

Economy Update



Greece agrees an extension to its bailout programme, while oil prices begin to rebound, causing the Rouble to rocket in its best month in 20 years

Europe: After weeks of tense negotiation, Greece finally agreed a four month extension to its existing bailout programme with its international creditors. The agreement will alleviate immediate pressures on its banking sector after concerns about a possible Greek exit prompted a run on bank deposits.

US: The US economy has fallen into deflation for the first time since the financial crisis. However, the decline in oil prices was the “overwhelming cause” according to the Bureau of Labor Statistics, with year-on-year core inflation holding steady at 1.6%. Forecast real GDP growth for 2015 has been revised down to 3.1% (from 3.3%) due to a slower end to 2014 than originally anticipated.

Russia: Oil prices in February recorded their first monthly gains since July, with benchmark Brent crude trading at just over \$60 per barrel at the end of February, from around \$46 in January. Consequently, the Rouble has enjoyed its best month in two decades, rocketing 15% against the Dollar.

Asia: Japan exited recession in the final quarter of 2014, but did so unconvincingly. The 0.6% expansion fell below market expectations with private consumption and fixed investment remaining subdued. In India, an overhaul of its national accounts has led to a surprising increase in the estimated GDP growth rate in recent quarters. Growth in GDP at market prices was revised up from 5.0% to 6.9% in 2013/14.

Travel & Tourism Indicator Update

2014 full-year industry indicators show strong Travel & Tourism performance in 2014

- According to the recently released UNWTO World Tourism Barometer, world international tourist arrivals grew by 4.7% in 2014, matching the rate of growth experienced in 2013. Growth was enjoyed by all world regions, with the Americas leading the way with growth of 7.4% for the year.
- In China, there has been a large revision to inbound tourism expenditure data. YTD data to October 2014 indicated a decline of 0.9%. However, recently released full year data shows growth of 10.2%.
- International air passenger traffic growth was recorded for all world regions, with growth of 6.1% in 2014 outstripping 5.4% growth in 2013. Growth in the Middle East was particularly strong, at 13.0%.

Major Economy and Travel & Tourism Headlines Last Month

- Consumer prices across the EU fell in January at the fastest rate since records began.



- New full-year inbound tourism figures reveal that 2014 was a record year for both inbound visits and overseas visitor spending in the UK.

According to near final data, the Travel & Tourism industry outperformed the wider economy in 2014 and registered positive growth for the 5th successive year



	2014 global GDP growth (%)	2014 direct T&T GDP growth (%)
March 2014 (Annual update)	3.0%	4.3%
October 2014 (Mid-year update)	2.5%	3.5%
February 2015	2.4%	→

Source: Oxford Economics; WTTC

Implications for direct Travel & Tourism GDP outlook in 2014

Direct Travel & Tourism GDP growth of approximately 3.5% is expected in 2014. While this represents a downgrade of 0.8pp from expectations at the start of the year, this is largely in line with wider economy downgrades and the Travel & Tourism industry is still expected to outperform the wider economy and the majority of other industries.

YTD performance of airline traffic, international tourist arrivals and hotels (annual % growth)									
	International air passenger traffic (RPK)			International tourist arrivals		Regional hotel performance			
	Dec. 2014 vs. Dec. 2013	2014 (full year)	2013 (full year)	2014 (full year)	2013 (full year)	Occupancy rate	ADR	RevPAR	
						2015 YTD (up to Jan.)	2015 YTD (up to Jan.)	2015 YTD (up to Jan.)	
Europe	4.4	5.7	3.8	3.9	5.0	3.5	-12.5	-9.4	
Americas	-	-	-	7.4	3.5	3.7	3.5	7.3	
North America	2.2	3.1	3.0	8.2	3.9	3.9	3.6	7.7	
Asia-Pacific	7.8	5.8	5.3	5.3	6.8	4.9	-7.2	-2.7	
Middle East	14.4	13.0	12.1	4.4	-3.4	-0.9	-0.9	-1.8	
Africa	-0.7	0.9	5.5	2.3	4.8	-	-	-	
North Africa	-	-	-	0.5	6.0	14.8	8.2	24.2	
Sub-Saharan Africa	-	-	-	3.3	4.2	-5.0	-5.4	-10.1	
World	6.3	6.1	5.4	4.7	4.7	-	-	-	

Sources: IATA, PATA, Haver Analytics, Eurostat, UNWTO, STR, STR Global, Oxford Economics

Notes: International air passenger traffic and regional hotel performance - Africa includes North Africa; international tourist arrivals - Africa only includes a limited number of countries

Overnight international tourist arrivals growth in 2014

(% year-on-year, January 2014 to the indicated month)

Year to:		%	Year to:		%	Year to:		%			
EUROPE											
Austria	Dec 2014	1.9									
Belgium	Q3 2014	4.5									
Denmark	Nov 2014	9.9									
Finland	Nov 2014	-1.6									
France	Oct 2014	0.3									
Germany	Nov 2014	4.3									
Greece	Nov 2014	22.7									
Italy	Oct 2014	1.6									
Netherlands	Dec 2014	9.5									
Portugal	Nov 2014	12.1									
Spain	Dec 2014	7.1									
Sweden	Nov 2014	7.7									
UK	Nov 2014	6.5									
Bulgaria	Dec 2014	2.4									
Cyprus	Dec 2014	1.5									
Czech Republic	Oct 2014	3.5									
Estonia	Nov 2014	3.2									
Hungary	Q3 2014	13.4									
Latvia	Nov 2014	14.9									
Lithuania	Nov 2014	8.5									
Malta	Dec 2014	6.8									
Russia	Q3 2014	4.2									
Slovakia	Nov 2014	-12.1									
Slovenia	Dec 2014	6.0									
Montenegro	Dec 2014	2.0									
Croatia	Dec 2014	6.0									
Iceland	Dec 2014	18.0									
Norway	Dec 2014	2.5									
Switzerland	Nov 2014	1.8									
Turkey	Dec 2014	6.6									
AMERICAS											
Canada	Nov 2014	3.1									
US	Oct 2014	7.0									
Mexico	Nov 2014	19.3									
Brazil	-	-									
Chile	Dec 2014	2.7									
Peru	Oct 2014	1.4									
Anguilla	Nov 2014	2.2									
Antigua & Barbuda	Dec 2014	2.2									
Aruba	Dec 2014	9.5									
Bahamas	Q2 2014	3.5									
Barbados	Nov 2014	0.2									
Bermuda	Oct 2014	-3.3									
Cayman Islands	Dec 2014	10.8									
Cuba	Dec 2014	5.3									
Dom Republic	Dec 2014	9.6									
Dominica	Oct 2014	3.7									
Grenada	Q3 2014	12.4									
Jamaica	Dec 2014	3.6									
Martinique	Dec 2014	0.0									
Puerto Rico	Oct 2014	6.7									
St Lucia	Dec 2014	6.1									
St Vincent	Oct 2014	-1.7									
MIDDLE EAST											
Israel	Dec 2014	-1.2									
Jordan	Q3 2014	2.8									
Lebanon	Dec 2014	6.3									
UAE	Q2 2014	2.4									
Egypt	Dec 2014	4.4									
AFRICA											
Mauritius	Dec 2014	4.6									
South Africa	Q1 2014	8.5									
Tunisia	Dec 2014	-3.2									
ASIA-PACIFIC											
Japan	Dec 2014	29.4									
China	Dec 2014	-0.1									
Hong Kong	Dec 2014	8.2									
South Korea	Dec 2014	16.6									
Macau	Dec 2014	2.1									
Taiwan	Dec 2014	23.6									
India	Dec 2014	7.1									
Maldives	Dec 2014	7.1									
Nepal	-	-									
Sri Lanka	Dec 2014	19.8									
Cambodia	Dec 2014	7.0									
Indonesia	Dec 2014	7.2									
Laos	Q3 2014	8.1									
Malaysia	Oct 2014	9.6									
Myanmar	Oct 2014	26.7									
Papua New Guinea	Q3 2014	-4.1									
Philippines	Oct 2014	2.3									
Singapore	Nov 2014	-3.4									
Thailand	Dec 2014	-6.7									
Vietnam	Dec 2014	4.0									
Australia	Q3 2014	8.6									
New Zealand	Dec 2014	5.1									
Fiji	Dec 2014	5.3									
Kiribati	Q2 2014	5.3									
Vanuatu	Q3 2014	-1.7									
REGIONAL ESTIMATES (1)											
Europe	Dec 2014	3.9									
Americas	Dec 2014	7.4									
Africa	Dec 2014	2.3									
Middle East	Dec 2014	4.4									
Asia-Pacific	Dec 2014	5.3									
WORLD	Dec 2014	4.7									

(1) based on these 90 countries only; coverage good for Europe, North America, the Caribbean and Asia-Pacific but very limited elsewhere
Source: Oxford Economics, UNWTO

- ▶ The recently released UNWTO World Tourism Barometer shows that YTD international tourist arrivals grew by a robust 4.7% in 2014, matching the rate of growth recorded in 2013.
- ▶ Europe posted 3.9% growth in international tourist arrivals in 2014. The strongest growth was experienced in Greece (22.7%), Iceland (18.0%) and Latvia (14.9%). Robust growth was also recorded amongst the region's major Travel & Tourism economies. Spain enjoyed growth of 7.1%, and the UK experienced growth of 6.5%, with France and Italy enjoying less impressive growth of 0.3% and 1.6% respectively.
- ▶ The Americas was the fastest growing world region in terms of international tourist arrivals, with 2014 growth of 7.4%. Double-digit growth in Mexico (19.3%), and growth of 7.0% in US arrivals were the key drivers of the Americas' impressive performance.
- ▶ The Middle East reported solid international tourist arrivals growth in 2014 of 4.4%, with Lebanon leading the way with growth of 6.3%. A rebound in Egypt's international arrivals (4.4%) in 2014 is a significant development, given the country's struggles in recent times due to political instability.
- ▶ Asia-Pacific recorded 2014 international arrivals growth of 5.3%. Several countries recorded exceptional growth in 2014, notably Japan (29.4%), Myanmar (26.7%), Taiwan (23.6%), and South Korea (16.6%). 2014 was a disappointing year for Thailand with negative growth of -6.7%, as the military coup of 2014 weighed on its Travel & Tourism economy.
- ▶ Africa was the slowest growing region in terms of international arrivals in 2014 with growth of 2.3% experienced, as fears of the Ebola epidemic continue to negatively impact the region.

It should be noted that regional estimates are based on limited country coverage, particularly in the cases of the Middle East and Africa.

Inbound tourism expenditure growth in 2014

(% year-on-year, January 2014 to the indicated month)

Year to:		%		Year to:		%		Year to:		%	
EUROPE											
Austria	Q3	2014	0.6								
Belgium	Q3	2014	5.6								
Denmark	Q3	2014	4.7								
Finland	Q3	2014	-9.5								
France	Nov	2014	-0.7								
Germany	Nov	2014	4.0								
Greece	Nov	2014	10.8								
Italy	Nov	2014	4.4								
Netherlands	Q3	2014	6.5								
Portugal	Nov	2014	12.2								
Spain	Nov	2014	4.0								
Sweden	Q3	2014	17.0								
UK	Q3	2014	4.5								
Bulgaria	Nov	2014	1.7								
Cyprus	Oct	2014	-3.6								
Czech Republic	Q3	2014	2.0								
Estonia	Q3	2014	3.1								
Hungary	Q3	2014	12.2								
Latvia	Nov	2014	10.8								
Lithuania	Q3	2014	6.0								
Malta	Q3	2014	7.6								
Russia	Q4	2014	0.4								
Slovakia	Nov	2014	1.1								
Slovenia	Nov	2014	0.2								
Montenegro	Q3	2014	2.4								
Croatia	Q3	2014	2.5								
Iceland	Q3	2014	20.4								
Norway	Q3	2014	6.6								
Switzerland	Q3	2014	1.7								
Turkey	Nov	2014	6.6								
AMERICAS											
Canada	Q3	2014	6.1								
US	Dec	2014	3.4								
Mexico	Nov	2014	16.5								
Brazil	Dec	2014	3.1								
Chile	Q3	2014	-1.7								
Peru	Q3	2014	0.3								
Anguilla	Q3	2014	4.7								
Antigua & Barbuda	Q3	2014	2.4								
Aruba	Q3	2014	7.3								
Bahamas	Q2	2014	1.5								
Barbados	Q3	2014	0.5								
Bermuda	Q2	2014	-3.7								
Cayman Islands	-	-	-								
Cuba	Q3	2014	4.9								
Dom Republic	Q3	2014	11.5								
Dominica	Q3	2014	9.3								
Grenada	Q3	2014	9.2								
Jamaica	-	-	-								
Martinique	-	-	-								
Puerto Rico	-	-	-								
St Lucia	Q3	2014	8.5								
St Vincent	Q3	2014	0.6								
MIDDLE EAST											
Israel	Oct	2014	2.9								
Jordan	Q3	2014	8.8								
Lebanon	-	-	-								
UAE	-	-	-								
Egypt	Q4	2014	24.0								
AFRICA											
Mauritius	Nov	2014	9.5								
South Africa	Q3	2014	13.6								
Tunisia	Q3	2014	12.2								
ASIA-PACIFIC											
Japan	Nov	2014	29.8								
China	Dec	2014	10.2								
Hong Kong	Q3	2014	0.5								
South Korea	Dec	2014	24.1								
Macau	Q3	2014	6.6								
Taiwan	Q3	2014	16.6								
India	Dec	2014	11.5								
Maldives	-	-	-								
Nepal	Q2	2014	32.1								
Sri Lanka	Q2	2014	91.6								
Cambodia	Q3	2014	10.9								
Indonesia	Q3	2014	8.9								
Laos	-	-	-								
Malaysia	Q3	2014	8.7								
Myanmar	-	-	-								
Papua New Guinea	-	-	-								
Philippines	Q3	2014	6.8								
Singapore	Q3	2014	0.4								
Thailand	Q3	2014	-8.2								
Vietnam	-	-	-								
Australia	Dec	2014	8.3								
New Zealand	Q3	2014	8.2								
Fiji	Q3	2014	6.4								
Kiribati	-	-	-								
Vanuatu	-	-	-								

▶ According to the recently released UNWTO World Tourism Barometer, 2014 YTD inbound tourism expenditure trends are broadly consistent with international tourist arrivals trends.

▶ In Europe, several countries have recorded double-digit YTD growth in inbound tourism expenditure, including Iceland (20.4%), Sweden (17.0%), Hungary (12.2%), Portugal (12.2%), Greece (10.8%) and Latvia (10.8%). By contrast, Finland (-9.5%), Cyprus (-3.6%) and France (-0.7%), one of the region's largest Travel & Tourism economies, have recorded YTD contractions.

▶ In the Americas, strong international arrivals growth has been matched by robust inbound tourism expenditure growth in Mexico (16.5%) and to a lesser extent, the US (3.4%).

▶ In the Middle East, following a turnaround in international tourist arrivals in H2, inbound tourism expenditure in Egypt bounced back with growth of 24.0%, indicating that Egypt's Travel & Tourism economy has finally rebounded after political instability had damaged the country's appeal.

▶ In the Asia-Pacific region, in line with impressive international visitor arrivals growth, several countries have enjoyed exceptional growth in inbound tourism expenditure, including Sri Lanka (91.6%), Nepal (32.1%), Japan (29.8%) and South Korea (24.1%). Consistent with a decline in international tourist arrivals, Thailand has experienced a decline of 8.2% in inbound tourism expenditure.

▶ In Africa, strong growth in inbound tourism expenditure was recorded in South Africa (13.6%), Tunisia (12.2%) and Mauritius (9.5%).

It should be noted that the time period covered by YTD data is not always consistent between this table and the overnight international tourist arrivals table on the previous page.