Demand for more hotel rooms

Tourism arrivals on the rise

Roy Cokayne

AT LEAST six new hotels with more than 200 rooms or more are expected to be built in South Africa within the next five years, according to PwC.

The professional services firm expects 2 600 new hotel rooms to be added to the market in this period and the overall number of available rooms in the country to increase at a 0.7 percent compound annual rate to 67 000 in 2020 from 61 100 last year.

Pietro Calicchio, an industry leader of hospitality and gambling at PwC Southern Africa, said yesterday that 54 percent of the additional hotel room capacity would be in Cape Town.

Strong growth

"We forecast that hotel room revenue will grow by 11.9 percent in 2016 to R15.8 billion. The interest in new hotel developments in Cape Town reflects its strong growth rates and its appeal as a tourist attraction," he said.

Total room revenue is forecast to grow at a 7.8 percent compound annual rate to R20.6bn in 2020 from R124.2bn last year.

PwC's sixth edition of its hotels Ooutlook report said major openings of hotels in South Africa with 200 rooms or more included the Radisson Blu Hotel & Residences in Cape Town in 2017; Sun International Menlyn as part of a R3bn urban casino and entertainment complex in 2017; the R1bn Marriott Executive Apartments in Johannesburg in 2019; Stayeasy and Sunsquare, Tsogo Sun's two hotel complex in Cape Town with a combined cost of R680 million in 2017; the R380m Radisson Red V&A Waterfront in Cape Town in 2017; and Ibis Communicare in Cape Town in 2019.

Calicchio said the overall outlook for hotels in South Africa was expected to remain positive despite the considerable weakening of the South African economy.

"It is promising to see a growing number of new hotels that are planned for the next five years," he said.

Calicchio said the star performers in the market last year were five-star hotels, which increased revenue by 21 percent to R2.1bn and achieved record occupancies of 79.5 percent.

If occupancies kept on growing, additional five-star hotels might come on stream.

But Calicchio said it was unlikely that more five-star hotels would be built in South Africa in the forecast period, because it was a niche market and a lot of investment went into a five-star hotel.

However, if occupancies kept on growing, additional five-star hotels might come on stream, he said.

Calicchio said the devaluation of the rand and the relaxation of certain visa regulations had both had a positive impact on the tourism industry in South Africa, making the country a more attractive tourism destination.

"This has also had a positive impact on the number of foreign visitors to South Africa over the past six months," Calicchio said.

There was a 6.8 percent decrease in visitors to South Africa to 8.9 million last year from 9.5 million in 2014.

He attributed this largely to the new visa regulations and the state of the global economy.

Regulations

Calicchio said the visa regulations were relaxed in October and there was a 16.8 percent increase in monthly overnight visitor numbers in the first four months of this year compared with last year, with monthly visitor numbers exceeding 1 million for the first time in January.

Veneta Eftychis, an associate director at PwC, said that the number of arrivals in Mauritius had increased by 11 percent last year, the largest increase experienced in the past five years.

Eftychis believed this could have been caused by tourists diverting their destination from South Africa to Mauritius because of the island's more lenient visa requirements.

PwC's hotel outlook report focuses on South Africa, Nigeria, Mauritius, Kenya and Tanzania.

Sun 1 Hotel in Southgate. PwC expects 2 600 new hotel rooms to be added to the South African market within the next five years, and that 54 percent of the new capacity would be in Cape Town. PHOTO: NICHOLAS RAMA

A weak rand lifts prices of new cars

Roy Cokayne

DRIVEN by the weakness in the value of the rand, new car prices increased by 8.4 percent year on year in the second quarter of this year from 6.6 percent in the first quarter.

Used car prices rose by 2.7 percent year on year from 2.2 percent in the same period last year, according to the latest TransUnion South Africa's vehicle pricing index released yesterday.

Derick de Vries, the chief executive of Auto Information Solutions at TransUnion, said the drastic price surge of new vehicles could be attributed to a delayed reaction to the rand weakness and ongoing poor economic conditions.

"The combined effect of the negative gross domestic product growth rate, the increase in interest rates, higher inflation, the increase in unemployment, lower consumer confidence and economic instability have all played a role in the increase of new and used vehicle pricing.

"These combined factors are slowing down sales volumes substantially. The demand for used vehicles is also increasing considering the affordability challenges in the new vehicle market," he said.

Figures released by the Department of Trade and Industry earlier this month revealed that total new vehicle sales dropped almost 10 percent to 272 461 vehicles in the first six months of this year from the 302 553 units sold in the corresponding period last year. New car sales have dropped by 10.4 percent so far this year.

De Vries said the index indicated that consumers were enduring substantial increases in the basket of high volume passenger vehicles and this would slow the new and used car market. "Consumers tend to look for cheaper cars or hold on to their existing vehicles for longer than normal," he said.

De Vries said overall the current economic conditions were impacting on multiple industries related to vehicles, including finance houses, manufacturers, insurers and dealerships.

Finance houses were faced with declining applications while manufacturers and dealerships faced a declining vehicle market and insurance companies would need to remain competitive to reduce cancellations, he said.

"A depressed car market highlights the need for manufacturers to slow down production or cut margins to create more demand. Dealerships will need to implement targeted marketing strategies to match supply to demand and implement more incentives," he said.

TransUnion data showed that vehicle finance deals for new cars dropped by about 48 percent in the second quarter and by about 24 percent for used cars compared with the second quarter of last year. The percentage of new and used cars being financed below R200 000 remained constant from the previous quarter.

Shifting back

De Vries said used car loans had increased to R189 000 from R136 000, which indicated that consumers were either financing cheaper new vehicles or more expensive used vehicles.

Rudolf Mahoney, the head of brand and communication at WesBank, said the bank was forecasting that the market would start shifting back to new vehicles within the next 12 to 18 months as the supply of quality used models dried up. "Buyers re-entering the market are also more likely to shop in lower segments, again affected by affordability," he said.

TransUnion released its vehicle price inflation index yesterday, revealing a surge in the price of new vehicles. PHOTO: SIMPHIWE MBOKAZI

Oil refineries deny union's claims

Wendell Roelf

SOUTH Africa's largest oil refinery, jointly operated by Shell and BP, had not shut down due to a workers' strike over wages, a spokeswoman said yesterday, contradicting an earlier labour union claim.

"The plant has not stopped production and we have measures in place to ensure continued safe operation during the national Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (Ceppwawu) strike," spokeswoman Cindy Govender said.

A senior union official had earlier said that the refinery, situated on the east coast of Durban port and with the capacity to refine 190 000 barrels per day of crude oil, had come to a "standstill" on the first day of an indefinite strike declared by Ceppwawu.

Workers belonging to the union had issued a notice to strike in the petrochemical sector, seeking a 9 percent wage hike from employers that were offering less.

Work was unaffected at other major refineries operated by Chevron, Total, South African petrochemical company Sasol and national oil company PetroSA.

"Operations continue as normal and there is no impact on production," Sasol spokesman Alex Anderson said.

The National Petroleum Employer's Association has said a stagnating economy at home and weak global oil prices meant employers could only offer a 7 percent raise this year, and an April consumer price index rate plus 1.5 percent the following year.

Union members are also expected to start a national wage strike in the pharmaceutical sector today, when about 23 000 workers in both the petrochemical and pharmaceutical sectors were expected to down tools for better pay.

Higher-than-inflation wage increases, which are being sought this year in negotiations in the South African mining, petroleum and manufacturing sectors, have been flagged by policymakers as a danger to an already weak economy. – Reuters

Dangote Cement scales back growth

Liezel Hill and David Malingha Doya

DANGOTE Cement signalled it might ease the pace of adding new capacity amid foreign exchange constraints in its home market of Nigeria, as Africa's largest producer of the building material reported a decline in first-half profit.

While the company remained committed to its ambitious growth plans, "we are taking a more measured approach to the roll-out of new capacity across Africa," chief executive Onne van der Weijde said in a statement yesterday.

That could mean extending the time set aside to complete the projects, the Lagos-based company said.

Dangote Cement, controlled by Africa's richest man, Aliko Dangote, has more than doubled production capacity since 2013 and said in April it might increase cement capacity by a further 77 percent by the end of 2019.

Foreign-exchange constraints in Nigeria had prompted the company to reconsider the pace of its expansion and it now believed a five-year building programme was more appropriate, it said.

Van der Weijde's comment about a more measured approach "implies that management will be prioritising projects" and "take time to properly articulate a long-term strategy in existing markets," Jumai Mohammed, a Lagos-based analyst for Exotix Partners, said.

Profit for the six months to June declined to 106.3 billion naira (R4.88bn) from 123.1 billion naira a year earlier, the company said in a filing to the Nigeria Stock Exchange.

Revenue increased 21 percent to 292 billion naira.

"We have achieved a commendable result, given the very challenging situation in our main market and general economic weakening across Africa," the chief executive said.

Earnings in the period were affected by lower selling prices, higher fuel costs and the lower efficiency of new plants still in their start-up phases, the company said.

Dangote posted a "weak but expected performance" as it faced several challenges, Mohammed said. – Bloomberg