

Overview

Tourist industry reports record result

- Following the record result in 2015, tourism revenues expected to rise again to a total of € 25 billion in 2016
- Revenues of € 24.4 billion were attained last year (+3.1 per cent compared with 2014), i.e. the best result since the year 2000
- Changes in the demand for tourism are increasing price pressure and curbing revenue increases
- Austria demonstrating its competitive strength as a holiday destination despite market share losses
- Biggest rise in the number of German visitors for 25 years

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Imprint
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December 2016

In detail

The Austrian tourist industry recovered in 2015 and 2016 after six years of low economic growth. The industry has been continuously announcing new visitor records and revenue increases for years. However, our latest Industry Report shows that the only year in which revenues in the industry rose significantly was 2015 (3.1 per cent after adjustment for inflation). Domestic tourism, which recorded total revenues of € 24.4 billion last year, will probably be able to substantially improve its results once again in 2016. The recent excellent tourism results are an indication of the competitiveness of the industry which is also benefiting from the fact that people prefer nearby holiday destinations during economically difficult years and that fewer long-distant trips are made.

Above-average rise in revenues expected in 2016

In the first ten months of 2016, the number of visitors to Austria increased by more than 5.4 per cent, the number of overnight stays by 5.1 per cent and revenues by more than 5 per cent. If there is no extreme weather in December, the rise in revenues compared with the previous year will also be exceeded after taking account of inflation. Last winter the tourist industry profited from an above-average rise in demand and also posted another record result in summer 2016. Both domestic tourism and tourism demand from abroad increased by 4 to 5 per cent, i.e. much higher than in the comparable period in the previous year.

The Austrian tourist industry is also being helped by geopolitical uncertainties and the advantageous weather conditions. In addition, stable economic growth in central European target markets stimulated demand. In Germany and the Netherlands economic growth in 2016 will at least equal the previous year's level and will actually increase slightly in Austria and Switzerland. The high demand from Germany is noticeable in this respect. In the first ten months of 2016, the number of German visitors to Austria rose by 7.5 per cent, i.e. higher than in the last 25 years. In 2016 Austria not only gained favour with German tourists as a destination for short breaks, but also maintained its position as the fourth most important main holiday destination for our neighbours according to the latest BAT Tourism Analysis.

The prospects for Austrian tourism in 2017 currently indicate a slight decrease in the high level of growth.

Changed demand structure increasing price pressure and curbing revenue increases

Thanks to the improvement in service quality and the price-performance ratio of Austria as a tourist destination, it was possible to address new visitor segments and compensate for the decreases in demand and revenues caused by increasing competition and shorter stays. The holiday offerings were also sold at higher prices although the revenue increases were primarily attributable to the market share gains made by establishments with better facilities. Between 1995 and 2015, the number of overnight stays in 4 and 5 star hotels rose by an average of 3.2 per cent per annum. In 1 and 2 star hotels the corresponding figures decreased by 3.1 per cent and the number of overnight stays in private accommodation actually by 4.7 per cent. Up to the setback caused by the recession in 2009, income per guest in Austria had risen almost unabated over a period of five decades.

	Accommodation		Restaurants and other food services	
	2015	Ø 2005-15	2015	Ø 2005-15
ÖNACE 55+56				
Companies*	16,300	11%	31,200	3%
Employees**	113,500	16%	184,000	37%
Turnover**, euro bn	8.9	49%	8.9	43%

* Companies 2014 ** P projected with the change 2014/2015

S.: Statistik Austria Structural Business Statistics; Bank Austria Economics & Markets Analysis Austria

Austria demonstrating its competitive strength as a holiday destination despite market share losses

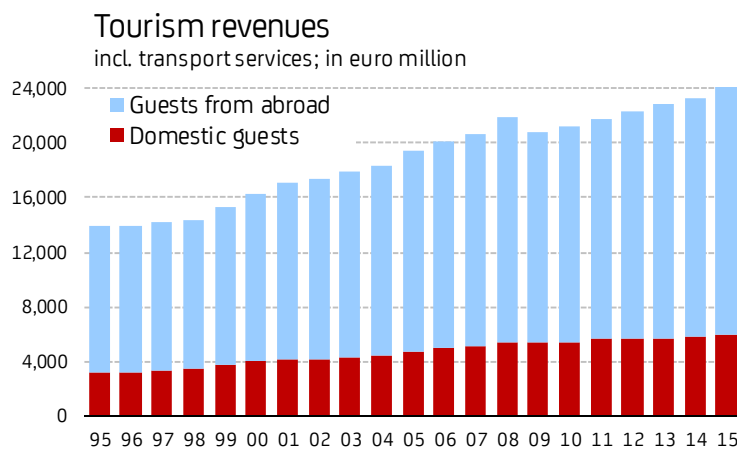
The number of visitors to Austria is still increasing continuously and is also leading to higher utilisation of bed capacities and, overall, to rising total revenues in tourism. Ultimately, however, the decisive factor for the individual companies is that average expenditure has constantly dropped over the last few years, i.e. people have become more frugal. It has become increasingly more difficult for hotels to compensate for lost revenues caused by changes in demand by adapting their facilities. Nominal tourism receipts per guest declined from an average of € 671 in 2008 to € 618 in 2012, and have remained the same since then. The revenues per guest also probably did not increase again in 2016.

In the last few years tourism demand has still been concentrated on higher-quality services measured in terms of increases in overnight stays. However, the bed occupancy rate of 52.3 per cent in 4 and 5 star hotels in 2008 has not been attained again. The average occupancy rate in the segment in 2015 was 51.1 per cent. At the same time there was increasing demand for holiday apartments. This development shows that tourism demand is no longer keeping pace with the increase in the quality of tourism facilities. This development also shows that there is an oversupply in some segments of the Austrian hotel industry and that price pressure has increased in the last few years.

Prices for accommodation in Austria rose by more than 3 per cent between 2000 and 2005, but then only by an average of 1.8 per cent per annum in the following ten years. It was not until 2016 that prices increased more substantially again due to high demand. As a result of the lower rise in prices, earnings in the industry have increasingly come under pressure. According to the analyses by the Österreichische Hotel- und Tourismusbank, hotels have barely been able to absorb their higher costs in the last few years. A long-term comparison reveals that operational profit has decreased in relation to turnover in all segments, but especially in 3 star hotels.

In many cases the earnings of tourism businesses are too low to support financing of the necessary investment level. Taking into account the currently low rate of interest and the fact that hotels will have to invest more in future, the financing problems of the industry will increase in periods with rising interest rates. The topics of low supply prices and additional reductions in capacity will therefore also become more critical again.

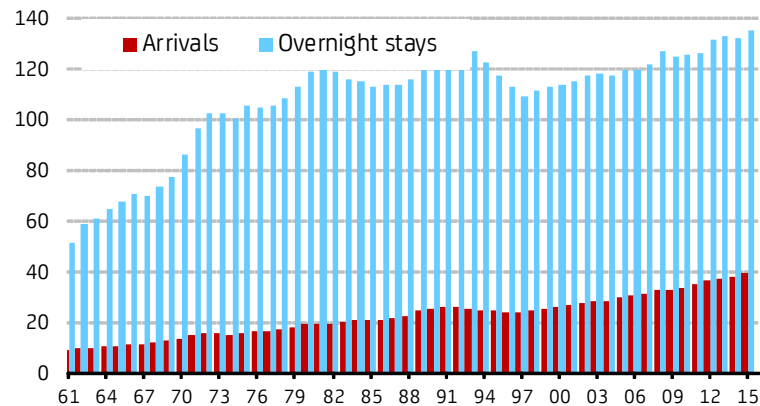
Compared with international guest arrivals, Austria's share of the worldwide tourist influx fell from 3.2 per cent in 1995 to around 2.2 per cent in 2015, and will probably drop below the 2 per cent mark in the next ten years. The main reason for Austria's loss of shares as a holiday destination is globalisation of the sector, i.e. the rapidly increasing number of tourists and new competitors which can be reached relatively easily by means of cheap flights. The highest market share gains have been recorded for years in East Asia.



S.: Statistik Austria, WIFO; Bank Austria Economics & Market Analysis Austria

However, there is very little risk that Austria will lose touch completely with international developments. Not only because this holiday country will benefit in the short term from the fact that in economically difficult years people will prefer to holiday in nearby domestic and foreign destinations, and will go on fewer long-distance holidays and flights. Austria will remain one of the world's most competitive tourist locations thanks to its largely unique and hard to copy range of offers, especially natural resources. The tourist industry has also successfully implemented structural adaptation measures and gradually improved its value for money. The excellent positions occupied by Austria in the ranking of the world's most important tourist locations in the World Economic Forum are an indication of the country's competitiveness. Based on the above-average tourist infrastructure and the high price competitiveness of the sector, Austria occupied twelfth place in 2015 in a comparison of more than 140 holiday countries.

Guest arrivals and overnight stays in million



S.: Statistik Austria; Bank Austria Economics & Market Analysis Austria

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