



MAURITIUS

Economic Indicators

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1. Tourism Development
2. Tourism - 1st Quarter 1986
3. Bi-annual Survey of Employment and Earnings, March 1986
(Preliminary results)

MINISTRY OF ECONOMIC PLANNING & DEVELOPMENT
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TOURISM DEVELOPMENT

For more than a decade now, tourism has featured prominently in the Government's development strategy; it is seen as a vital tool for diversifying and restructuring the economy in addition to stimulating investment, generating much-needed foreign exchange and creating employment for the country's growing labour force.

Incentives

2. Two sets of incentives are offered by Government for the hotel sector: one for property development under the Development Certificate (DC) Scheme and the other for hotel management and marketing services under the Hotel Management Certificate Scheme. These schemes offer rebates on corporation tax whereby a nominal rate of 15% corporation tax is paid during the lifetime of the company and dividends are tax free for ten years. They also provide for free repatriation of capital and remittance and make the holder eligible for preferential credit.

Hotel Expansion

3. Under the impetus of these schemes, hotel development has boomed. In 1985, 55 hotels were operating compared to only 34 in 1975. The number of rooms increased by over 1,100 while bed capacity rose by some 2,500 during this period. In addition, 100 additional rooms are expected to be made available in 1986.

4. The substantial improvement in hotel capacity in the last few years is a reflection of the growing confidence in the future of the tourism industry. The table below shows increases in hotels, rooms and bed capacities between 1975 and 1985.

Table I - Hotels, Rooms and Beds, 1975-85

<u>Year</u>	<u>No. of Hotels</u>	<u>No. of Rooms</u>	<u>No. of Beds</u>
1975	34	1,499	2,884
1980	43	2,000	4,000
1981	51	2,201	4,484
1982	51	2,204	4,530
1983	53	2,300	4,900
1984	54	2,488	5,102
1985	55	2,630	5,387

Air Access

5. A major drawback of Mauritius as a tourist destination is its geographical position. Lying far from important shipping routes and burgeoning tourist markets, its hope to stimulate tourist flows greatly depends on efforts to facilitate access to the country. The national carrier has played a crucial role in this respect. Set up in 1967, Air Mauritius currently serves almost all major routes which are important to the country's travel trade. These include Mauritius/London/Paris/Nairobi, Mauritius/Zurich/Rome, Mauritius/Johannesburg, Mauritius/Bombay and Mauritius/Singapore routes. The commencement of new services has rendered Mauritius easily accessible and has contributed to the recent rise in tourist arrivals.

Main Source Markets

6. Tourism policy, in recent years, has been aimed at attracting visitors from the high- and middle-income groups. At present, visitors from Reunion island, South Africa and France which are Mauritius' main short haul, medium haul and long haul markets respectively account for 60% of all tourist arrivals. By virtue of their large numbers, tourists from Reunion contribute significantly to overall tourism earnings. However, their short average stay and the tendency to seek accommodation in low-cost private bungalows translate into expenditure per head which is lower than that of tourists from other major destinations. By contrast, tourists from West Germany and Switzerland stay longer and spend more per diem.

Tourist Arrivals and Earnings

7. Two important indicators of growth in tourism are tourist arrivals and gross foreign exchange earnings. The rate of increase in arrivals between 1970 and 1979 averaged 18% - a significant achievement indeed. However, this high rate of growth could not be sustained in the subsequent years. In 1980, tourist arrivals registered a 10% fall on the previous year whereas during 1980-83, the 1979 peak could not be attained (see Table II).

Table II - Tourist Arrivals, 1975-1985

<u>Year</u>	<u>No. of Arrivals</u>	<u>Annual Growth Rate (%)</u>
1975	74,597	-
1979	128,360	18.5
1980	115,080	(-10.3)
1981	121,620	5.7
1982	118,360	(-2.7)
1983	123,820	4.6
1984	139,670	12.8
1985	148,860	6.6

8. Increased air fares as a result of the second oil price hike in 1979 along with recession in the main tourist generating markets were the principal factors contributing to the temporary drop. Other unfavourable developments included growing competition from rival tourist destinations, mainly from tropical islands and adverse publicity in the main source markets on the effect of cyclonic conditions in 1979-80.

9. The industry started to pick up in 1984 when tourist arrivals exceeded the 1979 level of 128,360. In 1985, a new record was set with arrivals climbing to a peak of 148,860. This figure would have been higher had there not been a fall in tourist arrivals (4,380) from South Africa, primarily as a result of deterioration in the economic climate there - notably the acceleration of inflation and the depreciation of the rand - and the high fares on the South Africa - Mauritius route, given the relatively short distance between the two points.

10. Tourism earnings, as shown in Table III, reflected a similar upward trend. This can be attributed to two main factors: increases in the number of tourist nights and average expenditure per tourist over the period.

Table III - Tourist Earnings & Tourist Nights
(1975 - 1985)

	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Gross Tourist Earnings (Rs m)	135	361	421	450	503	630	845
Earnings per Tourist (Rs)	1810	3137	3462	3862	4062	4510	5643
No. of Tourist Nights (Million)	0.75	1.30	1.36	1.39	1.41	1.54	1.61

11. It is worth noting that part of the gross foreign exchange earnings from tourism flow out of the country in the form of payments for merchandise imports, repatriation of profits and dividends, car hire services and other induced imports making it difficult to evaluate precisely the net contribution of this sector to the economy. But to maximise net returns from tourism, Government has been encouraging greater use of local food by hotels and restaurants. Increased effort is also being made to develop local handicrafts. Craft training centres have been set up in different parts of the island to provide training to people interested in handicrafts. A more recent development is the decision by Government requiring hotel promoters who have been awarded development certificates to devote at least 1% of their total investment to local artistic creation.

Prospects

12. The tourist industry is volatile in the sense that short-term changes in world economic conditions can have profound effects on holiday patterns. The international economic outlook, however, appears good in the short run with the world economy projected to grow at around 3% in 1986. The local tourism industry can therefore be expected to enjoy growth despite the fact that the South African market is weakening. The exploitation of the tourist potential of the Far-East specially Australia and the efforts to expand air access should prove particularly beneficial.

13. For the first three months of 1986 an increase of about 4,500 was registered in the number of tourist arrivals compared with the same period last year, mainly as a result of the better economic climate in the country's main source markets and the attempts to sell Mauritius abroad. If this favourable trend is sustained for the coming months, the number of tourist arrivals for this year will certainly be greater than the original forecast of 156,000 (see Economic Indicators No. 33).

14. Mauritius is well prepared to accommodate any upsurge in the number of tourists. Efforts are already underway to upgrade the basic tourist infrastructure. The expansion of Plaisance Airport is also progressing satisfactorily to cater for the increased passenger traffic. As regards hotel accommodation, the existence of some excess capacity (in the first quarter of 1986 out of every 100 rooms, 20 were unoccupied) in large hotels suggests that room availability is not likely to be a constraint in the immediate future.