



Impact of Covid 19 on Sri Lanka Tourism

Industry Overview



Economic contribution of tourism

Definitions first

Who is a tourist?

A visitor (domestic, inbound or outbound) who's trip includes an overnight stay.

What is hospitality?

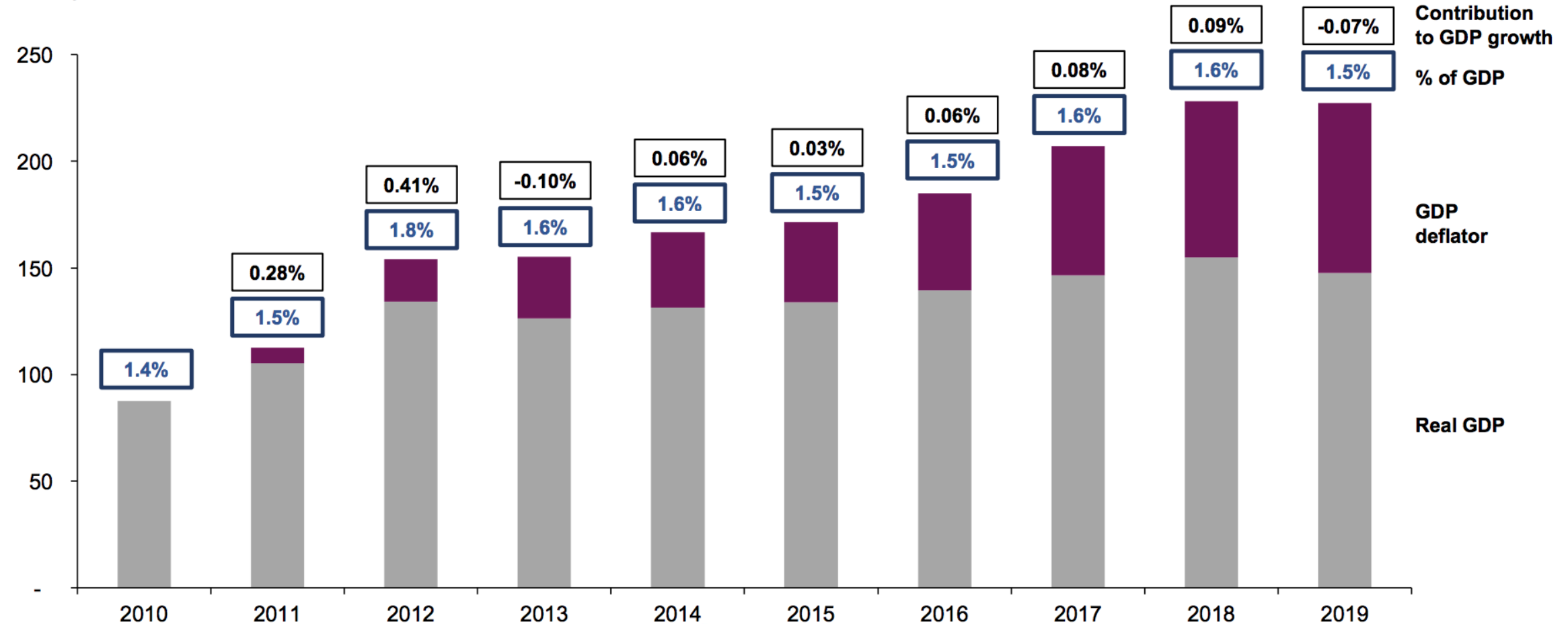
The friendly and generous reception and entertainment of guests, visitors or strangers.

What is a hospital?

An institution providing medical and surgical treatment, and nursing care for sick or injured people.

What was tourism's recorded share of GDP?

Accommodation, food and beverages
LKR bn



Source: Department of Census and Statistics

The tourism multiplier

LKR 15.1tn

Public
administration
Goods and
passenger
transport
Wholesale and
retail trade

6.0%

11.5%

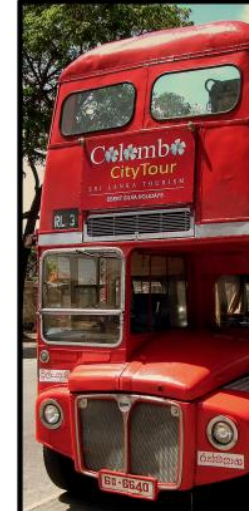
11.0%

Nominal GDP 2019

Source: Department of Census and Statistics



Cultural sights and
attractions

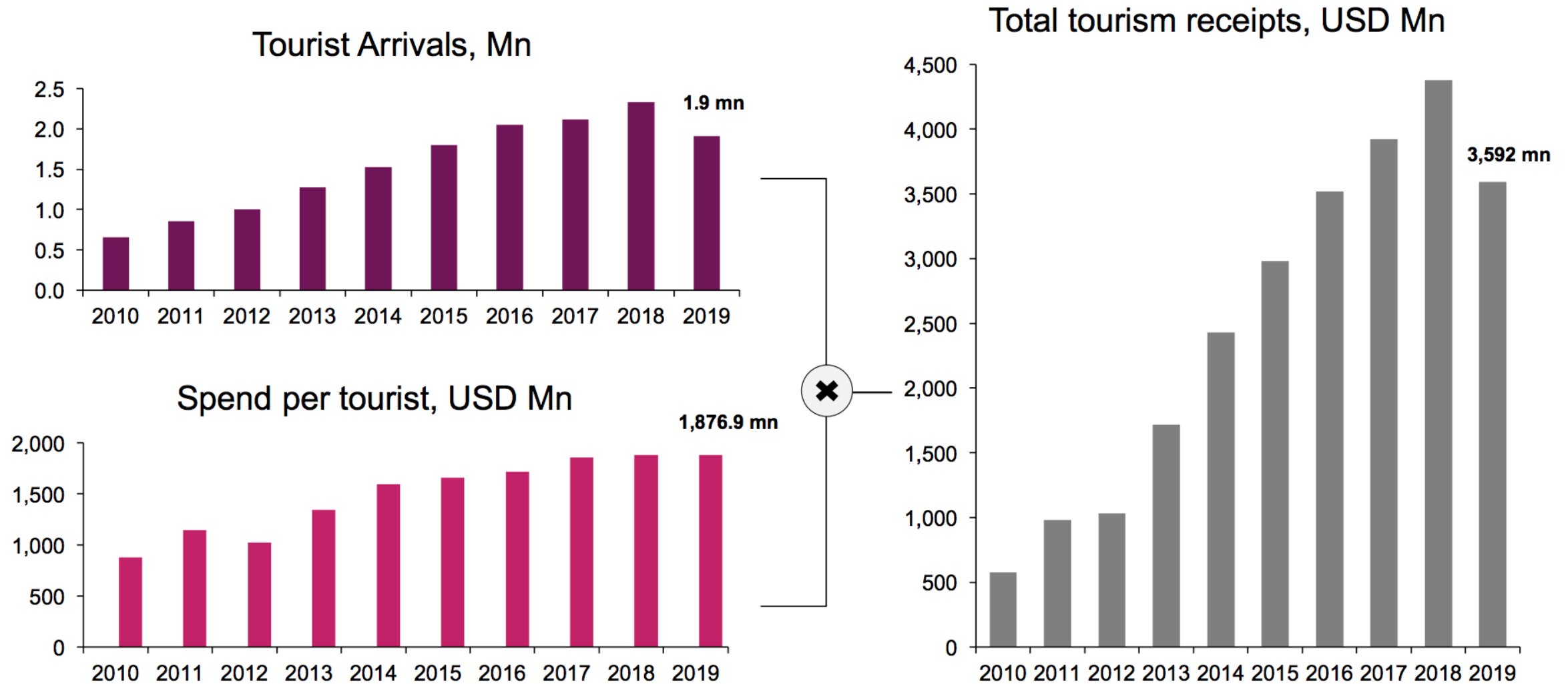


Transportation



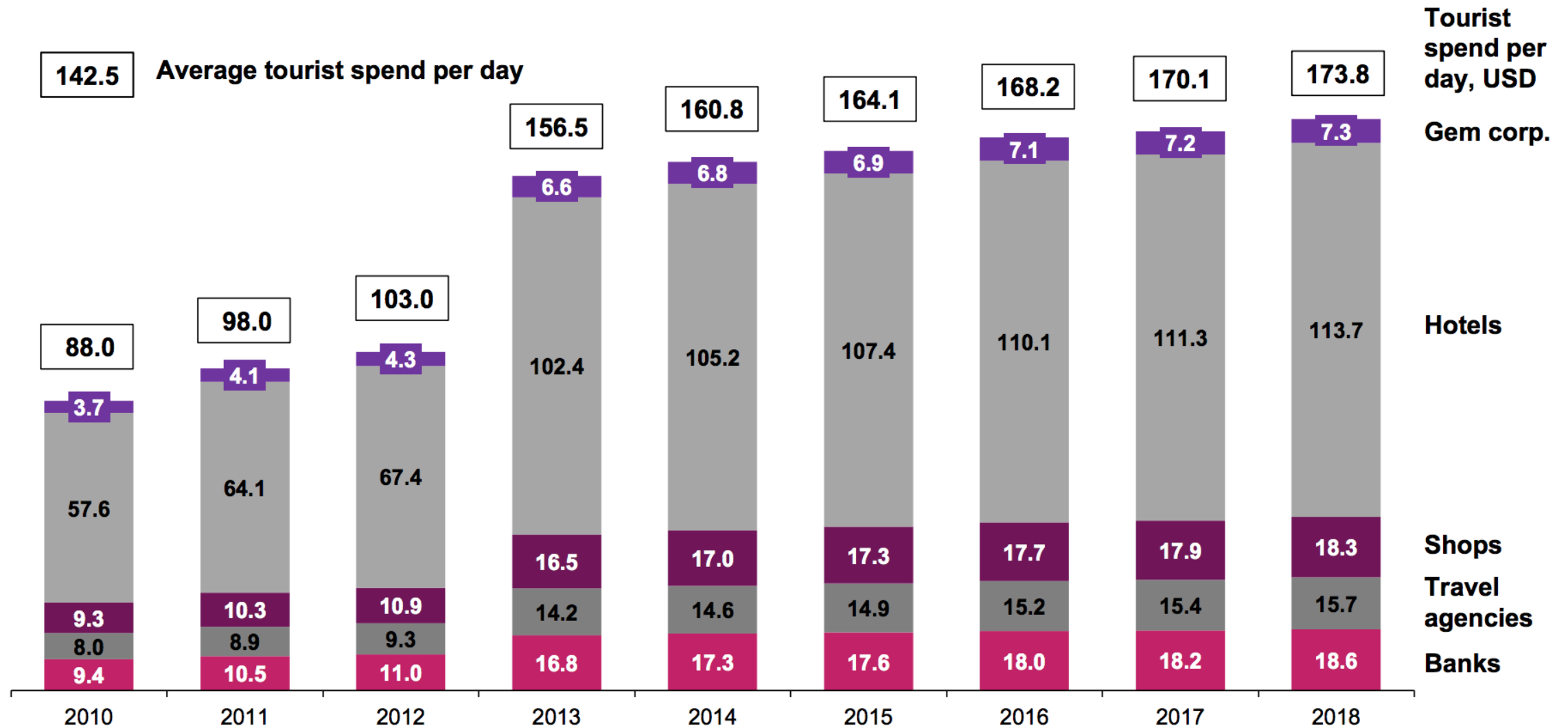
Shopping

Average spend per tourist has remained flat since 2017



Source: Sri Lanka Tourism Development Authority

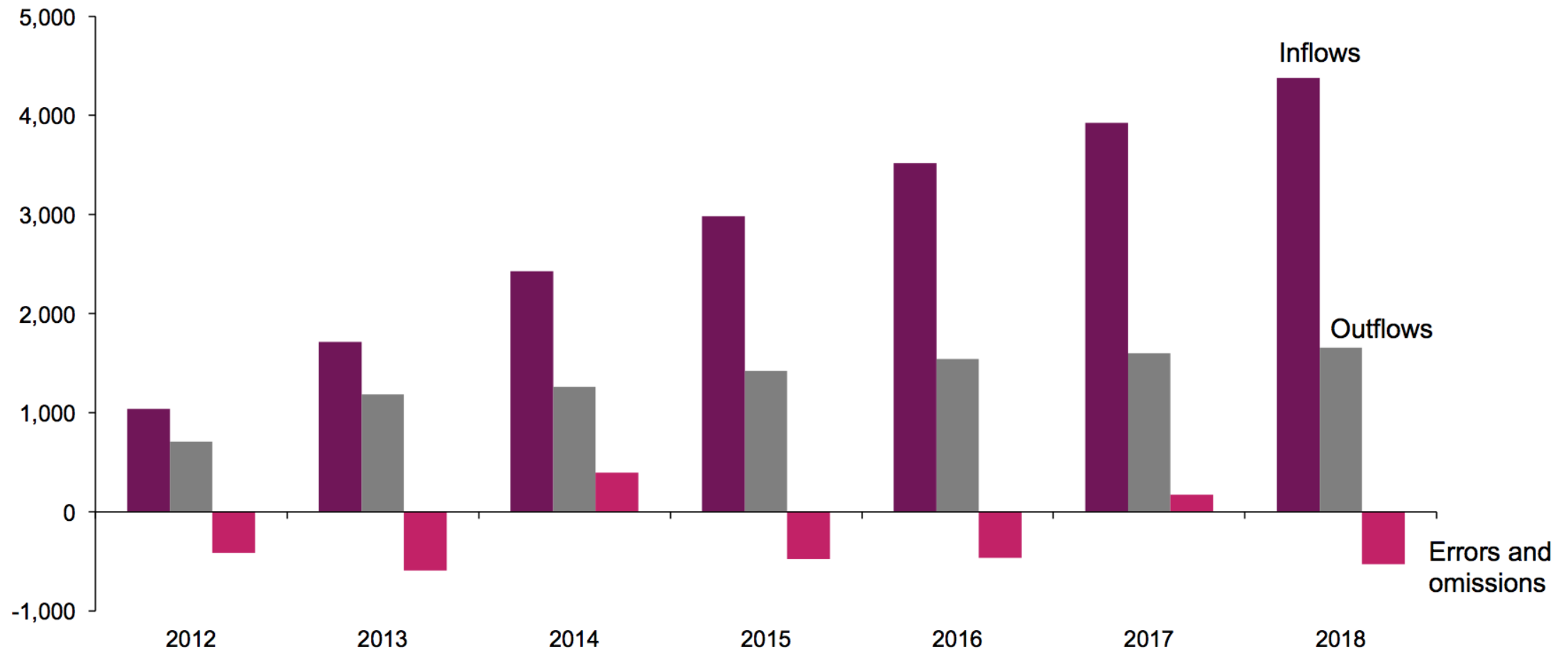
Tourist spend per day... cannot reconcile with industry



Breakdown approximated from 2015 & 2016 share of spending
Source: Sri Lanka Tourism Development Authority

Tourism expenditure partly offsets earnings

Travel component of the current account
USD Mn



Source: Central Bank of Sri Lanka

Public sector revenue from tourism

	Value, LKR Mn	Percentage earned
Cultural triangle	4,248.2	33%
Embarkation tax on foreign tourists	2,832.1	22%
Wildlife parks	2,188.1	17%
Tourism development levy	1,416.1	11%
Zoological gardens	643.7	5%
Botanical gardens	643.7	5%
BMICH	450.6	4%
Tourism Development Authority income	257.5	2%
Museums	128.7	1%
Conservation forests	64.4	1%

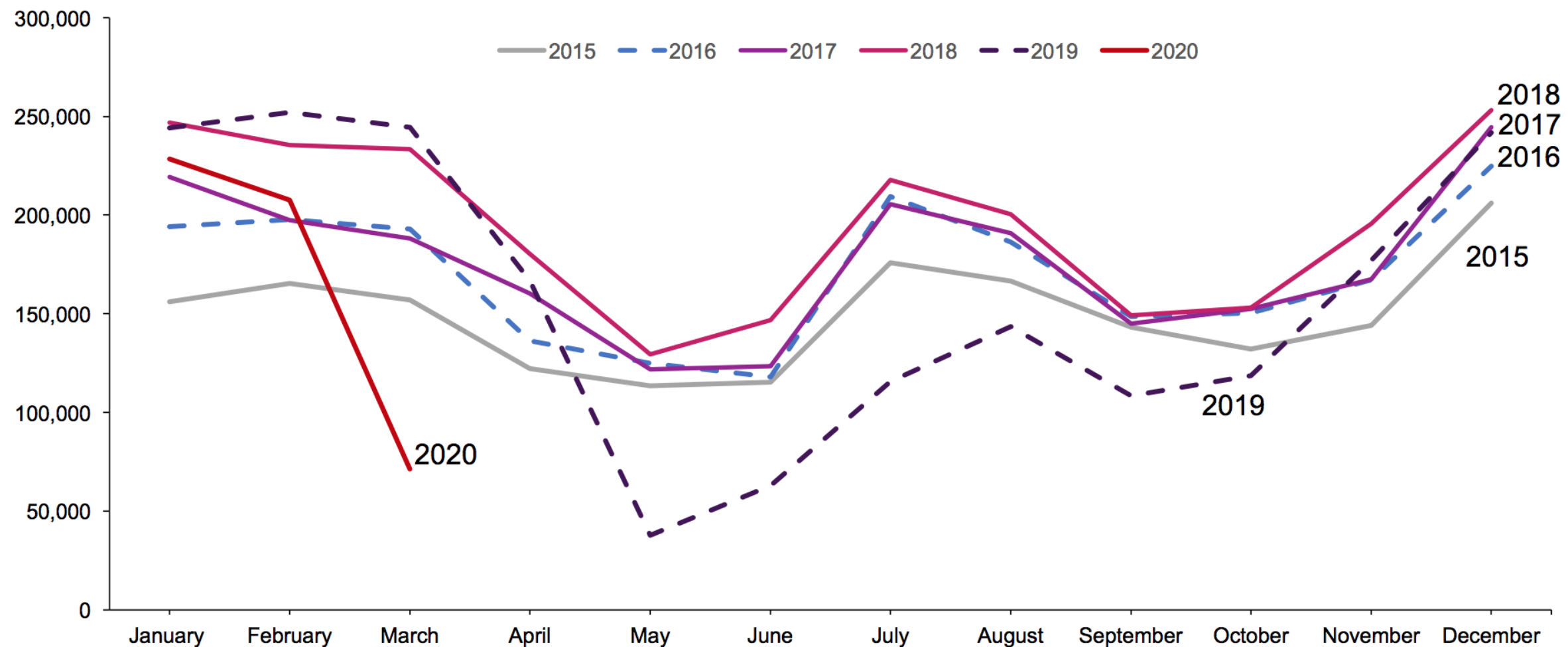
Source: Sri Lanka Tourism Development Authority



Arrival stats – who,
when, for how long ?

Mar-2020 sees sharp drop due to COVID-19

No. of Visitors



2018 by the numbers...

2.33mn

Arrivals

25.20mn

Guest Nights

\$4.3bn

Tourism Receipts

0.4mn

Employment

14.8mn

Tourist Hotel GN

7.7mn

Supplementary Establishments GN

10.8days

Avg. length of stay

\$1,877

Avg. Spend

Room Inventory

24,757

Total

8,676

South Coast

4,360

Ancient Cities

5,607

Colombo City

1,489

High Country

Occupancy

72.8%

Total

73.1%

South Coast

71.4%

Ancient Cities

79.1%

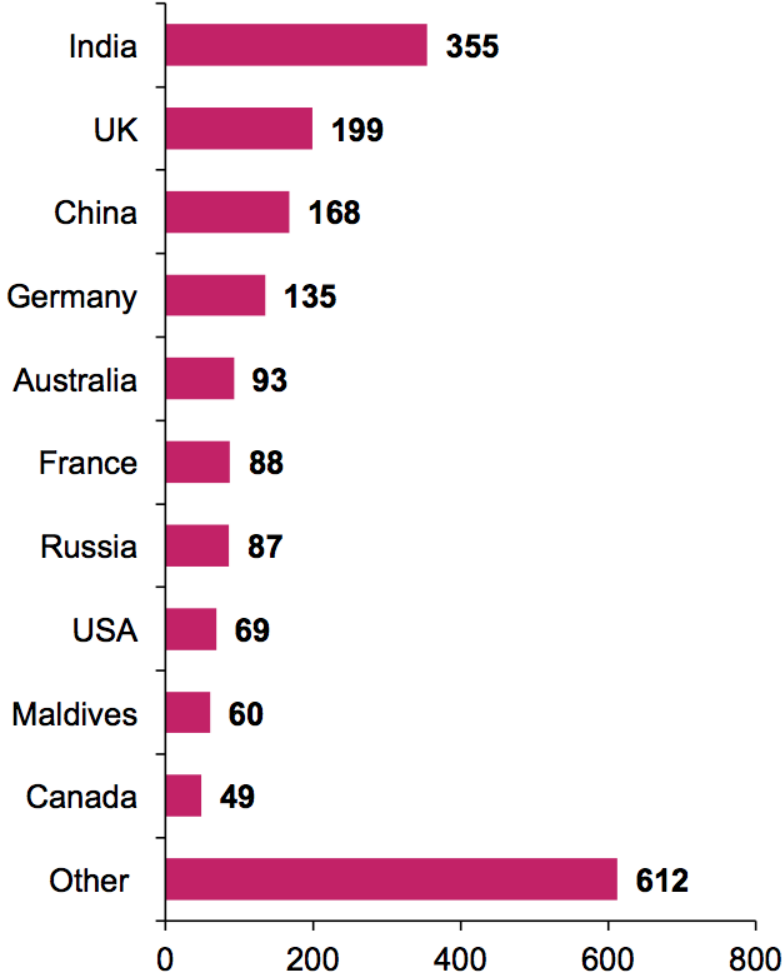
Colombo City

73.6%

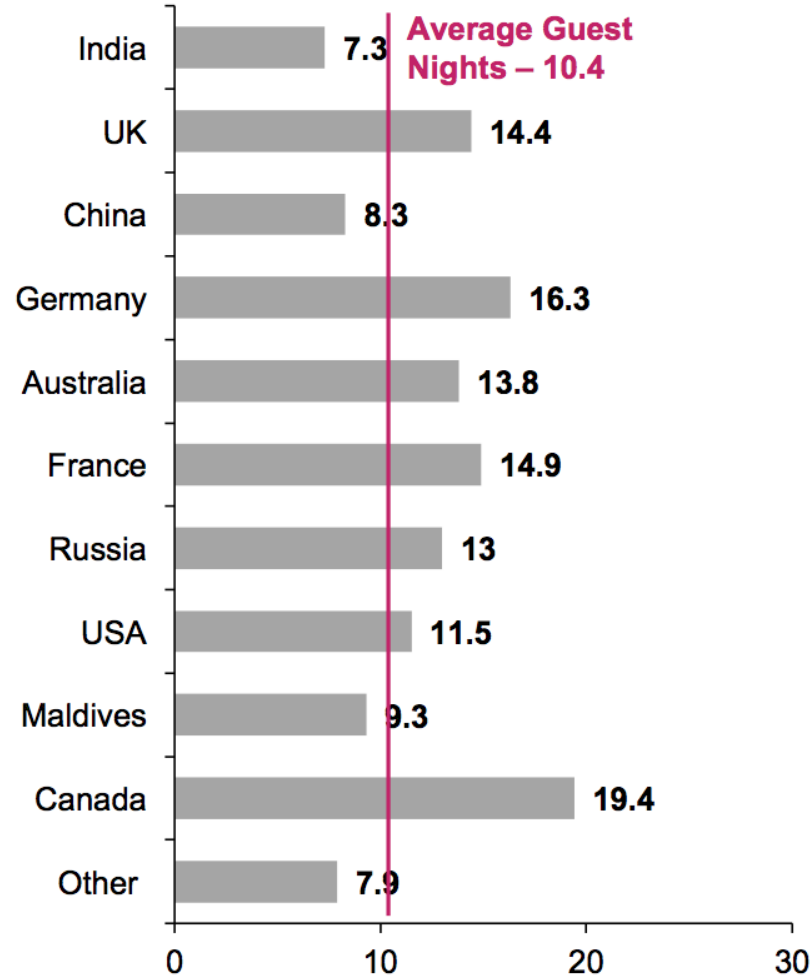
High Country

Number of visitors fell following Easter Sunday bombings in 2019

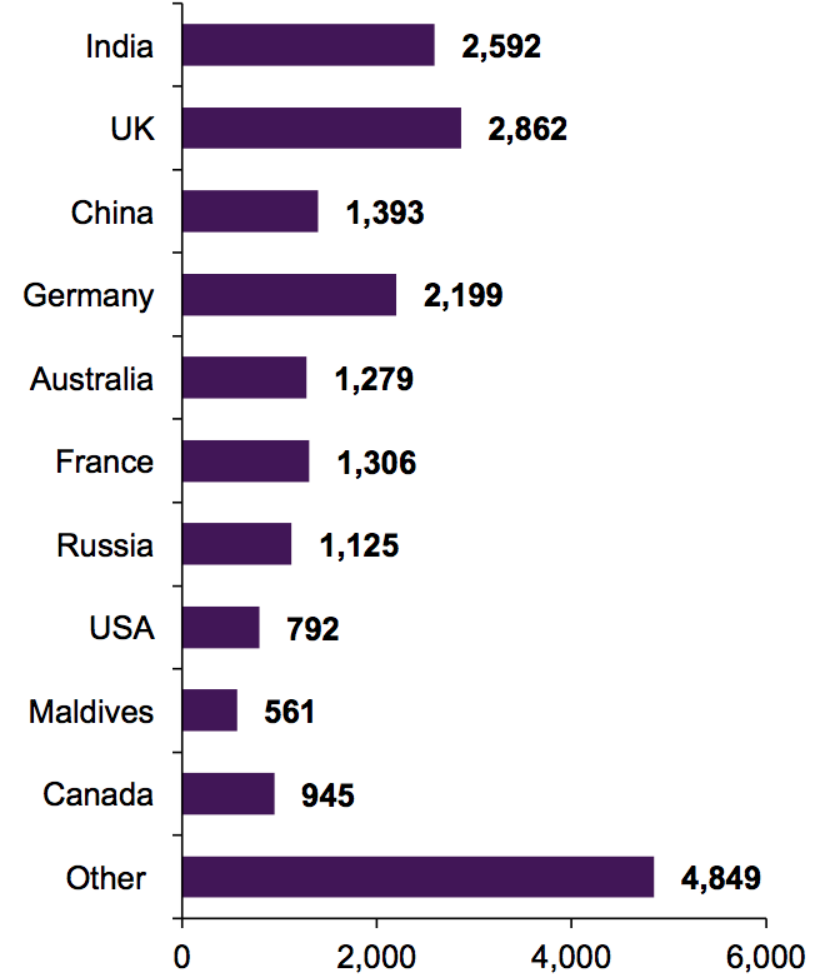
No of visitors – 1,913,702
000`



Average Guest Nights – 10.4

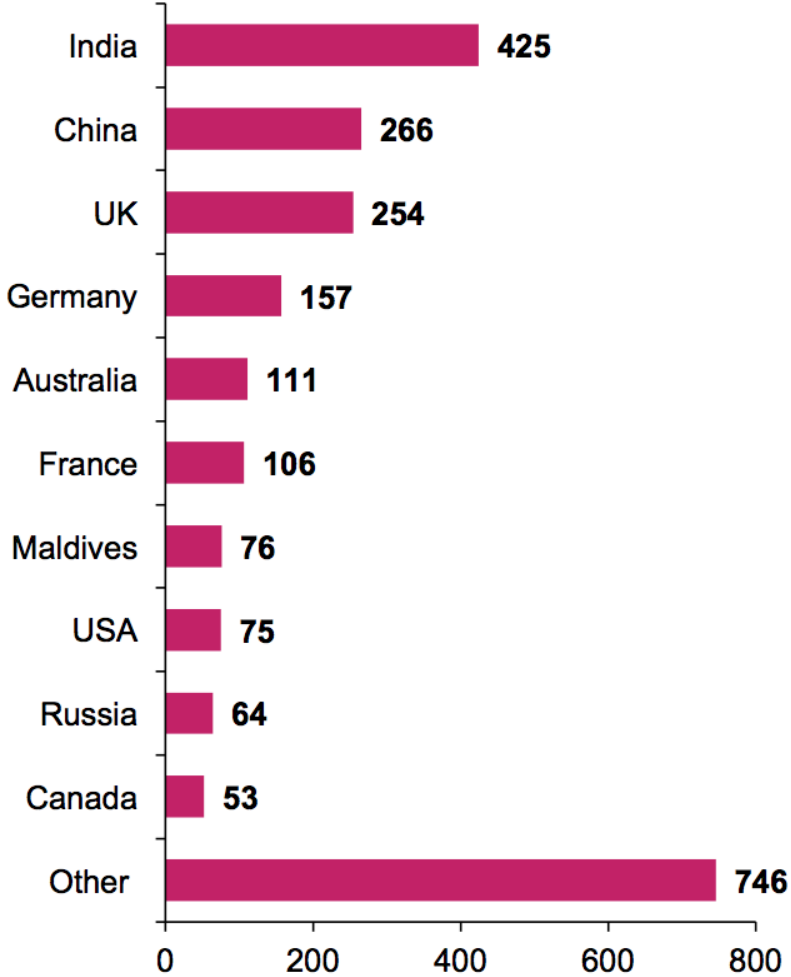


Total Guest Nights – 19,902,501
000`

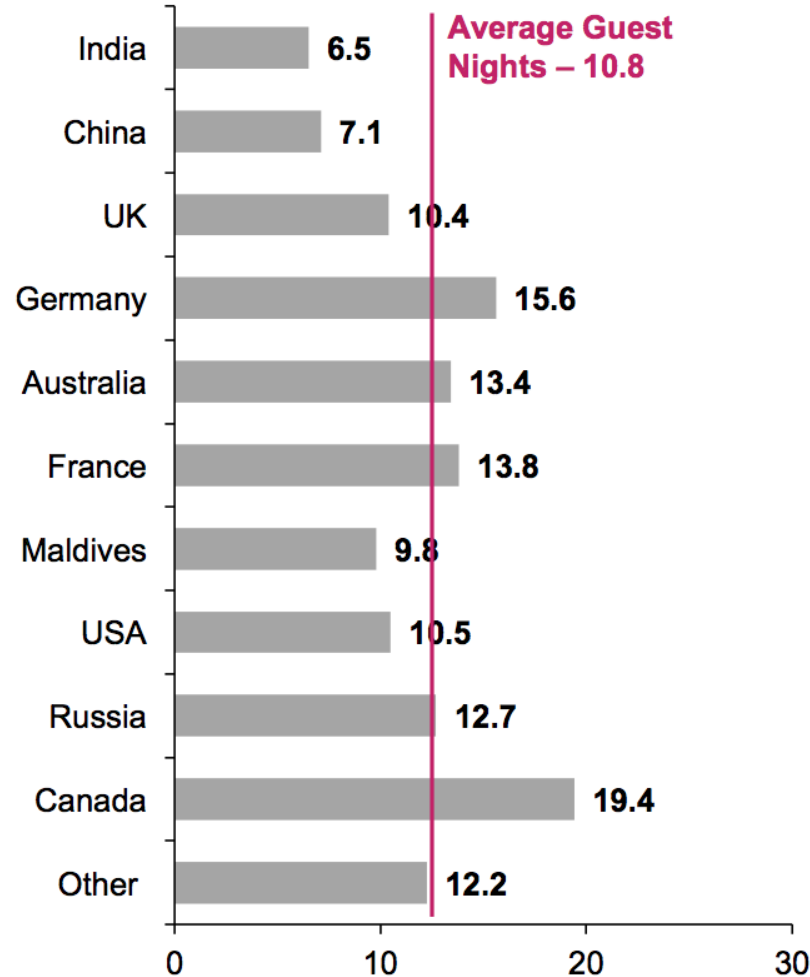


Arrivals in 2018 – a normal year

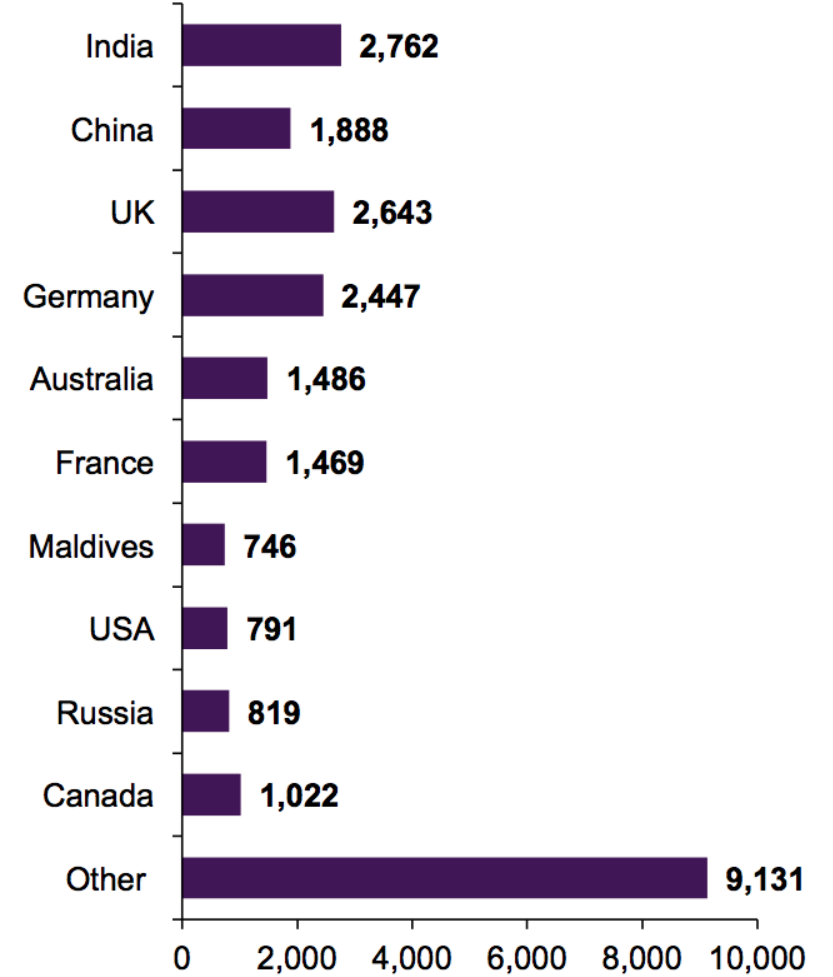
No of visitors – 2,333,796
000`



Average Guest Nights – 10.8

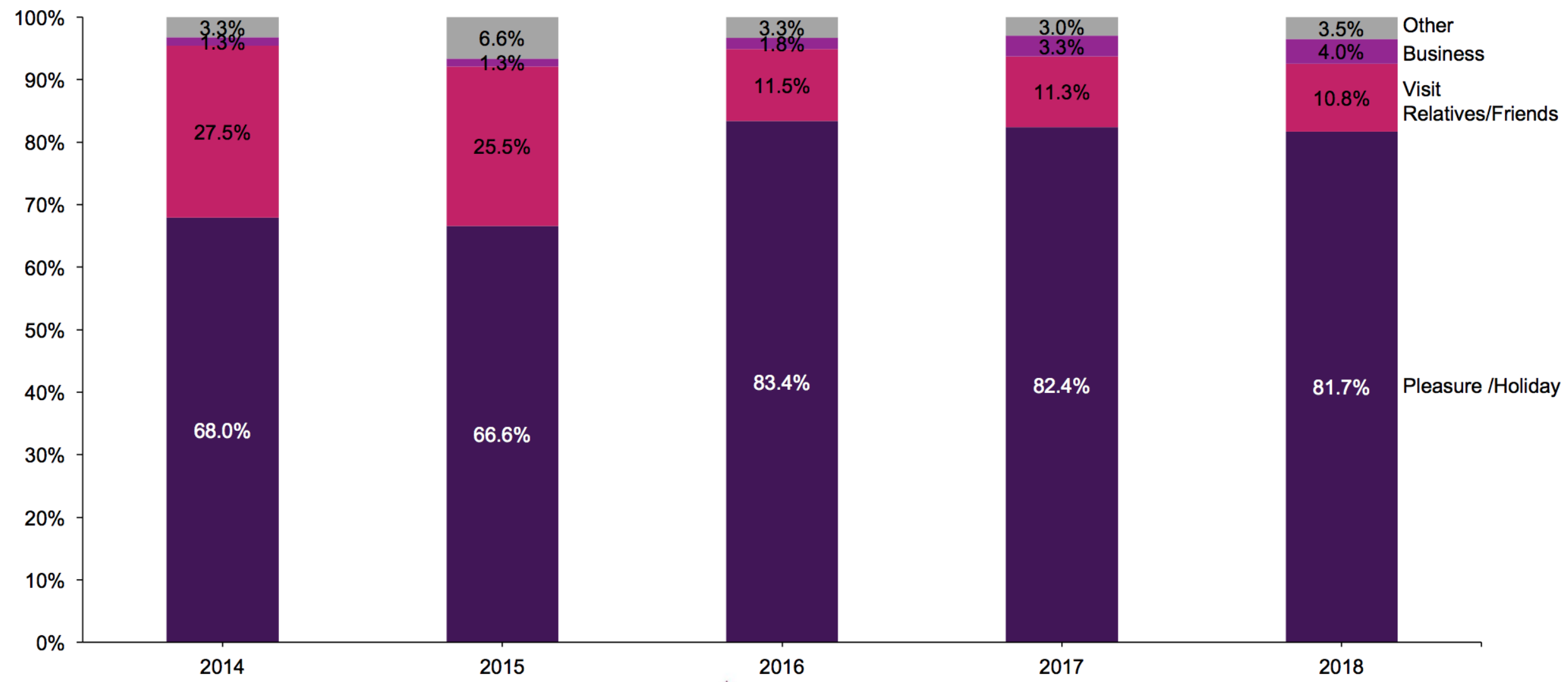


Total Guest Nights – 25,204,997
000`



81% of Arrivals visit for Pleasure in 2018

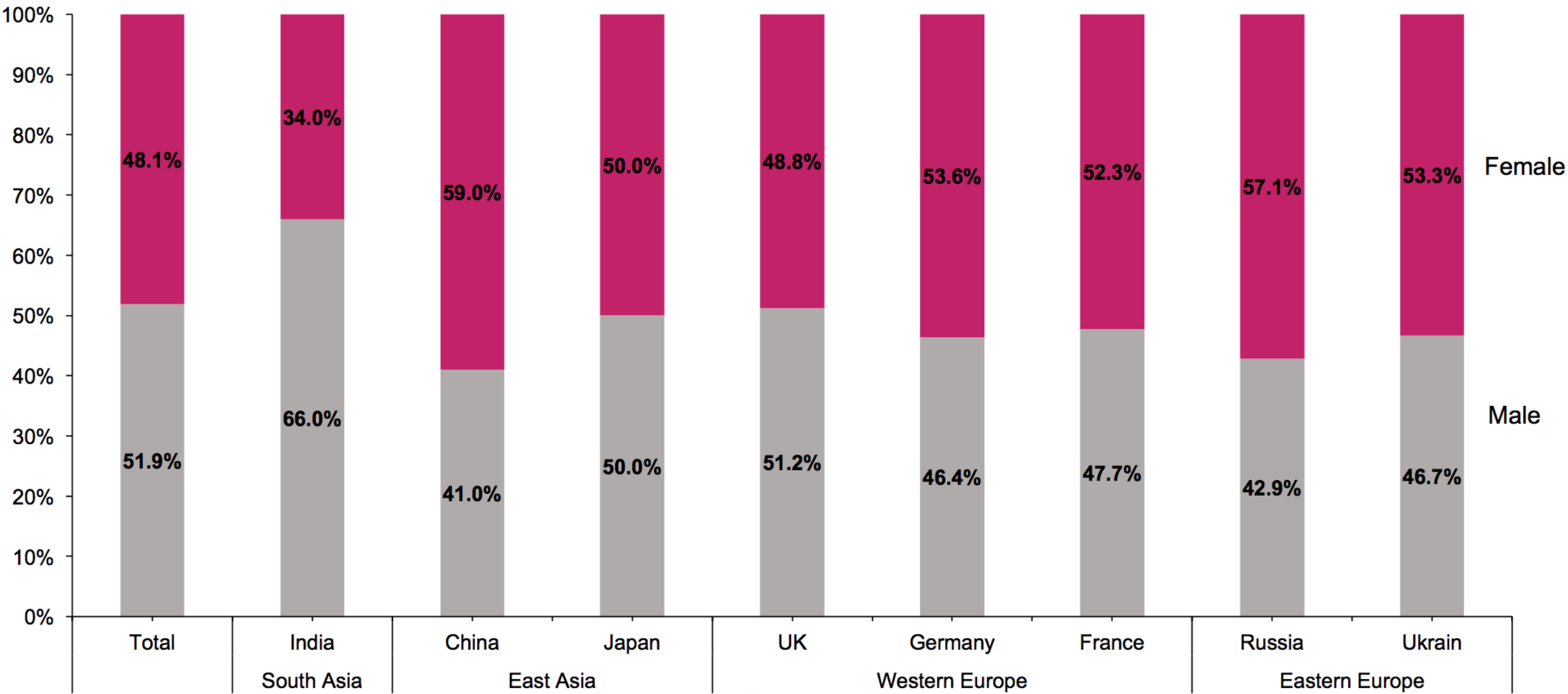
% of visitors



Source: Sri Lanka Tourism Development Authority, JB Securities Research

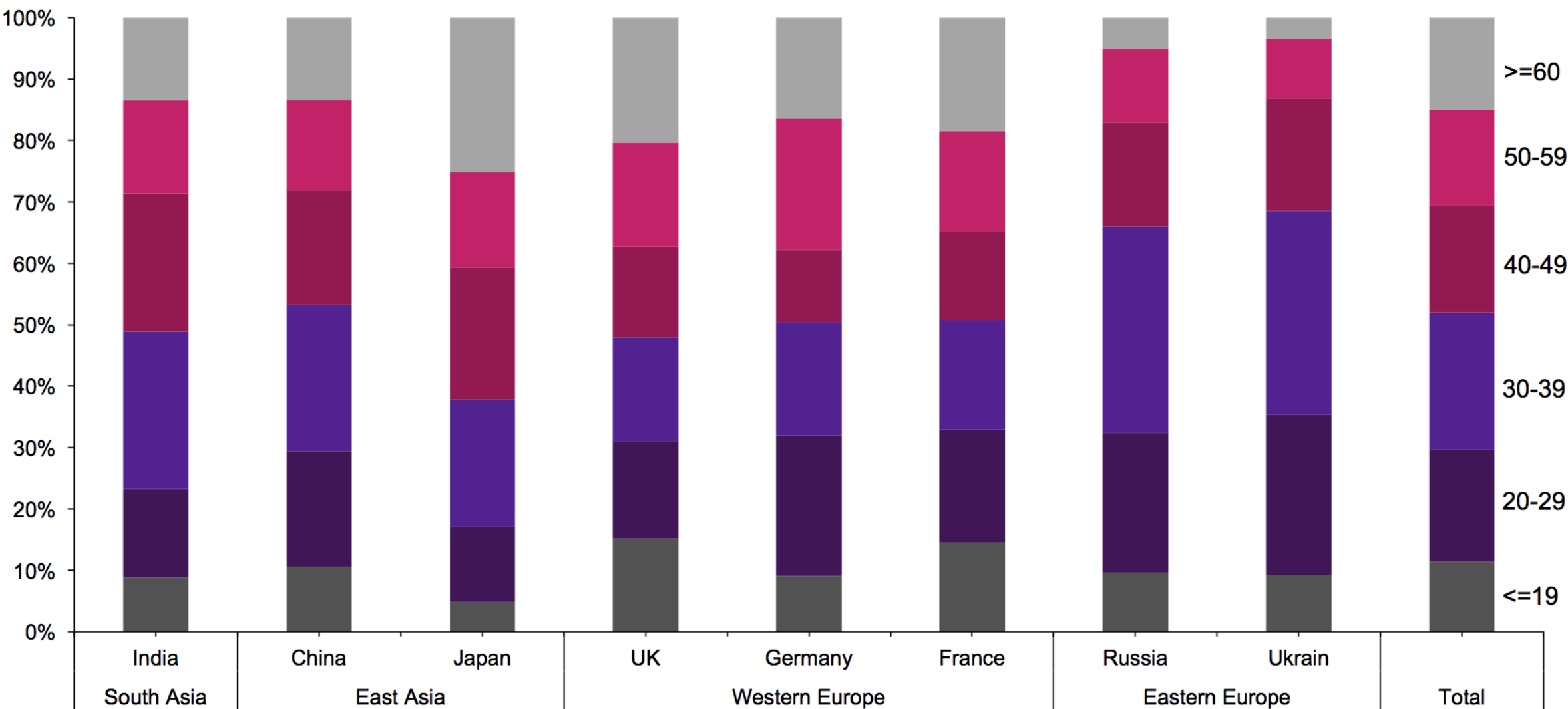
Gender mix varies across source markets

% of Visitors

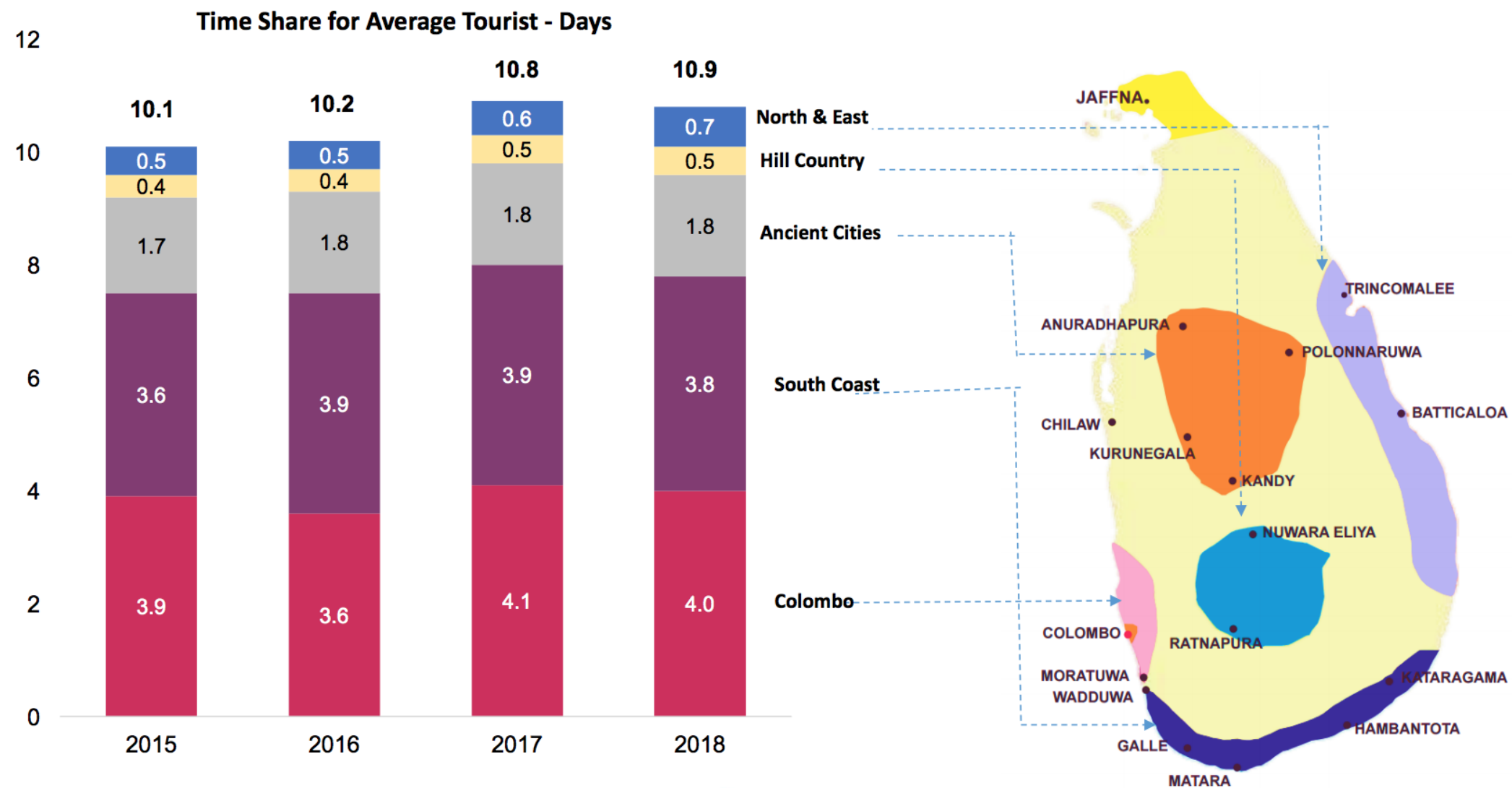


Most Visitors are between 30 and 39

% of Visitors

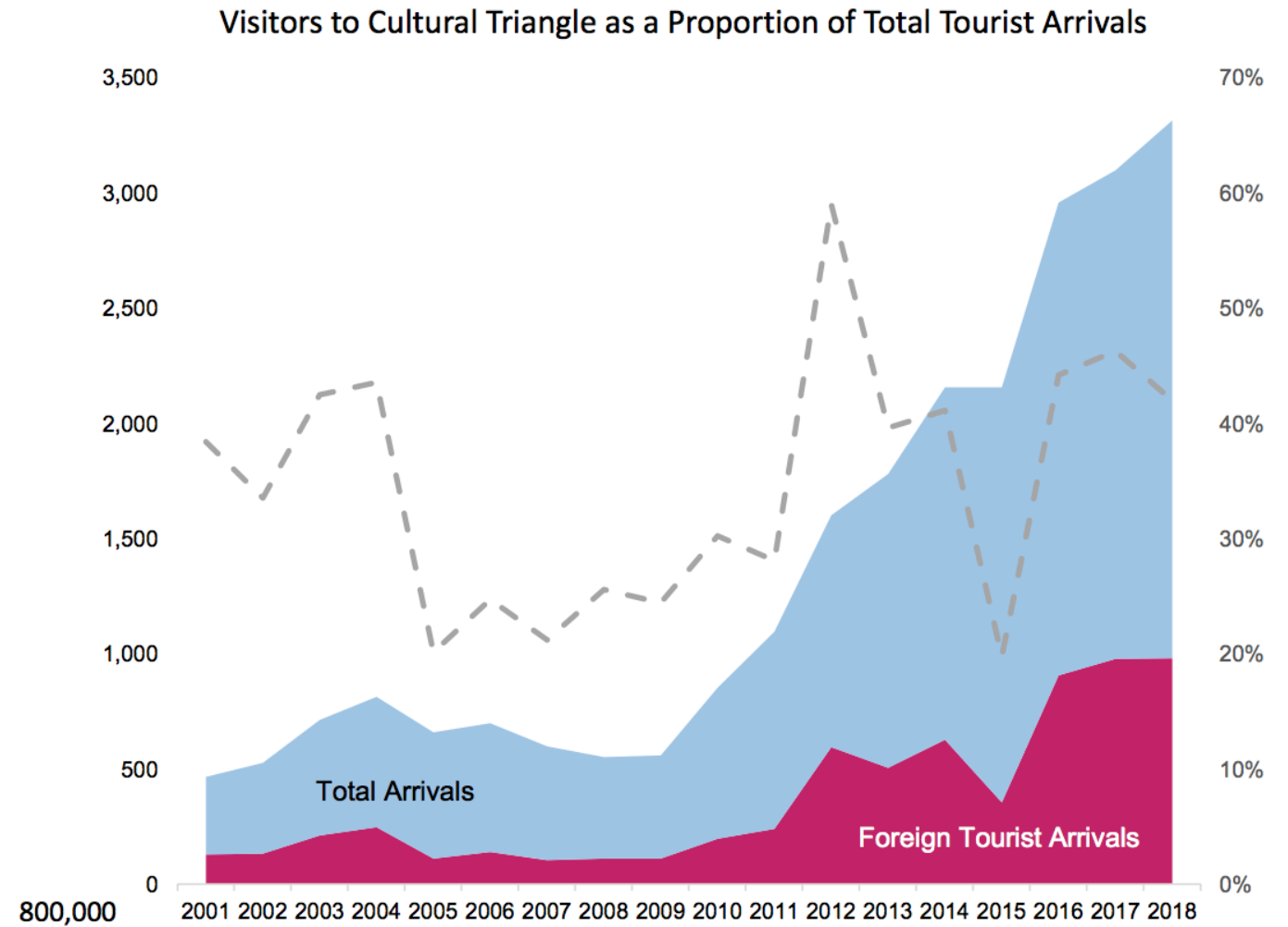
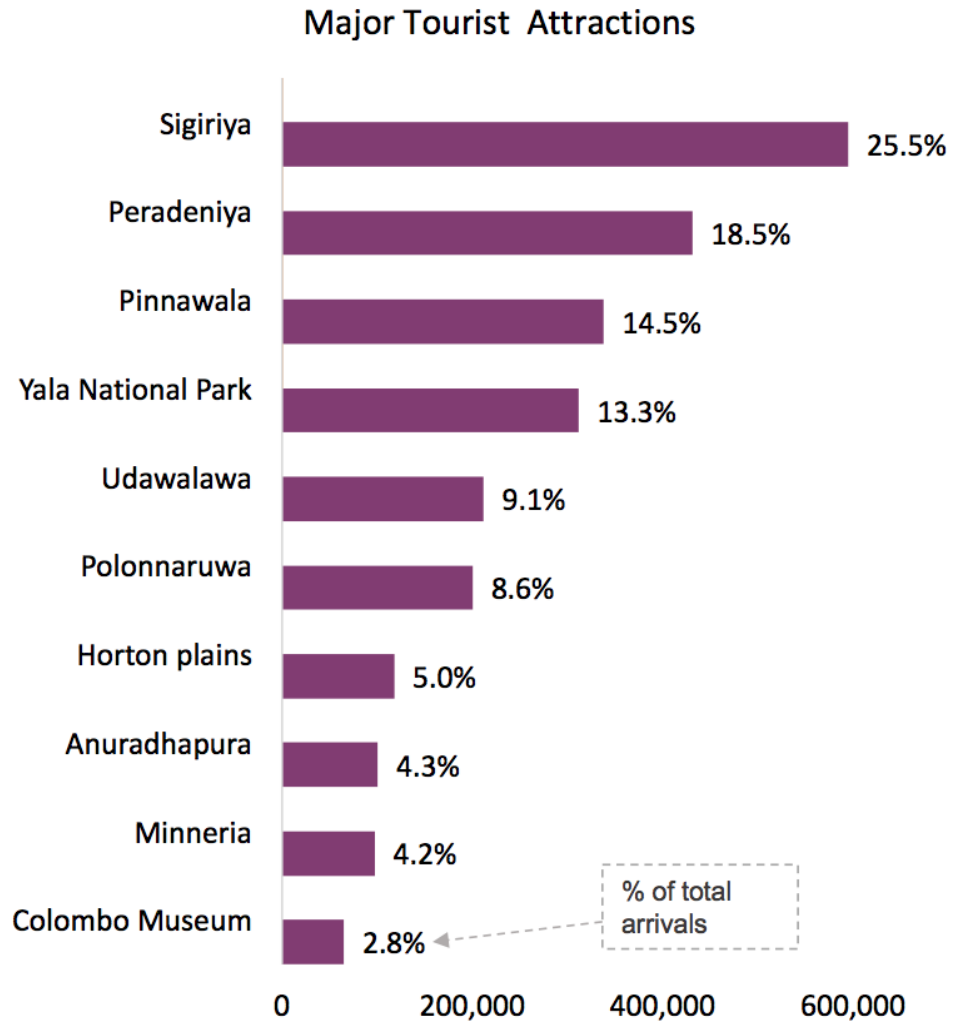


Average stay in different regions



Source: Sri Lanka Tourism Development Authority, CBSL

Visitor numbers at various attractions



Source: Sri Lanka Tourism Development Authority, CBSL



Aviation – main mode of
travel for tourist

Pre lockdown - Air Traffic on 29 February 2020

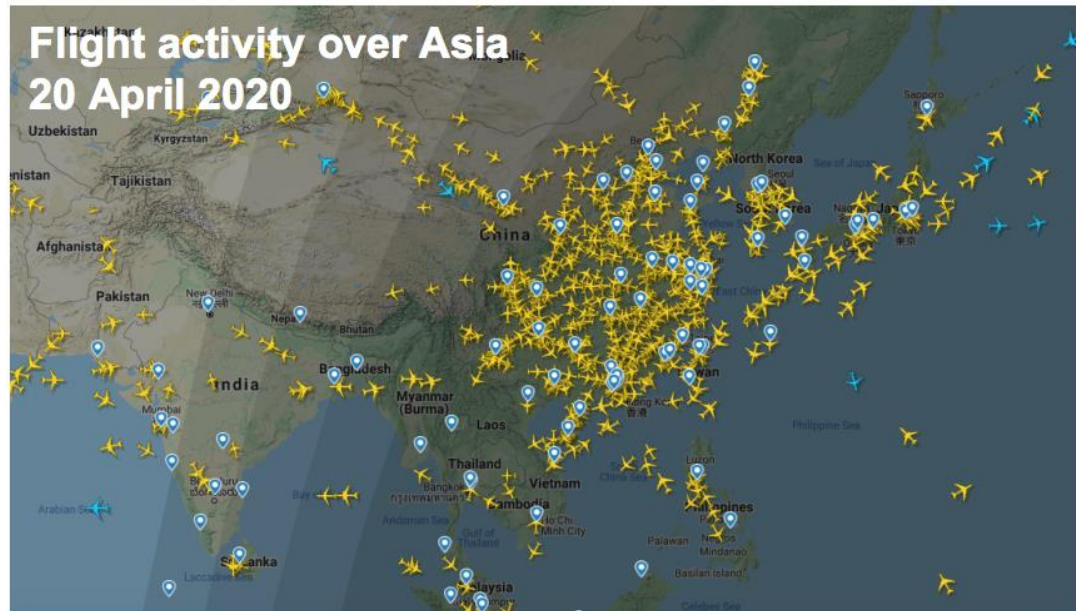
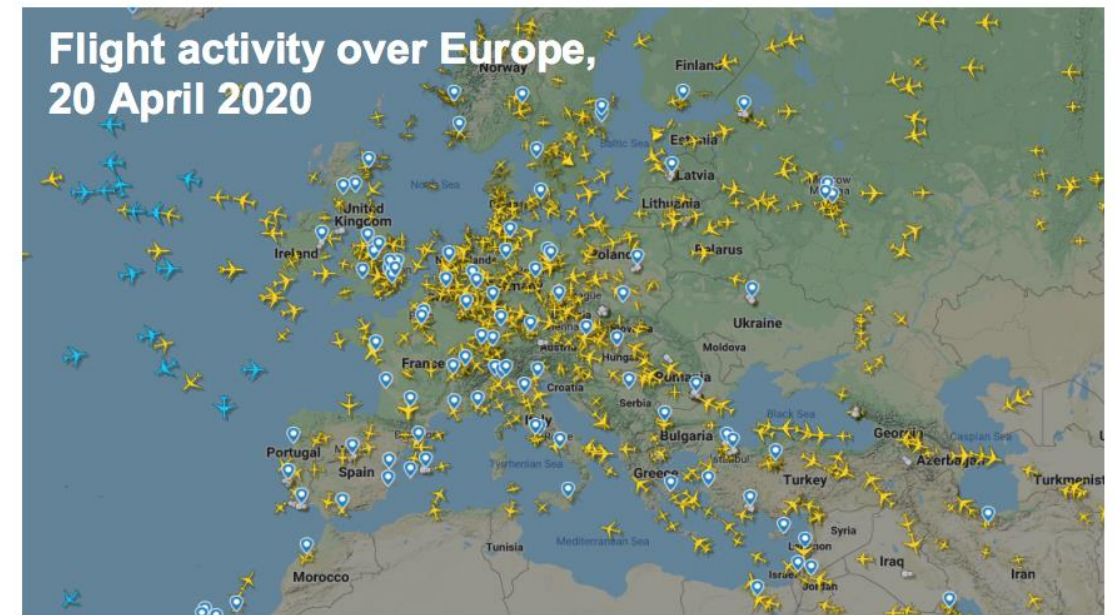
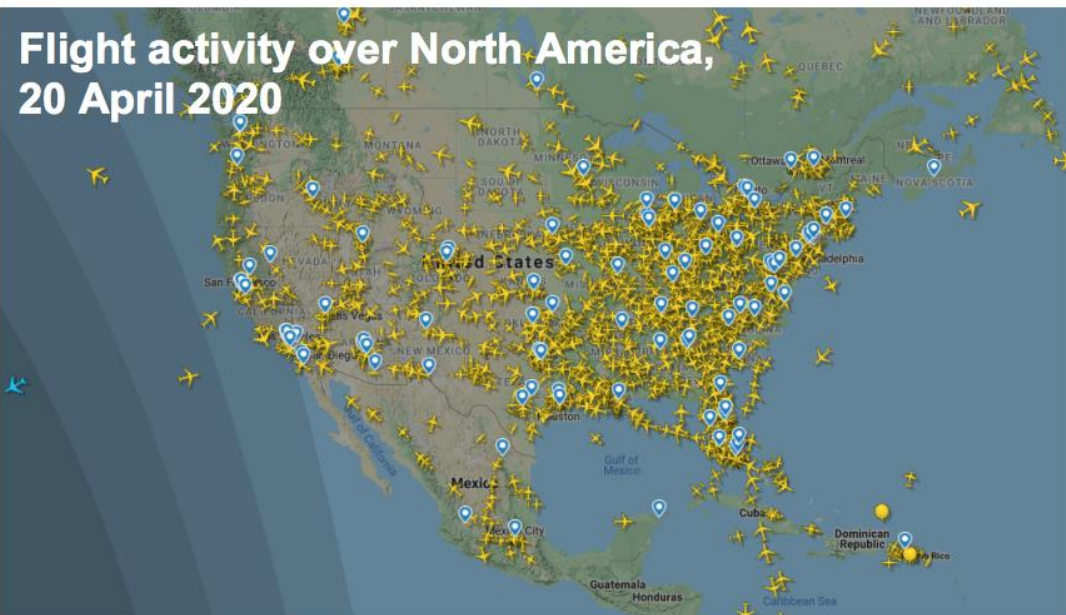


Source: FlightRadar24

Post lockdown - Air Traffic on 29 March 2020

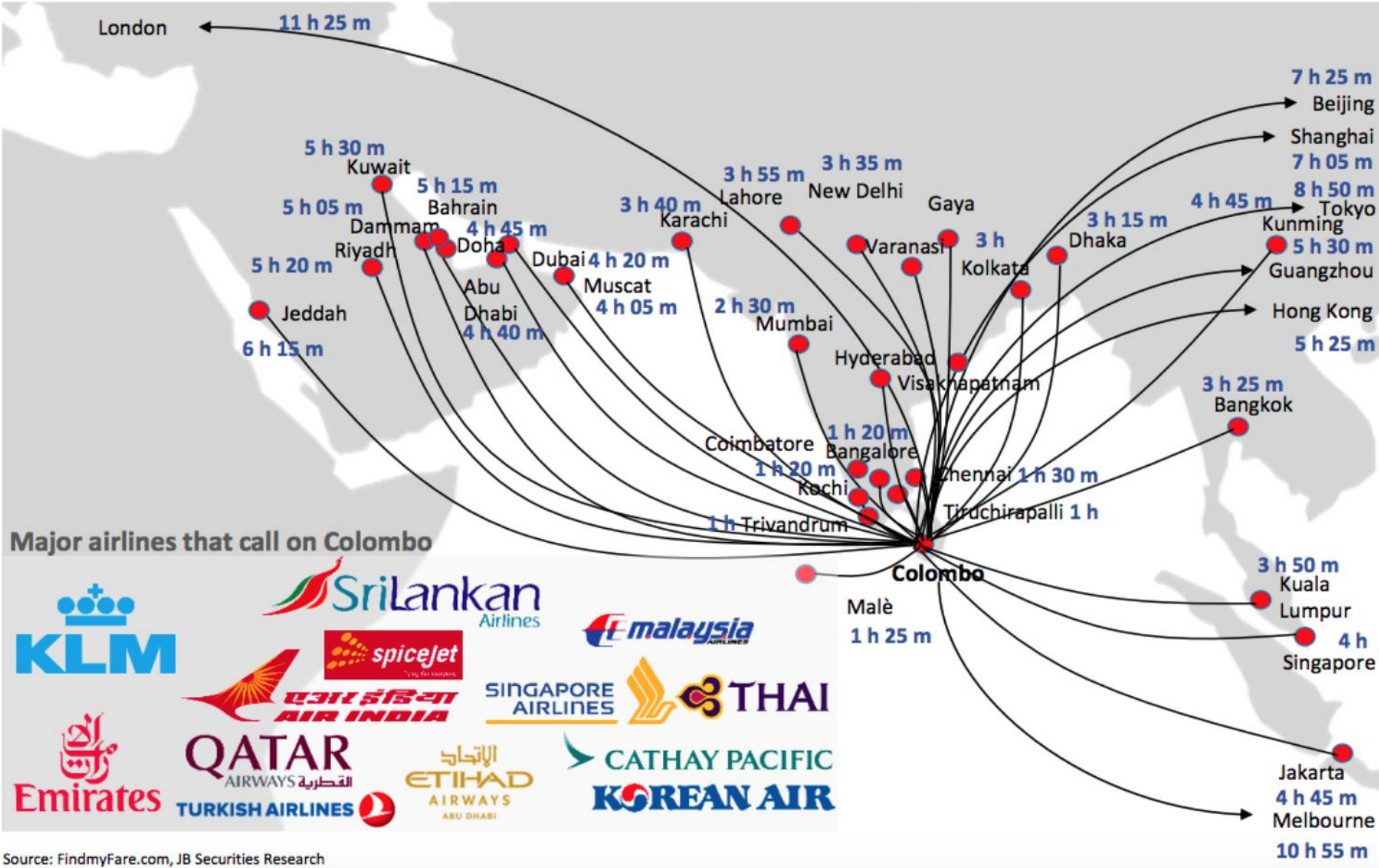


Source: FlightRadar24



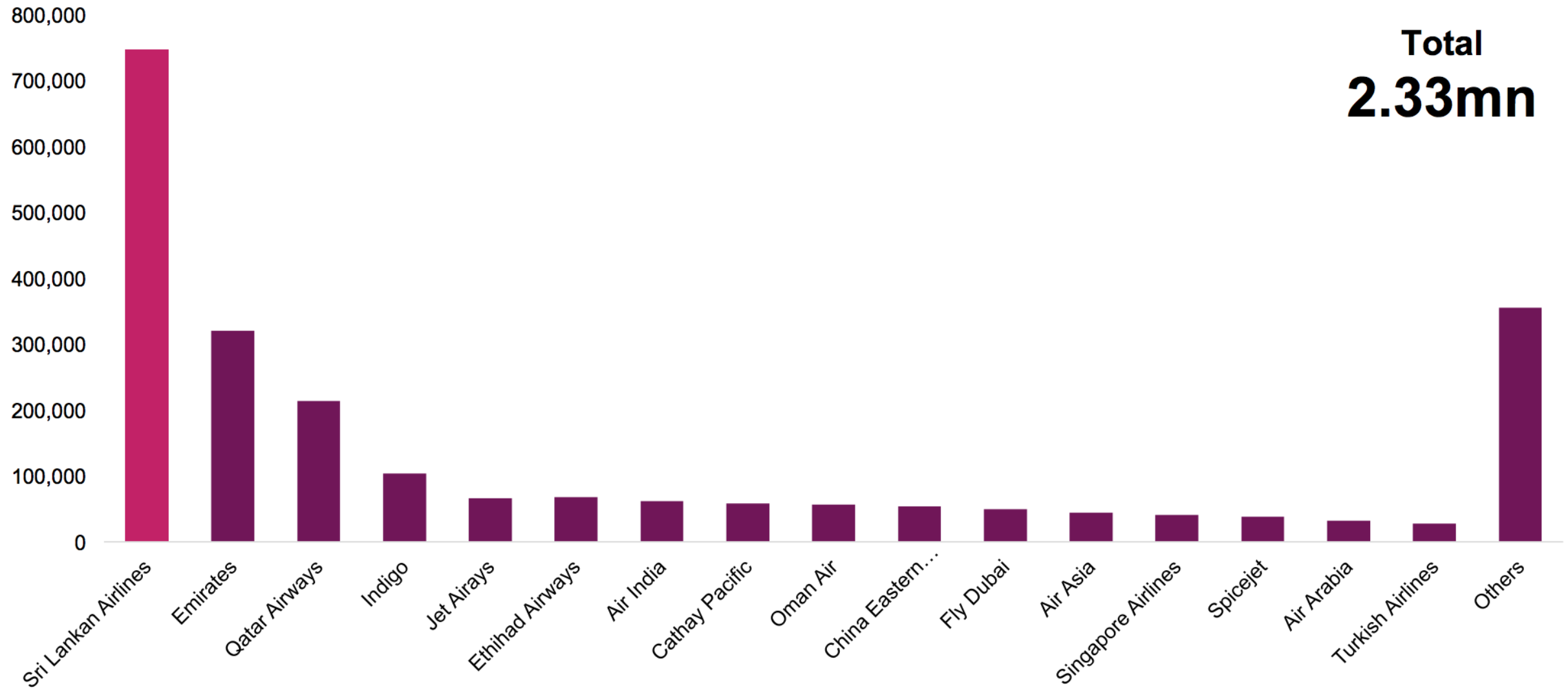
Source: FlightRadar24

Direct flights from Bandaranaike International Airport (CMB)



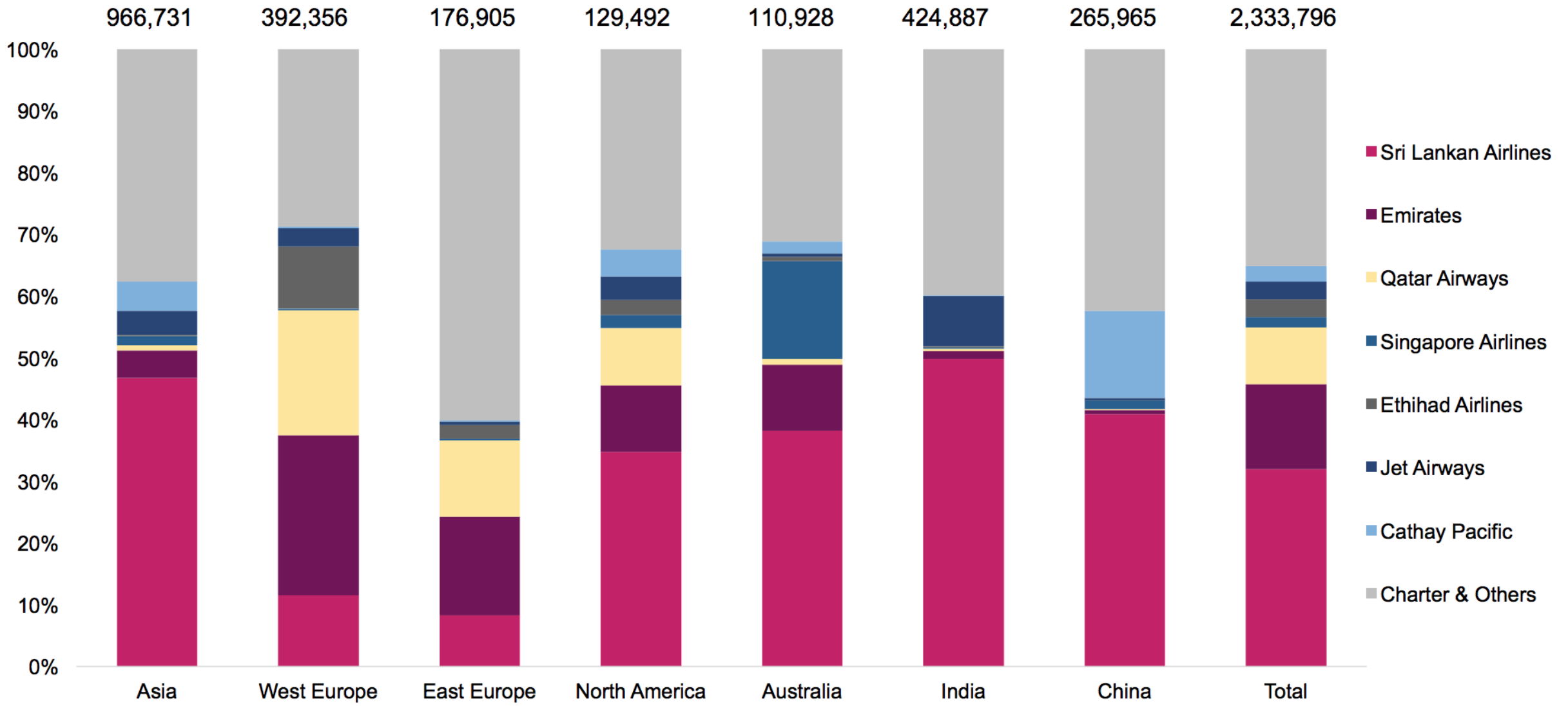
Source: FindmyFare.com, JB Securities Research

Tourist arrivals by air carriers in 2018...Sri Lanka is 35%



Source: Sri Lanka Tourism Development Authority

Sri Lankan Airlines was NOT the dominant carrier for European tourists in 2018



Source: Sri Lanka Tourism Development Authority

Airline passenger arrival into Sri Lanka

Total passenger volumes

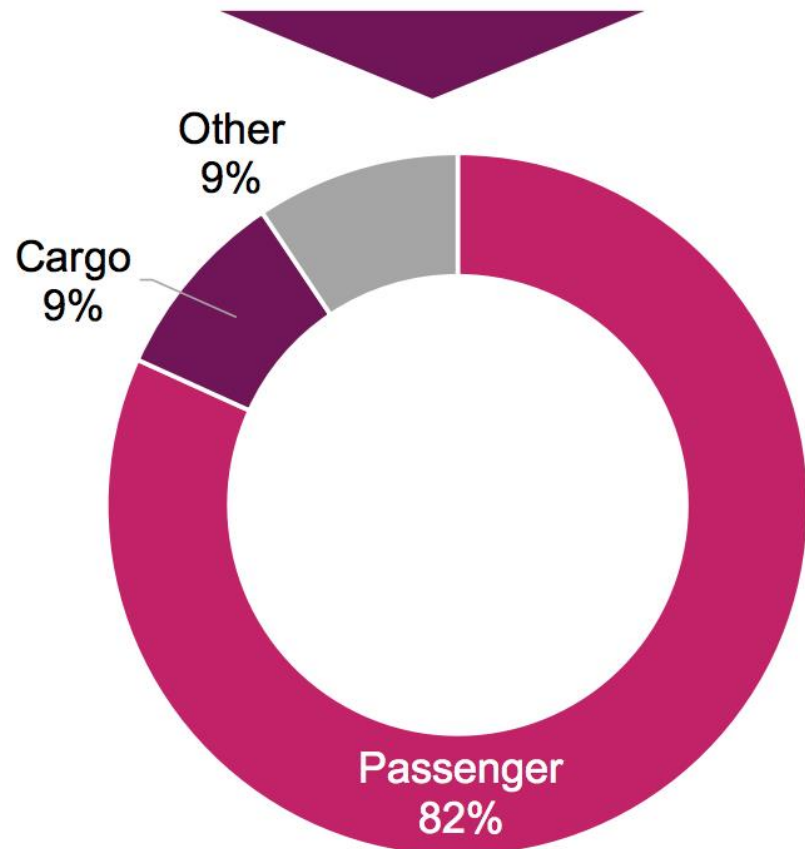


Source: Civil Aviation Authority Sri Lanka

Sri Lankan Airlines Statistics – 2018/2019

Total Revenue

LKR 180 bn



Source: Sri Lankan Airlines



Fleet Size
25 aircrafts

A330 (Wide body)
12

A320/321 (Narrow Haul)
13



Lodging providers – formal and informal sector

Two types of tourists...

Mainstream

Destination



Lodging



Activities



Niche: Experience



Destination vs a room for the night

Destination



Majority of time spent in Hotel



Room for the Night



Majority of time spent outside the lodging

Accommodation Landscape

Hotels

Hotels



Non-Hotels

Apartments



Guest Houses



Resorts



Homestays



What is a typical non-hotel traveler looking for ? Three A's

Authenticity



To live with the locals and the opportunity to immerse in the local culture

Wanting an interaction with the local community

Experience Sri Lankan traditions, authentic cuisine, décor.

Affordability



Range of accommodation ranging from, USD 10 – USD 60

Flexibility with meals and prices.

Very few additional costs incurred

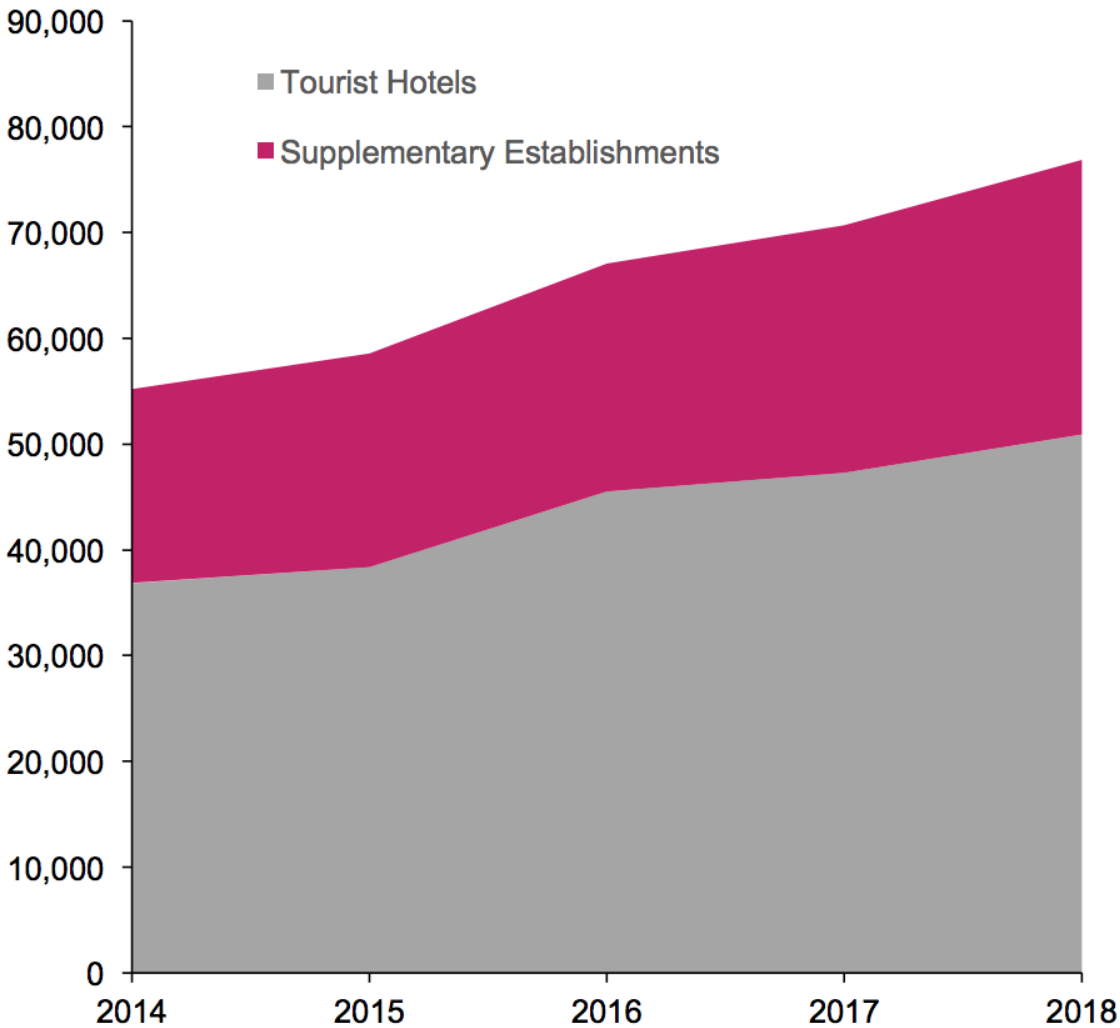
Availability



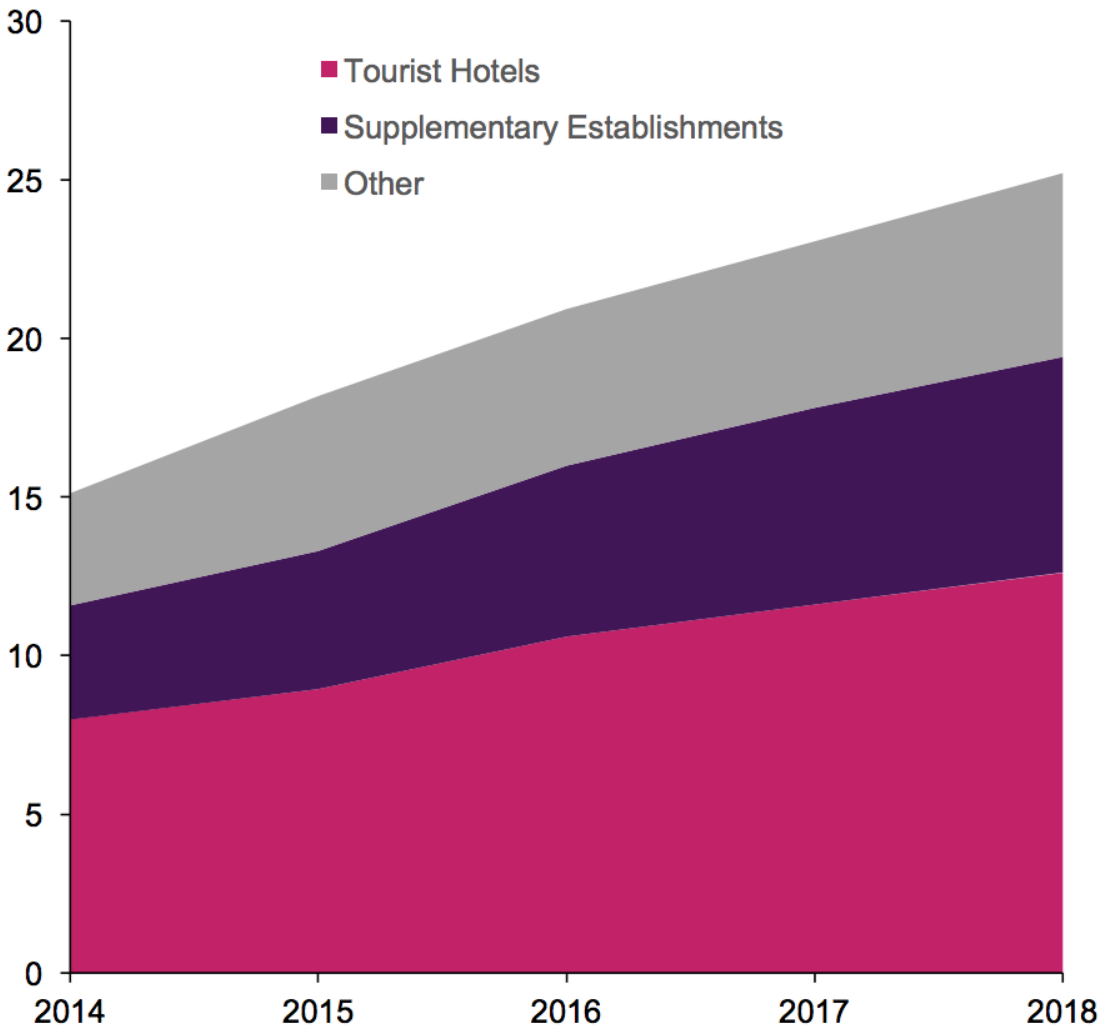
Provide location away from popular tourist destinations

33% of total beds are in Supplementary Establishments

No. of Beds

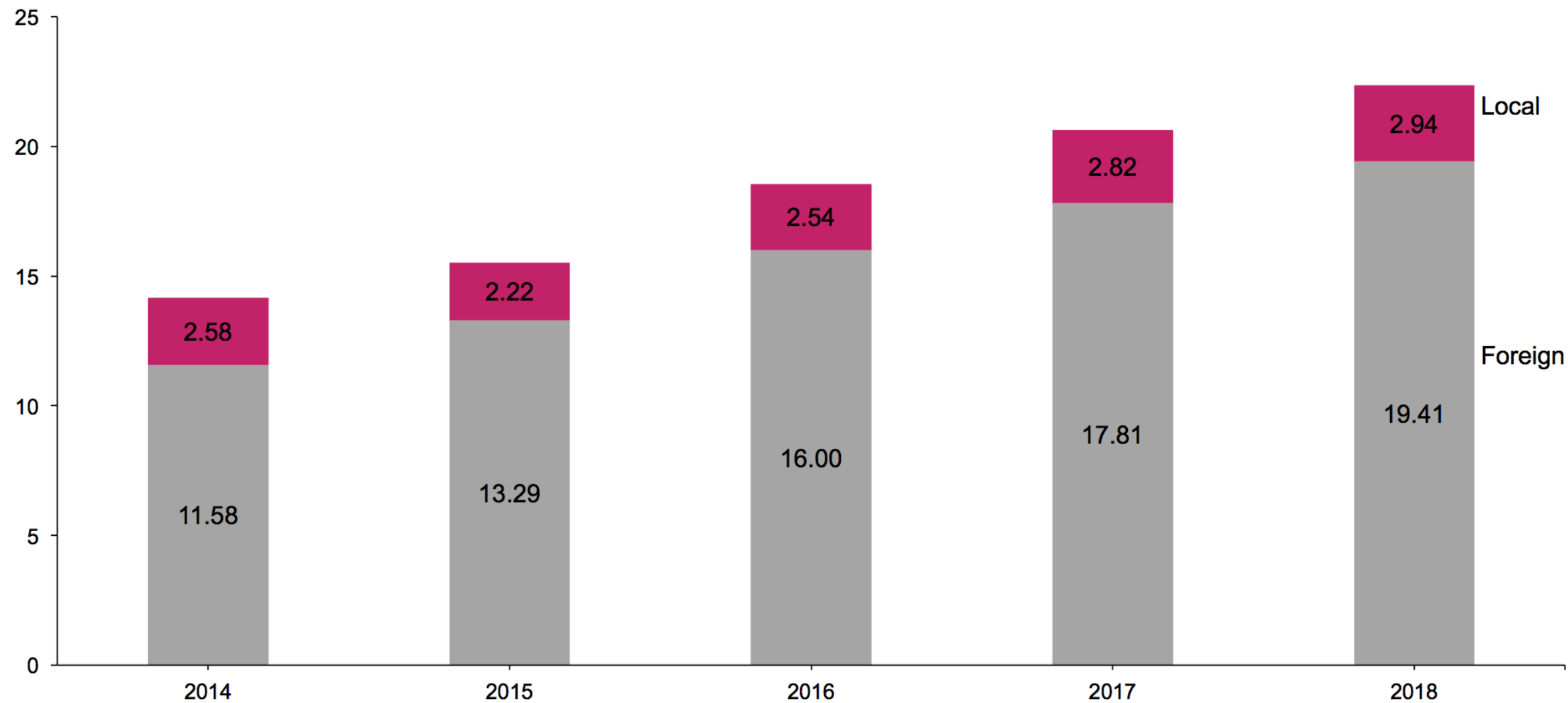


Foreign Tourist Nights, Mn

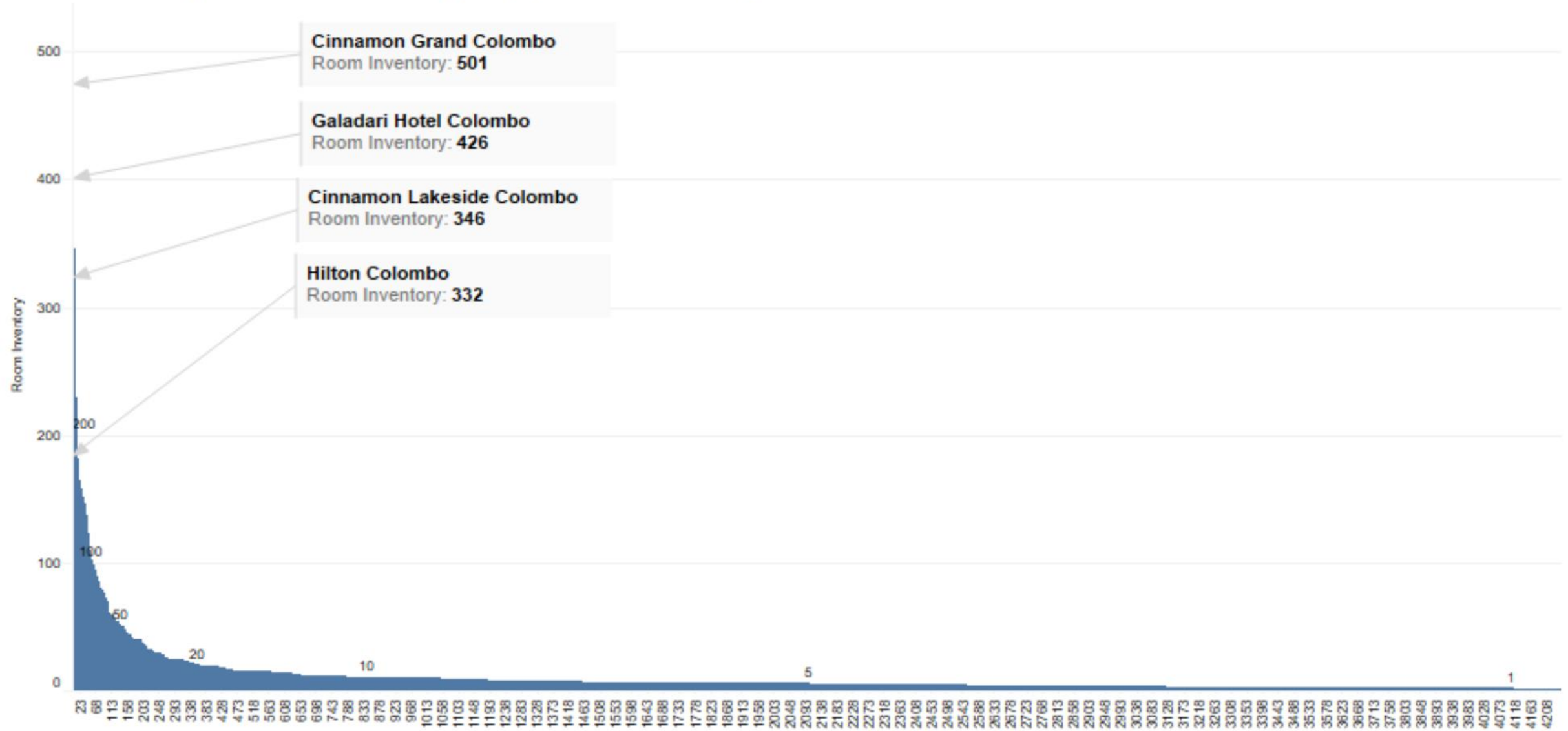


85% of the Guest Nights in 2018 were Foreign

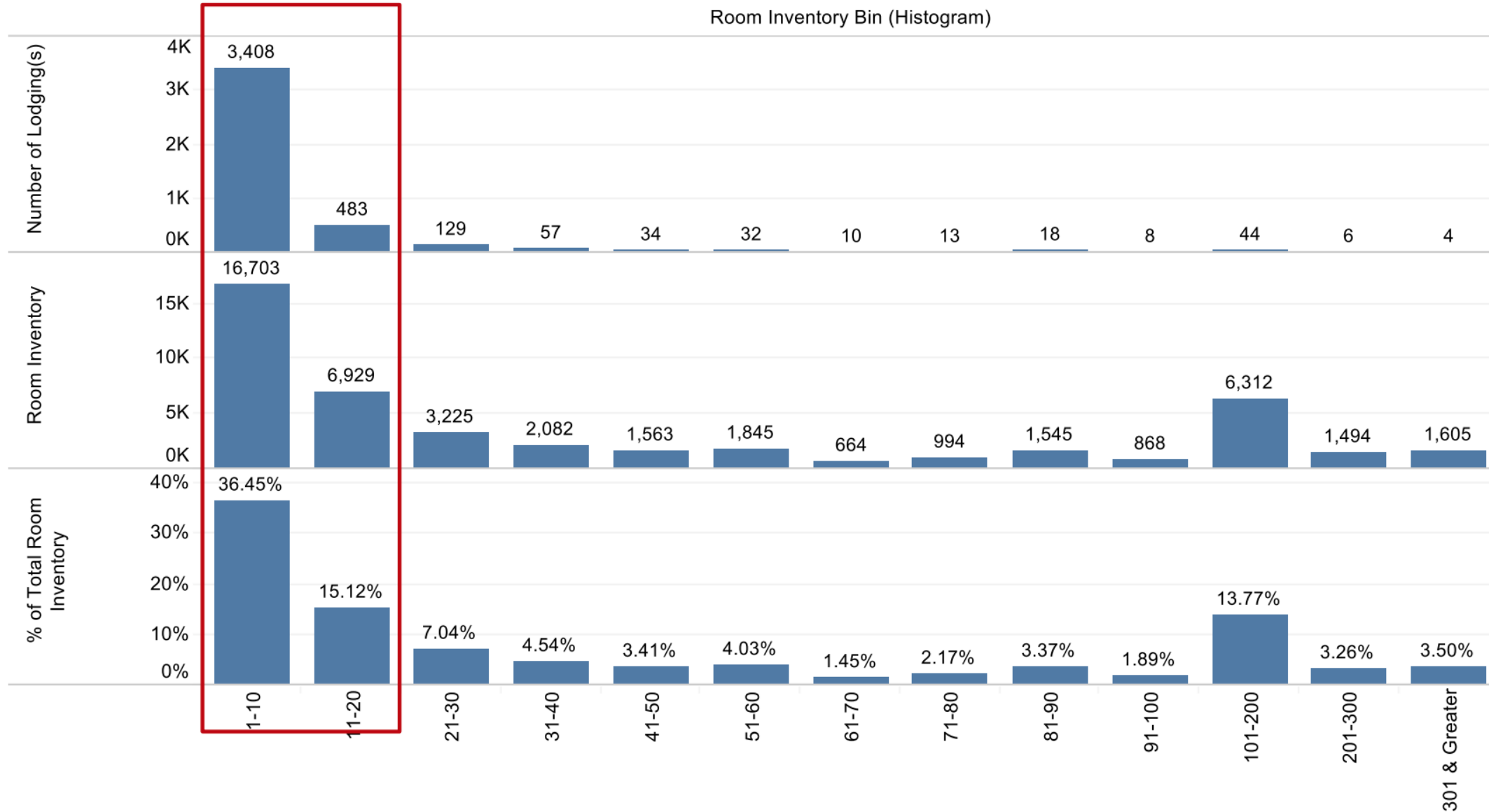
Guest Nights, Mn



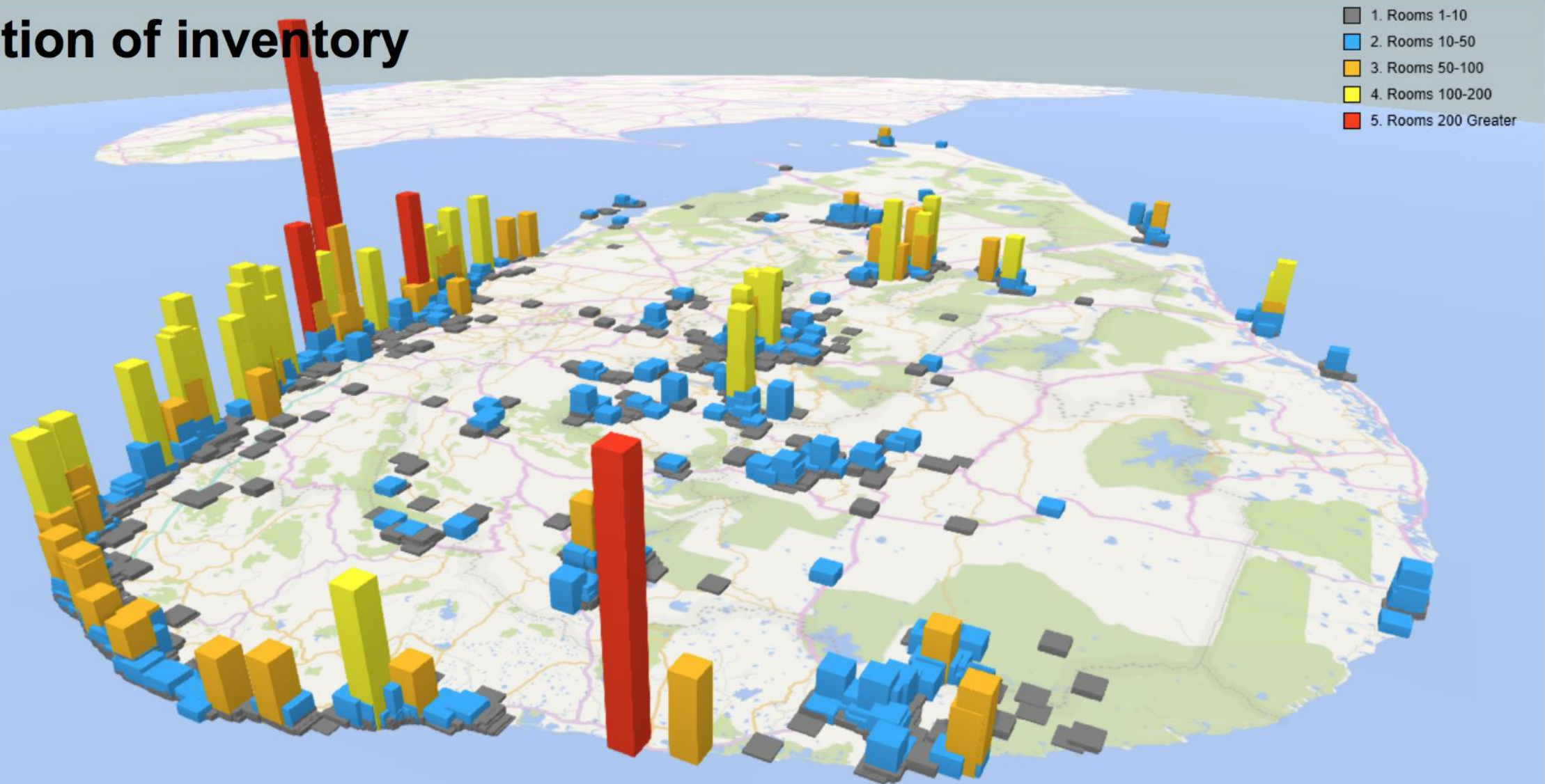
The long tail of lodging inventory



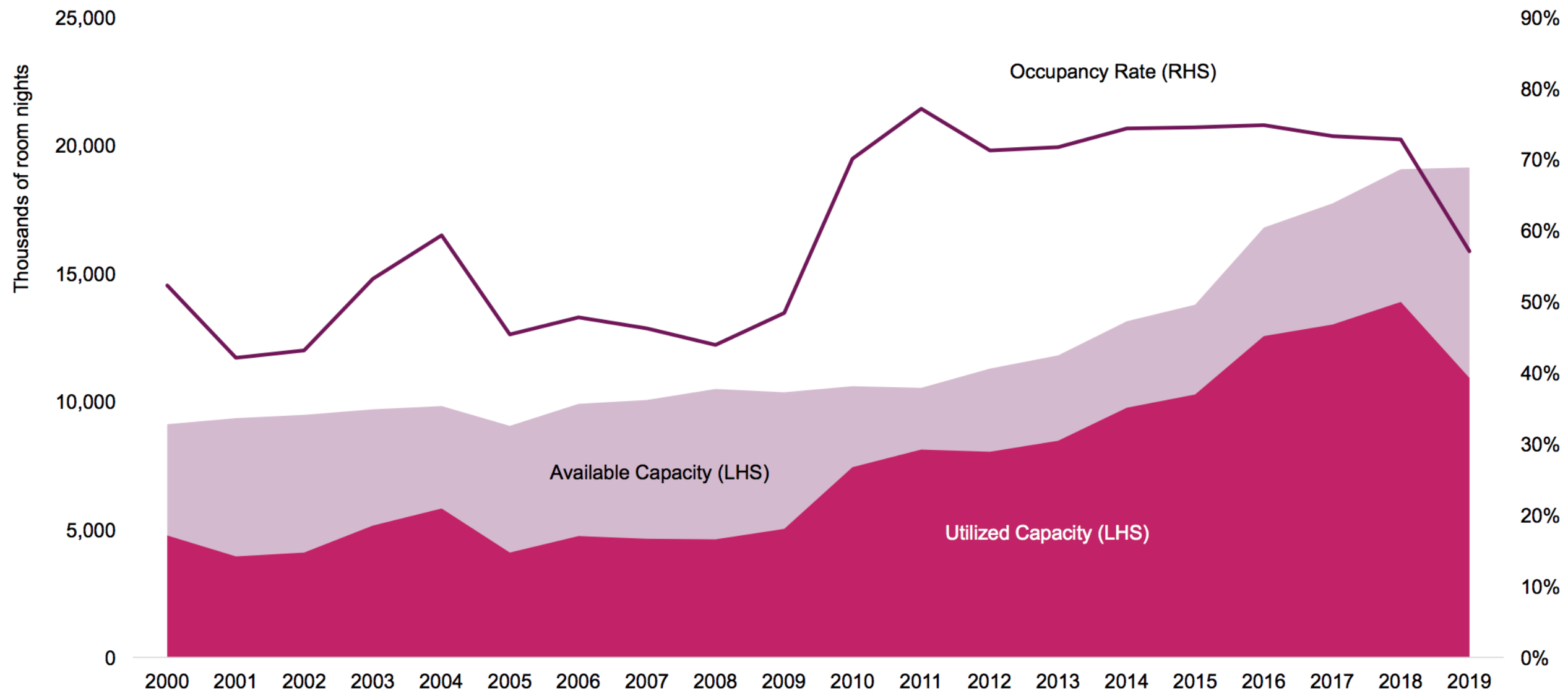
55% of the lodging inventory are establishments with 20 or less rooms



Location of inventory



National Capacity Utilization of Graded Hotels

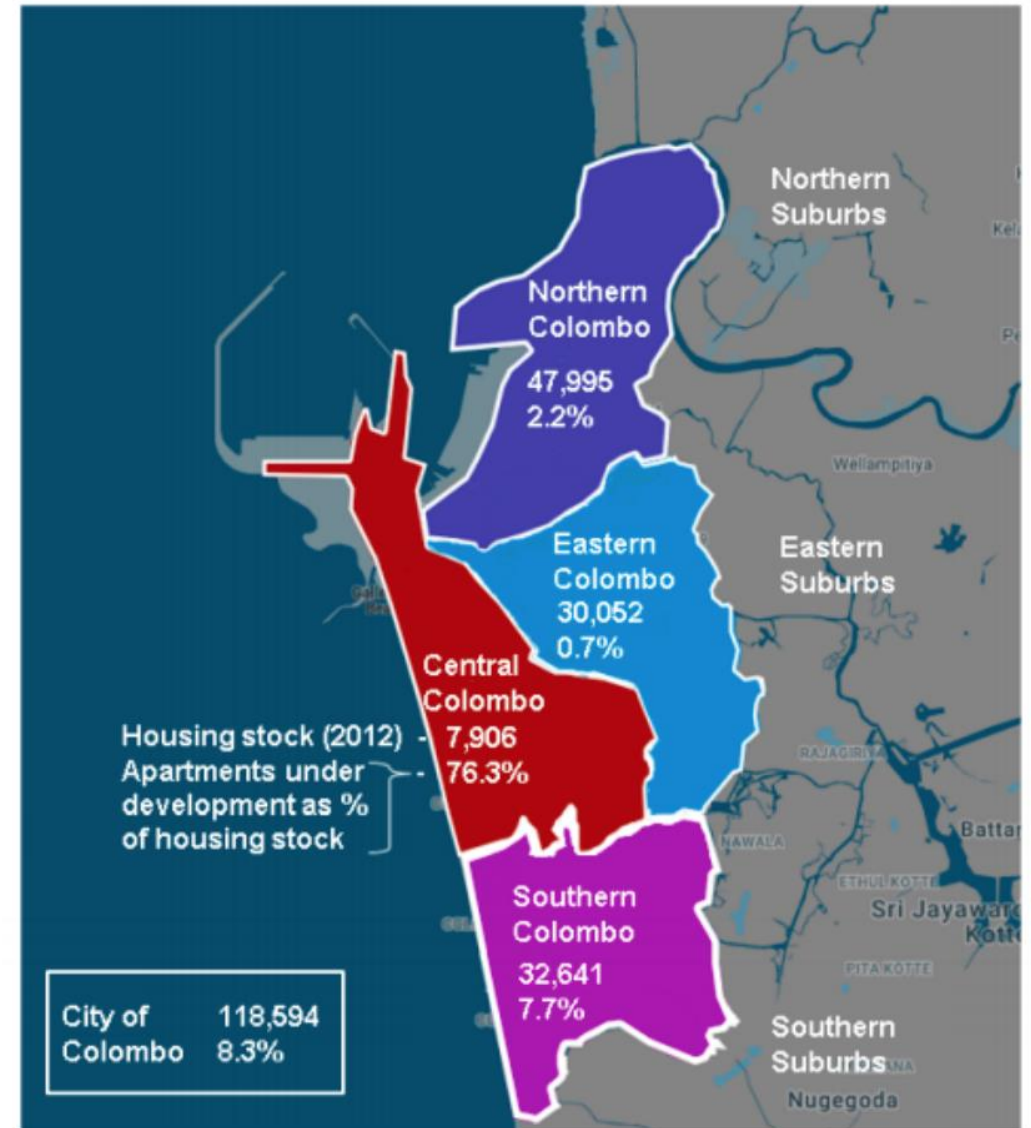
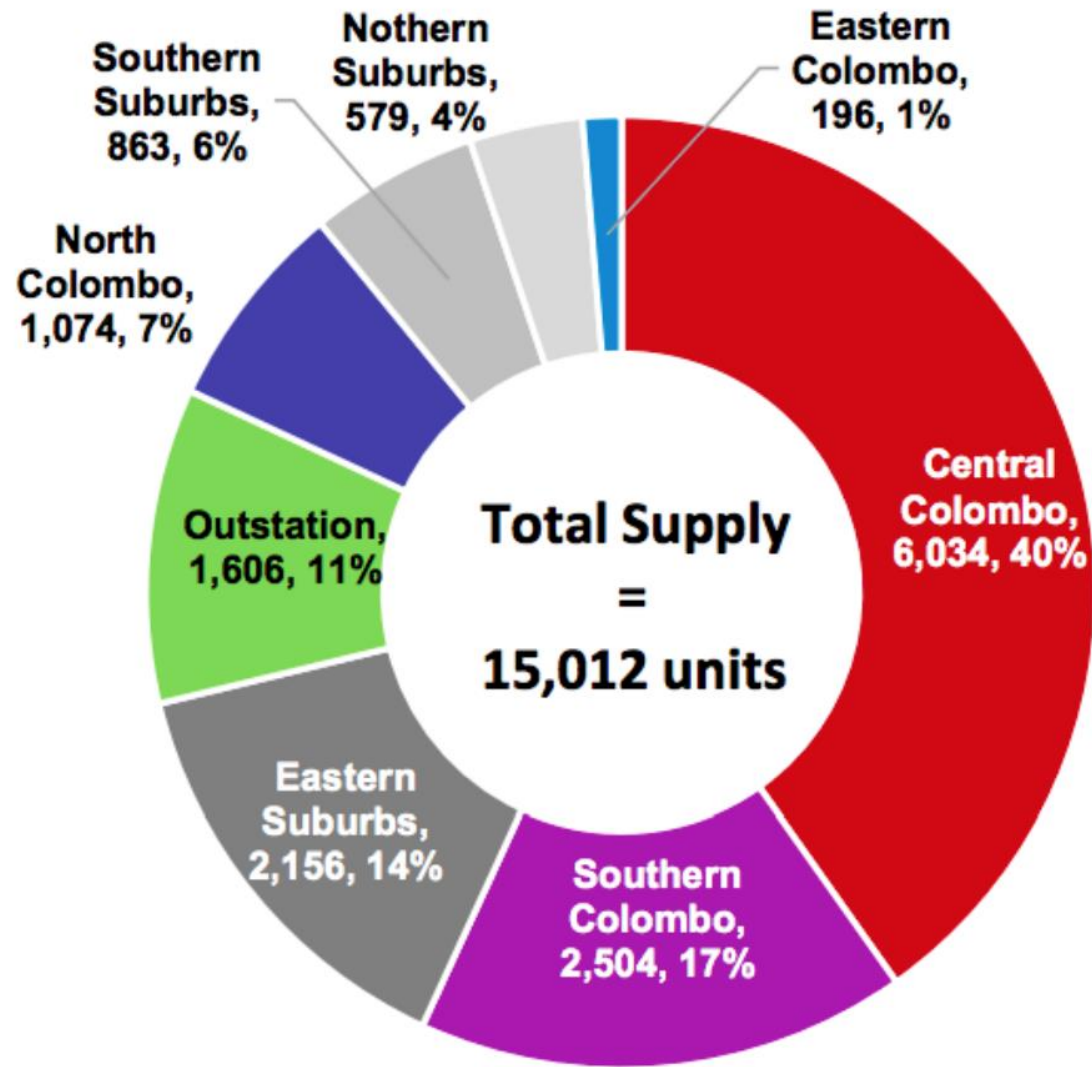


Source: Sri Lanka Tourism Development Authority

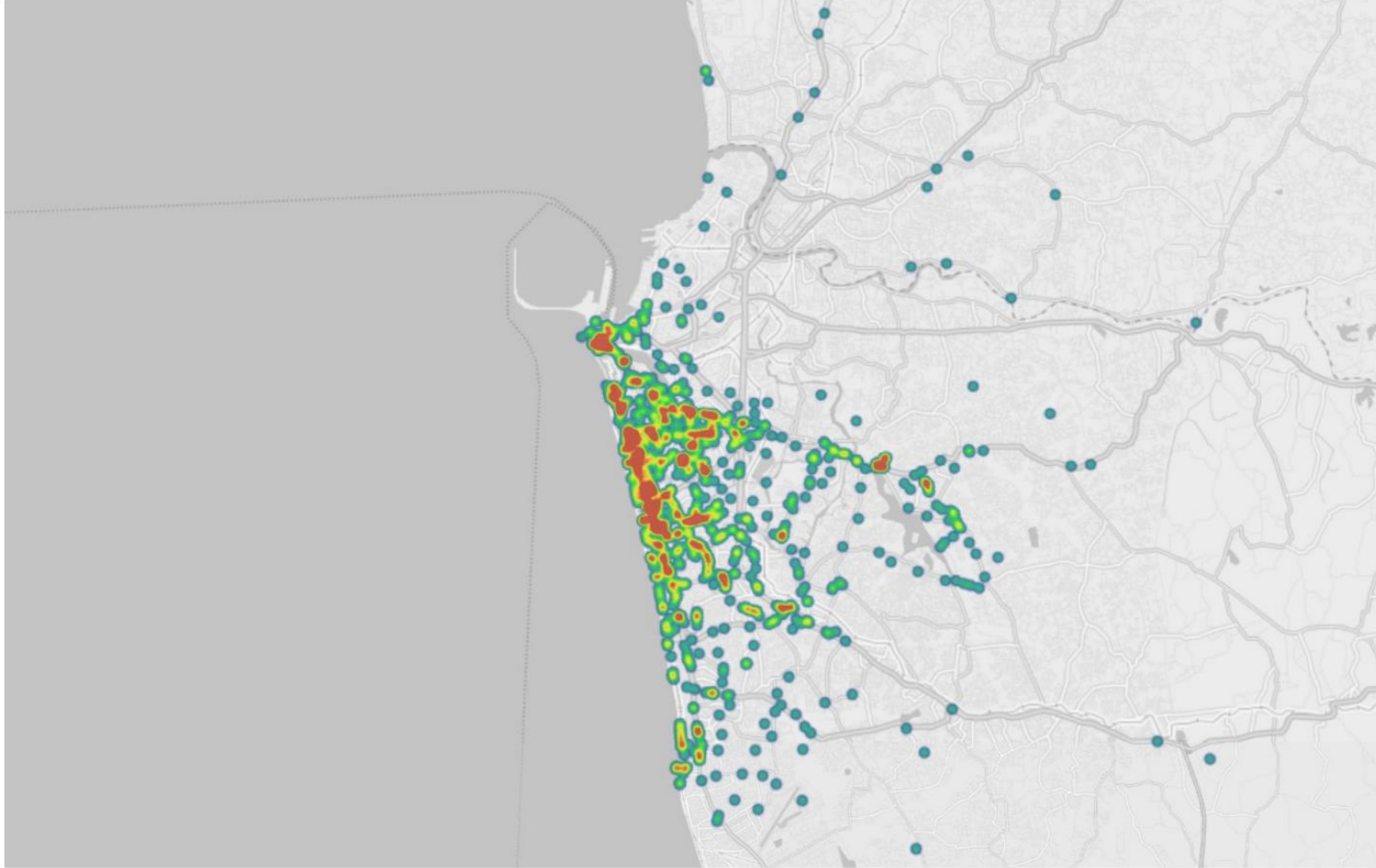
Colombo's changing city scape...a lot of condominiums...who will stay in them



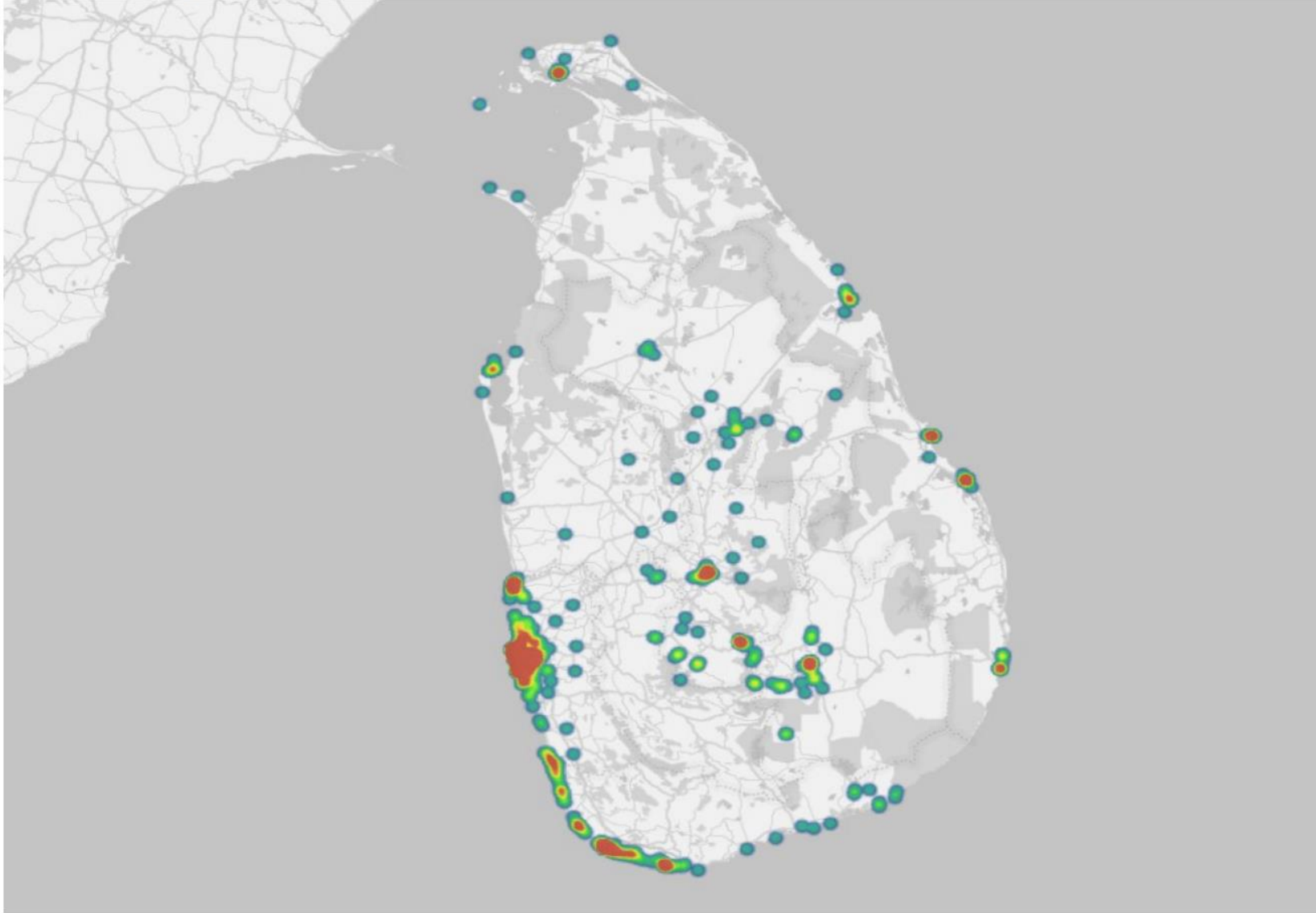
Geographical distribution of ongoing residential condominium developments



Restaurant density in Colombo



Restaurant density in Sri Lanka



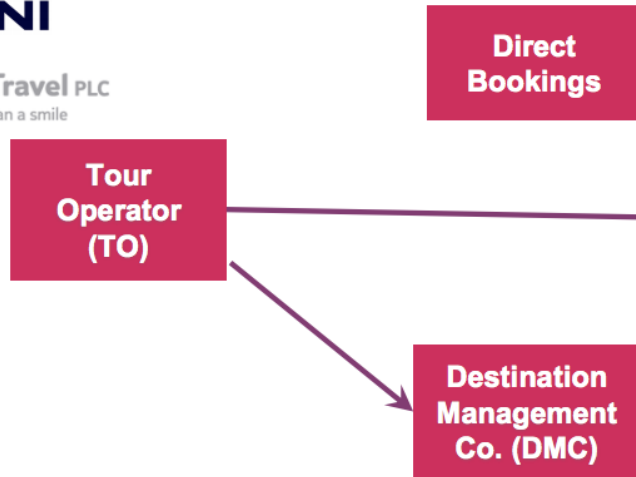


The travel facilitators –
inbound travel
operators and online
travel agent

Landscape of Sales Channels

Traditional – 55%

OTA – 45 %



RateGain

Bookassist

Channel Manager

KAYAK



trivago



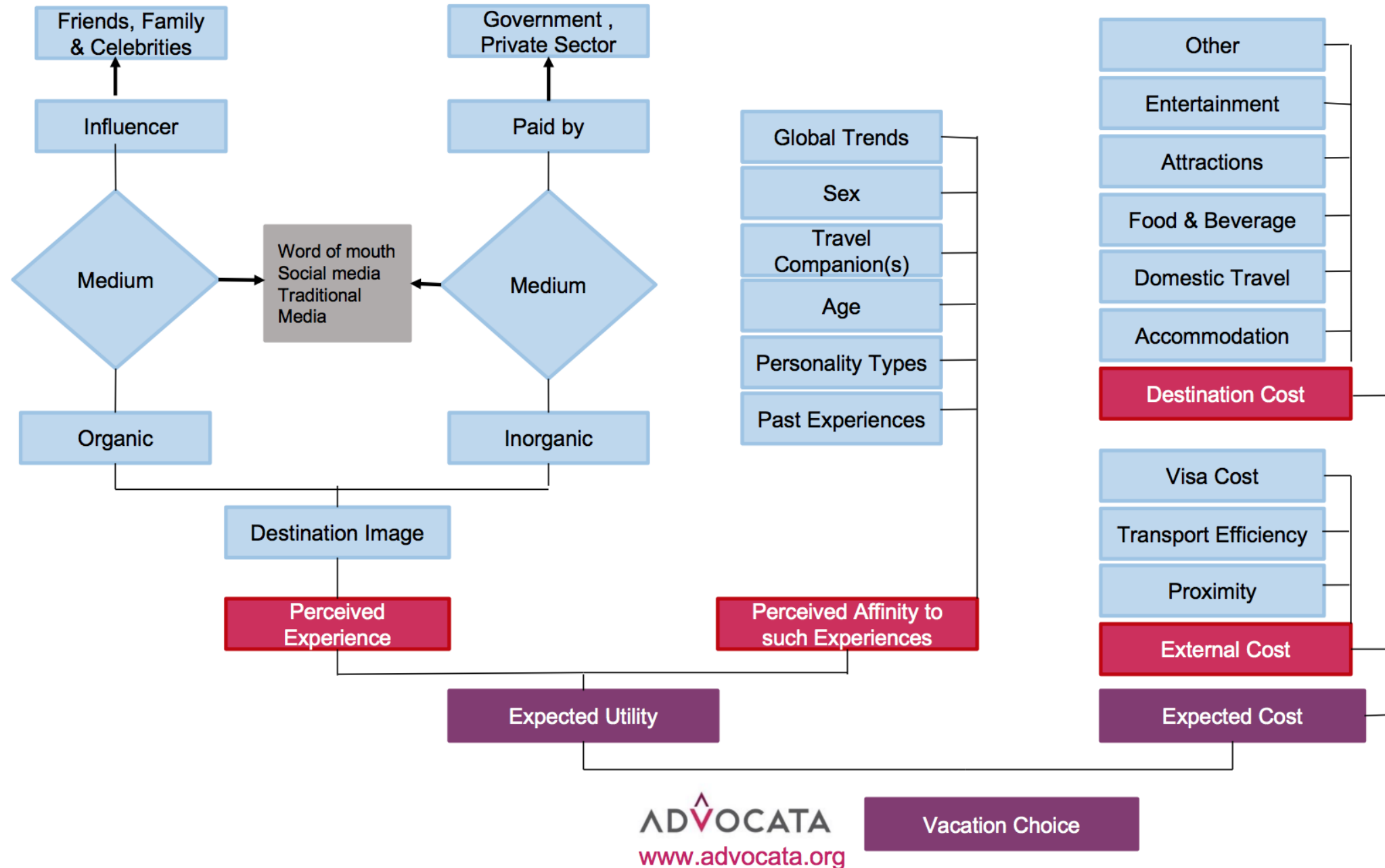
Online Travel Agent (OTA)

Meta Search Engine

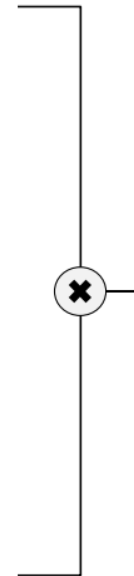
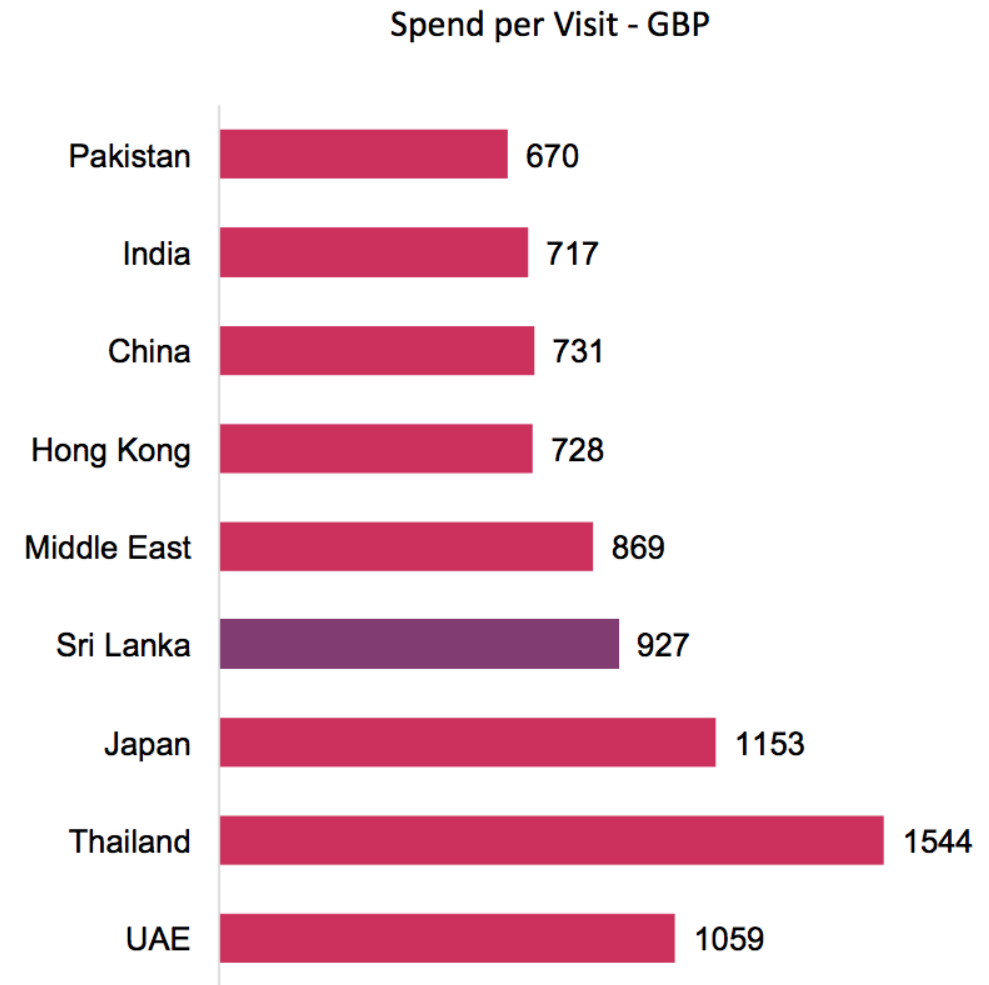
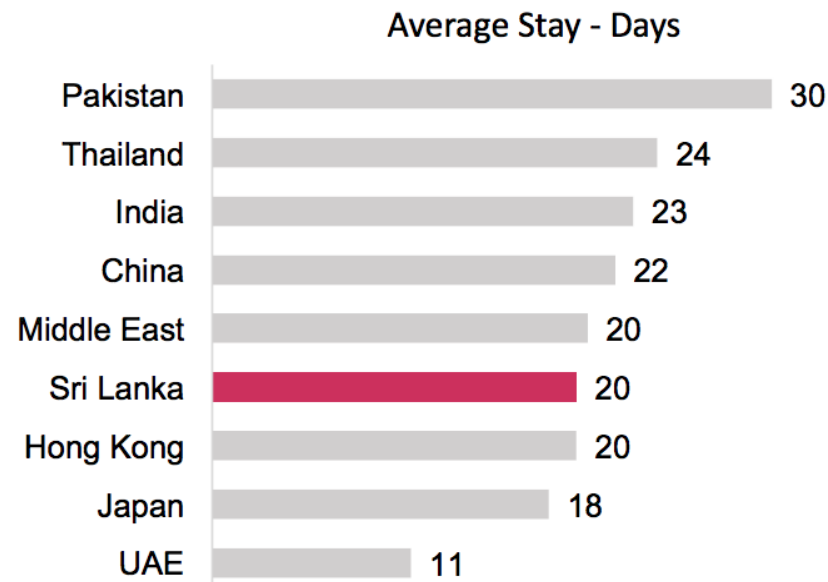
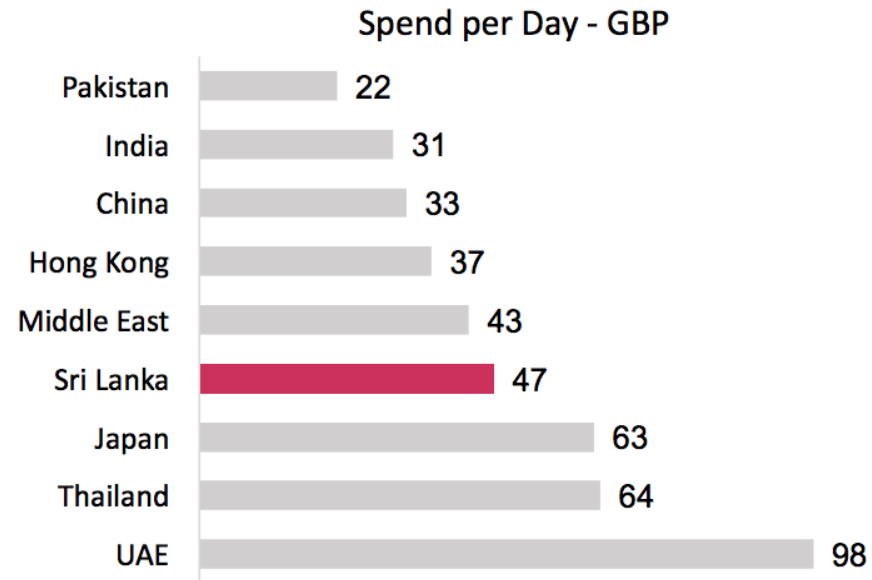
OTA Industry Stats

- Average Stay = 2.5 days (2016 stats)
- ADR = USD 90
- 80% of the Revenue come through 500 properties
- Higher yields to hotel, OTA margin 15% – 20%

Key determinants in selecting a holiday destination



UK tourists tend to stay longer in cheaper destinations



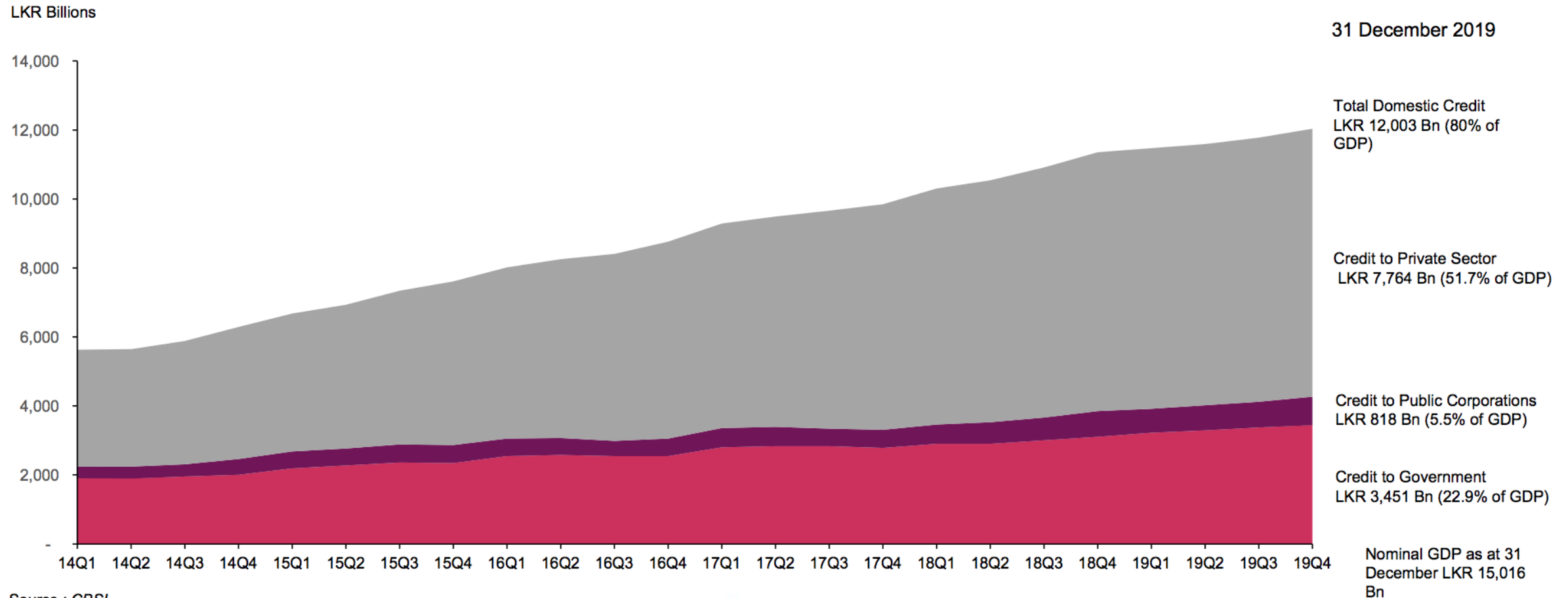
Source: Office of National Statistics – UK (2018)



Financial Sector Exposure to this industry

Total Domestic Credit as per M4

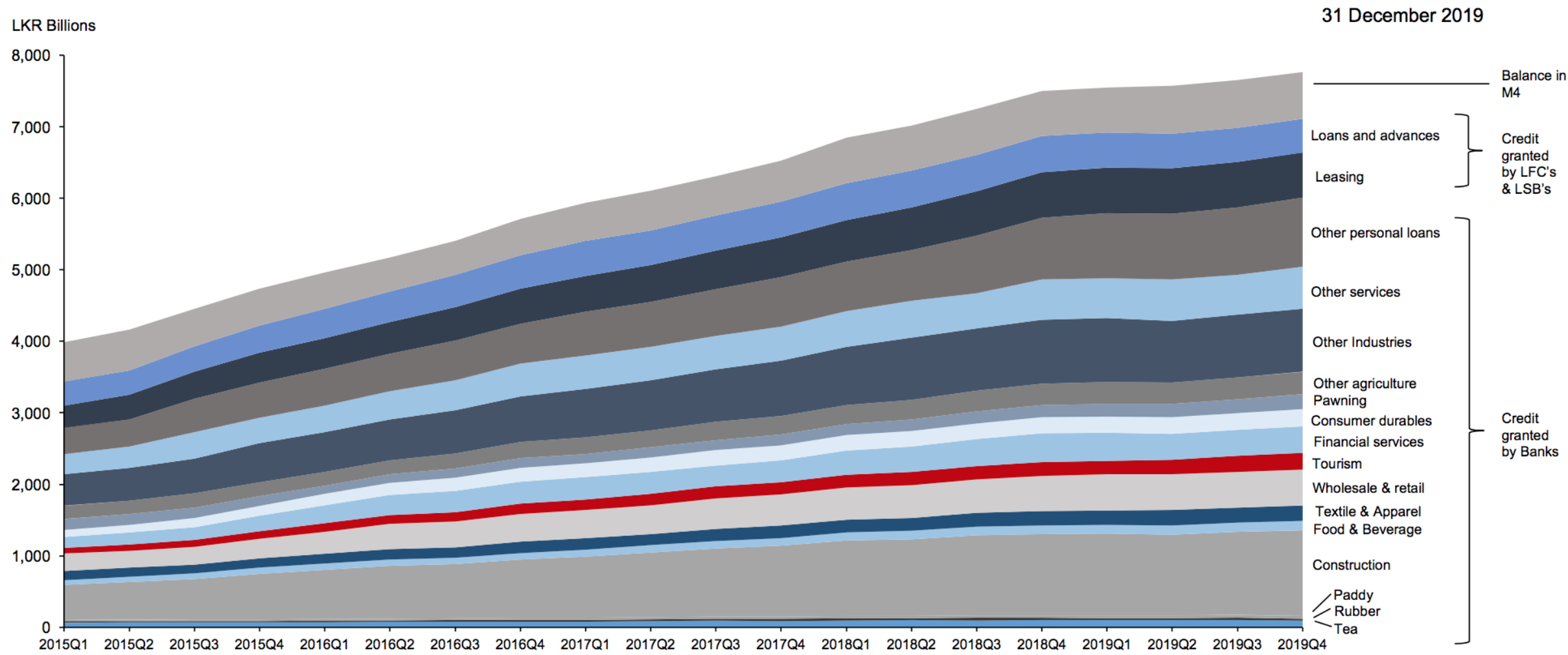
M4 money supply includes broad money (M2b) supply and time and savings deposits held by the Licensed Specialized Banks and Licensed Finance Companies



Source : CBSL

Total private sector credit growth was driven by Construction and Personal Loans

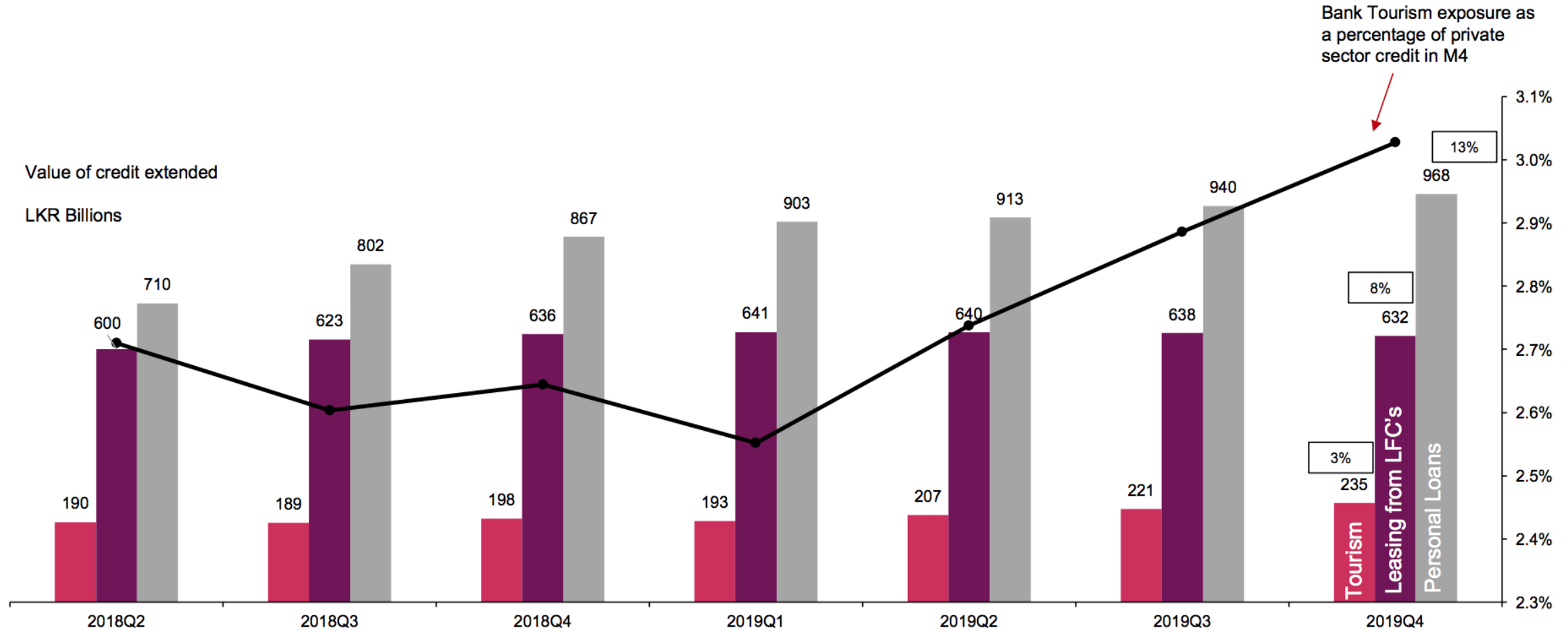
Private sector credit as a percentage of GDP stood at 51.7% as at 31st December 2019



Source : CBSL

M4 exposure to tourism industry

Exposure could potentially be higher when indirect lending for tourism by LFC's and LSB's are accounted for



Source : CBSL

Debt Moratoriums

❖ Debt Moratorium is a delay in the repayment of a debt obligation

Post Easter Attack 2019

- Moratoriums approved for affected borrowers in the tourism industry for a period up to **March 2020**
- Eligible borrowers need to be registered with **Sri Lanka Tourism Development Authority** or **any other Authority** to provide services to tourism in order to avail the moratorium
- Only **performing loans** as at 18 April 2019 were considered for the moratorium
- Capital was rescheduled while accrued interest for the period was **capitalized and repaid** over a mutually agreed upon tenor at a concessionary rate
- By end March 2020, approximately **4,000 requests** amounting to **LKR 100 Bn** have been approved. This is roughly **1.3%** of credit extended to the private sector in M4

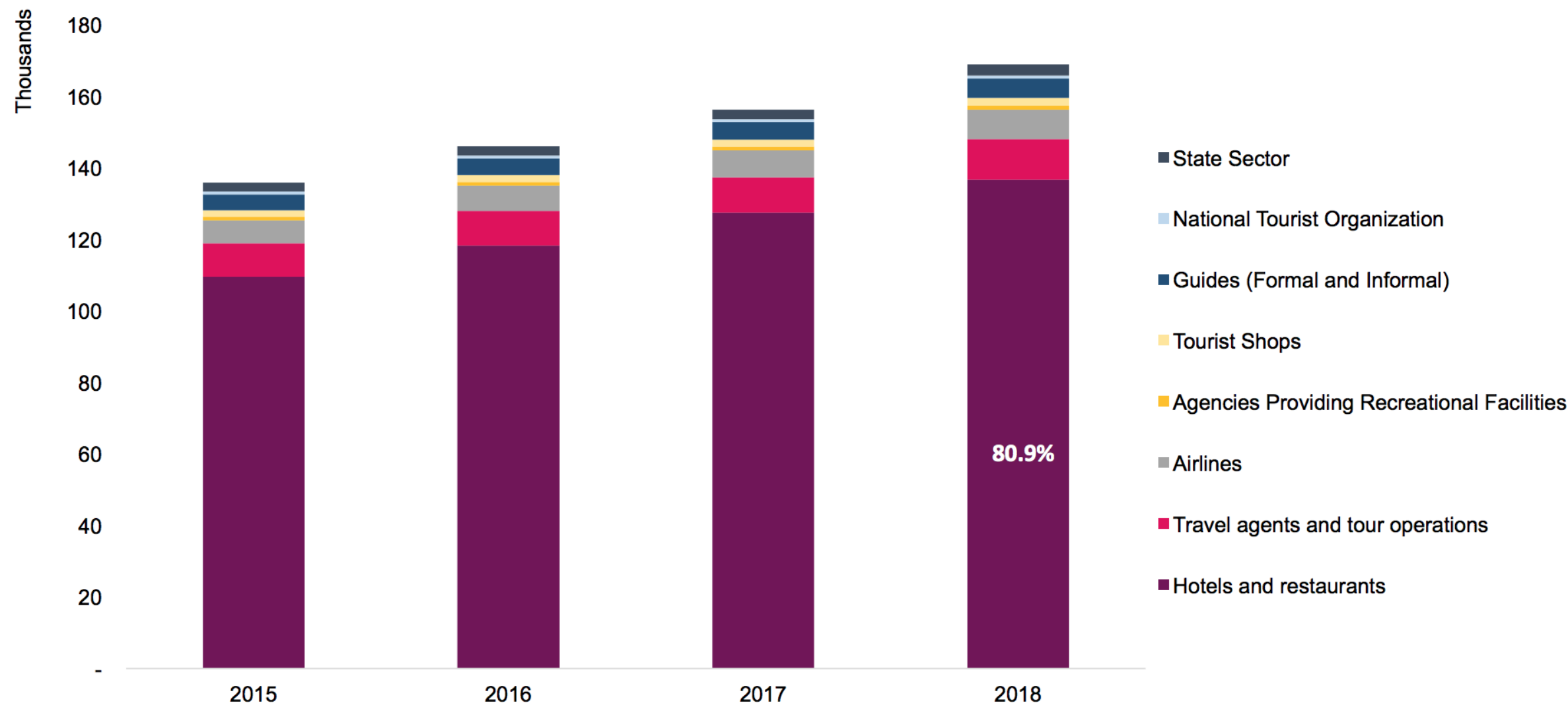
Post COVID-19 2020

- Eligible borrowers include a broader range of individuals and corporates **directly and indirectly impacted** by the current downturn
- Repayment of both **performing and non-performing** loans can be deferred by six months
- Loan tenor will be extended by the moratorium period, while interest accrued will be **capitalized and repaid** over the remaining duration



Employment in Tourism

Hotels and restaurants dominate direct employment in the tourism industry



Source: Sri Lanka Tourism Development Authority

The law on Pay cuts, Lay-offs and Furloughs

- Pay-cuts are not at the discretion of the employer, it requires the consent of the employee. There is no mechanism for binding collective schemes – a minority can dissent.
- EPF and ETF contributions cannot be scaled down in proportion to pay cuts.
- Termination is governed by statute – it needs the concurrence of the labour commissioner and compensation is formula based – the longer the service the more expensive it is, capped at LKR 1.25 mn per person.
- Furloughs or compulsory no pay leave is not permitted.
- **Labour commissioner has some flexibility to exercise forbearance**



Thank you