

Positive outlook for African hotel sector

By  Danette Breitenbach

29 Jun 2017

Tourism has the potential to increase jobs and uplift economies. Five African countries showed growth in the hotel sector in 2016, and are set to continue this positive outlook from 2017 to 2021. This is the finding of PwC's 7th edition of the [Hotels Outlook: 2017 - 2021](#), which features information on hotels in the five African countries through a synopsis of historical performance for 2016 and to forecast revenue and other key trends for the 2017 - 2021 period.



PwC Hotels Outlook 2017-2021: Africa's hotel sector remains resilient

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Nigeria

Of the five countries, Nigeria is the country forecast to have the most growth over the next five years. Despite tourism not being a major industry in Nigeria, it has increased its contribution to GDP to 4.8% in 2016 – up from a mere 1.7% in 2015.

“Contributing to this is the government’s clamp down in the terrorist activity in the north-eastern region of the country. This growth is also despite the devaluing of the Naira which caused some policy and administrative uncertainty,” explains Pietro Calicchio, Hospitality and Gaming Industry Leader for PwC Southern Africa.

The growth is also mainly due to domestic tourism, which made up 97% of tourist spending in 2016. In the 2016 report, PwC forecast that the number of rooms to become available at 13,900 in 2020 which has now been reduced to 12,300 in 2020, 11.5% fewer than expected. “Nigeria is a difficult market to forecast as hotels that are planned then do not come onstream,” he adds. However, in the long term, the outlook is still positive with lots of activity in this market.

Mauritius

Despite Airbnb having an effect in Mauritius, hotel room revenue in the country still increased by over 15% in 2014 and the industry has benefitted from double-digit growth in foreign tourism, with the number of tourist arrivals in Mauritius increasing by almost 11% - matching the gain in 2015. This can be due to the number of direct flights to the country, especially from Europe which is still its primary source of tourists, accounting for 58% of total arrivals in 2016. Of this percentage, France accounts for 21% of all tourist arrivals in 2016.

However, the country's double-digit growth in tourist arrivals is not expected to be maintained. "From 2018, we expect the growth to drop to mid-single digit increases to an average five percent growth compounded annually to 1.6m in 2021 from 1.3m in 2016," explains Calicchio.

Hotel room revenue is expected to grow at a 6.2% compound annual rate to 2021. It must be noted that there has been a moratorium on new projects in place in the short term in the country and as a result, few rooms are expected to be added by 2021. "This has been in an effect by the government and industry to try and curb new hotels and to get the supply stable and enable hoteliers to conclude renovations and protect the room rate."



Mueslimuse via [pixabay](#) - Hotel in Mauritius

Kenya

Kenya exceeded expectations in 2016, but the country is still not near its 2011 levels. Foreign visits to the country rose from 1.18m in 2015 to 1.31 million in 2016. The country benefited from the lifting of travel advisories to that country and growth in domestic tourism as well as from a series of incentives by the government, such as no visa fees for children, no VAT on park entrance fees and investments into infrastructure such as roads.

The forecast is that their revenues will continue to increase in the next few years, with its hotel room revenue to expand at a 7.5% compound annual rate to 2021, despite a decline in occupancy rates over the next two years. In 2021m the occupancy rate will rise to 57.4%, up from nearly 53% in 2016. A total of 13 new hotels is expected to open by 2021, adding 2,400 rooms. There is much interest from international brands.

Tanzania

Tourism has become one of the biggest industries in Tanzania accounting for 17% of GDP. "In 2016, the industry increased, despite the imposition of an 18% VAT on tourism services in that year. The proceeds are being used by the government to improve infrastructure," he adds. Five new hotels are also scheduled to open in the country, one in Dar es Salaam and one in Zanzibar and Serengeti. Together they will add nearly 800 rooms.

In 2016, room revenue rose by 7.7% in 2016, down from the 2015 15.6%. Total room revenue rose R4.6b in 2021, from R3.3b last year - a 6.9% compounded annually increase.

South Africa

Finally, South Africa. Last year tourism contributed 10% to South Africa's GDP, up one percent from 2015. Room revenue increased by 12.2% to R15.9m, mainly due to an increase in visitors. "This also pushed up the average room rates by

8.9%. Occupancy rates were also over 60% (at 61.2% vs. 59.6% in 2015) for the first time in years,” comments Calicchio.

“Visitor numbers increased, mainly due to the amendment in visa regulations, the devaluation of the rand and added routes from London, Frankfurt, Doha and Addis Ababa,” he adds.

Despite the numbers being up they are still not what they were in 2013, but the future looks positive with a further 63,900 rooms becoming available in 2021. “We also forecast that guest nights will increase at a 1.8% compound annual rate to 15m in 2021 from 13.7m in 2016. The total room revenue will expand at 9.3% compound annual rate to R24.8b in 2021 (from R15.9b in 2016).”

While Airbnb is starting to have an impact, he says business travellers are not utilising Airbnb yet.

ABOUT DANETTE BREITENBACH

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