

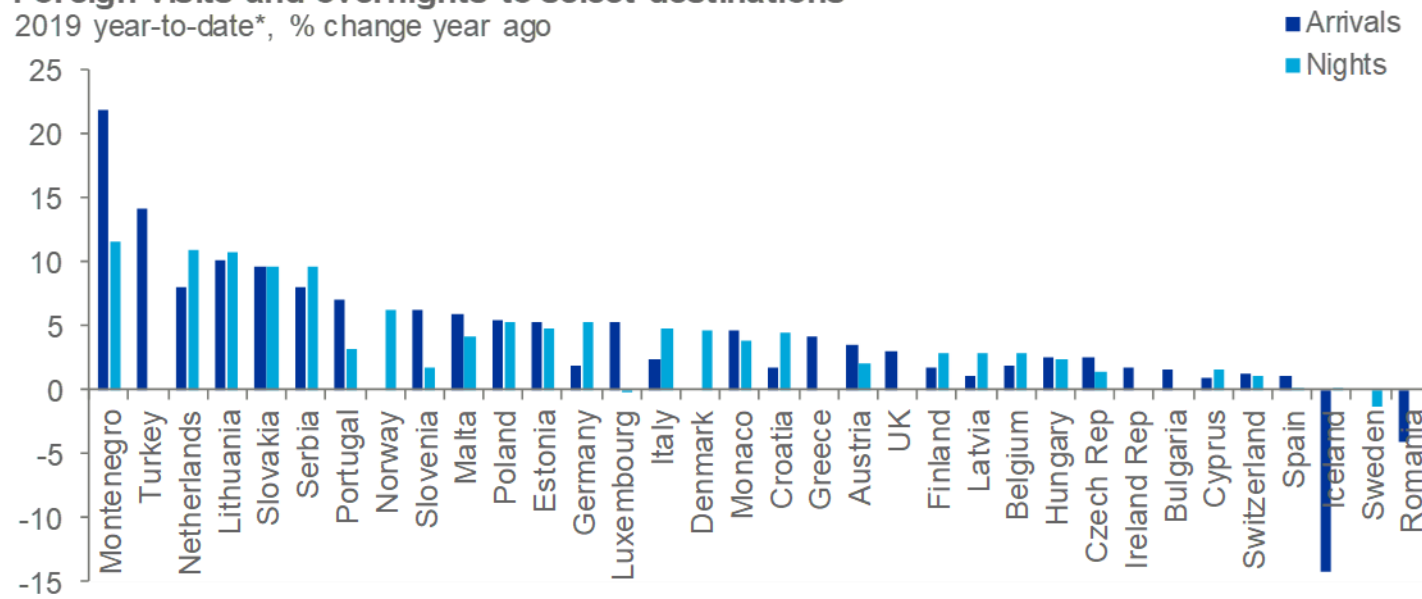
European Tourism – Trends & Prospects
Executive Summary

European tourism growth in 2019

- Travel to European tourism destinations grew an estimated 4.1% in 2019 on a weighted average basis. This was despite the challenging external environment and slowing global economic growth. All but three destinations welcomed more tourists.
- Montenegro was the fastest growing European destination in 2019 based on year-to-date figures, 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.

Foreign visits and overnights to select destinations

2019 year-to-date*, % change year ago



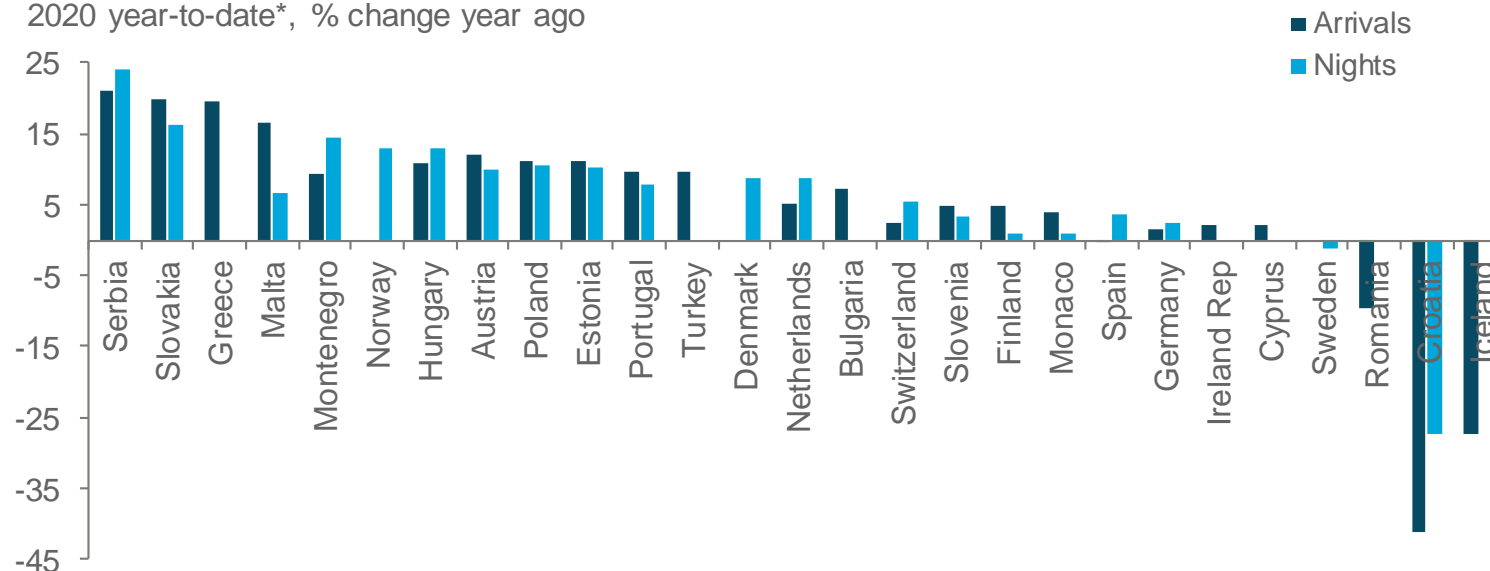
Source: TourMIS *date varies (Jan-Dec) by destination

European tourism growth in 2020 is unlikely

- Available data show most destinations in Europe enjoyed some degree of tourism growth in the first months of 2020.
- However, only Croatia and Iceland have reported data to March, meaning for all other destinations, any inevitable declines stemming from the coronavirus outbreak and associated lockdown measures and travel bans are not yet reflected within the data.
- Croatia and Iceland, for which data are available to March (when the outbreak manifested itself in a more significant way in Europe), have now both reported severe declines in tourism for the year compared to the same period in 2019.

Foreign visits and overnights to select destinations

2020 year-to-date*, % change year ago

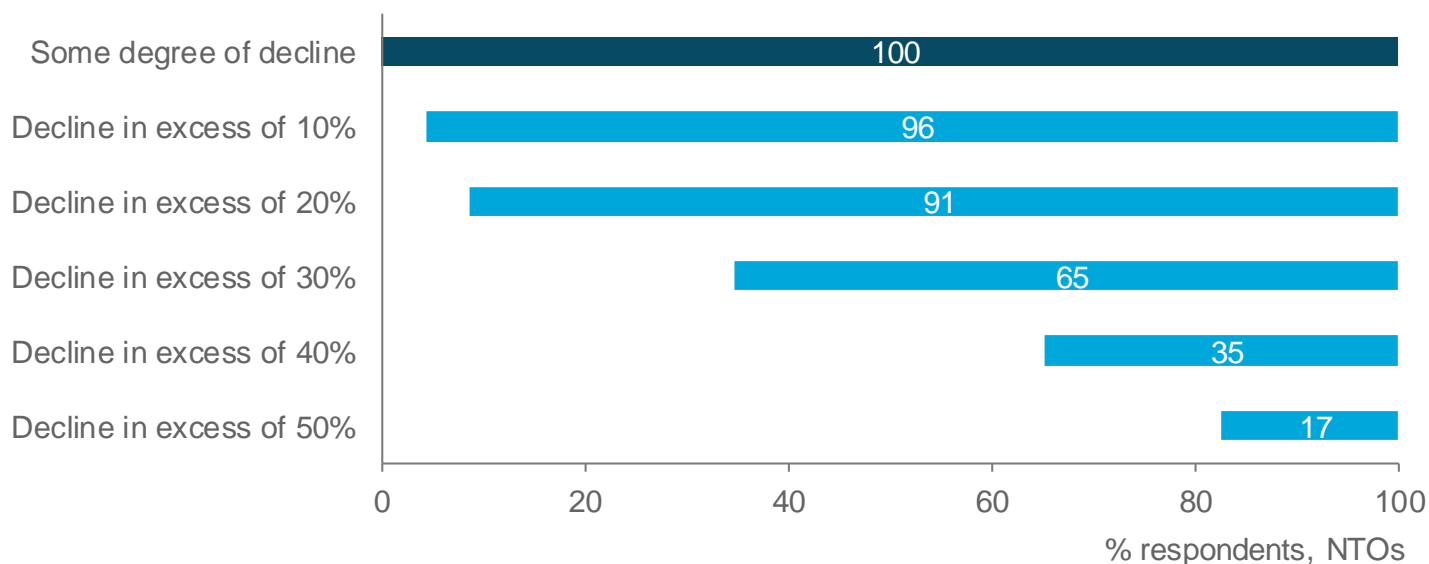


Source: TourMIS *date varies (Jan-Mar) by destination

Prospect of declines supported by ETC survey responses

- According to a recent ETC member survey, 100% of respondents anticipate some degree of decline in arrivals in 2020
- 91% expect declines will exceed 20% compared to 2019; 16% of respondents anticipate declines in excess of 50% compared to 2019.
- 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



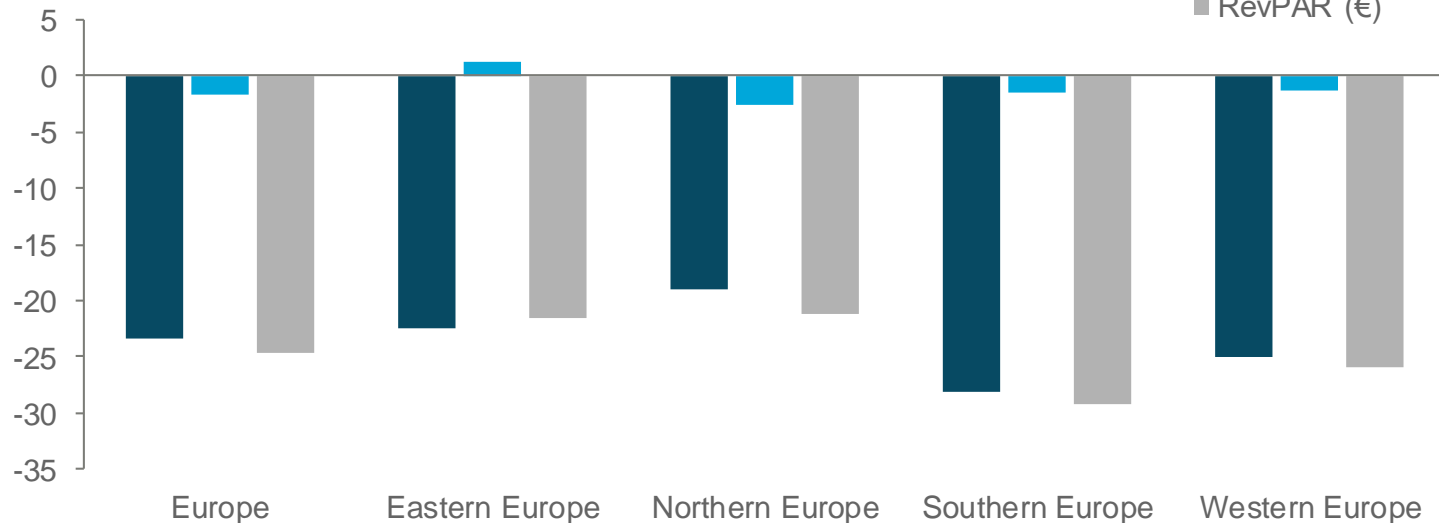
Source: ETC survey (wave 2)

Timely European hotel data better reflects current trend

- Southern Europe was the region most impacted by the coronavirus outbreak in Europe in this Q1 data, with occupancy rates down 28.2% compared to the same period a year ago. This is unsurprising since Italy was the epicentre in Europe at first with lockdowns and travel restrictions imposed earlier than in other European countries.
- It is worth noting that occupancy rates for March alone will be significantly lower than suggested by the quarterly performance indicators, since this is propped up by performance in January and February, at which point it was largely business as usual within Europe.

European Hotel Performance

Jan-Mar year-to-date, % change year ago



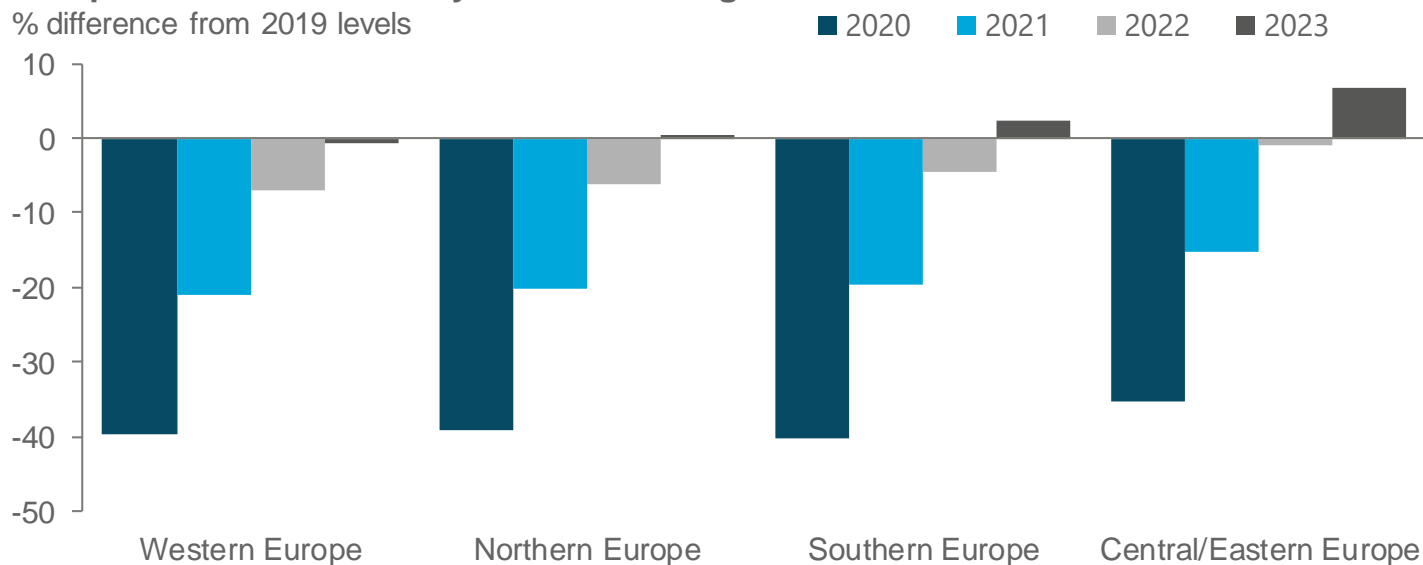
Source: STR

Trends & prospects derailed by coronavirus outbreak

- 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.
- Stringent restrictions have been introduced on travel and most major European economies. This has not only had a dramatic impact on inbound and outbound international travel, it has also severely restricted domestic movements.

European Inbound Travel by Destination Region

% difference from 2019 levels



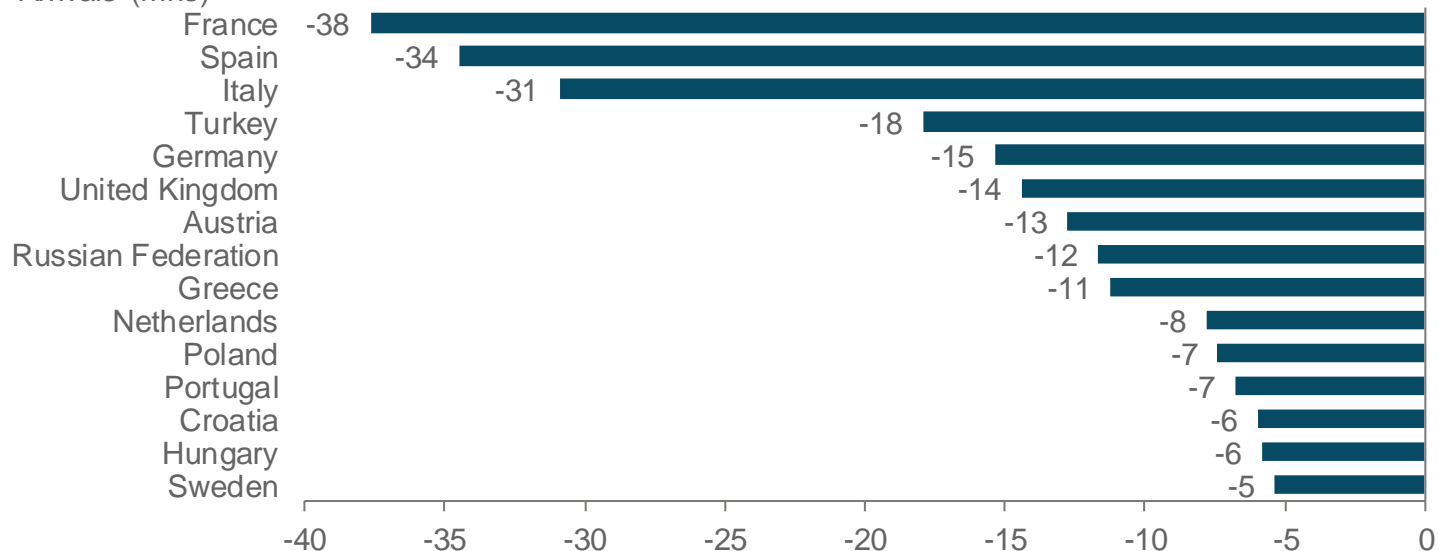
Source: Tourism Economics

Severity of impact varies by destination

- 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

Arrivals (mns)



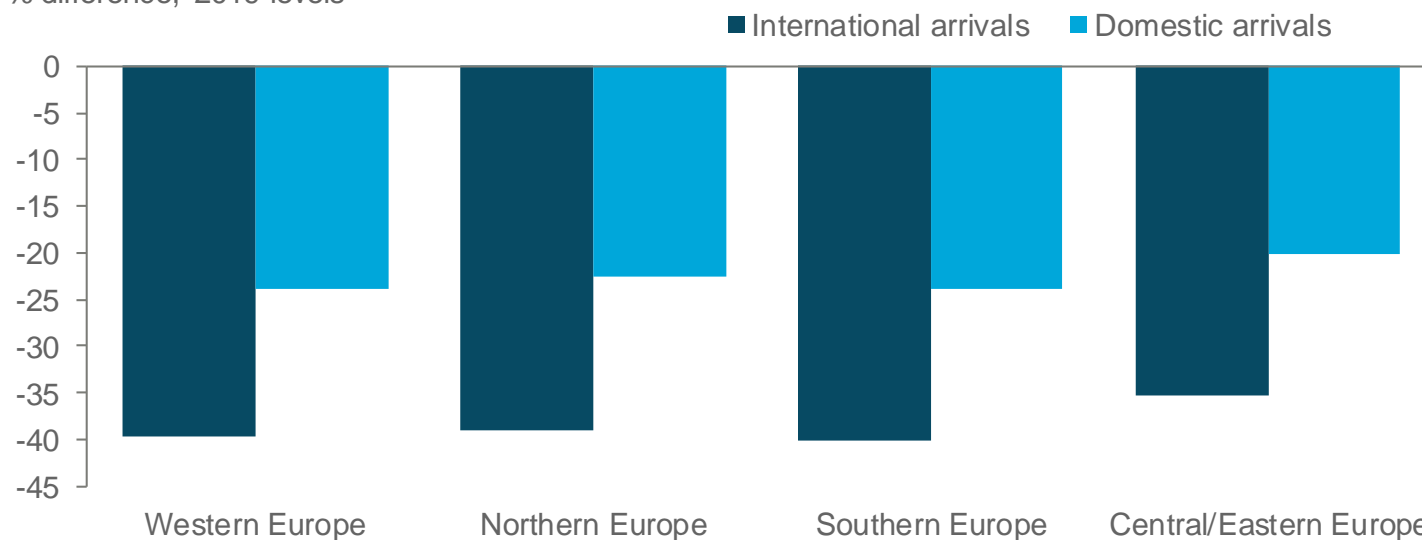
Source: Tourism Economics

Domestic travel should recover sooner

- 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.

European tourist arrivals by destination region, 2020

% difference, 2019 levels



Source: Tourism Economics

Summary of economic outlook

- With much of the global economy now in some form of lockdown due to the coronavirus pandemic, world GDP is expected to contract by about 7% in H1 2020.
- Activity is expected to rebound sharply in H2, followed by a return to more normal conditions next year. This should 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 a permanent loss of output from the shock is likely; global GDP in the medium term is expected to be some 1.5% below the level anticipated before the coronavirus outbreak.

Country	2020					2021				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	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.