

**PACRA SECTORWATCH | CORONAVIRUS | TRAVEL**

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
TRAVEL	<ul style="list-style-type: none"> - TRAVEL AGENCIES - AIRLINE CONSOLIDATORS
SIZE	<ul style="list-style-type: none"> - The country witnessed 20 million passengers in 2019; including 6 million from domestic flights and 14 million from international flights - 1.5 million Umrah pilgrims travel from Pakistan, the second highest number after Indonesia - Umrah services provided by travel agents garner highest segmental revenue
NUMBER OF PLAYERS	<ul style="list-style-type: none"> - Estimated ~640 players (<i>Source: Travel Agents Association Pakistan</i>) - Fragmented and unrated industry - Sector has niche players having exclusive rights with certain airlines, acting as airline consolidator
PACRA PENETRATION	<ul style="list-style-type: none"> - One entity
IMPACT	<ul style="list-style-type: none"> - Pakistan suspended all international flights for two weeks to limit the spread of coronavirus on 21st March, 2020. Coupled with Saudi Arabia’s decision to halt Umrah and uncertainty over Hajj, travel agents have had a major setback - The global travel sector has been significantly affected by the crisis, given its exposure to travel restrictions and sensitivity to consumer demand - The wide ranging travel restrictions will diminish the revenue stream of the players - Customers may be cautious about travel plans after the crisis, leading to depressed volumes over the near term - Companies having fixed overheads may struggle, leading to cost cutting whereas small players may exit due to lack of volumes - These factors will affect the credit profile of the companies which may remain vulnerable to depressed demand - Imperative that companies have sufficient liquidity as they may seek to reduce cash outflows

DISCLAIMER

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