

Economy Update

Concerns around China continue, with the Fed deciding to delay its much anticipated interest rate lift-off

China: Continued concern over the health of the Chinese economy has again struck Asian stock markets, with shares in the region plummeting to their lowest level in more than three years. Chinese exports are expected to decline by 0.7% for the year, representing the first annual contraction since 2009. GDP growth of 6.6% is now forecast for the year, with growth expected to slow further to below 6% in 2016.

Eurozone: Recently released data show that not only was the economic recovery in H1 2015 stronger than previously thought, but also that the momentum has carried over into Q3. Indeed, survey-based measures of activity and sentiment in early Q3 are a touch stronger than in Q2, suggesting that the economy has continued to expand at a solid pace. With little sign that export growth is starting to soften, confidence remains that momentum will continue to grow in the months ahead. GDP growth of 1.6% is now expected for 2015, up from 1.4% last month.

US: The Federal Reserve held fire this month on its first interest rate hike in more than nine years as it admitted that "uncertainties abroad" had made it more risky to tighten policy, with inflation already well below the 2% target rate. As such, expectations of a rate increase have been pushed back to December at the earliest. Sluggish global growth and the strong dollar will be the major drags on GDP growth this year, with the domestic side of the economy performing robustly. GDP growth of 2.5% is expected for the year.

UK: In line with the Federal Reserve, the Bank of England is expected to delay its first interest rate hike due to concerns over weak global growth. Indeed, the first hike in the UK is now expected in May 2016. The consumer outlook is positive over the next few months as wage growth picks up and inflation remains relatively subdued. GDP growth of 2.6% is expected this year and 2.8% in 2016.

Travel & Tourism Indicator Update

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

- World international tourist arrivals have grown by 4.1% for the YTD to June, marginally behind full-year growth of 4.2% in 2014. All regions apart from Africa have recorded positive arrivals growth, with Europe leading the way with YTD growth of 4.9% for the first half of the year. Europe's strong performance this year has been boosted by the weak euro, which has enhanced the price competitiveness of Europe versus other tourism destinations.
- World international air passenger traffic YTD growth stands at 6.7% to August, currently ahead of the 6.1% growth recorded in 2014. Positive growth has been experienced across all world regions apart from Africa, where a YTD decline of 0.9% has been recorded.
- YTD hotel performance across Europe, the Americas and North Africa has remained positive across all indicators. By contrast, the Middle East has experienced negative growth across all indicators, with Asia Pacific experiencing negative growth in average daily rates (ADR) and revenue per available room (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

- The Travel & Tourism industry will continue to be boosted by the relatively lower cost of international travel as compared to previous years, with oil prices continuing to struggle to break above the \$50 per barrel mark, despite production falling back from record highs in the US.
- The Indian central bank has cut interest rates for the fourth time this year, citing concerns around weakening global demand.
- Latest indicators show that international tourist arrivals and inbound tourism expenditure have fallen for the YTD in South Korea as the recent MERS outbreak deters tourists.

The Travel & Tourism industry is again expected to outperform the wider economy in 2015, but weakness in the global economy may constrain growth potential this year.



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

YTD performance of airline traffic, international tourist arrivals and hotels								
	International air passenger traffic (RPK)			International tourist arrivals		Regional hotel performance		
	Aug. 2015 vs. Aug. 2014	2015 YTD (up to Aug.)	2014 (full year)	2015 YTD (up to June)	2014 (full year)	Occupancy rate	ADR	RevPAR
						2015 YTD (up to Aug.)	2015 YTD (up to Aug.)	2015 YTD (up to Aug.)
Europe	5.7	5.2	5.7	4.9	2.3	2.9	4.6	7.6
Americas	-	-	-	4.2	8.4	1.6	4.9	6.5
North America	4.5	3.1	3.1	3.4	9.5	1.7	4.9	6.7
Asia-Pacific	7.7	8.1	5.6	4.7	5.7	0.5	-0.6	-0.2
Middle East	13.7	13.1	13.0	4.8	6.3	-0.8	-1.8	-2.6
Africa	3.6	-0.9	0.9	-6.4	2.2	-	-	-
North Africa	-	-	-	-10.3	0.9	5.0	9.9	15.4
Sub-Saharan Africa	-	-	-	-4.3	2.9	-0.6	4.3	3.6
World	7.1	6.7	6.1	4.1	4.2	-	-	-

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	Aug	2015	7.0	Canada	Jun	2015	7.8	Japan	Jul	2015	63.8	
Belgium	Dec	2014	3.8	US	Aug	2015	3.5	China	Jul	2015	2.8	
Denmark	Jun	2015	5.1	Mexico	Jun	2015	7.6	Hong Kong	Jul	2015	-5.1	
Finland	Jun	2015	-10.3	Chile	Jul	2015	20.3	South Korea	Aug	2015	-11.2	
France	May	2015	4.1	Antigua & Barbuda	Jun	2015	-3.6	Macau	Jul	2015	-5.7	
Germany	Jul	2015	6.5	Aruba	Jun	2015	16.2	Taiwan	Jul	2015	3.4	
Greece	Jun	2015	20.8	Bahamas	Apr	2015	4.6	India	Jul	2015	4.8	
Italy	Jun	2015	5.5	Barbados	Jun	2015	14.8	Maldives	Jul	2015	1.7	
Netherlands	May	2015	7.3	Bermuda	Jul	2015	-3.7	Nepal	Dec	2014	-0.9	
Portugal	Jun	2015	8.3	Cayman Islands	Jul	2015	0.6	Sri Lanka	Jul	2015	16.8	
Spain	Jul	2015	4.7	Cuba	Jul	2015	17.0	Cambodia	Jun	2015	4.6	
Sweden	Jun	2015	8.4	Dom Republic	Jul	2015	7.6	Indonesia	Jul	2015	2.7	
UK	Jul	2015	3.0	Grenada	Jun	2015	6.2	Laos	Jun	2015	12.9	
Bulgaria	Jul	2015	-2.2	Jamaica	Jun	2015	3.1	Malaysia	Q1	2015	-8.6	
Cyprus	Jul	2015	6.5	Martinique	May	2015	-3.1	Myanmar	Q1	2015	16.5	
Czech Republic	Jun	2015	7.9	Puerto Rico	Apr	2015	4.2	Papua New Guinea	Jun	2015	-1.7	
Estonia	Jul	2015	-5.5	St Lucia	Jun	2015	5.3	Philippines	Jul	2015	8.7	
Hungary	Jun	2015	7.8	St Vincent	Jun	2015	1.9	Singapore	Jun	2015	-3.4	
Latvia	Jun	2015	3.3	MIDDLE EAST				Thailand	Jul	2015	30.0	
Lithuania	Jun	2015	-0.3	Egypt	Jun	2015	8.2	Vietnam	Jul	2015	-9.4	
Malta	Jul	2015	5.2	Israel	Jul	2015	-12.7	Australia	Jul	2015	7.2	
Russia	Q2	2015	8.1	Jordan	Q1	2015	-9.5	New Zealand	Jul	2015	9.1	
Slovakia	Jun	2015	10.3	Lebanon	Jul	2015	17.9	Fiji	Jul	2015	9.4	
Slovenia	Jul	2015	12.8	UAE	-	-	-	Kiribati	-	-	-	
Montenegro	Jul	2015	22.7	AFRICA				Vanuatu	Jun	2015	-17.5	
Croatia	Aug	2015	8.0	Kenya	Jun	2015	-18.9	REGIONAL ESTIMATES (1)				
Iceland	Aug	2015	26.8	Madagascar	Apr	2015	6.4	Europe	Jun	2015	4.9	
Norway	Jul	2015	5.3	Mauritius	Jul	2015	10.0	Americas	Jun	2015	4.2	
Switzerland	Jul	2015	2.3	Morocco	Jul	2015	1.5	Africa	Jun	2015	-6.4	
Turkey	Jul	2015	-0.4	Nigeria	-	-	-	Middle East	Jun	2015	4.8	
				South Africa	Apr	2015	-7.3	Asia-Pacific	Jun	2015	4.7	
				Tunisia	Jul	2015	-22.4	WORLD	Jun	2015	4.1	
				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, APIS, TourMIS, JNTO, KTO, ONS

It should be noted that APIS data is used for the US, as UNWTO data are not yet available for 2015. However, APIS data covers air travel only and so should be interpreted with caution.

▶ The recently released UNWTO World Tourism Barometer shows that global international tourist arrivals have grown steadily by 4.1% for the YTD to June. This is down from YTD growth of 4.4% to April, and is marginally below 2014 full-year growth of 4.2%.

▶ Europe has recorded 4.9% growth in international tourist arrivals for the YTD. This places it as the fastest growing world region in 2015 so far. Each of the region's major Travel & Tourism economies, including France (4.1%), Italy (5.5%), Spain (4.7%) and the UK (3.0%) have contributed positively to the region's growth. Greece continues to stand out as one of Europe's strongest performers, with YTD growth of 20.8%.

▶ The Americas has recorded 4.2% growth for the YTD, with the strongest growth recorded in Chile (20.3%), Cuba (17.0%), Aruba (16.2%) and Barbados (14.8%). Although US data has not yet been made available by the UNWTO, APIS have estimated that tourist arrivals are continuing to grow at a robust 3.5% for the YTD to August. However, APIS data represents air travel only, and does not capture growth in visitors arriving by land from Canada or Mexico, where early indications suggest that visits from Canada by land has been weak so far in 2015.

▶ The Middle East has performed robustly in the YTD, with growth of 4.8% to June. This has been driven by very strong growth in Lebanon (17.9%), and to a lesser extent Egypt (8.2%).

▶ Africa is the only world region to have recorded negative growth in arrivals for the YTD (-6.4%). This comparatively weak performance has been driven by significant declines in some of the region's major Travel & Tourism economies, including Tunisia (-22.4%), Kenya (-18.9%) and South Africa (-7.3%).

▶ The Asia-Pacific region has experienced YTD arrivals growth of 4.7%, with Japan (63.8%) leading the way with exceptional performance. YTD arrivals in South Korea are now showing the effects of the recent MERS outbreak, and are down by 11.2% for the year to August.

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)

Year to:		%	Year to:		%	Year to:		%			
EUROPE			AMERICAS			ASIA-PACIFIC					
Austria	Q1	2015	4.7	Canada	Q2	2015	4.5	Japan	Jul	2015	60.3
Belgium	Q1	2015	2.3	US	Jul	2015	0.6	China	Jul	2015	0.8
Denmark	Q2	2015	3.0	Mexico	Jun	2015	9.0	Hong Kong	Q2	2015	-3.9
Finland	Q1	2015	-13.5	Chile	Q2	2015	12.5	South Korea	July	2015	-8.9
France	Jun	2015	-3.6	Antigua & Barbuda	Jun	2015	-2.7	Macau	Q2	2015	-34.6
Germany	Jun	2015	3.3	Aruba	Q1	2015	6.8	Taiwan	Q2	2015	-2.0
Greece	Jun	2015	8.6	Bahamas	Dec	2014	1.0	India	Jul	2015	3.3
Italy	Jun	2015	4.1	Barbados	Q2	2015	4.5	Maldives	Dec	2014	13.2
Netherlands	Q1	2015	9.3	Bermuda	Q1	2015	16.7	Nepal	Q1	2015	51.7
Portugal	Jun	2015	12.2	Cayman Islands	-	-	-	Sri Lanka	Jun	2015	14.1
Spain	Jun	2015	2.9	Cuba	Q1	2015	-3.9	Cambodia	Q1	2015	8.4
Sweden	Q2	2015	16.1	Dom Republic	Q2	2015	9.1	Indonesia	Q2	2015	3.5
UK	Q1	2015	-5.9	Grenada	Jun	2015	13.3	Laos	Dec	2014	7.7
Bulgaria	Jun	2015	-2.2	Jamaica	Dec	2014	8.7	Malaysia	Q2	2015	-18.6
Cyprus	Jun	2015	-6.1	Martinique	Dec	2014	-0.2	Myanmar	-	-	-
Czech Republic	Q2	2015	4.9	Puerto Rico	Dec	2014	3.1	Papua New Guinea	-	-	-
Estonia	Q2	2015	-3.7	St Lucia	Jun	2015	9.7	Philippines	Q1	2015	1.3
Hungary	Q1	2015	10.1	St Vincent	Jun	2015	-0.6	Singapore	Q2	2015	-8.1
Latvia	Jun	2015	12.8	MIDDLE EAST			Thailand	Q2	2015	26.7	
Lithuania	Q1	2015	-0.8	Egypt	Q1	2015	-7.3	Vietnam	Dec	2014	1.1
Malta	Q1	2015	9.3	Israel	Jun	2015	-15.7	Australia	Jul	2015	9.0
Russia	Q2	2015	-24.6	Jordan	Q1	2015	-11.9	New Zealand	Q1	2015	17.0
Slovakia	Q1	2015	2.4	Lebanon	-	-	-	Fiji	Q1	2015	8.7
Slovenia	Jun	2015	7.9	UAE	Dec	2014	12.7	Kiribati	-	-	-
Montenegro	Q1	2015	13.7	AFRICA			Vanuatu	-	-	-	
Croatia	Q1	2015	13.8	Kenya	Q1	2015	-4.8				
Iceland	Q2	2015	32.6	Madagascar	Apr	2015	13.0				
Norway	Q2	2015	10.4	Mauritius	Jun	2015	-3.5				
Switzerland	Q1	2015	-3.1	Morocco	May	2015	-6.4				
Turkey	Jul	2015	-7.5	Nigeria	Q2	2015	-26.6				
				South Africa	Q1	2015	12.2				
				Tunisia	Q2	2015	-14.5				
				Uganda	Q1	2015	107.7				

- In Europe, inbound tourism expenditure growth for the YTD has been particularly strong in Iceland (32.6%), Sweden (16.1%) and Croatia (13.8%), which is consistent with strong arrivals growth across each of these countries this year. By contrast, two of Europe's major Travel & Tourism economies, France and the UK, have experienced YTD declines in inbound spending, with contractions of -3.6% and -5.9% recorded respectively. Meanwhile, Russia's struggles continue, with inbound spending down by almost 25% in the first half of 2015.
- In the Americas, strong arrivals growth in Chile has been matched by strong inbound spending growth of 12.5%. Mexico continues to build upon a strong year in 2014 with growth of 9.0% recorded to June. By contrast, growth in the US has been much more sluggish, at just 0.6%.
- In the Middle East, Israel (-15.7%), Jordan (-11.9%) and Egypt (-7.3%) have all experienced declines in inbound tourism expenditure for the YTD. Data for the UAE for 2015 have not yet been made available by the UNWTO. However given that the Dirham is pegged to the US dollar, a slower performance might be expected in 2015, compared to 2014.
- Inbound tourism expenditure growth for the YTD has been mixed across Africa in 2015 so far. Exceptional growth has been experienced in Uganda (107.7%), with solid growth also recorded in Madagascar (13.0%) and South Africa (12.2%). By contrast, YTD declines have been experienced across Nigeria, Tunisia, Kenya, Morocco and Mauritius.
- In the Asia-Pacific region, exceptional arrivals growth in Japan and Thailand has been matched by fast-paced spending growth of 60.3% and 26.7% respectively. By contrast, in line with a contraction in arrivals, inbound spending is down by 8.9% in South Korea. In China, the region's largest economy, sluggish growth of 0.8% has been recorded for the year to July.

