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Republic Bank

Main Highlights…

Republic Bank

Geopolitics

BRICS Continues to Chart a Way Forward

Economic independence from the West was a central theme at the BRICS Kazan Summit in October 2024, with particular emphasis on reducing reliance on the US dollar. Russian President, Vladimir Putin, proposed the creation of a BRICS grain exchange to stabilise food prices and enhance food security within the bloc, while the much-anticipated BRICS Pay system–a blockchain-based platform for cross-border transactions using national currencies–was also the subject of significant discussion. However, creating a credible alternative to established financial systems will not be an easy task and can only be realistically approached as a long-term objective.

Regarding the de-dollarisation of the global economy, it can be caused by two scenarios:

- A significant reduction in the use of dollars in world trade and financial transactions, decreasing national, institutional and corporate demand. This would diminish the dominance of the dollar-denominated global capital markets, in which borrowers and lenders around the world transact in dollars.

- The second situation involves positive developments outside the US that boost the credibility of alternative currencies – economic and political reforms in China, for example.

Impact of de-dollarisation

- De-dollarisation would shift the balance of power among countries, which in turn can reshape the global economy and markets.

- The US would be hardest hit, as de-dollarisation would likely bring about broad depreciation and underperformance of US financial assets.

Hurdles to de-dollarisation

- A potential hurdle to de-dollarisation is the lack of any global currency that can substitute for the dollar. The euro and yuan are often viewed as potential candidates. However, the euro is not yet as widespread as the dollar on the global stage due to: a) its limited circulation, and b) the inherent monetary instability that results from distinct economic and political conditions across the euro zone. The yuan, on the other hand, is still constrained by limited liquidity due to strict capital control policies implemented by the People's Bank of China (PBOC).

India/China Border Dispute

- After Indian Foreign Minister S. Jaishankar met his Chinese counterpart, Wang Yi, during the Shanghai Cooperation Organisation (SCO) Summit in Kazakhstan in July, they agreed to step up discussions to address border issues.

- In September, Jaishankar stated that approximately 75 percent of the "disengagement" issues at the border had been resolved.

- According to India's army chief, General Manoj Pande, India and China had resolved the low hanging fruits but they still faced complex challenges. As of October, relations remained tense but stable.

Geopolitics

- Marking a possible resolution of the 2020 crisis, negotiators have reached an agreement on patrolling arrangements along the Line of Actual Control (LAC) in the eastern Ladakh region, aimed at disengagement in the Depsang and Demchok areas.

Russia-Ukraine Conflict and NATO

- Ukraine's President Zelensky has pushed for the US and Britain to join France in allowing it to use long range missiles inside Russian territory.

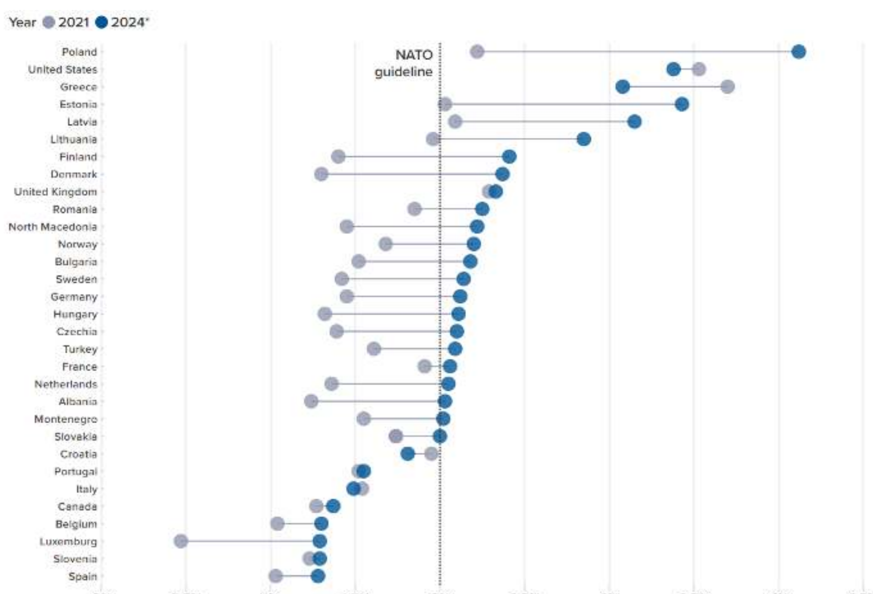
- The head of NATO's military committee, Admiral Rob Bauer, said that Ukraine has the solid legal and military right to strike deep inside Russia to gain combat advantage - reflecting the beliefs of a number of US allies, even as the Biden administration hesitates to give permission for them do so using American-made weapons.

- Russia has previously said it would respond if Western countries allowed Ukraine to strike with their missiles. President Vladimir Putin said that such a decision would mean NATO countries were directly fighting against Russia and that "the very essence of this conflict will be changed".

- NATO's newly elected Secretary-General, Mark Rutte, expressed confidence that he could work alongside any US president and affirmed a commitment made by the organisation's leaders in 2008, that Ukraine belongs in NATO.

For years, many NATO members have failed to meet the target, set in 2014, which requires members to allocate 2 percent of their gross domestic product (GDP) to defence, even as the US in particular has pushed for more defence investment to facilitate a more equitable sharing of the burden among members. However, in 2024, a record number of countries have stepped up. Out of the thirty-two NATO allies, twenty-three now meet the 2 percent target, up from just six countries in 2021. This surge in defence spending follows Russia's full-scale invasion of Ukraine in February 2022. The war in Ukraine has prompted an unprecedented 18 percent increase in defence spending this year among NATO allies across Europe and Canada.

Figure 1: NATO's Defence spending as a share of real GDP (%)



*Source: NATO *2024 numbers are estimates. Iceland excluded as it does not have a standing army.*

Geopolitics

The Middle East Conflict

- Israel's Foreign Minister, Gideon Saar, said its war against Hezbollah was not yet over as it wants Hezbollah to withdraw north of the Litani River - some 20 miles (30 km) from the border - and to be unable to re-arm.
- Israel's finance minister Bezalel Smotrich says he will push for Israel to annex parts of the occupied West Bank after US President-elect Donald Trump takes office. "2025 will be the year of sovereignty in Judea and Samaria," he added using the biblical term for the territory.
- Hopes of a Gaza truce have suffered a setback meanwhile, with Qatar suspending its mediation role.
- The U.N. Office for the Coordination of Humanitarian Affairs made 98 requests to Israeli authorities in October for authorisation, to pass through the checkpoint along Wadi Gaza but only 15 requests were approved.
- Saudi Arabia hosted an Arab and Islamic summit in November to discuss the ongoing Middle East war. Saudi Crown Prince Mohammed bin Salman said the kingdom renewed "its condemnation and categorical rejection of the genocide committed by Israel against the brotherly Palestinian people, which has claimed the lives of 150,000 martyrs, wounded and missing, most of whom are women and children."

Armenia and Azerbaijan have been in conflict for more than 30 years, with all-out war breaking out periodically. Following the collapse of the Soviet Union in 1989, war erupted over Nagorno-Karabakh, a mountainous region between the two states. The Soviet Union had allotted the land, where Armenians and Azerbaijanis both lived, though with an Armenian majority.

In September 2023, the majority Armenian community of Nagorno-Karabakh decided it did not want to be a part of Azerbaijan which resulted in violence as neither group was willing to concede the region.

- Azerbaijan went on the offensive, blockading the region, placing Nagorno-Karabakh fully under Azerbaijani control.
- Approximately 100,000 ethnic Armenians - almost the entire population - were forced to flee for Armenia. It is under these conditions that the nations sought to conclude the conflict, confirming that Armenia has lost Nagorno-Karabakh.
- Nagorno-Karabakh was set to be formally dissolved in January 2024. Since then, major buildings have been demolished and locations renamed.
- In November 2021, both Azerbaijan and Armenia accused each other of violating a UN anti-discrimination treaty and brought each other before the International Court of Justice (ICJ).
- In November 2024, the ICJ found that it had jurisdiction to consider the cases filed. The court did not say when the next hearings in the rival cases would take place. A ruling on the merits of the cases is expected to take years. While the ICJ's orders are binding, the court has no mechanism to enforce them.

Geopolitics

Implications

- Some members of BRICS may wish to adopt a cautious approach to de-dollarisation given the need to balance economic partnerships with both the West and the Global South. At the same time, tensions among BRICS members, such as the India-China border dispute and the battle for regional influence could contribute to difficulties in forging a unified BRICS strategy.

- With US President-elect, Donald Trump, scheduled to take office in 2025, NATO could see the erosion of gains if he keeps his promise to exit the alliance unless all member states start meeting the spending target.

Trade

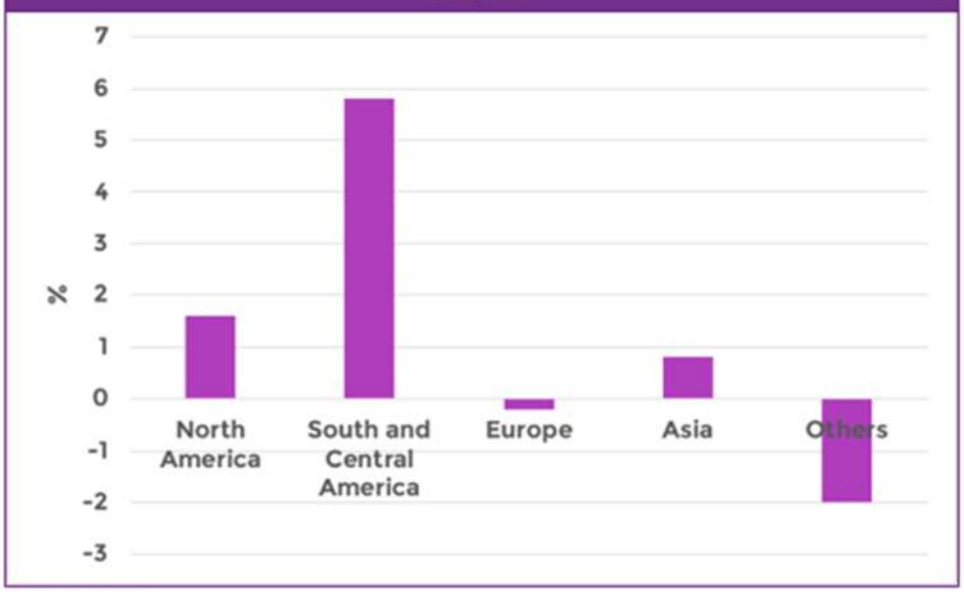
What is Merchandise Trade?

According to the World Trade Organisation (WTO), merchandise trade covers all types of inward and outward movement of goods through a country or territory inclusive of movements through customs warehouses and free trade zones. A free trade zone is sometimes referred to as a "special economic zone" or a "free port" and is basically a designated area where goods are handled, stored, manufactured and re-exported free from the involvement of customs.

Merchandise Trade Volume

In the second quarter of 2024, merchandise trade volumes increased by 1.5 percent when compared to the same quarter of 2023. This was weaker than the 1.6 percent year-on-year (y-o-y) growth recorded in the first quarter of 2024. On a quarter-on-quarter (q-o-q) basis, merchandise trade volumes increased by 0.2 percent in the second quarter of 2024 compared to the first quarter. This growth was weaker than the 1 percent q-o-q expansion that was recorded in the previous quarter and the 0.4 percent increase in fourth quarter of 2023. In the second quarter of 2024, increased imports were recorded in Asia (0.8 percent), North America (1.6 percent) and South and Central America (5.8 percent). On the other hand, the only regions to register increased exports were South and Central America (0.5 percent) and Asia (1.1 percent).

Figure 1: Merchandise Trade Volume: Import Growth by Region



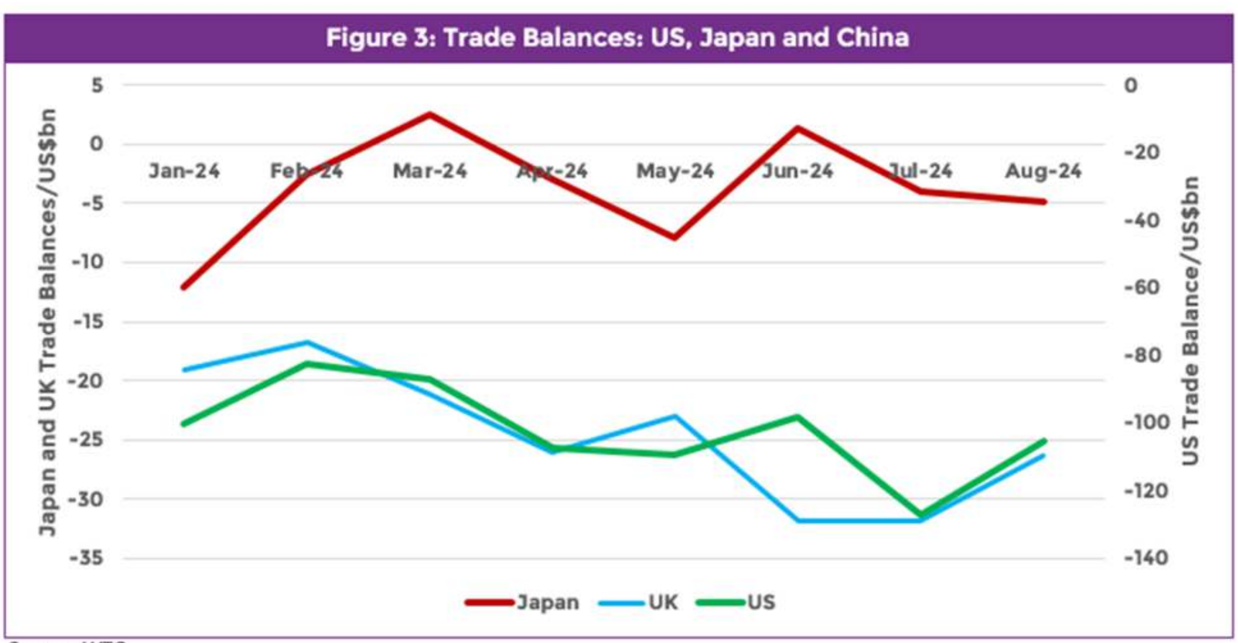
Source: WTO

Trade

Source: WTO

Merchandise Trade Value

In the second quarter of 2024, world merchandise trade value increased by 2 percent y-o-y. This was an improvement compared to the two previous quarters. In the fourth quarter of 2023 and the first quarter of 2024, merchandise trade value contracted by 3 percent and 1 percent, respectively. With respect to export growth, Europe was the only region to experience a y-o-y contraction (-2 percent). The value of merchandise trade exports grew by 4 percent, 5 percent and 5 percent in North America, Central and South America and Asia, respectively. Looking at the value of imports, North America, South and Central America and Asia recorded growth of 4 percent, 3 percent and 4 percent, respectively. Europe was the only region to register a decline (-4 percent) in import value.

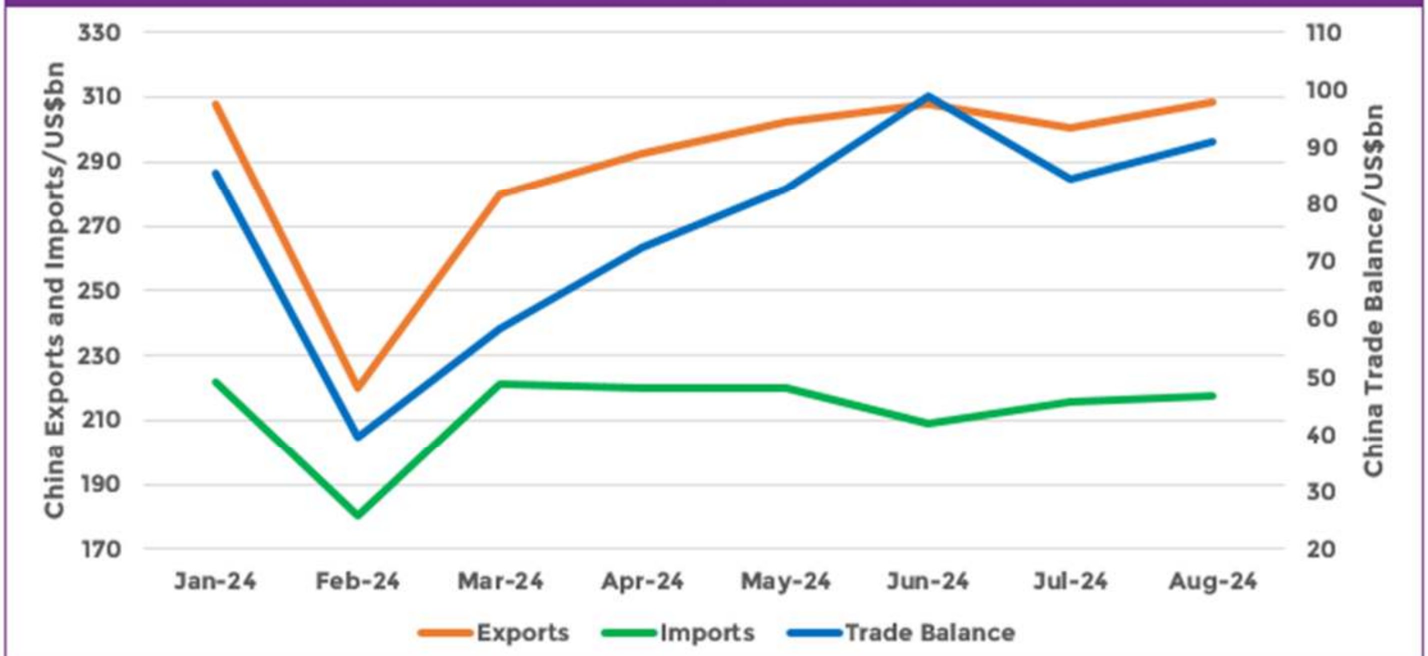


Source: WTO

Trade

A look at the trade balances of a few major economies reveals that both the UK and US recorded trade deficits during the first 8 months of 2024 (Refer to Figure 3). In both cases, the trade balances trended down during the period. In the case of the UK, the trade deficit stood at US$19.2bn in January 2024 and expanded to US$26.3bn in August. The UK's trade deficit has widened since the beginning of 2022, when it left the European Union (EU). This is partly due to the resultant increase in non-tariff barriers, affecting mainly its manufacturing and agricultural industries. These barriers include increased paperwork and custom duties applied to UK exports to the EU. This situation is exacerbated by the UK's inability to significantly expand its non-EU trading partners since leaving the trading bloc. With respect to the US, the trade deficit increased from US$100.5bn in January 2024 to US$105.3bn in August 2024. On the other hand, Japan's trade balance fluctuated between surpluses and deficits, with the months of March and June being the only two months in which it recorded trade surpluses of US2.6bn and US$1.4bn, respectively.

Figure 4: Trade Balances, Exports and Imports for China



Source: WTO

China's exports trended upward from US$220.2bn in February 2024 to US$308.6bn in August 2024 period (Refer to Figure 4). In August 2024, exports grew by 8.7 percent y-o-y, which far outweighed the 0.5 percent y-o-y growth in imports, thus resulting in a 35.4 percent increase in the trade balance. Additionally, manufacturing activity in the country shrank for the sixth consecutive month in August 2024. China's imports also slowed, as inbound shipments increased by only 2 percent in August 2024, compared to 7.2 percent in July 2024. Because of its large shipments to China, South Korea is considered to be a leading index for the country's tech imports and in the month of August 2024, exports to China rose at a slower pace after soaring to a 21-month high in July.

While the Chinese economy could regain some momentum in late 2024, it is expected to face significant challenges in 2025. Firstly, the administration of newly elected US President, Donald Trump, may roll out trade policies that could impede China's export growth.

Trade

Escalating trade tensions between both countries and looming tariff hikes present downside risks to Chinese exports in the near future. Furthermore, the US is not the only country that is applying trade tariffs on goods produced in China. In August 2024, Canada joined both the US and the European Union (EU) in targeting China's exports by announcing a 100 percent import tariff on Chinese electric vehicles.

Implications

- With Donald Trump being re-elected as US President, the likelihood of a possible trade war with China has increased, based on the policy developments during his previous term in office and recent campaign promises. This could result in a reduction in global trade that may hamper certain industries, affect job markets and reduce global economic activity.

- The impact on China could result in negative spill-over effects for neighboring Asian countries that receive most of their export earnings from China.

Banking and Finance

Monetary Policy Review

The International Monetary Fund (IMF), in its October 2024 World Economic Outlook, stated that global headline inflation is expected to fall from an annual average of 6.7 percent in 2023 to 5.8 percent in 2024 and 4.3 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. During this period of disinflation, goods prices have stabilised, but services price inflation remains elevated in many regions, pointing to the importance of understanding sectoral dynamics and of calibrating monetary policy accordingly. Factoring in the current and expected risks, the report included a possible scenario in which new spikes in commodity prices, triggered by geopolitical tensions, stop the trend of declining inflation, and in so doing, prevent central banks from easing monetary policy.

Since the August edition of the EIU Monitor, there have been a number of major monetary policy developments. Thus far, they have all gone in the same direction, with interest rate reductions by the Central Banks of the United States, England, the European Union and Sweden (Figure 1).

Figure 1: Monetary policy decisions

12/09/2024 The European Central Bank (ECB) lowers the Deposit Facility Rate by 25 basis points from 3.75% to 3.50% effective 18/09/2024
18/09/2024 The US Federal Reserve lowers the Fed Funds target range by 25 basis points from 5.00% - 5.25% to 4.75% -5.00%
18/09/2024 The Bank of England (BoE) maintains its bank rate at 5.00%
25/09/2024 Sweden. The Riksbank lowers the policy rate by 25 basis points from 3.50% to 3.25%
17/10/2024 The ECB lowers the Deposit Facility Rate by 25 basis points from 3.50% to 3.25%
7/11/2024 Citing the need to both support employment and curb inflation, the US Federal Reserve lowers its benchmark rate by 25 basis points to a range of 4.50% -4.75%
7/11/2024 Despite anticipating that the 2025 Budget will raise inflation by 0.5% next year, the BoE cuts its bank rate by 25 basis points to 4.75% to relieve citizens and businesses from high borrowing costs
7/11/2024 With inflation below the central bank's 2% target, and the economy stalled with little sign of recovery in the short term, Sweden's Riksbank reduces its policy rate by 50 basis points to 2.75%

Source: IMF World Economic Outlook Update, July 2024

Financial sector trends in EMDEs

Divided risk outlook and development progress

According to the World Bank's Finance and Prosperity 2024 report, financial sector risks for most higher-income Emerging Market and Developing Economies (EMDEs) are low to moderate, however, some lower-income countries analysed face high risks in the next 12 months.

Banking and Finance

An analysis of 50 EMDEs which represent 93 percent of total bank assets in EMDEs, found that 70 percent of sample countries face low to moderate financial sector risks in the next 12 months. However, risks are high in some, mostly low-income countries (LICs) and lower-middle income countries (LMICs).

Trends in financial sector risk and resilience

Domestic banks and the government are closely interlinked, a connection that is often called the sovereign-bank nexus. This nexus has tightened over the past few years because of growing banking sectors and government debt levels. Sovereign debt levels in LICs and LMICs reached historic highs in the wake of the COVID-19 pandemic, and debt-servicing costs in LICs and LMICs increasingly strain the governments. Out of 69 LICs analysed, 38 are in debt distress or at high external debt risk. A narrow domestic investor base and receding foreign investors, left domestic banks as buyers of last resort, and governments encouraged them to purchase sovereign debt. As a result, EMDE banks' average exposure to the government as a share of bank assets has risen by almost 15 percent since 2019. As of end-2023, banks' exposure to the government stood at 23 percent of total assets in countries facing high financial sector risks compared to 16 percent of total assets in medium and low-risk countries.

While risks from domestic inflation and policy tightening are beginning to subside, concerns about the financial health of the private sector have emerged in some EMDEs. After increases in 2022 and 2023, several EMDE central banks, mostly in Latin America and the Caribbean, have started to cut policy rates, though they remain higher than before the increases. A number of businesses continue to be challenged by this, with one-third of listed firms in EMDEs facing interest payments that exceed their profits.

Debt-servicing difficulties by the private and public sectors may amplify existing challenges in bank asset quality in some countries. While for most EMDE banking sectors the ratio of reported nonperforming loans (NPLs) to total loans has remained low and relatively stable over the past few years, pockets of weakness exist. System-wide NPL levels exceed 7 percent in 25 percent of EMDE jurisdictions, most of them in the Middle East and North Africa, the South Asia region, and Sub-Saharan Africa.

Trends in financial sector development: Policy priorities and recent progress made

Priority areas were identified to strengthen the development of the financial sector in the 50 EMDEs assessed. The policy priorities are (a) access to finance for micro, small, and medium enterprises (MSMEs); (b) financial inclusion for individuals; (c) the role of the state; (d) competition; and (e) capital markets development.

Small enterprise access to finance. Broadening access to finance for MSMEs is the top priority in almost 40 percent of EMDEs, but many countries have made insufficient progress. Forty percent of MSMEs in EMDEs have unmet financial needs.

This gap persists because of the inherent challenges of serving MSMEs, which include the high cost of capital because of opaque operations, a lack of traditional collateral, and relatively small transaction sizes.

Financial inclusion for individuals. Over the past 10 years, advances have been greatest in increasing account ownership for individuals. Account ownership has reached 76 percent of adults globally and 71 percent in EMDEs, a 50 percent increase from 2011 to 2021. The use of digital payments is up by a similar amount, boosted in part by the large-scale digitalisation of government-to-person payments. Less progress has been achieved in broadening access to savings and borrowing in EMDEs, and the gap with advanced economies has widened over time, including in terms of gender.

Role of the state. The state often plays a significant role in the financial sector, but this may also bring unintended consequences. Of all the priority areas, progress was weakest in this area. The footprint of the state in many EMDEs is significant, mainly through direct ownership of financial institutions and policy interventions. State-owned banks represent about 20 percent of the banking system in low-income countries. The objective typically is to direct the flow of credit or influence price formation to address market failures and promote financial development (including financial inclusion) and broader government objectives. However, if the state's role is not well-balanced, it can also introduce unintended consequences (for example, by reducing competition or mispricing risk) and reduce the credibility and effectiveness of the financial sector, thus impeding financial development.

Competition. Although unrestricted competition may undermine financial stability, it is generally accepted that boosting competition and lowering barriers to entry and exit can promote financial market deepening, intermediation efficiency, and product innovation, that benefits consumers and financial inclusion. Many EMDEs struggle to strike the right balance between the state's influence in the financial sector and the need to promote market-based competition. On average, the three largest banks per country accounted for 64 percent of banking system assets in 2022 across 84 EMDEs, up from 57 percent in 2013, which suggests that competition may have decreased.

However, the digitalisation of financial services has enabled the entry of new players to compete with financial incumbents, resulting in product innovation and lower costs of financial services. On the other hand, capital markets and nonbank financial institutions remain shallow in many EMDEs and still cannot offer a significant competitive alternative to the banking system, which limits the options for firms.

Capital market development. Deepening financial markets and tapping local savings remain long-standing priorities, including to help fill gaps in MSME and green finance.

However, progress is insufficient in most countries, in part owing to macro-financial headwinds and barriers to international investment. Growth in the outstanding stock of corporate bonds issued by firms in EMDEs has decelerated in past years as market deepening slowed, and shallow debt and equity markets in most LMICs compound refinancing challenges for firms and households. Slow progress in deepening domestic capital markets comes despite a continued increase in the asset base of local institutional investors in many EMDEs. With the lack of investment alternatives, contractual savings often get channeled into government assets. This can crowd out allocations to productive sectors and exacerbate the sovereign-bank nexus.

Implications

In each Caribbean state, the stakeholders of the financial sector, including banks, credit unions, the Central Bank, the government, the business community (including MSMEs), institutional investors and citizens need to come together to develop the framework for a financial sector that is competitive, vibrant, resilient, profitable, inclusive and secure, along with a system of checks and balances (including a Financial Services Ombudsman) to counteract the negatives and excesses that could arise.

Commodities

Metals

Gold

- Gold has outperformed all other major commodities so far in 2024 as falling interest rates and rising geopolitical tensions boosted the precious metal's appeal as a safe-haven asset. Gold reached a record high of $2,772 per troy ounce in October, rising for six out of seven weeks during September-October.

- Total gold demand also increased 5.5 percent to 1,313 tonnes year-on-year. In monetary terms, the increase was 35 percent, exceeding US$100bn for the first time.

Figure 1- Value of gold demand Q3 2024 compared to Q3 2023

**Gold ETF-exchange trade funds that allow investors exposure to gold without having physical access to the metal.*
Source: World Gold Council

Steel

- Declining prices and weak demand continue to wreak havoc on the global steel industry. The Economist Intelligence unit expects prices to fall by 9 percent in 2024 to US$528/tonne, a four year low. Steel prices are projected to increase in 2025 and 2026 by 7.7 percent and 1.8 percent, respectively.

Figure 2: Global Steel prices

	2022	2023	2024	2025	2026
Prices[a]					
1 Qtr	796	641	557	565	575
2 Qtr	776	578	528	585	595
3 Qtr	598	554	502	560	570
4 Qtr	550	543	525	565	575
Year	680	579	528	569	579
% change	-19.3	-14.9	-8.8	7.7	1.8

[a] US$/tonne, FOB China export, 3mm HR coil.

Source: The Economist Intelligence Unit

Commodities

- Global steel demand is expected to grow in 2025 and 2026, despite several challenges including, geopolitical uncertainties, the lingering effects of monetary policy tightening and inflation.

- The positive outlook for the next two years relies heavily on the improved performance of the Chinese real estate sector, increased private consumption and corporate investments as a result of lower interest rates and the upward trajectory of infrastructure spending by major global economies on de-carbonisation and digital transformation.

- There was a reduction in crude steel consumption in China due to a steep structural downturn in the property market which commenced in 2021, primarily because of overbuilding coupled with the country's now declining demographics. Consumption declined by 6.2 percent year-on year for the first three quarters of 2024.

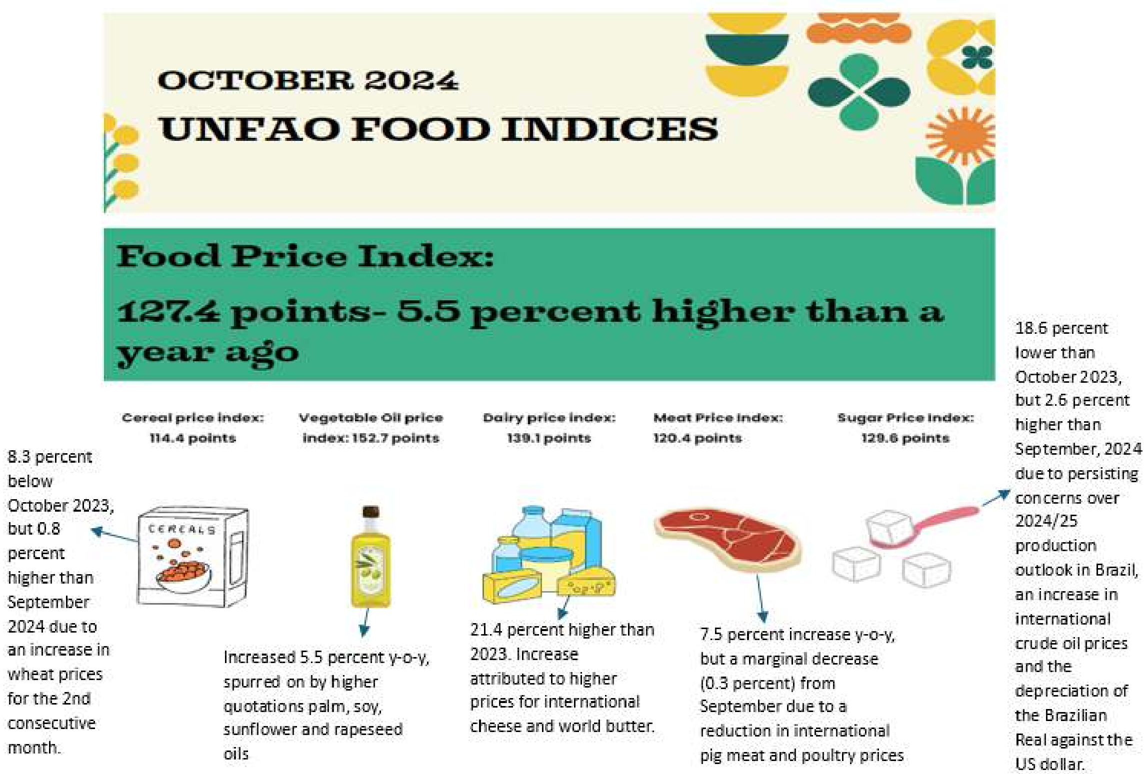
- The downturn was also because of the government's "three red lines" deleveraging policy introduced in August 2020, which put caps on debt-to-cash, debt-to-assets and debt-to-equity ratios, as well as requiring developers to provide more details about their debts.

- The world's second largest market for steel, the European Union, will likely experience a slight recovery in steel consumption in 2024 due to monetary policy easing and a sharp decline in energy prices, particularly natural gas.

- There was a slight decline (1 percent) in US steel consumption in 2023. However a 1 percent recovery is expected in 2024, before an acceleration of 2.5 percent in 2025, and then a slow-down in 2026.

Food

According to data from the Food and Agriculture Organisation of the United Nations (UNFAO), food prices have trended upwards for the last 10 months, except in July.



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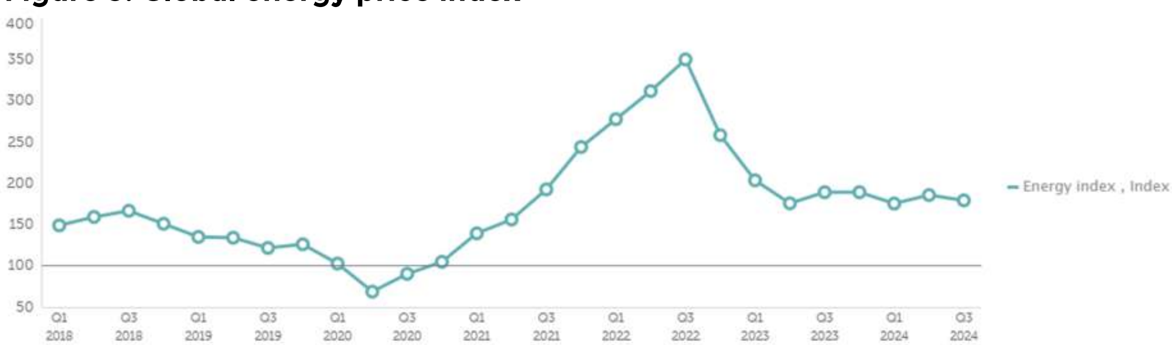
Energy

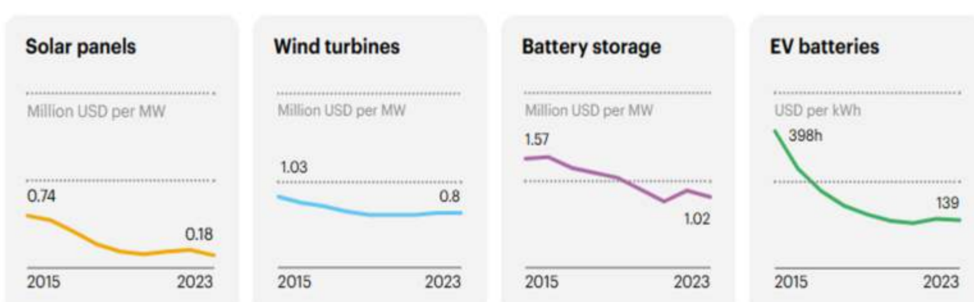
- Geopolitical tensions and fragmentation continue to affect global energy markets by supporting fossil fuel prices and in the process, proving to be a major risk to energy security. These risks are set to remain high for the foreseeable future.
- Global crude oil inventories are currently at their lowest levels since 2017. This could exert some upward pressure on prices over the short-term.
- Coal markets are stabilising following recent years of uncertainty unleashed by the global energy crisis. Coal remains the primary global energy source for electricity generation, and increased demand for electricity continues to fuel global coal demand.
- The electricity sector accounts for two-thirds of global coal demand. In most countries that rely on coal, the demand in the electricity sector is more volatile than in the industrial sector, largely because there are fewer substitutes for industrial coal.
- The Global energy price index is a benchmark price for energy commodities which include crude oil, natural gas, coal price and propane indices. The global energy index peaked in the third quarter of 2022 mainly due to the Russia/Ukraine war and its impact on inflation, however though prices have not reverted to pre-COVID levels, there has been a marked reduction continuing on from late 2022 (Figure 3).
- Recent years have seen large overall price reductions for many clean energy technologies (Figure 4).

Figure 3: Global energy price index



Source: IMF

Figure 4: Clean energy prices reductions



Source: International Energy Agency

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Implications

As geopolitical pressures persist, global commodity prices are not expected to fall significantly over the next six months. On the other hand, weak demand due to lower-than-expected global growth, developments in China and global uncertainties represent major downside risks.

Tourism

Recent Performance

- Global tourism demand remained upbeat in the first seven months of 2024, with tourist arrivals expanding by 11 percent year-to-date (YTD) during the period.

- Of the five major regions, Asia and the Pacific recorded the largest expansion, while only the Middle East recorded a decline (5 percent) during the period. This was no surprise in view of the ongoing conflict in the region, which has expanded in recent weeks.

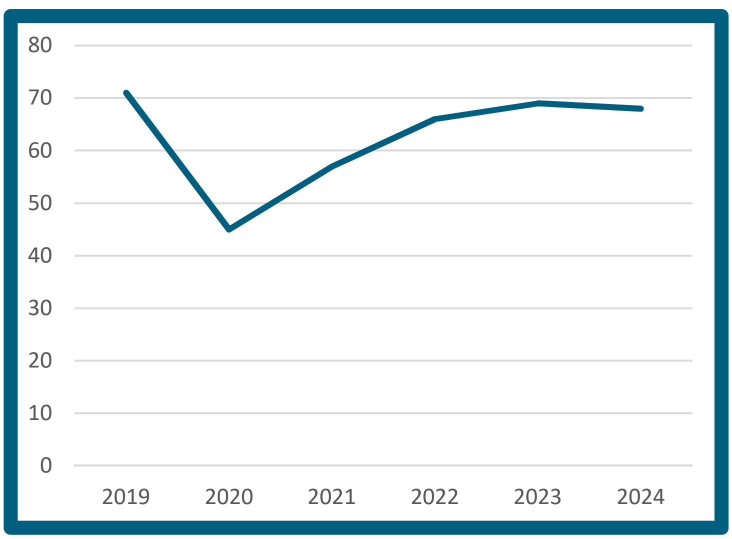
- The North-East Asia sub-region recorded the strongest growth in arrivals (66 percent) followed by South-East Asia (30 percent).

- In the Americas, Central America (19 percent) and the Caribbean (9 percent) were the only sub-regions that reported increased arrivals during the period.

- Given healthy demand, global hotel occupancy rates increased slightly to 70 percent in the third quarter of 2024 from 68 percent in the previous quarter and were similar to third quarter 2023 levels.

- Regarding the month of September, the 68 percent hotel occupancy rate was slightly down from the 69 percent recorded in September 2023 (Figure 1).

Figure 1: September Hotel Occupancy Rate (%)



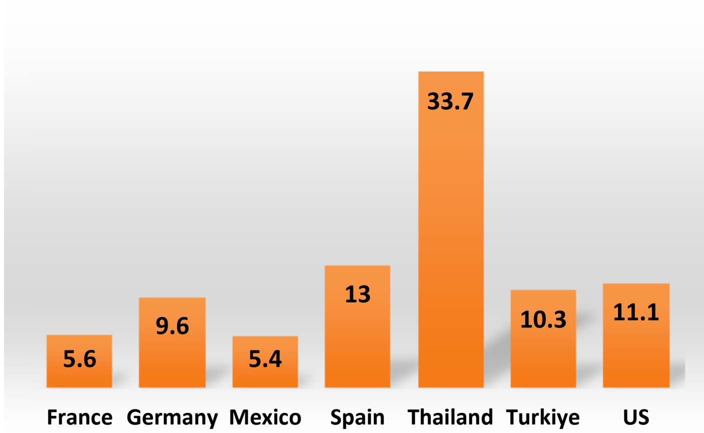
Source: WTO

- Among the major destinations, the growth in tourist arrivals was generally strong during the first seven months of 2024, with Thailand receiving 33.7 percent more visitors than in the same period a year earlier. At the same time, Spain, the US and Turkiye posted double-digit growth (Figure 2).

Tourism

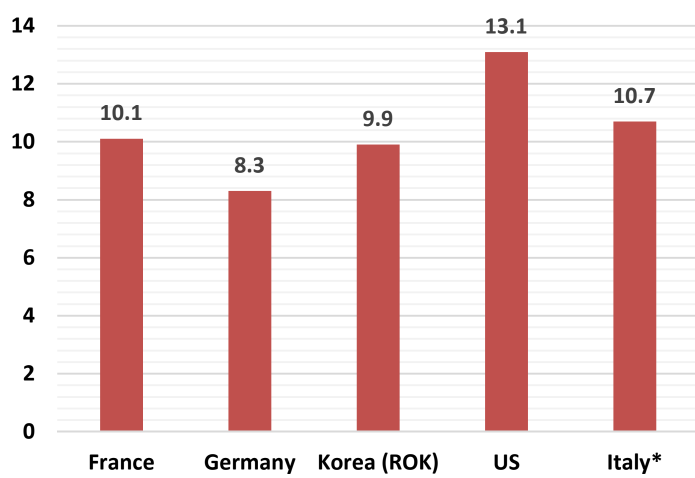
- These positive arrival figures are, of course, a product of the continued upbeat demand in major source markets. Of the ten major source markets, the World Tourism Organisation's (WTO) dashboard provided the full set of monthly tourism travel data (January-July 2024) for four. Global tourist arrival growth from these markets averaged more than ten percent between January and July 2024 (Figure 3).

Figure 2: Major Destinations' Average Arrival Growth (Jan-Jul 2024)



Source: WTO

Figure 3: Average Arrival Growth by Major Source Market (Jan-Jul 2024)



Source: WTO
**Jan-Jun*

Update on the Post-Pandemic Recovery

- In the January-July 2024 period, global tourist arrivals were 4 percent below the figure recorded a year earlier.

- Despite expanding by 41 percent YTD in the first seven months of 2024, tourist arrivals in the Asia and the Pacific region were still 18 percent below pre-pandemic (2019) levels, with the North-East Asia and Oceania sub-regions lagging by 25 percent and 17 percent, respectively.

Tourism

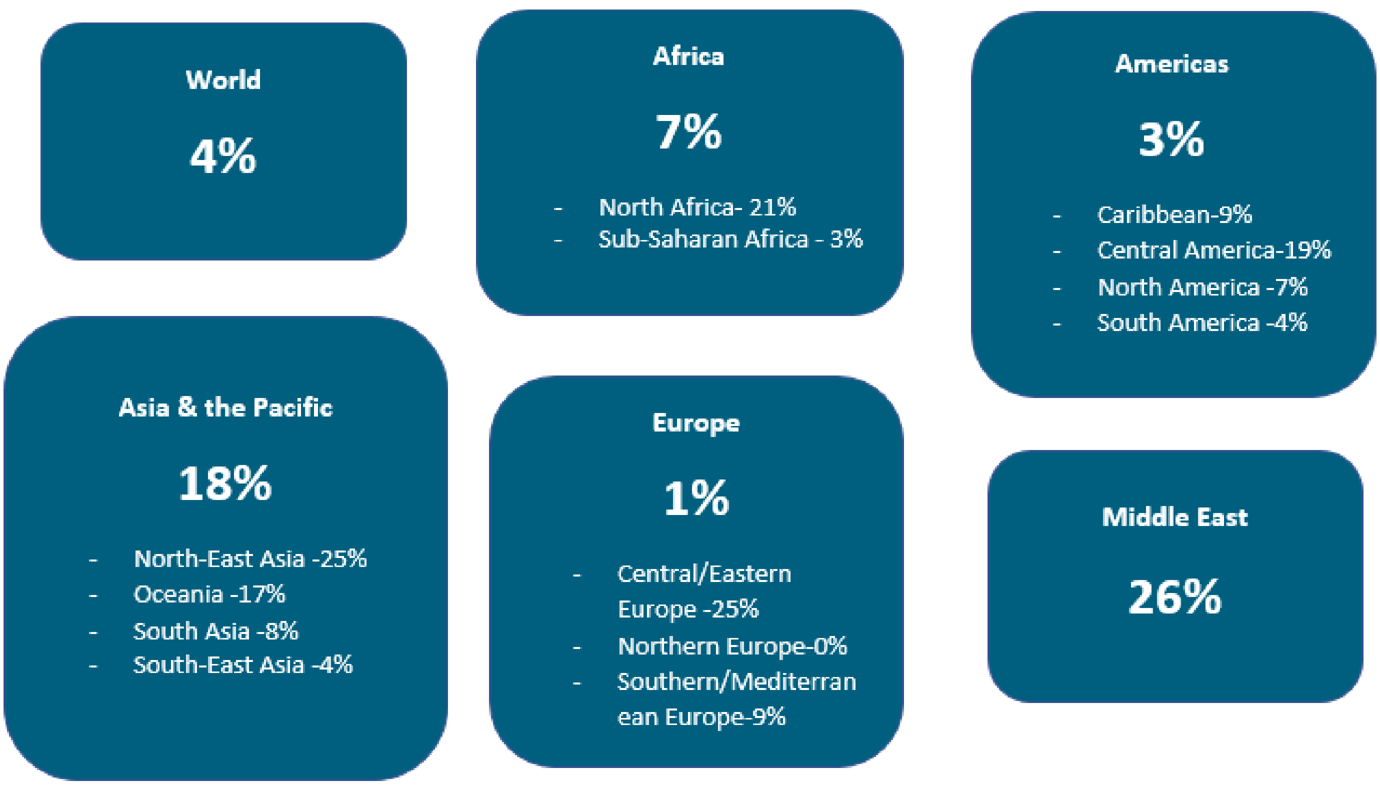
- Meanwhile, arrivals in the Americas remained 3 percent below 2019's outturn, notwithstanding 9 percent and 19 percent increases in the Caribbean and Central America, respectively. North America and South America trailed pre-pandemic visitor numbers by 7 percent and 4 percent, respectively.

- Europe was the only other region in which the total number of tourist arrivals still trailed pre-pandemic levels (by 1 percent) between January and July 2024, with the 24 percent shortfall in Central and Eastern Europe offsetting the recovery in other sub-regions.

- In Africa, arrivals surpassed 2019 levels by 7 percent. While sub-Saharan Africa posted a 3 percent shortfall, the total number of visitors in North Africa was 21 percent above the 2019 figure.

- Although the Middle East recorded a 5 percent YTD decline in total arrivals during the period, the figure was still 26 percent above pre-pandemic levels.

Figure 4: Tourism Recovery by Region (Jan-Jul 2024 vs Jan-Jul 2019)



Other Developments

- Research by the World Travel and Tourism Council (WTTC) revealed that the sector's greenhouse gas (GHG) emissions in 2023 were 12 percent below 2019 levels, when global tourism was at its peak. The WTTC also indicated that GHG intensity, which measures emissions per unit of GDP, fell by 8.4 percent. In 2023, the sector accounted for 6.7 percent of all global emissions compared to 7.8 percent in 2019.

Tourism

- In August 2024, the WTTC announced that more than 5,000 hotels from more than 80 countries have adopted its Hotel Sustainability Basics programme. The programme is designed to encourage hotels of all sizes to take action to reduce carbon emissions, to enhance energy, water and waste management, and ensure local communities benefit from the hotels' operations. 'Basics' is an independent verification programme, supervised by globally renowned assessors Green Key International and Switzerland-based SGS.

Implications

- The outlook for the sector heading into 2025 is positive, notwithstanding ongoing challenges, including the wars in the Middle East and Europe. Global tourist arrivals may return to pre-pandemic levels by the middle of 2025, even as the recovery in several destinations is expected to continue to lag.
- The reduction of emissions from the sector is indeed an encouraging development and bodes well for the future of global travel and tourism, the environment and wider global economy once the trend continues. Initiatives like the WTTC's Hotel Sustainability Basics programme are important to facilitate ongoing efforts to enhance the sustainability of the sector.