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Analysis of today
Assessment of tomorrow

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Will prices and geopolitics allow us a peaceful holiday abroad?

Planning a tourist trip abroad this season will be a struggle between the wish to make up for what has been missed in the last three years, and the bank balance to afford it.

Everyone who, due to the COVID-19 pandemic, has not travelled abroad on vacation in the past three years will have a chance this season.

There are no health restrictions on travel. Hotels, resorts, restaurants and museums are open as before; airlines too. But there is also high inflation on a global level and a huge rise in the price of everything that affects the travel budget, from accommodation to food and fuel.

Projections say that the desire to travel will win this battle, but the pleasure will be more expensive than before.

Return to pre-pandemic levels

The upcoming season will mark a safe exit from the three-year cataclysm that hit global tourism due to the COVID-19 pandemic.

However, despite the forecasted growth in tourist travel this year, most regions will not reach the levels of 2019, the last pre-COVID year. According to World Tourism Organisation figures, the number of trips abroad will reach 80% to 95% of the 2019 level this year, depending on the region. A higher percentage will almost certainly be realised in the most popular tourist regions - Europe and the Middle East - perhaps even higher than before the pandemic.

Several destinations have already reached and overtaken the levels of 2019 during 2022: for example Turkey, with an increase of as much as 40%, or Portugal, with 15% more tourists than in 2019. Holiday group TUI, one of the world's largest players in the industry, announced positive results in Q1 and an increase in the number of guests by around one million (3.3 vs. 2.3 million) compared to the same period last year.

In the report published on Tuesday, TUI also announced an increase in revenue in relation to the first quarter of 2022 from 2.3 billion euros to 3.8 billion euros. Booking data also shows a growth in demand, to around 8.7 million reservations for the upcoming season.

Optimism will have to wait

However, disruptive factors will do their work, so we must be patient waiting for optimism about the full recovery of global tourism.

All projections warn that the fear of recession, high inflation and geopolitics could lower excessive expectations for the next tourist season.

The impact of COVID-19 should not be ignored either, particularly in the case of Chinese tourists and their plans to travel abroad, which recovered at the end of last year after the sudden lifting of the three-year lockdown.

However, immediately after being released from the three-year quarantine, international passengers from China faced new restrictions on their destinations.

So far, as many as 32 countries have re-introduced health controls for passengers from China, due to its large increase in the number of Covid cases.

This will be a blow to global tourism, given the huge number of 170 million Chinese who travelled abroad before the pandemic in 2019. It is estimated that 50-60 million fewer will travel abroad this year.

Europe is not the top interest for Chinese tourists, so only Italy, with about 3 million Chinese guests in 2019, has been among the top ten favourite foreign destinations for Chinese.

Given that new health controls for Chinese passengers have been introduced mainly in European countries, this will also reduce the number of tourist visits.

Their financial effect, however, is not

negligible, given that Chinese tourists spend twice as much as Germans do in Spain, for example, and in Switzerland even three times more than Germans, according to data from the China Outbound Tourism Research Institute (COTRI) in Hamburg.

War in Ukraine, earthquake in Turkey

It is clear that popular tourist destinations will be without a large Russian and Ukrainian market this year, which together spent about 45 billion dollars a year abroad before the pandemic and before the Russian aggression against Ukraine.

Due to international sanctions, Russian tourists can no longer physically travel to popular tourist destinations, particularly in Europe, where they accounted for 4% of the total number of foreign tourists. And in those few places where they are able to travel, Turkey for example, they will face restrictions, primarily the inability to use payment cards.

Russia has been expelled from the SWIFT international financial system, and Turkish banks have stopped using Mir, the Russian alternative for cashless payments. In the upcoming season Turkey will have to try hard to find a "replacement" for the approximately 2.7 million Russian tourists who visited in 2019. This major tourist power with around 45 million foreign tourists in 2019 will, however, have a very uncertain tourist season, due to the recent catastrophic earthquake in the south of the country that claimed tens of thousands of victims and caused enormous material damage.

Although the main tourist areas in Turkey outside the region were not affected by the earthquake, this disaster will undoubtedly affect Turkish tourism, partly due to fear, and partly due to the use of tourist infrastructure to accommodate the population displaced from the crisis area. High costs due to inflation and rising prices of all outlays will, however, be the biggest risks for tourism this season.

According to the WTO, disruptions in world economies will make tourists more demanding and expect more for their money.

An even greater consequence for international tourism will be the decision of passengers to spend the season in areas closer to home and in their own country due to higher costs. Low global growth, with high inflation and fear of recession, combined with geopolitical problems, mean that global tourism will have to wait until next year for a full return to the pre-crisis period of 2019. This is provided that the current disruptive factors do not escalate in the meantime, and that new ones do not emerge.