

The Future of Tourism and Hospitality in Australia

*Presentation for National Tourism Alliance
Industry Forum*

Industry Trends and Outlook

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Outline

- **Economic Backdrop**
- Tourism industry
- Main messages

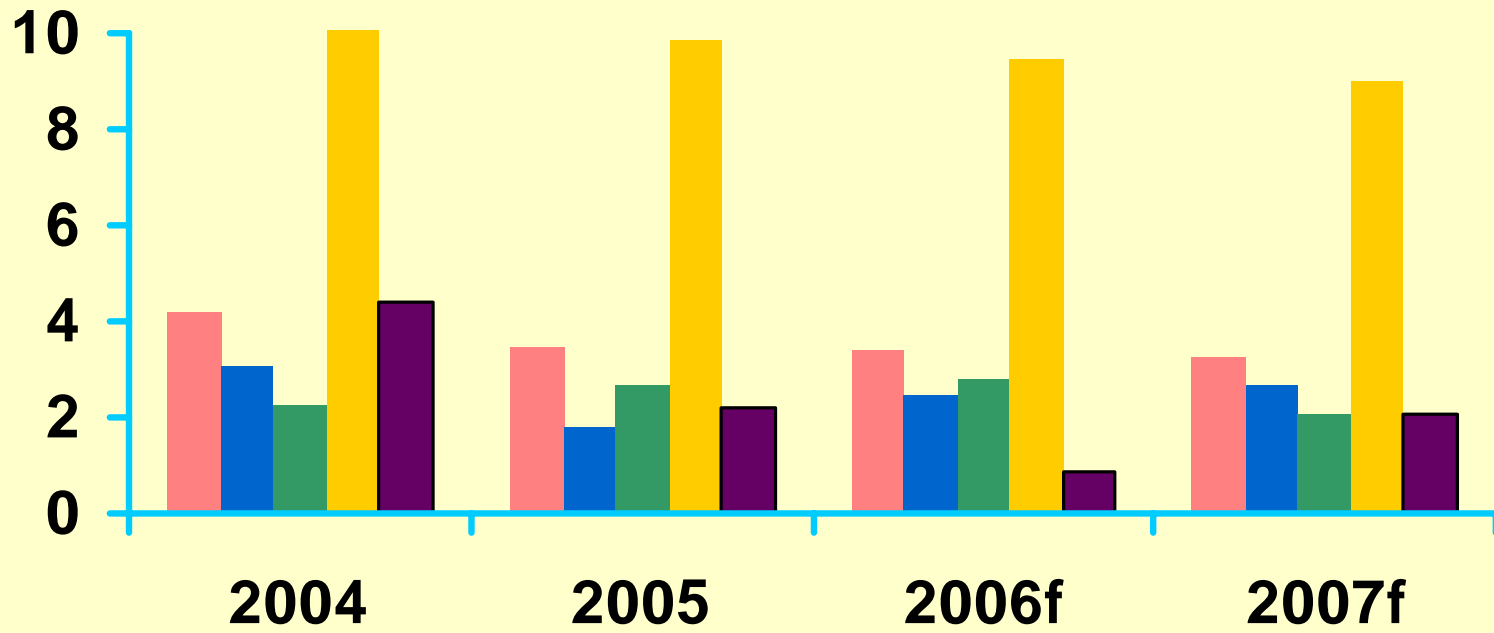


Economic Backdrop: Econtech's Latest Forecasts

	2004-05	2005-06	2006-07	2007-08
	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
Private Consumption	4.2	3.0	3.7	4.4
Residential Investment	-1.5	-3.1	-4.2	1.1
Business Investment	12.1	14.7	4.0	0.9
Exports	2.5	1.8	7.6	10.5
Imports	12.0	6.6	6.8	7.7
GDP	2.5	2.8	3.2	3.5
Unemployment rate	5.1	5.3	4.9	4.4
CPI (June qtr to June qtr)	2.5	3.2	2.1	0.9
90-day bills	5.8	5.6	6.0	5.7
USD/AUD	0.772	0.743	0.776	0.787
TWI	63.8	62.7	65.0	65.4

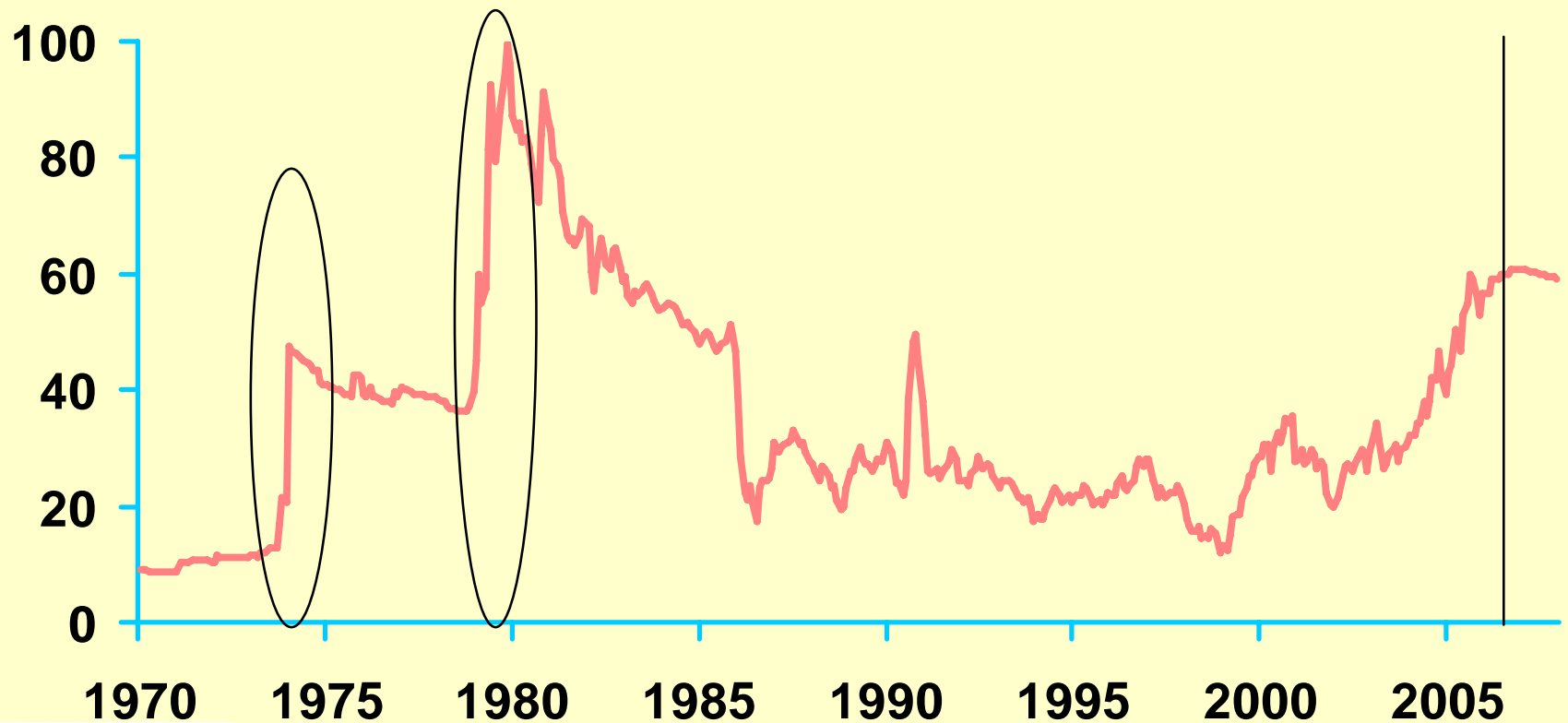


Economic Backdrop: World Growth (IMF Forecasts)

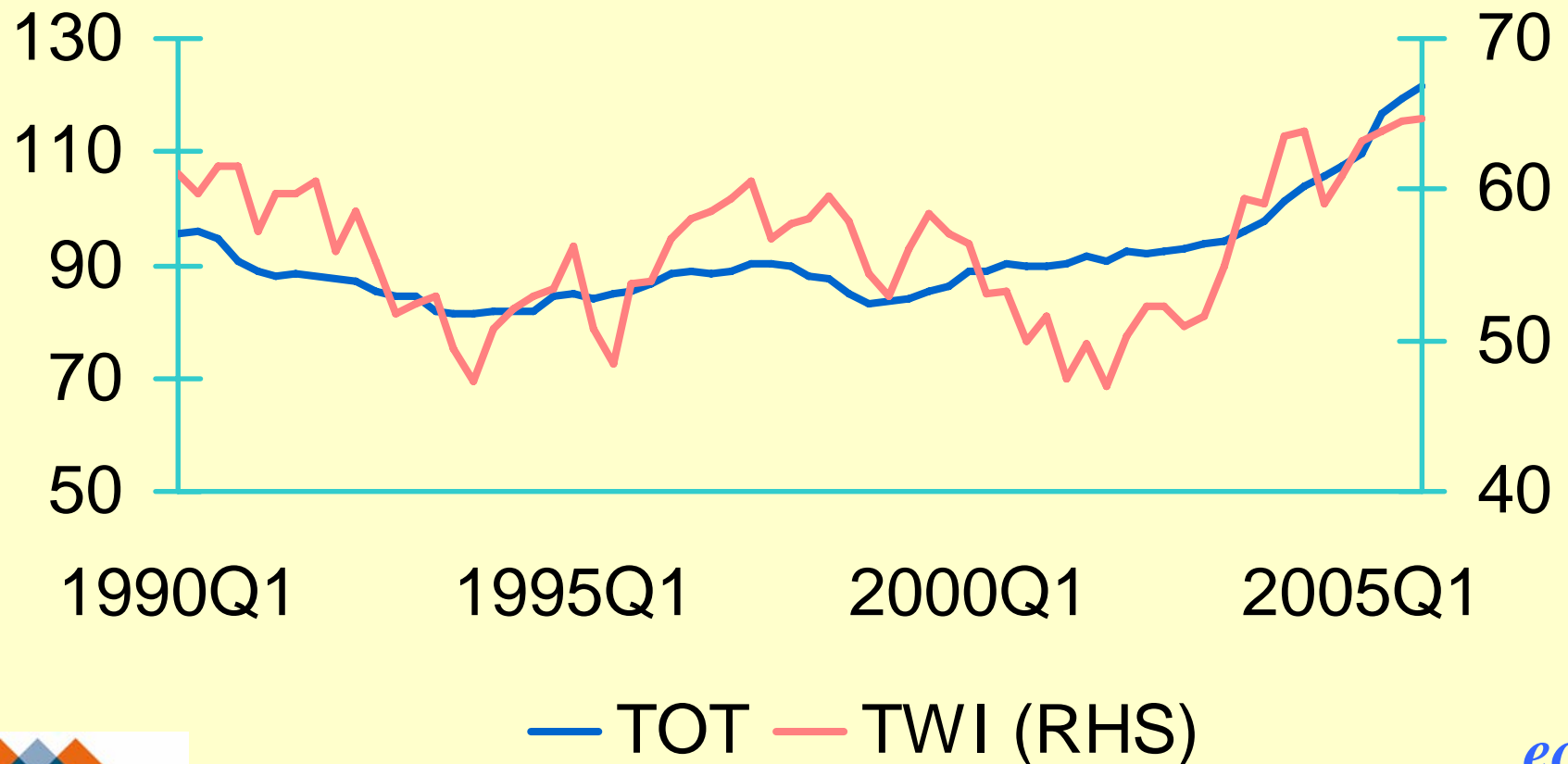


US UK Japan China NZ

Economic Backdrop: Real Oil Prices (2005 \$US/barrel)



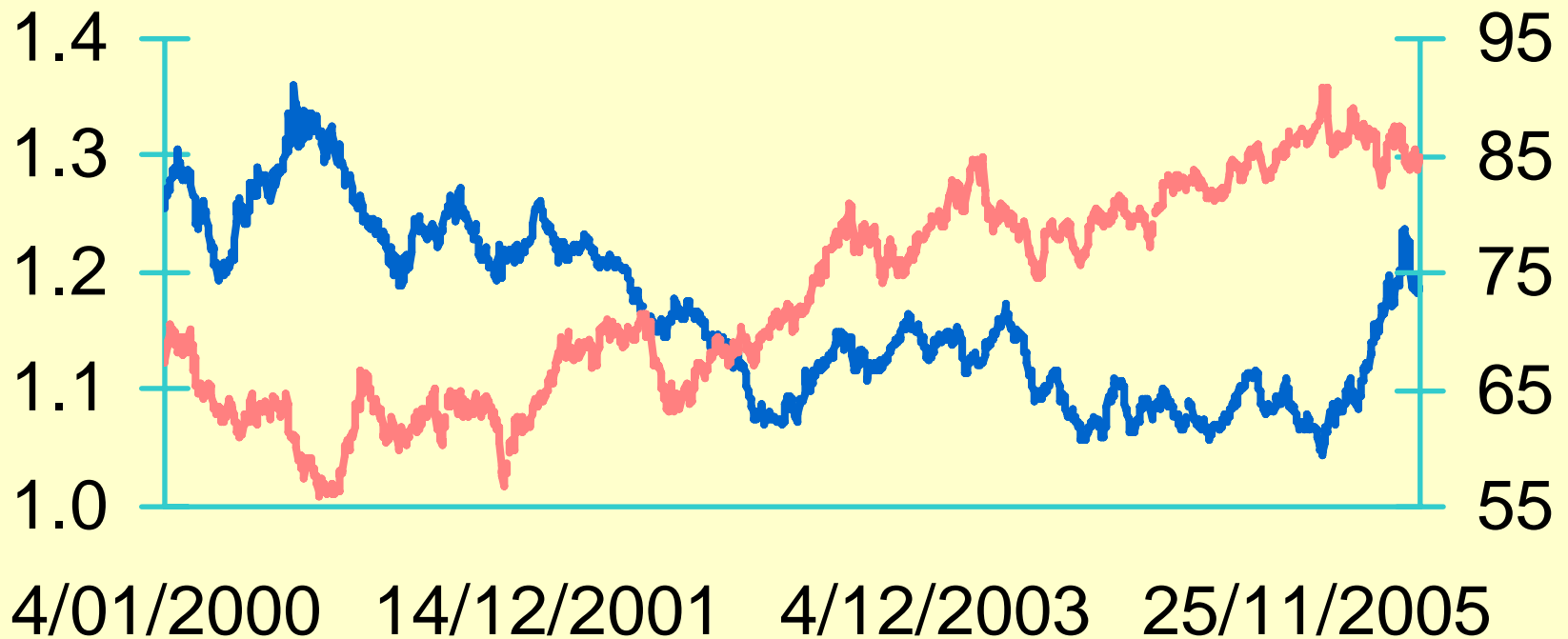
Economic Backdrop: Terms of Trade and Exchange Rate



— TOT — TWI (RHS)



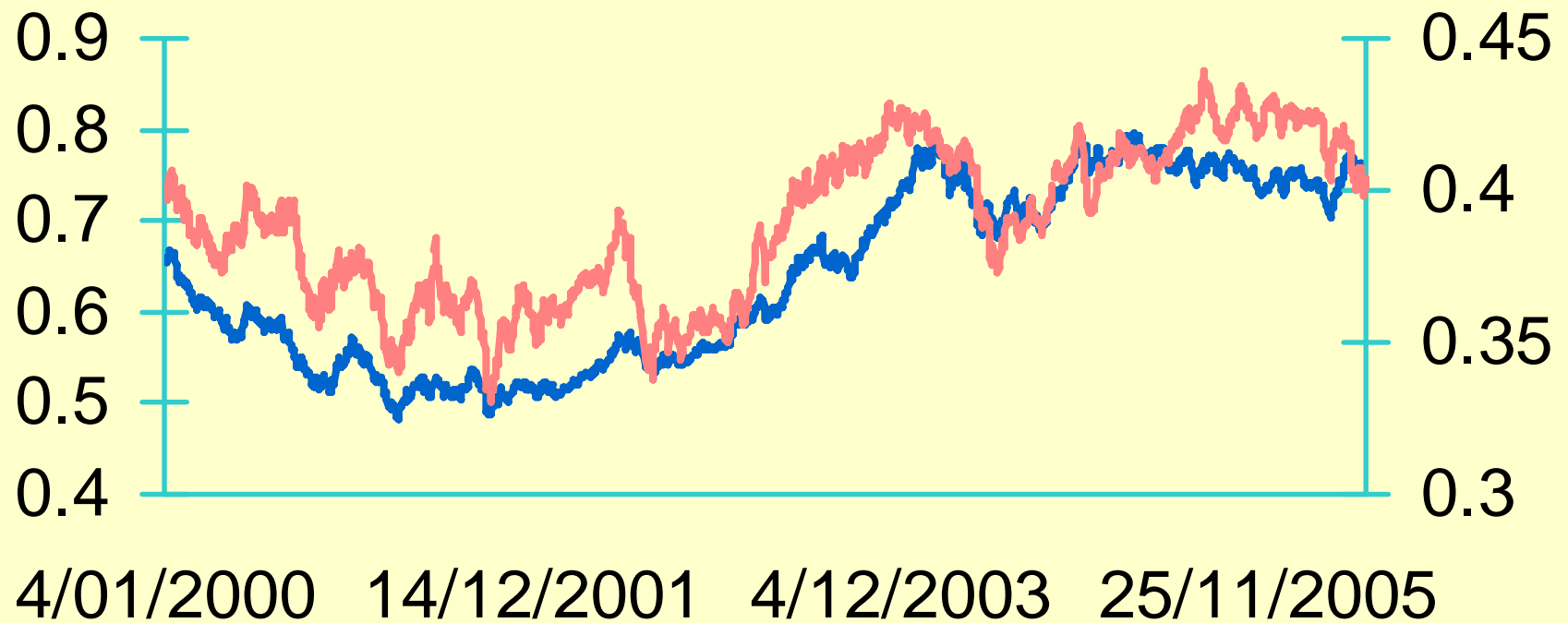
Economic Backdrop: Exchange rates



— NZD — JPY (RHS)



Economic Backdrop: Exchange Rates



— USD — GBP (RHS)



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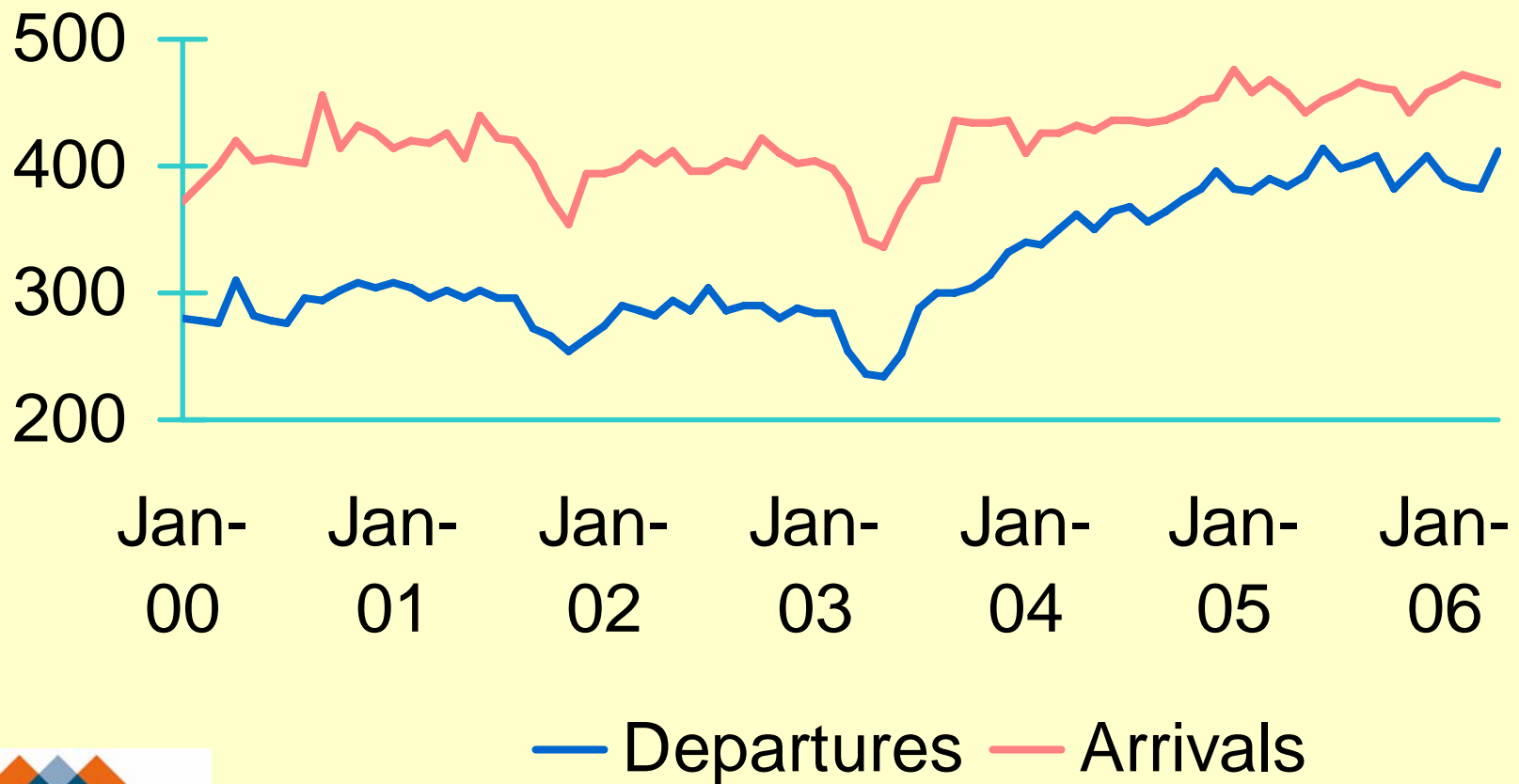


Tourism industry: Background to Outlook

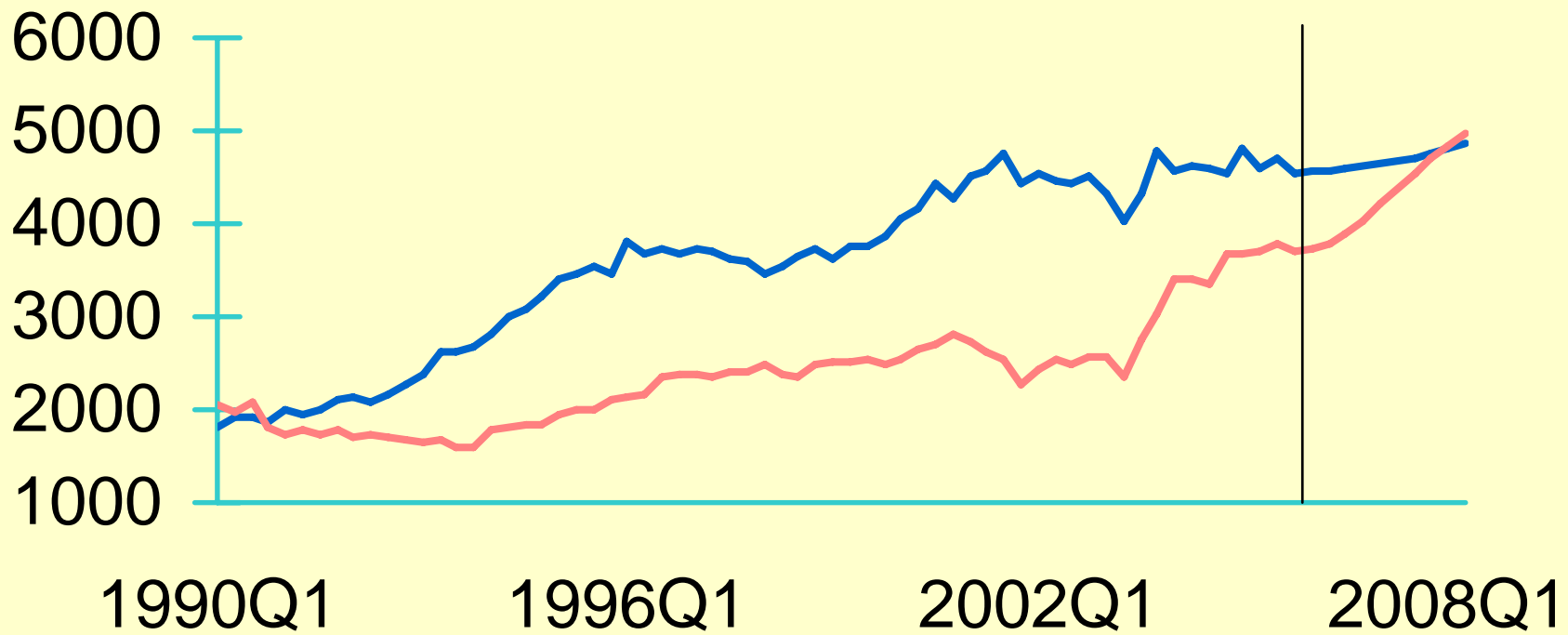
- High oil prices are raising the cost of discretionary travel, dampening the tourism industry. However, real oil prices (but not nominal oil prices) are still well below record levels.
- The strong global economy is helping maintain inbound tourism. The global outlook remains solid although there is a mixed picture.
- The high Australian dollar is holding back inbound and, by stimulating outbound, is holding back domestic. The high AUD is largely due to very high world mineral prices.



Tourism Industry: Arrivals and Departures (000s)



Tourism Industry: Exports and Imports of Travel Services (\$m, real)



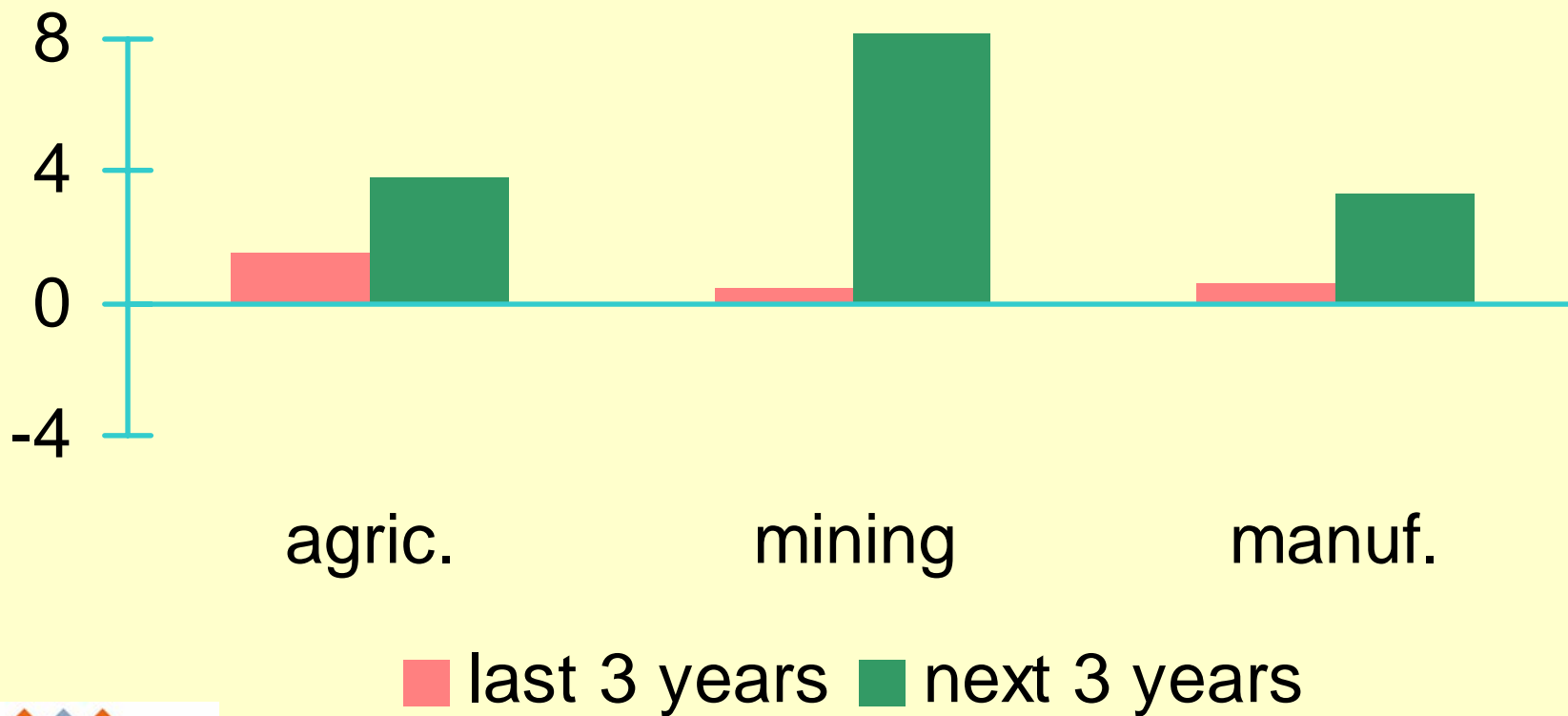
— EXPORTS - TRAVEL — IMPORTS - TRAVEL

Tourism industry: Comparative Outlook

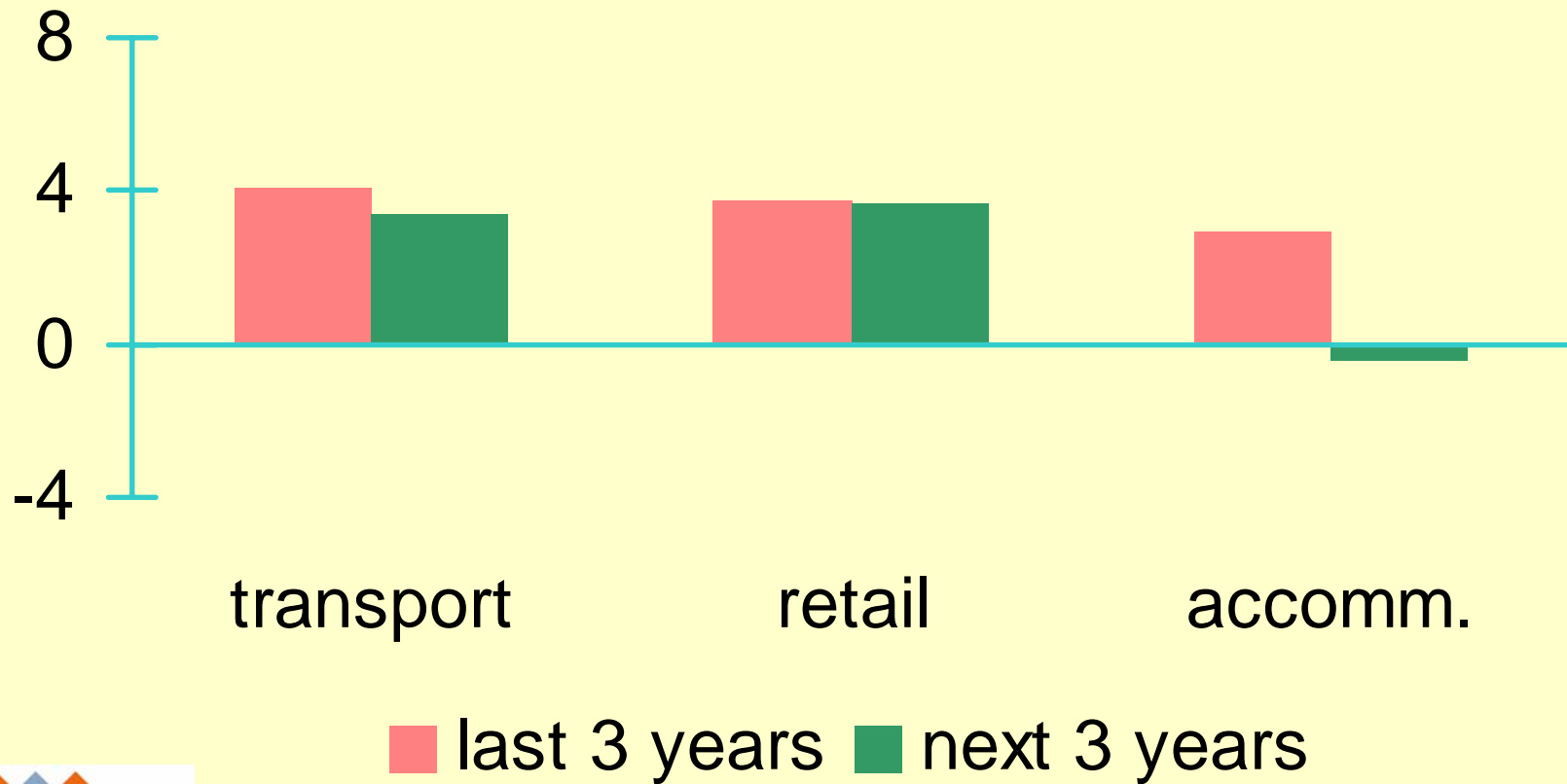
- Average annual growth for the **next 3 years**
- Compared with the **last 3 years**
- Also compared with the economy-wide growth for next 3 years of 3.4%



Tourism industry: Goods Trading industries



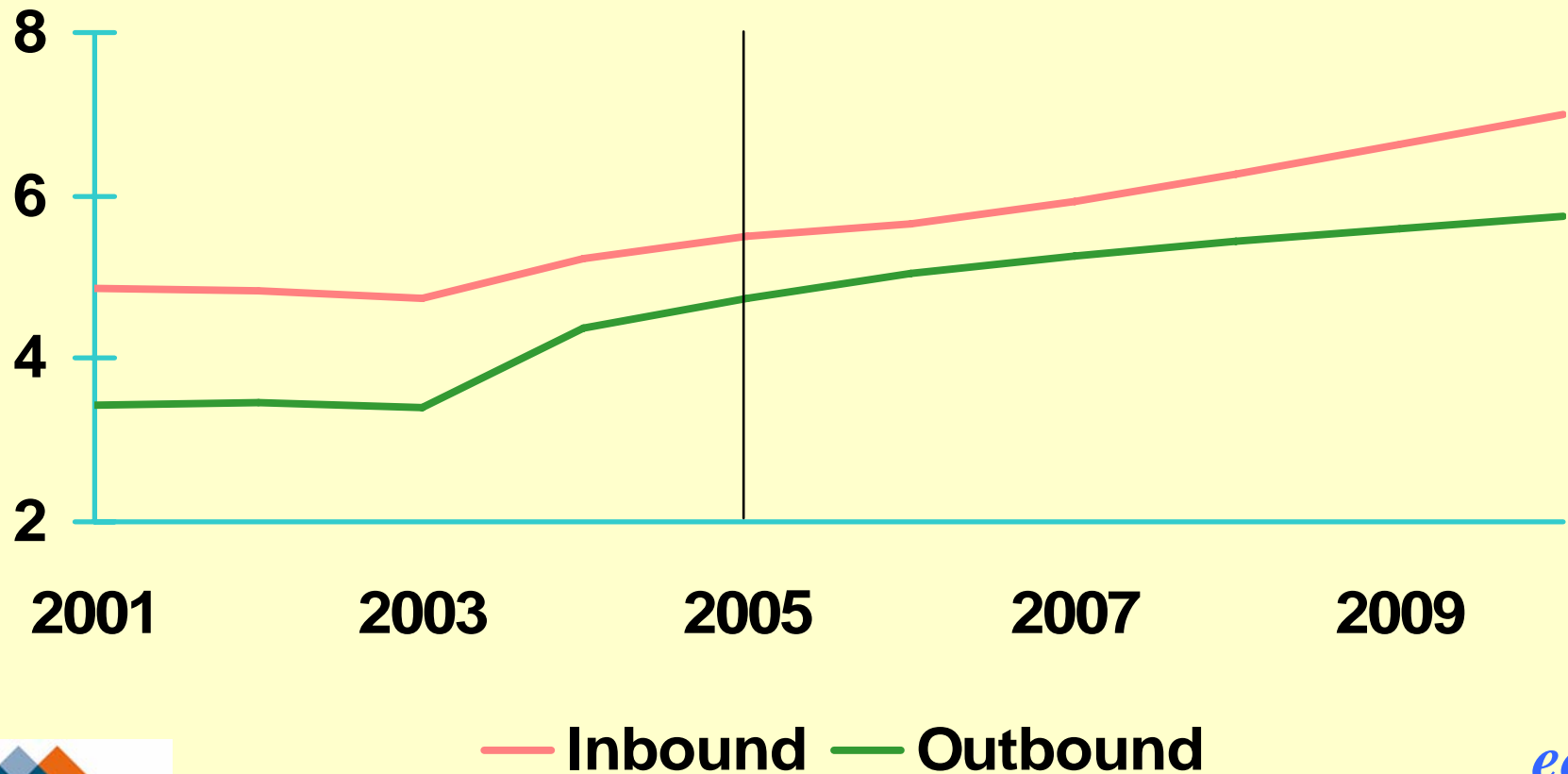
Tourism industry: Tourism-related Industries



Tourism industry: Spending Under 2006/07 Budget

- The 2006/07 Budget notes that all tourism spending in 2006/07 and 2007/08, including the White Paper, will total \$320 million.
- This includes \$269 million for Tourism Australia.
- It also includes \$15.4 million under the tourism development program.
- The major new initiative is \$3.9 million over four years to strengthen the Approved Destination Status (ADS) scheme with China. This is partly to address government concerns about unethical tourism operators.

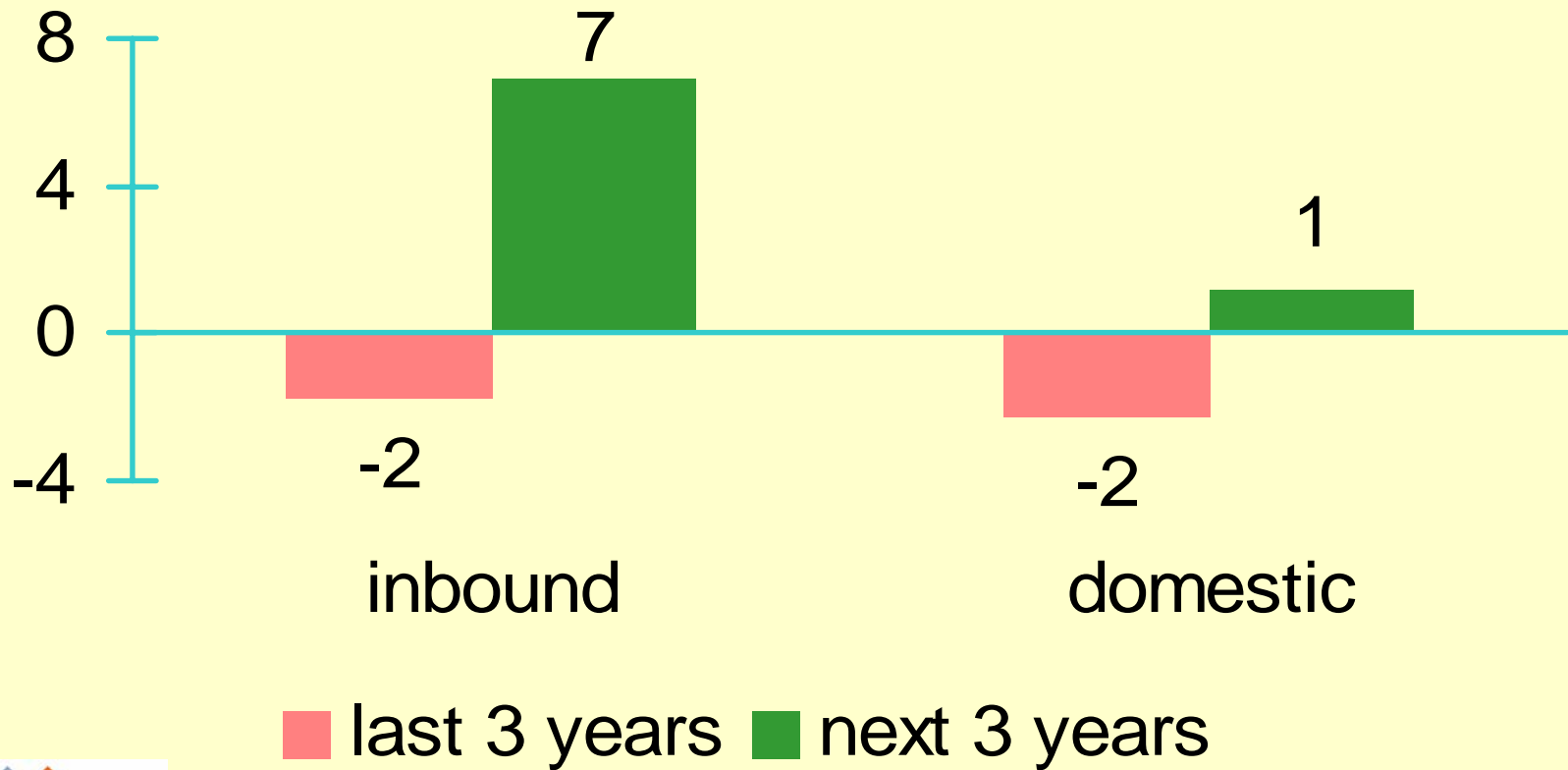
Tourism industry: TFC Forecasts of Movements (m)



— Inbound — Outbound



Tourism industry: TFC Inbound and Domestic (real spend)



Main messages

Australian economic outlook:

- growth recovering; headline inflation above 3% in 2006, but temporary; cash rate should go no higher than 6.0%

Tourism:

- High oil prices and exchange rate are challenges
- Future of Government spending beyond White Paper?

