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Report of the Secretary-General

Part I: Current situation and activities

(a) International tourism in 2012

I. Introduction

1. Increasing uncertainty over the global economy, and particularly, over the situation in the Eurozone, is of growing concern. According to the latest estimates by the International Monetary Fund (IMF, WEO July 2012), the world economy is expected to grow by 3.5% in 2012, 0.4 points below 2011. Among the advanced economies (+1.4%), the euro area (-0.3%) is forecast to end 2012 with negative growth, while the UK economy is stagnating (+0.2%). Growth in the emerging economies (+5.6%), though comparatively strong, is slowing down faster than expected. Global trade volumes (exports), often a good indicator of business travel, are expected to grow by 3.8% in 2012.
2. Despite growing economic concerns, UNWTO maintains its forecasts for international tourism in 2012 considering results registered so far (+5% between January and April). International tourist arrivals are expected to increase by 3% to 4% for the year as a whole, reaching the historic mark of one billion by December 2012.
3. Emerging economies are expected to regain the lead with stronger growth in Asia and the Pacific and Africa (+4% to +6%), followed by the Americas and Europe (+2% to +4%). The Middle East is forecast to recover part of its losses from 2011.
4. As international tourism receipts tend to be more affected in times of economic constraints due to increased competition, reduced length of stay and a tendency to travel closer to home, the growth in receipts is expected to lag somewhat behind that of arrivals in 2012, following an increase of 4% in 2011.
5. The impact of the economic situation on tourism demand and flows is yet to be fully seen, but a slight slowdown in demand throughout the year could be expected. Other possible factors impacting on tourism in the short-term include exchange rates fluctuation (namely the USD-euro exchange rate), rising oil prices as well as the growing trend to tax travel services, notably air travel.

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6. The analysis presented below is mostly based on data available for the period January-April 2012 as reported in the July issue of the *UNWTO World Tourism Barometer*. Considering that this report was prepared in August 2012, updated information will be provided verbally to the 94th session of the Executive Council on this item.

II. International tourism in 2012

7. Estimates by UNWTO for the **first four months of 2012** show that international tourism worldwide continues to grow strongly in spite of increasing economic volatility. **International tourist arrivals grew by 5%**, with demand stronger in advanced economy destinations (+6%) than in emerging ones (+5%) despite economic constraints in many of the source markets of Europe and North America. According to the July issue of the *UNWTO World Tourism Barometer*, **prospects remain positive for May-August 2012**, with around 415 million tourists expected to travel abroad during this period.

8. During the period **January-April 2012, growth was positive in all regions in terms of international tourist arrivals**. Asia and the Pacific and Africa (both +8%), showed the best performance as a result of a clear rebound in some of the destinations experiencing declines in 2011 such as Japan and Tunisia. The Middle East also showed signs of recovery with arrivals up by 1% between January and April 2012, and particularly promising results for Egypt. The Americas (+6%) recorded growth slightly above the world average, with solid results across almost all destinations. Europe (+4%) consolidated its record growth of 2011, despite continuing economic volatility in the Eurozone.

9. In **Europe (+4.0%)**, results were above average in Central/Eastern Europe (+7.6%), Northern (+5.4%) and Western Europe (+4.6%), yet well below expectations in Southern Europe (+0.2%), which in 2011 was one of the best performing sub-regions in Europe.

10. In **Asia and the Pacific (+8.1%)**, South Asian (+9.7%) destinations led the way, followed very closely by South-East (+8.5%) and North-East (+8.1%) Asia; the latter reflecting the clear recovery of the Japanese inbound and outbound market. Growth was very positive in Oceania (+3.9%) as compared to the full year 2011 (+0.9%).

11. In the **Americas (+6.0%)**, South America (+6.9%) continued to show one of the strongest performances, yet growth was also significant in Central America (+6.9%), North America (+6.0%) and the Caribbean (+4.6%).

12. In **Africa (+7.9%)**, the recovery of Tunisia is clearly reflected in the results of North Africa (+10.7%) as is the rebound of Egypt in the performance of the **Middle East (+1.2%)**. Destinations in sub-Saharan Africa (+6.8%) continued to show very positive results, consolidating the good growth rates of previous years.

13. The global trends identified by UNWTO for international tourism have been confirmed by other indicators including those of air transport booking and travel and accommodation:

- (a) Data by ForwardKeys on **air travel bookings** up to the end of April shows a **5% growth in reservations worldwide for the period May-August**. Reservations for travel within the same region (+7%) are stronger than for travel between regions (+4%). Globally, growth is somewhat more moderate than in the first four months of 2012 (+7% globally).

- (b) Global **air traffic results** by the International Air Transport Association (IATA) indicate a **6.5% growth in air travel** (domestic and international) **for the period January-June 2012**, with international traffic (+7.5%) clearly outperforming domestic routes (+4.8%).
- (c) **Accommodation data** by STR Global shows that **occupancy rates for the period January-June 2012** were significantly up in the Middle East/Africa (+9.4%) and increased in the Americas (+3.2%) and in Asia and the Pacific (+2.3%), but were stagnant in Europe (+0.1%). Economic performance data (average daily rate and revenue per available room) show higher growth than occupancy in all regions.

14. In terms of **outbound markets**, among the top ten international markets by expenditure on travel abroad, growth was significant in Germany (+12%), USA (+9%), China (+25%), Canada (+7%) and Australia (+8%) as well as in Japan, where a 7% increase confirms the recovery of this important market. On the other hand, growth was comparatively slow in the UK (+1.5%), while in Italy and France there was a clear decline in outbound spending.

15. Globally, international tourism results have not yet been affected by the economic volatility, with growth continuing even above the long-term average of 4%. Indicators from international tourist arrivals, receipts, air travel and accommodation show that the tourism sector continues to grow despite, and often against, economic expectations. There are, however, specific destinations which are suffering from a deceleration in demand from major source markets, namely those of Europe. On the whole, a slight slowdown in demand can be expected for the remainder of the year.

III. Actions to be taken by the Executive Council

16. The Executive Council is requested:

- (a) To take note of the report of the Secretary-General on the current situation and prospects for international tourism.