

Bed Capacity Increases, Monthly Fluctuations in Arrivals and Implications

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The Reality

While total bed capacity of the tourism industry has increased by 130% during the 10-year period 2009-2018, beds in the resort segment increased only 45% and it's the beds in the guest house segment which has increased by 1635% that accounts for a large part of the 130% increase in the whole industry.



Tourists on excursion visit to the capital

Over the past 5 years (2014-2018) tourism arrivals have been increasingly modestly with a total 126% increase of bed capacity during the period. During the same 5-year period tourism arrival have increased only 23.19% from 2014 to end 2018. So, increase in arrivals have lagged bed capacity increases in the industry.

Bed capacity increases during the period have come at a faster pace from the guesthouse segment which has grown 150% during the 5-year period 2014-2018 and 1635% during the decade 2009-2018. While official numbers show an 18%

share of registered tourism beds in the guest house industry, it is now estimated that guest house beds account for 20% of beds in the industry.



Tourist Arrivals. Source: Monthly Statistics, Ministry of Tourism

While arrivals have increased by a total of 23.19% from the 5 years 2014-2018, there are wide fluctuations seen in monthly arrivals with steep descents in the arrival curve towards the middle of the year especially May and June. As total arrivals increase, the increase in arrivals are mostly crowded into the months of November to February. After February/March, arrivals start decreasing sharply starting from March with the lowest arrival during May-June and does really recover until Oct.

	Jan	Feb	Mar	Apr	May	Jun	Jul	% Decrease from Jan
Arrivals 2016	108,396.00	120,639.00	115,131.00	103,493.00	93,228.00	79,034.00	110,432.00	27.09
Bed Nights 2016	658,991.00	749,460.00	746,569.00	655,972.00	573,465.00	443,937.00	629,327.00	32.63
Arrivals 2017	125,336.00	121,052.00	112,665.00	119,774.00	93,491.00	85,222.00	113,175.00	32.01
Bed Nights 2017	810,126.00	722,413.00	750,432.00	742,498.00	601,496.00	480,890.00	688,021.00	40.64
Arrivals 2018	142,351.00	144,286.00	133,466.00	119,713.00	92,913.00	93,786.00	122,332.00	34.12
Bed Nights 2018	941,497.00	925,585.00	873,729.00	796,840.00	641,544.00	544,550.00	743,514.00	42.16

Tourist Arrivals. Source: Monthly statistics, Ministry of Tourism

As arrivals crowd into the peak season, the decrease towards May- June period becomes sharper as can be seen from the above table. The decrease in arrivals from Jan to Jun is 27.09% in 2016, 32.01% in 2017 and 34.12% in 2018. Bed night statistics too, show the same trend of increasingly sharp decreases from the highs of Jan to the lows in Jun. In 2016 it is 32.16%, 40.64% in 2017 and 42.16% in 2018.

Implications

1. As the percentage increase in bed capacity have been far in excess of the percentage increase of arrivals, the tourism industry, in general, have been under pressure to reduce general room rates.
2. With lower costs and an estimated 20% share of beds in the industry, the Guest House segment can offer more competitive rates and have added additional pressure on the resorts to be more price competitive.
3. The sharp and increasing declines in arrival towards May-June have also created a very specific periods when rates are on very special discounts. (The March – May period, being a season of relative calm in local weather, for the discerning visitor, a Maldivian Holiday during the period can be confirmed at very attractive rates.)
4. On the Supply side, as the increase in bed capacity outperform increase in visitor arrivals, the tourism industry have had to look for cost savings with pressure more acute during the May-Jun period.
5. Large businesses and small entrepreneurs who are suppliers of products and services to the tourism industry, need to be aware of this reality and to adjust their sales, operations, costs and overheads to survive and thrive in this reality.