



بنك الإمارات دبي الوطني
Emirates NBD

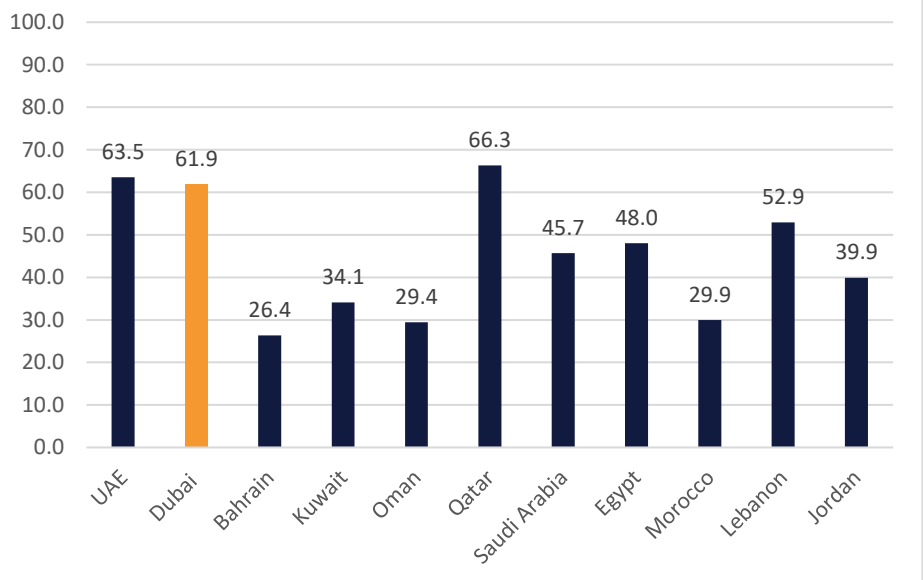
Sector Outlook

28 July 2021

Dubai Tourism: Hotel occupancy up in June

Hotel occupancy in Dubai rose to 61.9% in June from 58.5% in May 2021 and 59.4% in April. Revenue per available room (RevPAR) declined -17% m/m in June, the second monthly decline following May's -13% drop, as hotel operators cut prices to attract back customers in the summer season. This is a sign that the market is gradually clocking back to normalization, as more expats chose to travel for vacation and hotel operators look at attracting international visitors through more attractive pricing in summer. The y/y metrics look much better as last June international borders were closed. Hotel occupancy was thus 36pp higher y/y in June 2021 while RevPAR was up by close to 250% y/y.

Regional hotel occupancy rates for June (%)



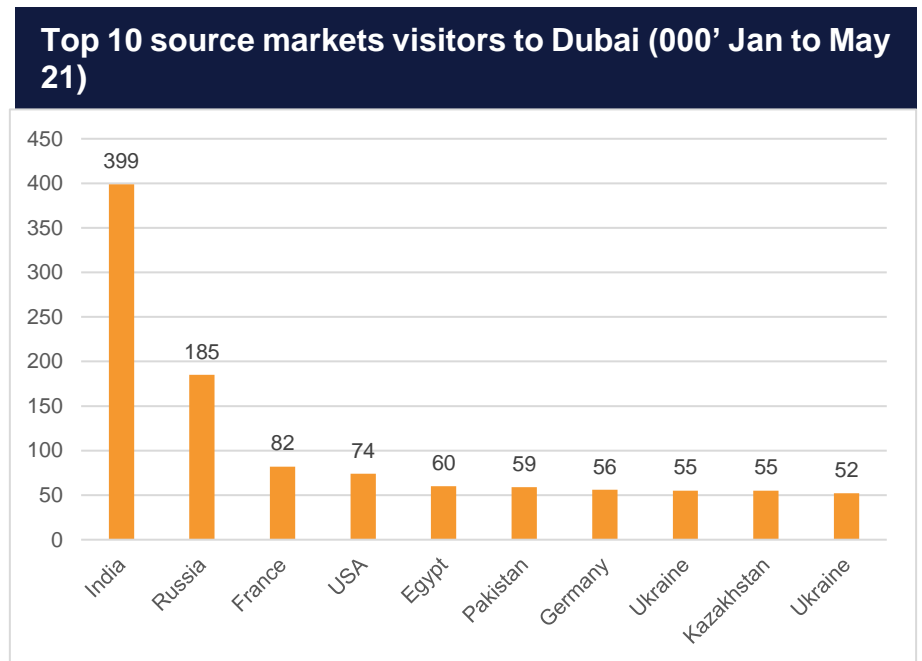
Source: STR Global, Emirates NBD Research

The improvement in hotel occupancy rates in June probably reflects Dubai attracting increasing number of tourists from neighbouring countries prior to any additional restrictions this month, as well as staycations for Eid holidays. The continued travel restrictions on flights from India that were put in place on 25 April 2021, in response to the surge in coronavirus cases there, have had an impact on Dubai's travel and hospitality sector as India is the largest source of international visitors to Dubai. New restrictions in July on travel of Saudi nationals to the UAE will impact inbound tourist dynamics from that market. The situations with travel restrictions from neighbouring and other countries continues to be very dynamic with dates often changing over short periods of time, as both the UAE and other countries continually take decisions respective to their assessment of travel risk conditions.

We continue to see restrictions that have been imposed by other countries on their residents travelling to the UAE as the biggest headwind to the recovery of the tourism sector. Pre-Covid, the GCC countries accounted for 18% of Dubai's international visitors, with Saudi Arabia being the second largest source market after India. The relaxation of those restrictions especially from Saudi Arabia over May and June would have improved those dynamics; however, the situations remains in flux as new restrictions re-imposed by Saudi Arabia in July have shown.

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While decisions by the UK to keep the UAE on its red-list is likely to deter British holidaymakers from coming to Dubai, despite the UAE's high vaccination rates, **quarantine requirements in most EU countries vis-a-vis the UAE are easing**, with vaccinated UAE travellers now more easily able to travel to many EU destinations, and EU citizens visits to the UAE subject to lower restrictions.



Source: Dubai Tourism, Emirates NBD Research

Data published by Dubai's Department of Tourism and Commerce Marketing showed the number of overnight visitors during the 11-month period from July 2020 to May 2021 reached 3.7m tourists, marking close to a year since Dubai reopened to international visitors. Dubai received 1.7m visitors between July and December 2020 and close to 2m visitors in the first five months of 2021. Hotel occupancy rose from 35% in July 2020 to 58% in May this year. Domestic staycations saw a 106% rise, with 5.5m domestic visitors for the period between July 2020 and May 2021, compared with 2.7m during the period July 2019 to May 2020. Hotel occupancy in Dubai peaked in December at 69% and in January 66%. The average daily rate (ADR) recovered from AED238 in July 2020 to AED383 in May. The tourism body also stated that 591 hotel establishments with 100,000 rooms were operating in July 2020, that increased to 715 hotel establishments offering 128,000 rooms in May this year. From September 2020 to mid-May 2021, there 3,136 business events that were attended by 813,832 delegates according to the officially released figures.

The Covid-19 vaccine rollout in the EU continues to hasten pace and travel corridors are likely to continue opening up with key EU and other destinations. Dubai's tourism sector is gradually heading to normalization, as global travel gradually picks up, and the technicalities of vaccination and health passports become more streamlined. However, this global travel situations remains dependent on the domestic coronavirus situation in many countries, as well as the speed with which vaccines are rolled out. As the most recent IMF World Economic Outlook update showed, developing and low-income countries still far lag developed economies in their vaccination rates by a margin of almost 3 times. The 2nd half on this year will be crucial in determining how fast vaccinations are able to pick-up emerging markets, especially as developed economies recognize the importance of vaccinations as the delta for the global economy to decisively break from this pandemic. Regional and global tourism dynamics will likely move in line with those gains.

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