



EUROPE: *Hungary & Central-Eastern Europe*

Spa tourism originates from the 19th century Central Europe, with Hungary being an integral part of it. The significance of Hungary in the spa-world of the 19th century is clearly reflected by the fact that the spa world association was founded in Budapest in 1937.

Since the First World War, the Carpathian Basin (being part of the former Austrian-Hungarian Monarchy) has been shared among many countries (namely Slovakia, Croatia and Romania). Hungary and all other Central Eastern European (CEE) countries have been striving under Soviet influence and they also have been considerably separated from the development of the world. There have been many measures taken to cope with this hindrance in the region but closing the gap is still in an initial phase despite the large scale of recent development. Capital is scarce coupled with relatively low local purchasing power.

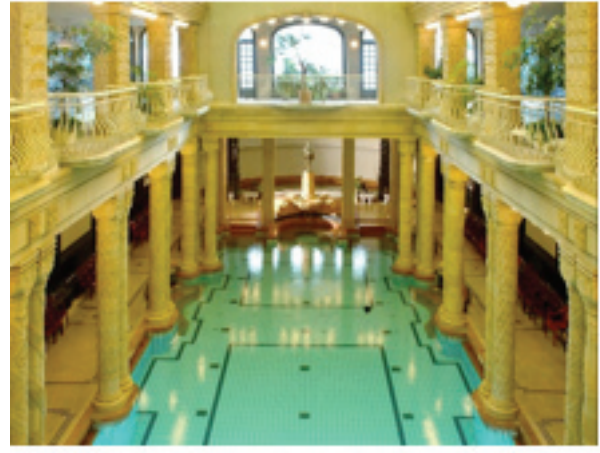
The current spa and wellness industry in this region is divided into traditional spas and spas for international consumption. Budapest, the richest capital city in the World in view of thermal waters has its renew traditional spas, the region has some really special spas (like Hévíz with its natural thermal lake and Egerszalók with the Pamukkale-like salt hill), and more and more indoor spas have been built in compliance with international standards. However in some 70% of the market the business itself have not shown significant progress in the last 50 years, although modern outdoor pools are more and more prevalent. In the US there is one spa (Hot Springs, Arkansas) which is very similar to a Central European spa-prototype.

The current financial downturn has had less effect on the majority of people so far, therefore it has no dramatic effect on spa consumption. Revenue generated by domestic visitors has not declined though the increase in recent years does not seem to continue. The number of foreign visitors has slightly decreased along with the number of reservations in advance. Now it seems that the number of foreign visitors will continue to drop though the financial crisis may also constitute an opportunity for Hungary and the CEE region possessing long tradition with spa-tourism and low prices at the same time instead of choosing more expensive alternatives. There are certain indications that the later scenario might happen.

Very little information is available about spending and segmentation data. However trend shows that the word “wellness” means less and less and it becomes less attractive. The term is overused and stretched over too many services and products.

Within the CEE region the share of revenues deriving from spa treatments is well below that of hotel or spa revenues. An alignment to international trends has already begun but as a result of the current crisis this process stopped: people still visit spa-hotels and spas but they are less eager to try new treatments. It is hard to say whether it is a consequence of the previously mentioned problem with the notion “wellness” or simply a result of the crisis.

SPA INDUSTRY BRIEFING: *Hungary & Central-Eastern Europe*



In 2009 domestic demand is not expected to change significantly with foreign demand decreasing by 15%. Turnover from traditional spa related treatments – those supported by the National Health Insurance – is not predicted to change either. Altogether it results in a 6-7% recession in the spa world. This figure may be lower due to increasing discounts and may also rise in relation to revenues. With regard to the current low exchange rate of the national currency it is very cost-effective for visitors from the Eurocurrency countries to travel to Hungary or the CEE region – with the exception of Slovakia, having introduced euro at the beginning of this year. Concerning this issue, it is apparent that the number of Slovakian visitors in Hungary has risen considerably while there are less Hungarian visitors traveling to Slovakia. As a result of the weak national currency it is foreseen that many Hungarians will cancel their foreign trips and exchange it to domestic holidays – which may even have an increasing effect on domestic tourism revenues in 2009.

In the short run we can expect volatile demand and promotions at heavily discounted rates. Apart from short term results, this sector is expected to be less influenced by the financial downturn, or according to certain experts, the progress of the region may even gain extra impetus. It is especially relevant in the case of Hungary where many new and modern, covered spas and 4- 5-star hotels have been built as a result of the developments in the last decade. Other countries of the CEE region may be more affected by the crisis as they are still in the initial phase of the process of renewing their infrastructure.

It is hard to estimate the number of spa and wellness related projects in Hungary and in the CEE region because of the diverse project sizes. About 50-60 quality spa hotels are under development, or are planned to develop in the near future. About 20 new indoor spas will be constructed, and we have to add a few dozen day-spas to these figures. Nearly half of the planned hotel projects have been cancelled or put on hold out, but most of the indoor spas will certainly be built because of the support deriving from the EU Structural Funds.

Renewal of the traditional Turkish spas, Central and Eastern European spas (such as the Gellért, Széchenyi, Rudas) and sanatoriums may contribute to the renaissance of the traditional spa-visiting



SPA INDUSTRY BRIEFING: *Hungary & Central-Eastern Europe*

customs, as in the times when spas played a major role in social life apart from recreation and health preservation purposes.

They may also contribute to the development of an Evidence Based Medicine approach. Apart from that, the development of some special spas may reinforce the trend of design spa development: the cave-spa in Tapolca, the Worldspa in Gyula, and the spa of Hajdúszoboszló (one of the largest spas in Europe) are good examples. Of course, most of the projects tend to adapt the copycat approach.

As the region is relatively undercapitalized, there is nothing to do with developments shifted or cancelled as a result of the current financial crisis.

Hungary and the CEE region can efficiently use its relatively low price standards in the more and more cost-conscious European market, and a focused marketing activity may also promote its re-discovery. However there is no use of believing that it can ever again regain its position as a market leader as it used to be in the first half of the 19th century, though it can still become a respected and exotic destination of the spa-world.

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