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منظمة السياحة العالمية

PRELIMINARY RESULTS OF INTERNATIONAL TOURISM IN 2007 AND OUTLOOK FOR 2008

Press conference by Francesco Frangialli, Secretary-General of the World Tourism Organization

Madrid, 29 January 2008

Overall results

900 million! The number of international tourist arrivals — those who arrived in a country other than their own and stayed for at least one night — approached 900 million in 2007, 898 million to be exact, according to the provisional figures that the World Tourism Organization is releasing today: an increase of 6.2 per cent over 2006.

World tourism accelerated in 2007, posting a higher growth rate than in 2006 (5.4 per cent) and 2005 (5.5 per cent). In fact, following the near-stagnation of the years from 2001 to 2003, marked by September 11th, SARS, conflicts and terrorism, international tourism, for the fourth straight year, has advanced at a pace above the long-term growth trend (4.1 per cent a year). The results for 2007 validate — if further confirmation were needed — the long-term projections that the UNWTO established in 1995, predicting 800 million international arrivals in 2005 (which was indeed the case), 1.1 billion arrivals in 2010 and 1.6 billion in 2006. We are well on the way to a doubling in the size of the market in terms of physical flows within the span of one generation.

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Regional breakdown of arrivals

All the regions of the world experienced growth in 2007 in terms of the number of arrivals received: Africa (+8 per cent), the Americas (+5 per cent), Asia and the Pacific (+10 per cent), Europe (+4 per cent), and the Middle East (+13 per cent).

Let us look at these results region by region.

Europe, the most mature market, having begun its growth earlier than the other regions of the world, grew — as is logical — at a slower pace than the world average. Only Mediterranean Europe, with the brilliant performances of countries such as Montenegro, Turkey, Malta, Greece and those of the Balkans, was able to keep pace with the world average. For the first time in many years, which were marked by strong growth, the result of Spain (+2 per cent) is below the average for Europe and the world. After several years of lacklustre performance, Italy has posted a good result for the second straight year (+7 per cent up to October).

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Northern and Western Europe, like Central and Eastern Europe, posted mixed results. Among the major destinations of these sub-regions, it is worth noting the good showing of Switzerland and the subpar results of Austria, Germany, France, the United Kingdom and the Russian Federation, which underperformed the regional average.

Asia once again posted double-digit growth in 2007. For a large destination like China (+10 per cent), this constitutes a confirmation, as is likewise the case for countries like Japan, Cambodia, Indonesia, Malaysia, Laos, Viet Nam, India or the Maldives. An unpleasant surprise came from Sri Lanka (-12 per cent) on account of the political difficulties the country is experiencing; while Australia, for its part, managed only a mediocre performance (+2 per cent) compared to the rest of the region.

The **Americas** saw a twofold increase in the growth of arrivals compared to 2006, with Central America and South America maintaining their rapid pace and the Caribbean continuing to slump, posting zero growth. After many years of low growth, the United States grew by around 10 per cent, benefiting in 2007 from the weakness of its currency; in contrast, the performances of Canada and Mexico, which rely on the outbound market of their large neighbour, were disappointing. In 2007, the United States finally managed to surpass the number of arrivals it had achieved in 2000.

In 2007, the **Middle East** (46 million) surpassed **Africa** (44 million) in number of arrivals. In the case of the former, the magnitude of the oil revenues received in the region explains the vigour of intra-regional traffic flows. The investments made over the past several years by the Gulf destinations are bearing fruit; coupled with the excellent performance of Egypt (+20 per cent), they make the Middle East the world's fastest-growing region.

In the case of Africa, it should be noted that good results were posted in all parts of the continent, from South Africa (+8 per cent) to the countries of the Maghreb, as well as in sub-Saharan Africa. Despite its structural handicaps, the latter sub-region thus confirms its steady rise, which has been under way for three years now.

Destination rankings

At this very early stage of the year, the world ranking of destinations in terms of the number of international arrivals received can only be given provisionally. The UNWTO will establish the ranking more reliably within a few months.

Nevertheless, it can already be stated with certainty that France (2.6 per cent up to October) has maintained the world's top spot in 2007, ahead of Spain. China, which passed Italy in 2004, has closed in further on the United States in 2007; at this time, it is too early to determine whether it has taken over the number three ranking from the US (which, on the other hand, is assured of keeping its top position in terms of receipts). Italy maintains fifth place, ahead of Great Britain.

Analysis of the performance in 2007 and outlook for 2008

Although oil prices have been hovering at around 100 dollars a barrel since midyear, and despite the shock suffered by the western stock markets during the summer as a consequence of the difficulties of the US real estate market, in 2007 the world economy posted 5.2 per cent growth (IMF estimate) in world GDP. China (+11 per cent), India (+8.9 per cent), the other emerging countries of Asia, Russia (+7.6 per cent) and hydrocarbon-exporting countries have led this growth, with the United States maintaining its trajectory (+2.8 per cent) and the euro zone posting acceptable performance (+2.7 per cent)[1].

The growth in world tourism flows in 2007 accompanied this good showing of the economy, as well as that of international trade (+6.6 per cent, source: IMF).

World tourism confirmed last year that it is capable of living with high energy prices, as international air traffic grew by around 7 per cent despite rising aircraft fuel costs.

Likewise, tourism activity showed that it was, on the whole, not very sensitive to exchange-rate fluctuations (such as the euro trading at over 1.45 US dollars), and this is due to the "communicating-vessels effect" that occurs among regions and destinations as a consequence of these fluctuations.

Lastly, the subprime mortgage crisis in the United States has not really hurt tourism activity either. This particular crisis, at least as of 2007, has not substantially affected what is sometimes referred to as the "real economy". Household demand has continued to be supported by objective factors: the good financial situation of businesses in the OECD zone, and the improvement of employment in the industrialized countries, including those belonging to the euro zone. In the specific case of US households, those that in 2007 began having difficulties in making payments on the hefty mortgages they had taken out were not, in any case, given their particular demographic and social characteristics, among those most likely to travel, especially abroad. Baby boomers who are now reaching retirement age after having, in the majority of cases, already acquired their own homes, do not seem at all affected by the subprime mortgage problem. As it happens, this cohort represents one of the new and important forces that are driving demand for travel and leisure in the United States, as is also the case in Western Europe and in Japan. Moreover, it should be kept in mind that although the United States, by itself, accounts for around one quarter of the world's GDP, the amount spent by Americans abroad (72 billion dollars in 2006) represents just 9.8 per cent of international tourism receipts (733 billion in 2006). A US economic downturn would therefore have only a limited impact on international tourism exchanges.

The year 2007 has therefore confirmed what we already knew about international tourism and the behaviour of consumers of travel and leisure: if, at a given point in time, there is a slowdown in the growth of the economy and thus also in that of the purchasing power of the social groups that form the bulk of the participants in the phenomenon of international travel, or even if their purchasing power suffers a slight contraction, it is by no means evident that the impact on their tourism expenditure will be proportional.

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[1] Source: The Economist

On the contrary, the experience of the past several years has shown that travel and holidays have become a deeply ingrained sociological phenomenon, that spending on leisure is relatively inelastic, and that households are ready to cut down, if need be, on other consumer expenditures or even reduce their savings rather than forgo holidays or travel. When the UNWTO releases the 2007 results in terms of receipts in the middle of this year, this analysis should be confirmed.

All in all, in the form and with the magnitude that it has manifested itself up until the final days of 2007, the international financial crisis that began in the summer has not affected tourism growth in a sufficiently significant manner to be measurable. Once again, the tourism market has proven its resilience and its remarkable capacity to adapt.

In light of this, it would take a veritable collapse of the "real economy", caused by a depreciation of assets with repercussions on the consumption of households and at the same time causing a tightening of liquidity and a loss of confidence on the part of economic agents, in order for international tourism to truly suffer. But such a situation would mean that we have entered a phase of the history of the world economy different from the period of growth which the latter has been experiencing for several years.

Is this the case now as we speak, at this time when the financial markets have experienced a decline on the order of 20 per cent in market capitalization since the start of the year, when the responses provided by the US Federal Reserve and the European Central Bank are more divergent than ever, and above all, when the phenomenon of "decoupling" between the western financial markets and those of the emerging countries of Asia seems to have disappeared, with the latter having been also severely punished by the turmoil of January?

The worst is never certain, and the most likely scenario—on the premise that the drastic interest-rate cut by the Federal Reserve and the 150-billion-dollar "stimulus package" of the US Government avert a recession in the United States—is one of slower but still lively world economic growth in 2008, driven by the strong "fundamentals" which the emerging countries continue to possess. This coincides with the analysis that has recently been released by the International Monetary Fund, predicting 4.1 per cent growth for 2008—still a significant figure, albeit lower than its initial estimates.

In such a context, it is likely that international tourism will not be able to maintain this year the pace of growth that it sustained between 2004 and 2007; growth would pull back to appreciably lower, but still satisfactory levels on the whole. Tourism's growth can be expected to be slowed, but not stopped, by the storm that has hit the world economy and by further bad weather on the horizon. A decline in international tourism is not the most probable scenario for the year that is beginning. With the current parameters, a collapse of the sector is not within the realm of possibility.

Two concerns for 2008

Periods of turmoil such as the one we have been experiencing since the summer of 2007 and the bout of turbulence during the first weeks of 2008 do not lend themselves to calm reflection. In such circumstances, economic decision-makers, both public and private, have their eyes fixed on market movements, the balance sheets of financial institutions, exchange-rate fluctuations, and reactions by central banks.

The fear is that other concerns could be taken more lightly in the face of these very short-term threats. Let us not forget, however, that **two fundamental issues** for the tourism sector continue to lurk just beneath the surface.

The first has to do with the risk — still a cause for worry — that the prospect of an **avian flu pandemic** continues to represent. Everyone knows that such a development would have more damaging consequences for international travel than any economic or stock-market crisis: the SARS outbreak in 2003 had a far more severe impact on tourism in Asia than the financial crisis of 1997-1998. It is true that a mutation that would make the H5N1 virus susceptible to human-to-human transmission is now considered to be not as imminent as before, and that the number of human fatalities caused by the virus in 2007 was lower than in the preceding year. Furthermore, many countries are now better prepared, and the UNWTO, under the aegis of the United Nations, is contributing to such preparedness in the sector for which it is responsible. But 60 countries are now affected, and the presence of the virus in bird populations has become endemic in some of them.

The second concern was illustrated by the UNWTO's Davos Conference in October 2007 and the United Nations Summit at the end of the year in Bali: tourism, which accounts for around 5 per cent of greenhouse gas emissions, is one of the first victims of **global warming**. In the absence of a response to limit emissions and to adapt enterprises and products to the new environment, the very existence of large swathes of the sector is increasingly endangered. During these times when other concerns beset us and are diverting our attention, let us do everything possible, following the "road map" established in Bali, in order to keep the tourism growth on the path of sustainability.