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TRADE

Financial crisis in developed world may hit growth rate of Indian inbound

P Krishna Kumar | New Delhi

THE travel and tourism industry across the globe is keeping its fingers crossed with another spell of recession looming large over the developed countries as a fall out of the recent credit crisis in USA and the sovereign debt crisis in Europe. After a good year of recovery in 2010 and an almost robust first-half this year, the travel industry has once again started feeling the heat of a visible downturn, if reports of global agencies like World Travel & Tourism Council (WTTC) are anything to go by. "Given the recent slowdown in the global economy, full year growth in 2011 is expected to be much slower than the strong bounce-back experienced in 2010, but growth will nevertheless continue to be positive," cites WTTC monthly update for August 2011.

While there is apprehension, the global travel trade fraternity including in India is adopting a wait and watch policy to see how these developments

will unfold and affect business in the coming months. India Tourism, which had rebounded well after the slowdown, has a lot to worry about the rapidly unfolding economic crisis in the developed world as USA and Europe are the two major source markets. As per latest figures available, more than 10 lakh travellers visited India from North America and over 16 lakh from Western Europe in 2009 alone. Similarly, India received about 47,000 and 180,000 travellers from Central and South America, and Eastern Europe respectively during 2009. Since Indian inbound has grown more than eight per cent in 2010 over 2009, the figures were moderately higher last year. Industry experts fear that the growth rate of Indian inbound will be hit considerably

Although shaken by the recent reports from the US and the Europe, industry stakeholders in India do not want to press the panic button yet and want to wait and watch for the time being. "The debt crisis will not have a major impact like 2008. The upcoming inbound season is looking fairly stable.



However, we need to tread cautiously in some of the very volatile markets," opined Arjun Sharma, Managing Director, Le Passage to India. As far as impact on Indian inbound is concerned, Sharma feels that dependence on the US and the European markets

is "much lesser" now. "Russia, China, Thailand, Malaysia, South Africa, Ukraine, Singapore and Philippines today have a sizeable movement into India and I hope that inbound from these markets will offset the shortfall from the developed world," he observed. Apart from business travel, Sharma feels that both luxury and deluxe travel products



ARJUN SHARMA
MD, Le Passage to India

>> CONTINUED ON PAGE 07

>> CONTINUED FROM PAGE 03

Financial crisis in developed world...

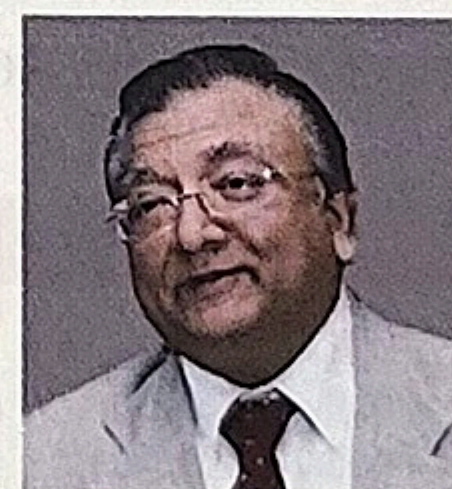
will be impacted due to the current crisis.

"It is too early to be carried away by these reports," feels Vikram Madhok, Managing Director, Abercrombie & Kent. "There is no correlation between credit crisis and travel," he stated. As far as the US market is concerned, he said that people were "holding back" on travel, at least long-haul, for the last two years for different reasons and now they will start travelling. "I firmly believe that there will be 15 to 20 per cent growth from that market," Madhok said. Although Europe is a concern, Madhok said that there has been some "uptake" from the region of late. Cautioning Indian tourism stakeholders, he suggested, "If you want to benefit in the prevailing scenario, you have to be careful about pricing."

"Anything that affects the livelihood of the people will impact travel, because travel is a discretionary expense," opined Rajiv Kohli, Joint Managing Director, Creative Travel. However, he does not see any drastic change in the travel pattern of business travellers because of these crises. Commenting on Indian inbound, Kohli said that it is for the government to decide whether to squeeze the few inbound travellers with lot of taxes, or to reduce taxes to increase volumes and become competitive



VIKRAM MADHOK
MD, Abercrombie & Kent



SUBHASH GOEL
Chairman, Stic Travel



RAJIV KOHLI
Joint MD, Creative Travel

with other destinations.

Subhash Goel, Chairman, Stic Travel does not foresee any immediate impact as "bookings for the upcoming season" starting from October have been done in advance. However, there will be a drop in the growth. "The growth will be much below the expectations. It may be five or six per cent against the expected growth of 15 to 20 per cent," he informed. According to Goel, the 'Look East' policy of the government will help India overcome the shortfalls from the US and the Europe. "China, Japan, Sri Lanka, Philippines, etc. are shaping up well as markets for India Tourism," he said.

Ministry of Tourism, is believed to have started working on new marketing strategies to tap "emerging markets." According to official sources, the Ministry has started the process of identifying markets as per their economic performance, and outbound travel potential. "China, Latin America, and Scandinavian countries, S E Asia, Middle East are the markets India Tourism plans to target to overcome the shortage from US and Europe," the source said. ■