

Cutting ties with Qatar: How will this affect tourism in the Middle East?

The governments of Saudi Arabia, UAE, Egypt, and Bahrain announced on 5 June 2017 that they were cutting diplomatic ties with Qatar over claims of the country sponsoring terrorism. The travel bans that followed, including flight bans and port closures, will have a highly disruptive effect on destinations, airlines, hotels and tour operators in the GCC and wider Middle East.



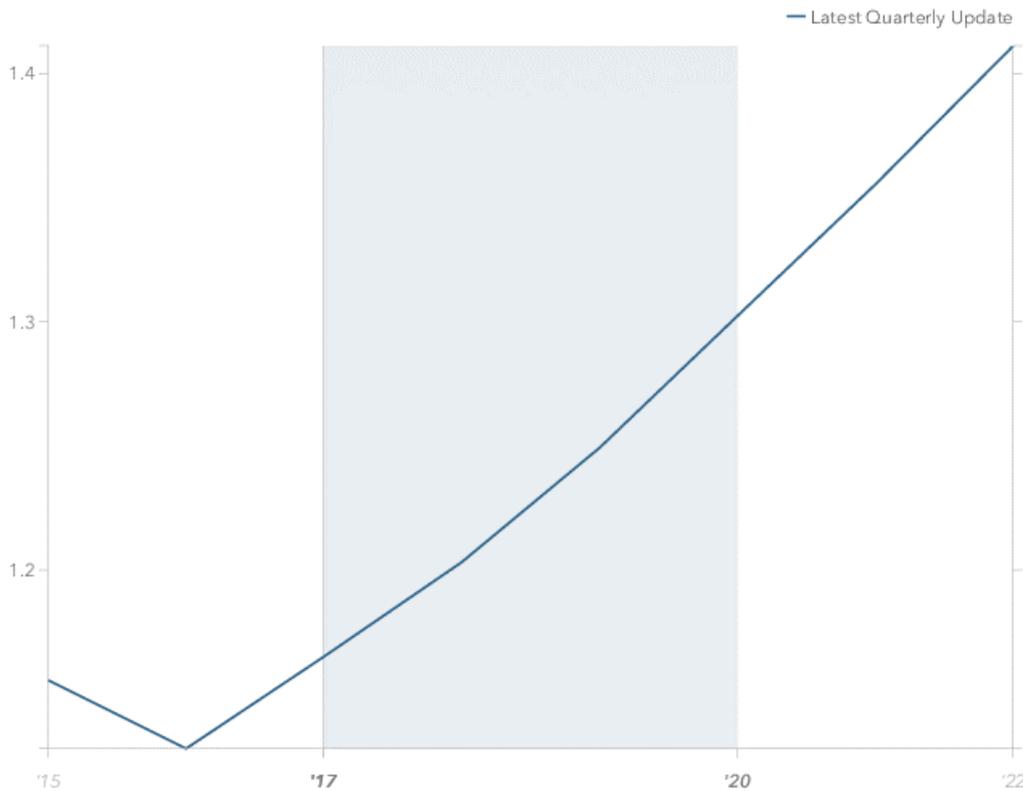
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The overall size of the Qatari outbound market is relatively small at two million departures in 2016 to the rest of the world, however, Qataris spend a lot per trip, with an average outbound spend per trip of \$1,400 and showing a positive upward trajectory. Overall outbound expenditure reached \$2,617m in 2016.

Departures from Qatar to Saudi Arabia

Departures from Qatar

To Saudi Arabia
2015-2022, mn



Source: Euromonitor International - Travel Forecast Model

Dependency levels

The impact of cutting ties with Qatar on inbound tourism to the four countries will vary, based on the level of dependency on Qatar as a source of demand. In the case of the UAE, Egypt, and Bahrain, Qatar accounts for a small share of their inbound arrivals, of 1% or less. Whereas, Qatar plays a more important role as a source market for Saudi Arabia, accounting for 7% of all arrivals amounting to 1.3m trips, and more significantly, 27% of all inbound receipts that Saudi Arabia generates from international tourism.

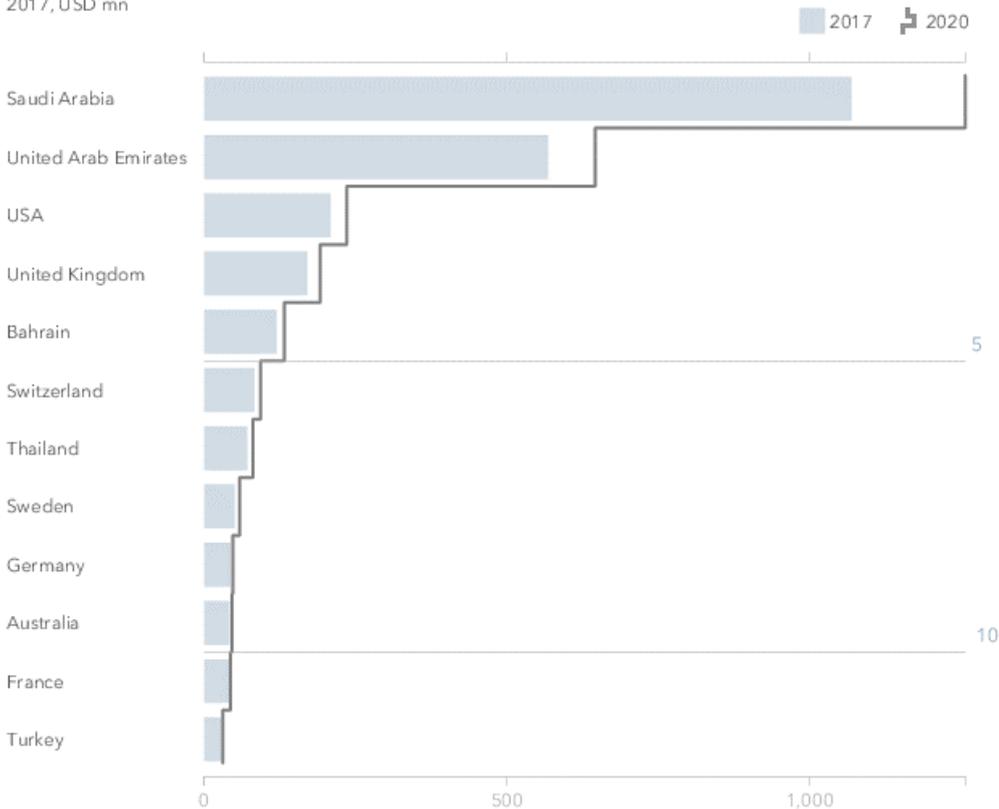
The most popular destination for Qataris is Saudi Arabia, with 1.3m trips taken, and holds the majority share of outbound expenditure at \$1b. After Saudi Arabia, the UAE is the most popular destination in terms of expenditure for Qataris, followed by the US, UK, and Bahrain.

Undermining long term potential

Severing ties with Qatar will act as a drag on tourism spending, especially for Saudi Arabia. Pre the diplomatic dispute, Euromonitor International's Travel Forecast Model indicated that outbound expenditure from Qatar to Saudi Arabia would grow strongly at 5% per year over 2017-2020. The trend will go into reverse seeing as the flows between the two countries will be stopped, and the severity of the downturn will depend on how long the diplomatic dispute lasts and when relations normalise.

Expenditure by Destination

From Qatar
2017, USD mn



Airlines in brace position

The Middle East is home to the Big Three carriers of Emirates, Etihad and Qatar Airways that have expanded rapidly across the globe in the last 15 years or more, thanks to liberalisation and open skies, much to the chagrin of many a legacy carrier around the world.

Big Three Middle Eastern Carriers Airlines % Value Shares 2010/2015

Geography	Company Name	2010	2015
Middle East and Africa	Emirates Group Plc	7.5	11.0
	Etihad Airways LLC	1.8	4.4
	Qatar Airways Group Plc	2.1	2.6
Saudi Arabia	Emirates Group Plc	6.5	6.9
	Etihad Airways LLC	2.8	4.6
	Qatar Airways Group Plc	3.2	4.0
United Arab Emirates	Emirates Group Plc	38.7	34.5
	Etihad Airways LLC	7.3	11.7
	Qatar Airways Group Plc	8.7	5.7

Source: Euromonitor International

Considering the high spending power of Qatari travellers, they will be a sorely missed source of revenue in the short term.

Qatar Airways, a five-star airline, is the smallest of the Big Three, with a 2.6% share of the Middle Eastern airlines market in 2015, amounting to \$1.4b. Qatar Airways has a reasonable presence in the UAE market and Saudi Arabia, with 5.7% and 4% respectively. However, it has been losing in the UAE market due to intense price competition from the domestic carriers of Etihad and Emirates.

With flight bans in place and the exposure that the three Middle East carriers have to each others' markets means that it is unlikely that there will be any winners in the short term.

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