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## Covid-19 Outbreak in Sabah: A Preliminary Survey on its Effects on Hotel Industry & Some Key Concerns During Pre-Movement Control Order Period

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### Abstract

Malaysia was ranked the first position in the Global Muslim Travel Index 2019 (Global Muslim Travel Index, 2019). Besides, the Travel and Tourism Competitiveness Report 2019 ranked Malaysia at 29<sup>th</sup> out of 140 countries overall (Travel and Tourism Competitiveness Report, 2019). In the same report, from Travel and Tourism Policy and Enabling Conditions' perspective, Malaysia was ranked at the 11<sup>th</sup> position (Travel and Tourism Competitiveness Report, 2019). Government of Malaysia has, among others, announced year 2020 as the Visit Malaysia Year to attract more tourists. The first month of the year had showed promising numbers of tourists' arrivals. However, towards the end of January 2020, CoVID-19 outbreak presents the tourism industry with a major challenge. Following the outbreak, some countries have banned the arrival of tourists from certain countries. Accordingly, this has somehow affected the hotel industry. Based on feedbacks from hotel employees, this paper examines the preliminary effects on hotel industry in Sabah, Malaysia.

**Keyword:** Sabah, Malaysia, COVID-19, Tourism, Economy, Impact.

### Introduction

Malaysia was ranked the first position in the Global Muslim Travel Index 2019 (Global Muslim Travel Index, 2019). The Travel and Tourism Competitiveness Report 2019 ranked Malaysia at 29<sup>th</sup> out of 140 countries overall (Travel and Tourism Competitiveness Report, 2019). In the same report, from Travel and Tourism Policy and Enabling Conditions' perspective, Malaysia was ranked at the 11<sup>th</sup> position (Travel and Tourism Competitiveness Report, 2019). The country was also ranked 22<sup>nd</sup> in the world by tourist arrivals in 2018 (World Bank, 2019).

The year 2020 has been chosen as Visit Malaysia Year to promote Malaysia's tourism. The first month of the year had shown interesting trend based on the number of tourists' arrivals. However, towards the end of January 2020, the Corona virus (CoVID-19) outbreak presents the tourism sector with a major challenge. In this regard, the World Tourism Organization (UNWTO) has strengthened its collaboration with the World Health Organization (WHO) with the former calling for solid international leadership and for tourism

to be included as a priority in future recovery efforts since it is currently one of the most seriously affected sectors.

Since the outbreak of Covid-19, some countries have shut their borders and banned the arrival of tourists from certain countries. Apparently, this has severely affected many economic sectors especially tourism. For the state of Sabah, Malaysia, the state government has banned tourists from certain countries from visiting the state, while some big events have been postponed. Being an open economy where international trade (Idris, 2016) and tourism sector is one of the important contributors to the economy, CoVID-19 somehow affect the sector performance. The objectives of the study are as follows:

- To examine the preliminary effects of CoVID-19 on hotel industry during pre-movement control order period based on the feedbacks from hotel employees in Sabah.
- To study the preliminary concern of hotel employees during pre-movement control order period

### **Literature Review**

Considering the outbreak of Covid-19 is relatively new, there appears to be limited studies on this subject though some related studies or report can be found such as ADB (2020), KPMG (2020), International Labor Organization (2020) and Congressional Research Service (2020). By and large, they are not as rigorous as studies on other diseases and their impacts on economy.

### **Methodology**

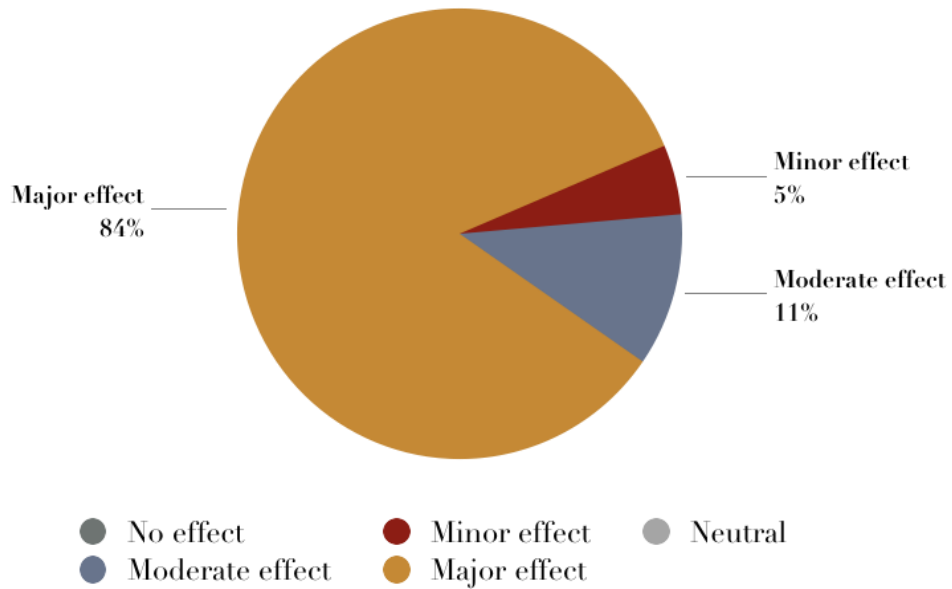
This research conducted a survey involving 100 workers of hotels in Kota Kinabalu, Tawau and Sandakan, Sabah, Malaysia to obtain feedbacks on their views related to the effects of CoVID-19 outbreak on hotel industry up to the end of February 2020.

### **Results**

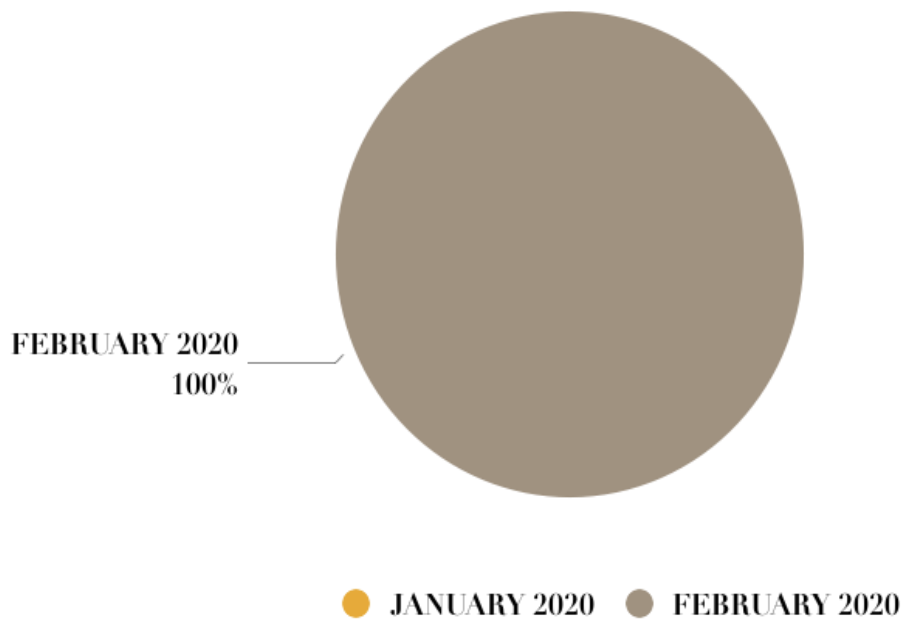
Figure 1, 2, 3, 4 and 5 show some of the key findings of the study. Figure 1 depicts the input given by respondents with regard to the degree of effects of Covid-19 on the hotel's business. The chart shows that 84% of the respondents indicated that their hotels businesses had suffered a major effect from Covid-19 outbreak. 11% believed that it was a moderate effect while the other 5% expressed that it was just causing a minor effect (as at the end of February 2020). In general, majority of the respondents felt Covid-19 caused a major effect.

Figure 2 shows which month of the year is the worst in terms of the effect of Covid-19. All the respondents expressed that February 2020 was the worst as opposed to the month of January 2020. This can be attributed to the banning of tourist's entry from certain countries.

**FIGURE 1: WHAT IS THE DEGREE OF EFFECTS OF THE RECENT COVID-19 OUTBREAK ON YOUR HOTEL'S BUSINESS?**



**FIGURE 2: IF THE EFFECT IS FELT, WHICH MONTH IS THE WORST?**



**FIGURE 3: WHICH ASPECT OF YOUR HOTEL'S BUSINESS IS BEING AFFECTED THE MOST?**

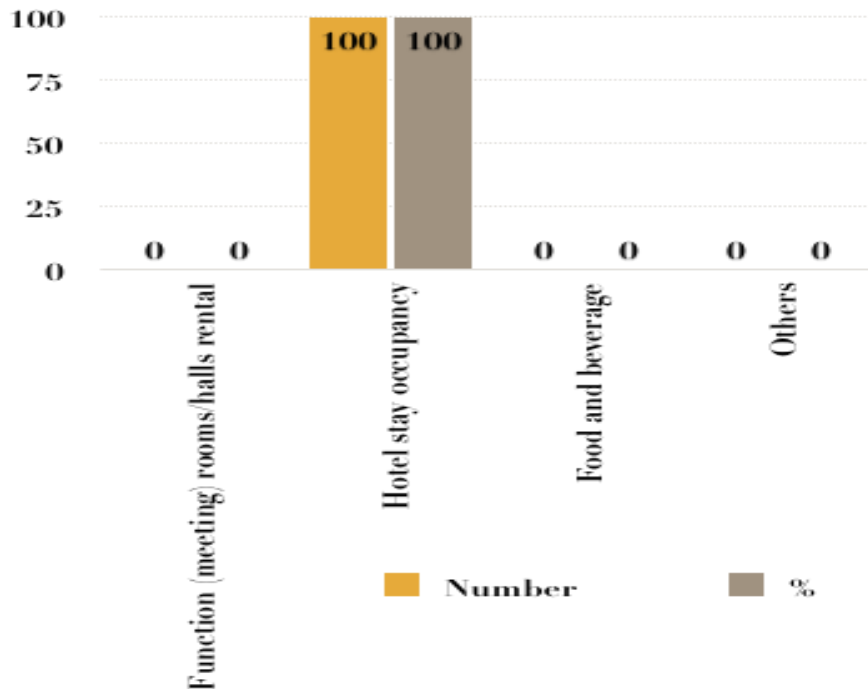
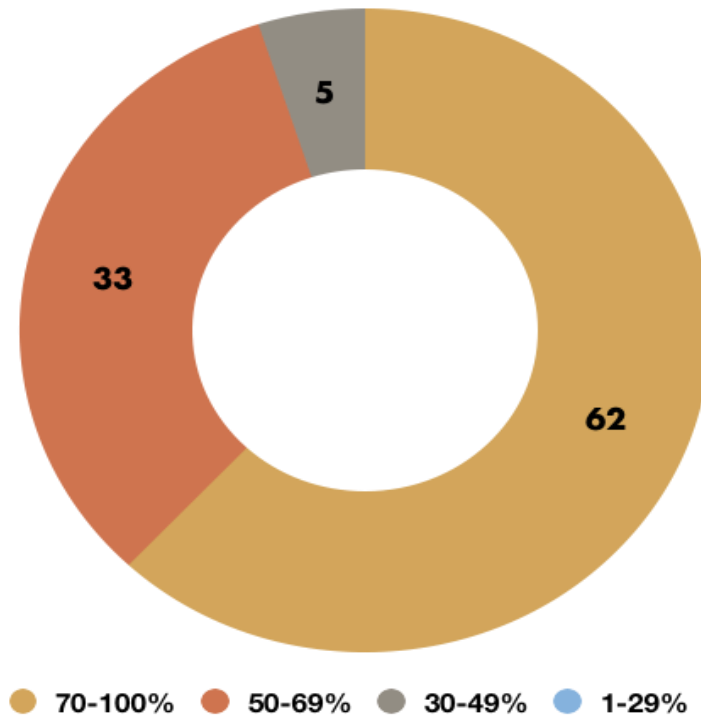


Figure 3 shows the view of respondents with regard to the services that are most affected at the end of February 2020. The respondents indicated that hotel occupancy was affected the most. Other services that were not as badly affected as hotel stay occupancy were function (meeting) rooms/halls rental and food and beverage.

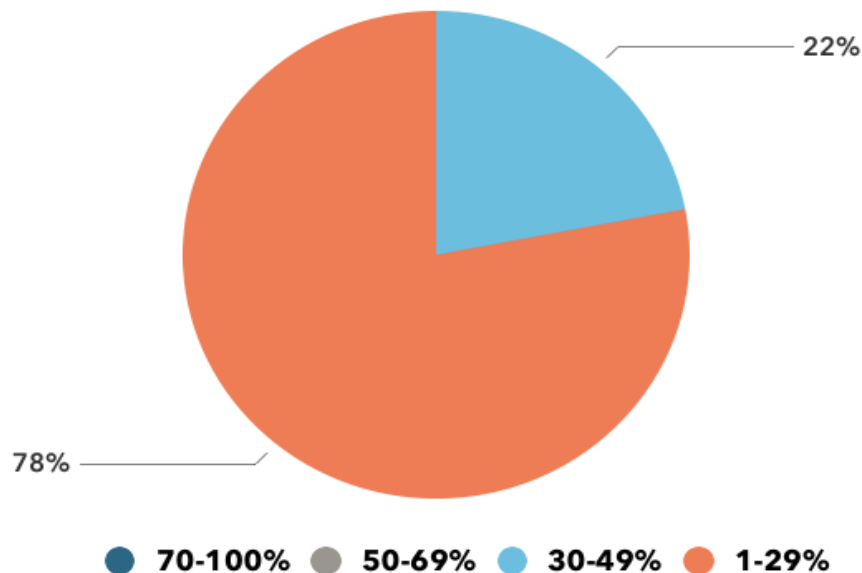
**FIGURE 4: WHAT IS THE AVERAGE RANGE OF OCCUPANCY RATE AT YOUR HOTEL IN JANUARY 2020 BEFORE THE RESTRICTION OF ENTRY OF TOURISTS FROM CERTAIN COUNTRY IN JANUARY 2020 (IN PERCENTAGE OF RESPONDENTS)?**



For the month of January 2020, 62% of respondents expressed that the occupancy rate at the hotel that they were working were in the range of 70-100%. 33% indicated the range of 50-69% while 5% indicated the range of 30-49% (see Figure 4).

On the occupancy rate for the month of February 2020, which was during a period where tourists from certain countries were restricted to enter Malaysia due to Covid-19, 78% of respondents expressed that it was in the range of 1-29% especially during final week of the month (see figure 5). Table 1 highlights the summary of some preliminary concerns of the hotel workers with regard to the effects of Covid-19.

**FIGURE 5: WHAT IS THE OCCUPANCY RATE AT YOUR HOTEL IN THE FINAL WEEK OF FEBRUARY 2020?**



**Table 1: Summary preliminary concern of selected stakeholders**

CONCERN	RECOMMENDATIONS
Salary cut	Government intervention so that it will not happen or can be minimized (subsidy/government aid through stimulus packages)
Contract staff might lose their job	Government intervention so that it will not happen or can be minimized (through assistance to employers/government aid through stimulus package)
Permanent staff will lose their job	Government intervention so that it will not happen or can be minimized (by having government aid through stimulus packages)
Loss of income	Government intervention so that loss can be minimized. Cash aid for B-40 group can be considered
Significant reduction for tourists visits in the next few months especially from foreign country	Government intervention so that it will not happen or can be minimized (through stimulus packages or incentive to encourage domestic tourism)
There are hotels that might not be able to sustain if the outbreak continues for months	Government intervention so that it will not happen or can be minimized (through stimulus packages or incentive to encourage domestic tourism)

## Conclusion

The Covid-19 outbreak has caused many businesses to suffer substantial loss of income. For the case of Sabah, Malaysia, tourism sector especially the hotel industry is one of the sectors that took a direct impact i.e. slowdown in business activities especially in the final week for the month of February 2020. This can be attributed to the restriction of entry of tourists from certain country. Things worsened when many Malaysians started to take precautionary steps to protect themselves by delaying or cancelling domestic vacations, trips and visits. The significant drop of sales resulted in less than 50% occupancy rate by end of February 2020 for many hotels whereby it used to be over 50% in the previous months. Apparently, rooms occupancy was the one that had dropped the most.

Studies on the impact of diseases on economy, specifically for tourism sector is limited at least for the case of Sabah, Malaysia. The current CoVID-19 pandemic which is a new thing have adverse effects on Malaysia's tourism sector. The findings of this study fill in the gap in the literature by adding new research to the body of knowledge and provide beneficial information for various stakeholders including policy makers. The findings itself are significant for body of knowledge by highlighting the real economic effects of CoVID-19 on economy of Sabah, at least from hotel industry perspective. The finding of the study also confirms the findings of some past studies with regard to the impact of CoVID-19 and human movement restriction on economic activities.

## Acknowledgement

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