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# About the Tourism Market Outlook

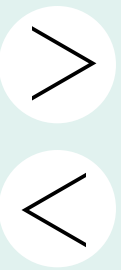
The Deloitte Access Economics Tourism Market Outlook provides insights into the issues facing the Australian tourism sector, including in-depth analysis of recent trends in the global and Australian economies and the implications of these trends for the domestic and international tourism markets.

The Deloitte Access Economics dedicated tourism practice is at the forefront of economic analysis, developing insights to help government and business tackle the most complex economic, financial and social challenges. Our team's depth of experience and knowledge of Australia's tourism sector is matched by our considerable analytical and technical capability.

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In producing the forecasts which feature in the current publication, we have combined Deloitte Access Economics' latest economic forecasts and sector specific inputs to project the outlook for Australia's domestic and international tourism over the next three years.

The Tourism Market Outlook is designed for a general audience. Please contact us for further information or to explore the implications of the insights on your organisation or industry.



# Welcome to the 2023 Tourism Market Outlook

Four years since the onset of the pandemic, the global tourism landscape faces a new set of challenges. Like businesses in many other industries, Australian tourism operators are navigating challenging economic conditions while adapting to new and evolving consumer travel trends and behaviours post pandemic. Amid these challenges, there remains strong confidence in the continued growth of the travel and tourism sector as consumers continue to prioritise travel in their household spending decisions.

While the traditional annual holiday and trips to spend time with friends and family remain a significant part of why and how we travel, we are seeing travellers place an increasing emphasis on nature and wellness in their choice of destination with sustainability adding a further layer of consideration.

We have also been reminded of the power of events to motivate travel, with the Taylor Swift and Ed Sheeran tours driving intense (chaotic at times) travel booking behaviour. Sporting events such as the FIFA Women's World Cup, hosted in Australia and in New Zealand, have also stimulated significant lifts in visitation for host destinations.

The Australian tourism sector has rebounded strongly, and while recent months have shown a softening in domestic travel, the return of international visitors has picked up pace with September data showing a recovery of 83% on pre-pandemic levels. The reopening of China earlier this year, and the return of Australia's Approved Destination Status have given a boost to visitor volumes with aviation capacity from China at over 70% of 2019 level as at September 2023.



Strong existing ties between Australia and Asia underscore the growth potential of travel within the region, with fast developing markets like Vietnam and India picking up momentum, offering opportunities for tourism and beyond.

As we set our sights on the future, it is essential to acknowledge the headwinds that may impact the sector. The future path of Australia's tourism sector depends on the interplay of a number of macroeconomic factors – cost of living pressures are likely to linger in the face of high and persistent inflation and high interest rates while the volatile geopolitical landscape adds further unease to consumer travel confidence.

Despite these headwinds, the Australian tourism sector is in a position of strength. By adapting to evolving consumer preferences, and remaining attuned to market dynamics, the industry is well-positioned to navigate the challenges ahead and to capitalise on opportunities for sustainable growth.

As we head into the summer holidays, we expect travel momentum to continue as Australians dig deep into household pockets to make the most of the warm weather and reconnect with family and friends over the festive season and beyond.



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# Tourism state of play

While the recovery of tourism in Australia following the pandemic has been remarkable and demand has proved remarkably resilient in the face of increasing economic headwinds, some uncertainty now looms for the sector.

Australia's diverse landscapes, unique wildlife, vibrant cities and rich cultural experiences make it an aspirational destination for international travellers. While Australians have long been a nation of travellers, international travel restrictions during the height of the pandemic saw a shift in Australians' travel behaviours with a reappreciation of Australian tourism offerings.

The desire to explore our own country sustained the tourism sector in many visitor destinations during the pandemic and in the initial recovery period while the industry awaited the return of international visitors.

The recovery trajectory for international tourism has been more challenging, with delayed border openings, uncertainty around entry requirements and most fundamentally for a destination like ours, the lag in the return of international aviation capacity. That said, the recovery of international aviation capacity into Australia has picked up pace and is on track to reach 90% of pre-pandemic levels by the end of 2023.

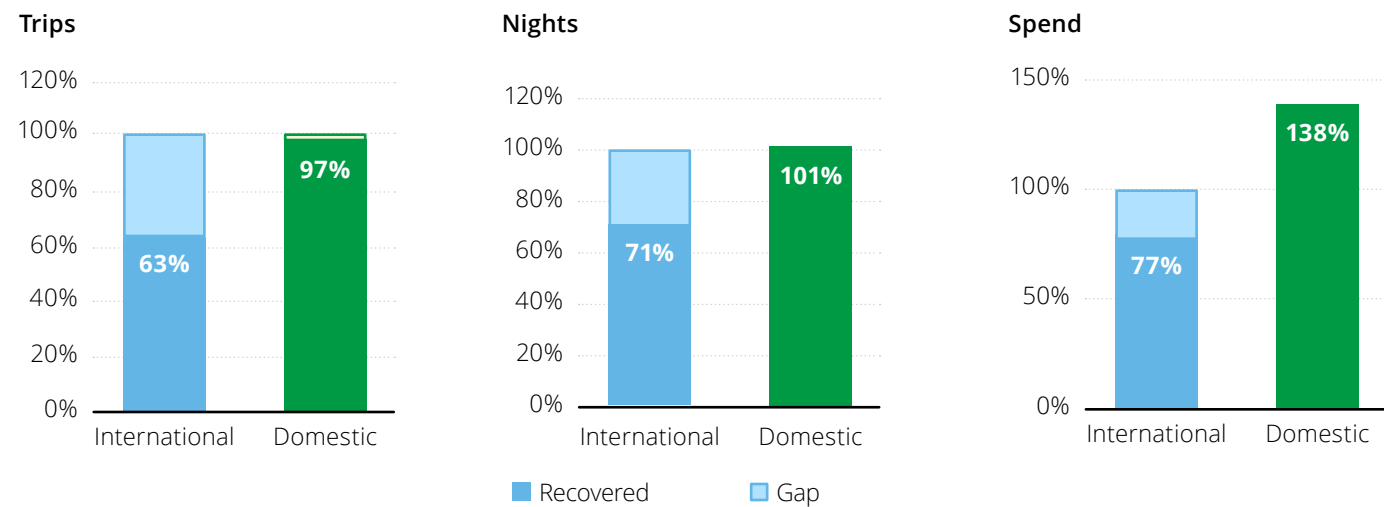
Tourism's reawakening in Australia in the last year has seen total visitor expenditure reach \$175 billion, up 20% (or \$29 billion) on 2019.

The number of domestic overnight trips is just short of pre-pandemic levels, however visitor spend is up 40% on 2019 to \$108 billion given inflation and the supply constraint induced increase in travel prices. The most recent data released by Tourism Research Australia shows further growth in domestic spend in the September 2023 quarter, up 36% on the same quarter in 2019. Domestic overnight trips and visitor nights remain at similar levels to pre-pandemic.

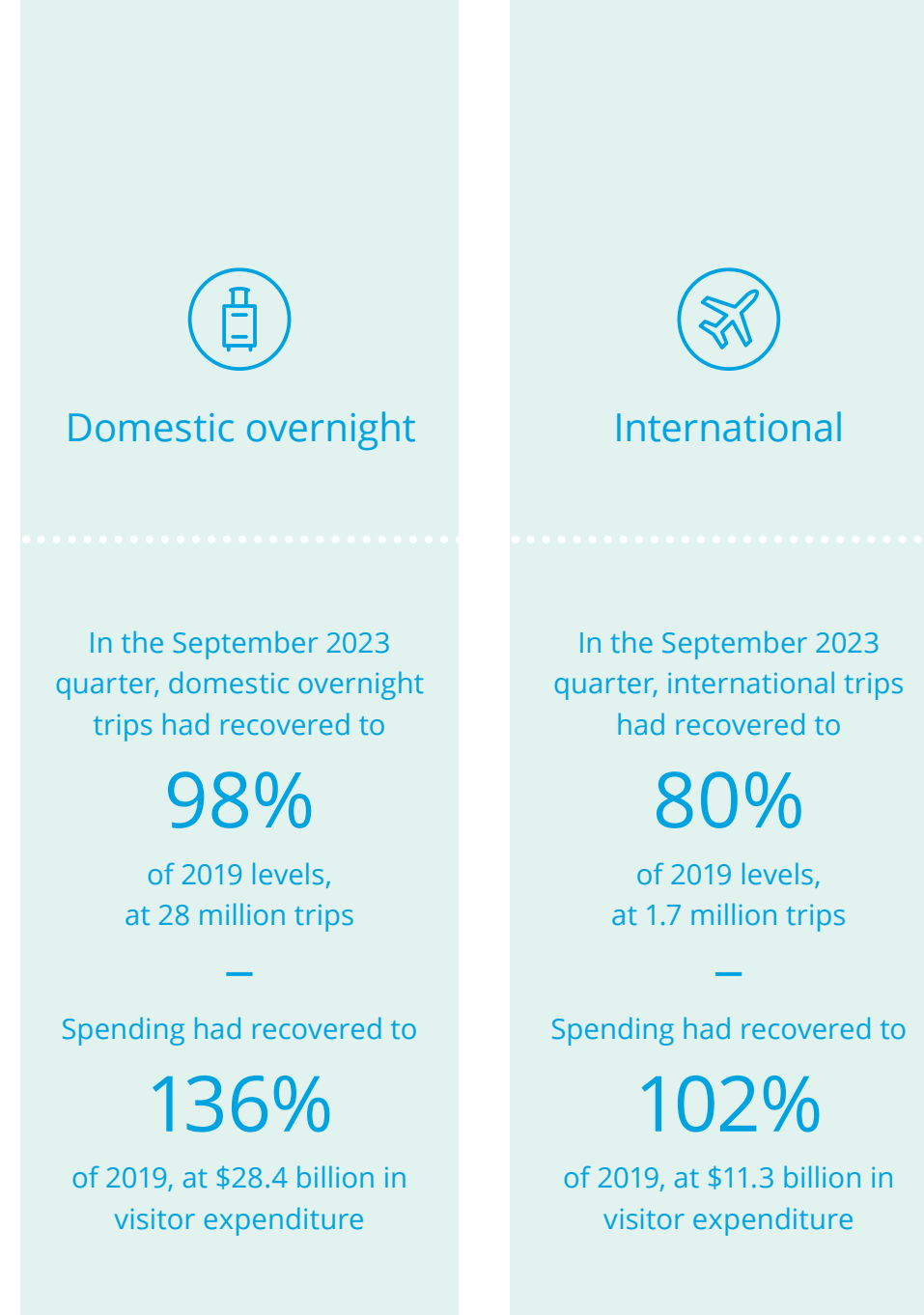


The recovery of international tourism continues, with 5.9 million international arrivals in the year ending June 2023, 63% of pre-pandemic levels. The recovery of international visitor spending is further ahead at 77% on 2019 levels. Recovery continued into the September 2023 quarter, with international trips for the quarter up to 80% and total trip spend now slightly ahead (102%) of pre-pandemic level.

**Chart 1:** Australian tourism recovery, international and domestic visitors and expenditure year ending June 2023



Source: Tourism Research Australia, International and National Visitor Surveys



**Figure 1:** Recovery for September 2023 quarter (vs September 2019)



Australians are a nation of travellers and kept travelling when – and where – they could during the pandemic. When conditions normalised, travel plans shifted into high gear.

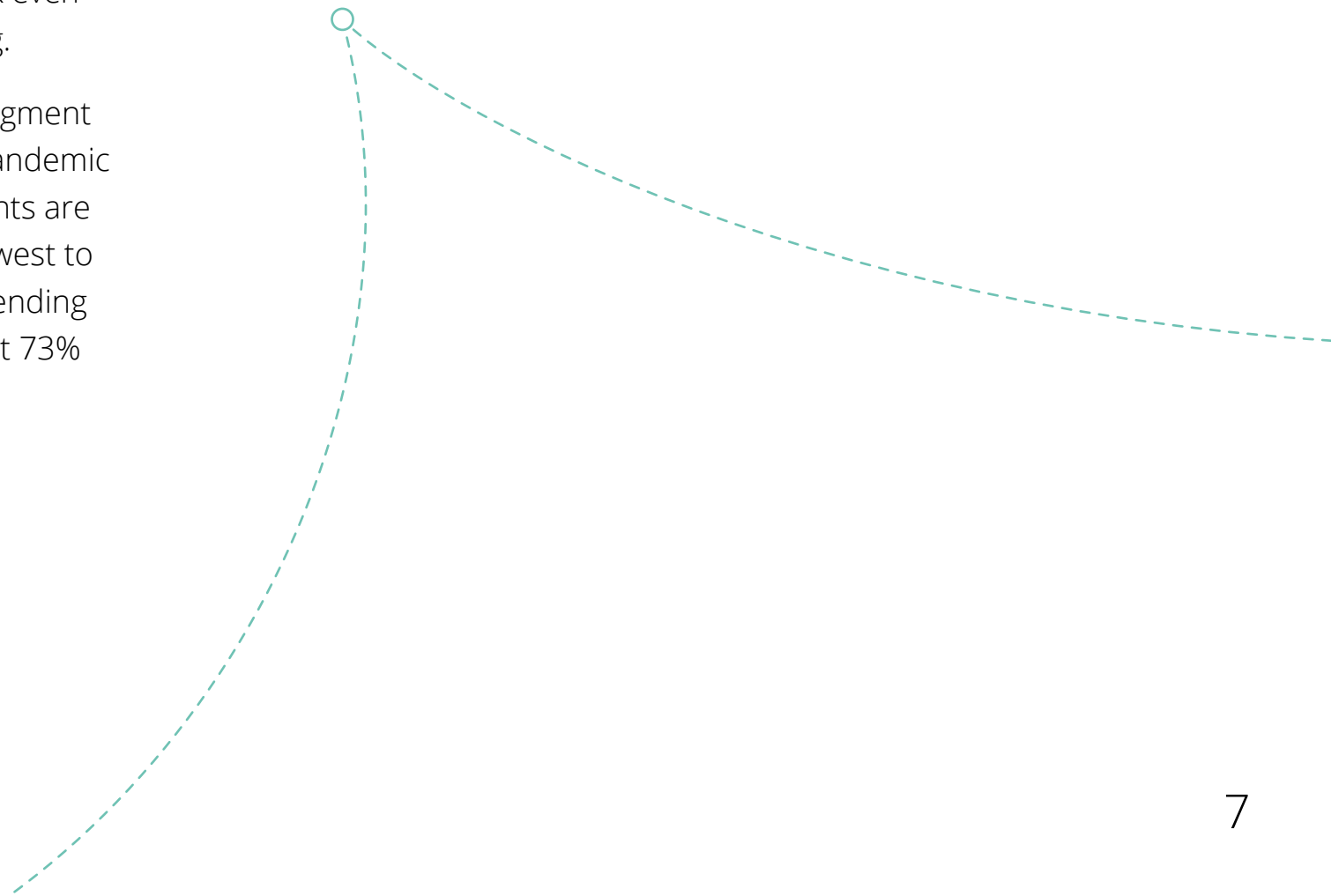
The recovery of tourism from the pandemic has been uneven, with the visiting friends and family (VFR) segment leading the way, domestic travel rebounding quickly, and business travel facing structural changes. And while the tourism industry keenly awaited the return of international visitors, their return was hampered by limited inbound aviation capacity.

### International visitor momentum building

As restrictions lifted, the motivation to travel was incredibly strong even compared to pre-pandemic trends, with travellers eager to make up for lost time.

Reconnecting with loved ones has always been an essential reason for travel, with importance of this type of travel emphasised during the pandemic with many people separated from families and friends for extended periods. Australia has strong ties with the rest of the world, therefore it was not surprising that the VFR segment was the fastest international segment to bounce back even with international aviation capacity still rebuilding.

International visitor expenditure from the VFR segment had fully recovered, reaching 115% above pre-pandemic levels as at year ending June 2023. Other segments are still recovering, with the holiday segment the slowest to return at 60% of pre-pandemic levels as at year ending June 2023 with education and business visitors at 73% and 85%, respectively.



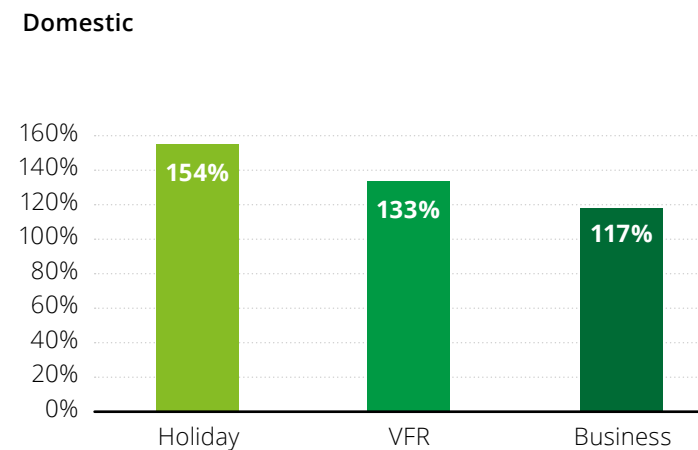
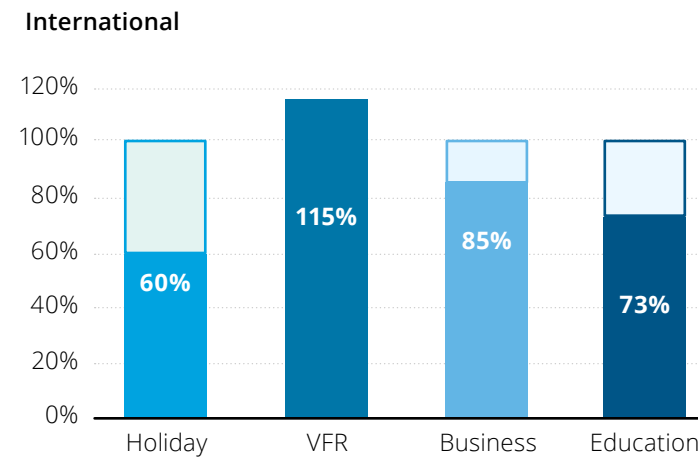
## Domestic visitors quick out of the gate

With domestic borders largely open before the lift of Australia’s international travel ban, domestic travel had a head start in its recovery and was supported by Australians who continued to holiday at home throughout periods in the pandemic. Domestic holiday spending rebounded the fastest, 50% above pre-pandemic levels in the year to June 2023. Pent-up demand supported by increased personal savings during the pandemic saw strong demand despite a significant uptick in travel prices.

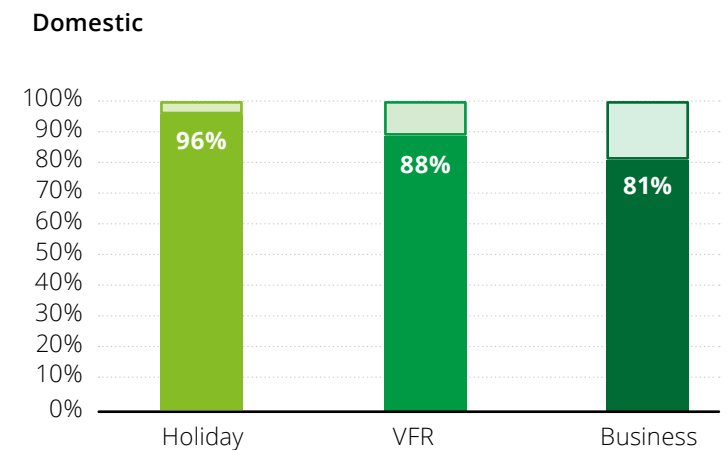
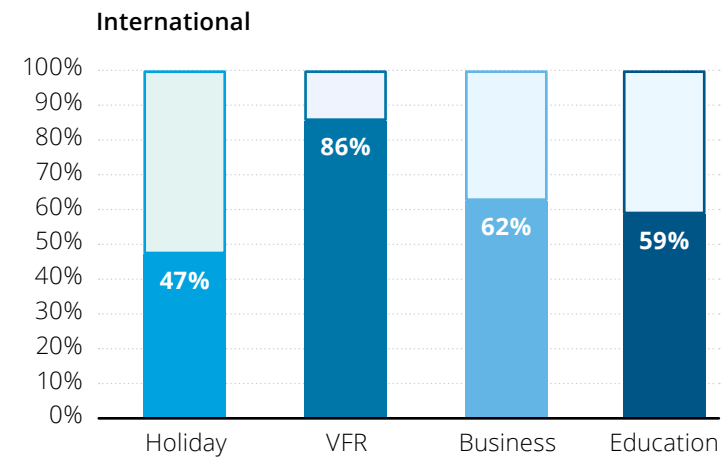
While business travel expenditure has recovered to 2019 levels, the number of business trips has declined resulting in a smaller share of the domestic market - 17% as at year ending June 2023 compared to 20% pre-pandemic. While there is broad acknowledgment of the benefits and need for gathering in person, the increased use of technology for business meetings has shifted the patterns of business travel. Ongoing flexible work arrangements and corporate sustainability objectives have also impacted corporate travel trends with many expecting that these trends around interactions are here to stay and are a permanent shift in business travel behaviours.

**Chart 2:** Australian tourism recovery , international and domestic visitors and expenditure by purpose of visit

### Expenditure



### Trips



Recovered Gap

Source: Tourism Research Australia, International and National Visitor Surveys





The post-pandemic travel landscape, initially characterised by pent-up demand and high travel prices, is showing signs of easing.

Pandemic-era border closures around the world made many of us recognise the value of travel in our lives. A global survey by YouGov found that for 35% of travellers, travel has become more important since the pandemic. Australians reported similar results, with over a third of respondents saying that travel has become more important to them since the pandemic (36%) with the share much higher among affluent consumers at 59%.<sup>1</sup>

The surge in travel demand placed substantial pressure on the tourism supply chain which was still playing catch up following travel restrictions. The imbalance in demand and still rebuilding supply resulted in capacity constraints and increased travel prices, particularly airfares. Despite high ticket prices, demand for air travel remained strong as evidenced by the robust revenues and profits posted by airlines in the last year. As aviation capacity returns to pre-COVID levels, airfares should start to moderate. There are early signs this is already occurring, with BITRE's airfare index showing that domestic airfares peaked in October 2022, and have fallen back to close to pre-pandemic levels, though this is not even across routes.<sup>2</sup>

The pace of recovery in domestic overnight tourism has started to ease back in the June 23 quarter, after peaking in the previous quarter, when spend was 38% higher compared to the same period in 2019. Other factors such as higher cost of living and ongoing economic uncertainty are likely to weigh in more in household spending decisions. For now, travel demand remains resilient, though there are signs it is softening, or at least stabilising to a new growth trend.

Outbound travel has shown strong resurgence since the lift of Australia's international travel ban. While outbound trips have yet to return to pre-pandemic level (albeit very close) at the end of June 2023, visitor expenditure had surpassed 2019 level, primarily due to higher travel cost.

<sup>1</sup> YouGov's Global Travel & Tourism Whitepaper 2023. Affluent consumers are defined as higher income individuals (20% higher household income than the median)

<sup>2</sup> <https://www.abc.net.au/news/2023-10-04/nsw-airfares-price-high-regional-routes-domestic-international/102845968>

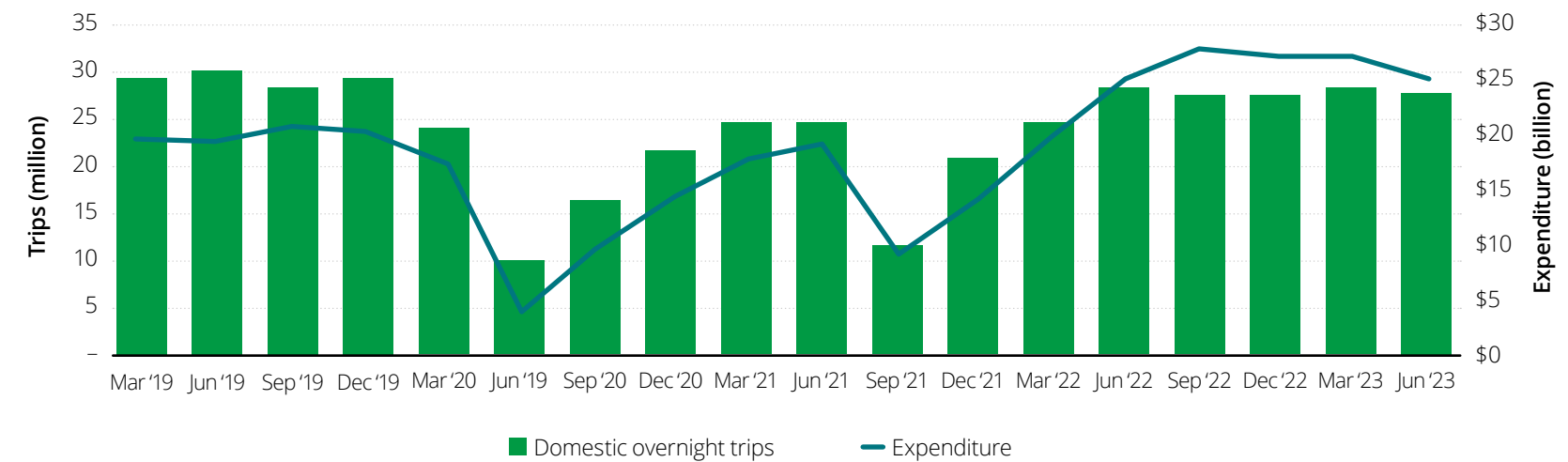


Importantly, the level of domestic travel has been maintained despite the lift in overseas travel in line with historical travel behaviour. In 2019, Australians took around 14 domestic trips annually (four overnight trips and 10 day trips) and spent close to \$4,200 per capita on domestic travel. In the 12 months to June 2023, the number of domestic trips had climbed back to 13 (four overnight and nine day trips). Higher travel prices have pushed up travel spend to almost \$5,500 per capita, an increase of 30%.

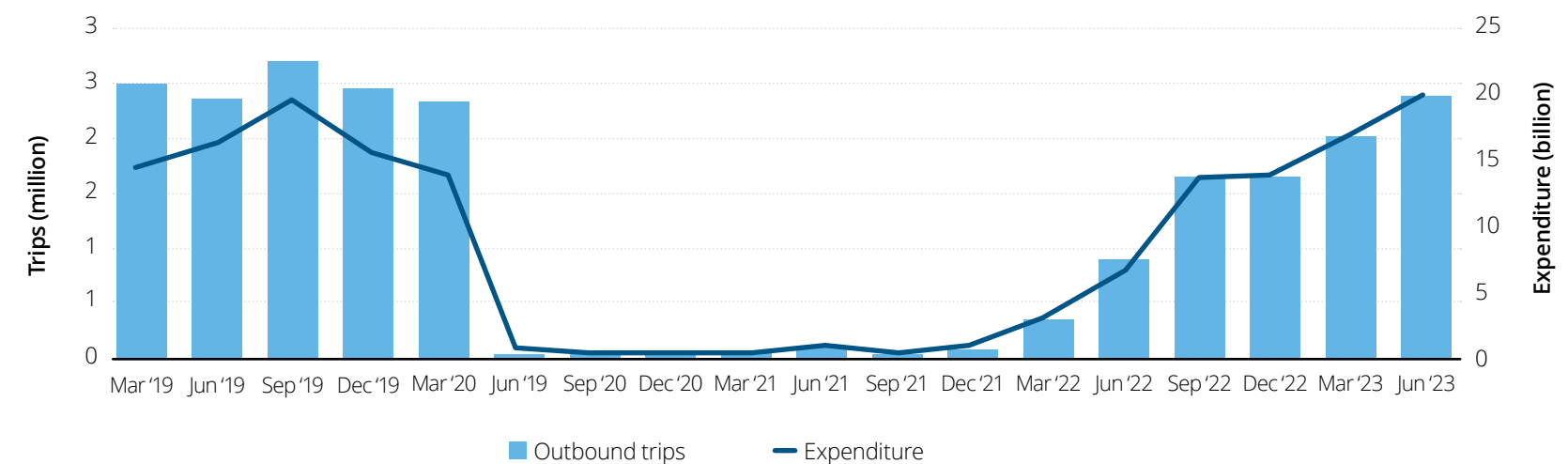
While overseas travel by Australians increased steadily over 2022 and 2023 following the lifting of travel restrictions, with trips and spend in the June 2023 quarter at 82% and 106% of 2019 levels, domestic travel levels held up plateauing near 2019 levels.

**Chart 3:** Travel by Australians – domestic overnight and outbound travel (quarter ending)

**Domestic overnight**



**Outbound travel**



Source: Tourism Research Australia, International and National Visitor Surveys



# Tourism outlook

Economic headwinds in Australia and across key visitor source markets are crucial in shaping the outlook for Australian tourism.

Strong demand for travel and leisure activities has been a key feature of the post-pandemic global economic recovery. While consumers diverted spending to goods during the pandemic, the easing of travel restrictions across the world unleashed a wave of pent-up demand for services, including travel.

Consumers in high-income, developed economies benefitted from savings accumulated during the pandemic and from a strong rebound in the demand for labour. These factors have sustained demand for travel and hospitality despite elevated prices and tightening monetary policy.

However, this strong spending on discretionary goods and services is showing signs of abating. A slowdown is expected as savings buffers diminish and the prior tightening of monetary policy filters through the global economy. Additionally, an uptick in global unrest, most recently in the Middle East, is likely to weigh on consumer sentiment while potentially exerting upward pressure on energy prices and disrupting supply chains.

A backdrop of slowing economic growth, tighter financial conditions and global uncertainty is expected to weigh on the tourism sector in the short-term. The interplay of macro factors in Australia and in key source markets will influence the performance of the tourism sector and its contribution to the economy.



## The outlook for Australian tourism is intricately linked to a number of macroeconomic factors.

The Australian economy faces a delicate balancing act as it navigates various macroeconomic challenges. The interplay of domestic and global factors presents a nuanced landscape that can impact the resilience of tourism demand and the trajectory of recovery.

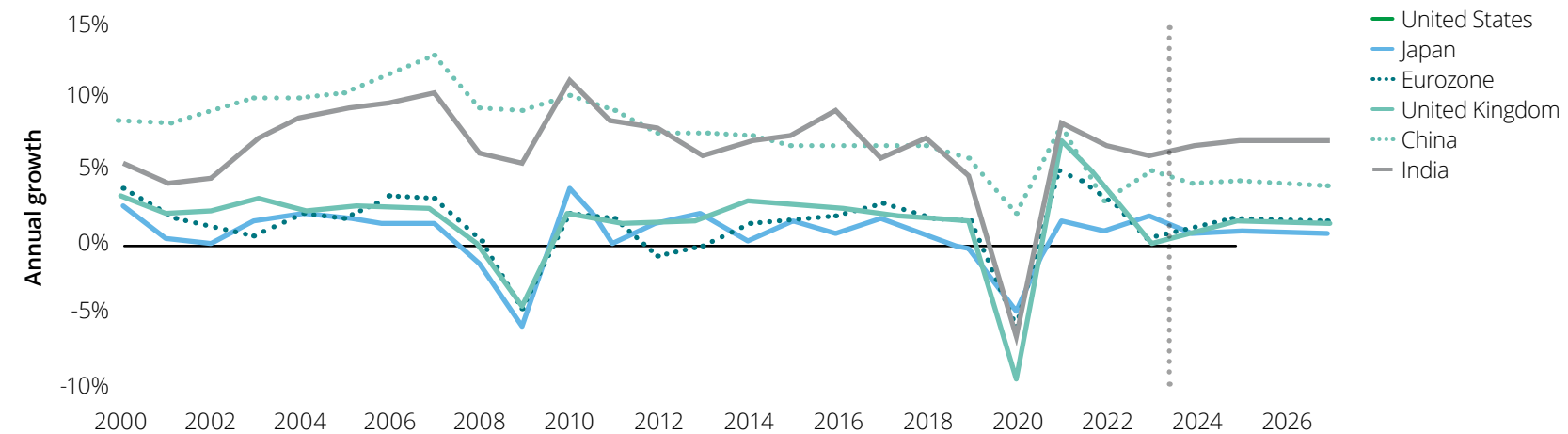
### Weaker global economic conditions

Much of the weakness in the global economy that was expected to unfold in 2023 is now being pushed into the first half of 2024. In early 2023, forecasts for the global economy projected that a slowdown in developed economies would be partially counterbalanced by China's reopening. However, contrary to forecasts, much of the upside to growth in 2023 has been concentrated in the United States. The Eurozone and the United Kingdom also outperformed early forecasts by avoiding deep recessions and growth in Japan has been relatively strong. On the other hand, China's economic recovery, though promising in early 2023, has slowed due to a combination of policy stance and property sector woes.

Despite overall resilience, global economic growth in 2024 is likely to be slower than in 2023. A further moderation of pent-up demand and the cumulative effects of tight monetary policy are likely to weigh heavily on global growth in early 2024. In the US, current trends in consumer spending are likely to be unsustainable as spending has grown consistently faster than income. The economic outlook for the Eurozone remains soft, predominantly due to weakness in Germany, the largest economy in the region,

and growth in the UK is set to slow further as households continue to carry the burden of elevated prices and tight monetary policy. Despite the expected slowdown in growth, inflation is likely to remain above target in each of these regions through at least the first half of 2024. As a result, central banks are expected to maintain interest rates at elevated levels over the short term.

Chart 4: Annual GDP growth



Source: Deloitte Access Economics, Business Outlook September 2023



In Asia, economic activity in Japan is likely to moderate as external demand weakens and consumer spending remains soft. China’s economy is likely to remain under pressure as structural challenges centred around the property sector persist into 2024. India is likely to remain the fastest growing major economy in the world over the short-term, but the risk of inflationary shocks due to climate patterns and elevated interest rates in developed economies could keep monetary policy restrictive through early 2024. Growth in Australia and New Zealand is likely to come under pressure from tight monetary policy and a thinning of savings buffers.

### Inflation pressures

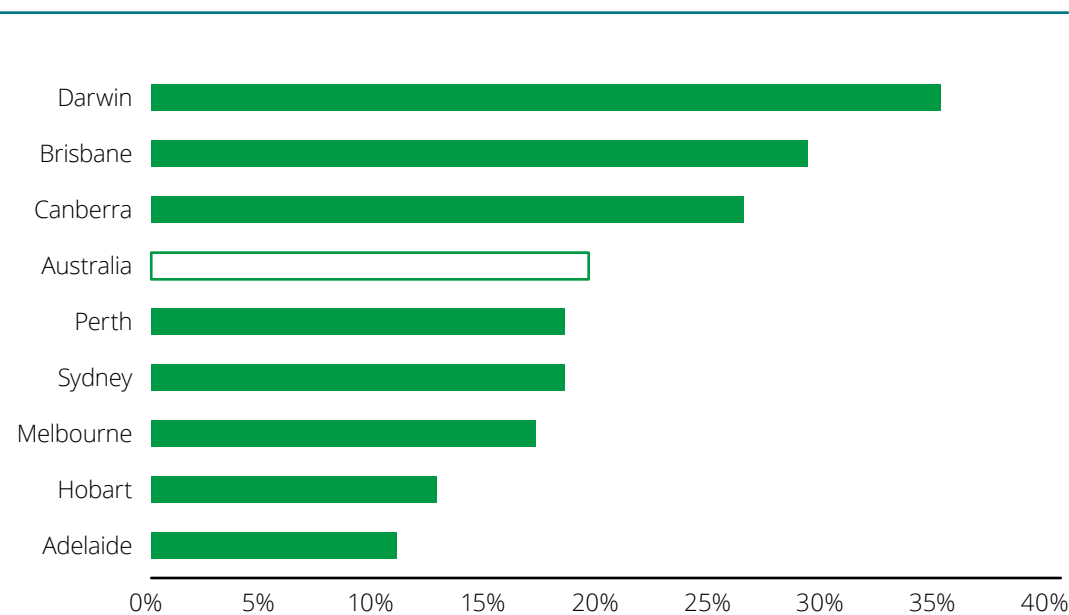
Post-pandemic inflation in Australia peaked at a slightly lower annual rate than in the US, the Eurozone and the UK. Australia’s annual headline inflation rate cooled from a peak of 7.8% at the end of 2022 to 5.4% in the September quarter of 2023 but prices were still 16.4% higher than at the end of 2019.

Like the pattern in other developed economies, annual headline inflation has cooled faster than core inflation in Australia. Additionally, inflation has become increasingly concentrated in services as consumption patterns shift away from goods and as global supply-chain bottlenecks ease.

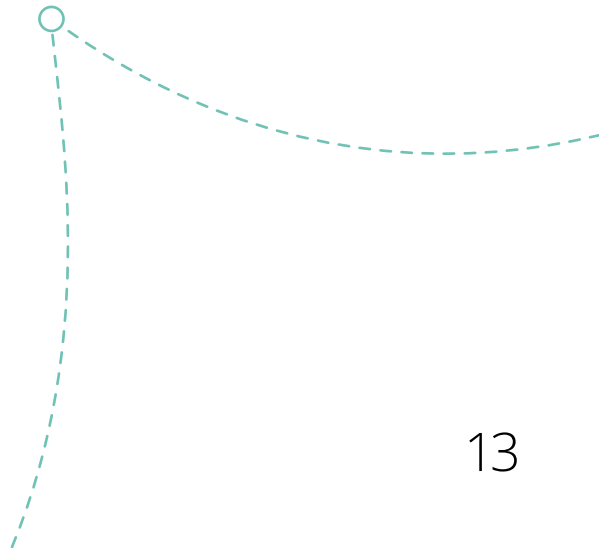
Within the services sector in Australia, the price index for holiday travel and accommodation rose significantly through 2022 before cooling in 2023. However, prices remain far higher than before the pandemic. By the September quarter of 2023, holiday travel and accommodation prices were 19.1% higher compared to the end of 2019. Prices increased the most in Darwin (34.8%), Brisbane (28.9%), Canberra (26.1%) and Perth (18.2%).

Prices for recreation, sport, and culture — a segment relevant to the tourism industry — also continue to trend up. As of the September 2023 quarter, prices for this subgroup were 13.3% higher than at the end of 2019.

**Chart 5:** Holiday travel and accommodation price change, Dec 2019 to Sep 2023



Source: Deloitte Access Economics, Business Outlook September 2023



### Exchange rate relief for Australian tourism

The Australian dollar (AUD) has depreciated against the US dollar (USD) since early 2021. The Federal Reserve's more aggressive tightening of monetary policy since 2022 has been partially responsible for this depreciation. Additionally, broad expectations of relatively stronger economic growth in the US will keep the USD supported over the short-term. The AUD has traded within a narrow band against the Chinese renminbi (RMB) and has appreciated against the Japanese yen over the last couple of years.

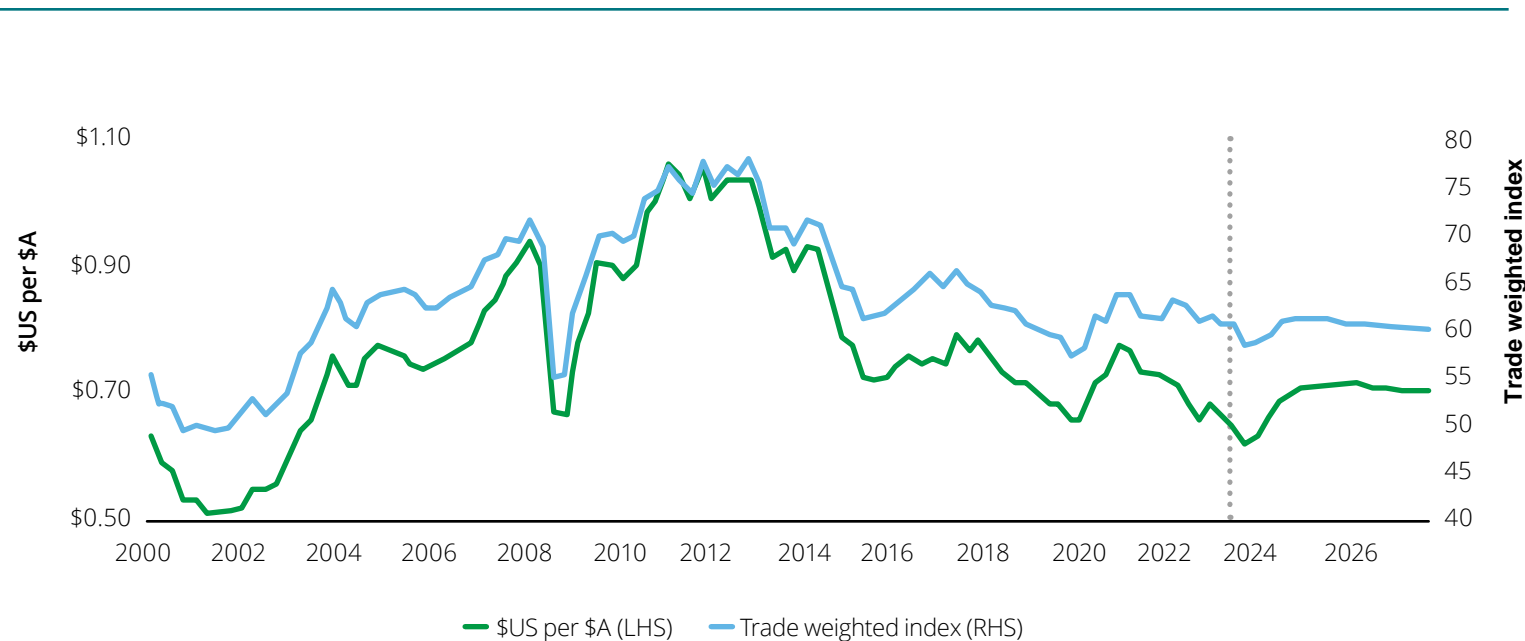
Weak economic data from China and a widening interest rate differential is likely to keep the AUD relatively strong against the RMB, while a large interest rate differential between Australia and Japan is likely to keep the AUD-Yen exchange elevated.

The relative strength of the AUD against currencies of key international source markets can shape inbound and outbound travel patterns. A weaker AUD will incentivise Australians to travel domestically and make Australia a more attractive destination for international visitors.

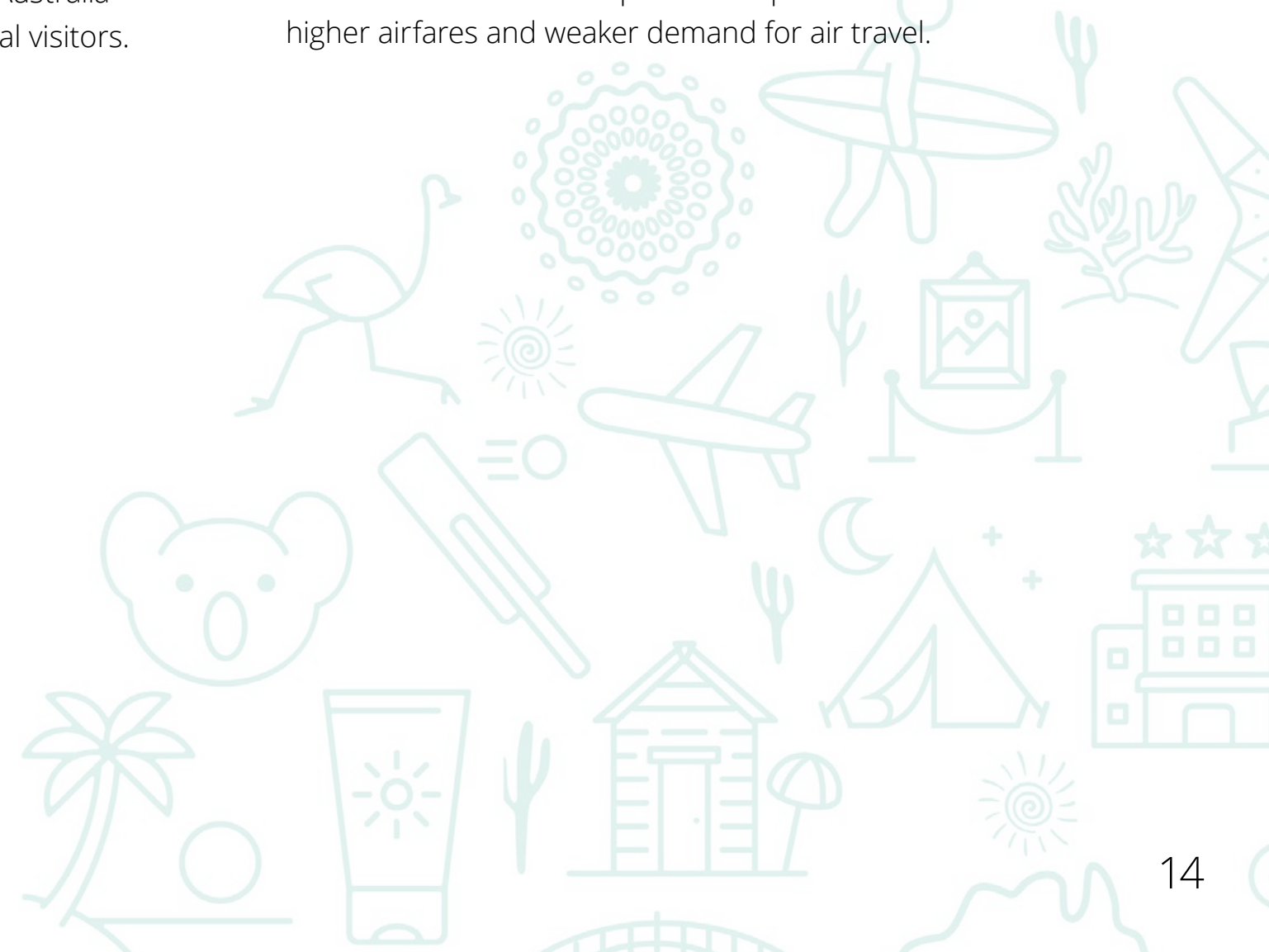
### Fuel costs

In the short-term, crude oil prices are likely to be dictated by supply-side factors. Production cuts by major crude oil producers have resulted in upwards pressure on crude oil prices, which are expected to continue heading north for the rest of 2023. However, prices are likely to ease slightly in 2024 as demand stabilises. That said, fuel prices are likely to remain under pressure with uncertainty around the unrest in Middle East. A spike in fuel prices could lead to higher airfares and weaker demand for air travel.

Chart 6: Australian dollar against USD and trade weighted index



Source: Deloitte Access Economics, Business Outlook September 2023

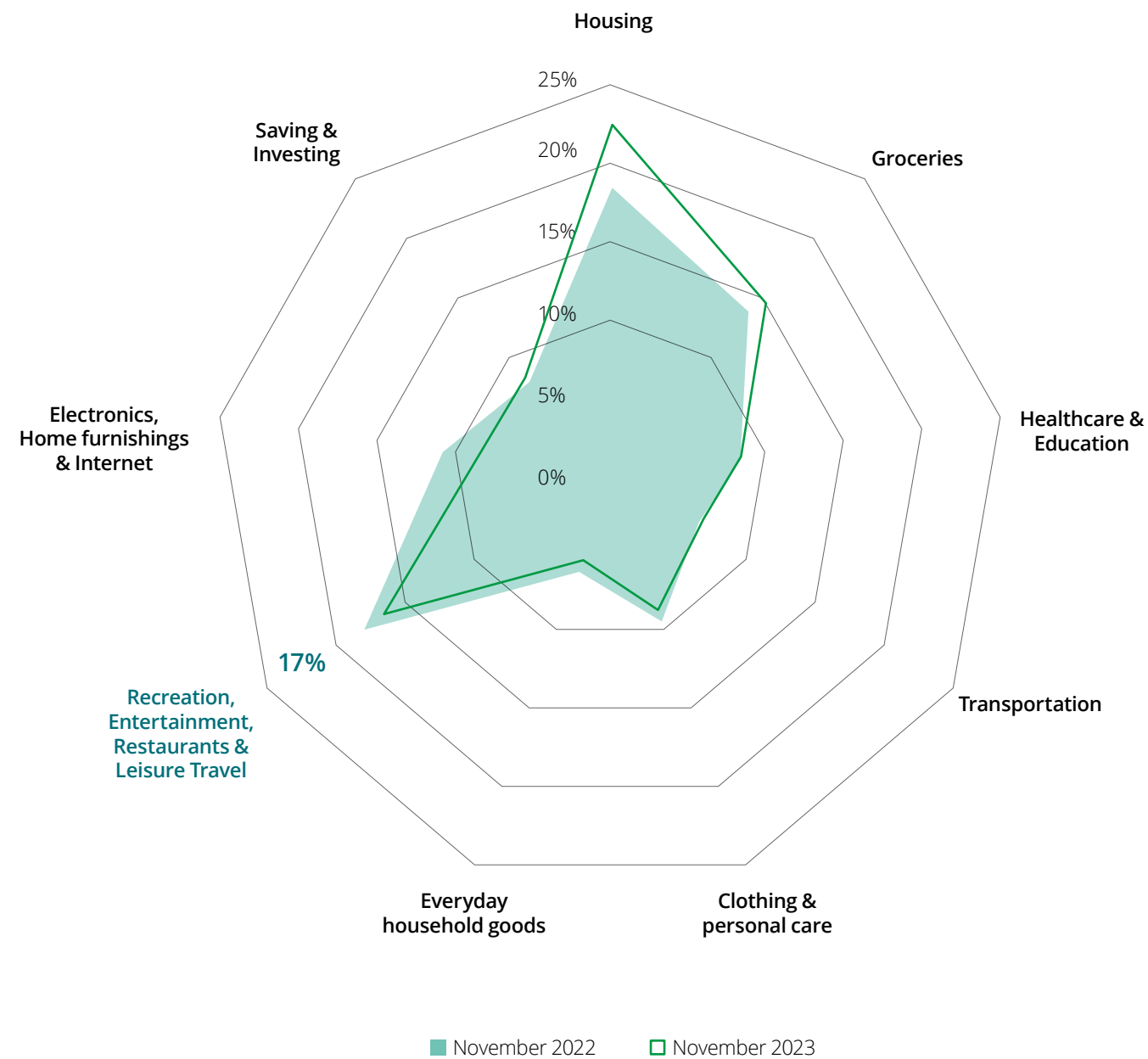


Australia's tourism sector has shown remarkable resilience in the face of natural disasters, a global pandemic and the cost of living pressures brought about by high inflation.

The travel sector faced great uncertainty during the height of the COVID-19 pandemic. Despite being a long-distance destination and enduring some of the harshest health measures to curb the spread of the pandemic, Australia's tourism sector has emerged with remarkable strength.

While concern about the cost of living has been a fixture here in Australia and among most of our visitor source markets since late 2022, travel spending intentions have remained strong throughout the period. Tightening economic conditions and cost of living pressures have started to weigh on discretionary spending, however travel spending appears to be holding compared to other household expenditure categories.

Chart 7: Share of wallet, estimated spending for next four weeks



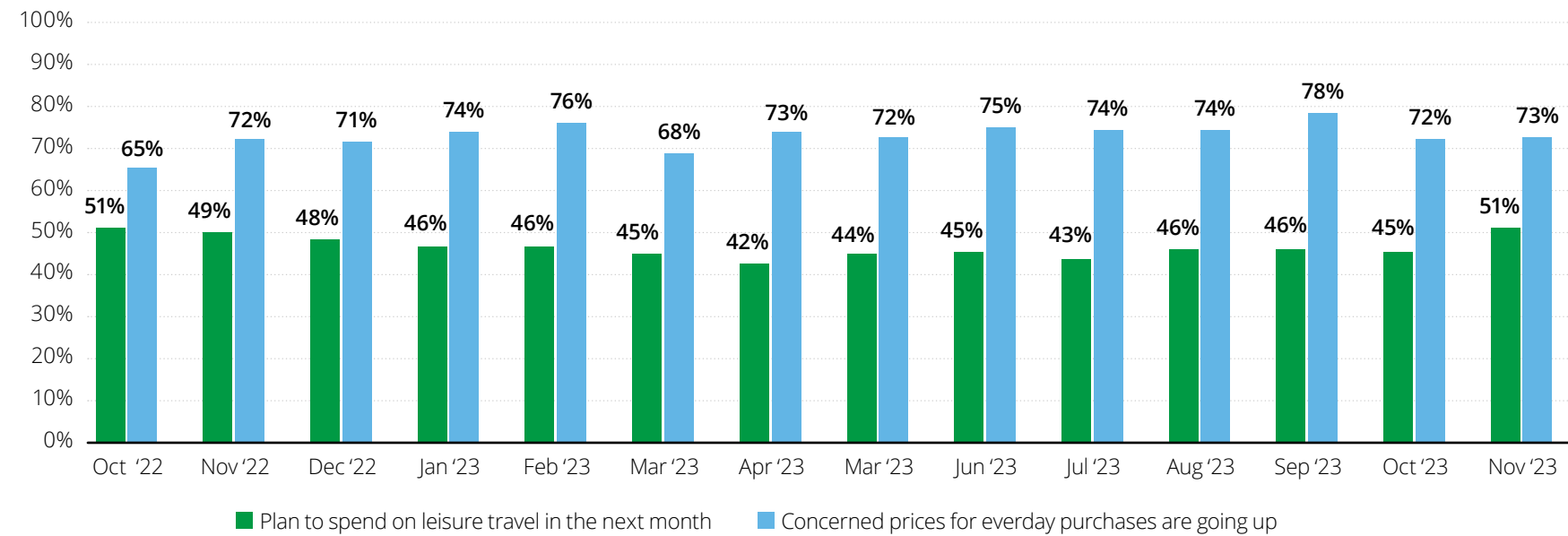
Source: Deloitte's ConsumerSignals



Australians have an unwavering appetite for travel. This trend has held for most of 2023, despite rising concerns over cost of living.

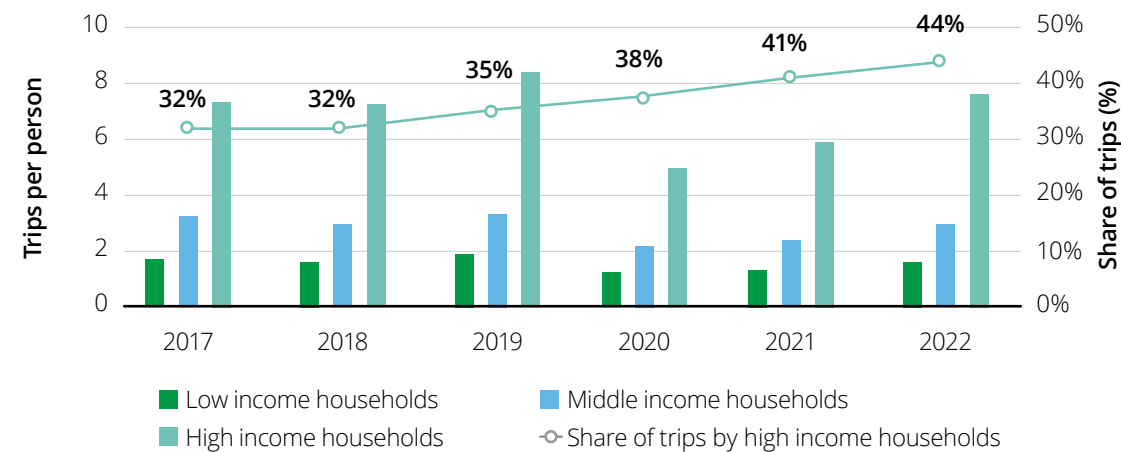
While the number of domestic trips in 2023 is almost at 2019 levels, higher income households have disproportionately contributed to the recovery. Trips by this cohort are at 91% of 2019 levels, and they represent 44% of all domestic trips. They are big travellers at 7.7 overnight trips per year.

**Chart 8:** Australians' intention to spend on travel vs concerns over price increases for everyday purchases



Source: Deloitte's ConsumerSignals

**Chart 9:** Overnight domestic trips per person



Source: Tourism Research Australia, National Visitor Survey





# Domestic travel

Domestic overnight trips are forecast to increase to 112 million trips in 2023, 3.7% growth on 2022. Domestic overnight travel is forecast to increase a further 5.5% to return fully to 2019 levels by 2024, and thereafter increase an average 5.0% each year to 131 million trips by 2026.

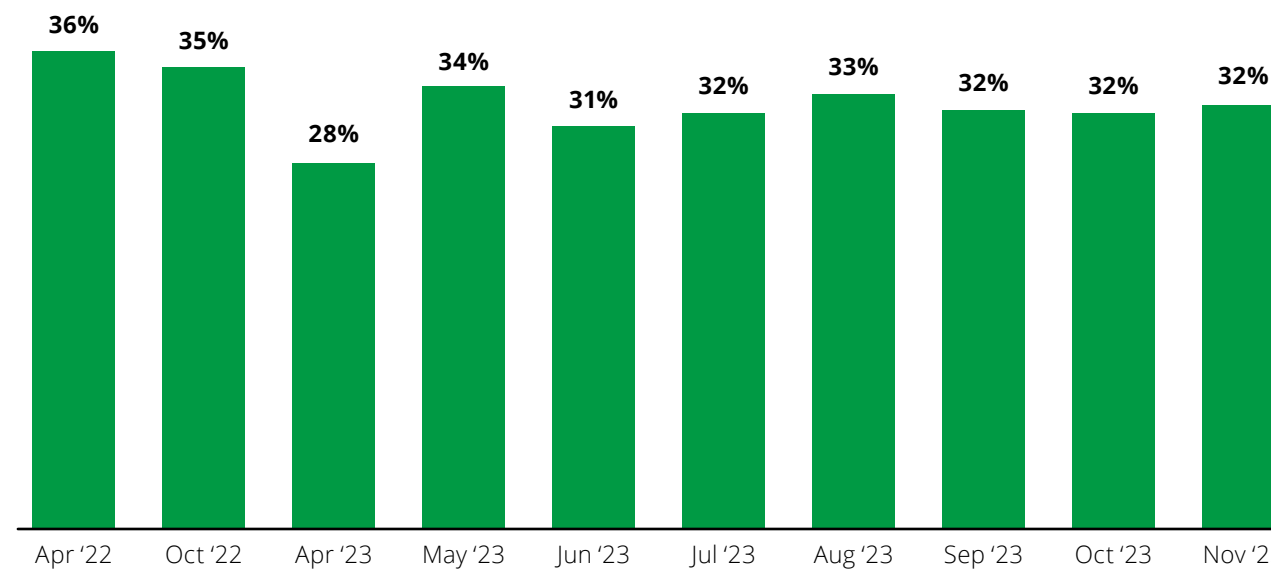
This represents a slight moderation from our May 2023 domestic tourism forecast, reflecting the downgrade in the domestic economic landscape.

Domestic travel has been the driving force in Australia's post-pandemic recovery. At the end of 2022, total domestic overnight trips were at 92% of 2019, and recovery had climbed to 98% of pre-pandemic level by the end of June 2023. In the short term, demand is likely to remain strong into the summer holiday period but then expected to stabilise in 2024 and beyond.

Australian consumers are navigating cost of living pressures, and this will weigh on discretionary spending. That said, there is evidence that consumers are prioritising travel and entertainment. CommBank iQ's Cost of Living Insights report for November 2023 noted travel and entertainment spend as the only discretionary categories to record above-inflation growth reinforcing the high value Australians place on experiences including travel following the pandemic.

Monthly consumer data collected by Deloitte's ConsumerSignals global consumer research similarly highlights the resilience of domestic travel with the intention to take a domestic flight (our proxy for domestic travel) remaining strong. The weaker Australian dollar should also help make domestic travel a more attractive choice for Australians (though our outbound travel intentions remain surprisingly strong!).

**Chart 10:** Likelihood to take a domestic flight in the next three months



Source: Deloitte's ConsumerSignals



Domestic holiday overnight travel returned to 2019 level at the end of 2022. While consumers are prioritising travel, holiday travel demand is showing signs of softening from the strong pent-up demand over the last two years. Domestic holiday trips are forecast to decline 2.8% in 2023 from 2022 to 46 million trips, on par with pre-pandemic level.

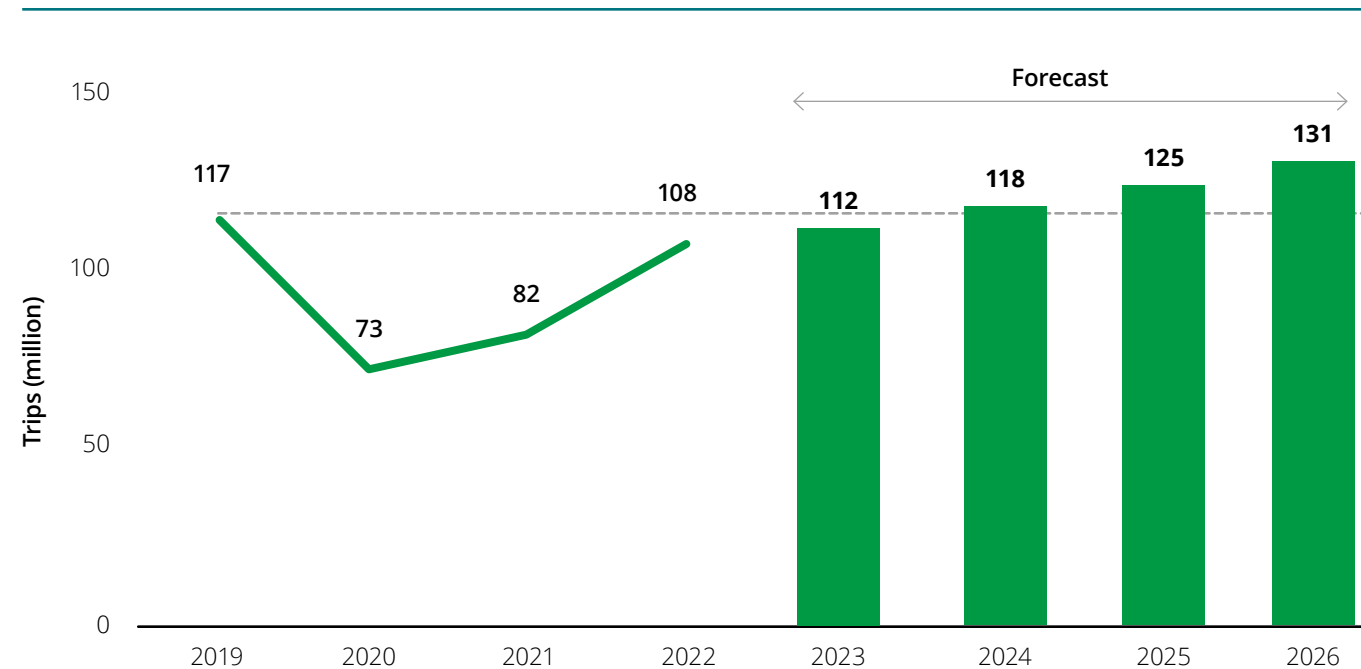
Following the slight reset in 2023, holiday travel is expected to settle to a new growth trend, growing 4.4% in 2024, a further 5.1% in 2025 and 3.9% in 2026 to a total of 53 million domestic holiday trips in 2026. Overall, this represents an annual growth of 4.5% between 2023-2026.

Domestic business overnight trips have not yet returned to pre-pandemic levels. Business travel reached 90% of pre-pandemic level at the end of 2022. Virtual meeting options and cost pressures have shifted the corporate travel landscape, slowing the recovery of the business travel segment. Corporate sustainability commitments which are factoring in reduced travel as a key mechanism to progress towards net zero targets are also constraining the recovery of this segment of the market.

Corporate travel is expected to gradually increase as businesses reconnect with colleagues and clients. The forecast is for average annual growth for business travel of 7.3% over the 2023-2026 period as the sector continues to rebuild to 2019 level by 2025.

Domestic VFR travel reached almost 80% of 2019 at the end of 2022 and is forecast to grow 9.3% in 2023 to recover to 97% of pre-pandemic level. Overall, domestic VFR trips are expected to grow an average 5.9% per year from 2023-2026, with a projected full recovery of the segment in 2024.

**Chart 11:** Outlook for domestic overnight trips



Source: Deloitte Access Economics forecasts



Domestic overnight

5.5%

growth in 2024, reaching 101% of 2019

5.4%

growth in 2025

4.6%

growth in 2026, with trips reaching a total of 131 million (12% up on 2019 levels)



# Outbound travel from Australia

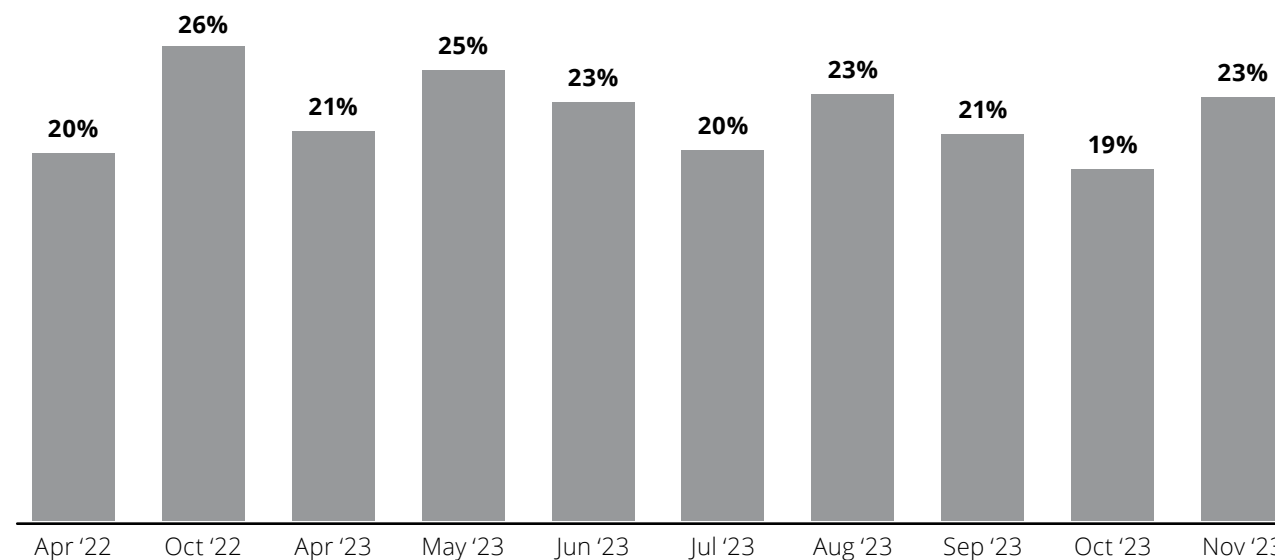
Outbound travel continues to recover strongly due to pent-up demand and Australians' enduring passion for travel after the hiatus imposed by the international travel ban during the pandemic.

Australians are expected to make around 9.7 million outbound trips in 2023, 86% of pre-pandemic level. Based on consumer data collected by Deloitte's ConsumerSignals, intentions to travel overseas moderated somewhat in September and October but have picked up in the last month as we approach the end of year holiday season.

The volume of outbound travel is estimated to increase to 11.6 million in 2024, exceeding the pre-pandemic level. The forecast for 2024 is higher than predicted in our May 2023 forecast driven by the observed quick recovery in Australian aviation supply and expected continuing impacts of pent-up demand.

partially offset by broader macroeconomic factors, including the lower Australian dollar and cost of living pressures, which are likely to put a slight brake on the pace of outbound travel.

**Chart 12:** Likelihood to take an international flight in the next three months, Australia



Source: Deloitte's ConsumerSignals



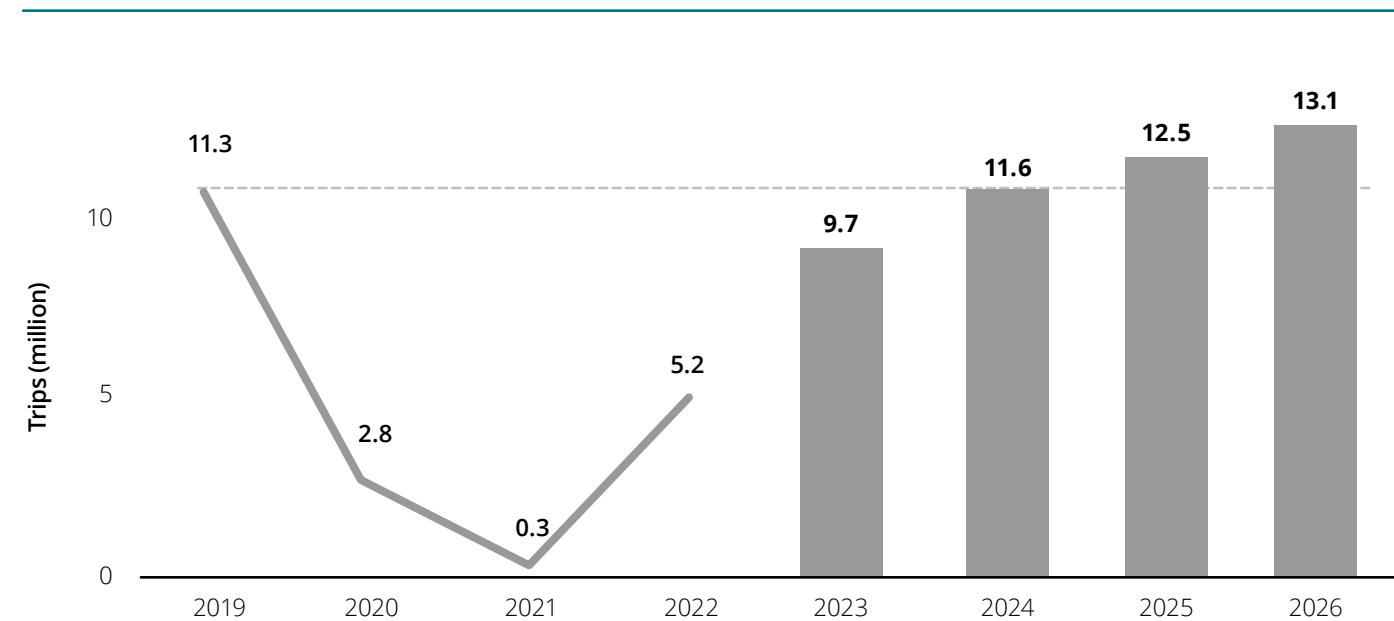
Thereafter, outbound travel is forecast to grow 6.5% each year to 13.1 million by 2026, as easing of cost of living pressures later in the forecast horizon help lift travel demand.

New Zealand, Indonesia and the USA remain the top three international travel destinations for Australians, followed by China and India. With strong family ties with a number of these markets, it is not surprising that the VFR segment was driving overall outbound growth, expected to reach 97% of 2019 level at the end of 2023. Travel to visit friends and family is expected to stabilise in 2025 and 2026, after exceeding pre-pandemic level in 2024.

The resumption of outbound holiday travel is a little slower than that of VFR travel, and is estimated to reach 88% of 2019 level at the end of 2023, and to return to pre-pandemic level by 2024.

Overseas travel for business purposes is forecast to reach around 60% of pre-pandemic levels in 2023. Due to uncertainties in global economic conditions and shifts towards virtual meeting alternatives following the pandemic, overseas business travel is expected to recover later than both VFR and holiday travel in 2025 due to structural changes in the ways of working and undertaking business reset to a new base.

**Chart 13:** Outlook for outbound travel



Source: Deloitte Access Economics forecasts



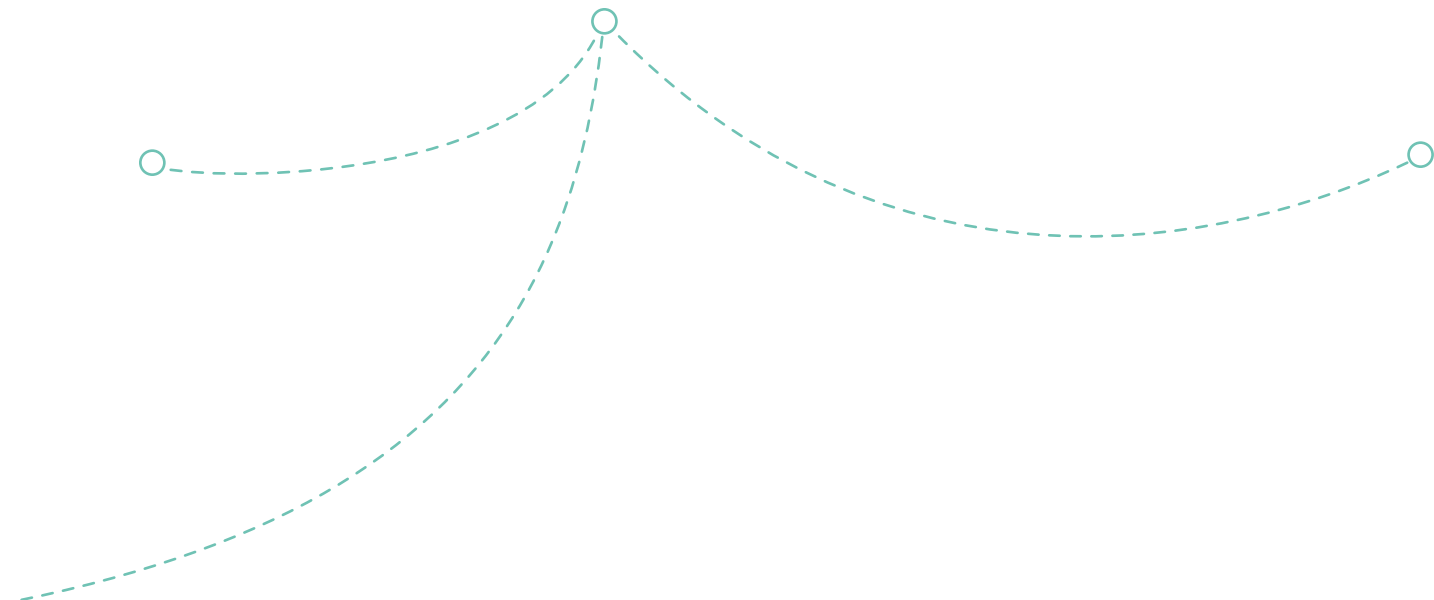
Outbound

**11.6 million**

overseas trips by Australians, on par with 2019 in 2024

—  
**6.5%**

average growth per year, reaching 13.1 million trips in 2026



# International travel

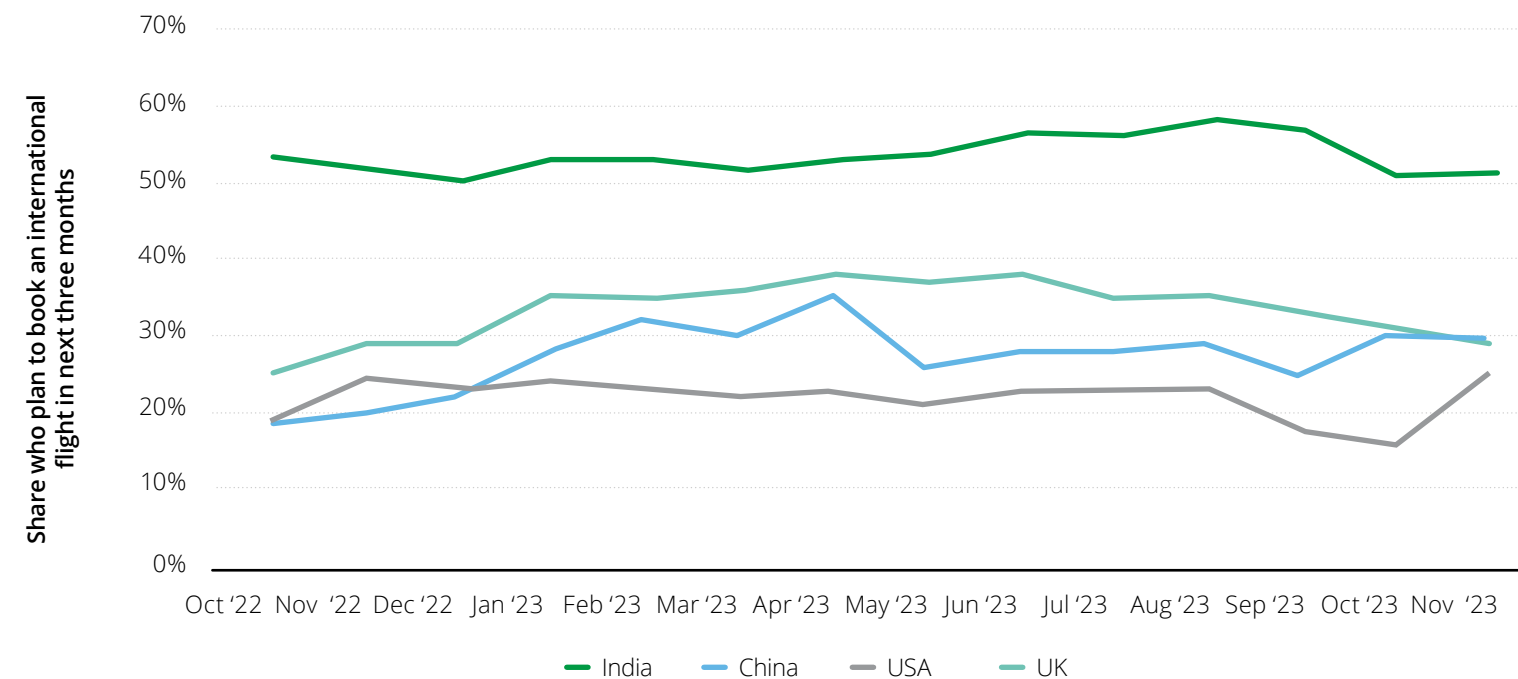
International arrivals to Australia are forecast to reach 7.2 million in 2023, 76% of pre-pandemic level and almost double the number of international visitors in 2022. The return of aviation services from key source markets and the weaker Australian dollar will continue to fuel the rebound of international tourists.

International arrivals are expected to continue rebuilding strongly in the next 12 months, with 9.7 million arrivals forecast by the end of 2024, surpassing 2019. Thereafter, inbound arrivals are estimated to grow an average 6.8% per annum to reach 11 million by 2026. The outlook for international arrivals is more positive than in our May 2023 forecast.

There are several factors driving this stronger growth profile, including the quicker than anticipated return of Chinese aviation capacity, exceptional growth from India and emotional urge to travel to reunite with friends and relatives.

Overseas travel intentions among consumers from Australia's key international source markets have remained persistently strong for most of 2023, though this trend has softened in recent months before then stabilising or increasing in November as consumers embrace the end of year holiday travel season, evidence of the continuing resilience of travel.

**Chart 14:** Likelihood to take an international flight in the next three months, selected markets



Source: Deloitte Global State of the Consumer Tracker, November 2023

Note: Data shown represents the percentage of respondents who indicate they are "Very likely" or "Likely" to book each travel product for leisure travel over the next three months.



Our forecasts reflect that the pace of recovery across Australia's international visitor source markets will differ. The reopening of travel to and from China is a material factor informing the forecast. As Australia's largest inbound market before the pandemic, the return of Chinese visitors starting in March 2023 has an important influence on the overall recovery of international arrivals. The quick reestablishment of aviation capacity from China and the reinstatement of China's Approved Destination Status for Australia play a crucial role in lifting arrivals from China. In fact, arrivals from China are anticipated to return to pre-pandemic level by 2024.

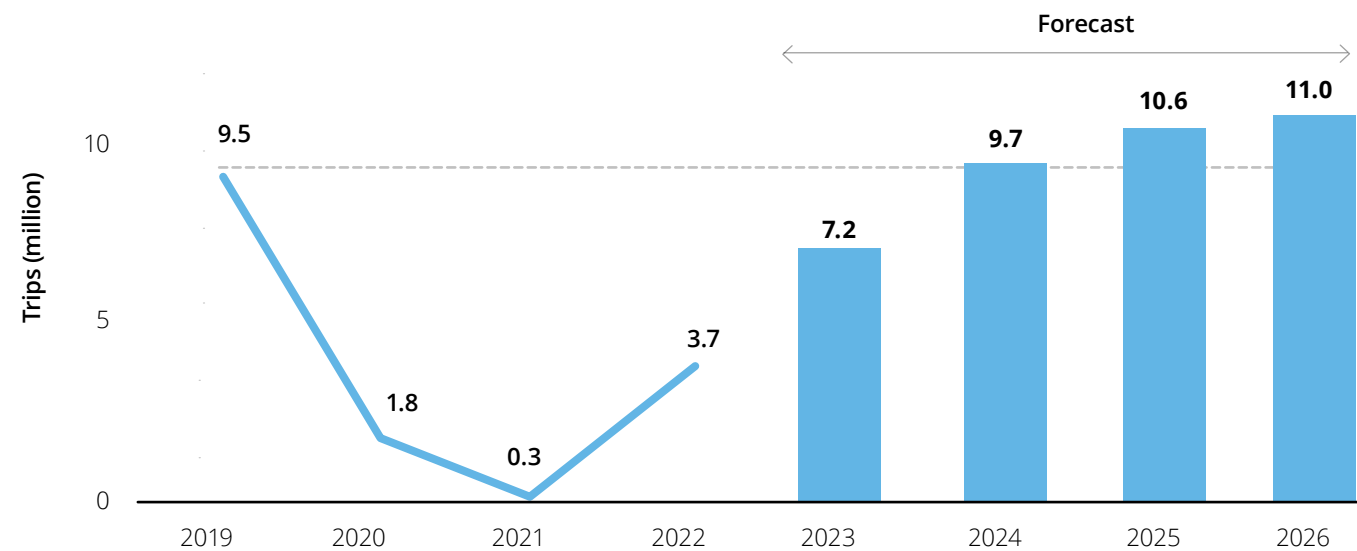
Arrivals from India were also a significant contributor to the recovery of international arrivals in Australia over the last 12 months. India was the fifth largest inbound market in the 12 months to September 2023, up from its eighth place ranking in 2019. Arrivals from India are forecast to climb to 353,000 by the end of 2023, 93% of 2019 level, and then to surpass pre-pandemic level in 2024. With India-born residents making up the second largest group of migrants in Australia after England, it is not surprising that arrival growth from India was strongly driven by the VFR segment, which comprised almost 70% of total arrivals in 2022.

The VFR market as a whole has driven the initial rebound of international arrivals, with over one-third of visitors from India and one-fourth of visitors from China expected

to travel to Australia to visit family and friends in 2024. The VFR segment will remain a key driver of recovery in 2024, reaching a total of 2.9 million in 2024 or 30% of all international arrivals.

Holiday arrivals while lagging VFR initially are expected to pick up pace to reach 2.8 million in 2023, 69% of pre-pandemic level and 3.9 million in 2024, 97% of 2019 level.

**Chart 15:** Outlook for international arrivals



Source: Deloitte Access Economics forecasts



International

**9.7 million**

international arrivals in 2024,  
recovered to 2019

**6.8%**

average growth per year,  
reaching 11.0 million trips  
in 2026



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## About our travel and tourism practice

Deloitte Access Economics is a leading provider of tourism analysis and advice, offering unparalleled knowledge, capability, and experience in economic analysis. We are regarded as a market leader in economic research, analysis, and strategic advice in the tourism sector.

Our technical capability is demonstrated through the design and development of tourism demand and supply forecasting models, the construction of purpose-built policy analysis models, and complex econometric analysis. These tools have enabled our team to successfully tackle some of the most complex policy and strategic aspects of the tourism sector, providing clients with rigorous quantitative analyses to inform their decision-making.

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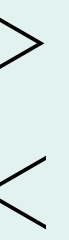
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## About our forecast

The forecast shown in this publication presents our views and expectations of the future of Australia's tourism performance in the short term up to 2026. The underlying forecast is drawn from Deloitte Access Economics Tourism Forecasting Model, an unconstrained econometric demand model driven by changes to the underlying macroeconomic determinants of tourism demand. The model produces annual forecasts of three measures of tourism demand – visitors, visitor nights, and visitor expenditure – for domestic overnight and international overnight source markets.

The model has been adjusted to account for the impact of COVID-19 and is constantly being refined as new market research evolves to provide new insights on potential behavioural responses and permanent changes to tourism demand.

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# Other Deloitte Access Economics publications



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## Business Outlook

Business Outlook is a quarterly publication aimed at those who require depth of detail about the business environment, analysing prospects across 22 industries and each of the Australian states and territories. It provides facts, figures and forecasts on Australian and world growth prospects, interest rates and exchange rates, wages and prices, exports and imports, jobs and unemployment, taxes and public sector spending. These forecasts strengthen and enhance your strategic planning capacity.

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## Investment Monitor

Investment Monitor is a quarterly publication that provides detailed data on major business and government investment projects in Australia.

Project investment is a key source of future economic growth. Investment Monitor lists individual Australian construction and investment projects with a gross fixed capital expenditure of \$50 million or more. Projects are listed by state, sector and status of each project.

Suppliers appreciate the project updates, while economists benefit from one of the most comprehensive breakdowns of investment prospects available in Australia.

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## Retail Forecasts

Retail Forecasts is a quarterly publication that provides an analysis of current retail sales and consumer spending, and the important economic drivers that influence them. It includes ten-year forecasts of retail sales by major category and of key economic drivers. The accompanying

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## Employment Forecasts

Produced quarterly, Employment Forecasts provides detailed forecasts and commentary on employment in Australia across industries and regions, as well as white collar, blue collar and office demand. There are three levels of data available: state, city and CBD.

The detailed employment forecasts and analysis provide useful insights into future property demand.

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## Budget Monitor

Budget Monitor is a key source of independent private sector projections of federal budget trends in Australia. Budgets are analysed and projections made, including detailed estimates of future spending and revenue levels. Budget Monitor is prepared twice a year, prior to the Mid-Year Review and to the federal budget itself.





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