

Economy Update



Eurozone recovery accelerates, but subdued growth in China and Japan dampen Asia's outlook

Europe: The economic recovery has continued to build momentum in early 2015, buoyed by lower oil prices, an improvement in domestic demand and a weaker euro. The onset of sovereign QE by the ECB, coupled with strong US economic data and US monetary policy moving in the opposite direction, has pushed the euro to an 11½ year low against the dollar.

UK: With the Chancellor's budget doing little to alter the outlook, GDP growth of 2.8% is expected in 2015. Consumer prices were unchanged in the year to February; the first 12-month period of zero inflation since 1960.

US: Real GDP growth in 2015 is expected to exceed 3.0% for the first time since 2005. The labour market continues to post strong employment gains with the unemployment rate falling rapidly. With inflation rebounding in the second half of the year, the Fed may be poised to raise interest rates in September.

Asia: The Chinese economy has started 2015 on a weak note. A key factor dampening activity currently is the correction in the real estate sector, with both new construction starts and sales substantially lower than a year ago. In addition, the slowdown in industrial production, despite a surge in exports, suggests a weakening of domestic demand. In Japan, weakness persists with the exit from recession in the final quarter of 2014 even weaker than first thought – the second estimate revised quarterly growth down to 0.4%. The latest data suggest that 2015 started on a subdued note also – consumption in particular seems to be weakening again in the near term.

Travel & Tourism Indicator Update

2014 full-year industry indicators confirm strong Travel & Tourism performance in 2014, with early signs of continued positivity for 2015

- 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.
- Global air passenger traffic growth of 6.1% in 2014 compared with slightly lower growth of 5.4% in 2013 was driven by particularly strong growth in the Middle East (13.0%). Growth of 0.9% in Africa in 2014 was significantly weaker than 2013 growth (5.5%), with early 2015 data indicating continued weakness. All other regions have made positive starts to the year.
- Although much too early to draw conclusions, hotel performance to February has been mixed. YTD declines have been experienced in the Middle East and Sub-Saharan Africa across all indicators. Europe and Asia Pacific have also shown weakness in terms of average daily rates and revenue per available room. By contrast, North Africa has enjoyed an exceptionally strong start to the year.

Major Economy and Travel & Tourism Headlines Last Month



- Dollar strength clouds US Travel & Tourism prospects for 2015
- Oil price surges after Saudi airstrikes on Yemen, but falls back as Iran seeks nuclear deal
- Ebola outbreak could be 'over by August', UN suggests
- 17 foreign tourists killed in museum gun attack in the Tunisian capital, Tunis
- Cyclone Pam hits Vanuatu, "wiping out" all development of recent years and displacing thousands

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

	Global GDP growth	Direct T&T GDP growth
	(%)	(%)
2014	2.4%	3.5%
2015	2.9%	3.7%

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		
	Jan. 2015 vs. Jan. 2014	2014 (full year)	2013 (full year)	2014 (full year)	2013 (full year)	Occupancy rate	ADR	RevPAR
						2015 YTD (up to Feb.)	2015 YTD (up to Feb.)	2015 YTD (up to Feb.)
Europe	5.0	5.7	3.8	3.9	5.0	3.2	-12.7	-9.9
Americas	-	-	-	7.4	3.5	3.3	3.7	7.1
North America	2.7	3.1	3.0	8.2	3.9	3.4	3.9	7.4
Asia-Pacific	4.7	5.6	5.3	5.3	6.8	0.6	-5.3	-4.7
Middle East	11.4	13.0	12.1	4.4	-3.4	-1.4	-0.2	-1.6
Africa	-0.7	0.9	5.5	2.3	4.8	-	-	-
North Africa	-	-	-	0.5	6.0	9.2	9.0	19.0
Sub-Saharan Africa	-	-	-	3.3	4.2	-3.6	-5.3	-8.7
World	5.4	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								

▶ The latest 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.

(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

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 latest 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.