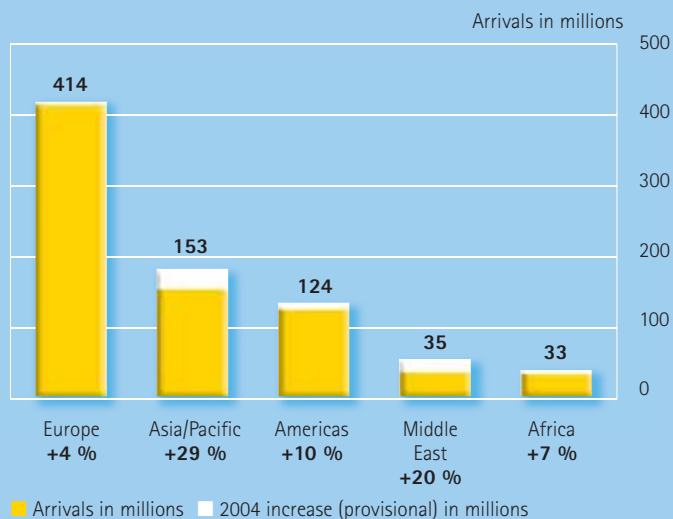




## 2. The Importance of Tourism



**ACCORDING TO WTO FIGURES, THERE WERE 760 MILLION INTERNATIONAL ARRIVALS IN 2004**



Source: WTO 2005



**2.1 TRENDS IN INTERNATIONAL TOURISM**

2004 was the most successful year ever for the travel industry, with more than 760 million arrivals globally – an increase of around ten per cent on 2003. After three years of stagnation following the September 11 attacks, the SARS crisis and the Iraq war, almost all destination markets recorded substantial growth. Once again, the Asian market proved the most dynamic: with 153 million international arrivals and growth of 29 per cent, Asia was able to strengthen its position as the second most popular travel destination after Europe in 2004. Asia is now a long way ahead of America, which itself achieved a ten per cent increase in international arrivals, bringing the figure to 124 million. The European countries saw 414 million international arrivals (up four per cent). Positive growth rates were also enjoyed by the Middle East, up 20 per cent to 35 million, and Africa with a seven per cent rise to 33 million international arrivals. In total, around 80 to 85 per cent of international travel was intra-continental, while the re-

maining 15 to 20 per cent of travel was to destinations on a different continent. Asia itself benefited from most of the growth in travel on that continent, although European destinations also proved popular.

In 2004, Europe's share of all worldwide arrivals was just under 55 per cent, down by around 5 percentage points since 1995. According to the World Tourism Organization (WTO) forecasts, this trend is set to continue, with Europe's market share falling to just under 46 per cent by 2020. However, given the overall growth in the global travel market, this will still mean average growth of three per cent a year for Europe to 2020. Against this background, it is particularly encouraging that Germany's ten per cent increase in the number of arrivals in 2004 was significantly above the figure for Europe as a whole. Germany is thus keeping pace with the worldwide growth in tourism and has shown that it can compete internationally and can position itself on the global market as a destination for both holidaymakers and business travellers.

In 2004, the economic conditions which tend to affect travel and holidays were shaped by a booming overseas economy coupled with more subdued growth in Europe, low inflation and interest rates, a euro that remained strong against the US dollar and rocketing oil prices.

**The economic importance of tourism**

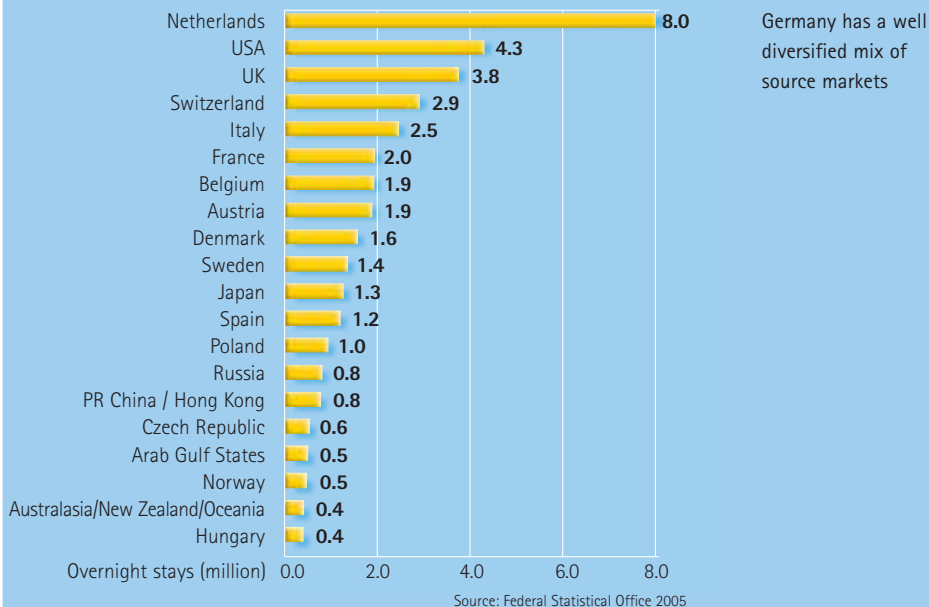
Various key indicators can be used to determine the importance of tourism for the German economy. However, since tourism benefits a wide variety of sectors of the economy, and its economic importance is measured not in terms of goods produced, but by consumer numbers, i.e. tourists, it is more difficult to express its importance in terms of GDP than would be the case for, say, the engineering or agricultural sectors.

Various international tourism organisations are currently seeking better methods of benchmarking for the future. This is taking place on two main levels. Firstly, the WTO and the European Commission are attempting to define the contribution tourism makes to GDP with the aid of pilot studies,

## 2. THE IMPORTANCE OF TOURISM



TOP 20 SOURCE MARKETS FOR GERMANY IN 2004



including studies being carried out by the Statistical Offices, and also with the aid of so-called tourism satellite accounts. At the same time, the World Travel & Tourism Council (WTTC), an association of leading tourism companies, has described the economic impact of international tourism on the basis of satellite accounts. According to the WTTC analysis, Germany is only mid-table internationally, with a direct contribution to GDP of around three per cent – equal to US\$ 84.5 billion. In absolute figures however, Germany leaps to the top of the table: measured in terms of the direct and indirect impact of tourism, Germany ranked in third place in 2004 behind the USA and Japan with a total of US\$ 270.8 billion. Visitor spending is another important indicator for assessing the economic importance of tourism. Germany's tourism account is actually in the red: Germans spent €58.1 billion abroad, compared to receipts of €21 billion, a deficit of €37.1 billion. It is worth noting, however, that the deficit in tourism goes some way towards offsetting the overall surplus in the country's balance of payments and thus in attaining the

macro-economic objective of equilibrium in international trade. Despite the negative overall balance, export revenues in the tourism sector have grown substantially since 1999. A rise of almost 23 percent brought receipts to the aforementioned €21 billion in 2004, thereby achieving a new all-time high.

### 2.2 TRENDS IN INCOMING TOURIST TRAFFIC TO GERMANY

Germany is growing in popularity as a destination for international visitors. In 2004, the number of international visitor arrivals rose by 9.5 per cent to 20.1 million. The number of overnight stays rose by 8.8 per cent over the same period, passing the 45 million mark for the first time and setting a new record for inbound travel to Germany.

#### HIGHLIGHTS

##### Strong growth in Europe

Europe continues to be the largest source market for incoming tourism to Germany, accounting for 74 per cent of all overnight stays. In 2004, the number of overnight stays rose to 33.6 million, an increase of

6.8 per cent on the previous year. Overall, the number of overnight stays by visitors from all western, central and southern European countries rose in 2004.

A few examples:

- an increase of 2.2 per cent to 8 million overnight stays from the Netherlands
- an increase of 8.4 per cent to 3.8 million overnight stays from the United Kingdom
- an increase of 11.4 per cent to 2.9 million overnight stays from Switzerland
- an increase of 6.5 per cent to 2.5 million overnight stays from Italy
- an increase of 10 per cent to 2 million overnight stays from France
- an increase of 6.6 per cent to 1.9 million overnight stays from Belgium
- an increase of 6.7 per cent to 1.9 million overnight stays from Austria

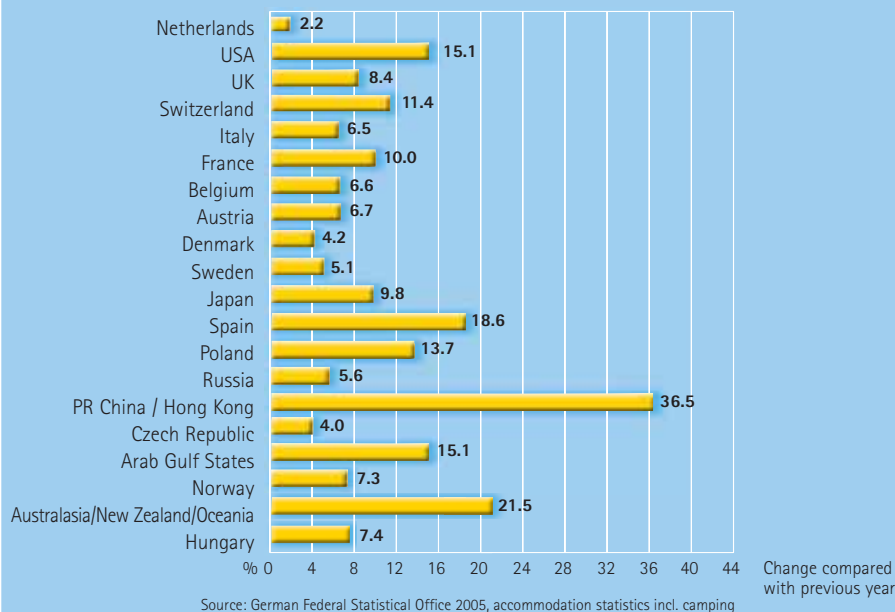
##### Growth markets in eastern Europe

The countries of eastern Europe offer great potential for the German travel industry:

- an increase of 13.7 per cent to more than 950,000 overnight stays from Poland
- an increase of 5.6 per cent to 823,000 overnight stays from Russia



## GROWTH IN ALL 20 SOURCE MARKETS FOR INCOMING TRAVEL TO GERMANY IN 2004



- an increase of 7.4 per cent to 416,000 overnight stays from Hungary
- an increase of 4 per cent to 551,000 overnight stays from the Czech Republic

### Renewed growth from the established markets of the USA and Japan

Following the decline caused by the global crisis in the wake of the September 11 attacks and other external events such as the SARS crisis, the German tourism industry recovered to achieve excellent growth rates from the well-established US and Japanese markets in 2004:

- an increase of 14.7 per cent to more than 1.9 million arrivals and a 15.1 per cent increase to 4.3 million overnight stays by visitors from the USA,
- an increase of 10.6 per cent to 715,000 arrivals and a 9.8 per cent increase to 1.3 million overnight stays by visitors from Japan,

### Boom in travel to Germany from China and the Arab Gulf States

- China recorded an impressive 44.5 per cent increase in the number of arrivals

- in 2004, and a rise of 36.5 per cent in overnight stays (789,000)
- There were 160,000 arrivals from the Arab Gulf States (12.1 per cent increase on 2003) and 512,000 overnight stays, a rise of 15.1 per cent.

### Boom in city breaks

The City Breaks segment profited disproportionately from the growth in German tourism. In 2004, Berlin recorded 18.8 per cent more arrivals than in 2003, and 16.1 per cent more overnight stays. Hamburg saw a 9.7 per cent increase in the number of arrivals, and a 9.2 per cent increase in the number of overnight stays while Munich recorded 8.2 per cent more arrivals and 8.9 per cent more overnight stays.

### Fresh impetus for spas and health resorts

With around 12 million arrivals in 2004, Germany's spas and health resorts achieved a 1.1 per cent increase on the previous year. The number of overnight stays fell by 3.7 per cent to 66.2 million. The average stay was 5.5 days, almost double the average for Germany overall (2.9 days).

In addition to the general economic situation, the change in the type of guest visiting spas and health resorts was crucial for this development: the proportion of guests funding their own stay, as opposed to being funded by their health insurer, is now up to 70 per cent in many places, and the percentage is growing. This is the target group the German spas and health resorts are aiming to attract with their highly developed infrastructure, tailor-made product offerings and professional approach to marketing. However, they are competing with many other providers across the whole of Europe. Of the 1,100 or so spas and health resorts in Europe, 190 in the EU accession countries cater to the particularly price-sensitive segment. Overall, the resorts achieved eight per cent growth in arrivals, and five per cent in overnight stays by international visitors. The number of international arrivals was up 2.9 per cent at seaside spas and health resorts, while the figure for overnight stays rose by 7.4 per cent.

## 2. THE IMPORTANCE OF TOURISM



### CONTRIBUTION MADE BY TOURISM ECONOMY IN 2004

Direct and indirect effects of tourism

Rank	Country	US\$ bn
1	USA	1,244.1
2	Japan	407.9
3	<b>Germany</b>	<b>270.8</b>
4	France	257.1
5	UK	218.5
6	Spain	199.1
7	Italy	197.0
8	China	183.7
9	Canada	107.7
10	Australia	71.8

Tourism satellite account (TSA)

The **tourism economy** (i.e. the impact of tourism in the broadest sense) includes the knock-on effects of tourism-related demand on other sectors of the economy, that is all the macroeconomic consequences of tourism-related demand at a local or national level (from a demand-side perspective)

Source: TSA/WTTC 2004

### CONTRIBUTION MADE BY THE TOURISM INDUSTRY IN 2004

Direct effects of tourism

Rank	Country	US\$ bn
1	USA	482.7
2	Japan	159.5
3	France	103.0
4	Italy	84.7
5	<b>Germany</b>	<b>84.5</b>
6	UK	82.5
7	Spain	76.8
8	China	40.1
9	Canada	35.7
10	Australia	32.1

Tourism satellite account (TSA)

The **tourism industry** (typical tourism sector) represents the economic effects more closely linked to tourism, primarily goods and services supplied directly to visitors, such as accommodation and transport (from a supply-side perspective)

Source: TSA/WTTC 2004

### Hotels and restaurants

After several difficult years in succession, the German hotel industry finally enjoyed a slight upturn, profiting from the growth in tourism and achieving stable operating results in 2004. In comparison to the previous year, nominal sales rose by 1.1 per cent, an increase of 0.5 per cent in real terms.

The German restaurant trade has not yet managed to profit from the additional impetus in tourism, with a fall of 3.1 per cent in nominal sales, or 3.5 per cent in real terms. However, the mood in the restaurant sector has brightened after three difficult years, and the industry forecasts for 2005 are optimistic. The catering trade is expecting to benefit from the growing number of international tourists, the improvement of the domestic economy and the growing number of conferences and congresses. The 52,967 accommodation providers in Germany are expected to show a greater willingness to invest.

### 2.3 TRAVEL BY GERMANS WITHIN GERMANY

In 2004, the demand for travel within Germany had consolidated at a high level with an increase of 2.2 per cent in arrivals and a slight fall of 1.1 per cent in overnight stays.

The success of 2004 was largely driven by the major German cities, with increases of up to 15.8 per cent in the number of arrivals (Berlin). The dynamic growth in city breaks was even able to compensate to a large degree for the fall in visitor numbers suffered by the coastal regions and on the campsites as a result of the poor weather. Among the federal states, Saxony and Saxony-Anhalt achieved the best growth in domestic tourism in 2004; arrivals by German visitors were up by 5.6 and 4.4 per cent respectively.

### Germany growing in popularity as a main holiday destination

According to a 2005 travel survey by FUR, main holidays of four nights or more

within Germany rose from 18.5 million in 2001 to 20.2 million in 2004. Although direct comparison with the previous year shows a slight fall of 1.4 million trips – due to the fact that the total number of main holidays taken by Germans was lower in 2004 than in the previous year – Germans tended to choose Germany for their second or third holiday involving more than four overnight stays. The number of trips in this category increased by 7.2 million. Its current market share of 31 per cent (source: FUR travel analysis 2005) means that Germany remains the favourite destination for German holidaymakers.

### Travel agencies anticipate good business for Germany

A representative survey commissioned by the GNTB showed that travel agency managers are looking forward to a successful 2005:

– 61 per cent of those surveyed expected travel within Germany to increase by more than two per cent, while 31 per



- cent were predicting growth of up to two per cent.
- 87 per cent believe the greatest potential lies in wellness and activity holidays,
- 81 per cent expect city breaks, tours and shopping trips to have good or very good potential for growth.
- 79 per cent think trips to the holiday regions will do very well
- 77 per cent are predicting good growth in the family holidays segment
- 72 per cent are happy or very happy to sell holidays in Germany.

#### 2.4 FACTORS IN THE SUCCESS OF TOURISM IN GERMANY

- In terms of the economic impact of tourism, Germany is one of the world's leaders. Germany is the fifth largest incoming destination in the world.
- Being able to communicate directly with

- holidaymakers from almost 30 source markets is one of Germany's competitive strengths, and the German tourism industry can offer an extraordinarily wide range of products and services to meet the very different wishes of these visitors.
- The culture mega-trend and demand from abroad will secure the future of German towns and cities as tourist destinations. The ten towns and cities which are most important in terms of tourism already account for more than a third of all stays by international visitors to Germany, and they look set to increase this proportion to 50% in the future.
- The hotel industry in Germany enjoys international success and is excellently placed to meet the competitive challenges of the future. With more than 800,000 rooms, Germany is ranked second in Europe. German hotels are competitive. They enjoy an average occupancy rate of 61 per cent, and the average price per room is 83 euros.
- The countdown to the 2006 FIFA World Cup™ has begun, giving Germany the

- opportunity to showcase itself and its many tourist attractions in the run-up to this major event.
- As a top sporting event and a magnet for international visitors, the FIFA World Cup™ itself will be a great opportunity for the German travel industry: the GNTB anticipates additional growth of around 1.7 per cent in the number of overnight stays for 2006 as a whole.

#### Prospects for a successful future

Tourism is also a source of great potential for the future. For European tourism as a whole, real market growth of five per cent is anticipated for 2005, and the forecast for the following years up to 2010 is an average of three to four per cent per year. Germany is very well placed to share in this growth. Tourism in Germany has consolidated at a high level and shows clear indications of further growth. For 2005, the GNTB forecasts growth of one to two per cent for overnight stays from within Germany, and more than two per cent from abroad.

