

FORESIGHT

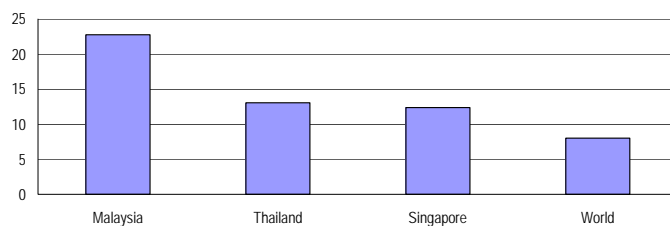
Issue 16 February 2005

FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month, "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, there will be a spotlight focused on significant tourism issues. This month Market Focus covers Malaysia, Thailand and Singapore and Issue of the Month considers the enormous advantage that Britain's ethnic diversity provides for promoting inbound tourism.

Market Focus – Malaysia, Thailand and Singapore

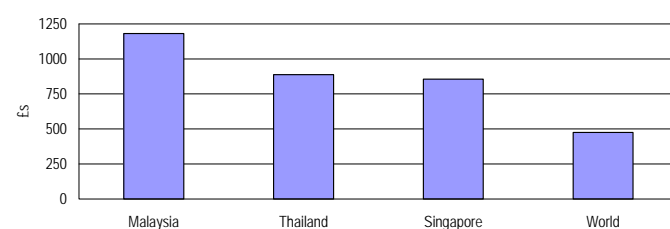
The combined total of visits to Britain from these three markets during 2003 just exceeded 200,000, representing 0.8% of all inbound visits. However, these markets are more important than this figure (based on the International Passenger Survey) might at first imply – with an average length of stay exceeding two weeks and typical spend per visit a little shy of £1,000 the three account for 1.6% of inbound visitor nights and 1.7% of inbound visitor spend.

Length of Stay - Days per Visit



Drilling down a little further we can see that visits from Malaysia last on average for more than three weeks, driven by a significant proportion of long-stay study visits. Visits from Thailand and Singapore last on average 12 days, but even this is more than half as long again as the typical inbound visit.

Spend per Visit



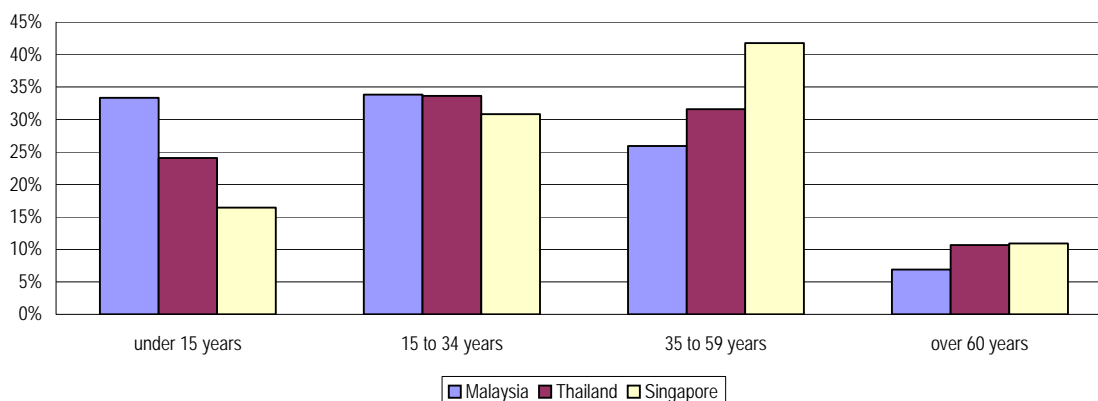
A similar pattern emerges for spend per visit, with Malaysia generating nearly £1,200 a visit, and both Thailand and Singapore more than £800 per visit.

Youthful populations

More than once Foresight has looked at the changing demographics of our inbound markets, typically highlighting a shifting age profile with an ever-growing proportion of over 60s. However, for once we find a different story in at least two of these three markets. The Singaporean Government faces a potential pensions crisis as both mortality and fertility rates decline – a prospect that has led the Government to urge citizens to have more babies.

In Thailand, and to a greater extent, Malaysia, there are no such concerns. In Malaysia a third of the population is under 15, with a further third aged 15-34, only 5% of the population is aged over 60. The following chart summarises the situation in each of the three countries succinctly.

Population Age Distribution



Education

By the deadline for applications to study at British Universities in 2005 UCAS had received 2,828 applications from Malaysian students and 1,599 from Singaporeans, demonstrating a very strong desire to study in Britain. More impressive still are estimates made by the Foreign and Commonwealth Office showing 11,000 Malaysian students studying in British universities, 25,000 studying for British degrees at Malaysian universities, with a further 45,000 studying for British professional qualifications in Malaysia.

Figures are lower for the two other markets, but nevertheless there are an estimated 5,000 Singaporeans and 4,400 Thai students in Britain. Proficiency in English is seen as essential in the business sector in each of these countries, and the Singapore Government encourages all its citizens to speak English. This explains the desire to undertake courses taught in English. With the US implementing tough new visa arrangements Britain is an obvious destination for budding students, but we ought not be complacent, Australia has recognised the many benefits on offer by positioning itself as seat of learning for Asian students.

Does it matter to tourism whether or not Britain is successful in attracting students from these markets? Yes is the short answer. According to the International Passenger Survey an eighth of all spend by visitors from these markets comes courtesy of study visits. Those studying long term in Britain will doubtless want to explore the country, and although not here as "tourists" this activity is equivalent to additional domestic tourism – not all spending goes on tuition fees. In addition, there is a good chance that the student's family may visit Britain during the time that the student is here, further boosting tourism industry coffers.

Beyond the immediate benefits there are longer-term rewards to be gained. The students may develop friendships with those living in Britain and gain a strong understanding of British life. As such the student is likely to make visits back to Britain well into the future, possibly bringing with them their own offspring in the fullness of time to share the people and places that they came to know during their years of study.

Intra-Asian travel

Data from Global Insight suggest that Britain just creeps in to the top ten destinations for outbound travel from each of these markets, being the leading European destination. Consistently the top five destinations are Asian – but with Australia fast gaining ground.

The rapid spread of low-cost airlines in Asia continues apace, reflecting the explosion in international travel within the region. One of the latest developments being an announcement that a new “no-frills” terminal is to be built at Singapore’s Changi Airport for the sole use of low-cost carriers. These new carriers can all take advantage of the increasing levels of Internet access being enjoyed across Asia. Latest figures from the European Travel Commission reveal that 63% of Singapore’s population is on-line, 43% in Malaysia, but just 12% in Thailand.

Malaysia

Malaysia enjoys political stability and is an active member of the Commonwealth. Ties with Britain are not purely historical, with significant flows of business investment between the two nations. Unfortunately at present there are only limited direct links to Britain operated solely by Malaysia Airlines. However services do operate to both London Heathrow and Manchester.

With territories on two separate landmasses, separated by the South China Sea, Malaysia has a population of nearly 26 million. Between the two most recent Census points in 1991 and 2000 the population increased by nearly 5 million, representing annual growth of 2.6%. Some 62% of the population live in urban areas, with 1.5 million residing in the capital, Kuala Lumpur.

Official unemployment figures suggest that only 4% of the population are out of work, but the economy is heavily dependent on exports to the USA and Japan. The recent surge in activity in the US and gradual improvement in Japan means that in 2004 Malaysian GDP grew at an annual rate in excess of 6% according to the Department of Statistics.

Analysis undertaken by Tourism Australia reported in “Outbound Travel Snapshot” in 2003 showed that 13% of Malaysians could spontaneously recall having heard something about Britain recently. Equally encouraging the research discovered that 18% said that with unlimited time and money they aspired to visit Britain. Focussing just on those who could afford to travel the survey found 21% saying they had a realistic intention to visit Britain in the next few years.

Thailand

According to the World Travel and Tourism Council tourism accounts for 5.4% of Thailand’s GDP and it is for this reason that Thailand will see slightly reduced economic growth in 2005 due to the impact of the Boxing Day tsunami. Despite the severity of the impact on some localities and businesses the Thai economy should recover fairly swiftly from the tragedy.

There are around 13,000 British nationals living in Thailand, explaining the high proportion (39%) of visits from Thailand to Britain in 2003 undertaken by ex-pats. Healthy business ties exist, Britain being Thailand’s most important European export market. Unlike Singapore and Malaysia, Thailand has never been ruled by Britain, or indeed any other European power.

English Premier League football is hugely popular in Thailand, providing a unique competitive advantage to establish British brand awareness. It seems that all levels of Thai society are interested in English football, with the Prime Minister recently attempting to buy a stake in Liverpool FC and Chang, a major national brewer, being a key sponsor of Everton FC.

One cloud on the horizon is the increasing level of violence in the south of Thailand. This resulted in over 500 deaths during 2004. Although less well publicised, this could pose a greater threat to economic prosperity than will the impact of the tsunami disaster.

Singapore

A long-standing relationship exists with Britain and English is widely spoken. Singapore is largely free from corruption and has a market led economy. The IT slump during 2000 and 2001 hit Singapore fairly hard due to its dependence on IT exports, and the Government is making an effort to diversify the economy, focussing on a range of high value-added industries. The reason for this being that Singapore cannot compete with some of its neighbours in labour intensive areas due to its relatively high cost base. High labour costs mean that the standard of living is comparable with many European countries, enabling most Singaporeans the chance to engage in overseas travel. Unemployment is averaging around 4% and inflation is stable at less than 2%. According to the Monetary Authority of Singapore GDP grew by more than 8% in 2004 with an increase of 3-5% expected in 2005.

Singapore is a tiny island with 4.4 million residents, mostly living in tower blocks. Population density stands at 6,050 per square kilometre, with countryside very much at a premium. Britain can take advantage of this by vigorously marketing not just our cities but also our rural heritage.

Some 17,000 British ex-pats live in Singapore, among foreign workers from many other nations, so it should come as little surprise that British nationals undertook 29% of visits to Britain from Singapore in 2003. The FCO note that there are 700 British companies operating in Singapore across a wide range of business sectors. In fact, Singapore represents Britain's largest trading partner in South East Asia, and is our tenth largest export market outside of Europe, little wonder then that 30% of visits to Britain are business related.

How certain is the future?

These three nations have spent much of the last decade having to rebound from unforeseen crises; a loss of confidence in the financial sector, the downturn in the global IT industry, SARS and bird flu (with new cases of bird flu having just emerged in Thailand). Now Malaysia and, to a far greater extent, Thailand face the task of rebuilding after the tsunami disaster.

As a result of the tsunami the Thai government have cut their forecast of economic growth in 2005 by 0.3%, to an annual rate of 5.7% - but this still marks a very solid performance. According to the IMF in 2005 GDP per capita will reach US\$25,200 in Singapore, US\$4,701 in Malaysia and US\$2,807 in Thailand. Average economic growth rates over the past decade have been 5.1% in Malaysia and Singapore and 3.3% in Thailand. In 2005 the IMF expect Malaysia to experience growth in excess of 6%, with Singapore growing by 4.5%.

It is expected that, subject to there being no future calamities to set back progress, the number of outbound visitors from Malaysia will increase by around 2 million per annum by 2009 (40%), with an increase of 1 million (33%) in the number of Thai outbound visitors. Even the more mature Singapore market is expected to generate a 10% increase in outbound visits (equivalent to 1 million per annum) by 2009.

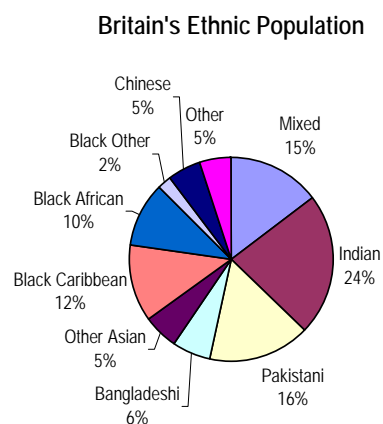
IPS figures for the first nine months of 2004 reveal that inbound visits to Britain have risen sharply from all 3 markets; Malaysia up 38%, Singapore 20% and Thailand 39% - but it should be noted that this is on a very weak base in 2003 due to SARS. VisitBritain is now taking steps to ensure that the British tourism industry can maximise its share of future growth in outbound travel from Malaysia and Thailand with a planned presence (through sharing British Council premises) in both Kuala Lumpur and Bangkok and the development of new gateway websites.

Issue of the Month – Britain’s ethnic diversity

Britain – a country of immigrants

Britain has welcomed newcomers for centuries and is often praised for its ethnic diversity. After World War Two Irish and other European workers were encouraged to move to Britain to take factory jobs. Britain could not get enough workers to help rebuild the economy and to work in the new Health Service, so employers also looked to former colonies and Commonwealth countries for a supply of labour. Most immigrants came from India, countries in Africa and the Caribbean that had been controlled by Britain in the past and had strong cultural links with Britain, including the language.

The last Census took place in 2001 and showed that the size of the minority ethnic population was 4.6 million, accounting for 7.9% of the total population. It can be seen from the chart (source: ONS) that Indians represented the largest minority group, followed by Pakistanis and those of mixed ethnic background.



Other major ethnic groups living in Britain include Black Caribbeans, Black Africans, Bangladeshis and Chinese. The 2001 census also reported that 8.3% (4.9 million people) of the total population of the UK were born overseas. This is almost double the proportion back in 1951 (4.2%).

Religion

Religions in the UK	%	Britain is believed to have one of the most religiously diverse populations in the European Union. It can be seen from the table that, according to the 2001 Census, nearly 72% of the British population is Christian, followed by a large proportion of people who have no religion or do not state one. Islam is the second religion in the UK with 2.7% of the population. Some estimates suggest that there are about two million Muslims in Britain today. Jews, Hindus and Sikhs are significant religious groupings in Britain.
Christian	71.6	
Buddhist	0.3	
Hindu	1.0	
Jewish	0.5	
Muslim	2.7	
Sikh	0.6	
Other	0.3	
No Religion/Religion not stated	23.2	

Source: Office for National Statistics, Census 2001

Multiculturalism

Today, most people from ethnic minorities, and the cultures they have brought with them, are integral to life in Britain. For instance, it is often cited that curries and Chinese takeaways are as popular as fish and chips. The Commission for Racial Equality states that over two-thirds of independently-owned local shops belong to people from ethnic minorities and that a quarter of Britain's doctors were born overseas.

Being enriched by a wide variety of cultural influences from around the world, British culture can be a real strength in attracting overseas visitors who wish to feel "at home" or to experience many different cultures in one place.

With 9,350 oriental restaurants, 8,750 curry houses and 4,260 Italian restaurants, overseas visitors have an extensive selection of places where they can either have a taste of different cuisines or eat foods with which they are familiar. Britain's multiculturalism is reflected in terms of media; indeed overseas visitors can easily find newspapers, magazines or periodicals in their mother tongue, with 5 television stations and 14 radio stations (including the BBC Asian Network) targeting ethnic minority groups.

London – Capital of ethnic diversity

The Office for National Statistics report 'Ethnicity 2002' shows that London is Britain's most ethnically diverse city. Nearly half (48%) of the total minority ethnic population in Britain can be found living in London, where they comprise 29% of all residents. London has three times more ethnic residents than the national average.

Indians represent the biggest ethnic minority in London (6% of the London population) followed closely by Black African accounting for 5%. Focussing on religion, some 607,000 Muslims live in London, with access to more than 400 mosques. Hinduism represents the next biggest religious group accounting for 4% of London's population. The Jewish community is significant in size with 150,000 followers, representing 2% of the population.

One of Britain's best known annual events, the Notting Hill Street Carnival, only exists courtesy of the diversity of London's population. It is estimated that around one million people watched the street processions across two days in 2004 as the event celebrated its 40th birthday.

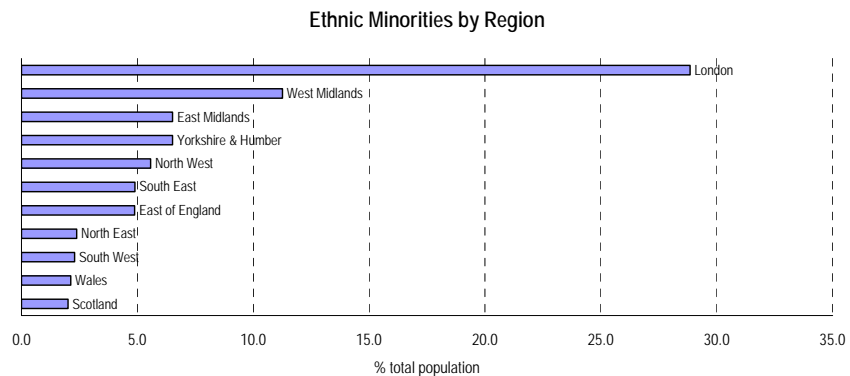
With such an ethnic diversity, overseas visitors can easily find in London their home cuisine, someone speaking their language (the Foreign & Commonwealth Office states that nearly 200 languages are spoken across London) or a place where they can follow their faith. The multicultural environment of London is a welcoming message for overseas visitors regardless of the purpose of their visit.

Geographic distribution outside London

We can see from the following chart, based on data published by ONS that, after London, the region with the next biggest share of ethnic minorities among the general population is the West Midlands (11%). Minority ethnic groups are more likely to live in England than in Scotland or Wales. In England, they make up 9% of the total population compared with only 2% in both Scotland and Wales. Chinese people are the only group who are as likely to live in

Scotland or Wales as they are to live in England, but they represent just 0.3% of the total population in each country.

Some 82% of VFR visitors to London are foreign nationals compared to 65% of VFR visitors to areas outside London. These IPS figures confirm that foreign VFR visitors are more likely to stay where the biggest communities of expatriates live.

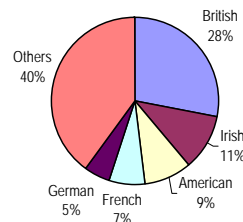


A lever for boosting “Visiting Friends and Relatives” tourism

Britain’s ethnic diversity is undoubtedly a great resource for inbound tourism as foreign expatriates living in Britain are likely to invite friends or relatives back in their country of origin to visit them in Britain. The International Passenger Survey reports that in 2003 nearly 7 million inbound visits were to see friends and relatives (that’s 28% of all visits), accounting for £2.64bn of spending (22% of the total).

It is estimated that 72% of visits and 70% of spend within the “visiting friends and relatives” (VFR) journey category is accounted for by foreign nationals, with British nationals living overseas making the remainder.

Nationality of those visiting friends and relatives



The largest proportion of foreign VFR visitors in 2003 were Irish, American, French or German. These four nationalities accounted for 32% of VFR visits and 26% of VFR spend. When we consider that there are about 642,000 Irish, 250,000 Americans, 300,000 French and 70,000 Germans living in the Britain, we can start to understand the huge potential to further expand this market.

Despite the large communities of Indians and Pakistanis in Britain, VFR visitors from these nationalities accounted for only 2% of all VFR visitors. The communities of expatriates from developed countries are the main levers for the VFR market as their relatives and friends can more readily afford to travel to Britain than nationals from developing countries.

Bringing together the increasing number of expatriates living in Britain with the numerous routes opened by low-cost airlines and tough competition on transatlantic routes driving down travel costs, we can look forward to the number of VFR visitors from Europe and North America continuing to rise. It is vital to recognise that despite average spend per visit generated by VFR

trips being lower than for holiday or business trips, VFR represents an extremely resilient market segment.

Between 1998 and 2003 VFR is the only market segment to have grown in value. During this five-year period its value grew by 34%, the next “best” performing segment being the study market, the value of which fell by 7% during this time. All this means that back in 1998 VFR represented 16% of all inbound visitor spend – in 2003 the figure was 22%.

Additionally, we should reflect on the fact that British tourism does not simply benefit from the spending of those coming to visit friends and relatives; those being visited will participate in at least some of the leisure activity that their visitors undertake during the period of the visit, be this eating out at a restaurant or visiting an attraction. Furthermore, the British economy will benefit from other indirect expenditure by the host on items such as groceries.

Prospects

The multicultural diversity of Britain is a vital asset for inbound tourism. One reason for this is that the large communities of foreign expatriates can be harnessed to encourage their friends and relatives to visit Britain. During the winter of 2001/02 (just after the Foot and Mouth outbreak and September 11th) one of VisitBritain’s main campaigns set out to galvanise British residents into encouraging their overseas friends and relatives to visit. We ought not forget the existence of this multi-ethnic domestic resource in future campaigns to build the value of inbound tourism.

We do need to strike one note of caution, multiculturalism does not necessarily mean integration and tolerance and some visitors may associate ethnic diversity with insecurity. Visitors who are not used to big cosmopolitan cities may find London unnerving; these visitors will require reassurance when visiting Britain. As such promoting Britain as a multicultural destination can be two-edged, not every audience can be targeted with a single message about multiculturalism. However, in nearly every respect when it comes to ways of boosting inbound tourism, Britain’s ethnic diversity is an opportunistic door waiting to be pushed open.

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