EUROPEAN
TRAVEL
COMMISSION

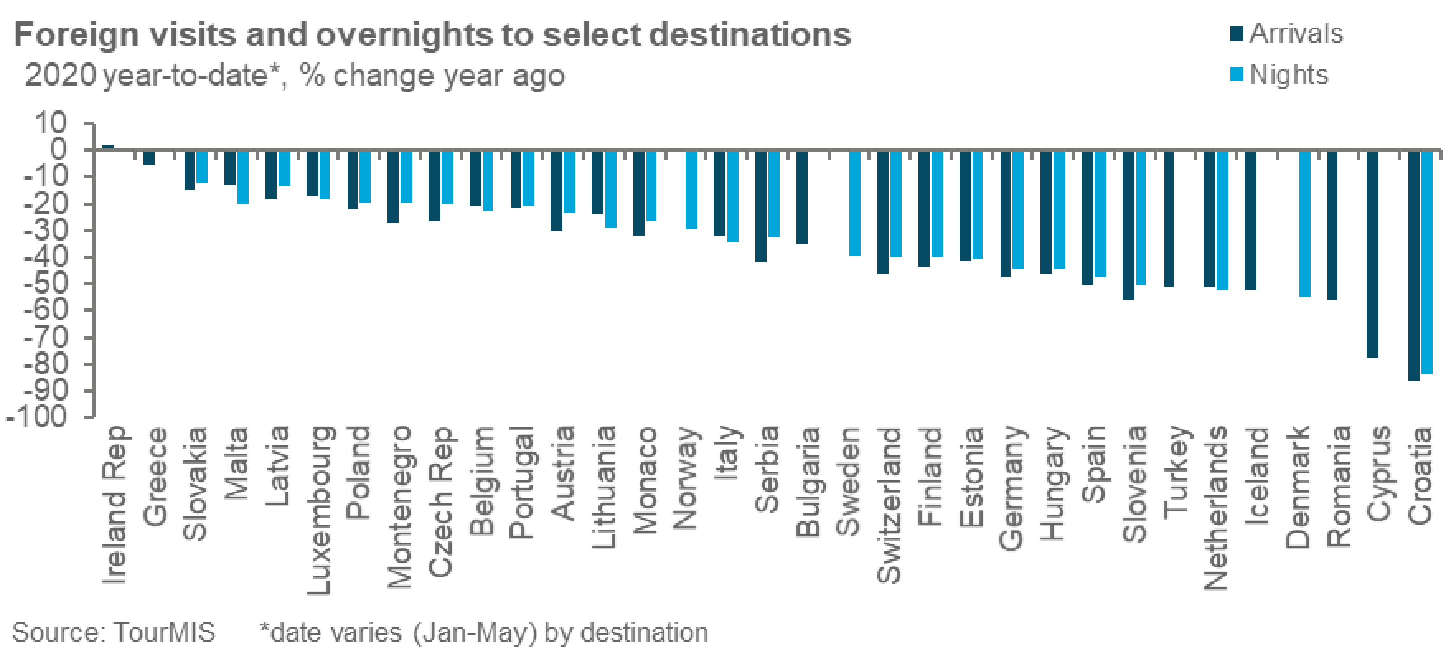
European Tourism – Trends & Prospects
Quarterly Report 2/2020

Executive Summary

TOURISM ECONOMICS

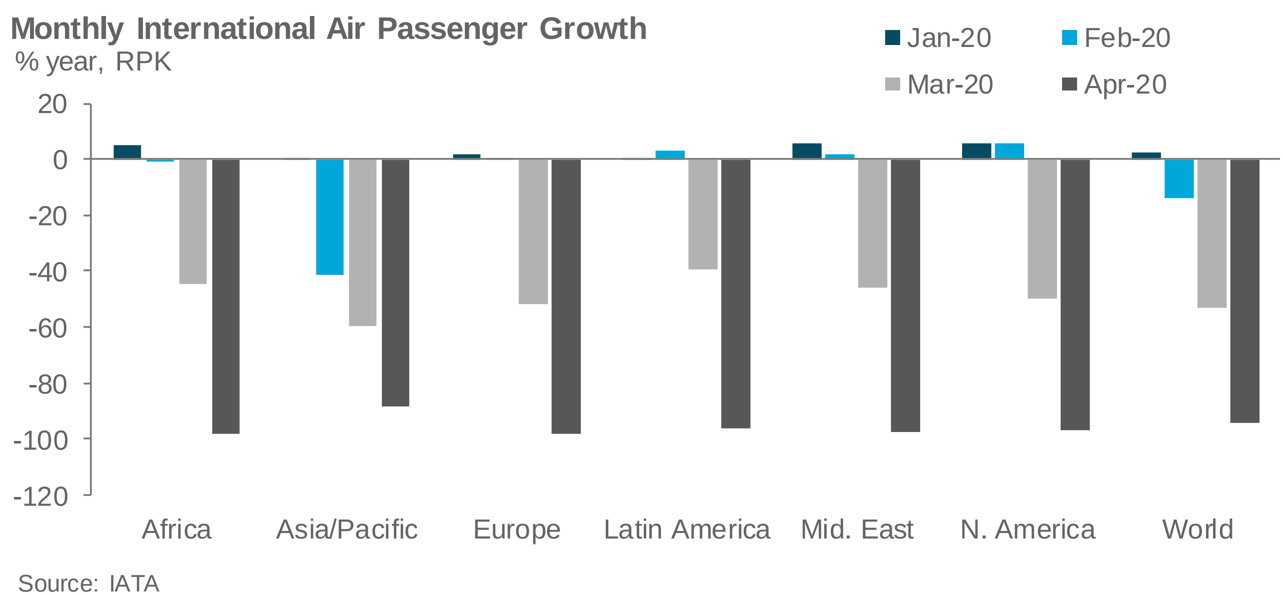
European tourism performance in 2020

- 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.
- 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.
- Latest data available from ForwardKeys showed a 97% decline in bookings to Europe across all subregions over the period January-May 2020 compared to the same period last year.



Air passenger demand plummeted

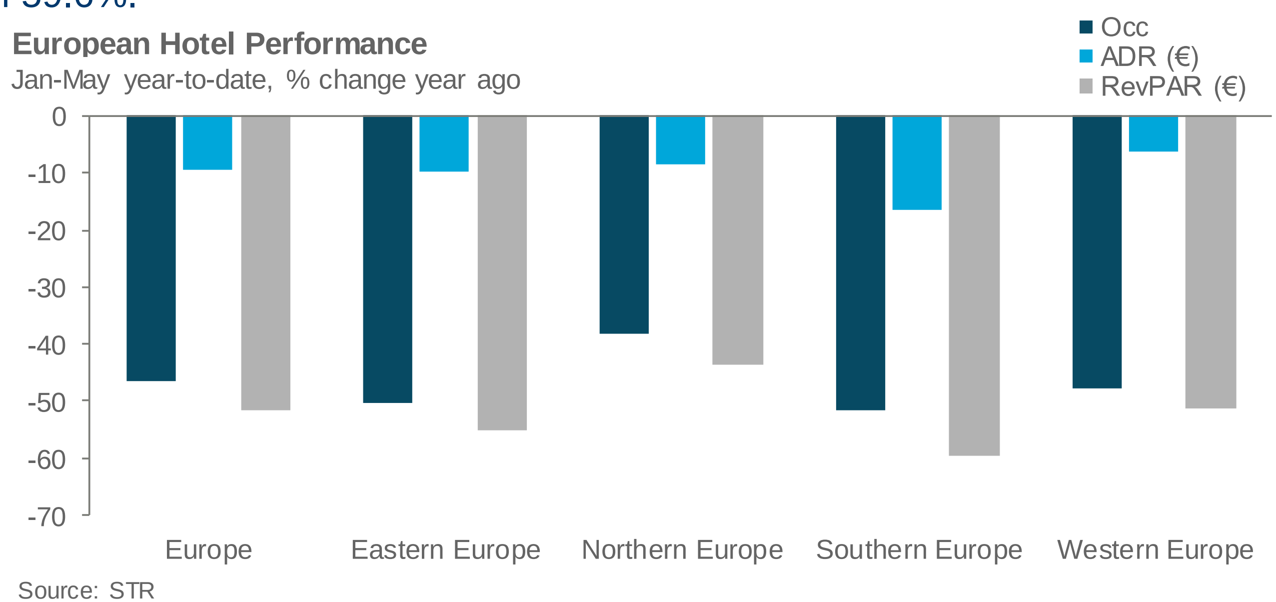
- Since pandemic-related restriction were widely adopted across much of the globe in March, global passenger numbers have plummeted, but earlier restrictions in Asia-Pacific in February were enough to derail global growth.
- Year-to-date global RPKs have fallen 41.9% and the overall picture is similar 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.



TOURISM ECONOMICS

As did European hotel demand

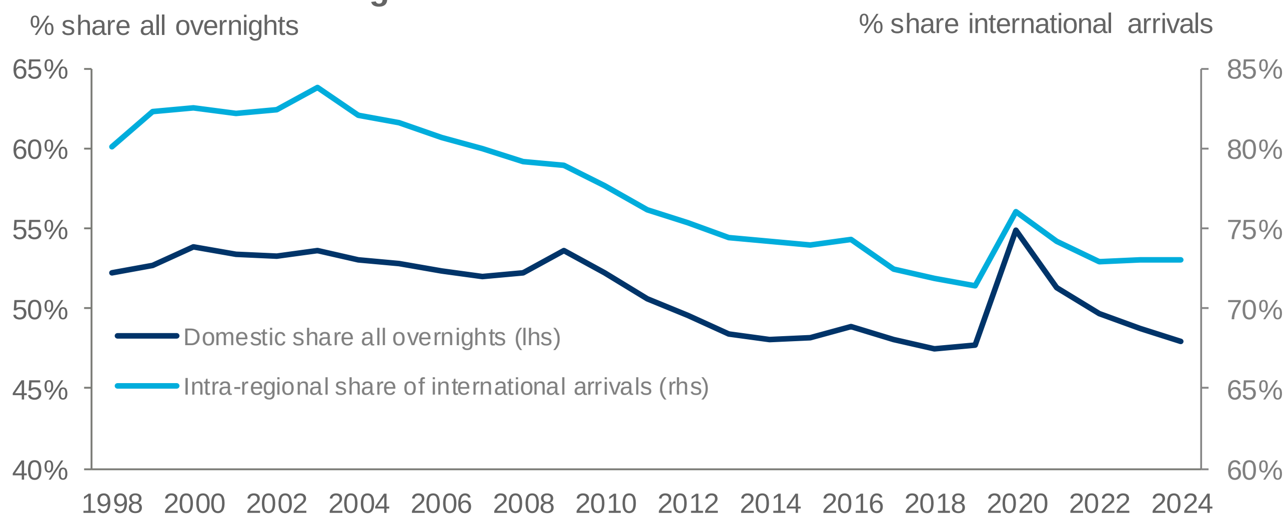
- Hotel performance indicators showed sharp contractions across the world over the first five months of 2020. Since reducing room rates will have been incapable of driving additional demand under the current circumstances, most of the impact on RevPAR has been driven by very marked declines in occupancy rather than the reduction of room rates.
- 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.
- There is some difference in patterns across the regions of Europe. The biggest declines in both occupancy and ADR have been in Southern Europe, where occupancy fell 51.7% but the ADR decline was noticeably steeper than other regions at 16.3%, resulting in an overall RevPAR decline of 59.6%.



Recovery will be led by domestic and short-haul travel

- 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 in-crease in domestic and short-haul including some substitution from other long-haul destinations.

Domestic and intra-regional share of of ETC+ travel

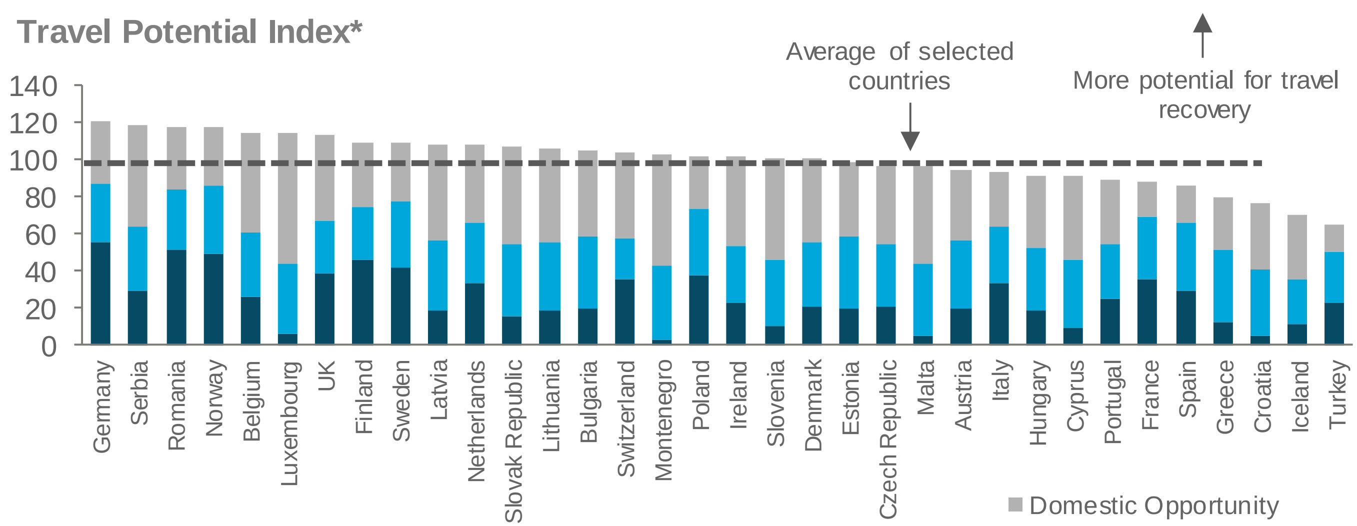


Source: Tourism Economics

TOURISM ECONOMICS

But some destinations are better placed than others

- 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.
- However, other factors may impact on a destination's ultimate growth path in travel recovery and the extent to which potential is realised. For example, 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).



*2019 data; overnight travel only
Source: Tourism Economics

Summary of economic outlook

- Latest news confirms that the global economy suffered a dire April as peak lockdown was reached. There are signs that activity in some parts of the world may have begun to recover in May as lockdown restrictions started to ease but, while a near-term rebound in activity is expected, Oxford Economics now forecast that world GDP will shrink by just over 5% this year.
- 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. Global economic activity in 2021-25 is likely to be weaker than was expected a few months ago as a result of such scarring.

	2020					2021				
Country	GDP	Consum-ption	Unemploy-ment**	Exchange rate***	Inflation	GDP	Consum-ption	Unemploy-ment**	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.