



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
CENTRAL BANK OF MALTA

## THE TOURISM SECTOR DURING COVID-19: 2020, QUARTER 2

## BOX 2: THE TOURISM SECTOR DURING COVID-19: 2020, QUARTER 2<sup>1</sup>

### Introduction

The global economy has experienced substantial disruptions due to the COVID-19 pandemic. The tourism industry was hit particularly hard by this unprecedented shock as international travel was brought to a halt mainly during the second quarter of 2020, in an effort to contain the spread of the virus.

Tourist arrivals data for April, May and June were not been published by the NSO as the airport and seaport were closed in those months. This box seeks to analyse the local tourism sector during the second quarter of 2020 by using alternative data sources, outlines government measures directed at tourism-related sectors and briefly looks at data for July and August.

### Containment measures affecting the tourism sector during the second quarter of 2020

To limit the spread of COVID-19, the Maltese Government implemented a number of containment measures, which severely restricted international travel. One of the initial travel restrictions required passengers arriving in Malta from 26 February onwards, from Italy, China (including Hong Kong), Singapore, Japan, Iran and South Korea, to remain in quarantine for 14 days. Throughout the second and third week of March, a number of legal notices were issued suspending air travel from other areas of high transmission, such as France, Switzerland and Germany. Subsequently, with effect from 13 March, passengers arriving from any destination were to quarantine for a period of 14 days.<sup>2</sup> Fines were also imposed to ensure compliance with the obligatory quarantine.<sup>3</sup> On 21 March, all flights to/from all destinations were suspended.<sup>4</sup> Similarly, during March a ban on the entry of cruise liners into Maltese ports was imposed.

Aside from these travel-related containment measures, there were other measures which impacted tourism-reliant enterprises. For instance, in mid-March restaurants, bars, museums were closed to the public.<sup>5</sup> These enterprises gradually reopened in the last week of May, but with reduced capacity due to COVID-19 safety measures.

Malta International Airport (MIA) reopened on 1 July to a small group of countries considered to be part of a 'safe corridor'. In addition, travel by sea between Sicily and Malta also restarted on 1 July.

### Inbound tourism data for March 2020

The NSO released tourist data for March 2020, before halting the publication for April, May, and June. In the context of the aforementioned containment measures, unprecedented declines in tourism activity can be observed as early as March. During that month, 75,157

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<sup>2</sup> Legal Notice 63 of 2020.

<sup>3</sup> Legal Notice 39 of 2020; Legal Notice 72 of 2020.

<sup>4</sup> In terms of Legal Notice 92 of 2020, the restriction applied to all flights other than repatriation flights, cargo flights, ferry flights and humanitarian flights as well as travel deemed as essential by the Superintendent of Public Health.

<sup>5</sup> Legal Notice 76 of 2020.

tourists visited Malta, 56.5% fewer than the corresponding period in the previous year. The major contributor to this decline was the leisure category, though all other categories registered a sharp drop. Moreover, in March, total nights spent declined by 60.2%, while tourism expenditure declined by 62.6% compared with March 2019. Given that inbound tourism expenditure experienced a sharper decline relative to the number of tourist arrivals, expenditure per capita fell to €580.0 in March 2020, from €673.7 a year earlier.

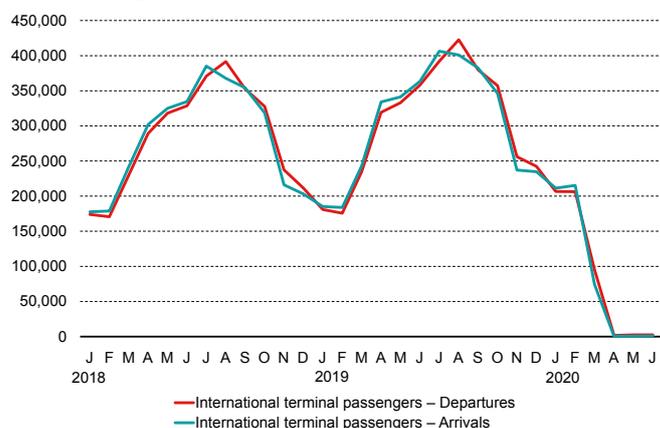
### MIA data on passenger traffic

Following the suspension of all commercial inbound flights from the end of March, the total number of departures and arrivals of international terminal passengers at the MIA registered a year-on-year decline of 99.6% in the second quarter of 2020 (see Chart 1). During this period, only 8,747 passengers made use of the airport, compared with 2.1 million passengers in 2019. Departures accounted for around three-quarters of passenger movements.

During the second quarter, the number of passengers arriving through MIA was very low from a historical perspective, standing at 1,984. This contrasts with 6,763 departures. Passenger movements during the quarter mainly reflect repatriation flights of foreign nationals, and residents returning to Malta.

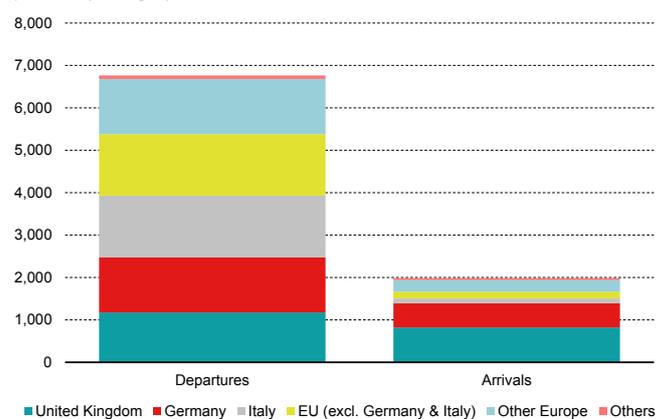
Around 70.0% of all passenger arrivals in the second quarter departed from the UK and Germany. Italy followed with another 5% (see Chart 2). With respect to departures, around a fifth of departures went to Italy, while around a third were directed to the UK and Germany.<sup>6</sup>

**Chart 1**  
DEPARTURE AND ARRIVALS OF INTERNATIONAL TERMINAL PASSENGERS  
(number of passengers)



Source: MIA.

**Chart 2**  
DEPARTURE AND ARRIVAL OF INTERNATIONAL TERMINAL PASSENGERS DURING COVID-19: QUARTER 2, 2020  
(number of passengers)



Source: MIA.

<sup>6</sup> Data reported in Chart 2 is based on geographic location rather than nationality.

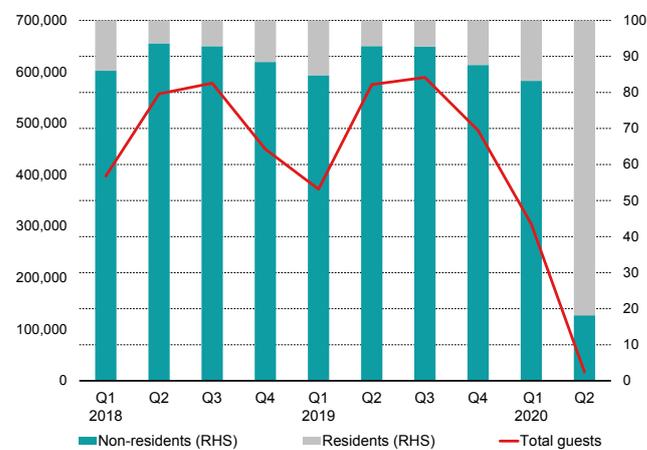
## Collective accommodation in the Maltese islands during the second quarter of 2020<sup>7</sup>

The drop in tourist arrivals, as well as the associated containment measures, had a deep negative impact on the collective accommodation sector in Malta. Indeed, during the second quarter of 2020, the total number of guests in collective accommodation establishments dropped by 97.0% compared to the corresponding quarter in 2019. The decrease in guest nights was of a similar magnitude, as these fell from 2.8 million in the second quarter of 2019, to just 64,161 in the second quarter of 2020. Moreover, the average length of stay in collective accommodation establishments, at 3.7 nights, stood lower than the average 4.8 nights recorded during the same quarter last year.

The second quarter of 2020 was also characterised by a shift in the composition – by residency – making use of collective accommodation establishments. With flights suspended, the majority of guests staying in collective accommodations were Maltese residents. Chart 3 shows that the latter accounted for 81.8% of total guests in collective accommodation establishments, substantially higher than the 7.1% share recorded a year earlier.<sup>8</sup> A similar pattern is observed in guest nights, with Maltese residents accounting for 47.1% of all guest nights during the quarter, substantially higher than the 3.6% recorded in the second quarter of 2019 (see Chart 4).

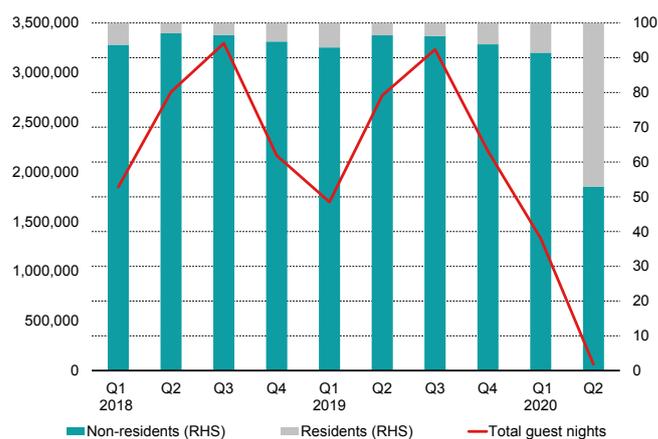
The average net use of bed-places during the second quarter stood

**Chart 3**  
**GUESTS IN COLLECTIVE ACCOMMODATION ESTABLISHMENTS**  
(number of guests; per cent)



Source: NSO.

**Chart 4**  
**GUEST NIGHTS IN COLLECTIVE ACCOMMODATION ESTABLISHMENTS**  
(number of guest nights; per cent)



Source: NSO.

<sup>7</sup> This section focuses solely on collective accommodation since data on other rented accommodation and non-rented accommodation was unavailable.

<sup>8</sup> Note that, as per NSO News Release 138/2020, guests accommodated in collective accommodation establishments for health and safety reasons were excluded from the survey.

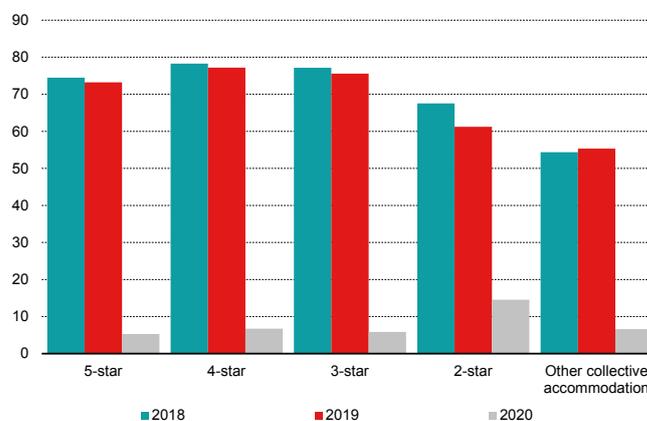
at 6.5%, a substantial decline compared to the 73.5% recorded in 2019. The largest decline in occupancy rates was seen in the 4-star hotel category (70.5 percentage points), followed by the 3-star (69.7 percentage points) and 5-star categories (67.9 percentage points). In contrast, other collective accommodation declined by relatively less (48.7 points), as did the 2-star hotel category (46.7 points). Although 4-star and 3-star hotels historically had the largest net use of bed-places, 2-star hotels recorded the largest net use of bed-places all throughout Quarter 2 (see Chart 5).

On a regional level, the drop in occupancy was stronger in Malta than Gozo and Comino (see Chart 6). Indeed, while guests in Malta decreased by 97.5% over the second quarter of 2019, those in

Gozo declined by 87.7%. Chart 5 also shows that, while the net occupancy rate in Malta fell to 5.9% from 74.9% in the same quarter last year, that for Gozo and Comino stood at 17.8%, down from 48.5% in 2019 Q2. Nevertheless, throughout the quarter, occupancy rates remained historically low across both regions.

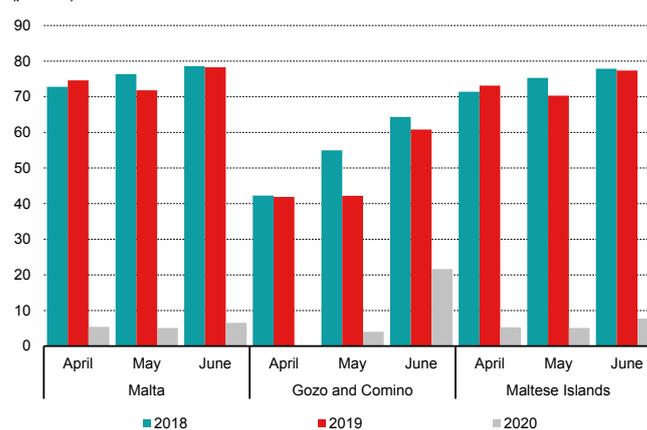
Gozo's superior performance in terms of occupancy rates is mostly driven by developments in the month of June. This may reflect a lagged response to the lifting of the ban on non-essential travel between Malta and Gozo.<sup>9</sup> This ban came into effect on 3 April and was revoked on 4 May. NSO data show that the number of passenger crossings between Malta and Gozo stood at 581,311 during the second quarter of 2020, representing a 63.1% decline over the second quarter of 2019 (see Chart 7). Similarly, the number of vehicles crossing between the

**Chart 5**  
NET USE OF BED-PLACES IN COLLECTIVE ACCOMMODATION ESTABLISHMENTS DURING QUARTER 2  
(per cent)



Source: NSO.

**Chart 6**  
NET USE OF BED-PLACES IN COLLECTIVE ACCOMMODATION ESTABLISHMENTS DURING QUARTER 2  
(per cent)



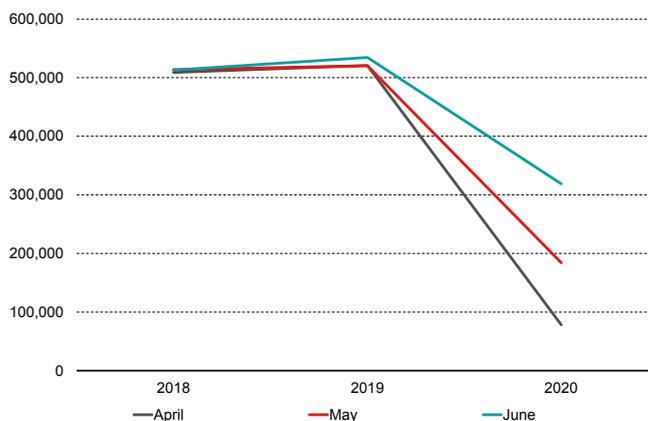
Source: NSO.

<sup>9</sup> In terms of the Legal Notice 118 of 2020, travel between the two islands was limited to work purposes, family visits, and medical purposes or to visit family members who are hospitalised. This mandatory non-essential travel ban did not apply to commercial vehicles and merchandise, as well as to individuals travelling to return to their ordinary residence.

two islands declined to 282,446, albeit by a lesser extent to 37.9%.

Although traffic between Malta and Gozo is an indicator of internal tourism, it is also influenced by non-leisure related movements and should thus be interpreted with caution. For example, increased teleworking arrangements may have also played a role in the decrease in passengers travelling between the two islands.<sup>10</sup> Indeed, the largest year-on-year fall in the number of passengers and vehicles was observed in April. More specifically, an 84.9% drop in the number of passengers and a 67.3% decline in vehicles were recorded in that month. This compares with year-on-year falls of 40.3% and 10.2%, respectively in June. The recovery in crossings between the two islands in May and June mainly reflects the aforementioned lifting of the ban on non-essential travel as well as the suspension of telework arrangements by some employers.

**Chart 7**  
**PASSENGERS CROSSING BETWEEN MALTA AND GOZO DURING QUARTER 2**  
(number of passengers)



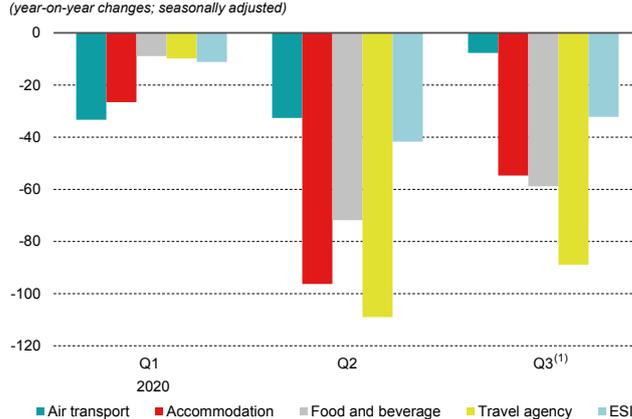
Source: NSO.

### Sentiment indicators of tourism-related sectors<sup>11</sup>

The European Commission's Economic Sentiment Indicator (ESI) fell sharply in the second quarter of 2020.

As containment measures eased, sentiment began to improve, though it remained well below 2019 levels. In general, the sub-categories of the ESI that refer to tourism-dependent sectors – air transport, accommodation, food and beverage service activities, and travel agency-related activities – show an even sharper drop than the overall ESI (see Chart 8).

**Chart 8**  
**ESI AND CONFIDENCE INDICATORS FOR TOURISM-DEPENDENT SECTORS**  
(year-on-year changes; seasonally adjusted)



Source: European Commission.

<sup>(1)</sup> Quarter 3 refers to the months of July and August.

<sup>10</sup> According to the NSO News Release 107/2020 on the effect of COVID-19 on the labour market, 33% of employed persons worked from home during April, substantially higher than the 12% recorded in 2019.

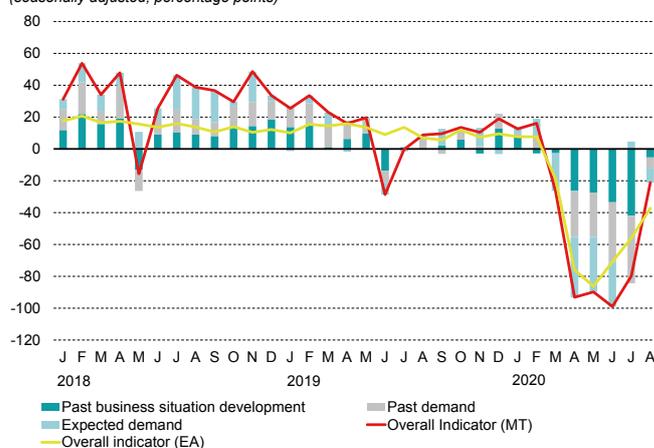
<sup>11</sup> The focus of this section is placed on the accommodation, air transport, travel agency, tour operator reservation service and related activities, and food and beverage service activities sub-sectors given that they have a high tourist ratio to total supply as shown in the Tourism Satellite Accounts available [here](#).

Economic sentiment for enterprises operating within the accommodation sub-sector deteriorated sharply as early as March 2020 (see Chart 9). It declined sharply again in April and only began to show signs of improvement in July. Sentiment increased substantially in August. It remained negative, however, broadly around the March 2020 level. Since the outbreak of the pandemic in Malta, all components contributed to the decline in sentiment. In July, as the airport and seaport were re-opened, demand expectations turned slightly positive. This contributed to a slight uptick in sentiment. Nevertheless, demand expectations fell again in August, despite improvements (less negative scores) in the other sub-components.

Similar developments were observed in the sentiment indicators of enterprises offering tour operator and related services and the sector comprising food and beverages and travel activities (see Charts 10 and 11).

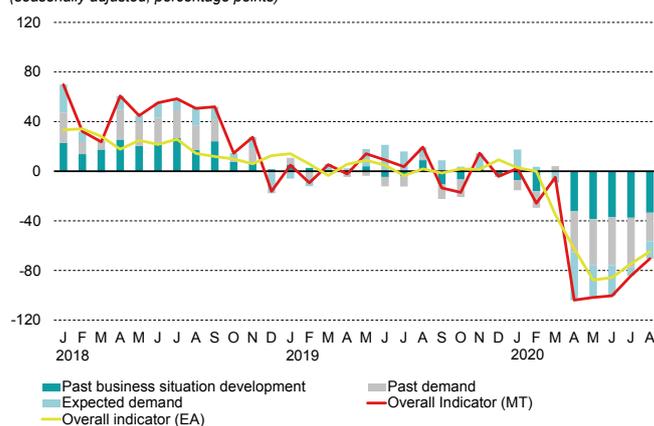
By contrast, the air transport sub-sector registered a sharp improvement in confidence in March (see

**Chart 9**  
**CONFIDENCE INDICATOR FOR ACCOMMODATION (I55)**  
(seasonally adjusted; percentage points)



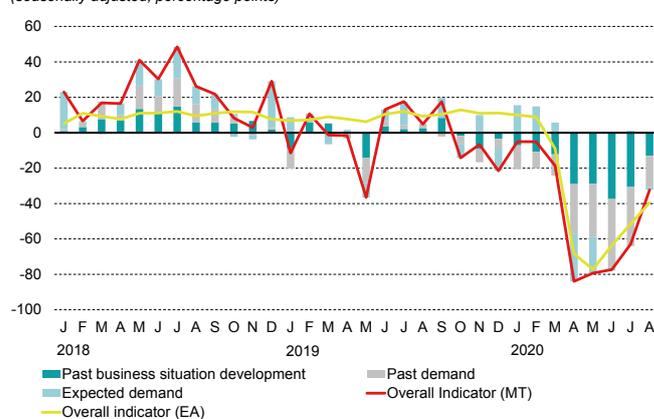
Source: European Commission.

**Chart 10**  
**CONFIDENCE INDICATOR FOR TRAVEL AGENCY, TOUR OPERATOR RESERVATION SERVICE AND RELATED ACTIVITIES (N79)**  
(seasonally adjusted; percentage points)



Source: European Commission.

**Chart 11**  
**CONFIDENCE INDICATOR FOR FOOD AND BEVERAGE SERVICE ACTIVITIES (I56)**  
(seasonally adjusted; percentage points)



Source: European Commission.

Chart 12). However, similar to the other indicators, sentiment deteriorated sharply in the second quarter of 2020. In contrast to the other sectors, recovery between the second and third quarters was rather limited. However, it is also the case that the sector was already showing very negative readings for a good part of 2019.

### Government support measures

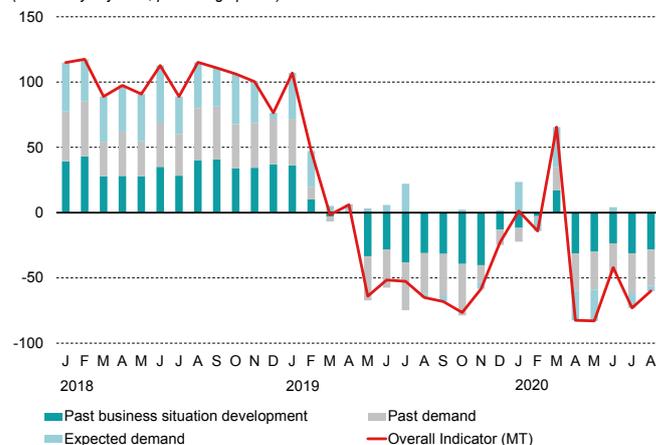
In response to the COVID-19 pandemic and the economic consequences of the related containment measures, the Maltese Government implemented a number of economic support measures aimed primarily to support affected businesses and preserve employment. Enterprises and employees linked with the tourism sector have benefitted from economy-wide stimulus measures, but also from specific measures intended to directly support the tourism sector.

In particular, businesses benefitted from a wage supplement scheme whereby the Government financed part of the salary of full-time employees to businesses which were hardest hit by COVID-19.<sup>12</sup> This wage supplement scheme was extended until the end of March 2021. LFS data show that in the second quarter of 2020, the number of people employed within the land, water and air transport sub-sector, the accommodation sector and the food service activities sector rose by 9.7% on a year earlier, but were down by around a tenth over the previous quarter. This decline was driven by employees, as the number of self-employed increased. The average monthly salary during this quarter – even after taking into account the wage supplement scheme – also decreased substantially, by 29.5% when compared with the first quarter of 2020.

In addition, firms benefitted from measures to support liquidity shortages. Firstly, a tax deferral scheme was announced as early as March, whereby dues related to provisional tax, VAT, and social security payments were deferred. This scheme was extended in August. In addition, enterprises facing liquidity shortages benefitted from a temporary moratorium on loan repayments, as well as a MDB COVID-19 Guarantee Scheme, whereby working capital loans were extended to businesses facing liquidity shortfalls. Other liquidity measures include a one-time grant of up to €2,500 to help in rent costs, as well as a 50% refund of their electricity bills for the third quarter of 2020, up till a maximum amount of €1,500.

<sup>12</sup> This includes businesses operating within the accommodation, food and beverage service activities, tour operators, travel agencies and other related enterprises and transport companies.

**Chart 12**  
**CONFIDENCE INDICATOR FOR AIR TRANSPORT (H51)**  
(seasonally adjusted; percentage points)



Source: European Commission.

To stimulate domestic tourism, the Government also issued a €100 voucher to each person aged 16 years and over, whereby €20 could be spent at outlets which were forced to close temporarily at the beginning of the public health emergency, while €80 could be spent at restaurants, accommodation establishments and bars. These vouchers were initially set to be valid until the end of September, but were eventually extended until the end of October. The Government announced that it had spent €44.6 million on this scheme by the end of August.<sup>13</sup> These vouchers were mainly spent in 4-star hotels, restaurants, and large retail groups. As outlined in the 2021 Budget, a further round of government vouchers will be issued in the beginning of 2021.

### Passenger and inbound tourism data in July and August

Following the easing of travel restrictions in July, activity in the tourism sector started to recover. However, as the infection rate in Malta and worldwide rose again, restrictions by several countries were imposed again. In particular, an amber list was added to the red and green travel lists with effect from August 22, which meant that tourists travelling from the countries on the list must present a negative COVID-19 test result before boarding.<sup>14</sup>

MIA data show that in July, passenger movements picked up sharply compared to June. There were 152,818 passenger movements, a substantial increase from just 3,345 movements in the previous month. Passenger movements continued to increase in August on a month-on-month basis, whereby 252,022 passenger movements were recorded. On an annual basis, however, this still represents a 69.4% decline on August 2019. Furthermore, the announcement of several quarantine restrictions on travellers from Malta and the introduction of the amber list locally put a brake on the recovery in the second half of August.

NSO data show that the number of inbound tourists in July decreased by 84.0% relative to the corresponding period a year earlier. Nights spent and expenditure show similar movements, standing at 75.3% and 88.1%, below their respective year-ago level. Meanwhile, expenditure per capita stood at around €693.6, down from €936.4 in July 2019.

The rate of contraction eased further in August, with inbound visitors still down by 66.0% in annual terms. A similar pattern is observed in nights spent and tourism expenditure. In August, these decreased by 62.6% and 71.3%, respectively. Expenditure per capita stood at €826.8, relative to the €979.3 observed in August 2019. This implies the gap relative to pre-pandemic levels – while still sizeable – continued to narrow over the summer months.

### Conclusion

Overall, the lifting of containment measures and financial support offered by the authorities appears to have provided some relief to the sector but there is still some way to go for a meaningful recovery which will probably not materialise until an effective vaccine becomes available. Travel remains severely limited as the world is experiencing a resurgence in infections. In addition, social distancing measures remain in place, which tends

<sup>13</sup> [Press release](#) by the Ministry for the economy, investment and small businesses.

<sup>14</sup> Legal Notice 333 of 2020.

to increase operational costs as well as to limit the recovery in demand. In fact, some hotels have already announced that they plan to temporarily close down during winter, and available data for August show that tourist traffic is still very weak.

The global nature of travel restrictions – which are likely to persist for some time – and Malta’s dependence on air travel, with reduced flight capacity, and limited scope for domestic tourism suggest that the sector will return only very gradually to the levels of activity seen in 2019.