Dubai Tourism: Strong start to 2022

Dubai’s tourism sector in 2022 is kicking off to a robust start with tourist arrivals doubling in January 2022 compared to last year. While there remain tail-risks to the tourism sector from the pandemic, the Covid-19 dynamics appear to be easing following the sharp resurgence which began late last year as the Omicron variant spread. The geopolitical tensions in Eastern Europe may cause some headwinds to tourist arrivals from that region, however given the fluidity of the situation it will be difficult to ascertain the exact impact. Moreover, given Dubai remains geographically isolated from the tensions, the wider trends of global travel recovery are likely to drive growth in tourism from other markets. The UAE has managed Covid-19 dynamics extremely well, with 97% of the UAE population fully vaccinated, and the country maintained its place on the top Bloomberg's Covid Resilience Ranking in February.

Data published by Dubai’s Department of Economy and Tourism (DET) showed Dubai attracted 979,700 international tourists in January, a growth of 116.6% y/y compared to the same month last year. In terms of key source markets Saudi Arabia ranked 1st (105,000 visitors, up 5645% y/y), the surge reflects the easing of strict Covid restrictions that were in place last January in the Kingdom. India was the second largest source market for Dubai (73,000, +41% y/y), followed by Russia (70,000, +157% y/y) and the UK (58,000, +102% y/y) and Oman (48,000, +369% y/y).

Tourism arrivals from regional markets (MENA and GCC) contributed to 31% of the total volumes, reinforcing Dubai’s continued appeal to travellers from the near region. Western Europe accounted for 24% of total visitors in January 2022, South Asia contributed 13% of total international visitors with Russia, CIS and Eastern Europe contributing 17%.

Figures released by Dubai Airports last month showed Dubai International Airport (DXB) recorded a 12.7% y/y increase in annual passenger traffic in 2021, handling 29.1mn passengers last year, exceeding its forecast of 28.7mn driven by a strong Q4 and retaining the title of the world's busiest international hub for the eighth consecutive year. India retained its position as the top destination country for DXB last year by passenger volume, with traffic totalling (4.2mn), followed by Pakistan (1.8mn), Saudi Arabia (1.5mn) and the UK with (1.2mn) passengers. Other key destination includes the US (1.1mn), Egypt (1mn) and Turkey (845,000). DXB’s top destination cities during 2021 were Istanbul with (916,000) passengers, followed by Cairo (905,000), London (814,000) and New Delhi (791,000). Dubai Airports’ passenger traffic forecast this year is 55.1mn, which is 63% of 2019 levels, a figure airport officials say is conservative, given the strong forward bookings and recovery in travel demand.

Dubai hotel occupancy rates (%)

Source: STR Global, Emirates NBD Research
Other metrics reflect a sector that is adapting to rapidly shifting dynamics in **Dubai**. In the hotel sector, data from STR for both January and February reflect those trends. January 2022 saw hotel occupancy decline to 70.7% from 77.3% in December, driving hotels to discount room rates to attract tourists post Omicron, with RevPAR dropping by 18.1% m/m between December 2021 and January 2022. Dynamics recovered in February with RevPAR jumping 10.5% m/m, and hotel occupancy rates climbing to 84.5%. Measured annually the figures reflect a stronger resurgence, where January occupancy rates were up 5.1pp y/y and up 26.3pp y/y in January and February respectively, while RevPAR was up 56.7% y/y and 142% y/y respectively for January and February.

**Dubai Revenue per available room (RevPAR) (AED)**

![Bar chart showing Dubai Revenue per available room (RevPAR) (AED)](image)

*Source: STR Global, Emirates NBD Research*

**Metrics in neighboring Abu Dhabi also improved.** Hotel occupancy rates were up 13.7pp y/y and 14pp y/y respectively in January and February 2022, and the monthly metrics also improved with occupancy rates in February climbing to 78.1% from 72.1% in January of this year. While February RevPAR edged down 23.8% m/m compared to January this year, it was up 37% y/y compared to 2021.
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