



GHN On My Mind: Ed Fuller



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It's All Good News From the World's Travel & Tourism Industry for the Next 20 Years

From time to time, I like to tout the strengths of the world's Travel and Tourism industry. I think most people know Travel and Tourism ranks among the most exciting and dynamic economic sectors on the planet. But, by any measure, 2014 was outstanding. The industry accounted for \$7.6 trillion in revenues or 9.8% of the world's gross domestic product (GDP) and was responsible for providing 105 million jobs, according to the World Travel & Tourism Council (WTTC).

Over the next 10 years, WTTC predicts global Travel and Tourism GDP will grow an average of 3.8% a year, directly and indirectly. Its GDP contribution to the world's economy will rise to 10.5% and by 2025 it will account for 10.7% of the world's employment. South Asia will be the fastest growing region (+7%) as India outpaces China. In the next tier of sub-regions with estimated Travel and Tourism growth of 4.6% to 5.6% a year through 2025 are Southeast Asia, Sub-Saharan Africa, North Africa and the Middle East. North America, the Caribbean and Latin America follow with growth rates of 3.3% to 3.6%, followed by Oceania (3.1%) and Europe (2.6%).

Among the major countries projected to experience significantly strong Travel and Tourism GDP growth will be India, China, Thailand, Indonesia, Peru and Kenya. Among the smaller economies: Myanmar, Montenegro, Angola, Tanzania, Bangladesh, Cambodia and



Mozambique. WTTC predicts that over the next decade, China, the U.S., Germany and the UK will retain their hold on the top four spots for outbound spending (in this order).

The industry's strong 2014 performance was 8% better than its previous year's results, underscoring that it continues to gain momentum even in the face of accelerating geopolitical instability, and health and terrorism concerns, said Ernst & Young in their annual Global Hospitality Insights report for 2015. They report a wave of new hotels will open in 2015 and a strong global hotel development pipeline of about 1.3 million new guestrooms is solidly in place.

These new rooms are coming on line just in time. UNWTO predicts by 2030, 1.8 billion tourists will be traveling beyond their national borders, with the growth rate averaging 3.3% a year, or about 43 million additional international tourists joining the tourism marketplace every year. In 2014, slightly over 1.1 billion tourists traveled outside their national borders, 51 million more than did so a year earlier.

For its part, the International Air Transport Association (IATA) expects annual passenger volumes to reach 7.3 billion by 2034, representing a 4.1% annual demand growth rate and more than doubling current levels of 3.3 billion.

They predict China will overtake the U.S. as the world's largest passenger market by 2030. Both markets will remain the world's largest by a wide margin. By 2034, flights to, from and within China will account for about 1.3 billion passengers a year, 856 million more than current levels and representing an annual growth rate 5.5%. Traffic to, from and within the U.S. will grow at an annual average rate of 3.2% and will account for 1.2 billion passengers in the same time frame (559 million more than today).

IATA also predicts the five fastest growing markets in terms of passengers-per-year will be China, the U.S., India, Indonesia and Brazil. Eight of the world's top 10 fastest growing markets in percentage terms will be in Africa and in terms of city pairs, Asian and South American destinations will experience the fastest growth.

This phenomenal growth will most assuredly transform economic opportunities for millions of people around the world and IATA estimates that aviation alone will support about 105 million jobs and contribute \$6 trillion to the global GDP in the next 20 years.



Taking note of these projections, Boeing, Airbus, Bombardier and Embraer predict the world's aircraft fleet will double over the next 20 years. Boeing estimates the world's passenger and cargo fleet will grow from 20,910 aircraft to 42,180—with 35,770 new airplanes being added over that time frame.

In the next 20 years, there will be more people with more wealth living in the world's urban areas. Airbus says the urban population will grow from 51% of the world's population today to more than 60% over the next 20 years to 5 billion people. Hundreds of millions of people will want to travel meaning worldwide demand for airline seats will drive the estimated growth. Airbus says about 27% of all trips will be to visit friends and relatives, reflecting recent global immigration flows. Similarly, the number of international students has nearly doubled since 2000, which has also contributed to aviation travel growth.

All the aircraft manufacturers agree that emerging markets will be the primary drivers of growth over the next two decades. Airbus says the emerging markets will represent 50% of new aircraft buyers, pointing out that two-thirds of the populations of these countries will take at least one air trip a year by 2032.

Asia-Pacific will lead the world in air travel 20 years from now, followed by Europe, North America, the Middle East, Latin America, the CIS and Africa. First-time flyers will come from the world's burgeoning middle class that will grow from 2.2 billion persons today to over 5.2 billion in 20 years.

And for those who want to ride the wave of success offered by the Travel and Tourism industry, the WTTC has good news. With its projected growth, WTTC estimates the industry will need to create and fill more than 72 million new jobs in the next 10 years with talented, service-minded people at all levels, to meet the demand.

Laguna Strategic Advisors is a long-standing member of GlobalHotelNetwork.com and Mr. Fuller is a member of [GHN's Investment Committee](#).

