## Briefing Note: The hospitality industry and COVID-19

Hospitality services – restaurants, hotels, bars and entertainment venues – pose a high risk of contagion as long as COVID-19 is endemic and only a small fraction of the population has been vaccinated. As a result, businesses in the industry have faced plummeting demand and a range of public-health restrictions. The industry is relatively labour intensive, which means its slowdown results in disproportionate damage to jobs and emerging enterprises.

Statistics South Africa's surveys of restaurants and hotels underscore how their demand plummeted due to the pandemic. As Graph 1 shows, restaurant and accommodation revenues fell to near zero during the lockdown in the second quarter of 2020. Since then, restaurants and catering have recovered only around 60% of their business. Their recovery has stalled since the second wave began at the end of 2020, as customers began to self-isolate. Takeaway and fast food, in contrast, now have revenues in constant terms almost 10% higher than before the pandemic. Accommodation establishments recovered more steadily than food service, but as of June their revenues remained 40% lower than before the pandemic. The occupancy rate plummeted from near 50% before the pandemic to under 10% during the lockdown, and was still under 30% as of June 2021. Moreover, in seasonally adjusted terms, the average price per night was 20% lower in June 2021 than it had been in January 2020.

Graph 1. Monthly revenue from food services and accommodation in billions of constant (2021) rand (a), seasonally adjusted, January 2020 to June 2021
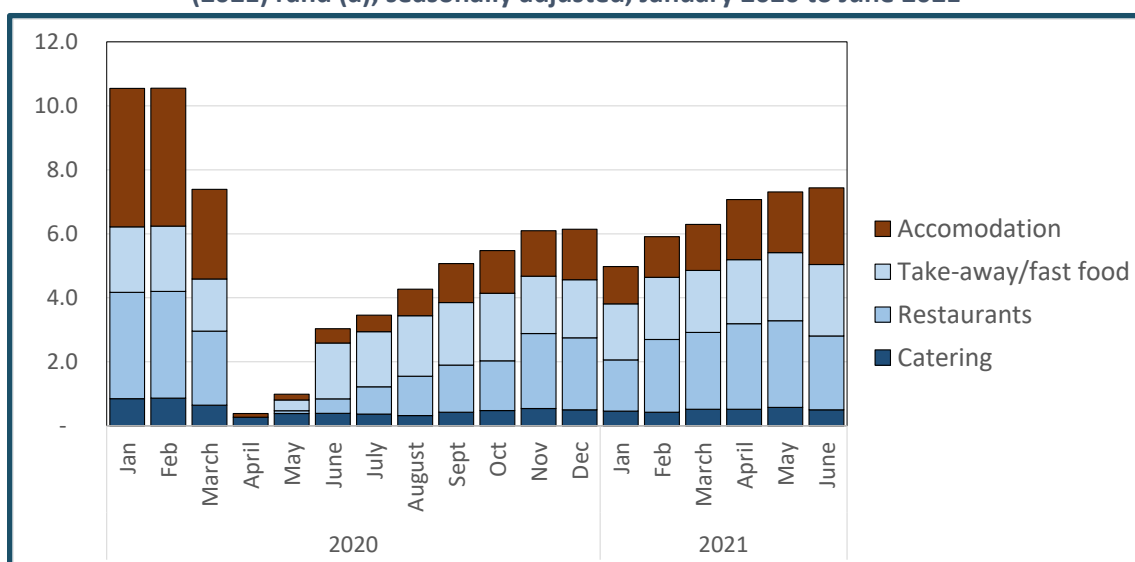

Note: (a) For accommodation, figures are reflated with CPI rebased to June 2021. Food service figures are reflated using the implicit deflator rebased to June 2021. *Source:* Statistics South Africa. Food and Beverages from 2005 and Tourist Accommodation from 2007. Excel spreadsheets. Accessed at www.statssa.gov.za.

Hospitality services are relatively labour-intensive. Statistics South Africa estimates that domestic and international tourism accounted for around 2.8% of the GDP but 4.5% of employment in 2017. The pandemic has seen a far slower recovery in hospitality jobs than in the rest of the economy, however. The number of people employed in the industry dropped from 600 000 in

the first quarter of 2020 to 450 000 in the second quarter, and has effectively stabilised there. As a result, hospitality jobs dropped from 3.7% of total employment in the first quarter of 2020 to 2.0% in the second quarter of 2021. Women constitute around 55% of employment in the industry, compared to below 45% in the rest of the economy, which means the downturn has hit them particularly hard.

Graph 2. Quarterly employment in restaurants, shebeens and hotels, first quarter 2020 to second quarter 2021, by gender (not seasonally adjusted)
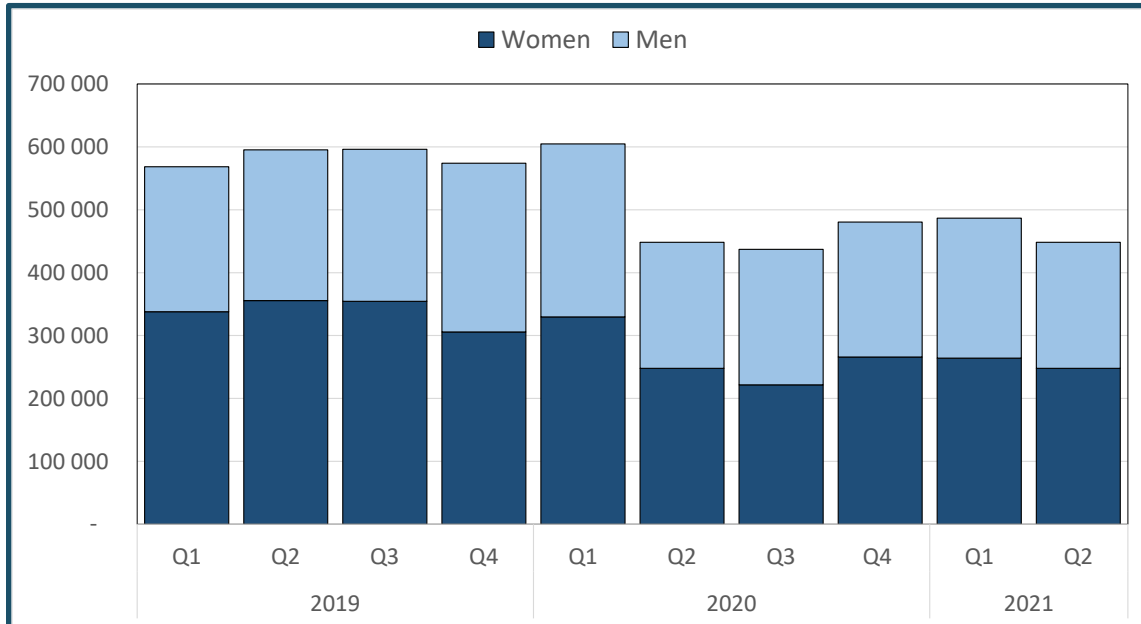
Source: Calculated from Statistics South Africa. Quarterly Labour Force Surveys for relevant quarters. Downloaded from Nesstar facility at www.statssa.gov.za.

The underlying challenge for the hospitality industry is that its historic business model relies on social gatherings, which bring with them the risk of COVID-19 infections as long as most people are not vaccinated. There are ways to adjust the pre-pandemic model to improve safety even with low vaccination rates. They include moving outdoors, improving ventilation and limiting capacity indoors, replacing live entertainment with streaming, requiring masks and social distancing.

Government can also do more to ensure that hospitality businesses and their workers, many of whom are freelance or part-time, are able to access relief packages. What won't work is simply to delay restrictions when infections surge, or to end safety requirements early even though contagion rates are still high. That approach risks prolonging waves of COVID-19, which in turn endangers the recovery in the rest of the economy and in society.