MARKET REPORT

Africa on the Rise

DECEMBER 19, 2023

While East Africa's travel, tourism and hospitality sectors have faced various challenges in recent years, there are encouraging signs of growth, as Hala Matar Choufany, president - HVS Middle East, Africa and South Asia, points out.

This year revealed diverse hotel performance trends across Africa's 54 countries, reflecting the vast expanse and distinctiveness of the continent and emphasizing the regional disparities. Indeed, certain areas saw substantial growth and an uptick in international arrivals, while others grappled with persistent challenges.



Hospitality sector performance

Northern and southern Africa, home to well-established hospitality markets like Egypt and South Africa, reported slower economic growth rates. In contrast, most countries spanning the Eastern and Western regions experienced accelerated economic growth due to increased investments, exports, and rapid urbanization.

As of September 2023, hotel performance in Africa witnessed a combination of positive growth and challenges. Various key performance indicators illustrate the dynamic nature of the hospitality sector on the continent. Popular destinations such as Addis Ababa, Kigali, Cape Town, Nairobi, Lagos, and Sharm El Sheikh exceeded 2019 occupancy levels, signaling a complete recovery and sustained interest in accommodation.

By mid-2023, Sub-Saharan Africa reported approximately a 25 percent increase in average rates compared to 2022. On the other hand, North Africa exhibited a remarkable 77 percent surge in average rates. Despite these average rate improvements, occupancy levels remained weak in the region. Sub-Saharan Africa experienced a 2 percent decline, and North Africa a 13 percent decrease, both indexed to 2019.

The year-to-date consolidated occupancy for Africa as of September 2023 reached 55 percent, marking a slight decrease from the 57 percent recorded during the same period in 2019. Contrarily, the average rate for the continent from January to September 2023 showed a notable improvement of 35 percent from 2019 levels, reaching USD 139.

Except for Seychelles, which commands a high average rate, Morocco, Mauritius, Dakar, and Kampala boasted higher rates than most cities. Emerging African markets like Rwanda, Nairobi, and Morocco showed promising growth in hotel development and tourism-related activities this year. Looking ahead, the forecast indicates that occupied room nights will surpass pre-COVID levels by the end of 2024. Major cities like Abidjan and Abuja are projected to achieve indexes close to 150 percent by 2025 versus 2019.

Future projections

At the WTTC Forum, the tourism and hospitality sectors were forecast to contribute around USD 430 billion to the African economy, leading to a significant increase in jobs. It is projected that the sector will employ more than 110 million people by 2033.

It is important to note that the African continent has the youngest population worldwide. Furthermore, the rise of the middle class across the continent is expected to be a major contributor to this.

The COVID-19 pandemic has spurred a trend among Africans to focus on domestic travel, influencing future growth in the tourism sector. This is anticipated to grow further, as more countries follow the path of Rwanda and Kenya and relax their visa policies. In addition, visa-free travel will be issued for citizens of all 54 African nations.

Opportunities and challenges

Africa’s hospitality sector holds promising growth opportunities. The continent’s diverse attractions, from natural wonders to cultural sites, create a robust foundation for tourism. Furthermore, improved infrastructure, such as better airports and roads, enhances accessibility and supports the expansion of the hospitality industry. The rising middle class in certain African countries fuels a growing demand for travel and leisure services, presenting a significant market for hotels and resorts.

Moreover, embracing technology, like online booking platforms, can streamline operations and reach a broader audience. Additionally, emerging markets within Africa, such as Rwanda, Nigeria, and Kenya, offer untapped potential for hotel development and tourism-related businesses.

Despite the opportunities, challenges persist in Africa’s hospitality sector. Insufficient infrastructure, including transportation and utilities, poses obstacles to growth. Additionally, security concerns in certain regions may discourage both tourists and investors, impacting the sector’s potential. A shortage of skilled hospitality personnel, coupled with regulatory complexities, can hinder the development of hotels and related businesses. Smaller enterprises face challenges in accessing financing. Overcoming negative perceptions through effective marketing is also a hurdle for growth.

Addressing these challenges requires collaborative efforts to create a supportive environment for the hospitality industry across the continent. To foster growth and mitigate risks in African hospitality and tourism, public-private partnerships are crucial.

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