

Cyprus hospitality sector update

KPMG Cyprus Hospitality Newsletter

September 2022 issue



The current edition of KPMG’s Hospitality Newsletter covers data relating to tourism arrivals up to July 2022 and the tourism revenue for the first half of the year.

Our newsletter highlights some key performance indicators of the sector such as tourist arrivals, revenue and forthcoming developments, while the effects of the longevity of the pandemic and the war in Ukraine continue to impact the hospitality sector in Cyprus.

Evolution of tourist arrivals and associated revenue

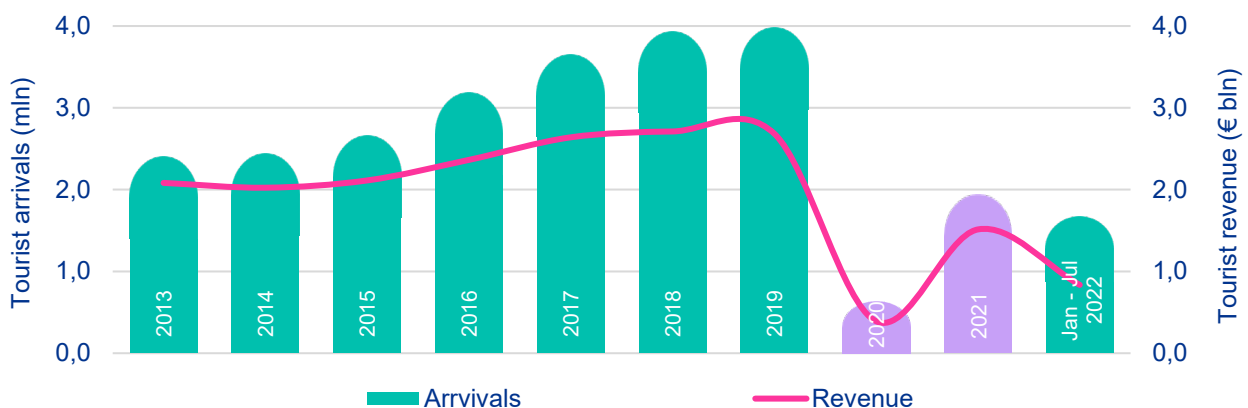
2022 tourist arrivals and associated revenue trend

The unfortunate event of the war in Ukraine resulted in an estimated loss of c.800.000 tourist arrivals during the summer season, mainly from the Russian and Ukrainian markets, according to the Deputy Ministry of Tourism. Following this shortfall, tourist arrivals in 2022 are expected to remain considerably lower than the pre-pandemic record of 4 million in 2019.

However, a significant recovery in arrivals was recorded during the period January – July 2022 compared to the previous two pandemic years 2020 and 2021, even with the prevailing uncertainty of the longevity of the pandemic and the geopolitical crisis instigated by the Russian military invasion in Ukraine. It appears certain that tourist arrivals in 2022 will exceed the 2 million arrivals of last year, as the numbers show.

Specifically, tourist arrivals for the first seven months of 2022 reached 1,7 million, almost reaching the 2 million tourists that arrived in the whole of 2021. Also, notably, the 2022 arrivals reached 77% of the corresponding period in 2019.

Evolution of tourist arrivals and associated revenue 2013 - 2022



Note: Revenue figures for 2022 are only up to June

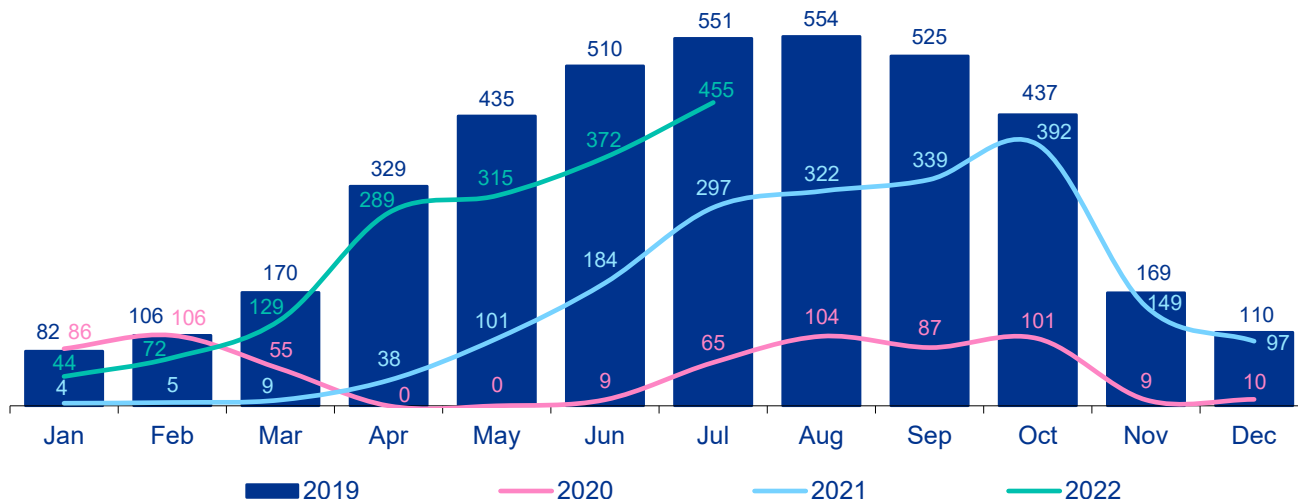
Source: Cyprus Statistical Service

An upwards trend is also observed for the revenue from tourism amounting to €836 million in the first half of 2022, noting a growth of 223% compared to the corresponding period of 2021. Total revenue up to June 2022 reached 83% of the tourism revenue of the corresponding period in 2019. Despite higher costs and prices, the revenue per tourist arrival in the first half of 2022 was down to €684 from €781 recorded in 2021 (full year).

Seasonality trend

This year's monthly trend of arrivals was similar to the seasonality trend of 2019, while in 2021 tourist arrivals kept rising until October, following the lifting of the COVID-19 travel restrictions after the first half of 2021.

Monthly tourist arrivals trend 2019 – 2022 (in thousand)



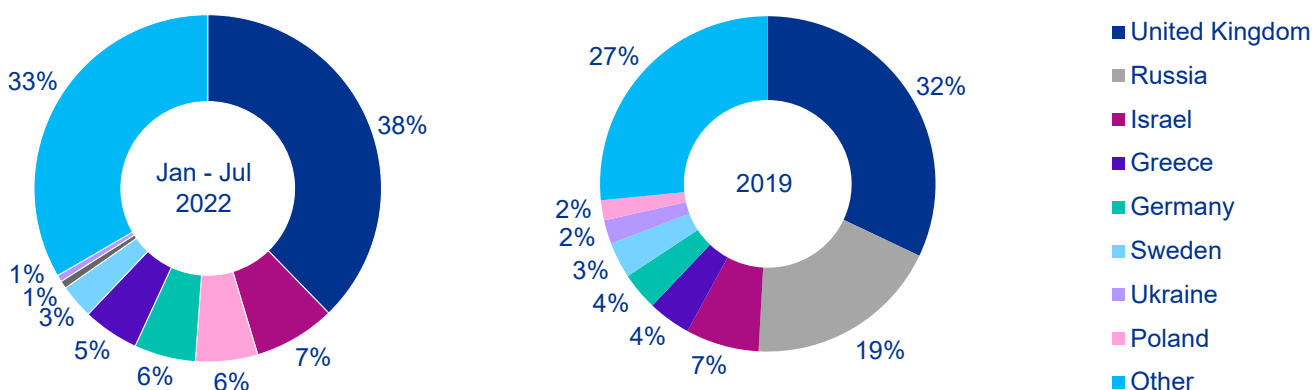
Source: Cyprus Statistical Service

2022 key source markets of tourism and purpose of visit

Main markets of tourist arrivals

The flight restrictions imposed due to the war in Ukraine resulted in a distortion of the Cyprus' key source markets of tourism. In recent years, Russia was Cyprus' second largest market after the United Kingdom. According to the Deputy Ministry of Tourism, 20%-25% of the c.800.000 lost tourist from the Russian and Ukrainian market is expected to be offset by arrivals from other alternative markets such as France and Scandinavian countries.

Main markets of tourist arrivals Jan – Jul 2022 vs 2019



Source: Cyprus Statistical Service

Purpose of visit

Holidays have historically been the main purpose of travel in Cyprus. For the period January to July 2022, holiday makers accounted for 80% of total visits. Visiting friends and relatives accounts for 13% of total visits, followed by business purposes at 7%.



Source: Cyprus Statistical Service

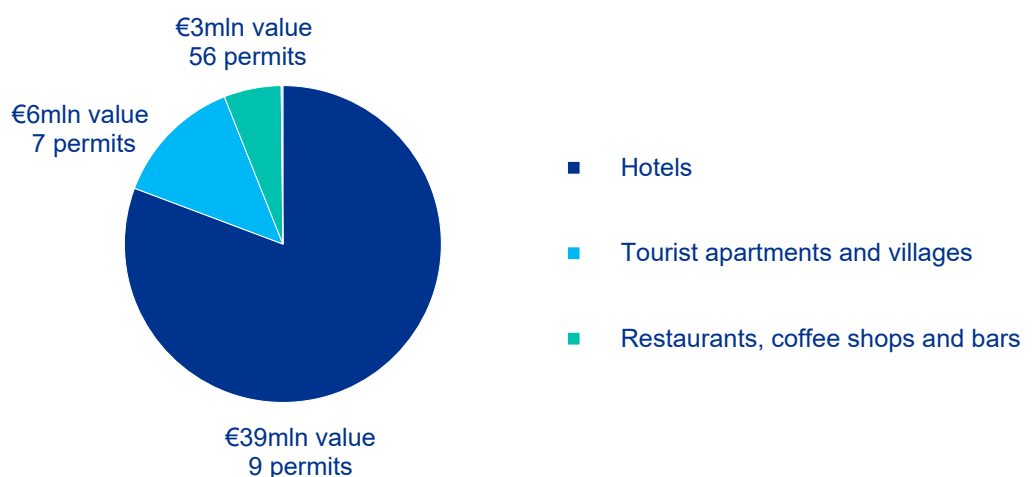
Sector development

Building permits issued by type of project

During the first five months of 2022, 73 new building permits related to the hospitality sector were issued of which 77% relate to restaurants, coffee shops and bars, 12% to hotel developments, 10% to tourist apartments and villages and 1% to other tourist accommodation.

The total value of the newly issued building permits relating to hotels and other similar buildings reached €48 million with hotels accounting for of 81% of the total value, followed by the tourist apartments and villages at 13% and restaurants, coffee shops and bars at 6%.

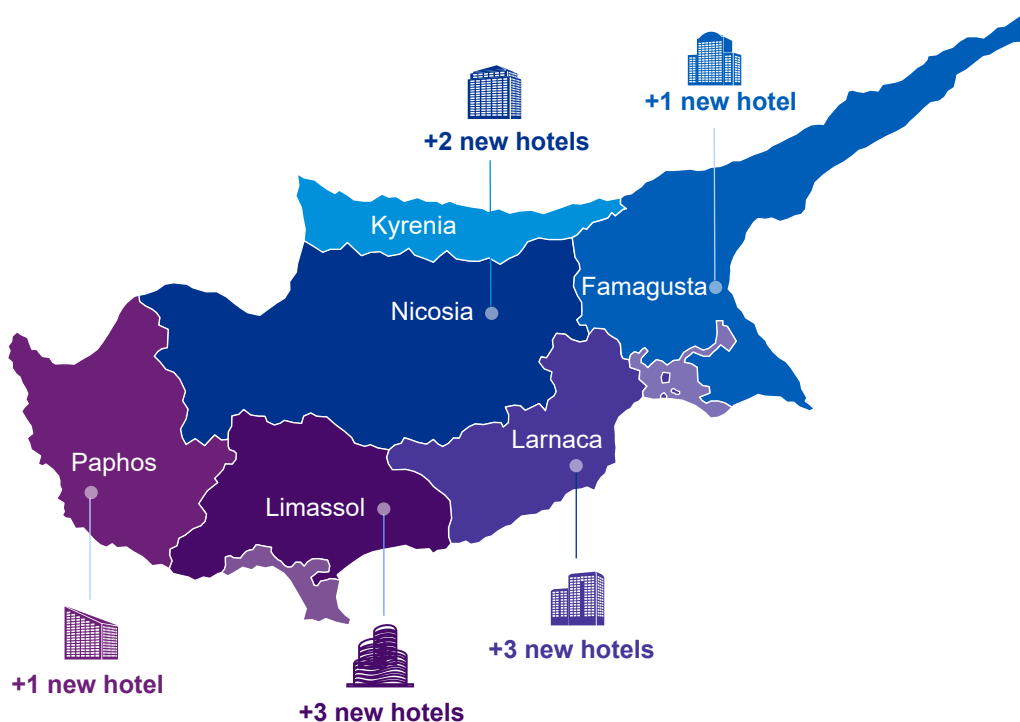
Building permits issued by type of project Jan - May 2022



Source: Cyprus Statistical Service

Upcoming hotel developments by the end of 2023

Despite the unprecedented times the globe is facing, and the global disruption caused in the hospitality sector as a result of the pandemic and the war in Ukraine, Cyprus' hospitality sector demonstrates continual growth with ten new hotel developments expected to enter the market by the end of 2023.



Source: Press releases and other publicly available information

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