

**EUROPEAN  
TRAVEL  
COMMISSION**

# **European Tourism – Trends & Prospects Quarterly Report 3/2020**

*Executive Summary*

# European tourism performance in 2020

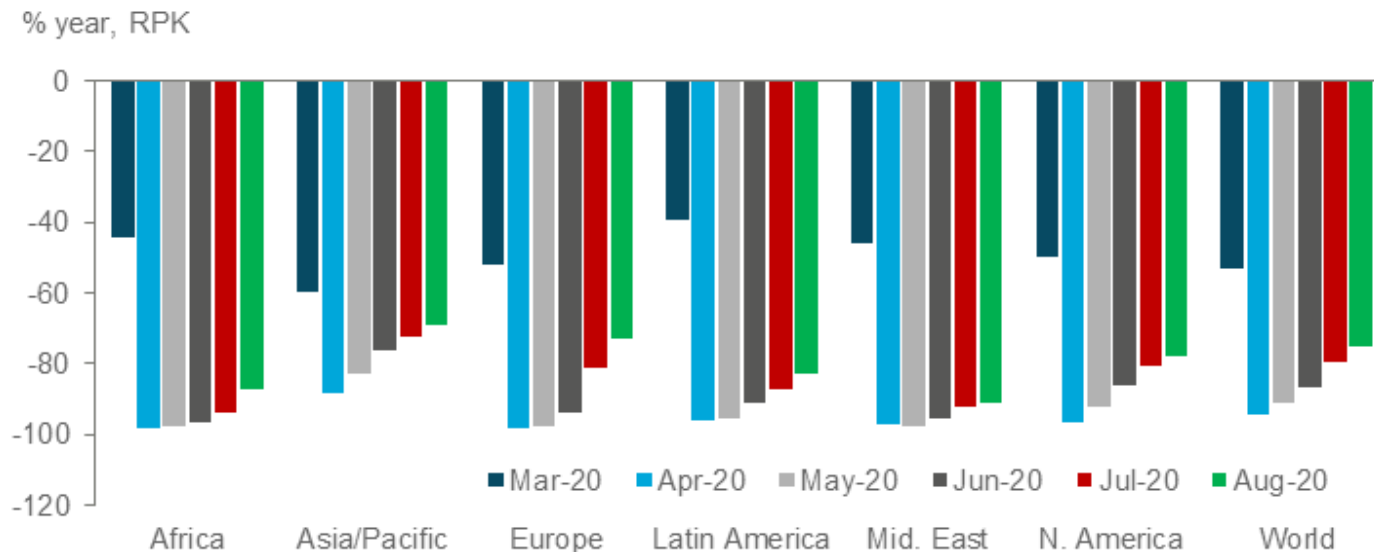
- International tourist arrivals to Europe were down 68% in the first eight months of the year relative to 2019.
- A fragmented approach to restarting international travel stifled the initial summer recovery, while a resurgence in coronavirus cases means travel activity across Europe has seemingly plateaued.
- Cyprus (-85%) and Montenegro (-84%) are currently the hardest-hit European countries, with a high dependence on international tourists increasing the likelihood of a more volatile travel recovery.



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

# Lingering travel barriers weaken air passenger demand

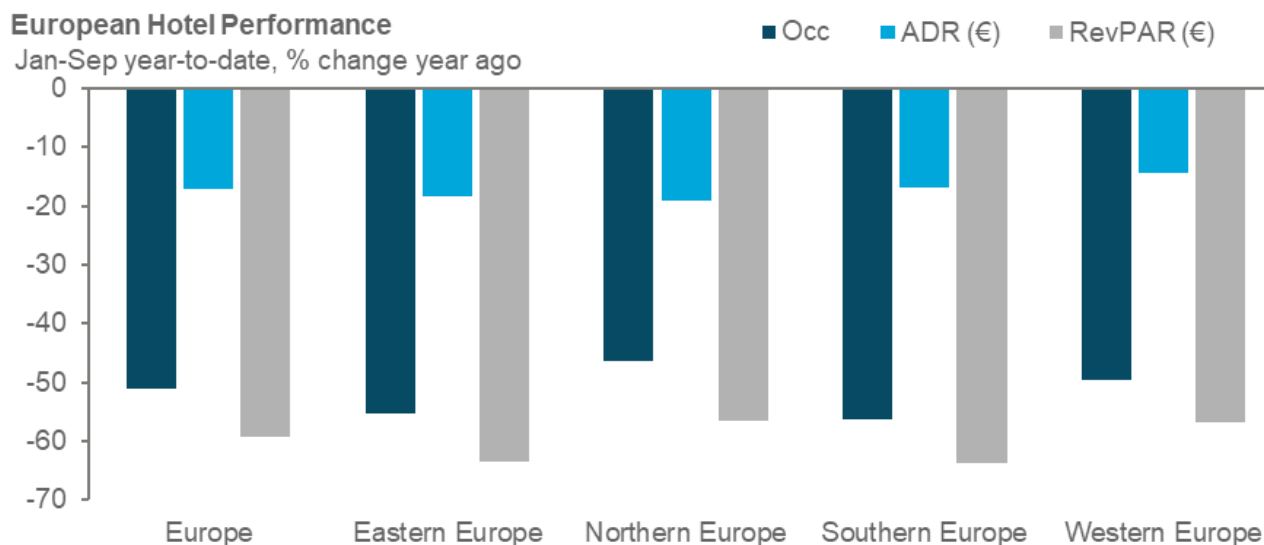
- The weaker global appetite for international travel and various travel restrictions, has devastated air passenger demand in all regions.
- Global RPK volumes were 58.4% lower than in 2019 based on year-to-date data to August reported by IATA.
- Europe experienced a pick-up in RPK terms in August compared to earlier months, although air travel levels remain well below 2019 volumes. European RPKs in August were 73.0% lower than in the same month in 2019; this was better than in July (-81.3%) and June (-93.7%).
- However, rising Covid-19 infections and ongoing travel restrictions are likely to depress air passenger demand further in the coming months and the improving trend will not continue.



Source: IATA

# Occupancy rates remain at historically low levels in Q3

- The impact of weak demand on Europe's hotel industry appears to be evenly spread across all sub-regions, with occupancy declines within 10pp of each other. Southern Europe was the worst hit region with hotel occupancies 56.4% lower compared to a year ago.
- All destinations in Europe have suffered declines in hotel occupancy this year based on data to September. The best performing destination by this measure was France wherein occupancy rates were just 42% lower compared to a year ago.
- In the UK (second best), occupancy rates were 44% lower compared to 2019. In both cases, a degree of domestic substitution has helped to offset some of the loss of foreign travel demand.



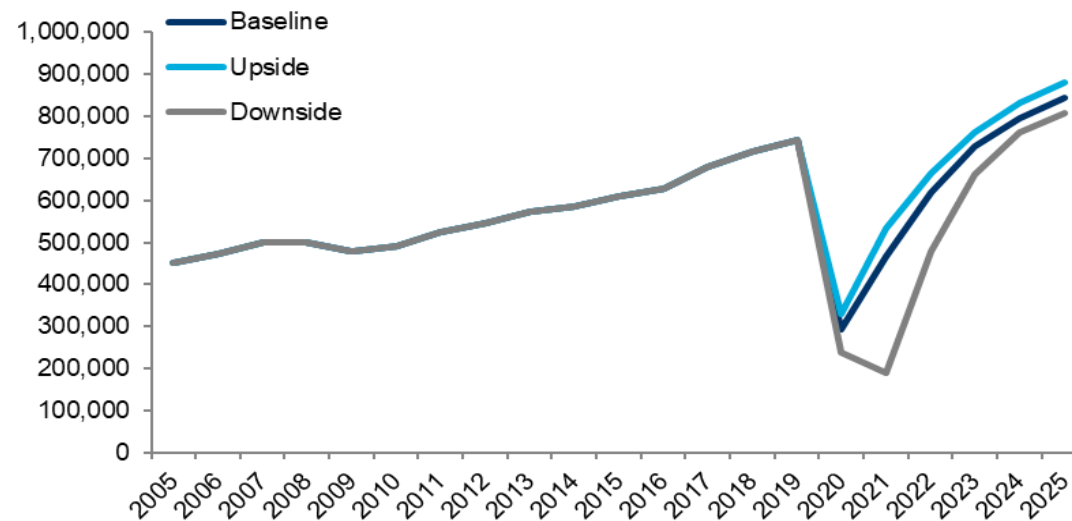
Source: STR

# Significant uncertainty surrounds the outlook

- Tourism Economics' baseline outlook is for international arrivals in European destinations to regain 2019 levels by 2024. It will take time for demand to fully recover, even once a vaccine is widely available given the impacts of recession and some blows to traveller confidence.
- A faster upturn is possible, linked to more repaid economic recovery and a faster distribution of a vaccine and improved therapeutics.
- Significant risks are evident to the downside and demand could even fall further in 2021 including continued travel restrictions. Recovery to 2019 levels would also be delayed under downside assumptions of economic demand a delayed vaccine availability.

**Inbound arrivals by scenario, 2005-25, Europe**

000s



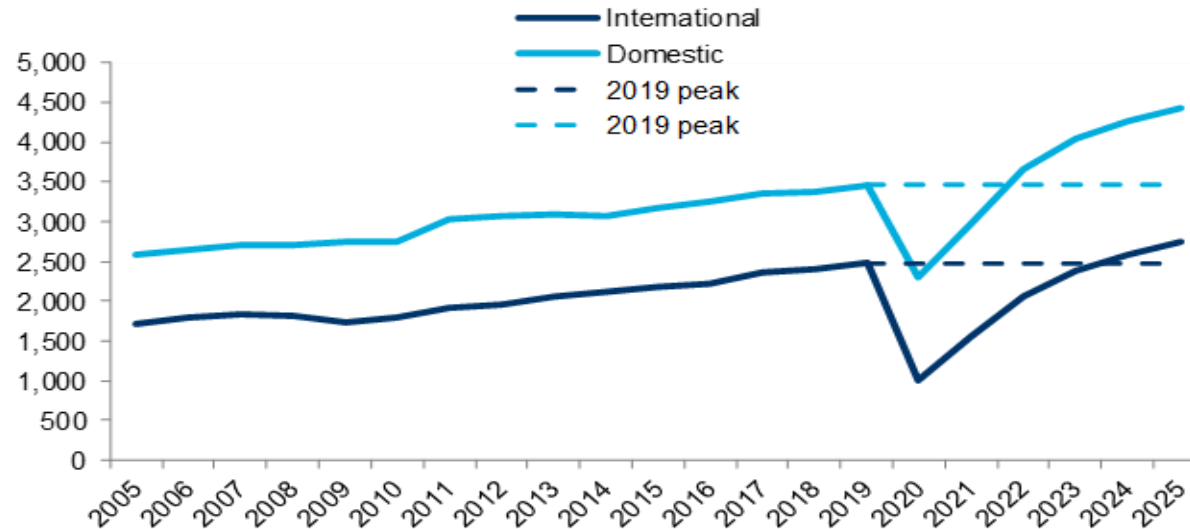
Source: Tourism Economics

# Two-speed recovery in domestic and international travel

- Domestic travel is set to attain a swifter rebound, exceeding 2019 levels by 2022, while international travel will encounter a protracted recovery, remaining below 2019 levels until 2024.
- A combination of lingering travel restrictions, smaller disposable incomes and travel budgets as well as associated confidence effects will contribute to this slower recovery for international travel.
- The need for quarantine and/or testing on arrival in some destinations as well as enduring health concerns will also act as significant impediments for international travel and will likely increase substitution effects for domestic travel.

**Inbound & domestic nights, 2005-25, Europe, baseline**

Millions

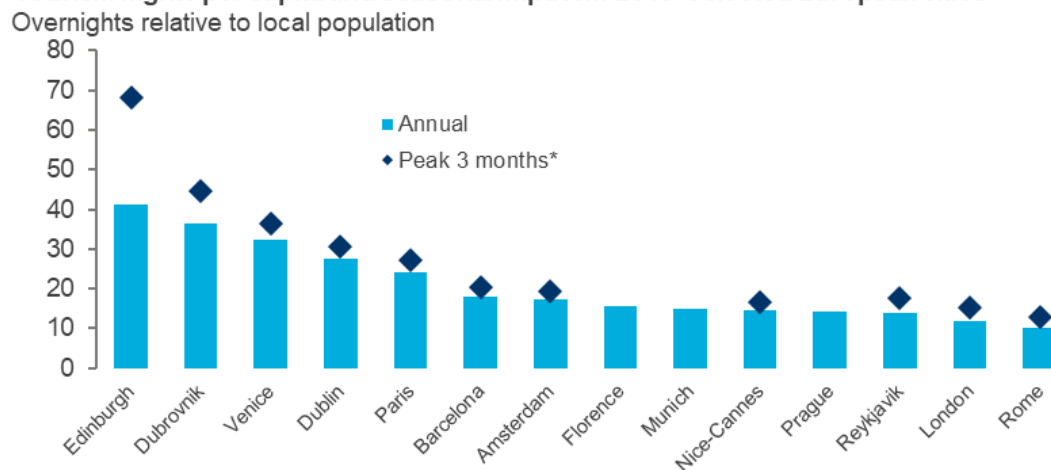


Source: Tourism Economics

# But there is opportunity to reset tourism policies

- In recent years, over-tourism has been considered a major problem in some locations, with the perceived costs and benefits of tourism disproportionately impacting different groups and individuals.
- The global pandemic provides an opportunity to 'reset' tourism policies for the future, with a stronger focus on spreading visitors (and consequent benefits and costs) more evenly across locations.
- The impacts of over-tourism on a local population are magnified when seasonality is taken into consideration.
- A shift in policy could not only ease the burden in peak months, but also help destinations make better use of their resources.

Tourism nights per capita and seasonal impact in 2019- selected European cities



\*Peak consecutive three months, annualised; based on 2018 seasonality  
Source: Tourism Economics; TourMIS; OAG

# Summary of economic outlook

- The global economic recovery has now entered a second, slower growth phase. With many economies, particularly in Europe, needing to reimpose some restrictions on activity in the light of rising Covid-19 cases. Therefore, Oxford Economics has nudged down its forecast for global GDP growth next year, from 5.4% to 5.2%.
- It is uncertain as to the extent that households and firms will adjust behaviour in response to the recent resurgence in the number of Covid-19 cases in many parts of the world. Expectations of further curbs or a slower return to normal may also prompt households and firms to become more cautious. In this respect, the renewed, albeit small, fall in the global services PMI in September provides pause for thought.

Country	2020					2021				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	-10.3%	-13.7%	3.6%	-1.3%	0.8%	6.7%	6.8%	1.2%	-0.6%	1.3%
France	-9.0%	-6.7%	0.4%	0.0%	0.6%	6.8%	5.3%	2.2%	0.0%	1.5%
Germany	-5.3%	-6.8%	0.9%	0.0%	0.6%	4.8%	7.0%	-0.2%	0.0%	1.7%
Netherlands	-4.8%	-6.5%	0.8%	0.0%	1.5%	3.7%	4.7%	1.4%	0.0%	1.3%
Italy	-9.8%	-10.4%	-0.6%	0.0%	-0.1%	6.0%	5.9%	0.9%	0.0%	0.6%
Russia	-4.1%	-4.6%	1.2%	-10.7%	3.3%	1.9%	4.6%	-0.4%	-5.0%	3.7%
US	-3.5%	-4.0%	4.6%	-1.5%	1.2%	3.7%	4.6%	-1.6%	-3.9%	1.7%
Canada	-5.3%	-5.8%	4.2%	-3.3%	0.7%	5.9%	6.2%	-1.0%	-6.5%	1.6%
Brazil	-4.6%	-5.7%	1.5%	-25.3%	2.8%	3.9%	4.3%	-1.4%	-7.4%	3.2%
China	2.3%	-3.4%	3.0%	-2.0%	3.0%	7.6%	13.7%	-3.1%	-1.4%	2.4%
Japan	-5.7%	-6.1%	0.5%	0.2%	-0.1%	2.5%	2.1%	0.2%	-2.9%	-0.3%
India	-10.0%	-8.9%	4.8%	-6.5%	5.9%	9.2%	13.3%	-2.7%	-2.5%	4.1%

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.