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<https://www.oag.com/jp>



<http://mpower.pata.org/>

Data Analysis on Japanese Inbound Tourism Trends

Special Issue focused on Market Recovery

March 25, 2022

Issued by: JTJ Tourism Research & Consulting Co.
Analytical support: OAG Aviation Worldwide Ltd.

Issuance of the “Data Analysis on Japanese Inbound Tourism Trends” has been suspended since February 2020 as all inbound tourism to Japan has been suspended due to COVID-19. In the interim, we plan to issue this irregular report to reflect the current situation as inbound tourist demand to Japan resumes.



Information in this Report

■ About this report

Issuance of the “Data Analysis on Japanese Inbound Tourism Trends” has been suspended since February 2020 as all inbound tourism to Japan has been suspended due to COVID-19. In this report, insight into the resumption of demand for international travel is summarized, and issued as the “Special Issue focused on Market Recovery.” We plan to issue this report irregularly to reflect the up-to-date trends for the resumption of inbound tourist demand to Japan.

■ Primary data sources

International airline seat capacity (OAG <https://www.oag.com/jp/>)
Statistics on international tourist numbers (PATAmPOWER <http://mpower.pata.org/>)
Number of inbound tourists to Japan (JNTO <https://www.jnto.go.jp/jpn/>)
Number of recorded COVID-19 infections, fatalities, border control standards, restrictions on going out (Our World in Data <https://ourworldindata.org/coronavirus>)

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Data from: Pacific Asia Travel Association (PATA)

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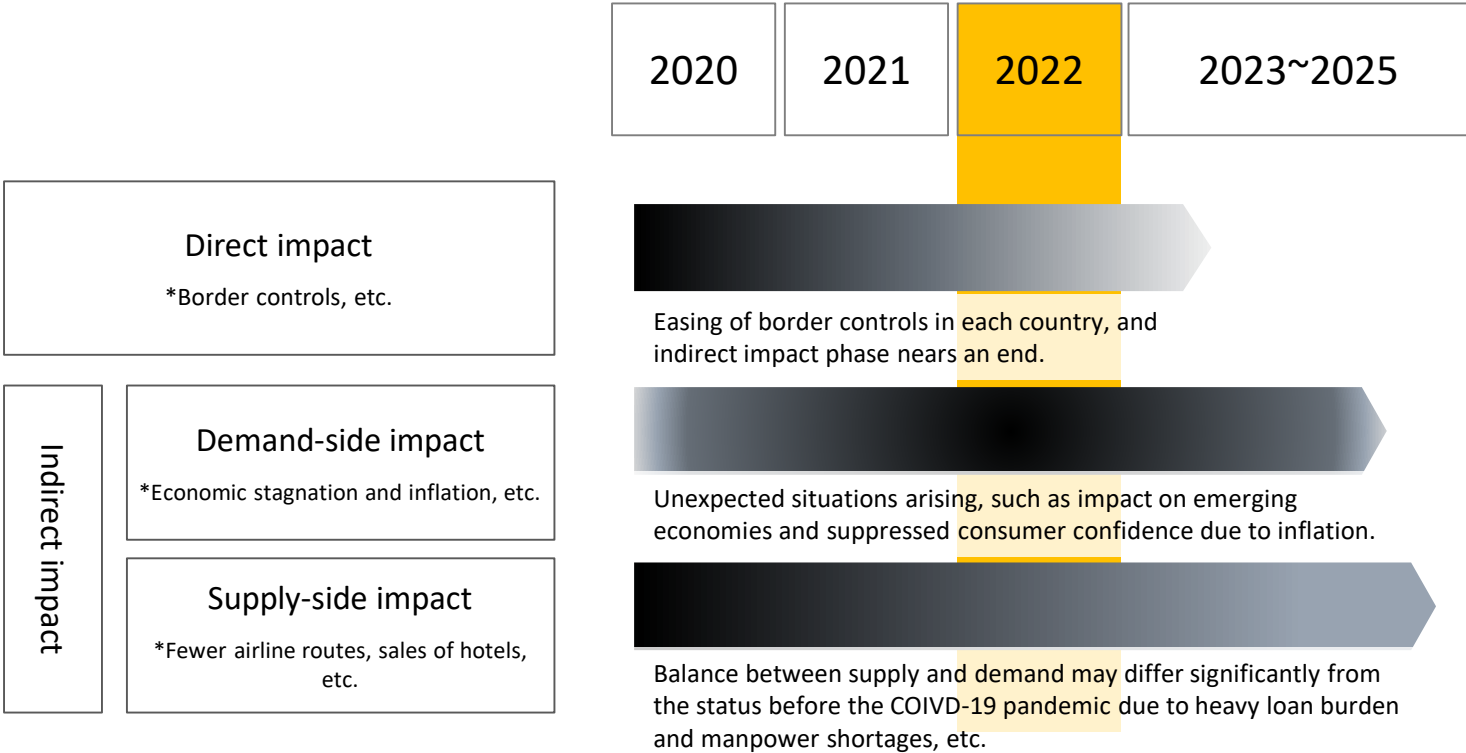
Summary

1. Impact on international travel demand due to COVID-19 that has persisted for about two years is shifting from direct impacts, such as tightened border controls, to an indirect impact phase following price increases and stagnant economies. (P4)
2. Currently, there is a substantial gap in demand for international travel between destinations that are already recovering, such as Europe and America, and the Asia-Pacific region. Recovery in demand for international travel is expected to accelerate as border controls at each destination ease, followed by a relaxation in quarantine obligations on the source market side, with recovery in demand for Asian regions also expected to follow, etc. (P6~P8)
3. The Omicron variant appears to be having a limited impact on demand for international travel. The current decline in the mortality rate has led to an easing in border controls, with more countries moving to relax their border controls since the Omicron variant has spread. (P10~P13)
4. Difference in infection control due to economic power has also affected economic recovery. The impact on the economic growth rate is more severe on emerging economies, and an impact on travel demand during the recovery period seems unavoidable. The growth rate for traveling to Japan by major markets, such as Asia, may slow down significantly. (P15~P17)
5. Regarding the international travel market during the post-COVID period of recovery in demand, the unit travel price is likely to increase, while on the other hand, it is more likely that the rate of growth in tourist numbers will be restrained. The status before the COVID-19 pandemic, where the number of tourists increased as real unit prices declined, is likely to be reversed. A strategic shift in marketing from quantity to quality for inbound travel to Japan is urgently required. (P18~P21)

The impact of COVID-19 on demand for international travel is beginning to shift from a direct impact phase, such as border control measures, to an indirect phase following inflation and economic stagnation.

- ◆ The impact on international travel demand due to COVID-19 is considered likely to shift from direct impact, such as tightened border controls, to an indirect impact phase following economic stagnation caused by COVID-19 and supply-side issues.
- ◆ While the direct impact predominates, the minimal amount of movement by tourists means the magnitude of the indirect impact remains unclear. Their effects will only become clear once the direct impact has subsided further.
- ◆ In 2022, the impact on the travel market from unexpected issues caused by COVID-19, such as inflation and manpower shortages in the tourism industry, will become more evident as easing of border controls is promoted.

Direct and indirect impacts of COVID-19



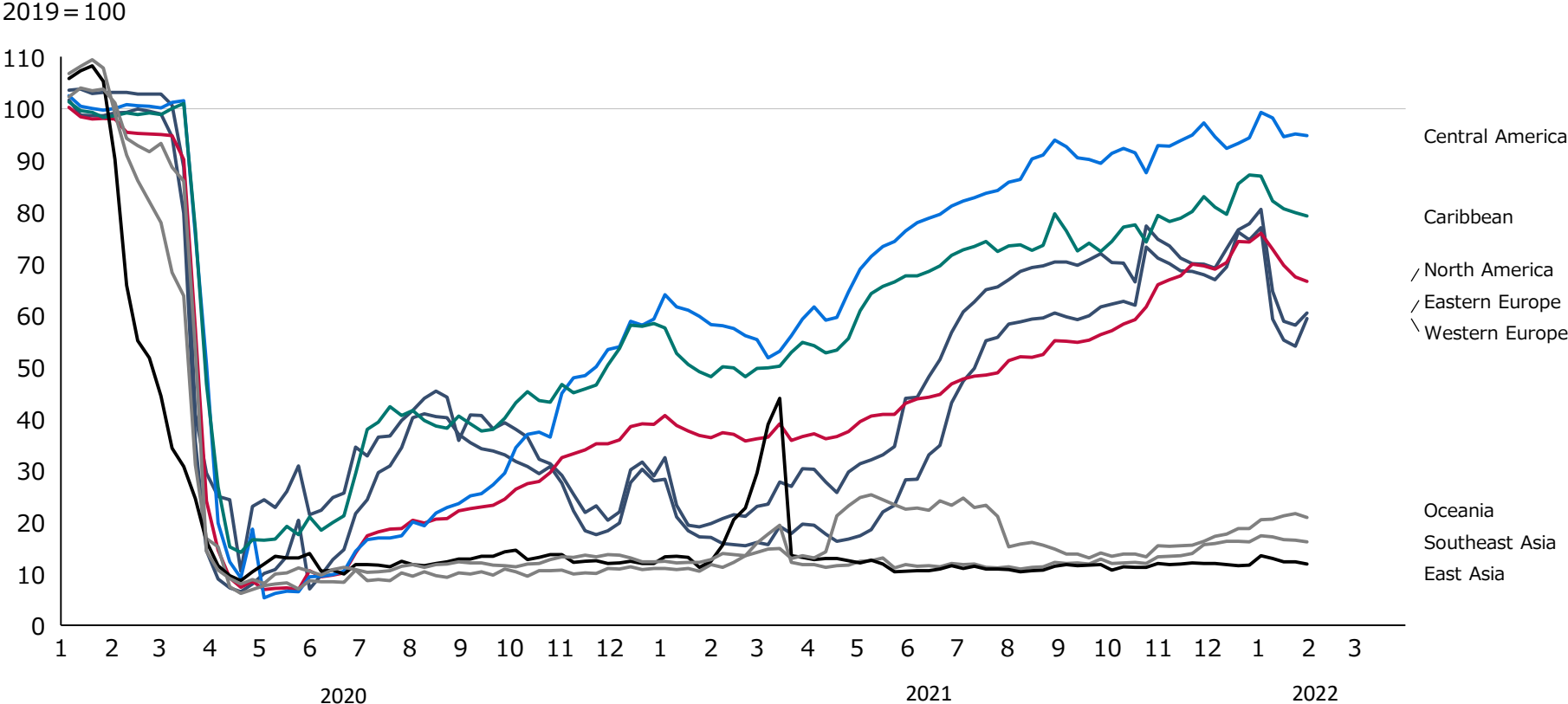
Scenario for recovery in demand in sight

**STATUS OF REGIONS WITH ADVANCED RECOVERY IN
INTERNATIONAL TRAVEL DEMAND**

Currently, there is a substantial gap in demand for international travel between destinations that are already recovering, such as Europe and America, and the Asia-Pacific region.

- ◆ There is a substantial gap in the recovery rate for airline seat capacity for each region between Europe and America versus the Asia-Pacific region, using the 2019 seat capacity for scheduled international flights as a baseline of 100.
- ◆ Recovery in passenger demand is considered likely to be slow compared to that of the seat capacity, as the boarding rate has dropped significantly, but it is clear that demand for travel to Europe, North America, Central America, and the Caribbean has already begun to recover.

Rate of recovery for international airline seat capacity

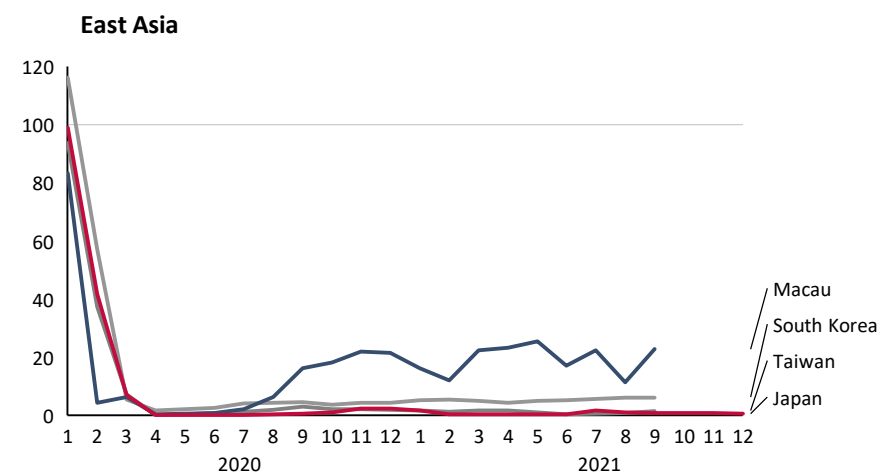
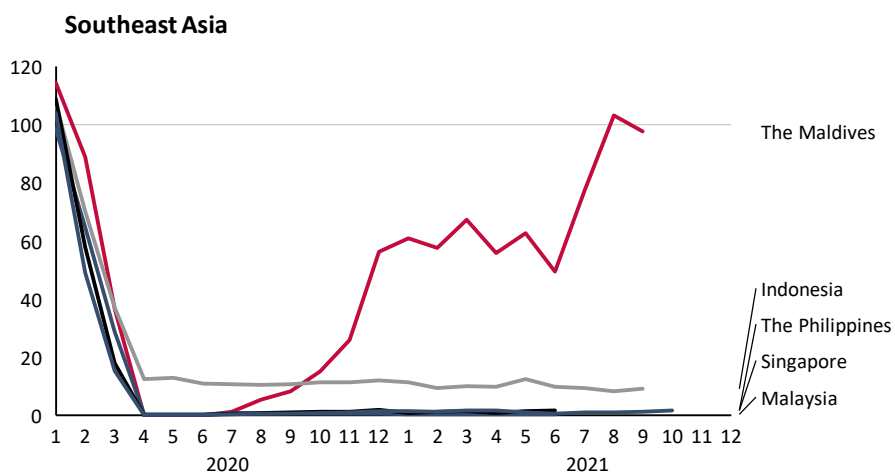
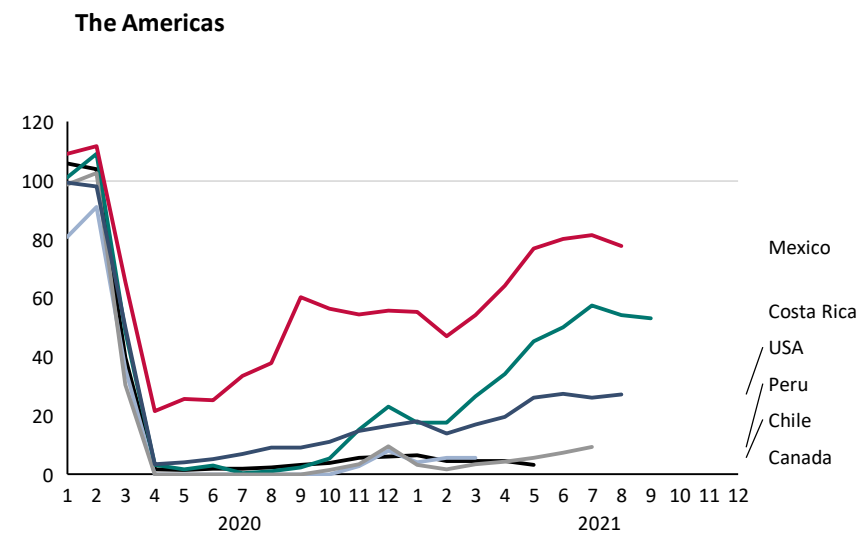
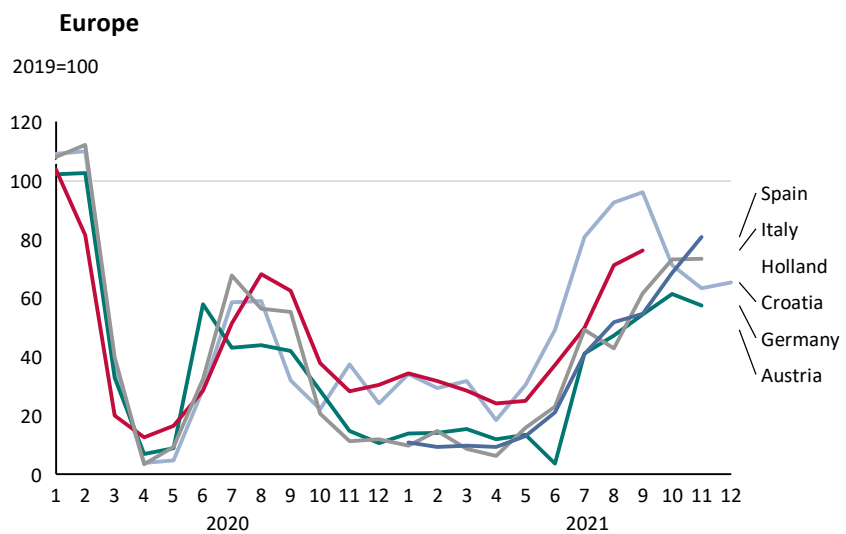


(Note) The airline seat capacity recovery rate has been calculated by JTB Tourism Research & Consulting Co. using 2019 as a baseline value of 100 based on the OAG data for airline seat capacity.

Although some destinations in Asia and elsewhere are gradually moving to ease border controls, the actual demand has yet to recover.

◆ An analysis of tourist numbers per destination reveals weak recovery in demand for Asia. Only the Maldives has shown exceptional recovery.

Rate of recovery in demand for international travel by region

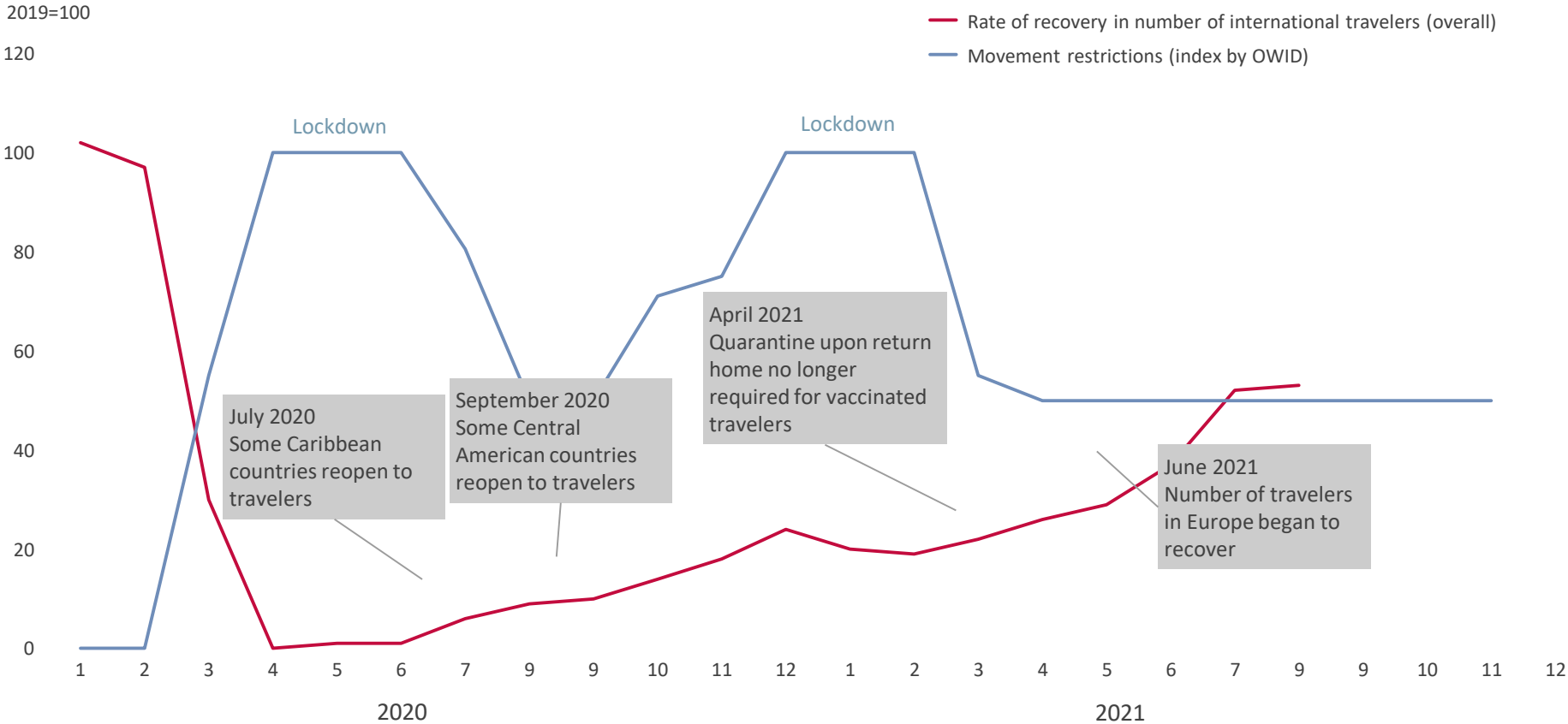


Data source: Created by JTB Tourism Research & Consulting Co. based on tourMIS (<https://www.tourmis.info/>) for Europe, and PATAmPOWER (<http://mpower.pata.org/>) for other regions.

Recovery in demand is expected to accelerate as border controls at each destination are eased, followed by a relaxation in quarantine conditions at the source market side.

- ◆ For the United States, where recovery is most rapid as a source market, travel to short-haul destinations has begun to return following the reacceptance of tourists by some Caribbean countries in July 2020 when the initial lockdown ended. The recovery of demand accelerated when vaccinated travelers were no longer required to be quarantined upon their return home in April 2021.
- ◆ The easing of restrictions at various destinations has also begun in Asia, and it is expected that the resumption of overseas travel for major source markets, such as China, will have a significant impact on the recovery of demand for international travel across the whole of Asia.

Recovery rate of outbound travelers from the United States



Data source: Calculations by JTB Tourism Research and Consulting Co. based on statistics from the National Travel and Tourism Office, USA (<https://www.trade.gov/national-travel-and-tourism-office>) for rate of recovery in number of international tourists, and Our World in Data (<https://ourworldindata.org/coronavirus>) for index of movement restrictions.

Turning point for border control policies?

THE IMPACT OF THEOMICRON VARIANT

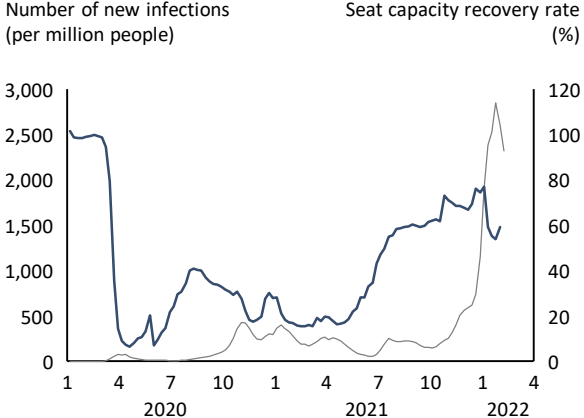
Omicron variant having limited impact on demand for international travel

- ◆ The Omicron variant, which spread quickly since the end of 2021, had a significant impact on the rate of recovery in seat capacity in Europe and America, for which demand had started to recover, but the impact is considered limited rather than seeing the recovery in demand and going back to square one.

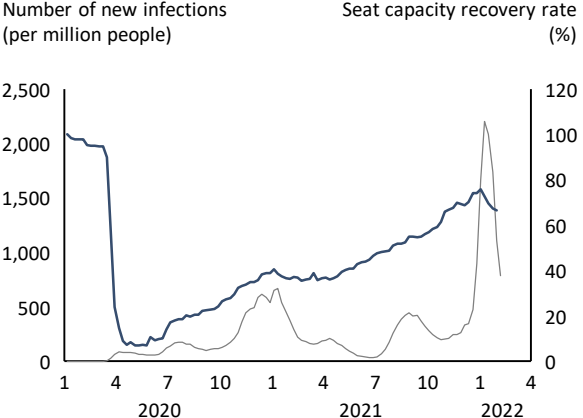
Changes in the number of new infections and recovery rates for international airline seat capacity

— New infections
— Seat capacity recovery rate

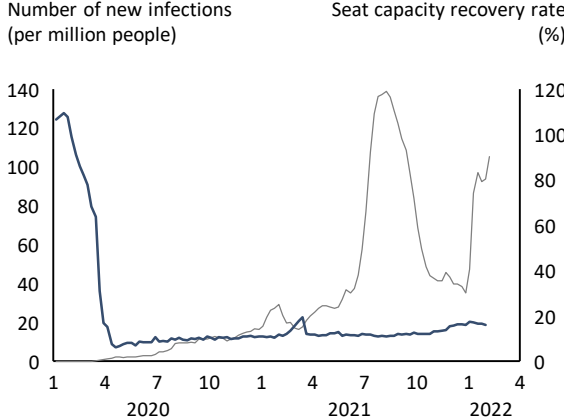
Western Europe



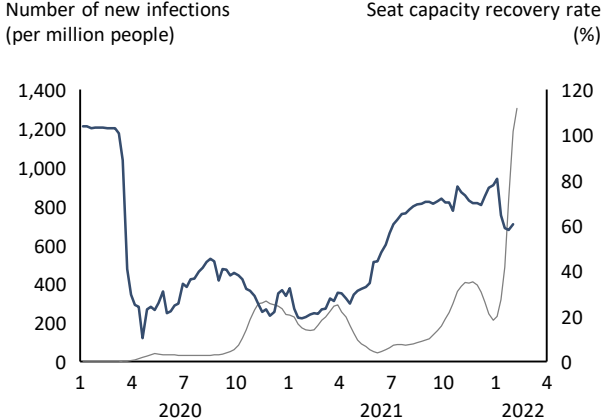
North America



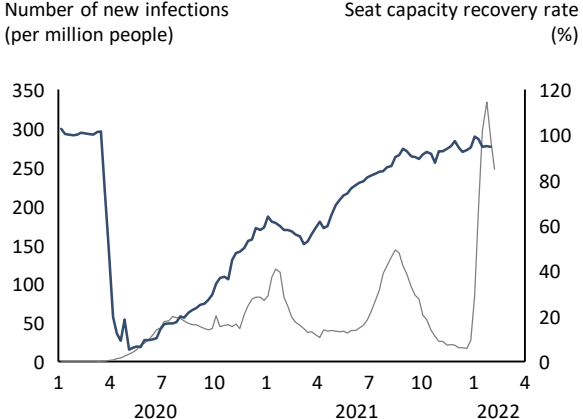
Southeast Asia



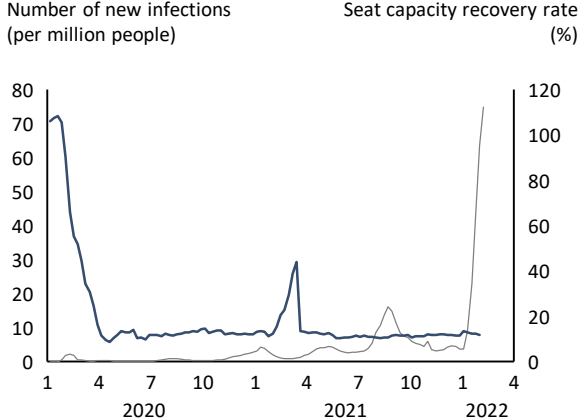
Eastern Europe



Central America



East Asia



Data source: Airline seat capacity recovery rate calculated by JTB Tourism Research & Consulting Co. using 2019 as a baseline value of 100% based on OAG seat capacity data. Number of new infections calculated based on Our World in Data (<https://ourworldindata.org/coronavirus>).

Reduced mortality rates due to multiple measures, including vaccinations, lie behind the easing of border controls by each country.

◆ In Western Europe and North America, mortality rates had started to decline thanks to various measures, including vaccination campaigns. Border controls have been eased, mainly in countries where the Omicron variant pandemic had mostly peaked, thanks in part to a falling mortality rate.

Changes in number of new infections and mortality rate

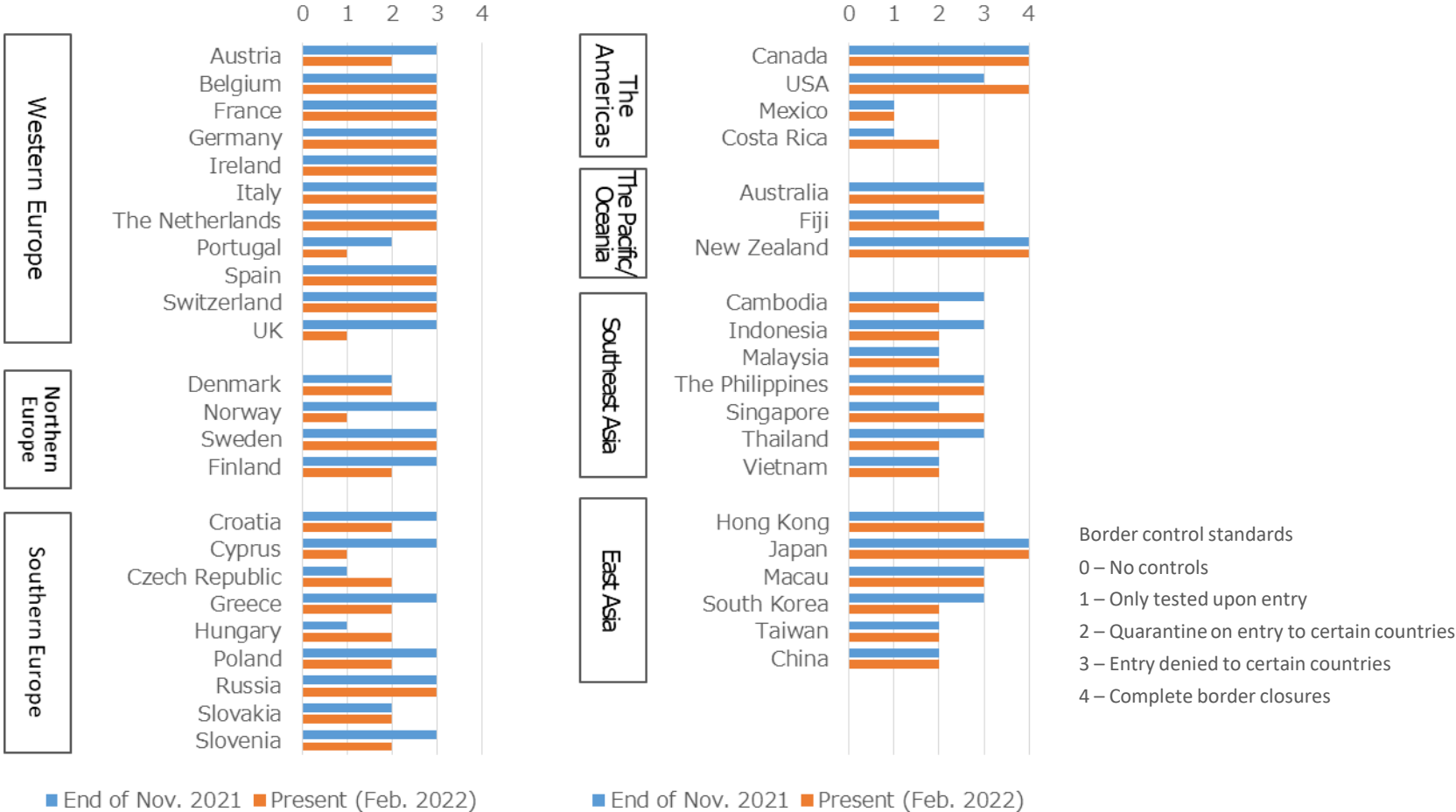


Data source: Mortality rate is calculated by dividing the number of fatalities reported per day by new infections reported on the same day. Calculated by JTB Tourism Research and Consulting Co. based on numerical values from Our World in Data (<https://ourworldindata.org/coronavirus>). The mortality rate is presented on a logarithmic scale. 11

Number of countries easing border controls has increased since the Omicron variant started spreading

◆ The number of countries that eased their border control standards during the Omicron pandemic (mid to end of February, 2022) surpassed those from before the Omicron variant started spreading (late November 2021).

Changes in border control standards from the end of November 2021 until the present (February 2022)

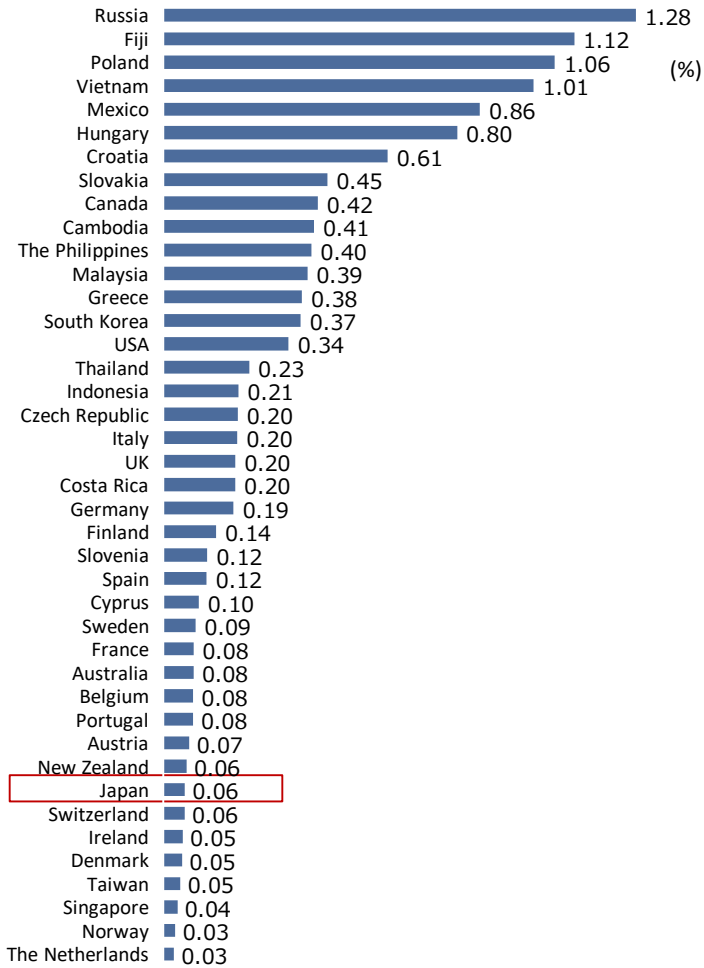


Data source: Our World in Data (<https://ourworldindata.org/coronavirus>) / International Travel Controls

However, high mortality rates and border control standards differ between countries

◆ Border controls are determined by each country, and high mortality rates do not necessarily correspond to stronger border control standards.

Mortality rate for COVID-19 and border control standards for each country (as of February 2022)



Border control Index \ Mortality rate	4 Complete border closure	3 Entry denied to certain countries	2 Quarantine on entry to certain countries	1 Only tested upon entry
>= 1.00%		Russia Fiji	Poland Vietnam	
>= 0.40%	Canada	The Philippines	Hungary Croatia Slovakia Cambodia	Mexico
>= 0.10%	USA	Italy Germany Spain	Malaysia Greece South Korea Thailand Indonesia Czech Republic Costa Rica Finland Slovakia	UK Cyprus
< 0.10%	New Zealand Japan	Sweden France Australia Belgium Switzerland Ireland Singapore The Netherlands	Austria Denmark Taiwan	Portugal Norway

Data source: Mortality rate is calculated by dividing the number of fatalities from January to early February, 2022, by new infections in the same period.

Calculated by JTB Tourism Research and Consulting Co. based on numerical values from Our World in Data (<https://ourworldindata.org/coronavirus>).

Border control standards determined based on International Travel Controls from Our World in Data.

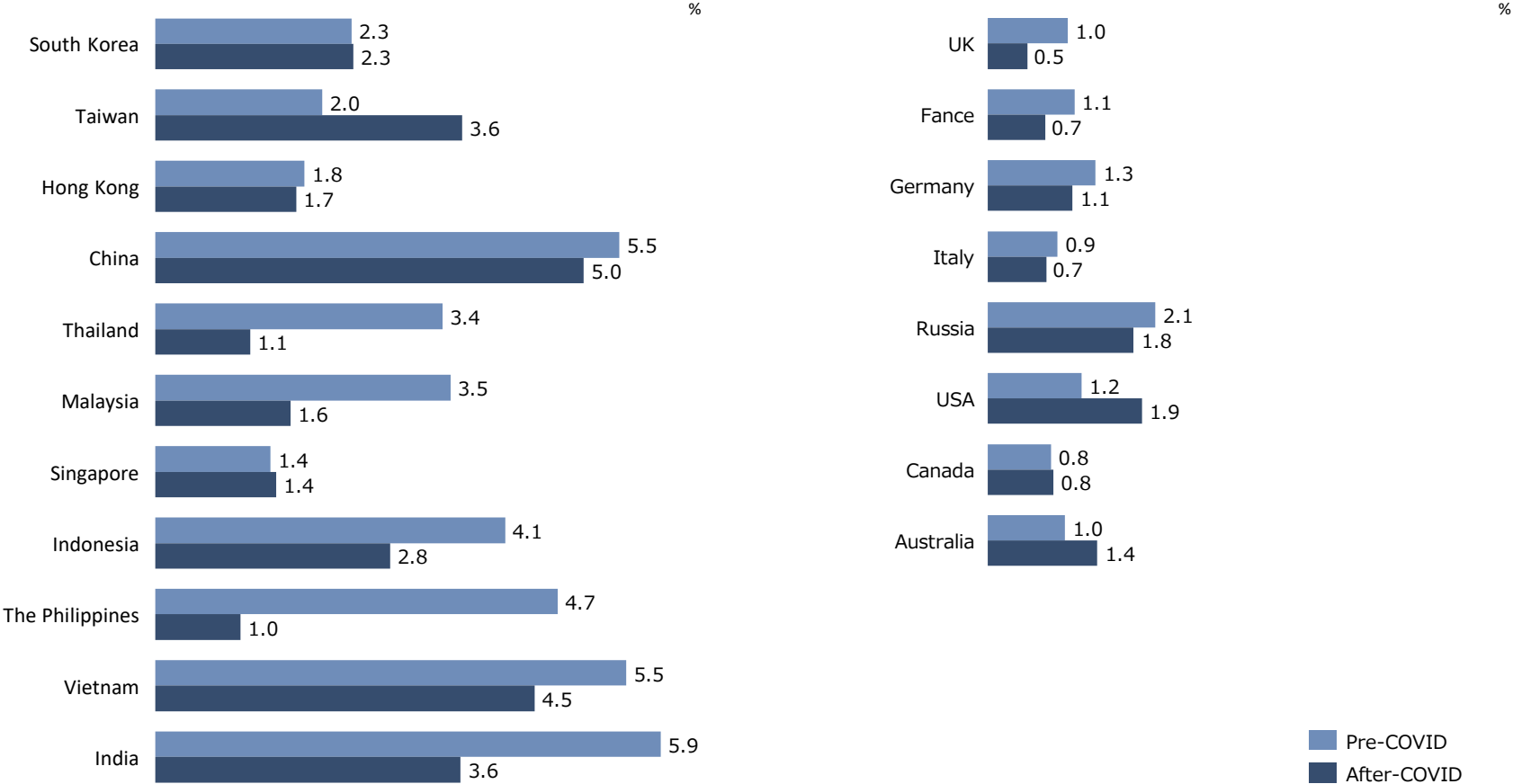
COVID-19 impact shifts from direct to indirect phase

**CONCERN ABOUT IMPACT ON TRAVEL DEMAND DUE TO CHANGES
IN ECONOMIC ENVIRONMENT**

Difference in economic power to control infection also affects economic recovery

- ◆ Developed countries with superior economic power are expected to lead the fight against COVID-19, with the resultant economic recovery also expected to be quicker, whereas emerging economies will lag behind relatively in both aspects.
- ◆ The following graph shows a comparison of forecast real GDP growth rate of major markets in terms of tourists to Japan versus before the COVID-19 pandemic (as of October 2019). A significant downward adjustment was made for economic growth of markets that had expected future growth, such as Southeast Asia.

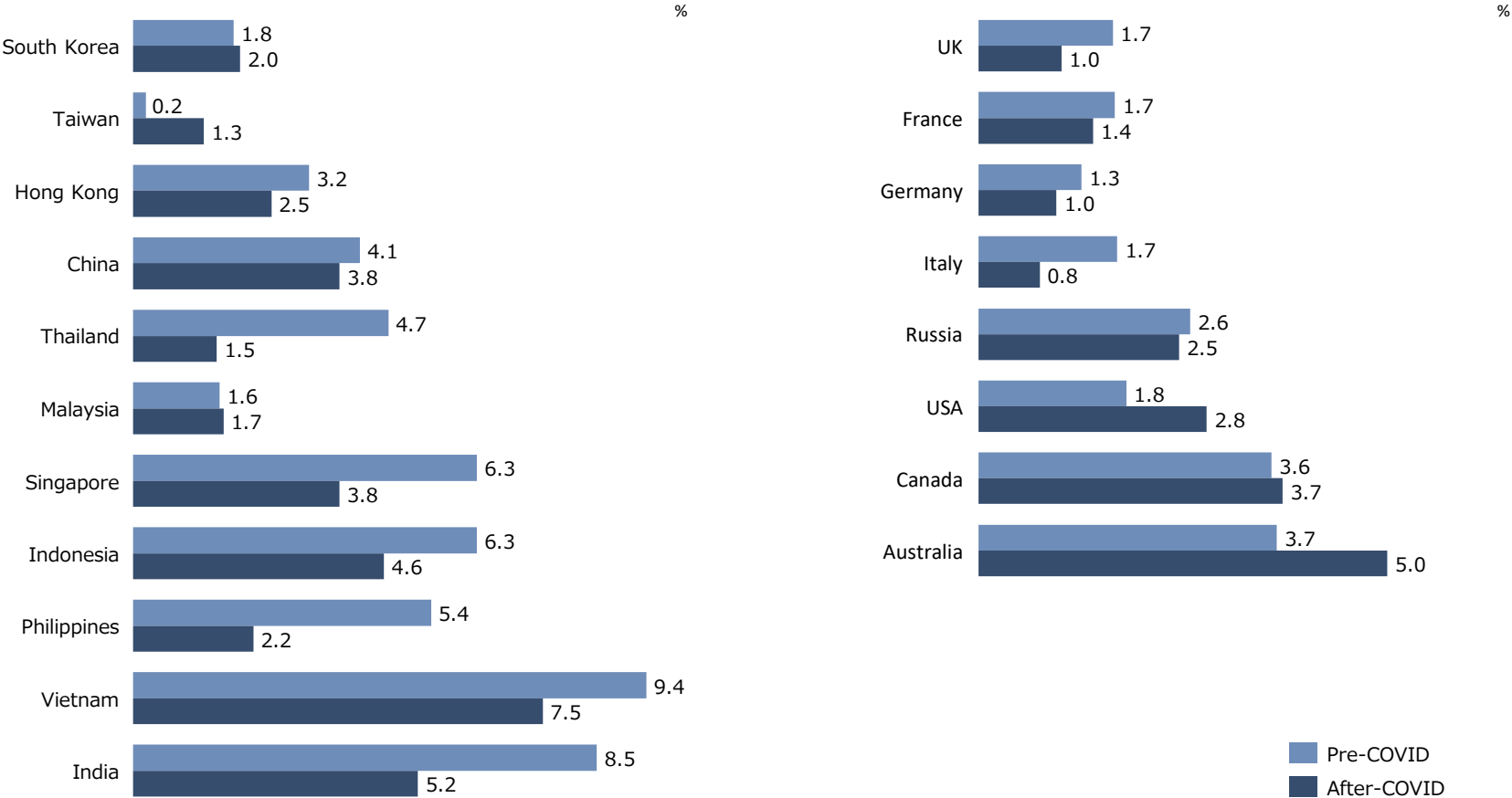
Forecast real GDP growth rate (annual rate) in 2024 compared with 2019



Significant impact on economic growth rate in emerging economies, with unavoidable impact on travel demand during recovery period

- ◆ The number of international tourists to each market is closely related to the economic growth rate, and a downward correction in the economic growth rate that significantly affects the growth rate of the number of international tourists is forecast. The following graph presents a comparison between the current growth rate for international tourists based on the economic growth rate at major markets of tourists to Japan versus before the COVID-19 pandemic (as of October 2019).
- ◆ There is a high possibility for a significant reduction in the growth rate for international tourists across the Southeast Asian market, which saw a significant downward correction in terms of its economic growth rate, and the concern is that demand may be slow to recover.

Forecast growth rate for number of international tourists (annual rate) in 2024 compared with 2019

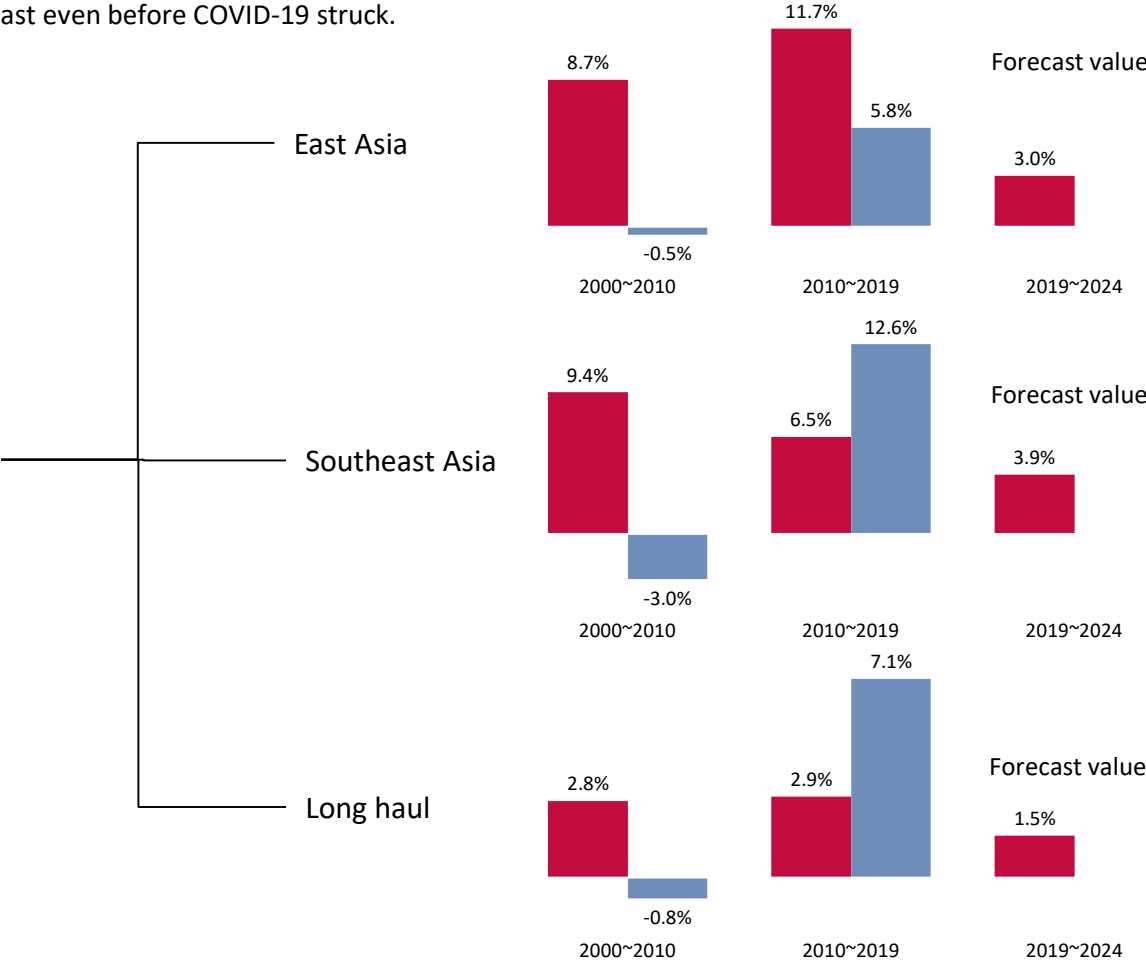
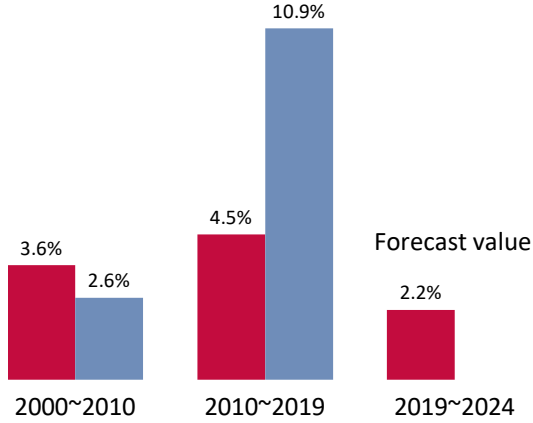


Growth in number of international tourists in major markets for travel to Japan may also experience a significant slowdown

- ◆ The following graphs analyse the growth rate for the number of tourists to Japan in the past from major markets and growth rates for choosing to travel to Japan. The growth rate for the number of international tourists for 2024 compared to 2019 is forecasted based on the future economic growth rate presented on the previous page (bearing in mind the downward correction in the growth rate caused by COVID-19). The rate for choosing to travel to Japan is not presented, as forecasting is difficult.
- ◆ There are concerns that the growth rate for the number of international tourists may slow down rapidly in East Asia as well as Southeast Asia, which saw a downward correction in terms of growth rate due to COVID-19 pandemic. The main reason for a slowdown in East Asia is the slowing growth of the Chinese economy, which was forecast even before COVID-19 struck.

■ Growth rate in number of international tourists
■ Growth in rate for choosing to travel to Japan

18 main markets for travel to Japan

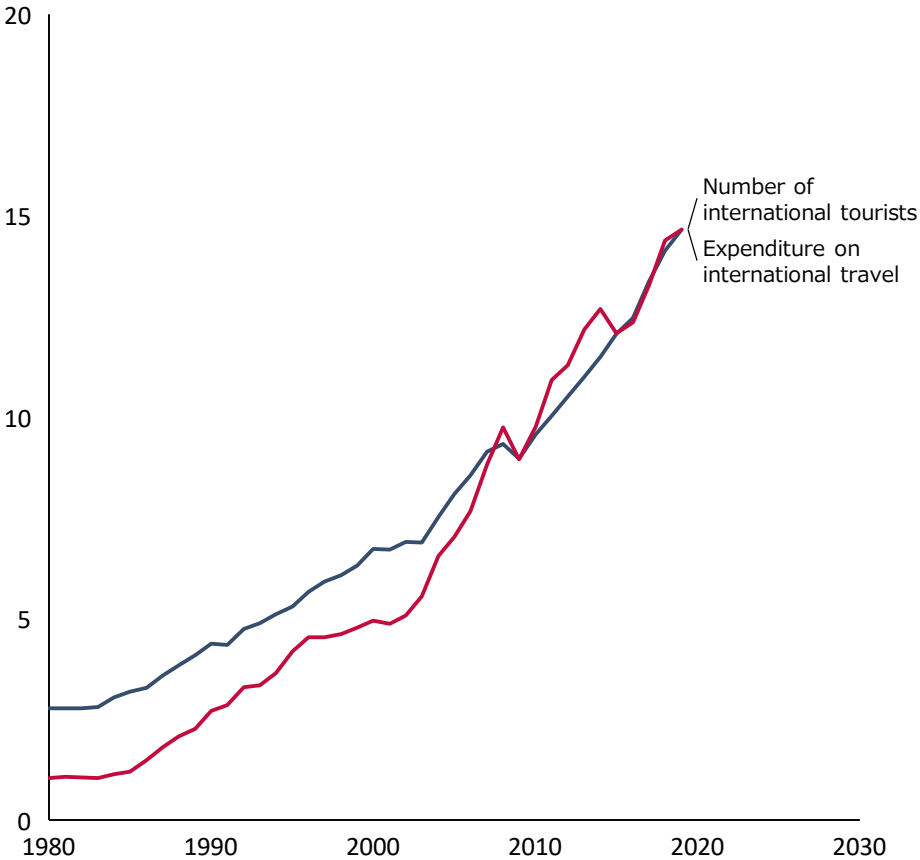


Data source: Estimated by JTB Tourism Research & Consulting Co. based on JNTO (<https://www.into.go.jp/jpn/>), UNWTO e-library (<https://www.e-unwto.org/>), and IMF World Economic Outlook (<https://www.imf.org/en/Data>)

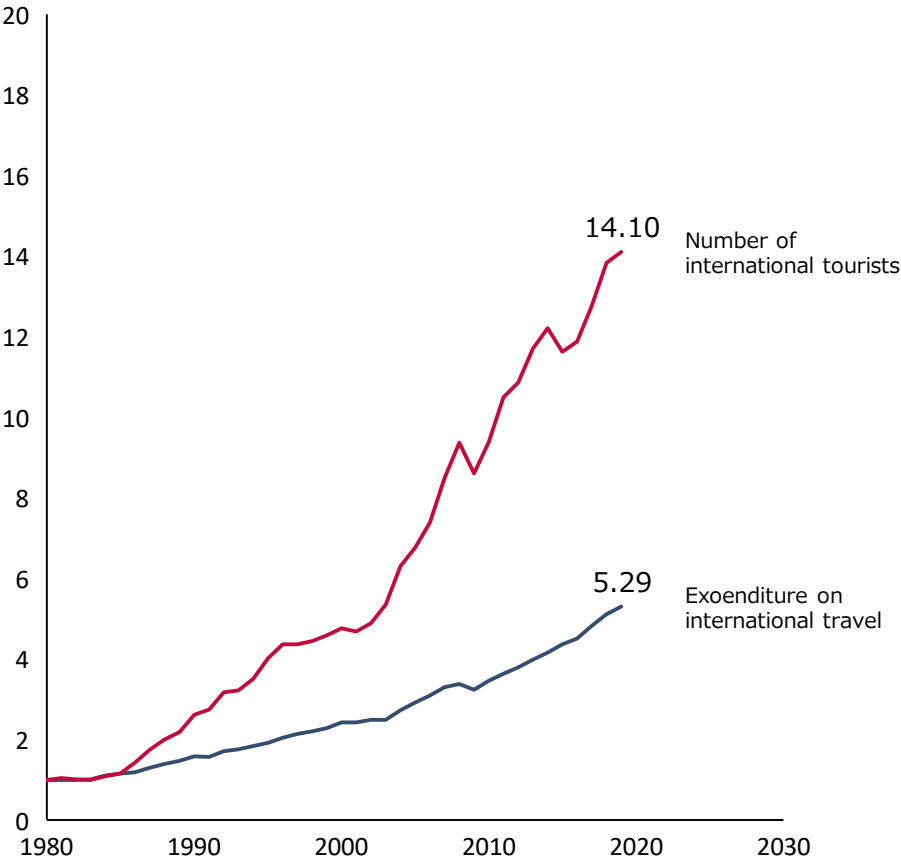
From a long-term perspective, regarding demand for international travel, growth in unit prices has outpaced the number of tourists, but...

- ◆ Other factors could significantly impact the post-COVID inbound market environment. See the discussion on Page 18~21.
- ◆ 2019 saw 5.29 times more international tourists than 1980, while spending by those tourists (\approx tourist expenditure, nominal value) surged by 14.10 times.
- ◆ Global travel demand over the long term has been growing faster than the number of tourists in terms of value, which shows that significant increases in unit prices have persisted. This reflects the fact that both nominal income and the cost of living have tended to increase as the world has become more affluent.

(Unit) 100 million people, USD 100 million

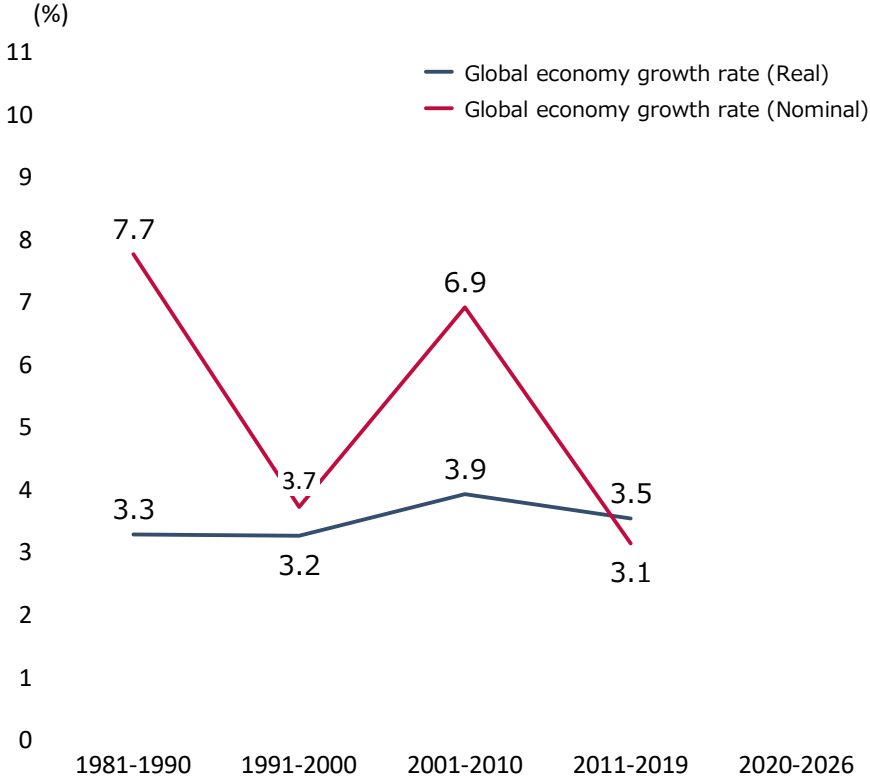
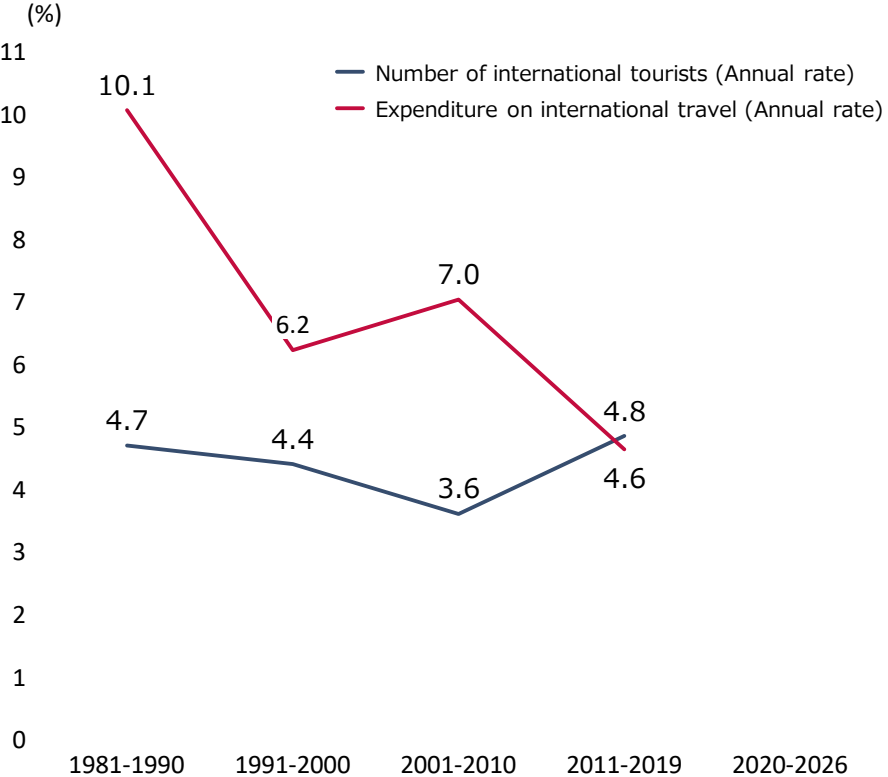


1980=1



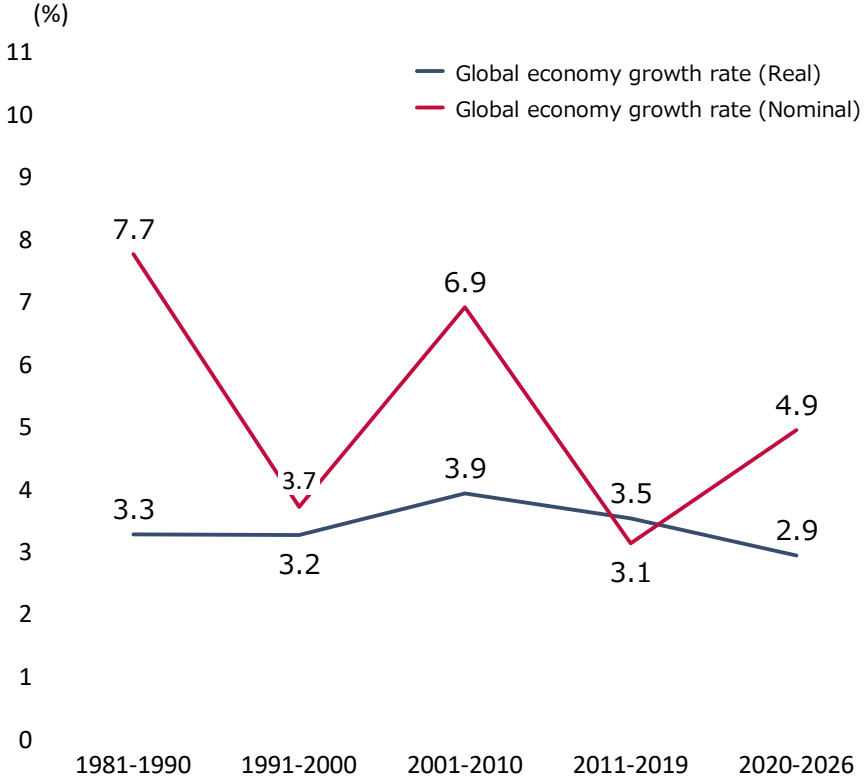
International travel demand from 2010 to 2019 saw growth in terms of increased number of tourists against a background of declining real unit prices

- ◆ However, when growth rates in terms of expenditure and the number of tourists are compared per decade, growth in expenditure gradually decreased, and from 2011 through 2019, the growth in expenditure (4.6%/year) fell below that for the number of tourists (4.8%/year). This indicates that unit prices stopped increasing.
- ◆ This trend is the same as changes in the global economy from the perspective of nominal and real growth rates. Stagnant unit prices from 2011 through 2019 can be considered a result of the strong effect of price stagnation in the global economy.



Post-COVID status likely to be significantly different to previous decade

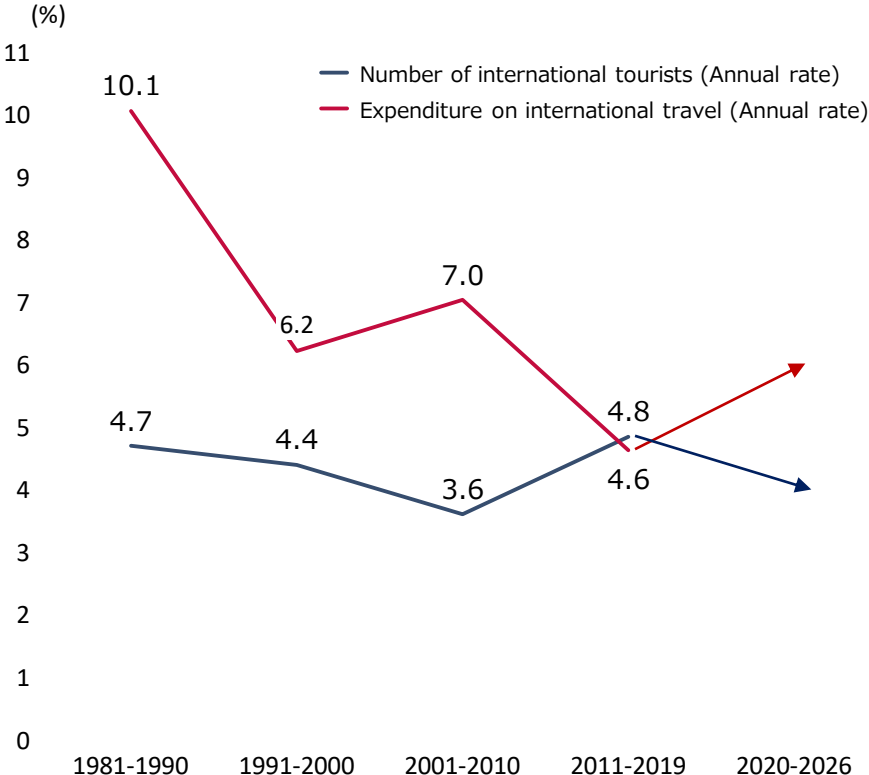
- ◆ The IMF forecasts that the global economy from 2020 until 2026 will see a higher nominal growth rate than the real growth rate. Modest inflation is expected in contrast to the situation from 2011 to 2019 when prices remained fairly static. What sort of impact will this change have on travel demand after the COVID-19 pandemic (left graph)?



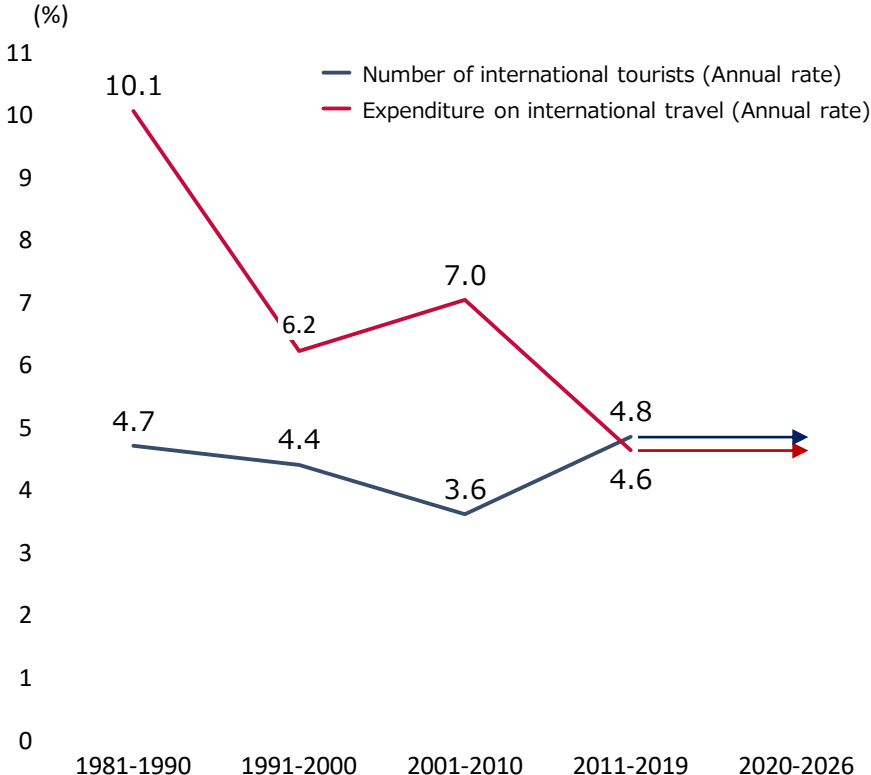
Regarding post-COVID demand for international travel, unit travel prices may increase, while on the other hand, there is more likelihood that growth in the number of tourists will be restrained. (Scenario 1 is more likely.)

- ◆ The possibility that inflation will cause an increase in unit travel prices is high. If the unit price increases, any growth in the number of tourists is likely to be relatively restrained. This is Scenario 1, which is considered more likely. However, during the demand recovery phase, there is a possibility that price hikes will be suppressed due to competition for demand. In this case, the growth rate for the number of tourists may remain almost level (Scenario 2).

Scenario 1: Increase in unit travel price, slower growth rate for the number of tourists



Scenario 2: Growth rates remain level for both unit travel prices and number of tourists



Data source: Data posted on UNWTO Tourism Data Dashboard (<https://www.unwto.org/unwto-tourism-dashboard>)
 Forecast scenario for 2020 ~ 2026 is created by JTB Tourism Research & Consulting Co.

DATA SHEET

Weekly data is used for the graphs on Pages 6, 7, 10, and 11, but is not shown as they are redundant numerical tables. Numerical tables for graphs with numeric values are not shown.