

Travel Insights Newsletter

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Visa data offers insight into economic impact of the Olympic Winter Games PyeongChang 2018 Strong Asia-Pacific turnout expected in PyeongChang

The Winter Olympics are fast approaching, and South Koreans are hoping for a major tourism boost in the months ahead. Visa estimates the event will draw an additional 5-10 percent more foreign tourists than the country would get normally in February absent The Winter Olympics—and visitors to PyeongChang 2018 could spend up to 50 percent more on their Visa cards than regular visitors do. Asia Pacific (AP)—especially northern Asia—will likely add more than half of the tourist arrivals for the event.

Measuring the economic impact of The Winter Olympics is complicated by a lack of data on the host country's inbound tourism, since many studies rely on aggregated quarterly or annual data. With sponsors spending more than \$60 billion annually on events globally,¹ host countries stand to benefit significantly. The Visa International Travel (VISIT) platform provides more precise estimates. Combining official data with billions of transactions flowing over Visa's network, VISIT tracks cross-border travel at a higher monthly frequency for more than 80 source and destination countries/regions globally.

The tourism boost is unlikely to fully reverse the current slowdown in cross-border tourism, especially from China. Foreign travel to South Korea next February—depending on progress in Chinese tourism—could reach one million arrivals. This is down 5 percent year-over-year (YoY), but the decline would be deeper without the expected lift of 60,000 arrivals from The Winter Olympics added to the baseline.

¹ IEG, Sponsorship Spending Forecast: Continued Growth Around the World, Jan. 4, 2017, www.sponsorship.com

In this issue:

Asia-Pacific attendance at The Winter Olympics should lift visitor totals

Favorable economic trends in the AP region should reinforce the boost to local tourism

The Winter Olympics is expected to give a lift to spending too



Visa data offers insight into impact of The Winter Olympics (contd.)

To estimate arrivals for The Winter Olympics, Visa uses a macro-economic model to calculate a baseline of cross-border arrivals to South Korea, leveraging comparative host country data from the past four Olympic Winter Games (Nagano, Salt Lake City, Vancouver, Sochi) and isolating factors other than the games that might impact travel.

These factors include:

Economic “gravity” effect. Cross-border travel between two countries/regions tends to grow stronger with the size of their respective economies and weaker with the distance between them. Travel from North Asian countries/regions (Mainland China, Japan, Taiwan, Hong Kong) benefits from both proximity and the relatively large size of their economies. N. American and European travelers, however, may be at a disadvantage due to the longer distance for travel to PyeongChang.

Income growth. When incomes rise, households can afford to travel abroad more, leading to increased cross-border tourism. Revitalized global trade is causing a cyclical upswing in North Asian economies, leading to stronger employment growth and rising incomes.

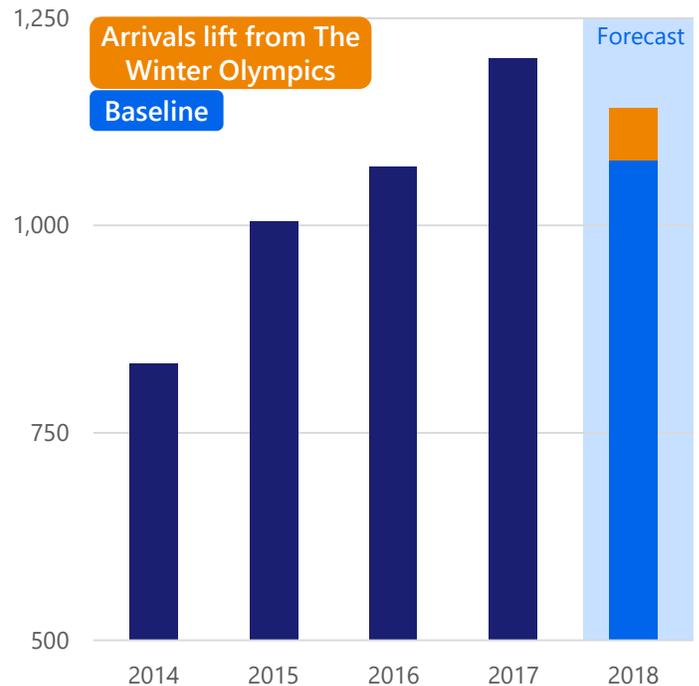
Currency. Travel to a host country is more likely with a weaker destination currency, making the trip more affordable. The Korean won has been weakening against neighbor-country currencies (except the Japanese yen), increasing the relative attractiveness of Korea as a travel destination in the coming months.

The Visa model also compares the baseline estimates for February travel to actual visitor arrivals during the past four Olympic Winter Games, and averages the lifts across those events for the projected arrivals at PyeongChang 2018.

One key non-economic factor in the model is the relative popularity of winter sports by country/region of origin. Asian economies that have northern hemisphere winters with snow are more familiar with winter sports than south Asia (this factor was proxied in the projections by the total number of medals won by a country’s athletes).

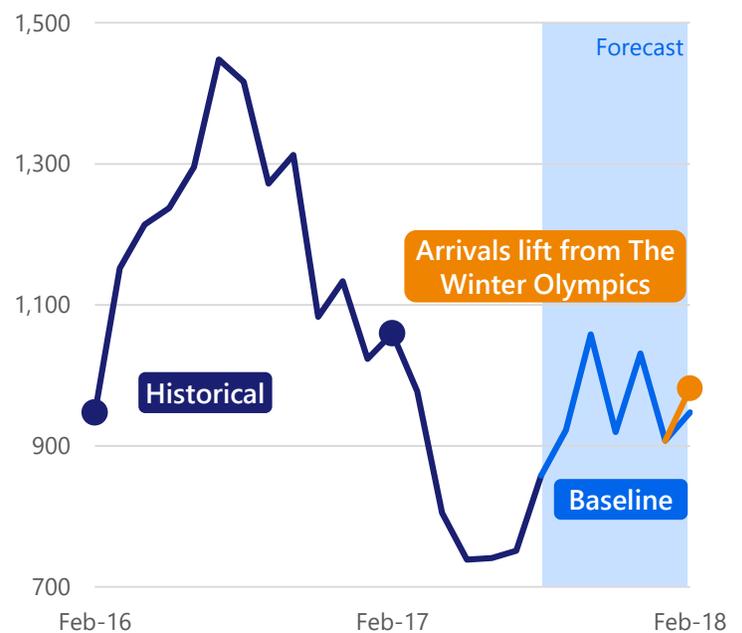
Based on Olympic Winter Games in Nagano, Salt Lake City, Vancouver and Sochi, visits from the top 15 medal-winning countries/regions are 26 percent higher during the month of the event, compared to just 5 percent lift for other visitors.

Foreign arrivals in South Korea and expected lift due to The Winter Olympics (Feb., thousands)



Sources: Korea National Tourism Agency/Haver Analytics, Oxford Economics, VISIT, Visa Business and Economic Insights calculations

AP arrivals in South Korea (thousands)

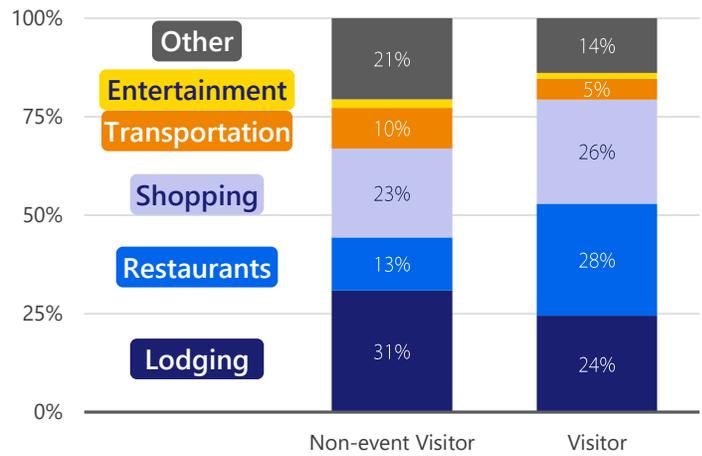


Source: Korea National Tourism Agency/Haver Analytics, Oxford Economics, VISIT, Visa Business and Economic Insights calculations

Visitors spend 50 percent more per card than regular visitors

The Winter Olympics can be a boon to local merchants, with not only more visitors than usual patronizing their businesses, but also spending more than regular visitors. According to a Visa analysis of the Sochi 2014 Winter Olympic Games, foreign tourists who attended and used their Visa-branded cards there spent \$634 per card on average, compared to \$418 for those who did not. The Winter Olympics also tends to have a halo effect on business outside the event venue, with event visitors spending \$1.40 more at merchants outside the event venue for every dollar spent inside. In addition, visitors to The Winter Olympics also spent a larger share on restaurants and shopping than other visitors did.*

Distribution of cardholder spend at merchants outside the event venues (Sochi 2014)*



*Excluding spend at merchants affiliated with The Winter Olympics for comparability. Sources: Visa Business and Economic Insights; VisaNet February 2014.



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Sources

IEG, Sponsorship Spending Forecast: Continued Growth Around the World, Jan. 4, 2017, www.sponsorship.com

Korea National Tourism Agency/Haver Analytics

Oxford Economics

Visa International Travel (VISIT)

Visa Business and Economic Insights

VisaNet February 2014

Methodology

Visa International Travel (VISIT) database is a proprietary model that combines Visa's cardholder data with publicly-available cross-border arrival statistics. The database provides a comprehensive view into high-frequency cross-border travel flows, currently encompassing the top 82 origin and destination countries/regions, which collectively account for more than 80 percent of global travel. VISIT combines unique counts of Visa cardholders that register a face-to-face transaction at a merchant outside their home country/region in a given calendar month with other transaction data such as average spend per cardholder, card usage patterns at lodging merchants and others. 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.

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