

**SECTORWATCH | CORONAVIRUS | HOSPITALITY**

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan’s economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government’s response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR
HOSPITALITY	HOSPITALITY
SIZE	<ul style="list-style-type: none"> - ~4,000 rooms in 4 & 5 star hotels in Pakistan - Average revenue per room: ~PKR 15,000 per night or ~USD 100
NUMBER OF PLAYERS	<ul style="list-style-type: none"> - Five major players in 4 & 5 star hospitality sector (1 listed), owning multiple properties - Large number of small and mid-sized hotels/guest houses
PACRA PENETRATION	<ul style="list-style-type: none"> - PACRA rates 2 entities in the hospitality sector - PACRA rated entities market share is ~1,750 rooms i.e. ~43% of total 4 & 5 star rooms
IMPACT	<ul style="list-style-type: none"> - Pakistan’s organized hospitality industry relies on corporate travel, foreign visitors, and lately, local tourists. - International travel restrictions and limited movement of people has led to lower occupancies, significantly impacting revenues of the sector. Majority of properties have either closed or are only partially operational. Prolonged social distancing and confinement measures may lead to closure of properties across the country - Closure of banquets halls and restaurants has further impacted operations. Slow economic recovery and low expendable income to impact travel and hospitality services leading to liquidity crunch and compromised debt repayment ability - Industry players have leveraged financial structure. Loans taken for renovation/expansion by mortgaging existing properties. SBP initiatives of deferment of principal repayment, policy rate cut and extension in default recognition timeline to provide relief to an extent - Hospitality industry worldwide and in Pakistan remains one of the most affected by Covid-19 outbreak. Local industry players under significant pressure facing long road to recovery

DISCLAIMER

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