

Tourism in motion

Asia Pacific travel trends amidst shifting consumer behaviour

Visa Business and Economic Insights



Forward looking statements

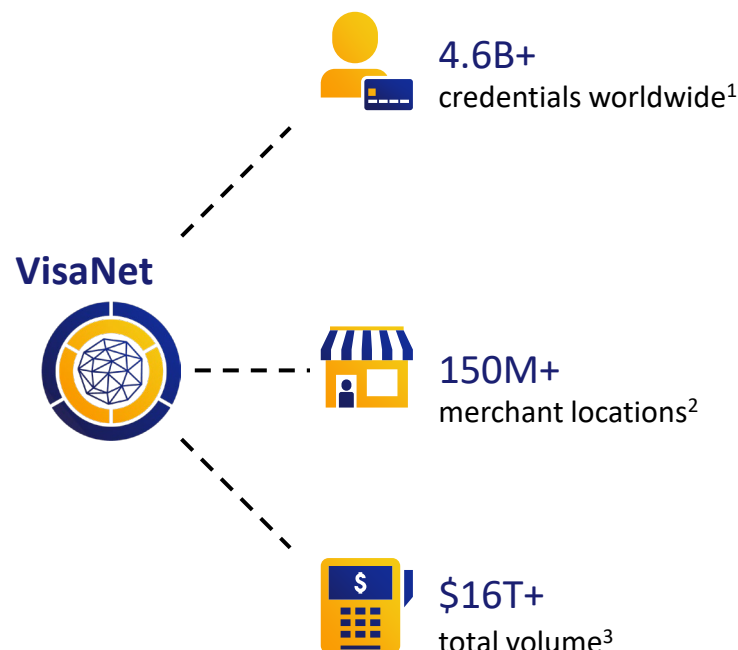
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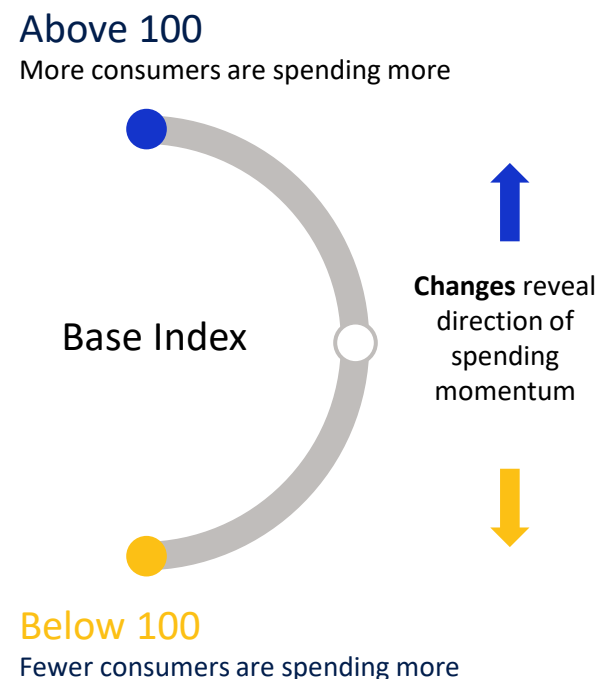
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Consumer insights from the Visa Spending Momentum Index (SMI)

SMI harnesses data from the Visa network...



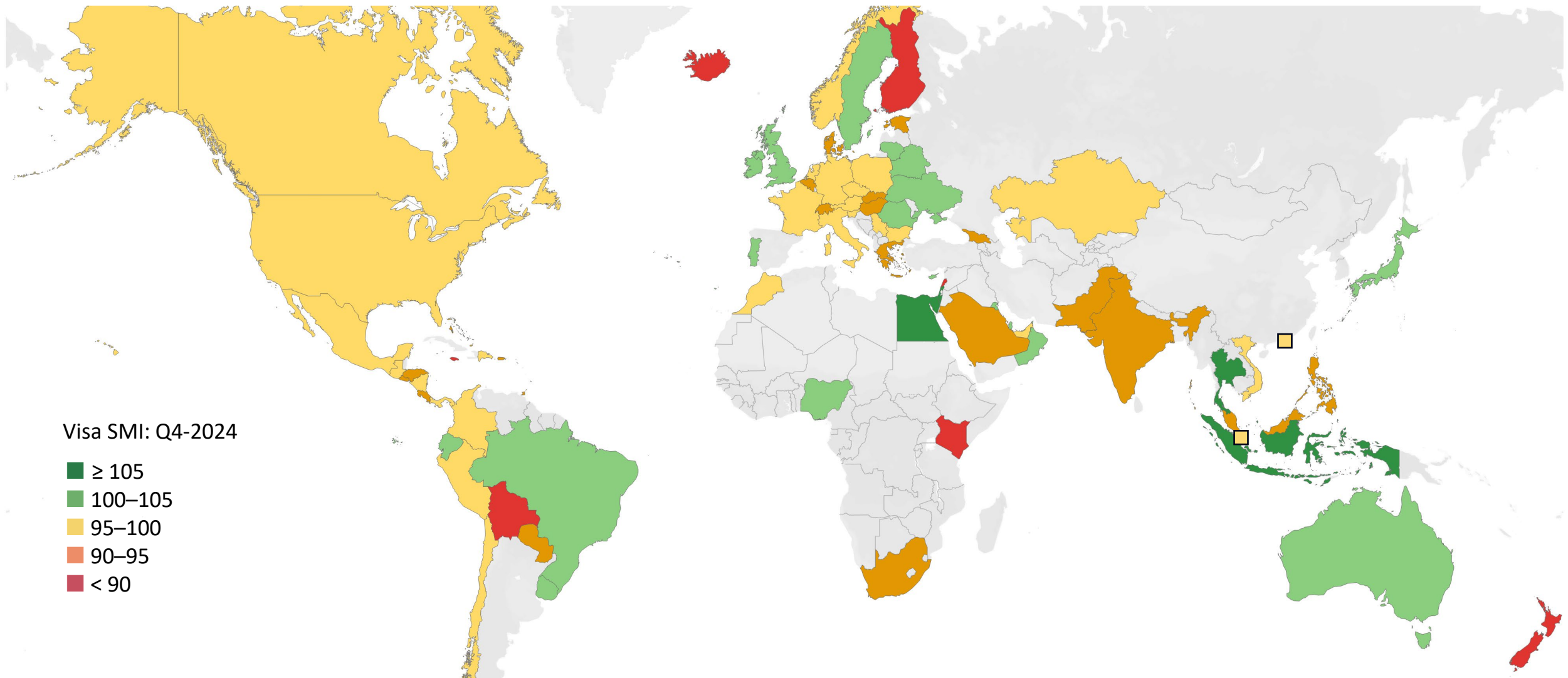
to track consumer spending behavior...



that leads to actionable intelligence.

- 1** Predictive signal of short-term economic trend from transaction data
- 2** Nominal spend, median cardholder
- 3** Consumer-centric view: measure of what cardholders are spending in any location, excludes inbound visitors

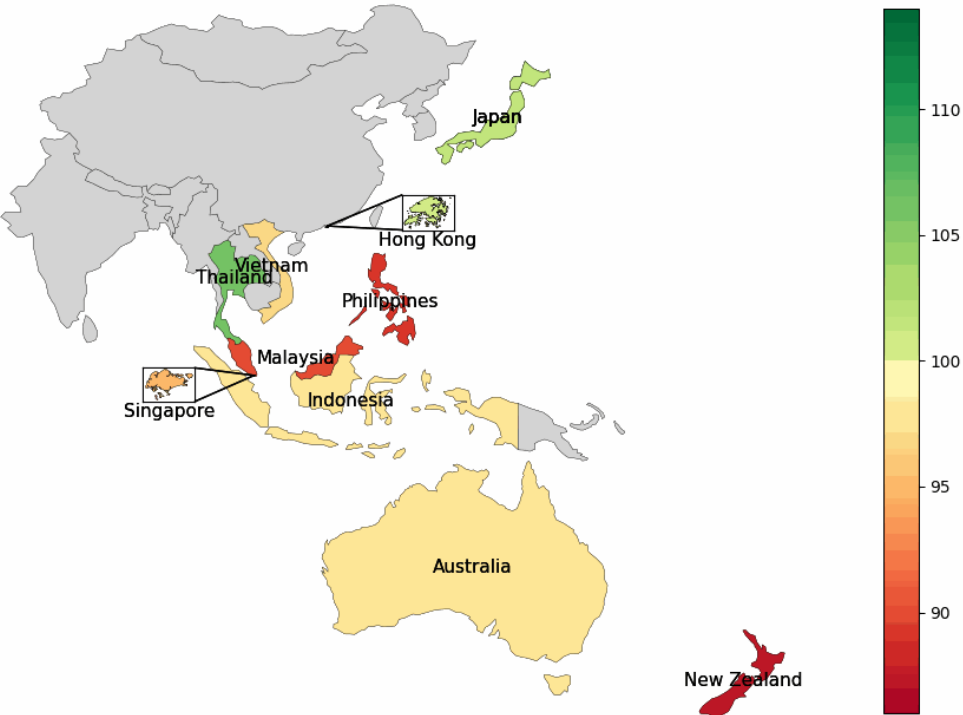
Pockets of accelerating consumer spending are starting to emerge



An AP-wide lens on consumer spending momentum from Visa's SMI

Spending momentum around AP has been in contractionary territory, but is improving

Last actual: January 2025



Strongest momentum for the year in Thailand and Japan

Recovery from a weak 2023 in Thailand and the end of deflation in Japan. Affluent segment is likely driving the strong momentum in Thailand



Malaysia has had weaker momentum compared to the other AP markets

Low inflation and high debt in Malaysia have limited spending growth



Spending momentum is picking up in Japan, Singapore and Vietnam

These markets all saw an acceleration through the second half of 2024



Australia and NZ have generally had weaker consumer spending momentum than the rest of AP

High interest rates and increased savings have been holding consumers back, as has a recession in NZ. However, Australia's momentum is improving and ended 2024 on a high note

Five things on Asia Pacific consumers' minds



Wary of risk,
especially Gen Z;
long-term focus;
need for “active
trust”



Hyper-competitive for
online retailers; return of
tourism helps offline



New identities: singles, pets,
gaming, anime,
K-pop; leisure as enrichment



Mobile, social and
chat commerce;
social activism;
gateway apps



Demographics:
altered values, new
middle class,
urbanisation, ageing

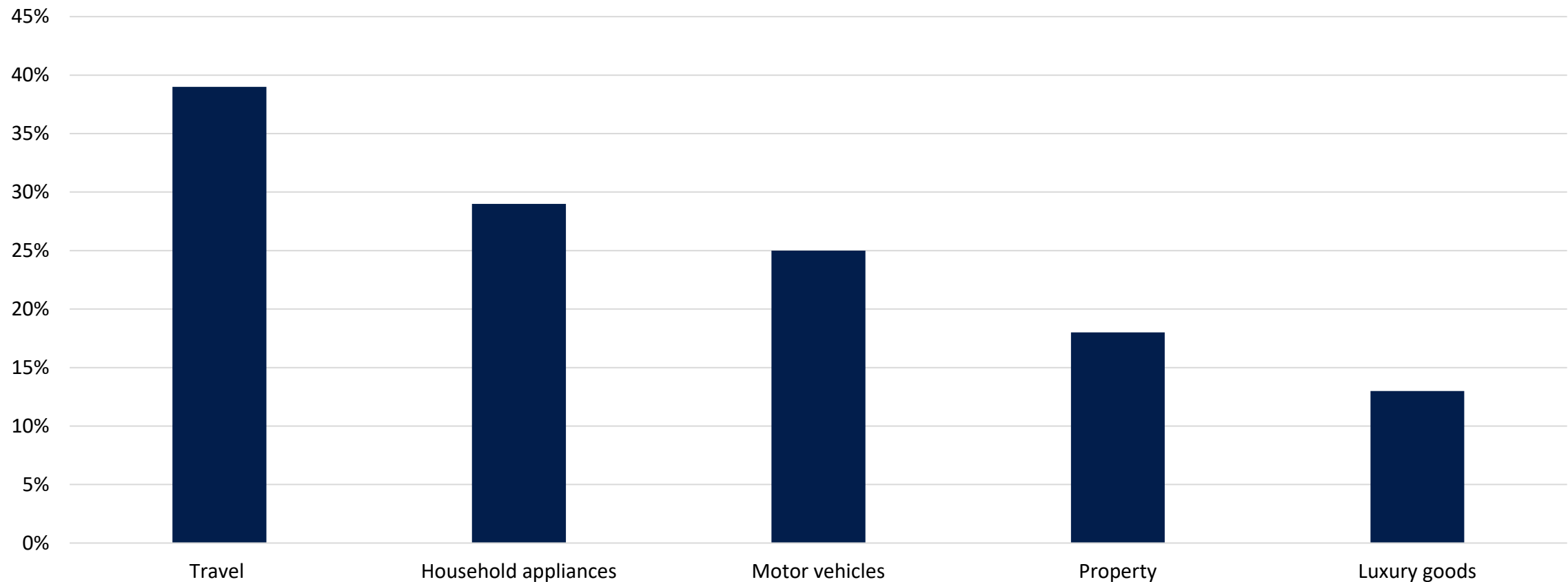


Asia Pacific consumers are prioritising travel

Travel is the most resilient discretionary spending category in most markets

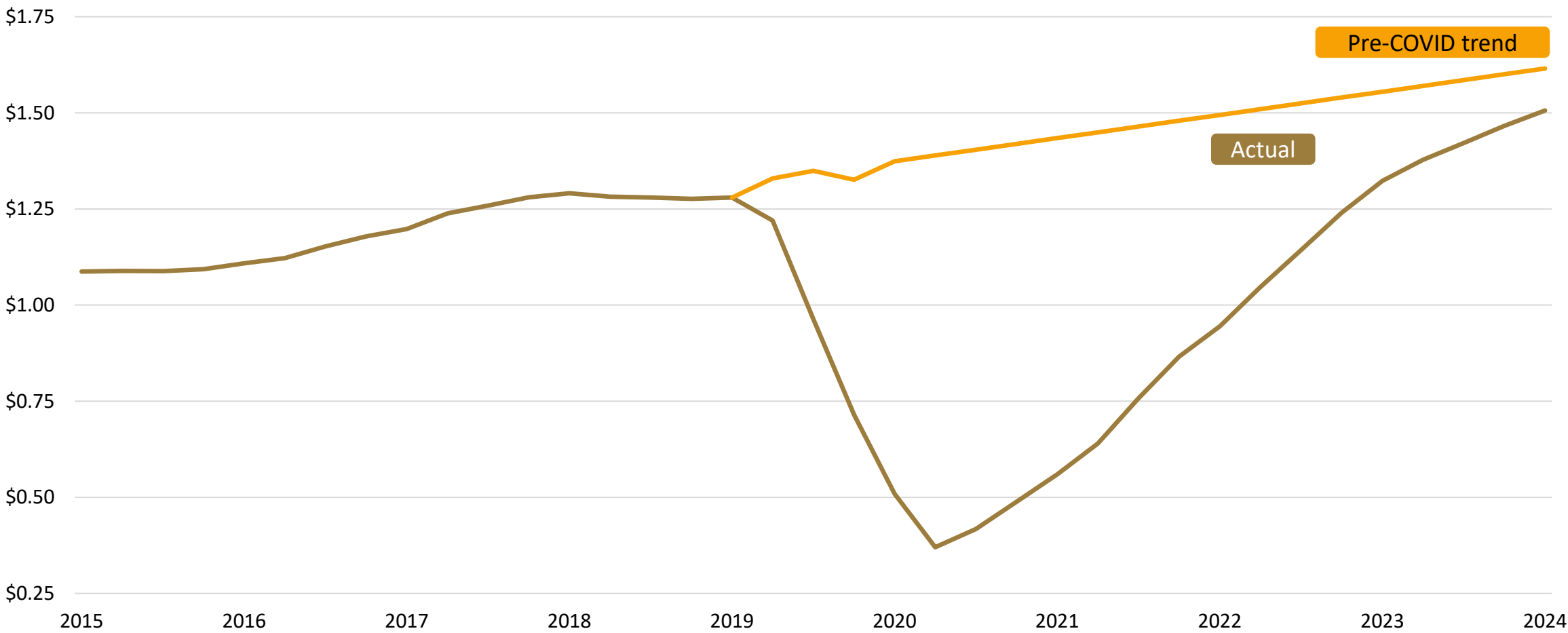
Share of consumers in Asia Pacific who are likely to purchase big-ticket items in the next six months, by category
(percent)

Last actual: June 2024



The next milestone for global travel and tourism is approaching

Global cross-border tourism spending (2015 US\$ trillions, rolling four-quarter basis)



Global cross-border tourism is quickly getting back to trend

Outbound cross-border tourism spending (2024)

Back to Trend

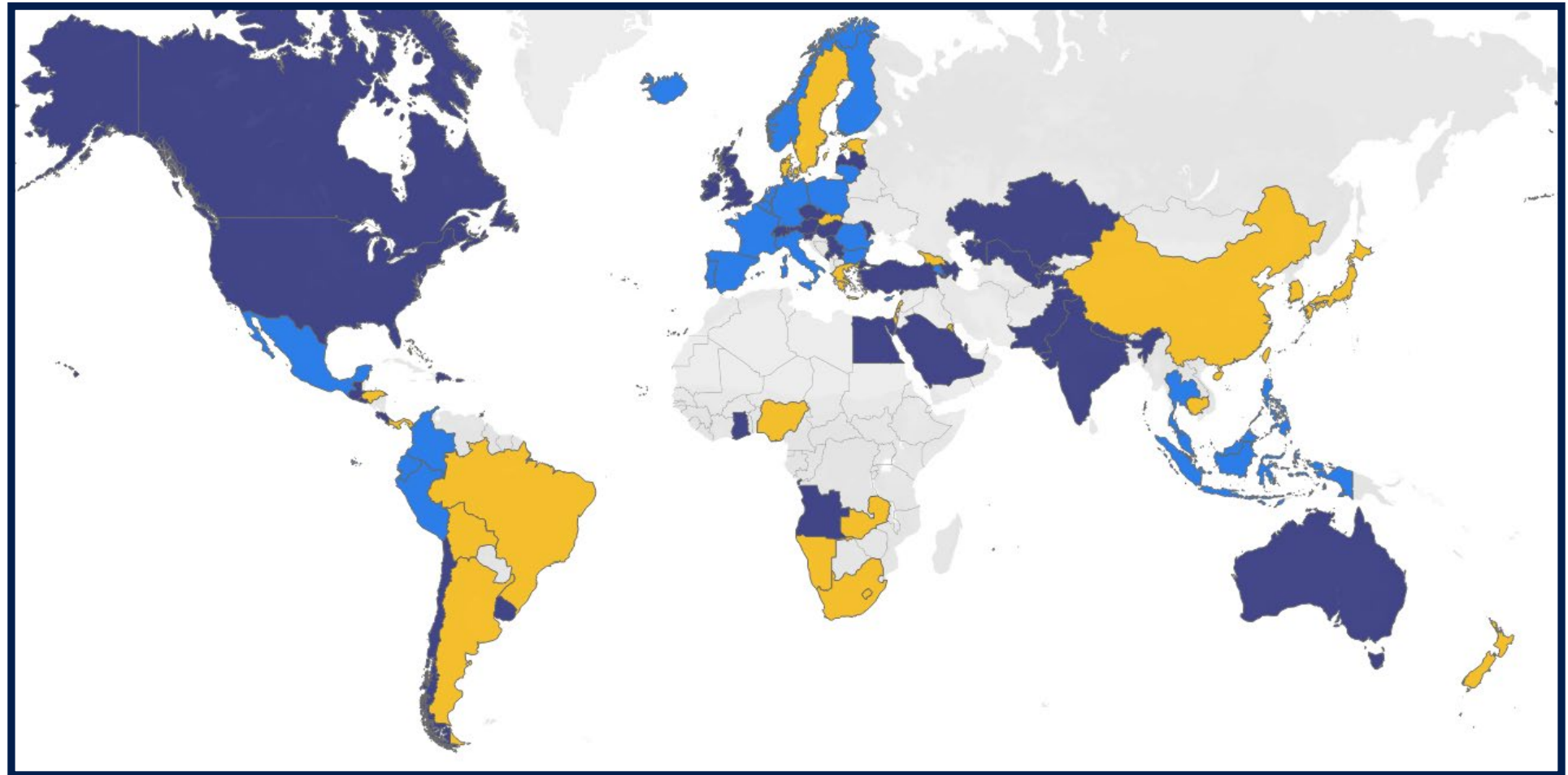
35 markets
\$580 Billion
39% total

Back to 2019

27 markets
\$512 Billion
34% total

Below 2019

27 markets
\$402 Billion
27% total



Key trends to look out for in Asia Pacific business and leisure travel

Give me a reason:
travelling for specific
events, experiences or
purchases

Shifting traveller base and
longer trips to closer
destinations

Spending patterns
adjusting after sustained
inflation and rise of social
commerce

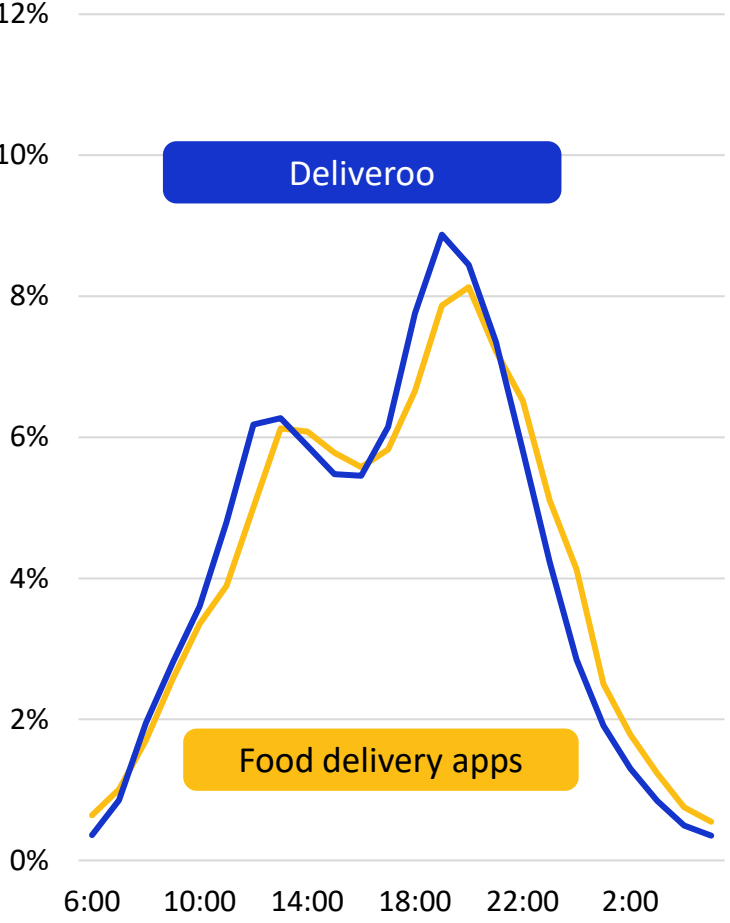
Supply chain concerns will
change cross-border flows
of goods and capital

“Bleisure” trips continue
to gain appeal amongst
business travellers



Latest viral travel trends through the lens of Visa data

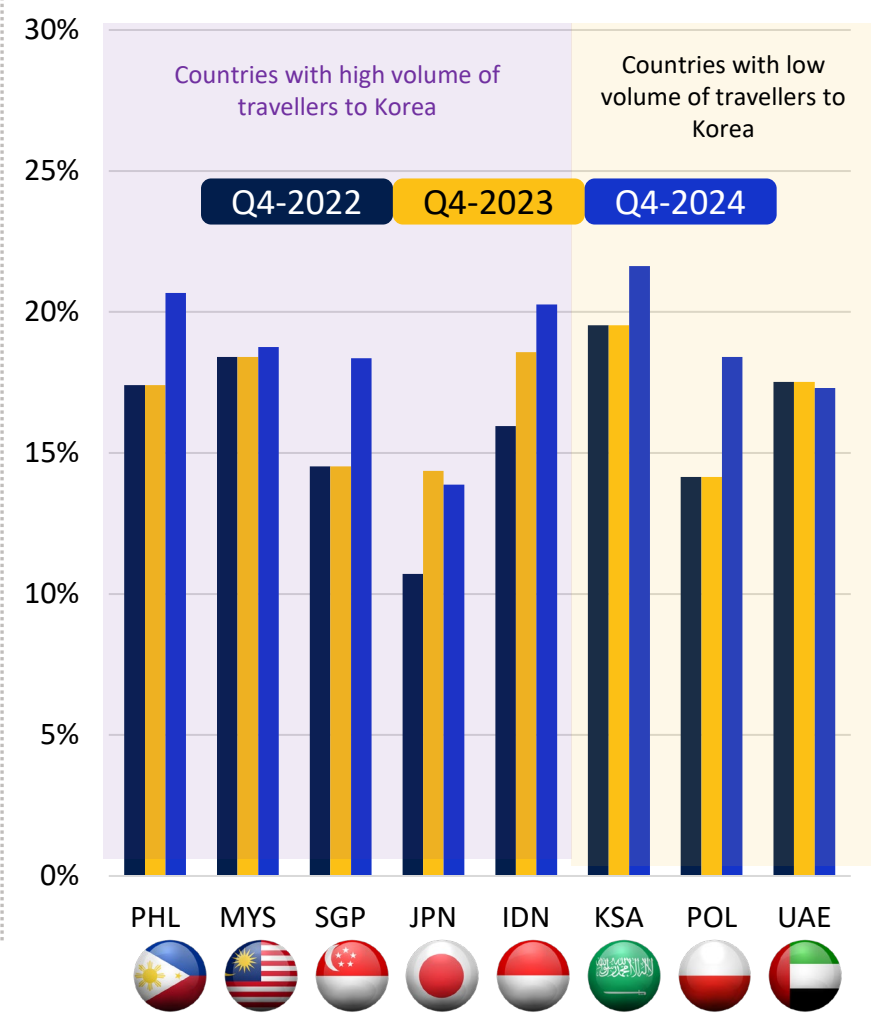
UAE: Busiest time for food delivery apps by number of transactions, non-domestic cards, Q4-2023



UAE: Busiest time for food delivery apps by number of transactions, non-domestic cards, Q4-2024



S. Korea: Share of travellers by country of origin with in-person cosmetic and skincare spending



Destinations are differentiating by hosting unique events

What are the impacts of events on the wider economy?



Displace other spending, switch biz for leisure travel, swap leisure activity



Change timing of spend (e.g., use savings to buy concert tickets)



Health or emotional benefits (e.g., do more sport, patriotism)



Change location of spend, consumption of imported goods



Change decisions on work-leisure tradeoff: could go either way



Spillover effects, such as fuel efficiency gains from F1 tech



Overcome decision barriers (e.g., to get useful infra built)



Connect P2P: biz and politicians can meet, exposure to new ideas; can it humanise opponents or fuel rivalry?

Events can add economic value, in the right circumstances

Three key factors that increase the chance that an event will be a net positive for the economy



Spare capacity

Hotels that would otherwise be empty

A big event can happen without crowding out other visitors or activities



Low share of imported value

Accommodation and F&B tends to meet this

Small island states or other big importers of food might benefit less

F1 teams and technology are all flown in, along with the foreign employees



Reallocation of resources

Hosting exclusive events

Reallocate highly paid jobs or highly valued assets to the country such as the English Premier League

Push losses onto outside areas

Changing seasonality of travel is shifting the opportunity map

For U.S. travellers, autumns could increasingly be associated with exploring Spanish beaches and springs could be linked to viewing cherry blossoms in Japan

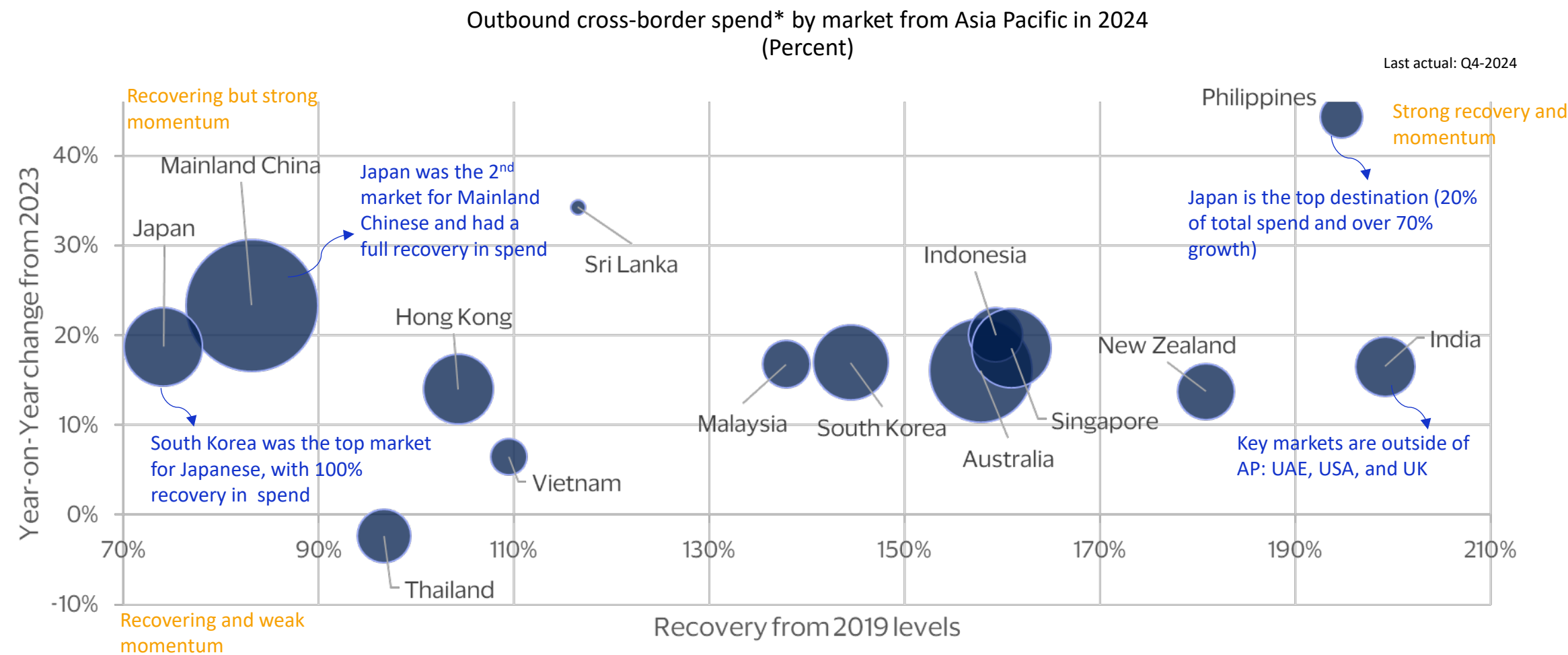


In the second quarter, 20 thousand more U.S. visitors are going to Japan, bringing with them \$190 million more in cross-border spending

In the fourth quarter, 35 thousand more U.S. visitors are going to Spain, bringing with them \$190 million more in cross-border spending

Tourism markets are undergoing big structural shifts

Japan is the fastest-growing destination, while Indonesians, Filipinos and Indians are stepping up their trips

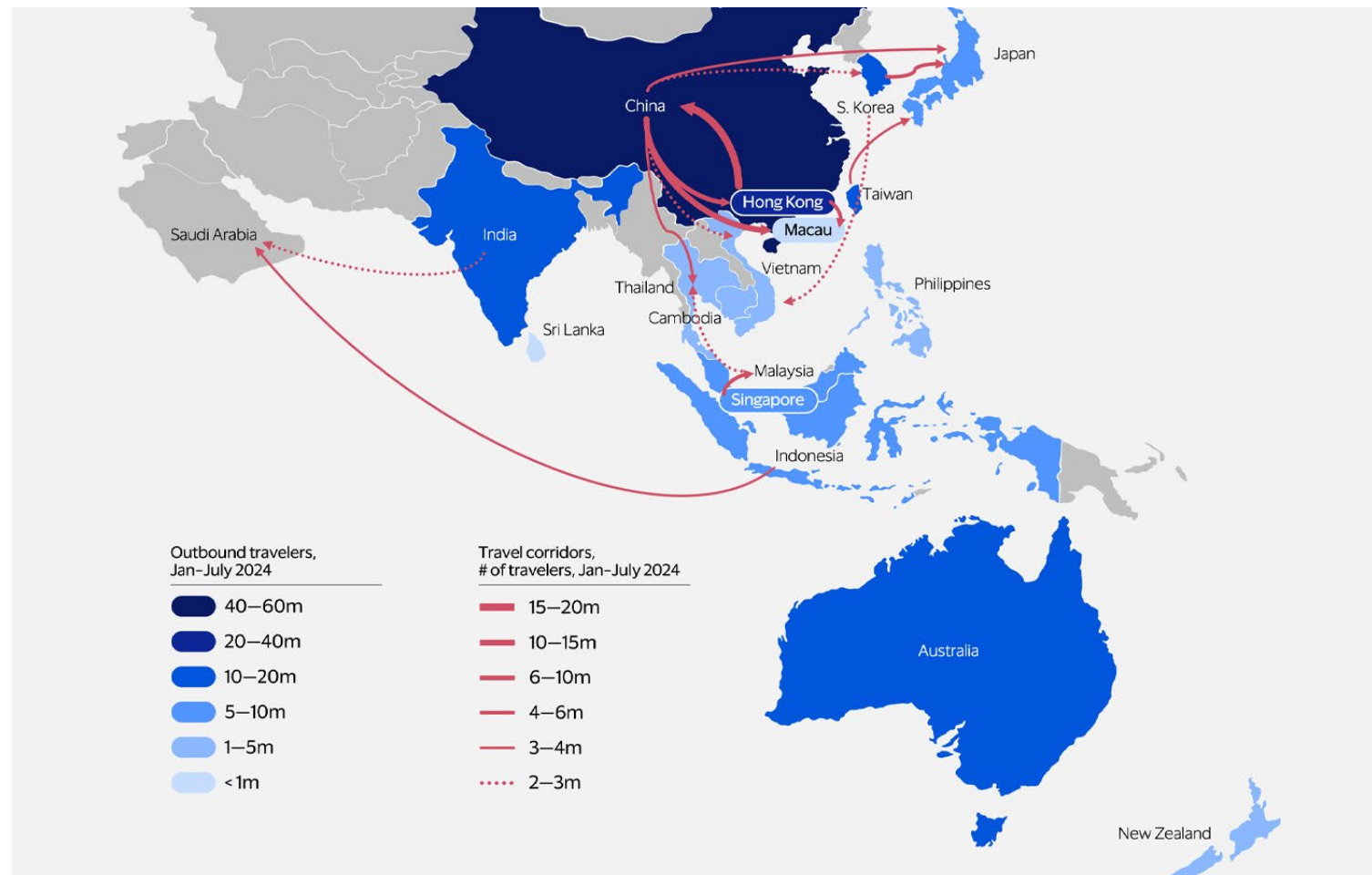


New corridors take flight in Asia Pacific's evolving travel scene

Mainland China, currency revaluations, and the middle class are key drivers of tourism

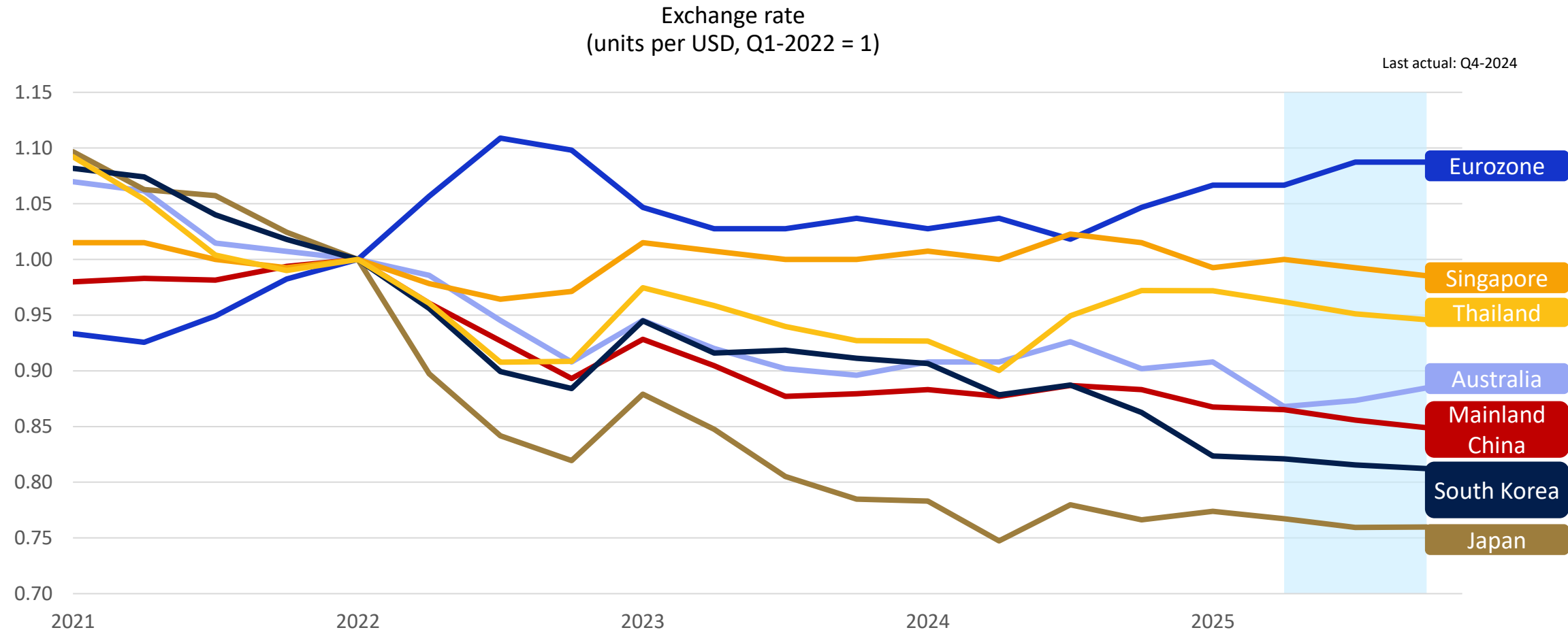
Top 15 largest cross-border corridors in Asia Pacific

Last actual: July 2024



Currencies have revalued since 2022, affecting tourism flows

The cheap Japanese Yen has been a major factor amidst a reorganisation of travel



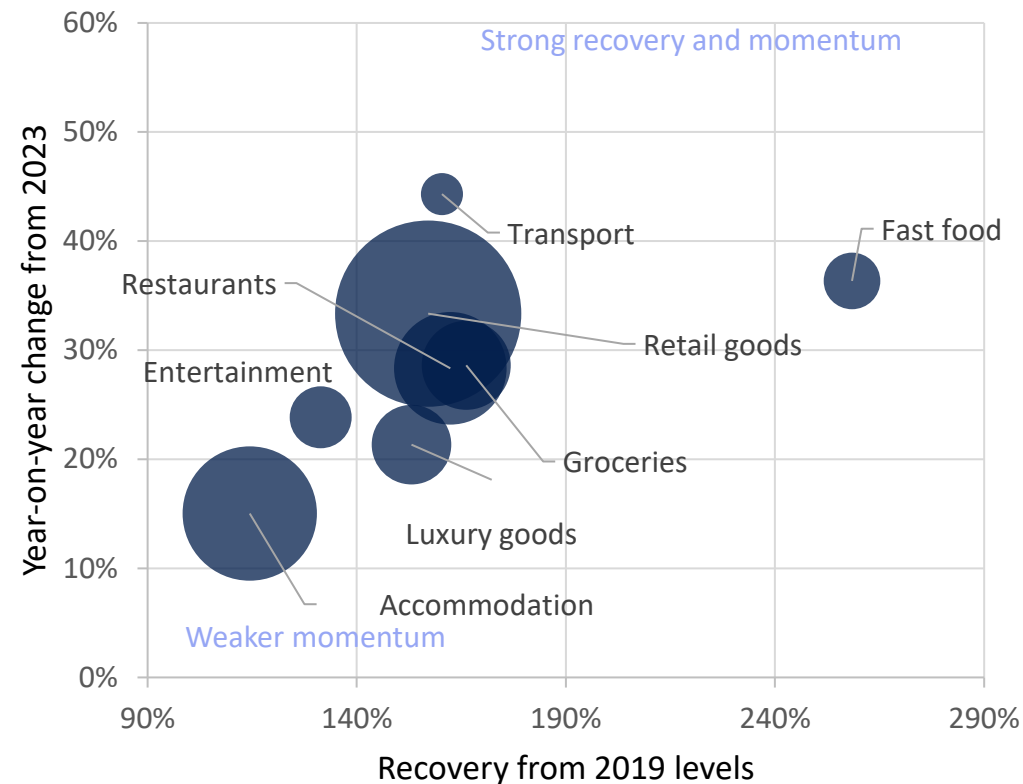
AP inbound spend has stronger momentum than outbound spend

Retail spend by tourists into Asia Pacific is robust

Travellers from Asia Pacific are more focused on dining out and groceries

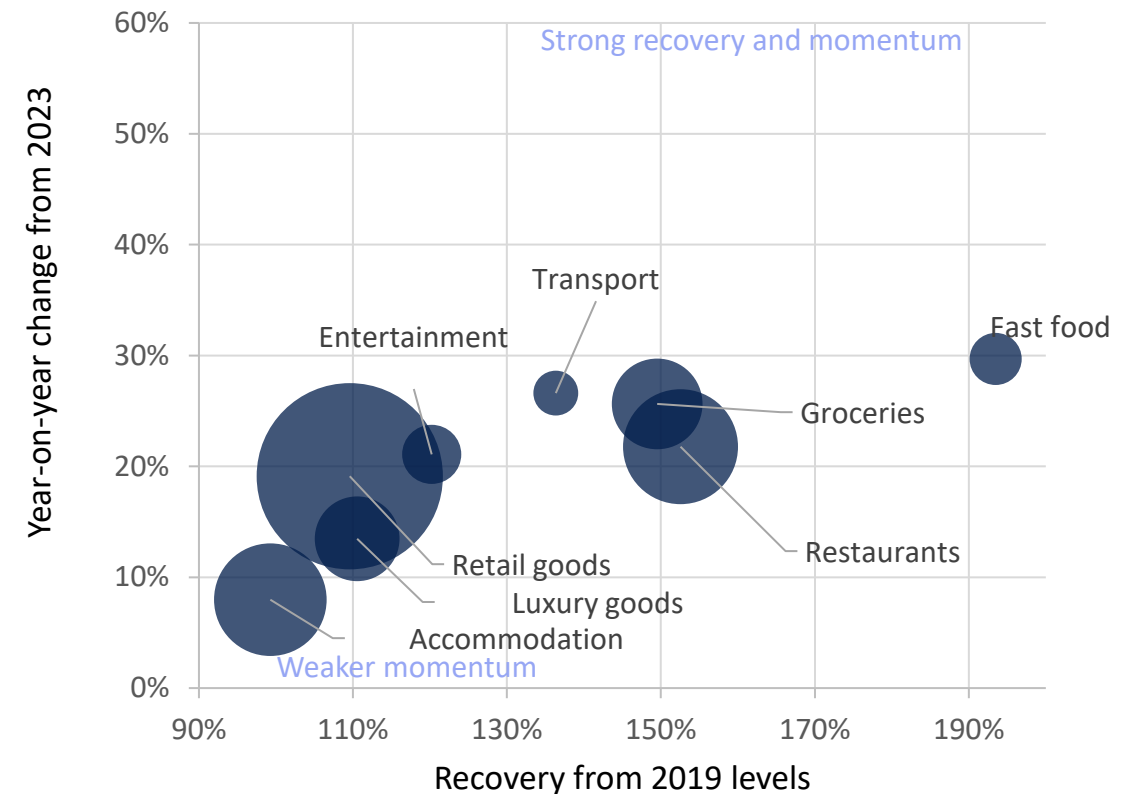
Inbound cross-border spend* by segment in Asia Pacific in 2024 (percent)

Last actual: Q4-2024



Outbound cross-border spend* by segment from Asia Pacific in 2024 (percent)

Last actual: Q4-2024



Sources: Visa Business and Economic Insights analysis of VisaNet data

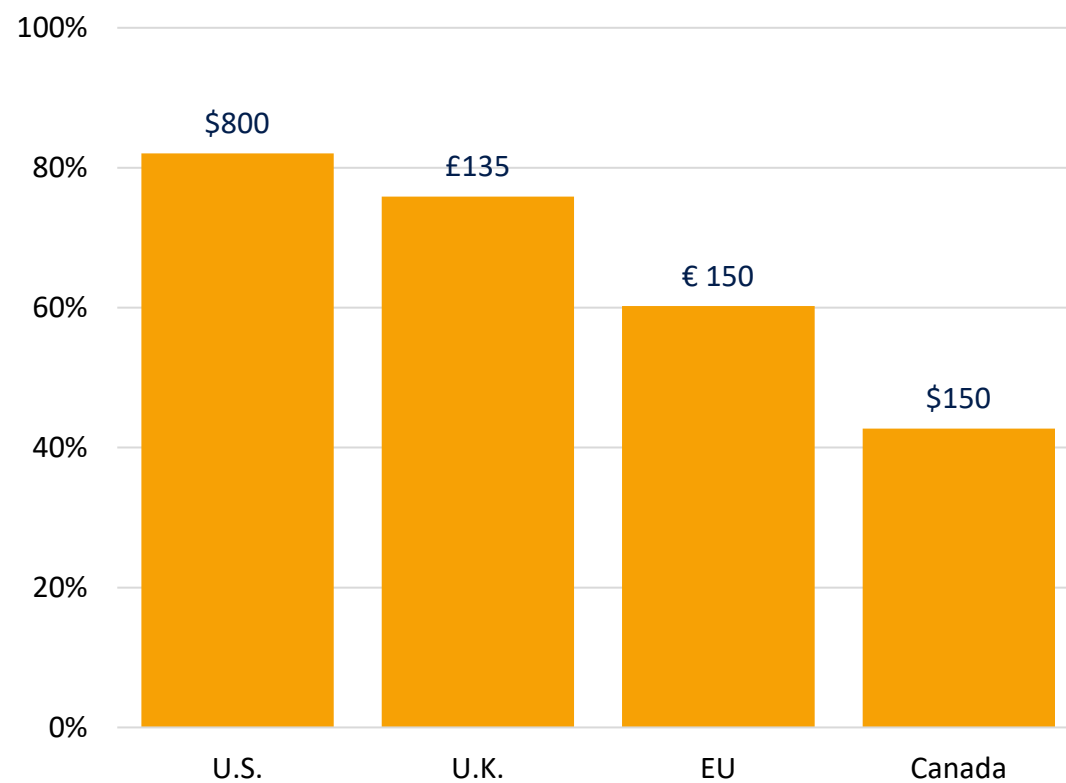
*In-person cross-border spend in USD on Visa consumer cards. The size of the bubbles is proportional to the spend for 2024. The scale of the x-axis and y-axis is the same for both inbound and outbound spend.

E-commerce faces potential disruption from rising populism

More of cross-border e-commerce is likely to be subject to tariffs with the rules change

Cross-border online retail purchases below current de minimis thresholds* (share of cross-border total)

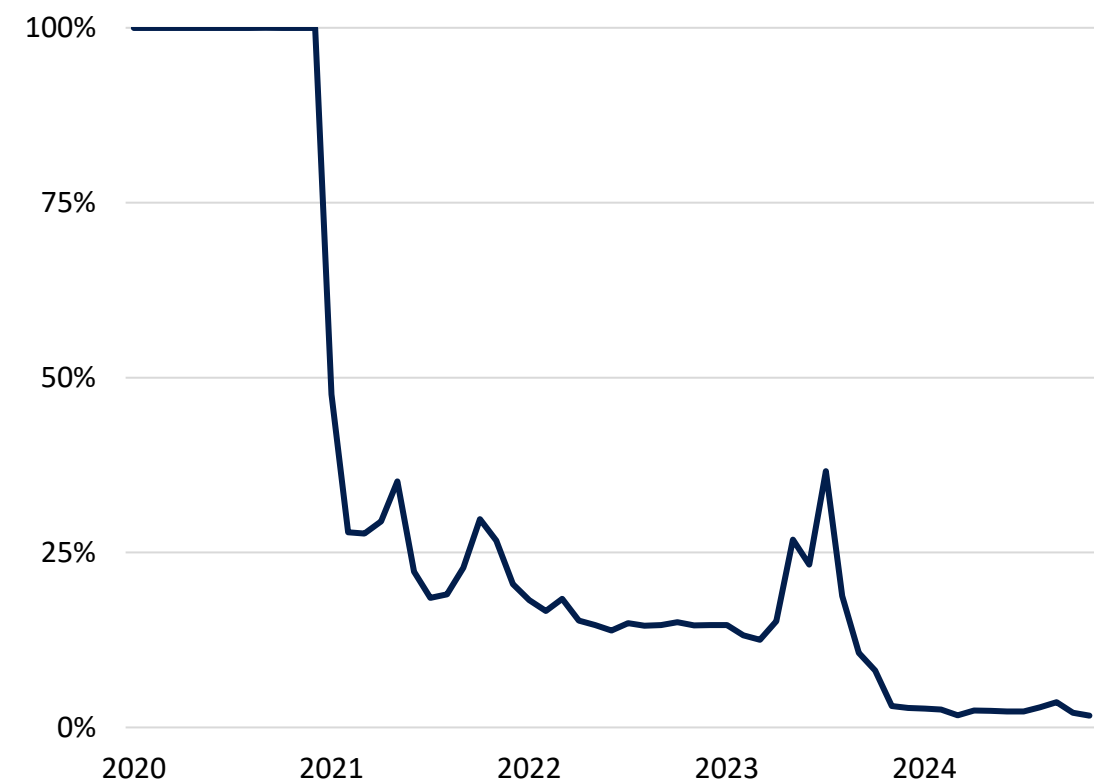
Last actual: 2024



Expect online retailers to shift operations well ahead of actual policy

Cross-border share of low-cost online retailer sales in Australia

Last actual: November 2024

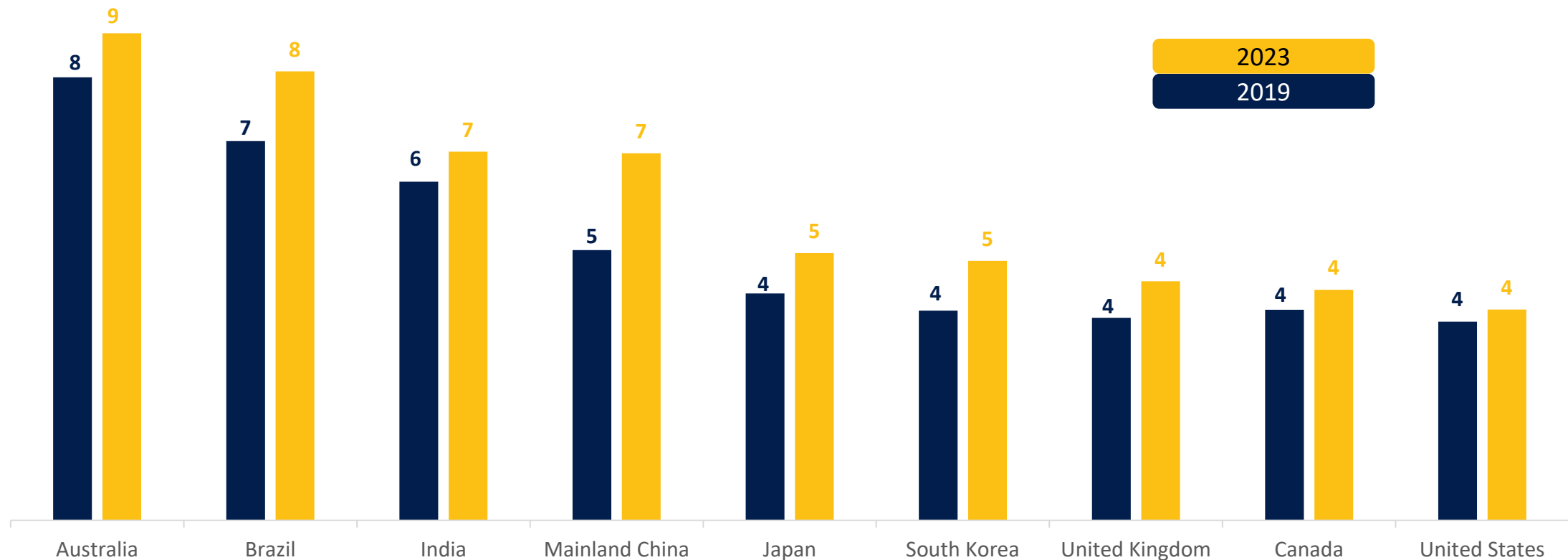


Digital nomadism and ‘bleisure’ prompting longer trips

Travellers from a quarter of the 203 countries and regions analysed stayed at least a day longer than in 2019

Average length of a trip by traveller country of origin
(Number of days)

Last actual: 2023



What should we focus on in the months ahead?

The key factors that could influence your business:



Will the shoots of improving consumer sentiment flower?

There are signs things are getting better, but momentum is fragile.



Plan for evolving travel landscape

Business and leisure travel is shifting, with demographic change, economic evolution and new cultural trends.



Policy uncertainty

Are we looking at a new trade war, or serious restrictions on cross-border capital?

New ways to track worldwide economic developments

U.S. Economic Outlook

Fed up with inflation

Over the course of the last month, we learned that the economy expanded at an impressive 6.9 percent annualized pace in Q4 of last year, mostly due to massive inventory rebuilding efforts. But core economic growth—excluding the effects of trade and inventory—rose just 1.9 percent in Q4. We expect this core measure of growth to rebound in Q1 even though we forecast a 1.7 percent contraction in GDP. We expect this measure to bounce back slightly in Q1 to 4.2 percent (annualized) even with the projected contraction. The result is GDP for this year rising 2.8 percent YoY and 2.8 percent in 2023.

Consumer spending in Q1 looks to be much softer as a combination of impacts and severe winter weather slow the recovery in services spend. We have also been talking for some time about the erosion of real purchasing power due to elevated inflation. In addition to the visa and weather in consumer spending over the last month, we also see inflation beginning to ease in Q1. That said, we do see some light at the end of the tunnel on the inflation front. If inflation rates do not change on a month-over basis, then year-over year “base effects” alone would cause inflation to ease in Q1. We are not assuming that MoM inflation rates will be zero. We suspect that the preponderance of this year’s inflation change will be dominated by these base effects and thus put downward pressure on inflation. Even with inflation rates coming down, expect the Fed to be aggressive about the path of interest rates.

Fig. 1: Real gross domestic product (GDP) (SA, CAGR and YoY percent change)

Seasonally adjusted (SA), compound annualized growth rate (CAGR), year over year (YoY), U.S. Department of Commerce and U.S. Department of Labor.

Fig. 2: H1s (SA, YoY %)

Seasonally adjusted (SA), compound annualized growth rate (CAGR), year over year (YoY), U.S. Department of Commerce and U.S. Department of Labor.

American Mood Trend

Consumer confidence remains stuck in the moment

Consumer confidence in current conditions remains resilient, including into the year-end. Consumer confidence in February to 110.5, and is now at 105.9, expectations rising by 1.3 points to 107.0. The index is up 1.7 points to 105.1. The index is up 1.7 points to 105.1.

Key Points:

- Consumer confidence remains resilient, including into the year-end.
- Consumer confidence in February to 110.5, and is now at 105.9, expectations rising by 1.3 points to 107.0.
- The index is up 1.7 points to 105.1.

Global Economic Insight

Weekends are the new weekdays for restaurants, as remote work alters traffic to urban centers

The COVID-19 pandemic fundamentally altered the way we work. Remote work, working from home (WFH) and hybrid models proliferated rapidly during the pandemic. What appeared at first to be only temporary accommodations to lockdowns has now become permanent. Even after the world decidedly entered the return to office (RTO) era by 2022. On average, the typical employee now works from home at least 1.5 days per week worldwide, which far exceeds the pre-pandemic norm.

This structural shift has far-reaching implications—not only for employee job satisfaction, but also commercial real estate demand, commuting energy usage, and restaurant traffic, to name a few. The persistence of non-traditional working models means that certain merchants—namely those exposed to the consumer journey from home to the office and back—will need to adjust to a sustained shift in customer traffic flow and spending, which has measurably changed throughout the typical week. This trend is playing out actively in the restaurant industry. Establishments that were strategically located near large commercial centers and office complexes can no longer rely on a steady stream of customers five days a week. In fact, compared to 2019, weekends now account for a larger share of restaurant total traffic, according to the analysis of Visa Business and Economic Insights.

Fig. 1: Restaurants' traffic recovery varies by day of the week

In-person visits to restaurants in 2022 compared to the same days in 2019 (Based on number of transactions, grouped by day of the week)

Sources: Analysis of VisaUdata data, Visa Business and Economic Insights.

Spending Momentum Index

Inflation and pent-up demand remain strong

An unprecedented four back-to-back rate hikes from the Reserve Bank of Australia (RBA) have failed to dent Australia's consumer momentum for one of the more discretionary categories of spend: restaurants. Overall consumer participation in the economy is still rising. Coupled with persistently high prices—partly attributed to supply-side disruptions—Visa's Australia Spending Momentum Index (SMI) grew by 1.7 points to reach 103.4 in July, its second consecutive reading above 100 this year.

The restaurant SMI increased by over 10 points in July as many Australians continued to dine out. Higher food prices likely contributed to the increase, as higher input costs prompted many restaurants to raise prices. The fuel SMI made further gains to a record high in 2022 as oil prices remained elevated. By contrast, the discretionary SMI fell by 1.8 points to 99.7, a reversal from the increase of the previous two months. However, it is still above the 100 mark. The non-discretionary SMI remained weak at 95.7. Collectively, these readings suggest that pent-up demand in the economy still remained high as consumers continued to spend on travel and dining out despite the higher prices. However, the dip in the discretionary SMI suggests that the pent-up demand may be fading.

We will be closely monitoring these dynamics as the RBA has clearly signaled further rate hikes (normalization) in the months ahead.

Spending Momentum Index

Seasonally adjusted, *100 = expansion, <100 = contraction

Last actual: July 2022

The discretionary and non-discretionary categories include restaurant and gas spending; both restaurant and gas are included in the total SMI. See additional definitions of spending categories on page 6. Source: Visa Business and Economic Insights. The Visa Australia SMI measures the current month relative to the same month last year. Both national and regional readings of the index are based on year-over-year (YoY) changes in consumer spending with VisaUdata.



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