

Global Travel Service

Global Highlights & Risks, June 2020

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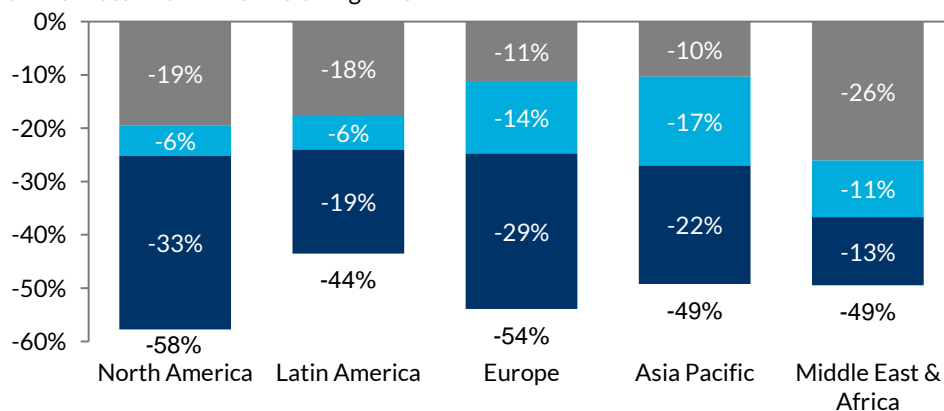
Global inbound travel is forecast to decline 52% in 2020, equating to a loss of 775mn visitor arrivals.

Global Travel & Tourism Trends

- The coronavirus outbreak has continued to spread across the globe, causing a sudden and large drop in travel activity. Global inbound travel is forecast to decline 52% in 2020, equating to a loss of 775mn visits compared to 2019.
- A partial rebound in travel demand is expected to begin in 2021, with visitor arrivals forecast to grow 50%, however an immediate return to 2019 levels is unlikely. A combination of negative economic and consumer sentiment impacts will prevent a complete rebound; global inbound arrivals will not reach 2019 levels again until 2023.
- All regions will see a sharp contraction in international travel in 2020 as all countries across the world have enforced restrictions on the movement of citizens both domestically and internationally.
- The Americas is forecast to be the worst affected region with a 55% decline in inbound travel in 2020, including a larger drop for North America. This is primarily due to a large reliance on long-haul travel – which is expected to take a longer time to recover – in the US, the largest destination in the region.
- Inbound travel to Europe is forecast to fall 54% in 2020, making it the second worst affected region as some travel restrictions are likely to remain during the peak summer months. Elsewhere, travel to the Middle East & Africa is forecast to drop 49%, which is equivalent to 79mn fewer trips in 2020.
- Short-haul and intra-regional travel will be a key focus in kickstarting international tourism recovery in 2020, as it provides the most effective means to promote travel while safeguarding each country against the threat of a second spike in infections.

Inbound arrivals by destination region and type of travel, 2020

% contribution to inbound travel growth



Source: Tourism Economics ■ Short-haul visits ■ Medium-haul visits ■ Long-haul visits

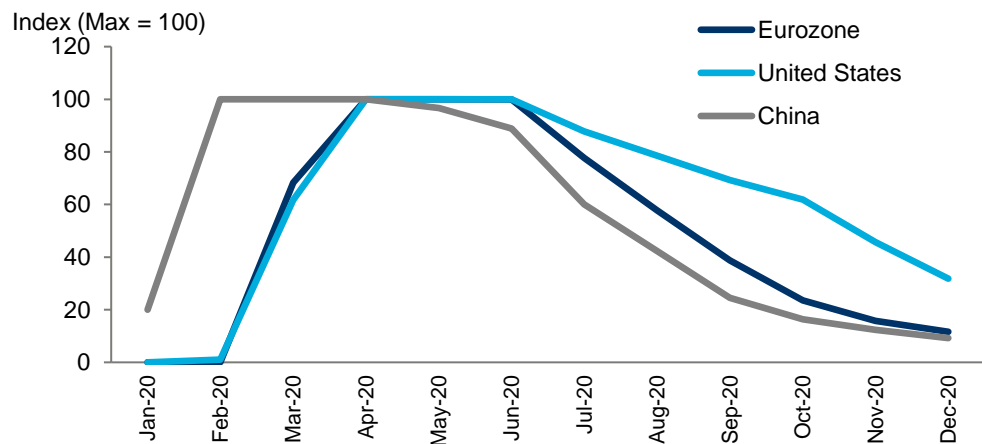
Prolonged travel restrictions, economic impacts and weakened consumer sentiment are key areas of uncertainty in the outlook.

Drivers of uncertainty in travel outlook

A large degree of uncertainty surrounds the travel outlook which is discussed in more detail our recent research brief, [The Drivers of Uncertainty](#). In this analysis, three broad areas of uncertainty have been identified for 2020 and into the medium term: **prolonged travel restrictions, loss in GDP and weakened consumer confidence**. Upside and downside scenarios have been estimated by flexing related assumptions in these areas.

Travel restriction stringency indices have been developed which combine the source market mix by country with assumptions on the imposition and relaxation of travel restrictions by month. This is informed by policy announcements. An index value of 100 indicates full restrictions, while a zero indicates no restrictions. As an example, the Eurozone index will fall more rapidly than the index for the US as limits on the important intra-Schengen market will be eased relatively rapidly.

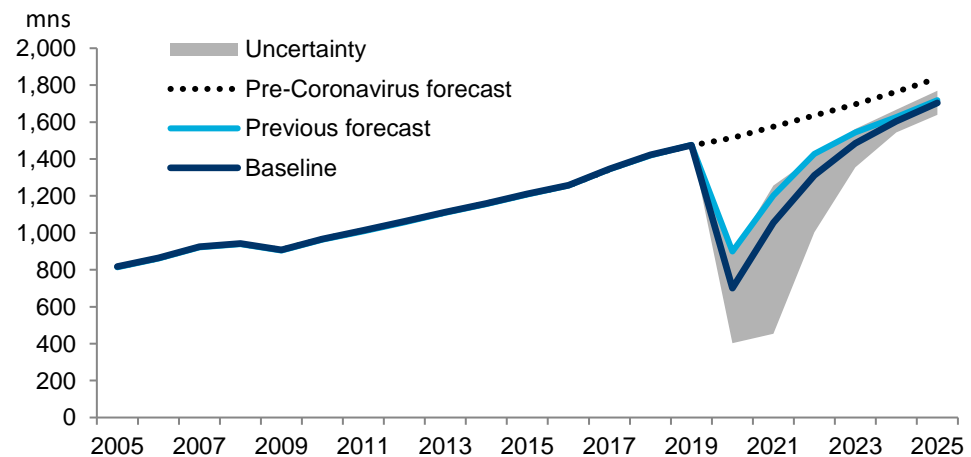
Travel restriction stringency index: international travel by key destination



Source: Tourism Economics

Our baseline outlook expects a gradual easing of restrictions through 2020. The 'upside' scenario assumes earlier virus containment and lifting of restrictions while a 'downside' scenario assumes travel restrictions are needed for longer with associated weaker economic activity and confidence effects. This significant uncertainty presents a wider range of impacts than usual. In 2020, the decline in global inbound arrivals ranges from -40% to -73%. Further, the lingering economic & sentiment effects point to a protracted recovery; global inbound arrivals will not return to 2019 pre-crisis levels until 2023 in the baseline & upside scenarios, and by 2024 in the downside scenario.

Inbound arrivals by scenario, 2005-25, World



Source: Tourism Economics

Global Travel & Tourism Outlook

The travel industry is being hit harder by the global pandemic than most other sectors, with the restrictive measures enforced by governments bringing tourism activity to a halt. Employment across the sector has plummeted, with travel companies cutting jobs while airlines have reduced capacity due to travel restrictions. Moreover, the fear of exposure to the virus in the absence of any vaccine has generated a negative sentiment towards travel which will take some time to rebound.

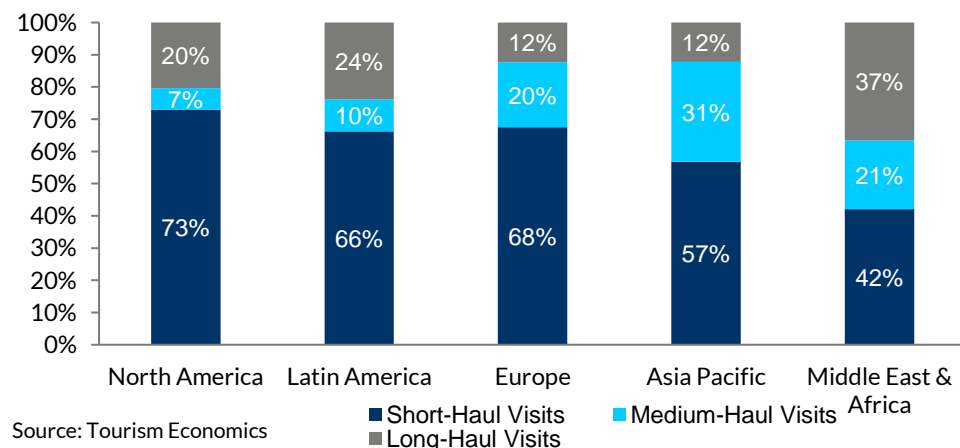
Our baseline forecast expects a 10-month period before all restrictions are lifted, with this broken into two phases, where full travel restrictions are in place over a period of four months, followed by a six-month period during which restrictions are gradually lifted. Domestic travel will be allowed first as countries relax lockdown restrictions, followed by travel from short-haul markets, with medium and long-haul travel returning later. These assumptions have been combined with usual seasonal distributions across countries, leading to an expected 52% drop in global inbound travel in 2020, equivalent to the loss of 775mn visitor arrivals. The recovery is expected to begin in earnest in 2021, with global travel forecast to grow 50%. However, an immediate return to pre-crisis levels is unlikely, with a more gradual recovery to 2019 levels by 2023.

The outbreak is having a devastating effect on travel to all regions, with all recording significant declines in inbound travel. **North America** is expected to be the worst affected region in 2020, with inbound travel declining 58%, largely driven by a significant drop in travel to the US – the largest destination in the region. **Europe** is the second worst affected region, falling 54% in 2020. This is despite efforts to ease travel restrictions during the peak travel season which is disproportionately higher than any other region: almost 50% of annual travel usually occurs from June to September. It is the same seasonality factor, alongside economic and consumer sentiment effects that contribute to a larger decline compared to the global average – a more even seasonal distribution would mitigate some of the impact. **Asia Pacific** countries have largely contained the virus at the time of writing while **Middle East & Africa** have been slightly less affected by the virus when compared to other regions. However, both regions will see visitor arrivals decline 49% in 2020.

This is undoubtedly a testing time for the tourism industry however prior events have demonstrated the resilience of the sector to bounce back and thrive after sudden shocks, including natural disasters and economic recessions. A travel demand rebound will follow but how quickly is subject to some uncertainty given how quickly the situation evolved. The challenges raised by the current crisis could be a positive catalyst for the industry to innovate and adapt to the changing global environment.

Inbound arrivals by type of travel, 2020

% share of annual arrivals



Global arrivals are forecast to decline 52% in 2020, with 2019 levels not being reached again until 2023.

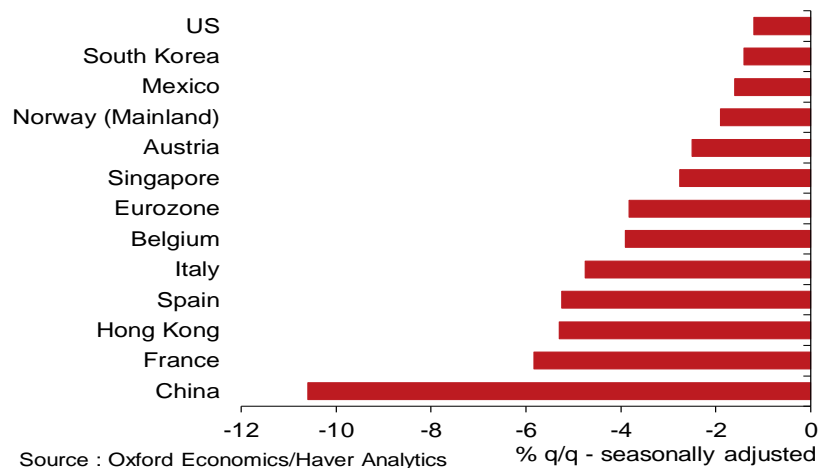
Destinations with greater reliance on long-haul source markets and highly concentrated distribution of travel during peak summer months expected to be more adversely affected in 2020.

Global GDP is forecast to contract 5% in 2020.

Global Macroeconomic Outlook

The coronavirus outbreak has brought the global economy to a standstill, suffering greater economic upheaval than was experienced during the global financial crisis. The likely Q1 fall in global GDP of over 3% is nearly as large as the entire global contraction during the global financial crisis. A rebound is expected in H2 as lockdown restrictions are eased although this very weak economic performance so far means that we have lowered our global GDP forecast from -2.8% to -5% for 2020.

Global: GDP growth in Q1



Following 10 years of continuous growth, the longest US economic expansion has ended. The US economy has suffered considerable losses, with Q1 2020 representing the sharpest contraction since 2008. The economic outlook remains bleak with a 40% contraction forecast for Q2 as the economy faces an escalation in unemployment. The massive public sector spending, worth over \$3tn will help alleviate some of this economic damage created by the sudden stop in private sector activity and the surge in unemployment. However, the US faces a further challenge as protests have broken out across the country following the death of George Floyd, which could impact the economic recovery.

China's GDP fell 6.8% y/y in Q1 2020 amid severe containment measures following the coronavirus outbreak. However, there are early signs of a recovery as industrial value added and investment showed smaller y/y declines in March. Therefore, we expect a sequential recovery throughout the year, with GDP forecast to grow 0.8% in 2020. However, the lingering fear of coronavirus and the economic uncertainty surrounding income and employment will impede both foreign and domestic demand.

Strict lockdown measures across Europe are taking a massive toll on the Eurozone economy, with GDP suffering the largest fall in its history in Q1 2020, largely driven by substantial falls in France and Spain, followed by Italy. Given that many countries extended quarantines throughout April and into May, we expect the Q2 GDP loss will be even larger. Therefore, we have lowered our GDP forecast to - 7.6% in 2020.

Emerging markets face much more intense challenges to contain the virus in H2 2020 than advanced economies. EMs are experiencing among the highest new cases globally, with countries such as Brazil and Mexico giving considerable cause for concern due to their mishandling of the situation. Most indicators of future near-term activity have plunged. We have therefore downgraded our forecasts and now see EM GDP contracting 1.8%.

European Travel & Tourism Outlook

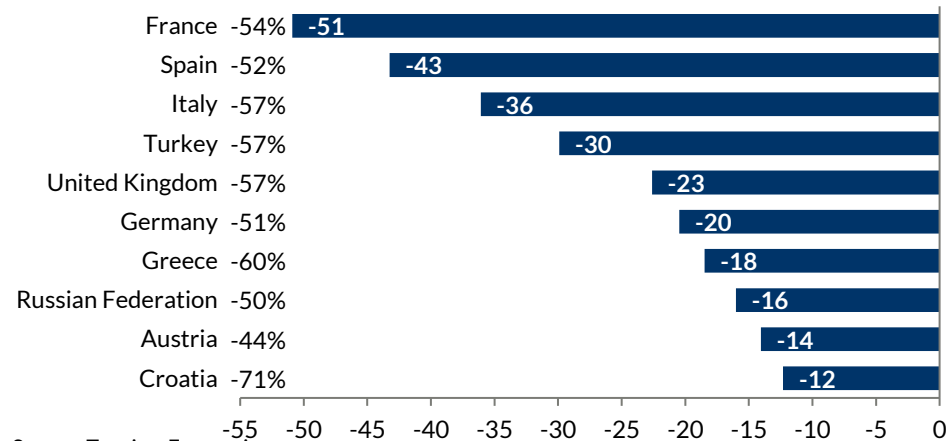
International visitor arrivals to Europe are set to fall 54% in 2020.

Europe's tourism industry has been thrown into turmoil, with most countries imposing severe lockdown and travel restrictions on the movement of citizens to suppress the spread of the virus. Inbound travel is forecast to decline 54% in 2020, equivalent to a loss of 402mn visitor arrivals compared to 2019. All sub-regions within Europe are expected to ensure declines of 50% or more in visitor arrivals in 2020, with the largest decline in Southern Europe at 57%.

France, Italy and Spain will cumulatively lose 130mn visitor arrivals in 2020 compared with 2019 levels, with France suffering the greatest decline in volume terms at 51mn. This is partly a function of the size of France as a travel destination: it was the largest global destination for international travel in 2019 with 94mn visitors. The percentage drop is marginally better – or less severe – than other popular destinations across the region including Italy, Turkey and the UK

Inbound arrivals: largest drops in arrivals, 2020

Arrivals (mns)



Europe's tourism industry is keen to restart in time for the summer season however governments remain cautious in easing travel restrictions as they seek to avoid a second spike in cases. Therefore, the initial focus will encourage domestic tourism following the relaxation of internal lockdown restrictions before the easing of international travel restrictions. Short-haul travel is expected to resume first, which is advantageous for Europe's tourism industry as more than half of all visitor arrivals to the region are from short-haul source markets. Medium-haul travel will follow – expected mid-summer in our baseline – opening up travel potential to almost 90% of Europe's usual source markets with long-haul following later in the year.

Several European countries including Germany and France have agreed to remove border restrictions on 15th June for travel within the EU. Moreover, discussions of travel bubbles and air corridors, which would allow tourists to cross borders without undergoing quarantine could provide an effective means for travel to resume in Europe. A Baltic travel bubble between Estonia, Latvia and Lithuania was established in May, which has allowed citizens to move freely between the countries.

While other European nations are getting ready to lift quarantine laws to allow regional visitor arrivals, the UK government is imposing a controversial 14-day quarantine restriction on international arrivals from 8th June. This has attracted considerable criticism from the travel and aviation industry, as it deters international travel into the UK and discourages British citizens from travelling abroad. UK outbound travel is forecast to decline 55% in 2020, which will have negative repercussions across Europe where UK accounted for 9% of all international visitor arrivals to Europe in 2019.

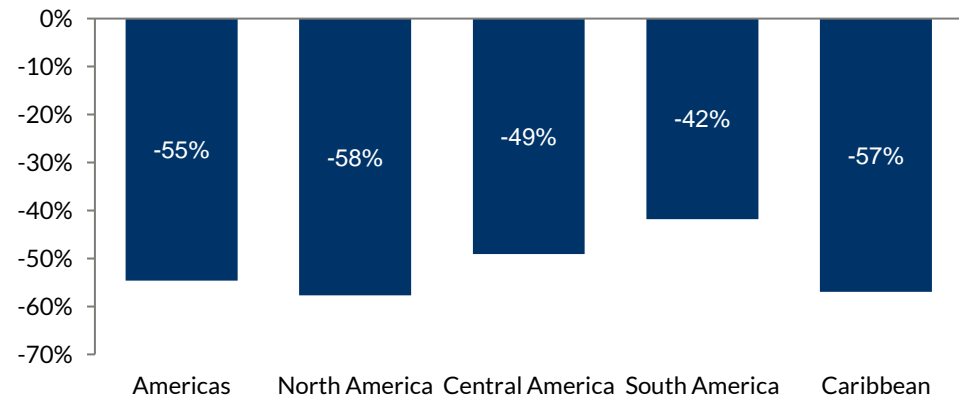
Inbound travel to the Americas is forecast to decline 55% in 2020.

Americas Travel & Tourism Outlook

The global pandemic is having a devastating impact on international travel throughout the Americas, with inbound arrivals forecast to decline 55% in 2020. North America and the Caribbean are forecast to endure the largest declines in 2020 at 58% and 57%; both a function of high reliance on the US. Inbound travel to Central and South America is forecast to decline of 44% in 2020.

Americas inbound arrivals by destination region, 2020

Annual growth, %

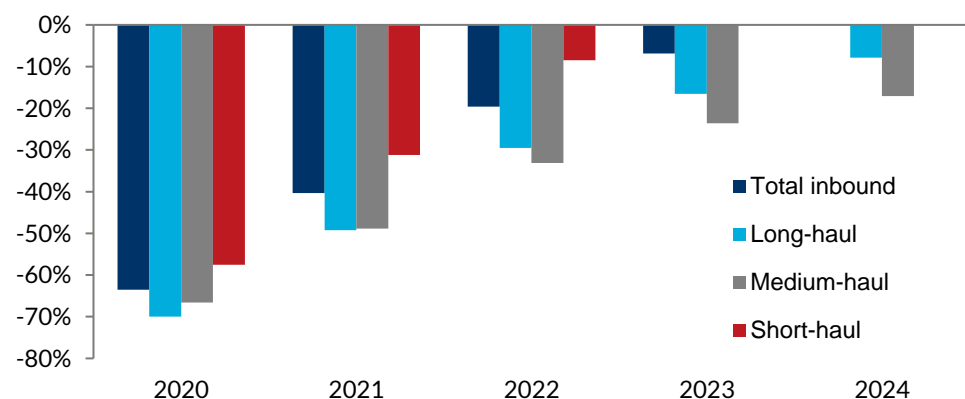


Source: Tourism Economics

While the US has more COVID-19 cases than any other country, it has succeeded in “flattening the curve” of infections and most states have begun reopening their economies. Domestic travel has resumed at low levels and will continue to recover with drive travel leading the rebound. However, the inception of a recovery in international travel is still months away as borders remain closed to most source markets. We expect inbound travel to decline 63% in 2020, equating to 50 million fewer visitors, on the basis that travel activity resumes modestly in the second half of the year – though downside risks are prevalent. A full recovery to 2019 levels is years away, with our models targeting the year 2024.

US inbound arrivals by long-haul, medium-haul & short-haul travel

% difference from 2019 levels



Source: Tourism Economics

Latin America had previously been one of the lesser affected regions of the global health crisis. A recent surge in infection rates and deaths has now placed the region as the new epicentre of the pandemic. Concerns have been heightened that the region is not equipped to handle the crisis due to a lack of testing, an overstretched health sector and fewer economic resources than other regions.

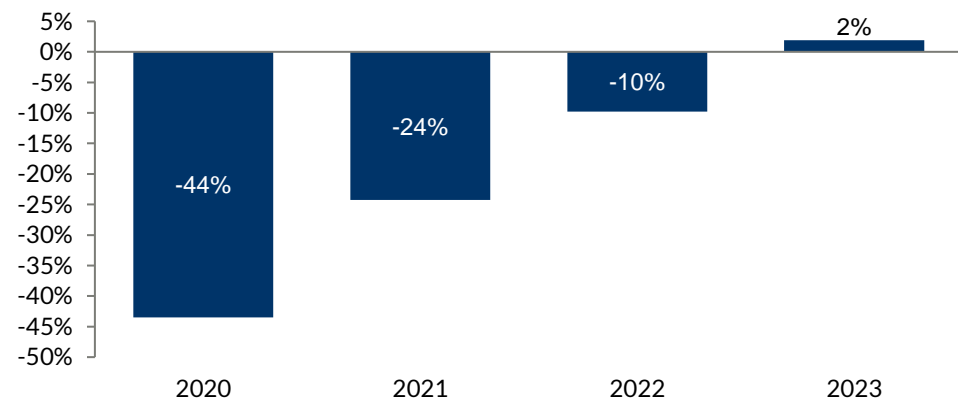
Brazil is suffering the most severe outbreak in Latin America, with President Bolsonaro playing down the seriousness of the virus and instead affirming that protecting the economy

is the foremost concern. The growing number of cases and deaths has led the US to issue a travel ban on any foreign national coming from Brazil while inbound travel to Brazil is forecast to decline 41% in 2020. Mexico, like Brazil has also decided against implementing strict national restrictions instead deciding to issue guidelines. This lax attitude will make a recovery more challenging for tourism with inbound travel to Mexico forecast to drop 47% and outbound trips declining 56% in 2020.

In contrast, strict travel restrictions are being pursued elsewhere in the region with Argentina taking drastic measures to limit the spread of the virus by banning all air travel until September. Colombia has also followed suit by imposing a travel ban on international flights until 31st August. These precautionary measures aimed at constraining the outbreak will have a devastating impact on tourism, with international arrivals forecast to fall 36% in Argentina and 50% in Colombia in 2020.

Latin America: Inbound travel outlook

% difference from 2019 levels

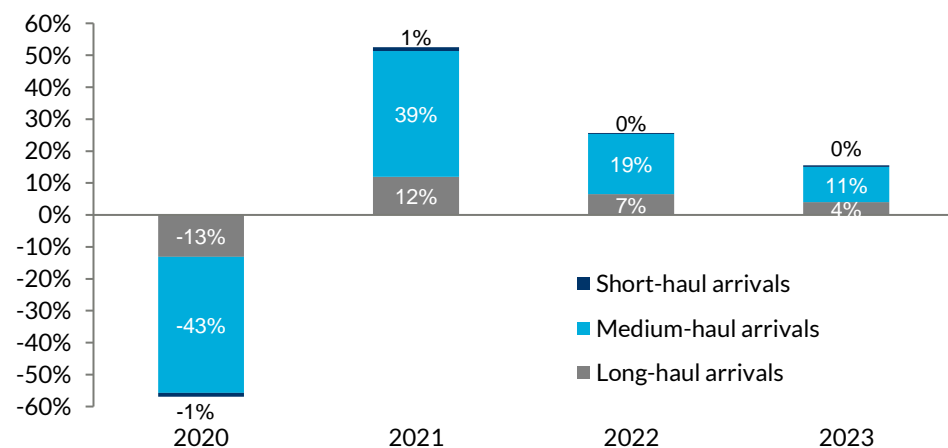


Source: Tourism Economics

The Caribbean is highly dependent on tourism, with 13% of total GDP attributable to Travel & Tourism Activity in 2019 (including supply chain and spending effects) and is therefore vulnerable to the sudden decline in global travel activity. It is also especially reliant on the US as a source market (defined as medium-haul), making it especially vulnerable to shocks – like the current crisis – in the US economy. Caribbean countries that are more reliant on tourism than others – such as the Dominican Republic, Cuba and the Bahamas are forecast to record declines of 44%, 56% and 64% in international arrivals in 2020.

Caribbean: Inbound arrivals by long-haul, medium-haul & short-haul travel

% contribution to inbound travel growth

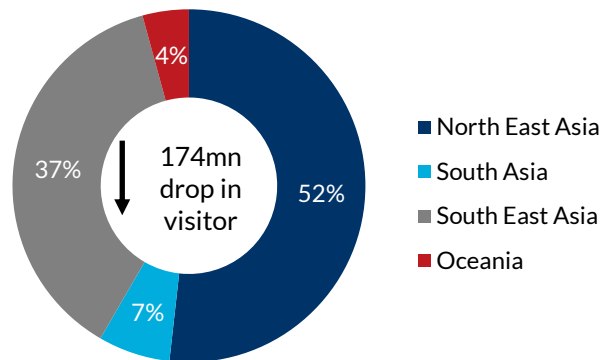


Source: Tourism Economics

Asia Pacific Travel & Tourism Outlook

Asia Pacific was the first region to be hit by the coronavirus crisis and appears to have passed the peak and is now in the very early stages of recovery. This is partly due to a swifter response to the outbreak, with many destinations drawing on experiences during past health outbreaks in dealing with these types of situations. The current crisis is far from over and continued tracking, tracing and testing remains an ongoing policy to keep the outbreak under control. Asia-Pacific travel demand is set to decline 49% in 2020. The region will lose 174mn international visitors in 2020 compared with 2019 levels, with North-East Asia and South-Asia accounting for 89% of this loss in international travel.

Asia Pacific: Inbound arrivals by destination region, 2020
% contribution to the overall region's decline in inbound arrivals



Source: Tourism Economics

Asia Pacific countries that are now past the peak of the virus provide a glimpse into what to expect as other countries come out of lockdown and gradually resume travel activity. China provides some cause for optimism as it has experienced an uptick in domestic demand since travel restrictions were lifted with an increase in travel activity and hotel bookings. However, a combination of travel restrictions and significant economic losses across China which have not been seen in many decades are contributing to an estimated 57% decline in Chinese outbound travel in 2020. This will create a massive void for many countries that have come to rely on China as a source of travel demand.

Fragile political relations between the US and China raise further potential issues for economic and travel recovery, with the US issuing a threat to bar all passenger flights from China from 16th June. This dispute was in response to an initial delay in allowing US airlines to resume operations to China, but these restrictions have since been loosened. The power-play between the countries will continue to have negative impacts on travel sentiment.

A 50% decline in inbound travel to Thailand in 2020 raises serious economic concerns given the country's high reliance on tourism as the sector accounted for 10% of its GDP in 2019. A return to 2019 levels in terms of international visitors is unlikely to be seen until 2024 and could be a lingering economic issue as a gradual recovery to pre-crisis levels is expected.

Australia and New Zealand have both pursued successful strategies in containing the virus, taking a proactive approach and imposing measures before a high number of cases were recorded. Their ability to suppress the virus outbreak has enabled discussions of a trans-Tasman travel bubble between the two nations, which could reportedly be operational by September. This agreement would be very beneficial for both countries in allowing travel to continue while mitigating against a second wave of the outbreak. New Zealand tourists accounted for 15% of international arrivals to Australia in 2019, while Australia provided 40% of all international arrivals in New Zealand over the past five years.

Asia Pacific travel demand is set to fall 49% in 2020, equating to a loss of 174mn visitor arrivals.

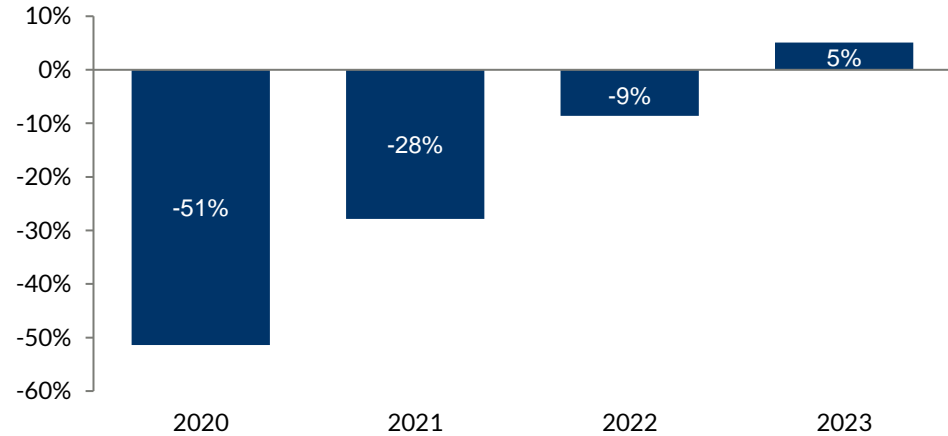
Travel demand to the Middle East is forecast to decline 51% in 2020.

Middle East Travel & Tourism Outlook

More than half of all international visitors in 2020 are defined as coming from long-haul source markets, suggesting a more volatile recovery due to lengthier long-haul restrictions. However, some destinations within the region report arrivals by nationality – rather than by country of residence – meaning that some intra-regional travel by expats is included within the long-haul aggregate. We therefore expect travel demand to the Middle East to decline 51% in 2020, as domestic and short-haul trips (including expats) resume earlier in the year. A gradual recovery is expected, returning to 2019 levels by 2023.

Middle East: Inbound travel outlook

% difference from 2019 levels



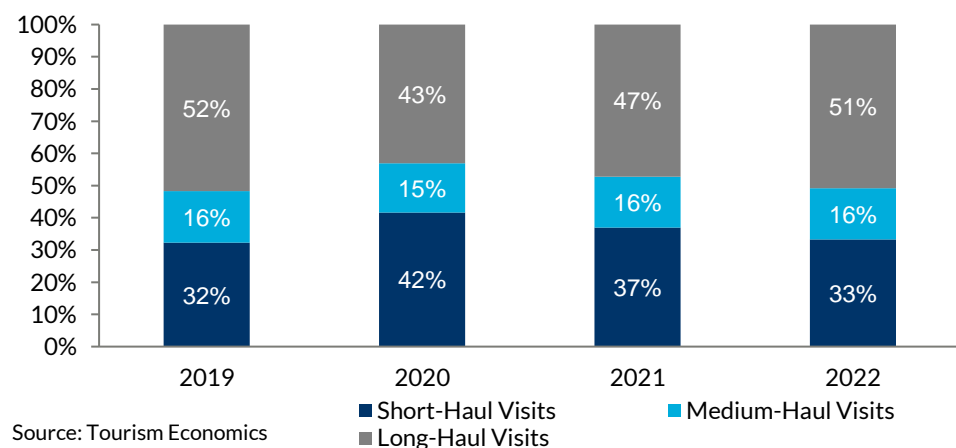
Source: Tourism Economics

The UAE is the largest destination in the region for international travel, and subsequently the worst affected as a result of the current pandemic; inbound arrivals are forecast to fall 53% in 2020, equivalent to a loss of 11mn visitors compared to 2019. Domestic and short-haul travel will be key to mitigating losses from long-haul source markets this year, especially with Expo Dubai being postponed to 2021.

Both Saudi Arabia and Iran have looked to tourism to diversify their economies in recent years, shifting away from a reliance on the oil sector, by modernising and developing infrastructure to encourage travel. The coronavirus outbreak has presented a temporary roadblock in these strategies, with 9mn fewer visitors to Saudi Arabia and 3mn fewer in Iran expected in 2020. On a positive note, both countries have large domestic tourism markets which is set to recover at a quicker rate than international travel and will provide some relief to the sector until international travel returns.

Middle East: Inbound arrivals by long-haul, medium-haul & short-haul travel

% share of annual arrivals



Source: Tourism Economics

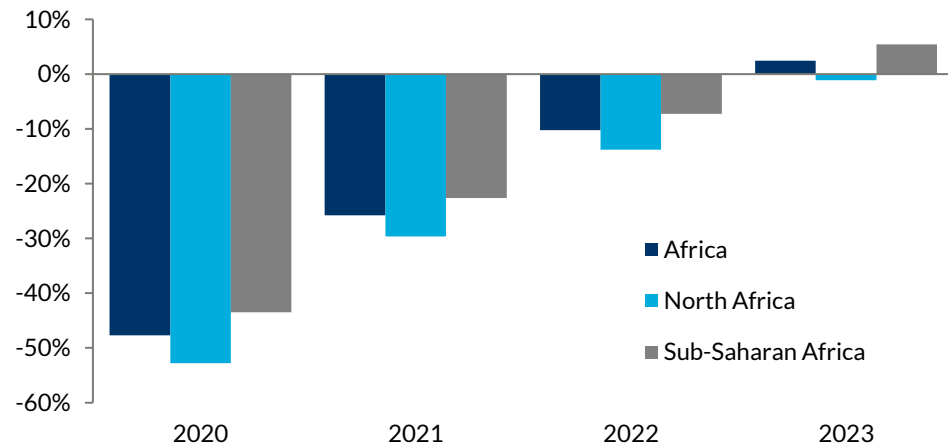
International visitor arrivals are forecast to fall 48% in 2020.

Africa Travel & Tourism Outlook

International travel to Africa is forecast to fall 48% in 2020. This 'better than average' outlook reflects a less severe spread of the virus in the region, but also a more even seasonal distribution of travel in the region. The large declines being experienced in Q2 and Q3 account for a small proportion of typical annual activity than for other regions. There is also a serious concern that Africa is yet to fully experience the impacts of the coronavirus outbreak, and with less developed health systems, this presents a downside risk.

Africa: Inbound arrivals by destination region

% difference from 2019 levels

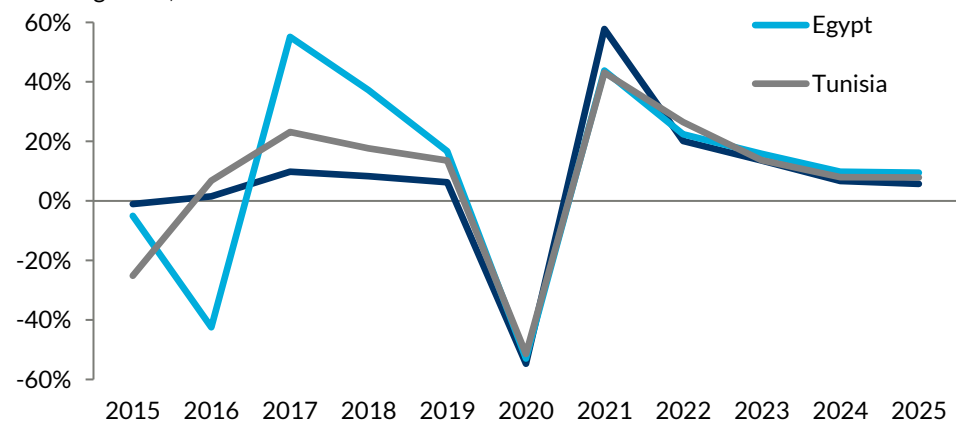


Source: Tourism Economics

The global pandemic has presented a huge setback for the tourism sector in Morocco, Egypt, and Tunisia, having overcome economic & political instability throughout the previous decade. All three countries are forecast to see travel demand fall more than 50% in 2020. Morocco and Egypt will suffer from a higher dependence on long-haul visits; over 50% of international visitor arrivals in 2019 were long-haul, well above the regional average of 38%. In Tunisia, eight of the top ten source markets come from Europe, presenting key challenges as travel policy easing for these markets is focussed on intra-regional travel.

Inbound arrivals by destination country

Annual growth, %



Source: Tourism Economics

In 2019, South Africa received the third highest number of visitor arrivals within the region at 10mn. International travel is now forecast to fall 42% in 2020, with the South African government taking a cautious approach to reopening borders, claiming that domestic tourism will not resume until the end of the year and international visitors will only be allowed to enter again in 2021 according to a recent announcement by the tourism minister.

Forecast Summary Table

GTS Visitor Growth Forecasts, % change

data/estimate/forecast	Inbound*						Outbound**					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
	d	d	e	f	f	f	d	d	e	f	f	f
World	5.6%	4.0%	-52.4%	50.4%	24.2%	13.3%	4.5%	3.2%	-52.4%	50.4%	24.1%	13.3%
Americas	2.7%	1.6%	-54.6%	51.6%	25.4%	14.2%	4.5%	1.5%	-56.2%	58.4%	25.5%	11.7%
North America	3.6%	2.5%	-57.7%	59.0%	27.6%	14.4%	5.5%	3.0%	-58.6%	66.1%	27.3%	12.0%
Caribbean	1.2%	4.1%	-57.0%	52.7%	25.5%	15.5%	4.3%	6.3%	-57.2%	51.0%	31.2%	12.7%
Central & South America	1.0%	-2.2%	-43.5%	34.1%	19.1%	12.9%	1.2%	-4.3%	-46.5%	35.7%	18.4%	10.6%
Europe	5.3%	3.9%	-53.9%	54.0%	25.9%	12.9%	3.9%	3.4%	-52.7%	51.7%	25.6%	13.6%
Western Europe	3.4%	2.5%	-53.9%	54.0%	25.8%	12.4%	2.2%	2.7%	-53.6%	53.2%	26.6%	13.9%
Eastern Europe	9.5%	6.7%	-54.0%	54.0%	26.0%	13.8%	8.8%	5.0%	-50.5%	47.8%	23.0%	12.9%
Asia & the Pacific	6.9%	4.5%	-49.2%	45.2%	20.3%	13.2%	5.8%	3.7%	-50.7%	46.3%	21.8%	13.8%
North East	6.1%	3.1%	-51.9%	50.8%	21.6%	13.9%	5.1%	2.4%	-52.6%	48.1%	23.0%	14.7%
South East	7.6%	7.2%	-47.2%	42.7%	19.4%	12.6%	8.1%	6.5%	-44.3%	40.6%	17.1%	11.2%
South	10.5%	2.2%	-46.1%	34.0%	17.5%	12.6%	5.8%	7.6%	-52.8%	47.3%	25.1%	15.1%
Oceania	3.8%	2.1%	-42.5%	33.0%	18.6%	12.1%	4.7%	2.1%	-52.7%	53.0%	25.3%	13.7%
Africa	13.4%	5.2%	-47.7%	41.9%	21.0%	14.1%	8.0%	1.9%	-43.1%	35.7%	16.3%	11.1%
Middle East	3.6%	7.9%	-51.4%	48.5%	26.7%	15.0%	0.2%	8.5%	-49.3%	41.2%	21.4%	14.7%

* Inbound is based on the sum of the country overnight tourist arrivals and includes intra-regional flows

** Outbound is based on the sum of visits to all destinations

Source: Tourism Economics