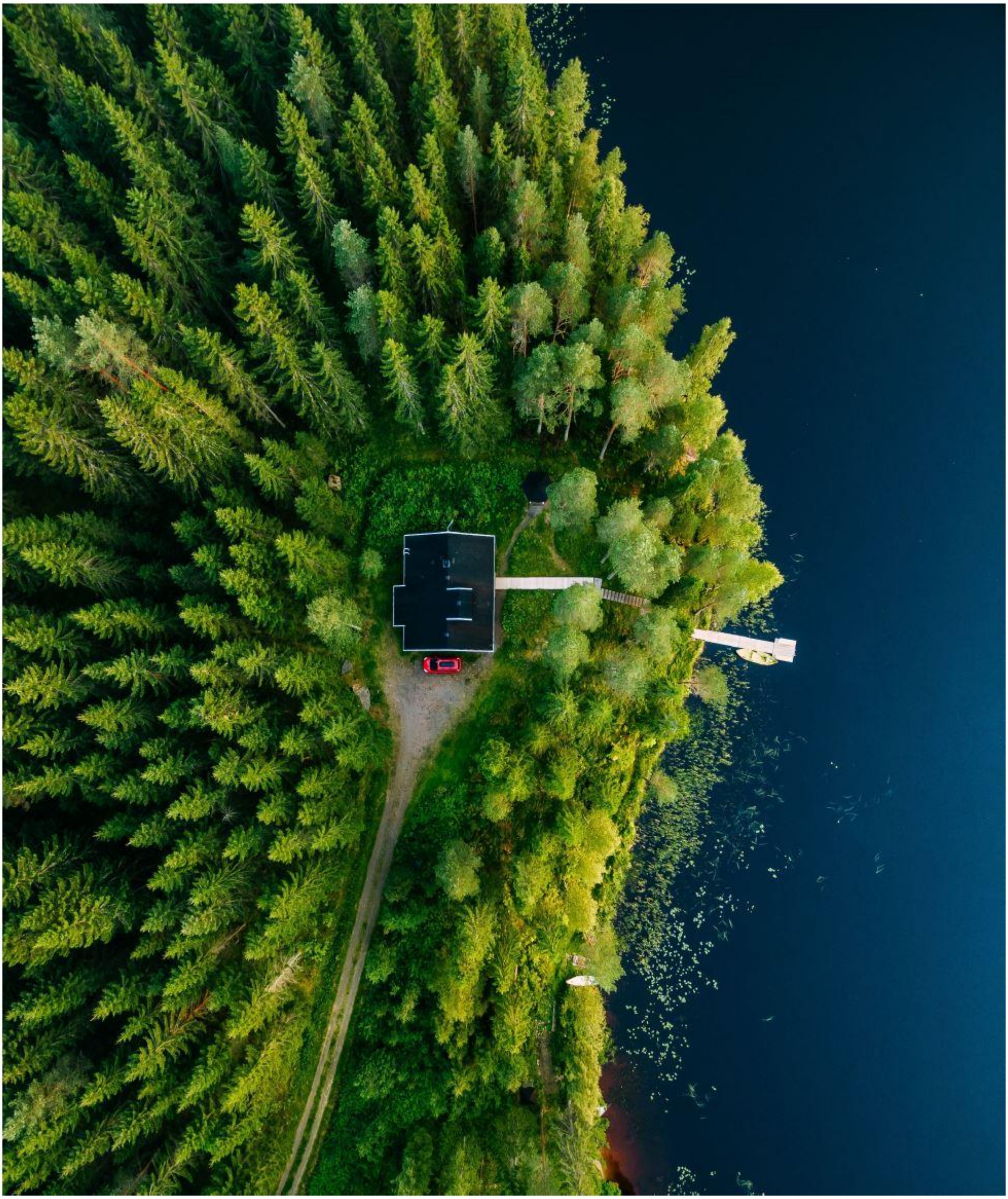
EUROPEAN TOURISM - TRENDS & PROSPECTS



QUARTERLY REPORT - Q1/2020

EUROPEAN
TRAVEL
COMMISSION

EUROPEAN TOURISM:
TRENDS & PROSPECTS
Quarterly report (Q1/2020)

A report produced for
the European Travel Commission
by Tourism Economics

Brussels, May 2020

EUROPEAN TOURISM: TRENDS & PROSPECTS (Q1/2020)

Data sources: This report includes data from the TourMIS database (http://www.tourmis.info), STR, IATA, and UNWTO. Economic analysis and forecasts are provided by Tourism Economics (www.tourismeconomics.com) and are for interpretation by users according to their needs.

Published by the European Travel Commission
Rue du Marché aux Herbes, 61,
1000 Brussels, Belgium

Website: *www.etc-corporate.org*

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ISSN No: 2034-9297

This report was compiled and edited by:
Tourism Economics (an Oxford Economics Company) on behalf of the ETC Market Intelligence Group.

Cover: Aerial view of wooden cottage in green pine forest by the blue lake in rural summer Finland
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FOREWORD

Earlier this year most downside risks in the tourism sector revolved around trade and geopolitical disputes, an economic slowdown, climate change and the impact of the novel coronavirus outbreak on Chinese outbound travel. However, in March, concerns about the pandemic ballooned as the virus made its way to other world regions at an incredibly fast pace. COVID-19 has certainly shown its disruptive power leaving many governments facing a devastating public health emergency and a financial crisis. COVID-19 emerged as a global challenge like no other and thus global support, collaboration and understanding are required to mitigate the social and economic impact of the pandemic.

Although much about the pandemic is unprecedented, the current crisis has also left many of us thinking: What will tourism look like post-coronavirus? The aftermath of the crisis entails major challenges and the path to recovery will come with many hurdles along the way. However, the crisis also creates many opportunities for the travel and tourism sector allowing for a new period of transformation. Destinations will be able to reshape their tourism strategies and lay the foundations for an ecosystem that is more sustainable, that benefits local communities and that provides tomorrow's travellers with deeper and richer experiences. This unprecedented pandemic has forcibly paused the speed and rhythm of life in a globalised society. Hopefully, it will also provide the much-needed break to forge deeper and more humble connections between the traveller, the destination, and the global environment.

The latest issue of the European Tourism Trends & Prospects (quarterly reports) will take the reader through the impact of the COVID-19 pandemic on the tourism sector and the wider macro-economic environment. The report highlights the extent to which destinations have been and will be impacted and provides some early indications as to what the future will look like in the next three-year period. In this issue, the reader will also find a short impact assessment which includes some of the results of an ETC membership survey carried out earlier this month to assess the disruption caused by the pandemic.

Jennifer Iduh (ETC Executive Unit)

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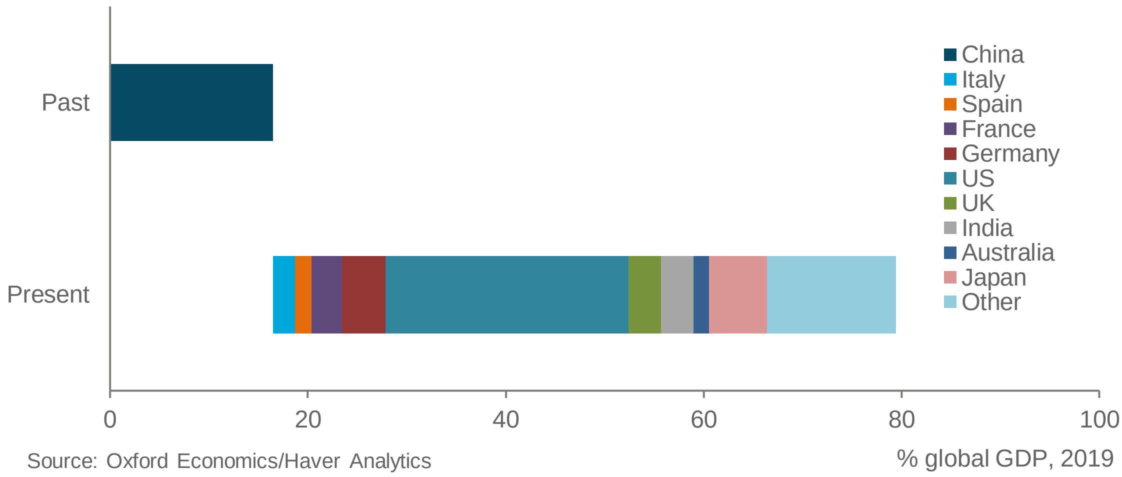
EUROPEAN TOURISM AMIDST AN UNPRECEDENTED CRISIS

Containment efforts across Europe due to the coronavirus outbreak have left countries struggling to support their economies and have taken a severe toll on the tourism sector. Pandemic concerns and impact will intensify as travel restrictions continue into the peak summer travel season. Numerous indicators suggest a global recession; recent forecasts estimate a decline in European tourism in line with world projections (-39%)[1] in 2020 compared to the prior year.

The COVID-19 crisis will cost millions of jobs and will have a greater impact on small and medium-sized enterprises (SMEs) in Europe. Amidst a high level of uncertainty, estimating the consequences of the pandemic will depend on its evolution, and (social distancing protocols) the length of domestic and international travel bans. Although the recovery is projected to kick off early in 2021, a rebound to pre-crisis levels is not expected until 2023 and will mirror the economic vitality of the different markets.

Global Lockdowns



Source: Oxford Economics/Haver Analytics

ALL DESTINATIONS EXPECT TOURISM DECLINES IN 2020

According to a recent ETC member survey, 100% of respondents anticipate some degree of decline in arrivals in 2020, with most respondents expecting a decline of between 30-40%. Domestic and intra-European travel will recover more rapidly as the easing of restrictions are expected earlier, while the impact on long-haul travel will be heavily noticed in 2020. Some destinations expect dramatic GDP and employment contractions, and others mention losses between 60-70% in terms of tourism revenue in 2020.

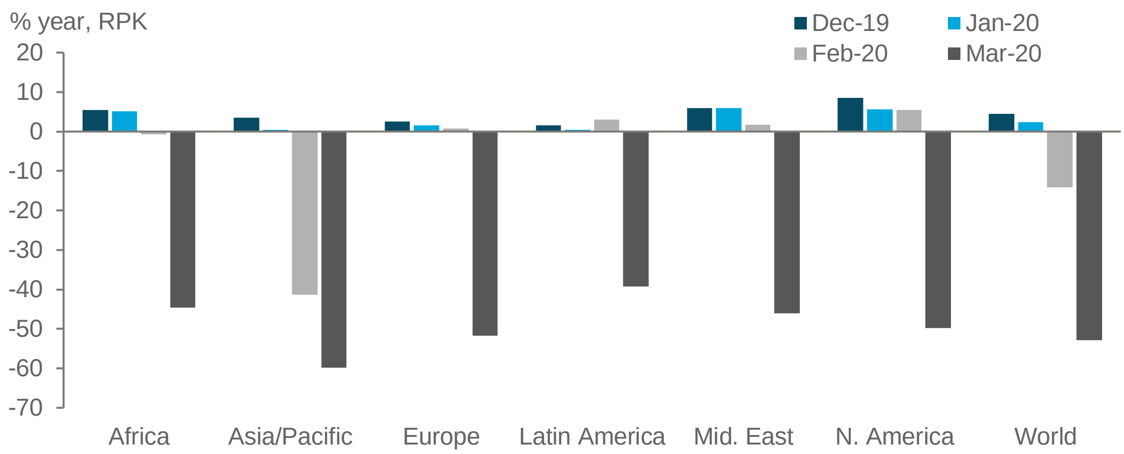
Latest available figures cover the period January-February, thus data from later months will provide a full picture of the overall impact of the pandemic (except for China where the outbreak began earlier than elsewhere). Croatia (-41%) and Iceland (-27%) were the only destinations reporting data up to March and featured declines that already reflect the impact of travel restrictions.

[1]Tourism Economics

AIR TRAVEL WILL BE AMONG THE HARDEST HIT SECTORS BY THE PANDEMIC

The effects of the coronavirus lockdown measures have been felt earlier in travel to and from Asia Pacific with RPK[2] in January well below trend for the month (+0.4%) and declining in February, down 41.3% compared to February 2019. While airlines have significantly reduced capacity and are facing a liquidity crisis, financial and fiscal relief will be key to their survival. The oil market too is experiencing one of its biggest shocks with prices plummeting due to low demand and oversupply. The delayed onset of the pandemic is clear elsewhere, and notably in Europe wherein RPK in March fell 51.8% compared to a year ago.

Monthly International Air Passenger Growth



Source: IATA

A HOLISTIC APPROACH TO SUPPORT THE REVIVAL OF THE SECTOR

Countries entering lockdown measures account for around 80%[3] of global GDP and, while major economies[4] will experience large GDP falls in 2020, any recovery to pre-virus levels will not be immediate.

Looking at the wider tourism ecosystem, the sector is the third largest of the EU economy, generating 9.5% of EU GDP and some 22.6 million jobs (11.2% of EU total employment)[5]. The World Travel & Tourism Council (WTTC) estimates that in 2020 some 75 million tourism jobs are in jeopardy worldwide due to the COVID-19 outbreak and the IMF projects global economic growth to drop by 3% in 2020[6]

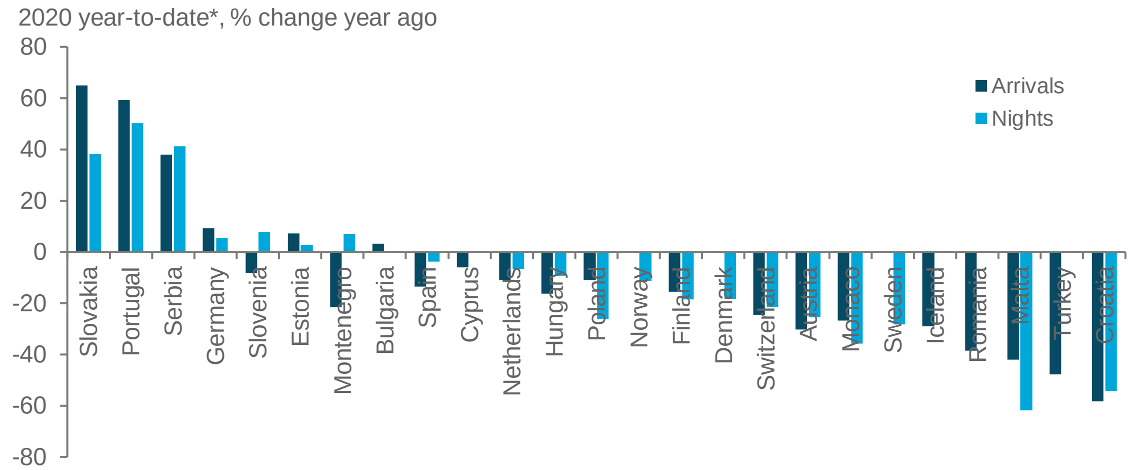
Since February/March 2020, the pandemic worsened in terms of its global reach, and a greater share of cases came from Europe. The economic fallout will be unprecedented, and the effects of the pandemic will be harder in those destinations that are heavily reliant on tourism and on long-haul source markets. To stimulate financial activity, the European Union has implemented an economic response package to mitigate the economic impact of the outbreak and shield member states, companies and

[2] Revenue Passenger Kilometres (RPK)
[3] Tourism Economics
[4] Eurozone, US and China
[5] World Travel and Tourism Council. EU 2020 Annual Research: Key Highlights
[6] April World Economic Outlook

jobs. The tourism sector will be able to benefit from the European Central Bank's liquidity programme, specific and targeted national state aid, support for short-time working, and EIB/EIF[7] investment. Support from the EU will also focus on challenges affecting SMEs, family businesses, travel agencies, airlines, and cruise lines.

The coronavirus outbreak has brought Chinese outbound travel demand to a total halt. The vast majority of destinations saw no growth in Chinese arrivals and overnights during the first months of the year, with marked declines in arrivals observed in Croatia (-58%), Turkey (-47.9%), Malta (-42%) and Romania (-38.5%). Iceland and Monaco also saw Chinese arrivals fall in excess of 25%. At time of writing, the US has become the new epicentre of the coronavirus and its economic future will depend on it manages the outbreak. Iceland and Croatia have already felt the pinch of travel restrictions owing to the pandemic with US arrivals declining by 45.8% and 58.5% respectively based on data to March.

Chinese visits and overnights to select destinations



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

WHAT WILL THE FUTURE HOLD?

The level of the disruption caused by the pandemic is far more severe than previous crises (e.g., SARS; 2008-09 financial crisis) and will bring fundamental changes to the travel industry. The expectation that pre-crisis levels of tourism demand will not be achieved before 2023 provides, a "breathing space" to reshape the industry towards one that is more sustainable, more innovative, quality driven and that equally benefits, travellers, local communities, the environment and local economies. So far, the outbreak has forced businesses to embrace new technologies, and has somewhat softened worries about overtourism. It is unknown what the shape of recovery will be like or when exactly it will take place, however, once the virus has been tamed, the tourism industry will look a lot different.

"This crisis creates a downturn, but also an opportunity. We have the chance to think carefully about what kind of future we want for European tourism and what directions and measures are needed to get us there. We shall use this opportunity to create a more resilient and sustainable destination Europe in the future, which is better for our communities and our visitors and guests." said Eduardo Santander, Executive Director European Travel Commission.

[7] European Investment Fund

Jennifer Iduh (ETC Executive Unit)
with the contribution of the ETC Market Intelligence Group

1. TOURISM PERFORMANCE SUMMARY 2019

SUMMARY

- Travel to European tourism destinations grew an estimated 4.1% in 2019, despite the challenging external environment and slowing global economic growth. All but three destinations enjoyed some form of growth.
- Montenegro was the fastest growing European destination in 2019, illustrating the benefits to be gained through developing a country's tourism industry.
- In contrast, Iceland suffered from a record decline in arrivals following the collapse of Wow Air and as it continues to struggle to maintain the impressive growth rates achieved since 2011. Overnights grew very marginally.

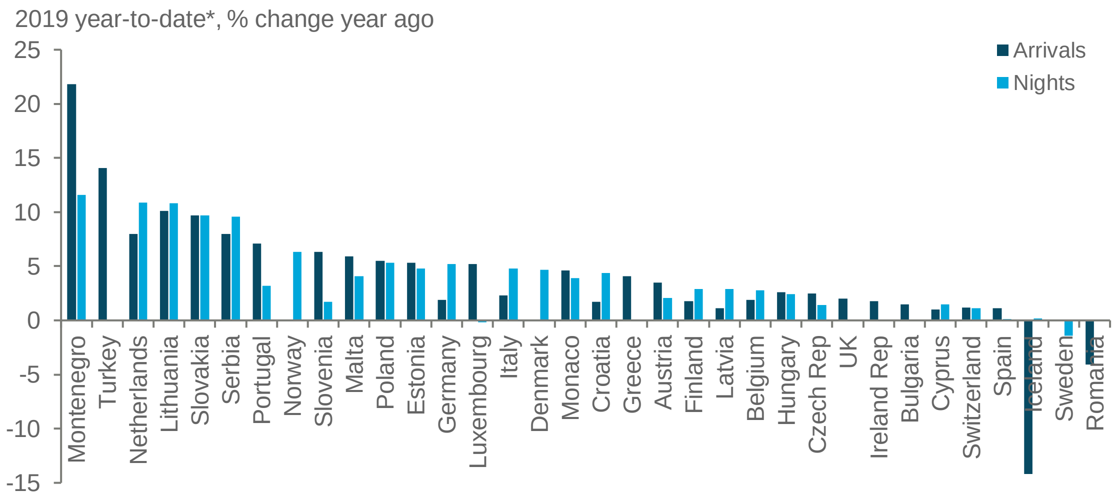
Trade and geopolitical tensions were a hallmark of 2019 and presented serious challenges for European economic and travel growth. Arrivals and overnights growth slowed from more rapid expansion in prior years but continued to expand at a faster pace than wider economic growth.

The majority of European destinations enjoyed some form of arrivals or overnights growth in 2019, with total travel growth for the region estimated to be 4.1% on a weighted average basis. This represents a slowdown in growth compared to the 4.5% growth achieved in 2018.

Tourism in Europe grew an estimated 4.1% in 2019 on a weighted average basis

Montenegro enjoyed the fastest growth in arrivals in 2019, expanding 21.8% for the year as a whole, and helped by infrastructure improvements and increased connectivity. The next fastest growth was in arrivals to Turkey which grew 14.1%, supported to some extent by a weak lira. This included strong growth during the traditional peak summer months as well as a notable increase in medical tourism.

Foreign visits and overnights to select destinations



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

Travel to Lithuania also rose by over 10% driven by a substantial increase in arrivals from some key European source markets. Growth was year-round, but skewed towards the winter months. Similarly, strong growth in Serbia (8.0% arrivals and 9.6% overnights) included a clear uptick in growth in the month of December as it is developing as a winter travel destination.

Portuguese tourism thrived, with arrivals up 7.1% and gaining share relative to other Southern European destinations. Portugal was also the recipient of the UNWTO's award for Accessible Tourist Destination 2019, in recognition of the continued efforts to develop accessible tourism.

Elsewhere, destination performance was influenced by some industry challenges that affected connectivity. Cyprus managed to enjoy modest growth despite the collapse of Thomas Cook and the associated loss of tour groups, which provided a significant share of tourists to Cyprus. Iceland reported a 14.2% decline in arrivals in 2019 related to the collapse of Wow Air.

Summary Performance, 2019

	International Arrivals		International Nights	
Country	% ytd	to month	% ytd	to month
Austria	3.5%	Jan-Dec	2.1%	Jan-Dec
Belgium	1.9%	Jan-Dec	2.8%	Jan-Dec
Bulgaria	1.5%	Jan-Dec		
Croatia	1.7%	Jan-Dec	4.4%	Jan-Dec
Cyprus	1.0%	Jan-Dec	1.5%	Jan-Dec
Czech Republic	2.5%	Jan-Dec	1.4%	Jan-Dec
Denmark			4.7%	Jan-Dec
Estonia	5.3%	Jan-Dec	4.8%	Jan-Dec
Finland	1.8%	Jan-Dec	2.9%	Jan-Dec
Germany	1.9%	Jan-Dec	5.2%	Jan-Dec
Greece	4.1%	Jan-Dec		
Hungary	2.6%	Jan-Dec	2.4%	Jan-Dec
Iceland	-14.2%	Jan-Dec	0.2%	Jan-Dec
Republic of Ireland	1.8%	Jan-Dec		
Italy	2.3%	Jan-Dec	4.8%	Jan-Dec
Latvia	1.1%	Jan-Dec	2.9%	Jan-Dec
Lithuania	10.1%	Jan-Dec	10.8%	Jan-Dec
Luxembourg	5.2%	Jan-Oct	-0.2%	Jan-Oct
Malta	5.9%	Jan-Dec	4.1%	Jan-Dec
Monaco	4.6%	Jan-Dec	3.9%	Jan-Dec
Montenegro	21.8%	Jan-Dec	11.6%	Jan-Dec
Netherlands	8.0%	Jan-Dec	10.9%	Jan-Dec
Norway			6.3%	Jan-Dec
Poland	5.5%	Jan-Dec	5.3%	Jan-Dec
Portugal	7.1%	Jan-Dec	3.2%	Jan-Dec
Romania	-4.1%	Jan-Dec		
Serbia	8.0%	Jan-Dec	9.6%	Jan-Dec
Slovakia	9.7%	Jan-Dec	9.7%	Jan-Dec
Slovenia	6.3%	Jan-Dec	1.7%	Jan-Dec
Spain	1.1%	Jan-Dec	0.1%	Jan-Dec
Sweden			-1.4%	Jan-Dec
Switzerland	1.2%	Jan-Dec	1.1%	Jan-Dec
Turkey	14.1%	Jan-Dec		
UK	3.0%	Jan-Dec		

Source: Visit Britain (UK only) and TourMIS (http://www.tourmis.info)

Measures used for nights and arrivals vary by country. Available data as of 27.4.2020

2. TOURISM PERFORMANCE SUMMARY 2020

SUMMARY

- The COVID-19 outbreak has spread to almost every country worldwide and the travel and tourism sector is being disproportionately affected – although this is not yet reflected in arrivals and overnights data.
- Latest forecasts by Tourism Economics indicate that global international arrivals in 2020 will be some 39% lower than in 2019. That is the equivalent of 577 million fewer trips.
- Travel to Europe is expected to be 39% lower in 2020 than in 2019, representing half of the loss in visitor volumes globally.

CORONAVIRUS HAS CHANGED THE INDUSTRY BEYOND RECOGNITION

This issue of the ETC Quarterly Report necessarily breaks from the usual analysis. At the time of the Q4/2019 quarterly report, the COVID-19 outbreak was essentially confined to China alone, primarily impacting on European economies through trade. Only a relatively modest impact on travel was expected as just 2.4% of overseas visitors to Europe are from China.

Three months on and the situation in Europe has been transformed beyond recognition. The COVID-19 outbreak has spread to almost every country worldwide and as a consequence, travel and tourism is being disproportionately affected.

However, with data covering the onset of the outbreak within Europe in March available for only two destinations, it is too early to see the impact clearly in any destination data. We do not focus on the arrivals and overnights data reported for the start of the year in this report as they are not representative of the current trend or likely performance for the year as a whole. Most destinations are reporting increased arrivals and nights in the first two months of 2020.

Croatia and Iceland are reporting data for the first three months 2020 with double-digit falls in arrivals for the quarter. This includes very particularly sharp falls in the month of March when lockdown measures and travel restrictions were first imposed. Falls of this magnitude are more reflective of the current trend across destinations. More significant falls are expected in all destinations once data for March and subsequent months, are released.

Latest forecasts by Tourism Economics indicate that global international arrivals in 2020 will be some 39% lower than in 2019, with a comparable fall in travel to Europe

Latest forecasts by Tourism Economics (TE) indicate that global international arrivals in 2020 will be some 39% lower than in 2019. That is the equivalent of 577 million fewer trips and half of that loss is expected to be in arrivals to Europe.

Governments across the continent have introduced co-ordinated public health actions with the aim of restricting the spread and rate of infection of the virus. For many, these measures are now all too familiar: self-isolation, social distancing and the closing of many 'non-essential' services, disproportionately impacting the hospitality sector.

Stringent restrictions have been introduced on travel and most major European economies, including Germany, France, the UK, Spain and Italy have closed borders (including some internal state borders) and implemented full or partial lockdowns. This has not only had a dramatic impact on inbound and outbound international travel, it has also severely restricted domestic movements.

In a limited number of European countries there remains some degree of freedom of movement with borders still theoretically open. However, even in such cases, arrivals are greatly reduced due to restrictions on outbound travel from source markets.

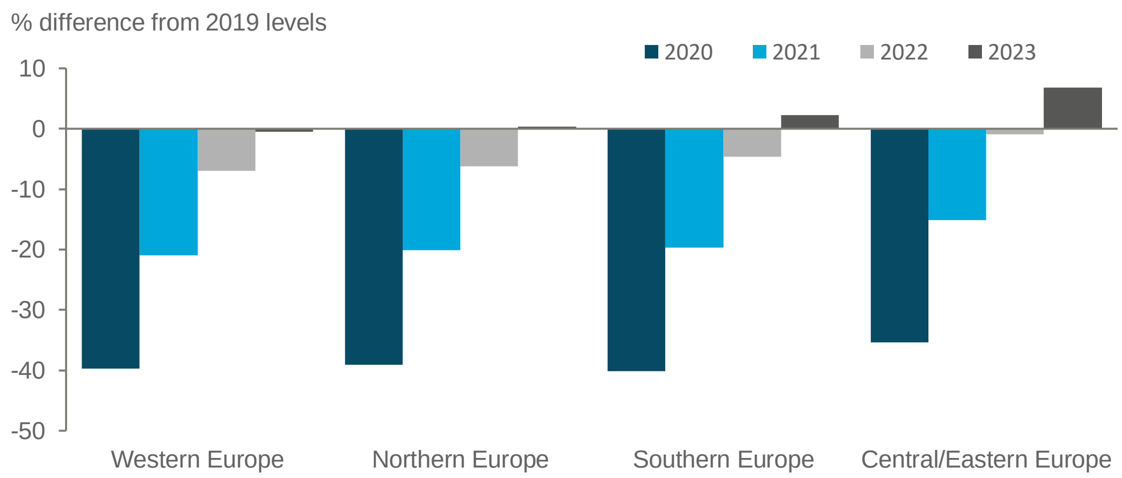
The central assumption in TE's latest baseline forecast is that the type of stringent travel restrictions currently in place will continue for a period of four months. After that, it is expected that restrictions on travel will be gradually eased over a period of another four months.

Domestic travel is expected to return first

Domestic travel is expected to return first, with an earlier lifting of some travel restrictions within countries. International travel (and especially long-haul tourism) will be worst hit in 2020 and will take longer to recover as international restrictions are expected to be in place for longer. The ETC survey, covered in the special feature of this quarterly report, demonstrates that a number of countries are already considering how promoting increased domestic demand later in the year might be used to 'fill some of the gap' left by the dramatic declines in inbound international tourism.

However, the scale of the loss of both international and domestic visitors will be unprecedented and all regions and countries in Europe will feel it. Recovery will be slow as well, with Europe as a whole not seeing a return to 2019 levels until 2023 in the latest TE outlook. The speed at which each country recovers from the inevitable global recession will determine the exact speed at which individual destinations recover, based on their source market mix.

Europe Inbound Travel by Destination Region



Source: Tourism Economics

The duration of restrictions remains a fundamental determinant of upside and downside risks to TE's central forecast. With Europe, the most seasonal of all global regions in terms of travel and tourism, the state of lockdowns over the peak period of July and August will be critical. However, this does present destinations with some opportunities to rethink strategies to maximise future performance.

Summary Performance, 2020 YTD

	International Arrivals		International Nights	
Country	% ytd	to month	% ytd	to month
Austria	12.1%	Jan-Feb	10.0%	Jan-Feb
Bulgaria	7.3%	Jan-Feb		
Croatia	-41.3%	Jan-Mar	-27.2%	Jan-Mar
Cyprus	2.0%	Jan-Feb		
Denmark			8.7%	Jan-Feb
Estonia	11.0%	Jan-Feb	10.2%	Jan-Feb
Finland	4.7%	Jan-Feb	0.9%	Jan-Feb
Germany	1.6%	Jan-Feb	2.3%	Jan-Feb
Greece	19.7%	Jan-Jan		
Hungary	10.8%	Jan-Feb	12.9%	Jan-Feb
Iceland	-27.2%	Jan-Mar		
Republic of Ireland	2.2%	Jan-Feb		
Malta	16.7%	Jan-Feb	6.5%	Jan-Feb
Monaco	3.8%	Jan-Feb	1.0%	Jan-Feb
Montenegro	9.3%	Jan-Feb	14.5%	Jan-Feb
Netherlands	5.1%	Jan-Jan	8.7%	Jan-Jan
Norway			13.0%	Jan-Feb
Poland	11.2%	Jan-Jan	10.6%	Jan-Jan
Portugal	9.7%	Jan-Feb	7.8%	Jan-Feb
Romania	-9.6%	Jan-Feb		
Serbia	21.2%	Jan-Feb	24.0%	Jan-Feb
Slovakia	19.8%	Jan-Jan	16.2%	Jan-Jan
Slovenia	4.8%	Jan-Feb	3.4%	Jan-Feb
Spain	-0.2%	Jan-Feb	3.7%	Jan-Feb
Sweden			-1.3%	Jan-Feb
Switzerland	2.3%	Jan-Feb	5.5%	Jan-Feb
Turkey	9.7%	Jan-Feb		

Source: Visit Britain (UK only) and TourMIS (http://www.tourmis.info)

Measures used for nights and arrivals vary by country. Available data as of 27.4.2020

3. GLOBAL TOURISM FORECAST SUMMARY

Tourism Economics' global travel forecasts are shown on an inbound and outbound basis in the following table. These are the results of the Global Travel Service (GTS) model, which is updated in detail three times per year. Forecasts are consistent with Oxford Economics' macroeconomic outlook according to estimated relationships between tourism and the wider economy. Full origin-destination country detail is available online to subscribers.

GTS Visitor Growth Forecasts, % change

	Inbound*					Outbound**				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
data/estimate/forecast	e	f	f	f	f	e	f	f	f	f
World	**3.9%**	**-39.1%**	**33.7%**	**18.8%**	**8.2%**	**3.4%**	**-40.1%**	**34.9%**	**19.4%**	**8.3%**
Americas	**1.4%**	**-39.4%**	**34.9%**	**18.9%**	**9.0%**	**1.7%**	**-40.2%**	**35.5%**	**17.8%**	**7.7%**
North America	2.2%	-40.3%	33.7%	18.8%	8.7%	3.3%	-41.4%	37.3%	18.1%	7.5%
Caribbean	4.1%	-38.4%	35.1%	17.7%	8.4%	7.5%	-31.7%	22.6%	15.7%	8.5%
Central & South America	-2.2%	-37.3%	38.3%	19.7%	10.0%	-4.3%	-36.5%	30.5%	17.2%	8.3%
Europe	**3.9%**	**-38.7%**	**32.5%**	**18.0%**	**7.4%**	**3.5%**	**-39.4%**	**34.2%**	**19.0%**	**8.1%**
ETC+3	3.5%	-39.4%	32.5%	17.9%	7.0%	3.0%	-40.1%	34.3%	19.1%	7.9%
EU	2.7%	-39.9%	32.7%	18.0%	6.9%	3.1%	-40.6%	34.5%	19.2%	7.8%
Non-EU	8.2%	-34.2%	32.0%	17.9%	9.0%	5.3%	-34.5%	33.1%	18.2%	9.2%
Northern	0.6%	-39.1%	31.2%	17.4%	7.0%	1.5%	-40.3%	33.7%	19.9%	8.6%
Western	3.8%	-39.7%	31.0%	17.8%	6.9%	2.7%	-41.1%	35.5%	18.9%	7.4%
Southern/Mediterranean	4.5%	-40.2%	34.3%	18.7%	7.2%	5.0%	-40.9%	35.2%	20.7%	8.2%
Central/Eastern	2.0%	-35.4%	31.3%	16.7%	7.9%	6.4%	-34.9%	32.1%	17.1%	8.4%
- Central & Baltic	3.2%	-35.5%	31.1%	15.9%	6.7%	4.3%	-35.0%	30.1%	15.9%	7.2%
Asia & the Pacific	**4.6%**	**-41.8%**	**36.2%**	**20.8%**	**9.0%**	**3.7%**	**-43.0%**	**37.3%**	**22.0%**	**9.2%**
North East	3.1%	-46.9%	41.2%	24.3%	9.0%	2.5%	-47.7%	41.8%	24.6%	9.3%
South East	7.3%	-38.0%	32.5%	17.6%	8.7%	6.5%	-36.4%	30.8%	17.1%	8.2%
South	2.2%	-34.8%	33.7%	19.8%	11.0%	7.3%	-32.7%	33.0%	21.4%	11.8%
Oceania	2.1%	-31.8%	27.2%	16.2%	8.2%	2.3%	-33.1%	30.0%	17.7%	8.8%
Africa	**5.2%**	**-34.1%**	**31.1%**	**17.8%**	**9.3%**	**1.9%**	**-32.3%**	**29.1%**	**17.0%**	**8.3%**
Middle East	**7.9%**	**-34.8%**	**33.6%**	**19.2%**	**8.7%**	**9.4%**	**-35.4%**	**32.2%**	**17.8%**	**8.1%**

* Inbound is based on the sum of the country overnight tourist arrivals and includes intra-regional flows

** Outbound is based on the sum of visits to all destinations

The geographies of Europe are defined as follows:

Northern Europe is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;

Western Europe is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;

Southern/Mediterranean Europe is Albania, Bosnia-Herzegovina, Croatia, Cyprus, FYR Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, and Turkey;

Central/Eastern Europe is Armenia, Azerbaijan, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, and Ukraine;

- Central & Baltic Europe is Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia;

ETC+3 is all ETC members plus France, Sweden, and the United Kingdom

Source: Tourism Economics based on GTS as of 27.3.2020

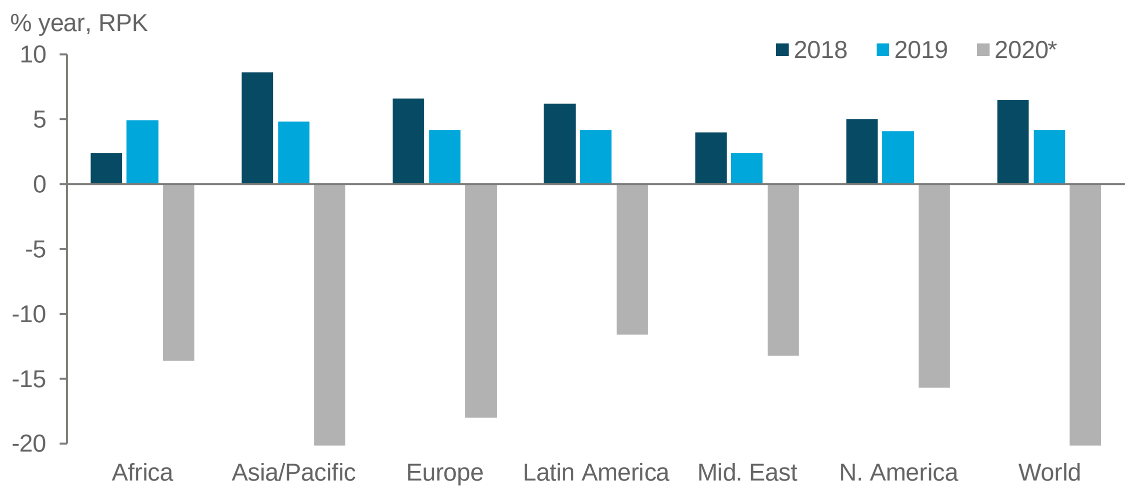
4. RECENT INDUSTRY PERFORMANCE

AIR TRANSPORT

The air transport industry is likely to be amongst the most severely damaged due to the ongoing coronavirus pandemic. Since the early days of the outbreak-proper in late-January, when it was largely confined to China and surrounding countries, a number of airlines pulled out of, or significantly scaled back their operations within the Chinese market. These actions were partly as a response to weaker demand due to lockdown measures within China, as well as to prevent the spread of the virus.

Within data for January and February evidence of the pandemic's impact on the industry was only clear within Asia Pacific, where the outbreak took hold much sooner than elsewhere. By March, however, much of the world's population was (and largely remains at the time of writing) under some degree of lockdown, with severely restricted access to all but essential goods and services. The impact on air travel demand has been devastating, with double-digit declines based on data for the first quarter of the year compared to the same period a year ago. Apart from Asia Pacific, these declines are rooted firmly within March, with demand growth in January and February propping up year-to-date growth somewhat. Further declines in demand should be expected across the industry in April at least, with significantly weaker demand likely to persist in the months following. Indeed, early data suggest worldwide flights were down almost 80% by early April than at the start of the year, with the industry virtually grounded outside US and Asia domestic markets.

Annual International Air Passenger Growth



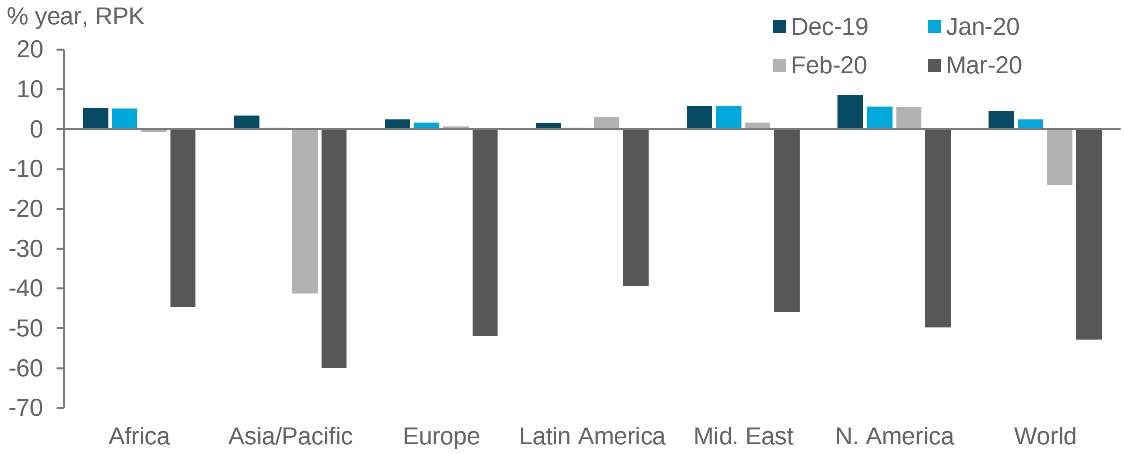
Source: IATA *based on data to March

Given the initial proliferation of the virus towards the end of January, demand in Asia Pacific largely continued as normal for most of the month; nonetheless, the impact of the outbreak is evident within January data, with revenue passenger kilometres (RPKs) growth of just 0.4% – well below trend for the month (5.6% for the previous decade). This slowdown was particularly pertinent given the timing of travel restrictions in China coincided with the Chinese New Year – an otherwise popular time when Chinese tend to travel abroad in significant volumes.

The impact of various lockdowns and travel restrictions implemented across the region were, however, felt in full in February. This is clear within the latest available data, with Asia Pacific RPKs down 41.3% compared to February 2019. This decline is broadly comparable to that observed during the beginning of the SARS outbreak in early-2003, but far surpasses declines in demand due to the global financial crisis in 2009.

Unlike 2003, Asia Pacific now accounts for a much larger chunk of total industry RPKs (nearly 35% in 2019). This means any ripples emanating from Asia Pacific will be far more amplified compared to 2003. Indeed, the demand slump in the region was evident at the global level, with industry wide RPKs down 14.1% in February, compared to a year ago.

Monthly International Air Passenger Growth



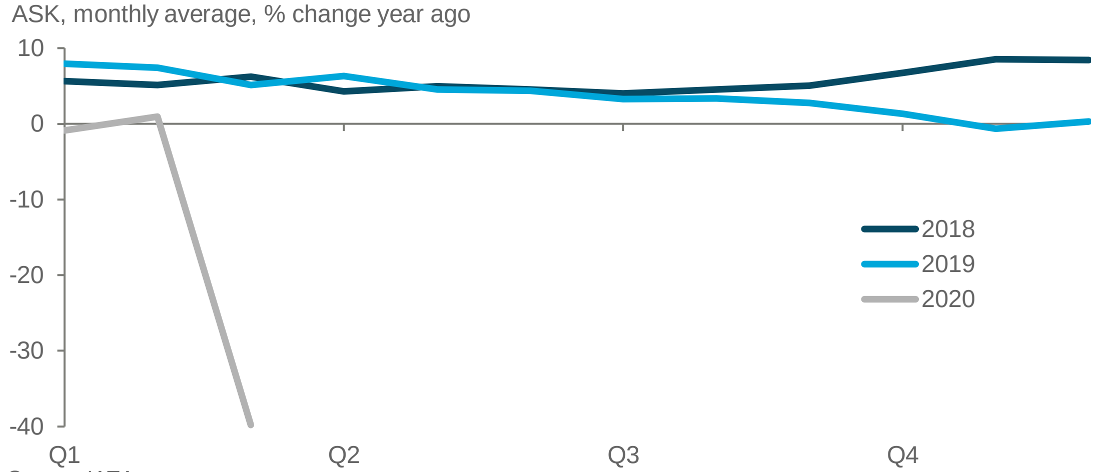
Source: IATA

Flight volumes in the region fell much more sharply in late March as the virus became more wide-spread and lockdown measures were imposed across more countries. However, this was partly offset towards the end of the month by some return to domestic flight activity in China as it began to emerge from lockdown measures ahead of other countries. China's domestic passenger airline market is showing signs of improvement as the country's coronavirus restrictions are lifted, according to IATA based on some early data for March.

The delayed onset of the pandemic elsewhere can be clearly observed, with significant contractions in air passenger demand in March across all regions. Europe was the hardest hit, with air passenger demand 51.8% lower in March compared to a year ago, however, North America passenger demand falling by almost the same proportion.

European airlines showed little sign of capacity growth in the first two months of the year, in keeping with the trend which had developing in the second half of 2019. However, in March airlines made sharp capacity cuts as a result of weaker demand. European airlines were operating with 39.8% less capacity in March compared a year ago. Cirium estimate that as of 16th April, approximately 64% of the total global passenger fleet has been inactive for at least a week.

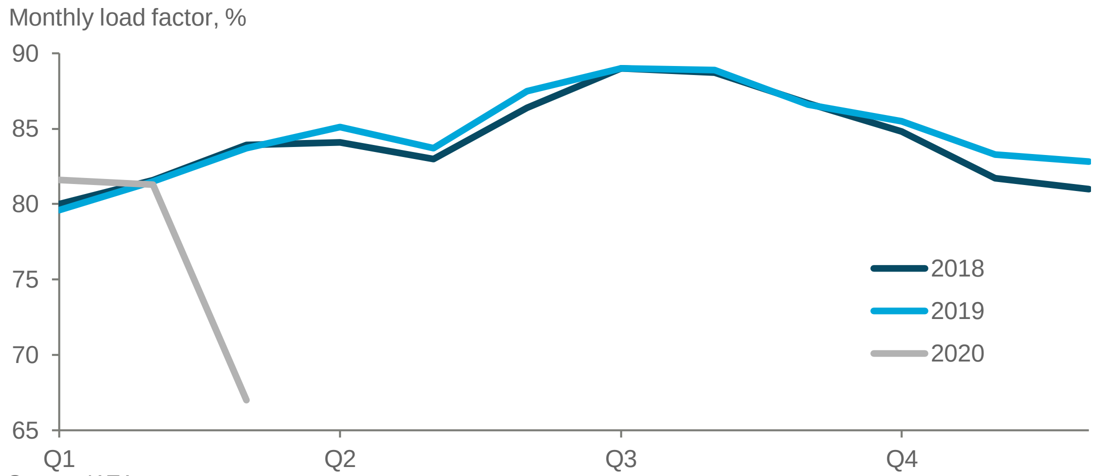
European Airlines Capacity



Source: IATA

This slump has put significant strain on industry's finances; at the start of 2020 a typical airline had enough cash reserves to cover usual costs for two months. With lower costs while inactive, airlines will be able to survive for a little longer than this, but many are clearly at risk. The collapse of UK regional carrier, Flybe, and the nationalisation (and subsequent downsizing) of Alitalia in March demonstrated just how tenuous an airline's position can be, albeit both airlines were known to be struggling financially before this latest demand shock.

European Airlines Passenger Load Factor

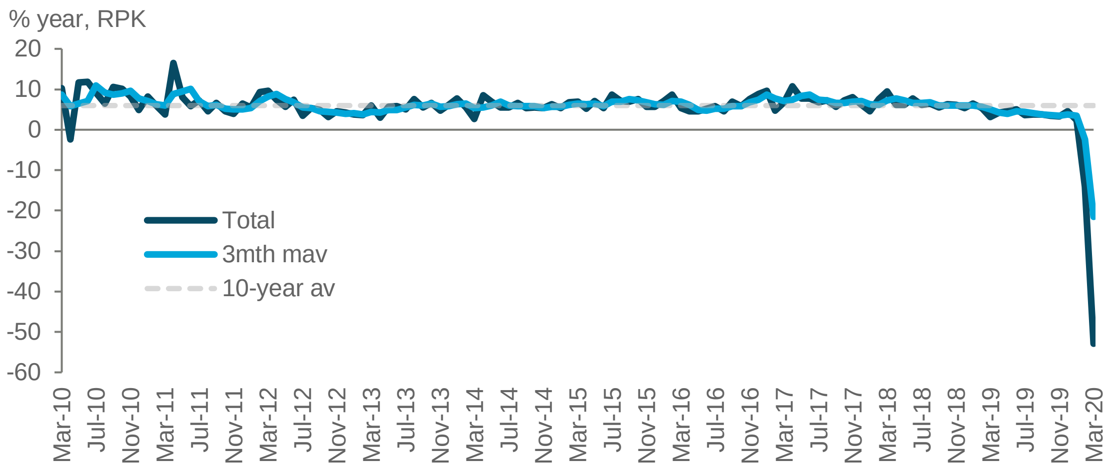


Source: IATA

If other airlines suffer a similar fate, this could lead to some supply shortages when the industry is up and running again. Furthermore, for airlines that do survive, the prospect of maintenance costs on a large inactive fleet may prompt decisions to place aircraft into long-term storage in order to reduce these maintenance requirements. This will hamper an airline's ability to move swiftly to meet demand in the short term when it eventually returns.

In order to preserve liquidity for as long as possible, several airlines (including, but not limited to, British Airways, Ryanair, and Virgin Atlantic) have announced significant cutbacks in recent weeks which have amounted to thousands of job losses. This lack of demand has also seeped into ancillary industries, with Airbus and Rolls-Royce signalling intent to scale back their operations.

International Air Passenger Traffic Growth



Source: IATA

Notwithstanding some green shoots in China's domestic market, for the industry as a whole TE expects the recovery process to be slower than the 6-7 month timeframe observed in past epidemics. The extension of recovery time reflects both the staggered timing of the start of the virus outbreak in different regions and the expected global recession which will continue to impact passenger demand even after the border restrictions are lifted.

Global oil demand has tumbled due to the outbreak of the new coronavirus. While it is clear that there are significant areas of extreme weakness, particularly in the transport sector, at this point it is too early to be sure how big the fall is likely to be, but the International Energy Agency (IEA) is estimating it to be potentially the largest fall ever recorded. All transport fuels have been badly hit, as passenger movements by road, rail, ship and plane have all been severely curtailed. The IEA estimates that global gasoline consumption will be down by around 11mb/day in April, while global flight numbers were down 70% y/y at the start of this month. Looking ahead, April is likely to mark the low point, on the assumption that current containment measures are sufficient to halt the spread of the virus. However, there are significant risks at this point that this may not be the case.

ACCOMMODATION

Hotel performance indicators showed sharp contractions across the globe in the first quarter of the year. Given the nature of the shock to demand, occupancy rates were the main casualty; room rates have been rendered an ineffective tool for driving demand at the current juncture, and as such have declined only fractionally compared to occupancy rates.

The declines in occupancy are most stark within Asia Pacific given the coronavirus outbreak began in China, with impacts from the outbreak and subsequent restrictions being felt as early as January within China and the region as a whole.

The outbreak did not make a meaningful impact (in hotel performance terms) beyond Asia Pacific until March. Despite only influencing one month of the quarter, declines in the month of March were significant enough to yield double-digit declines for the quarter.

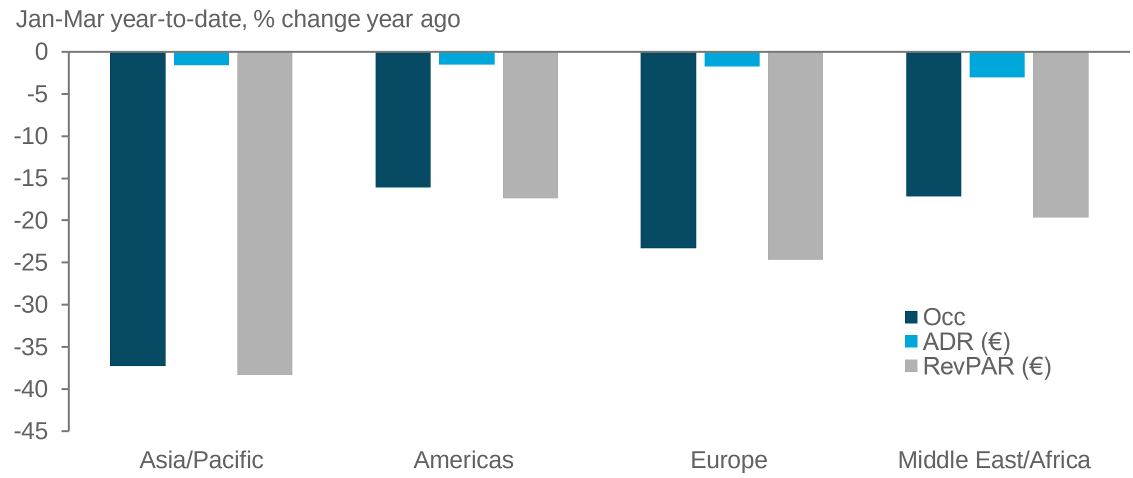
Additional weekly data published by STR show that hotel occupancy in China fell sharply in late January and early February while the rest of the Asia Pacific region only saw modest falls until March.

Hotel occupancy in all other major markets, including the US and Europe fell sharply in the middle of March. Even with substantial volumes of hotel closures, reported occupancy rates are well below the normal range.

Outside of Asia Pacific, Europe was the hardest hit region with occupancy rates down 23.3% compared to the same period a year ago on average in the first quarter, but with much larger falls in more monthly and weekly reporting. Average daily room rates (ADR) were down just 1.5% compared to a year ago – lower room rates would offer little stimulus given the nature of lower demand.

Hotel occupancy rates in the Middle East and Africa were 17.1% lower compared to the same period a year ago, and 16.1% lower in the Americas in Q1. Much like in Europe and Asia Pacific, room rates were only slightly lower compared to a year ago.

Global Hotel Performance



Source: STR

5. SPECIAL FEATURE: CORONAVIRUS

SUMMARY

- Europe has been the epicentre of the spread of the coronavirus for several weeks and co-ordinated public health actions to reduce the spread and rate of infection of the virus such as self-isolation, social distancing and travel restrictions have been introduced.
- Most European countries have implemented rescue packages albeit not specific to the travel and tourism sector. A few countries are now making tentative steps to exit the lockdowns.
- Survey evidence indicates that most countries are expecting huge impacts, with most respondents expecting a decline of between 30-40%.
- Tourism Economics' new baseline forecast sees a loss of 39% of international visitors relative to 2019, although the impact on domestic travel is smaller.

INTRODUCTION

Europe has been the epicentre of the spread of the coronavirus for several weeks and co-ordinated public health actions to reduce the spread and rate of infection of the virus, such as self-isolation, social distancing and travel restrictions have been introduced. Major European economies, such as Germany, France, the UK, Spain, and Italy have implemented full or partial lockdowns – affecting not just international travel (inbound and outbound) but also domestic movements.

Only a limited number of European countries have no travel restrictions in place and even these, often cannot be accessed from their source markets. These restrictions mean immediate tourism impacts will be much greater than for GDP.

Some countries are now implementing the beginnings of an exit route from the lockdowns. However, it is clear that the softening of international travel restrictions and of domestic movement lockdowns will involve a lengthy period of time before anything like normality returns to the European travel and tourism sector.

Most countries in Europe have implemented general rescue packages (i.e., interventions which are not specific to the travel and tourism sector), varying between 12% and 60% of GDP, dependent on their fiscal headroom. For member states of the European Union, there is also an overarching European framework to consider. The European Central Bank has established a stimulus programme totalling €750 billion in bond purchases until the end of 2020. And the European Commission has been preparing €37 billion package to support EU27 businesses. However, further developments have been dogged by disagreements between member states over the role in national recoveries which mutualised 'Eurobonds' might play.

2020 IMPACT ASSESSMENT

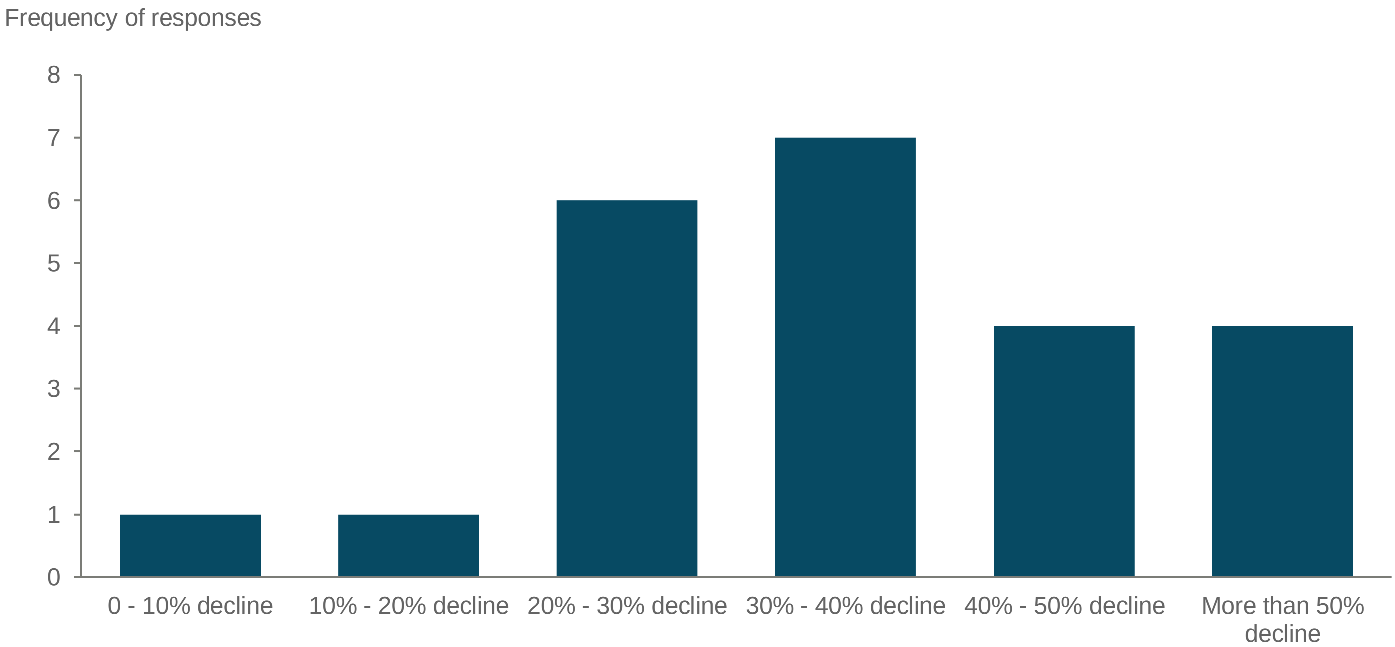
High frequency data available to date, such as available STR hotel data or reported flight volumes, indicate that there will be a large immediate impact in 2020. Hotel occupancy rates across the region are less than 10% and will remain at these low rates while current travel restrictions are in place. This should rise later in the year as restrictions are lifted and travel gradually returns, but is unlikely to revert its pre-crisis level this year.

Sources being used by destinations to monitor the immediate impact include a number of identified areas. First, monitoring bookings and searches – often in real-time, sometimes using Google Trends. This also includes airline bookings and hotel reservations, although, in most countries, the vast majority of these will now have dried up. Second, surveys of various types are being used, either focused on businesses in the sector, such as hotels and MICE venues or on consumers. Some countries are also using channels in public knowledge management platforms, online dashboards, single portals or dedicated telephone lines.

A number of countries are also actively seeking new systems of monitoring and assessment as well as tracking the policy developments in key source markets. This augments existing economic impact analysis or scenario modelling.

According to a recent ETC member survey, 100% of respondents anticipate some degree of decline in arrivals in 2020, with most respondents expecting a decline of between 30-40%. Some respondents anticipate a decline in excess of 50%. Respondents also acknowledged that the length of lockdown (both for destinations and major source markets) will be of paramount importance in estimating likely impacts. The risk of a ‘second wave’ of the virus later in the year was also mentioned as a consideration.

Expected decline in tourism for European countries in 2020



Source: ETC survey data

It is clear that most countries are expecting enormous impacts. Respondents to the ETC survey suggested that they might be looking at an almost total reconstruction of the market after the outbreak, while some scenario work commissioned by respondents has suggested that, even in an optimistic scenario, nearly 1 in 3 jobs in the sector would be lost, at least in the near-term. In terms of revenue, some countries are expecting to lose 60-70% of revenue in 2020. Survey respondents also highlighted concerns that, after the virus, consumer perceptions of international travel might change dramatically.

The immediate impact in 2020 will be mitigated in some destinations by government policies and support for the travel sector and the wider economy. Survey respondents pointed to support from financial interventions in the form of state aid for businesses in tourism-related activities. Usually, these form an integral part of the general mitigation packages available to other sectors and include things such as easy access to loans and credit guarantees to support businesses through short-term liquidity problems.

Short-term fiscal changes were also frequently cited by survey respondents. These tend to focus on the postponement or suspension of VAT obligations or other tax and accounting measures such as the extension of the social security contributions deadline. This could also include the postponement or possible cancellation of local taxes.

Furloughs, where governments are paying the wages of staff (or a proportion of them) in order to keep employees on corporate books, are being used by many European countries. Elsewhere in Europe 'Kurzarbeit'-type reduced hours have been implemented to maintain employment levels. But there are also specific issues in the sector regarding self-employment and seasonal workers.

Other policy interventions, such as the simplification of visa systems, were only mentioned by a few countries in the ETC survey. Only one respondent country in the survey called for the removal of the border closure as soon as possible and the avoidance of imposing greater surveillance and stricter controls at airports.

EXPECTED IMPACT ON THE TRAVEL & TOURISM SECTOR (TE OUTLOOK)

TE's latest baseline outlook assumes that the impact on travel lasts for eight months, although considerable uncertainty still surrounds the potential duration of travel bans. Globally this will reduce travel by 39%. For Europe, the new baseline also sees a reduction in travel of 39% with 287 million fewer international arrivals.

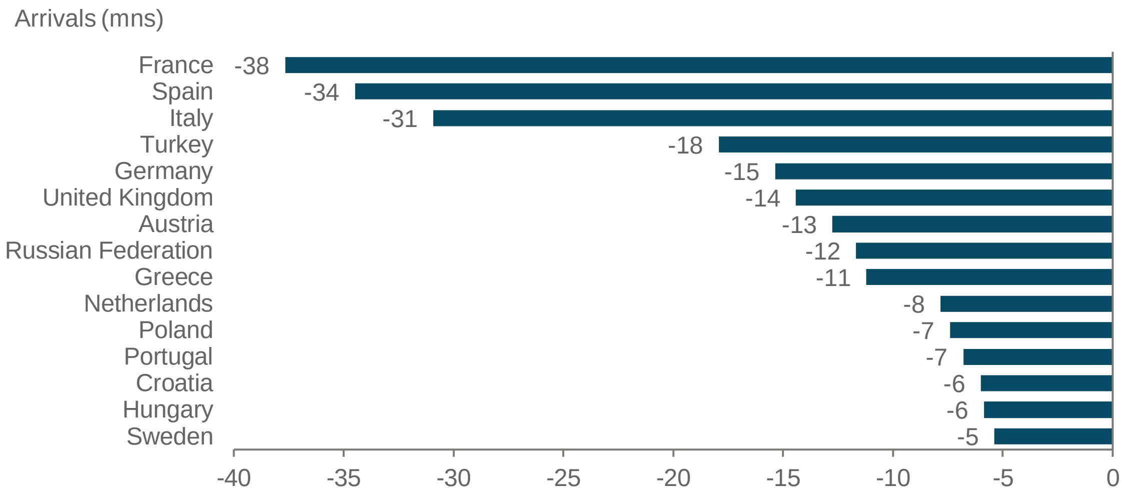
Europe GDP and tourist arrivals

Source: Tourism Economics

Note: Forecasts as per GTS. *Prior upside* and *prior downside* scenarios published 16th March. *New baseline* published 27th March.

Impacts on travel for 2020 will be elevated if travel restrictions continue into the summer, with one in four trips in Europe taken in either July or August. France is the most heavily impacted European country in volume terms with nearly 38 million fewer inbound visits in 2020, although the largest percentage impact is in Italy (-49%). Spain is also heavily affected, with around 34 million fewer arrivals in 2020 compared to a year ago. Together, these three important destinations will account for around one-third of the fall in European international arrivals.

Inbound arrivals: largest drops in arrivals, 2020

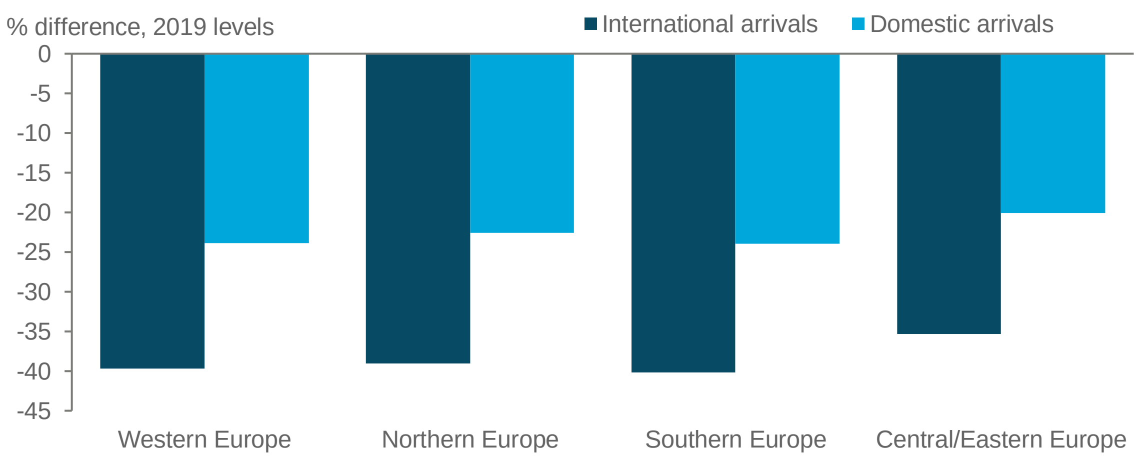


Source: Tourism Economics

While rapid growth is expected in 2021, prior peak volumes of international travel, seen in 2019, are not expected to be regained until 2023, as lingering effects on income impact on travel.

Domestic travel will be significantly less affected compared to international travel with a decline of 23% expected in 2020 for Europe as a whole. Domestic movement restrictions will be removed before the lifting of international travel restrictions, while there will be some substitution of international travel for domestic. Domestic travel is likely to regain prior peak levels earlier than international travel. 2019 levels of travel activity are expected to be regained in 2021 or 2022 in the latest TE outlook for European countries.

Europe tourist arrivals by destination region, 2020



Source: Tourism Economics

Many countries have been focused on shorter-term mitigation measures than policies to support recovery, but these will be important in coming periods. Analysis by Oxford Economics suggests that medium-term recovery from recession is heavily influenced by the immediate policy response. In the ETC member survey, the point was made clearly that “recovery measures have not yet been decided” because “financial support is currently the most important”. Some countries recognised that more resources were needed than were currently available, while others suggested that, although it is not yet certain, there will probably be a specific tourism marketing budget to aid the recovery.

Some countries also saw mitigation measures as the first stage of recovery packages. A successful recovery package across European destinations should involve the following themes according to survey respondents:

- Any recovery plan should be rooted in data and evidence, including potentially improved data and tracking methodologies.
- Since domestic tourism is likely to be unlocked earlier, domestic tourism ‘recreational’ vouchers would help support the earlier domestic travel recovery to at least partly offset lower international travel activity. This idea was cited by a number of Central European countries within the survey as a way of limiting the impact on tourism in 2020. Other countries also intend to encourage more domestic tourism by using a voucher scheme including the option for people to delay travel or transfer vouchers to another individual.
- Continued marketing and promotion will also be crucial to keep travel and destinations top of mind among potential travellers to ensure future travel returns. This could include working with digital partners. An example of this is Greek National Tourism Organisation’s collaboration with Google which has launched a virtual tourism website, ‘Greecefromhome.com’.
- Shift some focus to new activities to take advantage of any recovery outside of the traditional summer peak season. Destinations will benefit from some increased focus on higher spending, and less seasonal areas, such as cultural, historical, gastronomic, wildlife and wellness tourism. It will be necessary to keep some flight and ferry routes open into the autumn and winter as well as some seasonal accommodation. This may also lay foundations for a reduction in overtourism during peak periods over the longer-run.

As an example of the above, in Croatia, Paradox Hospitality has made a plea to 'postpone the season'. This includes some focus on maintaining destination marketing messaging as well as the need to ‘shift the season’. To recover activity in 2020 H2 flights must continue into the shoulder season, ferries must continue to operate, and national parks need to be kept open. Since long-haul travel is likely to take longest to recover, marketing budgets need to be shifted away from Asia and the United States to nearer European markets.

6. KEY SOURCE MARKET PERFORMANCE

Trends discussed in this section in some cases relate to the period January to March, although actual coverage varies by destination. For the majority of countries, the latest available data point will be earlier than this. Further detailed monthly data for origin and destination, including absolute values, can be obtained from TourMIS (http://tourmis.info).

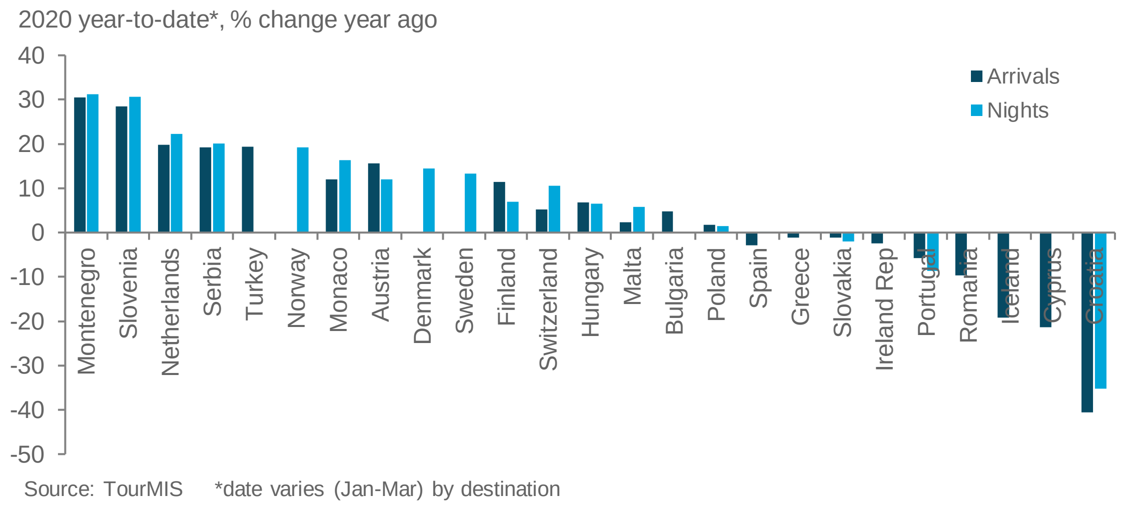
SUMMARY

- Only Croatia and Iceland have reported performance data for the year to March; hence data for only these countries includes the initial impact of the coronavirus outbreak in Europe.
- Most performance data reflect trends for the beginning of the year. It is expected that tourism performance in March, April, and May will be much worse for all reporting destinations.

KEY INTRA-EUROPEAN SOURCE MARKETS

It is important to note here that only countries reporting through to March are likely to have seen much impact from the COVID-19 outbreak in Europe. Only two countries have reported data for this period: Croatia and Iceland, which are reporting some much larger falls in arrivals from most source markets due to the restrictions. Most other countries are reporting to February and a few only to January. Therefore, most of this analysis only reflects performance at the beginning of the year and both April and May are expected to be much worse for most destinations. One exception is data for travel from Italy which was affected by earlier lockdown measures.

German visits and overnights to select destinations

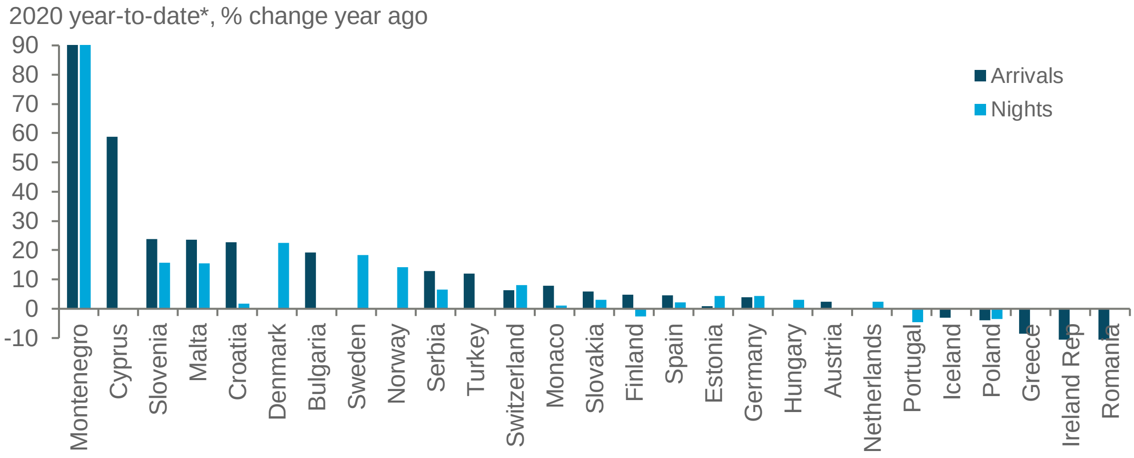


Montenegro saw the greatest increase in both arrivals and nights (30.5% and 31.2% respectively). This was a far lower increase than that reported in the Q4/2019 report and is based on data to February. The second strongest growth was in Slovenia where arrivals were up by 28.5%. The Netherlands, Serbia, Turkey and Norway also saw strong growth.

Nine countries saw no growth in either metric. Of these, Croatia's performance reflects the fact that it provided March data with arrivals declining by 40.6%. Another declining country, Iceland, also reported data to March. However, Cyprus demonstrated quite a substantial decline in arrivals even by

February, down by 21.3%. This may have been driven by a negative social media campaign promoting the boycotting of the island.

French visits and overnights to select destinations



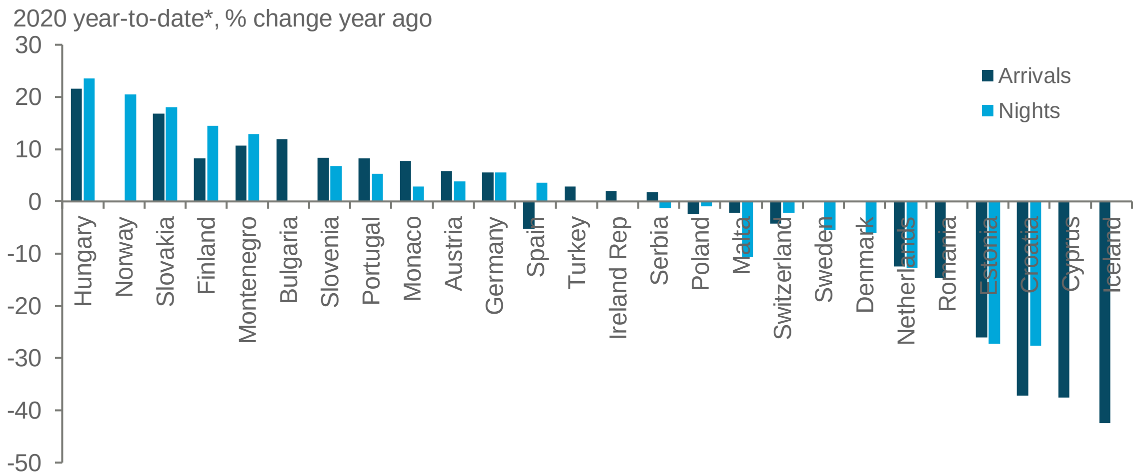
Source: TourMIS *date varies (Jan-Mar) by destination

Montenegro also saw the strongest growth from French travellers, with nights up by 90.3% and arrivals up a staggering 308%. In contrast to travel from Germany, Cyprus also showed very strong growth from France, with arrivals up 58.8%.

Slovenia and Malta also showed strong growth. Even though some negative drag on visits could have been expected in Croatia (reporting to March), visits from France were still up 22.8%, although the increase in nights was far more marginal.

Six countries saw growth in neither metric, including Iceland (which reported data to March). However, the steepest falls were in Romania (down 20.3%) and Ireland (down 11.3%).

Italian visits and overnights to select destinations



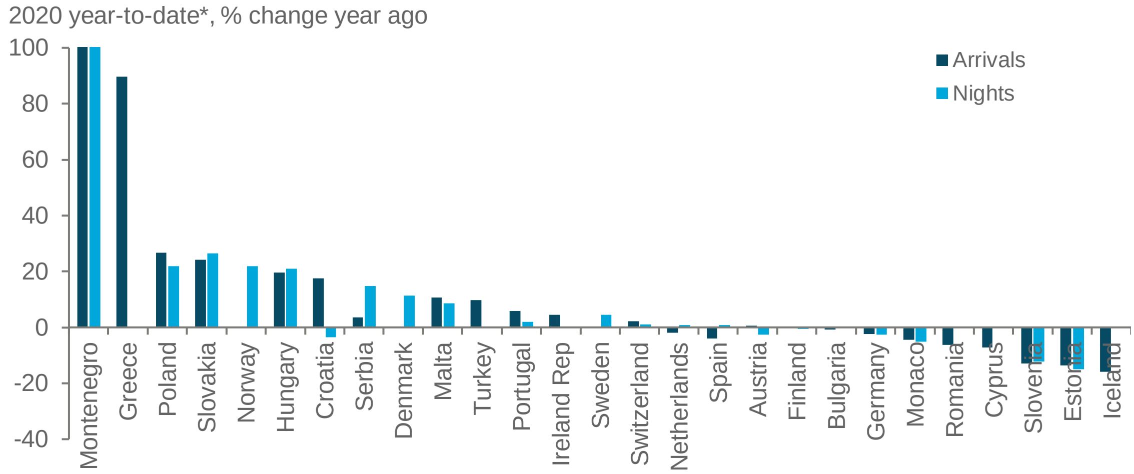
Source: TourMIS *date varies (Jan-Mar) by destination

With Italy having been the first European country to have had a major outbreak of coronavirus, destination performance from Italy is more reflective of current trends for most markets. Iceland and Croatia, both reporting to March, experienced very large falls in arrivals from Italy, which has been under full lockdown since 10th March. Arrivals to Iceland fell 42.4% and to Croatia by 37.2%.

Meanwhile, Cyprus (only reporting to February) saw a decline of 37.6% from Italy, again possibly the result of a negative social media campaign calling for the island's boycott. There were also very large falls to Estonia, Romania and the Netherlands.

The greatest increase in arrivals from Italy was in Hungary (21.6%). Norway, Slovakia, Finland, Montenegro, and Bulgaria also saw strong growth in Italian arrivals.

United Kingdom visits and overnights to select destinations

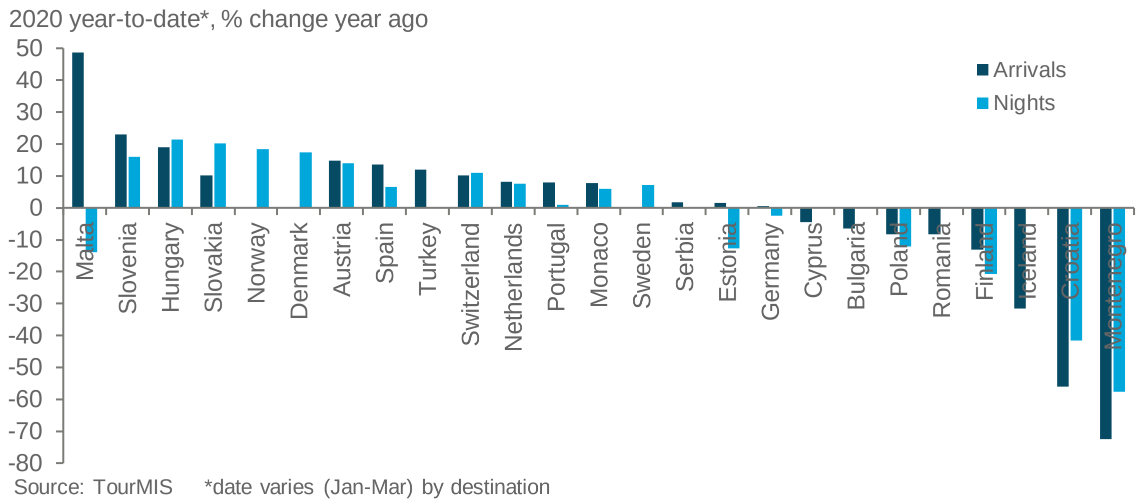


Source: TourMIS *date varies (Jan-Mar) by destination

Iceland saw the greatest fall in visits from the United Kingdom, again affected by the start of the lockdown in the UK and the fact that it is reporting to March. Estonia and Slovenia (both reporting to February) saw falls in arrivals of 13.5% and 12.9% respectively. Cyprus and Romania also saw significant declines in UK arrivals.

Montenegro saw by far the biggest increase: a 250% growth in arrivals and a 120.3% increase in nights. Greece, Poland, Slovakia, Norway, and Hungary also experienced strong growth in UK arrivals. Croatia (the only other country reporting to March) saw a 17.6% increase in UK visitors, although overnights from the UK fell.

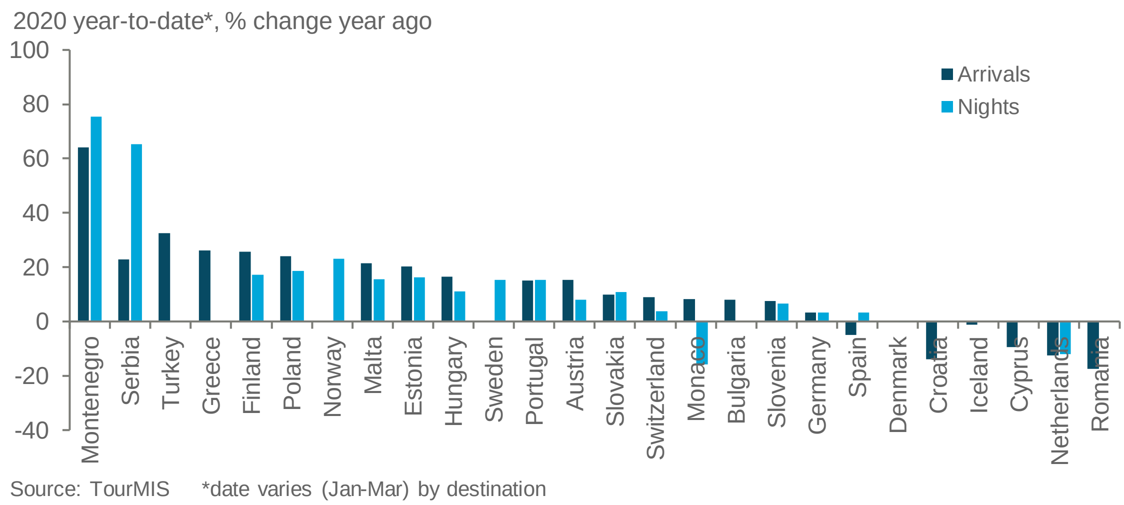
Dutch visits and overnights to select destinations



There was a very mixed picture from the Netherlands. In contrast to many other European source markets, the greatest decline was in Montenegro, with arrivals from the Netherlands falling 72.5%. Less surprising declines (as they are reporting to March) were recorded in both Croatia (down 56% in terms of arrivals) and Iceland (down 31.6% on the same metric).

The strongest growth in Dutch arrivals at 48.6% was in Malta – although there was actually a significant drop in overnights spent there. At 22.9% and 19% growth respectively, Slovenia and Hungary also saw strong growth in Dutch arrivals.

Russian visits and overnights to select destinations



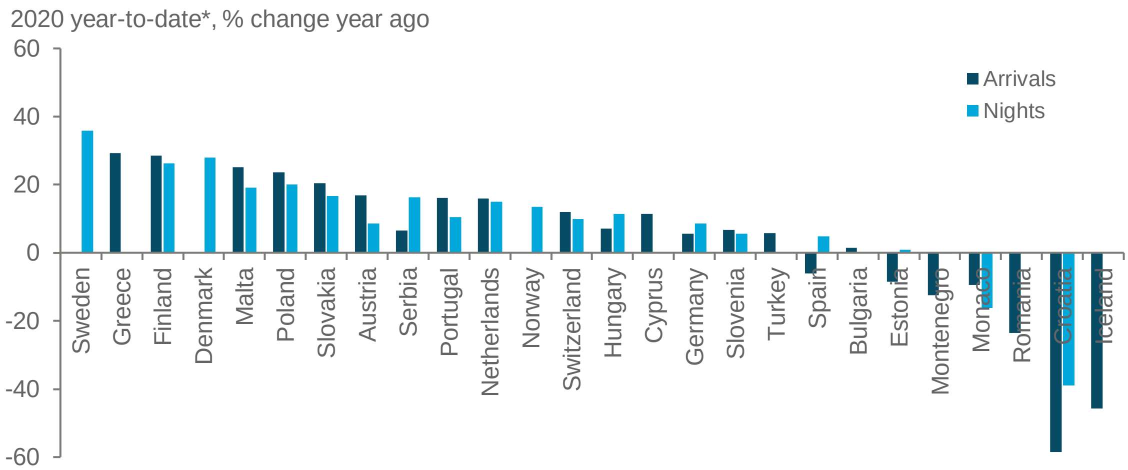
Both countries reporting data to March (Croatia and Iceland) showed declines in arrivals from the Russia. However, there were steeper falls in Romania (down 17.4% based on data to February) and the Netherlands (-12.5%, based on data to January).

With Cyprus so reliant on tourism from Russia, a 9.5% decline in arrivals represents a significant volume of travel for that destination. It is possible that Russian tourists are seeking out alternative destinations in Southeast Europe. Most countries with very strong arrivals growth from Russia are in this region of Europe: Montenegro (+64.1%), Serbia (+22.9% - although growth in overnights was far stronger at 65.3%), Turkey (+32.5%) and Greece (+26.2% growth).

NON-EUROPEAN SOURCE MARKETS

Again, it is worth noting that only Croatia and Iceland are reporting to March. However, some non-European source markets have showed more of a response to the early stages of the COVID-19 outbreak due to proximity to the initial source of the outbreak.

United States visits and overnights to select destinations

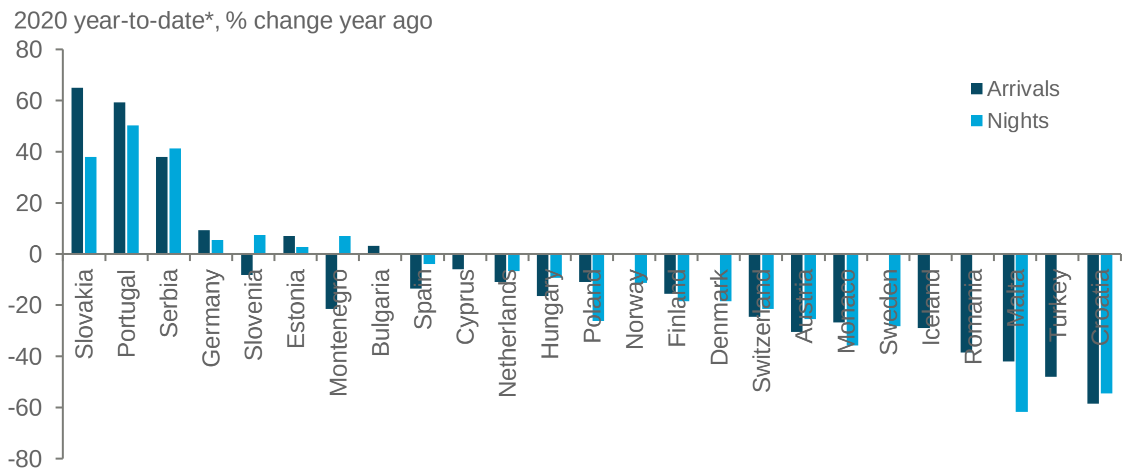


Source: TourMIS *date varies (Jan-Mar) by destination

The two countries reporting to March had the steepest declines, with Iceland falling 45.8% in terms of arrivals and Croatia, 58.5%. However, Romania also experienced a very significant fall of 23.6% in terms of arrivals and Montenegro was also among the most serious of declines.

Sweden saw the greatest growth in nights (35.9%) but did not report an arrivals figure. Greece (29.2%) and Finland (28.5%) saw the greatest arrivals growth from the US. Denmark, Malta, Poland and Slovakia all also saw strong growth. The Cyprus boycott campaign does not seem to have deterred American tourists from visiting the island as arrivals were up 11.4%.

Chinese visits and overnights to select destinations



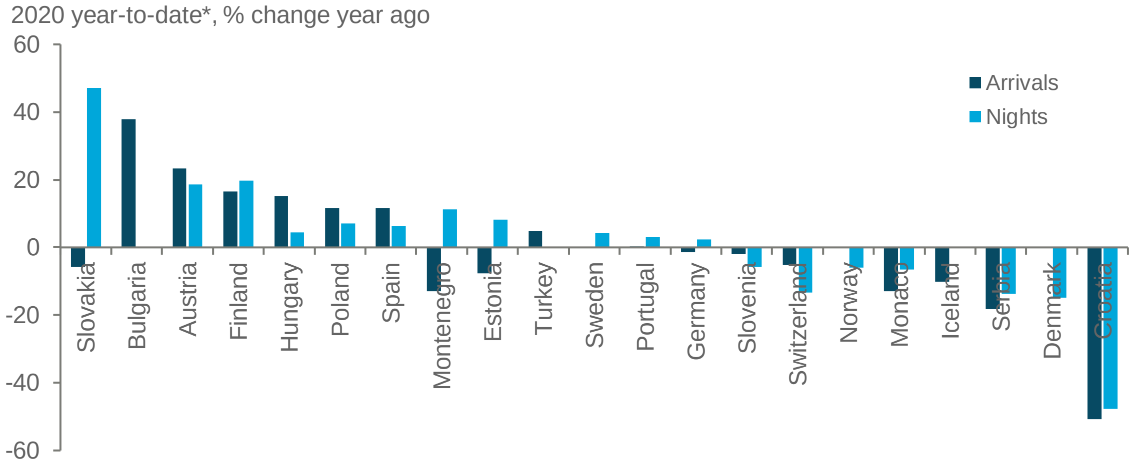
Source: TourMIS *date varies (Jan-Mar) by destination

Unlike most European source markets, Chinese outbound travel was severely impacted by the COVID-19 outbreak and by subsequent travel restrictions throughout both January and February. This explains the very different pattern to Chinese performance. A total of 17 destination countries reported growth on neither metric (although data for both Croatia and Iceland is to March). Some of the declines in arrivals from China were very marked. China is a small but growing (and high spend) source market for Croatia, accounting for 1.6% of arrivals in 2019. It saw a decline in arrivals of 58.4% in 2020.

Turkey saw a very large decline in arrivals of 47.9%, Malta of 42.0% and Romania of 38.5%. Iceland and Monaco also both fell in excess of 25%. Another notable, albeit smaller fall was recorded in Spain (-13.5%), while both Montenegro and Slovenia saw a decline in arrivals accompanied by an increase in nights.

Only five countries saw an increase in both metrics from Chinese tourism: Slovakia (which saw a 65% increase in arrivals), Portugal, Serbia, Germany, and Estonia. Bulgaria saw a small increase in arrivals but did not report on nights.

Japanese visits and overnights to select destinations

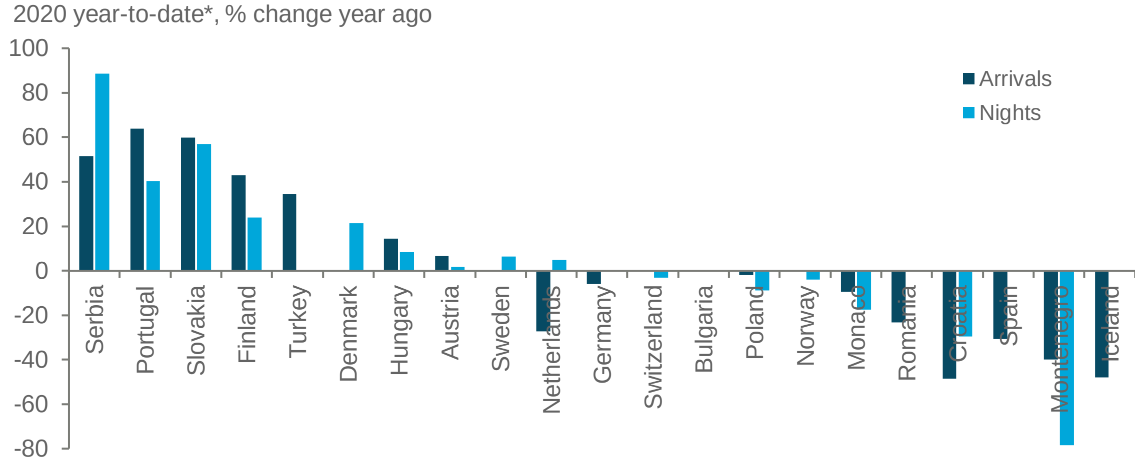


Source: TourMIS *date varies (Jan-Mar) by destination

Japan started to experience the COVID-19 infection relatively early, so it should be no surprise that a significant number of destination countries reported declines. These include both Croatia and Iceland – both reporting to March. But there was also an 18.3% decline in Japanese arrivals to Serbia and a 14.9% decline in nights to Denmark.

The strongest performer (averaged over nights and arrivals) was Slovakia, but it saw a 5.8% decline in arrivals from Japan (countered by a 47.2% increase in nights). Bulgaria registered the strongest increase in Japanese arrivals at 37.8%. Austria, Finland, and Hungary also saw strong growth.

Indian visits and overnights to select destinations

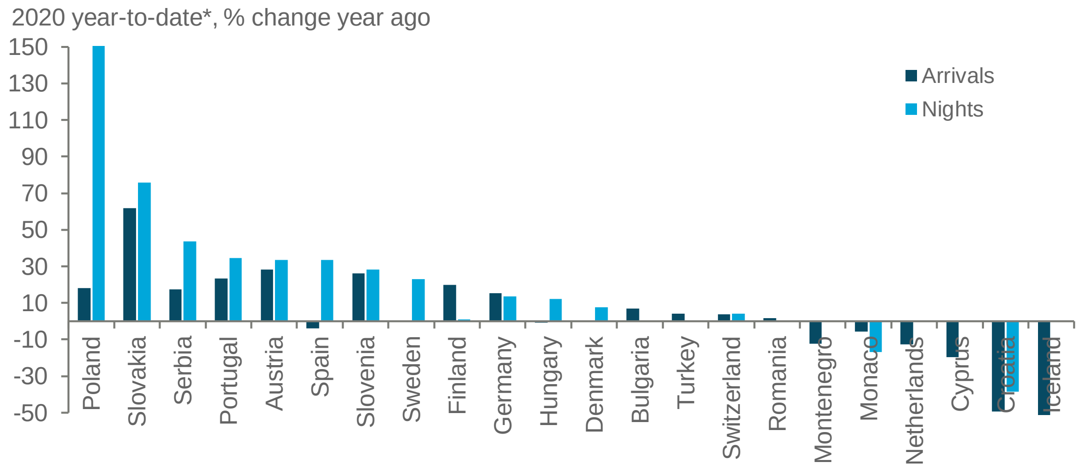


Source: TourMIS *date varies (Jan-Mar) by destination

Although India did not impose a flight ban until 22nd March, the picture from India was a relatively weak one, even over the very early part of the year with eight countries showing growth in neither metric. These included the two countries reporting data to March (Croatia and Iceland), as well as several others. For example, Montenegro saw a decline in overnights from India of 78.5% and a 39.8% decline in arrivals, albeit from a low base. Visits to Spain fell 30.7% and to Romania by 23.1%. Indian visits to the Netherlands declined 27.3%, although there was a small increase in nights.

The greatest growth was seen in Serbia (where overnights rose 88.5% and arrivals 51.6%); this has been supported by the fact that Indians can now enter, transit through, and stay in Serbia without a visa, for a period not exceeding 30 days from the date of entry, within a period of one year. Portugal also enjoyed significant growth in Indian arrivals (+63.9%) based on data to February, as did Slovakia (+59.9%) based on data for the first month of the year.

Canadian visits and overnights to select destinations



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

For most destinations, there was little sign of a slowdown from Canadian outbound travel. That was not the case for either of the two countries reporting to March with arrivals in Iceland down 51.3% and arrivals in Croatia down 49.3%. Nor was it the case from Cyprus, which probably suffered as a result of a negative social media campaign calling for its boycott. The Netherlands, Monaco and Montenegro also exhibited quite marked declines in Canadian demand.

However, there was also some strong growth early in the year. Poland saw 152% growth in overnights (although arrivals growth was far more muted at 18.1%).

Slovakia saw a 61.8% increase in Canadian arrivals and Serbia a 43.8% increase in overnights. Portugal, Austria and Spain all saw increases in overnights of over 30% (although Spain actually saw a decline in arrivals over the same period).

7. ORIGIN MARKET SHARE ANALYSIS

Based on the Tourism Economics' Global Travel Service (GTS) model, the following charts and analysis show Europe's evolving market position – in absolute and percentage terms – for selected source markets.

Data in these charts and tables relate to reported arrivals in all destinations as a comparable measure of outbound travel for calculation of market share.

For example, US outbound figures featured in the analysis are larger than reported departures in national statistics as long-haul trips often involve travel to multiple destinations. In 2014, US data reporting shows 11.9 million departures to Europe while the sum of European arrivals from the US was 23.4 million. Thus, each US trip to Europe involved a visit to two destinations on average.

The geographies of Europe are defined as follows:

> ***Northern Europe*** *is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;*
>
> ***Western Europe*** *is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;*
>
> ***Southern/Mediterranean Europe*** *is Albania, Bosnia-Herzegovina, Croatia, Cyprus, North Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, and Turkey;*
>
> ***Central/Eastern Europe*** *is Armenia, Azerbaijan, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, and Ukraine.*

United States Market Share Summary

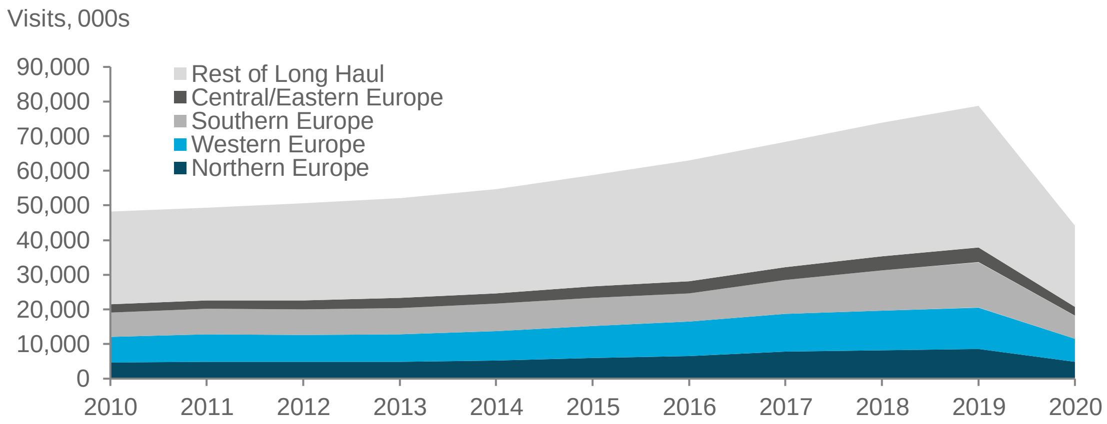
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**129,598**	-	**2.1%**	**11.1%**	-	**44.2%**	-
Long haul	78,768	60.8%	2.2%	11.4%	60.9%	44.1%	60.8%
Short haul	50,830	39.2%	2.1%	10.7%	39.1%	44.5%	39.2%
Travel to Europe	**37,861**	**29.2%**	**0.7%**	**3.5%**	**27.2%**	**54.1%**	**27.3%**
European Union	29,099	22.5%	1.6%	8.1%	21.8%	44.7%	22.4%
Northern Europe	8,578	6.6%	1.6%	8.3%	6.5%	61.0%	5.9%
Western Europe	11,919	9.2%	0.5%	2.4%	8.5%	42.1%	9.3%
Southern Europe	13,073	10.1%	-0.8%	-3.7%	8.7%	65.4%	8.8%
Central/Eastern Europe	4,290	3.3%	3.5%	18.9%	3.5%	45.0%	3.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

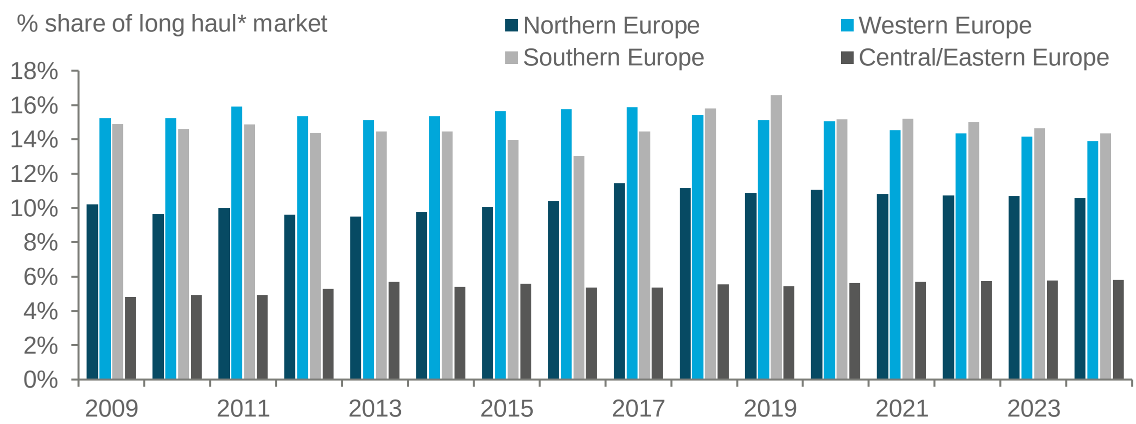
United States Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Europe's Share of United States Market



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Canada Market Share Summary

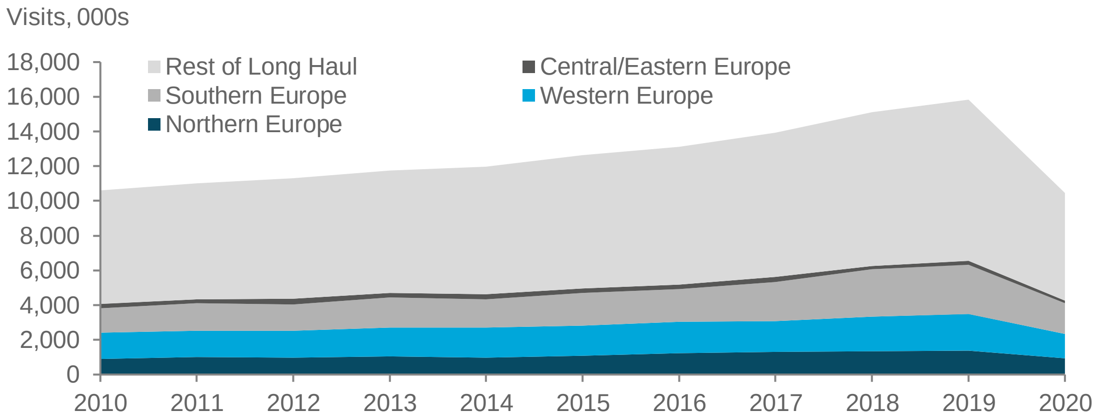
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**38,854**	-	**2.2%**	**11.3%**	-	**6.1%**	-
Long haul	15,835	40.8%	2.2%	11.5%	40.8%	32.2%	32.7%
Short haul	23,019	59.2%	2.1%	11.2%	59.2%	-6.7%	67.3%
Travel to Europe	**6,557**	**16.9%**	**0.5%**	**2.4%**	**15.5%**	**41.3%**	**12.7%**
European Union	5,382	13.9%	2.1%	11.0%	13.8%	34.6%	10.9%
Northern Europe	1,377	3.5%	1.8%	9.2%	3.5%	41.0%	2.7%
Western Europe	2,116	5.4%	1.2%	6.1%	5.2%	23.3%	4.7%
Southern Europe	2,849	7.3%	-0.2%	-1.0%	6.5%	72.2%	4.5%
Central/Eastern Europe	215	0.6%	-7.5%	-32.1%	0.3%	-26.6%	0.8%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

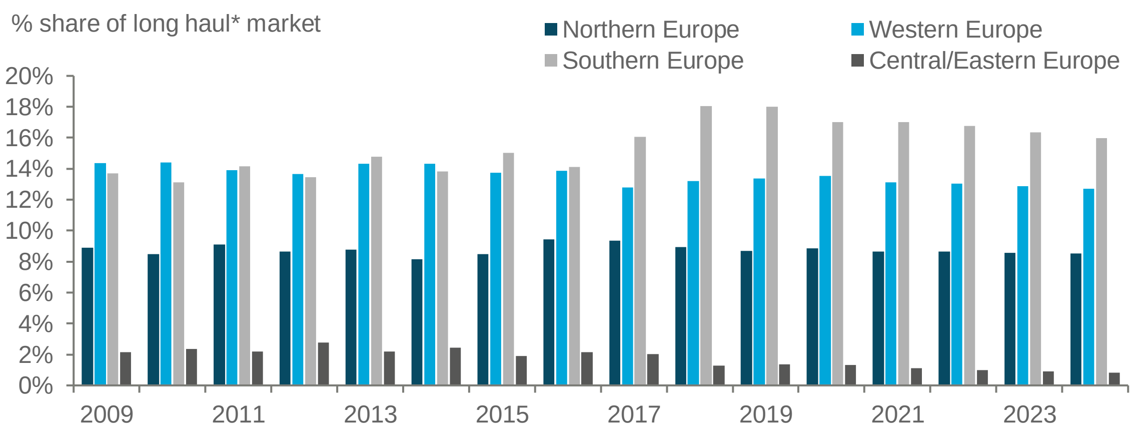
Canada Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Europe's Share of Canadian Market



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Mexico Market Share Summary

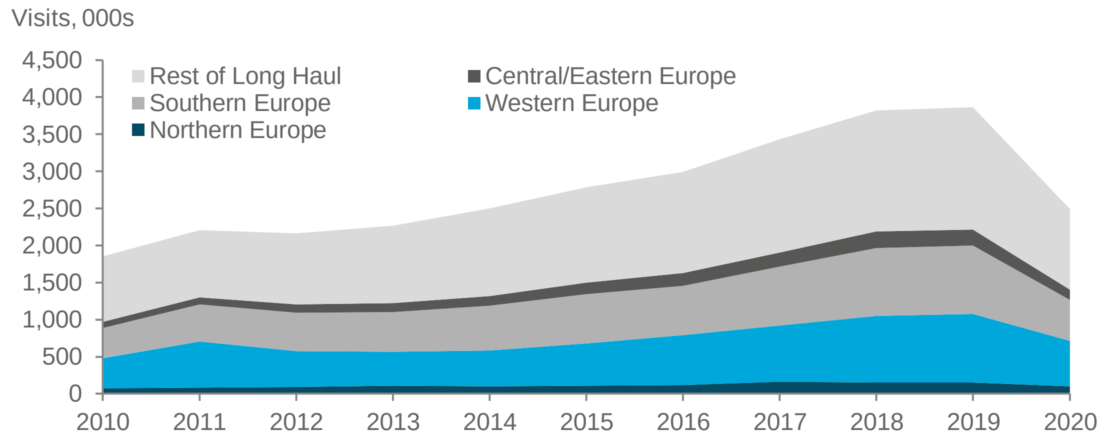
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**22,322**	-	**1.8%**	**9.4%**	-	**13.0%**	-
Long haul	3,865	17.3%	1.0%	5.0%	16.6%	54.4%	12.7%
Short haul	18,457	82.7%	2.0%	10.4%	83.4%	7.0%	87.3%
Travel to Europe	**2,213**	**9.9%**	**-0.8%**	**-3.8%**	**8.7%**	**68.3%**	**6.7%**
European Union	1,780	8.0%	-0.2%	-1.1%	7.2%	60.0%	5.6%
Northern Europe	149	0.7%	-0.3%	-1.7%	0.6%	57.6%	0.5%
Western Europe	926	4.1%	-0.2%	-1.0%	3.8%	89.3%	2.5%
Southern Europe	925	4.1%	-1.7%	-8.3%	3.5%	53.6%	3.1%
Central/Eastern Europe	214	1.0%	0.4%	2.2%	0.9%	65.8%	0.7%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

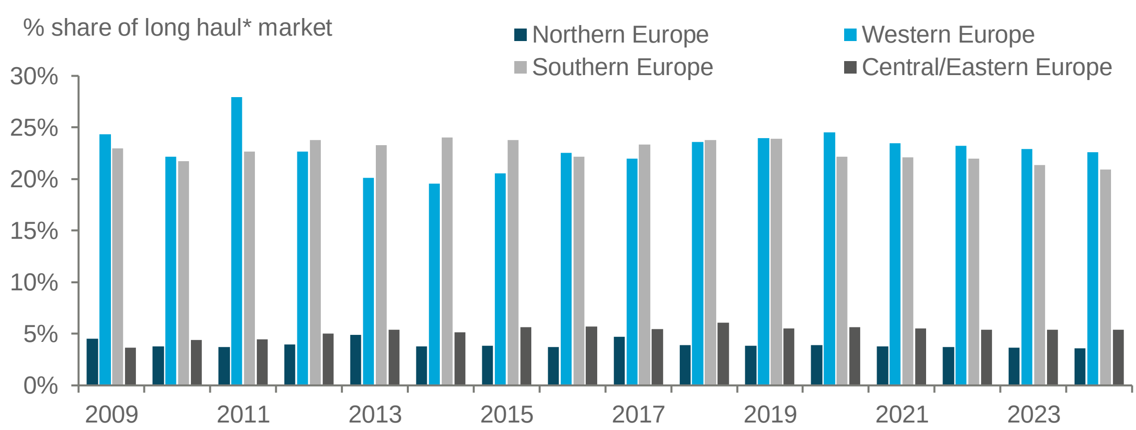
Mexico Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Europe's Share of Mexican Market



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Argentina Market Share Summary

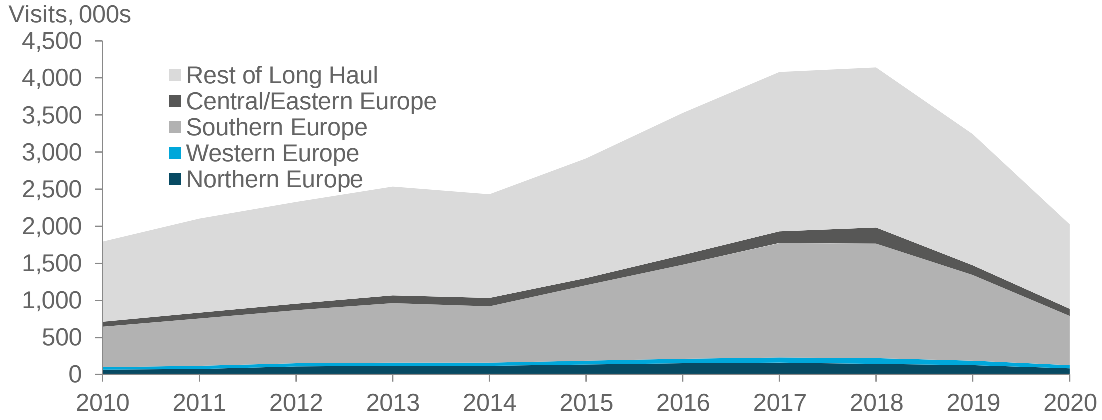
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**10,485**	-	**0.1%**	**0.7%**	-	**36.3%**	-
Long haul	3,240	30.9%	-2.6%	-12.4%	26.9%	33.3%	31.6%
Short haul	7,245	69.1%	1.3%	6.5%	73.1%	37.6%	68.4%
Travel to Europe	**1,471**	**14.0%**	**-4.1%**	**-18.9%**	**11.3%**	**43.1%**	**13.4%**
European Union	1,727	16.5%	-10.4%	-42.1%	9.5%	105.5%	10.9%
Northern Europe	121	1.2%	-0.1%	-0.6%	1.1%	2.8%	1.5%
Western Europe	64	0.6%	0.0%	-0.2%	0.6%	46.6%	0.6%
Southern Europe	1,153	11.0%	-5.5%	-24.7%	8.2%	52.0%	9.9%
Central/Eastern Europe	133	1.3%	1.1%	5.4%	1.3%	23.2%	1.4%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

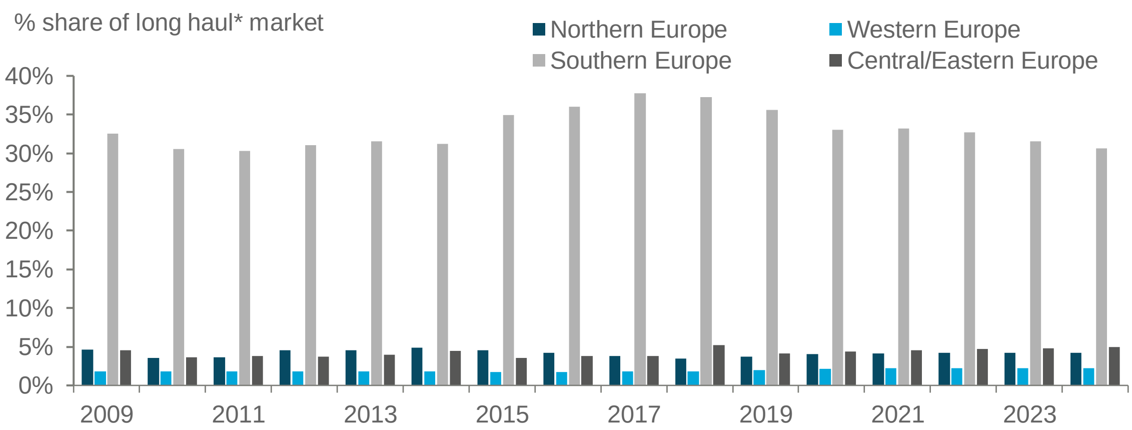
Argentina Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

Europe's Share of Argentina Market



*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

Brazil Market Share Summary

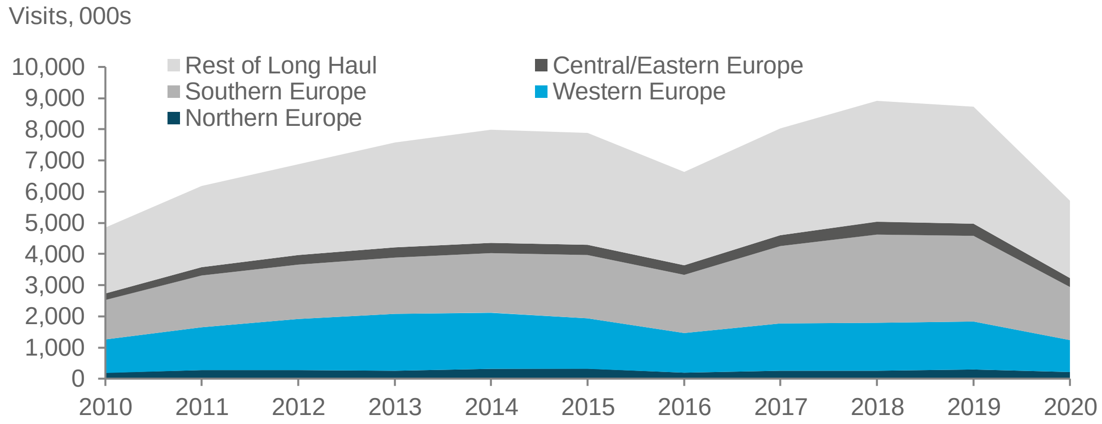
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**11,549**	-	**1.5%**	**7.8%**	-	**7.4%**	-
Long haul	8,725	75.5%	0.3%	1.7%	71.3%	9.2%	74.3%
Short haul	2,824	24.5%	4.8%	26.7%	28.7%	2.3%	25.7%
Travel to Europe	**4,981**	**43.1%**	**-0.7%**	**-3.6%**	**38.5%**	**14.5%**	**40.5%**
European Union	4,266	36.9%	-0.8%	-3.7%	33.0%	17.2%	33.9%
Northern Europe	299	2.6%	1.0%	5.2%	2.5%	-2.8%	2.9%
Western Europe	1,533	13.3%	0.4%	1.9%	12.5%	-15.1%	16.8%
Southern Europe	2,740	23.7%	-2.1%	-10.0%	19.8%	43.4%	17.8%
Central/Eastern Europe	409	3.5%	2.2%	11.7%	3.7%	25.4%	3.0%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

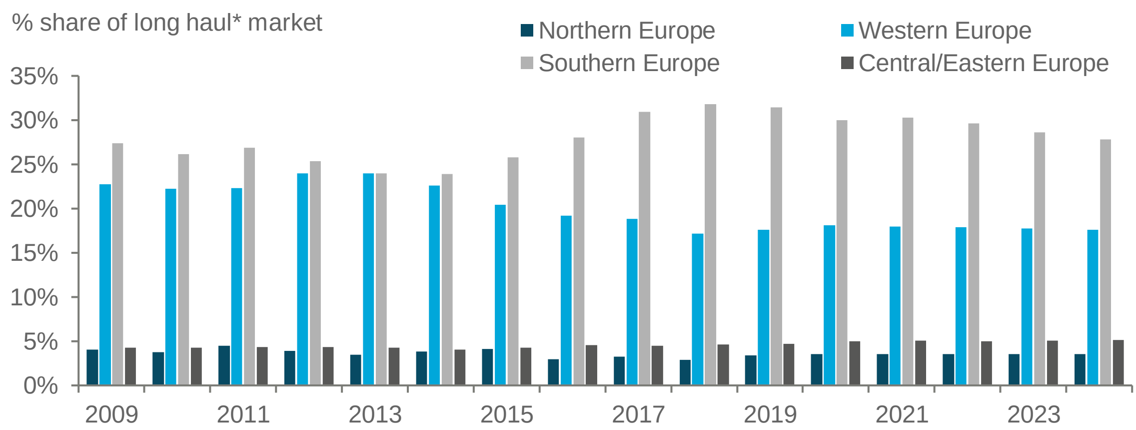
Brazil Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

Europe's Share of Brazilian Market



*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

India Market Share Summary

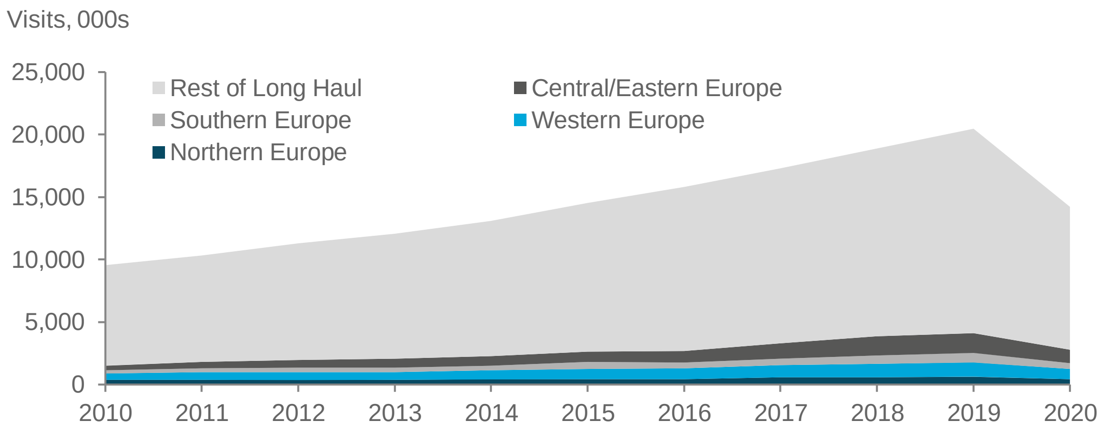
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**21,663**	-	**6.2%**	**35.0%**	-	**58.6%**	-
Long haul	20,468	94.5%	6.4%	36.0%	95.2%	56.6%	95.7%
Short haul	1,195	5.5%	3.1%	16.5%	4.8%	104.4%	4.3%
Travel to Europe	**4,110**	**19.0%**	**4.6%**	**25.4%**	**17.6%**	**81.2%**	**16.6%**
European Union	1,798	8.3%	2.8%	15.0%	7.1%	66.7%	7.9%
Northern Europe	625	2.9%	3.0%	15.8%	2.5%	51.8%	3.0%
Western Europe	1,159	5.3%	5.5%	30.7%	5.2%	61.3%	5.3%
Southern Europe	763	3.5%	0.4%	1.9%	2.7%	95.3%	2.9%
Central/Eastern Europe	1,563	7.2%	6.5%	36.8%	7.3%	109.1%	5.5%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

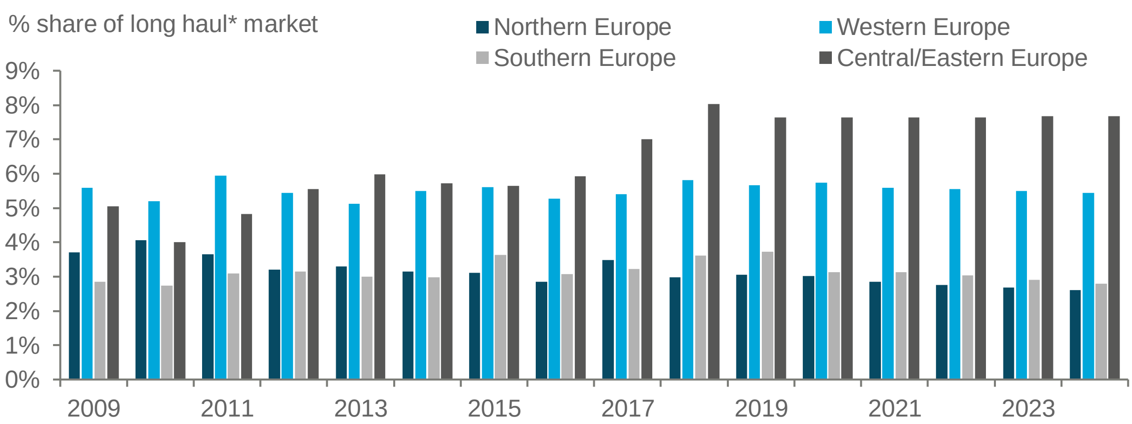
India Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside South Asia

Source: Tourism Economics

Europe's Share of Indian Market



*Long haul defined as tourist arrivals to destinations outside South Asia

Source: Tourism Economics

China Market Share Summary

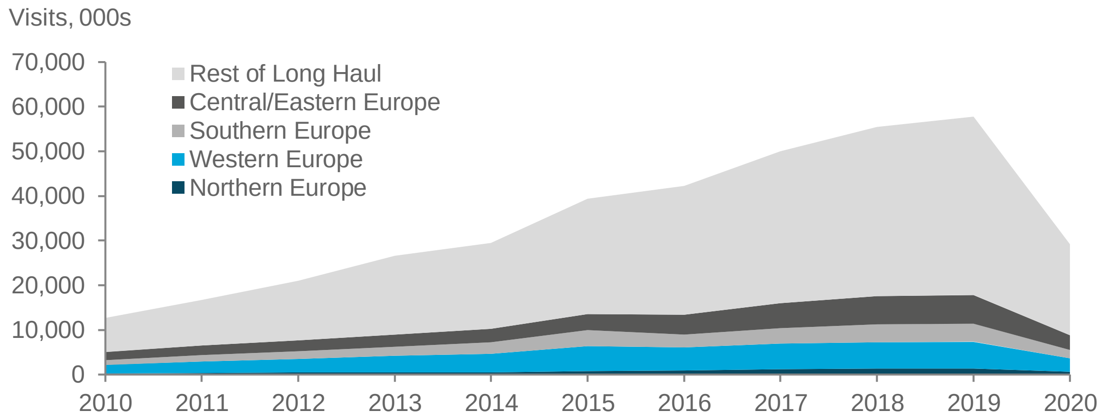
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**107,852**	-	**2.2%**	**11.3%**	-	**50.9%**	-
Long haul	57,780	53.6%	2.3%	12.2%	54.0%	95.6%	41.3%
Short haul	50,072	46.4%	2.0%	10.3%	46.0%	19.4%	58.7%
Travel to Europe	**17,799**	**16.5%**	**2.6%**	**13.6%**	**16.8%**	**73.1%**	**14.4%**
European Union	10,497	9.7%	0.5%	2.4%	9.0%	110.1%	7.0%
Northern Europe	1,344	1.2%	3.4%	18.0%	1.3%	169.7%	0.7%
Western Europe	5,962	5.5%	4.9%	27.2%	6.3%	42.9%	5.8%
Southern Europe	4,129	3.8%	-0.2%	-0.9%	3.4%	63.9%	3.5%
Central/Eastern Europe	6,364	5.9%	1.8%	9.4%	5.8%	105.9%	4.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

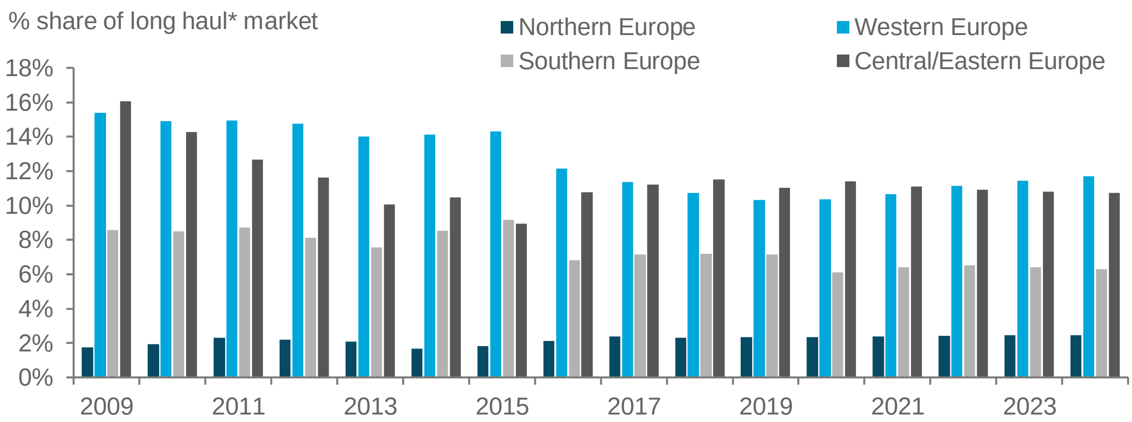
China Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

Europe's Share of Chinese Market



*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

Japan Market Share Summary

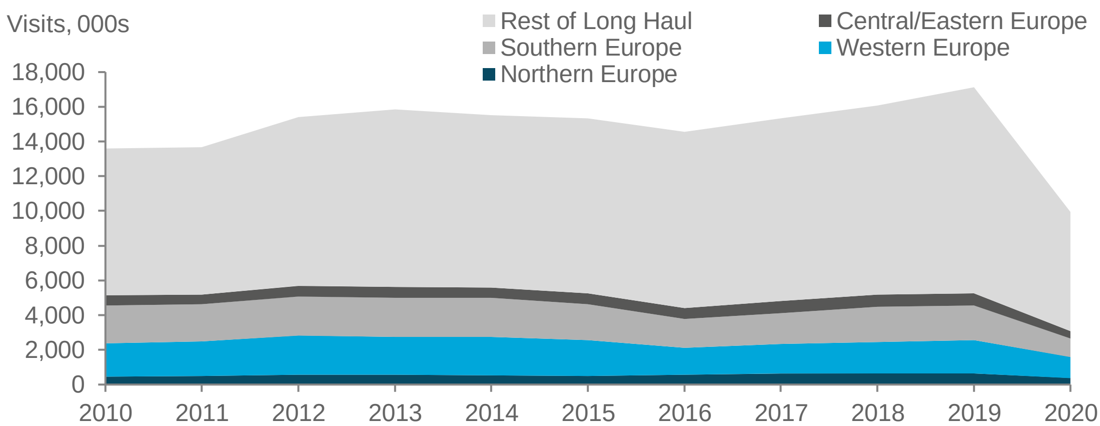
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**26,622**	-	**0.9%**	**4.4%**	-	**15.0%**	-
Long haul	17,126	64.3%	1.2%	6.2%	65.4%	10.4%	67.0%
Short haul	9,496	35.7%	0.3%	1.3%	34.6%	24.5%	33.0%
Travel to Europe	**5,272**	**19.8%**	**0.6%**	**3.2%**	**19.6%**	**-5.9%**	**24.2%**
European Union	4,301	16.2%	0.6%	2.9%	15.9%	-13.6%	21.5%
Northern Europe	627	2.4%	-1.3%	-6.3%	2.1%	22.3%	2.2%
Western Europe	1,930	7.2%	4.2%	23.1%	8.5%	-13.6%	9.7%
Southern Europe	2,011	7.6%	-2.5%	-11.8%	6.4%	-10.3%	9.7%
Central/Eastern Europe	704	2.6%	0.0%	-0.1%	2.5%	15.1%	2.6%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

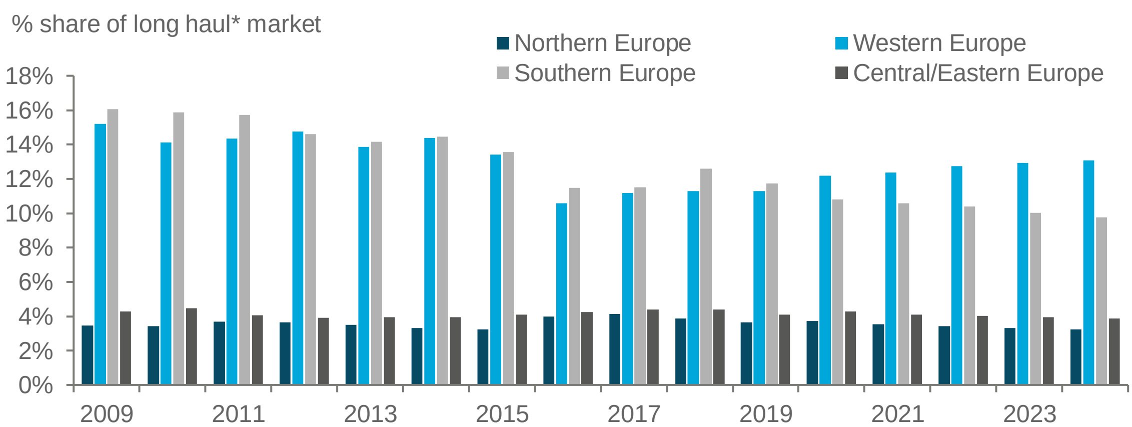
Japan Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

Europe's Share of Japanese Market



*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

Australia Market Share Summary

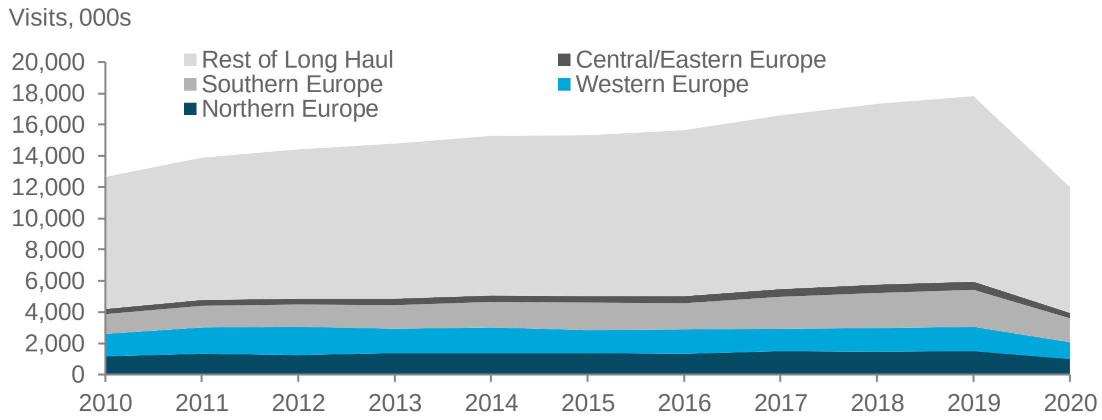
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**18,432**	-	**3.7%**	**20.1%**	-	**16.0%**	-
Long haul	17,817	96.7%	3.8%	20.4%	96.9%	16.5%	96.2%
Short haul	615	3.3%	2.4%	12.4%	3.1%	2.4%	3.8%
Travel to Europe	**5,944**	**32.2%**	**1.9%**	**9.9%**	**29.5%**	**17.1%**	**31.9%**
European Union	5,080	27.6%	1.2%	6.0%	24.3%	13.2%	28.2%
Northern Europe	1,507	8.2%	0.4%	1.8%	6.9%	10.5%	8.6%
Western Europe	1,544	8.4%	0.1%	0.6%	7.0%	-6.3%	10.4%
Southern Europe	2,398	13.0%	3.6%	19.1%	12.9%	45.8%	10.3%
Central/Eastern Europe	495	2.7%	3.6%	19.1%	2.7%	18.4%	2.6%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

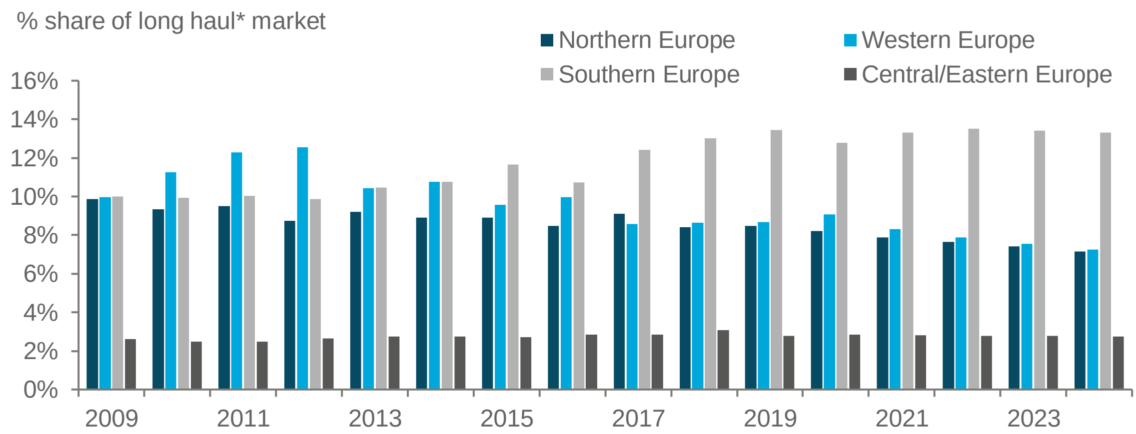
Australia Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

Europe's Share of Australian Market



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

Russia Market Share Summary

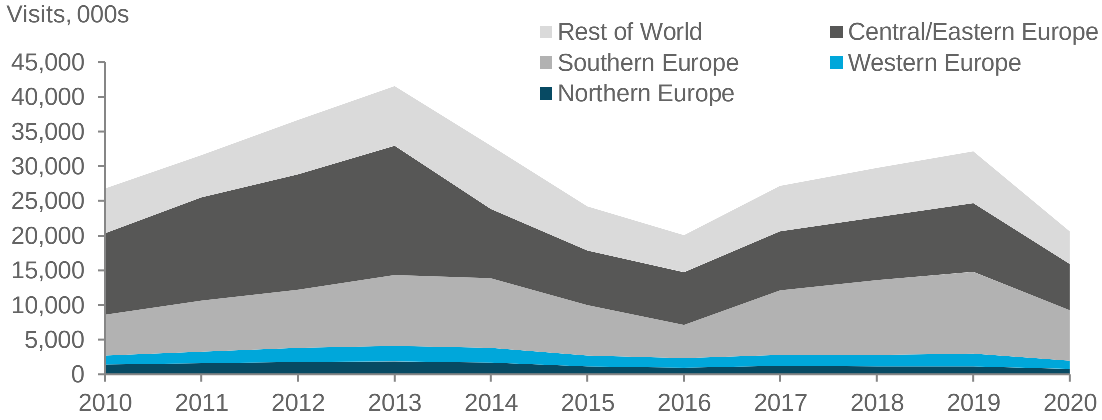
	2019	Growth (2019-24)				Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	**32,186**	-	**2.7%**	**14.5%**	-	**-2.5%**	-
Long haul	7,552	23.5%	1.6%	8.5%	22.2%	-17.6%	27.7%
Short haul	24,634	76.5%	3.1%	16.3%	77.8%	3.2%	72.3%
Travel to Europe	**24,634**	**76.5%**	**3.1%**	**16.3%**	**77.8%**	**3.2%**	**72.3%**
European Union	10,010	31.1%	0.8%	3.8%	28.2%	-17.5%	36.8%
Northern Europe	1,182	3.7%	5.4%	30.2%	4.2%	-29.8%	5.1%
Western Europe	1,794	5.6%	1.6%	8.4%	5.3%	-14.5%	6.4%
Southern Europe	11,799	36.7%	0.9%	4.6%	33.5%	16.9%	30.6%
Central/Eastern Europe	9,859	30.6%	5.4%	30.1%	34.8%	-1.3%	30.2%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

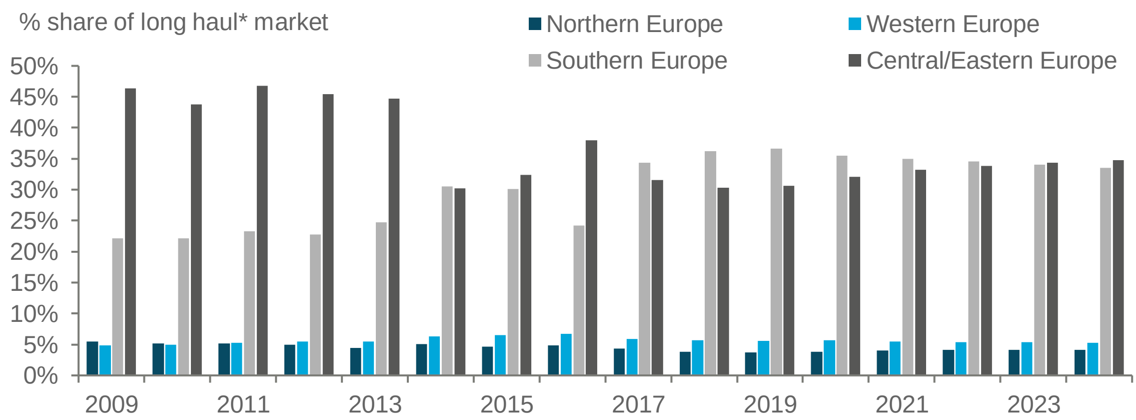
Russia Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

Europe's Share of Russian Market



*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

United Arab Emirates Market Share Summary

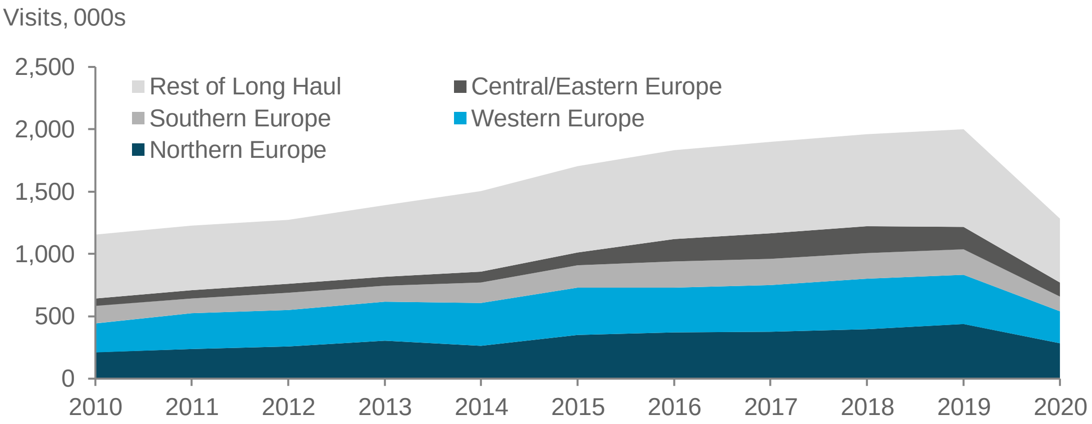
	2019		Growth (2019-24)			Growth (2014-19)	
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	3,488	-	4.0%	21.9%	-	3.8%	-
Long haul	2,000	57.3%	-0.6%	-2.8%	45.7%	33.0%	44.8%
Short haul	1,488	42.7%	9.2%	55.2%	54.3%	-19.8%	55.2%
Travel to Europe	1,217	34.9%	-1.0%	-4.9%	27.2%	41.7%	25.5%
European Union	799	22.9%	0.1%	0.5%	18.9%	36.4%	17.4%
Northern Europe	439	12.6%	-1.1%	-5.5%	9.7%	67.6%	7.8%
Western Europe	394	11.3%	-0.8%	-3.9%	8.9%	14.0%	10.3%
Southern Europe	206	5.9%	-2.6%	-12.5%	4.2%	25.5%	4.9%
Central/Eastern Europe	178	5.1%	0.6%	2.8%	4.3%	104.5%	2.6%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

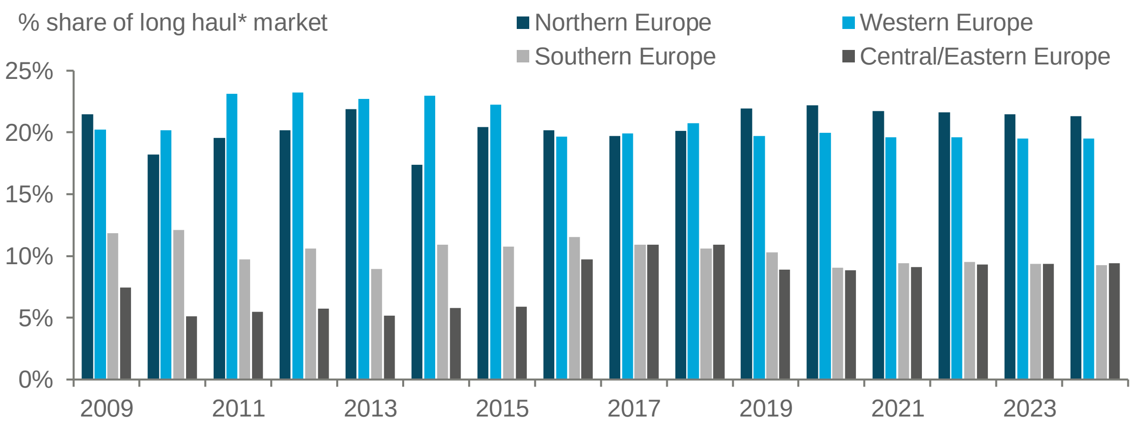
United Arab Emirates Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside Middle East

Source: Tourism Economics

Europe's Share of Emirati Market



*Long haul defined as tourist arrivals to destinations outside Middle East

Source: Tourism Economics

8. ECONOMIC OUTLOOK

Assessing recent tourism data and industry performance is a useful way of directly monitoring the key trends for travel demand across Europe. This can be complemented by looking at key trends and relationships in macroeconomic performance in Europe's key source markets which can provide further insight into likely tourism developments throughout the year.

The linkages between macroeconomics and tourism performance can be very informative. For example, strong GDP or consumer spending growth is an indication of rising prosperity with people more likely to travel abroad. It is also an indication of rising business activity and therefore stronger business travel. Movements in exchange rates against the euro can be equally important as it can influence choice of destination. For example, if the euro appreciated (gained value) against the US dollar, the Eurozone would become a more expensive destination and therefore potentially less attractive for US visitors. Conversely, depreciation of the euro against the US dollar would make the Eurozone a relatively cheaper destination and therefore more attractive to US travellers.

Disclaimer: the opinions expressed in the forthcoming section [Economic Outlook] are those of Oxford Economics ("we, us, our"). They do not purport to reflect the opinions or views of ETC or its members.

OVERVIEW

With much of the global economy now in some form of lockdown due to the coronavirus pandemic, we expect world GDP to contract by about 7% in H1 2020. Activity is expected to rebound sharply in H2, but even so the severity of the shock is likely to lead to a permanent GDP loss for the global economy.

While Chinese activity picked up in late-Q1 as lockdown restrictions were unwound, we expect Q1 GDP to have fallen 12% q/q before rebounding sharply in Q2. But this Q2 boost looks set to be swamped by the collapse in activity caused by the rest of the world going into lockdown.

Although shutdown restrictions elsewhere are less severe than those imposed in China, business survey and labour market data still point to sharp falls in activity in most countries in Q2. Quarterly GDP declines of 8% or more in the US and eurozone seem likely. Overall, world GDP could fall by about 7% in H1, roughly double the size of the contraction seen in H1 2009 during the global financial crisis.

In those economies subject to some form of lockdown, we expect restrictions to begin to be lifted during Q2. As a result, growth should resume in Q3 as sectors that have been forced to shut down see some pick-up. But despite this rebound, world GDP is now expected to shrink by 2.8% in 2020 overall – in 2009, the global GDP fall was 1.1%.

The H2 pick-up, followed by a return to more normal conditions next year, will result in world GDP growth rising to almost 6% in 2021, helped also by the recent collapse in oil prices to about $30pb. But the scale of the disruption means that we expect a permanent loss of output from the shock. We expect global GDP in the medium term to be some 1.5% below the level we had anticipated before the coronavirus outbreak.

The risks around this forecast are large and broadly balanced. But were stringent lockdowns or widespread disruption, perhaps due to renewed outbreaks of the virus, to extend into Q3, global GDP could fall by as much as 8% this year.

Summary of economic outlook, % change*

Country	2020 GDP	2020 Consum-ption	2020 Unemploy-ment**	2020 Exchange rate***	2020 Inflation	2021 GDP	2021 Consum-ption	2021 Unemploy-ment**	2021 Exchange rate***	2021 Inflation
UK	-5.1%	-7.4%	2.7%	1.0%	0.8%	6.0%	7.7%	-1.1%	2.3%	1.5%
France	-5.3%	-5.4%	1.3%	0.0%	0.3%	4.4%	4.3%	-0.4%	0.0%	1.5%
Germany	-3.9%	-4.3%	0.5%	0.0%	0.9%	4.7%	6.2%	-0.4%	0.0%	1.4%
Netherlands	-3.6%	-4.0%	1.0%	0.0%	0.6%	4.3%	3.7%	0.1%	0.0%	1.9%
Italy	-7.6%	-8.2%	2.3%	0.0%	-0.5%	3.8%	3.8%	-0.6%	0.0%	1.3%
Russia	-6.5%	-7.3%	1.5%	-10.1%	4.0%	6.3%	7.3%	-1.0%	4.4%	2.8%
US	-6.9%	-10.5%	6.2%	2.5%	0.7%	9.9%	12.9%	-4.0%	0.5%	1.6%
Canada	-10.7%	-12.6%	9.5%	-6.7%	0.8%	12.4%	14.0%	-5.1%	-1.9%	1.8%
Brazil	-2.7%	-4.7%	1.2%	-18.3%	3.6%	4.3%	6.7%	-1.6%	6.7%	3.1%
China	0.8%	-1.5%	0.5%	0.9%	2.9%	8.5%	11.5%	-0.4%	1.4%	1.6%
Japan	-4.8%	-4.0%	0.5%	4.3%	-0.4%	3.9%	2.3%	-0.6%	1.6%	0.1%
India	-1.0%	0.1%	2.6%	-3.7%	3.9%	8.9%	10.5%	0.2%	5.7%	3.3%

Source: Tourism Economics based on GEM as of 28.4.2020

* Unless otherwise specified

** Percentage point change

*** Exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.

EUROZONE

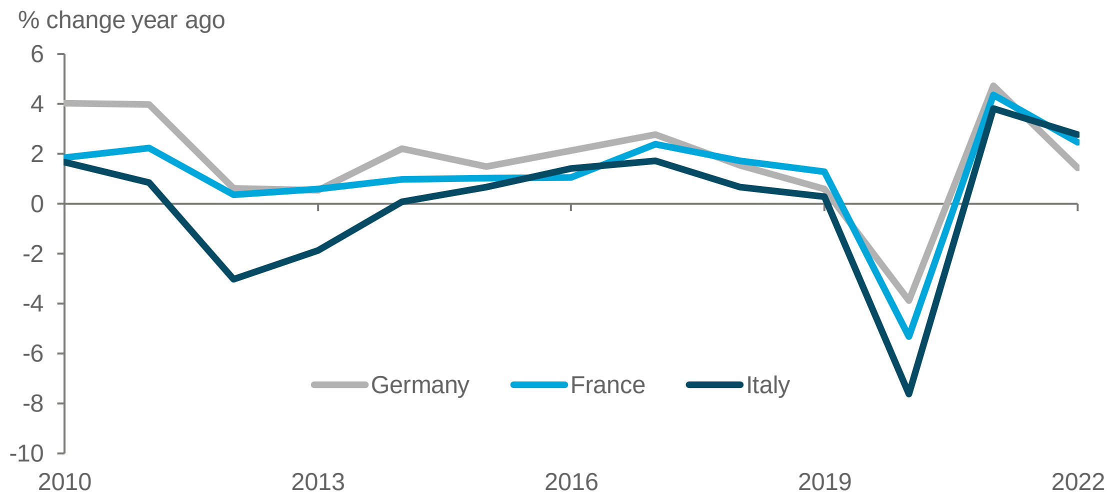
With the number of infected people rising across the continent and partial or full lockdown measures in place in most European countries, the economic impact from the health crisis is going to be massive, with the eurozone heading for a historically deep recession in H1. Given the extension and escalation of containment measures in many countries, we have slashed our 2020 GDP forecast to a fall of 5.1% (from 0.6% growth seen last month), before a strong pick-up to 4.6% growth in 2021.

PMI figures for March showed the initial impact from the coronavirus outbreak and the containment measures put in place in many countries. The eurozone PMI collapsed to a new historic low of just 31.4 in March from 51.6 in February. Following the pattern shown earlier by China, the decline in services activity was much deeper than in manufacturing, although we expect the April figures could be even worse as they will reflect the implementation of harsher lockdowns in most countries.

The unprecedented nature of the crisis is leading to extraordinary volatility around our forecasts. Our baseline assumes the brunt of the impact will be centred around March and April, with a gradual recovery afterwards, which should speed up later in H2 as lockdowns are lifted and monetary and fiscal stimulus feeds through.

But the evolution of the disease continues to be key in determining the final economic damage. The main risk to the forecast is that health conditions force a delay in the return to normal activity, leading to a much shallower recovery than currently anticipated. An insufficient fiscal response would also mean a weaker recovery and a larger permanent loss in output.

Economic performance in key Eurozone economies, GDP real



Source: Oxford Economics

UNITED KINGDOM

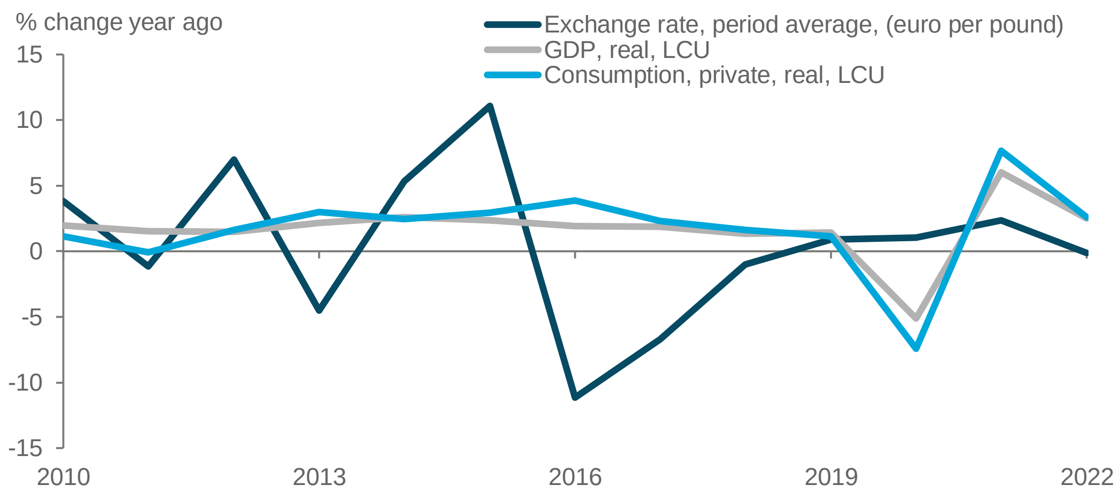
The social distancing measures to try to slow the spread of coronavirus will cause significant disruption to activity in the short term, leading us to slash our 2020 UK GDP forecast to a fall of 5.1% (from 0.7% growth seen last month). But we expect a strong 6.0% rebound in 2021 as resumption of discretionary spending is supported by low oil prices and monetary and fiscal stimulus.

With the coronavirus spreading rapidly, the government has introduced increasingly restrictive social distancing measures over the past month. Currently, people are only permitted to leave their homes for a limited number of reasons, with most schools, non-essential shops and leisure facilities closed. Our forecast assumes these measures remain in place until May before being gradually lifted. This will cause significant disruption to activity and we now see GDP contracting by 10% in H1 2020.

The MPC has reacted to the escalating crisis by cutting Bank Rate by 65bp to its effective floor of 0.1% and restarting quantitative easing with £200bn of asset purchases, consisting of gilts and private sector securities. It has also introduced a new Term Funding Scheme, with additional incentives for SMEs, which aims to ensure a full pass-through of the rate cuts. Meanwhile the Financial Policy Committee (FPC) and Prudential Regulation Committee (PRC) have instigated a number of measures aimed at sustaining the supply of credit.

The Chancellor has also provided substantial fiscal support, including a job retention scheme which pays 80% of salaries for furloughed employees and income support for the self-employed. We expect public sector net borrowing to reach £220bn (10.7% of GDP) this year, but without these measures there was a strong risk that recession could become depression. Nevertheless, even assuming high usage of these schemes, we expect to see a sharp rise in unemployment during 2020.

United Kingdom economic outlook



Source: Oxford Economics

UNITED STATES

The Global Coronavirus Recession (GCR) not only marks the end of the longest US economic expansion on record, but it will also lead to the sharpest contraction in activity since WWII. We now expect real GDP will contract around 4% in 2020, assuming a 12-week lockdown starting in late March, followed by a very gradual relaxation of social distancing measures thereafter.

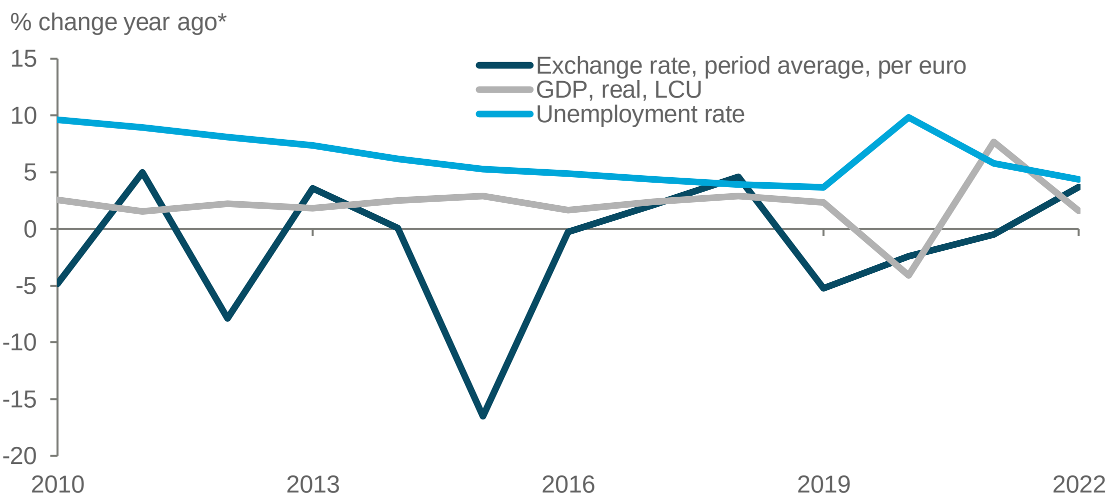
High frequency indicators show that spending on restaurants has come to a near full stop, hotel occupation is only about 20%, retail spending at brick and mortar stores is down over 80%, and road congestion across the nation is about 75% lower than last year. We estimate real GDP will shrink more than 30% annualised in Q2 – nearly 2.5 times larger than the output loss from the GFC.

A decade-long streak of monthly employment gains ended abruptly in March as the initial effects of the coronavirus pandemic led to a sharp job loss of 701,000. But, while the report may have looked dark, it will pale in comparison to the expected 24 million job losses in April. We foresee the unemployment rate surging to 14% in April and 16% in May, with a cumulative job loss over two months of around 27 million – three times more than during the GFC.

Unprecedented Fed stimulus and unparalleled fiscal support will provide an essential lifeline to the economy. But, even with $2.5tn of stimulus – including a multi-trillion business lending capacity – the 'new normal' of fear will feature only a gradual relaxation of social distancing measures and a slow recovery until a medical solution to coronavirus ends the crisis.

Given the severity of the economic and labour market shock and the expectation for a gradual and uneven easing of lockdown measures in Q3, we forecast a U-shaped rebound with the structurally vulnerable states taking the longest to recover.

United States economic outlook



Source: Oxford Economics *Unemployment rate is absolute

JAPAN

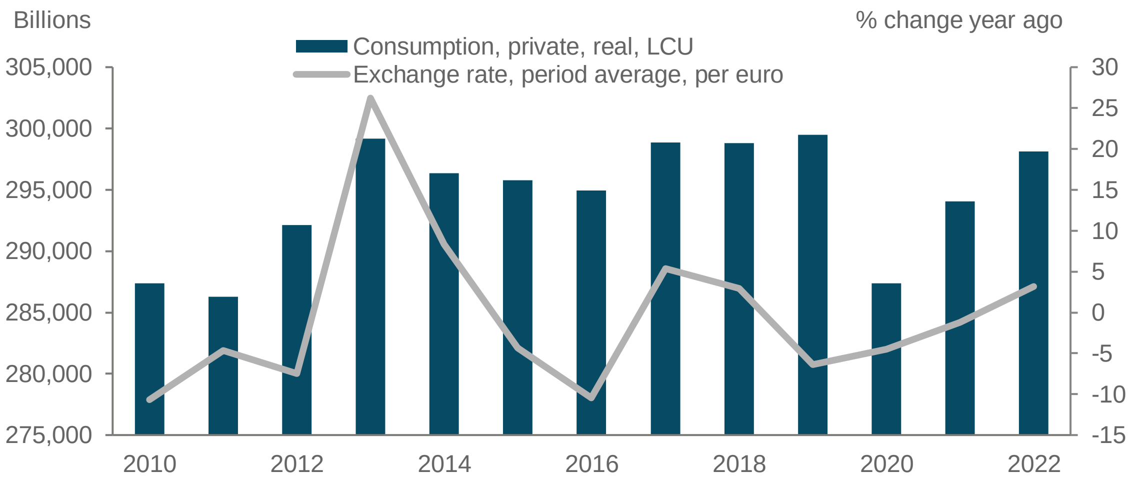
The coronavirus pandemic continues to disrupt social and economic activity worldwide and the near-term outlook for the Japanese economy remains extremely challenging. Measures to contain the spread of the virus will weigh on domestic spending, while businesses and trade will be hit hard by a very sharp global recession. We now expect Japanese GDP to contract 4.8% in 2020, the worst print since the Global Financial Crisis. The economy should start to recover in the second half of 2020. In 2021, we expect GDP to grow 3.9%.

The services PMI dropped to a dismal 33.8 in March after 46.8 in February, while the manufacturing PMI fell to 44.8 from 47.8, both well inside contractionary territory. While real exports declined by only a modest 1.5% y/y in February, a whopping 12% drop in real imports pointed to major disruptions to global trade. The latest Tankan business survey also showed that sentiment worsened markedly in March, with business forecasts signalling expectations of further declines in the coming months.

The risks remain firmly skewed to the downside. Should disruptions from the spread of the coronavirus turn out to be larger and more long-lasting than currently assumed, the impact on the economy would be significantly worse and, further out, possibly prevent a strong recovery.

The government is working on a major fiscal stimulus package to support firms and households affected by coronavirus-related disruptions. Planned measures aim to provide financial support to firms that maintain employment, postpone tax and social security charges, and provide households with direct cash transfers, among others. Meanwhile, the Bank of Japan in mid-March announced it would temporarily step up asset purchases and introduce a new lending programme but left its negative 0.1% policy rate and 0% government bond yield target unchanged.

Private consumption in Japan



Source: Oxford Economics

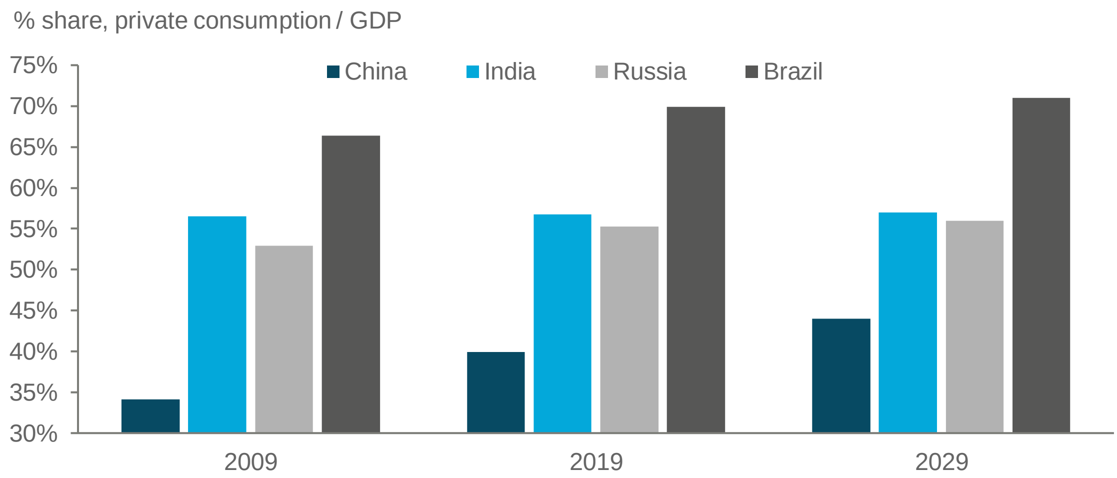
EMERGING MARKETS

Restrictions imposed to combat the spread of coronavirus have strangled economic activity in Emerging Markets (EM). We have therefore slashed our forecasts and now see EM GDP shrinking by 1.1% this year, which would be the worst outturn since comparable statistics became available, including the 2008-09 crisis. This should be followed by a rebound to 7.2% growth in 2021, but the risks associated with the global shock are skewed firmly to the downside.

While the outbreak has been contained in China, allowing the government there to lift the bulk of mobility restrictions, it is accelerating elsewhere, resulting in tighter lockdown measures. As a result, activity has collapsed as evident in regional PMIs, which fell to record lows in March, hit by both demand and supply side shocks emanating from the pandemic. And even economies where the authorities had been slower to react to the health crisis, such as Russia and Turkey, have now come under severe stress, with the former facing a double-whammy of coronavirus and oil shocks, as are other oil producers. However, our baseline forecast still assumes a sequential recovery from Q3 onwards as curbs on movement and activity are gradually eased.

Bracing for deep downturns, governments have rushed to announce stimulus packages to ward off the impact of lockdowns, though, with a few exceptions (Chile, Malaysia, Poland), these have been relatively modest in scale. Moreover, there has been insufficient emphasis on shielding labour markets. In general, falls in consumer spending will be the main channel through which the social distancing measures and layoffs will weigh on the economy.

Propensity to consume in key Emerging Markets



Source: Oxford Economics

APPENDIX 1

GLOSSARY OF COMMONLY USED TERMS AND ABBREVIATIONS

AIRLINE INDUSTRY INDICATORS

ASK – Available Seat Kilometres. Indicator of airline supply, available seats * kilometres flown;
RPK – Revenue Passenger Kilometres. Indicator of airline demand, paying passenger * kilometres flown;
PLF – Passenger Load Factor. Indicator of airline capacity. Equal to revenue passenger kilometres (RPK) / available seat kilometres (ASK);
Xmth mav – X month moving average.

HOTEL INDUSTRY INDICATORS

ADR – Average Daily Rate. Indicator of hotel room pricing, equal to hotel room revenue / rooms sold in a given period;
Occ – Occupancy Rate. Indicator of hotel performance, equal to the number of hotel rooms sold / room supply;
RevPAR – Revenue per Available Room. Indicator of hotel performance, equal to hotel room revenue / rooms available in a given period.

CENTRAL BANKS

BoE – Bank of England;
MPC – Monetary Policy Committee of BoE;
BoJ – Bank of Japan;
ECB – European Central Bank;
Fed – Federal Reserve (US);
RBI – Reserve Bank of India;
OBR – Office for Budget Responsibility;
PBoC – People's Bank of China.

ECONOMIC INDICATORS AND TERMS

BP – Basis Point. A unit equal to one-hundredth of a percentage point;
Broad money – Key indicator of money supply and liquidity including currency holdings as well as bank deposits that can easily be converted to cash;
CPI – Consumer Price Index. Measure of price inflation for consumer goods;
FDI – Foreign Direct Investment. Investment from one country into another, usually by companies rather than governments;
GDP – Gross Domestic Product. The value of goods and services produced in a given economy;
LCU – Local Currency Unit. The national unit of currency of a given country, e.g., pound, euro, etc.;
PMI – Purchasing Managers' Index. Indicator of producers' sentiment and the direction of the economy;
PPI – Purchase Price Index. Measure of inflation of input prices to producers of goods and services;
PPP – Purchasing Power Parity. An implicit exchange rate which equalises the price of identical goods and services in different countries, so they can be expressed with a common price;
QE – Quantitative Easing. Expansionary monetary policy pursued by central banks involving asset purchases to reduce bond yields and increase liquidity in capital markets;
G7 – Group of seven industrialised countries comprising the United States, the United Kingdom, France, Germany, Italy, Canada, and Japan.

APPENDIX 2

ETC MEMBER ORGANISATIONS

Belgium: Flanders – Visit Flanders, Wallonia – Wallonie-Belgique Tourisme
Bulgaria – Bulgarian Ministry of Tourism
Croatia – Croatian National Tourist Board (CNTB)
Cyprus – Deputy Ministry of Tourism, Republic of Cyprus
Czech Republic – CzechTourism
Denmark – VisitDenmark
Estonia – Estonian Tourist Board – Enterprise Estonia
Finland – Business Finland Oy, Visit Finland
Germany – German National Tourist Board (GNTB)
Greece – Greek National Tourism Organisation (GNTO)
Hungary – Hungarian Tourism Agency Ltd.
Iceland – Icelandic Tourist Board
Ireland – Fáilte Ireland and Tourism Ireland Ltd.
Italy – Italian Government Tourist Board
Latvia – Investment and Development Agency of Latvia (LIAA)
Lithuania – Ministry of the Economy and Innovation, Tourism Policy Division
Luxembourg – Luxembourg for Tourism (LFT)
Malta – Malta Tourism Authority (MTA)
Monaco – Monaco Government Tourist and Convention Office
Montenegro – National Tourism Organisation of Montenegro
Netherlands – NBTC Holland Marketing
Norway – Innovation Norway
Poland – Polish Tourism Organisation (PTO)
Portugal – Turismo de Portugal, I.P.
Romania – Romanian Ministry of Tourism
San Marino – State Office for Tourism
Serbia – National Tourism Organisation of Serbia (NTOS)
Slovakia – Ministry of Transport and Construction of the Slovak Republic
Slovenia – Slovenian Tourist Board
Spain – Turespaña – Instituto de Turismo de España
Switzerland – Switzerland Tourism