A World Travel Trends Report

The Message from the ITB Berlin Convention

March 2008

WORLD TRAVEL TRENDS REPORT March 2008

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Foreword

This is the sixth *World Travel Trends Report* commissioned from IPK International, founders of the World Travel Monitor, and the third covering information disseminated at the ITB Convention during the annual ITB Berlin travel trade fair. It also updates the *World Travel Trends Report* published following the World Travel Monitor Forum, more commonly known as the Pisa Forum, organised by IPK in San Giuliano Terme, near Pisa, Italy, in October 2007.

During this year's presentation at the ITB Future Day of the ITB Convention, Rolf Freitag, President and founder of IPK International, provided a full-year update of trends in world, European and German outbound travel, sharing detailed results from the World Travel Monitor 2007, as well as some highlights of the group's forecasts for 2007. Rolf Freitag was followed by John Koldowski, Director of the Strategic Intelligence Centre of the Pacific Asia Travel Association, who presented an overview of trends and forecasts of travel to, from and within Asia Pacific.

The respective results for 2007, which confirm preliminary trends first identified in Pisa, confirm for the fourth consecutive year the resilience of the global travel and tourism industry. Despite ongoing threats of terrorism in various parts of the world, natural disasters such as hurricanes and floods, health scares, the continued rise in the price of oil and therefore jet fuel, sharp exchange rate fluctuations and economic and political uncertainties, the strong growth in demand confirms that people all over the world are more eager than ever to travel abroad.

Nevertheless, as the World Travel Monitor results show, the market is continuing to change. This is in large part due to the influence of technology, which is driving the trend towards independent travel and online booking, but it is also a consequence of the market's growing maturity. People are becoming more and more demanding of quality tourism experiences and good value for money. Rather than simply lying on a beach, they are much more interested in active, educational holidays, which partly explains why 'voluntourism' is growing so fast.

As usual, the main objective of this report is to provide an overview of current travel and tourism demand, focusing primarily on source markets, and to identify likely trends and developments for 2008 and the longer term.

It remains for me to thank Rolf Freitag and his colleagues present at ITB Berlin this year, and to hope that you will find this report useful as well as interesting.

Dr Martin Buck
Vice President, Travel & Logistics
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Introduction

More than 5 million interviews since 1988

This *World Travel Trends Report* is based primarily on the 2007 results of IPK International's World Travel Monitor – the continuous tourism monitoring system, which was set up in 1988. IPK now undertakes more than half a million representative interviews a year in 57 of the world's major outbound travel markets – 36 in Europe and 21 in the rest of the world – representing an estimated 90% of world outbound travel.

The interviews – more than 5 million of which have now been conducted since 1988 – are designed to be comparable from one year and from one market to another, and to yield information on market volumes and sales turnover, destinations, travel behaviour, motivation and satisfaction, travellers and target groups, recent tourism trends, and short- to medium-term forecasts.

The report focuses as usual on world and European trends, looking in more detail at the German travel market, domestic and outbound. However, it provides more detailed information than was presented by IPK International in its ITB Berlin Message during the ITB Convention's Future Day. For example, it takes a close look at the World Travel Monitor's comparative analysis of world intra- and intra-regional travel flows, as well as drawing on information from other sources such as the Pacific Asia Travel Association.

Once again, both the World Travel Monitor results and the other sources of information presented in this report reflect the healthy state of the global travel and tourism industry in 2007. And, while there are growing signs of uncertainty regarding the outlook for 2008, the forecasts remain positive – at least for the short term.

Overview of World Tourism in 2007

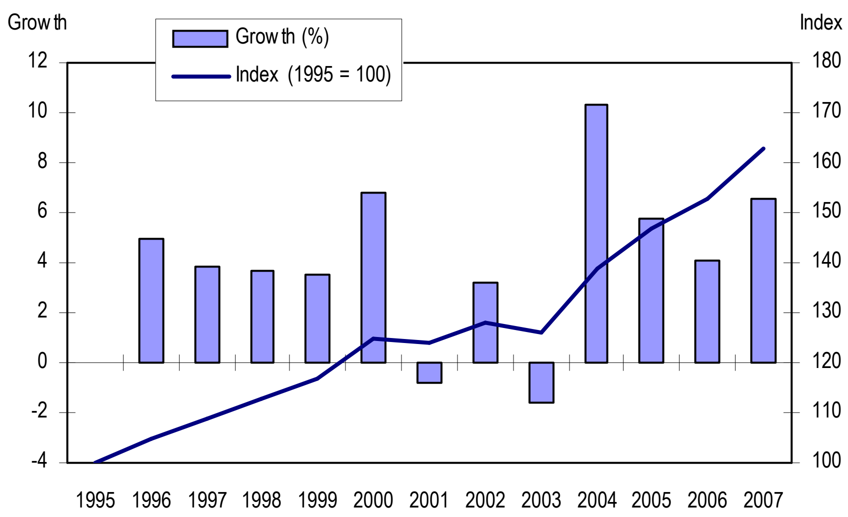
Global trends

2007 – a fourth year of rapid growth

2007 was the fourth year in succession of very rapid growth for world tourism, according to IPK International's World Travel Monitor, the results of which correlate with those identified by the World Tourism Organization (UNWTO).

While one could argue – as the following graph seems to suggest – that the industry is still making up ground lost in the first, crisis-strewn, years of the new century, it is clear that, in line with global economic growth trends, travel and tourism has not had it so good for a very long time. Growth over the period 2004-07 was much higher than that in the second half of the 1990s, prior to the crises of this decade.

World outbound tourism performance, 1995-2008



Source: World Travel Monitor, IPK International

Growth well above the long-term average

The World Travel Monitor shows that in 2007, international overnight trips (of a minimum one night abroad) by travellers aged 15 and over increased by 6.3% worldwide – well above the long-term annual average of 4.3% – to 680 million. Overnight volume was also up 6% to 7.2 billion. (By way of interest, UNWTO reports about 900 million arrivals, but these include same-day trips and transfers for some markets, children under the age of 15, and cumulative arrivals in several countries visited on one trip.)

According to its own specific measure – which includes total spending related to a trip, both during and before the trip – the World Travel Monitor suggests that expenditure rose by 7% to €753 billion last year, equivalent to €117 per night and €1,150 per outbound trip.

The year was not without challenges …

It was not that there were no problems in 2007:

- The conflicts in Iraq, Afghanistan, Pakistan, Palestine, Sri Lanka and elsewhere constantly threatened to spill further afield, especially in the form of mindless terrorism.

- The persistent decline in the value of the US dollar, especially against the euro and sterling, affected the purchasing power abroad of many potential travellers and had a negative impact on the profitability of tourism operations, penalising especially those which are priced in advance in dollars and which are not large and sophisticated enough to be able to hedge their exposure.

- The first concerns about a potential recession in the USA took hold of the imaginations of both consumers and business.

- International oil prices continued to rise, approaching the US$100 a barrel mark by year end, and bringing further increases in airline fuel surcharges.

- There was the usual crop of weather-related problems, including a short and snowless winter in many Alpine resorts, floods in the UK, heatwaves and forest fires in Greece and Italy, and the panoply associated with an El Niño event – droughts in the Eastern USA, Southern Africa and Australasia, and floods in the Western Americas and Southern/Eastern Asia, for instance.

… but none serious enough to outweigh world prosperity …

However, these challenges were not serious enough to undermine the growth in global travel demand, which was driven in large part by the sustained world economic growth. Among the key factors were the continuation of the unprecedented growth rates in emerging Asian markets; the surge in commodity prices that brought prosperity to Latin America, Russia and even some parts of Africa; the ongoing boom in East European markets as they become more integrated in the European Union; and signs of more robust growth in the more westerly members of the European Union. Of particular interest to many participants in the ITB Berlin Convention was the economic recovery in Germany and neighbouring countries.

Associated with this prosperity is a fundamental change in attitudes brought about by more widespread affluence, globalisation, the internet, mobile phones and cheap air travel. Two generations ago leisure travel abroad was limited to the cultural elites of a handful of countries. One generation ago it had spread to the elites worldwide, and to the middle classes of a few countries. Today, huge numbers of people, in countries which until recently were 'out of the loop', are becoming aware of, and attracted to, foreign destinations, and the possibility of travel.

… and no real catastrophes

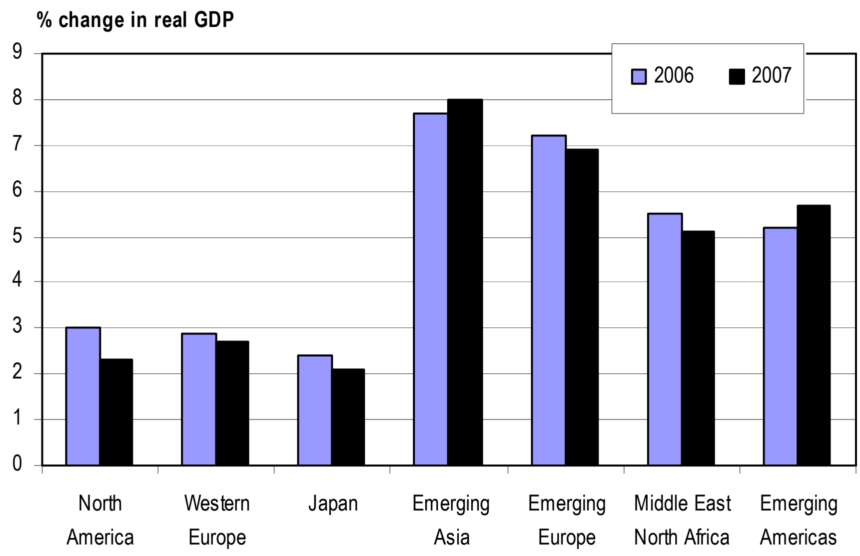
As everyone knows, the world's media have a fondness for predicting apocalyptic comeuppances for the tourism industry – as was the case, for example, after 9/11, the SARS epidemic and the outbreak of bird flu. Last year, the media went even further in their victimisation of the travel and tourism industry, awarding air travel the title of World Climate Killer Number 1. Nevertheless, there has so far been little sign of any serious impact of this on travel demand – as demonstrated by the World Travel Monitor's results for 2007.

Outbound performance

The focus of attention is shifting to emerging markets …

The economic prosperity which has been driving the growth in world tourism has been centred on emerging countries, especially in Asia and Europe, as the following graph shows. It is difficult to understate the rapidity with which purchasing power has been growing in the more successful emerging economies.

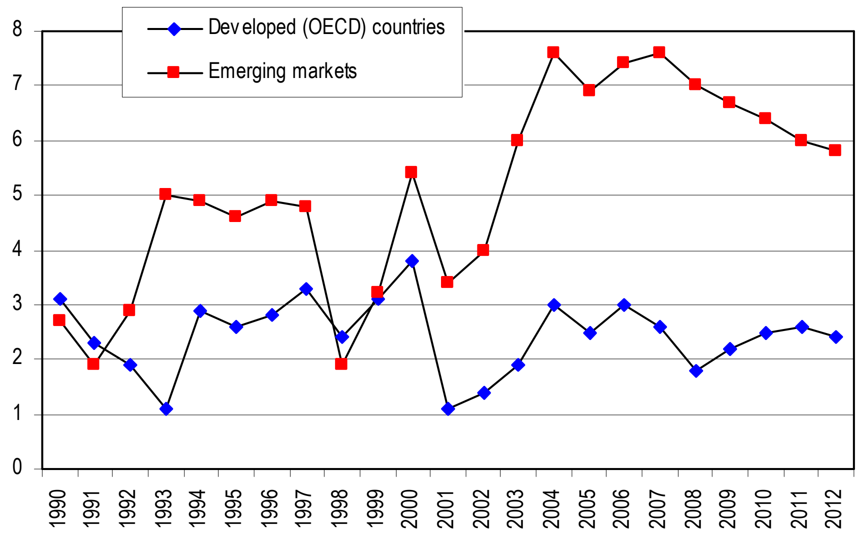
World economic growth by region, 2006-07



Source: Global Insight

This shift in focus is expected to persist, partly because of the huge amount of ground which the more heavily populated emerging countries still have to make up, and partly because the terms of trade seem to have shifted – at least for the time being – in favour of commodities' producers. To put it another way, international oil, minerals and foodstuff prices are high, and are expected to remain high.

Increase in global purchasing power, 1990-2012 (%)



Source: Global Insight

… but Europe still provides most of the growth

Nevertheless, Europe contributed the lion's share of the increase in world tourism in 2007 – 18 million of the 40 million extra outbound trips. Why should that be?

Growth in outbound tourism by region, 2007

Origin	Total (mn trips)	Growth (%)	Increase (mn trips)
Europe	407	5	18
Asia Pacific	152	10	15
Americas	107	6	6
Africa	14	5	1
Total	**680**	**6**	**40**

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

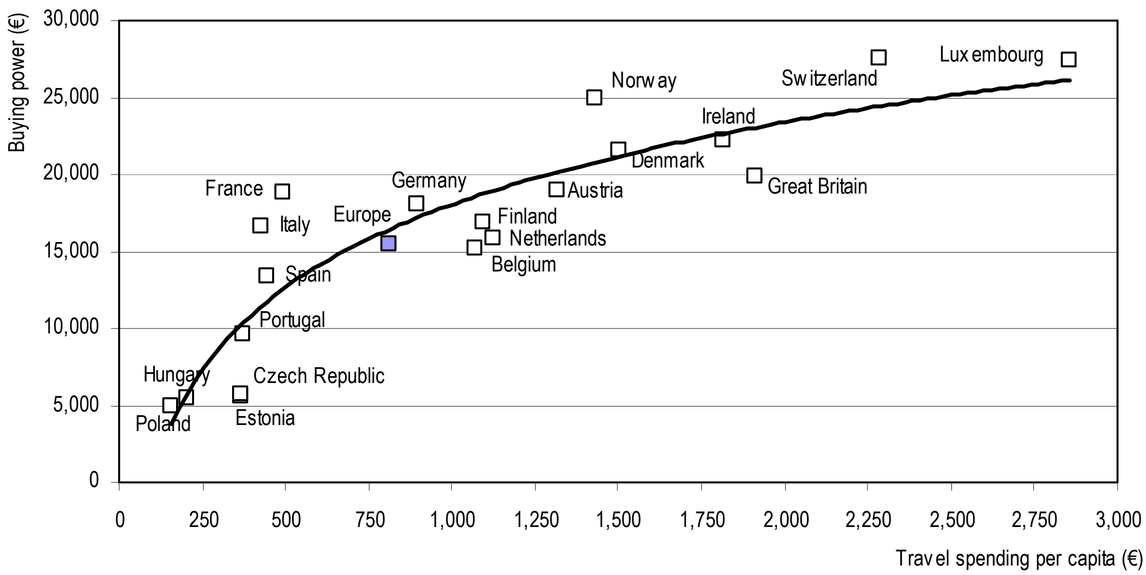
Source: World Travel Monitor, IPK International

First, international tourism within, and out of, Europe is on such a large scale that a relatively modest growth rate still yields the largest number of additional trips. Second, things are not quite as they seem at first glance: much of the growth in European outbound trips in 2007 was contributed by the 'emerging' countries of Central and Eastern Europe, just as most of the growth in American trips was contributed by Latin America, not by the developed countries of North America.

– a fact which serves to underline the potential of emerging markets

Similarly, Europe remains an extremely important source of spending on travel since expenditure is very strongly related to buying power. The Swiss, for example, spend twelve times more than the Poles on outbound travel per capita, as illustrated by the following graph.

Relationship of outbound travel spending to buying power in Europe, 2007



Sources: World Travel Monitor, IPK International; GfK Buying Power Analysis

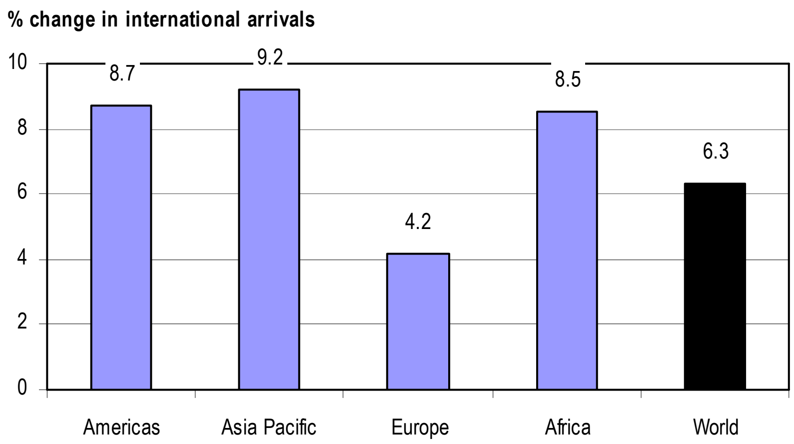
The graph also highlights the scope for immense increases in travel spending by emerging markets with substantial populations but, as yet, very modest buying power, not just in Europe, but all over the world.

Inbound performance

All regions show good growth in 2007 …

Analysis of world outbound travel by destinations visited shows that Asia Pacific, Africa and the Americas achieved very substantial growth in arrivals in 2007, but the dominance of 'destination Europe' in the overall count, which saw an increase of 'only' 4% in arrivals, pulled down the global average to 6%.

Growth in international inbound tourism by region, 2007



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

Sources: World Travel Monitor, IPK International

… but, inevitably, some sub-regions did better than others

According to the World Travel Monitor, the Northern, Western and Southwest-Mediterranean sub-regions of Europe all achieved increases of 2-4% in both arrivals and visitor spending. The Southeast-Mediterranean region performed far better, with an increase of 9% in arrivals and 8% in spending. Central and Eastern Europe saw a growth of only 2% in arrivals, but 18% in spending, the World Travel Monitor suggests – which probably had a lot to do with increased inflation coupled with rising exchange rates in some countries (notably Russia).

Tourism in the Americas did far better in 2007 than in 2006. Arrivals were up nearly 9% (compared with just 2% in 2006) and spending 12%. This was principally due to the recovery in inbound travel to the USA, thanks in part to the weak US dollar. Conversely, with a strong Canadian dollar and stricter formalities on the US border, there was a decline in arrivals in Canada. Overall, arrivals in North America rose by 8% and visitor expenditure grew by 12%.

Elsewhere in the Americas, tourism to Central America remained relatively strong, with increases of 7% in arrivals and 12% in spending, and that to the

Caribbean weak, with a decline of 2% in arrivals and an increase of only 4% in (dollar-denominated) expenditure. South America did even better than in 2006, with exceptional increases of 11% in arrivals and 20% in spending.

Given the economic problems of the continent, the acceleration of inbound tourism to Africa in 2006 and 2007 exceeded expectations. Overall, arrivals were up 8.5%, with good performances from both arrivals and spending for North Africa, sub-Saharan Africa and the Indian Ocean Islands.

Continued growth in Asia Pacific

Overnight tourism to the vast Asia Pacific region continues its breathtaking rise: arrivals were up over 9% and expenditure 13%, according to the World Travel Monitor. South Asia (ie the Indian subcontinent), Southeast Asia and Australasia all saw 'relatively modest' increases of around 7% in arrivals and 12% in spending. The stronger performances were put in by Northeast Asia, with rises of 10% and 13%, and West Asia (a sub-region which IPK defines to include the Middle East and Central Asia), with rises of 15% and 16%.

(Given the different definitions and methodologies, these figures cannot be readily compared with data from the Pacific Asia Travel Association presented later in this report. For instance, PATA not only defines the geographical region differently, but its definition of arrivals also includes same-day trips.)

Europe

Overall travel demand

Another record year

In 2007 Europeans made 407 million trips abroad of a minimum one night's stay, according to IPK International's European Travel Monitor. These generated 3.9 billion overnights and €381 billion in spending.

While outbound trip and overnight volume both increased overall by 5% – with the result that there was no change in average length of trip at just under 10 nights – travel expenditure rose by an even more impressive 7%, generating a 2% increase in spending per trip, to €938, and in spending per night, to €99.

It should be noted that this was slightly less than average inflation in Europe and considerably less than average inflation in most other destinations. So the apparent improvement in 2007, in fact, did little more than keep pace with the increase in inflation.

European outbound travel, 2007

	2007	% change on 2006
Trips (mn)	407	5
1-3 nights long	99	-2
4+ nights long	308	7
Overnights (mn)	3,900	5
Average length of trip (nights)	10	0
Spending (€ bn)	381	7
Spending per trip (€)	938	2
Spending per night (€)	99	2

Source: European Travel Monitor, IPK International

Trend towards shorter but more frequent trips may have been reversed

The trend towards shorter but more frequent trips, which seemed to be so well entrenched over the last few years, was reversed in 2007. Trips of four nights and longer increased by 7% in volume, now accounting for a 76% share, while the number of trips of one to three nights actually fell by 2%. This is attributable, at least in part, to a decline in the number of secondary trips taken by mature European markets – whether for economic reasons or, indeed, in line with efforts by individuals to reduce their carbon emissions. But there is no clear evidence of the latter.

As will be discussed later in this report, in the section on 'Intra- versus Intra-regional Travel', demand for long-haul destinations increased by almost twice the rate as that for short-haul, or intra-regional, points. But intra-European travel still accounts for a massive 86% share of total European outbound trip volume.

Business travel continues to rebound strongly

Holidays account for more than two thirds of total European outbound trips (69%) while business travel, which had lost share in previous years but which started a sustained recovered in 2005, recorded a third consecutive year of stronger than average growth in 2007, taking its share to 15% – up from just 11% in 2004. Visits to friends and relations (VFR) and other leisure trips accounted for some 16% of total trips, the same as in 2006.

Purpose of travel by Europeans, 2007

Purpose	Trips (mn)	% market share	% change 2007/06
Holiday	280	69	5
VFR and other leisure	65	16	0
Business	62	15	9
Total trips	**407**	**100**	**5**

Source: European Travel Monitor, IPK International

Growth was fastest in the last four months of 2007

For the second year running, the last four months of the year showed the strongest growth in outbound trips from European countries. It is not clear whether these figures simply reflect seasonal factors, or an underlying strengthening of demand through the year – which would augur well for 2008. The sustained economic prosperity in Europe and the strength of (and confidence in) the euro suggest a strengthening of demand as the year wore on, but this was also a period of increasing international financial and economic uncertainty.

Most likely, the recovery of long-haul travel had a lot to do with the healthy increase in demand from the month of October – the peak season for long-haul trips – which would have boosted overall growth in the last four months.

European outbound travel growth by season, 2007

Season	% annual change in no. of trips
Jan-Apr	2
May-Aug	5
Sep-Dec	7

Source: European Travel Monitor, IPK International

Touring holidays show the best growth

As far as holiday travel is concerned, there were strong performances in 2007 from touring holidays (+15%) and holidays in the countryside (+9%). Meanwhile, the largest segment, sun & beach holidays – which account for over 40% of total holiday trip volume – grew by 6%. This was the third successive year of less dynamic increases for sun & beach (they were up 4% in 2006 and 3% in 2005), but they remain the largest component of the European holiday travel market by a very wide margin.

City breaks, which for years had been the main beneficiaries of the boom in low-cost/low-fare fights, also seem to be growing more gently as demand approaches satisfaction levels in key markets – they were up 5% in 2006 and 5% again in 2007, to around 46 million trips.

The slower growth for city breaks was also due in part to the smaller number of mega-events in Europe in 2007, compared with 2006, when demand was boosted significantly by the FIFA Football World Cup in Germany, the year-long celebrations of Rembrandt's 400th anniversary in the Netherlands, and the commemoration of the 250th anniversary of Mozart's birth in several European countries, but primarily in Austria and Germany.

European outbound holiday travel growth for selected segments, 2007

Type of trip	% annual change in no. of trips
Touring	15
Countryside	9
Sun & beach	6
City breaks	5

Source: European Travel Monitor, IPK International

Major source markets and destinations

Russia and Spain are now among Europe's largest source markets

Germany, the UK, France and Italy continue to be Europe's leading outbound travel markets. But the Netherlands, Switzerland and, to a lesser extent, Belgium (because of their citizens' high propensities to travel and because of the Swiss high buying power) are also important markets, in spite of their smaller populations.

However, travel out of Spain and Russia has been rising the most rapidly in recent years, and 2007 was no exception. Both source countries have now overtaken Switzerland and Belgium, moving into sixth and seventh places in the ranking of the largest European markets. Italy has also put in relatively strong growth rates since 2005-06 and Norway, Ireland and Sweden also recorded above average increases last year.

Together, the top eight markets accounted for very nearly two thirds of total trip volume in 2007.

Leading European outbound travel markets, 2007

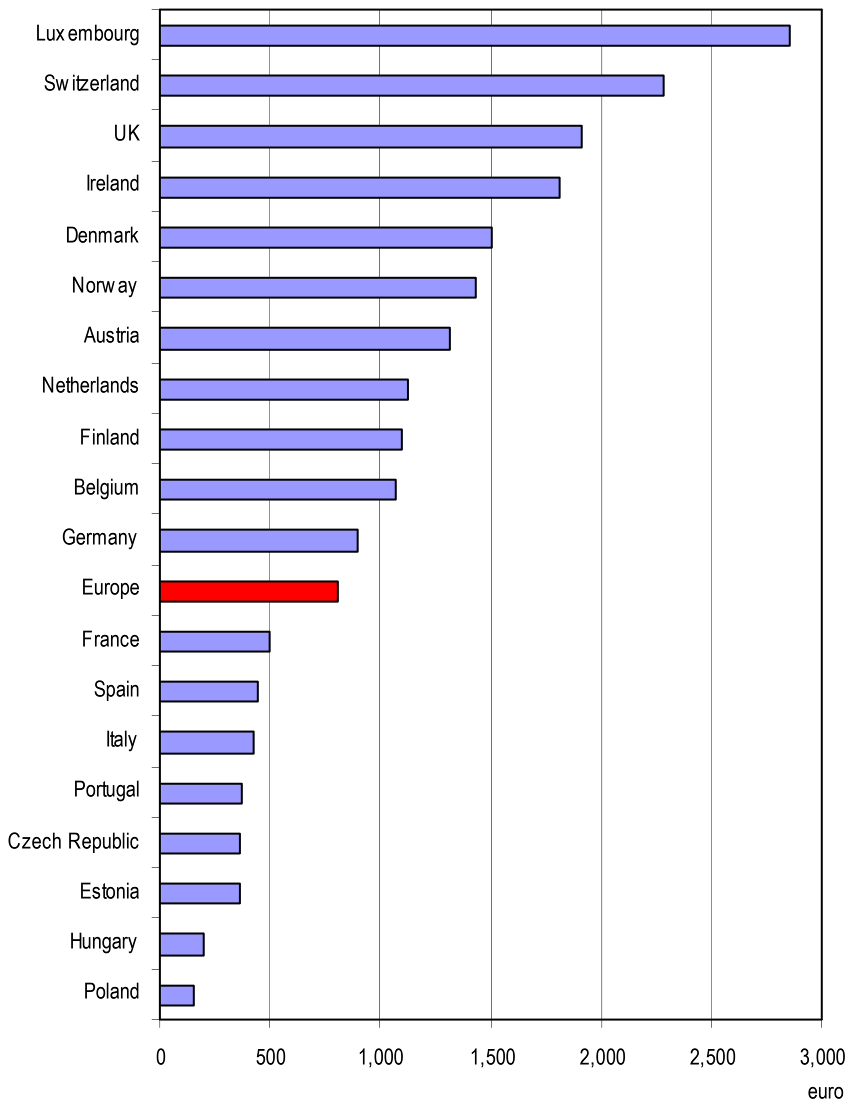
Rank	Market	Trips (mn)	% change on 2006
1	Germany	75.9	2
2	UK	63.5	2
3	France	31.2	4
4	Italy	22.4	6
5	Netherlands	22.3	4
6	Russia	18.5	16
7	Spain	17.7	15
8	Switzerland	14.6	3

Source: European Travel Monitor, IPK International

The following graph shows the great range in travel spending per capita among European markets. As already indicated, the Swiss spend twelve times more per capita than the Poles. It is interesting to note the relatively low spending per capita on outbound travel among the French, Spanish and Italians, but this is also due in part to a high share of short cross-border trips. Conversely, the British, Dutch and Belgians are heavy spenders on outbound travel.

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

Outbound travel expenditure per person in selected European countries, 2007



Sources: European Travel Monitor, IPK International

Air travel increases its market share again, but rail travel is also up

Air travel continued to increase its share of the European outbound travel market in 2007. Trips by air increased by 8%, as against increases of 3% by ship, 2% by bus/coach and 1% by car. However, trips by train were also up sharply (+10%), reflecting the extension of high-speed rail services – notably the inauguration of the first phase of the TGV Est in France, reducing rail travel times to eastern France, Luxembourg, Germany and Switzerland – and maybe also a first consumer reaction to the climate change debate.

The growth in low-fare air travel in Europe continues (a low-fare flight, by IPK International's definition, is one costing less than €150 for a return trip), but the rate of growth has moderated. Low-fare airline trips accounted for 35% of total airline-based trips in Europe – unchanged over 2006's level. It is possible that this slower growth in low-fare airline travel is also partly due to the rise in fuel surcharges – ie some flights will have been transferred to the higher-cost category by the surcharges – but, as for the demand in city breaks, the main reason for the trend is the market's natural lifecycle.

European outbound travel – low-fare versus traditional flights, 2005-06

Type of flights	% growth 2007/06	% market share 2005	2006	2007
Traditional	6	67	65	65
Low-fare	13	33	35	35
All flights	8	100	100	100

Source: European Travel Monitor, IPK International

Ranking of the top destinations remains unchanged

The top eight destinations for European travellers are all within Europe, although the USA – the leading long-haul destination – follows fairly closely behind the leaders. The ranking of the top eight remained unchanged in 2007. Among these top eight destinations, the best growth was for Turkey (+16%) – which compensated for the decline the previous year – Greece (+9%) and Italy (+7%). The boom in travel to Central and Eastern appears to have subsided as total trips to the sub-region grew by only 2% in 2007. North Africa, meanwhile, attracted a 12% increase in visits by Europeans.

Leading destinations of European outbound travellers, 2007

Rank	Destination	Trips (mn)	% market share	% change 2007/06
1	Spain	52	13	1
2	France	42	10	2
3	Germany	35	9	4
4	Italy	33	8	7
5	UK	21	5	2
6	Austria	21	5	2
7	Turkey	17	4	16
8	Greece	14	3	9

Source: European Travel Monitor, IPK International

Only 14% of outbound trips from European countries were to long-haul destinations (ie destinations outside Europe and the Mediterranean basin). Trips to the Americas, the most important destination region outside Europe, increased by 8.5% – with North America up 12% as against +7% for Latin America and +2% for the Caribbean – while Asia attracted an 8% rise in trips from Europe, and the Middle East a 15% increase.

Berlin moves into third place in the top city destinations' ranking

For the first time, IPK International has published information on the most popular cities visited by Europeans. Paris remains the favourite, attracting 11.5 million European visits, ahead of London with 11.2 million. (London, nevertheless, attracts a greater volume of non-Europeans.) And Berlin has climbed into third position in the overall ranking with 5.3 million European visits in 2007, compared with Vienna's 5.2 million.

Munich overtook Prague in the ranking, moving into seventh place, while Istanbul now shares tenth place with New York. Cities showing the best growth in terms of European visits – all recording double-digit increases – were New York, Berlin, Munich, Vienna and Istanbul.

Europeans' favourite city destinations, 2007

City	No. of visits (mn)
Paris	11.5
London	11.2
Berlin	5.3
Vienna	5.2
Rome	4.5
Amsterdam	3.8
Munich	3.7
Prague	3.6
Madrid	3.4
New York	3.3
Istanbul	3.3

Source: European Travel Monitor, IPK International

Booking patterns

Online travel continues to gain share

As far as the organisation of travel was concerned, traditional travel agencies continued to lose ground in 2007 in favour of online travel – a trend that is evident all over the world. Some 50% of European outbound trips (up from 45% in 2006) involved the internet, 36% for actual booking (+14%) and 14% for just 'looking' (+6%) – gathering information relevant to the trip. Trips booked through traditional distribution channels fell by 1%, but lost five percentage points in terms of share to 50%.

All this is part of the continued growth in use of the internet for travel organisation – a trend which is maturing, and in which the headline growth rates are therefore moderating.

European online travel, 2006-07

	% of holidaymakers		% increase
	2006	2007	2007/06
Use of the internet	45	50	12
Bookers	32	36	14
Lookers[a]	13	14	6
No internet	55	50	-1

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

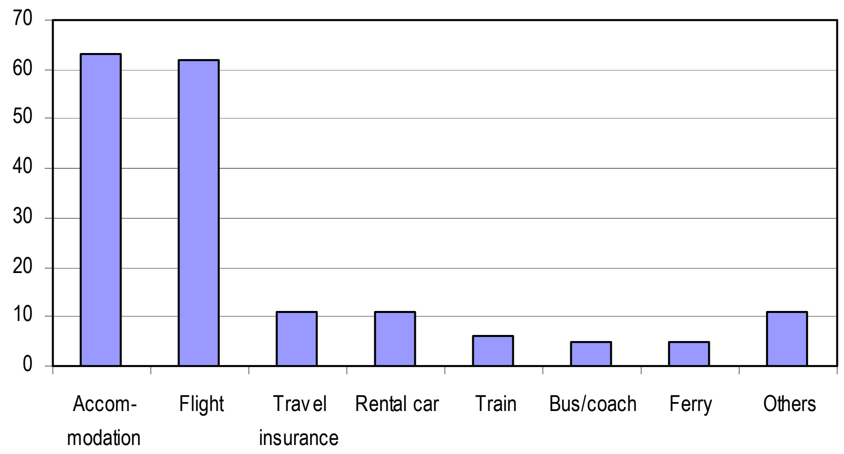
Source: European Travel Monitor, IPK International

The incidence of internet bookings among the smaller, less mature European markets is clearly much lower, but it is growing fast – much faster, in fact, than online travel 'looking'.

Accommodation and flights predominate in online bookings

The total number of trips involving online booking in 2007 was about 141 million. Of these, around two thirds involved some kind of booking for accommodation and flights. Other products are much less likely to be booked online, either because the facility for such bookings is less widely available, or because Europeans are more nervous of booking these products through the internet.

Online bookings by European outbound travellers, 2007
(% of online 'bookers' booking each item online[a])



[a] Multiple responses possible

Source: European Travel Monitor, IPK International

Germany

Domestic and outbound trends

Germans made a record 297 million trips in 2007

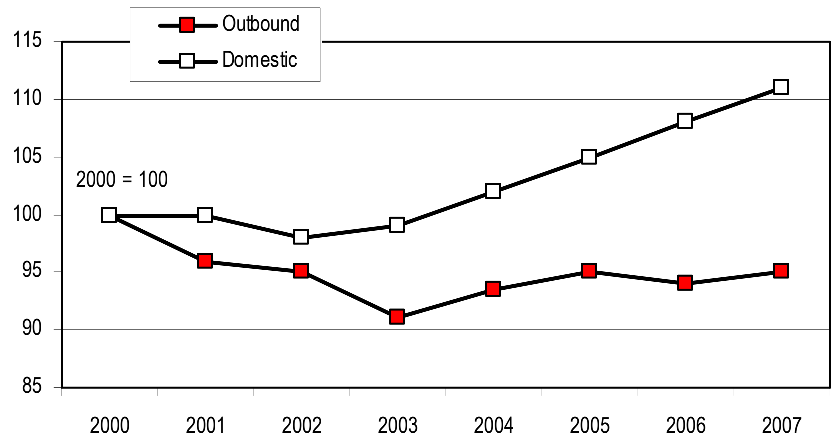
IPK International has been monitoring the German travel market since 1988, progressively increasing its scope and coverage. A total of some 24,000 interviews are now conducted every year for the German Travel Monitor (Deutscher Reisemonitor), making it the largest single travel survey in the country,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

According to the German Travel Monitor, Germans made a total of 297 million trips (domestic and international, of one night or longer) in 2007, an increase of 4% over 2006 (and a significant improvement on 2006's 1% increase over 2005). Overnight volume increased by 3% to 1.5 billion. However, as last year, Germans' spending on these trips rose by only 1%, to €124 billion – not enough to keep pace with inflation. One of the main reasons for this, of course, was the three percentage point increase in VAT in January 2007.

Domestic trips still increasing at the expense of outbound travel

As many as 74% of these trips were domestic; only 26% were to foreign destinations. Since 2000 domestic trips have generally been increasing their share of the total market, and this trend continued in 2007. In fact, outbound trip volume was still 5% down on 2000's level in 2007, while domestic trips were 11% more numerous.

Trends in German domestic and outbound travel, 2000-07



Source: German Travel Monitor, IPK International

The total number of domestic trips increased by 4% to 221 million in 2007. With a 6% increase in nights spent on these trips, the average length of domestic trips increased slightly to 3.5 nights, reversing a significant decline in 2006. Spending on domestic trips rose by 5% to €62 billion (an average of €290 per trip).

German domestic and outbound travel, 2007

	Total	% change on 2006
Trips (mn)		
Domestic	221	4
Outbound	76	2
Total	297	4
Nights (mn)		
Domestic	785	6
Outbound	698	0
Total	1,483	3
Spending (€ bn)		
Domestic	62	5
Abroad	62	-2
Total	124	1

Source: German Travel Monitor, IPK International

Holiday patterns return to normal

Within the 4% increase in number of domestic trips, holidays were up 3%, VFR and other private trips up 2%, and business trips up 10% – the second year in succession of strong growth in business travel. The patterns of holiday travel returned to normality after the 2006 FIFA World Cup – trips to public events were sharply down, while tours were up 30%, city breaks up 32%, health and wellness trips up 24% and mountain holidays up 3%.

Outbound demand is sustained mainly by business travel

German outbound trips increased by 2% to 76 million in 2007. They lasted an average of 9.2 nights in 2007 (slightly less than in 2006), with an average spend of around €815 per trip and around €88 per night (both also down on 2006).

The demand for foreign holidays has been weak for several years, with declines of 2% in 2006 and 1% in 2007. Other private trips, including visits to friends and relations (VFR), recovered by 3%, after a 3% decline the previous year. Outbound travel demand is therefore being sustained only by business travel, which increased by 12% in 2007 in terms of trips, after a 6% increase in 2006.

German outbound travel by purpose of trip, 2007

Purpose	No. of trips (mn)	% market share	% change on 2006
Holidays	52	69	-1
Other private reasons	15	19	3
Business	9	12	12

Source: German Travel Monitor, IPK International

Top four holiday destinations are losing market share

The top seven holiday destinations for German outbound travellers – which account for slightly over two thirds of total trips – are all within Europe. Demand for the top four – Spain, Austria, Italy and France – has tended to slip in recent years, but Italy staged a partial recovery in 2007. Turkey also suffered a heavy decline in 2006, but recovered strongly in 2007 – although not sufficiently to regain its 2005 market share.

Leading destinations of German outbound holiday travellers, 2007

Rank	Destination	% market share	% change on 2006
1	Spain	17	-3
2	Austria	15	-1
3	Italy	14	7
4	France	7	-5
5	Turkey	6	10
6	Netherlands	5	7
7	Switzerland	4	5
Top 7 destinations		**68**	**2**

Source: European Travel Monitor, IPK International

Half of all German outbound trips involve the internet

The proportion of Germans who use the internet to organise their travel (44%) is closely comparable to the European average, albeit with rather more 'lookers' and fewer 'bookers'. The German and European figures both rose by five percentage points in 2007.

German online travel, 2006-07

	% of holidaymakers 2006	2007	% increase 2007/06
Use of the internet	44	49	6
Bookers	27	31	11
Lookers[a]	16	18	-3
No internet	56	51	-6

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

Source: German Travel Monitor, IPK International

Outbound travel prospects uncertain for 2008

Prospects for the German travel market in 2008 are still uncertain, although they appear to be improving. It will be remembered that, in the *World Travel Trends Report* published after the Pisa Forum in November 2007, it was reported that German outbound trip volume stagnated in the first eight months of 2007. So there has been an improvement over the last few months. But private consumption was up only slightly in 2007 and consumer confidence among the middle classes is still low.

The results of a survey produced by GfK in October 2007 specifically for ITB Berlin, the ITB Travel Indicator for Germany, confirmed the sluggishness of the market, pointing to a re-emergence of inflation fears and the negative effects of a strong euro on export developments which, in turn, had periodically put a damper on German citizens' willingness to spend money on their holidays. In the medium term, however, according to the survey, this is not stopping German holidaymakers from investing in their "most precious weeks of the year". According to the forecasts, next year's holiday spending by German citizens will rise by 4% over 2007.

Asia Pacific

Inbound performance

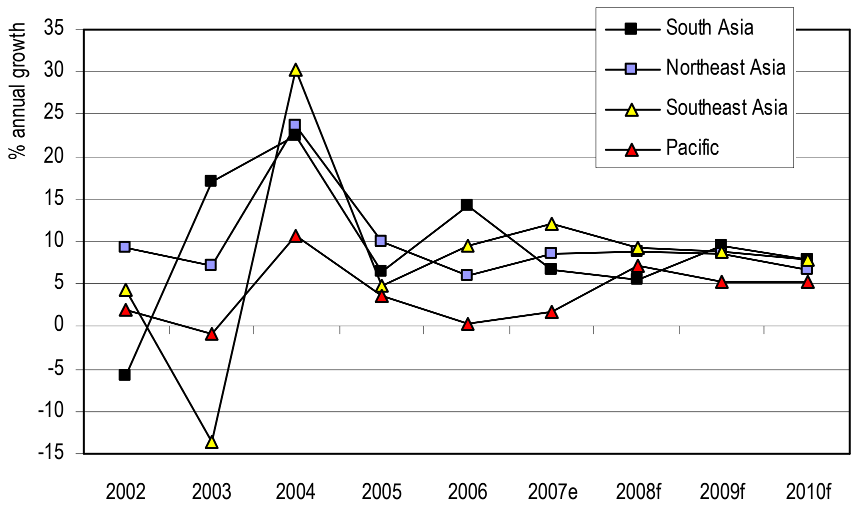
The world's leading growth destination

According to the results of the World Travel Monitor (supplemented by data from many of the world's offices of national statistics), Asia Pacific – including West Asia/Middle East and Central Asia – recorded the strongest growth of all world regions in 2007 in terms of inbound tourism. International visits rose by an estimated 9% overall, with Africa generating the highest increase (16% or 200,000 additional visits) to the region – albeit from a low base. Europe registered 9% growth (an additional 2.2 million visits) and the Americas just over 3.5% (0.6 million).

Intra-regional travel (ie from Asia Pacific source markets), which accounts for the bulk of arrivals, was the second most important source in terms of growth (+10%, or 15.4 million additional visits).

Data from the Pacific Asia Travel Association (PATA), meanwhile, shows that by destination sub-region, Southeast Asia attracted the highest increase in 2007 (+12%), ahead of Northeast Asia (+10.5%), South Asia (+9%) and the Pacific (+1.5%). The following graph highlights the fact that, except during the first few years of the 2000s, and in particular in 2003, the region overall has enjoyed sustained healthy growth – with only the Pacific sub-region performing below par. And this is forecast to continue, with growth rates in the Pacific rising over the next three years.

Arrivals in Asia by sub-region, 2002-07 and forecasts 2008-10



Note: Estimates for 2007 and forecasts for 2008-10 are preliminary

Source: *PATA Asia Pacific Tourism Forecasts 2008-10*, Turner & Witt

Huge increase in hotel capacity …

The increase in demand for Asia Pacific, which is expected to be sustained through the next few years – probably at the expense of travel to more mature tourism destinations – is reflected in the performance of hotels and airlines in the region, as well as in new developments related to accommodation and aviation capacity.

According to the *Hotel Benchmark Survey by Deloitte*, Asian hotels recorded a 72% overall occupancy in 2007, with average daily room rates (ADR) and revenue per available room (revPAR) increasing by more than 20% in some sub-regions. As an example, Mumbai's revPAR was up 28% on 2006's level. In terms of hotel development, Beijing added 2,295 hotel rooms last year, Shanghai 1,932 and Bangkok 1,518.

The region overall has 1,555 hotels in the pipeline, according to Lodging Econometrics, or a total of 366,679 rooms under construction and in planning. Of these, 728 hotel projects, with 222,600 rooms, are for Greater China, with the new capacity spread across key Chinese cities such as Beijing and Shanghai, but also Tianjin, Hangzhou, Guangzhou, Chengdu and Chongqing.

… as well as in airline and airport expansion

Expansion is not limited to the accommodation sector, either. Of the Boeing Company's total current commercial aircraft order book, 36% of planes will be for airlines in the Asia Pacific region, especially in China. Air China has 93 aircraft on order, while China Eastern is waiting for the delivery of 86 planes, China Southern for 186 and Hainan Airlines for 171.

While preliminary results from the International Air Transport Association point to sustained growth for the Asia Pacific region of 5.7% in January 2008 (in terms of revenue passenger-km), there are signs that demand for freight traffic is slowing and this, according to PATA, could be a precursor of what will happen with passenger traffic demand.

Nevertheless, while there is lots of 'angst' about what is happening in the USA – in terms of the credit crunch, the weak dollar and the stock market's volatility – as well as increasing concerns about high oil prices and climate change, there are still plenty of positive signs for tourism growth in 2008. Exports from China are growing sharply, for example. Member countries of the Association of South East Asian Nations (ASEAN) are moving rapidly towards an open skies agreement, and the USA and Australia have agreed to a complete deregulation of air transport on transpacific routes.

No obvious signs of a slowdown

The latest *PATA Asia Pacific Tourism Forecasts 2008-10* remain generally very bullish about the different sub-regions of Asia Pacific, as the following table shows. (It should be noted that the forecasts use 2006 as the base year, since 2007 arrivals data in the region is still far from complete.)

Forecast annual growth in arrivals forecast for Asia Pacific[a] destinations, 2006-10

Sub-region	2007[e]	2008[f]	2009[f]	2010[f]
South Asia	6.7	5.5	9.6	7.8
Northeast Asia	8.7	8.8	8.5	6.8
Southeast Asia	12.1	9.2	8.8	7.8
Pacific	1.7	7.1	5.4	5.2
Total Asia Pacific[a]	**9.4**	**8.8**	**8.6**	**7.1**

[a] The definition of Asia Pacific by PATA includes the Pacific-bordering countries in the Americas

Source: *PATA Asia Pacific Tourism Forecasts 2008-10*, Turner & Witt

Asia Pacific source markets

Growth driven primarily by Asian markets …

As already indicated, intra-regional travel dominates flows to/within the Asia Pacific region, with demand driven primarily by the Asian tigers – China, South Korea and India. China is now ranked sixth in the world in terms of spending on travel abroad, according to the World Tourism Organization, and South Korea tenth. In addition, while numbers remain modest, other Asian source markets have also being growing well above average over the past few years, including Thailand, Indonesia, Malaysia, Hong Kong and Singapore.

A notable exception is Japan. Many destinations have been lamenting, in the last few years, the lack of growth in demand from Japan, in spite of its status as a high-income country with, at one time, a famously strong propensity for travel. After a long period of economic stagnation, which began in the early 1990s, economic growth picked up in 2003-04, leading to hopes of an increase in demand for travel.

However, the growth in GDP has been largely confined to export operations and to a recovery in corporate profits. There has been very little sign of a sustained increase in consumer spending, and the little money available for travel has been directed towards Northeast Asia, primarily China and South Korea. Overall, outbound travel from Japan in 2007 was down 2.6%.

The above trends do not necessarily correlate exactly with IPK International's Asian Travel Monitor – details of which are not presented this year in the *World Travel Trends Report* – which covers the nine most important Asian source markets.

… and the situation is not expected to change

The latest PATA forecasts suggest that Asia will continue to be the main source of growth for the region – in absolute volume, if not in annual percentage growth. But in terms of annual percentage growth, nonetheless, several source regions are expected to outpace Asia, as illustrated in the following table. In fact, Africa heads the ranking in terms of forecast annual percentage growth, followed by the Middle East, with Europe ranking third alongside the Pacific.

Forecast annual growth in arrivals in the Asia Pacific region by source region, 2006-10

Source	Av annual growth 2006-10	Arrivals 2010 (mn)
Africa	12.9	0.7
Middle East	11.6	0.8
Pacific	9.2	3.5
Europe	9.0	13.2
Asia	8.0	78.9
Americas	4.9	15.5

Source: *PATA Asia Pacific Tourism Forecasts 2008-10*, Turner & Witt

Northeast Asia will still generate the highest volume of arrivals in Asia Pacific in 2010 (59.1 million), but the highest annual percentage growth from 2006 to 2010 will come from South Asia (+13.4%).

Forecast annual growth in arrivals in the Asia Pacific region, 2006-10

Source	Av annual growth 2006-10	Arrivals 2010 (mn)
Northeast Asia	7.3	59.1
Southeast Asia	10.5	16.9
South Asia	13.4	2.8
Other Asia[a]	19.9	1.4

[a] Includes Central and West Asia/Middle East

Source: *PATA Asia Pacific Tourism Forecasts 2008-10*, Turner & Witt

Individual Asian markets forecast to record the strongest annual growth from 2006 to 2010 are India (+14.8%), South Korea (+14.3%), Indonesia (+13.3%), the Philippines (+12.4%), China (+11.4%), Thailand (+10.7%), Australia (+10.0%), Pakistan (+9.4%), Malaysia and Singapore (+8.3%), Hong Kong (+7.4%) and New Zealand (+7.1%). In contrast, arrivals from Taiwan are only expected to grow by 5.0% a year, and from Japan only by 3.5%.

Key long-haul markets

Disappointing growth expected out of the Americas

The trend out of the Americas will largely be influenced by a projected 4.5% annual increase out of North America, the largest sub-region for the Asia Pacific region by a wide margin. Central America is expected to grow by just 2% per annum while South America is predicted to record annual growth rates of 10.5% to Asia Pacific from 2006 to 2010.

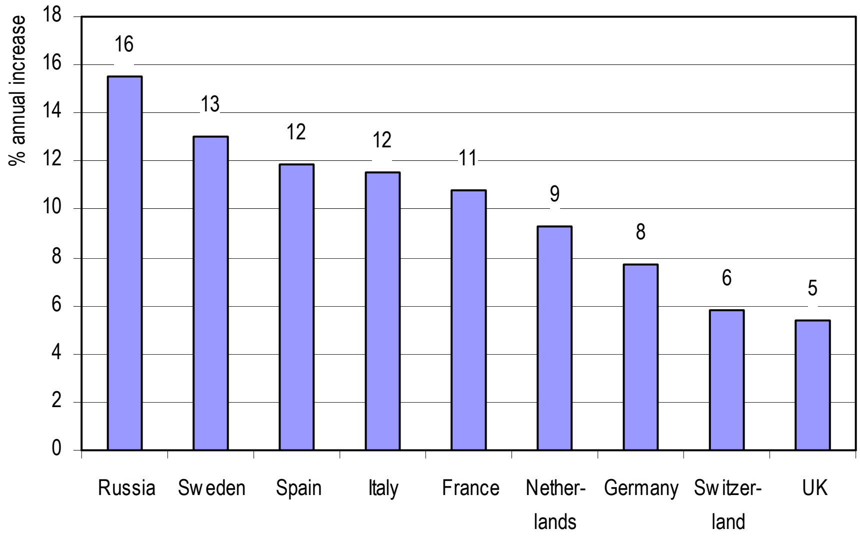
Strong forecast growth out of the Middle East (+12%) and Africa (+13%) will be influenced by exceptional rises from some individual markets. By way of example, Saudi Arabia is projected to grow by 13% per annum, Egypt by 15%, the United Arab Emirates by 12%, and Israel by 9%. From Africa, the most important growth sources, according to PATA's forecasts, will be Nigeria (+15% per annum) and South Africa (+7%).

Europe remains an important source …

With a projected growth in arrivals of 9% a year from 2006 to 2010, Europe will continue to be an important source for visitors to Asia Pacific (including the Americas, as per PATA's definition). However, Central and East European markets are predicted to record almost double the rate of growth of West European markets (+15%, compared with +8%).

The Russian Federation (+15.5%), Sweden (+13%) and Spain (+12%) are expected to show the strongest annual growth rates over the four-year period – in line with the forecasts of IPK International's World Travel Monitor – with Italy (+11.5%) and France (+11%) also generating double-digit rises annually.

Forecast increase in annual arrivals from Europe to the PATA region[a] in 2006-10



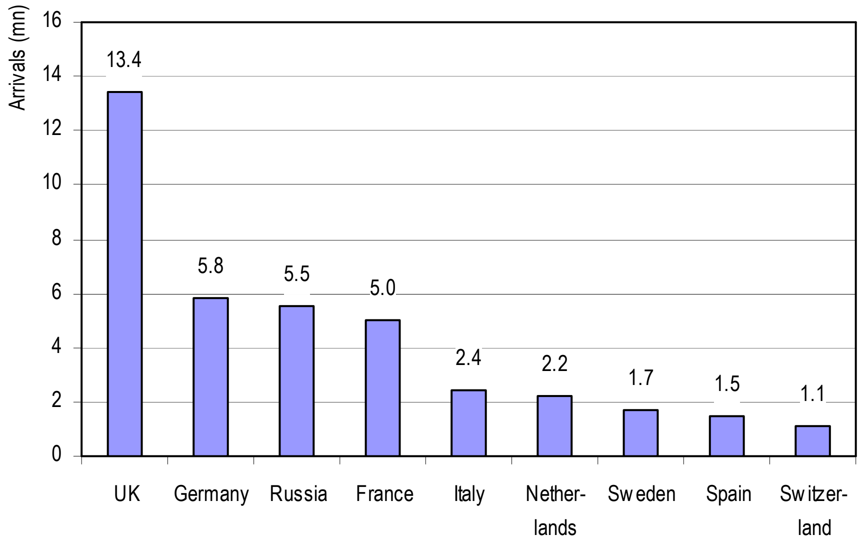
[a] Roughly corresponding to UNWTO's East Asia, Southeast Asia, Pacific and Americas regions

Source: *PATA Asia Pacific Tourism Forecasts 2008-10*, Turner & Witt.

… and the UK will retain its number one slot

Although it is forecast to account for fairly modest annual growth of 5.5%, the UK will easily maintain its number one slot as a source market for the Asia Pacific region, with an estimated 13.4 million visits in 2010 – well ahead of Germany's 5.8 million. But Russia is catching up fast. By 2010, it is expected to have overtaken both France and Italy to take third position in the ranking.

Forecast annual arrivals from Europe to the PATA region[a] in 2010



[a] Roughly corresponding to UNWTO East Asia, Southeast Asia, Pacific and Americas regions

Source: *PATA Asia Pacific Tourism Forecasts 2008-10*, Turner & Witt.

Intra- versus Inter-regional Travel

Overview of world trends

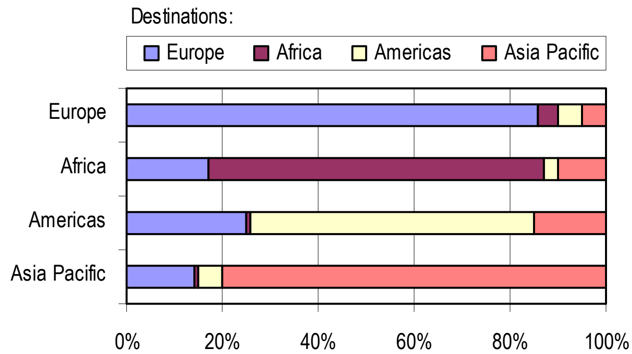
Despite good growth in 2007, long-haul travel remains modest …

The stronger than average growth in long-haul travel from the world's leading source markets over the last few years – at least, in terms of percentage growth – can still be considered to some extent a reaction to the crises of the early part of the decade, after which people preferred to travel less far from home. Long-haul travel demand clearly rebounded in 2007 – as trends in European outbound travel in this report highlight. But in terms of trip volume, it remains generally very modest compared with intra-regional travel.

As reflected in the following table and graph, intra-regional travel flows account for 86% of European outbound trip volume, 70% of the African outbound share, 59% of travel from the Americas, and 80% of trips out of Asia Pacific markets (including travel from West Asia/Middle East and Central Asia).

Intra- and inter-regional destinations of adult outbound travellers, 2007 (% of trips)

Source market	Destinations: Europe	Africa	Americas	Asia Pacific
Europe	**86**	4	5	5
Africa	17	**70**	3	10
Americas	25	1	**59**	15
Asia Pacific	14	1	5	**80**



Source: World Travel Monitor, IPK International

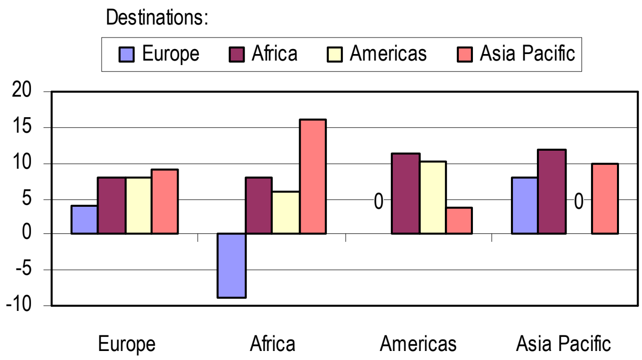
… but some regions showed impressive gains

In 2007, as already indicated, Europe generated the highest volume of additional outbound trips – 18 million, or an increase of 5% over 2006's level. It is interesting to note that, while in percentage growth terms long-haul travel from Europe recorded almost double the growth of travel within Europe, in absolute terms Europe attracted some 14 million of the additional 18 million outbound trips, while non-European destinations received less than 4 million of them.

The main gains for American outbound travel were for the Americas themselves (+ 6 million visits), and the same trend was true for Asia Pacific and African outbound travel, with each source region generating the bulk of its additional arrivals for its own region. However, measured in percentage growth terms, the overall picture is slightly misleading as inter-regional travel growth appears to have been much higher in many cases, as the following tables show.

Growth in world outbound travel flows, 2007
(% change 2007/06)

Source market	Destinations: Europe	Africa	Americas	Asia Pacific
Europe	**4**	8	8	9
Africa	-9	**8**	6	16
Americas	0	11	**10**	4
Asia Pacific	8	12	0	**10**

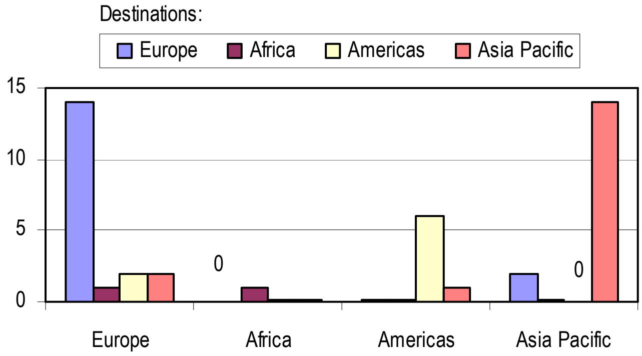


Source: World Travel Monitor, IPK International

The last of these figures (on the next page), which expresses the increase in world travel flows in terms of additional visits, is particularly impressive in showing the overwhelming importance of intra-regional flows in generating growth in tourism. In numerical terms, the only additional flows of great importance are those of Europe to Europe, Asia Pacific to Asia Pacific and the Americas to the Americas. Of course, the higher value of inter-regional travel redresses the balance to some degree.

Increase in world outbound travel flows, 2007
(mn additional visits, 2007/06)

Source market	Destinations: Europe	Africa	Americas	Asia Pacific
Europe	**14**	1	2	2
Africa	0	**1**	0[a]	0[a]
Americas	0[a]	0[a]	**6**	1
Asia Pacific	2	0[a]	0	**14**



[a] Less than 0.5 million

Source: World Travel Monitor, IPK International

Holidays dominate long-haul travel

Long-haul, or inter-regional, travel from the world's three largest source regions – Europe, Asia and the Americas – is dominated by holidays, which account for two thirds or more of all outbound trips beyond their respective regions in the case of Europeans and Asians and 50% of Americans' long-haul travel.

VFR travel is more important for Americans than for Asians and Europeans, but the shares of long-haul business travel out of all three source regions are similar – ranging from 21% in Europe to 25% in the Americas.

Purpose of trip for inter-regional travellers, 2007
(% of trips)

For travellers from:	Europe	Asia	Americas
Holiday	63	65	50
VFR	16	11	25
Business	21	24	25

Source: World Travel Monitor, IPK International

The USA is the favourite long-haul destination, ahead of Italy

Thanks in part to its strong recovery over the past 12-24 months, the USA is the most popular long-haul destination for both Europeans and Asians, while the UK tops the favourites' ranking for Americans – ahead of Italy, France, China and Germany. Italy is also the second most popular long-haul destination for Asians, making it the second favourite in the world ranking.

If Asians seem to like Europe, Europeans are also fond of Asia. After the USA, their favourite non-European destinations are, in order of ranking, Egypt, China, Tunisia and Thailand.

Principal inter-regional destinations, 2007

Top destinations for travellers from:

	Europe	**Asia**	**Americas**
1	USA	USA	UK
2	Egypt	Italy	Italy
3	China	France	France
4	Tunisia	Germany	China
5	Thailand	UK	Germany

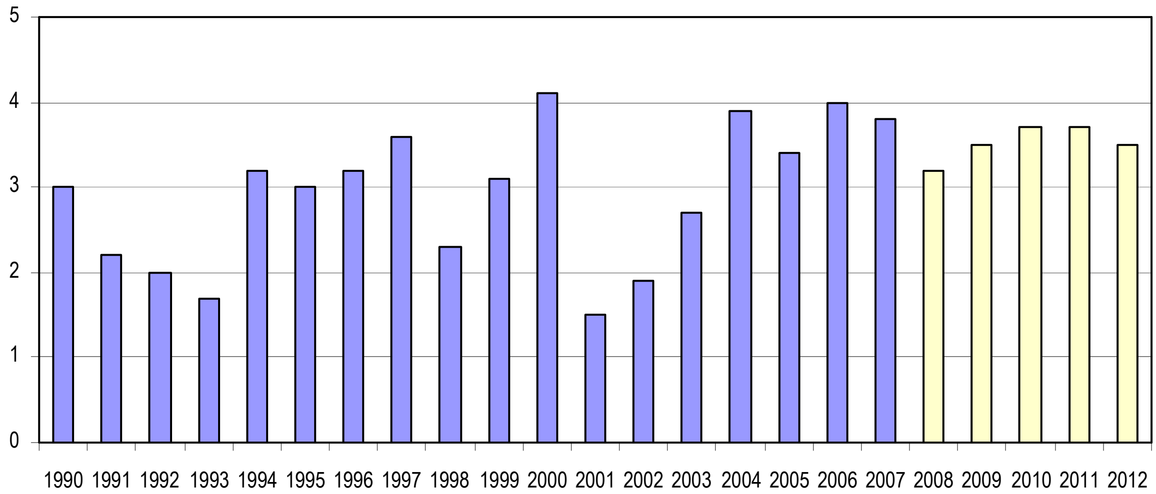
Source: World Travel Monitor, IPK International

ITB Berlin Message for 2008

A prosperous era – under threat?

Underlying the growth in world tourism in 2007 was the continued economic boom. Global real GDP has been growing by close to 4% a year for four years. However, since the end of last year, the situation has become much more uncertain. Most economists now agree that the world‘s economic expansion will slow in 2008 – and it seems likely that they have not yet completed the process of downgrading their forecasts. For that reason, the following graph, produced in October 2007, needs to be interpreted with caution as we could well see a greater slowdown in the world economy than predicted.

Growth in the world economy, 1990-2012
(% growth in real GDP – two-year moving averages)



Sources: Global Insight

The shift in focus to emerging markets …

However, it is not clear that the inter-related crises in Western financial markets – crises which lie at the heart of the current slowdown – will be sufficient to undermine growth throughout the world. Famously, the recent boom has been associated with the extraordinary prosperity of some 'emerging' countries – notably China and India – which together are no longer a small component of the world economy.

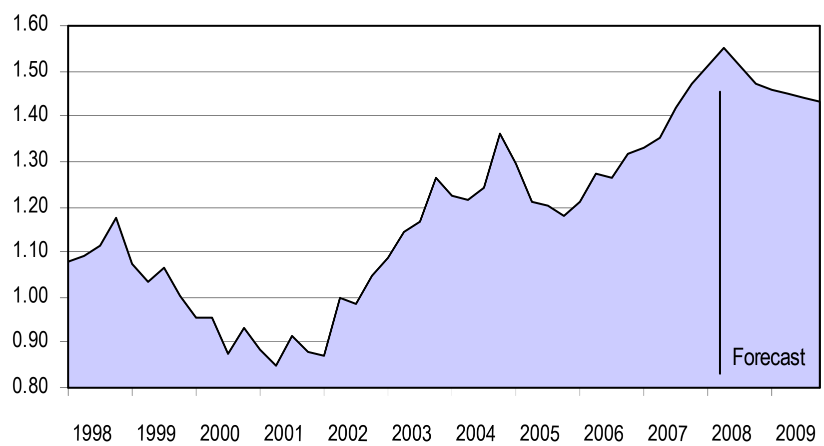
Many economists are arguing that this prosperity has a momentum which will survive a slowdown in exports to OECD markets. If they are proved right, the increase in petroleum and commodities' prices, which has shifted purchasing power so dramatically in favour of many other emerging countries (as well as to a few OECD countries such as Canada and Australia), may also persist.

… is compounded and complicated by the pressures on the US dollar

The current slowdown is also associated with the unwinding of some serious imbalances in the world economy – notably the excessive dependence on consumer credit in the USA and some other OECD countries, and their excessive trade and current account deficits (or, to put it another way, their counterpart, huge requirements for capital inflows).

This unwinding suggests a further substantial decline in value of the US dollar – a decline, which we have been witnessing. However, with most OPEC and many Asian currencies tied more or less firmly to the dollar, and others resisting a more rapid revaluation of their currencies, the euro has taken the brunt of the resulting pressure. Some other currencies (such as the pound sterling, the Canadian, Australian and New Zealand dollars, the Russian rouble and the Brazilian real) have also appreciated, transferring purchasing power to travellers from the countries concerned. Many of the countries resisting a revaluation are paying a price in the form of increased inflationary pressures, in addition to those caused by rising international prices for oil, food and other commodities.

Exchange rate of the euro, 1998-2007 and forecast 2008-09 (US$ per €)



Source: Global Insight

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

Despite this, the prospects for tourism still look good

The results of IPK's latest World Travel Monitor Intentions Survey, for 2008, may at first appear surprising. In spite of the prospects for a recession in the USA and a more general economic slowdown throughout the world, global travel intentions for 2008 are, overall, not bad:

- In Europe, 39% of respondents said they plan to travel more in 2008 than last year, and only 21% said they would travel "less often" or "not at all".
- In Asia, although this is the world's most prosperous region, the travel mood seems to be less buoyant. Some 31% of Asians said they will travel more often than last year, but 35% said "less often" or "not at all".
- The Canadian travel mood for 2008 is also not as good as it was last year. Around 36% of Canadians will travel more often than last year, but 37% said "less often" or "not at all". This is perhaps related to widespread fears about the effects of an economic slowdown in the USA on the local economy.

IPK International believes that, in spite of the world economic slowdown, world travel will increase by 3-4% in terms of trip volume.

Its Travel Intentions' survey also suggests that the forms of tourism that will benefit most from this growth will be:

- Sightseeing
- Relaxation or switching off from one's daily routine
- Wining & dining
- Swimming
- Sunbathing, and
- Visiting museums.

In addition, IPK believes that we will see more and more emphasis on 'LOHAS' – Lifestyle Of Health And Sustainability:

- Social sustainability
- Ecological sustainability, and
- Less travel, but with an emphasis on better quality.