After Thomas Cook fallout, Tunisia looks beyond seaside packages

UK firm's bankruptcy highlights need to diversify sector

TUNIS: British tour operator Thomas Cook going bankrupt may not spell the end of tourism in Tunisia, but it highlights the need to diversify the key sector beyond all-inclusive beach holidays. The demise of the package holiday giant comes as Tunisia recovers from a three-year tourism lull after devastating jihadist attacks in 2015 that killed dozens of tourists.

The attacks on a museum and beach resort killed 30 Britons among 38 foreign holiday makers, sending an industry that employed tens of thousands of people into a tailspin. But the sector has since rebounded on the back of improved security, with an expected record total of nine million visitors to the Mediterranean country for 2019. Thomas Cook returned in force to Tunisia last year, before collapsing on Monday.

The tour operator's fallout has left some $66 million in hotel bills unpaid, according to initial estimates by the Tunisian federation of hoteliers. But federation head Khaled Fakhfakh said he did not think losses would severely impact a sector back on track eight years after an uprising toppled dictator Zine El Abidine Ben Ali.

"Nationwide, tourism receipts have exceeded those for 2010," a reference point in the industry, he said. "The losses won't affect this performance."

'We learnt to bounce back'

The bankruptcy is set to affect around 40 hotels, says Fakhfakh. But "I don't think there will be any bankruptcies", he said. An employee at a travel agency, who asked to remain anonymous, said tourism in Tunisia would recover. "It will be tough, but not insurmountable," the employee said. After the 2015 attacks, "for three years, Thomas Cook had more or less left the country but we learnt to bounce back."

This year, Thomas Cook had organized for 230,000 holidaymakers-around half from Britain-to visit Tunisia, the tourism ministry says. That represented around 3.5 percent of all tourists to the country, and 5 percent of the European market.

After the bankruptcy, some 10,000 holidaymakers-including 4,500 Britons-are slowly being flown home as their stays come to an end. Britain and Belgium are repatriating their nationals, Tunisian authorities have said. Beyond unpaid bills, up to 40,000 trips planned for the rest of the year have been cancelled, the ministry says.

The bankruptcy has thrown a Tunisian tourism agency that provided transport to Thomas Cook clients into turmoil.

'Tired' tourism model

But in a country where three quarters of tourists are brought in by tour operators, the crisis has also renewed calls for the tourism sector-which accounts for around 7 percent of the GDP-to broaden its horizons. Despite an increase in tourist arrivals, the sector remains fragile, with banking sources estimating its debt at $1.5 billion last year.

"It's a model that has started to tire," tourism expert Hedi Hamdi said. "There needs to be a smooth transition" to a new model including attractive options for the younger generation, he said.

From booking a cheap flight and local transport to browsing accommodation and leisure options online, Tunisia is still struggling to provide for tourists who do not want to end up stuck in an organized holiday. Hoteliers have asked for an Open Sky accord to finally be signed with the European Union to allow low cost airlines to land in Tunisia. The deal, which has been in the works for several years, would reduce dependency on flights chartered by tour operators. But it could also be a double-edged sword, warns Hamdi.

"It could result in a new hegemony of companies such as Expedia or booking.com, who also have stringent demands," he said, referring to the online booking platforms. —AFP

TUNIS: British tourists, flying with Thomas Cook, queue at the Enfidha International airport on the outskirts of Sousse south of the capital Tunis. —AFP

WB's Georgieva to be first IMF chief from emerging economy

NEW YORK/SOFIA: Bulgarian economist Kristalina Georgieva was expected to be confirmed yesterday as managing director of the International Monetary Fund, which would make her the first person from an emerging economy to head the global lender.

A center-right politician who grew up in Bulgaria under communism, Georgieva has built a reputation during her time at the World Bank - where she has been on a leave of absence from her post as chief executive officer during the IMF nomination process - and the European Commission as a tenacious straight-shooter, champion of gender equality and leader in the global fight against climate change.

She will face a host of challenges as the head of the IMF, the world's crisis lender with $1 trillion in firepower, including a global economic slowdown triggered by escalating trade tensions between the United States and China. In addition, the United States, which represents the largest voting bloc on the IMF board, has withdrawn from multilateral accords, and risks are growing in emerging markets like Argentina, which last year received a $57 billion bailout, the IMF's largest ever.

The IMF's executive board interviewed Georgieva, 65, the sole nominee for the job, on Tuesday, and was due to vote on her nomination yesterday.

The vote is largely ceremonial. Georgieva, backed by French President Emmanuel Macron, last month won support from the rest of the European Union, as well as tacit backing from the United States. An IMF board source told Reuters that Georgieva was ready for the job. "She has convinced the board that she is the leader that the institution needs and will be a strong advocate for the multilateral system," the source said, speaking on condition of anonymity because the board's deliberations are not public. Her likely confirmation has spawned great pride in her home country, with some newspapers lauding it as evidence of both Georgieva's own qualities and as a diplomatic success.

"Only 20 years ago, Bulgaria was among the countries with an IMF rescue program," the leading financial newspaper Kapital said earlier this month. "The nomination of the former Bulgarian EU commissioner should be seen not only as her personal acknowledgement, but as a diplomatic success for the country."

Georgieva will replace Christine Lagarde, who became the first woman to head the IMF when she took the helm in 2011. Lagarde, 63, guided the lender through the European sovereign debt crisis, which began about a month after she took office. She is departing to head the European Central Bank.

Before her appointment at the World Bank, Georgieva held numerous senior European Commission posts, including budget commissioner, and has deep knowledge of emerging market countries served by the World Bank. Scott Morris, a senior fellow at the Center for Global Development, said Georgieva quickly made an impact after assuming the No. 2 role at the World Bank in early 2017. She pushed for consensus on a $13 billion capital increase and reform package agreed last year. Under the reforms, lending to China and other wealthier developing countries will decrease with more resources going to needier countries. "She was able to bring together a diverse group of shareholders. That's her strength," said Morris, a former US Treasury official. "What's less clear is how she will handle the day to day business of the fund, that business being the crisis moments. It's harder to see how she will respond in a crisis." Morris said Lagarde was successful in that she was not viewed as representing European interests, which helped her navigate the Greek debt crisis. Georgieva will have to take a similar multilateral approach, keeping her focus on the interests of the institution and individual countries. "No one thought of Lagarde as a European chief executive," Morris said. "She rose above that." —Reuters

Bulgarian economist Kristalina Georgieva

India's stuttering economy hits global oil demand: Expert

LONDON: India's oil consumption is growing well below its long-term trend as the country struggles with a widespread economic slowdown, including a slump in new vehicle sales. The slowdown is part of a worldwide economic deceleration, which is weighing heavily on the motor industry.

But because India has been so important for growth in oil demand over the last two decades, its downturn is materially shifting oil's global production-consumption balance and weighing on prices.

India's slowdown threatens to trim at least 100,000 barrels per day (bpd) from global consumption growth in 2019, helping push world growth down to 1 million bpd or less this year.

In the last two decades, India's consumption increased at an annual average rate of around 5 percent compared with a worldwide average of 1.5 percent, making the country a major source of incremental demand. It accounted for almost 13 percent of worldwide consumption growth between 1998 and 2018, rising to 18 percent between 2013 and 2018 ("Statistical Review of World Energy", BP, 2019).

But the country's consumption was up by just 1.45 percent in the three months from June to August compared with the same period a year earlier, down from more than 8 percent year-on-year at the start of 2018. Gasoline, used by private motorists, is now growing less than 10 percent year-on-year, down from more than 13 percent in the first quarter of last year, according to the Ministry of Petroleum and Natural Gas. Diesel, used for moving road and rail freight, as well as on farms and in small-scale power generation, and the fuel most closely linked to economic activity, is increasing by just 1.3 percent, down from more than 9 percent in early 2018.

Economy stalls

India's economy has slowed sharply this year owing to a broad-based slowdown in business investment and household consumption ("World economic outlook update", IMF, July 2019). Domestic passenger vehicle sales in the three months to August were down by nearly 27 percent compared with the same period last year, the sharpest fall for at least 16 years.

Falling sales have led to tens of thousands of layoffs by domestic motor manufacturers, parts makers and distributors, which are rippling through the rest of the economy and labor market. Lower sales will also translate into slower growth in the vehicle fleet and fuel consumption, especially gasoline, over the next year.

India's central bank has cut interest rates four times so far in 2019 and the union government has announced an ambitious package of corporate tax cuts to stimulate the economy. Until the economy recovers its momentum, however, it will remain a major drag on the global oil market and prices. —Agencies

NEW DELHI: A woman vendor sorts green peas at a wholesale vegetable market in New Delhi yesterday.—AFP

Slovenian flag carrier gets week to solve cash crisis

LJUBLJANA, Slovenia: Slovenian civil aviation authority yesterday gave the EU member's struggling flag carrier a week to present a financial restructuring plan or else lose its operating license.

Slovenian media have speculated that a bankruptcy procedure could be imminent for Adria Airways, which has suspended flights since Tuesday, affecting thousands of travellers. Five of Adria's planes were taken back by lenders over the last week, but the airlines can continue operating with its ten other planes for now, Civil Aviation Authority (CAA) director Rok Marolt said.

"Adria must present an approved financial plan by October 2... Otherwise, the CAA will revoke its license without new hearings," Marolt was quoted by the Finance daily as saying.

The CAA also warned the company it has to report to the regulator if it decides to declare bankruptcy. Adria, which operates regional flights between the Western Balkans and other parts of Europe, has suspended all but one flight since Tuesday over liquidity problems, saying it was "in intensive talks to find a solution with potential investors".

More than 3,000 passengers were affected by the cancelled flights so far, according to Radio Slovenija.

Yesterday's newspapers reported Adria's end as almost inevitable with titles such as "Stalling with the unavoidable" and "The national flag carrier is flying no more". Slovenia sold the financially stricken carrier to German investment fund 4K in 2016 after having put over 50 million euros ($55 million) into it. But under the new owner the airline, which employs about 500 people, continued to lose money, with some of its jets grounded since last week over unpaid bills. —AFP

UK retailers report weak sales in Sept

LONDON: British retail sales fell for a fifth straight month in September, the Confederation of British Industry said yesterday, and credit card lending data also pointed to a possible softening in consumer demand ahead of Brexit.

Britain's economy unexpectedly shrank in the second quarter and economists forecast it will only achieve modest growth during the three months to September, as exporters face pressure from the trade conflict between the United States and China.

So far consumer demand has stayed solid according to official data, contrasting with business investment which has ground to a halt ahead of the risk of a disruptive no-deal departure from the European Union on Oct 31. The CBI said the headline sales number of its monthly distributive trades survey rose to -16 in September from a 10-year low of -49 in August, a somewhat bigger rebound than economists had forecast in a Reuters poll. The gauge of orders placed with suppliers rose to -9 from -59, but stores still judged that sales were poor for the time of year, with this measure dropping to -11 from -6.

"Add to this the pressures of sterling depreciation and the need to plan for potential tariffs and supply issues in the event of a no-deal Brexit and you get a gloomy picture for the sector," CBI chief economist Rain Newton-Smith said. In recent months, the CBI data has been more downbeat than official figures and data from the British Retail Consortium.

August data from the Office for National Statistics - which includes a wider range of retailers than the CBI survey - showed that sales volumes were up 2.7 percent on a year earlier.

"The CBI's survey repeatedly has pointed to a retail apocalypse this year that has not occurred," Pantheon Macroeconomics's Samuel Tombs said. The weak survey data probably reflected high-street stores' difficulty adapting to online competition, he added.

Nonetheless, there have been some recent signs that consumers' mood may be darkening. A monthly survey by IHS Markit showed on Monday that households were the most downbeat about the outlook for their finances in nearly six years - though a strong job market boosted overall sentiment.

And earlier on Wednesday figures from trade body UK Finance showed credit card lending growth slowed in August to its weakest since February 2015. "Consumer caution may be increasing," economist Howard Archer of consultants EY Item Club said, adding that households could be less keen on borrowing more now given political and economic uncertainty ahead, and reduced credit availability.

Sainsbury's to slash costs

Meanwhile, British supermarket Sainsbury's, which failed to merge with Walmart-owned Asda earlier this year, unveiled yesterday a major cost-cutting plan.

Sainsbury's will seek to axe £500 million ($623 million, 566 million euros) in costs over the next five years, it announced in a trading update, which also revealed sliding quarterly sales amid fierce competition. The company will shutter up to 70 standalone branches of catalogue division Argos-but will also open another 80 Argos units inside its existing Sainsbury's stores. —Agencies