



EUROPEAN TOURISM: TRENDS & PROSPECTS

Quarterly report (Q2/2020)

A report produced for
the European Travel Commission
by Tourism Economics

Brussels, July 2020

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Cover: Bled, Slovenia - Aerial panoramic drone view of Lake Bled (Blejsko Jezero) from high above on a bright summer day with the Pilgrimage Church of the Assumption of Maria, Bled Castle and Julian Alps

Image ID: 1473496307

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FOREWORD

The tourism sector is facing a crisis like no other, with heightened uncertainty surrounding its recovery. As data into the second quarter of the year become available, the impact of pandemic-related travel restrictions has become apparent, including the vulnerability of destinations that are heavily dependent on the tourism sector and on international source markets.

According to the latest World Economic Outlook (WEO) forecast, global growth is predicted at -4.9% in 2020, 1.9 percentage points below the April 2020 forecast. To minimise the knock-on effects of the outbreak, economies in Europe are starting to reopen while stimulating tourism to salvage the summer holiday season and limit the financial fallout from the pandemic. What is clear is that destinations across Europe will recover at different paces depending on how successfully they are taming the spread of the virus and avoiding a second outbreak.

The silver lining of the pandemic has been widely discussed, with tourism experts finding common ground regarding commitment to sustainability. It has become imperative to build a sector that is more resilient, competitive, and prepared for future crises, supported by tourism strategies that are more respectful with the environment and local economies and communities. Adapting swiftly to the “new normal” and to the shifts in consumer behaviour and embracing digitalisation will also be key to success.

There is still some degree of uncertainty as to what tomorrow’s tourism will look like with most questions revolving around *What type of tourism/tourists will destinations seek? Will niche tourism be the future? Will mass tourism be a shortcut for fast recovery? How fast will tourists become more confident about travelling internationally? How will consumer needs and preferences change post-pandemic? How likely are travellers to return to old habits?*

The latest issue of the European Tourism Trends & Prospects (Quarterly Report) provides an analysis of the travel and tourism sector and closely monitors the impact of the pandemic on destinations across Europe and on the wider macro-economic environment. This edition includes a special feature on the potential increase in domestic and short-haul travel within Europe as these have in practice become the only markets available and will be crucial to bring the sector back to life this year.

Jennifer Iduh (ETC Executive Unit)



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EXECUTIVE SUMMARY

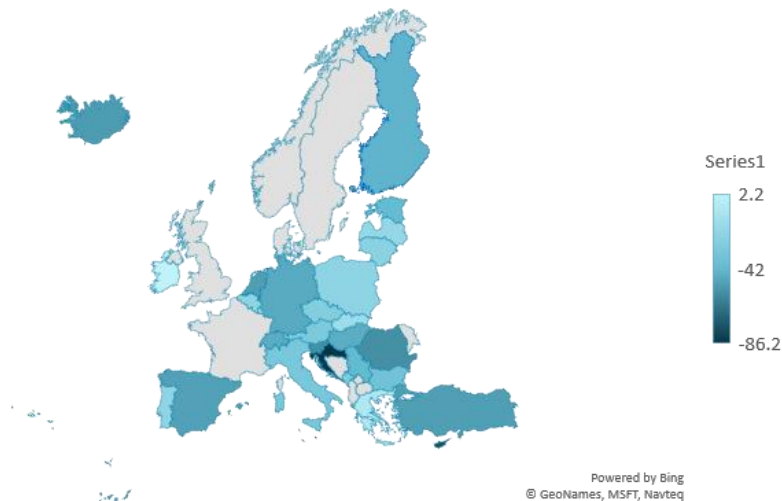
COVID-19 HAS WREAKED HAVOC ON EUROPEAN TRAVEL DEMAND

The impact of the global health crisis is becoming clear with European tourism growth expected to remain below 2019 levels until 2023. During the first four months of the year, Europe saw a dramatic 44% decline in international tourist arrivals compared to the same period in 2019, a decrease in line with global performance¹. Tourism jobs losses in Europe in 2020 could be monumental, ranging between 14.2mn to 29.5mn². Uncertainty still dominates and the duration of pandemic restrictions will be key to determine the losses in the sector.

Ahead of the summer season, tourism businesses are resuming activities and destinations across Europe are gradually re-opening their borders³, establishing travel bubbles/blocks and boosting domestic and intra-European travel. The pace of recovery by destination will vary and will depend on the extent to which they rely on international source markets and the revival of consumer confidence.

Foreign arrivals to European destinations

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



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

EIGHT OUT OF SIXTEEN DESTINATIONS REPORTING ARRIVALS TO APRIL/MAY REGISTERED FALLS IN EXCESS OF 50%

Data reported by destinations for the months of April/May reflect the level of the disruption caused by the pandemic. Croatia (-86%) and Cyprus (-78%) saw the biggest declines reflecting the sizeable losses of key source markets, such as Italy and the UK, which were heavily impacted by the pandemic. Despite Iceland's (-52%) steep decline in arrivals, success in taming the spread of the virus owing to its rigorous tracking and tracing system has allowed the Nordic island to confidently open its border to international travel this summer.

¹ UNWTO World Tourism Barometer

² World Travel and Tourism Council (WTTTC)

³ EU and the Schengen area

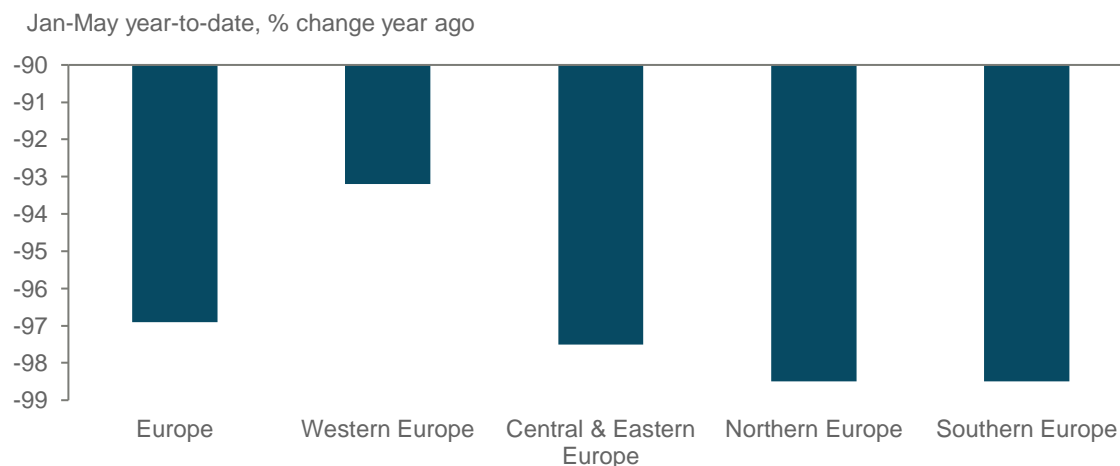


Based on data to April, Romania and Slovenia (both -56%) experienced significant declines. Spain (-51%) has deployed “tourist corridors” from the end of June to revive tourism, a sector that accounts for 12% of its economy and provides 13% of jobs. With the aim of restoring travel confidence, Turkey (-51%) recently launched a Health Tourism Certification Programme, including measures to prevent the spread of COVID-19 and ensure safe travel.

DEPRESSED BOOKINGS TO EUROPE ACROSS ALL SUBREGIONS

Latest data available from ForwardKeys showed a -96.9% decline in bookings to Europe across all subregions over the period January-May 2020 compared to the same period last year, with a less pessimistic picture in Western Europe. On a positive note, as consumer activity is starting to pick up, data has also shown a jump in flight bookings for destinations such as Greece, Portugal and Spain) for July and August.

Bookings made for international travel to Europe by arrival region in Q4



Source: ForwardKeys air reservation data

HOW WILL THE EUROPEAN TOURISM INDUSTRY SURVIVE?

To reopen tourism, stimulate the economy and support the millions of businesses that depend on the sector, destinations across Europe are gradually easing travel restrictions imposed to curtail the spread of COVID-19. Short-haul and domestic travel have become the only available markets to drive recovery, while measures to re-build travel confidence and ensure safe travel have become a priority to avoid a second spike of infections. The creation of travel bubbles is also providing some ground for optimism. The Baltic states were the pioneers of this initiative⁴, agreeing to open common borders without self-isolation earlier in May and exploring the possibility of opening up to other neighbouring countries. A travel corridor has also been established between Germany and Spanish island destinations, a necessary approach considering that Germany was Spain’s second largest source market accounting for 13.4% of all tourist arrivals in 2019.

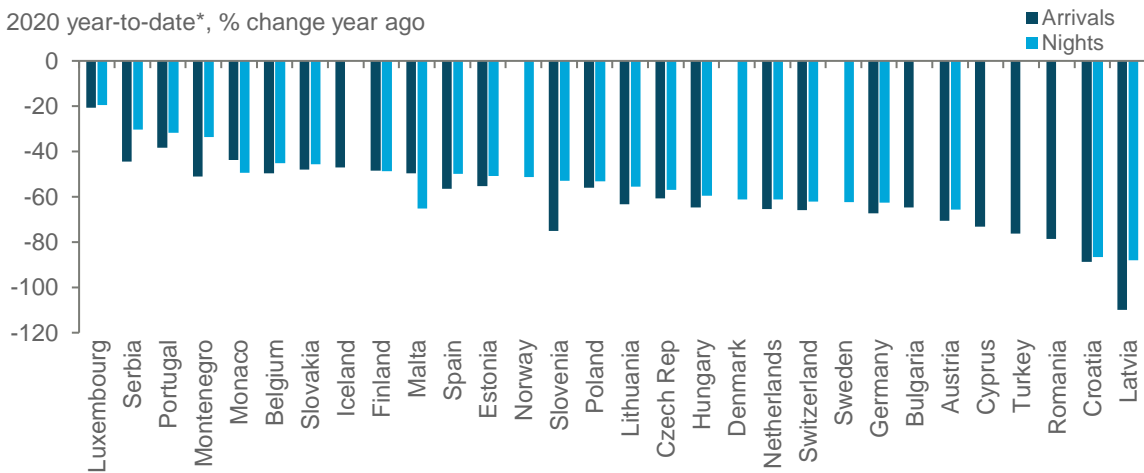
All destinations reporting data for April/May recorded significant declines in US tourist arrivals. The impact of mobility restrictions due to the pandemic has been heavily felt across all European destinations with projections suggesting a 45% decrease from this market in 2020. Given the outbreak took

⁴ From 15 May 2020



place in China earlier than in other world regions, the impact of the pandemic has been reflected across all destinations during the first half of the year with no country reporting any kind of growth from this market. The biggest falls in arrivals were recorded in Croatia (-89%), Romania (-79%) and Turkey (-76%). Nevertheless, China is expected to be one of the first long-haul markets to see a recovery in international outbound travel.

Chinese visits and overnights to select destinations



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

Tourism as we knew it has ceased to exist, while success lies on swiftly embracing digitalisation and leveraging new technologies to adapt to the “new normal” and to shifts in consumer behaviour. A sector traditionally characterised by human interactions will now have to provide the same valuable intangible aspects through more touchless methods in a more digitalised world. Sustainability will be key in building a resilient and more competitive sector through the implementation of a model that is economically, socially, and environmentally viable in the long-term.

“We have been talking for so long about sustainable growth, climate change, digitalisation and innovation, this is an opportunity to press the reset button, challenge pre-established models and finally take all these matters seriously. We must use this opportunity to accelerate the transformation to the tourism of tomorrow.” said Eduardo Santander, Executive Director [European Travel Commission](#).

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



1. TOURISM PERFORMANCE SUMMARY 2020

SUMMARY

- Europe's travel and tourism industry has been left reeling since the COVID-19 outbreak. Travel activity has ground to a halt and has forced an upsurge in cancellations, a decline in bookings, and rising unemployment across the sector.
- Global international travel is expected to more than halve in 2020, with 2019 levels not being reached again until 2023 according to Tourism Economics' latest forecasts.
- Destination data is already showing the negative impact the global health crisis is having on European travel demand, with European visitor arrivals forecast to decline 54% in 2020.

TRAVEL INDUSTRY CONTINUES TO STRUGGLE IN FACE OF ONGOING PANDEMIC

The COVID-19 outbreak has caused severe disruption to Europe's travel and tourism industry. Available destination data for the year so far illustrates that the sudden halt in travel activity has led to dramatic losses in visitor arrivals across the region. There are significant differences in destination performance relating to some country specific developments, but the timing of data reporting is a key factor.

Year-to-date falls are typically larger for those destinations reporting over a longer time period as travel restrictions account for a larger proportion of the reporting period. Ireland stands out as the only destination only reporting data to February and the only country reporting arrivals growth compared to the same period a year ago. In destinations where more recent data have been reported, arrivals have fallen dramatically.

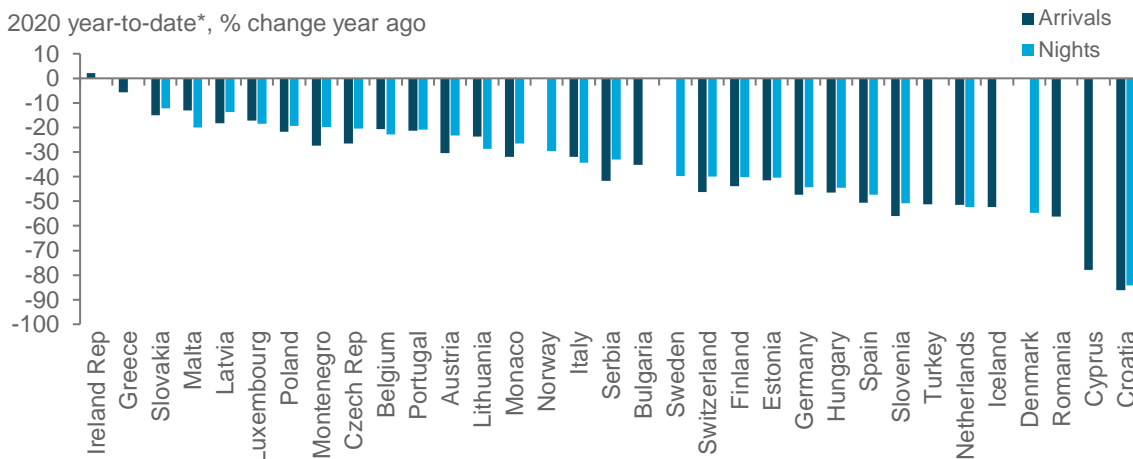
Reporting period by destination

Reporting to Feb	Reporting to Mar	Reporting to Apr	Reporting to May
Republic of Ireland	Belgium	Austria	Croatia
	Czech Republic	Bulgaria	Cyprus
	Greece	Denmark	Iceland
	Italy	Estonia	Finland
	Latvia	Germany	
	Lithuania	Hungary	
	Luxembourg	Netherlands	
	Malta	Norway	
	Monaco	Romania	
	Montenegro	Serbia	
	Poland	Slovenia	
	Portugal	Spain	
	Slovakia	Sweden	
		Switzerland	
		Turkey	



This abrupt drop in travel demand is being experienced across Europe with eight destinations reporting greater than 50% declines in arrivals or overnights based on available data for the year so far, when compared to the same period last year.

Foreign visits and overnights to select destinations



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

Croatia is currently the worst affected European country in terms of percent decline in visitor arrivals, reporting an 86.2% decline in arrivals based on data to May. Croatia's tourism industry relies heavily on international arrivals, with Italy and the UK representing important source markets. The UK and Italy have endured the worst outbreaks of the virus in Europe, which may deter outbound travel from these nations and increase the likelihood of entry bans being held against their citizens by some nations.

Cyprus has also witnessed a substantial drop in travel demand, with visitor arrivals declining 78.0% based on data from the first five months. The UK is also a vital source market for Cyprus and the Cypriot government has banned British tourists from entering until further notice despite gradually opening its borders to other international tourists. This decision will impact the tourism industry's performance but has been deemed necessary by the government to limit the risk of further infection.

Measures to slow the spread of the virus were less strict in Sweden, with residents allowed to move around and socialise almost as normal. But this laissez-faire approach did not negate some large declines in foreign overnights, since outbound (and internal) travel was heavily restricted in several of its key source markets.

The outright closure of the industry (for example, in Ireland hotels have been closed to tourists since mid-March) has made it difficult for tourism data to be collected, and thus the extent of declines cannot yet be properly assessed in those destinations.

Most European countries implemented severe restrictions: closing borders, restricting the movement of citizens (domestically and internationally) and in some cases imposing national lockdowns. These measures were not surprising given the environment and were adopted by nearly all countries worldwide. They have drastically impacted day-to-day life for citizens and have devastated tourism, impeding travel activity and shattering tourist sentiment.

Consequently, Tourism Economics' (TE) latest baseline outlook includes a 52% decline in global international arrivals in 2020, equating to a loss of 775 million trips; and a 54% fall in travel to European destinations.



However, these restrictions have assisted in successfully controlling the virus outbreak which has allowed many European countries to begin restarting tourism in time for the peak summer season. The travel industry is understandably eager for this revival. However, governments are adopting a cautious approach in easing restrictions as the threat of a second wave of cases remains a concern. Therefore, domestic travel is being encouraged first, followed by short-haul and regional travel, with long-haul travel facing a more protracted recovery.

Domestic and short-haul travel will be the first source of recovery for European tourism

This sequential approach to restarting travel is an important assumption in TE's latest forecast and is already being witnessed across Europe, with most EU member nations, including Germany and France agreeing to reopen internal EU borders on 15th June. However, not all countries have agreed to this timing; for example, Spain has decided to extend border closures until later in the month. The UK has also adopted a different approach to the wider region, opening borders from 8th June while imposing a 14-day quarantine restriction on all international arrivals. This decision has led to a considerable backlash from the aviation industry, with three major airlines taking legal action against the government measure.

European governments are looking for alternative ways of permitting travel, with the notion of forming travel bubbles and tourist corridors gaining much traction. The Baltic nations of Estonia, Latvia and Lithuania were the first countries in Europe to launch a travel bubble, allowing citizens from within the three countries to travel freely without undergoing a quarantine period. Additionally, a pilot programme between Spain and Germany has been established to trial a travel corridor between the two countries, which if successful would provide an example of facilitating safe travel among destinations that have managed to limit the virus outbreak⁵.

It is unsurprising that countries are looking at multiple approaches to adapt normal travel practices to the current circumstances, given the importance of tourism to the European economy. However, these measures will be controlled and limited, with restrictions on visitor arrivals from outside the region taking longer to be lifted. Therefore, TE's latest forecast is that European international travel will not reach 2019 levels again until 2023.

However, the latest TE outlook acknowledges that there is vast uncertainty in the travel outlook, with both upside and downside risks present. Europe's tourism industry may be able to take advantage of pent-up demand for travel in the latter half of the year as citizens are granted greater freedom in movement. However, tourist sentiment has been devastated by the COVID-19 outbreak. Therefore, a lingering negative sentiment towards travel may remain until a vaccine is discovered, raising a fundamental obstacle to the travel sector recovery. Moreover, governments face a major challenge in striking the correct balance between lifting restrictions to provide economic relief and allowing a gradual return to "normal" against preventing a second spike in cases.

⁵See [Re-open EU](#) portal for up-to-date information for travel across Europe.



Summary Performance, 2020 YTD

Country	International Arrivals		International Nights	
	% ytd	to month	% ytd	to month
Austria	-30.3%	Jan-Apr	-23.2%	Jan-Apr
Belgium	-20.7%	Jan-Mar	-22.8%	Jan-Mar
Bulgaria	-35.2%	Jan-Apr		
Croatia	-86.2%	Jan-May	-84.2%	Jan-May
Cyprus	-78.0%	Jan-May		
Czech Republic	-26.4%	Jan-Mar	-20.5%	Jan-Mar
Denmark			-54.7%	Jan-Apr
Estonia	-41.4%	Jan-Apr	-40.4%	Jan-Apr
Finland	-43.9%	Jan-May	-40.2%	Jan-May
Germany	-47.3%	Jan-Apr	-44.3%	Jan-Apr
Greece	-5.6%	Jan-Mar		
Hungary	-46.4%	Jan-Apr	-44.4%	Jan-Apr
Iceland	-52.4%	Jan-May		
Republic of Ireland	2.2%	Jan-Feb		
Italy	-31.9%	Jan-Mar	-34.2%	Jan-Mar
Latvia	-18.3%	Jan-Mar	-13.7%	Jan-Mar
Lithuania	-23.7%	Jan-Mar	-28.7%	Jan-Mar
Luxembourg	-17.1%	Jan-Mar	-18.4%	Jan-Mar
Malta	-13.1%	Jan-Mar	-20.0%	Jan-Mar
Monaco	-31.9%	Jan-Mar	-26.5%	Jan-Mar
Montenegro	-27.3%	Jan-Mar	-19.7%	Jan-Mar
Netherlands	-51.4%	Jan-Apr	-52.4%	Jan-Apr
Norway			-29.6%	Jan-Apr
Poland	-21.8%	Jan-Mar	-19.4%	Jan-Mar
Portugal	-21.2%	Jan-Mar	-20.8%	Jan-Mar
Romania	-56.2%	Jan-Apr		
Serbia	-41.6%	Jan-Apr	-32.9%	Jan-Apr
Slovakia	-14.9%	Jan-Mar	-12.2%	Jan-Mar
Slovenia	-56.0%	Jan-Apr	-50.8%	Jan-Apr
Spain	-50.5%	Jan-Apr	-47.3%	Jan-Apr
Sweden			-39.7%	Jan-Apr
Switzerland	-46.3%	Jan-Apr	-40.0%	Jan-Apr
Turkey	-51.2%	Jan-Apr		

Source: TourMIS (<http://www.tourmis.info>)

Measures used for nights and arrivals vary by country. Available data as of 30.6.2020



2. 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

data/estimate/forecast	Inbound*					Outbound**				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	e	f	f	f	f	e	f	f	f	f
World	4.0%	-52.4%	50.4%	24.2%	13.3%	3.2%	-52.4%	50.4%	24.1%	13.3%
Americas	1.6%	-54.6%	51.6%	25.4%	14.2%	1.5%	-56.2%	58.4%	25.5%	11.7%
North America	2.5%	-57.7%	59.0%	27.6%	14.4%	3.0%	-58.6%	66.0%	27.3%	12.0%
Caribbean	4.1%	-57.0%	52.5%	25.6%	15.5%	6.3%	-57.2%	51.0%	31.2%	12.7%
Central & South America	-2.2%	-43.5%	34.1%	19.1%	12.9%	-4.3%	-46.5%	35.7%	18.4%	10.6%
Europe	3.9%	-53.9%	54.0%	25.9%	12.9%	3.4%	-52.7%	51.7%	25.6%	13.6%
ETC+3	3.6%	-54.6%	55.0%	26.3%	12.6%	2.9%	-53.4%	52.9%	26.3%	13.8%
EU	2.8%	-54.2%	54.5%	26.1%	12.5%	3.0%	-53.8%	53.1%	26.7%	13.9%
Non-EU	8.2%	-52.8%	52.3%	25.1%	14.2%	4.7%	-48.4%	46.8%	21.7%	12.8%
Northern	0.7%	-55.9%	55.6%	26.8%	13.4%	1.7%	-53.0%	52.6%	27.6%	15.0%
Western	3.8%	-51.8%	50.6%	22.9%	11.7%	2.6%	-52.9%	52.6%	25.1%	12.8%
Southern/Mediterranean	4.5%	-56.7%	59.5%	29.4%	13.3%	4.4%	-55.8%	55.7%	28.4%	15.0%
Central/Eastern	2.0%	-50.8%	49.4%	23.2%	12.9%	6.1%	-50.7%	47.6%	23.0%	12.6%
- Central & Baltic	3.2%	-52.6%	51.7%	24.0%	12.4%	3.9%	-52.8%	50.8%	24.3%	12.5%
Asia & the Pacific	4.5%	-49.2%	45.2%	20.3%	13.2%	3.7%	-50.7%	46.3%	21.8%	13.8%
North East	3.1%	-51.9%	50.8%	21.6%	13.9%	2.4%	-52.6%	48.1%	23.0%	14.7%
South East	7.2%	-47.2%	42.7%	19.4%	12.6%	6.5%	-44.3%	40.6%	17.1%	11.2%
South	2.2%	-46.1%	34.0%	17.5%	12.6%	7.6%	-52.8%	47.3%	25.0%	15.1%
Oceania	2.1%	-42.5%	33.0%	18.6%	12.1%	2.1%	-52.7%	52.9%	25.3%	13.7%
Africa	5.2%	-47.7%	41.9%	21.0%	14.1%	1.9%	-43.1%	35.7%	16.3%	11.1%
Middle East	7.9%	-51.4%	48.5%	26.7%	15.0%	8.5%	-49.3%	41.2%	21.4%	14.7%

* 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 12.6.2020



3. RECENT INDUSTRY PERFORMANCE

AIR TRANSPORT

Since the Q1 2020 report, much of the global air industry has been virtually grounded. Even now, growth from the first couple of months of the year ameliorates a dire picture. Year-to-date global RPKs have fallen 41.9% and the overall picture is similar in most regions. On account of the earlier inception of the pandemic in Asia, the Asia-Pacific region appears the most affected (down 48.4%). Europe has experienced a 40.4% decline on the same months in 2019. IATA is anticipating global air transport industry losses of \$84.3 billion in 2020: more than three times the losses sustained after the Global Financial Crisis. Furthermore, any return to profitability in 2021 seems unlikely.

A particular challenge is that, in order to stimulate a demand recovery, airlines may need to discount at a time when they are heavily in debt. But necessary low load factors (to allay fears of infection) may exacerbate these cost pressures and force the collapse of financially weaker airlines. If this were to reduce competition within the industry, remaining airlines may have more scope to set higher prices. In any case, IATA estimates net losses in Europe at \$21.5 billion with a negative net margin of 22.1%.

Initial impacts were softened by government interventions, but the industry is seeing large job cuts and is expected to feel the impacts of the crisis for several years to come.

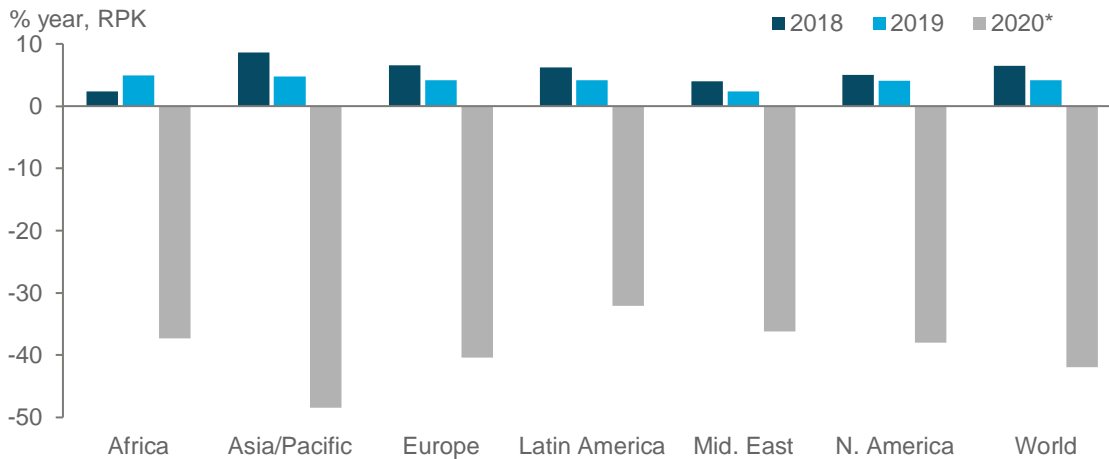
Initial impacts were softened by central government bailouts and employee furlough schemes. However, the industry is expected to feel the effects of the coronavirus crisis for several years to come. There is a risk that temporary furloughs are only delaying permanent layoffs, which will materialise once support is withdrawn. This is already happening with 22,000 job cuts across the Lufthansa group, a 15 to 25% staff cut at Condor after LOT's owner pulled out of a deal to buy the group, massive job losses at EasyJet, SAS, and British Airways, with many remaining staff switched to inferior contracts. It is not just a matter of staff either. For example, EasyJet is reducing its fleet by around 51%. Many airlines will have to consider deferments or cancellations of new orders. Outside Europe, similar actions are taking place from Canada to the Gulf states and these will also impact upon Europe with reduced connectivity from hubs therein hampering travel demand.

Some recovery in passenger numbers can be expected but the industry continues to face massive challenges

The fact that flights in Europe are starting to resume does not mean that the situation is about to improve immediately. Some recovery in passenger numbers can be expected with the establishment of air bridges and corridors. However, the industry continues to face massive challenges ranging from a lack of consumer confidence, the prospect of a very deep recession and quarantine regimes. The UK's 14-day quarantine programme, which came into effect in June, has received criticism from the industry. Spain had threatened to impose a reciprocal quarantine for UK residents, but this has not yet transpired. However, there remain risks of further travel bans or quarantine arrangements being introduced throughout the year.



Annual International Air Passenger Growth



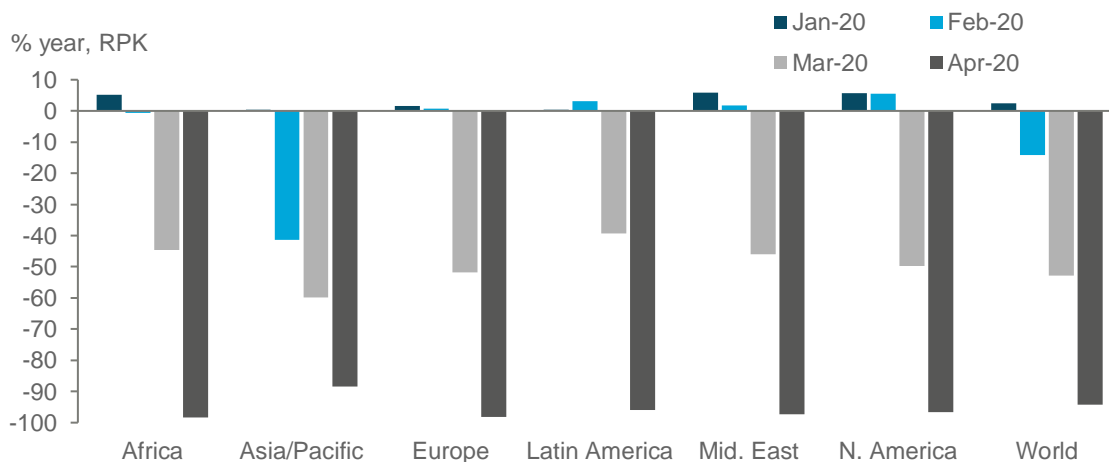
Source: IATA

*based on data to April

Monthly air passenger data show a different profile for the Asia-Pacific region from the other global regions with the RPK decline commencing in February.

In all other regions the impacts started in March. Europe was down 51.8% in that month but – in line with other regions – April saw an almost universal wipe-out (down 98.1% in Europe). Only Asia-Pacific saw a significantly smaller decline at 88.5% as China made some tentative return towards more usual travel and other activities.

Monthly International Air Passenger Growth



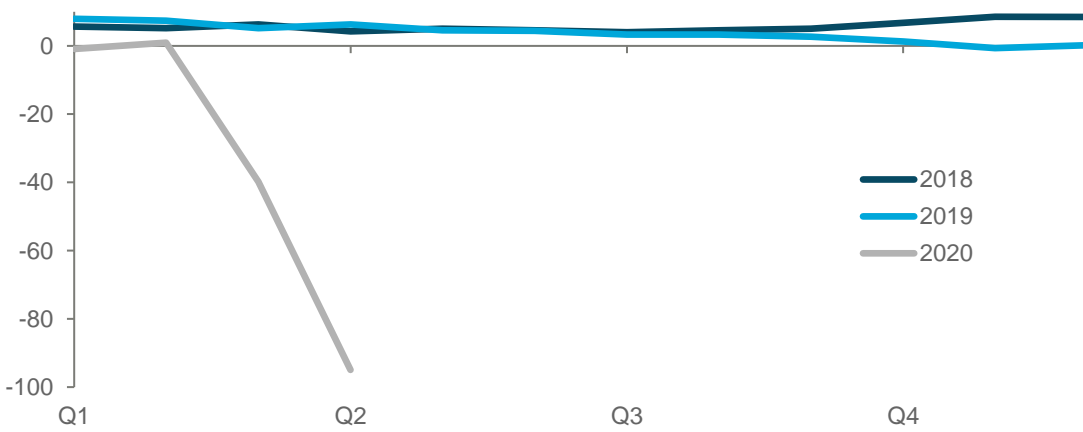
Source: IATA

European airlines started the year with almost no sign of capacity growth, followed by a significant decline of nearly 40% in March. This decline accelerated to a full 95% in April as air passenger demand came to a standstill during the height of lockdowns. This aggregate figure masks a disparity between international and domestic ASKs with international declining more steeply as a result of effective border closures.



European Airlines Capacity

ASK, monthly average, % change year ago



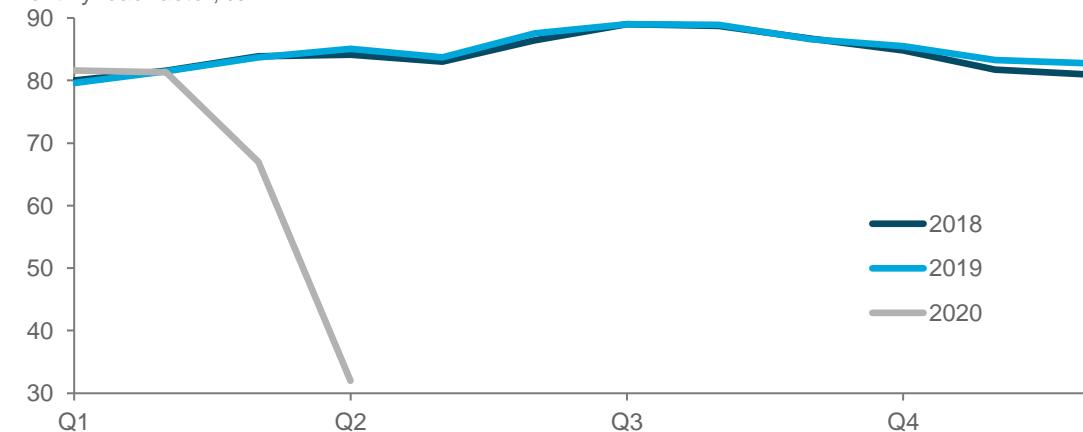
Source: IATA

On a more positive note, it may be the case that seat kilometres hit their low point in April as the industry began to re-start activity in some European countries in May.

Passenger Load Factors for European airlines started the year at record highs. However, with RPKs falling faster than capacity, the load factor fell to 67.0% in March and further to 32.0% in April – a record low, even with the huge fall in capacity.

European Airlines Passenger Load Factor

Monthly load factor, %

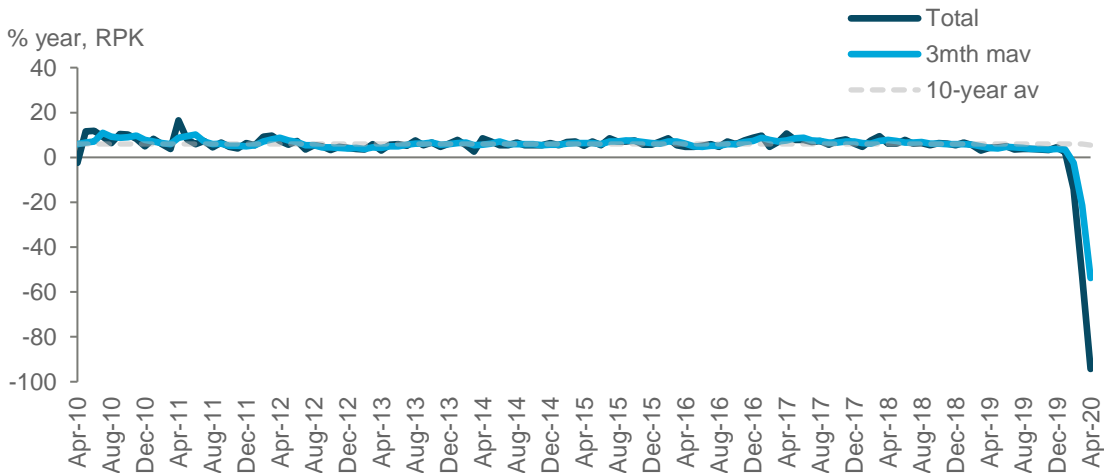


Source: IATA

Unsurprisingly, international air passenger growth recorded a percentage change never previously seen with a decline of 94.3%, yielding a three-month average rate of change of -54.3%, which is likely to deteriorate next month as February drops out of the moving average.



International Air Passenger Traffic Growth



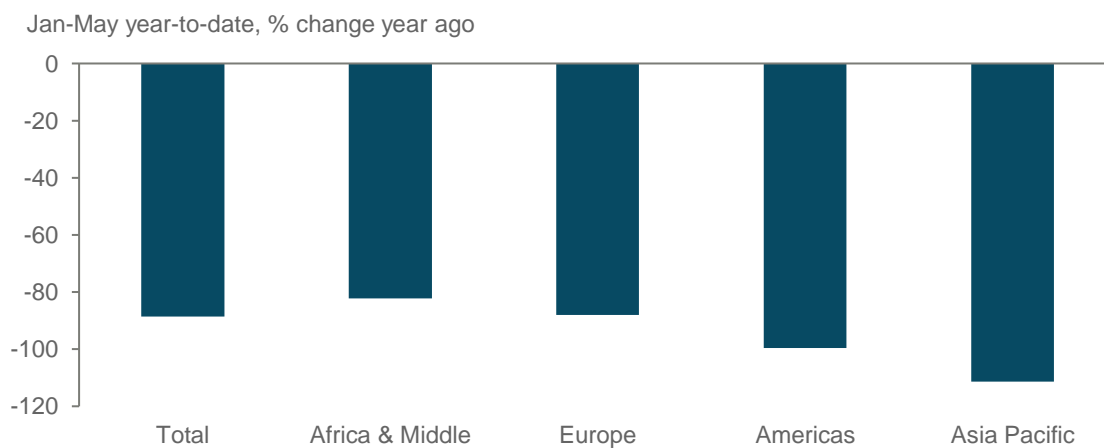
Source: IATA

Some indication of likely trends in the near-term future can be gained from data from ForwardKeys on air reservations. These map international air bookings and cancellations.

For January to May 2020, ForwardKeys' data suggest that forward bookings for air travel to Europe were down by 88.6% - and most severely from the Asia-Pacific region.

For the period January to May 2020, bookings for international air travel to Europe were down 88.6% on the previous year with the steepest decline from the Asia-Pacific region, where the volume of cancellations exceeded new bookings in the period. It is important to realise that these bookings can be for travel at any time in the future. It is hard to project this performance to a specific future period, but it is clearly indicative of low travel confidence and no immediate full rebound.

Bookings made for international travel to Europe by departure region



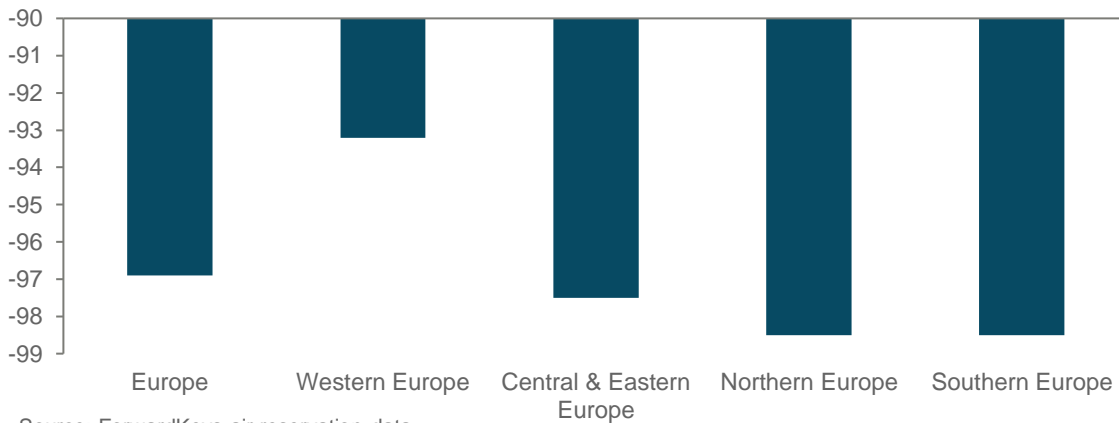
Source: ForwardKeys air reservation data *Declines in excess of 100% indicate more cancellations than new bookings

Bookings to Europe by arrival region showed similar declines for Northern, Southern and Central / Eastern Europe but a slightly more optimistic picture for Western Europe, although forward bookings were still down 93.2% on the same months in 2019.



Bookings made for international travel to Europe by arrival region

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



Source: ForwardKeys air reservation data

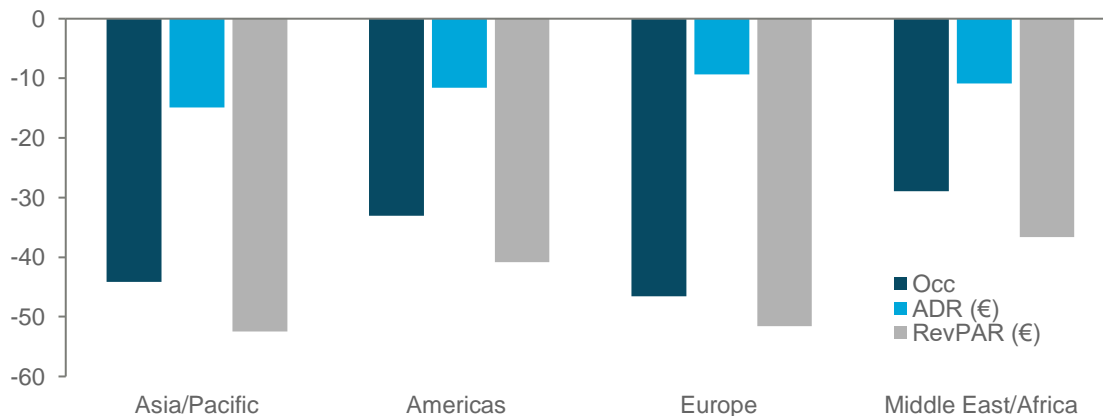
ForwardKeys has also released data showing that after a series of announcements by Southern European governments eager to welcome back tourists before peak season is lost, there has been a significant jump in international flight bookings for Greece, Portugal, and Spain for July and August. Leisure visitors account for the bulk of new tickets purchased, but recovery has been stronger among VFR travellers. However, as yet this rebound is not sufficient to offset the earlier recorded cancellations and lack of new bookings for much of the year to date.

ACCOMMODATION

Hotel performance indicators showed sharp contractions across the world over the first five months of 2020. Since reducing room rates will have been incapable of driving additional demand under the current circumstances, most of the impact on RevPAR has been driven by very marked declines in occupancy rather than the reduction of room rates – although these have fallen in every global region as well.

Global Hotel Performance

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



Source: STR



Whereas in the first quarter of the year the biggest impacts were on the Asia-Pacific region, in the second quarter Europe has become broadly comparable and coronavirus-related travel restrictions have caught up.

In terms of RevPAR, a 52.4% decline was seen in the Asia-Pacific region compared to a 51.6% decline in Europe. However, within this aggregate performance, European occupancy rates have fallen by more than in Asia-Pacific. The least affected global region continues to be the Middle East / Africa where RevPAR has declined 36.6% with a 28.9% fall in occupancy. In part, this is because of a later spread of the pandemic to the region, and later imposition of lockdown measures and travel restrictions – especially in Africa. That is also true of Latin America, which will have had some influence on the Americas' relatively moderate fall in RevPAR of 40.8%, while in North America, some countries (and notably the United States and Mexico) have had less severe lockdowns than those which have been experienced by the vast majority of European nations.

For Europe as a whole, occupancy has fallen 46.6%. ADR has fallen much less: by 9.3%. A similar pattern is evident across all regions as lower occupancy is due to the imposed restrictions including national lockdowns and travel bans. Under these conditions, the simple reduction of room rates will do nothing to stimulate additional demand. However, we do continue to believe that, once travel restrictions are lifted – as they are beginning to be thanks to air travel corridors and bridges – hoteliers will cut rates to boost competitiveness and attract increased bookings.



4. SPECIAL FEATURE

DOMESTIC & SHORT-HAUL TRAVEL RESILIENCE AND GROWTH OPPORTUNITY

SUMMARY

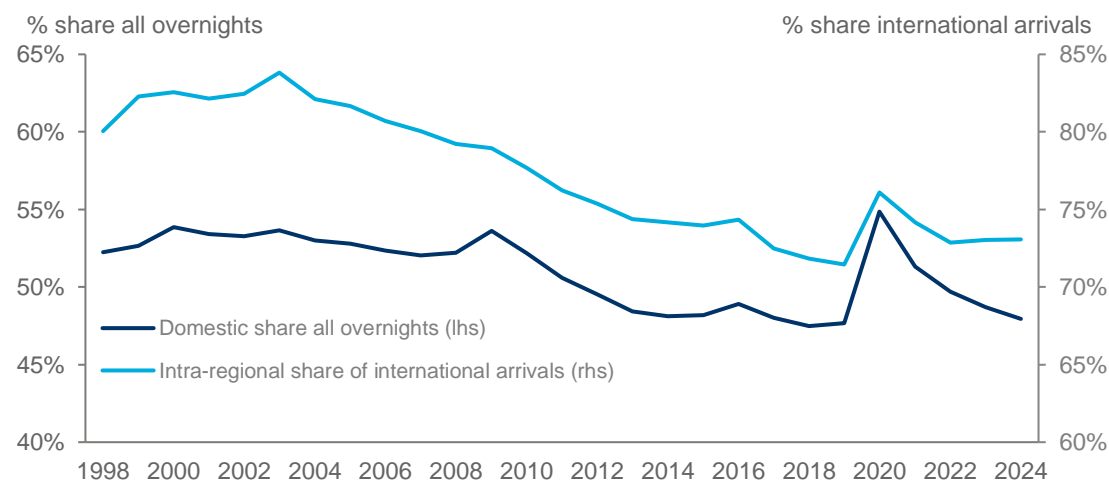
- The recovery of the Travel & Tourism sector in coming years will vary across European destinations. This variation will in part be affected by the mix of travellers by different source market.
- Resilience of travel demand is greater for destinations that rely more heavily on domestic travellers and those from short-haul markets, which tend to be less volatile.
- The disruption to the Travel & Tourism sector will also lead to changing travel patterns and provide the opportunity for destinations to target new sources of travel demand, including a potential increase in domestic and short-haul including some substitution from other long-haul destinations.

OUTLOOK FOR TRAVEL & TOURISM

The recovery of travel to all destinations worldwide will depend on economic factors, the speed with which travel restrictions are lifted, the health of the aviation industry, and the risk aversion of potential travellers. For individual countries and regions, the pace of recovery will also vary depending on their source market composition. Detailed projections are available in Tourism Economics' Global Travel Service (as summarised in the table in section 2), but some broad concepts will affect the potential outlook by destination as well as the expected stability of their recovery paths, and the risks surrounding our central forecasts.

For instance, the pace and stability of a destination's recovery can be affected by the extent to which it relies on travellers from more resilient markets, such as domestic and short-haul markets. It is also worthwhile to consider the opportunity for travel demand to increase due to changing travel patterns and preferences, such as residents choosing to take a domestic trip instead of an international holiday.

Domestic and short-haul shares of European travel



Source: Tourism Economics

The share of European travel from domestic and short-haul markets has trended downwards over the past twenty years, but with some increases in share during periods of disruption. For example,



the domestic share of European travel rose notably during the Global Financial Crisis, while the short-haul share of arrivals stabilised at the same time. Similarly, some increases in these shares were evident in the early 2000s following economic downturn, while the travel disruption following 9/11 and the SARS outbreak were also contributing factors. There was a further increase in shares in 2016 following terrorist attacks. In general, the observed swings in domestic share is greater than that for short-haul travel due to offsets. Some typical long-haul travel activity may switch to short-haul destinations, but this will be further offset by the movement to domestic travel.

A large increase in the share of domestic and short-haul travel is expected for European destinations in 2020, with elevated shares remaining into the medium term. Potential recovery by destination will vary, in part, according to reliance on these market segments and the opportunity to expand in these areas. A series of indices has been constructed to look at destination metrics of resilience, opportunity and overall potential. All metrics included here should be interpreted with caution and considered as illustrative of broad trends and as a basis for discussion, rather than as exact forecasting tools.

RESILIENCE OF TRAVEL DEMAND

The resilience – likelihood of a stable and quick recovery – of travel demand is likely to be greater for destinations that rely more heavily on domestic and short-haul travellers, due to the following:

- **Lower cost of travel** for domestic and short-haul visitors, given shorter distances and more transportation options. This is especially relevant during a period when household incomes are being squeezed and large volumes of jobs are being lost.
- **Travel restrictions** are almost universally being eased first for domestic trips, and next for short-haul cross-border travel, while restrictions on longer-haul visitors will remain in place for longer. Some countries in Europe have the potential additional benefit of being within the Schengen Zone.
- **Uncertainty around transport** availability and costs is much greater for longer-haul travel, with a virtually exclusive reliance on air travel, while modal switch is an option for short-haul trips. This is particularly relevant given concerns about the financial viability of many airlines.
- **Other factors** may also contribute, such as a preference for travelling closer to home (as part of heightened risk aversion among travellers).

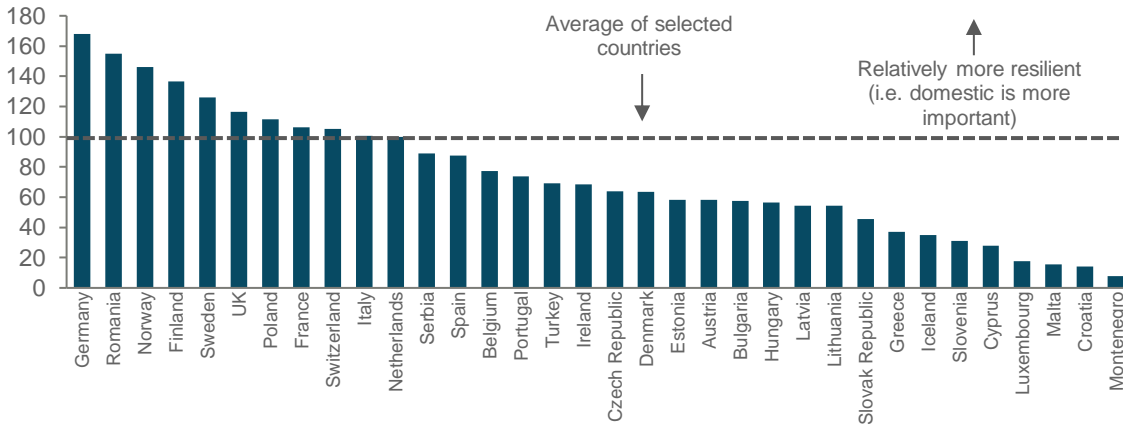
Resilience can be illustrated via a couple of different metrics. The first is the share of overnight trips taken within a country by its residents. Within the European country destinations, the share of domestic travellers ranges from 74.7% in Germany, down to 3.5% in Montenegro. The average across European countries is 44.5%, looking at data for hotel stays. A higher ratio is likely if other forms of accommodation are taken into account, although the relative values are more important in this calculation.

The **Domestic Resilience Index** considers relative reliance on domestic travel, where a score of 100 is the average for European countries. The highest ranked countries are typically those with large populations and therefore large internal domestic markets, including Germany and the UK. Those ranked lower include more popular destinations for international tourists and those with small domestic markets. For example, some small Mediterranean destinations, such as Cyprus and Malta have low scores as they have a small domestic market and typically welcome many foreign guests. France, Italy - and, to a lesser extent, Spain - all have broadly average scores that are relatively close



to 100. These destinations typically welcome very large numbers of foreign visitors each year but, this is balanced by a significant internal market.

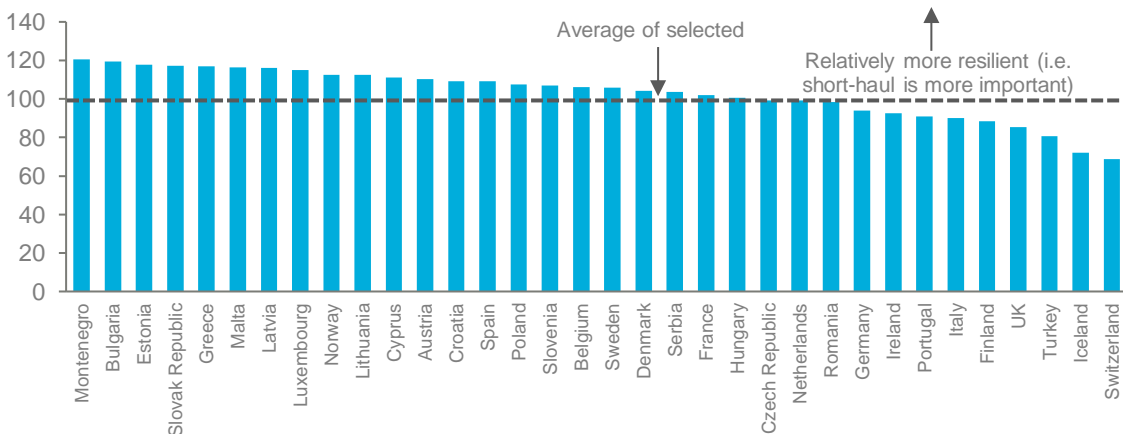
Domestic Resilience Index*



*Domestic travel as a share of domestic and international arrivals combined; 2019 data; overnight travel only
Source: Tourism Economics

The second metric – **Short-haul Resilience** – illustrates the share of international arrivals that are sourced from short-haul markets. Across European countries the average is 77%, while there is less variation between countries on this metric than on the Domestic Resilience metric. Montenegro and Bulgaria have the highest shares, equivalent to 93% and 92% of inbound travel. Other large Mediterranean destinations, such as Greece and Malta, also have high shares relative to the average for European countries. Conversely, Switzerland only sources 53% of arrivals from short-haul markets. Iceland, Turkey and the UK are also reliant on higher than average long-haul travel.

Short-haul Resilience Index*

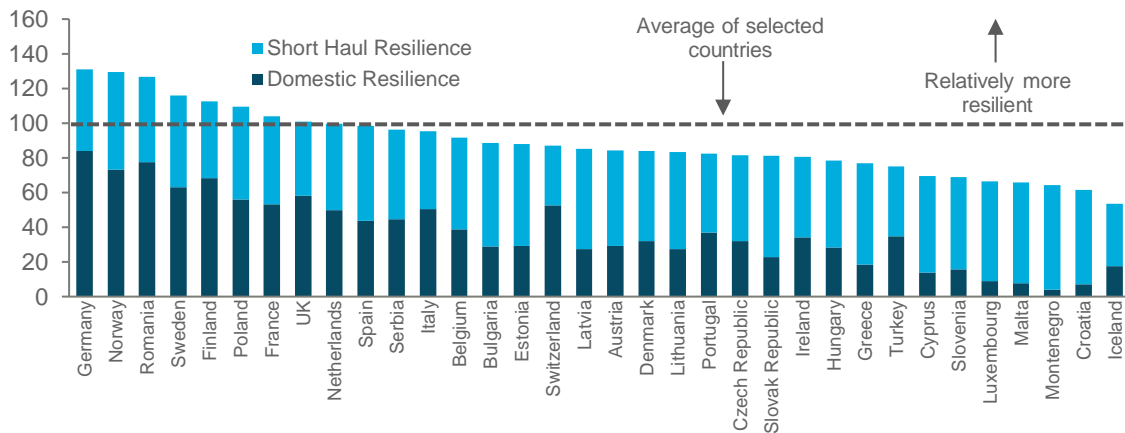


*Arrivals from short-haul markets as a share of all overnight international arrivals; 2019 data
Source: Tourism Economics

These two metrics can be combined into an aggregate **Travel Resilience Index**, by applying equal weight to the Short-haul and Domestic Resilience Indices. On this measure, Germany, Norway and Romania are the most resilient and likely to be quicker and more stable in recovery. Iceland, Montenegro and Croatia have the lowest score with greater risk in recovery. For Iceland, the recent growth in transatlantic demand and associated increased reliance on US travel augments the relatively small domestic market to deliver a low score.



Travel resilience combined index – equal weighting of components*



*2019 data; overnight travel only
Source: Tourism Economics

The combined index provides a clearer indicator of overall resilience. For instance, in terms of distance and ease of travel (with a lack of border controls), travel within the EU and the Schengen zone is comparable to domestic travel in larger markets elsewhere, such as the US or China, and will also benefit from earlier easing of restrictions than other routes.

France has a higher than average resilience on this measure, despite the average domestic score, as the bulk of international demand is sourced from other European markets. Bulgaria and Estonia have relatively small internal markets but receive over 90% of international demand from other European markets and therefore have a resilience score which is close to the European average. Switzerland also has a similar score as a higher than average reliance on long-haul demand is countered by a large domestic market.

Markets with a score significantly below 100 are more likely to be more vulnerable and volatile in recovery with a greater reliance on longer-haul markets. Several of the lowest scoring destinations on the combined resilience index are Mediterranean countries including Turkey, Greece, Montenegro, Cyprus and Malta. These destinations have a much greater reliance on international demand, including a sizable proportion of travel from markets outside Europe which will be more likely to be subject to restrictions for longer. These destinations have tended to be among the keenest countries to reopen after the period of travel restrictions, recognising the importance of the travel sector and the challenges ahead. Other measures put in place may help to increase market share and overcome some of the identified risks.



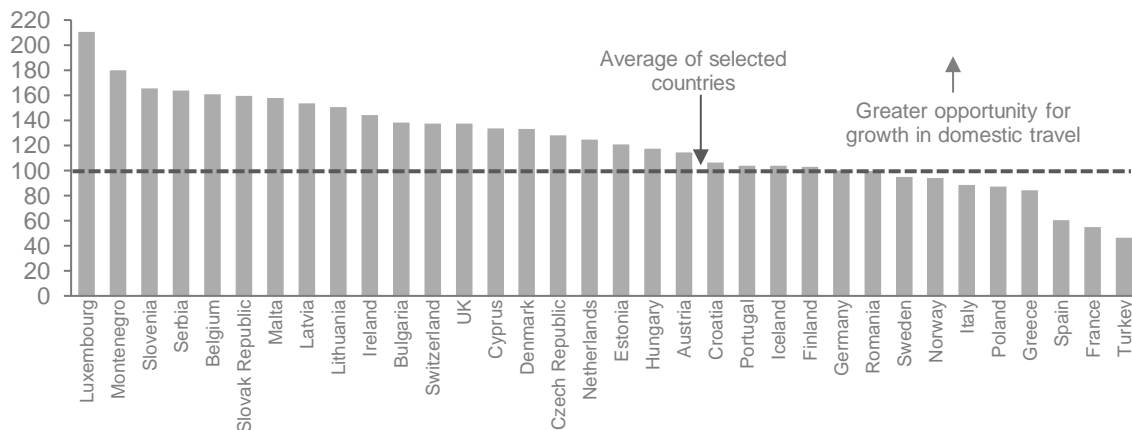
OPPORTUNITY FOR GROWTH IN DOMESTIC TRAVEL

The significant disruption to the Travel & Tourism sector will lead to some changes in travel patterns. This may involve substitution of destinations due to income effects, travel restrictions or changing preferences. This can present an opportunity to target new markets and types of travellers to minimise visitor losses and speed up the recovery.

This opportunity may be greatest for potential substitution from outbound to domestic travel. Further substitution from long-haul to short-haul travel may be a factor for some markets but this is harder to observe and measure due to the offset from short-haul to domestic.

This metric – which we call a **Domestic Opportunity Index** – can be calculated as departures as a share of all travel by residents (departures plus domestic trips). This can also be thought of as ‘staycation’ opportunity, in terms of residents choosing to travel within their home country in place of taking a holiday abroad.

Domestic Opportunity Index*



*Departures as a share of domestic travel and departures combined; 2019 data; overnight travel only
Source: Tourism Economics

On this metric, higher-ranked countries are those where residents are relatively more likely to travel internationally rather than domestically and – as such – the opportunity exists for their preferences to shift to the domestic tourism industry. Some very large source markets, most notably Germany, fall beneath the average for European countries because domestic tourism is already a significant force in the travel market.

It is important to note that this metric is somewhat speculative. While residents may choose to substitute international travel for domestic, the rate of this substitution is difficult to predict. It is this rate that is crucial in converting opportunity into reality. Some degree of substitution was evident in recovery from previous downturns and is also implicit in current forecasts.

Some small countries such as Luxembourg, Malta and Montenegro have high scores on this index. However, it is likely that the rate of substitution will be low in such destinations since the tourism offer is more limited. Some large outbound source markets, such as the UK and Switzerland, have an above average score with significant opportunities for staycation tourism.

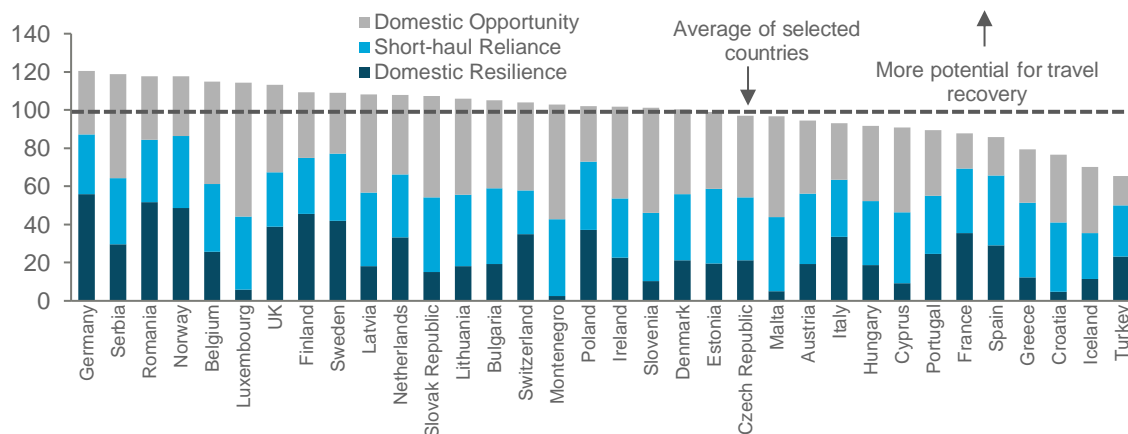


COMBINED TRAVEL POTENTIAL INDEX

The combined **Travel Potential Index** points to destinations which may be in the best position to see a more swift and stable recovery in Travel & Tourism. The index applies equal weighting to the short-haul resilience, domestic resilience and domestic opportunity components.

This index is indicative of relative performance by country in recovery as well as associated risks and opportunities, but it must also be interpreted with care. In particular, some smaller countries, such as Luxembourg, Slovenia and Malta have relatively high proportions of their overall scores derived from the Domestic Opportunity which may not materialise. In contrast, countries such as Germany (above average for European countries even without the Domestic Opportunity component) demonstrate a current market mix which will help them even without any domestic substitution. Countries such as Iceland and Turkey score poorly on all three elements on the index, suggesting that the opportunity for a switch to domestic tourism is low and that they are exposed to sharp falls in long-haul tourism at the same time.

Travel Potential Index*



*2019 data; overnight travel only
Source: Tourism Economics

Significant Mediterranean destinations such as Croatia, Greece and Turkey are also dependent on international tourism and currently have very little protection from domestic demand or any significant opportunity to grow this market through staycations. Italy, France and Spain also have a below average score, with limited scope to grow their already large domestic markets to offset lost international visitors. But these destinations appear to be less exposed to volatility in recovery.

Moreover, other factors may impact on a destination's ultimate growth path in travel recovery and the extent to which potential is realised. The demographic profile of visitors is important and destinations which have traditionally been more reliant on older travellers may face greater disruption if those travellers are more risk averse (due to health concerns). The quality and access to health care for potential travellers of all ages may affect their choice of destination. However, these risks may also be skewed towards older travellers and of less importance than in other global regions, thanks to health service mutual agreements between countries. Some heightened worries about visiting busier, and even overcrowded, destinations will also likely affect destination performance. This may favour destinations where the focus of Travel and Tourism activity is on lower-density, rural areas.



5. KEY SOURCE MARKET PERFORMANCE

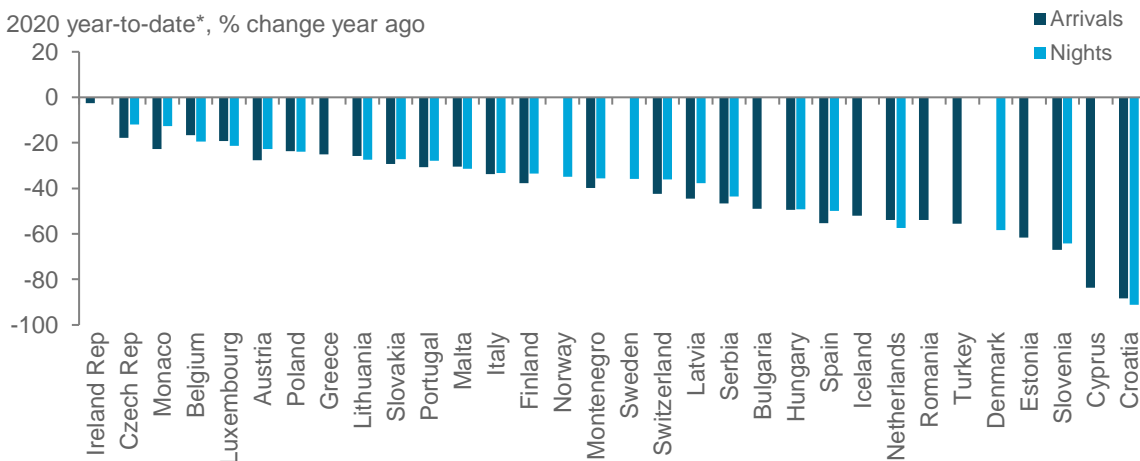
Trends discussed in this section in some cases relate to the period January to May, although actual coverage varies by destination. For the majority of countries, the latest available data point will be earlier than this. Further detailed monthly data for origin and destination, including absolute values,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

SUMMARY

- Available destination data for the year so far illustrates that the sudden halt in travel activity has led to dramatic losses in visitor arrivals across the region.
- Given the timing of lockdowns across Europe, the end date of the reporting period is critical to understanding this quarterly report's results. In destinations where data is reported to February, arrivals may have grown compared to the same period a year ago; but in destinations where more recent data have been reported, arrivals have fallen dramatically.

KEY INTRA-EUROPEAN SOURCE MARKETS

German visits and overnights to select destinations



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

No country reporting to March, April or May saw any growth from Germany, with the worst performances apparent in those countries reporting to May: arrivals to Croatia from Germany were down 88.4% and down 83.7% in Cyprus. Reported falls in travel to Iceland were large but not as steep at 52.1% based on data to May. However, this is on top of declines observed in the same period last year compared to 2018 for all three destinations. Across countries reporting to May as a whole, the weighted average decline in arrivals was 75.3% and the fall in nights, 77.4%.

For countries reporting to April, the weighted average decline in arrivals from Germany was 49.3% (although nights only fell 43.3%), suggesting Romania (-53.8%), Spain (-55.4%), Estonia (-61.5%), and Slovenia (-67.0%) fared especially badly. Turkey was also well below average with a decline of 55.6%; in volume terms a 55.6% fall in German arrivals to Turkey is significant, given that Germany is Turkey's second largest source market. Nights spent in Denmark fell 58.4%, meaning that it too fared below the weighted average decline in overnights.

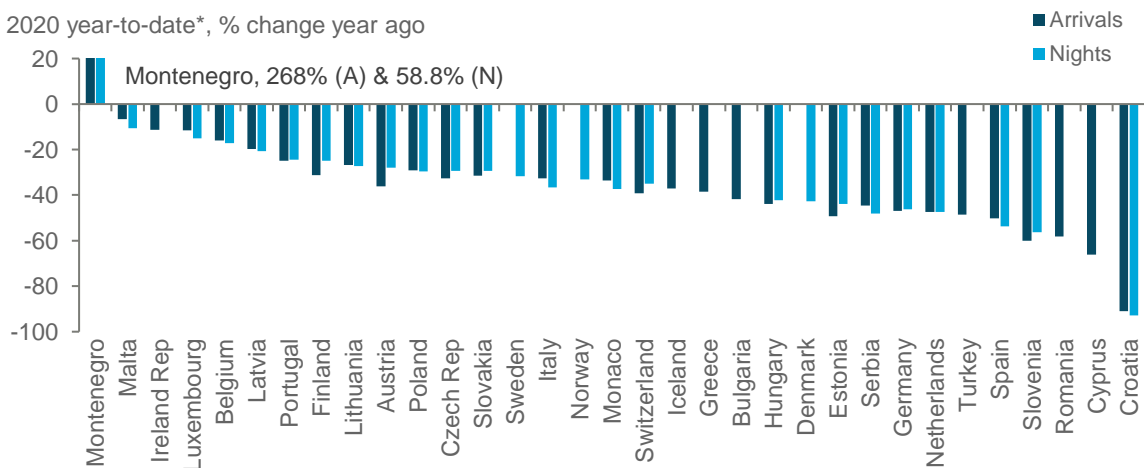


For those countries reporting to April, Austria and Norway (down 20.7% and 35.0% in terms of arrivals and nights respectively) reported the smallest declines in German tourists. In the case of Austria, the ability to visit from Germany by land offered some reprieve from the near-total collapse in air arrivals.

The weighted average decline in arrivals for those countries reporting to March was 28.2%. The Czech Republic (-17.8%) and Belgium (-16.7%) had the least steep declines in German tourists in this category, partly helped by their land borders with Germany, allowing some continued travel for a period of time. Mediterranean destinations, such as Montenegro, Malta, Portugal and Italy saw the steepest falls in this group.

Only Ireland is reporting data to February, therefore, it is not surprising it was the best performing destination for German demand.

French visits and overnights to select destinations



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

Although reporting to March, Montenegro continued to see the greatest growth in visitors from France with a 58.8% increase in nights and a 268% increase in arrivals. However, this included very rapid growth early in the year, as a continuation of 2019 expansion, while more recent months include sharp falls.

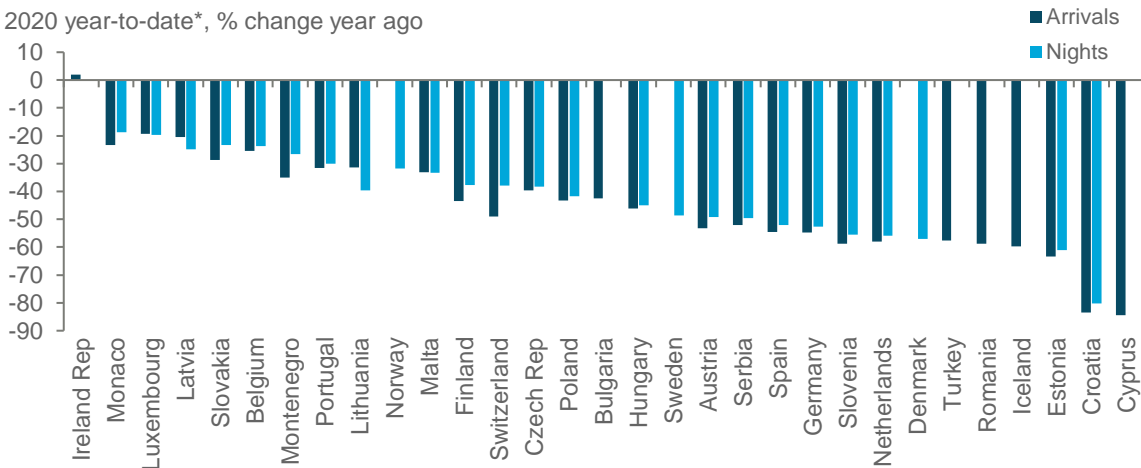
The steepest declines in French arrivals were in destinations reporting to May as would be expected. Croatia saw a fall in arrivals from France of 90.9% and Cyprus a fall of 66.2%. Iceland fared better with a relatively milder 37.1% decline in arrivals from France.

No country (other than Montenegro) reporting to March or later saw an increase in either tourism metric. Romania and Slovenia fared worse than the average for countries reporting to April (a 46.8% decline in visitors) In volume terms the declines seen in both Turkey (-48.5%) and Spain (-50.2%) will be more notable. Malta was the best performer among countries reporting to March with only a 6.6% fall in French arrivals compared to a weighted average decline of 27.3%.



Italian visits and overnights to select destinations

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



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

As expected, countries reporting to May saw the greatest declines in Italian visitors with Cyprus receiving 84.5% fewer visitors and Croatia 83.4%. This compares to May data's weighted average decline of 74.2%. Again, Iceland fared marginally better, seeing a decline of 59.8%.

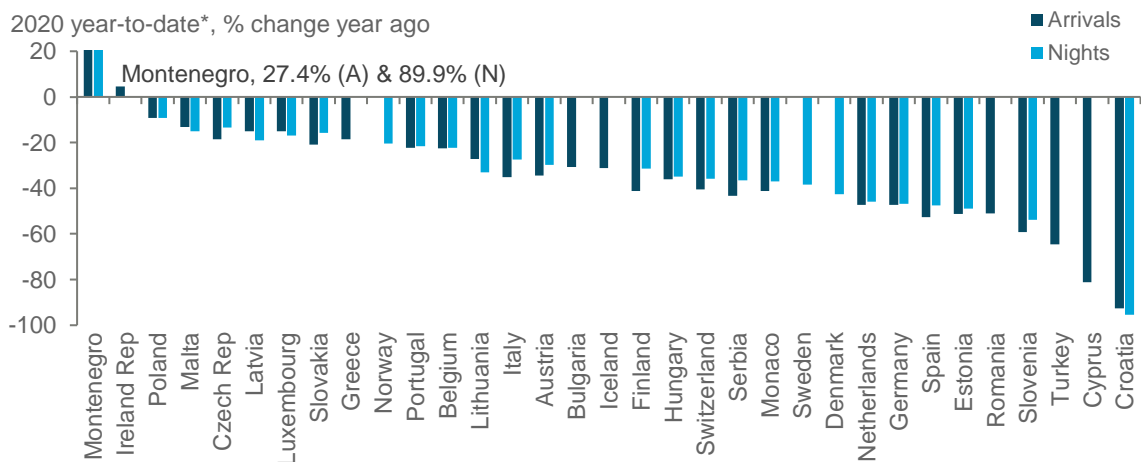
Also reporting to May, Finland performed better than might have been expected, down just 43.4% compared to the month's weighted average. Although Finland introduced a lockdown on 28th March – before a single COVID-19 death had been reported – special provisions were made for business and VFR travel.

Spain saw a decline of 54.6% in Italian visitors. While this is comparable to the weighted average decline for destinations reporting data to April (-54.3%), it represents a very significant decline in volume terms.

Ireland was the only destination which reported growth from Italy based on data to February, but this is unlikely to remain the case once more recent arrivals data for Ireland become available.

United Kingdom visits and overnights to select destinations

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



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

Montenegro saw the greatest arrivals growth from the UK, with a 27.4% increase and an 89.9% increase in nights. As with other European source markets, this is due to rapid growth at the start of the year which will take some time to unwind. Ireland (the only other growth market) has reported



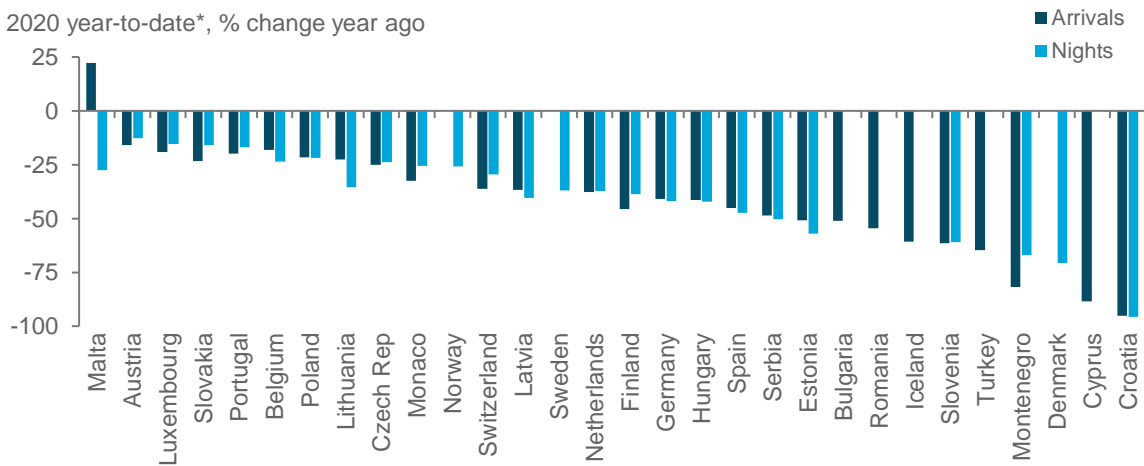
to February only, and so growth rates do not yet capture the effects of the global pandemic. Indeed, apart from Montenegro, no destination for which data to March or beyond are available reported any form of growth.

Among reporting countries to March, Poland was the best performer with a decline in arrivals of only 9.3%, compared to a weighted average of 23.7%. This is despite Poland having implemented a fairly strict lockdown early in March.

As expected, the worst performing countries were those which reported to May. UK arrivals in Croatia fell 92.7% - and nights there fell even more sharply – and UK visitors to Cyprus were down by 81.1%.

Turkey saw the largest declines in UK visitors among those destinations reporting to April with a decline of 64.5% (compared to a weighted average of 49.1%). Spain reported a 52.6% decline in UK arrivals over the period – larger than the comparable average but also notable given the Spanish industry’s reliance on UK arrivals.

Dutch visits and overnights to select destinations



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

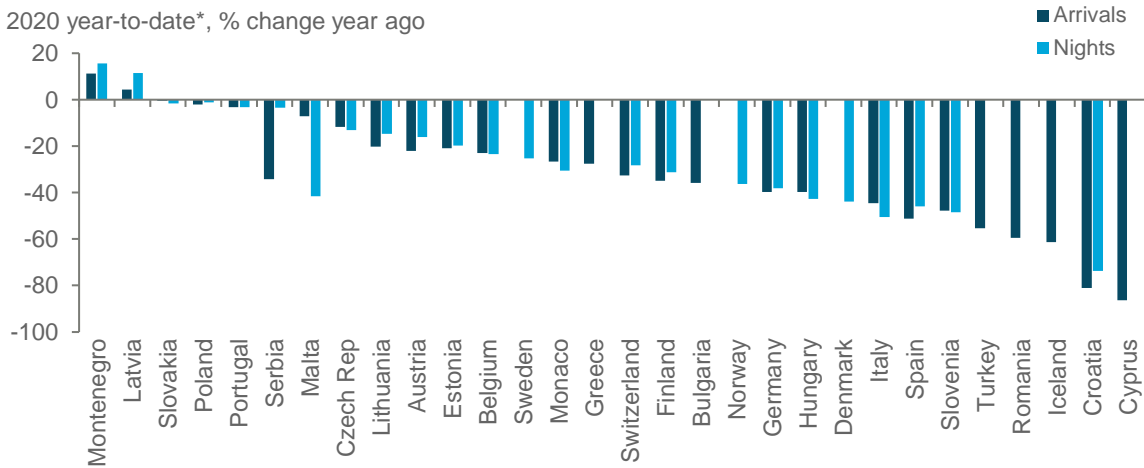
Those countries reporting to May saw the greatest declines in Dutch visitors with Croatia recording a fall of 95.2% and Cyprus 88.6%. As in many other European source markets, Iceland fared a little better with a decline in arrivals of 60.8%.

Denmark and Turkey were the worst performers among those destinations reporting to April. Dutch nights in Denmark fell 70.7% and arrivals in Turkey 64.6%, compared to an average for destinations reporting to April of 44.2%.

Reporting to March, Malta saw the strongest growth in visitors from the Netherlands (up 22.2%) – although nights over the same period fell 27.5%.



Russian visits and overnights to select destinations



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

Destinations reporting to May saw the steepest falls in Russian arrivals. Croatia saw a decline of 81.0% and Cyprus, 86.4%. The latter is especially important given that Russia (alongside Germany) is among the most important source markets for the Cypriot tourism economy. Iceland also saw decline of 61.3% in Russian visitors.

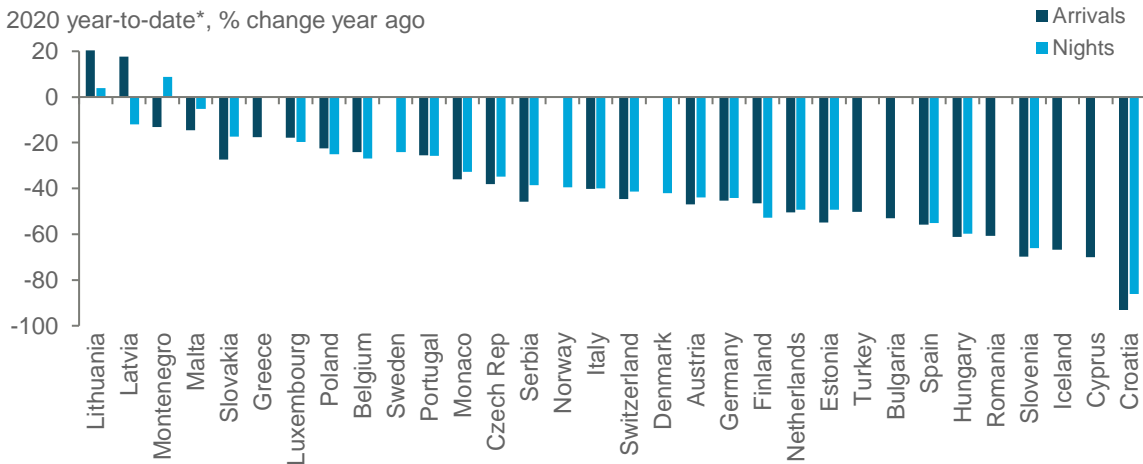
Romania and Slovenia were among those reporting the most marked falls in arrivals from Russia based on data to April. However, in volume terms, Spain's decline of 51.3% - well above the weighted average of 41.0% for April reporters – will have been more significant. Turkey, also reporting data to April, saw Russian arrivals fall by 55.4%. This is substantial given Russia's large market share, particularly in recent years.

Based on data to March, Montenegro saw the strongest growth in Russian visitor nights, although this was still markedly down on the figure reported in the previous quarterly report and can be expected to turn negative as more data becomes available. Latvia also reported arrivals and overnights growth (4.4% and 11.5% respectively), but this is also likely to falter as more data become available,



NON-EUROPEAN SOURCE MARKETS

United States visits and overnights to select destinations



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

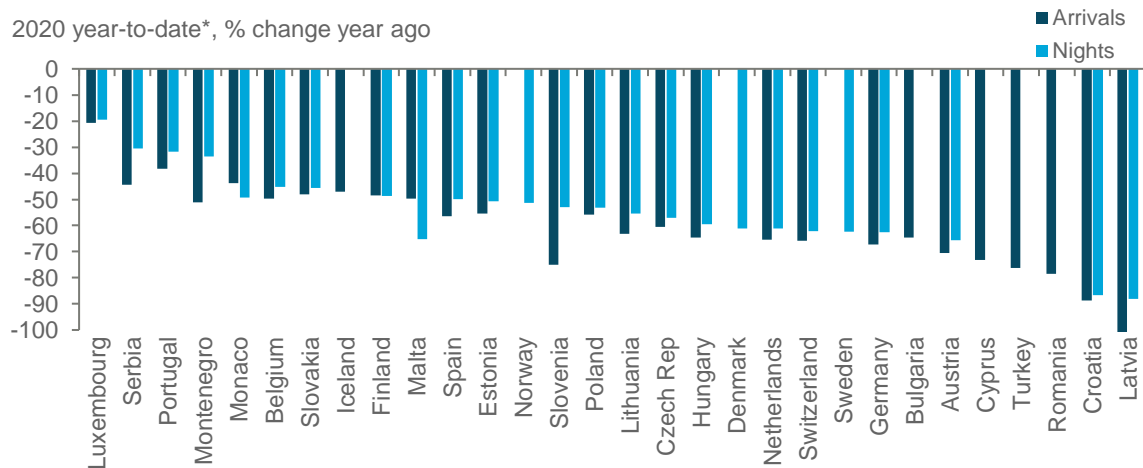
Countries reporting data to May saw the steepest declines with US arrivals in Croatia down 93.2%, Cyprus down 70.0%, and Iceland down 66.7%.

But Slovenia – reporting to April – also reported a steep decline (-69.8%) in US arrivals, as did Romania (-60.6%) and Hungary (-61.2%). Spain reported a 55.9% decline from the US, a larger decline compared to the average for April reporters of 52.0%.

Sweden reported the smallest decline among April reporters with nights down 24.0% (compared to an average nights decline for April reporters of 48.2%). Sweden was a stand-out among European destinations in choosing not to implement a strict lockdown and US visitors may have taken advantage of this early in the outbreak before some restrictions on arrivals were imposed.

Lithuania saw the greatest growth in US arrivals (20.4%) based on data to March. Montenegro, also reporting to March, continued to see a decline in arrivals (as was the case in the last quarterly report), but reported an 8.8% increase in US overnights.

Chinese visits and overnights to select destinations



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

Unlike most European source markets, Chinese outbound travel was severely impacted by the COVID-19 outbreak and by subsequent travel restrictions throughout the first quarter of this year (with



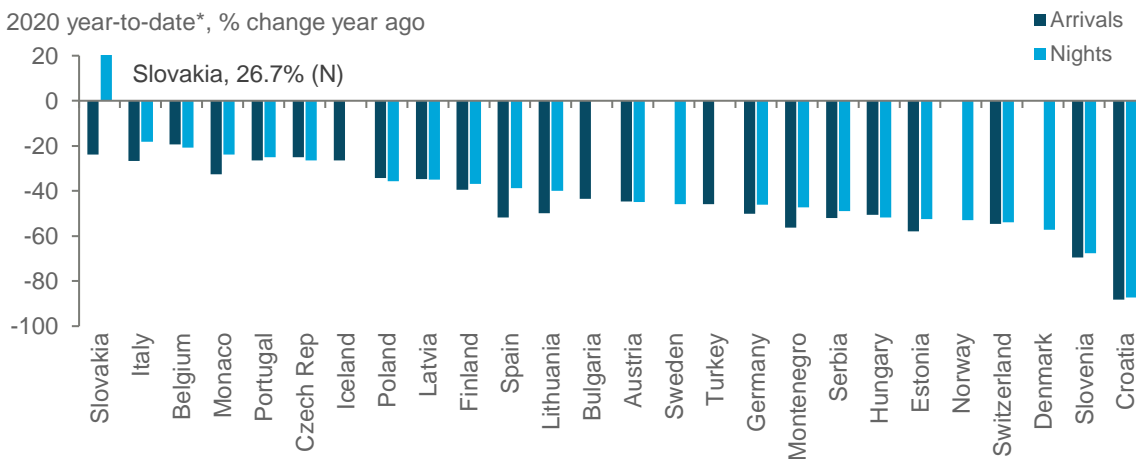
European outbound mostly impacted as of the second quarter of the year). Hence, no country – regardless of reporting period – has recorded growth in arrivals from China.

Since China banned outbound group travel indefinitely at the end of January, the degree of lockdown in European destinations did not influence the flow of Chinese arrivals in the way it may have influenced arrivals from other source markets.

In broad terms, the extent of the reporting period tends to be reflected in the depth of declines. Croatia – reporting to May – reported an 88.8% decline in Chinese visitors, although declines in Romania (-78.5%) and Turkey (-76.2%) – both reporting to April – were steeper than that for Cyprus (-73.2%).

Luxembourg and Portugal – reporting to March – saw the smallest declines. Serbia, which has become increasingly reliant on Chinese tourism reported a 44.4% drop in Chinese arrivals based on data to April, although nights were less affected.

Japanese visits and overnights to select destinations



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

Japan was hit by coronavirus shortly after China, with outbound travel severely limited as a result. As such, only Slovakia saw an increase in demand from Japan, and this was in overnights only based on data to March. Cancelled flights and lack of alternative travel options compared to other destinations (or fear of returning home in the midst of a pandemic) may have necessitated longer stays.

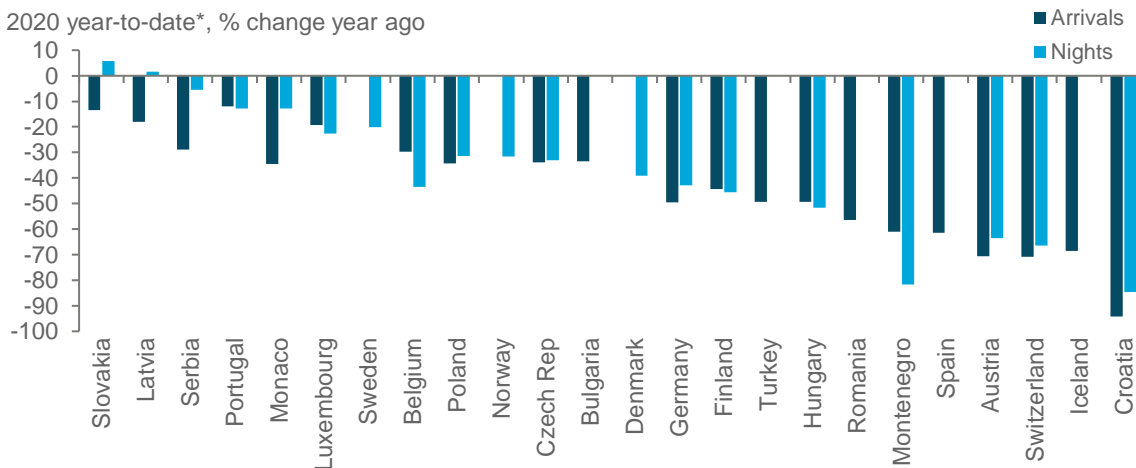
Of those destinations which reported through to May, Croatia reported the steepest falls in both nights (down 87.4%) and arrivals (down 88.2%). In Finland and Iceland declines were much less severe, with arrivals down 39.5% and 26.4% respectively.

Stringency of lockdown seems only to have played a minor role with Sweden faring only marginally better than neighbouring Norway and Denmark.



Indian visits and overnights to select destinations

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



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

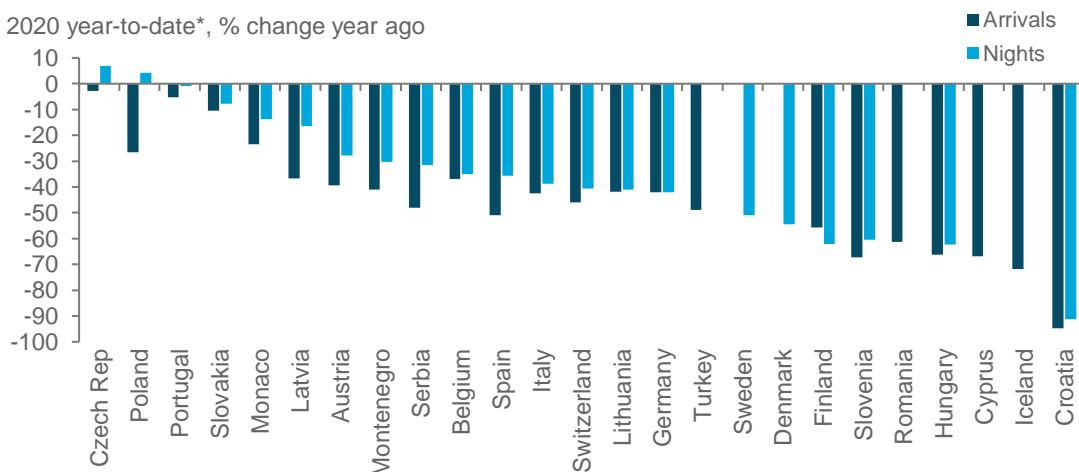
With one of the most stringent lockdown regimes of any country, including bans on outbound travel, the reporting period is a key explanatory factor for Indian outbound travel trends.

Croatia and Iceland – both reporting to May – suffered some of the largest declines of Indian arrivals; arrivals to Croatia fell 94.1% and arrivals to Iceland fell 68.5% compared to the same period a year ago.

Slovakia and Latvia – both reporting to March – managed the only increase in nights (up 5.7% and 1.5% respectively) while arrivals fell 13.5% and 18.1% respectively, possibly due to departures being deferred and flights cancelled. Serbia was the best performer reporting to April, but this reflects earlier growth following visa policy changes. It still saw a decline in arrivals from India of 28.8% (compared to a 51.0% average across April reporting destination countries), but a far smaller decline in nights.

Canadian visits and overnights to select destinations

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



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

As expected, countries reporting to May had the steepest declines in Canadian visitors. Croatia reported declines of 94.7%, Iceland 71.8%, and Cyprus 66.9%. Canadian arrivals to Cyprus were already suffering from the impact of a social media-inspired travel boycott.



Of those countries reporting to April, Austria held up better than other reporting destinations with a decline of 39.3% (compared to an average for countries from that reporting period of 43.2%). Hungary, Romania and Slovenia were the worst performers for this reporting period. Sweden and Denmark – both only reporting nights – performed similarly with respective falls of 50.9% and 54.4%.

Only Czech Republic and Poland reported growth from Canada, both of which are reporting to March only. Even over this period Poland recorded a decline of 26.6% in Canadian arrivals. In the last quarterly report, it recorded 152% growth in nights which has now fallen to a much more moderate 4.3% growth.



6. 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

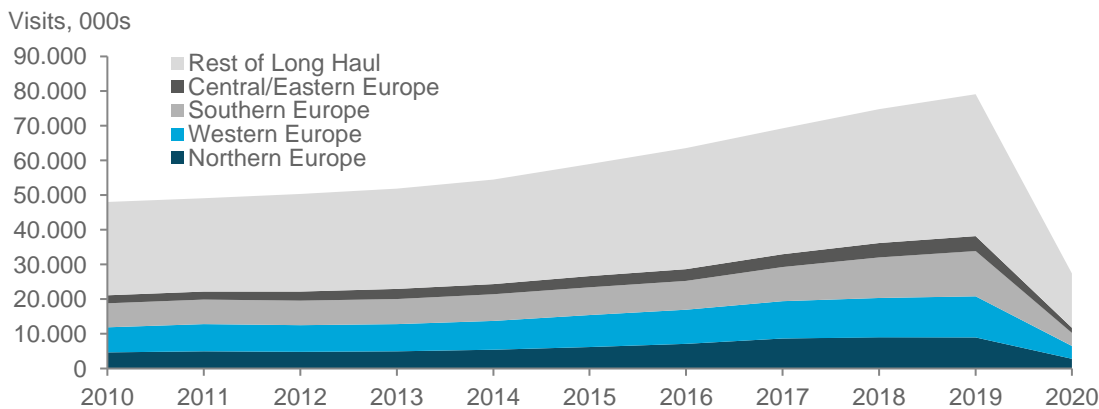
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	129,927	-	1.5%	7.7%	-	44.9%	-
Long haul	79,097	60.9%	1.4%	7.2%	60.6%	45.1%	60.8%
Short haul	50,830	39.1%	1.6%	8.4%	39.4%	44.5%	39.2%
Travel to Europe	38,179	29.4%	1.0%	4.9%	28.6%	56.8%	27.1%
European Union	29,815	22.9%	0.2%	1.2%	21.6%	48.8%	22.3%
Northern Europe	8,900	6.8%	1.5%	7.6%	6.8%	66.3%	6.0%
Western Europe	11,930	9.2%	0.9%	4.5%	8.9%	42.3%	9.3%
Southern Europe	13,071	10.1%	0.0%	-0.2%	9.3%	70.8%	8.5%
Central/Eastern Europe	4,278	3.3%	3.0%	16.0%	3.5%	44.6%	3.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

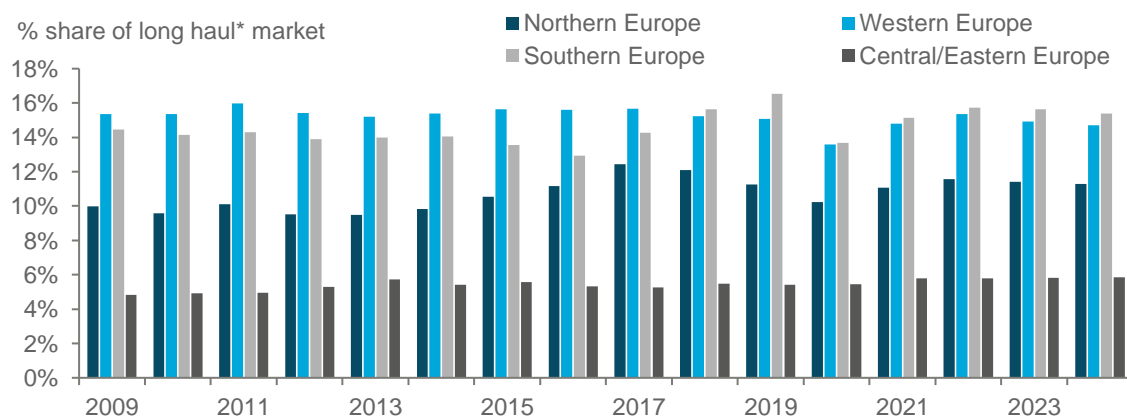
United States Long Haul* Outbound Travel



*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

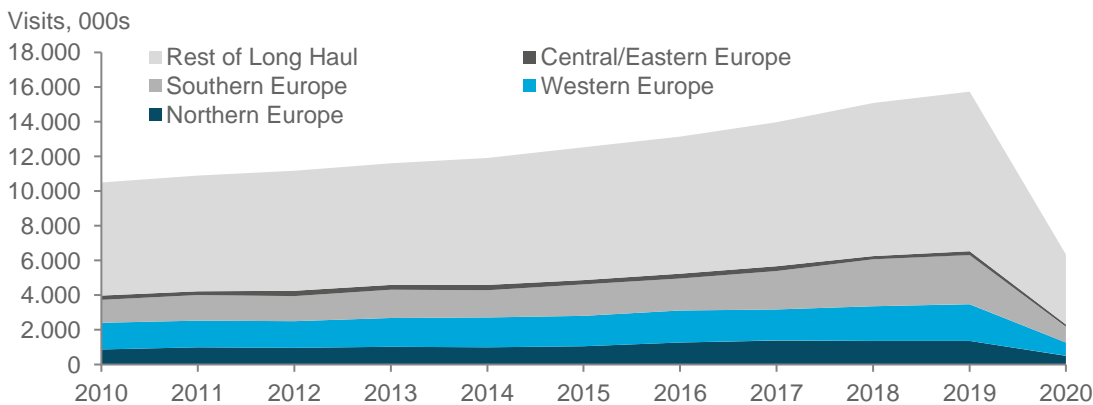
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	38,758	-	2.2%	11.3%	-	6.0%	-
Long haul	15,739	40.6%	1.8%	9.3%	39.9%	32.1%	32.6%
Short haul	23,019	59.4%	2.4%	12.6%	60.1%	-6.7%	67.4%
Travel to Europe	6,539	16.9%	1.0%	5.0%	15.9%	42.4%	12.6%
European Union	5,457	14.1%	1.3%	6.8%	13.5%	37.0%	10.9%
Northern Europe	1,357	3.5%	2.2%	11.4%	3.5%	35.9%	2.7%
Western Europe	2,117	5.5%	1.7%	8.9%	5.3%	23.4%	4.7%
Southern Europe	2,849	7.4%	0.3%	1.3%	6.7%	80.0%	4.3%
Central/Eastern Europe	215	0.6%	-5.8%	-25.6%	0.4%	-26.7%	0.8%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

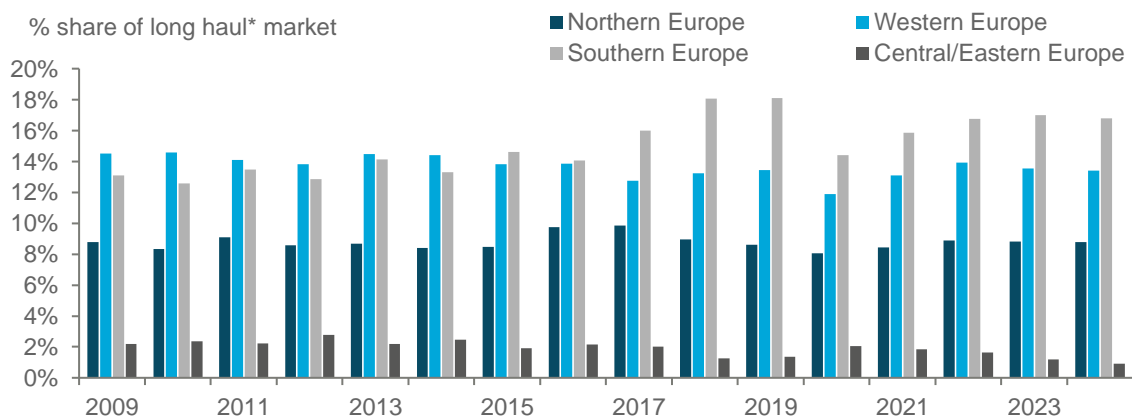
Canada Long Haul* Outbound Travel



*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

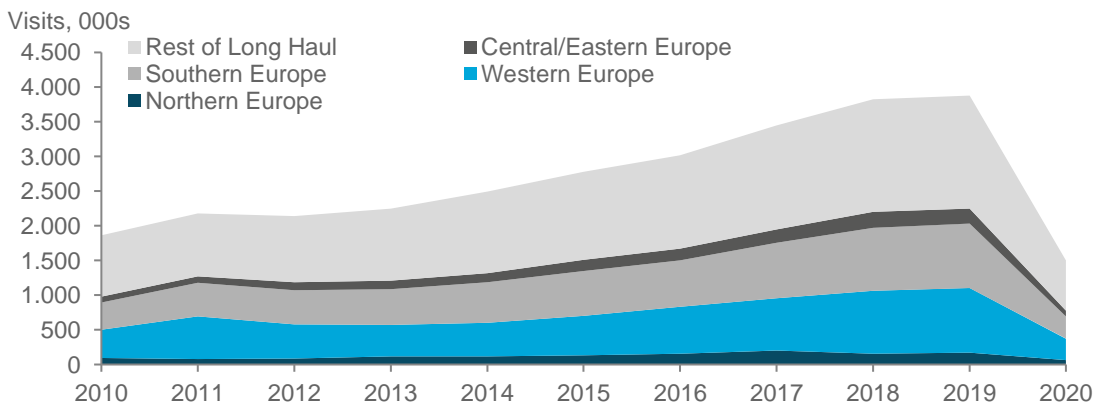
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	22,492	-	1.6%	8.4%	-	14.0%	-
Long haul	3,878	17.2%	-0.8%	-3.8%	15.3%	55.5%	12.6%
Short haul	18,614	82.8%	2.1%	10.9%	84.7%	8.0%	87.4%
Travel to Europe	2,249	10.0%	-1.7%	-8.1%	8.5%	70.7%	6.7%
European Union	1,820	8.1%	-1.8%	-8.7%	6.8%	63.7%	5.6%
Northern Europe	172	0.8%	-2.0%	-9.8%	0.6%	49.4%	0.6%
Western Europe	932	4.1%	-1.1%	-5.2%	3.6%	90.4%	2.5%
Southern Europe	930	4.1%	-2.4%	-11.6%	3.4%	59.3%	3.0%
Central/Eastern Europe	215	1.0%	-0.9%	-4.2%	0.8%	67.1%	0.7%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

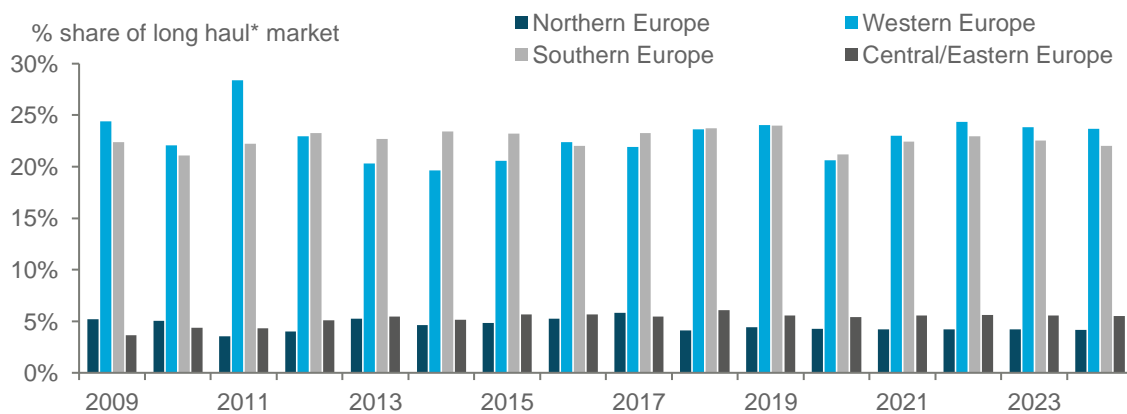
Mexico Long Haul* Outbound Travel



*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

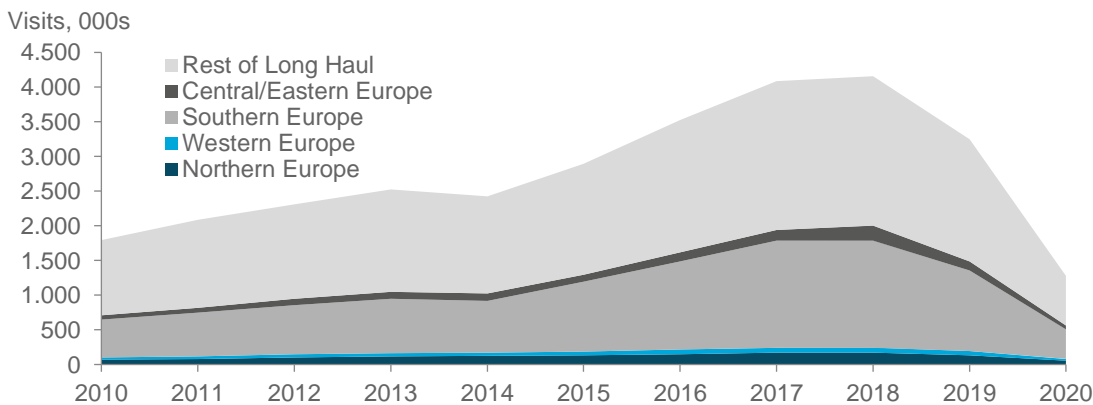
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	10,499	-	-1.1%	-5.3%	-	36.6%	-
Long haul	3,245	30.9%	-2.5%	-12.0%	28.7%	33.9%	31.5%
Short haul	7,254	69.1%	-0.5%	-2.4%	71.3%	37.9%	68.5%
Travel to Europe	1,485	14.1%	-2.8%	-13.2%	13.0%	44.7%	13.4%
European Union	1,741	16.6%	-10.3%	-41.9%	10.2%	107.3%	10.9%
Northern Europe	130	1.2%	-0.6%	-3.1%	1.3%	3.8%	1.6%
Western Europe	65	0.6%	0.2%	0.8%	0.7%	47.2%	0.6%
Southern Europe	1,158	11.0%	-3.7%	-17.4%	9.6%	54.3%	9.8%
Central/Eastern Europe	133	1.3%	1.2%	6.3%	1.4%	23.9%	1.4%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

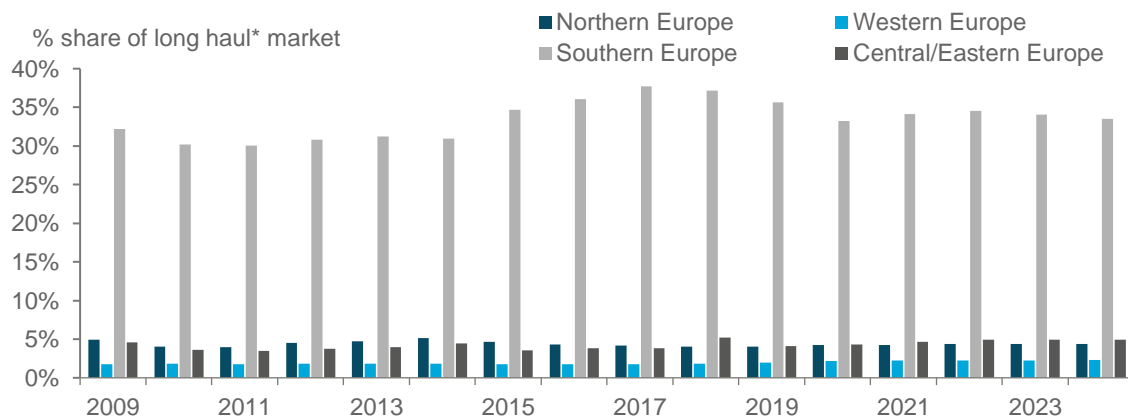
Argentina Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Argentine Market



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

Source: Tourism Economics



Brazil Market Share Summary

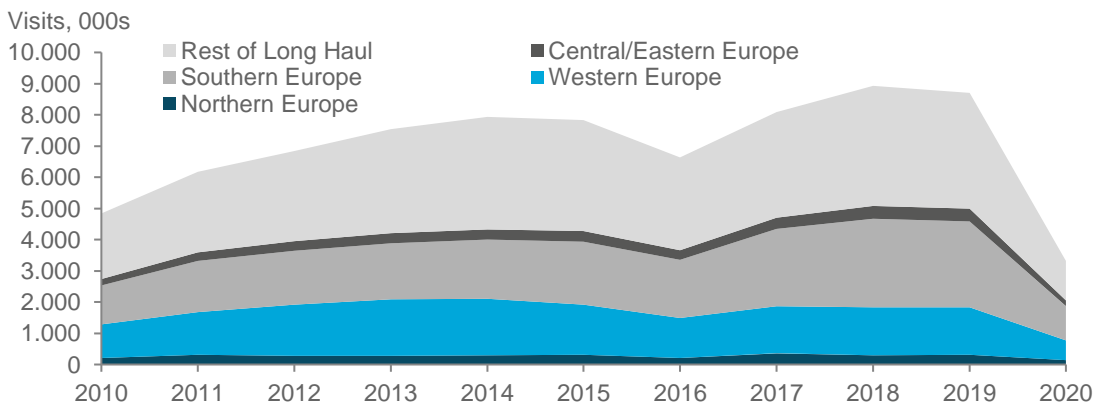
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	11,556	-	-0.6%	-2.8%	-	8.0%	-
Long haul	8,710	75.4%	-1.9%	-9.2%	70.4%	9.7%	74.2%
Short haul	2,846	24.6%	3.2%	16.8%	29.6%	3.2%	25.8%
Travel to Europe	4,996	43.2%	-1.0%	-5.0%	42.2%	15.5%	40.4%
European Union	4,362	37.7%	-1.9%	-9.1%	35.3%	19.6%	34.1%
Northern Europe	309	2.7%	-0.8%	-3.8%	2.6%	3.2%	2.8%
Western Europe	1,532	13.3%	-0.7%	-3.6%	13.1%	-15.3%	16.9%
Southern Europe	2,740	23.7%	-1.5%	-7.1%	22.6%	44.8%	17.7%
Central/Eastern Europe	416	3.6%	0.6%	3.1%	3.8%	27.7%	3.0%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

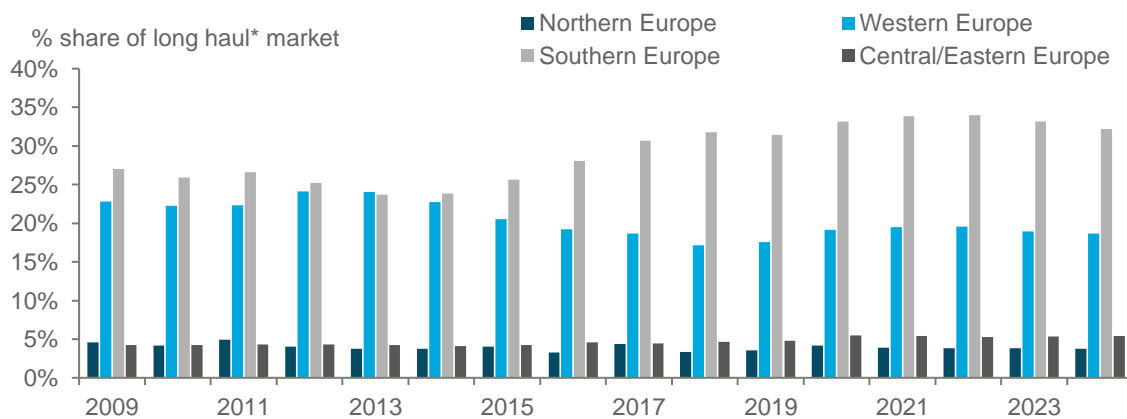
Brazil Long Haul* Outbound Travel



*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

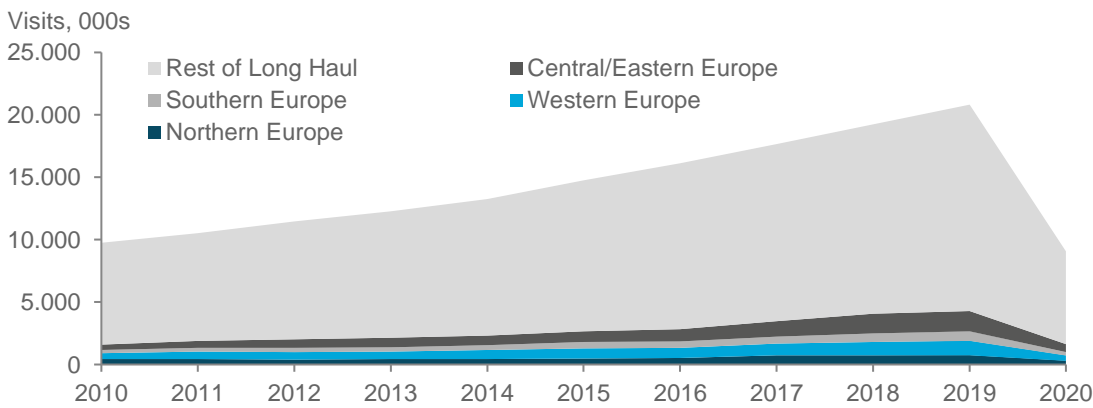
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	22,084	-	2.8%	15.0%	-	59.4%	-
Long haul	20,817	94.3%	3.0%	15.9%	95.0%	56.9%	95.8%
Short haul	1,267	5.7%	-0.1%	-0.5%	5.0%	116.8%	4.2%
Travel to Europe	4,283	19.4%	1.6%	8.5%	18.3%	84.5%	16.8%
European Union	1,933	8.8%	-1.0%	-5.1%	7.2%	75.0%	8.0%
Northern Europe	753	3.4%	-1.4%	-6.6%	2.8%	70.9%	3.2%
Western Europe	1,157	5.2%	3.2%	16.9%	5.3%	60.9%	5.2%
Southern Europe	763	3.5%	-2.5%	-11.9%	2.6%	101.2%	2.7%
Central/Eastern Europe	1,610	7.3%	3.6%	19.2%	7.6%	105.8%	5.6%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

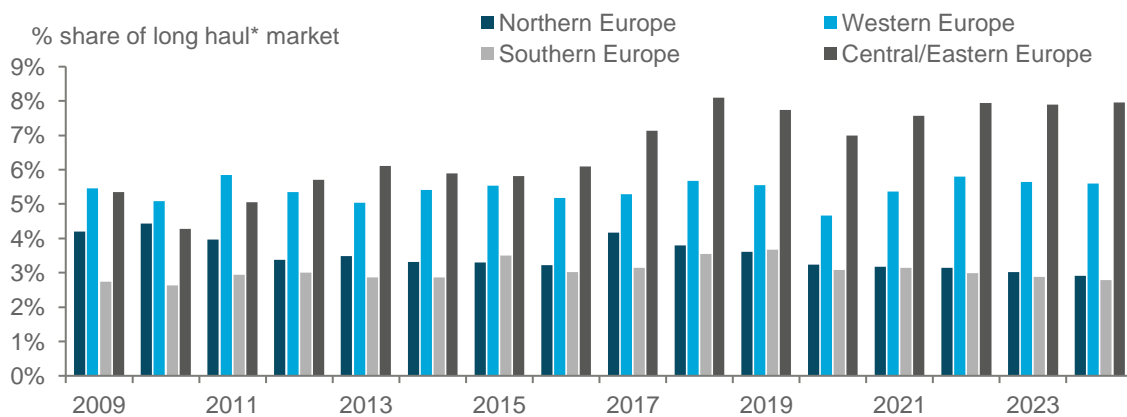
India Long Haul* Outbound Travel



*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

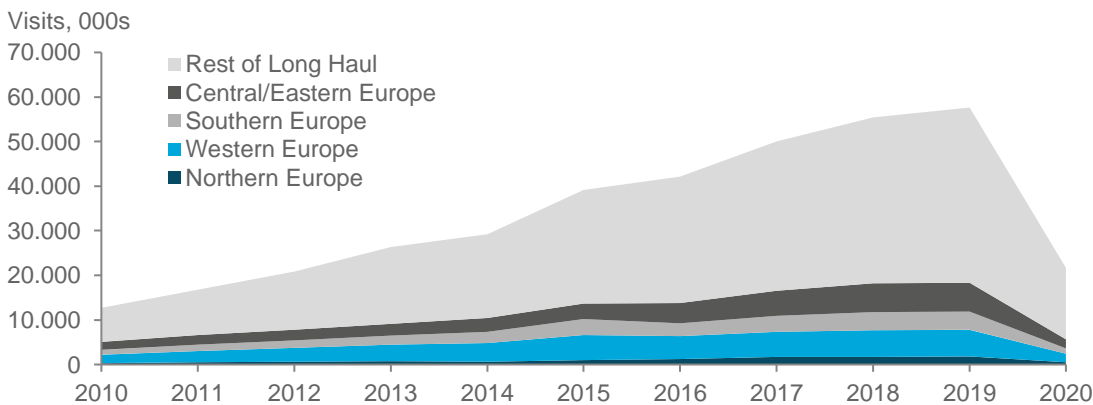
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	107,711	-	1.7%	8.8%	-	51.4%	-
Long haul	57,639	53.5%	1.4%	6.9%	52.6%	97.3%	41.1%
Short haul	50,072	46.5%	2.1%	10.8%	47.4%	19.4%	58.9%
Travel to Europe	18,327	17.0%	2.0%	10.6%	17.3%	75.5%	14.7%
European Union	10,976	10.2%	-2.3%	-11.0%	8.3%	114.5%	7.2%
Northern Europe	1,806	1.7%	2.3%	12.1%	1.7%	169.7%	0.9%
Western Europe	5,966	5.5%	4.3%	23.3%	6.3%	43.0%	5.9%
Southern Europe	4,129	3.8%	0.2%	1.3%	3.6%	64.6%	3.5%
Central/Eastern Europe	6,427	6.0%	0.9%	4.5%	5.7%	108.1%	4.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

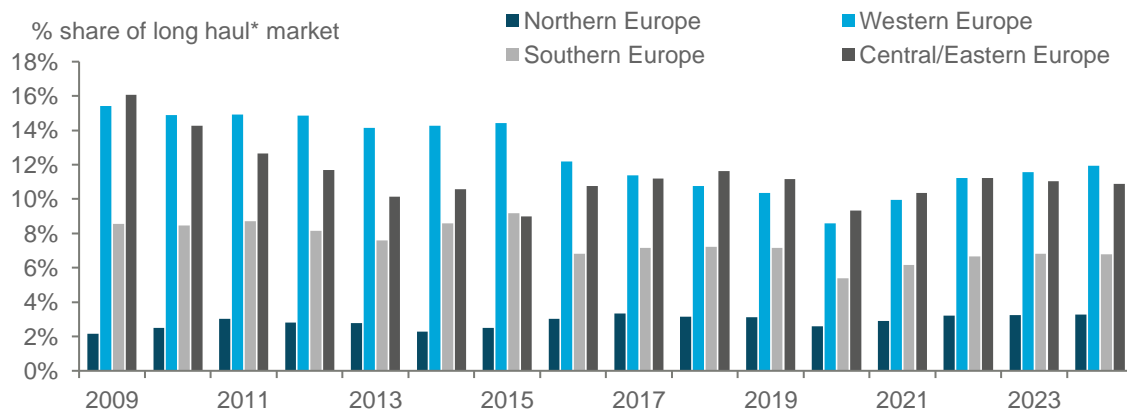
China Long Haul* Outbound Travel



*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

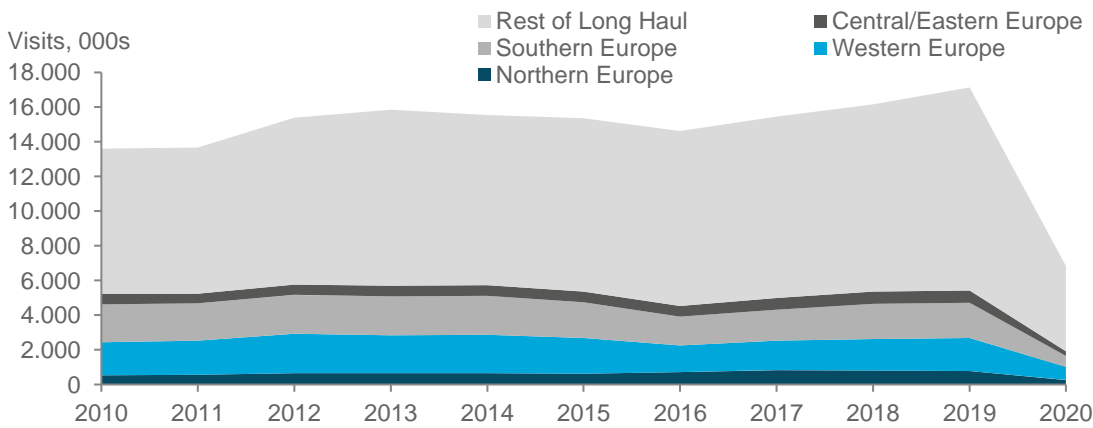
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	26,625	-	1.4%	7.0%	-	15.0%	-
Long haul	17,134	64.4%	1.7%	8.9%	65.5%	10.3%	67.1%
Short haul	9,491	35.6%	0.7%	3.6%	34.5%	24.4%	32.9%
Travel to Europe	5,414	20.3%	1.8%	9.3%	20.8%	-5.3%	24.7%
European Union	4,486	16.8%	-0.9%	-4.2%	15.1%	-11.5%	21.9%
Northern Europe	767	2.9%	-2.0%	-9.4%	2.4%	19.6%	2.8%
Western Europe	1,932	7.3%	5.8%	32.6%	9.0%	-13.5%	9.6%
Southern Europe	2,012	7.6%	-0.8%	-3.9%	6.8%	-9.7%	9.6%
Central/Eastern Europe	704	2.6%	0.7%	3.4%	2.6%	15.1%	2.6%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

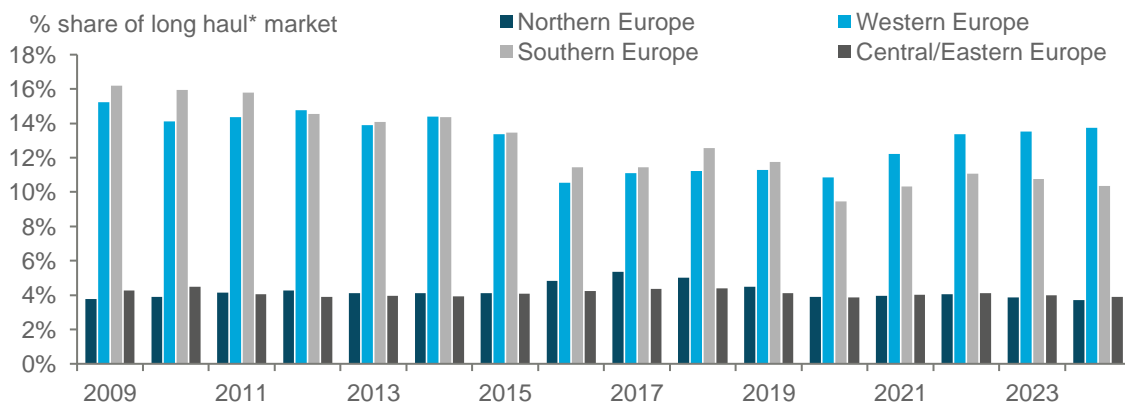
Japan Long Haul* Outbound Travel



*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

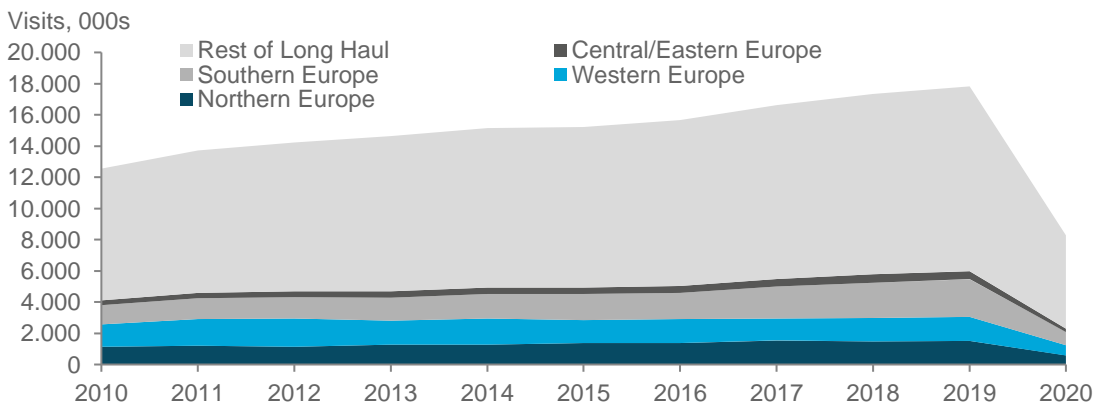
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	18,439	-	2.7%	14.5%	-	17.1%	-
Long haul	17,823	96.7%	2.8%	14.5%	96.7%	17.7%	96.2%
Short haul	616	3.3%	2.5%	13.3%	3.3%	2.5%	3.8%
Travel to Europe	5,974	32.4%	1.5%	7.7%	30.5%	21.2%	31.3%
European Union	5,108	27.7%	-0.8%	-4.1%	23.2%	16.7%	27.8%
Northern Europe	1,507	8.2%	0.0%	0.1%	7.1%	17.1%	8.2%
Western Europe	1,548	8.4%	0.1%	0.3%	7.4%	-6.0%	10.5%
Southern Europe	2,406	13.0%	3.0%	15.9%	13.2%	52.6%	10.0%
Central/Eastern Europe	513	2.8%	2.6%	13.7%	2.8%	22.7%	2.7%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

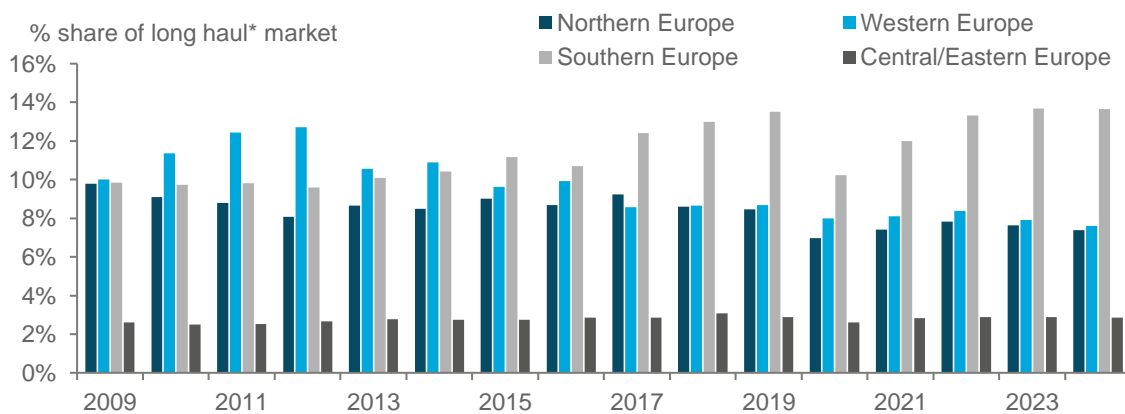
Australia Long Haul* Outbound Travel



*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

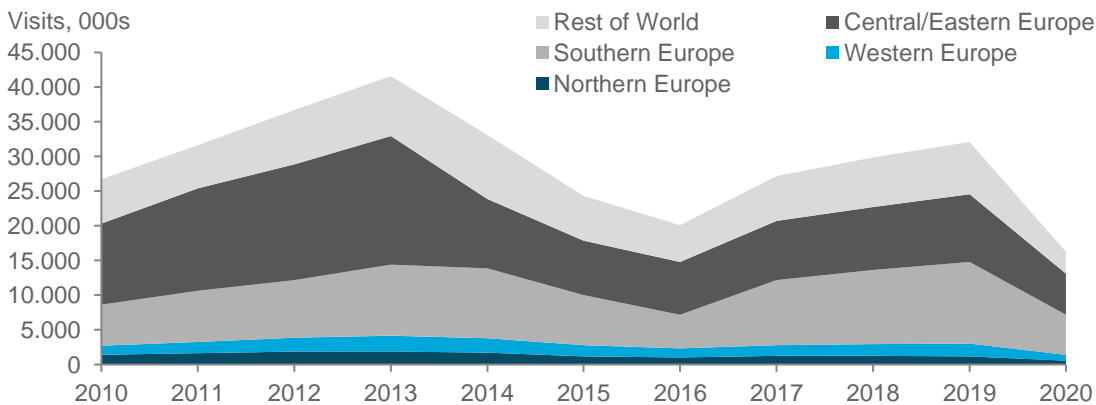
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	32,107	-	1.2%	6.1%	-	-2.9%	-
Long haul	7,519	23.4%	-0.9%	-4.3%	21.1%	-18.3%	27.8%
Short haul	24,588	76.6%	1.8%	9.3%	78.9%	3.0%	72.2%
Travel to Europe	24,588	76.6%	1.8%	9.3%	78.9%	3.0%	72.2%
European Union	10,025	31.2%	-1.1%	-5.2%	27.9%	-17.5%	36.7%
Northern Europe	1,202	3.7%	4.5%	24.8%	4.4%	-29.7%	5.2%
Western Europe	1,795	5.6%	0.5%	2.6%	5.4%	-14.5%	6.3%
Southern Europe	11,792	36.7%	-0.8%	-4.1%	33.2%	17.1%	30.5%
Central/Eastern Europe	9,798	30.5%	4.5%	24.6%	35.8%	-1.9%	30.2%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

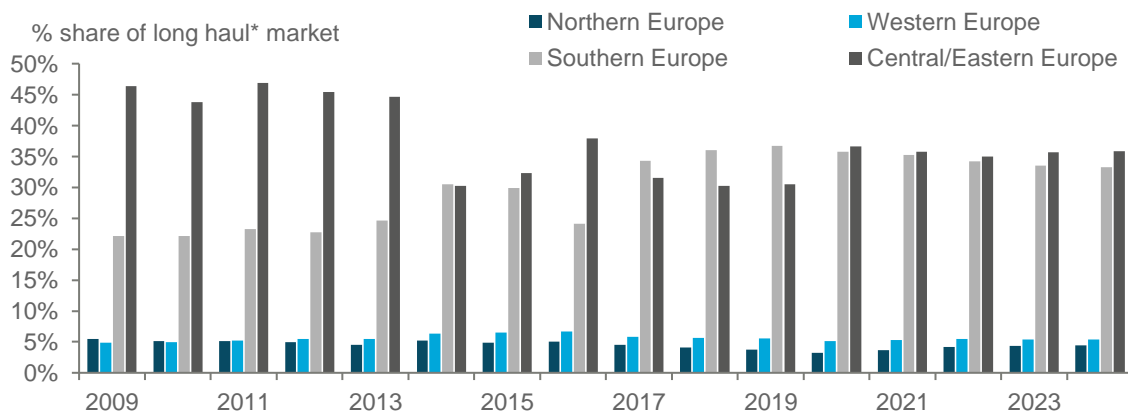
Russia Long Haul* Outbound Travel



*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

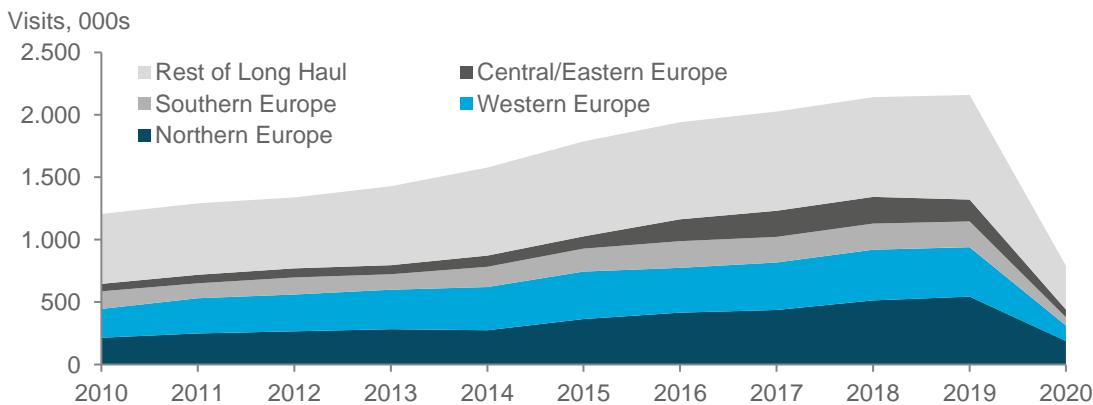
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	3,605	-	2.2%	11.6%	-	5.0%	-
Long haul	2,159	59.9%	-1.3%	-6.5%	50.2%	36.9%	45.9%
Short haul	1,446	40.1%	6.7%	38.5%	49.8%	-22.1%	54.1%
Travel to Europe	1,323	36.7%	-2.0%	-9.5%	29.8%	51.9%	25.4%
European Union	863	23.9%	-2.6%	-12.3%	18.8%	45.2%	17.3%
Northern Europe	544	15.1%	-2.5%	-11.7%	11.9%	98.9%	8.0%
Western Europe	396	11.0%	-1.3%	-6.2%	9.2%	14.2%	10.1%
Southern Europe	206	5.7%	-3.4%	-16.0%	4.3%	25.9%	4.8%
Central/Eastern Europe	177	4.9%	-0.5%	-2.5%	4.3%	103.7%	2.5%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

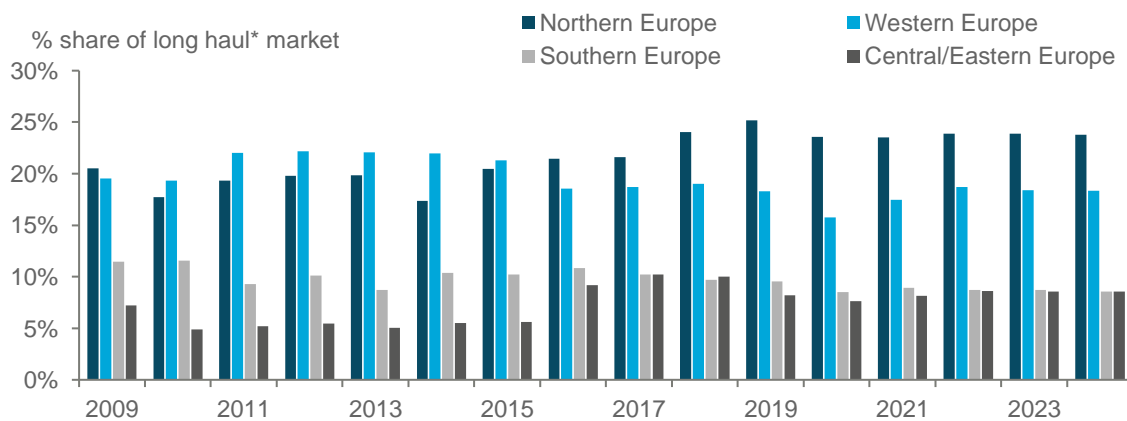
United Arab Emirates Long Haul* Outbound Travel



*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



7. 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

Latest news confirms that the global economy suffered a dire April as peak lockdown was reached. There are growing signs that activity in some parts of the world may have begun to recover in May as lockdown restrictions started to ease but, while we expect a near-term rebound in activity, we now forecast that world GDP will shrink by just over 5% this year.

The grim hard data for April confirm that the pace of contraction in the global economy worsened markedly in early-Q2. US and German industrial production plunged by around 11% and 21% respectively from March – while economies such as Japan, Sweden and South Korea, which did not implement national lockdowns, also recorded steep monthly falls.

A rebound in the business and consumer surveys, along with an improvement in some alternative activity indicators, points to an improvement in conditions in May. Google mobility trends suggest that, across the major economies, individuals are now spending more time away from residential areas compared with during the peak lockdown period. Meanwhile, in Germany and Australia restaurant bookings have picked up sharply as lockdown restrictions have been eased.

On balance, recent events are broadly consistent with our last global growth forecast. We have lowered our Q2 GDP estimate, but this is broadly offset by an upward revision to Q3. And the prospects for the US and China are looking a little better.

More generally, the COVID-19 outbreak will leave scars and undermine the recovery further ahead. Firms are likely to prioritise cost-cutting and debt repayments over investment. Weaker employment and wage growth and more precautionary saving look set to curb household spending too. Although the 6.5% rise in global GDP that we forecast for next year sounds impressive, activity in 2021-25 is likely to be weaker than we had expected a few months ago as a result of such scarring.



Summary of economic outlook, % change*

Country	2020					2021				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	-10.8%	-15.0%	4.3%	-1.1%	0.7%	10.2%	13.2%	-1.8%	-0.5%	1.2%
France	-9.8%	-10.3%	1.5%	0.0%	0.4%	7.9%	8.1%	-0.2%	0.0%	1.5%
Germany	-6.1%	-6.8%	0.7%	0.0%	1.0%	5.2%	7.8%	-0.2%	0.0%	1.4%
Netherlands	-4.4%	-6.6%	0.5%	0.0%	0.9%	4.1%	3.7%	0.6%	0.0%	1.5%
Italy	-9.3%	-10.9%	0.6%	0.0%	0.1%	5.7%	7.0%	1.1%	0.0%	1.0%
Russia	-6.4%	-7.3%	1.4%	-6.4%	3.5%	3.5%	7.3%	-0.8%	0.9%	4.1%
US	-6.1%	-7.4%	5.7%	0.1%	0.5%	6.3%	6.8%	-1.7%	-1.4%	1.3%
Canada	-9.1%	-11.7%	3.7%	-4.5%	-0.1%	9.8%	11.1%	-2.1%	-2.8%	1.3%
Brazil	-7.5%	-10.3%	1.6%	-19.6%	2.8%	5.0%	6.2%	-1.5%	3.8%	2.2%
China	0.8%	-1.5%	0.1%	-2.5%	2.7%	8.3%	11.4%	0.0%	-0.6%	1.6%
Japan	-6.5%	-6.0%	0.8%	1.7%	-0.4%	3.2%	2.2%	-0.7%	-0.3%	0.1%
India	-5.7%	-3.9%	2.3%	-5.4%	3.9%	10.8%	9.5%	-0.3%	3.0%	3.3%

Source: Tourism Economics based on GEM as of 19.6.2020

* 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

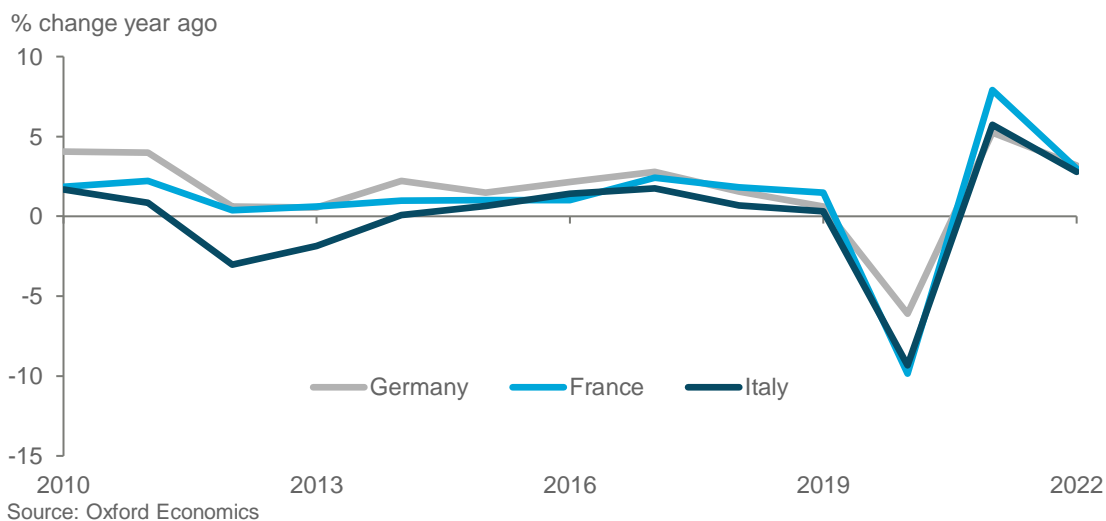
Following the sharp 3.8% contraction in GDP in Q1, more recent monthly data confirms the massive damage caused by lockdowns across the continent in April. On a positive note, forward-looking sentiment data and real-time activity indicators show that the economy is now starting to recover as quarantines are being lifted. We expect GDP will see an even larger contraction in Q2, before bouncing back strongly in Q3 and with a gradual recovery thereafter. But with the pandemic hitting some countries harder than others and various degrees of policy responses put in place, the recovery will be uneven across the region. We expect eurozone GDP to contract 7.8% this year (slightly worse than 7.6% decline seen in May), before a solid pick-up to 6.3% growth in 2021.

Hard data is showing historically large falls in activity across the eurozone in April, coinciding with the most stringent lockdowns being in place in most countries. But forward-looking sentiment data is showing signs of improvement, as investors remain optimistic about a relatively short recession. Alternative real-time activity indicators also show that European economies are now slowly getting back to normal as restrictions are being lifted in most countries.

This is in line with our baseline assumption, which sees a recovery starting in May. As a result, we expect a strong bounce in activity in Q3 following the historically large losses that will take place in Q2. That said, we do not expect the eurozone to return to its pre-crisis GDP level until 2022.

The ECB has announced an increase and extension of its emergency asset purchase programme, thus providing ample monetary stimulus. But the road to a joint fiscal European response remains fraught with obstacles, with several countries opposing the €750bn recovery plan presented by the European Commission.

Economic performance in key Eurozone economies, GDP real





UNITED KINGDOM

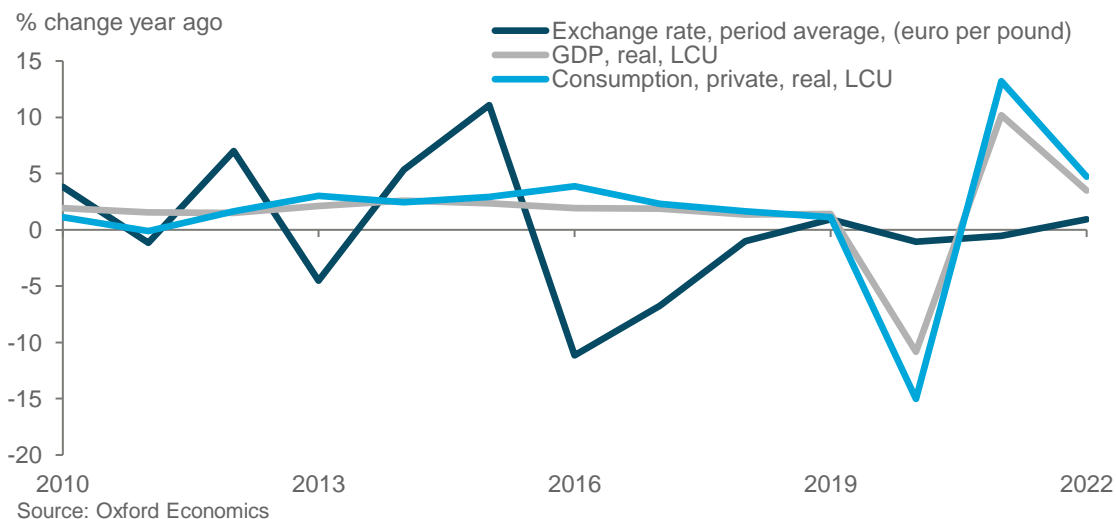
The extension of the bulk of the lockdown restrictions to early-June has led us to reduce our 2020 UK GDP forecast further to a fall of 8.3% from a drop of 7.9% seen in May. While we still forecast a strong rebound of nearly 8% next year, we do not expect GDP to return to its end-2019 level until Q4 2021.

We now have the first hard data on the impact of social distancing measures on activity. GDP fell by 5.8% month-on-month in March, leaving output down 2.0% in Q1 as a whole. We have carried out a modelling exercise which sought to use the March data to isolate the impact of the lockdown. This found that activity was running at around 85% of its normal level during the week of lockdown at the end of March. But there was huge variation across sectors – we estimate that accommodation and food services were running at just 20% of their normal level of output, while the agriculture and public administration sectors were barely affected.

Non-essential shops began to reopen from 1st June, with some children allowed to return to schools on the same date, and more shops will open in mid-June. But pubs, restaurants and other high-contact sectors will remain closed until at least 4th July. Our forecast assumes that the restrictions are gradually relaxed in line with this timetable. Based on our estimate of the impact of lockdown derived from the March data, we expect GDP to fall by around 14% in Q2, a much smaller decline than the 25% and 35% estimates made by the Bank of England and OBR in their recent scenarios.

The government has extended the coronavirus job retention scheme. It will run to the end of July in its current form, with the generosity of the scheme then steadily reduced until end-October. We now expect public sector net borrowing to reach 13% of GDP in fiscal year 2020/21. As expected, the MPC authorised further monetary policy loosening, with the a further £100bn of asset purchases, at its June meeting.

United Kingdom economic outlook





UNITED STATES

The recovery from the Global Coronavirus Recession (GCR) is slowly taking hold as states across the country loosen social distancing measures. Assuming there is no second wave of contagion, we anticipate the recovery will occur in two phases. In the first, growth will be strong as consumer spending and business demand rebounds from depressed levels, but thereafter lingering scars from the GCR will limit the pace of growth. We foresee GDP slumping 6.1% in 2020 and rebounding 6.3% in 2021.

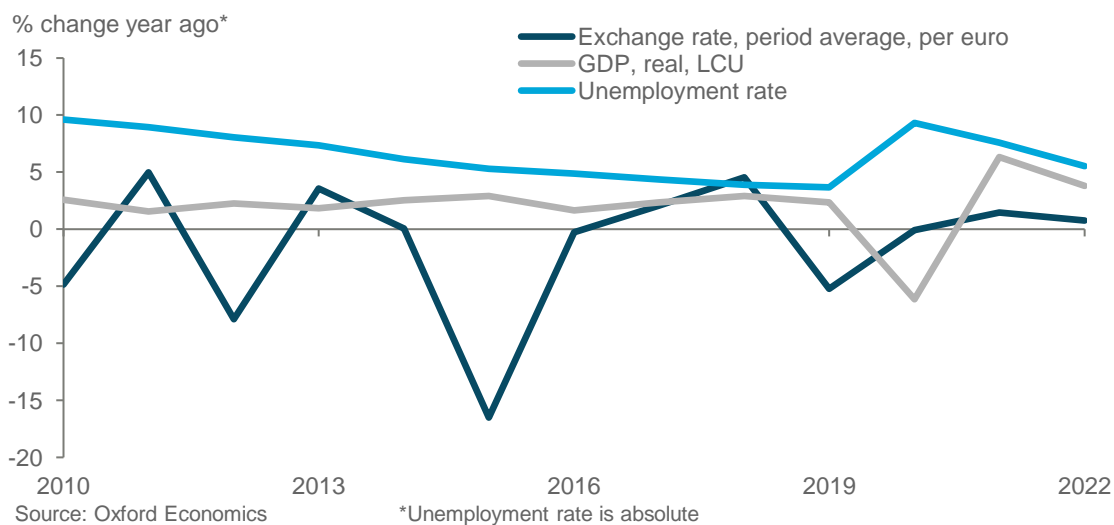
The May jobs report generated mixed feelings. Optimism as payrolls rose 2.5 million pointing to an early rehiring spree. Scepticism as the gain contrasts with initial claims data and concerns about labour market resilience once policy support dissipates. And anguish as the recovery from the cumulative 19.6 million job losses will take years.

The economics of fear and sudden stops were apparent in April, as fearful and locked-down households reduced their outlays by 13.6%. The accompanying historic rise in the saving rate to 33% indicates the caution among consumers, which is likely to linger. We expect the saving rate will decline in two phases over the coming months, with income cliffs from expiring fiscal aid representing downside risks.

A strong disinflationary trend took hold in April, with headline PCE inflation cooling 0.8ppt to 0.5% y/y, weighed down by lower energy prices, while core inflation cooled 0.7ppt to 1.0% y/y – the lowest since 2010. Looking ahead, we anticipate transitory headline PCE deflation and the weakest core PCE inflation on record, below 0.5%.

The Federal Reserve's rapid and bold emergency policy response to the GCR restored credit market functioning, staved off a financial crisis and provided an estimated stimulus worth 2.1ppt to GDP growth in 2020. We expect the Fed funds target range will remain on hold at the effective lower bound until the end of 2022.

United States economic outlook





JAPAN

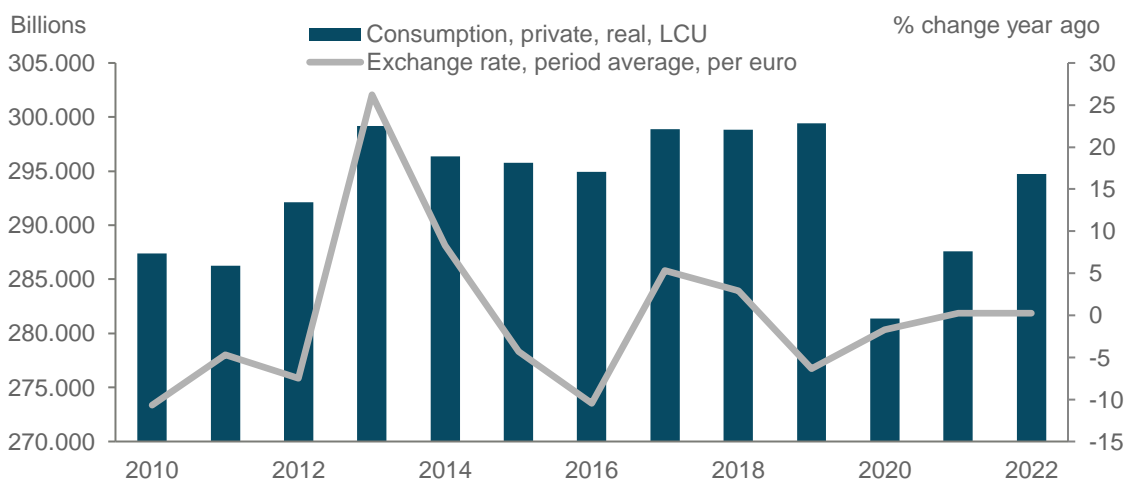
The economy continues to struggle against the fallout from the coronavirus pandemic. While the countrywide state of emergency has been lifted and consumer and business spending are expected to regain some ground in Q3, lingering domestic weakness will add to sharply lower foreign demand as the world economy grapples with recession. We expect the economy to contract by more than 6% in 2020, before growing by just over 3% in 2021.

The authorities lifted the state of emergency for the entire country in late May, so we look for activity to hit its low point in Q2. That said, social distancing is still encouraged, and we expect lingering concerns about the virus to weigh on spending going forward. The services PMI was a dismal 26.5 in May, a small improvement over the record low of 21.5 in April, while the manufacturing PMI slid further to 38.4 from 41.9. Export volumes also fell sharply, by 18.2% y/y, in April.

The outlook for the Japanese economy remains extremely challenging. GDP fell in Q1 2020 which, following the 1.9% drop in Q4 after the consumption tax hike, implies the economy was in recession then. And this is even before the bulk of the impact from the pandemic is felt. Should disruptions from the coronavirus turn out to be larger and longer lasting than we assume, the impact on the economy will be significantly worse.

The government passed a fiscal relief package containing about 7% of GDP of new spending in late April which combines measures to provide households and firms with cash transfers, deferrals of tax payments and social security contributions and support for the medical system. A second package containing up to 13% of GDP of new spending was announced in late May, including further measures to increase medical spending and financial support for firms and students. Meanwhile, the Bank of Japan (BoJ) continues to focus on measures to support corporate credit.

Private consumption in Japan



Source: Oxford Economics



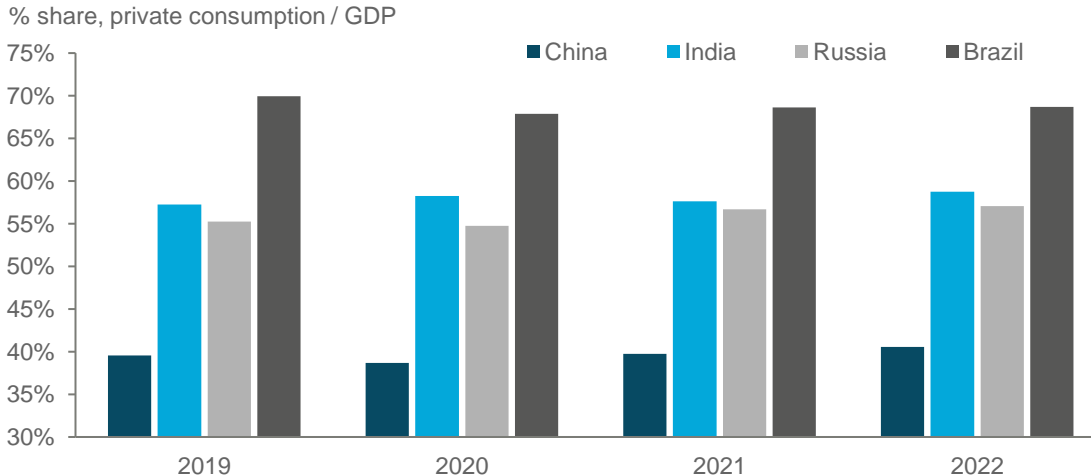
EMERGING MARKETS

The magnitude of the impact of coronavirus-related restrictions on the Emerging Markets (EM) economies has become clearer in recent weeks. While some indicators, particularly mobility statistics, suggest that the worst of the economic hit may already be behind us, the plunge in Q2 will likely exceed last month's projections. And with Latin America becoming the epicentre of the global pandemic, we have marked our forecasts down further and uncertainty persists. We now see EM GDP contracting by 2.6% this year (-1.8% last month).

Consumer and business sentiment have begun to regain some ground as restrictions are gradually lifted, pointing to the start of a fragile recovery. Despite the unfolding global recession, China's recovery remains on track, though any pick-up will likely be gradual initially. Elsewhere, demand conditions remain very subdued and the prospects of decisive near-term rebound look weak, especially in countries which have been less successful in containing the spread of the virus. Latin America, in particular, is set to grapple with the fallout from the pandemic, as the rapid surge in cases challenges reopening prospects. Meanwhile, sharp oil output cuts agreed by the OPEC+ group will reinforce the weakness in their respective non-oil economies.

Despite the very challenging growth outlook and a return to tense China-US relations, the appetite for EM assets has improved, supported by liquidity tailwinds, reflecting both global easing and domestic interest rate cuts by many EM central banks. EM fixed income will likely continue to perform well amid well-anchored inflation expectations and reduced funding risks.

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