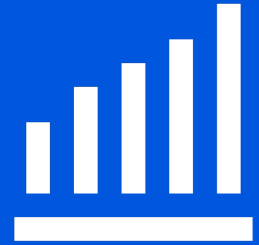


AP Economic Insight



Higher fuel costs set to reroute travel across Asia Pacific

Rising energy costs and airspace closures are moving billions of dollars of spending

Travel is one of the most important spending categories in Asia Pacific (AP), being the third-largest and fastest-growing merchant segment in 2025. Broadly defined, travel spending last year by Visa cards issued in Asia Pacific totaled nearly \$180 billion USD.¹ Of that amount, \$17 billion USD was spent on AP-issued cards at merchants in Europe, the Middle East and Africa (EMEA).

With higher fuel costs and airspace disruptions, these flows will look quite different in 2026, and governments, financial institutions and merchants face significant opportunities and risks. To meet the rising challenges, travel industry providers may need to take quick action, including:

- Rebalancing networks and partnership strategies around growing hubs
- Pivoting demand-generation to trips that could substitute for disrupted or more expensive trips, targeting the preferences of the affected customer archetypes
- Competing on flexibility and reassurance, and strengthening propositions for comparison shopping and risk mitigation
- Preparing for sustained higher travel costs and capacity constraints, while optimizing for resilient segments such as business and premium
- Capturing more local and shorter-haul spend to substitute for any reduced inbound volumes
- Adjusting payments, foreign exchange and risk parameters to ensure seamless transactions

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Key Points:

- Asia Pacific travelers are rerouting via new hubs and substituting toward intra-AP and domestic travel.
- Higher fuel costs and lower airline capacity will raise the cost of tickets everywhere, shifting to shorter-haul destinations, and switching in-destination spend to airfares and local purchases.
- Foreign exchange revenues, cross-border authorizations, and risk dynamics will also change under the shifting payment flows.



Diverted flows

Many AP travelers will likely shift their plans away from EMEA this year due to reduced flight capacity and higher ticket prices. The largest amount of spending looking for a new home will come from India, Australia, Mainland China and Hong Kong. In each of these four markets, more than 30 percent of total outbound in-person spend was through merchants in EMEA in 2025, making this a key opportunity for AP businesses. At the same time, tourism-dependent merchants in markets like the Maldives and Sri Lanka, where more than 50 percent of tourist spend in 2025 came from cards issued in EMEA, will need to find new customers. Same for Thailand, Indonesia and India, where that share was more than 30 percent.

Fig. 1: EMEA-dependent tourism markets are more exposed to travel disruptions

Bubble size represents value of inflows from Europe & CEMEA, USD billions

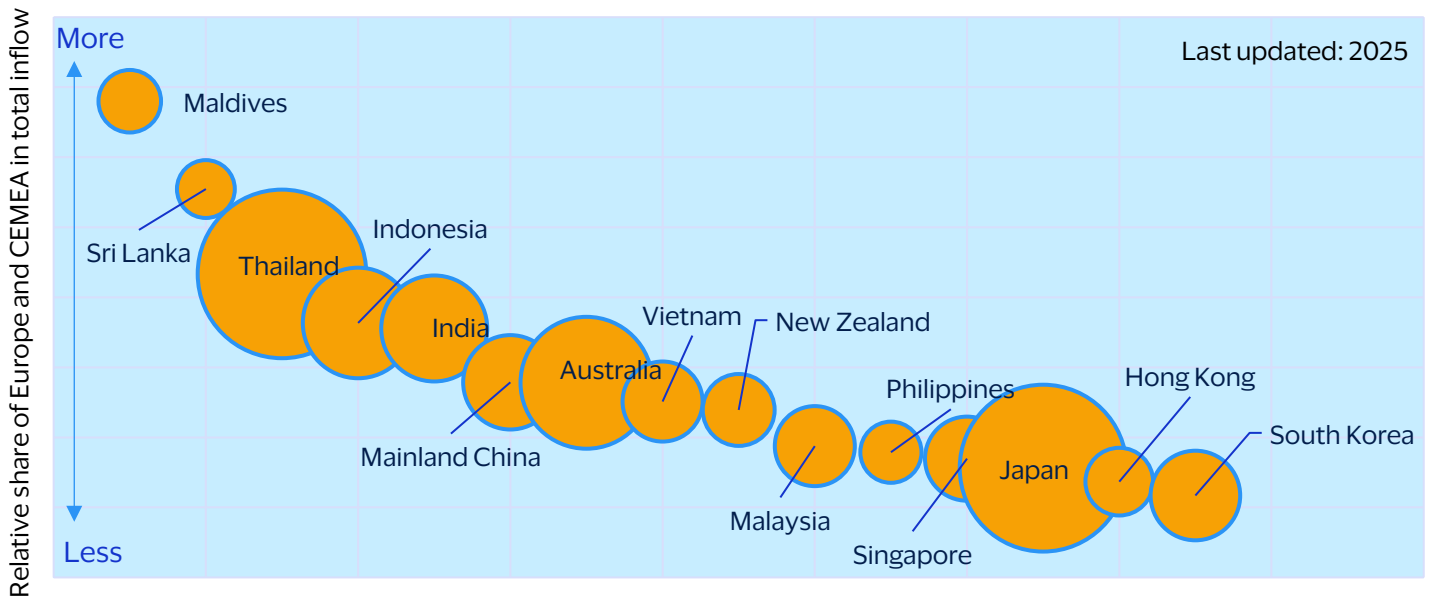
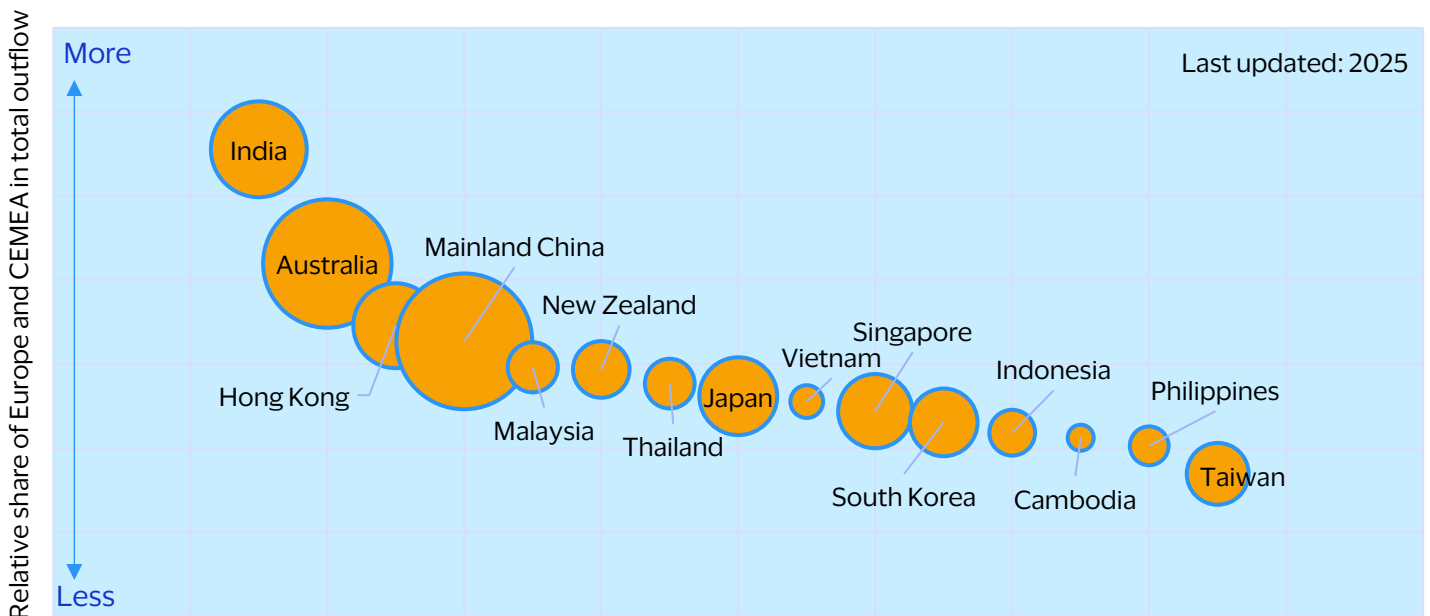


Fig. 2: Some AP travelers to EMEA destinations may look for alternatives in 2026

Bubble size represents value of outflows to Europe and CEMEA, USD billions

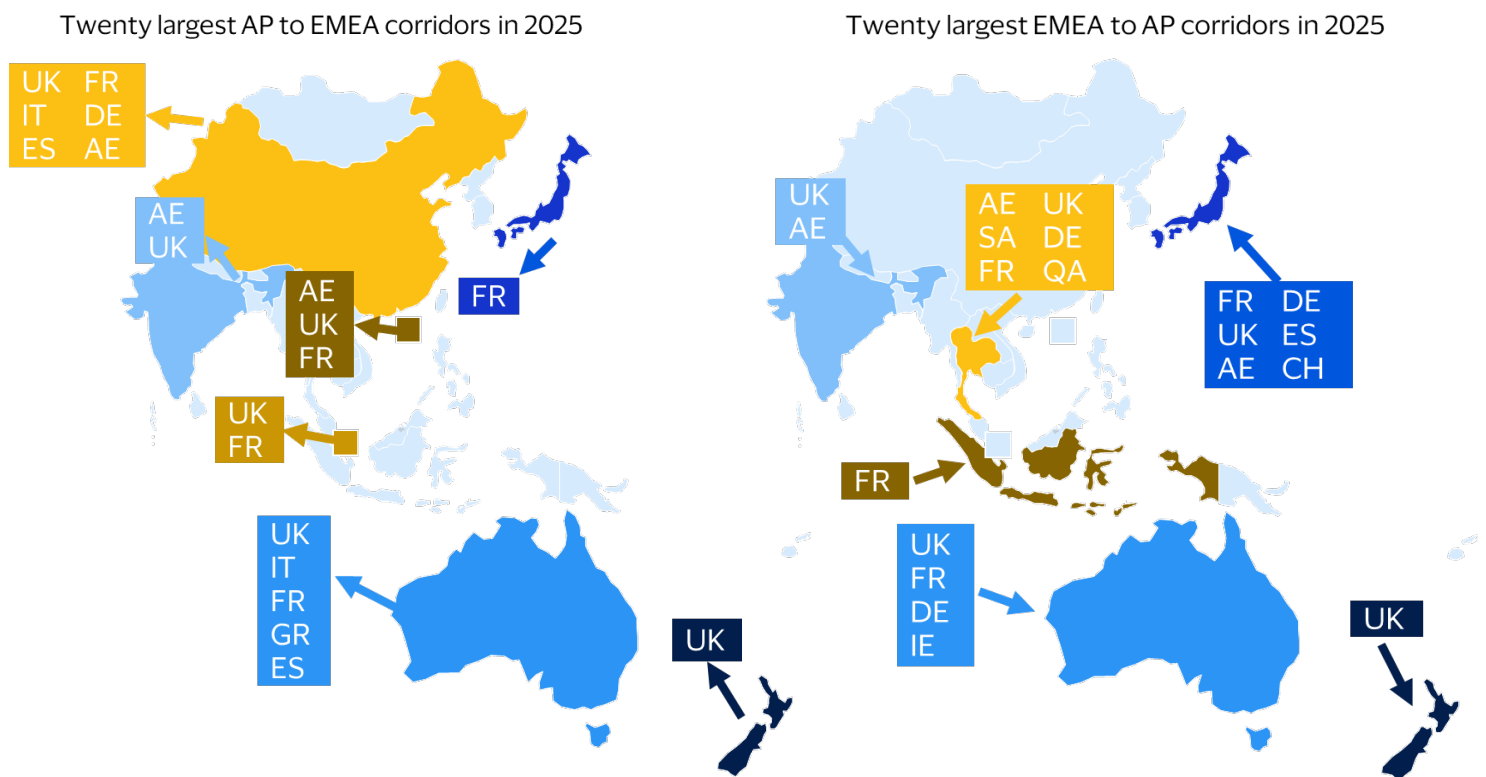


Source: Visa Business and Economic Insights analysis of VisaNet data

Opportunity, though, will not mechanically follow from geography: it will likely be found in particular customer archetypes. Airlines, hotels and other merchants may need to adapt specific marketing, activation and offer strategies: a closer look at specific corridors suggests what these archetypes could be. For instance, Thai beach destinations will lose some visitors from EMEA but could focus on attracting Australians who would otherwise head for a southern European winter getaway. Retailers in Singapore, Tokyo and Shanghai could look to convert Indians previously shopping in Dubai, or Mainland Chinese in Paris. More New Zealanders may choose to holiday at home. There will be opportunities in other regions as well: Canada or Chile might tempt European adventurers who were planning expeditions in Australia or New Zealand, while the Caribbean may be an ideal destination for those from western Europe previously headed for Thailand. Authorities in destinations like Nepal, Cambodia or India could consider ways to reduce entry friction. Agile pivots from governments in calibrating visa policy, from merchants in adjusting travel offerings, and from payment providers in ensuring acceptance, authorizations and optimized risk management in growing market pairings will decide where money goes.

Fig. 3: Which large payment corridors will be the most impacted?

Corridors based on VisaNet cross-border spend data (in USD)



All countries represented by ISO2 codes. For accessibility, see note on page 8.

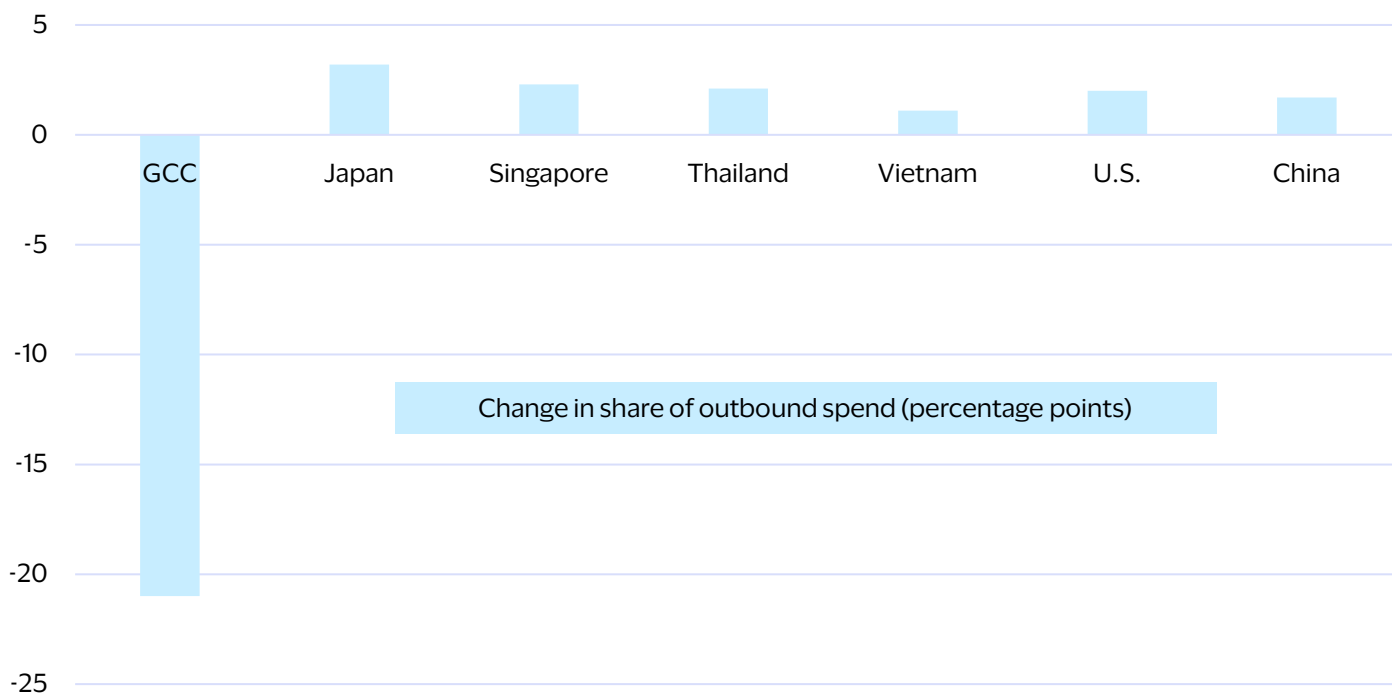
Source: Visa Business and Economic Insights analysis of VisaNet data

Space in the skies

Middle Eastern airlines carried one-quarter to one-half of passengers between Asia Pacific and Europe in 2025, depending on the market.² With much of that capacity removed, and safety concerns rising, the number of alternative airline hubs is growing. In Australia, searches for airlines such as Cathay Pacific or Singapore Airlines are up by more than 50 percent as flyers look for alternative hubs to get to Europe.³ Airlines that are still flying over Russian airspace, such as those from India and Mainland China, already benefitting from shorter flights and lower fuel costs, are likely to gain market share. North American voyagers can look to Tokyo, Seoul and Taipei as hubs to get to India or Southeast Asia. Our research suggests that buying intention is shifting towards comparison shopping, insurance and flexible ticketing.

Visa’s data already reflects this redistribution of spend. The share of the six Gulf Cooperation Council (GCC) economies in Indian outbound spend fell by 21 percentage points in March 2026 relative to January-February combined, as airspace closures and risk aversion increased. Around half of this spend was redistributed to Japan, Singapore, Thailand, China (including Hong Kong) and Vietnam. There was also a strong diversion of spend into North America.

Fig. 4: Share of outbound spending by Indian cardholders (percentage point change, March 2026 vs January-February 2026 combined)



Source: Visa Business and Economic Insights analysis of VisaNet data

Sky-high before you fly

Ticket prices are expected to go up across the board; more expensive jet fuel will raise prices even on routes that do not face any direct disruption. Based on estimates from the [International Air Transport Association \(IATA\)](#) and academic literature, a sustained doubling in jet fuel prices is likely to increase long-term airfares by around 30 percent and reduce demand by 18 percent, although the effect will likely be less in the short term due to airlines hedging fuel costs using contracts that delay cost pass-through.⁴

This effect will not be even: Fare increases are likely to be higher for certain segments facing reduced capacity or higher demand, such as Adelaide to Singapore or Delhi to London. While short-haul travel is generally held to be more sensitive to fare increases than long-haul, this is not as true in AP as it is in Europe or North America. More limited possibilities to switch journeys to cars or trains mean there are fewer substitutes for even short flights. Hence, we would expect to see a diversion of AP-originated leisure travel from long-haul to short-haul. Business travel and travel in premium classes will be more resilient: the benefits of business trips tend to be many multiples of the price of the flight, fuel cost is a smaller share of the ticket price for premium cabins, and airfares are a smaller share of disposable income for affluent consumers. The share of trips accounted for by family reunions will increase as these are likewise less sensitive to price. For example, Indian outbound spend to the U.K., where there is a large diaspora community, will be more robust than outbound spend to France, which is more of a leisure destination.

Opportunities and tactics for the travel industry

Expect a redistribution, rather than a reduction, of spending. Airline revenues may even be higher as price increases outweigh fewer trips. With fewer travelers, though, spending in destination would be expected to grow at a slower pace than otherwise. For corridors subject to capacity reduction or price increases, merchants in alternative locations, including at home, have the chance to gain new customers.

Certain segments, such as commercial and consumer premium cards, may see higher spend. Cutbacks on travel amongst other consumer cards will be uneven, as beachgoers spend less but family reunions continue. The weighting of different markets in spend will adjust, and authorization and risk models should be calibrated to this new reality. Some spending that previously occurred in Middle Eastern hubs will now occur in final destinations. The share of different currency pairs in foreign exchange volumes will adjust.

Under most plausible scenarios, fuel prices will remain high into the second half of 2026. Yet, travel has repeatedly proven itself to be a resilient category: Billions of dollars will still be spent, just in different ways and in different locations. Spending will be redistributed between corridors, merchant categories, channel and card type. Issuers, merchants and acquirers should prepare for an altered travel landscape for the rest of 2026, and agility will be key to capture the upside.

Deep dive: Thailand at the crux of the changes

Thailand enters the current period of elevated fuel costs and Middle East airspace disruptions with tourism growth running above trend. This growth has been accompanied by a higher reliance on long-haul travel flows. In 2025, the seven fastest-growing source markets for inbound tourism were all long-haul, with six originating from Europe and the Middle East (EMEA). As a result, Thailand is vulnerable to sustained increases in airfares and journey times. This exposure is further compounded by the relative strength of the Thai baht compared with currencies in competing destinations, such as Japan and South Korea.

At the same time, disruption also creates opportunity. In 2025, EMEA accounted for more than 30 percent of outbound travel spending from Mainland China, India, Australia and Hong Kong. As higher fares and longer routings encourage substitution away from transcontinental travel, Thailand is well placed to capture incremental short-haul demand, as well as travelers rerouting away from more expensive long-haul beach and urban destinations. Australians reconsidering winter trips to Mediterranean beach destinations or Indian travelers re-evaluating city breaks in Dubai could be enticed toward Thailand instead—provided the right mix of targeted marketing, pricing offers and differentiated product propositions. Bangkok, already an important hub airport with recent improvements in visitor experience like automatic immigration lanes, can increase its share of transfer traffic, such as from India to North America or Australia to Europe.

Thailand already appeals to many different tourist personas: beachgoers, shoppers, urbanites and wellness seekers, giving it genuine upside from a shifting travel landscape. For policymakers and merchants, agility will be critical. Given that EMEA destinations are popular with the affluent, a reorientation of tourism offerings may be especially worthwhile to appeal to this critical segment. Tailoring offers to regional travelers, improving conversion of redirected inflows, and ensuring seamless acceptance and risk management along fast-growing corridors will be key to sustaining tourism-linked revenues through 2026.



Footnotes

1. Based on VisaNet data and includes all spend at travel merchants along with in-person spend at any merchant types in markets apart from where the card was issued.
2. Cirium Aviation Analytics
3. Visa Global Travel Intentions Study 2026
4. IATA 2007, IATA Elasticities Report. According to IATA, fuel accounts for around 30 percent of total airline operating costs, and a 10 percent increase in global ticket prices will reduce travel demand by around 6 percent.

Forward-Looking Statements

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Accessibility notes

Fig. 1: A bubble chart shows showing Asia Pacific markets with bubble size representing the value of inflows from Europe and CEMEA in U.S. dollar billions. Each bubble corresponds to a country (displayed along the horizontal axis and include India, Australia, Hong Kong, Mainland China, Malaysia, New Zealand, Thailand, Japan, Vietnam, Singapore, South Korea, Indonesia, Cambodia, the Philippines, and Taiwan), and the chart visually compares the relative size of inbound spending dependence across markets. Larger bubbles indicate higher inflows from Europe and CEMEA, while smaller bubbles indicate lower inflows. The chart displays a wide range of bubble sizes, with some markets having noticeably larger bubbles than others, indicating substantial variation in inbound spending exposure ranging from 12 percent (South Korea) to 68 percent (Maldives).

Fig. 2: A bubble chart shows the share of total outbound spending to Europe and CEMEA for multiple Asia Pacific economies. Countries are displayed along the horizontal axis, including India, Australia, Hong Kong, Mainland China, Malaysia, New Zealand, Thailand, Japan, Vietnam, Singapore, South Korea, Indonesia, Cambodia, the Philippines, and Taiwan. The data values on the vertical axis range from approximately 17 percent at the low end to about 56 percent at the high end, with India showing the highest share and Taiwan the lowest among the listed markets.

Fig. 3: Figure 3 consists of two stylized geographic maps of the Asia Pacific region with directional arrows and country labels using ISO2 country codes. The maps visually depict the twenty largest cross-border payment corridors from AP to EMEA on the left and EMEA to AP on the right, with arrows pointing between origin and destination regions. The figure presents a dense network of labeled corridors rather than numerical scales, emphasizing the geographic distribution and direction of payment flows. On the left, key destinations shown include the UK, France, Germany, Italy, Spain, Greece, and the UAE. Major origin areas include China, India, Southeast Asia, Australia, and New Zealand. Australia displays corridors primarily to the UK and Western Europe, while East and Southeast Asia show strong links to the UK, France, Germany, and the UAE. On the right, prominent origin countries include the UK, France, Germany, Saudi Arabia, the UAE, and Qatar. Destination regions include Southeast Asia, Australia, and New Zealand. Australia and Southeast Asia receive the largest number of prominent corridors, with repeated links from the UK and Western Europe.

Fig. 4: A vertical bar chart shows the percentage point changes in the share of outbound spending by Indian cardholders across destinations. The horizontal axis lists regions and countries including the GCC, Japan, Singapore, Thailand, Vietnam, the United States, and China. The vertical axis shows percentage point change. The GCC bar extends downward to minus 21 percentage points, while all other destinations extend upward, ranging from about plus 1.1 percentage points for Vietnam to about plus 3.2 percentage points for Japan, with intermediate positive values for Singapore, Thailand, the United States, and China.