

SUMMARY

MENON'S PROJECTIONS FOR NORWEGIAN TOURISM TOWARDS 2030



MENON-PUBLICATION NR. 144/2023

By Sander Aslesen, Erik Jakobsen and Live Nerdrum



Preface

Menon Economics analyses economic issues and provides advice to businesses, organisations, and public authorities. We are a consulting firm operating at the interface between economics, politics, and markets. Menon combines social and business economics expertise in fields such as social profitability, economic impact, business and competition economics, strategy, finance, and organisational design. We use research-based methods in our analyses and work closely with leading academic environments in most fields.

This is the English summary from the published report. The entire report in is available in Norwegian on our website www.menon.no.

November 2023

Erik Jakobsen
Project leader
Menon Economics

Summary

In autumn 2021, Menon wrote the report “Norwegian Tourism Before, During, and After the Pandemic”, commissioned by The Norwegian Hospitality Association. The report showed that the industry performed better than expected during the pandemic, although both revenues and profitability were significantly reduced. We discussed how quickly the market would recover and when the industry's revenues and value creation would surpass the level from the year before the pandemic broke out, 2019. We were more optimistic than most other analysts when we wrote that the revenue in the industry in current prices would surpass the 2019 level in 2023. We now have the figures for 2022 and can confirm that the 2019 level was already surpassed last year - not just in current kroner, but also when we adjust for inflation. Although the year is not over, it is also clear that growth has continued in 2023. Our forecasts suggest that the total revenue of the tourism industry will end just shy of 250 billion kroner this year. Looking further ahead, we estimate that revenue will grow to 330 billion (fixed 2023 kroner) by 2030. 20 percent of these revenues will come from foreign guests. This means that the tourism industry's export earnings will be around 66 billion kroner.

In this report, Menon evaluates how the Norwegian tourism industry will develop towards 2030.¹ The report is written in autumn 2023, the first year after the coronavirus pandemic has passed. The markets have returned, and a weak Norwegian krone has made travels to Norway significantly cheaper for foreigners relative to our competitor countries – and for Norwegians travelling in their own country.

At the same time, the tourism industry is influenced by a number of external factors. The most significant is climate changes which demand both emission reductions and climate adaptations. The Norwegian tourism sector is negatively impacted by reduced travel activity, but climate changes also have a positive effect on Norway's competitive position, as demand shifts away from regions affected by heat, drought, and wildfires, towards nature-based experiences in Norway.

Other sustainability dimensions are also receiving increasing attention in international travel markets. This applies particularly to the conservation of natural resources and awareness of sustainable visitor management. Accommodating guests with disabilities is also part of this picture.² Many countries put sustainability high on the agenda, so it is not a given that Norway has any competitive advantage in these areas.

The geopolitical development also affects the demand for travel and the global competitive landscape. Regions affected by conflict, war, and political instability become less attractive, which strengthens Norway's competitive position. Concurrently, the geopolitical power struggle between the USA and China will lead to reduced travel activity between regional blocs.

Menon Economics has built a forecast model for the development of four customer segments in five industries. The customer segments are: foreign guests (export customers), Norwegian holiday travellers, business travellers (meetings, conferences, etc.) and the local population's own consumption. These four segments have varying significance in the five tourism businesses that in sum constitute the holistic travel experience: accommodation, catering, experiences (activities and culture), transport, and intermediation.

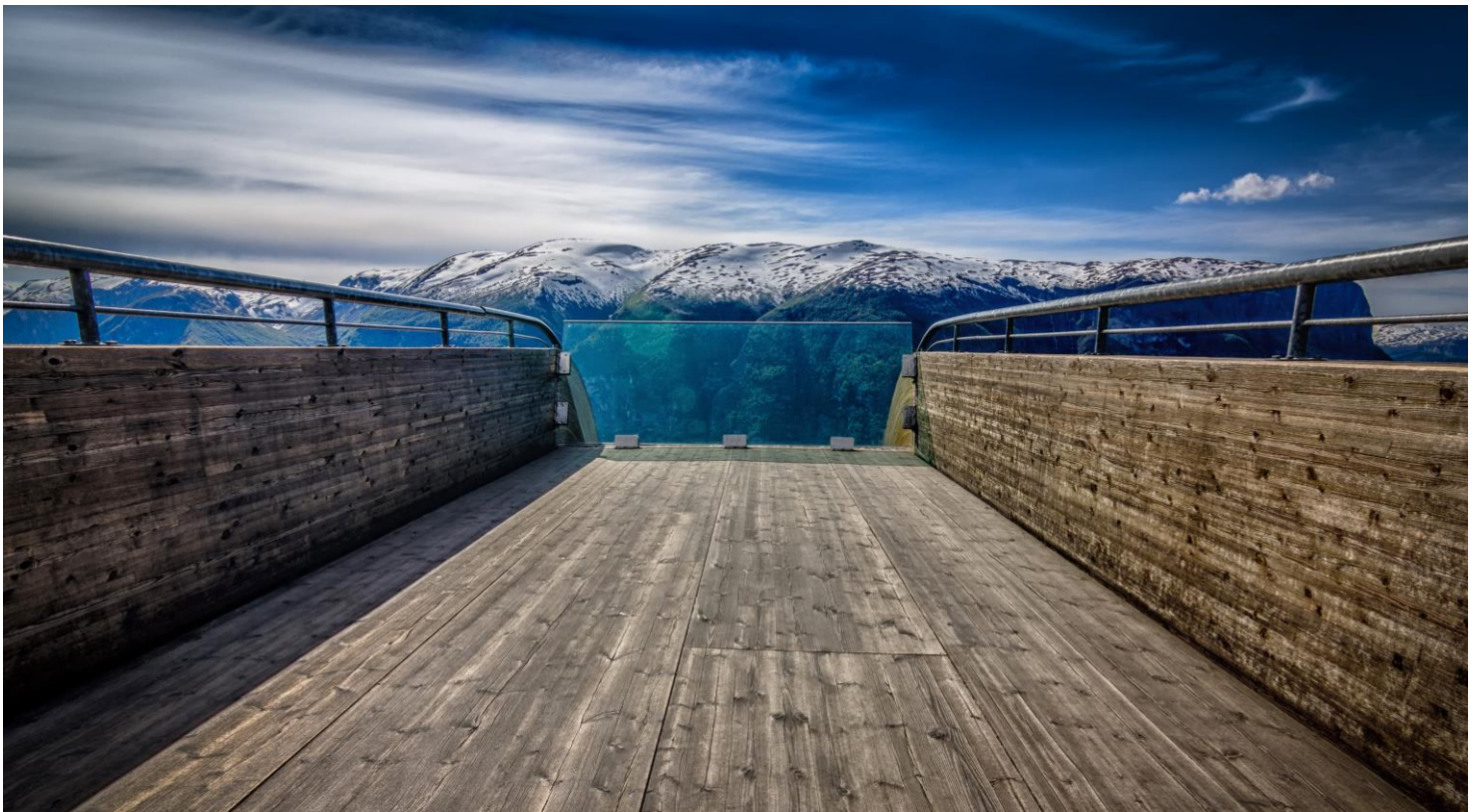
¹ The report is written without external financing.

² Menon wrote a Norwegian report for Sunnaasstiftelsen in 2023 where we assessed the potential for better facilitation for guests with disabilities: <https://www.menon.no/wp-content/uploads/2023-66-Reiseliv-i-Nord-Norge-for-personer-med-nedsatt-bevegelsesevne.pdf>.

The key findings can be summarised in the following points:

- 1) The total revenue for the tourism sector will reach nearly 250 billion kroner in 2023. This means that the industry's revenues are 10 percent higher than before the pandemic, measured in fixed kroner. In other words, the industry has not just recovered the losses from the pandemic but has grown significantly larger. The strong growth has several reasons: a weak Norwegian krone, increased desire to travel and willingness to pay in the market after the pandemic, together with an underlying growth trend for nature-based experiences.
- 2) Our forecasts suggest that tourism revenue will increase to 330 billion kroner by 2030, measured in fixed 2023 kroner. Growth will be particularly strong within nature and culture-based experiences and catering services, but transport and accommodation will also experience high growth towards 2030.
- 3) The highest growth is likely to occur in the export markets. Our forecasts suggest that export revenues will reach 66 billion kroner (fixed 2023 kroner), a growth of 67 percent from the 2019 level. Export revenues depend on how the Norwegian krone will develop. We have assumed that it will remain at the historically low level of 2023. If the krone strengthens by 20 percent, it will, according to our forecasts, result in export revenues being almost 10 billion kroner lower.

It is important to emphasise that the high anticipated growth in the tourism industry is contingent upon the ability to maintain the product development and quality enhancement that has characterised the industry over the last 10-15 years. It also requires that capacity grows in line with demand, and not least that success is achieved in developing and retaining competence within the industry.



Menon Economics analyses economic issues and provides advice to businesses, organisations and public authorities. We are a consulting firm operating at the interface between economics, politics and markets.

Menon combines social and business economics expertise in fields such as social profitability, value creation, business and competition economics, strategy, finance and organisational design. We use research-based methods in our analyses and work closely with leading academic environments in most fields. All Menon public reports are available on our website www.menon.no