

ARGENTINEAN TOURISTS CANCELING HOLIDAYS IN MASSES



Travel agencies report a 5% drop in May regarding the outbound tourism in Argentina. The figure even worsened in June due to the plummeting of the Argentine peso. Argentinian tourists are traveling abroad in lower numbers.

The pronounced devaluation of Argentina's currency, the Argentine peso, which has accumulated a 40% loss since May 1, and the climate of uncertainty explained by the currency's high volatility, caused a drop in demand for outbound tourism.

This is bad news for neighboring countries, whose main source of local tourism revenues are the visitors from Argentina. For example in Uruguay, between the months of January and March, Argentinian tourists amounted for over 1.2 million, which represents a 10.9% increase over the same period of 2017.

In the first quarter, Argentina traveling agencies reported a 20% increase in comparison to the same period in 2017. But in April, the growth rate slowed down considerably, and by May, with the rise of the dollar, sales began to decrease.

In this sense, sales went from a 20% increase to a 5% decrease, a downward trend that couldn't be helped even during the Hot Sale period. Agencies are concerned that the fall may get worse in the second semester, but the volatility of the dollar and the climate of uncertainty make it difficult to forecast the next trend in the sector, especially in a year that was expected to grow significantly by December.

For now, they assure that the first semester will report a slight increase in the visitors traveling abroad as in the same period of 2017, or a slight decrease, thanks to the noticeable growth during the first quarter, which offsets the decline of the last two months.

In this setting, the rise in rates also represents difficulties for traveling finances, a pillar for the tourism expansion in recent years. This also explains the lower offer for installment plans which, for the most part, include interest rates.

The cost of traveling abroad grew at the same rate like dollar, considering that the value of hotels and tickets are already quoted based on the American currency; meaning that in month and a half, traveling outside of the country for the holidays would cost 40% more. Since January, prices quoted in dollars have reported an increase of 53%.

"The industry had a historic record in ticket sales, but in April there was a slowing down signal and by May, due to the devaluation, we experienced the first year-on-year fall in a long time, from 3% to 5% in units; and we expect a stronger fall in June. But invoicing is still expressed in pesos, and the services are quoted in dollars," explained Francisco Vigo, sales manager of Bibam Group (Biblos Travel and Avantrip) and founder of Avantrip.

"We had a good run until March, and then it slowed down in April. In May and June there was a

setback because of the exchange rate. The dollar exchange went from 20 Argentine pesos to almost 29, which triggered two effects in the demand: those who rush because they believe that the prices will continue to rise and close the transaction in order to set the price, and those who cannot afford to travel with that kind of exchange and wait to see if it becomes affordable later on," explained Pablo Aperió, general manager of TTS Viajes.

On the other hand, Martín Romano, country manager of Atrápalo, forecasts a further decline in the industry starting from May. "It slowed down a lot because of the strong rise of the dollar. Between May and June, I estimate a 30% drop in units. It'll be lower when invoicing, because quoting in dollars means more pesos enter the market, so the fall is offset a bit by a mean higher price. And since our prices are still expressed in pesos, it doesn't have a large impact on our profitability," said Romano.

The sales manager of Avantrip also commented that the agency noticed an increase in exchange of travel miles, through the frequent-flyer program offered in association with Banco Galicia. "You can tell that people find it more difficult to afford traveling expenses, so they prefer to use accumulated miles to travel," he explained.

The current drop in flights is registered mostly in the recreational travel segment, since business travel remains the same. "Unless the sector is in trouble, companies that have to travel continue to do so; maybe they now reconsider the number of people traveling, but they never cancel, as they must continue doing business," said Aperió.

Lastly, domestic flights, a segment that grew strong during the first quarter, are not safe either. **Although the airlines have not adjusted its prices to the dollar's exchange rate yet, the air travel demand still dropped**, as it happened in other areas of the economy. According to the agencies, the country's climate of uncertainty has forced the locals to save money and spend less.

Date: 2018-06-25

Article link:

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