

## Why Indian Tourists Are The New Chinese

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Some 25mn Indians traveled abroad in 2017

Oxford's honeyed quadrangles are a notorious tourist trap. When I lived there in the 1990s, the city swarmed with elderly Japanese wielding telescopic Nikons. When I returned three years ago, the Japanese tour groups had disappeared and been replaced by selfie-snapping Chinese. This year, a new nationality arrived: Indians.

It's not just Oxford. In May I found Indian families climbing the cliff-top paths of Dorset's Jurassic coast. Last Christmas I bumped into two young Indian couples fighting their way through a howling gale on Mynydd Carningli, a mountain in west Wales with an ancient fort on its peak. They are part of a growing trend: around 25mn Indians traveled abroad in 2017, including 2.1mn to Dubai and more than 1mn to the US, Singapore and Thailand. Globe-trotting Indians are following in the footsteps of Chinese holidaymakers, who have transformed the international tourist industry over the past decade. Over the next two decades, it will be the turn of Indians.



### Indian tourists enjoy the delights of Oxford, England

Capturing the spending patterns of foreign tourists is notoriously tricky

Measuring the number of tourists leaving and entering any country is an inexact business. Some travelers take multiple trips in any given year, and a large proportion of them travel for business or education rather than pleasure. Measuring how much they spend when they get there is even more troublesome. China's statisticians, in particular, have struggled to capture the true extent of Chinese spending abroad (see [What Is Happening With The Tourism Numbers?](#)).

Still, the broad contours of Indian outbound tourism are clear. The Bureau of Immigration recorded around 22mn international departures by Indians in 2016, nearly three times the number a decade before. India's balance of payments records total spending of US\$19.5bn on "imports of travel services"

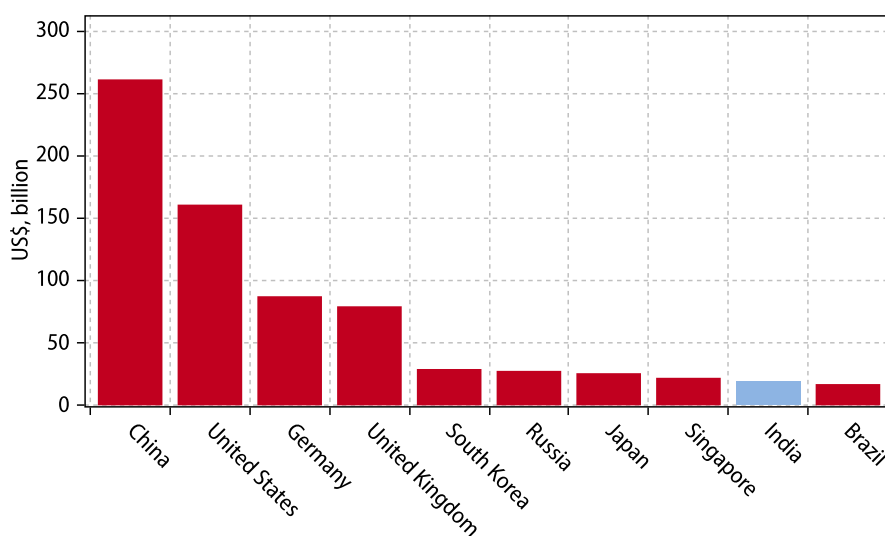
Indian tourists spent some US\$18bn on foreign trips in 2017, placing them 17th internationally

in the 2017-18 fiscal year: US\$13.3bn on personal travel (including US\$2.8bn on education) and US\$6.2bn on business. That tallies with surveys conducted by the [UN World Tourism Organization](#), which found that Indians spent more than US\$18bn in 2017, up from nearly US\$11bn in 2010. That placed India 17<sup>th</sup> internationally—although figures from the US Department of Commerce, which estimate that Indians spent US\$14bn in the US alone in 2016, suggest that true spending could be higher.

These are not large numbers—yet. Only around 65mn Indians have passports out of a population of 1.3bn. Indians spend an annual US\$15 per head on foreign travel—paltry compared with China's US\$185 and minuscule beside the US\$4,325 blown by Singaporeans, the world's most profligate tourists. Many Indian travelers go abroad to visit relatives rather than strictly for leisure. But the spectacular increase in the number of Chinese traveling abroad for pleasure in recent years points the way ahead for Indians. In 2010, Chinese tourists spent US\$55bn overseas; in 2017 they splurged a whopping US\$258bn, nearly twice as much as American tourists.

### India's tourists don't yet match China's big spenders

International tourism expenditure by selected countries in 2017



Gavekal Data/Macrobond

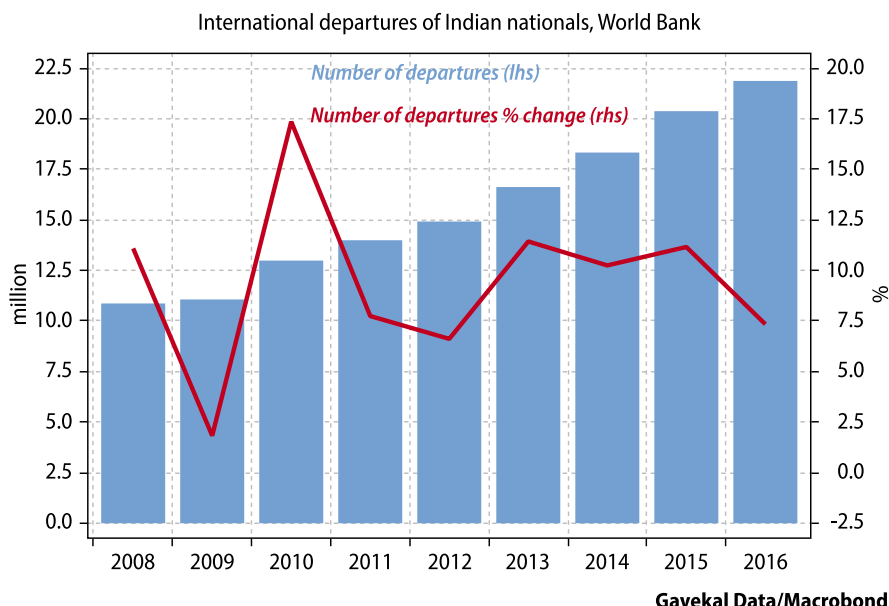
Indians still don't match Chinese tourists, who dwarf all others in total spending

Some 30mn Indian households are estimated to have annual incomes exceeding US\$25,000

India is a much poorer country than China, with a smaller pool of affluent consumers, but it too has a sizable and growing middle class. At Gavekal, we estimate that about 30mn households have annual incomes exceeding US\$25,000, roughly the income level at which spending on luxuries like foreign travel takes off. Extrapolating from China's experience, the number of Indian tourists will accelerate rapidly over the next 20 years as foreign travel becomes newly affordable for millions of households (see [The Glory Days For Affluent Consumers](#)). Exactly how quickly this happens will depend on several factors, not least the speed of economic growth and how rising incomes are distributed across the population. But, on current trends, we can reasonably expect 50mn Indians to travel abroad annually by 2030, making India the fifth largest source of tourists worldwide (see chart overleaf).

A steadily rising number of Indians are traveling abroad

### More than 20mn Indians travel overseas every year



International travel is becoming cheaper than taking trips within India

### Smiling in Thailand, sweating in Dubai

Tour operators say that international travel is already being democratized: teachers, government officials and small businessmen are taking foreign holidays, especially as the cost of domestic tourism rises. International budget airlines are targeting second-tier cities: Thai Smile flies from Varanasi, Lucknow and Gaya; Singapore's Scoot flies from Jaipur. From Mumbai, a package trip to Dubai can work out cheaper than going to the southern coastal state of Kerala. Colliers International, a real estate services firm, forecasts that 9mn Indians will travel to the six Gulf Cooperation Council countries by 2021, an increase of 50% on 2017.

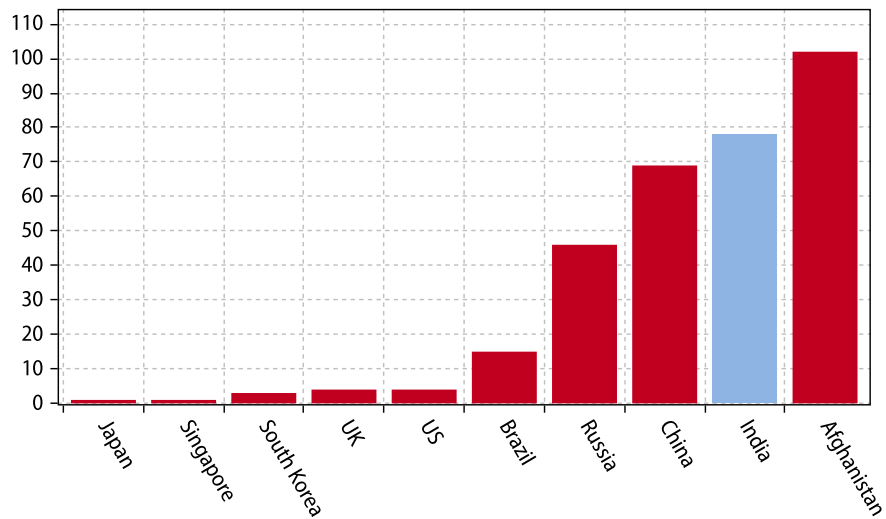
it is getting easier for Indians to get a foreign visa

Countries in the Middle East are wooing Indian visitors with easier visas. Indian tourists to Dubai jumped 15% in 2017 after requirements were relaxed. Beyond the Persian Gulf, Australia is among a growing number of countries now offering online visa applications for Indians. But a weak passport remains a substantial hurdle for Indians abroad: India currently ranks 78<sup>th</sup> out of 199 countries in the [Henley Passport Index](#), a global ranking of countries and territories according to the travel freedom their citizens enjoy. An Indian passport holder can visit only 59 countries without a visa, fewer than citizens of Kenya, Zimbabwe or Kyrgyzstan (see chart overleaf).

Most rich countries continue to make it difficult and expensive for Indians to visit: the US and UK, for example, require visa applicants to provide biometric information, bank statements and income tax returns in person. Both charge well over US\$100 for a short-term tourist visa and much more for a longer-term one. Still, similarly onerous rules have not put off Chinese tourists from flocking to Europe and the US, however tiresome the process of securing a visa. And in time Indians, too, will travel in their hundreds of millions. That is great news for the tourist industry—if terrifying news for those of us trying to avoid the hordes.

### Indians struggle with a weak passport

Henley Passport Index (2018)



Henley & Partners, Gavekal Data/Macrobond