Item 4 of the Provisional Agenda

TOURISM TRENDS WORLDWIDE AND IN EUROPE

Note by the Secretary-General

In this document, the Secretary-General provides to the Member States of the UNWTO Commission for Europe reference material on the global tourism market trends worldwide as well as for Europe.
TOURISM TRENDS WORLDWIDE AND IN EUROPE

I. GLOBAL TRENDS

1. In 2010, world tourism recovered faster than expected from the shock it suffered in 2008 and 2009 due to the global financial crisis and economic recession. The number of international tourist arrivals is estimated to have reached 935 million, up 59 million (+6.7%) over 2009’s 877 million, and 23 million (+2.5%) more than during the pre-crisis peak year 2008 (913 million). Emerging economies recovered more quickly and more resoundingly, leading the world recovery with a growth rate of 8% compared with 5% for advanced economies.

2. While estimated full-year results were positive in all world regions, the Middle East (+14%) was the fastest growing region in 2010, but this followed a significant drop in 2009 (of -6%). Asia and the Pacific (+13%) posted a remarkable growth rate. Thanks to this spectacular performance, which was much greater than needed to compensate for the modest 2% decline in 2009, the region’s share of world arrivals has risen by one percentage point, to 22%. In the Americas (+7%), growth was strongest in South America (+11%) followed by North America (+7%), and Africa (+6%), the only region to achieve an increase in 2009 (of 3%), increased its momentum, boosted by the worldwide exposure created by the FIFA World Football Cup hosted by South Africa. Europe (+3%) is recovering at a slower pace than other regions, mainly due to the uneven economic recovery.

3. For most countries, data on international tourism receipts and expenditure is still incomplete at this time of the year, and it anyway tends to be provisional and is often subject to substantial revision. But preliminary results seem to confirm two trends:

- The growth in receipts lags somewhat behind that of arrivals, as is typical in periods of recovery;

- Emerging economies are also leading the recovery in terms of the growth in expenditure abroad.

Source: World Tourism Organization (UNWTO) ©
4. Although only just over half of the top 50 destinations by international arrivals and receipts have reported 2010 full year data, so the ranking is still very provisional, a few clear trends are visible.

- While only one of the top ten by arrivals, the UK, registered a decline of 1%, and provisional figures for the top 50 reveal only one other destination in negative growth figures, Ireland (-13%), the significant change among the first ten by international arrivals is the rise of China (+9.4%) to third position, ousting Spain. And Germany recorded an 11% increase in arrivals, followed closely by the USA with around 10%.

- Among the world's top ten destinations, ranked according to their international receipts, provisional figures suggest the strongest growth was recorded by Hong Kong (China) (+40%), China (+15%) and the USA (+10%).

II. REGIONAL TRENDS IN EUROPE

5. International tourist arrivals in Europe are estimated to have reached 473 million in 2010, some 16 million (+3%) more than in 2009, but still 8 million short of the 2008 peak. January 2010 ended a run of 19 consecutive months of negative growth. February and March showed positive growth, but the first quarter still recorded the lowest level of arrivals since 2006. In April the sector was badly affected by the air traffic disruption caused by the volcanic eruption in Iceland. The recovery gained momentum in the second half of the year, but slowed down significantly (hopefully temporary) in December because of the severe weather conditions in various countries. The tourism recovery in Europe has been slower than in other regions of the world, for a variety of reasons, which have particularly affected intra-regional tourism flows that represent over 85% of total traffic:

- Economic growth is still slack in many countries in the region.
- Unemployment has risen and will take time to fall again; incomes are not rising and consumer confidence is fragile and often weak.
- The financial crisis is still not completely over. There are continuing doubts about the creditworthiness of some of the eurozone countries and some countries are still struggling to absorb their real-estate bubbles.
- Governments are being forced to bring in austerity measures (increases in taxation and reductions in public and social spending) to bring their deficits under control.

6. Nevertheless, there are pockets of strength in the European recovery. As source markets, substantial increases in arrivals from Russia, the Nordic countries, Switzerland, Poland and Italy are reported. As destinations, Germany, Turkey and Croatia, among the major ones, have set new records for arrivals by generous margins.

7. Some of the trends that emerged during the economic downturn seem to have become entrenched in Europe. In many destinations, domestic and cross-border travel is still more popular than longer-haul trips. Consumers book at the last minute and search the internet intensively for offers and bargains; they remain very price-sensitive. Length of stay and spending per night have both declined; all-inclusive and FIT arrangements are both popular. The luxury and economy segments have both recovered, at the expense of the middle ground.
8. In spite of this emphasis on domestic and cross-border travel, experts are now noting a recovery in long-haul arrivals, reflecting the greater economic dynamism in other regions of the world. Depending on the nature of individual destinations, they may be noting recoveries or large increases from the USA, Canada, Japan, China, India, Brazil, the Middle East and other emerging markets.

9. Western Europe (+5%) is the only sub-region that has recovered fully from the impact of the crisis, in the sense that arrivals in 2010 exceeded those in 2008:

- Germany’s performance (+11%) reflects much more than simple recovery, with arrivals exceeding 2008’s record level by more than 2.5 million. The competitive tourism industry and general prosperity in Germany is generating a great deal of demand for business and leisure travel to and from Germany itself as well as to and from neighbouring destinations. Indeed, Germany’s economic strength is generating a sense of optimism in the tourism industry throughout Europe, partly offsetting other concerns.

- In most other destinations, including Austria (+3%), Belgium (+6%), the Netherlands (+11%) and Switzerland (+4%, in spite of the strong Swiss franc), arrivals growth in 2010 was sufficient to bring them above those in 2008.

- The major exception was France (+3%), where any increases in both international and domestic arrivals have been erratically moderate.

10. Northern Europe, by contrast, was the world’s only sub-region that showed no growth in 2010. However, there was a strong contrast between the continuing declines in the UK (-1%, in spite of the weak pound) and Ireland (-16%) and the strong performance in the Nordic countries (Denmark +11%, Norway +9%, Sweden +3%, Finland +4%):

- Experts in the UK are particularly concerned about the lack of buoyancy in spending on tourism by the British and other Europeans, and note that the trade is already discounting 2011 products.

- Arrivals in the Nordic countries are strong in particular thanks to nearby markets, including each other, Russia, the Baltic States and (in Denmark’s case) Germany.
11. Central & Eastern Europe (+4%) achieved the strongest growth among Europe’s sub-regions in 2010, but arrivals were still 6% short of those in 2008:

- The three Baltic States (Estonia +12%, Latvia +15% and Lithuania +8%) all reported strong increases in arrivals in 2010, but only in Estonia are they setting new records. All three are relying heavily on neighbouring markets (especially Russia and Finland): they are not yet back in fashion in the UK and Western European markets.

- Other Central European countries are finding it difficult to recover their dynamism. Local economies (except Poland) and tourism markets remain weak and arrivals are far short of their peak levels. Nevertheless, arrivals were up 5% in the Czech Republic, 5% in Poland and 2% in Slovakia. The exception is Hungary (+6% through September 2010) – but Hungary’s tourism scene is rather different to its neighbours’ and has long been out of phase with them.

- Bulgaria and Romania both report increases in arrivals of 5% in 2010, but in the case of Romania following a substantial decrease in 2008-09. After an initial emphasis on low-cost beach and ski resorts, Bulgaria is now looking at a more diversified approach, focusing on natural, cultural and historical attractions and on health spas.

- Increases in arrivals from Russia are being noticed all over Europe, but inbound tourism (+3% in January-September) is still limited and not growing rapidly. Elsewhere in the Commonwealth of Independent States information is scarce, but the available figures suggest large increases in Armenia (+19%), Azerbaijan (+13% in H1 2010) and Georgia (+36%), but only a slight recovery (after a large decline) in the Ukraine.

12. Arrivals in Southern and Mediterranean Europe (+3%) are also still short of their 2008 peaks:

- Greece and Cyprus, both in need of some relief for their distressed economies, report increases of just over 1% (Greece for January-September) after large declines in 2008-09. Both report large increases in arrivals from Russia.

- Turkey continues to do well: since there were no declines in 2008 and 2009, the 6% increase in arrivals is pure gain. Although the focus of attention has partly shifted towards Middle East markets, local experts report substantial increases from a wide variety of European countries, including the UK. (They are not alone among European destinations in noting an increase in arrivals from the UK, although overall outbound travel from the UK continued to decline in 2010.)

- Arrivals in the Western Balkans continue to grow. The strongest figures were posted by Albania (+28% in Jan-Sep) and Bosnia-Herzegovina (+18%); other destinations fell in the range +1% to +5%. Given its good performance in recent years, a further increase of 5% in Croatia is more than satisfactory.

- Tourism in Italy came through the economic crisis relatively easily, but the nominal growth rates turned negative in the second half of 2010. However, these growth rates are calculated on strong base figures and local experts remain moderately upbeat, reporting strong demand from major markets in Europe and further afield. By contrast, Israel and Malta were affected in 2009, but both bounced back strongly in 2010, by 21% and 13% respectively. Malta also reports an 11% increase in cruise passenger visits.
Inbound arrivals have recovered somewhat better in Portugal (+6%) than in Spain (+1%). In both countries, prices have tumbled and the industry in many areas is relying on local holiday-weekend custom. Andorra (-1%) tells a similar story: only neighbouring visits are holding up. Bad weather in Northern and Western Europe and a strike by air traffic controllers in December did not help.

UNWTO FORECASTS FOR 2011

I. GLOBAL PERSPECTIVE

13. Following a year of global recovery in 2010, growth is expected to continue for the tourism sector in 2011, but at a slower pace. UNWTO forecasts an increase in international tourist arrivals of between 4% and 5% in 2011 – a rate slightly above the long-term average. This growth will continue to be driven by emerging economies’ dynamism and enthusiasm for travel. The less mature destinations will further profit from their proximity to booming markets, from which they will attract new demand.

<table>
<thead>
<tr>
<th>Forecast of growth in International Tourist Arrivals</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>real projection year</td>
<td></td>
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</tr>
<tr>
<td>World</td>
<td>2.1%</td>
<td>-4.0%</td>
<td>6.7%</td>
<td>4%</td>
</tr>
<tr>
<td>Europe</td>
<td>0.5%</td>
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<td>3.4%</td>
<td>2%</td>
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<tr>
<td>Asia and the Pacific</td>
<td>1.1%</td>
<td>-1.7%</td>
<td>12.6%</td>
<td>7%</td>
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<tr>
<td>Americas</td>
<td>2.7%</td>
<td>-4.9%</td>
<td>7.0%</td>
<td>4%</td>
</tr>
<tr>
<td>Africa</td>
<td>2.7%</td>
<td>3.4%</td>
<td>6.4%</td>
<td>4%</td>
</tr>
<tr>
<td>Middle East</td>
<td>19.2%</td>
<td>-6.4%</td>
<td>14.0%</td>
<td>7%</td>
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</tbody>
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Source: World Tourism Organization (UNWTO) ©

<table>
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<tr>
<th>International Tourist Arrivals, World</th>
<th>(% change)</th>
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<tr>
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14. On the upside, the key factors are:

- The recovery and the first signs of acceleration in the economies of the emerging economies, in particular, will result in an improvement of corporate balance sheets, and increasingly dynamic trade and business worldwide.

- Pent-up demand is expected to be released for the major destinations that entered the recovery phase later, such as France, Spain and the UK.

- The multi-speed recovery is producing changes in the competitive environment, opening up opportunities for destinations that can leverage the opportunity.
15. But a number of significant downside risks remain:

- The economic slowdown in the UK and the problems in the periphery of the euro zone have shown that the crisis is not over yet, while most advanced economies will see slow growth at best.

- Oil and food prices could rise even more sharply than currently predicted.

- Persistent high unemployment remains a major concern, with the gradual recovery in employment expected for 2011 still too weak to compensate for the jobs lost during the economic crisis. Unemployment on the one hand directly limits the disposable income of those affected while, on the other hand, it contributes to consumer uncertainty.

- Interest rates in major advanced economies might start to rise again after having been maintained at unprecedented low levels for close to two years. However, increases are expected to be modest.

- Inflation is likely to pick up as well, especially if oil and commodity prices maintain their current upward trend.

- In advanced economies, budget cuts risk sapping the economic recovery, with a direct impact on the speed of the tourism rebound. Particularly in Europe, the introduction of austerity measures is expected to put pressure on household budgets and undermine consumer confidence, with implications for outbound tourism.

II. REGIONAL PERSPECTIVE

16. Members of UNWTO’s Panel of Experts from Europe are quite upbeat about prospects for 2011. With a rating of 132, the level of confidence expressed for 2011 is well above the neutral ‘100’, and is higher than for any year since 2007. Part of this confidence reflects the still weak baseline, but many experts also expressed moderate optimism in their written responses to the Barometer questionnaire. This optimism is partly based on the expected demand from the USA, Japan and many emerging markets, but they also expect a continuing improvement in intraregional business and leisure demand. Many note programmed increases in air services – which suggests that the airlines share their optimism.
17. Furthermore, in the short-term, destinations in the European Mediterranean are expected to benefit from the uncertainty around some of the destinations in North Africa and the Middle East as tour operators report many re-bookings. There are of course qualifications – notably the austerity measures which will be coming into effect in many European markets. Measures specific to the industry – increases in VAT (in more than a dozen countries across Europe), in air passenger duties (in the UK, Germany and Austria), and in room taxes (in Rome, for instance) will not help. As the recovery was slower to set in across Europe, and there is still some lost ground to make up, growth is expected to continue at a solid rate in the first half of 2011, although it may slow a little in the second half as the base figures improve. For 2011 as a whole, UNWTO expects international arrivals in Europe to grow by between 2% and 4%.