

# Tourism, Hospitality & Leisure in the Middle East: ready to move to the next level



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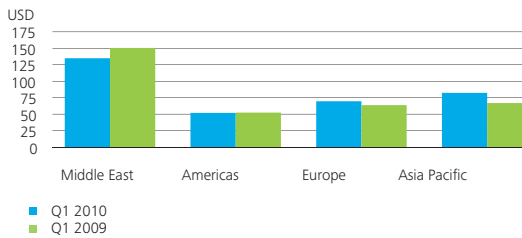
With world-class infrastructure and facilities and an excellent geographic location on the world stage, the Middle East is expected to emerge as one of the world's most competitive landscapes offering value tourism and conference experiences to a worldwide customer base.

**Resilience in challenging times**

The Middle East tourism and hospitality industry remains one of the most robust in the world, despite the impact the world economic slowdown has had on the region. A shortage of supply of hotel rooms in 2008 caused significant upward movement in hotel average daily rates. An infusion of new hotel rooms in 2009 normalized the gap in demand and supply, thereby signaling a natural market adjustment.

Despite the contraction of the demand in the Middle East in 2009 due to the reduction in spending power of tourists in primary source markets, such as Western Europe, the Middle East region continued to show resilience in hotel performance indicators when compared to the rest of the world. In 2010, despite the significant increase in room stock, performance has improved when compared to 2009.

**Global Hotel Performances** Revenue per available room



Source: STR Global, March 2010

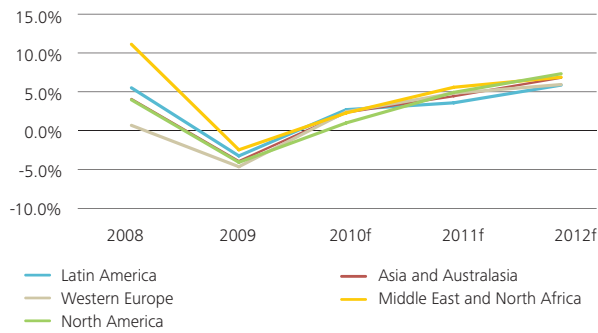
Our analysis of data released by STR Global shows that both the growth and absolute performance of hotels in the Middle East were significantly better than all other regions in the world. The region witnessed an increase of 11.6% in its revenue per available room from USD 135 during the first quarter of 2009 to USD 151 during the corresponding period in 2010.

In the first quarter of 2010, this positive performance has continued. Particularly good news also is that there is growth again in the other regions that feed Middle East tourism such as Europe and Asia.

**International tourist arrivals**

Our analysis of data released by the World Travel and Tourism Council shows visitor numbers are expected to experience positive growth during the years 2010-14.

**International visitor arrivals - year-on-year change**



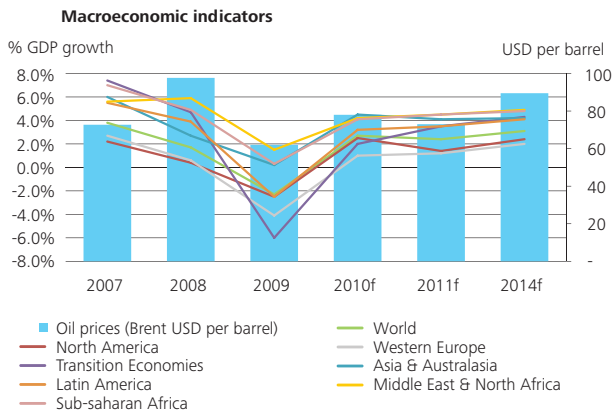
Source: World Travel & Tourism Council, 2009

The Middle East and North Africa region is expected to witness growth in international visitor arrivals of 5.6% in 2011 and 6.9% in 2012. The short-term outlook is positive and players in the tourism industry will proactively aim to benefit from this upturn. In addition, the conference sector, especially in Dubai, is gearing up to attract an entire new sector as conference organizers begin to see its world-class infrastructure and increasingly competitively priced hotels as an exciting new option.

The projected GDP growth in other world economies is expected to improve consumer spending, which is a significant opportunity for the Middle East tourism and hospitality industry to tap.

### Macroeconomic outlook

Most world economies, having contracted during 2009, are expected to recover from the current economic slowdown during the years 2010 through 2014, as per our analysis of the estimates released by the Economist Intelligence Unit.



Source: Economist Intelligence Unit, 2010

### Looking ahead

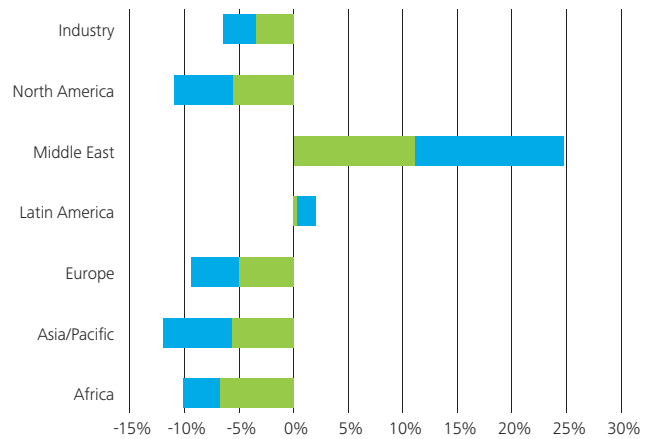
The world economy is on a much-anticipated path to recovery with positive GDP growth being projected for all regions. For the tourism, hospitality and leisure sector, there are some important indicators to consider.

### Air transport indicators

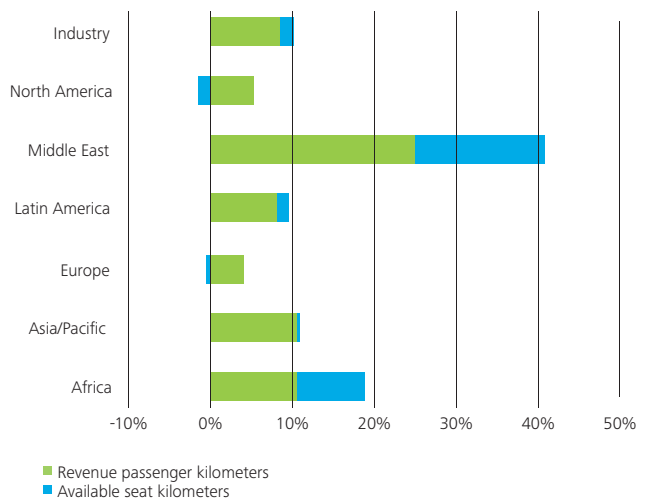
Air travel in the Middle East in 2009 surged ahead to record growth of 11.2% in Revenue Passenger Kilometers (RPK) and 13.6% in Available Seat Kilometers (ASK), contrary to most other regions, which experienced decline.

### Air transport indicators

% change in 2009 from 2008



% change in Q1 2010 from Q1 2009



Source: International Air Transport Association, 2009-10

The GDP of the Middle East & North Africa region is expected to expand by over 4% each year from 2010 to 2014, while Western Europe, one of the primary source markets for the Middle East tourism industry, is expected to witness positive growth during these years. The projected GDP growth in other world economies is expected to improve consumer spending, which is a significant opportunity for the Middle East tourism and hospitality industry to tap.

#### **Moving to the next level**

The world travel industry is currently witnessing significant changes due to the constantly changing global and regional economic landscape. Consumer spending levels are changing, and so are travel preferences of value-conscious tourists.

Given the positive economic outlook and projected increase in tourist numbers, world regions, including the Middle East, will invest heavily in marketing and promotional efforts to attract the right customers through value packages.

The Middle East tourism industry will benefit from not only constantly gauging its existing travelers' choices, but also by exploring tourism demand from emerging economies such as China and India. Stakeholders in the Middle East tourism industry will be striving to provide a compelling value proposition to its customers.

**Robert O'Hanlon**, partner in charge, Tourism, Hotel and Leisure (THL) industry, Deloitte in the Middle East & **Hari Ram**, supervisor & head of THL industry group analyses

