

July 2017 Travel Briefing:

Air Passenger Traffic | Hotel Occupancy | Tax-Free Shopping



Key Trends in Air Passenger Traffic, Hotel Occupancy and Tax-Free Shopping in July 2017

- Growth in international air passenger traffic in July recorded a deceleration compared to June. A pause in the upward trend in global business confidence and the fading of the stimulus from lower fares softened growth.
- Europe outperformed the US in both hotel occupancy and average daily rate (ADR) growth. The impact of low oil prices and high hotel supply in Saudi Arabia had a negative impact on ADR performance in the Middle East.
- Tax-free shopping sales performance in Asia was driven by a robust performance in Japan. In Europe, tax-free shopping sales were encouraged by tourists from China, the US and Russia visiting the region for summer vacation.

International Air Passenger Traffic: Latin America Leads the Growth

International air passenger traffic grew by 6.2% year over year in July, a slowdown from June. A pause in the upward trend in global business confidence and the fading of the stimulus from lower fares are the two main reasons for the softer growth, according to the International Air Transport Association (IATA).

- Latin America led the growth, as an improved economic situation in Brazil favored air passenger traffic between North and South America. Together with the Middle East, Latin America was the only region that saw an increase in annual international air passenger traffic growth compared to the previous month.
- Europe recorded the second-fastest growth in international air passenger traffic in July after Latin America, despite a slight sequential deceleration in the growth. The recovery in many European economies helped to sustain performance.



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Figure 1. International Air Passenger Traffic, by Region of Airline Carrier: YoY % Change

	May	June	July
International Total	7.6	7.5	6.2
Africa	11.7	9.9	6.5
Asia-Pacific	10.5	9.1	5.9
Europe	7.5	8.8	7.5
Latin America	9.3	9.7	10.5
Middle East	3.7	2.5	4.5
North America	4.8	4.4	3.5

Data are for growth in revenue passenger kilometers, a measure that multiplies the number of passengers by the distance traveled. Previous months' figures are revised, where applicable.

Source: IATA

Data from two US airlines, Delta and Alaska, provide further indications of air traffic growth. The figures below include international and domestic traffic.

Figure 2. Air Passenger Traffic for Selected Airlines: YoY % Change

	April	May	June	July
Delta	1.6	1.7	2.8	2.7
Alaska	7.8	7.6	8.3	6.6

Data are for growth in revenue passenger miles, a measure that multiplies the number of passengers by the distance traveled.

Source: Company reports

Hotel Occupancy and ADR: Europe Outperforms the US

- Europe continued to outperform the US in both occupancy and ADR growth. In Spain, Madrid and Barcelona saw ADR growth of 13.3% and 15.5%, respectively, while in Turkey, Istanbul saw a dramatic 97.0% increase in occupancy, due to a comparison with the poor performance recorded in July 2016, which was affected by the attempted coup.
- The Middle East saw a significant decline in ADR. In Saudi Arabia, occupancy fell by 5.2% and ADR fell by 35.2%. The poor performance reflects the impact of low oil prices and high hotel supply growth, according to STR Global.

**Figure 3. Occupancy Rate and ADR: YoY % Change**

	May	June	July
Occupancy			
US	1.5	0.7	(0.5)
Central/South America	5.2	N/A*	3.2
Asia-Pacific	2.7	4.0	3.8
Europe	3.5	0.8	2.6
Middle East	5.9	(0.6)	(2.8)
Africa	(0.9)	N/A*	6.9
ADR			
US	2.0	2.1	1.4
Central/South America	(1.5)	N/A*	0.2
Asia-Pacific	2.4	1.3	1.9
Europe	4.8	5.1	4.3
Middle East	(2.5)	1.7	(16.1)
Africa	11.6	N/A*	9.3

* Aggregated June results not available. STR Global breaks down June results for Central/South America as follows: Central America occupancy 5.6% and ADR 1.5%; South America occupancy (0.3)% and ADR 1.2%. STR Global breaks down June results for Africa as follows: Northern Africa occupancy 15.4% and ADR 21.8%; Southern Africa occupancy (0.2)% and ADR 4.9%.

Source: STR Global

Tax-Free Shopping: Japan and Spain Lead the Growth in Asia and Europe

- **Asia:** In Asia, tax-free shopping sales performance was driven by Japan, where the metric increased by 68.0% CYTD (calendar year to date) in July. The country attracted many Chinese shoppers, due to the weakness of the yen against the Chinese yuan. The challenging political and economic situation in South Korea also diverted some Chinese shoppers to Japan.
- **Europe:** Tax-free shopping sales performance in Europe accelerated sequentially in July. Tourists from China, the US and Russia visiting Europe for their summer vacations contributed significantly to the performance. Spain saw the best sales performance (+27% CYTD) in the region, due to the positive impact of key flight connections with Russia and China.

Figure 4. Monthly Tax-Free Shopping Sales Performance: CYTD % Change

	May	June	July
Sales in Store			
Asia	11.0	14.0	30.0
Europe	20.0	8.0	13.0
Number of Transactions			
Asia	(1.0)	1.0	8.0
Europe	18.0	3.0	12.0
Average Spend			
Asia	12.0	13.0	21.0
Europe	2.0	5.0	0.0

Source: Global Blue



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About the Data

The IATA is the trade association for the world's airlines, representing some 260 airlines, or 83% of total air traffic. IATA statistics cover international and domestic scheduled air traffic for IATA member and nonmember airlines. All figures are provisional and represent total reporting at time of publication plus estimates for missing data. Historical figures may be revised.

Smith Travel Research (STR) is a US-based company that tracks supply and demand data for the hospitality industry. Initially focused on data for North America and the Caribbean, STR launched STR Global in 2008 in collaboration with Deloitte UK and The Bench to provide worldwide supply and demand data for the hotel industry globally. STR collects performance data from over 46,000 hotels representing more than 5.3 million rooms globally.

Global Blue is a tax-free shopping and currency-processing-services company headquartered in Switzerland. The firm operates the world's largest tax-free-shopping network, which consists of 300,000 stores around the world. Global Blue also offers a range of marketing and intelligence services. The company delivers services to partners in 51 countries globally.



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