Item 4 of the Provisional Agenda

MARKETS PERFORMANCE AND PROSPECTS

(a) SNAPSHOT ANALYSIS OF THE IMPACT OF THE POLITICAL ENVIRONMENT ON TOURISM IN THE REGION

Executive Summary

Note by the Secretary-General

The attached document contains the Executive summary of the snapshot report on the impact of the political environment on tourism in the Middle East and North Africa. The report was initially prepared in April 2012 and subsequently updated in August. It is submitted to the Commission to provide a structural perspective of market trends, response measures, short term prospects as well as strategic guidelines for market confidence recovery and demand stimulation.
SNAPSHOT ANALYSIS OF THE IMPACT OF THE POLITICAL ENVIRONMENT ON TOURISM IN THE REGION

EXECUTIVE SUMMARY
Update August 2012

A- Overall Assessment

1. The political developments in several countries in the Middle East and North Africa (MENA) took a severe toll on the region’s tourism sector in 2011.

2. Key indicators during the first half of 2012 show clear signs of recovery with double-digit growth in North Africa (+11% up to June) and a return to positive figures in the Middle East (+0.7%), although the conflict in Syria is causing damage to Tourism in neighbouring countries and the economic situation in the Euro zone is slowing down recovery in Europe dependent Tourism destinations.

3. At present, UNWTO forecasts international tourism arrivals to the Middle East to grow between zero to 5%, in 2012. However, much will depend upon how the political situation in Syria and the economic situation in the Euro zone evolve in the coming few months.

A.1. Full year results - 2011

4. As per the September 2012 edition of UNWTO World Tourism Barometer, international tourist arrivals in the Middle East and North Africa were down 7% and 9% in 2011 compared to 2010.

5. 2011 was a year of disrupted growth in MENA. Results were strongly negative in Syria (-41%), Tunisia (-31%), Egypt (-32%), Lebanon (-24%) and Jordan (-13%). Bahrain was down 33% in the first half of the year (full year figures are not yet available). Morocco ended the year with 0.6% growth, despite positive growth of over 6% in the first half of the year.

6. Generally speaking, Tourism in GCC countries was not only resilient to the political developments in the region but recorded strong growth in countries such as Qatar (+66%), Saudi Arabia (+61%) and United Arab Emirates (+9%). In fact, the United Arab Emirates (UAE) and Qatar benefited from re-direction of tourists flows from other Middle Eastern destinations.

A.2. Key Indicators for the first half of 2012

7. The tourism sector in MENA is showing signs of recovery. After negative first quarter results (-0.4%), Middle East destinations recovered well to post modest growth in international tourist arrivals of just 2% in Q2 of 2012, compared to the same period in the previous year. This growth was led by Egypt (+23%), Oman (+14%) and the United Arab Emirates (+11%). Jordan’s data until May 2012 shows year-to-date 8% growth in international tourist arrivals.

8. North African destinations consolidated their 9% tourism growth in Q1 of 2012 and grew by 12% in Q2 of 2012, posting an overall figure of 11% growth in international tourism arrivals in the first half of 2012 compared to the same period in the previous year. This growth was largely due to Tunisia’s remarkable recovery (+42%) although the pace of growth has slowed down from Q1 of 2012 (+53%) to Q2 of 2012 (+36%) when compared to the same period in 2011. Morocco received 5% fewer tourists in Q1 of 2012 but is showing marginal signs of recovery with 0.8% growth in Q2 of 2012, ending the first half of the year with 2% decline in tourist arrivals overall.
9. The escalation of the political conflict in Syria into a civil war is causing serious damage to tourism in neighbouring Lebanon, where tourist arrivals are down 12% in the first seven months of the current year. Tourism economies with a significant share of inbound tourism from Europe such as Tunisia and Egypt are noting a slowdown in the pace of tourism growth on account of the weak economic situation in the Euro zone.

10. Main highlights of trends in performance of the different sectors in the travel and tourism business in the MENA region in 2011 and the first half of 2012 are presented below:

**B. Aviation sector**

**B.1. Full year results - 2011**

11. Air transport data provided by the International Air Transport Association (IATA) shows that despite the Arab “spring”, Middle Eastern carriers posted impressive growth of 9% in international passenger traffic in 2011 over the previous year, higher than the 7% growth recorded by the industry as a whole. African carriers also saw travel demand rise 2% for the full year.

12. The Middle East traffic growth was led by three major sixth freedom hubs in the GCC – Dubai, Doha and Abu Dhabi – adding 7.7 million passengers between them in 2011. Combined, the three hubs had an average passenger traffic growth rate of 11%, a notably stronger performance than the regional average of 9% growth over 2010.

**B.2. Key Indicators for the first half of 2012**

13. As per IATA data, Middle East was the only region among all markets that recorded a double-digit growth in the first seven months of the year, with regional airlines recording a 17% year-to-date increase. African carriers recorded the second highest growth (10%), well above the industry average of 7%.

14. Middle East carriers experienced the strongest traffic growth in July 2012 at 11% compared to the same month in the previous year, although this was surpassed by a 12% rise in capacity. Compared to June, traffic rose just 0.1%. The region’s growth trends were impacted by Ramadan, which commenced in July this year.

15. African airlines’ traffic climbed 5% in July 2012, below a 6% rise in capacity. Load factor was 73%, by far the lowest of any region.

16. IATA has downgraded the 2012 forecast for Middle East carriers with profits pegged at US$0.4 billion, down from the March projection of US$0.5 billion, due to the weakness of European originating traffic which will damage long-haul markets.

**C. Accommodation sector**

**C.1. Full year results - 2011**

17. According to STR Global and STR, the global hospitality sector in 2011 showed improvement with overall occupancy levels up, even with substantial additions to capacity. However, Africa and the
Middle East registered mostly negative results with a 4% decrease in occupancy to 57%, a 5.3% increase in ADR to US$163, and a 1.8% decline in RevPAR to US$93.

C.2. Key Indicators for the first half of 2012

18. As per latest data from STR Global, until July 2012 Middle East hotels posted positive results on all three performance measures: hotel occupancy (+4%), ADR (+4%) and RevPAR (+8%), according to data compiled by STR Global. Occupancy in North Africa hotels was much higher (+20%) with RevPAR growing by 8%, though ADR was down (-10%).

19. However, in the month of July, the MENA region reported mostly negative performance results, in large part due to Ramadan, which took place 20 July to 19 August and impacted the results across the region.

D. Travel distribution

D.1. Full year results - 2011

20. Incomes of the travel trade in countries directly affected by political unrest such as Tunisia, Egypt and Bahrain suffered hugely due to severe decline in tourism demand. Travel trade in Jordan and Lebanon also suffered from reduced tourism due to the negative spill-over effect from direct disruptions. In contrast, the GCC travel trade (excluding Bahrain) had a good year, with uplift in inbound and outbound tourism.

D.2. Key Indicators for the first half of 2012

21. Demand for holidays in North Africa was seen to be recovering, with the situation in Tunisia reported by the travel trade as ‘especially encouraging’.

22. In the Levant region, the Jordan travel trade notes a rebound in European leisure tourism and good performance in the medical tourism sector. In Syria, the conflict’s devastating impact on tourism is causing tourism companies and travel agencies to incur huge losses. The travel trade business in Lebanon is also negatively affected due to the massive decline in big-spending tourists from the Arabian Gulf.

23. In the GCC, the travel trade is continuing to see the growth trend witnessed in the previous year. Bahrain travel agents express relief and satisfaction with the revival in tourism especially from Saudi Arabia.

E. Tourism segments and products

E.1. Full year results – 2011

24. 2011 was a year of mixed results for leisure tourism in MENA. Tunisia, Egypt, Syria and Bahrain - countries directly impacted by the political unrest posted strongly negative results. Neighbouring Jordan and Lebanon also suffered reduced tourist inflows. GCC countries, perceived to be stable and safe benefited from increased inflow of regional visitors, and redistribution of traffic from MENA countries.
25. The overall regional business tourism sector also suffered, though Qatar, Saudi Arabia and UAE proved to be more resilient, recording positive growth in business and MICE tourism. UAE and Qatar have also gained from relocation of some MICE events from Egypt and Bahrain.

26. Religious tourism in Saudi Arabia achieved strong growth due to a significant increase in the number of visitors for Hajj and Umrah. Religious trips accounted for 40% of the total trips to Saudi Arabia. This growth was supported by infrastructure developments in air transportation and travel accommodation.

27. Sports tourism in Bahrain was impacted massively with postponement of its Formula 1 Grand Prix. UAE and Qatar did not face any negative impact, with most sporting events held as scheduled.

28. Cruise tourism took a big hit in Egypt, Tunisia, Morocco and Bahrain where many cruise liners cancelling trips through 2011. On the other hand, UAE and Oman registered significant growth both in terms of number of ships calling at their ports and in passenger numbers.

29. The negative impact of the political events on medical and healthcare tourism in key destinations such as Jordan, Lebanon, Egypt, Tunisia and Morocco was significant.

E.2. Key Indicators for the first half of 2012

30. Leisure tourism and cruise tourism is seeing signs of revival in Egypt and Tunisia, key tourism markets in MENA most impacted by the political unrest in 2011.

31. Syria’s tourism (leisure, religious and business) has been decimated by the ongoing political conflict. In Lebanon, along with decline in leisure tourism, medical tourism has also suffered a setback due to lack of patients from Syria and the rest of the Arab world. On the upside, Jordan is seeing a rise in demand in its leisure and medical tourism segments.

32. Leisure, sports and business tourism in key GCC markets remains consistent, although Saudi Arabia has reported reduced leisure, business and religious tourist arrivals in the first quarter of 2012, when compared to the high growth achieved in the same period in 2011.

F. Source markets

F.1. Full year results - 2011

33. Tourist inflows from key source markets in Europe were down for most MENA destinations, the largest declines being in Egypt (-35%) and Tunisia (-50%). The situation was exacerbated by the weak economic situation in Europe, particularly in the UK.

34. Asians and Middle Eastern travellers (intra-regional tourists) showed resilience and posted strong growth but mainly in GCC destinations such as Dubai and Oman. Saudi Arabia received a record number of religious tourists from within the Middle East.

F.2. Key Indicators for the first half of 2012

35. There are encouraging signs of tourism revival from Europe, the main tourism generating market for several MENA countries. Tunisia has seen growth from all European markets, especially Britain (+34% in May), Germany and France. Visitors from Western Europe and Russia are on the rise in
Egypt; German tourists were up 54% in Egypt in the first half of 2012 compared to the same period last year.

36. Tourist traffic from Asia and Middle East to the GCC has seen impressive growth, while intraregional tourism to Syria and Lebanon is negatively impacted by the Syrian conflict. On the upside, Jordan has seen increased arrivals from Libya, Iraq and Saudi Arabia.

**G. Planned investments**

37. Over US$6 billion worth of hotel projects, mainly in UAE, Qatar and Saudi Arabia are due for completion by 2013.

38. The Middle East continues to allocate large investments for developing new and existing airports expected to cost US$119 billion.

39. As of July 2012, there are orders of 907 airplanes with Airbus, with Emirates, Qatar Airways, and Etihad commanding a 54% share of the order book.

40. The GCC countries have announced the implementation of the US$25 billion GCC railway project that will link the six GCC countries, boosting regional travel and trade ties.

41. Expansion and development of seaports to develop cruise tourism is also ongoing in destinations such as the UAE, Oman and Qatar. In addition, Qatar that has won the rights to host the 2022 World Cup, which is expected to cost US$50-60 billion.

**H. Demand recovery/stimulation measures**

42. Tourism authorities have realized the necessity of reassuring travellers that it is safe to visit their country and the bulk of their efforts are oriented in this direction.

43. In addition, to catalyse the return of the tourist, various marketing, promotion and public relations campaigns targeting traditional as well as new potential markets and segments are being executed. Measures include participation in international travel and tourism fairs, incentives to charter operations, taxes/levies and visa barriers reduction, familiarization trips, advertising, organization of major events etc.

44. Countries such as Egypt, Tunisia and Jordan have made innovative use of social media to engage with potential travellers and to reassure them that it is safe to visit their country.

**I. Outlook for MENA tourism**

**I.1. Outlook for 2012**

45. The UNWTO forecasts growth for the overall Middle East of zero to 5% in 2012, though much will depend upon how the political situation in Syria and the economic situation in the Euro zone changes over the next few months.
46. Although a full recovery in tourism might be more difficult and slower than hoped for, the positive results in several destinations in the first half of 2012, led by Egypt and Tunisia, suggest that there is a good possibility arrivals in key markets could reach close to pre-crisis levels by the end of the year.

47. Yet, the slowdown in tourism growth in key tourism markets in Q2 2012 is cause for some concern. If the economic situation in the Euro zone deteriorates further, it may have a negative impact on European tourism to MENA destinations such as Tunisia, Morocco and Egypt.

I.2. Long term prospects (horizons 2020 and 2030)

48. Long term prospects for the MENA region are strongly positive, with international tourist arrivals projected to reach 142 million in 2020 and 195 million by 2030.

49. The Middle East will grow from 61 million in 2010 to 101 million and 149 million in 2020 and 2030 respectively, with an average annual growth rate of 4.6% in the period 2010 to 2030. North Africa is also projected to grow at a similar annual rate (4.6%) with international tourist arrivals growing from 19 million in 2010 to 31 million and 46 million in 2020 and 2030 respectively.

J. Lessons learnt and way forward

50. Political uncertainty has the potential to impact negatively on visitors’ perceptions regarding personal safety, suitability of access, availability of accommodation and the likelihood of disruption to travel plans. Swift implementation of a communications response is crucial to reassure tourists that the destination is safe, accessible, ready and able to receive visitors.

51. Destinations dependent on single source markets can be highly vulnerable in times of crisis. There is need to have a diversified customer base, and alternative source markets to spread risks. It is also important to have a diversified tourism product to cater to different customer segments and motivations. Business and MICE tourism act as good support and buffer to downturns in the leisure tourism segment.

52. A balanced approach to marketing and product development is important to develop a distinct destination brand that can withstand external and internal pressures, including the potential negative impact of any joint tourism marketing programs, in times of crisis.

53. Imagination and innovation to lure foreign tourists and harnessing the power of the Internet and social media to engage with them can have a positive influence on visitor perceptions and motivations.

54. The lessons learnt from the political events in the past 18 months suggest that the way forward for several MENA destinations is to:
   - Rethink the tourism development model
   - Overcome structural weaknesses (infrastructure, human resources, energy consumption, leakages from the economy, etc.)
   - Learn from successful initiatives taken by some countries in the region to respond to the crisis
   - Promote collaborative efforts in communication and media relations
   - Create new, open and transparent conditions for tourism investment, and unlock business potential
K. Strategic guidelines

K1. Short term tourism recovery strategy

55. It needs to be recognized that political events/uncertainties cause a short-term crisis, leading to a loss of market confidence. Experience shows that, as a general rule, visitation levels return to normal shortly after the crisis-generating circumstance has dissipated. Therefore, efforts need to be geared towards restoring market confidence and stimulating tourism demand as quickly as possible.

K.1. 1. Establishing a Tourism Recovery Committee

56. A collaborative Tourism Recovery Committee constituted of recovery experts, key Government departments and major industry stakeholders should be quickly established that can objectively assess the situation on the ground, and present a unified message to the global media, travel trade and tourists.

K.1. 2. Situation analysis

57. An objective assessment of the tourism infrastructure, tourism assets and key tourism regions is necessary to ensure that the destination is ready and able to welcome tourists. More often than not, natural or man-made disasters and events tend to affect certain parts of the country, while the rest of the country remains fairly isolated/protected from their negative impact. Tourism recovery tactics can be geared towards attracting visitors to those regions and areas that are safe for tourists, have their tourism assets intact and are easily accessible.

K.1. 3. Communication campaign

58. Political uncertainty has the potential to impact negatively on visitors’ perceptions regarding personal safety, suitability of access, availability of accommodation and the likelihood of disruption to travel plans.

59. Strong and impactful communication campaigns based on transparency and honesty are essential for restoring market confidence and stimulating tourism demand. Communication must address visitor concerns on all aspects of a travel experience - personal safety, suitability of access, availability of accommodation and the likelihood of disruption to travel plans.

60. A multi-media communications campaign that includes use of social media to engage with potential tourists can be particularly effective in spreading positive words of mouth by tourists and can have a positive influence on visitor perceptions and motivations.

K.1. 4. Marketing and promotion

61. Marketing and promotional campaigns aimed at building and restoring the destination’s image among diverse tourism stakeholders in traditional and new markets, are essential to revive tourism. These can include:
   o Familiarization trips for members of the media to provide them with the opportunity to witness at first-hand the situation on the ground and to showcase the destination’s readiness for business.
   o Joint marketing activities with strategic partners in most promising traditional and new source markets. Promotional trips for tour operators and travel agents in key source markets so they can witness what has been done to restore business at the destination.
Organization of special events and meetings to create the opportunity to communicate with industry stakeholders and with the international community

Marketing and communication campaigns showcasing the diversity of tourism products to attract a wider tourist demography and motivations, also allowing for distribution of tourism activity in traditionally low seasons as well.

Promotions geared towards attracting business and MICE tourism where recovery tends to be faster.

**K2. Medium term tourism strategy**

62. Crisis situations provide an opportunity to review, rethink and restructure tourism development models and policies. A focused longer term strategic approach to tourism planning, development and marketing is essential in building and strengthening a destination’s tourism competitiveness, and for enhancing the tourism sector’s income and employment generation contribution towards economic development.

**K.2.1. Rethink the tourism development model**

63. A complete review and assessment of the tourism development model is important in order to develop a more robust and resilient tourism industry. This involves a macro-environment analysis as well as industry analysis including an assessment of destination image, strengths and weaknesses vis-à-vis key competitors. Evaluation of structural weaknesses is important in order to address issues that can hamper the full recovery of tourism.

**K.2.2. Overcoming structural weaknesses**

64. Tourism strategy should be geared towards overcoming structural weaknesses in the areas of infrastructure, human resources, livelihood support mechanisms for tourism SMEs, leakages from the economy etc.

**K.2.3. Taxation and travel facilitation policies**

65. All travel taxes should be scrutinized objectively for excessive burdens on travelers/companies. Exempting visa fees, elimination/simplification of visas, electronic visas should be considered wherever feasible as well as the scope for intraregional collaboration on visa facilitation to promote intraregional tourism.

**K.2.4. Investment environment and legislation**

66. An enabling business environment for tourism investment will help attract foreign direct investment, essential for growth in the sector.

67. Investment laws and regulations governing tourism should be revisited with the aim of guaranteeing transparency and fair competition, and an incentives package (tax breaks, subsidies etc) for investors should be explored.

**K.2.5. Product innovation and technology**

68. Consistency in product and services innovation and development will help sustain tourism demand over the longer term. These should appeal to different target groups, harness the use of ICT and should be launched, jointly with tour operators in generating markets.
K.2.6. Market research and market monitoring

69. Visitor feedback surveys should be conducted frequently to gain insights on customer satisfaction with their travel experience. Surveys should also be conducted among potential tourists and travel partners in key source markets for information about destination perceptions, motivations and barriers to travel. Such information should be used as input for marketing planning and promotion, and for budgeting.

70. Markets performance should be monitored on a real time basis. Budget allocation should be flexible enough to allow targeting most performing/promising markets.

K.2.7. Risk assessment and crisis management plan and structure

71. A flexible risk assessment and crisis management plan should be prepared. The plan should address different possible scenarios in the evolution of exogenous factors pertaining to potential natural and man-made disasters and events.

K.2.8. Human resource development

72. Comprehensive HR development plans, based on through assessments of the tourism labour market, should be developed, to meet short and long term tourism industry requirements.

73. The image of tourism as an employer and provider of long term career opportunities should be enhanced by establishing clear career paths, credited education and training programmes, scholarship schemes and awareness raising measures.

K.2.9. Sustainable tourism

74. As per UNWTO definition, sustainable tourism is: ‘Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities.’

75. Making tourism more sustainable means taking these impacts and needs into account in the planning, development and operation of tourism, across cities, resorts, rural and coastal areas, mountains, and protected areas. It applies to all forms of business and leisure tourism.

76. Commitment to a continuous process of improvement via a sustainable tourism development strategy will, in the long term, ensure the highest level of contribution of the tourism sector towards the nation’s economic development, trade and exports generation, job creation and poverty alleviation.