Global Travel Insight

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Global travel nears full recovery

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Global travelers have quickly moved on from the pandemic. International arrivals in 2022 are well on their way to reaching 850-900 million by the end of the year, accounting for 75-80 percent of the 2019 levels, according to the Visa International Travel (VISIT) platform.[1] Not only are tourists crossing borders in greater numbers, but their spending while abroad has also matched the recovery, even at shops and other retail outlets. Retail tourism spend has tracked—and in some cases surpassed—2019 levels.

Against this generally positive momentum, international travel is once again at a crossroads. One path could lead the world to a full recovery in 2023: the full lifting of all remaining health-related border restrictions—especially in Asia Pacific—would provide a welcome boost. The other path could drag on the recovery as demand from North America and Europe weakens, leaving global travel slightly short of a full recovery. No matter which path is taken, trends established over the first nine months of 2022 set the stage for growth in the global travel and tourism industry to move more broadly forward.

In an unexpected and welcome twist, cross-border leisure travel's recovery may be preparing the way for a potential rebound in business travel. Although business travel generally lags leisure's recovery, destinations that once mainly attracted business travelers have not been left far behind. In these destinations, leisure travelers have filled the gap left by their business counterparts, helping to even out the recovery in travel across cities and to bring back the infrastructure needed to support the eventual return of business travel.

Key Points:

- Full recovery near, but could be delayed as economic stressors accumulate
- Retail tourism is on the rebound
- Leisure tourists fill the gap left behind by business travel's slower recovery

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Growing economic cross-currents

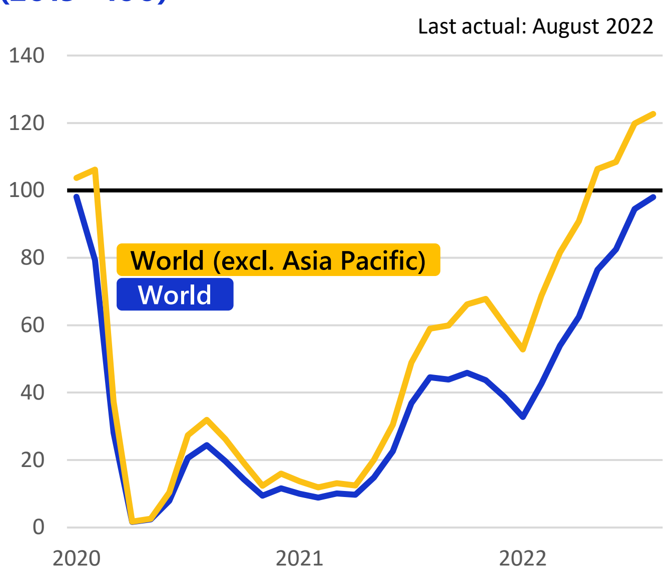
Prior to 2022, the recovery in global travel came in waves. Each push toward recovery hit roadblocks as new variants triggered new border restrictions or greater hesitancy to travel abroad.

The Delta variant, which emerged in June 2021, for example, throttled back what had been a promising recovery, and Omicron's emergence had a similar impact in late 2021.

This year has been different: cross-border travel has staged a steady and swift comeback. From June to August, the peak global travel season coinciding with summer in the Northern Hemisphere, visitor arrivals were down only 8 percent from 2019. Excluding travel to and from Asia Pacific, visitor arrivals now actually exceed 2019 levels by 18 percent. This recovery came despite COVID-19 outbreaks spreading wider and faster than in any prior year. In the first seven months of 2022 alone, there were 286 million confirmed cases of COVID-19, which was nearly equal to all the cases recorded since the start of the pandemic, according to the World Health Organization.

The release of pent-up demand by consumers, especially in Europe and North America, provided much of the impetus behind this year's rapid upturn in cross-border travel. That boost has waned as the year has progressed.

Global cross-border arrivals by traveler origin[2] (2019 = 100)



Air travel demand and Visa Spending Momentum Index across 50 large global cities

Sources: Visa Business and Economic Insights, Visa International Travel (VISIT) platform

Visa's Top 50 Global Cities Spending Momentum Index (SMI), a weighted average of major cities in eight markets including London, New York, Toronto, Milan, Sydney and Rio de Janeiro, has gradually decelerated for most of this year. While the index remains above 100, indicating more consumers in these cities are still spending more than a year ago, the momentum behind these gains is ebbing. Historically, growth in air passengers to airports in these cities has tracked change in this global SMI, and the slowing in spending momentum could mean travel's recovery could be slowing from its initial heady gains.

A full recovery in international visitor arrivals in 2022 is likely not in the cards, as it would require a tripling in travel over the last few months of the year (relative to 2019) to make up for the shortfalls earlier in the year. This should not detract, though, from the tangible progress being made. With each passing month of this year, the world has gotten closer to a full recovery, setting the stage for international visitor arrivals in 2023 to reach 90-95 percent of their 2019 levels. The recent lifting of health-related border restrictions, especially among key countries in Asia, should help bring the market closer to a full recovery. These gains, however, will be offset by a potential contraction in travel demand in Europe and North America as economic activity in those regions falls due to higher energy prices and interest rates.

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More people on the move aids the return of retail tourism

Despite the absence of shoppers from Asia Pacific, retail tourism has staged an impressive comeback. During the peak travel months (June-August) of 2022, cross-border retail spending—purchases at shops and stores—by consumers using Visa-branded credentials was 13 percent higher than during the same period in 2019.

Beyond the general increase in travel, a broad-based increase in the average amount spent per traveler while abroad has further energized retail spending. The average retail spending per card used abroad was higher in the three months ending August 2022 compared to the same period in 2019 for roughly two out of three source countries, including among others: the U.S., the U.K., India and Canada. When combined with an increase in the number of cards used abroad, such as in Germany, total outbound retail spending led to a strong increase.

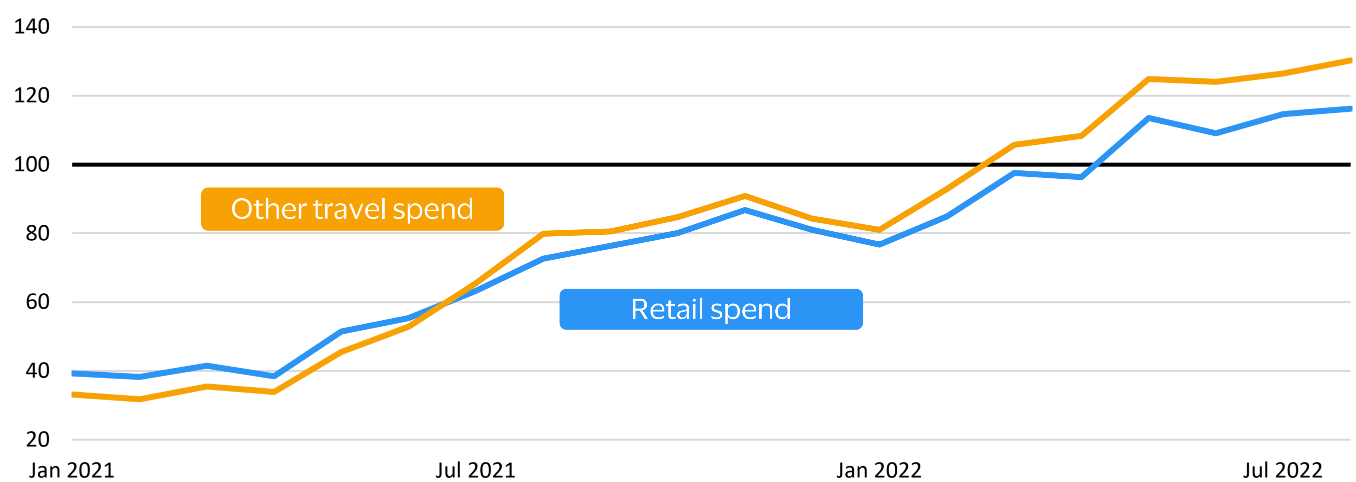
In countries where only average retail spending increased but overall travel was down, such as in Brazil, total retail spending remained below 2019 levels. Most Asian countries were in this latter camp. Given that the shortfall in cards used abroad was most likely linked to heavier cross-border health related restrictions, the lifting of those restrictions should lead to a rebound in outbound travel numbers. That, combined with the generally higher spending by Asia Pacific cardholders while traveling abroad, raises the prospects that better days still lie ahead for retail tourism as Asia Pacific cross-border travel moves more firmly towards recovery.

Spending by international tourists in person on categories outside of retail (hotels, restaurants, entertainment and other services) recovered faster than retail spending. From June-August 2022, spending in these categories rose 27 percent over the same period in 2019. This reflects higher prices for many goods and services, but also a willingness of travelers to splurge more on their trips abroad, with the average spend per card generally higher today than it was prior to the pandemic.

The data also shows that cross-border retail spending early in the recovery outpaced other travel spend. Two likely factors: Travelers skewed more towards the affluent, who were first to return to international travel, and the average duration of trips lengthened, which in turn boosted the average retail spend per trip. Growth in both cross-border retail spending and other non-retail travel spend has evened out as the mix of travelers broadens over time and trip durations return to normal.

Spending by international tourists in person abroad*

Index relative to same month in 2019, USD



*Cross-border travel spending is defined as card-present purchase volume on Visa consumer credit and debit credentials outside the markets where they were issued. Cross-border visits are proxied by the use of Visa consumer cards cross-border in country. Bubbles are sized proportional to travel services imports (outbound travel spend) in 2019, according to IMF. Aggregates exclude Russia, Ukraine and Belarus. Sources: Visa Business and Economic Insights, VisaNet, International Monetary Fund

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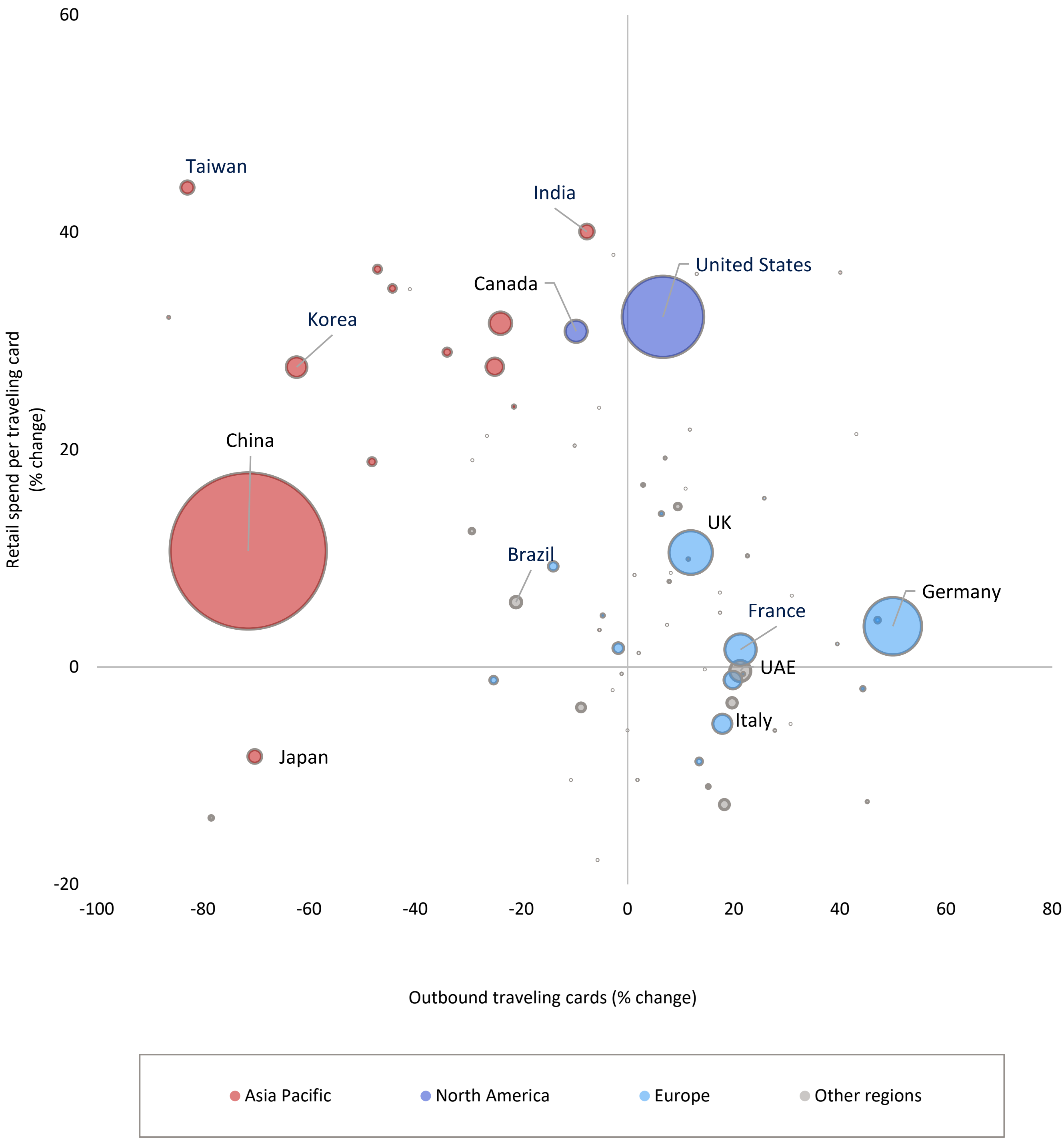
Retail spending by international tourists in person abroad* (Jun-Aug 2022 vs. Jun-Aug 2019)

U.S. cardholders are traveling abroad and spending more per card abroad. Even though Italians are traveling more, their spending abroad is lower (when measured in U.S. dollars). Asia Pacific travel lags, but those who are traveling are spending more relative to 2019.



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Sources: Visa Business and Economic Insights, VisaNet, International Monetary Fund

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As of the three months ending August 2022, cross-border tourism's return has helped to boost local retailers in destinations around the world, with shopping by foreign tourists fully recovered in 63 percent of the top 500 most-visited destinations prior to the pandemic. Among the top 10 most-visited destinations, travel spending has surged in places like Dubai, which opened earlier than most to international travel. Spending remains sluggish in areas still impacted by health restrictions. Health restrictions alone, though, do not account for all variances. For example, Bangkok opened later to foreign travel than London, but is almost completely recovered. Bangkok retailers have recovered more quickly, in part due to an increase in tourists from neighboring countries in Southeast Asia, but also because of the city's growing popularity with tourists from the Persian Gulf. While London has benefited from an increase in spending from countries in Europe and North America, the gains from these tourists have not been enough to offset the absence of tourists from Asia Pacific. With Asia Pacific reopening for travel, the shifts in spending mix as well as recovery could shuffle again.

Recovery in cross-border spending among the top 10 most-visited cities

(Jun-Aug 2022 relative to same period in 2019)

Rank in 2019	Destination	Retail spending (2019 = 100)
1	Shanghai, China	32
2	Paris, France	130
3	Shenzhen, China	59
4	Bangkok, Thailand	97
5	Hong Kong SAR, China	14
6	London, UK	83
7	Beijing, China	22
8	Barcelona, Spain	113
9	Singapore	101
10	Dubai, UAE	142

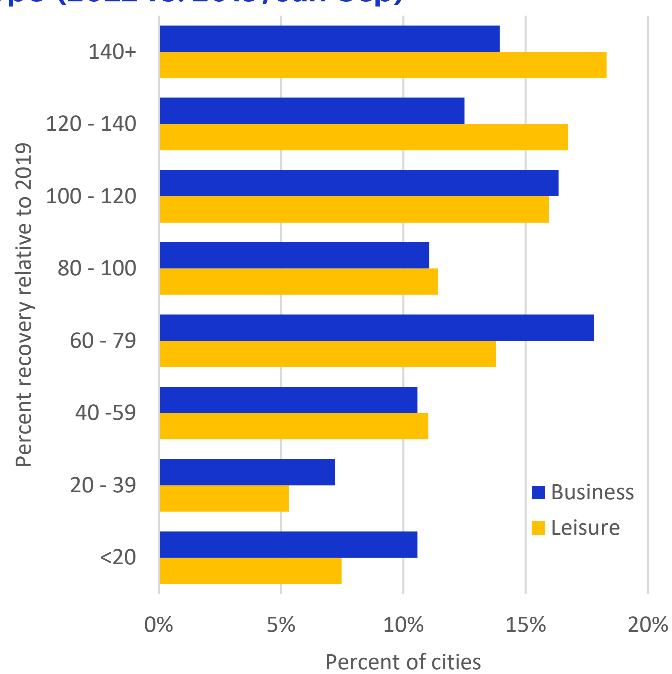
Source: Visa Business and Economic Insights analysis of VISIT platform and VisaNet

A curious case of business destinations brimming with tourists

While leisure travel is often seen as a bright spot in the recovery, business travel, on the other hand, is often viewed as lagging and many years away from recovery. One potential consequence of a delayed recovery is that the infrastructure needed to support the return of business travel could atrophy in some destinations before the recovery takes hold.

The good news is that this will likely not be the case. Areas that prior to the pandemic predominantly attracted business travelers have not lagged too far behind more leisure-oriented locations. Across the 700 destinations analyzed, slightly more than a quarter were classified as business destinations. And among business destinations, 43 percent in the first half of 2022 had fully recovered to the same volume of visitor arrivals as in the first half of 2019. Leisure destinations were slightly ahead, with 51 percent of the total having fully recovered. Business destinations such as Medellín, Milan or Riyadh have recovered as completely as Cancun, Venice and Mecca.

Distribution of destinations by recovery rate and type (2022 vs. 2019, Jan-Sep)



Source: Visa Business and Economic Insights analysis of VISIT platform and VisaNet

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Fully-recovered destinations by region and type in 2022 (Jan-Sep)

	Americas	Europe	Middle East and Africa
Business Destinations	Medellin, Colombia Guadalajara, Mexico Hermosillo, Mexico	Milan, Italy Manchester, U.K. Rotterdam, Netherlands	Riyadh, Saudi Arabia Jeddah, Saudi Arabia Rabat, Morocco
Leisure Destinations	Cancun, Mexico Punta Cana, Dom. Rep. Cartagena, Colombia	Venice, Italy Pula, Croatia Athens, Greece	Mecca, Saudi Arabia Hurghada, Egypt Agadir, Morocco

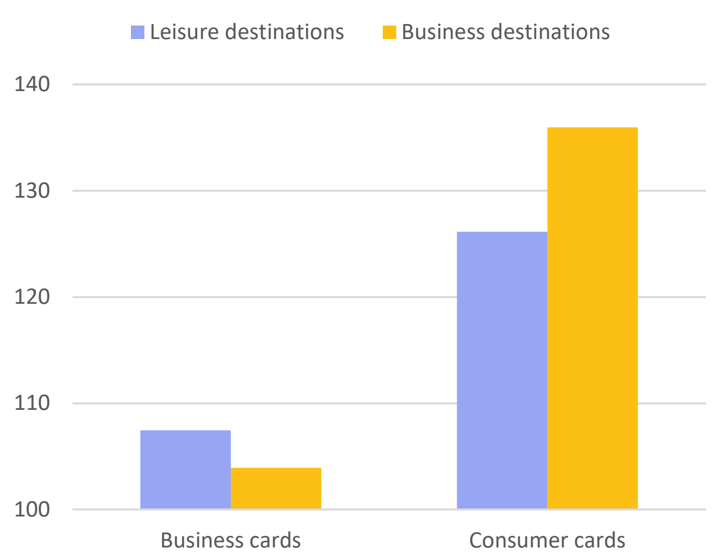
Source: Visa Business and Economic Insights analysis of VISIT platform and VisaNet

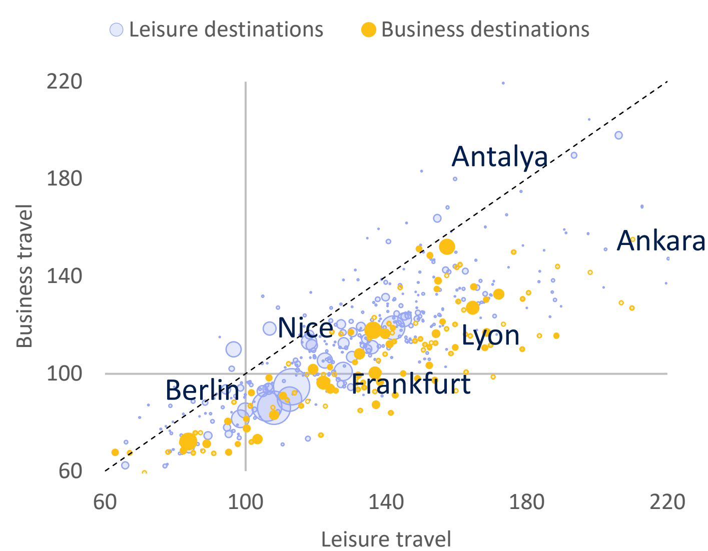
Slower business recovery creates opportunity for leisure travel

With less-than-usual hustle and bustle from laptop-toting road warriors crowding their hotels, off-the-beaten-path business destinations like Lyon appear to have presented a bargain alternative to leisure travelers. Tourists in that city paid an average of 10 percent less per hotel stay relative to pre-pandemic 2019 to enjoy the sights along the famous Rue St-Jean. In comparison, the tourist-favored Nice showed no such decline in average lodging costs. In fact, in seven out of every 10 business destination cities globally, tourists were paying less per hotel stay compared to 2019, compared to only 60 percent in other destinations. Correspondingly, business destinations appear to have attracted more price-sensitive tourists, boosting leisure travel recovery relative to 2019 almost one-to-one for each percentage point discount on hotel rates.

By contrast, road warriors visiting the same business destinations showed no price-sensitivity at all, with no variation in travel recovery relative to lodging costs. This has perhaps allowed local hotels to maintain higher prices for business travelers while offering discounts to fill up available rooms with leisure travelers. This pattern of relatively greater inflows of leisure tourists to business destinations appears to repeat across the world. From Ankara (enjoying a 15-percentage-point faster leisure travel recovery than Antalya) to Frankfurt (recovering inbound visitors 16 percentage points faster than Berlin), summer tourism in business destinations recovered an average of 12 percentage points faster than leisure destinations, despite a slower return of business travelers.

Cross-border summer travel to top 700 cities[3] (2019 = 100, excluding Asia Pacific)





Sources: Visa Business and Economic Insights, VisaNet

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Footnotes

1. The Visa International Travel (VISIT) platform is a proprietary model that combines Visa's cardholder data with publicly-available cross-border arrival statistics. Visa uses this data to econometrically model official arrival statistics compiled by various government sources and to generate estimates that fill in the large gaps existing in the cross-border travel data.
2. All aggregates in this document exclude Russia, Ukraine and Belarus.
3. City visits are based on unique counts of Visa-branded credentials making card-present transactions at merchants located in cities outside the market where that credential was issued in peak travel months from June through August. Cities are classified a business destination if the share of business travelers among visitors to the city places them within the top 30 percent within the peer group in 2019.

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