

Hospitality industry

Sectoral developments in light of the Covid-19 pandemic

May 2020

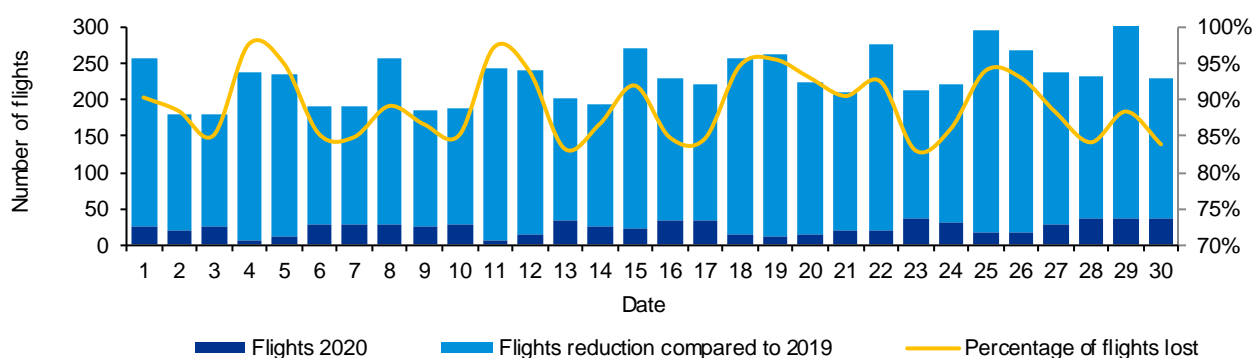
The outbreak of Covid-19 has impacted global markets and activity is being affected in many sectors, notably in the aviation, tourism and food and beverage industries. Through our newsletter we aim to highlight the **effect of Covid-19 on these sectors**, whilst delving into the **challenges** faced and **opportunities** that may arise from the pandemic.

We are happy to present the first issue of the Covid-19 impact on the hospitality industry and we hope that our newsletter is insightful and useful. We will continue to release more information, insights and surveys relating to the hospitality industry, in due course.

Aviation sector

Air traffic in Cyprus declined by 90% in April 2020 compared to April 2019, due to temporary suspension of EU flight schedules

Daily Cyprus airline traffic comparison, April 2019 vs April 2020



Source: Eurocontrol.Int

Total flights in Cyprus for April 2020 amounted to 727, compared to 6.936 flights in 2019. This represents a decline of 90% in total air traffic.

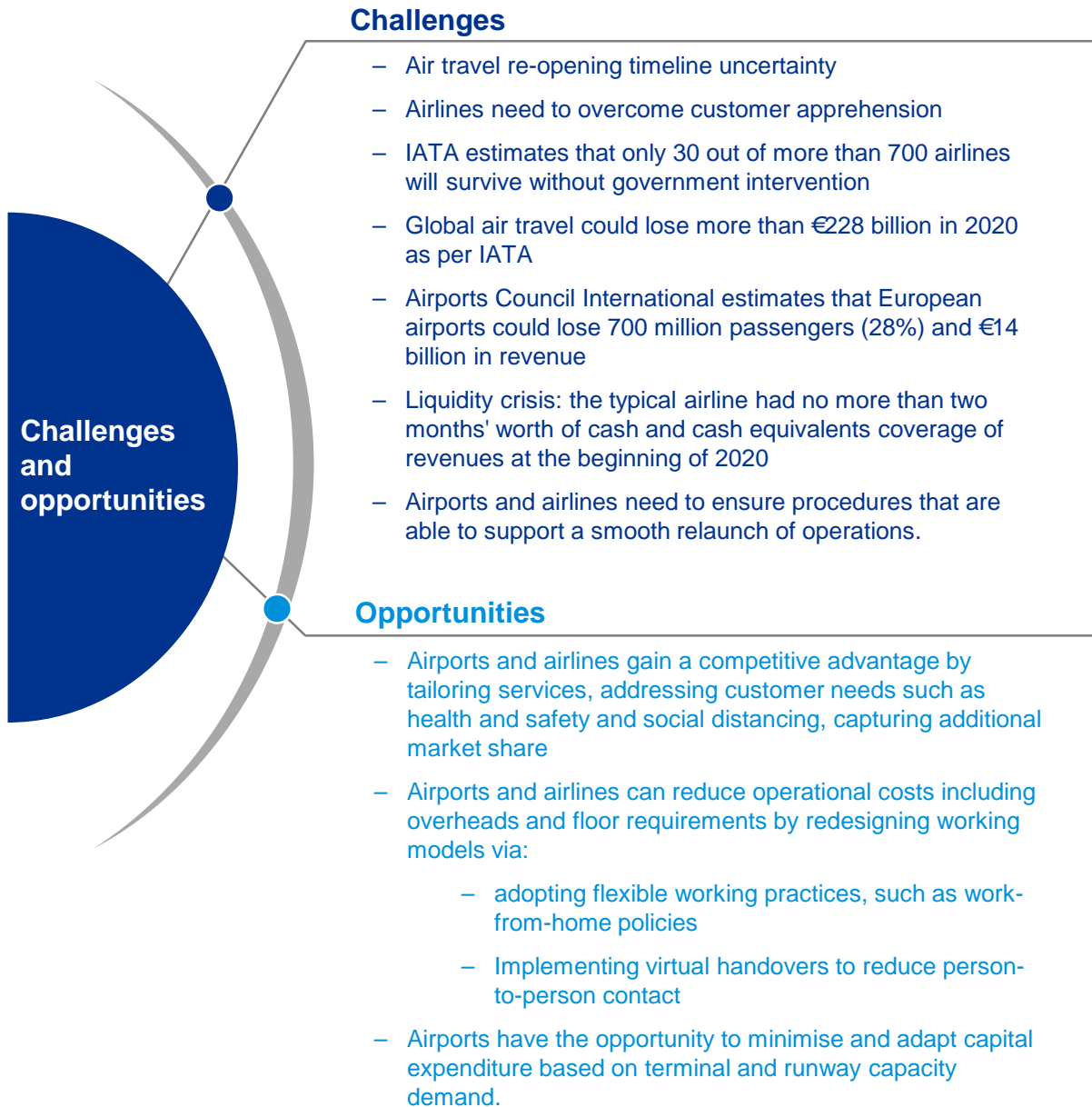
The Cyprus Deputy Ministry of Tourism targets to achieve 30% of tourist arrivals in 2020, compared to 2019 (4 million tourist arrivals and €3 billion in revenues were recorded in 2019).

Larnaca and Pafos airports are scheduled to facilitate flight operations from 9 June onwards.

Aviation sector

Covid-19 has brought great uncertainty on the aviation industry, primarily as a result of declining consumer confidence and flight schedule interruption

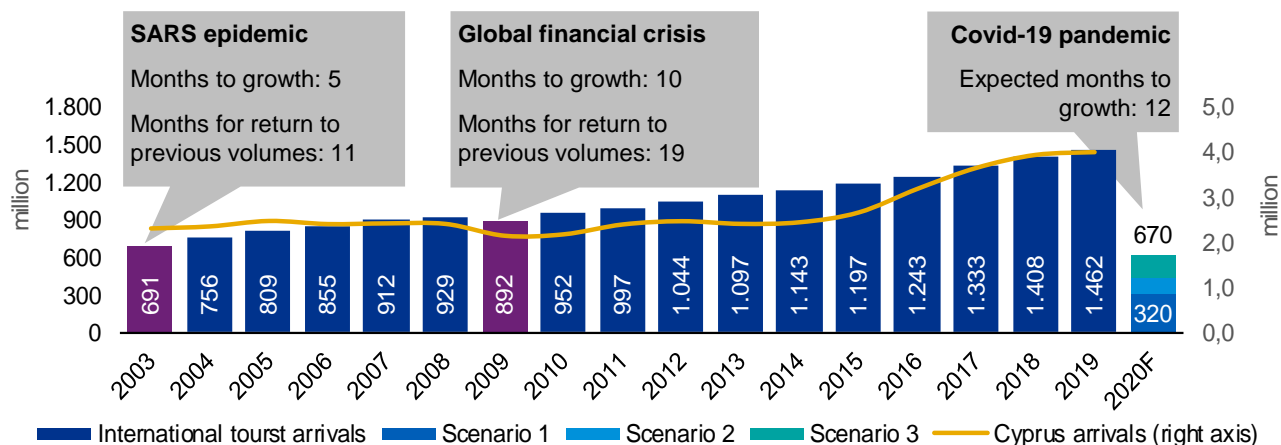
Challenges and opportunities in light of Covid-19 pandemic



Tourism sector

International tourist arrivals could reduce up to 78%, depending on the re-opening of borders

Scenarios based on the gradual re-opening of international border



Expected decline in tourist arrivals based on the gradual re-opening of international borders under each scenario.

▼ 58,0%

Easing of restrictions in early July

▼ 70,0%

Easing of restrictions in early September

▼ 78,0%

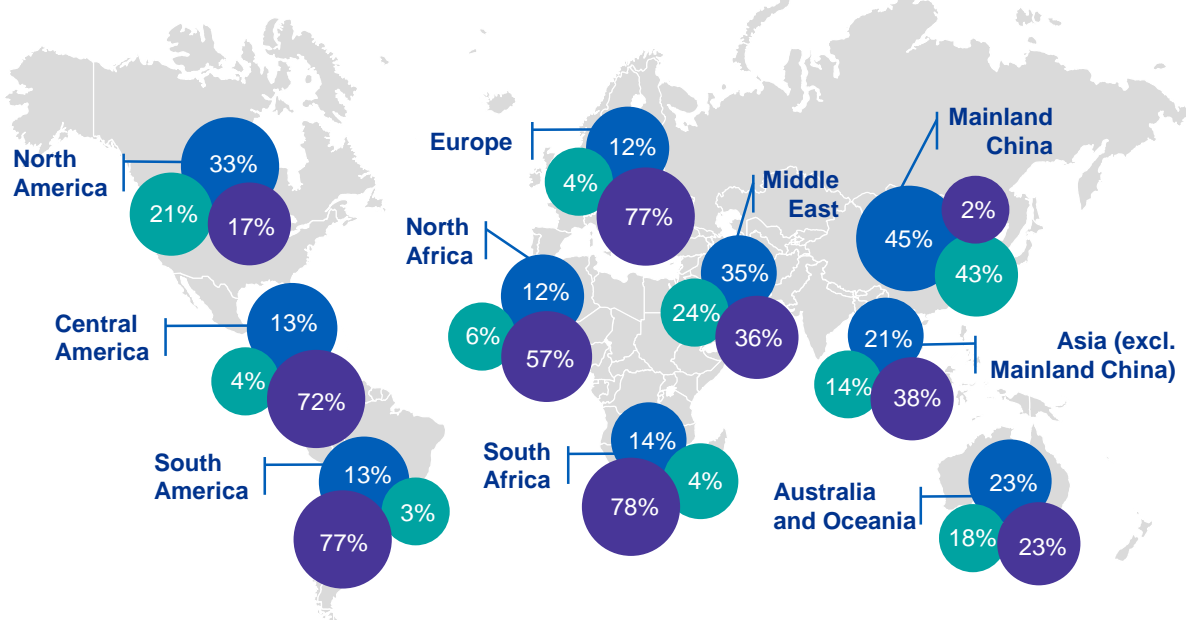
Easing of restrictions in early December

Note: Months to growth denotes the period required for tourist arrivals to return to positive growth

Source: World Tourism Organisation

Over 75% of hotels in the EU remain temporarily closed, with occupancy of open hotels at 12%

Temporarily closed hotels and occupancy rate based on available and total supply, week ending 17th May 2020



Key: Temporarily closed hotels, Open hotel occupancy, Total hotel occupancy, including temporary closures

Source: STR

EU hotel fundamentals

YTD 2020 vs 2019

ADR

€96,1 vs €103,9

▼ 8,1%

RevPAR

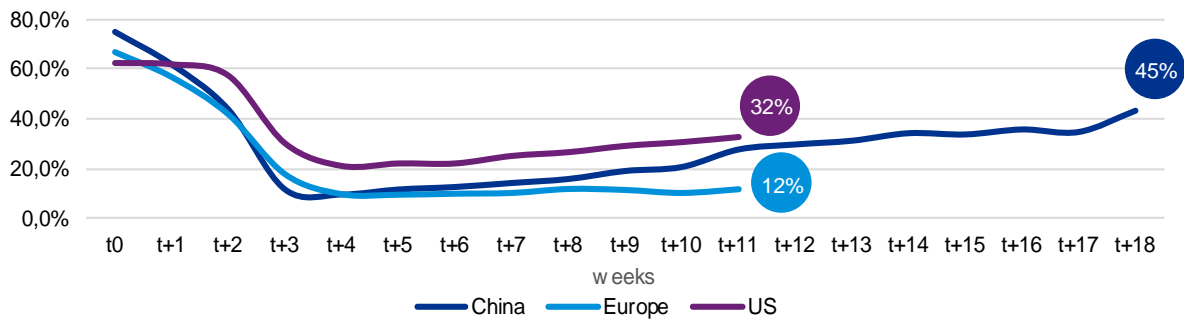
€25,3 vs €71,6

▼ 64,7%

Tourism sector

China is seven weeks ahead of Europe and US

Weekly occupancy rates, aligned by the date of occupancy rate decline

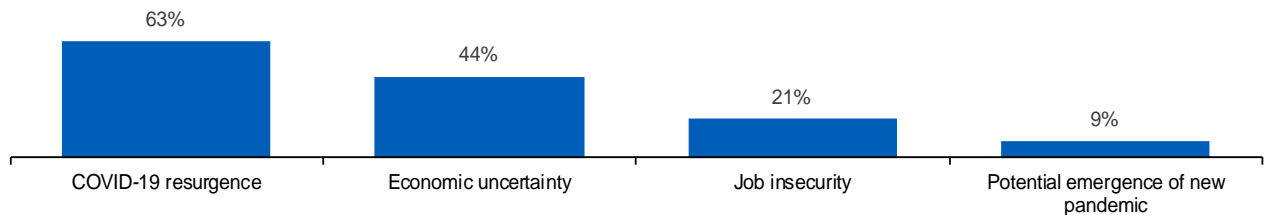


Note: t0 relates to the week when hotel occupancy rates in each region started to decline
Source: STR

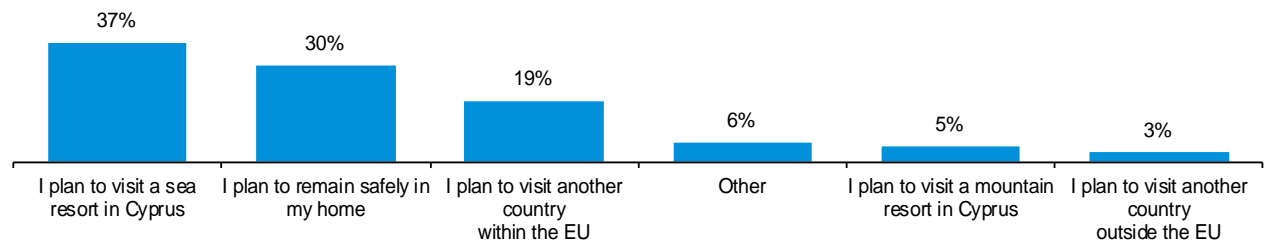
According to recent published surveys, 1 in 3 Cypriots plan to remain at home for their holidays this season, mainly due to health and safety concerns

Survey responses on the impact of Covid-19 on consumer behaviour

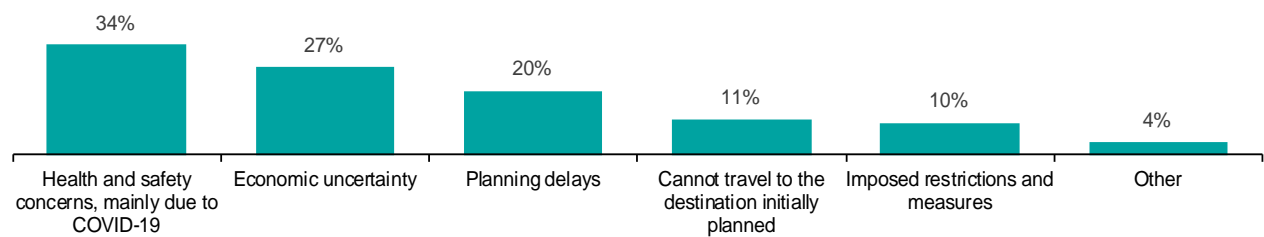
While lockdown measures are phased out, what concerns you the most?



In terms of you holiday plans, which statement is more applicable?



What would be the reason for not going on holiday this season?

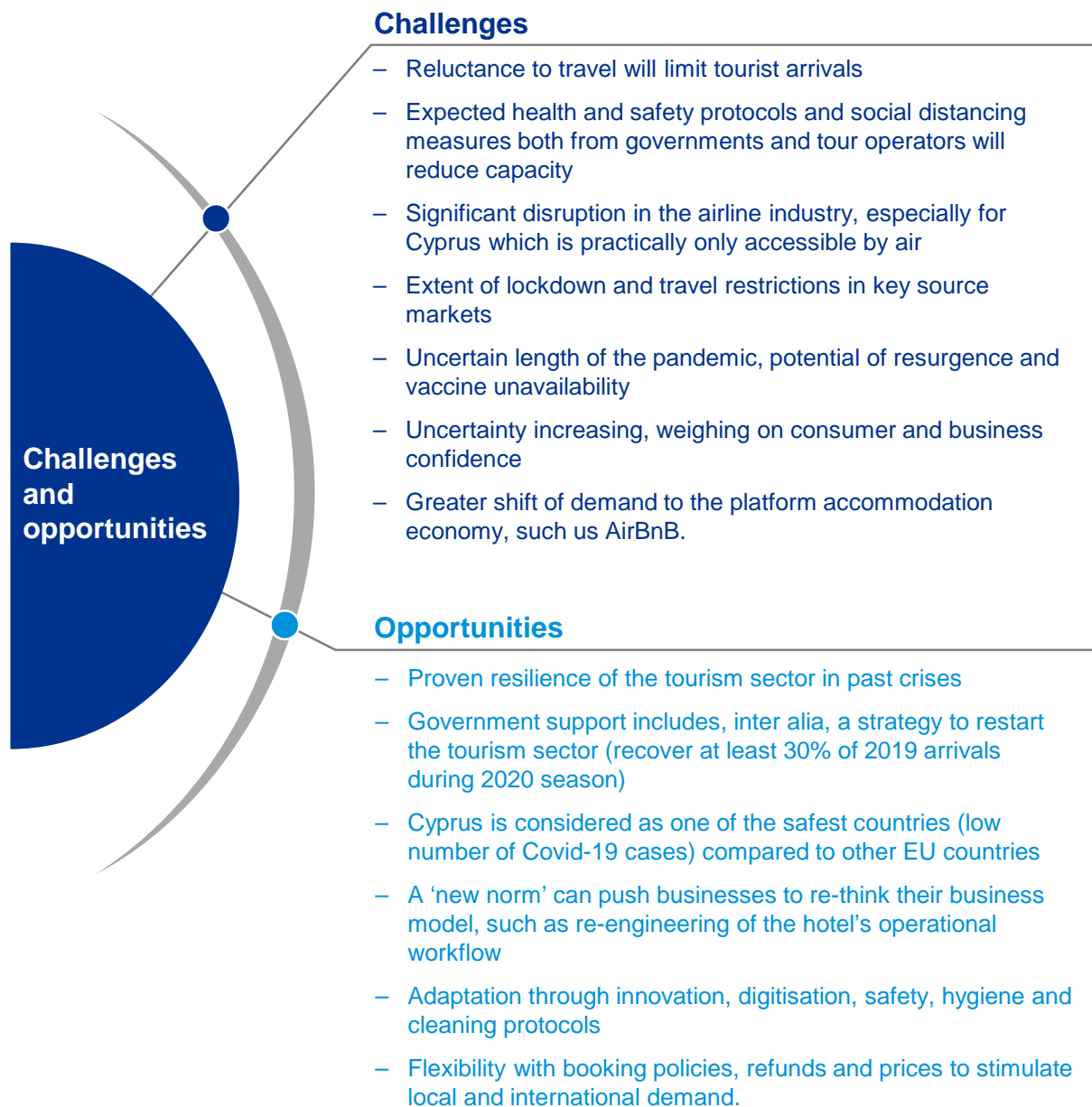


Source: Simerini, University of Nicosia (<https://simerini.sigmalive.com/article>)

Tourism sector

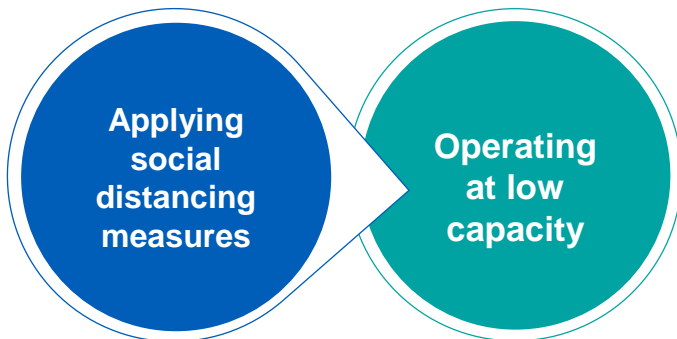
Despite its proven resilience over the years, the hospitality industry is facing great uncertainty, as a result of declining consumer and business confidence

Challenges and opportunities in light of Covid-19 pandemic



Food & Beverage sector

The challenge of social distancing is keeping capacities low and raises financial concerns for business owners



In a recent interview, the general secretary of the Pancyprian Association of Entertainment Centres estimates that between 60-80% of businesses will not be able to operate at all, due to the new measures introduced.

The Food and Beverage sector in Cyprus contributes **3,1% of the total value added**

It is made up of around **9 thousand** restaurants, bars and other related businesses that employ around **25 thousand people** (around 6% of the total workforce)



Key measures for outdoor spaces, effective from 21 May 2020

- Cleaning and disinfecting each table once it empties
- Keeping a distance of 2 metres between tables
- Avoiding cash transactions and opting for contactless payments instead
- No unnecessary promotional actions requiring additional persons are to take place.

Source: Ministry of Finance, Statistical Service

Evolution of worldwide trends



In **China**, businesses operating in the Food & Beverage industry have started to resume operations, with new trends being observed:

- online ordering is still at an all time high
- an increasing number of the elderly population resorting to online buying platforms
- increase in safety measures, such as the use of masks and gloves and the utilisation of wide-open spacing.

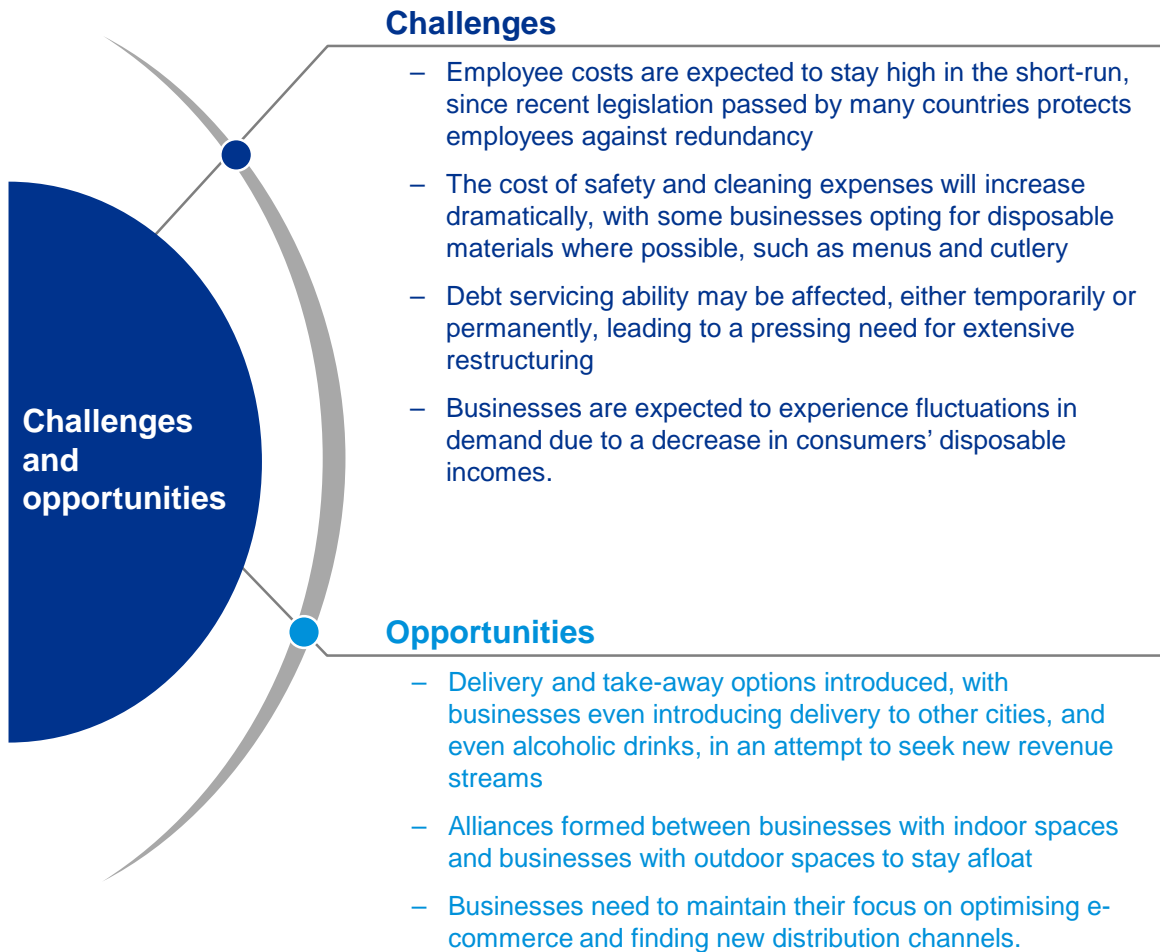
Across **Europe**, business owners estimate that social distancing measures will continue to apply until the end of the year at least, hence they are taking measures in an effort to stay afloat:

- UK and Cypriot businesses are trying to create extra space to increase capacity levels
- restaurants across Europe are spreading out sitting areas and installing plexi-glass between tables
- bars and restaurants across Cyprus are limiting the number of people per table and introducing minimum charges per person.

Food & Beverage sector

Covid-19 has greatly impacted the food and beverage industry, especially since social distancing has caused significant operating restrictions

Challenges and opportunities in light of Covid-19 pandemic



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