

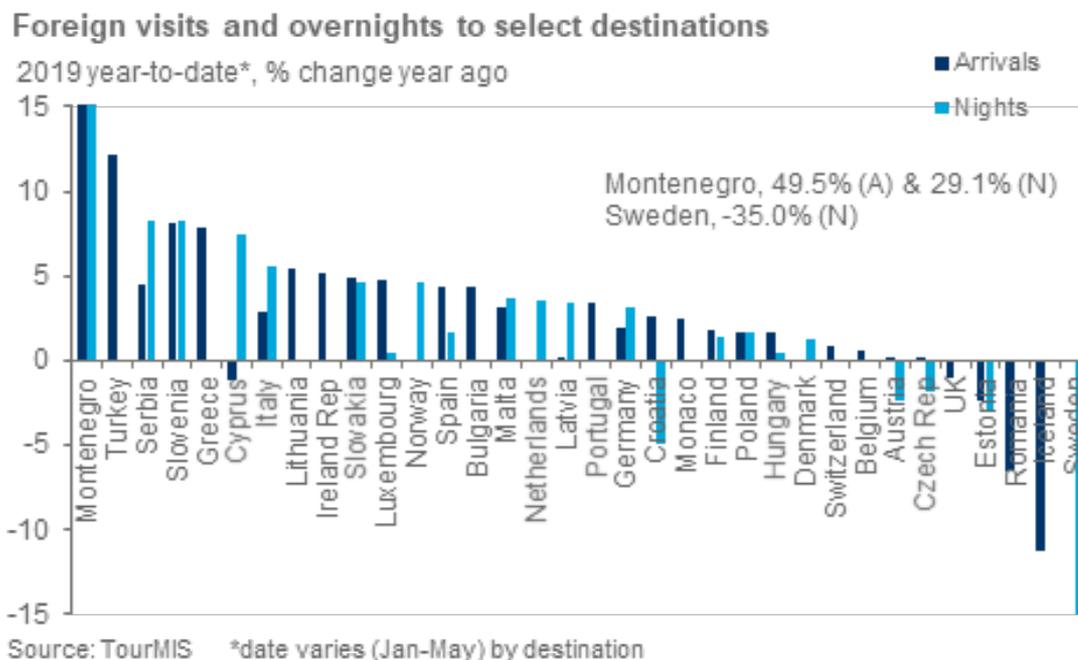
**EUROPEAN  
TRAVEL  
COMMISSION**

# **European Tourism – Trends & Prospects Quarterly Report 2/2019**

*Executive Summary*

# European tourism growth in 2019

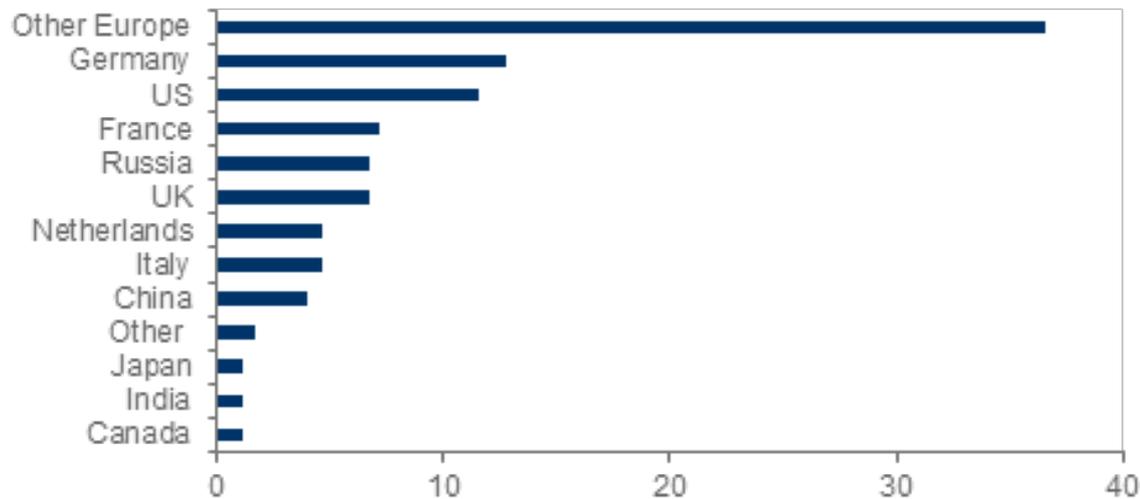
- Demand for European tourism is expected to maintain an upward trajectory over 2019.
- Virtually all reporting destinations registered significant increases in tourist arrivals early in the year, although data into the summer months will provide a more stable picture of yearly performance.
- However, growth rates by destination are slower than in previous years as the region faces headwinds from the trade tensions disrupting the global economy.



# Intra-regional and long-haul source markets

- While Europe's largest long-haul source markets continue to support tourism growth, with notable contributions from the US and China of 11% and 4% respectively, contributions from intra-European demand will become even more significant.
- 72% of total arrivals growth to European destinations in 2019 is expected to come from within Europe.
- The relatively modest contribution from China still implies some market share gain, and notably at the expense of travel to the US.

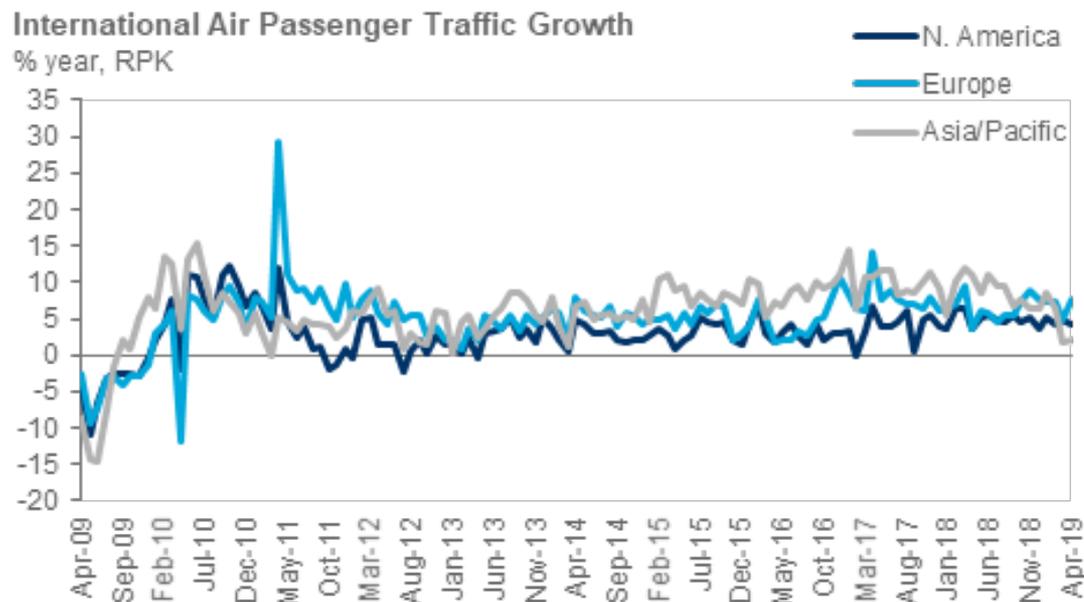
**Contributions to European growth by origin market**  
% contribution to growth, 2019



Source: Tourism Economics

# European air passenger traffic growth ticks up

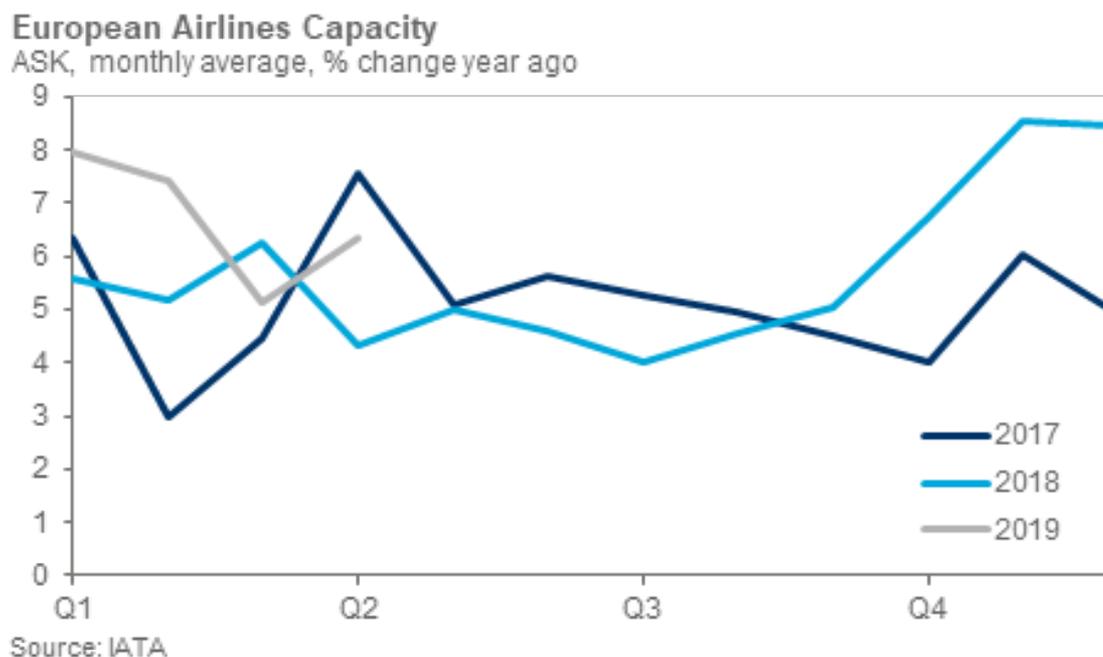
- European air passenger traffic appears unaffected by Brexit uncertainty or the softer economic outlook across the region, despite both contributing to markedly lower business confidence over the past year.
- So far this year, Europe has outperformed all other regions, posting 6.9% growth in RPK in the first four months of the year compared to last year. While global growth is currently comparable to the slowdown experienced in 2016, it is notable that European airline growth remains faster than at that time.
- European air passenger traffic growth has ticked upwards in recent months, whereas growth in Asia/Pacific and North America has slowed.



Source: IATA

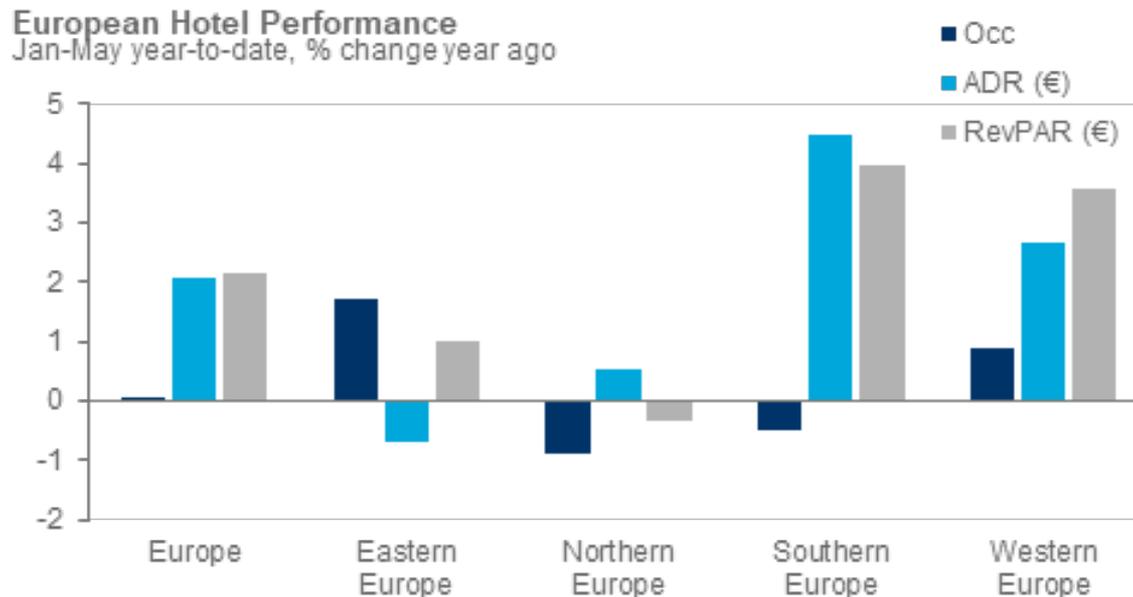
# European air capacity under strain

- Capacity remains a major concern within Europe where load factors are higher than in any other region. The year-to-date load factor in Europe is 82.7%, but in April alone was 85.1%.
- While this was likely influenced by the timing of Easter which fell in April this year, this is the highest ever load factor observed in any March or April – the two months in which Easter typically falls – of the past 15 years.
- This upward pressure on load factors is exacerbated by the slower capacity growth, with the industry clearly reluctant to grow capacity in the face of a weaker business environment.



# And hotel capacity...

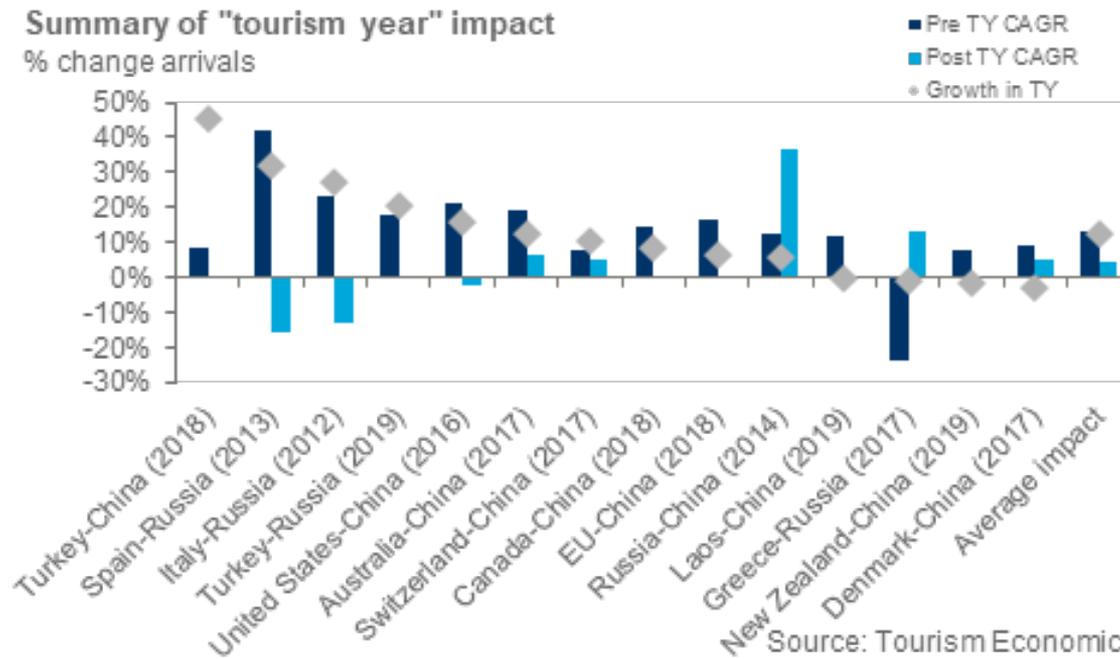
- European hotel revenue per available room (RevPAR) grew by 2.1% in the first five months of 2019 compared to the same period a year ago, with this growth driven almost exclusively by rate hikes.
- Occupancy rates in many Western European markets are at all-time highs, leaving very little scope for hotel operators to accommodate continued demand growth.
- Against a softening economic backdrop within Europe, as well as growing competition from alternative accommodation types, hotel operators appear reluctant to push rates to any great degree.



Source: STR

# The impact of “tourism years”

- Tourism years appear to support growth between participating destinations. This growth is mostly in prior years as capacity expands to meet expected demand from the tourism year.
- The EU-China Tourism Year in 2018 had a clear impact on demand for both EU and non-EU ETC destinations in terms of market share gained of Chinese long-haul outbound.
- Tourism years can act as a catalyst for faster growth from developing and long-haul markets, but short-haul travel will ultimately remain key to Europe’s growth prospects in the near-term.



# Economic outlook

Last year global travel demand grew around 5.6% making 2018 the fastest growth year since the recession that was not a rebound from negative or weak growth in the previous year (e.g. 2010 and 2017). 2019 is likely to be a slower year for global travel growth. Latest US trade measures and threats will undermine sentiment and weaken near-term global growth prospects. This, along with the sombre tone of recent economic data, lends itself to pessimism surrounding the near-term outlook. Overall, for 2019 we have lowered our global GDP growth forecast from earlier in the year to 2.7%. We see 2020 growth remaining at 2.7%, well below the 3.2% gains of 2017 and 2018.

## SUMMARY OF ECONOMIC OUTLOOK, % CHANGE\*

Country	2019					2020				
	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation
UK	1.3%	1.8%	0.6%	0.7%	1.9%	1.6%	1.7%	0.1%	0.2%	1.8%
France	1.4%	1.3%	-0.3%	0.0%	1.2%	1.5%	1.3%	-0.2%	0.0%	1.3%
Germany	1.0%	1.9%	-0.3%	0.0%	1.4%	1.5%	1.7%	-0.1%	0.0%	1.6%
Netherlands	1.5%	1.6%	-0.5%	0.0%	2.0%	1.5%	1.9%	0.1%	0.0%	1.6%
Italy	0.0%	0.3%	-0.1%	0.0%	0.8%	0.4%	0.4%	-0.1%	0.0%	0.9%
Russia	1.0%	1.7%	-0.4%	0.8%	4.7%	2.4%	1.8%	-0.3%	1.1%	4.1%
US	2.4%	2.4%	-0.3%	4.9%	1.9%	1.6%	1.9%	-0.2%	-0.7%	2.0%
Canada	1.1%	2.0%	-0.2%	1.6%	1.9%	1.3%	1.6%	0.1%	0.3%	2.0%
Brazil	1.0%	1.5%	-0.3%	-1.6%	4.0%	2.0%	2.0%	-0.9%	-0.9%	4.1%
China	6.2%	6.7%	-0.2%	2.0%	2.4%	5.9%	6.4%	0.0%	0.5%	2.5%
Japan	0.5%	0.4%	0.0%	6.1%	0.8%	0.2%	0.0%	0.0%	-0.2%	1.1%
India	6.8%	7.1%	0.0%	2.8%	3.4%	7.1%	6.9%	0.1%	-0.7%	4.9%

Source: Tourism Economics

\* Unless otherwise specified

\*\* Percentage point change

\*\*\* Exchange rates