

# DESPITE THE DROP IN DEMAND HUNGARY WILL OPEN NEW HOTELS



Hungarian hotel sector is hit by the economic crisis. Fewer visitors are staying at local hotels. Nevertheless, new hotels are being developed despite the bad situation in the industry.

Hungarian tourism industry is in line with other countries' industries hit by the global economic crisis. Local hoteliers witnessed an unpleasant drop in demand. In the first two months of this year the **number of guests dropped by 19 and 9 per cent** respectively when compared with the year before. Guest nights fell by 14 and 8 per cent respectively. Fewer guests from the main source markets - Germany, Austria, Romania, UK, and Italy arrived during this period. Occupancy rate was 32.2 per cent and at some venues even lower.

The Hungarian accommodation sector is suffering from the recession but according to the local hoteliers it is not receiving enough help from the state because the government does not see the industry as a strategic one. There are even **plans for increasing the VAT rate** for accommodation providers. The sector professionals call for an increase in the national tourism marketing budget. They claim there is a need for promotion of major events and for tax cuts. They also state that a range of new tourism attractions should be developed.

Despite the global economic crises and unfavorable performance of local hospitality industry, **new hotels are being developed** in this central European country. For example Hunguest Hotels develop three of its hotels in northeast Hungary. They will renovate Hotel Flora's wellness centre, three-star Hotel Palota will be converted into a four star hotel and Grandhotel in Galyateto will have a 300-seat conference room. The projects will be partly financed from EU and state funds.

The Budapest's Continental Hotel will be reopened after a 45 million euros renovation as Continental Hotel Zara in 2010. ETO Park Hotel is under construction in Győr as a part of the ETO Park project. The 4-star hotel will have six storeys, 98 rooms, 5 apartments as well as its own rehabilitation and health centre. This business and conference hotel will offer space for meetings of some 1000 guests.

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