

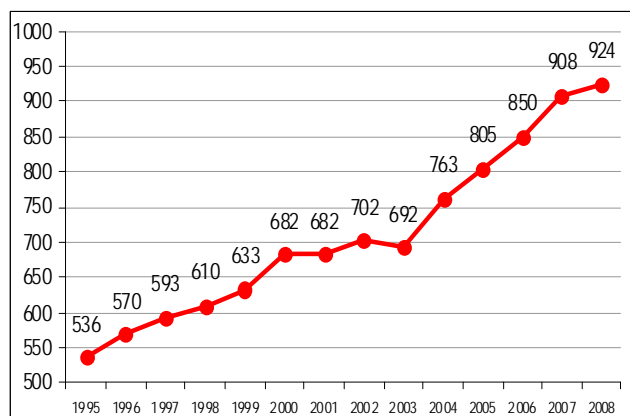


International tourism challenged by deteriorating global economy

2008 will clearly go into the history books as a year of turbulence and contrasts. In the 12 months since UNWTO published its January 2008 edition of the *World Tourism Barometer*, including forecasts for the year ahead, the growth in international tourist arrivals has slowed drastically worldwide, under the influence of an extremely volatile and unfavourable global economy – due to factors such as the credit crunch, the widening financial crisis, commodity and oil price rises, and massive exchange rate fluctuations. All this has, inevitably, undermined both business and consumer confidence, contributing in turn to the current global recession.

World: Inbound Tourism
International Tourist Arrivals

(million)



Source: World Tourism Organization (UNWTO) ©

After a 5% increase in the first half of 2008, growth in international tourist arrivals moved into negative territory in the second half of 2008 (-1%). The final result was an estimated 2% growth for the full year – down from 7% in 2007, which was the fourth year of consecutive strong growth in world tourism. And there are no signs that this downward trend will soon be reversed in 2009. For the year as a whole, arrival numbers are forecast to be flat at best and a few per cent down at worst. (Continued on page 5)

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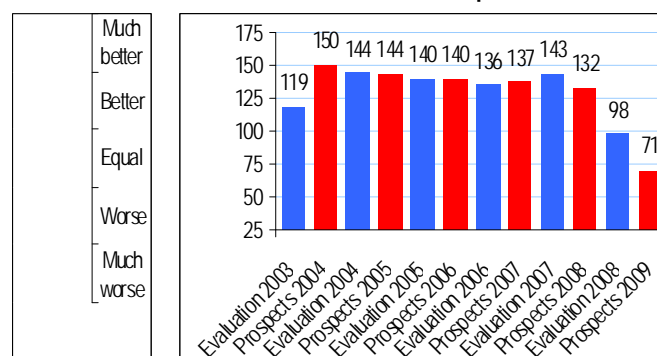
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UNWTO Panel of Tourism Experts *Confidence plummets*

Perhaps not surprisingly, given the events of the past months, confidence among the 290-plus experts from around the world who contributed to this issue of the *UNWTO World Tourism Barometer* has plummeted to historic lows, with the overall Evaluation of 2008's tourism performance falling as low as 98 – down 45 points from the score given 12 months ago for 2007, and 34 down on the rating at the time for 2008's Prospects.

However, if the Panel's evaluation of 2008's tourism reflects a widespread disappointment with the year's performance and the deterioration felt during the last months, the experts' confidence in Prospects for 2009 is really at rock bottom. The overall rating of 71 is little more than half that given to 2008's Prospects in January last year. (Continued on page 11)

UNWTO Panel of Tourism Experts



Source: World Tourism Organization (UNWTO) ©

The *UNWTO World Tourism Barometer* is a publication of the World Tourism Organization (UNWTO). By monitoring short-term tourism trends on a regular basis, UNWTO aims to provide all those involved directly or indirectly in tourism with adequate up-to-date statistics and analysis in a timely fashion.

The *UNWTO World Tourism Barometer* is published three times a year (in January, June and October). Each issue contains three regular sections: an overview of short-term tourism data from destination and generating countries and air transport; the results of the latest survey among the UNWTO Panel of Tourism Experts, providing an evaluation of and prospects for short-term tourism performance; and selected economic data relevant for tourism. The objective for future editions of the *UNWTO World Tourism Barometer* will be to broaden its scope and improve coverage gradually over time.

The *UNWTO World Tourism Barometer* is prepared by UNWTO's Market Trends, Competitiveness and Trade in Tourism Services Section, with the collaboration of consultants, Nancy Cockerell and David Stevens. The UNWTO Secretariat wishes to express its sincere gratitude to all those who have participated in the elaboration of the *UNWTO World Tourism Barometer*, in particular all institutions that supplied data, and to the members of the UNWTO Panel of Tourism Experts for their valuable contributions.

For more information on the *UNWTO World Tourism Barometer*, including copies of previous issues, please refer to the Facts & Figures section on the UNWTO website at www.unwto.org/facts/menu.html.

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Explanation of abbreviations and signs used

* = provisional figure or data
 .. = figure or data not (yet) available
 | : change of series
 mn: million (1,000,000)
 bn: billion (1,000,000,000)

Q1: January, February, March
 Q2: April, May, June
 Q3: July, August, September
 Q4: October, November, December

T1: January, February, March, April
 T2: May, June, July, August
 T3: September, October, November, December

YTD: Year to date, variation of months with data available compared with the same period of the previous year. The (sub)regional totals are approximations for the whole (sub)region based on trends for the countries with data available.

Series International Tourist Arrivals

TF: International tourist arrivals at frontiers (excluding same-day visitors);
 VF: International visitor arrivals at frontiers (tourists and same-day visitors);
 THS: International tourist arrivals at hotels and similar establishments;
 TCE: International tourist arrivals at collective tourism establishments;
 NHS: Nights of international tourists in hotels and similar establishments;
 NCE: Nights of international tourists in collective tourism establishments.

Series International Tourism Receipts and Expenditure

All percentages are derived from non-seasonally adjusted series in local currencies, unless otherwise indicated: \$: US\$; €: euro; sa: seasonally adjusted series.



WORLD TOURISM ORGANIZATION
 ORGANISATION MONDIALE DU TOURISME
 ORGANIZACIÓN MUNDIAL DEL TURISMO
 ВСЕМИРНАЯ ТУРИСТСКАЯ ОРГАНИЗАЦИЯ
 منظمة السياحة العالمية

The World Tourism Organization is a specialized agency of the United Nations and the leading international organization in the field of tourism. It serves as a global forum for tourism policy issues and a practical source of tourism know-how. Its membership includes 160 countries and territories and more than 350 Affiliate Members representing local governments, tourism associations and private sector companies including airlines, hotel groups and tour operators.

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The next issue of the *UNWTO World Tourism Barometer* will be published at the end of June 2009.

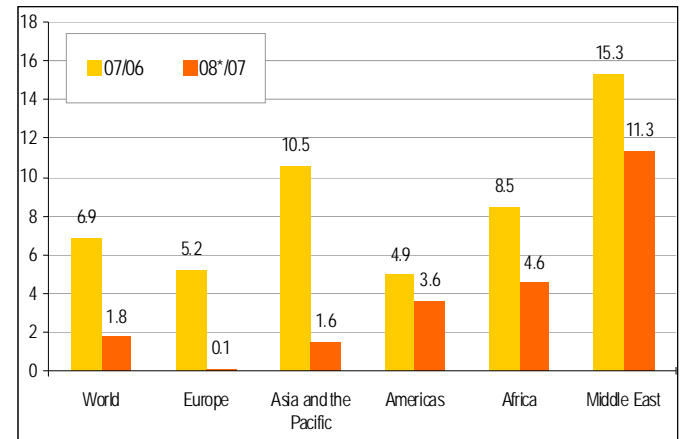
UNWTO World Tourism Barometer, January 2009

Quick overview of key trends

International tourism 2008

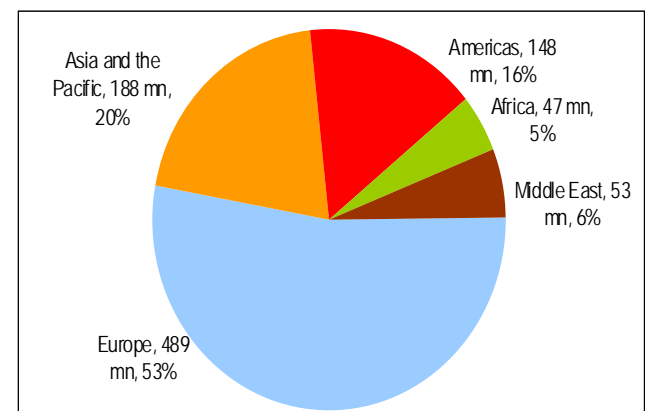
- In 2008, international tourist arrivals reached 924 million, up 16 million over 2007, representing a growth of 2%.
- As a result of the extremely volatile world economy (financial crisis, commodity and oil price rises, sharp exchange rate fluctuations), tourism demand slowed significantly through the year. The last six months of 2008, in particular, showed an abrupt shift in trends, with international tourist arrivals flat or showing negative growth. Overall, the 5% growth between January and June gave way to a 1% decline in the second half of the year.
- Growth was negative in the last six months of 2008 in both Europe (-3%) and Asia (-3%), where the drop is even more significant given its double-digit growth in 2007 and strong showing in the first part of 2008 (+6%). On the other hand, the Americas (+1%), Africa (+4%) and the Middle East (+5%) still posted positive results in the second half of the year, although with a significant slowdown compared with the period between January and June.
- For the year as a whole, all regions were positive except Europe, which suffered stagnation in arrivals. The best performances were registered in the Middle East (+11%), Africa (+5%) and the Americas (+4%).
 - In **Europe** the flat results reflect the negative performances of Northern and Western Europe, the only subregions with Oceania to show a decline over 2007, and the stagnation of destinations in Southern and Mediterranean Europe.
 - Asia and the Pacific's** growth (+2%) is well behind its 2007 level (+11%). The above average results in South-East (+4%) and South Asia (+4%) were not sufficient to compensate for the sharp slowdown in the growth of North-East Asia (+0.4%) and the decline in Oceania (-1.5%).
 - Results for the **Americas** show the strength of traffic to the USA up to August (North America is up by 3%) and the favourable performance of most Central and Southern American destinations. The Caribbean was actually the only subregion in the world to perform better in 2008 than in 2007, but this was still only a slight improvement (from 0.1% in 2007 to 1.2% in 2008).
 - The **Middle East** continued its rapid expansion, with growth for the year estimated at 11%, the highest among world regions (data is still limited, though, and it is likely that this estimate will be revised).
 - Africa's** growth (+5%), though at half the level achieved in 2007, was still comparatively positive during the second half of the year. North African destinations did particularly well.
- These results reflect international tourist arrivals only, for which comprehensive data is currently available. For domestic tourism, which is highly important for many destinations, UNWTO expects that it will show a more or less similar slowing trend. Results for international tourism receipts will be presented at a later stage. However, the experience of past years suggests that the growth of receipts tends to follow fairly closely that of arrivals.

International Tourist Arrivals (% change over same period of the previous year)



Source: World Tourism Organization (UNWTO) ©

World Inbound Tourism: International Tourist Arrivals, 2008*

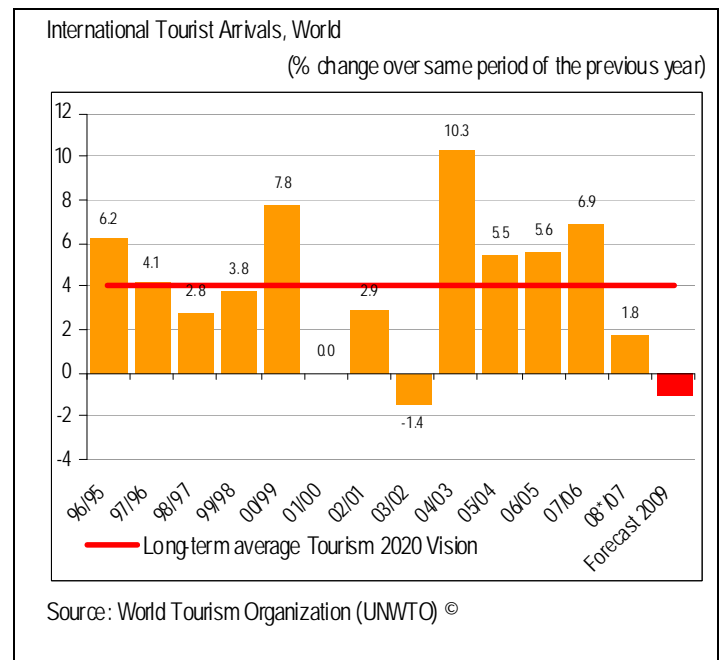


Source: World Tourism Organization (UNWTO) ©

- Despite the general deceleration, several destinations around the world showed very positive results in 2008 - notably Honduras, Nicaragua, Panama, Uruguay, the Republic of Korea, Macao (China), Indonesia, India, Egypt, Lebanon, Jordan, Morocco and Turkey.
- The slowdown of traffic through the year is confirmed by the air transport data as reported by IATA and various regional air transport associations. Nevertheless, the worldwide trend through November was a 2.2% increase in passenger traffic (against +7.4% in 2007): results deteriorated clearly in the last part of the year. As capacity increased by 3.9% and demand slowed down, load factors dropped from 77% in 2007 to 76% through November 2008.
- Hotel performance data for the 11 months of the year as reported by Deloitte corroborate these trends. Overall occupancy was down in all regions, except the Middle East (+2%) and Central and South America (+0.6%). The increases in revenue per available room (revPAR) and average room rates remain significant – particularly in the above-mentioned regions where RevPAR (in US dollars) increased at a double digit rate through November.
- The UNWTO Confidence Index is at its lowest level since its creation in 2003. The almost 300 members of the UNWTO Panel of Experts gave 2008 an overall Evaluation of 98 – down 45 points from the score given a year ago.

Prospects for 2009

- The economic downturn, combined with the current uncertainties, extreme market volatility and a decline in both consumer and business confidence, are expected to continue taking their toll on demand for tourism – at least in the short to medium term.
- For 2009, the UNWTO Panel of Tourism Experts' prospects are at rock bottom with an overall rating of 71. This is little more than half that given to 2008's Prospects in January last year.
- As the current troubled economic scenario is expected to continue well into 2009 and probably beyond, UNWTO's initial forecast for this year is for a very modest performance.
- UNWTO expects International tourism to stagnate (0%) or even decline slightly (-1% to -2%) during the year. But, there is still a high degree of uncertainty and much will depend on the evolving economic conditions. If the economy starts to show signs of an earlier recovery, international tourism might grow slightly in 2009 but, if the economy deteriorates further, then the current forecast might be revised downwards.
- Along with the Americas, Europe will be the most affected region in terms of overall tourism results as most of its source markets are already in, or entering into, recession. In Asia and the Pacific results are expected to be positive, although growth will continue to be slower compared with the region's performance in recent years. The same applies to Africa and the Middle East.
- Given the global uncertainty and with economic forecasts experiencing continued downward revisions, UNWTO will closely monitor developments to provide the most accurate analysis possible.
- Notwithstanding this assessment, UNWTO highlights the fact that the softening of international tourism growth follows four historically strong years:
 - +7% a year on average between 2004 and 2007, or well above the 4% long-term trend;
 - 2008, with an increase of 2%, still consolidated the particularly buoyant results of 2007 (+7%) but mainly due to the results of the first half of the year.



Inbound Tourism: short-term data 2008

World

(Continued from page 1)

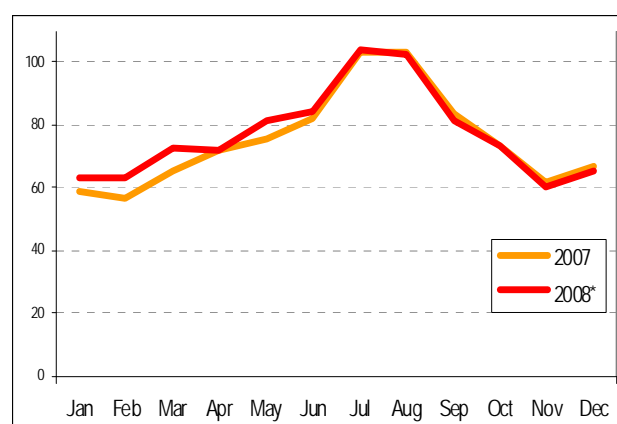
Last year's estimated 2% growth, which was only half the long term trend rate, will nevertheless have meant an additional 16 million arrivals worldwide – almost as many as recorded by the whole of the Caribbean. All regions showed positive increases except Europe, which suffered stagnation in arrivals due to a 3% decline in the second half of 2008. The best performances came from the Middle East (+11%), Africa (+5%) and the Americas (+4%). Asia and the Pacific recorded a 2% rise, build on the 6% of the first six months of the year, followed by negative growth of -3% from July through December.

The additional 16 million arrivals estimated by UNWTO over 2007's level was split approximately 0.6 million for Europe, 5 million each for the Americas and the Middle East, 3 million for Asia and the Pacific and 2 million for Africa. But, as always, it is important to point out that these are preliminary estimates, with projections for individual countries based, in some cases, on only 9-10 months of final results, as well as on measures other than tourist arrivals at frontiers. So, the numbers and growth trends are likely to be revised.

The overall 2% growth for 2008 owes much to the strong results of the first six months of last year, reflecting

the operating environment before the financial crisis escalated out of control. And this was despite worrying signs early in 2008 due to unexpected developments stemming from the global stock market and their impact on the economic outlook. At the beginning of the year, UNWTO was already talking of uncertainties surrounding 2008 that could have an impact on tourism demand, with the economic situation and stock market volatility high up the list. Interest rates were also increasing, causing concern to people with excessive debt, and the continuing weakness of the US dollar was seen as a possible negative factor. How things have changed.

International Tourist Arrivals, monthly evolution
World (million)



Source: World Tourism Organization (UNWTO) ©

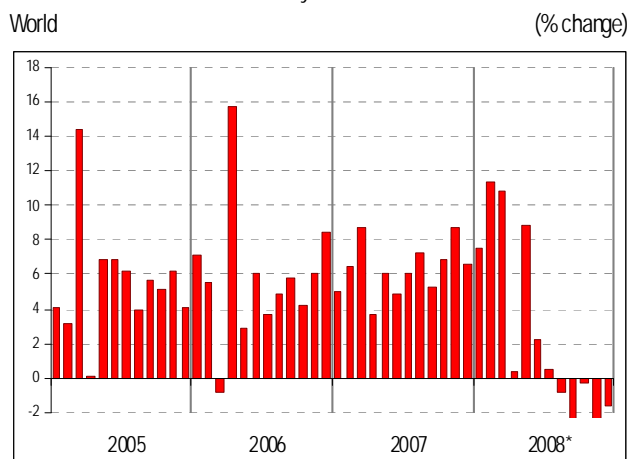
International Tourist Arrivals by (Sub)region

	Full year				Share	Change				Monthly or quarterly data series (% change over same period of the previous year)													
	2000	2005	2007	2008*		2008*	07/06			08/07	2008*												
(million)				(%)	(%)	J.-J.	J.-D.	(%)	J.-J.	J.-D.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
World	682	805	908	924	100	6.9	6.8	6.9	1.8	5.4	-1.3	5.9	9.5	9.4	-0.4	8.1	1.8	0.6	-0.7	-2.8	-0.8	-3.0	-2.3
Europe	392.4	441.6	488.0	488.5	52.9	5.2	5.5	4.9	0.1	3.4	-2.5	2.7	7.7	8.1	-4.8	7.6	0.8	-1.4	-1.4	-3.5	-1.8	-5.2	-4.1
Northern Europe	43.7	52.8	58.0	56.8	6.1	2.7	4.3	1.5	-2.1	2.7	-5.8	2.7	10.4	8.0	-5.4	6.3	-2.0	-3.9	-3.5	-8.3	-2.5	-12.8	-7.8
Western Europe	139.7	142.6	154.9	153.1	16.6	3.5	2.1	4.7	-1.2	1.9	-3.3	1.6	9.8	9.9	-11.6	7.9	-2.8	-2.7	-2.0	-5.7	-2.5	-4.3	-3.0
Central/Eastern Europe	69.2	87.5	96.8	99.4	10.8	6.2	10.5	2.7	2.6	5.2	0.4	5.3	5.5	4.9	4.2	6.3	4.9	1.9	1.6	1.7	-1.3	-1.7	-1.5
Southern/Mediterr. Eu.	139.8	158.7	178.2	179.2	19.4	7.0	6.4	7.4	0.6	3.9	-2.3	1.6	5.9	8.3	-3.5	8.5	2.6	-0.9	-1.5	-3.1	-1.4	-5.2	-6.0
Asia and the Pacific	109.3	154.7	185.4	188.3	20.4	10.5	10.5	10.6	1.6	6.3	-2.8	9.1	9.7	8.2	3.4	5.6	1.5	2.8	-4.4	-4.5	-1.6	-5.2	-4.1
North-East Asia	58.3	87.5	104.3	104.7	11.3	10.6	9.7	11.4	0.4	6.0	-4.6	11.0	9.3	9.9	2.9	3.9	-0.2	-0.3	-7.1	-5.2	-3.5	-6.0	-5.6
South-East Asia	35.6	48.5	59.6	61.8	6.7	12.3	13.5	11.2	3.6	7.2	0.1	7.7	11.3	5.8	5.2	8.7	4.4	8.3	-0.2	-4.5	1.2	-4.3	0.0
Oceania	9.2	10.5	10.7	10.6	1.1	1.7	2.6	0.9	-1.5	0.5	-3.3	0.7	4.9	-0.2	-3.4	3.8	-3.4	5.3	-5.3	-6.3	-1.9	-6.0	-5.3
South Asia	6.1	8.1	10.8	11.3	1.2	9.8	9.7	9.9	4.3	9.2	-1.1	8.8	10.3	14.2	6.0	7.6	6.4	1.6	3.4	5.3	2.6	-2.0	-11.6
Americas	128.2	133.4	142.5	147.6	16.0	4.9	3.1	6.7	3.6	6.8	1.1	8.2	10.1	11.4	-0.4	8.7	3.6	2.6	3.6	-0.4	-0.4	-0.1	-0.1
North America	91.5	89.9	95.3	98.4	10.6	5.2	3.7	6.6	3.2	7.0	0.7	7.7	10.1	13.6	-0.8	9.9	3.1	1.9	3.3	-0.9	-1.7	-0.4	0.4
Caribbean	17.1	18.8	19.5	19.7	2.1	0.1	-2.2	3.1	1.2	4.5	-2.5	7.2	9.2	5.5	-1.9	5.4	1.4	0.0	1.6	-6.0	-4.1	-2.9	-5.1
Central America	4.3	6.4	7.8	8.4	0.9	10.5	7.6	13.5	7.9	11.4	4.6	9.8	12.8	15.3	9.0	8.1	12.7	9.3	0.5	3.7	6.3	2.5	5.0
South America	15.3	18.2	19.9	21.1	2.3	6.4	4.7	8.3	5.9	6.9	4.8	9.5	9.9	7.6	-0.8	6.1	5.7	6.8	9.5	4.9	5.9	2.9	0.4
Africa	27.9	37.3	44.9	46.9	5.1	8.5	9.7	7.6	4.6	5.4	4.0	3.4	7.2	11.3	-5.1	7.4	9.2	4.8	0.9	-2.2	5.2	8.4	7.8
North Africa	10.2	13.9	16.3	17.1	1.9	7.9	6.1	9.1	5.3	8.8	3.1	6.2	11.6	13.3	-2.4	11.1	13.4	4.0	3.0	-8.8	5.2	14.7	3.1
Subsaharan Africa	17.7	23.3	28.6	29.8	3.2	8.8	11.5	6.6	4.1	3.8	4.7	2.5	5.6	10.5	-6.6	5.5	6.3	5.8	-1.1	1.5	5.2	5.9	9.7
Middle East	24.4	37.8	47.5	52.9	5.7	15.3	14.1	16.5	11.3	17.8	5.2	9.4	23.5	17.6	33.7	22.8	2.9	7.3	5.3	5.6	7.2	3.9	1.6

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

International Tourist Arrivals, monthly evolution



Source: World Tourism Organization (UNWTO) ©

The 5% global growth in arrivals between January and June gave way to a 1% decline in the second half of the year, but the fall in tourism demand has to a certain extent lagged behind the downturn in the economy, and much of the initial slowdown is actually a result of higher oil and transport prices and consequent air capacity cuts. The 1% decline was due to a 3% drop in Europe's arrivals over the period and a 3% decline in arrivals in Asia and the Pacific. Although smaller, the drop was even more significant in Asia and the Pacific than in Europe given the region's excellent results in 2007 (+11%) and during the first part of 2008 (+6%).

In contrast, the Americas (+1%), Africa (+4%) and the Middle East (+5%) still posted positive results from July through December, according to current estimates, albeit reflecting a sharp slowdown over the first half of 2008.

The global economic situation was understandably the main focus of attention in 2008, with the financial and economic crisis (including the credit crunch, high oil prices for much of the year, and volatile commodity and currency markets) being the main factor influencing tourism trends. However, there were other influences, too, both positive and negative. As an example, for a number of different reasons – not least the traditional 'big event blues' – the summer Olympic Games in Beijing failed to generate an increase in arrivals to China.

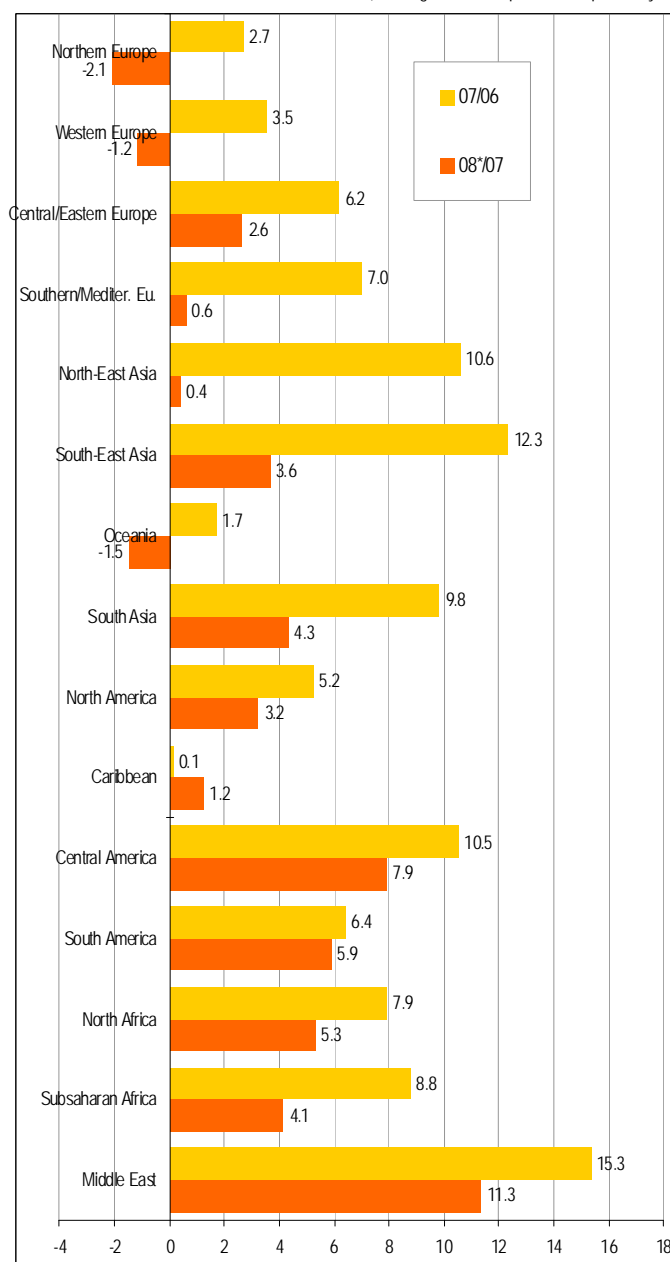
There were continued terrorist incidents (Mumbai being the most terrible), and health and security scares persisted. There were also floods (notably in China, Myanmar, Brazil and Mexico), forest/brush fires, hurricanes, cyclones and tornadoes (primarily in the Caribbean and surrounding countries), earthquakes (the worst occurring in China's Sichuan Province in May) and erupting volcanoes (Chile). But the impact on tourism of the respective incidents was largely localised and short-lived.

Despite all the negative factors, there were also a number of bright spots in 2008. As an example, several countries showed very positive results – Honduras, Nicaragua, Panama, Uruguay, the Republic of Korea, Macao (China), Indonesia, India, Egypt, Lebanon, Jordan,

Morocco and Turkey. And some of these destinations look set to have a good 2009 as well.

While the air transport industry suffered all over the world last year, international rail travel benefited in some regions, especially Europe. The strong performance of Eurostar over the past 12 months came as welcome relief to the cross-Channel rail operator, which saw increases of over 10% in both its ticket sales and passenger numbers, even though a fire in the Channel Tunnel in September caused (and continues to cause) disruptions to services. And, alongside Eurostar's results there are reports of increasing numbers of domestic travellers in Spain who have been shifting from planes to high-speed trains.

International Tourist Arrivals (% change over same period of the previous year)



Source: World Tourism Organization (UNWTO) ©

Some individual sectors achieved good results as well. According to the International Congress & Convention

Association (ICCA), the international meetings market remained very resilient up to the end of 2008, with only a small number of members reporting significantly lower full-year results compared with 2007. However, prospects and assumptions about 2009 are generally negative.

Corporate meetings and incentive travel have seen the biggest negative impact, with many companies around the world putting large slices of their travel and meetings programmes on hold, at least temporarily. Small corporate meetings are being particularly badly affected, as teleconferencing and electronic data exchange technologies are much more effective than during the previous global downturn. Corporates are now booking even later, are trading down (five-star hotels are suffering because of this), and are looking for extreme flexibility with regard to cancellation clauses in contracts. The international association and intergovernmental meetings sectors have been less affected as international associations almost never cancel or postpone their annual meetings. There has reportedly been anecdotal feedback on lower delegate attendance at certain events, but the impact overall has been lower, and destinations which are strong in the association field tend to be the most optimistic about future prospects. Intergovernmental conferences have if anything increased in volume as governments around the world try to grapple with the global economic problems.

Hotels around the world are suffering much more than congress and convention centres, many of which have a strong element of public sector funding, so are not so reliant on global credit markets. This is unfortunately not the case for hotels, which over recent years have embarked on massive, ambitious capital expansion programmes – many of which have recently been suspended. The hotels are also much more reliant on corporate meetings compared with the big convention centres, which typically have more association business.

Receipts tend to follow arrivals growth

Data for international tourism receipts in 2008 is still sketchy as few countries have reported data for more than the first three quarters of the year, if that. Furthermore, data on exchange rates to the US dollar and inflation is necessary for an accurate analysis. Also, in most cases, data reported is preliminary and is still subject to revision. So, it would be premature to make detailed pronouncements. Full world and regional estimates will be analysed in the next issue of the UNWTO *World Tourism Barometer*, to be published in June 2009.

The experience of past years suggests that in normal times the growth of receipts tends to follow fairly closely that of arrivals. In 2007, the difference was around one percentage point, for example. This varies of course in times of economic downturn when receipts tend to be somewhat more affected than arrivals. At the moment, of the 50 destinations that top the world ranking by inter-

national tourism receipts, 42 have reported data for at least three quarters of 2008. But, given the sharp slowdown in international arrivals (and, presumably, also in tourism receipts) in the last quarter of the year, a complete time series is needed to be able to make reliable estimates of full-year results.

As an indicator of trends, it is nevertheless worth looking at the leaders in the ranking, which have reported receipts data through to October (in the case of Spain and Italy) or November (the United States and France). The USA recorded an estimated 17% increase in international tourism receipts last year – more than double its arrivals count. Meanwhile, Spain's receipts were up just 1% as against a preliminary -2% arrivals count, and France's receipts are estimated to have fallen by 6% compared with an estimated 3% drop in arrivals at hotels. It should be noted that the provisional arrivals figure for France is based on hotel guests only, which is not necessarily totally reflective of inbound trends in tourist arrivals at frontiers.

Detailed results for arrivals and receipts by country are included in the 'Regions' section (pages 15-32).

Trends and Prospects

"It seems that every corner of the world has at last been drawn into the vortex of recession," said the Organisation for Economic Cooperation & Development (OECD) in a recent statement about the global economic situation. And the situation is expected to be worse than any other recession since 1929. So it is hardly surprising that most of the forecasts for tourism are also rather gloomy.

However, it is important to stress that while there is great uncertainty about the present situation, there is a lot of contradictory information about – much of it exaggerated or alarmist. This does not mean that the crisis is not real, as a few suggest, but much reporting does not take account of the fact that tourism has proved incredibly resilient in the past and, if the downturn is expected to be dramatic, the recovery could prove to be even more so.

The constant media attention on the financial and economic crisis is certainly helping to undermine both consumer and business confidence. Rising unemployment in at least some, and perhaps many, important markets will create a lagging burden on tourism when economies do pick up. When credit lines are restored, businesses might not easily identify profitable uses for that credit, and consumers might not be willing or able to take on more debt. The current wave of bankruptcies and 'consolidations' in the tourism and aviation sectors is taking out capacity which cannot be instantly restored. In addition, an expected drop in fuel costs has been delayed by hedging.

Attention is increasingly being focused on the deteriorating situation in the 'star' emerging markets, like Russia, India, Brazil and even China, which also contributed

highly to international tourism growth in recent years. Until fairly recently, the world's optimists had even hoped that these huge emerging markets might provide the engines that could pull the world out of recession. Now some fear the reverse: that the global downturn will drag the emerging economies (and especially China and India) with it, bringing massive additional unemployment.

The next four months will clearly be weak, given the strong start to 2008 (with which the coming period will be compared). Short-term prospects will vary from country to country, and from region to region, depending on their local economies, labour markets and consumer confidence. Some regions could start to see an earlier than expected recovery. The open-skies agreement between the Gulf States and Maghreb countries in 2008 should stimulate demand for air travel between the respective regions. 2010 will see more air transport deregulation in Asia. Japan's Asia Gateway Plan will open up access to the country's regional, secondary airports. China is implementing domestic open skies, and a new agreement will create open skies between the ten member states of the Association of South-East Asian countries (ASEAN) and, most probably, China, Japan and India.

It is important to realise that, unlike major previous crises such as 9/11 and SARS, the current downturn does not impact so much on the desire to travel. The major concern is about whether one can afford to travel, or wants to spend on travel, given the uncertain economic situation. Though certainly not immune to the economic woes, tourism has so far resisted the economic downturn better than other economic sectors, such as construction, real estate or car manufacturing.

As long as the present uncertainty prevails in markets, it is expected that some of the following trends will be seen as experienced in previous crises:

- Travel to destinations closer to home, including domestic travel, is expected to be favoured as against long-haul travel;
- Segments such as visiting friends and relatives (VFR), repeat visitors, as well as special interest and independent travellers, are expected to be more resilient;
- The decline in average length of stay, as well as expenditure, is projected to be more pronounced than the decline in overall volume;
- Destinations offering value for money and with favourable exchange rates have an advantage as price becomes a key issue;
- Late booking is expected to increase as uncertainty leads consumers to delay decision making and wait for special offers;
- Companies will and should concentrate on containment of costs in order to maintain their competitive edge;
- It is more critical than ever before to work closely together in the tourism value chain – between the public and private sectors, and destinations and the travel trade.

UNWTO Response

History proves that crises can also provide opportunity because they call for substantial efforts and industry solidarity. Moreover, if short term crisis response can be aligned with the continuing longer term global poverty and climate needs, the overall industry structure may actually be strengthened.

Against this background, UNWTO is increasing its efforts to provide the sector, and its Members in particular, with the necessary support to help them endure these challenging times. UNWTO will focus on three interrelated initiatives:

- Supporting the sector's immediate response through its recently established Tourism Resilience Committee to strengthen market intelligence and best practice sharing.
- Advocating tourism's priority inclusion in general economic stimulation measures.
- Advancing tourism in the new Green Economy as a sector that can deliver on smart growth, intelligent infrastructure and clean energy jobs.
- Our message will continue to be that this is a highly resilient sector that will return to strong growth when the overall economic crisis abates and one that can contribute more than others to poverty alleviation, climate response and a Green New Deal.

The UNWTO World Tourism Barometer is developed as a service for UNWTO Members and published three times a year in English, French and Spanish. Member States, Associate and Affiliate Members receive copies of the Barometer as part of our Member services.

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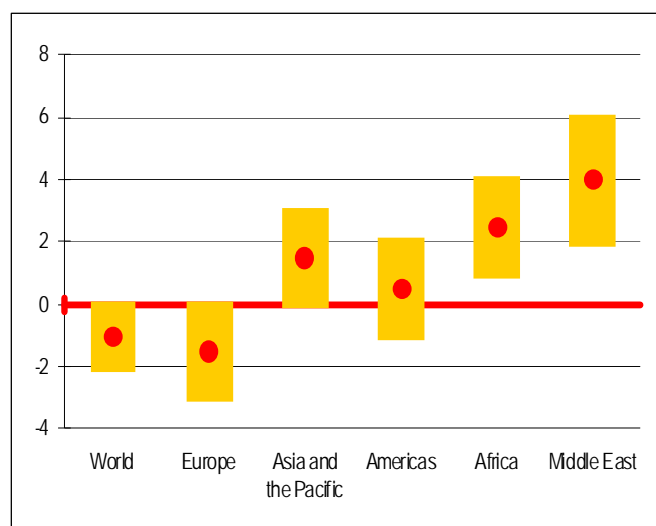
UNWTO forecast for 2009

2009 tourism forecast marked by uncertainty

As the current troubled economic scenario is expected to continue well into 2009 and probably beyond, UNWTO's forecast for this year is for an even more modest performance. Growth in the number of international tourist arrivals is expected to be in the range between 0% and -2%. But there is still a high degree of uncertainty and much will depend on the evolving economic conditions. If the economy deteriorates, then the current forecast might have to be revised downwards to about -3%, if economic recovery comes earlier than expected, international tourism might grow slightly in 2009 at a rate of about 1%.

Forecast International Tourist Arrivals, 2009

(% change over same period of the previous year)



Source: World Tourism Organization (UNWTO) ©

Along with the Americas, Europe will be the most affected region in terms of overall tourism results as most of its source markets are already in, or entering into, recession. Weakest results are expected for Europe, with

About these forecasts

These forecasts are developed for UNWTO by the Fundación Premio Arce of the Universidad Politécnica de Madrid and are based on econometric modelling using the series of monthly data on international tourist arrivals available for the five regions. The aim of the model is to analyse the underlying trend in the data and extrapolate this to the short-term future. The model has been tested by comparing forecasts for previous years with actual results for those years. Of course, as with any model, the forecast growth rates assume that the current conditions will not suddenly change as a result of external factors. They also include a margin of error depending on the stability of the underlying data series.

These forecasts need to be read with a certain level of caution, not only because of the above mentioned, but also because the underlying data is not perfect:

- monthly data series are not available for all countries, although the countries with monthly series included represent roughly 90% of worldwide arrivals. Coverage is in particular comparatively limited for the Middle East and Africa, and a considerable margin should be taken into account;
- monthly data is typically preliminary and many countries are expected to revise their statistics at a later date;
- the monthly series is often based on a proxy that is not the same as the indicator used for the yearly data, e.g. for France a monthly series is used on international nights in hotels and similar accommodation instead of tourist arrivals at frontiers, while for the USA the monthly series does not include arrivals from Mexico in the border areas, etc.

negative growth of between -3% and 0%. Americas is forecast to grow between -1% and 2%. In Asia and the Pacific, results are expected to be positive, between 0% and 3%. However, growth will continue to be much slower compared with the region's performance in recent years. The same applies to Africa and the Middle East. For Africa international tourist arrivals are expected to grow between 1% and 4% and for the Middle East between 2% and 6%. There is a large margin, though, as the underlying data for both regions is comparatively limited and not very stable.

Forecast of growth in International Tourist Arrivals

	real				projection
	2007 year	2008 year	Jan–June	July–Dec.	2009 between
World	6.9%	1.8%	5.4%	-1.3%	-2% and 0%
Europe	5.2%	0.1%	3.4%	-2.5%	-3% and 0%
Asia and the Pacific	10.5%	1.6%	6.3%	-2.8%	0% and 3%
Americas	4.9%	3.6%	6.8%	1.1%	-1% and 2%
Africa	8.5%	4.6%	5.4%	4.0%	1% and 4%
Middle East	15.3%	11.3%	17.8%	5.2%	2% and 6%

Source: World Tourism Organization (UNWTO) ©

UNWTO has prepared this revised forecast for 2009 in cooperation with the Fundación Premio Arce of the Universidad Politécnica de Madrid. In order to account for the weakening economic situation, outcomes of the econometric model applied are adjusted downwards and include a margin to reflect the current uncertainty with variable width depending on the stability of the underlying data series. It should be realised that in this extremely volatile environment, forecasting is a far more complicated exercise than in the relative stable situation of the past years. Given the global uncertainty and with economic forecasts experiencing continued downward revisions, UNWTO will closely monitor developments to provide the most accurate analysis possible, and whenever necessary the forecast will be updated in the next issues of the *UNWTO World Tourism Barometer*.

Despite the relatively gloomy assessment, UNWTO highlights the fact that the softening of international tourism growth follows four historically strong years during which international tourist arrivals growth averaged 7% – well above the 4% long-term average. It is also worth stressing, that history shows tourism's resilience and recovery capacity – in fact, only in two occasions during the last 30 years did international tourism face contraction, and even then by less than 2%. In 1982, international tourist arrivals decreased by -0.6% due to the echo of the second oil crisis and in 2003 they dropped -1.7% affected by the SARS outbreak, while results were flat for 2001, the year of the 11 September attacks.

Outbound Tourism

International tourism expenditure 2008 YTD

Growth slowing, but still some strong performers

Some 50 countries around the world each generate at least US\$ 1.5 billion in international tourism spending annually. Although from those countries as many as 40 have reported statistical trends in international tourism expenditure for at least nine months of 2008, there is still too little data for the critical last months of the year to be able to give a reliable assessment of 2008's performance.

Of those that have reported trends through the month of September 2008, 12 recorded double-digit increases in local currencies in expenditure on tourism abroad – by more than 20% in a number of cases. These were Canada, the Russian Federation, Norway, Ireland, India, Brazil, Malaysia, South Africa, the Ukraine, Hungary, Egypt and Bulgaria. As usual, the majority of the top performers were emerging economies, although Canada, Norway and Ireland are notable for their inclusion. Among the top ten spenders the slowdown in expenditure compared with 2007 is already clear in the performances of Germany, France, Japan, the Republic of Korea and Spain. It is noteworthy that expenditure on international tourism by residents of the USA was still fairly strong in the first three quarters of the year in spite of the recession (+6% through November). With the exception of Bulgaria, countries reporting October and November data on spending do tend to show weaker results for those months, but it is clearly too early to make any assumptions for the remainder, though experience shows that the trend in international tourists arrivals generally correlates fairly well with that of receipts and expenditure.

About receipts and expenditure data

For destination countries, receipts from international tourism count as exports and cover all transactions related to the consumption by international visitors of, for example, accommodation, food and drink, fuel, domestic transport, entertainment, shopping, etc. They include transactions generated by same-day as well as overnight visitors. Receipts from same-day visitors can be substantial, especially in the case of neighbouring countries where a lot of shopping for goods and services is carried out by cross-border, same-day visitors. However, the values reported as international tourism receipts do not include receipts from international passenger transport contracted from companies outside the travellers' countries of residence, which are reported in a separate category.

With financial data measured in different currencies it is fairly complicated to accurately determine variations in relative terms, as receipts have to be expressed in a common currency like the US dollar or the euro and generally are also reported at current prices, thus not taking account of exchange rate fluctuations and inflation.

In order to account for exchange rate changes and inflation, international tourism receipts in US dollar values were computed back to the local currencies of each destination, weighted by the share in the total, and deflated by the corresponding rate of inflation.

Although in this way data are made comparable, care should nevertheless be taken in interpreting the trends, as statistics, in most cases, are still provisional and subject to revision. For the totals, an assessment is made by UNWTO for countries that have not yet reported results, based on the previous year's value and the trend for the (sub)region. Unlike arrivals, where revisions generally more or less balance out, receipts data tends to be revised upwards.

International Tourism Expenditure

		US\$				Local currencies, current prices (% on previous year)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

As far as the ranking of leading spenders on tourism is concerned, there would appear to be no changes among the top ten – which accounted for a combined US\$ 420 billion in spending in 2007–, according to available data, but final results may well see Canada and Russia overtake Japan, pushing it into ninth position. However, caution should be taken in comparing markets at this stage. While the year-to-date changes are expressed in local currencies at current prices (with no account taken of relative inflation), the absolute volumes of international tourism expenditure are measured in US dollars. Last year's volatile currency markets, therefore, will undoubtedly have had a huge impact on relative rankings.

2008 trends in international tourism expenditure will become much clearer by the time the next *UNWTO World Tourism Barometer* is published at the end of June (the June issue will include the list of the top international tourism destinations in 2008 as measured in arrivals and receipts as well as the list of the top tourism spenders). Meanwhile, it is likely that, as for international tourist arrivals and tourism receipts/expenditure, the next four months could see depressed growth – if any growth at all – both because of the difficult global economic environment, but also because of the strong performance of many world markets in the first four to six months of 2008.

Anecdotal evidence also points to a slowdown or decline in long-haul travel in favour of trips closer to home, as well as decreased length of stay, so this would also have an impact on overall spending. But if markets are expected to trade down, they are certainly not expected to trade out completely.

All monthly and quarterly data on international tourism expenditure reported by the various source markets is at this stage preliminary and still subject to future revision. Experience suggests that updates generally tend to result in improved performances, so final data is most likely to be somewhat higher.

The UNWTO Tourism Confidence Index

The UNWTO *Tourism Confidence Index* is based on the results of an email survey conducted by the UNWTO Secretariat among selected representatives of public and private sector organizations participating in the UNWTO *Panel of Tourism Experts*. The survey has been repeated every four months since May 2003 in order to keep track of actual performance, as well as perceived short-term prospects, of the tourism sector. This allows performance and prospects to be compared over time, as well as providing a comparison of the actual performance of the past four months with prospects forecast for the same period four months earlier. Results are also broken down by region and by sector of activity. These breakdowns should, however, be interpreted with caution as they may in some cases be based only on a relatively small number of responses.

The UNWTO Secretariat's aim is to continuously expand and improve the Panel sample. Experts interested in participating in the survey, in particular from countries still not included in the listing below, are kindly invited to send an email to <barom@unwto.org>.

How to read this data

For the UNWTO *Tourism Confidence Index* members of the UNWTO Panel of Tourism Experts are asked once every four months by email to answer the following two simple questions:

- *What is your assessment of tourism performance in your destination or business for the four months just ended (or about to end) as against what you would reasonably expect for this time of year?*
- *What are the tourism prospects of your destination or business in the coming four months compared with what you would reasonably expect for this time of year?*

Participants should select one of the following five options: much worse [0]; worse [50], equal [100]; better [150], much better [200]. Results are averaged and broken down by region and by activity. A value above 100 means that the number of participants who evaluate the situation as "better" or "much better", outnumber the participants who reply "worse" or "much worse".

In addition, participants are also invited to include a qualitative assessment in their own words. The analysis contained in the *UNWTO World Tourism Barometer* is in large part based on their comments.

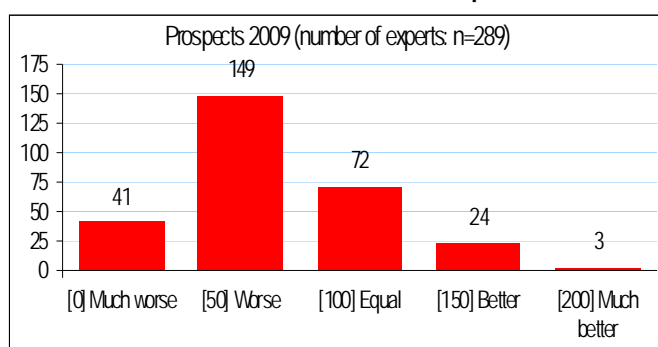
Evaluation by UNWTO's Panel of Tourism Experts

UNWTO Tourism Confidence Index shows downbeat outlook for 2009

(Continued from page 1)

The 290 or so specialists from some 100 countries and territories, who constitute the UNWTO Panel of Experts, have corroborated the preliminary results registered in international tourism in 2008. Their Evaluation for last year at 98 is just below the 'neutral' 100, and well down on the one they gave for 2007 a year ago (143). Furthermore, their Prospects for 2009's are extremely pessimistic (71), implying a sharp downturn in tourism's performance worldwide through the year – in line with the forecast global economic situation.

UNWTO Panel of Tourism Experts



Source: World Tourism Organization (UNWTO) ©

Both the Evaluation of 2008 and the Prospects for 2009 are in sharp contrast to those of previous years. As the Index was established just after the SARS crisis six years ago, the series of surveys had so far coincided with one of the most prosperous periods for tourism and the Index has always reflected optimism. In fact, it is the first time that the Evaluation and Prospects of the year are negative, meaning that the number of experts rating the performance as "worse" or "much worse" exceed those who rate it as "better" or "much better" (a score of 100 indicates "no change").

Clearly, the worldwide average scores given by the Panel of Experts mask some significant variations from one region and sector to another, but the general trend is nonetheless extremely pessimistic, with one or two minor exceptions.

Evaluation 2008

While their ratings for 2008 are well down on those made 12 months ago for 2007, representatives of the public sector appear to be slightly less negative about the year just passed (99) than their counterparts in the private sector (97). And, probably due to their concerns over surviving the downturn and preventing their bottom line going into red figures, the private sector is even more pessimistic (64) than the public sector (80) in its assessment of 2009's

Prospects. Interestingly, this contrasts with the situation at the beginning of 2008.

By region, the highest scores in the Evaluation of 2008 were given by experts in the Middle East (146) – indeed, the best performing region in 2008 – and Africa (117) although, in both cases, the respective scores were down on ratings 12 months ago for 2007, as well as being lower than anticipated at the beginning of last year. Experts in the Americas rated the year just passed at 103 – well down on their Evaluation of 2007 in January 2008, but still in the positive range. In contrast, experts in Europe and Asia Pacific were negative in their assessment of tourism's performance in the respective regions last year, with scores of 91 from European experts and an even lower 86 from those in Asia and the Pacific.

Global Operators have given the most negative scores for both 2008 and 2009 (78 and 33 respectively), although the relatively low number of responses from this segment might somewhat distort the overall picture.

By activity, scores for 2008 are highest among Tour Operators and Travel Agencies (108), General Industry Bodies & Other (107), Destinations (101) and Transport (100). The lowest scores come from representatives of the Accommodation & Catering sector (86) and Consultants, Research and the Media (92).

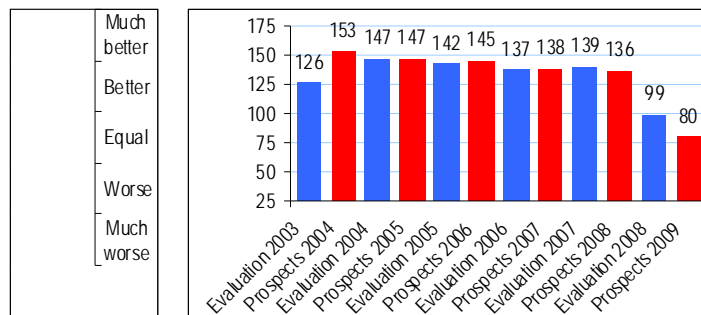
Prospects 2009

The scores for Prospects in 2009 are significantly lower across the board – ranging from a low of 33 for Global Operators to a high of 82 for Destinations – reflecting the widespread uncertainty and concern about the current economic crisis and the operating environment in general. In terms of regions, the most optimistic Prospects have come from Africa (100, and the only region in 'neutral' territory), ahead of the Americas (76), Asia and the Pacific (76, almost half the rating the region's experts gave to 2008 12 months ago) and Europe (65). Middle East experts close the ranking with 62 – a surprisingly low score given the fact that the region has outperformed all others in recent months.

By activity and sector, all categories have given pessimistic scores for 2009. The least pessimistic forecasts have come from Destinations (82) ahead of Tour Operators & Travel Agencies (76) and representatives of Accommodation & Catering (66). Not surprisingly, in view of the uncertainties regarding oil price volatility, currency fluctuations and capacity cuts, the Transport sector (46) is by far the gloomiest about 2009's Prospects.

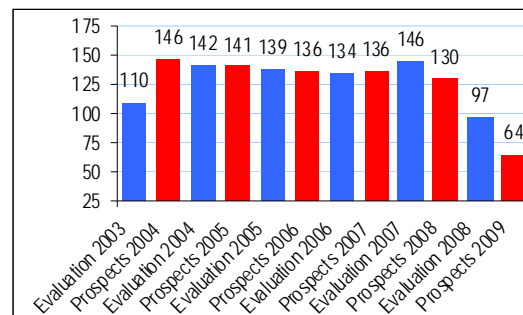
UNWTO Panel of Tourism Experts

Public



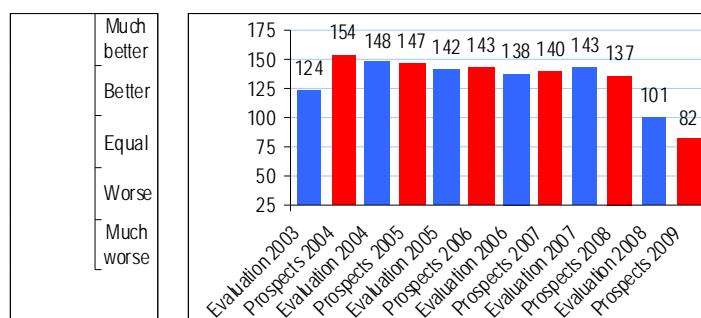
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Private



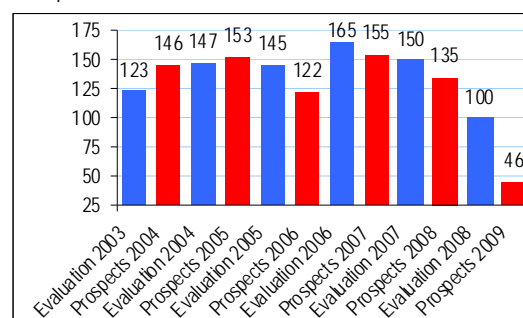
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Destinations



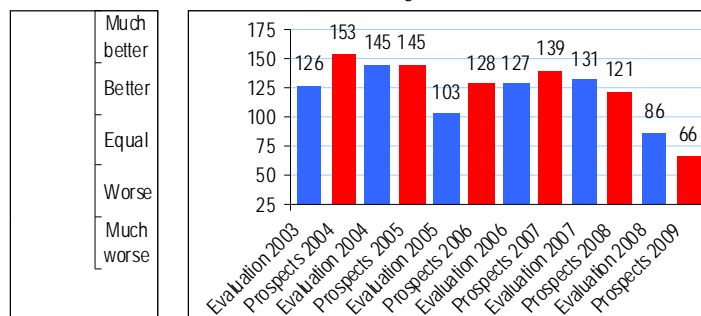
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Transport



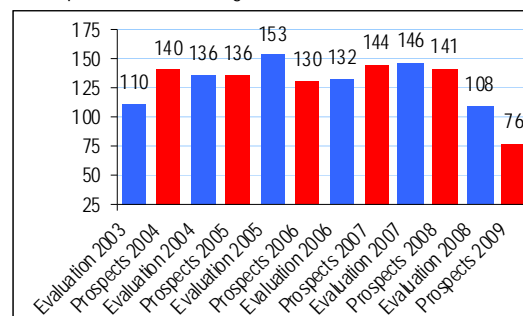
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Accommodation & Catering



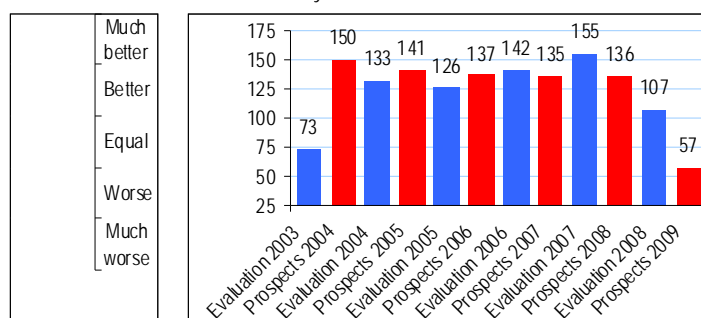
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Tour Operators & Travel Agencies



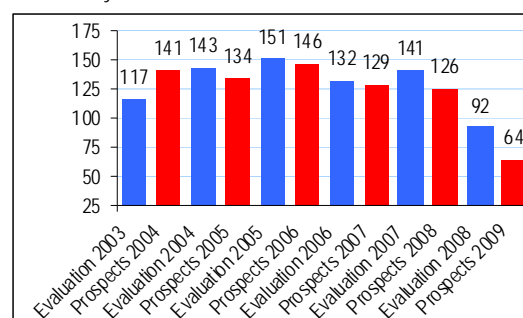
Source: World Tourism Organization (UNWTO) ©

General Industry Bodies & Other



Source: World Tourism Organization (UNWTO) ©

Consultancy, Research & Media



Source: World Tourism Organization (UNWTO) ©

For this edition responses have been received from experts based in Albania, Algeria, Andorra, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Bangladesh, Barbados, Belgium, Belize, Bermuda, Bhutan, Brazil, Bulgaria, Burkina Faso, Cambodia, Cameroon, Canada, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Finland, France, Germany, Ghana, Greece, Guatemala, Guinea, Hong Kong (China), Hungary, India, Iran, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kyrgyzstan, Latvia, Lebanon, Lesotho, Liechtenstein, Lithuania, Malta, Marshall Islands, Mauritius, Mexico, Monaco, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Panama, Peru, Philippines, Poland, Portugal, Puerto Rico, Republic of Korea, Romania, Russian Federation, Rwanda, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Swaziland, Sweden, Switzerland, Tanzania, Thailand, Togo, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela, and Vietnam.

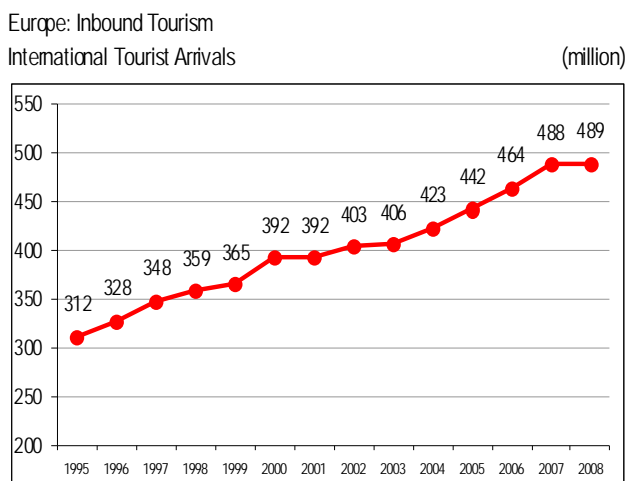
Regions

Europe

Results

Of all the world's regions, Europe achieved the weakest growth in international tourist arrivals in 2008, currently estimated at 0%. This average reflects, of course, a steady deterioration over the course of the year. Arrivals were still growing rapidly in the first quarter, by 6% – a figure that was flattered by an early Easter. The second quarter saw an increase of just over 1% (depressed by Easter) and the third a decline of 2%. For the fourth quarter, the figures so far available suggest a decline of nearly 4%.

This trend is echoed by comments from the Panel of Experts and reports from the industry generally. A common refrain is: “a good first quarter, a deterioration in the second and third quarters, and a terrible fourth quarter.” There is an almost universal preoccupation with the world financial/economic crisis and the associated, and largely unpredictable, fluctuations in exchange rates.



Source: World Tourism Organization (UNWTO) ©

The recent figures for Northern Europe are especially weak: -7.5% in quarter four, contributing to a 2% decline in 2008 as a whole. Only one destination (Iceland) has reported substantial increases in recent months. And only one other country, Finland, is still reporting an overall increase for 2008 (+2%). In the first half of 2008, Finland continued to attract large increases in visitors from the UK (whose tour operators added the destination to their winter brochures in 2007) and Russia (a market which was then still booming), but both markets now face serious difficulties. In other Nordic countries, all of which were doing reasonably well earlier in the year, the year-to-date figures turned negative (Norway -6%, Denmark -5% and Sweden -1%).

The UK and Ireland contrived to be weak as both outbound markets and inbound destinations. The UK pound has been falling against the euro for two years (with the decline rapidly escalating in the second half of 2008)

and against the US dollar for one year, making outbound travel more expensive and inbound cheaper. However, there does not seem to have been a commensurate benefit for inbound tourism so far, which has declined by 1% through November. Ireland's tigerish economic growth has come to an abrupt halt, with serious effects on consumer confidence, disposable incomes and available credit, dampening both domestic and outbound tourism. At the same time, Ireland is seen as a high-cost, euro-denominated destination. Its two most important tourism markets, the UK and the USA, are in no condition to bring relief to the industry. Ireland was one of the principal beneficiaries of the low-cost airline (LCC) boom, but some of the routes were reportedly only marginally viable and have been or are being withdrawn.

Arrivals in Western Europe started to see a stronger reversal of trends even earlier, with negative results for the last three quarters of the year. Still some countries, including Austria and Germany, only saw arrivals declining in October/November and even so only by 1%. Overall, arrivals in the subregion are estimated to have fallen by 1% in 2008, with declines of 2-3% in the three last quarters. With the exception of Luxembourg (-5%), France (-3% in arrivals at hotels) and the Netherlands (-7%), all destinations are still in positive territory for the year so far.

By far the strongest results came from Austria, with a 6% increase in arrivals and more good results in the second half than bad. The UEFA Football Championship provided a strong boost, but there also seems to have been a renewal of interest in summer rural and alpine holidays – cycling and walking, for example. The early signs are that the Alps will also have had a good winter season.

Anecdotal reports from Switzerland, which also hosted the UEFA Cup, are also largely positive. The strong euro in the first three quarters of the year is said to have brought in visitors from Europe, while the weak US dollar encouraged Swiss people to take long-haul holidays. Geneva and Basel report that their conference business was sustained at high levels, while the Alps report a strong summer season and an excellent start to the winter season. However, the figures for international arrivals in hotels tell a rather different story, with declines in September, October and November (as much as 8% in November), and an increase of just 2% for the year to date.

The world economic downturn is coming late to Germany (unemployment was still falling in November), and some experts report a moderate rise in international demand and robust domestic demand, both for the last four months and 2008 as a whole. However, others note the early effects of the financial and economic crisis in the USA, Europe and worldwide – with less business travel and more reserved leisure travel activities – and the continued effects of high oil prices on flight surcharges, motor fuel prices and household energy costs. On a positive note, the effects of the 2006 FIFA World Cup on the image of Germany are apparently still being felt. Overall, international arrivals in the first ten months of 2008 were up 3%.

International Tourist Arrivals by Country of Destination

	Series	Change					Monthly or quarterly data series															
		2007	2008*	06/05	07/06	08/07	(% change over same period of the previous year)															
							Series	2008*	2007													
		(1000)	(1000)			(%)		YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4
Europe		487,951	488,546	5.0	5.2	0.1		0.1	6.3	1.4	-2.0	-3.5	-1.4	-1.4	-3.5	-1.8	-5.2	-4.1	8.8	3.5	4.2	6.3
Northern Europe		58,037	56,821	7.1	2.7	-2.1		-2.1	7.0	-0.3	-4.9	-7.5	-3.9	-3.5	-8.3	-2.5	-13	-7.8	7.6	2.1	-0.6	5.2
Denmark	TCE	0.4			NCE(1)	-5.0	24.5	-7.9	-8.9		-4.5	-13	-10	2.3	-12		17.7	-0.7	-0.2	-1.5
Finland	TF	3,519	..	7.5	4.3	..	TCE	1.7	8.9	4.6	-3.7		-5.2	-4.5	1.0	0.6		16.4	4.1	2.9	6.6	
Iceland	TCE	1,054	..	11.4	8.6	..	THS(2)	3.7	1.7	1.6	5.0		4.6	2.7	11	8.0	3.1	32.9	16.6	6.5	5.3	
Ireland	TF	8,332	..	9.1	4.1	..	TF	-2.1	4.3	1.3	-6.6		-8.1	-1.7	-11	-0.3	-12	6.4	0.9	5.6	3.3	
Norway	TF	4,290	..	6.4	5.4	..	THS	-6.2	-1.3	-0.5	-10.7		-9.6	-13	-7.9	-6.5	-5.3	2.4	1.9	1.2	6.3	
Sweden	TCE	5,224	..	-3.2	10.5	..	THS	-0.8	10.5	5.0	-7.9		-9.4	-9.3	-2.3	0.1	-8.0	0.9	2.7	7.1	3.9	
United Kingdom	TF	30,871	..	9.3	0.7	..	VF	-1.1	6.8	-1.0	-1.9		0.5	2.5	-9.8	-4.4	-15	6.1	0.4	-7	4.9	
Western Europe		154,895	153,091	4.9	3.5	-1.2		-0.9	7.4	-2.0	-3.3	-3.2	-2.7	-2.0	-5.7	-2.5	-4.3	-3.0	2.5	1.9	4.1	5.8
Austria	TCE	20,766	21,908	1.6	2.5	5.5	TCE	5.5	13.7	-0.6	2.6	3.7	2.5	6.0	-2.2	7.3	-1.1	3.4	-0.5	0.6	3.5	7.9
Belgium	TCE	7,045	..	3.7	0.7	..	TCE	1.5	2.4	2.8	-0.3		0.4	-0.4	-1.0			2.7	-1.9	1.5	1.3	
France	TF	81,900	..	3.9	3.8	..	THS	-2.8	6.2	-3.6	-5.7		-4.9	-4.7	-7.9	-3.8		-0.3	2.1	4.0	5.0	
Germany	TCE	24,425	..	9.6	3.6	..	TCE	2.6	5.4	4.3	0.8		0.8	0.4	1.4	-1.2		7.8	-0.3	3.3	5.7	
Liechtenstein	THS	58	..	10.2	6.2	..	THS	0.4	5.0	-1.8	4.2		-4.4	13	3.9	-18		8.0	5.3	4.6	7.5	
Luxembourg	TCE	917	..	-0.5	1.0	..	THS	-4.7	-0.8	-7.3								6.4	1.3	8.1	4.0	
Netherlands	TCE	11,008	10,200	7.3	2.5	-7.3	TCE	-7.3	2.7	-10.7	-8.3	-10.1	-7.7	-3.5	-15	-10	-10	-10	10.1	-0.8	0.5	4.0
Switzerland	THS	8,448	..	8.8	7.4	..	THS	2.1	9.0	2.4	0.1		0.9	1.7	-2.8	-1.9	-8.2	7.4	7.0	6.8	9.2	
Central/Eastern Europe		96,838	99,396	4.3	6.2	2.6		2.6	5.2	5.1	1.8	-1.5	1.9	1.6	1.7	-1.3	-1.7	-1.5	18.4	5.0	-1.3	8.8
Bulgaria	TF	5,151	..	6.6	-0.1	..	TF	14.5	15.5	17.9	12.3		12	13	11			-9.4	7.3	1.7	-8.8	
Czech Rep	TCE	6,680	..	1.6	3.8	..	TCE	2.2	8.5	0.3	0.2		2.3	-0.9	-0.9			8.8	1.7	-0.9	9.7	
Estonia	TF	1,900	..	1.2	-2.1	..	TCE	4.5	5.9	5.0	2.5		4.3	6.1	-5.7	7.3	6.8	1.9	-3.9	-5.0	-2.8	
Hungary	TF	8,638	..	-7.2	-6.7	..	TF	1.0	4.6	1.4	-1.1							-10.6	-11.8	-4.5	-0.3	
Latvia	TF	1,653	..	37.5	7.7	..	VF	3.9	12.2	6.2	3.2	-4.5						13.4	16.2	7.2	17.2	
Lithuania	TF	..	..	9.0	..	..	TCE	9.3	10.2	9.2	9.0		10	10	5.7			27.6	12.0	6.7	14.7
Poland	TF	14,975	12,900	3.1	-4.4	-13.9	TF	-13.9	-8.6	-11.2	-15.9	-19.0						-4.4	-4.4	-4.4	-4.4	
Romania	TCE	1,551	..	-3.5	12.4	..	TCE	-5.1	8.1	-2.9	-11.1		-11	-15	-6.2	-6.1	-15	9.0	17.4	13.1	7.4	
Russian Federation	TF	..	..	1.3	..	..	VF	5.0	1.7	7.5								7.7	-0.4	-1.8	4.7
Slovakia	TCE	1,685	..	6.4	4.5	..	TCE	7.3	10.6	17.0	-0.2							-2.3	-1.0	6.7	15.8	
Ukraine	TF	23,122	..	7.4	22.1	..	TF	12.5	12.5	12.5	12.5											
Southern/Mediter. Eu.		178,180	179,238	4.9	7.0	0.6		0.3	5.7	3.0	-1.7	-3.6	-0.9	-1.5	-3.1	-1.4	-5.2	-6.0	10.2	4.6	8.2	5.6
Albania	TF	2,205	2,724	..	..	23.5	VF	23.6	25.1	26.2	23.2	20.3									
Andorra	TF	2,189	..	-7.9	-1.7	..	TF	-5.6	-0.2									-3.6	-4.2	1.2	0.0	
Bosnia & Herzg	TCE	306	..	17.7	19.8	..	TCE	6.5	8.9	11.5	1.0		4.7	-1.0	-0.5	5.4		20.3	19.1	17.4	23.9	
Croatia	TCE	9,307	..	2.3	7.5	..	TCE	1.2	29.9	0.4	0.6		0.9	4.1	-7.8	1.2	-9.4	19.1	12.3	5.1	9.8	
Cyprus	TF	2,416	2,404	-2.8	0.6	-0.5	TF	-0.5	4.4	2.2	-3.2	-1.3	-2.8	-3.7	-3.2	-2.6	3.3	-2.2	-3.9	-3.3	5.8	-1.4
F.Yug.Rp.Macedonia	TCE	230	..	2.6	13.7	..	TCE	10.9	15.5	7.7	12.3		4.4	17	15	15	1.4	5.7	7.3	19.4	20.0	
Greece	TF	17,518	..	8.6	9.2	..	TCE	-5.5	5.1	-7.3			-5.5	-5.2				17.5	20.5	15.3	2.9	
Israel	TF	2,068	2,572	-4.1	13.3	24.4	TF	24.4	31.5	36.3	18.7	13.6	13	11	36	13	22	6.0	-8.8	-11.1	48.7	42.6
Italy	TF	43,654	..	12.4	6.3	..	TF	-1.4	-2.2	2.5	-3.7		1.6	-9.3	-3.1	-1.8		17.1	-0.3	8.0	3.9	
Malta	TF	1,244	..	-4.0	10.6	..	TF	4.5	22.0	11.4	0.0		1.2	1.2	-2.7	-9.3	-11	7.0	6.0	11.9	16.8	
Montenegro	TCE	984	..	38.9	160	..	TCE(3)	4.8	32.4	8.6	2.6		-1.5	6.0	3.1	2.2	16	115	120	190	56	
Portugal	TF	12,321	..	6.3	9.2	..	TCE	4.9	21.1	3.8	1.4		4.1	0.5	-0.1	-3.7		7.6	4.4	8.0	7.0	
San Marino	THS	69	..	0.0	38.0	..	VF	0.3	10.9	-3.6								12.5	-1.3	2.2	-3.7	
Serbia	TCE	696	..	3.6	48.5	..	TCE(3)	-7.0	-3.7	-6.4	-7.0		-11	-5.6	-3.9	-12	-9.9	50.8	36.1	59.6	46.7	
Slovenia	TCE	1,751	1,768	4.0	8.3	0.9	TCE	0.9	5.6	2.2	-0.2	-2.2	2.2	1.9	-6.2	-1.3	-11	5.5	10.6	10.6	9.7	0.6
Spain	TF	58,973	57,418	4.1	1.3	-2.6	TF	-2.6	5.3	0.9	-5.3	-9.5	-8.0	-1.8	-6.0	-5.4	-12	-14	4.7	-0.5	1.2	1.4
Turkey	TF	22,248	..	-6.7	17.6	..	TF	12.6	14.6	17.4	9.4		12	10	5.0	13	7.7	17.5	15.7	18.4	18.7	

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

(1) Including holiday dwellings

(2) Hotels only

(3) From 2007 on, arrivals from Montenegro / Serbia are included as foreign

Generally speaking, other destinations in Western Europe have posted weaker arrivals figures for 2008. The trend for Belgium was still positive (+1.5%), but only through the first nine months. The lack of consumer confidence is already having an effect on domestic and inbound spending, but the institutional and business travel attracted to the European Union capital is providing some support. Increased passenger numbers on Eurostar and Thalys high-speed trains have compensated in part for the withdrawal of air services and the roadworks on the route through the Ardennes. The figures for the Netherlands are much worse (-7% for 2008 as a whole): it is said that arrivals from neighbouring markets have continued to rise, but those from the UK and long-haul markets declined in 2008.

Figures from France have been weak since the spring, with international arrivals in hotels down 3% in January-October. In October, there were reports that arrivals from other parts of the eurozone had held up well, while substantial increases from Russia and the Middle East at least partially balanced the declines from the USA, UK, Japan and China. But the hotel sector appears to have performed less well than the market for other forms of accommodation (second and rented homes, camping, etc.). The last three months, however, are reported by experts to have been weak – “une chute brutale” – although winter bookings for ski resorts are said to have been good.

Central and Eastern Europe was, until very recently, buoyant both as a source of tourists and as a destination, but there were signs of a slowdown in arrivals through the fourth quarter, producing an increase of 3% for the year as a whole. However, very few countries have submitted actual figures for arrivals for the last three months of the year yet, and the economic news coming out of the region in recent weeks has often been startlingly bad, so these preliminary figures must be regarded with caution.

Estonia, Latvia and Lithuania have all reported strong figures for the first three quarters of the year. In Estonia, the growth in arrivals through November was 4.5%, sustaining a turnaround in tourism that began in 2007. Integration into the Schengen Area, new ferries on the Tallinn-Helsinki route, new air services to Germany, and new hotels in Tallinn have encouraged aggressive promotional efforts and special offers, bringing in tourists from neighbouring countries, especially Finland and Russia. Arrivals in Latvia and Lithuania were up 7% and 9% respectively in the first three quarters, but Latvia's were down 4.5% in the last quarter. The Baltic States are suffering from over-extended and heavily indebted economies, with high rates of inflation, and some air services were withdrawn in November-December.

More modest increases in arrivals in 2008 are reported by the Czech Republic (+2%) and Hungary (+1%), but arrivals in Slovakia rose as fast as those in the Baltic States (+7%). However, all three saw no significant growth in the third quarter. Poland (one of the most important destinations in the area, with 13 million arrivals in 2008) estimated full year results at a 14% decline in arrivals as traffic was negative in all quarters.

The monthly or quarterly statistics included in this issue have been compiled by the UNWTO Secretariat based on preliminary data as disseminated by the institutions (e.g. National Tourism Authorities, Statistics Offices, Central Banks) of the various countries and territories through websites, news releases, and bulletins, or provided through direct contacts with officials or through international organisations such as the Caribbean Tourism Organization (CTO), the European Travel Commission (ETC), Eurostat, the Pacific Asia Travel Association (PATA) or the South Pacific Tourism Organization (SPTO). Information in this issue reflects data available at the time of preparing the *UNWTO World Tourism Barometer*. Whenever necessary, updated data will be included over time as it becomes available and without further notice.

In the tables on International Tourist Arrivals for the various UNWTO regions, series are chosen that can serve as an indicator of trends in tourism development to selected destinations. The monthly series represented do not coincide in all cases with the annual series usually reported for the various countries (e.g. visitor arrivals or nights instead of tourist arrivals) and sometimes only relate to a part of the total tourism flow (e.g. air traffic, specific entry points). Please refer to the notes on page 2 for further explanations. The (sub)regional totals are approximations for the whole (sub)region prepared by UNWTO based on trends in the countries with data available.

The data on International Tourism Receipts offers additional information on the development of inbound tourism, while the data on International Tourism Expenditure serves as an indicator of trends in outbound tourism. Both series correspond to the respective Travel Credit and Travel Debit items in the Services section of the Balance of Payments. And both cover all transactions related to the consumption by international visitors of, for instance, accommodation, food and drinks, fuel, transport in the country of destination, entertainment, shopping, etc. Data includes transactions generated by tourists (overnight/same-day visitors) as well as by same-day visitors (excursionists, including cruise passengers). It does not cover expenditure on international transport contracted outside the traveller's country of residence, which is included in the Balance of Payments under the separate item 'Transportation, passenger services'. The institutions responsible for the Balance of Payments generally estimate travel expenditure from a visitor survey or outbound survey and/or bank records of international transactions (exchange of foreign currencies in and outside the country, credit card payments, transactions between tourism businesses, etc).

So as not to be influenced by exchange rate fluctuations, the percentages included in the tables are based on values in local currencies, except where otherwise indicated.

Countries that are not included in this overview, but which have monthly data at their disposal, are kindly requested to contact the UNWTO Secretariat at barom@unwto.org.

International Tourism Receipts

	US\$			Local currencies, current prices (% on previous year)																		
	2000	2006	2007*	Series	06/05	07/06	2008*												2007*			
	(million)				YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4			
Europe	231,303	377,357	434,276																			
Northern Europe	36,051	60,279	69,814																			
Denmark	3,694	5,562	6,220		4.5	2.4	1.6	6.0	4.0	-1.8							6.7	2.0	1.0	2.3		
Finland	1,411	2,375	2,838		7.6	9.5	1.5	4.6	2.9	-1.4							17.7	7.4	5.3	10.9		
Iceland	229	443	633		20.7	30.5	11.7	5.0	5.2	17.2							35.4	28.8	19.8	57.0		
Ireland	2,633	5,346	6,066		10.2	3.9	-0.1	1.8	1.8	-2.2							10.3	5.1	0.3	4.4		
Norway	2,163	3,774	4,453		7.5	7.8	3.8	6.2	6.8	-0.6							11.4	7.9	5.6	7.8		
Sweden	4,064	9,084	12,002		21.1	21.0	-1.1	-1.6	-10.8	8.6							41.6	29.8	12.3	6.8		
United Kingdom	21,857	33,695	37,601	sa	8.5	2.6	3.8	3.6	9.6	-1.5							7.3	-3.2	3.1	3.6		
Western Europe	81,495	131,849	149,512																			
Austria	9,784	16,643	18,887		2.7	4.0	6.8	14.4	-2.0	1.1							0.6	4.0	5.6	8.6		
Belgium	6,592	10,295	10,880		3.4	-3.2	7.7	1.8	16.7	4.2		-4.0	24.6	-10.2			-18.1	-0.7	10.4	-8.9		
France	30,757	46,345	54,228		4.3	7.2	-6.3	-1.4	-3.3	-12.1		-9.6	-14.7	-11.9	0.0	0.0	8.6	-0.4	17.1	-2.4		
Germany	18,693	32,801	36,029		11.4	0.6	2.2	1.3	2.4	1.8		1.1	0.5	4.0	4.8		7.7	-7.2	3.9	0.0		
Luxembourg	1,806	3,614	4,001		-0.9	1.4	4.6	8.2	0.4	5.8							-1.1	1.0	2.1	3.3		
Netherlands	7,217	11,348	13,305		7.3	7.4	-3.4	11.6	-11.4	-7.6							14.7	3.3	4.6	9.2		
Switzerland	6,645	10,802	12,182		8.6	8.0	7.2	8.7	7.9	5.4							5.3	7.7	7.1	12.3		
Central/Eastern Europe	20,348	38,186	48,533																			
Azerbaijan	63	117	178	\$	49.9	52.0	6.7	5.0	9.4	5.7							160	136	11.5	8.9		
Belarus	93	278	306	\$	9.7	10.1	10.9	10.9									24.4	1.9	3.4	16.9		
Bulgaria	1,076	2,588	3,130		5.5	10.8	11.9	12.7	13.6	11.7		9.9	14.7	9.8	3.5		12.2	14.5	8.7	11.1		
Czech Rep	2,972	5,520	6,618		11.7	7.7	-0.7	10.5	-1.0	-8.7							8.4	8.9	4.8	9.1		
Estonia	508	1,024	1,035		4.5	-7.3	10.8	32.4	7.1	4.2							-5.6	-9.0	-9.6	-1.4		
Georgia	97	313	384	\$	29.5	22.8	20.7	33.7	46.9	-4.1							9.0	9.0	26.9	44.8		
Hungary	3,757	4,233	4,728	€	2.0	2.3	17.7	10.4	12.9	25.2							0.6	5.5	5.0	-3.2		
Kazakhstan	356	838	1,013	\$	19.6	20.9	1.9	4.8	5.1	-2.1							23.0	25.4	16.0	21.7		
Kyrgyzstan	15	167	346	\$	128.8	107.2	63.5	61	64.8								154	85.9	80.9	142		
Latvia	131	480	671		39.5	28.3	15.5	24.8	8.9								24.9	21.8	29.7	34.8		
Lithuania	391	1,038	1,153		11.8	1.8	9.2	12.4	7.3	9.5							-23.3	8.6	15.3	-5.3		
Poland	5,677	7,239	10,627		10.7	30.9	-4.4	-6.3	3.1	-8.6							36.9	11.5	39.1	33.9		
Rep Moldova	39	112	164	\$	8.3	47.0	34.0	25.4	41.7	34.0							52.6	48.3	42.6	46.4		
Romania	359	1,298	1,605	€	21.4	13.2	17.0	25.7	45.4	-2.3		44.0	15.2	-46.1	4.3		31.3	11.6	27.1	-7.6		
Russian Federation	3,429	7,628	9,607	\$	30.0	25.9	53.1	45.5	31.9	72.9							19.3	28.9	21.6	34.3		
Slovakia	433	1,513	2,013		19.8	10.6	8.4	8.8	10.5	6.3		3.3	1.6	16.6			9.0	14.6	9.5	9.6		
Ukraine	394	3,485	4,597	\$	11.5	31.9	38.2	46.5	50.1	30.7							35.9	27.3	33.9	30.3		
Southern/Mediterr. Eu.	93,409	147,043	166,417																			
Albania	389	1,010	1,373	€	16.3	24.5	19.3	29.7	11.8	19.0							-14.5	15.5	63.2	29.5		
Bosnia & Herzg	233	604	728		15.1	10.4	9.8	10.9	9.1								9.0	9.2	12.5	9.6		
Croatia	2,782	7,902	9,254	€	4.9	7.3	9.6	17.3	15.8	6.9							40.0	14.0	4.0	3.5		
Cyprus	1,941	2,400	2,685		1.8	3.8	-3.7	1.8	-1.3			-5.0	-9.1				-1.0	3.1	11.1	0.7		
F.Yug.Rp.Macedonia	38	129	185	€	41.5	31.8	20.0	25.0	15.8								25.7	19.8	32.3	46.9		
Greece	9,219	14,259	15,513		2.9	-0.3	3.3	7.8	8.4	1.7		2.4	3.1	-1.2	-4.3		4.7	0.0	-1.1	0.7		
Israel	4,114	2,777	3,059	\$	-0.7	10.2	30.9	32.7	35.6	24.6							-9.6	-6.9	32.0	36.9		
Italy	27,493	38,130	42,651		6.7	2.5	1.2	3.2	1.0	2.3		4.8	-0.3	2.5	-7.1		4.4	-4.2	4.7	7.0		
Malta	587	767	913		0.7	9.1	-1.4	4.7	-3.7	-1.8							11.0	4.2	11.4	11.3		
Montenegro	..	362	630		34.0	59.4	90.9	90.9														
Portugal	5,243	8,377	10,132		7.6	10.8	2.9	11.5	2.1	0.1		1.1	-3.0	3.4	0.1		13.0	9.1	11.2	10.4		
Serbia	..	398	531	\$	29.3	33.5	80.5	97.9	87.5			35.2					57	32.4	24.4	32.4		
Slovenia	965	1,953	2,483		7.2	16.5	10.9	12.7	12.2	9.5		9.3	10.6	8.2	8.5		23.0	21.1	15.4	7.8		
Spain	29,967	51,122	57,795		5.6	3.6	0.8	5.2	1.0	-0.3		1.1	0.3	-2.5	-4.2		5.7	1.6	3.3	4.5		
Turkey	7,636	16,853	18,487	\$	-7.2	9.7	18.9	28.4	25.9	14.4		18.2	17.4	7.1	14.7		8.0	0.9	8.6	23.9		

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

The latest EU members, Bulgaria and Romania, continue to report very different results. Arrivals in Bulgaria were up 14% in the first nine months, backed by several new low-cost air services, while those in Romania were down 5%, with heavy declines since June. The main sources of tourists are still neighbouring countries, and receipts per arrival are correspondingly low. Both countries are in a process of improving their services to compete with more popular destinations in Southern Europe.

Across the Southern and Mediterranean Europe sub-region as a whole, monthly arrivals started showing year-on-year declines from June, reducing the estimate for the year as a whole to an increase of just 0.6%. But several countries continued to show strong increases. These included Turkey (+13% to November), Israel (+24%), Portugal (+5% in arrival in accommodations units to October) and several countries in the Western Balkans.

In the Western Balkans, a distinction must now be drawn between the countries with relatively well-developed tourism industries, such as Croatia and Slovenia (+1% for 11 months and full year respectively) and those with less mature industries which continue to grow rapidly, including Albania, Bosnia & Herzegovina, the Former Yugoslav Republic of Macedonia and Montenegro.

Both Croatia and Slovenia saw considerable declines in arrivals in November while the other states in the area, with the exception of Serbia, all sustained substantial growth rates into the fourth quarter. Albania achieved an increase of 24% in the year as a whole, and 20% in the last quarter. Serbia has reported heavy declines in arrivals since February. Although well down on recent years' growth, Montenegro's 5% increase (through November) confirms its increasing appeal as a tourism destination.

Together with Egypt, Turkey must be rated as the star performer in Mediterranean tourism in 2008. The success of Turkey is attributed mainly to its very attractive exchange rate (the Turkish lira depreciated further against the euro in 2008) and its relaxed visa regime (facilitating travel from Russia, other CIS countries and the Middle East). Turkey's monthly arrivals figures remained good through November, with an average of 13% for the 11 months. However, the trade reports that there were strong increases from most markets until September, but that the global financial crisis then put the brakes on this soaring demand.

Greece, on the other hand, is in the eurozone and suffers correspondingly high prices. The 'post Olympics factor' seems to be well and truly over, and arrivals from important traditional destinations have been declining steadily, including the USA, the UK and Germany. Arrivals in accommodation units from January through August were down 5.5%. The demonstrations in Athens and the decline in the value of the UK pound will have made the situation worse later in the year. Cyprus has barely seen any growth since March. It has been preoccupied with its loss of price competitiveness for several years, and increased airport charges have burdened the cost of air travel. Again, the recent depreciation of the UK pound will have made

matters worse. Arrivals from the UK and Germany are reported to have fallen, while those from Russia continued to rise.

Arrivals in Israel seem to be soaring. They were up 24% for the year, with arrivals only slowing down in December to 6%.

Arrivals in the western Mediterranean have generally been much weaker than those in the east: increases in Portugal (+5% in arrivals in commercial accommodation in ten months) and Malta (+4.5% through November) were unable to compensate for smaller declines in the much larger destinations of Spain (-3% for the year) and Italy (-1.4% to October). In all four destinations, the trade is seriously worried by economic trends in important source markets.

Some of the UNWTO experts say that arrivals in Italy were holding up well in the last months of the year. But there is not yet any statistical evidence of this. One bright spot, most unusually among European destinations, has been the sustained interest from Japan.

In Spain, the monthly figures deteriorated as the year progressed, culminating in year-on-year declines in arrivals of 12% in November and 14% in December. The situation might have been compounded also by a contraction in the domestic market, since Spanish consumers have been badly affected by the collapse in the local property market and construction industry. The reports from different regions vary, but in general there have been declines in length of stay and of spending in resorts, hotels and restaurants. Business travel also suffered. There has been some consolidation in the industry, reducing capacity, and some withdrawals of air services.

Although arrivals in Portugal were up 5% to October (in all accommodation units), the monthly figures turned negative in September. Portugal is particularly heavily exposed to the UK market, but hopes that residential tourism (i.e. second homes) will prove relatively resilient and that some Spanish holidaymakers will be diverted to Portugal as a close and relatively inexpensive destination.

Malta is in a very similar situation. The year-to-November figure included declines of around 10% in October-November. The destination is heavily dependent on the UK market, too, and it faces competition from more price-competitive destinations in North Africa, as well as Turkey and Egypt.

Prospects

The prospects for European tourism in 2009, as reflected in the Panel of Expert's rating, seem very gloomy. Almost everyone expects the first half of 2009 to be bad, particularly given the good start to 2008. Many express a hope that the second half will be better, but there is an increasing awareness that the current economic problems may persist into 2010.

A number of destinations – for instance, Austria, Monaco, the Netherlands and Turkey – are reporting that business and meetings travel has fallen away quite quickly as the economic downturn has taken hold. It can also be expected to recover quickly when a recovery begins – although there are inevitably the technophiles who reckon that by then many businesses will have adapted to electronic conferencing. Conversely, many experts believe that consumers will make savings elsewhere in their budgets in order to finance their holidays, and that it will be later in the downturn, when unemployment and declining disposable incomes bite more heavily, that leisure tourism will decline more heavily. In other words, business tourism will decline early and recover early; leisure tourism will decline late and recover late.

destinations in Eastern Europe and the Balkans. In terms of the outlook, much depends on the exposure of each destination to different markets, and on future relative exchange rates.

Associated with the downturn, many experts expect a shift towards more local destinations, from long-haul to short-haul travel. Several destinations, indeed, are already reporting such a trend, and most are trying to exploit it by promoting domestic tourism. However, the airlines are reporting a heavier downturn in domestic and short-haul business than in long-haul.

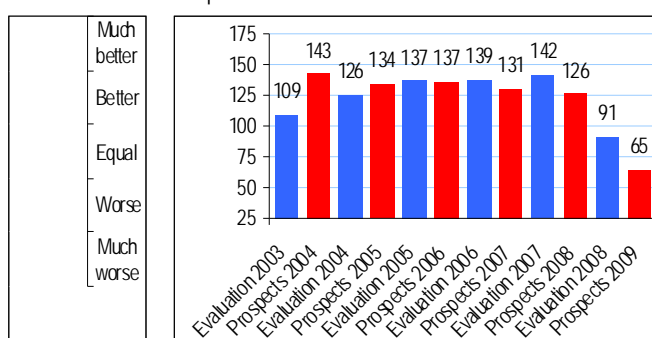
Many destinations are also reporting that travellers are trading down. This does not mean that the well-established trends for upmarket tourism to thrive, and for products to become more polarised, are going into reverse. It may well be that it is the mid-range consumers who are going downmarket. There are many reports of a revival of inexpensive all-inclusive packages, presumably drawing on the middle and lower-middle markets.

Higher tourism prices in Europe were a concern in 2007 and the first half of 2008. The downturn has brought many reports of heavy discounting, but this may not persist: operations may not be viable at these prices with lower volumes. And price reductions achieved by squeezing costs and profits are likely to be dwarfed by shifts in relative exchange rates. Airfares have not been falling back as quickly as international oil prices, partly because of the costs and complexities of hedging against oil prices, and partly because of the costs associated with lower load factors.

All in all, 2009 is going to be a difficult year for European tourism, but a surprising number of respondents do see opportunities in the difficulties.

UNWTO Panel of Tourism Experts

Europe



Source: World Tourism Organization (UNWTO) ©

In October, UNWTO reported that the slackening demand for Europe was spread across most source regions, but that favoured destinations were still seeing increases from Russia, Eastern Europe, the Middle East, the Nordic countries and South America. For 2008 as a whole, this remains true, but in the last few months the downturn has become more generalised. Few nations are still under the illusion that the crisis is going to pass them by.

In terms of inbound market potential for Europe, the biggest doubts concern those markets that have also suffered large declines in the value of their currencies, which include the UK, Australia and New Zealand, Norway and Sweden, the Republic of Korea, Russia, India, several countries in South-East Asia and many commodities producers in the southern hemisphere.

As for destinations, optimists can be found scattered across most of Europe, but they outnumber the pessimists in only a few countries, including Turkey and some smaller

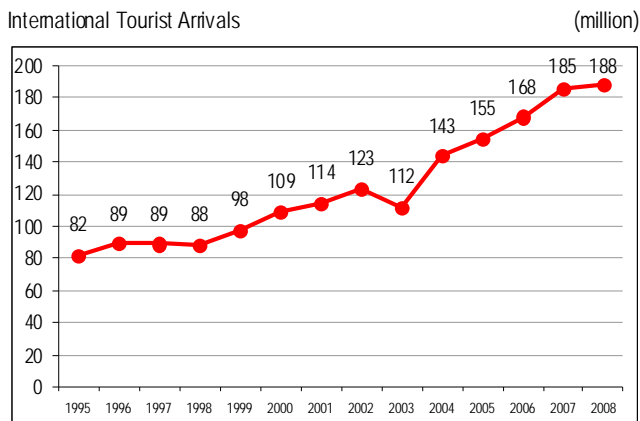
Asia and the Pacific

Results

The puzzle, earlier in 2008, was why tourism in Asia and the Pacific should have turned down so early, and so heavily, as the world economic boom faltered. After all, large parts of Asia had been enjoying – and were still enjoying – unprecedented rates of economic growth, and the region was largely uninvolved in the housing and financial sectors crises which were causing havoc in the USA and some parts of Europe. After the Asian financial crisis of 1997-98, governments in the region had taken steps to strengthen their banking systems and build up their foreign exchange reserves.

And yet, the growth in international tourist arrivals was slackening rapidly, from 9% in the first quarter to 3.5% in the second and declines of 2% and 4% in the third and fourth quarters of the year. And UNWTO's Panel of Experts' ratings for the previous four months fell from 128 in January (some way above neutral) to 104 in June and 86 in October. In hindsight, consumer and business sentiment was an accurate reflection of things to come.

Asia and the Pacific: Inbound Tourism
International Tourist Arrivals



Source: World Tourism Organization (UNWTO) ©

This slackening can be attributed principally to the rising prices of tourism in general, and in particular the increase in aviation fuel prices and associated fuel surcharges as a consequence of the surge in commodities' costs. A number of airlines had failed and capacity on many routes had been cut back (IATA reports monthly decreases in capacity in Asia since August); many older aircraft had been parked because of their higher operating costs. It should be remembered, too, that the low-cost airline fever is still comparatively at its infancy in the region, so the sudden sharp rise in prices as a result of the reduced capacity and higher fuel costs put a (likely temporary) stop to much discretionary travel within the region. Important individual destinations had also been seriously affected by special circumstances – the earthquake in the Chinese province of Sichuan, the Beijing Olympic Games, which as had happen already in Greece, induced a decline in leisure visitors afraid of congestion

and higher prices, and the unrest in destinations such as Thailand, Sri Lanka, Pakistan and Bangladesh.

International oil prices fell back rapidly in the fourth quarter, but airline prices and schedules take time to react. At the same time, the world's economic problems deepened and started to bring real problems for the region's consumer goods and commodities exporters, and undermining consumer confidence. Revenue per available room (revPAR) in hotels across much of the region has been falling since September. The Panel of Experts' rating for the last four months fell further, to 67 (one of the lowest rating among all the world's regions). UNWTO's estimate for the fourth quarter – and most destinations have reported full-year data, so the estimate can be made with confidence – is that arrivals in Asia and the Pacific fell by as much as 4%, bringing its growth for the year as a whole to less than +2%.

Arrivals in North-East Asia are estimated to have increased by just 0.4%, with declines of 4-5% in the second half of the year. The dynamo for tourism in North-East Asia and throughout the Asia and the Pacific region has, of course, been China – both as an outbound market and as an inbound destination. Year-on-year arrivals were down 3%, having started to fall as early as April. The host nation for the 2008 Summer Olympics saw a decrease in arrivals (like many previous host nations) for reasons such as fear of congestion or higher prices, tighter security and visa restrictions. Hotel occupancy rates are reported to be low, although, of course, capacity was increased greatly in preparation for the Games. And tour operators that had suspended group travel during the Games may not be finding it easy to resume them fully in the current economic climate. Outbound travel also faltered in the middle of the year, but has since recovered: it is estimated to have increased by 12% in 2008, compared with 19% in 2007. This was an extraordinarily high rate in the context of the current world situation, and would seem to confirm the fact that growth in tourism will continue to be led by the emerging markets over the foreseeable future.

Arrivals in Japan had been rising even faster than those in China in 2006-2007, but this trend went into reverse in 2008: they were up 10% in the first half of the year, but down heavily in the second (the provisional figure for November is -19%). An important factor was the recovery in the value of the Japanese yen, which rose by about 23% against the US dollar and 15% against the Chinese yuan over the course of 2008. Outbound travel is also down. The Japanese seem to have lost their enthusiasm for travel abroad years ago, and are showing no signs of recovering it. The combination of the economic crisis and increasing airfares exacerbated the trend in 2008. It should be noted that Japanese exports have been declining from some time, undermining consumer confidence and the demand for business travel. Outbound traffic was 8% lower up to November, with the youth, senior and family markets all affected.

An exception was Japanese travel to the Republic of Korea. The Korean won was declining as fast as the yen

was appreciating, and by the end of the year the purchasing power of the yen in Korea had almost doubled. This generated a flood of Japanese shoppers in Seoul and a collapse in Korean travel to Japan. It is also suggested that some travellers were diverted to the Republic of Korea from China and Thailand by security concerns and practical travel difficulties. Overall arrivals in Korea (Rep. of) were up 7% for the year, including continued increases in the third and fourth quarters.

Arrivals in Hong Kong (China), Macao (China) and Taiwan (province of China) also continued to rise in 2008

although, in Hong Kong's case, they were sliding in the third and fourth quarters. The global financial/economic crisis was partially responsible, but it also seems that travellers may have been deterred from going to Hong Kong (China) by the difficulties of travelling onwards to China before and during the Olympics. Arrivals in Macao (China), which had been growing by about 20% a year, were up 10% in 2008, while Taiwan's (pr. of China) was up 4%, with the help of the rapprochement between the island and mainland governments – including the gradual extension of direct transport links.

International Tourist Arrivals by Country of Destination

	Series	2007		2008*		Change		Monthly or quarterly data series																		
		(1000)	(1000)	06/05	07/06	08*/07	Series	(% change over same period of the previous year)															2007			
								2008*	YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4			
Asia and the Pacific		185,436	188,340	8.4	10.5	1.6		1.5	9.0	3.5	-2.0	-3.7	2.8	-4.4	-4.5	-1.6	-5.2	-4.1	10.4	10.6	10.4	10.8				
North-East Asia		104,255	104,672	7.7	10.6	0.4		0.4	10.1	2.2	-4.2	-5.0	-0.3	-7.1	-5.2	-3.5	-6.0	-5.6	9.7	9.7	11.4	11.4				
China	TF	54,720	53,000	6.6	9.6	-3.1	TF	-3.1	9.6	-3.0	-9.3	-8.0	-7.8	-11	-8.6	-6.0	-8.2	-10	10.0	10.6	9.3	8.8				
Hong Kong (China)	TF	17,154	17,320	7.1	8.4	1.0	TF	1.0	5.3	4.1	-2.2	-2.3	4.2	-9.2	-0.1	-2.3	-3.6	-1.1	3.9	4.6	11.8	12.7				
Japan	VF	8,347	..	9.0	13.8	..	VF	2.2	10.6	9.3	-2.0	..	2.1	-2.0	-7.0	-5.9	-19	..	13.3	10.7	16.8	14.2				
Korea, Republic of	VF	6,448	6,891	2.2	4.8	6.9	VF	6.9	12.0	6.3	4.0	5.9	7.7	-0.7	5.4	0.7	3.0	15	2.2	1.4	4.6	10.5				
Macao (China)	TF	12,942	14,242	18.5	21.2	10.0	TF	10.0	17.4	16.8	7.1	1.1	19	5.7	-3.0	3.0	2.3	-1.8	21.4	18.8	23.5	20.8				
Taiwan (pr. of China)	VF	3,716	3,845	4.2	5.6	3.5	VF	3.5	8.3	2.9	4.2	-0.8	7.8	1.0	4.0	4.0	-2.7	-3.3	2.5	6.0	6.2	7.5				
South-East Asia		59,646	61,822	9.4	12.3	3.6		3.6	8.2	6.1	1.4	-1.0	8.3	-0.2	-4.5	1.2	-4.3	0.0	12.8	14.2	10.9	11.5				
Cambodia	TF	1,873	2,001	19.4	17.7	6.9	VF	5.5	17.0	6.9	4.1	-5.0	3.6	3.0	5.9	-2.2	-1.6	-9.4	20.4	19.2	16.5	17.8				
Indonesia	TF	5,506	6,434	-2.6	13.0	16.9	TF(1)	16.9	19.4	11.0	17.2	20.0	14	25	12	25	13	22	12.9	10.7	15.8	12.6				
Lao P.D.R.	TF	..	..	25.3	..	..	VF	10.5	4.7	17.1	..	..	6.3	-7.6	..	..	..	..	30.2	35.3	44.7	27.3
Malaysia	TF	20,973	22,052	6.8	19.5	5.1	TF	5.1	1.2	3.9	8.2	7.5	12	12	-0.1	8.6	4.6	9.2	20.6	29.3	14.3	14.7				
Myanmar	TF	248	193	13.5	-5.9	-22.1	TF	-22.1	-30.6	-27.4	-39.4	24.0	-48	-40	-25	107	3.0	5.4	25.7	13.2	6.0	-49.4				
Philippines	TF	3,092	..	8.4	8.7	..	TF	4.0	8.5	5.2	-0.8	..	1.5	-2.5	-2.0	0.0	..	..	8.8	6.4	10.8	9.0		
Singapore	TF	7,957	..	7.2	4.9	..	VF	-1.8	6.7	-0.7	-5.1	-7.3	-3.8	-7.6	-3.8	-8.1	-9.7	-4.3	5.5	5.0	5.4	5.9				
Thailand	TF	14,464	..	19.5	4.6	..	TF	5.7	12.9	13.6	-9.6	..	9.4	-22	-16	..	..	..	5.8	0.4	2.7	8.8	
Vietnam	VF	4,229	4,254	3.0	18.0	0.6	VF	0.6	15.7	-0.3	-1.5	-12.1	12	3.7	-21	-10	-22	-4.5	13.7	15.8	23.7	19.6				
Oceania		10,724	10,567	0.4	1.7	-1.5		-1.5	1.8	-1.2	-1.9	-4.5	5.3	-5.3	-6.3	-1.9	-6.0	-5.3	3.1	2.1	2.7	-0.6				
Australia	TF	..	..	0.9	..	..	VF	-1.2	0.4	-1.7	-0.4	..	9.3	-3.9	-7.6	-2.1	-5.8	..	4.6	3.7	2.7	-2.0
Cook Is	TF	97	..	4.4	5.1	..	TF	-2.0	0.3	-6.1	-2.8	..	0.1	-7.4	-1.3	-4.6	13	..	11.8	9.8	2.4	-0.4				
Fiji	TF	540	..	-0.9	-1.0	..	TF	8.7	21.0	7.1	6.1	..	5.5	14	-0.9	2.6	-0.8	..	-5.1	-5.9	-3.5	11.3				
French Polynesia	TF	218	..	6.5	-1.5	..	TF	-9.2	-9.4	-7.2	-8.3	..	-9.2	-11	-4.3	-13	-13	..	9.2	-0.7	-5.3	-6.5				
Guam	TF	1,225	1,135	-1.3	1.1	-7.3	TF	-7.3	-1.8	-1.0	-11.3	-15.0	-4.0	-19	-9.8	-8.7	-20	-16	-4.7	2.9	6.5	0.6				
Kiribati	TF	5	..	45.1	6.9	..	VF	-15.8	-19.5	-40.5	-4.4	4.9	-3.6	2.3	-11	24	-2.6	-2.4	3.5	77.1	-8.9	1.1				
Marshall Is	TF	7	..	-36.8	24.1	..	TF	-15.4	-26.3	-29.9	13.9	..	27	-15	43	-6.6	-26	..	52.3	44.6	15.5	-11.0				
N. Mariana Is	TF	385	..	-13.9	-10.3	..	VF	2.0	1.0	10.0	-2.5	0.8	4.3	-13	5.3	8.7	0.2	-4.7	-2.5	-21.5	-12.3	-6.0				
New Caledonia	TF	103	..	-0.2	2.9	..	TF	0.5	3.8	4.6	-5.4	..	-17	1.9	0.8	-0.1	..	..	10.8	-1.1	-3.7	5.8		
New Zealand	VF	2,466	..	1.6	1.8	..	VF	-0.6	4.2	-3.6	-2.1	..	1.6	-1.4	-6.6	-3.3	-4.2	..	3.2	2.7	3.6	-1.3				
Palau	TF	93	..	0.3	7.7	..	TF	-9.8	2.9	-15.4	-19.7	..	-26	-18	-15	-3.5	-9.3	..	5.8	5.5	11.1	5.3				
Papua New Guinea	TF	104	..	12.2	34.0	..	TF	6.6	0.2	14.5	8.8	..	15	-3.3	16	-1.1	3.6	..	49.4	35.2	32.0	22.5				
Samoa	TF	122	..	13.8	5.5	..	TF	-1.6	-2.9	-0.2	-3.9	..	32	-24	-10	5.7	..	..	11.4	6.0	16.7	-7.2		
Tonga	TF	46	..	-5.8	16.7	..	TF	4.3	-24.1	3.8	21.6	..	49	2.8	9.2	..	..	..	-10.1	30.4	16.6	24.8	
Vanuatu	TF	81	..	9.7	18.8	..	VF	17.8	15.8	-6.2	24.2	..	32	53	-4.3	73	..	..	2.3	15.3	-6.0	7.4		
South Asia		10,811	11,279	20.8	9.8	4.3		3.9	11.0	6.6	3.3	-4.2	1.6	3.4	5.3	2.6	-2.0	-12	11.6	7.2	5.6	13.3				
Bhutan	TF	21	..	27.3	21.6	..	TF	32.4	41.4	37.6	5.0	..	85	22	-18	37	51	..	63.2	-9.9	32.2	24.1				
India	TF	5,082	5,367	13.5	14.3	5.6	TF	5.6	12.2	9.3	8.6	-5.0	7.4	9.2	9.6	1.8	-2.1	-12	17.1	11.3	12.8	14.4				
Maldives	TF	676	683	52.3	12.3	1.1	TF	1.1	5.1	2.4	-1.6	-2.1	-6.6	-2.5	4.6	-4.0	2.0	-4.0	15.9	14.0	11.2	8.3				
Nepal	TF	527	..	2.3	37.2	..	VF(2)	4.0	16.0	-3.9	-6.2	8.8	-19	-2.1	0.5	16	6.6	0.6	31.2	44.2	23.2	16.4				
Sri Lanka	TF	494	438	1.9	-11.7	-11.2	TF	-11.2	0.7	-1.5	-2.6	-15.6	-25	-31	-20	-5.2	-18	-20	-15.6	-34.5	-14	23.9				

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

(1) Foreign arrivals through thirteen selected Ports of Entry

(2) Air arrivals only

With all the attention on China and India, the prosperity across most of South-East Asia has gone almost unnoticed. Arrivals are estimated to have risen by 4% in 2008 – the fastest, together with South Asia, among the subregions of Asia and the Pacific.

The civil and political unrest in Thailand, which culminated in the temporary closure of Bangkok's Suvarnabhumi International Airport in November, had serious repercussions in Thailand, but also across the Greater Mekong Area. Arrivals in Thailand, which had been growing by 13% in the first six months of the year, started to slide as early as August and there are reports of declines in bookings in the remaining months – and, effectively, a significant disruption to tourism in November/December.

Tourism in Laos, Cambodia and Vietnam had been booming, with double-digit increases in arrivals in 2007 and the first months of 2008. But the Vietnamese economy has overheated, with inflation soaring to 25%. Arrivals fell by 12% in quarter four, bringing the overall growth for 2008 down to less than 1%. The problems in Thailand also

undermined tourism in Laos and Cambodia in the last part of the year – 60% of Laos's tourists are Thai, and many other visitors come through Thailand.

Arrivals in Malaysia have been rising rapidly – indeed, rising even faster as the year progressed, meaning that the destination might have benefited somewhat from diverted traffic from Thailand. The growth of 5% for the year as a whole includes increases of 8% in quarter three, 7.5% in quarter four and 9% in December. There were large increases in visitors from Canada, the Netherlands, Russia, France, Norway, Germany, Iran, Cambodia, Indonesia and India.

Arrivals in Singapore continued to slide more heavily as the year progressed, despite several high-profile events, such as the first night-time Formula One Grand Prix. Arrivals were down 2% in 2008. Hotel occupancy through November also fell by 6.4 percentage points to 78%. Longer term, Singapore is looking forward to the inauguration of its two new 'integrated' resorts, complete with casinos, in 2010. It will also host the first Youth Olympics in 2010.

International Tourism Receipts

	US\$			Local currencies, current prices (% on previous year)																			
	2000	2006	2007*	Series	06/05	07/06	2008*										2007*						
	(million)						YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4		
Asia and the Pacific	85,346	156,506	183,504																				
North-East Asia	39,428	75,231	84,186																				
China	16,231	33,949	37,233	\$	15.9	9.7	-3.3	10.0	-4.7	-12.9			-12.0	-15.3	-11.4				24.2	25.5	22.2	-29.5	
Hong Kong (China)	5,907	11,638	13,766		12.9	18.8	12.7	14.6	14.1	9.5									16.2	13.1	18.7	25.8	
Japan	3,373	8,469	9,334		34.8	11.6	2.8	10.9	8.3	-1.2			2.5	-1.5	-5.1	-4.6	-15.4		11.2	7.4	14.7	12.9	
Korea, Republic of	6,834	5,788	6,138	\$	-0.3	6.1	45.4	38.7	30.4	28.6			20.6	1.1	73.2	118	66.3		0.4	-5.7	8.0	21.9	
Taiwan (pr. of China)	3,738	5,136	5,213	\$	3.2	1.5	12.6	10.0	15.4	12.5									1.9	2.7	-2.7	4.2	
South-East Asia	26,825	43,560	53,672																				
Indonesia	4,975	4,448	5,346	\$	-1.6	20.2	12.2	15.7	8.2	13.1									20.0	17.7	23.2	19.7	
Malaysia	5,011	10,424	14,047		14.1	26.3	4.2	0.2	5.4	7.3									28.0	37.1	21.0	19.9	
Philippines	2,156	3,501	4,931	\$	54.6	40.8	-6.5	-0.5	0.7	-18.5			-31.2	2.4	-16.7				67.3	24.3	70.6	18.6	
Singapore	5,142	7,194	8,664		16.1	14.2	10.8	24.2	7.4	3.1									9.8	13.7	17.9	15.0	
Thailand	7,489	13,401	15,573		31.8	5.9	19.7	27.8	20.8	8.5									8.0	2.9	6.2	6.5	
Oceania	14,295	26,293	31,964																				
Australia	9,274	17,840	22,298		7.3	12.5	11.8	13.0	14.8	10.7			18.4	8.4	5.0	7.6	7.7		13.2	12.6	13.3	11.0	
New Zealand	2,272	4,738	5,400		-0.5	0.6	-3.4	-4.1	-1.0	-4.8									2.2	3.0	-0.1	-3.0	
Solomon Is	4	4	..		26.8		4.9	-4.6	-18.3	34.2									-45.2	15.3	18.8	-20.0	
Tonga	7	16	15		11.2	-8.8	92	196	22.8										-41.3	-17.6	-30.7	-27.8	
South Asia	4,797	11,423	13,682																				
Bhutan	10	24	30	\$	29.4	25.1	14.3												81.8	-7.0	26.2	27.8	
India	3,460	8,634	10,729		18.4	13.4	19.6	8.8	21.1	33.9									18.9	10.9	9.4	13.6	
Iran	467	1,452	1,486	\$	35.9	2.3	2.4	2.2											2.3	2.3	24.7	-10.2	
Nepal	158	128	198		-1.1	41.8	110.8	111											21.3	15.1	78.9	55.0	
Pakistan	81	255	276	\$	40.1	8.2	-9.7	-7.7	-10.4	-11.4			-2.5	-8.0	-23.8				21.9	13.6	4.4	-5.7	
Sri Lanka	248	410	385		-1.2	0.0	-1.5	-0.1	-3.7										-4.6	-25.4	-0.9	36.1	

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

The Indonesian economy continued to thrive through the whole of 2008, and its tourism is into a second year of strong growth after the tsunamis and other problems of earlier years. Arrivals were up 17% and, as in Malaysia, the growth was sustained through the last quarter of 2008. The Philippines posted a more moderate increase of around 4%, with little or no growth in the second half. China and the Republic of Korea provided some support for the industry, but the 'wintering' season from North America and Europe was poor.

Arrivals in South Asia rose by an estimated 4% in 2008, in spite of a sharp, and somewhat unexpected, contraction in the fourth quarter. India (+6%), the dominant destination in South Asia, has of course been enjoying a remarkable economic boom, but this boom faltered in the last months of the year. The world recession has undermined hotel occupancy rates, leading developers to scale back their investments. The problems were exacerbated by the travel advisories issued after several terrorist attacks, culminating in the attacks on Mumbai at the end of November.

Elsewhere in South Asia, several destinations (including Pakistan, Bangladesh and Sri Lanka) are suffering from political conflicts and severe local economic crises. Arrivals in Sri Lanka fell by 11% in 2008 as the war against the Tamil Tigers intensified. In Nepal, arrivals were up 4%, with an upturn in the fourth quarter despite problems caused by the Mumbai attacks (which deterred visitors from India) and the closure of Bangkok's airports (which disrupted travel from some markets, especially Australia and New Zealand). Bhutan is thriving as an exotic, upmarket and exclusively small destination, and celebrated a coronation and its centenary in 2008. Arrivals were up 32% in the first 11 months of the year – a level that will be difficult to sustain in 2009. Tourism in the Maldives, in contrast, was slow, with an increase of just 1% in 2008. But it is important to highlight that this comes after the very strong rebound of the last two years.

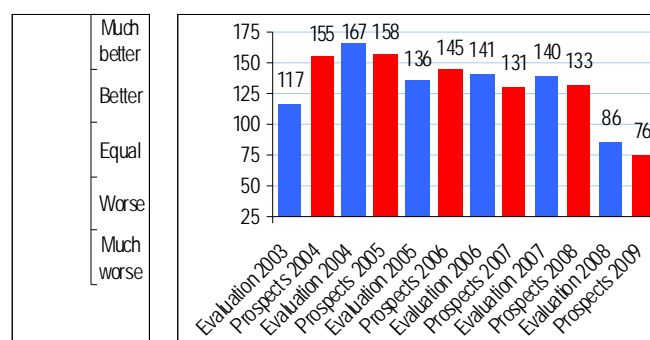
Oceania is reporting the weakest arrivals figures in the Asia and the Pacific region (-1.5%), as it has for several years. The global economic environment does not favour the area. In the first half of 2008, high exchange rates and the rising costs of air travel – which are especially significant for such distant destinations – kept international travellers away. In the second half, the deterioration in the world economy more than offset the decline in their currencies. The monthly arrivals figures for Australia and New Zealand have been erratic but essentially stagnating or declining slightly. The Pacific islands have been subject to the recent vagaries of scheduled and charter flights. Among the available figures, those for Fiji, the Northern Marianas, Vanuatu and Papua New Guinea show substantial increases, but those for Guam, Palau and French Polynesia are heavily down.

Prospects

The average rating from the Panel of Experts' members in Asia and the Pacific for prospects over the next four months is only 52, down from 86 in September (a neutral rating would be 100), and the rating for the whole of 2009 is just 76. With consumer and trade confidence so low, it is difficult to be anything but pessimistic about the first half of 2009. Everything depends on how deeply the world economic downturn bites into the region's economic growth, and how well China and India weather the crisis.

UNWTO Panel of Tourism Experts

Asia and the Pacific



Source: World Tourism Organization (UNWTO) ©

As long as the region avoids the financial meltdown it is possible to hope that economic activity and incomes will not fall heavily, and will recover soon, even with little support from North America and Europe. In those circumstances, it is also possible to hope that, with oil prices down, aviation – and especially the low-cost carriers – will come back with a vengeance in 2009, stimulating demand for tourism. But the truth is that nobody knows how deeply Asia and the Pacific will be affected by the crisis, and forecasts for growth in major Asian economies are far from the ones registered in recent years.

The Pacific Asia Travel Association (PATA) believes that, as the likeliest hypothesis, arrivals in the region will increase by an average of 4% over the next three years, and others are hoping that a recovery could start by the end of 2009. China is certainly banking on continued growth in tourism. Beijing's authorities say the city is to invest US\$ 147 million in 2009-2010 in new and upgraded tourist attractions. They have set growth targets of 7% a year for international tourist arrivals and 5% for domestic tourism, in 2009-2012, and to double its tourism revenues to approximately US\$ 59 billion by 2012.

Hong Kong (China) also expects good growth in arrivals from China in 2009. Chinese travel regulations are being relaxed to allow mainland Chinese from other provinces who live in Shenzhen to apply for Hong Kong visas through the individual visitor scheme without returning to their home provinces. Prospects for Macao (China) may be harder. The Chinese authorities have tightened travel permissions in the past few months because of worries about the outflow of cash to US

companies. Coupled with the difficulties faced by the casino industry in raising the finance required by their huge debts and expansion plans, this threatens to slow down significantly the burgeoning growth of this Chinese Special Administrative Region. Gambling revenues are reported to have declined by 10% in the third quarter of 2008.

The export-oriented economies of the three other most important markets in Asia – Japan, the Republic of Korea and Taiwan (pr. of China) – are set for a difficult period, and it seems unlikely that their consumers will have the confidence to sustain their spending on travel abroad.

Similarly, the commodities-exporting economies of Australia and New Zealand are expected to suffer until world industrial production is well into a recovery. Their principal tourist markets include a catalogue of those worst affected by the world economic downturn: North America, Europe (especially the UK), Japan, the Republic of Korea and Taiwan (pr. of China) – but also China and, in the case of Australia, India. Declines in outbound, inbound and domestic tourism can be expected. According to Tourism Australia's Tourism Forecasting Council, international arrivals may fall by 4% in 2009 (the worst decline since 1989). Outbound tourists will be diverted to the domestic market, but even so domestic trips are also forecast to decline by 1% – although this may be offset by a rise in spending, since, by not travelling abroad, holidaymakers will have more to spend at home.

The prospects for Thailand's tourism remain an open question. Thai Airways International reports that it has quickly re-established its services and that it is continuing its aggressive expansion in 2009, especially to India and the Middle East (it will double its daily flights to New Delhi, Mumbai and Dubai, restore its daily flights to Kolkata and Chennai, and add four weekly direct flights to Kuwait; it is also looking at the possibility of flights to Jeddah, Amman and Abu Dhabi). Local prices have been reduced and promotional efforts increased, with an additional US\$ 34 million being granted to the Tourism Authority of Thailand for 2009. Visa-free entry for Chinese is to be allowed until April and there is now talk of extending this to all markets on an indefinite basis. But even if the unrest is over, Thailand's image has been affected and needs attention.

Questions have recently been raised as to how well India can weather the economic crisis and what will be the short-term impact of the tragic events in Mumbai. Elsewhere in South Asia, the prospects for tourism depend very much on progress made by peacemakers, in Sri Lanka and Pakistan, for example.

The Americas

Results

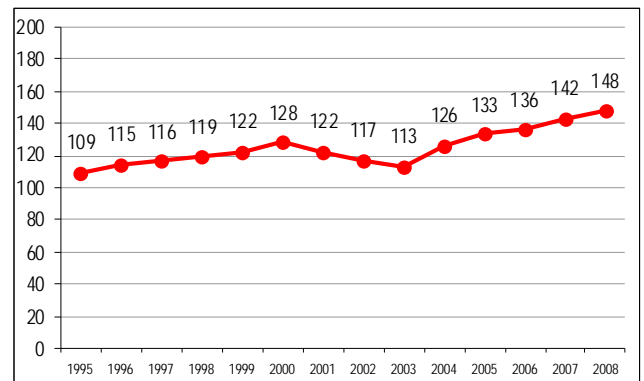
Central and South America once again led the Americas in terms of international arrivals growth in 2008, with preliminary estimates of 8% and 6% for each subregion respectively. But, while Central America's growth was down on 2007's level (+11%), South America was one of the rare subregions in the world to maintain its growth pattern of 2007. The Caribbean was the only subregion in the world to improve its results, to a very modest 1% growth as against a flat 2007.

North America, which had recovered well in 2007 after a number of years of weak performance, had a reasonable year, up 3%, but this was two points down on 2007's result. Preliminary estimates suggest the four subregions combined generated a total of some 148 million arrivals – up 4%, or double the average growth worldwide.

These positive results are reflected in the score of 103 given by UNWTO's Panel of Experts in its evaluation of 2008's performance. Admittedly, it was well behind the score given for the Middle East, but it was well ahead of those given for Europe and Asia and the Pacific. Nevertheless, the region's experts are very pessimistic about prospects for 2009 (76).

Americas: Inbound Tourism
International Tourist Arrivals

(million)



Source: World Tourism Organization (UNWTO) ©

North America is expected to have shown a 3% increase in arrivals last year, down from 5% in 2007. Of the three countries making up the subregion, the USA turned in the best results, although preliminary figures are only available for the first ten months (+7%). September's zero growth and the 2% decline of October (due in no small part to the appreciation of the dollar), suggest that the final result will be lower. Growth in arrivals from Canada reversed the trend since September, while that from Mexico was down since April. Among the overseas markets, growth from Western Europe was very strong up to October (at double-digit rates), but this trend seems to have been halted for the last months of the year.

Although many of the comments from UNWTO's Panel of Experts relate to domestic travel, there is a general

International Tourist Arrivals by Country of Destination

International Tourist Arrivals by Country of Destination	Change					Monthly or quarterly data series																	
	Series	2007	2008*	06/05	07/06	08*/07	Series	(% change over same period of the previous year)												2007			
		2008*	2007					2008*	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec					
		(1000)	(1000)			(%)		YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	
Americas		142,493	147,615	1.8	4.9	3.6		3.8	9.9	3.9	2.1	-0.2	2.6	3.6	-0.4	-0.4	-0.1	-0.1	2.6	3.5	6.1	7.4	
North America		95,341	98,432	0.8	5.2	3.2		3.5	10.7	4.0	1.6	-0.5	1.9	3.3	-0.9	-1.7	-0.4	0.4	2.9	4.3	5.8	7.5	
Canada	TF	17,931	..	-2.7	-1.8	..	TF	-4.8	-1.9	-4.7	-5.3		-3.6	-3.0	-11	-5.7	-7.5		-3.2	-1.8	-1.7	-1.2	
Mexico	TF	21,424	..	-2.6	0.3	..	TF	6.2	6.4	3.0	6.5		8.0	2.0	10	3.1	19		-3.7	4.8	2.2	-1.7	
United States	TF	55,986	..	3.6	9.8	..	TF(1)	6.9	15.4	7.6	3.2		2.4	6.5	0.0	-2.0			9.1	7.8	12.1	15.2	
Caribbean		19,464	19,707	3.4	0.1	1.2		1.2	7.2	1.3	-0.8	-4.1	0.0	1.6	-6.0	-4.1	-2.9	-5.1	-0.8	-3.8	0.8	5.4	
Anguilla	TF	78	..	17.5	6.4	..	TF	-10.8	-13.0	-13.2			0.4	-7.0					22.2	-0.2	5.9	-4.0	
Antigua, Barb	TF	..	..	2.2	..	..	TF(2)	2.9	8.8	7.6	-1.8		1.8	-1.3	-8.8	-10	-5.9		1.6	-4.4	3.0	13.4
Aruba	TF	772	..	-5.2	11.2	..	TF	15.9	20.6										9.8	2.7	13.8	18.6	
Bahamas	TF	1,528	..	-0.5	-4.6	..	TF(2)	-0.3	3.4	-2.1			0.1	-5.5					-5.5	-9.2	1.6	-3.1	
Barbados	TF	575	..	2.7	2.1	..	TF	-1.6	8.3	-11.4	0.1		0.8	-3.9	4.7	-5.0			-6.7	13.5	0.7	2.3	
Bermuda	TF	306	..	10.9	2.2	..	TF	-5.2	-8.9	-10.0	-0.4		-1.9	-1.2	3.3	-2.6	0.0		17.8	-1.5	1.3	-0.1	
Bonaire	TF	74	..	1.6	16.9	..	TF	7.9	5.1	11.1									20.1	7.6	16.5	23.0	
Br. Virgin Is	TF	358	..	5.7	0.5	..	TF	-0.5	3.6	-3.4	-3.1		1.7	-3.6	-19				3.0	-3.3	0.3	2.4	
Cayman Islands	TF	292	..	59.3	9.1	..	TF	5.2	9.0	9.7	7.1		12	11	-9.8	-2.6	-22		13.3	3.3	10.2	9.8	
Cuba	TF	2,119	..	-4.9	-1.4	..	VF	9.6	15.2	14.3	2.9		8.2	8.8	-12	-0.3	-1.3		-7.2	-10.8	-2.4	11.2	
Curaçao	TF	300	..	5.5	27.9	..	TF	30.9	47.8	29.8	16.3		21	18	10				8.3	17.1	29.3	55.8	
Dominican Rp	TF	3,980	..	7.4	0.4	..	TF	0.7	6.8	3.2	-4.5		-3.6	-2.0	-10	-11	-5.8		4.0	-4.5	-1.3	3.1	
Grenada	TF	129	..	20.4	8.8	..	TF	-1.0	14.2										0.5	22.1	9.6	6.2	
Jamaica	TF	1,694	1,757	13.5	0.9	3.7	TF	3.3	13.3	3.7	-0.4	-3.6	-5.1	4.2	2.6	-1.9	-1.8	-5.9	-2.1	-3.6	4.9	7.3	
Martinique	TF	503	..	4.0	-0.1	..	TF	-4.4	-2.4	-4.3			-9.4	-5.6					6.2	-0.4	-6.4	0.3	
Montserrat	TF	8	..	-17.8	-2.7	..	TF	-4.4	-5.7	-7.9	-2.9		13	-13	-16	8.7			-9.9	1.7	5.6	-4.5	
Puerto Rico	TF	3,687	..	1.0	-0.9	..	THS(3)	-1.8	-0.5	-4.6	-0.2		0.7	4.0	-8.2				-8.5	-6.1	-6.3	-2.0	
Saba	TF	12	..	-3.9	6.0	..	TF	3.4	-4.3	10.4			6.4	5.8					5.5	-7.8	11.3	19.8	
Saint Lucia	TF	287	..	-4.9	-5.0	..	TF	3.8	17.7	0.6	-0.7		-2.2	8.9	-11	-3.1	-11		-10.5	-5.2	-4.5	1.3	
St. Eustatius	TF	12	..	-7.4	20.7	..	TF	4.0	2.3	1.2			19						20.6	7.9	10.8	51.6	
St. Maarten	TF	469	..	0.0	0.3	..	TF(2)	3.9	7.6	2.2	5.6		9.7	13	-13	-14			1.9	-3.7	0.7	2.3	
St. Vincent, Grenadines	TF	90	..	2.0	-7.6	..	TF	-10.4	-16.1	-4.8			-7.6						6.3	-14.4	-5.2	-19.4	
Trinidad Tbg	TF	449	..	-1.2	-1.7	..	TF	-1.2	5.4	-8.3									-4.4	-4.9	-2.3	4.9	
US. Virgin Is	TF	510	..	-2.1	-10.5	..	VF(2)	-1.2	6.4	2.4	-5.8		-1.5	-3.5	-19	-37			-3.0	-4.5	15.0	12.1	
Central America		7,752	8,365	8.8	10.5	7.9		7.9	12.6	10.0	4.6	4.5	9.3	0.5	3.7	6.3	2.5	5.0	7.1	8.1	13.1	14.0	
Belize	TF	252	..	4.5	1.8	..	TF	-2.2	1.7	-3.2	-5.0		-2.5	1.6	-21	-9.5			3.2	0.9	-0.1	2.5	
Costa Rica	TF	1,980	..	2.7	14.8	..	TF	9.6	18.7	4.7	4.0		2.7	9.7	-1.4				3.6	17.0	21.7	20.4	
El Salvador	TF	1,339	1,385	13.5	4.7	3.5	TF	3.5	8.8	15.0	-5.6	-1.9	21	-31	0.2	5.6	-9.1	-1.7	3.6	3.7	8.8	2.5	
Guatemala	TF	1,448	1,527	..	..	5.4	VF	5.4	6.2	3.1	5.8	6.1	5.8	7.8	2.9	2.2	7.5	8.1	14.5	5.0	6.0	7.8
Honduras	TF	831	899	9.8	12.6	8.2	TF	8.2	5.3	16.7	6.1	4.6	13	2.2	2.9	6.6	9.2	0.5	12.5	4.9	14.6	19.4	
Nicaragua	TF	800	857	5.2	6.8	7.2	TF	7.2	9.0	6.5	5.4	7.9	6.1	-0.4	12	4.1	0.2	15	0.7	-1.0	17.7	10.8	
Panama	TF	1,103	..	20.1	30.8	..	TF	19.9	25.8	23.6	17.4		16	21	15	18	5.7		20.6	25.9	27.5	39.5	
South America		19,936	21,111	2.7	6.4	5.9		5.9	9.1	3.5	7.1	2.8	6.8	9.5	4.9	5.9	2.9	0.4	3.6	6.2	10.4	6.5	
Argentina	TF	4,562	..	9.2	9.3	..	TF	4.3	5.0	3.0	4.6								7.3	13.6	10.5	7.4	
Chile	TF	2,507	2,650	11.1	11.3	5.7	TF	5.7	14.7	-1.5	6.9	-1.3	8.3	6.3	6.0	2.0	-3.2	-2.1	10.3	10.6	14.6	10.5	
Colombia	VF	1,195	1,222	12.9	13.5	2.2	VF	2.2	3.4	2.6	6.9	-3.7	3.2	11	6.2	4.5	-1.2	-12	20.0	15.2	7.7	12.4	
Ecuador	VF	937	1,005	-2.2	11.5	7.2	VF	7.2	7.0	4.2	8.5	8.9	8.1	5.5	14	10	14	3.4	11.1	16.2	10.5	8.9	
Guyana	TF	131	..	-2.7	15.9	..	TF	-25.8	-24.4										11.8	16.9	58.9	-15.6	
Paraguay	TF	416	430	14.0	7.0	3.4	TF	3.4	-12.0	1.4	17.1	3.8	22	21	6.8	2.1	3.7	5.4	-4.1	-2.5	23.1	11.5	
Peru	TF	1,812	..	10.0	10.9	..	TF	11.8	12.3	13.8	9.6		10	12	6.5				9.5	7.8	11.7	14.2	
Uruguay	TF	1,752	1,914	-3.2	0.2	9.3	TF	9.3	18.0	3.3	12.9	0.6	9.6	35	-2.1	14	-1.1	-5.1	-7.8	-0.1	2.3	9.4	
Venezuela	TF	771	..	5.9	3.0	..	TF	4.3	4.3										7.7	17.7	-6.7	-3.5	

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO. January 2009)

See box at page 2 for explanation of abbreviations and signs used

(1) Excluding Mexican visitors not travelling beyond the 25 miles U.S. border zone

(2) Non-resident air arrivals only

(3) Non-resident hotel registrations only

feeling within the US hospitality sector that all customers have been trading down, with some Americans cutting out travel completely. Business travel has been reduced in line with falling bottom lines, declining faster than leisure travel demand. And there is a widespread view that people will only pay attention to special travel promotions when financial trust and economic confidence return.

In sharp contrast to the USA's performance, Canada had a bad year from start to finish (-5%, the fourth negative year in a row), attributed mainly to the very weak US market – and, in turn, largely due to the poor exchange rate for most of the year and the enforcement of the Western Hemisphere Travel Initiative (WHTI) for air travel from/to the USA. Some markets exceeded expectations, however (notably Mexico and Australia), although the Japanese market continued to slide. Recession hit business travel very hard, but visits to friends and relatives (VFR) and leisure travel were reportedly less affected. Reduced airline capacity from Japan, the USA and, more recently, Europe, also had a negative impact.

Mexico's tourism (+6%) enjoyed a fairly good year, helped by the depreciating peso. The Riviera Maya remains upbeat: in spite of the economic crisis, US travellers continued to arrive, partly because it is seen as a nearby destination. The return on promotional campaigns in Europe and South America was reportedly also very encouraging, and hotel room capacity is sold out for the next four months.

Despite a 4.5% rise in arrivals in the first half of 2008, the Caribbean's tourism year ended on a relatively weak note (+1%), albeit up on 2007, as traffic in the last six months of the year declined by nearly 3%. Apart from the high airfares and decreasing airline capacity, responses from experts reflect the preoccupation of the region's tourism industry with the state of the US economy, the news on crime and violence in some of the islands as well as of the need for new tourism products. However, one island just north of Venezuela, Curaçao, stands out since it has strongly outperformed all others in a difficult market, due largely to the enormous demand from the Venezuela. Curaçao estimates around 31% arrivals growth up to October 2008 – the highest in the subregion.

Other Caribbean destinations reporting good growth were Cuba (+10% through November) and Aruba (+16%, but only for three months) – due to both new and better quality hotels and more aggressive marketing – and a number of others did better than the subregion overall – Jamaica (+3%), the Cayman Islands (+5%), Saba (+3%) and St Maarten (+4%). The Dominican Republic (+0.7% through November), improved slightly on its 2007 results (+0.4%) but some of the other major destinations in the subregion faced declines. Puerto Rico's 2% drop in the first nine months is attributed to a severe downturn in arrivals from the USA, which accounts for 90% of arrivals, reportedly reflecting the effect of the crisis in business travel.

As already stated, Central America was the best performing subregion in the Americas last year (+8%). In

fact, only one country, Belize (-2%), suffered a decline in arrivals, according to year-to-date results (attributed by experts to the impact of adverse publicity through the year about natural disasters in the country).

In contrast, Panama (+20% in the first 11 months, and still showing double-digit growth up to October) had another excellent year. Costa Rica's arrivals (+10% for the first nine months) were strong through the month of August, but might have, similarly to all world destinations, seen a deceleration in the last quarter due to declines from the USA. Costa Rica has correctly placed itself as a 'sustainable tourism' destination, making it attractive in major developed markets, and has derived great advantage from being so close to the USA during the economic downturn (the USA accounts for 50-60% of arrivals).

Among the other destinations in the subregion, El Salvador reports a full year 3.5% growth in arrivals and Guatemala 5%. Nevertheless, 2008 is said to have been weak by comparison with 2007, partly because 2007 contained several important conferences and a royal visit from Spain, and partly because of the world economic crisis. Nicaragua (+7%) performed well in 2008, but political tension due to municipal elections in November might have deterred a bigger growth in inbound and domestic travel.

Arrivals also grew strongly in South America (+6%) in 2008, making it the second best performing subregion based on currently available statistics. But data is still missing for some countries, most importantly Brazil, the leading destination in South America. Economic growth and easy credit last year brought an increase in domestic travel demand in Brazil (evidenced by the 7% increase in the number of passengers in domestic air routes). And the exchange rate favoured outbound travel. There was also a significant 26% increase in passengers flying international routes, due to promotional efforts and the increase in overall flight capacity (+17%), in particular between the USA and the Northeast of Brazil. In the last four months of 2008, the devaluation of the real boosted inbound tourism (and receipts) further, and diverted some outbound tourism to the domestic market.

Arrivals in Argentina were up 4% in the first nine months of 2008 – a more moderate increase than in recent years – and were expected to slow further by year end. Experts say that the problems did not set in until quarter four when hotel occupancy rates started to fall. In Chile, arrivals increased 6%, with the last two months of the year reflecting the impact of the economic downturn in key markets. There is much preoccupation with inflation (which is up to nearly 10%), fuel prices and the local and world economic situations, which are expected to dampen business travel and domestic leisure travel.

Arrivals in Uruguay are improving after some weak years, growing 9% through the 12 months – and this included a 35% increase in August. The increase in arrivals from Brazil more than compensated for declines from Argentina and a tight European market. Uruguay has been concentrating on health, rural and business/conference

tourism to complement its traditional sun and beach business. Growth was more modest for Paraguay (+3%) and Colombia (+2%). Nevertheless, Colombia's prospects look promising as there has been sustained progress in the political and economic situation and a sustained investment in both general and tourism specific infrastructure. However, on the economic front, the failure of the US Congress to back the free trade agreement was a serious blow.

Peru currently has the fastest growing economy in South America. Tourism is prospering (+12% through September), with lots of new investments and effective government support. Ecuador (+7%) reports good progress and comments from the Panel of Experts suggest that confidence is quite high within the industry. New rural products, the refurbishment of Quito's historic centre and attractions, and a strong calendar of meetings events in Quito contributed to the growth, as did the introduction of visa-free entry for all nationalities from June 2008.

International Tourism Receipts

	US\$			Local currencies, current prices (% on previous year)																
	2000	2006	2007*	Series	06/05	07/06	2008*										2007*			
	(million)				YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	
Americas	130,801	154,168	171,381																	
North America	101,472	112,529	125,099																	
Canada	10,778	14,632	15,486		-0.5	0.2	-2.6	0.9	-3.3	-4.0							2.3	0.1	-1.7	2.2
Mexico	8,294	12,177	12,901	\$	3.2	5.9	5.1	7.1	6.8	4.8		2.4	13.3	-2.2	-2.0	-0.6	14.6	3.2	4.9	0.6
United States	82,400	85,720	96,712	sa	4.8	12.8	17.0	24.0	21.2	16.7		17.9	19.4	12.9	5.9	0.7	4.4	8.8	17.5	20.1
Caribbean	17,156	21,890	22,996																	
Aruba	815	1,080	1,256		-1.2	16.2	22.2	22.9	21.3								6.9	8.3	23.3	28.2
Bahamas	1,734	2,056	2,187		-0.6	6.4	0.2	4.9	-4.0								0.5	4.4	8.7	14.2
Bermuda	431	494	568		15.2		-14.3	-19.2	-12.4								28.1	8.2	17.4	15.2
Bonaire	59	91	110		4.6	20.5	21.0	30.6	9.2								22.3	13.5	17.7	26.9
Cuba	1,737	2,127	2,141				16.6	24.4	14.7	6.9							-6.5	-0.5	-14.4	13.7
Curaçao	189	277	327		13.6	18.0	27.0	33.7	18.7								7.1	9.8	16.6	36.8
Dominican Rp	2,860	3,917	4,026	\$	11.3	2.8	6.3	5.6	7.3								9.3	1.5	-7.9	7.6
Jamaica	1,333	1,873	1,868	\$	21.2	-0.3	-1.5	0.4				-7.0					3.0	29.7	-0.8	-1.6
Neth. Antilles	..	..	..				9.1	10.0	8.2								24.0	10.6	3.5	8.2
St.Maarten	512	651	662		-1.1	1.6	0.8	4.8	-4.3								0.0	1.9	2.8	2.5
Central America	2,958	5,375	6,218																	
Costa Rica	1,302	1,732	2,029	\$	3.7	17.1	2.2	4.3	0.3	-5.9	9.0						-4.1	-0.3	6.3	-8.3
El Salvador	217	793	847	\$	46.0	6.8	18.4	18.0	30.3	8.1							11.7	5.3	5.9	4.7
Guatemala	482	919	1,055	\$	16.1	14.8	0.7	1.9	-2.8	2.4							20.8	13.3	13.3	11.9
Honduras	260	488	557	\$	5.4	14.0	4.7	8.6	1.1								25.6	15.2	7.7	8.5
Nicaragua	129	231	255	\$	11.8	10.6	12.0	16.9	6.0	12.5							9.8	-5.2	12.2	27.8
Panama	458	960	1,185		23.1	23.4	18.1	18.1									20.3	22.3	23.3	27.6
South America	9,215	14,375	17,069																	
Argentina	2,904	3,344	4,313	\$	22.5	29.0	8.1	3.0	17.1								46.0	24.6	14.9	26.3
Brazil	1,810	4,316	4,953	\$	11.8	14.8	17.1	20.7	17.0	22.4		17.5	15.8	36.4	9.8	0.0	9.7	12.5	15.9	21.3
Chile	819	1,222	1,419	\$	10.2	16.1	24.2	31.9	33.8	7.4							6.6	6.3	46.0	14.2
Colombia	1,030	1,554	1,669	\$	27.2	7.4	12.0	10.5	9.0	16.3							9.9	9.1	7.8	3.6
Ecuador	402	490	623	\$	0.8	27.3	20.9	22.0	20.0								13.7	33.2	30.9	30.9
Peru	837	1,577	1,938	\$	20.5	22.9	23.5	25.9	24.3	21.0							18.9	19.3	26.2	26.5
Uruguay	713	598	809	\$	0.6	35.3	26.0	23.7	5.1	48.2							30.3	19.2	52.5	44.3

Source: World Tourism Organization (UNWTO) ©

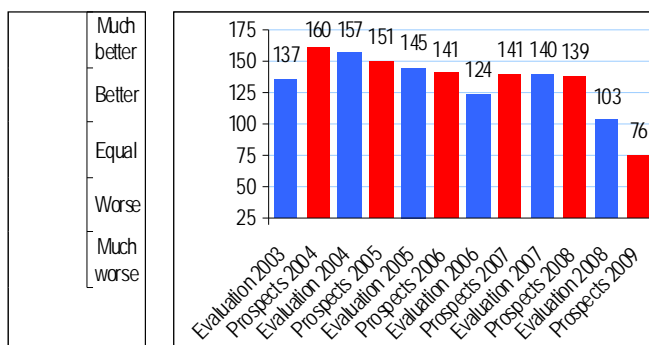
(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

Prospects

As in most other parts of the world, confidence among UNWTO's Panel of Experts from the Americas appears to be at a real low and comments focused heavily on the current economic crisis and on the uncertainties surrounding the longed-for recovery. One of the key factors influencing the experts' rather gloomy assessment of prospects for 2009, of course, is that comparisons in the upcoming four months will be against a very strong first four months of 2008. So, the first two quarters are likely to be very weak, although there is some optimism in South America. The industry is hoping for a better second half, but many experts believe there is no hope of a rebound in the economy in 2009. And tourism is anyway likely to lag rather than lead the economic recovery.

UNWTO Panel of Tourism Experts
Americas



Source: World Tourism Organization (UNWTO) ©

The US also expects slight declines to be more consistent across most world markets, including recently booming markets such as Canada and Asia. Nevertheless, visitor volumes should be flat or even increase from several West Europe and many South American countries. Hawaii remains extremely negative, however, mainly given the poor performance of its key markets (the USA and Japan) in 2008, though the recent appreciation of the yen might revitalise the Japanese outbound market.

Two developments that may also have a negative impact on demand for the USA are the Department of Homeland Security's (DHS's) Electronic System for Travel Authorization (ESTA), which took effect on 12 January 2009, and the implementation of the final phase of the Western Hemisphere Travel Initiative (WHTI) in June. The ESTA requires travellers from Visa Waiver countries to receive authorisation to enter the country via the online ESTA system prior to their departure. The last phase of the WHTI means that all travellers (entering the USA by air, sea and land) from Canada, Mexico and the Caribbean now need to prove their identity and citizenship with a single DHS-approved document. The impact on inbound volumes is unclear, but may be minimal, USDC believes, due to the long-term phase-in of this travel requirement, a significant increase in the number of Canadian passport owners, and recent and significant media publicity describing the new

requirements. It is interesting to note that the level of US passport ownership has also risen sharply as a result, boosting prospects for outbound tourism by Americans in the future.

Mexico is fairly upbeat about 2009's prospects, thanks largely to the weak peso that lost more than 20% of its value against the US dollar in 2008. Puerto Vallarta's US\$ 30 billion investment to triple cruise capacity was completed in March 2008 and Royal Caribbean is substituting the 1,950-berth *Vision of the Seas* with its 3,138-passenger *Mariner of the Seas* this spring, which should boost numbers. Domestic cruises based on Acapulco are also starting in July 2009.

Canada expects a downturn in all markets (domestic, USA and overseas) next year, in part due to airline capacity cuts. But it is hoped that the build-up to the 2010 Vancouver Olympics, which should start before the end of the year, will attract attention to Canada and boost demand.

2009 is expected to be an extremely challenging year for the Caribbean, with the majority of respondents to UNWTO's survey citing the weak US economy as their main concern. Fluctuating exchange rates and airline capacity cuts were also cited frequently by the Panel of Experts.

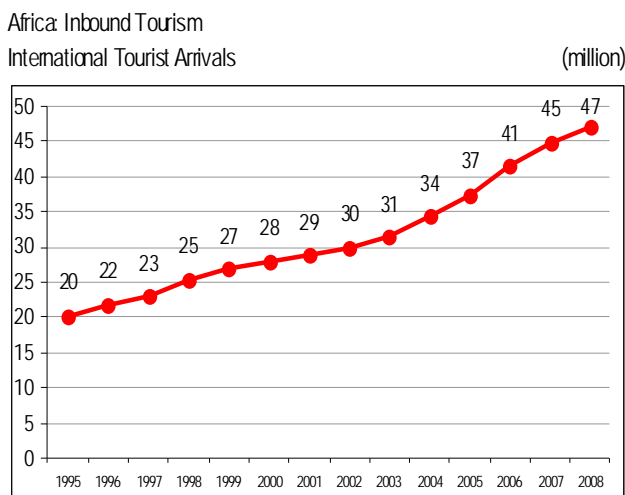
Until very recently South America, still prospering and confident of its financial stability and conquest of inflation, was fairly confident that the crisis would pass through it relatively gently. This perception now seems to have changed. The precipitous decline in their commodities prices and the withdrawal of easy credit terms for trade finance and investment may undermine the prosperity on which the surge in intraregional travel was based.

In Venezuela, the government is said to be expected to devalue the local currency and impose travel or foreign exchange restrictions because of the decline in oil revenues. This could result in a 20% drop in outbound travel over the next four months. There is widespread preoccupation with the US recession, although some reckon that Central America could benefit from the diversion of American travellers from more distant and more expensive destinations.

Africa and the Middle East

Results

The Middle East has so far shown itself to be comparatively immune to the current adverse conditions and has succeeded in maintaining the high growth rate of the past few years. The growth of international tourist arrivals is estimated at a fairly staggering 11% over 2007. And this strong performance vis-à-vis other regions, which is reflected in the high evaluation (146) given by UNWTO's Panel of Experts, was seen in most countries across the region as well as in the air transport data (see the Transport section below). However, there are big gaps in data coverage, especially with regard to Saudi Arabia, this can still change the picture either positively or negatively, as data is currently only available for Saudi Arabia for the first five months of 2008. However, the countries that have reported data for the full year (Egypt and Jordan) or the first 9 to 11 months (Bahrain Lebanon and Palestine) all confirm the favourable trend.



Source: World Tourism Organization (UNWTO) ©

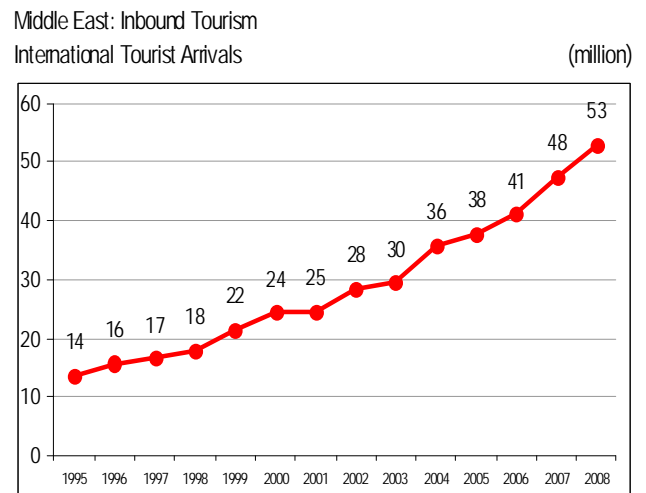
In Africa, results were less buoyant. Arrivals for the full 12 months are currently estimated to have increased by 5%, down from 8.5% in 2007. As with the Middle East, serious gaps in data availability mean that estimates are at best rather tentative in the case of most countries.

One of the star performers in the Middle East last year was Egypt, with arrivals growth of 16%. In terms of its leading market sources, Russia topped the list, followed by Germany, the UK, Italy, Poland, France, the Ukraine, Greece, the Czech Republic and the Netherlands. Even the USA exceeded the 300,000 mark for the first time ever, attributed to the enhanced perception of Egypt as a safe country – in turn due to increased joint marketing and promotions between the government and the private sector, notably tour operators.

The growing image of stability and the absence of serious unrest during much of 2008 also contributed to a good year for countries in the east Mediterranean. Lebanon recorded nearly 30% growth in arrivals from January

through November, thanks in no small part to a recovery of demand from Arab visitors in the summer months and to a prosperous Diaspora. It should be noted, however, that arrivals in the Lebanon were weak throughout the first eight months of 2007 because of the conflict with Israel. Also Israel (which is included in Europe in UNWTO analyses) recorded a significant increase (+24%).

Jordan, which has been something of a haven in the troubled Levant in recent years and is a growing destination for Europeans for its cultural and historical attractions, recorded a 9% rise in arrivals, reinforcing the 6% growth of 2007.



Source: World Tourism Organization (UNWTO) ©

Average growth for the Middle East was also pulled upwards by the strong results reported by Saudi Arabia in the first quarter of the year (+54%). However, the monthly numbers for Saudi Arabia tend to be rather erratic and there is no obvious explanation for its reported 172% increase in March. Data for the Emirate of Dubai, meanwhile, is only available for the first half of the year (+6%) – i.e. for the period before the financial crisis and economic downturn began to affect key source markets.

Growth in North Africa's arrivals did not really start to falter until September and the two leading destinations in the region, Morocco and Tunisia, have both reported good results through November. The essence of their competitiveness is very attractive prices compared with destinations on the northern shores of the Mediterranean, coupled with easy, attractively priced access. Morocco was again the better performer of the two in 2008, recording a 7% increase in arrivals through the first eleven months of the year as against a 4% rise for Tunisia. Nevertheless, Moroccan hoteliers continue to talk of falling occupancy rates, probably due to the fact that an increasing number of tourists are staying in rented accommodation.

Official figures show that Tunisia's tourism revenues rose faster than arrivals – by 9% year on year to approximately US\$ 1.8 billion for the first nine months of 2008. By the end of the year, taking into account seasonal changes in demand, the government expects visitor numbers to reach 7 million and tourism revenues to increase by 8% to a record US\$ 2.4 billion.

Preliminary estimates point to a 4% increase in arrivals in Subsaharan Africa (down from 9% in 2007). Of those countries that have reported data through to October at least – essential to give a rough idea of full-year trends – only South Africa (+5%) and Mauritius (+4%) recorded positive growth. And arrivals in Mauritius would have been better if it had not suffered from a reported shortage of airline seats.

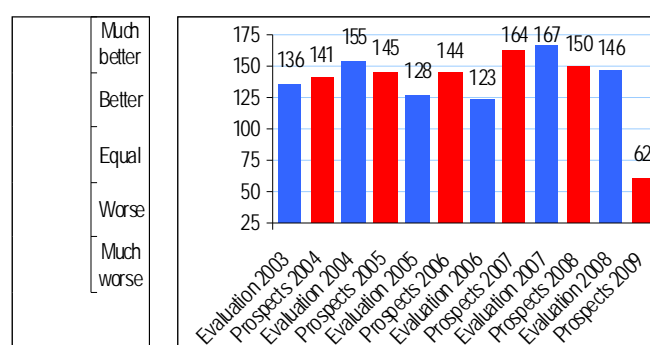
South Africa continues to benefit from its image as a value-for-money destination and from more coordinated and focused marketing and promotions, as well as increased funding for tourism. But there are concerns that the fragile political situation in Zimbabwe may be having a negative effect on demand. But the country's hosting of the 2010 Football World Cup has so far been a positive stimulant.

Some countries in the region continue to suffer from internal problems – including Kenya. Arrivals in the country collapsed after the post-election civil war in December 2007, and have still not recovered. They were down 36% in the first ten months of 2008. Tourist arrivals in the Seychelles and Mozambique were flat in the first nine to eleven months of the year and Swaziland recorded a 4% decline through November – attributed to a fall in demand from European markets, with the exception of the UK. Tanzania and Reunion Island have only reported data for the first quarter of 2008.

Prospects

While there is a general awareness among members of the Panel of Experts in Africa of the threat to local tourism posed by the financial crisis and the world economic slowdown, they appear to be more bullish than experts anywhere else in the world, rating prospects for the next four months at a neutral 100. In sharp contrast, Middle East experts gave one of the lowest ratings, of 62, in their assessment of tourism's likely performance from January through April 2009 – an unsurprising result following the conflict in Gaza in December and January and the fear of repercussions elsewhere in the region.

UNWTO Panel of Tourism Experts
Middle East



Source: World Tourism Organization (UNWTO) ©

International Tourist Arrivals by Country of Destination

			Change				Monthly or quarterly data series																
							(% change over same period of the previous year)																
Series	2007	2008*	06/05	07/06	08*/07	Series	2008*													2007			
	(1000)	(1000)			(%)		YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4		
Africa	44,867	46,916	11.0	8.5	4.6		4.6	7.3	3.7	1.6	7.1	4.8	0.9	-2.2	5.2	8.4	7.8	11.3	8.3	7.9	7.2		
North Africa	16,267	17,130	8.4	7.9	5.3		5.3	10.6	7.5	1.0	7.1	4.0	3.0	-8.8	5.2	15	3.1	6.6	5.7	7.5	12.5		
Morocco	TF	7,408	..	12.2	12.9	..	TF	7.2	14.4	10.5	1.2	3.1	2.4	-6.9	2.8	20		7.4	10.0	16.7	13.8		
Tunisia	TF	6,762	..	2.7	3.2	..	TF	3.7	6.2	4.8	0.6	5.3	3.6	-10	7.2	7.9		6.2	1.3	2.6	5.2		
Subsaharan Africa	28,601	29,786	12.6	8.8	4.1		4.3	6.0	1.4	2.1	7.1	5.8	-1.1	1.5	5.2	5.9	9.7	13.1	9.9	8.2	5.0		
Kenya	TF	..	..	7.0	..	..	VF(1)	-35.7	-49.2	-33.2	-28.8	-28	-31	-28	-23			12.3	15.5	13.8	2.2
Mauritius	TF	907	..	3.6	15.1	..	TF	3.7	7.2	3.2	2.7	5.1	2.4	0.1	2.8	-2.4		16.6	24.7	14.4	8.3		
Mozambique	TF	..	..	14.9	..	..	THS	0.0	-7.1	4.1	3.0							50.2	-4.7	0.6	1.2
Namibia	TF	929	..	7.1	11.5	..	NCE	11.7	22.1	3.7								30.2	35.1	26.3	23.0		
Reunion	TF	381	..	-31.8	36.5	..	TF	5.7	15.6	-5.6								4.1	83.9	55.2	31.9		
Seychelles	TF	161	..	9.3	14.7	..	TF	-0.7	7.0	2.3	-4.1	-4.2	-0.1	-8.7	-15	-3.6		15.7	16.7	11.0	15.6		
South Africa	TF	9,090	..	13.9	8.3	..	TF	4.5	11.2	1.4	1.0	7.2	-4.6	0.4	4.4			10.3	8.2	9.4	5.5		
Swaziland	THS	870	..	4.1	-0.4	..	VF	-4.0	-3.7	-8.0	-4.4	-11	3.4	-4.6	4.8	0.2		7.0	10.2	-2.1	-3.6		
Tanzania	TF	692	..	6.4	10.2	..	NHS	19.2	11.2	27.3								13.4	10.3	24.9	6.5		
Middle East	47,513	52,906	8.9	15.3	11.3		11.2	15.8	20.0	6.1	4.2	7.3	5.3	5.6	7.2	3.9	1.6	13.1	15.2	19.4	13.1		
Bahrain	TF	..	..	15.5	..	..	VF	10.3	10.5	17.2	3.8							4.1	7.4	1.6	17.5
Egypt	TF	10,610	..	4.9	22.7	..	VF	15.7	25.1	22.6	15.1	3.7	18	16	11	12	2.8	15.1	17.3	22.6	32.0		
Jordan	TF	3,430	3,729	8.0	6.4	8.7	TF	8.7	-14.9	2.4	19.1	26.3	22	24	7.2	35	34	30.5	14.4	-0.5	-10.0		
Lebanon	TF	1,017	..	-6.7	-4.3	..	TF	29.5	7.3	20.9	43.8	71	34	20	35	37		-26.8	-39.8	75.1	9.2		
Palestine	THS	264	..	39.8	115	..	THS	39.4	75.2	77.4	-4.7	-5.4	-23	18				50.7	64.1	220	143		
Saudi Arabia	TF	11,531	..	7.3	33.8	..	TF	74.6	53.6									19.9	46.2	49.5	22.0		
Untd Arab Emirates	THS	..	..	..	..	..	THS(2)	5.8	5.7	9.7				-				6.0	8.2	5.6	9.4

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

(1) Tourist arrivals in the International Airports of Jomo Kenyatta, Mobassa and Moi, as well as by Cruise Ships

(2) Dubai only

However, there are some positive signs. Given the drop in oil prices since their peak in July 2008 – and the resulting decline in fuel's average share of total airline costs to about 20% from 40% – there should continue to be a choice of attractively priced flights out of Europe to North African destinations like Morocco and Tunisia. Interest among low-cost airlines to operate to North Africa continues to grow and a surplus of hotel rooms is likely to stimulate price competition.

In spite of continued global economic uncertainty, the Tunisian Government is expecting 2009 to shape up to be a fruitful year. In its recently released 2009 budget, the government has increased its spending plans by 12% to over US\$ 12 billion, on the back of US\$ 1.75 billion in foreign investment flows and a GDP growth rate of 5%. The inflation rate is predicted to drop to a more manageable 3.5%, as plans for further privatisation and liberalisation move forward.

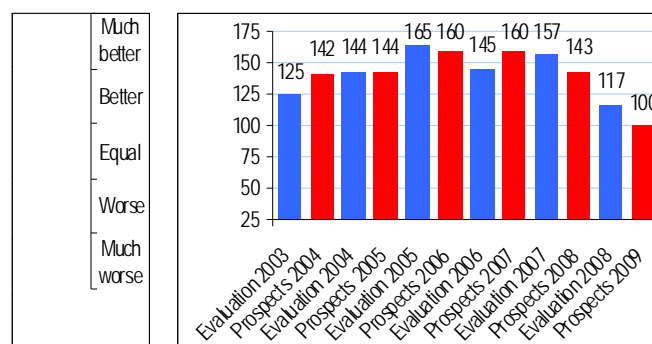
Nevertheless, the outlook for the two regions overall remains uncertain, especially given the wealth of factors capable of influencing tourism demand over the foreseeable future. Egypt, for example – which looks set to benefit at other destinations' expense because of its favourable currency exchange vis-à-vis most key market currencies – is already hedging its bets by increasing its marketing to the domestic tourism market. Over 120,000 rooms have been added per year since 2006, at which point the government targeted an additional 50,000 new rooms and 1 million new international tourists a year, creating 200,000 new jobs annually. This may prove a tough call – at least until the end of the current economic crisis.

Meanwhile, a spurt in December 2008 that saw hotels at the Kenya coast fully booked over the Christmas and New Year holiday period by both local visitors and international tourists renders little hope of recovery. But tourism experts say a fall-out from the sub-prime mortgage market in the USA and Europe, the country's traditional source markets, is expected to affect leisure travel.

However, one new project that the Kenyan tourism sector hopes will revive its fortunes is the opening of a new tourism circuit in the western part of Kenya to capitalise on the victory of Barack Obama as the 44th US president. The route is expected to start in Nairobi and to cross the Great Rift Valley to Lake Victoria before ending at Kogelo village, the home of Obama's late father. Kenya's Minister of Tourism is targeting a 10-15% increase in arrivals from the USA due to what he terms the "Obama effect".

UNWTO Panel of Tourism Experts

Africa



Source: World Tourism Organization (UNWTO) ©

International Tourism Receipts

	US\$			Local currencies, current prices (% on previous year)																
	2000	2006	2007*	Series	06/05	07/06	2008*										2007*			
	(million)				YTD	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	
Africa	10,439	24,717	28,448																	
North Africa	3,822	8,710	10,320																	
Morocco	2,039	5,967	7,264		28.1	13.4	-4.1	-0.6	8.1	-7.1		9.2	-15.1	-18.2	-11.1	-26.2	15.1	2.6	15.8	18.6
Sudan	5	252	262	\$	183	3.7	35.0	8.6	22.5	78.6							60.9	4.5	-12.9	-13.8
Tunisia	1,682	2,275	2,575		8.9	9.0	9.1	10.2	6.9	10.1							1.7	17.1	7.0	9.0
Subsaharan Africa	6,618	16,007	18,127																	
Cape Verde	41	228	303		77.5	21.6	16.1	24.7	18.2	4.5							36.7	17.8	5.7	28.3
Kenya	283	687	910	\$	18.7	32.4	-26.7	-34.2	-19.6								29.9	43.4	34.6	23.0
Mauritius	542	1,007	1,299		24.3	27.4	1.6	10.7	14.0	-0.2		2.7	-12.7	12.1	-19.9	-26.9	19.0	40.4	31.0	24.3
Mozambique	74	140	163	\$	7.8	16.7	39.3	39.3									-13.9	22.0	28.4	33.8
Namibia	160	384	434		17.6	17.6	2.4	-15.0	9.2	19.1							70.1	36.1	-12.0	-3.0
Reunion	296	335	447	€	-24.9	22.1	6.1	6.1	6.1								22.1	22.1	22.1	22.1
Seychelles	139	228	285		19.0	51.7	71.2	96.7	49.0								9.5	24.4	43.3	126
South Africa	2,675	7,875	8,418	sa	14.4	11.2	7.3	7.9	7.2	6.8							14.3	14.4	8.7	7.9
Middle East	17,457	29,922	33,907																	
Egypt	4,345	7,591	9,303	\$	10.8	22.6	16.4	50.1	49.7	-7.2	-4.7						16.1	9.5	16.1	48.8
Jordan	723	2,060	2,312		43.0	12.2	22.1	-4.2	20.0	42.0							75.5	53.9	-10.6	-14.4
Saudi Arabia	..	4,961	5,228		-8.5	5.4	-19.2	-19.2									2.7	2.7	2.7	19.3

Source: World Tourism Organization (UNWTO) ©

(Data as collected by UNWTO January 2009)

See box at page 2 for explanation of abbreviations and signs used

Although there are no accurate trends yet for Dubai's second-half 2008 performance, hotel occupancies fell by 3.6 percentage points through November, and a number of planned new projects have been put on ice. But the Dubai Government has dismissed investor concerns that the debt-laden emirate could face problems with refinancing. Some industry observers are concerned about Dubai's level of debt finance to pay for expansion and those concerns have been magnified by the global financial crisis. Ratings' agencies have estimated debt levels at 60% of gross domestic product, and some analysts say believe it is far higher. However, they are also quick to point out that Abu Dhabi, the oil-rich capital of the UAE, could bail out any Dubai entities by dipping into the hundreds of billions of dollars held by its sovereign wealth funds.

In focus

Industry trends

This section covers issues related to different clusters of the tourism sector such as transport and accommodation. For that purpose, the *UNWTO World Tourism Barometer* counts on the regular collaboration of UNWTO's Affiliate Members. Comprising private sector representatives, educational institutions, tourism associations and local tourism authorities, the Affiliate Members are key players in the promotion of public-private partnerships that support UNWTO's overall aims – promoting responsible, sustainable and universally accessible tourism and contributing to economic development and international understanding, with particular attention paid to the interests of developing countries (for further information see the UNWTO website at www.unwto.org/afiliados).

The Secretariat is also pleased to count on the participation of Deloitte in the section dedicated to the hospitality industry. The objective for future editions is to broaden the scope of the *In focus* section and expand the collaboration to other organisations and sectors, such the meetings industry, the cruise sector, etc.

UNWTO is the only UN agency which groups the public and private sector among its Members. The Affiliate Members provide:

- A unique networking with ministers and senior decision-makers.
- Specialized events dealing with priority areas of today presented by leading industry experts.
- Extensive and unique documents and research reports free of charge for our Affiliates through our world class e-library.
- Valuable intangible benefits associated with the UNWTO brand as a hallmark of quality and ethics in tourism.
- Value for money: membership at € 2,400 (US\$ 3,600) per year.

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UNWTO Affiliate Members

Takaya Okuyama

Director and Secretary-General
Japan Association of Travel Agents
(JATA)

<www.jata-net.or.jp/english>



The Japan Association of Travel Agents (JATA) is an association sanctioned by the Ministry of Land, Infrastructure, Transport and Tourism and based on Travel Agency Law. With its head office located in Tokyo it has eight regional offices across Japan and comprises 1,232 regular (active) members, 669 associate members and 735 overseas allied members (as of December 2008).

JATA seeks to improve the quality of services provided to travellers to and from Japan. It contributes to the development of the travel and tourism industry through a variety of activities including disseminating information, encouraging cooperation among members, and promoting the development of businesses and legislation that will benefit the membership and the industry at large.

Takaya Okuyama, the Secretary General of JATA, gives his analysis of the state of the Japanese travel market.

1. What is your assessment of the impacts of the global crisis on the tourism sector in Japan?

According to the assessment of the Japan Association of Travel Agents, the prospects for the travel market in 2009 are:

- Domestic travel: -2.5%
- Outbound travel: -5.0% (15.2 million departures)
- Inbound travel: -3.0% (8.25 million arrivals)

1. Domestic travel

The financial crisis which started in the USA, and the quick deterioration of economic conditions from autumn 2008, strongly affected domestic travel and the senior market (over 60s) in particular. According to a survey which JATA conducted at the end of November 2008, more than 50% of interviewees stated that they had suffered losses due to problems with stocks, credits and investment trusts. The general outlook for 2009 is that travel demand will cool. However, 4.6% of those interviewed expect domestic travel to expand.

2. Outbound travel

The factors that have strongly impacted the senior market are soaring airline fuel surcharges, which peaked in the last quarter of 2008, and the appreciation of the Japanese yen against other currencies. Since fuel surcharges are expected to drop or to be abolished in 2009, and the trend towards a strong Japanese yen will continue, the forecast is that

outbound travel demand will score positively. It is predicted that middle-aged travellers (people in their 50s) will become the core of the market. However, it is also expected that the number of customers as well as tour prices will continue to shrink in 2009 as well.

3. Inbound travel

Although inbound tourism continued to expand thanks to the growing national economies in North-East Asia and the *Visit Japan Campaign*, the expansion came to a halt during the second quarter of 2008 due to the sub-prime loan crisis, which affected national economies worldwide. Consequently, the number of visitors to Japan fell below par after August 2008. Although visitors from China are expected to increase during 2009, there will be a drop in the number of travellers from the Republic of Korea, Taiwan (pr. of China), the USA, etc.

2. What contribution does tourism (both inbound and outbound) bring, in your opinion, to Japanese society?

Tourism contributes to domestic and overseas environmental conservation, sustainable economic development and an amicable, peaceful society through the creation of a new culture and values. The tourism industry creates sufficient value through sound management which makes it acceptable and useful to society.

Through offering a glimpse and taste of new lifestyles, reasons for living, values, etc. tourism and travel help modern society acquire a new social standing. Thus we consider the 'power of travel' to be cultural, economic, and health-enhancing. Through international exchange and education travel and tourism bring various 'powers' to Japanese tourism society:

- *Creation of new value:* The tourism industry's social mission is paving the way for a 21st century society. Through providing satisfying jobs, creating new values through the 'power of travel', and a sound management culture, it contributes to the creation of an affluent society.
- *Stimulation of new demand:* Through strengthening its marketing power, the tourism industry is expected to create new demand. Specifically, in order to achieve this, the industry needs to offer high quality tours and various proposals based on travel which are, in turn, based on new ideas for the development of a market for first-time overseas travellers and overseas tours beginning with tours to rural areas (in consideration of the rapidly declining birth rate in those areas, for example).

3. What role do you think the UNWTO should play at this time, to best help its Affiliate Members?

In our opinion, UNWTO needs to expand its activity in the field of education and coordinating the qualification of professionals working in the tourism industry. It could also advance its work in the application of international safety standards, a measure which would be particularly useful in the Asia Pacific region.

4. *What trends have you noticed in Japanese outbound tourism over the past few years?*

After the outbreak of SARS in 2003 and the war in Iraq, the number of outbound Japanese travellers decreased by 20%. The market recovered gradually after 2004 but only to decline by a 1.4% in 2007 for reasons which have not been clearly identified yet.

As for 2008, although the statistics are not finalised yet, according to the estimates of the Japan National Tourism Organization (JNTO), the number of outbound travellers from Japan will be about 16 million, which is fewer than in 2007.

The major reasons for the latest plunge are believed to be the negative influence of the earthquake in Sichuan Province in China and the global food crisis. From January to October 2008 travel to China dropped by 13% (426,000 travellers less than in 2007).

Japanese travel to the USA, including Hawaii, is persistently weak. In 2007, the number of visits decreased by 2.5%, while from January to October 2008, the downward trend continued and the number declined further by 5.3%. A total of 5,061,377 Japanese visited the USA in 2000. However, the negative trend, which was set off by the 9/11 terrorist attacks, has continued unabated since then.

5. *Despite the economic slowdown, what products do you think will remain popular for Japanese long-haul travellers?*

According to the 2008 report of JTB (the largest travel company in Japan) the long-haul destinations traditionally preferred by Japanese tourists are Italy (3rd), France (4th), Switzerland (5th), UK (7th), and Germany (10th). The appreciation of the Japanese yen and the abolition of fuel surcharges in April, are expected to lead to increased tourist flows to Europe. Also, the deregulation of charter flights in Japan which came into effect at the end of 2008, will probably result in an expansion of travel to countries in Central Europe.

6. *What regions do you see as the largest source of growth for Japanese inbound tourism over the next few years?*

The major markets for inbound tourism to Japan so far have been the Republic of Korea, Taiwan (pr. of China) and China. While the unstable economic conditions worldwide and the expensive Japanese yen are expected to influence inbound travel to Japan negatively, the general prospects are for these countries to remain the largest source of growth for Japanese inbound tourism. Although the number of visitors from China is expected to increase during 2009, there will be a fall in the number of travellers from the Republic of Korea, Taiwan (pr. of China), the USA, etc. Travel from Europe will probably overtake that from the USA, which was hard hit by the financial meltdown and might take some time to recover.

Transport

Airlines

ICAO 2008 air traffic results

Preliminary figures for the full year 2008 released by the International Civil Aviation Organization (ICAO) clearly show the impact of the economic crisis on traffic growth. In the first half of 2008, air travel demand was affected by higher fuel and commodity prices, leading to increased air fares and a decline in consumer discretionary spending on such items as leisure travel. The rapidly rising price of oil in the first seven months, which peaked at some US\$ 146 a barrel in July, contributed to a sharp rise in overall costs. Airlines reacted by rethinking routes and frequencies, and limiting capacity growth. By the time that oil prices had started falling again, the trend for a slowing demand was amplified by the impact of the financial crisis and economic slowdown. The fallout from the global financial crisis in the second half of the year severely affected the performance of the developed countries as well as emerging economies. The slowdown was also experienced in the Middle East, which nevertheless benefited from the boom in oil prices for most of 2008.

With regard to the total of traffic (international and domestic), ICAO reports a significant drop in growth to just a 1.8% increase over 2007 in terms of revenue passenger kilometres (RPK). The number of passengers carried on scheduled air services increased by around 0.8% in 2008 to 2.3 billion. This growth was split unevenly between IATA members and other airlines, notably low-cost carriers (LCCs). The non-IATA market share increased significantly, reaching 33% of domestic scheduled traffic and around 20% of total scheduled traffic.

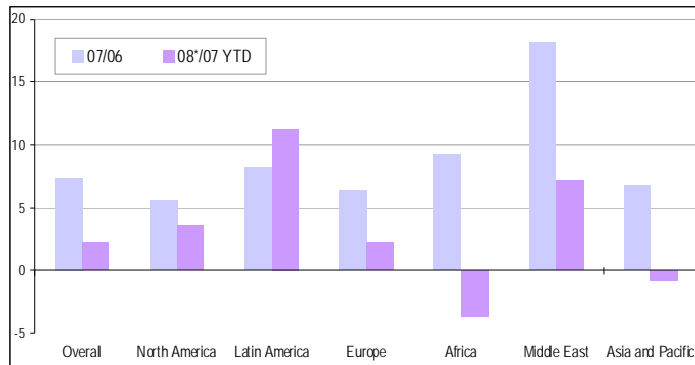
Seat capacity offered in 2008 grew 3.0%, compared with 5.8% in 2007. This was nevertheless higher than the overall traffic increase of 1.8%, which resulted in a decline of about one percentage point in the average passenger load factor on total services (domestic and international), from 76.7% in 2007 to around 75.7% in 2008.

International passenger traffic growth slowed from 7.6% in 2007 to 4.1% in 2008, with differences from one region to another. Europe, which accounts for nearly 41% of international traffic, grew by 5.2% thanks mainly to the performance of its low cost carriers. The Middle East, with 8% of traffic, grew by 8.9%, while Latin America and Africa, which together represent around 7% of international traffic, grew by 7.2% and 2.1% respectively. Asia and the Pacific, which accounts for a sizeable 27% of international traffic, was almost flat while North America, representing 17% of international traffic, registered a substantial 5.3% growth.

The traffic slowdown was most pronounced on domestic routes, with a decline of 1.6% in 2008 compared with a growth of 6.2% in 2007. The major weakness was the North American market –with nearly 58% of domestic

traffic—, which posted a 3.1% decrease. The Asia Pacific market, with nearly 27% of domestic traffic, stagnated (0.1%), while Europe, with around 8% of total domestic traffic, decreased by 1.1% in 2008.

International traffic of IATA reporting carriers by region of airline registration
(% change)



Source: compiled by UNWTO from IATA

IATA's Monthly International Statistics (MIS)

Traffic results for the first 11 months of 2008 released by the International Air Transport Association (IATA) point to year-on-year growth of just 2.2% in the international scheduled traffic of member airlines (expressed in RPK) – down from 7.4% in 2007. Average passenger load factor fell by 1.2 percentage points to 76%.

Latin America was the fastest growing region by a wide margin, posting an increase of 11.2% from January through November. The Middle East ranked second with a growth of 7.1%, followed by North America (+3.6%) and Europe (+2.2%). Asia and the Pacific and Africa (including Egypt) both recorded declines over the same 11-month period, of 0.8% and 3.7% respectively.

International passenger traffic growth first went into negative figures in September 2008, with the trend continuing over the following two months. The month of November alone suffered a 4.6% drop, although the fall in freight traffic was much worse at -13.5%.

“This decline is shocking” said Giovanni Bisignani, IATA’s Director General and CEO, “As air cargo handles 35% of the value of goods traded internationally, it clearly shows the rapid fall in global trade and the broadening impact of the economic slowdown.”

Plummeting business confidence and the continuing turmoil in financial markets suggest that the worsening trend will have continued into December, according to IATA. And, with no end in sight for the deteriorating global economy, IATA believes that the 2008 gloom will carry over into 2009. Relief in the oil price has been outstripped by the falls in demand and capacity cuts are not keeping pace.

Air transport data

The air transport data presented here refers to IATA members’ scheduled international passenger traffic, according to region of airline registration, as well as to the traffic of the member airlines of the major regional airline associations broken down by routes operated. It should be taken into account that this data reflects the vast majority of, but not all air traffic, as the carriers included are mostly full-service airlines and the traffic operated by charter and low-cost airlines is only reflected to a rather limited extent.

Airline data is a particularly good indicator of short-term trends in medium- and long-haul traffic. For short-haul traffic, however, air transport is in competition with alternative modes of transport (in particular land-based, but also over water), and might be subject to shifts between different means of transport (depending on relative price, perception of safety, etc.). Furthermore, traffic is not expressed here in numbers of passengers carried, but rather measured in terms of revenue passenger-kilometres (RPK), with one RPK representing one paying passenger transported over one kilometre. This means that each long-haul passenger contributes more to total traffic measured in RPK than each short-haul passenger does.

Airports

The progressive weakness of air travel in 2008 is confirmed by statistics from the world airports’ body, Airports Council International (ACI). Global passenger traffic dropped sharply (-8%) in November 2008 over the same month in 2007, according to reports from the 165 key airports that participate in ACI’s monthly advance reporting system. International traffic, previously the driver of robust growth during the first half of 2008, decreased in November by 5.8%, and worldwide domestic traffic dropped by 8.5% the same month.

Driven by countries in North Africa and around the Arabian Gulf as well as Lebanon, only the Middle East (+8%) and Africa (+5%) regions recorded solid growth in international traffic, compared with notable drops in Europe (-6%), Asia Pacific (-11%) and North America (-4%). Asia Pacific’s 2% growth in domestic traffic, due to growth in China, was offset by stark declines in Europe (-15%) and North America (-12%).

For the first 11 months of 2008, ACI reported a -0.3% decrease in worldwide passenger traffic – with international traffic up 2.1% as against a decline of 2.0% for domestic traffic. On international routes, the only region to register a decline over the full period was Asia Pacific, down 1.1%. The Middle East and Africa, in contrast, achieved increases of 12.6% and 10.9% respectively.

Preliminary Air Transport Statistics

Summary Air Transport Statistics																	
Revenue Passenger-Km (RPK)												Capacity		Load factor		Passengers	
2007	07/06	08*/07 Monthly data										07/06	08*/07	07/06	08*/07	07/06	08*/07
		YTD	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		YTD		YTD		YTD
(billion)	(%)	(% on previous year)										(%)		(%)		(%)	

International Air Transport Association (IATA), Monthly International Statistics (MIS)

Scheduled international traffic of IATA reporting carriers by region of airline registration

Overall	2,366 ¹	7.4	2.2	2.5	6.3	2.6	2.3	1.5	-3.2	-1.9	-4.6	5.9	3.9	77.2	76.0	8.3	¹
North America	407	5.5	3.6	3.8	8.0	4.3	4.2	5.2	-1.0	-0.8	-4.8	4.7	4.7	80.9	80.0	14.5	
Latin America	92	8.1	11.2	5.4	12.5	9.3	7.8	11.3	6.5	5.4	3.3	8.6	9.9	73.0	74.2	3.4	
Europe	837	6.3	2.2	1.3	5.6	2.4	1.8	2.3	-0.1	1.0	-3.4	4.7	4.3	78.0	76.9	8.3	
Africa (incl. Egypt)	75	9.2	-3.7	-3.9	-0.7	-4.4	-2.3	-1.7	-9.2	-9.5	-1.6	8.0	-4.0	69.4	70.3	9.4	
Middle East (incl. Israel, Iran)	219	18.1	7.1	8.9	12.2	8.1	6.8	4.2	-2.8	3.8	5.6	14.5	8.4	76.0	75.0	16.2	
Asia and Pacific	735	6.8	-0.8	1.6	4.0	0.0	0.1	-3.4	-8.5	-7.4	-9.7	5.2	1.8	76.0	74.0	6.8	

Air Transport Association of America (ATA) - Scheduled Passenger Traffic Statistics ATA US Member Airlines

Scheduled mainline service	1,139	2.1	-2.1	-2.1	0.4	-1.2	-1.6	-2.3	-6.2	-5.7	-11.2	1.1	-1.2	80.8	80.3	1.4	-4.5
Domestic (incl. USA-Canada)	786	0.5	-4.9	-4.8	-3.2	-3.9	-4.4	-6.0	-9.2	-8.2	-14.2	-0.7	-4.2	80.8	80.6	1.0	-5.6
International	353	5.9	4.2	4.4	8.7	4.6	4.5	6.0	-0.2	-0.3	-4.4	5.3	5.6	80.7	79.7	4.4	3.3
Atlantic	168	9.7	8.5	9.7	11.8	8.2	9.4	11.4	5.7	3.7	-0.9	9.6	10.7	81.0	79.5	8.2	7.0
Latin	86	5.6	4.5	1.9	10.3	5.1	4.0	6.7	-4.0	-2.3	-4.2	2.9	2.8	77.9	79.3	4.8	3.6
Pacific	98	0.2	-3.5	-2.3	1.7	-2.7	-4.5	-4.9	-8.8	-6.2	-10.3	0.6	-0.7	82.7	80.6	-2.9	-4.1

Asociación Latinoamericana de Transporte Aéreo (ALTA) - Member Airlines Traffic Data

Total	154	7.8	9.9	5.6	13.4	10.1	9.6	14.3	7.7	3.9	0.9	8.9	9.1	70.8	71.3	8.4	6.5
Domestic	62	8.1	6.0	3.2	12.2	6.4	6.7	13.0	5.4	-1.5	-5.4	9.5	7.5	68.3	67.2	7.2	3.5
International	91	7.6	12.6	7.4	14.3	12.7	11.4	15.1	9.2	7.8	5.6	8.5	10.3	72.6	74.2	10.9	12.7
Latin America	34	22.2	16.0	28.0	15.1	15.2	17.1	19.5	13.1	11.5	5.7	20.1	14.8	71.4	72.3	20.9	15.8
Extra Latin America	58	0.6	10.7	-4.4	13.7	11.4	8.1	12.5	6.8	5.5	5.5	2.6	7.5	73.3	75.4	-0.1	8.2
North America	33	6.2	3.7	-19.2	5.8	3.2	-1.1	1.6	3.7	4.4	2.1	6.2	-0.4	71.5	74.2	5.4	3.9
Europe	19	-6.3	21.6	20.5	25.4	22.3	23.9	29.6	10.2	6.5	9.5	0.4	20.0	74.7	76.3	-7.8	25.3
Asia and the Pacific	3	26.4	12.0	6.7	11.1	14.1	23.2	17.7	13.9	9.0	5.1	22.1	15.5	81.9	79.0	25.8	9.2
Charter	3	-26.8	17.2	-6.7	48.0	39.6	10.5	45.9	6.4	5.2	25.9	-25.4	12.1	76.6	80.1	-21.5	13.0

Association of European Airlines (AEA) - Passenger Traffic of AEA Member Airlines

Total scheduled	782	5.4	1.6	1.0	5.2	2.2	1.5	1.8	-0.9	0.1	-4.7	4.1	3.5	77.3	76.2	4.3	-1.0
Domestic	61	1.4	-6.8	-1.6	-4.2	-5.8	-7.8	-7.8	-12.2	-12.0	-17.7	-0.2	-3.8	68.2	66.4	1.2	-7.0
Total International	720	5.8	2.3	1.3	6.1	2.9	2.3	2.6	0.1	1.1	-3.6	4.6	4.2	78.2	77.1	5.9	1.7
Cross-border Europe	181	7.2	2.5	2.0	7.6	4.1	1.2	1.6	-1.0	-2.3	-5.4	6.5	4.0	69.6	69.1	5.9	1.1
North Africa	9	6.8	7.6	4.4	17.0	2.9	4.0	5.0	-4.7	20.3	0.9	6.7	4.5	68.6	70.8	5.2	5.2
Middle East	27	10.2	8.4	5.0	8.0	10.8	8.9	5.9	7.2	14.8	11.1	4.9	9.7	74.4	73.9	10.5	11.4
Total long-haul among which:	505	5.1	1.8	0.7	5.2	2.0	2.4	2.7	0.2	1.5	-3.8	3.8	4.0	82.3	80.9	5.5	1.8
North Atlantic	199	5.4	0.2	-2.7	3.4	0.1	0.8	1.4	-0.8	-0.7	-7.0	4.7	1.3	82.1	81.4	5.5	-0.3
Mid Atlantic	50	0.7	3.1	1.4	8.5	4.4	3.7	2.9	-0.3	2.7	0.0	-1.6	4.1	84.0	83.4	2.7	4.2
South Atlantic	48	15.7	8.2	5.3	15.9	10.3	11.8	13.1	9.5	7.4	-1.0	17.1	14.1	85.2	81.3	13.6	6.7
Far East/Australasia	153	3.3	1.0	2.5	3.1	0.8	1.3	1.7	-0.7	1.0	-3.0	0.8	3.9	82.6	80.7	4.4	1.5
Sub Saharan Africa	54	4.8	3.3	4.4	7.5	4.0	2.9	2.3	-1.4	4.6	-1.5	4.1	5.2	78.5	77.2	5.4	4.0

Association of Asia Pacific Airlines (AAPA) - Consolidated Passenger Traffic

International operations	603	4.2	-0.3	1.6	4.6	0.8	0.4	-1.9	-7.1	-5.0	-8.5	2.1	2.1	77.1	75.3	4.2	-1.0
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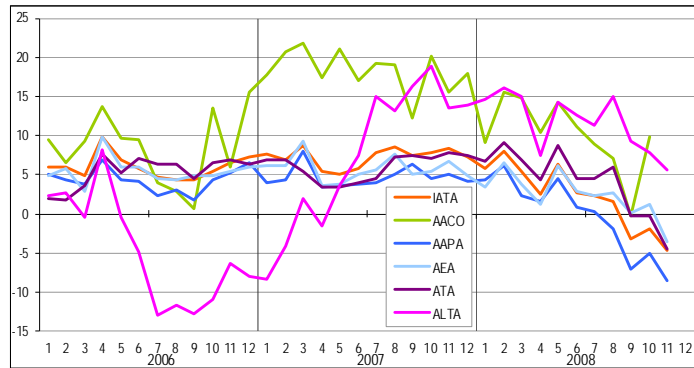
Arab Air Carriers Organization (AACO) - AACO members' scheduled operations

Total	201	27.1	9.9	10.4	14.3	11.1	8.9	7.1	-0.2	9.9		21.5	11.7	74.6	74.8	24.3	2.8
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Source: compiled by UNWTO from IATA, ATA, ALTA, AEA, AAPA and AACO

¹ All IATA carriers

Air traffic on international routes by month (RPKs)
(% change over same month previous year)



Source: compiled by UNWTO from IATA, AACO, AAPA, AEA, ATA and ALTA

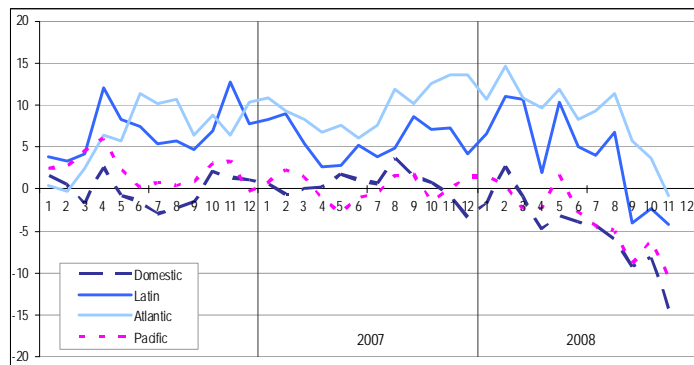
North America

US airlines suffered a 2.1% drop in scheduled mainline services in the first 11 months of 2008, based on the results of the Air Transport Association of America (ATA). But while domestic traffic was down nearly 5%, international traffic grew by more than 4% – not much slower growth than in the previous year. The Atlantic was the best performing route for ATA airlines (+8.5%), with Latin American routes also showing above average growth of 4.5%. But Pacific routes showed a 3.5% drop in traffic.

ATA members saw a clear deterioration of their performance as the year progressed, with negative growth from June. In November alone, traffic declined by 11.2%, dragged down by the sharp drop in domestic routes (-14.2%), but also by the significant 4.4% decline in international operations.

Preliminary estimates from individual airlines suggest that the month of December will not have proved any better for ATA carriers, and that the full-year trend could be even worse. Passenger numbers through the month of November fell by 4.5% and average seat load factor was down 0.5 percentage points.

ATA: Air traffic on selected routes by month (RPKs)
(% change over same month previous year)



Source: compiled by UNWTO from ALTA

Latin America

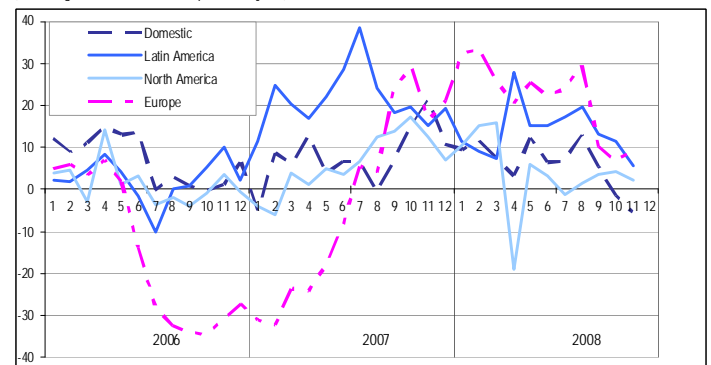
Latin America was one of the bright spots for the world's air transport in 2008. Members of the Association of Latin

American Airlines (Asociación Latinoamericana de Transporte Aéreo – ALTA) carried 106 million passengers from January through November 2008, up 6.5% over 2007's level.

Passenger traffic (expressed in RPK) rose by 9.9%, as against a 7.8% rise in 2007 – thereby bucking the worldwide trend of a slowdown or decline – while seat load factor increased by half a percentage point to 71.3%.

The best performing routes for ALTA airlines were those to/from Europe (+21.6%), but all international routes except those to North America recorded double-digit growth. International traffic overall in the first 11 months of 2008 increased by 12.6% while domestic traffic grew 6.0%.

ALTA: Air traffic on selected routes by month (RPKs)
(% change over same month previous year)



Source: compiled by UNWTO from ALTA

Europe

The modest revival in passenger traffic demand recorded by the Association of European Airlines (AEA) in October 2008 was an anomaly, since November traffic posted a resounding drop in volume compared with the previous year, of 4.7%. According to the AEA, a negative figure of this magnitude has not been seen since the second Gulf War in early 2003, and is unprecedented for periods unaffected by external shocks.

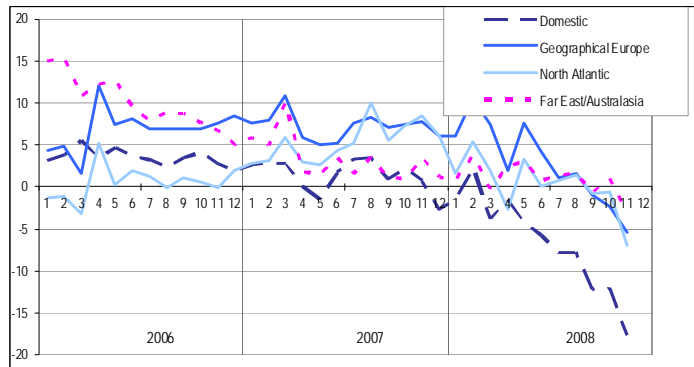
The November traffic downturn also occurred against a capacity decrease of 2.7% – again an unprecedented outcome for normal trading conditions. With the inception of the winter season timetable, 21 out of the 31 airlines who report passenger data had instituted capacity cuts, says AEA. These were planned in advance as economic conditions deteriorated during the summer.

Apart from domestic traffic in Europe, where structural changes have contributed to a steep decline in AEA traffic, the biggest loser in November was the North Atlantic, with a 7.0% drop in traffic volume. Next were cross-border operations within Europe, where a drop of 5.4% equated to 30,000 fewer passengers each day boarding an aircraft of AEA members. Far Eastern traffic was down 3.0%, and even the perennially buoyant South Atlantic route showed a decrease of 1.0%.

For the period January through November 2008, AEA's total scheduled passenger traffic increased by 1.6%

(as against 5.4% the previous year) – with international traffic rising 2.3% compared with a 6.8% drop in domestic traffic. Middle East routes achieved the best results (+8.4%), followed by North Africa (+7.6%) while traffic on cross-border European routes was up a comparatively modest 2.5%, and that on long-haul routes increased by just 1.8%. The South Atlantic was the clear winner, up 8.2%, despite its November decline.

AEA: Air traffic on selected routes by month (RPKs)
(% change over same month previous year)



Source: compiled by UNWTO from AACO

Asia and the Pacific

The international passenger traffic of members of the Association of Asia Pacific Airlines (AAPA) remained flat (-0.3%) over the first 11 months of 2008, compared with a 4.2% increase the previous year. And the number of passengers carried by AAPA members fell 1% to 130 million.

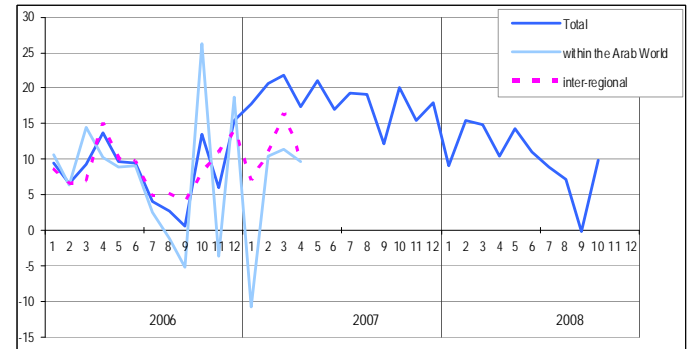
AAPA passenger traffic continued to slide in November (-8.5%) – as was also the case for air cargo traffic – resulting in a 4.6 point decline in passenger load factor for the month, to 72%, as a 2.7% reduction in seat capacity failed to match the reduction in demand.

The November trends, which were expected to continue into December, reflect the dramatic slowdown in global economic activity, says AAPA, and its impact on demand for both air travel and cargo shipments. AAPA also expects market conditions to remain extremely difficult into 2009, forcing airlines in the region to adopt additional cost-saving measures, including further capacity cutbacks and the deferral of planned capital expenditure.

Middle East and North Africa

Statistical trends from the Arab Air Carriers Organization (AACO), which are available through October, indicates that international passenger traffic of its member airlines grew by 9.9% in the first ten months of 2008 – well above the world average, but about half the growth recorded in the previous year. September, which in 2008 coincided with Ramadan, is the only month not showing growth. Seat capacity rose by 11.7% in the period January-October and average seat load factor was 74.8%.

AACO: Air traffic on selected routes by month (RPKs)
(% change over same month previous year)



Source: compiled by UNWTO from AACO

Prospects for 2009

2009 is certainly going to be a tough year for the air transport industry, although the situation continues to change rapidly and different organisations have fairly widely differing views on the likely outlook.

In its medium-term forecast, ICAO is predicting a slowdown in 2009 to a 0.9% growth in passenger traffic expressed in RPKs, and a recovery in 2010 with an increase of 5.1%. Average passenger load factors are expected to decline accordingly, from 76.6% in 2007 to around 76% in 2008 and 2009, before returning to 2007 levels in 2010. The return to high rates of traffic growth will be influenced heavily by how quickly the world emerges from the financial and economic crisis. Overall, the traffic outlook is poor for the North American region, while it is more robust for the Middle Eastern, African and Latin American regions.

ACI says that “the outlook for the immediate future remains bleak [...and that] the few positive international results are likely to be compromised in the next months by the tragic events in Mumbai and the siege of the airports in Bangkok, dragging down the Asia Pacific region’s performance”. Unlike ICAO, which predicts that airlines could post profits this year with a full recovery in 2010, ACI is much less upbeat.

IATA’s latest estimate for its member airlines now points to a US\$ 5 billion loss for 2008 – slightly smaller than previously forecast. In the last three months of 2008, spot oil prices more than halved but, following the near collapse of the banking system, one of the deepest recessions is now expected in 2009. This now means that passenger traffic is forecast to fall 3%, cargo to fall 5% and revenues to fall by over 6% in 2009, producing an extremely challenging revenue environment for the industry.

There are also significant changes ahead in capacity, IATA says. US airlines had earlier announced plans to cut domestic capacity by around 10% in 2009, but published plans now show cuts on international markets too. This is expected to allow US airlines to actually raise load factors through the recession, since traffic is not expected to fall as

far as capacity despite the economic situation, and this will be key to US airlines eliminating losses this year.

In other regions, capacity has proved harder to cut quickly. In Europe, there is a danger of losing slots at congested airports if they are not used, while in Asia and the Middle East there are substantial numbers of new aircraft being delivered. As a result, traffic is forecast to fall faster than capacity in all regions outside the USA, leading to a fall in load factors and downward pressure on yields and profitability.

The consensus forecast for oil in 2009 is US\$ 60 a barrel, down from an average US\$ 100 a barrel in 2008. While hedging reduced the price paid for fuel below the spot price during the first half of 2008, it worked against the industry during the rest of the year and into 2009. As a result the effective fuel price has only fallen by an estimated US\$ 17 a barrel which, with lower capacity, should cut the fuel bill by US\$ 32 billion in 2009.

As far as aircraft orders are concerned, Boeing's further delay until 2010 of its 787 delivery is good news for the airlines. Moreover, the two big manufacturers plan to offer billions of dollars in loans to their airline customers to prevent a disastrous collapse of their order backlogs. The airlines are already carrying lots of debt, and without available credit, would find themselves unable to take delivery of aircraft already ordered.

Hospitality

Deloitte.

Global hotel performance decelerates in 2008

2008 was a difficult time for economies throughout the world and it would seem that the outlook for the year ahead will remain a challenging time for everyone. Inevitably, the travel and tourism industry was likely to suffer and many destinations saw a decline in visitors during 2008, particularly in the latter part of the year as both individuals and corporations slashed travel budgets. As a result, analysis by Deloitte, the business advisory firm reports that although hotel performance across the globe saw a deceleration in growth compared to 2007, all but one world region continued to report positive growth year-to-November 2008.

The Middle East secured the top spot in all three hotel performance indicators year-to-November 2008. Revenue per available room (RevPAR) rose 21% to US\$ 149, the highest revPAR in the world and US\$ 41 greater than the next best performing region, Europe. Much of this growth was driven by average room rates, up 18% to US\$ 214. Although occupancy growth was not as impressive, it still saw marginal increases and settled just short of 70%. With these strong results, the region will report its fifth consecutive year of double-digit growth in 2008.

Beirut led the pack in the Middle East and reported a staggering 95% leap in revPAR year-to-November 2008 to US\$ 87. The city saw strong growth in 2008 as it bounced back after suffering from political tensions with Israel in 2007. Occupancy rose to 51% as average room rates jumped US\$ 37 compared to 2007 and stood at US\$ 165 year-to-November 2008. In the United Arab Emirates, Dubai and Abu Dhabi continue to share the top spot for the highest occupancy, average room rates and revPAR in the region. Even though growth rates in Dubai slowed considerably compared to the double-digit growth reported over the past five years, the emirate still holds the title for the highest average room rates and revPAR at US\$ 298 and US\$ 239 respectively. On the flip side, revPAR growth in Abu Dhabi is soaring and saw a 49% rise year-to-November 2008 to US\$ 231. Occupancy shot up 10% to 83% - one of the highest in the Middle East.

The region in second place was Central and South America, reporting revPAR gains of 17% year-to-November 2008. While occupancy rose marginally to 67%, average room rates leapt 16% to US\$ 117 – US\$ 16 higher than the same period last year. Santiago and Sao Paulo saw exceptionally good revPAR growth year-to-November 2008, rising by more than 25% each. Although occupancy rose in both markets, it was average room rates which drove growth, reaching US\$ 141 in Santiago and US\$ 94 in Sao Paulo.

Hotels in Asia Pacific reported double-digit average room rate growth year-to-November 2008, up 11% to US\$ 140 – the third highest average room rates in the world.

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However, occupancy fell 7% to 66% and resulted in revPAR growth of just 4% compared to the same period in 2007. Cities across India continued to report some of the highest average room rates in the Asia Pacific region as the booming tourism industry soars. Delhi took the top spot, as average room rates rose 8% year-to-November 2008 to US\$ 283. Although occupancy fell slightly, it still achieved a healthy 73%. Meanwhile, in the financial capital of Mumbai, average room rates were some US\$ 22 lower than in Delhi at US\$ 261 and reported more significant declines in occupancy of 12% to 66%. In 2010, Delhi will host the Commonwealth Games and preparations are in full swing. This will be the first time the games are held in India and the second time in the region, as they were held in Melbourne in 2006. As reported in the October issue of the *UNWTO World Tourism Barometer*, Bali continued to report strong revPAR growth, up 37% to US\$ 94 year-to-November 2008. Occupancy was at 78.9% while average room rates saw a 21% rise to US\$ 119. Other cities that also reported strong double-digit growth year-to-November 2008 include Singapore, Tokyo, Kuala Lumpur, Jakarta and Beijing.

In Europe, hoteliers reported much slower growth year-to-November 2008 than earlier in the year. RevPAR growth grew just 3.5% to US\$ 108 – the second highest revPAR in the world. Improvements were driven by double-digit increases in average room rates which were also the second highest in the world after the Middle East at US\$ 161. Occupancy dropped to 67% compared to the same period in 2007. However, in Euro performance was much worse, down 4% year-to-November 2008. There were some exceptions though. In Turkey, hoteliers saw strong growth during 2008, due in part to very favourable exchange rates. Year-to-November 2008 saw revPAR in Istanbul rise just short of 15% to US\$ 153 as average room rates jumped US\$ 32 compared to 2007 to US\$ 211. In the UK, Liverpool was one of the 2008 European Capital's of Culture along with Stavanger and nearby Sandnes in Norway. Both cities hosted a number of events during the year which drew tourists from across Europe and helped boost hotel performance. In Liverpool, revPAR rose 15.3% in local currency, while in Stavanger it rose 18.5% year-to-November 2008.

North America was the only region in the world that reported a US dollar decline in revPAR year-to-November

Hotel performance by region

		Occupancy (%)		
		Year-to-November		
		2008*	2007	Change
Middle-East & Africa				
Egypt	Alexandria	69.3	70.8	-2.1
	Cairo	76.2	76.3	-0.2
	Sharm El-Sheikh	83.8	75.7	10.8
Jordan	Amman	69.6	63.7	9.2
Lebanon	Beirut	53.1	35.2	51.1
Syrian Arab Republic	Damascus	67.7	63.3	7.0
Kuwait	Kuwait City	59.5	60.1	-1.0
Qatar	Doha	72.4	70.7	2.4
Utd Arab Emirates	Dubai	80.1	83.7	-4.2
	Abu Dhabi	82.9	75.0	10.5
Saudi Arabia	Riyadh	73.5	72.4	1.5
Oman	Muscat	69.0	70.0	-1.5
Kenya	Nairobi	56.8	75.8	-25.1
South Africa	Greater Cape Town	67.2	70.1	-4.1
	Greater Johannesburg	72.2	74.8	-3.5
Asia and the Pacific				
China	Beijing	57.4	70.2	-18.3
	Shanghai	55.4	64.3	-13.9
Hong Kong (China)	Hong Kong	81.0	84.0	-3.6
Taiwan (pr. of China)	Taipei	70.5	73.8	-4.5
Japan	Osaka	79.2	81.1	-2.4
	Tokyo	75.8	79.5	-4.6
Korea, Republic of	Seoul	77.5	73.6	5.2
Vietnam	Hanoi	64.6	81.2	-20.5
Thailand	Bangkok	67.9	71.7	-5.4
	Phuket	65.2	71.0	-8.2
Malaysia	Kuala Lumpur	69.0	72.1	-4.4
Singapore	Singapore	78.0	84.4	-7.6
Indonesia	Jakarta	68.4	64.1	6.7
	Bali Island	78.9	69.7	13.2
Philippines	Manila	73.9	78.1	-5.4
India	Mumbai	65.9	75.0	-12.2
	New Delhi	73.0	75.2	-3.0
Australia	Sydney	80.2	81.8	-2.1
New Zealand	Auckland	72.8	73.2	-0.5

Source: STR Global

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Hotel performance by region

	Occupancy (%)			Average Room Rate - US\$			RevPAR - US\$		
	Year-to-November			Year-to-November			Year-to-November		
	2008*	2007	Change (%)	2008*	2007	Change (%)	2008*	2007	Change (%)
Europe	66.9	69.3	-3.4	161	150	7.1	108	104	3.5
Europe (in euros)	66.9	69.3	-3.4	108	109	-0.8	72	76	-4.2
Middle East	69.9	68.5	2.0	214	181	18.2	149	124	20.6
Asia and the Pacific	66.2	70.9	-6.6	140	125	11.4	92	89	4.0
North America	62.0	64.5	-3.8	108	105	3.0	67	68	-1.0
Central and South America	67.0	66.6	0.6	117	101	16.0	78	67	16.7

Source: STR Global and Smith Travel Research. © 2009 STR Global Limited. All rights reserved

Hotel performance by region

		Occupancy (%)		
		Year-to-November		
		2008*	2007	Change
North America				
Canada	Montreal	61.9	65.5	-5.5
	Toronto	68.7	69.7	-1.4
	Vancouver	70.5	72.9	-3.2
United States	Atlanta	60.2	64.4	-6.5
	Boston	68.3	70.3	-2.7
	Chicago	65.2	69.2	-5.8
	Dallas	60.3	61.3	-1.7
	Denver	65.0	67.3	-3.4
	Houston	68.3	66.9	2.1
	Los Angeles	72.7	76.2	-4.7
	Miami	72.1	72.5	-0.6
	New Orleans	64.0	58.3	9.7
	New York	82.4	83.7	-1.5
	Orlando	66.3	68.6	-3.4
	Philadelphia	67.0	70.7	-5.3
	Phoenix	60.8	68.2	-10.8
	San Diego	71.6	74.7	-4.1
	San Francisco	76.2	76.2	-0.1
	Seattle	70.0	73.2	-4.3
	St Louis	60.2	62.3	-3.3
	Washington DC	69.0	70.3	-1.8
Mexico	Cancun	61.0	62.6	-2.6
	Mexico City	62.6	60.7	3.2
Central and Southern America				
Costa Rica	San Jose	62.4	63.9	-2.2
Peru	Lima	64.0	63.8	0.3
Brazil	Rio de Janeiro	64.4	61.5	4.8
	Sao Paulo	66.4	64.2	3.4
Argentina	Buenos Aires	70.1	69.0	1.6
Chile	Santiago	75.0	72.8	3.0

Source: STR Global

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Data for North America sourced Smith Travel Research.

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2008. The US economy led the way into recession and as a result of slowing tourist arrivals, sagging consumer confidence and slowing air traffic, hotel performance has witnessed a deceleration in recent months. Year-to-November revPAR in North America fell 1% to US\$ 67, the lowest revPAR in the world. While occupancy fell almost 4% to 62%, average room rates managed to see a 3% rise to US\$ 108. New York, which attracted 47 million visitors in 2008 took pole position in North America and achieved the highest average room rates and revPAR at US\$ 274 and US\$ 226 respectively. Although occupancy declined marginally in the Big Apple, down 1.5%, it still achieved an impressive 82% year-to-November 2008. In President Obama's hometown of Chicago, year-to-November 2008 saw revPAR fall 4% to US\$ 87 – however with Obama's historic win; the city hopes to see an influx in tourist arrivals in the coming months which will help boost hotel performance. Occupancy fell to 65%, while average

room rates rose 1.6% to US\$ 133. In April 2007, the city was selected as the US Bid City for the 2016 Olympic and Paralympic Games and will compete with other international cities to become the official host city. If Chicago secures its place as host of the 2016 Olympic Games, it will be a great achievement for the city and provide it with a much higher profile in the global tourism arena.

Looking ahead, 2009 will be a challenging time for hoteliers around the world as global economies struggle through the recession. As global unemployment rises and consumers and corporations continue to reign in their travel budgets, hotels generally will sell fewer room nights at lower prices. We would expect all regions to be reporting negative numbers this time next year.

Analysis has been provided by Deloitte & Touche LLP using data from STR Global and Smith Travel Research. This commentary has been written by Marvin Rust – Global Managing Partner of Hospitality at Deloitte and Jessica Jahns – Manager in the Tourism, Hospitality and Leisure team at Deloitte.

For further information please call the team at Deloitte on +44 (0) 20 7007 0967 or visit www.deloitte.co.uk/tourismhospitalityleisure.

Hotel performance by region

		Occupancy (%)		
		Year-to-November		
		2008*	2007	Change
Europe				
Iceland	Reykjavik	62.4	67.3	-7.4
Norway	Oslo	69.8	74.5	-6.3
Sweden	Stockholm	71.2	72.0	-1.1
Denmark	Copenhagen	68.5	71.7	-4.5
Ireland	Dublin	69.5	76.5	-9.2
United Kingdom	London	80.7	81.8	-1.3
Netherlands	Amsterdam	75.7	80.2	-5.6
Belgium	Brussels	70.3	71.6	-1.7
Luxembourg	Luxembourg	71.1	73.8	-3.7
Germany	Frankfurt am Main	62.7	63.1	-0.7
	Berlin	70.6	72.2	-2.3
France	Paris	78.4	78.9	-0.7
Austria	Vienna	71.1	74.4	-4.5
Switzerland	Geneva	69.3	69.4	-0.1
	Zurich	73.2	78.2	-6.4
Czech Rep	Prague	64.7	71.5	-9.5
Slovakia	Bratislava	61.0	65.6	-7.1
Hungary	Budapest	64.4	68.1	-5.5
Poland	Warsaw	67.9	68.8	-1.3
Russian Federation	Moscow	67.9	69.4	-2.1
Portugal	Lisbon	63.6	67.5	-5.8
Spain	Madrid	64.9	70.3	-7.6
	Barcelona	68.6	74.5	-7.9
Italy	Milan	62.9	66.6	-5.5
	Rome	66.3	73.0	-9.3
Greece	Athens	68.2	70.4	-3.1
Turkey	Istanbul	72.4	74.6	-3.0
Israel	Tel Aviv	76.9	75.8	1.6

Source: STR Global

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The economic environment

The deteriorating situation in 2008

At the beginning of 2008, although there was much uncertainty about economic prospects, the US subprime mortgage crisis and its ramifications seemed to be under control. By the end of the year, after repeated shocks to the financial system and repeated downwards revisions to economic indicators, it was clear that the world economy had entered a serious recession, putting an end to the longest and strongest period of growth since the early 1970s.

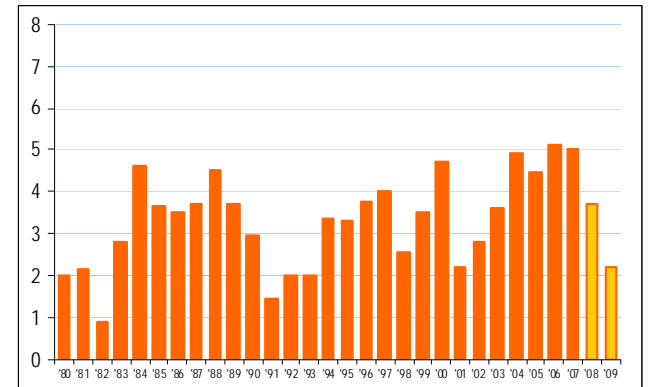
Uncertainty and volatility still dominate world markets. Further downwards revisions to national economic indicators are expected. As recently as 21 January, Dominique Strauss-Kahn, Managing Director of the International Monetary Fund (IMF), warned that economic prospects had worsened over the past few months and that the IMF would significantly lower the forecasts for the world economy at its forthcoming press briefing on 28 January – a revision that could mean a global GDP growth between 1 and 1.5% against the current 2.2% estimate.

This section of the *UNWTO World Tourism Barometer* includes a synopsis of the latest analysis of the IMF (*World Economic Outlook Update of November 2008* at www.imf.org/external/pubs/ft/weo/2008/update/03), as well as of the UN Department of Economic and Social Affairs (*World Economic Situation and Prospects 2009* at www.un.org/esa/policy/wess/wesp.html) and the World Bank (*Global Economic Prospects 2009: Commodity Markets at the Crossroads* at <http://go.worldbank.org/rwljppa0d0>).

Despite massive liquidity injections and relaxations of monetary policy in the USA, Japan and some parts of Europe, the financial turmoil which began in the summer of 2007 persisted through 2008. In September, financial markets went into an astonishing downwards spiral. Dramatic solvency problems led to the nationalisation of mortgage and insurance institutions, the compulsory sales of investment and commercial banks, and the bankruptcy of

World

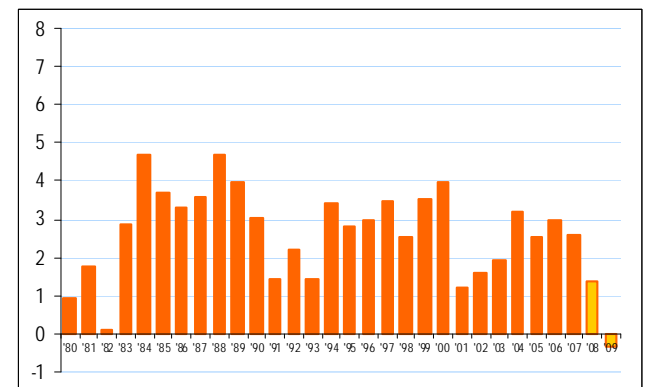
Growth of Gross Domestic Product (GDP), constant prices (%)



Source: International Monetary Fund

Advanced economies

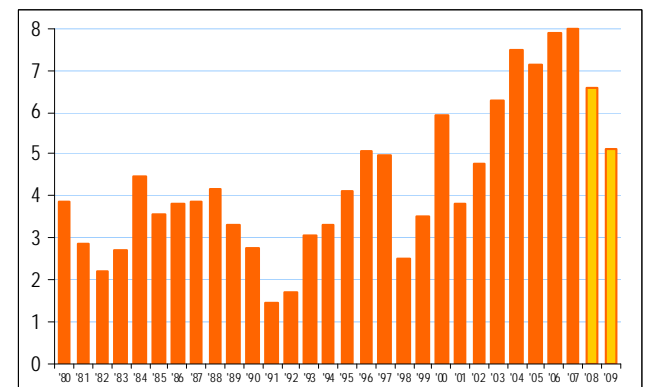
Growth of Gross Domestic Product (GDP), constant prices (%)



Source: International Monetary Fund

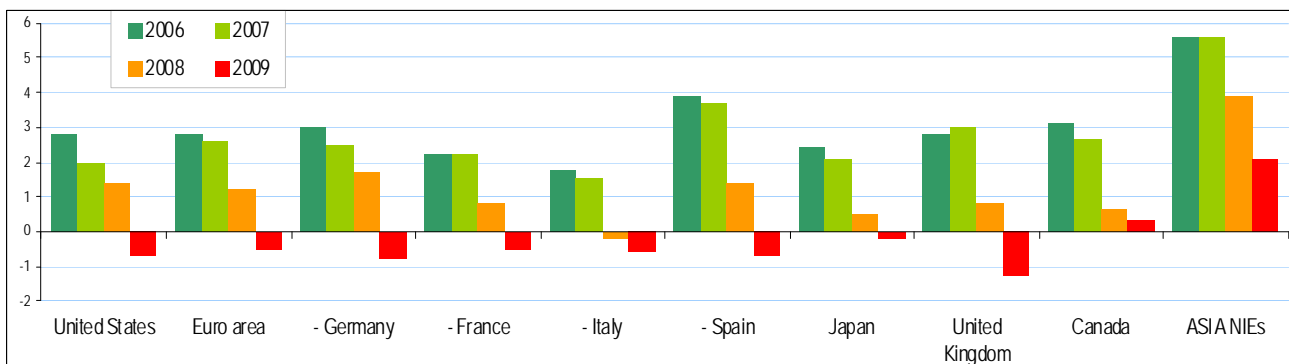
Emerging market and developing countries

Growth of Gross Domestic Product (GDP), constant prices (%)



Source: International Monetary Fund

Growth of Gross Domestic Product (GDP), constant prices



Source: International Monetary Fund

others. Extraordinary interventions by governments in the USA and Europe failed to unblock interbank lending, restore ordinary commercial and investment credit conditions, and revive business and consumer confidence.

Gloomy outlook for 2009

The last months of 2008 saw a rapid deterioration in 'real economies' as a consequence of the crisis in financial systems. By November, after a series of downwards revisions during the year, the IMF had reduced its projection for global GDP in 2009 to 2.2% (down from the 3.0% estimated just a month before in its October *World Economic Outlook* and from the 3.8% of its April Outlook). And, as indicated above, a further downwards revision is expected soon.

According to the IMF's November projections, GDP in advanced economies is set to contract for the first time since the Second World War (by 0.3%, compared with an increase of 1.4% in 2008). This includes small declines in GDP for the USA, Japan and all the major economies of Europe (Canada was the only major advanced economy still set to show positive growth in 2009 – but of only +0.3%). At the time, the IMF expected growth in emerging economies to slow from 6.6% in 2008 to 5.1% in 2009, but it has since become clear that many will suffer even more serious slowdowns, particularly if they depend heavily on energy or commodities prices or have acute external financing and liquidity problems. The IMF was already expecting growth in the countries of the Commonwealth of Independent States (CIS), other than Russia, to slow from 6.9% in 2008 to 1.6% in 2009. More recently, concerns have been expressed about many countries in Latin America and Africa. Although East and South-East Asia (including China) had seemed relatively secure, because they will benefit from improved terms of trade as commodity prices fall and because their financial systems are typically more robust, they have been startled by the apparent contraction in export markets, and questions are even being raised about India and China.

A crisis of confidence

At the same time, economic activity is also being increasingly held back by a collapse in business and consumer confidence. Households have started to restrain spending (especially on durables and leisure), and businesses are cutting back on investment, in the anticipation of a prolonged period of poor prospects for jobs and profits.

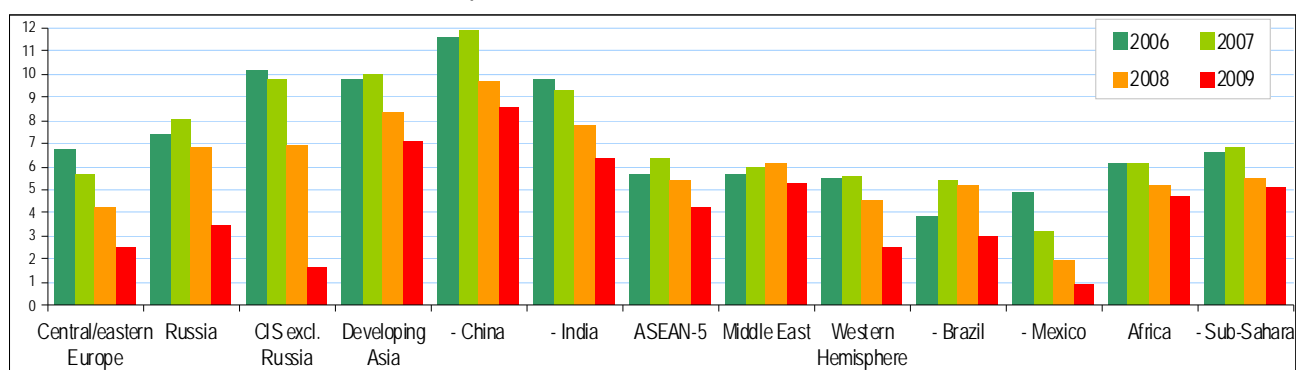
Government responses

Amid the turmoil, we have seen extraordinary responses from governments around the world to deal with the crisis. First of all, monetary policy instruments were employed, with Central Banks implementing rapid and deep coordinated cuts in interest rates. The US Federal Reserve has reduced its target rate from 4.25% a year ago to an all-time low of 0-0.25%. The Bank of England reduced its rate almost as aggressively, from 5.5% in January 2008 to 1.5% in January 2009 (the lowest in its 300-year history). The European Central Bank reduced its rate more slowly, from 4.25% in July 2008 to 2.0% in January 2009, but further rate cuts are likely. Other central banks are following suit.

Furthermore, a US\$ 11 trillion of public funds was committed up to the beginning of December (20% of world GDP). Some governments have also announced fiscal measures to support demand. However, the IMF considers the overall effect of these measures to be limited (note that their projections do not build in fiscal stimuli that are under discussion but not yet adopted). Moreover, the comprehensive policy measures needed to tackle the root causes of financial stress and to support demand will take time to yield their full benefits.

UN economists recommend massive economic stimulus packages that are coherent and mutually reinforcing on a global basis, and that are linked with sustainable development imperatives. These should come on top of the liquidity and recapitalisation measures already undertaken.

Growth of Gross Domestic Product (GDP), constant prices



Source: International Monetary Fund

Unemployment – the major concern

One of the major concerns haunting most countries around the world is the potential for job losses. Unemployment began to rise rapidly in some countries (such as the USA and Spain, for instance) in the second half of 2008. The situation is expected to become worse, and to spread to many more countries in 2009. In October, the IMF forecast that unemployment rates would reach 6.5% in advanced economies (up from 5.7% in 2008), with rates of 6.9% in the USA (the highest rate for at least 15 years) and 8.3% in the eurozone (up from 7.6% in 2008, but still below the 8.7% of 2006). Spain, Belgium and Greece will be among the worst affected economies, but even in Germany unemployment is forecast to reach 8.0%. In Asia, the most significant deterioration in employment levels is expected in the New Industrialised Economies (with unemployment rising to 8.3%) and in Japan (4.5%). It is also important to note that any economic rebound in 2009 will probably not be enough to create a significant number of jobs before 2010.

Oil prices, interest rates and inflation – some positive effects of the crisis?

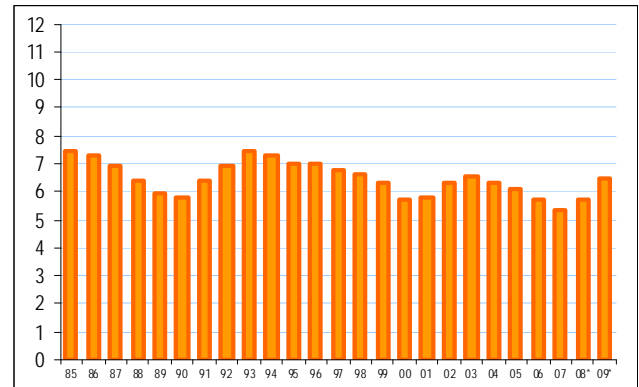
The international prices of oil and other primary commodities fluctuated violently in 2008, reaching historic highs in the first half of the year before falling heavily in the second. Slower economic growth reversed the escalating trend in oil prices, which was one of the chief concerns for tourism and the major factor fuelling inflation in 2007 and the first half of 2008. Oil prices plummeted by more than 60% from their peak of US\$ 145 a barrel in July to US\$ 60 in early November, and have since fallen much further, to around US\$ 40. The IMF set a forecast for average oil prices in 2009 at US\$ 64, and the UN at US\$ 68, compared with an average of US\$ 101 per barrel in 2008 – forecasts which may well be already out of date. Global oil demand is projected to decline further in 2009, by 0.6%, after a decline of 0.3% last year. This would be the first two-year decline in oil consumption since 1982-83.

Falling oil prices, coupled with shrinking demand, have eased inflationary pressures, allowing central banks to act more energetically in reducing interest rates (see above). As a result, interest rates available in the market are also coming down which will ease efforts for consumers and businesses with existing debts to serve, though access to fresh credit is still constraint.

Unemployment rate

Advanced economies

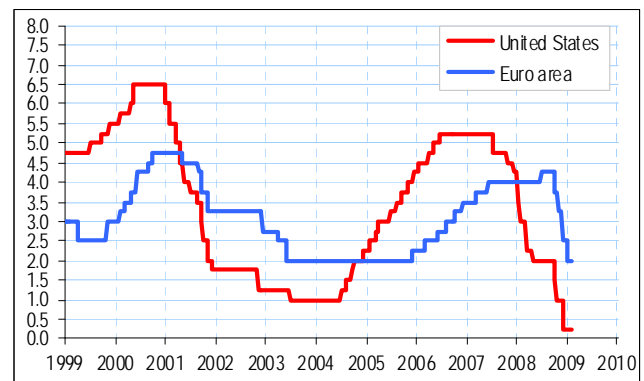
(%)



Source: International Monetary Fund

Interest rate Federal Reserve and ECB

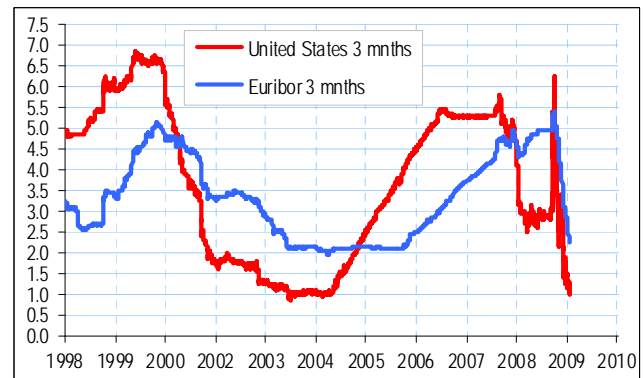
(%)



Source: Federal Reserve and European Central Bank (ECB)

Interest rates on international markets

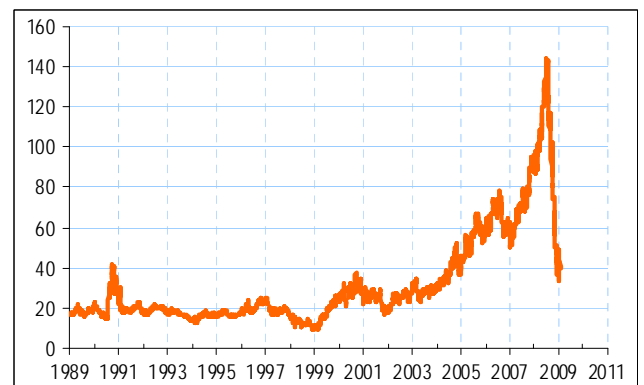
(%)



Banco de España based on European Banking Federation and Agencia Reuters

Crude Oil Spot Price Brent (daily)

US\$ per barrel

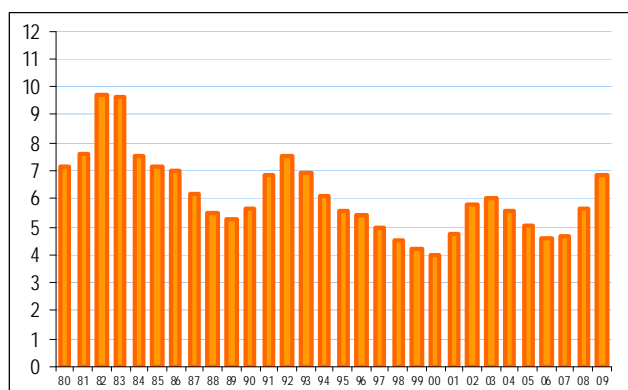


Source: US Department of Energy, Energy Information Administration

Unemployment rate

United States (%)

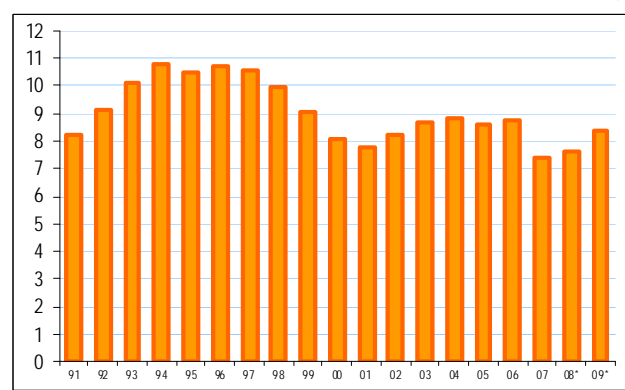
(%)



Source: International Monetary Fund

Euro area (%)

(%)



Source: International Monetary Fund

Overview of the unemployment projections by the International Monetary Fund (IMF), World Economic Outlook, October 2008

Unemployment rate (%)

	Current projections											Trend ¹				Average
	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	06-05	07-06	08-07	09*-08	1995-2007
Advanced economies	7.0	5.7	5.8	6.3	6.5	6.3	6.1	5.7	5.4	5.7	6.5	+	+	-	--	6.2
Europe																
Euro area	10.5	8.1	7.8	8.2	8.7	8.8	8.6	8.7	7.4	7.6	8.3	-	++	-	--	8.9
Austria	3.9	3.6	3.6	4.2	4.3	4.8	5.2	4.8	4.4	4.2	4.4	+	+	+	-	4.3
Belgium	9.7	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.1	8.6	+	++	+	--	8.2
Finland	15.4	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.8	6.2	6.2	++	++	++	=	9.9
France	11.2	9.1	8.4	8.6	9.0	9.3	9.3	9.2	8.3	7.7	8.3	=	++	++	--	9.6
Germany	7.1	6.9	6.9	7.7	8.8	9.2	10.6	9.8	8.4	7.4	8.0	++	++	++	--	8.2
Greece	9.1	11.4	10.8	10.3	9.7	10.5	9.9	8.9	8.3	7.7	8.3	++	++	++	--	10.0
Ireland	12.2	4.3	3.9	4.4	4.7	4.5	4.4	4.4	4.5	5.7	7.0	=	=	--	--	6.3
Italy	11.2	10.2	9.1	8.7	8.5	8.1	7.7	6.8	6.2	6.7	6.6	++	++	--	=	9.1
Luxembourg	3.0	2.5	2.3	2.6	3.5	3.9	4.2	4.4	4.4	4.4	4.8	-	=	=	-	3.4
Netherlands	6.6	2.9	2.2	2.8	3.7	4.6	4.7	3.9	3.2	2.8	2.9	++	++	+	=	3.9
Portugal	7.2	4.0	4.0	5.0	6.3	6.7	7.6	7.7	8.0	7.6	7.8	=	-	+	-	6.2
Spain	22.9	13.9	10.6	11.5	11.5	11.0	9.2	8.5	8.3	11.2	14.7	++	+	--	--	13.9
Denmark	10.4	5.4	4.7	4.8	5.7	5.8	5.1	3.9	2.8	1.8	2.6	++	++	++	--	5.7
Sweden	8.8	5.6	4.9	4.9	5.6	6.3	7.6	7.0	6.1	6.6	7.1	++	++	-	-	7.0
United Kingdom	8.7	5.5	5.1	5.2	5.0	4.8	4.8	5.4	5.4	5.4	6.0	--	=	=	--	5.9
Cyprus	2.6	3.4	3.0	3.3	4.1	4.7	5.3	4.6	3.9	3.9	3.9	++	++	=	=	3.7
Iceland	5.0	1.3	1.4	2.5	3.4	3.1	2.1	1.3	1.0	2.2	3.9	++	+	--	--	2.6
Israel	6.9	8.8	9.3	10.3	10.8	10.4	9.0	8.4	7.3	6.0	6.2	++	++	++	-	8.5
Norway	5.0	3.4	3.5	3.9	4.5	4.5	4.6	3.4	2.5	2.5	3.0	++	++	=	-	3.8
Switzerland	3.7	1.7	1.6	2.3	3.4	3.5	3.4	3.0	2.5	2.6	2.8	+	++	=	-	3.0
Americas																
Canada	9.5	6.8	7.2	7.6	7.6	7.2	6.8	6.3	6.0	6.2	6.3	+	+	-	-	7.6
United States	5.6	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.6	6.9	+	=	--	--	5.0
Asia and the Pacific																
Australia	8.2	6.3	6.8	6.4	5.9	5.4	5.0	4.8	4.4	4.3	4.8	+	+	=	-	6.3
Japan	3.2	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.8	4.1	4.5	+	+	-	-	4.3
New Zealand	6.3	6.0	5.3	5.2	4.6	3.9	3.7	3.8	3.6	4.0	4.3	=	+	-	-	5.2
Newly Industrialized Asian Economies	10.5	8.1	7.8	8.2	8.7	8.8	8.6	8.7	7.4	7.6	8.3	-	++	-	--	8.9
Hong Kong (China)	3.2	5.1	4.9	7.2	7.9	6.9	5.7	4.8	4.1	3.5	3.6	++	++	++	-	4.9
Korea, Republic of	2.1	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.3	3.1	3.0	+	+	+	=	3.8
Singapore	1.8	2.7	2.7	3.6	4.0	3.4	3.1	2.7	2.1	2.1	2.2	+	++	=	=	2.6
Taiwan (pr. of China)	1.8	3.0	4.6	5.2	5.0	4.4	4.1	3.9	3.9	3.9	4.1	+	=	=	-	3.6

Source: Compiled by UNWTO from International Monetary Fund, World Economic Outlook (www.imf.org/external/pubs/ft/weo/weorepts.htm)¹ percentage points change to previous year: ++ < -0.5; + [-0.5,-0.1]; = [-0.1,0.1]; - [0.1,0.5]; -- > 0.5

Global inflation is expected to moderate in 2009 (the UN even notes a risk of deflation in some economies). The surge in commodity prices (especially of oil and food) boosted global inflation to its highest level in a decade in 2008, but towards the end of 2008 inflationary pressures dissipated rapidly after the steep falls in commodity prices. Weakening demand is expected to reduce inflationary pressures further in 2009.

The uncertainties about a recovery

The essential problem is that it is impossible at this moment to know how deep will the downturn be, when a recovery will get under way, and how strong will it be. But for the IMF, “2009 will not be a good year for the world economy, even if we see recovery at the beginning of 2010”.

According to the *World Economic Situation and Prospects 2009* of the UN Department of Economic and Social Affairs, there is still a significant risk of a deep and prolonged crisis, with an extended credit crunch and recession in major economies, capital-market reversals in emerging markets and less development assistance to low-income countries – and possibly a collapse in the value of the US dollar after a continuous deterioration in the US economy.

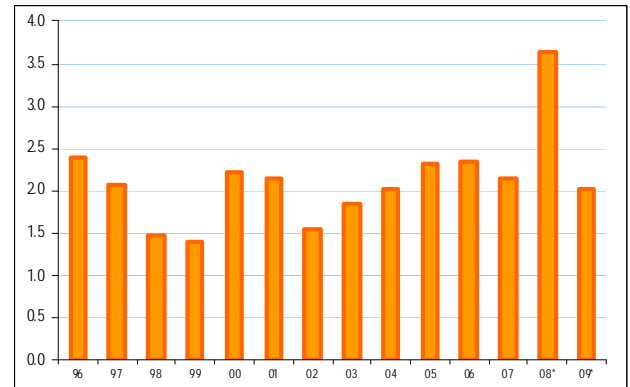
The UN, in its document released at the end of November, said that the “financial conditions continue to present serious downside risks. Though the policy responses in many countries have contained the risks of a systemic financial meltdown, there are many reasons to remain concerned about the potential impact on activity of the financial crisis. The process of deleveraging could be more intense and protracted. Intense deleveraging could also increase the risks of substantial capital flow reversals and disorderly exchange rate depreciations for many emerging economies.” On the positive side, there is a small possibility that the financial sector policy measures, once fully implemented, encourage a more-rapid-than-expected improvement in financial conditions. Under such circumstances, confidence could also recover rapidly and spending by households and firms reaccelerate quicker. Most importantly, actual projections assume that policies do not respond to the latest deterioration in global growth prospects.

International financial and economic organisations agree that a stronger macroeconomic policy response is needed to support growth and provide a context to restore health to financial sectors. Possible room to ease monetary policy should also be exploited, especially now that inflation concerns have moderated (although in several important countries, such as the USA, policy rates are already close to zero). However, monetary policy may not be effective in the face of the difficult financial conditions and deleveraging, and more extraordinary measures may be needed.

Inflation

Advanced economies

(%)

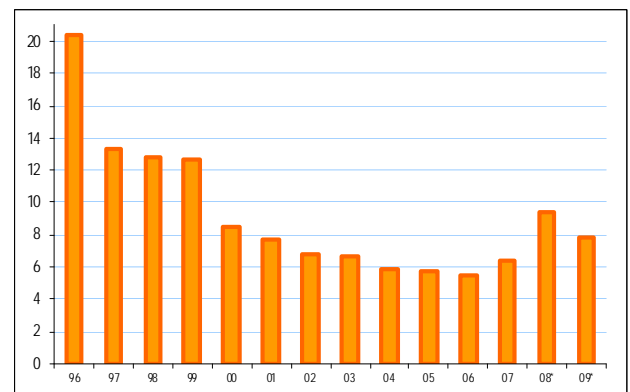


Source: International Monetary Fund

Inflation

Emerging market and developing countries

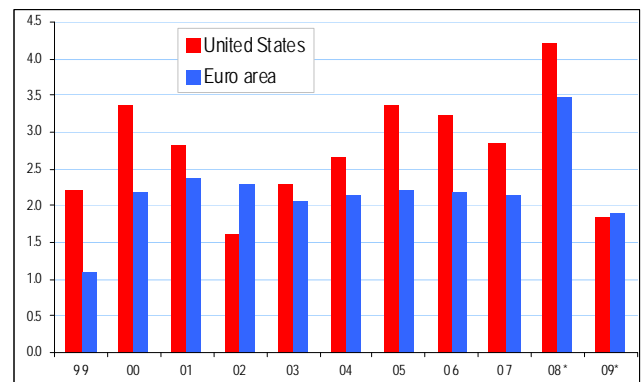
(%)



Source: International Monetary Fund

Inflation

(%)



Source: International Monetary Fund

GDP growth measurement, methodological note

World aggregated growth of Gross Domestic Product (GDP) as reported by the IMF is estimated based on GDP at purchasing power parity (PPP) instead of at market exchange rates. This is done because the purchasing power of a US dollar varies from one economy to another and also to reduce the impact of exchange rate fluctuations. As a US dollar usually buys quite a lot more goods and services in emerging economies, their GDP is more strongly weighted in the aggregate, in general resulting in a higher overall growth rate as emerging economies tend to grow faster. For instance, at market value the weight of the USA in the world total is 25% and of China 6%, while at PPP their weights are respectively 21% and 11%.

What the impact of such measures will be, and how long it will take for their effects to be felt, is hard to predict. Restoring confidence among financial market agents and normalizing supplies of credit will take months, if not years, if past crises can be seen as a guide. Furthermore, it is always some time before problems in financial markets are felt in the real economy. Consequently, it seems inevitable that the major economies will continue to see significant economic contraction in the immediate future and that recovery may not materialise any time soon, even if the bailout and stimulus packages succeed. Moreover, the fiscal costs of the emergency measures will be huge, and it is uncertain how much of these can eventually be recovered from market agents or through economic recovery. This poses an additional macroeconomic challenge. Also, as the UN Department of Economic and Social Affairs points out, it is crucial to align the stimulus with sustainable development and poverty reduction objectives.

According to the UN Department of Economic and Social Affairs, baseline forecasts for 2009 published last December assume that it will take six to nine months for financial markets in developed countries to return to normality. Risks that the world economy will perform even worse than in the already gloomy baseline outlook remain high. A more pessimistic scenario would suggest that world GDP growth could be down to +1.3% in 2009. The key factor in a more pessimistic scenario of this kind would be a much sharper decline in net lending to households and businesses in major developed countries, similar to those experienced in the UK, in Japan and in the Scandinavian countries during their respective financial crises in the early 1990s. The lack of confidence and trust in the financial sector would be prolonged if, for instance, large 'off balance-sheet' positions continued to disguise risks of much larger financial losses.

Advanced and emerging economies – globalisation versus decoupling

When emerging economies started to be hit much harder than had been expected in the second half of 2008, the argument that the prosperity of emerging markets was decoupling them from the advanced economies was brutally exposed as far from reality. Instead, the trends illustrated how inter-reliant economies are in the increasingly globalised world. With the advanced economies as a whole going into recession at the same moment for the first time since the Second World War, the increasing affluence in the more successful emerging countries has been put at least temporarily on hold, and the less successful countries are faced again with serious hardships, there are mounting pressures on governments to act in their 'national' interests by protecting their domestic industries and enterprises, at the expense of free trade and the global economy which had seemed, until recently, to be delivering such excellent results, in economic and social if not in environmental

terms. The need, now, to adapt international financial and economic institutions to the present circumstances places another, closely related, load on the world's statesmen. There is much at stake.

Long-term prospects and poverty outlook

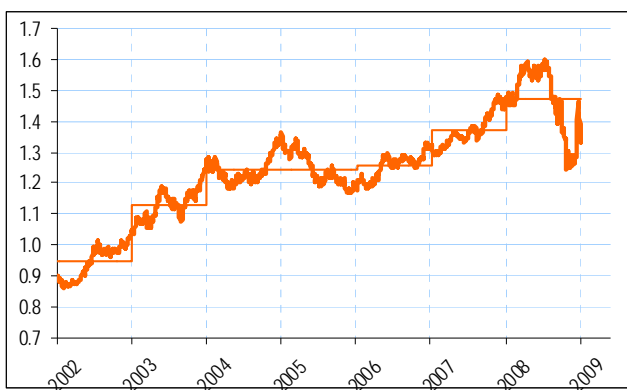
On a more optimistic note, according to the World Bank, despite the heightened uncertainties and sharp slowdown in growth anticipated in 2009, longer-term prospects for developing countries have not changed substantially. The primary reason lies in the long-term supply potential of developing countries, which should allow output to recoup the lost production induced by the coming growth recession during the first five years of the next decade. Per capita GDP in developing countries over the period 2010-2015 is expected to expand at a relatively rapid annual pace of 4.6%, much faster than the 2.1% pace of the 1990s and the 0.6% average of the 1980s, replicating the average performance of this decade. Improvements in macroeconomic policies (lower inflation, relaxation of trade restrictions, more flexible exchange rate regimes, and lower fiscal deficits) have combined with structural reforms (privatisation and regulatory initiatives) to reduce uncertainty and generally improve incentives for investment. Projected future growth rates are higher than in the 1990s (and much more so than in the 1980s) in every developing region except East Asia and the Pacific, where growth is expected to decline somewhat because of an aging population. This forecast of rapid growth combined with the significant progress in reducing extreme poverty since 1990 in some key large regions should enable developing countries, as a group, to achieve the Millennium Development Goal of halving poverty by 2015 — though not in all regions, notably Sub-Saharan Africa.

Exchange rates

2008 was also an exceptionally volatile year in terms of exchange rates, with strong currency fluctuations and with some currencies recording historic highs or lows. Overall, the US dollar, and to a lesser extent the euro, strengthened significantly against most currencies in the second half of the year.

The first half of 2008 was characterised by an increasingly weak US dollar, but in late July the trend started to reverse. Between April and July 2008 the euro traded at a historic maximum of close to US\$ 1.60 per euro, falling back to below US\$ 1.30 in November, and finishing the year at US\$ 1.34 (respectively US\$ 1 = €0.63, 0.77 and 0.75). Compared with December 2007, the US dollar was 8% higher against the euro in December 2008.

Exchange rate euro to US dollar (US\$ per €)

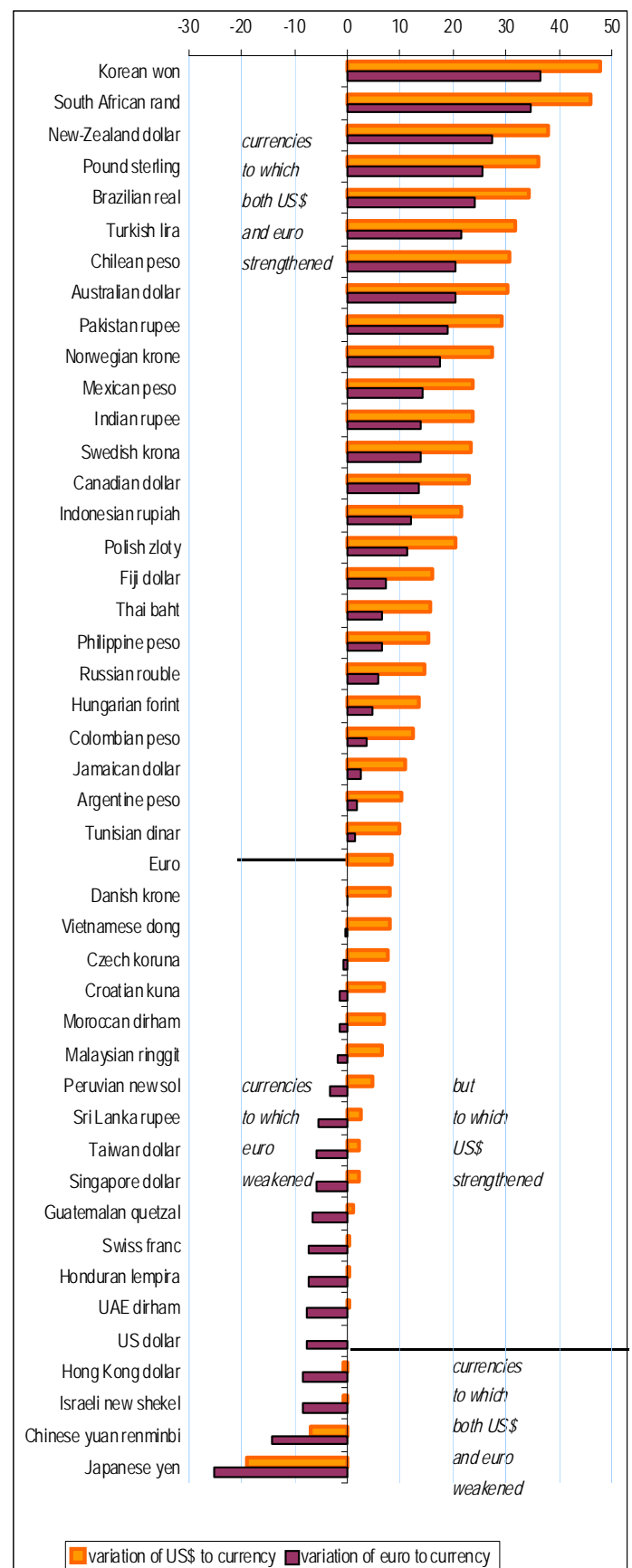


Source: De Nederlandse Bank

Many currencies retreated from their previous strength through the second half of 2008 against both the US dollar and the euro, in particular currencies of emerging markets and/or commodity producing economies. The US dollar gained more than 20% between December 2007 and December 2008 against the following currencies: the Korean won (+48%), South African rand (+46%), New Zealand dollar (+38%), pound sterling (+36%), Brazilian real (+34%), Turkish lira (+32%), Chilean peso (+31%), Australian dollar (+30%), Pakistan rupee (+29%), Norwegian krone (+27%), Mexican peso (+24%), Indian rupee (+24%), Swedish krona (+24%), Canadian dollar (+23%), Indonesian rupiah (+22%), Polish zloty (+20%), Fiji dollar (+16%), Thai baht (+16%), Philippine peso (+15%), Russian rouble (+15%), Hungarian forint (+13%), Colombian peso (+12%), Jamaican dollar (+11%), Argentine peso (+10%) and Tunisian dinar (+10%). The appreciation of the euro in all cases was some 8-11% lower than for the dollar. All these countries have benefited in terms of price competitiveness as tourism destinations, and this will come as a relief in particular for destinations that have recently been suffering due to comparatively very strong currencies such as Canada, Australia, New Zealand, South Africa, Brazil and some of the Central and Eastern European countries. For their residents, though, outbound tourism to destinations with currencies linked to the US dollar or the euro has become more expensive.

Exchange rate of US dollar and euro to selected currencies

(% variation December 2008 / December 2007)

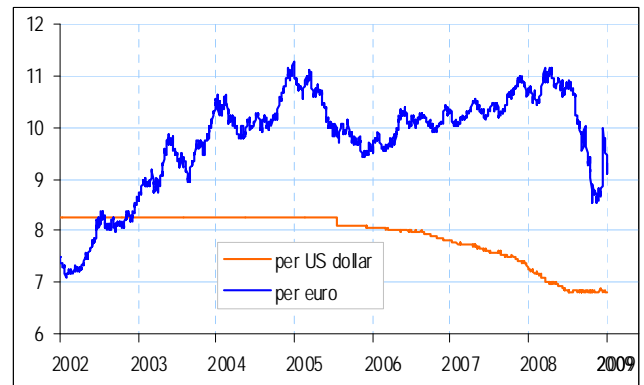


Source: compiled by UNWTO based on data from De Nederlandse Bank (DNB)/European Central Bank (ECB) and the Bank of Canada

Particularly noteworthy with respect to the euro is the slide of sterling at the end of 2008, when it almost reached an unprecedented par with the euro. Between December 2007 and December 2008 the euro appreciated by 26% against the British currency.

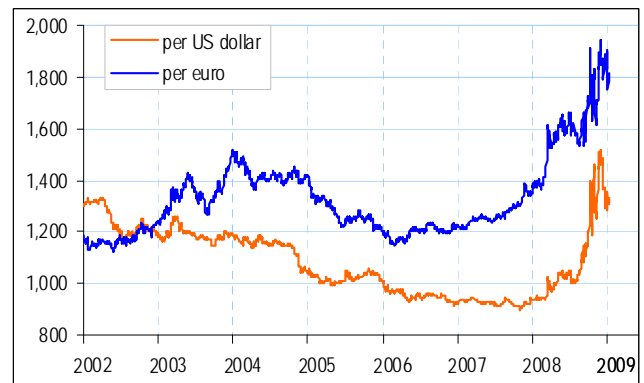
Two major currencies clearly bucked the trend and appreciated against both the US dollar and the euro. The Japanese yen made a spectacular comeback. Between December 2007 and December 2008, the US dollar lost 19% in terms of value against the yen and the euro lost 25%. The Chinese yuan also gained in strength, but to a lesser extent. In the course of 2008, the US dollar depreciated by 7% and the euro by 14% against the yuan. For both countries, a strong currency stimulates outbound tourism as it increases purchasing power abroad. In some cases, the change is dramatic: the Republic of Korea is now half as expensive for Japanese visitors as it was a year ago (while Japan has become twice as expensive for Koreans).

Exchange rate Chinese yuan renminbi



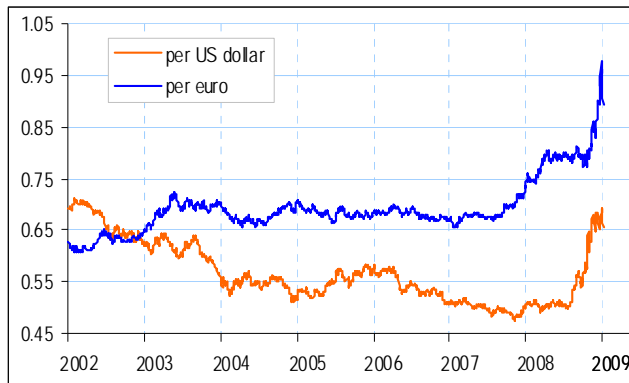
Source: De Nederlandse Bank

Exchange rate Korean won



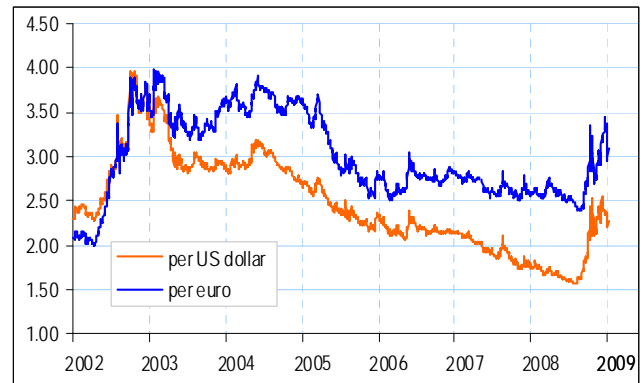
Source: De Nederlandse Bank

Exchange rate British pound



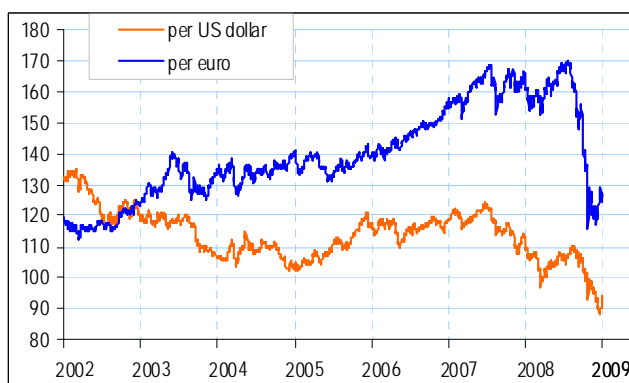
Source: De Nederlandse Bank

Exchange rate Brazilian real



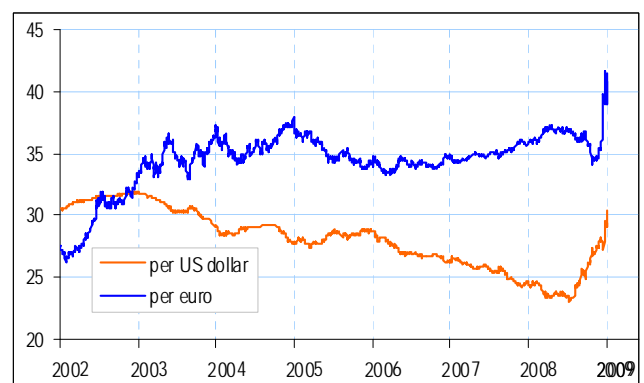
Source: De Nederlandse Bank

Exchange rate Japanese yen (100)



Source: De Nederlandse Bank

Exchange rate Russian rouble



Source: De Nederlandse Bank

Exchange rates

	Currency units per US dollar									Currency units per euro								
	Average		07/06	08/07	2007	2008	year ago	O.-D.08	Average		07/06	08/07	2007	2008	year ago	O.-D.08		
	2007	2008	%	%	Dec	Oct			Dec	2007	2008	%	%	Dec			Oct	Dec
US dollar	-	-			-	-	-		1.37	1.47	9.2	7.3	1.46	1.33	1.34	-7.7	1.0	
Canadian dollar	1.07	1.06	-5.5	-1.0	1.00	1.17	1.23	23.0	5.1	1.47	1.56	3.1	6.2	1.46	1.56	1.66	13.5	6.1
Mexican peso	10.93	11.08	0.2	1.4	10.85	12.62	13.44	23.9	6.5	14.97	16.29	9.4	8.8	15.81	16.82	18.08	14.3	7.5
Jamaican dollar	69.04	72.43	5.5	4.9	71.15	73.23	79.03	11.1	7.9	94.63	106.54	15.1	12.6	103.67	97.56	106.29	2.5	8.9
Guatemalan quetzal	7.68	7.55	0.9	-1.7	7.63	7.49	7.71	1.1	2.9	10.52	11.11	10.2	5.5	11.11	9.98	10.37	-6.7	3.9
Honduran lempira	18.90	18.88	0.0	-0.1	18.88	18.78	18.93	0.3	0.8	25.90	27.77	9.1	7.2	27.51	25.02	25.46	-7.5	1.8
Argentine peso	3.15	3.20	1.8	1.7	3.16	3.30	3.48	10.3	5.5	4.31	4.71	11.1	9.2	4.60	4.40	4.68	1.8	6.5
Brazilian real	1.94	1.82	-10.6	-6.5	1.79	2.16	2.40	34.5	11.1	2.66	2.67	-2.4	0.3	2.60	2.88	3.23	24.1	12.2
Chilean peso	522	518	-1.7	-0.7	499	624	651	30.6	4.4	715	762	7.3	6.6	726	831	876	20.5	5.4
Colombian peso	2075	1952	-12.1	-5.9	2013	2287	2261	12.3	-1.1	2843	2870	-4.1	1.0	2933	3046	3041	3.7	-0.2
Peruvian new sol	3.13	2.91	-4.5	-6.8	2.98	3.06	3.12	4.7	2.0	4.29	4.29	4.3	0.0	4.34	4.07	4.20	-3.3	3.0
Euro	0.73	0.68	-8.4	-6.8	0.69	0.75	0.74	8.3	-0.9	-	-			-	-	-		
Danish krone	5.44	5.07	-8.5	-6.8	5.12	5.60	5.54	8.2	-1.0	7.45	7.46	-0.1	0.1	7.46	7.45	7.45	-0.1	-0.1
Swedish krona	6.75	6.54	-8.4	-3.1	6.47	7.39	8.00	23.5	8.1	9.25	9.62	0.0	3.9	9.43	9.85	10.75	14.0	9.2
Pound sterling	0.50	0.54	-8.0	8.4	0.49	0.59	0.67	36.0	13.9	0.68	0.80	0.4	16.4	0.72	0.79	0.90	25.5	15.0
Czech koruna	20.26	16.96	-10.2	-16.3	18.06	18.59	19.42	7.5	4.5	27.77	24.95	-2.0	-10.2	26.32	24.77	26.12	-0.7	5.5
Hungarian forint	183	171	-12.9	-6.8	174	195	197	13.4	0.9	251	252	-4.9	0.1	253	260	265	4.7	1.9
Polish zloty	2.76	2.39	-11.0	-13.5	2.47	2.68	2.98	20.5	10.9	3.78	3.51	-2.9	-7.2	3.60	3.58	4.00	11.2	12.0
Croatian kuna	5.35	4.91	-8.2	-8.3	5.02	5.38	5.37	7.0	-0.1	7.34	7.22	0.2	-1.5	7.32	7.16	7.22	-1.3	0.8
Norwegian krone	5.85	5.59	-8.7	-4.4	5.50	6.45	7.01	27.4	8.6	8.02	8.22	-0.4	2.6	8.01	8.59	9.42	17.6	9.7
Swiss franc	1.20	1.08	-4.3	-10.0	1.14	1.14	1.14	0.5	0.4	1.64	1.59	4.4	-3.4	1.66	1.52	1.54	-7.2	1.3
Russian rouble	25.55	24.76	-5.9	-3.1	24.57	26.43	28.18	14.7	6.6	35.02	36.42	2.7	4.0	35.79	35.21	37.90	5.9	7.6
Turkish lira	1.30	1.30	-9.5	-0.6	1.18	1.47	1.55	31.6	5.5	1.79	1.91	-1.2	6.7	1.72	1.96	2.09	21.5	6.5
Israeli new shekel	4.11	3.57	-7.8	-13.0	3.90	3.65	3.88	-0.6	6.2	5.63	5.25	0.6	-6.6	5.69	4.87	5.22	-8.3	7.2
UAE dirham		3.67			3.67	3.65	3.68	0.3	0.8		5.40			5.35	4.86	4.95	-7.5	1.7
Moroccan dirham	8.19	7.71	-6.9	-5.8	7.78	8.37	8.32	6.9	-0.6	11.22	11.35	1.6	1.1	11.34	11.15	11.19	-1.4	0.3
Tunisian dinar	1.28	1.23	-3.9	-4.1	1.23	1.31	1.35	9.9	2.6	1.75	1.80	4.9	2.9	1.79	1.75	1.81	1.5	3.6
South African rand	7.05	8.20	3.7	16.3	6.84	9.71	9.98	46.0	2.8	9.66	12.06	13.2	24.8	9.96	12.93	13.43	34.8	3.8
Japanese yen	118	104	1.2	-11.9	112	100	91	-18.8	-9.1	161	152	10.4	-5.5	164	134	123	-25.1	-8.2
Chinese yuan renminbi	7.60	6.95	-4.6	-8.6	7.37	6.84	6.86	-7.0	0.3	10.42	10.22	4.1	-1.9	10.74	9.11	9.22	-14.2	1.2
Hong Kong dollar	7.80	7.79	0.4	-0.2	7.80	7.76	7.75	-0.6	-0.1	10.69	11.45	9.6	7.1	11.36	10.34	10.42	-8.3	0.8
Taiwan dollar	32.84	31.47	1.0	-4.2	32.42	32.67	33.14	2.2	1.4	45.01	46.28	10.2	2.8	47.23	43.52	44.57	-5.6	2.4
Singapore dollar	1.51	1.41	-5.2	-6.3	1.45	1.48	1.48	2.1	0.2	2.06	2.08	3.5	0.6	2.11	1.97	1.99	-5.8	1.1
Korean won	929	1092	-2.7	17.6	931	1320	1376	47.7	4.2	1273	1606	6.2	26.2	1357	1759	1850	36.4	5.2
Thai baht	32.26	32.96	-14.9	2.2	30.30	34.43	35.03	15.6	1.7	44.21	48.48	-7.1	9.6	44.15	45.87	47.11	6.7	2.7
Malaysian ringgit	3.43	3.32	-6.3	-3.2	3.33	3.52	3.55	6.5	0.9	4.71	4.89	2.2	3.9	4.86	4.69	4.78	-1.7	1.8
Indonesian rupiah	9,141	9,631	-0.3	5.4	9,348	9,971	11,359	21.5	13.9	12,528	14,165	8.8	13.1	13,620	13,284	15,277	12.2	15.0
Philippine peso	45.99	44.31	-10.3	-3.6	41.56	47.95	47.96	15.4	0.0	63.03	65.17	-2.1	3.4	60.56	63.88	64.51	6.5	1.0
Vietnamese dong	16097	16392	0.8	1.8	15913	16586	17179	8.0	3.6	22062	24109	10.1	9.3	23186	22096	23104	-0.4	4.6
Australian dollar	1.19	1.18	-10.1	-0.7	1.15	1.45	1.49	30.4	2.9	1.63	1.74	-1.9	6.5	1.67	1.93	2.01	20.4	3.9
New Zealand dollar	1.36	1.41	-11.9	3.9	1.30	1.64	1.79	38.0	9.1	1.86	2.08	-3.9	11.5	1.89	2.19	2.41	27.4	10.2
Fiji dollar	1.61	1.58	-6.9	-1.5	1.56	1.75	1.81	16.1	3.4	2.20	2.33	1.6	5.8	2.27	2.33	2.43	7.2	4.4
Indian rupee	41.16	43.19	-9.0	4.9	39.35	48.24	48.62	23.6	0.8	56.41	63.52	-0.6	12.6	57.33	64.27	65.39	14.1	1.7
Pakistan rupee	60.80	70.21	0.8	15.5	61.17	79.68	78.93	29.0	-0.9	83.32	103.26	10.0	23.9	89.12	106.14	106.16	19.1	0.0
Sri Lanka rupee	111	108	6.3	-2.2	109	108	112	2.6	3.8	152	159	16.1	5.0	159	143	150	-5.3	4.8

Source: compiled by UNWTO based on data from De Nederlandse Bank (DNB)/European Central Bank (ECB) and the Bank of Canada

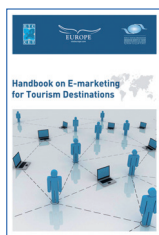
World Tourism Organization (UNWTO) Publications



Handbook on E-marketing for Tourism Destinations

The ETC/UNWTO *Handbook on E-Marketing for Tourism Destinations* is the first comprehensive handbook of this kind for tourism destinations. The all-new publication is a practical 'how-to'-manual designed to help staff at national, regional and city tourism organisations, improve their e-marketing skills and manage new projects. The book covers all the basics, including website design, search engine optimisation, email marketing, social networking, and e-commerce. It has advice on how to build better content, get distribution of it, use CRM, succeed with online PR, support the travel trade on-territory, and get into mobile marketing. Web analytics, online research methods, and performance measurement get full treatment, and new areas such as digital television are covered, as well. It also includes over 30 examples of e-marketing in action.

Available in English



Published: 2008
Price: € 75

The Chinese Outbound Travel Market with Special Insight into the Image of Europe as a Destination

China is one of the fastest growing outbound markets in the world. Rising incomes and relaxation of restrictions on foreign travel led to a growth of 22% a year in trips abroad since 2000 (34.5 million in 2006). China ranks 5th worldwide in terms of spending on international tourism (US\$ 30 billion in 2007). In 1995, the World Tourism Organization (UNWTO) predicted that China would generate 100 million arrivals worldwide by 2020, making it the fourth largest market in the world (*Tourism 2020 Vision*). In view of recent trends, China may reach that target well before 2020. To better understand the structure and trends of this market is the aim of the new ETC/UNWTO report *The Chinese Outbound Travel Market with Special Insight into the Image of Europe as a Destination*.

Available in English



Published: 2008
Price: € 75

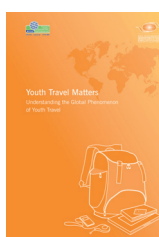
Youth Travel Matters – Understanding the Global Phenomenon of Youth Travel

Youth Travel Matters – Understanding the Global Phenomenon of Youth Travel offers a global overview of the youth and student travel industry, by revealing the latest trends in youth travel destinations, products and innovations.

The report, developed by UNWTO and the World Youth Student & Educational Travel Confederation (WYSE Travel Confederation) shows that the motivations of young travellers make this market extremely important to the key objectives of the global tourism agenda. The value of youth, student and educational travel is being recognised by educational institutions, employers, official tourism organisations and governments worldwide.

This report explains the uniqueness of this segment, its wish to explore and engage with cultures. It focuses on the special mix of their travel ambitions with study, work, volunteer placements and adventure.

Available in English



Published: 2008
Price: € 40

Handbook on Tourism Forecasting Methodologies

Tourism demand is a complex phenomenon which can be affected by an incredible number of different exogenous factors – economy, fuel prices, infrastructure, natural disasters, the image of a destination, etc. Therefore, tourism demand, in all of its different forms, is one of the most difficult variables to foresee. Nonetheless, it gets more and more important for destinations and private sector alike to anticipate demand trends and use such knowledge as a basis of management decisions and planning. This *Handbook on Tourism Forecasting Methodologies* aims to be a simple guide to the complex world of tourism forecasting. It presents the basic forecasting techniques, their advantages and disadvantages as well as some practical examples of such methodologies in action. It also includes a CD where the methodologies are further explained and exemplified in an excel file.

Available in English

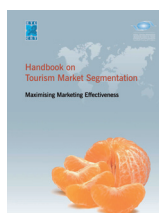


Published: 2008
Price: € 45

Handbook on Tourism Market Segmentation – Maximising Market Effectiveness

Market segmentation is crucial for National Tourism Organizations (NTO) and Destination Marketing Organizations (DMO) in making sure that their resources are used in the most effective way. This new UNWTO/ETC manual, aimed ultimately at helping destinations improving their marketing effectiveness, is divided into four distinct sections. The first sets out the theory and rationale for segmentation. Other areas look at the current methods and practices, detailing some of the main methodologies; at practical steps to introducing or developing further segmentation-based marketing activities, and finally at best practices in the area of tourism market segmentation, including the analyses of a number of case studies.

Available in English



Published: 2007
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Cruise Tourism – Current Situation and Trends

Over the past years, worldwide demand for cruise tourism has posted some of the biggest gains within the tourism sector. The constant dynamism in cruise activity, as well as the increasing number of countries that include cruises as a key product for their tourism development, has led to update and expand the first edition of the UNWTO study of 2003. This new study discusses subjects like the current supply and demand for cruises as well as its characteristics and trends. A new element includes the relationship between destinations and cruise lines, analysing key factors such as legislation, promotion and the economic impact of cruises through reference cases. It presents current trends in this industry in terms of innovation, safety and security, and sustainability, and identifies the major lines that will shape the sector.

Available in Spanish, only



Published: 2008
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UNWTO World Tourism Barometer

The *UNWTO World Tourism Barometer* offers a unique overview of short-term international tourism trends, updated three times a year. It is developed by UNWTO with the aim to provide all those directly or indirectly involved in tourism with adequate up-to-date statistics and analysis in a timely fashion. Each issue contains three regular sections: an overview of short-term tourism trends including data on international tourist arrivals, tourism receipts and expenditure for over 100 countries worldwide and data on air transport on major routes; a retrospective and prospective evaluation of current tourism performance by the members of the UNWTO Panel of Tourism Experts; and selected economic data relevant for tourism. The *UNWTO World Tourism Barometer* is published in January, June and October.

Available in English, French and Spanish in print and PDF version



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Tourism Market Trends, 2007 Edition

Tourism Market Trends is UNWTO's regular series of reports with a comprehensive and timely analysis of international tourism trends in the world and the various regions, subregions and countries. The series examines short- and medium-term tourism development and analyzes statistical information on a set of indicators including international tourist arrivals, international tourism receipts, arrivals by region of origin, purpose of visit and means of transport, volume of trips abroad, international tourism expenditure, etc. The full series consists of one volume providing an overview of the tourism trends in the world, *World Overview & Tourism Topics*, and five regional and subregional volumes presenting for each country a digest of statistical data as well as an evaluation of the past year.

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