

GCT Research Brief

The slow road to recovery for city tourism

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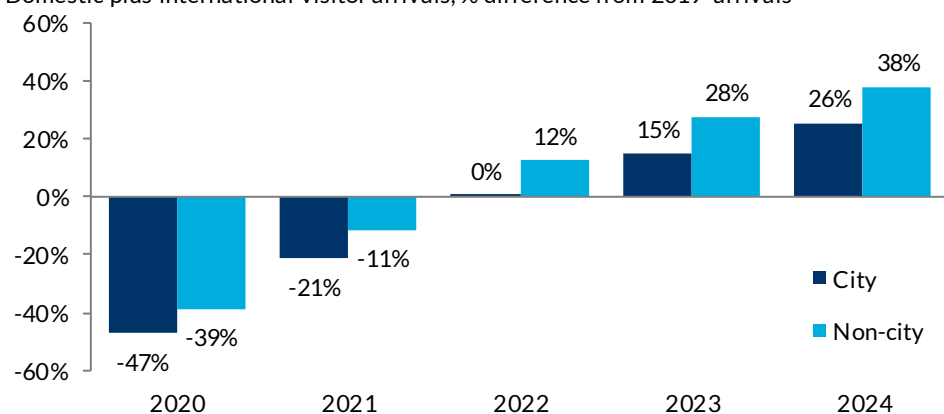
Travel demand to non-city destinations will outpace growth to cities in the near-term.

Global city travel trends

- The pandemic had a devastating impact on tourism in 2020 and we expect that 2021 will be another challenging year as vaccination roll-outs have been slower than expected and renewed waves of infection have taken hold. International visitor arrivals to cities covered in our Global City Travel (GCT) service are set to be 57% below 2019 levels in 2021 while domestic visitor arrivals will remain 10% below pre-crisis levels.
- City destinations will encounter a more challenging recovery compared to non-city destinations as tourists increasingly opt for less crowded destinations. City destinations will just manage to recover 2019's total visitor arrivals by 2022, while non-city destinations will be 12% higher than 2019 levels, gaining from an on average lesser reliance on international travel.
- Domestic tourism, benefiting from an earlier easing of restrictions and quicker rebound in traveller confidence will lead the overall recovery, regaining pre-crisis levels by 2022.
- International visitor arrivals to cities will be slower to recover, not exceeding 2019 levels until 2024. Travel restrictions, testing requirements and a cautiousness regarding longer-haul travel are key components of this slower and more volatile recovery profile.
- International business travel is particularly hard hit, as travel budgets are under pressure and some meetings will continue to be hosted using online alternatives. Global international business travel will rebound in time but will lag leisure travel. This includes notably slower recovery for bigger events with large impacts for major host cities.
- Macau and Dubai will enjoy a strong start to their recovery, overtaking Bangkok and Hong Kong as the top two cities for international arrivals by 2022. A gradual return to pre-coronavirus Travel & Tourism trends will see Bangkok and Hong Kong seizing their top positions by 2025, benefiting from the growing Chinese outbound travel market.

City vs non-city total visitor arrivals, 2020-24

Domestic plus international visitor arrivals, % difference from 2019 arrivals



Source: Tourism Economics

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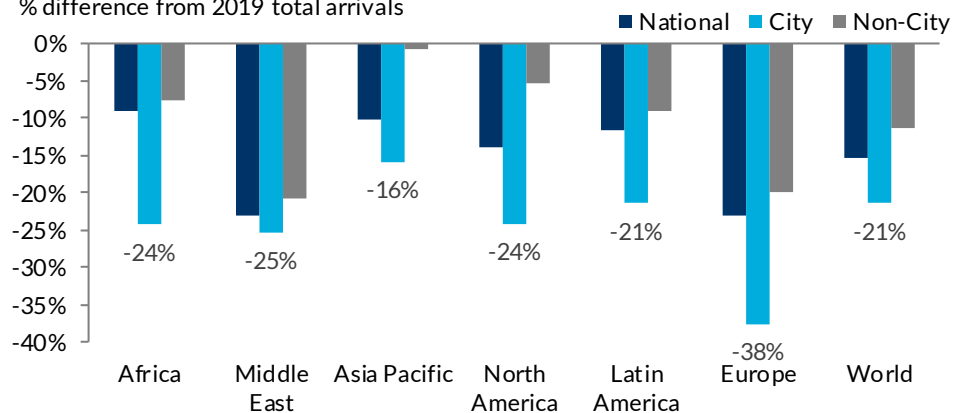
International travel to cities will remain weak throughout 2021

Global Travel and Tourism suffered its worst year in living memory in 2020, with the coronavirus outbreak resulting in unprecedented travel restrictions. Any hope of a quick end to travel restrictions subsided as 2nd waves of the pandemic gripped Europe and North America in late 2020, leading to the tightening of restrictions and the reimposition of lockdown measures in many countries. Travel demand for cities remains unsurprisingly depressed, with many major tourist attractions still closed, and even in those countries with less stringent restrictions, the hospitality industry is still operating at reduced capacity.

The Covid-19 outbreak has had a greater impact on cities compared to non-city destinations due to being perceived as less safe to visit during the pandemic as well as closed and/or significantly reduced capacity at tourist attractions due to social distancing. Non-city destinations have been more appealing to concerned tourists as they are less crowded and therefore easier to satisfy social distancing requirements, which has become a major deciding factor for travellers in choosing their next travel spot. This trend was evident in 2020 and is continuing into 2021. For example, in the USA, total visitor arrivals to cities are forecast to remain 12% below 2019 levels in 2021 while non-city destinations, strongly boosted by domestic substitution will be 3% higher than 2019 levels. A clear indication of traveller aversion to densely populated urban centres during the pandemic.

Total visitor arrivals by destination region and type, 2021

% difference from 2019 total arrivals



Source: Tourism Economics

Note: Non-city destination is used to describe the national visitor arrivals net of the cities that are part of the Global City Travel service.

Another concern for cities is the longer lasting impact forecast for international business travel compared to leisure. Cities are important host destinations for large MICE events but the pandemic saw nearly all events cancelled or switched to virtual events. An unprecedented transition for businesses substituting in-person meetings with online meetings occurred throughout 2020 and has continued into 2021. Although online meetings are nothing new, the duration of the pandemic will mean businesses will have the opportunity to assess whether previous levels of business travel are essential or if online meetings are sufficient.

A proportion of meetings and events will remain online only, at least in the early stages of recovery, and some blended in-person and virtual events will also continue. However, online interaction is not a perfect replacement for in-person meetings and [business travel will recover](#). Large events will also return given sufficient time for planning, but more limited travel budgets and some virtual interaction means that attendance and associated visitor spending is likely to remain subdued for some time.

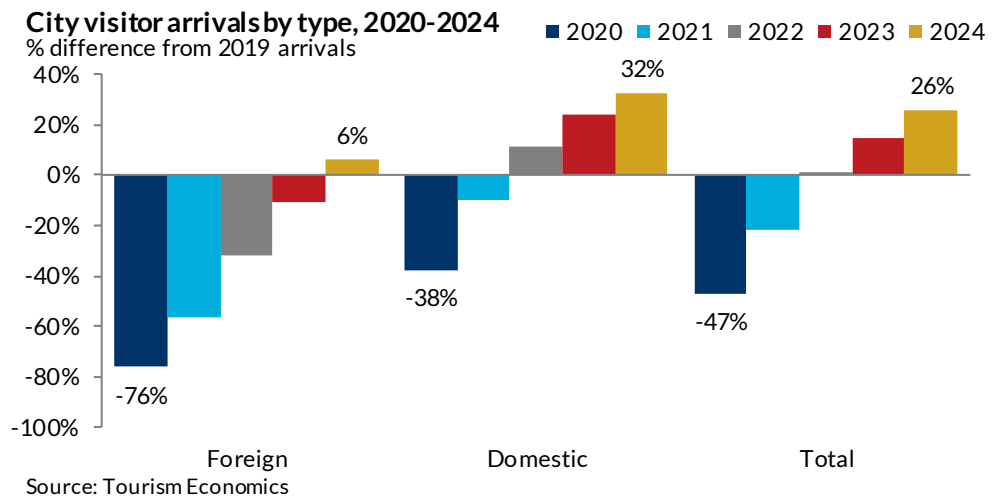
Cities with a strong business travel sector as a result are likely to face a more prolonged recovery. For example, business travel has traditionally been an important demand driver for Frankfurt, hence international visitor arrivals are not forecast to return to 2019 levels until 2026 - a lag of two years compared to Germany or the capital Berlin.

City destinations across all regions will be harder hit than non-city destinations.

The recovery for cities will begin with domestic travel

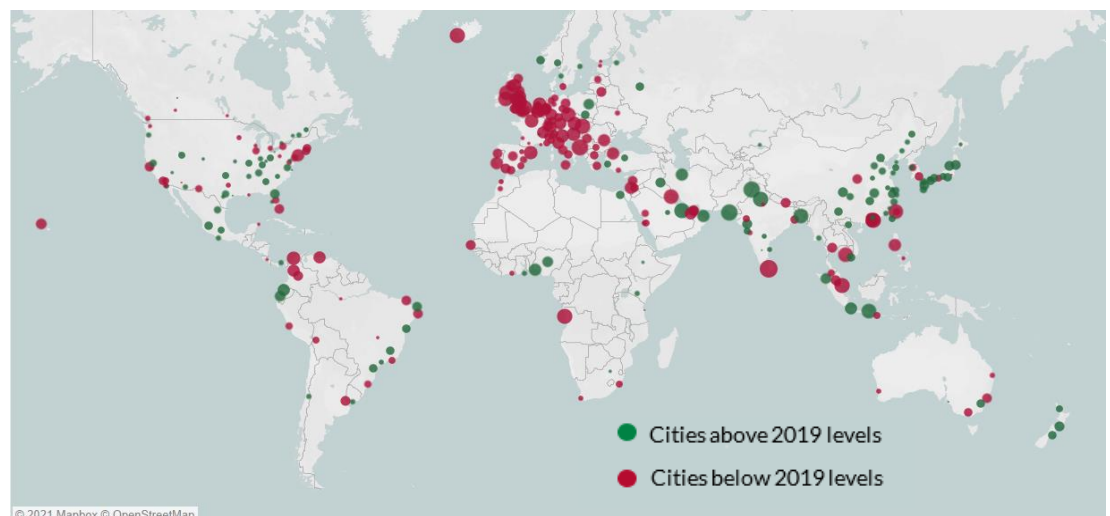
With vaccination roll-outs underway, many countries are beginning to plan for the easing of travel restrictions. Most national level planning indicates that restrictions on domestic travel will ease significantly quicker than international travel restrictions; inbound or outbound. These policy decisions combined with pent up consumer demand for travel and some cautiousness regarding international travel (particularly longer-haul travel) is expected to help city domestic travel recover to pre-pandemic levels by 2022, two years sooner than the recovery of international visitor arrivals. City destinations will remain popular even if initial recovery lags that for other destinations. This will be particularly beneficial to cities where domestic visitor arrivals made up the largest share of arrivals prior to the pandemic as is the case for many Chinese cities. Around two-thirds of the Chinese cities covered in the GCT service received over 90% of total arrivals from domestic tourists in 2019, including Beijing.

Domestic visitor arrivals to cities will regain 2019 levels by 2022, compared to 2024 for international visitor arrivals.



Total visitor arrivals to cities will return to 2019 levels by 2022 for many cities, and notably in China and the US, aided by the domestic recovery. But this recovery will be uneven elsewhere, with the majority of Europe still set to remain below pre-pandemic levels of total visitor arrivals in 2022. Vaccination efforts have improved in recent months, but a combination of cautious government policy on easing restrictions, combined with slower initial vaccination roll-outs and a resurgence in infections in some countries will impede the recovery. Even as vaccines are rolled-out, it is likely that any loosening of restrictions will still need to involve effective testing procedures and potentially some quarantine requirements, while the EU Digital Green Certificate will facilitate safe cross-border travel within the region.

City recovery of total overnight visitor arrivals in 2022



Many European cities including London, Paris & Rome will still be below pre-crisis levels by 2022.

Destinations with a higher reliance on international travel such as Greater Paris or Dubrovnik may be more vulnerable in their recovery as stringent restrictions and health concerns deter many from travelling to these densely populated areas. London may also encounter a more volatile recovery, given it is a global financial centre, with 68% of total travel attributable to international travel in 2019. We do not expect these levels to be reached again until 2026.

Domestic travel has been impacted by similar factors to date but a rebound in confidence should mean that travellers become less averse to more crowded destinations at least within their own country. For those countries with a strong vaccine roll-out such as the UK, this will help facilitate a swifter easing in restrictions, allowing tourism businesses to open in a more meaningful way and will boost the travel outlook for cities. We expect domestic visitor arrivals to London to regain 2019 levels by 2023, with a quicker return to pre-crisis levels for domestic travel than for international travel expected across global cities.

The top global cities for international tourism in the near-term

By 2022, Macau and Dubai will overtake Bangkok and Hong Kong as the top international city destinations. Macau's higher reliance on Chinese demand will support this change in rankings as we expect travel restrictions and traveller confidence to recover more quickly for domestic and short-haul travel (following published UNWTO data in classifying Chinese mainland travel to Macau as an international flow). A proactive approach to reopening borders will help boost Dubai's recovery, with the hosting of Expo 2021 and the creation of new visa policies helping to further accelerate growth.

Several Asian cities including Singapore, Shenzhen, Shanghai, and Kuala Lumpur will rank lower in 2022 than in 2019, reflecting the more conservative approach to restarting international travel and a greater focus on kickstarting domestic travel across Asia-Pacific.

Though as travel behaviour reverts to pre-pandemic trends, we expect that by 2025 the top ranked cities for international visitor arrivals will largely restore prior rankings. Bangkok, Hong Kong, and Macau will represent the top three cities for international arrivals, achieving travel gains as key recipients of China's budding outbound travel market.

The top 3 most visited cities by international tourists in 2025 are forecast to be:

1. **Bangkok**
2. **Hong Kong**
3. **Macau**

International overnight visits						
Rank 2025	City	2019 (mn)	2022 (mn)	2025 (mn)	Annual average growth, 2019-25	Change in rank since 2019
1	Bangkok	22.5	13.5	25.2	1.9%	0
2	Hong Kong	18.9	11.8	22.8	3.2%	1
3	Macau	20.4	16.0	22.6	1.8%	-1
4	Dubai	16.7	14.2	21.7	4.4%	0
5	London	16.2	9.9	15.7	-0.6%	0
6	Tokyo	12.2	7.9	14.8	3.3%	4
7	Shenzhen	13.0	6.5	14.6	2.0%	1
8	Paris	13.4	10.2	14.4	1.1%	-1
9	Singapore	12.7	7.2	14.2	1.9%	0
10	New York	13.5	8.3	14.0	0.6%	-4
11	Shanghai	10.8	5.7	12.7	2.6%	0
12	Rome	10.6	8.6	12.6	2.9%	0
13	Kuala Lumpur	10.4	5.2	11.4	1.6%	0
14	Cancún	9.4	7.2	11.3	3.1%	0
15	Osaka	8.6	5.5	10.3	2.9%	2
16	Amsterdam	8.1	5.4	9.7	3.1%	2
17	Istanbul	8.9	5.4	9.5	1.0%	-2
18	Barcelona	9.3	6.3	9.4	0.2%	-4
19	Guangzhou	8.3	3.8	9.1	1.4%	-2
20	Los Angeles	7.4	4.9	8.2	1.6%	-2

Source: Tourism Economics

Dubai will be nudged back down the rankings by 2025, returning to 4th position while London is expected to remain the 5th ranked destination, with both cities representing the top destinations for their respective continents. The UAE and the UK have achieved among the fastest vaccine roll-outs globally which is a key factor in enabling both cities to return to their pre-crisis rankings by 2025. This is despite an expectation that London visits will remain lower than in 2019, with some notable lingering effects from business travel, but this still represents a rapid recovery from the initial fall.

The only North American cities to rank in the top 20 cities by 2025, New York and Los Angeles, are forecast to drop in the rankings, with New York falling from 6th to 10th and Los Angeles from 18th to 20th. Strict restrictions on international travel will linger across the US, especially for longer-haul markets which represent a large proportion of travel to these cities.

The Asia-Pacific region will account for 8 of the top 15 cities for international visitor spend

In 2019 the value of inbound visitor spending to the top 15 largest cities was \$254bn, by 2025 this is forecast to increase to \$300bn – equating to 43% of all global inbound spending. The top three cities for international visitor spending will be Macao, Hong Kong, and Dubai and will account for 12% of international spend across global cities in the GCT service.

Asia-Pacific markets will dominate the list of the top cities by 2025, signifying the growing importance of the region for driving future travel growth. The dominance of Asia-Pacific is largely attributable to the increasing demand for foreign travel in China, which prior to the coronavirus outbreak accounted for 10% of international visitor spend across global cities and was largely focused on Asia-Pacific destinations. A return to pre-Covid growth patterns, with a growing number of middle-income households across China will continue to support this solid recovery across the region.

Bangkok will rank 6th for international visitor spending compared to its top position for overnight visits by 2025, related to a lower average spend per trip compared to the top cities. In contrast, a higher average spend per trip will help New York to be the 5th largest city in terms of international visitor spending versus 10th for visitor arrivals. Despite the city suffering the highest death toll across the US cities and the enduring limitations on international travel, there are encouraging signs that a return to normality is occurring, with a further easing of restrictions on theatres, museums, bars expected in late-May.

Top 15 cities for international visitor spending (US\$bn), 2025



Over 40% of global inbound spend in 2025 will be attributable to cities.