TOURISM FORECASTING REFERENCE PANEL

As part of the forecasting process, Tourism Research Australia (TRA) established the Tourism Forecasting Reference Panel (the Panel) comprising experts from industry and government. Its key purpose is to review and provide feedback on TRA’s draft tourism forecasts before results are finalised. TRA acknowledge the contribution of the following Panel members:

Janice Wykes (Chair) Assistant General Manager, Tourism Research Australia
Ivan Colhoun Chief Economist, Markets, National Australia Bank
Russell Goss Research Director, Tourism and Transport Forum
Daniel Gschwind Chief Executive, Queensland Tourism Industry Council
Adele Labine-Romain Executive General Manager (Strategy and Research), Tourism Australia
David Sheldon Chairman, Australian Regional Tourism Network
Peter Shelley Managing Director, Australian Tourism Export Council
Dr. Tony Webber Managing Director, Webber Quantitative Consulting PTY LTD

Tourism Research Australia
Austrade
25 National Circuit
Forrest ACT 2603

Email: tourism.research@tra.gov.au
Web: www.tra.gov.au

Publication date: November 2015

This work is licensed under a Creative Commons Attribution 3.0 Australia licence. To the extent that copyright subsists in third party quotes and diagrams it remains with the original owner and permission may be required to reuse the material.

This work should be attributed as Tourism Forecasts 2015, Tourism Research Australia, Canberra.
Enquiries regarding the licence and any use of work by Tourism Research Australia are welcome at tourism.research@tra.gov.au
CONTENTS

TOURISM FORECASTING REFERENCE PANEL ................................................................. 2
FOREWORD ..................................................................................................................... 4
1 THE ECONOMY .......................................................................................................... 5
1.1 THE GLOBAL ECONOMIC OUTLOOK ...................................................................... 5
1.2 AUSTRALIA’S ECONOMY ........................................................................................ 7
1.3 THE AUSTRALIAN DOLLAR .................................................................................... 8
2 TOURISM DRIVERS—ACCOMMODATION, AVIATION AND SENTIMENT ...................... 10
2.1 ACCOMMODATION ................................................................................................ 10
2.2 AVIATION .............................................................................................................. 11
2.3 TOURISM INDUSTRY SENTIMENT ....................................................................... 13
3 FORECASTS, 2015–16 TO 2024–25 ............................................................................. 15
3.1 INBOUND ARRIVALS FORECASTS, 2015–16 TO 2024–25 ................................. 15
3.2 DOMESTIC VISITOR NIGHTS, 2015–16 TO 2024–25 ........................................... 17
3.3 AUSTRALIAN RESIDENT DEPARTURES (OUTBOUND), 2015–16 TO 2024–25 ...... 18
3.4 TOTAL TOURISM EXPENDITURE 2015–16 TO 2024–25 ........................................ 20
4 KEY MESSAGES ......................................................................................................... 22
5 DATA SOURCES ......................................................................................................... 23
Welcome to Tourism Research Australia’s (TRA) *Tourism Forecasts 2015*.

The outlook for Australia’s tourism industry over the next few years is positive, with the domestic tourism market forecast to improve solidly (by 3.5 per cent in 2015–16). Growth will mainly come from the steady growth of the Australian economy, and will be underpinned by lower fuel prices and the depreciation of the Australian dollar; all of which makes domestic travelling more attractive for Australian residents. Among travel purposes, business travel (5.8 per cent) is likely to increase faster than holiday (2.5 per cent) and visiting friends and relatives (3.1 per cent).

While domestic tourism is a large component of Australia’s tourism industry, the inbound market is forecast to continue leading growth (5.9 per cent) supported by lower fuel prices, the depreciation of the Australian dollar and the improvement of economic conditions in overseas markets. Forecasts for Australia’s key tourism markets are for growth above the global growth trend in the next two years. Although China’s economy has slowed down, growth in China, India and Malaysia (emerging markets) is expected to outpace the global average rate of growth. Similarly, the economic growth of Australia’s leading Western tourism markets such as the United States, the United Kingdom and New Zealand is expected to exceed the average rate of growth forecast for advanced economies as well. Inbound tourism demand is likely to remain strong for the next few years.

Forecasting is always a challenging task. This round of forecasts has proven even more difficult due to major change to the data underpinning this round of forecasts. From 2014, TRA has adopted an approach to conducting the National Visitor Survey (NVS) using both landline and mobile phone survey techniques (dual-frame) rather than landline only (single-frame). This approach was necessary as there is a rising proportion of mobile-only users (more so for the younger groups) in the population, who are making shorter trips and spending more per night. While the dual-frame approach is helping to improve the quality of TRA’s NVS data, it has posed some issues for this round of forecasting, as the historical data of the forecasting model has changed its statistical behaviour, and is not compatible with data prior to 2014–15.

These issues were overcome, however, and TRA continues to support the industry and policy makers by producing tourism forecasts that are essential for business and policy planning.

Janice Wykes
Assistant General Manager, TRA
1. THE ECONOMY

1.1 THE GLOBAL ECONOMIC OUTLOOK

The global economy continues to recover from the Global Financial Crisis (GFC) with forecast growth of 3.1 per cent in 2015 and 3.6 per cent in 2016. Although economic activity remains strongest for emerging economies, there are signs of a slowing in their growth while many advanced economies are gradually strengthening.

For emerging economies, growth slowed to 4.6 per cent in 2014 (0.4 percentage points lower than in 2013). This downward momentum is forecast to continue in 2015 (4.0 per cent) before a likely turnaround in 2016 (4.5 per cent). The slowing of growth in these economies has been due to:

- Falls in commodity and oil prices (impacting on resource-exporting economies such as Brazil, Russia and the Middle East)
- Structural bottlenecks (insufficient infrastructure to facilitate growth)
- The internal shift in China’s growth composition towards domestic consumption
- Economic distress related to geopolitical factors (e.g. regional conflicts such as the war in the Middle East).

Growth for advanced economies is expected to strengthen continuously from the 1.8 per cent growth recorded in 2014 throughout 2015 (2.0 per cent) and 2016 (2.2 per cent). Growth in these economies is being supported by lower fuel prices, lower interest rates, improving business confidence and an easing of the austerity measures in the Eurozone.

Over the recent period, anticipated tightening of monetary policy (i.e. higher interest rates) in the United States (US) and the easing of monetary policy (i.e. lowering of interest rates) by other major central banks has resulted in depreciation of major currencies against the US dollar.

Overall, this is likely to provide a positive macroeconomic backdrop for international visitation to Australia over the next two years.

CHINA

China is one of our major inbound markets, representing 17 per cent of total inbound consumption in 2013–14. The falling Chinese stock market has raised some concerns about the impact this could have on China’s outbound travel to Australia. However, the impact is not expected to be significant, as only 6 to 9 per cent of the Chinese population are directly exposed to the stock market.

It is the change to China’s growth model that looks to be of more relevance to TRA’s tourism forecasts. The Chinese economy is transitioning from being heavily reliant on investment and exports towards more sustainable growth, where household consumption takes up a stronger role. This transition has caused growth to slow in recent years, and could lead to a depreciation of the Renminbi against major foreign currencies if household consumption does not increase strongly enough.

While growth of the Chinese economy is expected to slow, it is still projected to grow at 6.6 and 6.5 per cent (Consensus Economics) for 2015–16 and 2016–17, respectively, which will continue to see more of the population moving into the middle-income class with greater capacity to travel.

---

INDIA

Despite strong growth in the three months to March 2015 (7.5 per cent year-on-year), the Reserve Bank of India was still committed to cutting interest rates in May taking advantage of declining inflation to further boost growth in the economy. Low oil prices have been a key factor in keeping inflation low. If the low oil prices continue, as assumed by the World Bank, growth is forecast to remain strong in 2015–16 and 2016–17, at 7.7 per cent and 7.6 per cent, respectively.

In contrast to China, the government of India is trying to stimulate more investment, in order to provide infrastructure to facilitate growth. Currently, public and household consumption dominates growth, while the contribution of investment and exports is modest. The focus on economic development in India is likely to have positive implications for outbound tourism to Australia.

OTHER ASIA

Growth in the Northeast Asian economies of Japan, South Korea, Hong Kong and Taiwan is expected to ease because of their substantial trade exposure to the slowing Chinese economy. Elsewhere in Asia, Singapore showed stronger-than-expected growth in the first quarter of 2015, while Thailand experienced weak growth over the same period. In general, growth in most Asian economies has been revised downward in this round compared to previous forecasts.

NEW ZEALAND

New Zealand, Australia’s largest international visitor market by arrivals, has had solid growth over recent years with increases in household consumption, low inflation and interest rates, and declining unemployment rates. However, growth is expected to slow from 3.0 per cent in 2014–15 to 2.1 per cent in 2015–16 and 2.5 per cent in 2016–17 due to lower commodity prices.

THE UNITED STATES

Australia’s highest yielding international market—the US ($237 per visitor per night)—has had growth of just over 2.0 per cent each year since 2012. Despite the effect of a strengthening US dollar on net exports, sustained momentum in growth is likely in the US market as employment and incomes continue to increase, household consumption rises, the housing market improves, inflation remains low and oil prices fall.

EUROZONE AND THE UNITED KINGDOM

Although the current refugee crisis and continuing uncertainty surrounding Greek debt pose risks, economic recovery in the Eurozone is expected to accelerate in the next two years. Overall, lower oil prices, low interest rates and a weak euro are providing favourable conditions for economic growth. The economic outlook is positive for Australia’s three largest European inbound markets—the United Kingdom (UK), Germany and France.
1.2 Australia’s Economy

The Australian economy continues to adjust from resources-led growth to broader-based drivers of activity, especially in the services sector. While this transition is being helped by lower fuel prices, low interest rates, and the decline of the Australian dollar against major trading currencies, the economy is currently growing below trend.

In the 2015–16 Budget, the Commonwealth Treasury forecast Australian real GDP to grow by 2.75 per cent in 2015–16 (0.25 percentage points lower than previously forecast), before returning to above-trend growth of 3.25 per cent in 2016–17 (Figure 2). The Treasury also forecasts the unemployment rate to increase to 6.5 per cent in 2015–16, then fall to 6.25 per cent in 2016–17 as the economy strengthens.

---

2 Figure 1 growth rates refer to calendar year. This allows comparison of growth forecasts for emerging and advanced economies and the world (for which data is only available on a calendar-year basis) with the growth forecasts for selected countries.
Record low interest rates are providing many households with additional income to spend on discretionary items including travel. Despite this, real household consumption is forecast to grow 3.0 per cent in 2015–16 and 3.3 per cent in 2016–17, which is slightly lower than the long-term trend rate of 3.4 per cent.

Consumer sentiment also remains soft. Pessimists have outnumbered optimists over 17 of the past 19 months in the Westpac-Melbourne Institute Index of Consumer Sentiment Survey. In September 2015, the index dropped 5.6 per cent to 93.9 amid concerns over volatility of world equity markets, the slowdown in China and local economic conditions.

Meanwhile, domestic inflationary pressure is contained. Inflation (CPI) increased 1.5 per cent in 2014–15 and is forecast to sit within the Reserve Bank of Australia’s target range of 2.0 per cent and 3.0 per cent over the next two years.

1.3 THE AUSTRALIAN DOLLAR

In the competitive global tourism market, the value of the Australian dollar (AUD) plays an important role in the performance of our inbound, outbound and domestic travel segments. Over the last 15 months, the AUD has declined against a number of leading currencies, most notably the Chinese Renminbi, US Dollar and UK Pound (Figure 3).
The AUD has been trading at US$0.70 in September 2015, and TRA estimates it will remain around this value over the next two years, averaging US$0.70 in 2015–16 and US$0.72 in 2016–17. This represents a downward revision from previous forecasts.

The lower value of the Australian dollar makes inbound tourism more attractive, but increases the cost for Australians to travel abroad. As a result, there should be a positive impact on international and domestic travel demand and a dampening effect on the outbound travel of Australian residents.
2. TOURISM DRIVERS—ACCOMMODATION, AVIATION AND SENTIMENT

2.1 ACCOMMODATION

STRONG GROWTH MAY HAVE PEAKED FOR THIS CYCLE

The Australian Bureau of Statistics’ Survey of Tourist Accommodation for 2013–14 indicates that strong growth in the Australian accommodation sector may have peaked for this cycle. Growth in supply was muted (room nights available\(^3\), up 0.2 per cent), while demand fell (room nights occupied, down 1.6 per cent) in 2013–14. There was also a marginal decline in revenue per room (down 0.5 per cent).

FUTURE PROSPECTS REMAIN POSITIVE

Deloitte Access Economics’ (DAE) Tourism and Hotel Market Outlook 2015 remains positive on the accommodation sector. They expect room nights sold to grow at 2.5 per cent per annum between June 2015 and December 2017, and room occupancy rates to climb to just above 71 per cent by 2018 (Figure 4). Average room rates (3.5 per cent per annum) and revenue per available room (RevPAR—4.7 per cent per annum) are forecast to grow above trend rates over the same period.

On the supply side, DAE forecast that room nights available will increase by 1.2 per cent per annum over the forecast period. While this represents modest growth, current investment in the sector is substantial. In 2014, $8.5 billion was invested in accommodation projects (up $1.1 billion from the previous year). This has the potential to add 15,900 rooms to supply should all projects progress to completion. Up to a further 18,300 rooms could also be added to supply from 69 identified mixed-use development projects.

FIGURE 4: HOTEL OUTLOOK, AUSTRALIA

Source: DAE Tourism and Hotel Market Outlook August 2015, reproduced with permission

\(^3\) Measured as annual total.
2.2 AVIATION

INTERNATIONAL AVIATION

International aviation seat capacity to Australia grew 1.3 per cent in 2014–15. This was less than previously forecast (5.4 per cent) and followed strong growth of 8.0 per cent in 2013–14. There was also larger growth in passengers than seat capacity, resulting in a higher passenger load factor—a key profitability indicator—in 2014–15 (Figure 5).

FIGURE 5: INBOUND SEAT CAPACITY AND PASSENGER LOAD FACTORS

Source: Bureau of Infrastructure, Transport and Regional Economics

With a positive economic setting, strong passenger demand, lower oil prices and improved financial performance of major international airlines, TRA expects growth in inbound air capacity to Australia to be stronger in 2015–16 (5.1 per cent) and 2016–17 (5.2 per cent). In the longer term, trend growth of 3.8 per cent per annum is forecast between 2015–16 and 2024–25.

Asian markets

In 2015–16 and 2016–17, the strongest growth in aviation capacity is forecast to be sourced from India and Northeast Asian markets (Figure 6). In the case of India, momentum from the resumption of direct air services to Australia in 2014–15 is expected to continue, with new routes added over the next year or two. The forecast growth for Northeast Asian markets is underpinned by the opportunities created from the new free trade agreements between Australia and Japan, South Korea and China:

- Japan—All Nippon Airways plans to re-enter the Australian market from December 2015 after a 16-year absence, and Qantas launched daily Tokyo-Brisbane services in August 2015
- China—The newly negotiated Australia-China air service agreement increases access to Australia’s international gateways
- South Korea—Possible expansion of code sharing/partnerships to include Australian carriers and extra services and destinations during peak periods.

---

4 Passenger Load Factor is the ratio of the number of passengers to the number of seats available.
The picture is mixed for Southeast Asian markets. While air capacity is expected to grow solidly from Indonesia and Thailand, the major airlines operating direct services on Malaysia and Singapore routes are expected to consolidate existing services following years of strong capacity growth. AirAsia X reduced Sydney and Perth services in late 2014 and suspended Adelaide services in January 2015.

**New Zealand and the US**

Solid growth in aviation capacity is forecast for two of Australia’s traditional inbound tourism source markets, New Zealand and the US.

On the trans-Tasman route, direct aviation capacity recorded modest growth of 2.3 per cent in 2014–15. TRA expects solid growth in direct capacity from New Zealand in the next two years (4.0 per cent in 2015–16 and 3.9 per cent in 2016–17). Air New Zealand announced a 30 per cent increase in Auckland-Perth capacity between December 2015 and May 2016, while major airlines will continue to operate seasonal services during holiday periods. For example, Qantas operated 21 additional services to Australia during the July 2015 school holiday period.

On the US-Australia route, American Airlines is introducing daily services between Los Angeles and Sydney from December 2015, while Qantas is planning to re-introduce services to San Francisco. In addition, capacity via New Zealand, North Asia and Middle East hubs also continues to grow.

**The UK and Middle East**

Modest aviation capacity growth from the UK is forecast over the next two years, largely due to the rationalisation of direct European routes by major airlines including Qantas and British Airways. However, the continuing increase in aviation capacity from the Middle East—particularly through Emirates—is likely to offset indirectly the reduction in aviation capacity on the UK-Australia route.

Over the last few years, direct aviation capacity from the Middle East has increased substantially. TRA expects the momentum to continue over the next two years (up 8.9 per cent in 2015–16 and 7.4 per cent in 2016–17). The Australian Government has recently negotiated a 50 per cent increase in the capacity entitlements with Qatar, and Qatar Airways plan to commence daily non-stop services to Sydney in March 2016 and to Adelaide in May 2016.

**FIGURE 6: FORECAST GROWTH IN DIRECT AVIATION CAPACITY BY KEY MARKETS, 2015–16 AND 2016–17**

Source: Bureau of Infrastructure, Transport and Regional Economics, TRA and Airport Coordination Australia
DOMESTIC AVIATION

Domestic aviation capacity is an important factor in relation to business travel, but less critical for forecasting domestic travel overall. While a growing market segment, less than one-quarter (24 per cent) of domestic overnight trips taken in 2014–15 used air transport.

After a period of fierce competition for market share between Qantas Group and Virgin Australia that resulted in substantial expansion in domestic air services up to 2012–13, growth slowed in 2013–14 (1.8 per cent) and fell marginally in 2014–15 (1.1 per cent).

This decline can be attributed in part to reduced demand on high traffic mining routes—especially from Perth and Brisbane—and airlines adjusting supply to more closely align with demand. For this reason, TRA has revised growth in domestic air capacity down to around 3.0 per cent in 2015–16 and 2016–17. Underpinning this moderate growth are the strengthening financial performances of major domestic airlines, lower fuel prices, and increased passenger demand for domestic air travel.

2.3 TOURISM INDUSTRY SENTIMENT

TRA’s Industry Sentiment Survey is an important tool used to cross check and supplement model-based forecasts against industry expectations for 2015–16, as well as categorising and prioritising key factors.

Respondents were generally optimistic about prospects for 2015–16:

- Over three-quarters (77 per cent of respondents) expect inbound tourism to grow above 5 per cent, but more likely in the range of 5 to 6 per cent (40 per cent of respondents).
- More than two-thirds (70 per cent) also expect domestic tourism to increase by at least 3 per cent.
- The majority expect outbound departures to increase between 2 to 4 per cent (Figure 7).

FIGURE 7: INDUSTRY SENTIMENT SURVEY—EXPECTATIONS FOR GROWTH, 2015–16
Across inbound markets, respondents typically expect China and India to grow strongly and most other markets to increase moderately in 2015–16. No change is expected in arrivals from Japan.

The performance of the Australian tourism industry is influenced by many different factors. Respondents were asked to rate the importance of 12 factors in influencing the Australian tourism industry’s performance in 2015–16. These are mainly economic factors that could affect results of the forecasting model. While marketing is another factor that could influence tourism demand, the forecasting model does not have capacity for this to be measured.

The five factors respondents most often considered essential or very important to the performance of the Australian tourism industry in 2015–16 were:

- Consumer confidence: 70 per cent (domestic) and 40 per cent (inbound and outbound)
- Domestic discretionary income: 60 per cent (domestic), 45 per cent (outbound)
- Exchange rate: 60 per cent (outbound) and 45 per cent (inbound)
- Airfares: 40 per cent (inbound), 35 per cent (outbound) and 25 per cent (domestic)
- Air capacity: 35 per cent (inbound) and 20 per cent (outbound).

FIGURE 8: INDUSTRY SENTIMENT SURVEY—FACTORS ESSENTIAL OR VERY IMPORTANT TO THE AUSTRALIAN TOURISM INDUSTRY, 2015–16

Source: TRA’s Industry Sentiment Survey (conducted in July 2015)

---

5 The 12 factors are: (1) Domestic discretionary expenditure; (2) Australians’ consumer confidence; (3) Exchange rate; (4) Airfares (inbound); (5) Seat capacity (inbound); (6) Airfares (outbound); (7) Seat capacity (outbound); (8) Airfares (domestic); (9) Seat capacity (domestic); (10) Accommodation-prices; (11) Accommodation-room availability; (12) Domestic fuel (petrol) prices.
3. FORECASTS, 2015–16 TO 2024–25

3.1 INBOUND ARRIVALS FORECASTS, 2015–16 TO 2024–25

Inbound arrivals to increase at above-trend rates in the next two years

Inbound visitor arrivals are forecast to increase 5.9 per cent to 7.5 million in 2015–16, and by a further 5.6 per cent to 7.9 million in 2016–17. The 10-year average growth rate is forecast at 4.1 per cent, with arrivals expected to reach 10.6 million by 2024–25 (Table 1).

The forecasts for 2015–16 and 2016–17 represent an upward revision from those previously forecast. This takes into account stronger-than-expected performance in 2013–14 and 2014–15, the lower value of the AUD than previously expected, and an improved economic outlook for some key source markets including the US, New Zealand and the UK.

<table>
<thead>
<tr>
<th></th>
<th>GROWTH</th>
<th>CHANGE ON PREVIOUS FORECASTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014–15 (ACTUAL)</td>
<td>▲ 6.6 per cent to 7.1 million</td>
<td>0.9 ppts higher than previously forecast</td>
</tr>
<tr>
<td>2015–16</td>
<td>▲ 5.9 per cent to 7.5 million</td>
<td>Revised up 0.9 ppts</td>
</tr>
<tr>
<td>2016–17</td>
<td>▲ 5.6 per cent to 7.9 million</td>
<td>Revised up 0.8 ppts</td>
</tr>
<tr>
<td>10 YEARS TO 2024–25</td>
<td>▲ 4.1 per cent to 10.6 million</td>
<td>Revised down 0.4 ppts</td>
</tr>
</tbody>
</table>

Note: ppts = percentage points

Asian markets are expected to drive growth in 2015–16 and 2016–17, led by China (up 15.5 per cent and 12.0 per cent, respectively); India (11.1 per cent and 8.5 per cent); South Korea (6.7 per cent and 5.3 per cent); Indonesia (4.8 per cent and 6.0 per cent); and Malaysia (3.9 per cent and 5.9 per cent).

Australia’s largest traditional markets are also forecast to grow in 2015–16 and 2016–17:

- New Zealand—up 2.8 per cent and 3.1 per cent, respectively, mainly due to an increase in aviation capacity and depreciation of the AUD
- UK—up 5.1 per cent and 4.5 per cent, mainly due to an increase in aviation supply through indirect routes and the depreciation of the AUD against the Pound.
- US—up 5.7 per cent and 4.6 per cent, due mainly to the increase in aviation capacity and the depreciation of the AUD against the USD (Figure 9).
Overall, Australia’s top five inbound markets (New Zealand, China, the UK, the US and Singapore) are expected to provide 59 per cent of the additional 3.5 million arrivals over the ten years to 2024–25. China is alone expected to contribute 29 per cent of the growth in arrivals over the forecast period.

China’s share of total visitors was 13.1 per cent in 2014–15 and this is forecast to increase to 18.4 per cent by 2024–25 (Figure 10). China is expected to overtake New Zealand as Australia’s largest international market by arrivals in 2019–20.
The momentum of international leisure travel to Australia is forecast to continue over the next two years. Holiday travel is forecast to increase by 5.6 per cent in 2015–16 and 6.3 per cent in 2016–17. Travel to visit friends and relatives (VFR) is also expected to experience solid growth, up 5.6 per cent in 2015–16 and 5.3 per cent in 2016–17 (Figure 11). Modest growth in business travel is forecast in 2015–16 (up 2.5 per cent) before picking up to 3.7 per cent in 2016–17.

**FIGURE 11: HISTORICAL AND FORECAST GROWTH IN LEISURE ARRIVALS**

[Graph showing historical and forecast growth in leisure arrivals]

Source: Department of Immigration and Border Protection, and Tourism Research Australia

### 3.2 DOMESTIC VISITOR NIGHTS, 2015–16 TO 2024–25

Domestic visitor nights are forecast to increase 3.5 per cent to 324 million in 2015–16 and 3.7 per cent to 336 million nights in 2016–17. The 10-year average growth rate is forecast at 2.8 per cent, with visitor nights expected to reach 413 million by 2024–25. Growth is expected to be similar for domestic day trips over the next two years and in the longer term (Table 2).

The forecast growth represents significant upward revision from previous forecasts. Driving the revision are both the methodology change (see Box 1), and economic factors including the positive effect of the lower value of the AUD and lower fuel prices. The lower AUD tends to influence domestic residents’ travel choices away from overseas travel towards domestic travel, while lower fuel prices make domestic overnight and day trips more affordable for Australian households.

The forecasts reflect the mixed economic backdrop. While the lower value of the AUD and lower fuel prices will make domestic travel more attractive, this is likely to be affected by weak economic growth in the Australian economy—compared to the last round of forecasts—and subdued consumer sentiment.

---

6 Leisure travel includes both holiday travel and travel to visit friends and relatives (VFR).
TABLE 2: DOMESTIC TRAVEL – VISITOR NIGHTS AND DAY TRIPS – HISTORICAL AND FORECAST GROWTH, 2014−15 TO 2024−25

<table>
<thead>
<tr>
<th>Year to</th>
<th>Domestic Visitor Nights</th>
<th>Domestic Day Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014−15 (Actual)</td>
<td>▲ 6.2% to 313 million</td>
<td>▲ 2.3% to 169 million</td>
</tr>
<tr>
<td>2015−16</td>
<td>▲ 3.5% to 324 million</td>
<td>▲ 3.6% to 175 million</td>
</tr>
<tr>
<td>2016−17</td>
<td>▲ 3.7% to 336 million</td>
<td>▲ 3.8% to 182 million</td>
</tr>
<tr>
<td>10 Years to 2024-25</td>
<td>▲ 2.8% to 413 million</td>
<td>▲ 2.6% to 219 million</td>
</tr>
</tbody>
</table>

Note: ppts = percentage points

BOX 1: CHANGES TO DOMESTIC VISITOR DATA AND ITS IMPACT ON THE FORECASTS

Forecasts for the domestic tourism sector are based on adjusted time series data for this forecasting round. From 2014, TRA has adopted a dual-frame sample methodology for the National Visitor Survey, with the 120,000 interviews conducted each year evenly split between fixed line and mobile phone respondents.

Importantly, the dual-frame sample methodology provides a better representation of the Australian population due to its coverage of the increasing number of mobile-only households in Australia, which are skewed towards younger age groups. Therefore, the new methodology delivers a more reliable measure of domestic travel patterns.

The introduction of the new sample methodology has seen a break in series because the travel patterns of people interviewed on mobile phones differ from those of people interviewed on residential fixed lines. As a result, comparison of these forecasts and previous forecasts of domestic travel metrics should be avoided.

During this forecasting round, TRA’s forecasting unit re-profiled the historical times series data, taking into account preliminary TRA analysis that shows domestic overnight travel estimates are higher under the new methodology because people interviewed on mobile phones report more overnight trips than those on fixed lines.

3.3 AUSTRALIAN RESIDENT DEPARTURES (OUTBOUND), 2015−16 TO 2024−25

After strong increases in most years from the mid-2000s, Australian resident outbound departures slowed considerably in 2014−15. Modest growth is forecast to continue in the coming two years, with outbound departures expected to grow by 3.2 per cent to 9.5 million in 2015−16, and 3.4 per cent to 9.9 million in 2016−17. The 10-year average growth rate is forecast at 3.3 per cent, which will result in outbound departures reaching 12.8 million by 2024−25 (Table 3).

The forecasts for 2015−16 and 2016−17 and over the ten-year forecast period represent a slight downward revision from those previously forecast. This can be attributed to the weaker assumptions
for Australian GDP growth and the lower value of the AUD which is likely to have a dampening effect on Australian residents' overseas travel.

**TABLE 3: OUTBOUND DEPARTURES—HISTORICAL AND FORECAST GROWTH, 2015–16 TO 2024–25**

<table>
<thead>
<tr>
<th></th>
<th>GROWTH</th>
<th>CHANGE ON PREVIOUS FORECASTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014–15 (ACTUAL)</td>
<td>▲ 2.9% to 9.2 million</td>
<td>1.4 ppts lower than previously forecast</td>
</tr>
<tr>
<td>2015–16</td>
<td>▲ 3.2% to 9.5 million</td>
<td>Revised down 0.2 ppts</td>
</tr>
<tr>
<td>2016–17</td>
<td>▲ 3.4% to 9.9 million</td>
<td>Revised down 0.1 ppts</td>
</tr>
<tr>
<td>10 YEARS TO 2024–25</td>
<td>▲ 3.3% to 12.8 million</td>
<td>Revised down 0.5 ppts</td>
</tr>
</tbody>
</table>

Note: ppts = percentage points

Other Asia, Indonesia, New Zealand, Thailand and Fiji are forecast to be the top five fastest growing (main) destinations visited by Australian residents in 2015–16 (Figure 12).

**FIGURE 12: DEPARTURE GROWTH BY MAIN DESTINATION, 2015–16 AND 2016–17**

While a downward revision has occurred for some long-haul destinations such as the UK and Other Europe for 2015–16 and 2016–17, forecasts for short-haul destinations including New Zealand, Fiji, Thailand and Other Asia are higher in this round than the last round of forecasts.
3.4 TOTAL TOURISM EXPENDITURE 2015−16 TO 2024−25

Total tourism spend to reach $112.6 billion in 2015−16

Total tourism spend is forecast to increase 4.5 per cent to $112.6 billion in 2015−16, and a further 4.3 per cent to $117.4 billion in 2016−17. The 10-year average growth rate is forecast at 3.0 per cent, with total visitor spend expected to reach $145.1 billion by 2024−25 (Table 4).

Domestic tourism expenditure is forecast to increase 3.4 per cent to $76.7 billion in 2015−16 and 3.7 per cent to $79.5 billion in 2016−17 in real terms. The 10-year long-run average growth rate for domestic expenditure is forecast at 2.7 per cent per annum, which would lead to $96.5 billion in domestic tourism expenditure in real terms by 2024−25.

Total inbound expenditure is forecast to grow 6.7 per cent to $35.9 billion in 2015−16 and 5.6 per cent to $37.9 billion in 2016−17. The 10-year long-run forecast is for the average growth rate for total inbound expenditure to be at 3.8 per cent per annum, and for total inbound expenditure to reach $48.6 billion in real terms by 2024−25. The inbound share of total tourism spend is forecast to increase from 31 per cent in 2014−15 to 34 per cent in 2024−25.

### TABLE 4: TOTAL VISITOR EXPENDITURE—FORECASTS, 2015−16 TO 2024−25

<table>
<thead>
<tr>
<th></th>
<th>GROWTH</th>
<th>CHANGE ON PREVIOUS FORECASTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014−15 (ACTUAL)</td>
<td>▲3.5% to $107.8 billion</td>
<td>1.3 ppts higher than previously forecast</td>
</tr>
<tr>
<td>2015−16</td>
<td>▲4.5% to $112.6 billion</td>
<td>Revised up 2.6 ppts</td>
</tr>
<tr>
<td>2016−17</td>
<td>▲4.3% to $117.4 billion</td>
<td>Revised up 2.4 ppts</td>
</tr>
<tr>
<td>10 YEARS TO 2024−25</td>
<td>▲3.0% to $145.1 billion</td>
<td>Revised up 1.4 ppts</td>
</tr>
</tbody>
</table>

Note: ppts = percentage points

By 2024−25, about 67 per cent of growth in inbound visitor expenditure is expected to have come from China, India, the US, the UK, South Korea, Singapore and New Zealand. China alone is forecast to account for 44 per cent of total growth in expenditure.
FIGURE 13: LONG-TERM AVERAGE ANNUAL GROWTH IN TOTAL TOURISM SPEND

DOMESTIC

INBOUND

TOTAL

GROWTH (%)

Source: Tourism Research Australia
4. KEY MESSAGES

TOTAL SPEND

- By 2024–25, total tourism expenditure will reach $145 billion in real terms.

THE PROSPECT OF DOMESTIC TOURISM IMPROVES

- Domestic overnight travel is forecast to strengthen in 2015–16 and 2016–17 due to the lower value of the Australian dollar, lower fuel prices and steady economic growth.

INTERNATIONAL VISITORS TO DRIVE GROWTH IN TOTAL SPEND

- While domestic tourism expenditure is on track for moderate growth, inbound visitor spend is forecast to grow more strongly and increase its share of total visitor spend from 31 per cent in 2014–15 to 34 per cent in 2024–25.

CHINA CONTINUES TO BE THE MAIN SOURCE FOR GROWTH

- China is expected to be the largest source of growth in both inbound arrivals and inbound expenditure.
- In terms of visitor numbers, China is expected to contribute 29 per cent of total growth from 2014–15 to 2024–25 and overtake New Zealand as our largest international market by 2019–20.
- In terms of expenditure, the contribution from China to total growth is expected to be even higher (44 per cent) over the forecast period.

THE GROWTH OF AUSTRALIANS TRAVELLING OVERSEAS TO SLOW DOWN

- More modest growth in Australians travelling overseas is forecast to continue in 2015–16 and 2016–17, due largely to the more subdued economic growth and the lower value of the Australian dollar against the currencies of major travel destinations.
5. DATA SOURCES

Airport Coordination Australia, W2015 Scheduling

Australian Bureau of Statistics
- Overseas Arrivals and Departures, August 2015 (ABS Cat. No. 3401.0)
- Tourism Satellite Account, 2013–14 (ABS Cat. No. 5249.0)
- Tourist Accommodation, 2013–14 (ABS Cat. No. 8635.0)

Bureau of Infrastructure, Transport and Regional Economics (BITRE)
- Domestic Airline Activity (September 2015 issue)
- International Airline Activity (October 2015 issue)

Consensus Economics Inc.
- Asia-Pacific Consensus Forecasts (various issues)
- Consensus Forecasts (various issues)
- Foreign Exchange Consensus Forecasts (various issues)

Commonwealth Treasury, Budget Strategy and Outlook 2015–16, Budget Paper No. 1

Deloitte Access Economics (DAE), Tourism and Hotel Market Outlook, August 2015

Department of Immigration and Border Protection, Overseas Arrivals and Departures (unpublished database)

International Air Transport Association
- Air Passenger Forecasts-Global Report (October 2014 issue)
- Air Passenger Forecasts-Australia (July 2015)

International Monetary Fund, World Economic Outlook (October 2015 issue)

Reserve Bank of Australia, Monthly Data on Exchange Rates (July 2014 to September 2015)

Thomson Reuters Database

Tourism Australia
- Quarterly Market Update (August 2015)
- Market Profiles (2015)

Tourism Research Australia (TRA)
- International Visitor Survey – June 2015 quarterly Results of the International Visitor Survey
- Travel by Australians – June 2015 Quarterly Results of the National Visitor Survey
- Tourism Investment Monitor, 2015
- Tourism Industry Sentiment Survey (July 2015)
- Tourism Forecasts (various issues)