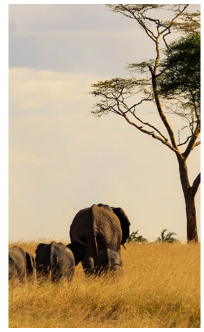
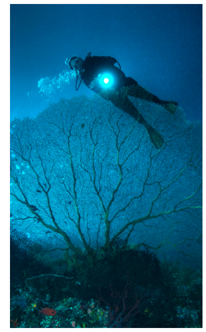
WORLD BANK GROUP

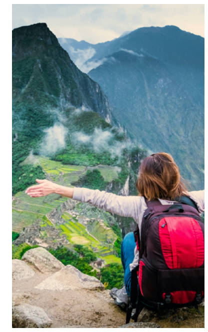
TOURISM WATCH

Quarterly Report: Q4 2023

Published May 2024







SUMMARY: *Resilient growth caps strong year for tourism recovery*

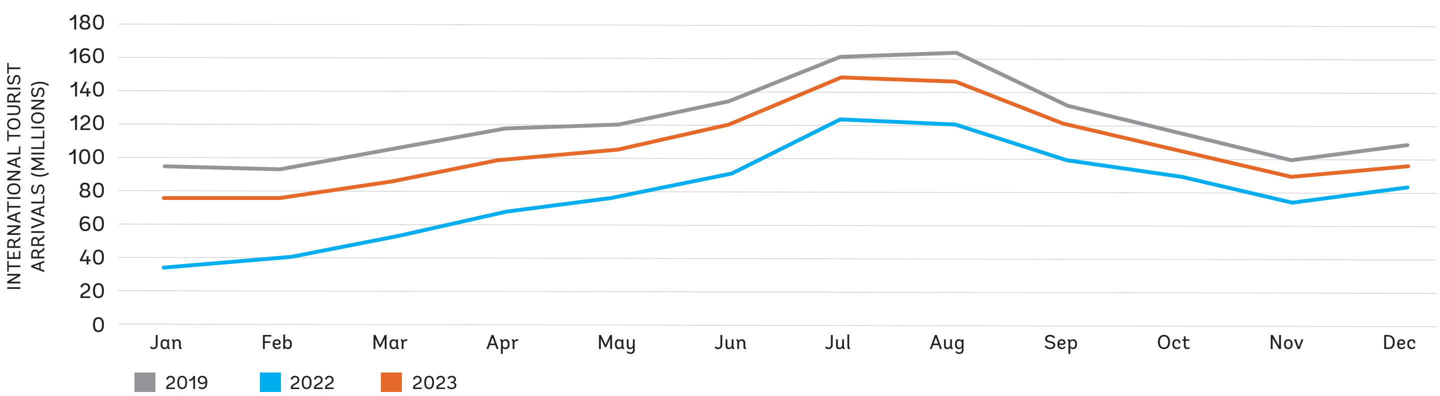
- **GLOBAL OVERVIEW (P.1):** 2023 ended with a 34 percent growth in international tourists compared to 2022, reaching 88 percent of 2019 levels as travel receipts fuel growth in services trade.
- **REGIONAL OVERVIEW (P.3):** The overall sector proved resilient to shocks, with the Middle East conflict denting but not derailing regional and sectoral growth, and the East Asia and Pacific region continuing to close its recovery gap with other regions.
- **TOURISM OUTLOOK (P.7):** For the first time since the pandemic, the sector is expected to exceed 2019 arrivals in 2024. However, localized macroeconomic and geopolitical challenges such as conflict, elections, and climate-related shocks could negatively affect specific destinations.
- **SPECIAL POLICY INSERT (P.8):** The Middle East conflict resulted in a year-end slowdown in tourism to the Middle East and North Africa, which slowed an otherwise exceptional year for the region. Neighboring countries not directly affected by the conflict are showing signs of recovery in early 2024.

GLOBAL OVERVIEW

Between October and December 2023, more than 288 million international tourists traveled globally. This is a 19.3 percent increase from the same period in 2022, reaching 91 percent of 2019 levels (Figure 1, UNWTO). This year-on-year (y/y) growth rate remains high but is reducing, likely due to a combination of the Middle East conflict and a maturing recovery. The conflict severely affected visitation to Israel and the Palestinian territories and resulted in a temporary reduction to neighboring countries. Most of these neighboring destinations are already experiencing a recovery (World Bank). Overall, 2023 concluded with an estimated 1.286 million international tourists, a 34 percent growth from 2022. October emerged as the strongest month for pre-pandemic recovery, with arrivals nearing 92 percent of the 2019 benchmark.

Global hotel occupancy rates continued to recover from COVID-19, exceeding the previous year's Q4 performance. October 2023 registered a 68 percent occupancy rate (a 3 percent y/y increase), November a 65 percent rate (3 percent y/y increase), and December a 60 percent rate (4 percent y/y increase) (STR). In December 2023, the Middle East (66 percent) and Asia Pacific (65 percent) recorded the highest occupancy rates.

Figure 1. International Tourist Arrivals



Source: UNWTO Tourism Data Dashboard, 2024.

In Q3 2023, trade in travel services surpassed pre-pandemic levels for the first time. Consistent with this, trade in broader services also outperformed the recovery in goods trade (Figure 2). Fueled by a continued recovery in air connectivity and opening of travel restrictions (UN Tourism), global trade in travel services achieved a 3 percent increase above 2019 levels in the third quarter of 2023—the most recent quarter with widespread data available. Meanwhile, goods trade continued to flatten, further reducing the recovery gap with services and tourism in particular.[1]

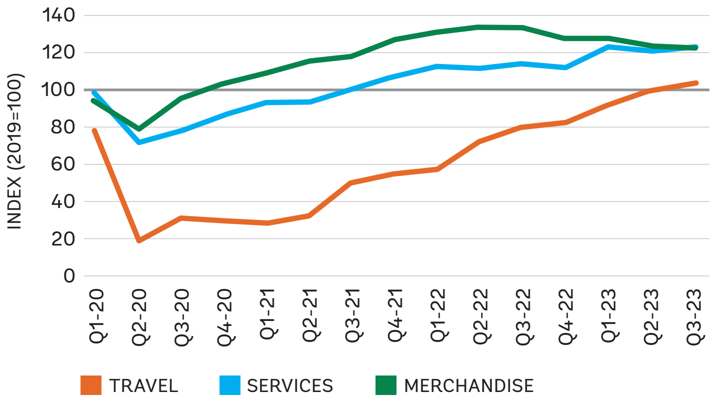
Travel receipts, an important indicator of tourism's contribution to foreign exchange earnings and gross domestic product (GDP), sustained its robust growth in Q4 and the entirety of 2023. Total travel receipts for 2023 are estimated at US$1.4 trillion (93 percent of 2019 levels), whereas export revenues from tourism (which includes payments to national aviation carriers) reached an estimated US$1.6 trillion in 2023, almost 95 percent of 2019 levels. Preliminary assessments indicate that in 2023, tourism's direct contribution to worldwide GDP amounted to US$3.3 trillion (3 percent of global GDP), matching 2019 dollar amounts (UN Tourism). Among the countries reporting their international tourism receipts for October and November 2023, top performers include Mongolia (average of 50 percent growth y/y), Brazil (48 percent growth), and Tanzania (31 percent growth); with all these countries well surpassing pre-pandemic receipts.

In Q4 2023, the gap between global aviation passenger demand and supply continued to diminish, illustrated by the convergence of passenger traffic and capacity in Figure 3. Growth in international passenger demand normalized in 2023, reducing from 76 percent growth in Q1 2023 to 29 percent growth in Q4, allowing supply to catch up to demand (OAG) and likely leading to a reduction in ticket prices. It is still unclear whether concerns about airplane safety in the wake of Boeing incidents will impact the aviation supply side of the equation.

Year-on-year travel inflation dipped below overall inflation in Q4 2023 in the United States (Figure 4). After a sharp increase from June to September, the U.S. Travel Price Index dropped in October 2023 and rose slightly in December (up 1.4 percent y/y). This was influenced by rising prices for the categories of recreation and food/beverage away from home (5.2 percent growth y/y). In the same month, lodging prices contracted for the first time since March 2021 (-0.5 percent y/y change), while airfares fell by 9.4 percent y/y. Broader inflation measured by the U.S. Consumer Price Index (CPI) remained stable at about 3.3 percent (USTA). The top concern for European source markets continues to be travel price inflation, prompting an increased interest in seeking off-season trips (ETC).

[1] For additional information on global trade, please refer to the World Bank's Trade Watch.

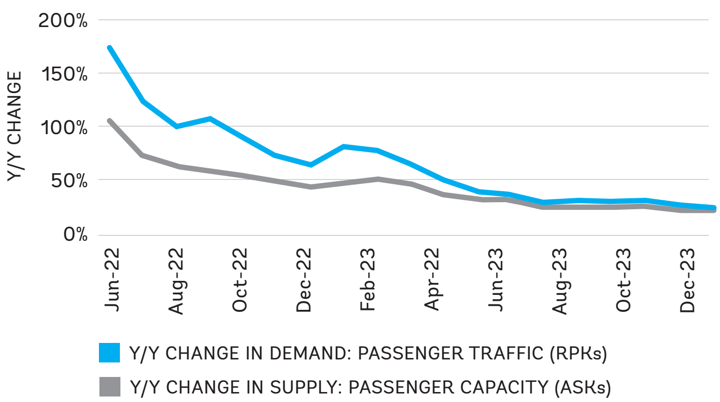
Figure 2. Tourism vs. the Broader Economy (Services and Merchandise Trade)



Source: World Trade Organization, 2024.

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

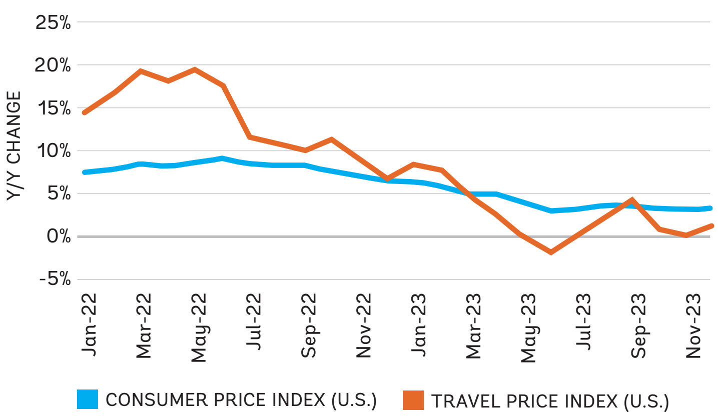
Figure 3. Evolution in Aviation Supply vs. Demand



Source: OAG Traffic Analyzer, 2024.

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

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



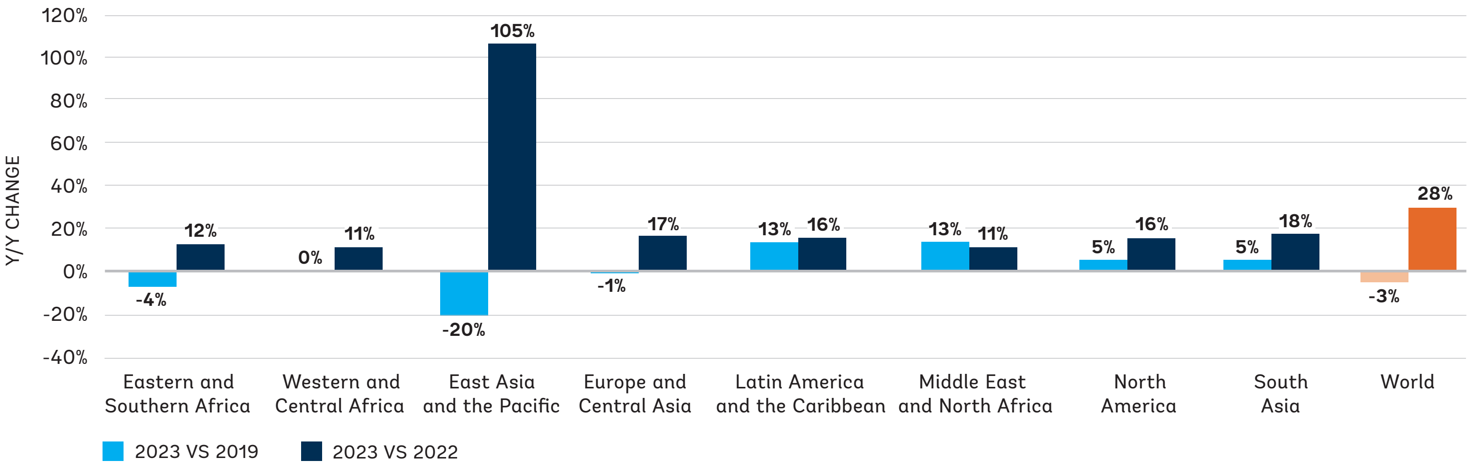
Source: U.S. Travel Association, 2024.

REGIONAL OVERVIEW

In the last quarter of 2023, all regions experienced at least double-digit y/y growth in estimated aviation passenger arrivals—a proxy for trends in tourism arrivals (Figure 5). North America already surpasses pre-pandemic levels for the first time (5 percent above 2019), whereas EAP (20 percent below 2019), AFE (4 percent below 2019), and ECA (1 percent below 2019) have yet to see a full recovery. MENA has seen its strong 2023 growth diminished by the Middle East conflict, but retains a healthy 13 percent increase above 2019 levels, tied with LCR as leading the global recovery. Compared to 2022, MENA exhibited a 23 percent y/y growth in Q3 2023, which slowed to 11 percent in Q4 2023.

Figure 5. Change in Estimated Aviation Passenger Arrivals Across Regions

Y/Y Q4 2023 vs. Q4 2019 and vs. Q4 2022 growth



Source: OAG Traffic Analyzer.

EAP experienced 105 percent growth compared to 2022 as it continues to catch up to other regions' recoveries. Contrasting dynamics in China are affecting the region's recovery. China's continued easing of restrictions and expanding aviation capacity encouraged growth, while simultaneously being slowed by macroeconomic turbulence. On November 24, China announced a unilateral 15-day visa-free entry policy for holders of ordinary passports from France, Germany, Italy, the Netherlands, Spain, and Malaysia for one year. This is expected to boost inbound growth from these source markets (China-Briefing).

Turning to individual economies, in Q4 2023 y/y changes in estimated aviation passenger arrivals were positive for 89 percent of reporting territories (200 out of 225) (Figure 6). In line with the previous quarter, the destinations experiencing decreases made up a minority of global traffic and were mainly in conflict zones (Haiti, Niger, and Sudan) or surrounding conflict zones. This quarter, Israel, Jordan and Lebanon join this group of countries with decreases in y/y passenger arrivals due to the effects of the Middle East conflict, which broke out on October 7, 2023 (see Special Insert on page 7). Growth slowed in destinations such as The Gambia, which exhibited exponential increases in previous quarters, with a natural leveling-out occurring as the recovery matures. In a similar case, Qatar had a 22 percent y/y decrease in arrivals in 2023 compared to the same period in 2022 when it hosted the World Cup.

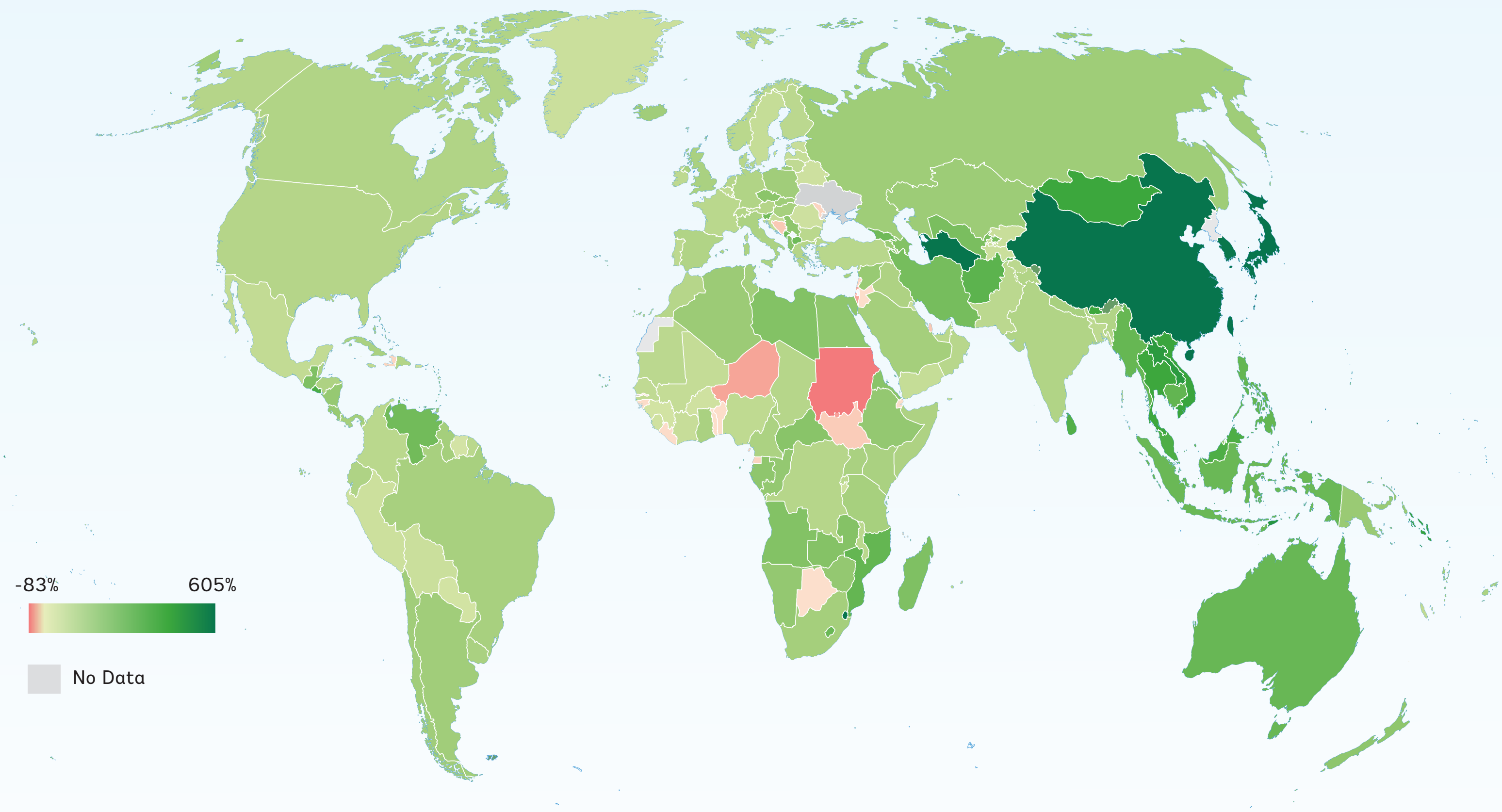
Globally, the destinations with the greatest y/y growth in estimated aviation passenger arrivals were China (605 percent growth), Turkmenistan (169 percent growth), Eswatini (143 percent growth), and Japan (138 percent growth).[2] The low- and middle-income destinations with the greatest growth in each respective region were Eswatini for AFE, São Tomé and Príncipe for AFW (37 percent growth), China for EAP, North Macedonia for ECA (44 percent growth), St. Vincent and the Grenadines for LCR (70 percent growth), Iran for MENA (42 percent growth), and Bhutan for SAR (64 percent growth).[3] Morocco experienced a y/y increase of 15 percent in Q4 compared to 8 percent in Q3 2022, showing growth after its earthquake of Q3 2022. Eswatini's growth is tied to a substantial increase in aviation seat capacity since March 2023, from a new carrier and new routes being added throughout the first half of 2023.

Figures 6 represents y/y changes to estimated aviation passenger arrivals in green (for growth) and red (for reductions). Figures 7–13 feature these y/y changes by region only for low- and middle-income countries (X-axis), 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).

[2] This excludes Macao SAR, China; Hong Kong SAR, China; and Taiwan, China.

[3] This excludes countries whose tourism contribution to GDP is not reported by the World Travel and Tourism Council (WTTC), except for Bhutan.

Figure 6. Change in Estimated Aviation Passenger Arrivals, Q4 2023 vs Q4 2022



Source: OAG Traffic Analyzer.

Note: Incomplete data for Monaco, Ukraine, and West Bank and Gaza. 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.

Figure 7. Eastern and Southern Africa

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

1. Malawi
2. Zimbabwe
3. South Africa
4. Ethiopia
5. Uganda

Source: OAG Traffic Analyzer; WTTC.

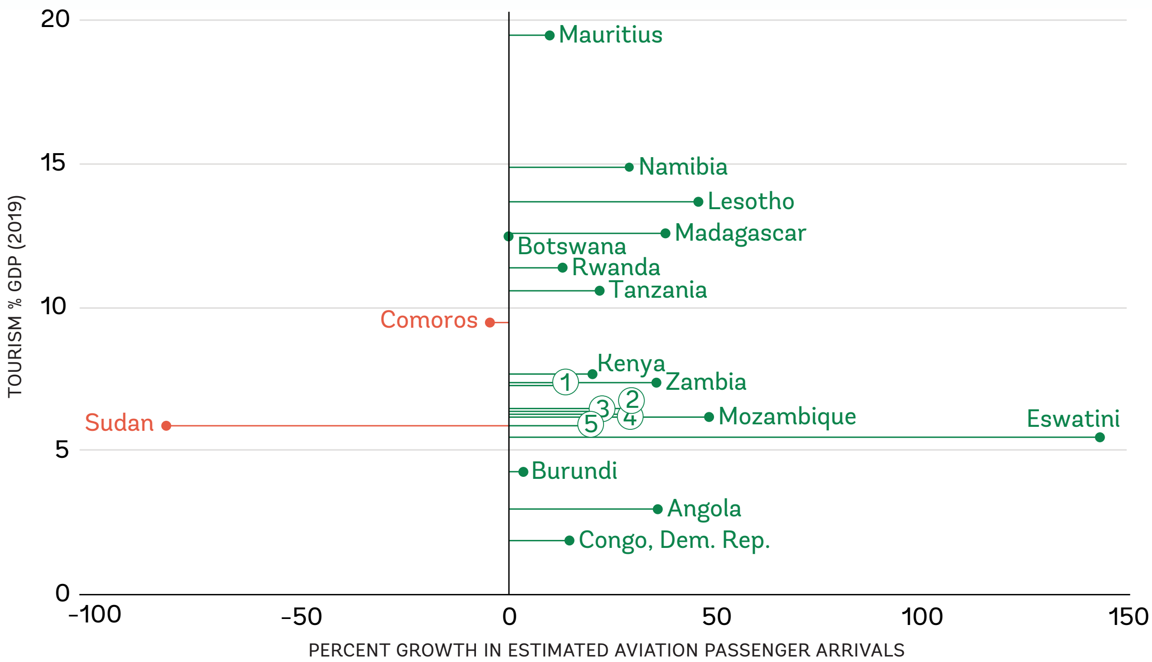


Figure 8. Western and Central Africa

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

1. Togo
2. Nigeria
3. Chad
4. Sierra Leone
5. Guinea
6. Burkina Faso

Source: OAG Traffic Analyzer; WTTC.

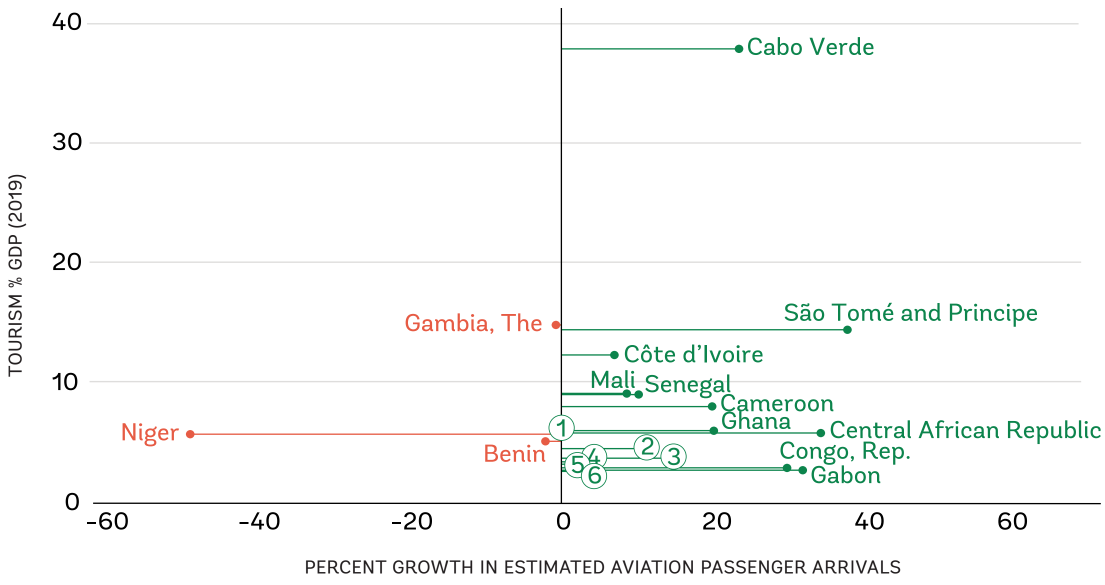


Figure 9. East Asia and the Pacific

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

1. Malaysia
2. Vietnam
3. Mongolia
4. Myanmar
5. Indonesia

Source: OAG Traffic Analyzer; WTTC.

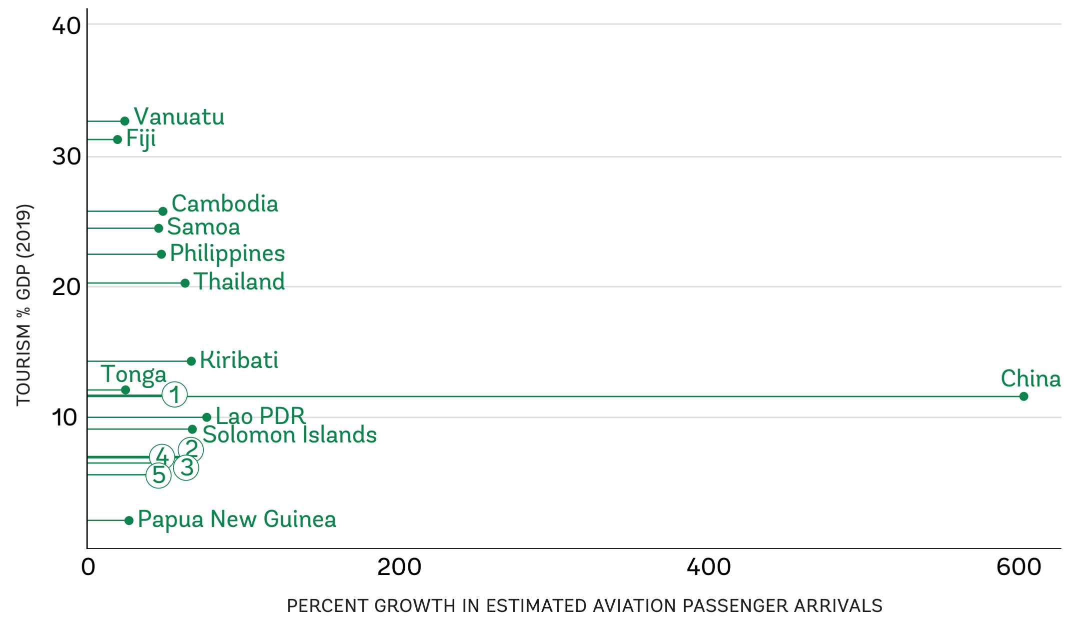


Figure 10. Europe and Central Asia

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

1. Tajikistan
2. Belarus

Source: OAG Traffic Analyzer; WTTC.

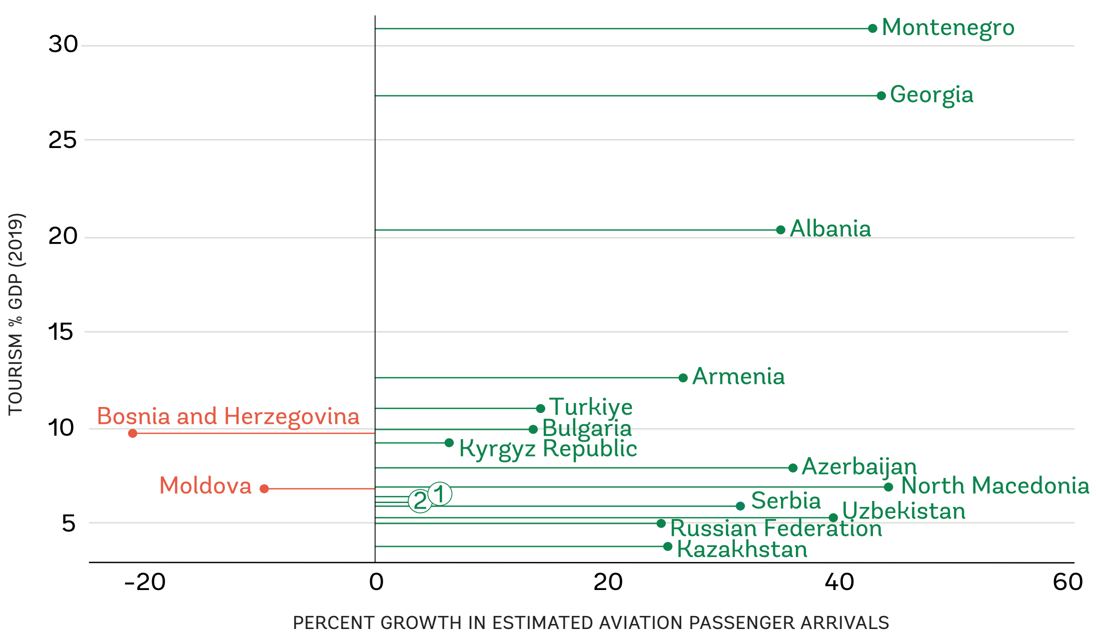


Figure 11. Latin America and the Caribbean

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

1. Honduras
2. Costa Rica
3. Cuba
4. Argentina
5. Peru
6. Brazil
7. Bolivia
8. Colombia
9. Paraguay

Source: OAG Traffic Analyzer; WTTC.

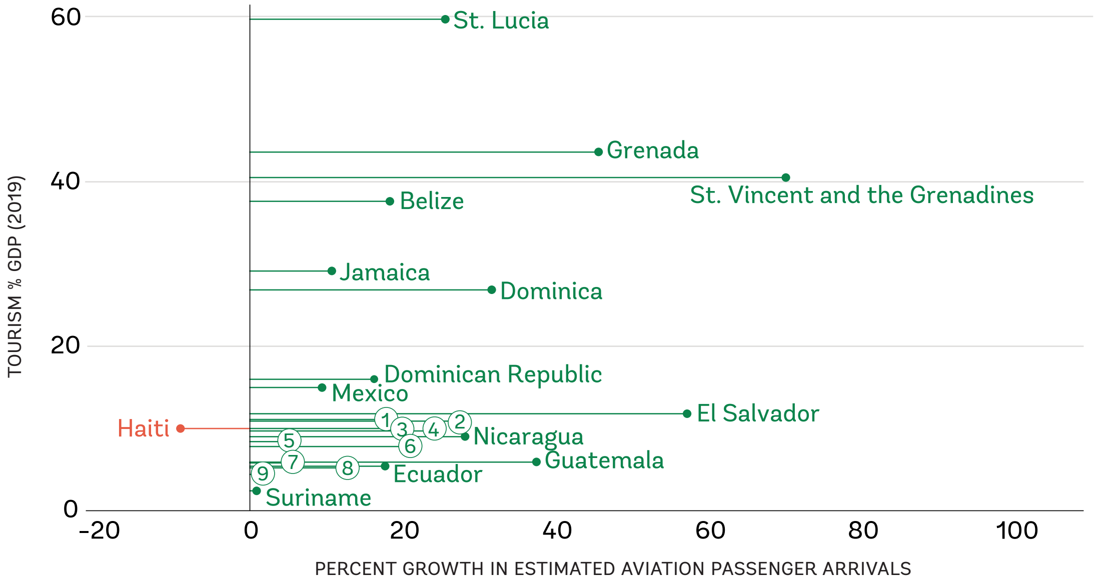


Figure 12. Middle East and North Africa

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

Source: OAG Traffic Analyzer; WTTC.

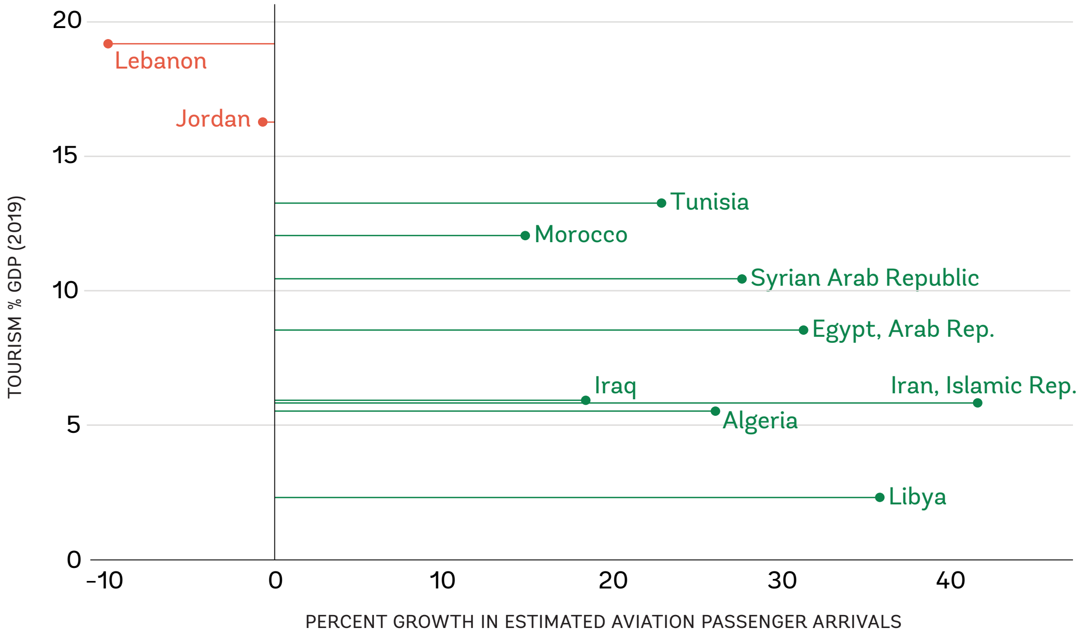
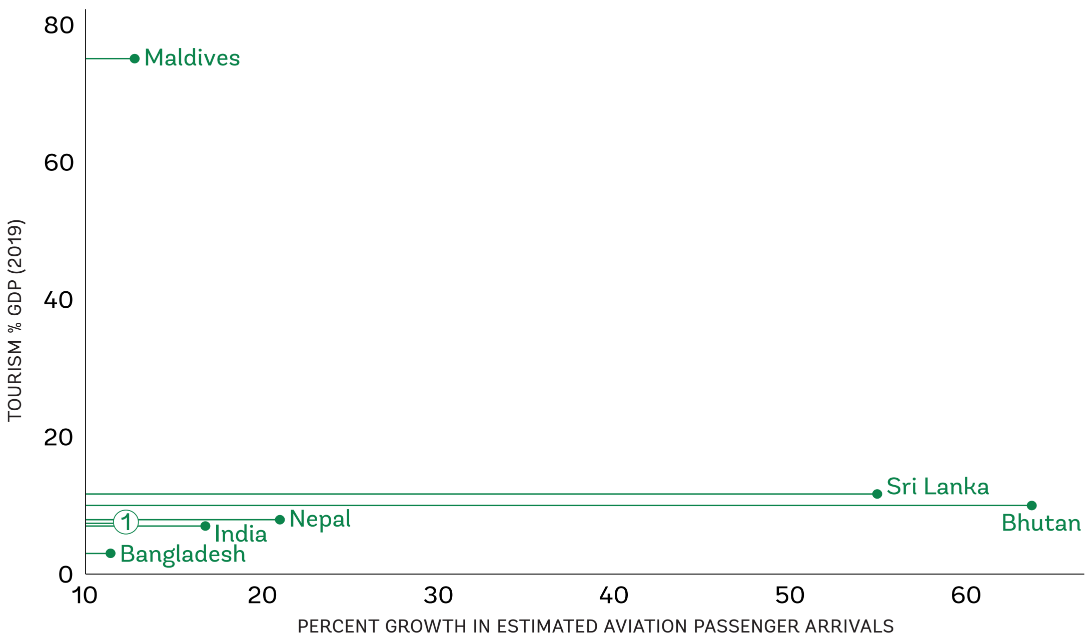


Figure 13. South Asia

Y/Y Change in Estimated Aviation Passenger Arrivals (Q4 2022–2023)

1. Pakistan

Source: OAG Traffic Analyzer; WTTC; Tourism Council of Bhutan.

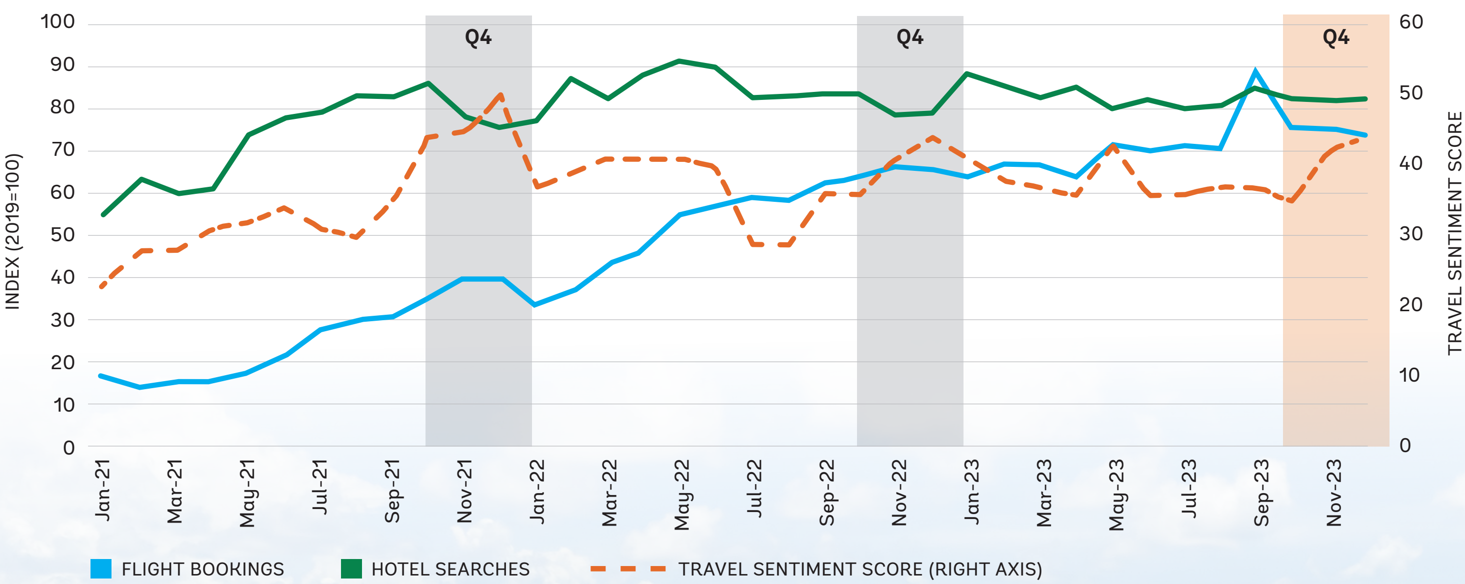


Tourism growth rates are expected to reduce in 2024 as the sector reaches a full recovery and navigates a slowing, but stronger than expected world economy. The exponential tourism growth rates experienced since the end of the COVID-19 pandemic are expected to normalize in early 2024 as growth becomes more dependent on current events and future expectations. Strong jobs growth and the avoidance of recessions in most advanced economies, coupled with the end of monetary tightening, are improving global economic sentiments for 2024 (World Bank). This may lead to increased traveler confidence and travel spending by key outbound source markets such as North America (Visa).

UN Tourism predicts a full recovery from COVID-19 in 2024, with a growth of 2 percent over 2019 international tourism arrivals. The January 2024 Survey of UN Tourism Panel of Experts corroborates this forecast along with the Travel Sentiment Score, which has shown two months of consecutive growth (Figure 14). A continued recovery of the EAP region, led by both inbound and outbound Chinese tourism, is projected to drive the global recovery. While the Middle East conflict prompted a year-end contraction in tourism to the MENA region, preliminary reports indicate a resilient recovery for all but the directly conflict-affected territories and a minimal global impact, barring the future spread of hostilities.

Despite the encouraging outlook, localized geopolitical and macroeconomic challenges can affect specific destinations and their neighbors. Economic and geopolitical tensions continue posing risks, with the ongoing conflict in Ukraine and the continued closure of Russian airspace disrupting travel between Europe and Asia. In September 2023, there was a 3 percent increase in the number of Europeans expressing a desire to avoid countries near the Ukraine conflict zone compared to the previous year. Other factors contributing to uncertainty are upcoming elections in 70 countries scheduled for 2024, including in major tourism economies, such as the United States, United Kingdom, South Africa, India, Mexico, and Indonesia, which could potentially impact travel patterns. Additionally, continued high prices and a potentially slower than expected monetary easing, coupled with increasing global inequality, could erode "mid-tier" vacations, with expected growth in both value-for-money and luxury travel segments (UN Tourism). Concerns about extreme weather events have also risen by 7 percent among Europeans recently, reflecting growing environmental considerations among travelers (ETC).

Figure 14. Forward-Looking Tourism Indicators



Source: UNWTO Tourism Data Dashboard, Google, OAG Traffic Analyzer, and TCI Research; 2024.
Note: The indicator "flight searches" has been discontinued from the previous issue and is replaced by "hotel searches".

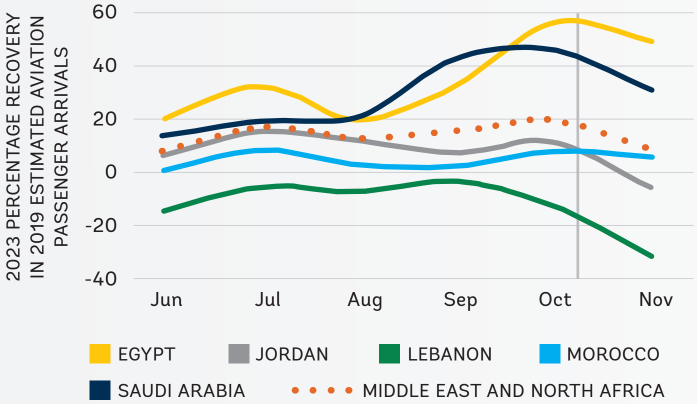
SPECIAL INSERT

Effects of the Middle East Conflict on Tourism

The Middle East conflict prompted a year-end slowdown in tourism to the MENA region, slowing an otherwise strong growth since the pandemic. At the country level, cancellations, postponement, and rerouting of travel were felt most strongly by the Palestinian territories, Israel, and their most geographically proximate neighbors (Jordan and Lebanon) in the days and weeks after October 7, 2023. Essentially all travel to the Palestinian territories came to an immediate halt, whereas pre-pandemic (2019), 4.2 million visitors—including those visiting friends and relatives—generated US$726 million in travel expenditure (UN Tourism). Lebanon faced a more than 20 percent reduction in estimated aviation passenger arrivals respectively during the October–November 2023 period compared to the same period in 2019, whereas in Jordan numbers fell below pre-pandemic levels in November after months of continuous improvement (Figure 15).

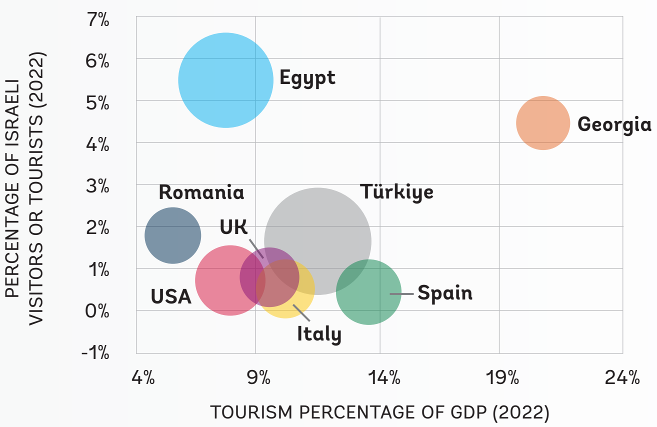
Scenario analyses[4] conducted by S&P Global found that Lebanon (where total—direct and indirect—tourism contribution comprises 4 percent of GDP), Egypt (7.7 percent of GDP) and Jordan (15.2 percent of GDP) are likely to suffer hits to real GDP growth and foreign exchange earnings whose magnitude will depend on the duration of the conflict (S&P Global, WTTC). In addition to inbound travel being affected, changes to outbound tourism flows and expenditures from Israel may affect destinations globally, with an emphasis on Europe and MENA. Specifically Egypt, Georgia, and Türkiye may be most affected by changes in Israeli travel behavior (Figure 16).

Figure 15. Change in Estimated Aviation Passenger Arrivals 2019 vs 2023, Selected Countries in Middle East and North Africa



Source: OAG Traffic Analyzer.
Note: Vertical line denotes the start of the Middle East conflict.

Figure 16. Top Destinations for Outbound Israeli Travelers, 2022



Source: UN Tourism, WTTC.
Note: Sphere size represents total outbound Israeli visitors in 2022. Percentages or visitor numbers may vary depending on the arrivals series used. Only outbound destinations with more than 200,000 Israeli tourists or visitors, 2022. UK = United Kingdom; USA = United States.

Despite a year-end drop, preliminary 2024 reporting indicates a steady rebound in visitation and bookings for neighboring destinations. Operators in Egypt, Jordan, and Oman report a return to growth in bookings starting January 2024. Lebanon, however, is experiencing a prolonged reduction given direct conflict spillovers. Historical observations (for example, 2006 Lebanon–Israel conflict) are consistent with this trend of an initial drop followed by a steady recovery. See the World Bank April 2024 MENA Economic Update for more details.

To mitigate long-term impacts, tourism destinations must be prepared for crisis and implement rapid crisis response communications. Investing in tourism crisis management planning, training, and processes can ensure rapid and effective responses to emergencies, and speed up recovery. Establishing strong communication channels between tourism authorities, local businesses, and security forces can facilitate coordinated efforts in crisis situations. In addition, a crisis marketing contingency fund can allow a destination to rapidly ramp up marketing to regain visitors once the crisis dissipates. When safe and appropriate, focusing on recovering the tourism sector can provide much-needed jobs and incomes for communities in crisis. For more resources on tourism crisis planning and management, see World Bank reports Resilient Tourism: Competitiveness in the Face of Disasters (2020) and Expecting the Unexpected: Tools and Policy Considerations to Support the Recovery and Resilience of the Tourism Sector (2022).

[4] *S&P global considered three scenarios relating to the loss of tourism receipts of 10%, 30%, and 70%, based on historical observations. To generate the results, S&P first applied the assumed loss percentage to total tourism receipts in 2022. Then, to put the loss of tourism receipts into context, the data is shown as a share of the respective country's economic output and international foreign currency reserves. The figures are annualized.*

METHODOLOGICAL NOTES

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. The 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.

Hotel Searches: Data on weekly global search frequency for the keyword "hotel" has been gathered from Google Trends. To calculate a monthly average, these weekly search volumes were aggregated and then normalized against the baseline of their respective monthly search volumes in 2019.

Travel Price Index: The Travel Price Index (TPI) measures the cost of travel away from home in the United States. It 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

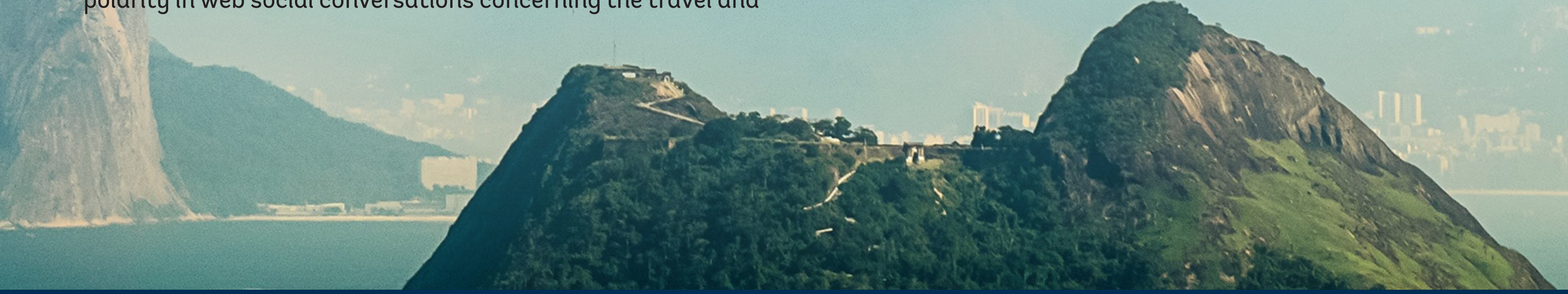
Available Seat Kilometers (ASK): Metric used in the airline industry to measure the total passenger carrying capacity of an airline's flights. It represents the number of seats available for sale multiplied by the number of kilometers those seats are scheduled to travel.

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

Revenue Passenger Kilometers (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.

Regional Acronyms: AFE (Eastern and Southern Africa), AFW (Western and Central Africa), ECA (Europe and Central Asia), EAP (East Asia and the Pacific), LCR (Latin America and the Caribbean), MENA (Middle East and North Africa), SAR (South Asia).

Travel Receipts vs. Export Revenues from Tourism: Both indicators cover expenditures incurred by non-resident visitors during visits to an economy, which include any prepayment made for those goods and services. The key difference is that travel export revenues include payments to national carriers for international transport while travel receipts excludes them.



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 was prepared by a team led by Alex Pio and Alba Suris, with contributions from Vincent Palmade, Louise Twining-Ward, Shaun Mann, Denisse Pierola, Jessie F. McComb, Jose Miguel Villascusa, Jessica Rose Wilson, and Paula Bellas, under the guidance of Martha Martinez Licetti. Design by Sharon Fisher.