

**EUROPEAN  
TRAVEL  
COMMISSION**

# **European Tourism – Trends & Prospects Quarterly Report 1/2021**

*Executive Summary*

# European tourism performance in 2021

- Vital optimism was provided by the development and rollout of multiple vaccinations at the end of 2020, increasing the likelihood of an easing of travel restrictions in 2021. But so far 2021 has started much like 2020 ended due to renewed outbreaks and a slow initial vaccine roll-out.
- Europe's travel industry is likely to face another challenging year and will need to remain flexible to ever-changing guidelines. Recovery is still expected to begin later this year and TE's latest forecast estimates that international arrivals will remain 46% below 2019 levels in 2021, with a full recovery not expected until 2024.
- A significant amount of pent-up demand has accumulated following months of lockdown measures. But vaccines and testing will be essential to fully restore traveller confidence, particularly given the emergence of new variants of the virus.



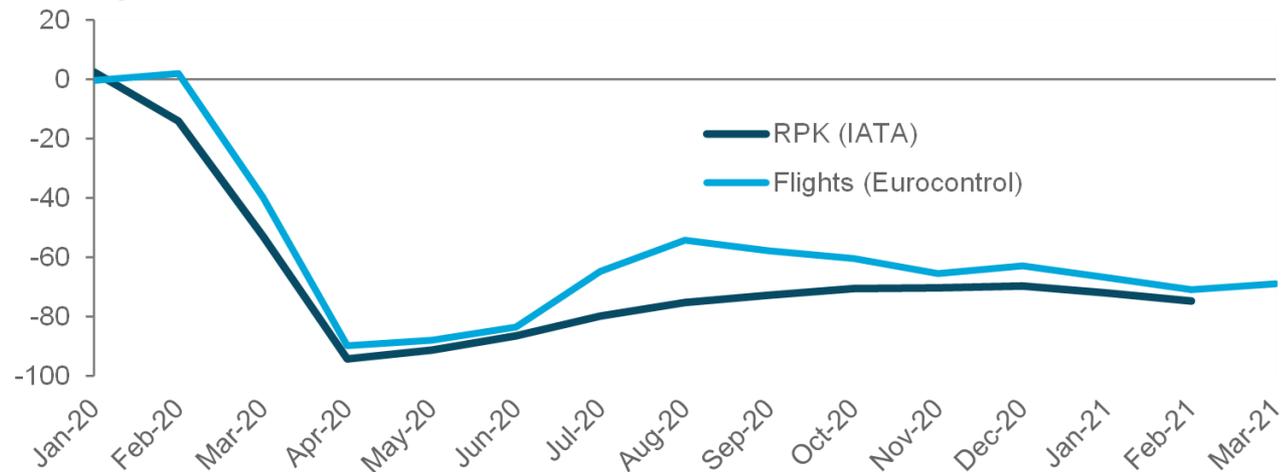
Source: TourMIS \*date varies (Jan-Mar) by destination

# Air passenger demand remains slow

- New Covid-19 cases globally peaked during January and February of 2021. Consequently, industry wide RPKs remained weak, more than 70% beneath the same months in 2020, despite the emergence of the virus in some countries during those first couple of months of 2020.
- As expected, international travel has been more severely impacted than domestic travel due to greater restrictions on cross-border flights.
- Despite capacity cuts associated with new lockdowns, demand has continued to fall more steeply than supply, pushing European airlines' Passenger Load Factors to record lows for the months.

Air travel trends in Europe, 2020-21

% change 2019, RPK



Source: IATA, Eurocontrol

# European hotel occupancy rates are low

- Occupancy rates in European hotels are lower than in other key global markets and regions and this has been the case since the beginning of the pandemic.
- More prohibitive travel restrictions across the region have meant its recovery has so far lagged that of other key markets including the US and China.
- This also highlights the importance of cross-border travel within Europe. Intra-European travel, at least between Schengen countries, has been seamless in recent years and behaved close to domestic travel within large markets such as the US and China. However, the imposition of restrictions means that activity in Europe has lagged these other large internal markets.

**Average Hotel Occupancy Rate by Country & Region**

Occupancy rate, %, rolling 7 day average by week



Source: STR, Tourism Economics

# But vaccines will pave the way for growth

- The sooner populations are vaccinated, the sooner travel can restart in a meaningful way. Those countries with a more rapid vaccination rate are likely to enjoy a quicker easing of restrictions and greater freedom to travel to foreign destinations.
- Vaccine rollouts have improved the upside potential by increasing the possibility for countries to maintain low coronavirus cases, ease domestic restrictions and be able to start a gradual lifting of international restrictions.
- However, other measures, such as testing and/or vaccine certificates or passes (such as the Digital Green Certificate) will also be needed to allow travel to safely restart and build confidence.

## Vaccine completion timeframe at current rates, Europe

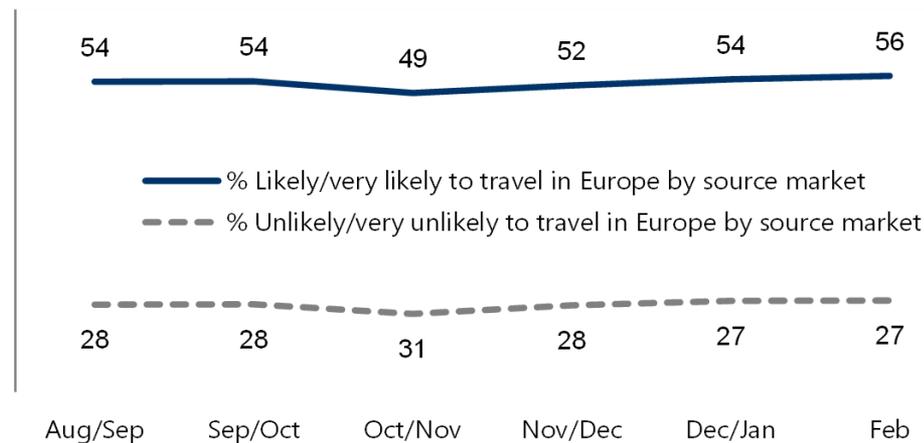
Time period to vaccinate 30% and 70% of population



# Allowing short-haul pent-up demand to be realised in 2021 and 2022

- According to a recent survey conducted by ETC, 56% of Europeans are feeling positive about taking their summer holidays (27% are reluctant to travel within the next six months). However, the limited scope of holiday activities due to Covid-19 restrictions weighs on the minds of Europeans.
- And there are still considerable downside risks involved in their supply and distribution, which may endanger the recovery. Furthermore, divisions surrounding the approval and use of vaccines, particularly the Sputnik vaccine developed in Russia, has raised further challenges across Europe.

**Intention to travel in the next 6 months**



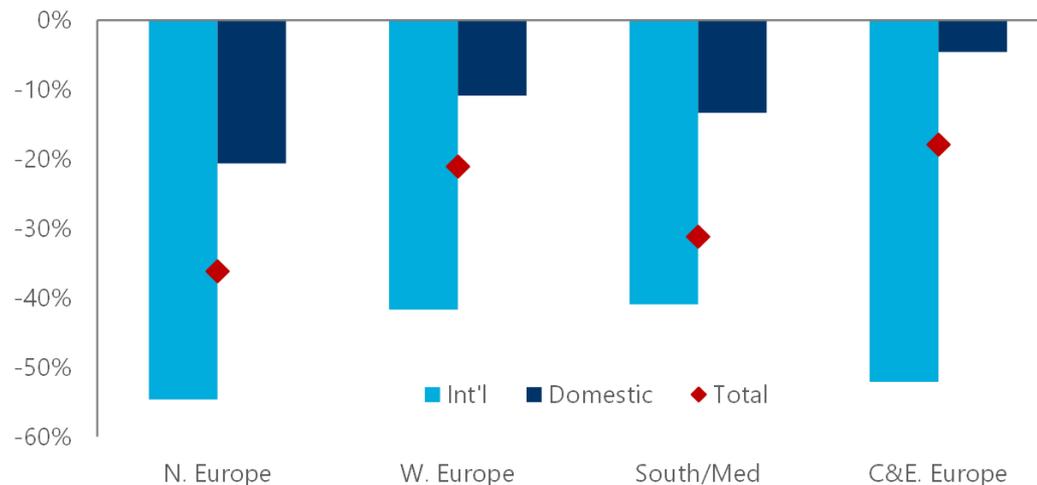
Source: ETC : Monitoring sentiment for domestic and intra-European travel  
Q7. Do you plan to take an overnight trip domestically or within Europe in the next 6 months?

# Domestic travel is expected to lead the recovery in 2021

- Despite some positive progress on the vaccine front, Europe looks set to face another summer season with much-reduced levels of demand due to government-mandated travel restrictions, job losses as a consequence of the pandemic induced recession, and lingering concerns about the potential for infection through new variants of the virus. Requirements to provide negative tests or proof of vaccination when travelling will also act as a deterrent.
- With limited opportunity to travel abroad, it is highly likely that many will turn to domestic travel options for this summer. There is some growing anecdotal evidence of increased bookings for the autumn, but this will not offset lower international travel in key summer months.

## Inbound vs domestic nights impact by region, 2021

% relative 2019



Source: Tourism Economics

# Summary of economic outlook

- Despite rising numbers of new coronavirus cases, OE has nudged up its forecasts for world GDP growth by 0.1ppts to 6.1% in 2021 and 4.3% in 2022. This outlook is more optimistic than both the consensus and IMF forecasts.
- Recent data confirm that, although the quarterly pace of global growth slowed in Q1 after a robust H2 2020, the hit to activity from tighter restrictions has been a bit less severe than envisaged. This partly reflects businesses becoming more adept at dealing with social distancing and other coronavirus-related rules.

Country	2021					2022				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	7.2%	5.7%	0.7%	3.5%	1.4%	5.7%	6.4%	-1.5%	0.0%	2.0%
France	4.9%	3.0%	0.5%	0.0%	1.5%	5.3%	6.7%	0.9%	0.0%	1.4%
Germany	3.8%	1.9%	-0.1%	0.0%	2.2%	4.3%	8.2%	-0.5%	0.0%	1.5%
Netherlands	2.9%	2.8%	0.7%	0.0%	1.9%	3.4%	6.9%	0.7%	0.0%	1.5%
Italy	4.5%	3.6%	0.7%	0.0%	1.4%	4.6%	5.8%	0.1%	0.0%	1.2%
Russia	2.5%	3.3%	-0.4%	-6.3%	5.6%	2.7%	5.0%	-0.4%	0.3%	4.2%
US	7.2%	8.4%	-2.9%	-3.4%	2.8%	3.4%	4.9%	-1.0%	0.0%	2.2%
Canada	6.2%	4.5%	-1.7%	2.0%	2.6%	2.6%	5.9%	-1.0%	-1.3%	2.0%
Brazil	3.5%	2.4%	0.2%	-8.1%	6.1%	2.5%	3.3%	-1.6%	0.6%	4.2%
China	8.9%	10.8%	-1.8%	2.5%	1.7%	5.4%	9.1%	-1.3%	-0.4%	2.3%
Japan	3.0%	2.0%	0.1%	-5.5%	-0.3%	2.3%	2.6%	-0.4%	-0.8%	0.3%
India	11.8%	11.6%	-2.8%	-1.8%	4.7%	6.1%	6.1%	-0.8%	-1.4%	4.8%

Source: Tourism Economics based on GEM as of 16.4.2021

\* 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.