Is The European Tourism Industry In An Irreversible Decline?

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Europe is by far the leading regional tourism destination in the world, accounting for 52.3% of international arrivals in 2009.

However, the 2009 performance of tourism arrivals to the region was very poor as they declined by 5.9% in Western Europe and by 9% in Eastern Europe.

Significant impact of global recession in 2009
The fall in visitors was due primarily to the global economic crisis which significantly affected the number of international trips worldwide, and also increased competition from emerging tourism destinations, in particular in the Africa Middle East region.

The severe economic crisis saw most countries in Europe record negative GDP growth, with intra-European arrivals from the UK and Spain â€“ two countries hard hit by the crisis - recording the sharpest falls.

Arrivals from the US also suffered in 2009 as recession gripped that country.

The decline of arrivals to Europe was higher than the world average (-5.4%) in 2009, while Africa Middle East achieved the best performance with international arrivals growing by 2.7%, aided by strong air capacity growth and expansion by the Big 3 â€“ Emirates, Etihad and Qatar Airways.

Moderate recovery expected for 2010
Euromonitor International forecasts a moderate recovery of arrivals to Europe in 2010 due to an improved outlook for the global economy driven by the performance of Asian and Latin American emerging economies.

The devaluation of the euro and British pound against other currencies and, in particular the US dollar, is also expected to benefit European tourism in 2010.

The forecast growth of arrivals to Western Europe is expected to be 2.5% in 2010 while arrivals to Eastern Europe are expected to grow by 4%. In terms of recovery, 2008 levels of inbound tourism flows are not forecast to be reached before 2011.

Most European countries are expected to exit recession in 2010, however, economic growth is predicted to be weak due to low consumer confidence and austerity measures implemented in several countries as a result of large public deficits.

The return of intra-European arrivals to pre-crisis levels is expected to be slow. On the other hand, arrivals from the US and from emerging economies are expected to record a robust growth in 2010, in part thanks to the devaluation of euro and British pound.

A declining position in world tourism
Euromonitor international forecasts arrivals to Europe to grow over the 2009/2014 period, but only at a modest 1.5% CAGR (compound annual growth rates) for Western Europe, while Eastern Europe is expected to achieve a healthier rate of 4% CAGR. This will result in a declining share of world arrivals to Europe from 52.3% in 2009 to 49.1% in 2014.

Europe has traditionally held a prominent position in world tourism and therefore its relative decline in contrast to the ascendance of Asia, Latin America, Middle East and also Africa echoes the changing world order that the global crisis has accelerated.

Emering regions are witnessing rising intra-regional travel, but also benefiting from being in the spotlight and attracting more tourists from Europe and North America. Moreover, the growing contribution of emerging economies to global business travel continues to grow.

Relative decline but absolute growth?
However, the outlook for European tourism will also depend on the ability of European countries to compete in

international markets, moving towards innovative and growing types of tourism such as cultural, gastronomy, health and wellness, religious and spiritual, sport, MICE and eco-tourism.

The ability of European travel operators to innovate their product offer, European destinations positioning themselves as attractive and value for money at home and in emerging markets, as well as the need to embrace new technologies will all play an important role in the future of the industry.

In the face of its declining share of global arrivals, Europe still has the chance to increase the absolute number of international arrivals thanks to a more upbeat mid to long term outlook for the region.

Large potential also exists to attract increasing tourism flows from emerging economies where the middle class are increasingly able to afford long haul trips.

Increased air connectivity and investment in services will be integral to achieving this long term goal.

by Angelo Rossini.

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