

# TOURISM

## Recession Changes Trends

Can the current world-wide economic slowdown, rising unemployment, only a slight rise in household disposable incomes and serious international payments problems prevent the international tourism industry from expanding appreciably in 1980? An Organisation for Economic Cooperation and Development (OECD) report, put out at the end of July, seems to suggest it will. The OECD findings maintain that international tourism has emerged from an era of "relative facility and spontaneous expansion" and that a transitional period of adjustment and innovation is beginning. It adds cautiously, however, that the unfavourable economic situation doesn't "suppress people's need to travel".

But, the annual report of the 24-nation organisation (which includes the leading states in the capitalist world) emphasises that among the various problems continuing to confront the tourism sector, "those related to energy will become increasingly important in the years to come". Its note of pessimism, that rising energy prices and uncertainties about future supplies would hinder the climate for any appreciable expansion of tourism this year appear to have unduly emphasised the energy aspect. (In fact most OECD reports have paid much emphasis to the adverse impact of petroleum price increases on the world's economy).

Despite the problems the OECD expects international tourism to face it reports that tourists from its five leading spending member nations had given out almost \$41 billion on their travels in 1979. "German tourists were again on top of the spending list with \$17.95 billion, up 25 percent from 1978. The US was second with \$9.41 billion; followed by France with \$5.19 billion; Japan \$4.81 billion; and Britain \$4.51 billion.

The US was the biggest beneficiary of international tourism receipts last year with \$8.34 billion, up 16 percent from 1978. Italy was a close second with \$8.19 billion, followed by France with \$6.83 billion; and Spain with \$6.48 billion.

The trend in the tourist flow has now reversed somewhat, except for the fact that the US con-

tinues to be the biggest beneficiary, for circumstances peculiar to the 1980 season. Europe's own travel industry has been effected this year not merely as a result of a sluggish economy. Reports in early August this year, from Europe, stated that as damaging was "a stretch of the worst weather in a generation — and the chilling effect of persistent terrorist activity in Italy, Corsica and Spain. For a while, some villas along Spain's normally choked Costa Blanca had been going unrented, and hotel rooms have been readily available. French travel agents report a 20 percent decline in vacation bookings compared with those in 1979".

Tourism, which brought in \$4.5 billion from foreigners and generated a further 3.5 billion for Britain's economy in 1979 and also provided nearly 1.5 million jobs, is falling far short of this year's target. Here it is not so much global recession and the cold, wet weather but the impact of the oil-inflated pound. "It is near a five-year high against the dollar, and charges for both food and accommodation in London have escalated until prices in the city are now amongst the most exorbitant in the world. A single room in a modest hotel goes for \$70; an unpretentious dinner for two with wine typically comes to over \$50", states a report from Britain. (The Review recorded earlier this year that first class tourist facilities in Britain cost the highest for any city in the world).

Europe's loss in tourist traffic is the US's gain, proclaims the American media gleefully. UK's foreign travel was up 17 percent, upto August this year, and most of these Britons are taking American vacations.

States one US media report: "This year, for the first time in modern history, visitors to America from overseas will outnumber Americans travelling abroad. Lured by low air fares, attractive package tours and the greater purchasing power of their own currencies nearly 10 million tourists will pour into the United States from every corner of the world. In the process, they are giving a sorely needed boost to many resort areas that money-short Americans, are shunning, and thus providing a cushion for the tourist industry as the recession deepens.... Wherever the foreign tourists go, they seem to be on a spending spree, to the delight

of local entrepreneurs. The main reason is the decline of the dollar: an Englishman's money simply goes farther in the United States than it does at home. British made shoes, Paris designed jeans and German made cutlery often cost considerably less in US stores than in the visitor's own backyards. At Bloomingdale's in New York, an Arab and his three sons recently bought 300 nightgowns for their womenfolk and Japanese tourists in Massachusetts sometimes spend as much as \$800 on souvenir gifts for their friends and relatives".

The US is playing host to an invasion of overseas visitors that is expected according to one estimate to rise nearly 20 percent above the 1979 level to a record 8.8 million people. Leading the stream of tourists to the US are Britons, whose numbers are expected to increase 30 percent this year to 1.3 million (particularly with the 20 percent jump in the value of sterling against the dollar, following their mounting North Sea oil bonanza). Some travel agents contend that the Japanese are the largest single group of overseas tourists to the US and may exceed the 1.3 million Briton expected. Other major groups visiting the US are Germans (875,000) Venezuelans (190,000) and the French (400,000). They are all expected to spend \$5.5 billion in the US, which in turn is expected to ripple through the economy and generate some \$17 billion more in economic activity.

Despite the gloomy predictions of the OECD (running counter to the current situation) Asian tourism is expected to 'stay aloft', according to predictions of the Pacific Area Travel Agents. Sri Lanka's target of 300,000 tourists for 1980 is in fact expected to be exceeded and all available local accommodation is reported to be booked for the entire season. (Arrivals in the first half of this year rose 32.2 percent over the comparative period last year, and well exceeded the Tourist Board's projected growth rate which had been fixed at 20 percent).

Tourist arrivals in Hong Kong this year were expected to surpass the 2.2 million mark, while those to Singapore were estimated to exceed 2 million in 1980. Thailand and Malaysia were also moving close to the 1.5 million tourist arrivals target; while China, Asia's newest tourist destination and biggest attraction now

24  
for the Western tourists can draw in record visitors, depending on how efficiently it could provide the necessary facilities.

Though leaders of Asia's travel industry have expressed fears of higher costs for airplane fuel and the paucity of funds for building new hotels and rising prices of other amenities they still feel that this region will outpace the rest of the world in the growth of travel and tourism. At the Pacific Area Travel Association's (PATA) annual conference held in February in Manila the executive vice-president of the Bank of Hawaii, H. Howard Stephenson maintained that money market conditions in the US have caused most insurance companies and other lenders to withdraw from the long-term loan market, especially for hotels. He said bankers in other countries aren't very interested either, and the World Bank has also pulled out of the field. But according to Upali Wickrama, now a travel analyst at Boeing Company, these problems will not be as threatening in Asia and the Pacific. "In the next 10 years, the growth rate for this part of the world will be higher than for other parts of the world," states Wickrama.

In Malaysia the government tourist agency is taking an equity position in four hotels to be completed by the end of this year on the undeveloped east coast of Malaysia. SA. Meanwhile, Manila's many first class hotels which are also the result of loans or guarantees from government agencies have not come upto expectations.

Hawaii Bank's Stephenson, however, says he is optimistic for the industry in Asia "in the long haul". But right now he sees inflation as turning people away from expensive vacations. On the other hand Charles Kaiser, managing partner of Harris, Kerr, Forster & Co., (the firm that helped draft Sri Lanka's Tourism Plan) sees the opposite phenomenon. "People want to spend their dollars now to travel," he says, adding "they don't know if they'll be able to afford it next year".

There appears to be general agreement, however, that there is no clear reason for the travel industry to fear a downturn in the coming year or two for though higher air fares may scarce off travellers still the threatened loss of purchasing power should make them eager to travel while their money is still worth something.