

Economy Update



ECB embark on €1.1 trillion Quantitative Easing (QE) programme to boost growth and ward off deflation, causing European stock markets to rise sharply. The Eurozone faces further uncertainty as the far-left Syriza party take office in Greece on the back of an anti-austerity manifesto.

Europe: Announcement of the ECB's €1.1 trillion QE package edged the Euro to an 11-year low against the US Dollar. Germany's 2015 GDP growth forecast has been revised up from 1.8% to 2.0%, driven by favourable employment data, low oil prices, and an export-boosting weak Euro. The far-left Syriza party swept to victory in a snap Greek election. New PM Tsipras pledged to renegotiate debt repayments and Greece's austerity programme, indicating future political uncertainty. However a Greek exit looks unlikely.

Exchange rates: Solid US economic data will continue to strengthen the Dollar, which is forecast to rise by 16.4% against the Yen and 12.7% against the Euro in 2015. On January 15, the Swiss National Bank ended a 3-year Euro currency peg, causing the Franc to appreciate by approximately 15% against the Euro. The outlook for Swiss exports, including Travel & Tourism, has been downgraded as a result. Markets also fear that Denmark could emulate the Swiss by abandoning their own long-standing peg of the Krone to the Euro.

Oil prices: US crude oil prices neared a 6-year low in late January due strong supply, continued concerns about demand and bearish rhetoric from OPEC. As stockpiles reached an 80-year high, the benchmark price on January 28 settled at \$44 a barrel, equating to an approximate 60% fall since June 2014. This collapse will benefit net oil importers such as China and India, and harm net oil exporters such as Russia.

China: Although China's economy grew by 7.4% in 2014, this was its slowest annual growth in 24 years. Amid a real estate slump and rising total debt levels, China has cut its growth target to 7.0% for 2015.

Travel & Tourism Indicator Update

Latest industry indicators show strong Travel & Tourism performance for year-to-date

- According to the latest UNWTO World Tourism Barometer, world international tourist arrivals grew by 4.7% in 2014 YTD. Strong North American performance helped the Americas region grow fastest (7.8%), followed by Asia-Pacific (5.0%). The slowest growing region was Africa (2.6%).
- 2014 YTD (to November) global air passenger traffic growth of 6.1% has outpaced 2013 growth of 5.4%. The Middle East (12.9%) was the fastest growing region. With the exception of Africa, 2014 YTD growth was stronger than 2013 growth for each region.
- 2014 YTD (to December) hotel data is mainly positive and is broadly consistent with last month's data. YTD occupancy rate growth is positive for all geographies except Sub-Saharan Africa.

Major Economy and Travel & Tourism Headlines Last Month

- UK growth of 2.6% in 2014 places it as the fastest growing G7 economy in 2014.
- Lowest tally of new weekly Ebola cases since June 2014 gives hope of a slowdown.



The Travel & Tourism sector is expected to outperform the wider economy in 2014 and register positive growth for the 5th successive year since 2009



	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%
January 2015	2.6%	→

Source: Oxford Economics; WTTC

Implications for direct Travel & Tourism GDP outlook in 2014

In line with the mid-year update forecasts, we continue to anticipate direct Travel & Tourism GDP growth of approximately 3.5% in 2014. While this represents a downgrade of 0.8 percentage points from expectations at the start of the year, this is largely in line with wider economy downgrades and the Travel & Tourism sector 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		
	Nov. 2014 vs. Nov. 2013	2014 YTD (up to Nov.)	2013	2014 YTD (up to Oct.)	2013	Occupancy rate	ADR	RevPAR
						2014 YTD (up to Dec.)	2014 YTD (up to Dec.)	2014 YTD (up to Dec.)
Europe	5.6	5.7	3.8	4.0	4.9	2.1	2.8	5.0
Americas	-	-	-	7.8	3.5	3.4	4.1	7.6
North America	2.0	3.1	3.0	8.7	3.9	3.6	4.0	7.8
Asia-Pacific	4.9	5.6	5.3	5.0	6.8	0.5	-3.0	-2.5
Middle East	11.7	12.9	12.1	4.0	-3.4	2.9	0.7	3.6
Africa	-2.5	1.1	5.5	2.6	4.8	-	-	-
North Africa	-	-	-	1.5	6.0	11.5	3.2	15.1
Sub-Saharan Africa	-	-	-	3.3	4.2	-0.5	-3.2	-3.7
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	Oct	2014	1.8								
Belgium	Sept	2014	4.5								
Denmark	Sept	2014	9.7								
Finland	Oct	2014	-1.0								
France	Aug	2014	0.0								
Germany	Sept	2014	4.6								
Greece	Sept	2014	22.2								
Italy	Sept	2014	1.0								
Netherlands	Sept	2014	9.8								
Portugal	Oct	2014	12.1								
Spain	Oct	2014	7.5								
Sweden	Oct	2014	7.9								
UK	Oct	2014	5.5								
Bulgaria	Oct	2014	2.1								
Cyprus	Oct	2014	1.5								
Czech Republic	Sept	2014	2.9								
Estonia	Oct	2014	3.2								
Hungary	Q3	2014	13.4								
Latvia	Sept	2014	15.2								
Lithuania	Sept	2014	9.5								
Malta	Oct	2014	7.3								
Russia	Q3	2014	4.2								
Slovakia	Oct	2014	-12.5								
Slovenia	Oct	2014	4.9								
Montenegro	Oct	2014	1.8								
Croatia	Oct	2014	5.8								
Iceland	Oct	2014	17.7								
Norway	Oct	2014	3.0								
Switzerland	Oct	2014	1.8								
Turkey	Oct	2014	6.7								
AMERICAS											
Canada	Oct	2014	3.3								
US	Sept	2014	7.1								
Mexico	Oct	2014	18.6								
Brazil	-	-	-								
Chile	Oct	2014	1.0								
Peru	Sept	2014	1.9								
Anguilla	Oct	2014	2.1								
Antigua & Barbuda	Oct	2014	3.4								
Aruba	Oct	2014	9.4								
Bahamas	Jul	2014	3.5								
Barbados	Sept	2014	-0.8								
Bermuda	Oct	2014	-3.3								
Cayman Islands	Oct	2014	12.6								
Cuba	Oct	2014	4.3								
Dom Republic	Nov	2014	9.7								
Dominica	Sept	2014	4.9								
Grenada	Sept	2014	12.4								
Jamaica	Oct	2014	3.1								
Martinique	Oct	2014	1.1								
Puerto Rico	Aug	2014	5.7								
St Lucia	Sept	2014	6.0								
St Vincent	Oct	2014	-1.7								
MIDDLE EAST											
Israel	Nov	2014	0.1								
Jordan	Sept	2014	2.8								
Lebanon	Sept	2014	4.2								
UAE	Q2	2014	2.4								
Egypt	Oct	2014	1.0								
AFRICA											
Mauritius	Nov	2014	4.8								
South Africa	Q1	2014	8.5								
Tunisia	Oct	2014	-1.1								
ASIA-PACIFIC											
Japan	Oct	2014	27.1								
China	Oct	2014	-1.2								
Hong Kong	Oct	2014	9.2								
South Korea	Oct	2014	16.0								
Macau	Oct	2014	2.8								
Taiwan	Oct	2014	24.9								
India	Nov	2014	7.1								
Maldives	Oct	2014	9.3								
Nepal	-	-	-								
Sri Lanka	Nov	2014	20.3								
Cambodia	Sept	2014	4.7								
Indonesia	Oct	2014	8.7								
Laos	Q2	2014	6.2								
Malaysia	Jul	2014	9.7								
Myanmar	Oct	2014	26.7								
Papua New Guinea	Sept	2014	-4.1								
Philippines	Sept	2014	2.5								
Singapore	Aug	2014	-3.3								
Thailand	Nov	2014	-8.6								
Vietnam	Nov	2014	5.4								
Australia	Sept	2014	8.6								
New Zealand	Oct	2014	4.8								
Fiji	Oct	2014	4.6								
Kiribati	Q2	2014	5.3								
Vanuatu	Sept	2014	-1.7								
REGIONAL ESTIMATES (1)											
Europe	Oct	2014	4.0								
Americas	Oct	2014	7.8								
Africa	Oct	2014	2.6								
Middle East	Oct	2014	4.0								
Asia-Pacific	Oct	2014	5.0								
WORLD											
	Oct	2014	4.7								

► The latest UNWTO World Tourism Barometer shows that YTD international visitor arrivals growth remains strong, with 4.7% growth to October.

► Europe posted 4.0% YTD growth in visitor arrivals. The fastest growth was recorded in Greece, with double-digit growth also in Iceland, Latvia, Hungary and Portugal. For the region's major Travel & Tourism economies, strong arrivals growth was experienced in Spain (7.5%). Weak growth was recorded in Italy (1.0%), and arrivals growth in France remained flat. Germany and the UK both performed well, with 4.6% and 5.5% growth, respectively.

► The Americas has been the fastest growing world region in terms of international arrivals, with YTD growth of 7.8%. This growth has been driven by particularly strong growth in Mexico (18.6%) and robust growth in the US (7.1%), the region's largest Travel & Tourism economy.

► The Middle East has experienced robust growth in international arrivals, with YTD growth of 4.0%. Though Egypt experienced weak arrivals in H1, the latest YTD data paints a brighter picture, with a 1.0% YTD growth in tourist arrivals to October 2014.

► Asia-Pacific posted strong growth of 5.0% in international arrivals, driven by strong growth across a host of countries including Japan (27.1%), Myanmar (26.7%), Taiwan (24.9%), Sri Lanka (20.3%) and South Korea (16.0%). By contrast, Thailand (-8.6%), Papua New Guinea (-4.1%), Singapore (-3.3%) and China (-1.2%) have experienced YTD declines.

► Although Africa experienced international arrival growth of 2.6% for the YTD, it has been the slowest growing region. The Ebola crisis and Kenyan terrorist attacks are key explanatory factors. Kenya, for example, recorded -2.9% YTD growth in arrivals up to Q3.

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

(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

Inbound tourism expenditure growth in 2014

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

Year to:		%		Year to:		%		Year to:		%	
EUROPE											
Austria	Q2	2014	-0.3								
Belgium	Q2	2014	5.9								
Denmark	Q3	2014	4.7								
Finland	Q3	2014	-9.5								
France	Oct	2014	1.4								
Germany	Oct	2014	4.1								
Greece	Sept	2014	12.5								
Italy	Sept	2014	3.1								
Netherlands	Q2	2014	5.8								
Portugal	Sept	2014	12.0								
Spain	Sept	2014	3.8								
Sweden	Q3	2014	17.0								
UK	Q2	2014	3.6								
Bulgaria	Oct	2014	1.7								
Cyprus	Sept	2014	-2.4								
Czech Republic	Q3	2014	2.0								
Estonia	Q3	2014	3.1								
Hungary	Q2	2014	9.8								
Latvia	Oct	2014	11.1								
Lithuania	Q2	2014	5.8								
Malta	Q2	2014	9.0								
Russia	Q3	2014	2.6								
Slovakia	Sept	2014	1.6								
Slovenia	Sept	2014	0.7								
Montenegro	Q3	2014	2.4								
Croatia	Q2	2014	2.1								
Iceland	Q3	2014	20.4								
Norway	Q3	2014	6.6								
Switzerland	Q2	2014	1.4								
Turkey	Oct	2014	7.0								
AMERICAS											
Canada	Q3	2014	6.1								
US	Oct	2014	3.7								
Mexico	Oct	2014	16.7								
Brazil	Oct	2014	6.2								
Chile	Q3	2014	-1.7								
Peru	Q3	2014	0.3								
Anguilla	Q3	2014	4.7								
Antigua & Barbuda	Sept	2014	2.4								
Aruba	Q2	2014	4.8								
Bahamas	Q1	2014	-0.4								
Barbados	Q3	2014	0.5								
Bermuda	Q2	2014	-3.7								
Cayman Islands	-	-	-								
Cuba	Q3	2014	4.9								
Dom Republic	Q3	2014	11.5								
Dominica	Sept	2014	9.3								
Grenada	Sept	2014	9.2								
Jamaica	-	-	-								
Martinique	-	-	-								
Puerto Rico	-	-	-								
St Lucia	Sep	2014	8.5								
St Vincent	Sep	2014	0.6								
MIDDLE EAST											
Israel	Sept	2014	5.9								
Jordan	Q2	2014	13.5								
Lebanon	-	-	-								
UAE	-	-	-								
Egypt	Q2	2014	-23.4								
AFRICA											
Mauritius	Sept	2014	10.7								
South Africa	Q3	2014	13.6								
Tunisia	Q3	2014	12.2								
ASIA-PACIFIC											
Japan	Oct	2014	28.6								
China	Oct	2014	-0.9								
Hong Kong	Q3	2014	0.5								
South Korea	Oct	2014	20.9								
Macau	Q2	2014	12.9								
Taiwan	Q3	2014	16.6								
India	Oct	2014	12.9								
Maldives	-	-	-								
Nepal	Q2	2014	32.1								
Sri Lanka	Q2	2014	91.6								
Cambodia	Q2	2014	11.0								
Indonesia	Q3	2014	8.9								
Laos	-	-	-								
Malaysia	Q3	2014	8.7								
Myanmar	-	-	-								
Papua New Guinea	-	-	-								
Philippines	Q2	2014	3.3								
Singapore	Q3	2014	0.4								
Thailand	Q3	2014	-8.2								
Vietnam	-	-	-								
Australia	Oct	2014	9.1								
New Zealand	Q3	2014	8.2								
Fiji	Q2	2014	6.0								
Kiribati	-	-	-								
Vanuatu	-	-	-								

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

In Europe, several countries including Iceland (20.4%), Sweden (17.0%) and Greece (12.5%) have experienced strong YTD inbound tourism expenditure growth. By contrast, Finland (-9.5%), Cyprus (-2.4%) and Austria (-0.3%) all recorded contractions.

In the Americas, strong international arrivals growth in Mexico has been matched by robust YTD inbound tourism expenditure growth (16.7%). In the US, growth of 3.7% in inbound tourism expenditure has been recorded for the YTD, compared to 7% for arrivals.

In the Middle East, Jordan (13.5%) posted the strongest inbound spending growth for the YTD and Israel remained resilient (5.9%), both robust growth rates given instability in the region.

In the Asia-Pacific region, a host of countries including Sri Lanka (91.6%), Nepal (32.1%), Japan (28.6%) and South Korea (20.9%) have posted exceptionally strong YTD inbound tourism expenditure growth. Singapore, meanwhile, recorded only weak growth of 0.4%. In line with weak arrivals numbers, Thailand (-8.2%) and China (-0.9%) have experienced declines in inbound tourism expenditure growth. Despite a 2.6% fall in Macau's gambling revenue in 2014, inbound tourism expenditure YTD growth was robust, at 12.9%.

In Africa, robust growth in tourism expenditure was recorded in South Africa (13.6%), Tunisia (12.2%) and Mauritius (10.7%). By contrast, Kenya (-2.9%) and Namibia (-29.2%) both recorded YTD contractions.