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The tourism sector and business tourism activities in Russia

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Resume: In this study, we briefly describe the global market of tourism. We will report the general situation and trends of tourism sector in Russia, and give some macroeconomics indicators. We will consider and analyze the main indicators of inbound and outbound tourism in Russia. And namely: the evolution of number of tourists arriving to Russia; arrivals to Russia by regions; arrivals to Russia by purpose; and, particularly - by business reason and Leisure&Culture reason. We will try to explain, why an international tourists utilize so less the air transportation. And we will compare expenditures between business tourists and leisure travellers. Within above said we will consider the situation related with inbound tourism in Russia. After that we will notify what are principal destinations for Russian tourists and pay a special attention to arrivals of Russian tourists to Spain. Separately, we will describe types of accommodation in tourist industry of Russia. After all we come to the conclusion.

CONTENT

Introduction

Russia is an old country with long history. Nowadays, the country is embarked in a process of change from former Soviet Union to a market economy, redefining its place in the international economy. In this report we analyze the present situation of the tourism sector in Russia, with a focus on business tourism activities. Tourism has long tradition in the country for domestic flows, just recently opening its territory to international tourism. The tourism market shows recently a sustained growth, with main flows arriving to the most important cities of Moscow and St. Petersburg. In this way the development of the tourism industry is still incipient, although the country shows big potential for future development. First, we start by briefly characterizing the state of world tourism. And we will report the general situation and trends of tourism sector in Russia. We will consider and analyze the main indicators of inbound and outbound tourism in Russia. In the last section we conclude.

1. The global market of tourism at the beginning of the 21st century

The tourism sector has been resisting very well the impact of the crisis, suffering a decline in 2009, but promptly recovering from 2010 onwards (Table 1). At a global scale, demand for international tourism has grown 4.6% in 2011, with the European region (North and South) being the fastest growing area, both in rates (+6%, tied with Asia and the Pacific), and in absolute terms (+29 million of new tourist arrivals). International receipts, estimated at US$ 1,030 billion in 2011, grew 3.9% that year. UN World Tourism Organization (UNWTO) expects arrivals to reach 1 billion in 2012 (983 million in 2011) and growth of the market to be at 3-4% globally, despite the crisis. Table 2 includes the top world tourism destinations, with leadership of France in terms of arrivals, and the US for receipts. Some European enter this ranking for arrivals (Spain, Italy, Turkey, the UK, and Germany), and receipts (Spain, France, Italy, Germany and the UK), what reflects the capacity of attraction of Europe for international tourism. Indeed, Europe is also the main exporter of tourists (516 million of outbound flows in 2011), followed by Asia (215 million) and The Americas (162 million). See the following Table 1 on the next page.

Table 1. International tourism arrivals and receipts by regions

	International Tourist Arrivals (million)							Market share (%)	Change (%)		Average annual growth (%)
	1990	1995	2000	2005	2009	2010	2011*	2011*	10/09	11*/10	'05-'11*
World	**435**	**528**	**674**	**799**	**883**	**940**	**983**	**100**	**6.4**	**4.6**	**3.5**
Advanced economies¹	**296**	**334**	**417**	**455**	**475**	**499**	**523**	**53.2**	**4.9**	**4.9**	**2.4**
Emerging economies¹	**139**	**193**	**256**	**344**	**408**	**441**	**460**	**46.8**	**8.2**	**4.3**	**5.0**
By UNWTO regions:											
Europe	**261.5**	**304.0**	**385.0**	**440.7**	**461.7**	**474.8**	**504.0**	**51.3**	**2.8**	**6.2**	**2.3**
Northern Europe	28.6	35.8	43.4	56.1	56.0	56.1	59.3	6.0	0.2	5.6	0.9
Western Europe	108.6	112.2	139.7	141.7	148.5	153.8	159.0	16.2	3.6	3.4	1.9
Central/Eastern Europe	33.9	58.1	69.3	90.4	92.6	95.7	103.5	10.5	3.3	8.1	2.3
Southern/Mediter. Eu.	90.3	98.0	132.6	152.5	164.5	169.1	182.2	18.5	2.8	7.7	3.0
- of which EU-27	230.1	265.9	323.7	352.4	356.8	364.9	385.0	39.2	2.3	5.5	1.5
Asia and the Pacific	**55.8**	**82.0**	**110.1**	**153.6**	**181.1**	**204.4**	**217.0**	**22.1**	**12.9**	**6.1**	**5.9**
North-East Asia	26.4	41.3	58.3	85.9	98.0	111.5	115.8	11.8	13.8	3.8	5.1
South-East Asia	21.2	28.4	36.1	48.5	62.1	69.9	77.2	7.8	12.5	10.4	8.0
Oceania	5.2	8.1	9.6	11.0	10.9	11.6	11.7	1.2	6.1	0.9	1.0
South Asia	3.1	4.2	6.1	8.1	10.1	11.5	12.4	1.3	13.6	8.0	7.2
Americas	**92.8**	**109.0**	**128.2**	**133.3**	**141.7**	**150.7**	**156.6**	**15.9**	**6.4**	**3.9**	**2.7**
North America	71.7	80.7	91.5	89.9	93.0	99.2	101.7	10.3	6.6	2.5	2.1
Caribbean	11.4	14.0	17.1	18.8	19.6	20.0	20.8	2.1	2.2	3.9	1.7
Central America	1.9	2.6	4.3	6.3	7.6	7.9	8.3	0.8	3.9	4.8	4.7
South America	7.7	11.7	15.3	18.3	21.4	23.6	25.8	2.6	10.0	9.4	5.8
Africa	**14.8**	**18.8**	**26.2**	**34.8**	**45.9**	**49.7**	**50.2**	**5.1**	**8.5**	**0.9**	**6.3**
North Africa	8.4	7.3	10.2	13.9	17.6	18.8	17.1	1.7	6.7	-9.1	3.5
Subsaharan Africa	6.4	11.5	16.0	20.9	28.3	31.0	33.1	3.4	9.6	6.9	7.9
Middle East	**9.6**	**13.7**	**24.1**	**36.3**	**52.8**	**60.3**	**55.4**	**5.6**	**14.2**	**-8.0**	**7.3**

	International Tourism Receipts Local currencies, constant prices change (%)				Market share (%)	US$ Receipts (billion)		US$ Receipts per arrival	Euro Receipts (billion)		Euro Receipts per arrival
	08/07	09/08	10/09	11*/10	2011*	2010	2011*	2011*	2010	2011*	2011*
World	**1.6**	**-5.6**	**5.4**	**3.9**	**100**	**927**	**1,030**	**1,050**	**699**	**740**	**750**
Advanced economies¹	**1.7**	**-6.4**	**5.7**	**4.8**	**64.5**	**589**	**664**	**1,270**	**444**	**477**	**910**
Emerging economies¹	**1.4**	**-3.9**	**4.9**	**2.2**	**35.5**	**338**	**366**	**800**	**255**	**263**	**570**
By UNWTO regions,											
Europe	**-0.9**	**-6.5**	**0.0**	**5.2**	**45.0**	**409.3**	**463.4**	**920**	**308.8**	**332.9**	**660**
Northern Europe	-2.5	-4.1	2.7	5.0	6.8	61.4	70.3	1,190	46.3	50.5	850
Western Europe	-2.2	-6.6	1.1	3.7	15.6	142.2	160.4	1,010	107.2	115.2	720
Central/Eastern Europe	4.3	-8.0	-2.9	7.9	5.4	48.1	56.1	540	36.3	40.3	390
Southern/Mediter. Eu.	-0.6	-6.9	-1.0	5.7	17.1	157.6	176.7	970	118.9	126.9	700
- of which EU-27	-2.7	-7.0	0.7	4.3	36.6	335.0	377.5	980	252.7	271.2	700
Asia and the Pacific	**4.6**	**-0.6**	**15.5**	**4.4**	**28.1**	**255.3**	**289.4**	**1,330**	**192.5**	**207.9**	**960**
North-East Asia	8.2	1.9	21.4	3.8	13.9	128.6	143.1	1,240	97.0	102.8	890
South-East Asia	-0.8	-7.0	15.1	9.3	7.9	68.6	81.9	1,060	51.7	58.8	760
Oceania	3.0	5.2	-1.9	-7.3	4.0	39.2	41.6	3,560	29.5	29.9	2,560
South Asia	7.7	-4.6	16.5	14.6	2.2	18.9	23.0	1,850	14.3	16.5	1,330
Americas	**4.8**	**-10.0**	**4.2**	**5.7**	**19.3**	**180.7**	**199.1**	**1,270**	**136.3**	**143.0**	**910**
North America	6.9	-12.2	6.0	6.6	14.1	131.2	145.1	1,430	99.0	104.2	1,020
Caribbean	-4.1	-6.4	-0.1	1.3	2.3	22.7	23.9	1,150	17.1	17.2	830
Central America	0.3	-5.4	4.8	0.9	0.7	6.7	7.2	860	5.0	5.2	620
South America	3.1	0.0	-2.1	6.5	2.2	20.1	22.9	890	15.1	16.5	640
Africa	**-2.5**	**-5.8**	**1.7**	**2.2**	**3.2**	**30.4**	**32.6**	**650**	**22.9**	**23.4**	**470**
North Africa	-3.9	-4.7	0.2	-6.7	0.9	9.7	9.5	560	7.3	6.8	400
Subsaharan Africa	-1.7	-6.4	2.6	6.3	2.2	20.7	23.1	700	15.6	16.6	500
Middle East	**5.5**	**1.2**	**17.2**	**-14.4**	**4.5**	**51.7**	**45.9**	**830**	**39.0**	**33.0**	**590**

Source: UNWTO.

It is important to note that tourism is a continental and proximity issue, where distance matters, behaving as any other trade exchange (see Balance of Payments structure). In this way, tourists are travelling inside their continental region of origin in 80% of cases, just pursuing inter-continental flights in the remaining 20% of them (UNWTO, 2012). Table 2 also includes world top spenders in tourism services. Germany and the US lead the ranking, but closely followed by China, who has experienced a remarkable surge of total spending in 2011 compared to previous year (around 40%). This country also occupies salient positions in the ranking of arrivals and receipts, scaling in the last years until the third/fourth position. The dynamism of the Chinese economy is also present in the tourism sector, where the country is becoming a world leader as an exporter and receiver of tourism flows. The UK, France, Russia, and Italy are amongst the top ten countries with higher tourist expenditures around the world. It makes Northern Europe and MED countries the main destination of tourists arriving from five out of ten of the top spending countries in the world.

Table 2. **World´s top tourism destinations and top spenders in 2011**

International Tourist Arrivals					
		Million		Change (%)	
Rank	Series[1]	2010	2011*	10/09	11*/10
1 France	TF	77.1	79.5	0.5	3.0
2 United States	TF	59.8	62.3	8.8	4.2
3 China	TF	55.7	57.6	9.4	3.4
4 Spain	TF	52.7	56.7	1.0	7.6
5 Italy	TF	43.6	46.1	0.9	5.7
6 Turkey	TF	27.0	29.3	5.9	8.7
7 United Kingdom	TF	28.3	29.2	0.4	3.2
8 Germany	TCE	26.9	28.4	10.9	5.5
9 Malaysia	TF	24.6	24.7	3.9	0.6
10 Mexico	TF	23.3	23.4	4.2	0.5

International Tourism Receipts						
	US$				Local currencies	
	Billion		Change (%)		Change (%)	
Rank	2010	2011*	10/09	11*/10	10/09	11*/10
1 United States	103.5	116.3	9.9	12.3	9.9	12.3
2 Spain	52.5	59.9	-1.2	14.0	3.9	8.6
3 France	46.6	53.8	-6.0	15.6	-1.1	10.1
4 China	45.8	48.5	15.5	5.8	15.5	5.8 ($)
5 Italy	38.8	43.0	-3.6	10.9	1.4	5.6
6 Germany	34.7	38.8	0.1	12.0	5.3	6.7
7 United Kingdom	32.4	35.9	7.5	10.9	8.4	6.9
8 Australia	29.8	31.4	17.4	5.5	-0.2	-6.2
9 Macao (China)	27.8	..	53.2	..	53.5	..
10 Hong Kong (China)	22.2	27.7	35.3	24.7	35.6	25.0

Source: UNWTO.

See the continue of Table 2 on the next page.

Continue: Table 2. **World´s top tourism destinations and top spenders in 2011**

Rank		International Tourism Expenditure (US$ billion)		Local currencies change (%)		Market share (%)
		2010	2011*	10/09	11*/10	2011*
World		**927**	**1,030**			**100**
1	Germany	78.1	84.3	1.3	2.8	8.2
2	United States	75.5	79.1	1.9	4.8	7.7
3	China	54.9	72.6	25.6	32.2 ($)	7.0
4	United Kingdom	50.0	50.6	0.5	-2.4	4.9
5	France	38.5	41.7	5.7	3.0	4.0
6	Canada	29.6	33.0	10.0	7.2	3.2
7	Russian Federation	26.6	32.5	27.2	22.1 ($)	3.2
8	Italy	27.1	28.7	2.0	0.8	2.8
9	Japan	27.9	27.2	4.0	-11.2	2.6
10	Australia	22.2	26.9	7.3	8.0	2.6

Source: UNWTO.

The future prospects for the world tourism market are shown in Table 3. Asia will become a major actor in the market in the following years, although Europe would be still leading it. Absolute numbers reflect the potential of this industry in fostering development of certain regions of the world. Central/Eastern Europe will grow 3.7 in 2010/2020 and 2.5 in 2020/2030, reaching around 180 million visitors in 2030.

In general, three salient facts are depicted in the table: First, number of world arrivals are expected to double until 1,800 million in 2030; second, emerging economies are getting the big share in this upward trend, receiving nearly 60% of total arrivals in 2030; and third, annual average growth in 2010-2020 is expected to be 3.8% at a world scale, and 2.9% for 2020-2030. All these forecasts draw a positive horizon for the tourism sector in the incoming decades, showing the opportunities opened to developing countries in the near future.

Table 3. UNWTO forecasts for the World tourism market 2010-2030

UNWTO Tourism Towards 2030: International tourism by region of destination

	International Tourist Arrivals received (million)					Average annual growth (%)					Share (%)	
	Actual data			Projections		Actual data		Projections				
								2010-'30, of which				
	1980	1995	2010	2020	2030	1980-'95	'95-2010		2010-'20	2020-'30	2010	2030
World	**277**	**528**	**940**	**1,360**	**1,809**	**4.4**	**3.9**	**3.3**	**3.8**	**2.9**	**100**	**100**
to Advanced economies[1]	194	334	498	643	772	3.7	2.7	2.2	2.6	1.8	53	43
to Emerging economies[1]	83	193	442	717	1,037	5.8	5.7	4.4	4.9	3.8	47	57
By UNWTO regions:												
Africa	**7.2**	**18.9**	**50.3**	**85**	**134**	**6.7**	**6.7**	**5.0**	**5.4**	**4.6**	**5.3**	**7.4**
North Africa	4.0	7.3	18.7	31	46	4.1	6.5	4.6	5.2	4.0	2.0	2.5
West and Central Africa	1.0	2.3	6.8	13	22	5.9	7.5	5.9	6.5	5.4	0.7	1.2
East Africa	1.2	5.0	12.1	22	37	10.1	6.1	5.8	6.2	5.4	1.3	2.1
Southern Africa	1.0	4.3	12.6	20	29	10.1	7.4	4.3	4.5	4.1	1.3	1.6
Americas	**62.3**	**109.0**	**149.7**	**199**	**248**	**3.8**	**2.1**	**2.6**	**2.9**	**2.2**	**15.9**	**13.7**
North America	48.3	80.7	98.2	120	138	3.5	1.3	1.7	2.0	1.4	10.4	7.6
Caribbean	6.7	14.0	20.1	25	30	5.0	2.4	2.0	2.4	1.7	2.1	1.7
Central America	1.5	2.6	7.9	14	22	3.8	7.7	5.2	6.0	4.5	0.8	1.2
South America	5.8	11.7	23.6	40	58	4.8	4.8	4.6	5.3	3.9	2.5	3.2
Asia and the Pacific	**22.8**	**82.0**	**204.0**	**355**	**535**	**8.9**	**6.3**	**4.9**	**5.7**	**4.2**	**21.7**	**29.6**
North-East Asia	10.1	41.3	111.5	195	293	9.9	6.8	4.9	5.7	4.2	11.9	16.2
South-East Asia	8.2	28.4	69.9	123	187	8.7	6.2	5.1	5.8	4.3	7.4	10.3
Oceania	2.3	8.1	11.6	15	19	8.7	2.4	2.4	2.9	2.0	1.2	1.0
South Asia	2.2	4.2	11.1	21	36	4.3	6.6	6.0	6.8	5.3	1.2	2.0
Europe	**177.3**	**304.1**	**475.3**	**620**	**744**	**3.7**	**3.0**	**2.3**	**2.7**	**1.8**	**50.6**	**41.1**
Northern Europe	20.4	35.8	57.7	72	82	3.8	3.2	1.8	2.2	1.4	6.1	4.5
Western Europe	68.3	112.2	153.7	192	222	3.4	2.1	1.8	2.3	1.4	16.3	12.3
Central/Eastern Europe	26.6	58.1	95.0	137	176	5.3	3.3	3.1	3.7	2.5	10.1	9.7
Southern/Mediter. Eu.	61.9	98.0	168.9	219	264	3.1	3.7	2.3	2.6	1.9	18.0	14.6
Middle East	**7.1**	**13.7**	**60.9**	**101**	**149**	**4.5**	**10.5**	**4.6**	**5.2**	**4.0**	**6.5**	**8.2**

Source: UNWTO

2. General trends of the tourism sector in Russia

The Russian Federation is a country in the North and East of Europe, stretching from Asia to the Pacific Ocean. It is the largest country in the world and has an area of 17,075,400 km ², 20,017 km of borders and 37,653 kilometers of coastline.

Figure 1. Russia

Source: Wikipedia

The capital of Russia is Moscow, Russian the official language, although locally they are official thirty different languages, a currency is the ruble, and whole territory of Russia extends for ten time zones.

Currently Russia is governed by the constitution of 1993, and is defined as a federation and semi-presidential republic.

The population in 2011 was about 143 million inhabitants, but constitutes one of the countries with lower density of population worldwide (8.4 inhab/km^2). ¾ of total population lives in urban centres, with 80% of total population (113 million people) living in the European part of the country, where two main urban centres are located, that is, the capital of the country, Moscow (11.5 million inhabitants), and Saint Petersburg (4.8 millions). There are other 12 cities surpassing one million inhabitants, and 27 surpassing half million numbers.

Russia has about 140 million people giving an average density of about 8 h/km^2; however most of the country is uninhabited, with average densities less than 2 h/km^2.

Russia is divided into eight federal districts administered by a governor appointed by the President of Russia. These districts are divided into a total of 83 federal subjects, which are autonomous entities, but have varying degrees of autonomy. There are 21 republics, 46 oblasts (provinces), 9 krais (territories peripherals), 1 autonomous oblast, 4 autonomous districts and 2 federal cities.

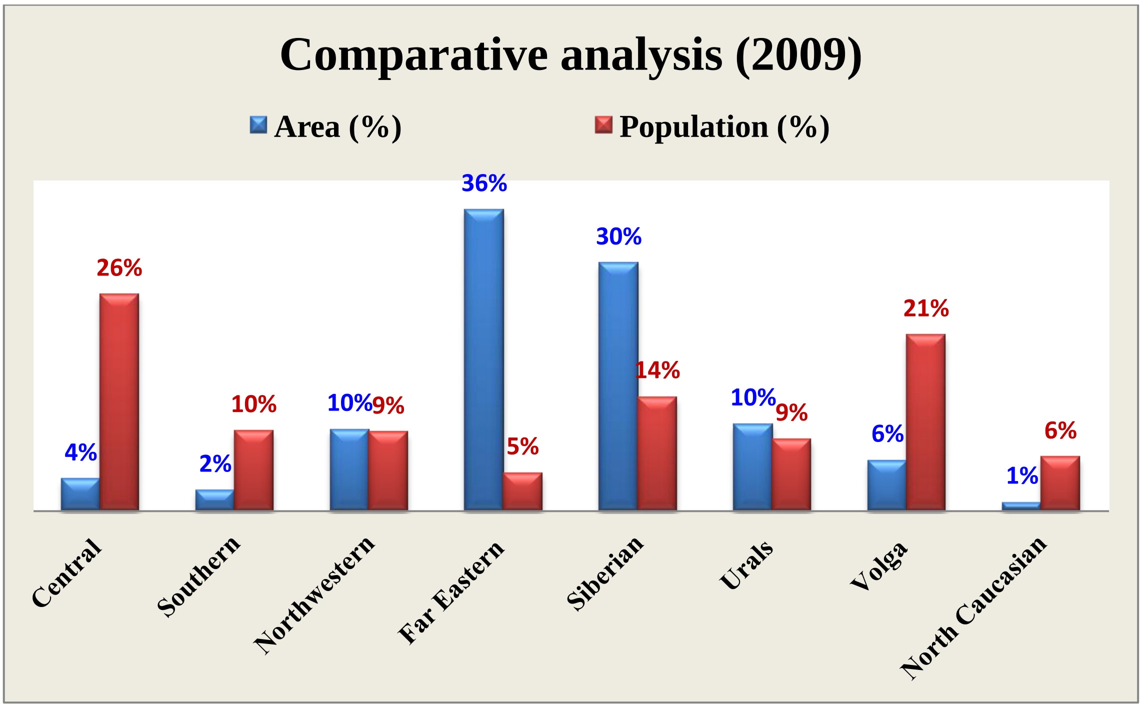
Figure 2. Federal districts

Name of districts	Area (km^2)	Population (2009)	Federal Subject	Administrative Centre
1. Central	652 800	37 121 812	18	Moscow
2. Southern	418 500	13 714 623	6	Rostov-on-Don
3. Northwestern	1 677 900	13 462 259	11	Saint Petersburg
4. Far Eastern	6 215 900	6 460 094	9	Khabarovsk
5. Siberian	5 114 800	19 545 470	12	Novosibirsk
6. Urals	1 788 900	12 254 976	6	Yekaterinburg
7. Volga	1 038 000	30 157 844	14	Nizhny Novgorod
8. North Caucasian	170 700	9 186 901	7	Pyatigorsk

Source: Wikipedia

Analyzing the Figure 3 we see that the distribution (density) of the population in Russia is very high in central region of Russia, having one of the smallest areas in km^2 and at the same time has the highest population density. And the largest in km^2, the Far East region has the lowest population density.

Figure 3. Area and Population in Federal districts



Source: Authors

Russia has also the largest coastal line in the World. It extends for more than 32.180 km along from Icy Arctic Ocean as well as Pacific Ocean. This is a country where we can find a number of different climates from arid desert climate of Southeast Asia and Siberian polar climate. But, in general, has a very cold climate in winter, with temperatures usually below zero, and cool and moist summers with an average temperature of 15-20 degrees.

In the northern regions, especially to the north of Moscow, the skies are constantly covered frequently, particularly during the winter, a phenomenon that the Russians have called "pasmurno", roughly translated as 'sad and gray time'. As an example, of the thirty-one days of December, Moscow maintains an average of twenty-three days completely covered sky.

To travel to Russia it is mandatory to obtain the visa. There are 4 main types of visa to travel to Russia: Tourist, Business, Private and Transit. For all types of visa is essential that you possess a valid passport with at least 6 months validity after the finalization of the validity of your visa.

Russia is a country of immense beauty, the planet's largest country, the richest in raw materials, leading exporter of oil and gas and second in nuclear power. Russia is a country of extremes, but exciting for anyone who has a chance to meet up close. Indeed, Russia is like one of her symbols, the matryoshka. You should go on discovering her wrists opening to find another inside. To form a correct and fair view of today's Russia, we held a general analytical study clearly shows us what actual Russia is.

2.1. The tourism situation in Russia nowadays

Tourist resources of Russia are strong potential for high-grade and high-quality recreation of citizens, promoting a healthy lifestyle. Tourism is a powerful tool to overcome the crisis, contributing to enhancing the socio- economic development of regions.

The Russian tourist industry has all the necessary resources for the active development of almost all types of recreation and has a portfolio of over 12 thousand hotels, 477 historic cities, more than 144 thousand monuments of history and culture, the Museum 108 and 142 of the National Park. At present, Russia has 101 State Nature Reserve, 35 national parks and 69 nature reserves of federal significance. Possessing significant tourist and recreational resources in the Russian Federation, is insignificant in the global tourism market (about 1% of global tourist traffic), although its potential to allow (at the appropriate level of development of the tourist industry) to take up to 40 million foreign tourists per year compared to 7.4 million at present (according to the World Tourism Organization, Russia may take up to an annual 70 million Russian and foreign tourists).

The tourist activity is under reform and development in Russia nowadays. Existing tourism resources are not fully utilized, but the dynamics of Russian travel market shows an upward trend in the number of tourists in general, and foreign - in particular. Analysis of the current state of tourism in the Russian Federation shows that in recent years this sector as a whole is developing steadily and rapidly. It is noted the annual growth domestic tourist traffic. Rapidly growing demand for tourist services in the country has caused a boom of construction of small hotels, mainly in the resort areas, as well as an increase in the number of international hotel chains hotels in Moscow, St. Petersburg and other major cities, the creation of national hotel chains. There is increased amount of investment proposals for hotel development on the part of foreign as well as from domestic investors.

By the competitive weakness of the Russian tourism industry can be attributed to those still lingering and constraining the development of inbound tourism and domestic factors, such as:

- Underdeveloped tourist infrastructure in most parts of the country, a small number of hotel accommodation facilities of tourist class c modern comfort;

- The high cost of hotel accommodation, food, transport and other services offered to tourists, significantly exceeding the European average;

- Obstacles to attracting investment in tourism infrastructure, consisting in the absence of readily investment areas, the availability of administrative barriers, and unfavourable terms of the land lease;

- In general, the continuing shortage of skilled labour, which determines the low quality of service in all sectors of the tourism industry, despite a slight change for the better in the last 2-3 years;

- Preservation of the negative stereotypes of perception of the image of Russia and at the same time the lack of state non-profit advertising tourism potential of the country as foreign source markets, and within the country, making it difficult to work on purposely create a positive image of Russia as a country that is conducive to tourism, which is associated with a limited budget financing;

- Questions remain facilitating the issuance of visas for Russian tourists safe migration of these foreign countries like Europe, Japan, South Korea, Australia, Switzerland, Canada and other additional fees are retained for the urgency of the visa, which is justified resentment and leads to a decrease in inbound tourist traffic;

- Foreign citizens, particularly residents of EU countries, when applying to the Russian consulate for a tourist visa face unnecessarily complicated procedure of registration and refuse to travel to our country; Russian visa centres that are opened in different countries, increase the cost of visas and give tour operators sending tourists to our country, in a place with private claimants;

Currently, in 2013, the Russian federal television is undergoing another phase of a multimedia project contest "Russia 10" for the selection of 10 new visual symbols Russia by public voting. This contest has received wide publicity. Only during one day, from 29 to 30 of August, the project management has received 50,000,000 votes. The purpose of the project - maintaining a steady interest in Russia as an object of national and international tourism, a story about the unique geographic features of Russia. One of the most important functions of the project is to promote the image of Russia as a unique country with a rich cultural and natural heritage.

2.2. Macroeconomic indicators

Since the fall of the USSR, Russia has tackled a series of deep structural reforms leading to increase its level of integration in the world economy. The country suffered during 2009 the most relevant economic recession since the fall of the Soviet Union, with GDP falling -7.9%. Nevertheless, the recovery was vigorous in 2010-2011 (+4.3%), stimulated by the rising prices of the oil products and a boost of the domestic demand (IMF, 2013; ECOSM, 2012).

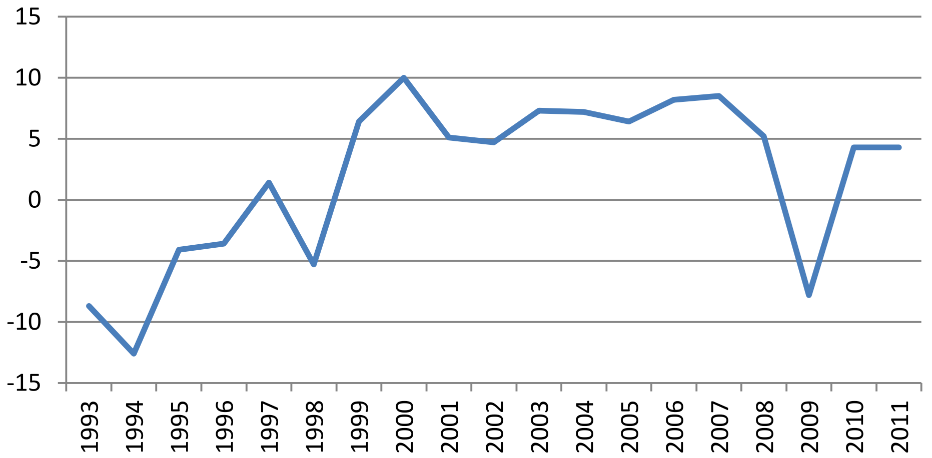
Macroeconomic situation in the country could be defined as reasonably good: stable growth, non-budget deficit, and foreign debt of 15% of the GDP. Russia began the second decade of this century as one of the world countries with the best prospects for economic growth in the middle-run. World Bank estimates an average growth rate of 6.5% for the period 2010-2020. Such an expected rate of growth would increase the share of Russia in the world economy from the present 3.2% to 4.3% at the end of this decade. In this setting, Russia faces huge opportunities for business and businessmen. Undoubtedly this is one the most promising opportunities opening to the country, the one related to the development of business tourism through business travels. Tourism is an increasingly important source of income, although still represents 6% of GDP share and 5% of national employment (IVEX, 2013). In this section we start by reviewing the present situation of the tourism industry in Russia and its recent evolution.

GDP of Russia as a macroeconomic indicator shows that since 1993 the Russian gross domestic product has undergone as growth with the fall (Table 5). During 1993 to 1996, the indicator is shown in negative value. Probably the collapse of the Soviet Union influenced negatively on economic growth in Russia. A negative index of 1998 clearly shows the relationship with the Russian financial crisis. And furthermore, from 1999 to 2008, we are seeing a steady growth of the economy, as evidenced by the positive value of the indicator of GDP. In 2009, the negative value of this indicator demonstrates the close relationship of the Russian economy with the global economy.

Table 5. Real GDP Growth (%)	
	Russian Federation
1993	-8,7
1994	-12,6
1995	-4,1
1996	-3,6
1997	1,4
1998	-5,3
1999	6,4
2000	10
2001	5,1
2002	4,7
2003	7,3
2004	7,2
2005	6,4
2006	8,2
2007	8,5
2008	5,2
2009	-7,8
2010	4,3
2011	4,3

Source: World Development Indicators

Figure 4 Russian Federation GDP growth (annual %)



Source: World Development Indicators

The Table 6 shows us that the Russian Federation over the last 8 years has GDP with a stable growth as well as Europe. Only in 2009 GDP growth shows negative values, both in Europe and Russia. And in other years there was a growth. Thus, that there is a link between Russia's GDP and the growth of business tourism to Russia.

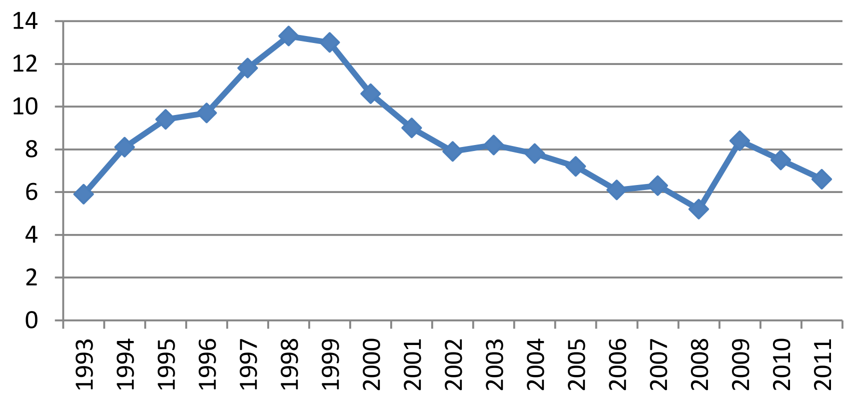
Table 6 Real GDP Growth (%)

	Russian Federation	EU
2004	7,2	2,5
2005	6,4	2,0
2006	8,2	3,3
2007	8,5	3,2
2008	5,2	0,3
2009	-7,8	-4,4
2010	4,3	2,1
2011	4,3	1,5

Source: Eurostat

After the collapse of the Soviet Union there has been strong, growing unemployment in the Russian Federation (Figure 4). As we can see from the graph the level of unemployment grew until 1998, peaking. However, from 1999 to 2008, unemployment has been gradually decreasing. In 2009, the global crisis has also had its impact on the growth of unemployment, then, 2010 and 2011 show again increase of employment.

Figure 4 Russian Federation, unemployment, total (% of total labor force)



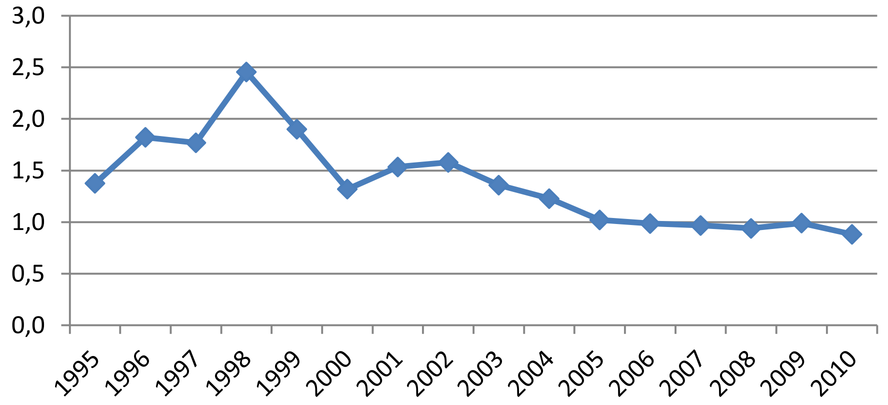
Source: World Development Indicators

From Figure 5 we can see that for the entire period under review, the inbound tourism expenditure indicator over GDP reached its maximum values of 2.5 in 1998. After that we see a sharp decrease of this indicator in 1999 and 2000. Since 2002 this indicator is gradually decreasing in importance.

In our opinion, this is due to the fact that investments in the tourism industry are not sufficient by the federal government. According to the Russian Union of Travel Industry major problems that impede the further development of tourism are:

- the high cost of tours in Russia ;
- lack of modern tourist class hotels ;
- lack of advertising tourism opportunities Russia abroad;
- lack of modern tourist buses, cruise ships and other vehicles ;
- the need for registration upon arrival to Russia and the procedure of tourist visas;
- lack of development (in most parts) of the country's transport infrastructure (poor quality of roads and roadside maintenance level, the state of the airports, etc.).

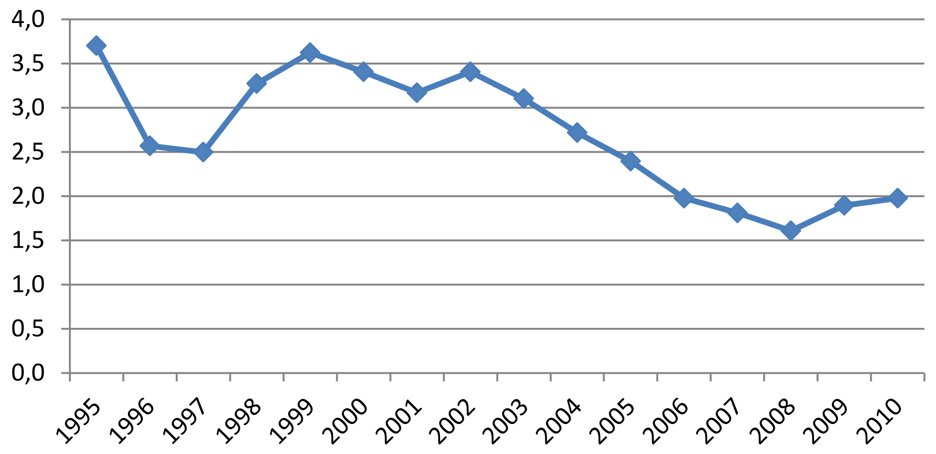
Figure 5 Russian Federation. Inbound tourism expenditure over GDP (%)



Source: UNWTO Data from 1995-2010

From Figure 6 we can see that for the entire period under review, the outbound tourism expenditure indicator over GDP reached its maximum values of 3,7 in 1995 and 3,6 as well as sub maximum in1999. After that we see a sharp decrease of this indicator in 2001. Since 2002 this indicator is gradually decreasing in importance until 2008 and after that it slightly grows.

Figure 6 Russian Federation. Outbound tourism expenditure over GDP (%)



Source: UNWTO Data from 1995-2010

3. Analysis of tourism in Russia

In this chapter we will consider and analyze the main indicators of inbound and outbound tourism in Russia. And namely: the evolution of number of tourists arriving to Russia; arrivals to Russia by regions; arrivals to Russia by purpose; and, particularly - by business reason and Leisure&Culture reason. We will try to explain, why an international tourists utilize so less the air transportation. And we will compare expenditures between business tourists and leisure travellers. Within above said we will consider the situation related with inbound tourism in Russia. After that we will notify what are principal destinations for Russian tourists and pay a special attention to arrivals of Russian tourists to Spain. Separately, we will describe types of accommodation in tourist industry of Russia.

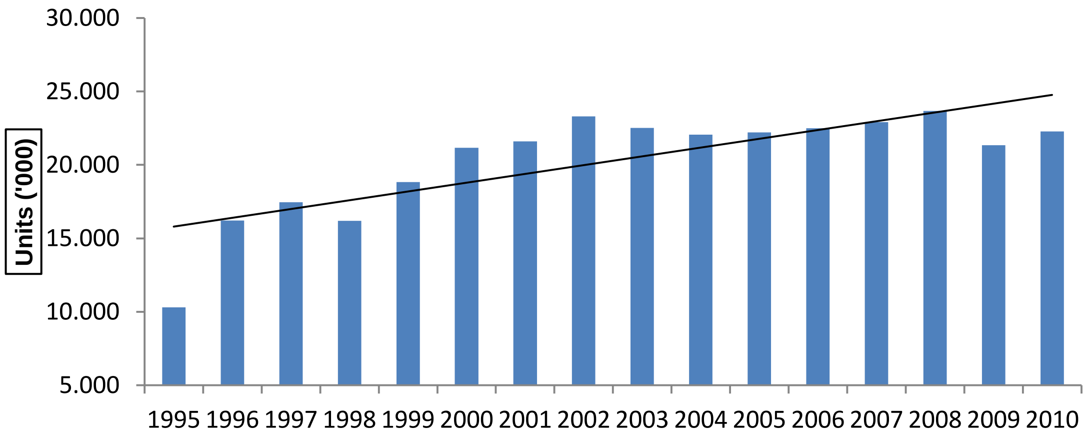
3.1. Inbound tourism in Russia

Slightly more than 25 million of foreign tourists will visit Russia along the year 2013. Although the international tourism in Russia is still starting, the enormous possibilities which opening Russia as a tourism destination are great, giving the fabulous amounts of resources it presents (history, nature, architecture, etc.). Despite our analysis will focus on foreign tourists arriving to Russia, we should mention first some data available on domestic flows: 31.7 millions of Russians travelled inside Russia in 2009, with an increase up to 32.5 million of persons in 2010. Those figures imply that the volume of domestic tourism is in any case greater than these ones of international flows arriving to the country, as we will see later.

3.1.1. Evolution of number of tourists arriving to Russia

Figure 7 shows the evolution of international tourists arriving to Russia in total. Analysing the tourism data information from UNWTO, we can observe that the number of tourists arriving to Russia from 1995 till 2010 is gradually increasing. In the year 2002 it was reached the level of incoming tourists as 23 millions. That means that the growth since 1995 amounted of almost 10 millions of tourists during 15 years. In 2009, consequently with the international economic crisis and the effects over the Russian economy we see a relevant decreasing of arrivals related to world financial crisis. However already in 2010 we note the continued growth of arrivals to Russia related to the recovery of both the Russian and its neighbours economies.

Figure 7 Evolution of number of tourists arriving to Russia



Source: UNWTO Data from 1995-2010

Analyzing the state of the market share in Europe and Russia (Table 7), we see that despite of Europe a trend of increase the number of international tourists: in 1995 – 333 ml tourists and in 2010 – 445 ml arrivals, we obtain that the share of the market for Europe is gradually decreasing from 63% in 1995 down to 47% 2010. And Russia is still holding its own market share for 2-3 % of the global market.

Table 7 International Tourist Arrivals (million)					
1995			**2000**		
Europe	333,00	63%	Europe	372,00	54%
Russia	10,29	2%	Russia	21,17	3%
Others	187,71	35%	Others	290,63	43%
World	**531,00**	100%	**World**	**683,80**	100%
2005			**2010**		
Europe	408,40	51%	Europe	445,40	47%
Russia	22,20	3%	Russia	22,28	2%
Others	378,10	47%	Others	487,22	51%
World	**808,70**	100%	**World**	**954,90**	100%

Source: UNWTO Data from 1995-2010

Considering Table 8, we can see continuous growth in the number of international tourists both in Russia and in Europe and at a global level, except for some exceptions. In 2009 the indicator shows negative value for all the three considering parts of the market. As for Russia, the annual rate of growth amounted to -0.10, for Europe – 0.05, and for global -0.04.

Table 8 Evolution of number of tourists (Units ('000))						
	Russia	Annual growth	Europe	Annual growth	Global	Annual growth
1995	10 290		333 327		531 425	
1996	16 208	0,58	276 871	-0,17	561 297	0,06
1997	17 463	0,08	300 458	0,09	588 945	0,05
1998	16 188	-0,07	314 081	0,05	606 712	0,03
1999	18 820	0,16	322 187	0,03	632 029	0,04
2000	21 169	0,12	372 080	0,15	682 843	0,08
2001	21 595	0,02	344 271	-0,07	680 272	0,00
2002	23 309	0,08	354 099	0,03	701 593	0,03
2003	22 521	-0,03	369 269	0,04	692 222	-0,01
2004	22 064	-0,02	378 864	0,03	764 203	0,10
2005	22 201	0,01	408 408	0,08	808 758	0,06
2006	22 486	0,01	429 719	0,05	855 795	0,06
2007	22 909	0,02	454 708	0,06	916 964	0,07
2008	23 676	0,03	456 179	0,00	933 997	0,02
2009	21 339	-0,10	433 281	-0,05	895 162	-0,04
2010	22 281	0,04	445 404	0,03	954 976	0,07
2011	24 932	0,12	469 127	0,05	1 001 235	0,05

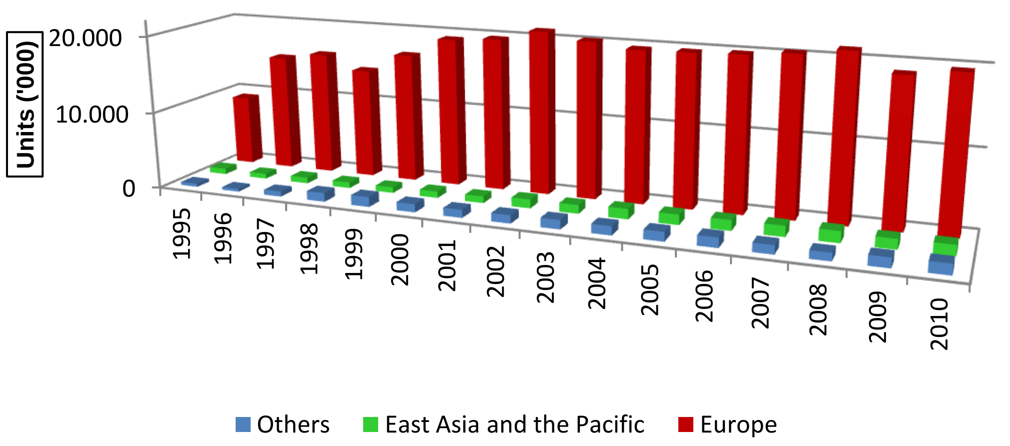
Source: UNWTO Data from 1995-2010

Treating both Table 7 and Table 8, we can summarize that the growing number of international visits to Russia was a bit higher and more stably. And in confirmation of this, we have calculated CAGR (Compounded Annual Growth rate) for the years 2011-1995. In Russia this indicator amounted to **0.06**, Europe **0.02**, for the world as a whole is **0.04**.

3.1.2. Arrivals to Russia by regions

In Figure 8 we analyse the ratio of tourist arrivals from Europe, East Asia and other regions. We observe that European tourists are in times superior on visits to Russia, what shows a steady interest to Russia from Europeans countries in all considered years.

Figure 8 Arrivals to Russia by regions



Source: UNWTO Data from 1995-2010

Table 9 shows the data of the annual growth of the three abovementioned regions (Europe, Asia and Other). From this table we can see that different regions in different years show negative indications. Although in 2010, all three dedicated regions show a positive indicator.

Table 9 The annual variation rate (Arrivals by region)

	Europe	East Asia	Others	Total Arrivals
1995				
1996	0,66	**-0,11**	**-0,12**	0,58
1997	0,06	0,16	0,87	0,08
1998	**-0,11**	0,00	0,71	**-0,07**
1999	0,17	**-0,01**	0,13	0,16
2000	0,15	0,12	**-0,18**	0,12
2001	0,02	0,04	**-0,04**	0,02
2002	0,07	0,32	0,04	0,08
2003	**-0,04**	**-0,04**	0,11	**-0,03**
2004	**-0,03**	0,19	**-0,03**	**-0,02**
2005	0,00	0,00	0,04	0,01
2006	0,01	0,02	0,06	0,01
2007	0,03	0,03	**-0,11**	0,02
2008	0,04	0,07	**-0,11**	0,03
2009	**-0,11**	**-0,12**	0,24	**-0,10**
2010	0,04	0,05	0,08	0,04
CARG(2010-1995)	**0,05**	**0,04**	**0,08**	**0,05**

Source: UNWTO Data from 1995-2010

The following table (Table 10) shows the number of tourists and their respective share from the total number of visits. From this table, we can clearly see that in spite of the quantitative growth of the number of tourists from Europe, namely, with 15.000.000 in 1996 to 19.500.000 in 2010, their share in the total number of visits to Russia gradually decreases, respectively, with 94% to 88%. On the other hand the number of tourists from Asia shows small but growth in the number of visits, as in other regions. We can conclude that the "other regions" demonstrated maximum growth, rising in the share of total visits to Russia, from 2% to 6%, with the overall increase in the number of Arrivals to Russia for the whole analyzed period between 1996 and 2010.

This fact, mentioned above, implies that the Russian tourism is starting the correct way of diversifying the regions from where the tourist are coming from at the same time that we observe that in Russia is increasing the number of tourist coming from every regions considered. See the Table 10 on a next page.

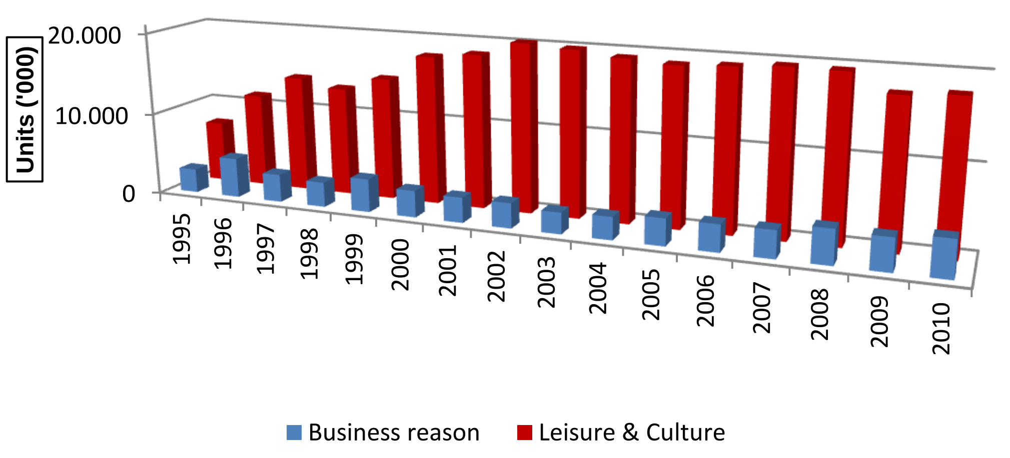
Table 10 Arrivals by region. Units ('000)

1996			2000		
Europe	15 197	94%	Europe	19 269	91%
East Asia and the Pacific	652	4%	Others	1 061	5%
Others	359	2%	East Asia and the Pacific	839	4%
Total Arrivals	**16 208**	100%	**Total Arrivals**	**21 169**	100%
2005			**2010**		
Europe	19 691	89%	Europe	19 569	88%
East Asia and the Pacific	1 315	6%	East Asia and the Pacific	1 358	6%
Others	1 194	5%	Others	1 354	6%
Total Arrivals	**22 200**	100%	**Total Arrivals**	**22 281**	100%

3.1.3. Arrivals to Russia by purpose

As we see in Figure 9 the main purpose of visits to Russia has been always that of personal motives, including holidays and leisure, or other personal motives, mainly visiting friends and relatives- VFR). For instance, in the year 2010 the number of business travellers was 4.4 million, while the number of personal (holidays and VFR purpose tourists) was approaching 17.8 million. All data shows us a constantly maintained high interest in Russian culture and VFR travels through the whole investigating period 1995-2010. This is one of the most appealing findings of the report, that is, the relevance of VFR travels to Russia, that accounts for more than 70% in 2010, with nearly 15.7 million visits per year. It would be explained by the 25 million Russians living overseas in neighbouring countries of former Soviet States (Ukraine, Kazakhstan, etc.), and in Eastern and Northern EU countries (Poland, Finland, Czech Rep., Slovaquia, etc.). It would also match previous role of some of these origin countries in inbound international tourism coming to Russia, as well as role of these countries as destination of Russians travelling abroad.

Figure 9 Arrivals to Russia by purpose



Source: UNWTO Data from 1995-2010

When we split number of travels for personal motives between the two aspects that this concept includes, holydays and leisure in one side, and visit to friends and relatives (VFR) in the other side, we can clearly see the large relevance of the later over the former motive. Data collected by UNWTO from 2006 to 2010 also shows that business tourism reaches 20% of the total arrivals. VFR then accumulates main number of tourist's arrivals, as shown in Table 11 below.

Table 11. Arrivals by main purpose (000 units)

1996			2000		
Holidays and leisure	1.837	18%	Holidays and leisure	2.598	11%
VFR	5.554	54%	VFR	15.353	73%
Business	2.889	28%	Business	3.218	16%
Total	**10.290**	**100%**	**Total**	**21.169**	**100%**
2005			**2010**		
Holidays and leisure	2.385	11%	Holidays and leisure	2.134	10%
VFR	16.590	74%	VFR	15.715	70%
Business	3.226	15%	Business	4.432	20%
Total	**22.201**	**100%**	**Total**	**22.281**	**100%**

Source: UNWTO database.

Table 12 shows the variation in the two big groups of purpose provided by UNWTO, and how personal motives have registered a greater increase during the period of analysis.

Table 12 The annual variation rate (Arrivals by purpose)

	Business	Leisure & Culture	Total Arrivals
1995			
1996	0,58	**0,66**	0,54
1997	0,08	-0,30	0,24
1998	**-0,07**	-0,11	**-0,06**
1999	0,16	**0,33**	0,12
2000	0,12	-0,20	0,21
2001	0,02	-0,06	0,03
2002	0,08	0,00	0,09
2003	**-0,03**	**-0,15**	**-0,02**
2004	**-0,02**	0,06	**-0,03**
2005	0,01	0,18	**-0,02**
2006	0,01	0,00	0,01
2007	0,02	0,01	0,02
2008	0,03	0,26	0,00
2009	**-0,10**	**-0,06**	**-0,11**
2010	0,04	0,14	0,02
CARG 2010-1995	**0,03**	**0,06**	**0,05**

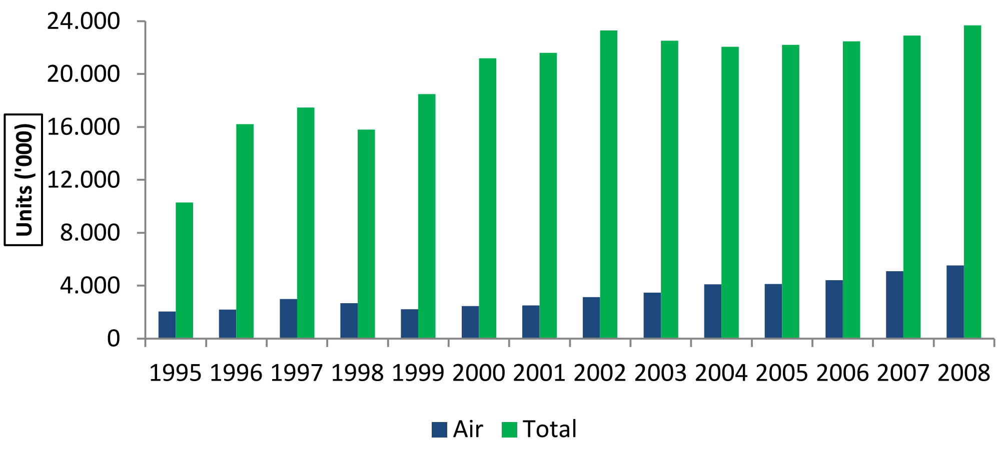
Source: UNWTO database.

Summing up, we have observed that the business tourism motive is quite relevant in the total amount of tourists arriving to Russia, with more than 4.4 of millions of tourists coming by this purpose (19.9% of total visitors), above that of leisure travellers in 2010 (9.6%). VFR visits, however, dominate present tourism flows in Russia, where tourism industry is just starting to develop. As shown before, domestic tourism emerges as the most relevant for the industry, with around 32 million movements per year. EU countries should be the main focus for Russian-based tour operators, given that more than 500 million people leave this region for tourism purposes every year, and Russia territory is no more than 5-hours flight from these sending countries.

3.1.4. Arrivals to Russia by air to compare with total arrivals

In accordance to the statistic data from UNWTO in Figure 10 we compare arrival by air and total arrivals. We see that by air to Russia were arrived much less tourists compared with the rest of the used means of transport. And as a whole from 1995 to 2008, there is gradual increase of use of the aircraft.

Figure 10 Arrivals to Russia by air to compare with total arrivals



Source: UNWTO Data from 1995-2010

Consistently with the main origin of tourists from neighbouring countries, the plane is not the most elected way of transport to visit Russia, as shown in Table 13.

Observing the Table 13, we may conclude that the Annual Variation Rate about Arrivals by Air shows negative value just in 1998 and 1999, and then it was growing, and even in 2003 and 2004, when total arrivals decreased, the Arrivals by Air continued to grow.

Table 13 The annual variation rate (Arrivals by purpose)

	Air	Total Arrivals
1995		
1996	0,08	0,58
1997	0,36	0,08
1998	**-0,10**	**-0,09**
1999	**-0,17**	0,17
2000	0,11	0,15
2001	0,01	0,02
2002	0,26	0,08
2003	0,11	**-0,03**
2004	0,18	**-0,02**
2005	0,01	0,01
2006	0,07	0,01
2007	0,15	0,02
2008	0,09	0,03
CARG 2008-1995	**0,08**	**0,07**

Source: UNWTO database.

Why international tourist use so less the air transportation? We suppose that the market is highly monopolized by several carriers such as “Aeroflot” and “Transaero Airlines”. Historically, all arriving flights income for just about only one or two cities in Russia, even mainly to one city - Moscow, which is certainly not conducive to the effective use of air transport, especially when tourists travel to another part of Russia, which has a very long territory. Nowadays, Moscow and St. Petersburg are the main directions of flights from Europe to Russia. In fact, Moscow (with its three airports) serving almost all flights from Europe to Russia. Accordingly, the tickets are very expensive and not so many people as it should be, chooses to follow air transport in Russia.

Therefore, according to the Table 13, despite the outward comfort, the percentage of air travel is low because of expensive tickets and relatively small number of flights and concentration of flights in just few locations (arriving to Moscow and St. Petersburg).

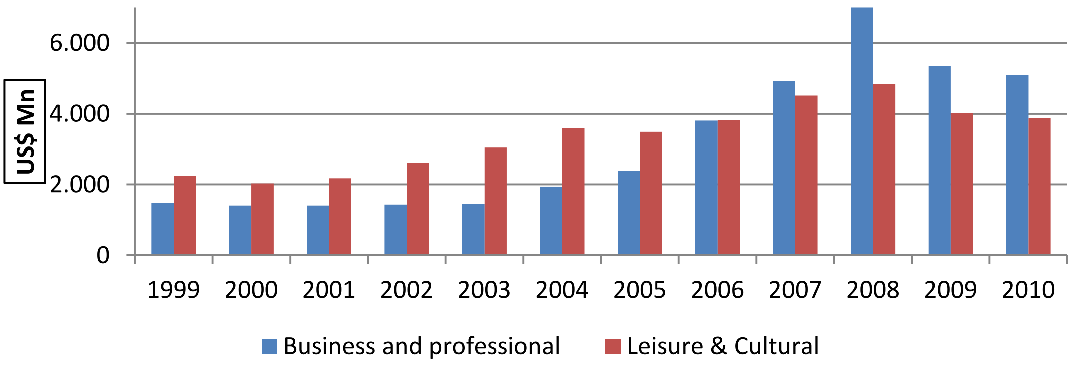
If you travel to Russia from Asia, such as China, there is a high percentage of travelling by rail, due to the large extent of land borders and historically popular rail lines. And, for example, a high percentage of Ukraine travelling to Russia, too, by rail and by road, as in the recent past, Ukraine and Russia were part of one country and still have a well developed common rail network and roads in all directions.

Therefore, among the travelers in Russia can be divided into three main areas: Europe, Ukraine and China. And, at the same time, China and Ukraine enjoy the rail and road to travel, and Europe uses mainly air transport. However, with the further successful development of the market of so-called Low Cost flights in Europe and in Russia, the percentage of travelers from Europe to Russia will increase.

3.1.5. Total Expenditure by main purpose of the trip

Regarding total expenditure of single tourists, it is interesting to explore how the purpose of the trip affects the level of expenditure of tourists. With statistical data for the 10 years from 1999 to 2010, we see in Figure 11 that personal spending on Leisure & Cultural goals from 1999 to 2006 exceeded business expenditures. But since 2006 the situation on the charges levelled off and even more spending on business trips increased. Although in 2009 and 2010, we see a general reduction in costs, as a global trend of cost savings.

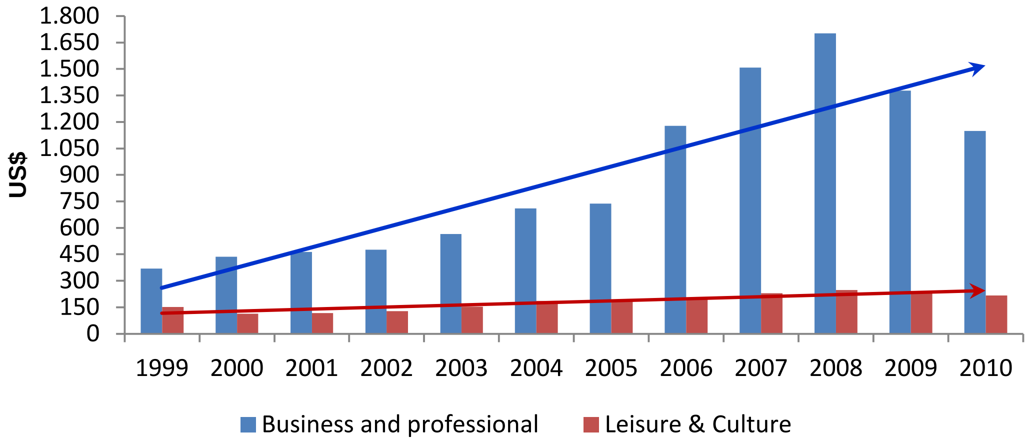
Figure 11 Total Expenditure by main purpose of the trip



Source: UNWTO Database from 1995-2010

From Figure 12 we conclude that the expenditure for entertainment purposes have not undergone significant changes. Thus in 1999, the tourist spent on entertainment goal of $ 150 per day. By 2008 this figure reached $ 247 in the day that is almost doubled. However, the totally different situation is happening with the business expenditures. The expenses of business tourists have increased from 369 dollars in 1999 up to $ 1,700 in 2008. We can observe a slight decrease in expenditures in 2009-2010 in view of the consequences of the international financial crisis.

Figure 12 Total Expenditure by main purpose of the trip per tourist



Source: UNWTO Data from 1995-2010

Why is there a huge difference in specificity between tourists spending by business and leisure travellers on holiday? In Spain, there is no such a difference. In Russia, this difference consists of a significant increase of costs for business tourist comings. In other words, a tourist, who arrives to Russia for Leisure&Culture purpose spends less in times if to compare with the business traveller and a business tourist spends more representation purposes. The concern is that in modern Russia the so-called threshold for entry into the business is very high. We observe that business in Russia is strong enough centralized in large cities. And in some cases, heavily corrupt. And business travellers, i.e. entrepreneurs who comes to Russia to build a business to reckon with the need to overcome the very high administrative barriers to entry into the business, which often include, among other things, corruption component. It should be noted that modern Russian entrepreneurs are very sensitive to the luxuries and the business traveller must live in a very expensive hotel, he must attend the expensive restaurants where the check amount is much higher than the equivalent amount of the check in Spain, for example. That is, the so -called presentation costs. For comparison - the usual tourist in 1990 spent 150 Euros per day, and in 2010 he was about the same. Business tourist spent 360 Euros per day in 1990, but, in 2010, he has spent 1,070 Euros a day. This occurred because of the increased costs of services in Russia, such as hotel accommodation, the meals at the restaurant, the cost of renting a car, the cost of renting space for exhibitions and business conferences, etc... . As any business in Russia is very highly profitable, at great expense brings a business at the same time and a great income, and, in pursuit of higher incomes, the business traveller is willing to go to great expense to build its business in Russia or enter into it as a partner. Accordingly, 10 years ago, the level of these expenses was lower as the level of income was also lower.

Businessman never goes there where he prospectively cannot make money. This should be possible to do in a central city, such as Moscow or town with a population of more than a million inhabitants. But, anyway, the first of all, business travellers traditionally fly to Moscow - and it is an expensive city, expensive airline tickets (because of practically monopolized air transportation), the cost of expensive hotels, but due to that all financial flows are concentrated in biggest and expensive about the costs cities, the business is orientated to them, and, especially, in the capital of Russia - Moscow. Today Moscow proposes much higher costs than same Moscow but 10 years ago. If the cultural tourist goes to Moscow in an ordinary restaurant, the business traveller is forced to settle in a prestigious hotel, in order to strike up the right contacts. Price per day for a budget hotel is very different from the price of a day in a business hotel in the centre. Specificity it is also a high percentage of the costs consists of representational costs and branding expenses.

For example, Katerina City Hotel is a 4-star hotel located only 4km from the centre of Moscow. Usual visitors are people who came to the city for a business trip. It has truly created an ideal environment for productive work and recreation. The rooms are of European level. In the morning a great breakfast is included in the price of occupied rooms. Business people can use the full range of telecommunications and various business services, international communication, WI-FI. Prices are differed from

235 Euros to 391 Euros (Table 13). Business dinner will cost around 150-200 Euros per person. The car rental costs around 120 Euros a day, however, due to complicated traffic situation many of business tourist’s still use taxi service, which is rather expensive.

To compare with some similar hotels in Madrid we may see that, for example, 4 stars Hotel Petit Palace Posada del Peine, located in main square of Madrid, offers their rooms for the price of 120 Euros per night and the other one in the centre of Madrid - Axor Feria, offers their rooms for the price of 60 Euros. Very good dinner will cost between 30 till 60 Euros. And a car rental will cost between 20 or 40 Euros per day depending on season.

Thus, comparing to the prices in both Capitals – we conclude that the prices in Moscow are much higher.

Table 13 Prices in Katerina City Hotel (EUR)

Room Rates	Max Guests	Mon 07 Oct	Tue 08 Oct	Wed 09 Oct	Thu 10 Oct	Fri 11 Oct	Sat 12 Oct	Sun 13 Oct
Small Room Non Refundable Photos Details	HOT DEAL 1	~~261~~ 235	~~261~~ 235	~~261~~ 235	~~261~~ 235	~~136~~ 122	~~136~~ 122	~~136~~ 122
Medium Room Non Refundable Photos Details	HOT DEAL 3	~~327~~ 295	~~327~~ 295	~~327~~ 295	~~327~~ 295	~~168~~ 151	~~168~~ 151	~~168~~ 151
Large Room Non Refundable Photos Details	HOT DEAL 4	~~391~~ 352	~~391~~ 352	~~391~~ 352	~~391~~ 352	Sold	~~202~~ 182	~~202~~ 182
Small Room Photos Details	1	261	261	261	261	136	136	136
Medium Room Photos Details	3	327	327	327	327	168	168	168
Large Room Photos Details	4	391	391	391	391	Sold	202	202

Hotel & Location | Booking Conditions, Cancellation & Other Info

Katerina City Hotel BEST PRICE GUARANTEED!

Table 14 shows us how exchanged expenditures by main purpose of the trip. Compounded annual Growth Rate (1999-2010) explains that expenditures of Business tourists increased more than expenditure by Leisure & Culture tourists at the studied period. Although annual variation rate for business expenditures in 2009 and 2010 is shown in negative value.

Table 14 The annual variation rate (Expenditure by main purpose of the trip)			
	Business	Leisure & Culture	Total Arrivals
1999			
2000	**-0,05**	**-0,20**	0,21
2001	0,00	**-0,06**	0,03
2002	0,02	0,00	0,09
2003	0,01	**-0,15**	**-0,02**
2004	0,34	0,06	**-0,03**
2005	0,23	0,18	**-0,02**
2006	0,60	0,00	0,01
2007	0,29	0,01	0,02
2008	0,42	0,26	0,00
2009	**-0,24**	**-0,06**	**-0,11**
2010	**-0,05**	0,14	0,02
CARG 2010-1999	**0,12**	**0,05**	**0,08**

Source: UNWTO Data from 1995-2010

Table 15 also shows that the expenditure of business tourists in Russia has grown faster than total arrivals. The final result is that in 1999 the average expenditure by tourist was of $201, while in 2010 it increased to $402.

Table 15 The annual variation rate (Expenditure by main purpose of the trip in total and Arrivals)		
	Expenditure	Arrivals
1999		
2000	0,21	0,12
2001	0,03	0,02
2002	0,09	0,08
2003	**-0,02**	**-0,03**
2004	**-0,03**	**-0,02**
2005	**-0,02**	0,01
2006	0,01	0,01
2007	0,02	0,02
2008	0,00	0,03
2009	**-0,11**	**-0,10**
2010	0,02	0,04
CARG 2010-1999	**0,08**	**0,02**

Source: UNWTO Data from 1995-2010

3.1.6. Resident tourism

Having a few data from UNWTO We can state data on domestic tourism: 31.690.000, Russians travelled inside Russia in 2009 and this number increased up to 32.500.000, persons in 2010. These data correspond to the General trend of growth in the number of arrivals in global.

There is an existing range of problems in the area of domestic tourism. The demand for tourist trips around the country among Russians increases, but rising prices for transport and hotels prevent expansion of geography of tourist flows. The comfortable high-speed train to cross the whole of Germany is cheaper than to drive the same distance in a reserved seat in Russia. To overnight at a hostel in the high season is comparable to the price of staying in 4-5 star Turkish hotels, running on the system all inclusive.

Today, the only following reasons are preserving the situation: first, rising real incomes and, secondly accelerated in recent years, the growth of travel prices to overseas resorts associated with fuel surcharges, as well as an improve of facilities of these resorts. In addition, statistics on domestic tourism flows, not adjusted. If in the next few years, the situation in the Russian tourist market does not change, an active redistribution of flows in favour of outbound tourism will continue.

There is an indicative fact that in countries with developed tourism, the main part of the tour operators engaged in domestic and inbound tourism. In Russia, however, from about 5 thousand tour operators, who are included in the federal register, only around 1.5 thousand are registered as resident tourism tour operators. And from the remaining once, who are international tour operators, less than 10% actually engaged in inbound tourism.

Thus, the bulk of the Russian tourist industry is occupied in outbound tourism, since work in this area is easier than in the Russian domestic market, or being involved in the reception of foreign tourists.

3.1.7. Tourism industry in Russia

Let's consider what the accommodation for visitors in Russia is. Moscow, being the capital city of Russia, attracts many tourists from all over the world. And, for example, Moscow offers a broad range of holiday accommodation types, both in terms of affordability and the quality of services.

According to the different sources, and especially web-resource moscow.Angloinfo.com, we observe that holiday accommodation in Russia can be classified into the following groups: Luxury hotels (4-5 stars), Tourist-class hotels (3-4 stars), Small and mini-hotels operated by private companies (3-4 stars), Hostels (1-3 stars), Countryside hotels, Rental apartments, Sanatoriums.

The star system in Russia is similar to the rest of the world. However, the standards for these stars are not always observed (apart from those managed by western hospitality companies) and hotels may vary in the level of service provided. Most hotels accept credit cards.

Luxury Hotels

Luxury hotels typically provide a high level of service and correspond to international 4 and 5 star rating. 4 and 5 star hotels are usually operated by Western hospitality companies, such as Hilton, Marriott or Sheraton.

Tourist Hotels

These are mid-sized hotels with a 3 and 4 star rating. Most of them offer business-class accommodation with all corresponding services. Rooms usually have a TV, telephone and air-conditioning. Wi-Fi is also often available either in rooms or in the lobby. The staff usually speak (or at least understand) English. Some 3 and 4 star hotels are operated by Western hospitality chains, such as Holiday Inn or Best Western.

Small and Mini-hotels

These hotels are usually privately run and range in size from ten to 50 rooms. Rooms usually have all the required amenities and can have a 3 or 4 star rating. Some hotels may offer breakfast only, others provide full board. Staff may or may not speak English.

Hostels

Hostels are budget class accommodation, and offer a cheaper alternative to staying in a hotel. They offer dormitory-style rooms (four or more beds in a room) or private rooms with shared bathroom and toilets.

Country Hotels

These are usually village-style mini-hotels located outside of Moscow. Country hotels can be either family cottages, single, double or dormitory-type cottages for 10 or more people with shared bath, toilets and cooking facilities, or luxury cottages. Rooms usually have all the required amenities, including warm water (through a boiler), modern toilets, satellite TV, Wi-Fi and telephone. These hotels may also offer a sauna, Russian steam bath, swimming pool or barbeque.

Rental Apartments

Apartments for rent are also available in all districts in Moscow. It is possible to rent 1-bedroom, 2-bedroom, 3- or even 4-bedroom apartments. Rental apartments are usually furnished and include linen and kitchen appliances and utensils. They also typically have a telephone, TV and Internet connection. A cleaning service may also be provided.

Sanatorium

Sanatorium (from Lat. Sano) - health care setting in which the treatment and prevention of diseases used mainly by natural factors (climate, mineral water, mud, sea bathing, etc.) in combination with physical therapy, physical therapy and balanced diet, subject to certain mode of treatment and rest.

Sanatoriums are organized as in resorts and outside, in areas to the favourable climate, landscape and hygienic conditions (local motels). Close proximity to industrial facilities for workers organized sanatorium.

Created in the original Soviet Union, the sanatorium system meant an accessibility to all segments of the population. Holiday activities were fully monopolized by the state of Soviet Union. Management of it was provided through state planning. Initially sanatoriums were far more medical facilities than the resort ones. Many health centres are still running by the Doctor-in-Chief. Sanatoriums are licensed by (as well as any medical activity) The Federal Service on Surveillance in Healthcare and Social Development and certified in accordance with specific requirements.

Specificity of health centres is significantly different from the hostels, holiday homes, hotels, etc. Despite the apparent similarity of business processes such as sales of services, accommodation and meals, these processes are considerably different in sanatoriums, both because of the influence of medical orientation of such institutions and also because of historical patterns of work. Currently, the most modern sanatorium resorts approximate processes that are not directly related to treatment, to the global hotel and SPA- standards.

For a specific set of health-care services citizen should receive sanatorium direction (voucher). This voucher was a document confirming the right to receive a certain set of medical-health services.

3.1.8. Evolution of number of establishments, with number of room and with evolution of available beds

In this part of the report we analyze Russian`s tourist industry, particularly, the number of hotel establishment and other supply side information, such as number of rooms and beds in accommodation services. By means of comparing the evolution of demand and supply sides, we are able to analyze if there has been excess of someone. To check out that issue, we focus on the occupancy rate of the hotel establishments.

According to the data of UNWTO from 2006 to 2010, we have seen constant growth of number of Establishment (Figure 16). In the year 2006, 5400 units and this number increased in 2010 until 7900 units. During these years the growth was smooth and continuous. At the same time also increased the number of rooms and bed places.

Figure 16 Evolution of number of establishments (Units)

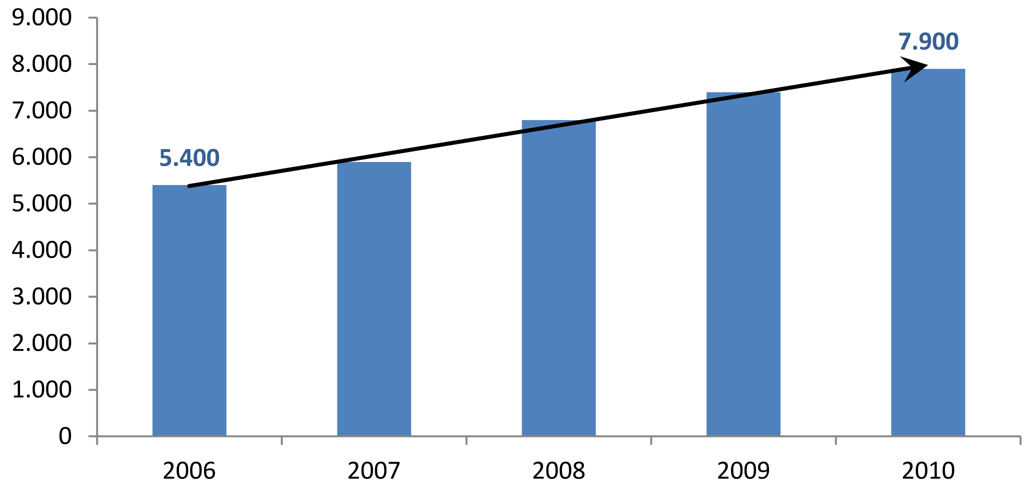
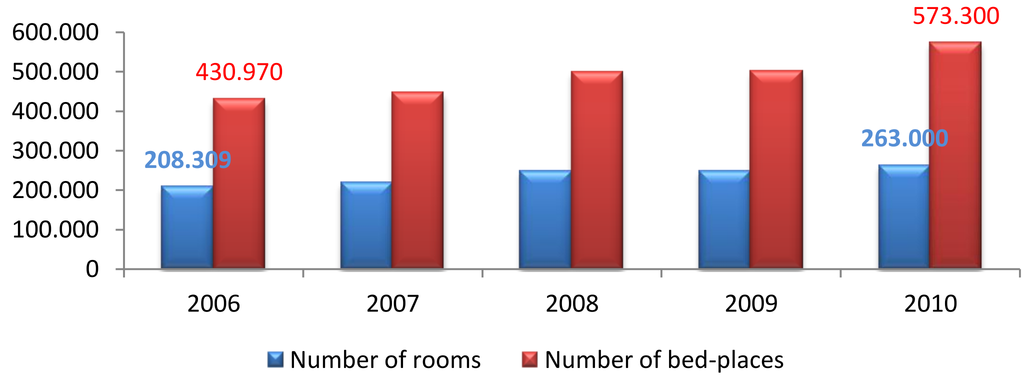


Figure 17 Evolution of number of rooms, with number of bed-places (Units)



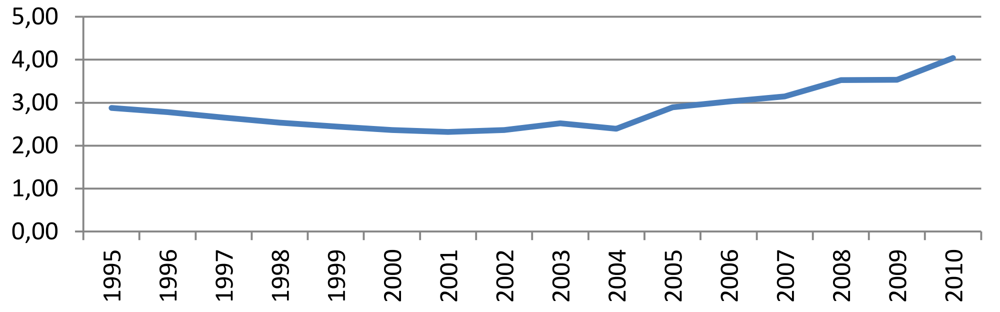
Source: UNWTO Database from 1995-2010

As we can observe in Figure 17, the number of rooms was of 263,000 in 2010. This increase in the number of hotels and similar establishments in 2006-2010 (46,3%), and in the number of rooms (26,2%), show us that the average size of hotels has been decreasing during this period. In fact, the average size of a hotel in Russia was of 38.5 rooms per hotel in 2006 and 33.3 in 2010. Surely, the quality of hotels has also been increasing in time, the same trend shown in other emerging destinations (UNWTO, 2012).

It is always an interesting exercise trying to check out how the accommodation supply for tourists (supply side) has evolved in comparison with the number of tourist inflows themselves (demand side). In this way, we can also check how the match between supply and demand has been evolving. Data let us see that foreign tourists arriving to Russia increased in this period in 10.8%, a number clearly below that of the increase in the supply side for this same period (46% in the number of hotel establishments, 26% in rooms, and 33% in beds).

Unfortunately, we have not information about occupancy rate per available room in Russia. However, information on occupancy rate per available bed shows to be about 32% in 1998, 36% in 2006, and 31% in 2010. It means that the increase of supply side has been greater than those of demand side through this period, not necessarily implying a lower occupancy rate. A greater length of stay of the tourists could be an explanation. Perhaps a lower demand of accommodation in "other establishments" different to hotels could help to understand also the figures above. In any case, we have assist to a development of hotel industry in Russia, as a sign of an increasing flow of international and domestic demand for tourism in the country, leading to higher investment in this sector. As a result, the increase in the supply of accommodation has been great enough to increase the ratio of available beds per 1000 inhabitants. This indicator began its steady growth since 2005, and continues to grow in 2010, as can be observed in Figure 18. This indicator began its stable growth since 2005 and continues to grow.

Figure 18 Available capacity
(bed-places per 1000 inhabitants) (Units)



Source: UNWTO Database from 1995-2010

3.2. Outgoing

Regarding Russian people visiting foreign countries, we are going to analyze the recent evolution of outflows and main destination countries.

3.2.1. The 5 principal destinations (countries) for Russian tourist

Analyzing all the tourist destinations and tourist flows to go Russian tourists we can see a Table 14 with interesting data for 1996 -2000 - 2005 - 2010. The number of Russian tourists travelling during this period increased from 3.900.000 in 1996 to almost 26.000.000, tourists in 2010. The first place to conduct visits, according to the obtained data, is still, Ukraine. In our opinion, this is due to geographical proximity, the lack of language barrier, the resort climate of the black sea, historical affinity. Although, despite the fact that the share of the market in 2010 decreased to 31%, compared with 38% in 2005, however, the physical number of outgoing tourists to Ukraine has increased, with 6.043.829 in 2005 to 7.900.436, in 2010. This trend shows the increase of the tourist flow from Russia (growth of 6 times), but also the gradual changes in the flow direction (explicit reduction of the flow in Ukraine of the total number).

Table 14 The 5 principal destinations for Russian tourists

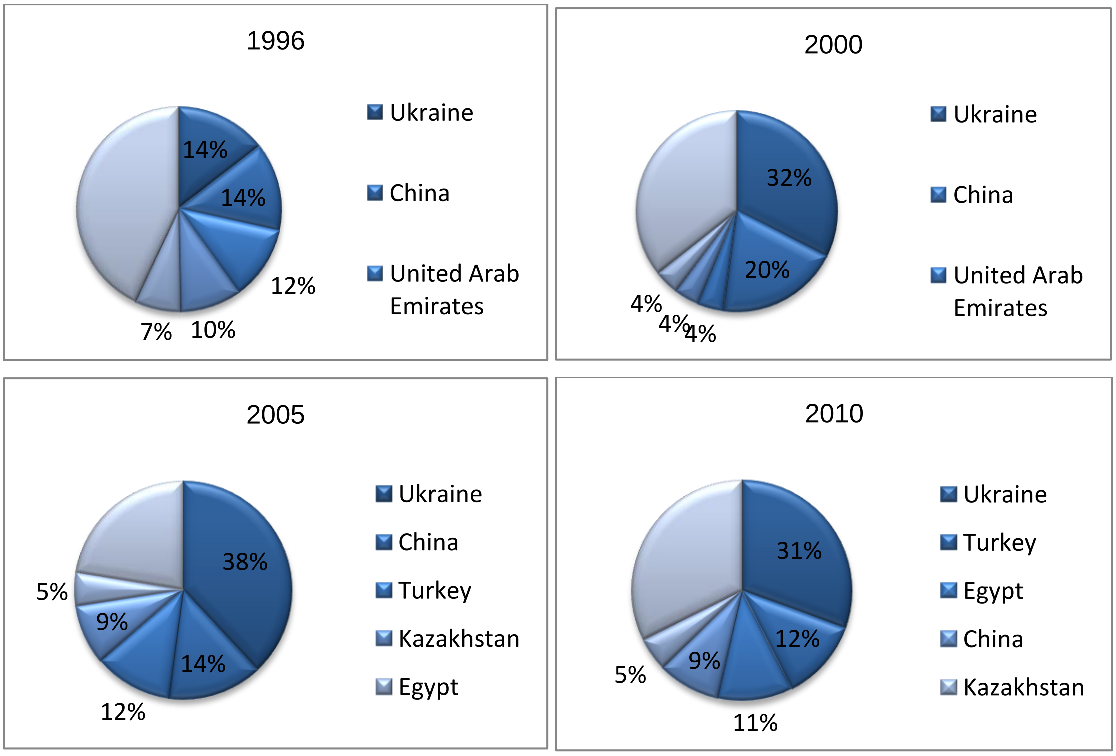
1996			2000		
Ukraine	572 906	14%	Ukraine	1 788 080	32%
China	555 897	14%	China	1 080 209	20%
United Arab Emirates	459 161	12%	United Arab Emirates	228 785	4%
Poland	382 639	10%	Spain	222 995	4%
Germany	289 375	7%	Germany	222 528	4%
Rest	1 705 732	43%	Rest	1 961 871	36%
Total	**3 965 710**	**100%**	**Total**	**5 504 468**	**100%**
2005			**2010**		
Ukraine	6 043 829	38%	Ukraine	7 900 436	31%
China	2 223 875	14%	Turkey	3 091 930	12%
Turkey	1 855 918	12%	Egypt	2 855 723	11%
Kazakhstan	1 405 543	9%	China	2 370 313	9%
Egypt	777 665	5%	Kazakhstan	1 269 697	5%
Rest	3 558 680	22%	Rest	8 364 928	32%
Total	**15 865 510**	**100%**	**Total**	**25 853 027**	**100%**

Source: UNWTO Data from 1995-2010

Considering our Table 14, we also see that in this period the interest of Russians increased to Turkey and Egypt. According to UNWTO, in 1996 122.000, Russians visited Egypt and by 2010, this figure increased up to 2.700.000, visitors. Turkey was visited by 750.000, people in 2001, and by 3.000.000, people in 2010. Growing popularity of this directions allow tour operators to offer lower cost, mass tours that allows middle class to buy them. Although attendance of Ukraine still higher. Thus, in 2010, Ukraine was visited by almost 8 million people. For Russians, there is no need to obtain An Ukrainian visa for travelling as well as relatively short destinations between numerous cities in both countries. Ukraine shares a long land border with Russia and is linked to many railways and automobile roads. And in case of Egypt and Turkey is only possible the air travel, as charter flights. The increase in the number of departing tourists is due to increase in middle-class Russians, that is, those citizens who can afford to travel abroad on holiday.

The 4 subsequent charts clearly show above said trends:

Figure 19 The 5 principal destinations for Russian tourists



Source: UNWTO Data from 1995-2010

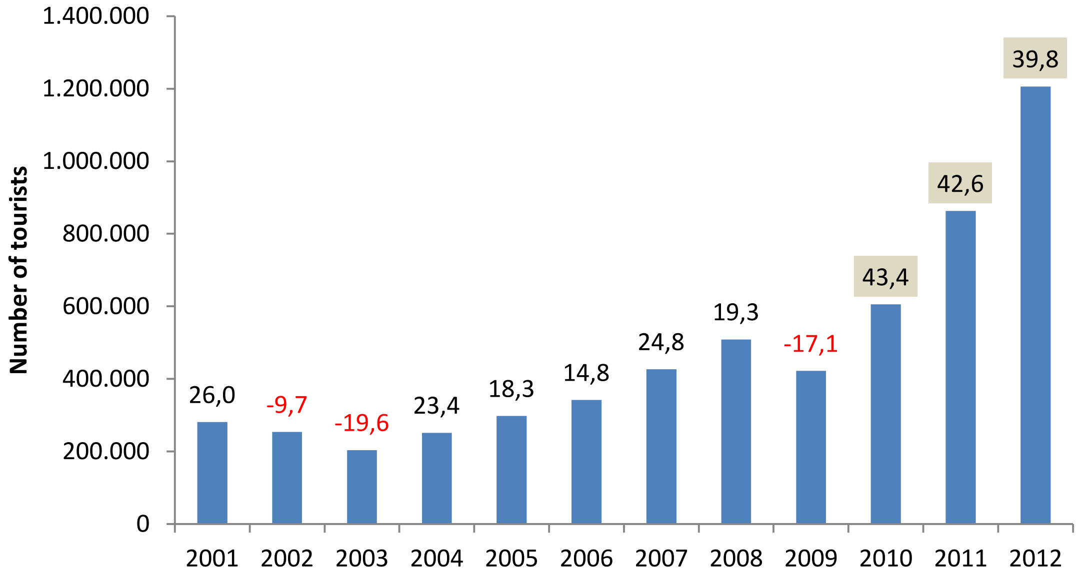
3.2.2. Arrivals of Russian tourist to Spain

Russia has become the market's fastest growing outbound tourism in Europe and Spain is the favourite destination for Russian tourists to holiday in Europe.

In absolute figures provided by the Institute of Tourism Studies of Spain (IET) under the Ministry of Industry, Energy and Tourism, 1.206.227 Russian tourists visited Spain in 2012, which is 40% more than in 2011 (year in which Russian tourists had already risen by 42% compared to 2010). In three years, it has doubled the number of Russian tourists in Spain (Figure 20).

Figure 20 **Arrivals of Russian tourists to Spain**

Number of tourists and the annual variation rate (2001-2012)



Source: IET. Frontur

IET data also indicate that the main destinations of Russian tourists in our country were Catalonia, Canary Islands, Balearic Islands and Valencia. The average length of stay stood at 9.7 nights.

The Russian tourist average expenditure of 1535.7 Euros per person per stay in 2012 also follows an upward trend in recent years. Average daily spending rose in 2012 by 9.5% to 159.1 Euros. The economic impact of the visit to Spain of these tourists was 1,800 million Euros. (http://www.abc.es)

The majority of Russian tourists would like to relax in a country that meets the following requirements: obligatory presence of the sea and the beach, a rich culture and history of the country, the possibility of evening and night entertainment.

Spain in this respect is a unique country that fully meets all these demanding requirements. The economic and financial crisis has led to lower prices in hotels, bars and restaurants, as well as in entertainment centers.

Basically Spain visited by representatives of the middle class in Moscow and St. Petersburg. It should be noted that last year, about 13 million Russians prefer to relax outside their home country and abroad.

The average week-long stay in Spain varying around 1000 Euros, which is not too expensive for an Englishman, a German or Russian.

The ongoing economic crisis in Spain has led to a significant reduction in the consumer price index in all sectors of the economy, while maintaining a very high level of service. Russians traditionally have a high level of interest in Spain. And nowadays, due to abovementioned aspects it led to the phenomenon of a sharp increase in inbound tourism from Russia. Many Russian tourists already visited different tourist’s places in the world and have a relaxing experience abroad. And a very high level of service, well -developed tourist infrastructure, excellent climate and cuisine combined European culture and hospitality of the local people have provided today's Spain the highest popularity among Russian tourists in choosing the route of summer vacation.

Conclusions

In terms of a brief summary for this report, we have observed how the Russian economy is searching for its place in the new international order. Tourism sector is still in incipient stages of development, particularly for leisure purposes, with the highest relevance for VFR visits, and a growing role of business trips. International inbound flows basically come from neighbouring countries, mainly former Soviet states, as well as other EU nearby countries (Poland, Germany, and Finland). Main destinations are those of capital cities in the country, such as Moscow and St. Petersburg, which receive the bulk of visits. In this context, and being Europe the main sender of outbound tourist flows, with more than 500 million per year, growth potential for inbound international tourism is remarkable for tourism market in Russia.

Regarding business tourism, this is a market recently growing inside total tourism flows, with a share of about 20% over total arrivals. Expenditure in this segment of tourism is also showing the highest rates in the last ten years, and growth potential is also enormous, given the big number of business travellers that would be arriving to the country in the incoming years.

Worldwide, tourism is a remarkable income generating industry, with more than 1 billion people travelling around the world in 2013. It helps countries in terms of economic growth, and in this way Russia has a lot to gain from becoming much engaged in this type of activities. However, and despite some advances shown by this industry in the last years in Russia (increase of number of hotels, international companies arriving to main cities, public focus and investments in this sector, international events to take place in 2008 and 2014), the country has to make a clear bet for tourism in the following years. Infrastructures must continue to flourish, both at the city level, and in order to connect relevant parts of the country. New activities must be developed to complement traditional tourism supplies, such as nature related tourism, health tourism or event (MICE - Meetings-Incentive-Conferences-Events) tourism. The development of Russia as a destination for business tourism also requires an important focus of main urban centres in business facilities and opportunities, but also in additional attractions, such as cultural supplies, and other leisure offer. In this context, we are sure that Russia has the capacity for developing a quite appealing tourism industry in a near future, accumulating all type of resources to pursue this objective (human, financial, and natural ones). In walking this way, it would be a relevant question to be ready to lean on informed advice coming from EU partners, a neighbour region that shares a long border with Russia, and is nowadays the world leader in the tourism industry.

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