THE ECONOMIC IMPACT OF TRAVEL & TOURISM: 2016 ANNUAL UPDATE - SUMMARY

KEY DATA
- In 2015, Travel & Tourism in total contributed US$7.2 trillion to world GDP, representing 9.8% of global GDP.
- The sector supported 284 million jobs, or 1 in 11 jobs in the world.
- Travel & Tourism grew by 3.1% in 2015 - the 6th consecutive year of positive growth for the sector.
- The sector’s contribution to GDP is forecast to grow by 3.3% in 2016.
- Travel & Tourism will outperform the global economy throughout the next decade, growing by an expected 4% on average annually over the next ten years.

CONTRIBUTION 2015
- Travel & Tourism’s direct contribution to world gross domestic product (GDP) and employment in 2015 was US$2.2 trillion (2015 prices) and 108 million jobs respectively.
- Taking its wider impacts, including indirect and induced contributions, into account, Travel & Tourism’s total contribution to the global economy in 2015 was US$7.2 trillion (2015 prices), which equates to 9.8% of total GDP. In terms of employment, in 2015 the Travel & Tourism sector supported 284 million jobs, or 1 in 11 of all jobs in the world.
- 2.5 million new jobs were generated directly in the sector in 2015, taking the number of direct jobs to 108 million. In total, 7.2 million new jobs were created as a result of direct, indirect and induced activity.
- The total contribution of Travel & Tourism to employment grew by 2.6% in 2015, while the total GDP contribution grew by 3.1% – faster than overall economic growth (2.3%) for the fifth consecutive year.
- In GDP growth terms, the Travel & Tourism sector outperformed several other major economic sectors in 2015, including manufacturing and retail. In employment growth terms, the Travel & Tourism sector outperformed various other select industries in 2015, including the financial services, education and health care sectors.
- At a country level, direct Travel & Tourism GDP growth outpaced economy-wide GDP growth in 127 of the 184 countries covered by the annual Economic Impact Research in 2015. Examples of economies where Travel & Tourism most markedly outperformed the wider economy in 2015 included Iceland, Japan, Mexico, New Zealand, Qatar, Saudi Arabia, Thailand, and Uganda.
- The sustained demand for Travel & Tourism, coupled with the sector’s ability to consistently outperform the wider global economy and be resilient in the face of shocks, continues to underline its great significance and value as a key sector for economic development and job creation throughout the world.

PERFORMANCE 2015
- Despite continuing to outpace the wider global economy in 2015, growth in direct Travel & Tourism GDP was weaker than in each of the previous 4 years, registering growth of 3.7%. In part, this was due to a weaker than expected global economic backdrop, with world GDP growth in 2015 now recorded at 2.3%.
- Nevertheless, a range of unforeseen non-economic events have had detrimental impacts upon the performance of the Travel & Tourism sector. Specifically, 2015 was plagued by a spate of major terrorist attacks in countries including Egypt, France, Indonesia, Kenya, Nigeria, Thailand and Tunisia, which has dented confidence in travel globally as well as to these destinations specifically. In addition, flight bans from Russia to Egypt and Turkey (albeit in the latter part of the year), and the MERS outbreak in South Korea adversely impacted tourism performance in these destinations in 2015.
- Furthermore, Macau, which was the 4th largest inbound international spending market globally in 2014, endured an extremely weak year in 2015. The anti-corruption and anti-money laundering crackdowns in China, and increasing competition from other casinos in Asia contributed to a fall of almost one-third in its inbound international Travel & Tourism spending. Other Asian destinations that recorded contractions in inbound international Travel & Tourism spending and contributed to the slowdown in international Travel & Tourism spending in 2015 included Hong Kong, Malaysia and Singapore.
- By consequence of these factors, a key development in 2015, breaking the trend observed for much of the last decade, was that domestic Travel & Tourism spending growth (2.9%) outpaced international Travel & Tourism spending growth (2.4%).
- Notwithstanding the below-forecasted Travel & Tourism GDP growth in 2015, various other sector indicators reflect the robust performance of Travel & Tourism in 2015. Hotel performance was strong, with occupancy rates, average daily rates and revenue per available room indicating a strong year for all world regions, with the exception of Asia Pacific and the Middle East. Global air passenger traffic grew by 6.5% in 2015 as a whole – the fastest pace since the post-global financial crisis rebound in 2010 and well above the ten-year average annual growth of 5.5%. Contributing to this strong growth were lower air fares – down approximately 5% in 2014 due, in no small part to the decline in oil prices. International arrivals grew by 4.4% globally in 2015, marginally ahead of the 4.2% growth in 2014, according to UNWTO. But downward pressure on average spend led to world visitor exports growth slowing to 2.4% in 2015 compared to 4.0% in 2014.
- All world sub-regions experienced growth in total Travel & Tourism GDP in 2015, with Southeast Asia experiencing the strongest growth at 7.9%, ahead of South Asia (7.4%). They are followed by the Middle East (5.9%), Caribbean (5.1%), Sub-Saharan Africa (3.3%), North America (3.1%), Europe (2.5%), Northeast Asia (2.1%), Latin America (1.5%) and North Africa (1.4%).
• Over the last decade, Asia has traditionally been the fastest growing world region in terms of its total Travel & Tourism GDP contribution. However in 2015 its growth slowed considerably to 3.7% from 6.7% in 2014. This was primarily due to weakness in Northeast Asia, notably Macau, as well as Hong Kong, Taiwan, and South Korea. The weakness in Northeast Asia was despite the spectacular growth in outbound tourism expenditure from China in 2015, recorded at 67% for the year to September 2015 in nominal US dollar terms. Japan was the exception in Northeast Asia in truly benefitting from the boom in outbound travel from China in 2015. Japan’s international arrivals grew by 47% in 2015, with international receipts surging by 36% in nominal US dollar terms. Otherwise Chinese tourists appear to be showing a preference to travel outside the region, especially where visa entry has been made easier. Europe has noticeably benefited from strong numbers of Chinese visitors, with major destinations like the UK and Germany, alongside emerging destinations like Iceland, profiting from strong Chinese outbound trends. Similarly, in Oceania, Australia and New Zealand are continuing to see strong growth from Chinese tourists as well.

OUTLOOK 2016

• There has been a downgrade to the global Travel & Tourism outlook for 2016, compared to the forecast reported in 2015, with direct Travel & Tourism GDP now expected to grow by 3.3%. This is in line with macro economy revisions (the world GDP growth forecast for 2016 is down from 3.1% last year to 2.8% under current forecasts). Despite this downgrade, Travel & Tourism sector growth is still expected to outpace global economic growth for the sixth consecutive year.

• Growth in 2016 of 3.3%, compared to 2.8% in 2015, will be underpinned by improving household finances, helped by the lowest oil prices in more than a decade. With low oil prices expected to continue, along with lower air fares, will support continued international travel growth. However, while recent oil price developments should be positive at an overall global level for the Travel & Tourism sector, in some oil exporting countries business investment, government spending and employment in the extraction sector has contracted. This has led to volatility in markets and weaker economic performance in these countries in the near-term which will spill-over to the Travel & Tourism sector. This has raised the paradox and question of whether low oil prices are good or bad for the global economy. However, over the medium-term, lower oil prices should have a clear positive impact on the global economy, and, by extension, the Travel & Tourism sector, as business and consumers adapt to the lower oil price environment.

• All major components of Travel & Tourism are expected to record faster growth in 2016 than in 2015. Investment is forecast to grow by 4.7% in 2016, while domestic and international Travel & Tourism spending are forecast to grow by 3.3% and 3.0% respectively. Domestic Travel & Tourism spending growth is again expected to buck the longer-term trend by outpacing international spending in 2016, before international spending growth will again exceed domestic spending growth from 2018.

• The strength of the US dollar relative to other currencies will continue to influence travel trends in 2016. The USA, and other economies with currencies pegged to the US dollar including destinations like Hong Kong, Qatar, Saudi Arabia and the UAE, remain relatively more expensive tourism destinations, but the international purchasing power of their residents is enhanced. Key destination markets for US travellers, including the rest of the Americas and Europe, will continue to enjoy the largest benefit as tourists seek the more affordable travel options.

• All regions are expected to experience growth in direct Travel & Tourism GDP in 2016, apart from Latin America (-0.5%). Brazil, which is the region’s largest economy, accounting for around half of Latin America’s Travel & Tourism GDP, is expected to continue to struggle, and dampen prospects for the region as a whole. However, the weakness of Brazil’s outlook masks the brighter prospects for destinations like Chile and Colombia, where robust growth is expected in 2016.

LONG-TERM OUTLOOK 2016-2026

• The Travel & Tourism sector is forecast to grow, in terms of GDP contribution, by 4% on average per year over the next ten years, continuing to outperform the global economy throughout the forecast period. The divergence in growth between economy-wide GDP and direct Travel & Tourism GDP is expected to widen relative to the last few years to 1.4 percentage points, as the components of Travel & Tourism GDP continue to grow more quickly than their macro economy counterparts and other sectors.

• By 2026, Travel & Tourism is expected to support 370 million jobs in total globally, which will equate to 1 in 9 of all jobs in the world.

• South Asia, by some distance, will be the fastest growing sub-region for total Travel & Tourism GDP long-run growth to 2026 (7.1%) as India (7.5%) outpaces China (7.0%). The next tier of sub-regions, with growth of 4%-6% in total Travel & Tourism GDP, includes Southeast Asia (5.8%), followed by Northeast Asia (5.6%), Sub-Saharan Africa (5.2%), the Middle East (4.9%) and North Africa (4.2%). Meanwhile, growth in Latin America (3.7%), North America (3.5%), the Caribbean (3.4%) and Europe (2.8%) is expected to average below the global average of 4% per year.

• Some of these regional growth rates should however be seen in the context of past performance. North Africa’s total Travel & Tourism GDP growth averaged -2.8% between 2010 and 2015. By 2026, North Africa’s total Travel & Tourism GDP will only be 33% higher versus 2010 levels, compared to growth over the same period of 178% for Southeast Asia.

• The fastest growing G20 countries for total Travel & Tourism GDP to 2026 will be China, India, Indonesia, Mexico and South Africa. Amongst the smaller non-G20 economies, Kyrgyzstan, Myanmar, Tanzania, Vietnam and Zambia are expected to show the strongest growth.

• In line with last year’s predictions, China is still expected to overtake the USA in terms of Travel & Tourism investment by the end of the forecast period – but remain behind the USA in terms of Travel & Tourism total GDP, direct GDP, domestic spending and visitor exports.

• India’s strong forecast growth will propel it into the top ten Travel & Tourism economies by 2026, moving from 12th in 2015 up to 7th by 2026 in terms of total Travel & Tourism GDP. Other countries expected to make noticeable moves up the global league table for total Travel & Tourism GDP include Myanmar, Namibia, Tanzania, Uganda, Vietnam, and Zambia.

• By 2026, Thailand will move up to second place in the global league table in terms of visitor exports, surpassing China and Spain.

• China, the USA, Germany and the UK will remain the top four markets by 2026 for outbound spending. India, Indonesia and Singapore will make noticeable moves up the global league table for outbound spending.

1 Direct contribution from T&T is generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists. The indirect contribution comes from capital investment, government collective spending, and supply-chain effects generated by T&T. Induced impacts are the broader contribution to GDP and employment of spending by those who are directly or indirectly employed by Travel & Tourism. Total contribution is the combination of the direct, indirect, and induced contributions.