HoCoSo CONNECT: Impact of COVID-19

Sources: Oxford Economics, STR,2020
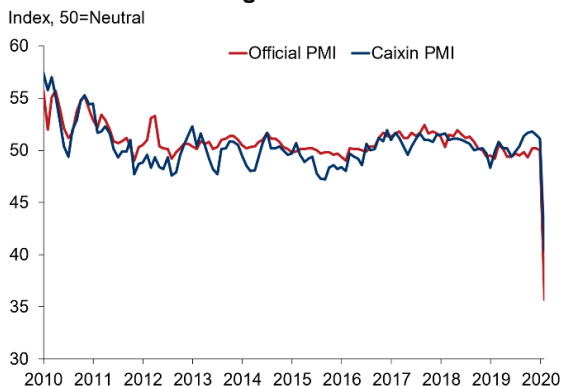
A decrease in global GDP growth indicates the start of an economic recession, which will not only hit China hard but the global economy

CHINA

- Chinese consumption has stopped, with the lowest level on record manufacturing PMI
- Trade shock in China means a hit to global trade
- The spread of the virus in China has slowed down, but the spread of the disease in Europe makes the risk of domestic economy to surge
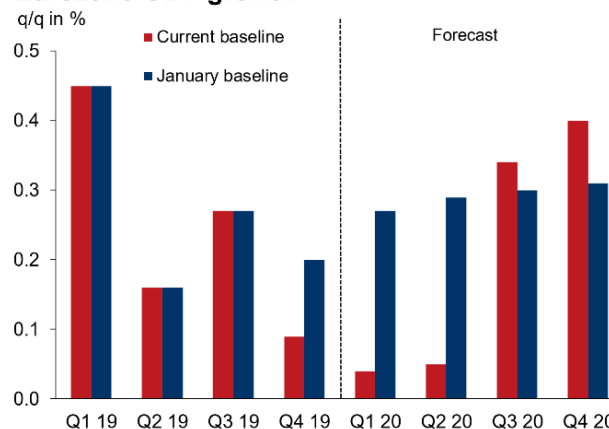
EUROPE

- Direct measures to contain the outbreak are affecting already GDP growth (0.1% loss in Italy)
- Countries most at risk are major trade hubs like the Netherlands or Germany given its openness and stronger ties to China
- European manufacturers are less exposed to Chinese supply chains than EMs and US, but impact on auto industry and tourism can be very costly for Europe

China: Manufacturing PMI
Index, 50=Neutral

Official PMI — Caixin PMI

Source: China federation of logistics and purchasing/Markit

OXFORD ECONOMICS

Eurozone GDP growth
q/q in %

■ Current baseline
■ January baseline

Forecast

Source: Oxford Economics/Haver Analytics

Conclusions |Impact on the global economy

Coronavirus will have a big negative near-term impact and lead to a more volatile growth profile

- The spread of Covid19 cases in Europe threatens to deliver a substantial blow to the services sector

- What will the policy response? A triple shock: supply, financial and demand shock.

- Market turmoil is forcing central banks to react much quicker than expected

- A gradual recovery taking place in the second half of 2020, but this baseline is conditional on China activity returning to trend relatively quickly and containment measures in the rest of the world being successful

Coronavirus pandemic: GDP growth

y/y in %
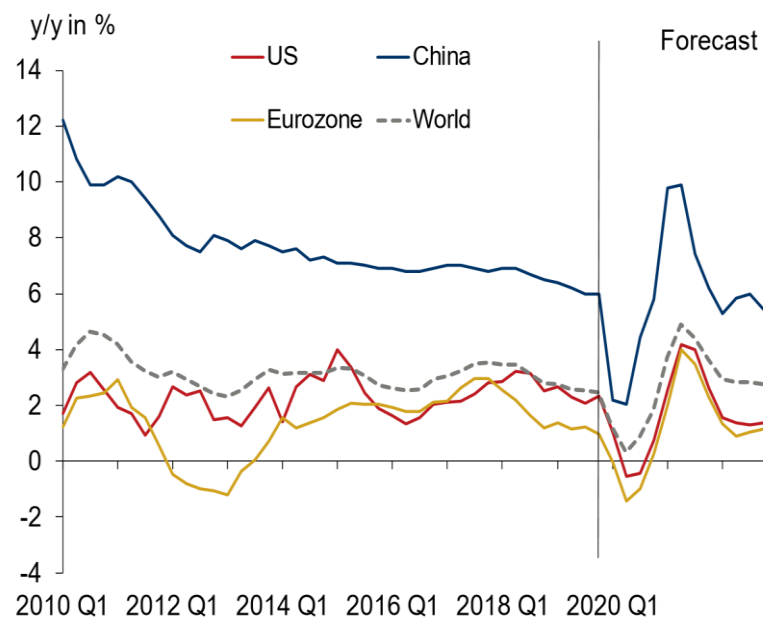
Source : Oxford Economics/Haver Analytics

Snapshot | Impact on the hotel sector

Tourism and travel sector gets hammered ahead of the Easter holiday. Impact is unevenly distributed and if domestic tourism is highly affected, the potential impact in the European economy could be major.

ASIA

- China drops Occ. by 89%
- Nearly 80% hotels closed their online booking
- Free cancellation policies launched by hotel groups
- IHG and Hilton launched Management fee and RMCC fee Waiver policies toward owners
- The increase of Chinese tourism outbound travel makes the comparison with SARS less accurate
- RevPAR declines all over Asia Pacific, with -88% RevPAR decline in Beijing and 22% of RevPAR drop in Sydney

EUROPE

- Cities changing occupancy by day. On 02.03.2020 occupancy declined by 20% or more in Amsterdam, Paris, Barcelona
- Italian cities, such as Venice, Milan and Florence, are the most impacted with almost a 90% occupancy decline
- Air traffic reduced with airlines cancelling flights due to little demand
- Turning point was the cancellation of Mobile World Congress, followed by cancellations of all global events

APAC hotels suffer significant RevPAR declines due to COVID-19
RevPAR % Change, Rolling 28 days from 23rd of Feb 2020, Local Currency

European Cities: High Impact – some expected, some not
European cities, Occupancy % change, February 17th to March 2nd 2020

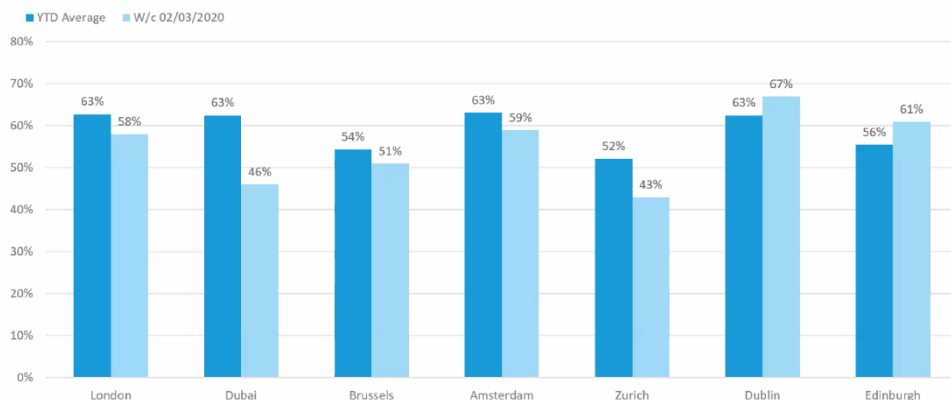Source: STR, 2020 © CoStar Realty Information, Inc.

HoCoSo
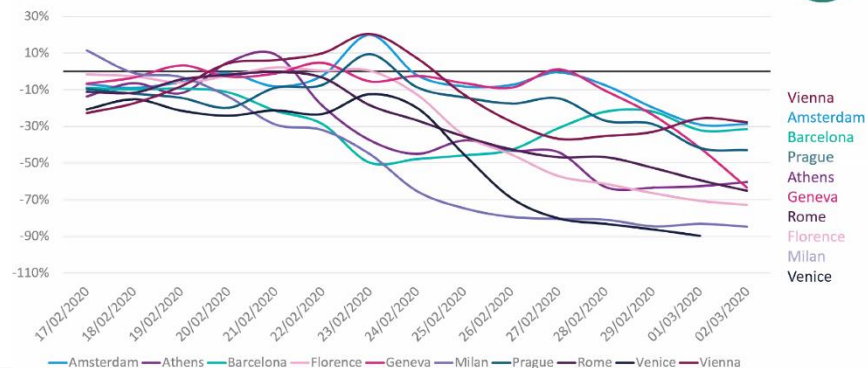
Conclusions |Impact on the hotel sector

The hotel sector will be highly affected by CO-VID, with occupancy% dropping down as virus spreads across the globe

- Coronavirus will impact the whole world and will affect the tourism industry before others due to demand change

- Rebound is difficult to predict, with STR estimating a similar recovery as SARS but not as rapid due to China being a much more important market, plus businesses are more conscious than 17 years ago

- **What can you do now?**
1. Ensure appropriate operational actions to reduce risk
2. Do not panic- use data- compare actual results and forward bookings to market
3. Remember that COVID-19 is about lives, not numbers

What's the future... Business on the books lower, but not terrible

Business on the books for next 14 days at 2 March 2020 compared to average for the year

str

Bar chart — YTD Average vs W/c 02/03/2020:
- London: 63% / 58%
- Dubai: 63% / 46%
- Brussels: 54% / 51%
- Amsterdam: 63% / 59%
- Zurich: 52% / 43%
- Dublin: 63% / 67%
- Edinburgh: 56% / 61%

HoCoSo

HoCoSo CONNECT: Let´s talk solutions

What should the hospitality industry do, in light of the global effects of the Covid-19 virus on communities and economies?

- Find the opportunity out of crisis
- Collaboration: we are better together
- Open communication
- Planning and taking action