

# Impact of Ebola crisis on hospitality and travel in Sub Saharan Africa

By Damilola Adepoju

*A monthly survey of the operating performance of major hotels in the Lagos market shows the average room occupancy for August 2014 at slightly over 40 per cent. This is the lowest monthly rate achieved thus far this year.*

In early April this year, while preparing a feasibility study for a hotel project in Conakry, Guinea, I had to call up the general managers of some hotels to find out to what extent the Ebola outbreak had impacted the city's hotel market. One of the general managers I spoke to was very diplomatic in his response, assuring me that the health authorities had the situation very much under control. According to him, the hotels in the capital and largest city of Guinea were yet to feel a substantially negative impact in occupancy rates; there was really not much to worry about and things would blow over very soon. This was about a month after the initial outbreak of the Ebola Virus Disease (EVD). I took in this information not really grasping the severity and virulence of the EVD, and not knowing that a few months later, my own city – Lagos – would also be dealing with the fallout from the 2014 Ebola epidemic, the largest outbreak in history.

The travel and hospitality industries in the West African region have undoubtedly felt the impact, with some countries restricting flight operations to Guinea, Liberia and Sierra Leone – the most EVD affected countries. Asky Airlines had to cancel its operations to the affected countries, especially after an afflicted passenger boarded one of its flights from Monrovia through to Lagos, becoming the first recorded case of EVD in Nigeria.

Arik Air, Nigeria's largest domestic and regional carrier, had to stop flying to the affected countries, as well as to Cameroun and The Gambia, following border restrictions from those countries (as at the time of writing, Arik Air has recommenced flight operations to Banjul, but not to Douala). Many other regional and international airlines have also had to cancel flight operations to the three most affected countries. More international route cancellations are eminent, particularly as the United States has recorded its first case of Ebola, from an individual who travelled from Liberia. Dr. Thomas Frieden, Director of the U.S. Centers for Disease Control and Prevention (CDC), made the announcement on September 30.



Damilola Adepoju

Preliminary data in August, showed a significant drop in travel, hotel and restaurant patronage in the West African region. As reported by Bismarck Rewane, Economist and Managing Director of Financial Derivatives Company, airline traffic within West Africa was down by 75 per cent. Load factors (the total weight of passengers and

cargo carried by an aircraft as a percentage of its maximum capacity) out of Lagos were up by 90 per cent, while the inbound load factors dropped by almost 50 per cent. Hotels in Victoria Island and Ikoyi recorded average occupancy rates of 20 and 30 per cent, respectively, in a city whose average occupancy rates are between 60 and 70 per cent. Restaurants also saw the average daily covers decrease by 50 per cent.

More comprehensive hotel operating results for the month of August support this preliminary data. A monthly survey of the operating performance of major hotels in the Lagos market shows the average room occupancy for August 2014 at slightly over 40 per cent. This is the lowest monthly rate achieved thus far this year; it is approximately 15 per cent less than achieved for the same month in 2013.

Granted, it is normal for hotel occupancy to be relatively lower in the month of August. August is the peak of the summer season when individuals tend to take vacations, and business travel slows somewhat. However, there is clearly an adverse effect from the Ebola outbreak.

Lagos 2014 Monthly Hotel Market Performance

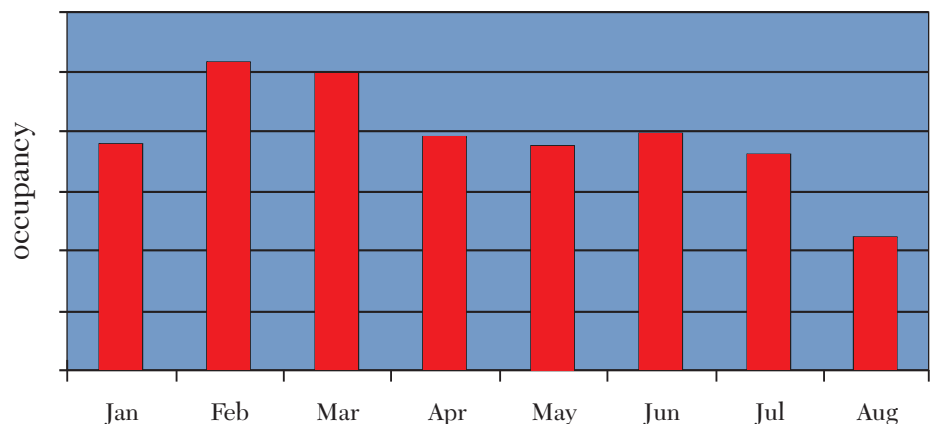


Fig 1: The monthly average occupancies are graphed, showing August achieving a much lower average than in the preceding months of the year.

Source: STR Global



*A paramedic takes the temperature of a lady with cordless thermometer*

As noted earlier, the average room occupancy recorded for August was 15 per cent lower than the same period in the previous year. Indeed, since this particular survey of the Lagos market began in December 2011, it is the lowest average occupancy ever achieved in any month. There are a few technical factors that may have contributed to this significant decrease, notably, that a couple of the hotels on the survey did not contribute in the month of August. However, this does not wholly explain the decrease. A survey of the Abuja hotel market also shows a similar decline in the average room occupancy for August. Abuja recorded a drop of almost 6 percentage points from the same period in the previous year (a decrease of approximately 12 per cent)

In addition, there have even been a few instances of regional and international events and company launches that were previously scheduled to be held in Lagos but were subsequently moved to other locations or postponed until things are more certain. A finance industry event, which was advertised to be held in Lagos, was moved to a different location in South Africa. No definitive reason was given, but it is clear Ebola was the reason for the change in venue. Some other companies are more specific in citing the Ebola epidemic as the reason for changes being made.

Of course the hardest hit countries will likely suffer the most. In addition to the

“Lagos, and Nigeria in general, have been widely commended for containing the outbreak, but the situation here remains delicate as long as the deadly EVD is not successfully contained in other countries in the region.”

breakdown in healthcare and other sectors, and with most of the airlines canceling operations, hotel room occupancies in the capital cities of Liberia, Sierra Leone and Guinea have been reduced to abysmally low levels. Occupancies as low as 10 per cent have been recorded in Monrovia, two major hotels in Freetown have had to close down and lay off employees due to the fall in occupancy. And of course, my general manager friend in Conakry will definitely have a different story to tell – occupancies there are currently at a low of 40 per cent, compared to an average of 80 per cent before the outbreak (according to a recent World Bank report). Even far away in Eastern and Southern Africa (where there have been no reported cases of Ebola), some of the safari marketers are reporting lower bookings and are projecting a considerable impact that the Ebola outbreak will have on demand.

Lagos, and Nigeria in general, have been widely commended for containing the outbreak, but the situation here remains delicate as long as the deadly EVD is not

successfully contained in other countries in the region. The decrease in patronage recorded in August is mostly attributable to initial shock and uncertainty, however the successful handling of the situation by Nigerian authorities should help to inspire confidence in travelers. Nigeria also has a very negligible leisure tourist industry, so the exposure to short- or medium-term losses in that market is limited. The domestic and regional markets have proved more resilient, but international travel to West Africa, and sub-Saharan Africa as a whole, is likely to suffer negatively in the short to medium term, until the outbreak is wholly contained in the region.

*Damilola Adepoju is a hospitality industry consultant, with professional and academic experience in diverse markets in Asia, North America and Europe. Her experience includes financial roles held at lodging and commercial real estate companies in Washington D.C and New York, as well as a current position at the leading hospitality advisory firm in sub-Saharan Africa, W Hospitality Group.*