

Africa's emerging hotel markets attractive for foreign investors

The hospitality sector in Africa's emerging markets is set to post faster growth in revenue than their counterparts in the developed countries, attracting foreign investment and an influx of foreign travellers. This makes these emerging markets essential for the expansion strategies of leading hotel developers. "The growth potential of Africa is high mainly because of the rapid economic growth in some economies, a growing middle class and an increase in visits from foreign visitors," says Pietro Calicchio, hospitality and gaming industry leader for PwC Southern Africa.



Pietro Calicchio, Hospitality & Gaming Industry leader for PwC Southern Africa

(Source: PricewaterhouseCoopers)

"The emerging markets are a sought after destination for foreign investors – it is in these markets where there are continued economic growth and a need for additional infrastructure. In addition, governments and policy makers are introducing a range of tax incentives and other incentive schemes to foreign investors."

Although the potential for foreign investment has improved substantially in Africa over the past several years it is not without a number of challenges. Some of these challenges include a drop in oil prices and other commodities, social unrest, unstable electricity supply and the impact of one of the most severe droughts across the African continent.

These are some of the highlights from PwC's 7th edition of the [Hotels Outlook: 2017-2021](#) report. PwC's report features information about hotel accommodation in South Africa, Nigeria, Mauritius, Kenya and Tanzania. This year we take our African view a step further, with looking into Ghana and Ethiopia as emerging hotel markets.

Ghana

The hotel sector in Ghana has remained resilient despite recent global economic challenges. Following the collapse in the oil price and that of other commodities, the government has taken steps to diversify the economy, including promoting the hospitality and tourism sector.

Ghana's hospitality industry grew 1.2% from 2015 to 2016. The World

Travel & Tourism Council (WTTC) expects Ghana's tourism industry to expand by 5.6% in 2016 and maintain an annual growth rate of 5.1% per annum from 2017 through to 2027.

A number of internationally-branded hotels are based in Accra. As at May 2017, there were 2,723 hotels and lodges in Ghana.

There is expected to be an increase in the number of business travellers to the country as the government embarks on a number of initiatives to stimulate economic growth. The government is also making improvements in transport infrastructure, with the construction of a third terminal at Accra's Kotoka International Airport and allocation of funds for the repair of roads to popular tourist destinations. The hotel industry is expected to grow 1.1% in 2017, 2.1% in 2018 and 2.3% in 2019.

"Having regard to the investment by foreign investors in the industry through the establishment of high-rated hotels, and an increasing number of tourists and business travellers, it is expected that there will be continued growth in the industry," Calicchio comments.

Ethiopia

In the east, Ethiopia is set to boost investment in the hospitality sector in order to generate more foreign earnings. While the economy in Ethiopia continues to enjoy substantial growth, the hotel sector is poised to benefit from an increase in the number of inbound travellers with the expected opening of some international hotel brands. Currently, there are five international hotel brands under construction.

International visitors in Ethiopia come from a wide range of sources. It is a diverse market catering for both business travellers and tourists. Total tourist arrivals in Ethiopia from 2015 to 2016 increased from 817,860 to 868,780. Tourist arrivals in 2017 are forecast to increase by 5.7% on the previous year to 918,010.

Despite the country's bid to bolster its earnings from the hospitality sector, political unrest broke out in 2016 which slightly impacted the industry.

Government plans include expanding Ethiopian Airlines' footprint of regional and international routes and Addis Ababa international airport is also undergoing expansion that will enable it to service 20 million passengers a year by 2019.

Addis Ababa will continue to grow as a regional business hub, supporting expansion in the hotel sector. Hotels in the city currently have a 60% occupancy rate. Addis Ababa is host to numerous conferences. This is mainly because it has the third-largest diplomatic community in the world, after New York and Geneva.

"The growing presence of international brands in the country demonstrates confidence in Ethiopia's tourism growth, particularly opportunities linked to business and diplomatic travel," comments Calicchio.

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