

Background:

Last month, Tourism Australia released an interim report on the impact of the Global Economic Slowdown on Australian tourism.

This report provides an update following receipt of survey responses from a wider range of tourism industry suppliers and sellers of Australian tourism product, as well as drawing on a range of data available to Tourism Australia.

Overall State of Play:

There is still no single statement that can summarise the impact of the current global economic crisis in all key source markets for Australian tourism. Each market and each segment is performing differently depending on its local economic conditions, currency shifts, marketing activity and airline seat capacity.

The following is a summary of broader trends, with the outlook for individual inbound source markets set out in the attachment at the end of this report.

The Economic Environment

In the last month, attention has shifted from the financial sector meltdown to the slowdown in global economies. Economic growth forecasts from countries around the world have been downgraded. There has been confirmation that many developed economies were in recession from July 2008, if not earlier and unemployment is rising. Confirming the seriousness of the challenge, many Governments have announced further fiscal policy stimulation through new spending programs and tax cuts and many Central Banks have made further large cuts to interest rates.

In the last month it would be understandable if consumers had switched their nervousness from contemplating the losses on their investments in shares and possibly their housing to considering the prospects for their continued employment in the New Year and how they will pay their bills if they lose their job.

The Australian economy at least to September 2008, continued to grow, if very slowly, and is proving more resilient than all other developed economies. Independent forecasts confirm that Australian economic growth is similarly expected to perform relatively strongly in 2009, even if realised economic growth is weak.

Tourism Trends pre September 2008

Prior to the worsening of the global economic crisis in September 2008, tourism in Australia was performing at rates well below the long term trend. In the year ending September 2008, the high Australian dollar, high oil price and associated airline fuel surcharges had damaged inbound tourism price competitiveness particularly for leisure tourism. Domestic tourism was performing worse and suffering competitively from high outbound tourism growth and high petrol prices reducing drive tourism. Australian tourism businesses were often struggling to find staff and finance against more profitable opportunities in the resources industry.

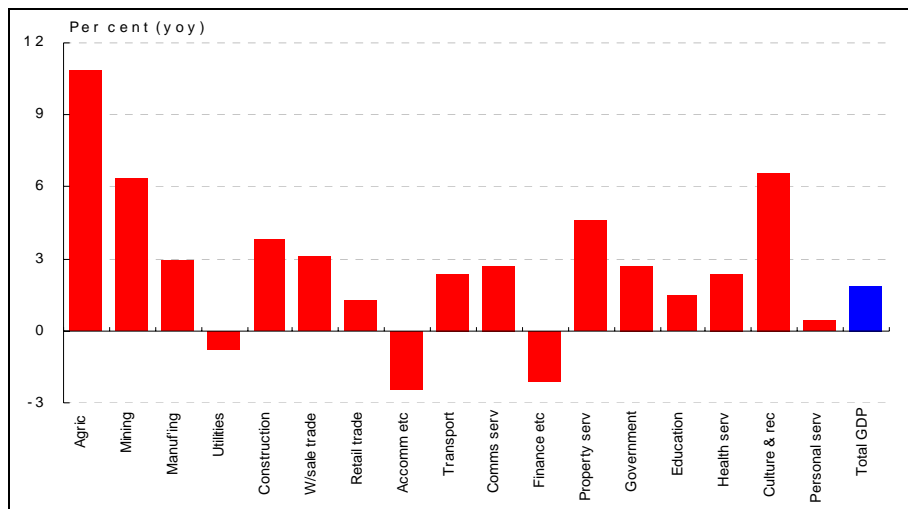
The weak demand situation for Australian tourism in the year ending September 2008 was confirmed in the results of September quarter International and Domestic Visitor Surveys released in early December 2008.

While total inbound arrivals were only down 0.5% in the year ending September 2008, leisure visitor arrivals as a more price sensitive sector were down by 3.3%. Business arrivals were up 3.6%, though these numbers were boosted by some World Youth Day visitors indicating that they were attending a Conference/Convention and thereby being included in business visitors.

Domestic visitor nights were down 4.7% in the year ending September 2008, and were at their lowest level since data was collected in this form in 1998. Visitor nights in the year ending September 2008, were 6% lower than they had been in 1998. Leisure visitor nights were down 3.8%, while domestic business nights were down by 8.7% in the year ending September 2008.

Accommodation, cafes and restaurants (shown as accommodation etc in the following chart) represent the most tourism focussed of Australia's traditional industry sectors as regularly reported in the ABS national accounts. The following chart from Qantas Economics highlights that this core tourism sector was not doing well in the final year of the Resources Boom.

Percentage growth by industry sector for the year ending September 2008



Source: Qantas Economics, using ABS National Accounts data.

On one hand, the weakness of domestic and inbound tourism in the year ending September 2008 means that tourism operators have reduced capacity to bear further falls in demand. On the other hand, further falls in demand are likely to be less than if the tourism industry had been growing strongly up to September 2008 and the base period was higher.

During the just ended Resources Boom there were major challenges to Australian tourism of the high Australian dollar, high oil prices and staff shortages. As these challenges have fallen away or are in the process of doing so this will provide an increasingly important cushion to the falls in demand due to the global economic crisis. However, falling airfares for inbound visitors (as fuel surcharges are reduced) and Australian tour package and ground content prices will take time to flow through to the consumer. For example, as airlines do with fuel, some prominent sellers of Australian tourism had hedged against further increases in the value of the Australian dollar, and are locked into higher local currency costs until these hedge contracts expire.

Latest results for inbound tourism

Inbound tourist arrivals to Australia are holding up comparatively well in October and November 2008, with only small falls. However, source markets have varied widely in their recent performance.

Inbound arrivals for the month of October (as finalised by the ABS in early December) showed a decline of only 2% compared to October 2007, a much better result than the 8% decline for September 2008. October is traditionally a peak month for international airline load factors and load factors to Australia were near historical highs, so many tickets would have been booked months before the news headlines of September 2008 were written.

Tourism Australia estimates suggest that November arrivals were down around 4%, while early indications are that arrivals in December 2008 will be little changed compared to December 2007.

Many of the inbound tourist arrivals in October, November and December 2008 especially from long haul Western markets made their bookings well before the September 2008 worsening of the financial sector crisis. This is especially the case for the peak October and Christmas/New Year periods when early bookings were essential to guarantee an airline seat from long haul Western markets.

Eastern markets with typically shorter periods between booking and travel have commonly shown larger declines in arrivals in the last three months.

As a result of lags between booking and travel, the full impact of the worsening economic environment for inbound arrivals is likely to have been deferred until February and beyond.

North Asian markets (Japan, China and Korea) with shorter booking periods, a dominance of group and package travel and commonly having been more affected by the rise of the Australian dollar and other negative local factors earlier in 2008 have endured large falls in arrivals in October and November.

Established South East Asian markets (Singapore, Malaysia and Thailand), along with Hong Kong have seen arrivals hold up well. These markets while also price sensitive have a higher component of independent travel and more currency savvy consumers, while there have been increases in available air seats to Australia as through traffic to and from Australia at their major hub airports has fallen.

Other markets in Asia, including India, are at an earlier stage of development with continuing faster growth.

Europe, US and Canada arrivals have held up well. The timing of the US election reduced arrivals in October, but arrivals in November and early December were far more positive.

UK arrivals have weakened more than arrivals for other Western markets.

New Zealand arrivals, as the largest arrivals market, have grown slightly during the October and November period.

The sum of all other markets, which had been growing at 12% in the first nine months, continued to grow but at around 4% in the October to December period.

Tourism Australia has sought feedback on the level of bookings for travel in the December to February period from a wide range of tourism industry operators and sellers of Australian tourism product. However, we recognise that comparing bookings received now with bookings held at the same date last year for travel in coming months is also influenced by the current economic environment. Comments about booking levels now versus a year ago only provide a rough indication of the short term outlook for arrivals to Australia and for domestic tourism.

In the current economic environment, some consumers will be deferring their booking for travel next year to closer to their intended date of travel in order to be sure that their employment remains secure in the New Year. Some consumers will have observed growing pressure on international airlines and increased discounting of international airfares and be deferring their booking in case a better deal comes along. Therefore, Tourism Australia estimates of future booking levels as compared to this time last year should be treated as a pessimistic scenario for the short term outlook for inbound arrivals.

Summary comments on the outlook for inbound travel in January and February 2009

Long haul Western markets like the US, Canada and France while weathering the end of 2008 comparatively well, are looking at noticeably weaker travel in the early months of 2009. Survey respondents indicated that this relates to consumers nervousness about their future employment and some switching to shorter haul and more affordable destinations.

The UK market in line with a larger fall expected in their economy in 2009 has a more pessimistic outlook for 2009 arrivals, whereas the German market reflecting a stronger economy has a notably more positive outlook for expected arrivals in January and February.

Arrivals from New Zealand are expected to increase slightly, on a very high base, in January and February 2009. This expectation is based on increased airline competition expected on the Tasman in these months, as well as a small fall in the Australian dollar against the NZ dollar when other currencies have moved heavily against the NZ dollar.

Asian markets as a group tend to be more influenced by the fall in the value of the Australian dollar and its potential to encourage increased arrivals to Australia in 2009. Most Asian markets are comparatively positive about expected travel in early 2009 with the exception of Korea and to a lesser extent Japan.

Inbound markets with a large share of ethnic Chinese residents are expected to benefit in January 2009 from the earlier timing of Chinese New Year. Conversely, arrivals from these markets in February 2009 will fall more significantly due to this seasonal change.

Summary comments on the outlook for the business event market

There were 187,000 inbound visitors with a primary purpose for visiting Australia of attending a Conference/Convention/Exhibition for the year ending September 2008 (down 4.5%), – though this data is affected by the inclusion of some of the 110,000 estimated inbound World Youth Day visitors. In addition, there were 130,000 inbound arrivals visiting Australia as part of an incentive trip organised by their employer in the nine months ending September 2008 (no earlier data available).

There were also 794,000 domestic overnight visitors whose primary purpose for travel was to attend a Conference/Convention/Exhibition (down 32%) in the year ending September 2008. In addition, there were 595,000 domestic overnight visitors travelling on an incentive trip organised by their employer in the nine months ending September 2008 (no earlier data available).

The commonly longer lead time between the confirmation of a business event and the opening of the event provides some protection for business event organisers that events will proceed. However, the same protection does not ensure that expected delegate numbers for the event are delivered.

Feedback from buyers at 'EIBTM – the Global Meetings and Incentives Exhibition' held in Spain in the first week of December, was that tough times were ahead. Buyers noted that this type of business event was commonly shifting to shorter lead times and clients were generally staying closer to home. However, there was still demand for incentives to incentivise staff during hard times. Despite the economic slowdown Corporate Social Responsibility and sustainability issues remained high on the agenda of buyers.

Feedback from the Australian Convention Centres commonly did not identify the changes in bookings by international origin market or domestic business event travellers. Limited feedback indicated that perhaps not surprisingly Government conference delegate numbers appear to be holding up better than do business conferences, with some feedback that attendance at social and charity events at the Convention Centres are down in the last months of 2008. Delegate numbers for National Association conferences are down for the last quarter of 2008.

Summary comments on the domestic outlook

As a lower share of the domestic tourism business is booked well in advance, framing expectations for future domestic tourism is more difficult than for inbound markets.

Most domestic travel is booked by individuals directly with suppliers, although travel agents have a more significant role with higher end domestic tourism product or more complex itineraries. Limited feedback from Australian retail travel agents

selling domestic product indicate small declines in bookings for travel in late 2008 and into early 2009. These operators remain optimistic that the falling A\$ will help to boost domestic tourism.

One negative for domestic tourism in the next year or two will be the reaction of grey nomads to falling values of their superannuation and interest returns. On the other hand the Government's significant lump sum cash payment to pensioners in December may encourage some of them to take a domestic trip that they would otherwise have not considered. In recent years, growth in domestic visitor nights has been strongest in the 55+ age group, so the fall in superannuation values represents a negative for domestic tourism growth.

The March quarter 2008 results for domestic tourism were very weak in part because of unusually bad weather on the East Coast in the peak January period. More normal weather conditions along with much lower petrol prices should cushion domestic leisure tourism growth rates if not absolute levels of tourism activity in the first three months of 2009.

Destinations within easy driving distance of Australia's major population centres should see domestic demand hold up relatively well in the coming peak domestic holiday season as economic fears are expected to encourage a greater focus on short break domestic travel. The falling price of petrol is expected to reinforce this trend.

Domestic business travel has been very weak in the first nine months of 2008 and is set to weaken further with companies cutting back travel from October 2008.

Aviation Impacts

Feedback from Australia's airports indicates that there is considerable variability in the outlook for major city destinations due to shifts in both inbound and domestic airline seat capacity.

November is the first full month of the Northern Winter Airline Scheduling season, so changes in airline seat capacity to Australian airports in this month over November 2007 provide a good guide to capacity changes that are likely to be effective until the end of March 2009. Exceptions to this thinking are our understanding that some reductions will be made in domestic airline seat capacity from the Qantas Group early in 2009 and some smaller increases in Tiger Airways domestic services from Adelaide with the establishment of their second base in February 2009.

Change in international and domestic seats in November 2008 vs November 2007

Airport	Change in International Seats	Change in Domestic Seats
Sydney	+2%	+2%
Melbourne	+7%	+8%
Brisbane	+1%	+7%
Perth	+10%	+13%
Adelaide	+2%	+4%
Cairns	-54%	+2%
Gold Coast	+140%	+1%
Darwin	+9%	+16%

Source: Survey responses from Australian airports.

Ignoring that airline load factors into these ports will change, it appears that Perth, Darwin, South East Queensland and Melbourne are likely to get more international visitor growth compared to the previous year than are Sydney, Adelaide and certainly Cairns in the next few months. Similarly, Darwin, Perth, Melbourne and Brisbane are likely to get more growth in domestic visitors by air than Sydney, Adelaide, Cairns or South East Queensland.

The challenges facing tourism in the Tropical North Queensland region following over 60% cuts in seat capacity from Japan during the second half of 2008 are well known. In contrast, South East Queensland should benefit from a greater share of Japanese visitation through increased services to Gold Coast Airport.

Tourism Australia's Response to the Global Economic Slowdown:

Tourism Australia is monitoring the environment facing Australian tourism closely and at this stage our response remains unchanged from last month's interim report.

We will continue to implement all planned activities in the existing Tourism Australia Annual Operating Plan, including leveraging the marketing of the film *Australia*, working closely with industry partners in inbound and domestic marketing and developing and rolling out the next phase of our global marketing campaigns.

However, we believe that the full impact of the global financial crisis on Australian tourism will not be felt until February 2009 onwards. As the situation becomes clearer over the next two months, any larger changes will result in Tourism Australia reassessing the strategy now in place. These changes may include working more closely with partners who are funding tactical campaigns to support arrivals, or increasing resources in short-haul markets with late booking patterns, the domestic market or to further grow working holiday maker arrivals.

In a number of our source markets Australian sales are expected to perform more strongly than sales to other competing long haul destinations due to the fall in the Australian dollar and increasing international airline seat capacity to Australia, as other markets commonly face cutbacks.

However, a greater challenge exists in winning Australian tourism sales in competing with other shorter haul and more affordable tourist destinations and in convincing consumers to travel rather than save to endure the current 'rainy day'.

Finally, Tourism Australia thanks all those businesses who contributed their time in the run up to Christmas to provide survey responses that made this update possible.

Individual Market Outlooks:

United States

Tourism Australia estimates arrivals were up slightly in November 2008 with arrivals up strongly in the first two weeks of December 2008 compared to the same periods in 2007. Visa applications by US citizens have fallen slightly in October and November 2008 compared to the same months in 2007. Visa applications appear to lead arrivals by one month, but this relationship was more variable in 2008 than for other markets.

Feedback from suppliers suggests the current economic environment is having a limited impact on 2008 arrivals (largely due to the favourable US/Australian dollar exchange rate) with around 20% declines in bookings for travel in early 2009. Those suppliers that have experienced more immediate declines in bookings comment on the customer's willingness to wait for a 'good deal'.

Michael Londregan, President Stella Travel America, noted that "in America the trends will be shorter, cheaper, closer and book later - none of these play to our (Australia's) core strengths." Other respondents noted that the comparatively high airfares to Australia, especially for business class seats, are discouraging bookings. The introduction of VAustralia services providing around 15% more seats on the route as introduced from February to April should increase the competitiveness of pricing on this route. Looking further ahead, the expected launch of a new daily Delta Airlines service from Atlanta through Los Angeles to Sydney in July 2009, adds confidence about a return to growth in the US inbound market.

United Kingdom

Tourism Australia estimates that arrivals were down 5 to 10% in November 2008 and expects a similar result for December 2008 compared to the same months in 2007.

Visa applications by UK citizens have been similarly weak in October and November 2008 compared to the same months in 2007. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from the United Kingdom, leading arrivals by one to two months. While a small sector of total UK arrivals (around 6%), Work Holiday visa applications increased strongly during October and November.

The outlook for the UK market continues to soften, with bookings down significantly in the coming months. Consumers are trending to shorter lead times for bookings (including Australia), waiting to see if there are shifts in the fares etc. In addition, with the forecast growth in capacity in the first 6 months of 2009, it will be interesting to see the impact of this on the route. Nick Crabb from Qantas Holidays summarises current market conditions as “The market to Australia will always be made up of segments that are more resilient in this kind of economic situation but there are a large number of customers whose decision to travel to Australia is impacted by media and consumer sentiment and as a result are a much harder (than normal) sell”.

New Zealand

Tourism Australia estimates arrivals were up by around 2% in November 2008 and the first two weeks of December 2008 compared to the same periods in 2007. As NZ visitors don't require a visa before leaving NZ there is no data on visa applications for this market.

Limited feedback was provided by NZ based sellers of Australia on future booking levels.

The NZ inbound market is unique owing to its very high rate of repeat visitation (around 95%) and for being our only major short haul inbound market.

In the five months to 16 December, the Australian dollar is one of the few currencies in the world that has weakened against the NZ dollar. The NZ dollar is now buying 5% more Australian dollars than it was in mid July 2008.

The most dramatic growth in NZ inbound arrivals in the last decade occurred in 2004 (up 23%) following the entry of Pacific Blue and Emirates to serving the Tasman. Total inbound arrivals from NZ is highly sensitive to changes in airline competition. Recently a flood of new airline seat capacity has been announced for the Tasman in late 2008 and early 2009. The Melbourne-Auckland route in particular is gaining seat capacity from Air New Zealand and Pacific Blue. The Sydney-Auckland route is also gaining seat capacity from Pacific Blue and from Emirates changing its daily service to an A380 from February 2009.

Germany

Tourism Australia estimates that arrivals were down slightly in November 2008 and up slightly in December 2008 compared to the same periods in 2007.

Total holiday and business visa applications by Germans have been little changed in October and November 2008 compared to the same months in 2007. The Working

Holiday Maker sector represents around 10% of German arrivals and visa applications have increased from this sector during this period. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Germany, leading by around one to two months.

Mixed comments were received from German based sellers but most are cautiously optimistic. Many have reported improvements in enquires and bookings in December 2008 and early 2009 few suppliers have seen cancellations in travel.

Steffen Albrecht from Karawane Reisen GmbH noted “We think that the financial crisis and a possible recession will have a more long term impact. For most of our clients it is no reason to cancel a fixed booking. However travel plans will possibly be delayed to a later stage when the economic developments and personal impact have become more clear. A possible problem will be that big companies force their employees to take vacation on very short notice basis. E.g. BOSCH and other big industrial companies are closing for 3 weeks now. Old holidays must be taken and new holidays (2009 days) as well. If this happens there will possibly be not enough days left to go on a long haul trip, not to mention the fear of losing the jobs”.

France

Tourism Australia estimates that arrivals were up 5 to 10% in November 2008 and in the first two weeks in December 2008 compared to the same periods in 2007.

Visa applications from France have similarly weakened in October and November 2008 compared to the same months in 2007. The Working Holiday Maker sector represents around 15% of French arrivals and visa applications from this sector have increased strongly during this period. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from France, but only lead arrivals by a few weeks.

Of the sellers of Australia in France who reported findings both enquiries and bookings are declining leading into 2009 and pessimism is expressed about bookings for travel later in 2009. There has been no change in cancellations in the last two months. The economic crisis had affected Europe and France earlier in 2008 and thus the cost of visiting Australia appears high to many potential clients. Sellers report that many clients are already starting to choose short haul destinations.

Canada

Tourism Australia estimates that arrivals were up around 10% in November 2008 and the first two weeks of December compared to the same periods in 2007.

Applications for holiday and business visas by Canadians have been weaker in October and November with little growth in these months compared to the same months in 2007. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Canada, leading by around one month.

Mixed comments were received from Canadian based sellers with few reporting cancellations. Overall travel is expected to soften from December 2008 onwards with bookings down around 10 to 15% on average for travel in January and February 2009.

Ireland

Tourism Australia estimates that arrivals were down slightly (-5% to 0%) in November 2008 and the first two weeks of December compared to the same periods in 2007.

Applications for holiday and business visas from the Irish have been similarly weak in October and November 2008 compared to the same months in 2007. However, the Working Holiday Maker sector represents around 25% of Irish arrivals and visa applications have increased very strongly during this period – so other classes of holiday visitor are down quite heavily. Total visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Ireland, leading by around one month.

There was no feedback provided by Irish suppliers on bookings levels for travel in 2009. The split up of visa application data suggests that the share of Irish arrivals who are backpackers will increase, while the number of other Irish visitors to Australia will fall in early 2009.

Japan

Arrivals from Japan have been declining for a number of years, and this decline accelerated in the first half of 2008 with the very high Australian dollar and increased fuel surcharges imposed by airlines.

It appears that despite declining airline seat capacity between Japan and Australia in the second half of 2008 and a worsening Japanese economic outlook, the rate of decline in arrivals from Japan has stayed close to the 20% level recorded in the first half of the year.

Estimated arrivals in November 2008 were for declines of just over 20% while the first half of December appears to have had similar declines in arrivals compared to the same period in 2007. In line with this data, holiday and business visa applications

lodged to visit Australia which lead actual arrivals by around a month were also very weak in October and November.

Within a generally negative booking outlook for upcoming months there are some positive views among outbound sellers of Australia in Japan due to the combined effects of the reduction in fuel surcharge and the stronger yen. However, it is not uncommon for overseas sellers to expect a worse than 30% reduction in travel in December to February due to the heightened prospect of job losses, reduction in salaries and bonuses in Japan. Australia as a destination remains expensive relative to Europe and some sellers suggest a greater substitution is underway by young travellers towards cheaper alternatives such as Korea.

More positively, the Australian dollar has fallen most heavily against the Yen. From a recent peak of 104 Yen to the Australian dollar on 21 July 2008, the 16 December exchange rate was 61 Yen to the Australian dollar or a fall of 42% (after going as low as 59 Yen in the previous week).

China

The Chinese market went into decline around mid 2008, following the catastrophic Sichuan Earthquake and the Government's and public's reaction of cutting outbound travel. This trend was reinforced by a stay at home approach for the Beijing Olympics and the cancellation of the National Golden Week holiday period.

Tourism Australia estimate that arrivals in November fell by around 15% while arrivals in the first half of December appear to have been broadly unchanged compared to the same period in 2007. Similarly, holiday and business visa applications lodged to visit Australia which lead actual arrivals by around a month were also weak in October and November 2008 compared to the previous year.

Feedback from sellers included that the impact of the economic crisis varies in the different geographic markets in China and according to the types of travellers. Guangdong Province for example is much less affected with more mature travellers and is continuing to sell comparatively well. Shanghai is more cautious and adopting a wait and see attitude, whilst Beijing has felt the effect more swiftly.

Sellers of Australia in China report that the high-end market is holding but the price sensitive travellers are opting for Japan or elsewhere with cheaper airfares. The economic downturn does not seem to be much affecting tourism from China. There is considerable disparity in the bookings between sellers, and it appears Group and Business specialists are expecting negative growths whilst FIT-Leisure markets remain positive in comparison.

The Chinese Government tourism administration expects total outbound tourism from China to return to growth in 2009. Given the significant role of the Government

in influencing outbound travel from China, this is a very positive development for the outlook for arrivals to Australia from this market.

Hong Kong

Tourism Australia estimates that arrivals were down slightly (-5 to 0%) in November 2008 and expects around 5% growth in December 2008 compared to the same months in 2007. Visa applications for Australian holiday and business visas by Hong Kong citizens have increased slightly across October and November 2008 compared to the same months in 2007. Visa applications are a reasonable leading indicator for total arrivals from Hong Kong by around one month.

The majority of sellers from the Hong Kong market have reported positive growth for December and into January/February 2009 for both enquiries and bookings, while a minority are reporting falls in bookings for coming months. There has been no indication of an increase in cancellations.

This market prefers promotional airfares and with a decrease in the AUD currency rate and fuel surcharges (especially on Cathay Pacific) will help to attract customers. One agent noted a shift to later booking and consumers more aggressively searching for the best last minute deal. Tourism Australia understands there will be six supplementary charter flights by Qantas for Chinese New Year that occurs in late January in 2009 after being in February in 2008. Sales of these supplementary seats have been very strong.

Highlighting the interaction of tourism markets, the current slowing of inbound and outbound travel to/from UK/Europe and from Taiwan, China and Korea is expected to increase seat availability at the Hong Kong hub for Hong Kong travellers to Australia. In previous peak periods, seat availability for Hong Kong based agents wishing to sell Australian destinations has been very tight.

Korea

The Korean market was in decline in the first half of 2008, before the Global Economic downturn. However, since September arrival comparisons with the previous year have become even less favourable.

Estimated arrivals in November and the first half of December have been weak with significant falls of around 30% in arrivals compared to the same period in 2007.

Similarly, holiday and business visa applications lodged to visit Australia which lead actual arrivals by around a month were also very weak in October and November. Visa applications for the large Working Holiday Marker sector (around 14% of all arrivals) are holding up far better but are still down slightly

On the basis of booking data, group travel sellers are expecting 30% or more declines in sales for the period December – February. FIT sellers are somewhat more positive, but the picture is patchy between some with growth and some with less marked falls in sales expectations.

Singapore

Tourism Australia estimates that arrivals were down around 5 to 10% in November 2008 and may increase around 5 to 10% in December compared to the same months in 2007.

Visa applications for holiday and business travel to Australia were relatively flat in October and November 2008 compared to the same months in the previous year. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Singapore. Commonly, the lead of visa applications is around one to two months ahead of total arrivals.

Mixed comments were received from Singapore based sellers, with some predictions of rises and others declines in enquires and bookings for travel to Australia in January and February 2009. Sellers of independent travel were looking at improved booking in January and February. One agent noted that political unrest in Asia (Thailand) has resulted in a shifting of bookings to Australia among other destinations. Favourable exchange rates have also helped Australia in this price conscious and opportunistic market that is often highly familiar with Australian tourism opportunities. The Australian dollar is now worth less than the Singapore dollar after a 25% fall in the last five months. One other element of positive news is that surveyed agents are showing no change in cancellations.

Highlighting the interaction of tourism markets, the current slowing of inbound and outbound travel to/from UK/Europe and from China is expected to increase seat availability at the Singapore hub for Singapore travellers to Australia. In previous peak periods, seat availability for Singapore based agents wishing to sell Australian destinations has been very tight.

Malaysia

Tourism Australia estimates arrivals were up strongly (around 10%) in November 2008 followed by moderate growth (0 to 5%) in the first two weeks of December 2008.

Visa applications by Malaysians have been weaker (than arrivals) though still increasing in October and November 2008 compared to the same months in 2007. Visa applications for holiday and business visas are a reasonable leading indicator for

total arrivals from Malaysia. Commonly, the lead of visa applications is around one to two months ahead of turning points in total arrivals.

Malaysian based sellers of Australia reported significant declines of 10 – 30% in both bookings and enquiries in coming months. Cancellations have also increased around 10%.

The inbound market from Malaysia is being significantly affected by the expansion of AirAsia X services to Perth and Melbourne during November 2008. This is expected to result in a shift to more independent and budget travel and away from packages. Malaysia Airlines as the dominant carrier of inbound Malaysians is fighting hard to keep its position with less budget focussed travellers. Perth and Gold Coast airports have recorded good growth in October and November arrivals from Malaysia (+30%) thanks to the introduction of Air Asia X services. Brisbane Airport has minimal growth over the last two months while Sydney has shown considerable declines of around 25% in Malaysian inbound passengers.

India

Tourism Australia estimates arrivals were up strongly (around 30%) in November 2008 followed by softened growth in the first two weeks of December 2008. We are unsure what impact the Mumbai terrorism impacts that targeted tourists will have on outbound travel from India.

Visa applications for holiday and business travel by Indians have weakened through 2008 and been noticeably weaker (than arrivals) in October and November, suggesting the strong growth in the leisure market from India may be 'coming off the boil'. The trend between visa applications and arrivals is less obvious than other markets which may be due to a high proportion of education visitors from this market.

Indian sellers of Australia reported 10 to 30% declines in bookings and enquiries over the past 2 months and leading into early 2009. There have been no changes to cancellations so far. Brisbane for both months have recorded exceptional growth which is largely due to the major carriers (Singapore, Emirates and Thai) expanding their Indian networks throughout the year and now boast good connectivity through to Brisbane. Sydney too has benefited and has reported increased growth +5% in October and +20% in November.

Taiwan

While this market has been weakening since 2005, recent shifts in the environment provide a less negative outlook at least in the short term. Tourism Australia

estimated arrivals were up slightly in November 2008 with arrivals up strongly in the first two weeks of December 2008 compared to the same periods in 2007.

Visa applications by Taiwanese have been weaker (than arrivals) in October and November 2008 compared to the same months in 2007 but growth in visa applications has strengthened compared to the growth applying in previous months. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Taiwan. Commonly, the lead of visa applications is only around one month ahead of turning points in total arrivals.

As the two airports receiving flights from Taiwan, Brisbane Airport recorded declines in arrivals in October but growth in November while Sydney Airport was less variable with a 10% decline in October and no change in November.

The Taiwan market is considered highly price sensitive, and the 25% decline in the Australian dollar since mid July will boost interest in visiting Australia. Patterns of Taiwan outbound travel in 2009 will be affected significantly by the recent partial opening of direct flights from Taiwan to China beyond Hong Kong and Macau. Further liberalisation of Taiwan to China travel would reduce opportunities for arrival growth to Australia in 2009.

Other markets (outside the above 15)

Total inbound tourist arrivals from other markets to Australia has on average been growing quite strongly during 2008 and appears set to fall less noticeably than the major markets in early 2009. In the first ten months of 2008, total arrivals from all markets other than the top 15 markets grew by 10%, while arrivals from the top 15 markets fell by 3%. Over this period these markets represented 19% of all inbound arrivals.

Other inbound markets are commonly at an earlier stage of development and improved air access and awareness of Australia can have a larger impact on arrival growth than has short term economic growth.

However, in the longer term economic growth is a key drive of rapid arrival growth out of these markets. This reflects that markets like South Africa, Indonesia, South America, Vietnam and Eastern Europe commonly have a more unequal distribution of household incomes than our major markets. When economic growth occurs in countries with more unequal incomes there can be much larger growth in the numbers of households with the income to travel than the raw growth in GDP suggests.

Tourism Australia expects inbound tourist arrivals from the other markets in November and December to increase by around 2%, as compared to the 3% fall in arrivals for the top 15 markets. Total visa applications from outside the top 15

markets in October and November were down by 3%, while visa applications for the top 15 markets were down by 9%.