



Travel & Tourism: Economic Impact

WTTC's 2010 Economic Research

Jean-Claude Baumgarten
President & CEO
World Travel & Tourism Council

ITB Berlin, 11 March 2010

Key trends at a glance

2008:



2009:



2010:

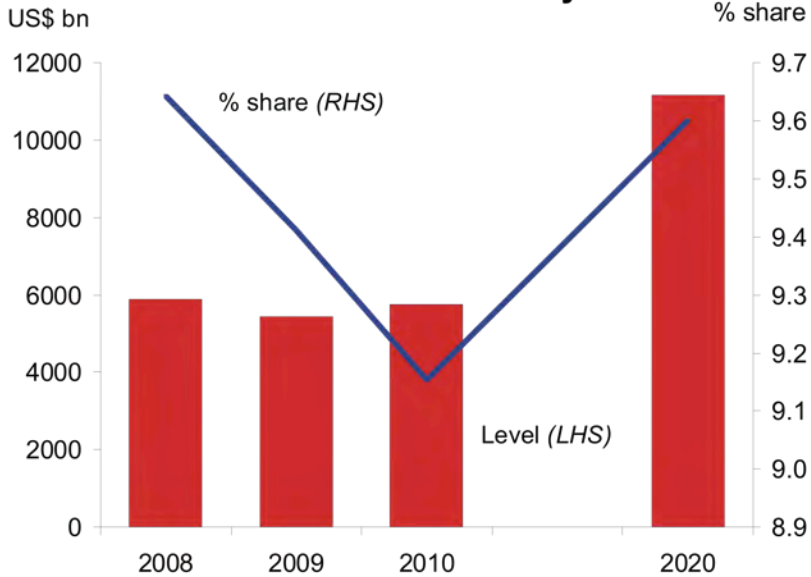


2020:



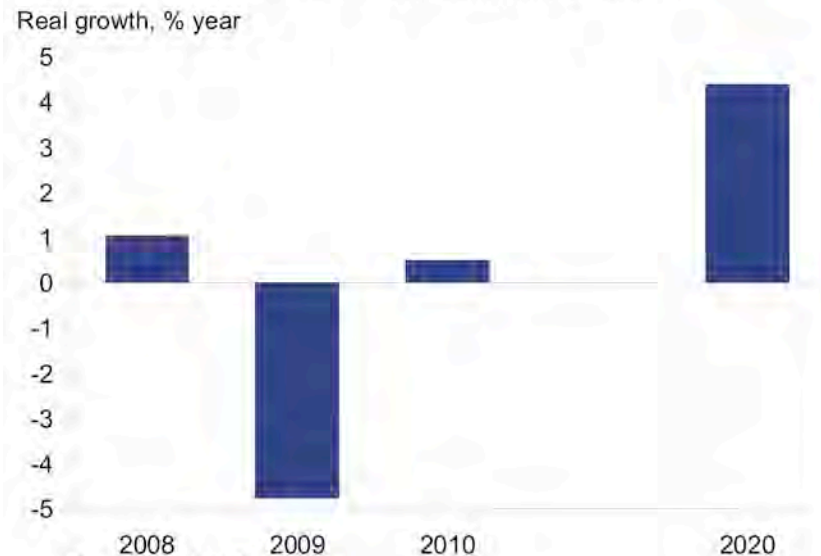
World Travel & Tourism Economy GDP

World: Travel & Tourism Economy GDP



Source : Oxford Economics

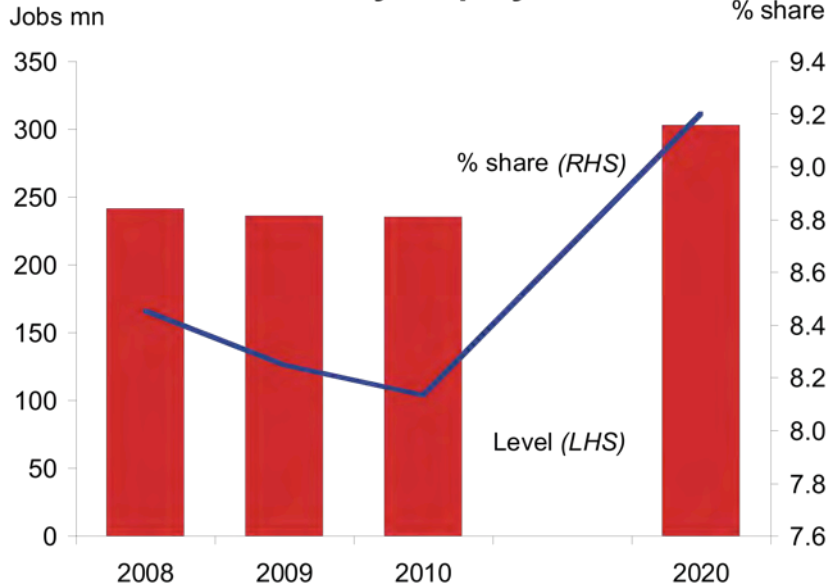
World: Travel & Tourism Economy GDP



Source : Oxford Economics

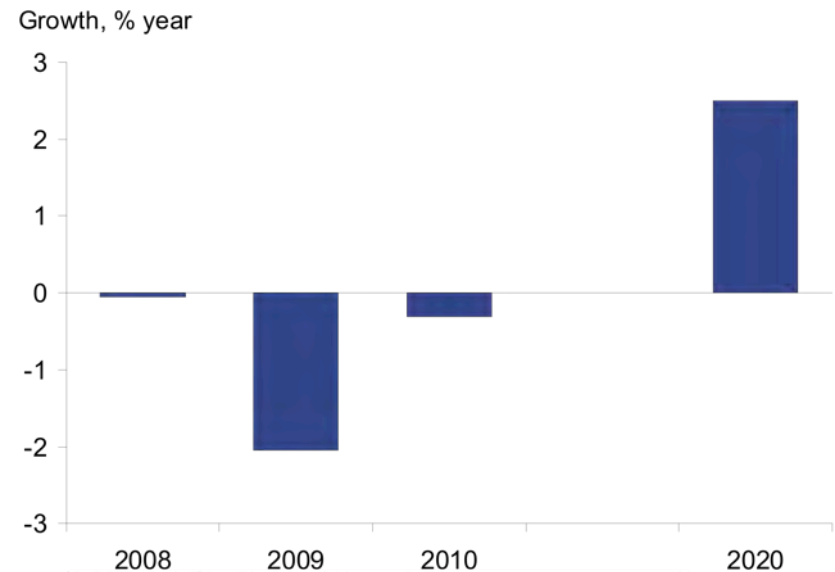
World Travel & Tourism Economy employment

World: T & T Economy Employment



Source : Oxford Economics

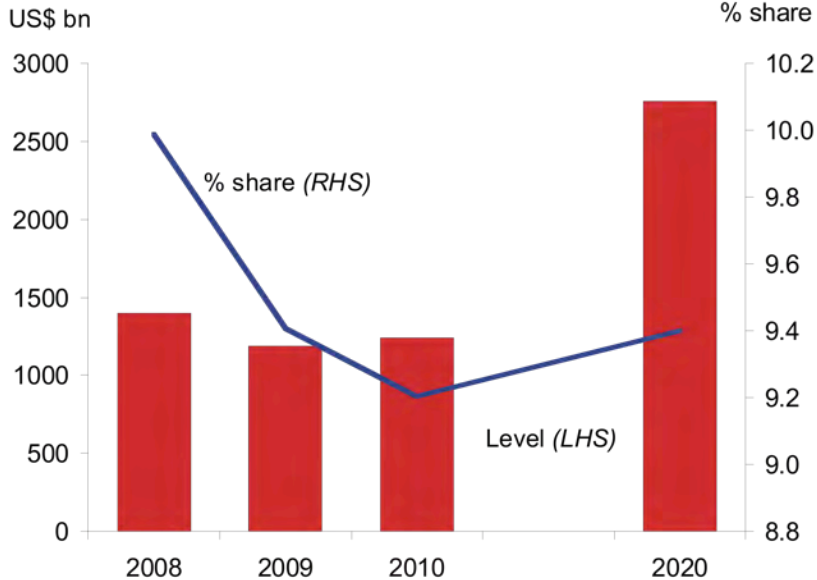
World: T & T Economy Employment



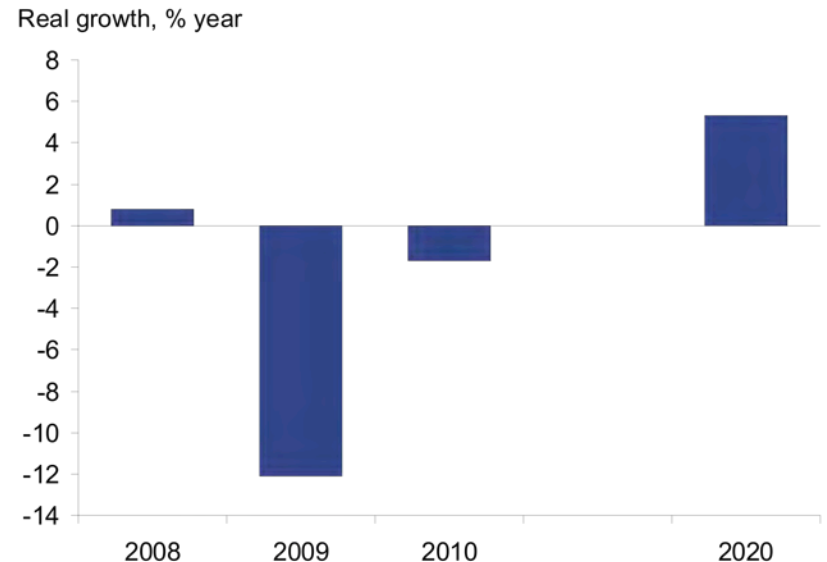
Source : Oxford Economics

World Travel & Tourism investment

World: Travel & Tourism Investment

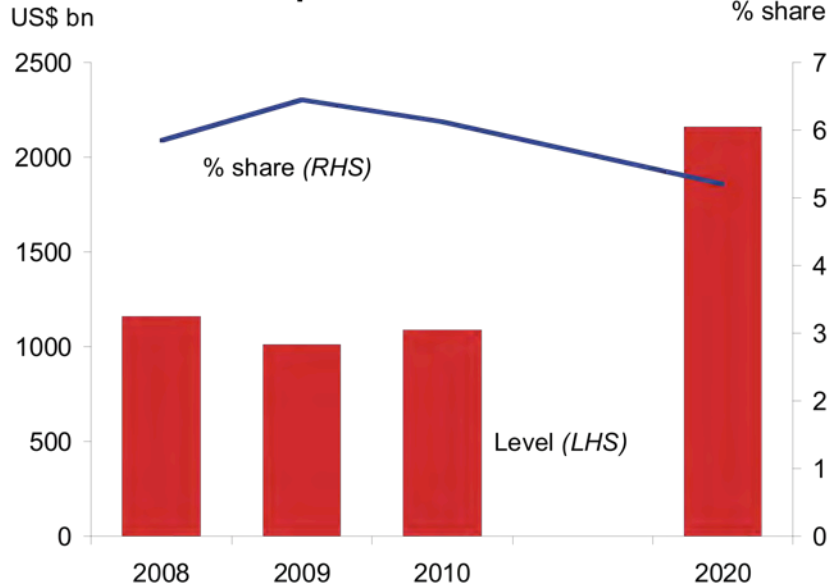


World: Travel & Tourism Investment



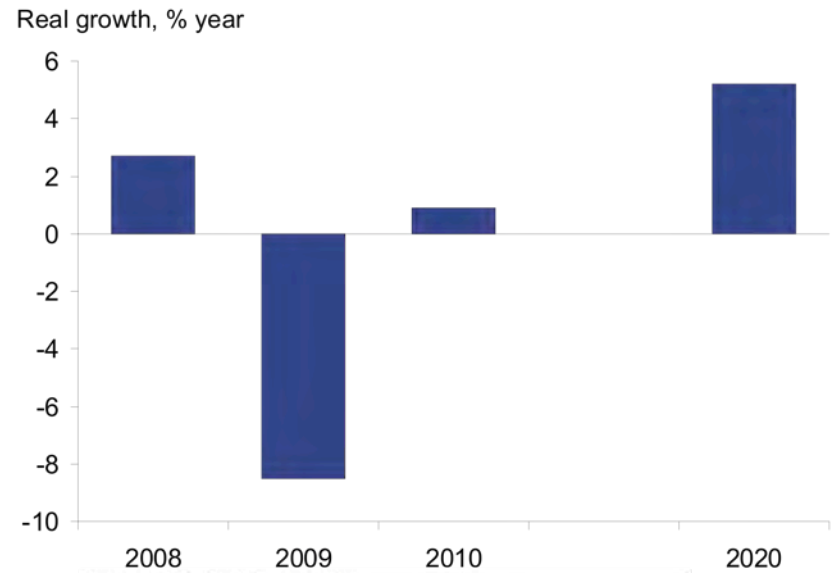
World visitor exports

World: Visitor exports



Source : Oxford Economics

World: Visitor exports



Source : Oxford Economics



Thursday, March 25, 2010

WTTC's Economic Impact Research:

Why?

What is it?

How do we do it?





WTTC's Economic Impact Research

WHY?	WHAT?	HOW?
<p>Create awareness of Travel & Tourism's economic importance. Provide consistent, reliable, timely and comparable information to demonstrate Travel & Tourism's contribution to national economic activity and job creation – a tool for policy- and business decision-making.</p>		



WTTC's Economic Impact Research

WHY?	WHAT?	HOW?
<p>Create awareness of Travel & Tourism's economic importance. Provide consistent, reliable, timely and comparable information to demonstrate Travel & Tourism's contribution to national economic activity and job creation – a tool for policy- and business decision-making.</p>	<p>The number of jobs and GDP created by the Travel & Tourism sector, measured as a percentage contribution of total employment and GDP. Plus other key indicators such as investment and visitor exports.</p>	



WTTC's Economic Impact Research

WHY?	WHAT?	HOW?
<p>Create awareness of Travel & Tourism's economic importance. Provide consistent, reliable, timely and comparable information to demonstrate Travel & Tourism's contribution to national economic activity and job creation – a tool for policy- and business decision-making.</p>	<p>The number of jobs and GDP created by the Travel & Tourism sector, measured as a percentage contribution of total employment and GDP. Plus other key indicators such as investment and visitor exports.</p>	<p>Use a simulated TSA framework to quantify the contribution of Travel & Tourism to the national income expenditure components.</p>



Prospects for global economic recovery in 2010-11

Adrian Cooper
Managing Director, Oxford Economics

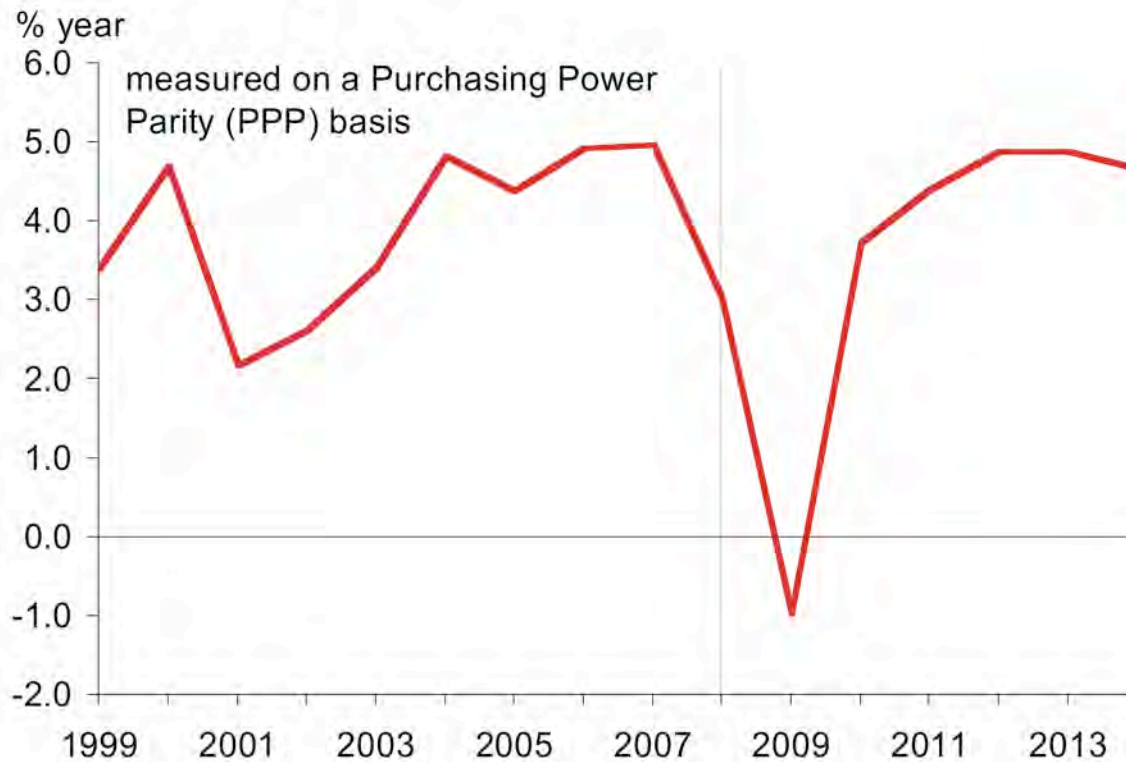


Overview

- The global economy has now moved into a recovery phase – most leading economies moved out of recession in H2 2009.
- The rebound has been driven by emerging markets, particularly in Asia, where policy stimulus in China generated significant spill-over effects.
- But the pick-up in developed economies is expected to be gradual as corporations, households and governments all battle to rebuild their balance sheets.
- This will act to constrain global real GDP growth to 3% this year and around 3.2% in 2011.

After a very deep recession...

World: GDP growth

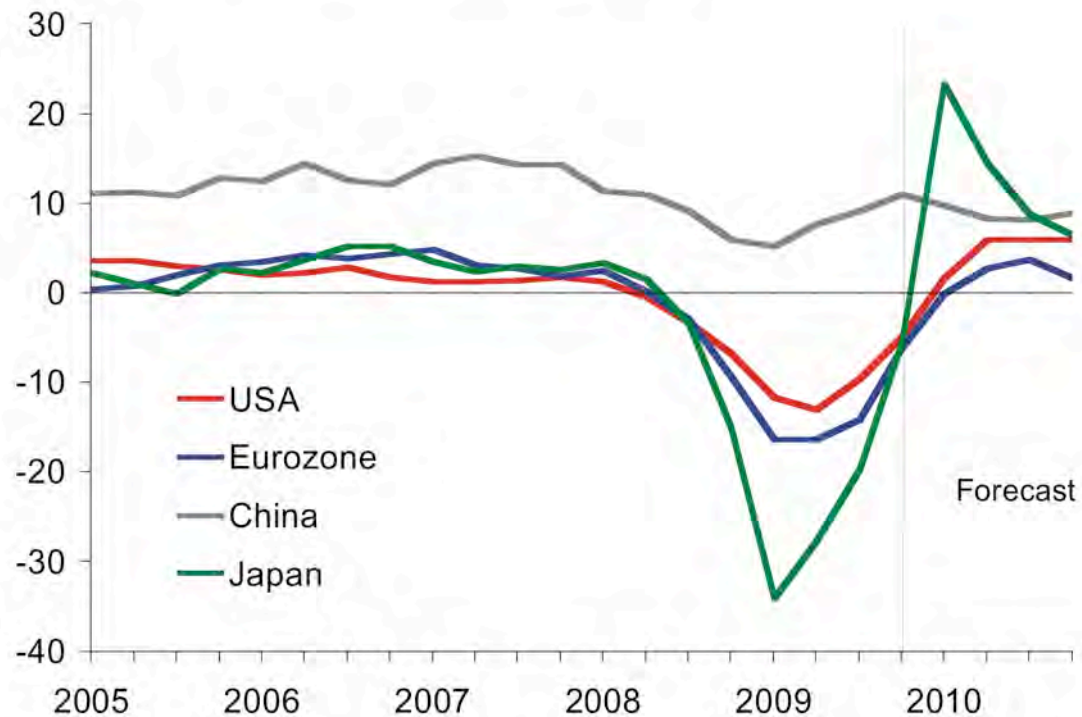


Source: Oxford Economics

...the recovery has begun...

Industrial Production Growth: Major Economies

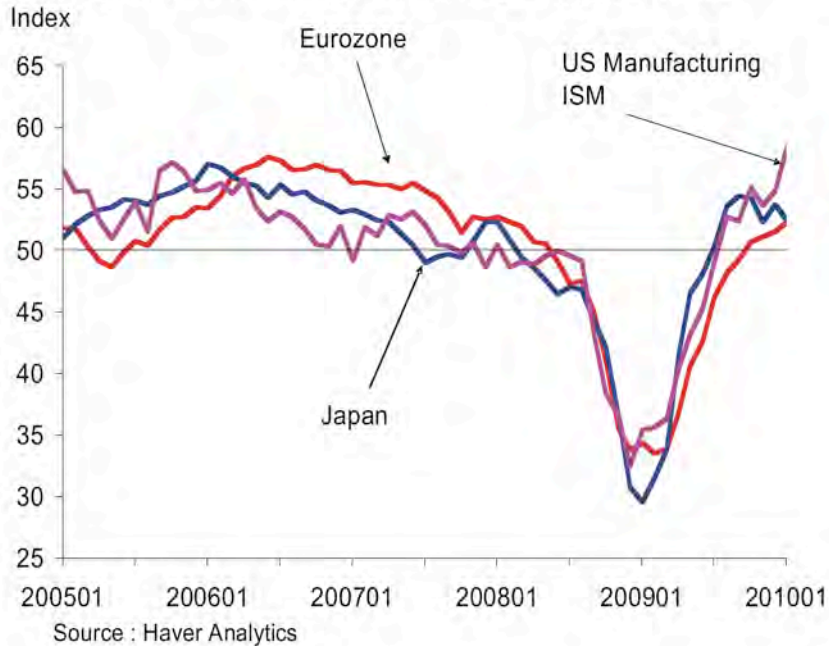
% year



Source : Oxford Economics

...as survey data rebounds strongly...

Developed: Manufacturing Purchasing Managers' Index



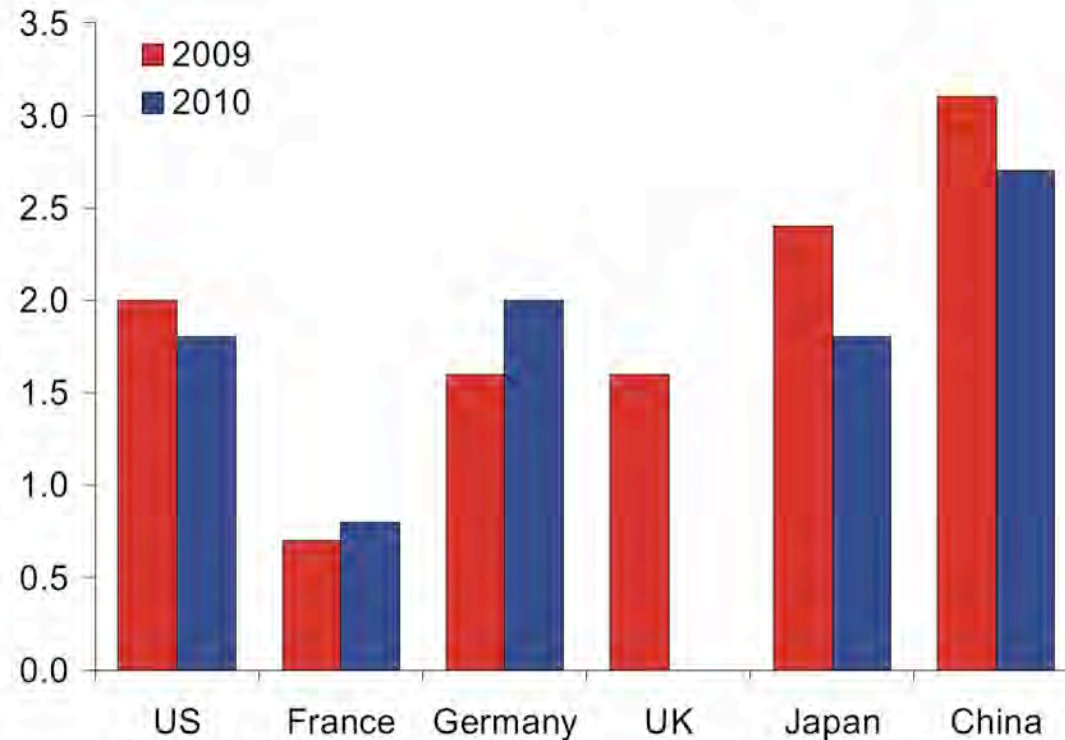
BRICs: Manufacturing Purchasing Managers' Index



...helped by a supportive fiscal policy...

World: Fiscal Stimulus Packages

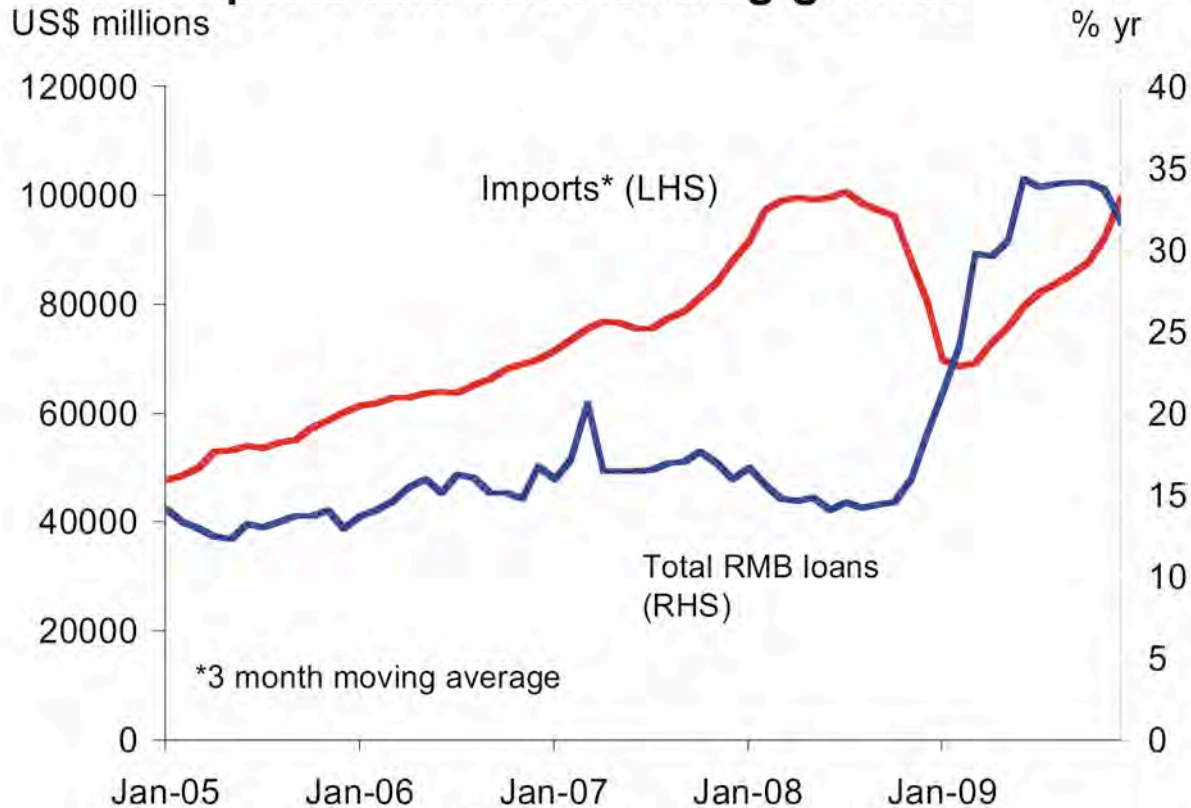
% GDP



Source : Oxford Economics/IMF

...with monetary support in China particularly important...

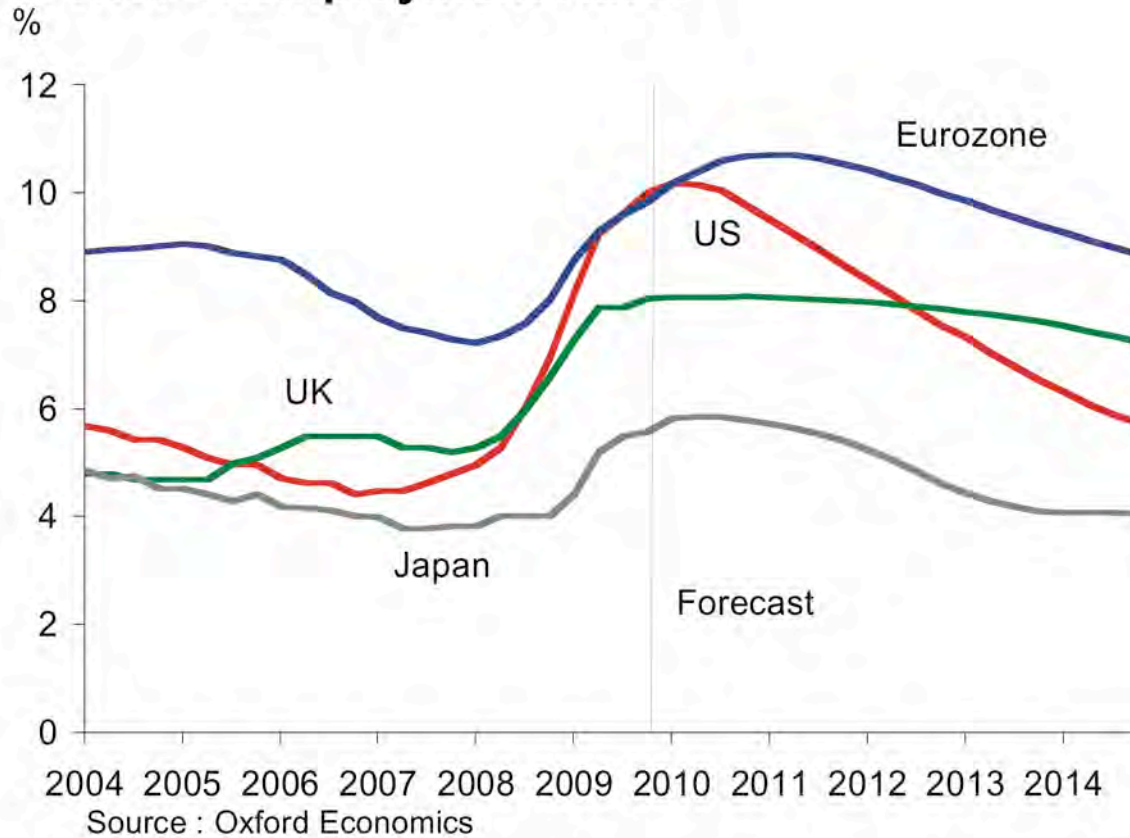
China imports and bank lending growth



Source : Haver Analytics

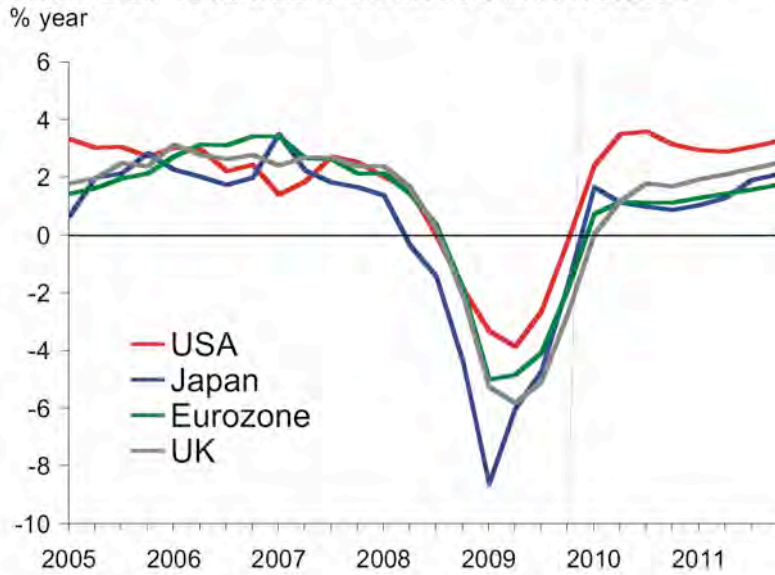
...but global unemployment
has further to rise...

World: Unemployment Rates



...implying the pick-up in developed countries is likely to be only gradual...

Real GDP Growth: Advanced Economies

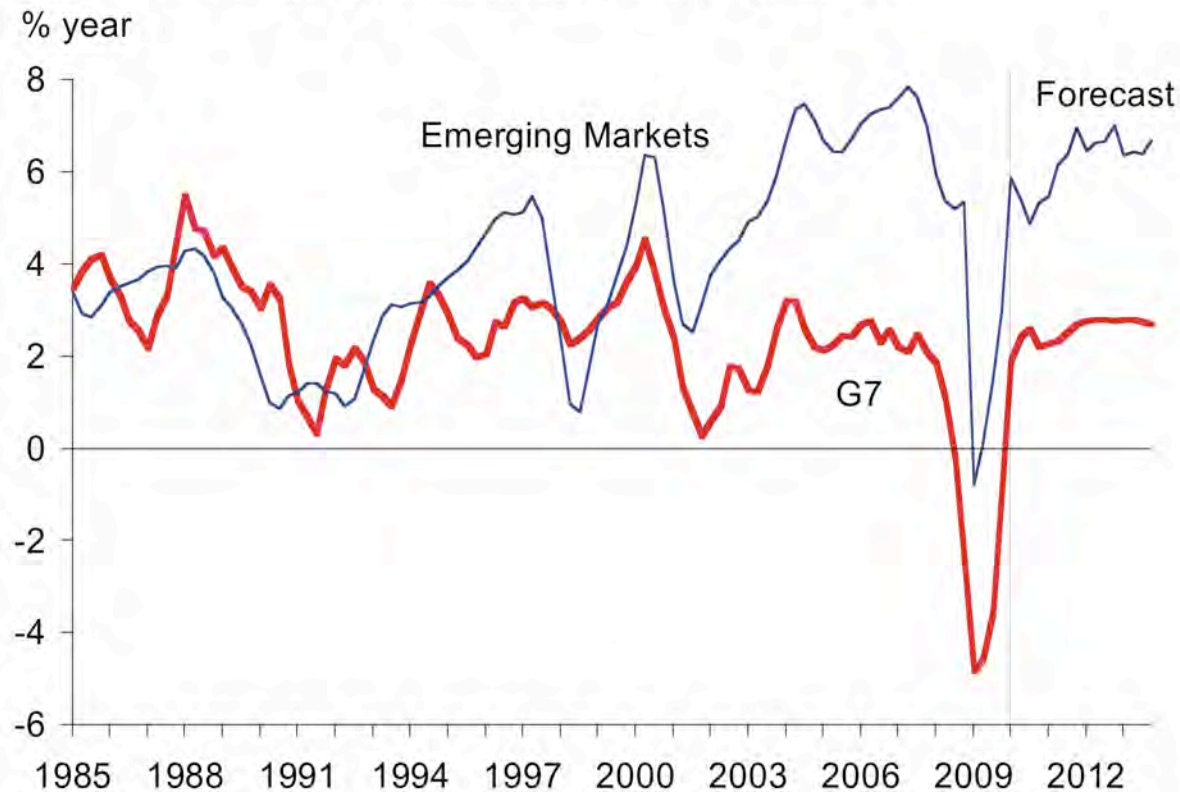


Real GDP: Emerging Markets



...as emerging markets drive the recovery...

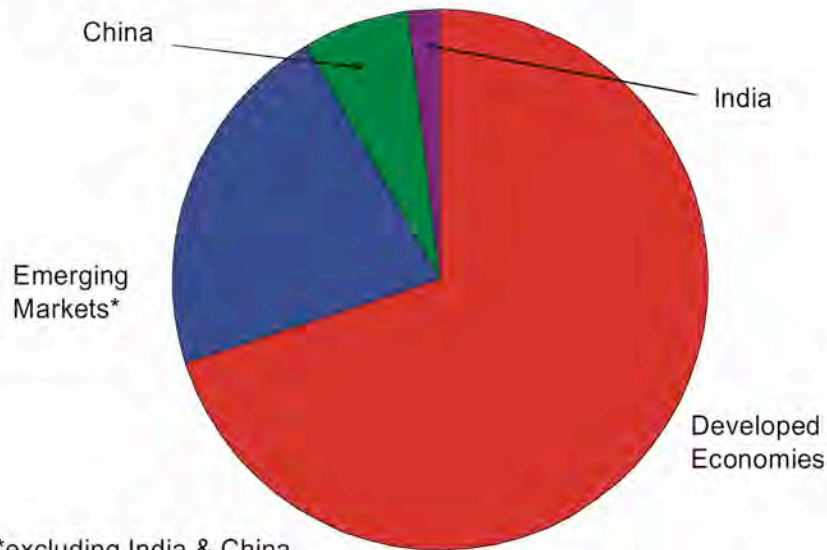
G7 & Emerging Markets: GDP growth



Source: Oxford Economics

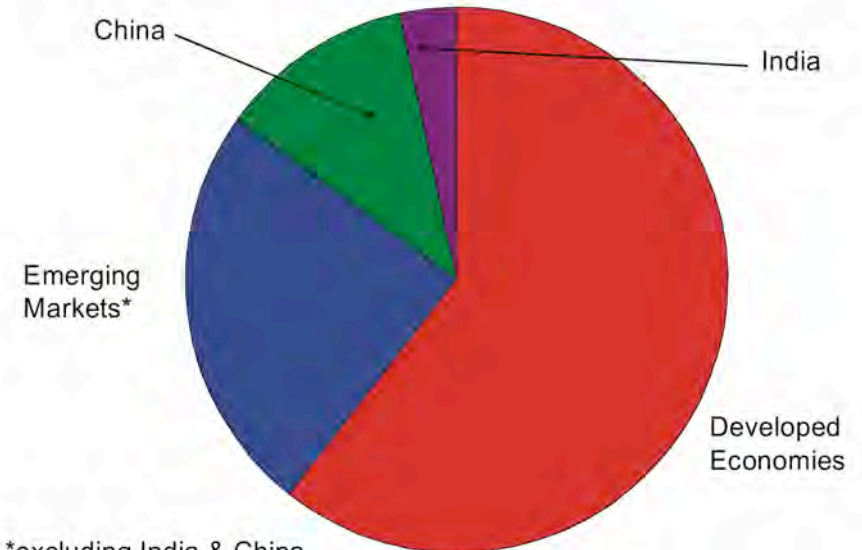
...implying greater share of global GDP

Share of Global GDP in 2008



*excluding India & China
Source : Oxford Economics

Share of Global GDP in 2020



*excluding India & China
Source : Oxford Economics

Macroeconomic forecast summary

Real GDP growth forecasts: 2009-11

(% change unless otherwise stated)

	2009	2010	2011
France	-2.3	1.3	1.4
Germany	-4.8	1.6	1.7
Italy	-4.8	1.0	1.3
Eurozone	-4.0	1.1	1.5
UK	-4.7	1.2	2.2
Canada	-2.5	2.5	3.1
US	-2.5	3.2	3.1
Japan	-5.3	1.2	1.6
China	8.7	9.5	9.0
India	6.7	7.4	9.1
World	-2.1	3.0	3.5
World (PPP)	-1.0	3.7	4.4

Source: Oxford Economics





What is the likely impact on Travel & Tourism development?

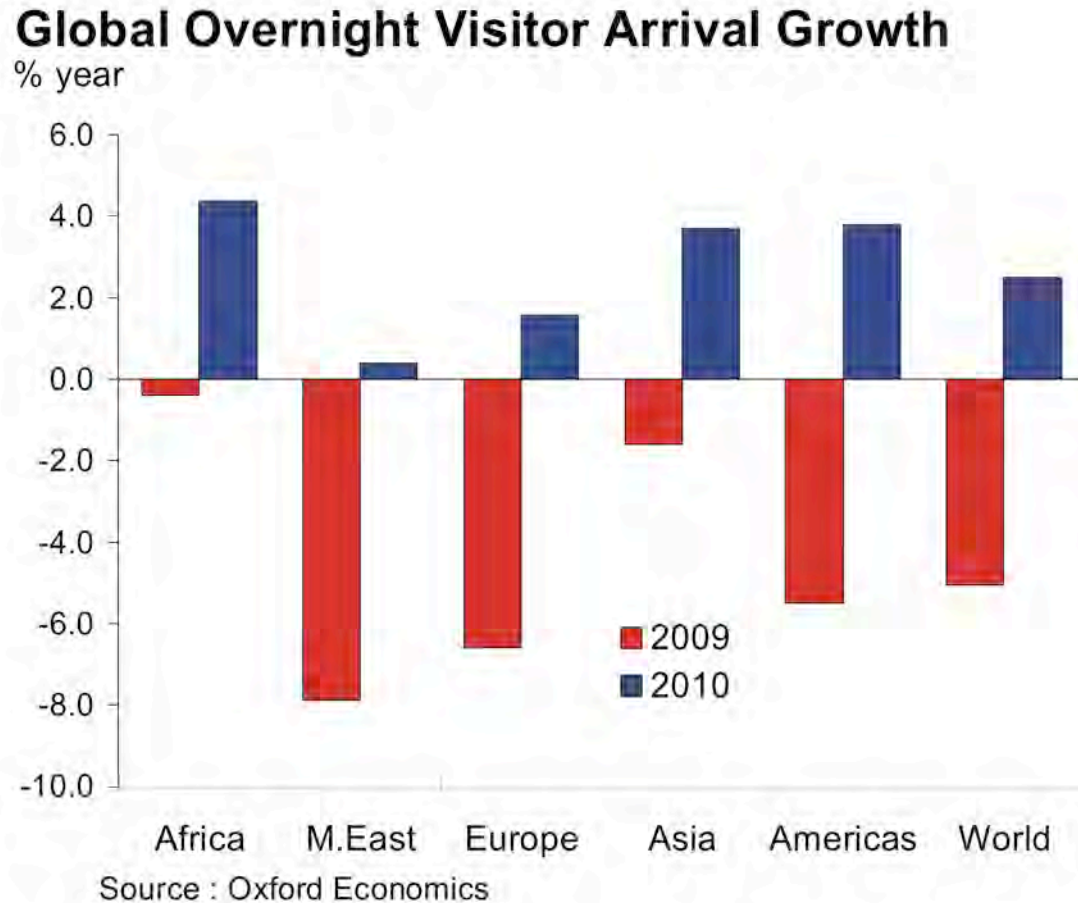
Jean-Claude Baumgarten

*The impact of the recession
on Travel & Tourism has*



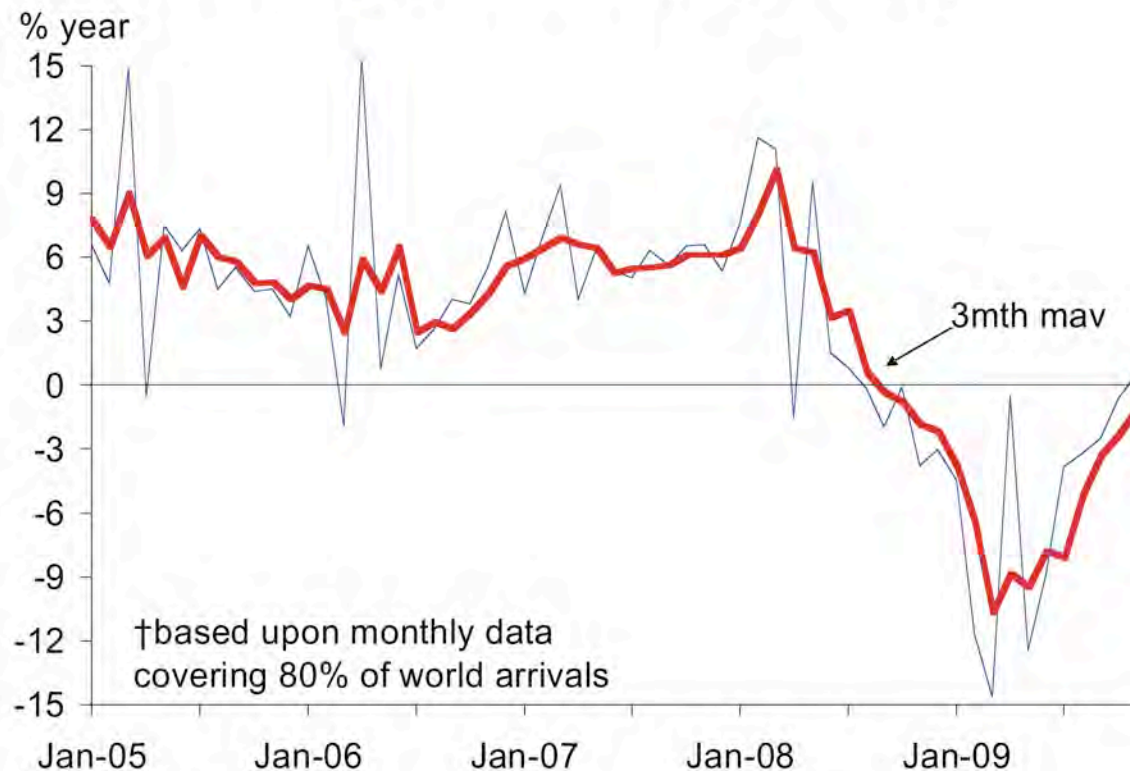
Thursday, March 25, 2010

The recession led to a widespread downturn in Travel & Tourism demand



But we've seen tentative signs of recovery, in both visitor arrivals...

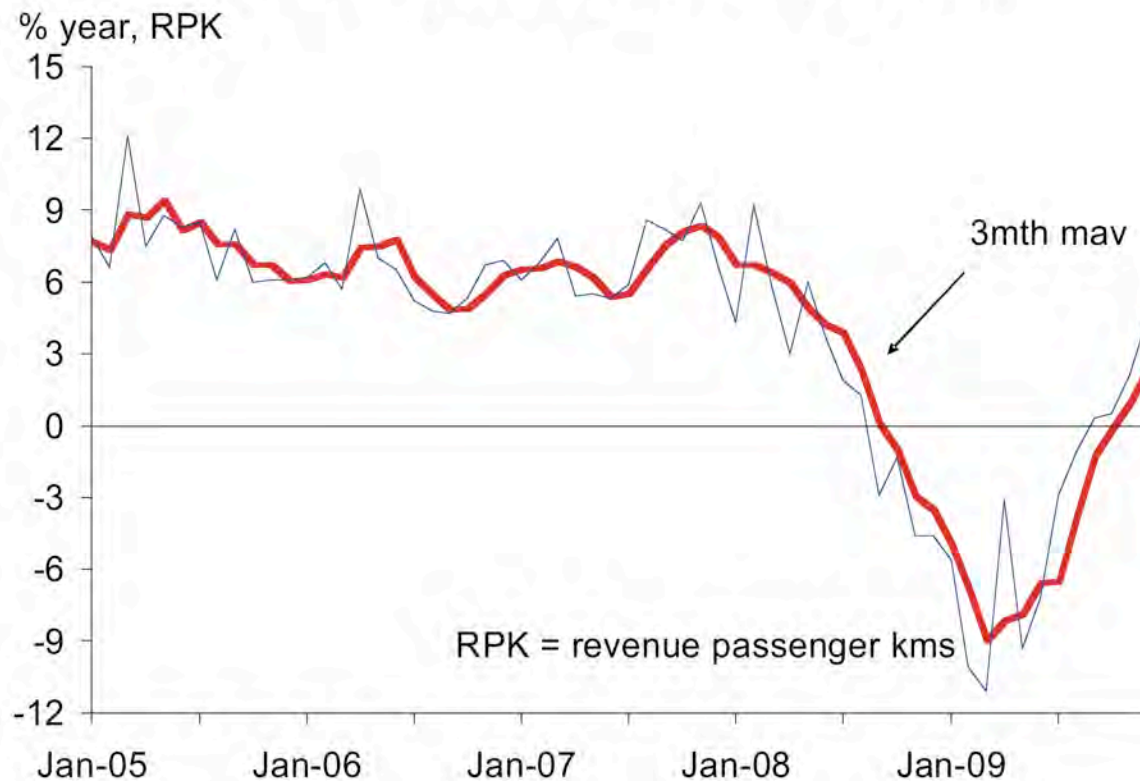
World: Overnight visitor arrival growth†



Source: PATA, Haver, Eurostat, Oxford Economics

... and airline passenger traffic

International air passenger traffic growth

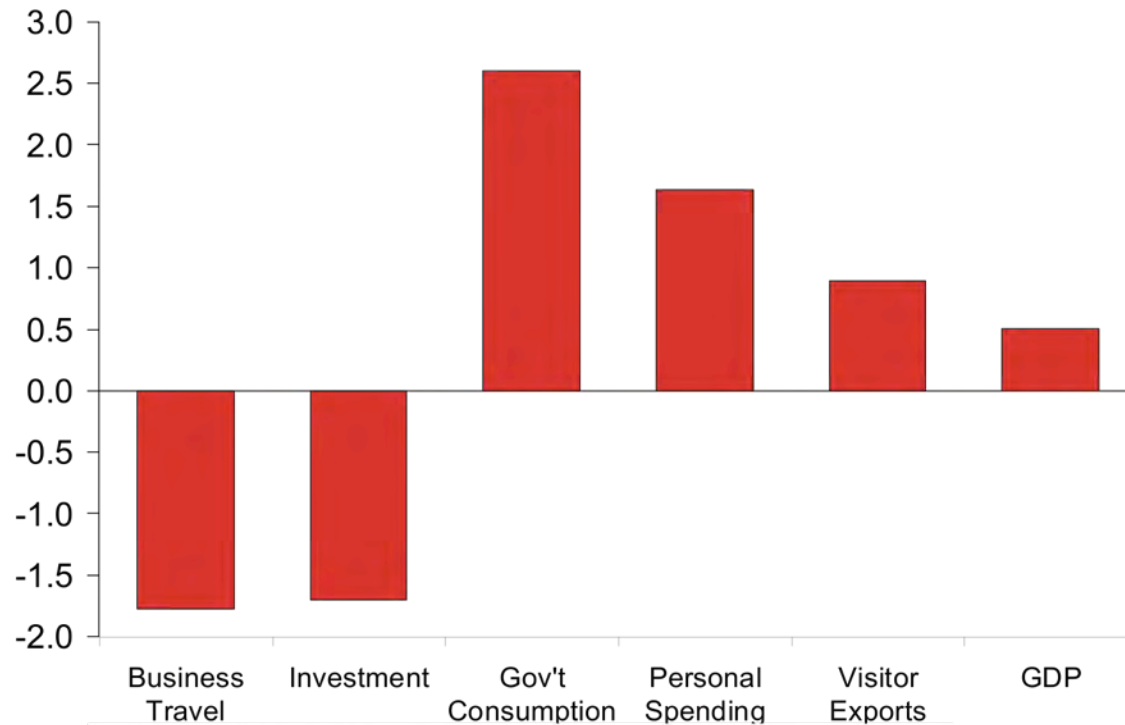


Source: IATA

...though prospects for business travel and Travel & Tourism investment remain weak

Global T&T Economy GDP Component Growth 2010

% year

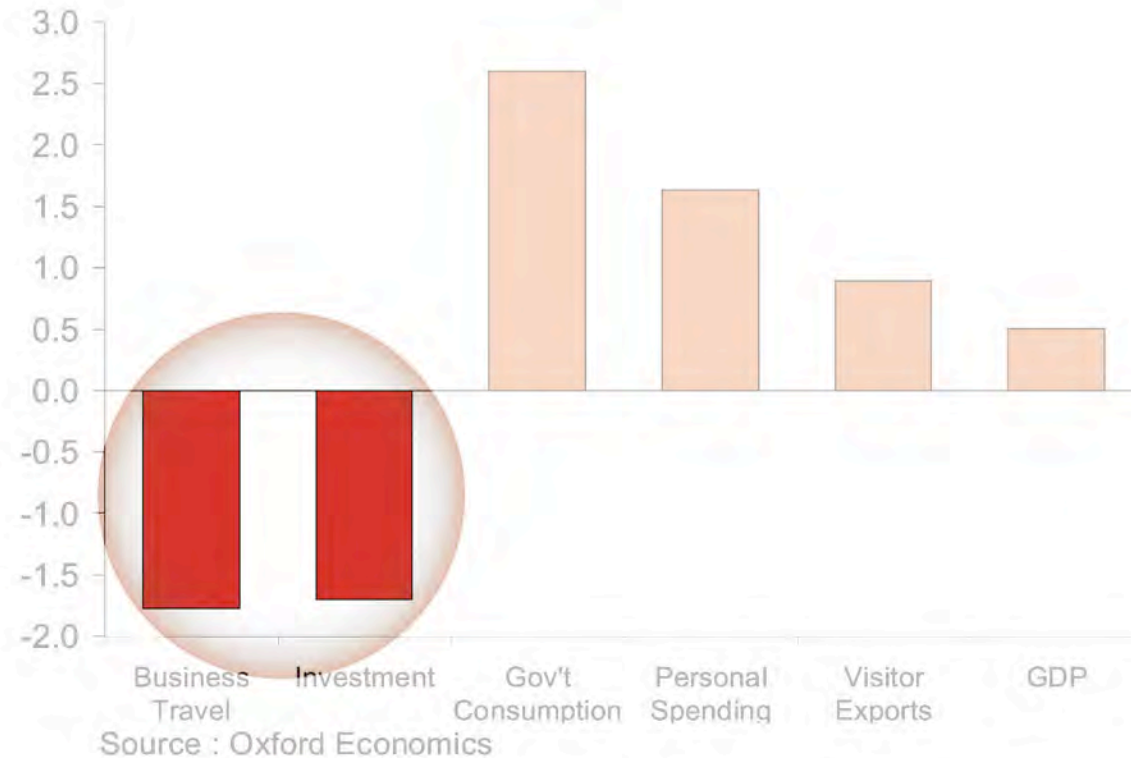


Source : Oxford Economics

...though prospects for business travel and Travel & Tourism investment remain weak

Global T&T Economy GDP Component Growth 2010

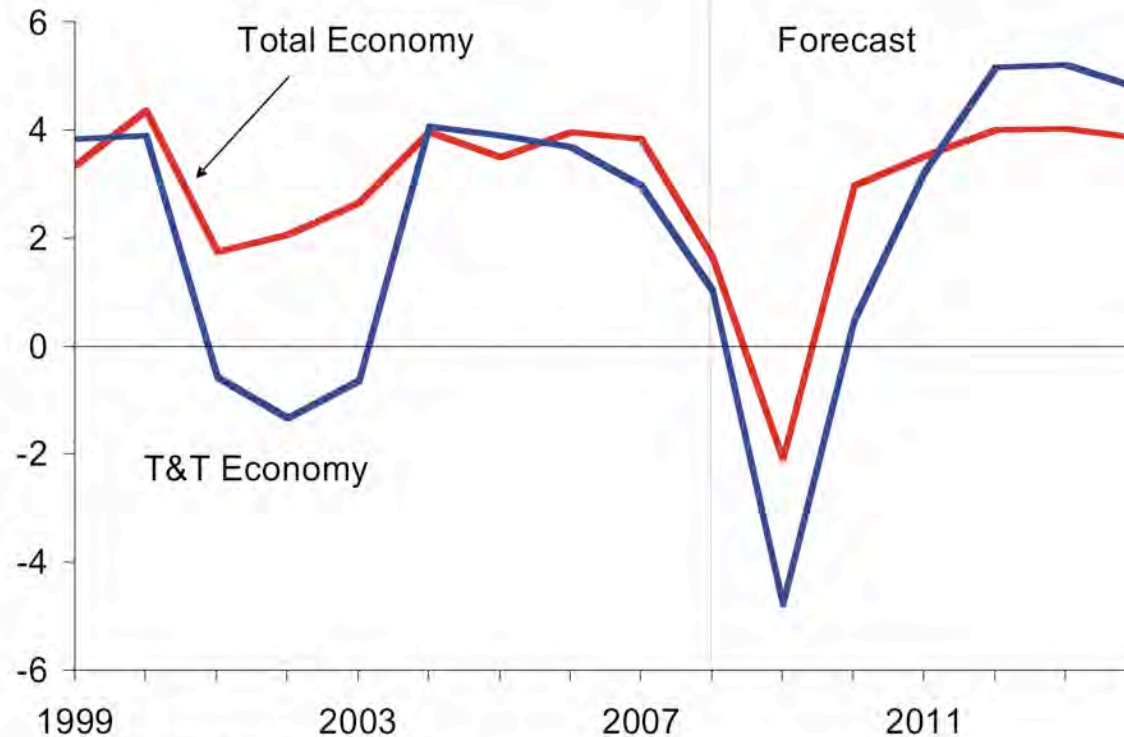
% year



...so our 2010 forecast is for muted growth (+0.5%), with just over 3% for 2011...

World Travel & Tourism Economy & real GDP growth

% year

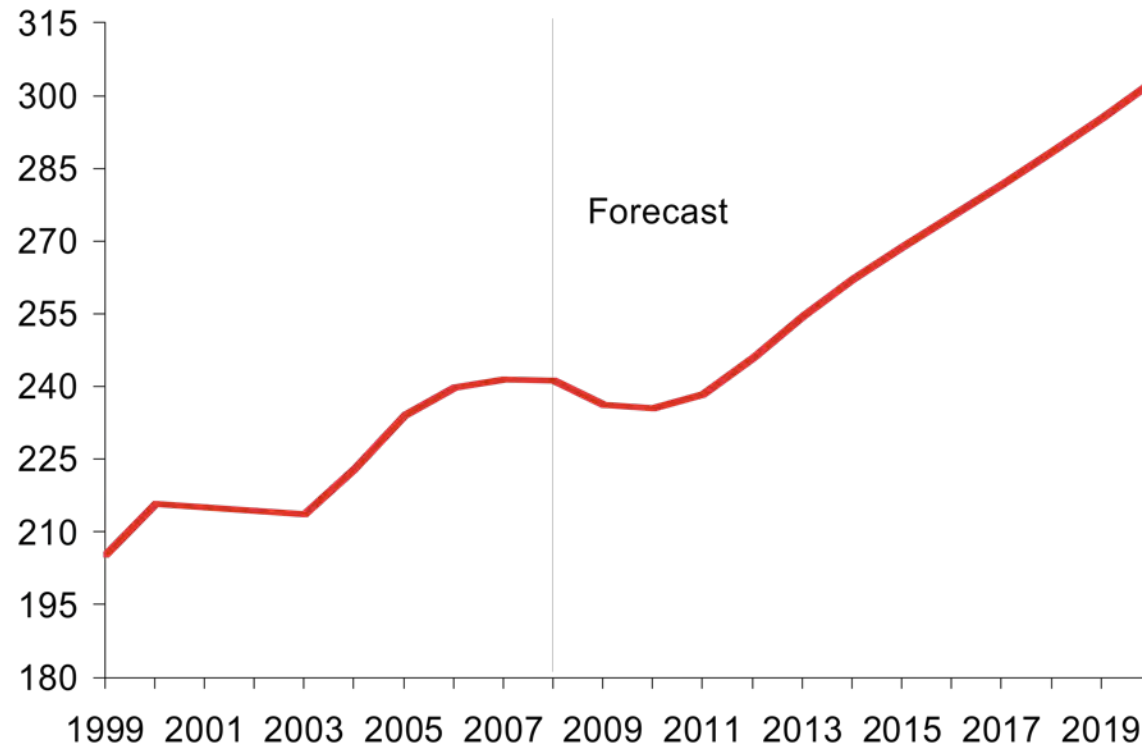


Source : Oxford Economics

... but the jobs lost in the recession will not be fully recovered until 2012

World: Travel & Tourism Economy Employment

mn Jobs

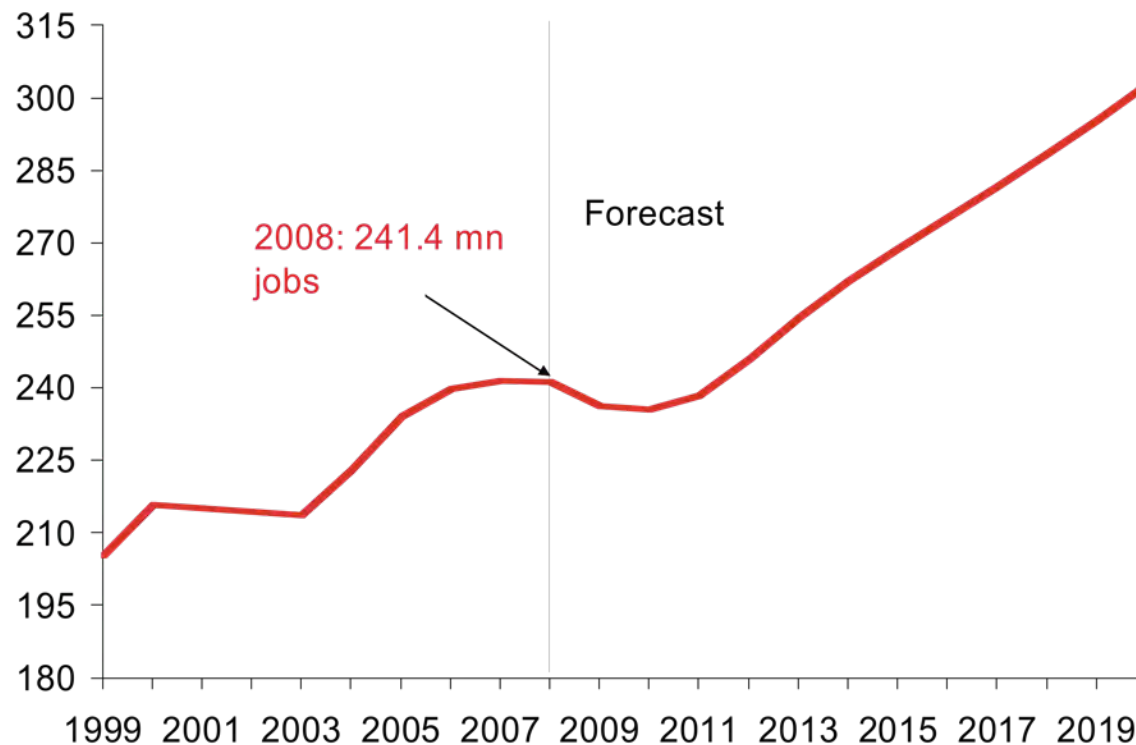


Source : Oxford Economics

The long-term job creation potential remains strong

World: Travel & Tourism Economy Employment

mn Jobs

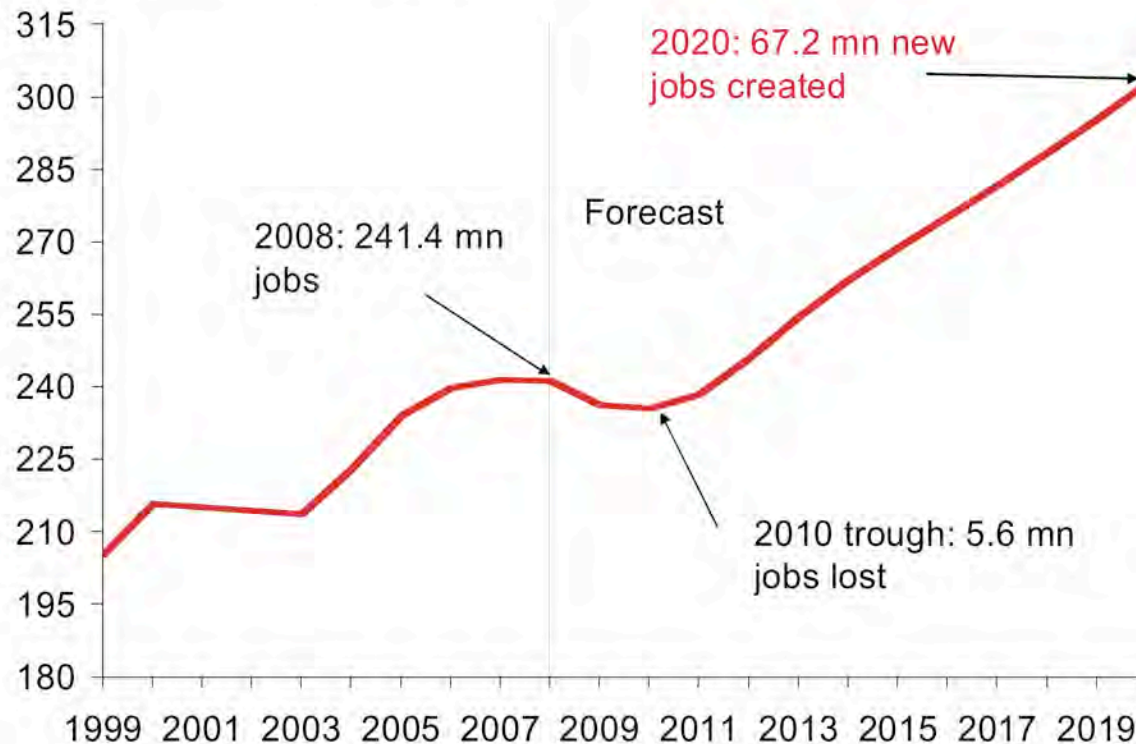


Source : Oxford Economics


The long-term job creation potential remains strong

World: Travel & Tourism Economy Employment

mn Jobs



Source : Oxford Economics



*Travel & Tourism
still employs
over 235 million people*



Travel & Tourism growth forecasts – all regions positive by 2011

Travel & Tourism Economy real GDP growth forecasts: 2009-11

(% change unless otherwise stated)

	2009	2010	2011
Europe	-4.2	-1.3	1.6
Americas	-7.4	0.7	3.1
Asia	-1.6	2.0	4.6
Africa	-6.2	0.6	3.8
Middle East	-5.4	-0.1	5.1
World	-4.8	0.5	3.2

Source: Oxford Economics



Thursday, March 25, 2010

Outlook for major developed economies



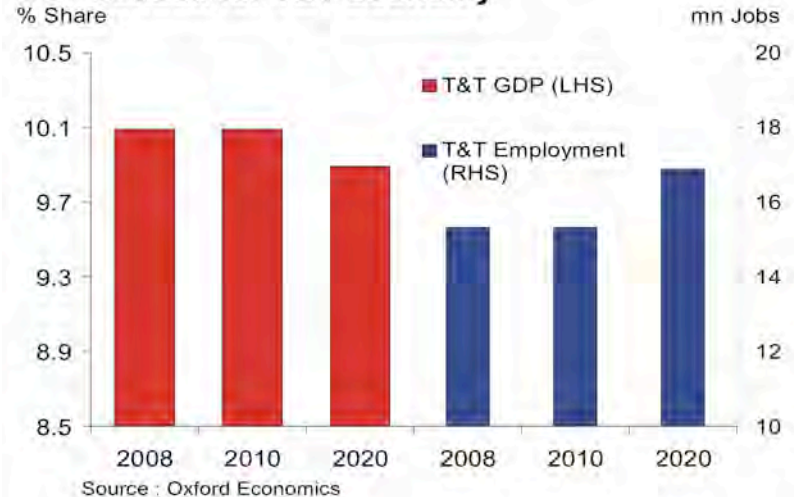
Thursday, March 25, 2010

USA: Sharp fall in visitor arrivals drives recession, but recovery underway

USA: Overnight Visitor Arrival Growth*



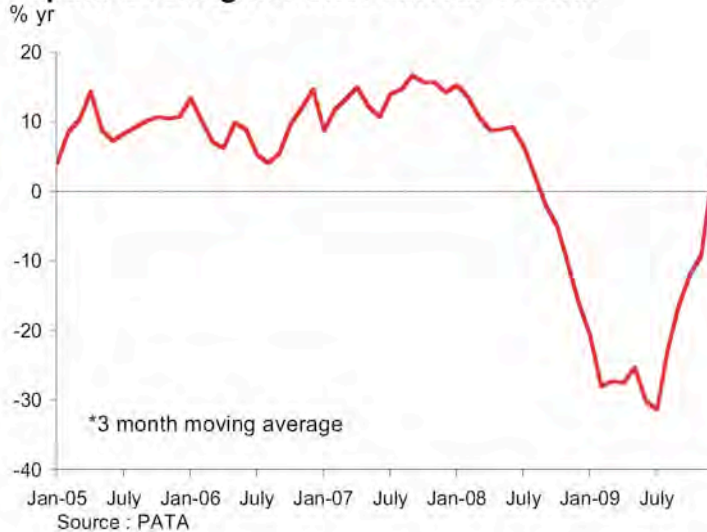
US: Outlook for T&T Economy



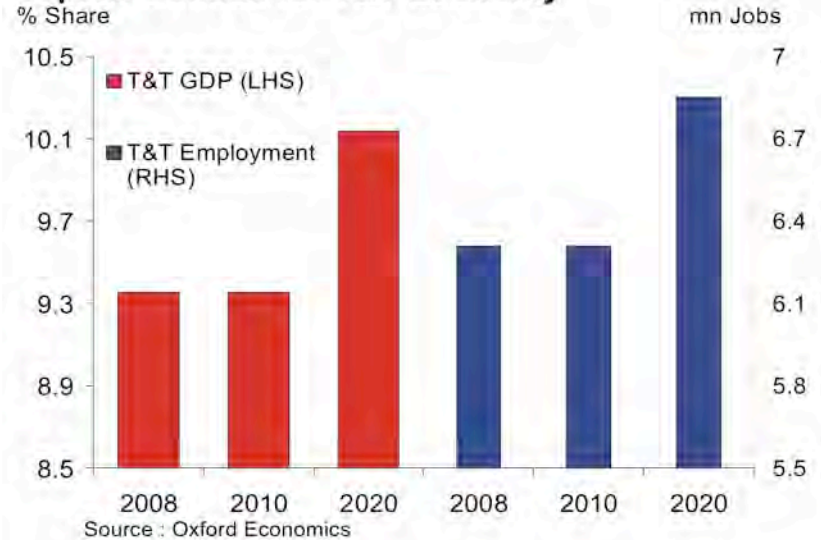
- US economy no longer in recession – Q4 2009 surge. But the impetus provided by the stock cycle and fiscal policy is set to fade, so growth will slow.
- Long-term growth prospects for Travel & Tourism are good – domestic (1.9 bn trips in 2009, of which 50% overnight) and inbound.
- But 2010 is expected to bring a very gradual recovery with business travel and investment continuing to drag on growth.

Japan: Slow recovery in prospect following deep a recession

Japan: Overnight Visitor Arrival Growth*



Japan: Outlook for T&T Economy



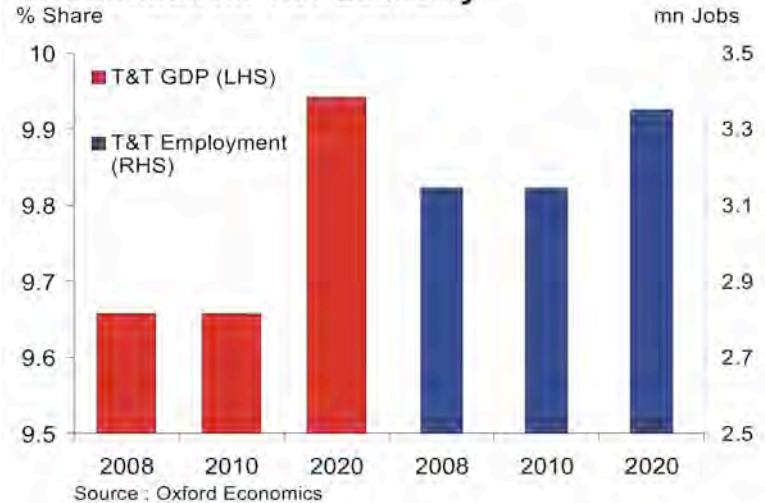
- A modest recovery is forecast this year with real GDP growth accelerating gradually, reaching a cyclical peak in 2013.
- Meanwhile, a savage fall in foreign visitor arrivals drove an even sharper contraction in the Travel & Tourism sector, which is expected to mount a very slow recovery.

UK: Grim prospects for 2010, but Olympics should drive the recovery from 2011

UK: Overnight Visitor Arrival Growth*



UK: Outlook for T&T Economy



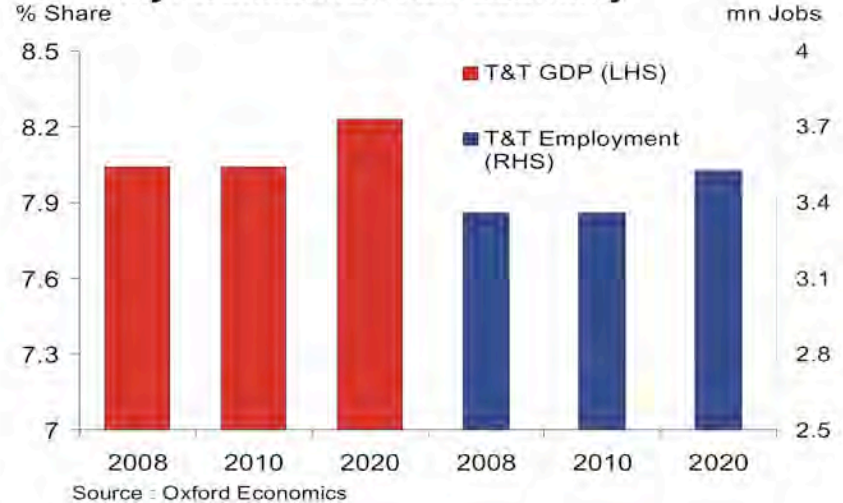
- Last major economy to exit recession in Q4 2009 and not yet really complete. So real GDP growth modest in 2010.
- Despite the weakness of sterling, the collapse of business travel demand caused a sharp drop in foreign tourist arrivals in 2009.
- Travel & Tourism Economy GDP will contract further this year, before growth starts to accelerate from 2011.

Germany: Subdued recovery in 2010 with growth only building momentum gradually

Germany: Overnight Visitor Arrival Growth*



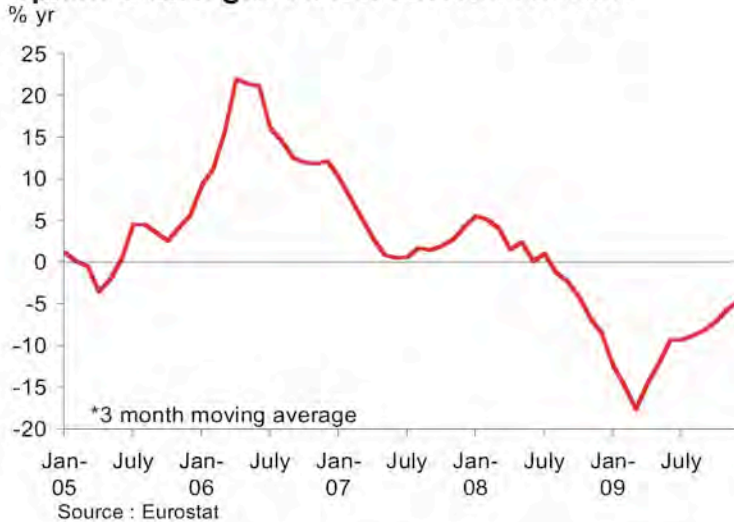
Germany: Outlook for T&T Economy



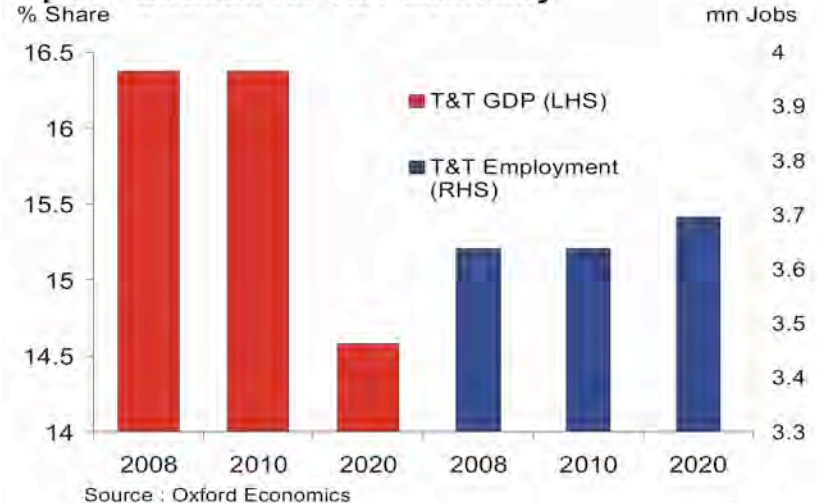
- Sharp recovery in economic growth as exports picked up on the back of a rebound in emerging markets.
- Decline in foreign visitor arrivals relatively modest by European standards, but collapse in investment spending led to a very painful recession for the Travel & Tourism sector.
- The recovery is forecast to be very subdued with investment and business travel spending holding back growth this year.

Spain: Further contraction expected in 2010 with no real growth until 2012

Spain: Overnight Visitor Arrival Growth*



Spain: Outlook for T&T Economy



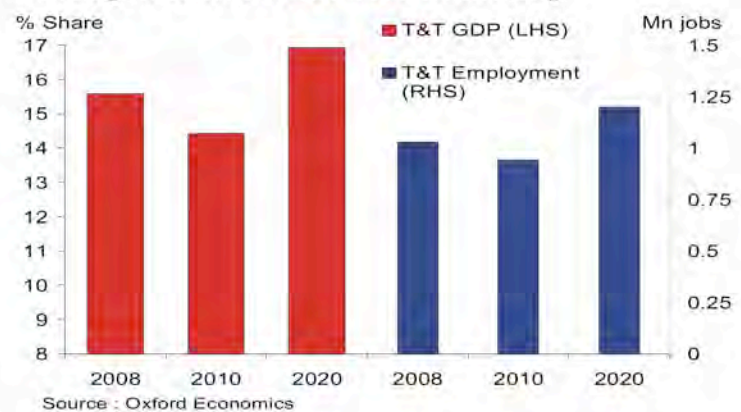
- The current macroeconomic outlook remains dire with the economy still mired in recession. Recovery will be very slow this year.
- Travel & Tourism has not escaped the malaise with arrivals suffering a double-digit decline in 2009.
- Real economy GDP is forecast to contract again this year before recovery commences, which is unlikely to gain real traction before 2012.

Portugal: Deep recession in 2009 offers scope for sharp cyclical rebound

Portugal : Overnight Visitor Arrival Growth*



Portugal: Outlook for T&T Economy



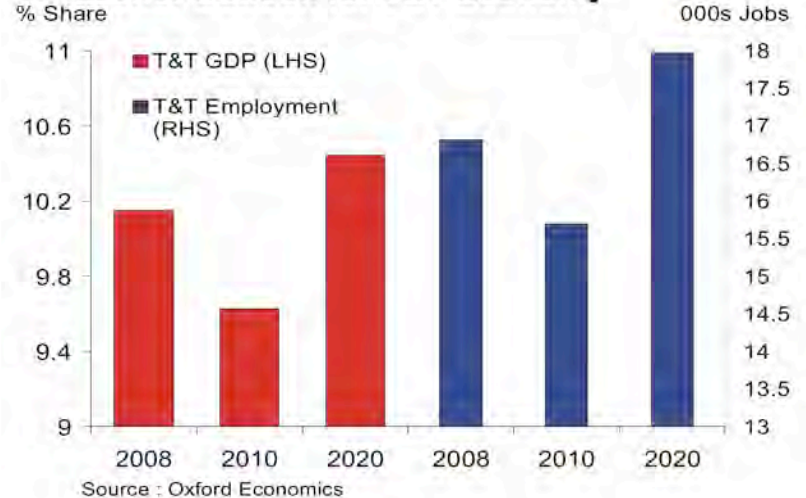
- Sharp fall in visitor arrivals in the wake of the global financial crisis drove a very deep recession last year, with Travel & Tourism Economy real GDP estimated to have contracted by more than 10%.
- This deep contraction offers scope for rapid cyclical recovery, but it is likely to be delayed until 2011, as internal problems weigh on personal spending.
- In the long-run Travel & Tourism should remain a vital engine of growth, accounting for over 16% by 2020, thereby generating an extra 260,000 jobs.

Eurozone: Little chance of a 'V-shaped' recovery as mature markets struggle

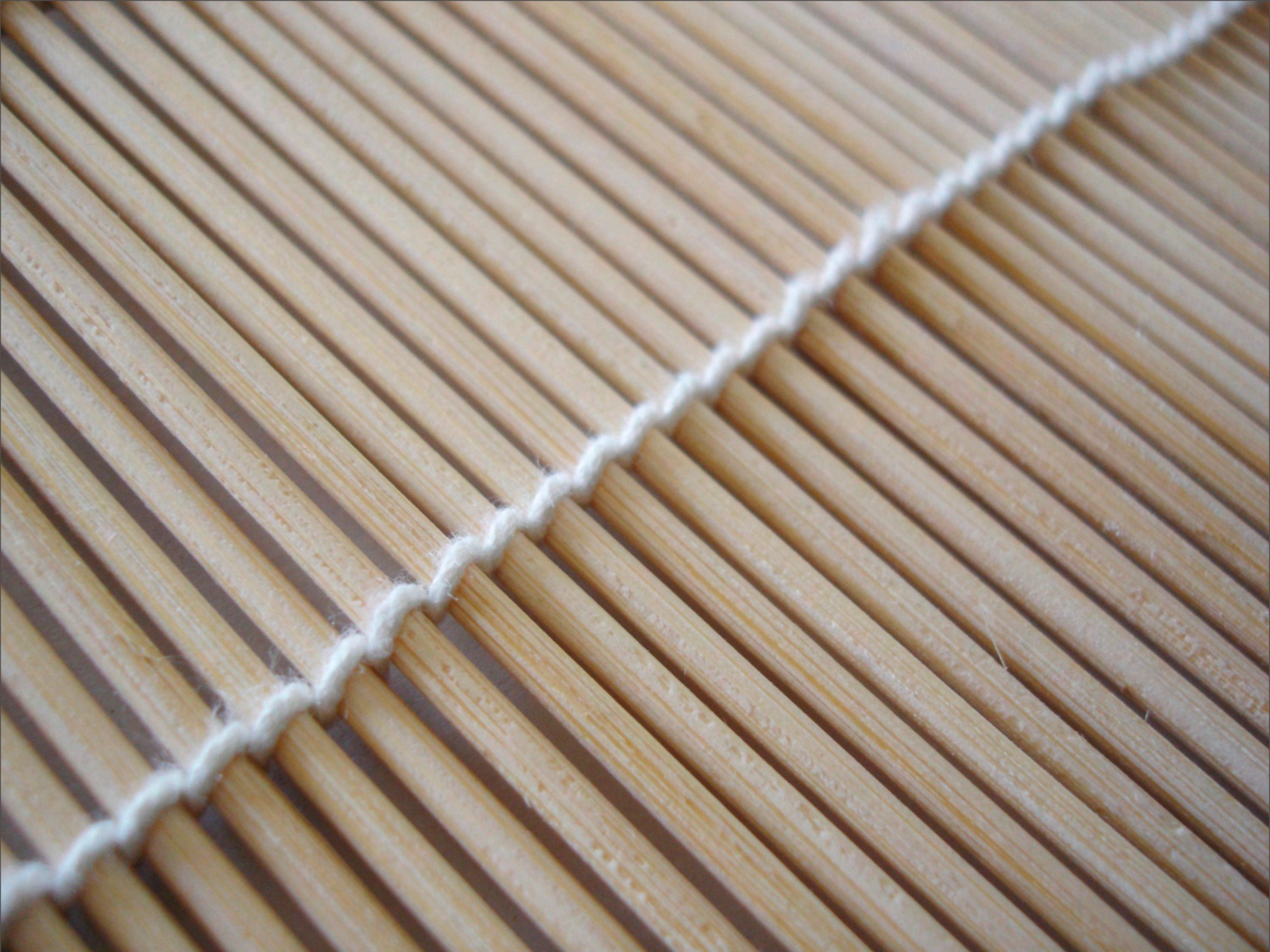
EU 15: Overnight Visitor Arrival Growth*



Eurozone: Outlook for T&T Economy



- The outlook for the eurozone remains rather uncertain. Growth is likely to remain subdued this year and in 2011.
- Mature European markets suffered particularly badly during 2009, with international arrivals falling by 8.4% in the EU15.
- And the recovery is set to be subdued with growth failing to gain real momentum until 2012/13.



Thursday, March 25, 2010

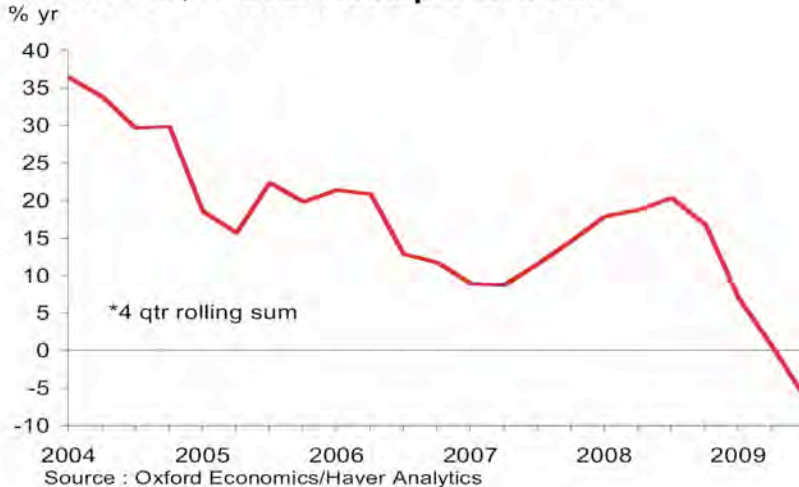


Outlook for the BRIC economies

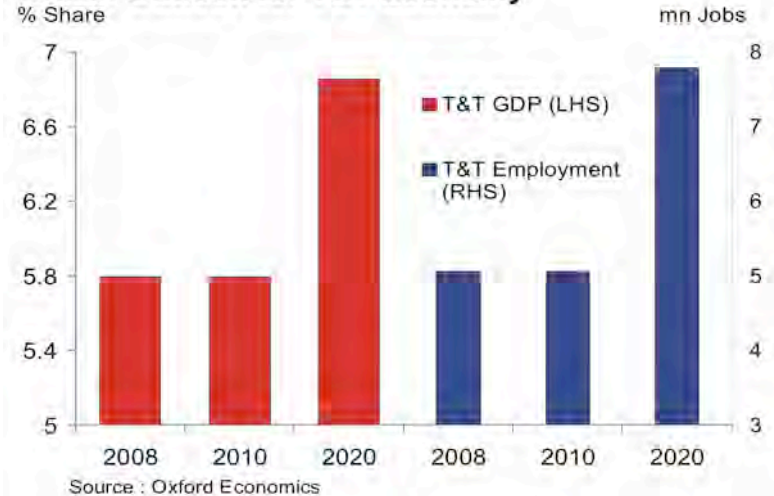
Thursday, March 25, 2010

Brazil: Growth slows in 2009 but should build strong long-run momentum

Brazil: US\$ Travel Receipts Growth*



Brazil: Outlook for T&T Economy



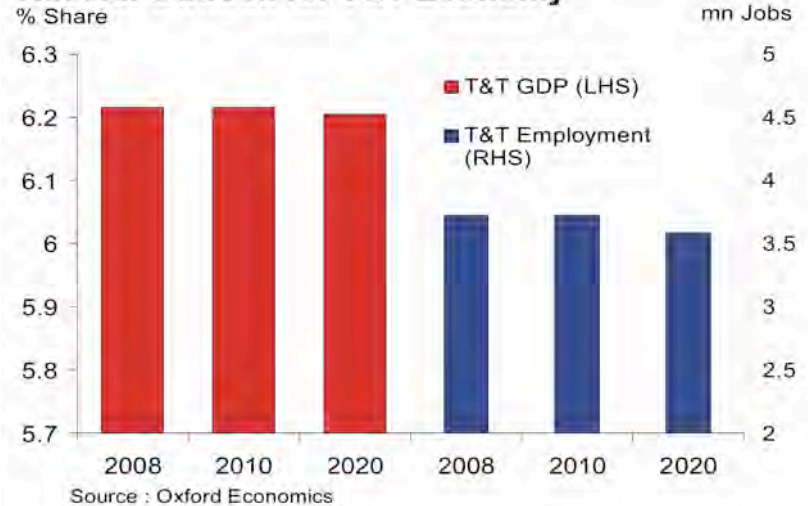
- Brazil has recovered strongly following a recession around the turn of 2008/9 as the strong domestic market helped weather the downturn in global trade.
- The impact of the global recession – foreign arrivals down an estimated 2% in 2009, while investment contracted sharply. But domestic travel buoyant.
- The successful bids for the 2016 Olympics and 2014 FIFA World Cup should drive investment in Travel & Tourism-intensive sectors implying robust inbound travel growth over the next decade.

Russia: Struggling to recover from horrors of 2009, but long-term outlook still good

Russia: US\$ Travel Receipts Growth*



Russia: Outlook for T&T Economy



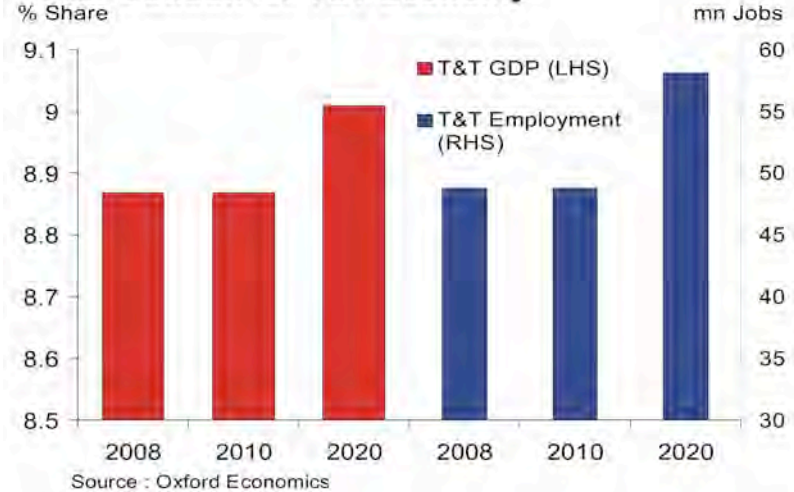
- 2009 saw the worst performance among major emerging markets, but recovery is now underway, albeit slowly.
- Despite this, Travel & Tourism will continue to struggle this year, with Economy real GDP forecast to contract again.
- And growth is unlikely to gather real pace until 2012, by which time investment and personal spending should have rediscovered some of their pre-crisis momentum.

India: Robust recovery expected following mild slowdown in 2009

India: Overnight Visitor Arrival Growth*



India: Outlook for T&T Economy



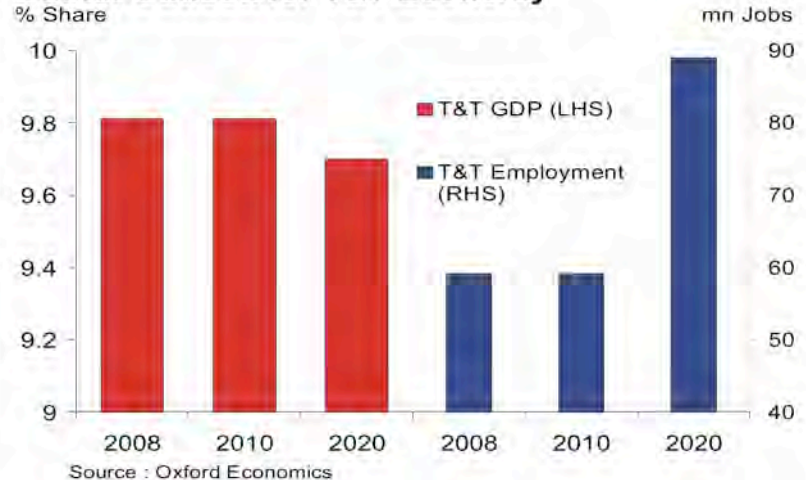
- Size and strength of Indian domestic market helped insulate the economy from a large trade shock in 2009, so GDP growth only modest slowdown.
- But the Travel & Tourism sector struggled with arrivals at -6%, driving a more pronounced slowdown than in the wider economy. Domestic travel held up well, though – 520 mn trips.
- A steady recovery in inbound travel is forecast over the next two years with real Travel & Tourism Economy GDP growth set to accelerate solidly.

China: Should remain the main engine of global growth over the next decade

China: Overnight Visitor Arrival Growth*



China: Outlook for T&T Economy



- Remarkable resilience in the face of global headwinds with large fiscal and monetary stimuli supporting real GDP growth of 8.7% in 2009.
- Despite the strong domestic economy, Travel & Tourism was hit by the global downturn with inbound arrivals down 3% last year. Domestic 1.9 bn.
- Travel & Tourism Economy real GDP growth will accelerate gradually, along with improved prospects in the global economy, peaking in 2013, with China acting as the key driver of global employment growth.



Thursday, March 25, 2010

And what about other developed and emerging economies?



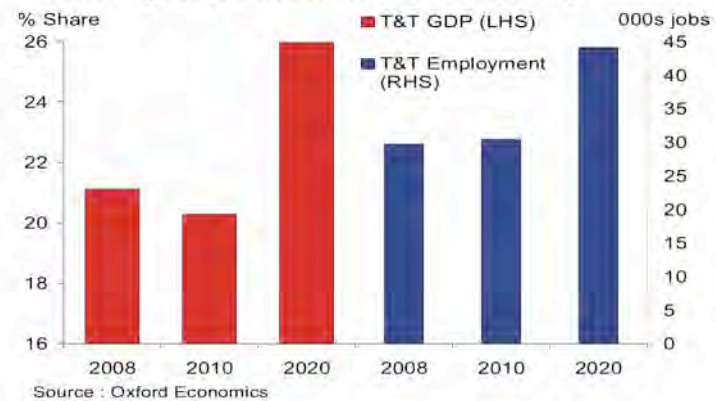
Thursday, March 25, 2010

Montenegro: Short-term recovery prospects hinge on global developments

Montenegro :Overnight Visitor Arrival Growth*



Montenegro: Outlook for T&T Economy



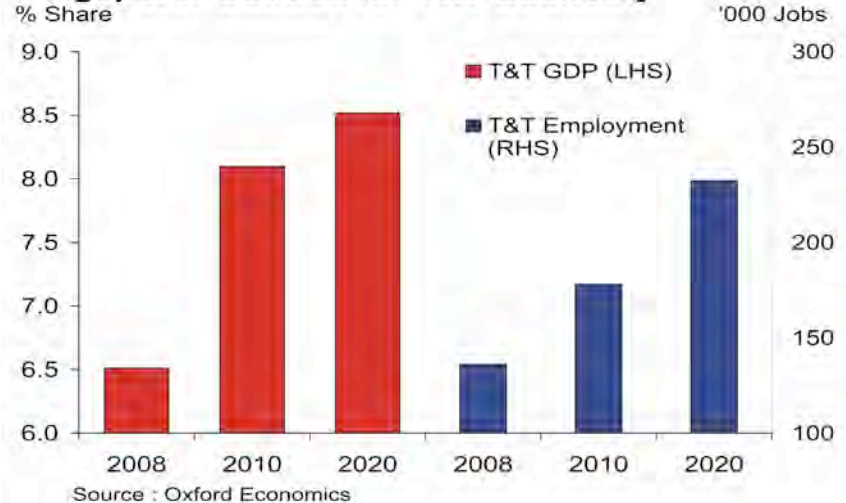
- Arrivals held up extremely well by global standards, but the Travel & Tourism economy endured a painful recession as tourists retrenched.
- Prospects for the short term depend critically on how quickly foreign capital flows rebound, which will determine prospects for investment – the key driver of growth from 2003-08.
- In the long term we remain optimistic that Travel & Tourism will continue to play a key role in fostering economic progress, with the sector's share of GDP forecast to rise to 26% by 2020, generating an extra 13,500 jobs.

Singapore: Modest growth in 2010 to accelerate sharply in 2011

Singapore: Overnight Visitor Arrival Growth*



Singapore: Outlook for T&T Economy



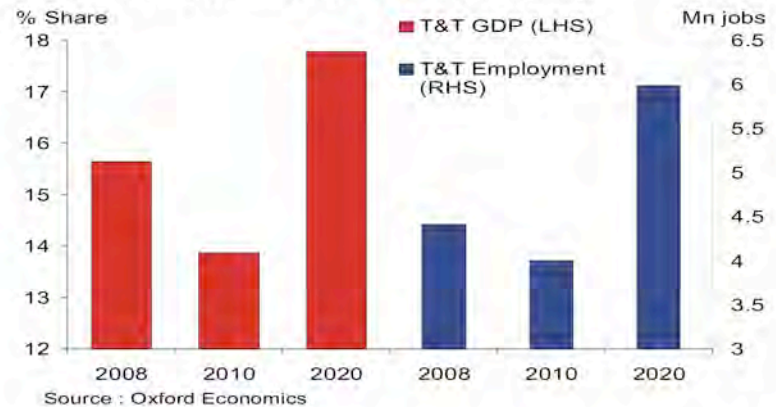
- Following last year's recession growth has rebounded strongly as manufacturers rebuild inventories.
- Developments in the wider economy were mirrored in the Travel & Tourism sector as arrivals growth rebounded strongly in 2009H2. Growth will be modest in 2010 before accelerating in 2011.
- In the long term Travel & Tourism is expected to retain a relatively steady share of GDP, helping to create an extra 52,000 jobs by 2020.

Thailand: Problems in 2009 but dynamic recovery in prospect

Thailand : Overnight Visitor Arrival Growth*



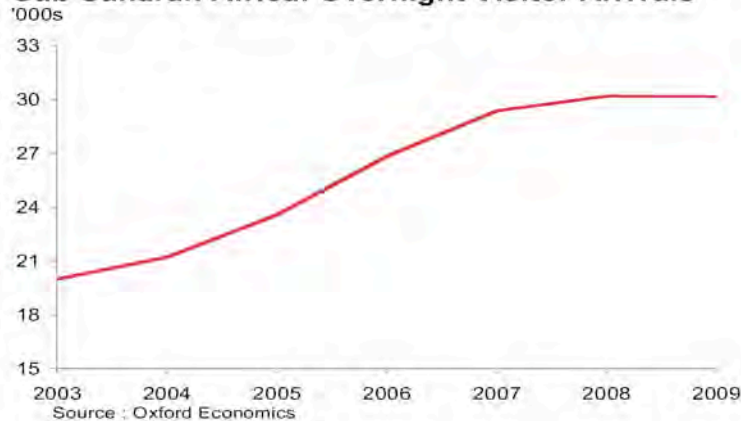
Thailand: Outlook for T&T Economy



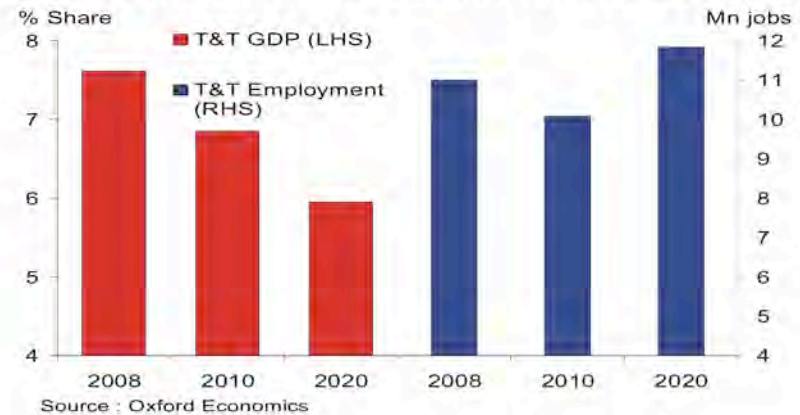
- Heightened political instability and the global recession led to a collapse in arrivals, leading to a sharp contraction in Travel & Tourism activity.
- Base effects should ensure a strong recovery in arrivals this year, while a large government-sponsored investment programme should drive growth in the medium term, but continued political problems present a downside risk.
- Long-term growth with Travel & Tourism's contribution to GDP rising to almost 18% by 2020, generating an extra 2 million jobs.

Sub-Saharan Africa: Modest growth this year but job-creation potential still strong

Sub Saharan Africa: Overnight Visitor Arrivals



Sub Saharan Africa: Outlook for T&T Economy



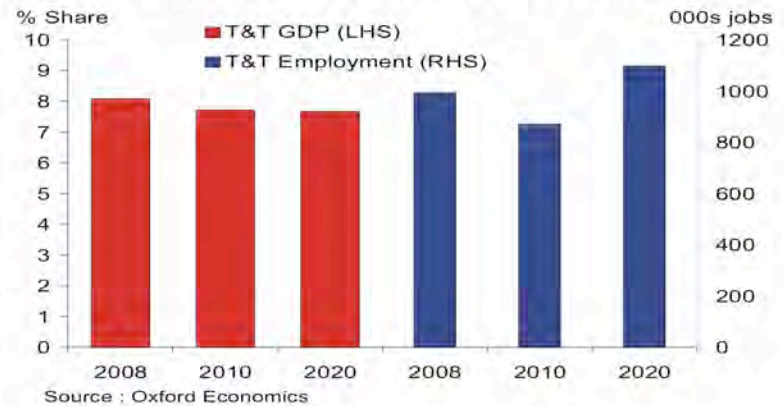
- Arrivals in the region held up well given external turbulence but, given the sharp fall in average spending elsewhere, we estimate that real visitor exports contracted, driving a recession in the Travel & Tourism Economy.
- Growth this year is likely to be modest, gathering momentum in 2011 before reaching its cyclical peak in 2012.
- In the long run we expect Travel & Tourism to continue to act as a key generator of employment, creating an extra 1.7 million jobs from 2010-20, although its share of GDP is forecast to fall to just under 6%.

South Africa: World Cup to boost growth in 2010 following difficult 2009

South Africa: Overnight Visitor Arrival Growth*



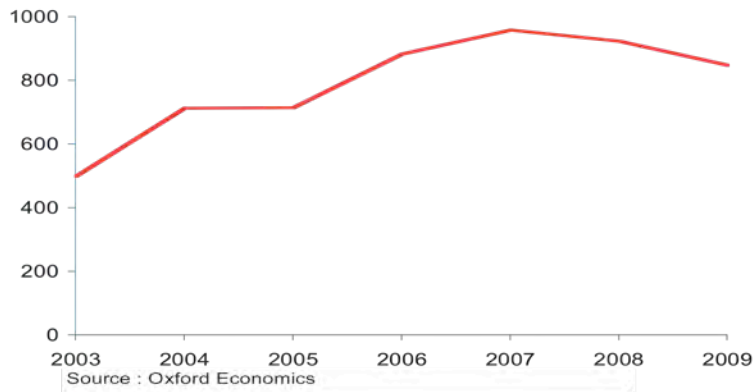
South Africa: Outlook for T&T Economy



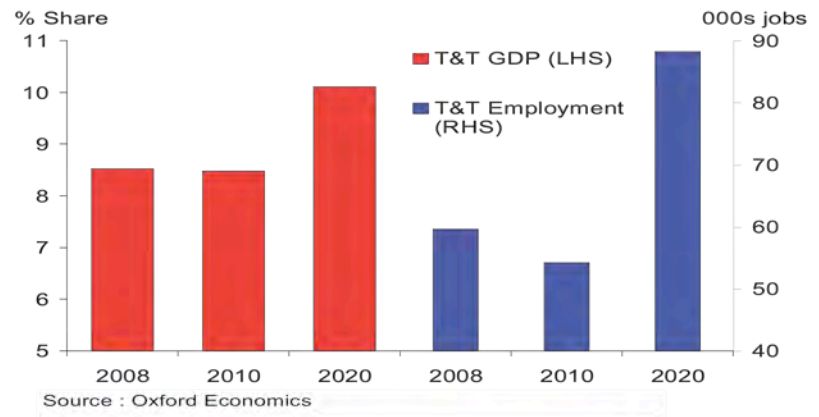
- Although foreign visitor arrivals held up well, balance of payments figures show a sharp fall in travel receipts, indicative of tourism retrenchment.
- The 2010 World Cup will bring a sharp spike in summer visitor arrivals and spending, although other components of demand will be much weaker.
- In the long term Travel & Tourism's contribution to GDP is forecast to remain very stable, helping to generate an extra 230,00 jobs.

Botswana: Travel & Tourism to remain key driver of long-term development

Botswana: Visitor Exports
US\$ mn



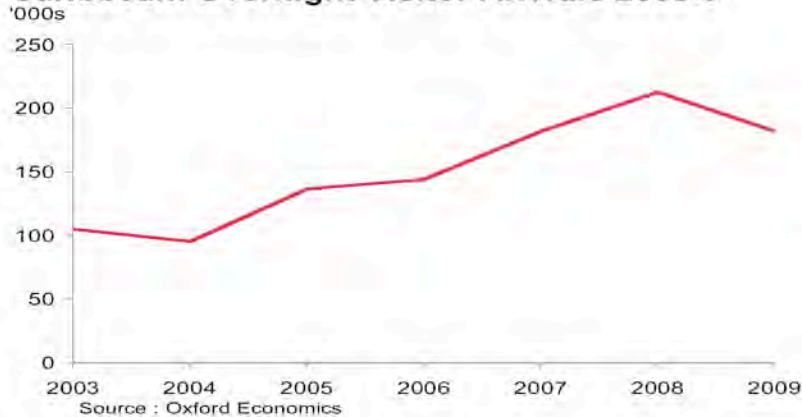
Botswana: Outlook for T&T Economy



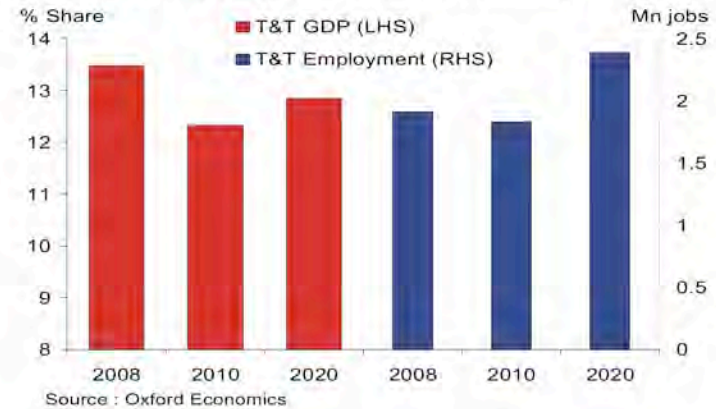
- Travel & Tourism activity was hit by the downturn in external conditions with visitor export receipts forecast to have contracted in US\$ terms.
- However, we expect a relatively swift recovery with real economy growth rebounding to over 5% this year.
- In the long run the outlook remains very positive with Travel & Tourism's share of GDP rising to 10% by 2020, helping to create an extra 34,000 jobs.

Caribbean: Very muted recovery this year should gather speed from 2011

Caribbean: Overnight Visitor Arrivals 2003-9



Caribbean: Outlook for T&T Economy



- The Caribbean was hit hard by the US recession with arrivals estimated to have fallen by 3.5% as tourists shied away from luxury holidays.
- A strong rebound this year is unlikely given our forecast for rather anaemic growth in developed economies, but growth should gather momentum from 2011 onwards.
- In the long term the region will remain highly dependent on tourism with the sector expected to generate an extra 560,000 jobs from 2010-20.



Thursday, March 25, 2010

Travel & Tourism's longer-term prospects

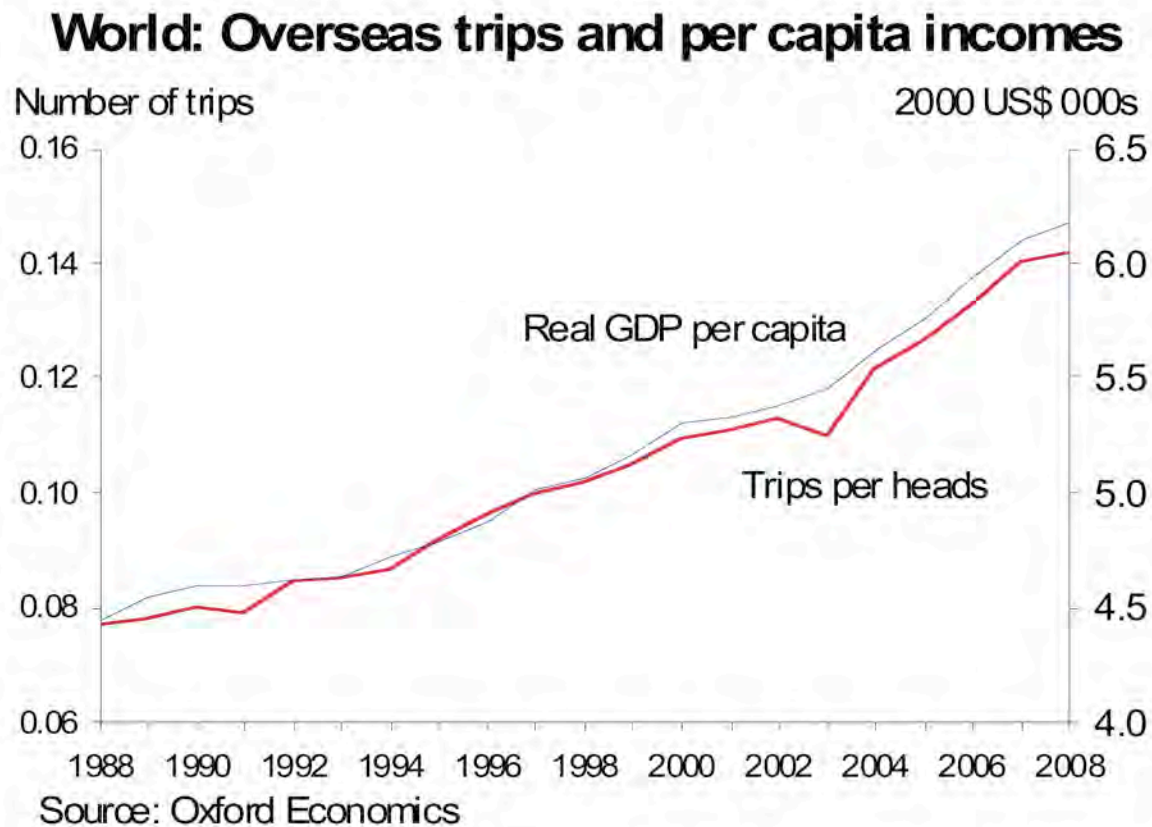


Travel & Tourism will remain a dynamic driver of economic growth



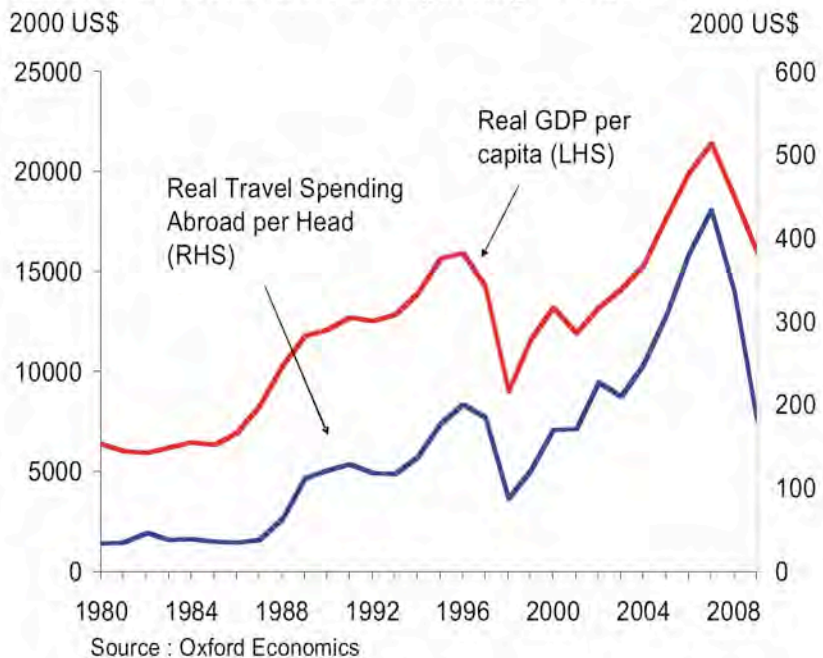
- Historically, clear correlation between real per capita income and travel expenditure growth.
- Over the next decade, we expect emerging markets – whose per capita income growth is strongest – to become increasingly important in driving demand for Travel & Tourism.
- By 2020, the Travel & Tourism Economy should account for 9.6% of global GDP and 9.2% of total employment worldwide – up from 9.2% and 8.1% respectively in 2010.

Rising prosperity drives increased travel in the long run...

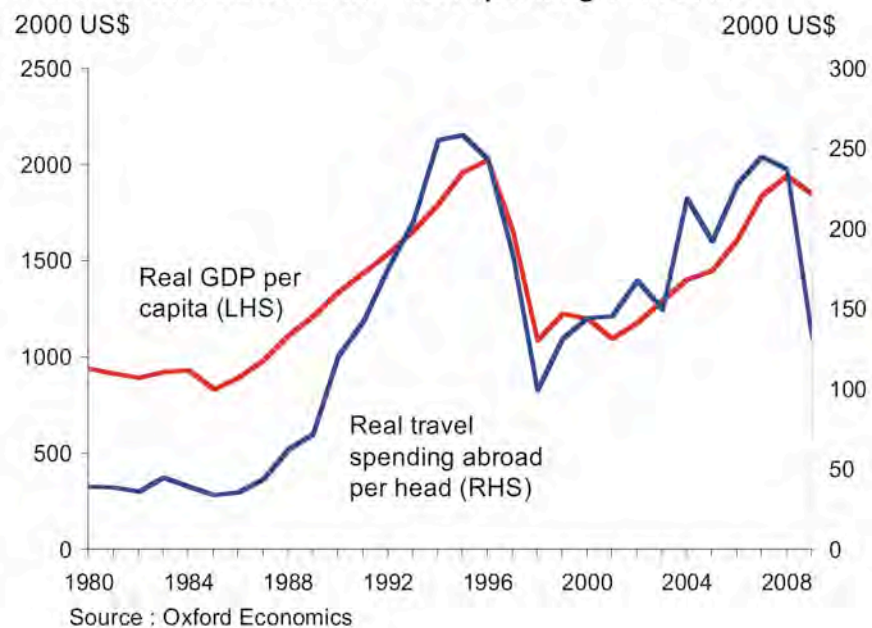


Close relationships between income and travel expenditure growth –

Korea: Real income and travel spending 1980-2009

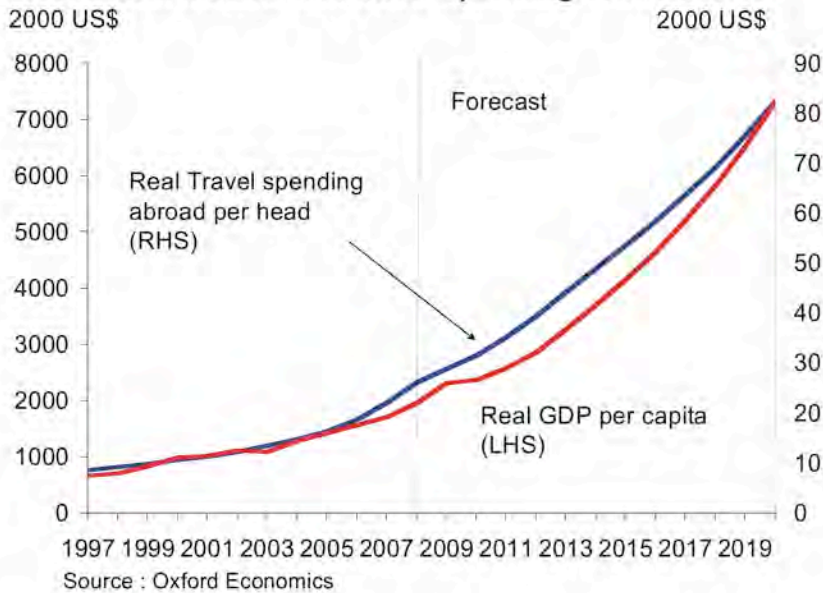


Thailand: Real income and travel spending 1980-2009

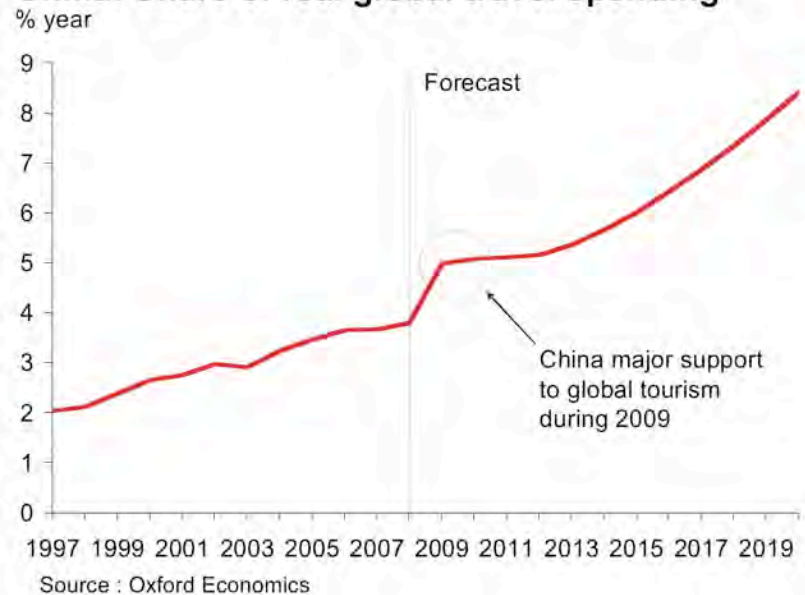


... China, the main driver of Travel & Tourism Demand to 2020

China: Real income and travel spending 1997-2009

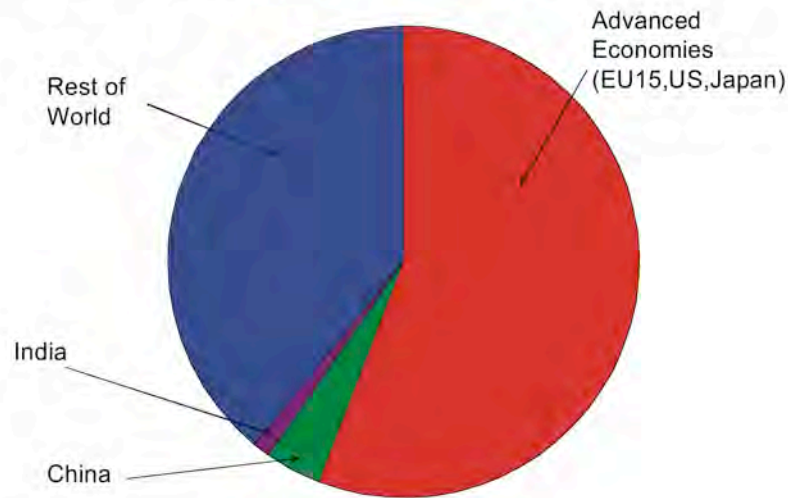


China: Share of real global travel spending



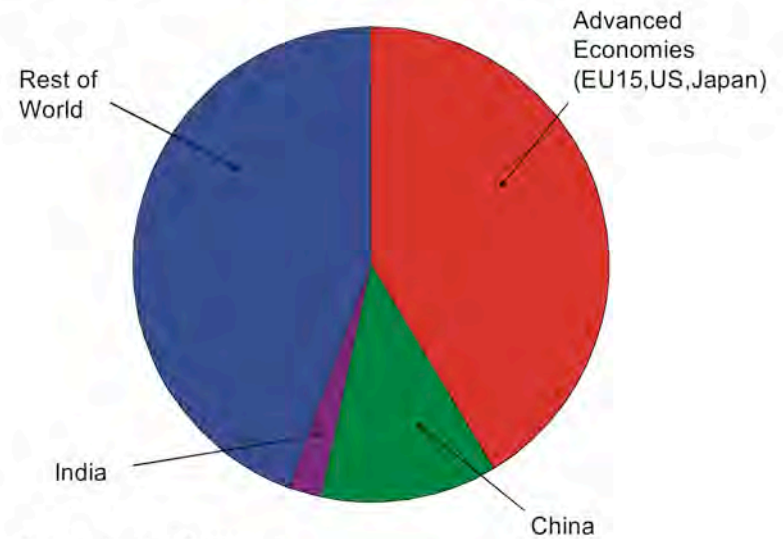
...as part of a wider trend with emerging markets

Share of World Travel Spending 2008



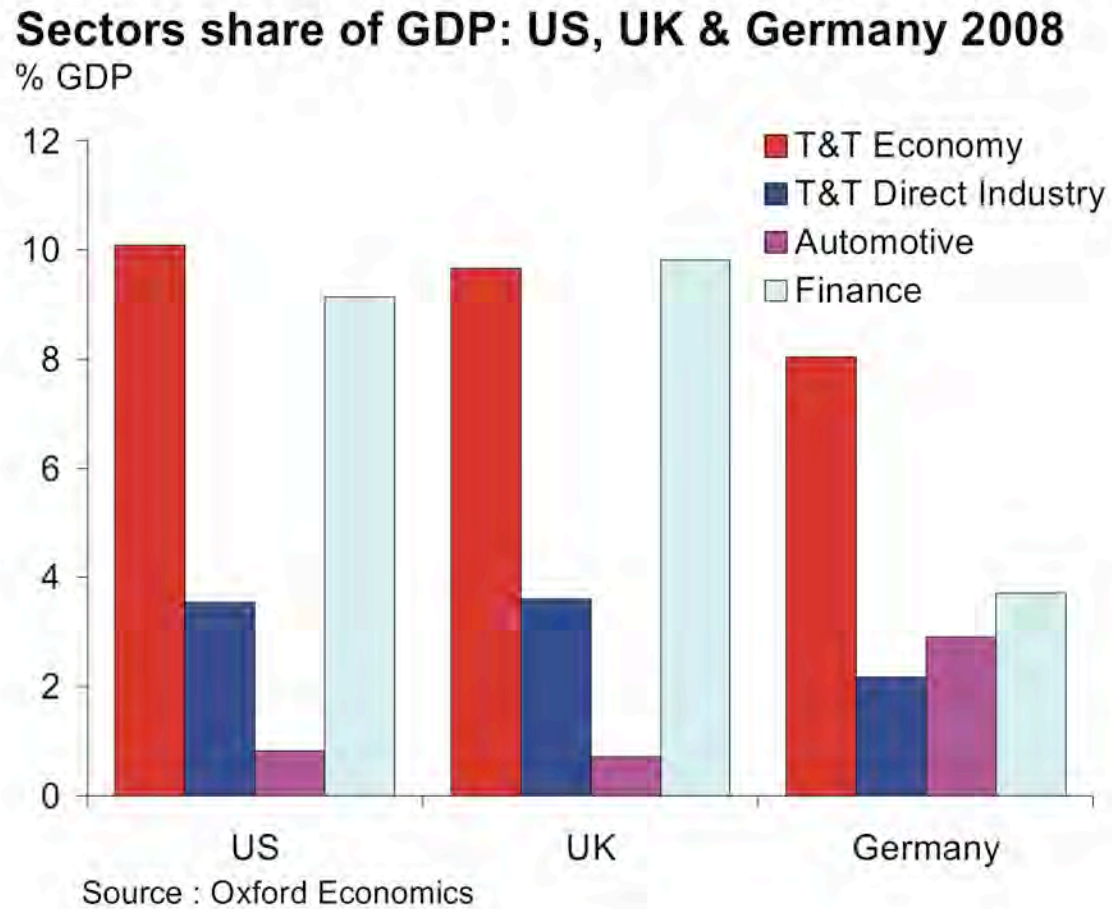
Source : Oxford Economics


Share of World Travel Spending 2020



Source : Oxford Economics

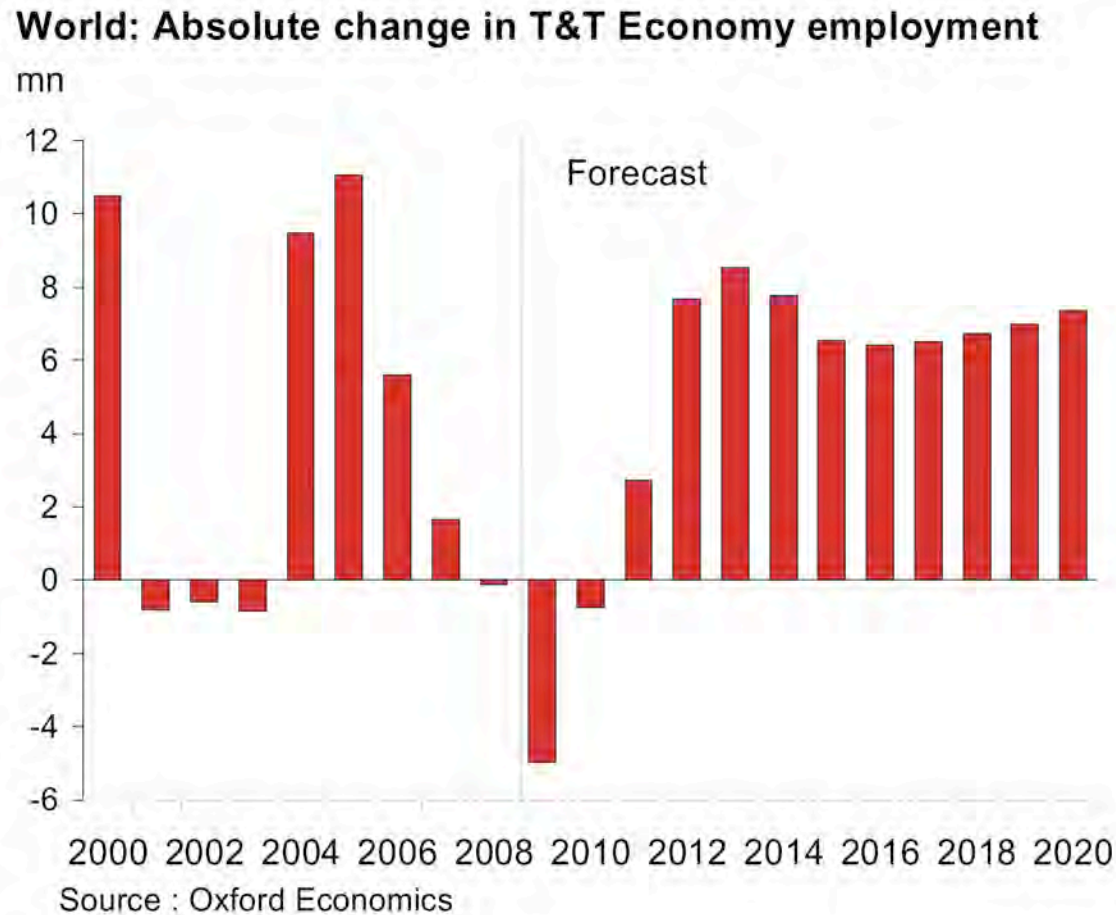
Travel & Tourism has received little direct support given its share of GDP...





*... but policy support
is necessary for it to
realise its long-term
potential...*

...so Travel & Tourism will continue to act as a major generator of employment





THANK
YOU