

# Week Ahead Economic Preview

## US, Canada, Eurozone inflation readings in focus

26 June 2023

A series of inflation readings will be highlights in the final week of June as markets grapple with the likelihood of further interest rate hikes. Specifically, US core PCE will be due, in addition to Canada and eurozone CPI. US consumer spending will also shed light on the expected inflation path while UK GDP and industrial production figures from various APAC economies will help assess recession risks.

The scale was tipped towards Fed concerns last week in the oscillation between tech enthusiasm and rate hike worries for the market. A reiteration of the likelihood for further rate hikes by Fed chair Jerome Powell weighed on equities just a week after the Federal Open Market Committee meeting held rate steady at its June meeting, and this focus may well persist in the coming week with more Fed comments anticipated. The latest S&P Global Flash US Composite PMI brought some mixed signals on inflation. Although average selling prices for goods and services rose at the slowest rate for over two years, upward wage pressures pushed firms' input cost inflation higher. Clearly the labour market, and in particular the service sector's job market, remains the economy's hot spot and will stay firmly in the Fed's focus.

Official data including US personal income and spending will also be keenly followed after April data added to concerns over rising prices. A clutch of US housing market data is also released, as well as the final estimate of first quarter US GDP, durable goods orders and consumer confidence.

In Europe, a new estimate of first quarter GDP in the UK is accompanied by mortgage approvals, the latter being keenly awaited for signs of housing market stress amid higher interest rates. The eurozone sees inflation, consumer confidence and unemployment updates,

NBS PMI readings from mainland China will meanwhile be due Friday ahead of the S&P-compiled Caixin figures, both watched for indications of mainland China's economic performance after officials lowered interest rates.

Finally, a series of industrial production figures will be due from several export-oriented APAC economies, which will help assess local trends as well as the broader health of the global manufacturing economy. [S&P Global Asia Sector PMI](#) had previously highlighted continued weakness in the goods producing sector as compared to services resilience in May.

### Flash PMI data for June signal cooler global price trends amid mounting growth risks

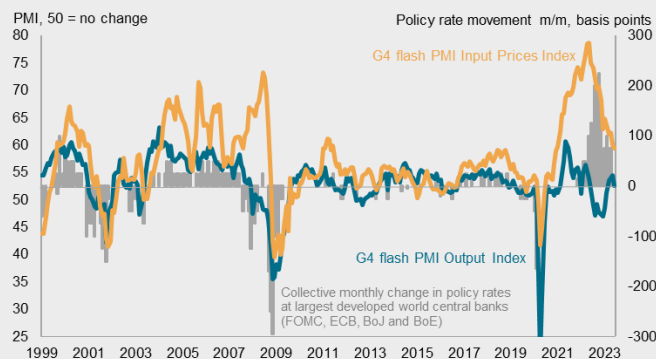
Last week's flash PMI data point to downside risks to global economic growth in the near term. Manufacturing in major developed economies continues to report an increasingly severe downturn in demand of the like not seen since 2009, and the service sector's recent post-pandemic spending surge shows signs of being overwhelmed by the rising cost of living and higher interest rates.

The Eurozone and, to a lesser extent, the UK are looking especially vulnerable to possible recessions according to the PMI data, though further Fed rate hikes would add to US growth risks in the second half of the year.

Meanwhile the survey data suggest that the fight against inflation is being won. Encouragingly, inflation pressures have disappeared in manufacturing and are cooling in services - the latter having been a major source of concern in recent months as higher prices were linked to rising labour costs. Consumer price inflation should therefore continue to moderate - potentially markedly in the US, Eurozone. An outlier is the UK, where services price trends appear stubbornly elevated, though even here the direction of travel is encouraging.

Read more in this week's special report.

#### G4 flash PMI output and prices vs. monetary policy



Data compiled June 23, 2023.

PMI covers manufacturing and services in the US, Eurozone, UK and Japan.

Sources: S&P Global PMI, S&P Global Market Intelligence, J.P. Morgan.

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## Key diary events

### Monday 26 Jun

Japan BOJ Summary of Opinions (Jun)  
Singapore Industrial Production (May)  
Germany Ifo Business Climate (Jun)  
Taiwan Industrial Production (May)

### Tuesday 27 Jun

Taiwan Consumer Confidence (Jun)  
Taiwan Unemployment Rate (May)  
Malaysia PPI (May)  
Hong Kong SAR Trade (May)  
Canada Inflation (May)  
United States Durable Goods Orders (May)  
United States Home Price Index (Apr)  
United States Consumer Confidence (Jun)  
United States New Home Sales (May)  
United States Building Permits (May, final)

### Wednesday 28 Jun

*India Market Holiday*  
South Korea Consumer Confidence (Jun)  
China (Mainland) Industrial Profits (May)  
United States Trade Balance (May)  
United States Wholesale Inventories (May)

### Thursday 29 Jun

*Singapore, Indonesia, Malaysia, Philippines Market Holiday*  
South Korea Consumer Confidence (Jun)  
Japan Retail Sales (May)  
Japan Consumer Confidence (Jun)  
Australia Retail Sales (May)  
Singapore PPI (May)  
United Kingdom Mortgage Lending and Approvals (May)  
Eurozone Consumer Confidence (Jun, final)  
Germany Inflation (Jun, prelim)  
United States GDP (Q1, final)  
United States Initial Jobless Claims  
United States Pending Home Sales (May)

### Friday 30 Jun

South Korea Industrial Production (May)  
South Korea Retail Sales (May)  
Japan Unemployment (May)  
Japan Industrial Production (May, prelim)  
China (Mainland) NBS PMI (Jun)  
Thailand Current Account (May)  
Germany Retail Sales (May)  
Germany Unemployment (Jun)  
United Kingdom GDP (Q1, final)  
Eurozone Unemployment (May)  
Eurozone Inflation (Jun, flash)  
India Current Account (Q1)  
Canada GDP (May, prelim)  
United States Personal Income and Spending (May)  
United States Core PCE (May)  
United States UoM Sentiment (Jun, final)

\* Press releases of indices produced by S&P Global and relevant sponsors can be found [here](#).

## What to watch

### Americas: US core PCE, consumer confidence, personal income and spending, Fed comments, Canada inflation

Following the release of US CPI for May, which showed the continued cooling of inflationary pressures, the Fed's favourite price gauge – the US core PCE index – will be updated on Friday. The market will be looking for the core PCE price index to ease from the 0.4% month-on-month (m/m) reading in April, albeit slightly to 0.3% m/m. Other data in the spotlight includes consumer confidence readings and personal income and spending. While personal income is expected to remain resilient, spending growth may ease from the 0.8% in April, which does not bode well for growth. Final Q1 GDP will also be released.

Additionally, inflation figures from Canada will be closely watched after unexpectedly reaccelerating in April. Consensus expectations point to slight cooling in May in line with the easing of selling price inflation for goods as indicated by the [S&P Global Canada Manufacturing PMI](#).

### Europe: Eurozone inflation, UK GDP, German Ifo

Post the release of the flash PMI figures, official eurozone flash CPI will be due Friday for insights into the price trends. May headline inflation fell more than expected to 6.1% though the European Central Bank (ECB) continued to see elevated inflation, raising their headline and core expectations in the June meeting. The upcoming inflation figures will therefore be closely watched for signs of worsening that may warrant further hawkishness from the ECB. Meanwhile, final Q1 GDP will be released from the UK with no changes expected.

### Asia-Pacific: Australia retail sales, China NBS PMI, Japan, Singapore, Taiwan, Thailand, South Korea industrial production

In APAC, Australia updates retail sales figures for May after seeing growth stalling in April amid heightened price pressures. Recent Australia PMI data indicated a softening of manufacturing new orders with the [Judo Bank Australia SME Business Activity Index](#) likewise showing manufacturing SMEs under pressure as new orders fell for the sixth straight month in May.

A series of official industrial production figures will be due from APAC economies for the latest insights into goods production trends, notably including Japan, South Korea and Taiwan.

## Special reports:

**Flash PMI data for June signal cooler global price trends amid mounting growth risks** | Chris Williamson | [page 4](#)

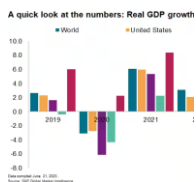
**APAC tourism surges in first half of 2023** | Rajiv Biswas | [page 7](#)

## Recent PMI and economic analysis from S&P Global

Global	<a href="#">Global pricing power sinks to two-and-a-half year low as higher interest rates take their toll</a>	22-Jun	Chris Williamson
	<a href="#">Nigerian business activity recovers as cash crisis eases</a>	19-Jun	Andrew Harker
	<a href="#">Uneven impact of high interest rates: manufacturing struggles while service thrives</a>	19-Jun	Pollyanna De Lima
	<a href="#">Monthly PMI Bulletin: June 2023</a>	9-Jun	Jingyi Pan
	<a href="#">Wage pressures keep global inflation elevated, most notably in the UK, but goods prices fall</a>	7-Jun	Chris Williamson
Europe	<a href="#">UK Flash PMI surveys signal growth slowdown in June as rate hikes take their toll</a>	23-Jun	Chris Williamson
	<a href="#">Eurozone flash PMI shows inflation pressures cooling in June as economic upturn fades</a>	23-Jun	Chris Williamson
Asia-Pacific	<a href="#">Japan June flash PMI data signal solid expansion at end of Q2 despite moderation in growth momentum</a>	23-Jun	Jingyi Pan
	<a href="#">Vietnam economy hit by slumping exports and power blackouts</a>	9-Jun	Rajiv Biswas
Commodities	<a href="#">Weekly Pricing Pulse: Commodity prices up as natural gas supply concerns reemerge</a>	22-Jun	Michael Dall

## S&P Global Economics & Country Risk highlights

With the global economy growing at a moderate pace, inflation will gradually subside



Global economic performance exceeded expectations in early 2023. Led by post-pandemic surges in mainland China and India, world real GDP grew an annual rate of 3.2% quarter over quarter in the first quarter of 2023, double the pace of the previous quarter. This increase was achieved despite stagnation in Western Europe and fragile 1.3% growth in the United States.

[Click here to read our research and analysis](#)

### PMI Insights: Evolving trends in sub-Saharan Africa



Our Purchasing Managers' Index team compiles data for more than 40 economies around the world. In this episode, the economists unpack recent events in sub-Saharan Africa and discuss how the PMI data illuminate economic trends across the region. In for the latest trends seen in our Purchasing Managers Index data.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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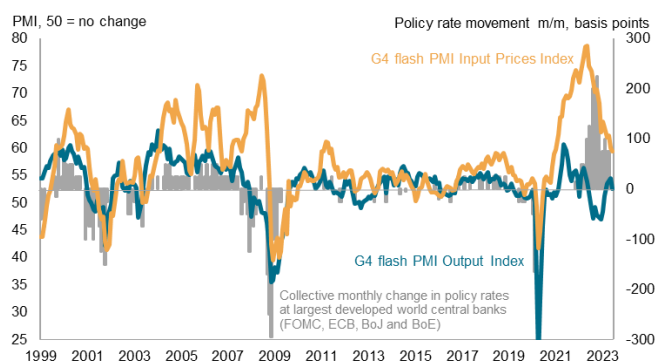
Special Focus

# Flash PMI Data for June Signal Cooler Global Price Trends Amid Mounting Growth Risks

June's flash PMI surveys rounded off a solid second quarter, with all four largest developed world economies having continued to grow in June. However, the recent growth surge seen in the spring has lost momentum, and almost petered out in the eurozone, as a deepening manufacturing downturn has been accompanied by slower growth in service sector activity. The latter had been buoyed by resurgent post-pandemic spending in the spring, but this impact now appears to be waning as the reality of higher interest rates and the rising cost of living dominates.

Encouragingly, inflation pressures have continued to abate, disappearing almost entirely in manufacturing and cooling in services - the latter having been a major source of concern in recent months as higher prices were linked to rising labour costs. Consumer price inflation should therefore continue to moderate - potentially markedly in the US, Eurozone - though some stubbornness remains especially evident in the UK.

## G4 flash PMI output and prices vs. monetary policy



Data compiled June 23, 2023.  
PMI covers manufacturing and services in the US, Eurozone, UK and Japan.  
Sources: S&P Global PMI, S&P Global Market Intelligence, J.P. Morgan.  
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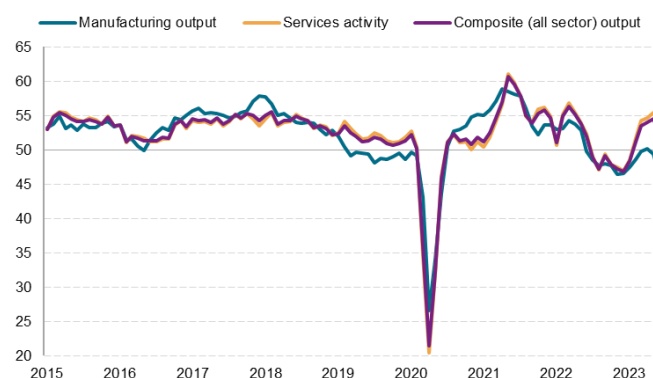
## Economic growth at four-month low

Business activity across the four largest developed world economies (the "G4") rose for a fifth month running in June, according to provisional 'flash' PMI data compiled by S&P Global. However, the rate of growth slowed from May's 13-month high to register the weakest expansion of output since February.

The slowdown was led by manufacturing, where output fell for the twelfth time in the past 13 months with the rate of decline accelerating to the fastest since last November. More notably, the decline was the joint-fastest since May 2009 if pandemic lockdown months are excluded. New orders for goods fell at an even steeper rate than output, dropping at the sharpest pace since May 2009 barring only the decline seen in the four months to June 2020.

The service sector meanwhile continued to expand, with activity up for a fifth straight month, though the rate of growth here was the weakest since February. This slowing suggests that the strong growth spurt seen in the three months to May has lost some momentum, linked in turn to a cooling of order book growth during the month.

## Flash PMI output indicators of 'G4' developed economies



Data compiled June 23, 2023.  
G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.  
Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.  
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## Eurozone leads a broad-based slowdown

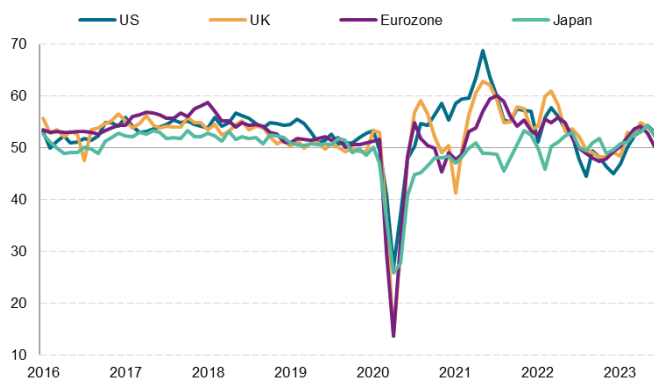
The sharpest slowdown was seen in the eurozone, which was in turn led by a renewed drop in output in France. Output growth across manufacturing and services almost ground to a halt across the eurozone after four months of robust growth. A drop in new orders hints strongly at the single currency area falling into decline in June. The eurozone's manufacturing sector is already in a steep contraction, which gathered further pace in June, but the region's service sector also saw growth weaken materially in June, down to its lowest in five months. Both sectors consequently sat at the bottom of the G4 rankings.

The United States meanwhile continued to lead the pack, albeit by a small margin as even here the rate of growth cooled to a three-month low. The US manufacturing sector slipped into a marked decline, with output falling for the first time in four months, while the service sector reported a weakening in the rate of output growth, albeit only modestly from May's 13-month high.

Growth also slowed to a three-month low in the United Kingdom, as a fourth successive monthly decline in manufacturing output coincided with a cooling of service sector growth.

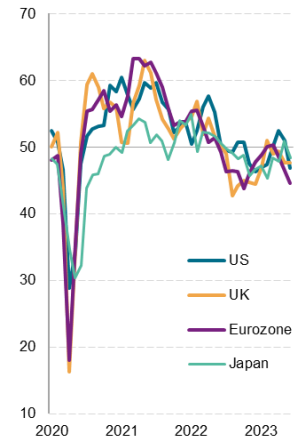
Japan likewise reported a slowdown, with growth down to a four-month low. A renewed decline in manufacturing output was accompanied by the weakest service sector growth for four months.

Flash PMI output indicators of 'G4' economies



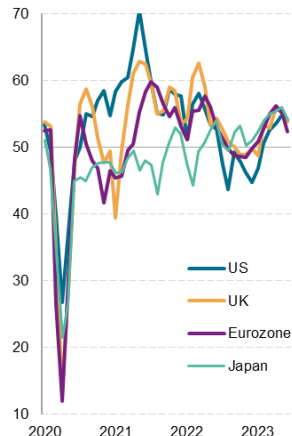
Data compiled June 23, 2023. PMI covers manufacturing and services. 50 = no change on prior month. Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank. © 2023 S&P Global.

Flash Manufacturing PMI, output



Data compiled June 23, 2023. PMI 50 = no change on prior month. Source: S&P Global Market Intelligence with HCOB, au Jibun Bank, CIPS © 2023 S&P Global.

Flash Services PMI, output



## Factories work through backlogs, services providers see post-pandemic boom start to fade

We are seeing two key trends develop in June, which have driven the weakening growth picture.

First, prior months had seen manufacturing buoyed in many countries by improving supply conditions. This supply boost had allowed factories to fulfil orders placed in prior months, many having been accumulated during supply-constrained pandemic months. However, with new orders falling at an historically marked rate, these backlogs of orders are not

being replaced, meaning factories are adjusting output lower in the light of the deteriorating order book situation.

An exacerbating factor has been an increasing trend towards inventory reduction amid excess stock holdings, which means purchases of inputs - many of which are manufactured items such as electronic components – are falling sharply.

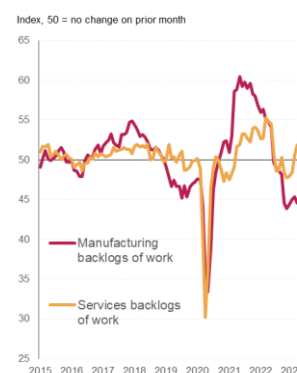
Note that with manufacturing backlogs falling at a steeper rate in June, we would expect G4 factory production to decline at an accelerating rate in July.

Flash PMI new orders indicators of 'G4' developed economies



Source: S&P Global PMI © S&P Global 2023.

Flash PMI backlogs indicators of 'G4' developed economies



Source: S&P Global PMI © S&P Global 2023.

Second, the resurgent growth in recent months had been largely propelled by a revival of spending by consumers on services, as well as an uplift in financial services activity. The consumer spending uplift in particular appears to have shown signs of losing steam in June, something which is not surprising given the consumer sector's exposure to higher interest rates.

Growth in prior months had been fueled by a surge in spending on travel, tourism and recreation activities such as hotels and restaurants, as the spring months coincided with the first truly opened global economy in terms of COVID-19 containment since 2019. However, there are signs that the rising cost of living and higher interest rates are now overriding this renewed propensity to spend. This dampening is more evident in Europe than the US and Japan. National variations in financial conditions also appear to be playing a role.

We will know more about these trends with the release of detailed sector data on 7th July (the May data can be viewed here). However, with interest rates having risen again in the Eurozone and UK in June, and the lagged impact of prior rates set to fully feed through to the economy in the US as well as Europe, there are clearly downside risks to growth in the coming months.

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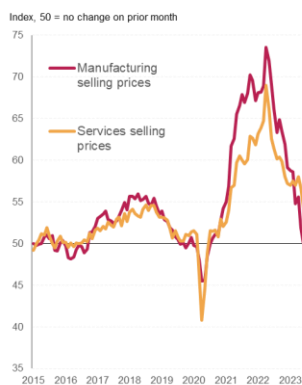
## Better news on inflation

The prospect of further rate hikes will naturally be steered by inflation developments, for which the flash PMI surveys brought encouraging news.

In prior months the surveys had shown stubbornly elevated input cost and selling price inflation in the service sectors of all G4 economies, driven primarily by higher labour costs (see our recent inflation note here). However, the June flash PMI data showed a welcome and marked cooling of service sector selling price inflation across the G4 economies, taking the rate of increase down to its lowest since the lockdowns of early-2021. Manufacturing selling price meanwhile barely rose, registering the smallest increase since July 2020.

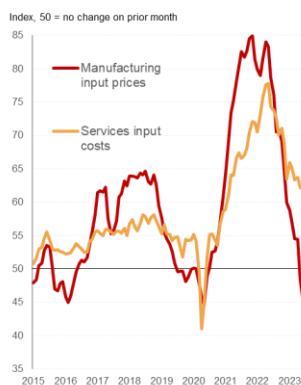
These weaker rates of selling price inflation were linked to reduced input cost price pressures. In fact, manufacturers' input costs fell at the steepest rate since May 2020, dropping for a second successive month, and service sector costs rose across the G4 at the slowest rate since February 2021. Although the latter is still showing unwelcome signs of stickiness, remaining elevated by historical standards and even rising in the US, some of the elevated nature of this cost index reflects higher interest rates.

Flash PMI selling price indicators of 'G4' developed economies



Source: S&P Global PMI © S&P Global 2023

Flash PMI input cost indicators of 'G4' developed economies



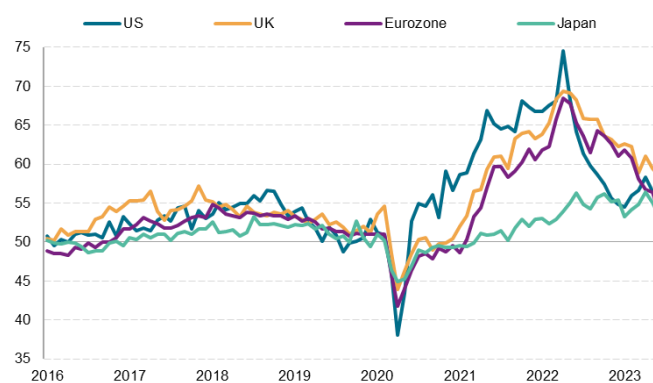
Source: S&P Global PMI © S&P Global 2023

Looking across the G4 economies, selling price inflation rates for goods and services consequently slowed across the board in June. The rate of increase sank to the lowest for three years in the US, and hitting 27- and 26-month lows in the Eurozone and UK respectively. In Japan, the rate of inflation was the joint-lowest for 15 months.

Goods selling prices fell in the UK and Eurozone and broadly stagnated in the US, rising to any significant degree only in Japan.

Service sector selling price inflation cooled across the board, most notably in the US and Eurozone, but notably remaining stubbornly high in the UK to leave the UK as something of an outlier.

Flash PMI output price indicators of 'G4' economies



Data compiled June 23, 2023.

PMI covers manufacturing and services. 50 = no change on prior month.

Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.

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## Inflation cooling amid rising recession risks

The June flash PMI data therefore point to downside risks to growth in the near term as manufacturing in the major developed economies continues to report an increasingly severe downturn in demand and the service sector's post-pandemic spending surge shows signs of being overwhelmed by the rising cost of living and higher interest rates. The Eurozone and, to a lesser extent, the UK are looking especially vulnerable to possible recessions according to the PMI data, though further Fed rate hikes would add to US growth risks in the second half of the year.

Meanwhile the survey data suggest that the fight against inflation is being won, with particularly welcome news on slower service sector price inflation, which tends to correlate closely with core inflation. An outlier is the UK, where services price trends appear stubbornly elevated, though even here the direction of travel is encouraging.

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Special Focus

# APAC Tourism Surges in First Half of 2023

*There have been significant headwinds to Asia-Pacific (APAC) merchandise exports during the first half of 2023 due to weak growth in key export markets. However, the strong rebound in international tourism inflows evident in the first half of 2023 signals that the rebound in the tourism economy in 2023 will help to mitigate the negative impact of weak merchandise exports for a number of APAC economies.*

*Continued recovery in international tourism is expected in the Asia-Pacific region in 2024, as tourism flows continue to recover towards pre-pandemic highs. Over the medium-term, international tourism flows to the APAC region are expected to show strong growth, helped by rapidly rising household incomes in large Asian economies, notably mainland China, India and Indonesia.*

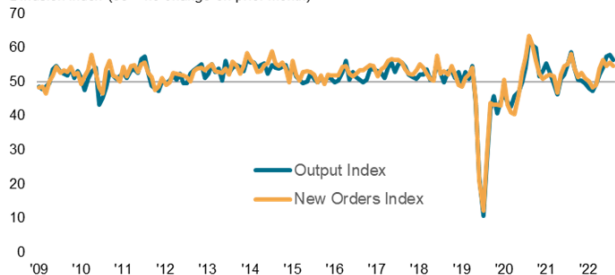
## Global rebound in tourism and recreation

Prior to the COVID-19 pandemic, the world tourism industry was estimated to account for around 10% of global GDP after including indirect output and employment effects. Gradual recovery in the world tourism industry has been underway during 2021 and 2022, although international borders in much of the APAC region remained largely closed for international tourism travel during 2021 and early 2022. However, with the progressive reopening of international borders during 2022, international tourism in the APAC region has shown a significant rebound during the first half of 2023.

At a global level, the S&P Global Sector PMI for Tourism and Recreation has shown significant expansionary momentum in recent months, as international tourism has continued to recover globally.

### S&P Global Tourism & Recreation Output and New Orders

S&P Global PMI (Purchasing Managers' Index) Index  
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

In the APAC region, international tourism flows have continued to recover during the first half of 2023. The pace at which APAC economies reopened their borders has varied significantly, although most had reopened for international tourist travel by late 2022. This has resulted in a significant upturn in international tourism travel during the first half of 2023, helped by the reopening of mainland China's international borders for tourist travel.

With tourism having accounted for a significant share of GDP in many APAC countries prior to the pandemic, the recovery in tourism is contributing to strong growth in consumer services expenditure in the APAC region.

### S&P Global PMI Consumer Services Activity

S&P Global PMI (Purchasing Managers' Index) Index  
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

## Recovery of ASEAN's tourism sector

**Thailand:** Due to the important contribution of international tourism to Thailand's GDP, a key factor that constrained the rate of recovery of the Thai economy in 2022 was the slow pace of reopening of international tourism, although this gathered momentum in the second half of 2022.

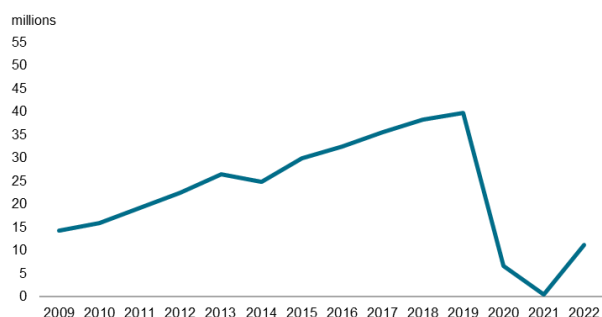
International tourism was a key part of Thailand's GDP prior to the COVID-19 pandemic, contributing an estimated 11.5% of GDP in 2019. However, foreign tourism visits collapsed after April 2020 as many international borders worldwide were closed, including Thailand's own restrictions on foreign visitors.

As COVID-19 border restrictions were gradually relaxed in Thailand and also in many of Thailand's largest tourism source countries during 2022, international tourism showed a significant improvement during the second half of the year. The number of international tourist arrivals reached 11.15 million in 2022, compared with just 430,000 in 2021. However, the total number of visits was still far below the 2019 peak of 39.8 million, indicating considerable scope for further rapid growth in the tourism sector during 2023.

International tourism arrivals in the first quarter of 2023 surged to 6.5 million visitors, which was more than half the total number of international tourists visits in 2022. Total tourism receipts in the first quarter for both domestic and

international tourism spending was estimated at 499 billion baht, up by 127% year-on-year (y/y). The Tourism Authority of Thailand has increased its estimated target for international tourism visits in 2023 to 25 million, which is more than double the total number of international tourism arrivals in 2022.

**Thailand international tourism visitors**



Source: Thai Ministry of Tourism © S&P Global 2023.

**Malaysia:** In Malaysia, international tourism is expected to strengthen during 2023, as tourist arrivals from major tourism markets in ASEAN, Middle East and Europe continue to recover, while Chinese tourist arrivals gradually improve. Tourism Malaysia is targeting 16.1 million international visitor arrivals for 2023, a 60% increase compared with the estimated 10.1 million international visitor arrivals in 2022. This compares with the pre-pandemic level of 26.1 million international visitor arrivals in 2019. In 2019, total domestic and international tourism was estimated to have accounted for around 16% of gross value added in Malaysia's total GDP.

Malaysia's international commercial aviation passenger traffic grew by around 81% quarter-on-quarter (q/q) and was up by 246% y/y in the first quarter of 2023.

**Philippines:** Easing of pandemic-related travel restrictions during 2022 has allowed a gradual reopening of domestic and international tourism travel. This will provide an important boost to the economy in 2023. Total international visitor arrivals reached a total of 2 million visits between 1st January and 12th May 2023. Total international visitor arrivals in 2022 reached 2.65 million for the full calendar year, generating estimated tourism revenue of Peso 210 billion.

Prior to the pandemic, in 2019, gross direct tourism value added as a share of GDP was estimated at 12.7% of GDP, including both international and domestic tourism spending. International tourism spending was estimated at PHP 549 billion, while domestic tourism spending was estimated at PHP 3.1 trillion. Due to the importance of domestic tourism in the overall contribution of tourism to GDP, the recovery of domestic tourism could be a significant growth driver in 2023.

**Singapore:** Total international visitor arrivals reached 4 million in the first four months of 2023, showing a strong upturn compared with 2022, when total international visitor arrivals was estimated at 6.3 million for the full calendar year. Based on this pace of monthly tourism arrivals, total international tourism visits for 2023 are projected at around 12 million, which would represent a significant recovery towards pre-pandemic tourism levels. Total international visitor arrivals reached 19.1 million in 2019, with tourism revenue estimated at SGD 27.7 billion. The Singapore Tourism Board expects that international tourism will return to pre-pandemic levels by 2024.

## Australia tourism inflows rebound

Total international short-term visitor arrivals during the first four months of 2023 reached 2.2 million visitors, up sharply from 556,000 short-term visitors in the first four months of 2022, when international border restrictions related to the COVID-19 pandemic still significantly limited international travel. In 2019, prior to the onset of the pandemic, total international tourism visits to Australia had reached 9.4 million visits for the full calendar year. In 2018–19, both domestic and international tourism, combined together, contributed AUD 61 billion to Australian GDP and provided employment for 666,000 workers, equivalent to 5.2% of Australia's total workforce. In Australia, three-quarters of tourism consumption is attributable to domestic tourism, which has already recovered to pre-pandemic levels. The level of visitor arrivals for the first four months of 2023 also indicates a considerable recovery of international tourism, with visitor arrivals likely to reach pre-pandemic levels by 2024.

## Japan

In Japan, the domestic tourism sector was estimated to account for around 80% of total tourism spending in 2019. The high share of domestic tourism helped to substantially limit the vulnerability of the Japanese tourism industry to the slump in international tourism during the COVID-19 pandemic, although domestic tourism was also impacted by the succession of COVID-19 waves that hit Japan during 2020-2022. Annual domestic tourist spending rose by 90% in 2022 to a level of JPY 17.2 trillion.

With the reopening of Japan's international borders for international tourism since October 2022, tourism visits have risen sharply. According to the Japanese National Tourism Organization, total foreign visitor arrivals to Japan in the first four months of 2023 reached 6.7 million, compared with total foreign visitor arrivals of 3.8 million in the whole of calendar year 2022.



## Hong Kong SAR

The Hong Kong Special Administrative Region (SAR) of the People's Republic of China has seen a strong rebound in tourism arrivals following the reopening of mainland China for tourism travel. Total tourism arrivals in Hong Kong SAR reached 7.3 million during the January to April period of 2023, compared with only 16,182 arrivals during the same period of 2022 when significant COVID-19 border controls remained in place in Hong Kong SAR as well as mainland China. Out of the 7.3 million visitor arrivals in the first four months of 2023, 5.7 million were from mainland China. The upturn in tourism is expected to be an important growth driver for the Hong Kong SAR economy in 2023, with the recovery in tourism expected to continue in 2024.

## Medium-term outlook for APAC tourism

The outlook for the APAC tourism industry is for significant recovery during 2023, with international tourism visits expected to reach pre-pandemic levels in many APAC economies by 2024.

Beyond the near-term recovery of the APAC tourism industry to similar levels of activity as prior to the pandemic, the medium-term outlook is for a return to rapid growth in both domestic and international tourism visits. This will be driven by continued rapidly rising household incomes across the large emerging markets of the APAC region, notably in the most populous nations of mainland China, India, Indonesia, Philippines and Vietnam.

This is expected to drive rapid growth across the APAC tourism sector, boosting output and employment growth in the tourism sector. The transportation sector will also benefit from the upturn in tourism travel, notably the APAC commercial aviation industry.

Consequently, after severe economic disruption and deep recessionary conditions in large segments of the APAC tourism industry during 2020-2022, the sector is poised for a strong resurgence over the medium-term outlook.

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