

Interview with Nejc Jus, Head of Research at the World Travel and Tourism Council

World Tourism Returns to Normal After Three-Year Depression

By Japan SPOTLIGHT

World tourism is now back on a normal trajectory. Though the pandemic still poses a threat to public health, thanks to the development of diagnoses and vaccines, as well as people now knowing how to avoid infection, it is not considered a threat to the economy anymore, and people can travel again without worrying much about Covid-19. The following interview with Nejc Jus, head of research at the World Travel and Tourism Council (WTTTC), an international think tank on tourism, reveals how global tourism has been restored since the pandemic but also that it is facing another challenge from the Ukraine war.

(Online interview on May 25, 2023)

Good News & Bad News for Global Tourism

JS: There is both good news and bad news for world tourism today. The good news is that the pandemic is over, and we are now seeing a recovery in tourism. But there is also the Ukraine conflict which started in 2022 and may continue for longer. So I would like to hear your general assessment of the current situation regarding international tourism.

Jus: You are completely right in saying that the Ukraine war is still ongoing; most importantly it is a human catastrophe above all else but of course having economic consequences across different sectors, one of which is Travel & Tourism. But despite all of the geopolitical risks, war, rising inflation and the uncertain outlook, tourism performed well in 2022. We have just released our economic impact figures from last year, projections for 2023 and updated 10-year forecasts. When we look at Travel & Tourism's contribution to global GDP, it reached US\$7.7 trillion, which represented a 22% year-on-year increase. So it increased 22% last year despite all of the global challenges. However, it was still 23% behind the 2019 peak.

The 2023 figures also look positive and we expect an additional 23% year-on-year increase with the sector's GDP reaching \$9.5 trillion, closely approaching the pre-pandemic levels. When we look at Travel & Tourism's contribution to jobs, in 2019 the sector was one of the largest contributors to jobs globally, supporting 334 million jobs. Then Covid came, and millions of jobs were destroyed by the pandemic. But in 2022 we saw the return of nearly 22 million



Nejc Jus

jobs to reach 295 million and this year we expect an additional 24 million new jobs for a total of 320 million, edging closer and closer to the 2019 levels.

2021 already saw the return of domestic travel across a number of countries including in the Asia-Pacific region, while in 2022 we saw the return of international travel, with international spending increasing by 82% year-on-year. And that was despite China still being closed in 2022. In 2019, China was the largest outbound spender globally and with the country opening up in 2023, this will be a big boost to the global Travel & Tourism sector. We expect an additional 23% year-on-year increase in international spending in 2023. Overall, we are seeing positive developments in the Travel & Tourism sector,

and 2023 is also looking positive despite inflationary pressures and the cost-of-living crisis. People are putting travel at the top of their discretionary spending priorities (*Chart 1 & 2*).

JS: Judging from your comments, perhaps the negative impact of the war seems to be somewhat limited. However, we see food and fuel costs rising and that could have some negative impact on tourism in the long run. Do you anticipate these negative aspects on tourism due to the war?

Jus: Bookings and visitor volumes have actually held up in Europe despite the war. It is a human catastrophe in the first place and a loss of human life, but we are also seeing some indirect effects. For instance, higher energy prices are impacting flight prices, which are in turn affecting airlines, as well as driving inflation and reducing

consumers' disposable incomes. This of course feeds into how much people can spend and on spending priorities. Moreover, with the space above Russia and Ukraine being closed, some flights are taking longer which is also having an impact on flights costs.

Regional Consequences of the War & Declining Impact of the Pandemic

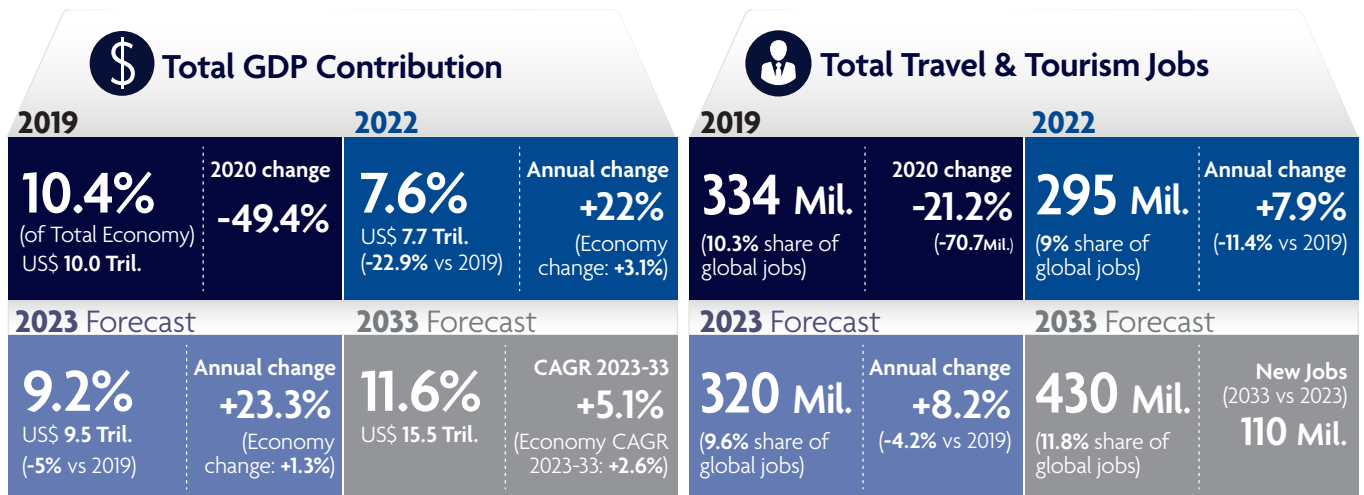
JS: For Japanese people, Eastern Europe is usually a very popular tourism spot, but at this moment,

tourism into Eastern European countries has been pretty much negatively affected by the war. What is your estimation?

Jus: Eastern Europe is such a big region and there are some countries that have been doing well. For instance, Turkey performed well last year with volumes already above 2019 levels. Croatia is another example. But of course, Russia and Ukraine are not performing well given that the war is taking place there. In Ukraine, after the war finishes, investment will be needed to restore the

CHART 1

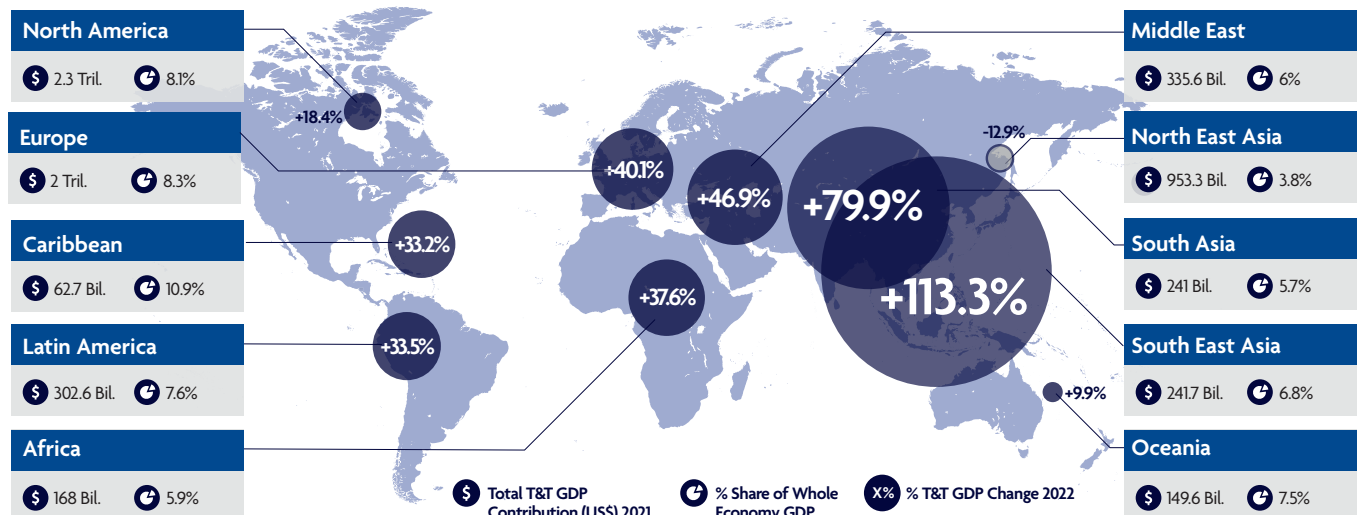
Total GDP Contribution and Total Travel & Tourism Jobs



Source: World Travel and Tourism Council (WTTC)

CHART 2

Travel & Tourism Regional Performance 2022



Source: World Travel and Tourism Council (WTTC)

country's assets and attract tourists back.

JS: Compared to Europe, would you say that the recovery in tourism in Asia is more robust?

Jus: In fact, Asia-Pacific saw only 7.5% annual growth in Travel & Tourism GDP in 2022, well below the global average of 22%. Growth in the region was dragged down by China which remained closed in 2022. With China re-opening this year and because China is a key tourist source market for so many countries globally, and particularly for other Asian countries, it's a very positive development. We see a very strong pent-up demand from Chinese travelers who do want to travel. But what needs to happen now is to ramp up the capacity - and we need to improve connectivity with other countries and regions, for example Asia-Pacific with Europe, and across the Asia-Pacific region itself.

JS: This impact on tourism seems to be limited, but it may depend on how long the war continues. However, in Ukraine and in Russia this negative impact on tourism must be enormous and I guess that recovery will take a long time given the damage to infrastructure.

Jus: Yes, the infrastructure is being destroyed and so what needs to happen post-war is that the international community has to bring the public and private sector together and start thinking how we can redevelop Ukraine so it will be ready to welcome tourists again. Of course, capital investment will be needed and connectivity will need to be restored in the country – so these two things need to happen before tourism can reach the levels we saw before.

Structural Impact of the Pandemic & War on Tourism

JS: How would you assess the pandemic's long-term structural impact on tourism? For example, it has caused serious damage to tourism-related infrastructures.

Jus: This was not the first pandemic – we had SARS, we had Ebola in Africa and others, and we do learn over time how to better cope with a crisis, and hopefully with this crisis we'll learn what to do better next time. So hopefully next time we are better prepared, and I do believe that at some point something will happen again. What was lacking during the last pandemic was collaboration between countries and what we have seen in some countries is the imposition of travel restrictions that were not coordinated across international borders, with travelers not knowing what happens next. This can be improved for next time so the Travel & Tourism ecosystem is not as

damaged as it was during the pandemic. Good news is that many countries including Japan and China have opened up by now and are ready for business. So we hope the recovery continues on this trajectory. When we look at the pandemic's impact, it has resulted in the emergence of new trends and accelerated some older ones. These include the growing influence of social media on decision-making, the desire for flexible booking policies and payment options when booking a trip, and an increased tendency towards trips that blend work and leisure, whilst an interest in sustainable travel remains strong.

JS: And so do you think international tourism will continue to contribute to the economy?

Jus: When it comes to tourism the majority of spending globally comes from domestic tourism and hence domestic tourism has been a significant contributor to economies across the world, including in Asia-Pacific and including China and Japan. Just to give you some figures here, in Japan for instance, in 2019 international visitor spending was responsible for 18% of the total spending and domestic for 82%. China has a very similar story with 86% domestic spending while 14% was international in 2019. However, international travelers do normally stay for longer and do bring more money to the purse per traveler, so it's a very significant source of revenue. It is coming back and 2022 was the first year of true recovery for international spending across countries and also in cities. A lot of cities globally are highly dependent on international spending, including London and Dubai, for instance. City travel is coming back and the outlook is positive.

JS: Do you think international tourism in big cities is recovering much faster than tourism in more rural areas?

Jus: Some cities were devastated by the pandemic, and I don't have the exact figures for recovery in the cities versus more rural areas. But in 2022, we did actually see a very positive improvement for cities globally: 10 out of 82 cities that we analyzed were already expecting to be above 2019 levels last year in terms of Travel & Tourism GDP. Doha, which hosted the FIFA World Cup, performed really well last year. In 2022 Paris was the largest tourism destination globally, but for 2032 we expect Beijing and Shanghai, for instance, to overtake Paris. The next decade really is the growth story for Asia-Pacific cities.

Paris Olympics in 2024

JS: Next year the Olympic Games will be held in Paris. Will this help to bolster European inbound tourism significantly?

Jus: Paris is already the world's largest Travel & Tourism destination, and the Olympic Games will contribute to further growth. We saw this in London which hosted the Olympic Games in 2012, and we saw significant regeneration of east London where the Olympic stadiums were built. So the Olympics really helped with regeneration not just for sports venues but for the entire community there. Tourism is at its best when it's good for the residents as well; it needs to be holistic – good for residents and visitors alike.

Role of WTTC in the War

JS: If the war in Ukraine continues for a long time there could be some negative impacts on tourism as well, not only in Europe but also in other countries. This is with rising fuel costs and food costs and so on. What do you think should be done to prevent such negative impacts growing by tourism organizations?

Jus: It's very difficult to predict how long the war will last and inflation last year was at levels never seen before. So this is having an impact on disposable incomes and also an impact on how much people can spend on various things. We have seen in our recent research on consumer trends that spending on travel has been holding up really well and has been on top of people's discretionary spending priorities. This year people are again willing to spend the same on travel that they did last year or even more. But inflation remains a risk. There are government schemes and initiatives in place around the world to mitigate the impacts from inflation.

JS: Will the WTTC be promoting any international efforts to invite countries and their tourism agencies to discuss how to reduce such negative impacts on tourism?

Jus: Every year we organize our global summit and invite leaders from the public sector and senior figures from companies such as CEOs or chairmen. Last year we had it in Riyadh, Saudi Arabia. This year it is happening in Rwanda in Kigali in the first week of November. We always pursue dialogue between the private and public sectors and the challenges are something we discuss constantly with our members, and we hope that these efforts will have an impact on the Travel & Tourism sector.

Digital Tourism & Other Trends

JS: I note that digital technology used in the tourism sector has become very common as a result of the pandemic. Do you think that will continue to some extent even after the pandemic is over?

Jus: Digital technology is one of the focus areas for everyone within the travel ecosystem. Technology has been accelerated by the pandemic and I see technology as an enabler for better experiences, while it cannot completely replace the actual physical tourist experiences. For instance, we are seeing a significant increase in social media as a tool to influence travel decisions, particularly among the younger generations and leisure travelers – particularly Instagram, Facebook and TikTok.

Secondly, people can experience certain places beforehand by using the metaverse. This is not going to replace the full experience, but it can give people a flavor of a destination before they go on holiday, so it enhances the overall experience. Another example is biometric technology at airports. We want traveler journeys to be as safe, seamless and efficient as possible.

JS: There are some new trends in tourism. One is medical tourism, and another is sustainable tourism. How do you assess these two new trends?

Jus: I wouldn't call them new trends, as we've seen medical tourism and sustainable tourism before the pandemic. We published a report in 2019 looking at medical tourism and the largest destinations for medical tourism globally. For example, the US, France and Turkey are some of the key centers for medical tourism. I would also mention wellness. Covid-19 has had a significant impact on people's well-being and as a result, people want to travel more to improve their mental and physical well-being.

With regards to sustainable travel, it's something that has taken off. In our recent consumer trends report, according to Trip.com, 69% of travelers said they were actively seeking sustainable travel options, which is very positive. But what we need to do as a sector is to start measuring our climate footprint in addition to the socio-economic impacts.

To respond to this need, we at WTTC together with the Saudi-based Sustainable Tourism Global Center, started measuring the climate and social impacts of the sector globally for 185 countries. Now we know that in 2019, when travel activity was at its peak, the sector was responsible for 8.1% of global greenhouse gas emissions. And now that we know the status quo we can take the next steps to further reduce emissions, so that net zero targets for the sector can be reached. **JS**

Written with the cooperation of Joel Challender who is a translator, interpreter, researcher and writer specializing in Japanese disaster preparedness.