

FORESIGHT is a monthly commentary on significant issues within the tourism sector. 'Market Focus' discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month 'Market Focus' explores what we know about some of the less talked about Latin American markets while 'Issue of the Month' showcases key findings from the recently published Deloitte Report.

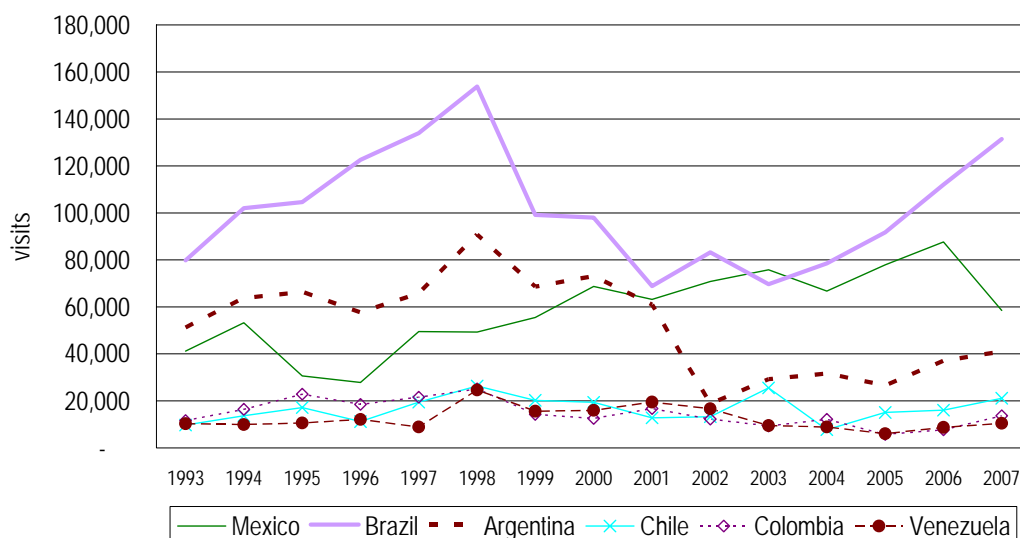
Market Focus – Latin America

One part of the world that has, so far at least, escaped the harshest impacts of the global economic slowdown is Latin America, and the economic opportunities on offer within the region have been attracting large scale investment from the ever expanding Chinese economic machine. A comprehensive overview of Brazil, Argentina and Mexico can be found in VisitBritain's 'Market and Trade Profiles', with the 2009 editions available at the end of March.

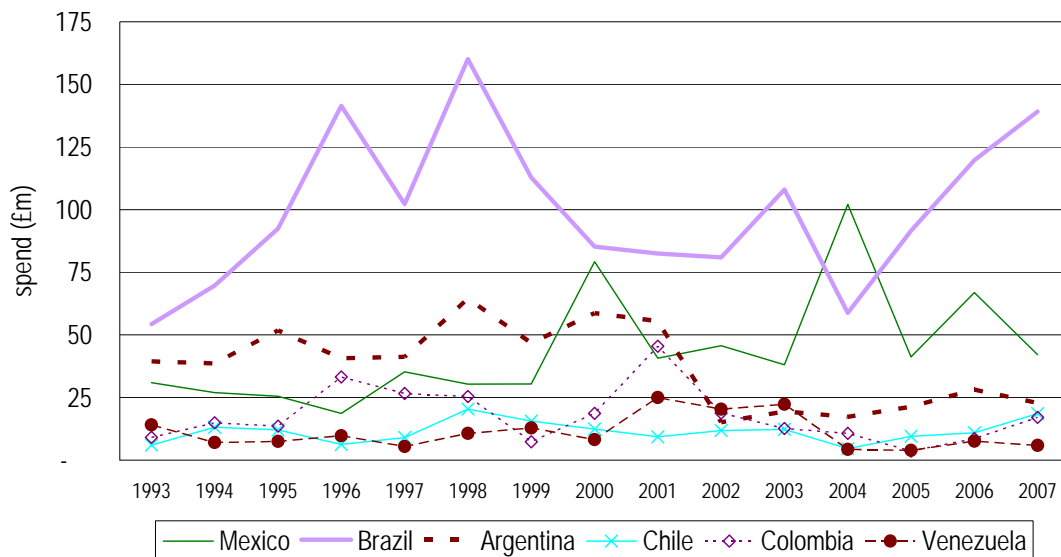
The table¹ shows the top ten inbound markets to Britain from Latin America in 2007 based on visits, nights and spending. It is clear that Brazil is by far the most important market with Mexico consistently in second spot. Argentina remains an important market in terms of visits and spend, and it is interesting to observe Chile's hold on fourth spot across all three measures. This is a snapshot, but what about longer term trends? The following charts paint a picture of what has happened in the period from 1993.

Inbound visits, nights and spend in 2007					
	Visits (000s)		Nights (000s)		Spend (£m)
Brazil	131	Brazil	2,483	Brazil	139
Mexico	58	Mexico	557	Mexico	42
Argentina	41	Colombia	435	Argentina	23
Chile	21	Chile	385	Chile	19
Colombia	14	Argentina	378	Colombia	17
Venezuela	10	Ecuador	131	Ecuador	6
Guatemala	9	Guayana	106	Venezuela	6
Bolivia	4	Panama	105	Panama	5
Ecuador	4	Venezuela	78	Guayana	3
Uruguay	3	Guatemala	68	Guatemala	2

Inbound visits



Inbound visitor spending



We can see that in the early 1990s it was Argentina and not Mexico that came second to Brazil and the charts reveal that the performance of Latin American markets has been rather volatile.

Chile, Colombia and Venezuela

Of the minor markets the remaining analysis covers Chile, Colombia and Venezuela on the grounds that, on average, at least two out of these three will be in the top five inbound markets to Britain from Latin America during a typical year.

The table shows estimated total outbound visits from each of the three markets based on Global Insight analysis, alongside the top five outbound destinations.

In 2008 there were nearly two million outbound trips from Chile, and just over one million from both Colombia and Venezuela, highlighting the fact that all three have some way to go before they become significant contributors to global international tourism.

An important conclusion to take from the table is that a small number of markets account for the majority of outbound trips, and that overwhelmingly outbound travel is to other destinations in the Americas. Spain is the only European country to feature as a popular destination for outbound travel.

	Total outbound trips (000s)	Top 5 outbound destinations	Top 5 as % total outbound
Chile	1,902	Argentina	87%
		Peru	
		Brazil	
		United States	
		Spain	
Colombia	1,104	United States	77%
		Ecuador	
		Panama	
		Brazil	
		Chile	
Venezuela	1,133	United States	73%
		Spain	
		Colombia	
		Aruba	
		Brazil	

Fast facts

A number of parameters helping to put outbound travel from these markets in context are annotated in the following table, as is information on the three major Latin American markets.

Colombia has by far the lowest GDP per capita in purchasing power parity terms at slightly over \$5,000, with the figures for Chile, Argentina Mexico and Venezuela nearly three times greater. While Chile might scrape into first place when looking at per capita income it is home to fewer people than the other markets. Figures from World Internet Stats tally with Chile being one of the more developed nations in the region as an estimated 42% have access to the web, whereas the figure is less than one-fifth of the population in both Colombia and Venezuela.

Latina America is a long way from Britain. Only Brazil and Mexico have non-stop flights to the UK, although British Airways does now fly daily from Buenos Aires via Sao Paulo. Not only does the time it takes to reach Britain and the availability of flights feature in a potential visitor's decision making process but so to does cost. From April the fee for a UK visitor visa will increase to £67 and we can see from the table that visitors from Colombia and, as of this year Venezuela, need to factor in this additional burden when making their holiday plans.

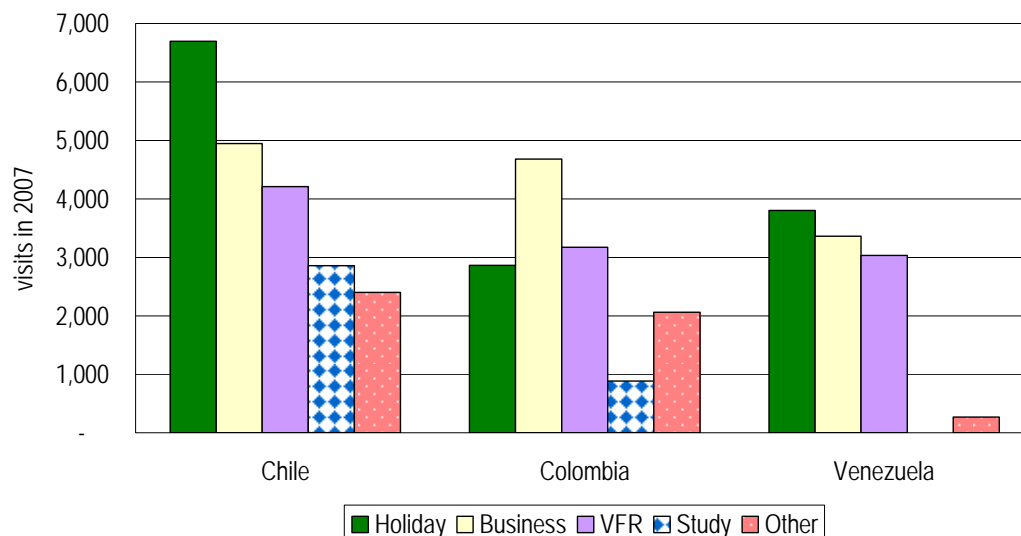
	Argentina	Brazil	Chile	Colombia	Mexico	Venezuela
GDP per capita (ppp)*	\$14,963	\$10,690	\$15,304	\$5,362	\$14,932	\$13,140
Population, millions	40	194	17	49	107	29
Internet penetration	34%	23%	42%	16%	21%	16%
Non-stop flights?	No	Yes	No	No	Yes	No
Visa required?	No	No	No	Yes	No	Yes from 09

* based on international dollars, purchasing power parity

Market characteristics

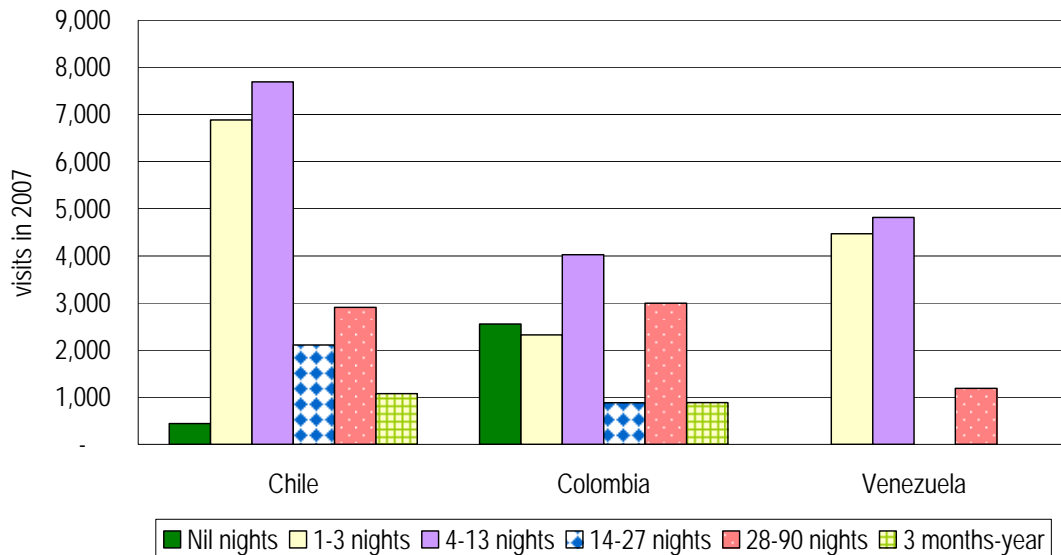
The next set of charts provide an insight into travel to Britain from our three markets during 2007, though as ever with relatively minor markets we must take cognizance of small sample sizes in the International Passenger Survey and hence treat the results with caution.

Journey purpose



The journey purpose mix from Chile is very healthy, with a good proportion of holiday visits. Business travel is the main driver of travel to Britain from Colombia, whereas in Venezuela each of holiday, business and VFR contribute equally.

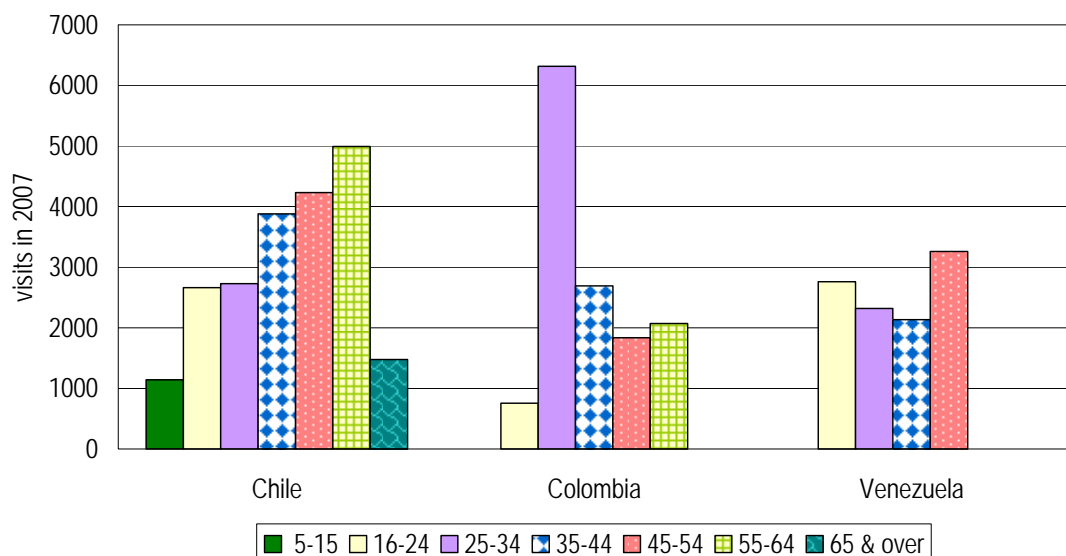
Duration of stay



In terms of duration of stay in Britain the bulk of trips from Chile and Venezuela last for one to thirteen nights whereas for Colombia there are significant numbers of nil night and long stay visits.

The story in terms of age distribution is that travel to Britain from Chile takes place across the age spectrum, but with older groups dominating. For Colombia travel is primarily by the 25-34 age group but again we need to be cautious in interpreting the data due to small sample sizes.

Age



Chile

The economy slowed sharply at the end of 2008 as the global financial crisis and, more importantly, the collapse in global commodity prices started to take their toll. However, the Economist Intelligence Unit are still forecasting that the Chilean economy will expand by 1% in 2009, with the government having announced a major fiscal stimulus package and central bank tipped to aggressively cut interest rates as the inflationary threat dies away.

Chile enjoys political stability, but may well elect the centre left presidential candidate at the end of 2009 ending two decades of rule by the centre right party.

Colombia

Colombia is at greater risk than Chile of being buffeted by the global financial crisis due to its fiscal and trade deficits, and there is a good chance that the economy will stand still during 2009. There is an ongoing threat of violence in Colombia, with multiple deaths, including from bomb attacks, in the early months of 2009.

Venezuela

The charismatic but controversial Mr Chavez looks set to see his popularity as President dwindle as Venezuela suffers a significant slowdown due to the global economic situation and collapse in the price of oil. According to the Economist Intelligence Unit further nationalisation is on the cards as the government lays blame for the downturn at the doorstep of private sector organisations.

The country has some of the largest proved oil reserves in the world and a wealth of other natural deposits which is one of the reasons that China is making hefty investments in the country.

In a recent referendum on amending the constitution in order to allow Mr Chavez to stand for another term in office the population narrowly voted in favour. The President claims he needs at least one further term in office to complete his 'socialist revolution'.

Bright outlook?

Latin America has not seen the meteoric economic surge forward that parts of Asia has witnessed in the past few years, and this should mean that the continent will see a less dramatic economic slowdown than in other parts of the world. That is not to say that the region is immune, Latin America's northern neighbour is a crucial export market for many commodities, and the US economy shows no signs of improving for many months to come.

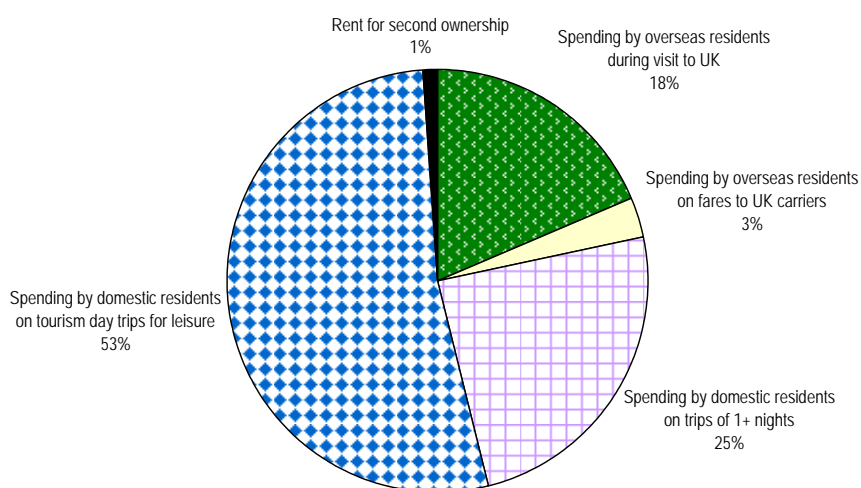
When thinking about emerging outbound markets in this region of the world we need to remember that there are fewer historical ties with Britain than with other European countries, that air access is limited, and that a relative minority of the population has the financial means to indulge in long-haul travel. All that said the opportunity certainly exists to develop inbound tourism flows from Brazil, Mexico and Argentina further, and in the coming years Chile looks set to cement its place as a challenger for one of Britain's most important markets in this part of the world.

Issue of the Month – The Economic Value of Tourism

A significant piece of analysis undertaken to support the recent British Tourism Framework Review was a detailed study looking at the importance of tourism to the British economy. The independent study was conducted by Deloitte and Oxford Economics and the full report, 'The economic case for the Visitor Economy', is available from www.tourismreview.co.uk. Here we present a few of the most important figures emerging from the study and show how the results are entirely compatible with earlier estimates relating to the value of tourism spending published by VisitBritain.

In the April 2007 edition of *Foresight* figures were presented showing the value of tourism spending in the UK; the following chart showcases the most up-to-date figures covering 2007.

Tourism Spending in 2007: £86.3bn



In a nutshell the £86.3bn figure is how much tourists spent while engaging in tourism activity.

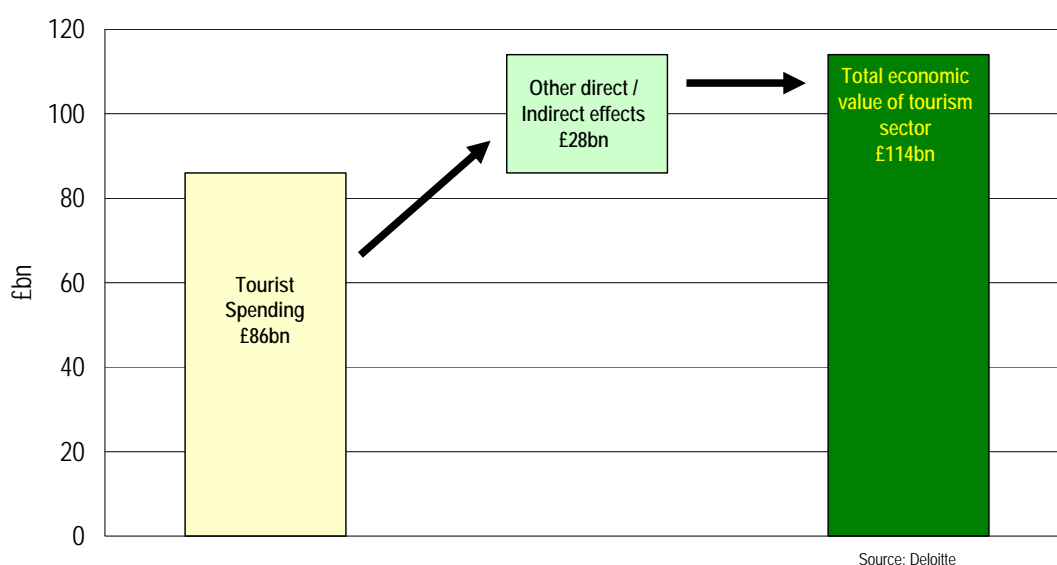
Deloitte adopted a range of definitions in reporting the 'size of the visitor economy', including the measure described above. While this is a method that captures 'total spending by visitors', it is possible, and indeed desirable to consider tourism in a much broader context. It is this broader estimate of what constitutes the 'visitor economy', that leads to one of the most important figures in the Deloitte study, namely the fact that the Travel and Tourism Economy in the UK in 2007 contributed £114.4bn to GDP, equivalent to 8.2% of the total UK economy.

Neither approach to quantifying the value of tourism is 'right' or 'wrong' as they represent different things. There is a healthy debate about methodologies that can be used to work out the value of tourism to the wider economy, but what's important is not an academic discussion about how estimates should be arrived at, but at a time when tourism demand is softening and tourism businesses face significant challenges, that we utilise the insight the Deloitte study provides into the role of tourism in sustaining businesses and employment in Britain, to ensure the importance of the sector is recognised throughout the country and across the public and private sector.

The figure traditionally used by VisitBritain (c£86bn) is based on what gets spent by individuals during tourism trips; inbound visits, domestic overnight trips and same-day tourism excursions. This is the measure that traditional tourist board marketing activity is designed to influence.

The £114bn figure presented by Deloitte represents the 'overall contribution of the visitor economy sector', with 'sector' being the key word. The figure includes both the 'trip-specific' effects of tourism, that is to say spending by tourists, but also other direct and indirect effects. The 'direct' effects include value added 'visitor economy related' spending by individuals and government, for example the purchases of luggage. The 'indirect' effects allow for the impact of tourism spending on the supply-chain (for example laundries washing hotel linen, distribution of food to restaurants) as well as the impact of capital investment and collective government expenditure on behalf of the visitor economy sector (for example British Airways purchasing an Airbus A380 and spending by VisitBritain on marketing). The following chart helps us visualise the relationship between the numbers.

The importance of tourism in 2007



Perhaps a more meaningful measure of the worth of tourism to Britain comes courtesy of employment estimates in the report. When taking the broader concept of the visitor economy Deloitte estimate that 2.7 million jobs existed thanks to tourism, representing one in every dozen jobs in Britain, or put another way a job for every man, woman and child living in North East England with 100,000 or so extra to spare.

Forecasts

Deloitte forecast that spending by tourists will increase from £86bn in 2007 to £133bn in 2018 (at outturn prices, assuming that spending rises by 2.5% per annum simply as a reflection of inflation), which represents growth in spending of 2.1% per annum in real terms.

According to the study 'growth will be driven more by overseas than domestic spending', with inbound visitor spending forecast to increase to £34.2bn in 2018, growth of 5.5% per annum in real terms, whereas domestic visitor spending is projected to rise at 1% per annum in real terms. These forecasts, especially that for inbound tourism, are upbeat, and rely on both a swift global economic recovery and as Deloitte state that 'tourism facilities, accommodation and transport infrastructure are upgraded – both in terms of capacity and quality'.

As can be seen from the following table Deloitte forecast that taking the broader concept of the visitor economy its value will have increased to £188bn by 2018, but that as a share of national Gross Domestic Product it will have fallen slightly to 7.8%. The number of jobs supported by the visitor economy in 2018 is forecast at 2.8 million, slightly higher than in 2007 in absolute terms, but in relative terms fractionally less at 7.8% of all jobs. Again, for these forecasts to be achieved sufficient investment will be essential.

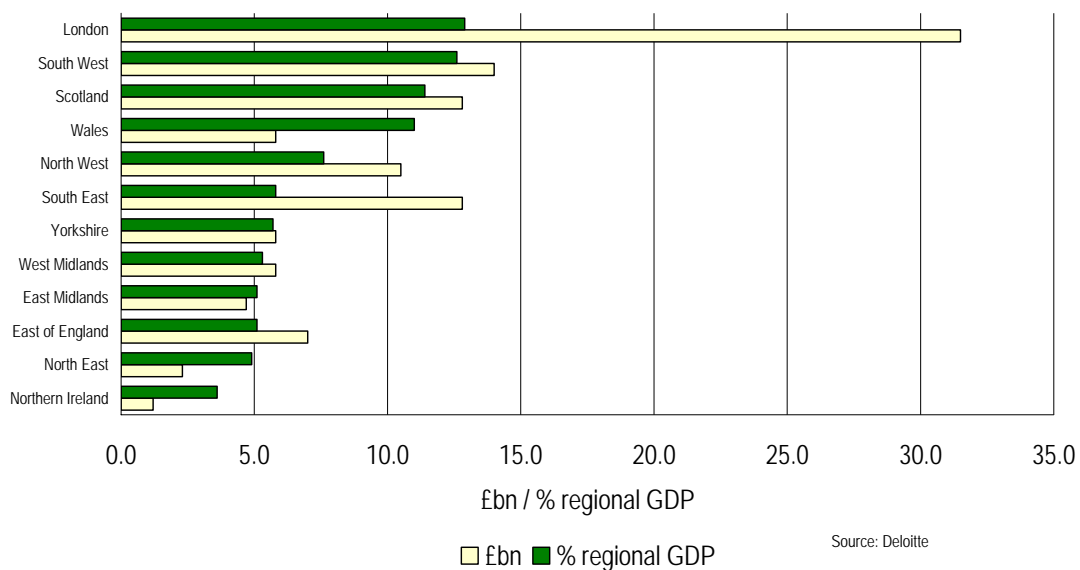
	2007	2018
Tourist Spending (£bn)	86.3	133.1
Travel and Tourism Economy GDP (£bn)	114.4	187.6
Travel and Tourism Economy (% total GDP)	8.2	7.8
Travel and Tourism economy employment (000 jobs)	2,653	2,817
Travel and Tourism economy employment (% all jobs)	8.4	8.2

The following table pulls together some of the most important figures from the Deloitte study for both 2007 and 2018.

Nations and regions

The study provided 'indicative estimates' relating to the contribution tourism makes to the national and regional economies of the UK. The figures are very much a guide only, as they are 'estimated by simply using regional domestic and international tourism spending data and applying the resultant share to the national estimates'.

Importance of Travel and Tourism in 2007



As can be seen from the above chart, in Scotland, Wales, London and the South West of England tourism is estimated to contribute more than 10% of GDP, with London accounting for 28% (£31.5bn) of the overall value of the visitor economy.

More detail

We have only scratched the surface here – the full Deloitte report contains a wealth of analysis that helps reveal how tourism activity contributes to the fabric of Britain, what some of the major challenges are for the sector in the coming years and where 'policy barriers' at the national, regional or local level impinge on visitor economy outcomes. Both the Executive Summary and full report can be found at www.tourismreview.co.uk.

Index

Issue 1	November 2003
Issue 2	December 2003
Issue 3	January 2004
Issue 4	February 2004
Issue 5	March 2004
Issue 6	April 2004
Issue 7	May 2004
Issue 8	June 2004
Issue 9	July 2004
Issue 10	August 2004
Issue 11	September 2004
Issue 12	October 2004
Issue 13	November 2004
Issue 14	December 2004
Issue 15	January 2005
Issue 16	February 2005
Issue 17	March 2005
Issue 18	April 2005
Issue 19	May 2005
Issue 20	June 2005
Issue 21	July 2005
Issue 22	August 2005
Issue 23	September 2005
Issue 24	October 2005
Issue 25	November 2005
Issue 26	December 2005
Issue 27	January 2006
Issue 28	February 2006
Issue 29	March 2006
Issue 30	April 2006
Issue 31	May 2006
Issue 32	June 2006
Issue 33	July 2006
Issue 34	August 2006
Issue 35	September 2006
Issue 36	October 2006
Issue 37	November 2006
Issue 38	December 2006
Issue 39	January 2007
Issue 40	February 2007
Issue 41	March 2007
Issue 42	April 2007
Issue 43	May 2007
Issue 44	June 2007
Issue 45	July 2007
Issue 46	August 2007
Issue 47	September 2007
Issue 48	October 2007
Issue 49	November 2007
Issue 50	December 2007
Issue 51	January 2008
Issue 52	February 2008
Issue 53	March 2008
Issue 54	April 2008
Issue 55	May 2008
Issue 56	June 2008
Issue 57	July 2008
Issue 58	August 2008
Issue 59	September 2008
Issue 60	October 2008
Issue 61	November 2008
Issue 62	December 2008
Issue 63	January 2009
Issue 64	February 2009

Market Focus

USA, Canada and Mexico
France, Italy, Portugal and Spain
Poland, Russia, China and South Korea
Britain
Australia and New Zealand
The EU Accession States
South Africa, Nigeria, Kenya and Ghana
India and Pakistan
Belgium, Netherlands, Luxembourg and Ireland
Japan, Hong Kong, Philippines and Taiwan
Brazil, Argentina, Chile and Venezuela
Norway, Sweden, Denmark and Finland
Britain
UAE, Saudi Arabia, Kuwait and Iran
Germany, Austria and Switzerland
Malaysia, Thailand and Singapore
Greece, Romania, Bulgaria and Croatia
Israel, Egypt and Turkey
Poland, Czech Republic and Hungary
USA, Canada and Mexico
France, Italy, Spain and Portugal
Latvia, Lithuania, Estonia, Ukraine and Belarus
Russia and China
Australia, New Zealand and South Africa
India, Sri Lanka and Bangladesh
Twenty-five years of Inbound Tourism
Benelux and Ireland
Japan, South Korea and Hong Kong
Brazil, Argentina and the Caribbean
Nordic region and Iceland
Central Europe
UAE, Kuwait, Bahrain and Oman
North Africa, Malta and Cyprus
Inbound tourism - the global context
Singapore, Malaysia and Thailand
Greece, Turkey, Bulgaria and Romania
Inbound visits by the over 55's
Outlook for Inbound Tourism in 2007
USA and Canada
Ferry passenger visitors
What will shape tourism in the next decade?
The value of tourism in the UK
India and Japan
Inbound holiday visitors
The changing face of overnight domestic tourism
Inbound visitors using the Channel Tunnel
Inbound visitors aged 16-24
Special edition: Inbound visitors' travel group composition and 'activity mix
Poland, Czech Republic and Hungary
The Credit Crunch
Outlook for Inbound Tourism in 2008
Inbound 1-3 night visits
Lesser known Asian markets
The Middle East
Inbound visitors staying 15+ nights
Special edition: Business tourism
The DCMS 'Taking Part' Survey
USA
Russia and China
Camping and caravanning
Visits to visitor attractions
Turkey
Outlook for Inbound Tourism in 2009
Britain as part of a multi-country trip
Special edition: Forty years since the Development of Tourism Act

Issue of the Month

Implications of an ageing population in Britain
Airport capacity in Britain
Visits to Britain by British Nationals living overseas
School holidays and their impact on seasonal spread
West Nile Virus
The Internet Part 1: Consumers
The Internet Part 2: Businesses
Trends in Cross-Channel Travel Behaviour
Cost of visiting Britain compared with other destinations
What might climate change mean for tourism in Britain
London's Olympic Bid – implications for British Tourism
Smoking in public places
Outlook for inbound tourism to Britain in 2005
Inbound tourism and the value of Sterling
Britain's ethnic diversity
Britain's transport infrastructure
Foreign Direct Investment & inbound business tourism
Inbound study visits
Low-cost Airlines
Weddings, Stag Weekends and Hen Weekends
The Day Visit Market
Quality
Daylight Saving
Outlook for Inbound Tourism in 2006
Tourism Satellite Accounts
Tourism and the Disability Discrimination Act
Tourism and the National Lottery
Next generation aircraft
The cruise line boom
The power of football
Wind Farms and the Visitor Economy
International tourism balance of payments deficit
Inbound visitor decision lead times
Seasonality
Second homes
Accommodation choices
Holiday activity perceptions (Part 1)
Holiday activity perceptions (Part 2)
The role of nature and wildlife in UK tourism
The impact of the Channel Tunnel Rail Link
Climate change and what it might mean for UK tourism
Domestic consumers and the 'credit crunch'
The British Weather
Heathrow Terminal 5
The EU/US Open Skies Agreement
The Olympic and Paralympic Games
Day visits – motivators and barriers
Five years on from the Aviation White Paper
Information sources: usage and reliability
The Euro

¹ Data from International Passenger Survey has been made available by the Office for National Statistics and has been used by permission. The ONS do not bear any responsibility for the analysis or interpretation of the data reported here. Crown Copyright 2009. Source: ONS

Britain on View is the UK's specialist photographic library offering unique images of Britain and British life. Whether you work in tourism, publishing or design you'll find what you're looking for amongst our range of 40,000 high quality images, visit www.britainonview.com

