WTM Global Travel Report

In association with **Tourism Economics**

wtm
LONDON
6-8 November 2023

Contents

01. Foreword

INTRODUCING WTM GLOBAL TRAVEL REPORT

World Travel Market brings together the global leisure travel community; providing inspiration, education, and sourcing for travel professionals seeking to build unique and competitive world-class travel experiences.

WTM's goal is to guide the industry through change, ensuring the community is equipped with information to ensure no opportunity is missed. Commissioning the WTM Global Travel Report supports our commitment to providing attendees to World Travel Market with the latest trends shaping the travel landscape.

Using an expansive data-bank covering more than 185 countries worldwide as destinations and as origin markets, covering all major bilateral tourism flows in terms of visits, nights and spend, as well as unique industry insights, the report gives a comprehensive outlook on tourism.

Juliette Losardo
Exhibition Director
World Travel Market London

"The WTM Global Travel Report gives a voice to the changing needs of travellers and uncovers behaviours and new trends for 2024 and beyond"

INTRODUCING TOURISM ECONOMICS

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing the industry.

Tourism Economics is proud to partner with World Travel Market to produce this comprehensive overview of travel and tourism. Consumers continue to demonstrate seemingly insatiable demand for travel despite a complex and dynamic backdrop, including economic and social challenges. By examining the past and looking to the future we can better understand today's opportunities. We hope this report sparks new meanings and empowers tourism organisations to make bigger and better decisions.

Dave Goodger
Managing Director EMEA
Tourism Economics

02. Executive Summary

Leisure demand leading global rebound

Global travel has rebounded strongly in the face of mounting economic pressures, including inflation, higher interest rates, and squeezed household budgets. Despite these headwinds, the number of international trips in 2023 should exceed 1.26 billion, equivalent to 86% of demand in 2019. This would surpass historical demand volumes in all but three years prior to the pandemic (2017-19).

The leisure travel recovery has been stronger than for business or other travel and currently accounts for around 60% of all tourism trips. The number of leisure trips taken in 2023 will be just 10% lower than during the prior peak in 2019, and the recovery is evident in most regions worldwide, with the exception of Asia-Pacific. Leisure travel to the Middle East stands out for its positive performance, aided by some large events, with leisure arrivals anticipated to be 13% higher in 2023 than in 2019.

Travel spending by inbound visitors will exceed pre-pandemic levels in most global regions in 2023 as average spending per trip has also risen, partly due to higher prices, but also providing large economic benefits. The exceptions are mostly in Asia-Pacific where many destinations were slower to re-open after prolonged COVID-19 restrictions, but these are now also recovering strongly.

International travel activity is still lagging domestic demand which has surpassed prior peak levels in all global regions in terms of nominal spending in 2023. This is particularly notable for the Middle East (+176%) and the Americas (+31%), but some rebalancing is now evident.

1.26 billion

number of international trips in 2023

Travel is being prioritised

Encouragingly for the near-term outlook, travel is being prioritised within consumer spending. The share of consumer spend on travel has typically fallen during prior economic downturns or periods of uncertainty with a greater prioritisation of more essential spending. However, at present, we are seeing saving on other items of discretionary spending as the travel share of wallet has regained 2019 levels among advanced economies. Within developing markets, there is evidence that the travel share of spending is resuming the upward trend that characterised the pre-pandemic period.

Increased spending on travel is partly motivated by some rising costs, driven by a combination of wider inflationary pressures and supply side factors. For example, airfares have increased due to higher jet fuel prices, debt financing requirements, and staffing costs.

These increasing costs combined with potential downward shifts in consumer outlook pose a threat to the industry, but there are currently no clear signs that costs are a deterrent to trip volumes. Even among lower income households, travel volumes may not be significantly impacted. A recent poll among US consumers by MMGY highlighted high overall propensities to travel in the next six months, although only 40% in the lowest income expected to travel. However, some lower cost travel options are being sought.

Continued growth into 2024

Rebalancing of travel to international destinations should continue over the coming year, including greater diversity in choices which could spark new opportunities for global destinations. The pace of growth will slow relative to 2023 as leisure travel volumes converge with their pre-pandemic levels and pent-up demand has largely been realised.

Most destinations are expected to achieve increased inbound tourism expenditure in 2024 compared with 2019 in nominal terms. Many of Europe's largest inbound markets are expected to see significant growth in spend compared to 2019, with Spain, France, and Turkey leading the way. These three major markets are set to account for 30% of the incremental global travel spend between 2019 and 2024.

However, international leisure spending in Asia-Pacific is still set to lag pre-pandemic levels due to the later re-opening of major markets and protracted recovery in capacity and sentiment. Key inbound markets in the region such as China, Thailand and Japan are expected to record sub-2019 levels of spend. However, even if China is lagging 2019 values of spending, it should still leapfrog the US to regain top spot as the largest country in terms of international leisure travel spending.

Old favourites and new hotspots

Leisure travel growth varies considerably across countries influenced by the source market mix and traveller preference as well as destination specific factors including infrastructure, policy, and relative attractiveness for key activities.

Many established destinations, such as Spain, France and Turkey, are performing well, and are expected to continue to see significant growth in inbound spend in the near term. The ranking of top destinations in each region is set to remain largely unchanged from pre-pandemic norms.

However, other, historically smaller, markets are benefitting from significant growth following the reopening of tourism. These include Albania, Croatia, and the Maldives with each expected to receive more than 50% growth relative to 2019 levels by 2024. These destinations are all benefitting from increased connectivity to key source markets and prioritisation of the sector.

2030 and beyond

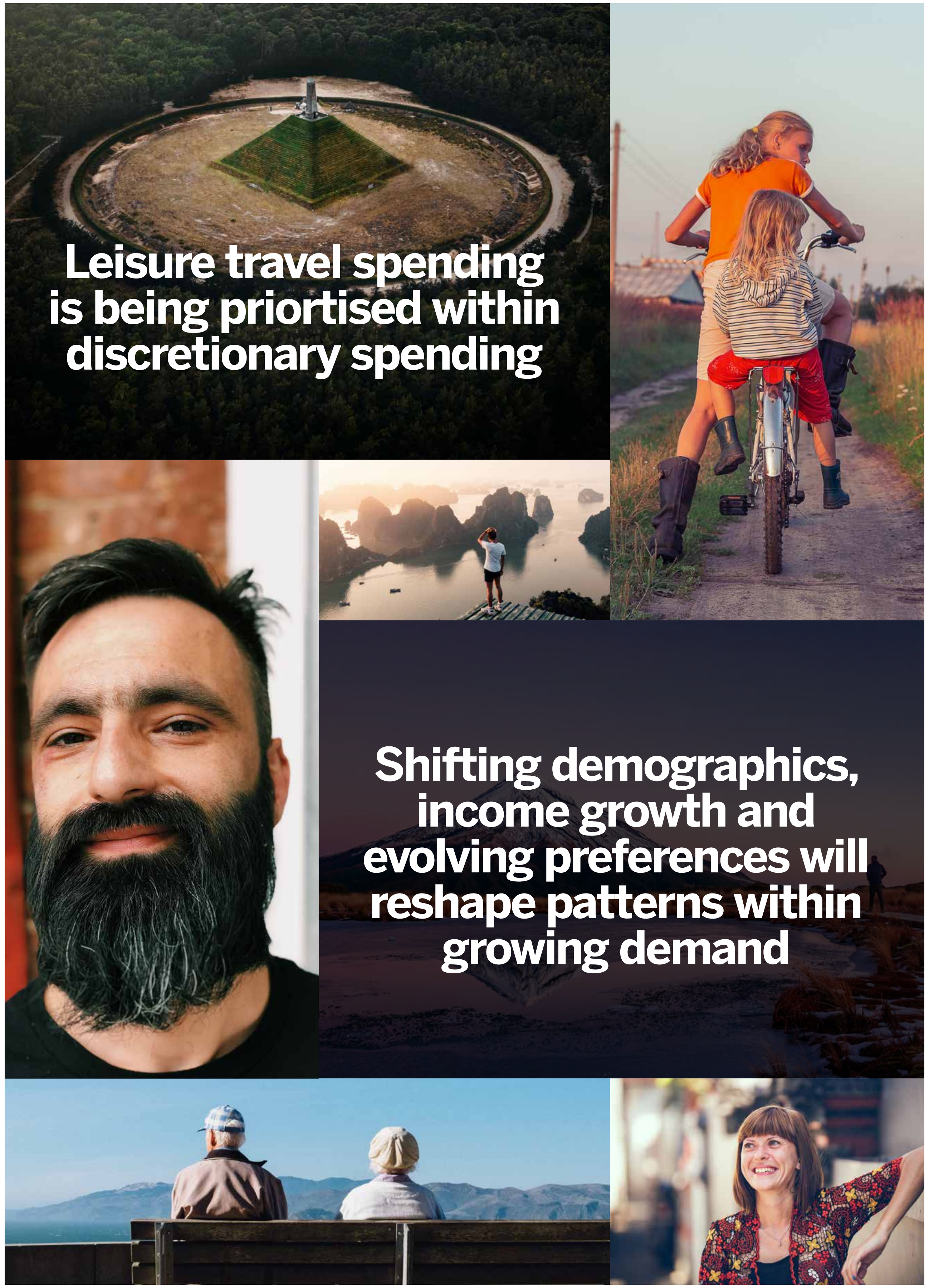
Over the longer run, there are clear opportunities for destinations to take advantage of rising household incomes in emerging markets and associated increases in travel demand. The proportion of Chinese households able to afford international travel is set to roughly double over the next ten years, while significant increases are also expected in other major markets such as India and Indonesia.
This growth in demand from emerging Asian markets will benefit destinations within the region and beyond. Thailand and Japan are set to experience especially strong growth from the growing demand from Chinese middle-class consumers, helped by proximity and connectivity. China is also expected to grow as a destination as well as a source market with increased linkages supporting travel in all directions. By 2033 China is expected to more than double its inbound tourism spend compared with 2024.

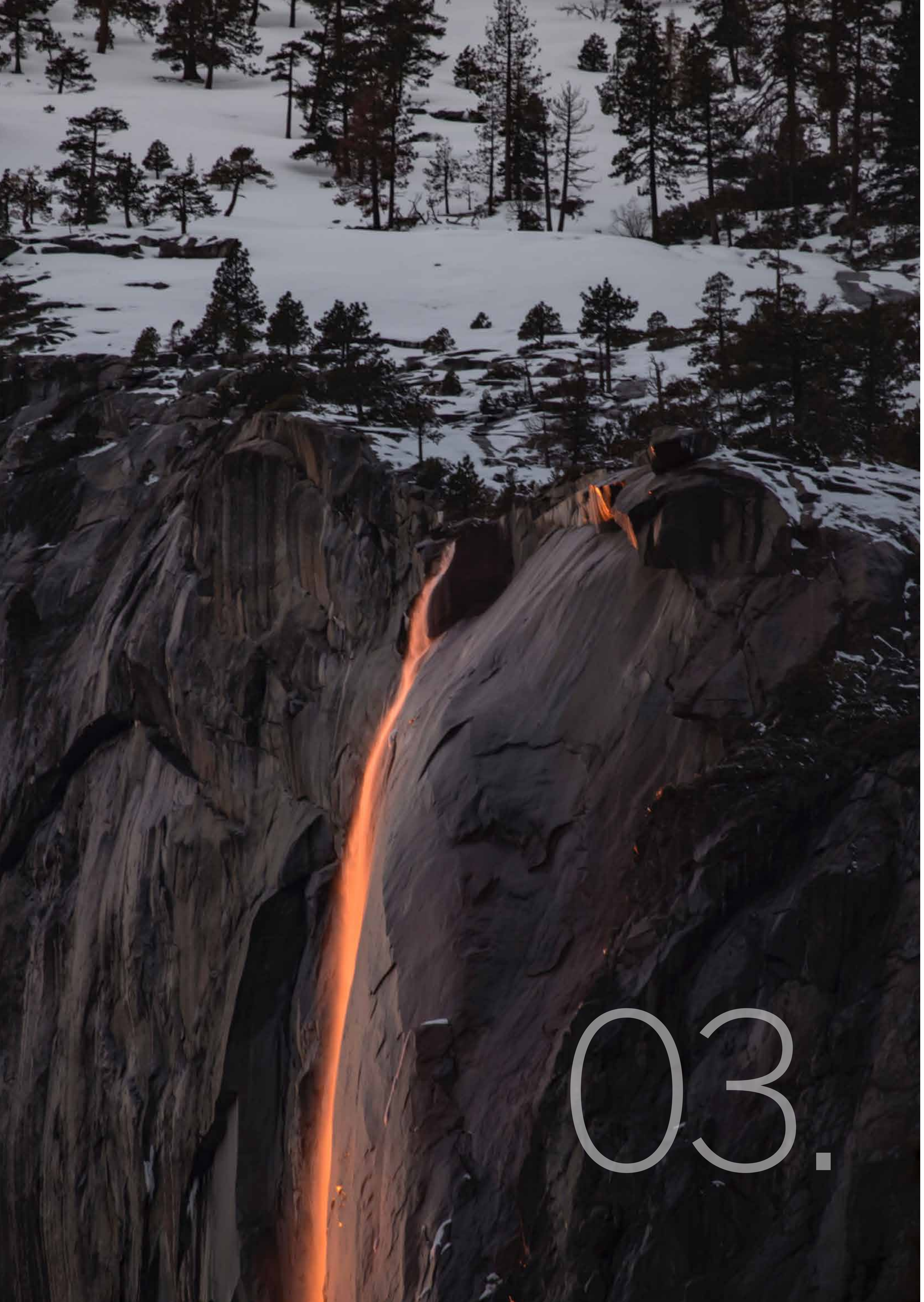
Elsewhere, countries such as Saudi Arabia, Egypt, and South Africa should also comfortably double the amount of inbound tourism spend, as continued investment and destination development will allow them to accommodate an increased share of growing global demand. Lower rates of growth are expected in the Americas and Europe which is reflective of mature, but strong, underlying demand.

There are notable risks to the growth outlook, as well as clear opportunities for destinations to continue to gain market share. Shifting demographics could shape travel patterns as an aging profile in many economies will influence the industry. By 2050, the proportion of the population aged 65 or over will be nearly double the current level, with profound implications for activity and destination preferences.

Increasing demand for more sustainable travel will also reshape the landscape. This could include an increased trend of slow travel as consumers potentially undertake longer but fewer trips. Climate change may also have a more direct influence on travel as weather displaces demand, potentially leading to shifts in seasonality.

However, through technological advancements and innovative management plans, leisure tourism can continue to thrive and provide for economies, communities, and travellers alike.





03. Global & Regional Summary: 2023

Leisure tourism recovery

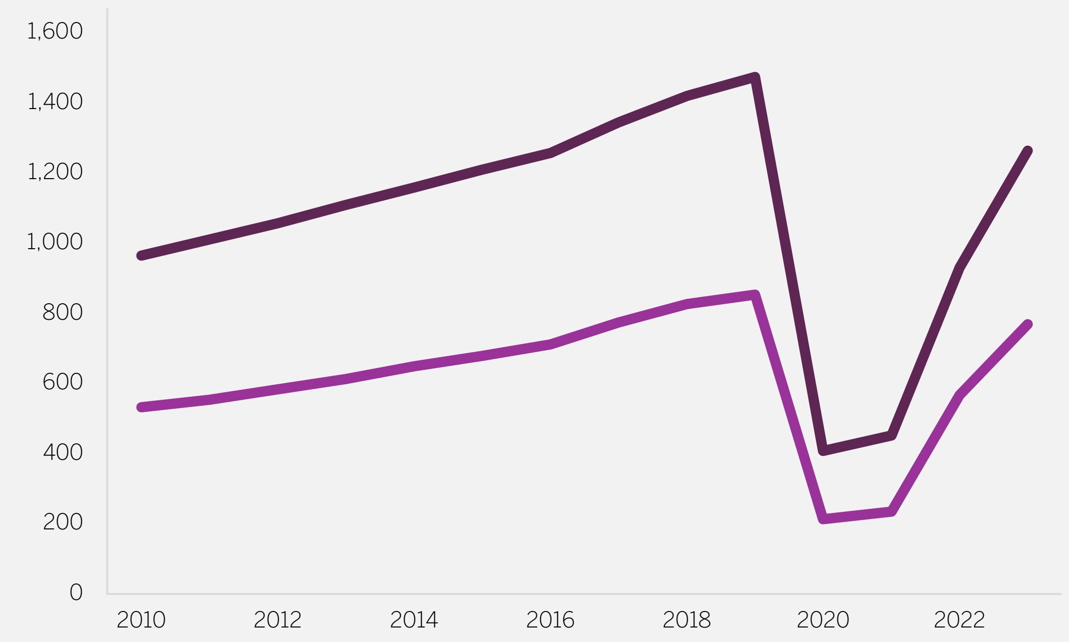
In 2023, the global travel and tourism industry has demonstrated resilience with pent-up demand and excess savings from the COVID-19 pandemic period supporting the sector. This is despite economic challenges and, in particular, the squeezing of personal disposable incomes in most major economies. This has been driven by high inflation and the impact of higher interest rates on borrowing. Consumer sentiment is declining in many advanced economies and yet, many consumers continue to prioritise travel.

In the decade prior to the pandemic, global international trips grew from under 1 billion in 2010 to nearly 1.5 billion in 2019. However, in 2020, the number of trips fell to just over 400 million due to the COVID-19 pandemic. An impressive recovery means that global trips in 2023 are back over 1.2 billion.

Leisure trips have recovered more strongly than business trips, although the latter is on a recovery pathway. Leisure trips now comprise 60% of all global international trips and the recovery in leisure has continued despite increased financial pressures on households.

Consumers prioritised travel in 2023 despite mounting costs

Global Inbound Trips



Note: Chart shows millions of trips per annum
Source: Tourism Economics

Total trips
Leisure trips

There is considerable variation globally in the recovery of leisure travel demand. In 2023, the Middle East is in positive territory (expected to be up 13% compared to 2019), while Asia-Pacific is expected to be 30% lower than the number of leisure arrivals in 2019. Nevertheless, overall, the industry has undergone remarkable recovery.

However, travel in the post-pandemic world is likely to evolve differently compared to the past.Higher air fares and a greater focus on sustainability may shift traditional travel patterns. While the luxury travel sector has been booming in the immediate post-pandemic period, there could be some increased polarisation in travel markets. Consumers unaffected by economic downturns are likely to continue opting for luxury destinations.

Meanwhile, those in lower income groups might increasingly feel the impact of squeezed personal incomes and seek out more budget travel options or reduce their travels overall.

However, one factor which will continue to support the industry is the fact that many labour markets remain unusually tight. Although this continues to create recruitment and retention difficulties, it also means that travel remains affordable for all but a very small minority of households in the advanced economies.

Inbound Leisure Arrivals By Region: (2023 vs. 2019)

Region	2019	2023	Percentage Change
Americas	123	117	-4%
Europe	440	428	-3%
Asia-Pacific	213	149	-30%
Middle East	29	33	+13%
Africa	49	43	-13%

Note: Table shows millions of trips
Source: Tourism Economics

13%
growth in Middle East leisure arrivals while Asia-Pacific lags global recovery

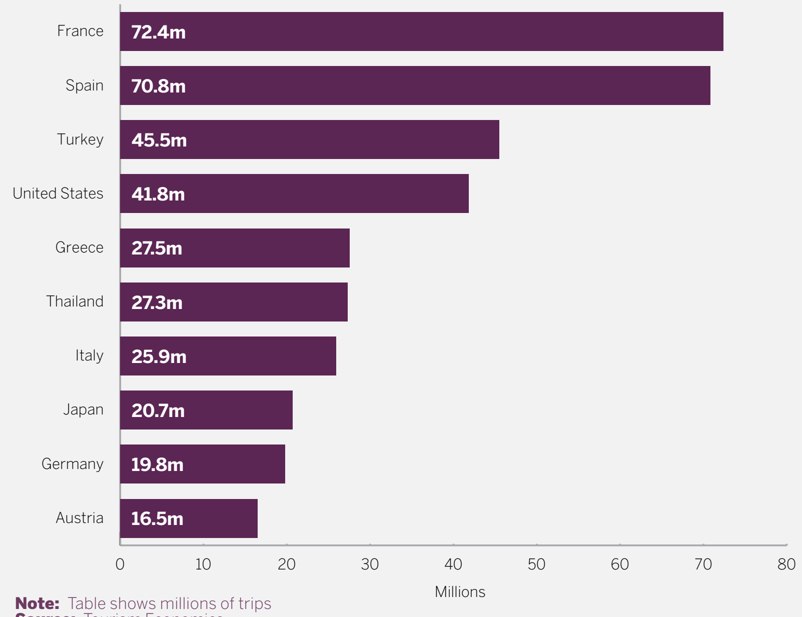
Source: Tourism Economics

In terms of inbound leisure trips, the two largest destination countries in 2023 are France and Spain – both with over 70 million leisure visits. Those two countries are followed by Turkey and the United States – each with over 40 million visits.

However, it is worth noting that of these ten largest leisure tourism destination countries, only Turkey and Greece have exceeded 2019 levels, while France is broadly on par with 2019. Both Asia-Pacific countries (Thailand and Japan) remain more than a quarter down on leisure visits which is partly due to the delayed reopening of Chinese outbound travel.

Although starting from lower levels, the strongest growth in leisure arrivals has been elsewhere. For example, Saudi Arabia has major plans to reposition itself as a leisure tourism destination as part of its 'Vision 2030' strategy to diversify its economy. It has already seen a 64% increase in leisure arrivals when compared with 2019. Similarly, Albania has recorded one of the strongest leisure tourism recoveries in Europe with a 43% increase in leisure arrivals compared to 2019. Poland has also performed strongly achieving an increase of over 30% in inbound leisure visits.

Top 10 Destinations by Inbound Leisure Trips: (2023)



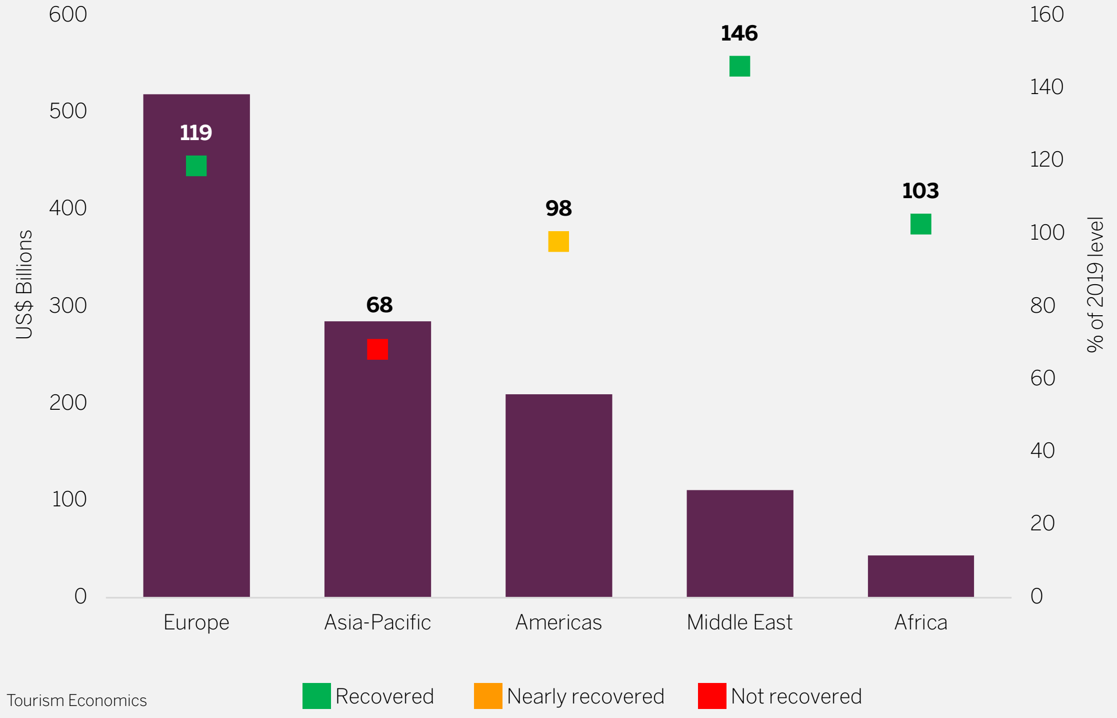
Note: Table shows millions of trips
Source: Tourism Economics

Key Growth Markets
(2023 vs. 2019)

Saudi Arabia 64%
Albania 43%
Poland 35%

Source: Tourism Economics

Largest Inbound Leisure Destinations: Global Regions (2023 vs. 2019)



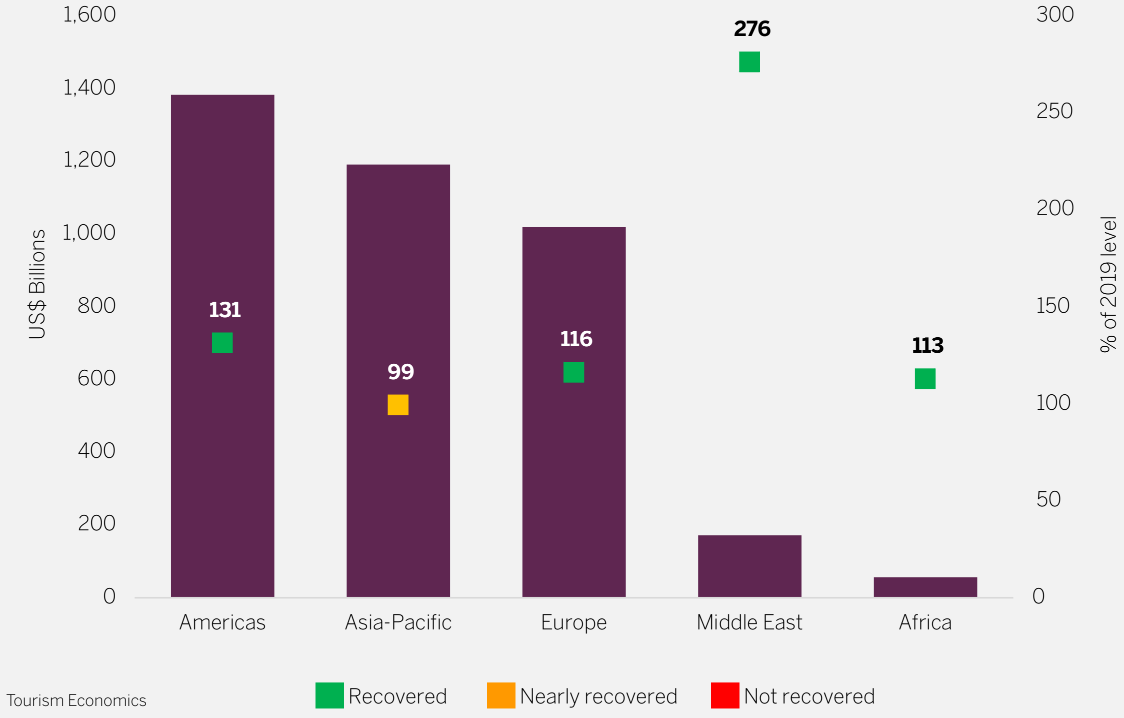
Source: Tourism Economics

Inbound spending by global region

In 2023, most global regions are expected to exceed pre-pandemic levels of nominal travel spend. Meanwhile, Asia-Pacific, which reopened to travel much later is behind the curve in terms of making a full recovery, especially with regards to international travel demand. Nevertheless, Asia-Pacific is now recovering strongly, and Asia is especially well represented among those emerging markets where an expansion in financial ability and enthusiasm to travel is coupled with strong demographic growth over the coming decades. Europe is the region with the highest volume of inbound visits and is expected to achieve 19% more spending in 2023 than in 2019. In growth terms, the Middle East is the leading region with 46% more spending expected in 2023 compared with 2019.

International leisure spending is broadly on par or above pre-pandemic levels in all regions except Asia-Pacific

Largest Domestic Leisure Destinations: Global Regions (2023 vs. 2019)



Source: Tourism Economics

Domestic spending by global region

In many countries, domestic visitation is more important than international visits. This is especially true for countries which are either geographically very large – such as the United States – or have a burgeoning population which can afford to undertake some travel such as China.

The Americas are strongly affected by the importance of domestic tourism within the United States. Strong recovery in United States domestic travel is expected to contribute to an increase of 31% of leisure travel spend in the Americas in 2023 compared with 2019.

Domestic travel among the rapidly expanding population of Asia-Pacific is also important, expected to account for nearly $1.2 trillion in 2023, just slightly below the 2019 level. Furthermore, domestic substitution which took place during the pandemic, with many consumers either forced or preferring to travel domestically rather than internationally, is still having some impact. In 2023, all global regions are expected to recover to 2019 nominal levels of spending for domestic tourism. In the case of the Middle East, spend is expected to massively exceed 2019 levels seeing growth of 176%.

Domestic activity has recovered earlier than international, including some lingering substitution effects

04. Country Summary: 2023

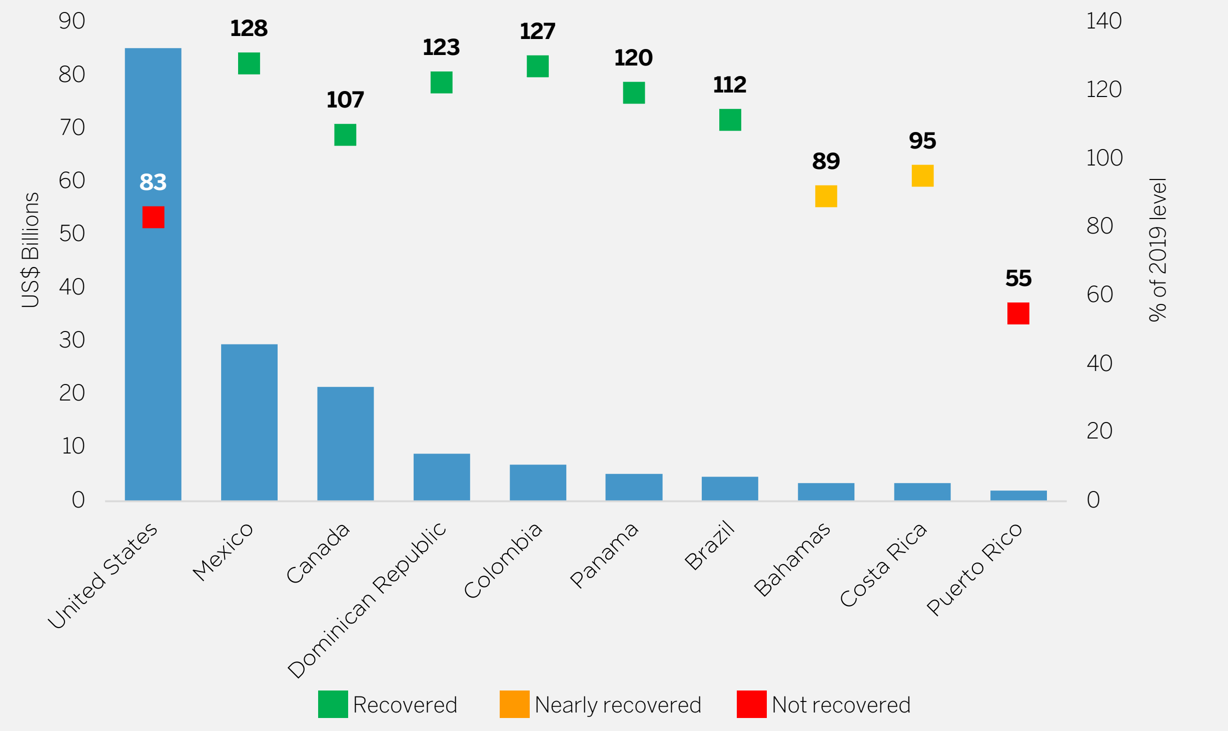
Inbound Tourism Recovery

The Americas

North American destination countries constitute the largest inbound leisure tourism destinations in the Americas. Of these, the United States is by far the single largest. It is notable that the US is one of a few countries globally which has not recovered to its 2019 level of spend in nominal terms, expected to track about 17% down on 2019. In contrast, nominal inbound leisure spending in Mexico should be 28% up on its 2019 level and up by 7% in Canada.

Puerto Rico is another country in the Americas which has not yet recovered compared with 2019 with inbound leisure tourism spending expected to be a little over half of the 2019 level.

Largest Inbound Leisure Destination Countries: Americas (2023 vs. 2019)



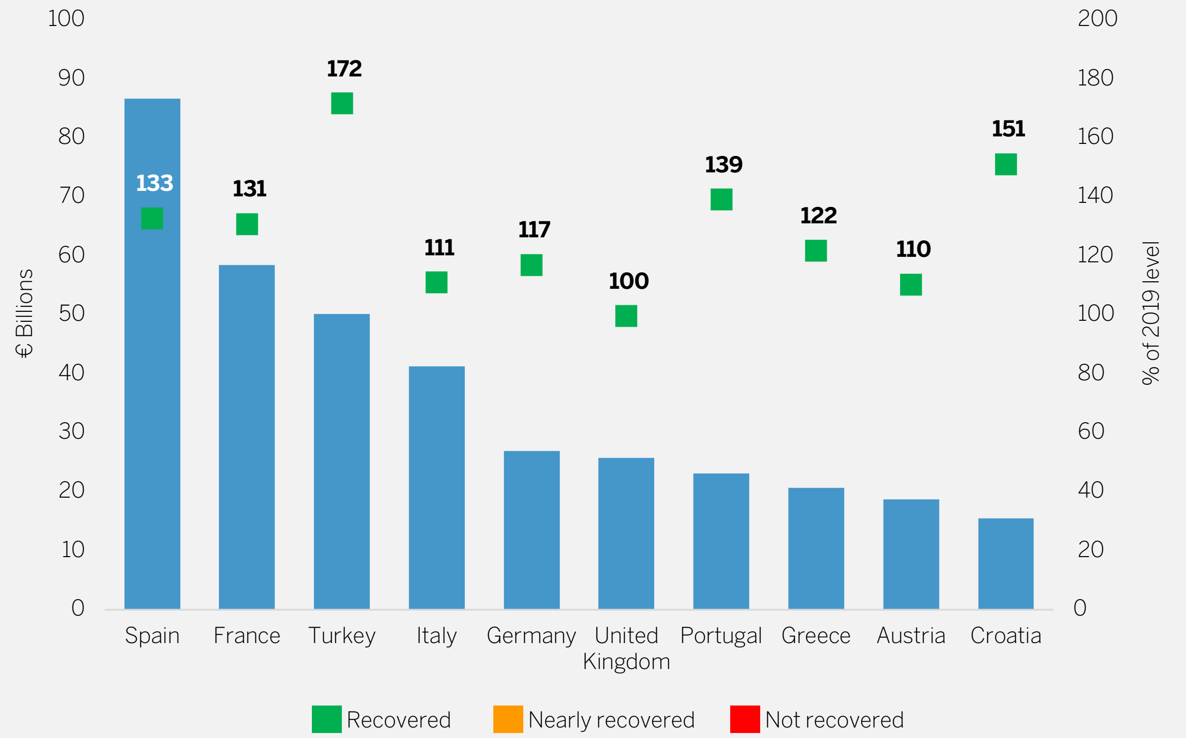
Source: Tourism Economics

Europe

Most European destinations have seen a recovery in nominal leisure spending since 2019. The strongest increases in spending amongst the ten largest inbound tourism destinations have been in Croatia and Turkey. Meanwhile, Portugal, France and Spain had the strongest recoveries amongst the major eurozone destination countries.

In 2023, Spain, France and Turkey have the highest levels of inbound leisure tourism spending. Outside the ten largest destinations there are some countries which are unlikely to reach 2019 levels of inbound leisure tourism spend. These include countries affected by the war in Ukraine, including Hungary due to its proximity, as well as the Irish Republic, which is expected to remain significantly short of a full recovery.

Largest Inbound Leisure Destination Countries: Europe (2023 vs. 2019)



Note: Europe has been analysed in euro rather than US dollar terms
Source: Tourism Economics

Source: Tourism Economics

Asia-Pacific

Many countries in the Asia-Pacific region were slower to end travel restrictions after COVID-19. The importance of China as a source market means that the lingering restrictions on both inbound and outbound travel into 2023 had a large impact on destination performance across the region.

Japan also kept a system of quotas on arrivals in operation until April 2023. Among the larger destination countries, India and South Korea stand out as exceptions in Asia-Pacific on the cusp of receiving 2019 levels of nominal spending in 2023.

Largest Inbound Leisure Destination Countries: Asia-Pacific (2023 vs. 2019)

Source: Tourism Economics

Source: Tourism Economics

Middle East

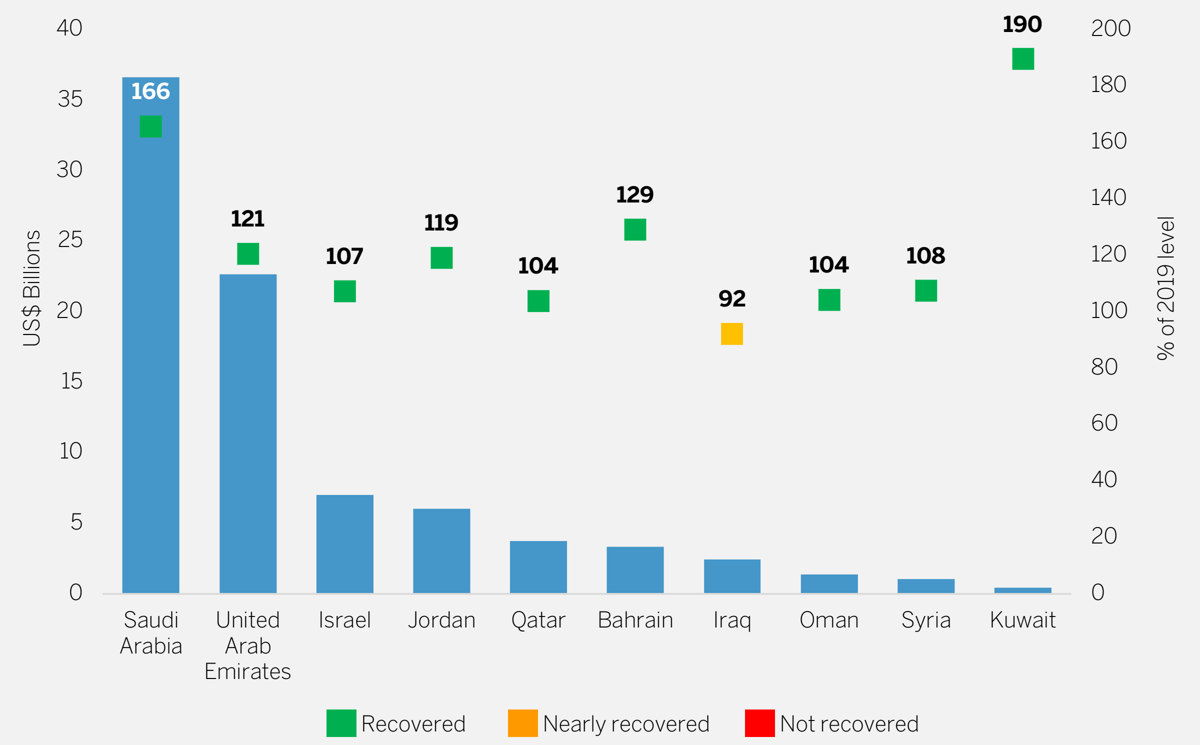
The Middle East has demonstrated the strongest regional recovery in leisure arrivals.

Saudi Arabia and the United Arab Emirates continue to be the two largest inbound destinations for leisure spending. Both countries are investing heavily in tourism infrastructure, viewing tourism development as a key strategy to diversify away from hydrocarbons reliance.

In 2023, all countries in the region are expected to recover to their 2019 levels of leisure spending with the sole exception of Iraq.

Kuwait and Saudi Arabia are expected to see the strongest growth in percentage terms (growth of 66% and 90% on 2019, respectively). Kuwait has also been attempting to boost non-oil revenues and views tourism as an important part of this strategy.

Largest Inbound Leisure Destination Countries: Middle East (2023 vs. 2019)



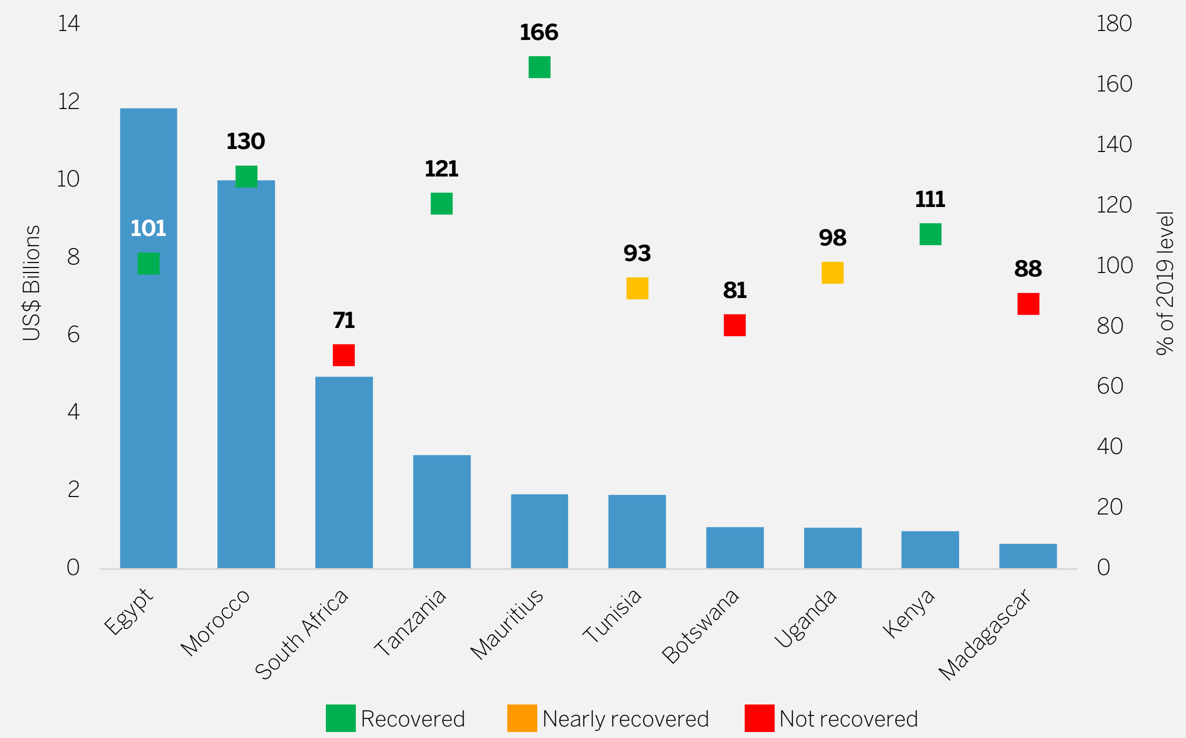
Source: Tourism Economics

Africa

Africa's range of diverse countries has resulted in a varied picture across the continent. Many Sub-Saharan countries are not expected to recover from the downturn in inbound tourism. This includes South Africa – one of the three largest destinations in the region. But the picture is far from universal in Sub-Saharan Africa with both Kenya and Tanzania having made strong recoveries.

The two largest destination countries in the region in 2023 in terms of inbound leisure spend are Egypt and Morocco, both of which have recovered to 2019 levels – in the case of the latter, exceeding that by 30%.

Largest Inbound Leisure Destination Countries: Africa (2023 vs. 2019)



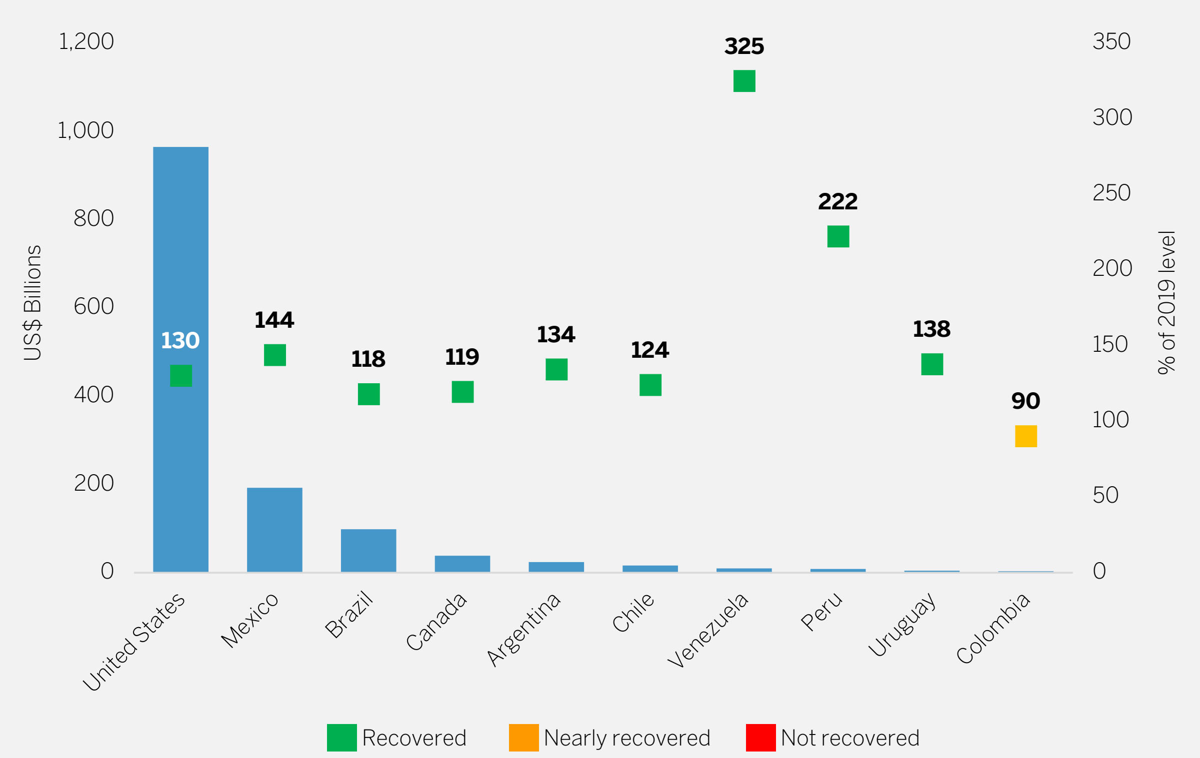
Source: Tourism Economics

Domestic Tourism Recovery

Americas

More than 90% of total tourism spending in the United States is domestic. Therefore, despite a relatively weak recovery in inbound leisure spending in the US, an expected increase of 30% in domestic leisure spending on 2019 represents a strong recovery overall. It is a picture that is reflected across the most visited destinations across the continent with only Colombia on track to miss reaching its 2019 nominal spending level.

Largest Domestic Leisure Destination Countries: Americas (2023 vs. 2019)

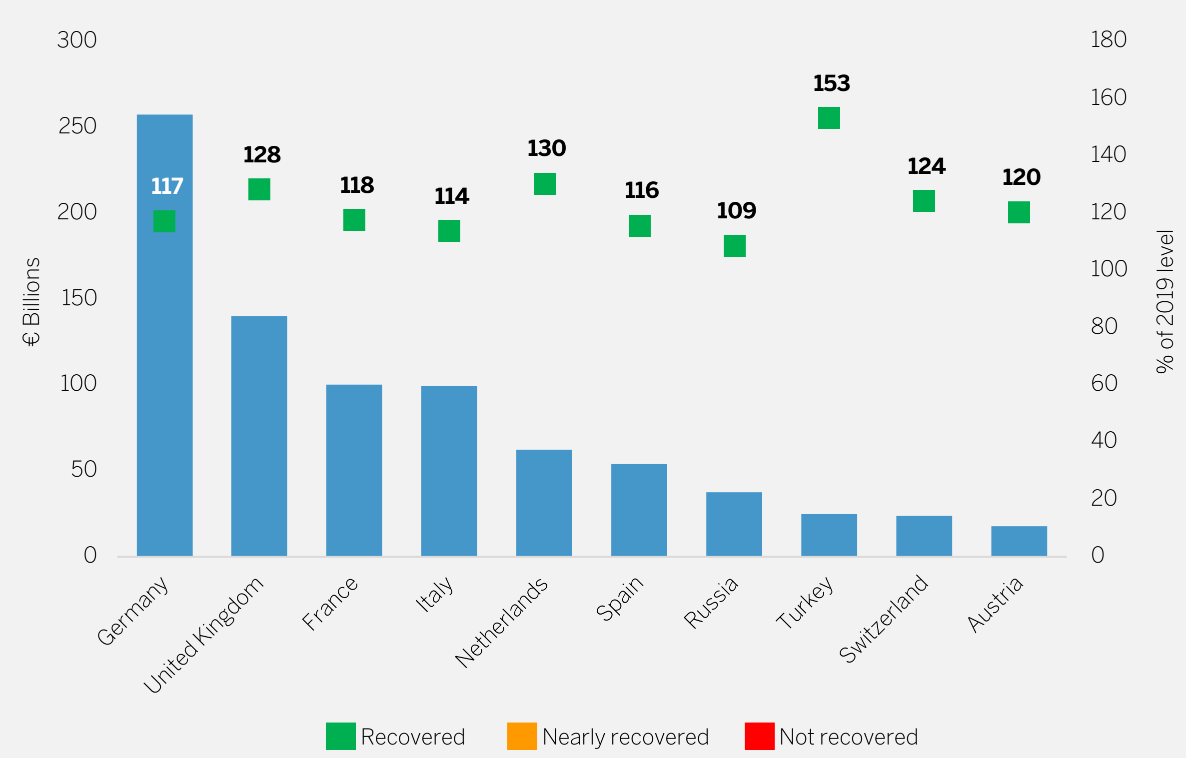


Source: Tourism Economics

Europe

In nominal spending terms, all of Europe's largest domestic tourism markets are expected to recover to spending levels above 2019 in 2023. This is especially important in destination countries such as Germany, the United Kingdom, and the Netherlands, where domestic tourism is a high share of total tourism spending. Even beyond the 'top 10' countries, the picture is reflected across the continent with the sole exception of Ukraine.

Largest Domestic Leisure Destination Countries: Europe (2023 vs. 2019)

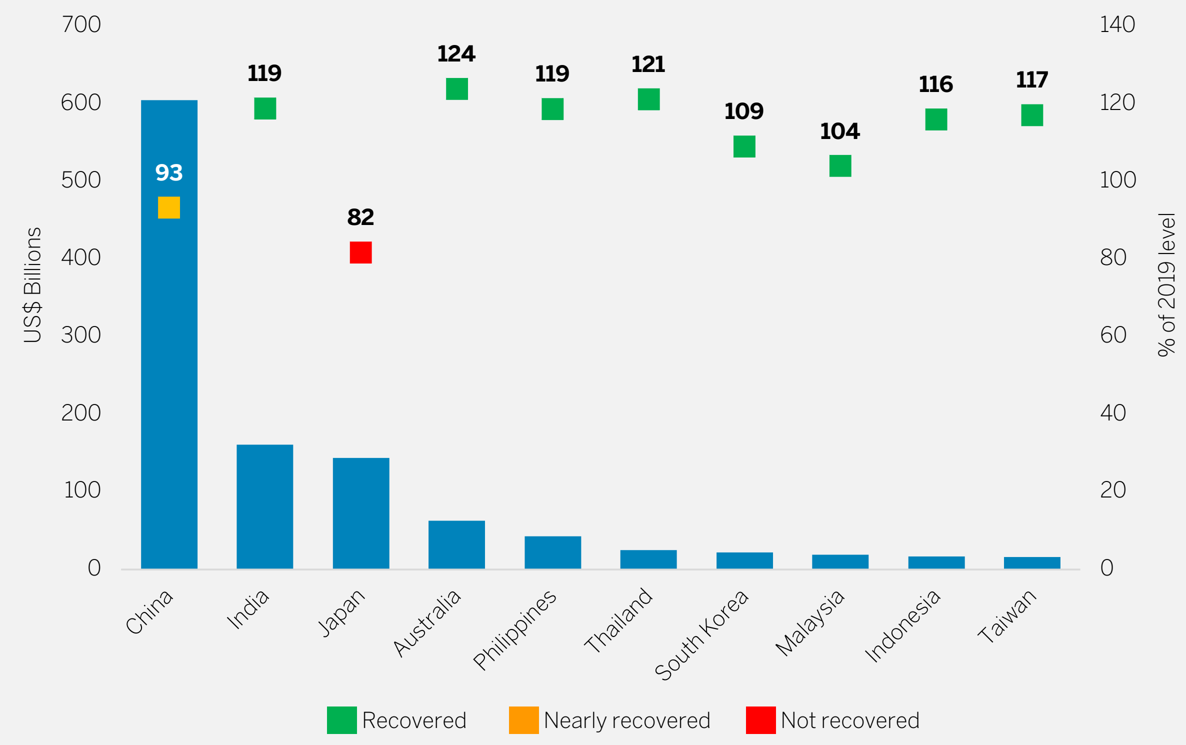


Note: Europe has been analysed in euro rather than US dollar terms
Source: Tourism Economics

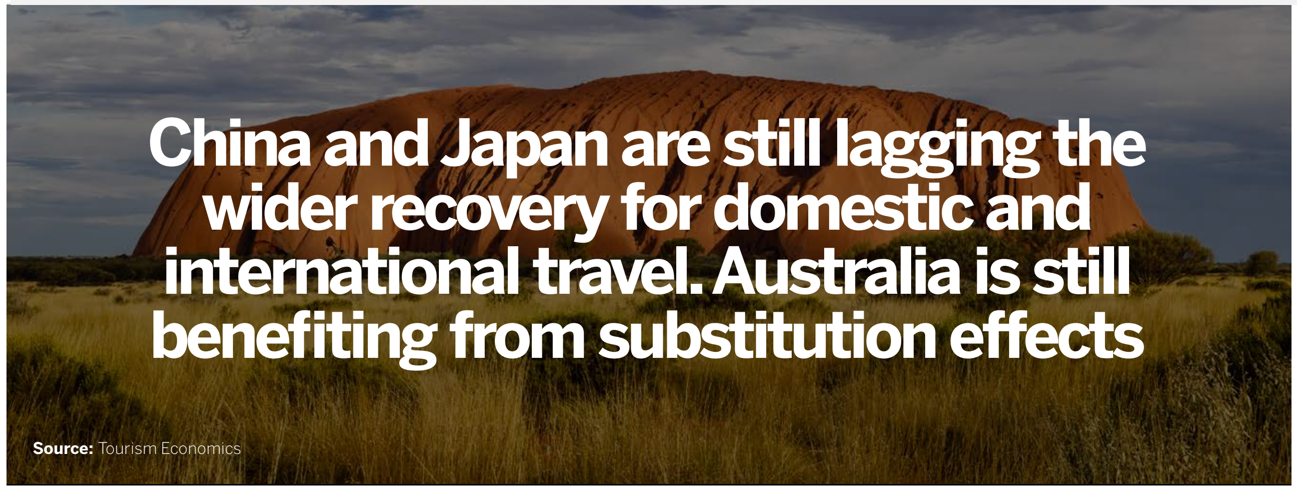
Asia-Pacific

With the later reopening of international travel in the Asia-Pacific region, there has continued to be a strong element of domestic substitution in many countries. A good example of this is Australia where domestic leisure spending is now expected to be 24% higher in nominal terms than it was in 2019. The two exceptions to the regional trend, where domestic leisure spending levels have not been regained, are China and Japan. In Japan this is despite government attempts to incentivise domestic leisure holidays such as the National Travel Discount Programme.

Largest Domestic Leisure Destination Countries: Asia-Pacific (2023 vs. 2019)



Source: Tourism Economics

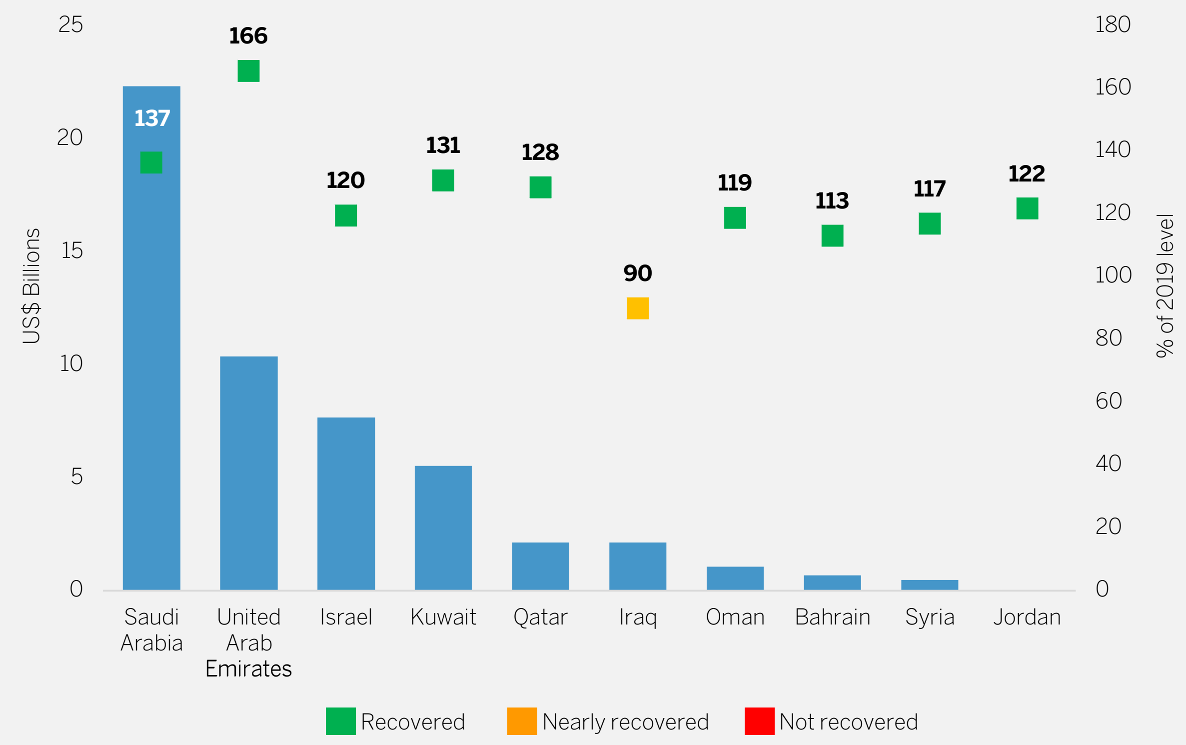


Middle East

In 2023, almost every country in the Middle East is expected to see domestic leisure spending exceed that of 2019. Among these countries, domestic leisure spending is expected to vary from 113% (of 2019 levels) in Bahrain to 166% in the United Arab Emirates.

Saudi Arabia is the destination country with the greatest domestic leisure spending in the region. In 2023, the country is expected to see a recovery in spending to 137% of its 2019 level.

Largest Domestic Leisure Destination Countries: Middle East (2023 vs. 2019)

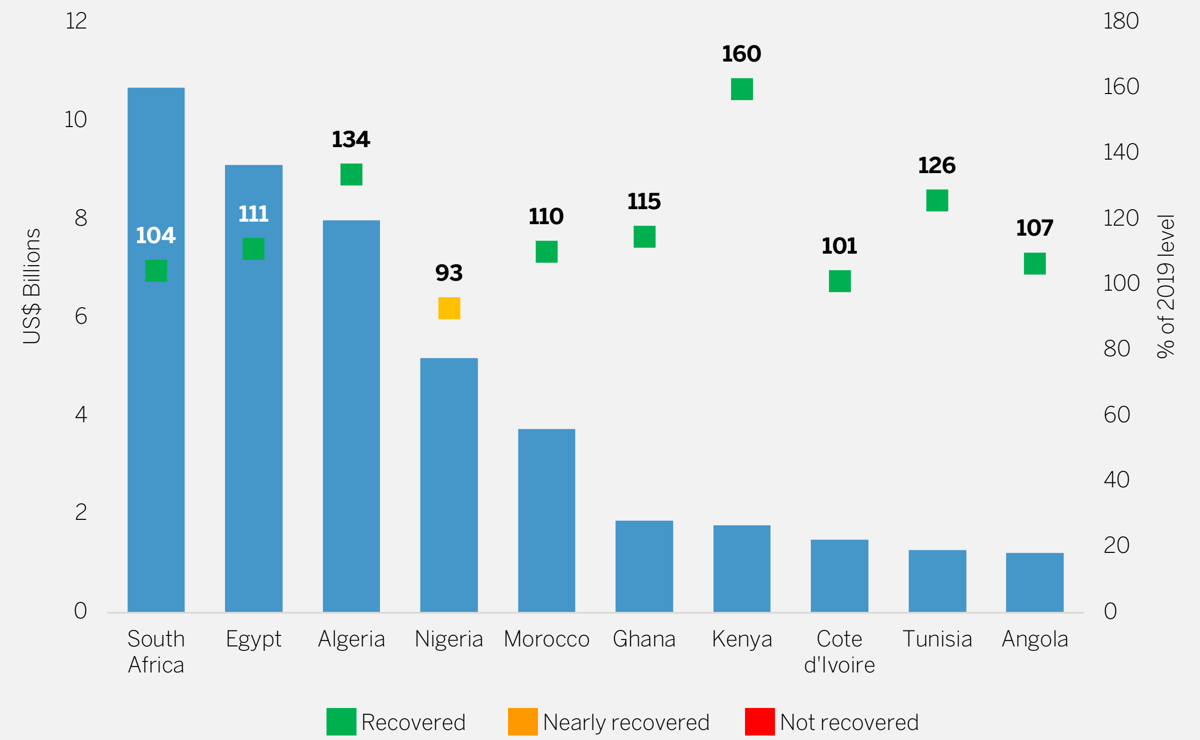


Source: Tourism Economics

Africa

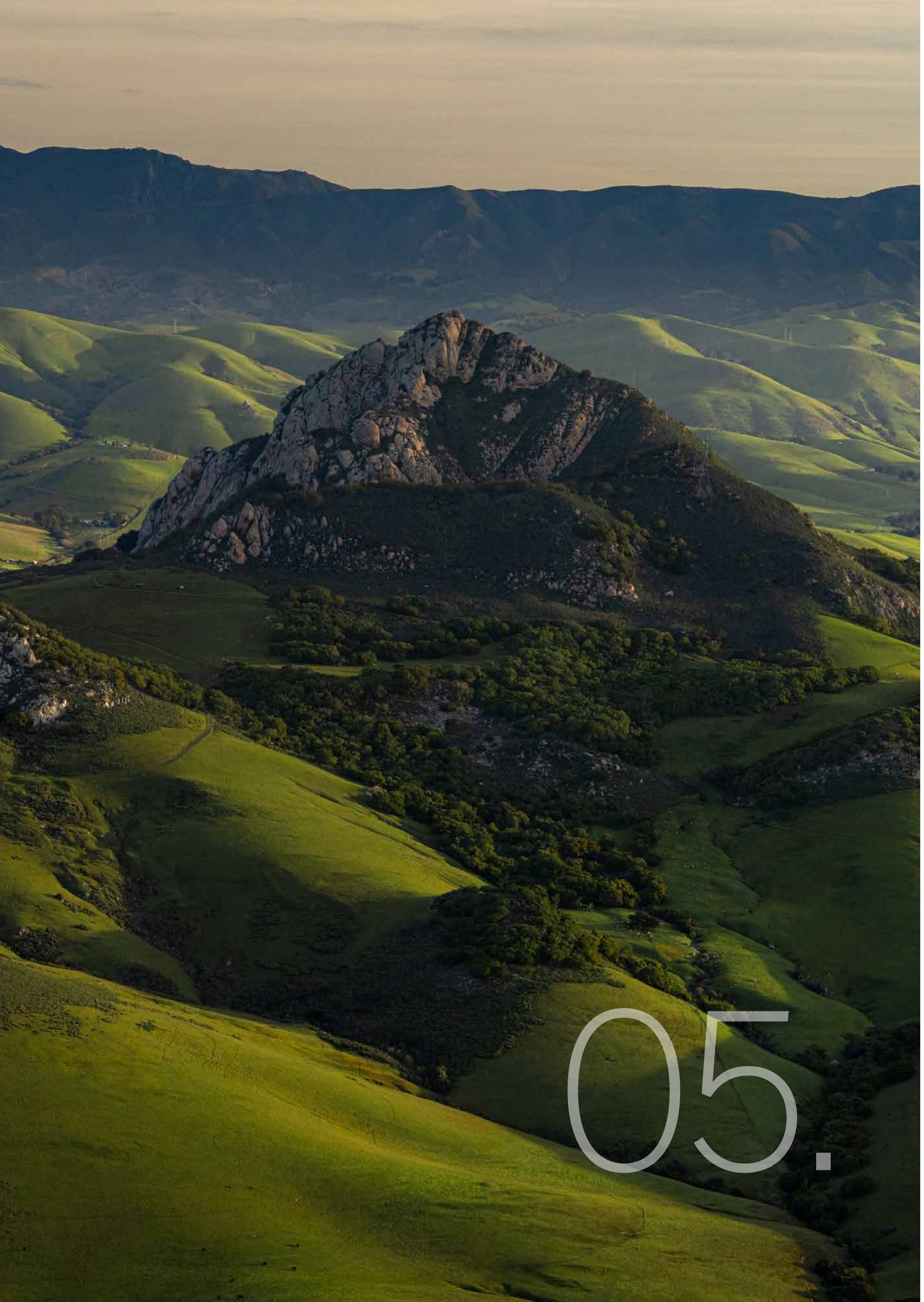
In 2023, almost every country within the ten largest domestic tourism destinations in Africa is likely to see domestic spending exceed 2019 levels in nominal terms. The only exception amongst the ten largest destination countries is expected to be Nigeria. However, in many cases spending is expected to only marginally exceed 2019 – for example in Cote d'Ivoire and Angola but also in the two largest domestic destinations: South Africa and Egypt. In contrast, Kenya, Algeria and Tunisia have seen significant increases compared to 2019. In the case of Kenya, domestic tourism has recently been bolstered by government campaigns encouraging Kenyans to travel and explore their own country.

Largest Domestic Leisure Destination Countries: Africa (2023 vs. 2019)



Source: Tourism Economics

Source: Tourism Economics



05. Drivers of Demand

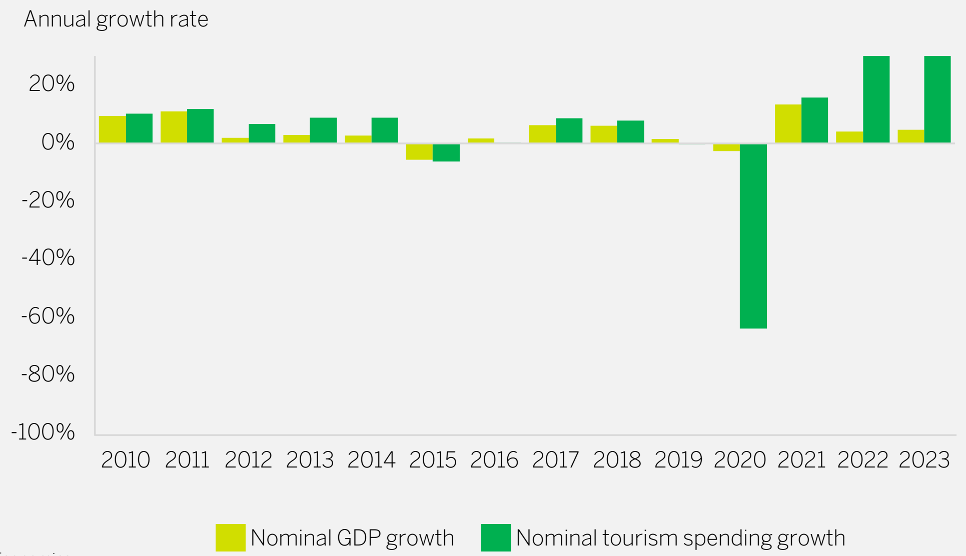
Historically, the growth of tourism has been closely associated with rising disposable incomes and a reduction in travel costs. Between 2000 and 2019, the average spend per international trip fell 17% in real terms. Deregulation across the aviation industry resulted in cheaper fares and a greater volume of trips, especially short haul. In the accommodation sector, increased competition from alternative accommodation types, such as short-term rentals, have also contributed to lower prices in real terms making tourism more affordable and accessible.

Tourism and the wider economy

Since the COVID-19 pandemic, travel trends have been less tightly correlated with traditional macroeconomic drivers. Travel constraints severely restricted travel and, as a result, tourism spending fell more sharply than global GDP. Travel has since rebounded strongly – and to a much greater extent than might have been anticipated based on the typical relationship between travel demand and macroeconomic conditions. While that relationship might be somewhat stretched at present, it is still evident alongside the very strong travel and tourism recovery.

Travel growth continues despite economic headwinds, as pent-up demand is realised

Tourism Spend & Nominal GDP Growth



Source: Tourism Economics

Strong travel recovery

A big driver of this gap has been aided by excess savings (the difference between actual savings and what would have been saved without the existence of the pandemic) accumulated during periods of pandemic related lockdown and travel restrictions. These savings are allowing for additional discretionary spending during this recovery period.

Furthermore, some of the strongest regional recoveries – such as transatlantic travel from the United States were supported by favourable exchange rates. It is also clear that leisure travel has been the market segment with the strongest recovery.

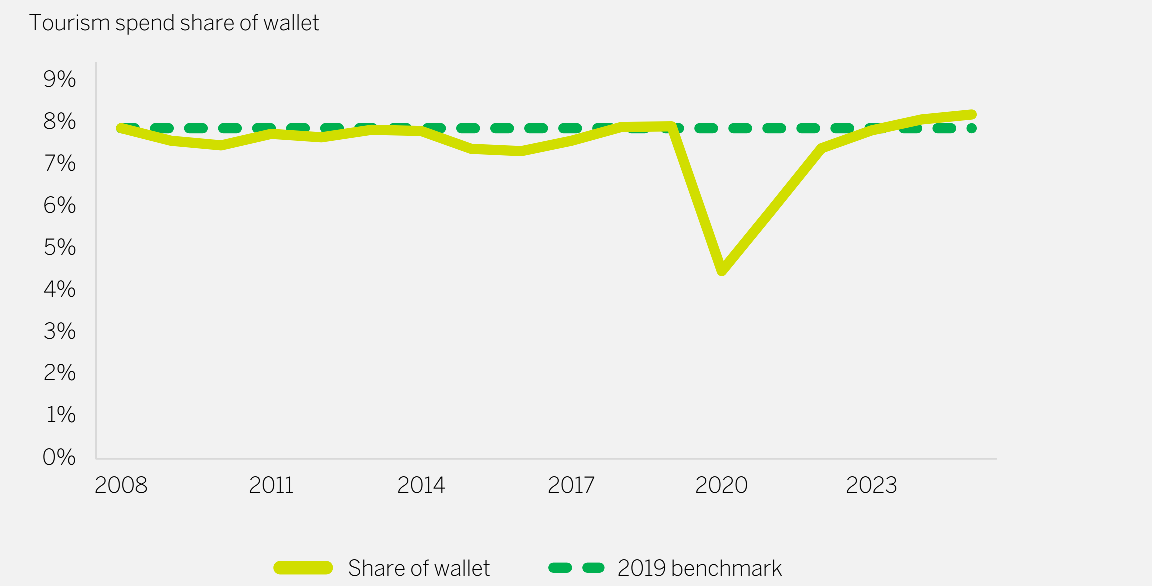
However, 2022 and 2023 have seen less favourable economic drivers. Upward pressure on fuel and transport prices – given additional impetus by Russia's invasion of Ukraine – have squeezed personal disposable incomes in many countries, while also putting pressure on airlines to pass additional costs on to the consumer in the form of higher air fares. Higher costs have not yet been a significant deterrent to growth and travellers appear willing to pay higher prices.

Some of this may be the result of continued pent-up demand and remaining accumulated savings. There is evidence that many consumers are prioritising travel over other types of discretionary spending.

Tight labour markets during the current slowdown are also key; unemployment in most countries is relatively low given the backdrop. As long as unemployment remains low, sentiment should support a continued prioritisation of discretionary spend towards travel.

In advanced economies, leisure travel and tourism share of wallet is now higher than it was in 2019. This ratio fell during and following previous economic downturns but currently remains high. Meanwhile, survey evidence points to a continued prioritisation of travel over other discretionary spend. The situation in emerging markets is somewhat different – largely thanks to emerging economies in Asia being slower to restart travel after the COVID-19 pandemic.

Advanced Economies Leisure Travel



Source: Tourism Economics

Reversing economic drivers?

Some of the key drivers of recent growth have gone into reverse in recent months illustrating some specific risks to continued expansion into 2024 and beyond. Notably, persistent high cost factors may dampen the continued travel demand.

In 2023, the cost of flights across Europe increased 36% compared to 2019, according to Eurostat inflation figures. Meanwhile, accommodation prices rose 23% and package holiday prices were up 22%. Package holidays provide some certainty and are boosting affordability for some households, although these cost increases are a risk. Analysis by TravelSupermarket in 2023 highlighted that the average price of all-inclusive trips for UK holidaymakers to key destinations, including Spain and Turkey, increased by more than 30% compared to 2019.

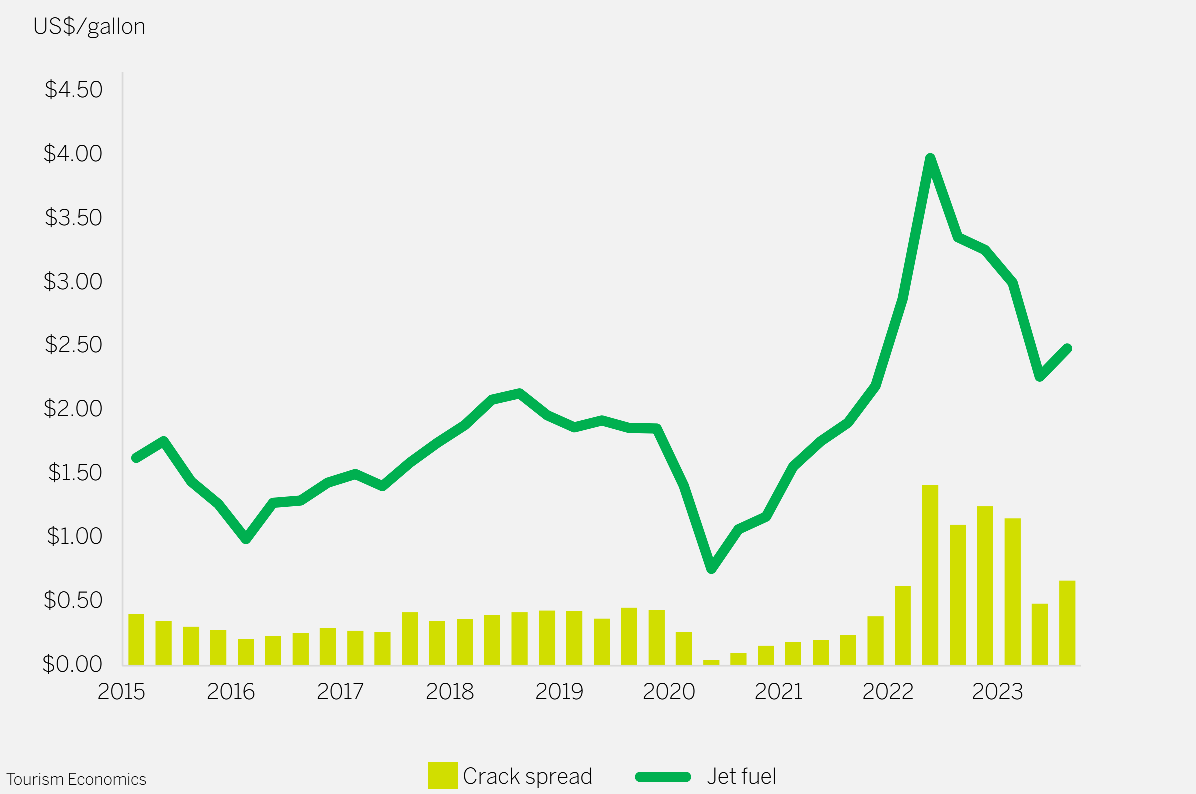
Furthermore, transatlantic travel from the United States was key to the early part of the recovery. This was supported by the strength of the US dollar over the euro and most other European currencies. However, over the past year both sterling and the euro have recovered somewhat, making the purchasing power of the US dollar weaker in Europe.

Travel and tourism has historically been very responsive to changes in exchange rates. However, this is more likely to influence individual countries and destinations rather than having an overall net impact on travel and tourism globally.

The price of jet fuel has also been volatile. From the peaks seen in the summer of 2022, prices have fallen by around 30% but currently jet fuel is significantly higher than at the start of the year. A similar trend is evident for crack spread, the overall pricing difference between a barrel of crude oil and the petroleum products refined from it, which currently hovers around $40 per barrel.

Therefore, there are potential continued upward pressures on air fares as fuel generally accounts for 20-30% of total airline operating costs. There will be a limit to which airlines are able to absorb this cost before passing it onto the consumer. Additional upward pressures are also present in the longer term through requirements for expensive sustainable fuels (SAFs).

Jet Fuel & Crack Spread



Source: Tourism Economics

Supply side constraints

Geopolitical events such as Russia's invasion of Ukraine have hindered the movement of goods and services. This has negatively impacted the availability and costs of raw materials, creating challenges for the industry.

Over the course of 2023, some airlines experienced a shortage of planes due to these constraints.

According to the International Air Transport Association (IATA), supply chain shortages have led to delays in deliveries of new aircraft and global capacity is likely to remain constrained as a result of supply side challenges.

A related issue is staff shortages. During the pandemic period, the tourism industry, especially the hospitality sector, lost many experienced staff. A lot of these staff found new posts in other sectors of the economy. When tourism started to recover new staff had to be hired at relatively short notice in the context of globally tight labour markets. Some posts remain 'hard to fill' while other posts were eventually filled via the raising of rates, which has increased upward cost pressures.

IATA recently reported that wage pressures and skills shortages continue to impact the aviation sector. A shortage of air traffic control staff was also identified as a specific concern which is impacting the industry's ability to meet the recovery in demand.

Demand continues to outpace supply:

record airline load factor was nearly met in mid-2023

Source: International Air Transport Association (IATA)

Affordable luxury becoming more popular amidst promising sentiment overall

Aligning with a broader trend as consumers seek out new and unique experiences, "affordable luxury" has become a growth area in travel. After the pandemic and restrictions on travel, many have wanted to upgrade their experience during this "revenge tourism" wave as consumers proactively catch up on missed tourism experiences.

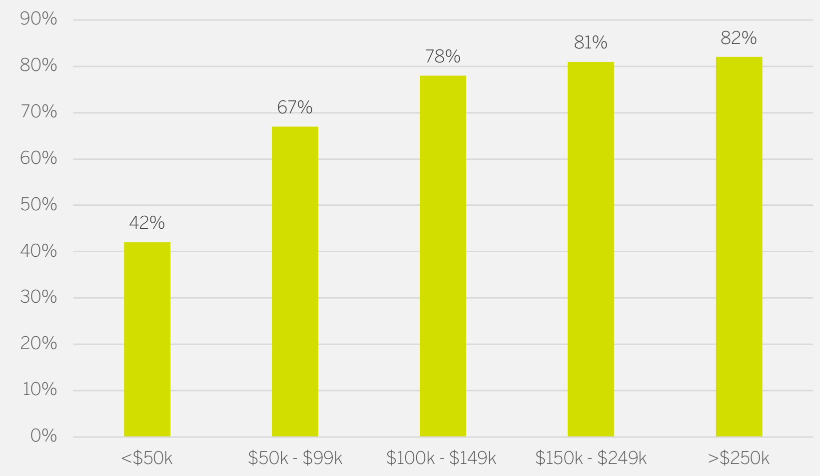
However, there are signs that this segment may now be facing more awkward conditions. A recent report by Morning Consult shows that travel intentions are still increasing in some countries, but are falling in some key source markets, most notably in Europe.

This may reflect a declining trend in consumer confidence in some key source markets globally. Based on Ipsos' latest Global Consumer Confidence Index, some countries have consumer confidence indices below 50 – which implies a deteriorating outlook. However, it is not a completely negative picture: India and the United States (which is the largest travel market globally) both have indices above the 50 mark. Both the UK and Australia – although beneath 50 – are at levels which imply relatively little change in outlook. However, some key source markets such as Japan and Germany are not only considerably beneath 50 but have been deteriorating over recent months.

However, United States consumer data from MMGY suggests that the impacts of economic squeezing are concentrated firmly on those households with incomes of under $50,000 per annum, who excess savings during the pandemic period were considerably lower.

While travel sentiment among this income cohort was low, the remainder of respondents indicated high likelihood of future travel. Furthermore, travel sentiment overall improved compared with Q1 2023 which demonstrates the enviable position of the travel industry as it continues to benefit from strong underlying demand despite increasing cost pressures and economic uncertainty.

US consumers planning travel within 6 months:



Source: MMGY Portrait of the American Traveller, Q2 2023

06. 2024 Outlook

Global GDP growth is notably weak in 2024 as many countries have recently adopted tighter monetary policies, including interest rate hikes in a bid to tackle stubbornly high inflation. While inflation remains well above target in some countries, interest rates are expected to be sticky, which will likely have knock on effects to the broader economy.

Despite this, the outlook for leisure travel demand in 2024 remains robust. In the post-pandemic era, travel demand has persistently defied the macroeconomic backdrop upon which it typically relies. Consumers have exhibited a propensity to prioritise spending on travel above other categories of discretionary spend since travel resumed. With significant excess savings still available to some households there is demand still to be realised. As such, we expect the prioritisation of travel to remain a feature of the outlook for 2024.

Same, same but different

Since the pandemic travellers have tended towards more usual "safe spaces" when choosing leisure destinations. 2024 is expected to see a return towards greater diversity in travellers' leisure choices which presents opportunities for global destinations.

However, growth in leisure travel demand is expected to be slower compared to 2023. This is not due to economic headwinds, but rather is reflective of leisure demand volumes converging on their pre-pandemic trajectory in 2024.

Nonetheless, the outlook for 2024 is subject to risks, and among these risks is the growing threat of climate change. In 2023, the industry witnessed multiple climate change related crises, and it is likely that these will return in 2024 (and beyond). Wildfires and flooding are examples of extreme weather conditions which had devastating consequences for some European countries in 2023.

A combination of climate change and the global weather phenomenon El Niño are believed to be contributing to recent extreme weather events. The effects of this are expected to be felt well into 2024 which could pose serious challenges for some global destinations.

Global Share of Top 5 Destinations

Note: Global share is a weighted average based on outbound travel to each market's top 5 destinations
Source: Tourism Economics

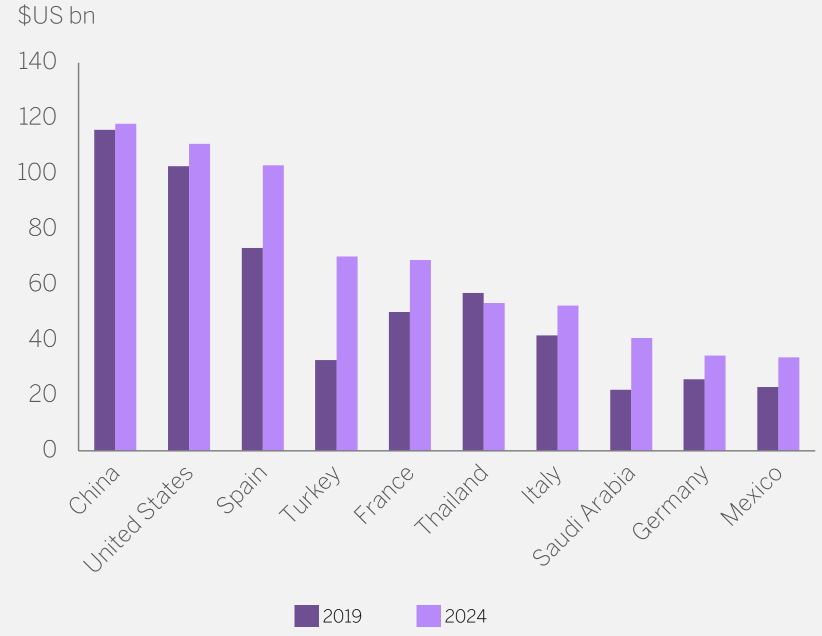
However, the proliferation of climate related disruption is more likely to displace than deny tourism demand. Destinations are already starting to put in place measures to reduce over-tourism for the sake of the local environment, but hotter temperatures across Europe may also help with the dispersion of tourists across the summer peak-season.

Inbound Tourism: Movers and shakers in 2024

China is expected to remain the world's top leisure destination in 2024 based on inbound leisure spending, as was also the case in 2019, and signifies China's long-awaited inbound travel recovery following the devastating impact of the COVID-19 pandemic. The top spot in terms of spend had been occupied by the United States for 20+ years until 2018, although it remains a bigger market in terms of leisure arrivals; while much bigger in terms of spending, by 2024 China is expected to fall below France, Spain, the United States based on inbound leisure arrivals.

In 2024, Turkey is expected to make the biggest contribution to global inbound leisure travel demand growth compared with 2019, anticipated to account for 13% of global growth. Spain is also expected to be significant contributor, expected to contribute 10% of global growth over the same period.

Inbound Leisure Travel Spend by Country (2024 vs. 2019)



Source: Tourism Economics

Contribution to global leisure travel growth by destination

Countries accounting 5%+ of global growth

	2024-19	2024-23
Turkey	13%	5%
Spain	10%	3%
France	7%	2%
Saudi Arabia	7%	1%

Source: Tourism Economics

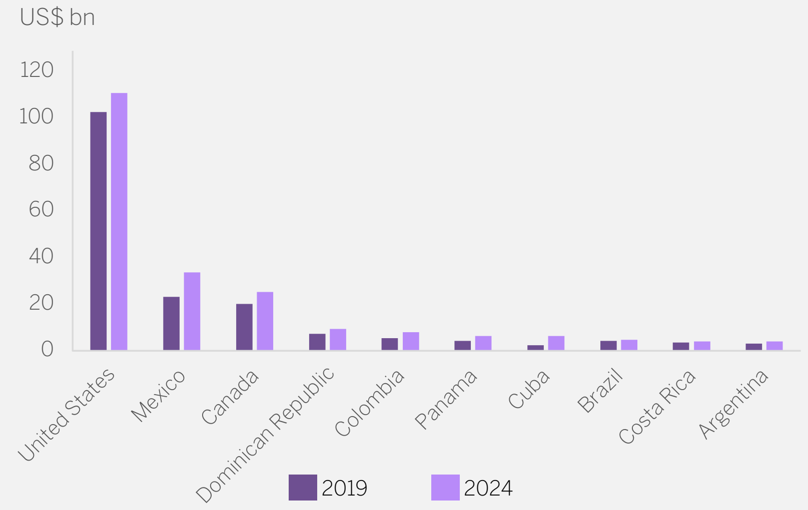
Regional Inbound Outlook:

Americas

The United States is comfortably the largest destination for inbound leisure travel spend and is expected to be 8% larger in 2024 compared to 2019 in nominal spending terms. The rest of the top ten Americas destinations are all expected to exceed 2019 leisure spend levels in 2024.

Weaker US dollar will support inbound leisure travel

Largest Inbound Leisure Markets: Americas (2024 vs. 2019)



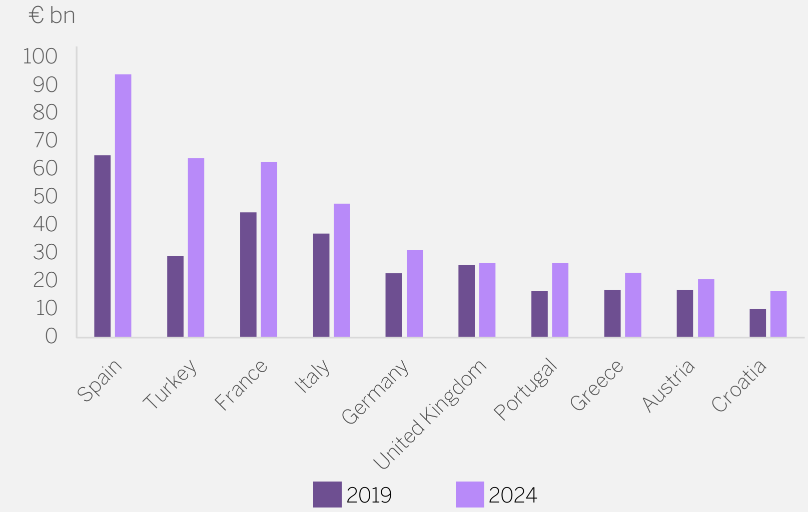
Source: Tourism Economics

Europe

Europe's three largest destinations for inbound leisure travel spending in 2024 are predicted to be Spain, Turkey, and France, with Turkey's ranking two places higher compared 2019. Portugal is also expected to move up the rankings, from ninth largest inbound leisure market in 2019 to the seventh largest in 2024.

Turkey & Portugal will become more prominent destinations and gain market share

Largest Inbound Leisure Markets: Europe (2024 vs. 2019)



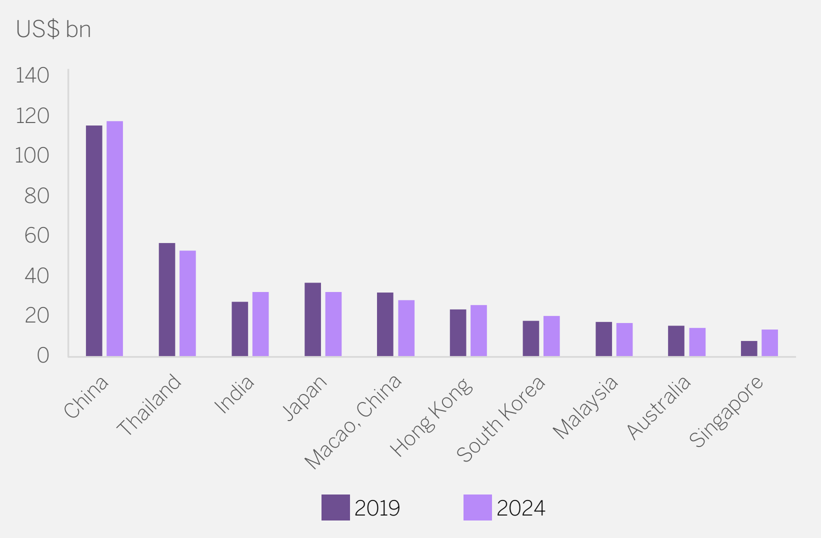
Note: Europe has been analysed in euro rather than US dollar terms
Source: Tourism Economics

Asia-Pacific

In 2019, China was the largest leisure destination in Asia-Pacific based on spending. In nominal dollar terms, demand in 2024 is expected to surpass 2019 spending. This is despite China's protracted return to normality with regards to travel restrictions. Within the region's top 10 (by size), India, Hong Kong, South Korea, and Singapore are the only other destinations expected to surpass 2019 levels in 2024 based on inbound leisure tourism spending.

India, South Korea and Singapore will lead regional recovery in 2024

Largest Inbound Leisure Markets: Asia-Pacific (2024 vs. 2019)



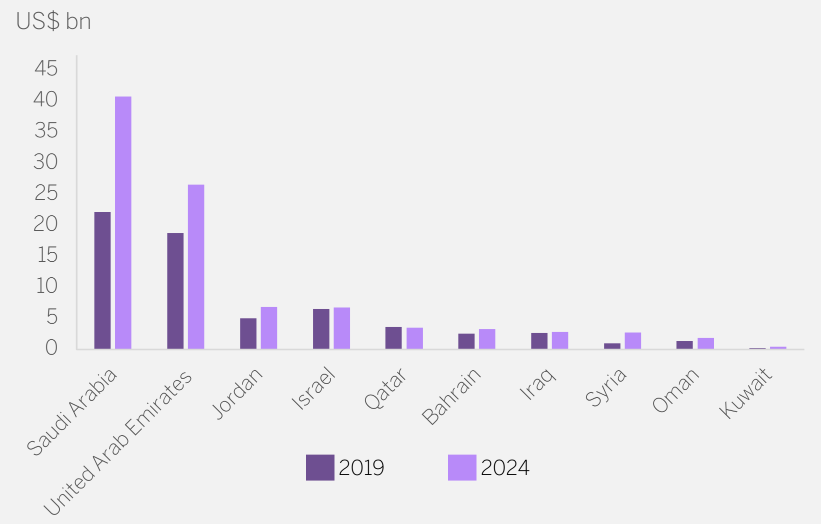
Source: Tourism Economics

Middle East

Saudi Arabia is expected to retain its position as the largest inbound leisure market based on spending with $40.7bn in 2024, up from $22.1bn in 2019. Continued strong growth is also expected in the United Arab Emirates as it continues to expand its tourism offering with the success of the 2020 World Expo in Dubai (hosted in 2021-22 due to the pandemic) demonstrating the destination's ability and desire to attract and host large-scale events of all types.

Saudi Arabia will lead growth due to new visa arrangements and continued capacity development

Largest Inbound Leisure Markets: Middle East (2024 vs. 2019)



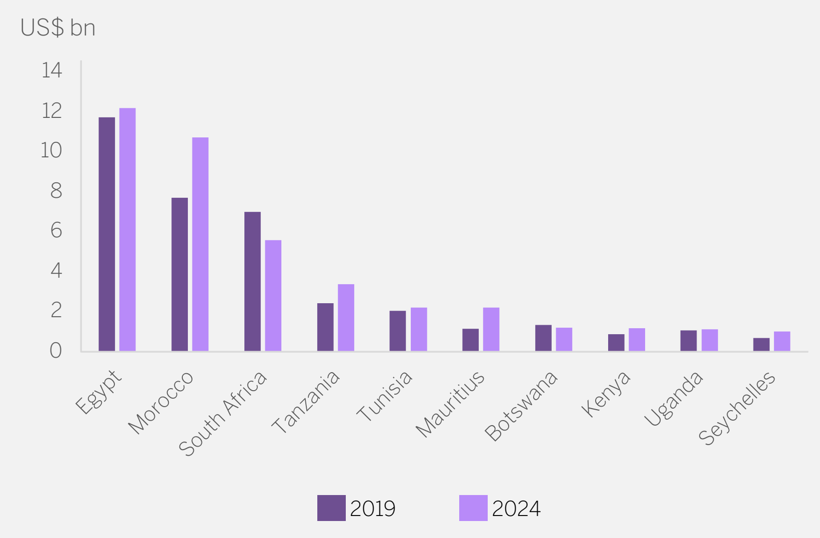
Source: Tourism Economics

Africa

Egypt was the largest destination in 2019 for inbound travel receipts, and this is expected to be true in 2024. Total inbound leisure spending is expected to return $12.2bn to the Egyptian tourism industry. Mauritius is anticipated to jump up the ranking table from seventh in 2019 to the sixth largest inbound market in Africa in 2024. This is consistent with the growing trend of luxury travel.

Mauritius will benefit from the growing trends in luxury travel

Largest Inbound Leisure Markets: Africa (2024 vs. 2019)



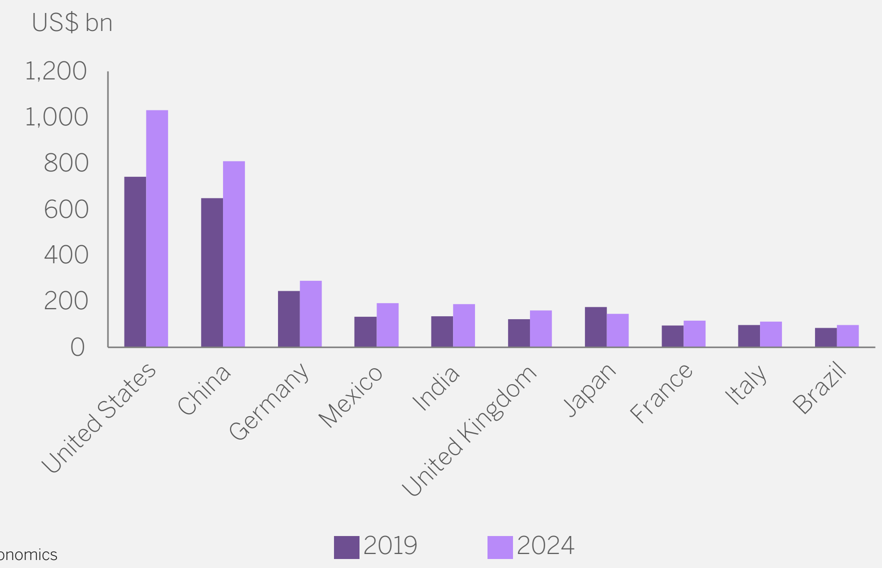
Source: Tourism Economics

Domestic tourism remains strong despite continued re-balancing

Globally, the United States is expected to have the largest domestic leisure travel market in 2024, as was also the case in 2019. China's domestic market is the second largest globally. While not sufficient to influence its place in the global rankings, the post-pandemic period was something of a boon for China's domestic travel market. Travel restrictions preventing almost all movement to and from China were active until the end of 2022, which forced Chinese travellers to holiday within China. This has precipitated a shift in traveller behaviour towards China's domestic offering, which in the pre-pandemic period was often overlooked for international destinations. This shift is likely to linger in the near term.

By virtue of its size, the United States is expected to be the biggest contributor to global domestic leisure travel demand when comparing performance in 2024 with 2019. Indeed, United States domestic spending growth should account for 29% of global domestic spending growth over that time. China will make the next largest contributions to global domestic demand with 16%. Beyond that, growth contributions by country drop dramatically for a broader base of contributors.

Domestic Leisure Travel Spend By Country (2024 vs. 2019)



Source: Tourism Economics

Contribution to global domestic leisure travel growth by destination

Countries accounting 5%+ of global growth

	2024-19	2024-23
United States	29%	16%
China	16%	48%
Mexico	6%	0%
India	5%	6%

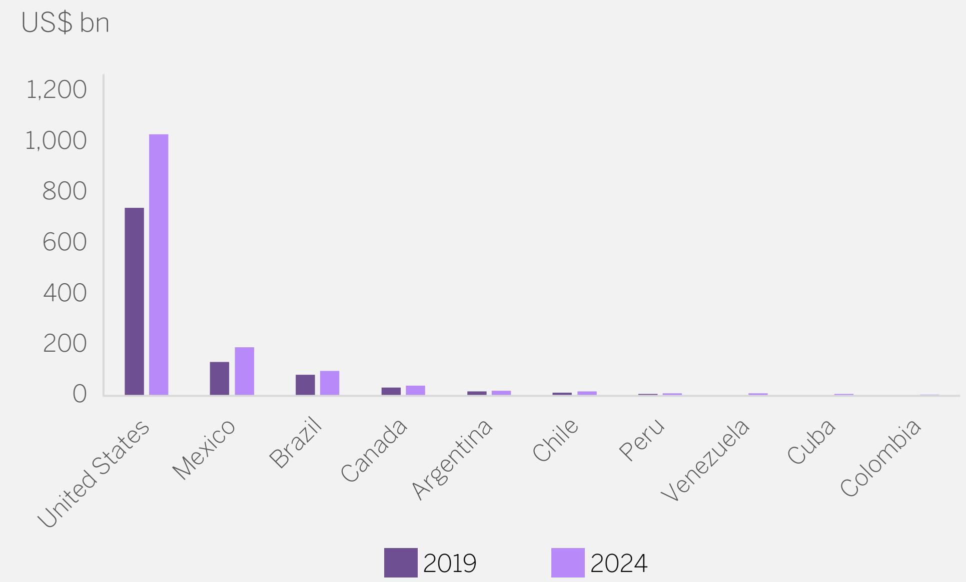
Source: Tourism Economics

Regional Domestic Outlook:

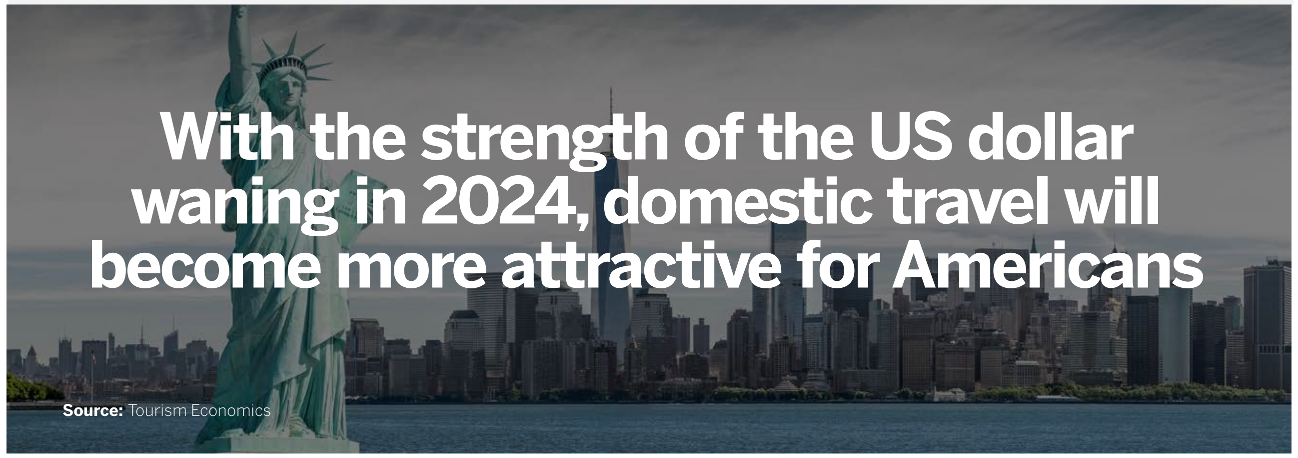
Americas

The entirety of the region's top 10 largest domestic leisure travel markets are expected to have fully regained and surpassed the levels of domestic leisure travel spend recorded in 2019. The United States was and remains the largest market in terms of spend, and by a significant margin. The relative of strength of the US dollar provided an impetus for US travellers to holiday abroad, but this strength is expected to wane into 2024, which will make domestic travel more attractive.

Largest Domestic Leisure Markets: Americas (2024 vs. 2019)



Source: Tourism Economics

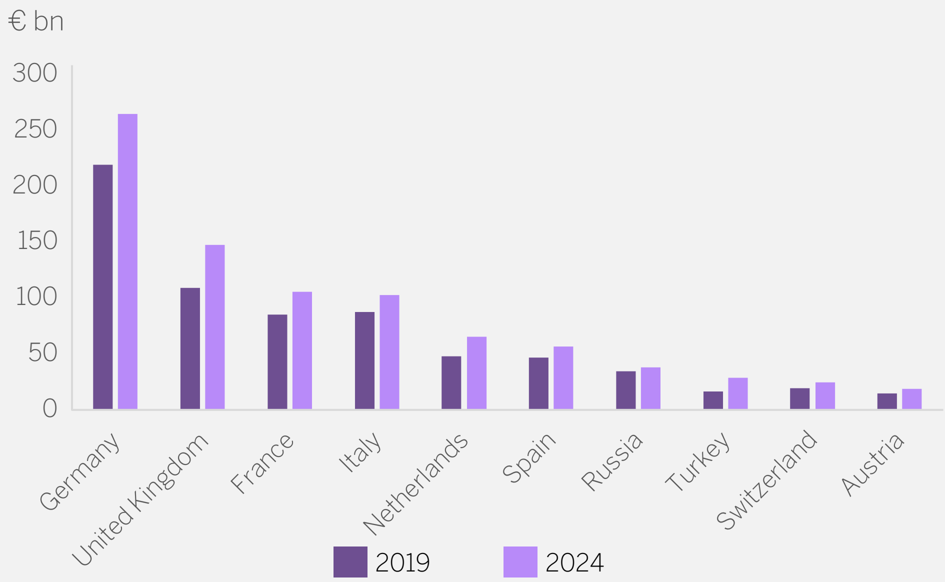


Europe

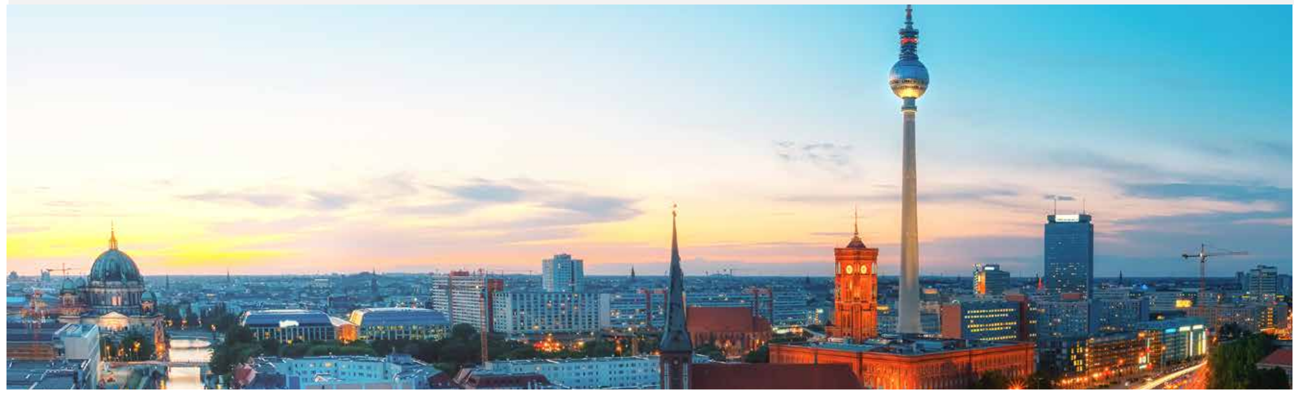
Europe's 10 largest domestic leisure travel markets are all expected to receive more domestic leisure spending in 2024 compared to 2019. Germany was Europe's largest domestic leisure travel market in 2019 with €220bn of leisure travel spend through domestic trips. It is expected to be in the same position by the end of 2024 with €265bn.

Largest Domestic Leisure Markets: Europe

(2024 vs. 2019)



Note: Europe has been analysed in euro rather than US dollar terms
Source: Tourism Economics

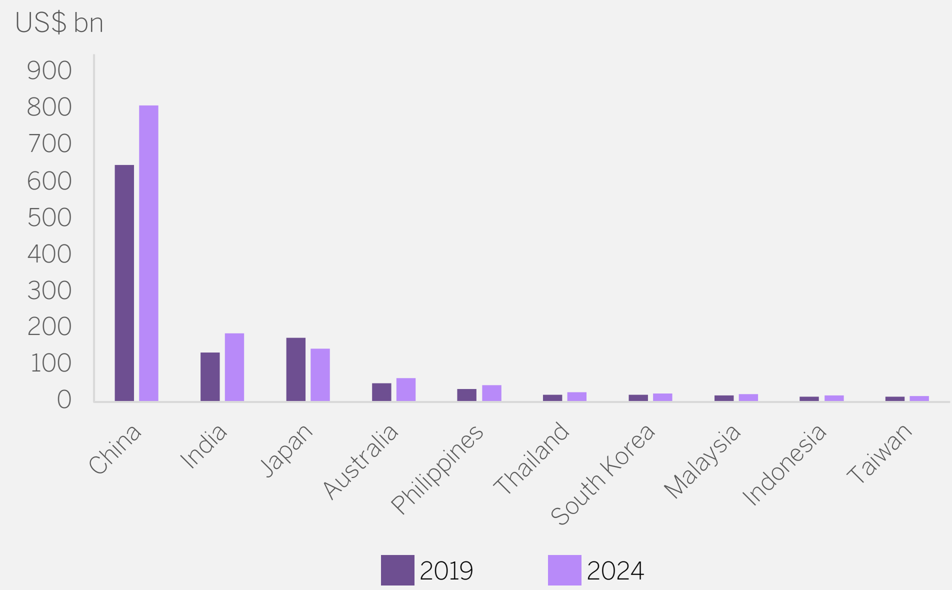


Asia-Pacific

China had the largest domestic leisure travel market in 2019 by a comfortable margin and is unlikely to be usurped in 2024 given the gulf between it and the region's next largest domestic leisure market, India. Much like in China, Indian travellers saw opportunities in domestic travel as a substitute for international holidays, with self-drive and regional trips increasing in popularity which led to a wider dispersion of tourism spend outside the popular destinations in India. This change in travel behaviour may linger in the near term at the expense of some outbound travel. Japan looks likely to be the region's only market where domestic leisure travel spend will remain below 2019 levels in 2024. This is reflective of the historical downward trend in domestic leisure and domestic travel demand more generally within Japan.

Largest Domestic Leisure Markets: Asia-Pacific

(2024 vs. 2019)



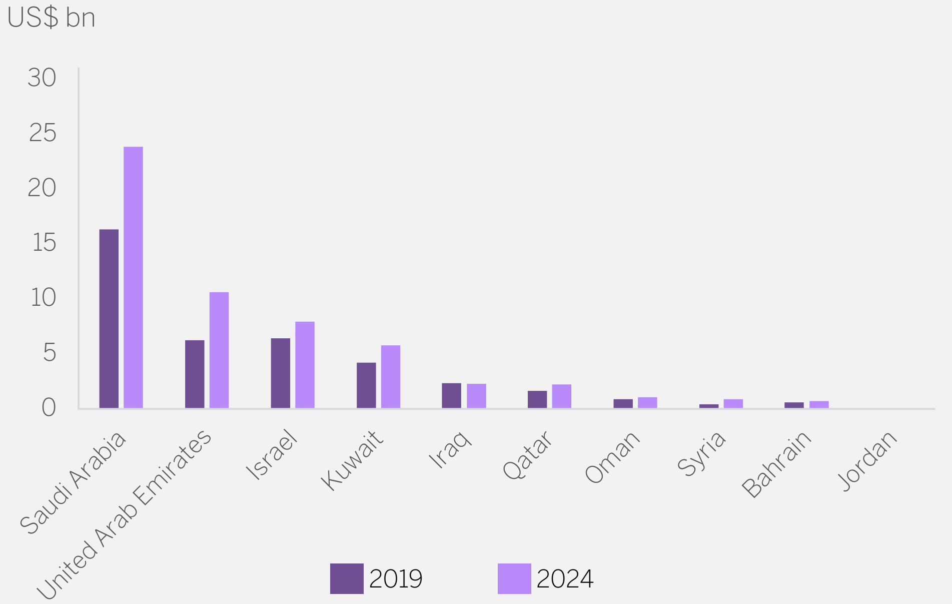
Source: Tourism Economics

Middle East

Saudi Arabia had the largest domestic travel market in 2019 based on spend and is expected to retain this position in 2024. With an ambitious strategy to grow its tourism market in the coming decades, Saudi Arabia has many tourism development initiatives coming to fruition which will represent an attractive alternative to short-haul international travel for its population.

Largest Domestic Leisure Markets: Middle East

(2024 vs. 2019)



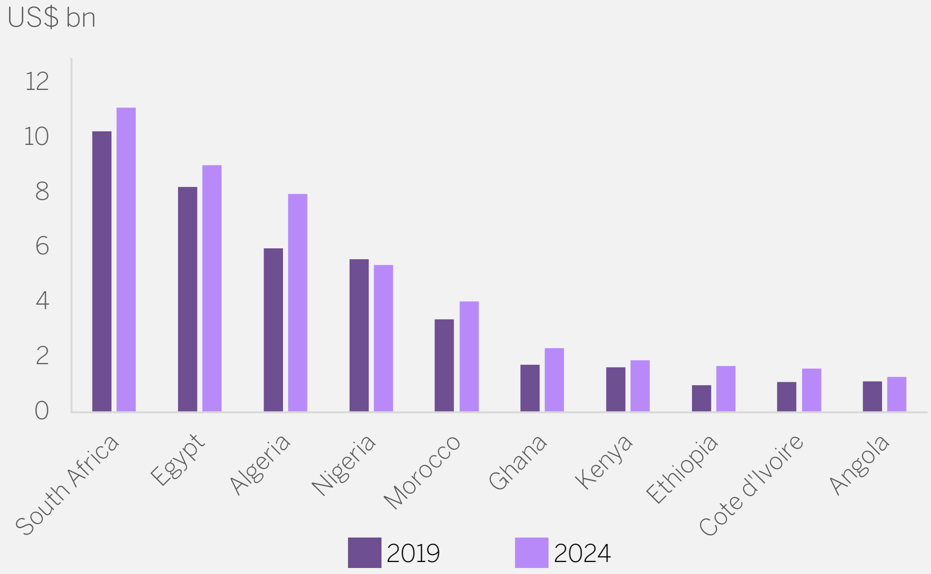
Source: Tourism Economics

Africa

All but one of Africa's 10 largest domestic leisure travel markets are likely to enjoy greater amounts of domestic travel spend in 2024 compared to 2019. The region's largest domestic leisure travel market in 2024 is expected to be South Africa, as was also the case in 2019. Ethiopia is expected to enter the top 10 as the eighth largest destination for domestic travel spend in 2024, up from 12th in 2019. In doing so, it will likely push Angola from eighth in 2019 to 10th in 2024, and Tunisia from 10th in 2019 to 11th in 2024. Only in Nigeria is domestic demand expected to remain below 2019 levels in 2024.

Largest Domestic Leisure Markets: Africa

(2024 vs. 2019)



Source: Tourism Economics

07. Risks & Opportunities

Where there are challenges, there are opportunities (and vice versa)

In many countries, tourism has faced persistent headwinds, recently due to the COVID-19 pandemic and latterly due to rising costs via inflation. However, despite the uncertain economic backdrop, the outlook is positive with many consumers demonstrating priority when it comes to spending on travel.

Further, many factors which have contributed to the success of global tourism will continue to contribute to the industry's future growth; economic growth in emerging markets and demographic and societal shifts remain areas of opportunity.

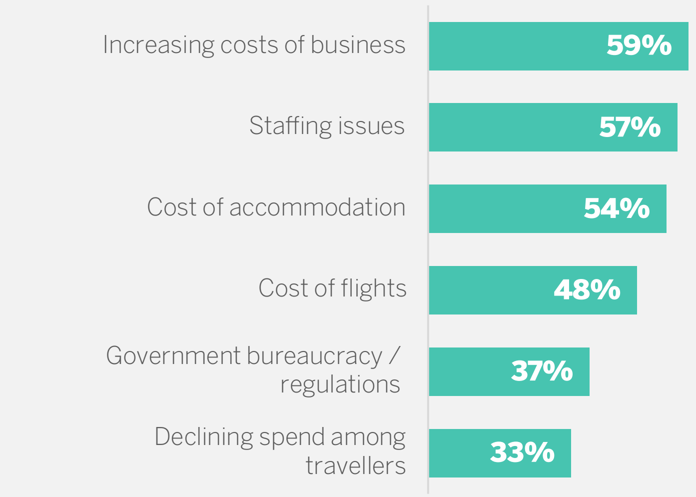
But economic challenges and global events which impact consumer confidence, as evidenced by the pandemic, represent risks to the outlook. Advances in technology, new consumer behaviour, and social and geo-political factors are among some of the risks and opportunities for tourism organisations across the world.

Challenges impacting the current tourism landscape

According to recent findings from Tourism Economics' Travel Industry Monitor, a quarterly survey among tourism professionals, the greatest challenge currently is increased operational costs, mentioned by 59% in the survey.

Staffing is one of the biggest issues. Housing is so expensive in touristic areas so it is very difficult to move there just for the season.

Tourism Risks: Top 6



Note: % of respondents
Question: Which, if any, of the following are currently tourism barriers or challenges?
Source: Tourism Economics: Travel Industry Monitor, Q3 2023

Operating costs have increased to 55% of turnover - the highest since 2007

Source: UKHospitality, 2021/22

Another major challenge in the industry is staffing, including issues across hiring and retaining staff. Qualitative data from Tourism Economics' Travel Industry Monitor sheds a light on these issues and how they are affecting destinations:

Staffing in hospitality has suffered based on demographic trends and pandemic challenges.

As shown in the adjacent, recent studies have identified staff hiring and retaining issues in the US hospitality industry, which is likely reflective of a broader global trend.

Mentioned by around half of respondents, negative impacts due to more costly accommodation and air travel were considered the third and fourth biggest threats based on Tourism Economics' recent survey. These results underline the damage caused by high inflation and its effect on the industry.

There is ample evidence to suggest that higher prices deter travel demand. In 2022, YouGov's Global Travel Profiles survey identified cost hikes as the greatest barrier to travel, usurping COVID-19. Similarly, SiteMinder's recent Changing Traveller Report, regarded as the world's largest consumer research on hotels, found that most consumers are impacted by increased costs, especially younger travellers.

"Prices will have no impact on my choice of accommodation."

% agree

Average:	**20%**
Gen Z (18-26):	**10%**
Millennials (27-42):	**19%**
Gen X (43-58):	**18%**
Baby Boomers (59-77):	**32%**

Source: SiteMinder, 2023

From 2024 day-trippers visiting Venice will be
charged €5
to tackle over-tourism. In addition, a ticketing system will be introduced to limit visitor numbers

"Revenge travel", a current trend as consumers catch-up on travel after COVID-19, has likely mitigated the impact of high costs on consumer behaviour so far; but it remains to be seen how higher prices will continue to impact travellers' choices going forward.

Government regulations and policies were also considered a major threat in the Tourism Economics' survey, mentioned by nearly 40% of respondents.

Visa regulations can particularly influence travel flows and affect tourism receipts.

Saudi Arabia has recently altered their visa structure making it easier for travellers to visit, especially those from nearby countries. This initiative forms part of their strategy to welcome 150 million visitors a year by 2030.

Meanwhile, some governments are increasingly focusing on sustainability initiatives to help meet their Net Zero commitments. In 2023, France became the first European nation to ban short-haul domestic flights. This is just one policy among others in aviation which are already impacting travel flows. More regulations could have broader implications for the travel ecosystem as too could legislative changes such as tourism taxes and increased regulation of short-term rentals.

Opportunity awaits

Global tourism continues to rebound strongly despite risks and challenges facing the industry. By the end of 2023, Tourism Economics predicts that global outbound trips will exceed 1.25 billion, which is over 85% of the peak level achieved in 2019.

There are many exciting possibilities against a backdrop of growing demand. This includes growth opportunities by tackling existing challenges such as expanded use of technology to address staffing shortages. Similarly, while sustainability may be perceived as a threat by some, it offers organisations an opportunity to innovate and re-engineer services and, in doing so, drive-up revenue. The prize was summarised in the following way by one respondent in the latest Tourism Economics survey:

The opportunity is to have a better price to quality ratio than currently. Sustainability is more and more important.

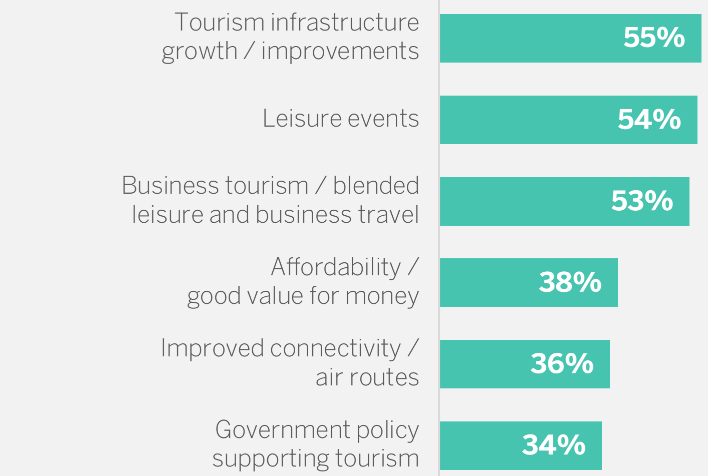
The biggest opportunities for destinations currently are new catalysts of demand such as tourism product or infrastructure investments and events, mentioned by over 50% of respondents.

The recent launch of Southeast Asia's first bullet train, WHOOSH, in Indonesia is an example of infrastructure expansion which can support tourism growth. The 86-mile (138-kilometer) high-speed rail line creates better connections between Jakarta and Bandung, a major arts and culture destination.

We're focused on more sporting events, bringing new experiences to our destination and unique hotels.

Source: Quote from respondent in Tourism Economics latest Travel Industry Monitor Survey

Tourism Opportunities: Top 6



Note: % of respondents
Question: Which, if any, of the following are opportunities for tourism growth over the next few years?
Source: Tourism Economics: Travel Industry Monitor, Q3 2023

While the pandemic had a devasting impact on the events sector, demand to reconnect with others in social and cultural settings appears as strong as ever. This is an opportunity.

In 2023, the world-renowned Edinburgh Festival achieved impressive ticket sales of circa 2.5 million. Although this was below pre-pandemic times, the successful festival programme, which brought over 3,500 shows to Scotland's capital in August, demonstrates the economic value and opportunity of leisure events today.

Major cultural, sporting and music events have rebounded strongly in recent years, including EXPO Dubai, Lollapalooza, and the FIFA World Cup Qatar 2022, among many other. Increased consumer demand for unique, memorable experiences presents opportunities for tourism destinations and organisations.

Shifts in business working practices offer new openings for tourism in the post-pandemic era. "Bleisure", blended business and leisure travel, among other business travel trends such as "workcations" was highlighted as the third biggest opportunity, stated by 53% of respondents to Tourism Economics' latest survey.

Many organisations and destinations have repositioned themselves to effectively embrace this trend as individuals enjoy greater workplace flexibility now compared to pre-pandemic. For example, some Caribbean Islands, including Aruba, positioned themselves as an ideal work from home location during 2020 and that trend has continued.

£2.5 mn

Edinburgh Festival tickets sold with 500 performers and over 3,500 shows

Source: Theatre Weekly, 2023

Major cultural, sporting and music events have rebounded strongly in recent years, including EXPO Dubai, Lollapalooza, and the FIFA World Cup Qatar 2022

Highlighting the extent of the opportunity to attract business travellers which generates new leisure demand, an AHLA survey in 2022 found that 89% of participants wanted to include some vacation time to their next corporate trip.

Offering more affordable and better value for money services and experiences was identified as another important strategic opportunity, mentioned by nearly 40% of respondents in the Tourism Economics research. This could include uncoupling services to give consumers greater choice and, in doing so, creating more upsell opportunities. Airlines have been successfully practicing this technique for many years. Priority boarding and additional baggage fees are good examples of how to grow ancillary revenue while maintaining competitive.

At a time when consumers continue to spend more on tourism experiences, offering high quality personalised services which represent good value for money are likely to generate increased loyalty going forward.

Increased personalisation is itself an area of focus and opportunity in the industry. A recent Mastercard-sponsored Harvard Business Review report found that more than half of businesses consider customer personalization as an important way to increase revenue and profits.

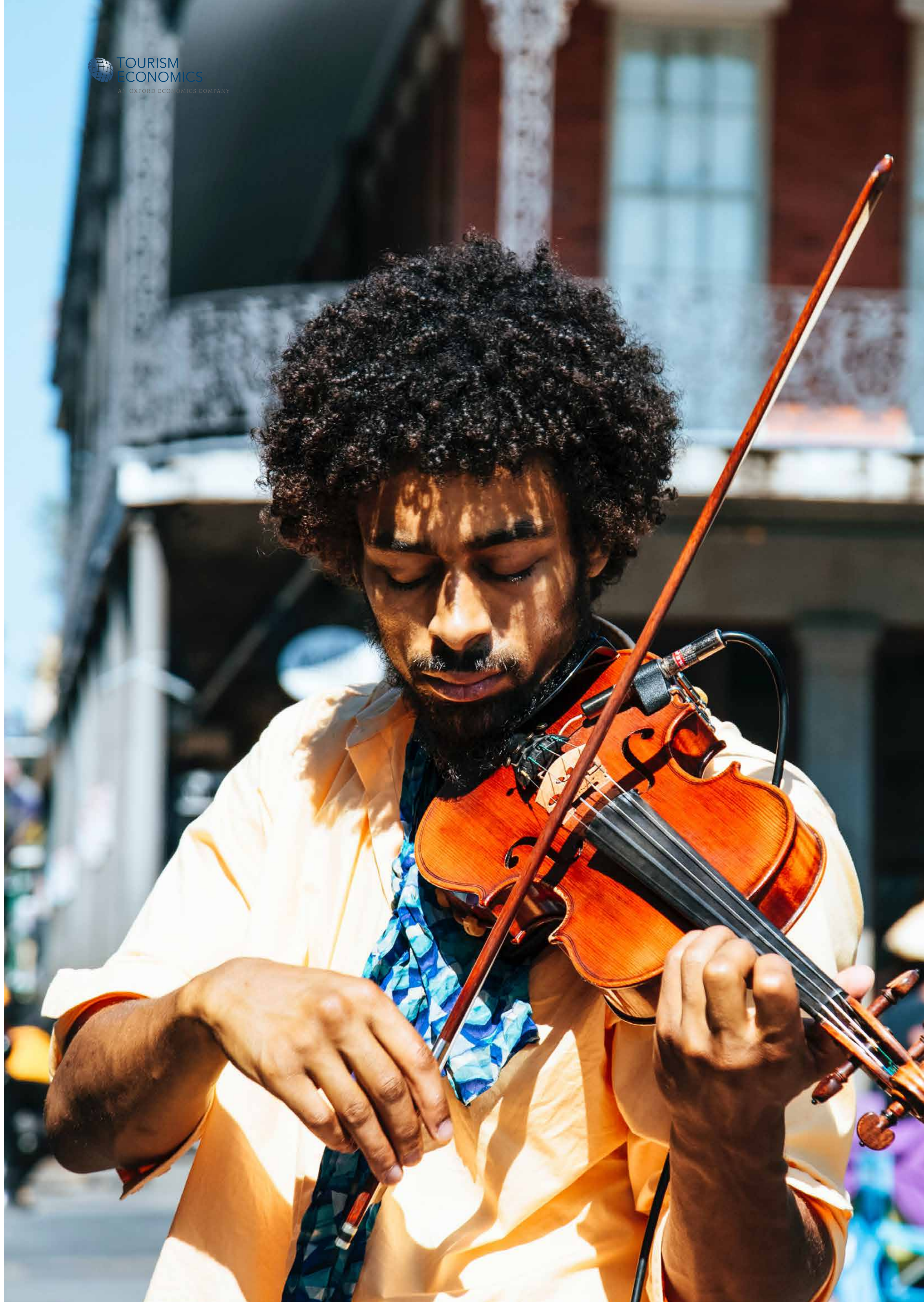
89%
of corporate travellers want to include some leisure component in their next trip

Source: AHLA, 2022

In 2022, ancillary revenues were estimated to account for
15%
of total airline revenues compared to 6% in 2012

Source: Ideaworks and CarTrawler data, 2022

Tailoring services to individual customers and giving them greater choice and control is at the heart of increased personalisation in travel



08. 2033 Outlook

Long run outlook remains robust

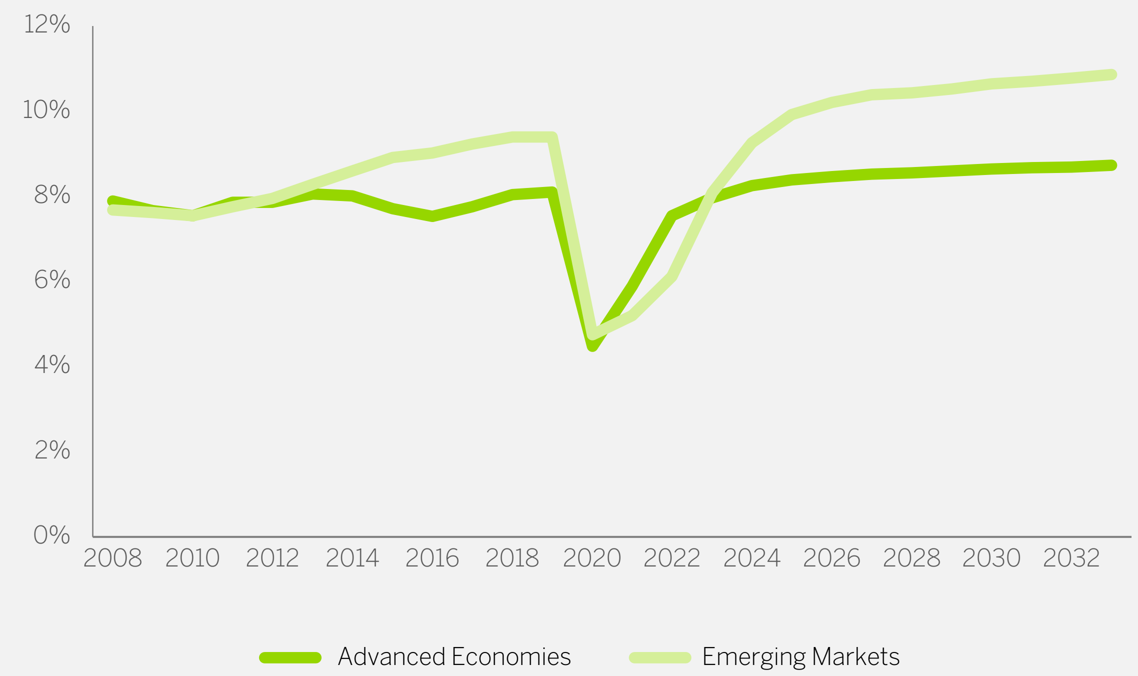
Leisure travel was the driving force for the industry in the ten years prior to the pandemic and it is expected to remain the most dynamic travel segment over the next ten years. It is set to continue outperforming wider consumer spending as individuals prioritise travel experiences and new "travelling class" households emerge over the next decade. As a result, leisure travel spend is expected to outpace total tourism spend by a comparable premium to that of the years prior to the pandemic.

Total leisure travel represented around 8.5% of all consumer spending at the start of the last decade rising to 9.5% by 2019. This is set to rise to 10.5% by 2033. The share of spending on international travel is smaller but is still set to continue rising.

Leisure travel spending growth outpaced wider economic activity before the pandemic. International leisure travel spend grew at roughly double the pace of GDP in the ten years to 2019 but a lower growth premium (of under 50%) is expected in the coming decade as key markets mature and there will be less benefit from price discounting. However, this growth still means large incremental volumes of new travel activity.

By 2033 leisure travel spending is expected to be more than double 2019 levels

Leisure Travel Share of Consumer Spending



Source: Tourism Economics

New travel households in 2033

Increased spending on travel is most evident among Asia-Pacific markets which is linked to rising incomes and an increase in middle-class households, and especially within China.

Striking population growth is expected in India over the coming decade while the Chinese population has likely peaked. However, average incomes remain significantly higher in China which, with expected income growth, means that over 60 million more households are expected to earn enough to be able to afford travel by 2033.

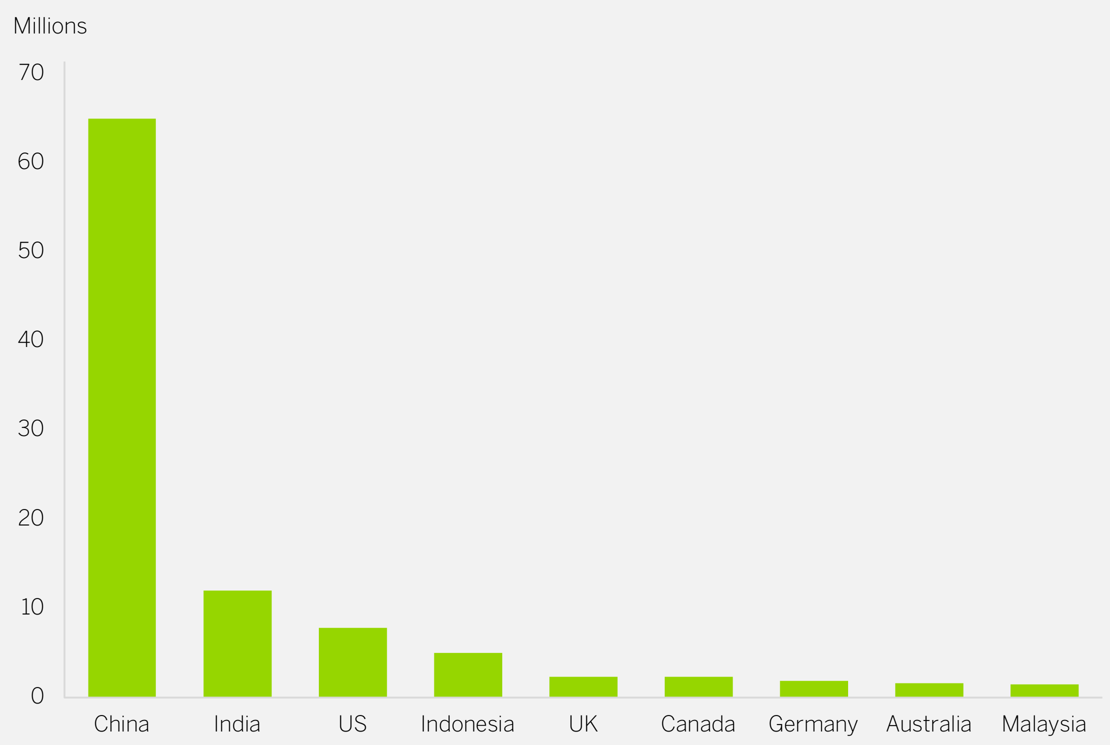
For India and other emerging markets this figure is much lower.

Despite more stable demographics, income growth in several large, developed countries will lead to a growth in the number of households able to afford travel over the next 10 years. Notably in the United States where there will be an additional 8 million households able to afford travel. Within this total there is a skew towards higher earners and a likely continuation of demand for more luxury travel.

Anticipated growth in the middleclass travel population of India, Indonesia, and other emerging markets will be faster in percentage terms than for China (Compound Annual Growth Rates of 13% and 10% compared with 8%, respectively).

Growth in Households Able to Afford to Travel

(Selected Countries, 2024 vs. 2033)



Note: Threshold is defined as households with income of $35,000 in 2015 constant prices. This is regarded as a sufficient income to afford to travel.
Source: Tourism Economics

2033: Key outbound leisure markets

The largest leisure source markets are expected to remain largely unchanged in the coming years, but growth rates will differ significantly according to relative income and consumer spending growth.

Unsurprisingly, Chinese growth is expected to outpace other large markets and, in doing so, increase its importance for most destinations due to the large growth in households able to afford travel. There is potential for China to become double the size of the United States as a source market in terms of spending.

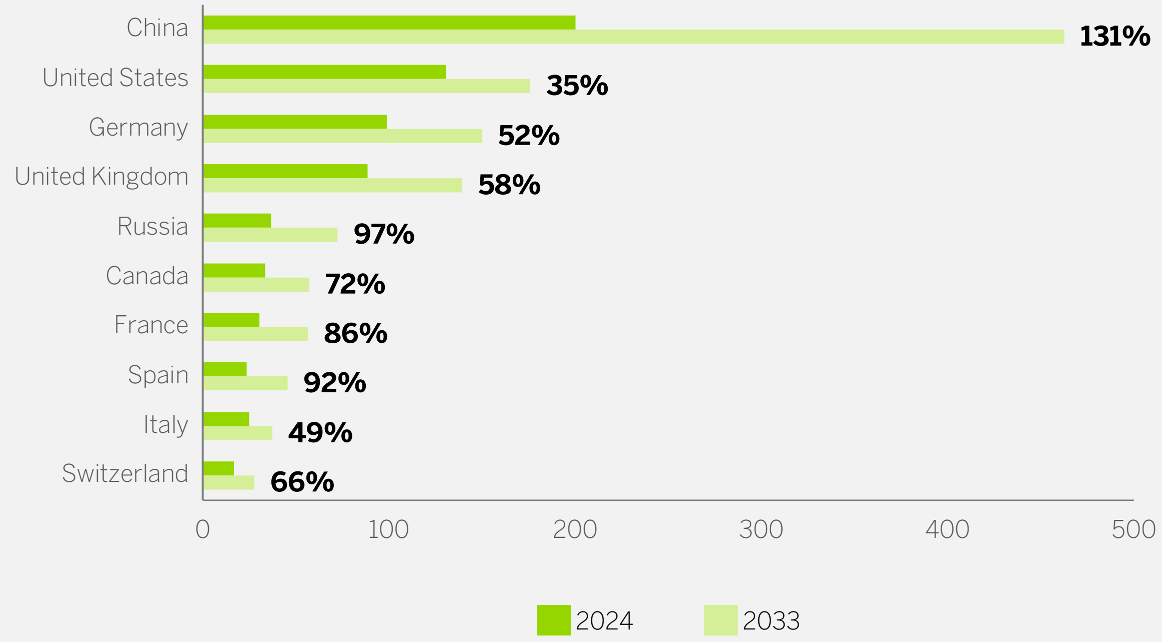
However, this growth is dependent upon necessary connectivity and infrastructure developments while domestic Chinese developments may increase competition and encourage even more to holiday within national borders.

Chinese growth will outpace other large markets and will consequently become more important for many destinations. Depending on its growth trajectory and other factors, including connectivity, as a source market China may become twice the size of the United States by 2033.

Chinese outbound spending will outpace other major markets - it may become twice the size of US demand

Outbound Spending & Growth

(Selected Countries, 2024 vs. 2033)



Note: Amounts in US$ billion / % denote change 2033 vs. 2024
Source: Tourism Economics

Largest leisure destinations

The largest leisure destination, in terms of spending, will remain China (which should regain the top position in 2024). This ranking differs in terms of visits, but the higher length of stay and spend per visit in China will ensure it receives the highest value of leisure spending.

China, United States, Spain, Thailand and Turkey are expected to be the top 5 destination markets by 2033 in terms of visitor spend.

China will benefit from the increased connectivity added to facilitate rapidly growing outbound demand. This capacity can also serve international inbound travel, while new capacity and attractions developed for the domestic market will also attract foreign visitors.

Within China, the strongest percentage growth in outbound spending is expected to be from Chongqing. However, in absolute terms the greatest growth is expected to be from Shanghai, followed by Beijing and Harbin.

Thailand will continue to attract visitors from a wide range of source markets, including from elsewhere in Asia-Pacific and longer haul markets. It is forecast to overtake France and Turkey to become the fourth largest leisure destination in terms of visitor spend. Bangkok is also set to become one of the largest destination cities worldwide.

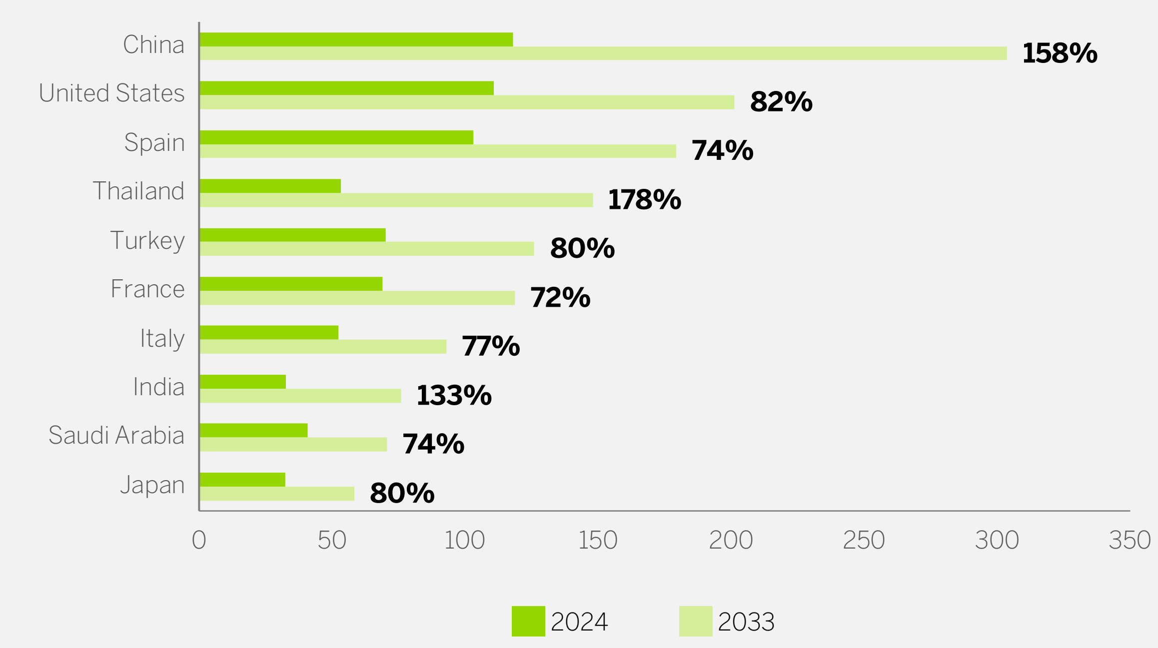
Japan should also further benefit from the growth in Chinese demand, as well as from elsewhere in Asia-Pacific, while Saudi Arabia will reap the rewards of its heavy investment programme in tourism.

The United States will remain an important destination and will outpace some European destinations as affordability improves with a return to more typical, weaker dollar exchange rates.

Some of the fastest growing source markets will still remain relatively small. These will deliver significant incremental volume and value for a range of destinations but will be dwarfed by many established markets even despite the slower expected growth.

Inbound Spending & Growth

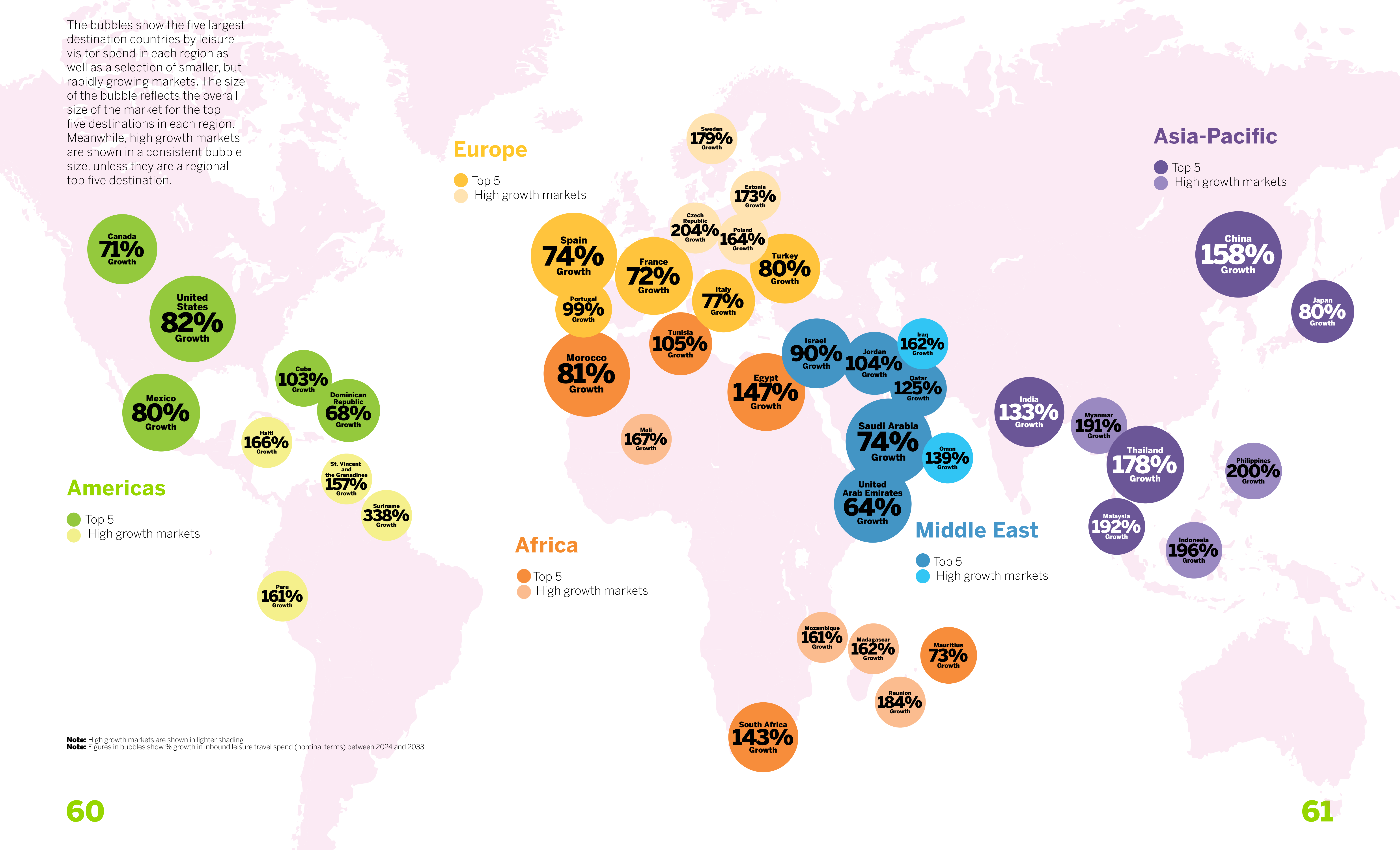
(Top 10 Destination Markets, 2024 vs. 2033)



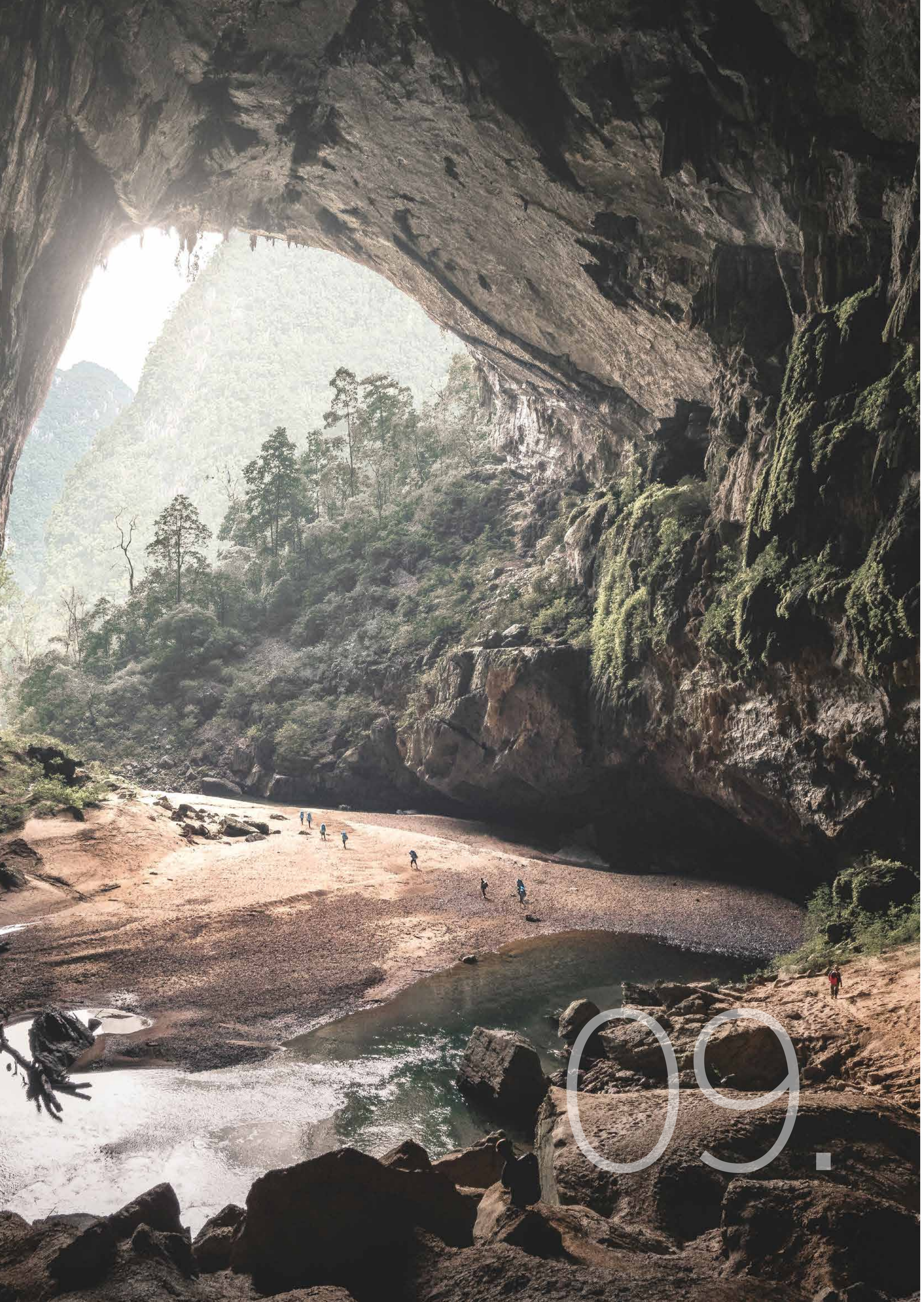
Note: Amounts in US$ billion / % denote change 2033 vs. 2024
Source: Tourism Economics

Top leisure destinations by region, 2033

The bubbles show the five largest destination countries by leisure visitor spend in each region as well as a selection of smaller, but rapidly growing markets. The size of the bubble reflects the overall size of the market for the top five destinations in each region. Meanwhile, high growth markets are shown in a consistent bubble size, unless they are a regional top five destination.



Note: High growth markets are shown in lighter shading
Note: Figures in bubbles show % growth in inbound leisure travel spend (nominal terms) between 2024 and 2033



09. Evolving Leisure Travel Preferences

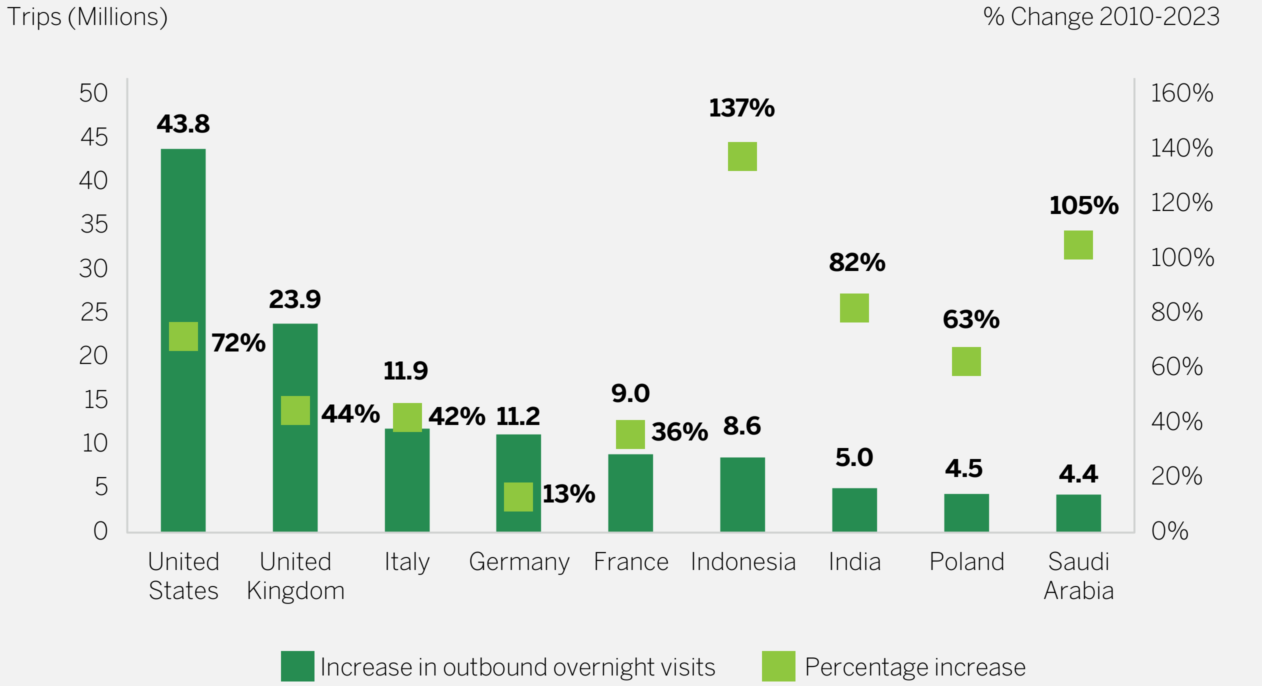
Macroeconomic conditions, demographic dynamics, and government action will mould tourism patterns in the years ahead and reshape new leisure travel preferences. The behaviour of modern, evolving consumers and the responses of industry will also play an important role in determining the direction of travel in the longer term.

Emerging market growth

Some emerging economies have enjoyed significantly stronger growth in outbound tourism compared to more developed economies. Outbound travel from Indonesia more than doubled between 2010 and 2023, compared to growth of 36% in outbound from France. Prior to the COVID-19 pandemic, China was expected to be a significant source of outbound travel demand, but its delayed reopening relative to most other countries means that it has not yet recovered its 2010 levels of outbound travel.

Transformation of the global tourism market is being driven by an increased share of those in emerging markets being able to afford to travel. Tourism Economics expect outbound travel demand growth from these emerging markets to continue throughout the forecast period. As it does, this change in composition will yield different travel preferences; new, younger travellers will have distinct preferences, and different cultural preferences will be reflected through the evolution of source market mix.

Outbound Overnight Travel: (Selected Countries, 2010-2023)



Source: Tourism Economics

An increasing number of households in China will enter the "travelling class", wherein household income is sufficient to afford discretionary spend on leisure travel. The "travelling class" in China is expected to nearly double over the next 10 years. However, this represents only a very small portion of Chinese citizens (2.3%) which highlights huge potential for future growth. Similar growth opportunities exist also within India and Indonesia, to name just a few.

Compositional changes within the makeup of the global outbound travel market will also yield a shift in traveller preferences. For example, an expansion of Indonesia's "travelling class" will lead to an increase in religious tourism. There is already a clear propensity for religious tourism within Indonesia's current cohort of outbound travellers, with vast numbers making the Islamic pilgrimage to Mecca, and future growth in its "travelling class" will likely gravitate towards similar behaviour.

However, in some cases the experience of the COVID-19 pandemic may have altered traveller preferences permanently. Traditionally, Chinese travellers have favoured destinations with a strong retail offer, but the Chinese experience of the pandemic may have altered tastes towards more nature based tourism.

Aging in the advanced economies and China

Nearly all economies age as birth rates fall and healthcare improves. However, advanced economies already have a high proportion of their populations aged 65 or over. In many economies, thanks to pension systems, these older people are relatively affluent.

China already has a relatively high share of its population in older age cohorts largely because of its 'one child' policy. While there are relatively high rates of poverty among China's elderly at present, this is expected to diminish over time.

Traveller age has implications for the types of leisure holiday activities which are sought. For example, while not exclusively true of the older travelling population, cruise travellers tend to be from the upper age bands of the population. As the travelling population ages, it could be inferred that the demand for cruise travel will increase proportional to this.

Staycations and 'non-urban' destinations

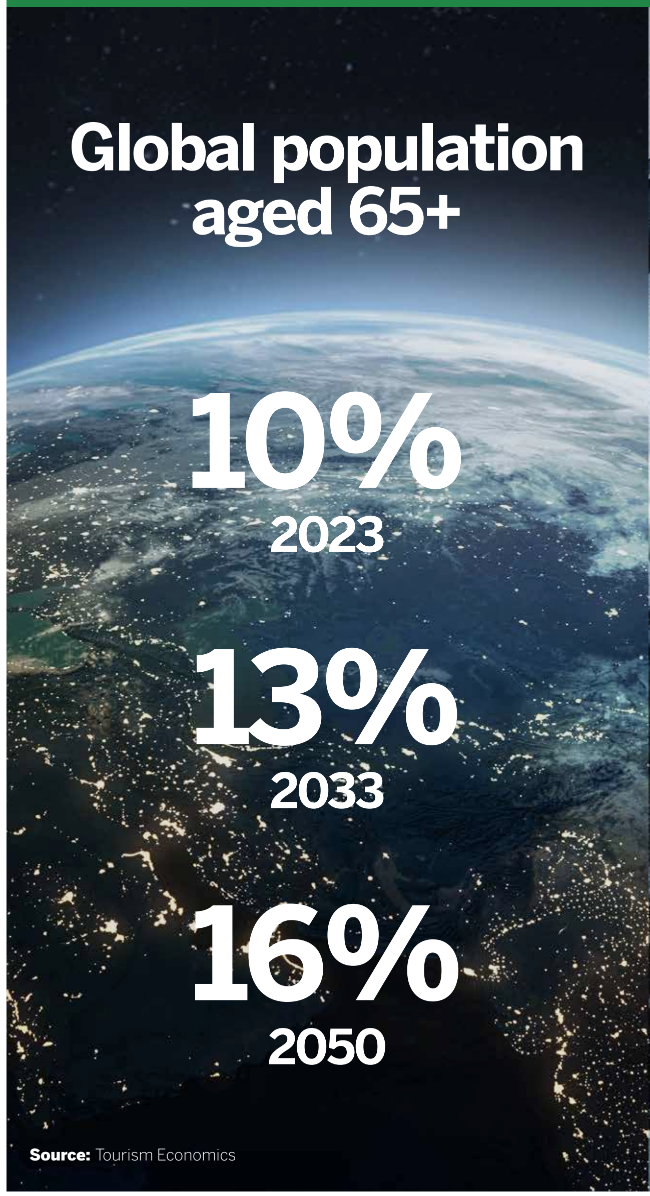
During the pandemic, two trends were apparent. First, domestic travel was substituted for international travel (mainly due travel restrictions which were prohibitive to international travel). However, this trend has lingered with domestic travel's share of total travel demand still elevated today relative to the pre-pandemic trend. While international travel is re-establishing its share, domestic tourism will continue to appeal.

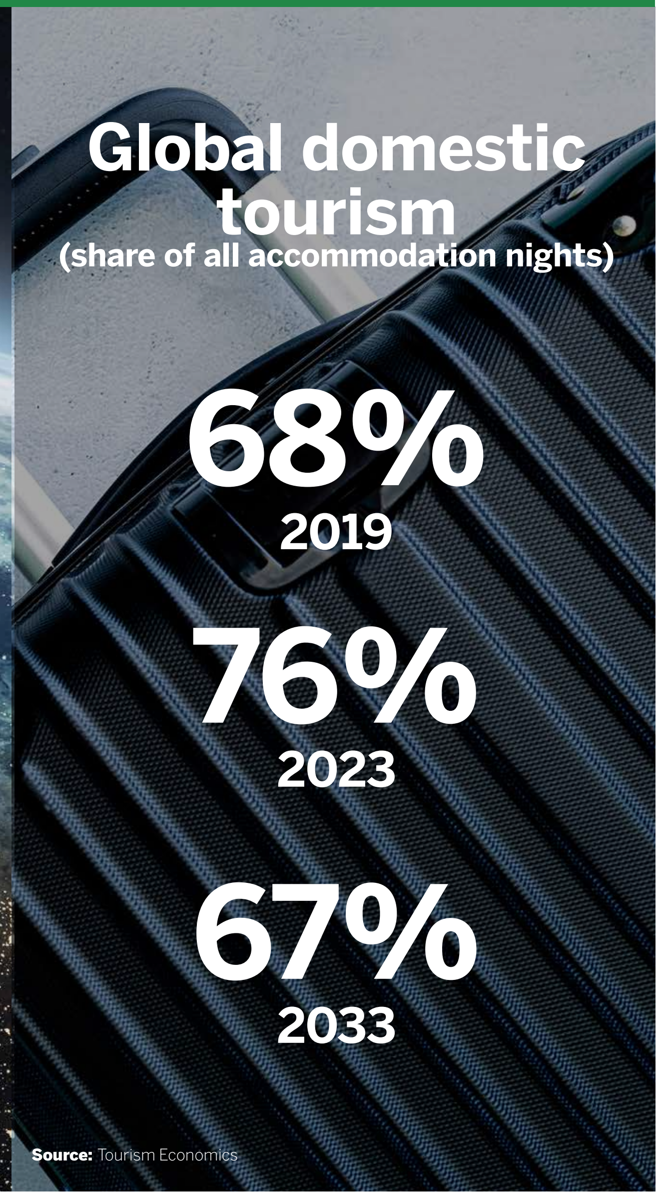
Another enduring trend of the pandemic has been the shift toward 'non-urban' destinations. Initially, this was largely driven by the wish to avoid densely populated areas (seen as higher risk zones for COVID-19). However, it also offered an expanded range of options within destinations for travellers, and the quest for authentic experiences and biophilia (interest in engaging with nature) has sustained this. Nonetheless, urban destinations still remain relevant due to better connectivity and cultural appeal.

The "travelling class" in China is expected to nearly double over the next 10 years

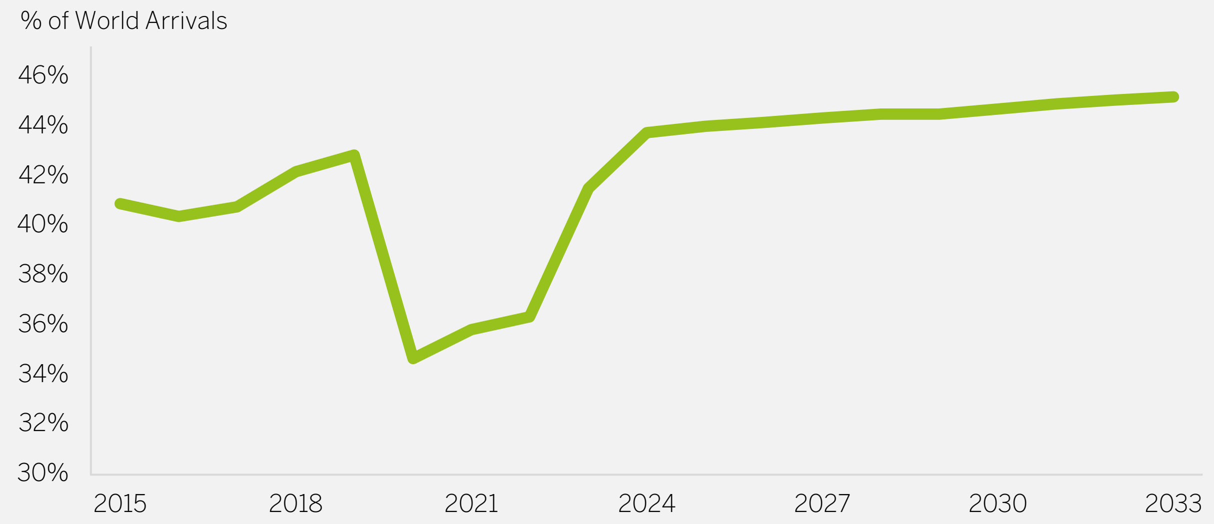
India: 205%
Indonesia: 128%
China: 95%

Source: Tourism Economics





Large City Share of Global Arrivals



Source: Tourism Economics

Part of the future course of travel will rest on individual government policies and responses. To a certain extent, this has always been the case. For example, countries which have scrapped visas entirely (for a selection of countries deemed desirable) or simplified the pre-existing regime through 'visas on arrival' or 'e-visas' schemes, have tended to see visitor arrivals increase.

On the other hand, government policy is increasingly being steered by sustainability issues, Net Zero commitments, and efforts to avoid 'overtourism'.

Individual governments and municipal authorities may have to make difficult decisions on environmental and sustainability grounds. For example, Thailand closed Maya Beach after it sustained significant environmental damage following daily visits of up to 5,000 tourists.

The challenge for destinations comes in addressing these issues while simultaneously mitigating damage to the tourism economy. Decisions need to be targeted to maximise effectiveness while minimising damage to the wider industry.

Sustainability impact on consumers

The decisions of individuals on matters of sustainability will also greatly influence the industry. Consumers may develop different attitudes regarding where, how, and when they should travel. Perhaps influenced by both government actions and new social norms, this could mean fewer but potentially longer long-haul trips, and more local, short-haul trips. It could also lead to growth in transformative travel itineraries, as individuals who are increasingly aware of social and environmental issues, opt to give back and achieve more when travelling. Growing demand for volunteering, learning new skills, and interacting with local communities are examples of how this could manifest.

Slow travel, which involves undertaking longer but potentially fewer trips, may also become an increasingly popular trend. According to EHL Insights, slow tourism is forecasted to continue growing in popularity, becoming an alternative to more traditional holidays with an estimated 10% compound annual growth rate.

Experiential travel

A trend which looks set to grow in prominence is increasing demand for unique, authentic, and personalised experiences, with experiential tourism (immersing in new environments and cultures while undertaking travel) included within that category.

Social listening data curated by Mabrian in 2023 revealed that experiential activities such as wellness, nature, and food tourism increased by over 10% compared with 2019. Meanwhile, traditional activities such as sunbathing were less important in travellers' motivations compared with 2019.

As individuals crave more opportunities to reconnect and disconnect from devices in an increasingly digital world, more meaningful in-person experiences are fast becoming the raison d'etre for travel.

According to Skift Research from U.S. Census Bureau and Statistics, digital media usage soared by over 40% between 2016 and 2021, reaching over 50 hours per week. Conversely, quality time spent with friends fell by over 50% during the same period to under 3 hours per week in 2021. In an increasingly digital world, opportunities to reconnect with people and in-person experiences could serve a more important need for modern consumers.

Developments in tourism products and infrastructure

New tourism investments and developments present significant opportunities for growth today and in the future. Germany's heavily subsidised rail travel programme in summer 2022 helped drive tourism demand in regional destinations with train journeys longer than 30 kilometres almost doubling to rural areas during the scheme.

Later this year the Grand Egyptian Museum (GEM) is due to open near the Giza pyramids. The museum, one of the world's largest, will house spectacular exhibits, including the entire Tutankhamun collection. It is expected to become a major economic driver of tourism.

Bold, creative, and ambitious new tourism offerings are likely to remain highly relevant in the future as consumers seek out new experiences. Construction has recently resumed on the world's tallest skyscraper project in Jeddah, Saudi Arabia. This along with several other high-profile developments in Saudi Arabia are expected to drive tourism demand to the Kingdom in the years ahead.

Slow Travel Trend:
Go less frequently and stay longer

Climate change

Climate change may play a more direct role in the holiday choices of consumers in the future as extreme weather becomes more common and parts of the world heat up at different rates. This is already influencing travel patterns after successive hot European summers. As weather extremes become more likely in the future, traditional choices regarding timings and locations for holidays are likely to shift also.

In 2023, data from the European Travel Commission (ETC) found that the popularity of Mediterranean destinations dropped by 10% compared with 2022 which was influenced at least in part by perceptions of weather.

Out with the old, in with the new

Where does the "old new" stop and the "truly new" begin? Does this mean a boon in the future for unimagined and currently out of grasp experiences such as space travel and deep-sea exploration? It remains to be seen how much technological advancements will allow the industry to move into new verticals. One thing is clear, demand for unique, unparalleled experiences is unlikely to ebb.

According to Mastercard Economics Institute, Travel Industry Trends 2023 report, travellers are increasingly seeking unique experiences in destinations across the world with spending on experiences up 65% compared to 2019 as of March 2023.

This could generate new opportunities for virtual and augmented reality as physical experiences are enhanced by technology. It could also spark new demand as consumers look for more help and guidance to craft more meaningful and personalised trips.

A recent survey conducted by American Society of Travel Advisors (ASTA) revealed that propensity to use travel advisors has increased with 50% of consumers were more likely to use a travel advisor compared with 2019. As consumers place greater emphasis and importance on travel, there may be greater interest in services to help individuals maximise their holiday time.

In 2023, experiential activities such as wellness, nature and food tourism increased by over

10%

compared with 2019

Source: Mabrian, 2023

Travel industry responses

How industry responds to changing government policies and consumer behaviour will also influence the direction of tourism. Increased storytelling and translating values which connect with consumers may help to increase relevancy and appeal as consumers increasingly seek more crafted and authentic experiences.

This trend has facilitated the rapid expansion of soft brand hotels over the last decade or so which has allowed global hotel brands to expand their footprint while diversifying their portfolio to include more independently run hotels with distinctive characteristics and values. Marriott's Autograph Collection and Curio Collection by Hilton are two well-known examples of soft brands.

Enhancements in travel infrastructure and connectivity, including high-speed trains, more efficient aircrafts enabling reduced transits, and technological improvements which reduce barriers making travel more seamless and efficient are also likely to further influence tourism in the future. This means increased mobility and ease for consumers when accessing destinations, benefitting those with the best connections and travel infrastructure.

50%

of consumers are more likely to use a travel advisor post-pandemic

Source: American Society of Travel Advisors (ASTA), 2023

About Tourism Economics

Oxford Economics is the world's foremost independent economic advisory firm. Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients.

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts, and analytical tools on more than 200 countries, 100 industries, and 7,000 cities and regions.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Melbourne, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 600 staff, including more than 300 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

Our worldwide client base now comprises over 2,000 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

November 2023

The modelling and results presented here are based on information provided by third parties, upon which Tourism Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

Becky Syder
Commercial Director
bsyder@oxfordeconomics.com

Tel: +44 (0)203 910 8148

TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

wtm®
LONDON
6-8 November 2023