

WORLD TRAVEL & TOURISM COUNCIL

World

THE TRAVEL & TOURISM ECONOMY 2002
Special End of Year Update





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WTTC's 2002 simulated Tourism Satellite Accounting research, produced by Oxford Economic Forecasting and released last spring, highlighted the damaging impact of the terrorist attacks of September 11, 2001 on global Travel & Tourism. With world economic recovery proving more fragile than hoped in the spring, continuing risks from terrorism evident in several countries, and possible military action against Iraq a real possibility, prospects for Travel & Tourism in 2003 look less positive than forecast earlier in the year. Oxford Economic Forecasting has therefore produced this end of year update of the 2002 TSA research.

The fundamental message from this update is that the world Travel & Tourism industry will need longer to recover from the impacts of September 11th than we expected at the start of the year. Key points are:

2002 Estimates

The end of year estimates for the Travel & Tourism industry in 2002 look very similar to the earlier projections. For most of 2002, output has been running slower than 2001 as demand has been hit first by 9/11 worries over travelling and second by spending cutbacks associated with the global economic downturn. However, Q4 output is running well above that seen in the immediate aftermath of 9/11, so the end of year estimates do not look so bleak. In fact, the relative strength of consumer spending in many countries compared with expectations earlier in the year has helped maintain personal Travel & Tourism spending, and we now see industry output flat in 2002 rather than the declining levels we were expecting in the spring.

With output flat, Travel & Tourism industry jobs have fallen again this year by an estimated 1.7%, leaving 3 million fewer jobs in 2002 than in 2000.

2003 Estimates

The recovery of Travel & Tourism demand in 2003 is likely to be substantially slower than that projected in the spring, held back by the continuing weakness of the world economy, with business travel in particular hit hard by the pressures on companies to cut costs and bolster their profitability. We now expect international visitor spending to recover by a modest 1.6% in 2003 after falling 10% over the previous two years, leaving international visitor spending in 2003 more than 20% below what might have been expected if it had grown by a more typical 5% a year.

Overall, we expect world Travel & Tourism Industry GDP to grow by 2.3% next year, compared with our earlier forecast of more than 5.4%.

With this growth in output, we expect some global recovery in Travel & Tourism jobs, up 1.7% over the year. But this still leaves Travel & Tourism industry employment 1.8 million jobs lower than in 2000, and a loss of 6.4 million jobs in 2003 compared with more normal growth of 2% a year.

Risks

There are additional risks to the forecast if war with Iraq materialises, as this would cause an adverse effect on the world economy and on Travel and Tourism in particular. We have already looked at a scenario where war produces sustained disruption to the Middle East, with knock-on effects on oil prices and the world economy, together with increased worries about the safety of travel. In the event of military action, WTTC will release another special edition of the TSA research based on this scenario.

WTTC TSA ESTIMATES AND FORECASTS - UPDATED FOR END OF YEAR 2002

World	2002			2003		
	US\$ Bn	% of Tot	Growth ¹	US\$ Bn	% of Tot	Growth ²
Personal Travel & Tourism	2,064.6	9.9	0.7	2,233.9	10.1	4.4
Business Travel	380.3	---	-3.5	406.8	---	3.4
Government Expenditures	207.3	3.8	3.7	221.5	3.8	3.1
Capital Investment	634.7	9.2	0.4	676.9	9.3	3.0
Visitor Exports	514.7	6.5	-4.7	551.5	6.1	1.6
Other Exports	434.3	5.4	2.6	493.0	5.5	8.3
Travel & Tourism Demand	4,235.5	---	-0.1	4,583.3	---	4.1
T&T Industry GDP	1,211.5	3.7	0.1	1,286.1	3.6	2.3
T&T Economy GDP	3,317.9	10.0	0.6	3,541.4	10.0	2.8
T&T Industry Employment	71,940.1	2.8	-1.7	73,185.6	2.8	1.7
T&T Economy Employment	198,668.0	7.8	-0.5	201,590.0	7.8	1.5

¹2002 Estimated Real Growth Adjusted for Inflation (Percent); ²2003 Estimated Real Growth Adjusted for Inflation (Percent); Employment in Thousands;

Green: updated estimates are better than originally expected

Red: updated estimates worse than originally expected

Total Demand

Travel & Tourism is expected to generate US\$ 4,235.5 Billion of economic activity (Total Demand) in year 2002, growing (nominal terms) to US\$ 4,583.3 Billion by 2003. 2002 growth was previously estimated at -0.4%. End of year estimates now peg 2002 growth at -0.1%. A gain of 0.4%. Similarly, new end of year estimates have decreased the 2003 growth forecast by -1.9% to 4.1%.

Gross Domestic Product - Travel & Tourism Industry

The T&T Industry is expected to contribute 3.7% to Gross Domestic Product (GDP) in 2002 (US\$ 1,211.5 Billion), rising in nominal terms to US\$ 1,286.1 Billion (3.6% of total) by 2003. 2002 growth was previously estimated at -0.9%. End of year estimates now peg 2002 growth at 0.1%. A gain of 1.0%. Similarly, new end of year estimates have decreased the 2003 growth forecast by -3.2% to 2.3%.

Gross Domestic Product - Travel & Tourism Economy

The T&T Economy contribution (percent of total) should rise from 10.0% (US\$ 3,317.9 Billion) to 10.0% (US\$ 3,541.4) in this same period. 2002 growth was previously estimated at -0.3%. End of year estimates now peg 2002 growth at 0.6%. A gain of 1.0%. Similarly, new end of year estimates have decreased the 2003 growth forecast by -2.5% to 2.8%.

Employment

In 2002, T&T Economy employment is estimated at 198,668,000 jobs or 7.8% of total employment, which is 1 in every 12.8 jobs. By 2003, this should total 201,590,000 jobs, 7.8% of total employment or 1 in every 12.8 jobs. The 71,940,100 T&T Industry jobs account for 2.8% of total employment in 2002 and are forecast at 73,185,600 jobs or 2.8% of the total by 2003. 2002 T&T economy jobs growth was previously estimated at -0.8%. End of year estimates now peg 2002 growth at -0.5%. A gain of 0.3%. Similarly, new end of year estimates have decreased the 2003 T&T economy jobs growth forecast by -2.0% to 1.5%.

Exports

Travel & Tourism is expected to generate 11.9% of total exports (US\$ 949.0 Billion) in 2002, growing (nominal terms) to US\$ 1,044.5 Billion (11.6% of total) in 2003. 2002 visitor exports growth was previously estimated at -4.2%. End of year estimates now peg 2002 growth at -4.7%. A loss by of -0.5%. Similarly, new end of year estimates have decreased the 2003 visitor exports growth forecast by -7.8% to 1.6%.

World - Updated Estimates and Forecasts for End of Year 2002

World	2002			2003		
	US\$ Bn	% of Tot	Growth ¹	US\$ Bn	% of Tot	Growth ²
Personal Travel & Tourism	2,064.6	9.9	0.7	2,233.9	10.1	4.4
Business Travel	380.3	---	-3.5	406.8	---	3.4
Government Expenditures	207.3	3.8	3.7	221.5	3.8	3.1
Capital Investment	634.7	9.2	0.4	676.9	9.3	3.0
Visitor Exports	514.7	6.5	-4.7	551.5	6.1	1.6
Other Exports	434.3	5.4	2.6	493.0	5.5	8.3
Travel & Tourism Demand	4,235.5	---	-0.1	4,583.3	---	4.1
T&T Industry GDP	1,211.5	3.7	0.1	1,286.1	3.6	2.3
T&T Economy GDP	3,317.9	10.0	0.6	3,541.4	10.0	2.8
T&T Industry Employment	71,940.1	2.8	-1.7	73,185.6	2.8	1.7
T&T Economy Employment	198,668.0	7.8	-0.5	201,590.0	7.8	1.5

¹2002 Estimated Real Growth Adjusted for Inflation (Percent); ²2003 Estimated Real Growth Adjusted for Inflation (Percent); Employment in Thousands

World - Original Estimates and Forecasts as of March 2002

World	2002			2003		
	US\$ Bn	% of Tot	Growth ¹	US\$ Bn	% of Tot	Growth ²
Personal Travel & Tourism	2,039.0	9.9	0.0	2,232.2	10.1	5.3
Business Travel	379.1	---	-3.9	417.1	---	6.1
Government Expenditures	203.6	3.8	3.2	218.6	3.8	3.2
Capital Investment	642.2	9.2	1.0	698.6	9.2	4.7
Visitor Exports	514.7	6.5	-4.2	591.8	6.6	9.4
Other Exports	432.8	5.4	1.6	492.6	5.5	8.2
Travel & Tourism Demand	4,211.1	---	-0.4	4,650.6	---	6.0
T&T Industry GDP	1,195.1	3.6	-0.9	1,309.5	3.7	5.4
T&T Economy GDP	3,282.5	10.0	-0.3	3,597.1	10.2	5.4
T&T Industry Employment	71,709.5	2.8	-2.0	74,532.3	2.9	3.9
T&T Economy Employment	198,098.0	7.8	-0.8	204,894.0	7.9	3.4

¹2002 Estimated Real Growth Adjusted for Inflation (Percent); ²2003 Estimated Real Growth Adjusted for Inflation (Percent); Employment in Thousands

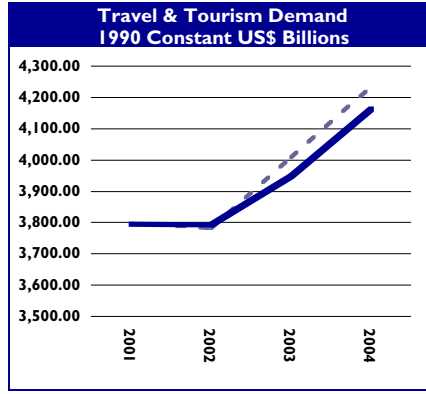
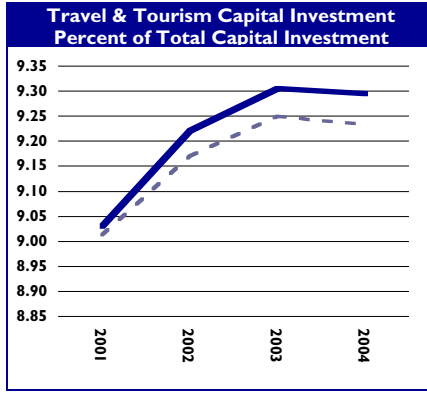
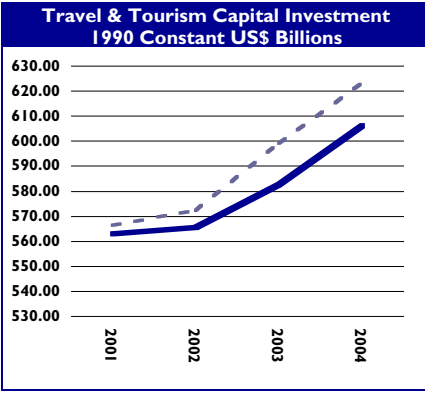
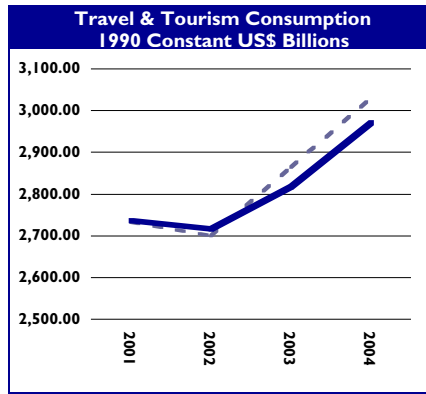
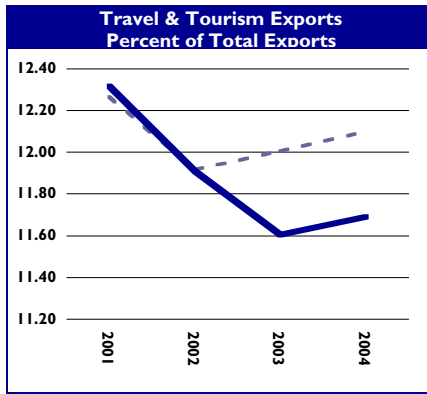
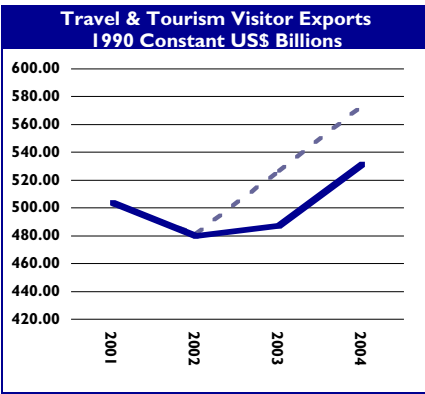
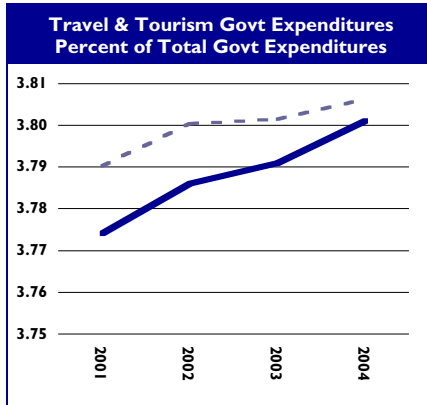
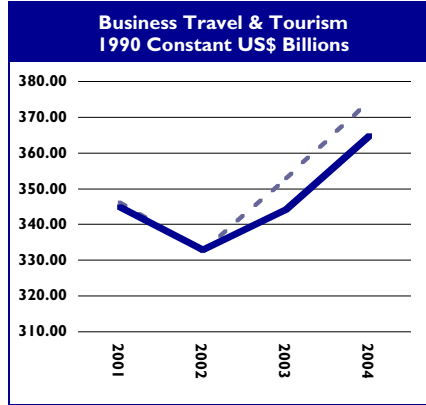
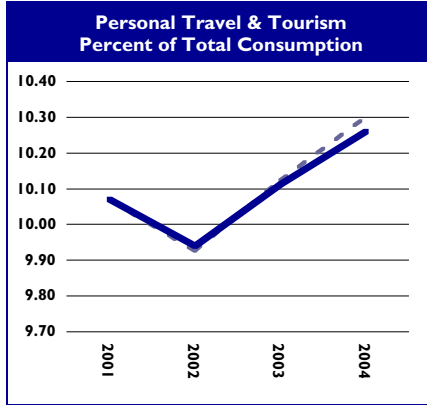
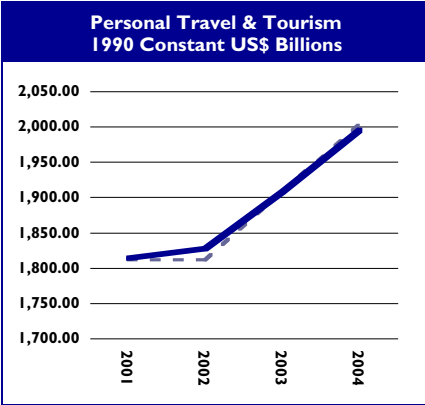
World - Change to Estimates and Forecasts

World	2002			2003		
	US\$ Bn	% of Tot	Growth ¹	US\$ Bn	% of Tot	Growth ²
Personal Travel & Tourism	25.6	0.0	0.7	1.7	0.0	-0.9
Business Travel	1.2	---	0.5	-10.3	---	-2.7
Government Expenditures	3.6	0.0	0.5	3.0	0.0	-0.1
Capital Investment	-7.5	0.1	-0.6	-21.7	0.1	-1.7
Visitor Exports	0.0	0.0	-0.5	-40.4	-0.4	-7.8
Other Exports	1.5	0.0	1.0	0.4	0.0	0.2
Travel & Tourism Demand	24.4	---	0.4	-67.2	---	-1.9
T&T Industry GDP	16.4	0.0	1.0	-23.4	-0.1	-3.2
T&T Economy GDP	35.4	0.0	1.0	-55.7	-0.1	-2.5
T&T Industry Employment	230.6	0.0	0.3	-1,346.7	-0.1	-2.2
T&T Economy Employment	570.0	0.0	0.3	-3,304.0	-0.1	-2.0

¹2002 Estimated Real Growth Adjusted for Inflation (Percent); ²2003 Estimated Real Growth Adjusted for Inflation (Percent); Employment in Thousands

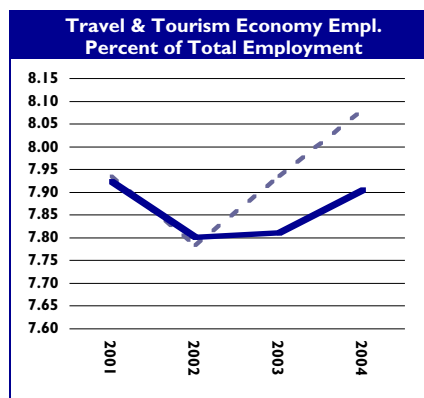
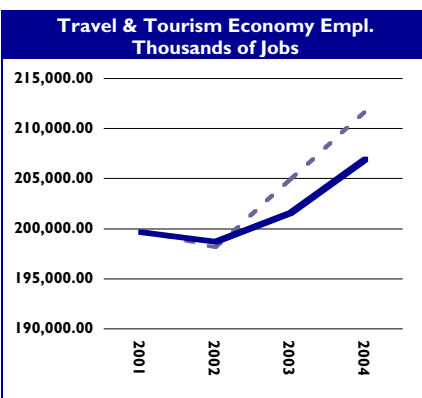
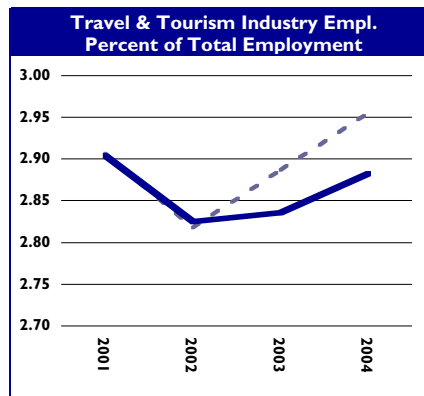
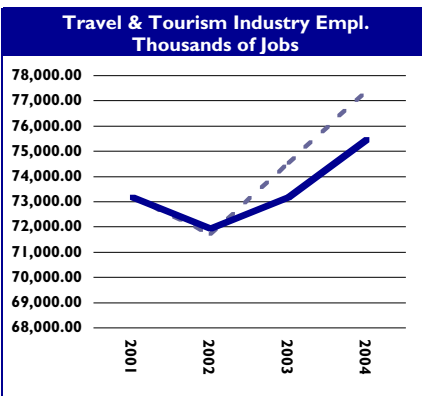
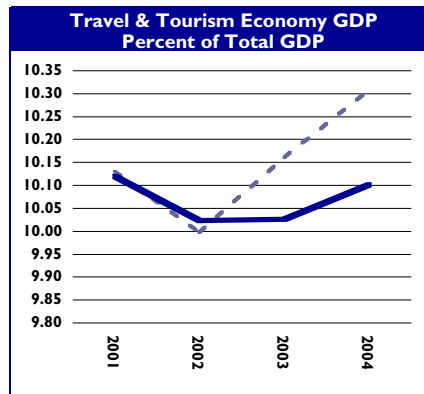
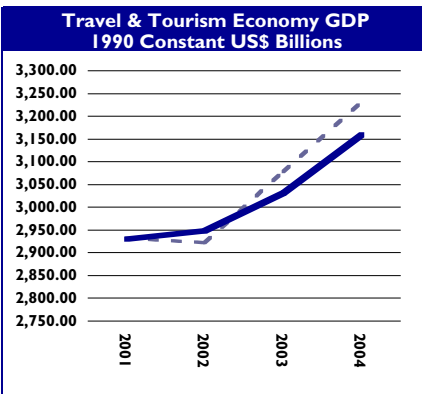
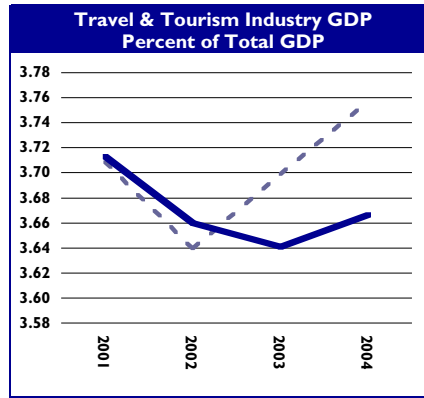
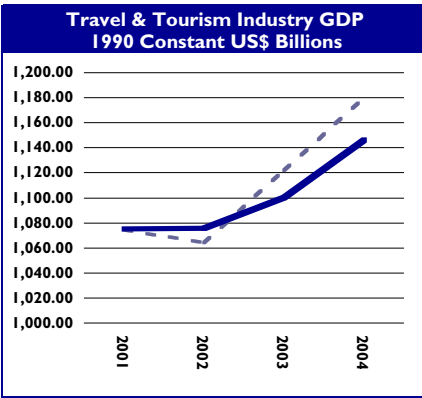
Green: updated estimates are better than originally expected

Red: updated estimates worse than originally expected



OEf's Year 2002 EOY Estimates
Solid Dark Blue

OEf's Year 2002 BOY Estimates
Dashed Light Blue



OE's Year 2002 EOY Estimates
Solid Dark Blue

BOY's Year 2002 BOY Estimates
Dashed Light Blue



WTTC's Tourism Satellite Accounting Research

The World Travel & Tourism Council / Oxford Economic Forecasting Travel & Tourism Satellite Accounting research for 2002 reflects: a comprehensive simulation of the new international standard adopted by the United Nations, twelve years of model development and TSA experience and application of OEF's latest macroeconomic forecasts.

TSA Economic Concepts

The Travel & Tourism Satellite Account is based on a "demand-side" concept of economic activity, because the industry does not produce or supply a homogenous product or service like traditional industries (agriculture, electronics, steel, etc.). Instead, Travel & Tourism is an industrial activity defined by the diverse collection of products (durables and nondurables) and services (transportation, accommodations, food and beverage, entertainment, government services, etc.) that are delivered to visitors. There are two basic aggregates of demand in the TSA:

Travel & Tourism Consumption represents the value of products and services that have been consumed by visitors. It is the basic demand-side aggregate used to construct an explicitly defined production-side "industry" equivalent for comparison with all other industries. Travel & Tourism Consumption includes:

- ◆ **Personal Travel & Tourism**, more formally known as consumer expenditures, which captures spending by residents of an economy on traditional Travel & Tourism services (lodging, transportation, entertainment, meals, financial services, etc.) and goods (durable and nondurable) used for Travel & Tourism activities.
- ◆ **Business Travel** by government and industry, which mirror Personal Travel & Tourism's spending on goods and services (transportation, accommodation, meals, entertainment, etc.), but are intermediate inputs used in the course of business or government work.
- ◆ **Government Expenditures (Individual)** by agencies and departments which provide visitor services such as cultural (art museums), recreational (national park) or clearance (immigration / customs) to individual visitors.
- ◆ **Visitor Exports**, which includes spending by international visitors on goods and services.

Travel & Tourism Demand builds on Travel & Tourism consumption to include Travel & Tourism products and services associated with residual components of final demand. It is used to construct a broader "economy-wide" impact of Travel & Tourism. The residual elements of Travel & Tourism demand are:

- ◆ **Government Expenditures (Collective)** made by agencies and departments associated with Travel & Tourism, but generally made on behalf of the community-at-large, such as tourism promotion, aviation administration, security services and sanitation services.
- ◆ **Capital Investment** by Travel & Tourism providers (the private sector) and government agencies (the public sector) to provide facilities, equipment and infrastructure to visitors.
- ◆ **Exports (Non-Visitor)** which include consumer goods sent out-of-state for ultimate sale to visitors (such as clothing, electronics or gasoline) or capital goods sent out-of-state for use by industry service providers (such as aircraft or cruise ships).

By employing input/output modeling separately to these two aggregates (Travel & Tourism Consumption and Travel & Tourism Demand), the Satellite Account is able to produce two different and complementary aggregates of **Travel & Tourism Supply**: the **Travel & Tourism Industry** and the **Travel & Tourism Economy**. The former captures the explicitly defined production-side "industry" equivalent, direct impact only, for comparison with all other industries, while the latter captures the broader "economy-wide" impact, direct and indirect, of Travel & Tourism.

Finally, one of the most important elements of the Travel & Tourism Satellite Account is the Employment results which can now be quantified for the basic Travel & Tourism Industry and the broader Travel & Tourism Economy.

- ◆ **T&T Industry Employment** generally includes those jobs with face-to-face contact with visitors (airlines, hotels, car rental, restaurant, retail, entertainment, etc.).
- ◆ **T&T Economy Employment** includes T&T Industry Employment plus those faceless jobs associated with:
 - Industry suppliers (airline caterers, laundry services, food suppliers, wholesalers, accounting firms, etc.).
 - Government agencies, manufacturing and construction of capital goods and exported goods used in Travel & Tourism.
 - Supplied commodities (steel producers, lumber, oil production, etc.).