

### **Outlook for Travel to Britain**

- Referring to the general seasonality of the Russian travel market and current forecasts, the first three months of 2010 will show similar figures of tourist departures to Britain as 2009 with a probable small increase. However 2 big VisitBritain local PR-campaigns will definitely arouse audience curiosity and interest to Britain as a holiday destination.

### **Britain in the News**

- Key messages in Russian media broadcasts for the period were as follows:
  - David Miliband visit to Russia,
  - scandal news on the laptop theft from the British Ministry of Defense,
  - the Cumbria flood,
  - 'Times' publications on a possibility of Britain losing high credit rating due to the growing national debt,
  - implementation of additional dactyloscopy check for Russian tourists traveling to Britain,
  - intention of the British Ministry of Finance to introduce high taxation on bank bonuses,
  - the British Airways strike.
- News about additional dactyloscopy check and British Airways strike will definitely have a negative influence on perceptions of travel to Britain in general and the need for a visa.

### **General Market Mood**

- IMF forecasts a 7.5% fall in GDP figures for 2009 and a slow recovery of 1.5% for 2010. This is in line with predictions of the Russian government that expect 2% GDP growth next year. Specialists both in Russia and abroad confirm that the Russian economy is slowly getting out of the recession.
- According to Russia's Finance Minister Alexey Kudrin, the budget deficit which in 2009 reached 8.5% of GDP, will be lowered due to stabilization and will get back to 3% by 2012. For 2010, if the oil price stays at the level of \$70 per barrel till the end of the year, the budget deficit will be around 7.5%, and 4% in 2011.
- The Finance Ministry also predicts that by the end of the year inflation will reach 1%, and commodity prices will increase by 0.2%. In October, the Central Bank acquired more than \$15 billion, Russia's foreign reserves rose to \$432.8 billion and net capital inflows reached \$10 billion, according to a preliminary estimation.
- The estimated seasonally adjusted unemployment rate fell to 7.9% in October, which is 1.1 percentage points higher than a year earlier. This would suggest a significant degree of labour hoarding given the scale of output loss the economy has experienced. It appears clear that the majority of adjustment in the labour market has taken place through wage rather than job cuts. As a result, real wages were down by 4.5% on the year in October.

### **Consumer Behaviour**

- The main trend amongst consumer behaviour is preparation for the New Year and Russian Christmas official holiday period that lasts for the first ten days of January.
- The survey, held by HeadHunter Company in November among 1,751 respondents all over Russia showed that 46% of the audience decided to stay at home for the New Year holidays, while 36%

- planned to travel abroad. 47% of people, who will go away will go to foreign countries. Top 5 destinations are Finland, Egypt, Estonia, Thailand and Austria.
- The general attitude of Russians to the situation in the country is becoming more optimistic. Positive figures were shown by the research held by ROMIR Company in Russia in November, 2009 among focus group of 1,000 people:
    - 25% of respondents believe that the economic situation in Russia will improve over the next few months (this figures show 4% increase compared to the July research). While 47% believe that the situation will remain the same, 23% believe that would become worse,
    - 36% of respondents believe to have a growth in personal income in the next 12 months. The rest of the audience divided in the following way: 38% believe that there would be no changes, 17% think they will have decrease in incomes, 10% found in difficult to answer.
  - Rostourism (Russian Tourist Authority) showed the latest figures of outbound travel volumes of Russian tourists. General overview is as follows:
  - The first 9 months of 2009 showed 19% decline in the number of Russian tourists travelling abroad compared to the same period in 2008 (6.6 million trips in 2009 compared to 8 million visits in 2008),
  - The largest decline affected China, Croatia, Malta and Turkey.
  - An increase of tourist arrivals has been shown by Israel (+62.5% - due to uplift of visas), USA (+32.5%), Switzerland (+26.5%), South Korea (+19.14%), Germany (+8.9%), Great Britain (+6.4%).
  - Russian tourists will have a possibility to apply for 10-year valid foreign passports starting from March, 2010. However the extended validity will be applied to biometrical passports only. At the moment foreign passports for Russians have 5-years the period of validity.

## Media Matters

- Nothing to report for October to December.

## Routes and Fares

- The average decrease of air fares in 2009 has reached 25-40% comparing to 2008 price indexes.
- British Airways has put into life an interline agreement with S7 Airlines. That means a special convenient tariff system for flights from Russian regions to destinations of British Airways flights.
- bmi airlines cancelled 13 flights from Moscow to London for the period 11 November – 16 March 2010.
- While the usual return fare Moscow-London, economy class, is around €270 (excl. taxes) at the moment, bmi and British Airways introduced some promotional fares to the UK in October:
- bmi - €134 to London and €235 to Edinburgh (excl. taxes).
- British Airways - €129 to London (economy class, excl. taxes), €1500 (business class, excl. taxes).

## Business Tourism

- Key business tourism agencies reported an approximate 30% decrease in business travel performance in 2009 comparing to 2008.
- Nevertheless the incentive market has started to show a small increase in the last 3 months (New Year incentives, overall recovery of the industry). At the same moment corporate clients become more price-sensitive and tend to choose Russia as a destination of incentive trips rather than foreign countries.

## Leisure Travel Trade

- Key Russian tour operators held an annual conference 'Travel Industry in Russia' in November devoted to the travel business in Russia in 2009. Major concerns of the travel trade are as follows:
  - First two quarters of 2009 showed considerable decrease in outbound travel figures. The third quarter of 2009 was the first period of economic downturn when tour operators noticed an increase of demand,
  - Winter season is expected to be more successful than the same period of 2008, but still far from the levels prior to the economic crunch,
  - Luxury tour operators report a small improvement in the situation. Although New Year tours are selling not so well as expected, people start booking Spring holidays already,
  - Next year is expected to show 4% increase in outbound tourism,
  - Clients are now more interested in cheap tours, tend to book hotels and airline tickets on-line,
  - Clients pay much attention to brand factor rather than price factor,
  - Independent travel agencies intend to join large brand chains.
- Key outcomes of the conference are:
  - Tour operators are going to be more active in advertising and PR
  - Tour operators are going to develop e-commerce on their websites
- Key Russian cruise tour operators founded the Russian Association of cruise companies. At the moment the Association includes about 20 members. The executive committee includes 9 companies – 'Nika', 'Den Rus', 'Anastasia', 'T-J Travel', 'SPb-Tours', 'Vodohod', 'MIR', 'Intourist', 'Morskoi fasad', 'Passajirskii port Saint-Petersburg'.

### Competitor Activity

- The following NTOs are running active on-line campaigns promoting their destinations for winter holidays with advertising on leading travel and social web-sites and providing press support in travel trade magazines (TTG, Tourbusiness, Tourifno):
  - Visit Finland,
  - Austrian Travel Board,
  - Switzerland Travel Board,
  - Cuba Travel Board,
  - Norway Travel Board.
- After 15 years of working in Russia Visit Finland intends close its offices in Moscow and Saint-Petersburg due to difficult economic situation in the country. Both representative offices will be closed in January, 2010.
- German Travel Board together with Berlin Tourismus Marketing (BTM) held a traditional annual presentation of the destination in November. The board invited a famous Russian writer and celebrity Evgenii Grishkovetz for the presentation and provided all guests with tickets to his performance. According to the statistics, provided by NTO, Berlin enjoyed a 4% increase of Russian visitors in the first 9 months of 2009 compared to the same period of 2008, the total number of visits for the above-mentioned period reached 51,5 thousands people.
- Singapore launched new e-system for visas for Russian tourists in December. Now people travelling to Singapore will have to fill in a special form on the web-sites of authorized companies. The whole process will take 3 days.
- Starting from 2010 Russian tourists will no longer need a visa for visiting Brazil.
- Cyprus announced opening of 3 new consulates in Russia in Yekaterinburg, Krasnodar and Samara in the nearest future.

## **VisitBritain Activity Update**

- VisitBritain Russia took part in 'Icy Albion' event, organized in Red Square together with the British Embassy and UKTI Russia on Sunday, 13 December. The event was aimed to facilitate VisitBritain promotional campaign of Britain as a venue of 2012 Olympic and Paralympics Games and included a spectacular skating event featuring former British Olympic champions Torvill and Dean as well as Russian Olympic Champions.
- Participation in New Year e-competition organized by the British Council.
- Radisson Edwardian sales calls in Yekaterinburg and Moscow, and a gala dinner in Moscow.
- Luxury familiarisation trip with VisitLondon for key travel trade companies.
- Press trip on Sherlock Holmes movie (together with VisitBritain London office).
- Travel trade e-newsletter.
- Participation in VB PR-conference, ILTM exhibition.
- Welcome '5 o'clock tea' event for agents in Moscow in November.
- Participation in ANTOR (Association of NTOs in Russia) monthly meetings.

## **Upcoming activity**

- Sherlock Holmes PR campaign (December 2009 – January 2010).
- Cities Campaign (January-March 2010).
- ANTOR MICE workshop (21 January).
- VisitLondon Workshop (25 - 27 January, Moscow-Saint-Petersburg).

## **Who's in Town?**

- His Royal Highness Prince Andrew, the Duke of York (Moscow, December).
- Torvill and Dean (Moscow, December).
- David Miliband (Moscow, October).