

## **Challenging operating environment for Australian tourism**

The Tourism Forecasting Committee (TFC) today released its second round of forecasts for the Australian tourism industry for 2011. Set against a backdrop of slowing economic growth in North America and Europe, renewed global economic uncertainty and a domestic economy underpinned by strong China demand for mining and energy resources, the operating environment for Australia's tourism sector is challenging.

Reflecting this, the TFC forecast the inflation-adjusted value of tourism to the Australian economy to decline by 0.3 per cent to \$97 billion in 2011 and then increase by 1.1 per cent to \$98 billion in 2012. The Chair of the TFC, Mr Bernard Salt adds "An expected fall of 0.7 per cent in domestic consumption to \$72 billion is anticipated to drive the decline this year and although tourism exports are forecast to grow by 0.9 per cent to \$25 billion, this represents a downward revision from the previously expected growth of 3.4 per cent".

The TFC notes that domestic visitor nights are forecast to fall by 0.3 per cent to 259 million in 2011. This is in line with its previous forecasts. Mr Salt says the "weak prospects for this year are linked to the impacts of floods and cyclones earlier in the year, higher consumer prices and falls in consumer sentiment and business confidence in recent months". The outlook for 2012 is viewed by the TFC as slightly better with moderate growth of 0.5 per cent forecast. Mr Salt says that "a solid rebound in visitor nights, particularly to Queensland, in the March quarter of 2012 can be expected while anticipated stronger economic growth next year should also be positive for domestic travel".

Despite recent softening in consumer sentiment, the TFC notes the still high value of the Australian dollar and strong growth in aviation capacity to key markets such as the United States, Indonesia, and China should continue to provide favourable conditions for outbound travel. Reflecting this, Mr Salt states that "outbound departures by Australian residents are forecast to grow by 9.2 per cent to 7.8 million in 2011 and by a further 5.4 per cent to 8.2 million in 2012.

Inbound arrivals are forecast to increase by 0.4 per cent to reach 5.9 million in 2011, which is a downgrading from the previously forecast growth of 3.1 per cent. Expected growth has also been revised downwards from 5.2 per cent to 2.7 per cent for 2012 (6.1 million arrivals) and from 4.7 per cent to 4.0 per cent for 2013 (6.3 million arrivals). Mr Salt says these revisions "can be attributed to the slower pace of economic growth in the United States and Europe and associated global economic uncertainty".

Mr Salt adds "With North American and European markets struggling, strong growth from Asia is expected to be particularly important to the performance of the inbound tourism sector this year and next. Inbound arrivals from Asia are expected to increase by 3.2 per cent to 2.4 million in 2011 and then by a further 5.8 per cent to 2.6 million in 2012 as the impact on the Japanese market from the earthquake and tsunami earlier this year starts to ease".

Further highlighting the significance of Asia, the TFC notes that between 2010 and 2020 the region is forecast to contribute around 55 per cent of the projected 2.2 million increase in visitor arrivals to Australia. Mr Salt adds "China is expected to lead the way accounting for approximately 42 per cent of the growth from Asia over this period".

The TFC forecasts will be available at 10.00am 6 October 2011 for download from Tourism Research Australia's website: <http://www.ret.gov.au/tourism/tra>.

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