INTERNATIONAL TRAVEL

Powering the UK economy

ABTA
The Travel Association

UKINBOUND
THE VOICE OF INBOUND TOURISM

FOREWORD

As we are an island nation, international travel is a cornerstone of the UK economy – connecting us to the world and allowing people to take holidays, make business trips, and to visit friends and relatives whether here in the UK or overseas. Yet, too often the economic importance of travel, and the role businesses across the industry play in providing jobs throughout the UK, are overlooked and under-appreciated.

That is why ABTA and UKinbound have come together to publish this report outlining the significant role that international travel plays in powering the UK economy. Our respective parts of the UK's vibrant tourism mix, outbound and inbound travel, are interdependent and interlinked, with shared infrastructure – both physical, such as airports and ports, but also and in terms of the route viability that is underpinned by two-way travel flows. We know that the benefits of travel are far wider than economic, incorporating the enormous social, wellbeing and cultural benefits offered to individuals, and travel's contribution to the UK's international soft-power. It's important that, in addition to those positive impacts of travel, we also make clear the central role our sectors play in the UK economy.

The report is based on research commissioned by ABTA from York Aviation, a leading consultancy, and is the most comprehensive study to date on the importance of international travel – laying out how it powers the UK economy by making an overall gross value added (GVA) contribution of £80bn annually, and supporting the employment of more than 1.5m people right across the UK.

We are at a critical juncture for the UK's world-leading travel industry. Businesses are still emerging from the COVID crisis – a period where international travel was amongst the first hit, the hardest hit, and the longest hit of all economic sectors, with UK government-imposed travel restrictions remaining in place longer than constraints on any other part of the economy. There are also new geopolitical and economic challenges, including the rising cost of energy and other bills and the risk of economic downturn, which are presenting challenges to the recovery that is underway in the industry.

However, despite these headwinds, we know that travel is remarkably resilient and appetite for travel to and from the UK remains strong. This presents us as an industry – and policymakers – with a great opportunity. The report finds that the growth potential of international travel will outperform many other parts of the UK economy; outbound travel is due to grow by 15% compared with 2019 levels by 2027, with the inbound sector due to grow by 20% over the same period. This compares with forecast growth of 10.3% across the wider UK economy over the same period[1].

With the right policy support, international travel can and will lead the UK's economic recovery; powering future economic growth and helping to deliver much-needed improvements in international connectivity. It is critical that policymakers at all levels, whether they are based in local government, regional mayoralties, devolved administrations or in Westminster, listen to the needs of travel businesses and put in place a policy framework that enables international travel to thrive.

For the first time, we have published alongside this report an online dashboard (**www.abta.com/internationaltravel**), which enables consumers, the media, MPs, officials and policymakers to examine the economic importance of international travel to local communities in terms of jobs and GVA.

Mark Tanzer
CEO, ABTA

Joss Croft,
CEO, UKinbound

[1]IMF World Economic Outlook, October 2022.

GVA and GDP impacts of international travel[2]

[2]Gross value added (GVA) adds up the value of all goods and services produced in an economy after deducting the input costs, while gross domestic product (GDP) is a measure of the country's national income by adding up the expenditures in the economy. The main difference is that the latter includes net taxes and removes subsidies.

£80bn
overall GVA impact to the UK economy from international travel

£49bn
in total GVA from outbound travel
£21bn direct
£16bn indirect
£12bn induced

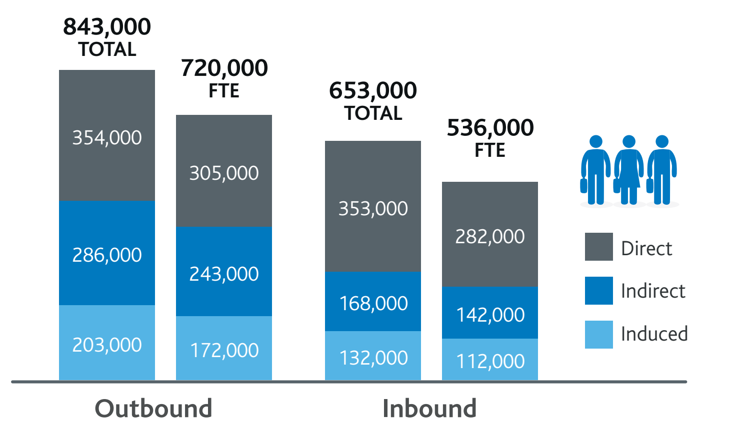
£31bn
in total GVA from inbound travel
£14bn direct
£10bn indirect
£7bn induced

£44bn
in direct GDP from international travel
Outbound – £25bn in direct GDP
Inbound – £19bn in direct GDP

Employment

1.5m **total jobs** supported by international travel (4.6% of all jobs in the UK)
1.3m full-time equivalent jobs

Table 1: Employment



Growth

Table 2: Growth – percentage increases since 2009

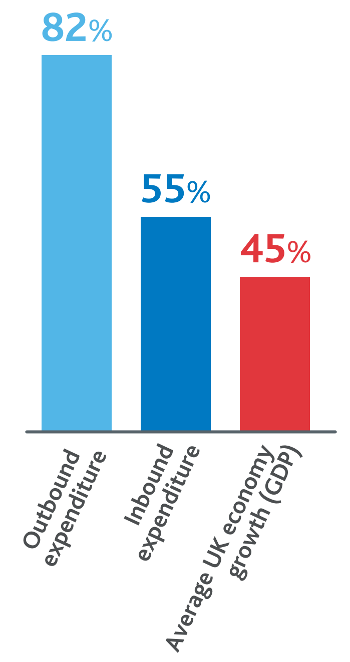
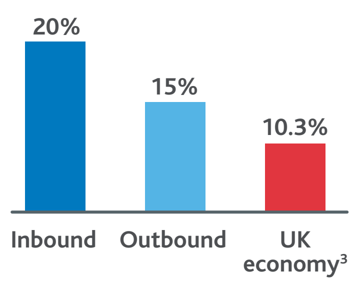


Table 3: Employment Impacts as a share of UK Jobs

	Direct	Indirect	Induced	Total
Inbound	1.1%	0.5%	0.4%	2.0%
Outbound	1.1%	0.9%	0.6%	2.6%
Total	2.2%	1.4%	1.0%	4.6%

Table 4: Forecast GVA growth by 2027



[3]IMF World Economic Outlook, October 2022.

THE ECONOMIC IMPORTANCE OF INTERNATIONAL TRAVEL

International travel is a hugely significant part of the UK economy. In total, international travel directly contributed around £35 billion in GVA to the UK economy in 2019. This is greater than the combined GVA contribution of the transport equipment manufacturing industry (£30 billion), which includes the manufacture of aircraft, aerospace and rail equipment, motor vehicles and parts, and ship building. The economic impact of international travel amounts to around £44bn in direct GDP once indirect taxation, such as VAT paid by consumers, is considered.

The benefits of travel are also spread across the UK, with travel-related expenditure generating economic activity in every nation, region, and constituency across the four nations. International travel-related expenditure is £84bn each year. Inbound tourists bring £33bn of export earnings into the UK economy each year, which represents the UK's third highest export sector, whilst outbound travellers also make a substantial contribution to their own local economies prior to departure, amounting to £51bn through the purchase of items related to their travel, such as holiday clothing. This spending in the UK economy by UK travellers before they take their holidays, business trips, or travel to visit friends and relatives based overseas, stands as a direct challenge to claims of a tourism deficit.

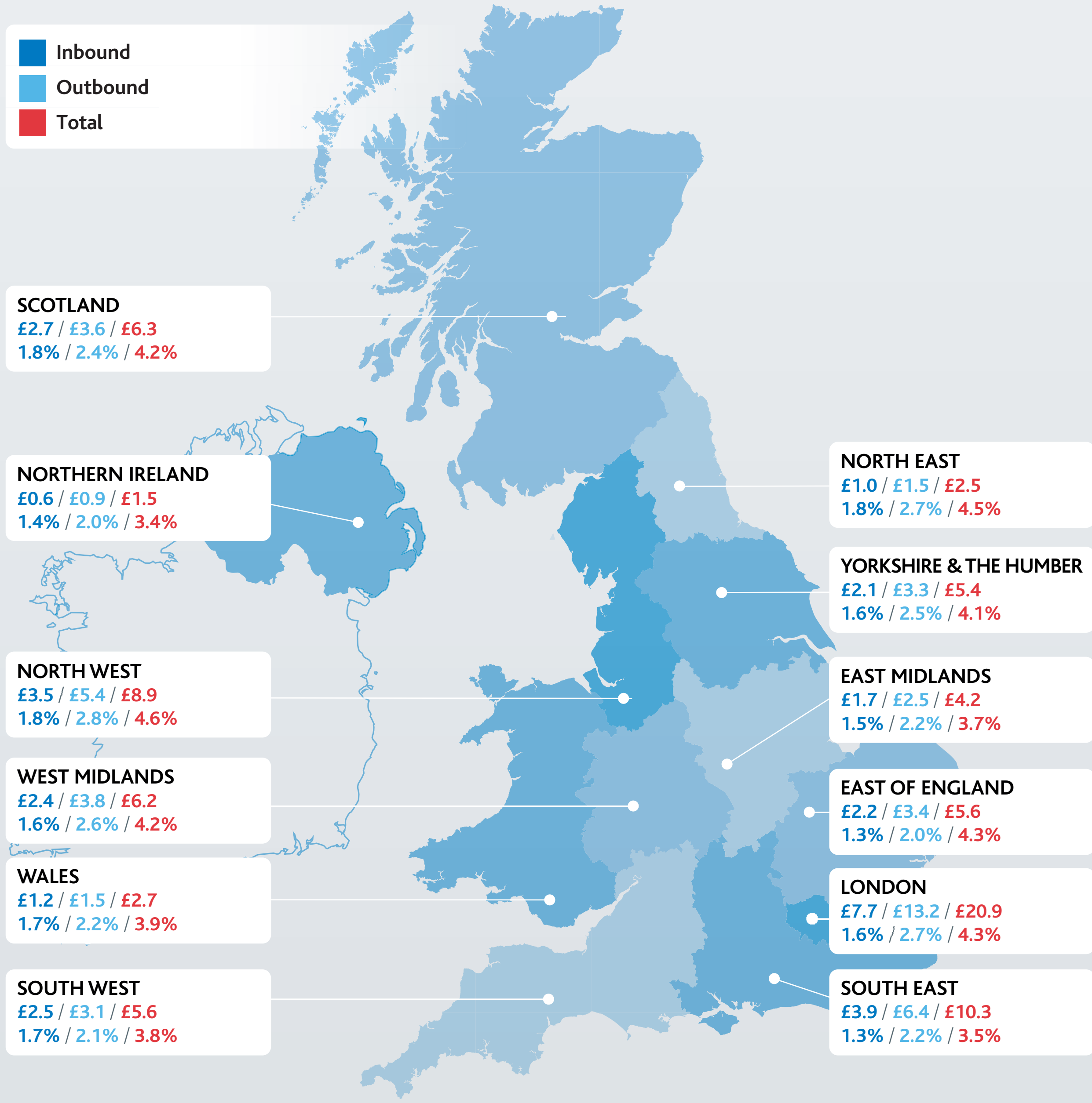
International travel also has enormous potential to bolster the UK economy, and to provide the much-needed growth that will drive the country's wider economic recovery from COVID-19 and the current economic slowdown. This has been seen before – in the decade 2009-2019, following the financial crash of 2008, expenditure on outbound travel grew by 82% and inbound by 55%. During the same period UK GDP grew by 45%. This is a clear demonstration of the resilience and strength of the UK's world-leading travel industry, and the strong appetite that exists amongst consumers for international travel across all motivating factors.

Looking ahead, both parts of the international travel industry are forecast to continue to grow strongly across the next five years, with industry growth rates expected to outpace almost all other sectors of the UK economy, adding a combined £13bn in GVA to the UK economy. At a time when there is consensus about the importance of growth within the UK economy, policymakers should take note of the strong track record of international travel in stimulating economic activity.

Table 5: Growth since 2009

	Outbound	Inbound
Holidays	43%	41%
Visiting friends and relatives (VFR)	84%	38%
Business travel	17%	26%
Other	6%	-9%
Overall	47%	32%

Table 6: Impacts in the UK Nations and Regions in 2019 (£ billion) and as a proportion of Regional GVA by travel type (%)



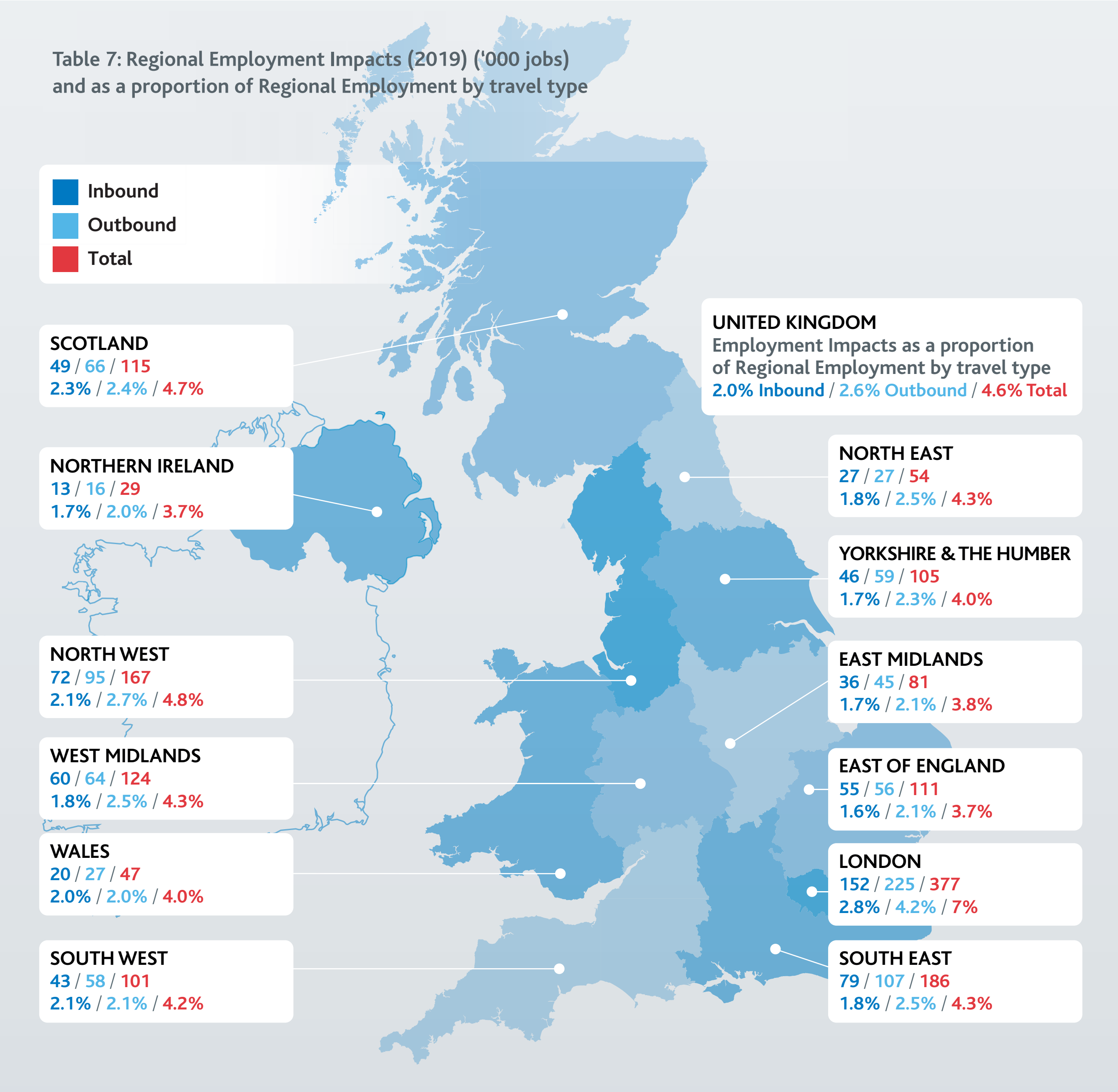
UNITED KINGDOM
GVA Impacts as a proportion of Regional GVA by travel type
1.6% Inbound / 2.4% Outbound / 4.0% Total

JOBS

International travel is a sizeable employer across the UK, with the total number of jobs directly supported by the industry amounting to just over 700,000 between inbound and outbound travel (353,00 and 354,000 respectively). This figure equates to 282,000 full-time equivalent (FTE) roles in the inbound sector, and 305,000 FTE roles in outbound sector. The difference between the two sectors in terms of overall jobs versus FTE roles is likely explained by the higher proportion of seasonal and part-time roles in the inbound sector compared to those in outbound travel businesses based in the UK.

However, the overall employment impact is not just a direct one; taking into account jobs supported by indirect and induced effects, the number of jobs in the sector rises to 1.5m and 4.6% of all jobs in the UK.

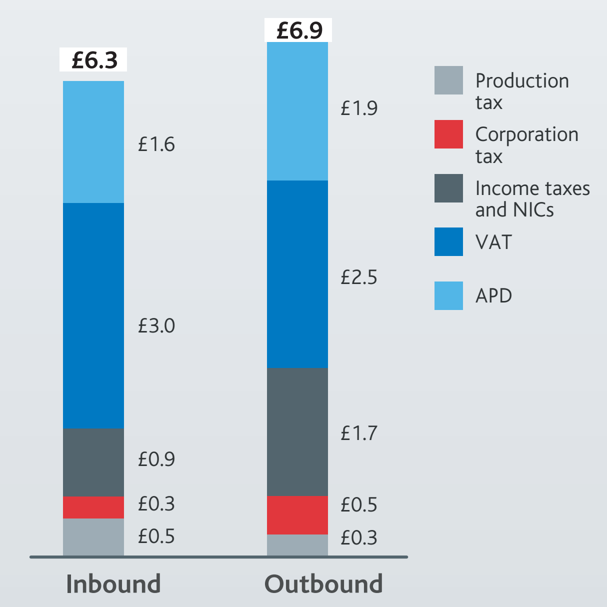
Table 7: Regional Employment Impacts (2019) ('000 jobs) and as a proportion of Regional Employment by travel type



TAX

The tax contribution made by travellers, both inbound and outbound, to the UK exchequer is an important element of the direct benefits of international travel for the UK economy. Direct taxation includes those paid by travel businesses, such as production taxes, corporation taxes, and employer national insurance contributions. Employees in the sector also contribute through income taxes and national insurance contributions. Meanwhile there are many other sources of indirect taxation which increase the contribution of the sector still further, including Value Added Tax (VAT) on goods and services and Air Passenger Duty (APD).

Table 8: Tax contributions by travel and tourism sector in 2019 (£ billions)



SUSTAINABLE GROWTH

Travel and tourism are a powerful force for good, not only supporting jobs and livelihoods at home and in destinations, but also often promoting the preservation of culture and nature.

However, global tourism is not without its challenges. There is an urgent need to decarbonise and continue to manage the impacts of tourism in destination, ensuring that local people and communities feel the full benefits of tourism.

While there is still much to be done, there is already a lot of work happening in this area.

More fuel-efficient aircraft and cruise ships, reduced food waste in accommodation and use of renewable energy sources to power hotels are among the ways the industry is reducing emissions. The UK aviation sector is also making progress on decoupling passenger growth from emission increases; between 2010 and 2016, passenger numbers in the UK grew by 27%, whilst total emissions only grew by around 0.2%[4]. Sustainable Aviation has also set out a roadmap for how the UK can deliver net zero aviation emissions by 2050.

There are also projects to manage the impact of tourism, including developing excursions which maximise the benefit to local communities, tackling waste – particularly single use plastic reduction and implementing animal welfare policies.

Developing a sustainable industry is, and must remain, a priority for travel and tourism. Working in collaboration across the sector and with the UK Government playing a significant role, we can build a resilient industry which is able to withstand future shocks and challenges.

The UK travel industry is leading the way on delivering sustainable growth in aviation. For details on the how the industry plans to deliver net-zero aviation by 2050, please visit **www.sustainableaviation.co.uk**

[4] Sustainable Aviation

ABOUT ABTA

ABTA is a trade association for UK travel agents, tour operators and the wider travel industry. We're the largest travel trade body, with over 3,900 travel brands in Membership who have a combined pre-pandemic annual UK turnover of £40 billion. We work closely with our Members to help raise and maintain standards and build a more sustainable travel industry, and provide travellers with advice, guidance and support. Together with our Members we help customers travel with confidence. For more information, please visit: abta.com

ABOUT UKINBOUND

UKinbound is a leading travel trade association and the only one which focuses solely on the interests of the UK's inbound tourism sector. It has over 340 members including tour operators, destination management companies, accommodation providers, attractions, destination marketing organisations and service providers including restaurants, transport, retail, ticketing and professional services. UKinbound addresses and engages with Government, the media, travel trade and the general public to raise awareness of inbound tourism's significant impact on the UK economy and drives a return for its members.

ABOUT YORK AVIATION

York Aviation is a specialist firm of air transport consultants providing a complete consultancy service for the airports business, including aviation policy advice, economic impact assessment, air traffic forecasting, and specialist advice on airport capacity assessment and planning. York Aviation is the leading provider of airport and travel related socio-economic impact advice in the UK. Its clients include airport operators, airlines, financial institutions, government agencies, industry associations and regional authorities.

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