
Building on BRICS

&

Unpacking tourism
and investment
opportunities in the
context of the 2018
BRICS summit

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Visitors arriving for the BRICS summit

South Africa will host the 10th annual summit of the BRICS (Brazil, Russian, India, China and South Africa) bloc in Johannesburg on 25-27th July 2018. The event will discuss new areas of cooperation between the five countries, including peacekeeping, the creation of a vaccine research centre as well as a gender and women forum, partnerships towards progress of the Fourth Industrial Revolution, and the establishment of the BRICS Tourism Track of Cooperation.

Tourism supports more than 1.6 million jobs in South Africa and accounts for more than 9% of South Africa's GDP.¹ The country welcomed 10.3 million foreign visitors in 2017 – a notable increase from seven million in 2009. The compound annual growth rate of nearly 5% over this period is notably higher than the goal set by the government's National Tourism Sector Strategy (NTSS) 2010-2020. These gains reflect South Africa's growing reputation as a leading travel destination² in South Africa.

- ***PwC's Economic Impact Assessment (EIA) finds that every R1 million spent by international tourists in South Africa creates up to eight jobs and R1.28 million in GDP.***
- ***Visitors from the BRIC countries create jobs for 26 000 South Africans, and nearly half of this direct, indirect and induced employment are unskilled jobs.***
- ***Transport (26.5%) and accommodation (15.0%) account for the largest proportion of international tourist expenditure in South Africa.***

Global economic growth, which is a key driver of foreign tourism, picked up noticeably in 2017, with aggregate GDP growth of 3.0% – the largest increase since 2010. In June 2018, the World Bank remarked that the current state of the global economy resembles that of a sailor whose boat was caught on a sandbar, but is now freed by the rising tide:

The global economy seems to be leaving the legacy of the global financial crisis of the past decade behind. About half the world's countries are experiencing an increase in growth. This synchronized recovery may lead to even faster growth in the near term, as stronger growth in, say, China or the United States spills over to other parts of the world. All the consensus forecasts for 2018 and 2019 reflect optimism.³

Global economic growth is expected to rise to reach 3.1% in 2018 before moderating to a still-healthy 3.0% in 2019. The global economy is forecast to expand at a similar rate over the next five years.

1 World Travel and Tourism Council (WTTTC), 2017. Travel & Tourism Economic Impact South Africa. <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/southafrica2017.pdf>

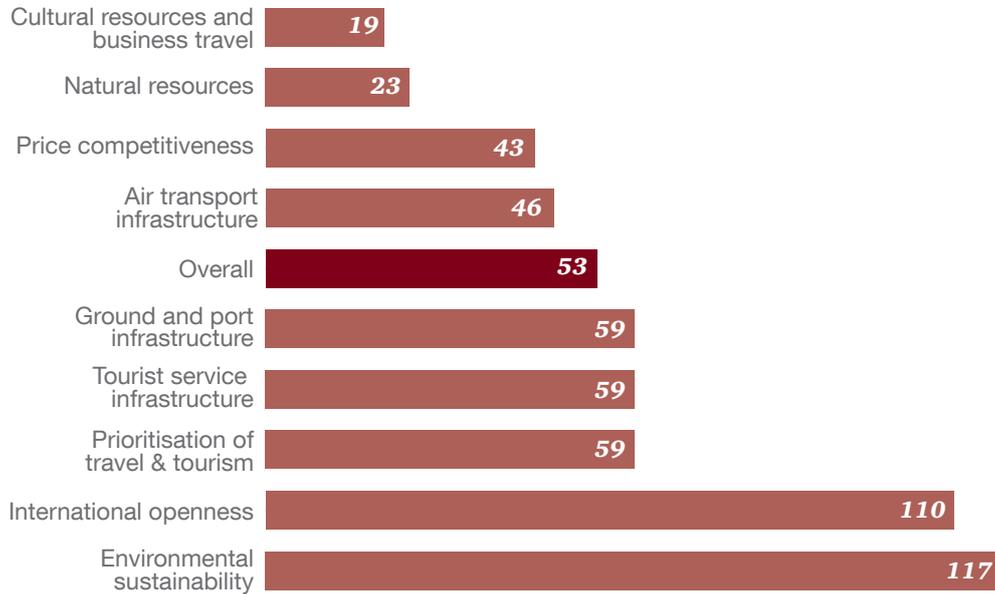
2 Conde Nast Traveller, 2017. Readers' Travel Awards. <https://www.cntraveller.com/article/best-travel-experiences-2017>

3 World Bank, 2018. Global Economic Prospects: The Turning of the Tide? <http://www.worldbank.org/en/publication/global-economic-prospects>

The World Economic Forum (WEF) Travel & Tourism Competitiveness Index 2017 ranked South Africa 53rd out of 136 countries. The organisation placed South Africa in the top 10% of economies globally in the areas of country brand strategy, hotel pricing, quality of air transport and tourism infrastructure, attractiveness of natural assets, and the number of large sport stadiums.⁴

Figure 1

Great variance in South Africa’s travel and tourism competitiveness factors



Source: World Economic Forum (WEF)

Tourism accounts for 9.3% of South Africa’s GDP.⁵ The International Congress and Convention Association ranked Cape Town as the best business tourism city in Africa in 2018. Euromonitor International ranked Johannesburg among the top 100 city destinations in the world in 2017.⁶

PwC projects continued growth for foreign tourism to South Africa over the next five years, as the country remains a popular destination. This message is contained in PwC’s recently-published *‘Hotels outlook: 2018-2022’* report. The report projects the number of foreign overnight visitors to South Africa to increase at an estimated 3.6% compound annual rate to 12.3 million in 2022, from 10.29 million in 2017.

The 10th BRICS summit will not only bring hundreds of visitors from the BRIC (Brazil, Russian, India and China) nations to South Africa, but further stimulate the growth already seen in overall inbound tourism from these four partners. Tourist arrivals from BRIC nations increased by 6.1% in 2017 – higher than the average of all tourist arrivals – to 275 521 visitors. The easing of visa requirements for several BRIC countries over the past few years has had a positive role in this.

This report considers some elements to tourists from the BRIC nations that visit South Africa. These include the perception of BRIC citizens about the country, recent changes in the number of BRIC tourist arrivals, the nature of their visits (purpose of visit, length of stay, accommodation usage and activities undertaken), a breakdown of international tourist expenditure, and safety considerations.

4 World Economic Forum (WEF), Travel & Tourism Competitiveness Index 2017/2018. http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf

5 World Travel and Tourism Council (WTTTC), 2017. Travel & Tourism Economic Impact South Africa. <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/southafrica2017.pdf>

6 PwC, 2018. Hotels outlook: 2018–2022. <https://www.pwc.co.za/en/publications/hospitality-outlook.html>

South Africa's positive brand, as seen by BRIC investors

The WEF Travel & Tourism Competitiveness Report 2017 ranks South Africa 5th out of 136 countries for branding strategy. Based on data from the Bloom Consulting Country Brand Ranking, South Africa's strategic and tourism promotion was identified by the WEF as being extremely well aligned with the most in-demand topics foreign tourists.⁷ Bloom Consulting also ranks South Africa 37th out of 193 countries for foreign perceptions and the appeal of the country's brand from a trade and investment perspective.⁸

Brand South Africa (Brand SA) regularly conducts research on foreigners' perceptions of the country. The following paragraphs highlight their most recent findings:

- Most **Brazilians** know only a little about South Africa, though a majority of them have a favourable impression of the country based on what they do know. The tourism industry is the most prominent economic activity that Brazilians associate with South Africa, followed by mining and agriculture. Low economic growth is the main deterrent for Brazilians to do business in South Africa. In turn, the country's geographic location and status as an emerging economy are attractive investment features. Brazilian business people primarily rely on colleagues or associates with experience working in South Africa for information about the country. Consulting firms and trade are the second most important source of information.⁹
- **Russians** know South Africa quite well and half of them have a good impression of the country. They associate South Africa with mining, agriculture and manufacturing, with tourism listed in fifth position. The key factors identified by Russians that what would prevent them from doing business in South Africa are political unrest/instability, geographic distance from their own country, and a poor legal system. On the other hand, South Africa is perceived as an appealing investment destination due to the availability of raw materials and resources and its sound economy and favourable climate. The primary source of information on the country for Russian business people is their experience working in South Africa.¹⁰

7 World Economic Forum (WEF), Travel & Tourism Competitiveness Index 2017/2018. http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf

8 Bloom Consulting, 2017. Country Brand 2017-2018 Trade Edition. https://www.bloom-consulting.com/en/pdf/rankings/Bloom_Consulting_Country_Brand_Ranking_Trade.pdf

9 Brand SA, 2017. Brazil Research Note – International Investor perceptions. <https://www.brandsouthafrica.com/resources-downloads/knowledge-hub/brazil-research-note-international-investor-perceptions>

10 Brand SA, 2017. Russia Research Note – International Investor perceptions. <https://www.brandsouthafrica.com/resources-downloads/knowledge-hub/russia-research-note-international-investor-perceptions>

- The majority of **Indians** believe they know South Africa well, with two-thirds of survey respondents indicating a good impression of the country. Indians primarily associate the manufacturing and mining industries with South Africa, followed by tourism in third place. Key hindrances to Indian business people dealing with South Africa are the high crime rate, political instability and adverse government policies. On a positive note, Indians find the country's geographic location conducive to trade, and find appeal in South Africa's availability of raw materials and resources. To increase their knowledge about South Africa as an investment or trade destination, Indians primarily look to trade shows and exhibitions.¹¹
- Only 40% of Chinese respondents believe they know South Africa well. Nonetheless, half of those have a good impression of the country. They primarily associate South Africa with mining, while tourism is second ahead of manufacturing. The factors identified that would deter the Chinese from investing and doing trade in South Africa include the country's crime rate and lack of security, political unrest and instability, as well as instances of xenophobia and racism. Those who are doing business in South Africa or are considering doing so cite positive factors like the availability of raw materials and resources as an attractive feature. Trade shows and exhibitions are the primary source of information on South Africa.¹²

All respondents from the BRIC nations listed tourism among the top four industries that they associate with South Africa, with mining, agriculture and manufacturing the other main associations. This is reflective of the positive impressions that BRIC survey respondents have about the country, and is associated an increase in tourism from these countries.

Most prominent economic activity associated with South Africa

Rank	Brazil	Russia	India	China
1	Tourism	Mining	Manufacturing	Mining
2	Mining	Agriculture	Mining	Tourism
3	Agriculture	Manufacturing	Tourism	Manufacturing
4	Construction	Tourism	Agriculture	Agriculture

Source: Brand SA

11 Brand SA, 2017. India Research Note – International Investor perceptions. <https://www.brandsouthafrica.com/resources-downloads/knowledge-hub/india-research-note-international-investor-perceptions-research>

12 Brand SA, 2017. China Research Note – International Investor perceptions. <https://www.brandsouthafrica.com/resources-downloads/knowledge-hub/china-research-note-international-investor-perceptions-research>

Increased tourist arrivals from BRIC nations in 2017

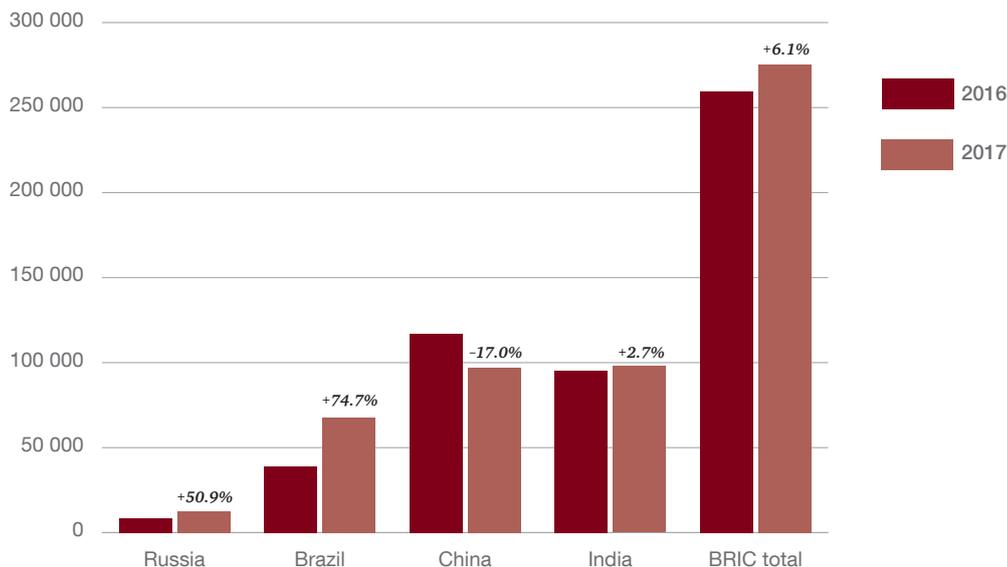
Total annual arrivals of foreign tourists to South Africa rose 2.4% in 2017, building on an impressive 12.8% increase in 2016. During the past two years, the number of foreign overnight visitors to South Africa rose cumulatively by 1.39 million.

The 2017 gain in tourism was particularly impressive as it was achieved during a period in which the rand was, on average, stronger than it had been in the previous year, making it comparatively more expensive for foreigners to visit South Africa. One supportive factor was the lifting of visa requirements for several Asian countries in 2016, which made it much easier for people from those countries to visit South Africa.

- There was 74.7% rise in the number of visitors from **Brazil** in 2017. Brazilian tourists may enter South Africa without a visa for up to 90 days as they form part of the Department of Home Affairs exempt list.
- Since April 2017, South Africa no longer required visas for visitors from **Russia**. The scrapping of visa requirements should promote travel and tourism among citizens of both countries, and has already led to a 52% increase in Russian visitors to South Africa in 2017.
- Visitor numbers from **India** rose a modest 2.7% in 2017, well below the 21.7% increase recorded in 2016, which is when the visa requirements were lifted.
- After rising 38.0% in 2016, visitor numbers from **China** fell 17.0% in 2017. This occurred despite China's addition to the Department of Home Affairs exempt list in 2016, which was followed with a large fall in Chinese visitors. The decline in Chinese visitors led to a 1.9% decrease in visitors from the Asia-Pacific region.¹³

Figure 2

Increasing tourist arrivals from BRIC nations



Source: PwC Hotels outlook 2018-2022

While South Africa experienced a notable decline in Chinese tourist arrivals during 2017, the total number of tourists from BRIC countries increased by 6.1% to 275 521 visitors. Compared with the 2.4% growth in total global arrivals, tourism from BRIC countries was significantly higher. This resulted in BRIC tourists accounting for 2.7% of all arrivals in South Africa in 2017, up from 2.6% in the preceding year.

¹³ "PwC Hotels outlook: 2018-2022: South Africa – Nigeria – Mauritius – Kenya – Tanzania), www.pwc.co.za/outlook"

What visitors from BRIC countries do in South Africa

A breakdown of details about BRIC visitors to South Africa is provided in this section to outline the purpose of travel, the average length of stay, type of accommodation used and type of activities engaged in. This information underscores the vast diversity in BRIC citizens' tourism needs in South Africa.

Indian visitors are more likely to visit for business purposes

Purpose of visit	Brazil	Russia	India	China	All tourists
Leisure	68.1%	52.2%	40.9%	64.0%	71.2%
Business	16.4%	42.6%	50.9%	31.9%	16.4%
Medical	0.0%	0.0%	0.1%	0.2%	1.2%
Religion	0.5%	0.0%	0.7%	0.1%	1.9%
Other	15.0%	5.2%	7.4%	3.8%	9.2%

Source: South African Tourism

Compared to foreign tourists in general, BRIC visitors have a lower propensity to visit South Africa for leisure, with more coming for business purposes. This aligns strongly with the intentions behind the formation of a bloc representing some of the world's leading emerging economies. The grouping is aimed at extending and advancing cooperation with the aim to meaningfully promote economic development through trade and investment.

More than half of Indian visitors to South Africa travel for business purposes, and stay for a significantly longer period in the country compared to other BRIC business travellers. The value of bilateral trade between the two countries increased more than 400% over the past decade. India is South Africa's fourth-largest import partner and seventh-largest export partner. PwC estimates that recent Indian investment in the country created more than 3 000 jobs in South Africa, in addition to around 10 000 created since 2003.¹⁴

¹⁴ PwC, 2018. Indian industry's inclusive footprint in South Africa Doing business, doing good

Chinese tourists stay longer for medical procedures and personal shopping

Length of stay (days)	Brazil	Russia	India	China	All tourists
Holiday	11.1	14.4	11.4	10.3	12.8
Shopping - personal	6	0	20	19	1.9
Shopping - business	0	4	5	0	3.4
Business travel	12.7	27	51	25.7	18.5
Meetings, incentives, conferences & events	7.3	8.3	15.8	9.2	7.1
Medical	0	0	31	65.9	10.3
Visiting friends and relatives	26.6	17.7	22.3	15.3	12.9
Religion	35	0	41.4	8.6	5.7
Other	30.9	14.2	76	64.6	30.2

Source: South African Tourism

Chinese nationals are taking advantage of South Africa's growing reputation as a destination for medical tourism. For travellers from Europe and Asia, South Africa is an affordable alternative to more expensive healthcare systems in the northern hemisphere. Furthermore, in addition to its state-of-the-art medical facilities, South Africa also offers inbound visitors the opportunity to recuperate from their medical procedures in a variety of leisure settings. As a result, Chinese tourists visiting South Africa for medical reasons are on average staying in the country for more than two months.

Tourists from China that come to South Africa for personal shopping also stay in the country for a longer period compared to the average shopper visitor. The Chinese economy – the second-largest in the world – is seeing a burgeoning middle class opting to spend their money internationally, and anecdotal evidence suggests that Chinese tourists in South Africa spend far more on jewellery and other luxury goods compared to other BRIC visitors.

Russian visitors are the most diverse in their accommodation choices

Accommodation usage (number of nationals using type of accommodation)	Brazil	Russia	India	China	All tourists
Hotels	301 000	49 000	566 000	371 000	11 712 000
Guest house	55 000	15 000	208 000	114 000	5 367 000
B&B	14 000	10 000	18 000	23 000	2 057 000
Self-catering	79 000	40 000	489 000	105 000	7 683 000
Game lodge	48 000	13 000	37 000	50 000	3 848 000
Backpackers	102 000	7 000	53 000	22 000	4 674 000
Camping	8 000	1 000	2 000	6 000	826 000
Train/ship	3 000	8 000	8 000	5 000	119 000
Hospital	0	0	0	0	87 000
Friends and family	169 000	27 000	466 000	490 000	70 367 000
Airbnb	67 000	14 000	23 000	20 000	1 591 000
Couch surfing	2 000	0	0	0	19 000
Other	110 000	2 000	501 000	184 000	12 209 000

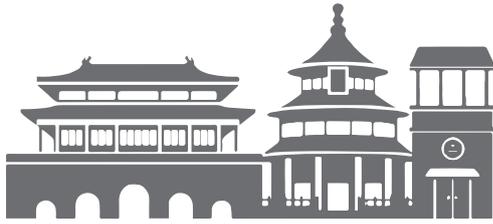
Source: South African Tourism

Brazilian tourists are the most adventurous

Activities undertaken	Brazil	Russia	India	China	All tourists
Shopping	80.0%	62.3%	78.6%	76.6%	69.5%
Nightlife	100.0%	100.0%	93.4%	98.2%	60.0%
Eating out	78.8%	80.8%	70.0%	82.1%	46.6%
Entertainment	13.8%	11.8%	14.5%	10.0%	6.6%
Social	36.2%	30.6%	33.2%	26.1%	38.4%
Visiting natural attractions	61.4%	45.0%	39.0%	38.5%	16.4%
Business	18.8%	42.2%	51.3%	33.1%	8.5%
Wildlife	61.3%	38.0%	33.0%	22.9%	14.2%
Cultural, historical & heritage	59.9%	31.1%	28.5%	21.1%	16.2%
Beach	42.7%	27.6%	23.4%	14.8%	11.5%
Church	2.1%	1.1%	4.4%	2.4%	6.9%
Trading	0.7%	1.7%	0.4%	0.8%	2.3%
Theme parks	19.7%	14.0%	16.1%	14.6%	4.5%
Adventure	21.9%	14.0%	15.1%	9.2%	6.6%
Education, training & study	11.3%	6.8%	5.1%	3.6%	5.0%

Source: South African Tourism

Among the BRIC nations, Brazilians are the least likely to travel to South Africa for business, with visitors coming to the southern tip of Africa primarily for leisure. Brazilian tourists are the most likely among BRIC visitors to shop, enjoy the nightlife, visit natural, cultural, historical and heritage attractions, do wildlife viewing, go to a beach or theme park, undertake an adventure activity, and attend other social activities.



China



Purpose of visit:

Leisure

Average length of stay:

14 days

Accommodation used:

Friends & family

Activities undertaken:

Natural attractions, wildlife, heritage sites, beaches



Russia



Purpose of visit:

Leisure

Average length of stay:

16 days

Accommodation used:

Hotel

Activities undertaken:

Shopping, natural attractions, wildlife, heritage sites, beaches

BRIC visitor snapshot



Brazil



Purpose of visit:

Leisure

Average length of stay:

14.5 days

Accommodation used:

Hotel

Activities undertaken:

Natural attractions, wildlife, Heritage sites, beaches



India



Purpose of visit:

Business

Average length of stay:

23 days

Accommodation used:

Hotel

Activities undertaken:

Social, business-related

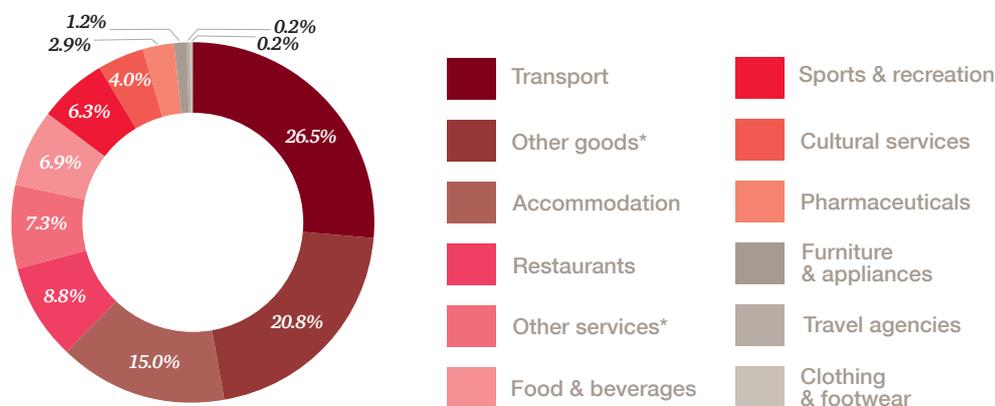
Unpacking international tourist expenditure

Around a third of tourist expenditure in South Africa is associated with business-related travel, with the remainder being leisure-related.¹⁵ International tourists account for 45% of tourism expenditure in South Africa, and have a unique mixture of budget allocations on their trips to South Africa. Foreign visitors spent R121 billion in the country during 2016, averaging over R12 000 per person.

Transport expenditure accounts for 26.5% of international tourist spending – the largest component in their budgets. South Africa’s size (the 25th-largest country in the world by land area) results in significant road and air travel by international tourists in order to reach destinations. While Cape Town and Durban are seeing increasing volumes of direct intercontinental flights, many airlines still use the OR Tambo International Airport in Johannesburg to enter the country. This necessitates additional domestic flights to regional airports.

Accommodation accounts for 18.2% of the average foreign visitors’ spending in South Africa. Lodging options are diverse, with pricing and ratings (stars) ranking from very low to very high. International visitors have embraced technology in securing accommodation in South Africa, with online platforms such as Airbnb becoming increasingly popular. Airbnb saw a 150% increase in bookings in South Africa during the year ended August 2017.¹⁶

Figure 3
How tourists spend their money (2016)



Other goods and *other services* reflect expenditure items that are not tourism-specific.
Source: StatsSA

Spending on restaurants, food and beverages represent a combined 15.7% of expenditure. Tourists welcome the affordability of food in the country. South Africa is ranked 50th in the world for food affordability by the Economist Intelligence Unit (EIU) Global Food Security Index 2017.¹⁷

Foreign visitors spend 6.3% of their money on sports and recreation. Apart from hosting sporting mega events like the 2010 FIFA World Cup, Rugby World Cup (1995) and ICC Cricket World Cup (2003), the country offers a wide spectrum of sporting activities for visitors. These range from extreme sports like bungee jumping, sky diving and shark-cage diving, to more slow-paced recreational activities, like birdwatching and hiking.

15 WTTTC, 2017. Travel & Tourism Economic Impact South Africa. <https://www.wtttc.org/-/media/files/reports/economic-impact-research/countries-2017/southafrica2017.pdf>
 16 Business Tech, 2017. Airbnb reveals user data in South Africa. <https://businesstech.co.za/news/internet/205778/airbnb-reveals-user-data-in-south-africa/>
 17 Economist Intelligence Unit (EIU), 2017. Global Food Security Index. <https://foodsecurityindex.eiu.com/Index>

South Africa’s large size makes transport the largest component of tourist budgets

Economic impact of BRIC tourists on the SA economy

In 2016, nearly 260 000 tourists from the BRIC countries visited South Africa, accounting for almost 2.6% of all international tourist arrivals. Based on available data from Statistics South Africa¹⁸ and South African Tourism¹⁹, PwC estimates that these BRIC visitors spent around R3 billion while in South Africa.

We use a social accounting matrix (SAM) to determine the economic impact of this expenditure. Our economic impact assessment (EIA) calculations capture the economic contribution of tourist expenditure through the interdependencies between different sectors of the economy.

Every **R1 million** spent by tourists contributes



R1.28 million
GDP



8
jobs



R0.67 million
Tax collected

Tourists visiting South Africa contribute to the economy through the economic activity generated for businesses such as hotels, travel agencies, airlines and other passenger transportation services. It also includes activities such as restaurants and leisure activities.

According to our EIA analysis, and based on average expenditure patterns by all international tourists to South Africa, visitors from BRIC countries supported an estimated 20 000 direct jobs in 2016. They also created a further 6 000 indirect and induced jobs.

The indirect impact includes the second-round effects that emanate from the increased demand for goods and services acquired by the hospitality industry from external service providers. The induced impact results from the employees of the tourist sector purchasing goods and services at a household level.

For every R1 million spent by international tourists in South Africa, the industry contributes roughly eight jobs to the economy. Nearly half of these direct, indirect and induced employment opportunities supported by BRIC visitors are unskilled jobs.

Globally, the tourism industry is known for offering its entry-level workers great opportunities for advancement to higher levels of employment. Many managers and executives started their careers in unskilled jobs, gaining on-the-ground experience and skills that enable the hospitality industry to promote from within.

The same R1 million spent by international tourists in South Africa translates into R1.28 million in GDP. Tourism accounted for 9.3% of South Africa's GDP in 2016.

¹⁸ Statistics South Africa (StatsSA), 2018. Tourism Satellite Account for South Africa. http://www.statssa.gov.za/?page_id=1854&PPN=Report-04-05-07&SCH=7309

¹⁹ South African Tourism, 2018. Tourism Annual Report – 2017. <https://www.southafrica.net/gl/en/corporate/category/strategic-research-and-reports>

Outlook for hotel room revenue

About 15% of international tourists' expenditure in South Africa goes toward accommodation. Growth in the South African tourism sector's hotel room revenue moderated from a 12.2% increase in 2016 to 4.6% in 2017.

A smaller increase in international tourist arrivals and slower growth in the average room rate can be linked to this, in part as a result of a strengthening rand that made South Africa effectively more expensive for foreign visitors. The increased cost of accommodation offset the slow increase in tourism.

We project that South Africa will be the slowest-growing market among Africa's largest tourist destinations in the near term, with a 5.6% compound annual increase in room revenue expected. We expect slower growth in 2018 due to a drop in guest nights in Cape Town, offset by growth in overall tourism to South Africa. A stronger global economy and an improving domestic economy will lead to faster growth in guest nights and room revenue in subsequent years.

Average daily rate²⁰ (ADR) growth will be the principal driver, with a projected 4.1% compound annual increase. Guest nights will begin to expand again in 2019 but will average a relatively modest 1.4% compound annual increase to 2022.²¹



Positioning for future growth



Find out more about the prospects of the South African hotel industry, and those in selected other African countries, in the latest edition of the PwC's *Hotels Outlook: 2018-2022*.

<https://www.pwc.co.za/hospitality-and-leisure>



www.pwc.co.za/hospitality-and-leisure

²⁰ Average daily rate (ADR) represents the average rental income per paid occupied room in a given time period.

²¹ PwC, 2018. *Hotels outlook: 2018-2022*. <https://www.pwc.co.za/en/publications/hospitality-outlook.html>

BRIC countries could benefit from Africa Continental Free Trade Area

South African became the latest country to join the Africa Continental Free Trade Area (AfCFTA) when President Cyril Ramaphosa signed the agreement on 22 July 2018²². The aim of this Africa Union (AU) agreement is to progressively eliminate tariff and non-tariff barriers between African countries, “making it easier for African businesses to trade within the continent and cater to and benefit from the growing African market.”²³

The agreement is the largest trade pact since the formation of the World Trade Organisation (WTO) more than two decades ago.²⁴ If all 55 African countries commit to the deal, the continental market would join 1.2 billion people (projected to reach 2.5 billion in 2050) and have a combined gross domestic product (GDP) of \$2.5 trillion. So far, only six countries – Kenya, Ghana, Rwanda, Niger, Chad and eSwatini (formerly Swaziland) – have ratified the agreement, with 22 ratifications required for the AfCFTA to enter into force.

According to the United Nations Economic Commission for Africa, the AfCFTA “is an opportunity for development in Africa. But it must be wielded by private enterprise. Through doing so, businesses can benefit from the great opportunities that the continent has to offer, and contribute to its sustainable growth and development.”²⁵

These opportunities are also open to BRIC countries through their relationship with South Africa. Some research suggests that South Africa might no longer be a default choice for global companies looking to enter the African market.²⁶ Countries like Kenya and Nigeria, for example, are receiving significant attention and investment in specific sectors. However, the success of South Africa-based companies at home and in the rest of Africa is evidence of the role that a strong foundation in the south can play in growing pan-African companies.

22 CNBC Africa, 2018. SA has just joined Africa's \$3 trillion free-trade club. <https://www.cnbc.com/news/africa/2018/07/02/sa-has-just-joined-africas-3-trillion-free-trade-club/>

23 African Union (AU), 2018. African Continental Free Trade Area (AfCFTA). https://au.int/sites/default/files/pressreleases/34017-pr-note_to_editors_-_questions_and_answers_on_the_african_continental_free_trade_area.pdf

24 African Economic Outlook, 2017. Chapter 3: Trade policies and regional integration in Africa. http://www.africaneconomicoutlook.org/sites/default/files/2017-05/AEO2017_ENG_Chapter3.pdf

25 African Trade Policy Centre (ATPC) & of the Economic Commission for Africa (ECA), 2017. African Continental Free Trade Area: Questions & Answers. https://au.int/sites/default/files/pressreleases/34017-pr-note_to_editors_-_questions_and_answers_on_the_african_continental_free_trade_area.pdf

26 BusinessTech, 2017. SA is losing its shine as the gateway into Africa. <https://businesstech.co.za/news/business/200960/sa-is-losing-its-shine-as-the-gateway-into-africa/>

The theme of this year's summit is "BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution". What are the benefits for companies from the BRIC countries of locating in South Africa as a base for African success? According to the WEF Global Competitiveness Index (GCI) 2017-2018, South Africa ranks among the top 25% of countries worldwide in several aspects. These include the strength of investor protection, auditing and reporting standards, efficiency of legal framework in settling disputes, strength of auditing and reporting standards, protection of minority shareholders' interests, corporate tax, availability of financial services, capacity for innovation, and – important for business travellers – quality of air transport infrastructure.²⁷

A meeting of BRICS foreign ministers in June 2018 commended African countries and the AU on the progress seen in developing the AfCFTA, seeing the process as an important step to economic integration on the continent. Earlier, BRICS Business Council (BBC) Chairman Iqbal Survé suggested that the AfCFTA would allow BRIC nations to channel investment into Africa to create skilled jobs.²⁸

However, the benefits can be reciprocal with future trade agreements between the AfCFTA bloc and individual BRIC nations offering a win-win for both.^{29 30}

27 World Economic Forum (WEF), 2017. Global Competitiveness Index (GCI) 2017–2018. <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

28 IOL, 2018. SA ready to take over BRICS Business Council chairmanship. <https://www.iol.co.za/news/politics/sa-ready-to-take-over-brics-business-council-chairmanship-13989104>

29 China Daily, 2018. AfCFTA expected to invigorate China-Africa trade. http://europe.chinadaily.com.cn/epaper/2018-06/29/content_36477395.htm

30 News18, 2018. India to Negotiate FTA with AfCFTA: Suresh Prabhu. <https://www.news18.com/news/business/india-to-negotiate-fta-with-afcfta-suresh-prabhu-1699493.html>

Opportunities to grow travel and investment

The 10th BRICS summit presents great opportunities for South Africa's tourism industry, the economy as a whole, and foreign investors. The event will help in reaching Minister of Tourism Derek Hanekom's goal of attracting an additional four million international visitors to the country by 2021.³¹

The World Travel and Tourism Council (WTTC) expects tourism-related employment in South Africa to rise to nearly 2.5 million in 2027, with the industry expected to contribute 11.5% of South Africa's GDP in 10 years' time. For South Africa and other African countries, tourism can be an engine for inclusive growth and sustainable economic development.³²

Beyond the country's borders, the easing of movements in goods, services and people offered by the AfCFTA will attract more intercontinental visitors, especially from BRIC countries. For African countries, tourism can be an engine for inclusive growth and sustainable economic development. The industry can promote structural transformation and economic diversification through linkages with other productive sectors. This can play an important role in reducing poverty and achieving the United Nations' Sustainable Development Goals (SDGs).³³

South Africa already meets – or is making progress regarding - many of the criteria set out by the United Nations Conference on Trade and Development (UNCTAD) to benefit from these opportunities. This includes progress with the free movement of persons by signing the AfCFTA, liberalising of and expanding offerings in air transport services, as well as maintaining peace and stability in the country after a challenging few years of economic and political challenges.³⁴

31 Reuters, 2018. South African tourism has "huge growth potential": minister. <https://af.reuters.com/article/africaTech/idAFKBN1H6181-OZABS>

32 World Travel and Tourism Council (WTTC), 2017. Travel & Tourism Economic Impact South Africa. <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/southafrica2017.pdf>

33 United Nations Conference on Trade and Development (UNCTAD), 2017. Economic Development in Africa Report 2017. Tourism for Transformative and Inclusive Growth. <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1778>

34 United Nations Conference on Trade and Development (UNCTAD), 2017. Economic Development in Africa Report 2017. Tourism for Transformative and Inclusive Growth. <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1778>

PwC's expertise

Hospitality

PwC's experience in serving companies in the hospitality industry and related sectors enables us to assist our clients to maximise opportunities in local, regional and international environments.

Our professionals have financial and operational experience, knowledge of business processes, and industry insight that enables us to listen and understand our clients' goals and the environment (competitive, economic and regulatory) in which they operate. In this way, we are able to provide solutions that are right for each organisation.

We understand how developments in the broader hospitality environment are affecting our clients and work with them as a trusted advisor to provide solutions to help improve organisational effectiveness and long-term success. We also make a substantial commitment to understanding the forces that are impacting these issues and continue to develop and deliver solutions to help clients achieve their financial, operational and strategic objectives.

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PwC's Strategy& Economics team is made up of economic, regulatory and political risk analysts who have extensive experience and knowledge across a range of sectors and African market areas. We offer a range of comprehensive and integrated client offerings including economic and regulatory impact assessments, market entry analyses, IFRS 9 reporting, behavioural economic interventions, Bayesian network modelling as well as economic and political scenario planning.

Strategy& is PwC's integrated strategy consulting offering, focussed on uniting strategy and execution to deliver immediate impact and lasting value.

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