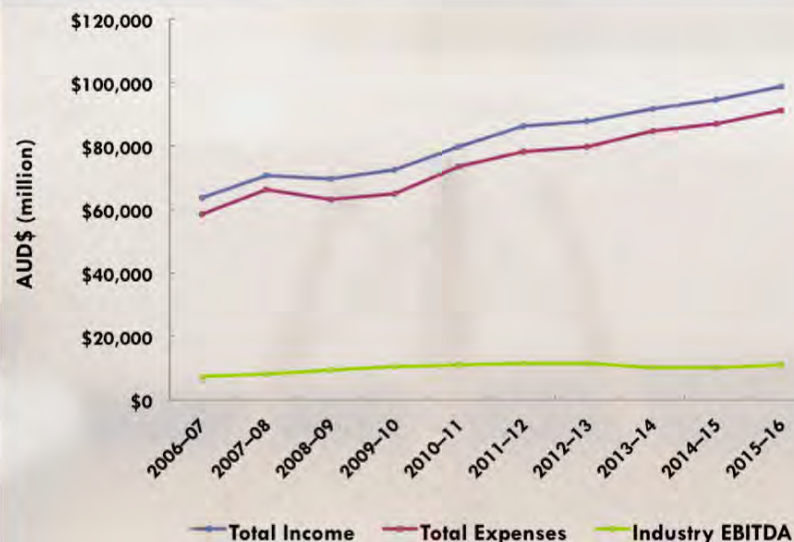


# HOW WILL Accommodation & Food Services PERFORM IN 2018?

A JPABUSINESS 2018 INDUSTRY ECONOMIC SNAPSHOT

## Australian Accommodation and Food Services industry performance 2006/07-2015/16

Source: ABS/JPABusiness



## BACKGROUND



- The industry is comprised of various food services from cafes and fast food to restaurants and caterers, and accommodation providers across caravan parks and motels, holiday houses and high-end hotels.
- Growing numbers of cafes and coffee shops have contributed to high competition, however there is also a high demand for coffee and the affordable nature of products offered will likely support growth within the subsector.
- Consumer health concerns have likely shifted focus to increased consumption of healthier food alternatives.
- Increased competition in accommodation has pressured revenue growth. Online competition has affected holiday housing options. Motel markets are heavily supplied and face intense competition, providing little room for revenue growth. Hotels are facing competition from other accommodation alternatives, however experienced strong demand from domestic and inbound tourism.
- Decline in alcohol consumption per capita, which has resulted in downward pressure on revenue growth of pubs, bars and social clubs.



## DRIVERS OF INDUSTRY GROWTH

- Lower-valued AUD – supports domestic tourism demand, and tourism demand from international markets.
- Affordability of food service products.
- 'Food culture' – markets seeking different and unique food experiences, and the publication of lifestyle on social media.



## RISKS TO INDUSTRY GROWTH

- Digital disruption.
- Low wages growth and high household debt.
- Stronger than anticipated AUD.
- Financial instability in China – one of the strongest inbound tourist markets for Australia.



## OUTLOOK

- Recent strong growth in the industry expected to slow in aggregate, and improve only modestly in the near-term.
- Increasing competition among food services, particularly in low barrier-to-entry sectors (i.e. cafes), and accommodation, which will serve to pressure prices.
- Unique and niche restaurant and food offerings will likely experience outperforming and solid revenue growth.
- Increasing demand for accommodation from domestic and international tourists.
- Technological advancements and digital disruption to affect accommodation subsector and increase competition and price pressures.

