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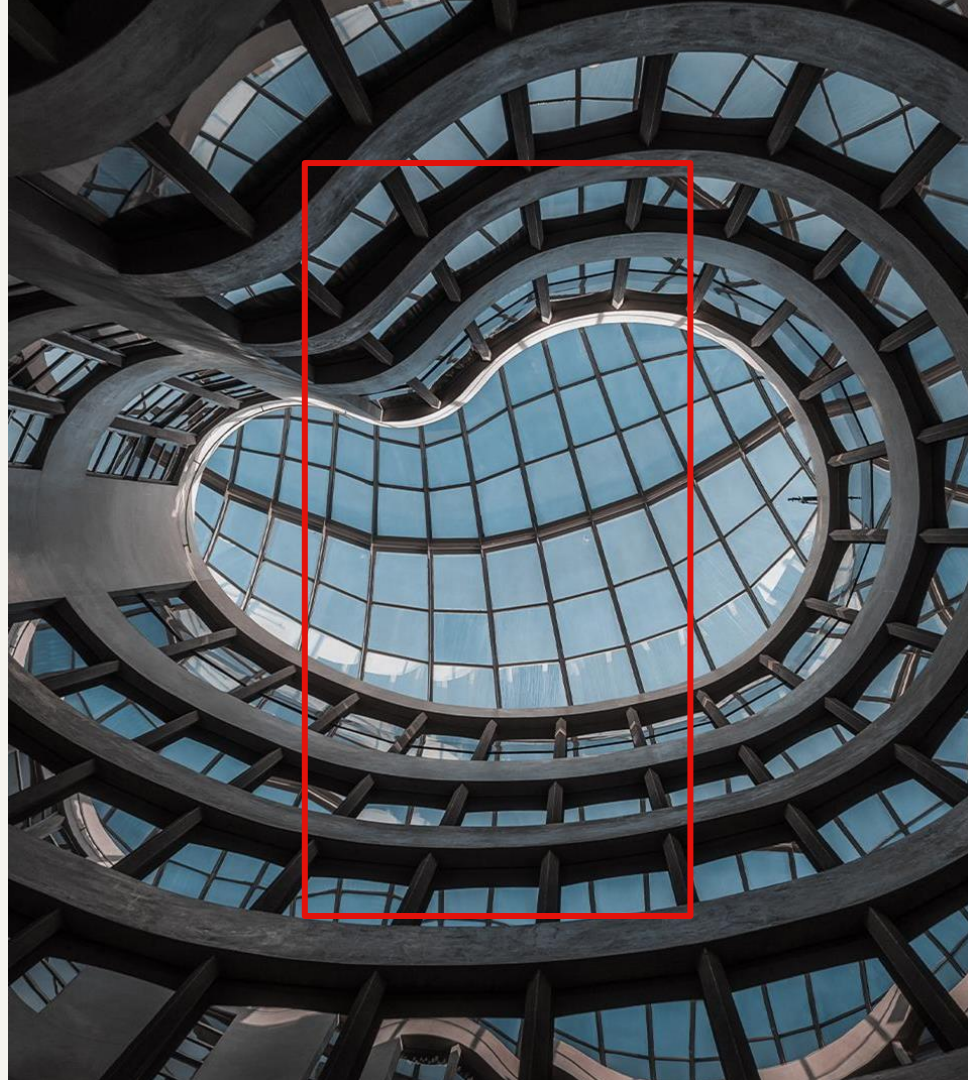
# Global Tourism

*Riding the geopolitical storm*

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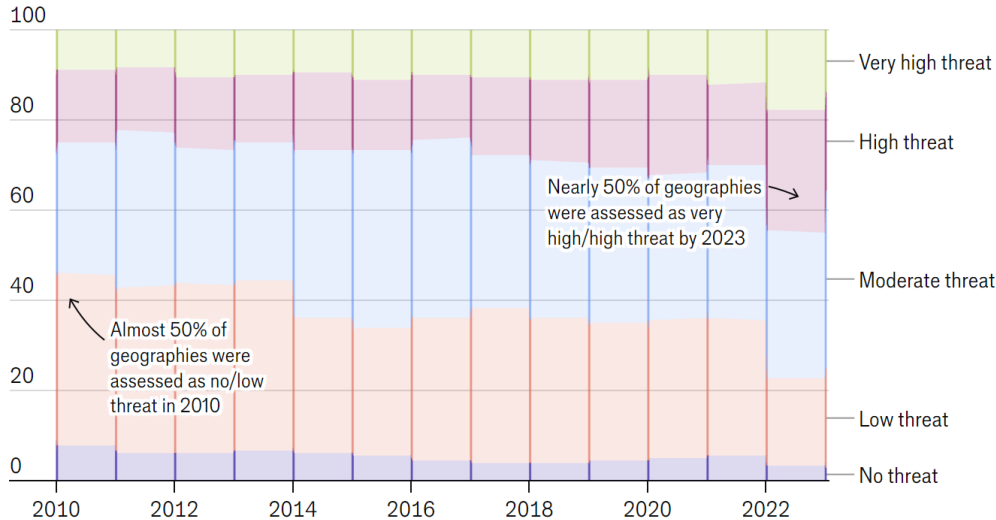


# **Geopolitics – shifts and risks**

# Shifting geopolitical landscape

## Economic impact of geopolitical tensions is rising

Level of threat posed by international disputes; % of total geographies



- **Rebalancing the world** order with new spheres of power – more volatile and less predictable
- **Driving fragmentation** between competing geopolitical and economic blocs – foreign policy conflicts
- **Reconfiguring globalization** through industrial policies – sanctions, tariffs, and incentives affect strategic sectors

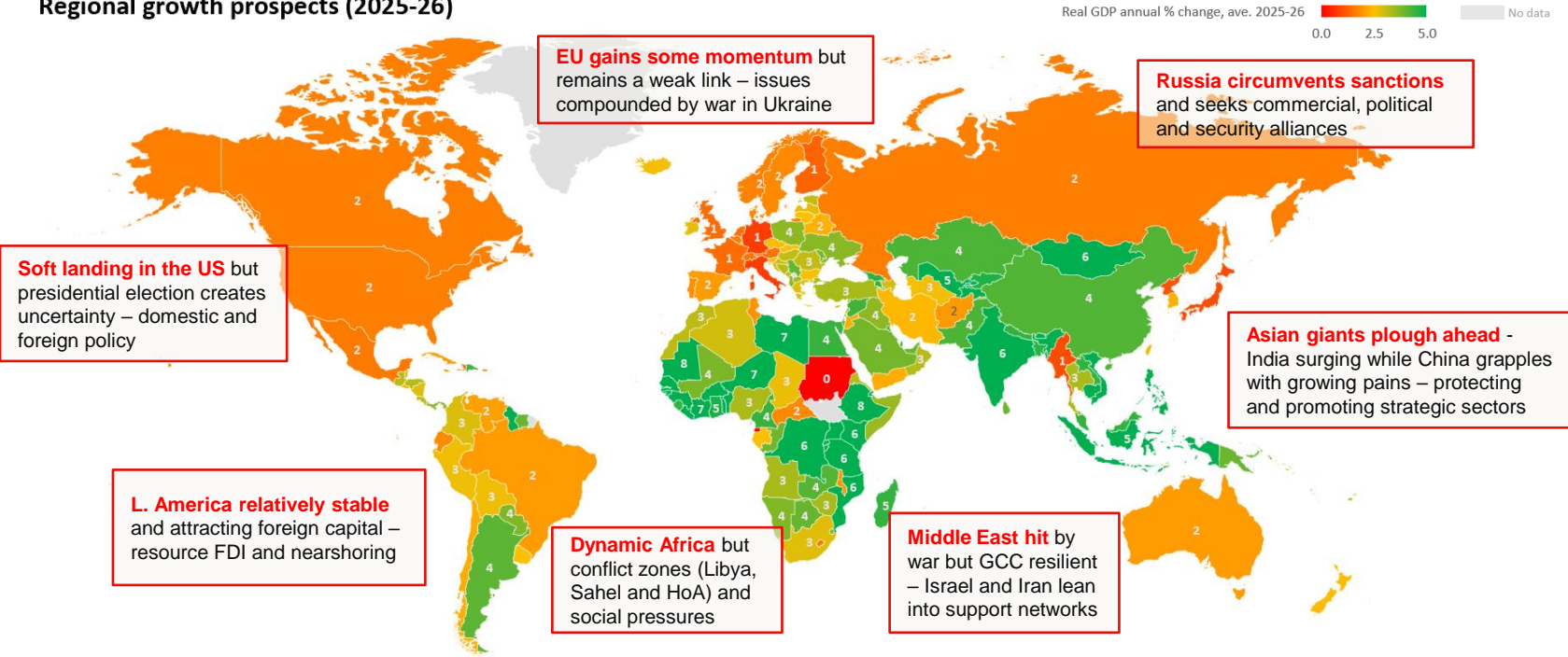
# Key near-term geopolitical risks

\*Degree of impact on the global economy

Risk	Scenario	Probability (Very low=1; Very high=5)	Impact* (Very low=1; Very high=5)	Intensity (Probability x Impact)
<b>US-China rivalry</b>	US and China accelerate decoupling of technology sectors and aggressive foreign policy prompts a global trade war - sanctions, tariffs and incentives; market bifurcation	Moderate ▲	High	12
<b>US-China cold war</b>	Tensions escalate over Taiwan or in the South China Sea and pitch the US against China - new cold war sends shock-waves over the global economy and supply-chains	Low —	Very high	10
<b>European conflict</b>	War in Ukraine becomes protracted and spreads to neighbouring states, pitching Russia against NATO allies - volatility in commodity and financial markets	Low —	Very high	10
<b>Middle East war</b>	Israel's conflict with Hamas and Hezbollah escalates to a full regional conflagration - threatening global energy supplies and trade flows	Low ▲	Very high	10
<b>Major terror attacks</b>	Major terror attacks affecting leading economies in North America, Europe or Asia create market volatility and commercial disruption	Moderate —	Low	6
<b>Major cyber attacks</b>	Extensive and sustained cyber-attacks disrupt critical infrastructure in major economies - creating supply chain disruption and financial market volatility	Moderate —	Low	6
<b>Environmental disaster</b>	Major incidents destruct natural habitats, physical infrastructure and livelihoods - stoking geopolitical tensions already exacerbated by climate policy gridlock	Moderate ▲	Low	6
<b>Emerging market crisis</b>	Sustained and pronounced economic weakness in China - sends economic ripple effects across EMs and threatens political systems / institutions	Low —	Moderate	6
<b>Nuclear build-up</b>	Iran and/or North Korea push ahead with their nuclear build-up and take provocative action with (test) missile launches - regional tensions and stand-offs	Low ▲	Low	4
<b>European fragmentation</b>	Populist resurgence across Europe causes the region's political unity to fragment - creating EU policy deadlock and economic volatility	Low ▼	Low	4

# Geopolitics already impacting global growth and stability

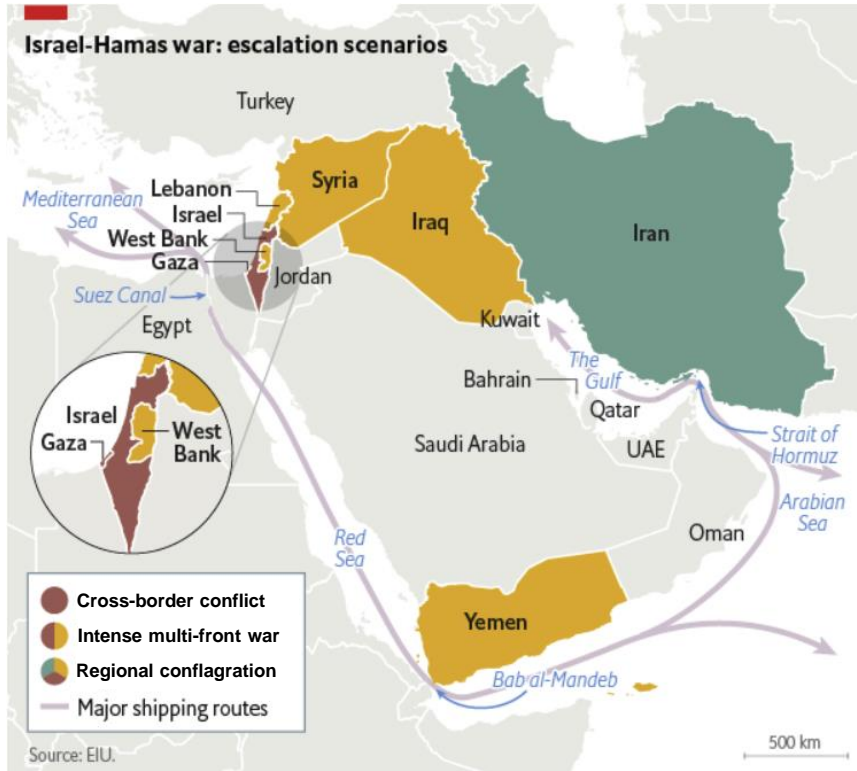
## Regional growth prospects (2025-26)



Competing blocs, tighter alliances and de-risking of supply chains prompt **greater fragmentation and regionalisation**

Source: EIU Country Data

# Middle East conflict – potential to derail tourism hotspots



## **Cross-border conflict [45%; Moderate]:**

prolonged conflict in Gaza / Lebanon; IDF pursues northern buffer zone; other proxies hold back; brinksmanship but restraint by Israel and Iran

**Intense multi-front war [45%; High]:** conflict intensifies along five fronts - Gaza, W. Bank, Lebanon, Syria, and Iraq; US more involved; Iran and Israel tit-for-tat (limited direct strikes)

**Regional conflagration [10%; V High]:** extensive overt and covert warfare across the ME; Iran in direct conflict with Israel (and the US); GCC under attack; Yemen civil war re-ignites; ME oil blockade

**Can the Israeli leadership retain control?**

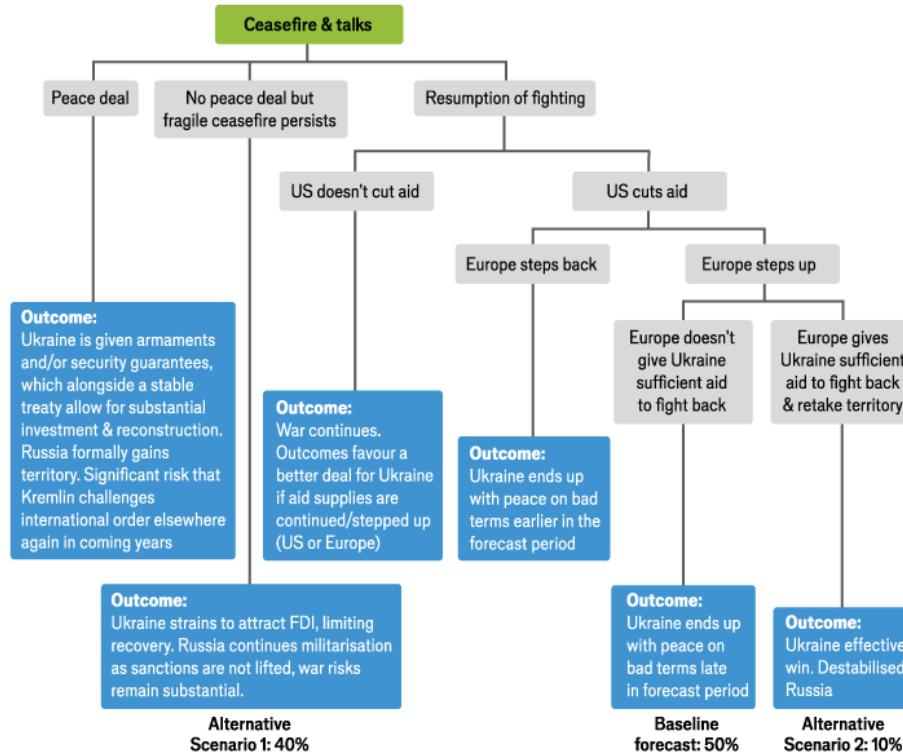
**How will the new US president respond?**

**Does Iran have the means to fully engage?**

**Will tourism plans/dynamism remain intact?**

# War in Ukraine will rumble through 2025

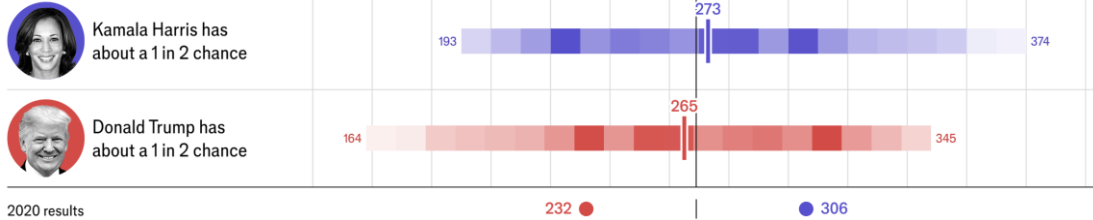
## Ukraine conflict: possible scenarios



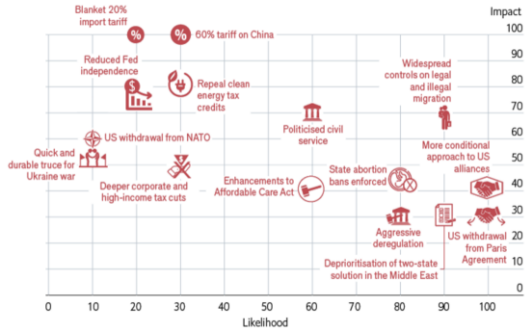
- **Peace talks** between Russia and Ukraine to start in 2025 – US reins in and EU steps up support (not enough!)
- **Conflict contained** to existing spheres and eventually a negotiated settlement - unsavoury outcome for Ukraine
- **European political fragmentation** will deepen, making more countries reliant on larger and more unwieldy coalitions
- **Limited impact on tourism** in major European markets – especially western inbound and outbound tourism

# Uncertain US foreign policy post-election

Chance of winning the electoral college

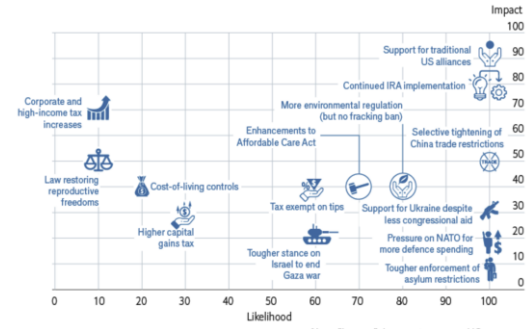


Policy priorities of a Trump administration  
100=highest likelihood and highest impact



Source: EIU. Note: "Impact" denotes impact on US economy. Copyright © The Economist Intelligence Unit 2024. All rights reserved.

Policy priorities of a Harris administration  
100=highest likelihood and highest impact



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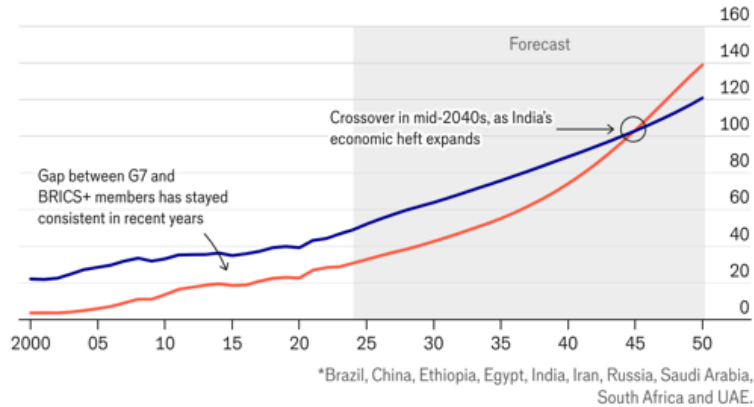
- **US election on a knife edge** and the outcome has major implications for the global economy
- **The US economy will slow** and great uncertainty over the direction of domestic/foreign policy
- **Trade tensions** with China at a critical point – de-risking supply chains and new trade defences
- **Geopolitical divides** to cement along East-West and North-South lines – issue for strategic sectors

# Shifting balance of power will stokes tensions

## The rising global weight of emerging economies will strain geopolitics

Nominal GDP; US\$ trn

— G7 — BRICS+\*



- **Global economy reconfigured** - multipolar
- **Protective industrial policy** – near/friend-shoring
- **Intense US-CHN rivalry** in strategic sectors
- **EM opportunity for tourism** – inbound/outbound

Source: EIU Viewpoint

## US military deployment

Number of stationed military personnel as at March 2024

Number of US troops

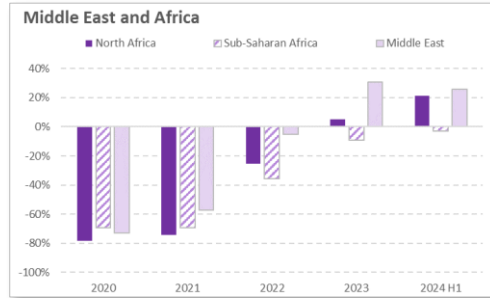
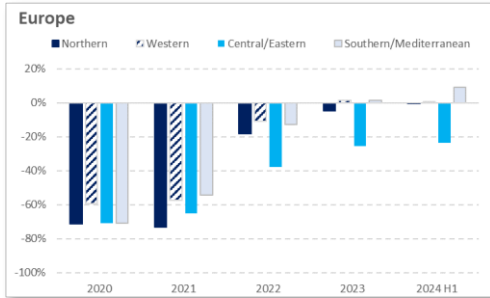
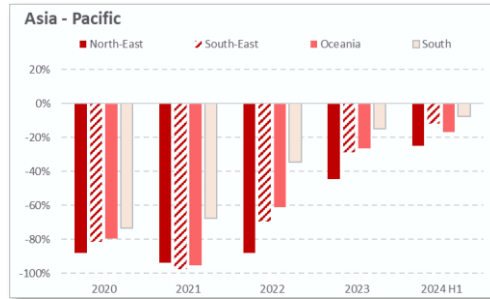
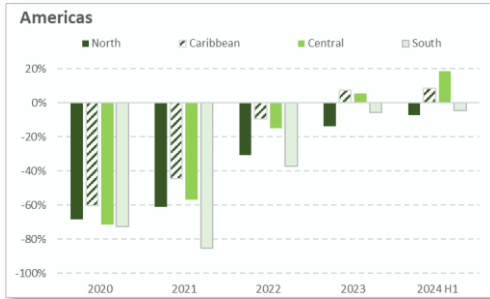


- **New military alignments** – threat containment
- Protecting **commercial interests**
- Strengthening **regional alliances**
- **Tourism must tread warily** – flashpoints

# **Global Tourism – proving resilient**

# Tourism recovers lost ground – despite geopolitical headwinds

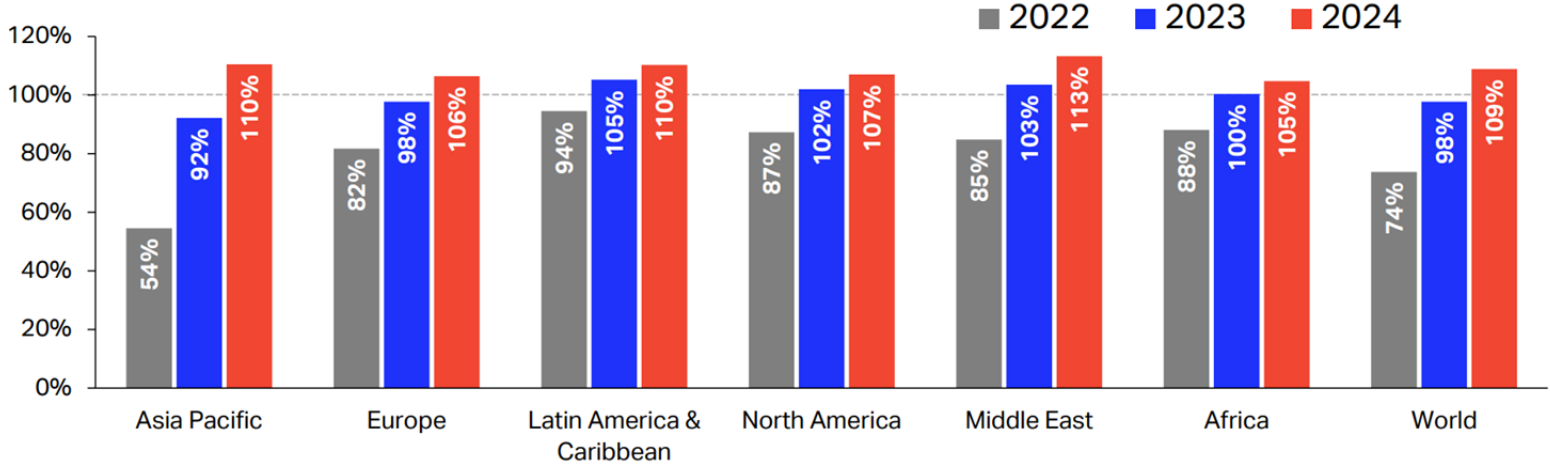
International arrivals % change from 2019



- International tourist arrivals are on the cusp of a **full recovery** – 96% of pre-pandemic levels in H1 2024
- **Middle East and North Africa** have recovered fastest – GCC investment, connectivity, marketing and events
- **Major markets** in North America, Europe and (especially) Asia are yet to recoup pandemic losses
- **International tourism spending** is performing even better – surpassed pre-pandemic levels in 2023!

# Global air travel has taken off

Passenger traffic recovery (% share of 2019 levels)

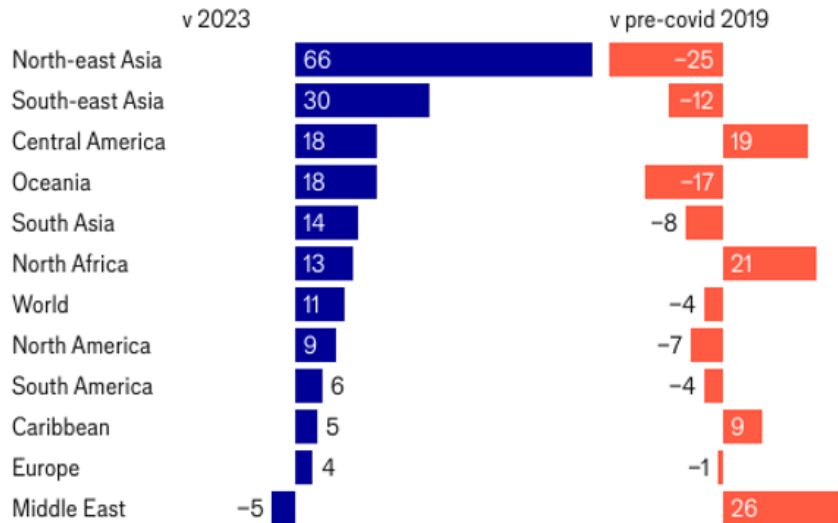


Recovery year						
2024	2024	2023	2023	2023	2023	2024

Source: EIU

# Asia is regaining momentum and reaching out

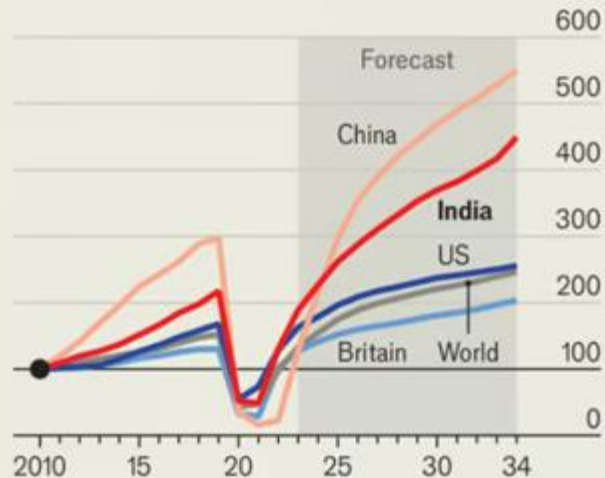
## Tourist arrivals % year on year as of July 2024



Source: EIU; UN WTO

## Off to see the world

International outbound trips, 2010=100



Source: Oxford Economics

# Short-term drivers and constraints

- **Full recovery** in global tourist arrivals / receipts by end 2024 – all markets with few exceptions
- **Resilient confidence** among tourists and tourism businesses – upbeat outlook for 2024-25
- **Pent up demand** – stronger intra-regional and growing international demand (W.EUR, CHN, US)
- **Investment plans** – building capacity, improving connectivity, diversifying and promoting markets

... but downside risks pose significant challenges

- **Economic risks** created by price pressures and interest rates – potentially higher for longer!
- **Environmental concerns** – potential disruption from climate change induced weather events
- **Armed conflict** – impactful escalation of wars in Eastern Europe, the Middle East, and Africa
- **Geopolitical tensions** – confidence eroding trade tensions centred on US foreign policy



# Tourism grapples with challenges and opportunities

- Businesses/investors must plan for **more geopolitical volatility** in the future

Geopolitical shifts/risks	Major impacts
Policy changes, political instability, and security issues – global rivalries fuelled by personalities and economic realities	Disruption to travel and spending plans; stalled public and private investment; higher operating and investment costs

- First and forceful movers could gain an important **competitive advantage**

Adjust strategic plans	Create an edge
Businesses and governments are implementing crisis management plans, investing in safety measures, and diversifying their offering and source markets	Building resilience, sustainability and diversity (market demand and product offering) will help future proof tourism sectors

# Key takeaways

# Global Tourism

... Riding the geopolitical storm

## 01 Geopolitics as the new driver and disruptor

- Rebalancing the world order
- Impacting supply/value chains
- Opening and closing markets

## 02 Geopolitical risks are high on the watch list

- Regional conflict – potential escalation
- Global rivalries – sector fragmentation
- New policy - nationalism/protectionism

## 03 Global tourism on the road to recovery

- All regions close to pandemic recovery
- Impressive resilience to headwinds
- Geopolitics and inflation are concerns

## 04 Geopolitics have major implications

- Geopolitical shifts/risks driving change
- Multiple potential disruptors for tourism
- But creating market opportunities

## 05 Business and investors adjusting plans

- Planning for (geopolitical) volatility
- Building resilience / diversification
- Seeking new outlets and partners

# Any questions?

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