

TOURISM FORECASTING COMMITTEE (TFC) FORECASTS
2009 ISSUE 2 – 30 December 2009

The Tourism Forecasting Committee (TFC) releases two forecasts per year. The second issue for 2009 was released on 30th of December 2009 and provides forecasts for 2009 through to 2018. Actual International and National Visitor Survey figures for year ending 2009 will be released in March 2010.

Summary

The Australian tourism industry was negatively affected by the global financial crisis in late 2008 and through 2009. It was expected that international arrivals to Australia would slow; however, Australia has been one of the better performing international tourism destinations supported by an increase in international aviation capacity and a favourable exchange rate in early 2009.

It was expected that Australians would trade down from international travel to domestic travel in light of an unstable economy; however the opposite occurred and domestic tourism continued its poor performance due to strong growth in outbound travel as a result of the heavy discounting of international airfares.

TFC based their Issue 1 forecast on March 2009 results, whereas the Issue 2 forecast is based on September 2009 results. The comparison of Issue 1 & Issue 2 growth rates is shown below:

TFC Forecast for Australia	Issue 1 – June 2009	Issue 2 – December 2009		
	2009	2009	2010	2013-2018
International Arrivals	-4.0%	-0.5%	+4.3%	+3.5% p.a.
Domestic Overnight Visitors	-2.3%	-6.1%	+4.0%	+1.0% p.a.
Outbound	-1.0%	+7.6%	+4.1%	+2.9% p.a.

While forecasts for domestic and international visitation is significantly different for 2009 & 2010 (compared to Issue 1 June forecast), predictions for the 10 year outlook is broadly similar to the previous forecast. Tourism Victoria remains focused on its current strategies to realise growth potential from international markets.

Forecasts for International Travel to Australia

TFC Forecast for Australia	Issue 1 – June 2009	Issue 2 – December 2009		
	2009	2009	2010	2013-2018
International Arrivals	-4.0%	-0.5%	+4.3%	+3.5% p.a.
International Nights	-0.5%	+4.8%	+2.4%	+3.4% p.a.

The TFC in Issue 1 (released July 2009) forecast international arrivals to Australia to fall 4.0% (to 5.4 million visitors) for 2009.

Australia has been one of the better performing international tourism destinations this year. In the nine months to September, international arrivals to Australia have fallen by 1.8% compared to the same nine months in 2008. This performance is well above global international short term visitor arrivals which fell between 6-8% for the same period.

The TFC in Issue 2 have revised their forecast and now international arrivals are predicted to fall by only 0.5% (to 5.6 million visitors in 2009). Australia's better than average performance was mainly due to the expansion of international aviation capacity (estimated to rise by 4% in 2009, following a 6% increase in 2008). The increase in capacity led to significant airfare discounting on leisure packages which limited the fall in inbound travel.

Growth in 2010 (+4.3% to 5.8 million inbound arrivals) and over the medium term is predicted to be moderate as some of the competitive advantages enjoyed by Australia in 2009 are expected to diminish in 2010 due to:

- I. a stronger Australian currency in later 2009 through to 2010 will reduce Australia's price competitiveness;
- II. the level of price discounting on Australian international routes is expected to subside in 2010; and
- III. higher oil prices may cause fuel surcharges to be re-imposed.

The average annual growth rate of visitors to Australia is forecast to be 3.5% over the period 2008-18, to reach 7.9 million visitors in 2018. This is lower than the previous forecast (4.0%) reflecting more conservative average annual growth projections from key markets, China (7.9%) and India (10.8%).

Forecasts for International Travel to Victoria

For the first time, the TFC have provided forecasts for international visitor nights at a State level. The TFC predicts international visitor nights to Victoria to increase by 14.3% (38.5 million) in 2009. This is above the national average (+4.8%) and key competitors NSW (+1.8%) and Queensland (-3.1%).

It was expected that Victoria would perform better over 2009 than other States such as Queensland. Throughout 2009, Melbourne Airport outperformed both Sydney and Brisbane Airports in monthly passenger growth.¹

In addition, Victoria's international visitor arrivals are from a range of destinations, whereas, for example, Queensland relies heavily on Japanese visitors, which have been declining for some years. Victoria has a strong market share of visitors from growth markets such as India and China. This, along with strong growth from Malaysia and Taiwan, has resulted in Victoria performing above the national average.

In 2010, international visitor nights to Victoria are expected to stabilise, growing by 3.4%, followed by 1.6% growth in 2012. This growth will be supported by strong VFR² and education markets.

Over the period 2008 to 2018, international visitor nights to Melbourne are expected to increase at an average annual rate of by 4.5%, while international visitor nights in Regional Victoria will grow by 2.6% per annum.

¹ Melbourne Market Update October 2009, Melbourne Airport

² Visiting Friends & Relatives

The TFC does not forecast the number of international visitors at a State level. Therefore by applying the national forecast of international visitor growth rates to the latest data for Victoria, it is estimated that Victoria will receive 1.5 million international visitors in 2009, with visitors to reach 2.1 million in 2018.

Forecasts for Domestic Visitors within Australia

TFC Forecast for Australia	Issue 1 – June 2009	Issue 2 – December 2009		
	2009	2009	2010	2013-2018
Domestic Overnight Visitors	-2.3%	-6.1%	+4.0%	+1.0% p.a.
Domestic Visitor Nights	-3.9%	-6.3%	+2.3%	+0.5% p.a.

The TFC forecast both the number of domestic visitors (trips) and the number of domestic visitor nights. The TFC in Issue 1 forecast domestic trips to fall by 2.3% and visitor nights to fall by 3.9% to 261.1 million nights in 2009.

In the nine months to September, domestic visitor trips in Australia have fallen by 7.5% while nights have declined by 7.2%, indicating that Issue 1 forecasts underestimated the impact of lower international airfares, the appreciation of the Australian dollar and competitive pressure from other goods and services.

The TFC in Issue 2 have revised their forecast for 2009 and now domestic visitor trips in Australia are expected to decline by 6.1% and nights are predicted to decline by 6.3% reflecting an expected stronger Quarter 4 performance.

Australian's propensity to travel domestically has been declining continuously since the beginning of the decade and domestic tourism activity and expenditure in Australia is at its lowest level and falling at its fastest rate since records began in 1998.

Australian residents are on average taking few trips each year. In 1999 the average number of trips per person was 3.9, this had decreased to 3.1 in 2009 and expected to fall to 3.0 trips per person by 2018.

In 2010 domestic visitor trips in Australia are expected to increase by 4.0% while nights will increase by 2.3% on the back of a general economic recovery. Domestic tourism will continue to compete with Australians travelling overseas and in 2011 domestic overnight trips will increase by 1.4% while domestic nights will increase by 0.8%.

Over the period 2008 to 2018, domestic trips are expected to increase slightly at an average annual rate of 0.6% to 75 million in 2018, while nights will remain steady (0% growth to 272 million nights).

Forecasts Domestic Visitors to & within Victoria

Domestic visitor nights to Victoria are expected to decrease by 5.7% to 49.1 million in 2009 (this forecast has been revised up slightly from Issue 1). Victoria is forecast to perform better than the national average (-6.3%) in 2009 and key competitor NSW (-8.0%).

Anticipated pent up demand for domestic travel should see a rebound take place in 2010, with domestic visitor nights forecast to increase 4.9% to 51.5 million in 2010. Over the longer term, domestic visitor nights are expected to reach 54.1 million nights by 2018, which is comparable to the 52.1 million nights in 2008.

Over the period 2008 to 2018, business visitor nights are forecast to increase at an average annual rate of 0.9%, as well as Visiting Friends and Relatives (VFR) (+0.7% p.a.). The Holiday segment is predicted to decline over the longer term (-0.2% p.a.).

The TFC reports on estimated domestic visitor nights at a State level; however it does not estimate visitor numbers. Therefore, by applying the national forecast rate of -6.1% to the latest data for Victoria, it is estimated that Victoria will receive 17.8 million domestic overnight visitors by 2018. In 2008, Victoria recorded 16.7 million domestic overnight visitors.

Metro Vs Regional

The forecast is stronger for Melbourne (domestic visitor nights to decline by 4.3%) in 2009 in comparison to regional Victoria (-6.5%).

However, in 2010 both Melbourne and regional Victoria are expected to rebound, increasing 7.1% (19.6 million nights) and 3.6% (32.0 million nights) respectively.

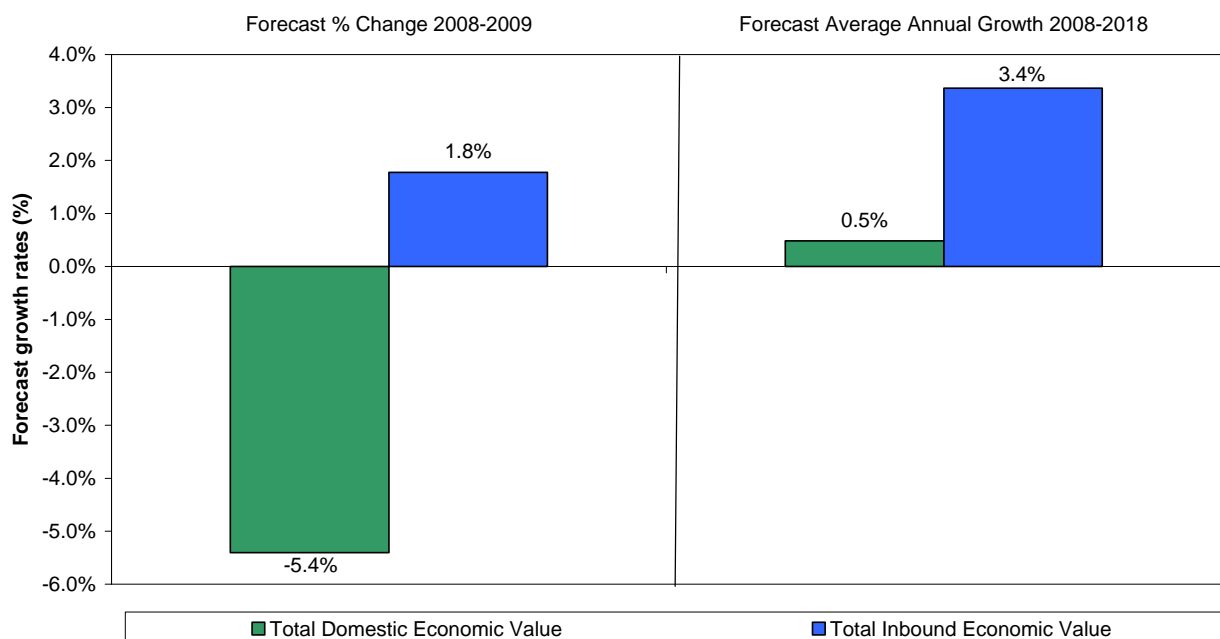
Over the longer term (2008-2018) Melbourne is forecast to increase by 0.8% per annum and regional Victoria to increase slightly by 0.1% per annum.

Total Inbound and Domestic Economic Value to Australia

In real terms, the value of inbound tourism is forecast to increase by 1.8% to \$25.5 billion in 2009 (after an increase of 3.7% in 2008). The value of inbound tourism is forecast to increase to \$34.9 billion in 2018, representing average annual growth of 3.4%.

In real terms, domestic tourism economic value is forecast to decrease by 5.4% to \$63.5 billion in 2009 (after a decline of 2.3% in 2008). Domestic tourism economic value is forecast to increase to \$70.4 billion in 2018, representing average annual growth of 0.5%.

Forecast Growth Rates in Tourism Spending in Australia 2008-2018



Outbound Travel

The forecast for Australian outbound travel in 2009 has been notably revised up from a decline of 1.0% in the previous forecast to an increase of 7.6% to 6.3 million departures. The revision takes into account the very strong performance of the segment in the first 10 months of the year. Outbound departures are forecast to increase by 4.1% to 6.5 million in 2010.

Over the period from 2008 to 2018, total outbound departures are forecast to grow at an annual average rate of 3.5% to reach 8.2 million in 2018.

The effective deficit of outbound is expected to rise from 222,000 in 2008 to 691,000 by the end of 2009. By 2018 there will be a deficit of approximately 363,000 short term resident departures.

Implications for Tourism Victoria 2009-2010 targets

The 2009-10 targets set in January 2009 are based on the TFC's December 2008 forecast. The December 2008 forecast predicted a global slowdown in international travel and an upturn in domestic travel in light of the global financial crisis that had just begun at the time of 2008 forecast.

Based on the IVS expenditure figures to date and the new 2009 (Issue 2) forecast, Victoria is likely to exceed the international expenditure targets.

However, the underperforming domestic travel market in 2009 will likely result in Victoria falling below the 2009-10 targets.

Performance Measure	Measure	2009-10 Target	Year to Date – YE Sept 09	Revised 2009-10 expected outcome*
Visitor expenditure (domestic)	\$billion	12-13	12.1	11.7
Visitor expenditure in regional Victoria (domestic)	\$billion	5.8-6.3	6.0	5.7
Visitor expenditure (international)	\$billion	3.0-3.5	3.8	3.7
Visitor expenditure in regional Victoria (international)	\$million	230-280	304	292

*Based on Issue 2 December 2009 Forecast.

Forecast Visitation to Victoria

December 2009 Forecast

International Visitor Forecasts 2008 (actual) to 2018 (forecast)

Visitors	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AAG 08/18
Tier 1 Markets												
China	160,150	165,180	187,156	205,790	225,448	244,497	263,957	283,159	302,346	321,766	341,718	7.9%
New Zealand	227,971	227,901	230,755	236,166	241,617	246,875	251,555	256,440	261,278	266,060	270,798	1.7%
United Kingdom	208,984	206,498	213,249	220,472	226,364	231,941	237,189	241,977	246,478	250,652	254,505	2.0%
United States	130,160	136,996	144,703	150,228	155,644	160,468	164,936	169,121	173,007	176,509	179,958	3.3%
Tier 2 Markets												
Japan	44,863	34,462	32,583	32,371	32,419	32,390	32,359	32,327	32,294	32,259	32,221	-3.3%
Singapore	68,291	70,922	73,309	76,243	79,206	81,873	84,344	86,737	89,082	91,400	93,697	3.2%
Malaysia	52,853	66,049	69,217	72,992	77,074	80,003	82,768	85,710	88,494	91,188	93,859	5.9%
Germany	59,711	59,378	60,008	62,099	63,971	65,745	67,446	69,065	70,642	72,173	73,663	2.1%
Korea	38,676	30,798	35,205	37,710	39,720	41,203	42,657	44,050	45,126	46,099	47,054	2.0%
India	40,179	42,242	44,936	52,103	59,936	67,606	74,824	82,800	91,530	101,163	111,584	10.8%
Hong Kong	38,268	41,926	43,543	45,275	46,967	48,611	50,197	51,682	53,167	54,685	56,245	3.9%
Canada	39,815	39,759	41,465	44,421	47,142	50,114	52,505	54,756	56,687	58,873	61,009	4.4%
Tier 3 Markets												
France	25,192	26,770	27,610	28,864	30,316	31,297	32,383	33,521	34,672	35,839	37,023	3.9%
Italy	22,479	20,569	23,346	24,816	25,874	26,596	27,374	28,152	28,923	29,689	30,452	3.1%
Netherlands	20,690	19,657	20,133	20,770	21,462	22,130	22,825	23,464	24,100	24,753	25,388	2.1%
Switzerland	14,596	15,281	15,813	16,312	16,801	17,247	17,688	18,123	18,550	18,974	19,393	2.9%
Nordic Countries	27,086	26,663	28,333	29,869	31,108	32,165	32,996	33,878	34,775	35,577	36,378	3.0%
Indonesia	30,139	34,752	38,216	41,435	44,717	47,539	50,516	53,671	56,834	60,082	63,518	7.7%
Taiwan	20,110	25,563	25,276	26,492	28,117	29,187	30,129	31,012	31,775	32,484	33,152	5.1%
Thailand	22,486	22,924	24,409	25,692	26,890	28,052	29,143	30,238	31,240	32,204	33,166	4.0%
TOTAL	1,479,351	1,472,266	1,535,183	1,609,994	1,685,323	1,753,967	1,819,661	1,885,105	1,949,538	2,014,233	2,080,062	3.5%

* AAG denotes Average Annual Growth

* Based on visitors aged 15 years and over

*Note: Victorian estimates based on market share of visitors (International Visitor Survey, year ending December 2008), and assumes constant market share for forecast period.

Slight variations in calculations are due to rounding.

Sources: Tourism Forecasting Committee Forecast 2009 Issue 2, December 2009; International Visitor Survey, Tourism Research Australia, year ending December 2008.

Forecast Visitation to Victoria

December 2009 Forecast

International Visitor Nights Forecasts 2008 (actual) to 2018 (forecast)

Visitor Nights ('000)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AAG 08/18
Tier 1 Markets												
China	4,268	4,936	5,301	5,734	6,195	6,658	7,146	7,595	8,011	8,412	8,807	7.5%
New Zealand	2,339	2,301	2,311	2,379	2,449	2,520	2,579	2,641	2,704	2,764	2,825	1.9%
United Kingdom	3,542	3,782	3,843	3,897	3,970	4,036	4,046	4,042	4,030	4,014	3,990	1.2%
United States	1,643	1,716	1,753	1,808	1,861	1,909	1,946	1,980	2,011	2,038	2,064	2.3%
Tier 2 Markets												
Japan	1,076	856	815	788	780	770	756	741	727	713	700	-4.2%
Singapore	1,744	1,754	1,787	1,833	1,885	1,928	1,960	1,989	2,012	2,032	2,050	1.6%
Malaysia	2,038	2,441	2,526	2,653	2,854	3,065	3,279	3,499	3,721	3,957	4,206	7.5%
Germany	1,129	1,191	1,178	1,196	1,235	1,271	1,284	1,296	1,307	1,315	1,323	1.6%
Korea	1,392	1,490	1,628	1,696	1,750	1,779	1,808	1,833	1,844	1,850	1,854	2.9%
India	2,303	2,677	2,636	2,935	3,397	3,796	4,151	4,511	4,936	5,400	5,892	9.8%
Hong Kong	873	972	1,015	1,049	1,093	1,136	1,186	1,226	1,259	1,307	1,343	4.4%
Canada	829	920	945	1,007	1,084	1,164	1,212	1,254	1,290	1,332	1,373	5.2%
Tier 3 Markets												
France	583	703	697	712	739	753	764	774	785	795	805	3.3%
Italy	447	423	452	483	521	552	562	571	580	588	596	2.9%
Netherlands	335	304	299	301	307	313	316	318	319	321	321	-0.4%
Switzerland	155	158	163	170	183	197	204	212	219	227	236	4.3%
Nordic Countries	599	570	575	603	643	681	692	703	713	722	729	2.0%
Indonesia	1,322	1,393	1,480	1,604	1,761	1,922	2,077	2,244	2,424	2,618	2,829	7.9%
Taiwan	394	507	489	503	526	539	548	555	561	565	568	3.7%
Thailand	973	1,188	1,242	1,288	1,333	1,371	1,390	1,408	1,422	1,434	1,446	4.0%
TOTAL	33,655	38,472	39,775	40,426	41,460	43,329	44,931	46,470	47,978	49,507	51,055	4.3%

* AAG denotes Average Annual Growth

* Based on visitors aged 15 years and over

*Note: Victorian estimates based on market share of visitors (International Visitor Survey, year ending December 2008), and assumes constant market share for forecast period.

Slight variations in calculations are due to rounding.

Sources: Tourism Forecasting Committee Forecast 2009 Issue 2, December 2009; International Visitor Survey, Tourism Research Australia, year ending December 2008.

Forecast Visitation to Victoria

December 2009 Forecast

International Visitor Nights Forecasts 2008 (actual) to 2018 (forecast)

Visitor Nights (000s)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AAG 08/18
METRO												
Business	2.5	2.2	2.4	2.5	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.1%
Holiday	6.7	6.6	6.9	7.3	7.8	8.2	8.5	8.7	9.0	9.3	9.6	3.7%
VFR	6.6	8.7	9.1	9.1	9.2	9.6	10.0	10.3	10.7	11.0	11.4	5.6%
Other	13.8	17.0	17.4	17.4	17.4	18.2	18.8	19.5	20.1	20.8	21.4	4.5%
Total Metro	29.6	34.5	35.7	36.3	37.2	38.9	40.3	41.7	43.0	44.4	45.8	4.5%
REGIONAL												
Business	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	8.4%
Holiday	1.3	1.5	1.5	1.6	1.8	1.8	1.9	2.0	2.0	2.1	2.2	4.9%
VFR	1.5	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	2.0%
Other	1.0	0.9	0.8	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	-3.2%
Total Regional	4.1	4.0	4.1	4.1	4.3	4.5	4.6	4.8	4.9	5.1	5.3	2.6%
TOTAL	33.7	38.5	39.8	40.4	41.5	43.3	44.9	46.5	48.0	49.5	51.1	4.3%

* AAG denotes Average Annual Growth

* Based on visitors aged 15 years and over

Slight variations in calculations are due to rounding.

Sources: Tourism Forecasting Committee Forecast 2009 Issue 2, December 2009; International Visitor Survey, Tourism Research Australia, year ending December 2008.

Forecast Visitation to Victoria

December 2009 Forecast

Domestic Visitor Forecasts 2008 (actual) to 2018 (forecast)

Visitors (million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AAG* 08/18
Business	2.7	2.5	2.6	2.7	2.7	2.7	2.8	2.8	2.8	2.9	2.9	0.6%
Holiday	8.0	7.5	7.8	7.9	8.0	8.1	8.2	8.3	8.4	8.4	8.5	0.6%
VFR	5.6	5.2	5.4	5.5	5.6	5.6	5.7	5.7	5.8	5.9	5.9	0.6%
Other	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6%
TOTAL#	16.7	15.7	16.3	16.6	16.8	16.9	17.1	17.3	17.4	17.6	17.8	0.6%

Domestic Visitor Nights Forecasts 2008 actual) to 2018 (forecast)

Visitor Nights (million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	AAG* 08/18
METRO												
Business	3.9	4.3	4.6	4.8	4.9	4.9	5.0	5.0	5.0	5.1	5.1	2.7%
Holiday	6.5	5.6	5.8	5.9	5.9	5.9	5.9	5.9	6.0	6.0	6.0	-0.8%
VFR	7.7	7.4	8.0	8.1	8.1	8.2	8.3	8.3	8.4	8.4	8.5	1.0%
Other	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	2.1%
Total Metro	19.1	18.3	19.6	19.8	20.1	20.2	20.3	20.4	20.5	20.7	20.8	0.8%
REGIONAL												
Business	2.8	1.8	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.3	2.3	-2.0%
Holiday	20.2	18.9	19.7	19.8	19.9	19.9	20.0	20.0	20.1	20.2	20.2	0.0%
VFR	9.2	8.8	9.0	9.1	9.1	9.2	9.3	9.3	9.4	9.5	9.5	0.4%
Other	0.9	1.4	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	4.3%
Total Regional	33.0	30.8	31.9	32.2	32.5	32.6	32.8	32.9	33.1	33.2	33.3	0.1%
TOTAL	52.1	49.1	51.5	52.1	52.6	52.9	53.1	53.4	53.6	53.9	54.1	0.4%

* AAG denotes Average Annual Growth

* Based on visitors aged 15 years and over

#Note: Victorian estimates based on market share of visitors (International Visitor Survey, year ending December 2008), and assumes constant market share for forecast period.

Slight variations in calculations are due to rounding.

Sources: Tourism Forecasting Committee Forecast 2009 Issue 2, December 2009; International Visitor Survey, Tourism Research Australia, year ending December 2008. Fact sheet produced by Tourism Victoria Research Unit, December 2009.