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Global Macroeconomic Developments: Impact on Travel & Tourism / MICE

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26th September 2023



Drivers Of Global Growth, Economic Development & Major Headwinds

Outlook

- **Emerging markets to drive growth** amid faltering China & EU recession; US growth (fiscal; debt finance; Inflation Reduction Act)
- **Factors affecting growth:** monetary tightening, strong labour markets, EME financial vulnerability, Ukraine-Russia spillovers
- **Strong US\$ exports inflation, increases financial vulnerability in EMEs**
- **Global debt remains high at USD 235trn** (or 238% of global GDP) in 2022 ; declined in yoy terms)

Macroeconomic Risks

- **Volatility in currency, energy & asset markets**
- **Monetary policy:** Tighter for longer
- **Debt distress/ crises:** a result of synchronised monetary tightening & liquidity squeeze
- **Rising commodity/ energy prices**
- **Trade & Tech war with China** evolving into a Cold War?
- **Climate change:** investment shortfall in energy transition efforts

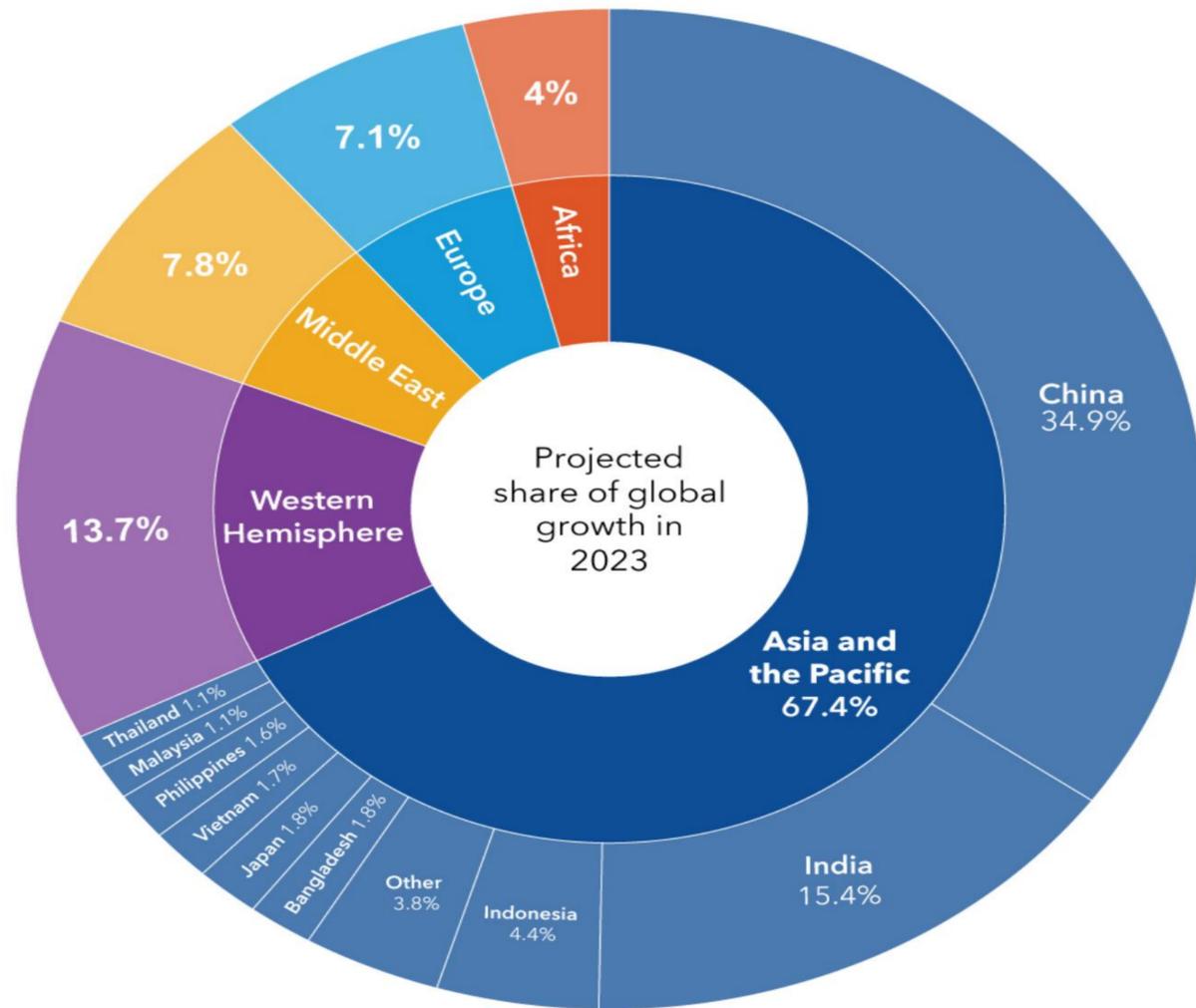
Geo-eco-political Risks

- **Retreat from Globalisation to Regionalisation**
- Geopolitical fragmentation
- New Cold Wars
- **Cyber warfare** likely to accelerate
- **Militarization of politics** & growing risks of military confrontation



Global macroeconomics view: Slowing Growth but Easing Inflation as central banks pursue monetary policy tightening

Asia Poised to Drive Global Economic Growth in 2023, contributing to about 70% of global growth



Source: IMF, World Economic Outlook, April 2023.
Note: Groupings based on IMF Regional Economic Outlook classifications.

Rise in energy & food prices were main driver of inflation in many countries in 2022-23; energy prices remain high by historical standards in many countries

Energy costs: gas, oil and electricity

Natural gas (\$ per million British thermal units)



Brent crude oil (\$ per barrel)



Electricity (APX, euros per megawatt hour)



Source: Refinitiv, FT (updated 23 Sep 2023);
<https://www.ft.com/content/088d3368-bb8b-4ff3-9df7-a7680d4d81b2>

MENA: Divergent Recoveries; Growth pace driven by the Falcon economies.

UAE:

- GDP growth supported by oil & non-oil sectors (including tourism)
- New trade & investment linkages (CEPAs)
- Privatisation & PPP, Capital market development, Structural reforms

SAUDI ARABIA:

- Ambitious Mega/ giga projects support diversification efforts + job creation; significant investment in tourism-related projects
- SWF investing in regional and domestic projects
- Capital market reforms & FDI, privatisation
- Ambitious plans to attract HQs, localization policies

EGYPT:

- Devaluation, double-digit inflation, dwindling reserves, high debt-to-GDP
- Financing gap of USD 17bn over the next 4 years: IMF
- IMF program; no move to a flexible exchange rate yet

	GDP (\$bn)	Real GDP growth (% yoy)		Inflation (% yoy)		Fiscal balance (% GDP)		Current account bal (% GDP)	
		2022	2023	2022	2023	2022	2023	2022	2023
	44.5	4.9	2.7	3.6	2.2	-6.1	-5.4	15.4	7.6
	185.3	8.2	0.1	4.0	3.6	23.4	4.7	33.8	25.7
	114.7	4.3	1.7	1.7	1.9	5.5	2.3	6.2	3.6
	225.5	4.2	2.4	4.2	2.4	12.5	16.0	21.2	22.1
	1108.0	8.7	1.9	2.5	2.8	2.5	-1.2	13.6	6.5
	507.2	6.9	3.6	4.9	3.4	9.2	5.3	11.7	7.6
	195.4	2.9	2.6	9.3	8.1	2.2	-7.9	7.2	0.8
	270.4	8.1	3.7	5.0	6.6	6.4	-2.6	11.6	4.4
	44.1	-12.8	17.5	4.5	3.4	3.1	9.7	2.7	12.0
	475.2	6.6	3.7	8.5	21.6	-5.8	-7.6	-3.5	-2.8
	48.8	2.7	2.7	4.2	3.8	-6.9	-6.8	-7.4	-6.0
	138.1	1.1	3.0	6.6	4.6	-5.1	-4.9	-4.3	-3.7
	46.6	2.5	1.3	8.3	10.9	-6.6	-4.2	-8.5	-7.1



3 Stages of GCC's Economic Transformation

Initial Phase: Oil discovery & modernisation

- Moving from nomadic lifestyle to creating urban spaces
- Use of oil wealth to build the economies: GDP growth + fiscal, current & BoP surpluses
- Massive spending on infrastructure, health, and education => raise standards of living
- Creation of Sovereign Wealth Funds to manage oil wealth
- Peg to the USD for monetary stability

Economic Diversification 1.0

- Population surges: young demographics + immigration
- Melting Pot of nationalities, cultures, races, religions, ethnicities drives innovation
- Build-up of world standard hard & soft infrastructure, transport & logistics
- SEZs as a means of clustering, diversification & private sector development
- Liberalisation of rights of establishment, trade, FDI
- International Financial Centres (ADGM, DIFC, QFC) to manage & deploy region's Wealth and Assets

Future: Soaring Falcons

- **Digitalisation & New Tech** sectors (Space, AI, transversal tech)
- Emerging **Global Energy Map** & energy transition/ NZEs
- Attracting specialised **human capital** + more labour mobility
- **New economic partners** (via FTAs)
- **Regionalised Globalisation:** Driving & supporting Regional Economic Integration
- **Role of SWFs** – reorienting to new investment sectors/ domestic development...

Common factors: political stability, absence of burden of legacy systems (tech, regulations/ legal), low cost of doing business, sound & liberal macroeconomic policies, low taxation, peg to the \$, no financial crises

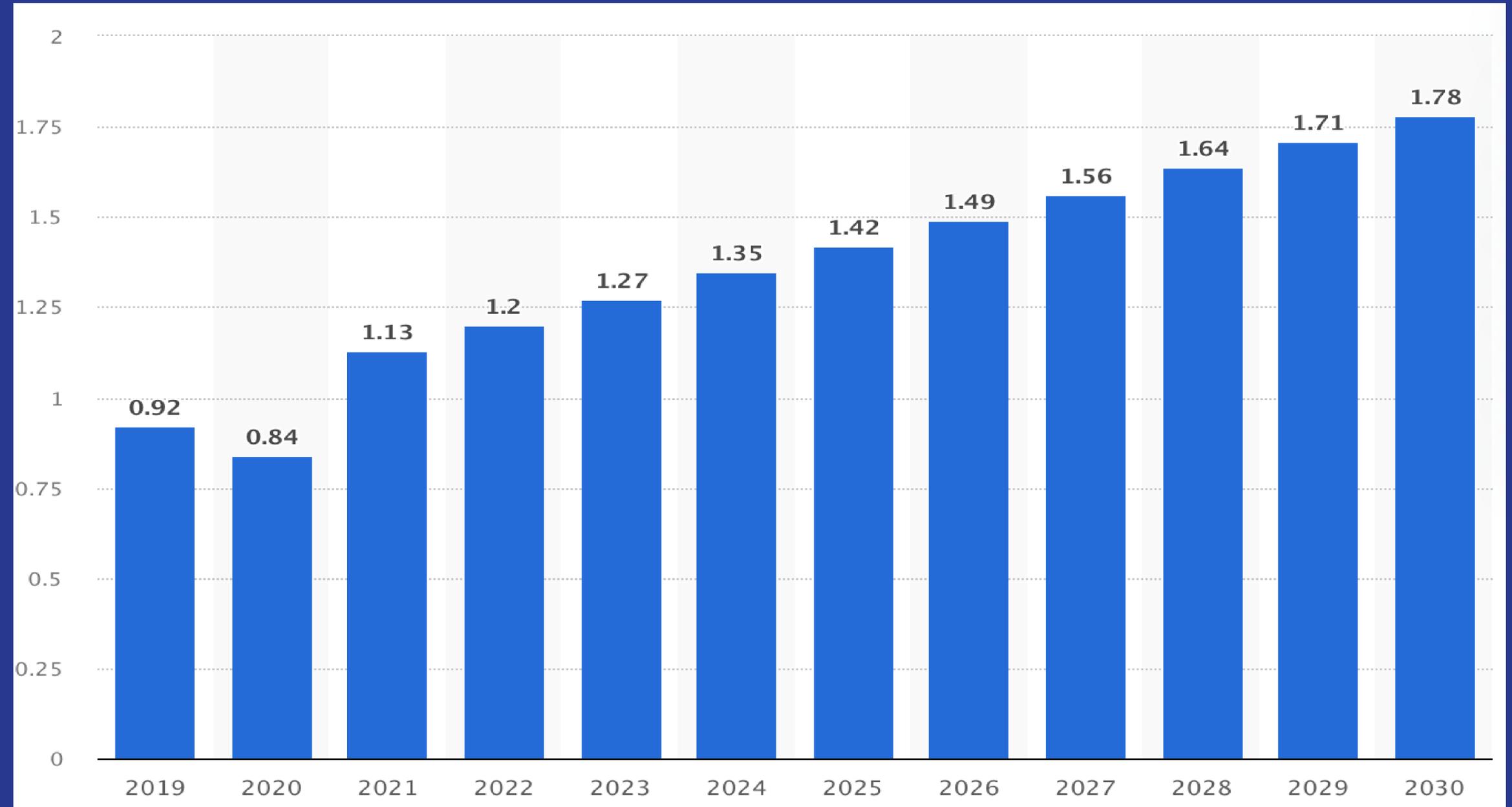


Market value of MICE meetings

industry worldwide in 2019,

with forecasts until 2030

(in USD bn)



Source: Statista

<https://www.statista.com/statistics/1261183/market-size-meetings-industry-worldwide/>

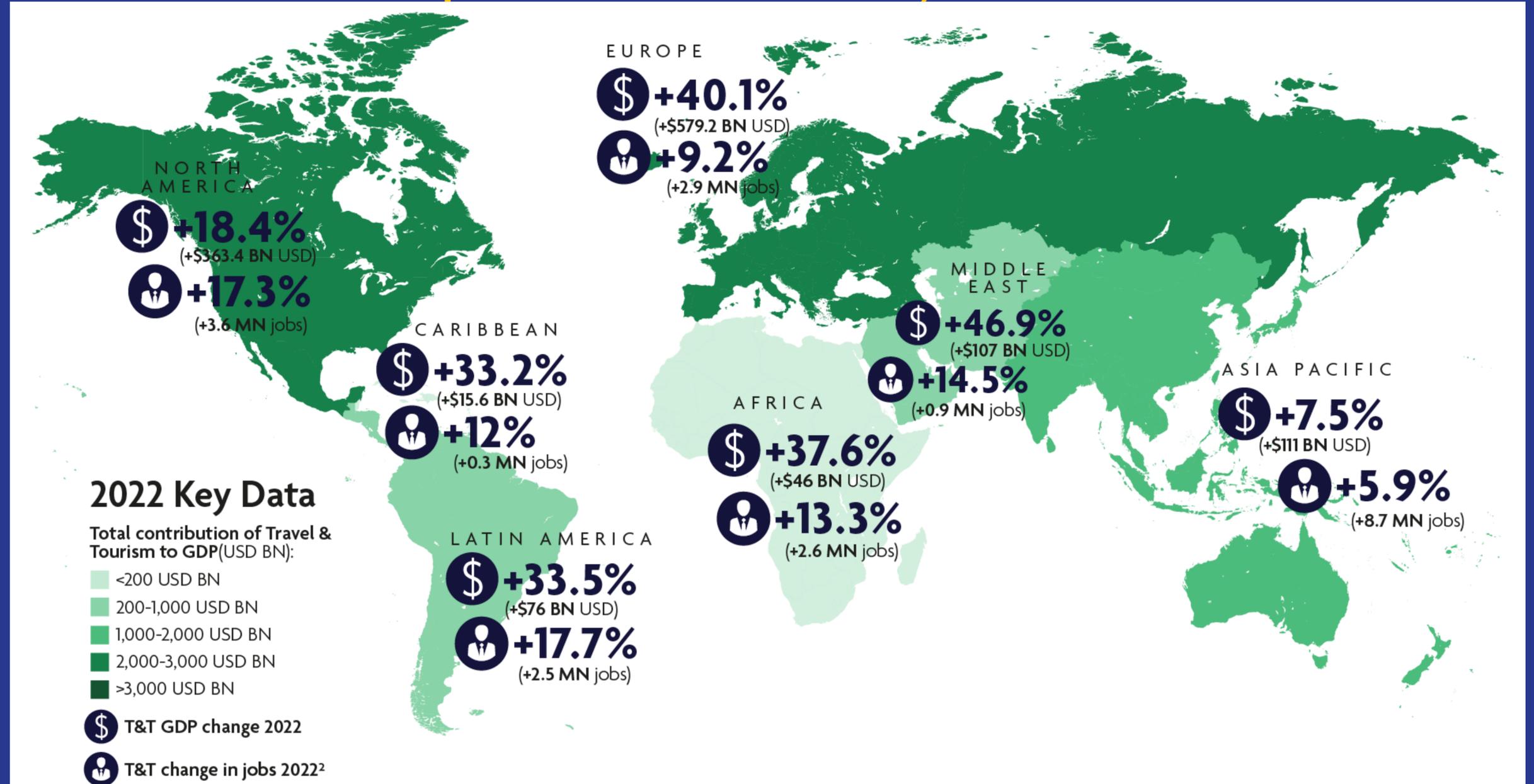


Despite higher prices,
travel & tourism
sector has seen a
recovery

UAE Travel & Tourism
sector's GDP contribution
grew 60%+ to nearly AED
167 bn in 2022; total 751k
jobs. By 2023, GDP
contribution to rise to
10.2% (from 9% currently)
& employ 872k+ persons.

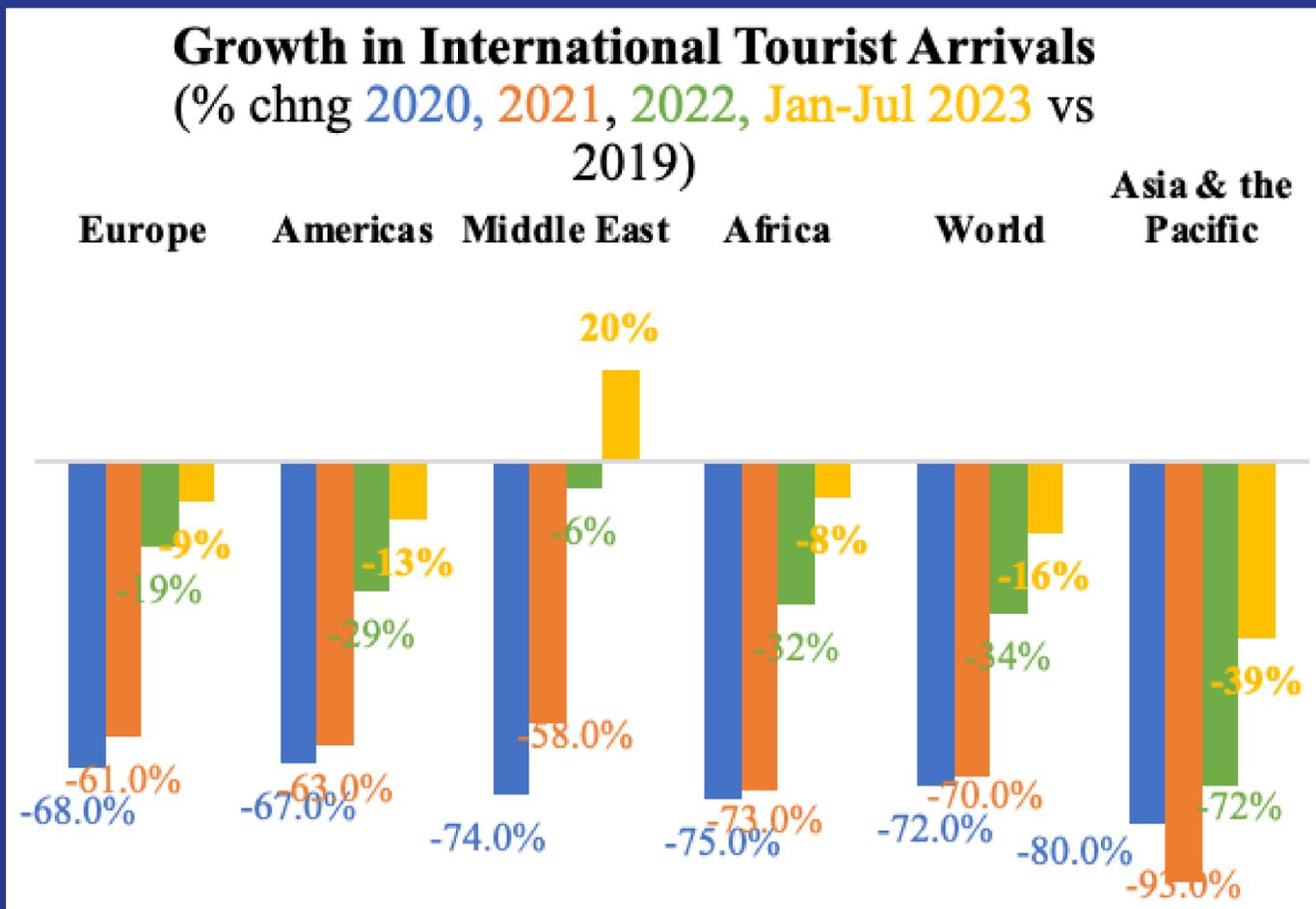
Over the next decade, the
Travel & Tourism sector in
the Middle East is projected
to reach a contribution of
nearly AED 2.5trn & employ
more than 9.8mn persons.

Economic impact of Travel & Tourism, 2022 vs 2021

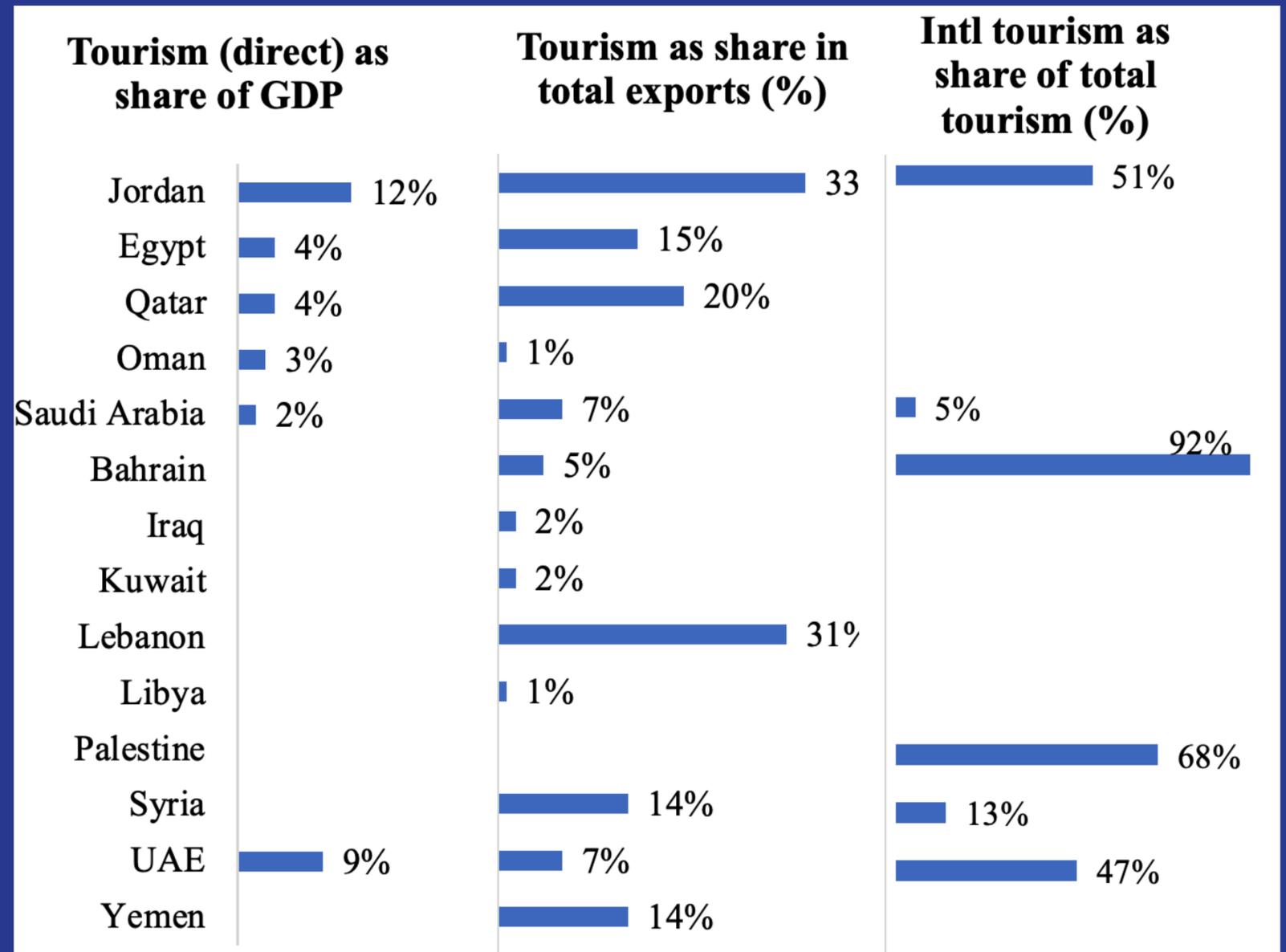


Global tourism recovered to 84% of its pre-pandemic levels by end-Jul; Middle East stands out as the best performing region in international tourist arrivals

... but some tourist destinations in the Middle East are more vulnerable than others!

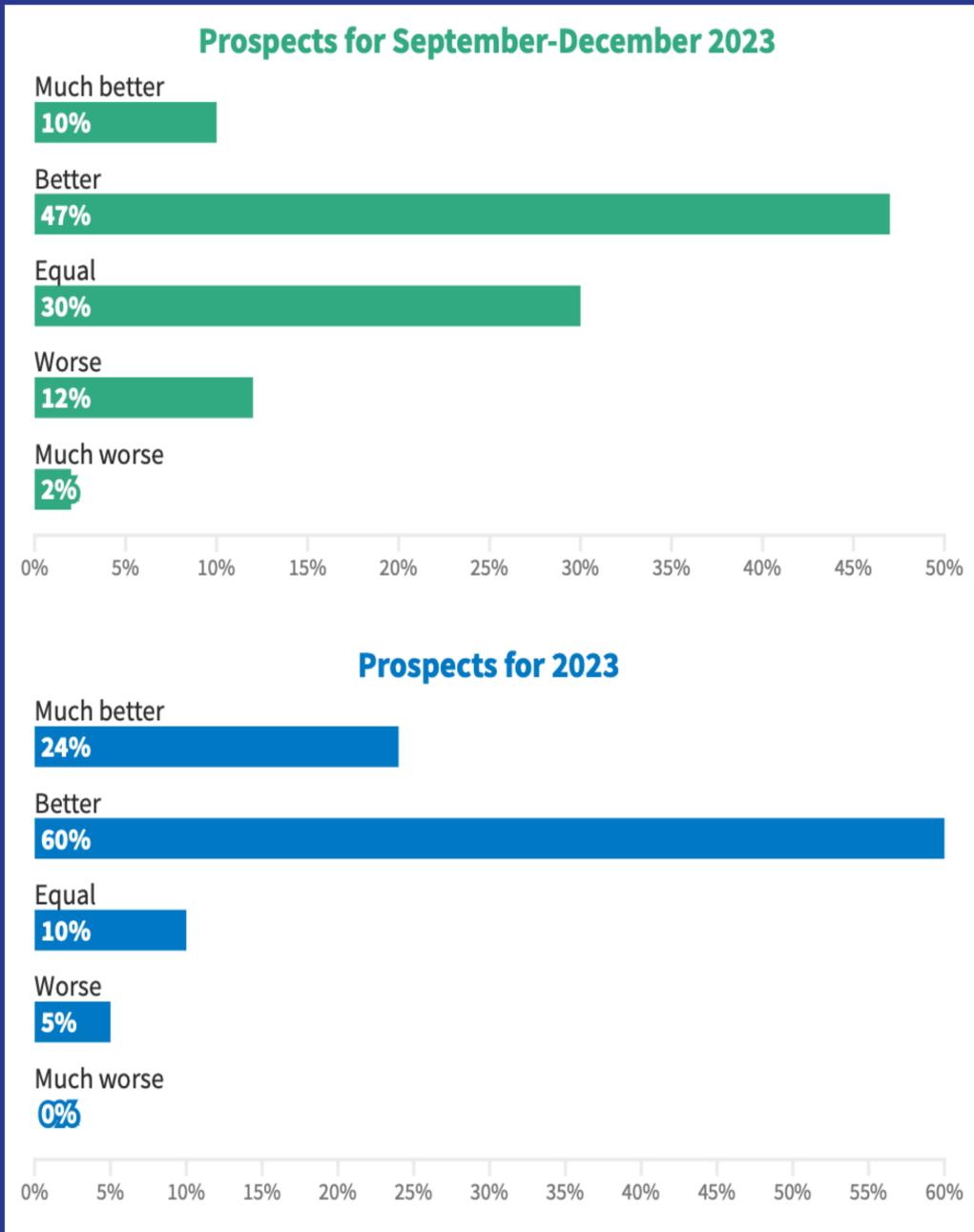


Source: UNWTO. Charts created by Nasser Saidi & Associates

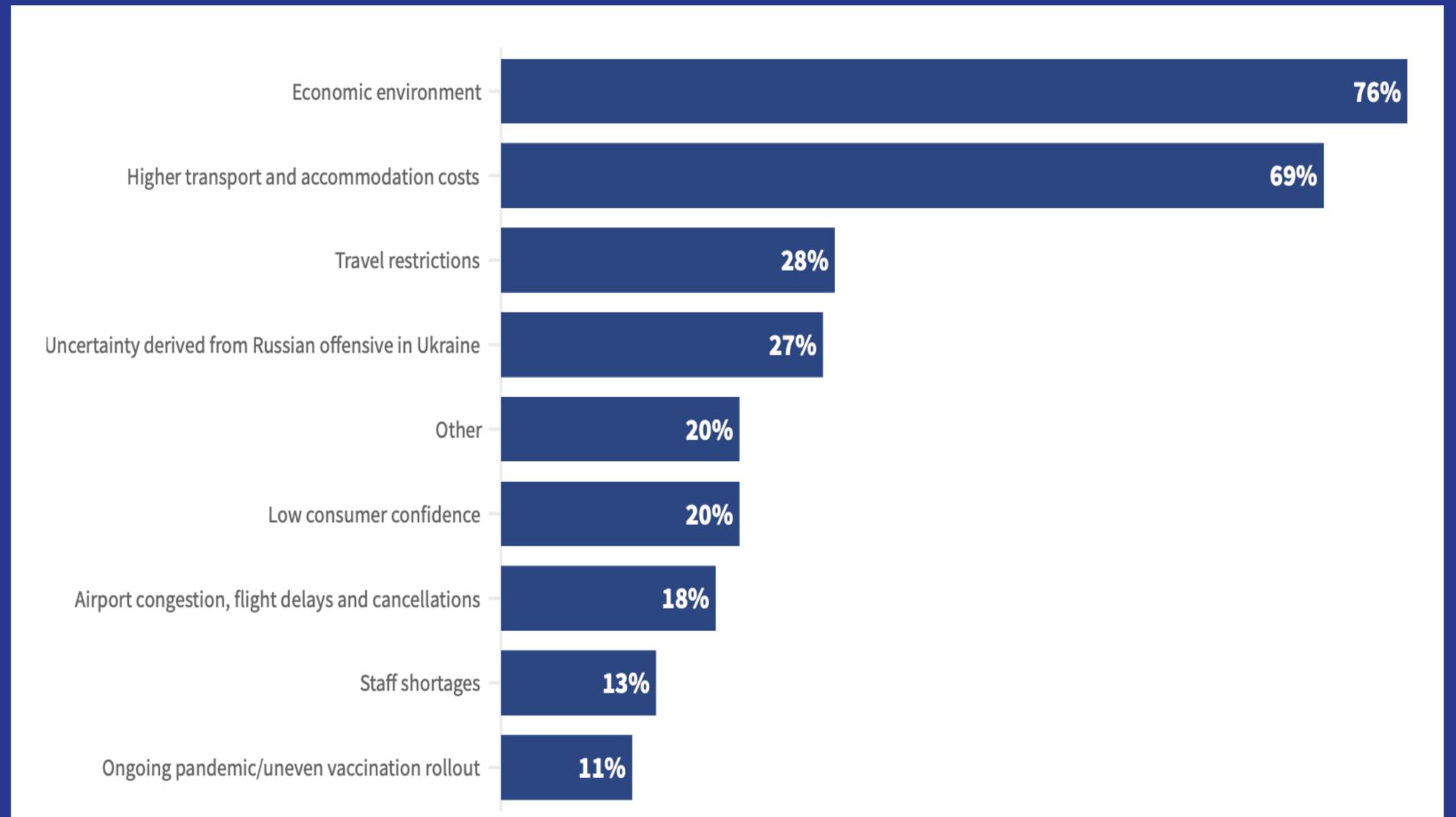




Prospects for Sep-Dec 2023 point to continued recovery in tourism globally



Main factors weighing on the recovery of international tourism? Survey results of UNWTO Panel of Tourism Experts



UNWTO conducted a global survey among its UNWTO Panel of Tourism Experts on the impact of COVID-19 on tourism and the expected time of recovery. Data as collected by UNWTO, September 2023



Drivers, Opportunities & Risks for Tourism/ MICE in the Middle East

Drivers

- Boost to brand names from hosting Expo, World Cup, major sports tournaments + Extensive marketing
- Demographics, social change + demand & willingness to travel
- Rapid urbanisation, connectivity & tourism (while also addressing sustainability, environmental concerns..)
- Emerging market economies to surpass tourists from advanced nations: targeted marketing; easing visa processes etc.
- Digitisation: “connected” tourists

Opportunities

- New travel corridors: regional tourism getting a boost vs international travel
- Expansion of air routes & visa facilitation to attract visitors to “new” destinations
- Leisure & business travel are growing at similar paces
- Preferences for unique “experiences” (i.e. eating out, recreation etc) vs “things” (i.e. shopping for clothing, footwear, jewellery)
- Sustainability & Circular tourism (e.g. use of public transportation, reduce single use plastic etc)

Risks

- Increased competitiveness
- Value-for-money option to be preferred if inflation persists OR shorter trips
- Persistent increases in flight & hotel costs to influence travel & spending patterns
- Use of technology: meetings in the metaverse vs in person
- Difference in demand: nations that have a strong remote work dynamic (vs. return-to-office)
- Longer-term risks from climate change (e.g. rising temperatures, biodiversity damage)



Future of the MICE industry to be influenced by...



“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.” - Charles Darwin

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