



Forecasting Methodology

Forecasts for inbound, outbound, domestic travel and economic value are produced using an iterative process.

The first iteration involves the Tourism Research Australia Forecasting Unit estimating activity and expenditure using econometric models. These models provide forecasts based on price, income, seasonality as well as significant events affecting source markets.

The second iteration involves the sub committee, the Tourism Forecast Technical Committee, made up of senior researchers and economists generally from Tourism Forecast Committee member organisations, as well as independent advisors, reviewing the model-based forecasts and applying qualitative adjustments. Any adjustments are made by consensus.

The third iteration involves industry and government experts, the Tourism Forecast Committee, reviewing the forecasts. Any adjustments are made by consensus.

The Tourism Forecast Committee forecasts represent the most likely outcome given past trends, current information, the impact of policy and industry changes. It is important to note that the Tourism Forecast Committee produces 'forecasts' as distinct from 'targets'. The targets are developed for business planning and performance management purposes.

Scandinavia including; Denmark; Finland; Norway and Sweden; have been disaggregated from the 'Rest of Europe' category. Scandinavia is still included in 'other Europe' in the summary tables. Commentary and detailed forecasts for this country group are contained in the 'Country detail' section of this report. As a result, 'Scandinavia' and 'rest of Europe' sum to 'other Europe' in the summary tables.

Risks to the forecasts

There are many factors influencing the accuracy of tourism forecasts including:

- Data limitations
- Assumptions underlying changes in explanatory variables may not hold true in the future
- Econometric models use historical information to estimate past relationships between the dependent variable (travel activity) and explanatory variables (e.g. economic, seasonality, events). Such relationships between variables may not hold in the future. Shocks to the industry by external factors can disrupt these relationships in the short term or lead to a structural change
- Changes in some factors that affect tourism activity can be difficult to foresee such as those relating to, political, economic, aviation, marketing, health, and social influences. The impact on visitor arrivals of potential shocks is discussed in "The impact of shocks" section, and
- Some figures in this publication are estimates derived from Tourism Research Australia surveys and are subject to sample error. Users of the data are advised to consult the sample error tables contained in all publications or otherwise available from Tourism Research Australia before drawing any conclusions or inferences or taking any action based on the data.

It is important the reader understands the risks associated with these forecasts and interpret and use the forecasts with these risks in mind.

Data sources

Tourism is influenced by a range of factors. Forecasts for tourism activity are largely based on assumptions of future economic activity. Historical data and forecasts for macroeconomic data and currencies are obtained from the following sources:

- Currencies: www.oanda.com
- Macroeconomic data: Various international and national statistical agencies, Central Banks, Economist Intelligence Unit
- Macroeconomic forecasts: Consensus Forecasts, Consensus Economics
- Demographic data: World Bank

The main variables of interest are economic value and activity for inbound, outbound, and domestic travel. Historical data for these variables are obtained from the following sources:

- Inbound: Overseas Arrivals and Departures (ABS, No. 3401.0); International Visitor Survey (Tourism Research Australia Survey)
- Outbound: Overseas Arrivals and Departures, (ABS, No. 3401.0)
- Domestic: National Visitor Survey (Tourism Research Australia Survey)
- Economic value: Australian Tourism Satellite Account (ABS, No. 5249.0); International Visitor Survey, National Visitor Survey (Tourism Research Australia Surveys)

The Tourism Forecasting Committee Forecasts are also considered against other forecasts from Pacific Asia Travel Association, Tourism Research Council New Zealand and International Air Transport Association.