

# Italy Outbound, Travel & Tourism Analyst No. 15, September 2007

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<b>INTRODUCTION</b> .....	<b>1</b>
<b>DATA SOURCES</b> .....	<b>3</b>
<b>MARKET DRIVERS</b> .....	<b>5</b>
POPULATION .....	5
Figure 1: Mid-year population estimates for Italy, 1950-2050 .....	5
Figure 2: Mid-year population estimates for Italy, by age and gender, 2007 and 2050 .....	7
ECONOMY .....	7
Figure 3: Italy's GDP and unemployment rates, 2000-05 .....	8
<i>Exchange rates</i> .....	8
Figure 4: Selected exchange rates against the Euro, 2000-05 .....	9
<i>Tourism balance</i> .....	9
Figure 5: Italy 's tourism balance, 2000-05 .....	9
<b>OUTBOUND TOURISM</b> .....	<b>11</b>
ARRIVALS .....	11
Figure 6: Outbound travel from Italy, 2000-06 .....	11
DESTINATIONS .....	11
Figure 7: Outbound travel from Italy, by region, 2003-06 .....	12
Figure 8: Share of outbound travel from Italy, 2003-06 .....	13
<i>Europe</i> .....	13
Figure 9: Italian arrivals in selected European destinations, 2003-06 .....	15
<i>America</i> .....	15
Figure 10: Italian arrivals in selected American destinations, 2003-06 .....	16
<i>Africa</i> .....	16
Figure 11: Italian arrivals in selected African destinations, 2003-06 .....	17
<i>Asia &amp; Oceania</i> .....	17
Figure 12: Italian arrivals in selected long-haul destinations, 2003-06 .....	19
<b>MARKET CHARACTERISTICS</b> .....	<b>21</b>
PRE-BOOKING BEHAVIOUR .....	21
Figure 13: Information sources used prior to making a booking, 2005 .....	21
Figure 14: Information sources used prior to visiting Australia, by arrivals on first and return visits, 2006 .....	22
Figure 15: Information sources used to plan trips to the US, 2005 and 2006 .....	22
BOOKING METHODS .....	23
DEMOGRAPHICS .....	23
PURPOSE OF VISIT .....	24
Figure 16: Departures from Italy, by purpose, 2003-06 .....	25
AVERAGE LENGTH OF STAY .....	25
Figure 17: Average length of stay, by destination, 2003-06 .....	26
SEASONALITY .....	27
Figure 18: Departures from Italy, by month, 2003-06 .....	28
Figure 19: Departures from Italy, by month, 2003-06 .....	29
<b>TRANSPORT</b> .....	<b>31</b>
OVERVIEW .....	31
Figure 20: Resident departures from Italy*, by mode of transport, 2004 and 2006 .....	31
AIR .....	31
Figure 21: Legacy airlines operating direct flights between Italy's three busiest airports and selected destinations around the world, June 2007 .....	32
<i>Airports</i> .....	33
Figure 22: Resident departures from Italy, by airport, 2000 and 2005 .....	34
<i>Major Italian international carriers</i> .....	35
Alitalia .....	35
Figure 23: Direct flights operated by Alitalia to key international cities from Italy, by major airports, June 2007 .....	35
Low-cost airlines .....	37
Figure 24: Brief profile of low-cost airlines based in Italy, June 2007 .....	38

<b>ACCOMMODATION.....</b>	<b>41</b>
Figure 25: Types of accomodation used by Italian overnight departures, 2003-06 .....	41
Figure 26: Types of accomodation used by Italian overnight departures, by destination, April 2006 and 2007 .....	42
<b>TOUR OPERATORS AND TRAVEL AGENCIES .....</b>	<b>43</b>
Figure 27: Brief profile of Italy 's largest travel agency/tour operator groups with outbound travel services/divisions, June 2007 .....	43
<b>WHAT NEXT? .....</b>	<b>45</b>
Figure 28: Outbound trips and expenditure – Italy, 2000-20 .....	46
<b>INDEX TO TRAVEL &amp; TOURISM ANALYST .....</b>	<b>47</b>
<i>Index grouped by geographic area .....</i>	<i>47</i>
<b>INDEX TO TTI DESTINATION REPORTS .....</b>	<b>55</b>
<i>Country reports .....</i>	<i>55</i>
<i>City reports.....</i>	<i>56</i>
<b>SPECIAL REPORTS INDEX.....</b>	<b>57</b>
2003 .....	57
2004 .....	57
2005 .....	57
2006 .....	57

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## Introduction

Eight out of ten holidays taken by Italians in 2006 were made within Italy itself, long-haul destinations accounting for just 10.6% of the market. European countries, particularly those with a large Italian community, are naturally favoured the most, alongside destinations that offer a vast range of cultural and historical attractions, as well as opportunities for shopping.

A research paper published by the British Tourism Authority (BTA) pinpoints that Italians like value for money in a holiday – a characteristic emphasised in recent years by the burgeoning numbers heading to relatively cheaper Northern African resorts. Clean accommodation is also requisite for the atypical Italian tourist. A 2006 survey carried out by Trademark/Sociometrica showed that 83% of its Italian respondents prefer to purchase an all-inclusive package, 11% desired fly-drives, with the remainder opting for cruises.

The Italian outbound market is becoming markedly polarised, between those seeking the traditional long summer break, preferably in the sun and closer to home, and those looking to take multiple breaks to various destinations throughout the year, including long-haul. Package holidays are still a big seller in Italy, especially to cheaper resorts in Egypt, Tunisia, Turkey and Morocco. A small proportion of Italian outbound travellers are becoming more adventurous and this trend is set to continue, although it does tend to focus around younger Italians. Elderly Italians do not travel much in general. However, this may change once those currently in middle age become seniors themselves, given that this age group are the most inclined to travel at present.

Personal security fears might have receded, but with the Italian economy in the throes of another recession, consumer confidence is on the wane. Italians are not prepared to forego their holidays, but are willing to curb spending on it. Travel expenditure plunged twice in the last six years, once in 2001 and again in 2004, periods marked by economic downturns. The European Commission (EC) anticipates that Italy's real gross domestic product (GDP) will increase by 2% this year, a rate lower than the 2.6% predicted for the eurozone. Given the current economic climate, Mintel envisages that Italy's outbound sector will remain fairly repressed for the near future, with year-on-year growth hovering at around the 2% mark on average. Expenditure, on the other hand, is envisioned to increase by 2.9% on average per year, versus 5.7% globally.



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## Data Sources

Outbound and international expenditure data were sourced from the United Nations World Tourism Organisation (UNWTO), the World Travel and Tourism Council (WTTC), Bank of Italy or *Ufficio Italiano Dei Cambi* (UIC), as well as the Italian Institute of Statistics (ISTAT). The US Census Bureau's International Database (IDB) was used to draw up current population statistics and projections whilst the Pacific Exchange Rate Service was referenced for both historic and current exchange rates. Economic trends were extracted from the World Bank and the Organisation of Economic Co-Operation and Development (OECD).

The Bank of Italy (UIC) was the primary source of information for detailed statistics in relation to Italian market characteristics. To complement information in regards to Italian travel behaviour, a variety of market research material published by various national tourism offices were also referenced, including the US Office of Travel and Tourism Industries (OTTI), the British Tourism Authority (BTA), the European Travel Commission (ETC), the International Passenger Survey (IPS), Trademark Italia (TI), Direction du France, the Swiss National Tourist Office, the Austrian National Tourist Office, Tourism Australia (TA), the Brazilian Institute of Geography and Statistics (IBGE), the Hong Kong Tourist Board (HKTB) and the China National Tourism Office (CNTO). Italy's National Association of Travel Agencies (Assottravel), as well as TTG Italia, provided data in relation to tour operators and travel agent activity.

Airline websites and marketing collateral were also consulted to ascertain the supply of flights between Italy and a number of selected destinations, including the National Agency of Civil Aviation (ENAC). The Official Airline Guide (OAG) was used to identify the routes taken by the country's national carrier, Alitalia.

Disclaimer: due to the differing way in which data are gathered/collated/calculated, there may be a discrepancy between figures sourced from the UNWTO and certain tourist boards within this report.



## Market Drivers

### Population

Italy, the fifth most densely populated nation in Europe, is anticipated to experience a gradual reduction in the number of people living in the country over the next four decades. Currently, 58.1 million individuals live in Italy – a figure projected to fall by 13.3% to reach 50.3 million in 2050. In contrast, the population of the European continent as a whole is forecast to shrink by just 12% over the same period. While America, India, Africa and China are all expected to grow significantly, Europe's population is projected to decline over the next 50 years, by as much as 8%. If these projections are realised, Europe's population will shrink from about a sixth of the world total now to around one tenth by 2050, reducing both its global economic and political significance. Italy, Western Europe's fastest ageing population, will probably bear the brunt of this drastic decline.

Unlike Germany or France, Italy has not relied on immigration to bolster its population. Indeed, according to a survey carried out by the Italian Institute of Statistics (ISTAT), only 4% of Italy's population are immigrants. Comparatively, the latter account for 20% and 8% of Germany and France's population respectively.

Until the 1970s, immigration was restricted to people mostly of Italian origin going from the rural south to the industrial north or returnees from Europe or South America. The country witnessed an unexpectedly high influx of immigrants of non-Italian origin from Africa and Asia, as well as Latin America and Eastern Europe throughout the 1980s, who took advantage of the country's near absence of immigration policies and controls. A report released by the United Nations (UN) entitled *The State of World Population* in 2005 surmises that Italy has to admit about 2.2 million immigrants annually over the next 30 years. This is in order to meet labour demand and stave off a crisis in the pension system, as well as in its already fragile economy. The Italian government is willing to admit approximately 350,000 immigrants per year.

FIGURE 1: MID-YEAR POPULATION ESTIMATES FOR ITALY, 1950-2050

Year	Population	Year	Population
1950	47,105,000	2004	58,057,477
1960	50,197,600	2005	58,103,033
1970	53,661,100	2006	58,133,509
1980	56,451,247	2007	58,147,733
1990	56,742,886	2010	58,090,681
2000	57,719,337	2020	57,028,224
2001	57,844,924	2030	55,359,830
2002	57,926,999	2040	53,231,891
2003	57,998,353	2050	50,389,841
Period	% change	Annual % change	
1950-60	+6.6	+0.7	
1960-70	+6.9	+0.7	
1970-80	+5.2	+0.5	
1980-90	+0.5	+0.1	
1990-2000	+1.7	+0.2	
2000-10	+0.6	+0.1	
2010-20	-1.8	-0.2	
2020-30	-2.9	-0.3	
2030-40	-3.8	-0.4	
2040-50	-5.3	-0.5	

SOURCE: US CENSUS BUREAU, INTERNATIONAL DATABASE

The dramatic decline in the number of people living in Italy can be attributed primarily to the drastic drop in fertility rates in the last 50 years. Between 1950 and 1960, the fertility rate in Italy was 2.3, rising to 2.5 over 1960-70. However, the rate has been decreasing ever since. It has been below the replacement level of two since 1975, and between 1995-2005 it was estimated at 1.2 children per woman, one of the lowest in the world.

This downward trend in Italy, also observed in the rest of Europe, can be accredited mainly to a change in reproductive behaviour. This includes a shift away from traditional values, with a much larger number of women in the workplace, who, as a result, delay or forego altogether having children. This has been compounded by a lack of modern childcare facilities and flexibility in working hours in Italy – many Italian women work but the lack of crèche and after-school care makes it much more difficult to balance work this with the responsibility of children. In 2003, the government began handing out cash bonuses in a bid to redress the population imbalance. However, this has done little to lift population figures.

Simultaneously, improvements in medical technology have led to longer life expectancies. According to Eurostat, Italy will boast the longest life expectancy out of all the original EU-15 members in 2050. Normally, people living longer would generally be received as good news. However, an ageing population means fewer workers to support the old. According to ISTAT, in Italy the number of pensioners is expected to exceed the number of workers by 2050, with about one and a half pensioners for every worker. Currently, under three fifths of those in the 15-64 age range are employed, the smallest proportion in Western Europe. Germany, in contrast, has an employment rate of about 66%, and the UK, 73%.

Almost a fifth of Italy's population is now aged over 65. However, this proportion is predicted to rise to about a third in 2050. Individuals aged under 25, who presently make up about 27% of Italy's total population, will account for only 24% by 2050. In contrast, the continent of Europe will experience a jump in the share of over 65s, from 42% to 54% between 2007 and 2050. On the other hand, the percentage of individuals aged 24 and under is set to fall from 29% to 23.5%.

Italians aged between 25 and 44 years are the most apt to travel overseas. According to the BTA, 62% of Italian visitors to the UK in 2005 were from the 25-44 age bracket. The HKTb conversely, found that 63% of Italian arrivals to the region were from the 26-45 age range. Looking specifically at the projections provided by the US Census Bureau, it is apparent that the number of people from this age segment will shrink drastically over the next 40 years. Outwardly, this does not bode well for the Italian outbound market.

Research carried out by the ETC highlights that Italy has one of the lowest rates of poverty risk for the elderly (those aged 65+) among all of its 25 member states. In fact, according to the same report, only 13% of those aged over 65 are at risk of poverty, compared to 28% of those within the 16-64 age group. Seemingly, seniors in Italy possess more in terms of disposable income or assets than the younger generation. Indeed, young Italians are considerably more likely to live with their parents than their Northern European and US counterparts. Data from the *European Community Household Panel Survey* (ECHPS), for example, show that around 82% of Italian men aged 18-30 were living with their parents in 2005. Obvious explanations for the high fraction of co-residing young Italians are escalating housing costs and the country's high youth unemployment rate. However, it is also important to take into consideration that in Italy, as with some other European countries, it is normal for children to stay living at home for longer, sometimes until they are married.

FIGURE 2: MID-YEAR POPULATION ESTIMATES FOR ITALY, BY AGE AND GENDER, 2007 AND 2050

	2007			2050			% change 2007-50		
	Total 000	Male 000	Female 000	Total 000	Male 000	Female 000	Total 000	Male 000	Female 000
0-4	2,595	1,338	1,257	1,981	1,022	959	-23.7	-23.6	-23.7
5-9	5,401	2,783	2,618	4,153	2,142	2,011	-23.1	-23.1	-23.2
10-14	2,715	1,399	1,316	2,118	1,092	1,026	-22.0	-22.0	-22.1
15-19	2,810	1,446	1,365	2,182	1,126	1,056	-22.4	-22.1	-22.6
20-24	2,935	1,507	1,428	2,241	1,156	1,085	-23.6	-23.3	-24.0
25-29	3,489	1,799	1,690	2,355	1,225	1,130	-32.5	-31.9	-33.2
30-34	4,514	2,323	2,190	2,503	1,319	1,183	-44.6	-43.2	-46.0
35-39	4,857	2,508	2,349	2,693	1,428	1,265	-44.5	-43.1	-46.1
40-44	4,897	2,504	2,392	2,950	1,562	1,388	-39.8	-37.6	-42.0
45-49	4,260	2,150	2,110	3,153	1,663	1,490	-26.0	-22.7	-29.4
50-54	3,809	1,891	1,918	3,104	1,631	1,473	-18.5	-13.8	-23.2
55-59	3,732	1,824	1,909	3,137	1,637	1,500	-16.0	-10.2	-21.4
60-64	3,284	1,575	1,710	3,064	1,581	1,483	-6.7	+0.4	-13.2
65+	11,564	4,823	6,741	16,875	7,565	9,310	+45.9	+56.9	+38.1

SOURCE: US CENSUS BUREAU, INTERNATIONAL DATABASE

With fewer younger Italians, Mintel anticipates a drop in the numbers heading abroad in the medium term. Nonetheless, in spite of the fact that few of Italy's current elderly generation travel, there is growing evidence that this could change in future. The latest marketing theories suggest dividing the senior market into two categories: the 'young senior', aged 50-65, and the 'senior', aged 65+. The former, often described as the Baby Boomer segment, is an important one. According to a broad range of research on this particular group, they tend to possess more disposable income, a high level of education, more time, a higher propensity to travel and are technologically aware.

## Economy

Many things seem to have turned dire for Italy in the last 15 years. The economic miracle after WWII culminating in the famous 1987 *sorpasso* when Italy officially announced that its GDP had overtaken Britain's is now virtually over. Italy's economic woes increased sharply in 1991 as it reeled from the effects of the global recession that hit most European nations. The following year, the country had to grapple with a budget deficit of over 10% GDP.

For most of the 1990s, Italy's GDP growth was among the slowest in the Economic and Monetary Union (EMU) zone. Indeed, according to statistics published by the OECD, between 1993 and 2003, real GDP growth in Italy averaged 1.7% per annum, compared to 2.7% achieved by the 15 original members of the EU.

Successive Italian governments implemented rigorous budgets and cutbacks in spending, on top of new revenue-raising measures in a bid to rescue Italy's ailing economy throughout the 1990s and early 2000s. The country plunged headlong into another economic crisis over 2003/2004, as real GDP growth measured less than 1%. At the same time, the number of Italian outbound travellers shrank by 12.9%, as more decided to forego foreign travel altogether and to stay or holiday at home.

According to the 2005 *Household Consumption Survey* conducted by ISTAT, spending on “other services”, a definition that encompasses expenditure on holidays, declined by 0.3 percentage points between 2003 and 2004 to account for 10.9% of total household outgoings. A significant number of Italians purportedly saw a decrease in their purchasing power over 2004 and 2005, mainly due to rising consumer goods prices. This in turn was due to the lack of effective controls following the adoption of the Euro as legal tender. As a result, Italian families, particularly those from the middle classes, perceived a reduction in their purchasing power. However, Italians were reluctant to sacrifice their holidays, and instead opted to take shorter breaks or chose off-peak periods in order to obtain value-for-money deals. The rise in fuel prices during summer 2005 further worsened the situation, negatively impacting on already reduced holiday budgets, and consequently, the numbers heading abroad.

In the fourth quarter of 2006, Italy’s economy expanded by 1.1% – the fastest pace in seven years – bringing hopes of a recovery. Although the economy grew slightly above expectations last year, it was nonetheless still only 1.9%, compared to 2.1% in France and 2.9% in Germany. In spite of the upswing, the country remains troubled by structural flaws, including its weak and rigid labour market, and an ageing population, both of which threaten to impede demand for outbound travel.

Unemployment is higher in the poverty stricken south rather than the prosperous north of the country, where average unemployment levels can exceed as much as 20%, compared to the national unemployment rate of about 8%. ISTAT figures highlight that Italians residing in the north took 2.2 holidays on average in 2006. In contrast, those from the south took only 1.3 holidays on average that year.

A monthly survey of 2,000 households carried out by the Institute for Studies and Economic Analysis found that consumer confidence fell sharply in April 2007. Part of the drop in confidence may be explained by the sluggish performance of the Italian economy in recent years. In addition, higher taxes included in the government’s latest budget plan and rising interest rates are beginning to put a damper on consumer confidence. Again, this could potentially thwart demand for overseas travel.

FIGURE 3: ITALY’S GDP AND UNEMPLOYMENT RATES, 2000-05

	2000	2001	2002	2003	2004	2005	2006 (est)	% change 2000-06
Current GDP (US\$bn)	1,074	1,091	1,219	1,507	1,724	1,763	1,780	+65.7
% change	2.9	1.6	11.7	23.6	14.4	2.3	1.0	-66.7
Real GDP growth (%)	3.6	1.8	0.3	-	-	0.1	-	+1.6
Unemployment rate (%)	11.0	9.4	8.7	9.1	8.6	8.6	7.7	-1.0
% point change	0.3	-1.6	-0.7	0.4	-0.5	-	-0.9	-0.2

SOURCE: WORLD BANK/ITALIAN INSTITUTE OF STATISTICS

The ETC projects that Italy’s economy will grow by about 2% this year, a figure in line with the Italian government’s current prediction. However, this is marginally lower than the 2.6% forecast for the whole eurozone. Consumption expenditure is expected to be even weaker, with a forecast increase of around 1% for 2007 and 2008.

Looking further ahead, the pace of growth in outbound travel from Italy will remain somewhat subdued, as the country’s lethargic economic growth continues to suppress consumer confidence, pushing Italians into taking fewer breaks and/or holidays closer to home.

## Exchange rates

The Euro replaced the lira as Italy's official currency in 2002. Since its inception, the value of the Euro has appreciated significantly against the world's major currencies. Given the fact that the majority of outbound travel from Italy takes place within the eurozone, particularly to France, Germany and Austria, exchange rate fluctuations naturally have a very limited impact on Italian tourist behaviour.

Since 2003, the Euro has strengthened against both the US Dollar as well as the British Dollar. Over this period, arrivals from Italy to the UK rose by 21%, possibly encouraged by more favourable exchange rates. On the other hand, the number of Italian visitors to the US plunged by 6%, as other factors, such as safety fears and bureaucratic immigration procedures, wielded a stronger influence over Italian travel decisions to the US.

China, which saw a 190% rise in the number of Italian arrivals between 2003 and 2006, became increasingly cheaper for Italians to visit over the highlighted period. The Euro continues to hold well against the Swiss Franc, although it has yet to return to its 2000 level. Nonetheless, Switzerland remains the top destination for Italians, probably more so because of its proximity and good overland connections between the two countries.

FIGURE 4: SELECTED EXCHANGE RATES AGAINST THE EURO, 2000-05

One unit= x Euros	2000	2001	2002	2003	2004	2005	2006
US Dollar	0.80	1.12	1.06	0.89	0.80	0.80	0.80
British Dollar	1.23	1.61	1.59	1.45	1.47	1.46	1.47
Australian Dollar	0.48	0.58	0.58	0.58	0.59	0.61	0.60
Chinese Reminbi	0.10	0.13	0.13	0.11	0.10	0.10	0.10
Swiss Franc	0.48	0.66	0.68	0.66	0.65	0.65	0.64

SOURCE: PACIFIC EXCHANGE RATE SERVICE

By and large, the **Euro** is performing relatively well against a number of currencies, making travelling abroad a more attractive prospect for Italians. Although exchange rate fluctuations do influence the choice of destination for Italian outbound tourists, it is seemingly by no means the pivotal factor.

## Tourism balance

In 2006, Italy was the seventh-largest outbound tourism market in terms of expenditure. Italians spent a total of US\$23.1 billion abroad in 2006 – an increase of some 2% over 2005. Italy used to be the sixth-largest market for overseas travel spend – a position it held for a number of years, before it was finally overtaken by China in 2006.

Between 2000 and 2005, Italy accumulated US\$186.2 billion in tourism receipts generated by over 218 million arrivals. In contrast, Italians spent a total of US\$120.7 billion over the same period, courtesy of 143 million outbound travellers.

Expenditure per head has fluctuated significantly over the 2000-05 period due to several factors, including the burgeoning demand for shorter breaks, the flexibility afforded by low-cost airlines, as well as the rise in uptake in last minute packages. The travelling habits of Italians are clearly changing in the face of economic uncertainties and upheavals.

FIGURE 5: ITALY'S TOURISM BALANCE, 2000-05

	2000	2001	2002	2003	2004	2005	% change 2000-05
Tourism receipts (US\$m)	27,493	26,916	28,192	32,592	35,656	35,398	+28.8

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Tourism expenditure (US\$m)	18,169	16,997	19,636	23,731	20,543	21,645	+19.1
Balance (US\$m)	9,324	9,919	8,556	8,861	15,113	13,753	+47.5
Expenditure per head (US\$)	826.13	758.08	781.50	884.92	879.82	925.19	+12.0

SOURCE: UNWTO

By 2002, it was evident that Italy's outbound tourism market had become de-sensitised to economic and world events. Expenditure and outbound arrivals reached record levels in 2003, despite the war in Iraq and a stagnant national economy. However, this changed abruptly in 2004. During that year, Italy was engulfed by a financial scandal that hit one of its largest and most prolific firms, Parmalat. This raised serious doubts about the industry as well as the country's economic and political stability. It was believed that the Parmalat debacle cost the country as much as €11 billion – equivalent to approximately 1% of the country's GDP. The economy did not fare better in 2005, as economic growth came close to a virtual halt. Nonetheless, outbound figures did show some marginal improvement.

Evidently, Italians have adopted a more cautionary stance when it comes to spending on discretionary items including outbound travel. Indeed, although economists project a return to growth for Italy's fragile economy, consumer confidence is eroding, mainly due to the anticipated rise in interest and consumer credit rates. It seems likely that growth in outbound travel from Italy will remain somewhat stunted in the short term, in contrast to that achieved by Europe as a whole.

## Outbound Tourism

### Arrivals

There are currently three main information sources for Italian outbound travel – the UIC, ISTAT and the UNWTO. Each of these bodies provides different statistics in relation to this market. UIC data encompasses daytrippers and those crossing the border to work every day. Consequently, this data is not the best measure of gross propensity to travel. ISTAT data, conversely, underestimates the level of Italian outbound tourism, reporting just over 18 million outbound trips in 2006, giving a gross propensity to travel of just 31%. Figure 6 showcases figures compiled by the UNWTO.

FIGURE 6: OUTBOUND TRAVEL FROM ITALY, 2000-06

	2000	2001	2002	2003	2004	2005	2006 (est)	% change 2000-06
Outbound tourists (000)	21,993	22,421	25,126	26,817	23,349	23,396	23,442	+6.6
% change	-	+1.9	+12.1	+6.7	-12.9	+0.2	+0.2	-
Propensity to travel (%)	38.1	38.8	43.4	46.2	40.2	40.3	40.3	+5.8

SOURCE: UNWTO /MINTEL

According to the UNWTO, Italy generated a total of 23.4 million arrivals worldwide in 2005, a rise of a mere 0.2% over 2004. The number of Italians choosing a holiday destination abroad saw some growth over the review period with the exception of 2004, despite the country's economic upheavals, international political crisis and reduced perceived disposable income. Demand was sustained partly by the successful launch of a series of all-inclusive holiday packages during this time by established tour operators to inexpensive mid-haul destinations, such as Turkey, Egypt and Tunisia.

At 40.3%, the Italian propensity to travel, though not the lowest in the whole of the EU, is substantially lower than that of Northern European member countries. For instance, the German propensity to travel currently stands at about 92%, while the UK possesses a propensity to travel of a whopping 110%. This relatively lower propensity can be accorded to the fact that Italians are more inclined to holiday at home. According to ISTAT, domestic trips comprised about 84% of all holidays taken by Italians in 2006. Furthermore, the average Italian traveller, as outlined by various market studies, tends to have little mastery of English, compared to their Northern European counterparts. Therefore, travelling outside the country is more daunting for Italians in general.

### Destinations

Europe welcomes the bulk of Italian travellers. In 2006, according to the UIC, a total of 45.4 million trips were made by Italians to other parts of Europe, including EU and non-EU nations, a rise of 7.2% over 2005. In 2006, Europe generated about nine out of ten of all Italian outbound trips. Notably, Asian countries have made the greatest gains over the review period in terms of market share, with China accounting for much of this growth, albeit from a small base.

Non-EU European countries, on the other hand, saw the largest dip in market share between 2003 and 2006, owing mainly to a slowdown in demand for trips to Croatia, once touted as an up-and-coming destination for Italian tourists. Switzerland, the most popular destination for Italians, posted the second biggest loss in arrivals during 2003-06, partly because the country has become increasingly more expensive to visit, owing to unfavourable exchange rates. Furthermore, selected EU countries including Austria, France and the Netherlands have become more attractive since the introduction of the **Euro**, considering that the hassle of exchanging currencies no longer exists.

FIGURE 7: OUTBOUND TRAVEL FROM ITALY\*, BY REGION, 2003-06

Region	2003 000	2004 000	2005 000	2006 000	% change 2003-06
Europe – EU	25,421	23,381	27,183	27,877	+9.7
Europe – non EU	22,762	16,761	15,196	17,536	-23.0
America	2,522	2,171	2,255	2,120	-15.9
Africa	1,773	1,729	1,740	1,928	+8.7
Asia	836	1,027	1,160	1,147	+37.2
Oceania	132	121	129	131	-0.8
No response	109	111	131	139	+27.5
<b>Total*</b>	<b>53,555</b>	<b>45,301</b>	<b>44,894</b>	<b>50,878</b>	<b>-5.0</b>

Note: \*includes excursionists ie individuals who did not stay overnight at a destination

SOURCE: UIC

Italy is the fifth-largest inbound market for France, and between 2003 and 2006, the number of Italian visitors to the country increased by 8.1% to reach 8.1 million. According to the French Ministry of Tourism's 2005 annual report on its inbound sector, some eight out of ten Italian arrivals to the country came for business or professional rather than personal purposes. Austria recorded the largest increase in Italian arrivals over the stipulated period out of all EU countries tracked by ISTAT. The UK, a popular destination for younger Italians – particularly those keen to learn English – clocked in the second biggest rise out of all EU countries between 2003 and 2006. In 2005, Italy was the seventh most important inbound market for the UK, commanding about 4% of all visits.

Long-haul travel accounted for only 10.5% of all trips made by Italians in 2006, a marginal fall of two percentage points on 2005. The US remained the top Americas destination for Italians, buoyed by the relative strength of the **Euro** against the US Dollar. Figures cited by the OTTI show a year-on-year decrease in the number of Italian visitors to the country between 2000 and 2002 – a period marred by the events of 9/11 and a stumbling world economy.

Contrary to UIC figures, OTTI data shows that the number of Italian visitors to the country increased consecutively between 2003 and 2005. There is also a large discrepancy between OTTI and UIC figures, with the former stating that 533,000 Italian visitors had travelled to the US in 2006, and the latter claiming that 900,000 Italians had left for the US that year. This inconsistency can be accorded to the different methodologies adopted by these bodies to collate data on Italian outbound tourism. The OTTI extrapolates statistics on its inbound sector based on data gathered through in-flight surveys. UIC, conversely, relies on a standard face-to-face survey conducted at international borders to compile statistics regarding Italian outbound tourism.

Argentina is the next most single important Americas destination for Italians. This is unsurprising given the fact that the country is home to some 18 million people of Italian origin. Over the review period, the number of Italian arrivals to Argentina increased by almost 50%.

Africa has been experiencing an upturn in Italian tourists in recent years. Djerba in Tunisia as well as Sharm el Sheikh and Hurguda in Egypt are now the prime African beach destinations of choice for Italians. The Maldives, on the other hand, a long-favoured destination for Italian holidaymakers, saw the number of Italian visitors plummet by almost half in 2005. This was a direct result of the tsunami that occurred at the end of December 2004, which allegedly cost the country US\$260 million worth of damage.

The credible growth in demand for Asian destinations highlights that a significant number of Italians are becoming more willing to step out of their comfort zone to explore destinations further afield. According to the CNTO, approximately half of all visits to China made by Italians in 2006 were for leisure, and 39.5% for business. Notably, 77.4% of all Italian visitors to China that year were male, suggesting that a significant number of Italian arrivals to China were travelling on their own, perhaps combining business with leisure.

Just over a quarter of Italians visitors to Australia, as revealed by Tourism Australia (TA) were also unaccompanied travellers in 2006, with most choosing to visit the state of New South Wales, home to the vibrant city of Sydney, Australia's most popular tourist destination.

FIGURE 8: SHARE OF OUTBOUND TRAVEL FROM ITALY\*, 2003-06

Region	2003 %	2004 %	2005 %	2006 %	% point change 2003-06
Europe – EU	47.5	51.6	60.5	54.8	+7.3
Europe – non EU	42.5	37.0	33.8	34.5	-8.0
America	4.7	4.8	5.0	4.2	-0.5
Africa	3.3	3.8	3.9	3.8	+0.5
Asia	1.6	2.3	2.6	2.3	+0.7
Oceania	0.2	0.3	0.3	0.3	-
No response	0.2	0.2	0.3	0.3	+0.1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>106</b>	<b>100</b>	<b>-</b>

Note: \*includes excursionists ie individuals who did not stay overnight at a destination

SOURCE: UIC

## Europe

Scandinavian countries, including Denmark, Sweden and Finland, saw the largest falls in Italian visits over 2003-06. Ostensibly, Italians generally do not like to visit countries with colder climates than their own. On the other hand, Spain, Greece and Portugal, all of which feature world-renowned sun and sand resorts, experienced notable increases between 2003 and 2006. Germany welcomed fewer Italian visitors in 2006 than it did in 2003. Turkey, an emerging resort destination for Italians, posted the largest increase in Italian visits out of all European non-EU countries listed. Russia has also seen steady gains in Italian visitors in the last three years, reinforced by the two countries' close commercial ties. Russia is Italy's second-largest trading partner, after Germany.

France is currently the top EU destination for Italian travellers. Most Italians enter France via road. According to the French Ministry of Tourism (DDT), around 12% of total arrivals who drove into France in 2005 were Italian. Conversely, only 8% of all visitors to the country who arrived by plane were Italian.

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Italy is the fifth most important tourist segment for France after Germany, Austria, Belgium and Spain. In 2006, Italians comprised 9.4% of all visitors to France and 7.3% of all nights. Italians entering France with the purpose of acquiring or improving their French is an important niche segment for the French tourism industry. In 2006, as outlined by the DDT in their annual report on the French inbound tourism sector, 11% of Italian visitors who came to France on a professional basis admitted that they attended language lessons during their stay.

Austria, which ranks in second place as the most popular EU destination for Italians, experienced the second-largest increase out of all the destinations featured in this segment. Austria Tourism data highlights that Italians tend to visit the country mainly in the summer, and in 2006, 61.7% of nights generated by Italians occurred during this season. Italy currently ranks as the fifth most important market for Austria, after Germany, the Netherlands, the UK and Switzerland. Notably, a fair number of Italian visitors to Austria tend to reside in alternative accommodation to hotels such as private rented houses, campsites or youth hostels. In the first four months of 2007, close to one in ten of the total Italian arrivals to Austria chose to stay in such venues.

The UK has always been a popular choice for Italian travellers, particularly the young. London is the primary destination for Italian tourists, and in 2005, the capital played host to 54% of all arrivals. Most Italian visitors to the UK are lone travellers, with couples being the next most important segment in terms of group composition. Research carried out by the BTA highlights that Italians visit the UK to experience its rich heritage and traditions. Senior travellers in particular enjoy visiting castles, art galleries, museums and historical attractions. In addition, Britain is perceived to be a trendy destination.

Campervan holidays represent a key niche sector within the Italian holiday market to the UK. Agritourism is another growing niche for the Italian inbound sector. Movies showcasing the UK, as well as those with a strong British influence or theme have also played a pivotal role in influencing Italian perceptions about the UK and in inducing travel to the country. The surge in the availability of low-cost flights between Italy and the UK also helped to bolster numbers over 2003-06. In 2005, 39% of the Italians who arrived in the UK were on holiday, while 19% were on business. A further 6% were there to study. As in France, language study is an important segment for the UK tourism market.

FIGURE 9: ITALIAN ARRIVALS IN SELECTED EUROPEAN DESTINATIONS\*, 2003-06

Country of visit	2003 000	2004 000	2005 000	2006 000	% change 2003-06
<b>Europe – EU:</b>	<b>25,421</b>	<b>23,381</b>	<b>27,183</b>	<b>27,877</b>	<b>+9.7</b>
France	7,497	6,781	7,682	8,104	+8.1
Austria	2,982	4,022	5,379	6,012	+101.6
Slovenia	3,963	3,457	4,316	3,309	-16.5
Germany	3,084	2,603	2,385	2,527	-18.1
Spain	1,975	1,434	1,698	2,115	+7.1
UK	890	938	1,264	1,083	+21.7
Greece	986	972	1,022	1,005	+1.9
Romania	859	649	728	715	-16.8
Netherlands	426	392	424	495	+16.2
Czech Republic	415	357	377	447	+7.7
Hungary	427	298	331	366	-14.3
Poland	332	240	287	341	+2.7
Belgium	403	281	310	322	-20.1
Portugal	194	136	164	213	+9.8
Ireland	189	132	141	164	-13.2
Sweden	160	119	116	110	-31.3
Denmark	144	100	99	92	-36.1
Finland	113	61	73	61	-46.0
Luxembourg	38	44	39	28	-26.3
Other EU Europe	344	365	350	367	+6.7
<b>Europe – non EU:</b>	<b>22,762</b>	<b>16,761</b>	<b>15,196</b>	<b>17,536</b>	<b>-23.0</b>
Switzerland	19,708	15,070	13,380	15,522	-21.2
Croatia	1,531	583	536	793	-48.2
Turkey	159	174	219	215	+35.2
Russia	153	168	174	183	+19.6
Norway	78	67	59	69	-11.5
Other Europe- non EU	1,132	698	829	753	-33.5

Note: \*includes excursionists ie individuals who did not stay overnight at a destination

SOURCE: UIC

Croatia – home to breathtaking scenery and pristine beaches – shares close historical, cultural and economic ties with Italy. In 2005, Italians accounted for 14.8% of all foreign arrivals to Croatia. At the end of WWI, Istria was occupied by Italy and the region's Slavic speakers were pushed into adopting Italian customs and the Italian language. Although a peace treaty ended Italian rule in Istria in 1947, the influence of Italy is still strongly felt. Italians are attracted to Croatia due to its accessibility, low prices and the fact that their hosts are often fluent in Italian. However, despite these links, trips to Croatia from Italy have fallen, partly due to the growing popularity of all-inclusive packages to even cheaper destinations such as Egypt and Turkey.

UIC statistics indicate that Italians made 13.8 million trips to Switzerland in 2005. Official statistics derived from the Swiss Federal Statistical Office show a much smaller figure of around 1 million. However, the Swiss data relates only to tourist accommodation, suggesting that a large proportion of Italians visit Switzerland with the sole intent of visiting friends and relatives (VFR).

## America

The number of Italian visits to the US dropped by 0.4% between 2005 and 2006, having only just recovered from the 10.9% drop that occurred between 2003 and 2004. Evidently, stricter immigration procedures and border controls, as well as consumer pessimism, have taken their toll on Italian outbound travel to the US.

To make the most of their visit, Italians tend to stay for longer periods of time in the US, although they are unlikely to venture to multiple states. On the other hand, as indicated by the OTTI, between 2005 and 2006, the length of stay dropped to a five-year low of 12.9 days. This suggests that despite the favourable exchange rates between the US Dollar and the Euro, concerns regarding their personal financial security due to domestic economic uncertainties have provoked Italian arrivals to cut back on their duration of stay in the US.

As surmised by the OTTI, average daily expenditure per capita for Italian visitors to the US increased by 18.8% to US\$309 between 2005 and 2006. However, this rise could be partly attributed to inflationary pressures, rather than an outright increase in travel budgets. New York – home to a large Italian immigrant population – is the most popular destination for Italian visitors, and in 2005, the city generated 53.5% for all trips. Dining and shopping are the top two activities carried out by Italian arrivals to the US.

FIGURE 10: ITALIAN ARRIVALS IN SELECTED AMERICAN DESTINATIONS, 2003-06

Country of visit	2003 000	2004 000	2005 000	2006 000	% change 2003-06
<b>Americas:</b>	<b>2,522</b>	<b>2,171</b>	<b>2,255</b>	<b>2,120</b>	<b>-15.9</b>
US	957	853	904	900	-6.0
Brazil	293	234	252	252	-14.0
Mexico	297	216	240	195	-34.3
Cuba	213	211	187	179	-16.0
Argentina	74	82	107	109	+47.3
Canada	95	96	94	81	-14.7
Other America	592	478	471	404	-31.8

SOURCE: UIC

Central and South American as well as Caribbean countries have apparently lost their appeal somewhat, despite their abundance of sun and sand – the two biggest draws for Italian tourists. Resorts in Brazil, Mexico, and the Caribbean are generally expensive, and with cheaper beach destinations closer to home on offer, Italians now have little incentive to travel to these distant countries for a beach holiday. In addition, resorts in America tend to cater to an English-speaking crowd, and this possibly partly explains the fall in the number of Italian tourists at these destinations in recent times. Added to this is the effect of Hurricane Wilma, which devastated the Gulf of Mexico, especially the Mayan Riviera, in October 2005, curbing Italian demand for the Caribbean.

## Africa

The terrorist attacks in Taba, Egypt in 2004 had a profound effect on its appeal to Italian tourists, and by the end of the year, the number of visits from Italy had dipped by 21.4% on 2003. Another attack occurred in 2005, this time in the tourist enclave of Sharm el Sheikh. However, the Italians proved to be more resilient to shocks this time round, and the numbers visiting Egypt actually rose by 8.2% that year.

Italy had initially cautioned its citizens about travelling to Egypt after the Sharm el Sheikh incident – Italians traditionally dominate the scene in July and August. However, Rome soon withdrew the warning. Just a month after the attacks, the number of Italians arriving in Egypt exceeded the number departing. Italians are now seemingly more de-sensitised to the threat of terrorism, and in 2006, Egypt welcomed 623,000 Italians – a figure 20.9% higher than that achieved in 2005.

Deals offered in conjunction with the Egyptian Tourism Ministry played a vital role in preserving demand. Foreign tour operators were encouraged by the Tourism Ministry's promise to share the financial risk of chartering an aircraft they might not be able to fill. Some hotels even dropped the high-season surcharges they normally imposed in August, maintaining their July prices. Egypt's positioning as a value for money destination makes it an attractive choice for Italians looking to trim their expenditure on travel, but who are unwilling to compromise on quality.

FIGURE 11: ITALIAN ARRIVALS IN SELECTED AFRICAN DESTINATIONS, 2003-06

Country of visit	2003 000	2004 000	2005 000	2006 000	% change 2003-06
<b>Africa:</b>	<b>1,773</b>	<b>1,729</b>	<b>1,74</b>	<b>1,928</b>	<b>8.7</b>
Egypt	606	476	515	623	+2.8
Tunisia	449	397	447	461	+2.7
Morocco	210	250	196	294	+40.0
Other Africa	507	605	582	550	+8.5

SOURCE: UIC

The bombing of a synagogue in Tunisia in April 2002 did not stem the flow of Italian tourists to the country. In fact, by October 2002, the country had drawn a total of 344,000 – a figure 20.7% greater than that ascertained for the whole of 2001. The following year, the number of Italian trips increased marginally. However, economic problems in Italy led to a 11.6% decline in 2004. Demand picked up in 2005 and in 2006, a record high of 461,000 trips was achieved.

Morocco, like its North African neighbour Tunisia, has generally been perceived as a moderate, tolerant Muslim society offering a relatively high degree of security to foreigners. Indeed, up until 2003, there were virtually no terrorist incidents. Unfortunately, the country's peaceful image has been slightly tarnished by a series of terrorist attacks beginning in Casablanca in 2003. Despite these instances, however, Italians seemingly remain undeterred. Generally speaking, the Italian outbound sector appears to be rocked more by domestic ills rather than global events. Cost is more of a concern to them, and Morocco's reputation as a value-for-money destination has been the pivotal driving force behind the rise in the number of Italian tourists to the country since 2003.

Alpitour, Italy's largest tour operator, signed a deal with the Moroccan government in February 2007 in which it pledged to double the number of Italians who booked a holiday in Morocco through its network of travel agents over the next three years. Approximately 20,000 Italians booked a holiday in Morocco through Alpitour in 2006. As part of the agreement, Alpitour also planned to introduce new direct flights between the countries through its own airline Neos and to buy extra seats on routes operated by Moroccan airlines Atlas Blue and Royal Air Maroc.

## Asia & Oceania

Less than 5% of outbound trips from Italy are made to Asian and Oceanic destinations. Nonetheless, China, alongside Japan and India, are becoming key destinations for the Italian outbound market, suggesting that a small, but growing number of Italians are willing to travel further afield. Asia posted the second-largest increase out of all regions for Italian visits. Evidently, there is a growing band of adventurous Italians wanting to explore exotic climes.



FIGURE 12: ITALIAN ARRIVALS IN SELECTED LONG-HAUL DESTINATIONS, 2003-06

<b>Country of visit</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>% change</b>
	<b>m</b>	<b>m</b>	<b>m</b>	<b>m</b>	<b>2003-06</b>
Asia:	836	1,027	1,16	1,147	+37.2
China	73	177	226	212	+190.4
Japan	78	63	92	79	+1.3
India	82	107	93	102	+24.4
Other Asia	603	680	750	754	+25.0
Oceania:	132	121	129	131	-0.8
Australia	81	77	80	78	-3.7
Other Oceania	51	45	49	53	+3.9

SOURCE: UIC



## Market Characteristics

### Pre-booking behaviour

A research article produced by Italy's National Association of Travel Agencies (Assottravel) in conjunction with the Polytechnic of Milan and based on a consumer survey carried out in 2005 revealed that 55% of Italian residents interviewed referenced the Internet prior to making a holiday booking. Assottravel's results correspond with those stated by GMI the same year, which found that 61% of Italian Internet users had used the web to obtain travel information. Travel agencies were the next most crucial source, followed by friends and relatives.

Italians rely on a broad range of information sources to make their travel decisions. Word-of-mouth recommendations have a significant impact on the travel plans of Italians. According to TA, Italians are strongly influenced by recommendations of relatives and friends and by what is perceived to be 'trendy' at the time.

The Assottravel study also revealed that the majority of Italians who relied on the Internet as their primary source of information were aged between 30 and 45. This corresponds to the fact that this age group, as denoted by ISTAT, are the most apt to travel, either abroad or domestically. In comparison, those who relied on travel agencies for information were markedly older, being between 40 and 60 years of age. However, as cited by ISTAT, this age band is just as liable to travel as the 30-45 segment.

FIGURE 13: INFORMATION SOURCES USED PRIOR TO MAKING A BOOKING, 2005

	%
Internet	55.0
Travel agency	46.7
Friends/relatives	24.8
Brochures	16.3
Direct mail	3.0
Other	0.7

SOURCE: ASSOTRAVEL

Figure 14 features results from the survey carried out by TA among Italian arrivals to the country in 2006. Although the data shown cannot be construed to reflect the travel decision-making behaviour of all Italian travellers, it does provide some useful insights. First time as well as repeat Italian visitors to Australia seemingly rely mainly on the Internet and travel agencies to supply travel information about the continent. The Internet is evidently perceived to be an invaluable research tool.

FIGURE 14: INFORMATION SOURCES USED PRIOR TO VISITING AUSTRALIA, BY ARRIVALS ON FIRST AND RETURN VISITS, 2006

	First visit %	Return visit %
Travel book/guide	26	10
Tour operator	5	-
Internet	46	30
Travel agent	44	22
Airline	2	-
Travel article in newspaper/magazine	1	-
Film/TV/radio	3	4
Advertising in newspaper/magazine	-	-
Advertising on TV/radio	-	-
Friend/relative living in Australia	26	19
Friend/relative who has visited Australia	19	12
Previous visits	1	41

SOURCE: TA

As of March 2007, according to Internet World Stats, 51.7% of Italians had access to the Internet, compared to just 39.4% for the whole of Europe. However, this figure is significantly lower than that of other leading European outbound markets such as Germany and the UK. Some 62.3% of UK residents use the Internet, while in Germany, 61.2% claim to be Internet users.

In fact, household Internet access in Italy remains relatively low compared to most other EU nations. According to Eurostat, 40% of Italian households had access to the Internet in 2006. In contrast, 52% of all households within the EU were linked to the Internet.

As emphasised in the Assotrail survey, TA also found that word-of-mouth recommendations play a significant role in Italian travel planning decisions. Naturally, first-time visitors are more likely than repeat visitors to seek recommendations and reassurances from friends and relatives.

Statistics released by the US's OTTI paints a very different picture. Although travel agencies and the Internet are still the main sources of information for Italians planning a trip to the US, friends and relatives are the least consulted source. This suggests that a significant number of Italian visitors to the US head there repeatedly, with the primary purpose of VFR and are less likely to tour the country. According to the OTTI, 36% of Italian arrivals to the US in 2006 were visiting relatives. Some eight out of ten were combining a holiday with visiting friends and relations – an increase of four percentage points over 2005.

FIGURE 15: INFORMATION SOURCES USED TO PLAN TRIPS TO THE US, 2005 AND 2006

	2005 %	2006 %	% point change 2005-06
Travel agency	57	48	-9
Internet	32	35	+3
Airlines	12	13	+1
Friends/relatives	7	8	+1

SOURCE: OTTI

## Booking methods

In the not-so-distant past, Italians had a distinct preference for travel agents when it came to making bookings. However, this has changed a great deal as large online travel players such as Opodo, lastminute and Expedia flooded the Italian tourism market, allowing Italian consumers to compare prices and services instantly and the flexibility to make their own travel arrangements. The confidence of Italian travellers has grown immensely, and less hand holding, especially among the key 30-45 age group, is now required. Before the online travel boom, travel information was largely fragmented, and owing to a lack of knowledge and direct access to tour operators, travel agencies were the only ready means to obtain discounted travel products, particularly holiday packages.

Assotrasvi's 2005 study found that 46.8% of respondents chose to make bookings through travel agents and another 44.7% used the Internet. Individuals aged 40-60 were the most inclined to use travel agencies, and those aged between 30 and 45 were the most prominent online travel bookers. The former are more likely to be less comfortable with technology, and are therefore more inclined to prefer the personal touch.

The Internet has transformed Italian booking patterns. Indeed, the tendency to book last minute continues to develop in Italy, especially when it comes to short-haul destinations. According to the BTA, 14% of all travellers decide on their holidays less than five days before departure. In 2002, the proportion doing so hardly reached 10%.

According to a survey carried out by Trademark Italia (TI) in 2005 entitled *Where do Italians go on Holiday?*, almost a quarter of Italians book their holidays after the Easter period. Moreover, the dependence of Italians on travel agents to make bookings continues to fall. The same TI study highlights that 69% of Italians actually prefer to book their holidays independently.

## Demographics

ISTAT produces a demographic profile of Italian tourists. However, it does not distinguish between domestic and outbound travellers. In order to build a more complete and unbiased picture of the archetypal Italian tourist, Mintel consulted a range of publications produced by the national tourism organisations, including that of the UK, Australia and Hong Kong.

Data taken from the UK's 2005 IPS highlight that just over half the visits generated by Italians visiting the UK could be accredited to travellers aged between 25 and 44. In contrast, some 46% of all visits to the UK could be attributed to this age band. The share of visits to the UK generated by Italian 25-44-year-olds has remained somewhat unchanged since 2000. Italian visitors to Australia are mostly from the 25-34 age group, with close to a third of Italian arrivals belonging to this segment in 2006. Survey results released by the HKTB closely mirror that of the UK's IPS. In 2006, 63% of Italian visitors to Hong Kong were aged between 26 and 45.

The BTA has segmented the Italian outbound market by age. Youths, or those aged 16-24, have a high propensity to use online services and low-cost airlines. The next segment, DINKS/SINKS (Double income, no kids/single income, no kids), are aged between 25 to 44. This group increasingly seeks a unique travel experience. They are also looking for holidays that will permit them to escape or which feature some form of spirituality.

Seniors, which encompass individuals aged over 55, are another important segment, with Baby Boomers or those born between 1946 and 1964 showing the greatest potential. They often possess the most disposable income of all age groups, and are generally less sensitive to prices as quality is essential to them.

## Purpose of visit

The UIC splits the number of departures from Italy into two – leisure and business. Individuals going on holiday comprise the majority of leisure departures, with the proportion doing so having increased from 49.2% in 2003 to 51.3% in 2006, bolstered by the expansion of low-cost airline routes and destinations. Poor economic conditions, conversely, led to a drop in business-related trips abroad over the review period.

Italians are avid shoppers, and in 2006, 8.8 million Italians went abroad specifically to shop. An HKTB study on Italians reveals interesting details regarding their shopping habits. In 2006, eight out of ten Italians visiting Hong Kong, a world-renowned shopper's haven, went on a shopping spree. Just over half of Italian arrivals bought clothes during their visit, while about a third bought tobacco products. Another 30% bought shoes and leather luggage. Comparatively, only 44% of all visitors to Hong Kong bought clothes that year, and only 14% purchased cigarettes and the like, while a similar number purchased shoes and bags.

VRF forms a significant component of total visits out of Italy and in 2006, it generated 13.2% of all Italian outbound trips. However, between 2000 and 2006, the proportion doing so decreased by 1.9 percentage points. Simultaneously, there was a notable decrease in the numbers claiming to do so.

The global revolution in health and wellness seems to have permeated the Italian outbound market also. During the review period, there was a notable 9.7% increase in the number heading overseas for wellness and spa holidays. According to the *Where do Italians Go on Holiday?* report published by Trademark/Sociometrica in 2006, some 22% of Italian respondents interviewed look for hotels offering spa and wellness products: fitness equipment, beauty packages, yoga, dance therapy sessions, shiatsu, reflexology and the like.

Italy is a predominantly Roman Catholic country. According to a 2005 survey by Eurispes, 87.8% of the population identified themselves as Catholic; of those, 36.8% considered themselves practising Catholics and 30.8% said they attended church every Sunday. It is therefore no wonder that trips for religious reasons, including visits to pilgrimage sites, continued to surge over the 2003-06 period.

FIGURE 16: DEPARTURES FROM ITALY\*, BY PURPOSE, 2003-06

	2003 000	2004 000	2005 000	2006 000	% change 2003-06
<b>Personal:</b>	<b>36,204</b>	<b>31,558</b>	<b>34,239</b>	<b>36,442</b>	<b>+0.7</b>
Holiday	17,814	16,736	17,884	18,692	+4.9
Other personal reasons	16,401	13,12	14,627	15,929	-2.9
Shopping	6,789	6,422	8,322	8,800	+29.6
Visit relatives	3,053	2,467	2,481	2,803	-8.2
Visit friends	2,421	1,752	1,937	2,024	-16.4
Study	957	887	762	705	-26.3
Spa/Medicinal	590	477	539	647	+9.7
Wedding	291	187	220	254	-12.7
Religious	149	151	207	214	+43.6
Other	4,138	2,479	1,887	2,303	-44.3
<b>Business:</b>	<b>14,852</b>	<b>11,777</b>	<b>11,791</b>	<b>12,686</b>	<b>-14.6</b>
Work overseas	4,699	2,935	2,623	2,759	-41.3
Other work related reasons	10,153	8,842	9,168	9,927	-2.2
Conventions/meetings	378	1,183	872	1,049	+177.5
Other	9,775	7,659	8,297	8,878	-9.2
<b>Total</b>	<b>51,056</b>	<b>43,335</b>	<b>46,030</b>	<b>49,128</b>	<b>-3.8</b>

Note: \*excludes excursionists ie individuals who did not stay overnight at a destination

SOURCE: UIC

## Average length of stay

Figure 17 highlights that the average length of stay of Italians abroad has declined considerably since 2003. In 2000 (not shown), Italians stayed for an average duration of ten days while overseas. In 2006, this had dropped to just 4.5 days. There has been a definite shift towards shorter breaks, particularly to EU countries.

This reduction in the length of stay is, to an extent, a direct consequence of Italy's recent economic difficulties, which has pushed its residents into limiting personal expenditure on leisure items, including travel. Then again, it is apparent that despite difficult economic and financial circumstances, few Italians are willing to sacrifice overseas travel completely. The UK experienced the largest drop in the length of stay over the review period, suggesting that the strength of the Dollar relative to other currencies was making it an expensive and therefore less attractive destination for Italians. In other words, other destinations in Europe and beyond offered more value for money to Italians, and they were therefore more inclined to visit these places.

Although there is a general trend across the destinations for shorter trips, it is by no means as drastic as the decline insinuated by the overall average length of stay. Indeed, as seen in the Figure below, in some destinations the Italians choose to stay for as long as 20 days. Italians stay the longest in Brazil, followed by Argentina and Canada. Both Brazil and Argentina are home to large Italian communities. According to the latest estimates released by the IBGE, there are around 25 million Italians or descendants of Italians, equivalent to approximately 13% of Brazil's population, living in Brazil today. The Argentinean National Institute of Statistics and Censuses states that there are around 18 million citizens living in Argentina currently of Italian origin. Broadly, this indicates that almost 45% of Argentina's population possess Italian roots. Ostensibly, trips to these two Latin American countries are longer, probably due to VFR.

Notably, in spite of the threat of terrorism, Italians are staying for longer in Egypt, Morocco and Tunisia. On average, Italians spend about 12.7 days in each of these countries, suggesting that a large number of visits comprise mainly of packaged holidays.

FIGURE 17: AVERAGE LENGTH OF STAY, BY DESTINATION, 2003-06

Destination	2003 No. of days	2004 No. of days	2005 No. of days	2006 No. of days	Change 2003-06
<b>Europe – EU:</b>	<b>6.0</b>	<b>5.3</b>	<b>4.7</b>	<b>4.4</b>	<b>-1.7</b>
Austria	4.3	2.6	1.7	1.3	-3.0
Belgium	7.5	7.5	8.1	6.0	-1.5
Czech Republic	6.6	5.3	4.9	5.0	-1.5
Denmark	9.2	7.5	6.2	8.8	-0.4
Finland	13.5	7.4	10.7	9.7	-3.8
France	3.9	4.5	4.0	3.4	-0.4
Germany	6.9	5.7	5.2	4.8	-2.0
Greece	10.6	10.3	9.1	9.1	-1.6
Ireland	17.8	17.3	15.8	14.4	-3.5
Luxembourg	11.6	6.3	5.3	3.1	-8.5
Netherlands	7.1	8.1	6.2	5.6	-1.6
Poland	9.8	11.5	9.4	8.7	-1.2
Portugal	11.3	9.3	11.2	9.6	-1.7
UK	15.1	12.1	12.1	9.3	-5.9
Romania	15.3	14.0	14.2	14.7	-0.7
Slovenia	0.5	0.5	0.3	0.3	-0.2
Spain	12.0	10.6	10.9	9.9	-2.1
Sweden	8.9	7.8	9.6	9.1	0.1
Hungary	6.7	5.6	6.0	6.3	-0.4
Other Europe – EU	7.7	6.9	8.4	10.1	2.4
<b>Europe- non-EU:</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>+0.1</b>
Croatia	4.7	5.3	5.8	5.6	+0.9
Norway	11.3	8.7	8.9	10.6	-0.8
Russia	11.6	11.0	10.4	10.5	-1.1
Switzerland	0.7	0.7	0.6	0.7	-
Turkey	8.8	10.4	8.2	7.5	-1.3
Other Europe – non- EU	3.9	7.3	6.5	7.2	+3.3
<b>Americas:</b>	<b>17.9</b>	<b>16.6</b>	<b>15.9</b>	<b>16.7</b>	<b>-1.2</b>
Argentina	21.7	22.0	17.4	21.9	+0.2
Brazil	21.2	21.9	20.4	23.9	+2.6
Canada	20.8	14.1	14.3	20.4	-0.4
Cuba	12.7	12.9	12.6	13.7	+1.0
Mexico	13.0	15.8	13.3	14.5	+1.5
US	18.8	16.4	16.1	15.5	-3.4
Other America	18.0	15.8	15.9	15.0	-3.0
<b>Africa:</b>	<b>11.9</b>	<b>13.3</b>	<b>13.1</b>	<b>13.2</b>	<b>+1.3</b>
Egypt	8.4	10.1	10.9	10.2	+1.8
Morocco	12.9	12.7	13.5	17.9	+5.0
Tunisia	9.5	11.2	11.3	10.1	+0.6
Other Africa	18.0	17.4	16.2	16.7	-1.3
<b>Asia:</b>	<b>15.7</b>	<b>15.0</b>	<b>14.8</b>	<b>14.0</b>	<b>-1.7</b>
China	21.4	16.2	17.3	13.9	-7.5
Japan	14.5	12.7	11.6	15.4	+0.9
India	22.5	24.0	23.2	19.5	-3.0
Other Asia	14.3	13.4	13.5	13.2	-1.1

<b>Oceania:</b>	<b>25.9</b>	<b>26.7</b>	<b>26.2</b>	<b>22.6</b>	<b>-3.3</b>
Australia	29.6	32.6	34.9	28.4	-1.1
Other Oceania	20.1	16.0	11.9	14.0	-6.1
No response	4.2	8.1	7.8	6.1	+1.9
<b>Average</b>	<b>5.0</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>-0.5</b>

SOURCE: UIC

Leave entitlement in Italy varies according to the collective sector contract signed by an employee. Officially, the national average is 26 days, but this figure can vary from 24 to 32 days. However, between 2003 and 2006, owing to changes initiated by the Italian government to improve the flexibility of its labour market, the number of self-employed workers increased. These employees are not required by law to join trade associations or unions, and as such, they have the freedom to work as and when they please. They can take as many holidays or sabbaticals as they like. According to the European Foundation for the Improvement of Labour and Working Conditions, some 28.1% of the Italian workforce in 2005 was self-employed. This partially explains the current shift of the Italian outbound market away from one traditional long, summer holiday to that of multiple, shorter breaks.

Greater polarisation is occurring in the Italian outbound sector. There are an increasing number of affluent Italians who have little time to spare for leisure. Hence, they tend to visit short-haul destinations on brief breaks. At the other extreme end of the spectrum are Italians who have a lot of time and little money. This group travels to destinations where they can stay with friends or relatives, such as the US, Brazil or Argentina, thereby enabling them to trim their travel budget. Alternatively, they seek out bargain packages to Europe or budget resorts in North Africa. The data in Figure 17 also indicates that there is a burgeoning group of Italians who possess both time and money and who are likely to prefer long-haul tourist hotspots.

## Seasonality

Italian outbound tourism is still highly seasonal, although travelling patterns have altered slightly over the 2003-06 time span. Travelling during the winter season, to either warmer climes or neighbouring skiing destinations during the last quarter of the year, has become more commonplace since 2003. These changes can be attributed mainly to the increasing prominence of flexible working arrangements, and the rising availability of last minute deals offered by both online and retail travel agents. These factors, alongside economic stagnation, are prompting Italians to go abroad outside the summer months, avoiding the costly preposition of travelling during the high season, and taking advantage of the competitive offers that usually appear in the autumn and winter.

FIGURE 18: DEPARTURES FROM ITALY\*, BY MONTH, 2003-06

Month	2003 000	2004 000	2005 000	2006 000	% change 2003-06
January	3,702	3,683	3,478	3,278	-11.5
February	3,196	2,865	2,791	3,046	-4.7
March	3,854	3,546	3,685	3,440	-10.7
<b>First quarter</b>	<b>10,752</b>	<b>10,094</b>	<b>9,954</b>	<b>9,765</b>	<b>-9.2</b>
April	4,275	3,521	3,192	4,037	-5.6
May	4,075	3,145	3,398	3,482	-14.6
June	4,826	3,545	4,341	3,968	-17.8
<b>Second quarter</b>	<b>13,175</b>	<b>10,212</b>	<b>10,931</b>	<b>11,488</b>	<b>-12.8</b>
July	4,985	4,053	4,609	4,598	-7.8
August	6,490	5,437	5,862	6,466	-0.4
September	4,418	3,756	4,097	4,902	+11.0
<b>Third quarter</b>	<b>15,894</b>	<b>13,245</b>	<b>14,568</b>	<b>15,967</b>	<b>+0.5</b>
October	3,913	3,528	3,889	3,639	-7.0
November	3,561	2,878	3,360	3,883	+9.0
December	3,760	3,378	3,328	4,387	+16.7
<b>Fourth quarter</b>	<b>11,234</b>	<b>9,785</b>	<b>10,577</b>	<b>11,909</b>	<b>+6.0</b>
<b>Total</b>	<b>51,056</b>	<b>43,335</b>	<b>46,030</b>	<b>49,128</b>	<b>-3.8</b>

Note: \*excludes excursionists ie individuals who did not stay overnight at a destination

SOURCE: UIC

August is the main month in which most Italians head overseas, followed by September and August. The Easter months of March and April as well as the Christmas month of December, are the key periods at which most Italians choose to travel overseas.

FIGURE 19: DEPARTURES FROM ITALY\*, BY MONTH, 2003-06

Month	2003 %	2004 %	2005 %	2006 %	% point change 2003-06
January	7.3	8.5	7.6	6.7	-0.6
February	6.3	6.6	6.1	6.2	-0.1
March	7.5	8.2	8.0	7.0	-0.5
<b>First quarter</b>	<b>21.1</b>	<b>23.3</b>	<b>21.6</b>	<b>19.9</b>	<b>-1.2</b>
April	8.4	8.1	6.9	8.2	-0.2
May	8.0	7.3	7.4	7.1	-0.9
June	9.5	8.2	9.4	8.1	-1.4
<b>Second quarter</b>	<b>25.8</b>	<b>23.6</b>	<b>23.7</b>	<b>23.4</b>	<b>-2.4</b>
July	9.8	9.4	10.0	9.4	-0.4
August	12.7	12.5	12.7	13.2	+0.5
September	8.7	8.7	8.9	10.0	+1.3
<b>Third quarter</b>	<b>31.1</b>	<b>30.6</b>	<b>31.6</b>	<b>32.5</b>	<b>+1.4</b>
October	7.7	8.1	8.4	7.4	-0.3
November	7.0	6.6	7.3	7.9	+0.9
December	7.4	7.8	7.2	8.9	+1.6
<b>Fourth quarter</b>	<b>22.0</b>	<b>22.6</b>	<b>23.0</b>	<b>24.2</b>	<b>+2.2</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

Note: \*excludes excursionists ie individuals who did not stay overnight at a destination

SOURCE: UIC



# Transport

## Overview

Travelling overland is the most common mode of travel for Italian outbound travellers, with road trips accounting for about seven out of ten outgoing journeys from Italy in 2006. In spite of a dramatic increase in fuel prices in 2005 and 2006, travelling by road actually grew between 2004 and 2006. Among major destinations for Italians, Switzerland, Spain, France and Germany are the most accessible by car. Road travel has long been favoured by the Italians owing to the flexibility and freedom it offers.

Before the influx of low-cost airlines within Europe, road travel was the main means of getting to nearby destinations, considering that air travel was relatively expensive. Rail travel, on the other hand, was unpredictable and required a number of transits. Since the liberalisation of air space and the introduction of no-frills carriers within the EU in the late 1990s, more Italians have taken to the skies. Between 2004 and 2006, the number of departures by air from Italy rose by 23.7%, fuelled partly by the expansion of routes by low-cost airlines.

FIGURE 20: RESIDENT DEPARTURES FROM ITALY\*, BY MODE OF TRANSPORT, 2004 AND 2006

	<b>2004 000</b>	<b>%</b>	<b>2006 000</b>	<b>%</b>	<b>% change 2004 and 2006</b>	<b>% point change 2004 and 2006</b>
Road	30,765	71.0	34,483	70.2	+12.1	-0.8
Air	10,159	23.4	12,569	25.6	+23.7	+2.1
Rail	1,334	3.1	970	2.0	-27.3	-1.1
Sea**	1,077	2.5	1,106	2.3	+2.7	-0.2
<b>Total</b>	<b>43,335</b>	<b>100.0</b>	<b>49,128</b>	<b>100.0</b>	<b>+13.4</b>	<b>-</b>

Note: \*excludes excursionists ie individuals who did not stay overnight at a destination; \*\*does not include cruises

SOURCE: UIC

Rail and sea transport (excluding cruises), have seen their share of the Italian outbound market erode in recent years, as more Italians are choosing to fly to neighbouring destinations with low-cost carriers. Reduced journey times and value for money fares, coupled with frequent strikes by TrenItalia and railway inefficiencies, have pushed many Italians into choosing air over rail travel. Meanwhile, ferry companies offering trips to Greek Islands and Corsica are also feeling the heat from no-frills carriers.

The cruise market is one of the fastest-growing businesses in Italy. According to Carnival Cruises, more than 6,000,000 Italian travellers spent their holidays on a cruise in 2006. This is expected to grow to 7,650,000 in 2007.

## Air

In 2005, legacy airlines carried a total of 92.7 million passengers to and from Italy – a decline of 6.4% over 2004. In contrast, low-cost airlines carried 20.2 million passengers, an increase of 208.9% over the previous year. Out of the 112 million passengers who flew in and out of Italy in 2005, 43.2% were Italian residents or nationals.

Some 36 airlines are based in Italy, connecting a total of 50 domestic and international airports. Over 100 international airlines, including Italy's national carrier, Alitalia, operate flights out of Italy's three major airports – Milan Malpensa, Rome Fiumicino and Milan Linate.

FIGURE 21: LEGACY AIRLINES OPERATING DIRECT FLIGHTS BETWEEN ITALY'S THREE BUSIEST AIRPORTS AND SELECTED DESTINATIONS AROUND THE WORLD, JUNE 2007

Country	City	No. of flights per week			Airlines
		Milan Malpensa	Rome Fiumicino	Milan Linate	
<b>Europe:</b>					
Austria	Vienna	1	29	-	Austrian, Air One, Niki
France	Paris	95	115	50	Air France, Alitalia, Alitalia Express, easyJet, Meridiana, Saudi Arabian Airlines, Vueling Airlines
Germany	Frankfurt	41	40	24	Alitalia, Lufthansa
Greece	Athens	55	58	7	Aegean Airlines, Alitalia, Air One, easyJet, Olympic Airlines
Spain	Madrid	138	91	13	Air Europa, Alitalia, easyJet, Iberia, Vueling Airlines
Switzerland	Zurich	11	28	-	SWISS
UK	London	69	90	54	Alitalia, British Airways, easyJet
<b>North America:</b>					
US	New York	28	45	-	American Airlines, Alitalia, Continental Airlines, Delta Airlines, Eurofly
<b>Asia:</b>					
Hong Kong	Hong Kong	-	7	-	Cathay Pacific Airways
Singapore	Singapore	3	3	-	Singapore Airlines
Thailand	Bangkok	3	7	-	China Airlines, Thai Airways International
Maldives	Male	4	2	-	Eurofly, Livingston
<b>Central and South America:</b>					
Brazil	Sao Paulo	14	-	-	Alitalia, TAM Linhas Aereas
Argentina	Buenos Aires	4	7	-	Alitalia, Aerolineas Argentinas

SOURCE: AIRLINE WEBSITES AND MARKETING COLLATERAL, OAG

In March 2007, Alitalia began codesharing with Kuwait Airways three times weekly on the Rome Fiumicino-Kuwait route. A month later, the airline announced that it was planning to launch a five times weekly service to Boston.

Eurofly, a private sector airline, launched direct non-stop flights between Rome and Delhi on 15 January 2007. In May 2007, Ryanair unveiled nine new routes from its Milan base to Alghero, Bari, Billund, Cagliari, Gothenburg, Porto, Riga, Santander and Tampere. These new routes will commence in December, when Ryanair increases its Milan-based aircraft from four to six.

Meridiana began its seasonal twice-weekly flights from Olbia to London Gatwick on 5 May 2007. That same month, easyJet's inaugural flight between Edinburgh and Milan Malpensa took off. EasyJet plans to introduce two new Italian connections from London Gatwick this summer. At the time of writing, Pisa and Palermo were on the cards.

## Airports

Italy has an extensive network of 136 airports. Milan Malpensa is Italy's busiest airport and in 2006, a total of 9.9 million Italians waltzed through its doors. Rome Fiumicino and Milan Linate are the next most important airports in terms of passenger numbers. Smaller, local airports experienced the largest jumps in passenger numbers during the review period. This trend can be attributed mainly to the increase in the number of low-cost airlines basing themselves at smaller airports in a bid to avoid extortionate landing and parking fees. Please note that the data shown in Figure 22 encompasses both inbound and outbound trips.

FIGURE 22: RESIDENT DEPARTURES FROM ITALY, BY AIRPORT, 2000 AND 2005

No.	Airport	No. of Italian passengers carried on international flights		
		2000	2005	% change 2000-05
1	Albenga	556	457	-17.8
2	Alghero Fertilla	2,844	2,983	+4.9
3	Ancona Falconara	44,820	61,085	+36.3
4	Aosta	1,286	11	-99.1
5	Bari Palase Macchie	6,054	75,299	+1,143.8
6	Bergamo Orio al Serio	364,914	316,504	-13.3
7	Biella Cerrione	4	-	-
8	Bologna Borgo Panigale	513,476	490,207	-4.5
9	Bolzano	5	-	-
10	Brescia	10,241	72,046	+603.5
11	Bridinsi Papola Casale	2,989	2,125	-28.9
12	Cagliari Elmas	21,983	99,028	+350.5
13	Catania Fontanarossa	99,316	227,358	+128.9
14	Crotone	-	18,969	-
15	Cuneo Levaldigi	101	913	+804.0
16	Firenze Peretola	275,266	284,584	+3.4
17	Foggia Gino Lisa	-	7	-
18	Forli	-	22,594	-
19	Genova Sestri	46,482	5,509	-88.1
20	Grosseto	49	-	-
22	Lampedusa	-	-	-
21	Lemezia Terme	1,565	6,214	+297.1
23	Marina di Campo	-	7,633	-
25	Milana Malpensa	8,640,309	9,872,063	+14.3
24	Milano Linate	529,698	771,795	+45.7
26	Napoli Capodichino	157,652	283,673	+79.9
27	Olbia Costa Smeralda	64,974	32,978	-49.2
28	Padova	3	-	-
29	Palermo Punta Raisi	147,356	182,979	+24.2
30	Pantellria	-	-	-
31	Parma	2,777	4,006	+44.3
32	Perugia Sant'Egido	141	3,610	+2,460.3
33	Pescara	2,514	4,810	+91.3
34	Pisa San Gusto	119,651	26,157	-78.1
35	Reggio Calabria	367	23	-93.7
36	Rimini Miramare	2,006	17,883	+791.5
39	Rioma Urbe	-	-	-
37	Roma Ciampino	28,500	15,671	-45.0
38	Roma Fiumicino	4,911,959	5,532,119	+12.6
40	Siena Ampugnano	21	1,479	+6,942.9
41	Taranto Grottaglie	-	-	-
42	Torino Caselle	62,200	52,381	-15.8
43	Tortoli	-	-	-
45	Trapani Birgi	-	534	-
46	Treviso Sant'Angelo	6,131	15,846	+158.5
	Trieste Ronchi dei			
47	Legionari	81,116	10,606	-86.9
48	Venezia Tessara	527,527	463,790	-12.1
49	Verona Villafranca	468,176	609,532	+30.2
50	Vicenza	197	66	-66.5
	<b>Total</b>	<b>17,145,226</b>	<b>19,595,527</b>	<b>+14.3</b>

SOURCE: NATIONAL AGENCY OF CIVIL AVIATION (ENAC)

## Major Italian international carriers

### Alitalia

Alitalia, founded in 1947, serves 25 airports with 1,313 flights a week on a fleet of 150. In Europe, the airline serves 63 airports with 1,347 weekly flights, while for the rest of the world, Alitalia takes off and lands at 22 airports with 124 flights each week. In 2006, the company transported close to 22 million passengers, a decline of 9.3% on 2005. The Italian government holds close to half of the airline's shares, with the remainder split between Walter Capital Management, Newton Investment Management, Norges Bank and private investors. Alitalia became a member of the SkyTeam Alliance in 2001.

In September 2004, Alitalia hit a financial crisis, with management announcing that it did not have sufficient cash to pay employees. Plans to make 5,000 workers redundant were put into place and the company was split into two – Alitalia Servizi and Alitalia. In May 2005, 8,472 ground staff were reassigned to Alitalia Servizi and its subsidiaries. Later that year, the company implemented a raft of restructuring measures in a bid to reduce costs and improve efficiency. Alitalia has been losing money for years, and the 2004 crisis was just one in a string of many. In fact, between 1999 and 2005, the airline had accumulated net losses totalling €2.6 billion. Moreover, its fortunes failed to improve in spite of a €2.8-billion injection of fresh capital from the state since 2002.

FIGURE 23: DIRECT FLIGHTS OPERATED BY ALITALIA TO KEY INTERNATIONAL CITIES FROM ITALY, BY MAJOR AIRPORTS, JUNE 2007

Airport	Destination	No. of flights per week
Milan Linate	Amsterdam	6
	Barcelona Airport	7
	Brussels National Airport	11
	Frankfurt International Airport	11
	London Heathrow Airport	32
	Madrid Barajas Airport	13
	Paris Charles de Gaulle Airport	44
Milan Malpensa	Algiers	7
	Amsterdam	21
	Athens Intl Eleftherios Venizelos Airport	28
	Atlanta Hartsfield-Jackson Intl Airport	7
	Barcelona Airport	21
	Beirut	11
	Belgrade	21
	Berlin Tegel Airport	21
	Bilbao	21
	Boston Logan International Airport	7
	Bucharest Otopeni Airport	21
	Budapest	21
	Buenos Aires Ministro Pistarini	4
	Cairo	14
	Caracas	10
	Casablanca Mohamed V Airport	7
	Chicago O'Hare International Airport	7
	Cluj	4
	Copenhagen Airport	7
	Dakar	7
	Damascus	4
	Doha	4
	Dubai	7
	Düsseldorf International Airport	32

	Frankfurt International Airport	21
	Geneva	21
	Genoa	21
	Istanbul Ataturk Airport	19
	Kiev Borispol Airport	14
	Krakow	21
	Lisbon	7
	London Heathrow Airport	21
	Madrid Barajas Airport	21
	Malta	7
	Marseille Provence Airport	21
	Miami International Airport	12
	Minsk International	3
	Moscow Sheremetyevo International Airport	14
	Mumbai	10
	Munich International Airport	21
	New York J F Kennedy International Airport	19
	Newark Liberty International Airport	13
	Nice	28
	Osaka Kansai International Airport	5
	Paris Charles de Gaulle Airport	85
	Prague	35
	Sao Paulo Guarulhos Intl Airport	7
	Sarajevo	7
	Shanghai Pudong International Airport	5
	Skopje	7
	Sofia	14
	St Petersburg Pulkovo Airport	7
	Stockholm Arlanda Airport	13
	Strasbourg International Airport	14
	Stuttgart Airport	21
	Tehran Mehrabad International Airport	5
	Tel Aviv Ben Gurion International Airport	14
	Thessaloniki	7
	Timisoara	21
	Tirana	14
	Tokyo Narita Airport	9
	Toronto Lester B Pearson Intl Airport	7
	Toulouse Blagnac Airport	12
	Tunis	14
	Valencia	14
	Vienna	21
	Warsaw	14
	Zagreb	14
	Zurich Airport	21
Rome Fiumicino	Amsterdam	27
	Athens Intl Eleftherios Venizelos Airport	28
	Atlanta Hartsfield-Jackson Intl Airport	21
	Bangkok Suvarnabhumi International Airport	3
	Barcelona Airport	27
	Bordeaux Airport	4
	Brussels National Airport	20
	Bucharest Otopeni Airport	22
	Budapest	14
	Cairo	7
	Casablanca Mohamed V Airport	7
	Cincinnati Northern Kentucky Intl Airport	7
	Doha	4
	Frankfurt International Airport	20
	Geneva	20
	Istanbul Ataturk Airport	19
	Lisbon	7

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London Heathrow Airport	35
Malaga	7
Madrid	21
Moscow Sheremetyevo International Airport	12
Munich International Airport	20
New York J F Kennedy International Airport	30
Newark Liberty International Airport	18
Nice	21
Paris Charles de Gaulle Airport	96
Prague	27
Seoul Incheon International Airport	3
Sofia	20
St Petersburg Pulkovo Airport	4
Taipei Taiwan Taoyuan International Airport	3
Tel Aviv Ben Gurion International Airport	7
Thessaloniki	7
Tirana	14
Tokyo Narita Airport	6
Toulouse Blagnac Airport	9
Tripoli	6
Tunis	7
Valencia	7
Vienna	20
Warsaw	14

SOURCE: ALITALIA

A public notification announcing the willingness of the Italian government to sell its stake in Alitalia was made in January 2007. On 17 July 2007, Air One, a privately owned Italian airline, announced that it would not bid for the shares in Alitalia, which initially drew 11 expressions of interest. As potential bidders dropped out, Air One was seen as the last chance for an Italian buyer. This lack of interest has been blamed on the conditions of the sale, including taking on the airline's debts and maintaining its routes as well as its Italian identity.

### Low-cost airlines

A total of 28 no-frills carriers were flying in and out of Italy to over 230 destinations as of June 2007 including:

- Air Berlin
- Air Italy
- Belle Air
- Blu Express
- Blue Air
- bmibaby
- Centralwings
- Click Air
- easyJet
- Flybaboo
- Flybe
- Germanwings
- Globespan
- Jet2
- MyAir
- Niki

- Norwegian
- RyanAir
- SkyEurope
- Smartwings
- Sterling Airways
- Thomsonfly
- Transavia
- TUIfly
- Volareweb
- Vueling Airlines
- Windjet
- Wizzair

Figure 24 presents a brief profile of the six Italian low-cost airlines, listing the destinations they fly to, the number of passengers transported in 2005 and their fleet size in 2006.

FIGURE 24: BRIEF PROFILE OF LOW-COST AIRLINES BASED IN ITALY, JUNE 2007

Airline	Brief description	Key international destinations from Italy	No. of passengers transported (2005)	Fleet size(2006)
Windjet	Windjet was founded in 2003 and began operations on 17 June 2003. It is 100% owned by the Finaria Group. The company was the first airline to commence flights between Italy and Russia, following the signing of a bilateral agreement between the two countries in 2006.	Barcelona, Bucharest, Lille, Madrid, Moscow (Domodedovo International Airport), Oslo, Paris, Rostov-on-Don, Saint Petersburg	1,700,000	10
MyAir	MyAir made its debut in 2004 and started operations on 17 December 2004 with three Airbus A320-200s leased from other airlines. It is backed by former Volare Airlines management. Owners include Trismel SRL (51%) and My Holding (23%) and as of March 2007, it employed 232 people. On 26 September 2006, MyAir ordered 14 Bombardier CRJ-900 jets in a deal valued at US\$702 million.	Bucharest-Băneasa, Barcelona, Bordeaux, Casablanca, Ibiza, Istanbul, Lille, Madrid, Marrakech, Marseille, Metz, Palma de Mallorca, Paris, Sofia, Tirana	999,130	4
Alpi Eagles	Alpi Eagles was established in 1979 as an aerobatic team and later diversified into the executive transport market. It started scheduled passenger services from Venice in May 1996. Interbanca, Ithifly-Veneto Svillippo and Titano-Airontours own it. In June 2007, the company confirmed its order of five Embraer 195 jets. The value of the confirmed options, at list price, comes to US\$ 182.5 million. Alpi Eagles now has ten jets in its backlog, and deliveries are scheduled to begin in April 2008. The planes will fly intra-European routes. Between 2004 and 2005, the number of passengers carried by Alpi increased by 17.3%.	Athens, Barcelona, Bucharest, Cluj Napoca, Kiev, Moscow, Nice, Odessa, Prague, Pristina, Timișoara, Tirana and Valencia	990,225	9
Blue	Blue Panorama made its inaugural flight in December	Grenoble/Lyon,	847,944	11

Panaroma/ Blu Express	1998. Initially, it was owned by Distal & Itr Group (66.6%) and Franco Pecci (33.4%) but is now the total property of Franco Pecci. It wholly owns the low-cost airline Blu Express. In November 2006, the airline announced that it was planning to add several B737-300s or B737-500s to its fleet in 2007.	Nice		
eVolavia	Based in Ancona, Italy, the airline, which has been operational since 2002, is a low-cost virtual airline. Hence, it sub-contracts its routes to other carriers. Its airline partners include Spanair, Europe Airpost and Krasair. In May 2007, the airline announced that it was leasing a MD-82 from Sky Wings (GSW/Athens) for the summer season to launch new routes from Ancona to Barcelona, Budapest and Valencia.	Paris, Barcelona, Moscow	23,000	-
Air Italy	Air Italy was established by Captain Giuseppe Gentile. It received its operator licence on 26 May 2005 and began flights three days later connecting Turin to Budapest, a route that no longer exists. The company ended its second business year with a turnover of US\$63 million. It secured US\$38 million from lenders in 2006 with plans to inject this sum over the next three years in order to realise its goal of attracting 2 million passengers. That same year, the carrier signed a US\$3.1 million five-year deal with Sabre Airline Solutions, the global leader of software and services for the airline industry. The contract covers reservations, check-in, ticketing and online booking components of the SabreSonic Passenger Solutions suite of passenger management products. In January 2007, an independent investment company acquired a 40% share in Air Italy for US\$350 million, with the funding to be used to acquire a further three Boeing 767 aircraft in 2007 and 2008 for services to leisure destinations in Africa, the Indian Ocean and the Caribbean. In May 2007, the firm established a new subsidiary, Air Italy Polska (Warsaw), that is tipped to start charter operations in November in co-operation with Polish tour operators. It is expected to operate at least one B757-200.	Barcelona, London Stansted, Madrid, Moscow, Nairobi, Nossy Be, Prague, Sofia, Warsaw	139,105	3

SOURCE: AIRLINE WEBSITES AND MARKETING COLLATERAL



## Accommodation

Hotels and resorts are the prime accommodation of choice for Italians, with just over half of Italians opting to stay in one during their visit to a foreign country in 2006. During that same year, hotels and resorts garnered a 6% share of the market, a figure that has remained relatively unchanged since 2003. The homes of friends and relatives are the next most common type of accommodation used by Italians while away from home. Then again, there has been a decline in VFR numbers, reflecting the greater willingness of Italians to visit destinations outside the traditional realm of seaside resorts or cities with large swathes of immigrant Italian communities. This also indicates that more Italians are travelling independently. The number of Italian travellers selecting hostels has increased significantly since 2003, again suggesting that more Italians, particularly youths, are choosing to visit destinations on their own, without purchasing a conventional package.

FIGURE 25: TYPES OF ACCOMODATION USED BY ITALIAN OVERNIGHT DEPARTURES, 2003-06

	2003 000	2004 000	2005 000	2006 000	% change 2003-06
Hotel/resort	14,097	11,909	12,750	13,746	-2.5
Homes of family and friends	5,402	4,505	4,684	4,799	-11.2
Rented accommodation	2,332	1,990	2,101	2,052	-12.0
Owned accommodation	1,594	1,587	1,697	1,654	+3.8
Hostel	190	222	304	316	+66.3
Tents	515	327	307	267	-48.2
Campervan/motorhome	262	234	212	266	+1.5
Commune	297	214	214	218	-26.6
Ship (cruise)	243	177	192	167	-31.3
Other communes	207	138	133	139	-32.9
Religious commune	75	57	71	69	-8.0
Spa	15	18	10	10	-33.3
Other	717	876	1,036	916	+27.8
<b>Total</b>	<b>25,648</b>	<b>22,040</b>	<b>23,499</b>	<b>24,401</b>	<b>-4.9</b>

SOURCE: BANK OF ITALY (UIC)

Italians have a high VFR propensity when visiting most of the European destinations listed in Figure 26, with the exception of Austria and Portugal. Brazil and the US, which draws a fair proportion of VFR trips, naturally have a significant share of stays that have taken place in the homes of relations and acquaintances. Surprisingly, the same proportion of Italians stay in hotels and the homes of friends and relatives while visiting Australia.

FIGURE 26: TYPES OF ACCOMODATION USED BY ITALIAN OVERNIGHT DEPARTURES, BY DESTINATION, APRIL 2006 AND 2007

Destination	Hotel/ resort		Rented/ owned accom- modation		Homes of friends/ relatives		Other	
	2006 %	2007 %	2006 %	2007 %	2006 %	2007 %	2006 %	2007 %
<b>Europe – EU:</b>	53	50	9	7	19	23	20	20
Austria	58	60	13	20	7	12	23	8
Belgium	50	45	8	6	15	33	27	15
France	53	36	6	5	19	29	22	30
Germany	51	43	4	4	21	25	24	28
Greece	57	61	5	8	20	22	18	8
Netherlands	49	36	5	6	15	30	32	27
Portugal	82	88	9	0	0	12	9	0
UK	45	53	7	6	36	22	12	20
Romania	30	31	10	9	40	24	20	37
Slovenia	18	36	68	27	5	0	10	36
Spain	63	68	8	5	16	20	14	7
Sweden	80	50	0	17	20	33	0	0
Other EU Europe	55	63	10	8	18	17	16	13
<b>Europe- Non- EU:</b>	41	42	8	5	43	36	8	17
Croatia	18	33	9	0	27	30	45	37
Switzerland	32	41	8	5	55	40	5	14
Other non-EU Europe	65	51	6	10	21	30	8	9
<b>Americas:</b>	68	69	12	11	14	16	5	4
Brazil	55	52	25	13	20	26	0	9
Canada	75	80	25	0	0	20	0	0
Cuba	67	75	33	25	0	0	0	0
Mexico	93	75	7	19	0	6	0	0
US	69	69	10	5	18	20	3	5
Other Americas	67	72	6	10	15	15	13	3
<b>Africa:</b>	85	74	2	8	2	7	10	11
Egypt	97	91	0	6	0	1	3	1
Other Africa	72	61	5	10	4	11	19	17
<b>Asia:</b>	83	83	3	7	8	7	6	3
China	91	85	9	8	0	8	0	0
Japan	67	100	0	0	33	0	0	0
Other Asia	83	82	3	7	8	8	6	3
<b>Oceania:</b>	50	33	17	22	17	33	17	11
Australia	33	33	33	17	33	33	0	17
Other Oceania	100	50	0	50	0	0	0	0
<b>Average</b>	<b>89</b>	<b>86</b>	<b>17</b>	<b>15</b>	<b>23</b>	<b>26</b>	<b>16</b>	<b>17</b>

SOURCE: UIC

Research sourced from the BTA highlights that Italians demand scrupulously clean rooms. The independent Italian traveller prefers cheap and informal accommodation. Simple accommodation is favoured when visiting cities, due to the poor value for money perceived to be offered by accommodation of a higher category.

## Tour Operators and Travel Agencies

In recent years, the Italian tourism market has seen substantial mergers and acquisitions activity bringing together the brands of a number of tour operators and leading industrial groups. In 1995, the top 13 tour operators generated half of total tourism revenues, while in 2004, the top five tour operators accounted for 57% of turnover.

Between 2003 and 2005, fears regarding personal finances owing to political and economic instability sparked a decline in discretionary spending, including travel. Nevertheless, Italians were not ready to give up their holidays, and instead turned to budget solutions such as last minute packages. Consequently, this has had a negative impact on the revenue and profits of travel agencies and tour operators.

According to a survey carried out by TTG Italia entitled *Focus Travel Distribution* in October 2006, sales of package holidays showed the strongest demand between 2003 and 2006. Tailor-made and group tour packages also contributed significantly to growth in turnover for the 862 travel agencies who responded to the survey. City breaks continue to be a crucial sub-segment for the Italian outbound travel market, with classic destinations such as Paris and London still in favour, while Eastern European cities such as Prague, Dubrovnik and Budapest are drawing in more Italians than they did in the past. As confirmed by current UIC data as well as tour operators generally, a growing demand for alternative destinations such as Russia and China exists. Guided tours are the norm when visiting these countries, owing to the language barrier.

FIGURE 27: BRIEF PROFILE OF ITALY'S LARGEST TRAVEL AGENCY/TOUR OPERATOR GROUPS WITH OUTBOUND TRAVEL SERVICES/DIVISIONS, JUNE 2007

No.	Company	Business		Brief profile
		Revenue 2005/06 (US\$m)	Volume 2005/06 (m)	
1	Alpitour	1,665	4.0	<p>Alpitours, the leading tour operator in Italy for the last two decades is a public limited company, 100% owned by IFIL, which is part of the Agnelli Group. It operates a vast range in integrated services.</p> <p>In 2006, the group managed the Winter Olympics village for participants in Turin. For the 2005/2006 financial year, the group reported a profit of US\$3.8 million, compared to a loss of US\$12.5 million the previous year. In the first quarter of 2007, IFIL announced that sales at the Alpitour group had risen by 6.2% to US\$208 million compared to the same period the previous year. Its operates various brands:</p> <p>Alpitour – mainstream tour operator specialising in the Mediterranean            Francorosso – long-haul specialist aimed more at adventure tourists; main destination is the Dominican Republic            Francorosso Incentives – convention and incentive specialist            Viaggidea – specialist in Caribbean tours in the quality market            Karambola – specialist in package tours for the younger market            Viaggi dell'Elefante – high-quality long-haul tour operator            Volando – specialist in package holidays in the Mediterranean and Caribbean            Compagnia della Natura – sport, culture and gastronomy holidays            Viaggi dell'Elefante – long-haul operator offering luxury and adventure holidays worldwide            BravoClub – all inclusive holidays</p>

2	Costa Crociere	1,066	0.9	60-year-old Costa Crociere is based in Genoa. The brands AIDA Cruises and Costa Crociere belong to Costa Crociere. It is a subsidiary of Carnival Corporation & plc, the world leader in the cruise industry. In May 2007, the Costa Serena, the new twin sister ship of the Costa Concordia, was delivered to the company. The fleet now consists of 12 ships with a total passenger capacity of 23,200. In February 2007, Costa announced plans to become the only cruise company to offer cruises from Mauritius, which will begin in the 2007/2008 season. Currently, Costa Crociere mainly offers cruises around the Mediterranean, Indian Ocean, Red Sea, Nordic Seas, the Far East and the Caribbean.
3	I Viaggi del Ventaglio	951	0.6	Founded in 1976 by Bruno Colombo, Ventaglio has been active in the resort/holiday sector since 1987. The Group has been listed on the Mercato Telematico Azionari since 2001. Its operations encompass the management and marketing of holiday villages, general tour operating activities, air transport and distribution. The brands under the group's direction include Ventaglio, Columbus, Calied Scopio, Utat Viaggi, Best Tours, Venta Club and Venta Point. According to the company, it currently has about a 20% share of the Italian tour operator market. Ventaglio sells packages to Egypt, Mexico, Mauritius, Kenya, the Dominican Republic, Madagascar, Zanzibar, Egypt, Greece, Balearic Islands, Tunisia, the Maldives and Cape Verde. For the 2005/06 fiscal year, the firm reported a loss of US\$14 million down from US\$53 million the previous year.
4	Hotelplan/Turisanda	295	0.1	Hotelplan Italy began operating in 1947 as the Italian arm of the Swiss group. In 2000, Hotelplan International acquired Turisanda, in order to diversify its products. It currently publishes 40 different brochures featuring destinations around the world.

SOURCE: COMPANY WEBSITES/MARKETING COLLATERAL

Retail travel agencies are generally still wary of the Internet, although dedicated online travel intermediaries such as lastminute.com and expedia.com, both of which have a presence in Italy, beg to differ. The same TTG Italia study revealed that a third of the travel agents interviewed agreed the Internet had helped to boost turnover and acquire clientele. In contrast, 47.8% blamed the Internet for a loss in turnover and customers. In the six months to March 2005, lastminute.com announced that its turnover in Italy had risen by 72.7% over the previous year to US\$1.1 million. Currently, Italy contributes less than 1% to lastminute.com's turnover, and hence, there is certainly room for growth.

Online retail travel has developed at a comparatively sluggish pace in Italy compared to other EU countries, due to the relatively slow uptake of the Internet by Italians. According to Eurostat, 39% of Italian households were connected to the Internet in 2005. At that time, 60% of UK and 62% of German households were hooked up to the World Wide Web.

According to Assotravel, between 2002 and 2005, the Italian e-commerce market grew from US\$753 million in 2002 to US\$2.3 billion, a rise of almost 300%. During the same period, the share of travel-related transactions increased to 43% from just 17% of the Italian online sector.

Dynamic packaging, a unique feature usually offered by online travel intermediaries, which allows individuals to create customised travel itineraries online, has also been gradually gaining popularity in Italy. The Italian online travel market is poised for expansion, and as exhibited in other European markets, dynamic packaging is expected to become the main catalyst behind this growth.

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## What Next?

The Italian outbound market has been growing at a relatively lethargic rate in comparison to Europe as a whole. Over 2000-05, the number of outbound trips generated by Europe increased by 13.2%. On the other hand, the number of Italians travelling abroad rose by only 6.4% over the same period. On a global scale, worldwide outbound tourism increased by 17.4% during that time, and consequently, it is apparent that Italy is lagging behind. Mintel anticipates that outbound tourism from Italy will continue to grow at an annualised rate of around 2% from 2005 to 2020. Worldwide, outbound travel is set to grow by 4% on average over the same timeframe. Italy is forecast to see a 37.2% rise in tourism spend between 2003 and 2020. However, even though this is a credible increase, it will pale in comparison to the anticipated 192.6% achieved globally.

Italy's poor economic performance and weak consumer sentiment continue to wield a stranglehold over the demand for outbound travel. Unfortunately, the country's economic prospects remain bleak, and the country is fast losing its competitiveness. Public debt is rising, and in 2006, Italy's budget deficit exceeded the EU's 3% GDP limit for the fourth successive year. Growth in Italy's economy has trailed behind the rest of the eurozone for the last 11 years.

On top of its economic woes, Italy has to grapple with its ageing population, which is exerting unprecedented pressure on an already overstretched economy. By 2020, those aged over 65 will comprise 23% of the population, up from 19.9% in 2007. According to a study conducted by the bank BNP Paribas, of all industrialised nations, Italy will be the most affected by ageing, with pension spending amounting to 16% of GDP by 2030. Similar calculations for the UK, France and Germany show that pension spending would top at 7.4%, 15% and 13.8% respectively. Low fertility rates are compounding the problem, and evidently, pension reforms have yet to take hold in detracting the associated financial impact.

Italian consumer confidence reached a 14-month low in July 2007. The Rome-based Isae Institute's index, based on a poll of 2,000 households, rose to 107.4 from 107.2, which was the lowest since May of last year. As consumer confidence takes a dive southwards, so does discretionary spending, particularly on large ticket items such as travel.

However, the Italian outbound market is still an important and potent one, particularly for destinations with emerging resorts, such as Morocco, Egypt and Turkey. For most key destinations worldwide, Italians still feature prominently in terms of their top 20 arrivals. There is also a small, but growing number of Italians looking beyond travel to Europe. This new sense of adventure is not restricted to the young alone. Experienced middle-aged travellers are also looking to head to more exotic destinations. Research undertaken by various sources suggests that this segment are increasingly seeking a highly interactive travel experience, one in which they are active participants. Consequently, experiences with a spiritual or escapist element are massively appealing to them.

The Italian outbound sector has seemingly matured and devolved into distinct segments, each with its own characteristics and desires. In the past, most Italians headed to Europe on sun or ski packages. Today, more are choosing to travel independently, exploring destinations, which would have been classed as alien and too far-flung to visit not so long ago. Considering that less than 10% of all Italian outbound trips are made to Asia and Oceania each year, there is still seemingly ample room for this segment to grow.

FIGURE 28: OUTBOUND TRIPS AND EXPENDITURE – ITALY, 2000-20

	2000	2002	2003	2004	2005	2010	2020	% change 2000-20
Departures (000s)	21,993	25,126	26,817	23,349	23,396	24,500	33,000	+50.0
Propensity to travel (%)	38.1	43.4	46.2	40.2	40.3	42.2	57.9	+19.8
Expenditure (US\$m)	18,169	19,636	23,731	20,543	21,645	21,645	32,555	+79.2
Expenditure per head (US\$)	826.13	781.50	884.92	879.82	925.19	883.49	986.52	+19.4

SOURCE: UNWTO/WTTC/MINTEL

CISSET, the International Centre of Study and Research for the Tourist Economy based at the University Ca' Foscari of Venice, forecasts that by the end of 2007, the Mediterranean will generate 58.8% of all departures, Central Europe 16.9%, Northern Europe 9.2% and destinations outside Europe, 15%.

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### Index grouped by geographic area

	Issue
<b>AMERICAS</b>	
Transport	
Air	
Airlines in South America	No. 6 1994
Airlines in the Caribbean	No. 6 1997
Latin American Airlines	No. 15 2005
The North Atlantic Air Travel Market	No. 2 1994
The US Airline Industry	No. 3 1997
The US and European Airline Commissions	No. 6 1993
Cruise	
The North American Cruise Market	No. 9 2004
Other	
Bus Travel in the USA	No. 1 1995
Car Rental in the USA	No. 4 1996
Rail Travel in North America	No. 4 1999
Accommodation	
Accommodation in the Caribbean	No. 6 2002
All-Suite Hotels in the USA	No. 3 1996
Capital Investment in the US Hotel Industry to 2005	No. 5 1999
Extended Stay Hotels in the USA	No. 2 1998
International Growth Strategies of Major US Hotel Companies	No. 3 1993
Problems and Opportunities for the South American Hotel Industry: Argentina, Brazil and Chile	No. 3 2002
Outbound Markets	
Brazil Outbound	No. 7 2007
Canada Outbound	No. 2 2003
Central and South America Outbound	No. 14 2005
Mexico Outbound	No. 4 2001
Prospects for the US to Europe market – special length focus	No. 1 2004
USA Outbound	No. 6 2001
Market Segments	
Aboriginal Tourism in North America	No. 6 1998
The Adventure Travel Industry in North America	No. 6 1997
Health and Spa Tourism in North America	No. 1 1998
The Mature Market in North America	No. 3 2000
The Post-War Generation and North American Travel Industry	No. 3 1997
Prospects for the Europe to North America Market	No. 6 1995

Sports Tourism in North America	No. 3 2001
US Business and Conference Travel	No. 5 1993
The US Gaming Business	No. 1 1999
USA to the Caribbean	No. 3 1996
US Business and Conference Travel	No. 6 2006
Winter Sports in North America	No. 6 2000
Travel Distribution	
Prospects for the US Travel Agency Sector	No. 5 1995
Travel Agents in Canada	No. 1 1999
Travel Agents in the USA	No. 6 1994
Resorts/Attractions	
Theme Parks in North America	No. 4 1994
Occasional Studies	
Circumpolar Tourism: North America and Scandinavia	No. 3 2003
Measuring Tourism's Economic Importance – A Canadian Case Study	No. 4 1994
Negative Publicity about Tourism Destinations – A Florida Case Study	No. 5 1995
<b>ASIA-PACIFIC</b>	
Transport	
Air	
Air Travel in Asia	No. 12 2004
Airlines in Australasia	No. 6 1995
Airlines in China	No. 2 1996
Asia's New International Airlines	No. 2 1993
Asian Airport Development	No. 2 1998
Cruise	
The Cruise Business in Asia Pacific	No. 2 1999
Accommodation	
The Asia Pacific Hotel Industry	No. 4 2002
Capital Flows in the Asian Hotel Sector	No. 3 1998
Hotel Chains in the Asia Pacific Region	No. 4 1993
Hotel Investment in the South Pacific	No. 5 1997
Hotels in Australia	No. 4 2003
Hotels in China	No. 8 2007
Hotels in India	No. 2 1999
Resorts in Asia	No. 4 1996
Update on Asia's hotel sector	No. 3 1999
Outbound Markets	
Asia Outbound	No. 4 2006
Australia Outbound	No. 2 2002
Australasia Outbound	No. 10 2005
China Outbound	No. 1 2003
India Outbound	No. 3 2001
Japan Outbound	No. 1 2002
Malaysia Outbound	No. 6 1996
New Zealand Outbound	No. 3 2003
South Korea Outbound	No. 4 2003
Taiwan Outbound	No. 6 2000
Thailand Outbound	No. 3 2002
Market Segments	
The Asian Conferences, Meetings and Incentives Market	No. 2 1997
The Japanese Golf Holiday Market	No. 2 1996
The Timeshare Industry in the Asia Pacific Region	No. 4 1997
Financial Services	

Japanese Aid and Investment Assistance for Asia Pacific Tourism	No. 3 1995
Travel Distribution	
Outbound Travel Agencies in Asia	No. 4 2000
Travel Agents in Australia	No. 3 2003
Occasional Studies	
The Fall-Out from the Asian Economic Crisis	No. 6 1998
Fiji after the Coups	No. 2 2001
The Main Players in Asia's Travel Industry	No. 1 1995
Secondary Tourism Destinations in Asia	No. 5 1995
Trends and Developments in South East Asia	No. 1 2003
<b>EUROPE</b>	
Transport	
Air	
Airlines in Russia	No. 2 1997
British Airways and the New Airline Economics	No. 6 1999
Challenges and Opportunities for Europe's Airports.	No. 6 1998
Charter Airlines in Europe	No. 4 1995
The Emergence of No-Frills Airlines in Europe	No. 1 2000
The Growth of European Airports	No. 6 2001
Regional Airlines – The European Scene	No. 2 2001
European Airport Capacities and Airport Congestion	No. 5 1994
Europe's Airports	No. 2 2006
No-Frills Airlines in Europe	No. 3 1996
The US and European Airline Commissions	No. 6 1993
Cruise/Shipping	
Cross Channel Ferries	No. 5 2001
Cruising in Europe – Special length focus	No. 2 2004
European River Cruises	No. 14 2006
European Cruises	No. 14 2007
The Cruise Market in Mainland Europe	No. 1 1998
Other	
European Bus and Coach Travel	No. 3 2003
Car Rental in Europe	No. 1 1999
Cross-Channel Traffic	No. 1 2003
European Rail Travel	No. 2 2003
Europe's Railways in the 21st Century	No. 4 1997
Rail Travel in Europe	No. 2 2002
The Channel Tunnel – A Progress Report	No. 3 1995
Accommodation	
Budget Hotels in Europe	No. 6 2007
European Hotel Branding	No. 6 2000
European Hotel Chain Expansion	No. 8 2004
Franchising Hotels in Europe	No. 1 1996
Hard Budget Hotels in France	
Hotel Chains in Europe	
Hotel Grading Schemes in Europe	No. 6 2004
Hotel Incentives Policies in Europe	No. 5 1994
Hotels in Eastern Europe	No. 4 1997
The German Hotel Sector	No. 4 2001
The Impact of Branding on the UK Hotel Industry	No. 2 2000
Improving Performance in Small and Medium sized hotels: The Swiss Experience	No. 5 2001
The UK Budget Hotel Sector	No. 4 1998
UK Regional Hotel Transactions in the 1990s	No. 4 2000
UK Group Hotels	No. 1 2003
Outbound Markets	

Austria Outbound	No. 4 2002
Belgium Outbound	No. 5 1999
Europe Outbound	No. 16 2004
Finland Outbound	No. 5 1996
France Outbound	No. 2 2001
Germany Outbound	No. 3 2007
Hungary Outbound	No. 2 2000
Ireland Outbound	No. 5 2001
Italy Outbound	No. 15 2007
Netherlands Outbound	No. 2 1998
Nordic Outbound	No. 15 2006
Outbound Travel in the Baltics and Eastern Europe	No. 18 2005
Poland Outbound	No. 2 1996
Republic of Ireland Outbound	No. 3 1994
Russian Federation Outbound	No. 1 2001
Spain Outbound	No. 3 2000
Sweden Outbound	No. 2 1997
Switzerland Outbound	No. 5 2002
UK Outbound	No. 5 2003
<b>Market Segments</b>	
Adventure Travel in Central/Eastern Europe	No. 7 2005
Agritourism in Europe	No. 11 2004
Camping and Caravanning in Europe	No. 1 1995
E-travel in Europe	No. 7 2004
Europe to the Asia Pacific Region	No. 1 1994
Europe to Sub-Saharan Africa	No. 5 1996
European Adventure Travel	No. 5 2003
European MICE Destinations	No. 2 2003
Europe's Senior Travel Market	No. 4 1993
The European Business Travel Market	No. 4 1998
The European Conference and Meetings Market	No. 4 1994
The European Exhibition Market	No. 2 2000
The European International Short-Break Market	No. 2 1995
The European Leisure Travel Industry	No. 5 2001
The European Market for Very Expensive Holidays	No. 2 1993
The European Meetings and Incentive Industry	No. 4 2002
The European MICE Market	No. 3 2001
The European School Travel Market	No. 5 1999
European Snowsports: Markets & Destinations	No. 6 2002
Health Tourism in Europe	No. 1 2000
The International Ski Market in Europe	No. 3 1994
The Market for Cultural Tourism in Europe	No. 6 1993
The Package Holiday Market in Europe	No. 4 1996
MICE Tourism in Europe	No. 8 2005
Redefining Ecotourism	No. 5 2004
Religious Travel in Europe	No. 2 1994
Rural Tourism in Europe	No. 4 2003
Urban Tourism in Europe	No. 6 1997
Watersports Holidays in Europe	No. 20 2006
The West European Incentive Travel Market	No. 1 1997
Where Germans Travel To	No. 1 2001
<b>Travel Distribution</b>	
European Leisure Groups	No. 4 2002
EU Legislation and the Travel Industry	No. 5 2000
The European Tour Operator Market	No. 1 2006
Travel Agents in Europe	No. 3 1994
Travel Distribution in Germany	No. 5 1996
Who Owns Whom in the European Travel Industry	No. 3 1998
<b>Resorts/Attractions</b>	
Attendance Trends at Europe's Leisure Attractions	No. 4 1996

The Future of Visitor Attractions	No. 1 2000
Marinas in Europe	No. 6 1995
Rejuvenating Holiday Resorts – A Spanish Case Study	No. 2 1997
Spa Tourism in Central & Eastern Europe	No. 6 2002
Theme Parks in Europe	No. 5 1997
Financial Services	
Foreign Investment in Eastern Europe's Travel Industry	No. 3 1993
Travel Insurance Market in the UK	No. 4 1994
Occasional Studies	
Circumpolar Tourism: North America and Scandinavia	No. 3 2003
Database Marketing in Travel and Tourism	No. 1 1999
The European Community's Tourism Development Programmes	No. 5 1993
The European Union and European Tourism: Search for Policy	No. 3 2002
European Union Progress on a Common Tourism Sector Policy	No. 1 1997
The Impact of the Single European Currency on the Travel and Tourism Sector	No. 5 1997
Legal Liabilities in the European Travel Trade: The EC Package Travel Directive, Part I	No. 1 1993
Legal Liabilities in the European Travel Trade: The EC Package Travel Directive, Part II	No. 2 1993
Naturism in Europe	No. 9 2005
New Europe: markets and destinations	No. 10 2004
The Package Travel Directive: Implications for Organisers and Suppliers	No. 1 1996
Trends and Issues in the European Travel Industry	No. 6 2000
Visitor Management in Small Historic Cities	No. 3 1998
<b>MIDDLE EAST/AFRICA</b>	
Transport	
Air	
Airlines of the Arabian Gulf	No. 6 1996
Airlines in Sub-Saharan Africa	No. 5 1995
Cruise	
The Cruise Industry in the Arabian Gulf and the Indian Ocean	No. 1 2000
Accommodation	
Hotels in the Middle East: Trends and Opportunities	No. 4 1999
Middle East Hotels	No. 8 2006
Outbound Markets	
Africa Outbound	No. 3 2005
Israel Outbound	No. 4 1997
Middle East Outbound	No. 10 2006
Saudi Arabia Outbound	No. 4 1996
South Africa Outbound	No. 11 2007
<b>GLOBAL/NON-GEOGRAPHIC STUDIES</b>	
Transport	
Air	
The Aircraft Operating Lease Companies	No. 3 1994
Airport Catering	No. 2 1999
Airport Security	No. 1 2002
Destination Marketing	No. 5 2005
Frequent Flyer Programmes	No. 3 1993
Global Aviation Outlook	No. 3 2004
Global Trends in Airline Alliances	No. 4 1997
The Growth & Long-term Potential of the Low-cost airlines	No. 4 2000
The Future of International Airline Alliances	No. 6 2000
The Legal Framework for Airline Competition	No. 3 1997
Low-fare Airlines – Global trends and developments	No. 6 2002
Low-cost airlines – an international overview	No. 5 2003
Low-cost Airlines Worldwide	No. 19 2006
New Commercial Strategies for Airports	No. 3 1999
The Outlook for International Corporate Aviation	No. 3 2002

Simplifying Passenger Travel	No. 6 2001
The Strategic Importance of CRSs in the Airline Industry	No. 4 1994
World Airport Development Plans and Constraints	No. 1 1996
<b>Cruise</b>	
Cruising in Crisis?	No. 5 2000
The Cruise ship Industry to the 21st Century	No. 2 1995
The World Cruise Market Update	No. 1 2002
<b>Accommodation</b>	
All-inclusive Resorts	No. 6 1998
All-inclusives: The Major Players	No. 3 2003
Alternative Accommodation	No. 6 2005
Boutique Hotels	No. 2 2002
Condo hotels Worldwide	No. 12 2006
CRS Development in the Hotel Sector	No. 2 1994
Hotel Frequent Guest Programmes	No. 1 1995
The International Timeshare Market	No. 3 2002
Limited Service Hotel Brands	No. 5 2000
Measuring Hotel Portfolios' Performance	No. 3 1996
New Management Practice in the International Hotel Industry	No. 1 1997
Operating Performance of the World's Hotel Industry	No. 6 1999
Recession and its Implications for the International Hotel Industry	No. 6 2001
Timesharing Opportunities for the Hotel Sector	No. 4 1993
<b>Market Segments</b>	
Alternative Destinations	No. 1 2002
Alternative Destinations for the Future	No. 2 2003
Developments in the Global Timeshare Market	No. 4 1995
Driving Holidays	No. 13 2007
Educational Tourism	No. 3 1997
Health and Wellness Tourism	No. 14 2004
Holiday Rental Intermediaries	No. 15 2004
Hotel Loyalty Schemes	No. 17 2005
Leisure Extensions to Business Trips	No. 5 2002
Loyalty Schemes	No. 16 2006
Luxury Travel	No. 12 2007
Niche Market Tourism	No. 13 2006
The Major International VFR Markets	No. 6 1994
Rail Tourism	No. 2 2005
Religious Travel in the New Millennium	No. 5 1999
Skiing Holidays	No. 3 2006
The Seniors' Travel Market	No. 5 1997
Tourism Along the Silk Road	No. 16 2005
Watersports Holidays	No. 5 1994
The World Gay Travel Market	No. 2 2001
The Youth Travel Market	No. 18 2004
<b>Technology</b>	
The Changing Face of Hotel Electronic Distribution	No. 5 2001
The Changing Face of Destination Management Systems	No. 2 2002
Delivering E-Travel Services	No. 4 2001
E-Business Models in the Travel Industry	No. 3 2000
eCRM in the Travel Industry	No. 1 2001
Global Distribution Systems	No. 7 2006
Hotel Technology	No. 11 2005
The Future of Global Distribution Systems	No. 3 1998
The Impact of Technology in the Hotel Industry	No. 3 2001
Online Intermediaries – Revolutionising Distribution	No. 1 2003
Tourism Satellite Accounting	No. 19 2005
<b>Travel Distribution</b>	
The Future of Travel Agents	No. 3 2001

The Impact of Electronic Distribution on Travel Agents	No. 2 1998
The Impact of Information Technology on Destination Marketing	No. 3 1995
Ticketing and Distribution in the Airline Industry 2000	No. 2 2000
Tourism and the Internet	No. 1 1998
Financial Services	
Paying for Travel	No. 6 1993
The World Bank Group and Tourism	No. 5 1998
Occasional Studies	
Environment	
Environmental Impact of Tourism in Developing Countries	No. 2 1996
Festival Tourism	No. 13 2005
Fishing Tourism	No. 10 2007
Gap Year Tourism	No. 12 2005
Golf Tourism	No. 5 2006
Green Strategies for Tourism Worldwide	No. 4 1999
Holistic Tourism	No. 2 2007
Luxury & Tailor-made Holidays	No. 20 2005
Practical Environmental Policies in Travel and Tourism I	No. 6 1993
Practical Environmental Policies in Travel and Tourism II	No. 1 1994
Set-jetting Tourism	No. 4 2007
Spa Tourism	No. 9 2007
Study Tourism	No. 9 2006
Sustainability in the Hotel Industry	No. 6 2001
Sustainable development in the Hotel Industry: Implications & Case studies	No. 5 2002
Sustainable Tourism	No. 1 2005
Theme Park Tourism	No. 11 2006
Tourism and Climate Change	No. 1 2007
Tourism and Poverty Alleviation	No. 17 2006
Youth Travel Market	No. 18 2006
National Tourist Organisations	
Funding of National Tourist Organisations	No. 6 1996
The Changing Role of International Travel and Tourism Organisations	No. 5 1994
General	
Adventure Travel	No. 4 2001
Advertising and Promotion in the Travel Industry	No. 4 2000
Community-based Tourism	No. 5 2000
Cultural Tourism	No. 20 2004
Deep Vein Thrombosis (DVT) and the future of long-haul air travel	No. 4 2002
Diving Tourism	No. 5 2007
Film Tourism – The Global Picture	No. 5 2003
Gastronomic Tourism	No. 19 2004
The GATS and its Impact on Tourism	No. 3 2000
The Impact of Festivals and Special Events on Tourism	No. 4 1998
The Impact of Fuel Price Fluctuations	No. 1 2001
The Impact of Political Unrest and Security Concerns on International Tourism	No. 2 1994
The Impact of Terrorism on Tourism	No. 4 2003
The Impact of 9/11: Caribbean, London and NYC	No. 5 2002
The International Duty-Free Market	No. 6 1996
The Marketing of Tourism for Ethnic Minorities	No. 1 2001
Leveraging the New Millennium for Tourism	No. 3 1999
Prospects for Tourism in 1995	No. 6 1994
Prospects for Tourism in 1996	No. 6 1995
Real Exchange Rates and International Tourism Demand	No. 4 1995
Religious Tourism	No. 4 2005
Short-term Trends and Key Issues in the Tourism Industry	No. 6 1999
Sponsorship in the Travel and Tourism Industry	No. 6 1996
Sports Tourism	No. 17 2004
Stadia and Tourism-related facilities	No. 2 2001
Taxation and Tourism	No. 2 1998

Tourism and the Performing Arts  
Tourism Satellite Accounts  
Tourist Health and Safety

No. 1 1998  
No. 3 1999  
No. 5 2002

# Index to TTI Destination Reports

## Country reports

Andorra	No. 1 1993	Iran	No. 4 1998
Antarctica	No. 1 1999	Ireland	No. 1 2001
Antilles, Netherlands	No. 4 1994	Israel	No. 1 2000
Argentina	No. 4 2006	Italy	No. 4 2005
Australia	No. 1 2006		
Austria	No. 2 2003	Jamaica	No. 1 2005
		Japan	No. 1 2006
Bahamas	No. 1 2005	Jordan	No. 4 2004
Barbados	No. 3 1999		
Belgium	No. 3 2004	Kenya	No. 4 2004
Belize	No. 2 2001		
Bermuda	No. 4 1999	Laos	No. 2 2005
Bhutan	No. 3 2003	Latvia	No. 3 2006
Botswana	No. 3 2005	Lebanon	No. 3 2002
Brazil	No. 4 2006	Libya	No. 3 2005
Bulgaria	No. 1 2007	Liechtenstein	No. 1 1993
		Lithuania	No. 3 2006
Cambodia	No. 4 2002	Luxembourg	No. 2 2001
Canada	No. 1 2005		
Chile	No. 4 2006	Madagascar	No. 2 2006
China	No. 1 2006	Malawi	No. 1 1997
Colombia	No. 1 1999	Malaysia	No. 2 2005
Costa Rica	No. 3 2007	Maldives	No. 2 2004
Croatia	No. 1 2007	Malta	No. 3 2006
Cuba	No. 3 2007	Mauritius	No. 4 2004
Cyprus	No. 3 2004	Mexico	No. 4 2006
Czech Republic	No. 3 2006	Monaco	No. 1 1993
		Mongolia	No. 4 2002
Denmark	No. 1 2002	Morocco	No. 4 2004
Dominican Republic	No. 1 2005	Mozambique	No. 2 2006
		Myanmar	No. 2 2005
Ecuador	No. 3 1998		
Ecuador & Galapagos	No. 4 2006	Namibia	No. 2 2006
Egypt	No. 4 2004	Nepal	No. 3 2003
England	No. 3 2000	Netherlands	No. 1 2002
Eritrea	No. 4 1997	New Zealand	No. 1 2006
Estonia	No. 3 2006	Nicaragua	No. 3 2007
Ethiopia	No. 2 2007	Nigeria	No. 2 2007
		Northern Ireland	No. 3 2001
Fiji	No. 1 1998	Norway	No. 1 1998
Finland	No. 3 2004		
France	No. 4 2005	Oman	No. 3 2005
Gambia	No. 2 2006	Pacific Islands	No. 1 1996
Germany	No. 4 2005	Pakistan	No. 3 1996
Ghana	No. 2 2007	Panama	No. 3 2007
Greece	No. 4 2005	Peru	No. 4 2006
Guatemala	No. 3 2007	Philippines	No. 2 2004
		Poland	No. 3 2006
Hawaii	No. 4 1993	Portugal	No. 3 2004
Hungary	No. 3 2006	Puerto Rico	No. 4 2003
Iceland	No. 3 2004	Qatar	No. 3 2002
India	No. 1 2006		
Indochina	No. 2 1993	Romania	No. 1 2007
Indonesia	No. 2 2005	Russia	No. 1 2004



## Special Reports Index

### 2003

European City Destinations  
European Leisure Travel Industry  
International Hotel Industry  
World's Leading Outbound Markets

### 2004

Timeshares - Global  
European Tourism Statistics  
Emerging Destinations - Global  
International Tourism Forecasts

### 2005

European Leisure Travel  
International Hotel Industry  
Cruises  
World's Leading Outbound Markets

### 2006

Asian Airlines  
Top 15 City Destinations in Europe  
Home Ownership Abroad & Timeshare  
International Tourism Forecasts

### 2007

International Growth Strategies of Major Hotel Chains (March)  
The Impact of Terrorism on International Tourism (June)  
The European Leisure Travel Industry (September)  
The International Hotel Industry (December)



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