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MEDIA BRIEFING

Workforce shortages could hamper GCC tourism growth

Governments need to develop local workforce and deploy innovative strategies to create a competitive tourist sector

A shortage of skilled professionals and limited investment in technology and sustainability could affect the near-term growth of the GCC tourism sector, says a senior banking expert in the UAE.

"As the GCC advances its tourism ambitions, it needs to pay equal attention to the 'softer' aspects of tourism development – people, digital technology, and sustainability," says Cyril Lincoln, executive vice president, global head of real estate finance and advisory at Mashreq Bank.

AT A GLANCE

- GCC's tourism sector could face a shortfall in skilled professionals
- Hotels and resorts are the most active subsector in the GCC's tourism projects market
- Nearly 90,000 skilled professionals are needed in the hospitality sector by 2026
- Markets including the UAE and Saudi Arabia will see most demand for manpower, based on existing and planned developments
- Training and upskilling of staff is necessary to remain competitive
- Investing in innovative technology and sustainable practices will help create a more resilient industry

Real estate service provider Colliers identifies that the GCC will require more than 90,000 skilled professionals in its hospitality sector by 2026, of which nearly 86,000 will be needed in the UAE and Saudi Arabia. The number is expected to grow as more projects are announced.

"The challenge now is not the absence of opportunity, but perhaps the lack of manpower and technical skillsets," says Lincoln. "Covid-19 sparked unemployment across travel and tourism not just in the region, but globally. As the industry recovers, there are clear indications of pent-up demand – but not all workers may choose to return."

Resilience in tourism

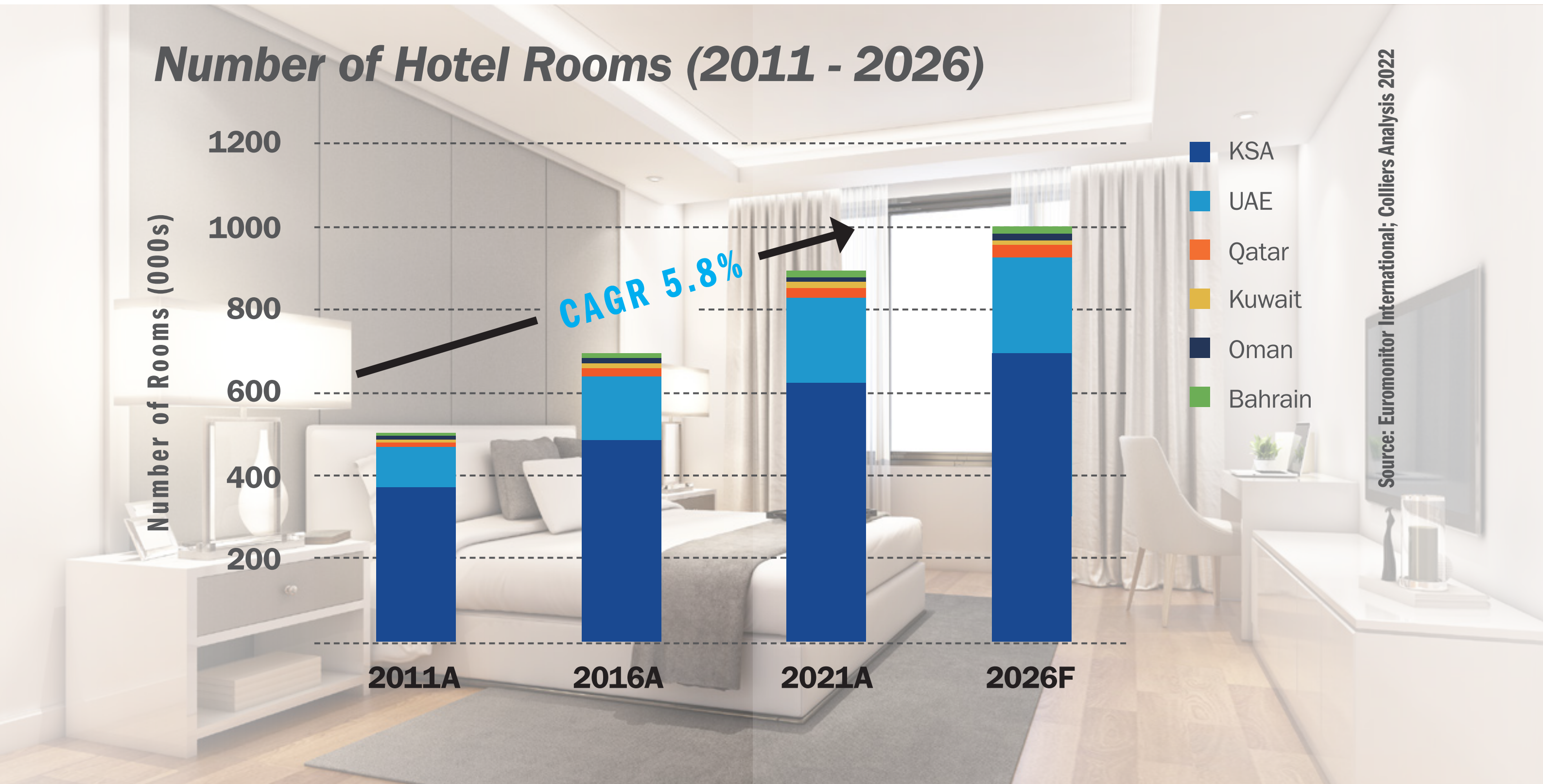
According to MEED Projects, nearly \$28bn of leisure and hospitality projects are underway in the GCC, which includes developments such the Guggenheim Abu Dhabi Museum in the UAE; Saudi Arabia's King Salman Park Royal Arts Complex; and the Six Flags Theme Park in Riyadh. Meanwhile, \$115bn worth of projects are in various pre-execution stages.

Majority of leisure and hospitality projects planned and underway are hotels and resorts. It is estimated that \$13bn worth of hotels and resort projects are currently underway in the GCC, and nearly 45 per cent of these are in Saudi Arabia.

This is also reflected in the number of rooms anticipated to come to the market in the coming years. Data from Colliers highlights that more than 100,000 rooms are expected to be added across the GCC by 2026, taking the total supply to more 1 million units.

Another report, published by hotel market intelligence firm STR, notes that nearly 80,000 hotel rooms were under construction in Saudi Arabia as of March 2022, accounting for 3.2 per cent of the 2.5 million rooms under contract globally.

"The projects market is a reflection of how important the tourism sector is to the GCC governments," says Lincoln. "It is seen as a contributor to national incomes, as well as a means for a country's brand building."

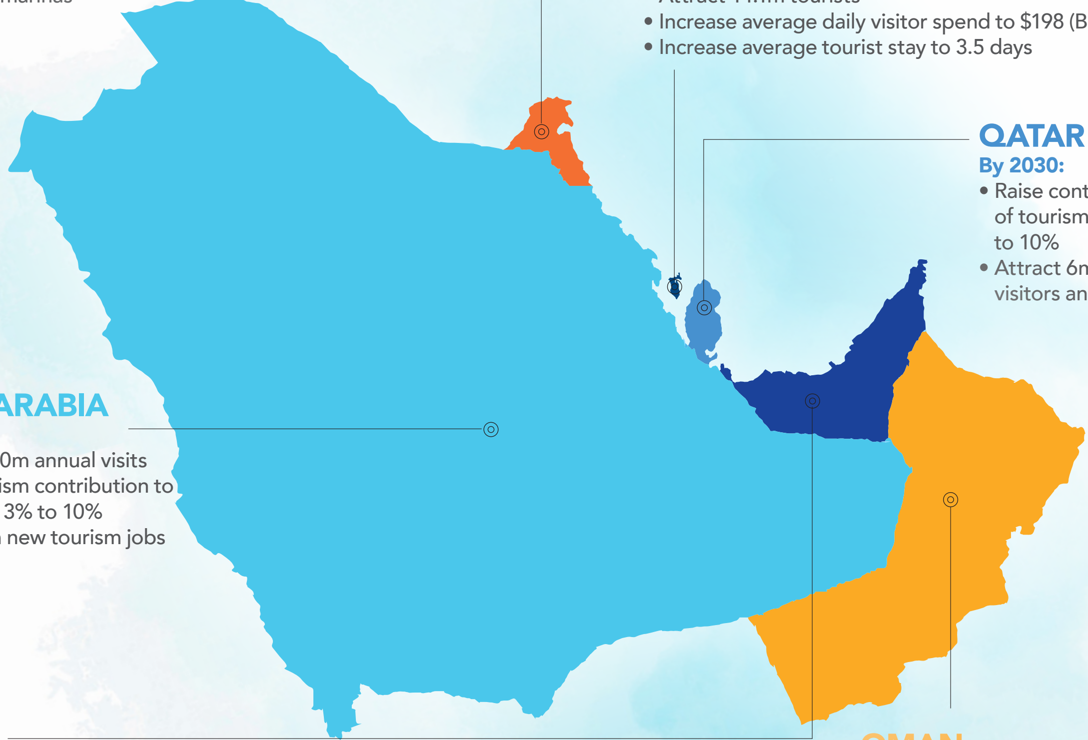


Tourism strategies in the GCC

KUWAIT
Redevelop 11 anchor projects in areas such as park and family entertainment, hospitality, recreational clubs, highway rest areas and waterfront marinas

BAHRAIN
By 2036:
- Invest more than $10bn in tourism infrastructure
- Raise contribution of tourism to GDP to 11.4%
- Attract 14.1m tourists
- Increase average daily visitor spend to $198 (BHD74.8)
- Increase average tourist stay to 3.5 days

QATAR
By 2030:
- Raise contribution of tourism to GDP to 10%
- Attract 6m visitors annually



SAUDI ARABIA
By 2030:
- Attract 100m annual visits
- Raise tourism contribution to GDP from 3% to 10%
- Create 1m new tourism jobs

UAE
By 2030:
- Unify local and federal tourism strategies
- Promote UAE as a single tourist destination
- Double the annual AED41.bn spent on domestic tourism

By 2030, Abu Dhabi aims to:
- Attract 23m tourists annually (doubling 2019 figures)
- Saadiyat Vision 2025: Attract 19m visitors and contribute $1.1bn (AED4.2bn) in direct tourism revenue by 2025

By 2025, Dubai aims to:
- Attract 25m tourists annually (an increase of 40% over current figures)

By 2030, Ras al-Khaimah aims to:
- Attract 3m visitors annually

OMAN
By 2040:
- Generate $23bn (OMR9bn) in annual revenue from tourism (2019 figures stand at OMR1.2bn)
- Attract 11.7m tourists, with foreign visitors comprising more than 40%
- Focus on luxury, adventure and nature

Dubai's Tourism Vision, for instance, aims to attract 25 million visitors annually by the year 2025, and has merged its economy and tourism departments to increase competitiveness.

In Saudi Arabia, the Ministry of Tourism is aiming to increase the contribution of the tourism sector to national GDP from the current 3 per cent, to 10 per cent by 2030.

It will also create nearly 1.6 million jobs in the sector within this period, while attracting 100 million local and international visits annually.

"Tourism in the region has recovered or is still recovering in phases," says Lincoln. "The UAE, for instance, was one of the first to reopen its borders and has emerged as a safe and responsible tourist destination in this period."

Figures issued by STR rank Dubai first in hotel occupancy in the January to April 2022 period, ahead of destinations including New York, London and Paris.

"Markets such as Saudi Arabia were more cautious in their approach, and only really opened up for visitors in late 2022," says Lincoln. "Now with Doha gearing up to host the FIFA World Cup in the final quarter of the year, it is expected to benefit not just Qatar but its neighbours as well, as lots of cross-border travel and tourism is activated."

But even as stability returns to the industry, Lincoln states that more needs to be done in terms of the efficiency of recovery.

"As the industry regains its strength, it needs to ensure it is actively investing in more than just projects – it needs to bring back its people, while also futureproofing. One way of doing this is innovating in competitive ways."

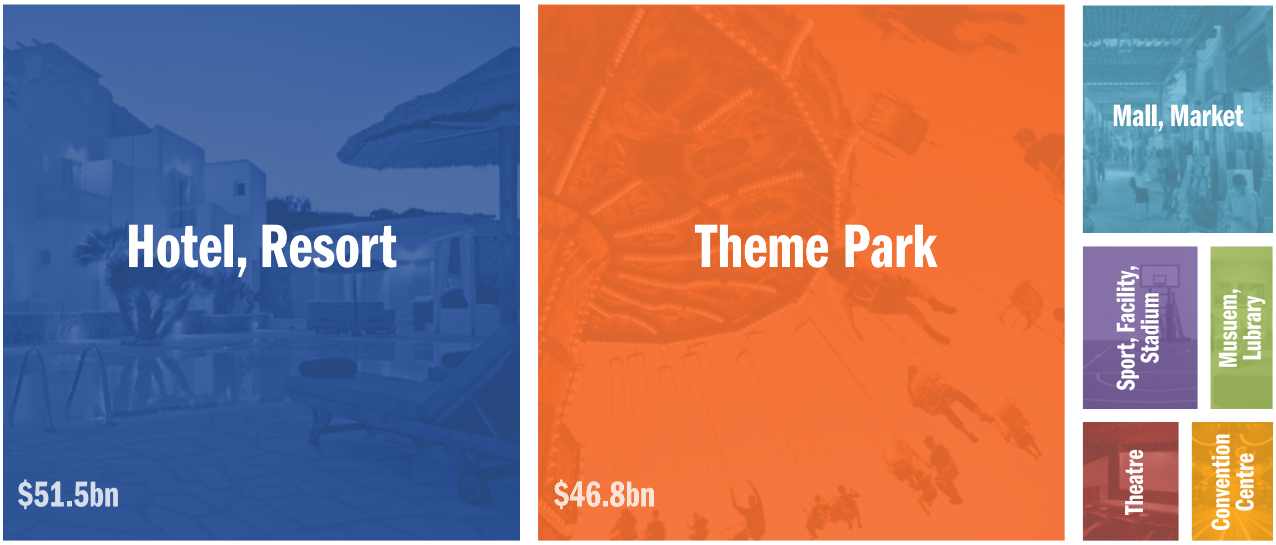
Travel and tourism are no stranger to digitalisation, disrupted by online platforms long

Value of tourism projects underway in the GCC

■ Hotel, Resort | ■ Theme Park | ■ Mall, Market | ■ Sport, Facility, Stadium | ■ Musuem, Library | ■ Convention Centre

Value of tourism projects planned in the GCC

■ Hotel, Resort | ■ Theme Park | ■ Mall, Market | ■ Sport, Facility, Stadium | ■ Musuem, Library | ■ Theatre | ■ Convention Centre



Source: MEED Projects

before other industries. But the approach now needs to be about innovative disruption and adopting more competitive tactics to attract new-age travellers.

These include highlighting the sustainability of a destination; personalised and immersive travel experiences; and increasing use of data analytics.

"Developments including Neom and the Red Sea Project are certainly setting the benchmarks for innovation and environmentally-friendly development in the region," says Lincoln. "Hopefully these will cascade to other developments over time."

Lincoln regards training and retaining talent as an equally important part of the process, which countries such as the UAE are enabling through policy changes and visa reforms. He further emphasises the need to create a balance between local and expatriate manpower in the sector.

"Governments need to drive the development of local capabilities, and this can be done by establishing relevant training institutes and university programmes. This further aligns with the vision to establish a knowledge-based economy, while also creating business opportunities for international educators in the field."

This briefing is brought to you by the MEED-Mashreq Real Estate Partnership

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