

Russia

Key Market Message

The government had forecast that Russia's gross domestic product would contract a mere 2.2 per cent in 2009 but new government figures released in May 2009 show that the economy contracted by 9.5 per cent in the first quarter from last year. Figures for April were not any better: the economy contracted by 10.5 per cent in April, reported Deputy Economy Minister Andrei Klepach, predicting that the budget deficit could rise to as much as 9 per cent of GDP. April retail figures slipped five per cent according to government figures.

The data highlighted Russia's official recognition that the collapse of oil prices, from US\$147 a barrel last July to US\$32 in January 2009, and the contracting of the flow of credit has had a devastating impact on the economy. Since January however, there has been a resurgence in oil prices which has resulted in some improvement in the value of the Rouble.

The economic slow-down has affected the Russian travel market with a near 30 per cent decrease overall in outbound tourism for YTD April 2009 as compared with the same period in 2008. Despite the dramatic drop (30 per cent) in Russian arrivals to Australia in March 2009, the Australian Department of Foreign Affairs and Trade (DFAT) has reported that visa applications to Australia are only three per cent lower than the same period in 2008.

Source: <http://www.forbes.com/2009/05/26/russia-economy-contraction-markets-economy-oil.html> , <http://www.tmiconsultancy.com/newsletters/tmi/flash.html#title1>

1. Key Market Results and Achievements

- Australia won the Country of Dreams award at the MITT show held on 18 to 21 March 2009 in Moscow. Russian internet users voted for their favourite destinations on www.travel.ru.
- Tourism Australia attended MITT in March in Moscow, and had appointments with key airlines and tour operator partners as well as the Embassy and Austrade.

- Tourism Australia launched a 12 page, A3 format, Russian language supplement on Australia to the travel trade via TTG.
- The first of three Emirates familiarisation trips to Australia was held in March, with 15 key Russian travel agents visiting NSW and Victoria.

2. Australian Travel Market

2.1 Market performance

- Russian arrivals in March were 800, a decrease of 30 per cent relative to March 2009. In the year ending March 2009, there were 12,300 arrivals, an increase of one per cent relative to the previous 12 months.
- Russian arrivals in April were 800, a decrease of two per cent relative to April 2008. For the four months to April, visitor arrivals totaled 4,400, a decrease of 10 per cent relative to the same period in 2008. For the year ending April 2009, there were 12,300 arrivals, an increase of one per cent relative to the previous 12 months.

2.2 Airline Issues/Changes

- Thai Airways is promoting a reduced fare to Australia from €622 for an economy class seat. The offer excludes airport and fuel taxes and is valid for a minimum of two passengers until the end of June 2009.
Source: www.thaiair.com
- Etihad Airways launched a special promotion campaign for cheaper flights to Melbourne via Abu Dhabi starting from €945. The offer is valid until 31 May 2009.
Source: www.etihadairways.com
- In April, Qantas introduced their lowest basic fare to any of the 7 Australian gateways of €650, plus €297 in taxes. This was the lowest fare in the market, with a selling period March 30 – April 30, for the travel period 1 April – 30 September 2009.
Source: www.qantas.com

2.3 Trade Information Summary (including Business Events)

- The economic slowdown has affected the Russian travel market with a reported drop of nearly 30 per cent in outbound tourism as at Spring 2009, compared with the same period in 2008.
Source: RATA News
- The Russian Federal State Tourism Agency has predicted that the number of Russian outbound travelers will be down by 25 per cent in 2009.
Source: Federal State Tourism Agency

- Despite the economic crisis, Russian travel specialists are still expecting some independent middle class travellers to visit Australia in groups of 10 to 15 people in 2009; group travel would reduce the cost of the holiday.
- In order to enter the Russian market, TUI is reported to have acquired a majority share of VKO Group and plans to take a 75 per cent controlling stake in MosTravel stocks (a Turkey and Egypt destination specialist). The moves come a year after TUI Travel announced that it was forming a joint venture with S-Group Capital Management, together with affiliated parties, to develop its Russian and CIS leisure tourism presence. No consolidation plans have been announced to date.
Source: www.tourdom.ru
- Anecdotal feedback from trade is that Thailand, Malaysia and Indonesia are proving popular long-haul exotic destinations as these destinations offer “great value for money” packages.
Source: operator feedback
- There has been increased interest by travel agents and operators to Australian educational institutions. Compared with schools, colleges and universities in the UK and USA, Australian schools are cheaper due to the lower Australian dollar and more accessible owing to an easier short-term visa procedure.
Source: operator feedback
- Latin American countries Argentina, Salvador, Columbia, Brazil and Venezuela which are considered to be major Australian competitors in the long-haul segment, have concluded a visa-free agreement with Russia.
Source: RBK
- Hong Kong and Russia signed a bi-lateral agreement allowing travellers to stay in both countries up to 14 days on a visa-free basis. The agreement is planned to come into effect in July 2009.
Source: www.tourinfo.ru

3. Current and Upcoming Activities in Market

3.1 PR and Consumer:

Dates	Project / Event	Partners
21 March 2009	<ul style="list-style-type: none"> • NTV prime time TV program aired a feature on Australia and “The Best Job in the World”. 	Singapore Airlines, Tourism Australia, Tourism Queensland
May 2009	<ul style="list-style-type: none"> • Co-op Consumer campaign in Moscow Magazine <i>7 Days</i>. 	Tourism Australia, Emirates

3.2 Trade Marketing:

Dates	Project / Event	Partners
March 2009	<ul style="list-style-type: none"> • TTG Russia – a 16-page Australia supplement based around <i>Australia the movie</i> themes was released. 	Tourism Australia, Royal Travel, TTG, Qantas, Cathay

Dates	Project / Event	Partners
		Pacific, Singapore Airlines, Etihad
16-20 March 2009	<ul style="list-style-type: none"> Tourism Australia attended MITT and met with key industry partners, airline partners, the Australian Embassy and Austrade. 	Tourism Australia
16 March 2009	<ul style="list-style-type: none"> Co-op travel agents training event. 	Tourism Australia, Etihad
April 2009	<ul style="list-style-type: none"> Emirates famil to NSW and VIC for 15 key agents. 	Tourism Australia, Emirates
17 – 27 May 2009	<ul style="list-style-type: none"> Emirates famil to South East Queensland and the Whitsundays for 15 key travel agents 	Tourism Australia, Emirates
May 2009	<ul style="list-style-type: none"> Distribution of Tourism Australia's first Russian language poster to 12,000 travel trade contacts via TTG 	Tourism Australia, TTG

4. Media Environment

- *Australia* starring Nicole Kidman and Hugh Jackman was not favoured by the Russian public, yet raised some interest towards Australia as a destination.
- Australia has been widely promoted through its celebrities Hugh Jackman and Mel Gibson who were featured on many glossy covers, some television shows and Internet sources. In April, Hugh Jackman spent a few days in Moscow promoting his new movie "Wolverine", whereas Mel Gibson made headlines with media claims of his liaison with a Russian girlfriend.
- A small lifestyle feature on the Great Barrier Reef appeared in Russian ELLE in the April 2009 edition.
- Australia has been mentioned in the news (mainly on the internet) for:
 - Implementation of extra real estate taxes given the new energy efficiency standards,
 - Tourism Queensland's "The Best Job in the World" winner announced,
 - Plans to significantly rearm the Australian military forces,
 - A Sydney joinery thief saved by a helicopter,
 - An Australian tropical island on sale at a discounted price and,
 - Gastric restriction surgeries to be paid by the government.
- The UGG boots presentation in Australian designers' boutique Cara&Co was covered by several glossy magazines.

For more information on Tourism Australia's publicity, International Media Hosting Program (IMHP) and results, please visit www.publicity.australia.com

Alternatively for general media information visit www.media.australia.com

5. General Travel Outlook

5.1 Political and Economic Outlook

- According to the Russian Ministry of Economy and Development GDP plummeted by 8 per cent in January and February 2009 and by 9.5 per cent in March 2009. The International Monetary Fund (IMF) experts predict a total 6 per cent drop of GDP by the end of the year.
Source: http://news.xinhuanet.com/english/2009-04/23/content_11245496.htm , accessed 29 May 2009
- The Russian Rouble has made a surprisingly fast recovery, regaining 12 per cent of the 30 per cent of its lost value against the US dollar earlier this year. In May, the Russian Rouble went back up to 31.8 Roubles to the US Dollar or 43.25 to the Euro. The Russian stock market has also made a good recovery reaching its peak after 7.5 months of economic doldrums. Much of this positive news is a result of the recent surge in oil prices of which the Russian economy is still highly dependent for its success, even though the government is trying to diversify its dependence on natural resources, the quick resurgence in the price of oil will hardly give the economy time to re-orientate itself.
Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html#title1> , accessed 29 May 2009
- By the end of April 2009, inflation had reached 6.2 per cent, down 0.1 per cent from the same period last year.
Source: *Federal State Statistics Service*
- The Russian unemployment rate was estimated at 7.5 per cent or 7.1 million people in February 2009.
Source: *Federal State Statistics Service*
- The Russian government has approved the latest draft of the revised 2009 budget, which proposes a 7.4 per cent deficit (approximately US\$89 billion). It is the country's first deficit budget in the last eight years. The revised budget includes US\$50 billion to finance a package of anti-crisis measures, including stimulating the domestic demand and support for the financial sector. Russian banks will receive US\$9 billion to withstand the growing volumes of non-performing loans. To cover the budget deficit, the authorities plan to use up to 55 per cent of the country's Reserve Fund. As of 1 March 2009, Russia's Reserve Fund will be US\$385.3 billion, from a record \$598.1 billion in August 2008.
Source: *TMI Consulting*
- The Barclays Capital analysts anticipate the rouble will further devalue by at least 15 per cent by autumn 2009. Merrill Lynch experts however believe the risk of repeat devaluation has already vanished.
Source: <http://capital-en.trend.az/oil/prices/1467480.html> , accessed 29 May 2009

5.2 Outbound Travel

- Results of the second wave of WIN Crisis Index, a survey by Russian pollster Romir, indicate that in the face of the economic downturn, more than one-third of Russians have reportedly had to cut their holiday expenses. In the three months preceding the survey, 36 per cent of Russians had to cut their travel spending.
Source: <http://www.romir.ru/en/>, accessed 29 May 2009
- Analytical surveys show that Russians have become more price-sensitive. Many of those who used to travel long-haul have now switched to European resorts such as Greece, Cyprus, Italy, Spain and Portugal. Another emerging trend is shortening holiday length, for example from 14 to 10 days, and to opt for more affordable accommodation such as staying at a 4-star rather than a 5-star hotel.
Source: www.tourdom.ru, accessed 29 May 2009
- Some of the biggest Russian tour operators have successfully negotiated significantly lower hotel tariffs with traditional “Russian” resorts in Turkey, Egypt and Greece, resulting in cheaper holiday offers to these destinations. Some of the packages available to these destinations are even cheaper than Russian domestic travel.
Source: www.tourbus.ru, accessed 29 May 2009
- The Sri Lanka Tourism Promotion Bureau has temporarily suspended its representative office’s operations in Moscow due to the financial pressures.
Source: www.tourbus.ru, accessed 29 May 2009
- The Tourism Board of Dominican Republic announced its plans to open a representative office in Moscow in mid-Summer 2009 and intends to double its marketing budget in Russia.
Source: www.tourbus.ru, accessed 29 May 2009
- In April 2009, the Seychelles Ministry of Tourism and Air Seychelles organised a workshop for Moscow travel agents.
Source: TTG Russia
- Turkish Airlines’ have launched a promotional campaign offering flights to destinations in Asia and South Africa via Istanbul; the campaign is valid from 16 April until 31 May and includes fares such as Moscow to Seoul from €299, and Moscow to Johannesburg from €340.
Source: www.tourbus.ru, accessed 29 May 2009
- Emirates is offering flights to Bangkok via Dubai for €350 valid until 27 June 2009.
Source: www.travel.ru
- Qatar Airways is offering flights to many destinations in Asia at a discounted price (e.g. Moscow to Hong Kong from €471, and Moscow to Delhi from €397). The special offer is valid until 31 May 2009.
Source: www.travel.ru

6. Next 60 Days

Russia						
START DATE	END DATE	MARKET	PROJECT/EVENT	TARGET AUDIENCE	LOCATION	PARTNERS
June 2009	June 2009	Russia	<ul style="list-style-type: none"> Development of a new Russian language consumer brochure and copy for new ASP program in Russian 	Consumer, Trade	Moscow	Tourism Australia
3 June 2009	11 June 2009	Russia	<ul style="list-style-type: none"> Emirates famil to New South Wales and the Red Centre for 15 key travel agents 	Trade	NSW, Red Centre	Tourism Australia, Emirates
16 June 2009	19 June 2009	Russia	<ul style="list-style-type: none"> ATE: Two Russian companies will attend ATE in Melbourne, giving them the opportunity to meet with Australian sellers and gain valuable information to help increase sales to Australia. 	Trade	Melbourne	Various