



## EUROPEAN TOURISM 2009 – Trends & Prospects

Quarterly Report – Q2/2009

EUROPEAN TRAVEL COMMISSION



# **EUROPEAN TOURISM IN 2009: TRENDS & PROSPECTS**

## **Quarterly Report (Q2/2009)**

A quarterly insights report produced for the Market Intelligence Group  
of the **European Travel Commission (ETC)**  
by **The Travel Business Partnership**

Brussels, July 2009  
**ETC Market Intelligence Report**

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### **European Tourism in 2009: Trends & Prospects (Q2/2009)**

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on behalf of the ETC Market Intelligence Group

Cover: The port of Nauvo (Nagu) in the Turku archipelago, western Finland  
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## Foreword

### **The downturn in tourism demand is slowing ...**

As we enter the second half of 2009, there is growing optimism at the emergence of so-called 'green shoots', but there is a risk that this optimism will prove premature. Output is still falling in most of the industrialised world.

Air passenger demand continues to fall, but the double-digit declines seen in the first quarter have slowed to 7-8%. The lodging sector has also seen the falloff slow, with year-to-date declines in occupancy rates moderating over the past two months. Yet the trend remains worryingly negative.

Travel to European destinations in 2009 has been well below last year's levels. Of the 19 countries for which 3-5 months of arrivals and/or overnight data is available, only Serbia has posted growth (and that is only for arrivals, with overnight volume unchanged over 2008), while ten countries have seen volumes contract by over 10%.

### **... but it is too soon to speak of a recovery**

Responses to Eurostat surveys suggest that industry sentiment among the hospitality and transport sectors is turning less negative. But travel agencies have only held steady in their outlook, supporting the guarded optimism.

The shift towards shorter-haul travel and a weaker euro should bring some stability to the intra-European market. However, sterling remains weak vis-à-vis the euro, stunting UK outbound travel. Tourism Economics expects inbound travel to Europe to decline by more than 5% in 2009. The World Tourism Organization is even more pessimistic, forecasting a drop of between 5% and 8%. At best, international arrivals are likely to fall back to 2006 levels. With a relatively slow recovery forecast, regaining 2008 levels will take two years, Tourism Economics predicts, followed by above-trend growth in 2012-13.

These forecasts were made before the recent spread of the H1N1 influenza virus. The impact of the pandemic is still difficult to predict but, if it intensifies, the effect on travel and tourism demand could be very severe. However, even if it remains relatively benign, leisure travel will continue to be constrained by job losses and weak consumer confidence generated by the economic crisis. Most households are still expected to travel, but their trips will generally be marked by shorter length of stays, shorter distances and bargain hunting. Domestic travel should also benefit, if not evenly across Europe.

Business travel, meanwhile, is forecast to remain weak for the rest of the year, in line with the tightening of corporate travel budgets.



Rob Franklin  
Executive Director  
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Chairman  
ETC Market Intelligence Group

## Economic Trends and Implications

### 'Green shoots' are vulnerable to late frosts!

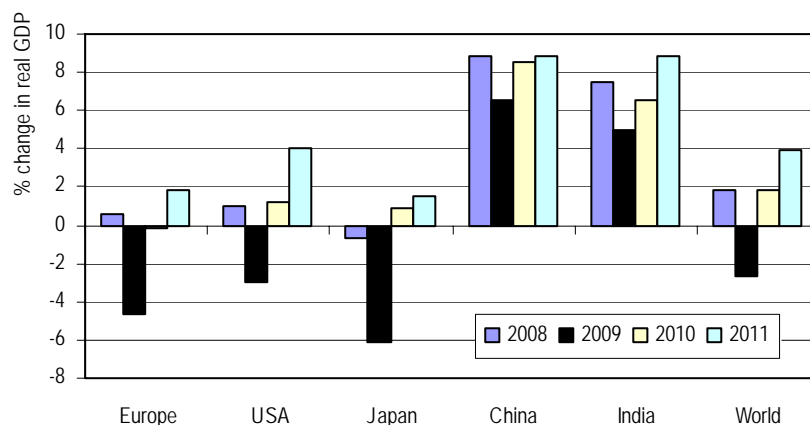
As we enter the second half of 2009, there is remarkable optimism at the emergence of so-called 'green shoots', promising the beginnings of an economic recovery. But there is a risk – in two senses – that this optimism will prove exaggerated and/or premature:

- At the corporate level, the optimism is based on an awareness that the massive de-stocking exercise that drove down industrial production and exports is coming to an end. Commodity and stock market prices have recovered to levels that are not far out of line with those prevailing before their surge in 2007-08. But it would be wrong to exaggerate the scope for growth in the short term. Output – ie GDP – is still falling in most of the industrialised world. With so much spare capacity about, investment is certain to remain weak. The optimism expresses a hope that, in the developed world, economic activity will stabilise at around their current – low – levels in the second half of 2009 and the first half of 2010. But renewed declines are not out of the question.
- Whatever the outcome for the corporate sector over the next few months, the outlook for consumers remains bleak. Employment is expected to continue to fall, so unemployment will rise and earnings will be constrained. Governments – still intent on restoring financial and economic stability – have not yet begun to impose the increases in taxation and cuts in spending that will be necessary to bring their deficits under control. The current wave of optimism may help to sustain travel spending through the summer season and perhaps beyond, but the longer-term prospects for leisure spending are poor.

### Beware the law of averages

These caveats apply particularly strongly to Europe. Oxford Economics expects GDP in the eurozone to fall by 4.6% in 2009, with industrial production falling by 15% and investment by 13%. Unemployment is predicted to rise to nearly 11% in 2010.

Forecasts of economic performance, 2008-11



Sources: Oxford Economics; Haver Analytics

However, it is important to be aware of the different ways in which individual countries in Europe are being affected by the crisis, and of the likely effects on the travelling public in each.

In contrast, the USA is now expected to emerge from the downturn relatively quickly and relatively strongly. The huge contraction in industrial production in Japan, South Korea and Taiwan will be reversed as de-stocking in world trade channels is completed.

The prospects for commodities producers, including Canada, South Africa, Australia, New Zealand and many countries in South America, look good – especially since demand from major emerging markets like China and India is set to remain strong, as the graph on the previous page suggests. Something similar may be said of the petroleum producers in the Middle East and elsewhere. However, the prospects for long-haul travel (including travel to Europe) from these markets remain very uncertain.

## Trends in Tourism to/within Europe

### Overall performance in arrivals

#### **The decline has proved as dramatic as earlier feared**

The decline in tourism in Europe associated with the economic downturn has been every bit as bad as had been feared. Overall arrivals in the region in the first four months of 2009 fell by an estimated 10% over the same period last year, according to data gathered by the World Tourism Organization (UNWTO), with many countries reporting double-digit declines and very few reporting increases. However, it is important to note that these declines are calculated on the very strong base figures recorded in the first half of 2008.

On a month-by-month basis, the declines were 7% in January, 13% in February, 18% in March (due to the switch of Easter from March to April this year) and 3% in April. Insufficient reporting makes it impossible to determine statistically reliable averages for May and June.

Unusually, the four-month decline in international arrivals was spread relatively evenly across all the sub-regions of Europe, according to UNWTO's preliminary results. In Northern Europe (-9%), only Iceland, with a dramatically cheaper currency, showed an increase, and only Ireland showed a more moderate decline, and that followed relatively weak performances in 2007 and 2008.

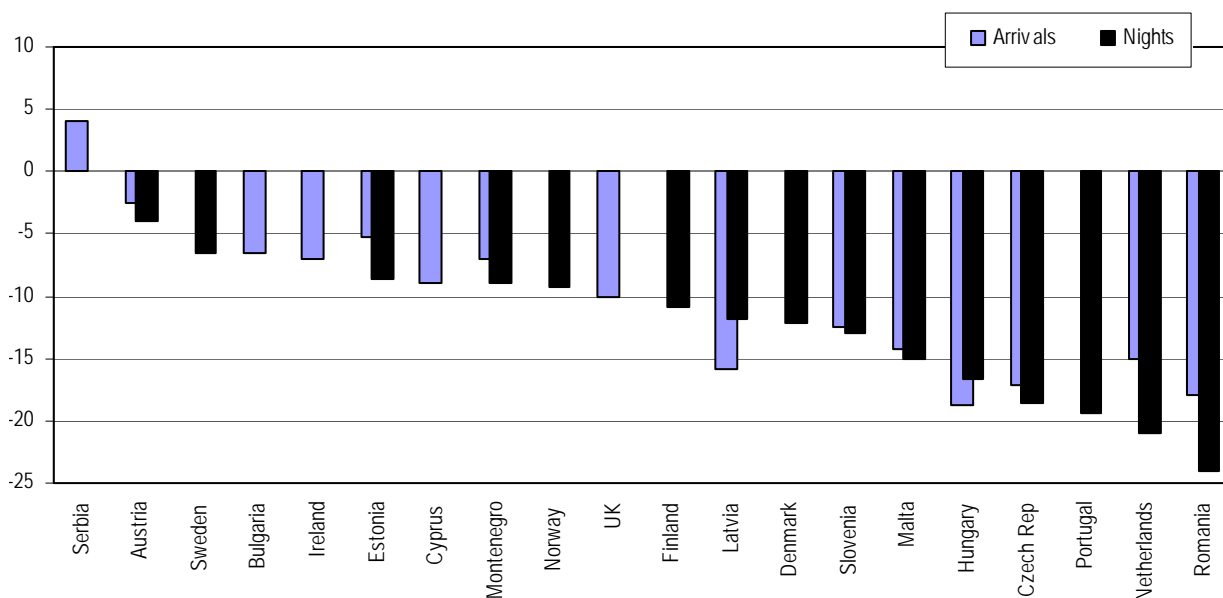
In Western Europe (-10%), only France (-13%) and Austria (-3%) departed by more than 2% from the average, but it should be noted that the trend for France reported by UNWTO is based only on performance in the hotel sector. Austria had by far the best figures in the sub-region in 2008, but (like Denmark) its monthly figures in 2009 have been erratic: without a 42% increase in April, its results would have been very much worse.

Central & Eastern Europe (-13%) suffered the worst decline of all European sub-regions, with serious double-digit declines for Poland, Romania, the Czech Republic, Lithuania and Russia – but no decline at all for Hungary. But there are significant gaps in coverage of the region.

In Southern/Mediterranean Europe (-10%), there were heavy declines for the western Mediterranean, including Portugal, Spain, Andorra and Malta. In the case of both Spain (-12% through May) and Portugal (-14%), the poor performances were primarily due to the sharp fall in demand from the UK. Major tour operators to Spain suffered a 30% drop in sales. Both countries appear to have lost out – and expect to continue to lose out – to non-EU destinations, especially Turkey (-1.5%), Egypt and Tunisia. Italy fared better (-5%), although preliminary results are not official.

As is evident from the following table, UNWTO's results reflect trends in a much greater range of European countries than are available from TourMIS, since less than half of ETC's member NTOs have filed their 2009 trends' data until now.

International arrivals and nights in European destinations, year-to-date 2009<sup>a</sup>  
(% change on same period of 2008)



<sup>a</sup> Jan-Mar, Jan-Apr, Jan-May or Jan-Jun – measures used by the individual destinations vary

Source: National tourism organisations (NTOs), as posted on the TourMIS database by 14 July 2009

### Business travel hit harder than leisure

Although this is a broad generalisation, it seems that business travel has been more heavily affected than leisure, that domestic and short-haul trips are holding up better than long-haul travel, that length of stay and spending are down more than arrivals, that secondary holidays (short stays, etc) are being sacrificed more often than main holidays, and that the cruise market is performing better than average.

However, consumers generally have tended to leave bookings until the last moment, partly because of their lack of confidence in their employment prospects and financial situations, and partly in the hope of picking up last-minute special offers and bargains. But, for varying reasons, there are plenty of exceptions among the individual destinations and source markets.

### Air Transport

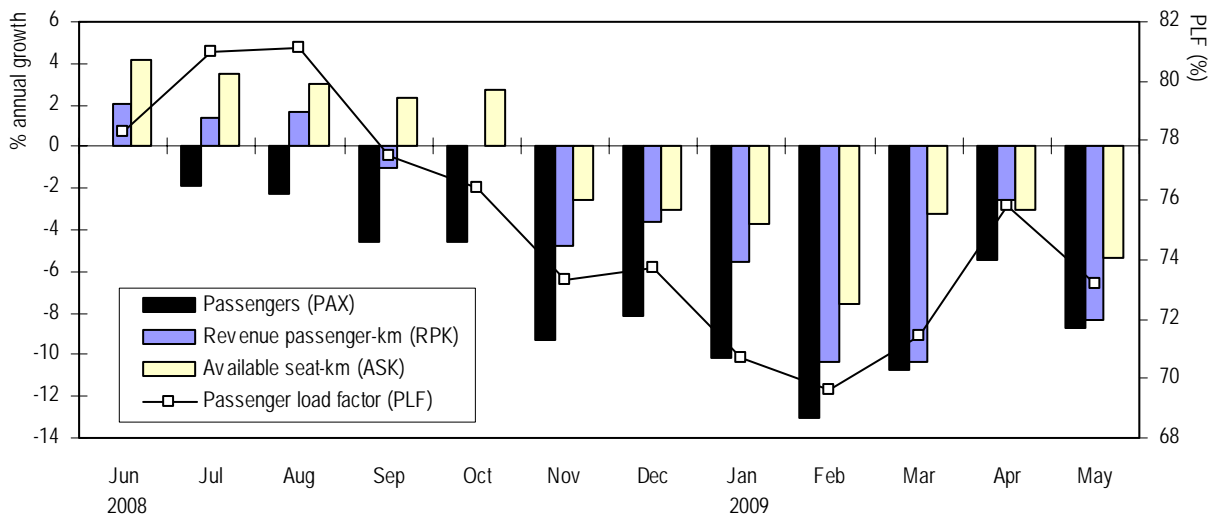
**Monthly declines start to ease, but premium travel is still well down ...**

Superficially, the steep declines in global passenger traffic eased in April (due to the Easter effect) and May, but the International Air Transport Association (IATA) is concerned that the stabilisation seen in May's 'passenger kilometres flown' figure appears to have been due to a small rise in the average distance flown rather than a stabilisation of passenger numbers. It also notes that passengers travelling on first- and business-class tickets in May were down 24% – an even worse figure than those in earlier months. Premium travel numbers have been in decline now for 12 consecutive months.

**... and AEA's results for Europe are also equivocal**

Supporting IATA's cautious prognosis, the Association of European Airlines (AEA) says that passenger traffic for its members in May was down 8% – a figure which reaffirms the weakness of the market. (The figure for March was artificially depressed and that for April boosted by the fact that Easter fell in March last year and April this year). Far Eastern traffic was down 10%, the North Atlantic 9%, and traffic in Europe 8%. Total international traffic fell by 8% in the first five months, with cross-border Europe traffic down 9%, against -7% for international short- to medium-haul routes and -7% for long-haul traffic.

Monthly trends in European airlines' passenger operations, June 2008 - May 2009  
(% change on same month in previous year)



Source: Association of European Airlines (AEA)

AEA airlines have increased the tempo of capacity cutbacks, with overall seat-kilometres in May 5.3% lower than in the previous year. While this is some way short of the traffic loss, it has mitigated the decrease in the load factor, which in May was down 2.4 points to 73.2%. All but three of the 28 reporting airlines reduced capacity for the month.

Preliminary figures for June, based on weekly reporting, are slightly less gloomy. In the first half of the month, decreases were around 7.5%; and in the second half, about 5.5%. Towards the end of the month there were signs that load factors on European and North Atlantic routes had stabilised, although the Far East market remains very weak.

## Accommodation

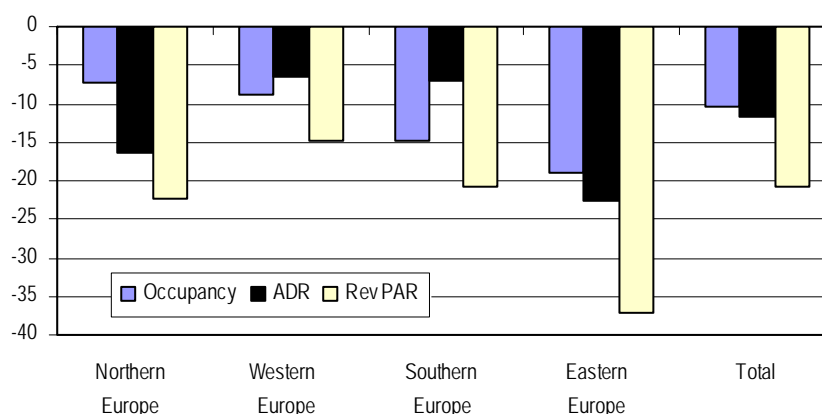
### Crisis in Europe's lodging sector continues ...

Hotel performance has continued to sink since ETC's first *Quarterly* in April. Revenue per available room (revPAR) registered double-digit declines in every region of Europe in May, and only in Western Europe was the decline less than 20%. In Northern Europe, the fall in revPAR has eased since February, although this is hardly consoling as the drop remained above 20%.

Occupancy, however, paints a slightly better picture. The decline in occupancy rates across Europe slowed in recent months, with only two regions posting double-digit falls in May. Through the first five months of the year, occupancy rate declines slowed across the continent compared with the pace set through February.

Average daily rates (ADR) should be interpreted with caution as they are calculated using the euro as a common currency across all markets. Nevertheless, it is clear that rates are responding to the loss in room demand. Only Northern Europe has seen an easing of rate declines in recent months. But it is unlikely to see any recovery in room rates as the year progresses.

Hotel performance in Europe, Jan-May 2009  
(% change on same period in previous year, in euro terms)



ADR = Average daily rate; revPAR = revenue per available room; both in euros

Source: Tourism Economics, from STR Global data

### ... with every country affected

Only a small number of countries managed to keep occupancy declines in single digits through the first five months of the year. There is a silver lining, however. Approximately two thirds of the countries reported have seen the rate of occupancy declines slow in recent months. While the bottom has yet to be reached, the worst of the declines appear to be past.

## Individual Source Markets

### General trends

#### **Lack of data continues to obscure the overall picture**

As already indicated, trends published by UNWTO in its late-June *World Tourism Barometer* covered more European countries than those that have filed data for this year on TourMIS. This is partly due to the fact that some of the measures used in evaluating the trends reported by UNWTO were provisional/unofficial measures, or based on just one sector, such as airline arrivals or hotel statistics.

This means that, with the exception of some anecdotal trends, our assessment of the performance of individual source markets is limited in that it looks primarily at the destinations that have filed monthly results on TourMIS.

#### **Importance of exchange rate effects**

As reflected in the air transport data, Europe's long-haul markets have been falling the most dramatically, due in no small part to the cost of airfares. While there are signs that Europeans themselves have been starting to look at long-haul destinations again because of lower costs in the destinations themselves and attractive flight offers, the strong euro continues to deter tourism to Europe from non-euro markets.

Clearly, the price of oil – currently at only US\$60 a barrel compared with a peak of US\$146 12 months ago – has had some influence on demand since it means more attractive airfares are available. But it is too early to assess the impact. Another important factor has been exchange rates, which typically have a stronger effect on visitor spending than on arrivals. Exchange rate fluctuations cause shifts in purchasing power as well as a move toward destinations with more affordable currencies.

Despite its recent appreciation against the euro, the pound sterling remains weaker than it was last summer, and considerably weaker than in 2007. After strong gains against the euro late in 2008, both the US dollar and Japanese yen have retreated steadily from their peaks. In general, the euro has become more expensive for foreign visitors over the course of the year, continuing to put pressure on volumes from long-haul markets. Still, the euro remains relatively weak compared with its peaks of 2008.

### Key intra-European markets

#### **Few markets show positive growth in spending**

With the exception of the Netherlands, for which expenditure data is only available for Q1 2009, all leading European outbound markets recorded a decline in spending in the first few months of this year – more or less in line with the provisional declines in outbound trip volume and/or visits to other destinations. The drop in the UK's outbound spend (-13%) was among the sharpest, while Italy (-2%) and Germany (-2%) showed the most moderate falls.

#### **Business travel continues to sustain German travel demand**

For the 20 or so European countries that have reported 2009 trends to TourMIS, the German market represents a mixed picture. Cyprus achieved the best results, with an 11% increase in arrivals from Germany from January through May. The only other destination showing a positive trend was Serbia,

up 6% in arrivals (on a low base), but down 9% in overnights by Germans. This highlights the region-wide trend of better results for arrivals than nights, reflecting a declining average length of stay in Europe.

**Weak pound dampens UK  
outbound demand**

UK outbound travel this year has been especially weak due to the depreciation of sterling, although its value has picked up somewhat against both the US dollar and the euro in the past few months. Declines are reported by all destinations filing results on TourMIS, with eight showing drops of 30% or more in arrivals and/or overnights. Nevertheless, there are signs from tour operators and online intermediaries that the market is staging a partial recovery, and last-minute demand for summer holiday packages is expected by some industry analysts to be fairly strong.

**A mixed picture for the  
French market**

French spending on travel abroad fell by 10% through April and anecdotal evidence suggests that outbound trip volume is down by a similar percentage. However, there has been some good news for individual destinations, notably 22% growth to Ireland, as well as increases of 4% for the UK, 5% for Latvia, 3% (nights only) for Hungary and 3% for Belgium (January-February).

The IPSOS survey in February/March 2009 among potential French travellers showed that 64% of French planned to travel this summer (down 3 percentage points on the same months in 2008), with 21% planning several trips. Some 46% said they intended to holiday in France (-9 points). One destination that looks certain to benefit from French concerns over the economy is North Africa – especially Morocco and Tunisia.

**Italians still attracted by  
more exotic destinations**

Italians, like Spaniards, appear to have bucked the trend, continuing to opt for long-haul destinations. A number of European destinations have also seen rises in arrivals and/or nights, including Sweden (+15%), Cyprus (+10%), the Czech Republic (+8%), Latvia (+15% in nights, but only +2% in arrivals), Malta (+8%), with smaller increases for Serbia and Slovenia.

**The Dutch show good  
potential**

After being one of Europe's strongest growth markets in 2008, the Netherlands again seems to be performing above par this year. In terms of actual results, only four destinations in Europe recorded increases in the first 4-6 months, and these were very modest. But, according to the latest AVIAREPS Brouwer Betist Market Report, no fewer than 78% of the Dutch still have the intention to undertake one or more holidays in summer 2009.

Meanwhile, ANVR/GfK booking statistics confirm that the Dutch are mainly refraining from visiting long-haul destinations (-29%). With regard to European destinations, car-based travel has been the least affected (-5%), with coach travel close behind. Turkey is the best-performing Mediterranean destination. Sales of sea cruises this summer, especially in Mediterranean waters, are booming (+43%).

The top five holiday destinations for 2009 are France, Spain, Italy, Germany and Greece. Many Dutch still have to book their summer holidays, but they are showing a preference for nearby destinations, says ANWB, and some 2.7 million are expected to opt for a domestic holiday (+4%). A modest increase is expected for France, but there is also expected to be growth for Italy (+7%), the UK (+30%) and Austria (+12%).

**The economic crisis also  
constrains Russian  
demand**

After phenomenal growth in recent years, Russian outbound travel has faltered since the beginning of 2009. Destinations bucking the trend include Estonia (+15% in nights and +17.5% in arrivals), Latvia, Serbia and Malta. Turkey and Egypt remain firm favourites (easy access and attractive prices) but trips are generally shorter and hotels chosen of a lower category.

Declines have been widespread, with some destinations suffering extremely large drops in demand. The UK, for example, was down 48% through the first four months – largely attributable to stricter visa requirements. On the negative side, the government is looking at restricting the value of duty-free goods Russians can purchase abroad in an effort to bolster crisis-hit customs' revenues. But this should be partly compensated by the fact that the Russian rouble has made a surprising recovery, although it has lost some of its gains since May.

### **Non-European sources**

**Long-haul markets suffer  
the brunt of the crisis**

This brief overview of trends from non-European markets confirms that, in line with air transport developments, long-haul travel has been falling the most dramatically. High oil and fuel prices were the main reasons in 2008 and, despite the sharp drop in the price of oil, the cost of a long-haul flight as a share of total trip costs is proving a big deterrent to demand for Europe from the main non-European source markets. The strong euro does not help, either.

No key non-European source market recorded an increase in spending on travel abroad in the first 4-6 months of 2009, according to data gathered from central banks by UNWTO.

**Strengthening dollar has  
brought no growth from  
the USA**

US travel to Europe contracted by 10% through the first four months of 2009, despite the strengthening dollar. And spending was down overall by 9% over the same period. All reporting destinations in Europe, with the exception of Serbia, have registered declines from the USA – most in double digits.

Other long-haul destinations have suffered similar fortunes, with Asia down 11% and the Caribbean at -9%. But short-haul travel (by air, at least) has also recorded declines – of -10% to Canada and -5% to Mexico. The drop in demand for Mexico will inevitably be worse once the months of May and June are included in the count, due to the outbreak of the H1N1 virus in late April.

**Canadian long-haul travel  
growth remains positive,  
but not to Europe**

Canadian outbound travel showed a 5% decline in Q1 2009 due to a 12% drop in trips to the USA. But travel to all other destinations rose 5% and, despite mainly double-digit declines for most destinations reporting results in Europe, a few countries bucked the general trend. Ireland, for example, enjoyed a 22% increase. One major factor influencing trends has been a drop in airline capacity to Europe from Canada, especially to the UK and France. Germany, on the other hand, has seen capacity rise.

**Europe finally expected to  
see some improvement  
from Japan in Q3 and Q4**

With the exception of travel to neighbouring countries – notably China and South Korea – the Japanese outbound travel market has continued to decline, with the drop in demand exacerbated by fears over the spread of swine flu. The positive momentum gained in April through the drop in airline fuel surcharges

and the strong yen has stalled. Business travel demand has been especially hard hit. Nevertheless, Japanese tour operators expect an improvement once the situation is under control.

Advance bookings suggest that Europe may see some improvement for the months of July through September. So far this year, however, destinations in Europe have mainly reported declines in arrivals – usually in double digits. Slovenia is the only exception among those countries reporting results through TourMIS.

**China still looks promising, although outbound travel growth slows**

A shortage of data on TourMIS about arrivals from China in individual European destinations makes it difficult to confirm anecdotal reports that the decline in Chinese demand for Europe is slowing. According to the China National Tourism Administration (CNTA), outbound trips overall increased by 1% from January through June – despite a slowdown since Q1 due to cancellations of tours because of swine flu – and the growth is expected to increase to 3% by year end. Domestic travel demand, meanwhile, is up 10%.

Norway, the Netherlands and Hungary have shown the best growth among ETC members reporting results for travel from China in 2009.

**Figures for India are disappointing – but some destinations may still be seeing growth**

India has performed worse than expected to date, posting declines for every European destination for which data is available and double-digit declines to all but two. One explanation is that Indians are travelling closer to home, although reports from the Indian market suggest that some European destinations (ones that have not reported trends on TourMIS) are actually seeing growth. These are said to include Switzerland and France.

## Prospects for European Tourism

### Industry sentiment

**Increased confidence except among travel agents ...**

According to Eurostat's monthly surveys of travel and tourism businesses, industry confidence about the prospects for demand 'over the next three months' has improved in the hotels & restaurants and transport sectors. While still quite negative, the steady improvement in these indicators over the most recent months lends support to the idea that the worst of the decline is behind us.

However, travel agencies appear more cautious: after the lows registered around the turn of the year, their expectations of demand over the next three months have merely held steady since March.

**... but sentiment varies across countries**

Consistent with recent hotel performance, the sector's expectations have improved in approximately two thirds of countries reporting sentiment to Eurostat. However, expectations have become more negative in the UK, Hungary and the Czech Republic over the last three months, with the UK and Hungary continuing to report the most negative expectations.

While remaining negative, the transport sectors have seen an improvement in expected demand in over half the countries reporting. Romania, Bulgaria, the Czech Republic and Denmark all turned to a positive balance in the last quarter.

Travel agencies in Denmark and Bulgaria also remained quite positive during the last quarter. While a majority of countries showed improvement during this time, most improved only modestly. Cyprus, the Czech Republic, Poland, Romania and Slovakia showed noticeable declines in expectations.

Care should nevertheless be taken in drawing actual future performance conclusions from these data. The differences across markets reflect opinions which may be influenced by many factors apart from actual conditions.

## Airline capacity

### Capacity cuts continue but at a slower pace

Many destinations continue to report reductions in airline and seat capacity, in line with reduced demand as a result of bankruptcies among accommodation and service providers and reductions in employment. Tour operators have also cut back heavily on advance bookings. If last-minute bookings for summer holidays prove as good as the optimists hope, some of this capacity can presumably be restored reasonably quickly – and many destinations still have excess capacity, as investments begun during the boom come on stream. But capacity cuts will clearly be more difficult to restore at short notice.

Moreover, the cuts are set to continue, albeit at a slower pace. The latest figures from OAG show that the world's airlines have scheduled 2.6 million flights this month, 3% fewer than in July 2008. The number of seats on offer, meanwhile, is down just 1% or 3.3 million, to 315 million. This compares with year-on-year declines of 4% and 2% respectively in June.

International services (flights) and seat capacity to and from Europe (to/from non-European points) remain virtually unchanged over July 2008, while schedules within the region are not holding up as well, with 6% fewer flights and 4% fewer seats year on year.

OAG also says that the low-cost sector accounts for 468,217 flights (18.3% of the worldwide total) this month, and 69.7 million seats (22.1% of the total). On a region-by-region basis, the LCC sector is seeing healthy growth everywhere, with the exception of intra-European services – 4% fewer flights and 3% fewer seats – and within North America.

## Outlook for the short to medium term

### Some recovery possible in the second half of 2009 ...

Coming into 2009, expectations were for a very weak start to the year, with declines waning in the middle of the year and the possibility of growth in the later months. To date, the data confirms these expectations, showing a very weak performance in the first few months and pointing to an easing starting from around the middle of the year.

Several factors lend support to this outlook for the remainder of the year, according to Tourism Economics. Consumer confidence has improved from its lows in recent months, ahead of the peak leisure season. In 2008, demand began weakening in the second half, with the largest declines at the tail of the

year. Both of these factors will make year-on-year comparisons more favourable in the second half of the year. But despite these favourable developments, some caution is in order.

**... but there is nothing to get excited about**

Leisure travel will be constrained by job losses and weak consumer confidence. Most households will still travel but these trips will be marked by shorter lengths of stay, shorter distances, and bargain hunting.

As profitability slowly returns to corporations, one can expect a hoarding of cash to shore up balance sheets. Thus, expansions in travel budgets are unlikely in the near term. However, corporate travel budgets were among the first casualties of the downturn and we expect business travel to stabilise in the remainder of the year.

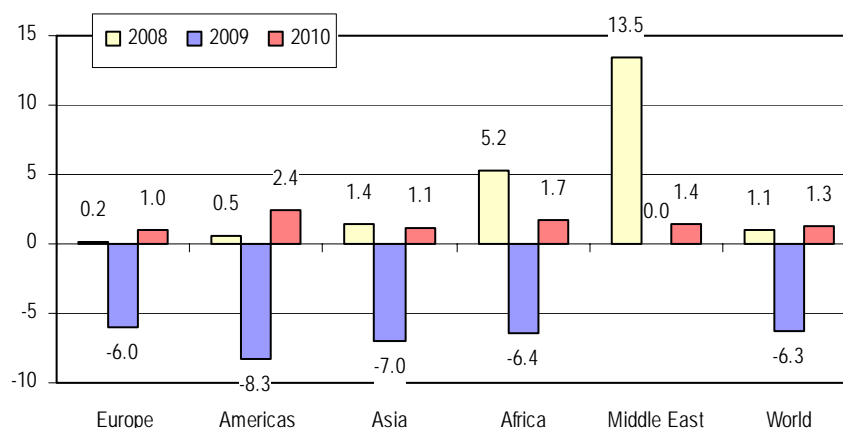
The euro has appreciated slightly against the yen and dollar as the year has progressed. Still, the euro remains well below last year's highs. While overseas inbound travel is likely to have a smaller response to the exchange rate conditions, outbound travel from the region will be restrained. Thus, intra-European travel should be relatively stable.

Outbound travel generated by European markets is predicted by Tourism Economics' Tourism Decision Metrics model to contract 5% in 2009, while visits to European destinations are expected to decline by 5%. UNWTO is even more pessimistic, putting the forecast decline at -5% to -8%.

Put in a broader context, the declines of 2009 will erode some of the gains from the inspired growth during 2004 through 2007, putting visits back to 2006 levels. With a relatively slow recovery predicted, 2008 levels should be regained in 2011, followed by above average growth in 2012-13.

The following chart displays Tourism Economics' latest forecasts for key source markets. The levels are based on the sum of visits to all reporting destinations around the world.

Growth in inbound travel by source region, 2008 and forecasts 2009-10  
(% change in arrivals)



Source: Tourism Economics

**Impact of the H1N1 virus is a growing concern ...**

While the world economy should in principle be able to cope with the swine flu pandemic, there is a significant risk that it might trigger a set of unfavourable behavioural changes that tip the world back into recession.

If the H1N1 virus mutates and results in a more severe outbreak in the autumn, this would hit the world economy just as it starts to recover from the credit crunch. It would interfere with economic activity, threaten already fragile businesses and put further strains on financial markets and fiscal balances. People would be reluctant to travel and would avoid public spaces. This could generate a vicious cycle that postpones the economic recovery – as well as that of travel and tourism – for another couple of years.

As an illustration of a bad case (if not quite worst case) scenario, Oxford Economics estimates that an epidemic in the UK with a 30% infection rate and a 0.4% death rate might knock 5% off GDP, including a 60% shortfall in tourist arrivals for six months and a 30% cut in discretionary spending by UK consumers.

**... to add to those about the economic situation**

Such a scenario is not yet any more than a possibility which is difficult, if not impossible, to quantify. In the meantime, consumers still have to face the weak economic environment. Although Europeans have been willing to postpone or cancel their secondary holidays, the majority are expected to protect their principal summer holidays, thus suggesting that arrivals figures over the current quarter will be only slightly lower than those in the same period of 2008. But there is general agreement that consumers will be economising: lengths of stay will be shorter and spending lower, and domestic travel may benefit at the expense of international destinations.

## ETC Member Organisations

(July 2009)

Austria	Austrian National Tourist Office (ANTO)
Belgium	Flanders: Tourist Office for Flanders (TV) Wallonia: Office de Promotion du Tourisme Wallonie et de Bruxelles (OPT)
Bulgaria	Bulgarian State Agency for Tourism
Croatia	Croatian National Tourist Board (CNTB)
Cyprus	Cyprus Tourism Organisation (CTO)
Czech Republic	Czech Tourist Authority (Czech Tourism)
Denmark	VisitDenmark
Estonia	Estonian Tourist Board (ETB)
Finland	Finnish Tourist Board (MEK)
FYR Macedonia	Ministry of Economy
France	Atout France / Agence de Développement Touristique de la France
Georgia	Department of Tourism and Resorts of Georgia
Germany	German National Tourist Board (DZT)
Greece	Greek National Tourism Organization (GNTO)
Hungary	Hungarian National Tourist Office (HNTO)
Iceland	Icelandic Tourist Board
Ireland	Tourism Ireland and Fáilte Ireland
Italy	Italian State Tourist Board (ENIT)
Latvia	Latvian Tourism Development Agency
Lithuania	Lithuanian State Department of Tourism
Luxembourg	Luxembourg National Tourist Office (ONT)
Malta	Malta Tourism Authority (MTA)
Monaco	Monaco Government Tourist Office and Convention Authority
Montenegro	National Tourism Organisation of Montenegro
Netherlands	Netherlands Board of Tourism and Conventions (NBTC)
Norway	Innovation Norway
Poland	Polish Tourist Organisation (POT)
Portugal	Turismo de Portugal
Romania	Ministry of SMEs, Trade, Tourism & Liberal Professions
San Marino	Ministry for Tourism, Sport, Transport, Telecommunications & Economic Cooperation
Serbia	National Tourism Organisation of Serbia
Slovakia	Slovak Tourist Board
Slovenia	Slovenian Tourist Board
Spain	Instituto de Turismo de España – Turespaña
Sweden	VisitSweden
Switzerland	Switzerland Tourism
Turkey	Ministry of Culture and Tourism
UK	VisitBritain
Ukraine	National Tourist Organization of Ukraine