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MARKET REPORT

Magical Morocco

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For many travelers, a holiday represents a dreamlike escape. Rishabh Thapar, Director of HVS's Middle East and Africa team, tells us why Morocco is hitting all the high notes with explorers looking for something a little different.

Rich culture, history and culinary experiences: Morocco has it all. Along with Egypt and South Africa, it is one of the most visited countries across the continent. In 2019, Morocco recorded a high of 13 million international visitor arrivals to the country on the back of steady annual growth of 5 percent from 2012 to 2019. With tourism receipts representing one of the main sources of foreign currency and contributing to 7 percent of GDP, there is a strong push by the government to revive the industry from the effects of the pandemic.

Growing Source Markets

Akin to most developing countries, tourism receipts in Morocco are driven largely by international tourism. Foreign arrivals accounted for just under 70 percent of annual tourists before the pandemic. France, Germany and UK have traditionally been the top source markets. In fact, in 2012, the French market represented a larger share of overnight stays when compared to the domestic market. Since then, domestic overnight stays have grown by an annual rate of 6.8 percent — faster than the international market at 4.7 percent — representing 31 percent of the market in 2019. This trend is testimony to the growth of Morocco as a nation, one that most African economies are trying to emulate, especially taking account of the pandemic.

Impact of COVID-19 and Outlook

As per the World Bank's 2021 Economic Prospects report, Morocco's GDP growth declined from 2.5 percent in 2019 to an estimated -6.3 percent in 2020. However, the rebound is expected to accelerate quickly compared to other major regional economies and has been estimated to reach 4 percent in 2021 and 3.7 percent in 2022. Even though recovery in tourism suffered early setbacks in 2021, due to continuing infection waves in source markets, Morocco's vaccination drive is among the fastest across the continent and is keeping pace with the vaccination drive in Europe. As of April 20, about 13 percent of the population had received at least one dose and 11.5 percent had been fully vaccinated. The hotel market in 2020 saw a 78.5 percent decline in tourist arrivals to Morocco.

Marrakech, Casablanca and Agadir accounted for about 70 percent of the international market in terms of arrivals and suffered the biggest impact as a result of Covid-19. Marrakech and Casablanca saw a decline in occupancy of 70 percent and 58 percent respectively. Marrakech's reliance on the meetings and events segment led to it witnessing the sharpest decline in occupancy among the North African gateway cities, though the average room rates improved by 15 percent.

Casablanca and Tangiers (predominantly business destinations) saw a decline in rates, while Agadir — which has historically relied on international tour operators — saw a rise in average rates as domestic tourism replaced some of the demand. With the challenges of new waves in source markets, evolving travel restrictions and seasonality trends, we expect Agadir to experience some peaks and troughs, even though it promises to become the first market in the country to recover from the pandemic.

The business destinations relying on domestic demand are also likely to witness steadier recovery as vaccinations are administered and travel resumes. Domestic and regional markets are expected to drive the recovery initially, followed by "low-risk" source markets in the short term.

In response to the pandemic, the government has taken various steps to support and revive the sector. Allowing the hospitality sector to retain deposits in lieu of future bookings, deferring taxes, loan moratoriums and providing cash support to furloughed employees were some of the short-term measures adopted. In the long run, the country is trying to create an environment for investment, new business and development through reform projects. The Mohammed VI Investment Fund aims to support investment projects in public-private partnerships and to contribute to the growth of SMEs. The Ministry of Tourism is working on developing new markets in Asia and the Americas, understanding and adapting to evolving consumer patterns.

Opportunities

Most of Morocco's current active pipeline (around 4,000 rooms under development) consists of luxury and upscale hotels concentrated in traditional markets and the development of branded hotels, including the likes of Hilton, Accor and Marriott expanding to Taghazout. Within the luxury space, there is opportunity to develop landscape/nature-based projects with a wellness ideology. There is also scope for lifestyle hotels that promote a "work, play, stay" culture, which could even extend to a midscale positioning and urban metropolitan/business destinations. Millennials and Gen-Alpha are increasingly driven by experiential tourism and base their decisions on authentic, user-generated content and social media. Brands such as Equinox, Latitude Hotels and Selina are examples of concepts that are challenging the traditional hospitality landscape across price points.

The growth of domestic tourism, targeting some of the biggest outbound markets in the Americas and Asia, and evolving traveler expectations present a great opportunity for Morocco to fill the gaps in its product offering by building for a variety of experiences and positionings. It is important to understand and evolve with the needs of the new growth markets while consolidating traditional sources. With millennials redefining the boundaries between work and play, remote working is another segment that could be exploited, especially given Morocco's popularity and connectivity with European markets.

Conclusion

Morocco’s strategic location in North Africa, good connectivity, abundant and varied landscapes, pro-tourism strategies and experiential tourism prospects offer advantages for the country to expand its hospitality offerings in line with anticipated travel patterns. With favorable long-term policy and continuous vaccination drives, Morocco is envisaged to keep growing its tourism and hospitality sector.

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