



# Holiday Money Report 2012/13

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## Post Office Travel Money

A retrospective look at currency trends in 2012  
and predictions for 2013



## Holiday Money Report 2012/13

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Every four years the Olympic Games bring the prospect that the summer holiday months will be a non-starter for the travel industry. However, no one was prepared for the way in which London 2012 galvanised the collective consciousness.

Not even the washout weather could dim our fascination with Team GB's sporting heroes and kick start the traditional summer exodus abroad. Nor did the UK benefit by gaining more holiday bookings from overseas or domestic visitors as had been hoped<sup>1</sup>.

It took until mid-August for the sluggish holiday market to pick up and then, as Post Office currency sales showed, it was destinations in the Far East and Latin America that reaped the biggest benefit<sup>2</sup> as UK tourists sought sunshine after a year of almost continuous rain.

The eurozone was rarely out of the headlines in 2012 as the debt crisis grew in many member states. This did little to create consumer confidence, despite the fact that sterling surged to its strongest rate against the single currency in four years. Instead holidaymakers seemed to be attracted to other European destinations where sterling was even stronger. Croatia and a clutch of Eastern European countries were among those to profit.

As an island nation, transport holds the key to travel overseas for UK holidaymakers so the experiences of ferry operators and airlines were a good indicator of how prices impacted the market. On the water Brittany Ferries sounded a warning salvo<sup>3</sup> about its ability to stay afloat after suffering strikes and rising fuel prices; while in the skies no-frills and Middle East airlines continued to jet ahead of the competition<sup>4</sup>. Unsurprisingly, the extra Air Passenger Duty charge added another pressure on prices.

Package holidays proved more popular<sup>5</sup>, potentially because of the financial protection they offer, and by November the UK's largest tour operator, TUI Travel plc, was reporting record profits for the second year running<sup>6</sup>.

Against this backdrop, the Post Office *Holiday Money Report* looks back on a year dominated by the London Olympics to identify 2012's travel trends and considers the issues most likely to set the agenda for consumer holiday choice in the year ahead.



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# Key findings summary

- The eurozone crisis deepened to engulf Greece as rising speculation about its future within the common currency had a detrimental impact on holiday demand and led to swingeing price cuts by hoteliers<sup>7</sup>. At the same time austerity tax increases in Portugal and Spain hit holidaymakers below the belt. Nothing, however, could take away from the positive impact of the strongest sterling rate against the euro in four years.
- Outside the eurozone, falling costs made Turkish resorts cheaper than many of their competitors. However, Turkey may not have been able to capitalise on this as the April collapse of Wings Abroad compounded capacity issues that had dogged the country since 2010 when the failure of several low cost carriers and tour operators reduced budget holiday availability<sup>8</sup>. Despite this, the Turkish lira remained firmly established as the Post Office's fourth biggest selling currency.
- Eastern Europe had a bumper year as the rising pound put more cash in the pockets of UK tourists. The biggest gains were for people on city breaks to Budapest, Prague and a clutch of other eastern capitals. Not only could they expect up to 23 per cent more foreign cash for their pounds, but city prices stayed stubbornly low. Croatia's star remained in the ascendant as the country attracted 22 per cent more UK visitors between January and September while Post Office currency sales mushroomed by 43 per cent year-on-year.
- The dollar hit a two year high last summer but the slide in sterling seems not to have deterred UK tourists. The *Discover America* campaign spearheaded by newly-formed Brand USA led to a 14 per cent rise in the number of people planning to visit the country<sup>9</sup> and cheap prices in the shops may have been a contributory factor. In November the Post Office's annual *Christmas Shopping Guide* reported US savings of up to 61 per cent compared with London<sup>10</sup>.
- In the mid haul holiday market Egypt started slowly on the road to recovery after turbulent times in 2011 but suffered a setback when more riots hit the headlines towards the end of the year. Meanwhile, Dubai gained the advantage, attracting more UK visitors and its currency, the UAE dirham, reached the Post Office *Bestselling Currencies* top 10 for the first time.
- Longer haul trips again came under pressure as Air Passenger Duty (APD) forced up flight prices<sup>11</sup>. The Caribbean islands blamed a 12 per cent fall in UK arrivals on the APD factor<sup>12</sup> but this raised prices for all long haul destinations – especially for families. The flight factor was also a crucial component in 2012's successes. New routes had a positive impact for both Mexico and Vietnam while price cuts on airfares to Bangkok fuelled demand for Thailand.

## Currency movements & trends in 2012

### At the top

In a year when sterling strengthened against most other currencies, two-thirds of the Post Office's top 20 bestsellers put on healthy growth, indicating that there was still an appetite for overseas travel among UK holidaymakers. There was relatively little movement in the order of the leading 20 currencies though (see figure 1), with the notable exceptions of the Croatian kuna and New Zealand dollar.

Falling sales saw the New Zealand dollar drop from seventh down to 11<sup>th</sup> place in the 2012 table, while a robust 43 per cent increase in sales propelled the Croatian kuna up to 10<sup>th</sup> position, signalling its first appearance in the Post Office's leading 10 currencies after four years of significant growth.

The Japanese yen was the only new entrant into the 2012 Post Office *Bestselling Currencies* top 20 – making a swift return after losing its place a year ago. A 34 per cent increase in sales of the yen over the past 12 months means that currency purchases have now returned to 2010 levels, signalling that Japan's tourism has fully recovered from the impact of its devastating earthquake and tsunami in March 2011.

Japan's gain was at China's expense. Even though two per cent more Chinese yuan were purchased in Post Office bureaux de change during 2012, the currency dropped out of the top 20 bestsellers to 22<sup>nd</sup> position.

Meanwhile, Mexico's rise in popularity shows no sign of waning. Post Office sales of the Mexican peso have trebled in the past five years after last year's replacement for the Japanese yen in the bestsellers list put on a further 34 per cent year-on-year increase during 2012.

**Figure 1** Post Office Bestselling Currencies 2012  
2011 positions in brackets

1.	<b>Euro</b> (1)	■
2.	<b>US dollar</b> (2)	■
3.	<b>Australian dollar</b> (4)	▲
4.	<b>Turkish lira</b> (3)	▼
5.	<b>Canadian dollar</b> (5)	■
6.	<b>Swiss franc</b> (6)	■
7.	<b>Thai baht</b> (9)	▲
8.	<b>Egyptian pound</b> (8)	■
9.	<b>UAE dirham</b> (11)	▲
10.	<b>Croatian kuna</b> (12)	▲
11.	<b>New Zealand dollar</b> (7)	▼
12.	<b>South African rand</b> (10)	▼
13.	<b>Polish zloty</b> (14)	▲
14.	<b>Czech koruna</b> (13)	▼
15.	<b>Norwegian krone</b> (15)	■
16.	<b>Bulgarian lev</b> (16)	■
17.	<b>Mexican peso</b> (18)	▲
18.	<b>Swedish kroner</b> (17)	▼
19.	<b>Japanese yen</b> (-)	▲
20.	<b>Danish kroner</b> (19)	▼

The Japanese yen was the only new entrant into the 2012 Post Office *Bestselling Currencies* top 20 – making a swift return after losing its place a year ago.



# Currency movements & trends in 2012

## ... and moving up

It was another good year for Latin America as a hat-trick of destinations put on levels of growth that earned them places in Post Office Travel Money's top 20 *Fastest Growing Currencies* table (see figure 2). Top performer was the Peruvian nuevo sol, with currency sales running 63 per cent ahead of last year. The Mexican peso (6) and Brazilian real (11) joined Peru's currency in the 2012 list with sales increases of 34 per cent and 25 per cent respectively.

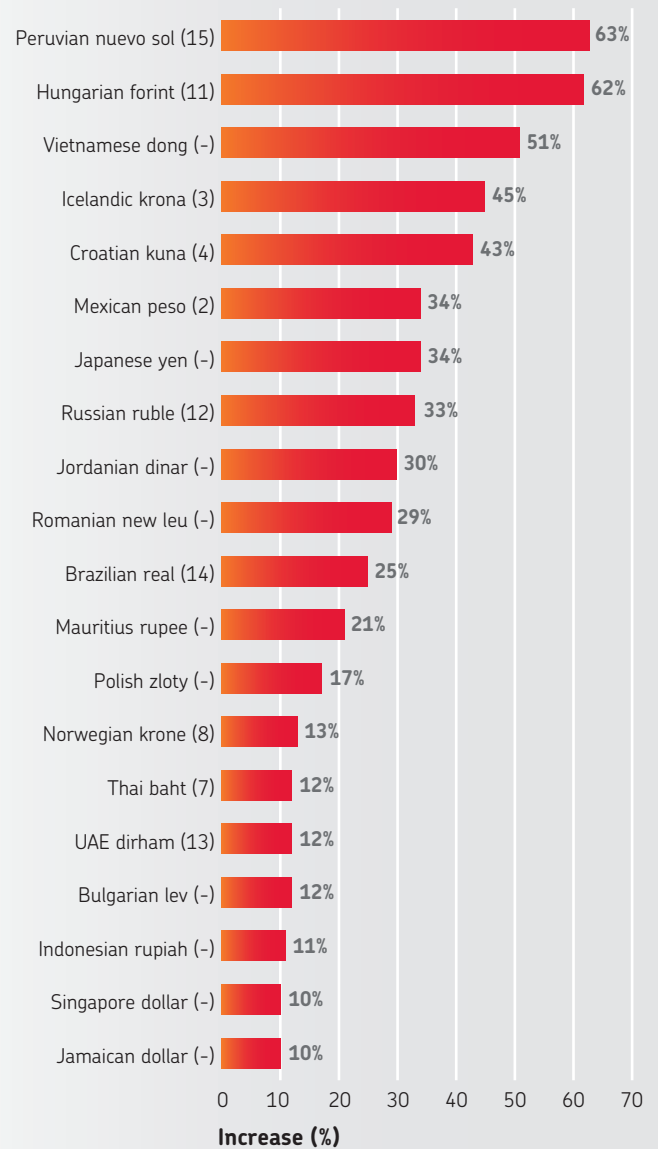
This is the third consecutive year that a Latin American currency has topped the list. The Brazilian real reached number one in 2010 and the Argentinian peso was last year's winner. Although the peso failed to make this year's chart, demand exceeded 2011 levels when the currency registered year-on-year growth of 183 per cent.

The year's other big winner was Eastern Europe. Six currencies made it into the Post Office *Fastest Growing Currencies* top 20, three of them – the Romanian new leu, Polish zloty and Bulgarian lev – as new entrants, while the Russian ruble moved into the top 10, in eighth place, after recording growth of 33 per cent.

Aside from the heavy demand already reported for the Croatian kuna (see bestsellers), the Hungarian forint saw the biggest shift in fortunes, making it the year's second fastest growing currency. Post Office sales rose 62 per cent on the back of low prices in Budapest and a currency which for much of the year was over 20 per cent weaker against sterling than in 2011.

Other noteworthy gains were made by Iceland and Vietnam. The Icelandic krona was one of only three currencies to retain its top 10 place for the second year running, with a sales increase of 45 per cent that built on 2011's 30 per cent growth. Tipped as a hotspot by the Post Office, Vietnam emerged as one of the year's big success stories and a 51 per cent growth in demand gave the Vietnamese dong third place in the 2012 chart.

**Figure 2 Post Office 20 Fastest Growing Tourist Currencies**  
2012 sales increases compared with 2011, with last year's positions in brackets



## Currency movements & trends in 2012

# Good year, bad year

### 2012 was a good year for:

**Croatia:** There seems to be no stopping this fast rising Balkan destination. More routes from regional airports and increased exposure in tour operator programmes helped the country register a 22 per cent rise in UK visitors for the nine months to September<sup>13</sup>. Over the past five years Post Office sales of the Croatian kuna have doubled and the latest growth spurt in 2012 propelled the currency into its top 10 bestsellers.



Croatia

**Hungary:** The low cost of tourist essentials and a weak currency combined to make Hungary a compelling choice. Even the failure of its national carrier Malev proved a short-lived hiccup as Ryanair quickly stepped up to fill the gap. As a result Post Office Hungarian forint sales rose 62 per cent compared with 2011, boosted by a doubling in the volume of sales between September and December.



Hungary

**Iceland:** Some of the best Northern Lights in years helped Iceland off to a flying start. UK visitor numbers mushroomed by 53.7 per cent in January and 49.6 per cent in February while Post Office sales of the Icelandic krona doubled over the same period. Now around 40 per cent cheaper to visit than before its economic collapse in 2008<sup>14</sup>, the country has also become more accessible after new flight routes were added during 2012.

**Japan:** After suffering the devastating tsunami in 2011,

Japan's tourism industry recovered well in 2012 and the country attracted almost a third more UK visitors from January-August<sup>15</sup>. At the same time Post Office bureaux reported a 34 per cent year-on-year growth in Japanese yen sales, returning the currency to its top 20 bestsellers.

**Vietnam:** The introduction of direct flights from the UK had the desired impact and Post Office Travel Money's hotlist tip for 2012 felt the benefit. Tour operators reported a growth in demand of around 40 per cent on the back of the easier access and the opening of a glut of boutique hotels<sup>16</sup>. The Post Office experience mirrored this as sales of the Vietnamese dong rose 51 per cent.

### But a bad year for:

**Caribbean:** Despite the best efforts of Usain Bolt, whose Olympic success stimulated a spate of bookings for Jamaica, it was a difficult year for the Caribbean. As arrivals from the UK dipped by 12 per cent, Caribbean chiefs put the blame squarely on the impact of Air Passenger Duty, which places the islands in a higher price band than nearby Florida and has resulted in flight capacity being cut. Despite this, the Post Office registered a year-on-year growth in currency sales for the Jamaican, East Caribbean and Barbados dollars.

**Greece:** By spring the country's debt crisis was fuelling widespread rumours of an imminent departure from the eurozone. It has not happened – yet – but the uncertainty was damaging and by November hoteliers said they had been forced to slash prices by up to 40 per cent to attract visitors. However, successive Post Office barometers found that Greek resorts were more expensive than Spain, Portugal and Turkey during 2012, which suggests that uncompetitive prices rather than the euro situation may have been the reason.

**Kenya:** Concerns about security after last year's terrorist attacks dogged Kenya throughout 2012. Visitor numbers from the UK, Kenya's largest single international market, fell by 2.5 per cent<sup>17</sup> and the Post Office reported disappointingly low currency sales for a destination, which only three years ago topped its Fastest Growing Currencies list. Plans announced recently to diversify tourism beyond safaris and beach stays may help redress the balance<sup>18</sup>.

**New Zealand:** After a positive performance in 2011 when the Rugby World Cup put the destination under the spotlight, New Zealand was given a red card in 2012 as Post Office currency sales slumped by 14 per cent. That may be short-lived, however, as Peter Jackson's latest Tolkien epic can be expected to rekindle the Hobbit-fever seen a decade ago and boost tourism again – and there were already signs of a recovery as the year drew to a close.

**Switzerland:** In just five years the Swiss franc has strengthened in value against sterling by almost 40 per cent. Little wonder then that it attracted fewer UK skiers last season, while eurozone competitors like Austria, France and Italy saw healthy growth<sup>19</sup>. Currency sales suffered too – particularly during the summer months when the Post Office reported a fall of over 20 per cent for June-August compared with the previous year.

Over the past five years Post Office sales of the Croatian kuna have doubled and the latest growth spurt in 2012 propelled the currency into its top 10 bestsellers.

## Currency movements & trends in 2012

### Anxious times in the eurozone

There was no let up to the eurozone crisis in 2012. As Spain succumbed to the debt crisis that engulfed Portugal and Italy in 2011 and Greece sank further into the mire, speculation was rife. Would Spanish banks fail, would Greece leave the eurozone? One tour operator recommended ditching Greek euro notes; other travel organisations suggested carrying cash rather than credit cards, in case these were no longer accepted<sup>20</sup>.

On the plus side, sterling strengthened against the euro to offer families the best exchange rate in four years just as schools broke up for the summer holidays in July (see figure 3). At one point holidaymakers could expect around 14 per cent more euro for their pounds than 12 months previously, albeit 27 per cent less than a decade ago when the currency was first introduced.

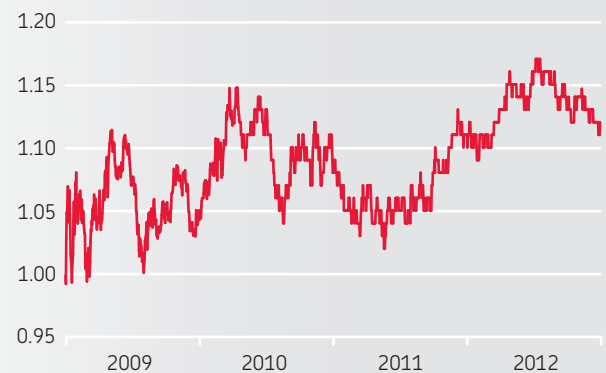
However, not all families travelling to the eurozone saw their holiday money stretch further. In April the Post Office *Holiday Costs Barometer* revealed that resort prices had risen in Spain and Portugal<sup>21</sup>, in part because of VAT increases introduced in a series of austerity measures. Spain also imposed airport taxes, which meant airlines had to pass on additional charges to passengers. These factors may account for the marginal decline (-0.6 per cent) in UK visitors announced by the Spanish Tourist Board in December for 2012.

Despite price rises, Portugal remained cheapest in the eurozone for meals, drinks and other tourist items – attracting 3.6 per cent more UK visitors than in 2011 (January–September)<sup>22</sup>. Since tourism accounts for 10 per cent of Portugal's GDP, this was welcome news for the country. Elsewhere, there was more good news as the barometer reported price falls in Cyprus (-19 per cent) and Malta (-6 per cent).

Without doubt, it was Greece's turn in the hot seat during 2012. There were stark warnings about Greek tourism from the UK travel industry<sup>23</sup>, tour operators were reported to be preparing for a eurozone exit<sup>24</sup> and the rumour machine worked overtime to warn tourists to expect food shortages or for their credit cards to be rejected by Greek banks<sup>25</sup>.

Much of this proved mere speculation and the July appointment of Greece's first dedicated tourism minister since 2009 was a positive sign of a determination to support tourism. What this could not stop, however, was a crisis of confidence which led hoteliers to slash room prices by up to 40 per cent. Nor did it prevent resort prices in Corfu and Crete looking uncompetitive compared with Portugal, Spain and neighbouring Cyprus and Turkey.

**Figure 3** Graph to show rates of the euro to sterling from 2009 to 2012



Andrew Brown, Post Office Head of Travel Money, said:

*"In the battle for business in the eastern Med, Greece definitely struggled. While concerns about the euro may have played their part, holidaymakers are becoming savvy travellers and the fact that our barometer showed Greek resorts to be 12 per cent more expensive than Cyprus and 19 per cent more than in Turkey is likely to have played a part. These days people are doing their homework before booking."*

There was more positive news in December as a review of 27 resorts for the Post Office *Ski Resort Report* found that eurozone prices for ski equipment, lift passes, ski school, meals and drinks were cheapest in Slovenia and had fallen in Italy. On average, Italy was cheapest of the 'Big Four' – Austria, France, Italy and Switzerland.

Market shares revealed by Crystal Ski for the 2011/12 season showed that the major eurozone players accounted for a dominant 88.4 per cent of packaged ski holidays – up from 79.7 per cent the previous year. With significant snow having fallen in Europe by December, things are looking good for the remainder of the 2012/13 season.



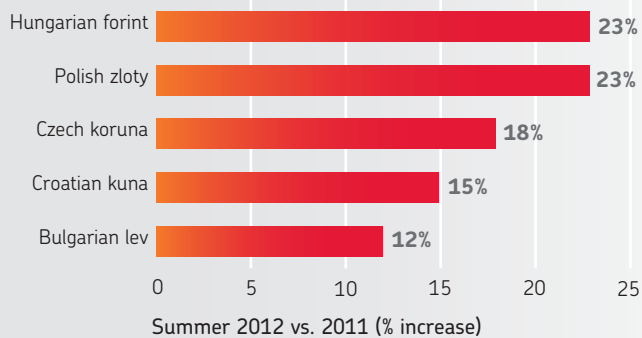
## Currency movements & trends in 2012

# Europe's winners and losers away from the eurozone

There was much to divert holidaymakers' attention away from the eurozone and towards the rest of Europe during 2012 – not least the fact that between March and the school holidays in July and August, sterling was even stronger against Eastern European currencies than it was against the euro.

Savvy travellers could expect to cash in their pounds for between 12 and 23 per cent more holiday money, depending where they were visiting and when they bought their currency. The biggest gains were for people taking city breaks in Poland, Hungary and the Czech Republic, while those taking Balkan beach breaks could expect to do well in Croatia and Bulgaria too (see figure 4).

**Figure 4** Sterling gains in Eastern Europe



Between March and the school holidays in July and August, sterling was even stronger against Eastern European currencies than it was against the euro.

The evidence showed that UK holidaymakers flocked to Croatia to the extent that by September a 22 per cent year-on-year visitor increase was being reported by the country's tourism authorities. This tallied with further growth in demand for Croatian kuna in Post Office bureaux, which propelled the currency into the top ten bestsellers and completed a sales rise of over 100 per cent in the past five years.

More remarkably, Croatia achieved its success even though the destination was far from cheap. In its *Holiday Costs Barometer*, the Post Office found that holidaymakers could expect to pay 72 per cent more for the same tourist staples in Croatia than in Bulgaria, the cheapest destination<sup>26</sup>. Bulgaria was also the lowest-priced place to ski, according to the Post Office's December 2012 *Ski Resort Report*<sup>27</sup>.

Bansko in Bulgaria was 48 per cent less expensive than Nendaz, the cheapest resort surveyed in Switzerland, which continued to be hampered by a poor exchange rate. As a consequence, Switzerland's share of the ski holiday market fell 1.1 per cent for the 2011/12 season<sup>28</sup>.

Turkey saw resort costs drop by over 20 per cent according to the Post Office barometer, which should have helped it gain ground on its eurozone competitors for summer sun holidays. However, airline and tour operator failures in 2011, compounded by the April collapse of Wings Abroad made it another tough year for Turkey, reducing capacity at the low cost end of the holiday market.

However, Andrew Brown, Post Office Head of Travel Money, said: *"Although Turkey saw a 5.9 per cent fall in UK visitors<sup>29</sup>, the country has a well-deserved value for money reputation and provided resort costs stay low and the capacity issues can be resolved, it should bounce back before long."*

Elsewhere in Europe, Norway led the Nordic charge with a 13 per cent growth in currency sales and Iceland's success was even more marked. Like Norway, it was able to capitalise on the early year boost provided by some of the best Northern Lights for years. The introduction of more routes to Iceland was another favourable factor, helping the Icelandic krona move up to 25<sup>th</sup> position in the Post Office league table after registering a 45 per cent growth in currency sales.





## Currency movements & trends in 2012

### East versus west for a city break

Successive Post Office surveys have shown that there is no beating an Eastern European city break for low prices. Most recently, Tallinn emerged as best value for a Christmas Market package, £100 cheaper than its nearest rival<sup>30</sup>. Low costs for meals, drinks, transport and sightseeing together with the pound's stronger buying power gave Prague, Budapest, Riga, Tallinn and Warsaw a clear price advantage over rivals in the west. A rise in sales for the Hungarian, Polish and Czech currencies was evidence that the UK public was taking note.

The latest guide to city break costs, researched in December for the *Holiday Money Report*, underlines the point. Prices for 10 cities were compared (see figure 5) and the five Eastern European ones swept the board for value. The cheapest, Prague and Budapest, were less than half the price of Paris and Bruges, the most expensive. Accommodation was more than twice as expensive in the five eurozone cities as in Budapest, while the meal costs in Prague were under half the price in Berlin, Amsterdam, Paris and Bruges.

Tallinn  
Christmas  
Market



**Figure 5** What it costs for a city break

Item	Prague	Budapest	Riga	Tallinn	Warsaw	Vienna	Berlin	Amsterdam	Paris	Bruges
Cup of coffee	£1.16	£1.21	£2.00	£1.34	£2.01	£2.59	£1.88	£2.68	£1.74	£2.23
Bottle of beer/lager	£0.87	£1.52	£2.40	£2.68	£1.79	£2.59	£2.59	£2.68	£4.29	£3.13
Bottle/can of Coca-Cola	£1.09	£1.46	£1.33	£1.79	£1.34	£2.59	£1.79	£2.41	£2.86	£2.23
Glass of wine	£1.45	£2.22	£2.67	£3.57	£2.68	£2.50	£3.13	£3.57	£3.39	£3.13
3-course evening meal for 2 including bottle of wine	£24.59	£31.73	£42.40	£41.07	£39.06	£45.89	£59.82	£53.57	£51.07	£71.43
48-hour travel card	£7.98	£9.84	£5.07	£5.36	£5.36	£10.45	£15.98	£10.71	£14.87	£10.71
Sightseeing bus tour	£18.13	£15.87	£13.33	£14.29	£13.39	£17.86	£19.64	£13.39	£25.89	£12.95
Accommodation: 2 nights for 2 adults in a 3* city centre hotel	£47.12	£45.49	£45.49	£57.03	£70.96	£108.04	£92.61	£133.23	£121.85	£128.35
<b>Total</b>	<b>£102.39</b>	<b>£109.34</b>	<b>£114.69</b>	<b>£127.13</b>	<b>£136.59</b>	<b>£192.51</b>	<b>£197.44</b>	<b>£222.24</b>	<b>£225.96</b>	<b>£234.16</b>

## Currency movements & trends in 2012

### Brand America stands strong

While attention focused firmly on the rising power of the pound against the euro, sterling was sliding against the US dollar in the late spring and summer of 2012. Largely unnoticed, the dollar had been gaining ground on the world's money markets for weeks as a consequence of the eurozone crisis and in mid-July hit a two year high against sterling (see figure 6). Did this dampen demand for transatlantic trips? It would appear not.

The explanation may lie in a concerted effort to promote US tourism more effectively with a national strategy announced by President Obama last January. In the UK, the country's largest overseas market, a proactive push was launched in May by the newly-created marketing organisation Brand USA. Three months into a heavyweight *Discover America* media campaign, tracking research suggested a 14 per cent rise in the number of people who intended to plan a trip across the Atlantic.

Another factor in the USA's enduring success appears to be the appeal of its cities. Notwithstanding the best efforts of Superstorm Sandy in October, the allure of New York remained intact and the city was rated second only in popularity to Paris, according to the latest *Hotel Price Index* published by Hotels.com<sup>31</sup>.

Las Vegas was the second US city to feature in the *Hotel Price Index* top 10 destinations and one of several named by long haul specialist Hayes and Jarvis as helping to account for the USA's position as the leading destination for multi-centre holidays. Others were Los Angeles, San Francisco and San Diego.

**Figure 6** Graph to show rates of the US dollar to sterling from 2009 to 2012



New York



## Currency movements & trends in 2012

**Figure 7** Post Office Shopping Guide 2012

Item	London	New York	vs. UK	Boston	vs. UK	Chicago	vs. UK
True Religion 'Ricky' straight-leg jeans	£285.00	£122.13	-57%	£112.21	-61%	£122.83	-57%
J Brand 'Maria' skinny jeans	£275.00	£138.78	-50%	£128.47	-53%	£139.58	-49%
UGG 'Classic Short' boots	£165.00	£107.56	-35%	£98.79	-40%	£108.17	-34%
Polo Ralph Lauren 'Elmwood' Down Vest (sleeveless gilet)	£295.00	£156.13	-47%	£145.40	-51%	£157.03	-47%
Oakley 'Holbrook' sunglasses	£145.00	£83.27	-43%	£81.26	-44%	£83.75	-42%
Michael Kors 'Unisex Oversize Runway - MK8086' watch	£229.00	£156.13	-32%	£152.37	-33%	£157.03	-31%
Giorgio Armani 'Code' eau de parfum (75ml)	£72.00	£54.13	-25%	£52.82	-27%	£54.44	-24%
Elizabeth Arden 'Eight Hour' cream skin protectant (50ml)	£25.00	£13.53	-46%	£13.21	-47%	£13.61	-46%
Amazon Kindle Paperwhite 3G	£169.00	£124.90	-26%	£121.89	-28%	£125.61	-26%
InnoTab 2	£84.99	£55.51	-35%	£54.17	-36%	£55.82	-34%
<b>Total</b>	<b>£1,744.99</b>	<b>£1,012.07</b>	<b>-42%</b>	<b>£960.59</b>	<b>-45%</b>	<b>£1,017.87</b>	<b>-42%</b>

Post Office Travel Money's Andrew Brown said:

*"The USA has proved remarkably resilient despite the exchange rate dip. The days of \$2 to £1 may be long gone but the USA has a well-deserved reputation for offering great value and the prices in shops, restaurants and tourist attractions provide UK bargain-hunters with a great incentive to travel Stateside."*

*"We were not surprised, therefore, to find that Post Office dollar sales have remained extremely resilient and on par with 2011 levels, making the US dollar second only to the euro in our list of bestsellers."*

### Mecca for shopaholics

Low prices in the shops again made the USA a compelling choice for bargain-hunting shoppers wanting to combine a short break with retail therapy. The fifth annual Post Office *Christmas Shopping Guide* in November revealed that shops in New York, Boston and Chicago were significantly cheaper than their London counterparts for over 200 items surveyed.

Post Office researchers found that shoppers could save as much as 61 per cent on purchases in the USA, with Boston emerging as cheaper than New York or Chicago for most items because of its lower sales tax and higher exemption rates on clothing and footwear. On a basket of 10 items with the best US savings, Boston shoppers could expect to save £784 – or 45 per cent on the London price (see figure 7).

Although the biggest reductions were on designer label clothes, led by exclusive brands of jeans, the guide found substantial savings on fashion accessories and footwear, toys and electrical goods as well as on some fragrance and cosmetic brands.

Best practice for UK shoppers, the Post Office advised, would be to seek out US designer labels like Abercrombie & Fitch, Hollister and Ralph Lauren, where savings of over a third are commonplace, rather than sought-after British brands, which are often more expensive in America.

*"The USA has a well-deserved reputation for offering great value and the prices in shops, restaurants and tourist attractions provide UK bargain-hunters with a great incentive to travel Stateside."*



## Currency movements & trends in 2012

### Flight factor impacts long haul holidays

It was not the most comfortable of rides for the long haul holiday market in 2012. Enthusiasm for the London Olympic Games depressed demand in the early summer when prices are traditionally lower in many of the UK's favourite faraway places and can normally be expected to stimulate bookings. At the same time the impact of higher Air Passenger Duty (APD) on flight costs hit some destinations hard. Yet it was the flight factor that also accounted for some of the year's biggest success stories.

One of the common denominators for growth was the introduction of new flights from the UK. Virgin Atlantic's entry into the London-Cancun route added another competitor to those seeking a slice of the growing Mexico cake. As a result, keenly-priced flights added to the attractive All Inclusive hotel deals available meant the UK's Latin love affair continued to speed ahead<sup>32</sup>.

Confirming this, Mexican peso sales grew by more than a third in 2012 to retain a place in the *Fastest Growing Currencies* top ten for the third consecutive year, while a cumulative five year increase of 216.5 per cent made the peso the Post Office's top growth performer (see figure 8).



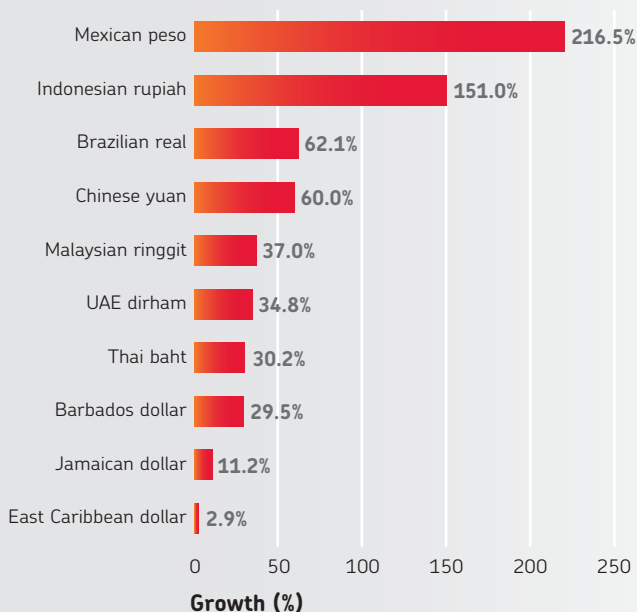
As predicted in last year's *Holiday Money Report*, Vietnam made headway after the launch of direct flights to Hanoi and Ho Chi Minh City in December 2011 cut journey time by hours. With a crop of new boutique hotels and competitively priced holiday packages, it was scarcely surprising that demand mushroomed by around 40 per cent, according to holiday companies<sup>33</sup>. Sales of the Vietnamese dong rose 51 per cent to make this the year's third fastest growing currency for the Post Office.

Among the emerging long haul contenders, additional Korean Air flights from Gatwick Airport helped make South Korea more accessible and fuelled a 36 per cent year-on-year increase in demand for the Korean won at the Post Office.

All in all it was a good year for the Far East. In addition to Vietnam's positive performance, the Japanese yen (+34 per cent), Indonesian rupiah (+11 per cent), Singapore dollar (+10 per cent) and Thai baht (+12 per cent) were among the 20 fastest growing currencies.

Most notably, Thailand again proved a hotspot and its 2012 performance contributed to a healthy 30.2 per cent growth curve over five years. At a time when holidaymakers were becoming increasingly price conscious, reports that packages to Thailand were down by as much as 12 per cent on 2011 levels because of a long term policy of low pricing by Thai Airways<sup>34</sup>, can only have helped boost the country's appeal.

**Figure 8** Five year value sales growth for key long haul destinations between 2012 and 2007



.....  
 "Great sterling exchange rates were a welcome boost to UK tourists' buying power in 2012 and there were few places where the pound did not pack a stronger punch."  
 .....

## Currency movements & trends in 2012

Another factor fuelling growth in 2012 was the power of the pound. This was undeniably a contributor to Brazil's success since sterling was worth up to 28.6 per cent more against the Brazilian real last summer than 12 months before. A 25 per cent year-on-year increase in Post Office currency sales, contributing to a 62.1 per cent growth since 2007, was a clear indication that the public had taken note. Holidaymakers travelling to Mexico could also expect to receive up to 15 per cent more pesos for their pounds, depending when they changed money.

Post Office Travel Money's Andrew Brown said: *"Great sterling exchange rates were a welcome boost to UK tourists' buying power in 2012 and there were few places where the pound did not pack a stronger punch. After years of diminishing returns for their holiday pounds, people visiting two-thirds of the most popular long haul destinations were at last getting more for their money."*

The US dollar was one of the few currencies to strengthen against sterling during 2012 and this had a negative knock on effect on the value of the UAE dirham, Barbados dollar and East Caribbean dollar, which are tied to the dollar.

Despite this, in the mid haul market Dubai was a big winner, attracting eight per cent more UK visitors from July-September<sup>35</sup> while its currency, the dirham, reached the Post Office *Bestselling Currencies* top 10 for the first time. Egypt began the slow road to recovery after the Arab Spring of 2011 but its prospects were marred by more political unrest as the year drew to a close.

Although the Caribbean islands collectively suffered a 12 per cent decline in arrivals from the UK, attributed to the APD tax rise and resulting cuts to flight capacity, pundits suggested that the lower end of the holiday market suffered most. The Dominican Republic saw almost 13,000 fewer visitors<sup>36</sup> and sales of its currency fell 18 per cent. By contrast Post Office currency sales rose by 6.8 per cent for the four big islands – Antigua, Barbados, Jamaica and St Lucia.

Brazil



Dubai



# Attitudes to travel

## The consumer view

During 2012 Post Office Travel Money commissioned a series of consumer research reports designed to establish attitudes about overseas holidays as people struggled with rising prices at home. Conducted by the pollster Populus, holidaymakers were questioned about destinations they considered good and bad value, the experiences they were seeking from trips overseas and their concerns about spending – or overspending – while abroad<sup>37</sup>.

Getting the most for their money was the overriding concern. However, this did not always mean bargain-hunting or cost-cutting. On the contrary, some of the more expensive destinations were perceived to be good value, while many holidaymakers admitted breaking their budget by overspending on meals and drinks.

Over a third of holidaymakers considered Spain as best value, making the UK's favourite European holiday choice a clear winner, while Turkey also came up trumps with a 27 per cent value rating.

### A growing nation of wallet-watchers?

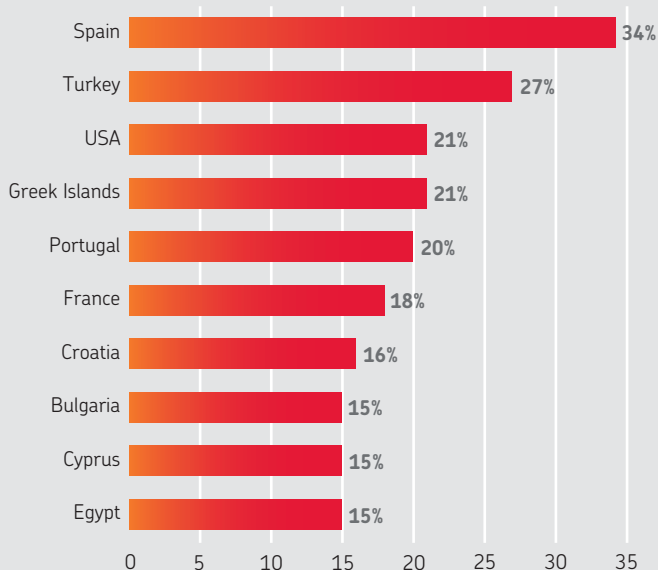
When holidaymakers were asked which destinations they considered good value, it was two countries with a long-established reputation for affordable pricing that topped the poll. Over a third named Spain, making the UK's favourite European holiday choice a clear winner, while Turkey also came up trumps with a 27 per cent value rating (see figure 9).

However, one-in-five of those questioned did not consider that any overseas destinations offered good value and over two-thirds (69 per cent) said they would consider swapping the destination they preferred if they could get a cheaper deal elsewhere.

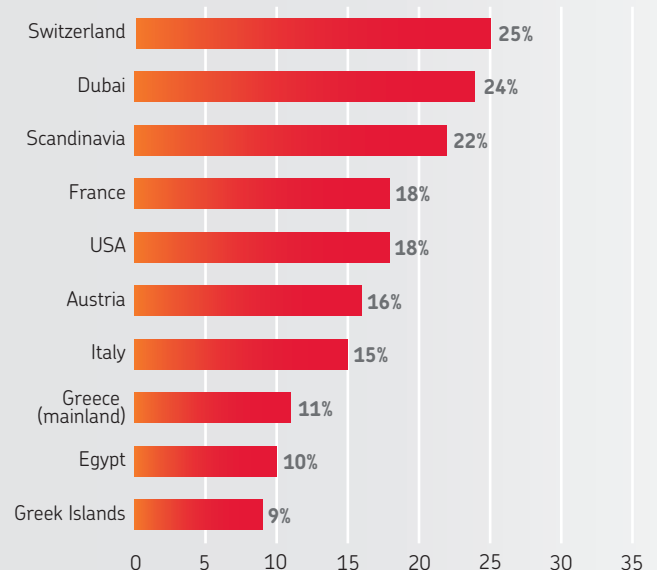
Nevertheless, low price was not always the only criterion for a good value rating. Bulgaria and Croatia both featured in the top 10 but Bulgaria (15 per cent), cheapest in the Post Office's *Holiday Costs Barometer*, scored a lower rating even though Croatia (16 per cent) was one of the more expensive in resorts price comparisons. This suggests that some UK travellers, at least, based their choice of holiday destination on the overall experience they believed it would offer rather than on cost alone.

Switzerland, Dubai and Scandinavia were the three destinations considered to offer poor value by the greatest number of holidaymakers (see figure 10). Interestingly three destinations – the USA, France and Egypt – appeared in both the good and poor value top 10 lists, proving the saying that 'one man's meat is another man's poison'.

**Figure 9** Destinations considered good value



**Figure 10** Destinations considered poor value



# Attitudes to travel

**Figure 11** Attitudes about All Inclusive holiday experiences

	Total	Europe	Long Haul
Holiday met expectations and was of a high quality	59%	53%	70%
Food was of good quality	50%	46%	57%
Would definitely book an All Inclusive holiday again	43%	42%	44%
Would consider booking All Inclusive again but would check what was included before booking	27%	26%	30%
Hotel quality was satisfactory but not the standard expected	18%	20%	14%
Food quality was lower than expected but put up with it because everything was included in the price and it cost less overall	17%	19%	14%
Prefer more variety and freedom, so would not book another All Inclusive holiday	12%	13%	11%

## All Inclusive – or not?

All Inclusive holidays have grown in popularity to account for well over a third of overseas packages<sup>38</sup> as the idea of a trip covering all costs proved an enticing prospect for many cash-strapped tourists. However, research conducted for the Post Office’s *All Inclusive Holiday Report* revealed that all that glitters is not always gold. It found that over three-quarters of All Inclusive holidaymakers paid extra for items they expected to be covered, with international alcoholic and soft drink brands, bottles of wine, bottled water, cocktails, internet access and a la carte meals among the biggest culprits<sup>39</sup>.

Despite this, many holidaymakers were undeterred. 43 per cent said they would book another All Inclusive package (see figure 11) compared with 12 per cent who felt that it was not the right kind of holiday for them because they preferred more variety and freedom. Over a quarter of those questioned had their fingers burned sufficiently to say that they would check what was included before booking another All Inclusive holiday.

Post Office Travel Money’s Andrew Brown commented:

*“All Inclusive holidays can be great value, providing people plan carefully. However, less than half of those we spoke to saved money and over three-quarters paid out for extras. That is why it is so important to carry enough foreign currency to cover items that are excluded from All Inclusive packages. Yet our research found that only half of people planned for extra expenditure by taking foreign currency while 29 per cent paid by credit card, 12 per cent by debit card and 11 per cent withdrew cash at an ATM, incurring hidden charges in the process<sup>40</sup>.”*

As more European hotels went All Inclusive in 2012, the research findings also flagged up big differences between experiences in Europe and in long haul destinations. Satisfaction levels and quality ratings were consistently lower among those visiting Europe. For example, while 70 per cent of long haul holidaymakers said their experience matched expectation and was of a high standard, only 53 per cent of those who had taken a European All Inclusive holiday felt that this was the case.



## Attitudes to travel

# Play your cards right

Well over half of people holidaying abroad in recent years overspent their budget on a long list of items led by restaurant meals, drinks, sightseeing, souvenirs and food bought from resort shops. 56 per cent overspent in restaurants to the tune of almost £75 each, while a third exceeded their drinks budget by an average of around £69 (see figure 12)<sup>41</sup>.

In addition to this, almost two-thirds of people who had pre-booked car rental in the UK got caught out by having to pay for extras when they arrived to pick the car up<sup>42</sup>. Car hire extras cost an average of £72 and, unsurprisingly, almost three-quarters of drivers used their credit or debit card to cover the unexpected charge.

This helps to explain why many holidaymakers feel safer carrying a card. 54 per cent of those questioned about using plastic on holiday felt safer having a credit or debit card with them in case they ran out of cash, while 38 per cent confessed to underestimating how much currency they would need and having to use a card (see figure 13). In doing so 39 per cent said that withdrawing cash at an ATM had cost them more than expected<sup>43</sup>.

Consumers were also concerned about card security abroad. One-in-five were worried that unauthorised transactions might go through their bank account while 13 per cent admitted concerns about having their card cloned or stolen when they used it on holiday.

Anxiety about overspending and card safety issues may go a long way to explaining the growth in prepaid cards like the Post Office Travel Money Card Plus. 11 per cent of people surveyed for the *Holiday Money Report* said they used a prepaid card because it meant they could only use the amount of money they had loaded onto it. Separate research conducted for the Post Office found that 40 per cent of Travel Money Card users chose the card because of its security benefits<sup>44</sup>.

Andrew Brown of Post Office Travel Money explained:

*"Travel Money Cards offer an enviable level of security compared to debit or credit cards because they are quite separate from any bank account. They are also great budgeting tools as holidaymakers can only use the funds they have loaded. They can still top up their funds if need be while they are away but there is no danger of overspending unintentionally as there can be with debit or credit cards."*

**Figure 12** Spending on holiday

Q: What items do people overspend on, and by how much, on average?		
Eating out	56%	£74.76
Drinks	33%	£69.19
Sightseeing	28%	£70.38
Souvenirs / gifts	28%	£59.20
Food from a supermarket	15%	£50.72

**Figure 13** Card concerns

Q: How do people feel about using plastic on holiday?	
Feel safer having a credit/debit card in case cash runs out	54%
Always underestimate the amount of currency needed and have to use a card	38%
Carry a small amount of foreign currency and use cards for most items	31%
Concerned that unauthorised transactions could be charged to bank account when using a credit/debit card abroad	20%
Use a credit/debit card to pay for holiday items but worry that it will be stolen or cloned	13%
Use a prepaid card instead of a credit or debit card because it is not possible to overspend	11%

**"Travel Money Cards offer an enviable level of security compared to debit or credit cards because they are quite separate from any bank account."**





# What's in store for 2013

## A determined stand

The announcement that the UK's largest tour operator has set out a "road map for growth" in 2013 is good news for the holiday market since this will be the first time in over five years that TUI Travel has increased capacity – signalling a confidence that there is plenty to play for and win in the year ahead<sup>45</sup>. As the financial outlook remains uncertain both in the eurozone and the UK, the assertion of TUI's Chief Executive that "the strong will get stronger" is a welcome sign of a determined stand.

There are plenty of other travel companies who intend to get stronger too as TUI's rivals have already embarked on their biggest ever turn-of-year marketing campaigns<sup>46</sup>. They are offering holiday packages at prices designed to stimulate bookings from bargain-hunters prepared to lay down their money early in return for a good deal.

Elsewhere there is plenty more determination. Airlines are spreading their wings: easyJet is introducing a new service to Moscow and broadening its regional routes to include longer haul flights into Sharm el Sheikh and Marrakech from Stansted. British Airways is flying into the Canaries this summer as well as resuming routes to Seoul and Sri Lanka, while Virgin Atlantic is expanding its service to Cancun.

Set against the long shadow of Air Passenger Duty, which is due for a further rise in April by the rate of inflation<sup>47</sup>, these are positive moves that will offer holidaymakers more choice, greater convenience and, potentially, better prices.

None of these, however, can match the real game-changer, which comes in the form of the new Boeing 787 Dreamliner. Set to change the shape of long haul travel, Qatar Airways has already started flying the first Dreamliner east to Doha and Thomson Airways will follow with flights to Cancun and Orlando in May.

Even more significantly, Thomson will introduce the first direct flights from the UK to Phuket, using the revolutionary new Dreamliner. From now on, passengers travelling on longer flights can look forward to flying faster, further, cheaper and in more comfort. This could provide just the tonic needed for a long haul sector that has had a tough time in recent months.

As the financial outlook remains uncertain both in the eurozone and the UK, the assertion of TUI's Chief Executive that "the strong will get stronger" is a welcome sign of a determined stand.

However, despite these positives, the financial outlook remains foggy and consumer confidence about spending power is understandably low<sup>48</sup>. Within this context, the decision as to whether to take a holiday abroad – or not – could all come down to the value of sterling – and the UK weather.

Andrew Brown, Post Office Head of Travel Money said:

*"People whose UK holidays were a washout because of the non-stop rain last year will be thinking hard about whether to bite the bullet and plan an overseas trip for guaranteed sunshine. This is going to be a vital year for Europe and, if resort costs stay low while sterling gains further ground against the euro and other currencies, there could be plenty of incentive for UK holidaymakers to head overseas."*



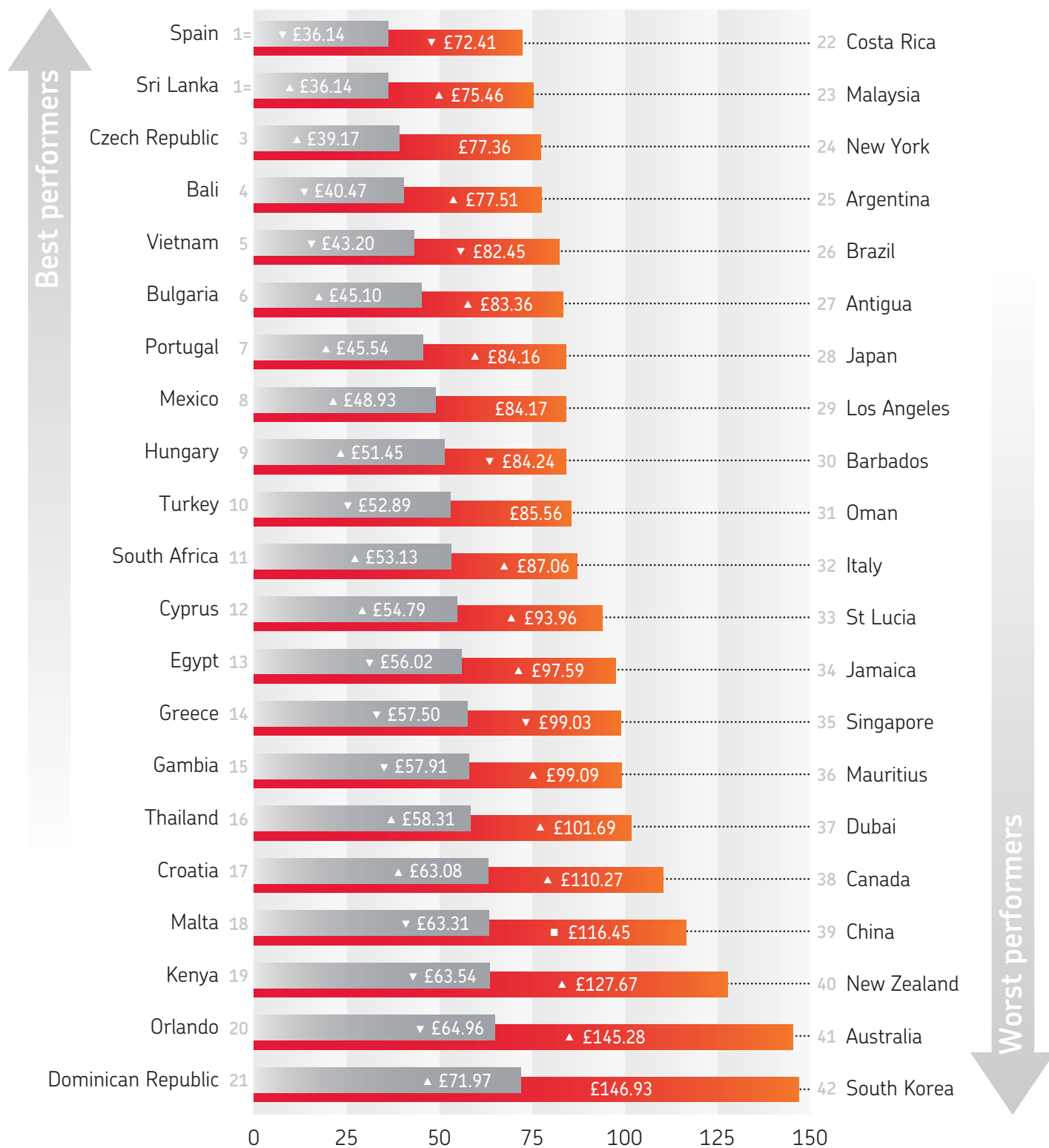
Thailand

## What's in store for 2013

**Figure 14**

### Post Office Worldwide Holiday Costs Barometer

Survey of eight tourist items, including drinks and meals



**Cost (£)**

Data relates to exchange rates on 7 January 2013

▲ ▼ Arrows relate to 2013 barometer price increases or decreases compared with January 2012

## What's in store for 2013

# Resorting to price cuts

Resort prices can make a big difference to overall holiday costs and the latest *Worldwide Holiday Costs Barometer* reveals how much these vary between competing destinations. This year the Post Office has surveyed 42 destinations worldwide with the help of national and local tourist boards and specialist tour operators<sup>49</sup>. It selected eight items – a meal for two, cup of coffee, bottle of local beer, can of Coca-Cola, glass of wine, bottle of still water, suncream and packet of cigarettes – as representative of the things that UK tourists are most likely to pay for on a foreign holiday.

This year's barometer reveals that prices have fallen in over one third of the destinations surveyed – and not just because of the power of the pound. Increasing competition has resulted in widespread cost-cutting by restaurants and bars. This means that in Europe the barometer basket has fallen 18 per cent in Greece (Corfu), making prices a third cheaper than Italy, the most expensive of six eurozone destinations surveyed. As a result, Greece has jumped up 10 places to 14<sup>th</sup> position, while Italy remains in bottom quarter of the barometer table.

A similar picture emerges elsewhere. A 20 per cent price fall in Sharm el Sheikh makes Egypt, still struggling to regain ground lost after the Arab Spring uprising, 45 per cent cheaper than mid haul competitor Dubai. In the Caribbean, resort costs have fallen steeply in Barbados, accounting for a 26 per cent drop in the barometer basket. By contrast, higher meal prices have made Jamaica 18 per cent more expensive. As a result Barbados moved up nine places to take 30<sup>th</sup> position in the table, while Jamaica has dropped to 34<sup>th</sup> place.

There have been no such price falls in Sri Lanka, which instead registered a 27 per cent increase. However the country remains cheapest of 42 destinations because a weaker UK pound helped cushion the blow of significant price rises in the country's beach resorts.

But the Indian Ocean island has to share the top spot this year because a combination of its barometer price rise and a marginal drop in Spanish meal prices has enabled Spain to tie for first place. Resort costs in Europe's top destination are now over 40 per cent cheaper than five years ago.

.....  
**This year's barometer reveals that prices have fallen in over one third of the destinations surveyed – and not just because of the power of the pound.**  
 .....

The Czech Republic has retained third place for a third consecutive year but, while the top three remain unchanged, the biggest story is the strong performance of two Far Eastern destinations. Bali has leapt up to fourth place from 12<sup>th</sup> in the league table a year ago through a combination of lower resort prices and a weaker Indonesian rupiah. One place below at number five, Vietnam is up five places on the back of lower meal prices.

Both have eclipsed Thailand, once a top 10 regular but now down to 16<sup>th</sup> place. Rising resort prices mean that holidaymakers visiting Thailand can expect to pay 22 per cent more than 12 months ago and over a third more than if they were to visit Vietnam. Prices are also on the rise in Malaysia, where a 48 per cent increase in the barometer basket is the second largest in the survey, behind Dubai.

Four new destinations – Los Angeles, New York, Oman and South Korea – feature in this year's *Worldwide Holiday Costs Barometer*. New York is the lowest priced of these, eight per cent cheaper than Los Angeles, while South Korea emerges as most expensive of 42 destinations surveyed. Putting this into context, the high prices may be explained by the fact that tourism is relatively new to the country and most visitors take escorted tours where restaurant and bar choice is limited.

Best news for bargain hunters is that prices have tumbled in Turkey. Meal prices are down 22 per cent, probably because of fierce competition between restaurants after cuts in flight capacity brought fewer visitors during 2012. This contributed to an overall price fall of 16 per cent, which takes Turkey back into the top 10 for the first time since 2008.

Post Office Head of Travel Money Andrew Brown commented: *"If sterling holds its value and resort costs in Turkey and Greece stay at current levels, there will be plenty for UK holidaymakers to look forward to in the eastern Med this year. By contrast, rising prices mean Bulgaria, Portugal and Italy could feel the pressure as families look carefully at holiday finances."*



## What's in store for 2013

# Where's hot for 2013?

If 2013 repeats last year's pattern, holiday choice will hinge on where is easiest to get to and at what cost – especially for destinations further afield. Assuming that new or expanded flight routes and cheap airfares do play a pivotal part in decision-making, the two destinations most likely to prove hotspots are Mexico and Thailand.

Further expansion in the volume of flights available to Cancun will intensify competition between airlines<sup>50</sup> and should result in even better deals for people planning trips to Mexico. Low prices for five-star All Inclusive hotels should also boost demand – probably at Egypt's expense. Despite discounted packages in Red Sea resorts, holidaymakers may remain reluctant to book trips after the latest headline-grabbing political demonstrations.

Thailand was one of 2012's big successes and there is good reason to expect the Far Eastern favourite to prove even more popular this year. Well-priced package holidays will keep demand high in spring and summer<sup>51</sup> while TUI's introduction of direct Dreamliner flights to Phuket in November will revolutionise travel to the region with cheaper, faster flights.

Far East destinations including Thailand have already benefited from growing demand for twin-centre and tailor-made holiday experiences<sup>52</sup> and this trend should accelerate in 2013 as better flight connections make more combinations possible. Indochina in general and Vietnam in particular can profit from this, so too can newly-fashionable Burma.

In the Indian Ocean, Sri Lanka can expect to cash in on more flights being available from the UK when British Airways resumes its service in April after a 15-year absence. Low costs in Sri Lanka's beach resorts will also hold the destination in good stead and huge hotel investment will put the east coast back on the tourist trail after being off limits for almost 30 years because of the civil war.

Mauritius will need to work hard to compete and the destination has already done so to great effect by offering price-competitive luxury All Inclusive holidays. Although the island's tourist office sparked controversy recently with comments about the damage this might have on its five-star image<sup>53</sup>, All Inclusive looks certain to be the way forward as the demand for value hots up.

Closer to home Greece and Spain will have to work hard to overcome uncertainty caused by the ongoing debt crisis in both countries. Greece has already embarked on a determined strategy to woo back holidaymakers and, if resort prices stay at their current low level, that will certainly help.

The same applies to Turkey, where last year's lower visitor numbers should intensify competition for business between resort restaurants and bars. Lower prices are crucial for a destination whose reputation has been based on offering great value – but whether or not it can capitalise on these depends whether flight capacity issues can be resolved.

Croatia again looks a hot tip. Its tourist authorities have ambitious growth plans to take the country back to its glory days before the Balkan conflict and, while insiders are expressing concern about accommodation shortages, the decision to hold this year's ABTA Travel Convention in Dubrovnik signals that the industry believes this is a destination with a bright future.

## Rate and see

Exchange rates can make a significant difference to the spending power of UK tourists abroad. Last year a stronger pound meant there were few destinations where holidaymakers would have less cash in their pockets than in 2011. The same is true today: 70 per cent of currencies are weaker against sterling than they were in January 2012.

However, while there is such volatility in the money markets, sterling's value can change quickly – downward as well as upward. Just a few months ago there were predictions that £1 would be worth €1.30 within weeks, but these forecasts failed to materialise.

Post Office Travel Money's Andrew Brown said: *"The continuing crisis in the eurozone makes it hard to predict where sterling might stand by summer – not just against the euro but against other holiday currencies as well."*

And what a difference a few months can make. Last January we reported that sterling was worth over 10 per cent more against the Hungarian forint and Polish zloty than in 2011. By the summer that figure had doubled to give travellers over 20 per cent more for their pounds. Both reaped the benefit, especially the forint, which registered the year's second largest sales growth. Yet these now feature among the currencies that have strengthened most against sterling in 12 months (see figure 16).

Notwithstanding this, holidaymakers on a city break to Budapest, Warsaw or Krakow will still get more for their money than they did two years ago and the low prices charged in these cities<sup>54</sup> again makes them a Post Office hotlist selection.

So too is Brazil, where the real is almost 15 per cent weaker than last January and one of the currencies whose exchange rates have dropped most against sterling for a second consecutive year (see figure 17).

### Figure 15 Post Office Hotlist

Predictions for where will be hot in 2013

- Brazil
- Croatia
- Eastern European cities
- Mauritius
- Mexico
- South Korea
- Sri Lanka
- Thailand
- Turkey
- Vietnam

# What's in store for 2013

Andrew Brown said:

*"The country looks an especially compelling choice this year as it will be the last chance to visit before room rates rocket in advance of the 2014 football World Cup."*

The Brazilian exchange rate was bettered only by sterling's surge against the Japanese yen, where the pound is currently worth around 18 per cent more than a year ago, and the Argentinian peso, which has retained its position as the currency which has weakened most – 19.3 per cent – for the second year running.

## Bubbling under

Established destinations – particularly mid and long haul ones – will face competition from lesser-known destinations that are beginning to promote themselves effectively to UK holidaymakers. Five of these have been chosen for the latest Post Office list of emerging destinations (see figure 18), based on countries whose currencies have shown big sales increases over the past 12 months.

Heading the list is Lithuania. After reporting a 42 per cent rise in sales of its currency, the Post Office believes Lithuania could be the next Baltic State to benefit from high demand for low cost city breaks – with its capital Vilnius set to emulate the success of Tallinn and Riga.

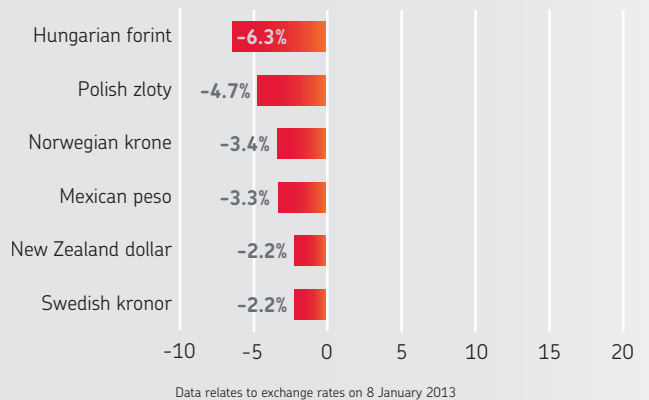
Qatar, Korea, Oman and Jordan are also tipped to follow in the footsteps of Argentina and Vietnam, which featured in last year's list and have since gained further ground. This is the second time that Qatar has been named in the emerging hotspots list after a year when sales of the Qatar riyal grew a further 39 per cent. Post Office sales of the currency have now more than doubled in two years on the back of a huge investment in tourism facilities. That investment is continuing and Qatar Airways is now the first airline to fly the Boeing 787 Dreamliner from the UK.

Post Office Travel Money's wild card for 2013 is South Korea. Although the country was most expensive in the *Worldwide Holiday Costs Barometer*, South Korea could prove to be the next big thing in the Far East – and a 36 per cent increase in Post Office sales of Korean won suggests there is already an appetite for the destination among adventurous holidaymakers. They will now find it easier to reach South Korea as British Airways has resumed flights to the country after 14 years.

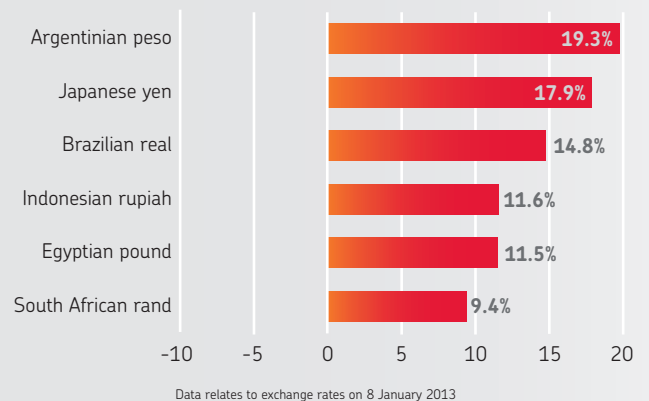
Introduced for the first time in 2012, the Ukraine hryvnia outsold the currencies for all of these emerging destinations barring the Jordanian dinar. It remains to be seen whether the destination can capitalise on the high profile it achieved during Euro 2012 but the Post Office is making the hryvnia available in 2013 as one of over 70 currencies it offers.



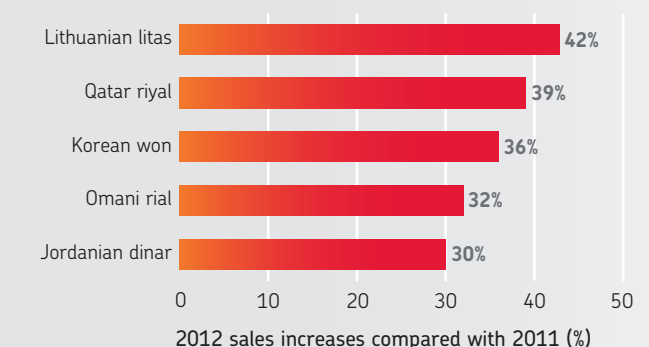
**Figure 16** Currencies whose exchange rates have strengthened most against sterling



**Figure 17** Currencies whose exchange rates have weakened most against sterling



**Figure 18** Post Office Emerging Destinations  
Sales increases in 2012 compared with 2011



# Sources

1. Office for National Statistics *Overseas Travel and Tourism Bulletin*, September 2012, reported that four per cent fewer visits were made to the UK between July and September. TNS *Travel Choices* survey, September 2012, revealed that poor UK weather was the biggest factor prompting holidaymakers to book an overseas holiday.
2. Post Office August/September currency sales revealed accelerating growth for purchases of the Thai baht, Vietnamese dong, Malaysian ringgit, Mexican peso, Brazilian real and UAE dirham.
3. BBC News (14 November 2012) report about Brittany Ferries and the threat posed by fuel price rises and a switch to less polluting fuel by 2015.
4. Ryanair, easyJet and Emirates were among the airlines reporting increased profits in November 2012.
5. ABTA (Association of British Travel Agents) *Consumer Travel Trends Survey*, October 2012, revealed that 48 per cent of holidaymakers booked a package in 2012 compared with 42 per cent in 2011 and 37 per cent in 2010.
6. TUI Travel plc announced a record annual operating profit in the UK of £197m in December 2012.
7. Travelmole, November 2012, reported comments by the Greek Tourism Minister about cost-cutting.
8. Holidays4U collapsed in 2011 while Kiss and Goldtrail Holidays failed in 2010.
9. Breaking Travel News report, August 2012
10. Post Office *Christmas Shopping Guide* 2012 reported a 61 per cent saving on a pair of True Religion jeans in Boston compared with London.
11. Air Passenger Duty rose eight per cent in April 2012 as announced in the Chancellor's Autumn Statement 2011.
12. Travel Weekly report (November 2012) on the impact made by higher Air Passenger Duty on UK arrivals to the Caribbean.
13. Croatian National Tourist Board reported that 299,155 UK visitors travelled to Croatia between January and September 2012, up 22 per cent on the same time in 2011.
14. Figures reported in Travel Bulletin, March 2012 and Travel Weekly, January 2012
15. Japan National Tourism Organisation, November 2012
16. Hayes and Jarvis Trend Report, October 2012
17. Kenya's Tourism Minister Danzon Mwazo speaking at World Travel Market, November 2012.
18. Danzon Mwazo announced plans to diversify tourism using the new federal constitution that comes into force in March 2013.
19. Crystal *Ski Industry Report 2012*
20. ABTA circular to travel agents, May 2012, reported in Travel Trade Gazette.
21. Post Office *Holiday Costs Barometer*, April 2012
22. Portuguese National Tourist Office Head Filipe Silva speaking at World Travel Market, November 2012.
23. ABTA and AITO (Association of Independent Tour Operators) letters sent to Greek Prime Minister, March 2012.
24. Travelmole report on Greece contingency measures by TUI and other tour operators, March 2012.
25. Economist Dr Brian Clark speaking at Barclays Travel Forum, May 2012.
26. Post Office *Holiday Costs Barometer*, April 2012, showed that 10 tourist staples cost £73.65 in Croatia, 72 per cent more than in Bulgaria (£42.79).
27. Post Office *Ski Resort Report* rated Bansko in Bulgaria cheapest of 27 resorts, based on the cost of ski equipment, lift passes, ski school, meals and drinks.
28. Crystal *Ski Industry Report 2012* showed that Switzerland's market share dropped to 4.9 per cent for the 2011/12 season from six per cent in 2010/11.
29. Turkish Culture and Tourism Office director Tolga Tuyluoğlu speaking at World Travel Market, November 2012.
30. Post Office *Christmas Markets Barometer* showed that Tallinn was cheapest of 10 cities for eight items including meals and drinks, airport transfers, accommodation and flights. At £370.68, it was almost £100 cheaper than Budapest (£469.47).
31. Hotels.com *Hotel Price Index*, September 2012
32. Mexico Tourism Board, November 2012
33. Hayes and Jarvis Trend Report, October 2012
34. Hayes and Jarvis Trend Report, October 2012
35. Dubai Tourism & Commerce Marketing, November 2012
36. Caribbean Tourism Organisation figures, reported in Travel Trade Gazette, September 2012.
37. Consumer research for Post Office Travel Money, carried out online by Populus from April–November 2012.
38. GfK Ascent report assessed that 35 per cent of all package holidays are All Inclusive ones.
39. Consumer research for Post Office Travel Money, carried out online by Populus from 13–15 July 2012, revealed that 77 per cent of people who had been on an All Inclusive holiday had to pay extra for key items including meals, drinks and internet access.
40. Populus research for Post Office Travel Money, 13–15 April 2012, into spending habits.
41. Populus research for Post Office Travel Money, 13–15 April 2012, into overspending on holiday.
42. Consumer research for Post Office Travel Money, carried out online by Populus from 27–29 July 2012 into holidaymakers' car rental experiences.
43. Populus research for the Post Office, 13–15 April 2012, revealed that 39 per cent of people who had withdrawn cash at an ATM abroad said that it cost more than they expected.
44. YouGov Consumer *Holiday Confidence Barometer*, October 2011
45. Comments by Peter Long, TUI Travel plc Chief Executive in interview with Travel Weekly, 5 November 2012.
46. Thomas Cook and Hayes and Jarvis both announced their biggest turn-of-year marketing campaigns in many years, November and December 2012.
47. An inflationary increase in rates of Air Passenger Duty was confirmed by the Chancellor of the Exchequer in his Autumn Statement on 5 December 2012, effective from April 2013.
48. TNS survey for the *Travel Weekly Insight Annual Report*, November 2012 reported that almost one-third of UK consumers feel less confident about the economic outlook for their household than a year ago, but more than 50 per cent were confident they will have an overseas holiday in 2013.
49. Tour operators who contributed data for the *Worldwide Holiday Costs Barometer* were Balkan Holidays, Hayes and Jarvis and Serenity Holidays.
50. Virgin Atlantic announced that it will expand its service on the London-Cancun route in April while Thomson will operate the Boeing 787 Dreamliner to the destination from May 2013.
51. Hayes and Jarvis Trend Report, October 2012, commenting on prices and forward bookings for summer 2013.
52. Hayes and Jarvis Trend Reports, January and October 2012
53. Comments by Robert Descvaux, president of the Mauritius Tourism Promotion Authority to a local news website in Mauritius that five-star hotels offering All Inclusive rates might damage the island's "high-end image."
54. *City Costs Barometer* research by Post Office Travel Money, March and November 2012

## What is available from the Post Office during 2013

- News briefings on topical currency-related stories
- Prompt response to enquiries about currency movements or rates and requests for trend data on currency sales, including comment from and interviews with Post Office travel money experts
- Regular travel and currency reports. For 2013 these will include:

**Spring:** *City Costs Barometer* – trends in European city breaks, past and future  
*Best Value Holiday Destinations* – exchange rate movement survey  
*Holiday Costs Barometer* – living costs comparison survey covering the most popular summer destinations for UK tourists

**Summer:** *Motoring on the Continent* – report into fuel prices in Europe's motoring holiday destinations  
*Family Holiday Report* – report on how prices stack up for families travelling to beach resorts during the summer holidays

*Scottish, Northern Ireland and Wales Family Holiday Reports* – customised reports that focus on prospects for families travelling from these regions

*All Inclusive Holiday Monitor* – report into this fast-growing sector: analyses holidaymakers' experiences and investigates which costs are not included in All Inclusive packages

**Autumn:** *Long Haul Report* – comparison of living costs and exchange rates for the most popular long haul holiday destinations

**Winter:** *Ski Resort Report* – how ski and living cost prices compare in international ski resorts  
*Christmas Shopping Guide* – the Post Office's annual report comparing prices for gifts in London and leading US cities

## About Post Office Travel

The Post Office is the UK's largest travel money provider and offers over 70 different currencies with 0 per cent commission on all foreign currency and travellers' cheques.

25 currencies are available on demand at 1,600 larger Post Office branches, whilst over 4,000 branches offer US dollars or Turkish lira on demand and a total of 10,000 branches offer euros on demand. Currency can also be pre-ordered at over 11,500 branches or online for branch or home delivery at [www.postoffice.co.uk](http://www.postoffice.co.uk).

The Post Office Travel Money Card Plus is a chip and PIN-enabled prepaid MasterCard® that is safe and secure to use because it is separate from a user's bank account. Available nationwide from Post Office branches and online, there are eight currency cards – euro, US dollar, Australian dollar, Canadian dollar, New Zealand dollar, South African rand, Swiss franc and sterling, which are accepted in over 32 million locations worldwide.

The Post Office has been named 'Best Foreign Exchange Provider' by the UK public six years running at the prestigious British Travel Awards.

The Post Office also provides a range of great value travel services including single trip and annual travel insurance policies, passport and EHIC Check & Send services and international money transfers.

**For more information visit your local Post Office branch, go to [www.postoffice.co.uk](http://www.postoffice.co.uk) or call 08457 223344.**



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