



COVID-19 tourism recovery scenarios – How exposed are hotel markets?

A framework to analyse hotel market risks and performance

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“We’ve got a moat, and
we’re not afraid to use it.”

front page of Tasmania’s *The Mercury* newspaper after state
premier Peter Gutwein declared a state of emergency and
the “toughest border restrictions in Australia”.

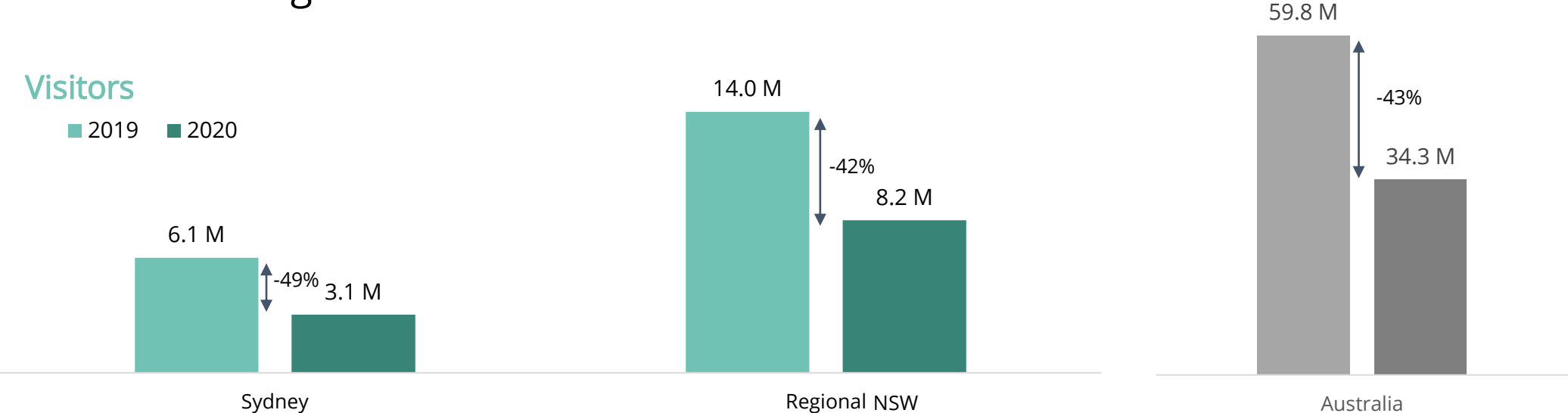
20 March 2020



The first half of 2020 has seen a decline of 43% in domestic overnight trips and 36% decline in domestic visitor nights across Australia.

Visitors

■ 2019 ■ 2020



Source: Tourism Research Australia, Deloitte Access Economics

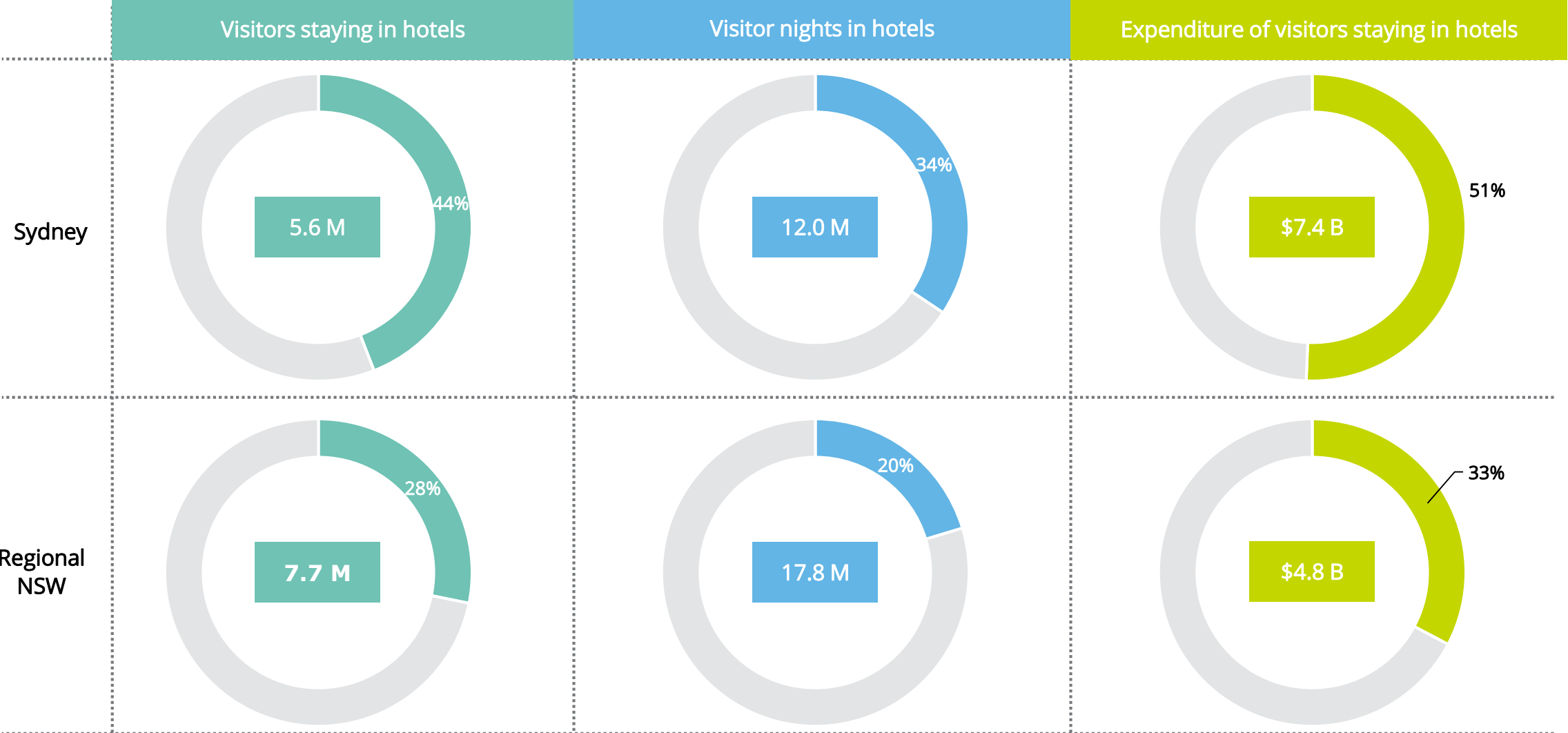
Visitor nights

■ 2019 ■ 2020



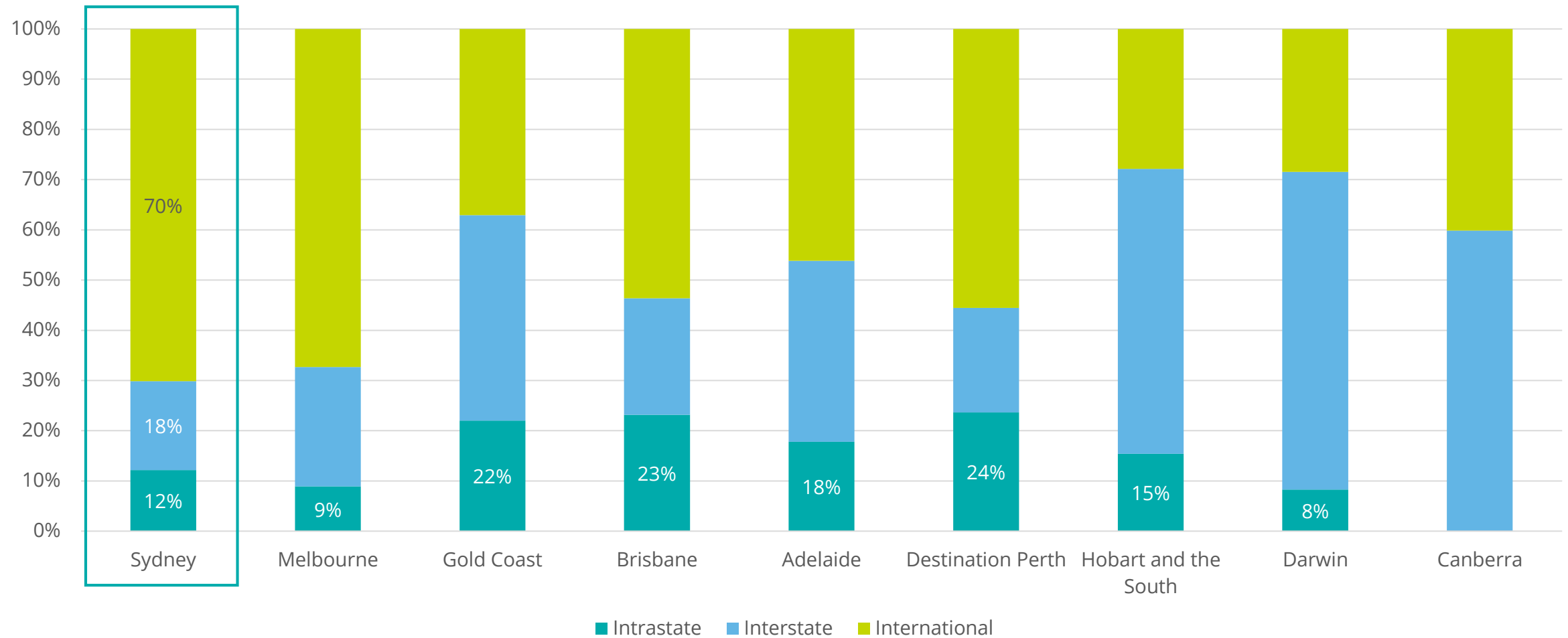
Source: Tourism Research Australia, Deloitte Access Economics

In 2019, a third of domestic visitor nights in Sydney were nights in hotel – with half of tourism expenditure in Sydney connected to hotel visitors.



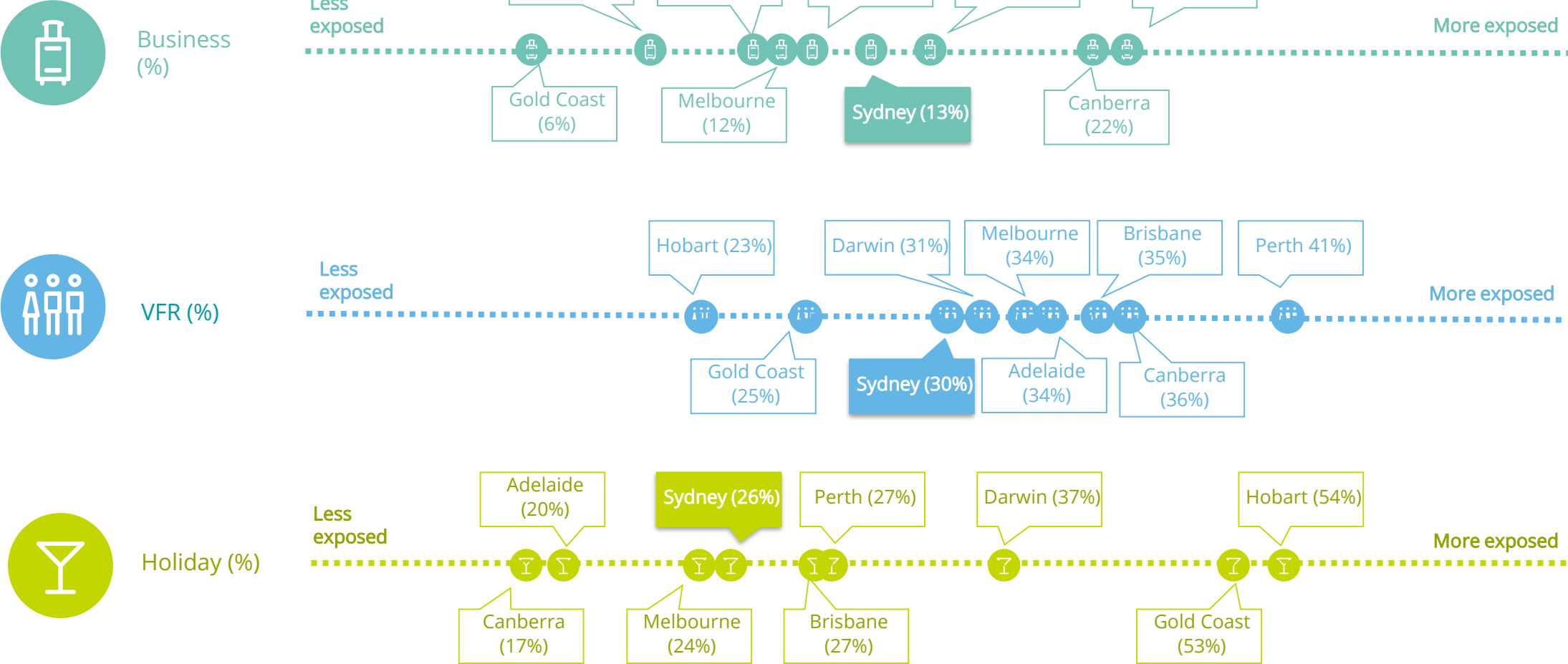
Source: Tourism Research Australia, Deloitte Access Economics
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The Sydney tourism sector is highly exposed to interstate and international border closures. Just over 10% of visitor nights in Sydney are intrastate nights.



Source: Tourism Research Australia, Deloitte Access Economics

The Sydney tourism sector is exposed to the business travel segment (impacting pace of recovery) with less exposure to holiday visitors than some other markets (restraining recovery).

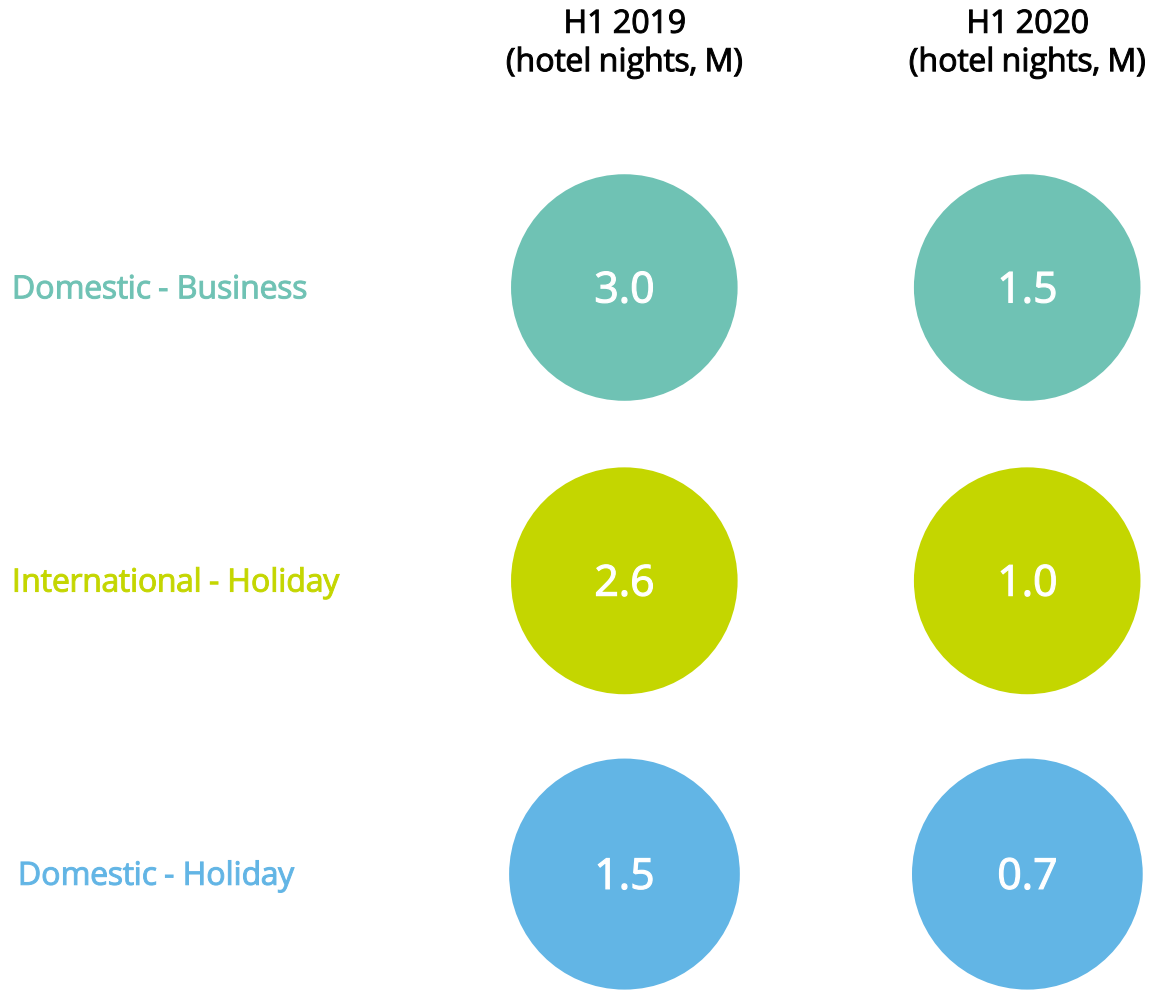
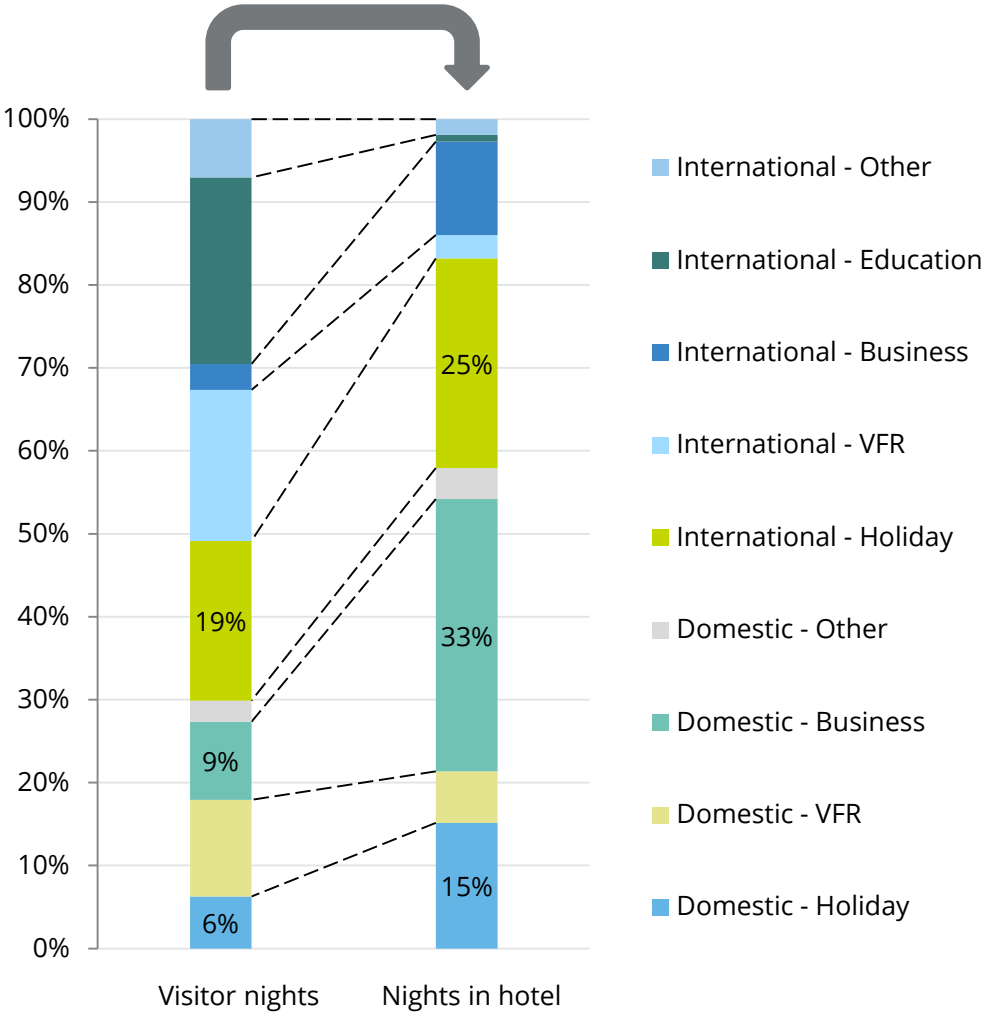


Note: Percentage refers to share of total visitor nights in the region

Source: Tourism Research Australia, Deloitte Access Economics

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In 2019, domestic business, international holiday and domestic holiday visitors were the top three segments for Sydney hotels.



Source: Tourism Research Australia, Deloitte Access Economics

Source: Tourism Research Australia, Deloitte Access Economics

In the face of uncertainty, the best approach is to consider a **series of scenarios** – of plausible and relevant futures – to understand the signposts and transmission mechanisms to guide planning and decision making.

	The future we hope for (Mild scenario)	The future we prepare for (Harsh scenario)	The future we want to avoid (Severe scenario)
Health response 	Rapid and effective containment measures result in a short sharp peak in new infected cases in April 2020.	Australia is largely successful with flattening the curve but, ongoing physical distancing restrictions are required to manage new outbreaks.	Without effective detection and tracing and a lack of compliance with remaining physical distancing rules, a second wave of infections occurs.
Domestic economic recovery 	A series of economic reforms are effectively implemented. Economy recovery begins from mid 2020.	Activity remains below pre-COVID expectations in the long run as business investment falters. Economic activity starts to recover in late 2020.	Economic activity continues to weaken in 2020 as a result of the second outbreak. The recovery starts in late 2021, hampered by financial distress and weak business and consumer confidence
Global economic recovery 	Global supply chains begin to mend as the outbreak recedes in China and North Asia. The world economy recovers quicker than expected.	Global containment remains a problem, limiting the movement of goods, people and capital.	The global economy faces an even more severe and prolonged downturn, hampered by de-globalization and geopolitical posturing.

Source: Deloitte Access Economics

Recovery scenarios for tourism are shaped by interactions of a series of indicators across four groups of factors.

Four groups of factors underlying tourism recovery



Regulations

The lift of travel, physical distancing and gathering restrictions marks the start of tourism recovery.

Economy

The rebound of economic activity, measured by GDP or GSP, unemployment rate, international trade, inflation, and exchange rates will underpin the recovery of the tourism sector.

Supply

Integral to tourism recovery is the financial health and operation of tourism service providers.

Consumer sentiment

While health and safety will be top of mind for consumers in the early period of recovery, consumer confidence relating to their personal finances and the state of the economy will impact travel demand.

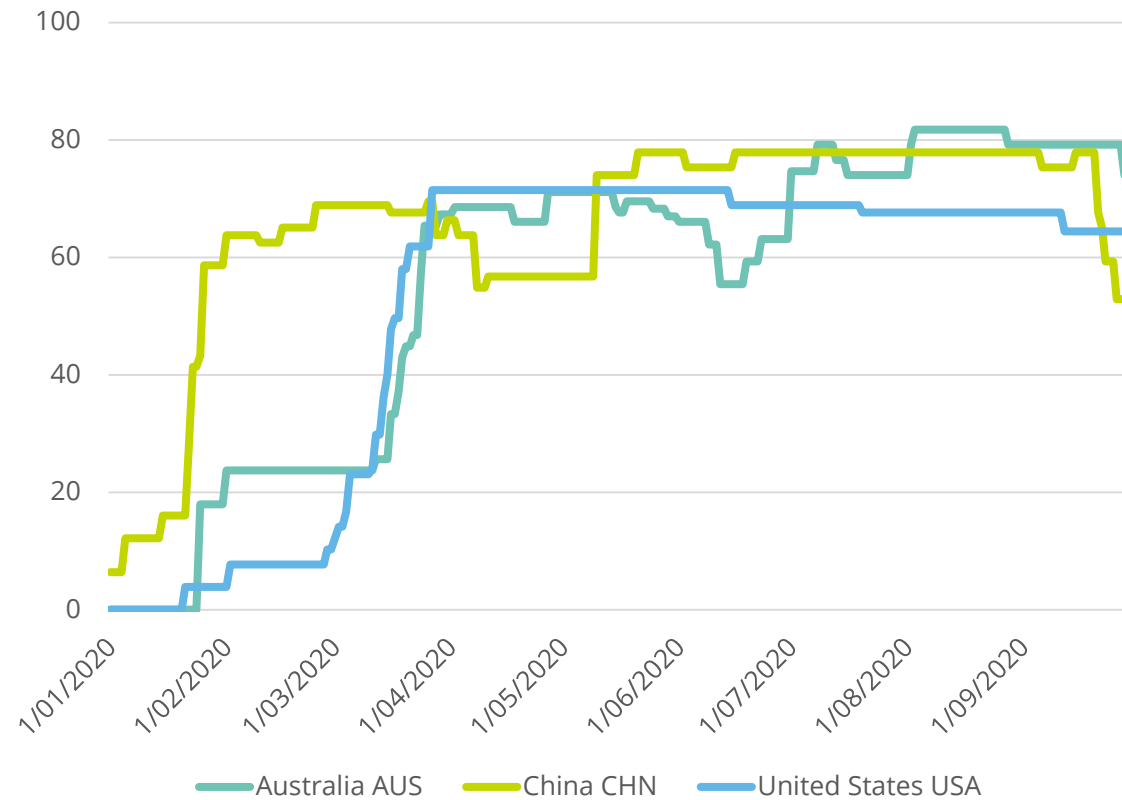
Source: Deloitte Access Economics COVID-19 recovery for the tourism sector

Regulations: High level of government response and economic support



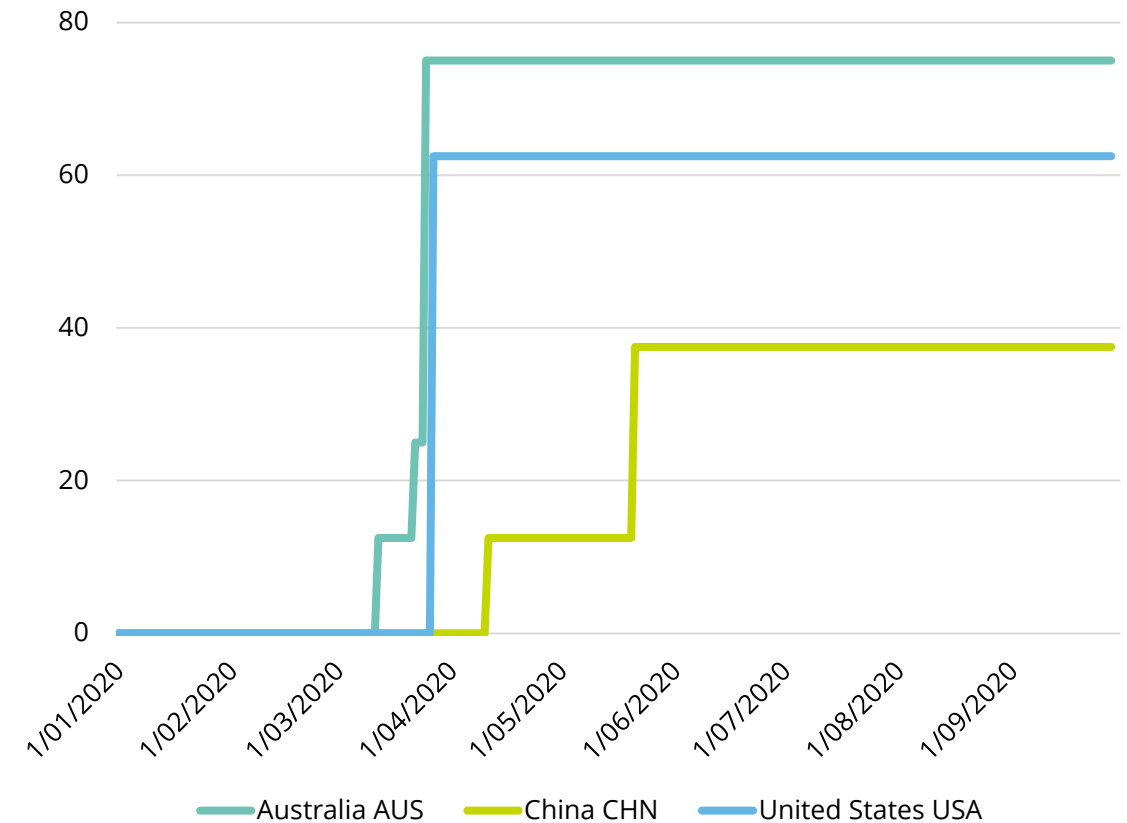
According to the Oxford COVID-19 tracker, Australia is responding strongly to COVID-19. Australia is placed higher in both economic support, stringency and overall responses to COVID-19, which *may* place us at a better position to recover *in the future*.

Overall level of government responses to COVID-19 in 2020



Source: Oxford COVID-19 Government Response Tracker

Overall level of government economic support to COVID-19 in 2020



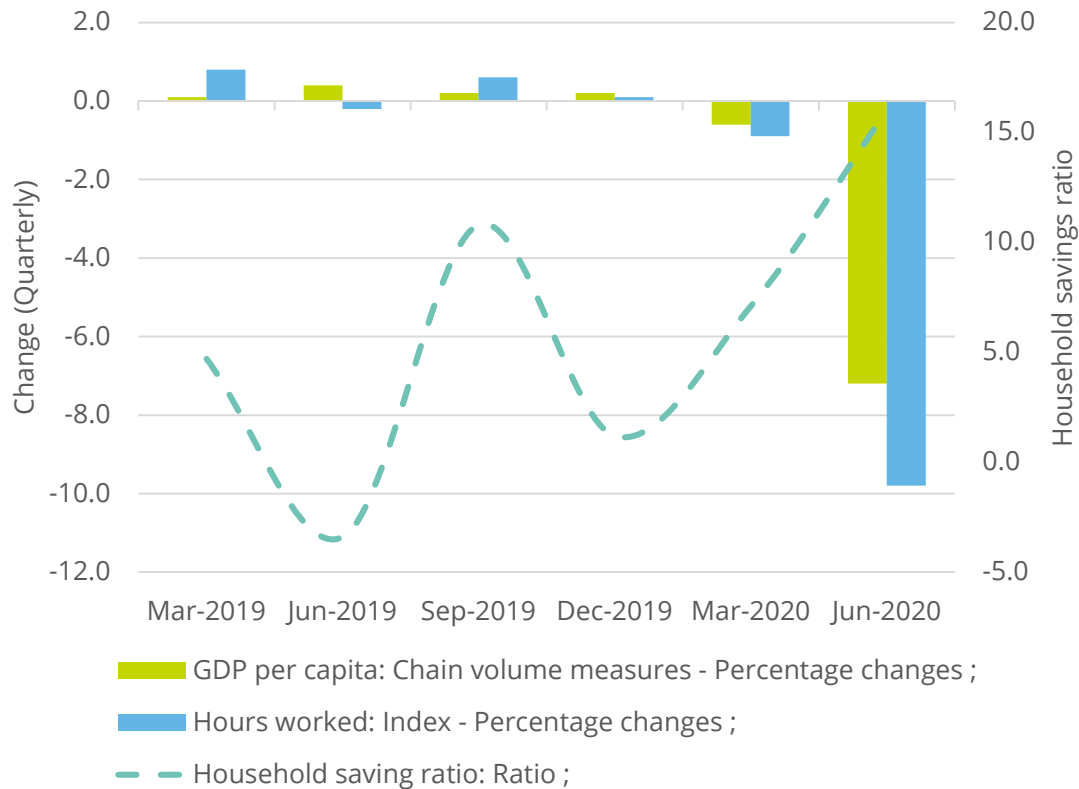
Source: Oxford COVID-19 Government Response Tracker

Economy: the sheer speed of economic disruption is unprecedented



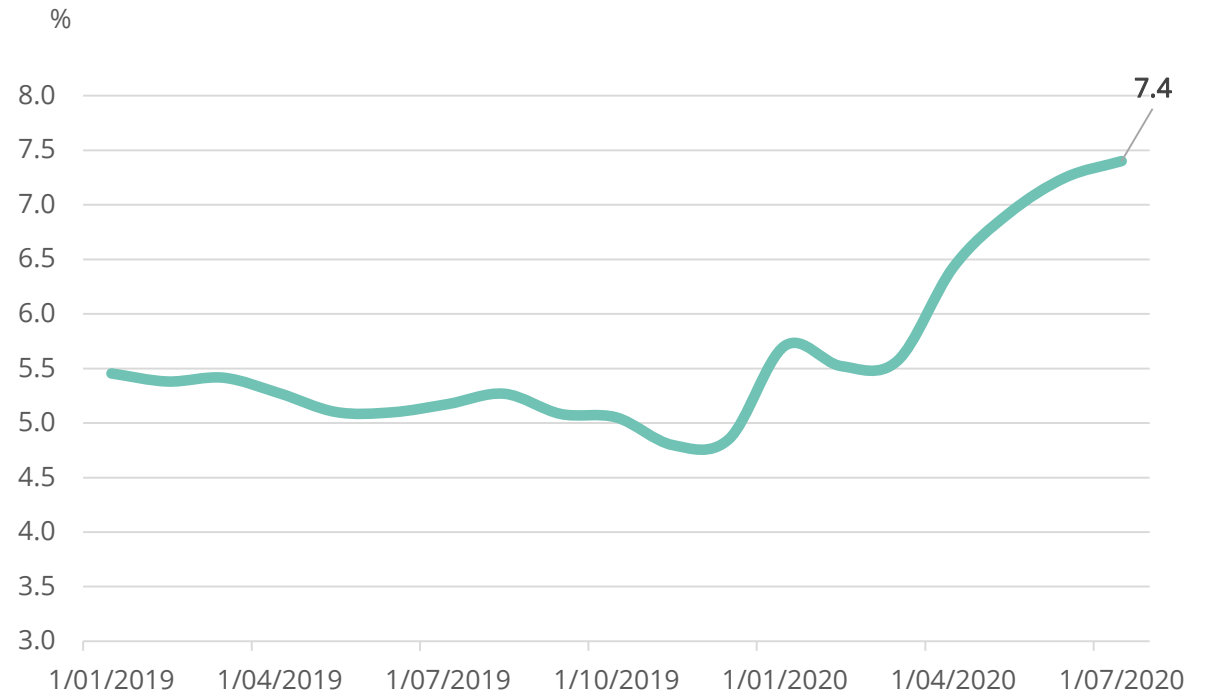
GDP per capita has dropped by more than 5% in the second quarter of 2020. Unemployment has increased to 7.4% in July 2020, the highest since 1998.

GDP per capita, hours worked and household saving ratios in Australia, 2019 to 2020



Source: Australian Bureau of Statistics

Unemployment rate in Australia, 2019 to 2020



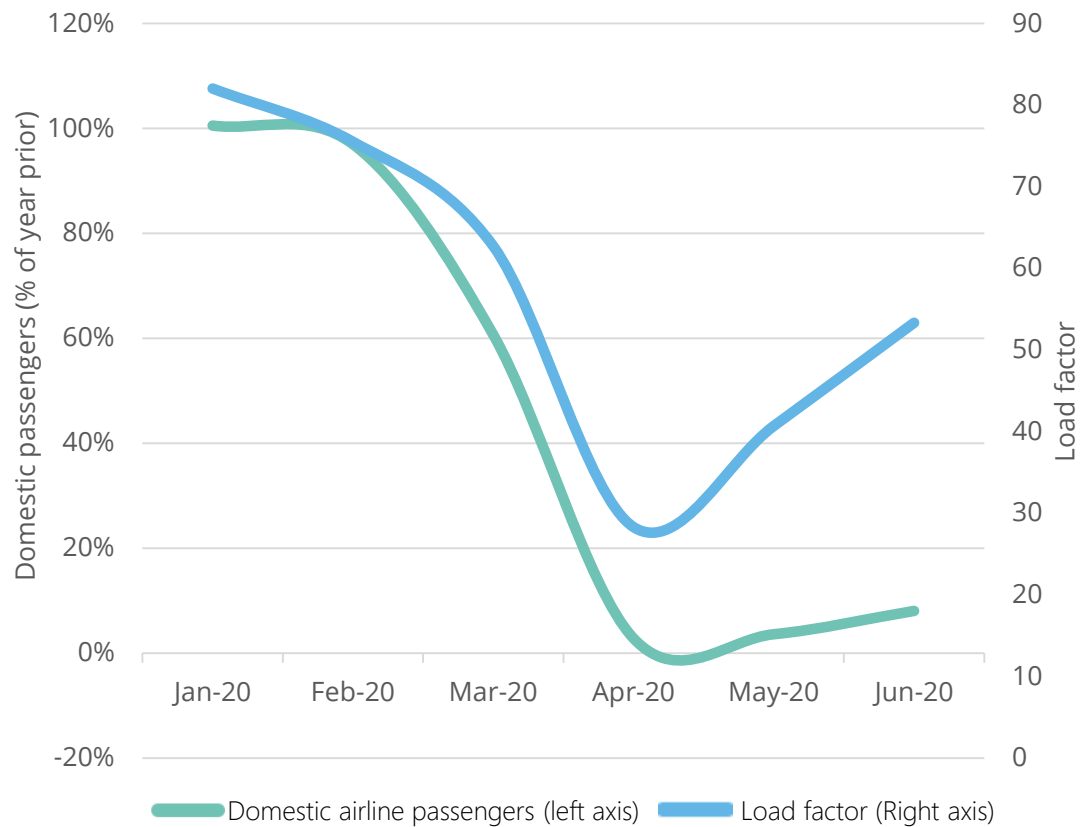
Source: Australian Bureau of Statistics

Supply: border closures' obvious impact on aviation capacity and jobs

Both domestic airline passengers and load factors dropped like a rock in April 2020. The easing of restrictions in some states saw a start to recovery – albeit very slow.

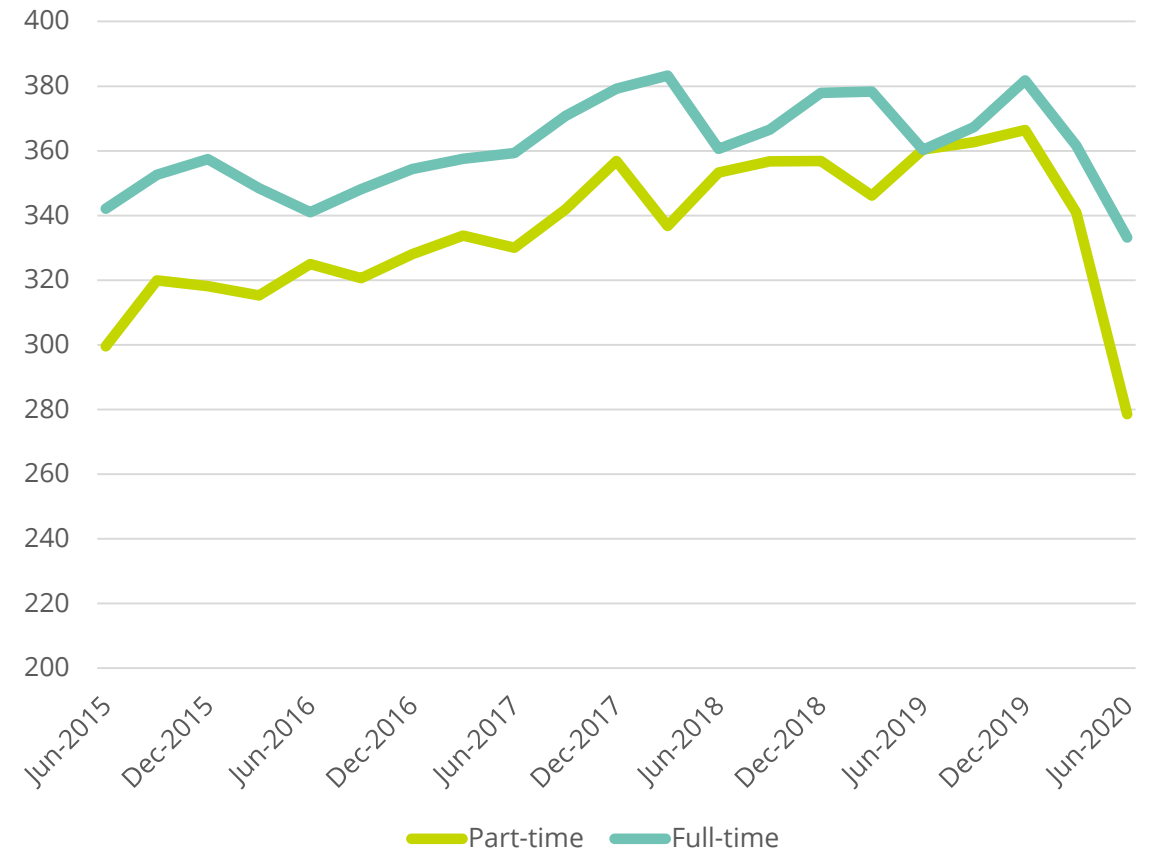


Actual domestic airline passenger and loading factors from BITRE, 2020



Source: Bureau of Infrastructure, Transport and Regional Economics

Tourism jobs in Australia, 2019 to 2020



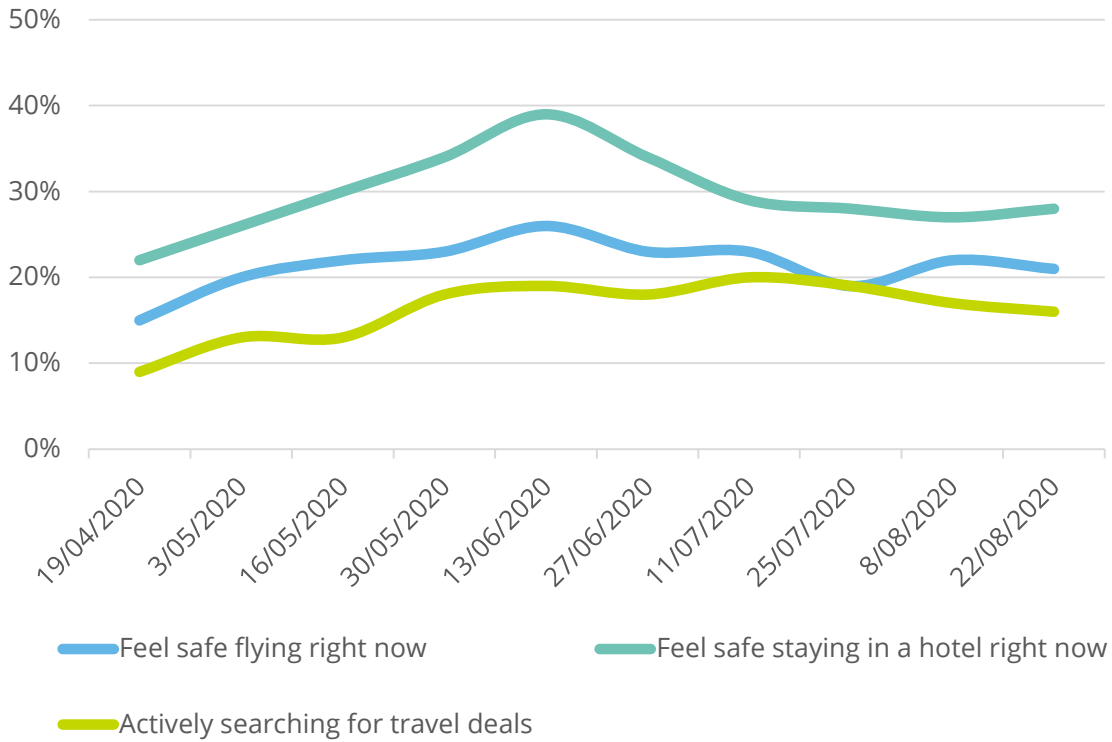
Source: Australian Bureau of Statistics

Consumer sentiment:

Consumer and business confidence have plummeted since January 2020. However, some signs of recovery can be seen, as both consumer travel sentiment and Google searches for accommodation have been picking up since June 2020.

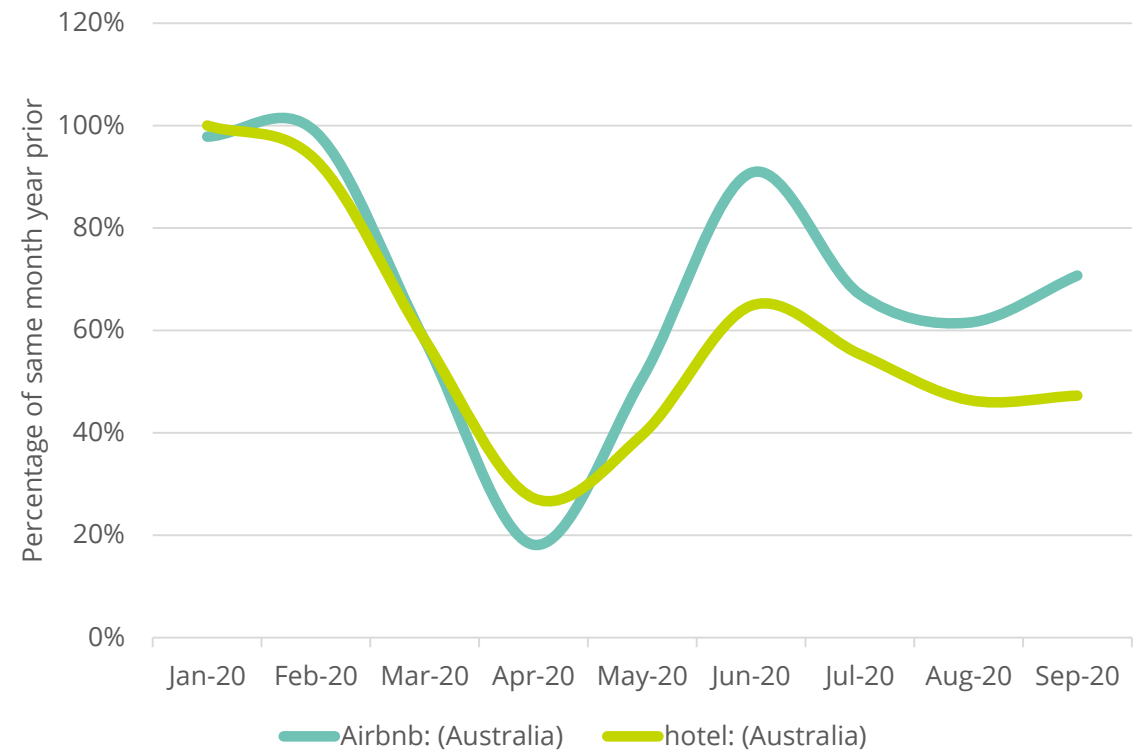


Consumer sentiment towards travel, 2020



Source: Deloitte Global Consumer Tracker

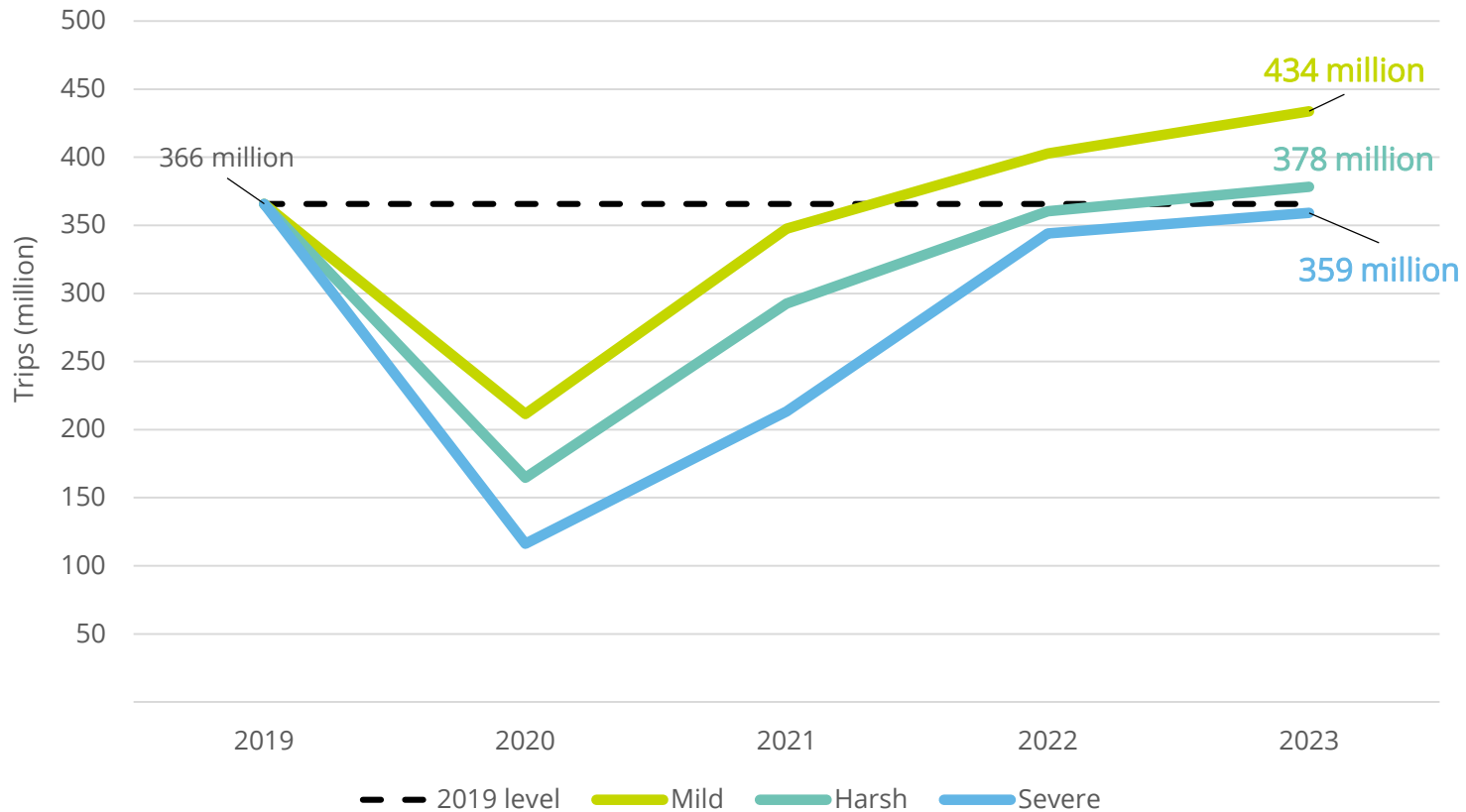
Google searches of Accommodation, 2020



Source: Google

The path to recovery could be long and slow. While our hope is that tourism demand will get back to the 2019 level in 2022, there is a possibility demand won't get back to the 2019 levels in the three-year horizon.

Domestic trips (overnight and day) relative to the 2019 level



	The future we hope for (Mild scenario)	The future we prepare for (Harsh scenario)	The future we want to avoid (Severe scenario)
Domestic	-42%	-55%	-68%

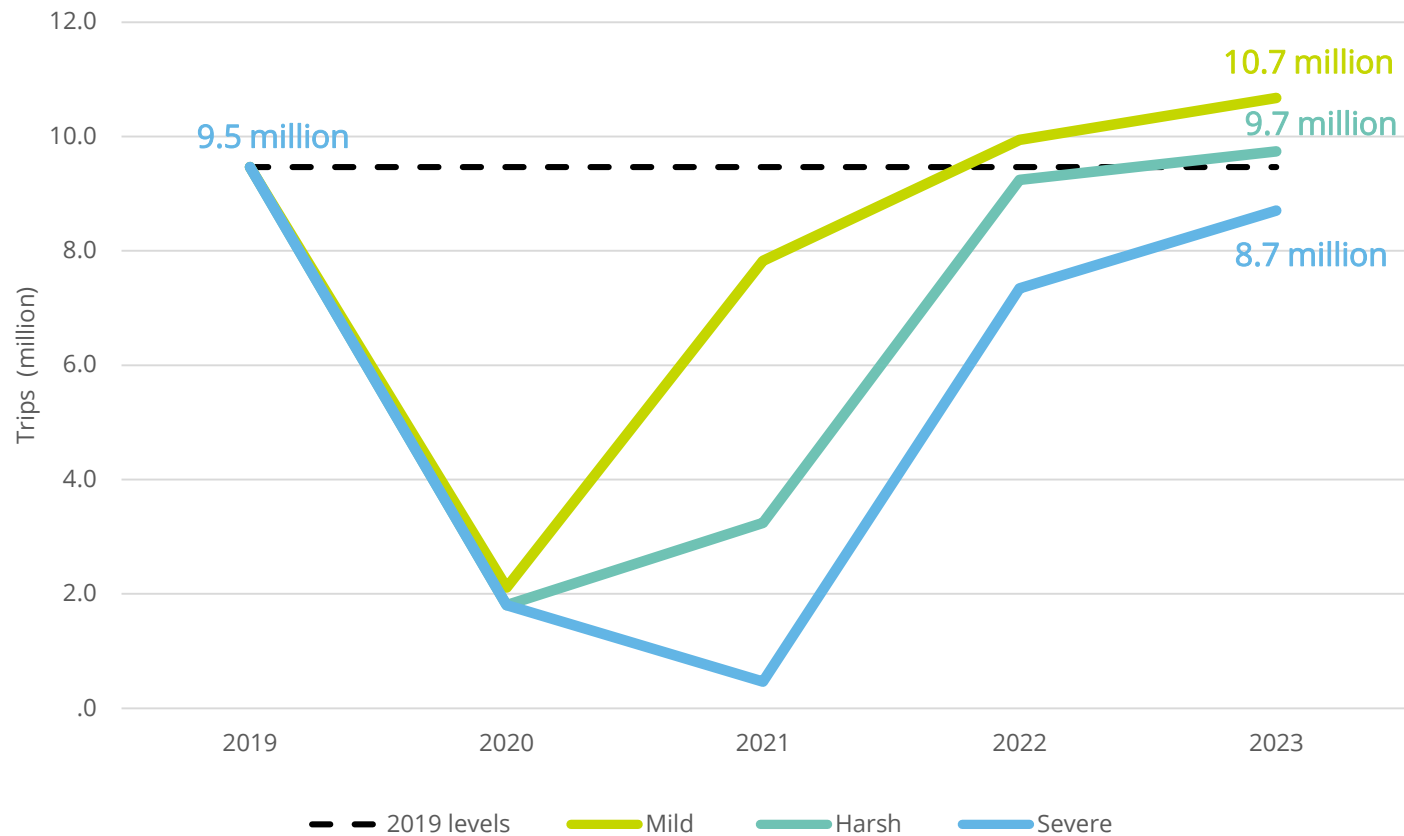
Source: Deloitte Access Economics COVID-19 recovery for the tourism sector

Note: Percentage numbers refer to the reduction in number of trips in 2020 compared to 2019

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International tourism arrivals to Australia relative to the 2019 level



	The future we hope for (Mild scenario)	The future we prepare for (Harsh scenario)	The future we want to avoid (Severe scenario)
International	-78%	-81%	-81%

Source: Deloitte Access Economics COVID-19 recovery for the tourism sector

Note: Percentage numbers refer to the reduction in number of trips in 2020 compared to 2019

Source: Deloitte Access Economics COVID-19 recovery for the tourism sector



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Thank you!

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