

Analysen

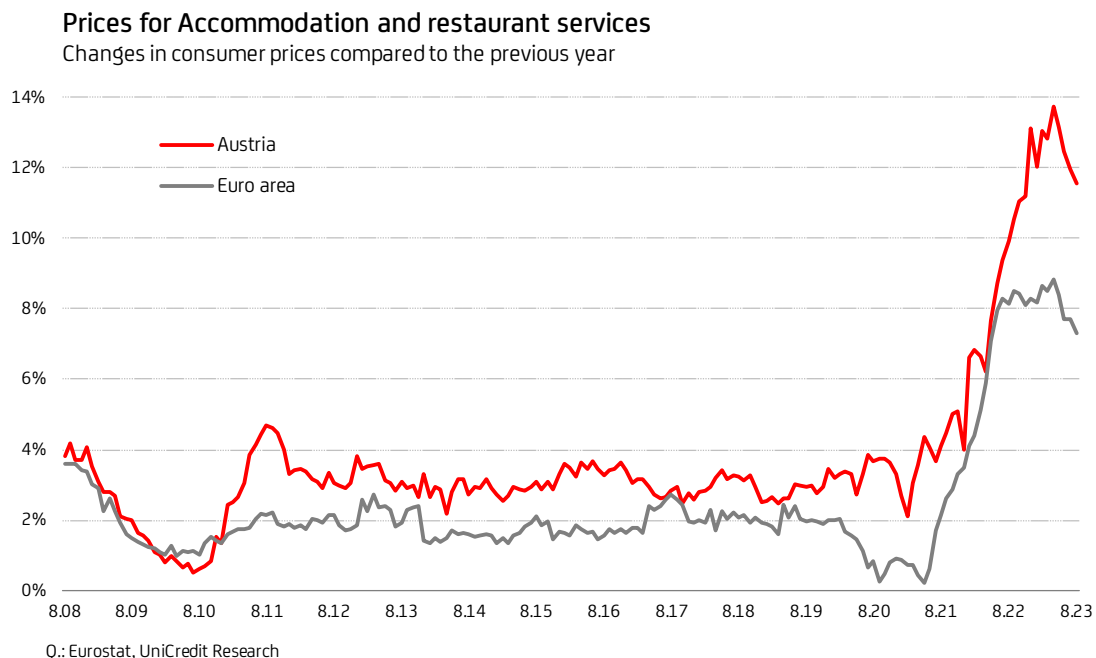
 **Bank Austria**
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Tourism in Austria



TOURISM WILL LOSE MOMENTUM IN 2023



- Tourism will lose momentum in the second half of 2023; for the year, sector income will reach the pre-crisis level of €30 billion in nominal terms due to the high price increases but will fall short when adjusted for prices.
- In the long term, the sector will lose global market share as competitive pressure increases and tourism in Austria reaches growth limits.
- Tourism revenues can no longer keep up with demand records. Since 2008, revenue per overnight stay has risen nominally by 1.1% p.a. and therefore rose more slowly than in the previous period but fell in real terms. The question arises as to whether the Austrian vacation is offered too cheaply.
- Tourism demand has shifted towards lower-income segments; above all, holiday apartments are becoming increasingly popular. This segment already accounts for around 25% of all overnight stays.
- Austria's tourism is also losing market share in Europe. The price level is in the middle of the European range or, despite the massive increase in the price of the offer in 2022, only 6% above the EU average.
- Gastronomy is the main price driver in the tourism sector, as the industry contributes 75% to the sector price level. The price development shows that accommodation providers probably still have scope for price increases in some segments without damaging their competitiveness in the long term.

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as of October 2023

Tourism will lose momentum in the second half of 2023 ...

Arrivals of domestic and foreign guests in Austria in the first eight months of 2023 were still 3.2% below the 2019 result, and the number of overnight stays was 1.5% lower (Figure 1). In contrast, tourism sales in the first half of the year have already reached their pre-crisis level in nominal terms at €16.2 billion, driven primarily by high price increases. By August 2023, the services provided by restaurants and accommodation providers in Austria had increased by 12.6% compared to the previous year.

The optimistic booking information from the industry suggests further growth can be expected for the remaining summer months. By the end of the year, however, the persistently high cost of living and the further economic slowdown in key target markets will slow consumers' willingness to travel and their travel spending. Since June, business expectations in the accommodation and catering industry have been below their long-term average and indicate a slowdown in the tourism economy in the coming months. By the end of 2023, the record of 153 million overnight stays in 2019 should at least be reached and the nominal income of €30 billion should be exceeded; adjusted for prices, tourism sales will fall significantly short of the pre-crisis level.

... and the sector will lose further share of the global market in the long term.

Globally, international tourist arrivals and foreign exchange earnings will reach around 90% to 95% of their pre-crisis levels in 2023 (Q: World Tourism Organization). This means that Austria's market shares of 2.4% in arrivals and 1.5% in income in 2023 would remain above the level of the last ten years (Figure 2). However, the pandemic-related share gains are expected to be lost in the next few years, despite Austria being a tourist destination. a. becomes more attractive compared to more climatically disadvantaged destinations. With the further globalization of the sector, the competitive pressure on the world market is growing and the industry is increasingly reaching its growth limits...

... in the acceptance of the population: the number of visitors in many communities at least suggests that the quality of life of the local population is impaired. During 2022 for example, while the national average was 15 overnight stays per resident, in Salzburg's Obertauern there were around 1,100 overnight stays for each of the 700 residents.

... on the road: domestic and German guests undertake around 75% to 80% of their Austrian vacations by car. The number of traffic jams is correspondingly high in the peak season, which are essentially caused by traffic congestion (according to ÖAMTC in around 40% of cases, followed by accidents in 33% of cases).

... because the more intensive tourist use of the country's natural resources has a lasting negative impact on the competitiveness of individual regions.

Figure 1: Tourism demand just below pre-crisis levels
(All accommodations, 12-month moving averages, in mio.)

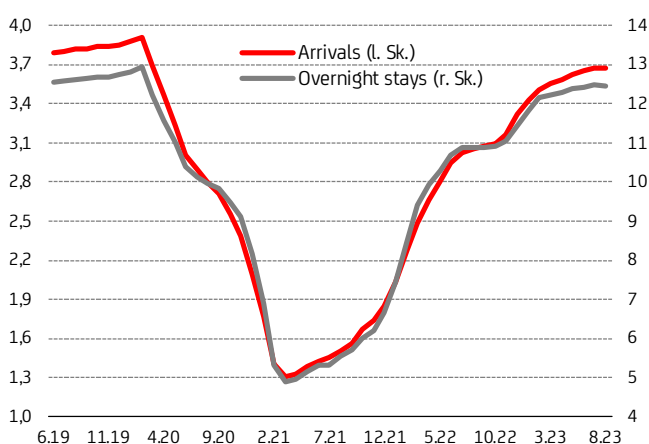
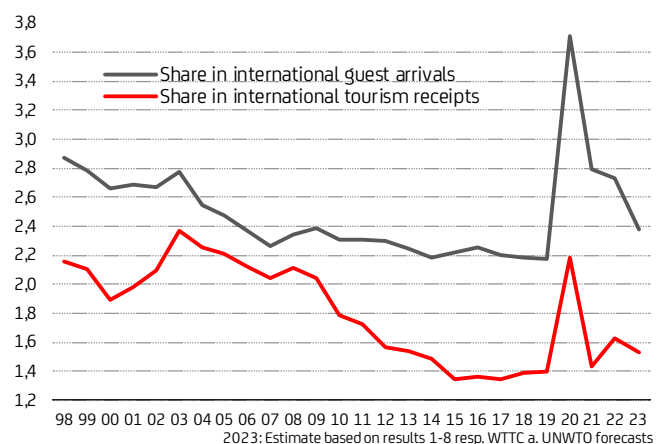


Figure 2: Austria's global market shares decline
(in Percent)



Quelle: Statistics Austria, WTTC, UNWTO, OeNB, UniCredit Research

Revenue growth weakened despite record demand. The question arises as to whether the Austrian vacation is offered too cheaply.

By concentrating on qualitative growth, as has been repeatedly emphasized in the national tourism strategies, the negative effects of the tourism industry, especially the dangers of mass tourism, could at least be contained. In recent years, however, it has only been possible to compensate for the weaker income growth in the short term, primarily because of shorter stays and the stronger demand for holiday apartments, by targeting new, less price-sensitive guest segments and higher prices. From 2008 to 2022, revenue per overnight stay rose by a nominal 1.1% per year, significantly slower than in the previous ten years, and even fell when adjusted for prices. Until 2008, revenue per overnight stay remained roughly stable, even after adjusting for prices, indicating that demand could be successfully redirected to more expensive segments. (Figure 3)

Tourism demand has shifted towards lower-income segments: holiday apartments are becoming increasingly popular.

The strong demand for cheaper tourism offers is, among other things, the result of increasingly price-sensitive guests who can choose from a transparent and global offer online. Overall, price pressure in the industry has increased and has driven the conversion of many low-category private and commercial accommodation into holiday apartments. From 2008 to 2022, capacities were increased by a total of 5%, to 1.1 million beds in the summer seasons, of which in the 4/5* segment by 28% to 282,000 and in holiday apartments by 35% to 352,000 beds. At the same time, the number of beds in private accommodation and 1/3* accommodation fell by 21% to 365,000.

The above-average increase in overnight stays in the holiday apartment segment shows that the offer has been successfully adapted to the changed demand. Overall, overnight stays increased by 0.6% per year from 2008 to 2022, by 0.9% for 4/5* establishments and by 3% for holiday apartments. With the increase of 18% up to July, around 39 million or 25% of all overnight stays in Austria will be achieved in this segment for the whole of 2023 (Figure 4). The trend towards holiday apartments can be seen in all federal states. However, the rental of apartments to tourists via brokerage platforms such as Airbnb in urban centers triggered a real boom in demand. In Vienna, where there was no significant holiday apartment capacity in 2008, 13% of beds and 11% of overnight stays were already registered in this segment in 2022.

Figure 3: Is the Austrian vacation offered too cheaply?
(Revenues per night, nominal and at 1995 prices, in euro)

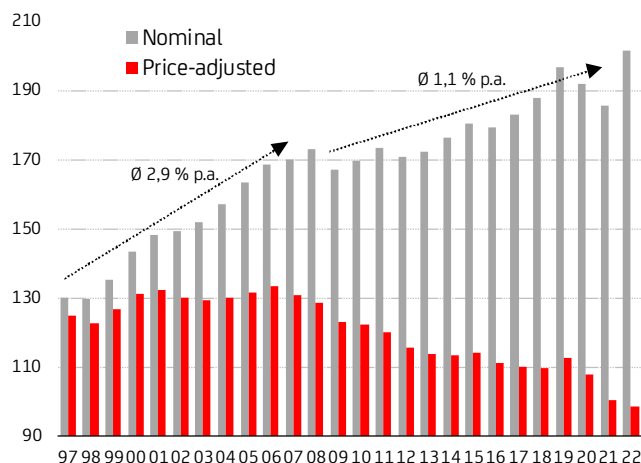
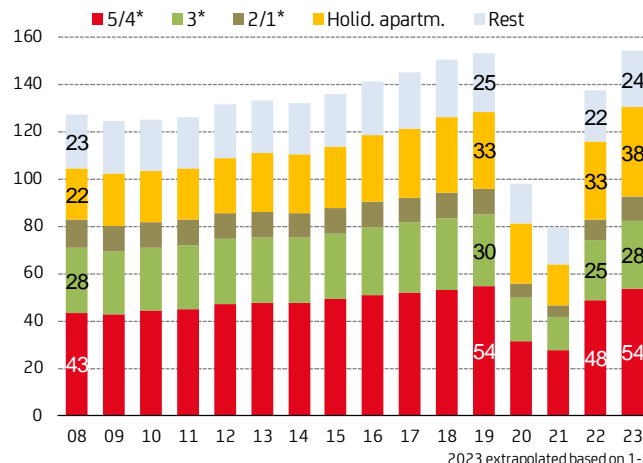


Figure 4: Holiday apartments increasingly popular
(Overnight stays in commercial a. private accommodations, in mio.)



Source: Statistics Austria, WIFO, UniCredit Research

Austria's tourism is losing market share in Europe, although tourism prices are only in the European midfield.

Austria as a tourism location has lost market share not only worldwide, but also in Europe, in terms of international guest arrivals in the euro area from 8.7% in 2008 to 7.7% in 2022 and in nominal income from 6.5% to 5.9%. In part, the share losses are also the result of the increase in the price of tourism offerings, the loss of price competitiveness, which has not been compensated for by improvements in quality. Ultimately, the decision as to where and with which means of travel to travel is still significantly influenced by the price ratios of the offers.

From 2008 to 2022, the services of restaurants and accommodation providers have become more expensive by an average of 3.2% per year in Austria and by 2.1% in the euro area (figure on cover page). Despite the massive increase in prices, the price level for domestic tourism in 2022 will still be in the middle of the European range, or only 6% above the EU average. In all larger destinations with more overnight stays than in Austria, tourism services were only offered cheaper than in this country last year in Spain, Greece, and Turkey (Figure 5).

Gastronomy is the main price driver in the tourism sector.

At the industry level, prices in the accommodation sector in Austria rose by an average of 3.2% from 2008 to 2022 and by 3.4% in the restaurant and catering services sector; in comparison, in the euro area by 2.4% and 2.1% respectively. However, due to the high weight of the gastronomy in the overall sector price level of 75%, the sector's contribution to the increase in overall tourism prices was far higher than the contribution of the accommodation providers (Figure 6). The above-average price increase in the gastronomy may also be responsible for Austria's gap to tourism price levels in the most important competing destinations in Western Europe increasing again in 2023. By August, gastronomy had become 12.9% more expensive in Austria and 7.6% more expensive in the Eurozone; the prices in the accommodation sector by 12.3% and 9.2% respectively.

There is no comparison of price levels available separately for the catering and accommodation sectors at the European level. However, the analysis of price developments shows that, on average, domestic accommodation providers probably still have enough scope for price increases without damaging their competitiveness in the long term. Finally, the selective adjustment of prices can guide tourist flows and support the goal of offering more quality in the sector.

Figure 5: Price level of restaurants and hotels in Europe*
(EU27=100))

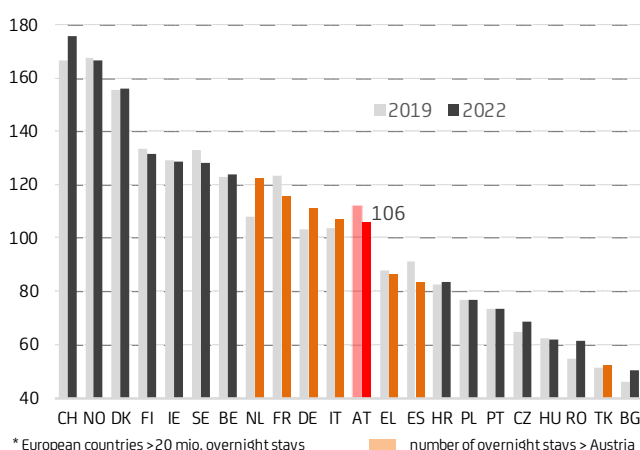
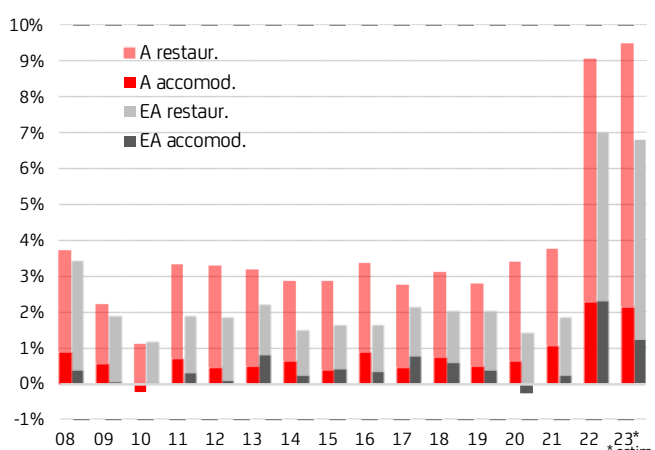


Figure 6: Expensive restaurants
(Contributions of restaurants a. accommodation services in Austria and the euro area on price changes in the sector per year)



Source: Eurostat, Statistics Austria, UniCredit Research

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