



Outlook for short-term visitor arrivals from Latin America

A consultancy by Tourism Research Australia for the Council on Australia Latin America Relations

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COALAR

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Summary

Latin America is a small but rapidly growing inbound market for Australia. Arrivals from Latin America account for only 1% of visitor arrivals but have more than doubled in the past five years: rising from 25,200 in 2003 to 62,000 in 2008. In 2008, visitor arrivals from Latin America grew 21% over the previous year and the economic value to Australia of these arrivals was \$323 million. Each arrival, on average, contributed \$7,024 to the Australian economy, 60% more than the average for all visitor arrivals.

Tourism Research Australia forecasts visitor arrivals from Latin America to Australia will increase at a rate much higher than arrivals from the rest of the world. Latin American visitor arrivals are forecast to grow by 6% in 2009, with the highest growth rates to come from Argentina (40%) and Chile (10%), followed by Brazil (7%). Arrivals from Mexico and 'Other' Latin American countries are forecast to fall 14% and 5% respectively, in 2009.

A gradual economic recovery in Latin America is forecast to support growth in arrivals of 15% in 2010. From 2008 to 2012, growth is forecast to average 14% a year to reach 106,000 in 2012; 71% higher than in 2008.

Although the forecast growth is modest compared with trends of recent years, these projected growth rates still outstrip that for total arrivals in Australia (2.9% a year on average between 2008 and 2012). This compares with annual averages for:

- Argentina, Brazil and Chile: over 17%
- Mexico: 2%
- 'Other' Latin American countries: 10%

The positive outlook for inbound arrivals from Latin America is underpinned by:

- improving economic conditions in 2010
- favourable exchange rate movements
- increasing airline seat capacity between the two regions
- the increased awareness of Australia's tourist attractions
- increasing trade and cultural links
- education policies in Brazil and Chile requiring students to be bilingual.

Four Latin American countries account for 78% of total visitors from the region: Brazil, Argentina, Chile and Mexico. These countries are expected to continue providing the bulk of visitor arrivals, but high growth is also expected from other countries such as Colombia, Peru and Venezuela.

The number of Brazilian visitors to Australia has increased substantially over the past 20 years and they now account for over 40% of visitors from Latin America.

Australia faces strong competition from the traditional destinations for Latin American outbound travel (Europe and North America). Tourism Australia's marketing efforts are focused on Argentina and Brazil. These countries accounted for around half the inbound visitor arrivals from Latin America in 2008.

Growth in visitor numbers will also be constrained by distance, relatively underdeveloped cultural and trade links and limited direct air services between the two regions.

However, Australia is well placed to attract tourists seeking experiences different to those offered by Europe and North America, and could benefit from growth in the youth, education and luxury markets.

The education market is a feature of the Latin American inbound market. Education visitors account for 28% of arrivals from Latin America but only 7% of all visitors to Australia. This lucrative Latin American market was valued at \$163 million in 2008, up 18% from the previous year. These visitors, on average, each contributed 50% more than the average of all visitors to Australia.

The Latin American 'luxury' segment, which has traditionally favoured Europe, is seeking experiences that Australia is well placed to offer, for example, Indigenous, nature and outback experiences.

Introduction

This report analyses and forecasts short term visitor arrivals from Latin America to Australia drawing on information from various sources including: United Nations World Tourism Organisation, Australian Bureau of Statistics, Euromonitor, Economist Intelligence Unit, OANDA, Consensus Economics and Tourism Research Australia databases.

The analysis discusses trends in Latin American visitor arrivals to Australia and Australia's competitive position in the Latin American market. The forecasts to 2012 provide a perspective on the potential growth on arrivals from Latin America.

Latin America includes Central and South America covering a land mass of over 20 million square kilometres, comprising 22 countries with a total population of some 522 million (Source: International Monetary Fund, IMF, 2008).

Trends in visitor arrivals

Four of the wealthiest Latin American nations (Brazil, Argentina, Chile and Mexico) account for 78% of Latin American visitors to Australia (Table 1). In 2008, residents from these same countries represented 71% of total departures from Latin America.

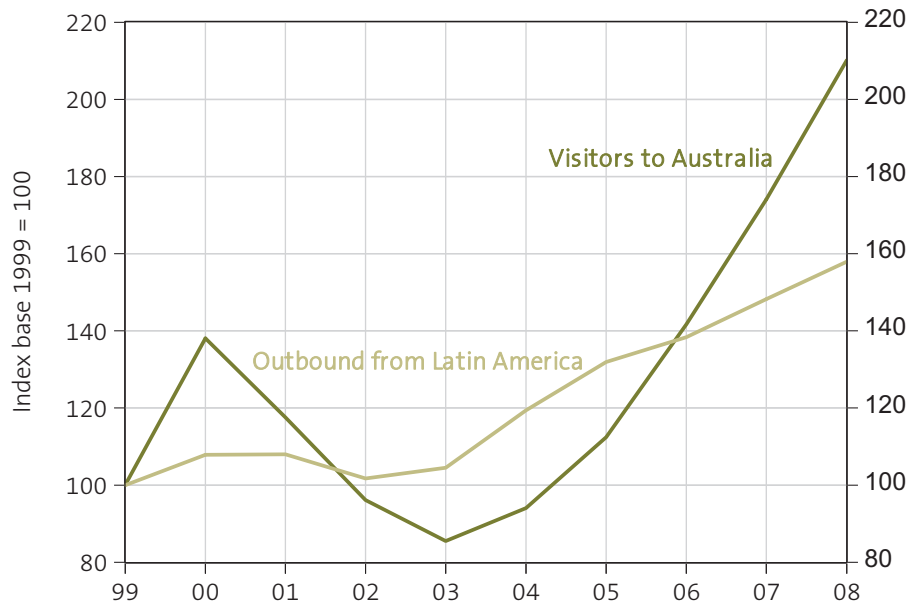
Table 1: Main countries' share of outbound travel in 2008

Market	Departures from Latin America		Arrivals to Australia ('000)	
	Visitors (Million)	Share of total (%)	Visitors ('000)	Share of total (%)
Argentina	4.5	10.7	5.8	9.4
Brazil	6.2	14.6	25.0	40.3
Chile	3.5	8.2	10.3	16.6
Mexico	15.9	37.5	7.5	12.1
Rest of Latin America	12.3	29.0	13.4	21.6
Total Latin America	42.3	100.0	62.0	100.0

Source: Euromonitor 2008, Tourism Research Australia OAD database

The number of Latin American visitor arrivals to Australia has increased at a faster rate than total outbound travel from Latin America, indicating an increasing market share for travel to Australia (Figure 1).

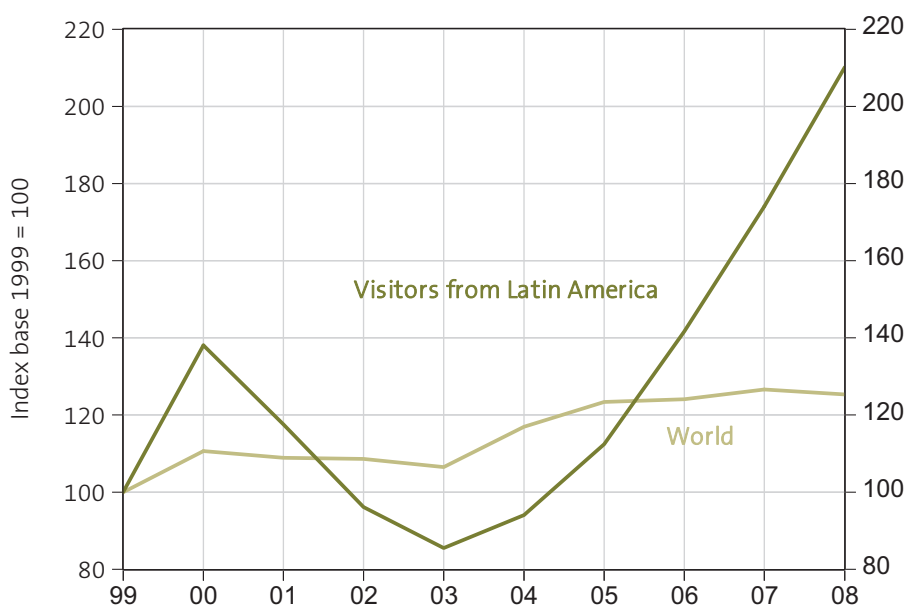
Figure 1: Outbound travel from Latin America and arrivals to Australia from Latin America



Similarly, the growth rate in Latin American arrivals to Australia since 1986 has been stronger than growth in total arrivals to Australia (Figure 2). Arrivals from Latin America fell abruptly following the 2000 Sydney Olympic Games. This decline can also be attributed to events such as the:

- collapse of the Argentinean economy at the end of 2001
- September 11 terrorist attacks in the US, and to some extent the October 2002 Bali bombings and the SARS epidemic in 2002 and 2003
- the departure of Qantas from the Buenos Aires route following the drastic fall in demand for long haul travel.

Figure 2: Visitors to Australia from Latin America and World



Rapid growth resumed in arrivals from Latin America to Australia after 2003, with growth averaging 20% a year between 2003 and 2008 (Table 2). Despite this high rate of growth the Latin American market remains small, representing only 1.1% of all visitors to Australia.

Table 2: Annual growth rate of visitor arrivals to Australia

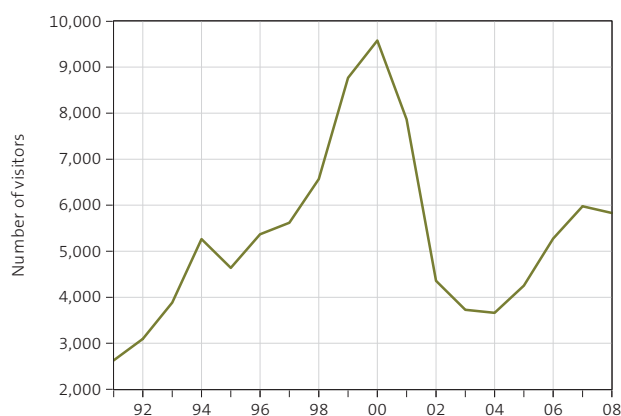
	Latin America	World
	(%)	
1986–95	11.5	11.6
1995–00	18.6	5.8
2000–03	-14.7	-1.3
2003–08	19.7	3.3

In 2008, Argentina, Brazil, Chile and Mexico accounted for 78% of total visitors from Latin America, down from 83% in 2006. This decline is accounted for mostly by falls in arrivals from Argentina and Mexico, with Argentina's share of arrivals falling continuously since 2000 and Mexico's since 2003. In 2008, Brazil and Chile had the largest shares of arrivals, while Argentina had the smallest share.

Argentina

Prior to 2000, Argentina was the largest source market for visitors to Australia from Latin America, providing between 21% and 31% of visitors throughout the 1990s. However, its share of total arrivals has fallen rapidly from 30% in 1999 to 9% in 2008. Argentina is still considered a major tourism market for Australia due to the growth potential of its economy and air links with Australia.

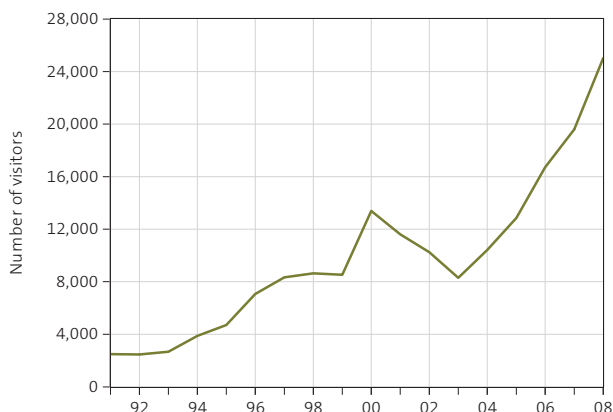
Figure 3: Arrivals from Argentina



Brazil

Brazil is the largest Latin American source market for visitors to Australia, accounting for 40% of arrivals from Latin America. The number of Brazilians visiting Australia has increased strongly over the past two decades, with the exception of the period between 2001 and 2003.

Figure 4: Arrivals from Brazil

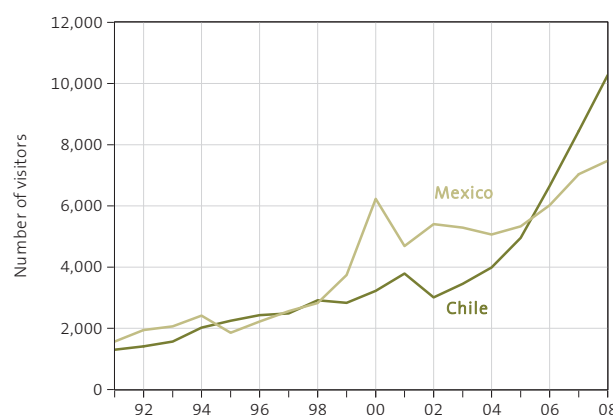


Chile and Mexico

Visitor numbers from Chile and Mexico have increased steadily since the early 1990s. Visitor numbers from Chile grew 23% in 2008: the second highest growth rate after Brazil. Chile's share of total Latin American visitors has increased steadily, rising from 8% in 2000 to 17% in 2008.

Mexico's share has fallen steadily from a peak of 21% in 2003 to 12% in 2008.

Figure 5: Arrivals from Chile and Mexico



Rest of Latin America

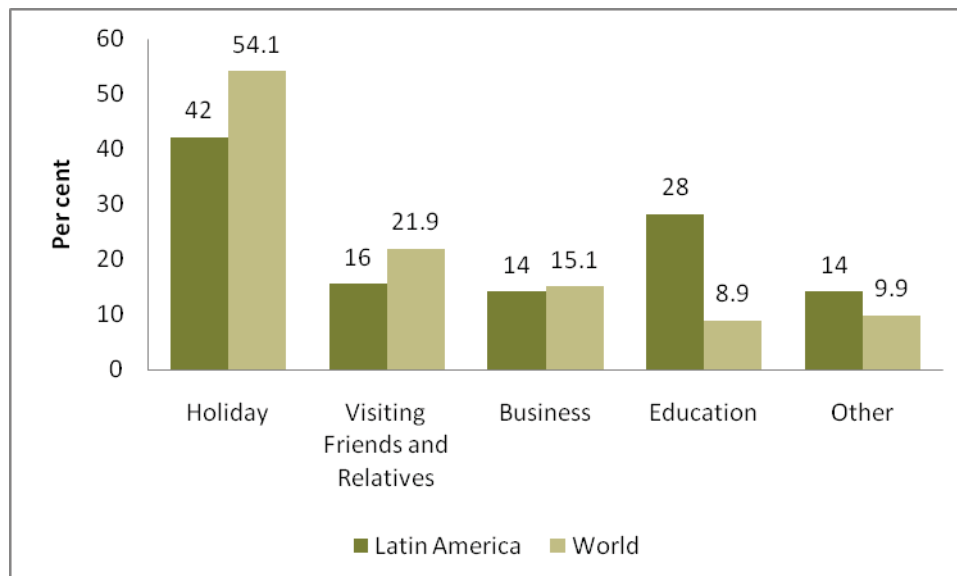
The number of visitors from the remainder of Latin American has risen more than 13 times since 1986. However, their share of total Latin American arrivals has remained stable at between 19% and 22% throughout the 1990s and 2000s.

Among the rest of Latin American countries, Colombia, Peru and Venezuela are providing the highest growth rates.

Purpose of visit

Visitor arrivals from Latin America have a different distribution by purpose of visit than all visitors to Australia (Figure 6). Visitors on holiday comprise a smaller proportion of the total travel to Australia: 42% compared with 52% for the World.

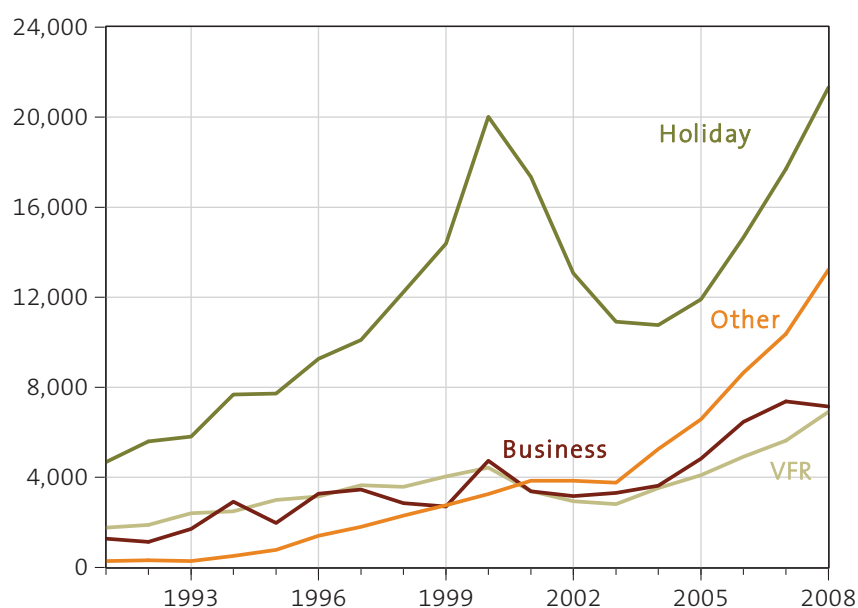
Figure 6: Visitor arrivals by purpose from Latin America and World, 2008



Note: VFR: Visiting friends and relatives

Education arrivals are proportionately higher for Latin America than for all visitors. The share of tourism education is 28% of total visitor arrivals from Latin America compared with only 9% for all visitors to Australia. This share has almost tripled since 2000, with total Latin American visits growing only 50% during that period. Brazil has been the driving force behind the growth in education arrivals to Australia, accounting for 57% of total education visitors from Latin America in 2008. Education arrivals from Brazil grew 31% in 2008. However, Chile provided the largest growth 56%, while the number of education tourists from Argentina fell 10%.

Figure 7: Latin American visitors by purpose of visit



Education is usually a long-term consumption item, requiring planning and saving well in advance of the time of travel. As a result, the number of education arrivals tends to be less influenced than other categories by changes in economic performance from year to year.

The tourism environment

This section outlines Australia's competitive position in attracting visitors from Latin America and the impact of the current policy and economic environments on visitor arrivals to Australia. The policy environment includes: marketing strategies, aviation factors, trade and investment, education, and visa requirements.

Competition for international tourism

Australia faces fierce competition and strong marketing efforts for Latin American tourists on several fronts, including Latin America's own domestic tourism market along with Europe, North America and Asia. Australia's competitive position is heavily influenced by its distance from Latin America, relatively low air seat capacity, high cost of travel, and relatively underdeveloped cultural and trade links.

Nevertheless, Latin American outbound visitor departures to Australia are growing at a much higher rate than to the rest of the world. Euromonitor forecasts the outbound market in Latin America to grow from 42 million travellers in 2009 to 55 million in 2012 (Euromonitor 2008); an increase of 31% in five years.

Tourism Australia's marketing in Latin America has been heavily influenced by the economic performance of the region. Tourism Australia is focusing efforts on the markets they believe have the highest potential for growth: Argentina and Brazil.

Their strategy is to recruit, train and motivate new retail and wholesale partners to become better sellers of Australia and to counter perceived barriers to travel among their customer base.

Policy environment

The policy environment for increasing Australia's market share of the Latin American market is positive as trade and cultural links are increasing. However, some challenges remain, such as limited air links and sometimes onerous visa requirements for Latin American visitors to Australia.

Trade and investment

The potential of Latin America for trade and investment with Australia has long been recognised through various Parliamentary inquiries and academic studies. These have focused on two impediments to Australia increasing its share of the Latin American market, namely onerous visa requirements and a lack of adequate air links. They include:

- The 1992 inquiry into Australia's relations with Latin America: *Australia and Latin America* by the Senate Standing Committee on Foreign Affairs, Defence and Trade. It made recommendations for increasing air services between Australia and Latin America.
- The 1996 inquiry into Australia-Latin America air links: *The Development of Australia's Air Links with Latin America* by the Senate Foreign Affairs, Defence and Trade References Committee. This report concluded that inadequate air links were a 'major impediment' to growth in commercial relations with Latin America.
- *Australia's Trade and Investment Relationship with South America* by the Joint Standing Committee on Foreign Affairs and Trade, 1999.

Among the many recommendations designed to foster cultural, trade and investment links between Latin America and Australia, was 'that the Australian Government recognise that the opportunities for increasing business activity and investment in Latin America are very significant and that every effort should be made to remove obstacles for potential growth, and that a major impediment to this is insufficient air links, excessively stringent visa requirements and lack of awareness of what the Latin American region has to offer'.

In respect of the issue of air links, 'It recommended that the Government accept the view put forward by a variety of interests that inadequate air links are a major impediment to growth and believes that more frequent services would be a significant means of stimulating further commercial activity between Australia and Latin America.' – the Senate Standing Committee on Foreign Affairs, Defence and Trade, *Australia and Latin America*, Commonwealth of Australia, June 1992, p. 5.

Trade and business relations between Australia and Latin America are increasing. As trade fosters greater awareness between trading partners, trade and tourism tend to develop in parallel. Recent developments include:

- In March 2009, Australia and Chile signed the first free trade agreement between Australia and a Latin American nation.
- A report commissioned by the Victorian Department of Innovation, Industry and Regional Development, identified what they called ‘theoretically limitless business opportunities’ in Latin America. However, it would require the overcoming of ‘a wide range of ... perceptual, geographic, cultural, linguistic and bureaucratic’ obstacles, low reciprocal priorities and underdeveloped networks. (As reported by Stock and Land, Fairfax Digital, 31 July 2009).

Air links

In 2008, around 58,900 Australian residents travelled to Latin American countries, which is 23% higher (or 11,000 more trips) than in 2007. Since 1999, the number of Australians travelling to Latin America has more than doubled, with average annual growth of 8.4%.

Direct air links between South America and Australia are limited to the ports of Santiago de Chile and Buenos Aires. This means that Latin American visitors to Australia must travel from their city of origin to one of these hubs to fly to Australia or they must travel to other international destinations to make a connecting flight to Australia.

Santiago de Chile is a major aviation hub linked to other ports in South America through using the extended National Airlines (Lineas Aereas Nacionales, or LAN) network. LAN has been expanding its network within South America over the past few years. However, air seat capacity fell in the year to May 2009.

Air seat capacity has been increasing strongly between Australia and Latin America over the past few years and particularly since mid 2008, despite the gloomy outlook for the aviation industry. Aviation capacity changes include:

- Air Service Agreement between Brazil and Australia allowed the expansion of air services from 7 to 14 per week, and improved code share flexibility
- LAN Qantas launched 3 weekly B747-400 Buenos Aires–Sydney services in November 2008.

Visa requirements for Latin American tourists

Australia has a universal visa requirement for all non-citizens. Australia’s visa system is non-discriminatory and immigration officers apply the same legal criteria to all applicants in accordance with the Migration Act and Regulations.

All Latin American tourists require a Tourist (subclass 676) Visa to enter into Australia for a short-term visit. Paper applications are accepted and if applying outside of Australia, the application must be lodged at the nearest Australian Embassy at a cost of

AU\$100. Paper applications are not only time consuming to complete but they take longer to process (on average five working days) than electronic lodgement where a reply is obtained instantly unless there are problems with the applicant's records.

The existing electronically-stored visas for short-term visitors (Electronic Travel Authority, ETA – Visitor, subclass 976, and eVisitor – subclass 651), are not available to South American citizens, however, DIAC are looking into making these available in the future.

A Senate Inquiry noted 'that without significant reform in this area, Australia must remain a secondary player in South American trade and investment'¹.

Cost of travelling to Australia

Airfares are a considerably more expensive for travelling to Australia than to many competing tourist destinations, such as the US or Europe. For example, currently the cheapest airfare to Australia from Lima or Buenos Aires is around US\$2,000, while it is less than US\$1,000 to the US, and less than US\$1,500 from Lima to Europe. In addition, there is the add-on fare component to Buenos Aires or Santiago de Chile when travelling to Australia from other South American cities.

Other factors

A factor that will affect forecasts positively is the continued strong growth of the education market. This high growth rate can be explained in part by the marketing by Australian educational providers and by Latin America's education policies.

The Latin American education tourism market in Australia is comprised mostly of students from Chile and Brazil, where education policies requiring students to study English are fostering outbound education tourism.

In 2003, Chile instituted an educational policy requiring all students be bilingual in Spanish and English. The 'English Opens Doors Programme' (Programa Ingles Abre Puertas) aims to improve national economic competitiveness and promotes equitable access to English language learning in all publicly funded schools.

Brazil has a similar policy but the prescribed languages are Portuguese and Spanish. However, English is generally considered a key factor in professional success by Latin Americans.

The education market is a highly competitive and lucrative market and is pursued by Australia's competitors around the world. Australian and State/Territory governments are actively promoting the export of education services. In 2008, this market segment was worth \$163 million to the Australian economy, accounting for more than 50% of the total economic value of Latin American visitors.

¹ *Australia's Trade and Investment Relationship with South America*, Joint Standing Committee on Foreign Affairs and Trade, 1999.

Youth (20 to 24 years of age) represented a larger proportion of all visitors from Latin America than for all visitors. In 2008, Australia's share of these visitors from Latin America was 38%. This compares with 21% for all visitors to Australia. In addition, youth visiting from Latin America are mostly from Brazil (48%).

Further, young Brazilians are increasingly travelling around the world, particularly to relatively new destinations such as Australia and New Zealand. New Zealand has minimal work visa requirements, making it easier for young Brazilians to work and holiday. It is natural that these young travellers talk about their experiences once they return home, thus generating further interest in Australia and New Zealand.

Another positive factor is the Latin American market provides opportunities for luxury tourism markets. The 'luxury' segment – which has traditionally favoured Europe – is seeking new experiences, which Australia is well equipped to offer.

Economic outlook for Latin America

The outlook for Latin American economies is sound, particularly as their main trading partners – the United States and the Euro zone – are returning to positive economic growth. The IMF announced on 4 September 2009, that the global economy 'appears to be emerging from the worst economic downturn in our lifetimes. Several advanced economies, including France and Germany, have already returned to growth and emerging economies are recovering even more strongly'.

Overall, Latin American economies are expected to contract 2.5% in 2009 (Table 3) followed by modest recovery of 1.6% in 2010. This compares with IMF forecasts of a drop of 3.8% for advanced economies in 2009 and marginal growth in 2010 (0.8%). Consensus Economics forecasts the US and Euro zone will contract 2.6% and 4.3% respectively in 2009, followed by growth of 3.1% and 0.6% respectively in 2010.

Trade growth in developing countries is expected to outpace that of developed countries from 2010 onwards. The rise in demand for commodities from Asia and especially China are assisting the recovery in countries such as Brazil, Chile and Peru.

Many countries in Latin America have strengthened their fiscal positions and public debt structures by solidifying financial systems and their regulation, anchoring inflation expectations, and building more credible policy frameworks².

In addition, there will be an increase in the number of Latin American countries that can rely on more flexible exchange rates to aid their adjustment process, allowing them to respond to the external crisis with active policies to boost output and employment. These improved economic fundamentals support a positive outlook for the region³.

Strong economic growth is likely to resume in 2010, leading to higher per capita incomes. In turn, this will increase the pool of potential visitors to Australia.

² Regional Economic Outlook, Western Hemisphere, *Stronger Fundamentals Pay Off*, IMF May 2009

³ Regional Economic Outlook, Western Hemisphere, *Stronger Fundamentals Pay Off*, IMF May 2009

Table 3: Macroeconomic assumptions

	2006	2007	2008	2009	2010
Real GDP - Growth					
Argentina	8.5	8.7	6.8	-2.3	1.5
Brazil	4.0	5.4	5.1	-0.8	3.4
Chile	5.6	6.6	3.2	-1.3	3.7
Mexico	5.1	3.3	1.3	-6.3	2.5
Latin America	5.5	5.6	4.2	-1.5	1.6
Inflation					
Argentina	9.8	8.5	7.2	6.1	7.2
Brazil	3.1	4.5	5.9	4.3	4.2
Chile	4.5	5.7	7.1	0.1	2.7
Mexico	4.1	3.8	6.5	4.2	3.8
Latin America	5.3	5.4	7.9	6.6	6.2
Home currency/AU\$					
Argentina	2.3	2.6	2.7	2.9	3.4
Brazil	1.6	1.6	1.6	1.6	1.6
Chile	402	440	447	433	447
Mexico	8.3	9.2	9.5	10.4	10.4

Source: Consensus Forecasts, August 2009, International Monetary Fund, World Economic Outlook Database, April 2009

Argentina

Argentina's economy is expected to be one of the most negatively affected by the global recession. The deterioration of commodity prices has reduced earnings from primary and agro-industrial products. Inflationary pressures will ease but remain high at an average of around 8% between 2009 and 2012.

The economy has slipped into recession as economic management and national debt undermine investor confidence. Argentina's GDP is forecast to fall 2.3% in 2009, before growing 1.5% in 2010 and slowly lifting to 3% the year after (Consensus Forecasts, August 2009).

The outlook for the peso remains on a downward trend. This is likely to hamper growth in the number of outbound departures from Argentina over the next three years.

Brazil

The Brazilian economy has the most positive economic outlook of all Latin America. The economic decline for Brazil is expected to be relatively mild with a fall of only 0.8% in 2009, followed by an increase of 3.4% in 2010.

The number of departures from Brazil is expected to grow moderately, aided by the growing strength of the Brazilian real in the second half of 2009 and through 2010.

Chile

Chile's economy grew 3.2% in 2008 (the weakest annual performance since 2002). The economic outlook remains positive compared with most Latin American nations, and Consensus Economics forecasts GDP will fall only 1.3% in 2009. Despite the fiscal stimulus measures, risks to this forecast remain heavily weighted on the downside. A modest recovery is forecast in 2010, with GDP growth expected to reach 3.7%.

The Chilean peso is holding its value in 2009 but is expected to weaken over the next two years.

Mexico

The Mexican economy is more tied to US economic fortunes than any other country. While the Mexican economy is in deep recession, there are positive signs for economic recovery due to the upswing in crude oil prices and more signs of recovery in the US economy.

Consensus Economics projects an economic contraction of 6.3% in 2009 before a modest recovery of 2.5% in 2010. Relatively weak US demand and heightened risk aversion will maintain downward pressure on the Mexican peso.

Over the forecast period, outbound travel from Mexico is expected to grow at a slow but steady rate. Wealthy Mexicans will continue to travel and more of the middle class will travel abroad. However, only a very small proportion of the Mexican population can afford to take long holidays and spend time in a foreign country.

Arrivals forecasts

The outlook for growth of visitor arrivals from Latin America is positive despite the pattern of uneven economic recovery among Latin American countries. Total visitor arrivals from Latin American are forecast to grow 6% in 2009, and growth is forecast to average 14.5% a year between 2008 and 2012 to reach 107,000 arrivals. These growth rates are considerably higher than growth in Australia's total inbound arrivals of 2.4% a year over this forecast period, but represent lower growth than occurred between 2003 and 2008 (Table 4).

In 2009, Argentina is expected to provide the highest growth rate in arrivals (40%) due to significant increases in air seat capacity between Argentina and Australia from late 2008. However, growth will be constrained to an average of 17% between 2008 and 2012 by the slowness of the economic recovery.

Arrivals from other major Latin American economies, Brazil and Chile, are expected to grow strongly in 2009: by 7% and 10% respectively. Arrivals from both countries are forecast to grow at an annual average rate of around 18% between 2008 and 2012. Brazil will provide 47,000 visitors in 2012; more than double the number from Chile.

The number of arrivals from Mexico is expected to contract 7% in 2009. This is partly a result of the one-off boost in 2008 by World Youth Day participants. Nevertheless, arrivals are forecast to grow relatively slowly over the medium term, averaging 4% a year between 2008 and 2012.

Education tourism will continue driving growth in visitor arrivals from Latin America. Holiday and business travel, being more susceptible than other types of visits to short term economic forces, are expected to decline in 2009.

Aviation factors play a key role in the growth in visitor arrivals to Australia. Airline seat capacity between Australia and Latin America is increasing rapidly and given the small size of such markets this can have a major impact on the rate of growth in visitor arrivals.

The key economic and other factors determining growth in visitor numbers from Latin America are:

- increasing air seat capacity between the two regions
- easing of visa application transactions for short term visits
- higher than world average economic growth in Latin America
- favourable exchange rates
- growing trade and cultural links
- educational policies in Brazil and Chile
- increasing mobility of Latin American youth (particularly Brazil).

Despite this forecast growth, several factors and risks temper the forecasts for arrivals over the next five years, including the stalling of the tentative world economic recovery. Policy developments such as the move by the Argentinian Government to protect its re-nationalised flag carrier, Aereolineas, could have grave implications for growth in inter-regional aviation capacity as other non-Argentinian carriers will be negatively affected. Further, the volatility of the historical performance means all forecasts for Latin American arrivals should be treated with caution.

Being a small market, Latin America is subject to wide fluctuations in growth and is heavily influenced by economic conditions and the availability of air seat capacity.

Table 4: Forecast inbound visitor arrivals from Latin America to Australia

	<i>Argentina</i>	<i>Brazil</i>	<i>Chile</i>	<i>Mexico</i>	Main countries	Rest of Latin America	Latin America total	<i>World (million)</i>
2006	5 274	16 719	6 648	6 022	34 664	7 151	41 814	5 532
2007	5 977	19 600	8 444	7 034	41 055	10 337	51 391	5 644
2008	5 831	25 010	10 269	7 477	48 587	13 453	62 040	5 586
2009	8 185	26 786	11 297	6 399	52 666	12 736	65 403	5 365
2010	8 929	31 130	13 645	6 892	60 595	14 528	75 123	5 529
2011	9 923	38 296	16 361	7 429	72 009	16 959	88 968	5 910
2012	11 130	47 244	19 742	8 016	86 133	19 799	105 932	6 257
Annual growth rate (%)								
2006	24.0	30.0	34.2	13.0	26.5	23.8	26.0	0.6
2007	13.3	17.2	27.0	16.8	18.4	44.6	22.9	2.0
2008	-2.4	27.6	21.6	6.3	18.3	30.1	20.7	-1.0
2009	40.4	7.1	10.0	-14.4	8.4	-5.3	5.4	-4.0
2010	9.1	16.2	20.8	7.7	15.1	14.1	14.9	3.1
2011	11.1	23.0	19.9	7.8	18.8	16.7	18.4	6.9
2012	12.2	23.4	20.7	7.9	19.6	16.7	19.1	5.9
CAGR (%) 2008-11	12.3	24.5	26.7	10.2	20.4	30.5	22.3	1.7
CAGR (%) 2008-12	17.5	17.2	17.8	1.8	15.4	10.1	14.3	2.9

Figure 8: Forecast visitor arrivals from Latin America — 2009 to 2012

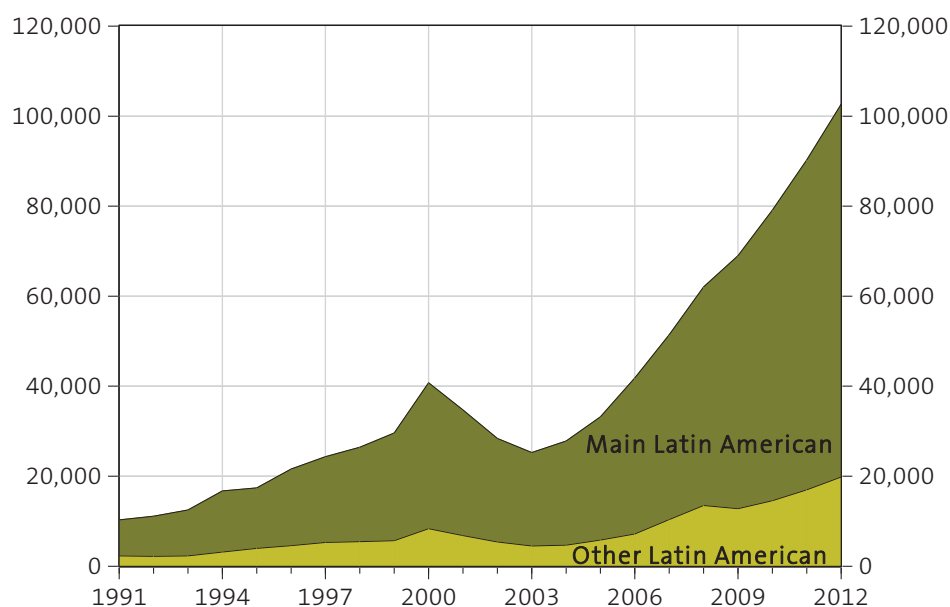
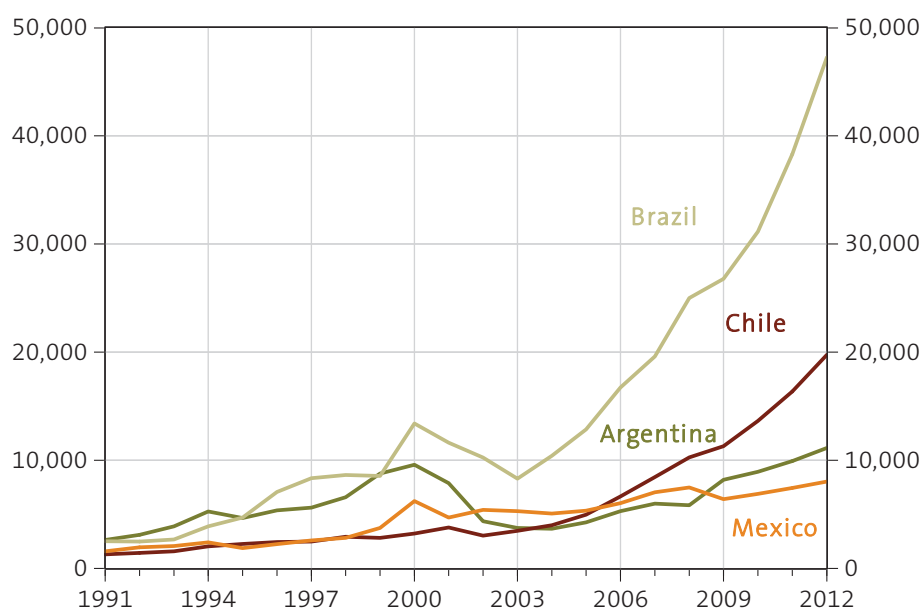


Figure 9: Visitor arrivals from Latin America, forecast 2009 to 2012 – Main countries



Conclusion

Growth in arrivals from Latin America to Australia has been underpinned by high growth from Brazil, particularly in the education market.

The Latin American tourist market has great potential for Australia. Arrivals are forecast to grow at an annual average rate of 14% between 2008 and 2012 to reach 106,000 visitors. This compares with annual growth in total arrivals of just 2.9% over that period.

The barriers to growth in visitor numbers from Latin America are easing with increasing air links and implementation of programs for mutual awareness.

The arrivals forecasts are based on cautious economic assumptions because of the uncertainty of the economic stability of many Latin America countries. However, the outlook is for a gradual economic recovery from 2010.

Growth in visitor arrivals is dependent on economic conditions and in particular on air seat capacity. In addition, the easing of the process of visa applications for Latin Americans could have a significant effect on the growth in visitor numbers.

Despite the strong growth rates forecast for arrivals, the Latin American market is expected to remain at just over 1% of total visitor arrivals to Australia. Nevertheless, Latin American is a high yielding market with each Latin American arrival spending 60% more than the average for all visitors.

Appendix A: Methodology

The Tourism Forecasting Committee (TFC) framework for modelling and forecasting was used to generate forecasts of Latin American visitor arrivals to Australia. Visitor arrivals are a function of the economic conditions in the traveller's country of residence and Australia. Other factors such as changes in aviation capacity and pricing were incorporated into the output from the models.

Since some of these data are not available, or lack sufficient reliability to generate robust forecasts using econometric methods, a combination of forecasting approaches was used.

At present, the TFC includes the Latin American group of countries in an 'other' category as their share of total arrivals is too small for detailed analysis. The short-term forecasts for Latin America were generated using time series forecasting techniques. The times series data and forecasts were arranged in a hierarchy and aggregated using a new technique developed at Monash University.⁴

Models that included real per capita income and Australian prices relative to the prices of the foreign country were applied to four Latin American countries: Argentina, Brazil, Chile and Mexico. These four countries accounted for 78% of visitor arrivals to Australia from Latin America in 2008. The results provided broad guidance to calibrate future trends in arrivals and allowed the discussion of the environment that will shape future trends in arrivals.

Risks to forecasts

Forecasts are based primarily on past trends and the assumption that the factors that drove past behaviour will continue.

The forecasts are consistent with general trends of outbound tourism from Latin America produced by Euromonitor and inbound arrivals from 'other world' forecast by the TFC. The forecasts also take other information into account, such as aviation developments.

Factors that would lead to visitor arrivals being higher than forecast include:

- increased GDP growth rate beyond current forecasts
- access to electronic visa processing for Latin American travellers to Australia
- unexpected increase in air links between Latin America and Australia.

⁴ G Athanasopoulos, RA Ahmed & RJ Hyndman, 'Hierarchical forecasts for Australian domestic tourism', *International Journal of Forecasting*, vol. 25, no. 1, January–March 2009, pp. 146-166.

Risks that would lead to visitor arrivals being lower than forecast include:

- slower than predicted recovery of Latin American economies
- repeats of currency crises or economic collapse in major Latin American countries
- stronger than expected appreciation of the Australian dollar against the currencies of Latin America.

In general, the accuracy of tourism forecasts is affected by the following factors:

- data limitations
- the stability of assumptions underlying changes in explanatory variables
- changes in some factors that affect tourism activity can be difficult to foresee, such as those relating to political, economic, aviation, marketing, health and social influences
- some figures in this report are estimates derived from Tourism Research Australia surveys and are subject to sample error. The Latin American tourism data are highly volatile due to the small samples used to estimate figures.

Data sources

Historical data and forecasts for macroeconomic data and currencies were obtained from the following sources:

- currencies: www.oanda.com
- macroeconomic data: IMF (IFS) international and national statistical agencies, Central Banks, Economist Intelligence Unit
- macroeconomic forecasts: Consensus Forecasts, Consensus Economics
- demographic data: World Bank
- Euromonitor and United Nations World Tourism Organization (UNWTO)
- International Airline Activity - Time Series, Bureau of Infrastructure, Transport and Regional Economics.

The main variables for inbound travel are economic value and activity. Historical data for these variables are obtained from the following sources:

- International Visitor Survey, Tourism Research Australia
- Overseas Arrivals and Departures databases, Department of Immigration and Citizenship.

Appendix B **List of Latin American countries**

South America

Argentina

Bolivia

Brazil

Chile

Colombia

Ecuador

French Guiana

Guyana

Paraguay

Peru

Suriname

Uruguay

Venezuela

Central America

Belize

Costa Rica

El Salvador

Guatemala

Honduras

Nicaragua

Panama

North America

Mexico

Glossary

Business visitors	Visitors who nominate business as their primary reason for travelling (see also Purpose of visit). Business travel comprises business, work travel for transport crews, attendance at conferences, conventions, exhibitions, trade fairs, seminars, incentive group meetings, marketing events, and training and research related to employment.
Education visitors	International visitors aged 15 years and over who have been in Australia for less than 12 months, and who specified 'Education' on their passenger card as their primary reason for travelling.
Holiday visitors	Visitors whose primary reason for travel is holiday. (See also Purpose of visit.)
International visitors	Overseas visitors coming to Australia for a period of less than twelve months.
International Visitor Survey (IVS)	Profiles the characteristics, travel behaviour and expenditure of international visitors to Australia. Summary information from the IVS is published quarterly. Unpublished data are available on request from Tourism Research Australia. The IVS has been conducted every year since 1981, except for 1982 and 1987.
Purpose of visit	The main purpose, or the major reason for visiting a particular location. The major categories of purpose of visit in the IVS are: Holiday/leisure; Visiting friends and/or relatives (VFR); Business; Education; Employment; and Other. 'Other' includes personal appointments, medical appointments and health-related travel.
TIEV	Total Inbound Economic Value. The value of inbound tourism to the Australian economy.
Visiting friends or relatives (VFR)	Visitors who nominate visiting friends or relatives as their primary reason for travelling. Visiting friends and relatives also includes travel to a friend's or relative's wedding, or travel to attend a funeral.

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