



making business sense



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FOREWORD TO HRG 2009 HOTEL SURVEY BY CENTRE FOR ECONOMICS AND BUSINESS RESEARCH (CEBR)

The overall picture emerging from the Hogg Robinson Group (HRG) hotel survey shows room rates falling by between 3-4 per cent on average between 2008 and 2009; a graphic indication of the worst year for the global economy since 1946. World GDP fell in 2009 for the first time since demilitarization after the Second World War. However, the survey also illustrates the different pace of recovery across economies and highlights long term global economic trends that have been accelerated by the global recession – with the economic ‘balance of power’ shifting from West to East.

The resource-based economies of Middle East and Africa, which have shown strong recoveries from the bottom of the commodity cycle in early 2009, have also seen the strongest performance in average room rate growth in 2009. However, fast development is also a ‘double edged sword’ in relation to hotel room rates. Both India and China bucked the global trend by posting GDP growth of around six per cent and nine per cent respectively in 2009 – despite this room rates fell over the year. This reflects the substantial increase in supply over the year – a consequence of such strong economic growth.

Weak economic performance in Europe was mirrored by a weak performance in Eastern Europe in particular. The continued strength of the Euro, despite a relatively weak economy, has also dented prospects across the European Union.

Most economic indicators across the globe point to growth in Q4 2009. These signs of recovery are mirrored in the HRG Hotel Survey with all global regions posting growth or a flat performance. Going forward, we expect a ‘two speed’ recovery with relatively sluggish growth in Europe and the US, whilst much of the developing world will power ahead.

The United Kingdom economy finally emerged from recession with limp 0.1 per cent growth in Q4 2009, but the 4.8 per cent decline in real GDP through 2009 saw average rates fall by 6 per cent over the year. All surveyed UK cities saw declines in average room rates as the recession hit demand across the country. Northern Ireland and the West Midlands experienced particularly sharp contractions in output over the year, which was reflected in the particularly poor performance of room rates over this period. The construction boom through the 2000s in Northern Ireland has resulted in over supply, which meant that Belfast saw the worst performance of all cities surveyed in the United Kingdom.

Despite the origins of this recession being rooted in the banking sector, London performed relatively well compared with its UK counterparts. The market was boosted by the weak pound which saw large numbers of continental shoppers visiting London in search of bargains in the lead up to Christmas. The relatively strong recovery in the banking sector over 2009 on the back of record low interest rates and quantitative easing also helped London finish the year better than most of its UK counterparts.

cebr is a leading independent commercial economics consultancy with particular strengths in macroeconomic and market forecasting.