EUROPEAN
TRAVEL
COMMISSION

European Tourism – Trends & Prospects
Quarterly Report 4/2020

Executive Summary

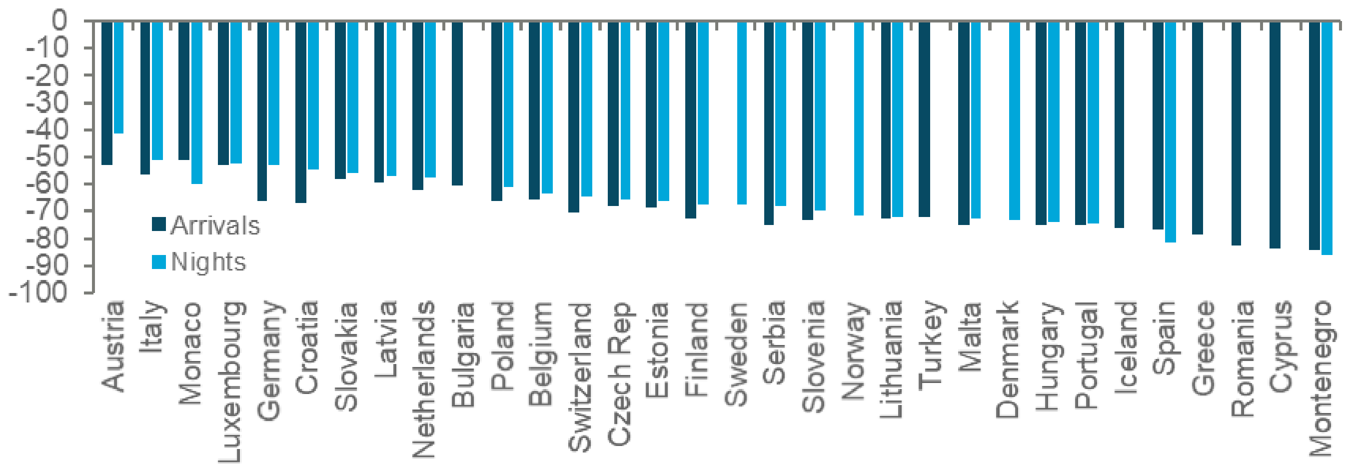
TOURISM ECONOMICS

European tourism performance in 2020

- Struck by the global health crisis, international tourist arrivals to Europe dropped 70% in 2020 over 2019, and it now holds a 58% share (up from 50% in 2019) of international tourist arrivals worldwide, with Asia Pacific remaining closed to tourism.
- All reporting destinations experienced record falls in arrivals between 48% and 85%. Montenegro (-85%), Cyprus (-84%) and Romania (-83%) were the hardest hit, affected by the heavy reliance on international markets. Around 1 in 3 destinations posted declines ranging from 70% to 79%.

Foreign visits and overnights to select destinations

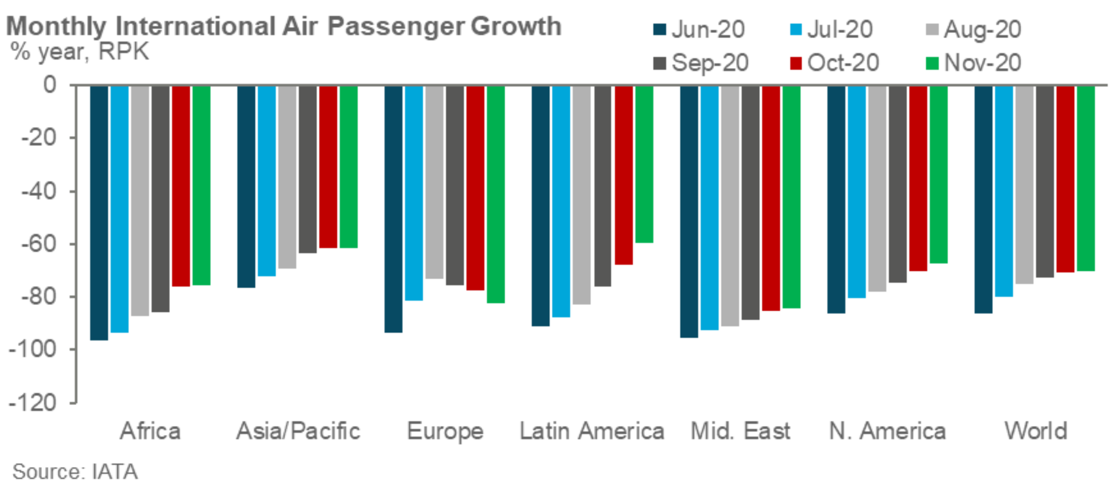
2020 year-to-date*, % change year ago



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

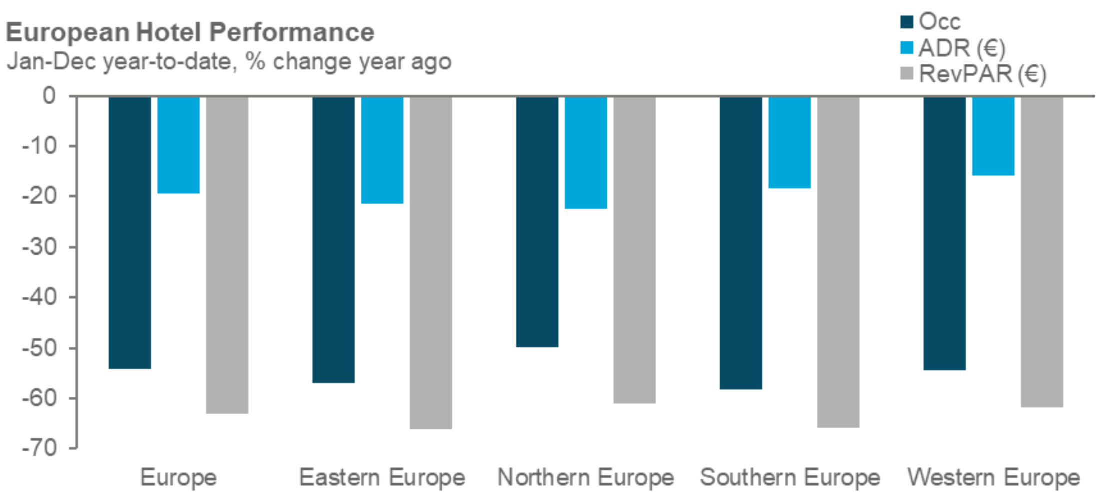
Air passenger demand grounded

- Although air traffic appeared to have stabilised during the summer months, the upsurge in cases over winter and consequent Europe-wide lockdowns dashed any hopes of a mild recovery into 2021.
- According to IATA's latest economic forecast, Europe is expected to be the most affected region globally in 2021 in terms of airline losses (-$11.9 billion) and EBIT margin (-9.5%) . Year-to-date data shows drops to a record low in European Passenger Traffic (-69.3%), the third worst performing region, while its monthly RPK recovery has been in reverse since September. European air capacity was also down by 71.7% in November over the same month last year
- But ETC's latest travel monitoring survey showed confidence in air travel seems to be recovering slowly but steadily; air travel is now considered by 16% of Europeans with short-term travel plans as the most worrisome of part of the trip



And an abysmal 2020 for European hoteliers

- The hospitality industry has undoubtedly been one of the hardest-hit sectors, with a plunge in demand causing many hotels to remain closed throughout most of 2020. A quicker easing of restrictions for domestic travel and a stronger demand from residents to travel locally provided some support to those hotels that remained open. A second wave of the coronavirus outbreak placed a halt to the travel rebound, with subdued travel activity towards the latter-end of 2020.
- Europe's hotel industry has faced a turbulent year, with continuously changing government regulations and restrictions affecting performance, with occupancy rates for the region down 54% compared to a year ago according to STR data.
- Across Europe, comparable rates of decline were recorded for the key performance metrics: Southern Europe recorded the greatest fall in occupancy rates at 58%, closely followed by Eastern Europe at 57%. Occupancy rates declined 54% in Western Europe, while Northern Europe saw the smallest fall at 50%.

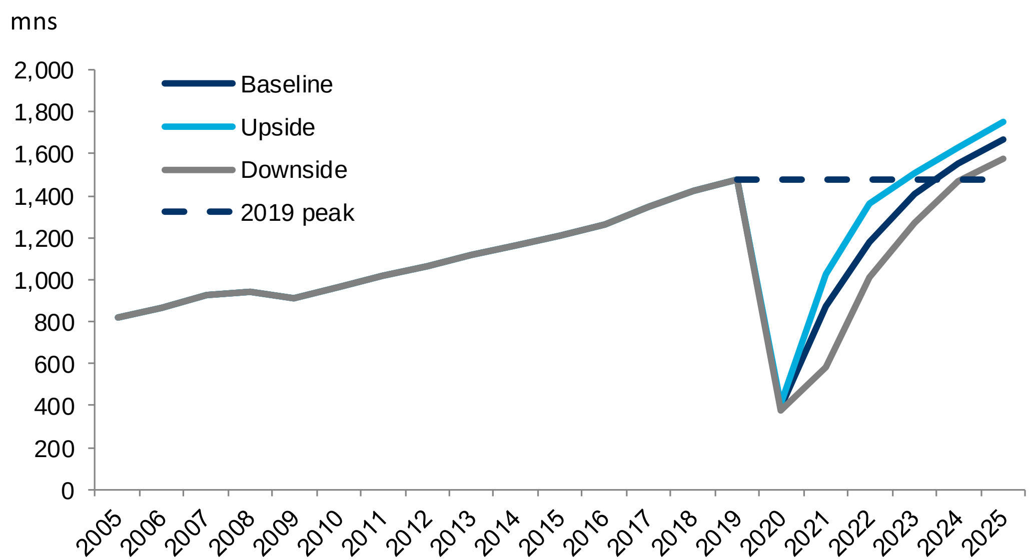


Source: STR

But growth will return in 2021

- New vaccines will motivate the return to growth in 2021, albeit challenges in terms of vaccine distribution will define the recovery profile. The extent of the economic damage inflicted by the coronavirus recession will also be a factor.
- Within their Global Travel Service (GTS), Tourism Economics anticipates a range of outcomes for the global travel outlook. In the best case scenario, global arrivals are expected to recover 2019 levels by 2023, by 2024 in the baseline case, and by 2025 in the worst case scenario.

Inbound arrivals by scenario, 2005-25, World



Source: Tourism Economics

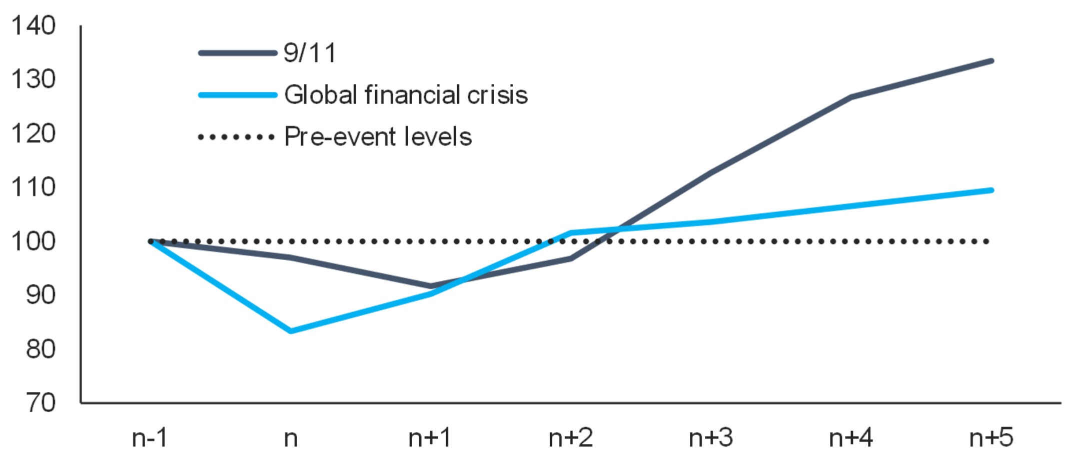
TOURISM ECONOMICS

Business related travel will also return

- 92% of business travellers expect their company to experience negative outcomes (e.g., reduced ability to generate new business opportunities) due to travel restrictions around Covid-19. Consequently, it can be inferred that businesses are eager for business travel opportunities to return.
- Tourism Economics expect global international business spend to recover to pre-coronavirus levels by 2024, and domestic business travel by 2023.
- The easing of border restrictions will be key for the resumption of international business travel. But organisational endorsement will also have a significant impact.

Impact of downturns on international business spend

n = year of downturn, n-1 = 100



Source: Tourism Economics

Summary of economic outlook

- While vaccination roll-outs will pick up speed in the coming months, high global Covid-19 case numbers and the threat from the spread of more transmissible variants of the virus have prompted Oxford Economics (OE) to lower its 2021 world GDP growth forecast for 2021 slightly from 5.2% to 5.0% after an estimated 3.9% fall in 2020.
- The start of Covid-19 vaccination programmes has provided light at the end of the tunnel with respect to the prospect of controlling the pandemic. But hopes that the start of inoculations will lead to an imminent relaxation of restrictions has been dampened somewhat.

	2020					2021				
Country	GDP	Consum-ption	Unemploy-ment**	Exchange rate***	Inflation	GDP	Consum-ption	Unemploy-ment**	Exchange rate***	Inflation
UK	-10.9%	-14.3%	3.1%	-1.3%	0.9%	6.0%	5.3%	1.5%	-0.1%	1.4%
France	-9.1%	-7.5%	0.0%	0.0%	0.5%	6.2%	4.4%	2.0%	0.0%	1.1%
Germany	-5.5%	-6.7%	1.0%	0.0%	0.5%	4.0%	3.1%	0.0%	0.0%	1.7%
Netherlands	-4.2%	-6.6%	0.5%	0.0%	1.4%	2.7%	2.8%	1.1%	0.0%	1.7%
Italy	-8.8%	-10.1%	-0.5%	0.0%	-0.2%	4.8%	4.7%	0.7%	0.0%	0.6%
Russia	-3.9%	-7.8%	1.3%	-12.4%	3.5%	1.9%	4.5%	-0.4%	-9.9%	4.4%
US	-3.4%	-3.7%	4.4%	-1.8%	1.2%	4.3%	5.0%	-1.8%	-5.4%	2.0%
Canada	-5.6%	-6.4%	3.9%	-3.2%	0.7%	4.4%	4.8%	-0.9%	-5.8%	1.7%
Brazil	-4.7%	-6.0%	1.6%	-24.4%	3.3%	3.8%	2.6%	0.2%	-6.9%	4.7%
China	2.1%	-3.3%	3.0%	-1.9%	2.4%	8.1%	13.6%	-3.1%	0.2%	2.0%
Japan	-5.4%	-6.2%	0.5%	0.3%	0.0%	2.7%	2.3%	0.2%	-2.9%	-0.3%
India	-7.4%	-9.1%	5.4%	-6.7%	6.8%	8.8%	11.3%	-4.1%	-4.0%	4.6%

Source: Tourism Economics based on GEM as of 11.1.2021

* 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.