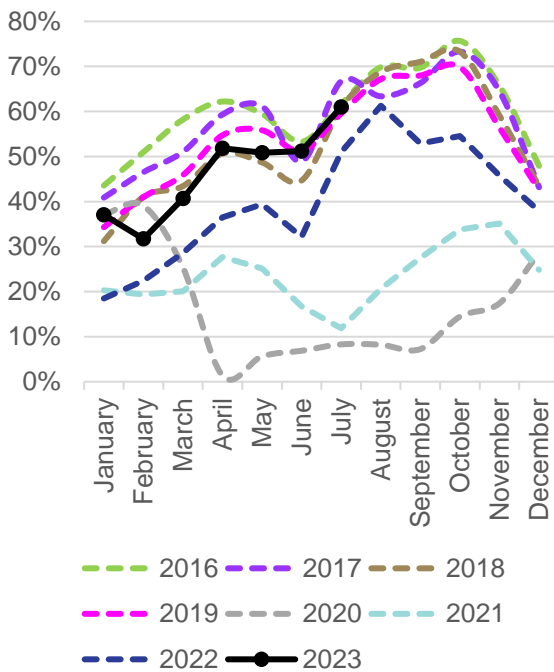


The tourism peak season of 2023 is exhibiting robust performance, with July 2023 recording an occupancy rate of 61.0%, compared to 51.0% in July 2022 (Figure 1). The month of July marks the commencement of peak season by demonstrating a steep uptick in occupancy rates for each year. July 2023 occupancy levels have been the best over the last five years, having surpassed July 2018's occupancy rate by 0.12 percentage points (Figure 2).

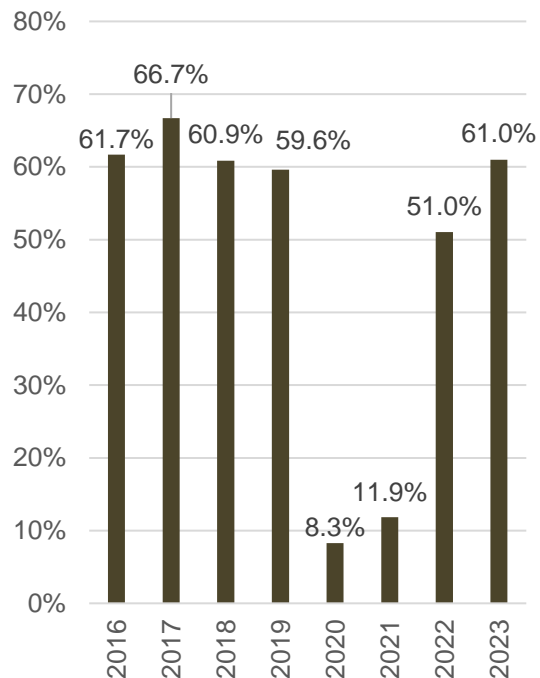
YTD, the average occupancy rate is 46.3% - 2.6 percentage points short of 2019's average of 48.9%. This performance signals a continued and much needed recovery within the tourism sector. This should be positive for the 3Q2023 GDP results, as additional tourists translate to higher general consumer spending in the country and supports accommodation and tour operator businesses as well.

Figure 1: Monthly national occupancy rates (%) – January 2016 to July 2023



Source: HAN/SS

Figure 2: National occupancy rates of the month of July (%) – 2016 to 2023



Source: HAN/SS

On average, occupancy rates in the different areas of Namibia have increased by 9.5 percentage points on an annual basis and 9.8 percentage points on a monthly basis. The southern area of Namibia recorded the lowest occupancy rate in July 2023 at 58.9%, from 50.7% in the prior month. This month, the central area had the highest occupancy rate of 62.7% (4.3 percentage points higher than the previous month), followed by the northern area at 62.5% (12.1 percentage points higher than the previous month) and the coastal area at 59.5% (8.8 percentage points lower than June 2023) (Figure 3).

YTD, Germany, Switzerland and Austria accounted for the largest stake of our occupants (33.5%), being the usual main tourist source market for Namibia (Figure 4). Locals are the second largest driver of visitors at nationwide hospitality establishments, accounting for 25.1% of occupants, followed by South Africans at 9.0% YTD.



Figure 3: Monthly occupancy rates per area (%) – January 2018 to July 2023

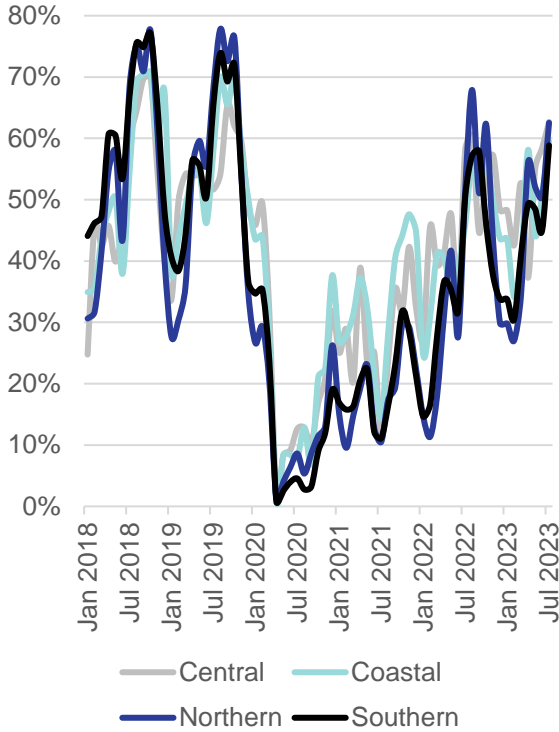
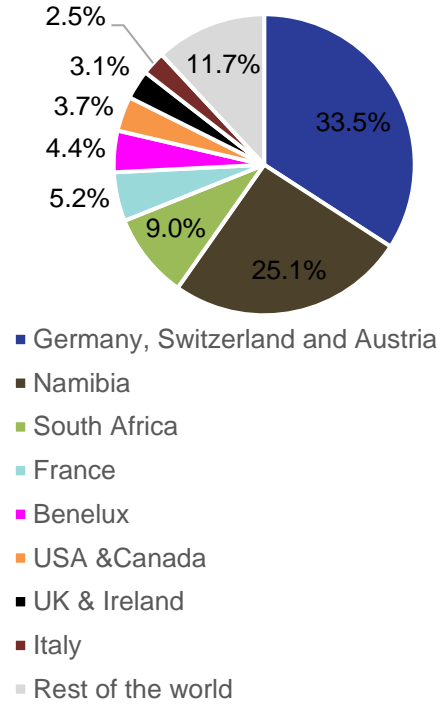


Figure 4: Average of tourist nationality (%) – YTD



Source: HAN/SS

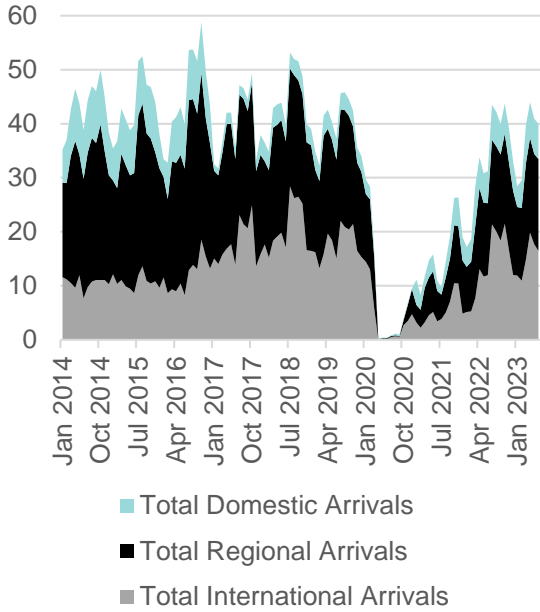
Source: HAN/SS

The number of arrivals at Hosea Kutako International Airport (HKIA) are close to general pre-pandemic levels, primarily driven by international and regional arrivals (Figure 5). 1H2023 underperformed compared to 1H2018 (↓ 7.9%) and 1H2019 (↓ 2.8%), but outperformed 1H2017 (↑ 0.9%) (Figure 6). This reinforces the point that the tourism sector has not yet recovered fully to pre-pandemic levels but is expected to do so by 2024. According to the latest data point we have (June 2023), HKIA received 16,472 international arrivals compared to 11,952 in June 2022 and 141 in June 2020.

Namibia Airports Company (NAC) have reached breakeven point according to the preliminary results of FY2022/23, operating at about 78% of pre-pandemic levels. Construction of new terminal buildings at Katima Mulilo, Rundu and Luderitz is planned to meet current demand and improve services in anticipation of more arrivals due to mining activities in the North and oil, gas and green hydrogen activities in the South of Namibia. This should also benefit local construction companies, if locals are able to be awarded the job.

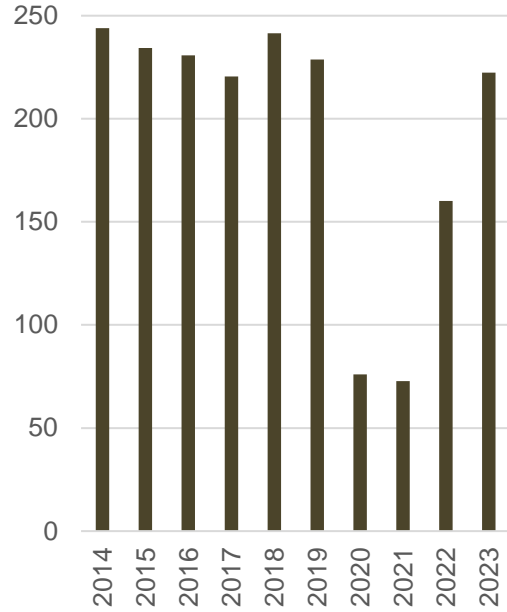


Figure 5: Monthly number of passengers that arrive at Hosea Kutako International Airport (thousands) – January 2014 to June 2023



Source: NAC/SS

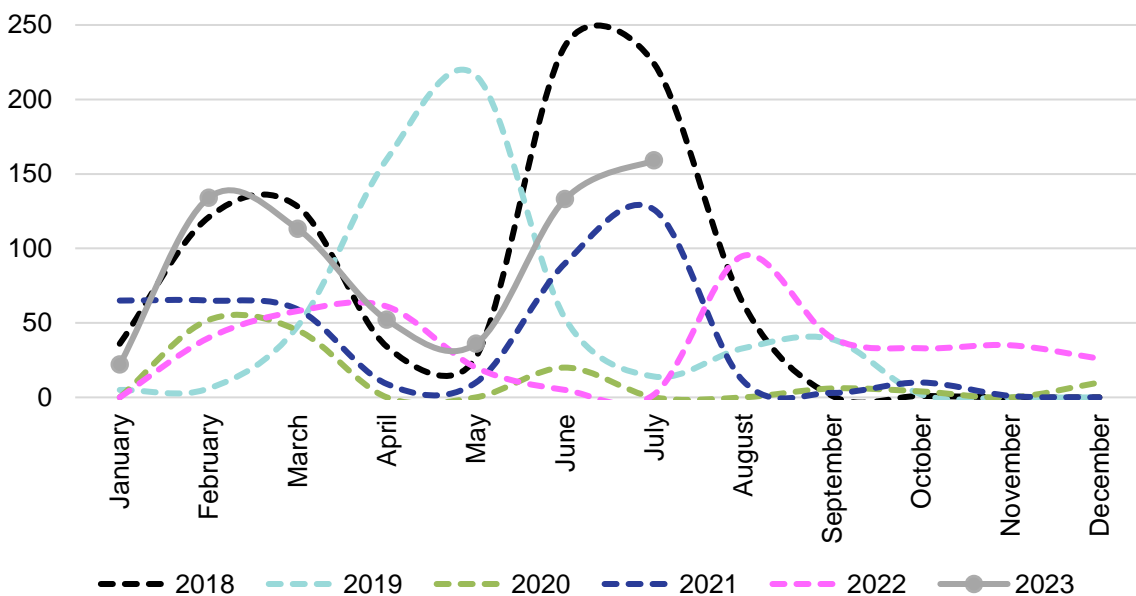
Figure 6: Total arrivals for the first half of each year (thousands) – 2014 to 2023



Source: NAC/SS

In 2023, rental companies in Namibia recorded the highest level of vehicle purchases since June 2019 (Figure 7). This is in response to a significant increase in demand for rentals, with expectations of further increases in the upcoming peak quarter. The self-drive trend continues to be the top choice for a lot of tourists visiting Namibia, resulting in sustained high demand for rental cars equipped with camping gear. This has also supported very high levels of general vehicle sales, improving profitability of car dealerships and adding to retail sales.

Figure 7: Monthly vehicle purchases by rental companies (units) – January 2018 to July 2023



Source: NAAMSA/SS



SS Thoughts

Namibia Statistics Agency (NSA) faces challenges in accurately capturing the complete value of tourism in Namibia. This is largely due to the way businesses are categorized, such as the misplacement of airport transport shuttles within the transport category instead of the tourism sector where they rightly belong.

This misclassification has led to concerns from various stakeholders who highlight the omission of the entire value chain associated with the tourism sector. As a result, the sector's true economic contribution is underestimated in the national accounts. To this end, the Namibia Tourism Board is busy compiling the 6th Edition Satellite Accounts to measure the direct and indirect economic contribution of the local tourism sector.

While the tourism sector is not well known for paying high salaries on average, the sector has a very wide value chain that reaches numerous different industries/sectors and the sector also has great employment potential of both unskilled and skilled Namibians.

Going forward, we remain positive on the local tourism sector and its recovery. Economic data shows a slowdown in business activity in Europe (Namibia's main tourist source market) however more and more economists are not expecting a severe economic recession and are now punting for a soft landing. However, the latest inflation print of 5.3% y/y in July 2023 (compared to 5.5% y/y in June 2023) could imply that interest rate hikes from the European Central Bank might not be as aggressive as initially thought. Taking the above, together with the weak Rand/Euro exchange rate, we believe that affordability has improved for Europeans to visit Namibia.

There is a sharp rise of tourists being mugged in recent months according to reports from the Police service. This trend could most likely be explained by the current environment of expensive living costs and high levels of both youth and adult unemployment. Indeed, this ought to be addressed by local police authorities and efficient tourist information booths to educate tourists on high-risk areas amongst other initiatives to give tourists peace of mind when visiting Namibia.

COMPANY DETAILS

T: +264 (833) 254 194

4 Koch Street - Klein Windhoek - Windhoek



Managing Director	Bruce Hansen	bh@sss.com.na
Corporate Finance	Heiko Prior	hp@sss.com.na
Research and Dealing Institutional Research Economic Research	Heiko Prior	hp@sss.com.na
	Theo Klein	tk@sss.com.na
	Angelique Bock	ab@sss.com.na
	Liaan de Kock	lk@sss.com.na
Dealing & Sales	Itula Shaanika	is@sss.com.na
Wealth Management	Garth Petersen	gp@sss.com.na
	Venicha Rencs	vr@sss.com.na
	Jeneveve Visagie	jv@sss.com.na
	Shamelle Joseph	sjo@sss.com.na
Finance & Administration	Heiko Diehl	hd@sss.com.na
	Benita Windisch	bk@sss.com.na
	Fabiola Gawanas	fg@sss.com.na
	Fazley van den Heever	fh@sss.com.na
	Shaneez Fourie	sfo@sss.com.na
	Saara Erastus	se@sss.com.na
	Rhonvin Claasen	reception@sss.com.na

Disclaimer

The Report is provided by Simonis Storm Securities (Pty) Limited ("SSS") solely for the recipient's information. The user assumes the entire risk of any use made of this information. Its contents are based on information obtained from sources believed to be reliable. SSS makes no representation and accepts no responsibility or liability as to its completeness or accuracy of any information, facts and/or opinions contained in the report.