

MHRA Q1 2019 Hotel Survey by Deloitte

Key Highlights

The latest inbound tourism numbers, published by the national statistics office (NSO), show that tourism has continued to increase during the first three months of this year. Tourist arrivals are reported to have increased by 2.8% and guest nights by 4.2%. Whilst remaining positive, the increases are less pronounced than those registered in previous years. Tourist expenditure increased at a slower pace and was marginally up by 0.3%.

During this first quarter of the year, the number of tourists staying in hotels remained at par with the previous year, although the number of guest nights spent in hotels decreased by 5.5%. The overall increase in guest nights during quarter one was effectively taken up by the private accommodation sector. This shift in accommodation preference has had a negative impact on the hotel sector's bottom line profitability, with both the 5-star and 4-star categories reporting a decline in gross operating profits.

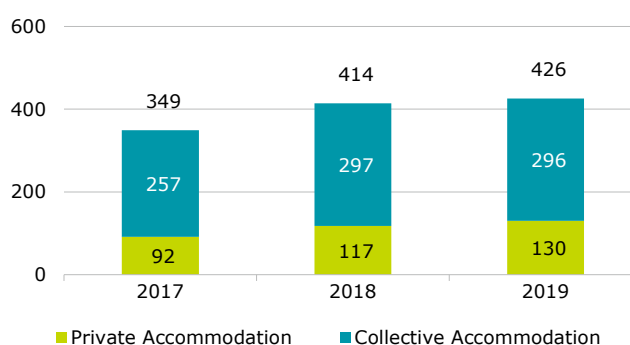
Compared to the same period last year, the overall average length of stay in Q1 increased by 1.4%. Tourists opting to stay in private accommodation spent 9.31 days in Malta, up by 8.8% over last year and almost 4 days more than those staying in hotel accommodation.

With total guest nights in hotel accommodation down by 5.5%, occupancy levels in the 5-star sector as reported by the Deloitte survey, declined from 56.9% in the first three months of 2018 to 53.6% during the same period this year. Average room rates were down marginally by 1% while non-accommodation income slightly increased by 0.4%, resulting in an overall drop of 6.3% in total revenue per available room.

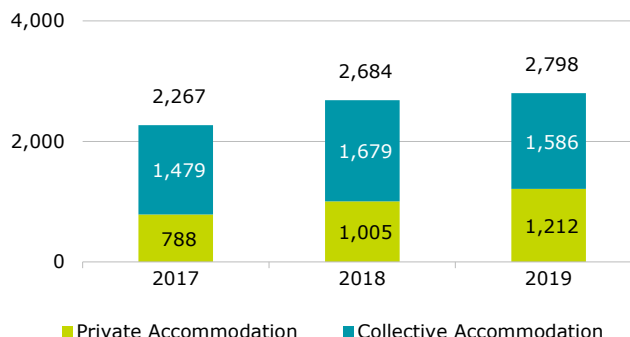
On average, 5-star hotels registered a GOPPAR of €918, which is €528 lower than what was reported in the same quarter last year and €986 less than 2017.

The evident shift from hotel to private accommodation would appear to be having the greatest knock on effect on 4-star hotels, with occupancy levels in the first quarter of the year declining by 9.2%. Room rates also decreased by 2.7%. Non-accommodation

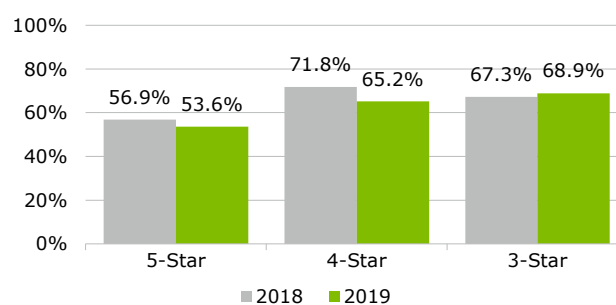
Q1 Tourist arrivals (000's)



Q1 Guest nights (000's)



Q1 Occupancy

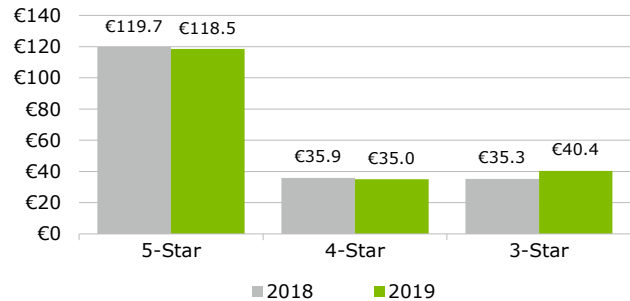


income per occupied room on the other hand increased by 13% from €35.5 last year to €40.1 in quarter one this year. Overall, total revenue per available room decreased by 4.6% when compared to the same quarter last year.

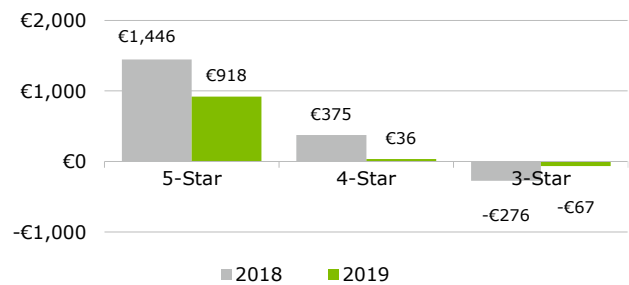
In view of the above, the quarterly average industry profit of 4-star hotels decreased by €340 to €36 per available room.

As for the 3-star sector, participating hotels reported a loss of €67 per available room during this quarter, reflecting an improvement on what was reported in the corresponding period last year.

Q1 Room Rates (ADR)



Q1 Gross Operating Profit (GOPPAR)



The MHRA restaurant survey: winter 2018/2019

Deloitte, in collaboration with MHRA, carried out a survey with restaurants in Malta and Gozo to evaluate their performance during the last winter season.

Participating restaurants reported mixed results, with 48% experiencing declining revenues when compared to the previous winter.

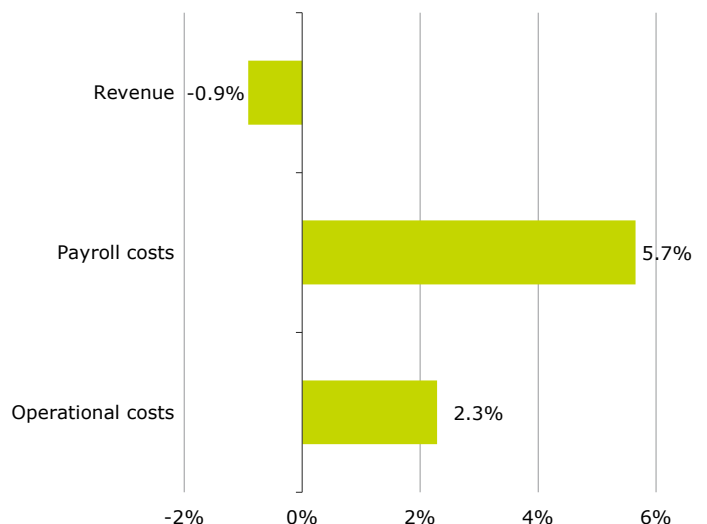
Altogether, Deloitte estimates restaurants' revenue to have decreased by 0.9% over winter last year.

Despite this overall decrease, the Deloitte results show that some areas in Malta managed to register positive performance. Restaurants in the North-Central part of Malta and Gozo both managed to achieve a growth of 3% in revenue. On the other hand, catering establishments in the Coastal, Valletta and Southern areas reported a negative revenue trend of 4%, 2% and 6% respectively.

It has also been estimated that on average operational costs increased by 2.3%.

Payroll costs increased by 5.7%, possibly in response to the recruitment challenges most of the restaurant

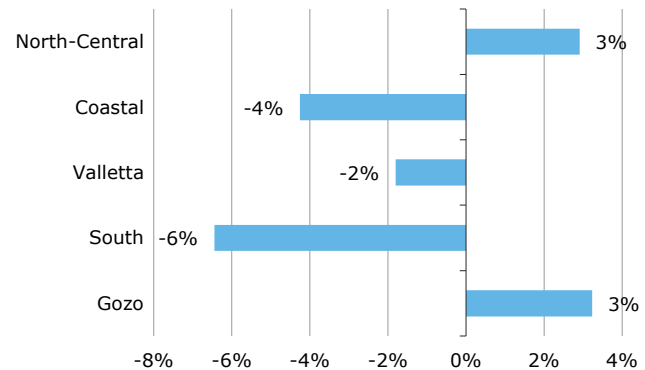
Overall revenue and cost trends



operators are claiming to face. To this extent, around 60% of employees working in this sector are foreigners.

Overall, 56% claim to have had an unsatisfactory winter performance. However, almost all participating restaurants remain upbeat and are expecting good business for the coming summer season.

Regional revenue trends



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