

Global travel prospects: Taking stock nearly two years into the pandemic

Visa Business & Economic Insights

Prior to the pandemic, the world was well on its way to reaching nearly 280 million households traveling cross border by 2025, with an expanding “traveling class” ushering in a new age of global travel.¹ Two years into the pandemic, crossing that threshold now appears to belong to another age, with only 55 million households traveling internationally in the first nine months of 2021. However, according to our analysis of the Visa International Travel (VISIT) platform,² current trends in international travel suggest that getting back to pre-pandemic levels of travel could be closer than the aggregate numbers alone suggest.

A potent mix of more widespread COVID-19 vaccinations and relaxed pandemic border controls could catalyze a rebound in international travel. Already, these factors have helped fuel a rebound in short/medium-haul travel, which we define as distances between countries of less than 3,000 miles. Based on VISIT, we estimate that two-thirds of short-haul cross-border travel returned between June and August of this year, traditionally the peak Northern Hemisphere travel season. This was a strong showing despite the global spread of the Delta variant of the coronavirus over the same period. While virus variants and other international and domestic factors remain fluid, this suggests that consumers will likely continue to travel despite the emergence of the Omicron variant, so long as borders generally remain open.

Travel topopular destinations such as those in the Caribbean, Eastern Mediterranean and Southeast Asia may increase just as they are heading into their peak travel season. Even destinations, such as the U.S., which is heading into its typical slow season, could see an unseasonal bump upwards in growth as foreign travelers return.

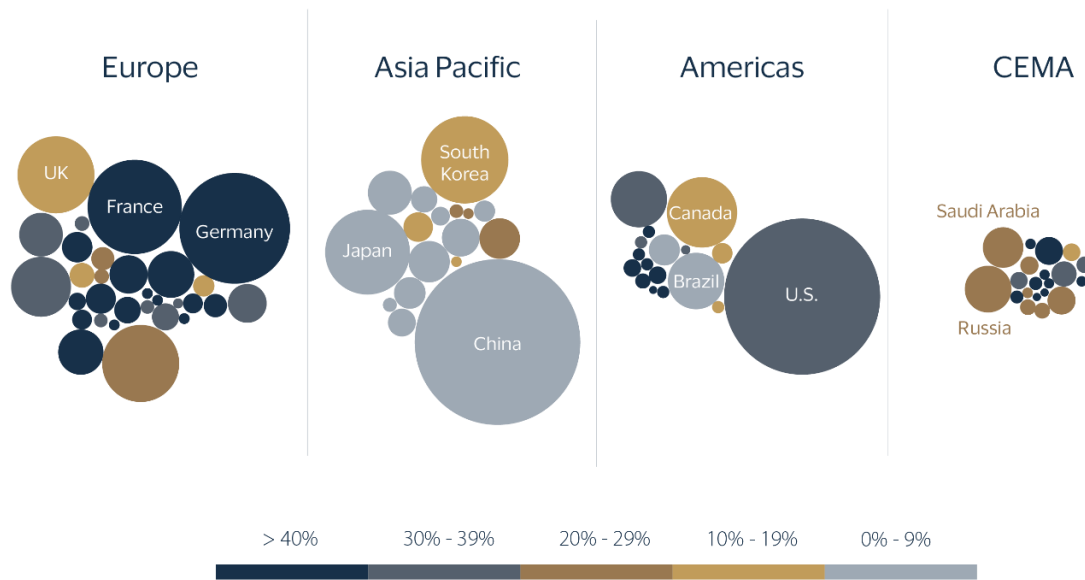
Building the foundations for cross-border travel’s return

Demand for cross-border travel is commonly measured in the number of arrivals or the dollars spent, but what enables either of these to happen is households budgeting time and funds to take trips abroad. At this most fundamental level, cross-border travel is showing signs of recovery. Based on the share of cards used cross border in offline transactions in 2021, **we estimate that cross-border travel this year was at 25 percent (55 million) of the 220 million households that traveled cross border in 2019.** Excluding Asia Pacific, where border controls have been much tighter, the recovery was closer to 35 percent. In Europe and its major economies such as France and Germany, the rate of traveling households is even higher, now running at over 40 percent of 2019 levels.

¹ Mapping the Future of Global Travel and Tourism,” Visa 2016. <https://usa.visa.com/content/dam/VCOM/global/partner-with-us/documents/global-travel-and-tourism-insights-by-visa.pdf>

² The Visa International Travel (VISIT) platform is a proprietary model that combines Visa’s cardholder data with publicly-available cross-border arrival statistics. Visa uses this data to econometrically model official arrival statistics compiled by various government sources and to generate estimates that fill in the large gaps existing in the cross-border travel data.

Traveling households by region and recovery in 2021* relative to 2019



*First nine months of 2021. Source: Visa Business and Economic Insights, Oxford Economics

The pool of households that can potentially travel cross border is set to grow heading into 2022 if countries around the world continue to relax their restrictions on border crossing. Up until early June 2021, a majority of countries imposed total or partial bans on cross-border travel, and thus reduced the availability of travel to many potential travelers.³

With the November reopening of Thailand and the U.S., all of the top 10 countries—accounting for 40 percent of global travel—have re-opened for business, though the recent emergence of the Omicron variant has also tightened restrictions in some locations. In a broader global context, three out of four countries are now only imposing medical screens and/or quarantines at the border, and destinations that have total or partial bans on visits by country are in the minority. Although most countries are now imposing a vaccination requirement, even this has become less of a challenge as vaccination rates continue to rise globally.

At the current pace of vaccination, 3.8 billion people (nearly half of the global population) could be fully vaccinated by the end of the year.⁴ While still far short of what it needs to be to end the pandemic, it marks a significant achievement, considering that at this time last year widespread vaccine availability was more of an aspiration than reality. Since most countries that have reopened their borders have also imposed vaccination requirements, this progress does allow more households to start planning trips abroad.

³ Visa Business & Economic Insights analysis of data from Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford and Haver Analytics.

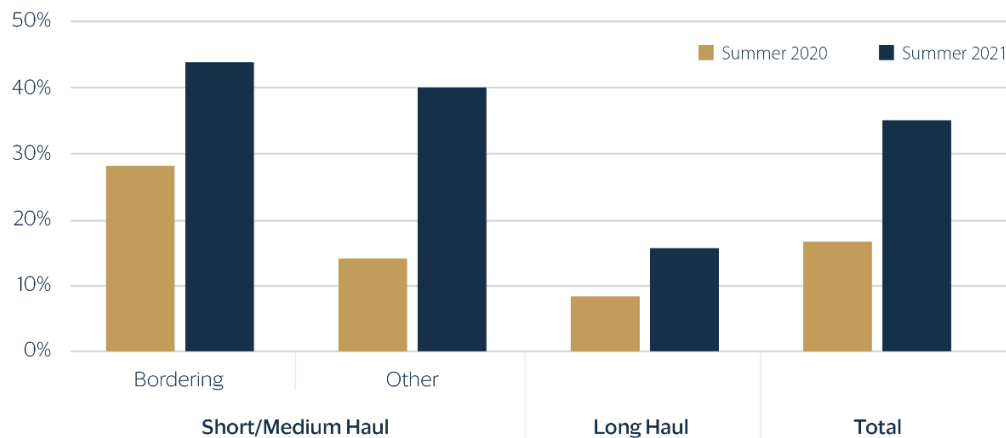
⁴ Visa Business & Economic Insights analysis of data from Hannah Ritchie, Edouard Mathieu, Lucas Rodés-Guirao, Cameron Appel, Charlie Giattino, Esteban Ortiz-Ospina, Joe Hasell, Bobbie Macdonald, Diana Beltekian & Max Roser (2020) - "Coronavirus Pandemic (COVID-19)". Published online at OurWorldInData.org. Retrieved from <https://ourworldindata.org/coronavirus>

Vaccination further helps consumers regain confidence to re-engage in activities they enjoyed prior to the pandemic. A detailed analysis of U.S. city-level data shows residents in some cities continued to book domestic vacation and take foreign trips, even in areas where the Delta variant had triggered a high level of community transmission. Areas with higher rates of vaccination had more residents purchasing travel than those that did not. U.S. cities with more than half of their population vaccinated had limited impact from renewed outbreak relative to those where vaccination rates were lower. If these findings hold globally, this could be transformative as 56 countries, accounting for two-thirds of global travel demand, have attained full vaccination in a majority of their populations.

An uneven recovery could become more uniform

When segmented by proximity, the recovery is largely proceeding as expected: **travel between bordering countries has recovered the fastest, followed by travel over short/medium distances between non-adjacent countries, and long-distance travel recovering the slowest.** The strength of the rebound in short/medium-distance travel is a positive sign for the overall recovery since that type of travel accounted for nearly three-quarters of all pre-pandemic cross-border travel.⁵ Bringing back short-haul trips should go a long way to helping rebuild and restart the hospitality sector, which will eventually make it more attractive for travelers to go longer distances for their visits.

Global cross-border travel between countries that share a land border in the summer of 2021 was 45 percent of its 2019 volume
(cross-border arrivals in 2020 and 2021 relative to 2019)



Source: Visa International Travel database

By destination region, the picture is brighter than the global totals suggest. Some short/medium-haul travel corridors recovered nearly two-thirds of their 2019 volume in summer 2021. Intraregional travel within Europe benefitted from the loosening of travel restrictions across the Schengen area in continental Europe. Similarly, Mexico and Caribbean destinations lowered their barriers to cross-border travel earlier than many locations and benefited by attracting travelers from North America and Europe. Corridors that lagged in summer 2021 tended to be the most restrictive—Canada, sharing

⁵ Visa Business and Economic Insights analysis based on data from Oxford Economics.

a corridor with the U.S., only recently re-opened its land border. Additionally, borders in Asia Pacific remained largely shut over the summer as countries in the region struggled to bring a wave of infections under control due to the spread of the Delta variant.

Now, with the advances in vaccination and lifting of border restrictions underway, cross-border travel should make some gains starting this winter and into next year’s peak summer travel season, though this may change depending on the emergence of new virus variants and their transmissibility. Short-haul travel in Asia Pacific could begin to resume with travelers moving more freely across the Singapore/Malaysia border.

Even long-haul travel could start to rally as barriers to travel between Europe and the U.S. are eased, allowing what had historically been a key pillar of global travel flows to rise again.

Cross-border arrivals by destinations and distances traveled in the summer of 2021 (relative to 2019)

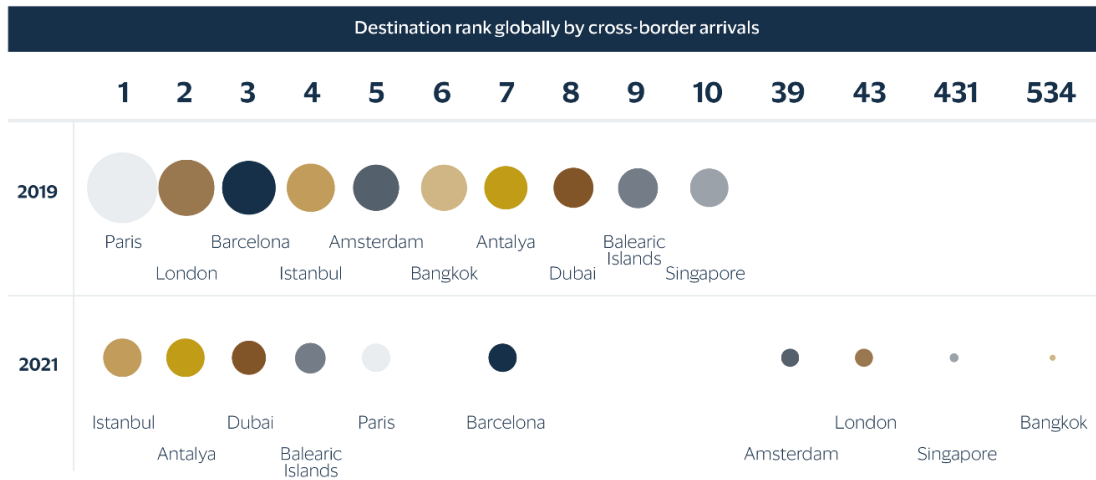
Destination Region	Short/Medium Haul		Long Haul	Total
	Bordering	Other		
Europe	62%	55%	17%	47%
Asia Pacific	8%	1%	5%	4%
North America	15%	56%	11%	15%
LAC	63%	65%	32%	56%
Other	40%	43%	27%	38%
World	44%	39%	16%	35%

Source: Visa International Travel database

Re-ordering of destinations by popularity over the next few years

Estimates based on the Visa International Travel Platform are revealing a profound shift in the popularity of key destinations as cross-border travel resumes. Prior to the pandemic, Paris was the top destination globally in 2019, but slipped to the fifth most popular destination in 2021, displaced by destinations such as Istanbul, Antalya and Dubai that were relatively more open to cross-border tourism. Particularly hard hit were cities where Chinese tourists made up a greater share of arrivals, such as Singapore and Bangkok.

Top 10 global travel destinations (first nine months of 2019 vs. 2021)

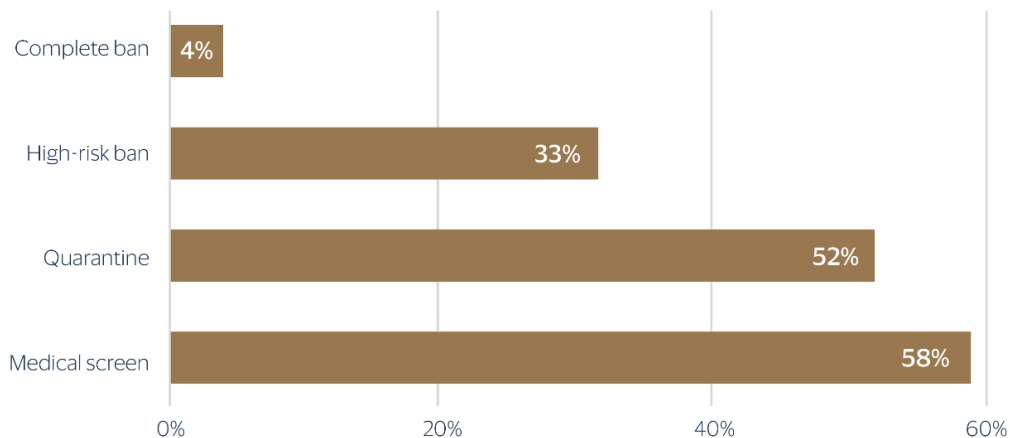


Source: Visa International Travel database

This re-ordering of travel patterns will most likely reverse as it largely reflects a majority of countries employing either a total or partial ban on cross-border travel through June 2021. These restrictions led to a significant re-shuffling of key global destinations. As the restrictions change and travelers return, old patterns should re-emerge over the next few years. Lifting total and partial bans can bring tangible benefits to destinations. Analysis of the summer 2021 peak travel season using the Visa International Travel Platform shows that **areas with bans in place had a much slower recovery than those that did not, reaching arrivals on average at only 4 percent of their summer 2019 levels.** Destinations that only instituted a medical screening requirement, such as proof of vaccination, saw a swifter recovery, with summer 2021 arrivals hitting on average 58 percent.

Lifting cross-border travel bans can increase cross-border travel by 50 percentage points

(Summer 2021 vs. summer 2019 arrivals by destination COVID-19 restrictions)

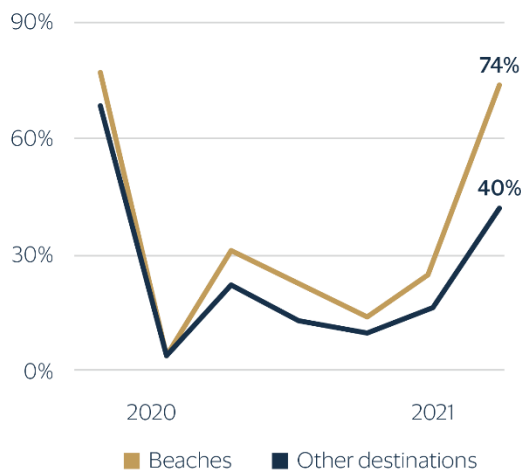


Source: Visa International Travel database, Oxford University/Haver Analytics

Winter travel destinations benefit from lift on travel bans

Beach destinations are also well positioned to benefit from the relaxation in travel restrictions, according to our analysis of summer 2021 travel. In a typical year, as temperatures drop in the Northern Hemisphere, travel tends to peak in beach destinations—including the Caribbean, eastern Mediterranean and southeast Asia. Globally, beach destinations in Mexico, Croatia, Greece and Turkey were especially popular in the summer of 2021, at the same time U.S. tourists flocked to areas around the Caribbean.

Globally, beach destinations have staged a faster recovery in 2021 (arrivals relative to 2019)



Arrivals to top beach destinations (Q3-2021 relative to Q3-2019)

Beach destinations	
Cancun (Mexico)	107%
Rijeka (Croatia)	100%
Pula (Croatia)	99%
Cyclades (Greece)	99%
Polygyros (Greece)	94%
Rhodes (Greece)	90%
Split (Croatia)	83%
Antalya (Turkey)	82%
Mugla (Turkey)	82%
Palma (Spain)	73%

Source: Visa International Travel database

Now that the U.S. has replaced its travel bans on 33 countries with vaccination and other medical screening requirements, inbound travel to the country could benefit as early as this winter season. **Based on summer 2021 travel trends, we estimate as many as 16 million foreigners could visit the U.S. this winter.** While still half the amount of inbound travel to the U.S. in 2018-2019, this represents 11 million more visitors than in 2020, during the peak of the pandemic. Recently announced travel bans put in place by the U.S. government in response to the Omicron variant do not impact this forecast. However, if the restrictions were expanded to encompass more countries, this could exert downward pressure on actual arrivals this season.

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