

ITB World Travel Trends Report 2009



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ITB WORLD TRAVEL TRENDS REPORT March 2009

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Foreword

This is the eighth *ITB World Travel Trends Report* commissioned from IPK International, founders of the World Travel Monitor, and the fifth covering information disseminated at the ITB Berlin Convention during the annual ITB Berlin travel trade fairshow. It also updates the *ITB World Travel Trends Report* published following the World Travel Monitor Forum, more commonly known as the Pisa Forum, organised by IPK in San Giuliano Terme, near Pisa, Italy, in November 2008 – and which ITB Berlin has been supporting since 2005.

During this year's presentation at the ITB Future Day of the ITB Berlin Convention, Rolf Freitag, President and founder of IPK International and the World Travel Monitor, provided a full-year update of trends in world, European and German outbound travel, sharing preliminary results from the World Travel Monitor 2008, as well as some highlights of the group's forecasts for 2009.

The respective results for 2008, which substantiate the forecasts made in Pisa and anecdotal evidence gathered at this year's Berlin show, confirm that the world's travel and tourism industry is facing enormous challenges. The events of 2008, coupled with the current economic recession that has spread to almost every corner of the world, as well as the market's extreme volatility, suggest that, after four consecutive years of strong growth, tourism – in terms of outbound trips – will at best stagnate in 2009, and will more likely suffer a decline.

Nevertheless, as the World Travel Monitor results show, there are bright spots amid the doom and gloom, and the current downturn will at least provide an opportunity for the industry to rethink and rationalise its growth strategies, in order to prepare for the recovery – whenever this takes place. We can be sure of only one thing – that the new world of travel and tourism will be a very different place than the world to which we have grown accustomed. And this is in many ways a positive development for the sustainability of the industry in the longer term.

As always, Messe Berlin is proud to be associated with this dynamic, exciting industry, and we plan to continue playing a key role in furthering the industry's interests – for the benefit of all stakeholders, and not least those in emerging markets. The main objective of this report is to provide an overview of current travel and tourism demand, focusing primarily on the demand side, and to identify likely trends and developments for 2009 and beyond.

It remains for me to thank Rolf Freitag and his whole team of researchers and analysts around the world, and to hope that you will find this report especially pertinent and useful in this challenging year.

Dr Martin Buck
Vice President, CompetenceCenterTravel & Logistics
Messe Berlin GmbH

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Introduction

World Travel Monitor draws on half a million interviews a year

This *ITB World Travel Trends Report 2009* is based primarily on the 2008 results of IPK International's World Travel Monitor – the continuous tourism monitoring system that was set up 20 years ago. IPK now conducts more than half a million representative interviews a year in 58 of the world's major outbound travel markets – 34 in Europe and 24 in the rest of the world – representing an estimated 90% of world outbound travel.

The interviews – more than 6 million of which have now been undertaken since 1988 – are designed to be comparable from one year and from one market to another, and to yield information on market volumes and sales turnover, destinations, travel behaviour, motivation and satisfaction, travellers and target groups, recent tourism trends, and short- to medium-term forecasts.

As usual, in line with the presentation made by IPK International at ITB Berlin, the report provides an overview of world tourism trends, although it covers primarily the European market – the main source of interest to exhibitors and many trade visitors at ITB Berlin – focusing in addition on the German market, both for domestic and outbound travel, with additional coverage of the Americas and Asia Pacific. Finally, the report summarises the prospects for travel and tourism in 2009.

Overview of World Tourism in 2008

Global trends

A transformation of mood during the year

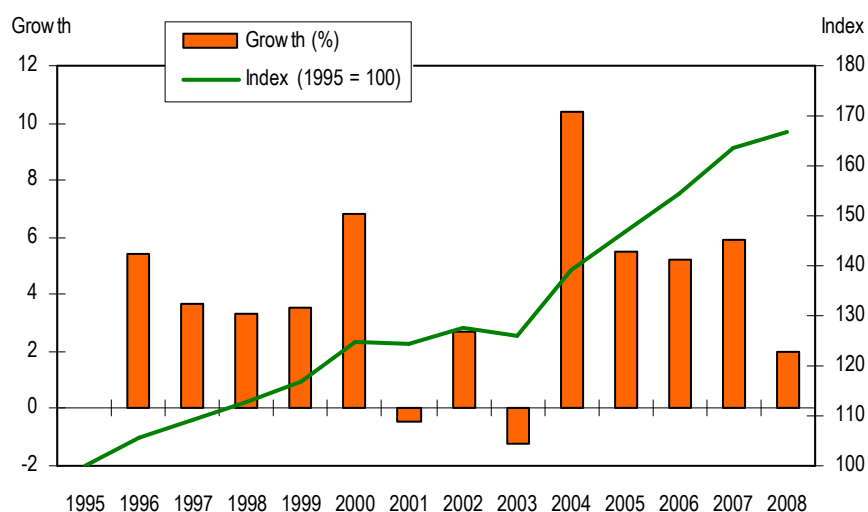
2008 began very well for global travel and tourism. After four years of exceptionally rapid growth, there was an air of optimism about the prospects for the industry in every one of the world's regions. And this optimism was borne out by the figures for international arrivals, air traffic flows and hotel operations in the first months of the year, which were generally good and often excellent.

But the mood did not last. Nevertheless, it took some time before the extent of the likely reversal in the industry's prospects was appreciated. In the middle of 2008 concerns were being voiced about the effect of surging commodity prices on inflation and on the spending power of consumers – and particularly about the effect of the extraordinarily high oil prices on airfares.

There was also a general air of uncertainty in the world's financial and securities markets, if not yet a conviction that the problems – still largely confined to the USA – were going to thoroughly undermine the world's economic boom. Tourism, which has consistently outpaced overall economic growth in recent years, was not an obvious casualty.

The US subprime-mortgage/collateralised-debt problem had surfaced in the third quarter of 2007. And international stock markets had taken their first heavy reversals in January 2008. Bear Stearns collapsed in March 2008 and Freddie Mac and Fannie Mae in the following July. But it was not until September last year, with the collapse of AIG, Lehman Brothers, Merrill Lynch and so many other banks, that financial markets effectively seized up. By then the figures emerging for tourism's performance in recent months were proving worse, in most destinations around the world, than many had anticipated. Over the next month or two, the question in nearly every destination became not whether tourism would suffer a downturn, but how deep the downturn would be – a question that is still unresolved.

World outbound tourism performance, 1995-2008



Source: World Travel Monitor, IPK International

2008 year-end figures are nonetheless higher than those for 2007

Nevertheless, except in a few individual sub-regions, the figures for tourism in 2008 as a whole showed increases over 2007, with the increases in the first few months of the year outweighing any declines in the last few months. Overall, according to the World Travel Monitor, international overnight trips (of a minimum one night abroad) by travellers aged 15 years and older increased by 2% worldwide to 693 million – growth, in percentage terms, much in line with preliminary estimates from the World Tourism Organization (UNWTO) of international arrivals worldwide.

However, while the overall growth trend is almost identical, the total cannot be strictly compared with UNWTO's estimated 934 million arrivals in 2008 – since this figure includes same-day trips and arrivals by children under the age of 15, as well as cumulative arrivals in several countries visited on one trip. But the growth of 2% should be seen against average growth of 7% in 2003-2007 and 4% in 1995-2008.

According to its own specific measure – which includes total spending related to a trip, both during and before the trip – the World Travel Monitor suggests

that expenditure last year rose by 6% to €800 billion, equivalent to €120 per night and €1,219 per outbound trip.

Other challenges persisted through the year ...

The focus on the financial and economic crisis should not lead us to neglect other problems facing the tourism industry in 2008:

- The conflicts in Iraq, Afghanistan, Pakistan, Palestine, Sri Lanka and elsewhere constantly threatened to spill further afield, especially in the form of mindless terrorism. The Mumbai terrorist attacks in late November were a prime example of this.
- After the prolonged decline in the value of the US dollar, there were some dramatic shifts in relative exchange rates in the second half of the year, affecting the purchasing power abroad of many potential travellers and affecting the profitability of tourism operators – especially those which are not large and sophisticated enough to be able to hedge their exposure – penalising some and arbitrarily benefiting others.
- International oil prices rose to an extraordinary peak of around US\$145 a barrel in July 2008, before tumbling equally dramatically – causing difficulties for many airlines (especially those on marginal routes), and often – with hindsight – causing unnecessary disruption to their services.
- There was the usual crop of weather-related problems, floods (notably in China, Myanmar, Brazil, Mexico and the UK), heatwaves and forest/brush fires (in Greece and Italy), hurricanes, cyclones and tornados (primarily in the Caribbean and surrounding countries), earthquakes (the worst occurring in China's Sichuan Province in May) and erupting volcanoes (Chile) – not to mention the panoply associated with an El Niño event.
- In addition, for a variety of reasons – not least the traditional 'big event blues' – the summer Olympic Games in Beijing failed to generate any tourism growth for China and even had an impact on traditional tourism flows in Asia during the northern hemisphere's summer months.

... but none serious enough to affect global trends

Nevertheless, the impact on tourism of these incidents was largely localised and short-lived. Despite all the negative factors, there were also a number of bright spots in 2008. While the air transport industry suffered all over the world last year, international rail travel benefited in some regions, especially Europe.

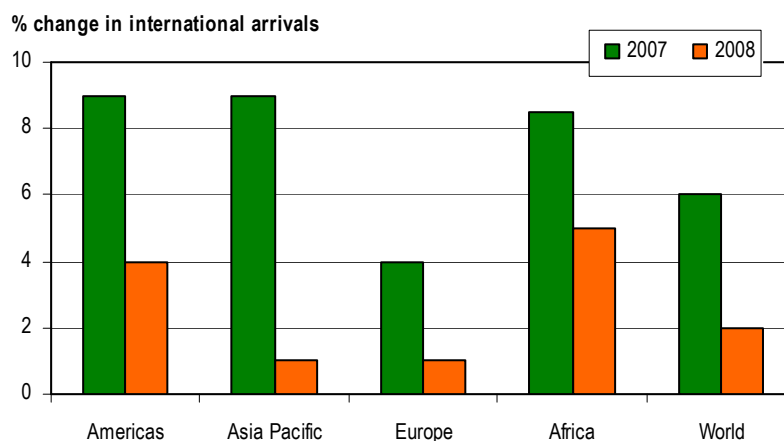
Some individual sectors achieved good results as well. The cruise market appears to have performed particularly well, generating demand in increasing numbers of markets worldwide. And, according to the International Congress & Convention Association (ICCA), the international meetings market remained very resilient up to the end of 2008, with only a small number of members reporting significantly lower full-year results compared with 2007. However, prospects for, and assumptions about, 2009 are generally negative.

Inbound overview

Europe and Asia Pacific recorded the weakest growth

Analysis of world outbound travel by destinations visited shows that Europe and Asia Pacific (including West Asia/Middle East and Central Asia) recorded the weakest growth in 2008. Africa, meanwhile, attracted a 5% increase in international overnight visits and the Americas 4% – both well above the world average of 2%.

Growth in international inbound tourism by region, 2007 and 2008



Note: Asia Pacific includes West Asia/Middle East and Central Asia

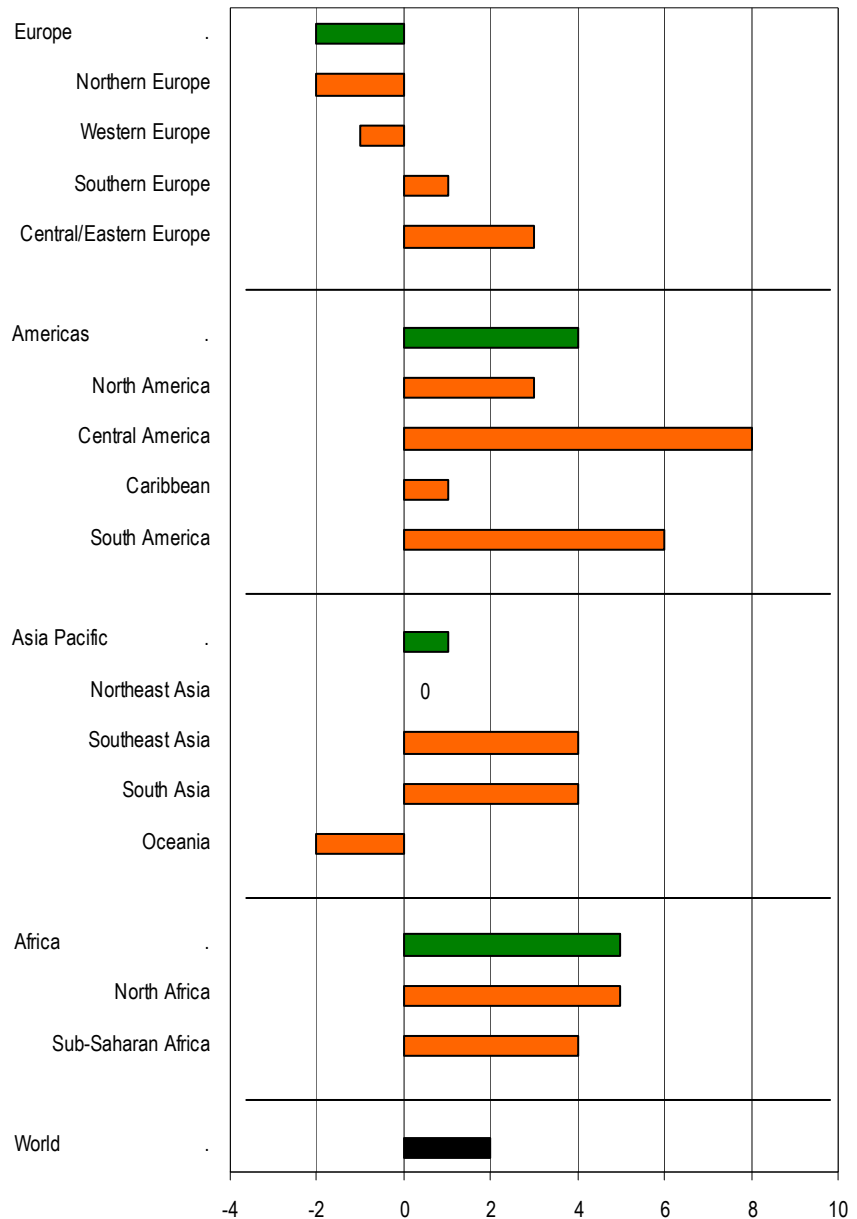
Sources: World Tourism Organization (UNWTO); World Travel Monitor, IPK International

Central America was the star performing sub-region

The best-performing sub-regions were Central America, South America and North Africa, as the table on the following page shows. But there were also above-average performances from South and Southeast Asia, the Middle East, sub-Saharan Africa, North America and Central & Eastern Europe.

The only destination sub-regions to record a decline in international visits were Northern and Western Europe – two of the leading sub-regions in the world in terms of total visitation – and Oceania (which comprises Australia, New Zealand and the Pacific Islands).

Growth in international tourist arrivals by region and sub-region, 2008^a
 (% change over previous year)



Source: UNWTO; World Travel Monitor, IPK International

Outbound performance

Africa generates strongest growth – but from a very low base

With a 4% increase in outbound trip volume – twice as high as the world average – Africa was the leader in 2008 in terms of relative growth in outbound travel demand. But the continent still lags far behind other source regions in terms of volume of outbound trips, accounting for just 14 million, or 2% of the world total. At the other end of the scale, Europe generated a 60% share – or some 418 million outbound trips. Asia Pacific (including the Middle East and Central Asia) ranked second with 22%, or 155 million, ahead of the Americas (108 million, or 15.5 million).

The total additional number of outbound trips was 13 million overall, of which more than 69% came from Europe.

Growth in outbound tourism by source region, 2008

Origin	Total (mn trips)	Growth (%)	Increase (mn trips)
Europe	418	2	9
Asia Pacific	153	2	3
Americas	108	1	1
Africa	14	4	0
Total	693	2	13

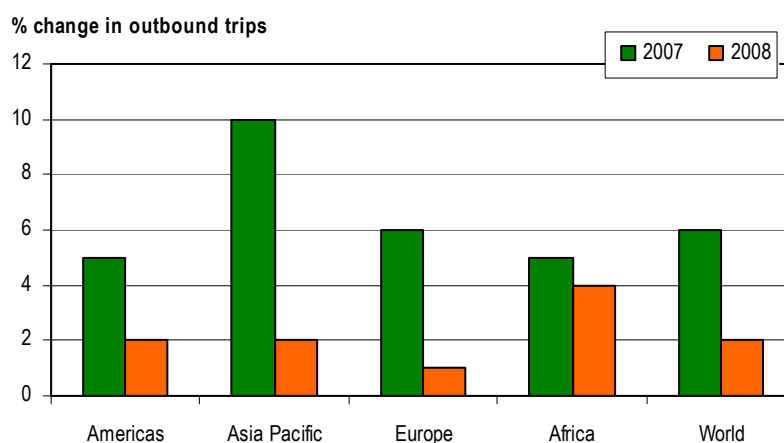
Source: World Travel Monitor, IPK International

Shorter trips but higher spending per trip

If the total volume of trips made in 2008 is grossed up to include same-day trips, as well as taking account of multiple destinations covered in one and the same trip, the number increases to well over 900 million – in line with data on international arrivals from UNWTO. According to the World Travel Monitor, these trips generated some 6 billion overnights abroad.

Total expenditure on outbound travel was €800 billion, up 6% over 2007, and resulting in an average spend per trip and per night of €1,220 and €120 respectively (rounded figures). These figures show that trips were on average slightly shorter in length in 2008, but the cost per trips and per night increased – in many cases due to currency fluctuations.

Growth in international outbound tourism by source region, 2007 and 2008



Note: Asia Pacific includes West Asia/Middle East and Central Asia

Source: World Travel Monitor, IPK International

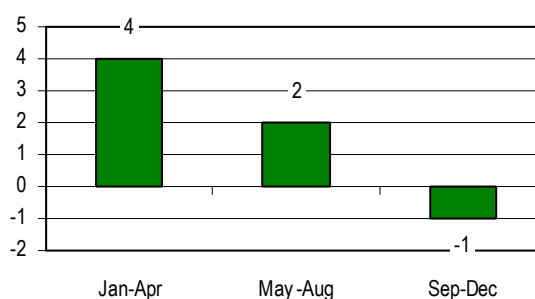
Europe

Overall travel demand

The boom in outbound travel falters

In 2008 European adults aged 15 years and over made 418 million trips abroad of a minimum one night's stay, according to IPK International's European Travel Monitor. In the first four months of the year trip volume was up 4% on the same period a year earlier, but the increase dropped to 2% in the period May to August and fell into negative figures (-1%) in the last four months of the year. For 2008 overall, outbound trip volume rose by 2%.

European outbound travel growth by season, 2008 (% annual change in no. of trips)



Source: European Travel Monitor, IPK International

These 418 million trips generated 3.9 billion overnights and €396 billion in spending. There was no increase in the number of nights spent abroad, which, coupled with the 2% increase in the number of trips, produced a 2% decline in average length of trip (which was a little over 9 nights).

The 2% increase in spending was rather less than average inflation in Europe (3% in the eurozone and substantially more in Central & Eastern Europe). Spending per trip rose 1% to €903 and spending per night was up 3% to €98.

European outbound travel, 2008

	2008	% change on 2007
Trips (mn)	418	2
Overnights (mn)	3,900	0
Average length of trip (nights)	9	-2
Spending (€ bn)	396	2
Spending per trip (€)	903	1
Spending per night (€)	98	3

Source: European Travel Monitor, IPK International

Purpose and length of trip

Holiday travel continues to sustain European demand ...

Holidays (including short breaks) generate a 70% share of European outbound trip volume and have been the main drivers of growth in recent years. Remarkably, given the slackening in overall demand in 2008, the growth in the number of holiday trips, at 5%, was just as fast as it had been in 2007. This confirms anecdotal evidence from the European travel trade that the economic troubles have taken some time to bite into holiday demand.

Purpose of travel by Europeans, 2008

	Trips (mn)	% market share	% annual change	
			2007	2008
Holiday	293	70	5	5
VFR & other leisure	62	15	0	-4
Business	63	15	9	1
Total trips	418	100	5	2

Source: European Travel Monitor, IPK International

... but VFR travel declines sharply ...

In spite of the much-publicised increase in social and employment mobility in the enlarged European Union, visits to friends and relations (VFR travel) did not increase in 2007-08. Indeed, the European Travel Monitor shows that they fell back by 4%, after stagnating in 2007. The trend was not surprising as VFR travel usually suffers a drop in demand when disposable incomes are squeezed.

... and corporate travel growth shows marked slowdown

Corporate travel was also seriously affected by the events of 2008. Companies in Europe – as in other mature travel markets – reacted quickly to the financial and economic crisis by curtailing business travel. This segment of the market, which had lost share in the post-dot.com recession, had shown a sustained recovery from 2005, increasing by as much as 9% in 2007 in terms of trip volume. However, corporate travel rose by only 1% in 2008, with a sharp contraction in the last part of the year.

This is not simply a matter of reduced trade volumes and business opportunities. Because of the liquidity crisis, companies came under intense pressure to reduce cash spending, and started resorting to other forms of communication, such as telephones, emails, new video-conferencing techniques, and other ways of reducing travel expenses. This trend has also intensified in 2009 as companies receiving bail-outs from governments make efforts to cut back on things like incentive travel – often perceived as simply a perk.

Touring holidays are still doing very well

Once again, touring, sun & beach holidays and city trips were the fastest growth segments of the European outbound holiday travel market last year. As far as touring holidays were concerned, this is somewhat surprising given the high prices of automotive fuels through most of 2008. The European Travel Monitor shows a 14% increase in the number of touring holidays taken in 2008, after a 15% increase in 2007. But the rapid growth in countryside holidays was not sustained last year.

Meanwhile, sun & beach holidays – the largest segment by far (accounting for over 40% of holiday trips) – grew by 5%. This was the fourth successive year of moderate increases for sun & beach holidays (they were up 6% in 2007). The sustained level of growth in 2008 may be a little deceptive: most summer holidays had been booked, and even completed, before consumers became aware of the seriousness of the economic downturn.

However, city breaks are spread more evenly throughout the year, and they too held up relatively well in 2008, with a growth of 5% to around 48 million trips. This was in spite of speculation that, having been the main beneficiaries of the boom in low-cost/low-fare flights in recent years, demand might be approaching saturation levels in key markets.

European outbound holiday travel growth for selected segments, 2007-08

Type of trip	% annual change	
	2007	2008
Sun & beach	6	5
City breaks	5	5
Touring	15	14
Countryside	9	2

Source: European Travel Monitor, IPK International

Return to shorter but more frequent trips

The number of trips of one to three nights, which had fallen by 2% in 2007, rose by 9% in 2008, accounting for 26% of all trips abroad by Europeans. The majority of these were short leisure breaks, although business trips also tend to be shorter than average among Europeans.

Following a 7% increase in 2007, trips of four nights and longer remained approximately stable. The trend towards shorter but more frequent trips, which appears to have been re-established in 2008, cannot be expected to continue in 2009, however, given the current economic climate, since Europeans are more likely to reduce their frequency of leisure travel in favour of one longer annual holiday when their disposable incomes are squeezed.

Short breaks/trips versus long trips, 2008

	Total (mn)	% of trips	% change 2008/07
Short breaks (1-3 nights)	109	88	9
Long trips (4+ nights)	309	12	0
Total trips	418	100	2

Source: European Travel Monitor, IPK International

The growth in air travel pauses

For the first time in many years, air travel did not really increase its share of outbound trips in 2008. Trips by air increased by just 1%, compared with rises of 7% for ship/ferry trips, 6% for travel by rail, 1% by bus/coach and 3% by car. This was the second year in succession recording a sharp rise in trips by train, reflecting the extension of high-speed rail services

Mode of transport for European outbound travel, 2007-08

	% annual growth	
	2007	2008
Air	8	1
- Low fare	13	4
- Other	6	-3
Car	1	3
Coach	2	1
Train	10	6
Ship	3	7

Source: European Travel Monitor, IPK International

However, the growth in low-fare air travel in Europe did continue (a low-fare flight, by IPK International's definition, is one costing less than about €200 for a return trip), albeit at a more moderate rate. The number of low-fare trips increased by 4% (compared with 13% in 2007), while the number of more expensive trips fell by 3% (compared with a rise of 6% in 2007). Low-fare air trips accounted for 37% of total air travel out of European markets – up from 35% in 2007.

The continuing popularity of low-fare trips is hardly surprising given the strains on household budgets coupled with falling disposable incomes. However, low-cost airlines (those operating with low-cost bases) are only likely to prosper if oil prices remain low. Otherwise, an increasing number can be expected to suspend services in the short to medium term through lack of demand.

Short- versus long-haul travel trends**Growth in long-haul travel slows ...**

Although the growth in long-haul travel slowed significantly in 2008 – it increased by 3% as against 8% in 2007 – demand for long-haul (ie inter-regional) destinations continued to outpace that for short-haul (intra-regional) travel. However, the main reason for this was a double-digit increase in trips to the USA due to the cheap dollar for most of the year. If travel to the USA were taken out of the count, the growth would have been less than 1%, according to IPK International.

It is important to note that popular destinations in the southern Mediterranean – such as Egypt, Morocco and Tunisia – are counted as short-haul/intra-regional destinations out of Europe. This boosts the numbers of so-called short-haul trips, which account for as much as 88% of total outbound European trips.

Short- versus long-haul travel out of Europe, 2008

	Trips (mn)	% market share	% annual change	
			2007	2008
Short-haul	368	88	4	2
Long-haul	50	12	8	3
Total trips	418	100	5	2

Source: European Travel Monitor, IPK International

The top three destinations for European long-haul travel, in terms of percentage growth, were Malaysia (+22%), Indonesia (+20%) – both from relatively low bases – and the USA (+14%).

... and overnight volume declines by 4%

While the growth in total long-haul trips was 3% in 2008, total overnight volume in long-haul destinations fell by 4% – in large part attributable to a rise in demand for short breaks to New York and other US cities. Long-haul business travel rose by 4%, but VFR trips declined by a massive 12%.

Major source markets and destinations

Russia, the Netherlands and Poland show strongest increases

Germany and the UK continue to be Europe's leading outbound travel markets by a wide margin, ahead of France in third place. But the Netherlands overtook Italy to become the region's fourth largest source in 2008, and Belgium outplaced Switzerland, moving into eighth place in the ranking. Together, the top eight markets accounted for very nearly two thirds of total trip volume.

Leading European outbound travel markets, 2008

Rank	Market	Trips (mn)	% change on 2007
1	Germany	76	0
2	UK	65	1
3	France	31	-3
4	Netherlands	24	5
5	Italy	23	0
6	Russia	20	10
7	Spain	18	1
8	Belgium	15	-1

Source: European Travel Monitor, IPK International

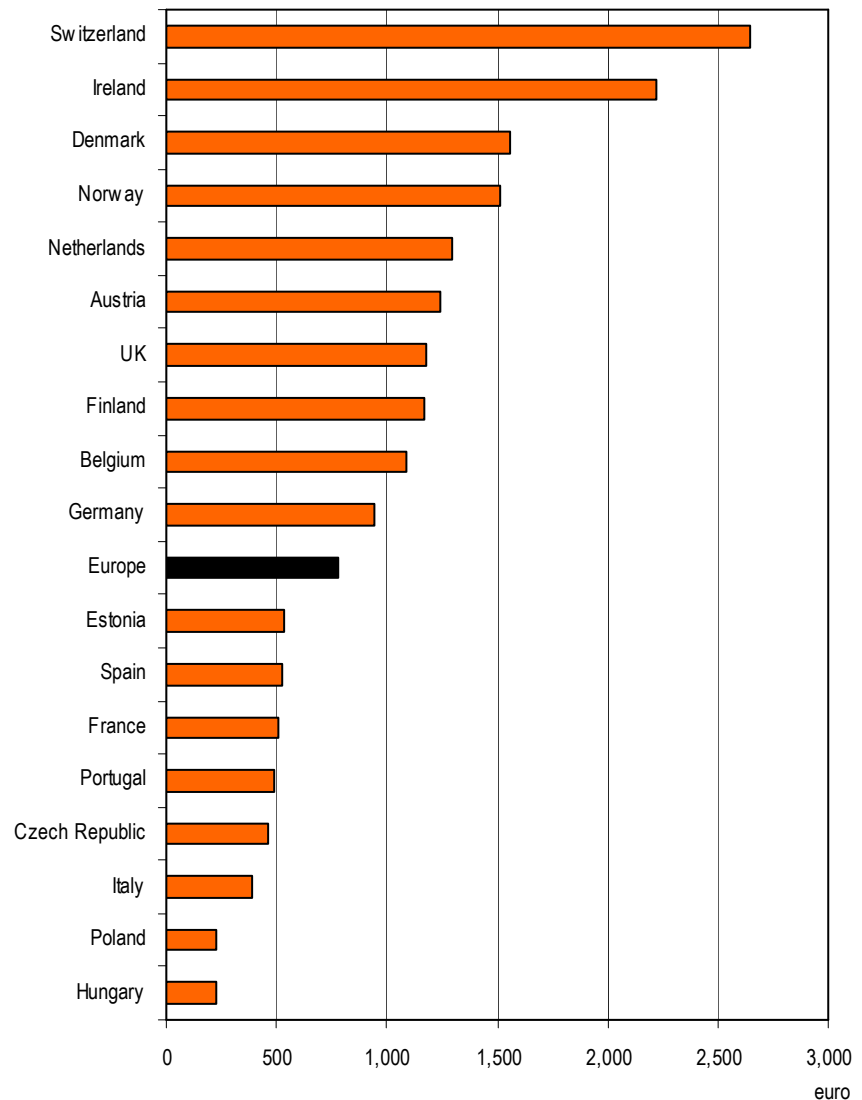
Of these top eight markets, France and Belgium were the only ones to record a decline in outbound trip volume in 2008, but most of the remainder also turned in mediocre performances. Only Russia and the Netherlands achieved healthy growth. And anecdotal evidence suggests that both suffered a slowdown in growth as the year progressed.

In terms of generating additional trips in 2008 (as opposed to percentage growth), the largest contributions were made by Russia (+1.8 million trips), the Netherlands (+1.1 million) and Poland (+1.0 million), followed by the UK (0.8 million), Ireland (0.7 million) and Greece (0.5 million).

Data confirms the Swiss are still the biggest spenders on travel

The following graph shows the great range in travel spending per capita among European markets. The Swiss, Europe's biggest spenders per head of population – due to their high GDP per capita – spend 12 times more on travel abroad per capita than the Poles or Hungarians, for example. They are followed in the ranking, in order of level of spending, by the Irish, Danish and Norwegians.

Outbound travel expenditure per capita by selected European markets, 2008



Sources: European Travel Monitor, IPK International

It is interesting to note the relatively low spending per capita on outbound travel among the French, Spanish and Italians, but this is due in large part to a high share of short cross-border trips and a predominance of car-based travel. Conversely, the British, Dutch and Belgians are heavy spenders on outbound travel as they tend to travel further afield and, in the case of the British, air travel is usually the preferred means of transport.

The above graph also highlights the huge scope for growth in the poorer countries of Europe (mainly but not entirely in Central & Eastern Europe) as their buying power – a combination of GDP, disposable incomes and price levels – converges with that in the richer countries.

Ranking of the top destinations remains unchanged

The top ten destinations for European travellers are all within Europe, with the exception of the USA, in ninth place. The ranking of the top nine remained unchanged in 2007 and 2008, but Croatia is a newcomer to the ranking. By far the best growth among all these destinations was achieved by Turkey in both 2007 (+16%) and 2008 (+15%) – more than compensating for its decline in 2006. At the other end of the scale, trips to Spain – the leading destination for Europeans – fell by 2%. This was mainly attributable to a sharp drop in demand from the UK, Spain leading market.

Leading destinations of European outbound travellers, 2008

Rank	Destination	Trips (mn)	% market share	% change 2008/07
1	Spain	52	12	-2
2	France	40	10	0
3	Germany	37	9	4
4	Italy	33	8	2
5	UK	23	6	4
6	Austria	22	5	6
7	Turkey	19	4	15
8	Greece	13	3	0
9	USA	13	3	14
10	Croatia	9	2	0

Source: European Travel Monitor, IPK International

More generally, travel to Northern, Western and Southern Europe stagnated in 2008, although trips to Austria rose by 6% and those to Germany and the UK were up 4%. Meanwhile, the boom in travel to Central & Eastern would seem to have subsided – at least temporarily.

New York moves into eighth place in the top city destinations' ranking

Paris once again outranked London as the most popular city destination for Europeans although it must be remembered that this is only with regard to the European market. If all long-haul source markets are included in the count, London ranks well ahead of the French capital.

Europeans' favourite city destinations, 2008

City	No. of visits (mn)
Paris	12.6
London	12.3
Vienna	5.3
Rome	5.2
Berlin	4.7
Munich	4.7
Prague	4.6
New York	4.0
Istanbul	3.9

Source: European Travel Monitor, IPK International

Vienna recovered its third position in 2008, and Rome moved back into fourth place. Munich, Prague, New York and Istanbul also climbed up the ranking. The city showing the strongest growth was New York, followed by Rome, Prague, Berlin and Munich.

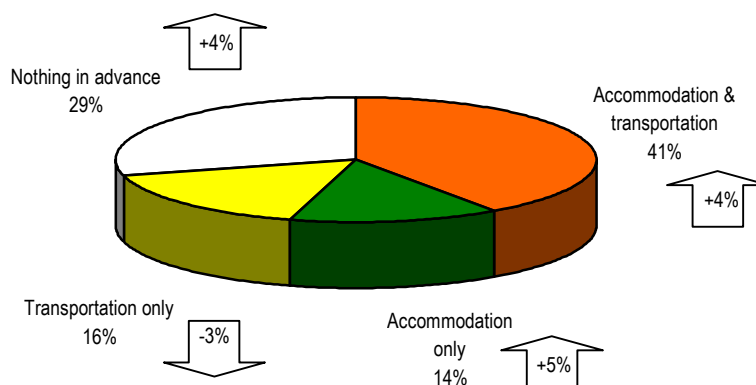
Booking patterns

Growth in dynamic package sales

In 2008 71% of European outbound trips involved advance booking and, of these, 41% were for a package or 'dynamic package' including transport and accommodation – up 4% over 2007. 'Accommodation only' bookings also increased, by 5%, to take a 14% of total trips, but there was a 3% decline in trips involving 'transport only' bookings (to 16%). However, the number of trips involving no advance bookings also increased (by 4%).

Europeans' advance bookings for outbound trips, 2008

Breakdown of trips and annual % growth in 2008



Source: European Travel Monitor, IPK International

Online travel continues to gain share

For the first time, the proportion of holiday trips booked online exceeded those booked without the help of the internet. The focus of growth is now firmly on trips actually booked (if not paid for) online, which are rising by about 15% a year. The number of people gathering information about their holiday trips, but not actually making a booking, on the internet is still rising, but more slowly.

European online travel for holiday trips, 2006-08

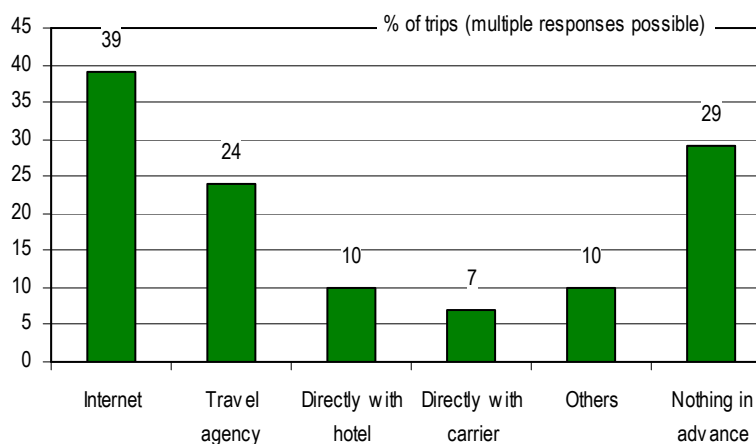
	% of holidaymakers			% increase 2008/07
	2006	2007	2008	
Use of the internet	45	50	56	12
Bookers	32	36	41	15
Lookers ^a	13	14	15	6
No use of internet	55	50	44	-2

^a Use of the internet to research travel options, but not for booking

Source: European Travel Monitor, IPK International

Traditional travel agencies continued to lose ground in 2008 in favour of online intermediaries – a trend that is also encouraging direct bookings with hotels, airlines and other carriers. About 161 million trips were booked online in 2008. The proportion of trips booked through travel agents (including those selling via the internet) has fallen to 24%.

Europeans' booking channels for outbound trips, 2008



Source: European Travel Monitor, IPK International

Germany

Domestic and outbound travel trends

A record 302 million trips by Germans in 2008

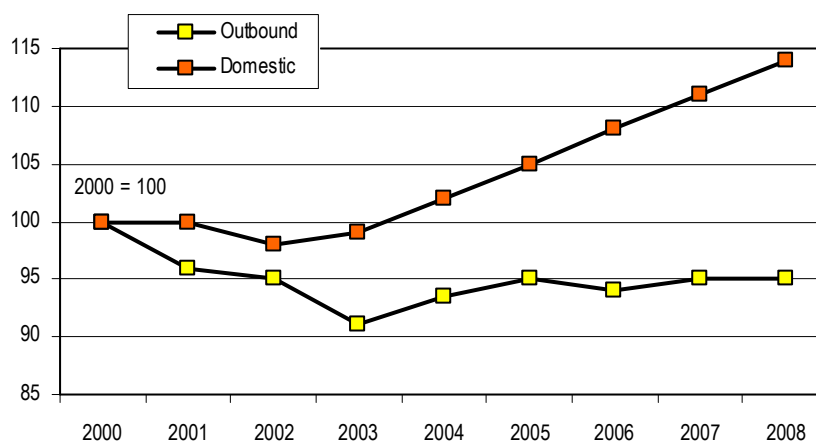
IPK International has been monitoring the German travel market since 1988, progressively increasing its scope and coverage. A total of some 24,000 interviews are now conducted every year for the German Travel Monitor (Deutscher Reisemonitor), making it the largest single travel survey in the country, with interviews carried out on a weekly basis.

According to the German Travel Monitor, Germans made a total of 302 million trips (domestic and international, of one night or longer) in 2008, an increase of 2% over the previous year – compared with a 4% increase in 2007. Overnight volume increased by 5% to 1.8 billion, and spending rose by 6% to 134 billion – a much more dynamic performance than last year's 1% increase, which was not even enough to keep pace with inflation.

Domestic trips still increasing at the expense of outbound travel

Some three quarters of these trips were domestic, with only 25% going to foreign destinations. Since 2000 there has been only one year (2002) in which outbound trips have outperformed – or even kept pace with – domestic trips. In fact, in 2008 outbound trip volume was still 5% down on 2000's level, while domestic trips were 14% more numerous.

Trends in German domestic and outbound travel, 2000-08



Source: German Travel Monitor, IPK International

Growth in spending outpaces that in trips and nights

The total number of domestic trips increased by 3% to 226 million in 2008. With a 6% increase in nights spent on these trips, the average length of domestic trips increased slightly to 3.5 nights, reversing a significant decline in 2007. Spending on domestic trips rose by 6% to €66 billion (an average of €292 per trip).

German domestic and outbound travel, 2008

	Total	% change on 2007
Trips (mn)		
Domestic	226	3
Outbound	76	0
Total	302	2
Nights (mn)		
Domestic	830	36
Outbound	730	4
Total	1,560	5
Spending (€ bn)		
Domestic	66	6
Abroad	68	6
Total	134	6

Source: German Travel Monitor, IPK International

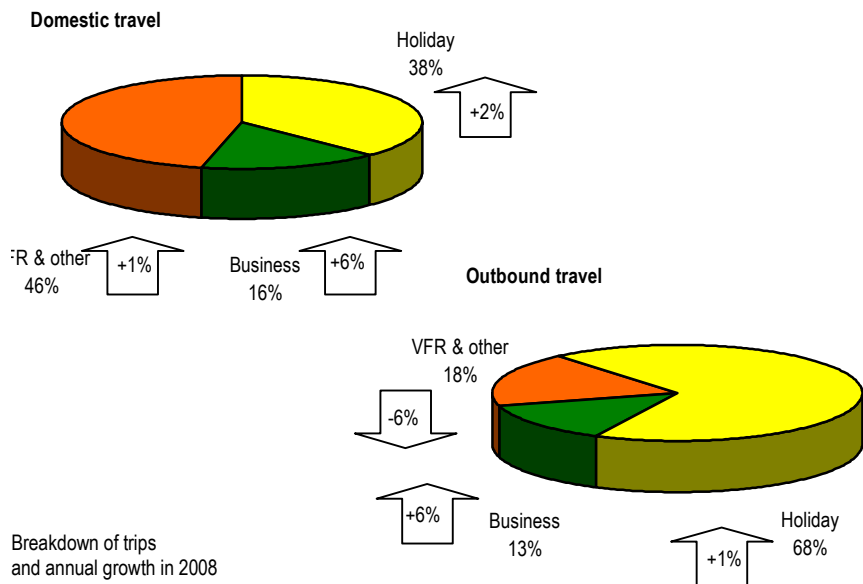
Within the 3% increase in the number of domestic trips in 2008, holidays were up 2% to 85 million, VFR and other private trips rose 1% to 105 million, and business trips were up 6% to 36 million – the third year in succession of strong growth in business travel. Snow holidays in domestic destinations rose by 12% and demand for sun & beach was up 11% – again building on very strong results in 2007. Countryside holidays were also up 4% and trips to events up 4%.

Outbound demand is sustained mainly by business travel

Although Germany remains Europe's largest outbound market, there has not been any substantial growth in German outbound trips in recent years. Their number only managed to remain stable again in 2008, at 76 million. Some 730 million nights were spent abroad, producing an average length of stay of 9.6 nights (slightly more than in 2007). German outbound travel generated spending of €68 billion, with an average spend of around €895 per trip and around €93 per night (all three numbers modestly up on 2007).

The demand for foreign holidays has been weak for several years, with declines of 2% in 2006 and 1% in 2007 and an increase of just 1% in 2008, to 52 million. The trend in VFR and other private trips has been erratic, rising and falling from year to year. In 2008, it fell by 6%, to 14 million. Outbound travel demand is therefore being sustained only by business travel, which increased by 12% in 2007 and 6% in 2008. But the 10 million outbound business trips still represent only 13% of total outbound trip volume.

German travel by purpose of trip, 2008



Source: European Travel Monitor, IPK International

Turkey moves up in the ranking of top holiday destinations

The top seven holiday destinations for German outbound travellers – which account for slightly over two thirds of total trips – are all within Europe. Demand for what used to be the top four – Spain, Austria, Italy and France – has tended to slip in recent years, and in 2008 Turkey overtook France. In 2008 the Netherlands and Switzerland also fared poorly, allowing Greece to displace Switzerland in seventh place, even though trips to Greece declined by 4%.

Leading destinations of German outbound holiday travellers, 2008

Rank	Destination	% market share	% change on 2007
1	Spain	17	1
2	Austria	15	5
3	Italy	14	5
4	Turkey	8	10
5	France	6	-10
6	Netherlands	4	-9
7	Greece	4	-4
Top 7 destinations		68	4

Source: European Travel Monitor, IPK International

Non-European Markets

Emerging and developed markets

Even the emerging markets have been suffering

The last few years have seen exceptional growth in outbound travel demand from emerging economies, and particularly from the BRIC markets – Brazil, Russia, India and China. As has already been indicated, Russia again recorded one of the best growth rates of all European source countries in 2008 – and one of the best in the world. Poland also showed strong growth last year, generating an additional 1 million trips (also an increase of 10%). But demand from many European emerging markets appears to be lagging in 2009. Some destinations, for instance, are already reporting strong declines from Russia.

However, non-European emerging markets – notably those in Asia – were generating even higher rates of growth in outbound travel over the last few years, as well as in 2008. Not surprisingly, the official statistics on outbound travel from these countries differ from those released by IPK International, based on the results of the World Travel Monitor. This is because of the different methodologies used.

As a rule of thumb, one can say that the official statistics for outbound destinations are open to question since they often relate only to the first point of call, rather than all destinations visited, and sometimes exclude foreign residents. In the case of China, they also include travel – even same-day trips – to the Special Administrative Regions (SARS) of Hong Kong and Macau.

Nevertheless, even the official statistics confirm that not all emerging markets recorded good growth in 2008, as is discussed below. In fact, even mature markets like the USA and Japan faltered as a result of the financial and economic crisis, with Japan's outbound trip volume falling to its lowest level since 2003. And the prognosis for 2009 is hardly better.

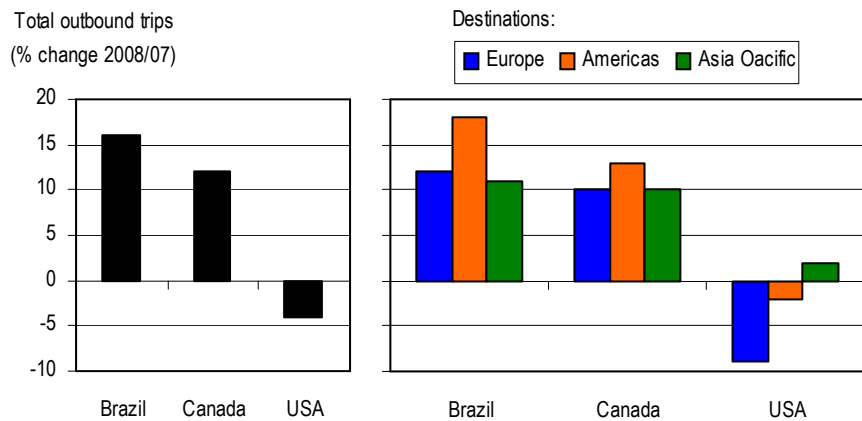
Americas

Mixed performances across the region

The trend out of the Americas was very mixed in 2008. Official statistics from the Office of Travel & Tourism Industries at the US Department of Commerce point to a strong first quarter last year, followed by a stagnant second quarter and declines in the second half of the year through November, resulting in an overall decline of 1% for the first 11 months. (But note that this covers only air travel.) International tourism expenditure, however, rose by 6%, presumably because, Americans had to pay out more dollars to obtain the services they were used to in their destinations. (Although the dollar was rising from the middle of the year, it was still making up the ground lost in the previous years).

IPK International’s World Travel Monitor, meanwhile, shows a 4% drop overall in outbound trips by Americans overall in 2008, attributable to the weakening dollar and the deepening financial problems caused by the credit crunch. Growth to Asia Pacific was positive, but trips to other parts of the Americas were down, and those to Europe fell by as much as 9%.

Growth in outbound travel from selected markets in the Americas, 2008



Source: World Travel Monitor, IPK International

Canada, in contrast – benefiting from a strong local currency and economy through most of the year – achieved a 12% rise in outbound trips overall, with all destination regions enjoying double-digit increases, as the above table shows. Brazil, the leading outbound market in South America (with Argentina), did even better, recording a 16% rise in total volume of outbound trips, with intra-regional travel to the Americas up 18% over 2007’s level.

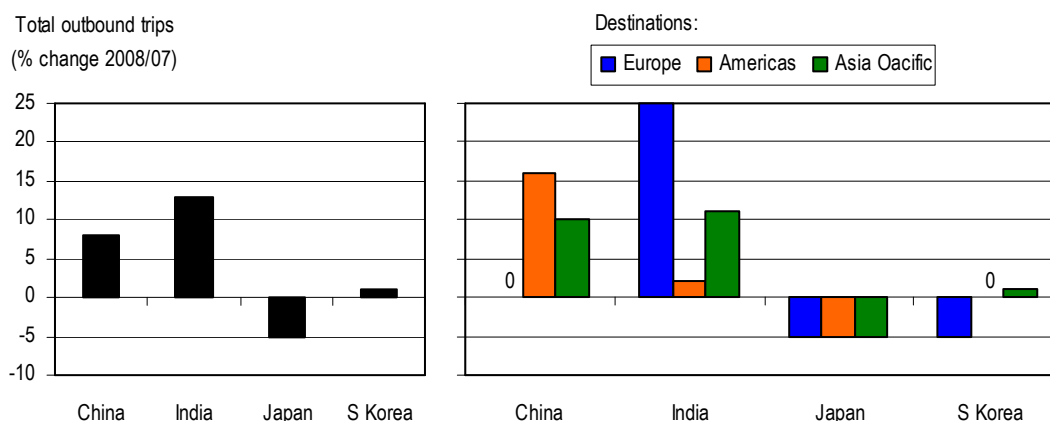
Asia Pacific

India and China remain the main bright spots

As already indicated, the World Travel Monitor does not measure Chinese travel to the SARs of Hong Kong and Macau – and these two destinations, together with other parts of Asia Pacific, generated the bulk of all trips out of China. Indeed, official statistics show that Asia Pacific (including the two SARs) accounted for 42 million of the total 46 million Chinese outbound trips in 2008. These 46 million trips represented an increase of 12.5% overall on 2007.

According to IPK International, the growth in Chinese outbound trips was 8% last year (excluding travel to Hong Kong and Macau), but this average masked very different growth patterns from one destination region to another. Intra-regional travel increased by 10%, while travel to Europe was flat – no doubt in large part to the rising cost of travel and the unfavourable exchange rates. The Americas, meanwhile, enjoyed a 16% increase in Chinese visits. This was no doubt due in some part at least to the signing of approved destination status (ADS) for the USA by China, which permitted group leisure tours to the country for the first time ever in 2008. It is worth noting that there is huge pent-up demand for travel to the USA among Chinese of all age groups in the higher socio-economic classes.

Growth in outbound travel from selected markets in Asia Pacific, 2008



Source: World Travel Monitor, IPK International

India did even better in 2008 than the Chinese market (in terms of relative growth), according to the World Travel Monitor, up 13% overall in trip volume and exceeding all growth expectations. Interestingly, Europe appears to have been the main beneficiary (+25%), justifying decisions by so many European national tourism organisations to open offices or hire marketing representatives in the country. The Americas, on the other hand, attracted only a modest 2% increase out of India.

Asia's leading outbound travel market, Japan, had another very lacklustre year. Many destinations have been lamenting the absence of growth from the market for a number of years now, in spite of its status as a high-income country with,

at one time, a famously strong propensity for travel. After a long period of economic stagnation, which began in the early 1990s, economic growth picked up slightly in 2003-04, leading to hopes of an increase in demand for travel. But there has been no sign of a sustained increase in consumer spending, and the little money available for travel has been directed towards northeast Asia, primarily China and South Korea. Overall, outbound travel from Japan in 2008 was down 5%, according to IPK International, with all world regions suffering similar declines.

South Korea, one of the region's most promising markets, in terms of perceived growth potential, also had a poor year in terms of outbound travel demand – undoubtedly attributable to the rapid, and severe, depreciation of the Korean won in the second half of 2008. Once again, Europe turned out to be the main loser, suffering a 5% drop in demand from South Korea, while travel to the Americas was flat and intra-regional trips increased by just 1%.

Some other Asia Pacific source markets also performed under par in 2008. Taiwan, once a front-runner in the growth stakes, suffered a 6% drop in demand, according to official statistics, and New Zealand reported a 1% decline. However, Hong Kong managed to achieve a 1.5% rise, Australia was up 6%, and Singapore turned out to be one of the region's star performers, up 13%.

Looking Forward: the ITB Berlin Message

**The years of prosperity
are – for now, at least –
behind us**

The world economic boom, which underwrote four successive years of very rapid growth in travel and tourism around the world, is now behind us. As the events of the last quarter of 2008 unfolded, it was difficult not to succumb to the sense of panic that was pervading so much of the media. It was also difficult for serious economic forecasters to keep abreast of the indicators, since forecasts were undermined almost as fast as they were issued by the changing situation. They were being continually revised downwards – and it seems that this process has by no means reached its end.

It is clear that 2009 is not going to be an easy year. We have a real worldwide crisis – not merely a small recession. We do not yet know how deep the economic recession will be, nor how prolonged. And that is before we even begin to consider the likely impact of these economic conditions – unprecedented in recent experience – on travel and tourism.

**The USA will not be the
worst affected – although
that is small comfort**

The crisis may have begun in the USA, but it is becoming clear that the USA, with its world reserve currency on which to rely, as well as its deep economic resources, is not going to be the worst affected economy. This is not to deny that the situation in the country is catastrophic. Over half a million people have been losing their jobs each month. Foreclosure notices are being issued on nearly 300,000 properties a month, and millions are finding that their own homes are not worth what they had thought. Americans with financial assets have seen their value fall by, typically, 50% (calculated, however, on values

which may be considered the result of 'irrational exuberance'). And many companies are in a precarious situation.

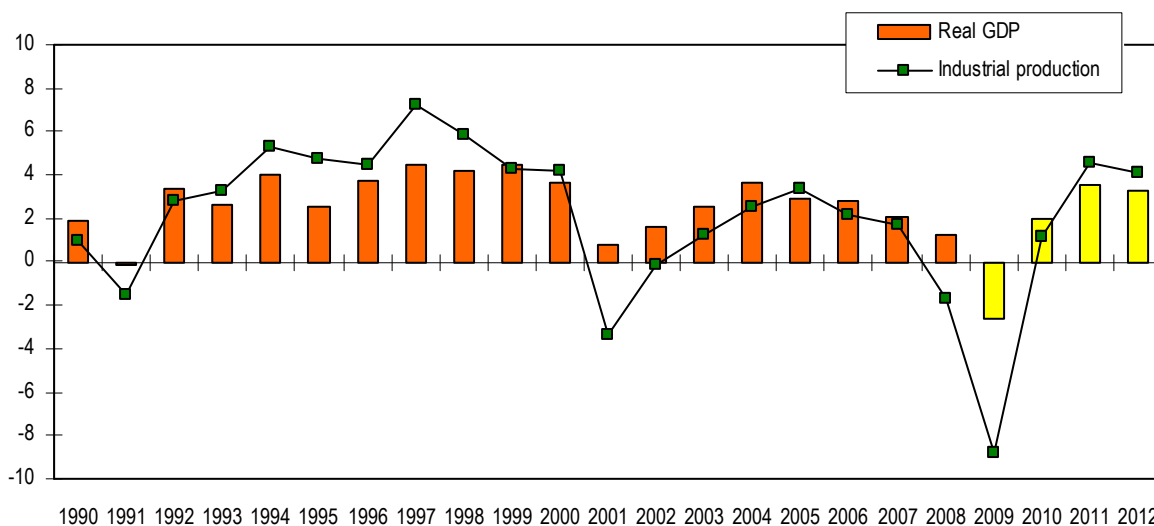
The following graph shows IHS Global Insight's latest, tentative, predictions for the USA. It shows a 9% decline in industrial production and 3.6% decline in GDP in 2009, but a relatively quick recovery in 2010 (implying a turnaround quite early in the year), with high rates of growth in 2011-12, making up much of the ground lost in 2009.

This scenario is not unreasonable. Although the depression that followed the Wall Street Crash of 1929 took 43 months to hit rock bottom, eight post-World War II recessions took an average of only nine months (and a maximum of 16 months). The current downturn is without doubt more serious than these eight, and is likely take at least 15 months to hit the bottom.

Therefore, if we regard September 2008 as an acceptable date for the beginning of the real crisis (although the credit crunch was triggered earlier, in the autumn of 2007), we can look for signs of an upturn in the USA from the first quarter of 2010. But if IHS Global Insight's forecast seems professionally not unreasonable, it must also be regarded as optimistic: it relies on that early upturn after 15 months, and it assumes that a return to the high-growth economic model of recent years is immediately achievable. Neither assumption can be taken with assurance.

Everyone is hoping for the best. But, realistically, one should also acknowledge that there are other possible scenarios.

Growth in the US economy, 1990-09 and forecast 2010-12
(% growth in real GDP and industrial production)



Source: IHS Global Insight

US outbound travel will lag behind the economic recovery

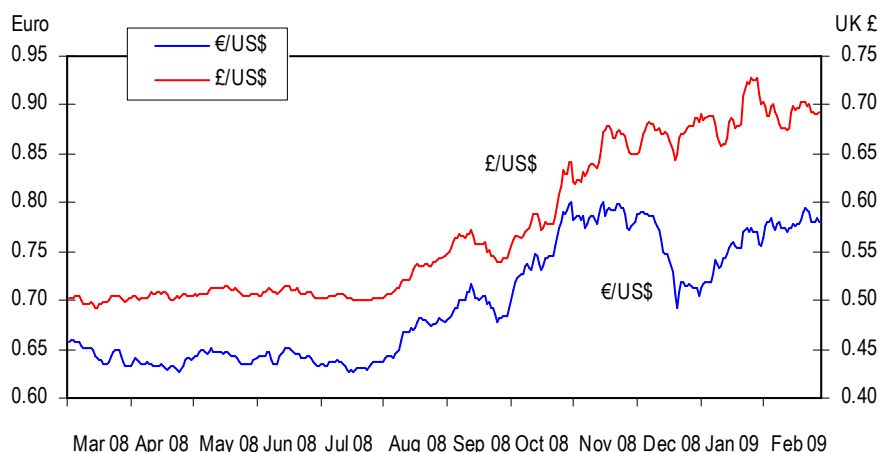
Even if the green shoots of recovery do start to be seen in the USA by the first quarter of 2010, there is no doubt that US outbound travel will lag some way behind, so we can expect any decline in outbound trip volume to persist into 2010. How significant that decline will be depends to a large extent on the strength of the US dollar, but with consumer confidence so low it seems safe to assume that relatively close destinations – such as the Caribbean and Central America – will benefit at the expense of Europe and Asia

IPK International 2009 *Crisis Impact Study*, undertaken at the start of this year, found that many more North Americans than Europeans say they plan to change their travel behaviour in 2009. Uncertainty over exchange rates, and the resulting cost implications for travel abroad, is undoubtedly one of the main causes.

Will the dollar’s recovery be sustained through 2009?

The financial crisis has been accompanied with large shifts in relative exchange rates, which have transformed the purchasing power of travellers in the countries concerned. Essentially, the US dollar began to recover in the middle of 2008, and rose with a rush against many currencies as the crisis intensified in September and October. Since then there has been little stability. The euro staged a temporary recovery in December, but the UK pound has continued to drift erratically downwards.

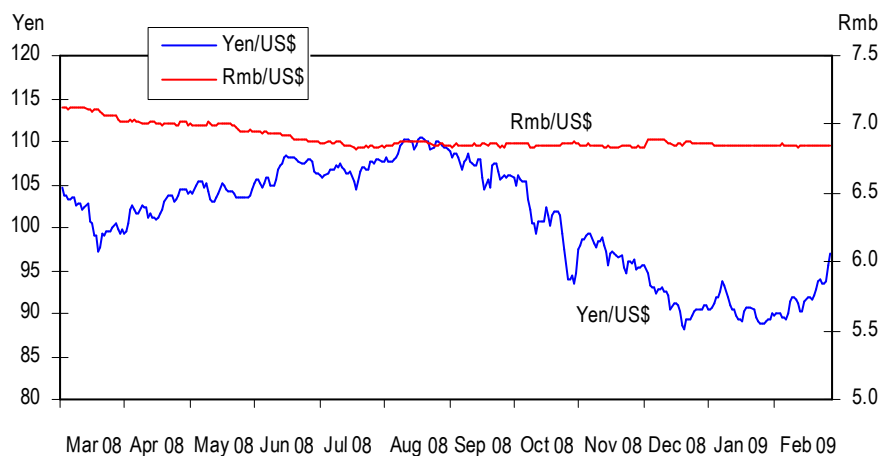
Exchange rates of the US dollar against the euro and sterling, March 2008-February 2009



Source: The Travel Business Partnership, from OandA.com

Throughout the second half of 2008 the Japanese yen was rising strongly even against the US dollar – and therefore very dramatically against the currencies of most other countries. However, as the collapse in Japanese exports and industrial production became apparent at the end of the year, this trend went into reverse. The Chinese Government continued to control the exchange rate of the yuan/renmimbi against US dollar, but this involved, of course, a substantial appreciation against the currencies of many other countries (and a decline against the yen).

**Exchange rates of the US dollar against the Japanese yen and Chinese yuan/renmimbi,
March 2008-February 2009**



Source: The Travel Business Partnership, from OandA.com

At the same time, many commodities-exporting countries, including Russia, Australia, New Zealand, Brazil and South Africa, have seen sharp declines in their currencies in line with the declines in commodities prices, making outbound travel more expensive for their citizens. And, in Asia, the won has also depreciated sharply against the dollar, with damaging effects on Korean outbound travel.

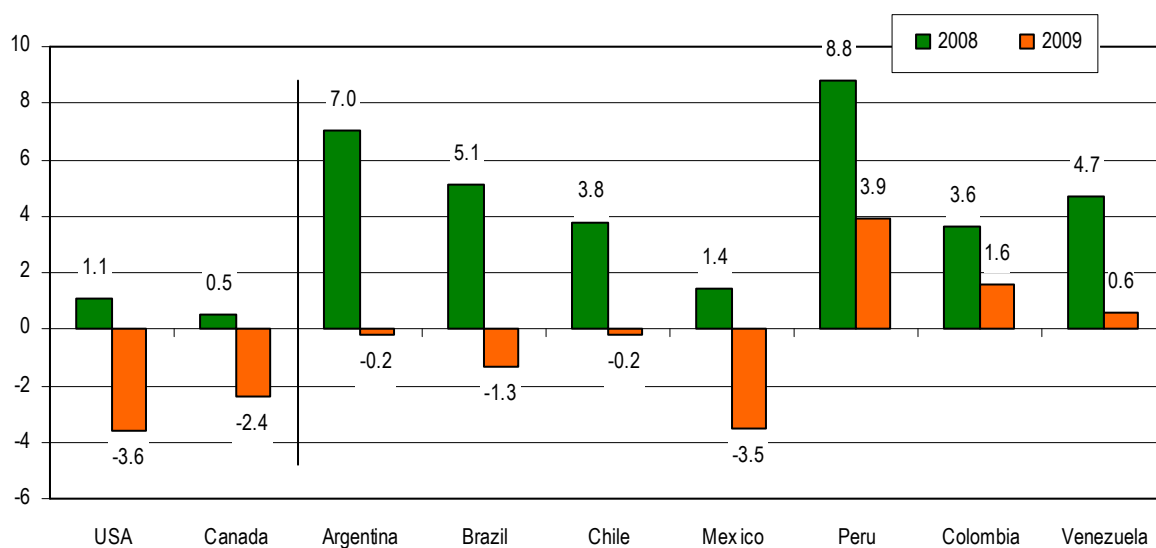
There are certain to be further important shifts in purchasing power away from travellers from some countries to travellers from others, and further important shifts in the price competitiveness of tourism industries in individual countries. But with such huge uncertainties in future exchange rate trends, the actual outcomes are of course uncertain.

**Latin America also starts
to show pronounced
economic cooling**

The world's commodities and petroleum producers, such as Australia and New Zealand, Russia and the countries of South America, Africa and the Middle East, which had been enjoying what seemed to be a secular shift in the terms of trade in their favour, have also started to show pronounced economic cooling. Many had assumed that any slackening in demand from North America and Europe would be more than compensated for by the sustained growth in demand from China and other emerging industrial markets. They, too, were taken by surprise by the virulence of the downturn.

As far as travel demand is concerned, however, Latin America's cooling has come much later than for other emerging and leading economies. In fact, a number of countries in the region continued to show growth well above the world average through the whole of 2008. But the prospects for 2009 remain, nevertheless, uncertain, given the uncertainties surrounding the respective economies.

Growth in selected American economies, 2008 and forecast 2009 (% growth in real GDP)



Note: Oxford Economics' latest forecasts for these countries in 2009 are considerably more pessimistic than Global Insight's, probably because they are slightly more recent (forecasts are in general still being revised downwards)

Sources: Oxford Economics, March 2009; IHS Global Insight for Peru, Colombia and Venezuela

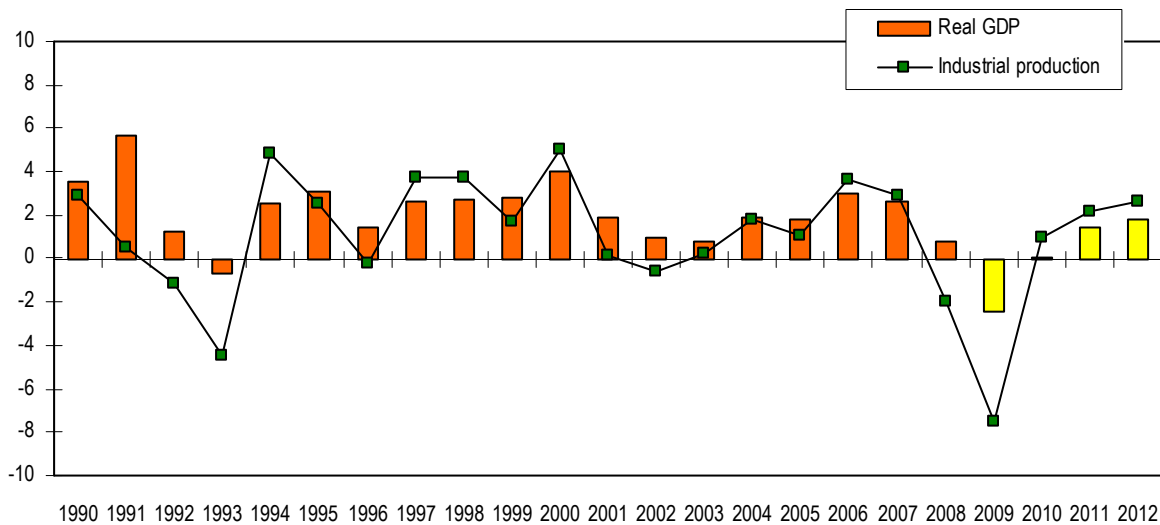
Each country in Europe needs watching individually.

IHS Global Insight's forecast for the eurozone follows a similar pattern to that of the USA, with an equally deep recession in 2009 but a more gradual and moderate recovery some time in 2010 or 2011. This moderation has something to do with the law of averages. The European Union is finding that it is a collection of individual economies. None of them are immune to the crisis, whether or not their financial sectors are (relatively) healthy, but their experiences and prospects vary.

Spain and Ireland have watched over-active construction sectors come to an abrupt halt. And the UK – reportedly one of the worst economies affected – Ireland and Austria all have, in different ways, large and heavily exposed financial sectors. So they inevitably suffered early on. And Germany, with an economy more heavily reliant on exports of capital equipment, was tipped into recession before France, with its focus on consumer goods.

Recent reports about Central & Eastern Europe have been alarming, but again it is misleading to lump all the countries in the region together. Poland, the Czech Republic and Slovakia seem to be in much better condition than Hungary and the Baltic States, and all are in better condition than Belarus and the Ukraine. And Russia has been startled by how quickly its boom, narrowly based on oil, natural gas and mineral commodities, has ended.

Growth in the European economy, 1990-09 and forecast 2010-12
 (% growth in real GDP and industrial production in the eurozone)



Source: IHS Global Insight

Four out of ten Europeans will change their travel behaviour this year

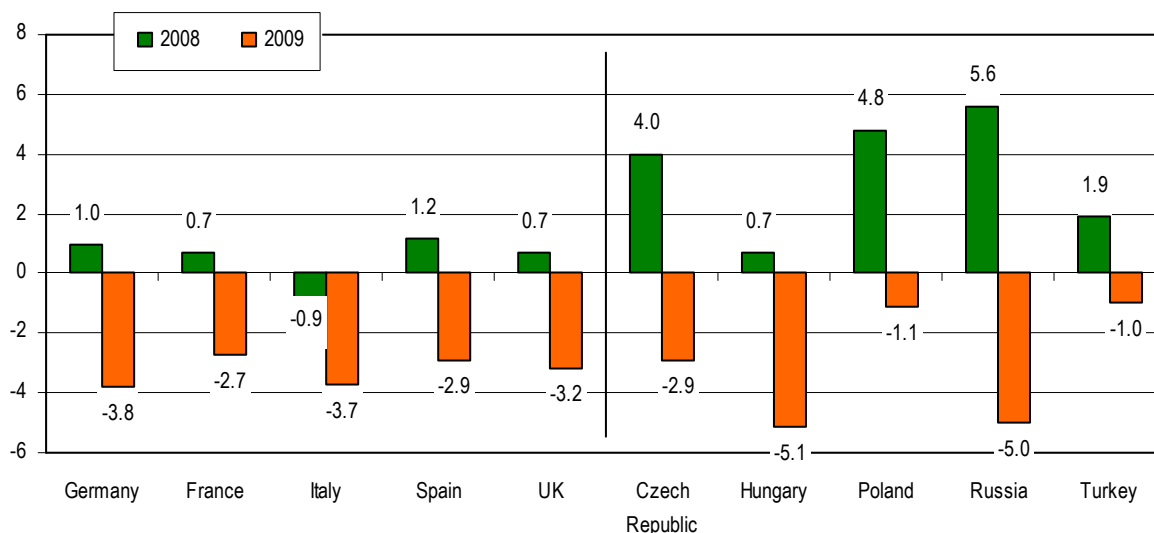
The European Travel Monitor's 2009 *Crisis Impact Study* suggests that four out of ten European travellers will change their travel plans in 2009, although this average masks wide differences in behaviour from one market to another across the region. The proportion of these 'crisis-sensitive travellers' in the 14 countries covered by the study varied between 19% and 64%.

However, IPK's research confirms that, in Europe, travel has become a high priority among consumers with incomes of over €20,000 per annum, and that these consumers will continue to travel – indeed they will scarcely reduce their spending on travel – even if they switch to cheaper destinations closer to home.

But those with smaller incomes, although they remain keen to travel, now have a real fear about providing for life's basic necessities, especially since gas and food prices have shot up. They will reduce their spending, possibly cutting out leisure travel altogether, or otherwise going further downmarket and travelling more locally. In many 'emerging markets' in Europe – ie in Central & Eastern Europe – people already ceased travelling outbound as early as May 2008.

The situation needs watching, however. If unemployment in Europe begins to soar, as it is already doing in the USA and industrial Asia, the numbers of people on high incomes will shrink, and those still in employment will suffer from a rising burden of taxation, a decline in purchasing power, and – most critically – a serious lack of confidence.

Growth in selected European economies, 2008 and forecast 2009 (% growth in real GDP)



Note: Oxford Economics' latest forecast for the eurozone in 2009 is slightly more pessimistic than Global Insight's (-3.2% vs -2.4%), probably because it is slightly more recent (forecasts are in general still being revised downwards)

Source: Oxford Economics, March 2009

Asia discovers the perils of relying on exports ...

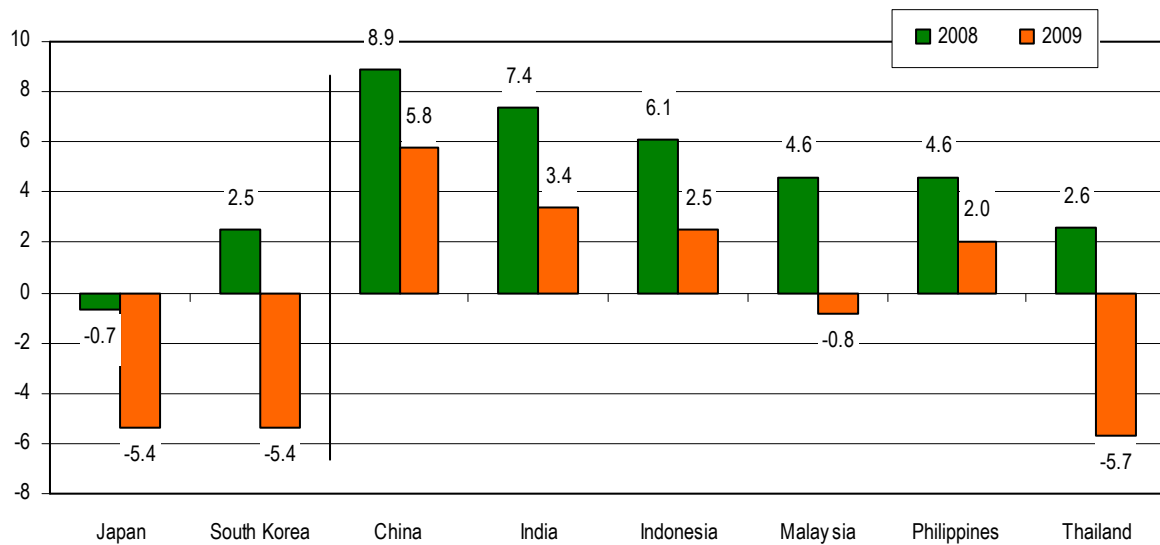
It was easy, at the beginning of 2008, to be optimistic about the prospects for Asia's economies, and for tourism in Asian markets. There were theories about how Asian prosperity had become 'decoupled' from that of the West, with domestic demand growing robustly enough to sustain their economies. And what did the US financial crisis matter to Asia? Most Asian economies were running large balance of payments surpluses, had vast international reserves, and had relatively isolated and strongly regulated banks.

And yet Asia moved into recession earlier, and more deeply, than either the Americas or Europe. Two of the countries worst affected – Taiwan and Singapore – are not shown in the following graph. The size of the contraction in industrial output and exports, in relation to the more modest declines in world consumer demand, suggests massive de-stocking in international trade channels – a process which cannot go on for long, suggesting that the plunge in industrial production may not be prolonged.

... but tourism was already in trouble

On the other hand, tourism in the region turned down early enough to suggest that the financial crisis and subsequent economic recession were not entirely to blame. There were temporary, local, issues, such as the Beijing Olympics and the unrest in Thailand. Air capacity was sharply reduced by airlines looking to cut costs and the low-cost airline boom also faltered, resulting in a sharp downturn in demand from newly emerging middle-class market segments.

Growth in selected Asian economies, 2008 and forecast 2009
(% growth in real GDP)



Note: Oxford Economics' latest forecasts for some of these countries in 2009 are considerably more pessimistic than IHS Global Insight's, probably because they are slightly more recent (forecasts are in general still being revised downwards)

Source: Oxford Economics, March 2009

Lots of uncertainty as to when Asia will stage a recovery

Although oil prices remain low and are not forecast to pick up until much later in 2009, or not even until 2010 (which could stimulate a rebound in low-cost airline travel in Asia), there is a good deal of pessimism about the likelihood of an early recovery in travel and tourism demand from markets in the region.

In fact, IPK International's *Crisis Impact Study* has found that almost as many Asians say they will change their travel behaviour this year as the cautious North Americans – and many more than among Europeans. Even China and India have reduced their rate of growth, although growth is still forecast to remain positive in both markets in 2009. But prospects for Japan, South Korea and Taiwan do not look good.

Outlook for 2009

There is little doubt that outbound travel will decline in 2009

Although current forecasts are almost certain to be changed many times during the year, there seems little doubt that global outbound travel volume will decline in 2009, according to IPK International's research. But the economic downturn will create new winners, as well as losers. On the positive side, internet bookings will surge, demand for online virtual meetings will gather pace, domestic travel might stay more or less stable or even grow (as might demand for low-cost flights), and destinations adjacent to big travel markets will do not so badly. But long-haul travel from all markets will fall. And the most pain will be felt in the business travel and meetings industry.

Meanwhile, global warming is not a problem that is going to go away, although many companies may temporarily reduce their efforts to decrease carbon emissions because of the need to cut costs. There seems little likelihood of world governments getting together to tackle these issues seriously at any time soon, but neither will they do nothing at all. When travel and tourism does pick up again, the industry will come under pressure – regulatory, fiscal or moral – to keep carbon emissions falling.

Preparing for a new travel and tourism environment

To help the industry face the economic downturn, IPK issued its traditional annual ITB Berlin message during the ITB Convention. Companies should reduce costs, launch a price-cutting offensive, promote new attractions more aggressively – preferably in partnership with the public sector – and intensify e-marketing and e-sales initiatives.

Those with good asset security can take advantage of low interest rates to borrow money and invest for the eventual upturn, including researching and identifying new markets to develop, improving the sustainability of their operations, and even “rectifying misguided past developments”.

Travel and tourism’s long-term future remains extremely promising, but the industry will be faced with a whole new operating environment when the recovery finally comes.