



# EUROPE

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## EUROPEAN TOURISM INSIGHTS 2007

Including Outlook for 2008. A Report of the Market Intelligence Group of the  
EUROPEAN TRAVEL COMMISSION



## *A Message from the President of the European Travel Commission*

An old adage has it that 'you cannot know where you are headed if you do not know where you have come from'. This applies in even greater measure to a fast-paced, global boom industry like tourism.

*European Tourism Insights* is at once a chart showing us where we have been, and a compass that provides orientation for the path ahead. More than a compendium of data, the publication places Europe's performance in the context of global trends and examines important sectors and outbound markets.

As its title implies, the study also supplies judicious analysis. This is a compass of value to destinations small and large, traditional and emerging, cities and countries. And it is a compass that should have a place on the desk of every director of every national tourism organisation as a resource for strategic direction and argument, and of all those who have an interest in tourism, such as students, civil servants and tourism consultants.

*European Tourism Insights* is emblematic of the role of the European Travel Commission at the nexus of the European tourism business. It attests to our organisation's position as the continent's leading tourism knowledge network.

This fourth edition of the publication, like its predecessors, is an ambitious project gathering information from some 40 countries and combining the expertise of tourism professionals from across Europe. It is symbolic of what the European Travel Commission – in this, its 60th anniversary of promoting 'Europe - The Never-Ending Journey' – is and should be.



Arthur Oberascher  
President  
European Travel Commission





# **EUROPEAN TOURISM INSIGHTS 2007 – AND OUTLOOK FOR 2008**

A Report produced for the Market Intelligence Group  
of the **European Travel Commission (ETC)**  
by **The Travel Business Partnership**

Brussels, May 2008  
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**European Tourism Insights 2007  
– and Outlook for 2008**

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## Foreword

It is with great satisfaction that the European Travel Commission's (ETC's) Market Intelligence Group (MIG) is publishing this fourth *European Tourism Insights* report, which forms part of our regular series of reports monitoring trends and developments in Europe's travel and tourism industry. The publication is a prime example of ETC's objective of consolidating its role as the authoritative voice of European tourism.

ETC's MIG network brings together a distinguished team of tourism research professionals drawn from the ETC membership – 39 national tourism organisations (NTOs) in Europe. But the main strength of the group derives from its capacity to generate unprecedented levels of co-operation between competitors to the benefit of all concerned. Fundamentally, while the components of the group individually pertain to each of the 39 member countries, the group in its totality is European in its outlook.

The main value of this report, which provides a comprehensive picture of European tourism in 2007 and the outlook for 2008, is that it is being published before official statistics become available for most destinations. A further distinguishing feature is that it focuses very specifically on the European tourism dimension, as against other publications of a similar nature, which tend to dilute the European tourism perspective in favour of a wider global context.

The ability to produce a report such as this is also due to the involvement of the MIG's members with other events, partner associations and organisations. Foremost among these is the annual World Travel Monitor Forum in Pisa, last organised in November 2007 by IPK International. The active input and participation of the research directors of the majority of ETC member countries in the 2007 Pisa Forum ensured that the European dimension was given due importance in the ensuing discussions.

ETC also recognises the great value of the Group's interaction with the World Tourism Organization's (UNWTO's) Market Trends, Competitiveness and Trade in Tourism Services Unit, European Cities Marketing (ECM), the European Travel & Tourism Action Group (ETAG) and the European Tour Operators Association (ETOA). Such collaboration with a cross-section of international, regional, public and private components of the industry gives the output of the group the seal of authority it so richly deserves. Just as importantly, the data capture and display platform created specifically for ETC in the form of the TourMIS database has also proved invaluable for the regular and timely provision of the range of tourism data necessary for such a report.



Rob Franklin  
Executive Director  
European Travel Commission



Leslie Vella  
Chairman  
ETC Market Intelligence Group

# Introduction

## Scope of the report and methodology

### Assessing Europe's tourism performance and short-term prospects

*European Tourism Insights 2007 – Outlook for 2008* is the fourth annual report from the European Travel Commission (ETC) that analyses international tourism performance across Europe, and primarily among ETC's 39 member countries. It provides an overview of the main trends and developments in 2007, setting Europe's performance in the context of world tourism and highlighting some of the main factors driving and shaping demand.

The report also attempts to identify the most important growth markets and sectors for European tourism – both established and new emerging sources – and to assess their short- to medium-term prospects. Finally, it looks at the opportunities and threats facing ETC member countries and makes some suggestions as to how these challenges should be addressed.

### Data sources and definitions

As usual, a wide range of statistical and anecdotal sources have been used for the compilation of this report, all of which are cited where relevant. Most of the statistical data concerning arrivals and overnight volumes has come from ETC members – national tourism organisations (NTOs) of the respective countries – or their national tourism administrations and statistical offices, either directly or via the TourMIS website ([www.tourmis.info](http://www.tourmis.info)).

TourMIS, an information and marketing system, is a joint venture between the Austrian National Tourist Office (ANTO) and the Austrian Society for Applied Research in Tourism (ASNART). Its development and operations are supported financially by ANTO and ETC. In addition to gathering tourism data online, TourMIS provides various tools to transform this data into valuable management information. The data is free of charge.

As is unfortunately the case every year, the data contained in this report is not complete since a number of ETC member countries were unable to provide up-to-date statistics on 2007's performance before the early May 2008 deadline. However, most NTOs have been successful in encouraging their statistical offices to release their respective statistical trends in a more timely fashion, and the shortage of official data has in some cases been compensated for by anecdotal trends and statistics from other sources. These have been gleaned from both supplementary desk research and interviews in the destination countries and key source markets with the travel trade, airlines and different research institutes and companies.

### Increased coverage of emerging source markets ...

In terms of sources of tourism to Europe, the report focuses on leading intra-regional markets, but increased coverage has again been given to non-European markets – both established and emerging. Trends are primarily measured using the World Tourism Organization's (UNWTO's) definitions for statistics on international tourist arrivals and tourism receipts (see figures 10 and 12). Given the wide variations in measures used – eg arrivals of visitors or tourists at frontiers and/or in registered tourist accommodation – care must be taken in interpreting the data, and particularly in making comparisons.

**... and greater focus on overnight volume**

These statistics are supplemented by data on trends in overnight volume. Together with visitor spending, overnights are often a more relevant measure than arrivals in terms of providing a real assessment of tourism's contribution to national economies, especially in Europe where overnight trips are frequently short-distance, cross-border trips of little more than one night abroad.

## Overview of European Tourism in 2007

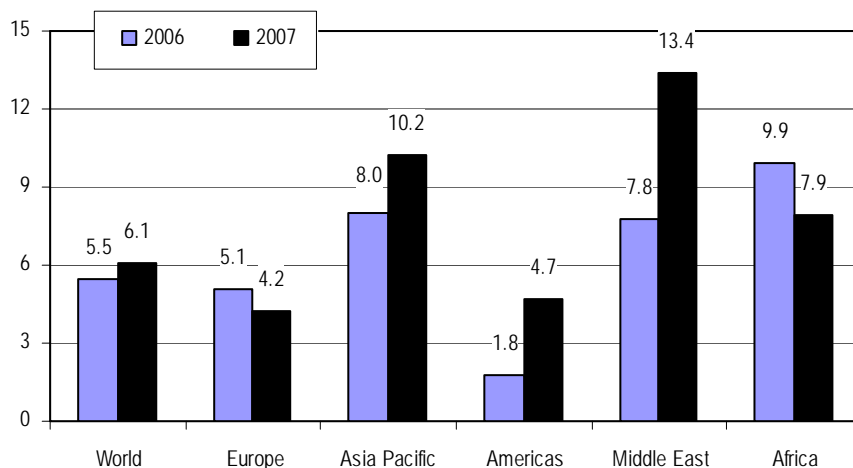
### Europe in the world context

**Another year of healthy growth**

Preliminary figures published by the World Tourism Organization (UNWTO) in January 2008 point to yet another very good year for tourism in 2007 – for Europe as well as the rest of the world. This was the fourth successive year of very substantial growth overall, and the regional results were all higher than had been forecast in January 2007 – in spite of growing concerns about the health of the world economy, the rising price of oil and, later in the year, the sub-prime mortgage crisis in the USA and other factors.

The preliminary figures from UNWTO were largely based on results for the first nine or ten months of 2007 (and sometimes on trends in the hotel sector only), and the exact numbers and detailed growth rates are expected to have been modified by the time UNWTO publishes its June 2008 *World Tourism Barometer*. Nevertheless, the overall trends are not likely to change significantly.

Figure 1  
Growth in international tourist arrivals by world region, 2006 and 2007<sup>a</sup>  
(% change over previous year)



<sup>a</sup> Figures for 2007 are preliminary estimates, based on data gathered by UNWTO from different countries, generally for 9-12 months of the year

Source: World Tourism Organization (UNWTO)

These preliminary results suggest that international arrivals increased by some 6% worldwide in 2007, compared with around 5.5% in both 2006 and 2005 and 10% in 2004 – the year when world tourism bounced back from three years of stagnation and decline after 9/11, the Iraq war and the SARS epidemic. The world tourism industry's ability to continue to build on such strong figures in 2007 is a remarkable testament to its vigour.

Although Europe's growth of 4% was again slightly below the world average, and well below that of the leading regions, it was significantly better than the 3% forecast early in 2007. Moreover, the increase represented an additional 20 million arrivals in Europe – 45% of the additional estimated global count.

**Growth appears to mask a longer-term trend ...**

Once again, much of the increase has come from Europeans taking more frequent short breaks, usually flying with the growing number of low-cost / no-frills airline services linking regional airports as well as capital cities. However, most of this growth appears to have come from secondary markets in 2007. Indeed, there has been a marked slowdown in the growth of such trips from leading sources, notably the UK, as people have started to cut back on the number of secondary trips they take annually.

Despite its dominant position in world tourism, Europe has faced increasing competition over the past decade as new destinations emerge onto the world's tourism stage – a trend perhaps masked to some extent by the growth in short breaks – and this is certain to intensify in future, especially given the strong appreciation of the euro against the US dollar and other currencies, and the declared shift to more attractively priced destinations for annual holidays in 2008.

**... not to mention longer-term challenges**

Europe is all the more vulnerable since many governments of the region's leading tourism destinations see tourism as a sector that should be driven by the private sector and one that does not merit continued public sector support. The UK Government, for example, has cut VisitBritain's funding by 18% over the next three years. The cut, which comes after 12 years of no increases, means that, in real terms, the government will have reduced VisitBritain's funding by around 50% between 1997 and 2011. This is clearly an unfortunate trend that should be monitored closely by ETC.

By contrast, governments of many emerging economies have earmarked tourism as a means of diversification and, as a result, are making huge investments in tourism infrastructure development and marketing to support the sector, as well as facilitating and stimulating private sector investment in tourism.

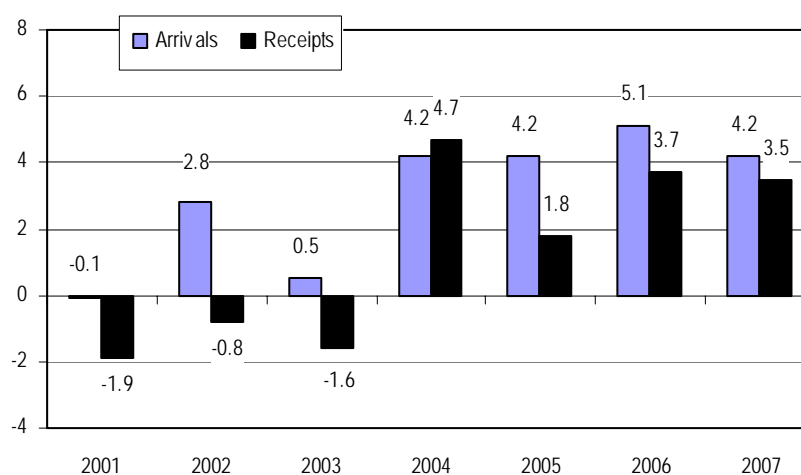
**Slightly slower growth in tourism spending ...**

Since low-cost / no-frills air travel was again one of the main drivers of the growth in travel and tourism demand in 2007 – and low-cost trips tend to be shorter than average – the growth in spending on international travel is likely to have been slightly slower than that of arrivals.

This would take average spend per trip to around €645 in Europe as against €680 for the average worldwide. It is important to stress that this is not considered disappointing given the trend in recent years towards shorter and more frequent trips. Just as significantly, some 87% of all arrivals in Europe are intra-European, which clearly generate lower average spending than long-haul arrivals.

Figure 2  
Europe's international arrivals and tourism receipts, 2001-07

Year	Arrivals ('000)	% annual change	Receipts (€mn)	% annual change <sup>a</sup>
2001	390.6	-0.1	252.9	-1.9
2002	401.6	2.8	255.4	-0.8
2003	403.8	0.5	249.9	-1.6
2004	420.8	4.2	267.4	4.7
2005	438.7	4.2	281.6	1.8
2006	461.0	5.1	299.7	3.7
2007 <sup>b</sup>	480.1	4.2	310.0	3.5



<sup>a</sup> The average annual growth/decline in receipts is in local currencies at constant prices

<sup>b</sup> Preliminary estimates – from UNWTO for arrivals and TBP for receipts

Sources: UNWTO; The Travel Business Partnership (TBP)

## Performance by sub-region

### An uneventful year, in many respects

After an exceptional crop of mega-events in 2006 (including the Winter Olympic Games in Turin, the FIFA Football World Cup in Germany, the Ryder Cup in Ireland, and a whole host of cultural events linked to famous artists and musicians), they were thin on the ground in 2007. The most important were arguably the Rugby World Cup in France and the America's Cup in Spain.

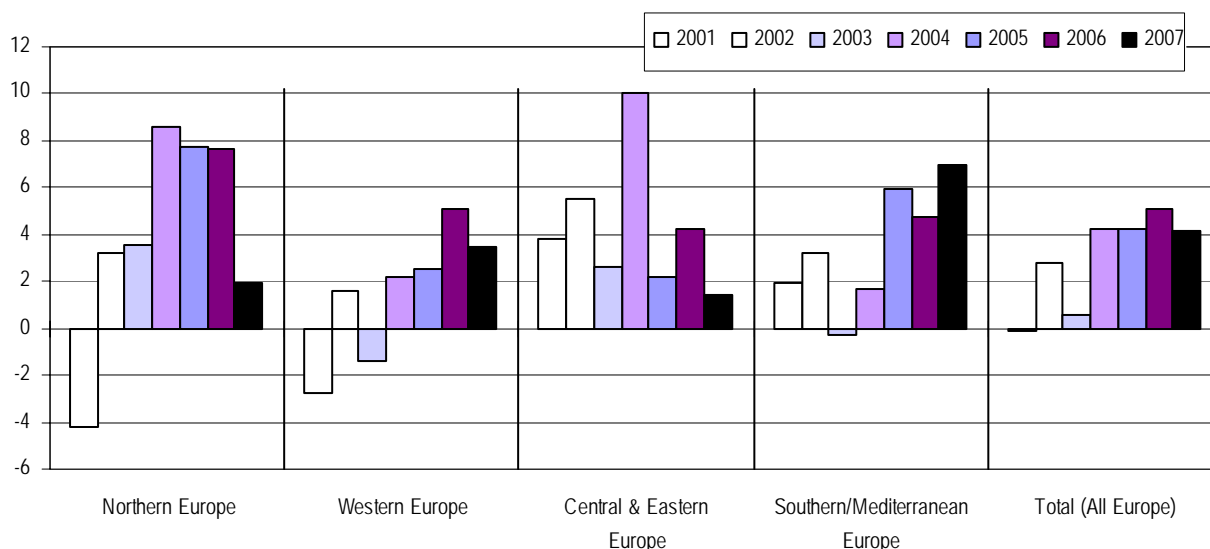
On the positive side, there were no major terrorist incidents or health scares in Europe. Yet the region did face several challenges during the course of the year that clearly had some impact on tourism demand. These included higher oil and, therefore, fuel prices, higher taxes, stricter safety and security controls at airports, and continuing strange weather in many parts of the region.

### The focus of growth has been shifting southwards

As usual, the average growth for inbound tourist arrivals in Europe as a whole masks variations from one sub-region to another (as defined by UNWTO). In 2007 the focus of growth continued to shift from Central & Eastern and Northern Europe towards Southern / Mediterranean Europe. Also noticeable is the gradual improvement in the performance of Western Europe, which in

earlier years had fallen well short of the European average in terms of growth. In absolute numbers, of course, it is second only to Southern / Mediterranean Europe, generating around one third of total international arrivals to the region.

Figure 3  
International tourist arrivals in Europe by region, 2001-07<sup>a</sup>  
(% annual growth)



<sup>a</sup> Figures for 2007 are provisional estimates.

Note: The countries comprising the different European sub-regions, according to UNWTO definitions, are as follows:

**Northern Europe:** Denmark, Finland, Iceland, Ireland, Norway, Sweden, UK;

**Western Europe:** Austria, Belgium, France, Germany, Liechtenstein, Monaco, Netherlands, Switzerland;

**Central & Eastern Europe:** Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, and all the other countries of the former USSR, including those in the Caucasus and Central Asia;

**Southern / Mediterranean Europe:** Albania, Andorra, Bosnia & Herzegovina, Croatia, Cyprus, Former Yugoslav Republic of Macedonia, Greece, Israel, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, Turkey.

Source: UNWTO

### Demand for Central & Eastern Europe continues to lose momentum

A feature of European travel over the last 15 years has been the emergence of the countries of Central & Eastern Europe as important destinations – and, more recently, source markets. Many countries in the sub-region, for so long hidden behind the Iron Curtain, were virtually unknown to the Western world, and the collapse of communism revealed huge pent-up demand to visit them. Not only their capital cities, such as Prague, Budapest and Warsaw, but also smaller towns and rural regions have become easily accessible for tourists from other countries, thanks to low-cost / no-frills airlines.

A second boost to both leisure and business travel has clearly been provided by the accession to the European Union of nine of these countries in 2004 and Bulgaria and Romania in 2007 – although, unlike Romania, Bulgaria did not appear to benefit last year (cf. figure 15). EU membership has also reportedly discouraged demand from some long-haul markets whose nationals used not to need visas to travel to these countries.

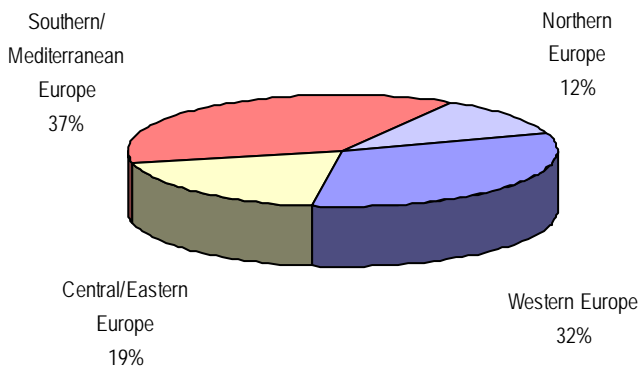
The pent-up demand for the sub-region as a whole – which resulted in an average annual growth in arrivals of 7.5% over the period 1990-2004 – appears to have been largely exhausted. In 2005-07 the sub-region struggled to keep up with the European average. A few countries in Central & Eastern Europe continue to perform well above average, including, in 2007, Lithuania (but not Estonia or Latvia), and Romania (but not Bulgaria) – as already indicated.

Provisional figures for Russia (weak in 2006) and the Ukraine (strong) are not yet available. Similar inconsistencies can be seen in the figures for arrivals from the major European markets (see figures 23 to 35), as individual destinations in Central & Eastern Europe fall in and out of fashion in these markets. Overall, however, arrivals growth in the sub-region was very modest again in 2007. And it still accounts for only 19% of total international arrivals in European destinations. Receipts per arrival are also modest (in 2006 they were €325, just half of the European average).

**UK brings down Northern Europe's average growth**

Northern Europe, which accounts for just 12% of European arrivals, generates the highest level of receipts per arrival – €875 in 2006 – and was the star performer in the region in 2004-06. In 2007, however, arrivals seem to have risen just 2%, largely because arrivals in the UK, by far the most important destination in the sub-region, fell by 0.5%. Demand for the Nordic countries, excepting Denmark, remained strong, however.

Figure 4  
Breakdown of Europe's international arrivals by sub-region, 2007 (%)



Source: UNWTO

**A gentle upturn in arrivals in Western Europe?**

After several years of modest growth or even declines, arrivals in Western Europe seemed to pick up in 2006-07 (the figures for 2006 have been revised upwards). An important factor in 2006 was Germany's hosting of the FIFA World Cup but Switzerland, the Netherlands and several smaller destinations also contributed strong figures in both 2006 and 2007. However, to judge from the 'latest trends' shown in figure 15 (including relatively modest figures from some of the most important destinations), it is possible that the provisional estimate for 2007 shown in figure 3 will be revised downwards.

### Southern / Mediterranean Europe prospers

Arguably the most important trend in European arrivals over the last three years has been the concentration of growth in Southern / Mediterranean Europe. This has been accompanied by some very strong fluctuations in the results from individual countries. The western Balkans (ie mainly the countries which used to form part of Yugoslavia) are rapidly becoming more important destinations, but the numbers involved are still relatively small – dwarfed by those of the major destinations like Spain, Italy, Greece and Turkey. The exception is Croatia, whose arrivals are now over half those of Greece.

Among the major destinations, Turkey recovered strongly in 2007 and arrivals in Greece continued to rise strongly. The 4% increase in arrivals in Italy in the first nine months of the year may seem modest, but it builds on growth of 12.5% recorded in 2006. Spain, which had seen a sustained run of strong numbers in recent years, is reporting an increase of just 2% in the first ten months of 2007, while Portugal, which had struggled to sustain its numbers, saw faster growth in 2007. On a smaller scale, Malta staged a good recovery in 2007 and arrivals in Cyprus stabilised.

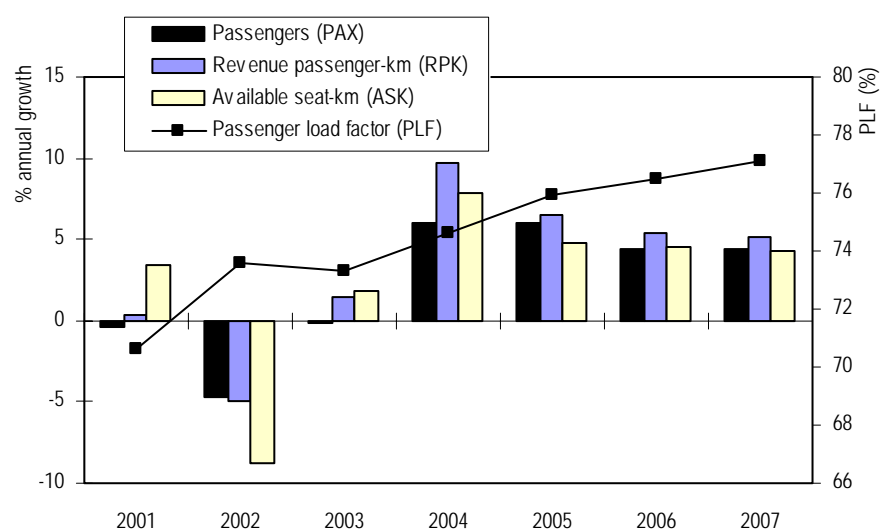
Another factor in the success of Southern Europe is the popularity of Mediterranean cruises and the associated demand for pre- and post-cruise stays.

### Air transport

#### Solid, if slightly slower, passenger growth for European airlines ...

Data from both the International Air Transport Association (IATA) and the Association of European Airlines (AEA) once again shows healthy growth in international passenger traffic in and to/from Europe in 2007 – but on many measures, for the third consecutive year, this growth moderated slightly.

Figure 5  
European airlines' passenger operations, 2001-07



(continues)

Figure 5 (continued)  
European airlines' passenger operations, 2001-07

Year	PAX ('000)	(% change)	RPK (mn)	(% change)	ASK (mn)	(% change)	PLF (%)
2001	307,668	-0.4	620,089	0.4	878,594	3.4	70.6
2002	293,162	-4.7	589,575	-4.9	801,370	-8.8	73.6
2003	292,717	-0.2	598,454	1.5	815,998	1.8	73.3
2004	310,358	6.0	656,677	9.7	880,085	7.9	74.6
2005	329,014	6.0	699,515	6.5	922,077	4.8	75.9
2006	343,401	4.4	736,952	5.4	963,615	4.5	76.5
2007	358,346	4.4	775,183	5.2	1,005,285	4.3	77.1

Source: Association of European Airlines (AEA)

IATA reckons that passenger traffic in Europe, expressed in terms of revenue passenger-km (RPK), increased by 6.0% in 2007, compared with a worldwide increase of 7.4%. This was actually slightly better than the 5.3% increase in 2006. AEA member airlines report a 4.4% increase in their number of passengers carried, to 358 million, and a 5.2% increase in RPK. Their average seat load factor rose to 77.1%.

#### ... and a continued improvement in profits

With the rise in average load factor, the profitability of European airlines also continued to improve. IATA estimates that its Europe-based members made operating profits of US\$6.1 billion in 2007 (up from US\$5.4 billion in 2006), and net profits of US\$2.1 billion (up from US\$1.8 billion).

#### The outlook, however, is clouding

However, after several revisions to IATA's forecasts for 2008 since the middle of 2007, a downturn in the industry's profitability now seems certain. IATA has again downgraded its forecast for this year, predicting losses in 2008 of US\$2.3 billion (€1.5 billion) as airlines struggle with sustained high oil prices. If oil prices stay at over US\$130 a barrel, losses could worsen to more than US\$6 billion.

In the medium term, however, IATA remains relatively optimistic about the prospects for European aviation. Its February 2008 'industry consensus' forecast for the growth in international passenger numbers in 2008-11 is 5.0% a year, compared with 5.1% a year worldwide. In its October 2007 ranking of the countries with the strongest potential for traffic growth in 2008-11, IATA placed four European countries (Latvia, Russia, Poland and the Ukraine) at the top of the list, and two more (Serbia and Romania) in the top ten.

#### 2007 was a good year for European airports

As in 2006, the growth in international passenger throughput at European airports (7.5%) was on a par with the worldwide average, according to data gathered by Airports Council International (ACI). It was well short of the exceptional increases achieved by the Middle East (17%) and Asia Pacific (13%), but it kept pace with that in Africa (8%) and Latin America / Caribbean (7%) and was faster than that in North America (5%). Continuing a worldwide trend, international passenger numbers in Europe continued to grow faster than domestic numbers in 2007.

**Figure 6**  
International airline passenger traffic at ACI airports worldwide, 2007

Region	Passengers ('000)	% change 2007/06
Africa	49,491	7.6
Asia Pacific	329,162	13.3
Europe	709,481	7.5
Latin America/Caribbean	44,488	6.6
Middle East	71,326	16.7
North America	146,247	4.8
<b>Total</b>	<b>1,350,196</b>	<b>7.4</b>

Note: Data based on results filed by 580 airports worldwide.

Source: Airports Council International (ACI)

**Figure 7**  
Top 30 ACI airports in Europe by total passenger throughput<sup>a</sup>, 2007

Rank	Airport	Country	Passengers ('000)	% change 2007/06
1	London Heathrow (LHR)	UK	68,069	0.8
2	Paris Roissy (CDG)	France	59,919	5.4
3	Frankfurt (FRA)	Germany	54,162	2.6
4	Madrid (MAD)	Spain	52,122	14.0
5	Amsterdam Schiphol (AMS)	Netherlands	47,794	3.7
6	London Gatwick (LGW)	UK	35,218	3.1
7	Munich (MUC)	Germany	33,959	10.4
8	Rome Fiumicino (FCO)	Italy	32,856	9.1
9	Barcelona (BCN)	Spain	32,794	9.3
10	Paris Orly (ORY)	France	26,441	3.2
11	Milan Malpensa (MXP)	Italy	23,885	9.7
12	London Stansted (STN)	UK	23,777	0.4
13	Dublin (DUB)	Ireland	23,289	9.9
14	Palma de Mallorca (PMI)	Spain	23,224	3.7
15	Manchester (MAN)	UK	22,385	-1.6
16	Copenhagen (CPH)	Denmark	21,356	2.7
17	Zurich (ZRH)	Switzerland	20,687	7.8
18	Oslo (OSL)	Norway	19,044	7.8
19	Vienna (VIE)	Austria	18,769	11.3
20	Moscow Domodedovo (DME)	Russia	18,755	22.0
21	Stockholm Arlanda (ARN)	Sweden	17,968	1.7
22	Brussels (BRU)	Belgium	17,839	7.0
23	Düsseldorf (DUS)	Germany	17,831	7.5
24	Athens (ATH)	Greece	16,523	9.7
25	Malaga (AGP)	Spain	13,576	4.0
26	Berlin (TXL)	Germany	13,358	13.1
27	Lisbon (LIS)	Portugal	13,028 <sup>b</sup>	5.8
28	Helsinki (HEL)	Finland	12,957	6.7
29	Prague (PRG)	Czech Republic	12,478	7.7
30	Hamburg (HAM)	Germany	11,690 <sup>b</sup>	9.5

<sup>a</sup> Total passengers enplaned and deplaned (passengers in transit counted once)

<sup>b</sup> Approximate (figure calculated from reported percentage increase)

Source: ACI

European airports, incidentally, account for 55.5% of world airport passenger throughput – although, on IATA's reckoning (which determines regions according to region of airline member registration) Europe accounts for only 34% of world passenger traffic in RPK terms.

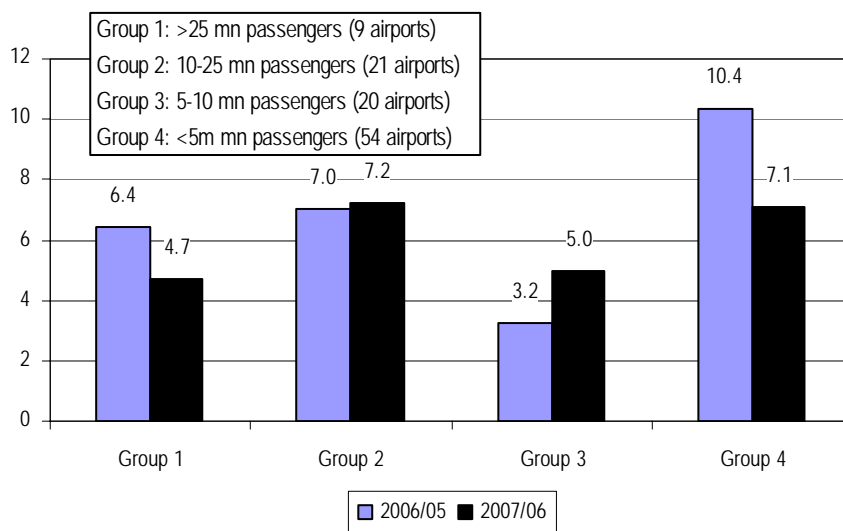
**Eight of the nine giant airports record increases in passengers ...**

Among the nine giant airports classified by ACI as 'Group 1', handling over 25 million passengers a year, the largest increases were recorded by Madrid (+14.6%) and Munich (+10.4%). Only London Heathrow, operating notoriously close to full capacity, did not register a significant increase in passenger numbers.

**... but, again, smaller Group 2 and Group 4 airports do best**

However, the fastest growth in 2007 was again recorded, by a small margin, by the Group 2 airports, among which the best performances included Moscow Domodedovo (+22%), Berlin (+13%) and Vienna (+11%). Paris Orly is now big enough to be promoted by ACI to Group 1 and three airports in Group 3 (Geneva, Nice and Gran Canaria) are big enough to be moved from Group 3 to Group 2. Milan Malpensa, with a 10% increase in passenger numbers in 2007, is also coming close to the 25 million threshold for Group 1, although in November 2007 Alitalia announced that it would cease using Malpensa as its major long-haul hub.

Figure 8  
Growth in passenger throughput in Europe by size of airport, 2006-07 (%)



Source: ACI

Overall growth in throughput at the Group 3 airports was again relatively modest in 2007. The largest percentage increases in passengers were enjoyed by Moscow Vnukovo (33%), Valencia (19%), Warsaw (14%), Marseille (14%), Naples (13%), Venice (12%) and Liverpool (11%), but many others reported increases of only a few percentage points and Tenerife and Glasgow saw slight declines.

In recent years the strongest increases have usually been recorded by the smaller, Group 4, airports (handling fewer than 5 million passengers a year), not least because of the attention afforded to these airports by low-cost / no-frills carriers. However, in 2007 their collective growth was not significantly faster than the average for all European airports. The best performances among these smaller airports came from Girona (34%), Riga (27%), Sofia (25%), Bari (20%), Sevilla (16%) and Skopje (15%). Strasbourg suffered a 15% decline in passenger numbers and Ohrid an 11% decline.

## The hotel sector

### Double-digit growth in revPAR and ADR

Preliminary data from the *HotelBenchmark™ Survey by Deloitte*, which covers hotel performance in key regions of the world, shows that the global hotel market had an excellent year in 2007. All regions monitored by the Deloitte survey – Asia Pacific, Central and South America, Europe and the Middle East – not only celebrated double-digit growth in revenue per available room (revPAR), but also in average room rates (ADR).

In Europe, revPAR was up 15.8% to US\$114 – although growth levels in local currencies were more conservative at 6.3%. Overall, the market was buoyed by strong economic conditions driving both corporate and leisure business. This has helped counterbalance any fall-offs in demand stemming from the strength of the euro, and overall European occupancy levels remained stable at 69.9%.

Although the region's sports and cultural events calendar was not as full during 2007, Europe remains on top of the world when it comes to revPAR performance. A number of key cities, including London and Paris, were able to capitalise on stronger economic conditions and high-profile events, says Deloitte, such as the Tour de France 'Grand Départ' in London, the biennial Paris Air Show and the Rugby World Cup in France.

### Strongest performance from hotels in Central & Eastern Europe

Hotels in Central & Eastern Europe saw the strongest performance in the region, with revPAR increasing 6.9%. Moscow boasted the highest ADR, at €267 (quoted in euro) followed by Geneva at €260 and London at €191 respectively. Meanwhile, Warsaw reported an impressive 13.4% improvement in revPAR driven by good economic conditions and increased airline capacity, which pushed up arrivals.

While Moscow and Warsaw saw improvements, Tallinn and Prague were two of the weakest performing markets with revPAR declines of 7.8% and 2.5% respectively. The political tension between Russia and Estonia and a decline in visitors from Finland are blamed for the drop in performance in Tallinn. Hotel performance in Prague was hit by increased supply and the strength of the Czech koruna.

Northern Europe also had an exceptionally good year with revPAR up 6.4%. In particular, Iceland's capital Reykjavik saw its fortunes change with revPAR increasing 11.3% following declines in 2006. Iceland Express, a privately owned budget airline, has been making Iceland more accessible by offering competitive fares and regular flights to 13 airports across Europe since last summer. Strong promotional activity and a plentiful supply of new accommodation boosted tourism further.

Helsinki also put in an impressive performance, finishing the year with a 4.3% revPAR increase on top of the 7.1% seen in 2006. Demand from Russia, as well as being the host city of the European Song Contest in May, helped push up performance. Neighbouring Denmark and Sweden did not disappoint, either, with revPAR increasing 3.8% in Copenhagen and 12.3% in Stockholm.

**UK's hotels do better than  
the tourism industry  
overall**

2007 was another good year for the UK hotel market, with revPAR increasing 6.4%, driven almost exclusively by average room rates. Strong gains were seen in many UK cities because of robust economic conditions, despite some concerns in the last quarter. Although sterling remained strong against a weak dollar, the strength of the euro helped attract more intraregional business.

In Western Europe revPAR increased by 6.3%. Paris saw revPAR increase 10.5% as the French capital hosted the Rugby World Cup and the biennial Paris Air Show, attracting thousands of visitors more than usual at that time of the year – many from emerging markets such as South America. Germany's tourism scored highly in 2006 with the World Cup and few had expected the country to maintain such a good performance. Year-end results show that hotel occupancy increased by 2.1% while ADR dipped marginally to €90. Overall, revPAR improved by 1.2% to €59.

In Southern Europe and the Mediterranean, performance was marginally behind at +6.2%. Istanbul enjoyed exceptional results with double-digit revPAR improvements of 11.6%. The East-meets-West charms of Istanbul and its promotion as a centre for art and culture assisted its growth, says Deloitte. Tel Aviv and Jerusalem also enjoyed double-digit revPAR growth of 19.8% and 11.9% respectively. However, the strong shekel and continually high oil prices constrained growth from markets such as the USA.

Spain saw a small slowdown in revPAR growth to 7.5% in 2007 due to a decline in German and Dutch visitors. However a number of cities across Spain, such as Barcelona, remain popular for short breaks. Neighbouring Portugal, in particular Lisbon, continued to perform well in 2007 with revPAR up 17.1%. The city hosted a number of conferences, including the biennial Alimentaria International Food Show in May 2007, which attracted 40,000 visitors. RevPAR growth was in the main driven by ADR, which stood at €103.

## Destinations

### Arrivals versus overnights

**Revised statistics  
introduce uncertainties  
about recent trends**

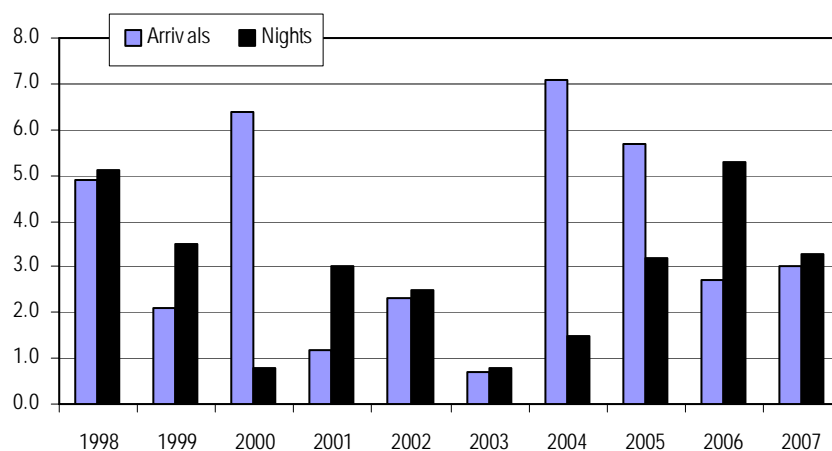
Annual growth rates for European tourism – both in terms of arrivals and overnights – have fluctuated quite sharply over the past ten years, and recent revisions have introduced an extra element of uncertainty about trends, without compromising the overall conclusion that in the last four years both arrivals and nights have been growing strongly. However, it is worth noting in relation to 2007 that TourMIS's estimate for arrivals (in March 2008), at 3.0%, is rather lower than UNWTO's estimate (in January 2008) of 4.2%.

The general impression has been that arrivals have tended to outpace overnight volumes in recent years – a trend which has been attributed largely to the influence of low-cost / no-frills airlines in encouraging people to take short breaks. This impression allowed for a reversal of the trend during periods of slower demand – eg after 9/11 – when people are more likely to cut back on travel frequency and opt for longer stays instead. However, the latest figures from TourMIS (see figure 9) show nights outpacing arrivals in both 2006 and 2007 – years of strong overall demand.

It is possible that there will be further revisions to the 2006 figures, since only 21 and 18 countries, respectively, have filed full-year data for arrivals and nights (part-year figures are used in the 2007 estimates, but not in the 1998-2006 figures). Perhaps the increase in nights in 2006-07 is in part a re-balancing after the exceptional increases in arrivals in 2004-05.

But there are also signs that the surge in European demand for short-stay trips abroad has been fading. The interesting question is whether this is due to market saturation – ie Is demand at current income levels stabilising? – or to temporary factors such as the hassles and delays involved in travel, a want of imaginative marketing initiatives, or even concerns over the impact of air travel on global warming and climate change.

Figure 9  
Trends in international arrivals and overnights in Europe, 1998-2007<sup>a</sup>  
(% annual change)



<sup>a</sup> Estimate for 2007 is based on latest available results from 27 countries in April 2008

Source: Data filed by European Travel Commission (ETC) members on TourMIS

### The overall arrivals ranking

The following three tables show the ranking of European destinations, in terms of total arrivals, arrivals from non-European markets, and international tourism receipts, in 2006 – the last full year for which relatively comparable data is available. 'Relatively comparable data' means no more than that – individual countries use very different measures of tourism, and even when they appear to be using the same measures, differences in definitions and methodologies mean that their figures may not be strictly comparable. Because of this, the rankings should not be taken too literally.

Figure 10  
International tourist arrivals in Europe by destination, 2006

Rank	Destination	Measure <sup>a</sup>	Arrivals ('000)	% change 2006/05	2005/04	2004/03
1	France	TF	79,083	4.2	1.0	0.1
2	Spain	TF	58,190	4.1	6.6	3.1
3	Italy	TF*	41,058	12.4	-1.5	4.9
4	UK	TF	30,654	9.3	9.2	12.3
5	Germany	TCE	23,569	9.6	6.8	9.4
6	Austria	TCE	20,269	1.6	3.0	1.5
7	Russian Federation	TF*	20,199	1.3	0.2	-2.7
8	Ukraine	TF	18,936	7.4	12.8	24.9
9	Turkey	TF*	18,916	-6.7	20.5	26.1
10	Poland	TF*	15,670	3.1	6.4	4.2
11	Greece	TF*	16,039	8.6	10.9	-4.7
12	Portugal	TF	11,282	-0.3	6.8	-0.8
13	Netherlands	TCE	10,739	7.3	3.8	5.1
14	Hungary	TF*	9,259	-7.2	-18.3	na
15	Croatia	TCE	8,659	2.3	7.0	6.8
16	Ireland (Republic of) <sup>d</sup>	TF	7,417	9.7	5.9	3.3
17	Switzerland <sup>d</sup>	TCE	11,400	8.8	10.5	na
18	Belgium	TCE	6,994	3.7	0.6	0.3
19	Czech Republic	TCE*	6,435	1.6	4.5	19.4
20	Bulgaria	TF	5,158	6.6	4.5	14.4
21	Denmark	TCE	4,716	0.4	6.3	5.4
22	Norway <sup>d</sup>	TF*	4,070	6.4	5.4	11.0
23	Finland	TF	3,375	7.5	10.6	3.0
24	Sweden	THS	3,270	4.4	4.3	1.7
25	Cyprus	TF	2,401	-2.8	5.2	2.0
26	Andorra	TF	2,227	-7.9	-13.4	-11.0
27	Lithuania	TF	2,180	9.0	11.1	20.7
28	Estonia	TF	1,940	1.2	9.5	19.7
29	Slovenia	TCE*	1,617	4.0	3.7	9.2
30	Slovakia	TCE*	1,612	6.4	8.1	1.0
31	Romania	TCE	1,380	-2.4	5.0	23.0
32	Latvia	TF	1,535	37.5	3.4	11.2
33	Malta	TF*	1,124	-4.0	1.3	3.4
34	Luxembourg	TCE	908	-0.5	4.0	1.2
35	Iceland	TCE*	971	11.4	4.2	8.4
36	Montenegro <sup>d</sup>	TCE*	797	10.3	19.4	17.8
37	Serbia <sup>e</sup>	TCE*	586	1.3	na	na
38	Monaco	THS*	313	9.6	14.2	6.6
39	Bosnia & Herzegovina	TCE	256	17.8	14.2	15.0
40	Macedonia (FYR <sup>b</sup> )	TCE*	197	2.6	19.3	4.8
41	Liechtenstein	THS	56	12.9	2.6	-1.0
42	San Marino	THS*	50	0.0	19.0	2.4
	<b>Total Europe<sup>c</sup></b>	-	<b>460,997</b>	<b>5.1</b>	<b>4.2</b>	<b>4.2</b>

When making comparisons between countries, please note that the measures used by different countries vary – see notes to this table.

<sup>a</sup> By country of residence, except \* by nationality    <sup>b</sup> Former Yugoslav Republic of Macedonia  
<sup>c</sup> UNWTO data, including Israel and all the states which were formerly part of the Soviet Union  
<sup>d</sup> Data provided directly by the NTO or NTA    <sup>e</sup> Data provided by the NTO or NTA through TourMIS

Note: TF = tourist arrivals at frontiers; VF = visitor arrivals (including same-day arrivals) at frontiers;  
TCE = tourists at all forms of commercial accommodation; THS = tourists at hotels and similar establishments.

Source: UNWTO except where otherwise indicated

Five countries (France, Spain, Italy, the UK and Germany) account for about 50% of total arrivals in European destinations. Their ranking has not changed since Germany overtook Austria in 2004. All five achieved substantial increases in arrivals in 2006, but in all five – as can be seen from the trends in figure 15 – this growth seems to have moderated in 2007.

Further down the ranking, there have been many changes from one year to the next, but few consistent trends over several years. Hungary has slipped down the ranking, and Ireland has moved up a little. Turkey fell from sixth to ninth in 2006 – a difficult year for the destination. The countries that once made up Yugoslavia are clearly emerging as important destinations in their own right, but the numbers involved are not yet large enough to shift their positions in the ranking significantly. Other apparently dramatic changes have tended to be a matter of definitions (eg the Nordic countries have quoted different measures in different years).

In terms of percentage growth in arrivals in 2006, the top performers were Latvia, Bosnia & Herzegovina, Montenegro and Liechtenstein. Among the more important destinations, the best performances in 2006 came from Italy, Germany, the UK, Ireland, Switzerland and Greece. Germany and the UK in particular were building on strong results in 2004-05.

Turkey experienced a sharp downturn in arrivals in 2006 but, as will be seen later, recovered strongly in 2007, as did Malta, which had also recorded a decline in 2006. Hungary, meanwhile, suffered a further year of decline in international tourist arrivals at frontiers, although it should be noted that the trend in arrivals in commercial accommodation was more positive.

## Non-European markets

### **A very modest – but now rising – share of Europe's tourism**

In 2006, according to UNWTO, 87% of all international tourist arrivals in Europe came from within the region and only 12% from other regions (the origin of the remaining 1% was not specified). The proportion of inter-regional tourism is lower than in any other region of the world and, as a result of the problems affecting tourism demand in 2001-03, it actually decreased over that period. However, growth from non-European markets has consistently outpaced that of intra-European travel since then.

Although this trend may have been sustained in 2007, it is unlikely to continue in the short to medium term given the high value of the euro – now the predominant currency in Europe. There were also signs in 2007 of a switch among American and Asian markets to destinations closer to home. But this trend cannot yet be substantiated with clear data.

### **All the world's regions contributed to growth in 2006**

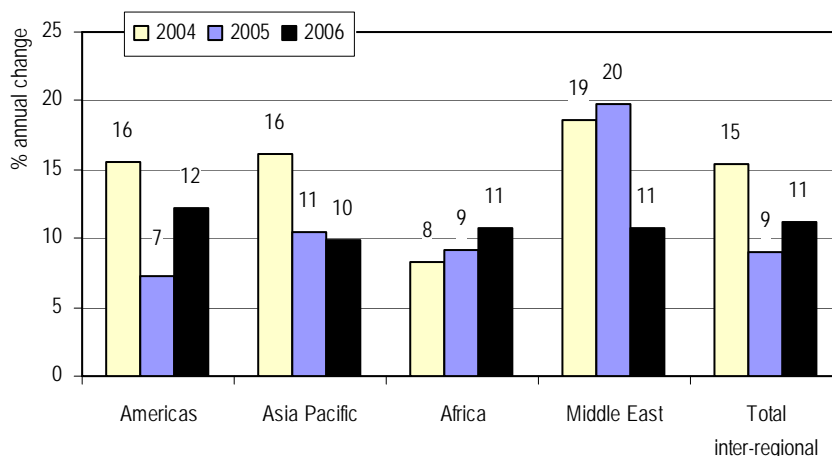
The growth in long-haul travel to Europe is often unevenly distributed, with one or two regions contributing the bulk of the increase in travel. However, in 2006 the growth was remarkably evenly spread, with all four regions generating increases of between 10% and 12%.

The Americas is still the most important source of inter-regional tourists for Europe, but its share of inter-regional arrivals in Europe fell from 62% in 1990

to 55% in 2006. Arrivals increased by 12% in 2006 to nearly 30 million, surpassing at last the previous peak of 2000. The USA remains by far Europe's largest single long-haul market, but 2006 was characterised by a surge in arrivals from South America.

The share of Asia Pacific rose from 24% in 1990 to 35% in 2006. Arrivals from that region increased by 10% in 2006, to 19 million. Tourist arrivals from the other two regions – Africa and the Middle East – are very much smaller in number, representing only 10% of total arrivals from outside Europe. Those from the Middle East have been rising rapidly, reflecting the increased wealth brought to the oil-producing countries by higher international oil prices and perhaps the increased role of hubs like Dubai in world travel, but this growth apparently slackened in 2006. Conversely, arrivals from Africa, which for many years had tended to stagnate, have been accelerating.

Figure 11  
Growth of arrivals in Europe from non-European markets by region of origin, 2004-06



The comparable figures for intra-regional growth were 3%, 7% and 4%. All figures for 2006 may be slightly overstated because of a decline in the proportion of travellers whose origin was not specified.

Source: The Travel Business Partnership, from UNWTO data

First indications for 2007 suggest a notable growth in demand, often from small bases, from countries not normally regarded as important sources. In the UNWTO's *World Tourism Barometer* of January 2008, the list of countries reporting the highest year-to-date figures for spending growth included Brazil, Argentina, Egypt and South Africa, as well as (in Europe) Hungary, Russia and Ukraine and (among the big source markets) Canada and South Korea. More generally, the increase in travel demand from Africa and the Middle East seems to have accelerated.

**France ranks first in arrivals, and the UK in overnights**

Figure 12 highlights the leading destinations in Europe in 2006 in terms of arrivals and overnights from non-European sources. The breakdown comes primarily from UNWTO – as published in its *2007 Tourism Market Trends* – and must be interpreted with caution, since it is not strictly comparable from one destination to another. The arrivals count is clearly higher if same-day visitors are included, as is the case with the UK and the Russian Federation,

and lower if the arrivals are limited to those registered in commercial accommodation, or even just hotels. Similar caveats of course apply for overnight data.

Figure 12  
International tourist arrivals and overnights in Europe from non-European markets, 2006

Rank <sup>a</sup>	Destination	Measures <sup>b</sup> arrivals/nights		Arrivals ( <sup>000</sup> )	% change 2006/05	Nights ( <sup>000</sup> )	% change 2006/05
1	UK	VF	NCE	9,172	11.5	112,166	10.0
2	France	TF	NCE	10,493	6.2	83,309	2.8
3	Italy	TF*	NCE*	5,459	10.5	26,458	5.8
4	Ireland (Republic of)	TF	NCE	1,343	10.0	13,009 <sup>d</sup>	3.4
5	Germany	TCE	NCE	5,328	12.7	12,067	12.6
6	Spain	TF	NHS	3,829 <sup>d</sup>	2.8	11,606 <sup>d</sup>	10.9
7	Switzerland <sup>c</sup>	-	NCE	na	na	5,357	9.5
8	Austria	TCE	NCE	1,783	6.5	4,084	5.4
9	Netherlands	TCE	NCE	2,140	3.3	3,895	5.0
10	Turkey	TF*	NCE*	2,631	1.7	3,870	8.2
11	Russian Federation	VF*	-	2,012	5.8	na	na
12	Greece	TF*	NCE	935	21.6	3,017	14.3
13	Czech Republic	TCE*	NCE*	948	12.8	2,446	11.6
14	Portugal	TF	NCE	1,451 <sup>d</sup>	8.2	2,205	9.1
15	Belgium	TCE	NCE	992	5.2	1,950	3.9
16	Sweden	-	NHS	na	na	1,508 <sup>d</sup>	5.3
17	Hungary	TCE*	NCE*	482 <sup>d</sup>	4.8	1,206 <sup>d</sup>	2.6
18	Croatia	TCE	NCE	378 <sup>d</sup>	37.5	894 <sup>d</sup>	32.8
19	Poland	TCE	NCE	388	4.7	892	8.0
20	Bulgaria	VF	NCE	154	7.1	876 <sup>d</sup>	13.8
21	Norway	TF	NHS	354 <sup>d</sup>	13.8	806	4.7
22	Denmark	TCE	NCE	276	7.4	793	9.2
23	Finland	TCE	NCE	319	14.1	694	9.5
24	Ukraine	TF	-	229	28.8	na	na
25	Cyprus <sup>c</sup>	TF	NCE	92	-3.2	513	-3.4
26	Romania	TCE	NCE	187	4.6	378	1.6
27	Slovakia	TCE*	NCE*	112	10.3	278	12.9
28	Malta	TF*	NCE*	26	-9.1	243	-1.5
29	Iceland	TCE*	NCE*	121	4.7	237	3.4
30	Monaco	THS*	NHS*	51	11.0	186	20.2
31	Luxembourg	TCE	NCE	77	6.2	155	6.0
32	Slovenia	TCE*	NCE*	121	20.4	132	-2.8
33	Estonia <sup>c</sup>	TCE	NCE	45	7.3	107	15.3
34	Lithuania	TCE	NCE	44	9.4	100	-1.2
35	Latvia	TCE	NCE	34	6.7	95	22.3
36	Serbia	TCE*	NCE*	33 <sup>d</sup>	na	94 <sup>d</sup>	na
37	Montenegro	TCE*	NCE*	18 <sup>d</sup>	na	50 <sup>d</sup>	na
38	Bosnia & Herzegovina	TCE	NCE	16 <sup>d</sup>	na	42 <sup>d</sup>	na
39	Macedonia (FYR <sup>e</sup> )	TCE	NCE	16 <sup>d</sup>	na	38 <sup>d</sup>	na
40	San Marino	VF*	-	59	-18.0	na	na
41	Liechtenstein	THS	NHS	5	5.2	12	5.9

<sup>a</sup> Ranked by nights (with estimates for Russia, Ukraine and San Marino) <sup>b</sup> By country of residence, except \* by nationality <sup>c</sup> Figures provided directly by country's NTO or NTA <sup>d</sup> Includes unspecified markets, some of which may be European. <sup>e</sup> Former Yugoslav Republic of Macedonia

Note: TF = tourist arrivals at frontiers; VF = visitor arrivals (including same-day arrivals) at frontiers; TCE = tourists at all forms of commercial accommodation; THS = tourists at hotels and similar; NCE = Nights in all forms of commercial accommodation; NHS = nights at hotels and similar. Israel and all the countries of the former USSR are defined as within Europe.

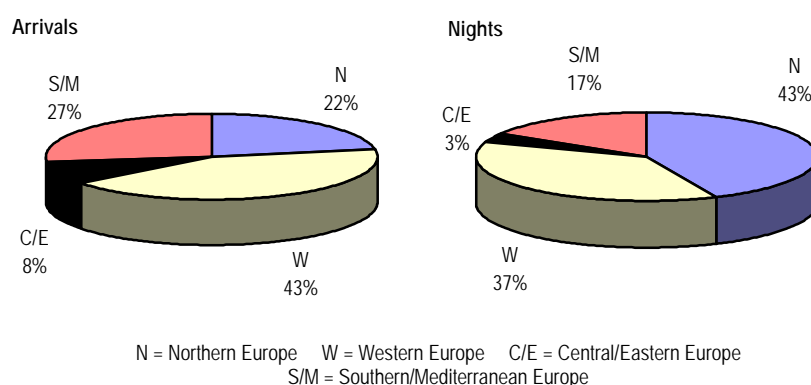
Source: UNWTO, except where otherwise indicated

Note also that the table uses UNWTO's definition of Europe – which includes Israel and all the countries of the former USSR, including those in the Caucasus and Central Asia. Small differences between these figures and those shown on the TourMIS database are often attributable to the inclusion of these countries.

Nevertheless, the data does provide some interesting information as to the relative importance of non-European tourists in countries' arrivals and overnight counts. The UK, for example, attracts a far higher share than average of long-haul tourism business than European destinations generally, as does Ireland. Ethnic links clearly play an important role and this is reflected in the high share of visits to friends and relatives (VFR travel) in Europe's tourism count from long-haul source markets.

Long-haul visitors stay much longer in destinations that have high VFR counts than in most other destinations – 12.2 nights in the UK and 9.7 in Ireland, for example, as against 7.9 nights average stay in France by non-European markets and 2.6 nights in Italy. Long-haul tourists are also less likely to be taking extended (often sun & beach) holidays in a single destination. These two factors probably go a long way to explaining the differences in the regional shares of arrivals and nights highlighted by figure 13.

Figure 13  
Regional breakdown of arrivals and nights from non-European markets, 2006



Source: The Travel Business Partnership, from figure 12

## International tourism receipts

### Spain ranks first in terms of tourism receipts

The top destinations in terms of international tourism receipts are the same as for arrivals overall, although ranked in a slightly different order. There were no changes among the leaders in 2005 or 2006. Spain heads this ranking, ahead of France, Italy, the UK and Germany. Together, they generated nearly 54% of Europe's total international receipts.

Further down the list, there are more frequent variations between the rankings by receipts and by arrivals (for instance, Greece, the Netherlands and Switzerland rank higher by receipts than by arrivals) and from one year to another (Sweden rose two places in 2006, and the Netherlands, Russia, Ireland, Norway, Lithuania and Latvia all rose one place).

Figure 14  
International tourism receipts for selected European destinations<sup>a</sup>, 2006

Rank	Destination	Receipts (€ mn)	% change 2006/05	2005/04	% share 2006
1	Spain	40,710	5.6	6.0	13.6
2	France	36,908	4.3	-2.8	12.3
3	Italy	30,367	6.7	-0.7	10.1
4	UK	26,836	8.8	8.7	9.0
5	Germany	26,091	11.3	5.4	8.7
6	Turkey	13,422	-8.0	14.2	4.5
7	Austria	13,255	2.7	5.7	4.4
8	Greece	11,357	2.9	6.7	3.8
9	Netherlands	9,038	7.3	1.4	3.0
10	Switzerland	8,900	8.0	8.2	3.0
11	Belgium	8,144	2.7	6.9	2.7
12	Sweden	7,233	21.5	19.5	2.4
13	Portugal	6,649	7.3	0.1	2.2
14	Croatia	6,293	4.9	9.0	2.1
15	Russian Federation	6,075	28.8	6.1	2.0
16	Poland	5,765	14.3	7.5	1.9
17	Denmark	4,449	4.5	-6.6	1.5
18	Ireland (Republic of)	4,258	10.2	9.2	1.4
19	Czech Republic	3,987	6.3	11.9	1.3
20	Hungary	3,371	2.0	1.2	1.1
21	Norway	2,994	6.6	11.4	1.0
22	Luxembourg	2,883	-0.8	-1.2	1.0
23	Ukraine	2,776	10.5	22.1	0.9
24	Bulgaria	2,063	5.5	9.3	0.7
25	Cyprus	1,912	2.0	3.5	0.6
26	Finland	1,891	7.6	5.3	0.6
27	Slovenia	1,501	3.7	10.5	0.5
28	Slovakia	1,205	24.0	34.2	0.4
29	Romania	1,034	21.4	109.9	0.3
30	Lithuania	827	11.7	18.6	0.3
31	Estonia	811	3.6	9.2	0.3
32	Malta	609	-0.2	-1.9	0.2
33	Bosnia & Herzegovina	469	13.6	6.4	0.2
34	Latvia	397	44.6	27.8	0.1
35	Iceland	353	7.3	10.0	0.1
36	Serbia	317	28.1	40.0	0.1
37	Montenegro	288	32.7	20.6	0.1
38	Macedonia (FYR <sup>b</sup> )	103	52.5	16.8	0.0
	Others	4,309	10.2	na	1.4
	<b>Total Europe<sup>a</sup></b>	<b>299,743</b>	<b>6.4</b>	<b>5.3</b>	<b>100.0</b>

<sup>a</sup> Including Israel and all the states which were formerly part of the Soviet Union

<sup>b</sup> Former Yugoslav Republic of Macedonia

Sources: UNWTO; national sources

In terms of percentage growth in earnings, the strongest performers in 2006 were Latvia, Russia, Slovakia, Sweden, Romania and (from low bases) Serbia, Montenegro and the Former Yugoslav Republic of Macedonia. Note that, with the exception of Russia, all had also achieved very high growth rates in 2005 – Romania's receipts had more than doubled.

The only country to suffer a significant decline in receipts in 2006 was Turkey, but it held onto its sixth position in the ranking.

## Arrivals and overnights: key trends by destination in 2007

### Increasingly timely data release

Although there are still some fairly serious gaps in coverage, the number of ETC Members releasing final year data on arrivals and nights for 2007 is much higher than it was 12 months ago. However, due attention should be paid to the different measures used by countries, which can complicate comparisons.

Figure 15  
Latest trends in international arrivals and overnights in European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Measures (arrivals/nights)	Period covered (arrivals/nights)
Austria	2.5	1.3	TCE/NCE	Jan-Dec/Jan-Dec
Belgium	2.6	1.6	TCE/NCE	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	-0.1	0.5	TF/NCE	Jan-Dec/Jan-Dec
Croatia	7.5	6.0	TCE/NCE	Jan-Dec/Jan-Dec
Cyprus	0.6	-0.9	TF/NCE	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	3.8	2.1	TCE/NCE	Jan-Dec/Jan-Sep
Denmark	na	3.8	TCE/NCE	Jan-Dec
Estonia	-3.3	-3.5	TCE/NCE	Jan-Dec/Jan-Dec
Finland	na	6.3	TCE/NCE	Jan-Dec
France	4.0	na	TF/NHS	Jan-Dec
Germany	3.6	3.5	THS/NHS	Jan-Dec/Jan-Dec
Greece	11.3	7.0	TCE/NCE	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	3.0	0.0	TCE/NCE	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	19.2	na	TF/NCE	Jan-Jun
Ireland (Republic of)	4.3	0.0	TF/NCE	Jan-Dec/Jan-Dec
Italy	3.8	3.8	TCE/NCE	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Latvia	3.5	3.4	VF/NCE	Jan-Dec/Jan-Dec
Lithuania	11.7	7.1	TCE/NCE	Jan-Dec/Jan-Dec
Luxembourg	1.0	-3.0	TCE/NCE	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Malta	10.6	3.3	TCE/NCE	Jan-Dec/Jan-Dec
Monaco	4.0	3.0	THS/NHS	Jan-Jun/Jan-Jun
Montenegro	23.5	28.2	TCE/NCE	Jan-Dec/Jan-Dec
Netherlands	3.0	3.0	TCE/NCE	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	5.0	7.0	TF/NCE	Jan-Dec/Jan-Dec
Poland	1.4	3.1	TCE/NCE	Jan-Dec/Jan-Dec
Portugal	na	5.6	TF/NHS	Jan-Dec
Romania	12.4	10.6	TCE/NCE	Jan-Dec/Jan-Dec
Serbia	19.0	23.0	TCE/NCE	Jan-Dec/Jan-Dec
Slovakia	2.1	-0.3	TCE/NCE	Jan-Sep/Jan-Sep
Slovenia	8.3	8.4	TCE/NCE	Jan-Dec/Jan-Dec
Spain	2.2	na	TF/NHS	Jan-Oct <sup>a</sup>
Sweden	na	5.3	TCE/NCE	Jan-Dec
Switzerland	7.4	6.5	THS/NHS	Jan-Dec/Jan-Dec
Turkey	17.8	na	TF/NCE	Jan-Dec
UK	-0.5	-8.5	VF/TN	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>

<sup>a</sup> Estimate

Note: TF = tourist arrivals at frontiers; VF = visitor arrivals at frontiers; TN = Total tourist nights;  
TCE = tourists at all forms of commercial accommodation; THS = tourists at hotels and similar;  
NCE = Nights in all forms of commercial accommodation; NHS = nights at hotels and similar

Sources: ETC members directly; results filed on TourMIS.

**Modest results for most of Europe's bigger destinations ...**

2007 seems to have been a fairly uneventful year for most of Europe's leading tourism destinations. However, the region's overall leader, France, had a much better year than initially expected, with exceptionally strong performances for some parts of the country, including Paris / Ile-de-France, as well as for individual sectors, such as rail travel. Among the fastest growth markets were the USA (+9%, although growth slowed in the last two months of the year) and Japan (which, at +7%, bucked the negative trend for Europe overall).

France's total international arrivals rose by 4% – on a par with the European average – achieving the 82 million mark for the first time ever. A highlight of the year was of course the successful Rugby World Cup, but sporting events in general had a positive impact on demand from abroad and the opening of the TGV (high-speed rail) Est route (to eastern France, Luxembourg and Germany) was also an important factor in the growth of rail tourism.

Spain, which is Europe's second most important tourism destination overall – and probably number one in terms of leisure tourism – had seen much stronger growth in past years, but it reported only a modest increase in arrivals in 2007 – just 2% in the first ten months. There seems to have been no growth from Spain's main European markets – Germany, the UK, France, the Netherlands and Belgium – but Spain recorded a 22% increase in arrivals from the USA, which was especially encouraging in view of the US dollar:euro exchange rate. Its smaller neighbour, Portugal, whose tourism industry has tended to struggle in recent years, reported a stronger trend in 2007 – with an increase of 6% in inbound overnight volume.

The popularity of cultural attractions and events – in particular for long-haul markets to Europe – had a positive impact on the performance of Italy and Austria in 2007. Austria improved its performance as the year progressed, with an excellent start to the winter 2007/08 season due to good snow conditions. The goodwill effect from Germany's hosting of the FIFA Football World Cup in 2006 was still in evidence last year, at least in terms of European demand. The new federal states now account for a 19% share of total overnight volume – up from less than 10% in 1993. But arrivals from the rest of the world were weaker due to the FIFA World Cup base effect and the strong euro.

The UK's performance deteriorated in the second half of the year, resulting in a 0.5% decline in arrivals and an 8.5% drop in overnight volume for 2007 as a whole. This was attributed to persistent negative publicity – related, for instance, to the attempted terrorist attacks in London and Glasgow, two spells of severe flooding, and the outbreaks of foot & mouth and blue-tongue livestock diseases – as well as London's growing reputation as an expensive destination. A rumble of dissatisfaction with Heathrow Airport in 2007 culminated, more loudly, in March 2008 with the chaotic inauguration of Terminal 5.

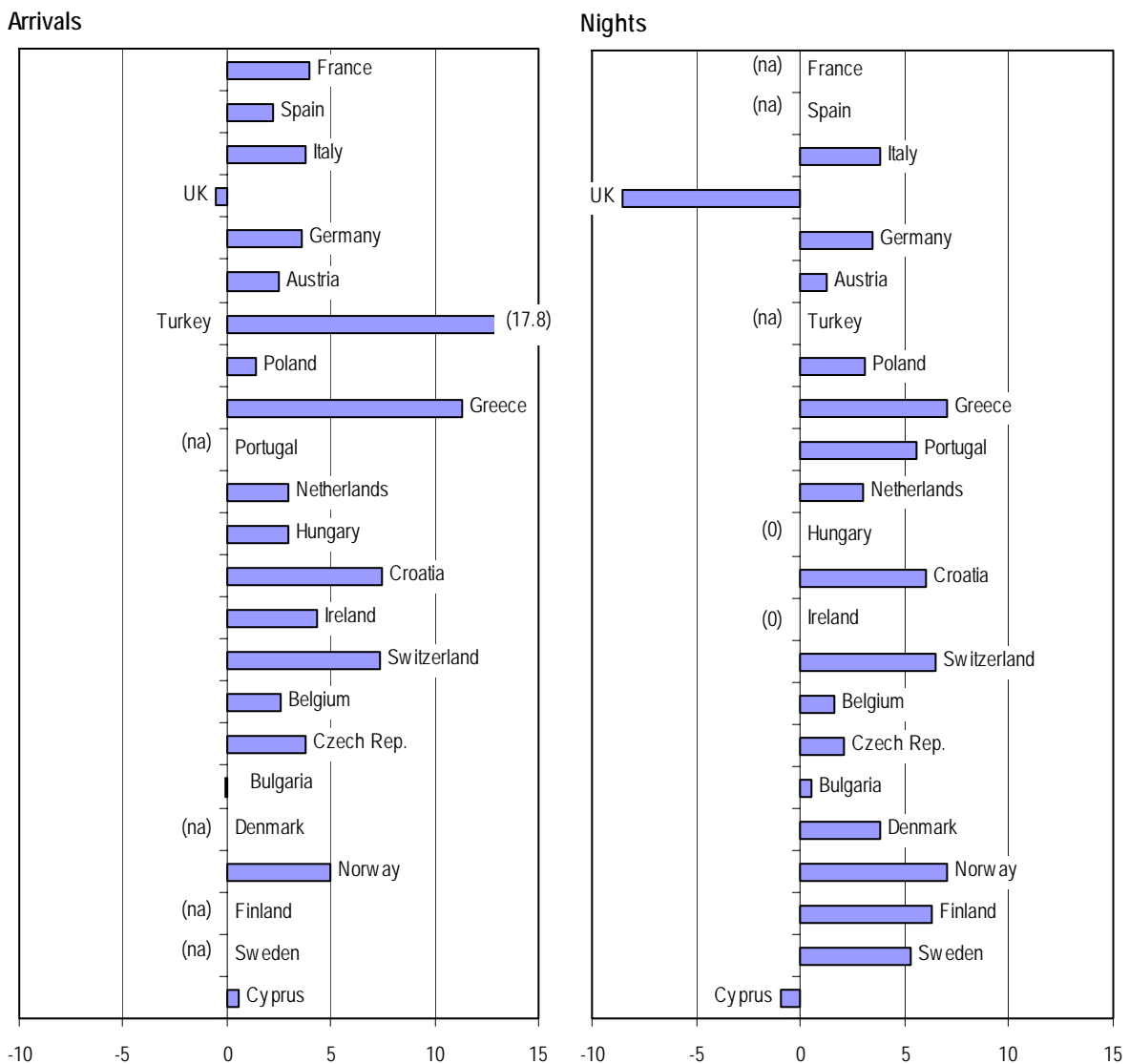
Among Europe's more traditional destinations, Switzerland was the clear winner in 2007, thanks in no small part to above average growth from emerging long-haul markets such as China and India. But the Netherlands, Monaco and Ireland also achieved satisfactory results. Luxembourg's overall performance was affected by poor results from the camping sector.

**... and a strong performance from the Nordic countries**

The Nordic countries have generally reported positive trends for 2007, in spite of complaints about poor weather in the first half of the year. Healthy economies are boosting business and leisure travel within the region, and

Finland in particular has seen very strong growth in arrivals from Russia (the Russians are also reported to be investing heavily in homes and in tourism in Eastern Finland). Iceland reported a 19% increase in arrivals in the first half of 2007, but its economy is now facing a tempest. Nevertheless, poor summer weather in Scandinavia resulted in declines from many key markets, especially for Denmark and Norway.

Figure 16  
 Latest trends in international arrivals and overnights in selected European destinations<sup>a</sup>, 2007  
 (% annual change)



<sup>a</sup> Top 25 destinations ranked (ie listed from top to bottom) by arrivals, 2007, excluding the Russian Federation and Ukraine (ranked 7th and 8th), for which no data for 2007 is available

Sources: ETC members (directly, and from results filed on TourMIS)

**Latvia and Lithuania lead the growth in Central & Eastern Europe**

As already indicated, the release of the huge pent-up demand for Central & Eastern Europe seems to have run its course, but individual destinations can still show very strong results in individual years. The three Baltic States have been star performers in many recent years, and arrivals in Latvia and Lithuania continue to impress: Lithuania followed increases of around 10% in the three previous years with a 12% increase in 2007, and Latvia's 3.5% growth, while below the European average, is a firm affirmation of the 37.5% increase recorded in 2006.

However, arrivals in Estonia, which had already stagnated in 2006, were down 3% in 2007. The diplomatic and political pressures exerted by Russia have been a significant factor, but Estonia has also reported three successive years (in 2005-07) of decline in nights from its most important market, Finland. The tourism industry is reported to be finding it difficult to motivate return visits and prices have risen.

Among the other countries of Central & Eastern Europe, there seems to have been little to be excited about in 2007. Poland, the Czech Republic and Slovakia have reported only modest increases for less mature destinations. Hungary's 3% increase in arrivals is an improvement, but it follows sharp declines in previous years and overnights showed no increase at all. The economy – including the tourism industry – continues to face serious structural and institutional problems. Figures for Russia and the Ukraine are not yet available, but preliminary estimates put Russia's growth at around 2%.

New EU members Romania and Bulgaria look more promising, but with not much consistency in the past couple of years. Arrivals in Bulgaria were flat in 2007 after a 7% rise the previous year, while arrivals in Romania – no doubt boosted by Sibiu's role as Europe's Cultural Capital – rose by 12%, but that followed a 2% decline in 2006.

**Southern / Mediterranean Europe is the region's star performer**

The upturn in tourism to Southern / Mediterranean Europe, the region's star performer last year, was fairly well generalised, but the four biggest destinations need to be looked at individually. As already mentioned, Italy did well in 2007, but Spain had a disappointing year. Turkey staged a strong recovery, compensating for 2006's decline. A favourable exchange rate and a waning of fears about terrorism and cultural antipathies helped to stimulate demand. In recent years Turkey has benefited from strong interest from Russia, the Ukraine and other CIS countries, as well as from leading west European markets.

Provisional figures for Greece suggest the destination is making further ground after the excitement over the post-Olympics effect in 2005 and 2006. The forest fires in August received much media attention but spared the principal tourism resorts. Malta, whose numbers have tended to fall or stagnate in recent years, reports somewhat contradictory increases of 11% in arrivals and 3% in nights for 2007, but attributes this to the introduction of low-cost airline flights that generated a strong increase in short breaks.

Although Cyprus joined the EU in 2004 and the eurozone in 2008, tourism has continued to suffer from the impasse between the Greek and Turkish communities on the island. Arrivals stabilised in 2007, while nights fell further, albeit more moderately than in 2006 (-1%). The recent improvement in relations between the two halves of the island offers hope for an improvement in the local economy and in inbound travel demand.

Demand for Europe has increasingly focused on countries along the eastern shores of the Adriatic – mainly the former states of Yugoslavia. Montenegro and Serbia – independent of each other since 2006 – recorded the strongest growth in both arrivals and overnights, albeit from relatively small bases, but Slovenia and Croatia also had an excellent year. No trends data is available for Bosnia & Herzegovina.

### **Growing popularity of the Mediterranean for cruises**

Mediterranean Europe – and, in particular, the eastern Mediterranean – continued to benefit in 2007 from the growing popularity of cruises in the region, which is bringing in visitors from North and South America, and Asia, as well as Europe. Since they are predominantly same-day visitors at their cruise ships' ports of call, most are not included in the tourist arrivals and overnights statistics, but many extend their stays at either end of their cruises.

The favourite cruise ports are Barcelona, Rome, Venice and Naples in the western Mediterranean and Athens, Istanbul and the Greek Islands (primarily Santorini, Mykonos and Ios) in the eastern Mediterranean. This has also contributed to the growing numbers of arrivals in smaller destinations such as Malta and Cyprus. Rome and Venice are the most popular destinations for travellers who want to add an on-land stay to their cruise trips.

## **Cities versus countries**

### **Little correlation between country and city statistics**

The following table shows the usual analysis of the differences in performance between European countries overall and their respective cities in specific markets. The analysis is based on the latest available data for 2007 filed by ETC members and members of European Cities Marketing (ECM) on TourMIS.

Although the number of cases on which the analysis is based has increased since last year, it is still by no means comprehensive – a maximum of 27 countries and 32 cities form the sample base for each market. The sample of cities is especially small, and heavily skewed towards Austria and Germany (with honourable contributions from individual cities in the Nordic countries, Spain, Switzerland and elsewhere), and excludes a great many of the top European city destinations. It is clear from regular checks of the latest data that trends vary sharply depending on the number and range of countries and cities included each month.

Moreover, it is difficult to draw useful generalisations from this year's analysis. Sometimes in the past it has been clear that cities have done better than countries, or vice-versa – overall or in particular markets. This year, the differences are less marked, and the trends for arrivals and nights often contradict one another.

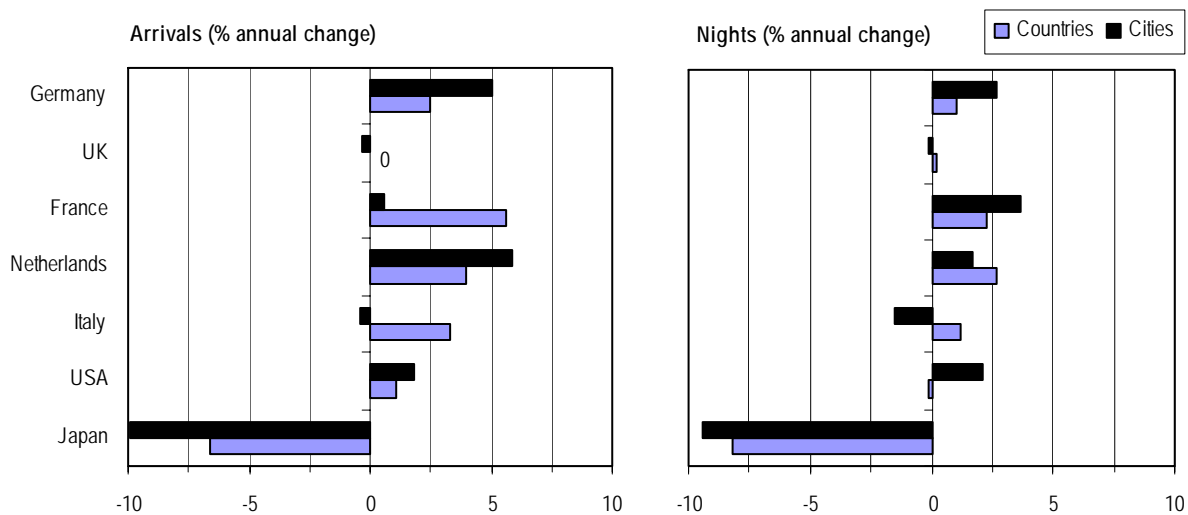
### **A few of the top performers**

Of those cities that have already filed their 2007 results on TourMIS, the top performers include Valencia and Eisenstadt (with increases of well over 10% in both arrivals and nights), Helsinki and Bregenz (with strong performances in arrivals and nights respectively), St Pölten, Berlin, Tampere, Zurich and Rheims. Eisenstadt, Helsinki and Tampere are listed among the top performers for the second year running.

Berlin requires special mention since it now ranks among Europe's top ten most popular city destinations. Moreover, largely as a result of Berlin's rapid rise in popularity as a city destination, Germany is ranked number two as a cultural destination among Europeans – behind France, but ahead of Spain, the UK and Italy.

Figure 17  
Latest trends in international tourist arrivals and overnights in Europe from key source markets, 2007  
(% annual change<sup>a</sup>)

Market	Arrivals in European		Nights in European		No. in sample <sup>b</sup>	
	countries	cities	countries	cities	Countries	Cities
Germany	2.5	5.0	1.0	2.7	27/25	28/32
UK	0.0	-0.3	0.2	-0.1	26/26	27/32
France	5.6	0.6	2.3	3.7	27/25	28/32
Netherlands	4.0	5.9	2.7	1.7	25/23	28/32
Italy	3.3	-0.4	1.2	-1.5	27/26	28/32
USA	1.1	1.8	-0.1	2.1	27/25	27/31
Japan	-6.6	-9.9	-8.2	-9.4	23/22	26/30



<sup>a</sup> Estimates based on actual results from specified number of countries and cities (depending on each market) for the first 6-12 months of 2007

<sup>b</sup> Arrivals / nights

Source: Data filed by ETC member NTOs and European Cities Marketing members on TourMIS by end-March 2008

## European Tourism Demand

### Outbound travel trends

#### Slightly faster growth in outbound trip volume in 2007

IPK International's European Travel Monitor (ETM), part of the World Travel Monitor, which covers outbound travel trends from more than 30 European source countries, points to a 5% increase in trips of at least one night by Europeans in 2007, to 409 million. The increase was a little larger than ETM reported for 2006.

The 409 million trips generated 3.9 billion overnights, also up 5% on 2006's level, so that the average length of trip was unchanged at a little less than 10 nights.

Total expenditure by Europeans on travel abroad increased by 7%, again slightly more than was reported for 2006. Spending per trip rose 2% to €914, as did spending per night, to €97.

Figure 18  
European outbound travel, 2007

	2007	% change on 2006
Trips (mn)	409	5
1-3 nights long	100	-2
4+ nights long	309	8
Overnights (mn)	3,900	5
Average length of trip (nights)	10	0
Spending (€ bn)	380	7
Spending per trip (€)	914	2
Spending per night (€)	97	2

Source: European Travel Monitor, IPK International

Around 88% of trips were short haul (ie for other parts of Europe). The trend towards shorter but more frequent trips, which seemed to be so well entrenched over the last few years, was reversed in 2007, according to the ETM. Trips of four nights and longer increased by 8% in volume, now accounting for a 75% share, while the number of trips of one to three nights actually fell by 2%.

European demand for long-haul destinations increased at almost twice the rate as that for short-haul, or intra-European, points. Trips to Africa, the Americas and Asia Pacific were all up 10%, while those to European destinations rose by just 5%. Nevertheless, of the 20 million extra trips generated, according to the ETM, 14 million were for Europe and only 5 million for long-haul destinations.

### Business travel continues to rebound

According to *The World Travel Trends Report 2007-2008*, produced by IPK International for ITB Berlin in March 2008, now kindly updated by IPK, holiday trips generated more than two thirds of total European outbound trips in 2007, up 6%, while visits to friends and relatives (VFR) and other leisure trips, which account for some 16% of total trips, were unchanged in number. Business travel, which had lost share in previous years but which started a sustained recovery in 2005, recorded a third consecutive year of stronger than average growth in 2007, taking its share to 15% – up from just 11% in 2004.

Figure 19  
Purpose of travel by Europeans, 2007

Purpose	Trips (mn)	% market share	% change 2007/06
Holiday	279	68	6
VFR and other leisure	67	16	2
Business	63	15	6
<b>Total trips</b>	<b>409</b>	<b>100</b>	<b>5</b>

Sources: European Travel Monitor, IPK International; *The World Travel Trends Report 2007-2008*

### Russia and Spain move into the top eight European markets

The top eight European markets generated nearly two thirds of total European trip volume in 2007. Among them, Russia and Spain have shown the strongest growth in recent years, and they have overtaken Switzerland in the ranking by volume – as can be seen in the following table.

However, as detailed in *The World Travel Trends Report*, the ETM data illustrates the great range in travel spending per capita among European markets. The Swiss spend four times more per capita than the Spanish and twelve times more than the Poles. While it is natural, at their current stage of development, for many Central & Eastern European countries to exhibit low travel spending per capita, it is interesting to note that the French, Spanish and Italians also spend relatively little on outbound travel. Conversely, the British, Dutch, Belgians and Scandinavians are heavy spenders on outbound travel.

Figure 20  
Leading European outbound travel markets, 2007

Rank	Market	Trips (mn)	% change on 2006
1	Germany	75.9	2
2	UK	64.1	2
3	France	31.5	6
4	Italy	23.0	9
5	Netherlands	22.4	4
6	Russia	18.5	16
7	Spain	17.4	15
8	Switzerland	14.8	4

Sources: European Travel Monitor, IPK International; *The World Travel Trends Report 2007-2008*

### Air travel continues to gain ground

Air travel continued to increase its share of the European outbound travel market in 2007: trips by air increased by 8%, compared with no increase for ships and increases of 4% for buses and coaches and 1% for cars. Trips by train were up sharply (+12%), reflecting the expansion of high-speed rail services.

However, in line with the reversal, or at least the slowing, of the trend towards short leisure breaks, and the increase in long-haul trips, ETM reports a slowdown in the trend towards the use of 'low-fare' flights. (Note that the ETM defines 'low-fare' flights as flights costing less than €150 for a return trip, which is clearly a broader definition than 'low-cost / no-frills' flights, since it includes some flights by traditional / legacy carriers.)

The ETM estimates that these low-fare airline trips increased by 14% in 2007, and accounted for 35% of total airline-based trips in Europe – the same proportion as in 2006. It is possible that this slower growth is partly due to the rise in fuel surcharges – ie some flights will have been transferred to the higher-cost category by the surcharges – but the main reason is likely to be the natural slowdown in the growth of a maturing market.

Figure 21  
European outbound travel – low-fare<sup>a</sup> vs traditional flights, 2005-07

Type of flights	% growth 2007/06	% market share		
		2005	2006	2007
Traditional	6	67	66	65
Low-fare	14	33	34	35
All flights	8	100	100	100

<sup>a</sup> Low-fare flights are those costing less than €150 return

Sources: European Travel Monitor, IPK International; *The World Travel Trends Report 2007-2008*

### Low-fare flights boosted by internet bookings

All this is part of the continued growth in the use of the internet for travel – a trend which is maturing, and in which the headline growth rates are therefore moderating. Some 50% of European outbound trips (up from 45% in 2006) involved the internet. Use of the internet for online booking as opposed to simply 'looking' – gathering information prior to booking a trip – increased by 15% in 2007, following rises of 16%, 35% and 39% rise in the three previous years.

Figure 22  
European online travel, 2006-07

	% of holidaymakers		% increase 2007/06
	2006	2007	
Use of the internet	45	48	12
Bookers	32	35	15
Lookers <sup>a</sup>	13	13	9
No internet	55	52	-1

<sup>a</sup> Use of the internet to research travel options, but not for booking

Sources: European Travel Monitor, IPK International; *The World Travel Trends Report 2007-2008*

## Europe's Main Source Markets

### Germany

#### **Outbound business travel rises, but leisure demand remains weak**

IPK International's European Travel Monitor (ETM) suggests that domestic tourism accounts for the lion's share of German travel demand, and has been absorbing all the growth in demand. Outbound trips accounted for only 26% of adults' overnight trips in 2007, and these were still 5% down on their 2000 peak. The ETM calculates that Germans made 76 million outbound trips in 2007, 2% more than in 2006, which generated 700 million nights abroad (the same as in 2006) and spending of €62 billion (2% less than in 2006).

Some 52 million (69%) of these trips were for holidays – unchanged in 2007 after a 3% drop in 2006. An estimated 15 million were visits to friends and relatives (VFR), or trips for other private reasons (+3% in 2007). Business trips increased by 15% in 2007, roughly double the rate of growth recorded the previous year. Outbound travel demand is therefore being sustained only by business travel, although this accounts for a mere 12% of the total.

The good news for Europe is that just 11% of German outbound trips are for destinations outside Europe – a lower than average share among European markets. The top seven destinations for German outbound travellers are all within Europe. Demand for the top four – Spain, Italy, Austria and France – has tended to slip in recent years, but Italy staged a partial recovery in 2007. Turkey, in fifth place, suffered a heavy decline in 2006, but recovered well in 2007. The Netherlands and Greece, in sixth and seventh, did well in both 2006 and 2007.

Results so far filed by other destination countries with TourMIS suggest that there were increases in German travellers to Romania, Luxembourg, Serbia (but not Montenegro), Greece and the Nordic countries, but declines in the numbers of travellers to many Central and Eastern European countries.

#### **Prospects for 2008**

The prospects for the German travel market have looked good since the end of 2006. In that year there was a dramatic recovery in business confidence, based on Germany's remarkable success in export markets, and this is no doubt driving the growth in business travel. The economic recovery and the strength of the euro also pointed to a recovery in outbound leisure travel.

However, this has not yet materialised. Consumer and retail confidence indicators have in general remained weak (they deteriorated again in the second half of 2007 and strengthened only slightly, and erratically, in the first four months of 2008). Consumers believe that inflation and tax rises are likely to outweigh any increases in earnings. The strength of the euro – which has been so dramatic in recent months – perhaps does not mean much to people who travel mostly to European destinations.

Economists have been scaling back their forecasts for GDP growth in Germany since the last quarter of 2007, in line with those for most advanced economies. Nevertheless, OECD issued an upbeat prognosis for the German economy in April 2008. It reported that: "Germany has been enjoying a strong

cyclical rebound in economic growth after a long period of stagnation. With strong corporate and household balance sheets and government finances having been consolidated, solid foundations have been laid for sustaining the cyclical upswing or at least mitigating the adverse effects of recent global financial market turmoil." Whether this translates into an increase in outbound travel remains to be seen.

Figure 23  
Latest trends in tourist arrivals and overnights from Germany  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	0.5	-1.3	Jan-Dec/Jan-Dec
Belgium	2.9	1.3	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	-1.6	-12.2	Jan-Dec <sup>a</sup> /Jan-Dec
Croatia	0.5	-1.3	Jan-Dec/Jan-Dec
Cyprus	-9.4	-4.6	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	-4.0	-8.2	Jan-Dec/Jan-Jun
Denmark	na	2.1	Jan-Dec
Estonia	-3.3	-4.4	Jan-Dec/Jan-Dec
Finland	na	7.0	Jan-Dec
France	-2.0	na	Jan-Dec
Greece	8.2	1.7	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	-6.1	-8.2	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	7.3	na	Jan-Jun
Ireland (Republic of)	4.7	-3.8	Jan-Dec/Jan-Dec
Italy	na	na	
Latvia	2.5	-6.1	Jan-Dec/Jan-Dec
Lithuania	-2.6	-4.9	Jan-Dec/Jan-Dec
Luxembourg	9.3	9.4	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Malta	3.4	-5.7	Jan-Dec/Jan-Dec
Monaco	3.0	1.0	Jan-Jun/Jan-Jun
Montenegro	na	-9.9	Jan-Aug
Netherlands	0.0	3.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	4.0	3.0	Jan-Dec/Jan-Dec
Poland	2.4	na	Jan-Dec
Portugal	na	-0.7	Jan-Dec <sup>a</sup>
Romania	23.7	18.8	Jan-Dec/Jan-Dec
Serbia	30.0	27.0	Jan-Dec/Jan-Dec
Slovakia	-8.4	-13.6	Jan-Sep/Jan-Sep
Slovenia	3.1	2.7	Jan-Dec/Jan-Dec
Spain	-0.5	na	Jan-Oct <sup>a</sup>
Sweden	na	5.5	Jan-Dec
Switzerland	6.8	5.6	Jan-Dec/Jan-Dec
Turkey	10.3	na	Jan-Dec
UK	1.5	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

## United Kingdom

### **A dynamic market that slowed a little in 2007**

Official (provisional) outbound figures from the UK Office of National Statistics' International Passenger Survey (IPS) suggest that the British market grew by less than 1% in 2007, resulting in some 70 million trips. This growth was much lower than usual, but it held up reasonably well throughout the year (the second and fourth quarters looked weak mainly because the corresponding quarters of 2006 had been exceptionally strong).

The UK has been one of Europe's most dynamic outbound travel markets, both in terms of total trip volume and frequency of travel. In particular, a huge number of low-cost airlines (LCCs) operate from/to the country, and no-frills airline travel has been a main driver of UK outbound travel trends in the last few years. However, 2007 saw a slowdown in LCC growth and there are signs that this was not simply a short-term fluctuation.

According to the IPS, Europe accounts for 79% of total outbound trips. However, in spite of the reputation of the British for popping across the Channel on a whim, the growth in trips was much faster to the rest of the world than to Europe in 2003-06, and this pattern continued in 2007. Trips to Europe stagnated, while demand for the rest of the world rose by just under 3.5%. Trips to North America, however, slipped for the second year running. Within Europe, trips to the 15 countries of the 'old EU' slipped by 1% in 2007 (after rising by only 1% a year in 2003-07), while those to the rest of Europe were up 3.5% (and 13.5% in 2003-07). But those 15 countries still account for 66% of total trips out of the UK, with the rest of Europe generating a modest 13% share.

Nights spent abroad by UK residents remained almost unchanged in 2007 at 702 million. Average length of stay was 10 nights worldwide and 7.7 nights in Europe. Two thirds (67%) of trips to Europe were for holidays, 16% VFR, 13% for business and 4% for other purposes (similar to those for trips worldwide out of the UK). Total spending on trips to Europe was up 3.5% to £22.1 billion at current prices in 2007.

According to the results filed by different ETC members on TourMIS (see figure 24), there were wide variations in growth from the UK to individual destinations in Europe. Countries reporting large percentage increases in arrivals and/or nights out of the UK in 2007 included Poland, Romania, Serbia, Turkey and Iceland and, to a lesser extent, France, Austria, Finland, Greece, Iceland, Luxembourg, Malta, Monaco, Montenegro and Switzerland. But there were also many countries that reported large declines, including Bulgaria, Estonia, Hungary, Latvia, Lithuania, Slovenia and, to a lesser degree, Cyprus, the Czech Republic, Denmark, Germany and Slovakia.

Most of the UK's more important destinations reported declines or, at best, small increases. The exceptions, already mentioned, were Austria and Switzerland. However, the IPS suggests that Italy and Portugal should be added to the list of countries with substantial increases, and Ireland to the list of countries with substantial declines.

**Figure 24**  
**Latest trends in tourist arrivals and overnights from the UK**  
**in selected European destinations, 2007**  
 (% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	5.8	3.8	Jan-Dec/Jan-Dec
Belgium	-1.6	1.1	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	-15.8	-17.4	Jan-Dec/Jan-Dec
Croatia	-1.0	-7.0	Jan-Nov/Jan-Nov
Cyprus	-5.7	-5.5	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	-0.4	-8.4	Jan-Dec/Jan-Jun
Denmark	na	-0.3	Jan-Dec
Estonia	-8.6	-9.9	Jan-Dec/Jan-Dec
Finland	na	7.8	Jan-Dec
France	7.0	na	Jan-Dec
Germany	-1.9	-2.6	Jan-Dec/Jan-Dec
Greece	6.4	0.4	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	-15.3	-16.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	20.5	na	Jan-Jun
Ireland (Republic of)	-1.2	-3.0	Jan-Dec/Jan-Dec
Italy	na	na	
Latvia	-15.0	-16.3	Jan-Dec/Jan-Dec
Lithuania	-5.8	-14.9	Jan-Dec/Jan-Dec
Luxembourg	2.8	-0.3	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Malta	11.8	6.5	Jan-Dec/Jan-Dec
Monaco	11.0	-4.0	Jan-Jun/Jan-Jun
Montenegro	na	11.0	Jan-Aug
Netherlands	1.0	2.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	1.0	-5.0	Jan-Dec/Jan-Dec
Poland	20.4	na	Jan-Dec
Portugal	na	5.7	Jan-Dec <sup>a</sup>
Romania	14.2	15.1	Jan-Dec/Jan-Dec
Serbia	40.0	32.0	Jan-Dec/Jan-Dec
Slovakia	-3.0	-2.9	Jan-Sep/Jan-Sep
Slovenia	-4.3	-4.6	Jan-Dec/Jan-Dec
Spain	0.8	na	Jan-Oct <sup>a</sup>
Sweden	na	0.4	Jan-Dec
Switzerland	6.3	3.3	Jan-Dec/Jan-Dec
Turkey	14.1	na	Jan-Dec

<sup>a</sup> Estimate

Notes: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

### Prospects for 2008

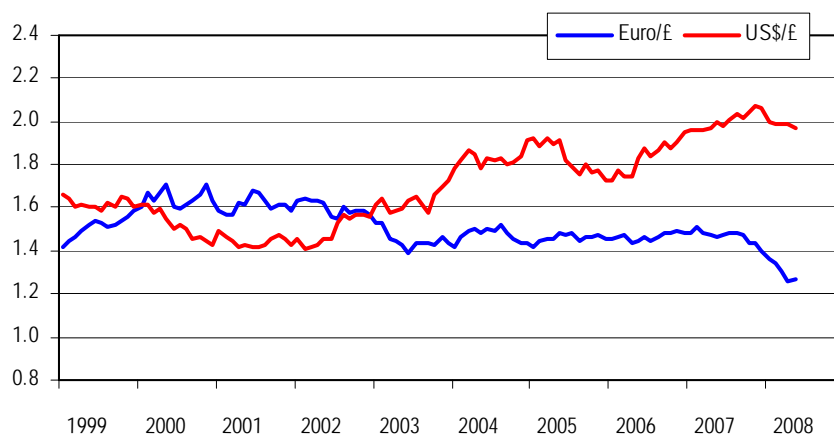
Last year it was noted that the British have the third highest propensity for foreign travel after the Swedes and the Swiss, and are among the leaders in terms of travel frequency, even though travel abroad is not a simple matter of crossing a land border as it is for many of their European neighbours. This propensity has been encouraged by the proliferation of low-cost / no-frills services, including many serving airports in the less populated and less prosperous regions of the UK.

However, even if outbound trips held up well into the last months of 2007 – and they rose 3% the first three months of 2008 – it is becoming increasingly clear that the market is set for a slowdown that is likely to become more severe

towards the end of the year and into 2009. Tour operators are already suffering from weak sales, especially to destinations in the eurozone. Higher interest rates, higher taxes and higher inflation (especially in fuel and food prices) are eating into disposable incomes; these factors, plus the continuous reports of financial crises and falling house prices, are affecting consumer confidence.

The weakness of sterling against the euro and other European currencies could also divert some travel spending to the domestic market – notably as far as secondary trips are concerned. The effect on long holidays may be more complicated: some important long-haul destinations for the British are broadly US-dollar denominated, but others (such as Australia and New Zealand) have strong currencies and are affected by heavy fuel surcharges.

Figure 25  
Exchange rate of the pound sterling against the euro and US dollar, 1999-2008



Source: OandA.com

Nevertheless, foreign travel remains a major priority for the British, and has long been considered far more important than acquiring any kind of consumable goods, even if a lot of it is paid for on credit. Although the numbers of people seriously affected by the downturn will accumulate – notably because of employment losses (especially in the once-prospering and very affluent financial sector) and the difficulties of re-mortgaging and the withdrawal of credit lines – it is still possible that the increasingly generous attempts of the government and the Bank of England to release the credit markets will prevent more serious and longer-term effects, whether on the travel market or other sectors.

## France

### Outbound travel continues to grow rapidly

France was one of the better performing European outbound markets in 2007 – for the third consecutive year. This was in many ways surprising as past experience has shown the French are much more likely to postpone decisions regarding discretionary spending – especially spending on travel abroad – during presidential election years. However, the expansion of low-cost / no-frills airline options out of France – which lags well behind most other key source markets in the sector – boosted demand for foreign leisure trips.

Figure 26  
Latest trends in tourist arrivals and overnights from France  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	-2.8	-3.0	Jan-Dec/Jan-Dec
Belgium	-4.0	-3.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	32.7	21.4	Jan-Dec/Jan-Dec
Croatia	-6.0	-3.0	Jan-Nov/Jan-Nov
Cyprus	9.6	3.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	-1.6	1.9	Jan-Dec/Jan-Jun
Denmark	na	-5.3	Jan-Dec
Estonia	7.9	5.5	Jan-Dec/Jan-Dec
Finland	na	2.3	Jan-Dec
Germany	4.9	5.7	Jan-Dec/Jan-Dec
Greece	7.8	9.4	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	5.6	6.2	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	2.6	na	Jan-Jun
Ireland (Republic of)	9.6	8.7	Jan-Dec/Jan-Dec
Italy	na	na	
Latvia	10.6	4.4	Jan-Dec/Jan-Dec
Lithuania	10.2	35.5	Jan-Dec/Jan-Dec
Luxembourg	2.6	4.8	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Malta	2.4	-2.3	Jan-Dec/Jan-Dec
Monaco	-3.0	-2.0	Jan-Jun/Jan-Jun
Montenegro	na	83.7	Jan-Aug
Netherlands	2.0	1.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	13.0	4.0	Jan-Dec/Jan-Dec
Poland	12.2	na	Jan-Dec
Portugal	na	15.9	Jan-Dec <sup>a</sup>
Romania	7.9	4.2	Jan-Dec/Jan-Dec
Serbia	39.0	49.0	Jan-Dec/Jan-Dec
Slovakia	-4.6	-7.3	Jan-Sep/Jan-Sep
Slovenia	12.0	12.8	Jan-Dec/Jan-Dec
Spain	1.4	na	Jan-Oct <sup>a</sup>
Sweden	na	13.3	Jan-Dec
Switzerland	8.3	7.7	Jan-Dec/Jan-Dec
Turkey	16.8	na	Jan-Dec
UK	-8.0	na	Jan-Dec

<sup>a</sup> Estimate

Notes: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

IPK International's ETM estimates that trips by adults aged 15 years and over increased by 6% to 31.5 million in 2007. A higher than average share of French outbound trips are for long-haul destinations. This was reinforced in 2007, when long-haul travel grew faster than short-haul. It should be noted, however, that airline traffic statistics show that short breaks are still growing faster than in more mature European markets. France, despite being one of Europe's leading outbound travel markets, was slow to adopt low-cost airline travel, so the market is still far from being saturated, as is the case of the UK, for example.

For 2007 (see figure 26), some of France's major traditional destinations reported declines in arrivals (the UK, Austria, Belgium) or only modest increases (Spain, the Netherlands). The exceptions are Germany (+5% in arrivals and +6% in nights) and Switzerland (+8% in arrivals and nights). Figures for Italy are not yet available.

However, many countries in Central & Eastern Europe and Southern / Mediterranean Europe saw large increases. They include all three of the Baltic States: Latvia (+11%), Lithuania (+10%, and +36% for nights) and Estonia (+8%). Montenegro (nights +84%) and Serbia (arrivals +39%) also recorded very large increases for the second year running, but the numbers are still tiny (18,000 and, very roughly, 25,000 respectively) compared with, say Croatia (over 500,000, but -6%) and Portugal (over 1.5 million and +16% in nights).

After turning in disappointing performances in 2006, Turkey (+17%) and Greece (+8%) proved two of the favourite destinations for the French market last year.

### **Prospects for 2008**

The last few years have seen a steady rise in foreign trip taking by the French, whose propensity to travel abroad nonetheless remains well below the European average. The growing interest in foreign travel is attributed in part to the increased cost of a holiday in France – or, at least, the perceived higher costs since the euro was introduced.

Although forecasts for GDP growth have been trimmed in recent months and consumer confidence has slipped, France is expected to weather the current world economic crisis relatively easily. It is therefore reasonable to hope for last year's growth in outbound travel to continue – although such growth is always liable to pause for breath.

## **Netherlands**

### **Dutch outbound travel picked up in 2007**

IPK International's ETM suggests that outbound trips from the Netherlands increased rather more robustly in 2007 than they did in 2006 – by about 4% to 22.4 million. Several destinations have also reported increases in arrivals and/or nights well into double digits (see figure 27), including Serbia, Montenegro, Romania, Slovenia, Norway, Sweden and Iceland. Just as importantly, many of the most important destinations recorded modest but solid increases of a few percentage points, including Austria, Belgium, Germany, the UK, Greece, Turkey and, with a more generous 10%, Switzerland. Exceptions included France, with a decline of 3% in arrivals, and Spain, which fell 2%.

Figure 27  
Latest trends in tourist arrivals and overnights from the Netherlands  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	2.8	3.7	Jan-Dec/Jan-Dec
Belgium	1.1	-0.8	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	10.7	12.3	Jan-Dec/Jan-Dec
Croatia	9.0	5.0	Jan-Dec/Jan-Dec
Cyprus	-5.5	-9.3	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	-12.8	-2.6	Jan-Dec/Jan-Jun
Denmark	na	3.2	Jan-Dec
Estonia	-10.7	-7.8	Jan-Dec/Jan-Dec
Finland	na	-3.5	Jan-Dec
France	-3.0	na	Jan-Dec
Germany	2.8	2.5	Jan-Dec/Jan-Dec
Greece	9.4	8.2	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	2.4	-0.5	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	23.5	na	Jan-Jun
Ireland (Republic of)	0.0	7.0	Jan-Dec/Jan-Dec
Italy	na	na	
Latvia	na	na	
Lithuania	4.4	3.4	Jan-Dec/Jan-Dec
Luxembourg	-6.8	-12.2	Jan-Aug <sup>a</sup> /Jan-Aug <sup>a</sup>
Malta	-8.1	-9.0	Jan-Dec/Jan-Dec
Monaco	25.0	-5.0	Jan-Jun/Jan-Jun
Montenegro	na	68.5	Jan-Aug
Norway	18.0	13.0	Jan-Dec/Jan-Dec
Poland	-11.5	na	Jan-Dec
Portugal	na	1.2	Jan-Dec <sup>a</sup>
Romania	29.2	25.5	Jan-Dec/Jan-Dec
Serbia	39.0	39.0	Jan-Dec/Jan-Dec
Slovakia	5.4	-2.2	Jan-Sep/Jan-Sep
Slovenia	9.6	12.0	Jan-Dec/Jan-Dec
Spain	-2.1	na	Jan-Oct <sup>a</sup>
Sweden	na	17.1	Jan-Dec
Switzerland	10.3	8.8	Jan-Dec/Jan-Dec
Turkey	5.6	na	Jan-Dec
UK	4.0	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

Other countries reporting declines in arrivals included several in Central Europe – the Czech Republic, Estonia and Poland – plus Cyprus and Malta.

Although the Dutch outbound travel market has fluctuated quite sharply since the beginning of the decade, it remains an important source, characterised by a high propensity to travel abroad (81%). Holiday trips account for more than three quarters of total outbound trip volume, and more than 90% of total trips are for European destinations.

Seasonality is not a major problem, either, although the main months for long holidays are July and August and the four months of May-August generate

54% of total trips abroad. The rest of the year is more marked by short breaks and long-haul trips.

**Prospects for 2008** After relatively sluggish growth during the recent world economic boom, the Dutch economy seems now to be performing very well. Estimates of real GDP growth in 2007 have been revised sharply upwards, to 3.5%, and only a modest slowdown is expected in 2008-09. With employment rising by over 100,000 a year and unemployment falling from 3.9% in 2006 to 3.2% in 2007 and a forecast 2.8% in 2008, earnings are also likely to rise, counteracting the effect of the international financial crisis on consumer confidence.

On the downside, the tax burden (especially on the affluent) is expected to increase in 2008-09. Nevertheless, these conditions point to a further increase in outbound travel.

## Italy

**Foreign destinations gain at the expense of domestic tourism** In addition to being one of the faster growing destinations in 2007, Italy has been one of the faster growing source markets, although a survey by ConfCommercio suggests this was at the expense of domestic tourism. IPK International's European Travel Monitor puts the increase in outbound trips in 2007 at 9%. Outbound travel expenditure rose by 7%, according to UNWTO. Since Italy is the world's seventh largest tourism market in spending terms, this growth is not to be sneezed at.

Figure 28 shows that increases in arrivals from Italy were recorded in 2007 by most European destinations, including substantial increases for many of the major receiving countries – 9% for France (after a 9.5% increase in 2006), 6% for Germany, 7.5% for Spain and 11% for the UK. There were also some very large percentage increases, including 28% for Turkey, 35% for Bulgaria, 33% for Serbia and 27% for Iceland. Very few countries reported declines in arrivals – Estonia, Austria, Hungary and Slovakia being obvious exceptions – but rather more reported declines in nights.

**Prospects for 2008** For some time Italy has been the most sluggish of the major European economies, with little growth in consumer spending power. Real GDP is estimated to have increased by just 1.5% in 2007, and forecasts for 2008 and 2009 have been trimmed – the International Monetary Fund's *World Economic Outlook* is projecting just 0.25% a year. The fact that outbound travel has nevertheless continued to rise suggests that Italians' propensity to travel at current income levels is rising.

Longer-term forecasts are also very bullish for outbound travel generally as Italians' propensity for foreign travel is still a long way from reaching a ceiling. However, this may not be to the advantage of European destinations. In addition to the expansion of low-cost / no-frills airline services from the country, Italians are also long-haul travel enthusiasts, and there is plenty of room for growth in this sector of the market.

**Figure 28**  
**Latest trends in tourist arrivals and overnights from Italy**  
**in selected European destinations, 2007**  
 (% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	-4.3	-3.1	Jan-Dec/Jan-Dec
Belgium	1.0	2.9	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	34.6	17.5	Jan-Dec/Jan-Dec
Croatia	1.2	-0.4	Jan-Dec/Jan-Dec
Cyprus	7.6	2.8	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	3.4	6.5	Jan-Dec/Jan-Jun
Denmark	na	-4.5	Jan-Dec
Estonia	-6.9	-1.6	Jan-Dec/Jan-Dec
Finland	na	0.6	Jan-Dec
France	9.0	na	Jan-Dec
Germany	6.0	6.4	Jan-Dec/Jan-Dec
Greece	5.0	7.0	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	-3.2	-5.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	27.4	na	Jan-Jun
Ireland (Republic of)	7.0	-3.7	Jan-Dec/Jan-Dec
Latvia	7.8	-2.4	Jan-Dec/Jan-Dec
Lithuania	2.3	-4.3	Jan-Dec/Jan-Dec
Luxembourg	2.5	7.8	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Malta	1.0	-5.1	Jan-Dec/Jan-Dec
Monaco	-1.0	-4.0	Jan-Jun/Jan-Jun
Montenegro	na	233.0	Jan-Aug
Netherlands	0.0	-3.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	15.0	12.0	Jan-Dec/Jan-Dec
Poland	18.3	na	Jan-Dec
Portugal	na	5.7	Jan-Dec <sup>a</sup>
Romania	6.5	5.4	Jan-Dec/Jan-Dec
Serbia	33.0	28.0	Jan-Dec/Jan-Dec
Slovakia	-7.2	-1.0	Jan-Sep/Jan-Sep
Slovenia	3.3	2.5	Jan-Dec/Jan-Dec
Spain	7.5	na	Jan-Oct <sup>a</sup>
Sweden	na	9.5	Jan-Dec
Switzerland	8.7	7.2	Jan-Dec/Jan-Dec
Turkey	27.9	na	Jan-Dec
UK	11.2	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

## Russia

### Headlong growth in outbound travel

Russians are now the tenth biggest spenders in the world on tourism abroad, according to UNWTO, with international travel expenditure up 22% in the first three quarters of 2007. The ETM, meanwhile, estimates that Russian outbound trip volume rose 16% last year to 18.5 million, and official outbound statistics from Russia's State Statistics Committee pointed to even stronger growth overall, of 18%, with holiday trips up 21%.

With such rapid overall growth, it is not surprising that many countries in Europe are reporting large increases in arrivals in 2007. Countries so far reporting increases in excess of 20% out of the Russian market include Austria, Croatia, Cyprus, the Czech Republic, France (at least in terms of hotel nights) Latvia, Lithuania, Monaco, Serbia, Slovenia, Spain, Switzerland and Turkey. Increases reported for nights suggest that Finland, Montenegro and Portugal should be added to this list. The Russian market is said to be driving tourism in Finland, in particular, with heavy investments in holiday homes and resorts.

Figure 29  
Latest trends in tourist arrivals and overnights from Russia  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	33.2	24.7	Jan-Dec/Jan-Dec
Belgium	1.6	8.1	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	13.9	13.3	Jan-Dec/Jan-Dec
Croatia	45.0	38.0	Jan-Dec/Jan-Dec
Cyprus	27.1	29.3	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	33.9	32.7	Jan-Dec/Jan-Sep
Denmark	na	-4.4	Jan-Dec
Estonia	-16.1	-15.4	Jan-Dec/Jan-Dec
Finland	na	na	
France	na	na	
Germany	13.3	13.6	Jan-Dec/Jan-Dec
Greece	na	na	
Hungary	16.4	9.3	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	na	na	
Ireland (Republic of)	na	na	
Italy <sup>b</sup>	na	na	
Latvia	20.0	24.2	Jan-Dec/Jan-Dec
Lithuania	30.9	25.5	Jan-Dec/Jan-Dec
Luxembourg	na	na	
Malta	5.2	-16.5	Jan-Dec/Jan-Dec
Monaco	37.0	18.0	Jan-Jun/Jan-Jun
Montenegro	na	80.2	Jan-Aug
Netherlands	14.0	7.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	18.0	30.0	Jan-Dec/Jan-Dec
Poland	-5.6	na	Jan-Dec
Portugal	na	31.2	Jan-Dec
Romania	-7.5	-30.4	Jan-Dec/Jan-Dec
Serbia	35.0	42.0	Jan-Dec/Jan-Dec
Slovakia	19.5	19.5	Jan-Sep/Jan-Sep
Slovenia	26.9	30.9	Jan-Dec/Jan-Dec
Spain	28.6	na	Jan-Dec <sup>a</sup>
Sweden	na	11.9	Jan-Dec
Switzerland	22.9	21.8	Jan-Dec/Jan-Dec
Turkey	33.0	na	Jan-Dec
UK	-1.0	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15

Sources: ETC members; TourMIS

Most of the growth out of Russia in the last four to five years has been for sun & beach destinations and, in particular, destinations for which no visas are required, or which offer visas on arrival – such as Turkey and Egypt. There are reports that some European Union member destinations are becoming more difficult in terms of visa issuance and this has already had an impact on demand. The UK is case in point as it implemented biometrics in the last few months of 2007.

**Prospects for 2008** As already indicated, greater difficulties in obtaining visas for some European countries might have an increasing impact on travel demand during 2008, with Europe losing out to longer-haul points. But there is no doubt that Russians are very enthusiastic travellers and it is no longer just the elite of Russian society that can afford to travel. Enthusiasm for travel abroad has also spread to the fast-emerging middle classes. As their numbers grow, this will fuel further demand for outbound travel.

Moreover, the boom is unlikely to be affected by the current world financial crisis and economic slowdown. The increases in world petroleum and gas prices are allowing very large increases in the disposable incomes of favoured segments of the Russian population, and these increases are showing every indication of continuing.

In contrast to those for many other major economies, estimates of real GDP growth in 2007 and forecasts for 2008 have been raised – the IMF's *World Economic Outlook* of April 2008 gives 8.1% for 2007 and 6.8% for 2008 – and these growth rates at constant prices disguise the rise in incomes generated by rising oil prices and a rising exchange rate. Although inflation accelerated to 12.6% in February 2008, this is unlikely to affect the travel intentions of those benefiting from the boom.

However, political relations between Russia and Europe have become increasingly tense, and it is always possible – though hopefully unlikely – that such problems will get in the way of these travel intentions, as they have, for instance, in the cases of Estonia and Georgia.

## Non-European Markets

### United States

**Faster growth than might have been expected**

The USA is the world's second largest market for international tourism (in spending terms), after Germany. Expenditure on travel abroad increased by 6.3% in the first eleven months of 2007, suggesting a full-year total of US\$76.5 billion. However, this figure is misleading, given the decline in the value of the US dollar.

Preliminary figures from the Office of Travel & Tourism Industries (OTTI) in the US Department of Commerce for US citizens' air travel overseas in 2007 show an increase of 4.3% to 31.2 million trips (or, including air trips to Canada and Mexico, an increase of 3.2% to 40.8 million trips). Within this total, trips to Europe increased by 3.3% to 13.3 million – finally exceeding the market's 2000

peak. This contrasts with increases of 7-9% to Central and South America and Asia, and of 24-25% to Africa and the Middle East. Trips to Europe outpaced only those to Oceania, the Caribbean (in decline), Mexico and Canada.

Figure 30  
Latest trends in tourist arrivals and overnights from the USA  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	-4.4	-2.6	Jan-Dec/Jan-Dec
Belgium	1.8	3.5	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	4.9	-5.3	Jan-Dec/Jan-Dec
Croatia	18.0	18.0	Jan-Dec/Jan-Dec
Cyprus	18.4	-13.1	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	0.0	-1.2	Jan-Sep/Jan-Jun
Denmark	na	-12.9	Jan-Dec
Estonia	11.6	8.4	Jan-Dec/Jan-Dec
Finland	na	4.3	Jan-Dec
France	9.0	na	Jan-Dec
Germany	0.2	0.2	Jan-Dec/Jan-Dec
Greece	5.3	1.4	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	0.3	-2.4	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	-9.3	na	Jan-Jun
Ireland (Republic of)	3.1	0.4	Jan-Dec/Jan-Dec
Italy	na	na	
Latvia	-8.0	-27.4	Jan-Dec/Jan-Dec
Lithuania	1.1	-7.0	Jan-Dec/Jan-Dec
Luxembourg	-5.3	-5.2	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Malta	20.4	4.4	Jan-Dec/Jan-Dec
Monaco	23.0	8.0	Jan-Jun/Jan-Jun
Montenegro	na	25.5	Jan-Aug
Netherlands	-3.0	-4.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	6.0	1.0	Jan-Dec/Jan-Dec
Poland	-6.4	na	Jan-Dec
Portugal	na	4.4	Jan-Dec <sup>a</sup>
Romania	0.1	7.5	Jan-Dec/Jan-Dec
Serbia	10.0	14.0	Jan-Dec/Jan-Dec
Slovakia	2.7	-1.4	Jan-Sep/Jan-Sep
Slovenia	5.2	4.8	Jan-Dec/Jan-Dec
Spain	21.3	na	Jan-Oct <sup>a</sup>
Sweden	na	4.6	Jan-Dec
Switzerland	0.3	0.4	Jan-Dec/Jan-Dec
Turkey	20.8	na	Jan-Dec
UK	-2.5	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

The European countries that have filed their 2007 arrivals or nights from the USA on TourMIS recorded a wide range of results – often with great differences between arrivals and nights. Countries reporting double-digit increases for one or the other (for the whole year or a large part of the year) include Croatia, Estonia, Malta, Monaco, Montenegro, Serbia, Turkey and (with an increase of 22%, which is particularly impressive for such an important

destination) Spain. Although no official data is yet available on arrivals from the USA, other sources suggest that Portugal also recorded a strong double-digit increase from the market. Cyprus somehow contrived to achieve an 18% increase in arrivals and a 13% decline in nights. Bulgaria, Norway and Sweden also attracted substantial increases.

Large declines were reported by Denmark, Iceland and Latvia, and less severe but significant declines by Austria, the Czech Republic, the Netherlands, Poland and the UK.

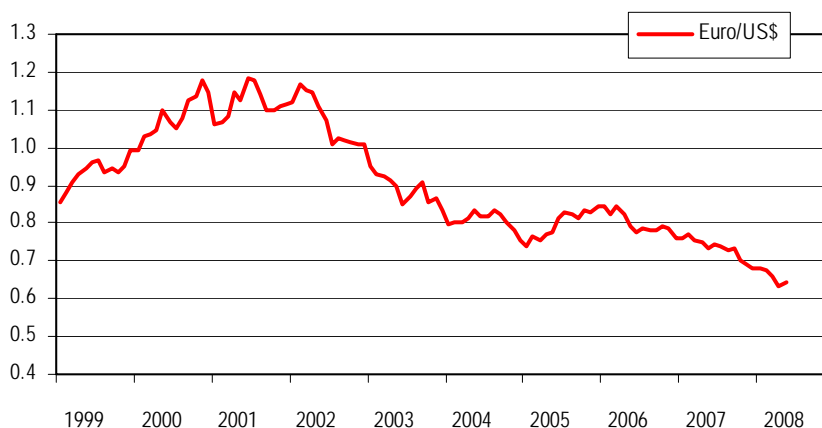
**Prospects for 2008**

The USA is at the epicentre of the current concerns about the world economy. So it is not surprising that most forecasts regarding short-term growth prospects are far from bullish. Admittedly, overseas travel remains a smaller component of household budgets for Americans in general than, say, for the British, so should be more resilient to the current pressures. Houses and mortgages represent smaller components of household equity, and interest rates are lower. In addition, the profile of consumers caught in the sub-prime mortgage shutdown does not match that of consumers likely to travel to Europe. However, Americans are not traditionally known as risk-takers and are notoriously reluctant to travel abroad when times are tough.

Current indicators point strongly to a slowdown, or more likely a recession, in the US economy, although some industry observers believe this will be relatively shallow. But coupled with the weak dollar, increasing fuel (and therefore air travel) costs, and the uncertain economic outlook in an important presidential election year, the chances are that long-haul travel to Europe will suffer – if not in 2008, certainly in 2009. Europe's loss is likely to be in favour of domestic travel or travel to Latin America and Asia – especially China and other emerging destinations like Vietnam and Cambodia.

It is also important to point out that the low dollar is at last boosting US exports. So, discouraging as the low dollar is for outbound leisure travel, it is becoming an encouragement for business travel related to export promotion.

Figure 31  
Exchange rate of the US dollar against the euro, 1999-2008



Source: OandA.com

Other factors to consider include the increase in the numbers of US citizens holding valid passports as a result of the implementation of the Western Hemisphere Travel Initiative (WHTI), the implementation of the open skies agreement between the USA and EU from the end of March 2008, and the introduction of the huge Airbus A380 on North Atlantic routes. These factors may compensate in part for the continued increases in fuel prices.

## Canada

### **Outbound travel continues to be boosted by a strong currency**

Canada retained its eighth position in the UNWTO world ranking of tourism generating markets in 2007, with an estimated 12% increase in spending on tourism abroad. This estimate is based on trends through the first three quarters of the year in the local currency; in US dollar terms it would have been higher. Full details of trip volume are not yet available, but Statistics Canada's international travel survey suggests that outbound trips to the USA increased by 11% to 10.9 million in 2007 and those to the rest of the world by 11% to 10.6 million – a total of 25.1 million (+11%).

Travel to Europe has been showing healthy growth over the past few years. Europe accounts for around 13% of total trip volume, as well as 60% of all overseas trips and close to 45% of overseas pleasure trips.

Outbound travel was boosted in 2006 and 2007 by the extraordinary strength of the Canadian dollar, which rose rapidly against the US dollar and more moderately and intermittently against the euro. However, that strength has also been causing serious disruption to the economies of the eastern provinces of Canada, while prosperity has been concentrated in the western provinces, whose minerals and other natural resources have benefited from high prices for international commodities and strong demand from Asia.

Most European countries achieved impressive growth rates out of Canada in both 2006 and 2007. Those which registered double-digit gains in arrivals or nights in both years included Bulgaria, Greece, Iceland and Cyprus (although the numbers for arrivals and nights in Bulgaria and Cyprus seem to fluctuate enormously in opposite directions). Spain reported a 45% increase in arrivals in 2007 – even larger than the increase out of the USA – and Ireland a 41% increase in nights. France reported a large increase in the first half of the year, but a large decline in the second half. Turkey was up 31%, and Monaco achieved an increase of 157% (albeit with small absolute numbers).

Nevertheless, a few countries reported substantial declines in arrivals. They included Romania, the Netherlands, Denmark, the Czech Republic (in nights) and Hungary – all after substantial increases in 2006.

### **Prospects for 2008**

Prospects for the Canadian economy seem to be deteriorating more rapidly than expected, principally because of the slowdown in demand from the USA and the fallout from the crisis in the international financial sector. However, consumer demand in the western provinces is expected to remain strong.

Furthermore, the Canadian dollar stabilised against the US dollar towards the end of 2007, and has since been falling quite heavily against the euro.

Coupled with the rise in fuel prices, this is beginning to make travel to Europe a more expensive proposition.

Figure 32  
Latest trends in tourist arrivals and overnights from Canada  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	2.9	3.7	Jan-Dec/Jan-Dec
Belgium	1.7	7.8	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	12.2	na	Jan-Dec
Croatia	27.0	28.0	Jan-Dec/Jan-Dec
Cyprus	8.3	66.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	2.6	-9.4	Jan-Dec/Jan-Jun
Denmark	na	-5.9	Jan-Dec
Estonia	25.5	18.8	Jan-Dec/Jan-Dec
Finland	na	5.7	Jan-Dec
France	-1.0	na	Jan-Dec
Germany	4.5	6.0	Jan-Dec/Jan-Dec
Greece	15.3	7.6	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	-4.8	0.2	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	54.2	na	Jan-Jun
Ireland (Republic of)	8.1	40.5	Jan-Dec/Jan-Dec
Italy	na	na	
Latvia	na	na	
Lithuania	2.0	-3.0	Jan-Dec/Jan-Dec
Luxembourg	na	na	
Malta	na	na	
Monaco	157.0	151.0	Jan-Jun/Jan-Jun
Montenegro	na	7.5	Jan-Aug
Netherlands	-11.0	-14.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	na	na	
Poland	7.8	na	Jan-Dec
Portugal	na	-0.8	Jan-Dec <sup>a</sup>
Romania	-22.4	-23.4	Jan-Dec/Jan-Dec
Serbia	10.0	14.0	Jan-Dec/Jan-Dec
Slovakia	na	na	
Slovenia	-3.0	4.0	Jan-Dec/Jan-Dec
Spain	45.2	na	Jan-Oct
Sweden	na	2.4	Jan-Dec
Switzerland	6.4	4.8	Jan-Dec/Jan-Dec
Turkey	31.3	na	Jan-Dec
UK	3.1	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Greece (THS/NHS)

Sources: ETC members; TourMIS

Against this may be set the fact that rising fuel prices have a more visible effect, to consumers, on the cost of car journeys, both within Canada and across the border to the USA. And the stricter border controls and delays are a subject for constant media attention. The implementation of the US Government's WHTI will result in more Canadians having the right travel documents for overseas travel, which can only be good news for European destinations.

Europe remains high on the destination wish list of Canadians, despite growing travel to South America and Asia, with Australia and New Zealand the main competitors in terms of aspirations. Based on current tour operating trends, Central & Eastern Europe should attract the strongest growth in Canadian pleasure visits to Europe over the short to medium term – as is the case with the US market.

## Japan

### Long-haul travel seems to be out of fashion

Japan seemed to be coming out of its very long economic recession in 2002-06, bringing hopes for a revival in the travel market. Only 13% of Japanese have travelled abroad, so there is plenty of scope for expansion. But outbound travel has remained very sluggish. The Japan National Tourism Organization (JNTO) has published preliminary figures showing that total outbound trips declined further in 2007, by 1.4% to 17.3 million. And the number of Japanese residents boarding international flights in Tokyo Narita airport in January 2008 was 5% lower than a year earlier.

Moreover, long-haul travel has fallen from 50% of total trip volume to around 40%. It is said that both younger and older Japanese – with the exception of females over 55 years old – are losing interest in venturing outside Asia. Families also tend to prefer destinations in Asia (ie closer to home). Travel to Europe has also been discouraged by the fact that the yen, generally tracking the US dollar, has been falling against the euro.

Accordingly, many European destinations – including all the major destinations except Spain and Italy – continue to report substantial declines in arrivals from Japan. Countries reporting increases in 2007 included Cyprus, Greece, Montenegro, Poland and Slovenia, none of which can be regarded as well-established destinations for Japanese travellers. However, Spain recorded a 52% increase in arrivals in the first ten months of the year, in line with similarly large increases from North America.

### Prospects for 2008

The economic recovery in Japan has been primarily related to exports and has had little evident impact on consumer spending. The recovery itself now seems, in the Japanese Government's polite phraseology: "to be pausing". It is clear that economic growth in itself is not going to provide any substantial increase in tourist arrivals in Europe. What is needed is a recovery in Japanese enthusiasm for long-haul travel.

There was an important shift in the trend of the yen in July 2007: it has since been rising strongly against the US dollar and has stabilised, with considerable fluctuations, against the euro. European destinations are at least no longer becoming more expensive in yen terms; on the other hand, North American destinations (and Asian destinations whose currencies are more tightly linked to the US dollar) are becoming cheaper.

Europe's tourism industry faces an uphill struggle to reverse current trends, but the sheer scale of the Japanese market makes the effort worthwhile, and the Japanese do feel an affinity for Europe's scenic, cultural and historical attractions.

**Figure 33**  
**Latest trends in tourist arrivals and overnights from Japan**  
**in selected European destinations, 2007**  
 (% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	-14.4	-15.5	Jan-Dec/Jan-Dec
Belgium	-0.2	-0.6	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	5.0	-21.6	Jan-Dec <sup>a</sup> /Jan-Dec
Croatia	na	na	
Cyprus	22.1	81.3	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	-6.4	-5.8	Jan-Dec/Jan-Jun
Denmark	na	-8.8	Jan-Dec
Estonia	-16.0	-21.1	Jan-Oct/Jan-Dec
Finland	na	4.7	Jan-Dec
France	7.0	na	Jan-Dec
Germany	-12.9	-13.7	Jan-Dec/Jan-Dec
Greece	15.4	19.5	Jan-Sep <sup>a</sup> /Jan-Sep <sup>a</sup>
Hungary	-7.5	-0.7	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Iceland	3.3	na	Jan-Jun
Ireland (Republic of)	-16.1	na	Jan-Dec
Italy	na	na	
Latvia	na	na	
Lithuania	3.1	-6.4	Jan-Dec/Jan-Dec
Luxembourg	-16.9	-9.7	Jan-Aug <sup>a</sup> /Jan-Aug <sup>a</sup>
Malta	na	na	
Monaco	3.0	-12.0	Jan-Jun/Jan-Jun
Montenegro	na	54.2	Jan-Aug
Netherlands	-15.0	-19.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	-8.0	-9.0	Jan-Dec/Jan-Dec
Poland	16.1	na	Jan-Dec
Portugal	na	-8.0	Jan-Dec <sup>a</sup>
Romania	-11.0	-13.3	Jan-Dec/Jan-Dec
Serbia	na	na	
Slovakia	-22.4	-26.2	Jan-Sep/Jan-Sep
Slovenia	23.3	31.1	Jan-Dec/Jan-Dec
Spain	52.0	na	Jan-Oct <sup>a</sup>
Sweden	na	-8.9	Jan-Dec
Switzerland	-6.5	-6.7	Jan-Dec/Jan-Dec
Turkey	34.3	na	Jan-Dec
UK	-2.9	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Greece and Luxembourg (THS/NHS)

Sources: ETC members; TourMIS

## China

### A mixed performance across Europe in 2007

China continues to be one of the fastest growing outbound travel markets in the world. Thanks to rapid urbanisation, rising disposable incomes and relaxations of restrictions on foreign travel, outbound trip volume has grown by an annual average of 22.0% since 2000 and just under 15.5% since 1995 –

reaching 34.5 million in 2006. Provisional figures put the total trip volume at 37.4 million for 2007, up 8.4%.

In 1995, the World Tourism Organization (UNWTO) predicted that China would generate 100 million arrivals worldwide annually by 2020, making it the fourth largest market in the world (*UNWTO Tourism 2020 Vision*). In view of recent trends, it is on course to reach that target well before 2020.

Nevertheless, much of the enthusiasm about China's potential as an outbound tourism source overlooks the fact that the vast majority of outbound trips (over 70%) are to the Chinese Special Administrative Regions (SARs) of Hong Kong and Macau. Around half of the rest are 'border tourists' on day trips to Russia, Vietnam or Laos for trade and shopping, or to gamble in casinos, which are illegal in China.

Europe's share of China's outbound trip volume is difficult to determine as official outbound data only counts the first point of call on an outbound trip. But the official count from the China National Tourism Administration (CNTA) was 1.8 million in 2005 and it certainly would have exceeded the 2 million mark last year.

Growth trends recorded by countries whose NTOs have filed data on TourMIS (and there are many gaps in coverage, including partial year data for many of those who have reported results) point to differing performances from one destination to another out of the Chinese market. Among the best performers were Cyprus, Hungary, Luxembourg, Monaco, Romania, Slovenia, Turkey and the UK. But preliminary estimates suggest declines for Austria, Belgium, Denmark, Estonia and Lithuania. In terms of hotel nights, a very negative trend is reported for France – surprising given that the country always rates very highly in consumer surveys asking about aspirational destinations.

The European tourism industry's attention continues to be primarily focused on the Chinese group leisure tour market, opened up as a result of the granting of Approved Destination Status (ADS) to most European countries in 2004. ADS is the scheme that authorises approved destination countries to receive leisure tour group travellers from China.

However, it has proved difficult to generate sustainable and profitable business in a market characterised by low-priced, low-yield, multi-destination tours. Business, incentive and technical trips are showing better growth and, like independent (FIT) leisure trips, are seen as much more attractive for the longer term.

Not surprisingly, UNWTO data shows that spending per trip by Chinese has fallen quite sharply over the past six years – from US\$1,252 to US\$704 – as the market for foreign travel has opened up to Chinese citizens with lower incomes, who travel abroad for shorter periods and to destinations closer to home, leading to a surge in the volume of trips. However, since this average includes spending on trips to Hong Kong and Macau, it does not give a clear picture of trends in Chinese spending to other destinations.

CNTA says that the average spend per Chinese tourist on a holiday to Europe is €3,000, broken down as follows: 34% for shopping, 17% airfare, 18% accommodation, 9% entertainment and 3% travel agency services. IPK International's World Travel Monitor – which measures total spending related to

a trip, including spending in one's own country before a trip – also points to much higher than average spending by Chinese on trips to destinations outside Greater China – ie excluding trips to Hong Kong, Macau and Taiwan.

Figure 34  
Latest trends in tourist arrivals and overnights from China  
in selected European destinations, 2007  
(% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	-3.1	-3.0	Jan-Dec/Jan-Dec
Belgium	-8.6	-3.7	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	11.2	na	Jan-Dec <sup>a</sup>
Croatia	na	na	
Cyprus	72.2	10.7	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Czech Republic	29.1	3.1	Jan-Dec/Jan-Jun
Denmark	na	-19.8	Jan-Dec
Estonia	-11.5	-16.5	Jan-Dec/Jan-Dec
Finland	na	-0.9	Jan-Dec
France	na	na	
Germany <sup>b</sup>	4.7	2.8	Jan-Dec/Jan-Dec
Greece	na	na	
Hungary	23.7	14.2	Jan-Dec/Jan-Dec
Iceland	na	na	
Ireland (Republic of)	na	na	
Italy	na	na	
Latvia	na	na	
Lithuania	-20.2	9.3	Jan-Dec/Jan-Dec
Luxembourg	17.3	12.2	Jan-Aug <sup>a</sup> /Jan-Aug <sup>a</sup>
Malta	na	na	
Monaco	121.0	46.0	Jan-Jun/Jan-Jun
Montenegro	na	na	
Netherlands	14.0	5.0	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Norway	na	3.0	Jan-Dec
Poland	21.2	na	Jan-Dec
Portugal	na	na	
Romania	29.7	80.6	Jan-Dec/Jan-Dec
Serbia	na	na	
Slovakia	na	na	
Slovenia	34.0	74.7	Jan-Dec/Jan-Dec
Spain	na	na	
Sweden	na	15.0	Jan-Dec
Switzerland	10.0	12.1	Jan-Dec/Jan-Dec
Turkey	21.2	na	Jan-Dec
UK	34.5	na	Jan-Dec

<sup>a</sup> Estimate    <sup>b</sup> Includes growth from Hong Kong

Note: Measures used are those shown in figure 15 except in the case of Luxembourg (THS/NHS)

Sources: ETC members; TourMIS

### Prospects for 2008

Although the level of interest in Europe as a 'dream' leisure destination is high, demand will continue to be low and compromised by cost. The Chinese are surrounded by destinations with which they have greater cultural affinity, that are easier to travel to and offer excellent value for money.

What demand there is for Europe remains dominated by the business sector, including the 'business tour'. This combines an ostensible business purpose with leisure activities such as shopping and sightseeing. As the participants are generally sponsored by their companies or partners abroad, normal marketing practices do not apply – as in the incentive travel market, demand tends to be dependent on commercial caprice and government edict.

The ADS leisure tourist still represents a small share of total Chinese travel to Europe.

Only about 30 foreign NTOs are established in China and, of these, 17 are European. Nine European NTOs have fulltime offices, including five which have offices in Shanghai as well as in Beijing. The remainder either share an office (the Scandinavian Tourist Board represents Denmark, Norway and Sweden in Beijing and Shanghai), or are represented through their respective embassy, consulate, or local chamber of commerce.

## India

### **Continues to show great promise**

India is climbing rapidly up the world rankings for outbound tourism. UNWTO figures for 2006 suggest that it now ranks 23rd, in terms of international travel expenditure, with a total spend, excluding transport, of US\$7.4 billion, up 27% on 2005 – one of the highest growth rates in the world. OK

Although some independent sources show lower figures for both volume and growth, official outbound statistics suggest that the total number of trips abroad exceeded 8.3 million in 2006, up 16%, with preliminary estimates for 2007 pointing to a further 15% increase. This would make 2007 the fifth year of double-digit growth. The average annual growth was 11% in 2000-2006 and 9.5% in 1995-2006 – needless to say well above the world, or even regional, average.

Few European destinations have provided figures for arrivals from India in 2007. However, it is clear from these few that India is generating large increases in tourist numbers for the mature European destinations which are finding it difficult to attract larger numbers from their traditional markets. Only Austria and the UK – India's most important European destination – have so far reported declines in 2007 (and the UK's decline of less than 2% represents only a pause after a 36% increase in 2006).

The best performers in the Indian market so far – in terms of percentage growth in arrivals and/or nights – appear to have been Belgium, Cyprus, Finland, Germany, Luxembourg, Poland, Romania and Turkey, although a number of other European destinations also achieved double-digit increases.

**Figure 35**  
**Latest trends in tourist arrivals and overnights from India**  
**in selected European destinations, 2007**  
 (% annual change)

Destination	Arrivals	Nights	Period covered (arrivals/nights)
Austria	-7.0	0.3	Jan-Dec/Jan-Dec
Belgium	52.2	32.8	Jan-Dec <sup>a</sup> /Jan-Dec <sup>a</sup>
Bulgaria	15.7	na	Jan-Dec
Croatia	na	na	
Cyprus	74.1	na	Jan-Dec
Czech Republic	na	na	
Denmark	na	na	
Estonia	na	na	
Finland	na	255.0	Jan-Dec
France	na	na	
Germany	39.1	32.7	Jan-Dec/Jan-Dec
Greece	na	na	
Hungary	na	na	
Iceland	na	na	
Ireland (Republic of)	na	na	
Italy	na	na	
Latvia	na	na	
Lithuania	na	na	
Luxembourg	7.1	77.9	Jan-Aug <sup>a</sup> /Jan-Aug <sup>a</sup>
Malta	na	na	
Monaco	na	na	
Montenegro	na	na	
Netherlands	13.0	25.0	Jan-Dec/Jan-Dec
Norway	na	na	
Poland	35.4	na	Jan-Dec
Portugal	na	na	
Romania	8.7	38.6	Jan-Dec/Jan-Dec
Serbia	na	na	
Slovakia	na	na	
Slovenia	na	na	
Spain	na	na	
Sweden	na	na	
Switzerland	15.1	18.5	Jan-Dec/Jan-Dec
Turkey	27.7	na	Jan-Dec
UK	-1.6	na	Jan-Dec

<sup>a</sup> Estimate

Note: Measures used are those shown in figure 15 except in the case of Luxembourg (THS/NHS)

Sources: ETC members; TourMIS

### Prospects for 2008

Despite very recent concerns about the fall in value of the Indian rupee and other economic and political problems, enthusiasm about India's economic prospects now seems to match the enthusiasm for China's. And the general view is that India will be relatively immune to the crisis in international financial markets and any resulting slowdown in world economic growth. Estimates of real GDP growth in 2007 have been raised to 9%, and economists have in general not been reducing their forecasts for 2008-09. The rising prices of food and fuel that are so preoccupying third-world governments are unlikely to affect those Indians rich enough to consider a trip to Europe.

One downside factor is that since the middle of 2007 the Indian rupee has stabilised against the US dollar, and is consequently falling against the euro (rapidly, in the first four months of 2008) and some other key currencies. Coupled with the increase in aviation fuel surcharges, this is making a trip to Europe (and, for example, Australia) more expensive. However, the planned increase in airline capacity to Europe should help keep prices down – to some degree, at least – even though fuel prices are rising and there is increased talk by some airlines of mothballing aircraft on specific routes.

But the main long-term attraction of the Indian market is not just that it is growing rapidly, although growth forecasts suggest that its growth may outpace that of China in the foreseeable future. It is more the fact that the Indian middle classes – the segment showing the strongest growth – are educated and that knowledge of English is widespread, which makes foreign travel so much more accessible and enjoyable.

While European countries do require visas of Indians – and this is one of the main deterrents to travel – Indians are also (unlike the Chinese) relatively free to travel independently, wherever and whenever they wish.

There are many other positive factors influencing Indian demand for outbound travel, and which augur well for Europe. Middle-class disposable incomes are rising extremely fast. And, thanks to the liberalisation of exchange controls, Indians are now allowed to take up to US\$10,000 per annum abroad for leisure trips. India's growing openness to the outside world has also stimulated foreign travel, especially among the younger generations. More Indian students are studying in other countries than those of any other nationality, except perhaps China.

## **New emerging markets**

### **Increasing number of markets for Europe to tap**

Apart from Japan, China and India, there are a number of other growth markets in Asia that offer good potential for Europe. South Korea, Thailand and Malaysia are markets to watch over the next few years, as well as Hong Kong and Singapore and, in the longer term, Indonesia.

Market analysts are currently very positive about growth prospects in the short to medium term, and these are reflected in the forecasts of the Pacific Asia Travel Association (PATA). Clearly, much of the expected growth from these emerging markets will go to PATA member countries within the region, but Europe is high up the wish list of destinations Asians plan on visiting in the future.

Other long-haul markets are also worth monitoring very closely. Brazil and Argentina look particularly promising, and Mexico is also expected to generate good returns for Europe in the short to medium term. Demand for travel from all three markets has been stimulated by the improved economic situation over the last few years and, in the case of Brazil, dramatically increased purchasing power of the *real* abroad. Moreover, Europe has a natural advantage in these markets because of their large number of inhabitants of European descent.

## Outlook for 2008

### Threats

#### **Increasing uncertainties cloud the short-term outlook**

When the World Tourism Organization (UNWTO) released its first issue of the *World Tourism Barometer* at the end of January 2008, growth prospects for the global tourism industry – not least Europe – still seemed remarkably bullish. The high confidence level was clearly reflected in the responses to UNWTO's survey of industry experts – admittedly, completed at the end of 2007 or very early in January 2008. But forecasts from UNWTO itself and other international organisations and associations, such as the International Monetary Fund (IMF) and International Air Transport Association (IATA), were also optimistic.

However, doubts had started to creep in as the *Barometer* went to press, with last-minute caveats included in the report. "If Europe stays out of recession," UNWTO said, "the favourable exchange rates – notably for inhabitants of the eurozone – will favour foreign travel, especially to long-haul destinations."

The key is whether Europe will stay out of recession. Whatever the outcome, the extraordinary strength of the euro is likely to shift the pattern of European outbound demand in favour of countries where prices are denominated in dollars or other weak currencies. If prosperity is sustained, this will still allow for an increase in travel to European destinations. If it is not, the brunt of any fall-off in travel demand is likely to be borne by those European destinations. There are similar arguments for inbound tourism from non-European markets – ie one can expect a fall-off in demand from the USA and possibly East Asia, but sustained growth in demand from markets benefiting from high oil and commodities prices.

#### **A host of negative factors could influence demand**

In addition to the slowing economy in the USA and UK and uncertainties regarding the economic outlook in the rest of Europe, not to mention the strong euro and weak dollar, there are a number of other negative factors that could influence demand. Most notable is the high, and rising, price of oil (at over US\$130 a barrel in May), which has already had an impact on the growth of air travel, according to the world airline body IATA, which (as already indicated) has downgraded both traffic and financial forecasts for 2008. Among the measures being adopted by airlines – measures which could contribute to falling tourism demand for Europe – are increased fuel surcharges and cuts in routes and flight frequencies.

Other measures likely to have a negative impact on demand include increasing security measures being adopted by governments, such as biometrics for visa applications and fingerprinting for immigration, and the impact of rising interest rates in some key markets.

The housing crisis, which first hit the USA, is now also causing severe problems in parts of Europe, especially the UK and Spain, with property values declining and increasing numbers of home owners defaulting on mortgage repayments.

**The expansion of Schengen is not necessarily a positive step**

The fact that nine new countries have signed the Schengen Agreement, taking the total number of member countries to 24, should in theory facilitate intra-European travel by tourists, especially those from outside the EU, who want to travel across different countries. However, not all Schengen members are so optimistic. Many Poles are concerned that non-EU tourists will be discouraged from travelling to the country as visas are now more expensive and more difficult to obtain.

Experts also claim that, while it is possible in theory to travel through the Schengen area with one visa, this is not quite so simple in practice. Security concerns mean that some governments in Europe are increasingly reluctant to allow unlimited travel in their own countries if the Schengen visas were issued by other governments. So, contrary to the initial terms of the Schengen Agreement, it has not necessarily facilitated free travel across the zone for tourists requiring visas.

**And what about the impact of climate change?**

One unknown is the possible impact of climate change or global warming. During winter 2006/07 there was a severe shortage of snow in many of Europe's ski resorts – a trend blamed on global warming that could have serious implications in the longer term, forcing a complete rethink of winter tourism strategies. Yet this past winter, in contrast, the snow season came early and a number of countries – notably Austria – are claiming record numbers as a result. So the issue is to some degree on the back burner.

Nevertheless, climate change is clearly one of the biggest longer-term issues facing the tourism industry, and it is likely to have a major impact on patterns of demand, as well as on the structure of the industry itself. So, while the general thinking is that this will not happen in the short term, the EU and individual governments are planning measures to mitigate or manage carbon emissions that could well affect tourism demand.

**Growing competition from other world regions**

Last but not least, at the same time as non-European markets start to look more closely at other destinations that are less expensive or seen as more 'exotic', the European region is also facing growing competition from long-haul destinations for business from its short-haul European markets. Cost is a major reason for this, but Europeans are increasingly looking further afield for more adventurous holiday experiences, which could prove to be at Europe's expense in future.

## Opportunities

**Tempered optimism, but prospects remain positive**

Although the general optimism expressed in UNWTO's January 2008 *World Tourism Barometer* has been somewhat overshadowed by the unexpected developments stemming from the financial market crises and their impact on the economic outlook, not to mention the (unexpected) further rises in the price of oil, the outlook still remains fairly positive.

If Europe in general stays out of recession – as appears likely – the favourable exchange rates, notably for the inhabitants of the eurozone, will encourage foreign travel, especially to long-haul destinations. Moreover, the introduction

of the Airbus A380 should expand supply and bring down the price of air travel, as will no doubt the US/Europe open skies agreement. However, if oil prices remain high – as now seems certain for the short to medium term – there may well be a switch from long-haul travel to destinations closer to home, and destinations such as North Africa will look even more attractive than they did in 2007.

Positive factors for European inbound travel include the hosting of the EURO 2008 Football Cup by Switzerland and Austria, and Liverpool's nomination as 2008's Cultural Capital of Europe. Despite the weak dollar, increased passport ownership among US citizens as a result of the Western Hemisphere Travel Initiative may well encourage them to travel abroad, although they may prefer dollar-based destinations such as the Caribbean.

#### **A new era for rail travel?**

After so many years of relative decline, it would be rash to predict an enhanced role for rail travel in European tourism. But IPK International's European Travel Monitor did reveal an unusual 10% increase in rail trips in 2007. This may have been associated with the inauguration in June of the first phase of France's TGV Est, which has greatly reduced travel times between Paris, Strasbourg and points east. The publicity given to railways by the event, and by the opening of the refurbished St Pancras station in London and the associated high-speed link to the Channel Tunnel in November, may have been as important as any practical improvements in services.

Of course, rail travel accounts for only 8% of overall trips, so the actual increase in numbers is modest. However, a vast construction programme of high-speed lines is getting under way in Central Europe, and will eventually be integrated with those in Western Europe. In an era in which air travel is increasingly seen as suspect, there may be a marketing opportunity in giving greater attention to the railways.

#### **Cruise business offers continuing growth potential**

The sector with the strongest growth potential in the short term continues to be the cruise business. A record 4 million Europeans took cruise holidays in 2007 – up from 2.6 million five years ago – with the total being reached three years ahead of forecasts, according to the European Cruise Council (ECC). By 2006 the total had jumped to 3.4 million, while 17% year-on-year growth in 2007 took it to 4 million. Ocean cruises – whether in the Mediterranean or the Baltic Sea – are not the only attraction, either. Throughout Europe, river cruises have also been showing great promise in recent years.

The Mediterranean is currently the most popular destination in the world for cruising – with the second-placed Atlantic, it is chosen by 60% of Europeans, for example – while 24% opt for the Caribbean and other parts of the world, and 16% Northern Europe.

The ECC says that the European cruise market – led by the UK, Germany, Italy, Spain and France (in order of importance) – is growing faster than anyone in the industry envisaged. Moreover, Europe is the new centre of gravity for the cruise industry and there are increasing numbers of cruise lines basing ships in the region, which will encourage even more Europeans and non-Europeans to cruise in the region in future.

## ETC Member Organisations

(May 2008)

Austria	Austrian National Tourist Office (ANTO)
Belgium	Flanders: Tourist Office for Flanders (TV) Wallonia: Office de Promotion du Tourisme Wallonie-Bruxelles (OPT)
Bulgaria	Bulgarian State Tourism Agency
Croatia	Croatian National Tourist Board (CNTB)
Cyprus	Cyprus Tourism Organisation (CTO)
Czech Republic	CzechTourism
Denmark	VisitDenmark
Estonia	Estonian Tourist Board (ETB)
Finland	Finnish Tourist Board (MEK)
FYR Macedonia	Ministry of Economy
France	Maison de la France (MDLF) / French Government Tourist Office
Georgia	Department of Tourism & Resorts
Germany	German National Tourist Board (DZT)
Greece	Greek National Tourism Organization (GNTO)
Hungary	Hungarian National Tourist Office (HNTO)
Iceland	Icelandic Tourist Board
Ireland	Tourism Ireland and Fáilte Ireland
Italy	Italian State Tourist Board (ENIT)
Latvia	Latvian Tourism Development Agency
Lithuania	Lithuanian State Department of Tourism
Luxembourg	Luxembourg National Tourist Office (ONT)
Malta	Malta Tourism Authority (MTA)
Monaco	Monaco Government Tourist Office
Montenegro	National Tourism Organisation of Montenegro
Netherlands	Netherlands Board of Tourism & Conventions (NBTC)
Norway	Innovation Norway
Poland	Polish Tourist Organisation (POT)
Portugal	Turismo de Portugal (Portugal Tourism)
Romania	Ministry of SMEs, Trade, Tourism & Liberal Professions
San Marino	Ministry for Tourism, Sport, Transport, Telecommunications & Economic Cooperation
Serbia	National Tourism Organisation of Serbia
Slovakia	Slovak Tourist Board
Slovenia	Slovenian Tourist Board
Spain	Spanish Tourist Office (Turespaña)
Sweden	VisitSweden
Switzerland	Switzerland Tourism
Turkey	Ministry of Tourism
UK	VisitBritain
Ukraine	National Tourist Organization of Ukraine