

II TRAVEL SERVICES IN 2016: CONTINUING DETERIORATION

France is the world's leading travel destination in terms of visitor numbers, but it ranks fourth for annual tourism receipts, behind the United States, China and Spain.⁶ These receipts accounted for 1.7% of France's GDP in 2016. The notion of foreign visitors covers both visitors travelling for personal reasons (89% of receipts) and business travellers. Visitors include tourists, as well as day visitors, who constitute a major category of travellers to France, given the country's geographical position.⁷

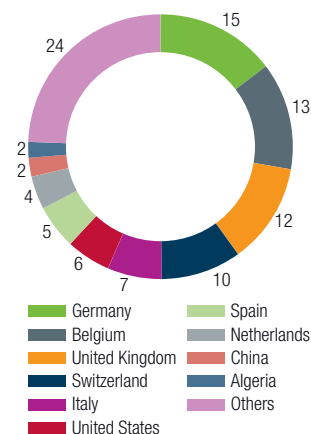
Travel receipts continue to decline

Travel receipts stood at 38.4 billion, down by 5% in 2016, after a drop of 8% in 2015. This is the lowest figure for the last five years, even though the World Tourism Organisation reports an increase in world tourism demand. The total number of people who left their country for overnight stays in other countries increased by nearly 4% between 2015 and 2016. In addition to factors such as the economic climate, the exchange rate and France's loss of competitiveness as a visitor destination, the overall decline in receipts may also be explained in part by the security situation, following the terrorist attacks of November 2015 and July 2016.

In 2016, receipts were down in general from the main countries of origin for visitors to France, whether near or far. This means that most of the decline can be explained by lower numbers from neighbouring countries, which have usually been the main countries of origin of foreign visitors to France, led by Germany, Belgium and the United Kingdom. The 2.1-billion decline in receipts breaks down into a 1.3-billion drop in receipts from the euro area, especially Italy, the Netherlands, Germany and Spain, which, together, account for 31% of France's travel receipts. The decline in receipts from neighbouring countries may be explained by visitors opting for other destinations, such as Spain. However, hosting the Euro 2016 Football Championship may have provided a counterweight for the trend of diminishing receipts. Spending by British and Belgian visitors was up slightly, following a very strong third quarter.

C2-1 Distribution of receipts

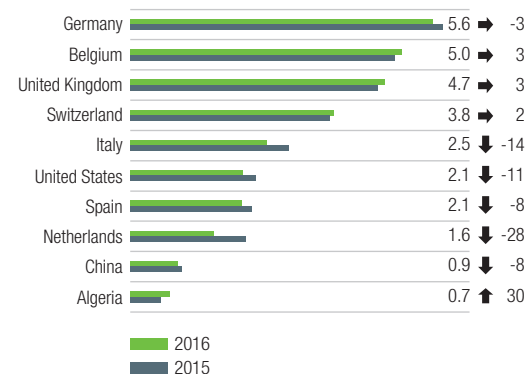
(% of total in 2016)



Source: Banque de France.

C2-2 Main sources of receipts

(levels in EUR billion and change in 2016 in %)



Source: Banque de France.

⁶ Source: World Tourism Organisation report of November 2016.

⁷ Day visitors are people who travel to France but do not stay overnight. This category includes residents of neighbouring countries who come to France for the day to shop or visit cultural attractions, along with air, rail and road travellers in transit.

The ranking of more distant countries of origin of visitors may change as a result of international competition, security-related events or changing exchange rates and economic conditions that are specific to their regions. For example, receipts from countries with fragile economies were down sharply (by 18% for Brazil and 26% for Russia) and from countries where the threat of attacks may have had a big impact on destination choices (China, United States, Japan).

But French travellers' spending abroad has rebounded

After declining in 2015, travel payments increased by 3% in 2016, rising by 1.2 billion, including a 0.7 billion increase in the third quarter. As is the case for receipts, travel payments cover both personal and business travel, which showed contrasting trends in 2016. Personal travel payments were up by 9%, while business travel payments declined by 5% over the year. It is no surprise that the leading destinations in terms of French travellers' payments include the two major destinations in southern Europe: Spain (15% of all payments in 2016) and Italy (9%). The structure of France's travel payments shows a greater diversity of destinations than that of its travel receipts. Furthermore, the large shares of Switzerland (4% of payments) and Luxembourg (3%) must be seen

in light of the large number of cross-border workers in those countries.

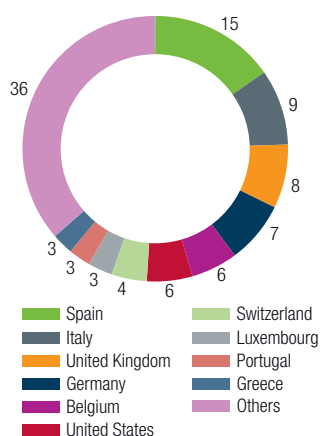
The increase in travel payments in 2016 benefitted all of the leading travel destinations near and far. French visitors spent more in Spain, Italy and the United Kingdom, which squeezed out Germany as the third ranking destination for French travel payments. The biggest increases were seen in Portugal (18%) and the United States (24%). In contrast, some destinations lost favour in 2016. This was the case for Germany, with a 4% decline in payments and Greece, with a 21% dip, as the migrant crisis undoubtedly drove down tourist numbers. But French travellers' payments were also down in Morocco, where they declined by 15% and in China, where they fell by 25%.

The travel balance shrank further

The decline in receipts and the increase in payments led to a further deterioration of the travel balance, which stood at 1.8 billion in 2016. The balance fell by 3.2 billion in 2016. It was the third year in a row that the balance shrank. The travel balance shrank by 9.0 billion between 2013 and 2016, accounting for a significant share of the erosion of France's surplus on trade in services.

C2-3 Distribution of payments by French residents

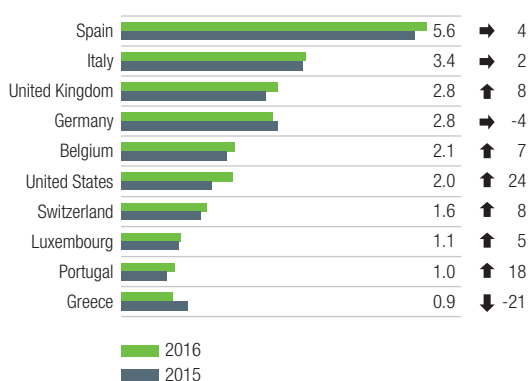
(% of total in 2016)



Source: Banque de France.

C2-4 French residents' payments abroad by destination

(levels in EUR billion and change in 2016 in %)



Source: Banque de France.