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TOURISM ECONOMICS
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US International Inbound Travel

2018 performance and 2019 prospects

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Key takeaways

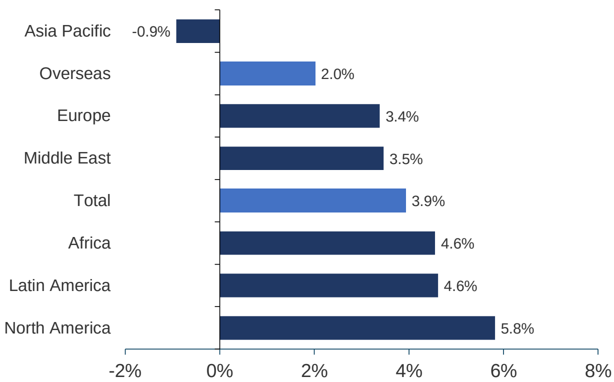
- **Tourism Economics analysis indicates that international travel to the US grew modestly in 2018, with overseas markets expanding just 2%.**
- **This tepid performance is somewhat more concerning as visits to the US slowed in the second half of 2018 with notable weakness for Germany and key Asian markets—particularly China, South Korea, and Japan.**
- **As a result, the US continued to lose market share last year as international travel expanded 6% globally across all world regions.**
- **Headwinds perpetuate into 2019 as the global economy is softening and the US dollar remains relatively strong.**

Performance in 2018: subpar and uneven

- Overseas travel to the US in 2018 continued its slow performance with 2% growth. Asia Pacific slammed the breaks and fell nearly 1% as the region's top three markets (Japan, China, South Korea) all contracted or failed to grow.
- Total international visits to the US (including Canada and Mexico) expanded 3.9% as visits from Mexico recovered most of its losses from 2017 with 6% growth. Visits from Canada in 2018 were still 9% below their 2013 peak.
- European source markets demonstrated remarkable resilience with a 3.4% uptick. Meanwhile, the Middle East managed a 3.5% gain after a 12% decline in 2017. Latin America led all overseas markets with a 4.6% increase.
- The US continued to lose market share as global travel expanded 6% in 2018. Arrivals to Europe grew 6% along with 6% gains for Asia, and 10% for the Mideast.

Marginal growth of 2% for overseas visits in 2018 reflects a dramatic reversal in Asia counterbalanced by a resilient European market

International visits to the US in 2018
% change



Source: Tourism Economics

Despite gains in 2018, visits from the Middle East and Mexico have not yet recovered to 2016 levels.

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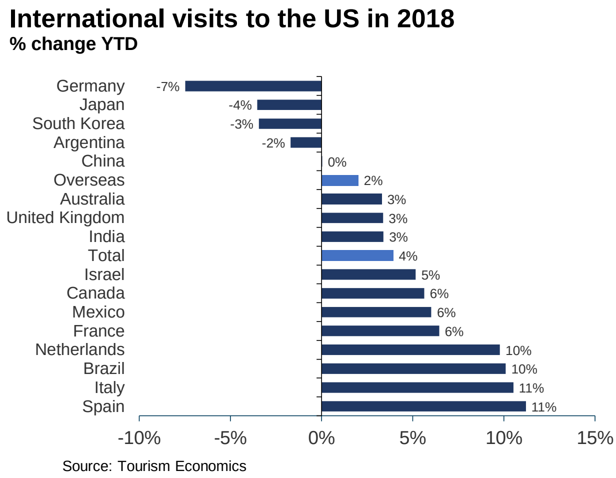
In 2018, key Asian emerging markets faltered while Brazil continued its recovery from a steep decline in 2016

International travel markets posted disparate performance in 2018 including several notable surprises on the downside. After registering average annual growth of 23% over the previous decade, Chinese travel to the US stopped in its tracks last year—perhaps in connection to [trade tensions](). Similarly, South Korea fell 3% after averaging 11% growth over the prior ten years. Japan also contracted; this continues the narrative of an ever important but languishing market. And Germany surprised with a steep decline in 2018, perhaps evidence of a reaction to unpopular US diplomacy and policies.

At the same time, other markets in Europe demonstrated strength in 2018. Spain, Italy, and the Netherlands all grew in the range of 10%. The UK and France posted steady advances of 3% and 6%, respectively. While official data for Canada show growth of 6%, after adjusting for inflated air arrivals data, Tourism Economics estimates the Canadian market expanded just 3% last year.



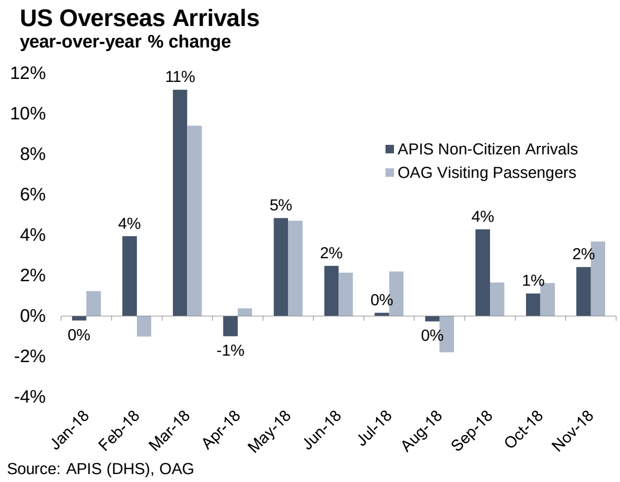
Unexpectedly, four out of the top five major growth markets were in Western Europe last year.

Monthly data show a clear downward trajectory in the pace of international travel to the US

Trend within 2018: slowing demand

Official data from the National Travel & Tourism Office (NTTO) has been released through May 2018 at the time of publishing and indicates 4.6% overseas growth. This outpaces, but is within range of, alternate sources for the first five months (APIS 3.6%; OAG 3.0%). More critically, these alternate datasets are timelier, and show a consistent slowdown in the June-November time period (APIS: 1.6%; OAG 1.5%).

This leads to concern about the prospects for 2019 as the global economy is softening.



The shifting Easter calendar boosted March inbound at the expense of April. Since then, overseas travel to the US has steadily slowed.

Economic growth is moderating around the world, limiting the potential for international travel to the US in 2019

The US dollar remains 10% above its long-term average and has made travel to the US significantly more expensive over the past five years

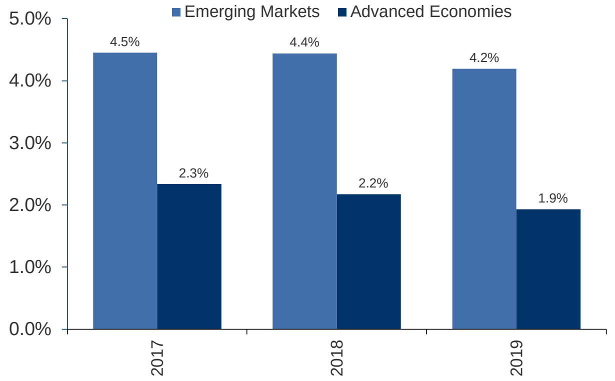
Prospects for 2019: warning signs

The world trade boom that supported global economic growth in 2017 and 2018 looks to be over. Concerns about the global economy have mounted following a rash of soft data releases and a sharp sell-off in financial markets. While it's too early to be thinking about a world recession, the slowdown predicted by Oxford Economics appears imminent and downside risks to growth have certainly risen over recent months.

- The economic slowdown in 2019 will be experienced nearly across the board, with China stepping down to 6% GDP growth (from 6.6% in 2018) and Europe to 1.7% (from 1.9% in 2018).
- We expect economic growth in Canada to weaken this year to 1.6% (from 2.1%) and Mexico GDP to maintain 2% growth achieved in 2018. Brazil should continue its recovery with a slight uptick in economic growth to 2.3%.
- Despite recent currency abatements, the US remains relatively expensive with the dollar at about 10% above its long-term average. Over the past five years, the cost of travel to the US has increased more than 10% as a function of exchange rates alone for most major travel markets, including Brazil (42%), Mexico (35%), Canada (20%), and the UK (14%).
- As a result, we expect inbound travel performance to remain tepid in 2019 consistent with recent monthly trends. (Market-by-market forecasts are available to clients within the Tourism Economics Global Travel Service databank.)

World GDP

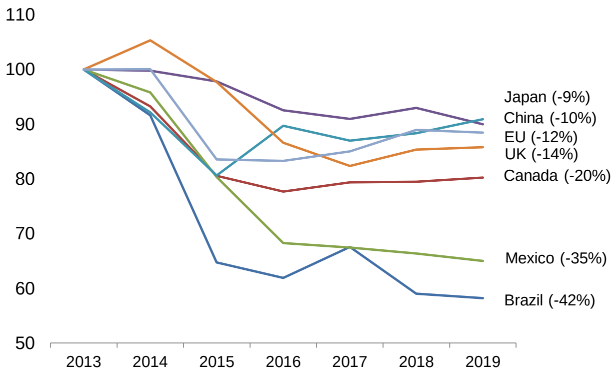
% change



Source: Oxford Economics

$US Exchange rates, $/LC

2013=100, annual average



Source: Oxford Economics