

Covid-19 Update - Issue 4/2020

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Global Economic Trends

According to Oxford Economics, signs are emerging that epidemic control measures are working, nevertheless global economic costs will be significant: China could see a double-digit fall in GDP in Q1 and any rebound in China in Q2 will be swamped by slumping activity in the US and Europe. Global GDP is expected to rebound sharply in Q2, although the contraction through all of 2020 may surpass the -1.1% drop recorded during the 2009 the global financial crisis.

COVID Impact on international tourism

- Based on the latest developments and the evolutions and the patterns of previous crises, UNWTO estimates international tourist arrivals could decline by 20% to 30% in 2020. This would translate into a loss of 300 to 450 US\$ billion in international tourism.
- As a result, statistics indicate that the global travel and tourism market is predicted to lose around 75 million jobs worldwide in 2020, mainly in the Asia Pacific region (48.7 million), while Europe is forecast to be the second hardest hit with a forecasted employment drop of 10.1 million.
- Cerved analyzed the potential impact on Italian tourism, drawing two potential scenarios related to pandemic duration. In both cases, a significant drop, between -20 and -42%, in revenues is expected at a national level, while the Ligurian tourism cluster would lose between 1.1 and 2 billion Euro, corresponding to -18.6% and -31.7% respectively.

Cruise shipping scenario

- According to Francesco Di Cesare, president of Italian consultancy Risposte e Turismo, cruises had been growing continuously for years and by 2020 the forecast was 32 million cruise passengers worldwide, compared to 30 in 2019. Now the outlook changes dramatically: 2020 will close in red, and the full recovery is not likely to be achieved in 2021, but only in 2022.
- After Caribbean (34,4% of the total sector), the Med is second market with a share of 17,3% of the entire movements (Source: 2019 Cruise Trends & Industry Outlook - CLIA and Medcruise).

Market outlook

The cruise industry is facing the biggest challenge yet, since the whole sector is on pause. Summer

seasons are questionable, according to analysts and cruise insiders.

- The leading cruise industry event, Seatrade Cruise Global, to be hosted in Miami in April has been cancelled and postponed to 2021. Presently Seatrade Med (Malaga 16/17 September) is confirmed.
- Financial Times claims that despite the Covid crisis the cruise market is surprisingly vital: SAGA Travel, among other cruise shipping companies, had almost fully booked ships in March and 80% of the cabins are already reserved for autumn cruises. In fact, the latest data reveal that American reservations for 2021 cruises are on the rise: the main US companies have increased by 9% in the last 30 days, compared to the same period last year.
- Asia, Alaska, the Caribbean and the Bahamas benefit from the greatest demand. By contrast, reservations for the Mediterranean have declined significantly in the past month, due to the fact that Europe is still perceived at a difficult point in the virus containment process.
- Thus Shipping Companies are reorganizing their itineraries also considering the restrictions in force the various regions and Cruise Lines, associations and professionals of the cruise sector are working on new marketing campaigns
- According to Michael McCarthy, Chairman Cruise Europe, the cruise industry and its stakeholders have to find a solution to answer the many fears and concerns of ports and regions accepting large cruise ships berthing in densely populated areas, like proper health monitoring systems, in order to make cruise passengers welcome again.

Cruise Ships lay-up

The major Cruise Shipping Companies have temporarily shut down operations in March as the number of coronavirus cases began soaring around the globe.

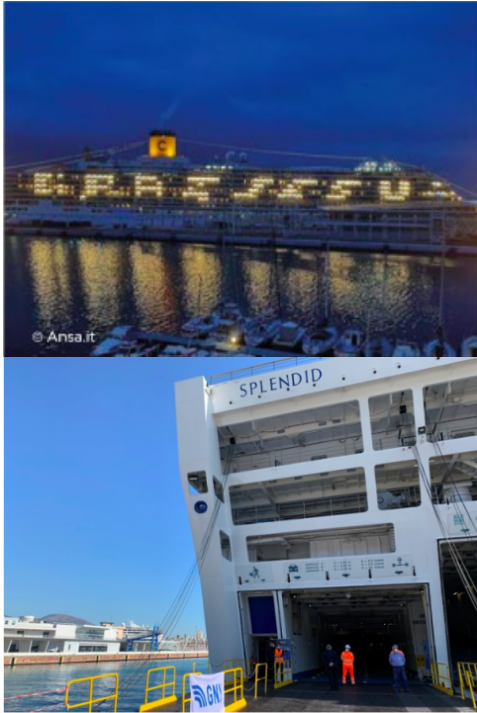
- The most common option is a warm lay-up, that means the ship runs on its own power and there is a proper crew onboard (full deck and engine crew and some hotel crew) maintaining the vessel. The ship will thus be ready to resume regular passenger service on short notice.
- In case of a prolonged lay-up, machinery on the ships is prepared for an extended idle period and the majority of crew is sent home, thus the ship could take weeks to be ready to return to service.
- Carnival Corporation claims the costs of a “warm lay-up” amounts to 2/3 million US\$ per month per vessel, while a prolonged lay-up costs approximately \$1 million per month
- At the moment 10 ships are moored in warm lay-up in 8 Italian ports (Savona, Genova, La Spezia, Piombino, Napoli, Civitavecchia, Ancona and Brindisi)

Ports of Genoa

Cruise Activity

Due to the activity suspension of the two main companies that homeport in Genoa and Savona, Costa and MSC, since the beginning of March the cruise terminals (Palacrociera and Stazioni Marittime), have only managed disembarking operations of passengers and crew members.

- In 2019 cruise traffic reached a record 435 calls and 2,018,847 pax (1,349,370 in Genoa and 669,447 in Savona) and Ports of Genoa ranked second in Italy and among the leading ports in the Med.
- Cruise activity was up even in the first two months of 2020, but the complete stop in March lead to a -25% decline in Q1. The loss is going to increase in April and May, part of the pick season.
- The two leading companies have both extended the original suspension period because of the protracted emergency situation: Costa Crociere is supposed to resume its operations on the 30th of May, whilst MSC Crociere on the 29th of May.
- MSC Crociere has been the very first company in the industry in Italy to apply for layoffs for its employees. The social safety measure involves 600 employees who operate in various offices in the country, including Genoa.
- After a joint decision by Government, port, public health and local authorities and harbourmaster two cruise ships are moored in the Ports of Genoa in warm lay up: Costa Luminosa in Savona and MSC Opera and MSC Splendida in Genoa.



Help to Local Communities

MSC and Costa Cruises decided to support the cities of Genoa and Savona in their effort to overcome the COVID emergency:

- The GNV Splendid ferry ship was put at the disposal of the city of Genoa as a floating hospital, to host COVID-19 recovering patients, by MSC Group;
- Costa Cruises supports the work of doctors and nurses of the Liguria Region who are committed each day in safeguarding public health by donating a financial contribution to local hospitals.

Cruise Stop Economic Impact

The halt to cruise ships due to the pandemic has a direct impact on the whole cruise lines value chain, from port terminals to ship construction and repairs, ship chandler's, tour and transport operators, tourist guides, leisure attractions, restaurants and shops.

It is too early to estimate the real figures related to the impact of cruise sector stop in our ports due to the uncertainty related to the timing and modalities of the recovery of the activity, but the cost paid by Liguria will undoubtedly be high, considering the valuable contribution of cruise activities to the local economy, estimated in over 100 euro per passenger.

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