# Research Briefing | Global

## 2025 Key Themes

- **Global international travel demand will continue to grow in 2025 in our baseline forecast, up 12% y-y and set to reach a record 1.75bn arrivals, underpinned by consumer spending growth in all major markets. However, there is greater uncertainty going in to 2025 with risks skewed to the downside. Key risks include the potential impact of policies implemented by the US, geopolitical risks and less certainty around the pace of growth in China. Our GTS scenarios suggests arrivals could be 8% below baseline levels next year.**
- **Chinese outbound travel will continue on an upward trajectory as capacity levels continue to be restored and economic fundamentals improve, but there will remain some significant differences from pre-pandemic trends and a return to 2019 levels is now not expected until 2026. Chinese travel demand has shifted post-pandemic with greater focus on connectivity, ease of access and safety in making travel decisions. Growth will still be fuelled by new travellers, but will also include a larger proportion of repeat visitors seeking more authentic cultural experiences.**
- **President-elect Trump's second term adds to uncertainty in policy, trade, international relations and travel sentiment next year. An initial boost to US outbound travel is expected from the income boost delivered by expected tax cuts, as well as the affordability gains as the dollar will remain strong. But the impacts on prices from tariffs have the potential to outweigh any gains over time. Uncertainty around timings and scale of tariffs make it difficult to quantify impacts, but our downside scenario for US inbound travel would see a delayed recovery to 2027/28 and loss of 13mn visitors relative to our baseline.**
- **Prices will remain elevated next year and while although consumers have continued to prioritise travel, recent trends suggest that value for money has become increasingly important to consumers in making travel decisions. This will continue in 2025 with opportunities for lower cost destinations to gain market share.**
- **Overtourism is an issue for a range of destinations as demand continues to grow and tourism intensity is rising to new record levels. However, the problem is not universal and is largely limited to a smaller proportion of destinations. Any specific problems vary by destinations with similar variation in the policies being put in place, while the benefits that are brought to destinations by tourism spending should not be overlooked. There remain significant opportunities for a wide range of destinations and businesses as many travellers also express a desire for new unique and authentic experiences.**

### Global travel growth to continue, despite uncertainty

Travel demand will continue to grow in 2025, despite heightened uncertainty in key demand drivers and markets. Risks are skewed to the downside for travel and wider economic activity. This includes notable uncertainty around the impact of policies that will be implemented by President Trump during his second term, as well as the ongoing geopolitical risks and less certainty around the pace of growth in China.

Our baseline outlook for global travel is underpinned by continued economic growth as inflation rates continue to trend towards central bank targets, prompting further gradual interest cuts throughout 2025. The pressures endured by households on incomes over the past two years will continue to ease and bolster travel demand growth next year.

Global inbound arrivals are now effectively recovered to the same level as the prior peak in 2019 and 2025 will see new record levels being reached across most destinations. We are now firmly entering a phase of growth, rather than recovery for the overwhelming majority of countries. Global arrivals will grow 12% y-y in 2025, still above trend by historic standards as this includes ongoing rebound in Asia-Pacific, making it

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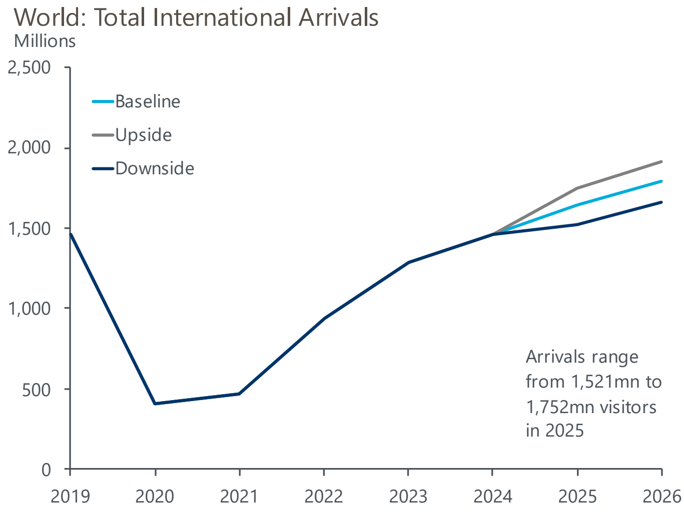
the fastest growing region. Ongoing recovery in Chinese outbound travel will also drive strong growth in other parts of the world.

**Chart 1: Total International Arrivals**




*Source: Tourism Economics*

The largest downside risk to the benign growth in our baseline relates to the changing administration in the US government with concerns that new and potentially significant targets imposed by President-elect Trump will lead to a resurgence in inflation that will disrupt global trade, consumer and travel demand.

Other key risks include a slower growth trajectory for the Chinese economy - which would further hamper the eagerly anticipated rebound in Chinese outbound travel. Stringent trade policy from the US adds to this uncertainty. An escalation in geopolitical tensions remains a further key risk which could lead to further energy price shocks.

Our scenario analysis suggests that global travel demand could be 8% lower than baseline volumes in a combined downside scenario. That said, there is some upside risk to our baseline outlook. This is underpinned by less severe tariffs imposed in the upcoming Trump administration which would minimise disruption to global trade allowing inflation to settle and central banks to advance plans to cut monetary policy. Alongside this, new policy interventions recently introduced in China could prove to be successful in driving stronger economic growth and propelling the outbound travel recovery.

Further, if there is one thing that the travel industry has demonstrated in recent years is that it is resilient as travel recovery continued despite the inflation-driven squeeze on incomes. With less trade disruption, stronger growth in China outbound travel and de-escalating geopolitical tensions, we would expect to see more momentum in global travel with international arrivals in an upside scenario estimated to be 6% above our baseline projection in 2025.

## Chinese outbound travel recovery will continue but return to pre-pandemic levels deferred to 2026

In 2024 outbound travel from China has been on a positive recovery trend albeit on a slower path than originally anticipated. At the start of the year Chinese tourists faced challenges regarding air capacity and tourism services – such as passport renewal and visa processing, primarily caused by staffing shortages. These issues have improved gradually throughout 2024, with air capacity nearing pre-pandemic levels for

China's top outbound markets and with recovery of air capacity already achieved to key destinations such as Singapore and Malaysia, aided by the introduction of more favourable visa policies.

China outbound trips now sit 33% below 2019 levels, up from 57% below in 2023. The slower than anticipated easing of constraints, paired with the weak domestic economic backdrop in China have contributed to the lacklustre return of outbound Chinese travel. By contrast, domestic Chinese travel is well above 2019 levels and the substitution back to international travel activity is lagging the experience in other countries as many travellers remain cautious about a return to pre-pandemic norms.

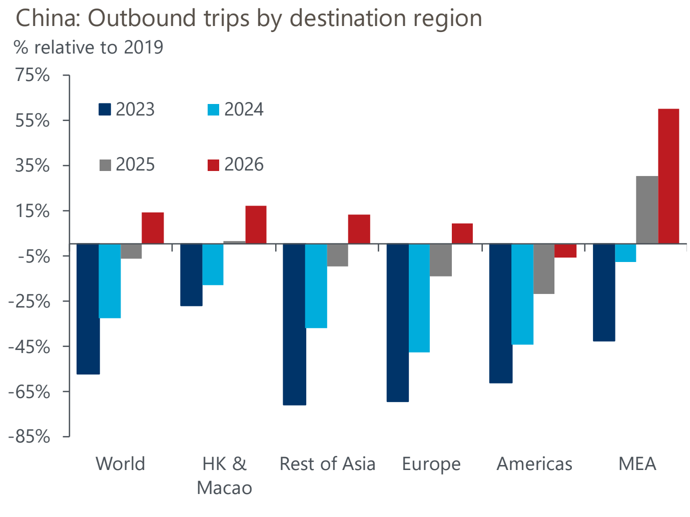
Economic growth is showing some clear signs of improvement in the last months of 2024 and should continue to improve moving into 2025 owing to earlier policy support. Particularly, measures targeted at boosting consumption and stabilising the housing market have started to pay off, with retail sales surging y/y in October and property transactions rebounding. As consumers are willing to spend more, the share of tourism in total household expenditure will further increase. However, concerns remain over the recent depreciation of the Chinese Yuan decreasing affordability of international travel for Chinese tourists.

While Hong Kong & Macao are more recovered compared to other global destinations, the pace of recovery underwhelmed as travel activity between these jurisdictions tend to follow a 'domestic-like' trajectory. Chinese trips to Hong Kong and Macao remain 18% below 2019 levels in 2024.

Travel to the wider Asia-Pacific region from China saw the strongest improvement since the start of the year, indicating that short- and medium-haul destinations remain favoured in the initial recovery phase. Chinese travel to Asia Pacific sits 30% below pre-pandemic levels this year, with top destinations including Japan, Thailand, and South Korea, albeit still remaining below 2019 levels. Aided by the weak Yen, Japan is the busiest international market with capacity at 23% below 2019 levels, followed by Thailand at 24% below and South Korea at 26% below.

Passport renewals have caught up with post-pandemic back logs, while favourable visa agreements with the likes of Singapore, Malaysia, Thailand, Australia, and many EU nations will help boost outbound travel from China. Outbound travel will continue to grow as the economic backdrop and travel conditions improve in 2025, but a full recovery to 2019 levels has been deferred to 2026.

### Chart 2: China: Outbound trips by destination region




*Source: Tourism Economics*

The Middle East will continue to see a strong recovery in arrivals from China indicating that there remains a strong appetite for long-haul travel, and aided by three key factors: strong connectivity, ease of access and safety. In our recent Travel Trends Survey (TTS), 85% of Chinese respondents identified ease of access as an important consideration in booking travel. These are particular strengths in the GCC region which is driving the wider regional trend. For example, visitors from China travelling to the UAE are eligible for visa on arrival with multiple entry for up to 90 days which helps to encourage repeat visits. Importantly this allows Chinese travellers to visit multiple destinations within the GCC region as part of a wider trip.

A further factor that supports our view that China outbound travel will continue to recover and regain its position as a top global source market is the continued growth in middle class income households. This was a key driver of pre-pandemic growth and more than 40mn new households are expected to be able to afford travel by 2030. In addition, when asked about travel preferences in our TTS, 64% of Chinese respondents identified visiting renowned and iconic destinations as a key preference, while a larger proportion - 71% - identified visiting new destinations as a key preference, indicating that while repeat visitors will comprise a rising proportion of Chinese travel, there remains a large proportion of first-time travellers.

## President-elect Trump's second term will add to uncertainty

The second Trump presidency poses some uncertainty for the economic and travel outlook for the coming year. The immediate macroeconomic impacts from a second term Trump involve a short-term boost (due to tax cuts) and a long-term drag (due to immigration impacts and trade policy). However, the scale and reach of each of these policy effects is highly uncertain.

The anticipated short-term bump in disposable incomes for US consumers associated with Trump's fiscal policies should be evident in faster growth for destinations with a high dependence on US consumers compared to our previous forecast round. Some tighter monetary policy to offset the looser fiscal policy will ensure that the dollar will remain strong and further boost US spending power and outbound travel.

Trump's second presidency echoes similar policies to his first, with trade tariffs and travel bans threatened for certain countries. During Trump's first presidency, the US experienced minimal inbound travel growth excluding the pandemic years, with a loss of market share over the same period, as highlighted in a recent research brief. In Trump's previous term, explicit bans focused on certain countries with majority-Muslim populations, with a significant fall-off in travel volume over the period. A spillover sentiment effect was observed more widely across the Middle East as travel from the region fell 9% over the first three years of Trump's presidency. President-elect Trump has discussed reinstating the same travel bans this term, with colleges across the country encouraging its international students to return to the country before his inauguration in January.

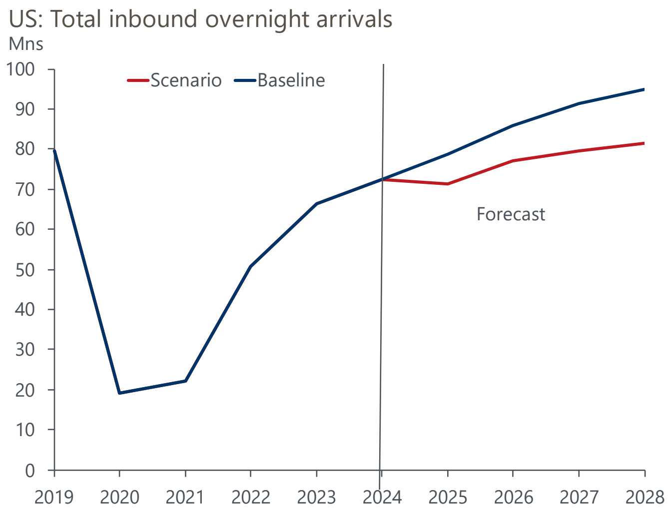
Legislation around deportation would restrict labour growth, as well as posing more direct challenges to employers in the tourism sector. We are heavily sceptical that mass deportation posed on the campaign could realistically occur, with a more moderate step down in travel volumes seeming more realistic. But any new legislation will be felt heavily within the accommodation sector in the US, where almost one-third of employees are immigrants (31% of workers are foreign born to non-US parents), of which half of these are non-US citizens. As well as limiting the number of workers there would potentially be renewed upwards pressure on wages and operating costs.

There is significant uncertainty around how trade tariff policies will unfold once Trump returns to office, with promises of tariffs on imports from Canada, Mexico and China along the campaign trail. Our current view is that targeted tariffs are likely, but with a large lag between announcement and implementation. Slower economic growth in these markets will transmit into a slowdown for outbound travel from these markets. The more interesting discussion point is one around sentiment, with tariffs potentially eliciting retaliatory responses.

There is a potential boost to domestic travel within the US, as reflected in the draft results of our Q4 Travel Industry Monitor (TIM) which will be published in the new year. When asked about the impact of the US presidential election on travel, more than two fifths of all respondents and almost two thirds of US respondents confirmed that the outcome of the election has changed their view on the travel outlook. For both sets of respondents, the broad expectation was that inbound travel would be negatively impacted - both next year and in the medium term - while respondents expect stronger domestic tourism over the next few years.

We have modelled a downside scenario which examines a plausible 'worst case' outcome for the US. Impacts were examined through three channels - a) reduced global economic and outbound travel growth as a result of tariffs; b) the US loses further market share from countries targetted by the tariffs as sentiment is severely impacted; and c) a retaliatory travel ban imposed by China in response to more significant tariffs compared to other countries. In this scenario, inbound travel would not regain 2019 levels until 2027/28, with 13mn fewer visitors compared to our baseline outlook.

**Chart 3: US: Total inbound overnight arrivals**




*Source: Tourism Economics*

## Value for money is increasingly important for destination choice

Prices are set to remain significantly higher next year and although consumers have continued to prioritise travel, data has begun to suggest that prices are becoming an increasingly important consideration when making travel decisions.

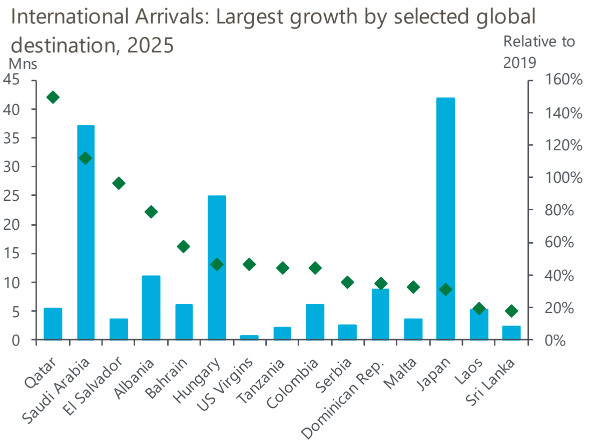
Results from our latest Travel Trends Survey (Q3 2024) indicate that consumers will continue to prioritise travel in 2025 as they have done over the last year, despite facing elevated prices. However, at the same time, a high number of respondents reported that they would limit expenditure while undertaking these leisure trips. The implication of this on travel over the next year is that travel volumes will continue to rise, but tourists may seek more affordable alternatives or reduce spending budgets. This consumer sentiment is supported by arrivals data which has shown stronger travel demand in comparably cheaper destinations such as Albania and Malta.

Tourism-related firms have had to pass on some, if not all, of these persistently higher costs to consumers, contributing to the stickiness in services inflation. Financial factors including the increasing costs of doing business, cost of accommodation and the cost of flights have remained key challenges for the industry throughout 2024, including within our quarterly TIM surveys. The expectation of new tariffs coming into effect and increasing import costs following the US elections will be a factor in rising concerns over the cost of doing business in 2025. Moving ahead, businesses will need to delicately balance further price rises and the need to cover costs.

An implication of increased value-seeking behaviour among consumers in 2025 will be on the value achieved by destinations. Average spend-per-night in real terms (2023 prices), is set to be on a steady downward trajectory next year, 3.2% lower than at its peak in 2023. This comes at a time when destinations, in particular those struggling with overtourism, are trying to achieve higher tourism value through spending rather than through an unsustainable rise in visitor numbers.

However, this also offers opportunities for destinations with a higher perceived value-for-money. Lower cost destinations tend to be less-well known or ‘off-the-beaten-track,’ for instance Albania, Colombia, Tanzania and Sri Lanka. This is not exclusively true as Japan is comparably cheap for a range of source markets. But performance in some high-value and luxury destinations will not suffer next year as long as they continue to offer a good product. There will still remain a market for tourism in these hubs such as the US Virgin Islands. It will be mid-market destinations with comparable offerings to these smaller and cheaper alternatives or ‘dupes’ that may struggle to retain or grow their market share against this backdrop of increased value-seeking behaviour among consumers.

### Chart 4: Largest growth by selected global destination, 2025




*Source: Tourism Economics*

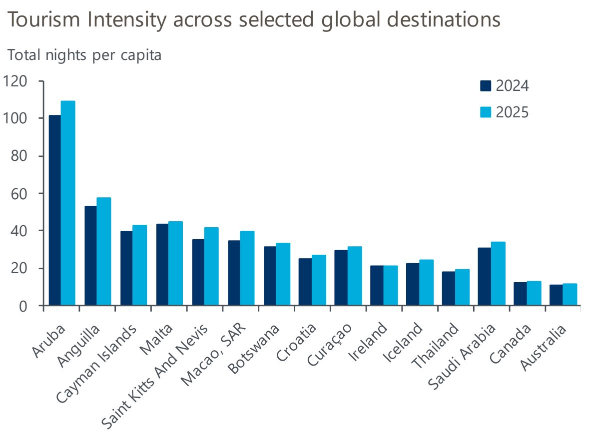
## Overtourism to be confronted in some destinations

The strong recovery in travel volumes and spending from the pandemic has been largely welcomed, but it has led to some tourism-hot spots seeing a disproportionately larger share of tourists which has once again raised the issue of overtourism. With an additional 181mn global tourists expected in 2025, especially from Asia-Pacific, as outbound travel from China to medium- and long-haul destinations ramps up, the risk of overtourism will continue.

Our latest Travel Trends survey for Q3 2024 highlighted that overcrowding can impact the perception of a destination. A destination perceived as being overcrowded or busy will be avoided by a large proportion of travellers. Consumers are more aware of these factors and this is highlighted by Google Trends data reporting a large increase in search engine activity on the topic "overtourism". Destinations where this issue is pressing such as Macao, Paris and Venice have reported on average a 13.2x increase in searches for this in 2024, compared to 2019. We expect this topic to remain in the forefront of conversations next year, especially leading up to and during peak holiday periods.

Some measures have been enacted to curb crowds across a range of destinations worldwide in an attempt to preserve natural ecosystems, prevent disruption to residents as well as reduce the contribution to transport pollution. In Europe, examples of these include tourist taxes, cruise caps and "stay away campaigns", albeit with limited apparent success to date. Elsewhere, other measures included Maya Bay beach in Thailand which closed for conservation in 2018 as well as the UNESCO site Machu Picchu limiting tourist arrivals via a ticketing system. Despite these measures we continue to see strong growth in visitor numbers especially during peak-season months or when large-scale events significantly increase the concentration of visitors for a limited period.

### Chart 5: Tourism Intensity across selected global destinations




*Source: Tourism Economics*

Overtourism is a complex issue and is not a universal problem for all destinations and for affected destinations, the precise problem can vary. This is highlighted by the range of measures that have been put in place to tackle any effects on destinations. Nuances within destinations such as those that see large volumes of same-day tourism through cruising or interconnected cities add further complexities. However, tourism intensity measured by nights per capita captures a large proportion of the activity that is contributing to overtourism. In almost every destination, tourism intensity is set to increase in 2025 compared to this year. At a country-level, the impact will continue to be disproportionately felt by island destinations, including Aruba, Anguilla, Malta and Macao.

As tourism intensity and tourism in key hot spots continues to rise in 2025, this will provide an opportunity for smaller and less overcrowded destinations, building on rising demand for "responsible travel" and "value for money". But it can also encourage DMOs and governments to encourage travel to other tourist areas outside of the key hubs. Indeed, respondents to our Travel Trends Survey suggested a preference for newer destinations.

It is important to remember the benefits that tourism brings, and dispersing tourists towards untapped destinations can disperse the financial benefits across the country for residents and businesses, while also alleviating pressure on key tourism hotspots. Several destinations, including cities and islands with a high tourism intensity are seemingly comfortable with that volume of visitors as the economic benefits are also clear.

## Other key themes to watch out for…

In addition to the key themes set out above, a number of other factors will be important to watch as they will play a key role in the 2025 travel outlook.

**Geopolitical tensions** will linger into 2025 with conflicts ongoing in Russia-Ukraine and in the Middle East. Impacts from these conflicts have been largely contained to the countries involved, with some limited spillover into neighbouring countries related to sentiment and access constraints (e.g. bans in flights over Russian airspace impacting travel from Asia to Europe). Significant uncertainty remains in terms of when these conflicts will de-escalate with added uncertainty around the foreign policy stance that will be taken under the Trump administration. However, even with de-escalation, the countries directly affected will remain subdued in the medium term due to sentiment effects, infrastructure development requirements and lingering sanctions as is likely to be the case for Russia. A key area of uncertainty however is if the conflicts will remain contained to the countries that are currently involved - an escalation in conflict in the Middle East region would further shock the global economy and travel outlook as higher oil prices would add further pressure to incomes and travel potential.

**Business travel** remains an important driver of travel growth for 2025. This includes travel for in-person meetings and engagements but also includes continued growth in the global MICE sector which will be a key driver of travel growth next year. Not only will MICE drive business travel growth, but it also adds more opportunities for growth in 'bleisure activity' as attendees increasing combine a business trip with a leisure trip and are joined by family, friends and partners. This is supported by industry stakeholders participating in our TIM survey, with at least 55% of respondents identifying business tourism/blended leisure and business travel as the top opportunity for growth across all editions of the survey this year.

**AI** powered travel planning tools will start to become commonplace over the coming year as use has become more widespread and accepted among travellers. Almost one third of TTS respondents stated that they have used an AI tool to research or plan a leisure trip - among the younger demographic (18-34) this proportion rose to just over half of the respondents. This finding is supported by Booking.com's latest consumer survey, which likely skews more towards a tech-savvy audience, they found that 48% of travellers now trust AI when planning trips and suggest that the technology will become a mainstream feature. AI tools will allow travellers to find more customised travel recommendations and should support the desire to find alternative destinations.

**Sustainable travel** solutions will start to become a non-negotiable part of the industry. The majority of TTS respondents were aware of some of the harmful impacts of travel on the environment and identified that sustainable travel is important. However, there was a mismatch between the large proportion who intend to reduce their carbon footprint and the smaller proportion who said that they already take such action. Travellers are still highly motivated by cost and convenience and may be prioritising these factors over sustainable options in many cases. But this may be partly explained by a lack of sustainable travel options. The industry is now responding to this demand and is providing greater information on eco-friendly options with more environmental standards and certifications. There remains a risk of greenwashing but we expect to see increased action being taken for greener and regenerative travel, while destinations will also work towards identifying the sustainable level of demand as discussed relating to overtourism.