

TOURISM WATCH

Quarterly Report: Q2 2023

October 2023



SUMMARY

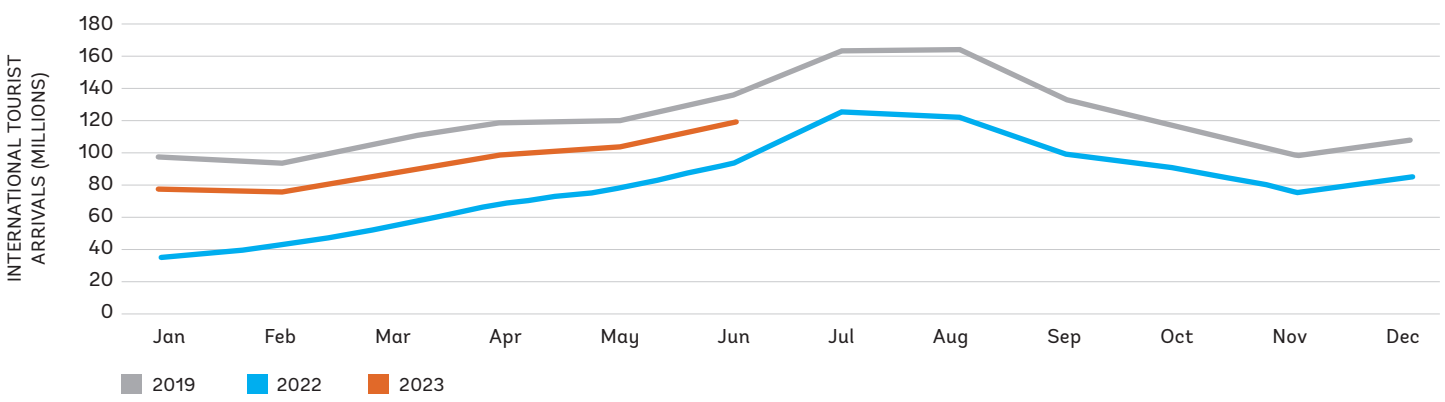
Cautiously optimistic tourism growth in an uncertain macroeconomic context

- **GLOBAL OVERVIEW (P.1):** The sector continues its steady recovery in tourism arrivals (33 percent year-on-year increase), receipts, aviation, and lodging indicators as tourism inflation eases and airline operations adjust to new demand.
- **REGIONAL OVERVIEW (P.3):** China's January 2023 reopening continues to drive global and regional (East Asia and the Pacific) tourism growth. All other regions showed steady year-on-year improvements, with the Middle East and North Africa, South Asia, and Latin America and the Caribbean showing the greatest recovery of estimated aviation passenger arrivals.
- **TOURISM OUTLOOK (P.6):** Tourism prospects are cautiously optimistic due to a continuing recovery, slowing inflation, and continued economic resilience in key global source markets, such as the United States. However, an expected slowdown in global growth, persistent core inflation, geopolitical tensions, and climate change-induced extreme weather events are affecting traveler confidence.
- **SPECIAL POLICY INSERT (P.7):** Comprehensive and up-to-date tourism data is crucial for effective policymaking, yet tourism statistics are often lacking, particularly in developing economies. To bridge this gap, the World Bank is exploring non-traditional data sources, and recently partnered with Visa to incorporate aggregated and anonymous spending insights for evidence-based tourism policymaking.

GLOBAL OVERVIEW

Between April and June 2023, more than 316 million international tourists traveled globally, a 33 percent increase from the same period in 2022, reaching 85 percent of Q2 2019 levels (Figure 1). The sector continues to move closer to pre-pandemic numbers, which in Q2 were boosted by an improved industry staffing and operating environment as well as continuing resilience in the global economy. Buoyant global hotel occupancy rates reflect this progress, reaching an average of 71 percent occupancy on July 1, 2023, in comparison to 68 percent in 2022 and 74 percent in 2019 (STR). However, a challenging global macroeconomic and geopolitical context, coupled with frequent extreme climate events, contributes to future uncertainty.

Figure 1. International Tourist Arrivals, 2019 vs. 2022 and 2023



Source: UNWTO Tourism Data Dashboard.

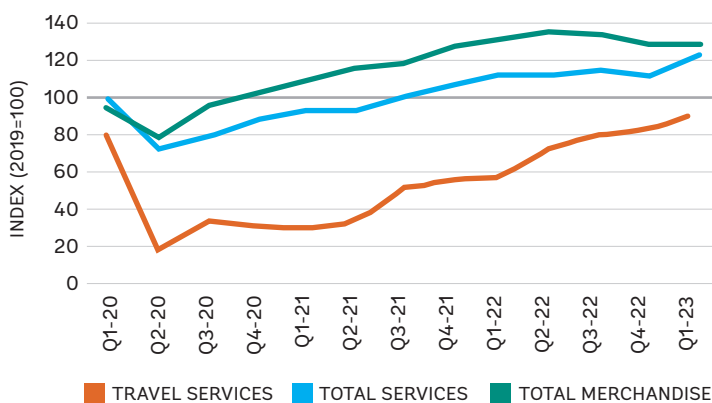
Year-on-year (y/y) growth in travel services substantially contributed to the growth of the broader services sector in early 2023 (Figure 2). Trade in travel services recovered to 91 percent of 2019 levels in Q1 2023, the most recent quarter with substantially available data. Meanwhile, the recovery of the services sector is catching up with merchandise evolution due to the improved performance of services, strongly supported by travel growth and improved staffing, and a slowdown in trade in goods because of weakening global industrial production (World Bank). In Q1 2023, the global services trade grew 9 percent y/y (improving on 2019 figures by 22 percent), and overall trade in goods plunged 2 percent y/y (improving on 2019 figures by 28 percent).

Travel receipts, an important indicator of tourism’s contribution to foreign exchange earnings and GDP, continued to rise. Though still limited, inbound receipts data for available countries in January–July 2023 showed a substantial recovery compared to pre-pandemic receipts (2019), particularly for Pakistan (115 percent growth), Albania (82 percent growth), Montenegro (77 percent growth), Türkiye (75 percent growth), North Macedonia (56 percent growth), and Colombia (31 percent growth) (UNWTO). Major source markets leading growth in outbound tourism spending for the same period included the United States (11 percent growth), Germany (11 percent growth), and the United Kingdom (16 percent growth through March).

In Q2 2023, the gap between global aviation passenger demand and supply narrowed (Figure 3), resulting in airfare reductions. Aviation supply and demand were dramatically disrupted during COVID-19 and subsequent staffing and logistical issues, with evolution in demand outpacing evolution in supply for much of the past two years, driving airfare growth and improving yields. Airlines have largely solved fleet and staffing issues in 2023, illustrated by a reconvergence of passenger traffic (measured in Revenue per Kilometer) and passenger capacity (measured by Available Seat Kilometer) from May 2022 to June 2023. For example, in China, passenger demand began growing exponentially in January 2023 after its reopening announcement, with capacity expected to take six months to close the gap.

June 2023 marked the first y/y decline in U.S. travel-related inflation since February 2021, after three consecutive months of softening (Figure 4). U.S. travel-related inflation—reflected by the U.S. Travel Price Index (TPI)—has decreased faster than overall consumer price levels, measured by the U.S. Consumer Price Index (CPI). In June 2023, The TPI declined 1.7 percent y/y, influenced by the decreasing prices of motor fuels (-27 percent y/y) and airfares (-19 percent y/y). Airfares fell even below 2019 prices likely due to a leveling out of supply and demand (Figure 3), and this probably contributed to travel growth. Overall, the CPI eased as well but was still up 0.2 percent versus May 2023 and up 3 percent y/y. (USTA and BLS)

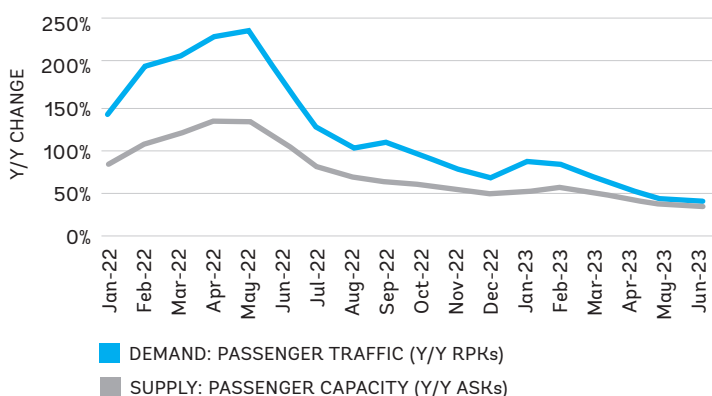
Figure 2. Tourism vs. the Broader Economy



Source: World Trade Organization.

Note: Figure includes 82 territories that account for 90 percent, 89 percent, and 87 percent of overall trade in goods, services, and travel services in 2019, respectively.

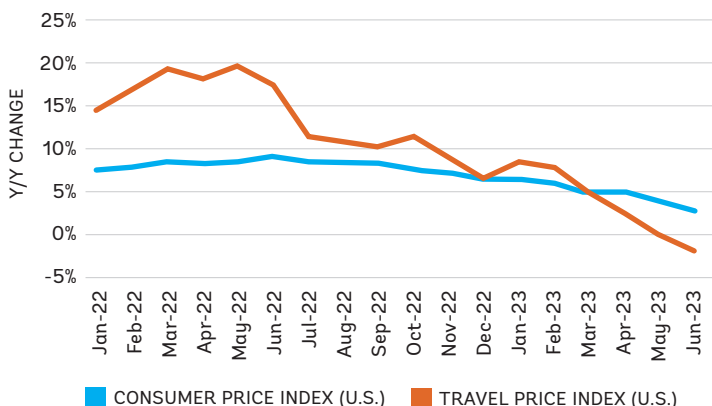
Figure 3. Evolution in Aviation Supply vs. Demand



Source: OAG Traffic Analyzer.

Note: RPK = Revenue per Kilometer, a proxy for aviation demand. APK = Available Seat Kilometer, a proxy for aviation supply.

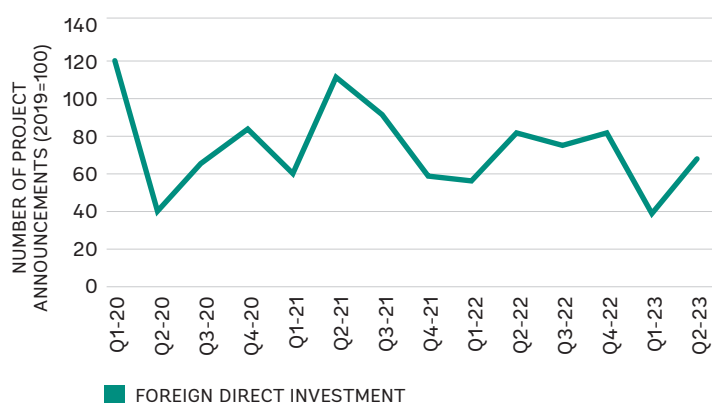
Figure 4. U.S. Consumer Price Index and U.S. Travel Price Index



Source: U.S. Travel Association.

Tourism-related investors remain cautious amidst macroeconomic uncertainty and high interest rates (Figure 5). Tourism indicators for foreign direct investment (FDI) project announcements continue to plateau after a brief resurgence until Q2 2021. According to the latest UNWTO and fDi Tourism Greenfield Investment Report, tourism cluster FDI showed signs of recovery in 2022 in project announcements and job creation. However, global capital expenditure, which kept falling from US\$60.9 billion in 2019 to US\$10.2 billion in 2022, is yet to see significant improvement (fDi). By regions, in 2022, Latin America and the Caribbean and the Middle East led recovery, whereas Asia Pacific remained subdued, likely due to China's sputtering economy, rocked by a struggling real estate sector and low consumption.

Figure 5. Tourism Sector Foreign Direct Investment



Source: Global Data.

Note: Data is from Factiva news scraping as of September 14, 2023.

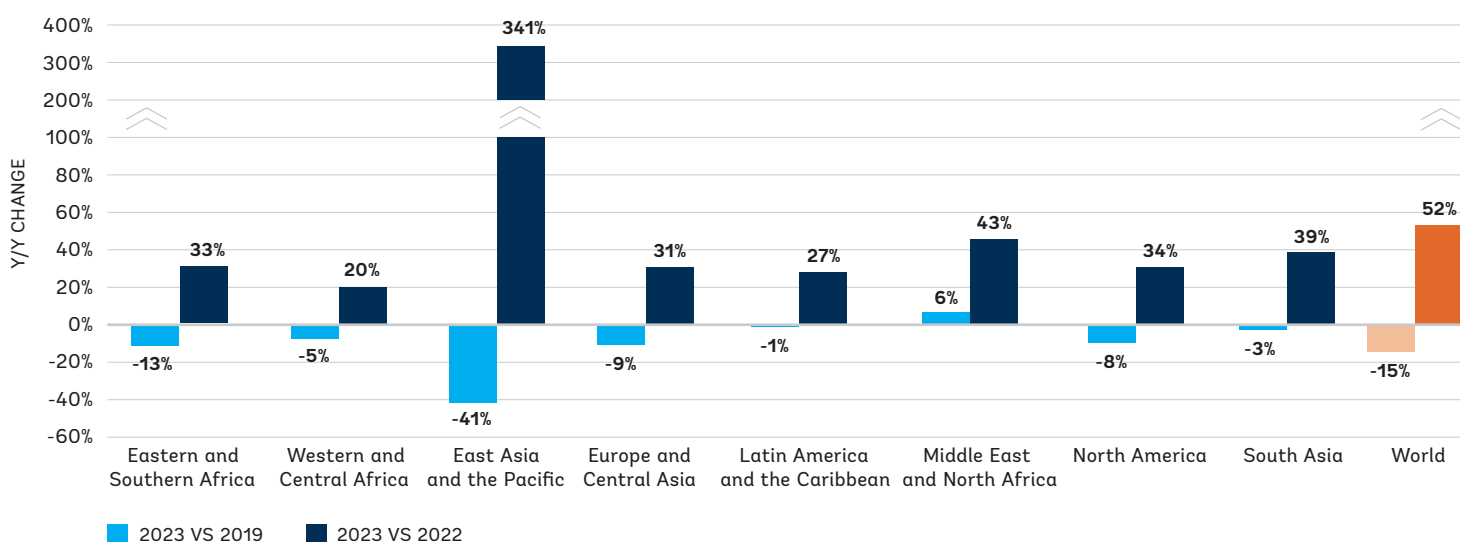
REGIONAL OVERVIEW

In Q2 2023, all regions continued growth in estimated aviation passenger arrivals, but with a reduced y/y growth rate compared to the previous quarter, as they get closer to a full recovery compared to 2019 arrivals (Figure 6). East Asia and the Pacific grew 341 percent y/y with the release of China's pent-up demand after the late easing of its COVID-19 rules in January 2023, but the region still remains 41 percent below 2019 levels. Meanwhile, the Middle East and North Africa continues to be the only region to exceed 2019 aviation passenger arrivals, likely after Q4 FIFA World Cup promotions. Both South Asia and Latin America and the Caribbean are nearing a full recovery (3 and 1 percent below 2019 levels, respectively), which aligns with trends in tourism arrivals for the same period (UNWTO).

In Q2 2023, y/y changes in estimated aviation passenger arrivals were positive for 209 out of 223 reporting territories, with the few destinations showing decreases making up a minority of global traffic (1.14 percent of global aviation passenger arrivals in 2019). Figures 7 and 8–14 represent these changes in green (for growth) and red (for reductions). Figures 8–14 feature y/y changes in estimated aviation passenger arrivals by region (X-axis), only for low- and middle-income countries, which are the focus of the World Bank Group. Countries are ordered by the importance of tourism to their economy (tourism's contribution to GDP; Y-axis).

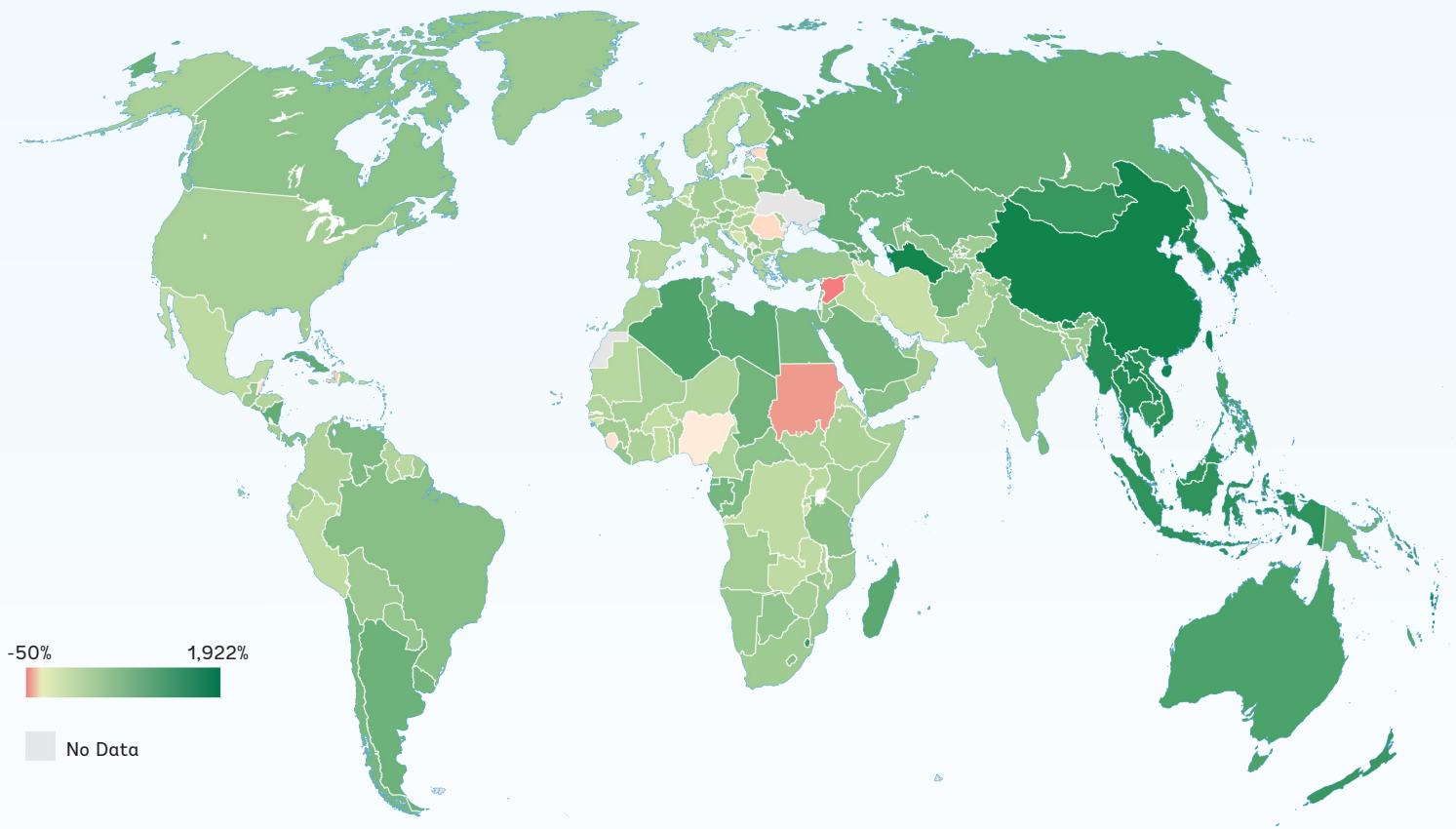
Figure 6. Change in Estimated Aviation Passenger Arrivals Across Regions

Q2 2023 vs. Q2 2019 and vs. Q2 2022 year-to-date growth



Source: OAG Traffic Analyzer.

Figure 7. Change in Estimated Aviation Passenger Arrivals, Q2 2023 vs. Q2 2022



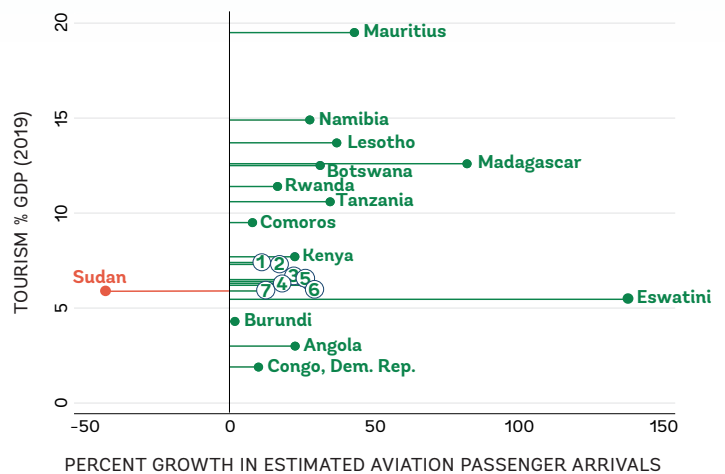
Source: OAG Traffic Analyzer.

Note: Incomplete data for Falkland Islands, Kiribati, Ukraine, and Tuvalu. This map was produced by the Cartography Unit of the World Bank Group. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

Globally, the destinations with the greatest y/y growth in estimated aviation passenger arrivals were Vanuatu (1,922 percent growth), China (1,047 percent), Samoa (1,004 percent), and Tonga (941 percent), all in East Asia and the Pacific. Countries that experienced arrivals reductions are mainly surrounding conflict zones, such as Ukraine and Sudan, or those that already experienced exponential growth due to successful recoveries in previous quarters and are now leveling out, such as The Gambia (11 percent reduction), Sierra Leone (3 percent reduction, due to the election travel shutdown), and Belize (3 percent reduction). Armenia (85 percent growth) is leading y/y growth for the Europe and Central Asia region, while Eswatini (137 percent growth), Saint Vincent and the Grenadines (76 percent growth), Chad (47 percent growth), Algeria (104 percent growth), and Sri Lanka (44 percent growth) are leading y/y growth in their respective regions.

Figure 8. Eastern and Southern Africa

Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)

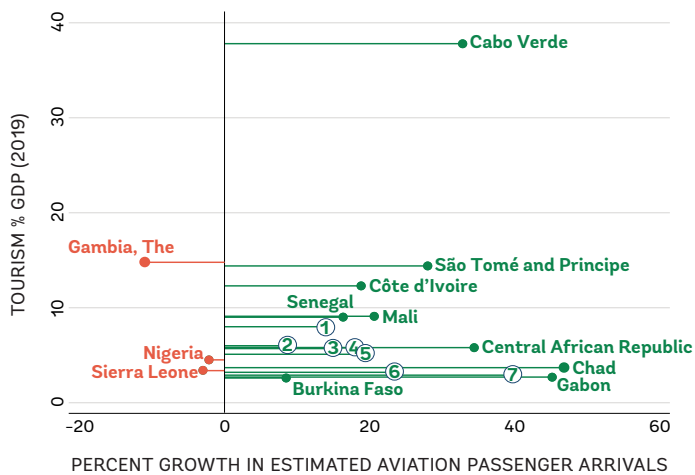


1. Zambia, 2. Malawi, 3. Zimbabwe, 4. Ethiopia, 5. South Africa, 6. Mozambique, 7. Uganda

Source: OAG Traffic Analyzer; WTTC.

Figure 9. Western and Central Africa

Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)

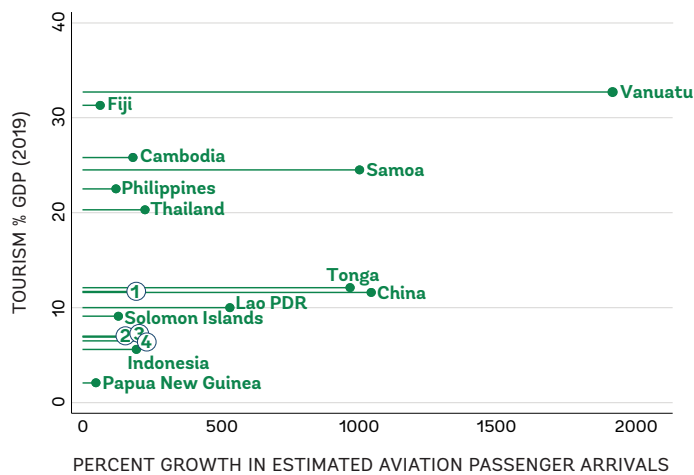


1. Cameroon, 2. Ghana, 3. Niger, 4. Togo, 5. Benin, 6. Guinea, 7. Congo, Rep.

Source: OAG Traffic Analyzer; WTTC.

Figure 10. East Asia and the Pacific

Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)

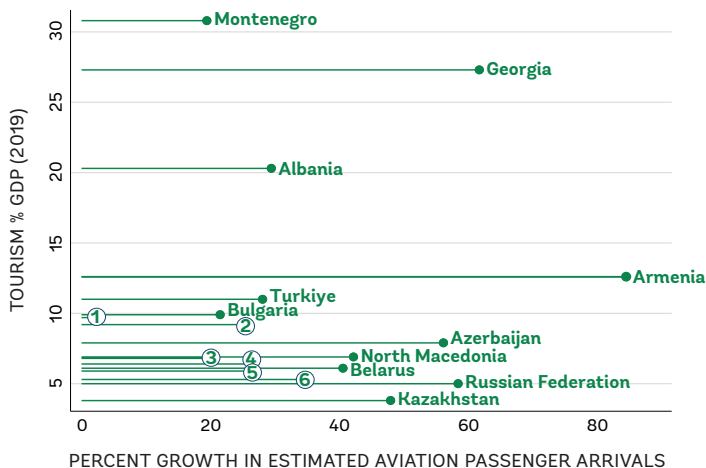


1. Malaysia, 2. Mongolia, 3. Myanmar, 4. Vietnam

Source: OAG Traffic Analyzer; WTTC.

Figure 11. Europe and Central Asia

Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)

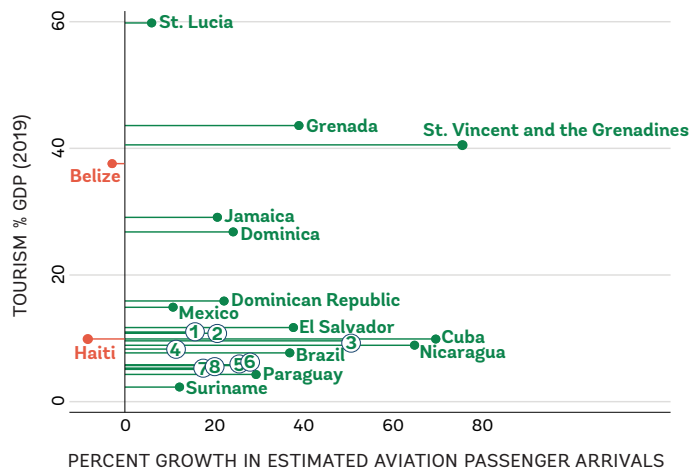


1. Bosnia and Herzegovina, 2. Kyrgyz Republic, 3. Moldova, 4. Tajikistan, 5. Serbia, 6. Uzbekistan

Source: OAG Traffic Analyzer; WTTC.

Figure 12. Latin America and the Caribbean

Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)

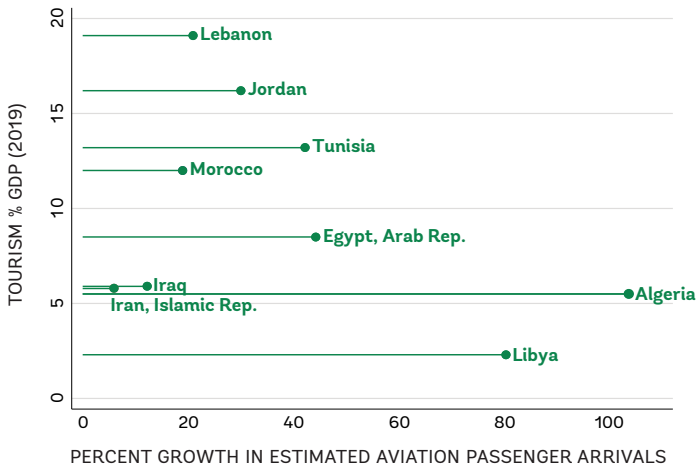


1. Honduras, 2. Costa Rica, 3. Argentina, 4. Peru, 5. Bolivia, 6. Guatemala, 7. Colombia, 8. Ecuador

Source: OAG Traffic Analyzer; WTTC.

Figure 13. Middle East and North Africa

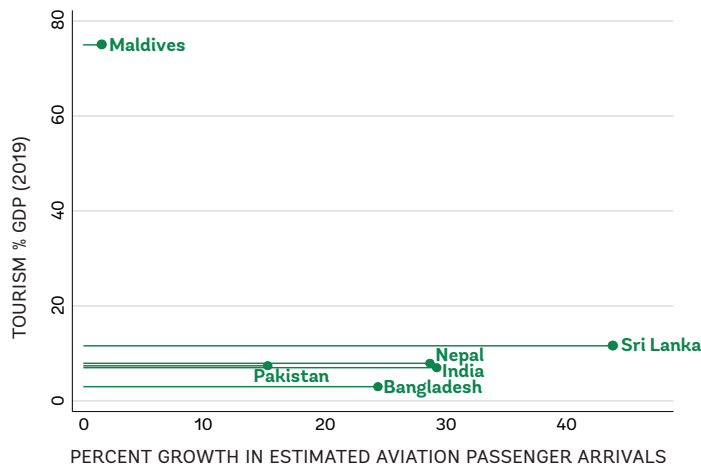
Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)



Source: OAG Traffic Analyzer; WTTC.

Figure 14. South Asia

Y/Y Change in Estimated Aviation Passenger Arrivals (Q2 2022–2023)



Source: OAG Traffic Analyzer; WTTC.

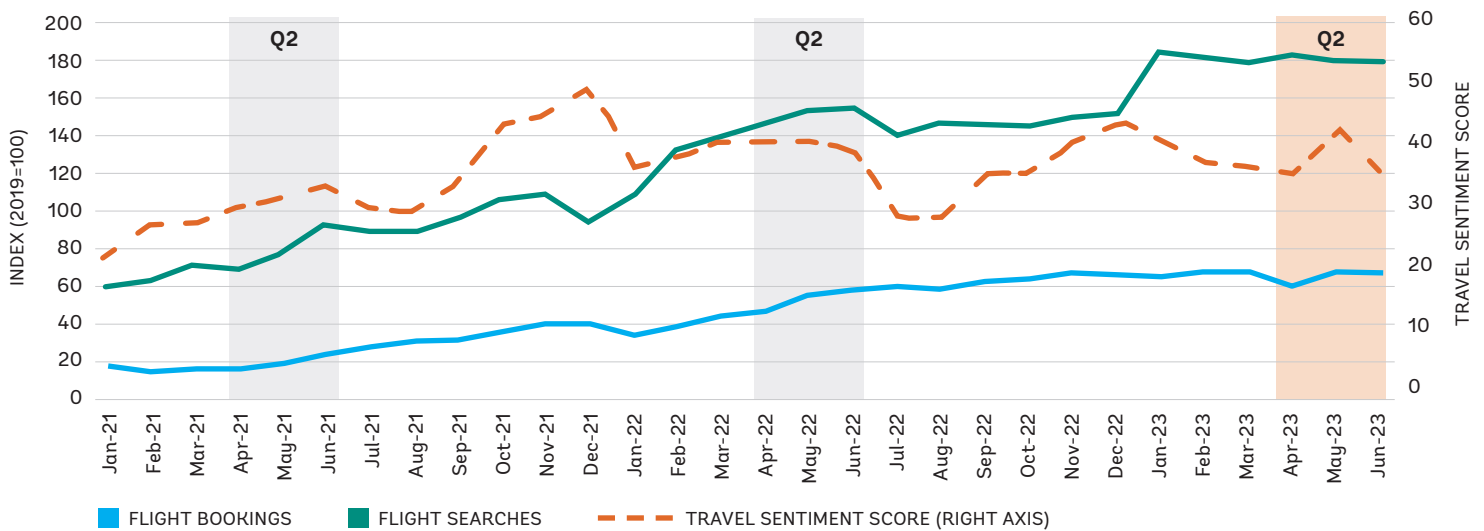
TOURISM OUTLOOK

Tourism prospects are cautiously optimistic given a strong recovery, moderating inflation, and the continued averting of recessions in key global source markets. However, slowing global growth—headlined by China’s fragile economy, along with persistent core inflation, geopolitical tensions, and frequent extreme climatic events—is affecting travel confidence (ETC).¹ Global economic growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in 2023, and core inflation is projected to decline more gradually than initially expected (IMF). Despite debt crises being triggered in various developing economies, those of many key tourism source markets—such as the United States—remain strong. Europe, another key source market, showed in the latest European Travel Commission’s European travel sentiment monitoring (conducted in May–June 2023) a slight y/y decrease of travel intention from

June–November 2023, even though travel expenditures are expected to increase, likely due to inflation concerns (ETC). High travel prices and uncertain personal finances are the primary travel concerns for Europeans, while concerns over the war in Ukraine still impact 44 percent of Europeans’ travel plans.

Although still positive, the latest UNWTO Confidence Index shows a decreased evaluation for the second half of 2023, in line with a Q2 plateauing of flight searches and bookings and a volatile Travel Sentiment Score (Figure 15). Record-breaking heat in June and July led to earth’s hottest August on record (NOAA), a trend likely to continue affecting travel patterns. The recent violence in Israel and Gaza is likely to impact travel to the Middle East and Africa during the second half of the year.

Figure 15. Forward-Looking Tourism Indicators



Source: UNWTO Tourism Data Dashboard, Google, OAG Traffic Analyzer, and TCI Research.



SPECIAL INSERT

The Importance of Tourism Data and Statistics for Policymaking

Tourism data and statistics play a pivotal role in informing and shaping effective policymaking within the tourism sector.

Tourism data can help policymakers better allocate scarce resources, understand visitor trends and preferences, prioritize markets and destinations, and monitor environmental and social impacts.

However, many emerging destinations operate in a severely data-poor environment with a lack of up-to-date tourism data and statistics and low analytic capacity.

Several factors contribute to this gap, including limited financial resources, inadequate infrastructure for data collection and analysis, challenges coordinating across government agencies, and a lack of prioritization for data-related initiatives.

The urgency to improve tourism data has increased due to recent shocks and global crises.

The COVID-19 pandemic was a clear example of tourism industry disruption that benefited from just-in-time data. Now, rapid technological advancements, sustainability concerns, and changing demographics highlight the vital role data plays in adapting to an evolving industry landscape and enhancing visitor experiences.

The World Bank Group is working to address these data gaps in three key areas (Table 1).

Table 1. Three Key Areas to Reduce Tourism Data Gaps

Investing in Data Infrastructure and Market Intelligence	Standardizing Data Collection and Reporting	Promoting Public-Private Partnerships
<p>Modernizing data collection methods, using non-traditional data sources, such as online big data, implementing digital and automated systems, and upskilling personnel responsible for data management.</p> <p><i>Examples of World Bank Group work:</i></p> <ul style="list-style-type: none"> Using OAG’s aviation data to monitor tourism sector growth trends and the impacts of crises, such as Russia’s war on Ukraine, on the sector. Developing a set of sustainable tourism indicators in Indonesia and capacity building for the development of new tourism data collection instruments (Expenditure Surveys, Occupancy Surveys, and Exit Surveys) in The Gambia and Peru. Harnessing big data and machine learning by analyzing thousands of online travel reviews, searches, and listings informing the Comoros Country Economic Memorandum and the Uganda Economic Update. 	<p>Adopting standardized data collection methodologies and reporting frameworks, in alignment with international standards set by organizations like the UNWTO. This ensures consistency and comparability of data, making it easier to benchmark tourism performance against global trends and share information with international stakeholders.</p> <p><i>Examples of World Bank Group work:</i></p> <ul style="list-style-type: none"> Financing the improvement of tourism statistics systems in Benin by piloting Tourism Satellite Accounts. Conducting an extensive assessment of current practices in lodging surveys and providing recommendations to improve response rates and enhance performance as part of IFC’s project on Tourism Sector Strengthening in Peru, in collaboration with UNWTO. 	<p>Collaborating with private sector stakeholders, such as tourism and non-tourism businesses, industry associations, and research organizations, to enhance data collection efforts. Public-private partnerships can lead to more comprehensive and accurate data, as businesses often have valuable insights into tourist behaviors and trends.</p> <p><i>Examples of World Bank Group work:</i></p> <ul style="list-style-type: none"> A new World Bank-Visa partnership, analyzing aggregated and anonymous spending insights through the Visa Destination Insights platform, to identify high-value tourism segments and spending patterns and monitor progress in the diversification of tourism markets. Launching the Blue Tourism Resource Portal with support from the World Bank Group and Tourism Action Coalition for a Sustainable Ocean (TACSO).

INDEX CONSTRUCTION

Estimated Aviation Passenger Arrivals Index: Data on estimated international passenger arrivals landing in a given geography, regardless of flight length, for a given month or quarter. OAG estimations are based on real bookings data made by travel agencies through global distribution systems (GDS). These estimates are reportedly based on a series of proprietary algorithms that use various external datasets and historical ratios between total passengers and realized GDS bookings. These arrivals data are rebased as a percentage of estimated aviation passenger arrivals in the same month or quarter of 2019, then multiplied by 100. Three countries were removed from recovery graphs given missing arrivals data for some months.

Tourism Foreign Direct Investment (FDI) Index: Data comes from GlobalData and provides intelligence on greenfield FDI trends. A team of analysts collect FDI-related information from thousands of publicly available sources, such as company press releases and other media channels. Each project is qualified, quality controlled, and entered into a database. The database is global, real-time, and ever-expanding.

Travel Price Index (TPI): TPI measures the cost of travel away from home in the United States and is based on the U.S. Department of Labor price data collected for the monthly Consumer Price Index (CPI). The TPI is released monthly and is directly comparable to the CPI.

Travel Sentiment Index: Data comes from TCI Research. The index leverages a social media web crawler that monitors global web social conversations shared by the media, consumers, companies, citizens, brands, and officials. Data are reported as Net Sentiment Scores measuring the balance of sentiment polarity in web social conversations concerning the travel and tourist destinations (percent of positive comments—percent of negative comments).


GLOSSARY

Available Seat Kilometer (ASK): Metric used in the airline industry to measure the total passenger carrying capacity of an airline's flights. It represents the number of seats available for sale multiplied by the number of kilometers those seats are scheduled to travel.

¹ **European Travel Commission (ETC):** Consumer market research was undertaken in May–June 2023 on 10 key European outbound markets.

Occupancy Rate: Indicator of hotel performance, equal to the number of hotel rooms sold/room supply.

Revenue Passenger Kilometer (RPK): Metric used in the aviation industry to measure the total passenger traffic or demand for an airline's services. It represents the sum of the products obtained by multiplying the number of revenue passengers carried on each flight stage by the corresponding stage distance.



For further information, please contact the team at tourism@worldbank.org or visit the [Tourism and Competitiveness website](#).

The Tourism Watch quarterly bulletin series is prepared by the Trade, Investment and Competitiveness (TIC) Markets, Competition and Technology Tourism group of the Finance, Competitiveness and Innovation (FCI) Global Practice. The bulletin has been prepared by a team led by Alex Pio, Alba Suris, and Anthony Patrick Mavrogiannis, with contributions from Vincent Palmade, Louise Twining-Ward, Shaun Mann, Denisse Pierola, Jessie F. McComb, Jose Miguel Villascusa, and Jessica Rose Wilson, under the guidance of Martha Martinez Licetti.