

PORTUGUESE HOTELS EXPECT A LOSS OF REVENUE OF EUR 3.6 BILLION



Raul Martins, president of the Portuguese Hotels Association (AHP), estimates that the loss of revenue from hotels in 2020 could exceed 3.6 billion euros, a more pessimistic forecast than that made in June.

Raul Martins said that the association's estimate foresees a drop in revenue of nearly 70% this year, a figure higher than that estimated months after the start of the COVID-19 pandemic.

The drop “is close to 70%, there are estimates of 60%, but with the current evolution of the European situation and without tourists from other continents, it will be worse than that, I have no other expectation”, said Raul Martins.

On 4 June, AHP executive president Cristina Siza Vieira said that the association expected losses of between 3.2 and 3.6 billion euros this year, and 24.8 to 46.4 million fewer overnight stays.

Raul Martins now recalls that in June AHP still expected a “recovery” the following months. However, “hotels that were hoping to open doors” from July “have not opened, especially in the cities”.

“The expectation was that in July there would be a recovery [...], it did not come to be and we expect an even greater reduction or loss of revenue in tourism” than what was initially estimated.

About the help given by the internal market this summer to companies that have lost foreign tourists, in a sharp drop compared to recent years, the president of the AHP admits that the flow of Portuguese “saved many companies”.

The Portuguese mitigated losses and in some cases there were almost none. In Algarve, in August - July, there was a reasonable growth of domestic tourism and in September there was an increase of more than 30% in domestic tourism in Algarve.

“But not only that. The country's interior (...) did not increase, but the reduction was less significant. In other words, if last year there was an occupation of 60% this year it was 50%. It is much better than what happened in the cities,” he added.

In Lisbon, for example, the average hotel occupancy after July was 15%. “I'm talking about the supply, not the hotels that are open. Some Portuguese hotels are open and others are closed, some manage to reach 30%, but the average occupancy is 15%”. In Porto, Raul Martins says it is “25% at best”.

“The cities have suffered the most because everyone knows that there are more people. They prefer rural areas where there are fewer individuals. This is what happened to the Algarve: Albufeira was deserted, because everyone expected it to be packed. Tourists drove to places where there was less chance of a high concentration of people”.

The executive believes that the reality of hotels and tourism is changing. "It was already shifting, but it has changed more abruptly, and things will not go back to what they were".

"We are not going back to the agglomerations we had. People will increasingly want to go to places where they have more privacy, for all sorts of reasons and now they know that it will be even more interesting. Nevertheless, there will always be youngsters who want to be surrounded by more people".

"It's natural, it's human. But this new reality is not going to vanish, smaller hotels are being sought after, and also places with fewer people, but with attractiveness nevertheless", he upholds.

"There will be a change in tourist preferences. We're already seeing that: the walking and hiking tours (...) but now there's another reason: the pandemic", he concludes.

The recovery of hotels will only start when there are 50% of arrivals in 2019. The president of the AHP says that the hotel recovery will start when 35% of occupancy is reached. To do this, half of the passengers who disembarked in Portugal in 2019 must be reached.

Portuguese airports handled almost 60 million passengers last year, an increase of 6.9% over the same period, according to a statement released by Vinci, owner of ANA - Aeroportos de Portugal.

He noted that the country initially believed that the COVID-19 pandemic "would last three months. But "after three months, the numbers [of activity] were much lower than expected".

"When does the recovery begin? In April? In May? We don't know the answer. The uncertainty is too much, we don't know the outcome of the vaccines. It's good to have a benchmark and the benchmark for us (...) is not 'month x'; it's when we have 50% [of passengers] in all airports in Portugal," he said.

Asked about the influence that that 50% of passengers last year will have on the hotel business, Raul Martins comes up with an average: the general occupation of hotels in Portugal was 70% in 2019 - "it was 80% in some years, in others it was lower (...). If we had 70%, 50% is 35%. With 35% occupancy, a standard hotel is operating normally, reaching the breakeven," explained the president of the AHP.

As for the estimates conveyed about the probable economic recovery, he believes that if "from April there is a recovery in travel due to the effectiveness of a vaccine", the recovery of some confidence could translate into a drop of "60%" in 2021.

This is already some improvement, bearing in mind that the estimate for this year was a 70% drop in revenues.

It cannot be ignored that "aviation predicts that 2019 air transport levels will only be reached again in 2024" and that Portugal "depends on air transport by more than 90%", he recalled.

"If we think that now, in 2020, we have had a drop of 70%, we have four years to make progress at an average of 10 to 15% per year. In other words, we will only be at zero by 2022," so "2021 will also be a year of losses for Portuguese hotels in general," he said.

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