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Preliminary Economic Impacts of the COVID-19 Pandemic on the Hotel Sector in South Africa

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Abstract

Emerging infectious diseases and pandemics place a substantial burden on global economies and public health. The hospitality industry and global health pandemics are fundamentally linked, and the sector is highly vulnerable to pandemics. The COVID-19 pandemic (coronavirus) has triggered an unprecedented crisis in the hospitality industry globally, and in particular, the hotel sector. As governments have introduced extraordinary measures to contain the virus, such as travel restrictions and physical distancing, which have brought the hotel sector to a standstill. This paper examines the preliminary economic impacts of the COVID-19 pandemic on the hotel sector in South Africa. The data for this paper is based on the hotel sector specifically, and is extracted from a larger dataset that examined the economic impacts of the COVID-19 pandemic on all accommodation establishments in South Africa. Online surveys were administered to accommodation establishment managers. Approximately 3 000 accommodation establishments were targeted, 482 responded, of which 67 were hotels. The study confirms that the hotel sector in South Africa has experienced severe economic impacts due to the COVID-19 pandemic, and a number of hotels face the risk of bankruptcy and permanent closure. Employment has also been substantially affected by job losses, reduced pay and staff made redundant. Current concerns facing hotels are cash flow, travel restrictions, guest cancellations, low consumer spending, the overall economic uncertainty of the industry, as well as the uncertainty of the COVID-19 pandemic.

Keywords: Hotels, economic impact, COVID-19 pandemic, South Africa

Introduction

The hospitality and tourism industry has a substantial impact on the world's economy and has achieved worldwide recognition for encouraging sustainable development, economic growth and employment generation. However, the industry highly sensitive to many internal and external influences that can disrupt its operations such as natural disasters, epidemics, war, economic crises and acts of terrorism (Henderson & Ng, 2004; Huang, Tseng & Petrick, 2007). In particular, the hospitality industry and health pandemics are intrinsically interrelated and adequate corroboration exists between the sector and health-related concerns (Brahmbhatt & Dutta, 2008; Baker, 2015). Research undertaken by Jones, Patel, Levy, Storeygard, Balk, Gittleman and Daszak (2008) confirm that between 1940 and 2004, there has been an average of 5.2 emerging infectious diseases each year. Contagious diseases have exhibited a steady increase in frequency over the decades, and these potential pandemic outbreaks are made more vigorous due to the international movement of goods, services and people. The twentieth century witnessed three major pandemics which include the so-called 'Spanish' flu of 1918-19, the 'Asian' flu (H2N2) of 1957 and the 'Hong Kong' flu of 1968. The twenty-first century has experienced a further five major pandemics, which include the Severe Acute Respiratory Syndrome (SARS) in 2002, 'Bird flu' in 2009, the Middle East Respiratory Syndrome (MERS) in 2012, Ebola in 2013-14 and the current COVID-19 (coronavirus) of 2020 (Gossling, Scott & Hall, 2020).

Emerging infectious diseases and pandemics place a sizeable burden on global economies and public health. Although travel and tourism may substantially contribute to the spread of infections, "the former may eventually become the victim of the latter" (Monterrubio, 2010:3). Past occurrences have revealed that infectious diseases can have a significant adverse economic impact on the tourism industry, and international public health concerns have become an essential element affecting tourism flows. In particular, the hotel sector is extremely susceptible global health pandemics, which can escalate rapidly without warning (Santana, 2004). Global pandemics often directly affect the stability of the hotel sector and given the inseparability of employees and guests as a part of the hospitality product, these hazards affect the organization as a whole (Albattat & Som 2015; Jones et al., 2008).

The novel COVID-19 pandemic engulfed the world within a matter of weeks, threatening the health and lives of millions of people globally. As the number of COVID-19 cases soared and spread globally, travel restrictions started on 23 January, 2020 in the Wuhan region, which is the epicentre of the virus, and extended to most countries by the end of March (Gossling et al. 2020). The travel restrictions and lockdowns slowed down global tourism considerably. The United Nations Conference on Trade and Development (UNCTAD) (2020) predicts that, due to the tourism sector being placed at a standstill for almost four months due to the COVID-19 pandemic, the sector could lose up to $1.2 trillion. The organization affirms that a further four months of the travel restrictions would amount to a loss of $2.2 to $2.8 trillion dollars. Although ever-increasing international travel volumes may contribute to the risk of travel-related infectious disease outbreaks, the potential economic impacts of travel-related outbreaks in low-income countries are not well understood. The main purpose of this study is to, therefore, assess the preliminary economic impact of the COVID- 19 pandemic on the hotel sector in South Africa. Whilst most published research on this topic predominantly uses secondary data, this study utilizes empirical data to enrich the knowledge on pandemic's impact on business operations, employment and the hotel sector's current and future economic concerns.

Literature review

Travel and contagious diseases are intrinsically linked and international travel, in particular, is considered to be a crucial factor in the spread of contagious diseases. This is due to the fact that "international travel has modified the size and mobility of human populations, bringing some environments, humans and other animal species into contact with each other like never before" (Tapper, 2006:4). Tourism, as an international industry, plays an important role in disease movement (Hall, 2010), and in the transfer of infectious diseases from one tourist destination to another (Stanbury, Pryer & Roberts, 2005). For example, in a few weeks, SARS spread to more than 30 countries, resulting in 8 400 infections and 900 deaths (Lee & McKibbin, 2004). The Ebola virus, which spread over ten countries and lasted over 10 years (2014-2016) resulted in 28 616 infections and 11 300 deaths (Sarukhan, 2016).

Most pandemics rely on hygiene and sanitation measures, but those that require lockdowns and physical distancing, have a major impact on economies. Chesbrough (2020) believes that recovering from the COVID-19 pandemic will be a huge test on economic systems. Although limited, existing research (Mason, Grobowski & Du, 2005) have detailed the consequences that epidemic infections may have on the tourism and hospitality industry. The impact of the SARS outbreak on the tourism and hospitality sector in 2002 and 2003 was very severe in East Asia, and it was reported that "SARS impact on the hotel industry was actually more harmful than the 9/11 terrorism event" (Kim, Chun & Lee, 2005). Evidently, approximately 3 million job losses were experienced in the hospitality and tourism industry following the SARS outbreak, resulting in losses of over $20 billion (Keogh-Brown & Smith, 2008). With the SARS pandemic, a major and immediate concern for hotels was a rapid decline in revenues, which was linked to plummeting occupancy and mass cancellations (Henderson & Ng, 2004). For example, occupancy levels in hotels in Hong Kong were down to an average of 20% in April 2003 compared to an average of 85% in April 2002 (Lo, Cheung & Law, 2003) and Chien and Law (2003) claim that there was an 80% reduction in tourist bookings. Lo et al. (2003:71) assert that "although SARS was a short-term crisis, its impact was very significant, and Hong Kong's hotel industry was badly hit". For the Republic of Korea, the MERS outbreak resulted in a drop of 2.1 million visitors, which equated to US$2.6 billion in tourism loss. Estimated losses in the accommodation sector alone were, US$642 million (Joo, Maskery, Berro, Rotz, Lee & Brown, 2019). In terms of the H1N1 virus, three weeks after the Mexican government released the first national health alert, the hotel industry was the severest hit sector, as national hotel occupancy rates declined to between 4 and 30 per cent in comparison to the 80 per cent recorded for the same period of the previous year. Eventually, the estimated economic loss in the Cancun area was estimated at US$ 3.8 million, with in excess of 100 000 jobs losses in the sector (Monterrubio, 2010).

The global setting

The novel COVID-19 pandemic (coronavirus) has severely affected one of the key sectors of the world economy - the tourism industry, as global travel has come to an almost complete standstill as of April 2020. The United Nations World Tourism Organization (UNWTO) (2020a) reports that due to COVID-19, as of 1 June, 2020, 156 governments had completely closed their borders to international tourism. Almost all countries have imposed travel bans, closed borders, or introduced quarantine periods to contain the spread of the COVID-19 pandemic. This has resulted in a precipitous decline in international and domestic tourism over a period of weeks (Gossling, Scott & Hall, 2020). The UNWTO (2020b) confirms that in the month of May 2020, international arrivals declined by 98% due to travel restrictions in nearly all destinations worldwide, which equates to 300 million fewer international tourist arrivals in January-May 2020 compared to the same period in 2019. This extensive loss in visitor arrivals resulted in a US$ 320 billion loss in international tourism receipts, which the UNWTO claims, is more than three times what was lost in the entire year of 2009 global economic crisis.

Hung, Mark, Yeung, Chan and Graham (2018:3) argue that hotels can be a critical element in the "evolution of a local outbreak into a global pandemic, and an initial contact point of the import of an impending global pandemic". Moreover, the hotel sector is one of the most vulnerable to crisis and can be greatly affected by it (Henderson & Ng, 2004; Santana, 2004). Undeniably, hotels are one of the hardest-hit industries by the COVID-19 pandemic, and globally hotels have reported having extremely low occupancy rates, or have experienced closures on a massive scale. Simon (2020) reports on the hotel sector in the US and claims that 2020 is projected to be the worst year on record for hotel occupancy, with a forecasted occupancy rate for 2020 being worse than that during the Great Depression of 1933. In terms of hotel occupancy levels, HospitalityNet (2020a, 2020b, 2020c), confirm an 87% decline in Ecuador, a 74% decline in Brazil, a 71% decline in Canada, a 78% decline in Poland, a 73% decline in Switzerland and an overall decline of 73% for Europe as at June 2020, due to the COVID-19 pandemic. Globally, the Park Hotels and Resorts noted a 20% occupancy, and a net loss of $261 million for 18 consolidated hotels for the second quarter of 2020, and the Hyatt group documented a net loss of $236 million for the same period (Businesswire, 2020). The South African hotel and gaming group Tsogo Sun has recorded R1.7 billion in exceptional losses for the full year ended March 2020 (BusinessTech 2020).

The tourism and hospitality industry is a labour-intensive industry and is therefore considered a driver for employment creation. According to the International Labour Organization (ILO) (2020), in 2019, the sector accounted for approximately 330 million direct and indirect jobs worldwide, which accounted for 10.3 per cent of total global employment. However, the COVID-19 pandemic has dramatically altered this, and the impact on tourism employees is unprecedented. Smith (2020) believes that there would be widespread and severe job losses if the global tourism industry is not opened up at least by September 2020. UNCTAD (2020) estimates a loss of between 100-120 million jobs, and under its worst-case scenario, Smith (2020) predicts that 197 million global jobs could be lost in the tourism and hospitality sector. According to Simon (2020), more than 70% of hotel employees in the US have been laid off or furloughed, translating into $2.4 billion in weekly lost wages, and approximately 3.9 million direct and indirect jobs in the hotel sector have been lost since the start of the COVID-19 pandemic. The Norwegian Tourism Organization reports on the impact of COVID-19 on tourism and confirms that as at 26 March 2020, 90% of tourism businesses had temporarily laid off staff, with 78% of businesses reducing at least three-quarters of the workforce. Hotels, restaurants and attractions revealed the largest number of staff layoffs. The report further corroborates that tourism was hit particularly hard in terms of job losses, compared to other economic sectors in Norway.

The situation in South Africa

In 2019, South Africa welcomed 10.23 million international visitors and witnessed 7.11 million domestic trips. Tourism's contribution to Gross Domestic Product (GDP) was 2.9%, and the sector created more than 725 000 direct jobs and 1.49 million indirect jobs, of which 19% of jobs are within the accommodation sector. In terms of income generation, tourism in South Africa generated approximately R82.5 billion in direct foreign spend and R126.7 billion in total spend (Department of Tourism, 2020). To curb the spread of the COVID-19 pandemic, President Ramaphosa declared South Africa the National State of Disaster on 15 March, 2020, and subsequently announced a three-week national lockdown (stay at home order) on 23 March, 2020, effectively commencing on 27 March, 2020. The national lockdown comprised of a five-level risk-adjusted strategy to manage the country's health and economic response to the COVID-19 pandemic, with level 5 having the most stringent restrictions. Sector-specific restrictions were also provided for each level of lockdown. Table 1 illustrates the various lockdown levels in South Africa, and the related tourism sector regulations for each level.

The COVID-19 pandemic and national lockdown have drastically impacted on the South African tourism industry. Since the commencement of lockdown in South Africa, all tourism activities have been ceased, borders have been closed, and scheduled flights have been suspended. At the time of writing, the Level 3 enhanced phase was under implementation, which allows for provincial leisure travel and its associated services.

Table 1: Lockdown phases and tourism-related restrictions

Level	Period	Tourism Sector Regulations
Level 5	27 March to 30 April	• Rail, ocean and air transport permitted only for the shipment of cargo. • Interprovincial travel is not permitted except to return to work with proof of employment; for movement of learners, with the permit; in exceptional circumstances such as funerals (with approval) or essential services. • Accommodation not permitted, except for quarantine, essential services. • Restaurant, take-away, bar and canteen services not permitted.
Level 4	1 May to 31 May	• Interprovincial travel is not permitted except to return to work with proof of employment, in exceptional circumstances such as funerals (with approval) or essential services. • Accommodation not permitted, except for quarantine and essential services.

		• Restaurants only for food delivery services (9am-8pm) and subject to curfew (no sit-down or pick-up allowed).
Level 3	1 June to present	• Accommodation not permitted, except for quarantine, essential services. • Restaurants only for food delivery services (9am-8pm) and subject to curfew (no sit-down or pick-up allowed).
Level 3 Enhanced	30 July to present (time of writing)	• Restaurants: curfew will start at 22h00 to allow dinner services. However, the sale of alcohol remains prohibited. • Accredited and licenced accommodation establishments are permitted to open for leisure with not more than two people per room. Accommodation is allowed but within one's province of residence. • Tours: tour operators will be allowed to conduct guided tours in open safari vehicles subject to directions, and include provision for social distancing and maximum ventilation. • Conferences and meetings for business purposes with a limit of 50 persons, excluding those who participate through electronic platforms • The number of persons permitted in the casino may not be more than 50 percent of the available floor space, taking into account the required social distancing.

Source: South African Government (2020)

The South African tourism industry, as is the case in the global economy, has been faced with a crisis due to the COVID19 pandemic, placing thousands of tourism businesses and jobs at severe risk. The COVID-19 pandemic has hit the tourism sector the hardest due to the stringent lockdown imposed on this sector, and the "sector is slowly bleeding to death as the lockdown drags on" (Charles, 2020:1). Hotels have closed their establishments, attractions are shut, and airlines have ceased their operations, and it is alleged that many tourism businesses may not survive the lockdown. For every day that the South African tourism sector remains under lockdown, R748 million is lost through tourism expenditure with a further loss of jobs (Sperka, 2020). An estimated R54,2 billion in output is believed to have been lost between mid-March and the end of May, and the sector now faces a probable "75% revenue reduction in 2020, putting a further R149,7 billion in output, 438,000 jobs and R80,2 billion in foreign receipts at risk" (Department of Tourism, 2020:22). More specifically, approximately 50,000 businesses have closed temporarily, with many in danger of permanent closure, resulting in the loss of almost 600,000 jobs. In terms of the hotel sector in South Africa, by late March, there was a 50% decline in hotel occupancy, and at the level five lockdown, occupancy declined to under 5%, mainly serving as quarantine and isolation sites and providing for essential services workers. A study conducted by Statistics South Africa (2020), concluded that the total income for the accommodation sector in South Africa declined by 98% in May 2020 compared with May 2019.

After consultations with President Ramaphosa, on 25 May, Tourism Minister Kubayi-Ngubane publicly stressed the risk of considerable loss of income and job losses in the tourism sector if meaningful re-opening could not be achieved by September (Department of Tourism, 2020). The priority for the tourism sector, globally, and in South Africa, is to resume operations as early as it is safe to do so. However, it is envisaged that the re-opening of this sector will just be the start of a very challenging recovery. The Department of Tourism (2020) released a Draft Tourism Recovery Plan in August 2020, which focuses on three key strategic areas viz. re-igniting demand, rejuvenating supply and strengthening enabling capability. The initial tourism recovery phase spans over three months from May through to July 2020. The emphasis during this period is on taking the critical actions needed to preserve tourism supply and to prepare the sector for a gradual and careful re-opening. Current projections are a global re-opening of the tourism industry between August 2020 and early 2021, assuming that the generally observed global recovery trajectory continues. However, South Africa appears set to emerge more slowly than many regions, and the implication is that tourism could operate at less than 25% of normal levels across 2020 (Department of Tourism, 2020).

Methodology

South Africa went into level 5 lockdown from 26 March to 20 April and level 4 lockdown from 1 May to 31 May 2020. This study was undertaken during June and July 2020, which was during the Level 3 lockdown period, and respondents were asked to indicate the current economic status of their respective hotels during this period. This paper focuses on the hotel sector specifically and is extracted from the dataset of a larger study that examined the economic impacts of the COVID-19 pandemic on all accommodation establishments in South Africa. A quantitative research approach was adopted to gather empirical data for the study. Online surveys, using Google Forms, were administered to implore views and perceptions on the economic impact of the COVID-19 pandemic from the managers of accommodation establishments throughout South Africa. A comprehensive list of accommodation establishments, together with their contact details, was obtained from South African Tourism and the Tourism Grading Council of South Africa. A saturation sampling technique was used and approximately 3 000 establishments were targeted. Respondents were contacted by e-mail and provided with a participant information document, highlighting the purpose of the study, with a link to an online survey, which sought their consent to participate in the study. The online survey surveys were administered over a period of four weeks, during June and July 2020. A total of 482 establishments completed the survey, of which 67 were hotels. Due to the travel restrictions and social distancing protocols in place during the time, the online survey was most suitable, as it not only ensured the safety of participants but also enabled the collection of data over a wide geographical area. All respondents were assured of anonymity and confidentiality.

The survey comprised of three sections. Section one of the questionnaire focused on the characteristics of hotels and examined features such as star grading, provincial location, type of ownership, size (number of guestrooms), number of employees, and type of facilities at the establishment. Section two of the questionnaire examined the economic aspects of accommodation establishments, with a focus on the economic status of hotels during the lockdown period at the time of the study, the impact on employees and the current and future economic concerns facing hotels. Majority of the questions were close-ended, and 5-point Likert scales are used extensively in the survey questionnaire. The data was analysed using the Statistical Package for Social Sciences (SPSS) Version 26. Descriptive statistics such as frequencies, percentages and mean values were used to describe and summarise the data. Constructive qualitative feedback was obtained from respondents and has been integrated into the study results through verbatim quotes.

Results and discussion

This section presents and discusses the data for the study. Analysis and discussion begins with the characteristics of hotels, followed by the economic impact of the COVID-19 pandemic on hotels.

Profile of hotels

Table 1 presents data on the characteristics of hotels which participated in the study in terms of star grading, location, number of employees, number of rooms, number of years in operation and ownership type. Evidently, 16.2% of hotels were not graded, and of the graded hotels in the study, majority of these (44.2%) were 3-star hotels, followed by 4-star hotels (18.6%) and 5-star hotels (14%). The geographical dispersion of hotels reveals that 27.7% were from KwaZulu-Natal, 23.3% from the Eastern Cape and Western Cape, 7% were located in Gauteng, and the Northern Cape and 4.7% were located in Limpopo and the North West provinces. With regards to the number of employees, 41.9% of hotels had between 11-30 employees, 30.2%

had between 31-60 employees, 9.3% had between 61-100 employees, 11% had between 131-150 employees, and 7% of hotels had less than 10 employees. Hotels in the study varied in size ranging from having between 11-30 rooms (30.2%) and 61-100 rooms (25.6%). There were fewer small hotels with less than 10 rooms (11.6%) and few large hotels with more than 100 rooms (9.3%). Majority of hotels have been in operation for more than 25 years (37.2%) and between 21-25 years (20.9%), with a smaller proportion of hotels 1-15 years (14%), 5-10 years (9.3%) and 16-20 years (7%). Newer hotels that have been in operation for less than 5 years constituted 11.6% of hotels.

Table 1: Hotel characteristics (n=67)

Star grading	Percent
1 star	0
2 star	7.0
3 star	44.2
4 star	18.6
5 star	14.0
Not graded	16.2
Provincial location	Percent
KwaZulu-Natal	27.7
Eastern Cape	23.3
Free State	2.3
Gauteng	7.0
Limpopo	4.7
North West	4.7
Northern Cape	7.0
Western Cape	23.3
Number of employees	Percent
Less than 10 employees	7.0
11-30 employees	41.9
31-60 employees	30.2
61-100 employees	9.3
More than 100 employees	11.6
Number of rooms	Percent
Less than 10 rooms	11.6
11-30 rooms	30.2
31-60 rooms	23.3
61-100 rooms	25.6
More than 100 rooms	9.3
Number of years in operation	Percent
Less than 5 years	11.6
5-10 years	9.3
11-15 years	14.0
16-20 years	7.0
21-25 years	20.9
More than 25 years	37.2
Ownership type	Percent
Independently owned	93.0
Chain owned	7.0

The economic impact of the COVID-19 pandemic on hotels

Respondents were asked to indicate the nature and extent to which the COVID-19 pandemic disrupted their business operations. Table 2 confirms that overall, 97.7% of hotels indicated that the COVID-19 pandemic has negatively affected their business, and has been very disruptive to their business, with one respondent stating that 'it has been devastating' and another indicating that "the business is doing very bad with most activities not taking place". Many respondents (62.8%) indicated that the onset of business disruptions principally occurred after lockdown, whilst 37.2% stated that disruptions commenced before lockdown. One of the common reasons for hotel business disruptions was due to the cancellation of hotel bookings, and 67.4% of hotels declared that booking cancellations occurred after lockdown, and 32.6% stated that cancellations began before the lockdown. One respondent stated that "cancellations leading up to the lockdown and during the lockdown period with zero income, has resulted in this family-owned business being closed after 110 years of operation". The spread of the coronavirus has resulted in severe travel restrictions, with international borders being closed, curfews being implemented, and flights being grounded. This has subsequently led to massive hotel booking cancellations, which led to the onset of hotel business disruptions and accompanying revenue losses (Charles, 2020).

Table 2: Hotel disruptions due to COVID-19 (n=67)

Covid-19 has negatively affected the hotel	Percent
Yes	97.7
No	2.3
Onset of business disruptions	Percent
Before lockdown	37.2
After lockdown	62.8
Onset of booking cancellations	Percent
Before lockdown	32.6
After lockdown	67.4
Extent of COVID-19 disruptions on hotel	Percent
Not at all disruptive	0
Somewhat disruptive	0
Neutral	0
Disruptive	2.3
Very disruptive	97.7

According to Table 3, whilst the majority of the respondents (41.9%) asserted that their hotel was currently not operating but will re-open, a comparable proportion of hotels (41.9%) affirmed that they were currently no longer operating and will be permanently closed. A small proportion of hotels (9.2%) were closed at the start of lockdown but were now currently partially operating, and 7% of hotels indicated that they were being used for COVID-19 purposes. Under the Level 3 Risk-Adjusted Lockdown measures, effective from 12 July 2020, all hotels and establishments, except accommodation establishments not formally accredited and licensed, such as private homes for paid leisure accommodation, are allowed open if they are providing accommodation for people travelling for the purpose of business permitted under Level 3, international tourists who remain in South Africa or are appointed as quarantine facilities. No accommodation establishments are permitted to open for leisure purposes (South African Tourism, 2020).

Table 3: Current status of the hotel (n=67)

Current status of the hotel	Percent
Hotel is partially operating since lockdown	0.0
Hotel was closed but now partially operating	9.2
Hotel not currently operating but will re-open	41.9
Hotel no longer operating and will be permanently closed	41.9
Hotel is a permitted facility/site to be used for COVID-19 purposes	7.0

The results of this study are congruent to what has been stated in the literature. For example, in an effort to reduce costs and capital expenditure, South Africa's largest Tsogo Sun, confirmed to closing 36 hotels in March and April 2020, due to the country's travel bans which resulted in a total collapse of demand. The COVID-19 pandemic has also resulted in the permanent closure of three iconic South African hotels: Marriott International's Mount Grace

Country House and Spa, and the Protea Hotel by Marriott Durban Edward and the Protea Hotel by Marriott Hazyview (Wilson, 2020).

Not all hotels closed once the lockdown started. Some had to remain open to service existing guests along with those from other establishments who were unable to travel home due to various reasons. Some hotels in South Africa are also being used as quarantine sites. Bhengu (2020) claims that a number of hotels in KwaZulu-Natal will receive financial relief from the Department of Health for their properties being used as official Covid-19 quarantine sites. The Capital Hotels and Apartment Group are also offering ‘isolation’ rooms for travellers that needed to isolate for 14 days when entering the country. These rooms are available at 40% less than normal hotel rates and all services will be according to the World Health Organization Protocols (Simpson, 2020). City Lodge revealed at the beginning of June that it had opened a few of its hotels to offer accommodation for essential service travellers. A further two of their hotels have been opened to serve as quarantine centres, and another 21 hotels have been opened to accommodate stranded travellers. However, over 60% of City Lodge’s hotels remain currently closed (Kruger, 2020).

Respondents were asked to assess the impact of income generation on their hotels should lockdown continue. The data presented in Table 4 shows that with an extended period of 1 to 3 months of lockdown, 4.7% of hotels estimated a moderate decrease in income, 76.7% estimated a major decrease in income and 18.6% stated that their hotels would permanently close down. With an extended lockdown period of between 4 to 6 months, 7% of hotel cited a moderate decrease in income, 46.5% stated a major decrease in income, whilst 46.6% of hotels stated that their hotel would permanently close down. With a continuation of lockdown for a further 7 to 9 months, 7% of hotels predict a moderate decrease in income, 18.6% state a major decrease in income and 74.4% foresee the permanent closure of their hotel. And should lockdown remain for more than 9 months, 7% of hotels predict a moderate decrease in income, 16.3% foresee a major decrease in income, whilst 76.7% of hotels anticipate complete closure of their hotels. Overall, the data conclusively reveals that the longer the lockdown and related travel restrictions continue; the more detrimental the economic impact on hotels will be.

Table 4: Economic impact on hotels with extended lockdown (n=67)

	After 1-3 months	After 4-6 months	After 7-9 months	After more than 9 months
No economic impact	0%	0%	0%	0%
Slight decrease in income	0%	0%	0%	0%
Moderate decrease in income	4.7%	7.0%	7.0%	7.0%
Major decrease in income	76.7%	46.5%	18.6%	16.3%
Permanent closure of hotel	18.6%	46.5%	74.4%	76.7%

Moreover, the study revealed that a large proportion of hotels (88.4%) revealed that they experienced more than 75% decline in income, compared to the same period last year, and 11.6% stated a 51to 75% decline in income. Similarly, Statistics South Africa (STATSSA) (2020) undertook a survey of all accommodation establishments and revealed that income from all types of accommodation establishments in South Africa decreased by 98.5% from March to May 2020, compared to the same period in the previous year, and approximately R3.8 billion in revenue was lost in only two months. The report further divulges that in April, revenue from bed nights sold fell from R1.99 billion a year ago to just R37.9 million. STATSSA (2020) further estimated that the tourism industry is set to lose out on more than R7.5 billion on accommodation alone from March to July.

Respondents were asked to indicate the likeness of their hotels facing bankruptcy due to the COVID-19 pandemic. The data revealed that 62.8% of hotels believe that they are likely to face bankruptcy, 16.3% of them state that they are unlikely to face bankruptcy, whilst 20.9%

of hotels are unsure as to whether they could face bankruptcy. Other studies concur that due to the COVID-19 pandemic and travel restrictions, hotels are likely to face bankruptcy in the USA (Clark, 2020), Greece (Wood, 2020) and Canada (Dunne, 2020). This may be inevitable since hotels are experiencing considerable revenue losses, utilities, wages and salaries as well as other recurrent expenditure and statutory payments that have to be made. Mensah (2020) maintains that the "COVID-19 will leave the hotel industry badly bruised and there is a general agreement that the industry will not be the same long after the lockdowns and travel restrictions have been lifted".

Respondents were asked to report on the percentage of staff that were likely to lose their jobs, staff on reduced wages and those made redundant. Table 5 indicates that majority of hotels (30.2%) confirmed that between 91-100% of staff were likely to lose their jobs, and a mere 4.7% of hotels indicated no job losses were expected. Overall, 62.8% of hotels confirmed that above 50% of employees are likely to lose their jobs due to the COVID-19 pandemic and the associated travel restrictions. In respect of the percentage of staff on reduced wages, more than half of the hotels (55.8%) confirmed that between 91% to 100% of staff are on reduced wages, and 69.8% of hotels indicated that more than half their staff were on reduced wages, whilst 16.2% of hotels confirmed that their staff were not on reduced wages/salaries. Majority of hotels (62.9%) affirmed that more than 50% of their staff were made redundant, with 6.8% of hotel confirming that staff redundancies did not occur.

Table 5: Impact of the COVID-19 pandemic on hotel employment (n=67)

	Percentage staff likely to lose their jobs	Percentage staff on reduced wages/salaries	Percentage staff made redundant
None	4.7%	16.2%	6.8%
1 to 10%	2.3%	4.7%	4.7%
11 to 20%	9.3%	0%	9.3%
21 to 30%	9.3%	2.3%	7.0%
31 to 40%	2.3%	4.7%	2.3%
41 to 50%	7.0%	0%	4.7%
51 to 60%	9.3%	7.0%	14.0%
61 to 70%	7.0%	0%	7.0%
71 to 80%	7.0%	0%	7.0%
81 to 90%	9.3%	7.0%	11.6%
91 to 100%	30.2%	55.8%	23.3%
I don't know	2.3%	2.3%	2.3%

The results of this study are consistent with the relevant literature. According to the American Hotel and Lodging Association (AHLA) (2020), the human toll of the COVID-19 pandemic is equally devastating, with major hotels reporting significant layoffs and furloughs. Approximately 4.8 million hospitality jobs have been lost since February 2020. Also, with more than half of direct hotel employees laid off or furloughed, hotel workers are estimated to be losing more than $1.7 billion in earnings each week. AHLA (2020) claims that almost nine in ten hotels have been forced to lay off or furlough employees due to the ongoing impact of the COVID-19 crisis, according to their July 23-27 survey of more than 1 200 hotels. Charles (2020:1) affirms that as at July 2020, the tourism industry in the Western Cape has experienced job losses of almost 50%, and during the initial period of lockdown, in South Africa, more than 600 000 employees within the tourism industry had applied for the Unemployment Insurance Fund (UIF) funding which came to an end in June 2020. The industry confirms that "if the government does not open inter-provincial leisure travel soon, mass retrenchments will start within the sector". Sperka (2020) maintains that the estimated loss of employment currently (July) stands at 600,000 direct jobs if the sector remains closed.

Current and future economic concerns

Table 6: Major economic concerns facing hotels (n=67)

	Least concerned	Somewhat concerned	Neutral	Concerned	Most concerned	Mean
Cash flow	0%	2.3%	0%	4.7%	93.0%	4.88
Government mandated travel restrictions	0%	2.3%	2.3%	7.0%	88.4%	4.81
Long-term impact on the economy	0%	2.3%	0%	11.7%	86.0%	4.80
Economic uncertainty	0%	4.7%	2.3%	11.4%	79.2%	4.67
Uncertainty on the COVID pandemic	0%	4.7%	4.7%	14.0%	76.6%	4.63
Lower consumer spending	0%	4.7%	9.3%	7.0%	79.0%	4.60
Guest cancellations/postponements	0%	9.3%	2.3%	7.0%	81.4%	4.60
Securing additional funding	0%	9.3%	16.3%	7.0%	67.4%	4.33
Exchange rates	14.0%	20.9%	11.6%	9.3%	44.2%	3.49
Supply chain disruptions	13.5%	21.6%	16.3%	0%	48.6%	3.49
Employee support	18.2%	45.4%	0%	36.4%	0%	2.77
Limited availability of labour	81.3%	18.7%	0%	0%	0%	1.19

Respondents were asked to rate the economic concerns of their hotels as a result of the COVID-19 pandemic, on a 5-point Likert scale where 1 is ‘least concerned’ and 5 is ‘most concerned’. According to the data presented in Table 6, the economic issue that concerned hotels the most was cash flow (Mean=4.88). Unquestionably, increased revenue leads to higher cash flow, which has a number of flow-on benefits from giving the hotel greater day-to-day liquidity to having money in the bank to generate interest. In all hotels, revenue is a function of average daily rate, number of rooms, and occupancy, together with food and beverage if available. Hotels costs comprise of the variable (with revenue); semi-fixed (may be eliminated if hotel suspends operations); and fixed costs. For hotels that consider suspending operations, variable and semi-fixed costs are factors that need to be contemplated, since fixed costs don’t change, no matter what. During the lockdown period of restricted travel, not much can be done to stimulate demand, and therefore the primary objective of hotels is to limit operating losses through cost containment. What is critical, especially during the COVID-19 lockdown restrictions, is whether hotels have enough cash flow to meet their fixed and operating costs. The hotel sector has seen an unprecedented, massive reduction in cash flow due to the COVID-19 pandemic, and related to the concern of cash flow; respondents were also concerned about securing additional funding (Mean=4.33).

Government-mandated travel restrictions were another major economic concern for hotels in the study (Mean=4.81). As of 20 April, 100% of all worldwide destinations had introduced travel restrictions in response to the COVID-19 pandemic (UNWTO, 2020a). At the time of writing, in South Africa, borders remain closed to foreign nationals, and international flights remain suspended. Inter-provincial leisure is not permitted, and only leisure travel with one’s province of residence is permitted. According to the Department of Tourism (2020), subject to the local spread of Covid-19 and recovery scenarios, South Africa’s tourism could start opening up as early as August 2020 in the best-case scenario, or the sector could remain shut until well into 2021, in the worst-case scenario. The Department has formulated a model showing the estimated travel periods for South Africa, which indicates that for domestic travel, the opening window is set between August 2020 and mid-February 2021 and for international travel, the opening window is set between November 2020 and May 2021. However, South Africa’s tourism industry is lobbying to re-open to international travellers as early as September 2020. In addition, the Democratic Alliance (DA), is set to petition government to reopen the tourism sector in South Africa, as ‘too many businesses have been decimated by the COVID-19 pandemic” (Thaw & Kassen, 2020:1). The petition aims to convince government to open inter-provincial travel in South Africa, to encourage travellers to stay at accommodation establishments. The petition is the tourism sector’s plea to the national government to ease travel restrictions in order to ensure the survival of the sector and the many people that rely on the sector to earn a living.

Another major concern highlighted by respondents was the long term economic impact of the COVID-19 pandemic on the economy (Mean=4.80), which is linked to the concern of economic uncertainty (Mean=4.67). The pandemic has, irrefutably, brought economic activity to a standstill in many countries, and 'has delivered a global economic shock of enormous magnitude' and has resulted in the "deepest global recession in 8 decades" due to the tight restrictions imposed to curb the spread of the virus. The pandemic has placed many economies in a recession, and many developing economies were already experiencing weaker growth before the COVID-19 pandemic, which now makes their economic future far more challenging (The World Bank, 2020:1). The Organization for Economic Co-operation and Development (OECD) has warned that the devastation to the economy and living standards caused by the COVID-19 pandemic is "unprecedented and will have long-lasting effects as it forecasts a global recession of at least six percent".

Respondents were also concerned about the uncertainty surrounding the COVID-19 pandemic (Mean=4.63). The feeling of uncertainly is inevitable with a pandemic such as COVID-19, and much about the virus remains unknown and is evolving. Economic uncertainty entails long and short-term economic impacts, policy responses, the speed of recovery and how the pandemic affects consumer behaviour (Altig, Baker, Barrero, Bloom, Bunn, Chen, Davis, Leather, Meyer, Mihaylov, Mizen, Parker, Renault, Smietanka and Thwaites, 2020). Without question, the astonishing scale and unfamiliar nature of the COVID-19 explain the massive rise in economic uncertainty, and many businesses may "just have to play the waiting game" (World Economic Forum, 2020:3). Even after confinement measures have been eased, uncertainty remains in terms of subsequent economic recovery.

Consumer spending is one of the most important driving forces for global economic growth, and respondents in the study indicated that an economic concern was that of lower consumer spending (Mean=4.60). The economic consequences of the COVID-19 pandemic have resulted in a drop in many household incomes, which are inclined to reduce overall consumer spending. The World Economic Forum (2020:2) states that "the COVID-19 pandemic has also drastically altered how and where consumers choose to spend their hard-earned cash". Consumers are also faced with uncertainty which will greatly affect their spending patterns. The OECD (2020) estimates sharp declines in consumer spending on local travel, restaurants, hotels and recreational services, although these still continue to some extent.

Krishnan, Mann, Seitzman and Wittkamp (2020) believe that in the future, there is an expectation that economy hotels will experience the fastest return to pre-pandemic levels, whilst luxury and upper-upscale hotels will have a slower recovery. This is largely due to the fact that operating economics are significant, and economy hotels can stay open at lower occupancy rates than other chain scales. Also, in order to cover variable and semi-fixed costs, upscale hotels conservatively require occupancy rates of one and a half times greater than economy hotels. Variable and semi-fixed costs can be reduced in economy hotels that may utilise family labour. Conversely, many luxury hotels, require more than 100 employees to operate. Also, domestic markets can be anticipated to recover first. It is currently unclear as to how hotels can make sure that rooms are safe for newly arriving guests, or how individual COVID-19 cases occurring in hotels would be handled.

Conclusion

The study confirms that the hotel sector in South Africa has experienced severe economic impacts due to the COVID-19 pandemic. A number of hotels face the risk of bankruptcy and permanent closure due to extensive revenue losses brought about by the national lockdown and travel restrictions. Employment in the hotel sector in South Africa has also been considerably affected, and massive job losses are expected to increase should travel restrictions continue. The study highlights that the current economic concerns facing hoteliers are cash flow, travel restrictions, guest cancellations, low consumer spending, and securing additional funding to remain viable. Hoteliers are also concerned about the economic uncertainty of the industry, which is linked to the uncertainty of the COVID-19 pandemic. In South Africa, it appears that travel restrictions and containment measures are likely to be in place for longer, and are only anticipated to be gradually eased. Moreover, consumer confidence and travel behaviour will be more greatly impacted as the spread of the pandemic increases, and this will have a huge impact on the economy of the hotel sector. Governments are facing a huge dilemma as to how to flatten the curve without flattening their economies. Based on the current scenario, the hotel industry in South Africa is headed for an unprecedented collapse from COVID-19 pandemic, and it appears that the industry will not be the same long after the lockdowns and travel restrictions have been lifted.

The hotel industry could perhaps be altered forever, and in order to stay relevant, hotels must find creative ways to secure their industry, as they face the prospect of a long recovery. Hotels must therefore adopt survival strategies, to focus on repositioning the hotel service to make it more attractive in this COVID-19 era. Global hospitality trends for during and post-COVID-19 period is being shared widely, which can help inspire paradigm-changing ideas aimed at the economic recovery of the hotel sector. Whilst this study presented empirical data on the preliminary economic impact of the COVID-19 pandemic, a limitation was the time period. A more comprehensive study, over a longer period of time, will certainly yield more insightful results, as only time will truly tell the full impact of COVID-19 on the hotel sector in South Africa.

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