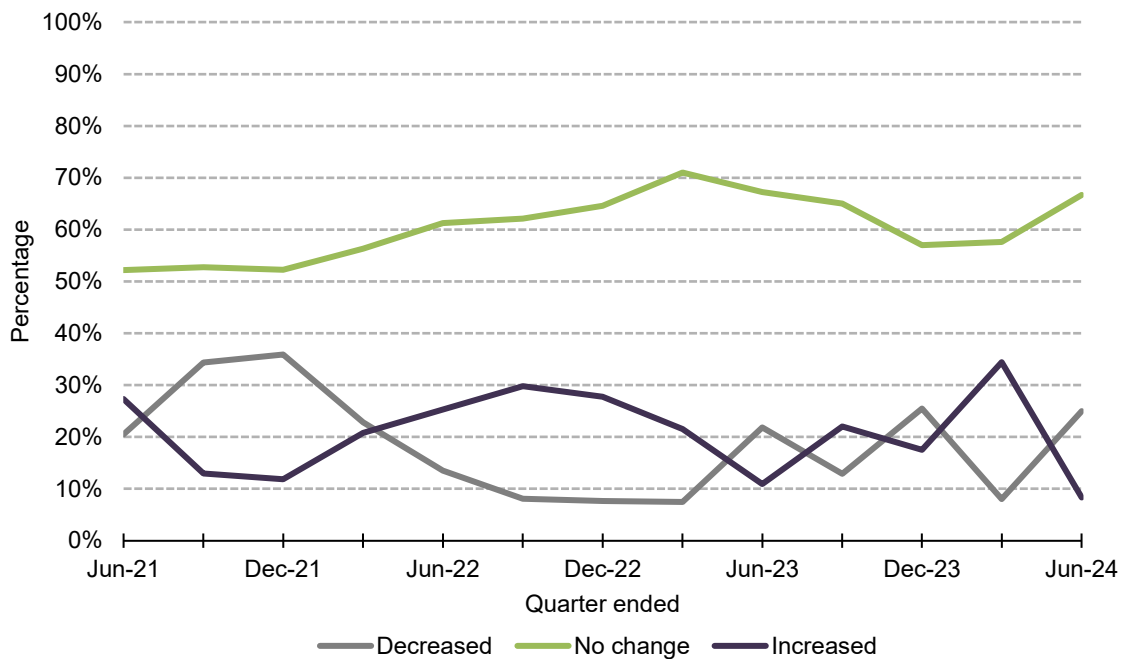
"Difficult to go on a holiday when you are struggling to pay your mortgage."

"With the rising cost of living and for businesses also, we are predicting less investment and less visitors."

Employment and Wages

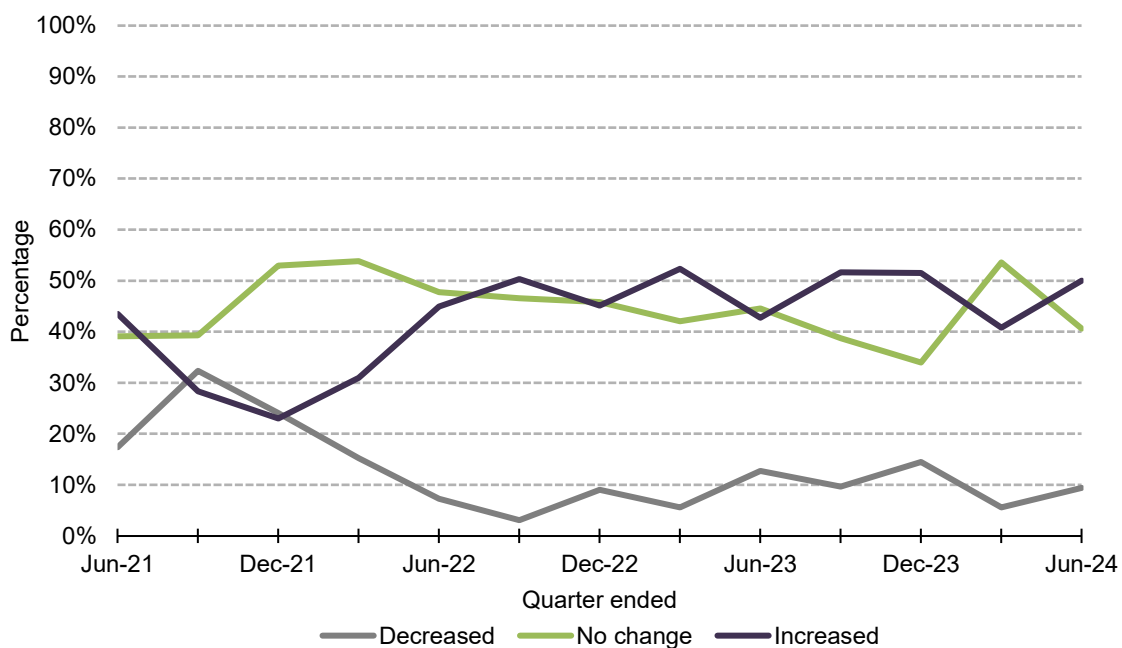
The Employment Index fell sharply in the June Quarter, with just 8% of tourism businesses reporting an expectation for an increase in employment levels, the lowest proportion since September 2020 (during the COVID-19 pandemic). Further, the proportion of businesses expecting less employees rebounded to 25%. The proportion of businesses reporting increasing wage bills remained very elevated and much higher than the pre-COVID level. The high cost of living was often cited as the main reason for wage increases.

Figure 7: Employment Trends



Source: Tourism Industry Council South Australia

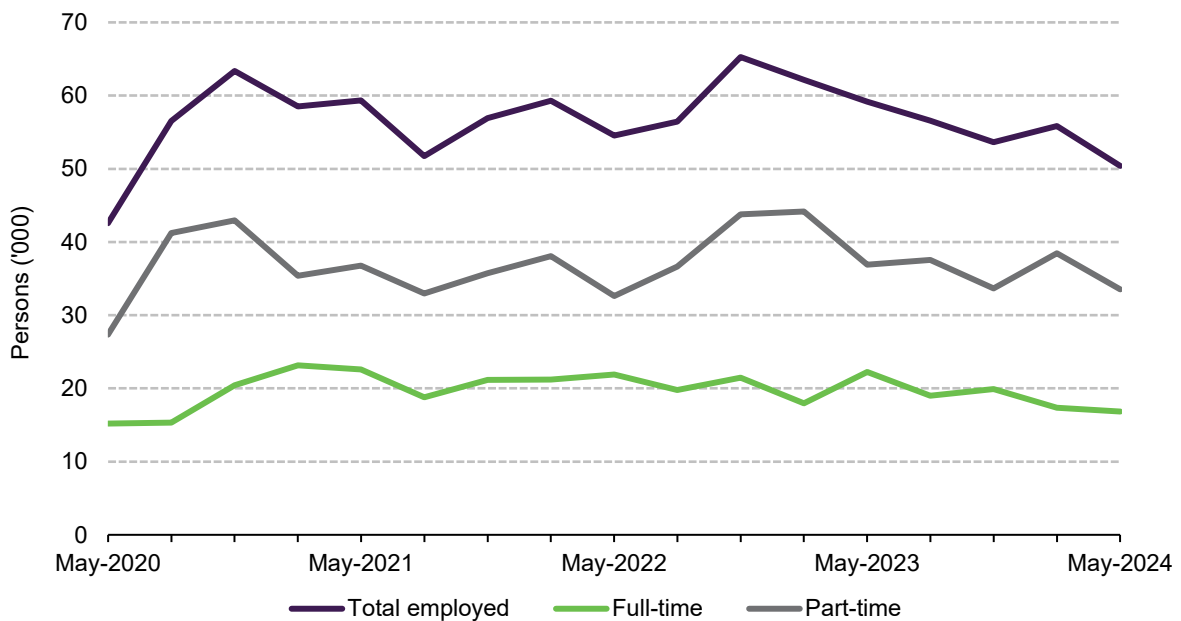
Figure 8: Wages Bill



Source: Tourism Industry Council South Australia

Consistent with the Employment Index, data from the ABS Labour Force Survey showed total employment in the accommodation and food services industry fell 5,400 persons to 50,400 in May Quarter 2024. Further, since peaking in November 2022, employment in the industry has now declined for five of the past six quarters, to be cumulatively down almost 15,000 persons (or 23%).

Figure 9: SA Employment, Accommodation and Food Services Industry

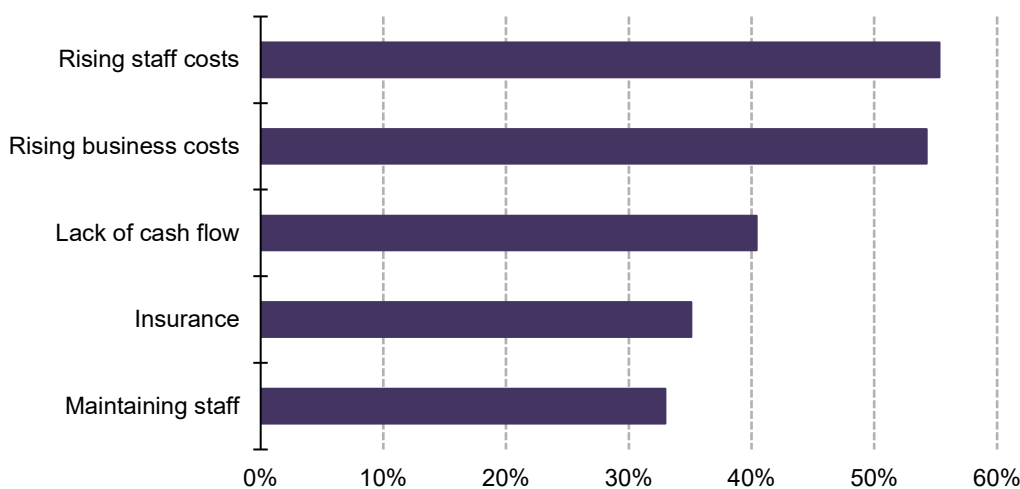


Source: ABS Labour Force, Australia, Cat. No. 6291.055.003

Key Challenges for Tourism Businesses in SA

Feedback in the Barometer is now very consistent and demonstrates the very challenging environment that tourism businesses are experiencing. They continue to face increases in several operating costs and a lack of income to pay these costs. Maintaining staff also continues to be a significant challenge in this environment.

Figure 10: Key Challenges Facing Tourism Businesses

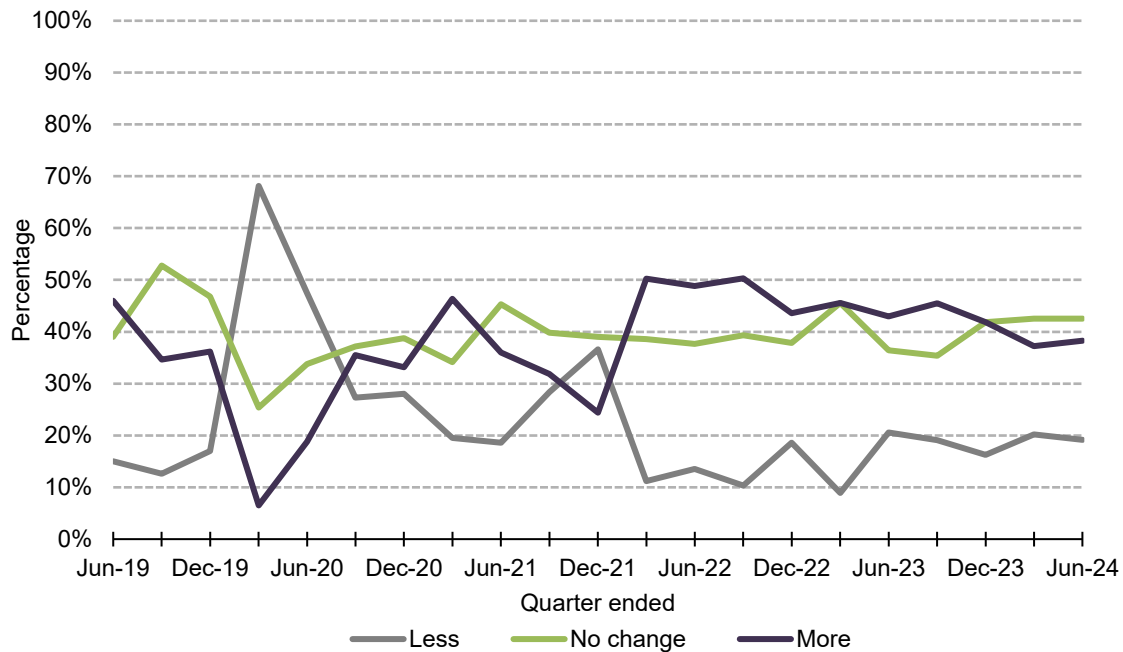


Source: Tourism Industry Council South Australia

Investment Outlook

Investment intentions remained elevated in the June Quarter, a strong result given poor activity levels in the quarter and the ongoing uncertainty surrounding the business outlook. In fact, businesses planning more future investment were double those planning less in the June Quarter. However, it is worth noting that the June Quarter index level (+119) is slightly below the pre-COVID average (+129).

Figure 11: Planned Investment



Source: Tourism Industry Council South Australia

Statistical Note:

The TiCSA Tourism Barometer June Quarter 2024 survey was conducted online 3-17 July 2024. A total of 114 responses were received, representing a margin of error of +/- 9.2% at a confidence level of 95%.

Airport Passengers

The Adelaide Airport has seen strong passenger numbers in June Quarter 2024, with over 2 million passenger movements. While total passenger numbers remain above pre-COVID levels, 2024 has experienced a relatively stabilised level of passenger movements through the Airport.

Table 2: Adelaide Airport Quarterly Passenger Statistics

	Passengers ('000)			
	Jun Qrt 2024	Jun Qrt 2023	Jun Qrt 2022	Jun Qrt 2021
Domestic	1,854	1,684	1,684	1,234
International	235	80	80	12
Total	2,089	1,764	1,764	1,246

Note: Domestic movements include regional.

Source: Adelaide Airport (2024)

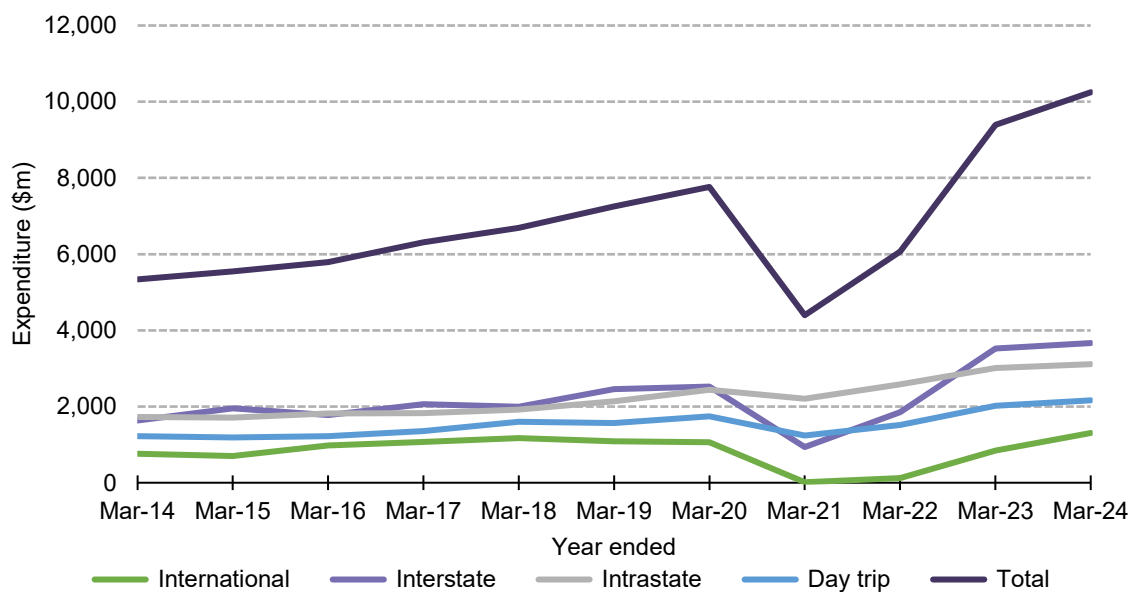
Visitation and Expenditure

Visitor expenditure in South Australia has continued to grow, with visitor expenditure now at \$10.2 billion in the year ending March 2024, up \$860 million from the prior year. The increased visitor expenditure outcome is likely tied to on-going prices increases to address elevated business costs. Growth in visitor expenditure in South Australia is largely in line with the growth experienced in other States.

While all visitor types experienced increases in expenditure, international visitor expenditure saw the strongest increase in the year (both in total and percentage terms), up around \$460 million (or 55%) from the previous year. Recent weakness in the A\$ exchange rate should also continue to support the recovery in international visitor expenditure in the near-term.

While international expenditure has continued to grow, growth in domestic overnight expenditure (both interstate and intrastate) has slowed, rising just 4% (or \$250 million) in the year ending March Quarter 2024. The moderation in expenditure growth from this visitor segment likely reflects the impact of lower household disposable incomes, due to high inflation and rising interest rates, and the uncertain economic outlook.

Figure 12: Visitor Expenditure by Type, South Australia



Note: Year ending March.

Source: Tourism Research Australia

Table 3: Visitor Expenditure (\$m) by Type (2024)

	South Australia		All States	
	Mar-24	% Annual Change	Mar-24	% Annual Change
International	\$1,302	54.8%	\$30,870	68.8%
Interstate	\$3,669	4.2%	\$48,243	-2.8%
Intrastate	\$3,114	3.6%	\$61,136	4.5%
Day trip	\$2,164	7.0%	\$33,134	4.3%
Total	\$10,249	9.1%	\$173,383	9.6%

Note: Year ending March. % change is from previous year.

Source: Tourism Research Australia

For the year ending March 2024, data shows declines in visitor numbers across day-trip and intrastate domestic overnight visitors, but a continued recovery in interstate domestic overnight and international visitors.

Declines in holiday / leisure visitation across all visitor types except international visitors is a clear area of weakness for South Australia, which again is likely the result of the rising cost of living reducing household disposable income levels.

While visitor expenditure continues to grow, total visitation remains below pre-COVID (around 14% less).

Table 4: Visitors and Nights by Type, South Australia (2024)

	Visitors	Holiday	VFR	Business	Visitor Nights
Day trip	13,985	6,498	4,396	1,548	
Annual % Change	-5.3%	-4.5%	-0.9%	-4.7%	
3-year trend % Change	3.8%	3.0%	13.3%	-0.9%	
10-year trend % Change	2.0%	1.3%	2.8%	3.2%	
Intrastate	4,492	2,008	1,406	833	12,501
Annual % Change	-4.3%	-3.5%	0.7%	-5.3%	-8.2%
3-year trend % Change	-0.4%	-5.3%	5.3%	5.0%	-3.9%
10-year trend % Change	2.5%	1.9%	2.6%	4.7%	2.1%
Interstate	2,967	1,083	948	834	13,342
Annual % Change	6.5%	-4.7%	12.4%	14.5%	3.1%
3-year trend % Change	47.5%	52.1%	38.7%	53.0%	26.2%
10-year trend % Change	5.0%	5.3%	5.1%	5.0%	3.4%
International	465	162	201	47	14,315
Annual % Change	63.8%	99.0%	49.2%	38.0%	74.3%
3-year trend % Change	443.9%	1,228.0%	430.2%	339.6%	320.8%
10-year trend % Change	1.6%	-0.9%	4.7%	0.5%	3.8%
Total	21,909	9,750	6,952	3,262	40,158
Annual % Change	-2.7%	-3.5%	2.1%	-0.1%	15.5%
3-year trend % Change	6.8%	4.2%	14.9%	8.6%	24.3%
10-year trend % Change	2.5%	1.8%	3.1%	3.9%	3.1%

Note: Year ending March.

Source: Tourism Research Australia

Total expenditure across day-trip and intrastate domestic overnight visitors has risen, with higher yields (\$/visitor), which has more than offset declines in visitation. Conversely, interstate domestic overnight and international visitors saw annual falls in visitor yields that were offset by strong growth in visitor numbers, resulting in overall expenditure growth.

In terms of the trends over the medium-term, the strong growth in visitor expenditure in the post-COVID era has been driven by very strong growth in visitor yield (i.e. \$/visitor). Total visitation is 14% below pre-pandemic levels, however total expenditure is up 32%, as visitor yields have risen more than 50% over this period. One of the main drivers for the sharp increase in visitor yields is the increase in various input prices that has been occurring (as identified in previous Barometers). Faced with rapidly increasing costs, tourism businesses have been forced to increase their prices, which is reflected in increasing yields and record setting visitor expenditure.

However, tourism businesses may struggle to continue to pass-on these rising costs in the near-term. The current Barometer shows that over 50% of tourism businesses have maintained pricing levels over the (42% of businesses have increased prices).

Recent economic data has shown household consumption nationally has softened considerably in recent quarters, with households forced to tighten their belts under the weight of rising interest repayments and increasing cost of living. The potential for further interest rate increases, potentially as soon as August, could add to the pressure.

Table 5: Expenditure and Yield, South Australia, by Type (2024)

	Expenditure (\$m)	Yield (\$/visitor)	Yield (\$/night)	Market Share Visitors (%)	Market Share Expenditure (%)
Day-trip	\$2,164	\$155		6.7%	6.5%
Annual % Change	7.0%	13.1%		6.8%	6.4%
3-year trend % Change	20.6%	16.1%		7.9%	7.4%
10-year trend % Change	5.9%	3.9%		2.0%	6.6%
Intrastate	\$3,114	\$693	\$249	5.6%	5.1%
Annual % Change	3.6%	8.1%	12.7%	5.9%	5.1%
3-year trend % Change	12.2%	12.6%	16.6%	7.3%	6.3%
10-year trend % Change	6.1%	3.5%	3.9%	2.5%	6.0%
Interstate	\$3,669	\$1,237	\$275	8.4%	7.6%
Annual % Change	4.2%	-2.1%	1.1%	8.0%	7.1%
3-year trend % Change	57.5%	6.8%	24.6%	8.0%	8.8%
10-year trend % Change	8.5%	3.3%	4.9%	5.0%	6.9%
International	\$1,302	\$2,797	\$91	6.5%	2.8%
Annual % Change	54.8%	-5.5%	-10.8%	6.1%	2.9%
3-year trend % Change	342.8%	-18.8%	4.8%	5.0%	1.8%
10-year trend % Change	5.5%	3.9%	1.7%	1.6%	2.6%
Total	\$10,249	\$468	\$255	6.6%	5.9%
Annual % Change	9.1%	12.2%	-5.0%	6.8%	5.9%
3-year trend % Change	32.6%	24.2%	10.1%	7.8%	7.0%
10-year trend % Change	6.7%	4.2%	3.7%	6.8%	5.9%

Note: NA – not applicable. Year ending March. Market share represents the historical market share currently, for the previous year and from three/ten years ago.

Source: Tourism Research Australia.



Report prepared in partnership with Lucid Economics.

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