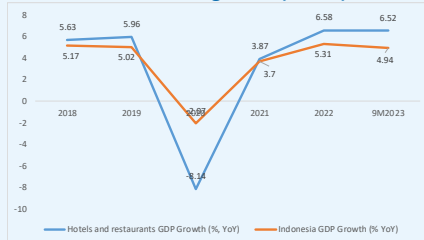


HOTEL

Hospitality Sector | Indonesia | 14 December 2023

KEY INDEX

Graph 1: GDP growth of hotel and restaurant sector vs national GDP growth (% YoY)



Source: Central Bureau of Statistics

Continue to Recover, No Significant Impacts from the Election

- Strong Recovery of Hotel Industry in 2022 and 9M2023
- Election has no significant impacts to the occupancy rates

Strong Recovery of Indonesian Hotels

The resurgence of Indonesian hotels is evident in the robust recovery of the GDP in the hotel and restaurant sector. This growth has shifted from a year-on-year decline of 8.14% in 2020 to a positive 6.52% in the first nine months of 2023. Notably, this exceeds the pre-pandemic growth rates of 5.63% and 5.62% YoY in 2018 and 2019, respectively.

Rising Numbers of Domestic and Inbound Travelers

The Indonesian Government's rollout of COVID-19 vaccines since 2021 has successfully encouraged a resurgence in travel activities, particularly to domestic cities. The count of domestic travelers has witnessed a steady increase, rising from 524.6 million in 2020 to 613.3 million in 2021 and further escalating to 734.9 million in 2022. Among destinations, East Java emerged as the most frequented area by travelers from 2021 to 9M2023. In terms of inbound travelers, the numbers have yet to fully rebound to pre-pandemic levels. In 2022 and 9M2023, the count of inbound travelers reached 5.89 million and 8.52 million, respectively, remaining below the pre-pandemic levels of 15.81 million and 16.11 million overseas travelers in 2018 and 2019, respectively.

Elevated Occupancy Rates

The growing influx of both domestic and inbound travelers has boosted the occupancy rates of Indonesian hotels. On a national scale, the hotel occupancy rate surged from 32.42% in 2020 to 49.24% in 9M2023. Nonetheless, the average length of stay for travelers remained stable.

2024 Outlook: Minimal Election-Related Impact, Continued Recovery

Drawing on our historical analysis, we observe that presidential election-related activities do not have a significantly positive impact on star-hotel occupancy rates. Analyzing data from 2009, 2014, and 2019, we note that the occupancy rates during those election years were surprisingly lower than in preceding years. However, despite this trend, we anticipate the ongoing recovery in the hotel sector. This expectation is based on the anticipation of an increased number of travelers following the announcement of the elected president, signaling a resumption of business activities, the Eid holiday, and various planned events in 2024, including the Ed Sheeran concert and the Indonesia Grand Prix.

HOTEL SECTOR: ACCELERATION IN HOTEL SECTOR GROWTH BEYOND PRE-COVID LEVELS

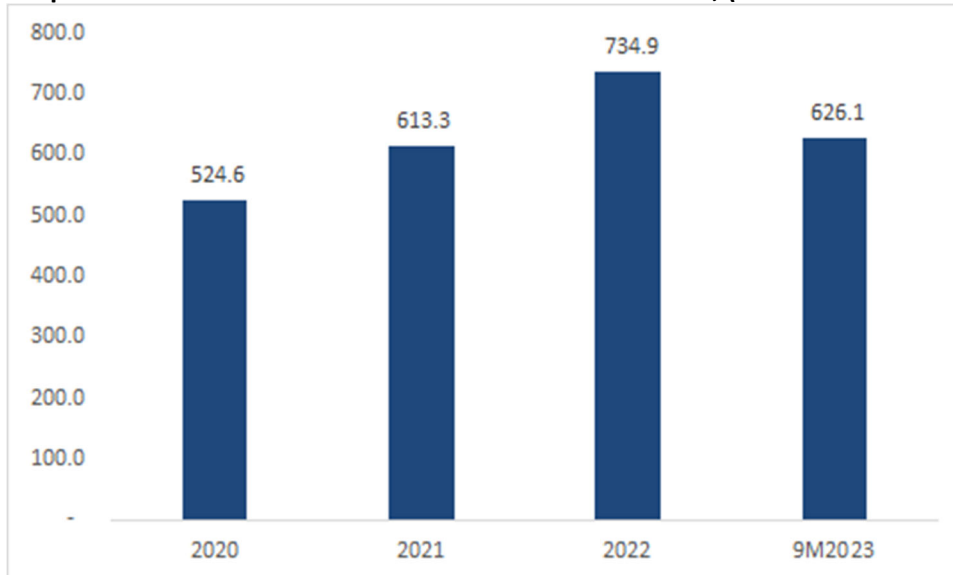
Robust Revival of Hotel Sector

The growth trajectory of Indonesia's hotel sector, as reflected in the GDP expansion of the hotel and restaurant sector, demonstrates a resilient recovery. This rebound is evident as the growth rate reversed from 8.14% YoY in 2020 to 3.87% YoY in 2021. This positive trend persisted into 2022 and 9M2023, with growth surging to 6.58% YoY and 6.52% YoY, respectively. Notably, these figures surpass the pre-pandemic levels of 5.63% YoY and 5.62% YoY recorded in 2018 and 2019. Moreover, these industry growth rates outpaced the overall Indonesian GDP growth, marking a return to pre-pandemic conditions where industry growth consistently outperformed national GDP growth (refer to the chart on Page 1).

Surge in Domestic Travelers, with East Java Emerging as the Premier Destination

We are of the view that the effects of COVID-19 vaccines rollout by the Government since 2021 have been positive as travelers, both from domestic and overseas, resume their travelling activity to Indonesian cities. The number of domestic travelers began to increase to 613.3 million in 2021, after only amounted to 524.6 million in 2020. It increased significantly to 734.9 million travelers in 2022, and expected to climb higher in 2023 as it already amounted to 626.1 million travelers in 9M2023. Destination wise, surprisingly, East Java was the most visited area by the travelers in 2021 – 9M2023, instead of Bali, as it has Surabaya as one of the busiest cities in Indonesia, and several other beautiful areas, such as Malang and Banyuwangi, located in East Java. As such, it is understandable that East Java was the most visited area by domestic travelers.

Graph 2: Number of Domestic Travelers in 2020 – 9M2023, (in million travelers)



Source: Central Bureau of Statistics

Table 1: Five Most Visited Areas by Domestic Travelers in 2020 – 9M2023, (in million travelers)

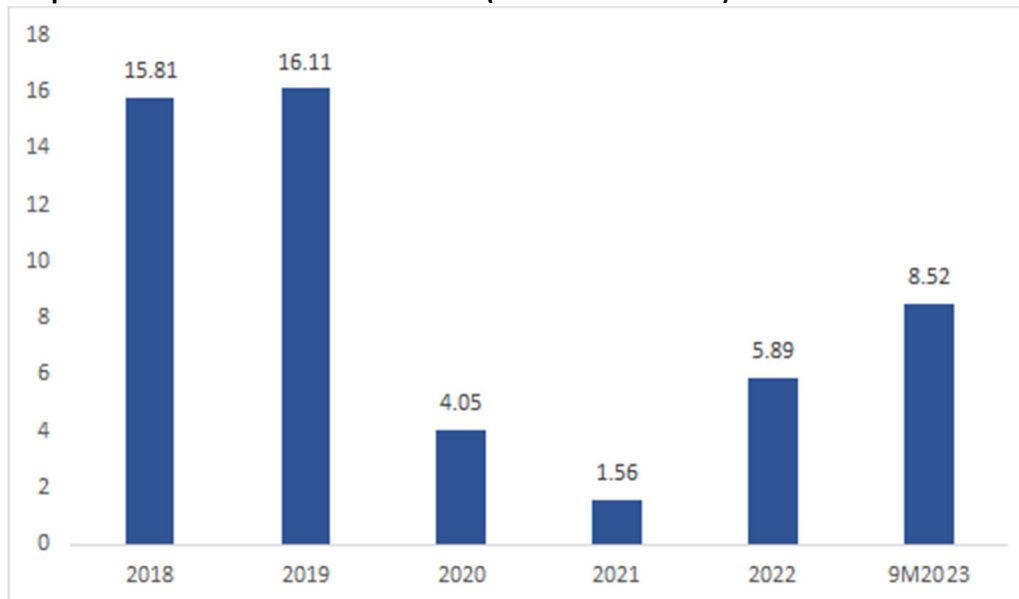
Provinces / Area	2020	2021	2022	9M2023
East Java	127.1	159.1	200.5	160.3
Central Java	132.4	147.7	110.3	89.9
West Java	89.9	96.3	123.5	113.5
DKI Jakarta	30.9	37.6	56.0	44.9
Banten	28.8	36.7	38.6	31.6
Other areas	115.4	135.9	205.8	185.9
Total	524.6	613.3	734.9	626.1

Source: Central Bureau of Statistics

Recovery in Inbound Travelers, yet to Reach the Pre-Pandemic Peaks

Concerning inbound travelers, we note that the numbers have not fully returned to pre-pandemic levels. In 2022 and 9M2023, the count of inbound travelers increased to 5.89 million and 8.52 million, marking an improvement from the pandemic low of 1.56 million in 2021. However, these figures still fall short of the pre-pandemic levels of 15.81 million and 16.11 million travelers recorded in 2018 and 2019, respectively. Additionally, it's noteworthy that Bali remains the most favored destination for inbound travelers.

Graph 3: Number of Inbound Travelers (in million travelers)

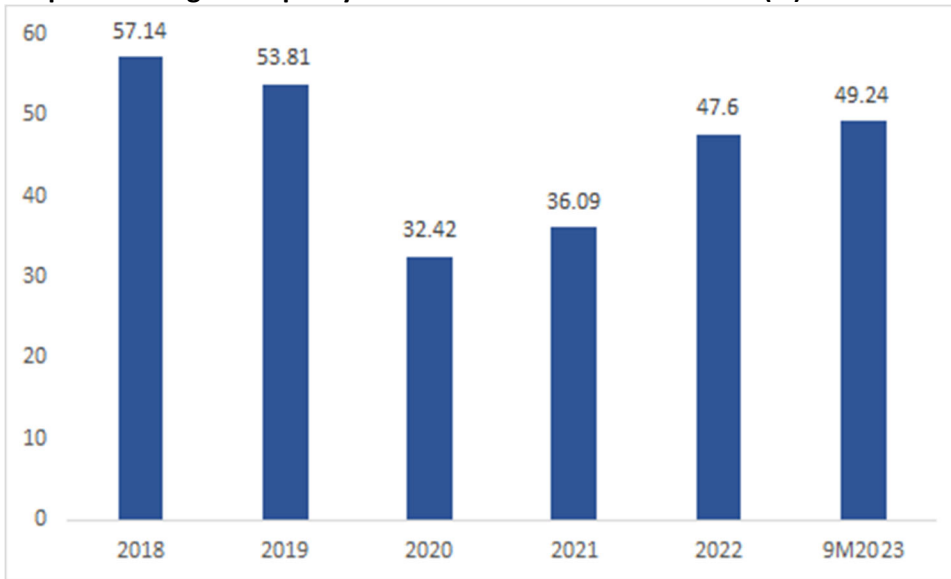


Source: Central Bureau of Statistics

Surge in Occupancy Rates for Star Hotels

With the rising influx of both inbound and domestic travelers, there has been a noticeable enhancement in the average occupancy rates of star hotels in Indonesia. Commencing at the lowest point of 32.42% in 2020, the average occupancy rates gradually rebounded to 36.09% in 2021, 47.6% in 2022, and reached 49.24% in 9M2023. Despite this positive trend, the average length of stay for both inbound and domestic travelers remained relatively stable. The upswing in star hotel occupancy rates can be largely attributed to the escalating number of travelers.

Graph 4: Average Occupancy Rates of Star Hotels in Indonesia (%)



Source: Central Bureau of Statistics

Table 2: Travelers Length of Stay at Star-Hotels (days)

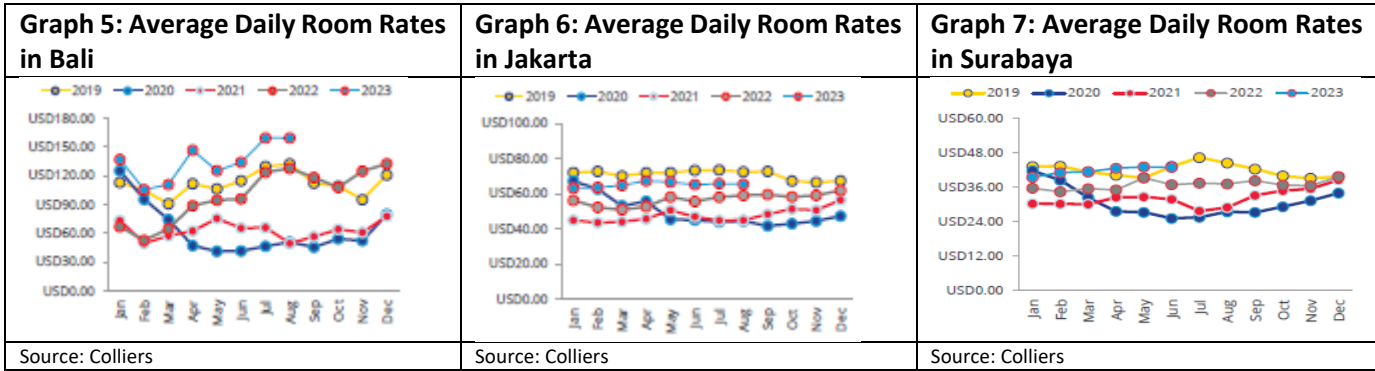
	Inbound Travelers					Domestic Travelers				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Average stay of guests in star hotels (days)	2.9	2.63	2.93	3.18	2.8	1.77	1.58	1.66	1.64	1.58

Source: Central Bureau of Statistics

Elevation in Hotel Daily Room Rates Amidst Traveler Influx

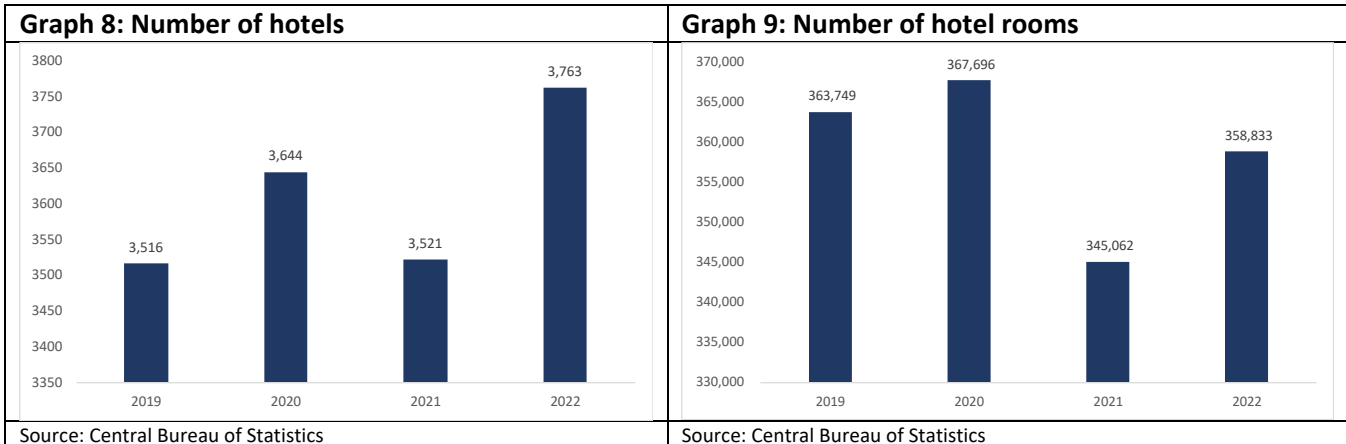
The surge in traveler numbers has prompted several hotel managements to raise their daily room rates. Our perspective is grounded in the data reflecting escalating room rates in Jakarta, Bali, and Surabaya.

- Bali**
 Throughout the pandemic, numerous hotels in Bali, including 5-star establishments, drastically reduced their room rates by 50% to entice guests. Presently, Bali's tourism sector is displaying indications of recovery, particularly demonstrated by the rising hotel occupancy rates. Consequently, various hotel managements, including those of 5-star hotels, are beginning to restore their room rates to levels even surpassing those observed before the onset of the COVID-19 pandemic.
- Jakarta**
 In Q3 2023, nearly all star hotels in Jakarta witnessed a surge, driven by corporate and government MICE activities. Additionally, events like music concerts and sporting activities in Jakarta played a pivotal role in attracting guests to hotels. Consequently, the hotel occupancy rate in Jakarta, particularly in August 2023, reached its peak compared to the same months from 2019 to 2022. However, there was no significant improvement in the average room rates of Jakarta's hotels from January to August 2023. Despite rates already surpassing those in 2022, they still remained below the levels observed in 2019.
- Surabaya**
 Much like Jakarta, the hotel sector in Surabaya witnessed improvement in 1H2023, propelled by the resumption of business operations and an uptick in business-related travel to Surabaya. Furthermore, both government and corporate sectors have commenced hosting meetings in hotels, leading to the effective utilization of hotel room capacity. This positive trend has motivated hotel managements to persist in raising room rates beyond the levels seen in 2022, now reaching rates commensurate with those observed before the pandemic.



Supply Side: Substantial Increase in the Number of New Hotels, with a Modest Rise in Hotel Rooms

Upon analysis of the collected data, it is evident that the number of hotels has rebounded. The impact of COVID-19 prompted the closure of many hotels, causing the count to decrease from 3,644 in 2020 to 3,521 in 2021. However, as daily positive cases of COVID-19 trended downward, the number of hotels significantly improved, surpassing the 2020 count in 2022. Nevertheless, concerning the number of hotel rooms, the improvement was not as pronounced as that of the number of hotels. In 2022, there were 358,833 rooms, a significant increase from the 345,062 rooms in 2021, but still below the 2020 count of 367,696 rooms. This leads us to infer that most of the new hotels are likely 3-star or below, given their minimum standard requirement of 30 rooms.



2024 Outlook:

- **Presidential Election Does Not Have Positive Correlations with Hotel Occupancy Rates**

Based on our data analysis, we find that there is no positive correlation between presidential election-related activities and the increasing occupancy rates of star hotels across Indonesia in those election years. In the election years of 2019, 2014, and 2009, the average occupancy rates of star hotels were lower compared to the preceding election years. Historically, as elections approach, political parties tend to escalate activities, including meetings that necessitate meeting and hotel rooms. However, such activities typically occur roughly two months before the election until two weeks before the D-Day. Consequently, many hotel owners are optimistic that the 2024 election will conclude in a single round. A single-round election is anticipated to provide an opportunity for players in the hotel industry to focus on other business markets, making a more significant contribution to hotel revenue.

Table 3: Comparison of the Star-Hotel Occupancy Rates in the Election Year vs One Year Before the Election Year

Occupancy Rates	2009 Election		2014 Election		2019 Election	
	2008	2009	2013	2014	2018	2019
Star-Hotel Average occupancy rates (%)	49.73	48.78	52.68	51.72	57.13	53.80

Source: Central Bureau of Statistics, KRI

- **More Concerts and Sport Events in 2024**

The surge in traveler numbers is anticipated to persist into 2024, with several regions poised to match or even surpass the figures seen in 2019. In Bali, this trend is further fueled by a shift in market preference towards areas beyond the Sanur and Seminyak belt. The occupancy rates are expected to either sustain or improve in locations like Canggu, Ubud, and Kintamani, although daily room rates are projected to rise. In business-centric cities such as Jakarta and Surabaya, hotel performance is anticipated to see an upswing in the second quarter of 2024. Various factors contribute to this, including the announcement of the elected president, signaling a resumption of business activities, the upcoming Eid holiday in early 2024, and a lineup of anticipated concerts and sports events throughout the year, featuring artists like Jogja Rockarta, IVE, NCT, Ed Sheeran, Diana Krall, Niall Horan, Bruno Mars, along with sports tournaments like the Indonesia Open International Billiard Tournament, Badminton Indonesia Master 2024, and the 2024 Indonesia Grand Prix..