



Qatar Travel & Tourism Industry

Industry Update

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1. Global Travel & Tourism Industry Overview

The Travel and Tourism (T&T) industry is one of the world's largest industries, accounting for 10.4% of global GDP and 9.9% of total employment in 2017. The total global economic contribution (direct & indirect) of the travel & tourism industry was USD \$8.3 trillion in 2017 and is forecast to grow by 4% in 2018. Travel & Tourism plays an important role in employment generation and also drives exports. The direct economic impact of the industry is on the following sectors: accommodation, transportation, food & beverages, retail and cultural, sports & recreational industries. The direct contribution of Travel & Tourism globally was USD \$2.6 trillion in 2017 and is forecast to grow by 4% in 2018. Moreover, the industry directly supported 118,454,000 jobs in 2017 and this is expected to increase by 2.4% in 2018. (Turner, 2018)

2. Qatar Travel & Tourism Industry

The Travel & Tourism industry of Qatar has a direct impact on its economy, employment and exports. The direct contribution of the T&T industry to GDP of Qatar was QAR 19.9Bn (3.3% of total GDP) in 2017 and is forecast to fall by 2% in 2018. Direct contribution primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation. Moreover, the T&T Industry directly supported 93,000 jobs (4.9% of total employment) in 2017. This is expected to fall by 2.6% in 2018 whereas visitor exports generated QAR 44.6Bn (14.3% of total exports) in 2017 and are forecast to fall by 4% in 2018. Visitor exports are spending within a country by international tourists for both business and leisure trips. (Turner, 2018)

Qatar's Travel & Tourism (T&T) industry is affected by numerous factors and these factors can be divided into two broad categories. The first set of factors are those which can be influenced by actions of the Qatari government; e.g. budget allocations, development projects, visa procedures etc. While the second set of factors are outside the control of the government and are dependent upon regional or global developments, decline in oil prices etc.

2.1.Key Growth Drivers

This report identifies key growth factors that will accelerate development of Qatar's T&T industry. The primary objective of these growth drivers is to increase tourist arrivals and promote Qatar as a key tourist destination. Key growth factors are as follows:

- a. Government support.
- b. Development projects.
- c. FIFA 2022 Football World Cup.
- d. Cruise tourism.

2.1.1. Government Support

Government interest and support is an advantage for any sector of the economy. In the case of the T&T industry of Qatar, visible government interest can be found. One of the primary reason for this is the value of the T&T sector as a hedge against oil price fluctuations. Therefore, the government has accorded priority to the T&T Industry in its economic diversification efforts. Government interest can be judged from numerous initiatives taken in the past few years to promote Qatar as a tourist destination through Qatar Tourism Authority (QTA) and the introduction of tourism-friendly laws & procedures in the form of visa facilitation measures.

QTA is a government body responsible for the formulation and administration of regulations relating to the development and promotion of tourism. QTA promotes Qatar abroad through international representation and participation in trade shows; e.g. in 2016 QTA established offices in Istanbul and New York, which are responsible for promoting Qatar. Additionally, QTA has representative offices in London, Paris, Beijing, Berlin and Singapore and efforts are underway to diversify visitor source by opening of representative offices in Russia and India. A push into these countries especially India is necessary given rising disposable incomes levels due to economic growth and this leads to higher spending on tourism-related activities. Moreover, the growth potential of Qatar as a market for destination weddings for Indians is also being explored.

The government also assists hotels in Qatar by encouraging them to participate in government-sponsored at international exhibitions as a means of promoting specific packages to new international markets. Moreover, QTA has also developed a program called “Tawash”, which trains hundreds of independent travel agents online on how to become ambassadors for Qatar. Furthermore, QTA launched a grading and classification system in January 2016 of all hospitality establishments in the country, evaluating each one on standards in guest experience, sustainability, accessibility and reflection of culture in service, among other relevant criteria. QTA’s objective is to ensure that international standards for star ratings are universally implemented and maintained, and that criteria relevant to Qatar inform star ratings. (Oxford Business Group, 2018). Moreover, a

robust calendar of events in the country is necessary to keep tourists engaged and increase the attractiveness of Qatar as a tourist destination. The first half of 2018 saw a series of Qatar festivals attracting leisure and family visitors. These include the second edition of Shop Qatar (January 7th to February 7th), the ninth edition of Qatar International Food Festival (March 15 to March 25) and the fifth edition of Qatar Summer Festival (June 14 to August 31). These type of Qatar festivals are mainly geared towards catering to the regional tourists (Qatar Tourism Authority, 2018).

Tourism friendly laws & policies are an extremely important tool to promote tourism in any country. Exhaustive and time-consuming visa processes can often discourage visitors. The visa facilitation policies introduced by Qatar's government is a step in the right direction, and it has had an immediate effect on tourist arrivals. In November 2016, Qatar Airways (QA) and QTA launched a new transit visa scheme that allows QA passengers with a minimum transit time of five hours at Hamad International Airport (HIA) to stay in the country for up to 96 hours. Furthermore, in August 2017, Qatar waived visas for citizens from more than 80 countries. In addition to visa relaxation, Qatar Airways has also restructured its fares for international flights transiting through HIA. While it had previously been considerably more expensive to remain in Qatar when passing through with QA on a long-haul flight from Europe or the USA to Asia, the new scheme will allow passengers to have a free stopover in Doha without additional charges to their ticket on the outbound or inbound journey. (Oxford Business Group, 2018)

2.1.2. Development projects

The Qatari government has initiated a host of tourism-related development projects that are going to be a primary driver of growth in the T&T Industry. The ongoing government-driven developments include the construction of the National Museum of Qatar by the end of 2018, large-scale public-infrastructure project such as Doha Metro. As well as Msheireb Downtown Doha (MDD), a development project to add retail, housing, museums and hotels to the area and development of Doha Port area into both a full-time cruise terminal and tourist-friendly entertainment district. It is expected to be completed by 2022, with the completion of infrastructure developed to allow for at least five vessels to dock at the same time expected by 2020 (Oxford Business Group, 2018). All these development projects will directly benefit the

2.1.3. The FIFA World Cup 2022

The 2022 FIFA World Cup has provided Qatar with an opportunity to propel the tourism industry forwards. The hosting of the FIFA World Cup is part of a planned strategy of the Qatari government to support its Travel & Tourism industry. Hosting sports tournament of such magnitude will prove to be a big step towards the ultimate objective of becoming the “Sports Capital of Middle East”. The infrastructure development required to host the FIFA World Cup would lead to investment in the tourism industry. However, it is imperative that the government ensures that industry growth is sustainable.

Qatar has hosted numerous sports event in the recent past including International Boxing Association World Championship (2015), the Handball World Championships (2015), the Union Cycliste Internationale Road Cycling World Championships (2016), the inaugural QTA-sponsored Doha Triathlon (2017), and the FIG Artistic Gymnastics World Championships (2018) (Oxford Business Group, 2018). However, the scale and scope of the FIFA World Cup would provide an opportunity to truly put Qatar on the world map.

2.1.4. Development of cruise tourism

Cruise tourism is a crucial contributor to the growth and development of Qatar's tourism industry as it will have an immediate impact on visitor arrivals and tourism spending. The cruise season continued from October 2017 until April 2018. Data gathered by QTA shows that 86% of passengers disembarked and enjoyed Qatar's various offerings, with 53% preferring city tours, and 18% choosing desert safaris (Gulf Times, 2018)

The cruise industry has shown growth during the first half of 2018 as compared to a similar period last year. Doha port hosted 15 ships during the first four months of 2018, carrying 47,162 passengers & crew (an increase of 42.8% from 1H-2017). These arrivals contributed to the growth of European visitor arrivals, mainly German. According to Data gathered by QTA, the majority of visitors on cruise ships this season were European, with the most substantial portion being German (44%). Italian and British visitors formed the second and third largest groups respectively (Qatar Tourism Authority, 2018).

2.2.Key Challenges

Some of the key challenges to the Travel & Tourism industry includes downturn in oil prices, an oversupplied hospitality sector and a shortage of entertainment venues. The Qatari government should devise a strategy to overcome these critical challenges as they will adversely affect the T&T Industry and achievement of goals outlined in Qatar's National Vision 2030.

2.2.1. Oversupplied Hospitality Sector

The growing number of hotels and the impact of the downturn in oil prices on business travel have contributed to an oversupplied hospitality segment. This is putting downward pressure on hotel occupancy and average daily rates. The key operating metrics of the hospitality sector are expected to remain under pressure in the short term, but likely to rebound in the long term due to growing demand with the approach of the FIFA World Cup. The impact of lower oil prices and reduced corporate demand on the sector is compounded by the new supply that has come on-line in Doha since 2014. Although the government has plans to boost tourism activity, a concern is that the quantity of stock in the pipeline ahead of the World Cup will lead to oversupply. In order to counter oversupply in the hospitality segment, the Qatari government is considering to accommodate tourists in Bedouin-style desert camps and cruise ships. This type of arrangement would give the Qatari government the ability to scale up accommodations close to the Football World Cup 2022. A greater increase in supply than demand is likely to maintain pressure on occupancy rates and average daily rates in hotels and serviced apartments. The room supply increased by 6% to a total of 25,818 rooms in H1 2018 (across 122 properties) as compared to H1 2017 whereas occupancy rates across hotels/apartments dropped to 60% in 1H-2018 (1H-2017: 63%) (Qatar Tourism Authority, 2018). Most hotels in Doha have experienced a decline in occupancy attributed to slowing economic activity & corporate spending and increasing supply. The net effect of reduced hotel occupancy and increased supply of hotels has been to drive down the average room rate (ARR) and revenue per available room (RevPAR). The average room rate (ARR) across all hotels/apartments declined by 14% to QAR 391 in the first three months of 2018 as compared to corresponding period in 2017. This decline represents a continuation of declining ARR since 2016. Moreover, RevPAR across all hotels/apartments decreased by 16% to QAR 247 in the first three months of 2018 as compared to first three months of 2017 (Qatar Tourism Authority, 2018).

2.2.2. A Downturn in Oil Prices

A downturn in oil prices would adversely affect the Qatar tourism industry as lower oil prices translate into lower revenues for the government, lower funds availability for mega tourist projects and will put a strain on the government's budget. The weakening of oil prices might also force the government to review their spending commitments and curtail infrastructure projects. Revenue from oil has enabled economic prosperity in the country through large spending on infrastructure and provision of a wide range of social services. Given the scale of infrastructure development required to promote and sustain the tourism industry, government support becomes crucial, and any scale down in tourism-related projects resulting from lower oil prices would impact the T&T sector.

Qatar's economy main driver at this stage is the non-oil sector, which relies mainly on massive investments in infrastructure, especially education, health, transportation, and constructions required for hosting the 2022 FIFA World Cup. Therefore, the lower oil prices would affect the tourism industry but the effect would be limited as infrastructure investments required for the FIFA World Cup would counter it (Alagos, 2018).

A decline in oil prices does have an impact on the hospitality industry of GCC countries. Ernst and Young conducted an online survey among top real estate developers, contractors and hotel operators in 2016 to assess market perception and sentiment on the GCC real estate due to a decline in oil prices. According to the survey, 100% of hotel operators feel that there is a drop in the average daily room rate and 75% of hotel operators see an impact on hotel segment prices as a result of a decline in oil prices (Wahbah, 2016).

Outlook:

The outlook for Qatar's Travel & Tourism industry is promising. The country is becoming a more popular travel destination, and a wide range of tourism products, services and infrastructure are scheduled to come on-line to drive growth in the next five years. The impact of falling oil prices and reduced corporate demand is nevertheless expected to persist in the short term. Expanding and diversifying the industry will be the key areas of focus going forward, aided by important steps taken to synchronize policy at the government level. With the country investing heavily in tourism as a hedge against possible future oil price fluctuations, the industry is well positioned to meet its targets. Meanwhile, in the hospitality segment, a faster increase in supply than demand is likely to maintain pressure on occupancy rates in hotels and serviced apartments before an expected long-

term rebound supported by growing demand with the approach of the World Cup (Oxford Business Group, 2018).

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