Above Malaysians experiencing the Trans-Siberian Railway organised by Apple Vacations & Conventions

Signs of market going south

Domestic economic blues coupled with safety concerns abroad are putting paid to the notion that the luxury market will always stay resilient. Certainly not Malaysia, writes S Puvaneswary

The Malaysian outbound luxury market is showing signs of stagnating or going on a downward course this year, with industry players pointing to uncertainties gripping the domestic economy, a weakening ringgit and global security concerns as the key reasons.

Macroeconomic indicators do not appear favourable for the market: the country's economic growth is predicted to slow down to 4.5 per cent, corporate earnings are on the decline, companies have trimmed their operating and capital expenditures and the local stock market is erratic.

Another setback has been the depreciation of the Malaysian ringgit to RM4.20 (US$1.07) against the US dollar in February, from RM3.65 in the same month last year, making overseas trips more expensive for Malaysian holidaymakers.

Amid these conditions, it appears that even the luxury travel segment, usually regarded as the most resilient outbound segment, is losing steam.

Sri Sutra Travel's managing director, Syed Razif Al-Yahya, expects the high-end outbound business to shrink by at least 30 per cent this year due to weakening sentiments.

He explained: "Even people in senior managerial positions in the private sector are facing uncertainties as some multinational corporations and banks have started to lay off employees. With an unpredictable future, many people have delayed their holiday trips abroad."

Many of his more affluent clients have opted for regional destinations for holidays such as Indonesia, Thailand and South Korea, rather than longhaul destinations.

Also feeling the pinch is Barbara Sette, managing director of Sette Reps, who said: "Luxury holidays to Europe have decreased due to the impact of the weakening ringgit and some clients have postponed their holiday plans to the second half of the year."

Sette also pointed to global security concerns for the luxury segment's lacklustre demand.

"For safety reasons, people are also avoiding places like Paris and Istanbul for fear of terrorist attacks. It will be a slow 2016, not a bright year."

Yet, not all top-end travel planners in Malaysia are losing sleep over the down trend.

Desmond Lee Ee Hoe, managing director of Apple Vacations Group of Companies and a veteran player in the upmarket travel industry, projects an optimistic 20 per cent year-on-year growth for the luxury segment.

He said: "I am optimistic that the economic situation will improve this year, especially (as Malaysia has) signed the Tran-Pacific Partnership trade agreement.

"Rich Malaysians still have the purchasing power and continue to travel to exotic places like Central America and Scandinavian countries and are booking trans-Siberian holidays."

He opined that affluent travellers would continue vacationing since it has become a lifestyle, and they can only do so when business is down, when they have the luxury of time.

The Malaysian upmarket traveller...

- is sensitive to currency movements
- is delaying trips abroad due to concerns over job security
- opting for regional destinations over longhaul ones

"

Even people in senior managerial positions in the private sector are facing uncertainties as some multinational corporations and banks have started to lay off employees.

Syed Razif Al-Yahya, managing director, Sri Sutra Travel