

# Hospitality industry

## Sectoral developments in light of the Covid-19 pandemic

May 2020

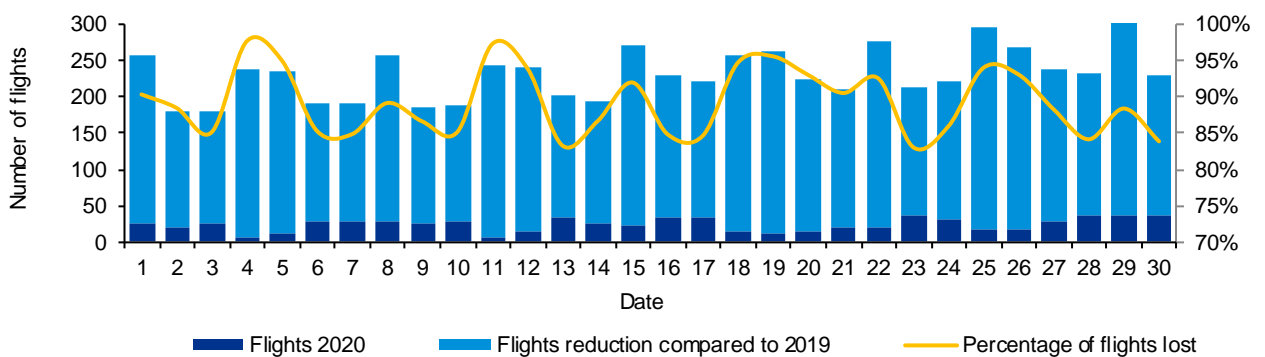
The outbreak of Covid-19 has impacted global markets and activity is being affected in many sectors, notably in the aviation, tourism and food and beverage industries. Through our newsletter we aim to highlight the **effect of Covid-19 on these sectors**, whilst delving into the **challenges** faced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



## Challenges and opportunities

### Challenges

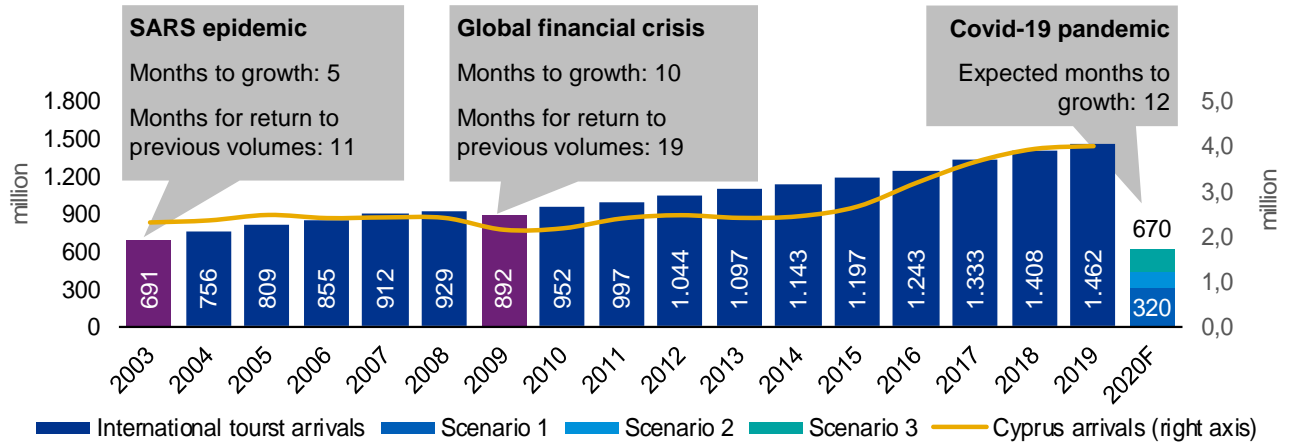
- Air travel re-opening timeline uncertainty
- Airlines need to overcome customer apprehension
- IATA estimates that only 30 out of more than 700 airlines will survive without government intervention
- Global air travel could lose more than €228 billion in 2020 as per IATA
- Airports Council International estimates that European airports could lose 700 million passengers (28%) and €14 billion in revenue
- Liquidity crisis: the typical airline had no more than two months' worth of cash and cash equivalents coverage of revenues at the beginning of 2020
- Airports and airlines need to ensure procedures that are able to support a smooth relaunch of operations.

### Opportunities

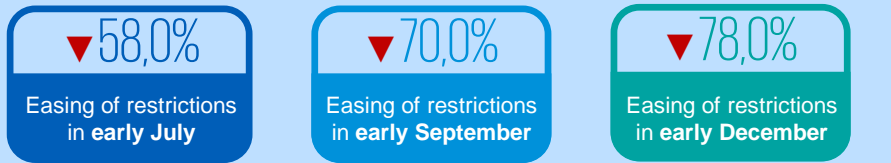
- Airports and airlines gain a competitive advantage by tailoring services, addressing customer needs such as health and safety and social distancing, capturing additional market share
- Airports and airlines can reduce operational costs including overheads and floor requirements by redesigning working models via:
  - adopting flexible working practices, such as work-from-home policies
  - Implementing virtual handovers to reduce person-to-person contact
- Airports have the opportunity to minimise and adapt capital expenditure based on terminal and runway capacity demand.

# 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**

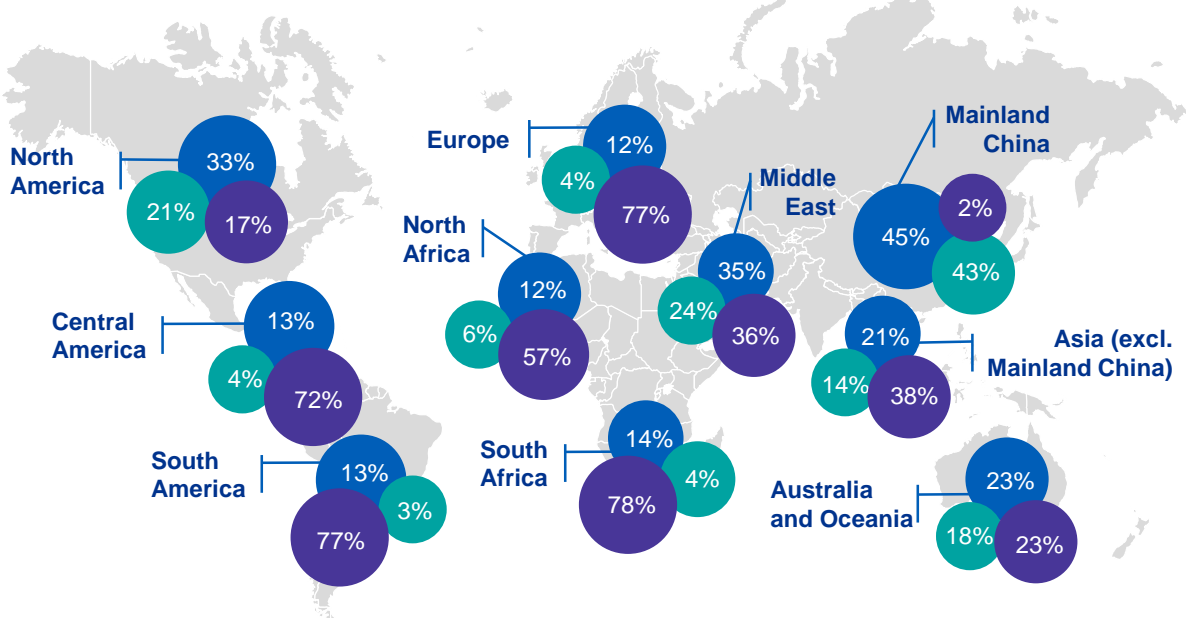


Expected decline in tourist arrivals based on the gradual re-opening of international borders under each scenario.



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 17<sup>th</sup> May 2020**



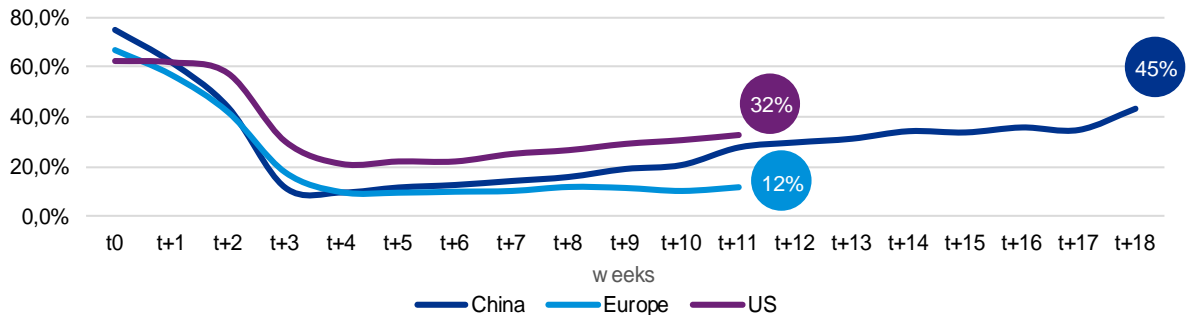
Key: ● Temporarily closed hotels ● Open hotel occupancy ● Total hotel occupancy, including temporary closures  
 Source: STR

EU hotel fundamentals	ADR		RevPAR	
	YTD 2020 vs 2019	€96,1 vs €103,9	▼ 8,1%	€25,3 vs €71,6

# Tourism sector

## China is seven weeks ahead of Europe and US

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

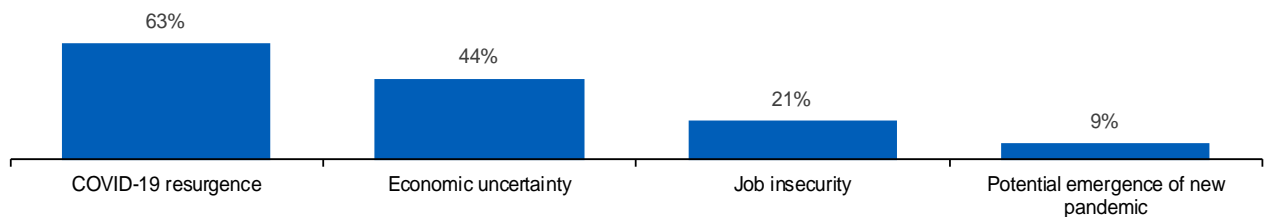


Note: t0 relates to the week when hotel occupancy rates in each region started to decline  
Source: STR

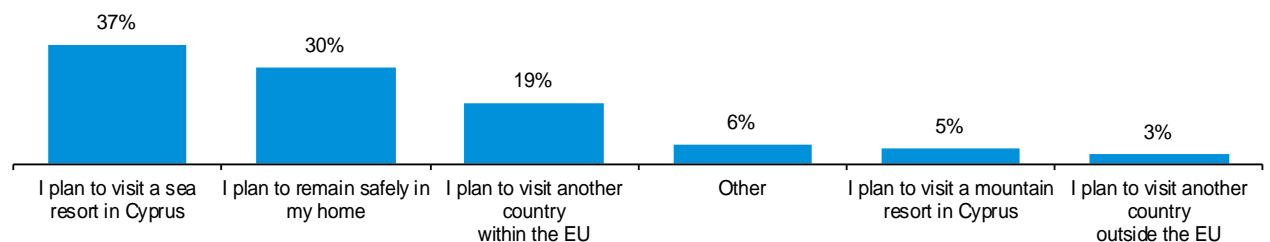
## According to recent published surveys, 1 in 3 Cypriots plan to remain at home for their holidays this season, mainly due to health and safety concerns

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

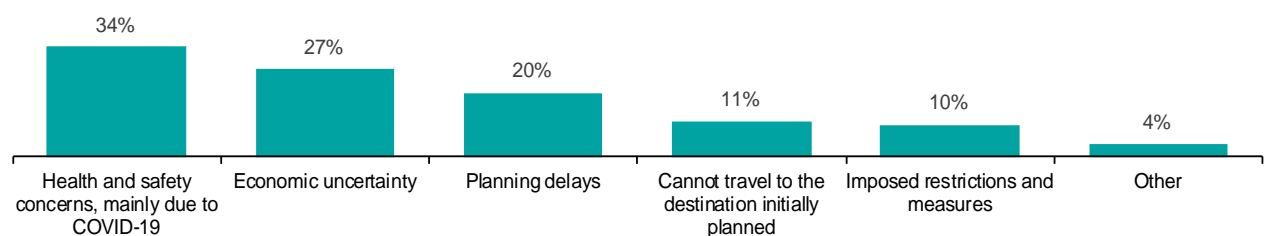
### While lockdown measures are phased out, what concerns you the most?



### 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**



## Challenges and opportunities

### Challenges

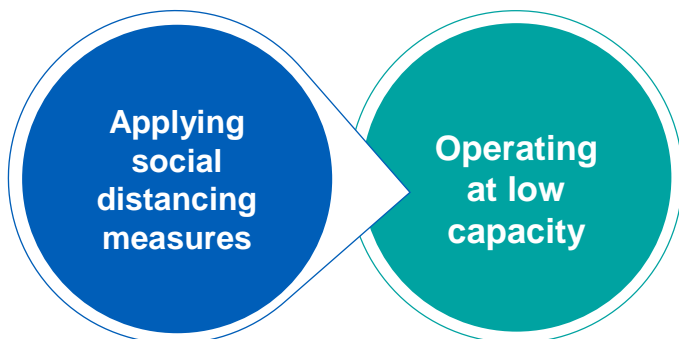
- Reluctance to travel will limit tourist arrivals
- Expected health and safety protocols and social distancing measures both from governments and tour operators will reduce capacity
- Significant disruption in the airline industry, especially for Cyprus which is practically only accessible by air
- Extent of lockdown and travel restrictions in key source markets
- Uncertain length of the pandemic, potential of resurgence and vaccine unavailability
- Uncertainty increasing, weighing on consumer and business confidence
- Greater shift of demand to the platform accommodation economy, such as AirBnB.

### Opportunities

- Proven resilience of the tourism sector in past crises
- Government support includes, inter alia, a strategy to restart the tourism sector (recover at least 30% of 2019 arrivals during 2020 season)
- Cyprus is considered as one of the safest countries (low number of Covid-19 cases) compared to other EU countries
- A 'new norm' can push businesses to re-think their business model, such as re-engineering of the hotel's operational workflow
- Adaptation through innovation, digitisation, safety, hygiene and cleaning protocols
- Flexibility with booking policies, refunds and prices to stimulate local and international demand.

# 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.

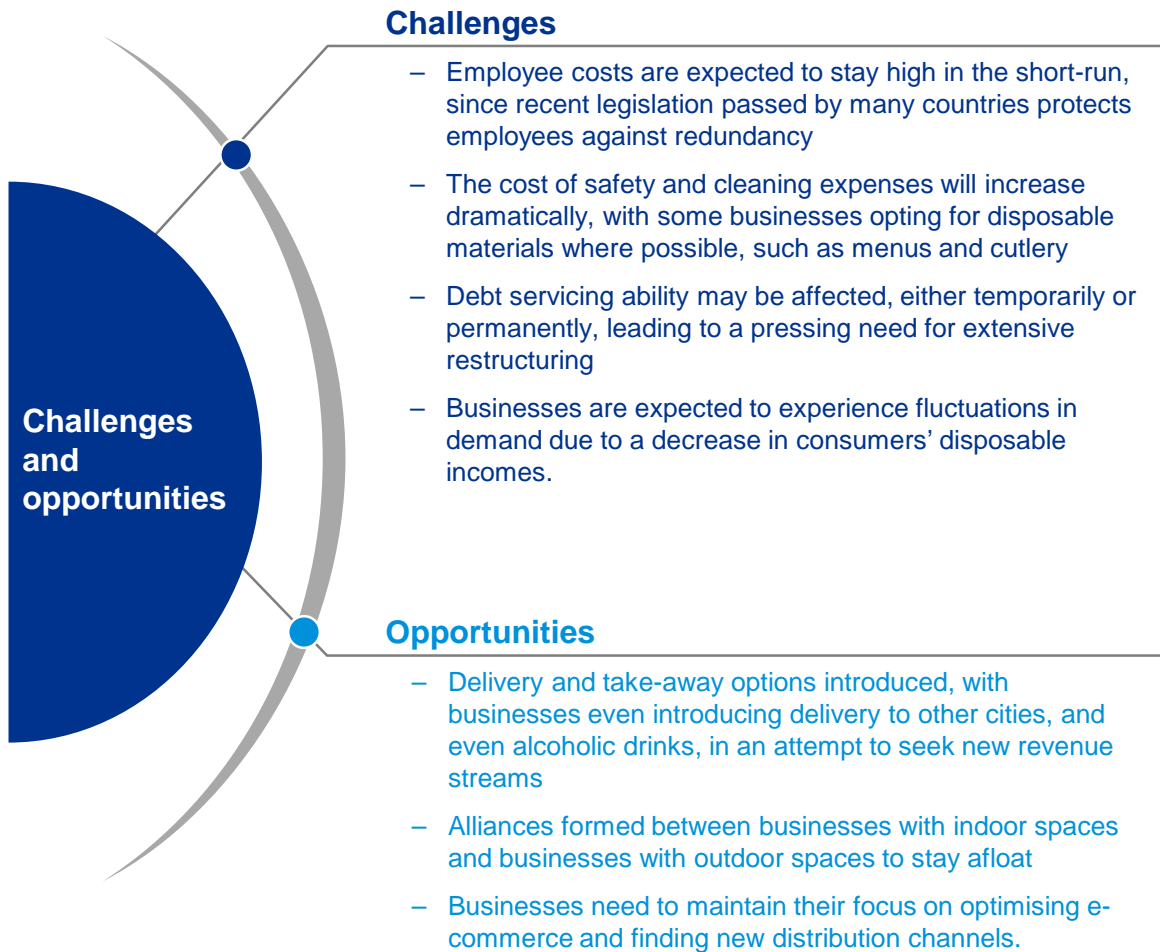
Across **Europe**, business owners estimate that social distancing measures will continue to apply until the end of the year at least, hence they are taking measures in an effort to stay afloat:

- 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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