

Economy Update



Capital controls in Greece and China stock market crash to have lasting negative effects

Europe: The latest Eurozone economic indicators struck a fairly bright tone – with the economy remaining on track for another quarter of solid GDP growth. Growth of 1.7% is expected in Q2 and 1.8% for 2015 as a whole. If Greece remains in the Eurozone, GDP growth is expected to gain further momentum into 2016 when growth of 2.1% is forecast. However, the Greek situation still poses risks to Eurozone growth. Following the Euro Summit in July, ECB funding has resumed, banks have reopened and the immediate risk of Greece exiting the euro area has reduced. But the uncertainty generated by the crisis has exacerbated the slowdown, pushing Greece back into recession. With capital controls likely to remain in place through 2016, Greek GDP is forecast to decline by 1% this year and a further 3.2% in 2016. Further tense negotiations between Greece and its creditors are inevitable as Greece begins to implement unpopular reforms at home.

Asia: Economic activity remains relatively weak in China as the Shanghai Composite Index tumbled during July. There is considerable uncertainty about the underlying pace of growth in the economy, with other indicators suggesting a much weaker picture than the current official growth estimate of 7%. Given trade links, China's slowdown remains the main downside risk for Japan, where otherwise the outlook is generally positive.

UK: The Office for National Statistics (ONS) measured a 4.5% increase in household disposable income in the first quarter of the year (the fastest pace since 2001). Up to now the UK economy has struggled to translate output growth into real household income growth. UK annual GDP growth in Q1 was revised up from 2.5% to 2.9%. Research by Nielsen found that UK consumer confidence has overtaken the global average for the first time in nine years, reinforcing the view that consumer recovery is in full swing and is likely to continue to drive growth.

US: The US economy grew by 2.5% in Q2 and is expected to expand by 3.0% in H2. Consumer spending is likely to advance 3.1% in 2015 and is helping to drive growth with its strongest performance in over six years. Meanwhile, interest rates remain low but a hike is expected in September. The US faces a number of risks including the strong dollar and sluggish global growth, but these constraints are expected to fade.

Travel & Tourism Indicator Update

Industry indicators continue to show signs of positivity for the Travel & Tourism industry in 2015

- World international tourist arrivals have grown by 4.4% for the YTD up to April, on par with full-year growth in 2014. All regions apart from Africa have recorded positive arrivals growth, with the Americas leading the way with annual growth of 6.0% for the start of the year.
- World international air passenger traffic YTD growth stands at 6.5% for the first five months of 2015, up from 6.1% for 2014 as a whole. Positive growth has been experienced across all world regions apart from Africa, where a YTD decline of 2.6% has been recorded.
- YTD hotel performance across Europe, the Americas and North Africa has remained positive across all indicators. Meanwhile, the Middle East has experienced negative growth across all indicators and Asia-Pacific is experiencing a decline in average daily rates and RevPAR. Part of this weak performance may be explained by the US\$ appreciation vs. local currencies (with ADR and RevPAR reported in US\$ for each region), as opposed to fundamental weaknesses in local currency terms.

Major Economy and Travel & Tourism Headlines Last Month



- Despite a Greek debt deal being reached, cracks have already appeared. The most damaging fault line being the IMF report on the deal, which revealed deep reservations over its potential success
- China's stock continued its dramatic slide in July registering its worst performance in eight years
- Arrivals to Greece remain afloat as prices are strongly discounted by 70 per cent and tourists are reassured over concerns about access to cash and supply shortages
- Latest estimates suggest the terrorist attack in Sousse will cost the Tunisian tourism sector over \$500m (Selma Loumi, Tunisia Tourism Minister, via Reuters)
- After weeks of disruption to Eurotunnel and ferry services due to migrant activity, the Foreign Office issues fresh warning against travel to France after militant workers staged blockades at main entry routes and tourist sites

The Travel & Tourism industry is again expected to outperform the wider economy in 2015, registering positive growth for the sixth successive year.



	2015 Global GDP growth (%)	2015 Direct T&T GDP growth (%)
2015 annual update	2.9%	3.7%
June 2015	2.6%	➔

Source: Oxford Economics; WTTC

YTD performance of airline traffic, international tourist arrivals and hotels (annual % growth)								
	International air passenger traffic (RPK)			International tourist arrivals		Regional hotel performance		
	May 2015 vs. May 2014	2015 YTD (up to May)	2014 (full year)	2015 YTD (up to Apr.)	2014 (full year)	Occupancy rate	ADR	RevPAR
						2015 YTD (up to June.)	2015 YTD (up to June.)	2015 YTD (up to June.)
Europe	5.9	5.2	5.7	4.9	3.0	2.7	3.5	6.3
Americas	-	-	-	6.0	8.1	2.1	4.8	6.9
North America	2.0	2.3	3.1	5.2	9.3	2.2	4.9	7.1
Asia-Pacific	9.4	8.6	5.6	4.4	5.4	0.1	-0.8	-0.7
Middle East	14.0	12.1	13.0	4.2	4.6	-3.0	-1.2	-4.1
Africa	-3.9	-2.6	0.9	-5.6	1.8	-	-	-
North Africa	-	-	-	-7.4	0.6	6.2	9.7	16.5
Sub-Saharan Africa	-	-	-	-4.7	2.5	-1.3	3.9	2.5
World	7.1	6.5	6.1	4.4	4.4	-	-	-

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

Inbound tourism expenditure growth

(% year-on-year, January 2014/15 to the indicated month)

EUROPE				AMERICAS				ASIA-PACIFIC			
Year to:		%		Year to:		%		Year to:		%	
Austria	Q4	2014	1.6	Canada	Q1	2015	0.3	Japan	Apr	2015	56.1
Belgium	Mar	2015	2.3	US	May	2015	2.5	China	May	2015	2.5
Denmark	Q1	2015	4.1	Mexico	Apr	2015	10.3	Hong Kong	Q1	2015	-4.1
Finland	Q1	2015	-13.5	Chile	Q1	2015	8.1	South Korea	May	2015	6.4
France	Apr	2015	-4.7	Antigua & Barbuda	Mar	2015	-5.1	Macau	Q1	2015	-34.1
Germany	Apr	2015	1.6	Aruba	Q4	2014	6.5	Taiwan	Q1	2015	-0.4
Greece	Apr	2015	14.4	Bahamas	Q4	2014	1.0	India	May	2015	6.3
Italy	Apr	2015	4.3	Barbados	Q4	2014	-1.7	Maldives	Q4	2014	13.2
Netherlands	Q1	2015	9.3	Bermuda	Q4	2014	-6.3	Nepal	Q4	2014	16.6
Portugal	Apr	2015	13.6	Cayman Islands	-	-	-	Sri Lanka	Apr	2015	12.5
Spain	Apr	2015	2.6	Cuba	-	-	-	Cambodia	Q4	2014	11.3
Sweden	Q1	2015	18.6	Dom Republic	Q1	2015	7.8	Indonesia	Q1	2015	5.1
UK	Q1	2015	-5.9	Grenada	Mar	2015	8.2	Laos	Q4	2014	7.7
Bulgaria	Jan	2015	7.1	Jamaica	Q4	2014	8.7	Malaysia	Q1	2015	-17.0
Cyprus	Apr	2015	1.3	Martinique	Q4	2014	-0.2	Myanmar	-	-	-
Czech Republic	Q1	2015	3.0	Puerto Rico	Q4	2014	3.1	Papua New Guinea	-	-	-
Estonia	Q1	2015	20.7	St Lucia	Mar	2015	12.3	Philippines	Mar	2015	1.3
Hungary	Q1	2015	10.1	St Vincent	Mar	2015	3.7	Singapore	Q1	2015	-8.5
Latvia	Apr	2015	11.8	MIDDLE EAST				Thailand	Q1	2015	21.0
Lithuania	Q1	2015	-0.8	Egypt	Q4	2014	19.2	Vietnam	Q4	2014	1.1
Malta	Q1	2015	9.3	Israel	Apr	2015	-15.3	Australia	May	2015	11.5
Russia	Q1	2015	-25.1	Jordan	Q4	2014	6.3	New Zealand	Q1	2015	17.0
Slovakia	Q1	2015	2.4	Lebanon	-	-	-	Fiji	Q1	2015	8.7
Slovenia	Apr	2015	7.4	UAE	-	-	-	Kiribati	-	-	-
Montenegro	Q4	2014	2.5	AFRICA				Vanuatu	-	-	-
Croatia	Q1	2015	13.8	Kenya	Q1	2015	-4.8				
Iceland	Q1	2015	31.6	Madagascar	Feb	2015	-7.0				
Norway	Q1	2015	5.1	Mauritius	Apr	2015	0.9				
Switzerland	Q1	2015	-3.1	Morocco	Apr	2015	-5.3				
Turkey	Apr	2015	0.8	Nigeria	Q4	2014	0.0				
				South Africa	Q1	2015	12.2				
				Tunisia	Q1	2015	-7.5				
				Uganda	Q4	2014	14.9				

▶ The recently released UNWTO World Tourism Barometer provides more up-to-date performance data on H1 2015.

▶ In Europe, inbound tourism expenditure growth for the YTD has been strong in Greece (14.4%), Portugal (13.6%) and Croatia (13.8%). Growth has been negative in some of the region's major Travel & Tourism economies, with -4.7% and -5.9% YTD growth recorded in France and the UK respectively (though the UK performance is more positive according to ONS data). It comes as no surprise that inbound tourism expenditure has fallen by a quarter in Russia. However, given that overnight international tourist arrivals in Russia have grown strongly (16.0%), the significant spend decline is more likely to be a result of a weakened Rouble.

▶ In Mexico, strong inbound tourism expenditure growth of 10.3% to April confirms that its Travel & Tourism economy continues to build upon a strong 2014. In the US, YTD inbound expenditure growth to May has been relatively robust at 2.5%, especially given concerns about the Dollar's strength affecting the US' competitiveness.

▶ In the Middle East, 2015 YTD data to April for Israel shows that in line with weakness in arrivals, inbound tourism expenditure has contracted by 15.3%. No new data has been released for Egypt in 2015, but full-year data for 2014 shows growth of 19.2% in inbound tourism expenditure.

▶ In Africa, 2015 inbound spend YTD data has generally been negative, particularly in Kenya, Madagascar, Morocco and Tunisia. However, South Africa has experienced impressive growth of 12.2% during the first quarter of the year.

▶ In the Asia-Pacific region, Japan continues to display exceptional growth of 56.1% for the YTD, following growth of 35.3% in 2014. Growth in inbound spend in China has returned to positive for the first time in 2015, while South Korea has maintained healthy growth of 6.4% despite the recent MERS outbreak.

Overnight international tourist arrivals growth

(% year-on-year, January 2014/15 to the indicated month)

Year to:				%	Year to:				%	Year to:				%																																																																																																																																																																																																																																																																																																																																																																																																	
EUROPE					AMERICAS					ASIA-PACIFIC																																																																																																																																																																																																																																																																																																																																																																																																					
Austria	May	2015	6.4	Canada	Apr	2015	5.7	Japan	May	2015	44.9	Belgium	Q4	2014	3.8	US	Q4	2014	6.8	China	May	2015	3.5	Hong Kong	May	2015	-3.1	Denmark	May	2015	6.8	Mexico	Apr	2015	10.8	South Korea	-	-	-	Macau	-	-	-	Finland	Apr	2015	-12.1	Chile	May	2015	16.8	Taiwan	May	2015	4.2	France	Mar	2015	3.1	Antigua & Barbuda	May	2015	-4.2	India	May	2015	3.6	Germany	Apr	2015	5.1	Aruba	Apr	2015	19.7	Maldives	May	2015	1.8	Greece	Apr	2015	39.1	Bahamas	Feb	2015	3.0	Nepal	Q4	2015	-1.0	Italy	Mar	2015	4.1	Barbados	Feb	2015	11.1	Sri Lanka	May	2015	14.5	Netherlands	Mar	2015	4.5	Bermuda	May	2015	-4.4	Cambodia	May	2015	4.4	Portugal	Apr	2015	8.2	Cayman Islands	May	2015	2.6	Indonesia	May	2015	3.9	Spain	May	2015	5.1	Cuba	Apr	2015	14.3	Laos	Mar	2015	15.4	Sweden	Jan	2015	7.0	Dom Republic	May	2015	6.8	Malaysia	Mar	2015	-8.6	UK	Apr	2015	2.6	Grenada	Mar	2015	4.7	Myanmar	Mar	2015	16.5	Bulgaria	May	2015	4.0	Jamaica	Apr	2015	4.9	Papua New Guinea	-	-	-	Cyprus	May	2015	9.6	Martinique	Apr	2015	3.8	Philippines	Apr	2015	7.0	Czech Republic	Mar	2015	7.1	Puerto Rico	Feb	2015	7.1	Singapore	Apr	2015	-5.4	Estonia	Apr	2015	-8.8	St Lucia	Apr	2015	5.2	Thailand	May	2015	24.7	Hungary	Q1	2015	14.0	St Vincent	Apr	2015	-0.1	Vietnam	May	2015	-12.6	Latvia	Apr	2015	3.5	MIDDLE EAST				Australia	May	2015	7.3	Lithuania	Mar	2015	-0.9	Egypt	Apr	2015	7.0	New Zealand	May	2015	9.7	Malta	May	2015	5.9	Israel	May	2015	-16.5	Fiji	May	2015	7.4	Russia	Q1	2015	16.0	Jordan	Q4	2014	1.1	Kiribati	-	-	-	Slovakia	Apr	2015	6.4	Lebanon	Apr	2015	20.3	Vanuatu	Mar	2015	-5.5	Slovenia	May	2015	11.3	AFRICA				REGIONAL ESTIMATES (1)				Montenegro	May	2015	11.9	Kenya	Apr	2015	-28.4	Europe	Apr	2015	4.9	Croatia	May	2015	13.8	Madagascar	Feb	2015	-10.6	Americas	Apr	2015	6.0	Iceland	May	2015	32.0	Mauritius	May	2015	8.9	Africa	Apr	2015	-5.6	Norway	Mar	2015	-3.5	Morocco	Apr	2015	-1.5	Middle East	Apr	2015	4.2	Switzerland	May	2015	1.0	Nigeria	-	-	-	Asia-Pacific	Apr	2015	4.4	Turkey	May	2015	-1.3	South Africa	Mar	2015	-5.9	WORLD	Apr	2015	4.4					Tunisia	May	2015	-16.8													Uganda	-	-	-								

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

Global international tourist arrivals have grown steadily by 4.4% for the YTD, on par with growth recorded in 2014.

Europe posted 4.9% growth in international tourist arrivals for the YTD. The strongest growth has been experienced in Greece (39.1%) and Iceland (32.0%). Looking at the region's major Travel & Tourism economies, Portugal, Spain and France have recorded growth of 8.2%, 5.1% and 3.1% respectively. Croatia (13.8%), Montenegro (11.9%) and Slovenia (11.3%) continue to grow at impressive rates. Given its proximity to Syria, Turkey's inbound tourist arrivals have weakened.

The Americas continue to be the fastest growing world region for arrivals, with YTD growth of 6.0%. Cuba's growth of 14.3% may be partly as a result of the recent thaw in US relations and further ease to travel restrictions. Although US data has not yet been made available by the UNWTO, APIS have estimated that tourist arrivals are continuing to grow in the YTD to May (3.3%), but at a slower rate than in Q4 2014 (6.8%).

The Middle East has experienced healthy growth of 4.2% for the YTD led by strong growth in Egypt (7.0%). In line with negative spending growth, Israel has experienced negative arrivals growth of -16.5% in the YTD.

International tourist arrivals growth in Africa for the YTD has been negative (-5.6%), with negative growth across all countries for which data is available, with the exception of Mauritius (8.9%).

The Asia-Pacific region has enjoyed robust growth of 4.4% for the year, on par with the global average. Japan continues to display particularly impressive YTD growth of 44.9%, while Thailand's performance (24.7%) is bouncing back following a disappointing 2014.

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