Global Travel Insight

China's reopening sets global travel on path to full recovery in 2023

Three years after the World Health Organization designated COVID-19 a global pandemic, a full recovery is finally in sight for the global travel and tourism industry—the earliest and hardest-hit sector of the economy. China's lifting of its coronavirus controls puts the last piece in place to push global travel above its 2019 levels and provides timely impetus to a maturing rebound.

On its current trajectory, Asia Pacific monthly outbound travel could match its 2019 levels as early as this July. Our projection is grounded in the Visa International Travel (VISIT) platform,[1] which enables comparisons of Asia Pacific's travel recovery to that of other regions. In this context, Asia Pacific is well-positioned for such a swift recovery, especially after a weak 2022 in which it reached only 27 percent of its 2019 volume. With Asia Pacific back and now looking forward to a full year of relatively unimpeded travel ahead, international travel arrivals will likely exceed 1 billion for the year, from nearly 890 million in 2022. As the recovery proceeds, the mix of key international travel destinations is also set to change. Destinations in Asia Pacific, which had been closed to foreign travelers during the pandemic, could reclaim lost visits. This should help to reduce the pressure that has been building on other destinations in their absence. Moreover, the so-called 'revenge travel spending' seen in the initial recoveries of other regions is now occurring with Asia Pacific travelers, helping to inject an additional source of revenues into their travel destinations.

Key Points:

Asia Pacific set to reap further gains in travel

Travel preferences are evolving post-pandemic

Travel spend is still holding up

VISA

# Asia Pacific outbound travel could fully recover soon

Our estimate of a full recovery to 2019 levels in July 2023 assumes monthly outbound travel from Asia Pacific tracks with other regions' recoveries. At what point a region gathers enough strength to be on a full-fledged recovery can be hard to determine, but past experience suggests that once a 30 percent recovery rate has been met, forward momentum takes over.

For Asia Pacific, that happened in September 2022, a full year later than either North America or Europe. Compared to the other regions, Asia Pacific's outbound travel recovery appears to be largely tracking that of North America— with more heavy concentration in long-distance travel in these early months.

Asia Pacific also shares another commonality with the North American recovery: its most-travelled corridors prior to the pandemic were largely shut early in the recovery. In North America, the U.S.-Canada border only began to re-open to vaccinated travelers in November 2021, four months into the recovery. In Asia Pacific, the most-travelled corridors were those into and out of China, which were reopened three months into the recovery. If Asia Pacific's recovery were to follow the same trajectory as that of North America, monthly volumes would not pass the 100 percent mark until year-end at the earliest. Asia Pacific's reemergence, though, has two key advantages: the pandemic's waning grip on the economy and public health, and the rest of the world's head start at being open to travel for at least a year already.

Fig. 1: Asia's outbound travel recovery relative to the recoveries in Europe and North America
(Monthly travel volumes relative to the same month in 2019)
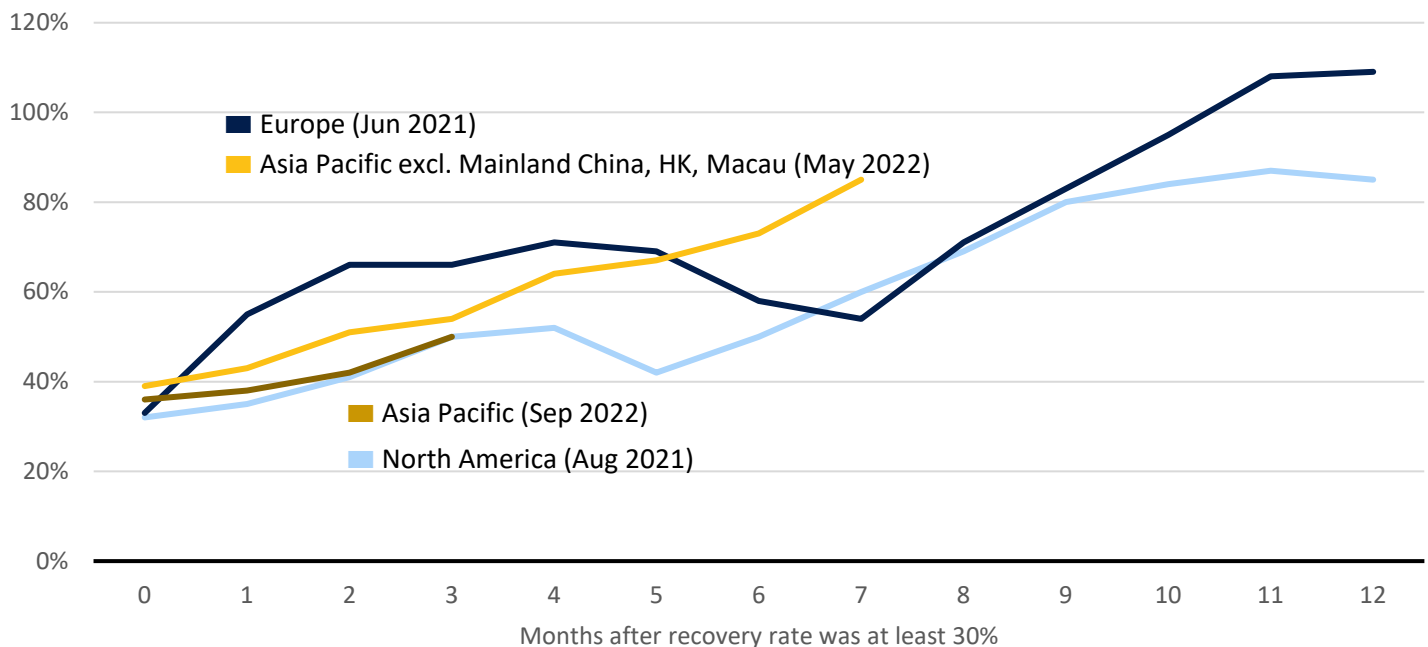
Source: Visa International Travel platform

Excluding Mainland China, Macau and Hong Kong, the rest of Asia's recovery shows the benefits of opening later and why there's reason to be hopeful that time to full recovery might come faster. Given its earlier re-opening, the rest of Asia's recovery began earlier in May 2022 and after tracking Europe's recovery initially is now outpacing it. Europe's recovery fell back briefly at the end of 2021 in response to the spread of the Omicron variant. Continuing on its current path, the rest of Asia should attain full recovery by February or March. In addition, now that China's Omicron wave has largely passed, the region as a whole could recover fully by the global peak travel season (June – August), depending on how quickly the rest of the infrastructure needed to support cross-border travel (documentation, lodging, routes) comes back online.

Reshuffling of travel destinations is underway

Just as the pandemic reordered the popularity of travel destinations, its ending opens the possibility that destinations may regain their former positions. Consider Tokyo, which ranked as the ninth most popular destination globally in 2019, according to the VISIT platform. Border closures and other measures to control the pandemic took their toll, Tokyo in 2022 saw its global rank fall to 93 and recovered only 16 percent of its 2019 visitor volumes. In contrast, Mecca, which reopened earlier and has benefited from a government push to promote tourism, has risen to become the thirteenth most visited city, up from 44th in 2019. Mecca, like other international destinations such as Dubai and London, benefited from the Asia Pacific border restrictions in 2022, as travelers from Asia Pacific diverted their travel from closed destinations to more open ones outside of the region. Intra-regional travel recovery in Asia Pacific excluding Mainland China, Hong Kong and Macau stood at only 35 percent of its 2019 level in 2022; in contrast, travel between Asia Pacific and other regions reached 69 percent. Another reason could be that as cities in Europe and the Middle East re-opened earlier, the travel infrastructure was already in place, making travel easier.

Similarly, on an intra-regional basis, Bali's popularity in Asia as a travel destination increased sharply, rising from an overall rank within Asia Pacific of seventh in 2019 to third in 2022. It has also achieved a recovery rate of 48 percent in 2022, which is higher than most other Asia Pacific cities, including Phuket (32 percent recovered), another popular beach destination. Visitor arrivals to Bali from Europe and North America recovered by at least 49 percent. The travel recovery is rather impressive given that Indonesia only gradually relaxed its entry requirements from the end of Q1-2022. Bali's outperformance can be partly attributed to the increase in flexible work arrangements, whereby people travel to Bali to work remotely. The lower cost of living and scenic views make Bali an attractive destination to work and play. Another reason could be the gradual return of business travel to Bali, with conferences such as the G20 Leaders Summit being held there.

Fig. 2: International arrivals by origin region to top cities in 2022, millions
(Millions of arrivals, total arrivals recovery rate to 2019)
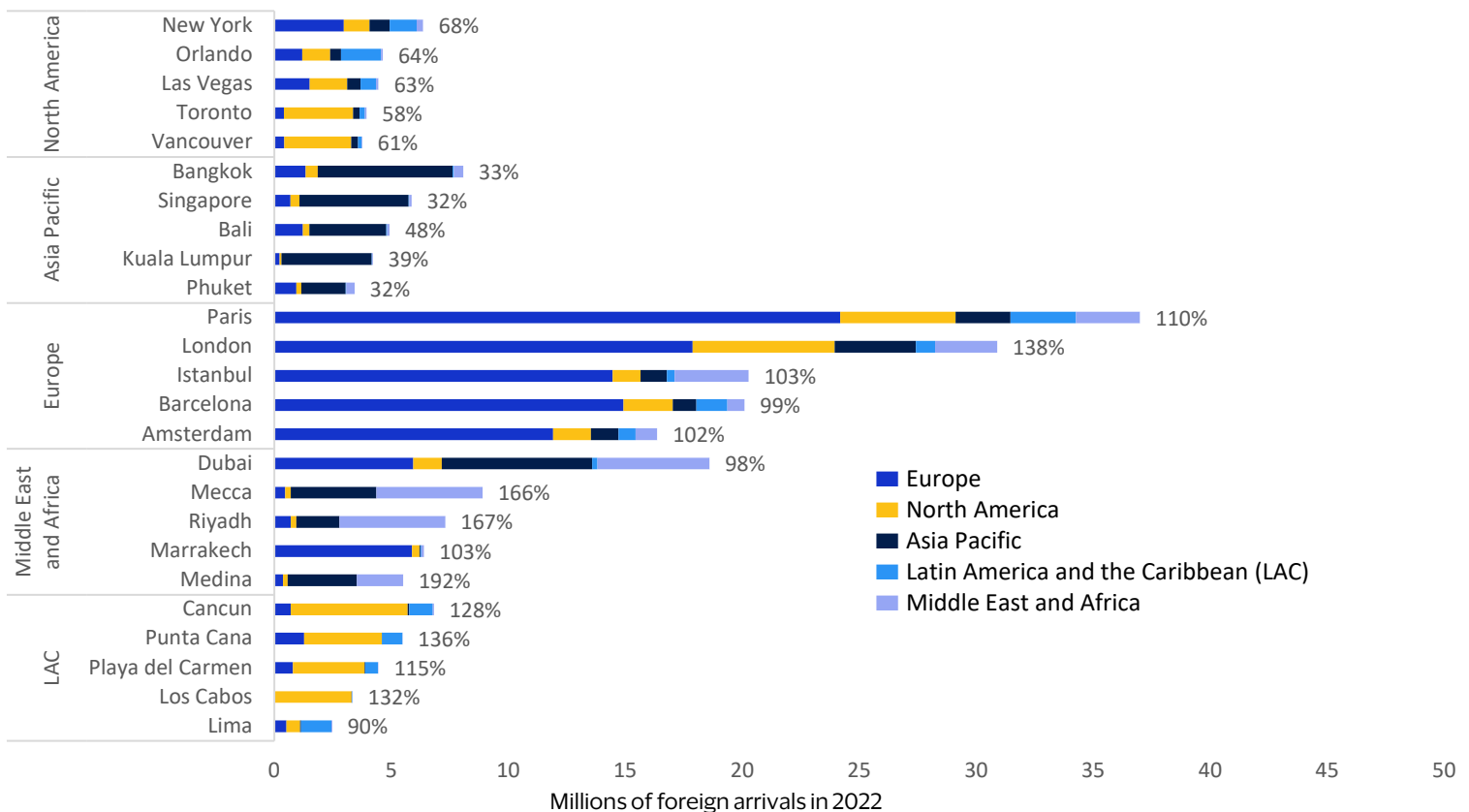
Source: Visa International Travel platform

Asia Pacific travel spend is recovering at a faster pace

Despite the weaker recovery in visitor arrivals, visitor spend in the destination cities has picked up, in part due to inflation as well as pent-up demand in 2022. Over the course of the COVID-19 pandemic, consumers around the world were unable to travel and accumulated vast amounts of savings. For instance, the household saving ratio in South Korea and Australia and the personal saving rate in Singapore reached decades highs during the pandemic. Hence, it was no surprise that visitor spend recovered faster than visitor arrivals once borders re-opened, given the strong pent-up demand from travelers coupled with higher prices of goods and services. Naturally, top cities in regions that have fully recovered in terms of visitor arrivals, such as Europe and the Middle East and Africa, saw stronger growth in their tourism spend. For instance, 2022's retail tourism spend by consumers using Visa-branded credentials in Dubai and Paris was 213 percent and 123 percent of their 2019 levels, respectively. Tourism spend in top cities in Asia Pacific, such as Bali and Bangkok, recovered at least 60 percent in 2022. This is far stronger than their respective recoveries in visitor arrivals.

Fig. 3: Tourism spend by consumers using Visa-branded credentials in top cities in Asia Pacific and Europe (share of spend in 2022 relative to 2019 in percent)
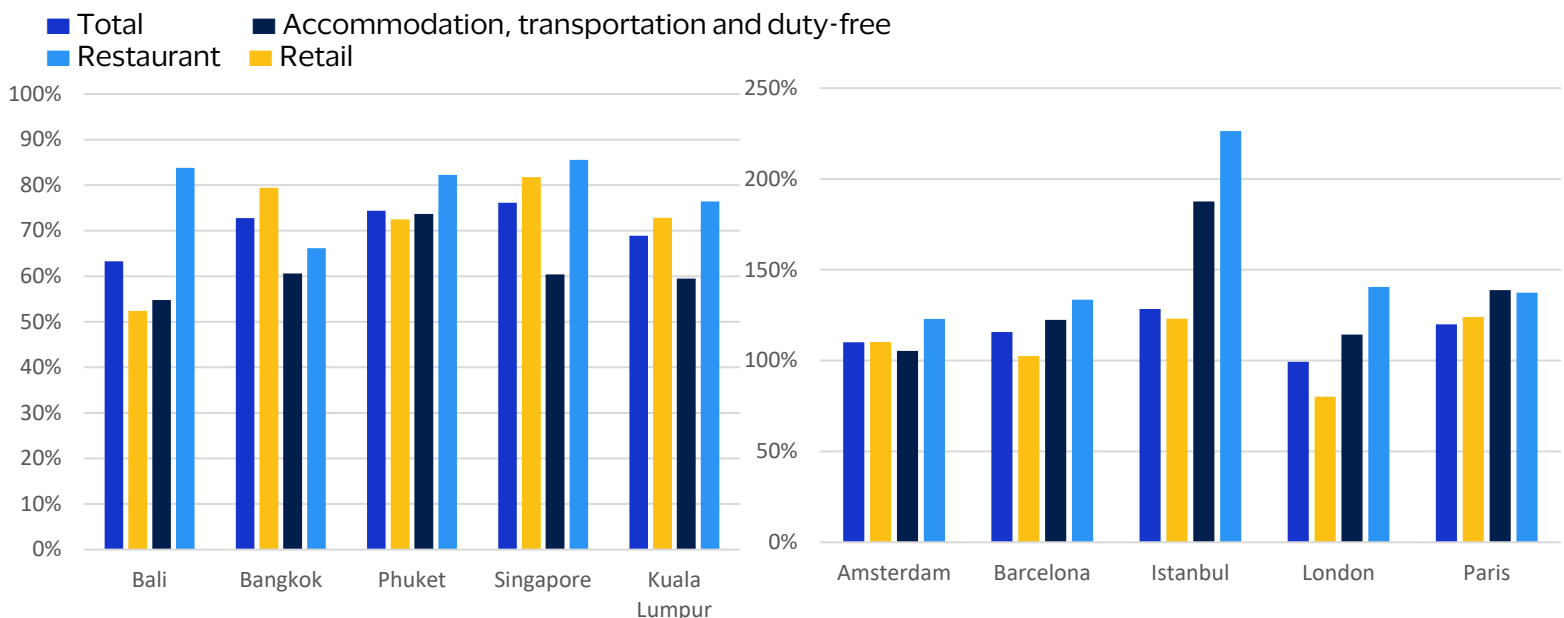
Source: Visa Business and Economic Insights analysis of VisaNet

Other key observations of consumers using Visa-branded credentials included:

1. Restaurant spend by tourists generally recovered much faster than retail spend in top cities in 2022. This probably reflects the willingness of travelers to dine out after spending months eating take-out or home-cooked meals at home during the pandemic. For instance, restaurant spend in beach destinations such as Bali and Cancun stood at 84 percent and 186 percent of 2019 levels, respectively.

2. Sale counts of restaurant spend by tourists were at least 82 percent recovered in top cities across the Asia Pacific, Europe, and Middle East and Africa, with some experiencing robust growth. This was also far greater than the sale counts of retail spend, highlighting the demand by travelers to dine out. Another possible reason is that inflation for food and restaurants is rising faster than retail goods as evidenced in the United Kingdom. The picture was more mixed for North America, Latin America and the Caribbean.

3. Only top cities in Asia Pacific saw a higher average ticket size for retail spend as compared to restaurant spend, with some even experiencing positive growth in 2022 compared to 2019. This suggests that travelers to Asia Pacific are purchasing bigger ticket items from retail shops. For instance, the average ticket size for retail and restaurant spend in Bangkok recovered by 113 percent and 74 percent, respectively.

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.

Accessibility Notes

Fig 1. Line chart showing the recovery in outbound travel relative to 2019 from the month when the recovery rate was at least 30 percent. The chart includes regions like Europe, North America, Asia Pacific and Asia Pacific excluding Mainland China, Hong Kong and Macau. Initially, Europe saw the fastest recovery, reaching above 60 percent in just two months after achieving a recovery rate of 30 percent. It managed to achieve full recovery after eleven months. On the other hand, Asia Pacific as whole saw sluggish growth, recovering slightly above 40 percent in the same amount of time. The recovery for North America was gradual as well, recovering above 50 percent in four months before a dip in recovery. Asia Pacific excluding Mainland China, Hong Kong and Macau saw a much faster recovery trajectory. After recovering by at least 30 percent in May 2022, it rose linearly to recover over 80 percent in just seven months, the fastest rate amongst the other regions.

Fig 2. Bar chart showing the international arrivals by origin region to top cities in the various regions in 2022. The recovery rates from 2019 are reflected in percentage terms. For North America, the top cities are New York (68 percent recovered), Orlando (64 percent recovered), Las Vegas (63 percent recovered), Toronto (58 percent recovered), and Vancouver (61 percent recovered). For Asia Pacific, the top cities are Bangkok (33 percent recovered), Singapore (32 percent recovered), Bali (48 percent recovered), Kuala Lumpur (39 percent recovered), and Phuket (32 percent recovered). For Europe, the top cities are Paris (110 percent recovered), London (138 percent recovered), Istanbul (103 percent recovered), Barcelona (99 percent recovered), and Amsterdam (102 percent recovered). For Middle East and Africa, the top cities are Dubai (98 percent recovered), Mecca (166 percent recovered), Riyadh (167 percent recovered), Marrakech (103 percent recovered), and Medina (192 percent recovered). For Latin America and the Caribbean, the top cities are Cancun (128 percent recovered), Punta Cana (136 percent recovered), Playa del Carmen (115 percent recovered), Los Cabos (132 percent recovered), and Lima (90 percent recovered).

Fig 3. Bar chart showing the tourism spend by consumers using Visa-branded credentials in top cities in Asia Pacific and Europe. Generally, most of the top cities in Europe have seen a full recovery in tourism spend relative to 2019 in verticals such as restaurant, retail, accommodation, transportation and duty-free. One city that stood out was Istanbul, which saw its spend in (i) restaurant, and (ii) accommodation, transportation and duty-free recover by around 225 percent and 185 percent respectively. While London saw a full recovery in tourism spend on (i) restaurant (140 percent recovered), and (ii) accommodation, transportation and duty-free (114 percent recovered), its tourism spend on retail still lagged behind (80 percent recovered). However, the recovery in Asia Pacific remained weaker. None of the verticals in the top cities in Asia Pacific saw a full recovery in tourism spent but recovery ranged from around 50 percent to around 85 percent. For instance, tourism spend in the retail vertical in Bali recovered by 52 percent but spend in restaurants recovered faster (84 percent), bringing the overall tourism spend recovery to 63 percent. Meanwhile, tourism spend in Singapore for retail and restaurants recovered by 82 percent and 86 percent respectively.

Forward Looking Statements

This report may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Art of 1995. These statements are generally identified by words such as "outlook", "forecast", "projected", "could", "expects", "will" and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statement we make about Visa's business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Expect as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise

Disclaimer

The views, opinions, and/or estimates, as the case may be ("views"), expressed herein are those of the Visa Business and Economic Insights team and do not necessarily reflect those of Visa executive management or other Visa employees and affiliates. This presentation and content, including estimated economic forecasts, statistics, and indexes are intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice and do not in any way reflect actual or forecasted Visa operational or financial performance. Visa neither makes any warranty or representation as to the completeness or accuracy of the views contained herein, nor assumes any liability or responsibility that may result from reliance on such views. These views are often based on current market conditions and are subject to change without notice.

Visa Business and Economic Insights Staff

Wayne Best, Chief Economist	wbest@visa.com
Bruce Cundiff, Vice President, Consumer Insights	bcundiff@visa.com
Michael Brown, Principal U.S. Economist	michael.brown@visa.com
Adolfo Laurenti, Principal European Economist	laurenta@visa.com
Richard Lung, Principal Global Economist	rlung@visa.com
Glenn Maguire, Principal Asia Pacific Economist	gmaguire@visa.com
Mohamed Bardastani, Senior CEMEA Economist	mbardast@visa.com
Jennifer Doettling, Director, Content and Editorial	jdoettli@visa.com
Michael Nevski, Director, Consumer Insights	mnevski@visa.com
Dulguun Batbold, Global Economist	dbatbold@visa.com
Travis Clark, U.S. Economist	wiclark@visa.com
Ben Wright, U.S. Economist	bewright@visa.com
Angelina Pascual, European Economist	anpascua@visa.com
Mariamawit Tadesse, Global Economist	mtadesse@visa.com
Woon Chian Ng, Asia Pacific Economist	woonng@visa.com
Juliana Tang, Executive Assistant	jultang@visa.com

For more information, please visit us at Visa.com/Economicinsights or VisaEconomicInsights@visa.com.

VISA