

Economy Update



'Grexit' probability (at time of going to press) is high as the country's future hangs in the balance

Europe: Data remain encouraging and suggest another quarter of solid GDP growth by Eurozone standards is on the cards. Growth of 1.5% is expected in Q2 and 1.6% for the year - the strongest year since 2011. However, at the time of going to press, Greece's membership of the Eurozone hangs in the balance, although the situation is dynamic and could change. Greek banks have closed for a week, capital controls have been implemented and probability of a 'Grexit' remains extremely high. Should an orderly 'Grexit' proceed, scenario analysis suggests Eurozone GDP growth for 2015 will decline to 1.4%; revised to 1.3% in the event of a disorderly exit and potentially falling to -0.2% in 2016. Under the 'worst case scenario' Greece will be hit hardest, with negative GDP growth of 3.3% and 10.6% forecast for 2015 and 2016 respectively.

Africa: The terrorist attack in Sousse will hit Tunisian tourism in the near term, following on from the March attack on the National Bardo Museum. Analysis by Tourism Economics shows that disruption after a terror crisis ranges from 10 – 22 months (based on the average period of time taken for visitor spending to return to baseline). Given the quick succession of the attacks and their severity, tourism in Tunisia is likely to suffer well into 2016 and possibly beyond.

US: Despite contracting by 0.7% in Q1 as a result of a massive plunge in oil and gas investment, a moderate rebound is expected in Q2. The impact of growth constraints from reduced oil capex, a strong dollar and sluggish global growth are expected to fade. With inflation set to rebound in the second half of the year, this environment will likely lead the Fed to raise interest rates in September.

UK: Disappointing Q1 growth of 0.3% has been revised upwards to 0.4% as a result of methodological changes. The consumer sector is expected to drive future growth, building upon its strong performance in 2015 thus far. This particularly reflects the improvement in spending power caused by the temporary absence of inflation, a pick-up in wage growth and a reduction in the tax bill for most workers.

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 4.7% for the YTD up to February, marginally outpacing full-year growth in 2014. All regions apart from Africa have recorded positive growth, with the Americas leading the way with annual growth of 7.3% for the start of the year.
- World international air passenger traffic YTD growth stands at 6.4% for the first four 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 decline of 1.3% has been recorded. The Middle East has been the fastest growing region in 2015 so far, with growth of 11.6% for the YTD.
- Although still early in the year, hotel performance in 2015 remains mixed. In US\$ terms, YTD declines have been experienced in Sub-Saharan Africa across all indicators. Europe, Middle-East and Asia-Pacific have shown weakness in average daily rates and revenue per available room. 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



- Tunisia tourism dealt a further blow as beach attack sees 8,000 of the 20,000 British tourists leave
- Risks to the Greek tourism sector with the prospect of limited cash withdrawals, refused card payments, security concerns and potential unrest over what could be a disorderly 'Grexit' – although government officials continue to fight to keep VAT on the tourism sector low
- ABTA have confirmed that high alert security warnings after attacks in Tunisia, Kuwait and France may deter travel to popular destinations, while Skyscanner has reported a decline in flight searches.
- MERS fears hit flight bookings to South Korea which are down by 55% on the same period last year
- FIFA could revoke Qatar 2022 World Cup award which could cost the country \$16bn in direct spending and \$30bn in planned infrastructure projects

The Travel & Tourism industry is again expected to outperform the wider economy in 2015, and register 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	2.5%	

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		
	Apr. 2015 vs. Apr. 2014	2015 YTD (up to Apr.)	2014 (full year)	2015 YTD (up to Feb.)	2014 (full year)	Occupancy rate	ADR	RevPAR
						2015 YTD (up to May)	2015 YTD (up to May)	2015 YTD (up to May)
Europe	3.7	4.8	5.7	4.8	3.0	2.3	-13.4	-11.4
Americas	-	-	-	7.3	8.1	2.0	4.0	6.1
North America	0.7	2.4	3.1	6.8	9.3	2.2	4.0	6.3
Asia-Pacific	9.0	8.7	5.6	5.2	5.4	0.4	-6.3	-5.9
Middle East	8.2	11.6	13.0	2.6	4.6	1.0	-2.7	-1.7
Africa	-3.2	-1.7	0.9	-4.1	1.8	-	-	-
North Africa	-	-	-	-8.0	0.6	9.8	-0.6	9.2
Sub-Saharan Africa	-	-	-	-2.6	2.5	-0.6	-7.8	-8.3
World	5.2	6.4	6.1	4.7	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

Overnight international tourist arrivals growth

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

EUROPE				AMERICAS				ASIA-PACIFIC				
Year to:			%	Year to:			%	Year to:			%	
Austria	Q1	2015	5.5	Canada	Jan	2015	4.7	Japan	Q1	2015	43.7	
Belgium	Q4	2014	4.6	US	Q4	2014	6.9	China	Feb	2015	0.9	
Denmark	Q4	2014	10.8	Mexico	Feb	2015	13.0	Hong Kong	Q1	2015	-3.5	
Finland	Feb	2015	-15.1	Chile	Feb	2015	17.3	South Korea	Q1	2015	12.1	
France	Jan	2015	1.8	Antigua & Barbuda	Feb	2015	-8.2	Macau	Q1	2015	-9.8	
Germany	Feb	2015	5.9	Aruba	Q1	2015	20.2	Taiwan	Q1	2015	5.4	
Greece	Feb	2015	52.7	Bahamas	Q4	2014	4.2	India	Q1	2015	3.2	
Italy	Jan	2015	3.6	Barbados	Q4	2014	2.2	Maldives	Q1	2015	2.6	
Netherlands	Jan	2015	4.7	Bermuda	Feb	2015	-6.8	Nepal	-	-	-	
Portugal	Feb	2015	8.7	Cayman Islands	Q1	2015	5.7	Sri Lanka	Q1	2015	13.6	
Spain	Q1	2015	5.3	Cuba	Q1	2015	14.1	Cambodia	Feb	2015	2.6	
Sweden	Jan	2015	9.4	Dom Republic	Feb	2015	7.4	Indonesia	Feb	2015	3.7	
UK	Feb	2015	-3.5	Grenada	Feb	2015	3.0	Laos	Q4	2014	13.1	
Bulgaria	Q1	2015	4.2	Jamaica	Feb	2015	4.7	Malaysia	Q4	2014	6.7	
Cyprus	Q1	2015	16.2	Martinique	Q4	2014	0.0	Myanmar	Q4	2014	50.7	
Czech Republic	Q4	2014	3.1	Puerto Rico	Jan	2015	4.6	Papua New Guinea	Q4	2014	13.9	
Estonia	Feb	2015	-11.4	St Lucia	Feb	2015	10.1	Philippines	Feb	2015	5.8	
Hungary	Q4	2014	13.7	St Vincent	Jan	2015	9.8	Singapore	Feb	2015	-5.5	
Latvia	Feb	2015	-1.1	MIDDLE EAST				Thailand	Q1	2015	23.5	
Lithuania	Feb	2015	-1.6	Egypt	Feb	2015	4.7	Vietnam	Q1	2015	-13.7	
Malta	Q1	2015	7.7	Israel	Q1	2015	-15.9	Australia	Q4	2014	7.5	
Russia	Q4	2014	5.3	Jordan	Q4	2014	1.1	New Zealand	Q1	2015	10.7	
Slovakia	Feb	2015	0.1	Lebanon	Feb	2015	20.5	Fiji	Feb	2015	7.0	
Slovenia	Q1	2015	10.4	UAE	Q2	2014	1.0	Kiribati	Q2	2014	4.9	
Montenegro	Q1	2015	16.7	AFRICA				Vanuatu	Q4	2014	-1.3	
Croatia	Feb	2015	24.5	Kenya	Jan	2015	-46.8	REGIONAL ESTIMATES (1)				
Iceland	Q1	2015	32.2	Madagascar	Feb	2015	-10.6	Europe	Feb	2015	4.8	
Norway	Jan	2015	-6.0	Mauritius	Q1	2015	10.6	Americas	Feb	2015	7.3	
Switzerland	Feb	2015	2.4	Morocco	Q1	2015	-0.5	Africa	Feb	2015	-4.1	
Turkey	Q1	2015	4.0	Nigeria	-	-	-	Middle East	Feb	2015	2.6	
				South Africa	Q4	2014	0.1	Asia-Pacific	Feb	2015	5.2	
				Tunisia	Q1	2015	-14.2	WORLD	Feb	2015	4.7	
				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

▶ The recently released UNWTO World Tourism Barometer shows that international tourist arrivals have grown by 4.7% for the YTD, outpacing the 4.4% growth recorded in 2014. While these data provide an early indication of 2015 performance, conclusions should not yet be drawn, given that data only cover the early part of the year.

▶ Europe has posted 4.8% growth in international tourist arrivals for the YTD, potentially helped by a weaker euro. The strongest growth has been experienced in Greece (52.7%), Iceland (32.2%) and Croatia (24.5%). Looking at the region's major Travel & Tourism economies, Portugal and Spain have recorded growth of 8.7% and 5.3% respectively, with growth less impressive in France at 1.8%. By contrast, the UK has experienced a decline of -3.5%.

▶ The Americas has been the fastest growing world region, with YTD growth of 7.3%. Strong growth in Mexico (13.0%) and the US (6.9%) has driven this impressive performance, despite the appreciation of the US dollar.

▶ The Middle East has experienced moderate growth of 2.6% for the YTD, as the resurgence of the Travel & Tourism industry in Egypt (4.7%) continues. Particularly strong growth was also recorded in Lebanon (20.5%).

▶ International tourist arrivals growth in Africa for the YTD have been in negative territory at -4.1%, with instability in Kenya (-46.8%) and Tunisia (-14.2%) contributing to the decline.

▶ The Asia-Pacific region has enjoyed robust growth of 5.2% for the year to February, with growth particularly strong in Japan (43.7%) and Thailand (23.5%) in early 2015.

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
(% 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	Q4	2014	6.0	Japan	Feb	2015	55.9
Belgium	Q4	2014	6.2	US	Q1	2015	2.3	China	Feb	2015	-2.3
Denmark	Q4	2014	4.6	Mexico	Feb	2015	11.9	Hong Kong	Q4	2014	-1.4
Finland	Q3	2014	-8.7	Chile	Q4	2014	3.3	South Korea	Q1	2015	7.3
France	Feb	2015	2.3	Antigua & Barbuda	Q4	2014	2.5	Macau	Q4	2014	-1.9
Germany	Feb	2015	6.6	Aruba	Q4	2014	6.5	Taiwan	Q4	2014	18.9
Greece	Feb	2015	12.4	Bahamas	Q4	2014	1.0	India	Feb	2015	1.2
Italy	Feb	2015	4.0	Barbados	Q4	2014	-1.7	Maldives	Q4	2014	14.1
Netherlands	Q4	2014	6.8	Bermuda	Q3	2014	-6.0	Nepal	Q4	2014	16.6
Portugal	Feb	2015	14.4	Cayman Islands	-	-	-	Sri Lanka	Jan	2015	6.6
Spain	Feb	2015	2.7	Cuba	Q4	2014	7.7	Cambodia	Q4	2014	11.3
Sweden	Q4	2014	15.8	Dom Republic	Q4	2014	11.3	Indonesia	Q4	2014	8.0
UK	Q4	2014	4.8	Grenada	Q4	2014	7.0	Laos	Q4	2014	7.7
Bulgaria	Jan	2015	7.1	Jamaica	-	-	-	Malaysia	Q4	2014	5.4
Cyprus	Feb	2015	-4.4	Martinique	Q4	2014	-0.2	Myanmar	-	-	-
Czech Republic	Q4	2014	2.9	Puerto Rico	Q4	2014	3.1	Papua New Guinea	-	-	-
Estonia	Q4	2014	2.5	St Lucia	Q4	2014	3.7	Philippines	Q4	2014	1.7
Hungary	Q4	2014	14.0	St Vincent	Q4	2014	3.7	Singapore	Q4	2014	0.7
Latvia	Feb	2015	16.5	MIDDLE EAST				Thailand	Q4	2014	-2.7
Lithuania	Q4	2014	4.8	Egypt	Q4	2014	19.2	Vietnam	Q4	2014	1.1
Malta	Q4	2014	8.0	Israel	Feb	2015	-15.9	Australia	Q1	2015	10.6
Russia	Q4	2014	-1.9	Jordan	Q4	2014	6.3	New Zealand	Q4	2014	12.0
Slovakia	Q4	2014	0.8	Lebanon	Q2	2014	14.0	Fiji	Q4	2014	7.2
Slovenia	Feb	2015	6.9	UAE	-	-	-	Kiribati	-	-	-
Montenegro	Q4	2014	2.5	AFRICA				Vanuatu	-	-	-
Croatia	Q4	2014	2.8	Kenya	Q4	2014	-9.4				
Iceland	Q4	2014	20.5	Madagascar	Feb	2015	-7.0				
Norway	Q4	2014	6.0	Mauritius	Feb	2015	-1.1				
Switzerland	Q4	2014	2.1	Morocco	Feb	2015	-5.6				
Turkey	Feb	2015	7.2	Nigeria	Q4	2014	0.0				
				South Africa	Q4	2014	13.7				
				Tunisia	Q4	2014	11.7				
				Uganda	Q4	2014	14.9				

▶ Although 2015 YTD data is not yet widely available, according to the recently released UNWTO World Tourism Barometer, the latest inbound tourism expenditure trends are broadly consistent with international tourist arrivals trends.

▶ In Europe, in line with strong international tourist arrivals numbers, inbound tourism expenditure growth for the YTD has been strong in Portugal (14.4%), and Greece (12.4%). Growth has been more moderate in the region's major Travel & Tourism economies, with 2.3% and 4.8% growth recorded in France and the UK respectively.

▶ In the Americas, 2015 YTD data is only available for Mexico and the US. In Mexico, strong inbound tourism expenditure growth of 11.9% to February confirms that its Travel & Tourism economy is still booming after a strong year in 2014. In the US, YTD inbound expenditure growth has been robust, if unspectacular, at 2.3%.

▶ In the Middle East, 2015 YTD data for Israel shows that in line with recent weakness in arrivals, inbound tourism expenditure has contracted by 15.9%. In Egypt, full-year data for 2014 shows growth of 19.2% in inbound tourism expenditure, as the Travel & Tourism economy rebounded after a troubled 2013.

▶ In Africa, 2015 YTD data are not yet widely available, but early inbound spend trends in Madagascar (-7.0%), Mauritius (-1.1%) and Morocco (-5.6%) point towards another potentially weak year for the region.

▶ In the Asia-Pacific region, the exceptional growth in Japan's Travel & Tourism industry has continued in early 2015, with growth of 55.9% to February. By contrast, growth in China, the region's largest economy, has been negative for the YTD, at -2.3%.