

TiCSA Tourism Barometer

March Quarter 2024



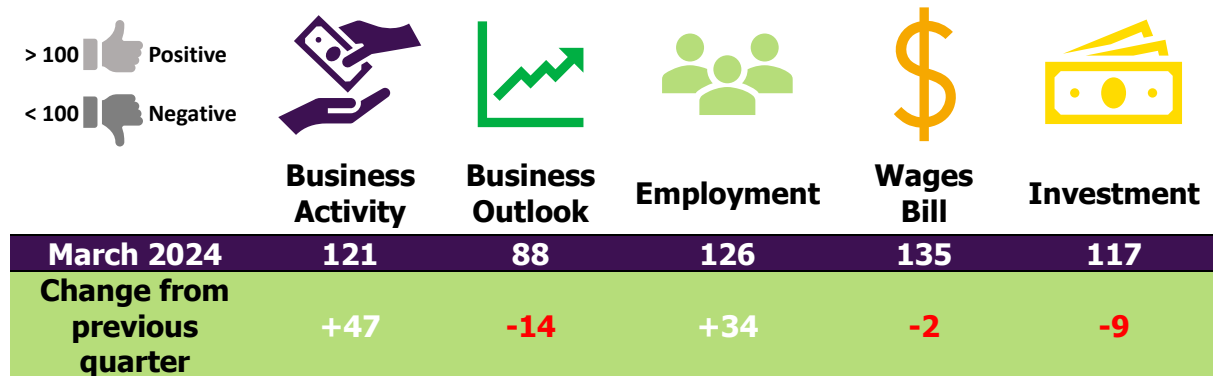
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Activity rebounds strongly, but the outlook remains clouded by economic uncertainty

The 2024 March Quarter Tourism Barometer shows an improvement in activity from the December Quarter Barometer, however the deterioration in the Business Outlook Index makes it clear the tourism industry is still facing significant challenges including rising operating costs, labour shortages, high interest rates, poor consumer sentiment and a slow recovery in international visitation levels.

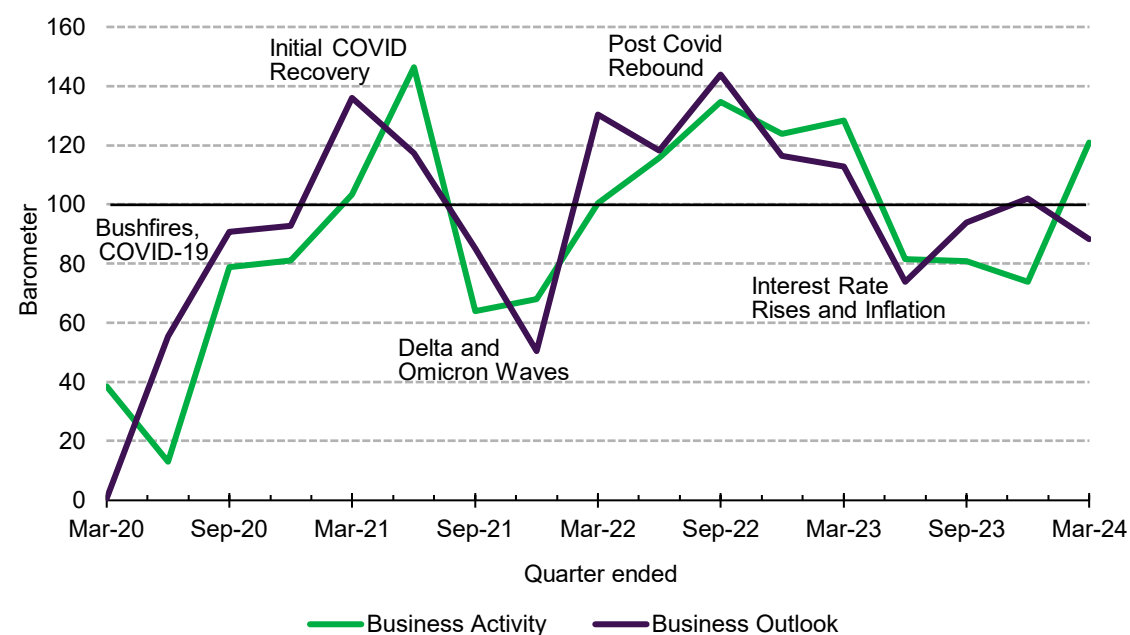
Business investment levels have fallen slightly, but remain positive, despite the uncertain economic outlook. More SA businesses are hiring new employees, which suggests chronic worker shortages may be easing. Visitor expenditure in South Australia continues to rebound strongly from the COVID-19 pandemic, at \$10.1 billion in 2023, supported by the recovery in visitation and very strong growth in visitor yields.

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 March quarter were:

- Local events in the area;
- Increase in interstate / intrastate travel;
- Travel generally higher than last year;
- Accessing new markets not previously tapped into; and
- Increase in rates, prices or visitor spend in the business.

"We have had some great events, we have been busy."

"Continued solid visitation and business growth."

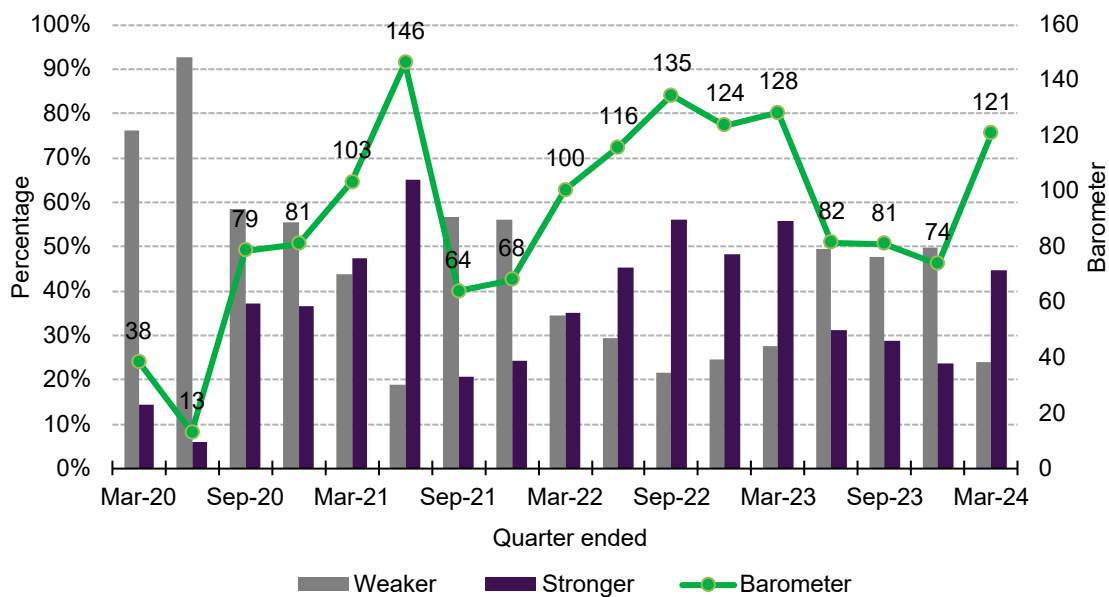
The main reasons for the negative performance in the March quarter were:

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

"Weak economy, high cost of living, people don't travel."

"Increased interest rates - many people are retrospectively altering their discretionary spend."

Figure 3: Business Activity in the Last Three Months

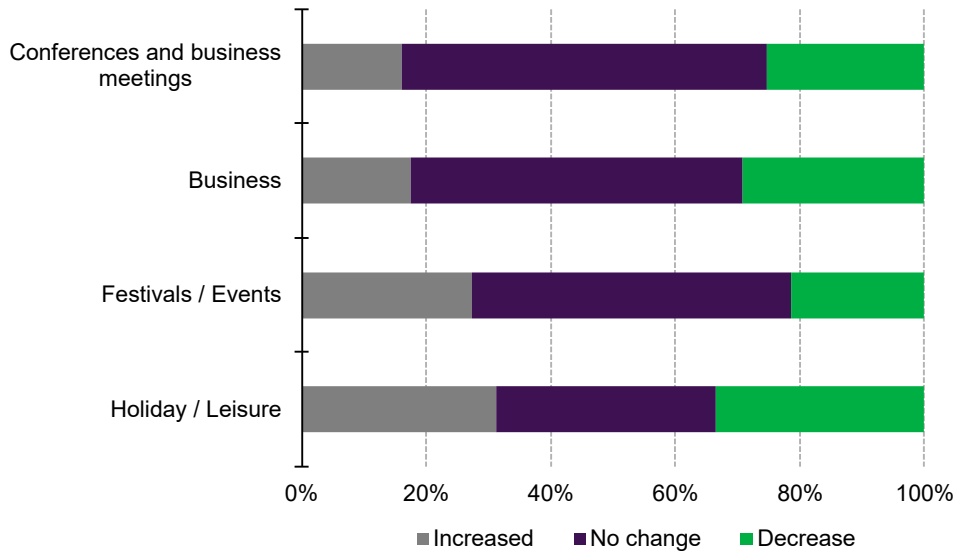


Source: Tourism Industry Council South Australia

Business Activity by Market Segment (Last Three Months)

The festival and events market recorded a net increase in activity from the December quarter. However, conditions were a little weaker across the holiday / leisure, business, and conferences and business meetings segments, likely driven by the recent increases in the cost of living, uncertain economic outlook and the slow recovery in overseas travel.

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

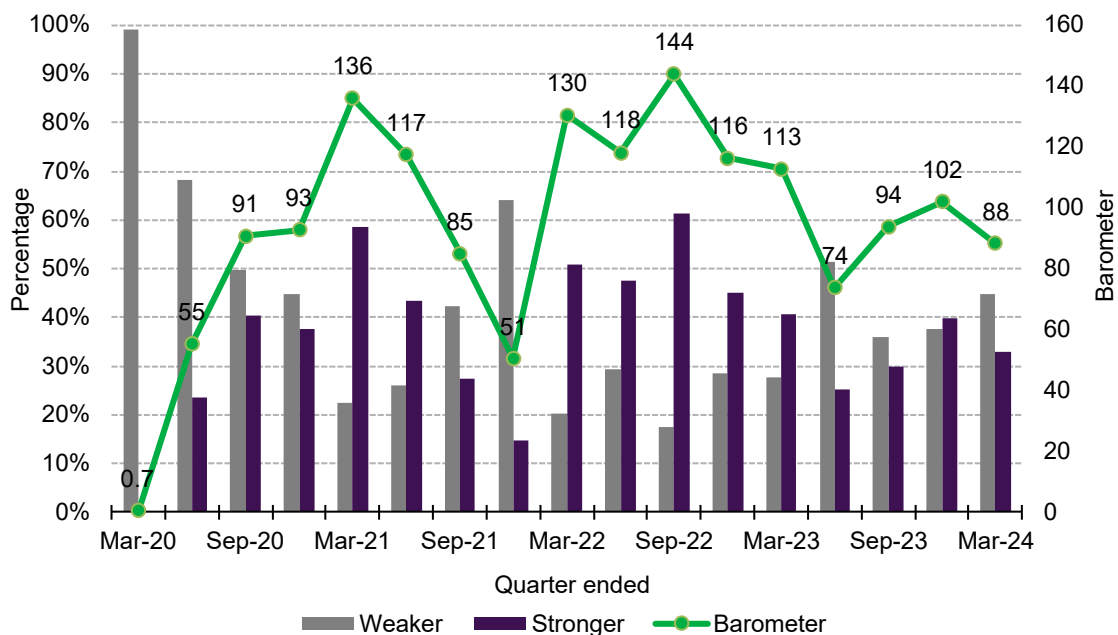


Source: Tourism Industry Council South Australia

Business Outlook (Next Three Months)

The Business Outlook Index fell below the neutral level in the March quarter. The Index has trended lower since peaking in September quarter 2022 and is likely to stay around current levels while there is so much uncertainty around the outlook for inflation and interest rates.

Figure 5: Business Outlook for the Next Three Months

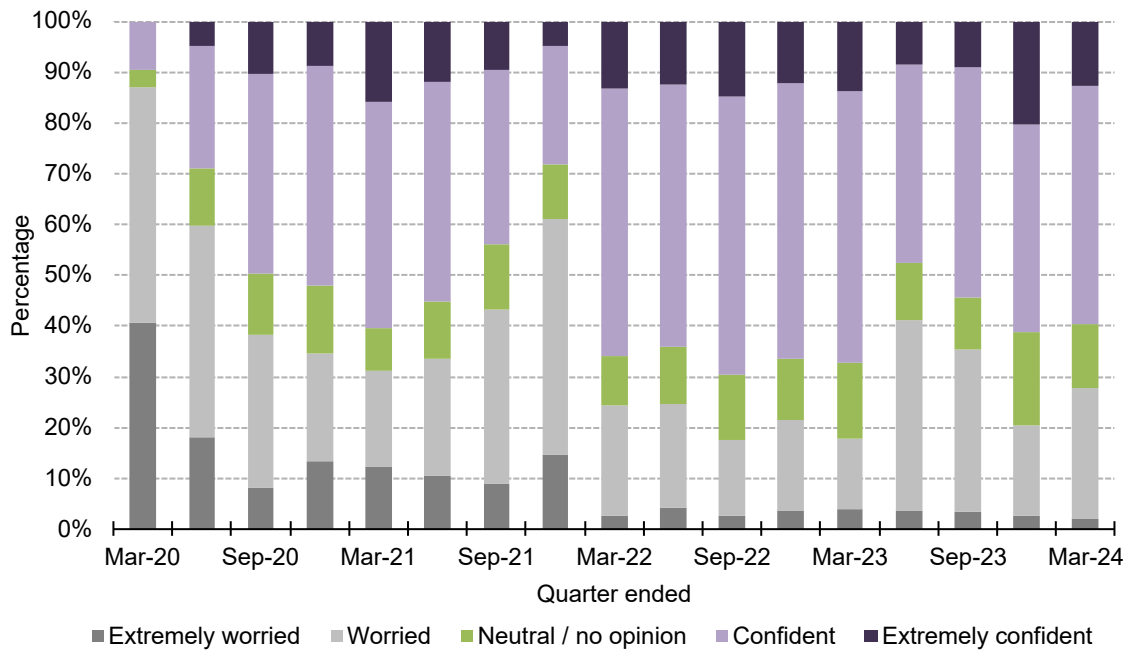


Source: Tourism Industry Council South Australia

Business Outlook (Next 12 Months)

Results in the March quarter were similar to those from the previous December quarter, with most businesses (60%) remaining '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). While this high level of confidence reflects an improvement from the recent trough in mid-2023, it is 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"> • Increase in forward bookings; • Strong business and marketing activities; • Increase in market awareness; • Increased events; and • Increase in visitors in the area. 	<ul style="list-style-type: none"> • General lack of business and low forward bookings; • High cost of living & interest rates; • Weaker economy and low consumer confidence • Strong market competition.

Source: Tourism Industry Council South Australia

"I've busted my guts promoting my business to the Eastern Seaboard and dividends look good."

"The economy is weaker, so people have less money to spend."

"Good word of mouth and increased social media is working for us."

"Cost of living keeps going up."

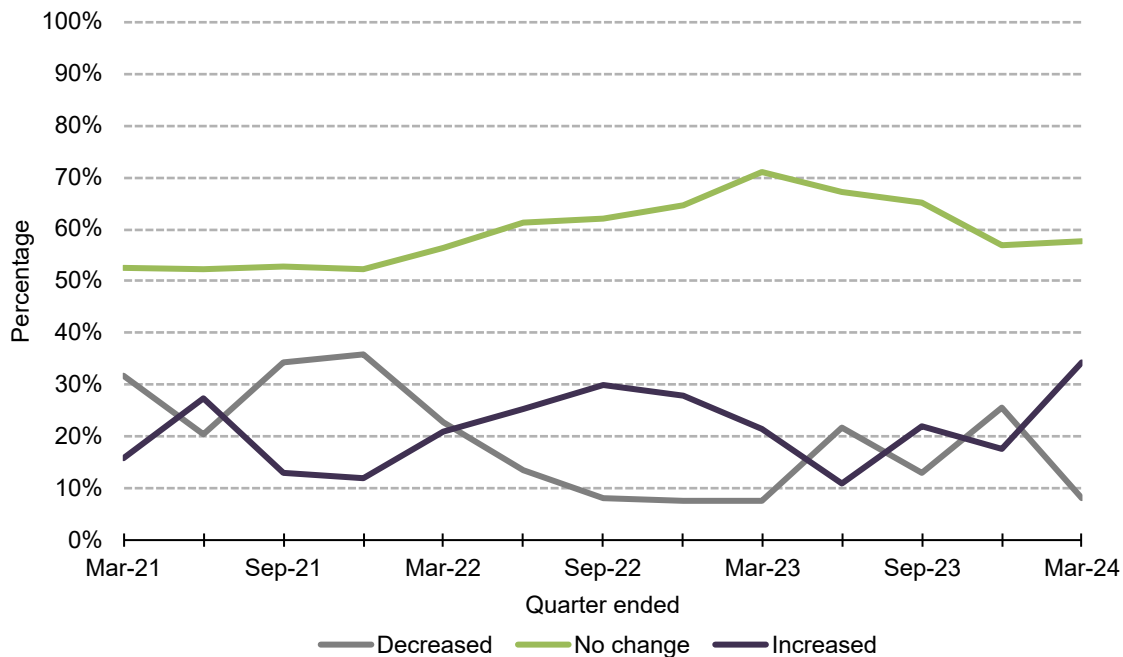
"Forward planning for bigger events for 2025, improved marketing, we are gearing up."

"Difficult to get excited about a future when we have a weaker economy, high cost of living and uncertainty about where interest rates might go."

Employment and Wages

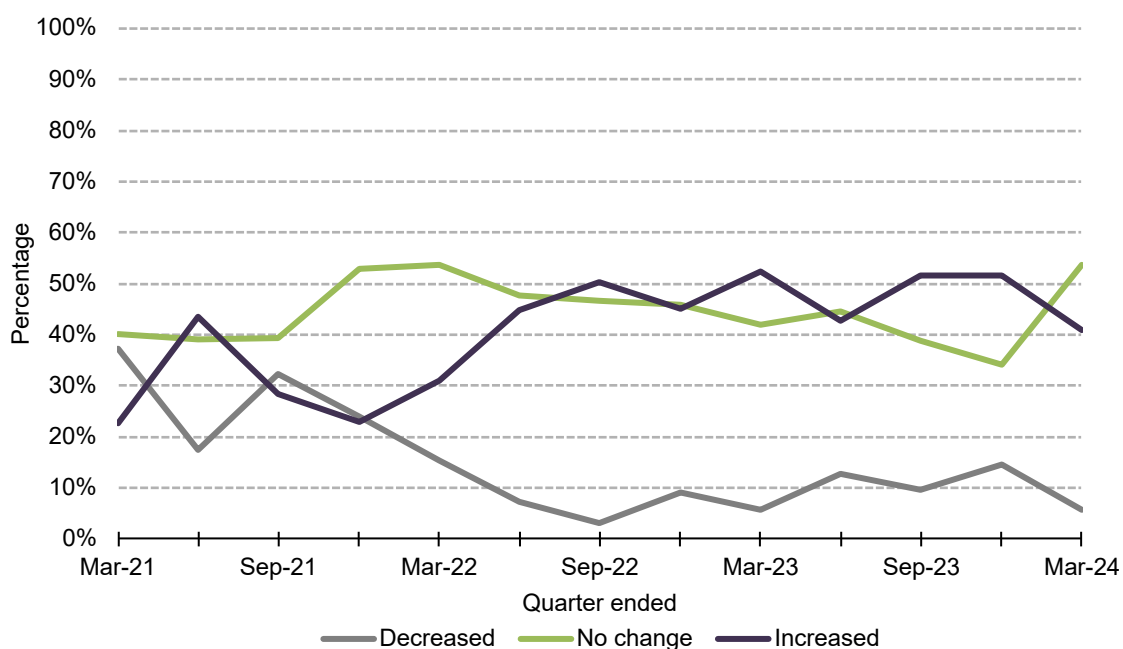
The Employment Index rebounded from the December quarter, with 34% of tourism businesses reporting an expectation for an increase in employment levels, almost double the December quarter result and the strongest in the post-COVID period. Further, the proportion of businesses expecting less employees declined to just 8%. The proportion of businesses expecting increasing wage bills remained very elevated and above 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

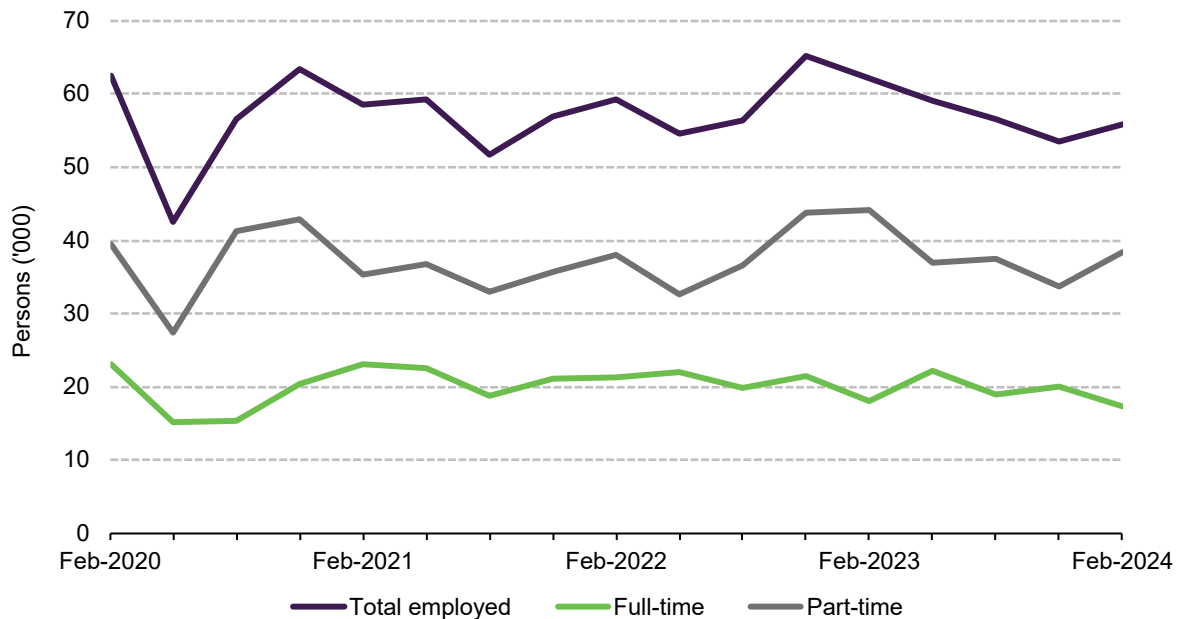
Figure 8: Wages Bill



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 rose 2,200 persons to 55,800 in February quarter 2024, partially rebounding following four consecutive quarterly declines in employment. However, total employment in the industry is still more than 9,000 persons (or 15%) below the recent high in November quarter 2022.

Figure 9: SA Employment, Accommodation and Food Services Industry

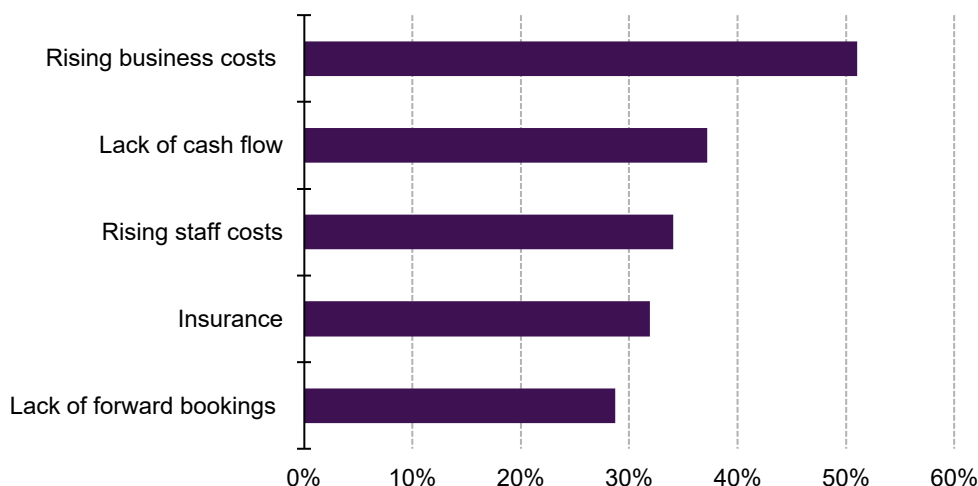


Source: ABS Labour Force, Australia, Cat. No. 6291.055.003

Key Challenges for Tourism Businesses in SA

Feedback in the Barometer shows that tourism businesses are operating in a very challenging environment. Businesses are facing increases in a number of operating costs and a lack of income and demand to pay these costs. Accessing and maintaining staff has previously been a significant challenge. While still an issue, it is not as challenging for business as rising costs.

Figure 10: Key Challenges Facing Tourism Businesses

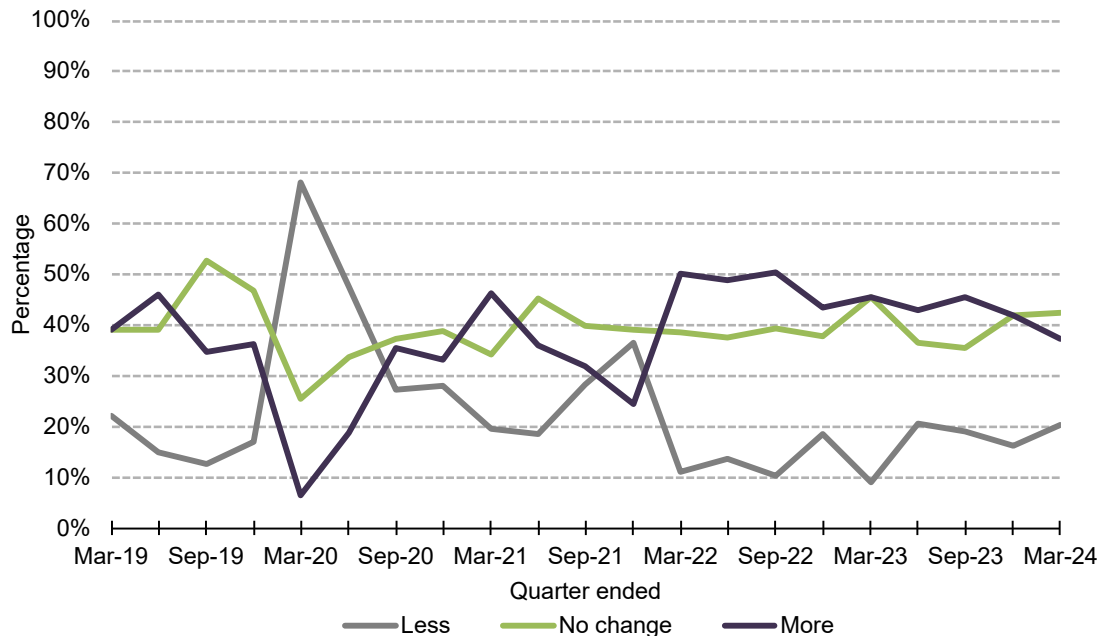


Source: Tourism Industry Council South Australia

Investment Outlook

Given the immense uncertainty surrounding the business outlook, it is not surprising that the proportion of businesses planning to invest in the future continued to fall in the March quarter and remains below the pre-COVID average. On a more positive note, businesses planning future investment outnumber those planning less, and the proportion planning to invest has recovered since the COVID-19 pandemic low in 2021.

Figure 11: Planned Investment



Source: Tourism Industry Council South Australia

Statistical Note:

The TiCSA Tourism Barometer March quarter 2024 survey was conducted online 3-17 April 2024. A total of 172 responses were received, representing a margin of error of +/- 7.4% at a confidence level of 95%.

Airport Passengers

The Adelaide Airport has seen a record number of passengers for the March Quarter with 1.9 million domestic passenger movements in 2024. Traffic between Adelaide and Melbourne and Sydney was very strong and international capacity was increased from Singapore, Doha and Bali. Based on visitation statistics, the increase in passenger numbers reflects the ongoing recovery of the interstate and international markets.

Table 2: Adelaide Airport Quarterly Passenger Statistics

	Passengers ('000)			
	Mar-24	Mar-23	Mar-22	Mar-21
Domestic	1,882	1,741	1028	832
International	241	195	35	8
Total	2,123	1,936	1,063	840

Note: Domestic movements include regional.

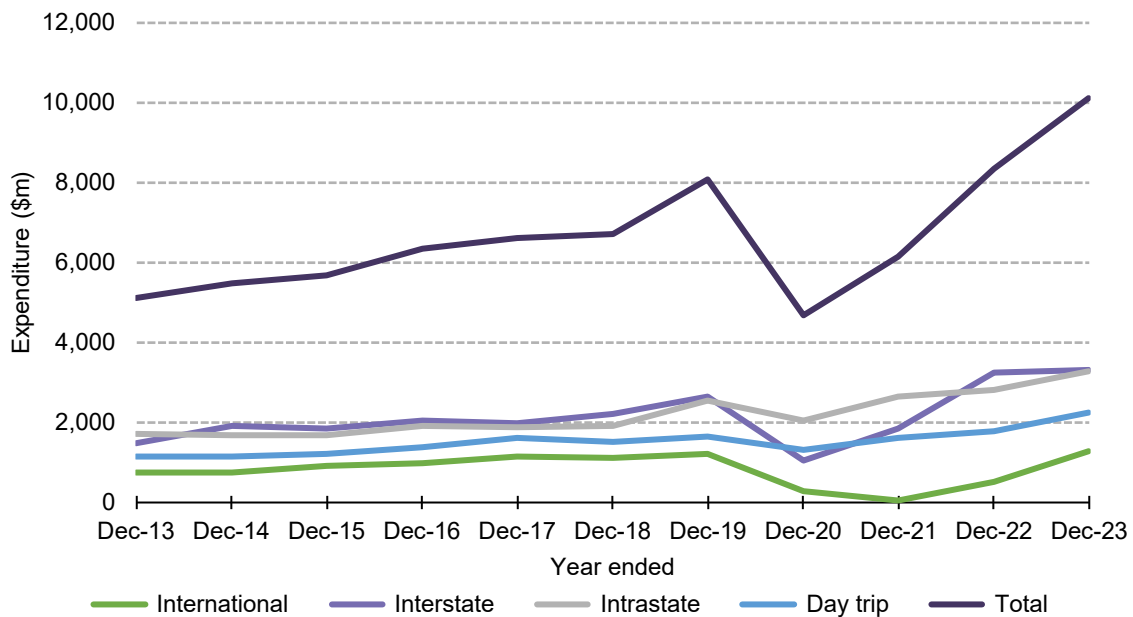
Source: Adelaide Airport (2024)

Visitation and Expenditure

The strong rebound in visitor expenditure in South Australia has continued, with visitor expenditure now at \$10.1 billion in the year ending December 2023, up \$1.8 billion from the prior year. While all visitor types experienced increases in expenditure, international visitor expenditure saw the strongest increase in the year, up around 760 million (or 145%) from the previous year. The recovery in international visitor expenditure has been supported by the reopening of international borders and the ongoing weakness in the A\$ exchange rate.

However, the post-COVID rebound in interstate overnight expenditure looks to have lost steam, rising just 2.2% (or \$71 million) in 2023. Given the continued strong increases in intrastate overnight (up 18%) and day-trip (up 27%) expenditure in 2023, the moderation in interstate expenditure growth may reflect the impact of lower household disposable incomes (due to high inflation and rising interest rates) and the uncertain economic outlook. Based on feedback in the Barometer, these factors are resulting in some consumers opting for less expensive, intrastate travel rather than more expensive interstate travel options.

Figure 12: Visitor Expenditure by Type, South Australia



Note: Year ending December.
Source: Tourism Research Australia

Table 3: Visitor Expenditure (\$m) by Type (2023)

	South Australia		All States	
	Dec-23	% Annual Change	Dec-23	% Annual Change
International	\$1,277	146.1%	\$27,996	119.7%
Interstate	\$3,309	2.2%	\$48,153	5.7%
Intrastate	\$3,298	17.6%	\$61,178	9.8%
Day trip	\$2,252	26.9%	\$32,929	13.5%
Total	\$10,136	21.6%	\$170,256	19.0%

Note: Year ending December. % change is from previous year.
Source: Tourism Research Australia

The latest visitor data shows growth in the year ending December 2023 across all visitor types. In particular, day-trip (up 11%) and international (up 143%) visitors continued to rebound during the year. Declines in overnight intrastate and interstate leisure visitation (both down 3%) were areas of weakness for South Australia, again likely the result of rising cost of living and lower levels of disposable income.

While visitor expenditure continues to surge, total visitation remains around 10% below pre-COVID levels.

Table 4: Visitors and Nights by Type, South Australia (2023)

	Visitors	Holiday	VFR	Business	Visitor Nights
Day trip	14,982	6,953	4,528	1,805	
Annual % Change	11.2%	8.9%	14.2%	31.7%	
3-year trend % Change	3.9%	4.8%	11.5%	-2.0%	
10-year trend % Change	3.1%	2.6%	3.0%	5.8%	
Intrastate	4,683	2,022	1,512	867	13,296
Annual % Change	4.2%	-3.4%	20.9%	2.3%	0.0%
3-year trend % Change	2.6%	-1.6%	8.2%	5.8%	0.1%
10-year trend % Change	2.8%	1.4%	3.3%	6.3%	2.3%
Interstate	2,712	995	898	771	12,487
Annual % Change	3.8%	-2.6%	12.2%	5.3%	-0.9%
3-year trend % Change	33.4%	40.4%	33.4%	30.5%	22.7%
10-year trend % Change	4.9%	5.6%	4.9%	4.9%	3.4%
International	439	148	197	44	14,062
Annual % Change	143.3%	272.1%	112.0%	76.0%	154.5%
3-year trend % Change	60.7%	45.4%	89.7%	64.8%	69.2%
10-year trend % Change	0.9%	-1.7%	5.0%	-0.9%	2.2%
Total	22,818	10,117	7,136	3,487	39,845
Annual % Change	9.9%	6.1%	16.8%	17.2%	26.8%
3-year trend % Change	6.4%	5.7%	13.6%	5.1%	20.3%
10-year trend % Change	3.2%	2.5%	3.3%	5.6%	2.6%

Note: Year ending December.

Source: Tourism Research Australia

The rapid ascent of visitor expenditure is partly due to very strong growth in visitor yield (i.e. \$/visitor). One of the main drivers for these increases 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 (by an average of 15% based on the Barometer), which is now being represented in increasing yields and record setting visitor expenditure.

As discretionary incomes are now under a full assault from elevated inflation and interest rates, demand growth may soon subside (and may already be occurring given the moderation in interstate overnight expenditure growth), particularly if the national labour market softens over the remainder of 2024 as the RBA is forecasting.

More welcome is that the long-established trend of losing market share to other states appears to have subsided, with market share broadly unchanged in this most recent quarter, both in terms of visitors and expenditure. While this may appear only minor, it hopefully signals the halt to a worrying trend of declining market share in the post-COVID recovery period.

Table 5: Expenditure and Yield, South Australia, by Type (2023)

	Expenditure (\$m)	Yield (\$/visitor)	Yield (\$/night)	Market Share Visitors (%)	Market Share Expenditure (%)
Day trip	\$2,252	\$150		6.9%	6.8%
Annual % Change	26.9%	13.6%		6.7%	6.1%
3-year trend % Change	19.8%	15.2%		8.1%	7.5%
10-year trend % Change	6.9%	3.6%		3.1%	6.3%
Intrastate	\$3,298	\$704	\$248	5.9%	5.4%
Annual % Change	17.6%	12.8%	17.5%	5.8%	5.0%
3-year trend % Change	17.2%	14.2%	17.0%	7.2%	6.2%
10-year trend % Change	6.8%	3.9%	4.4%	2.8%	6.1%
Interstate	\$3,309	\$1,220	\$265	7.8%	6.9%
Annual % Change	2.2%	-1.5%	3.1%	7.8%	7.1%
3-year trend % Change	46.7%	9.9%	19.6%	8.4%	8.2%
10-year trend % Change	8.3%	3.2%	4.7%	4.9%	6.4%
International	\$1,277	\$2,907	\$91	6.6%	3.0%
Annual % Change	146.1%	1.0%	-3.2%	5.3%	2.6%
3-year trend % Change	65.8%	3.2%	-1.8%	6.2%	2.5%
10-year trend % Change	5.3%	4.4%	3.1%	0.9%	2.6%
Total	\$10,136	\$444	\$254	6.8%	6.0%
Annual % Change	21.6%	10.7%	-5.2%	6.6%	5.8%
3-year trend % Change	29.3%	21.5%	10.3%	7.9%	6.6%
10-year trend % Change	7.0%	3.7%	4.4%	6.8%	5.8%

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

Source: Tourism Research Australia

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Report prepared in partnership with Lucid Economics.

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