

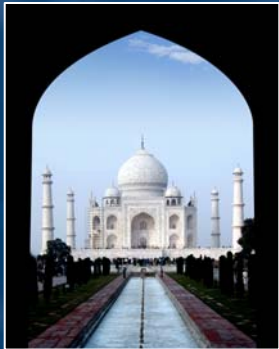


# The Prospects for the World Economy and Tourism in Asia

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**Adam Sacks**  
**Tourism Economics**  
adam@tourismeconomics.com



# Who will lead the recovery?

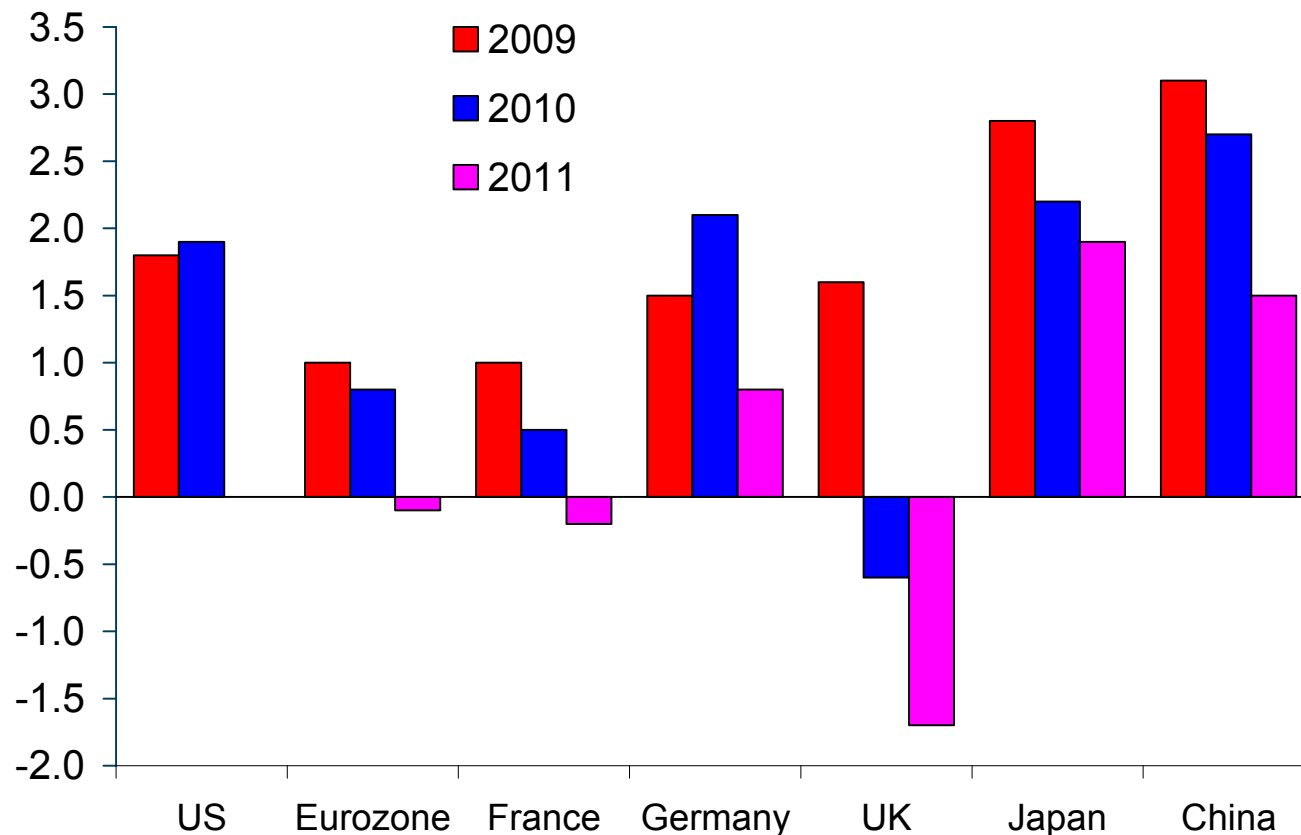
---

- ~~Governments~~ no
- Companies... yes
- Consumers... a little
- Emerging markets... doubly yes

# Stimulus on the decline

## World: Fiscal stimulus packages

% of GDP

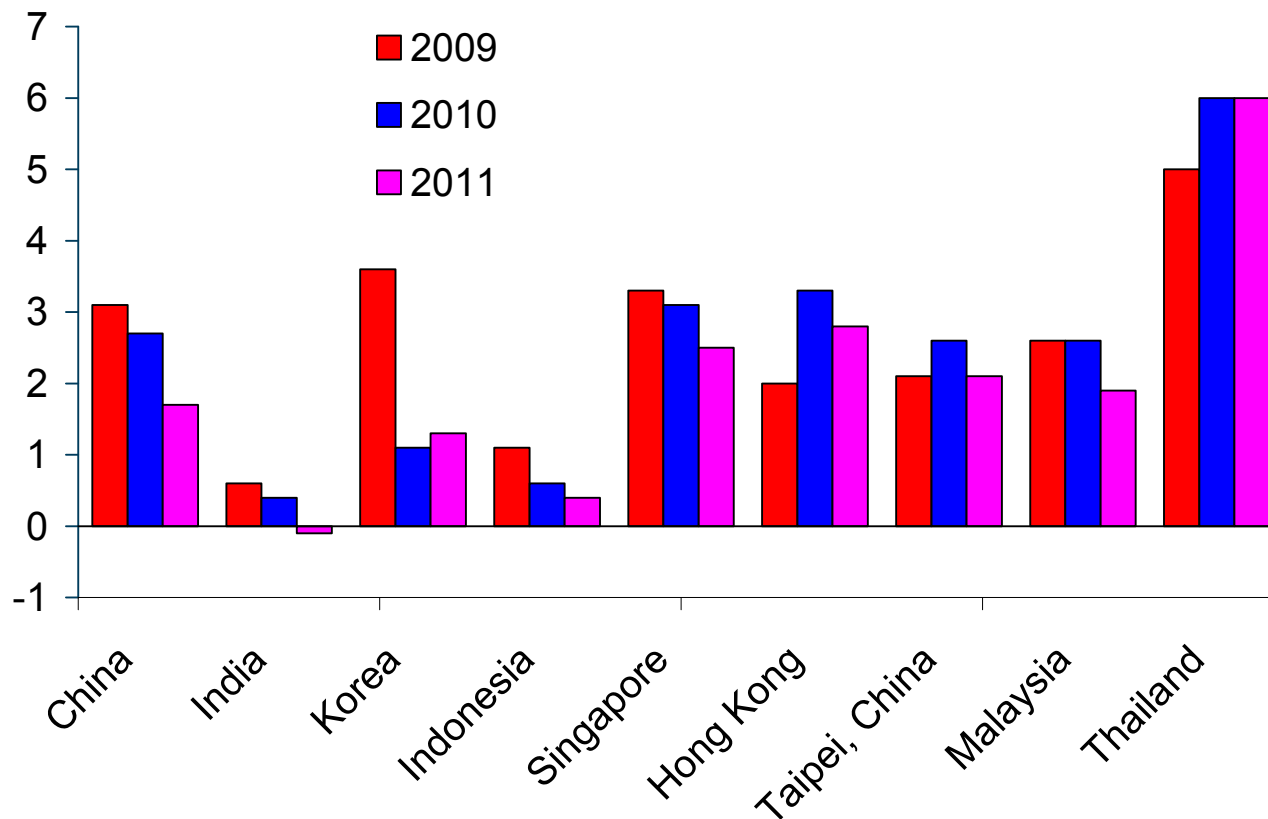


Source: Oxford Economics/IMF

# Stimulus on the decline

## Asia: Fiscal stimulus packages

% of GDP



Source : IMF/Oxford Economics estimated

# Who will lead the recovery?

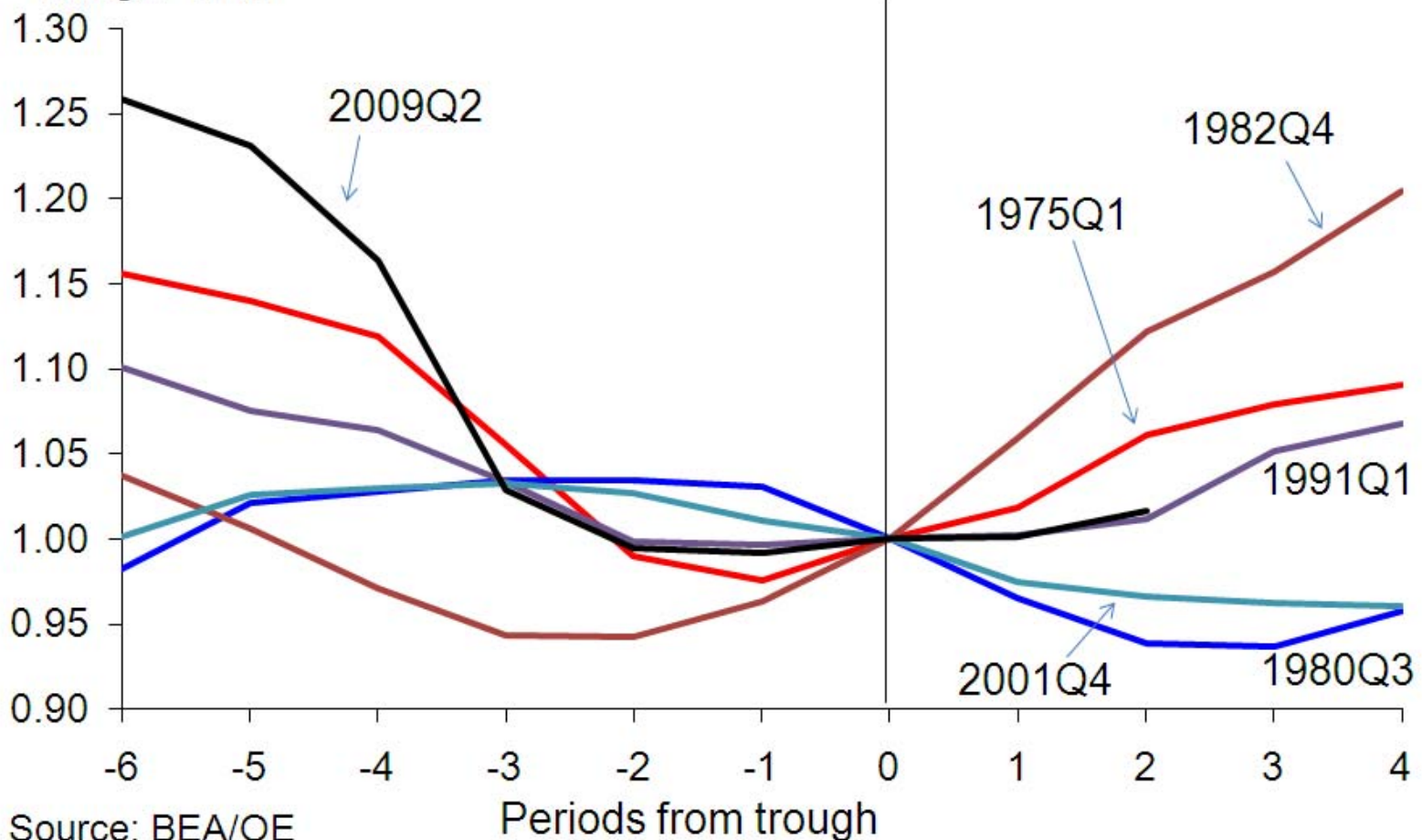
---

- ~~Governments~~ no
- Companies... yes
- Consumers... a little
- Emerging markets... doubly yes

# Sharp decline in investment for the US

## Fixed investment

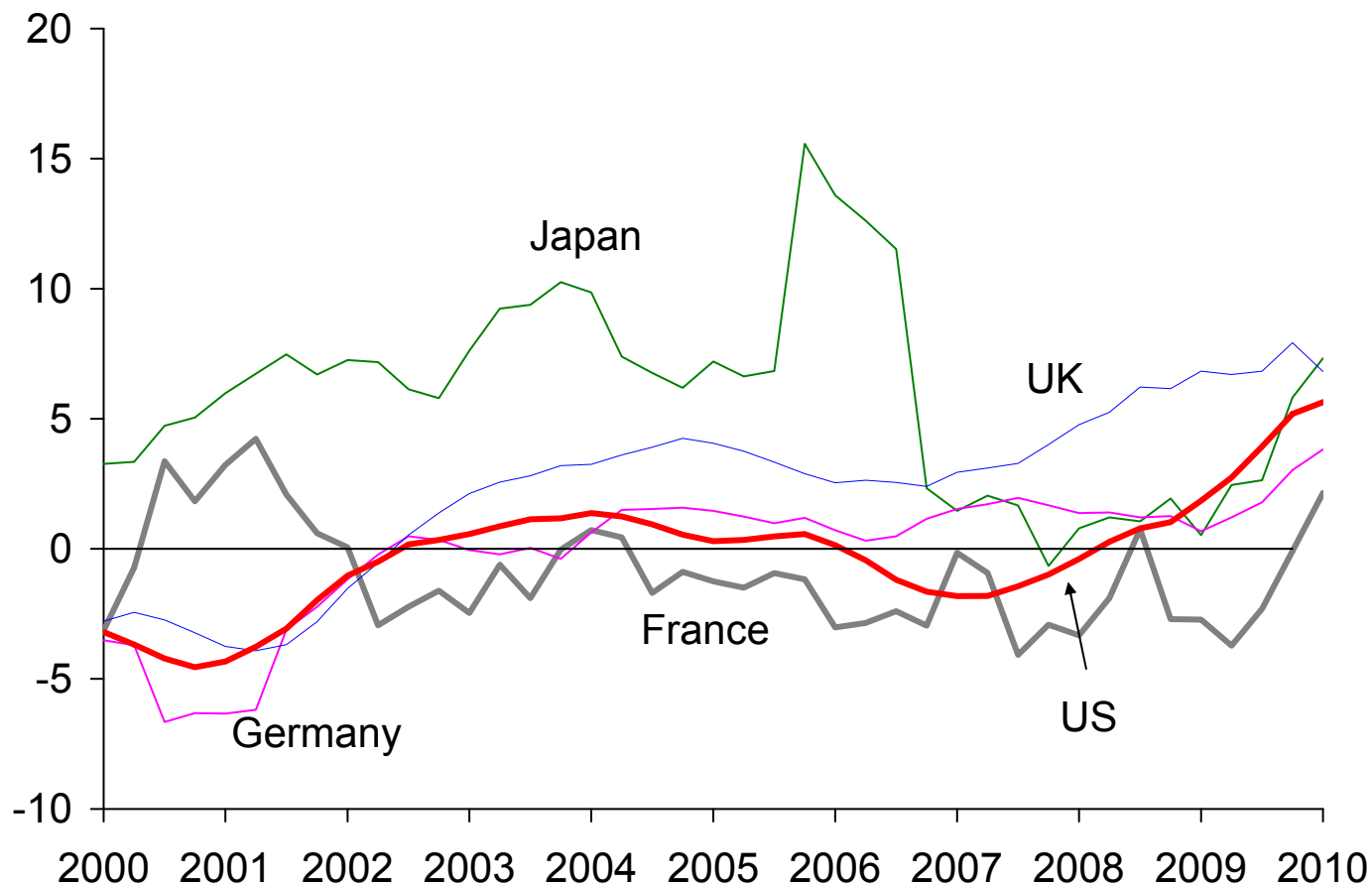
trough=1.00



# Corporate sector now running big surpluses

## Total corporate financial balance

% of GDP, 4QMA

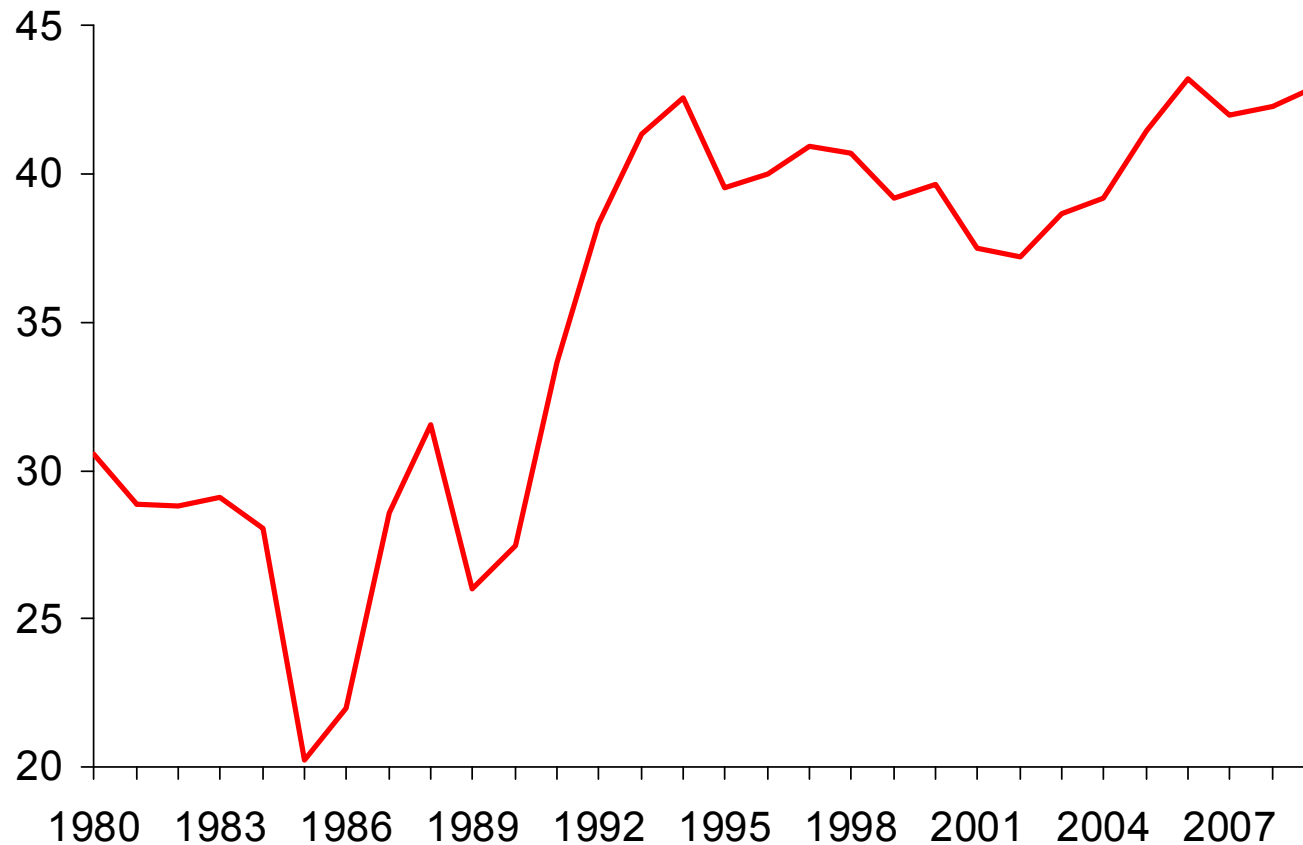


Source: Oxford Economics

# Including in China

## China : Corporate profits

% of GDP

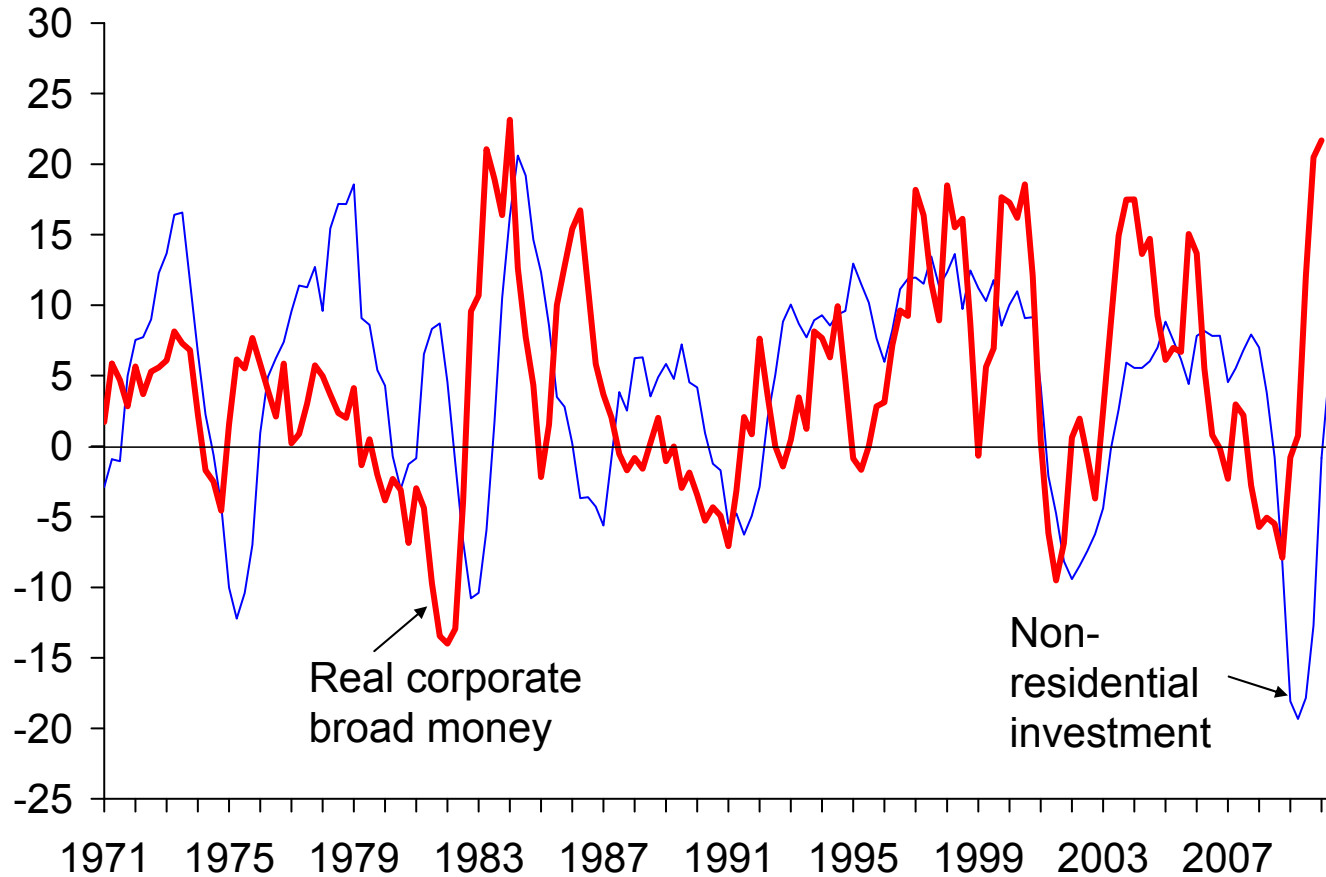


Source: Oxford Economics

# Corporate surpluses normally get spent

## US: Investment and corporate money

% year



Source : Oxford Economics

# Who will lead the recovery?

---

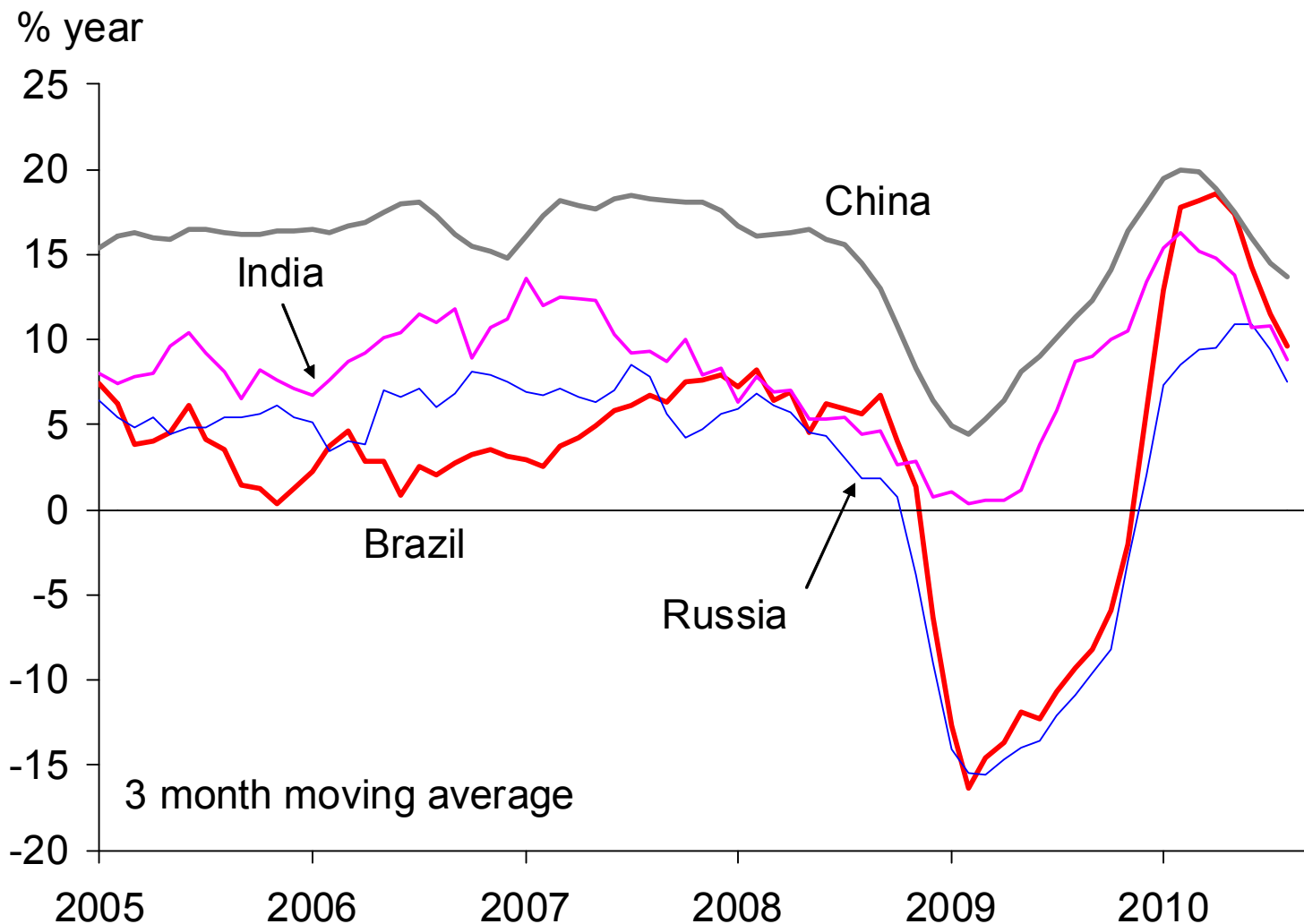
- ~~Governments~~ no
- Companies... yes
- Consumers... a little
- Emerging markets... doubly yes

# Emerging markets leading recovery?

---

# Emergers leading recovery despite slowing

## BRICS: Industrial production

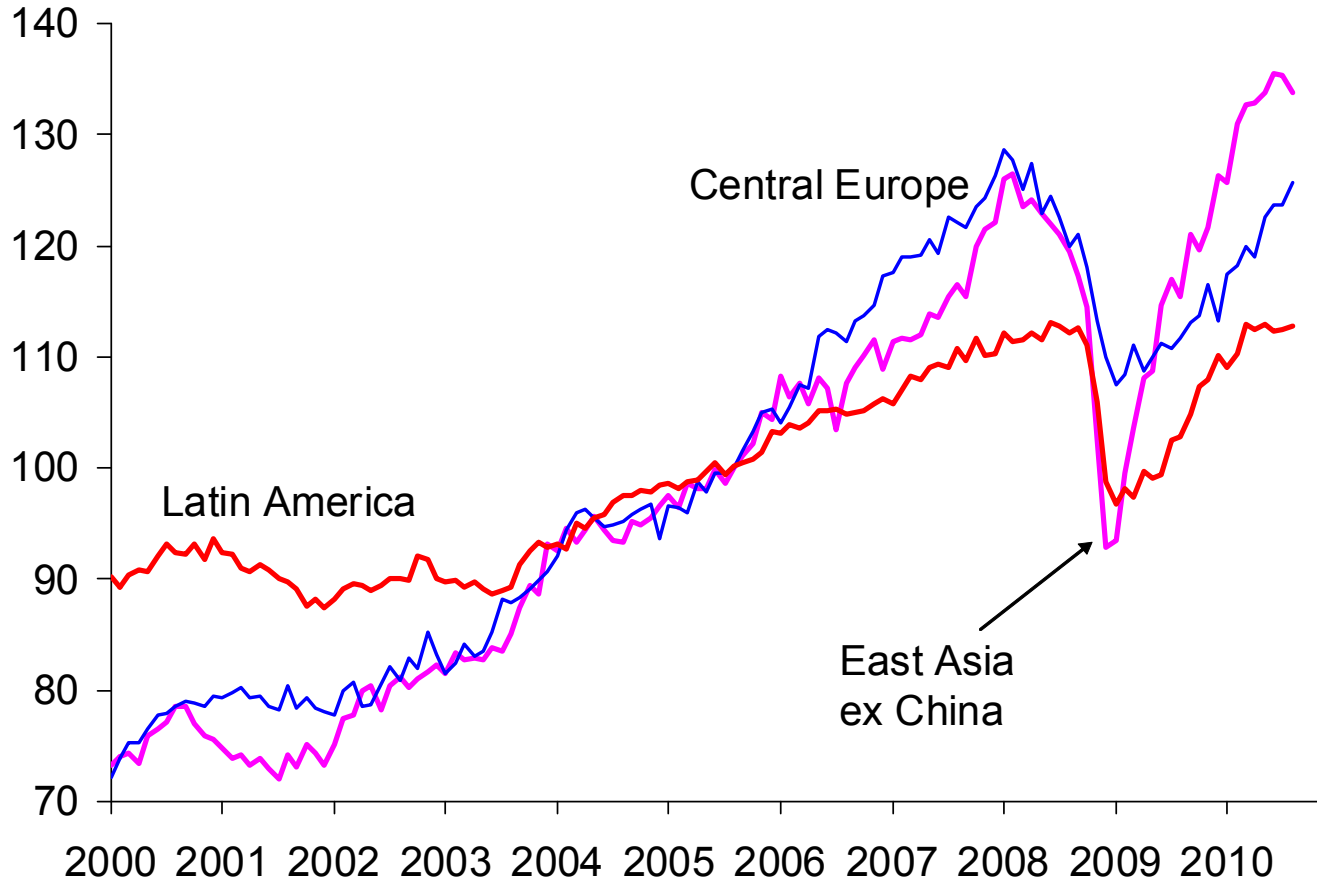


Source: Haver Analytics

# ...will it continue?

## Emerging Markets: Industrial output

2005=100 (seasonally adjusted)



Source: Haver Analytics / Oxford Economics

# Emerging markets leading recovery?

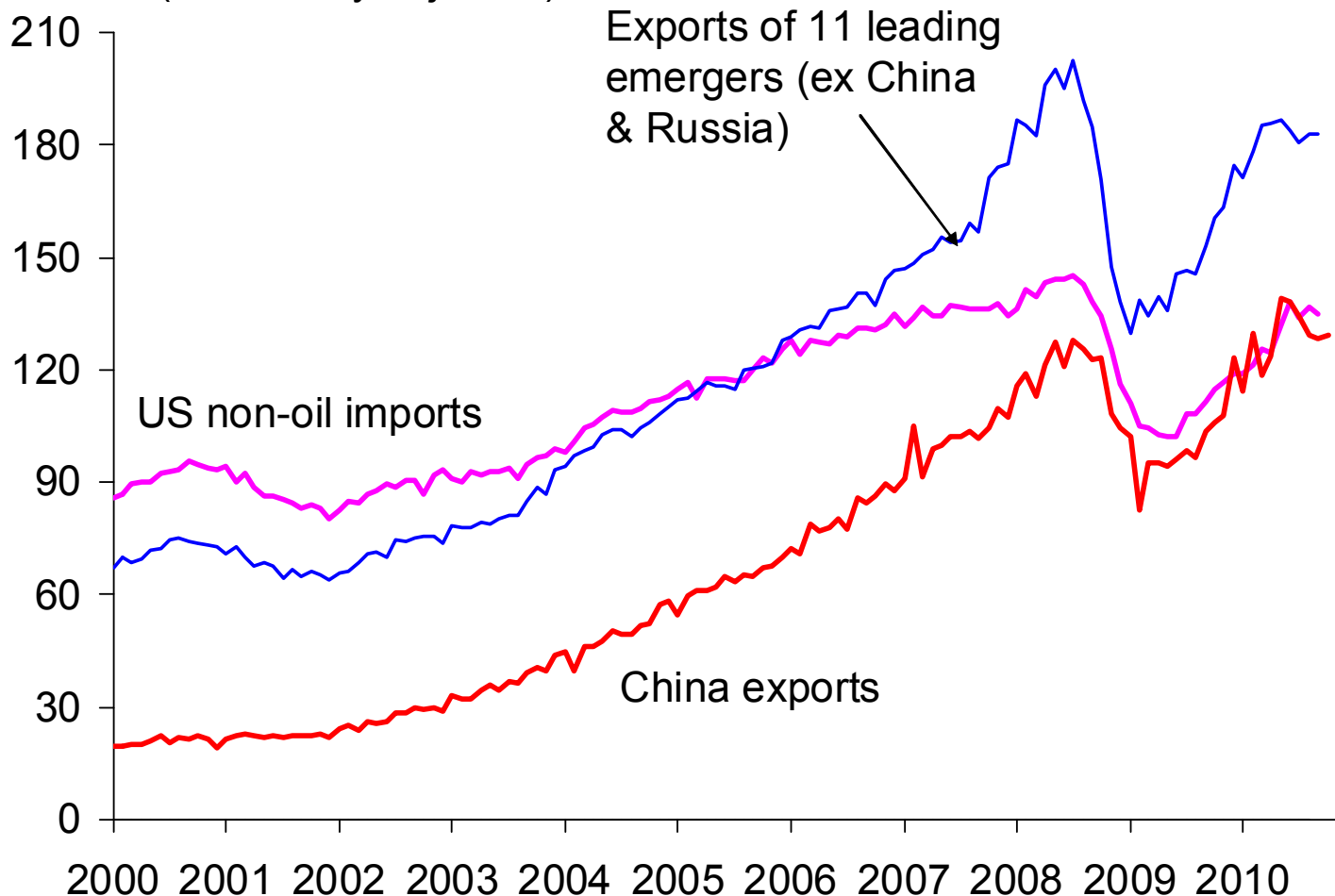
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- Export markets slowing

# Recovery in exports is slowing

## Emerging Markets: Exports

US\$bn (seasonally adjusted)



Source: Haver Analytics / Oxford Economics

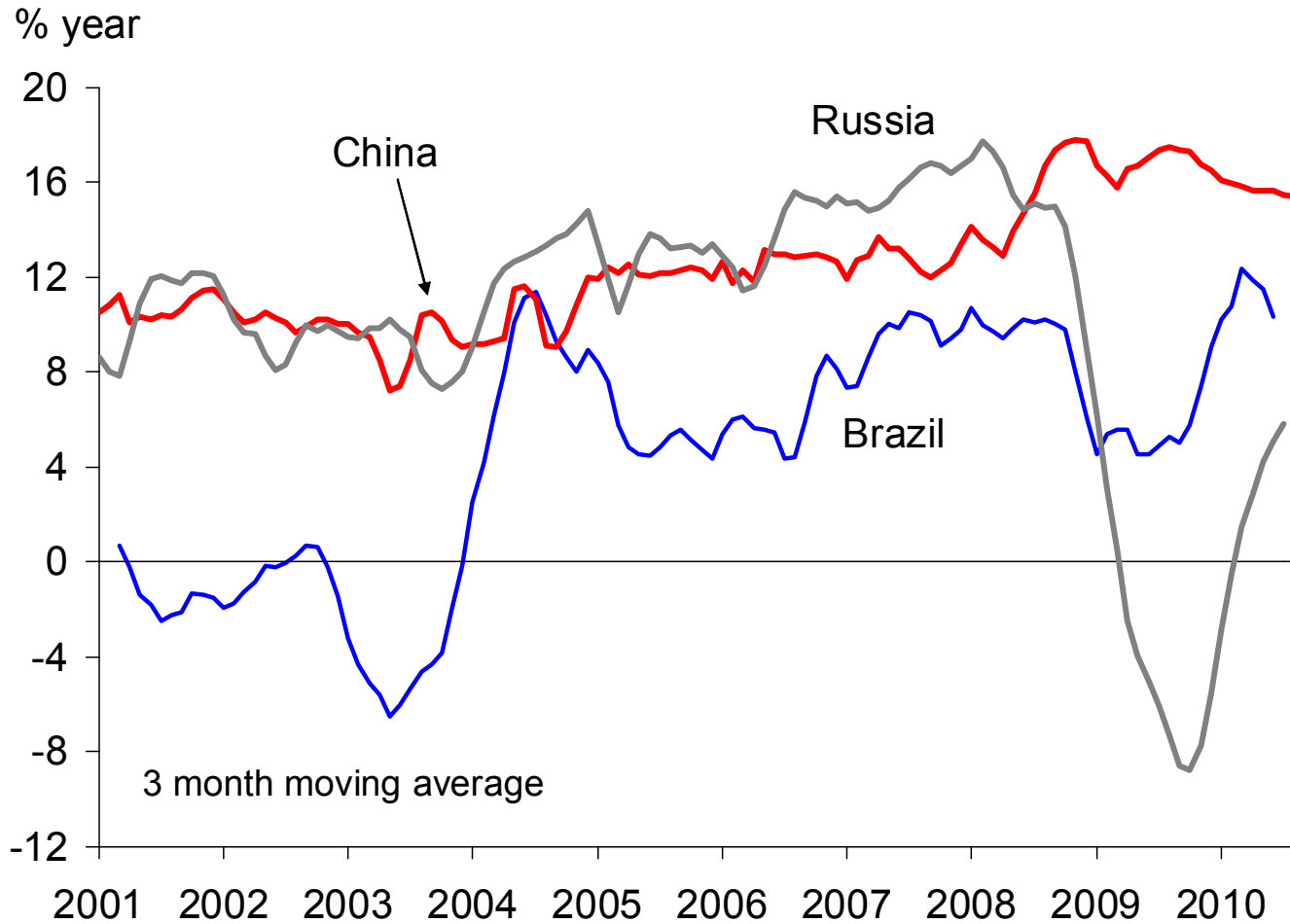
# Emerging markets leading recovery?

---

- Export markets slowing
- But domestic demand is strong

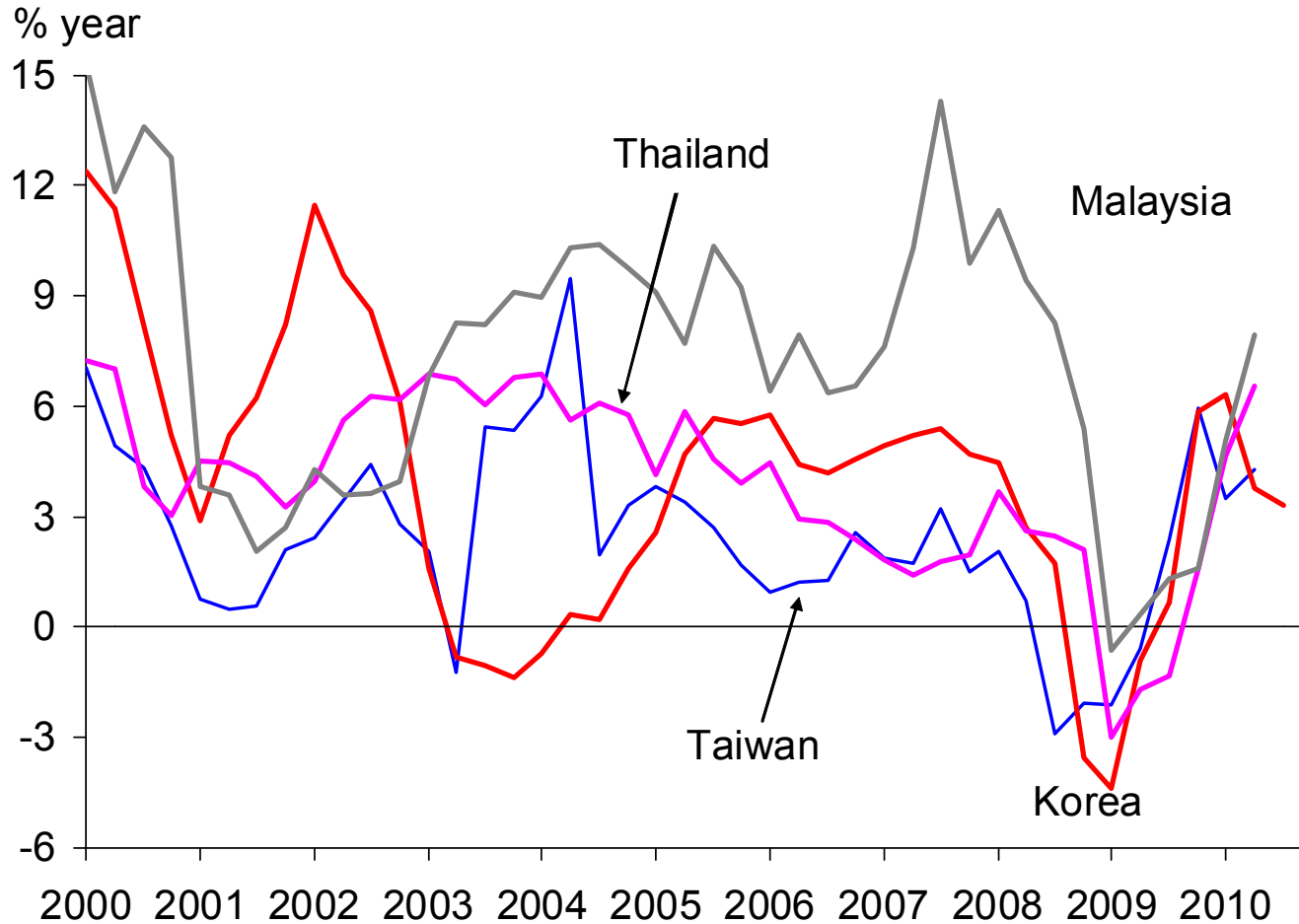
# ... domestic demand generally solid

## Brazil, Russia & China: Retail sales volumes



# ...and domestic demand is solid in the rest of Asia

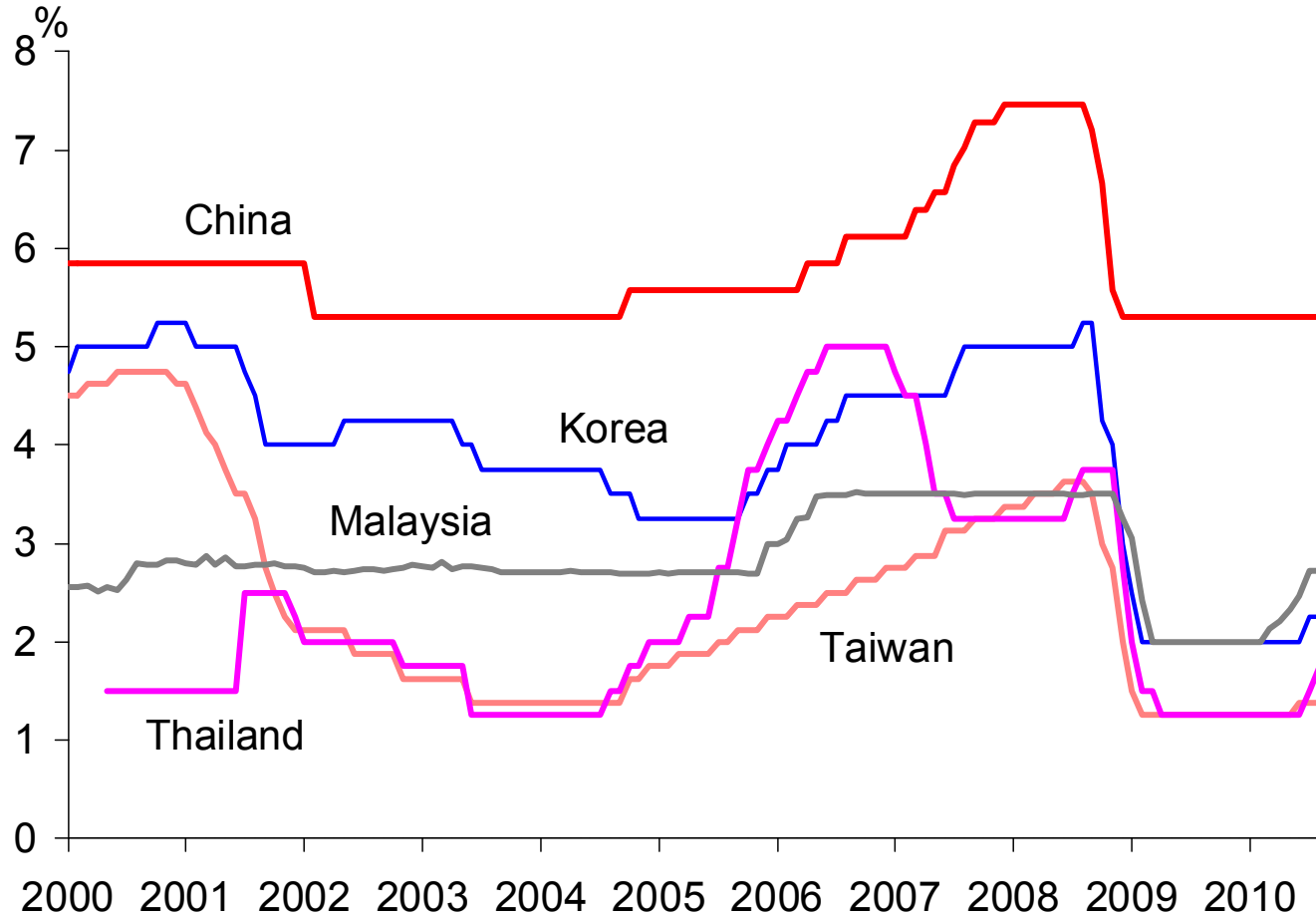
## Emerging Asia: Consumer spending



Source: Haver Analytics

# Interest rates at pro-growth levels

## Emerging Asia: Short-term interest rates



Source: CEIC

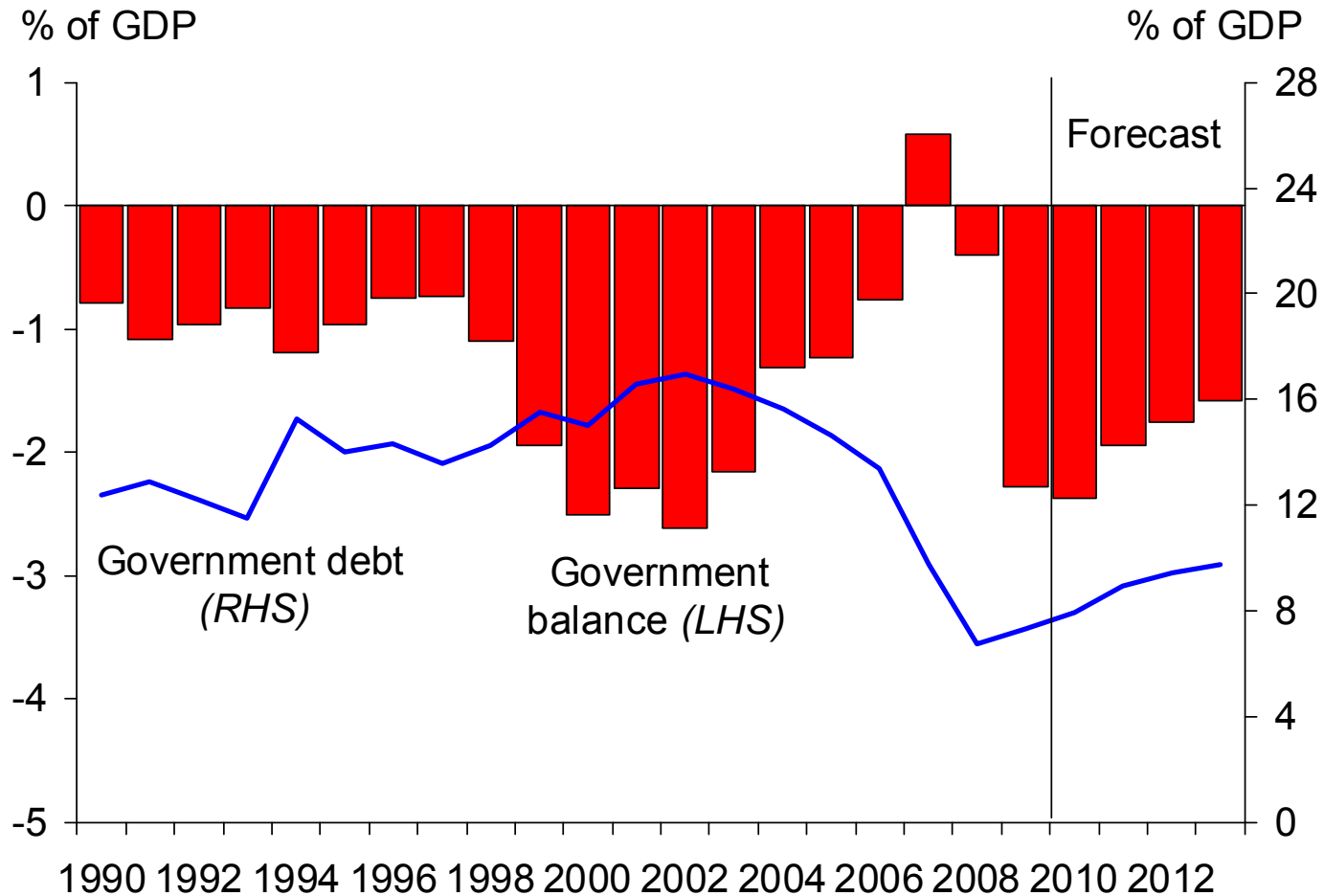
# Emerging markets leading recovery?

---

- Export markets slowing
- But domestic demand is strong
- Still scope for further stimulus

# Low debt levels gives plenty of fiscal scope...

## China: Government budget balance and debt

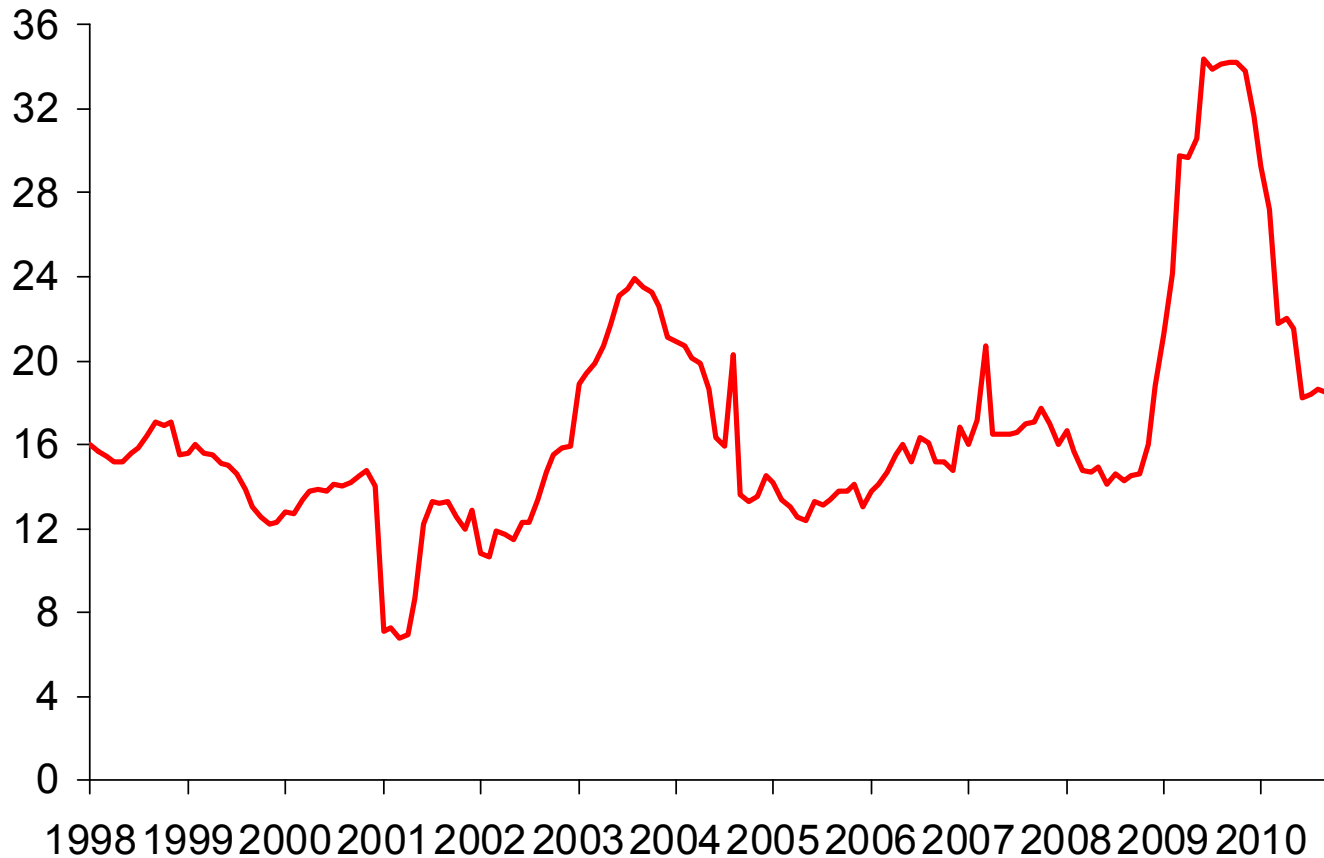


Source: Oxford Economics

# ...and credit taps can turn on quickly if needed...

## China: Total RMB loans

12-month % change



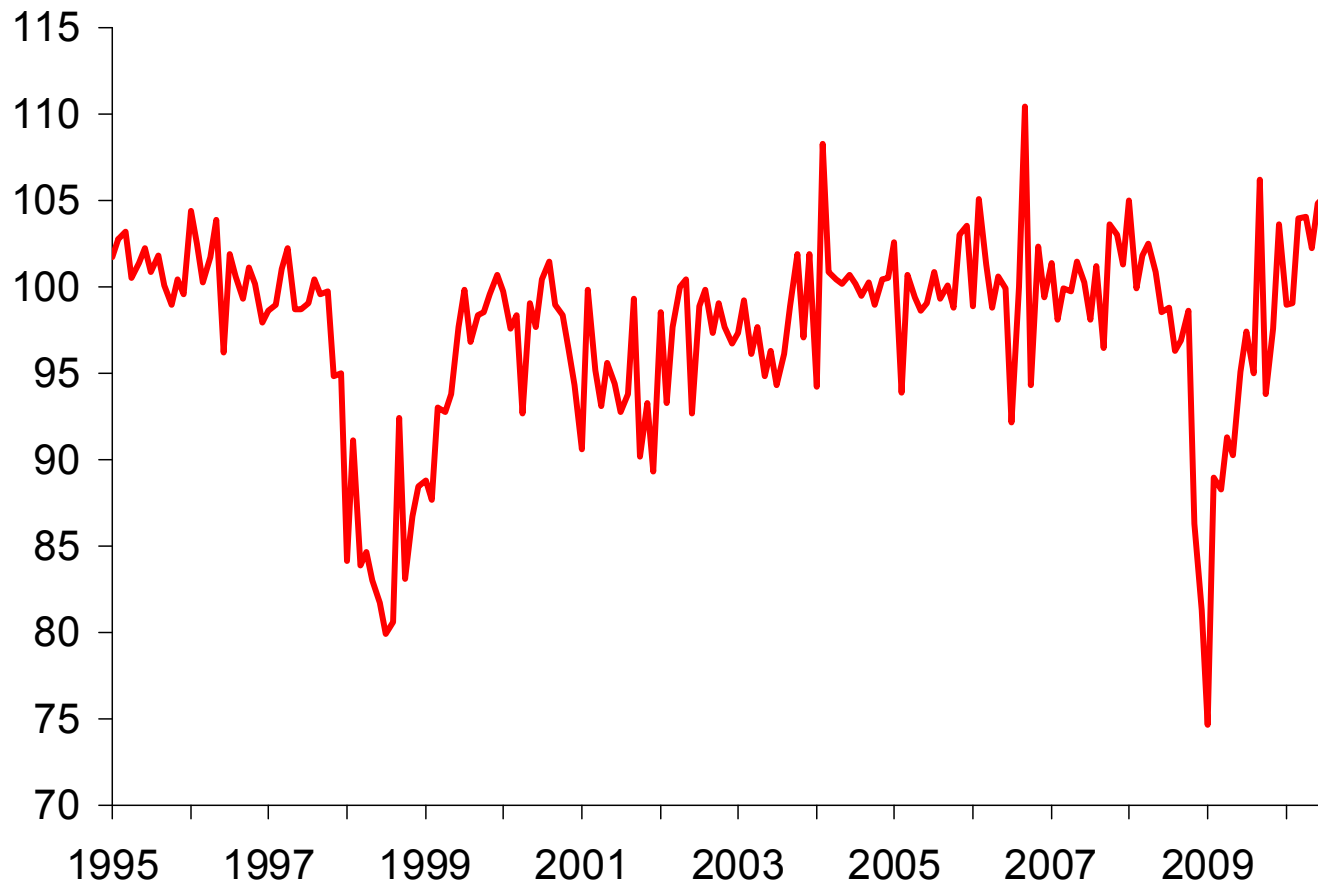
Source: Haver Analytics

CEIC

# ...& capacity utilisation is high

## Korea: Manufacturing operating rate

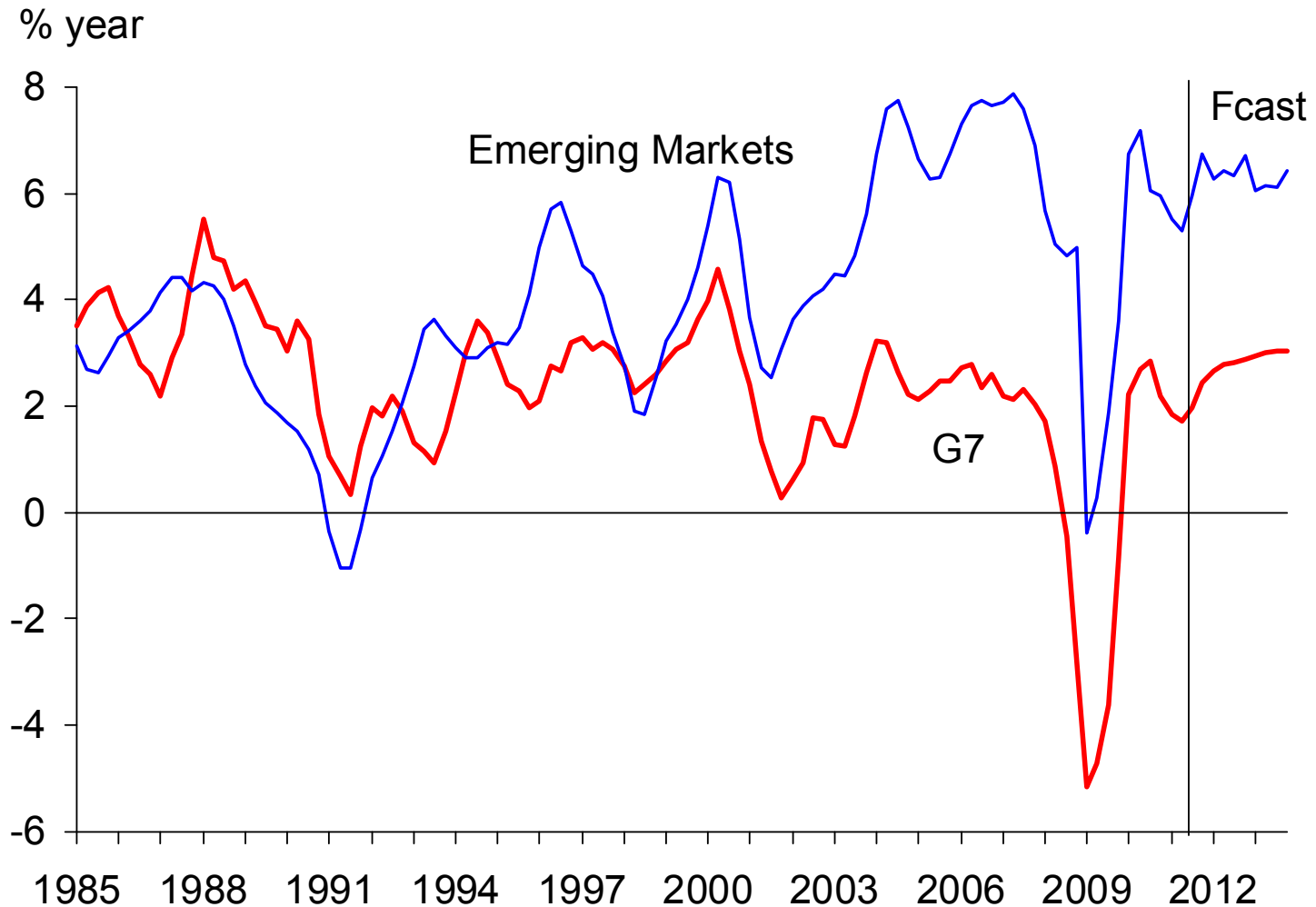
2005=100 (seasonally adjusted)



Source: Oxford Economics/CEIC

# So emerging markets leading recovery

## G7 & Emerging Markets: GDP growth



Source: Oxford Economics

# So where were we a month or so ago?

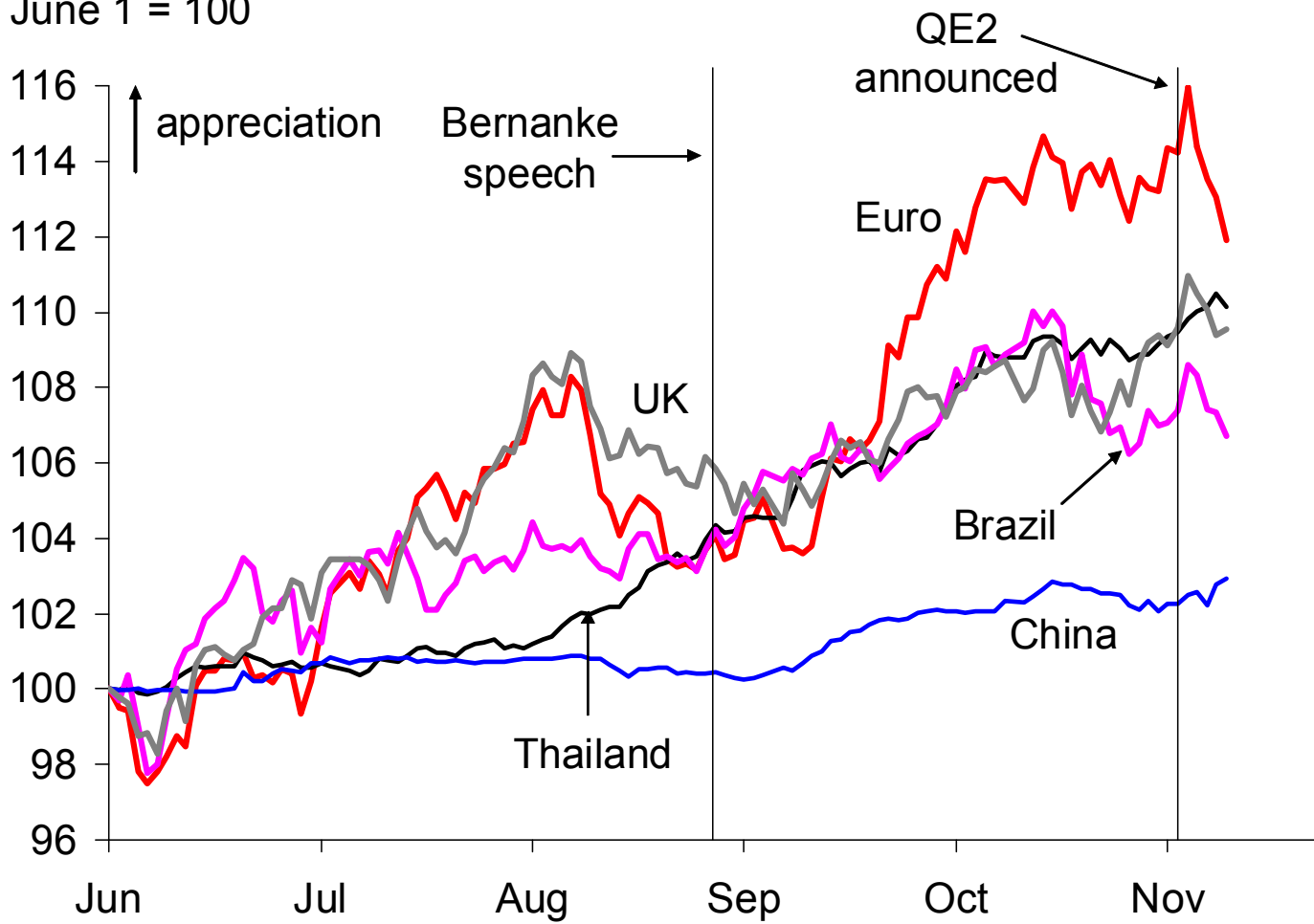
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- US recovery fragile held back by high consumer debt and uncertainty partly because of government weakness
- China and many emerging markets booming because of strong consumption and a confident corporate sector
- Worries about deflation in US and bubbles in China
- Then US Fed implements QE2 which cause outrage especially in China!!

# Currencies strengthening vs the dollar

## Global exchange rates v US\$

June 1 = 100

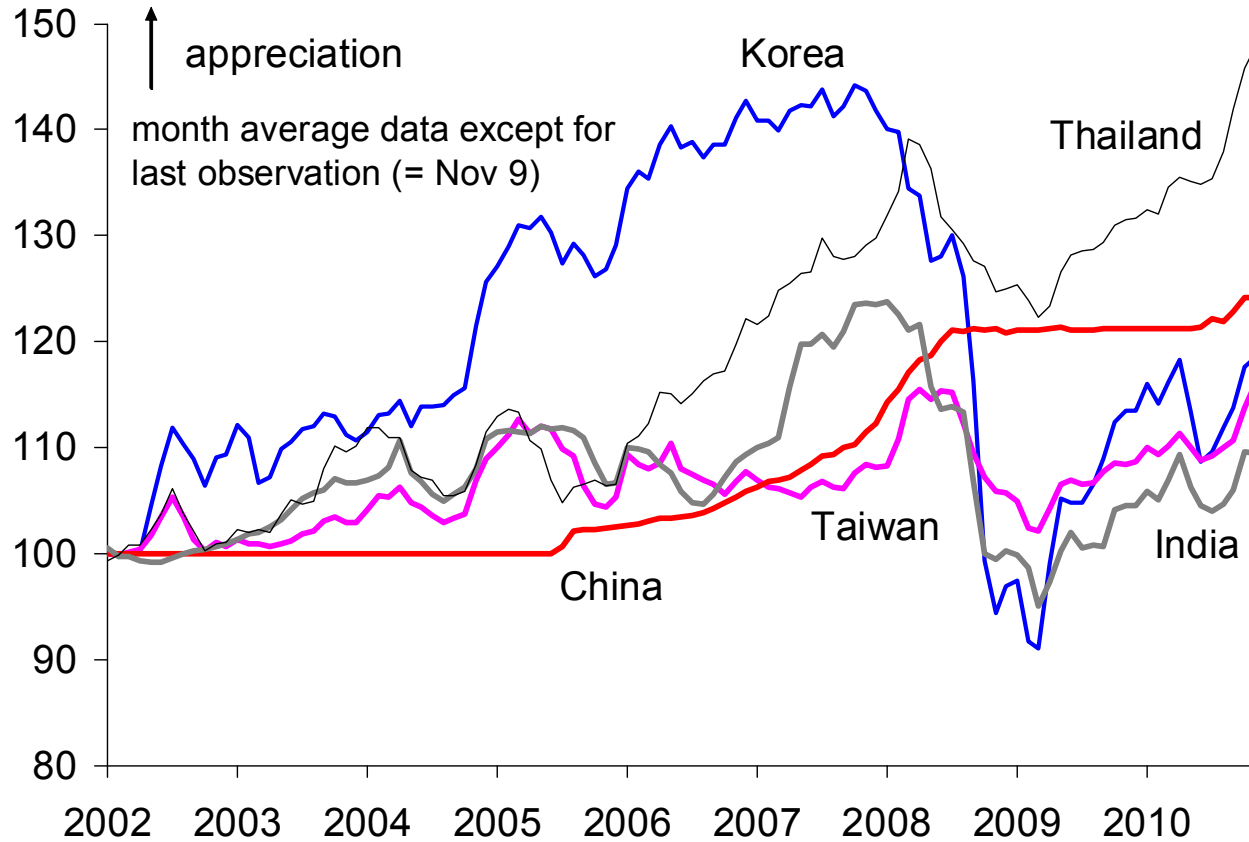


Source: Haver Analytics

# ...even though constrained in Asia

## Emerging Asia: Exchange rates v US\$

2002Q1=100

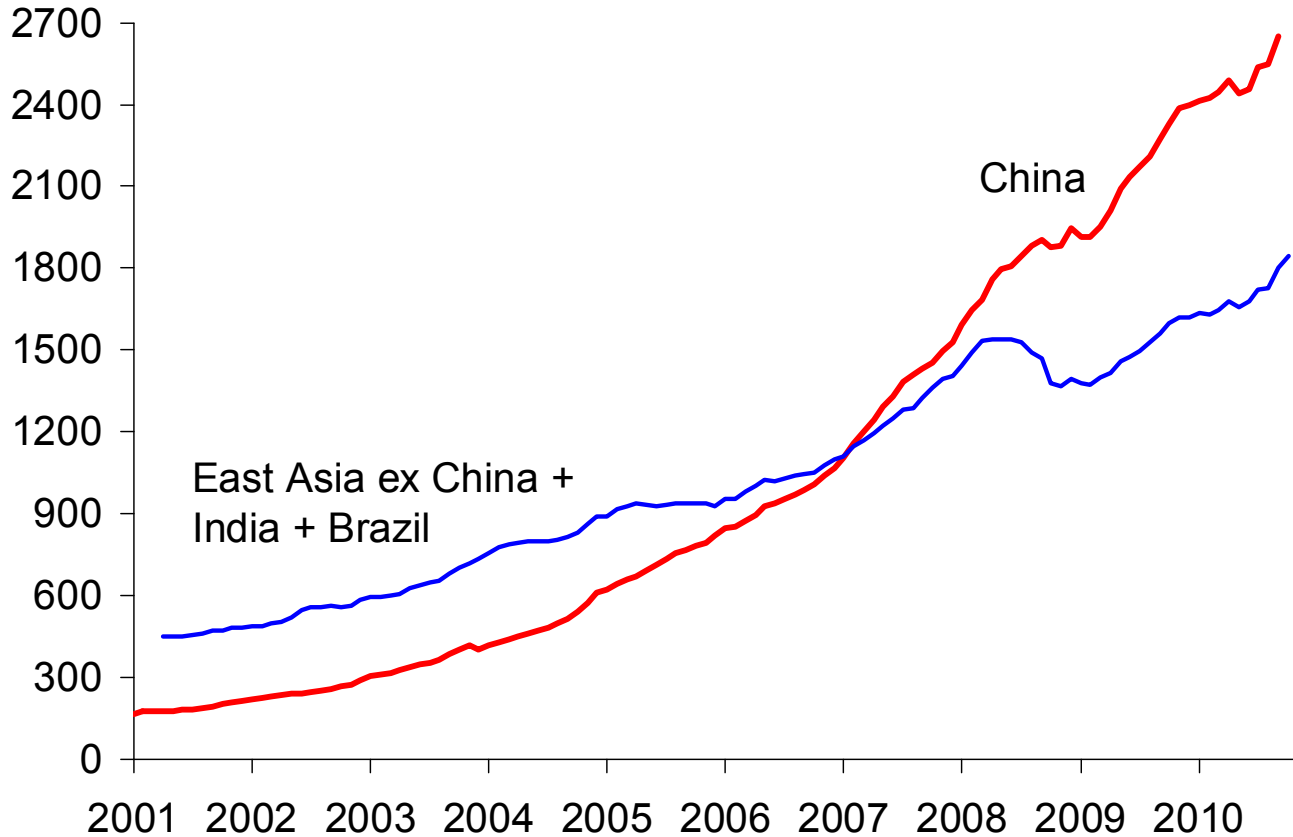


Source: Haver Analytics

# ...as emerging markets amass reserves

## Emergers: Foreign exchange reserves

US\$ bn

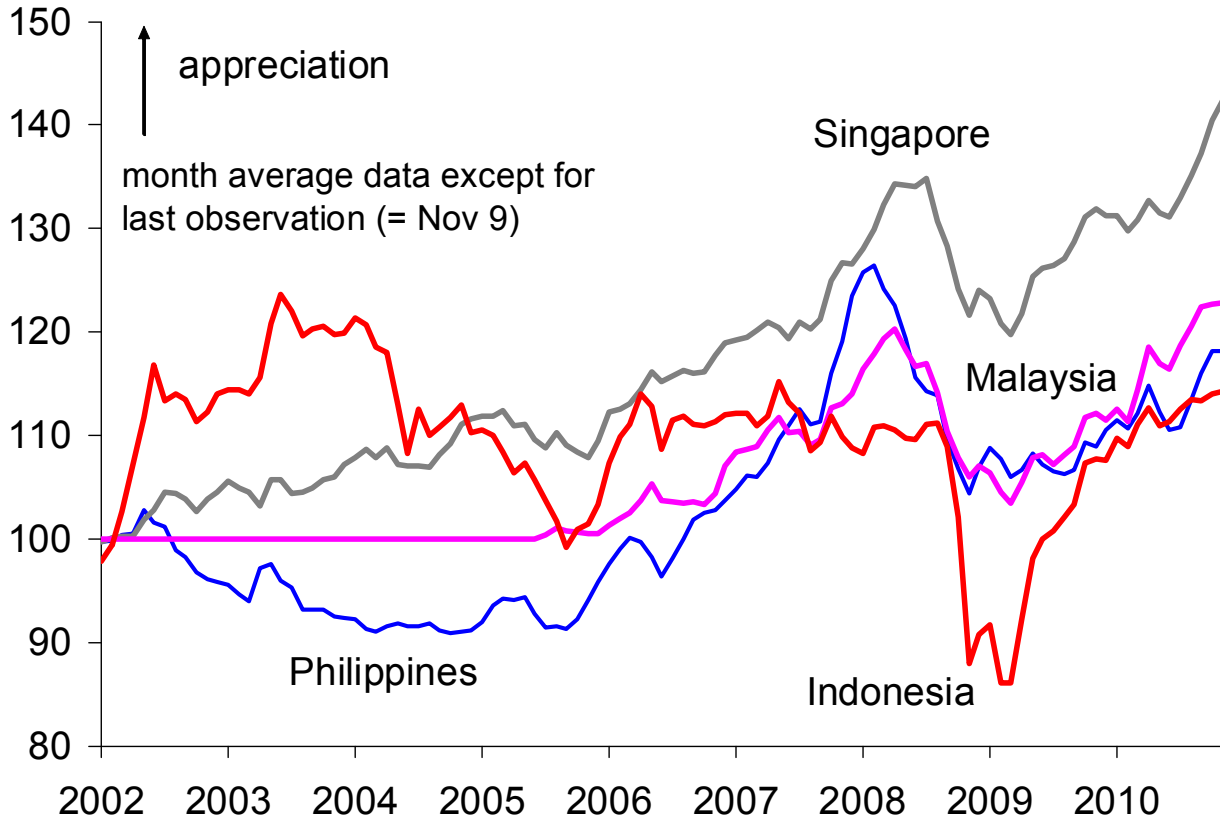


Source: Haver Analytics

# ...yet the trend is universal

## Emerging Asia: Exchange rates v US\$

2002Q1=100

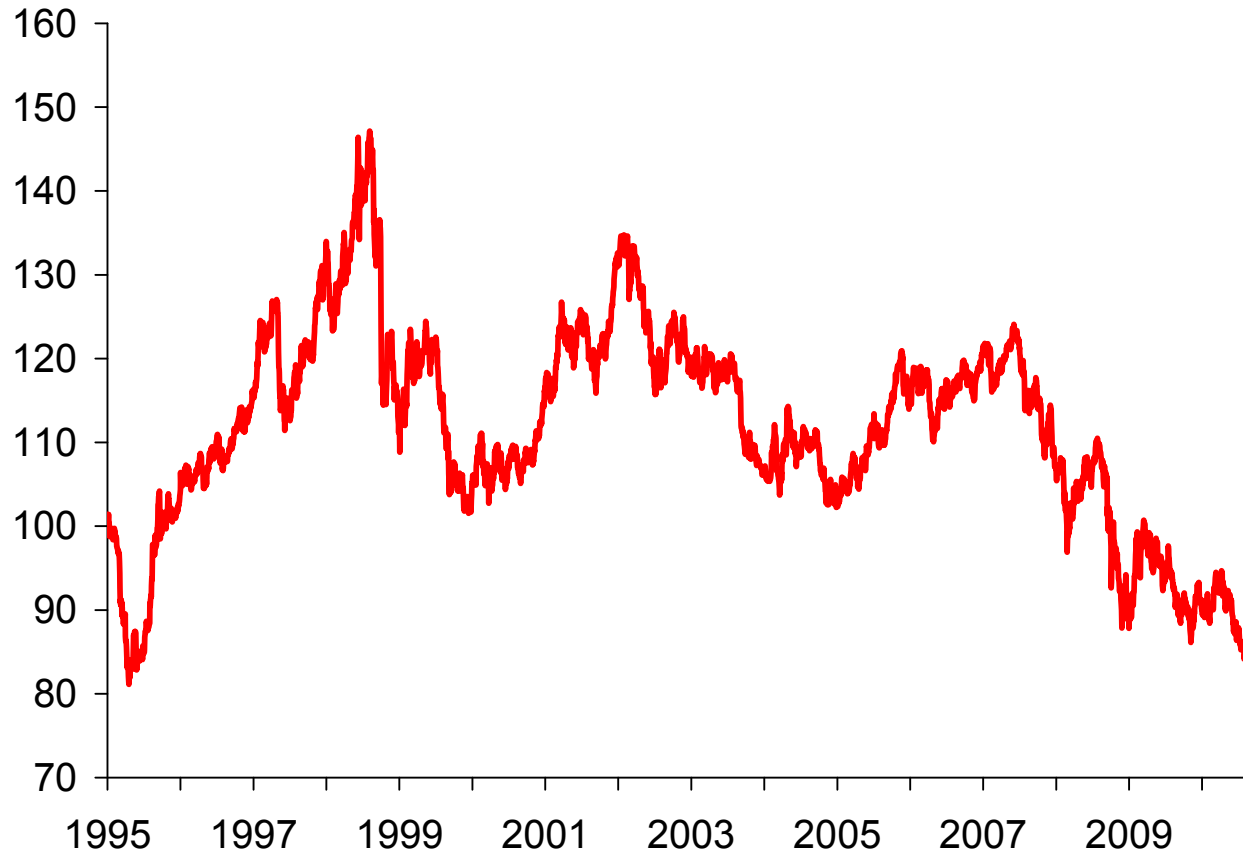


Source: Haver Analytics

# The Yen is up 30% since 2007

---

## Yen/Dollar Exchange rate



Source: Haver Analytics

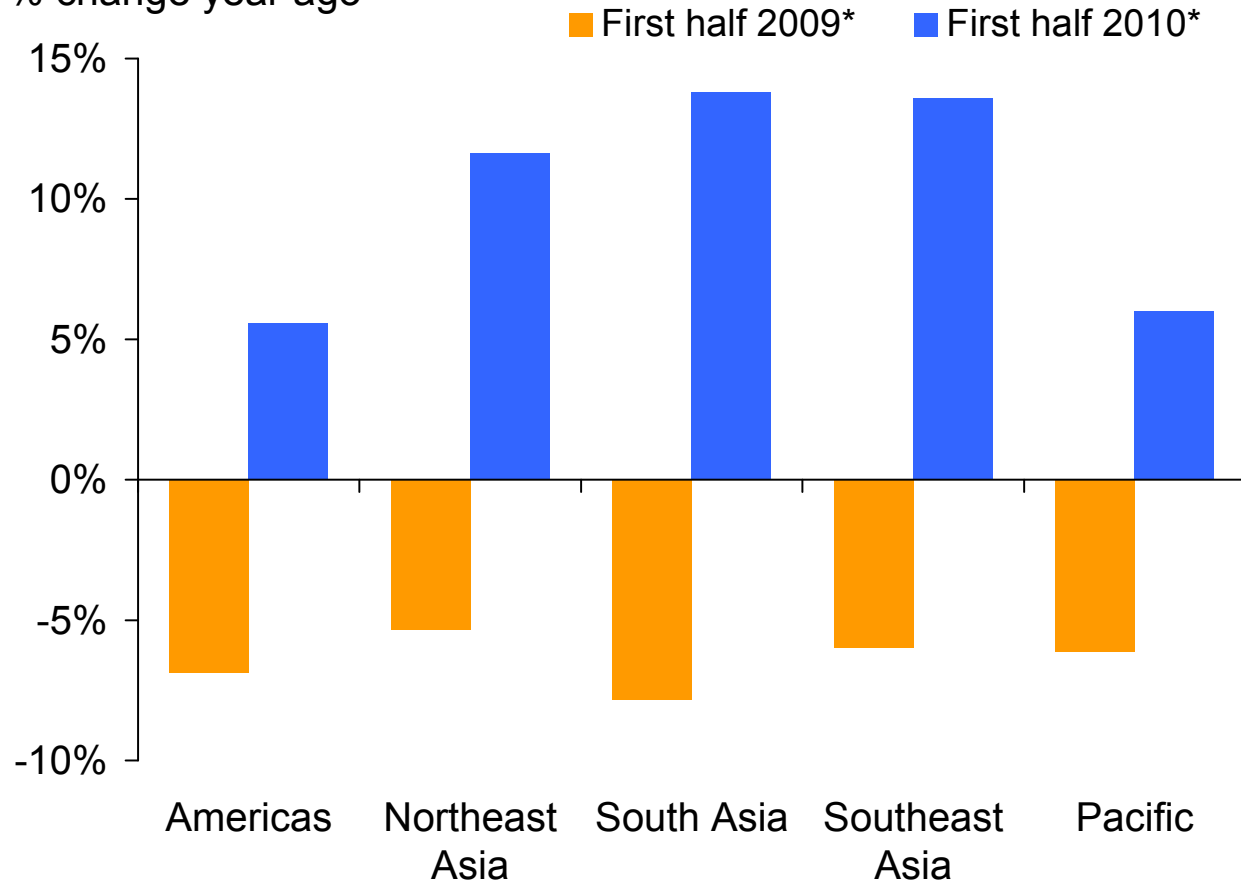
# Travel implications

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# All of Asia rebounds

## Destination Arrivals

% change year ago

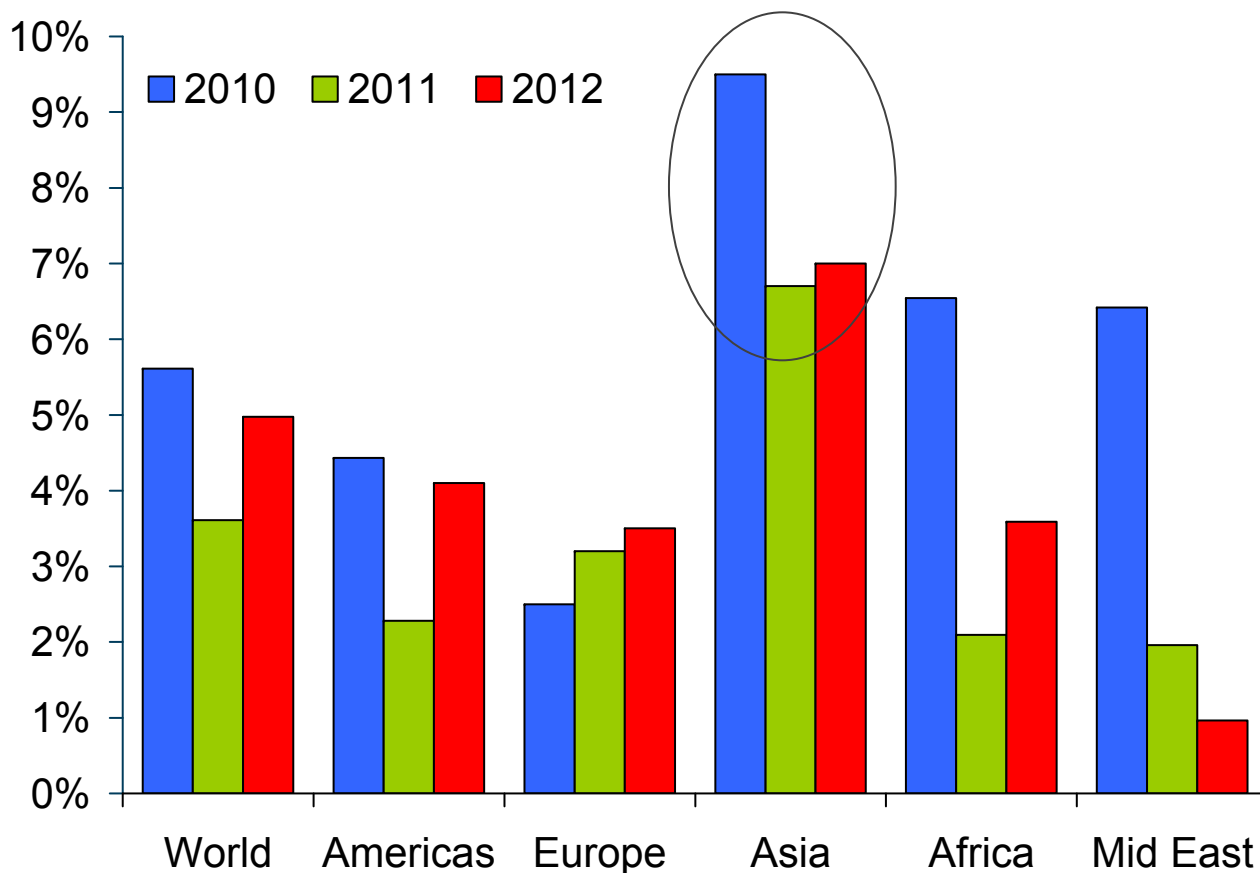


Source: PATA, \*based on available data Jan-July

# Our current global outlook: inbound

## Inbound Travel Growth by Region (visits)

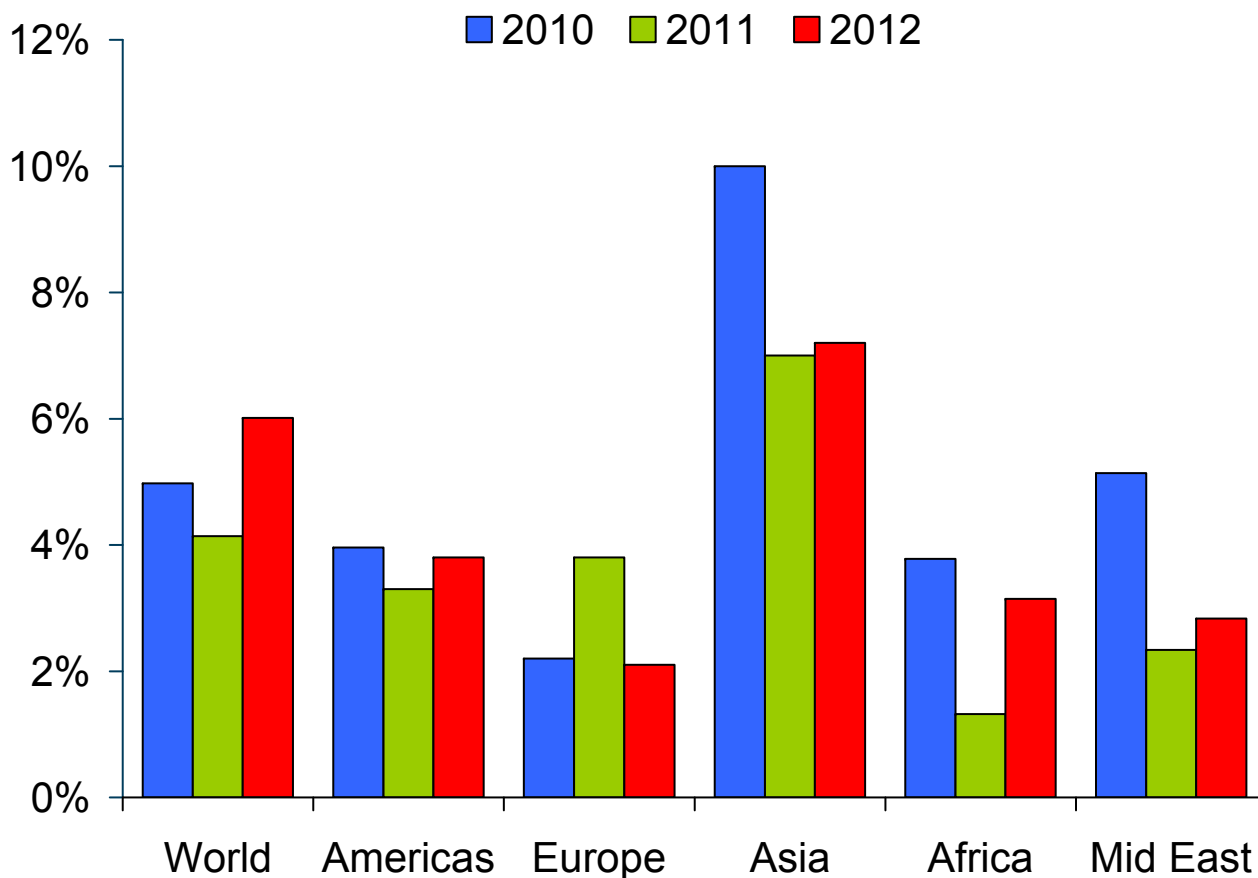
Annual % growth



# Our current global outlook: outbound

## Oubound Travel Growth by Region (visits)

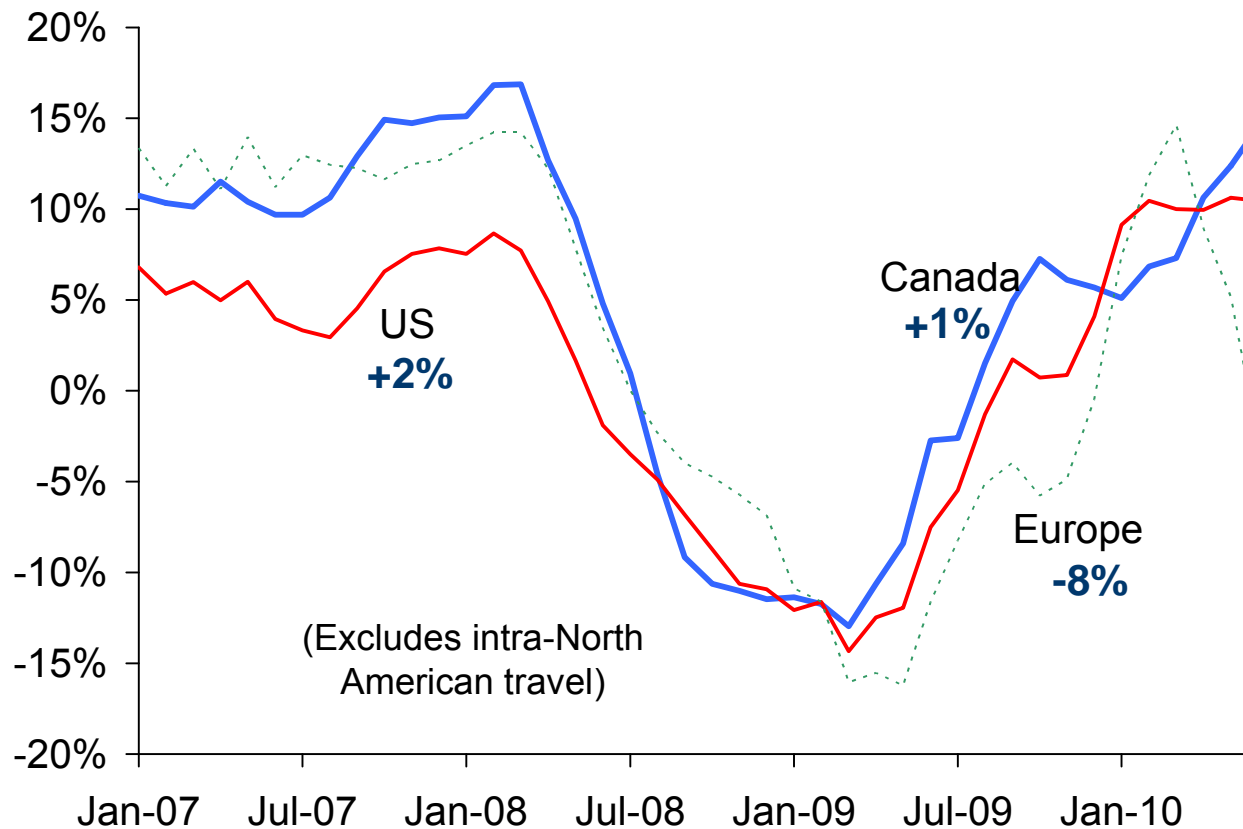
Annual % growth



# Long haul markets recovering modestly...

## Travel to PATA Destinations by Origin

% change year ago, 3 month moving average

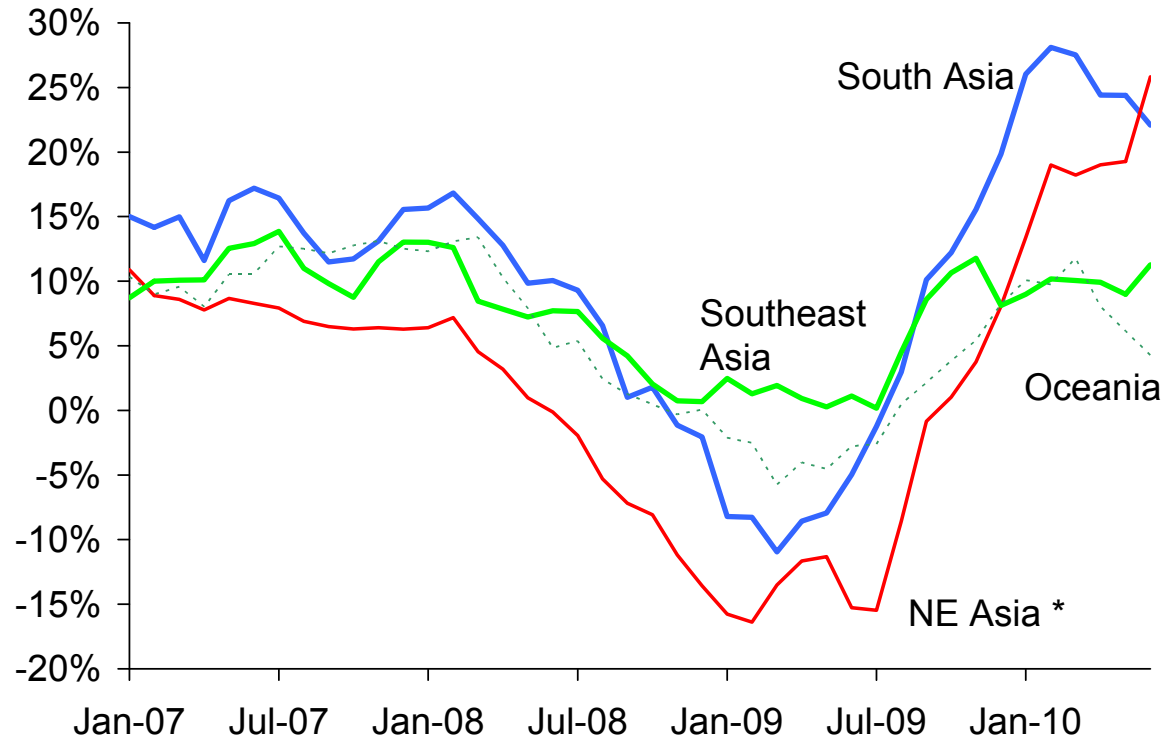


Source: PATA

# ...but Asian markets have been the real driver

## Travel to PATA Destinations by Origin

% change year ago, 3 month moving average



**South and  
SE Asia:  
+20% YTD  
June**

Source: PATA, \* excludes inter China-HK-Macau travel

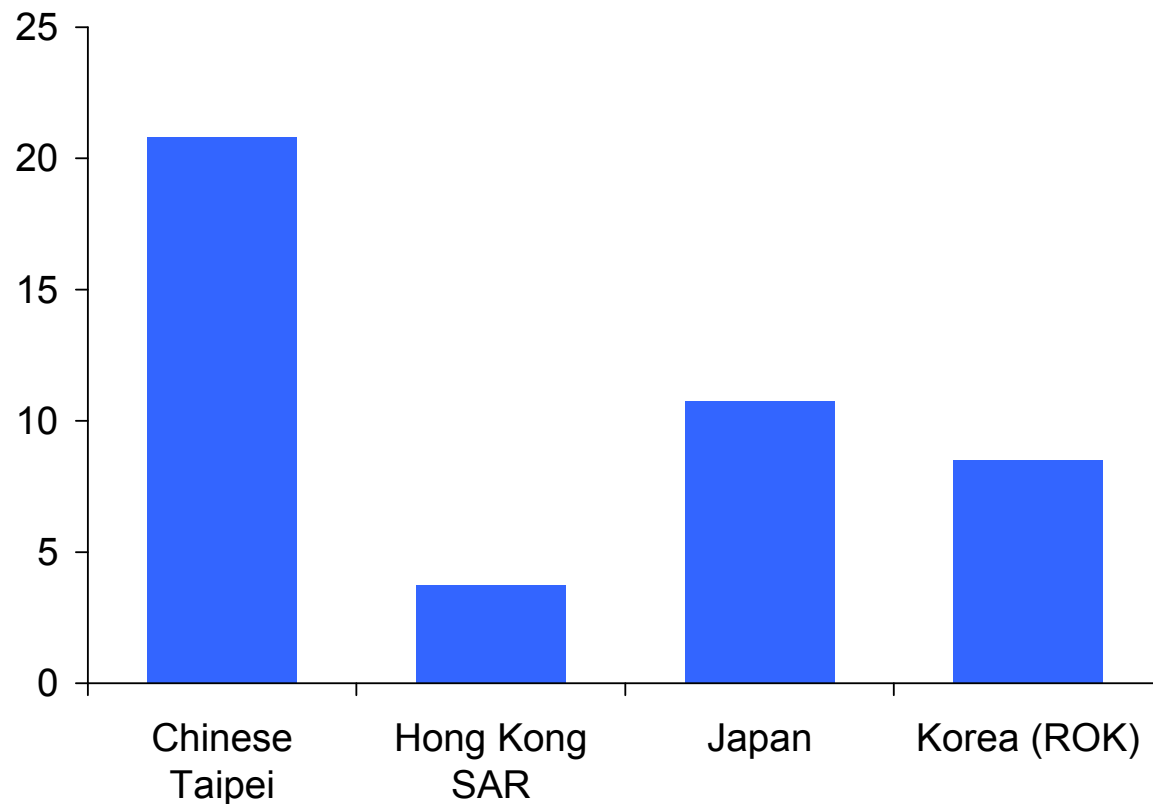
**All Asian source markets: +16% YTD June (8% over 2008)**

# Even Japan has begun to recover!

---

## Departures from NE Asian Markets

% Change year ago, Jan-July 2010



Source: PATA

# A special offer to PATA members

---

## Tourism Decision Metrics

Helping our clients analyze global travel

# Tourism Decision Metrics: a dynamic decision-support tool

- 10-year forecasts with historical data for 185 countries
- Over 40,000 indicators of tourism activity with details on origin, destination, purpose of trip and visitor spend
- Easy-to-use interface for custom queries and graphical analysis

The screenshot shows the website for Tourism Decision Metrics, an Oxford Economics company. The header includes the logo and navigation links for HOME, SITE MAP, and OXFORD ECONOMICS. Below the header is a navigation bar with links for About, Services, Intelligence, and Contact. The main content area features a large image of a city skyline at night. To the left of the main content is a sidebar with a list of services: Tourism Decision Metrics, Tourism Economic Impact, Tourism Market Strategy, Tourism Forecasting, Tourism Policy Analysis, Project Feasibility Analysis, and Project Economic Impact. The main content area has a section titled "Tourism Decision Metrics" with a detailed description of the software and its capabilities. To the right of the main content is a testimonial from David Johnson, Bahamas Ministry of Tourism, and a "Request a Free Trial" section with links for "Oxford Economics' Market Reports" and "Free Consultation with Tourism Economics".

**Services**

- Tourism Decision Metrics
- Tourism Economic Impact
- Tourism Market Strategy
- Tourism Forecasting
- Tourism Policy Analysis
- Project Feasibility Analysis
- Project Economic Impact

## Tourism Decision Metrics

Tourism Decision Metrics is a desktop market intelligence software developed for market strategists, scenario planners, tourism analysts and capital investors within both public and private sector organizations. TDM is a dynamic tool for international market analysis with data and reports covering 180 countries. The database includes 10-year forecasts based on Oxford macroeconomic model for every major origin and destination pair. Over 30,000 indicators of tourism activity with details on purpose of trip and visitor spend.

In addition, the platform provides tourism "dashboard" reports and economic briefings for all major markets.

The tool itself allows for easy analysis to answer a variety of questions of importance to a destination.

- Where should I invest marketing?
- Where should I limit my exposure?
- Where should we look for future growth opportunities?
- Who are my emerging competitors within key markets?
- Which are the highest yielding markets?
- What does the economic outlook say about tourism prospects over the next 3, 5, and 10 years?
- What would the effects be of a shift in tourism policy, a change to the economic outlook, or an external shock to the sector?

*"I wish to thank you for the excellent work you performed ... in terms of the degree of analysis, and especially the recommendations flowing from them. We obviously went well beyond the initial agreed scope ...and your assessment there was quite useful to us."*

**David Johnson**  
Bahamas Ministry of Tourism

### Request a Free Trial

**Oxford Economics' Market Reports**

**Free Consultation with Tourism Economics**

# Tourism Decision Metrics

---

- Immediate analysis to determine:
  - What are the growth prospects for our key markets?
  - How is our market share changing?
  - Where should we invest in marketing?
  - Where should we hedge against downturns?
  - Who are my emerging competitors?

# Select a market and track its performance to competitors

**Tourism Decision Metrics - Market Metrics - Windows Internet Explorer**

http://tdm.prognoz.com/tdm/MarketMetrics.aspx?source=1

File Edit View Favorites Tools Help

Home Oxford Economics

**TOURISM ECONOMICS**  
AN OXFORD ECONOMICS COMPANY

**Tourism Decision Metrics**

User registration: adam@tourismeconomics.com  
Logout

Market Metrics  
Origin Destination Metrics

Columns: selected (12)  
Rows: Origins: selected (6), Destinations: selected (10)  
Fixed: Visits/Nights: Visits (1000), Facts: Value

Refresh AUTO

Table: Chart: Data and forecasts last updated on March 16, 2010;

Report name: adam@tourismeconomics.com's Default report (ORIGIN-DEST);  
Fixed: Visits/Nights = Visits (1000), Facts = Value;  
Columns: Calendar; Rows: Origins, Destinations;

			C	D	E	F	G	H	I	J	K	L	M	N
			2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
52	BRAZIL	World	76.36	99.73	88.08	111.17	147.06	143.67	156.83	171.01	184.61	190.89	193.51	194.68
53		Americas	2,268.46	2,707.76	3,259.72	3,900.12	4,409.81	4,263.32	4,693.51	5,152.52	5,655.11	5,982.09	6,242.13	6,467.77
54		South America	1,372.42	1,623.68	1,912.51	2,378.25	2,719.78	2,774.53	2,923.16	3,178.19	3,471.94	3,724.78	3,929.35	4,120.84
55		UNITED STATES	887.75	1,011.28	1,250.23	1,587.88	1,768.54	1,765.16	1,905.68	2,111.80	2,365.48	2,582.20	2,779.06	2,969.47
56		CANADA	384.73	485.37	525.27	638.43	769.23	857.69	860.29	886.48	922.53	947.44	945.71	937.54
57		Caribbean	49.84	61.12	65.17	66.13	71.62	61.66	59.83	64.65	70.32	74.59	77.55	80.40
58		Europe	24.68	35.55	34.59	39.60	42.93	43.20	45.68	48.39	51.69	54.51	56.81	59.23

Fixed: Visits/Nights = Visits (1000), Facts = Value;  
X Axis: Calendar; Legend: Origins, Destinations;

Documentation  
Contact Us

Done

start | Inboxes - Microsoft ... | RE: TDM-Co-Spon... | marketing | Tourism Decision ... | Trends.pdf - Ado... | Microsoft Offi... | 9:08 AM

# Map global travel patterns for reports

### Market Metrics

#### Origin Destination Metrics

Destinations  Origins

##### Origins

GERMANY 

##### Visits/Nights:

Visits (1000) 

##### Calendar:

2012 

Downloads

Contact Us

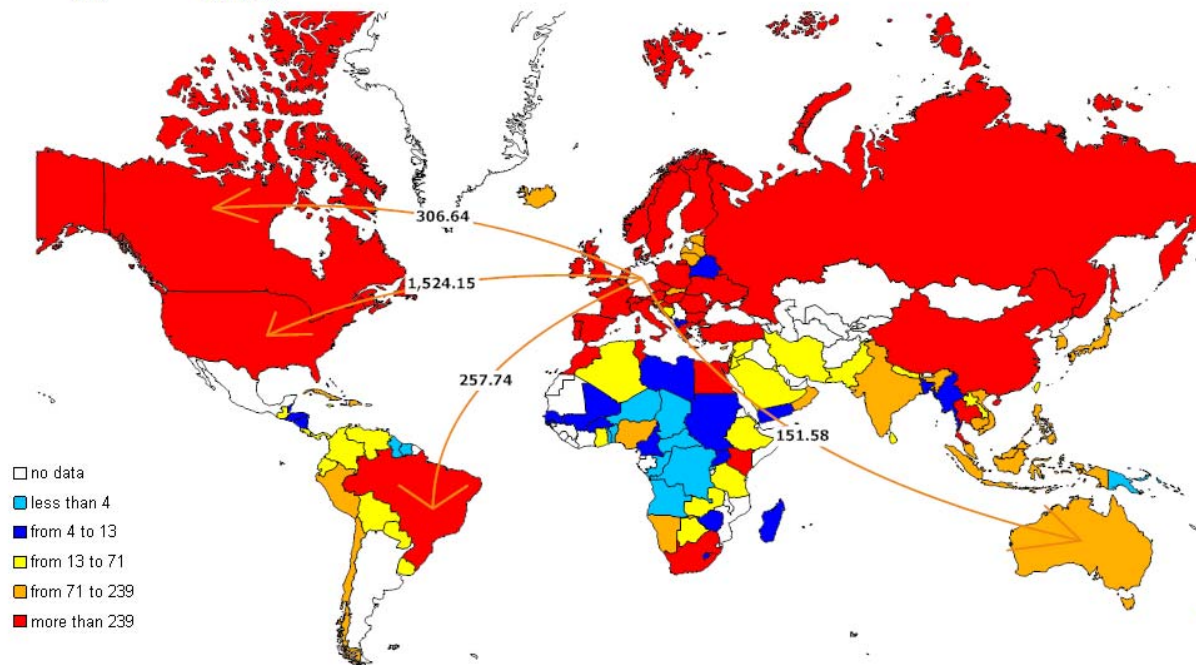
 Refresh  AUTO  

Year: 2012

Origin: GERMANY

[Data](#)

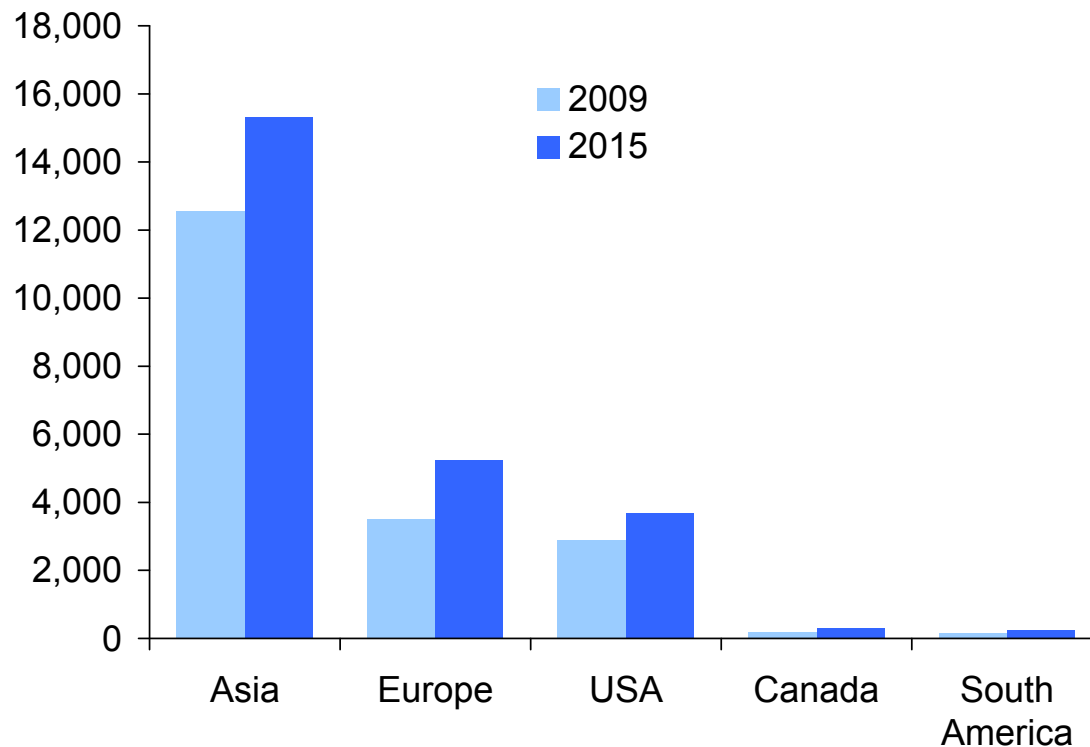
[Clear Arrows](#)



# Market sizing: Japan forecasts

## Japan Outbound Distribution

Thous visits



Source : Tourism Economics

# How Tourism Australia Uses TDM

---

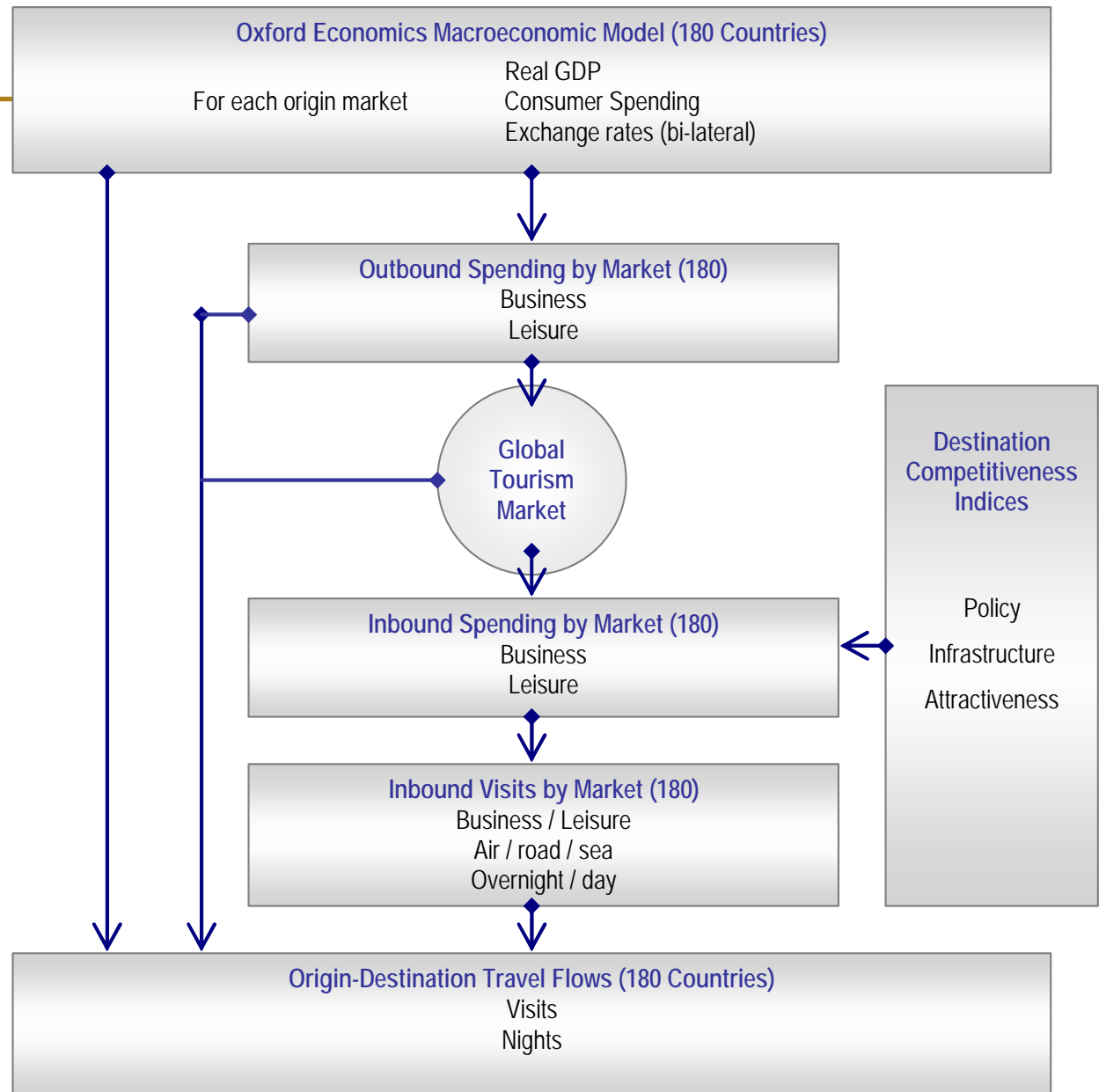
[http://www.tourism.australia.com/en-au/markets/know-your-markets\\_5963.aspx](http://www.tourism.australia.com/en-au/markets/know-your-markets_5963.aspx)

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## Details on the TDM Forecast Model

# Forecast Model

- The TDM model is based on econometric relationships of economic developments and travel demand.
- Forecasts of outbound travel drive destination results



# Model Relationships

---

- Outbound spending is positively linked with economic activity (spend and GDP) and negatively correlated with exchange rates
- Inbound travel is positively linked to the demand indicator
- There is also a positive link between attractiveness and exchange rates

Model Relationships		
	Outbound spending	Inbound Spending
GDP	+	
Consumer spending	+	
Exchange rate*	-	+
Demand indicator		+
Market attractiveness		+

\* exchange rates used are values of a market's currency in terms of partner currency.  
ie. a lower value indicates appreciation

# Global tourism demand

- Tourism demand tracks the cycle of economic developments
- Travel spending is more cyclical than more general spending

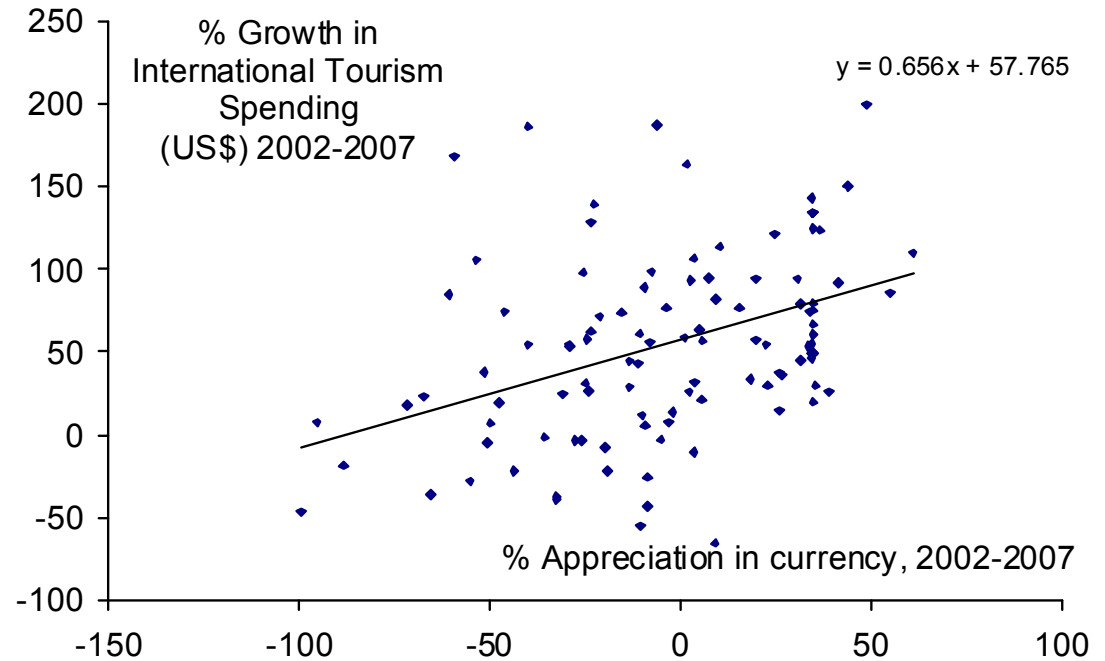
## Economic Activity and Tourism Spending



# Price factors

- Some extra volatility can be explained by exchange rate movements, especially at the country level

## Exchange Rate and Tourism Spending



Source : Tourism Economics, IMF

# Attractiveness and competitiveness

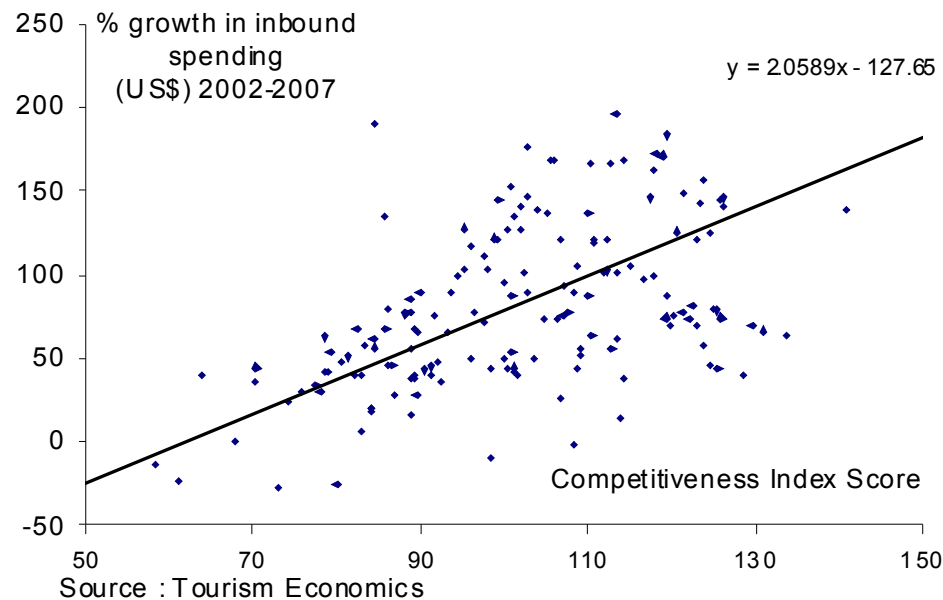
- Destinations can take a different share of global tourism demand according to market specific factors.
- Attractiveness indices are included which compare factors across 14 pillars

Components of Tourism Competitiveness Index	
Sub index A: Travel & Tourism regulatory framework	
Pillar 1:	Policy Rules & Regulations
Pillar 2:	Environmental Regulation
Pillar 3:	Safety & Security
Pillar 4:	Health & Hygiene
Pillar 5:	Prioritization of Tourism Strategy
Sub index B: Business Environment & Infrastructure	
Pillar 6:	Air Transport Infrastructure
Pillar 7:	Ground Transport Infrastructure
Pillar 8:	Tourism Infrastructure
Pillar 9:	ICT Infrastructure
Pillar 10:	Price Competitiveness
Sub index C: Human, Cultural & Natural Resources	
Pillar 11:	Human Resources
Pillar 12:	Affinity for Travel & Tourism
Pillar 13:	Natural Resources
Pillar 14:	Cultural Resources

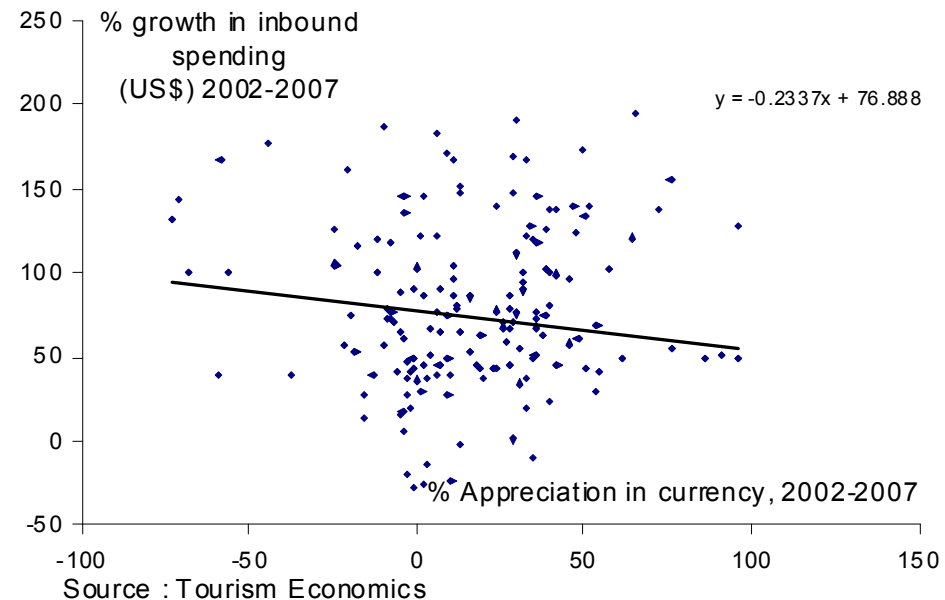
# Market attractiveness

- Market competitiveness index is clearly correlated with inbound travel trends
- Exchange rates are also important factor in determining a destination's share of global tourism

## Inbound spend and Attractiveness



## Inbound spend and Exchange Rate



# Model Accuracy – Outbound Spending

---

The table (below) compares actual outbound spending data for selected markets with estimated values derived from model equations.

Values in the table refer to the mean absolute difference in annual percentage growth rates (estimated growth minus actual growth) for different time periods.

	France	UK	Canada	Mexico	Brazil
1990-2007	-0.1	-0.7	-1.0	-0.6	1.3
1995-2007	0.2	0.3	0.3	0.4	0.2
1995-2000	-2.0	-1.2	-0.8	0.1	1.9
1995-2005	0.0	0.0	0.4	0.5	0.4
2000-2005	-0.1	-0.7	-1.0	-0.6	1.3

# Model Accuracy – Global GDP Forecasts

---

Oxford Economics has outperformed other macro forecasters.

## Forecast performance compared: 2007-2009

Average absolute forecast divergence for real GDP growth

	Oxford	OECD	IMF	Consensus	EIU	IHS Global Insight
US	<b>0.7</b>	1.1	1.6	1.0	1.0	0.7
Japan	<b>2.0</b>	2.7	3.0	2.4	2.6	2.4
Eurozone	<b>1.4</b>	1.8	2.3	1.8	2.2	1.7
UK	<b>1.5</b>	1.8	2.2	1.6	-	1.5

<sup>1</sup> Forecasts for year ahead ie value for 2009 is the forecast from December 2008

<sup>2</sup> Figures for Consensus, EIU and IHS Global Insight are taken from Consensus Economics

# Selected clients

---

## Corporations

Airbus  
American Express  
Boeing  
Etihad Airways  
InterContinental Hotels  
Marriott  
MasterCard  
Theme Park  
TUI

## Associations

Caribbean Tourism  
Organization  
Discover America Partnership  
European Travel Commission  
Pacific Asia Travel  
Association  
US Travel Association  
Destination and Travel  
Foundation

## Destinations

Arizona Office of Tourism  
Baltimore CVB  
Bahamas Ministry of Tourism  
California Tourism Commission  
Canadian Tourism Commission  
Dubai Tourism  
Georgia Tourism  
Israel Ministry of Tourism  
New York City and Company  
New York State  
Ontario Ministry of Tourism  
Philadelphia Tourism Marketing  
San Diego CVB  
Tourism Ireland  
Visit Britain  
Visit Denmark  
Visit Switzerland



# TDM clients receive

---

- Desktop platform including detailed tourism and macroeconomic data on 185 countries for ongoing analysis. Allows for unlimited creation of queries, charts, and maps
- Tourism forecasts linked to the Oxford global economic model
- Consultation with Tourism Economics and Oxford Economics staff
- Updates of data, forecasts and reports three times per year
  
- For more information on PATA member TDM access, please contact:  
Adam Sacks, Managing Director, Tourism Economics  
[adam@tourismeconomics.com](mailto:adam@tourismeconomics.com)