



COVID-19 Sector Implications

Leisure & Hospitality

Please note that this sector summary should be read in conjunction with the [Overview](#), and that the information below considers the impact to date of COVID-19, then looks to the future under two different recovery scenarios. Additional information about the scenarios can also be found in the Overview document.

- **The first scenario assumes recovery by the end of 2020**
- **The second scenario assumes a longer-term recovery**

Impact to date

The decline in inbound tourism, social distancing and working from home means foot traffic across the hospitality and leisure sectors is materially down and is likely to remain significantly suppressed for some time to come. Most events (including concerts, sporting, conferences and some weddings) have been cancelled impacting not only international visitors but those travelling domestically. A number of outlets have already closed, and many variable hours workers have been let go or reduced close to nil. The upcoming increase in minimum wage is an additional burden. Cash reserves tend to be limited making the next few weeks very difficult for the sector. Meeting fixed obligations, primarily rent, will already be difficult and we expect some pain-sharing with landlords. Many businesses in the leisure and hospitality sectors will be forced to seek concessions from their banks in the form of increased facilities, repayment holidays and covenant waivers or resets. Early indications suggest that lenders will generally look to be supportive where possible, with this being assisted by low wholesale interest rates and the recently announced 12-month delay in the implementation of RB's increased capital requirements.

Recovery by end of 2020 impact

Many privately-owned cafes, bars, and restaurants will not survive without help from landlords, breweries or access to funding (debt or investment). Any 2020 recovery is likely to be significantly subdued by a slow return of tourists and generally weak consumer confidence and discretionary spending. However, those that manage to survive will benefit from less competition. Providing a delivery service may help cover some costs but will not replace the higher margin alcohol sales.

The supply of labor may also be a problem for the sector due to the lack of migrant workers, but this slack may be absorbed by locals who would be otherwise unemployed.

Longer term recovery-

Few businesses will be able to remain operationally viable with their current cost structures, leading to widespread closures and insolvencies. The Americas Cup and APEC (which is scheduled to commence late 2020) provide hope of a demand boost, and any changes to these will leave little incentive for remaining operators to continue absorbing losses. Any recovery will be mooted.

There may be opportunities as demand picks up for new start-ups, especially due to the relatively low barriers to entry.

We have additional information, insights and practical advice on the business implications of COVID-19 available for you here:

- [Business implications](#)
- [Cyber safety](#)
- [IT resilience](#)
- [Financial reporting](#)
- [Business Continuity and Crisis Management](#)

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