

Mongolia's Tourism Industry Facing Challenges

The global economic slowdown caused a dramatic drop in demand for and prices of Mongolian natural resources. The economy and tourism suffered considerably as a consequence. Domestic tourism was impacted heavily. Mongolia has felt the impact of the global economic crisis more heavily than most countries in Asia. The number of inbound arrivals fell as weak purchasing power affected both the ability to travel and the travel choices of international consumers.



The number of arrivals and departures declined in 2010. The impact of the global economic downturn caused travel and tourism products and services to shrink. The ongoing global economic crisis discouraged many would be travelers in recession-hit markets such as the US, the UK, Japan and Canada.

The number of outbound travelers, which is underdeveloped, fell significantly as Mongolian consumers stayed at home. With holidaying still considered a luxury, Mongolian consumers were further discouraged by weakened purchasing power, persistent inflationary pressure and a lower exchange rate, and as a result, travelling abroad was low on their list of priorities during 2010.

China Grows in Importance

China has continued to grow in importance as the leading source of inbound arrivals over the review period. China's growing economic power and geographic proximity have fuelled greater interest in Mongolia. This has helped drive growth in the number of trips to Mongolia. Chinese businesses and government have increased their demand for development and investment in the country's natural resources, infrastructure and tourism, including highways and hotels.



Government Involvement – below the Expectations

As a developing economy and a small population the growing interest in Mongolia has led to an almost exclusive focus on the country's natural resources, often at the expense of industries with great economic potential. Many industry players feel that the government has not sufficiently promoted Mongolia abroad. At the same time, improvements in the tourism-related infrastructure have been slow. This has created a difficult environment for industry players, with smaller operators especially feeling the brunt of the economic downturn.

Tourism Focus Expanding beyond Ulaanbaatar

Ulaanbaatar has long dominated Mongolia's travel and tourism industry. The capital city is home to the nation's only international airport. As a capital city, Ulaanbaatar functions as an economic centre for the rapidly expanding domestic resources industry and is a political and cultural hub. Relatively little focus has been placed on significant tourism developments outside of the capital city.



Slow Recovery Anticipated

A slow recovery in Mongolia's tourism economy is expected. Whilst government support is expected to remain below that seen in neighboring markets, awareness of Mongolia as an appealing holiday destination, particularly for adventure travelers, is set to help stimulate growth in international arrivals. Outbound tourist trips are forecast to recover even later since approvals are needed for outbound travels. In the long term, greater infrastructure development by the government will lead to a gradual improvement and expansion of the nation's road and highway network, which will boost domestic travel and support international arrivals.

| Arrivals to Mongolia ('000 trips) | | | |
|--------------------------------------|-------|-------|------------------|
| | 2009 | 2010 | 2011 Forecast |
| China | 204.5 | 198.4 | 198.8 |
| Russia | 51.3 | 48.8 | 48.0 |
| South Korea | 48.5 | 46.8 | 46.5 |
| Japan | 16.2 | 15.9 | 16.1 |
| USA | 10.9 | 10.4 | 10.2 |
| Germany | 8.5 | 8.2 | 8.2 |
| United Kingdom | 5.7 | 5.4 | 5.2 |
| France | 5.5 | 5.3 | 5.3 |

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