

**EUROPEAN
TRAVEL
COMMISSION**

European Tourism – Trends & Prospects Quarterly Report 1/2019

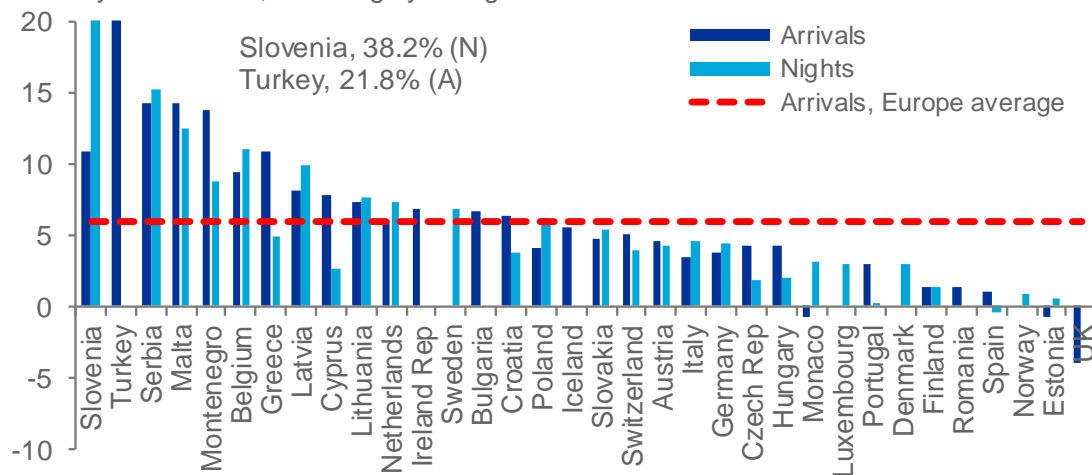
Executive Summary

European tourism growth in 2018

- European tourism demand remained on solid footing with a 6% upswing in international tourist arrivals in 2018 over a year ago, despite some downside risks stemming from trade tensions, uncertainty surrounding Brexit, and an economic slowdown in the Eurozone and China.
- Travel growth to Turkey (+22%) was significant, driven by a wide range of source markets and a depreciating lira. Serbia continued to benefit from its visa-free access to Chinese passport holders while Malta's efforts to consolidate its position as a year-round destination paid dividends (both +14%). Montenegro (+14%) also saw solid results thanks to promotional activities carried out in priority markets and good air connections.

Foreign visits and overnights to select destinations

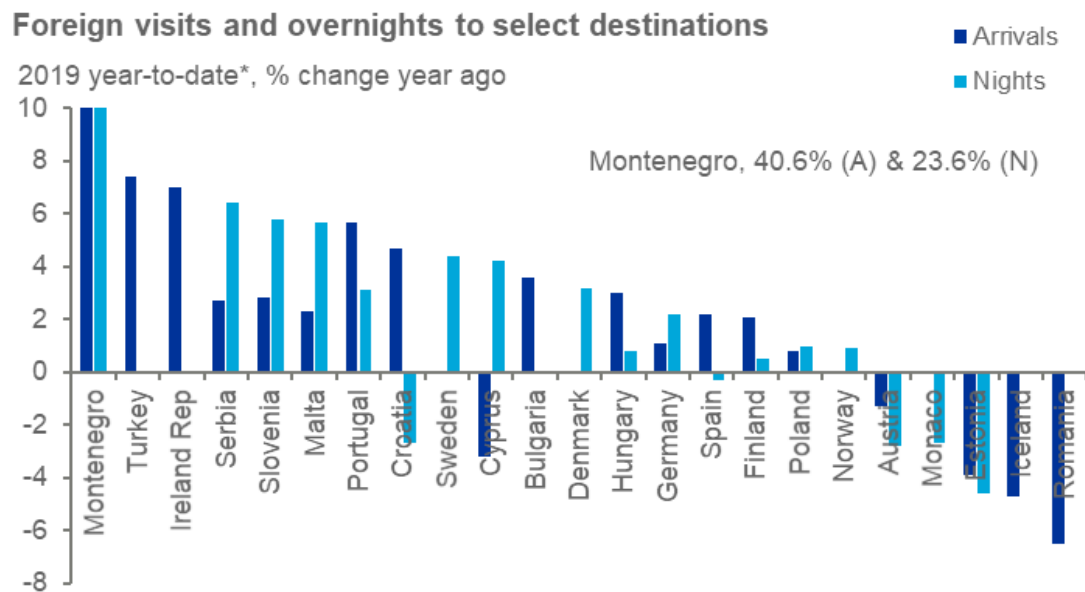
2018 year-to-date*, % change year ago



Source: TourMIS *date varies (Jan-Dec) by destination

European tourism growth in 2019

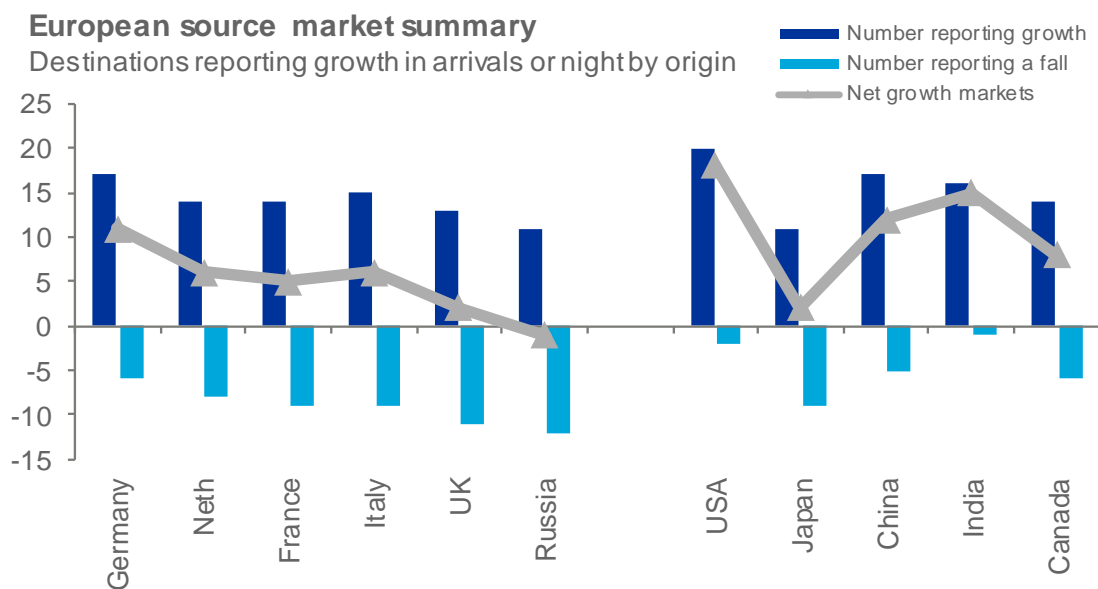
- 2019 kicked-off on a positive note for the European tourism sector following the solid performance in 2018 (+6%).
- A more moderate rate of expansion is expected for 2019 (around 3.5%). Despite resilient growth, and above-average expansion in recent years relative to the average rate of growth over the past decade, the region continues to lose market share against competing regions.
- Short-term risks, such as the slowing global economy, trade tensions, and political uncertainty, continue to weigh on growth projections.



Source: TourMIS *date varies (Jan-Mar) by destination

Intra-regional and long-haul source markets

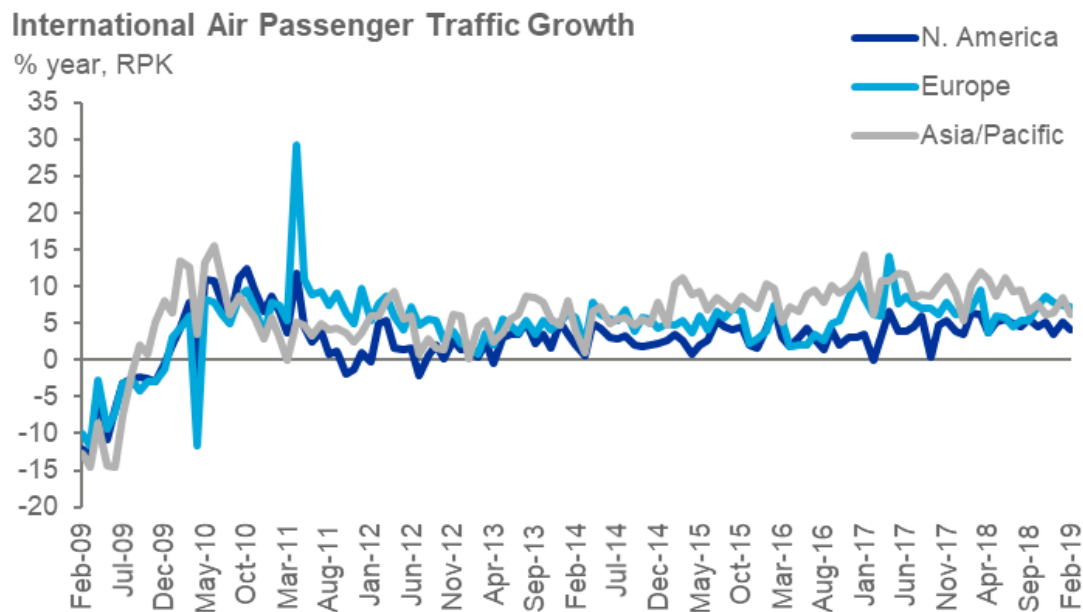
- Russian arrivals growth to Europe has been sluggish so far in 2019, with less than half of reporting destination seeing increases compared to the same period a year ago. The weak pound due to ongoing Brexit-related uncertainty have had a clear impact on outbound travel demand from the UK, with just over than half of reporting destinations enjoying growth.
- More destinations reported growth from the US than from any other key source market. Despite being a long-haul source market, the US accounts for a significant share of inbound arrivals to Europe. Consequently, its contribution to European inbound arrivals growth is sizeable. This makes the US a key source market given the slowdown risks in 2019.



Source: TourMIS, Tourism Economics

European air passenger traffic growth ticks up

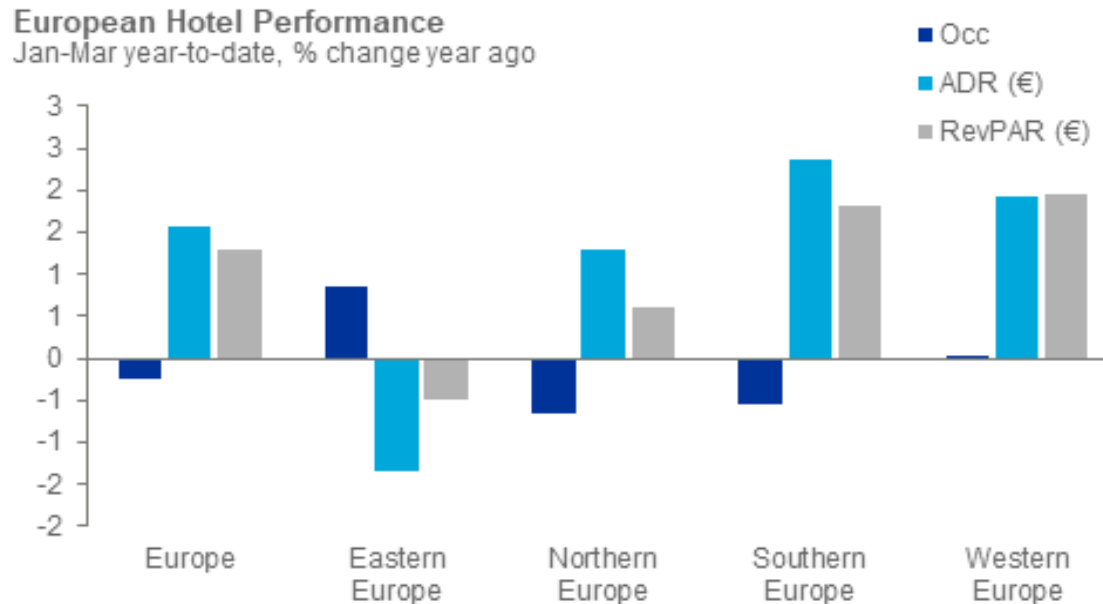
- European air passenger traffic growth has ticked upwards in recent months, whereas growth in Asia/Pacific and North America has slowed.
- ASK growth also accelerated in early-2019 which has kept passenger load factors stable relative to recent years. But passenger load factors in Europe remain the highest of any global region.
- This growth suggests that capacity constraints were not as bad as feared and further discounting is possible as Europe's low-cost carriers (which account for a significant proportion of ASK in Europe) vie for market share.



Source: IATA

Occupancy flat across Europe

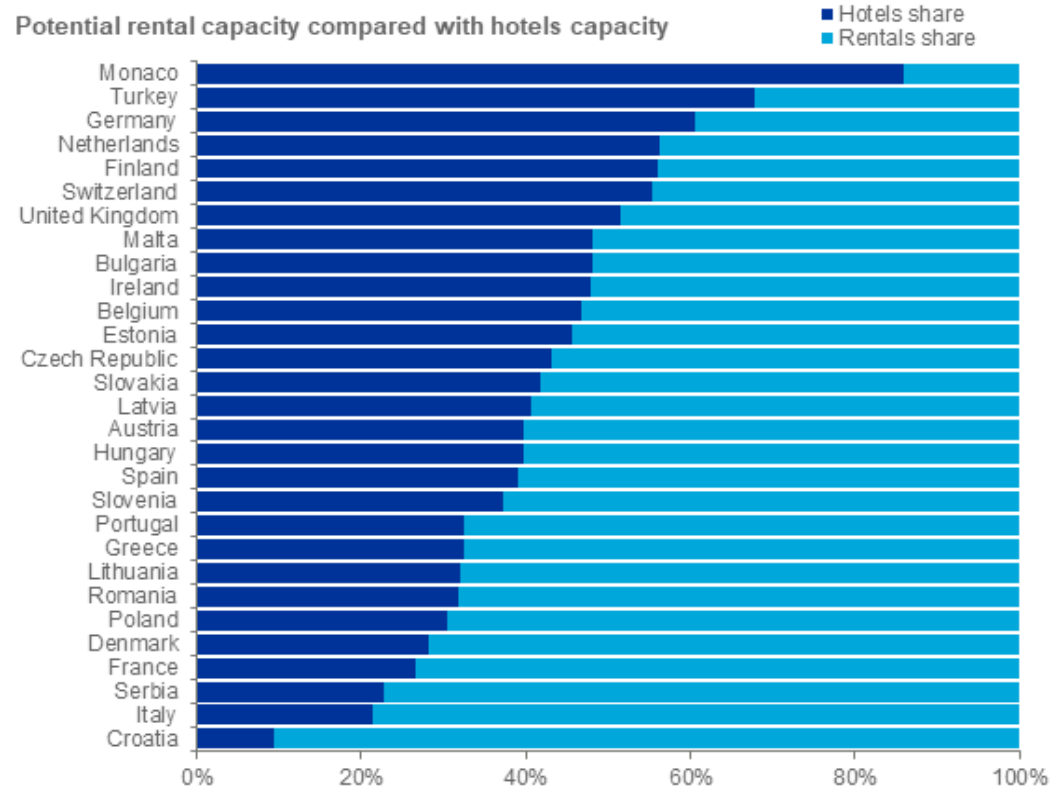
- Europe outperformed all other regions in 2018, as the only world region to report growth across all key hotel performance indicators. However, based on data for the first quarter of 2019, occupancy is essentially flat across the region, including some weak demand.
- But occupancy levels are high and are indicative of capacity constraints given growth in transportation and arrivals. As in 2018, ADR growth remains the key driver of RevPAR growth in Europe.
- Alternative accommodation is important; a growing supply of alternative accommodation types (i.e., Airbnb) should stall “overheating” within the hotel segment.



Source: STR

Vacation rentals market in European destinations

- Large capacity in Europe's rental market is helping to realise demand growth given constraints in hotel sector.
- The vacation rentals sector provides a large volume of capacity in addition to hotel beds; 60% of available bedspaces across Europe are in rental accommodation.
- Total capacity across Europe of the vacation rentals market is 14.3 million bedspaces compared with about 8.7 million bed spaces in hotels. However, occupancy is lower than for hotels and demand will be more balanced.
- France, Italy and Spain account for half of all capacity for the vacation rentals market across Europe.
- 91% of available capacity is accounted for by entire homes, with a significant minority available in individual rooms. Shares vary by country and individual rooms are notably more important in the UK



Source: Transparent, ETC, Tourism Economics

Economic outlook

- Global travel demand has continued to grow faster than economic growth in 2018, with a clear uptick in air travel demand in late-2018 and early-2019. Some slowdown compared to prior years is evident, in line with global economic activity. Prospects for early-2019 remain downbeat, but latest data offer some glimmers of hope that growth is beginning to stabilise. Oxford Economics (OE) continue to expect easier financial conditions and other policy support to trigger a modest acceleration in global GDP growth in the latter part of 2019. OE's latest forecasts suggest a move towards a more upbeat outlook for the global economy with world GDP growth of 2.7% this year and 2.9% in 2020.

SUMMARY OF ECONOMIC OUTLOOK, % CHANGE*

Country	2019					2020				
	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation
UK	1.4%	1.6%	0.4%	0.9%	1.8%	1.8%	1.6%	-0.1%	0.3%	1.8%
France	1.4%	1.2%	-0.3%	0.0%	1.2%	1.5%	1.4%	-0.2%	0.0%	1.4%
Germany	1.1%	1.6%	-0.2%	0.0%	1.5%	1.6%	2.0%	0.0%	0.0%	1.5%
Netherlands	1.6%	1.9%	-0.4%	0.0%	2.0%	1.5%	1.6%	0.2%	0.0%	1.8%
Italy	-0.1%	0.3%	0.1%	0.0%	0.9%	0.4%	0.4%	-0.3%	0.0%	0.9%
Russia	1.7%	2.0%	0.1%	-1.1%	4.7%	1.6%	1.8%	-0.1%	-1.7%	3.9%
US	2.3%	2.2%	-0.2%	3.4%	1.6%	1.8%	2.0%	-0.2%	-3.9%	1.9%
Canada	1.1%	1.3%	0.0%	1.2%	1.9%	1.2%	1.6%	0.1%	-1.8%	2.1%
Brazil	1.7%	2.1%	-0.8%	1.1%	3.6%	2.7%	2.8%	-1.5%	-3.5%	4.1%
China	6.2%	6.8%	0.0%	2.3%	2.0%	5.9%	6.5%	0.0%	-1.7%	2.3%
Japan	0.5%	0.9%	-0.1%	2.9%	0.9%	0.4%	-0.2%	-0.1%	-3.0%	1.2%
India	7.1%	7.3%	0.0%	1.3%	4.1%	7.0%	7.2%	0.1%	-3.9%	5.4%

Source: Tourism Economics

* Unless otherwise specified

** Percentage point change

*** Exchange rates

Useful reading

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