

Voluntary Report – Voluntary - Public Distribution

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Report Name: Impact of COVID-19 on the Caribbean Tourism Industry and Food Service Sector

Country: Caribbean Basin

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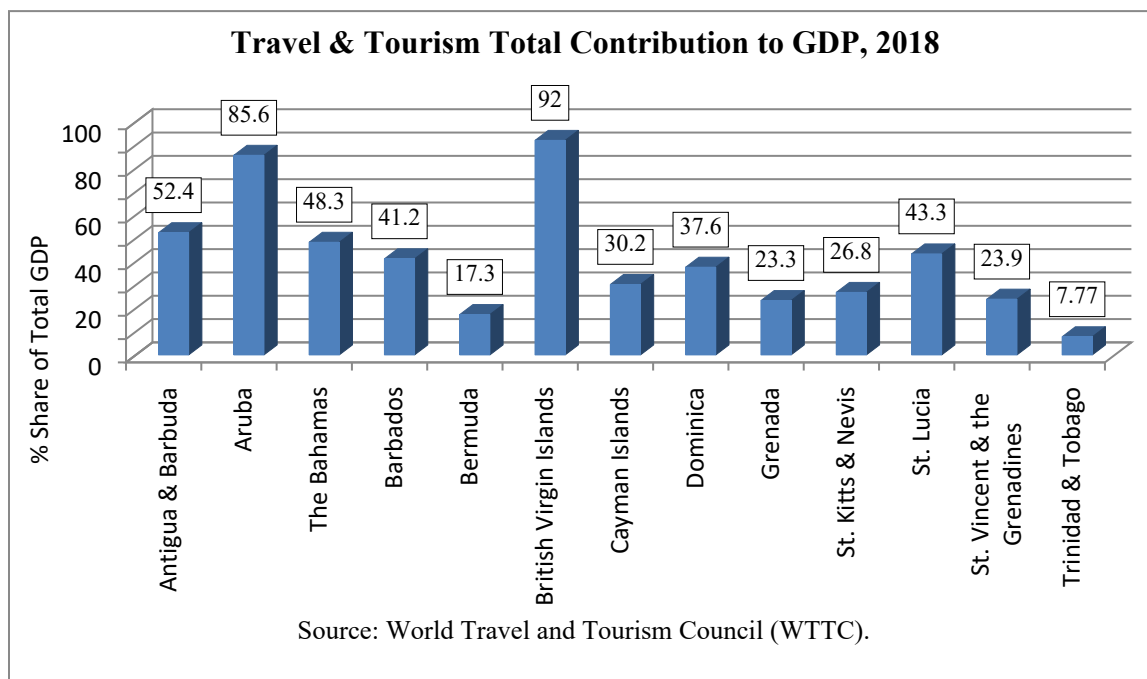
Report Highlights:

The Caribbean tourism industry and the hotel/restaurant food service sector have been significantly impacted in both the near and long-term as a result of COVID-19. Tourism is a key driver in many Caribbean islands, both directly and indirectly contributing to GDP. This report provides an overview of the current state of play and key factors that may affect the breadth and speed of the recovery.

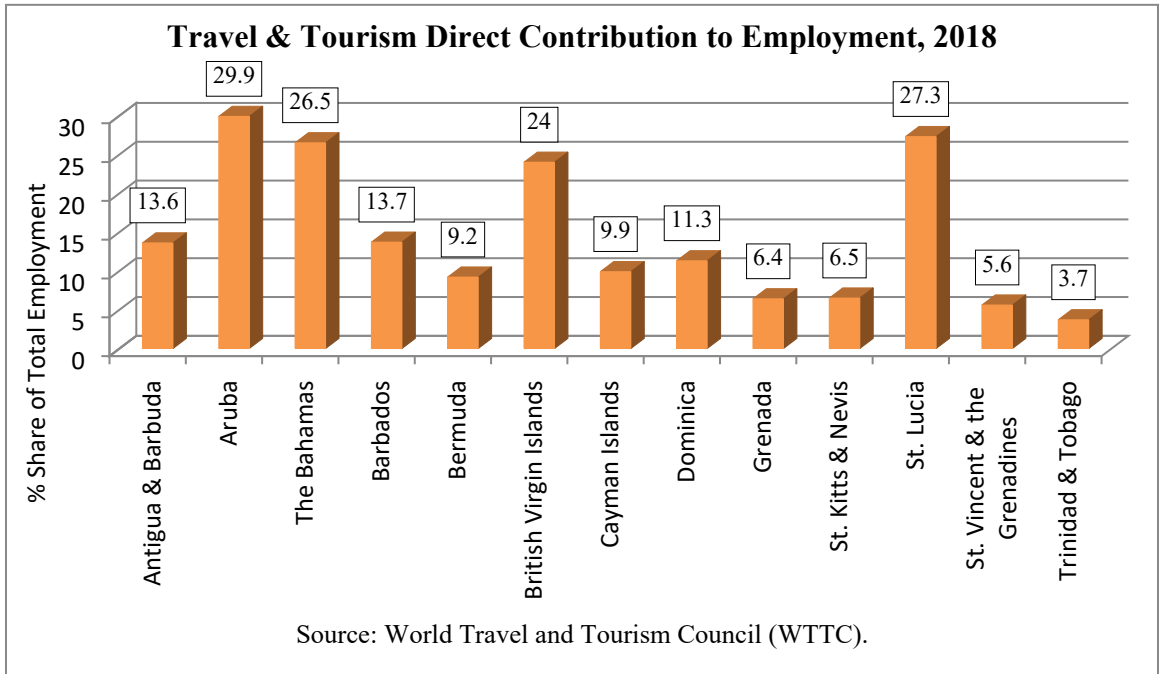
Note: This report focuses on an initial assessment of the potential impact of COVID-19 pandemic on the tourism industry and food service sector of the 23 island markets that comprise the Caribbean Basin Agricultural Trade Office (CBATO) region of coverage. These island markets are: Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Bermuda, British Virgin Islands, Caribbean Netherlands (Saba, St. Eustatius, Bonaire), Cayman Islands, Curacao, Dominica, Grenada, Guadeloupe, Martinique, Montserrat, St. Barts, St. Kitts and Nevis, St. Lucia, St. Martin, Sint Maarten, St. Vincent and the Grenadines, Trinidad and Tobago, and Turks and Caicos Islands. Hereinafter, the terms “Caribbean” and “Caribbean Basin” refer to these 23 island markets.

Tourism – The Pillar Sustaining The Region’s Economy

The Caribbean is said to be the most tourism-dependent region in the world. As such, it is also highly exposed to any factors that may affect the flow of over 7 million stop-over visitors and 17 million cruise ship passengers that travel to the islands annually. A case in point is the COVID-19 pandemic, which is having a dramatic impact on the islands. While the region has been spared to a large degree from the devastating effects of the disease itself, the economic fallout from the abrupt and practically absolute closure of the region’s tourism sector has been hard felt. Tourism is the main contributor to GDP in the vast majority of the region’s small island economies. The only exception is Trinidad and Tobago, where the economy is based on oil and petrochemicals. While international business, financial services, oil refining, light manufacturing, agriculture and other economic activities do take place on some islands, tourism is generally the largest contributor to GDP.



Tourism is also one of the primary sources of foreign exchange earnings for most islands. The dollars generated from tourists for their accommodations, meals, transportation, island tours and activities, and shopping help to fuel local economies and generate revenues from air and seaport taxes and fees, hotel taxes, sales taxes, etc. Tourism is also a key source of employment. The graph below shows travel and tourism’s direct contribution to employment in select islands. When also considering jobs indirectly related to tourism (i.e. transportation, retail grocery, merchants, services, and others) the percentages may run higher. In Aruba and Sint Maarten, for example, more than 90 percent of jobs are reportedly directly or indirectly linked to tourism.



Stop-over tourists are the lifeblood of the food service industry in the vast majority of Caribbean islands. From beachside eateries and bars to Michelin Star fine dining establishments, tourists are usually an important if not the main source of customers. In fact, in several islands many restaurants normally shutdown for months at a time during the off-peak tourist season.

Cruise ships also play an important yet often understated role in the Caribbean food service sector. Because most passengers and crew eat the majority of their meals on board, it is often assumed that they don't consume much in terms of food and beverage while onshore. However, with 12,000 to 20,000 passengers disembarking daily on many islands during peak tourist season, it is easy to see how an order of conch fritters here and a cold island beverage there add up. Data derived from a recent industry study¹ show that in the Caribbean cruise ship passengers and crew spent an estimated \$139 million on food and beverage in 2017/18.

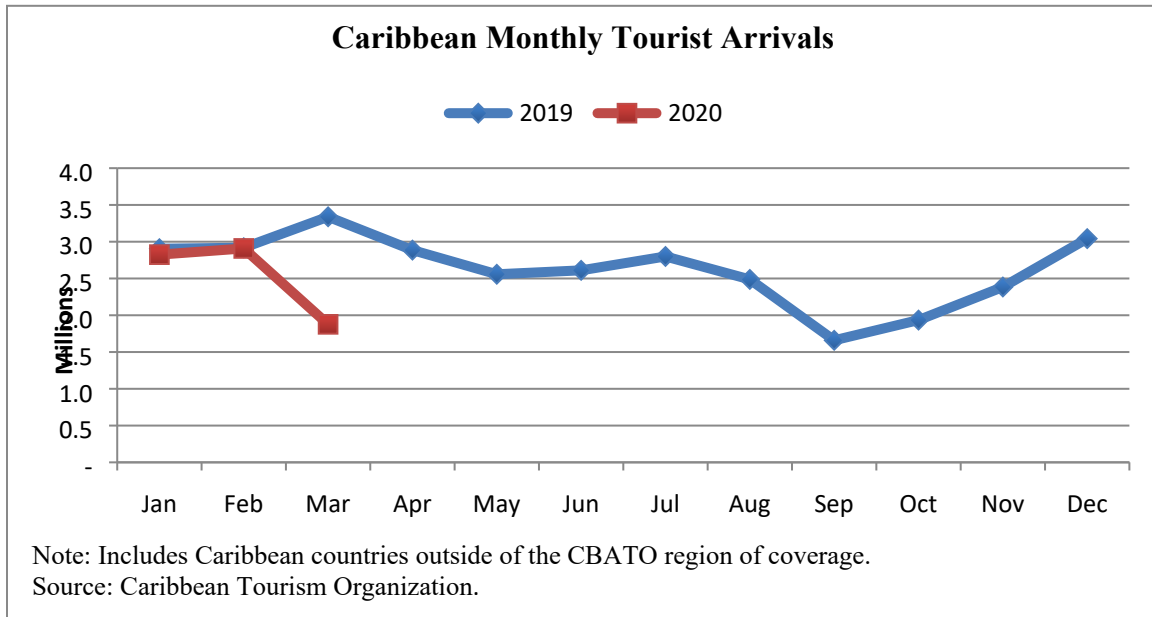
The Caribbean's hotel, tourism and food service sectors fuel demand for imports of U.S. food and agricultural products. In 2019, the Caribbean imported nearly \$2 billion in consumer-oriented products, of which approximately 54 percent (\$1.1 billion) was sourced from the United States. Of this, the HRI food service sector is estimated to account for over 30 percent.

Impact of Covid-19 on Tourism Industry and Food Service Sector

In March 2020, as the pandemic unfolded throughout the world, Caribbean countries took action to close their borders and implement measures to halt the spread of the virus. Measures included travel restrictions and travel bans, curfews, stay-at-home orders, and restrictions on businesses, including hotels and restaurants. In addition, cruise lines halted operations. Without regular commercial airline service or cruise ship sailings to bring tourists to the region, and island governments implementing public health measures to counter the pandemic, practically the entire Caribbean hotel sector was forced to shut down. From mega resorts to small independent hotels, remaining open was not an option without tourists.

1 – "Economic Contribution of Cruise Tourism to the Destination Economies," Business Research and Economic Advisors, October 2018.

A survey conducted in mid-April by the Caribbean Hotel and Tourism Association indicates that nearly 90 percent of hotels and other tourist-related businesses were either closed or only partially open but not accepting guests. As a result many hotel and restaurant employees were furloughed or let go. The few hotels that remained open maintained operations with only a skeleton staff and minimal occupancy. In some islands, governments allowed restaurants to remain open for take-out and delivery only, but in most islands they were shutdown altogether. This resulted in an immediate drop in demand for food imports destined for the food service sector, and importers and distributors that exclusively serviced this sector also scaled back or closed due to lack of business.



Current Situation

As of June 15, most Caribbean islands remain either wholly or partially shut down, and tourism has yet to resume. However, Caribbean governments have begun to ease Covid-19 restrictions, with some countries announcing plans to phase in reopening, and a few have actually started the reopening process. Opening their borders to international flights is generally seen as the last step toward welcoming tourists. Leading the pack in this regard is Antigua and Barbuda, which reopened its airport to commercial air service on June 1, followed by St. Lucia on June 4. Several others islands are tentatively looking to reopen their international airports between June 15 and July 15, while others have yet to make a determination on a reopening date.

What Next?

Even with the prospect of resuming international air travel in the coming weeks and months, it remains to be seen how quickly the HRI sectors will recover. The primary factor is the resumption of tourist arrivals as borders are opened and flights resume. Tourist arrivals will obviously hinge on a number of factors such as confidence in travel and mitigation measures, flight availability, and economic and financial situations in tourist origin markets.

Attachments:

No Attachments.