





# EUROPEAN TOURISM: TRENDS & PROSPECTS

## Quarterly report (Q3/2021)

A report produced for  
the European Travel Commission  
by Tourism Economics



Brussels, November 2021

ETC Market Intelligence Report

## EUROPEAN TOURISM: TRENDS & PROSPECTS (Q3/2021)

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Cover: Beautiful landscape view (Santorini, Greece)

Image ID: 12555196

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## FOREWORD

European tourism recovery seems to be underway, however there is still a long road ahead. Overall, improving vaccination rates across Europe and the EU Digital COVID certificate have facilitated cross-border travel over the peak summer months. The travel recovery observed has been different across destinations, with those that reopened their borders earlier to vaccinated travellers being the most favoured. More relaxed entry measures seemed to be in place in destinations where tourism comprises a significant share of the economy (e.g., Croatia, Greece, Spain, etc.). Europeans are on the move again as domestic and intra-European travel drove most of the recovery over the peak summer months, supported by a stronger consumer confidence and spending. Overseas travel, however, will take the longest to bounce back weighing heavily on those destinations strongly reliant on long-haul source markets.

The turbulence brought by the pandemic on tourism's decade-long boom has provided the opportunity for a stronger commitment to travelling in a more responsible way. As travellers become more concerned about their impact on the environment, destinations will respond with measures that prioritise quality tourism over quantity and that are more responsible with the environment and local economies, while fostering deeper and richer travel experiences and human connections between locals and visitors.

It is still relatively unknown how much consumers are ready to pay to ensure responsible travel goals are met. However, what is certain is that adaptation to the shifts of the tourism ecosystem will be key to ensuring the sector's resilience and a more responsible return of travel.

2021 will be the year of recovery, with new imperatives that destinations need to address to support the revival of the European tourism economy at both a policy and consumer level. As travel volumes return, the easing of restrictions for non-EU markets and the recognition of non-EMA recognised COVID-19 vaccines are ways in which tourism recovery could be accelerated.

The most recent edition of the *European Tourism Trends & Prospects* continues to monitor the path to recovery and the impact of the COVID-19 pandemic on the tourism industry and the wider economic environment. The "Special Feature" of this latest edition explores "how tourism might change after the pandemic" analysing lasting changes in preferences and industry business, including the prospect of continued price discounting.

Jennifer Iduh  
ETC Executive Unit



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## EXECUTIVE SUMMARY

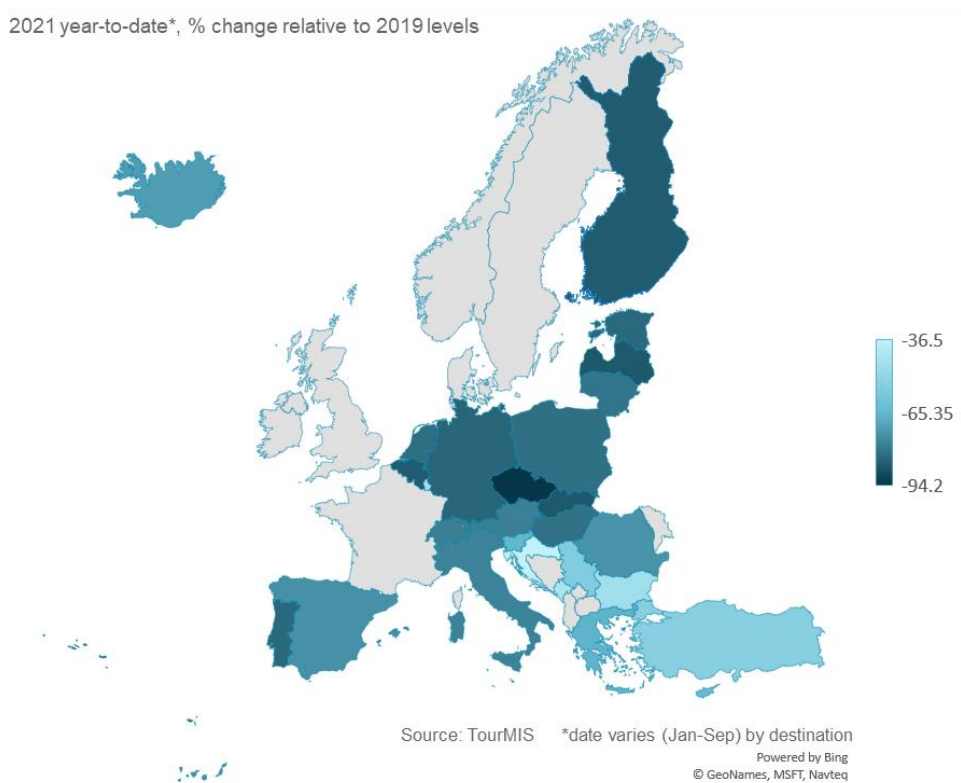
### EUROPEAN DESTINATIONS' EFFORTS TO FUEL A MUCH-NEEDED TRAVEL REBOUND MATERIALISED OVER THE PEAK SUMMER SEASON

International tourist arrivals to Europe were down 77% half-way through the year relative to 2019<sup>1</sup>. A few European destinations enjoyed a better-than-expected summer season attributed to improving vaccination coverage, the EU Digital COVID Certificate and relaxed restrictions for fully vaccinated foreign travellers, especially from the US. Destinations with draconian restrictions in place, those strongly dependent on long-haul markets or islands that heavily relied on isolation have struggled to reopen.

Although European travel demand is poised for a major recovery, volumes are still far from the pre-pandemic days which are not expected to return until 2024. Downside risks with the potential to further slow recovery remain due to the rampant Delta variant combined with the expected surge in winter flu cases. International tourist arrivals to Europe are forecast to be 60% below 2019 by the end of 2021<sup>2</sup>.

#### Foreign visits to select destinations

2021 year-to-date\*, % change relative to 2019 levels



Although several reporting destinations saw a moderate rebound in tourist arrivals this summer, over 50% posted declines in excess of 74% compared to 2019 volumes. As the first nation to reopen its borders to COVID-free tourists, Greece delivered the strongest rebound in overnight terms (-19% vs. 2019), although foreign arrivals were weak. The strongest pick up in arrivals from 2019 rates was observed in Croatia (-37%), which was able to extend its outstanding performance off-season welcoming 1.9 million tourist arrivals in September. Montenegro (-44%), Luxembourg (-45%) and

<sup>1</sup> January-July 2021 - UN World Tourism Organization (UNWTO)

<sup>2</sup> Tourism Economics



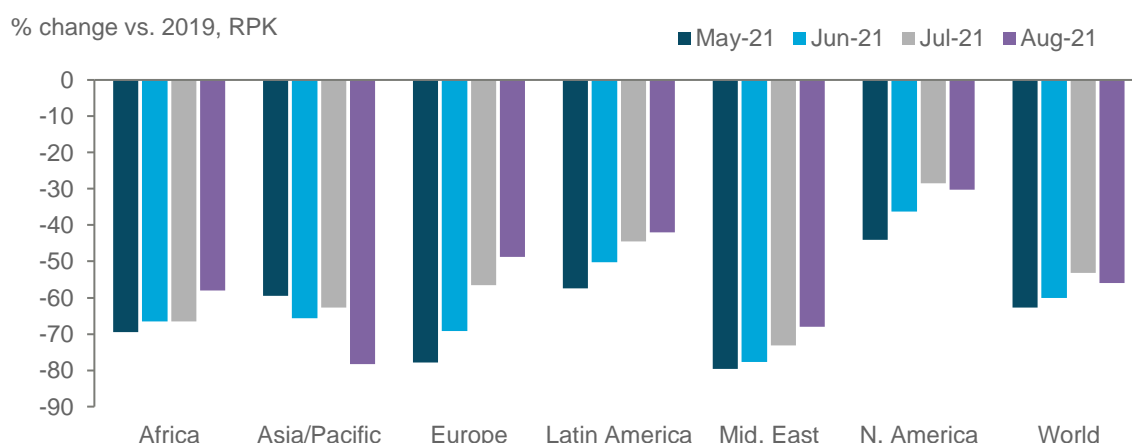


Monaco (-46%) also saw a modest pick-up in arrivals. In contrast, Czech Republic (-94%) recorded the sharpest decline with stringent COVID-19 measures extended throughout the year.

## THE EASING OF COVID-19 RESTRICTIONS ACCELERATED AVIATION AND ACCOMMODATION ACTIVITY OVER THE SUMMER MONTHS

European air passenger growth gained momentum over the months of June (-69%), July (-57%) and August (-49%) compared to 2019, although RPKs<sup>3</sup> in August remain half of pre-COVID-19 standards. This relative improvement throughout the summer months was mainly driven by domestic air travel demand. As is the case with aviation, strong vaccination rates and the EU Digital COVID Certificate drove hotel demand over the summer months. Compared to 2020 levels of activity<sup>4</sup>, occupancy rates in Europe reached 10.5%, the weakest performance compared to other world regions, while ADR<sup>5</sup> climbed 6.5%, returning a 17.7% increase in RevPAR<sup>6</sup>.

### Monthly air passenger growth



## LONG-HAUL TRAVEL EXPECTED TO RECOVER AT A SLOWER PACE

US travellers appeared to have shored up arrival numbers as several European destinations eased entry restrictions on vaccinated Americans regardless of the removal of the US from the EU's Travel safe list at the end of August.<sup>7</sup> Nevertheless, US arrivals to Europe remain 90% below their 2019 levels for one third of reporting destinations. Americans flocked mostly to Southern Mediterranean tourism hotspots, with Greece recording the fastest rebound (-38% over 2019) across all reporting destinations. As overseas travel remains curbed, the lingering absence of Chinese holidaymakers is felt across Europe, with all reporting destinations posting declines over 90% compared to 2019. A recent survey has shown Chinese travellers' increasing enthusiasm to travel abroad, with 43% of respondents stating they would "*travel cautiously*," a 31% increase from the March 2021 survey results. Safety concerns, however, play a major role in the travel decision-making process for the world's top tourism

<sup>3</sup> Revenue Passenger per Kilometres

<sup>4</sup> Year-to-date - September 2021 vs. September 2020

<sup>5</sup> Average Daily Rates

<sup>6</sup> Revenue per Available Room

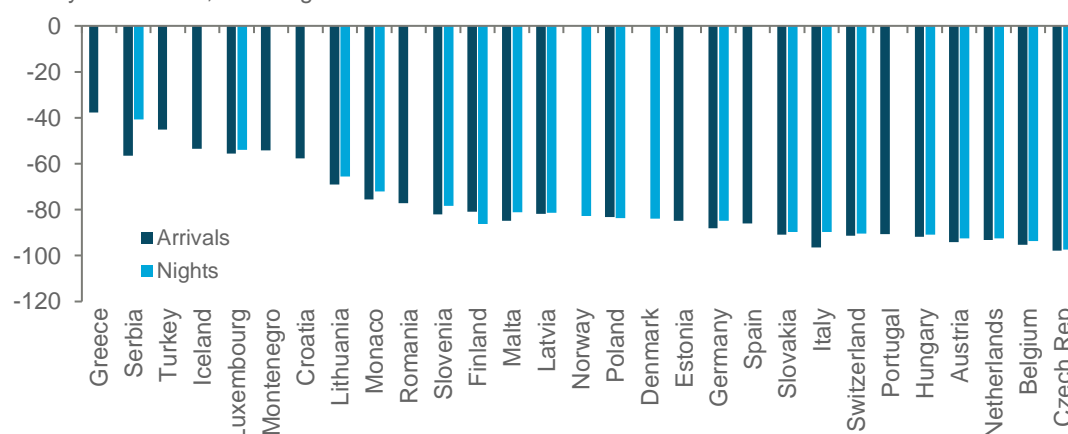
<sup>7</sup> Reflected in the data for countries reporting data until September i.e., Iceland, Croatia, and Monaco



spender (US\$254.6 bn in 2019).<sup>8</sup> The same survey also showed that Europe still ranks as second among preferred destination regions for Chinese outbound travel after Asia<sup>9</sup>.

### United States visits and overnights to select destinations

2021 year-to-date\*, % change relative to 2019 levels



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

Over the summer months travel disruption was heavily driven by many factors holding back the tourism recovery: changing COVID-19 restrictions and policies, renewed outbreaks or the confusion around the colour-coded EU travel system applied differently across EU destinations. The adoption of different systems for accepting non-EMA recognised vaccines (e.g., Sputnik V, Sinovac) also impacted destinations heavily reliant on long-haul travel. As the winter months approach, governments are called to further support the freedom of movement by implementing more holistic, coherent, and transparent approaches to regulate travel within and outside the EU. *“We believe that with current vaccination rates across Europe and safety protocols in place, safe international travel is possible. This summer season in Europe has proven it well. So, EU countries should move towards a traveller risk-based approach, rather than the country-to-country principle that is currently used. International travel should fully reopen with the same conditions as for intra-EU: based on vaccination, recovery or a negative COVID-19 test.”* said Eduardo Santander, Executive Director [European Travel Commission \(ETC\)](#).

Jennifer Iduh (ETC Executive Unit)

With the contribution of the [ETC Market Intelligence Committee](#)

<sup>8</sup> <https://dragontrail.com/wp-content/uploads/sites/6/2021/10/Dragon-Trail-China-Traveler-Sentiment-Report-September-2021.pdf>

<sup>9</sup> Chinese Travel Academy (CTA)





# 1. TOURISM PERFORMANCE SUMMARY 2021

## SUMMARY

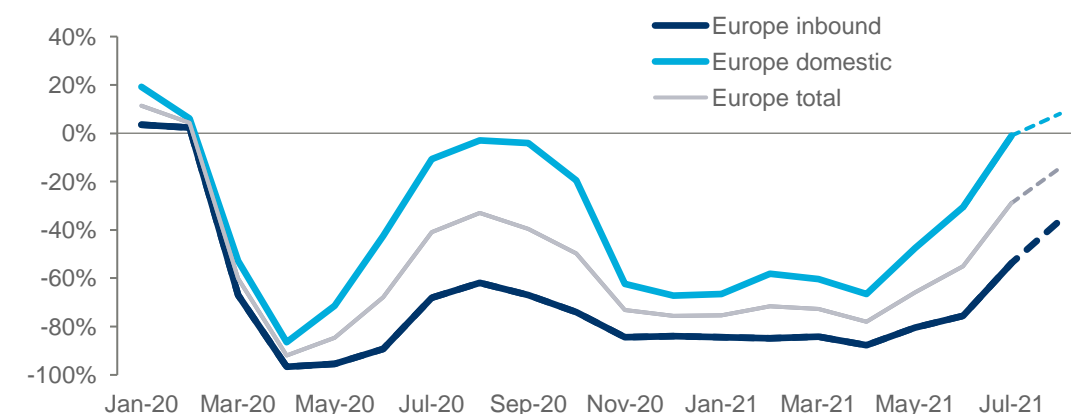
- Many European markets achieved a stronger than expected summer season following a depressing start to the year, and data points to a stronger summer than in 2020. The creation of the EU Digital Covid-19 Certificate was fundamental to ensuring safe travel across the region and helped to simplify the process of cross-border travel.
- Europe currently possesses the highest vaccination rate among the world regions, which will enable the release of significant pent-up demand, with pre-pandemic levels set to be surpassed by 2024.
- A slower vaccine rollout across Eastern Europe, and in some large long-haul source markets, may potentially delay the recovery, presenting a lingering downside risk.

Europe's travel recovery attained a significant boost during the summer months, with improving vaccination rates and an easing of travel restrictions boosting traveller confidence and enabling greater activity. The creation of the EU Digital COVID-19 Certificate was key to the further opening-up of Europe during the summer, providing a unified approach to the restart of travel across the region. The certificate offered an important gateway to more normal travel behaviour, reducing the burden of testing and quarantine measures on tourists and easing concerns related to welcoming tourists back. Intra-regional travel as a result experienced an uplift and is set to account for 85% of European international arrivals in 2021, up from 77% in 2019, according to Tourism Economics' latest baseline.

As the colder months approach, a slight slowdown in activity is expected with increasing anxieties related to the winter flu season likely to lead to more cautious travel behaviour and a potential tightening of restrictions. European international tourist arrivals are forecast to be 60% below 2019 levels by the end of the year. However, successful vaccine programmes should permit further easing and facilitate travel in 2022, supporting a full return to pre-crisis levels by 2024.

## Total travel (visits/nights) to reporting European destinations

Relative to 2019 levels (dotted lines are limited sample)



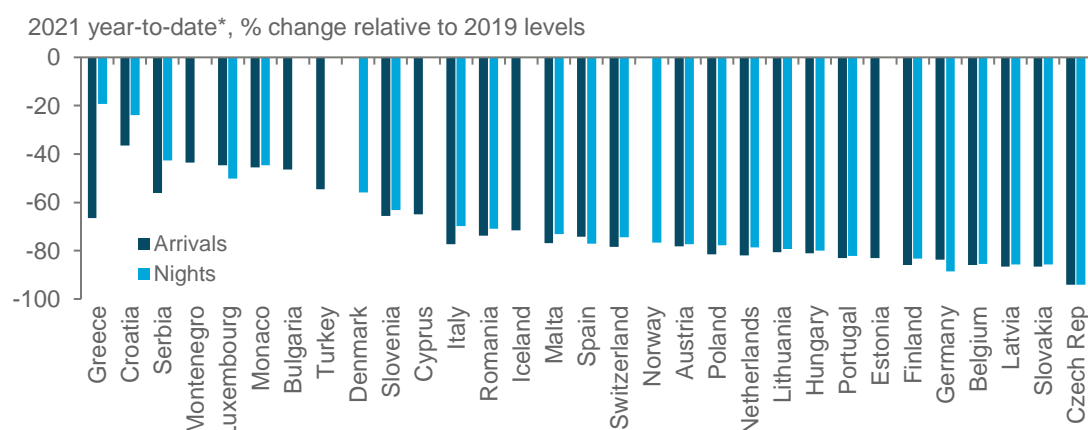
Source: Tourism Economics

According to the latest YTD data to August, Greece reported 19.3% fewer overnights from foreign arrivals relative to the same period in 2019 – the strongest recovery across the reporting destinations (although reported arrivals were weaker at -66.6%). Greece opened its borders to EU tourists and many non-EU countries in May, representing one of the earliest re-openings across Europe. Given the



importance of travel and tourism to the Greek economy, the government was proactive in easing restrictions, launching the first EU Digital COVID-19 Certificate. This enabled tourists to enter Greece without being subject to quarantine measures, increasing its appeal as a tourist destination. Travel performance has been further boosted by the Greek government recognising the highest number of COVID-19 vaccines for travel, widening the net of visitor arrivals able to enter the country restriction-free<sup>10</sup>.

### Foreign visits and overnights to select destinations



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

Based on latest YTD data, Croatia has attained a stronger travel rebound compared to the other reporting destinations, registering 36.5% fewer visitor arrivals compared to the same period in 2019. Croatia has reported data to September which may partly explain the greater travel performance as these figures will account for more of the uptick in travel during the summer months which may not be fully reflected in those destinations only reporting data to June. Nevertheless, Croatia has made numerous efforts to support a strong travel rebound. As mentioned in the [previous ETC quarterly report](#), Croatia was quick to drop quarantine measures for vaccinated tourists, rendering it more attractive than other European destinations that upheld this measure for longer. Croatia's island destinations have also appealed to the slightly more cautious traveller due to their more remote nature, which has enabled tourists to remain socially distanced<sup>11</sup>. Croatia hopes to build on this strong recovery, announcing October as 'Croatian Tourism Month', with foreign and domestic tourists being able to save at least 35% on tourism-related products, services, and experiences.

While the US was on the EU's 'White List' for a large part of the summer season, an increase in COVID-19 cases led to the EU recommending that member states restrict US arrivals at the end of August. However, Croatia has continued to allow US tourists to enter, despite the EU recommending that member states restrict US arrivals as a strong relationship has been maintained between Croatia and the US throughout the pandemic. The US Secretary of State recently nominated Croatia to join its Visa Waiver Program which would allow Croatians to travel visa-free to the US<sup>12</sup>. This relationship should allow US arrivals to Croatia to return to pre-crisis levels ahead of the European average and support future growth.

<sup>10</sup> <https://www.schengenvisainfo.com/news/greece-has-highest-number-in-the-world-of-covid-19-vaccines-recognised-for-travel/>

<sup>11</sup> <https://www.usnews.com/news/business/articles/2021-08-29/croatia-thrilled-at-summer-season-success-despite-covid-19>

<sup>12</sup> <https://www.schengenvisainfo.com/news/croatians-soon-to-enter-us-visa-free-after-us-secretary-of-state-nominates-croatia-to-join-visa-waiver-program/>



## Over 50% of European residents are fully vaccinated, which will facilitate a further easing of restrictions and strengthen the travel recovery

International arrivals to the Czech Republic remain particularly low compared to 2019 levels at -94.2% - this poorer performance is partly explained by data reporting to June as any improvement in European visitor arrivals was largely achieved in later months. Czech Republic's travel outlook was marred by a second wave of COVID-19 requiring the introduction of stringent restrictions at the start of year. These restrictions were enforced for an extended period and were only lifted cautiously. This meant that Travel & Tourism was largely non-existent for most of H1 2021, with accommodation establishments closed and restrictions enforced for travelling between districts in the Czech Republic. In addition, over 20% of the Czech Republic's international arrivals are attributable to long-haul markets, with China and the US ranking as the 4<sup>th</sup> and 6<sup>th</sup> largest source markets in 2019. This presents a considerable challenge for the travel recovery as long-haul travel is expected to encounter the slowest recovery, while China's outbound travel remains heavily restricted.

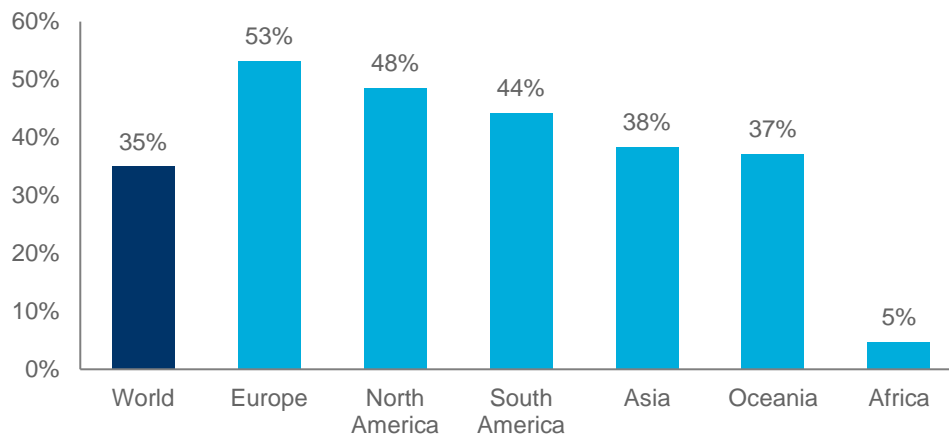
Based on data to August, Finland's inbound arrivals are 86% lower compared to the same period in 2019. Russia was Finland's top source market in 2019, accounting for 12% of total international arrivals but none of Russia's authorised vaccines are on Finland's list of approved vaccines. Therefore, Russian arrivals continue to encounter restrictions when entering Finland, which is likely devastating travel demand and impeding Finland's travel recovery. A slow rollout of the second vaccine dose in Finland is also likely to have inhibited travel demand as those who had only received their first injection were subject to compulsory testing upon their return to Finland. A reliance on business arrivals for over 20% of overnight arrivals pre-pandemic is also likely to be impacting Finland's travel recovery. Business travel remains muted, with most businesses avoiding overseas travel due to the ongoing uncertainty and differing travel restrictions.

The pace of vaccination will be a key factor in the speed of the travel rebound. As observed across Europe, vaccination was critical to the lifting of entry requirements and boosting the appeal of travel during the summer months. 53% of Europeans are fully vaccinated, representing the highest rate among world regions and well above the global average of 35% of the population.



## Share of population fully vaccinated by region

% of total population



Source: Tourism Economics, Our World In Data

Last updated: 11/10/2021

Portugal, Malta, and Iceland have managed to vaccinate over 80% of their populations, with Portugal possessing the highest vaccination rate in Europe at 86%. However, there is a divergence in vaccination rates across Europe, with Eastern Europe trailing behind. Bulgaria, Belarus, Bosnia & Herzegovina and Ukraine are at the bottom end of the scale, with less than 20% of their populations fully vaccinated.

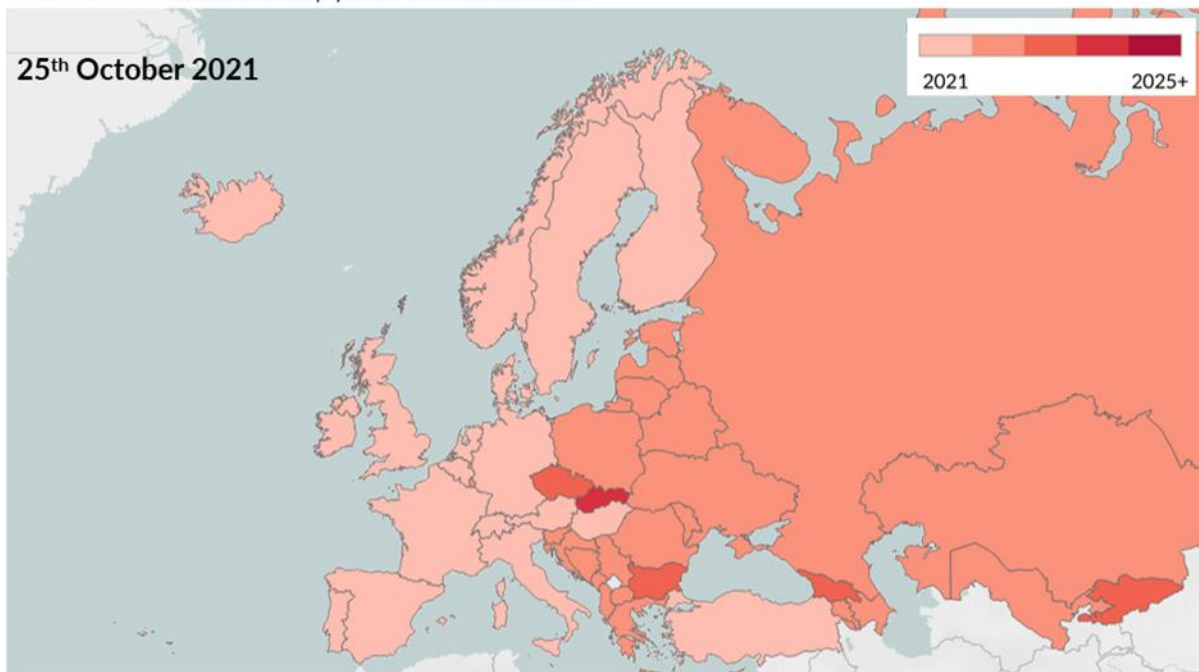
This slower vaccine rollout across Eastern Europe may potentially impact the pace of recovery. However, they are still well ahead of the global trend. Nearly all Eastern European markets are set to vaccinate 70% of their populations by 2022, with Bulgaria and the Czech Republic reaching this benchmark by 2023. Based on current rates, Slovakia will vaccinate 70% of its population by 2024, the slowest pace across Europe. Though an acceleration in distribution rates would push these timelines forward.

The vaccine administered has also become a matter of contention across Europe. The EU has approved the use of AstraZeneca, Pfizer, Moderna, and Janssen vaccines, but the Sputnik V vaccine – the main vaccine used in Russia – still awaits approval from the European Medicines Agency (EMA) and the World Health Organisation (WHO) and is not recognised as valid by certain destinations. This has emerged as a greater concern for Western Europe, where Russian arrivals are expected to remain below 2019 levels until 2024 compared to 2023 for Eastern Europe.



## Timeframe for vaccination of 70% population by country, Europe

Estimated timeline to vaccinate 70% population based on current rates



© 2021 Mapbox © OpenStreetMap

Source: Tourism Economics, Our World In Data



## Summary Performance, 2021 YTD vs. 2019

Country	International Arrivals		International Nights	
	% YTD vs. 2019	to month	% YTD vs. 2019	to month
Austria	-78.1%	Jan-Jul	-77.3%	Jan-Jul
Belgium	-86.0%	Jan-Jun	-85.5%	Jan-Jun
Bulgaria	-46.5%	Jan-Aug		
Croatia	-36.5%	Jan-Sep	-24.0%	Jan-Sep
Cyprus	-64.9%	Jan-Aug		
Czech Republic	-94.2%	Jan-Jun	-94.1%	Jan-Jun
Denmark			-55.9%	Jan-Aug
Estonia	-83.0%	Jan-Aug		
Finland	-86.0%	Jan-Aug	83.2%	Jan-Aug
Germany	-83.8%	Jan-Jul	-88.5%	Jan-Jul
Greece	-66.6%	Jan-Aug	-19.3%	Jan-Aug
Hungary	-81.1%	Jan-Aug	-80.0%	Jan-Aug
Iceland	-71.6%	Jan-Sep		
Italy	-77.4%	Jan-Jun	-69.8%	Jan-Jun
Latvia	-86.6%	Jan-Jul	-85.7%	Jan-Jul
Lithuania	-80.6%	Jan-Aug	-79.4%	Jan-Aug
Luxembourg	-44.7%	Jan-Jul	-50.1%	Jan-Jul
Malta	-76.9%	Jan-Aug	-73.2%	Jan-Aug
Monaco	-45.6%	Jan-Sep	-44.7%	Jan-Sep
Montenegro	-43.5%	Jan-Aug		
Netherlands	-81.9%	Jan-Jul	-78.6%	Jan-Jul
Norway			-76.6%	Jan-Aug
Poland	-81.6%	Jan-Jul	-77.8%	Jan-Jul
Portugal	-83.0%	Jan-Jul	-82.1%	Jan-Jul
Romania	-73.8%	Jan-Aug	-70.9%	Jan-Aug
Serbia	-56.1%	Jan-Aug	-42.7%	Jan-Aug
Slovakia	-86.6%	Jan-Jul	-85.8%	Jan-Jul
Slovenia	-65.7%	Jan-Aug	-63.1%	Jan-Aug
Spain	-88.7%	Jan-Aug	-77.0%	Jan-Aug
Switzerland	-78.4%	Jan-Jul	-74.4%	Jan-Aug
Turkey	-54.6%	Jan-Aug		

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

Measures used for nights and arrivals vary by country. Available data as of 28.10.2021





## 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 year ago

data/estimate/forecast	Inbound*					Outbound**				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	e	f	f	f	f	e	f	f	f	f
World	-72.8%	15.4%	119.6%	28.6%	15.5%	-72.5%	13.1%	120.9%	28.2%	15.2%
Americas	-68.5%	13.9%	93.1%	27.6%	14.5%	-71.3%	11.5%	103.8%	26.9%	14.7%
North America	-68.2%	17.9%	90.4%	27.8%	13.4%	-71.3%	10.4%	109.0%	27.6%	14.4%
Caribbean	-68.4%	21.1%	82.7%	25.5%	14.7%	-67.7%	32.3%	53.8%	19.0%	14.7%
Central & South America	-69.3%	-3.2%	111.2%	28.4%	18.0%	-71.5%	13.6%	90.1%	25.0%	16.0%
Europe	-68.1%	26.2%	107.1%	16.4%	9.7%	-67.3%	23.5%	105.3%	17.6%	10.0%
ETC+3	-67.2%	20.9%	112.8%	15.1%	9.2%	-66.3%	17.6%	110.5%	17.0%	9.6%
EU	-66.6%	15.5%	117.9%	15.4%	8.6%	-66.3%	17.4%	110.4%	17.3%	9.7%
Non-EU	-73.7%	76.6%	73.8%	20.2%	13.8%	-71.1%	52.6%	87.1%	18.8%	11.5%
Northern	-69.5%	-17.8%	182.3%	28.7%	13.3%	-72.4%	22.0%	136.9%	19.4%	11.1%
Western	-57.8%	-2.1%	112.8%	10.6%	7.3%	-61.8%	9.3%	106.2%	16.2%	9.3%
Southern/Mediterranean	-71.5%	59.5%	95.8%	13.2%	8.2%	-68.0%	28.5%	103.1%	16.9%	8.8%
Central/Eastern	-73.3%	44.7%	95.8%	23.7%	13.8%	-70.3%	48.7%	82.6%	18.9%	11.1%
- Central & Baltic	-72.2%	18.5%	128.9%	22.4%	13.3%	-66.7%	31.8%	87.3%	15.2%	8.8%
Asia & the Pacific	-84.2%	-38.1%	330.6%	74.1%	29.4%	-83.8%	-33.2%	314.0%	64.9%	27.8%
North East	-88.0%	-8.3%	328.8%	67.2%	26.1%	-85.4%	-19.7%	298.8%	65.9%	26.9%
South East	-81.4%	-64.1%	410.9%	92.1%	36.3%	-82.6%	-61.6%	515.8%	65.1%	30.1%
South	-76.3%	-45.3%	246.6%	60.3%	23.3%	-74.0%	-28.0%	143.5%	46.0%	23.5%
Oceania	-76.3%	-31.6%	176.5%	66.1%	27.4%	-82.4%	-46.2%	344.1%	78.3%	33.7%
Africa	-74.6%	29.6%	67.4%	43.6%	21.7%	-72.5%	22.6%	60.5%	40.7%	19.2%
Middle East	-73.2%	32.1%	104.9%	27.9%	17.8%	-70.3%	33.8%	78.2%	32.6%	18.6%

\* 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

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, Greece, Italy, Malta, Montenegro, North Macedonia, 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 Austria, Sweden, and the United Kingdom

Source: Tourism Economics based on GTS as of 11.10.2021



### 3. RECENT INDUSTRY PERFORMANCE

#### AIR TRANSPORT

Global revenue passenger kilometres (RPKs) remain well below normal, but it is fair to say that being 56% lower than 2019 levels over the August to August period is a significant improvement on the figure covering April to April in the [previous report](#) (a 65% decline). Improvement since April has been largely due to domestic travel which has been supported by the accumulated disposable income over the pandemic period and by generally less stringent travel restrictions for the domestic market segment.

August itself was not an especially good month for global RPKs and may represent a pause in the sector's recovery, although the three-month trend was still upwards. That the August figure for global RPKs compares with 53.1% below the 2019 month for July 2021. This makes August the first monthly deterioration since February.

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The recovery in international travel remained uninterrupted in August. However, overall air traffic recovery paused in August driven by domestic travel, representing somewhat of a turnaround in market segments when compared to most recent months.

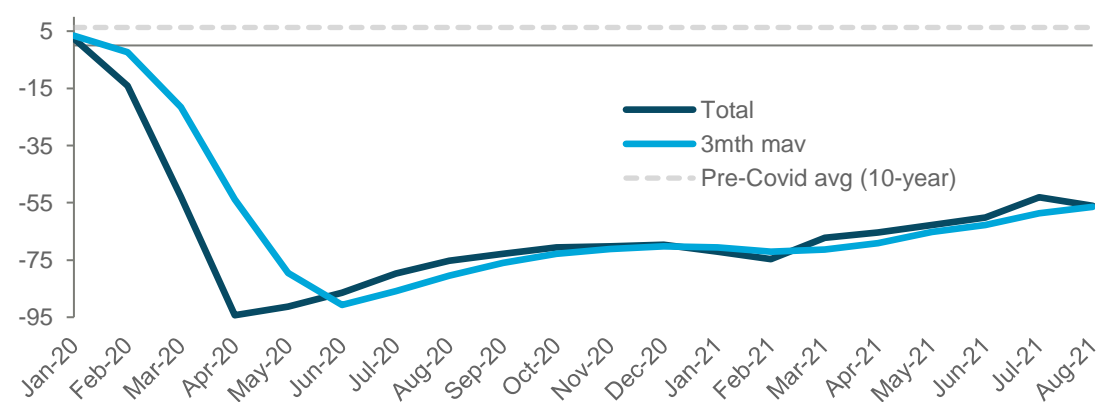
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However, this deterioration was entirely driven by domestic market developments and the spread of the Delta variant – including developments in the Chinese domestic market and continued restrictions in both Australia and Japan over the period. Despite this, overall cases were low, and the outbreaks in China, Japan and Australia were largely under control by the end of the month, indicating that data might improve again in September.

#### Global Air Passenger Traffic Growth

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% change 2019, RPK



Source: IATA

The recovery in international air travel was not interrupted and has demonstrated broad-based improvement. Airlines in Europe also continued to recover in August as progress in vaccination rates permitted the loosening of restrictions, but with international RPKs still down 56% compared to 2019.

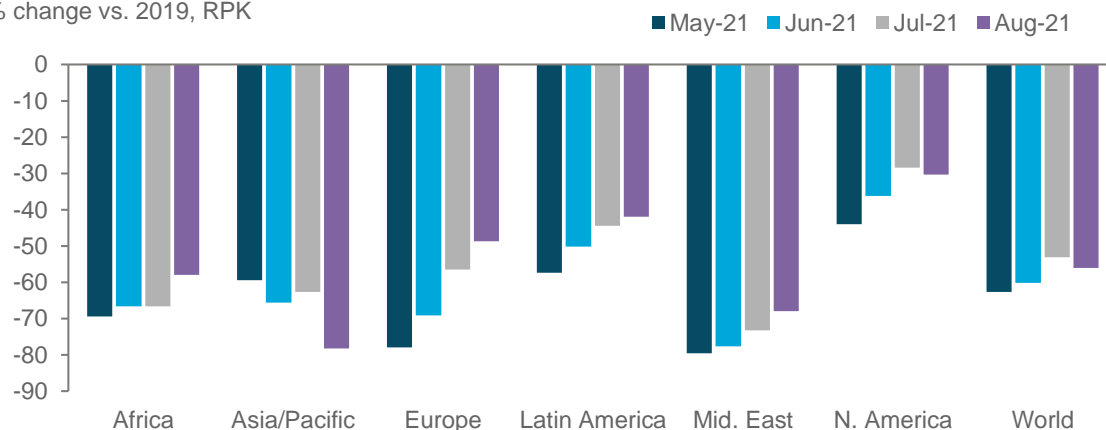
It is also important to note that the reversal in RPKs was not seen in all global regions. Monthly RPK change shows that globally only two regions saw deterioration between July and August: the Asia-Pacific region and North America (which started from a considerably better position than any other



region). In relative terms, Europe fared reasonably well. In August, European RPKs were 49% lower than they had been in August 2019, compared to a 57% decline in the two-year period to July 2021. Over the summer, a strong recovery was seen in Russian domestic RPKs, but this also went into reverse in August.

## Monthly Air Passenger Growth

% change vs. 2019, RPK

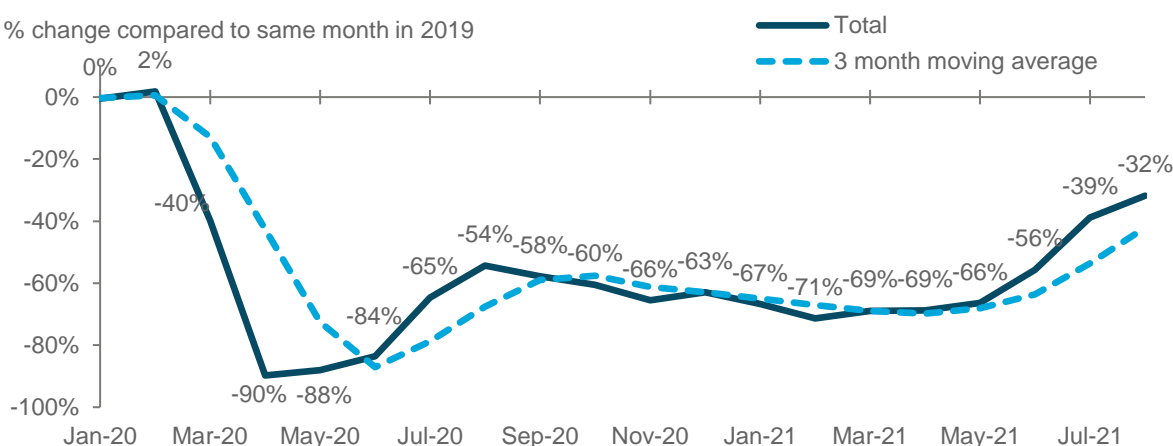


Source: IATA

Data from Eurocontrol currently only goes up to the end of August as well but confirms the overall picture of tentative recovery. The number of flights were down around 32% in August 2021 compared to August 2019 but marking a significant improvement in performance earlier in the year. Flights continue to be down by a lower percentage than air passenger numbers indicating some lower than usual load factors, but also suggesting continued new capacity to enable further growth in recovery.

## Flights in European Network Area

% change compared to same month in 2019



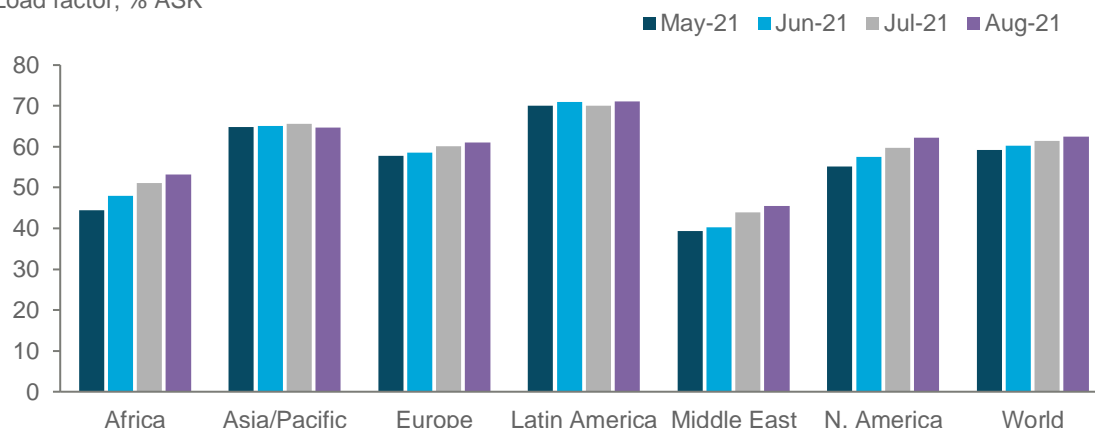
Source: Eurocontrol

Load factors have edged up each month since May and in August stood at 62.5% worldwide. However, when compared with the same months in 2019, load factors remain well below normal and deteriorated slightly in August, again entirely driven by the domestic air travel sector – and especially by the Chinese domestic market segment. In August, the average load factor in Europe stood at 61%. The Middle East continues to have the lowest load factor of any of the global regions, in part thanks to its focus on longer-haul travel (which we expect to be slower to recover) and its role as a transit hub.



## Monthly Passenger Load Factor

Load factor, % ASK



Source: IATA

The reopening of travel between the United States and Europe could be a critical development for destinations in both regions. [IATA](#) analysis shows that while the UK and Germany are the most important travellers as far as European passenger numbers are concerned, US travellers accounted for around 16% of total European airlines international revenues in 2019. Most vaccinated travellers from European countries will be able to enter the United States again from November and should restore some additional capacity on these routes, which will facilitate the realisation of some latent demand. Initially, no specific date was given but it now looks as though this will be Monday 8<sup>th</sup> November. The removal of the US from the EU's safe travel list gives reason to remain slightly cautious and shows how quickly the situation can change. However, this remains guidance for member states, with many still allowing US arrivals to enter.

Forward indicators do raise some concerns including the deceleration of GDP growth, in part driven by supply chain problems. Furthermore, there continue to be downside risks to recovery from new outbreaks and from limited vaccine efficacy. There are also cost risks to recovery, mainly driven by sharp rises in the price of jet fuel. In part, the surge represents a recovery from the exceptionally low prices last year. To make matters worse, many airlines stopped hedging during the market chaos of 2020. The Special Feature examines this as one of the factors putting pressure on ticket prices.

[The Anker Report for October](#) suggests that the air market is essentially stable and that one of the reasons for this might be that non-essential travel is being reduced by additional paperwork. It suggests that October volumes of air passengers should still be around 70% of the 2019 level. Despite this, 67 new routes were identified between 11<sup>th</sup> September and 8<sup>th</sup> October and continued recovery appears likely.



## ACCOMMODATION

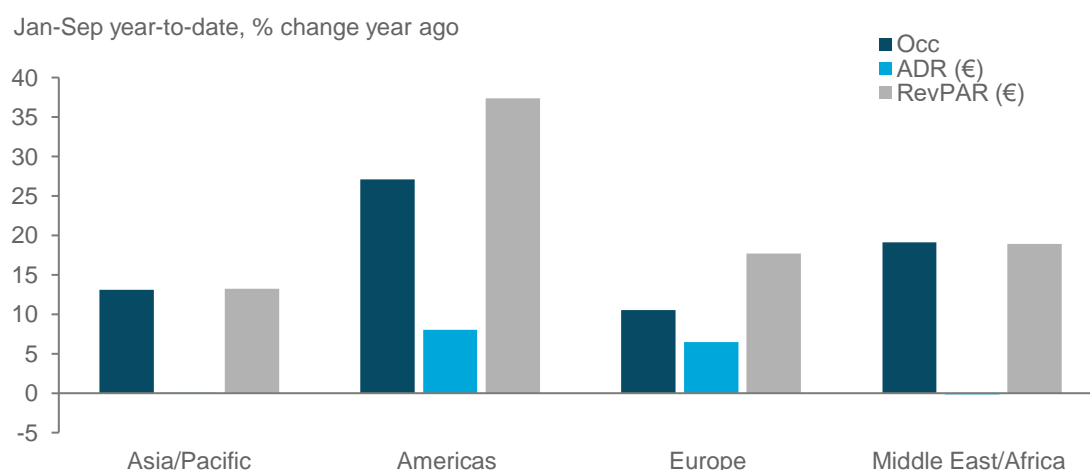
Growth was reported across all world regions and all hotel performance metrics based on year-over-year data to September. While demand and revenue volumes remain well-below those of 2019, it is most encouraging to see the industry move into positive growth territory – indicating that a recovery following significant pandemic-induced declines is finally underway.

Hotel performance was strongest in the Americas, particularly in terms of occupancy rates which were 27.1% higher in the first nine months of 2021 compared to the same period of 2020. Average daily rates (ADR) were also higher for the same period (up 8.1%), which facilitated 37.3% RevPAR growth (Revenue per Available Room).

Occupancy rates were also higher within Asia-Pacific and the Middle East & Africa over the same period (by 13.1% and 19.1% respectively), however, in both regions ADR was relatively unchanged. A lack of foreign demand within these regions due to limited outbound travel from key source markets and more prohibitive travel restrictions, in Asia-Pacific in particular, has likely resulted in some discounting (in real terms, at least) in order to generate some local/domestic demand.

In terms of occupancy rates, Europe as a whole enjoyed some growth, albeit less than the other regions (10.5%). European hotels also managed to grow ADR (6.5%), despite a subdued demand backdrop. Hotels in Europe, in particular those in the EU, were able to benefit from the EU's Digital COVID-19 Certificate which facilitated intra-EU travel for those who were fully vaccinated. While domestic demand was a boon for a number of European destinations, this certificate was key to the further opening-up of Europe during the summer, providing a unified approach to the restart of travel across the region. The certificate offered an important gateway to more normal travel behaviour, reducing the burden of testing and quarantine measures on tourists and easing concerns related to welcoming tourists back.

### Global Hotel Performance



Source: STR



## Hotel Performance 2021, Year-to-date (Jan-Sep)

Country (Region)	Occupancy		ADR*		RevPAR*	
	% change year ago	YTD level (%)	% change year ago	YTD level (euro)	% change year ago	YTD level (euro)
Austria (WE)	-60.5%	12.7	-28.4%	75.8	-71.7%	9.6
Belgium (WE)	-46.8%	19.9	-14.8%	87.9	-54.6%	17.5
Bulgaria (EE)	-5.9%	23.6	-9.7%	78.5	-15.0%	18.5
Croatia (SE)	25.5%	17.9	3.8%	87.8	30.2%	15.7
Czech Rep. (EE)	-68.7%	8.9	-23.5%	51.2	-76.0%	4.6
Denmark (NE)	-35.4%	21.0	-20.4%	81.1	-48.5%	17.1
Estonia (NE)	-16.5%	22.8	-39.7%	46.2	-49.6%	10.5
Finland (NE)	-45.5%	18.5	-11.8%	93.0	-52.0%	17.2
France (WE)	-19.0%	30.6	-32.0%	73.3	-44.9%	22.4
Germany (WE)	-55.5%	15.4	-25.6%	71.0	-66.9%	10.9
Greece (SE)	-26.3%	20.8	24.0%	110.4	-8.6%	23.0
Hungary (EE)	-59.9%	12.7	15.6%	83.2	-53.6%	10.6
Ireland (NE)	-57.7%	16.9	-27.3%	76.2	-69.2%	12.9
Italy (SE)	-16.1%	22.9	-13.4%	87.5	-27.3%	20.1
Latvia (NE)	-32.9%	20.7	10.7%	63.6	-25.7%	13.2
Lithuania (NE)	-31.5%	18.2	-18.9%	45.7	-44.4%	8.3
Malta (SE)	-52.6%	13.2	1.5%	96.1	-51.9%	12.7
Monaco (WE)	-47.6%	19.5	14.8%	285.8	-39.8%	55.6
Netherlands (WE)	-51.0%	17.1	-21.8%	80.5	-61.7%	13.7
Poland (EE)	-51.6%	15.8	-13.2%	49.4	-58.0%	7.8
Portugal (SE)	-45.0%	15.1	7.3%	87.0	-41.0%	13.2
Romania (EE)	-19.5%	22.9	-24.1%	48.9	-38.9%	11.2
Serbia (SE)	-4.7%	24.2	2.3%	83.3	-2.5%	20.2
Slovakia (EE)	-67.2%	8.3	-28.0%	55.5	-76.4%	4.6
Slovenia (SE)	-50.7%	14.2	-19.8%	61.0	-60.4%	8.7
Spain (SE)	-25.1%	26.0	-11.5%	82.4	-33.7%	21.4
Switzerland (WE)	-15.0%	28.1	4.8%	220.9	-11.0%	62.1
Turkey (SE)	-6.4%	33.4	44.1%	59.6	34.8%	19.9
UK (NE)	-31.6%	32.8	-31.0%	63.3	-52.8%	20.8

\*ADR and RevPAR growth based on local currency values

Note: Includes all European markets for which STR collect data with a sufficient sample for reporting

NE = Northern Europe, EE = Eastern Europe, SE = Southern Europe, WE = Western Europe





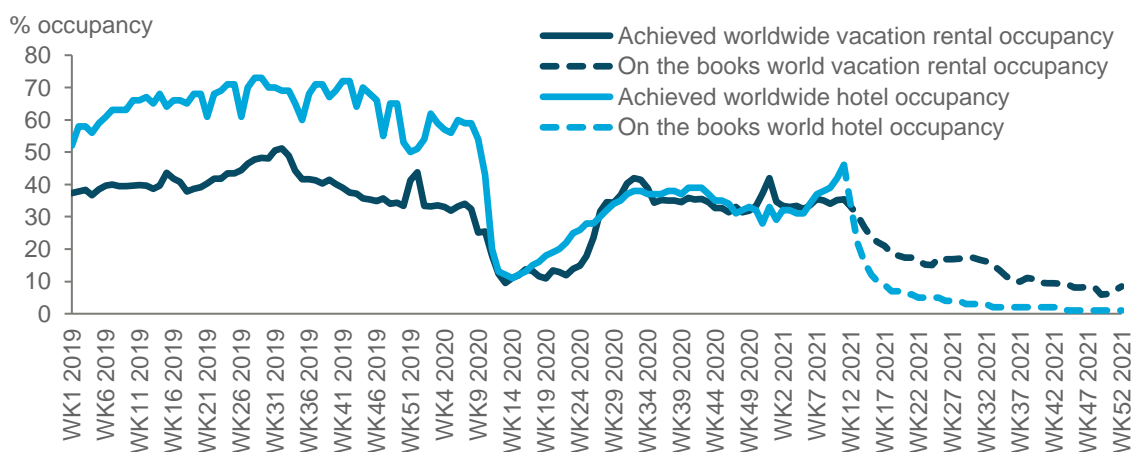
## SHORT TERM RENTALS

As things have relaxed for travel worldwide, a new-look demand has returned. To travellers seeking independence, flexibility and self-sufficiency, short term rentals have never looked more appealing.

More pent-up income and annual leave means that people are keener to get away properly. What is more, with work more flexible than ever and more intricate rules and restrictions to navigate, guests are looking to [stay longer](#). Indeed, European short term rental reservations have recovered to [-33% of 2019 levels](#) throughout 2021 so far, and now sit just behind North America making it second in terms of [world region recovery](#). Italy and Great Britain are currently the worst performing of [Europe's top short term rental supply nations](#) in year-on-year reservations, with France looking strongest.

Bookings vary from region to region [across Europe](#); reactive to restrictions and according to the destination types offered. European reservations in general are [heightened for non-urban destination types](#). [Prices are up globally](#), but looking at the breakdown, a [bigger boost is observed](#) for non-urban market types. It is crucial now to wait and see whether these trends persist, and short-term rental demand and revenue continues to climb.

### Worldwide weekly hotel & vacation rental occupancy & occupancy on the books



Source: Amadeus & Transparent



## 4. SPECIAL FEATURE: THE END OF LOW-COST TRAVEL?

### SUMMARY

- The costs of travel have been falling for decades and lower air fares have played a critical part in this.
- Discounting and market liberalisation played an increasingly important role in passenger growth in the most recent growth cycle.
- COVID-19 hit passenger demand in an unprecedented fashion. Larger airlines tended to receive state intervention, while some smaller operators will have had to borrow. But in many cases even flag carriers will have to repay state loans. This is seen by some as a sign that air fares must increase as operators seek to recoup losses in order to repay loans.
- The airline industry is also facing challenges from increasing jet fuel costs.
- But raising fares risks dampening the recovery in demand for air travel. While there are plenty of reasons why travel prices may increase, the evidence is not as yet in any way definitive.

### HISTORICAL BACKGROUND

The cost of travel has fallen over the past two decades, with global average spending per international trip across all destinations down 17% in 2019 from its 2000 level in real prices. This has been enabled in part by cheaper air fares that have resulted in an increase in not only the volume of trips but also the proportion of shorter trips and weekend city breaks. But with the world still somewhat mired in a pandemic, with fewer travellers and rising costs, could the era of low-cost travel be over?

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Prices have been declining since the dawn of the commercial air travel industry and low-cost carriers have transformed business models for short-haul air journeys.

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Prices have been declining since the dawn of the commercial air travel industry, alongside changes in products, markets becoming more liberalised and less stringent destination country visa regimes. Over the past three decades low-cost carriers have transformed business models, especially for short-haul air journeys. Discounting and market liberalisation have driven the most recent growth cycle, accounting for nearly half of the passenger growth in the decade to 2019. It is also notable that there is a weaker share from both living standards growth and trade than in previous cycles<sup>13</sup>. This in part included some modal shift to air as well as growth in short-haul travel at the expense of domestic travel.

### THE CASE FOR HIGHER AIR FARES

The most notable argument in support of increased air fares is that airlines will inevitably need to charge higher fees to survive. As McKinsey notes, carriers that were not bailed-out by governments have had to borrow heavily; those repayments will be made more challenging by declining credit ratings and higher financing costs<sup>14</sup>. Meanwhile, the increased share accounted for by short-haul

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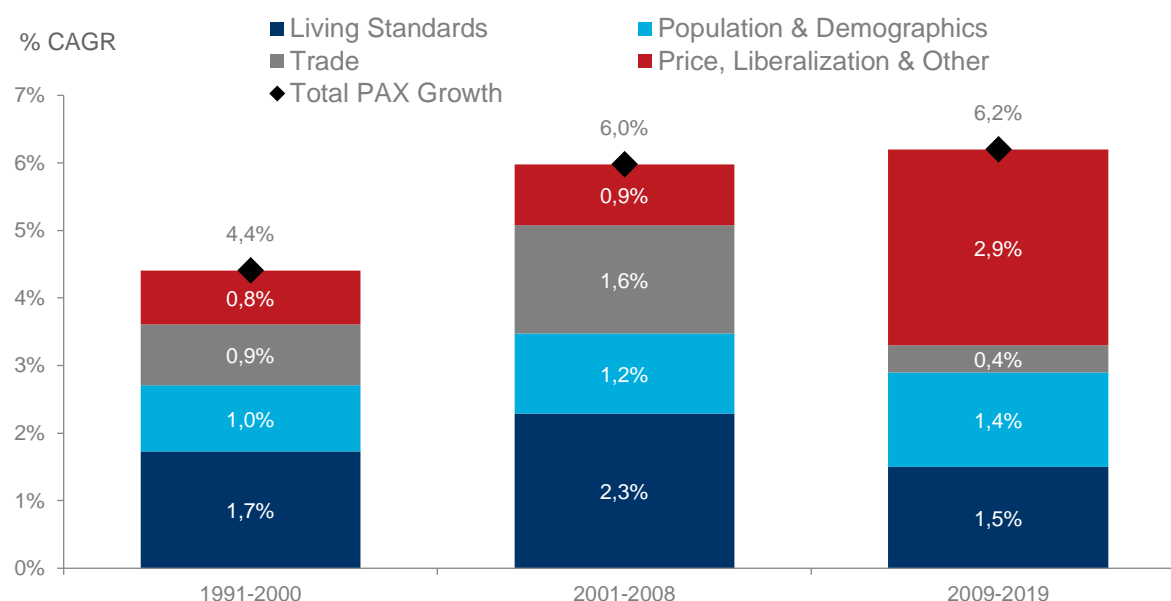
<sup>13</sup> <https://www.tourismeconomics.com/travel-data-forecasts/air-passenger-forecasts/>

<sup>14</sup> <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/back-to-the-future-airline-sector-poised-for-change-post-covid-19>



leisure — at the expense of business and premium class — will eat into profits and leave airlines little choice but to raise prices.

### Passenger growth decomposition by growth cycle



Air fares fell sharply in 2020 as cases of COVID-19 spiked. Lockdowns and stringent travel restrictions meant that, while airlines might have been desperate to sell seats, most people were not even able to fly. Earlier this year, JP Morgan airline analyst, Jamie Baker, noted that discounted fares were already beginning to ‘require a hunt’<sup>15</sup>. The calls that the era of low-cost travel might have come to an end have been getting more frequent and emerging from unlikely quarters.

Carsten Spohr, the Chairman and CEO of Lufthansa, has said that a hike in prices is not just necessary but would be a good thing, stating that a €9 ticket from the United Kingdom to Portugal was neither good for the industry nor the environment<sup>16</sup>. And he has not been the only airline industry boss to predict higher fares. In September, Ryanair’s Chief Executive, Michael O’Leary, in an interview with the UK’s *Sunday Times*, suggested that travellers should ready themselves for ‘dramatically higher’ fares, arguing that a likely price hike was the result of a combination of multiple factors, including a potential surge in demand for travel in the summer of 2022 coupled with reduced capacity, sometimes involving entire fleets or airlines<sup>17</sup>. However, in the same interview he also suggested that some discounting will be likely in the short-term in an effort to regain market share and stimulate demand, while additional capacity is likely to come from all airlines in the coming months ahead of next summer.

### THE IMPACT OF EUROPEAN GOVERNMENT BAILOUTS FOR THE SECTOR

A recent HSBC report has calculated that European governments have provided the continent’s airlines with nearly €26.6 billion in assistance through the coronavirus crisis<sup>18</sup>. This assistance has varied

<sup>15</sup> <https://www.cnn.com/2021/03/20/say-goodbye-to-30-plane-tickets-the-era-of-dirt-cheap-flights-is-ending.html>

<sup>16</sup> <https://www.nzherald.co.nz/travel/lufthansa-boss-says-higher-flight-prices-are-good-for-travel/TBRN5QGUSJN3HVJEDMWK5K77AY/>

<sup>17</sup> <https://www.thetimes.co.uk/article/ryanair-boss-michael-oleary-get-ready-for-prices-to-take-off-llkwp722r>

<sup>18</sup> <https://www.flightglobal.com/airlines/european-airline-bailouts-hit-266-billion-hsbc/140125.article>



in type but includes outright state aid, partial takeovers, loans, and recapitalisation. HSBC says that this underlines the value that regulators have placed on continued international air connectivity, but such bailouts have been criticised by some environmental groups, especially when they are not tied to sustainability commitments. One of the few exceptions is Austrian Airlines. Carbon conditionalities associated with that bailout require a domestic emissions reduction of 50% by 2030, a reduction of total emissions of 30% by 2030 (compared to 2005 levels), fuel efficiency improvements to lower carbon footprints per passenger and a modal shift from short distance flights to rail travel where practicable.

Among the largest interventions have been: Air France (€8 billion), Lufthansa (€6.8 billion), TUI Group (€3.5 billion) and KLM (€3.4 billion), but EasyJet, SAS, Finnair, Swiss Air, British Airways and TAP Air Portugal have all received emergency payments of one kind or another. In total it is equivalent to 46% of total market capitalisation – and this figure excludes any receipts for furlough type job retention schemes.

However, in many cases, bailout funds are loans which need to be repaid. In September, Lufthansa used a heavily discounted share offer, conveniently timed before the German elections, in a quest to raise €2.14 billion for national government loan repayment<sup>19</sup>. The proceeds will be used to settle €1.5 billion owed to the German Economic Stabilization Fund, followed by a further €1 billion by the end of the year. Lufthansa has already repaid a €1 billion loan from state-owned investment and development bank, KfW. However, perhaps the most important thing to note is that Lufthansa is evidently seeking ways to repay its loans without immediately passing these costs onto the consumer.

## THE IMPACT OF JET FUEL COST INCREASES

As noted in the airline industry section of this report, recent weeks have seen steep increases in the price of jet fuel. IATA / S&P's jet fuel monitor indicates that jet fuel prices in Europe as of 8<sup>th</sup> October are 18.5% higher than one month earlier and a dramatic 117.5% higher than one year ago. Jet fuel prices are now broadly comparable to what they were in the summer of 2018.

It should be noted that while this is a more than doubling of prices over the past year, prices were still below the 2011 to 2014 period at this point. Evidently, if recent trends continue, this will start to have an impact on air fares. However, this situation is unlikely to be an immediate concern as prices are still within a broad historic band. However, prices continued to climb in mid-October, reaching a seven year high before falling back slightly.

Wider concerns about environmental sustainability are also a consideration. New taxes, restrictions (such as limits on domestic/short-haul flights when a suitable rail alternative is available) and consumer preferences for more responsible travel could put upward pressure on prices, as could new requirements around cleaner fuels and operating activities. However, it is striking that there remain very few examples of new restrictions or higher fees of this sort. Indeed, it may be the case that some countries (possibly including the UK) are going to either remove or weaken such environmental taxes, to stimulate demand growth. However, in the context of the UK's role in hosting COP26, the CEO Of London Heathrow Airport has thrown his weight behind the scale-up of sustainable aviation fuels (SAF) by bringing in rules for use. In July, the EU published 'Climate Neutral Continent' which would cancel the pre-existing tax break on jet fuel, phased over a 'COVID recovery period' which has been

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<sup>19</sup> <https://www.dw.com/en/lufthansa-to-issue-new-shares-to-repay-state-aid/a-59234514>



deemed to be 10 years. Blending of SAF into kerosene would also require but phased in over a long period through to 2050.

Both Austria and France have banned domestic flights where suitable public transport alternatives are available. And in the UK, the Campaign for Better Transport has called for something similar and in favour of cheaper rail journeys. Such policies could shift the balance of international and domestic air travel. However, it should also be pointed out that Austria is less than 85,000 km<sup>2</sup> – in other words, a relatively small country, where internal flights can often be relatively easily replaced by the utilisation of other forms of transport.

## CONCLUSION

Given the significant role of discounting in the past decade, the key question is whether airlines will increase their fares to compensate for recent losses. The logic supporting an increase in prices might sound convincing, but so far, the evidence is limited. Government support has covered some losses by airlines. Although this has been weighted strongly in favour of national flag carriers, even low-cost carriers have tended to survive and are planning “business as usual.” Comparatively normal flight schedules are returning, including some notable transatlantic announcements (such as from Jet-Blue<sup>20</sup>), meaning that competition should remain healthy, limiting price increases. However, there is greater uncertainty about the market and price environment outside intra-European and transatlantic routes, with long-haul travel generally expected to recover more slowly.

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While short-haul and even transatlantic schedules appear to be returning to a relative normal, there is greater uncertainty about the majority of long-haul travel.

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But airlines also have to consider the impacts on demand of raising fares. Pent-up demand could be put off purchasing travel if fares rise too steeply, particularly in an environment in which other cost of living increases – such as food and domestic energy - appear to be accelerating. Furthermore, the arguments surrounding the loss of business, premium and first-class travellers over the next few years implicitly assumes that nothing can be done to address this shift toward economy travel. In reality, aircraft layouts can be reconfigured to allow for significantly greater volumes of economy travellers<sup>21</sup>.

While there are plenty of reasons why travel prices may increase, the evidence is not as yet definitive. Lower prices may not stimulate growth to the same extent as in the past ten years, but, at this stage, it appears unlikely that the age of low-cost travel is fully over.

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<sup>20</sup> <http://www.mediaroom.jetblue.com/investor-relations/press-releases/2021/08-12-2021-120031009>

<sup>21</sup> <https://www.gbm.hsbc.com/insights/global-research/european-flying-faces-downgrading>



## 5. KEY SOURCE MARKET PERFORMANCE

Trends discussed in this section in some cases relate to the period January to September 2021, although actual coverage varies by destination. For most 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>).

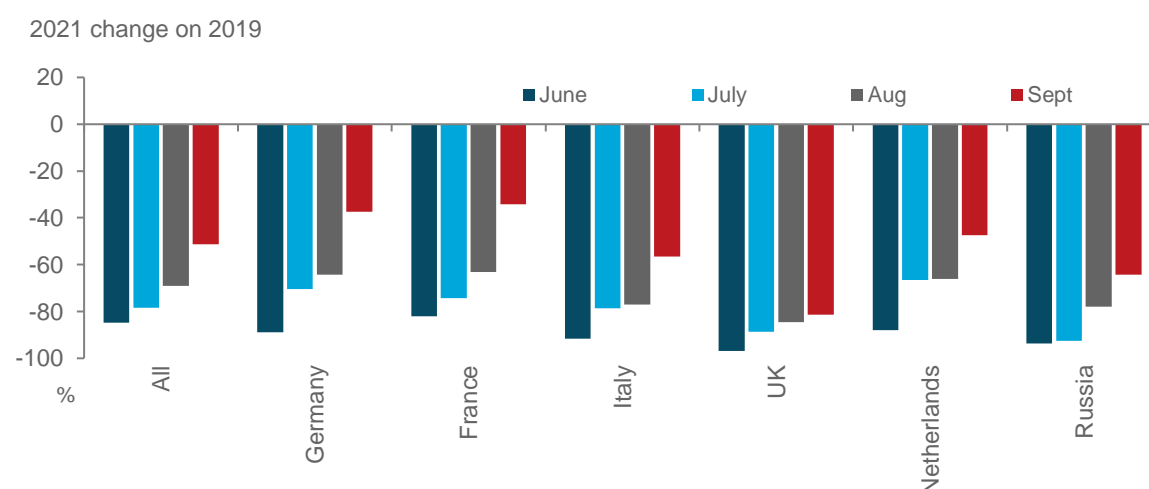
### SUMMARY

- Relative to 2019 levels for the same period, arrivals across European destinations were an estimated 60% lower based on the latest year-to-date data for 2021.
- Limited data to September indicates just how quickly visitor numbers can rebound, even under relatively difficult circumstances. Each month of reported data since the last report has demonstrated an improvement in the overall picture.
- Stricter restrictions and a weakened tourist sentiment for long-haul travel has meant that non-European markets continue to report sizeable declines in arrivals and nights relative to 2019 levels. Tourism Economics expects non-European markets to remain below pre-pandemic levels until 2025, compared to 2024 for total international arrivals.

### KEY INTRA-EUROPEAN SOURCE MARKETS

Relative to 2019 levels for the same period, arrivals across European destinations were an estimated 63% lower based on the latest year-to-date data for 2021. Declines in both arrivals and overnights remain prevalent across the board but data for the few countries (Croatia, Iceland, and Monaco) reporting to September demonstrates how quickly traveller volumes can potentially return.

#### Average decline in tourist arrivals by reporting month by source market, 2021



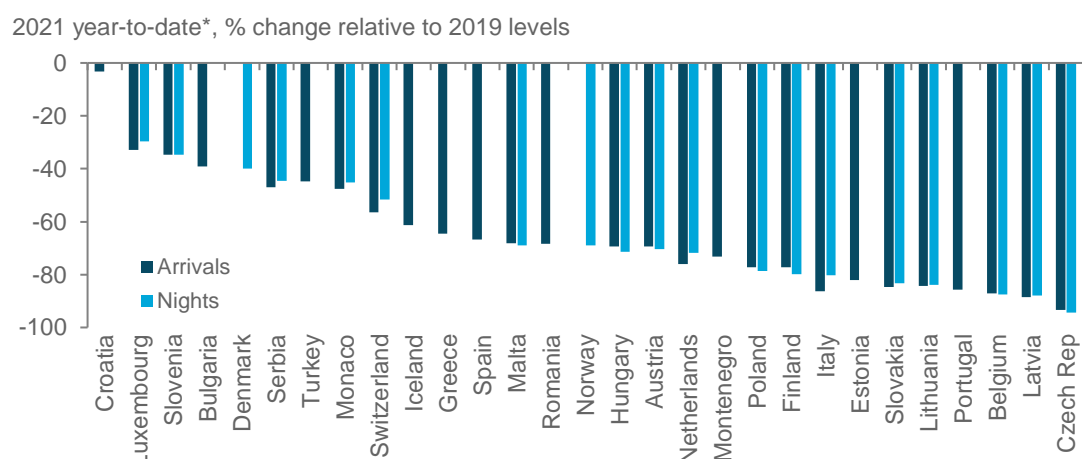
The graphic above shows the average decline in tourist arrivals to European destinations by source market and reporting month. However, it should be noted that September as the latest month is a simple average between Croatia, Iceland, and Monaco. It should also be noted that 'All available markets' includes all source markets for which data were reported, not just those listed and includes non-European source markets. But there is a clear strong and positive relationship between the latest





month of reported data and the relative recovery in visitors from all source markets, but that progress outbound from the UK has been slower.

### German visits and overnights to select destinations



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

Eurocontrol data for August indicates that flights departing from Germany were 35.3% lower than in the same month in 2019. Croatia's relatively relaxed entry requirements over the summer meant that travel from Germany in the year to September was almost back to 2019 levels (just 3.3% lower). This is a significant recovery as 2.9 million German tourists visited Croatia in 2019. This demonstrates the potential speed at which arrivals might bounce back – but also reflects a late summer peak in visitation. Early signs are that there may also be high demand from Germany for Mediterranean travel in October<sup>22</sup>.

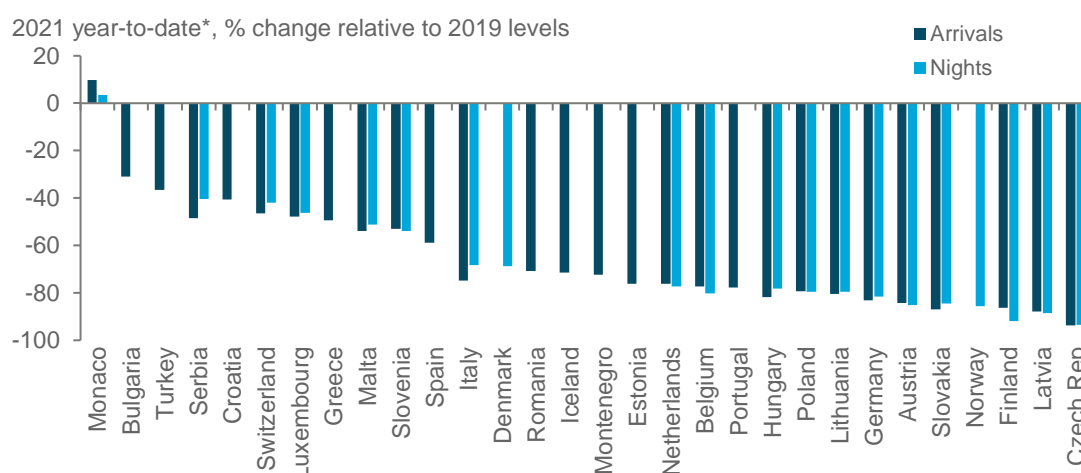
Luxembourg (reporting to July) also saw a relatively small decline in German arrivals on 2019 of 33%, compared to an average for destination countries reporting to July of 70.5%, with nights down by even less (-29.6%). Luxembourg's vaccine rollout has progressed solidly, with over 70% of its population having received at least one dose, this progress combined with a loosening of restrictions and being a neighbouring country will have helped boost the appeal of Luxembourg for German outbound travel.

At the other end of the spectrum was the Czech Republic – still only reporting to June and down 93.4% relative to 2019 levels. A state of emergency was in place in the Czech Republic for three months from March to May, while cultural activities, museums and restaurants are subject to capacity constraints and strict sanitary conditions, which has likely deterred many German tourists from visiting the Czech Republic during this period.

<sup>22</sup> <https://www.schengenvisainfo.com/news/german-holidaymakers-to-continue-visiting-mediterranean-tourism-spots-even-during-autumn-season/>



## French visits and overnights to select destinations



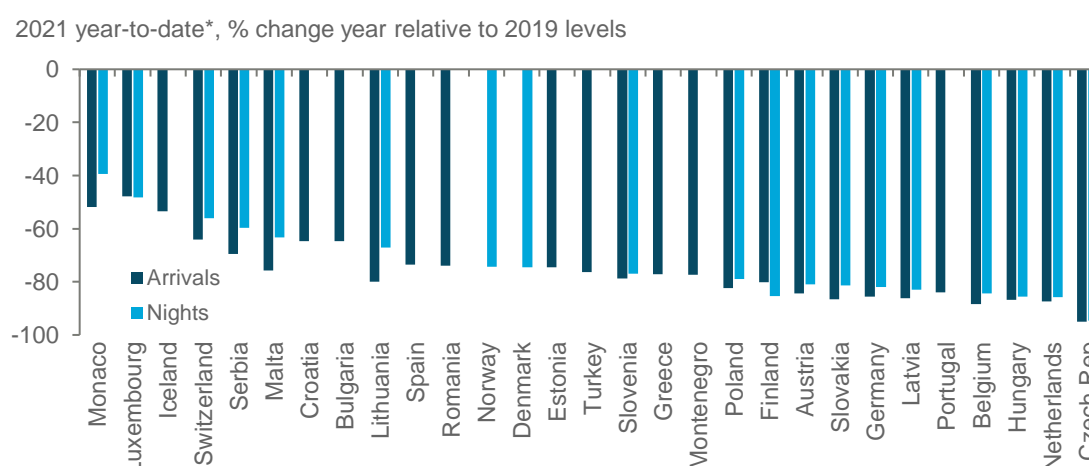
Source: TourMIS \*date varies (Jan-Sep) by destination

According to data from Eurocontrol, August saw flights departing from France at 24.8% lower than in August 2019. This is a significant improvement from the number of flights in the previous month, but also broadly follows the seasonal pattern in 2020. There remains a risk that recovery will stall in coming months, but vaccine progress and policy movements provide reasons for optimism.

Only one destination for French visitors saw growth: Monaco, which reported an increase of French visitors of 9.8% based on data to September. This is consistent with the stronger recovery in domestic demand, and non-air travel as French travellers can easily access Monaco. The only other countries reporting French visitors to September were Croatia and Iceland (the latter of which continued to experience a relatively steep decline), producing a simple average of a decline of 34.1% for countries reporting to September.

The least steep decline in arrivals from France were concentrated in Bulgaria, reporting to August, which saw a relatively moderate decline in French arrivals of 30.9%. Bulgaria announced an easing of internal restrictions in April and allowed arrivals from the EU to enter from May, thus helping to boost Bulgaria's attractiveness as a destination for French tourists.

## Italian visits and overnights to select destinations



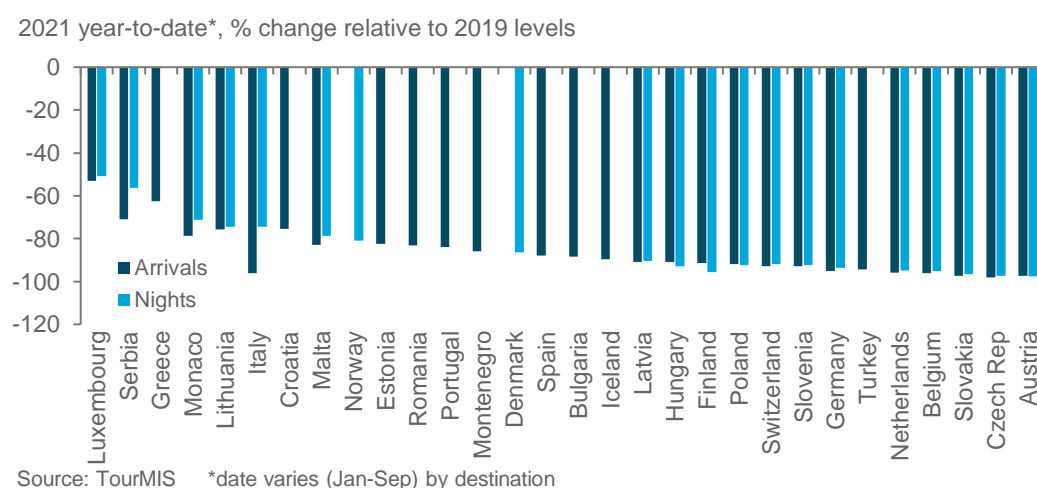
Source: TourMIS \*date varies (Jan-Sep) by destination



Eurocontrol data for August indicates that flights departing from Italy were 23.8% lower than in the same month in 2019. While the smallest decline in arrivals from Italy was in Luxembourg (-47.9%), the shallowest decline in nights was in Monaco, which saw a 39.3% fall in nights from the Italian source market. Some softening of impacts will have occurred thanks to arrangements between the Italian Province of Imperia and Monaco. Iceland, reporting to September, was also a relatively strong performer.

Although Croatia was not one of the poorest performers, a 64.6% decline in Italian arrivals, reported to September, is relatively steep when compared to Croatia's other main source markets and is one of the reasons why Italy shows only a limited pick-up overall in destinations reporting to September. July and August saw strong bookings from the domestic market segment in Italy as the health pass encouraged domestic travel in place of outbound trips<sup>23</sup>.

### United Kingdom visits and overnights to select destinations



Eurocontrol data suggest that UK air travel to Continental Europe was still down by around 49% on 2019 levels in August – considerably steeper than comparable figures for Germany, France, and Italy. This was mirrored in the very low reported travel figures for UK arrivals in all European destinations, exacerbated by less opportunity for modal shifts from an island nation. Data are not fully available for summer months, but UK travel to European destinations was very low. Some more recent reduction in travel restrictions (although not limited to the UK, the costs levied on those who were required to quarantine upon arrival were notably high) may allow improvement in autumn months, but average performance for the year is likely to remain weak.

The least steep fall in UK arrivals was in Luxembourg (down 53%). While Italy saw a decline in nights from UK tourists of 74.5%, it saw a much steeper fall in arrivals from the UK at 96.2%. UK outbound travel to Italy suffered a significant setback over the summer months, with the imposition of a mandatory 5-day quarantine in June, which was held in place until the end of August.

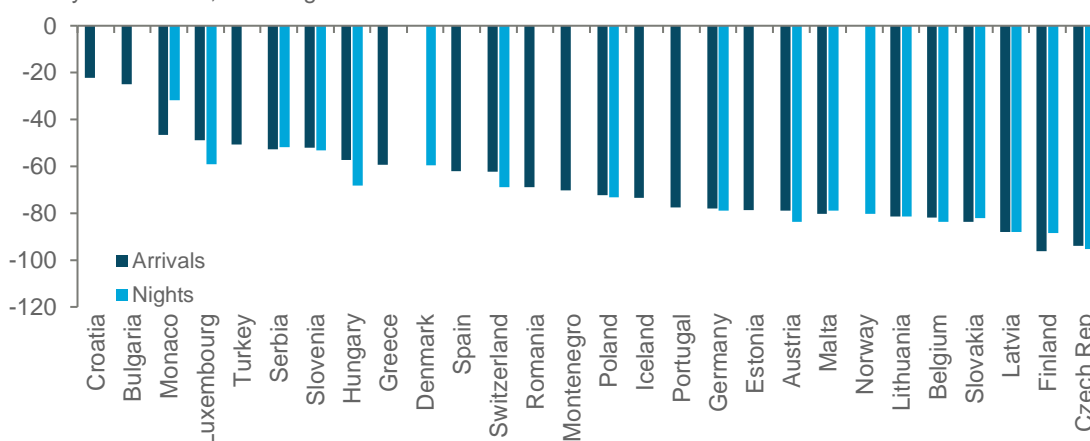
The single worst performing destination country for UK arrivals was the Czech Republic – which saw a decline of 98%, with ongoing entry restrictions devastating travel demand. Non-vaccinated UK tourists can only enter the Czech Republic for essential reasons, while vaccinated tourists have only been able to visit the Czech Republic restriction free from 23<sup>rd</sup> August.

<sup>23</sup> <https://www.schengenvisainfo.com/news/italys-domestic-tourism-reaches-its-peak-for-this-summer-despite-covid-19-pandemic/>



## Dutch visits and overnights to select destinations

2021 year-to-date\*, % change relative to 2019 levels



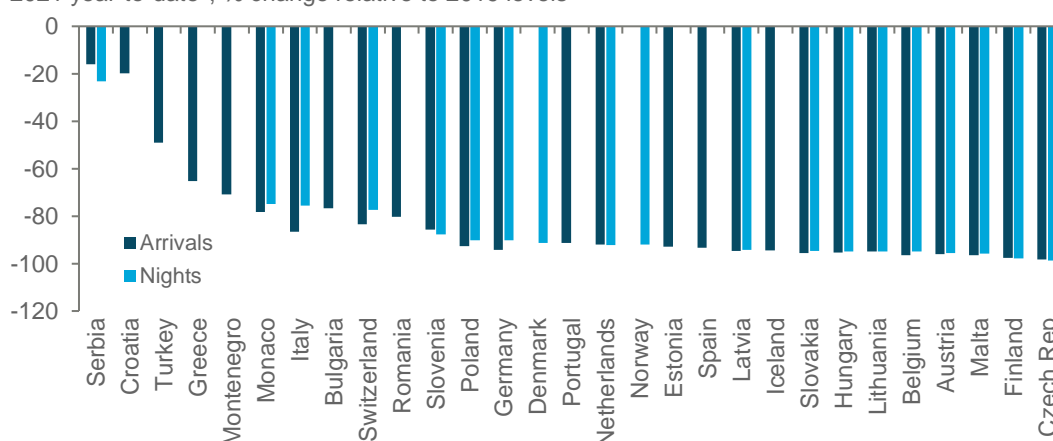
Source: TourMIS \*date varies (Jan-Sep) by destination

The smallest decline in visitors from the Netherlands was recorded in Croatia, reporting to September (a decline of 22.3%), with an earlier reopening and a more relaxed approach to travel restrictions helping to enhance Croatia's travel performance. Bulgaria also saw a relatively modest decline in Dutch arrivals, 24.9% lower as of August.

The Dutch government announced a further easing of restrictions at the start of September but has since struggled with rising infection rates and there are concerns regarding whether the health system can cope with another outbreak. This may limit any improvement in outbound travel in the near-term, but the Netherlands has achieved a strong start to its vaccine rollout, with over 65% of its population fully vaccinated, which will hopefully prevent a return to the scale of impact experienced in previous outbreaks.

## Russian visits and overnights to select destinations

2021 year-to-date\*, % change relative to 2019 levels



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

Russian travel demand has shifted from international to local destinations due to restrictions and government promotions to support local destinations as a response to the coronavirus pandemic. Russian travel to EU destinations is limited as the Sputnik V vaccine is not recognised in most of these countries meaning that stricter travel restrictions remain in place.



Within Europe, the smallest declines were in Serbia, reporting to August (with Russian arrivals down 16%, although nights were down slightly more heavily; -23.1%), and in Croatia, reporting to September (where Russian arrivals fell by 19.9%). Unlike most EU countries, Croatia accepts the Russian Sputnik V vaccine (Cyprus also permits travellers with this vaccine but arrivals data are not available at present).

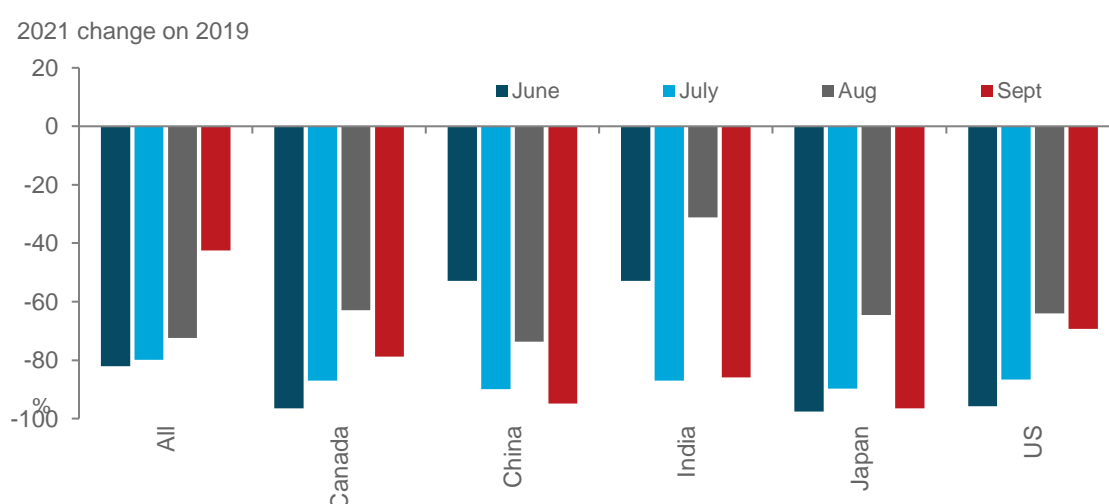
Based on YTD data the Czech Republic and Finland have witnessed the steepest declines in Russian arrivals at -98.2% and -97.5% respectively relative to their 2019 levels. Finland has refused to accept the Sputnik V vaccine, enforcing stricter entry restrictions on Russian arrivals, while political tensions between Russia and the Czech Republic may have contributed to weakened travel demand.

But a whole swathe of destination countries, from the Baltic states to Mediterranean destinations such as Spain and Malta, recorded declines in Russian visitor numbers of over 90% relative to 2019 levels, linked to vaccine distribution and stricter travel restrictions than for other European source markets.

## NON-EUROPEAN SOURCE MARKETS

The graphic below shows the average decline in tourist arrivals to European destinations by long-haul source market and reporting month. However, it should be noted that September as the latest month is a simple average between Croatia, Iceland, and Monaco. It should also be noted that 'All available markets' includes all source markets for which data were reported, not just those listed and includes European source markets. But there is a clear strong and positive relationship between the latest month of reported data and the relative recovery in visitors from all source markets until September – however this is likely skewed by the limited number of destinations reporting data.

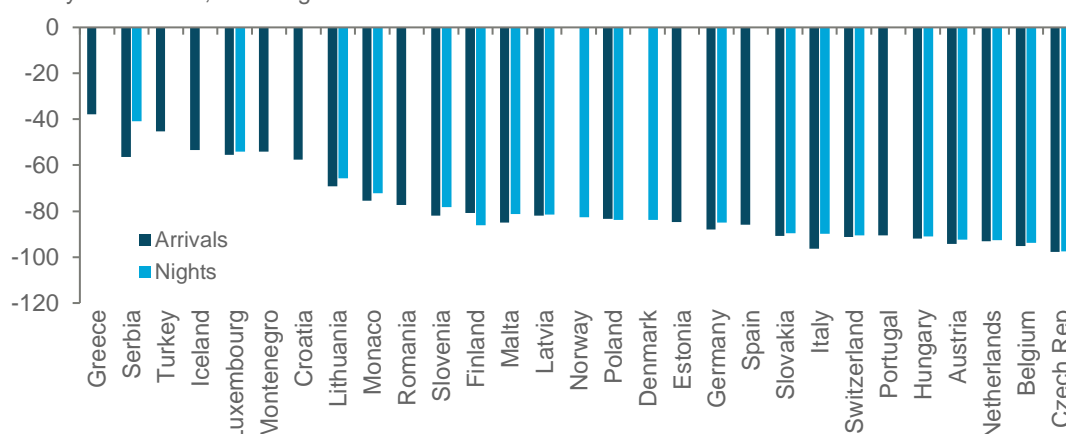
### Average decline in tourist arrivals by reporting month by source market, 2021





## United States visits and overnights to select destinations

2021 year-to-date\*, % change relative to 2019 levels



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

Following months of stringent restrictions, a strong start to its vaccine rollout helped enable the easing of entry restrictions on US arrivals to most European destinations during the summer months. The EU added the US to its safe travel list in June, while the US has currently fully vaccinated over 55% of its population.

Based on data to August, US arrivals to Greece remain 37.8% below the same period in 2019 – the strongest rebound among reporting countries. Greece was among one of the earliest European countries to allow US arrivals to enter, easing entry restrictions from May.

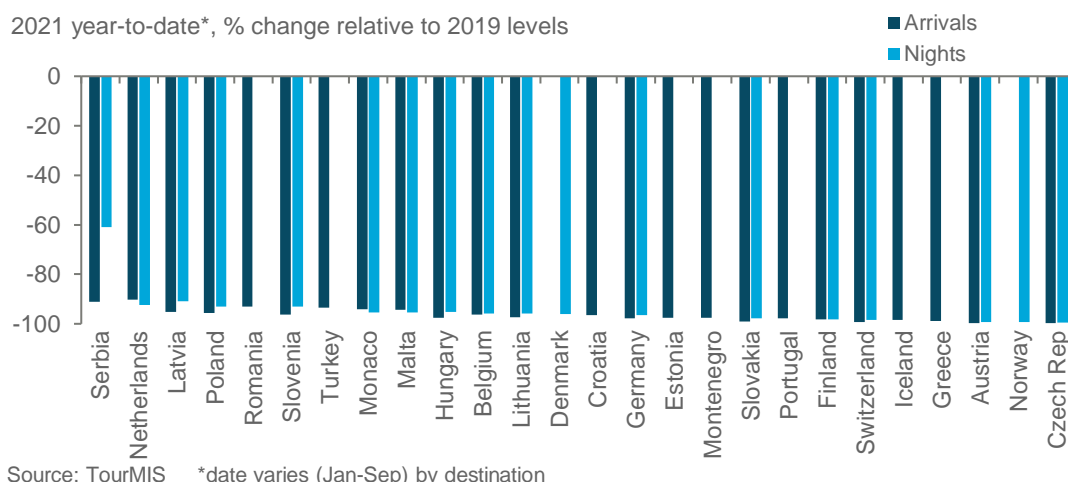
However, a hesitancy to take long-haul trips means that US arrivals remain more than 90% below their 2019 levels for a third of European destinations. The removal of the US from the EU's safe travel list at the end of August may present a further delay for the recovery of US arrivals. This does not equate to an EU-wide travel ban for US arrivals, with most countries still allowing vaccinated US arrivals to enter. Though confusion around the different measures taken across the EU may dampen travel demand across the region.

Although the long-awaited easing of restrictions on EU arrivals to the US is due in November and may help improve transatlantic travel over the coming year, representing a further normalisation to pre-pandemic behaviour.





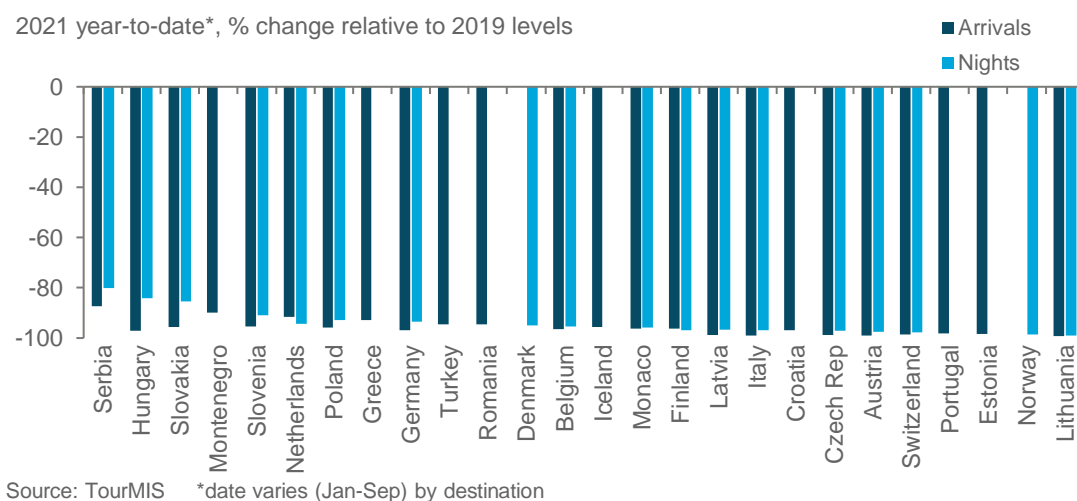
## Chinese visits and overnights to select destinations



Based on YTD data Chinese arrivals remain more than 90% below the same period in 2019 across all reporting destinations. Chinese government guidance remains that non-essential outbound travel should be avoided and there is still a ban on outbound vacation package sales in China. These restrictive measures are largely responsible for China's poor travel performance across Europe as most European markets have eased entry restrictions for Chinese arrivals.

Tourist sentiment for outbound travel has remained weak throughout the health crisis but there are signs of an improving traveller confidence, provided the necessary safety measures are met. *Dragon Trail's China Traveler Sentiment* survey, which was released in September 2021 found that 81% of respondents felt positively when they saw content related to outbound travel and were inspired to travel internationally. Though negative safety perceptions do persist for international destinations, with the number of COVID-19 cases a key factor in a destination's safety perception<sup>24</sup>

## Japanese visits and overnights to select destinations



Following five months of enforcement, the Japanese government finally lifted its state of emergency at the end of September. However, rising COVID-19 infections and stringent restrictions for most of the year dampened outbound travel. Based on YTD data, Japanese arrivals remain more than 90%

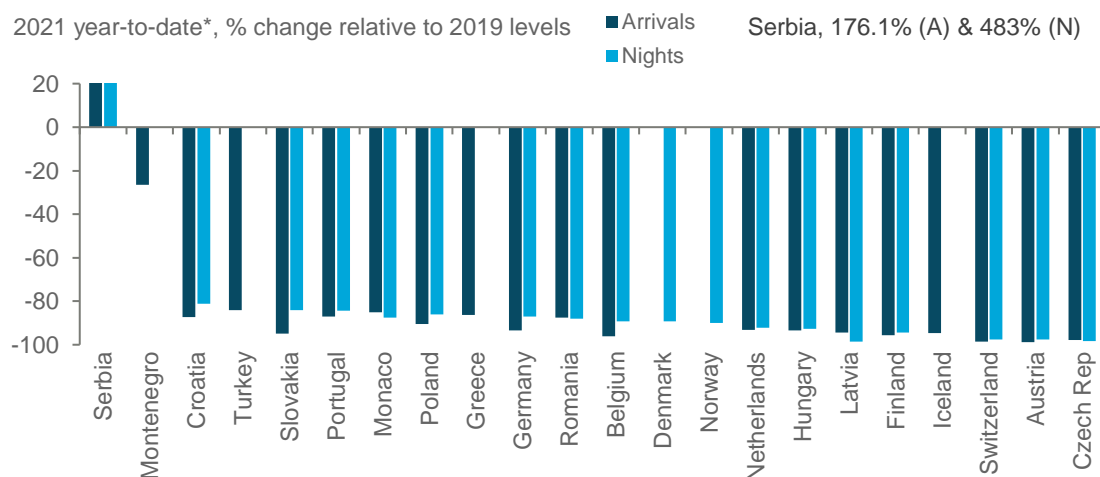
<sup>24</sup> Dragon Trail China Traveler Sentiment Report, <https://es.dragontrail.com/resources/blog/china-traveler-sentiment-survey-9-2021>



below their 2019 levels for the same period across all reporting European destinations, excluding Montenegro and Serbia, which still recorded visitor arrivals at 89.8% and 87.4% respectively below 2019 levels.

The EU's removal of Japan from its safe travel list in September due to a surge in COVID-19 cases, presents a further setback for the recovery of Japanese arrivals and will likely dampen travel prospects for the remainder of the year. Though with over 65% of its population fully vaccinated and the recent easing of domestic restrictions in Japan some uplift in travel activity may be seen in 2022.

### Indian visits and overnights to select destinations



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

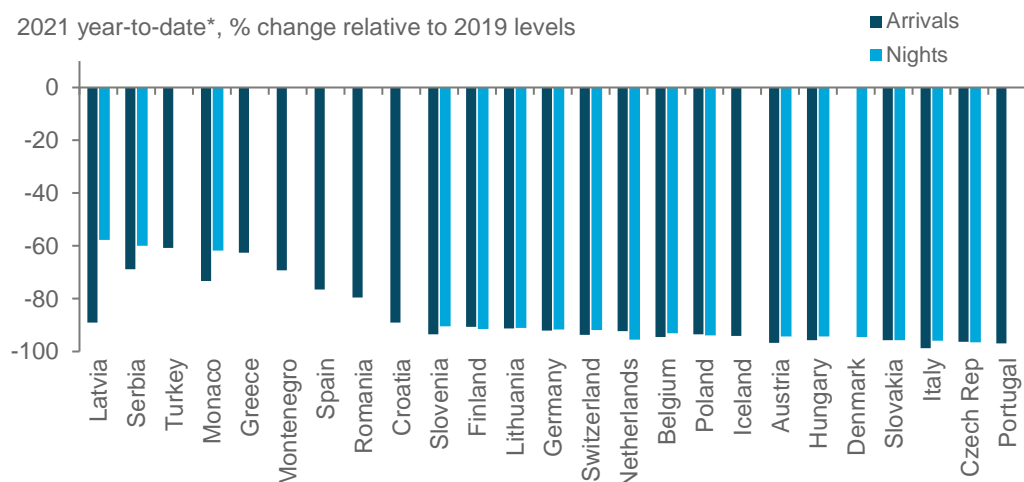
The spread of the highly transmissible Delta variant across India led to most of Europe banning visitor arrivals from India. While the outbreak is showing signs of slowing down, most European markets have refused to lift travel restrictions for Indian arrivals. Nearly all markets are reporting visitor arrivals as more than 85% below their 2019 levels.

Serbia is the outlier, with visitor arrivals 176% above 2019 levels based on data to August. While the rest of Europe has maintained strict travel bans on Indian arrivals, Serbia has eased entry restrictions. As a result, Serbia has emerged as a popular stopover destination for Indian arrivals, offering visa free entry for those who are vaccinated and provide a negative PCR test. Based on available data to August, Indian arrivals to Montenegro remain 26.6% below the same period in 2019. This represents one of the strongest recoveries across Europe, albeit from a very low base. Montenegro, unlike many European countries has not banned Indian arrivals but is allowing all foreigners to enter provided they can supply evidence to show that they have either been fully vaccinated, have tested negative for the virus or have been infected by the virus within the last 180 days.

India's travel recovery may face a further delay due to the nation's sluggish vaccine rollout. Less than 20% of India's population is fully vaccinated, which will likely mean that Indian arrivals will continue to face stricter restrictions as vaccinated tourists are benefiting from the greater easing of restrictions.



## Canadian visits and overnights to select destinations

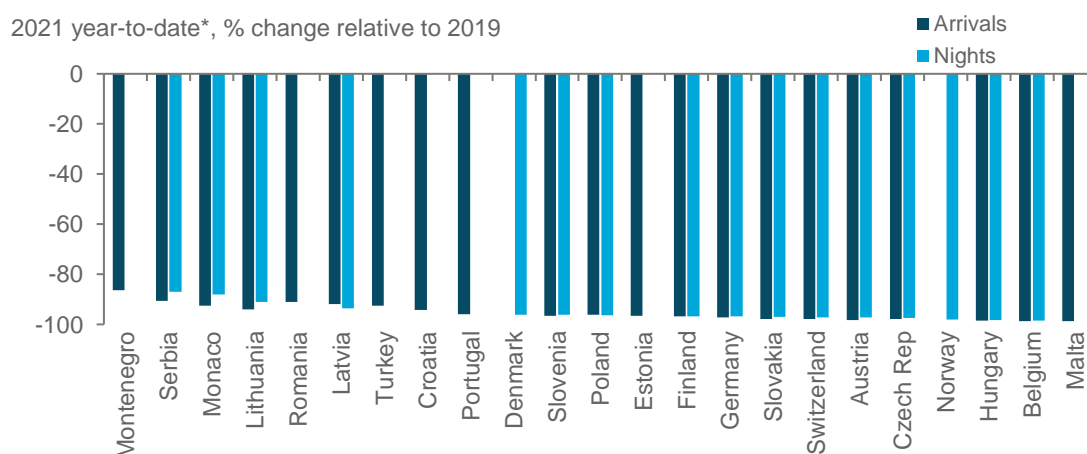


Source: TourMIS \*date varies (Jan-Sep) by destination

European destinations continue to report weak travel activity from Canada, with visitor arrivals remaining more than 90% below their 2019 levels based on YTD data for over 60% of the reporting countries. Throughout 2021, the Canadian government has advised against any non-essential travel, imposing stringent restrictions which have negatively impacted outbound travel demand.

Though the situation is improving. In July, the EU Council added Canada to its list of countries from which non-essential travel is permitted, while the Canadian government dropped the mandatory three nights stay at a government approved hotel from the 9<sup>th</sup> August for all travellers, regardless of vaccination status. A successful vaccine rollout, with over 70% its population fully vaccinated also improves the travel outlook for Canada, helping to boost confidence and enable the easing of further restrictions.

## Australian visits and overnights to select destinations



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

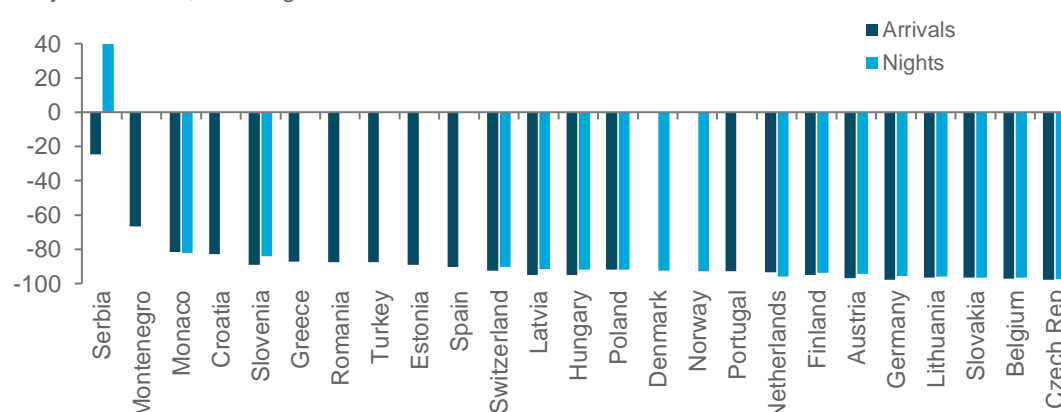
Since the onset of the pandemic, Australia has enforced some of the strictest travel restrictions globally, banning its own citizens from leaving the country. This has inevitably devastated outbound travel, with Australian arrivals more than 90% below their 2019 levels for all European countries, excluding Montenegro which still reported visitor arrivals as 86.3% below pre-crisis levels based on data to August.



The outlook is improving however, with the Australian government set to ease its travel ban from November following 18 months of enforcement. The government is slowly moving away from its 'zero-covid' strategy, supported by steady vaccination progress. Over 60% of the Australian population are fully vaccinated. This will allow Australian residents to travel overseas, though it remains to be seen how smoothly Australia will transition to "living with COVID". Vaccinated tourists will still have to undergo a seven-day quarantine at home, while non-vaccinated tourists must complete a 14-day stay in the quarantine hotel system which was introduced in March 2020. These ongoing restrictions may continue to hamper the travel recovery, but the easing of restrictions is encouraging that the government is trying to return to more normal behaviour.

### Brazilian visits and overnights to select destinations

2021 year-to-date\*, % change relative to 2019



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

Brazil has suffered from one of the worst global outbreaks of the virus, with its hospitals and health sector overwhelmed by the crisis. High COVID-19 infection rates meant that Brazilian arrivals have encountered some of the strictest entry restrictions across European destinations throughout 2021. Over 90% of the reporting destinations have recorded visitor arrivals from Brazil as more than 80% below their pre-crisis levels based on the YTD data.

A lack of prioritisation from President Bolsonaro led to shortages of vaccines, meaning Brazil has only managed to fully inoculate half of adults so far. Though vaccine progress should improve as more doses have now been secured, with the vaccination pace picking up in recent weeks, and we now expect Brazil will vaccinate 70% or more of their adult population before the end of the year. This will help boost Brazil's travel outlook and enable European governments to ease entry restrictions for those from the nation.

Serbia has achieved the strongest recovery so far, with Brazilian arrivals 24.6% below 2019 levels based on data to August, followed by Montenegro, which is currently reporting Brazilian arrivals as 66.6% below their pre-crisis levels. Unlike many European countries, Serbia and Montenegro have not imposed complete travel bans for Brazilian arrivals but are allowing foreign arrivals to enter provided they satisfy entry requirements.



## 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

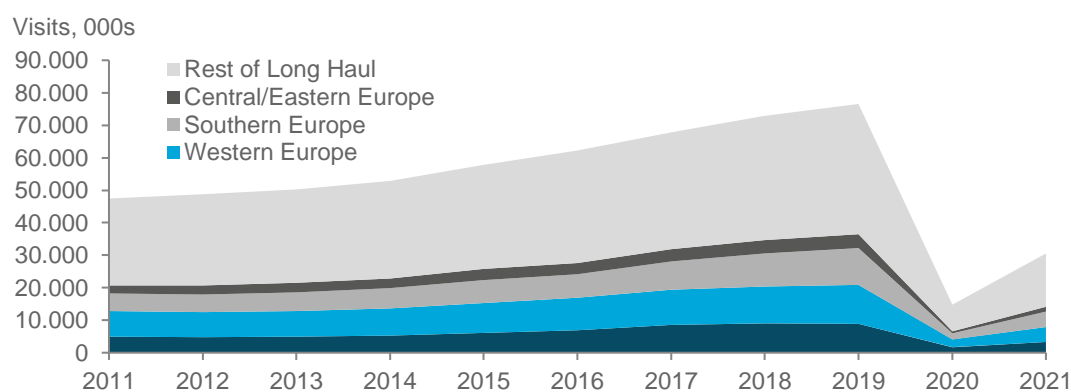
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	38,243	-	31.4%	292.3%	-	-60.4%	-
Long haul	14,964	39.1%	42.0%	476.8%	57.5%	-74.2%	60.0%
Short haul	23,279	60.9%	22.3%	173.8%	42.5%	-39.9%	40.0%
Travel to Europe	6,629	17.3%	43.7%	512.2%	27.0%	-74.3%	26.6%
European Union	6,042	15.8%	43.2%	501.4%	24.2%	-73.9%	24.0%
Northern Europe	2,029	5.3%	37.8%	397.5%	6.7%	-66.8%	6.3%
Western Europe	2,321	6.1%	40.2%	441.9%	8.4%	-74.8%	9.5%
Southern Europe	1,661	4.3%	51.0%	684.3%	8.7%	-76.4%	7.3%
Central/Eastern Europe	617	1.6%	51.2%	690.8%	3.3%	-81.7%	3.5%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

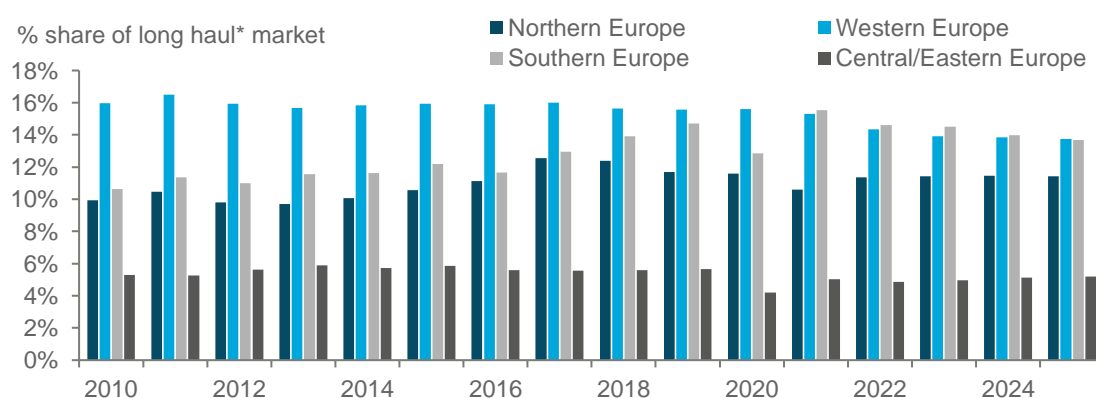
## United States Long Haul\* Outbound Travel



\*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

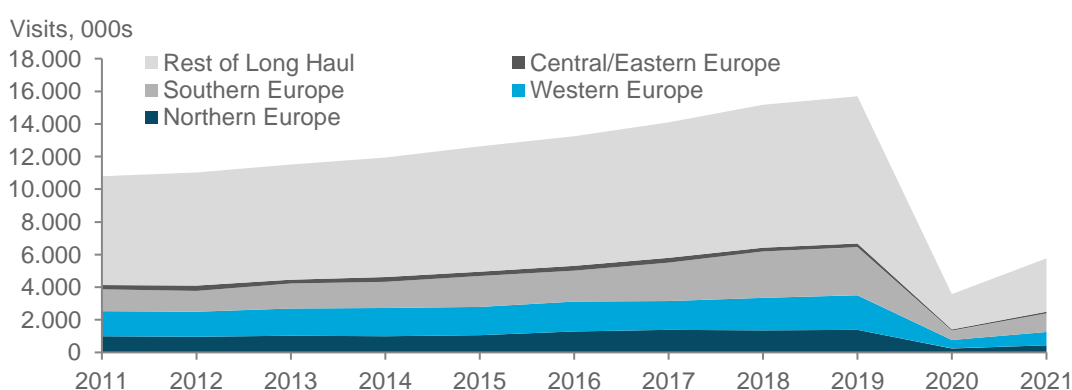
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	9,292	-	35.8%	361.8%	-	-73.5%	-
Long haul	3,535	38.0%	36.1%	366.2%	38.4%	-72.1%	36.2%
Short haul	5,757	62.0%	35.6%	359.0%	61.6%	-74.3%	63.8%
Travel to Europe	1,373	14.8%	36.3%	369.8%	15.0%	-72.3%	14.1%
European Union	1,318	14.2%	36.9%	380.4%	14.8%	-72.2%	13.5%
Northern Europe	304	3.3%	34.9%	347.1%	3.2%	-71.3%	3.0%
Western Europe	522	5.6%	32.1%	301.5%	4.9%	-69.9%	4.9%
Southern Europe	475	5.1%	42.7%	492.4%	6.6%	-75.0%	5.4%
Central/Eastern Europe	72	0.8%	20.3%	151.6%	0.4%	-71.9%	0.7%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

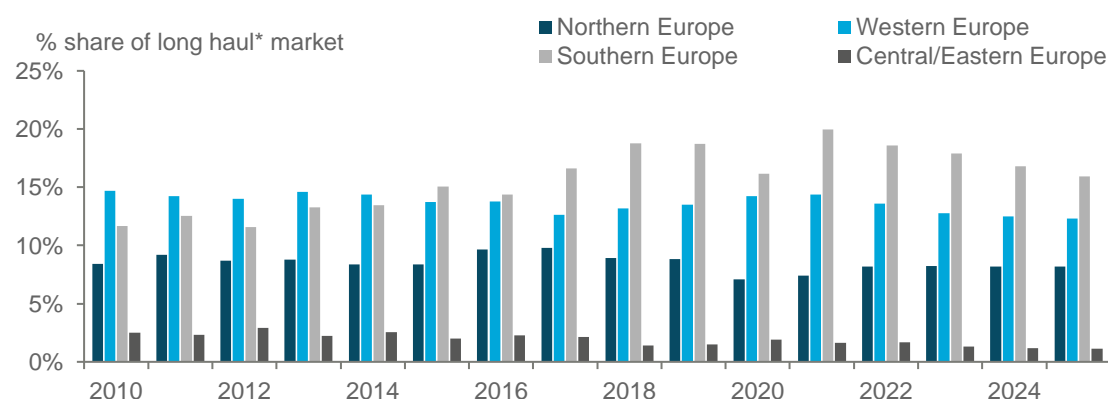
## Canada Long Haul\* Outbound Travel



\*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

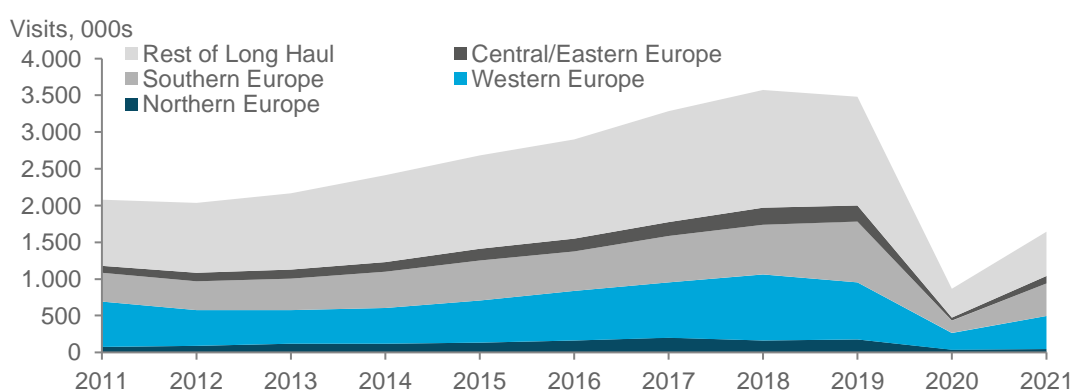
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	7,980	-	23.4%	185.6%	-	-62.5%	-
Long haul	844	10.6%	31.4%	292.0%	14.5%	-68.6%	12.6%
Short haul	7,136	89.4%	22.3%	173.1%	85.5%	-61.6%	87.4%
Travel to Europe	441	5.5%	33.0%	316.4%	8.0%	-68.8%	6.6%
European Union	410	5.1%	32.2%	303.7%	7.3%	-68.4%	6.1%
Northern Europe	35	0.4%	34.4%	338.5%	0.7%	-73.7%	0.6%
Western Europe	249	3.1%	23.7%	189.2%	3.2%	-56.5%	2.7%
Southern Europe	127	1.6%	43.4%	505.4%	3.4%	-76.7%	2.6%
Central/Eastern Europe	30	0.4%	45.2%	545.6%	0.8%	-81.4%	0.8%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

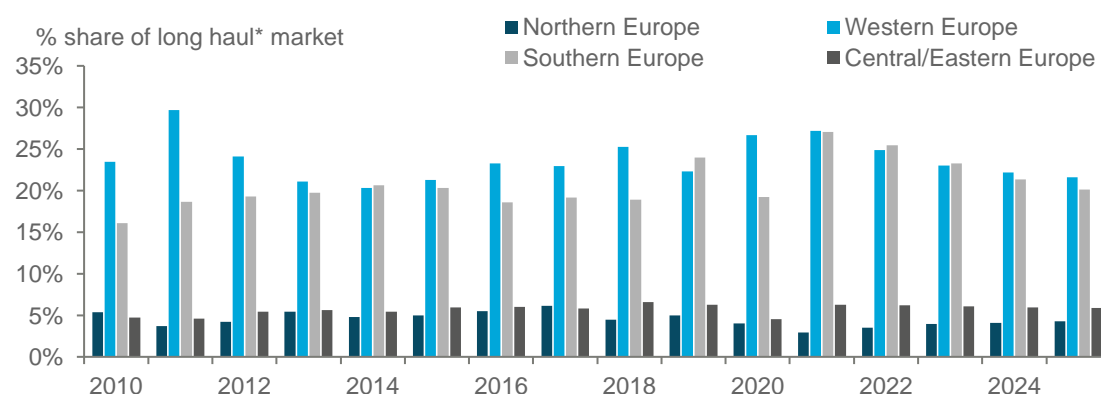
## Mexico Long Haul\* Outbound Travel



\*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

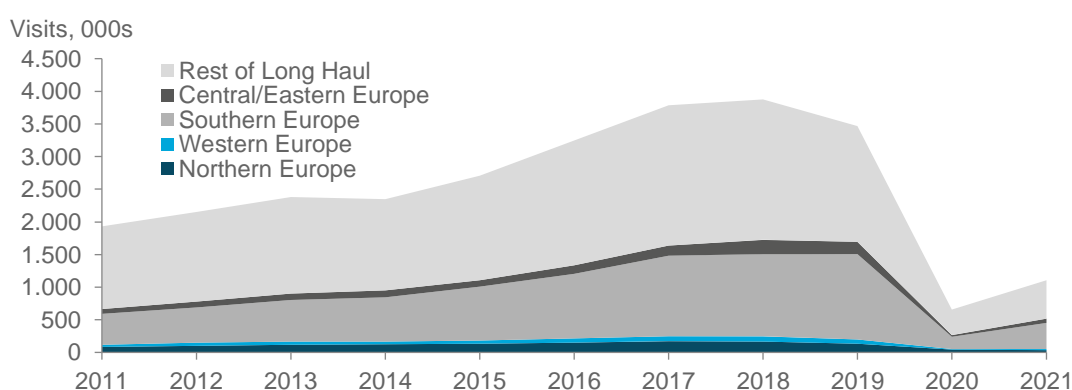
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	2,919	-	25.2%	207.9%	-	-69.9%	-
Long haul	602	20.6%	38.5%	409.8%	34.2%	-77.8%	28.0%
Short haul	2,317	79.4%	20.6%	155.4%	65.8%	-66.8%	72.0%
Travel to Europe	212	7.3%	44.5%	530.0%	14.8%	-80.9%	11.4%
European Union	194	6.7%	42.8%	494.5%	12.9%	-79.3%	9.7%
Northern Europe	39	1.3%	20.0%	149.1%	1.1%	-70.8%	1.4%
Western Europe	11	0.4%	40.4%	444.6%	0.6%	-79.0%	0.5%
Southern Europe	149	5.1%	47.5%	598.0%	11.6%	-81.8%	8.4%
Central/Eastern Europe	13	0.4%	60.8%	975.2%	1.5%	-87.4%	1.1%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

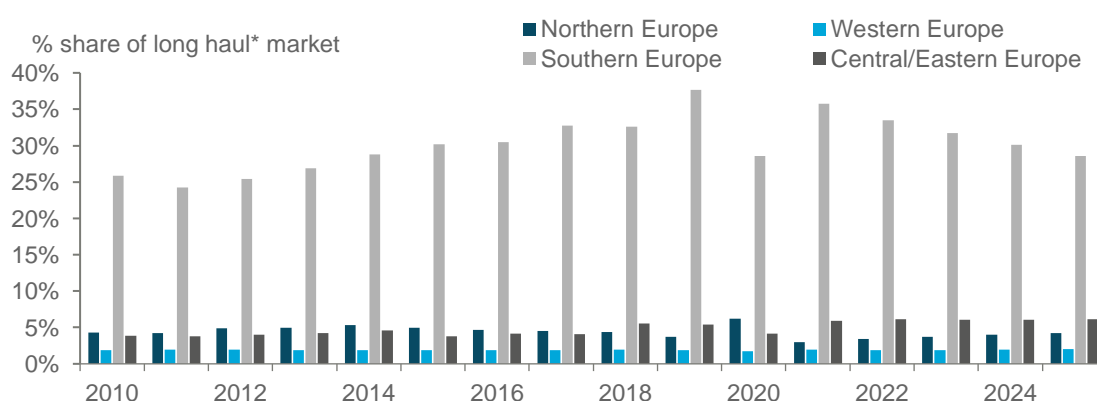
## Argentina Long Haul\* Outbound Travel



\*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

	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	2,859	-	31.2%	288.6%	-	-71.8%	-
Long haul	1,842	64.4%	33.6%	325.2%	70.5%	-75.4%	73.8%
Short haul	1,018	35.6%	26.4%	222.4%	29.5%	-61.8%	26.2%
Travel to Europe	1,025	35.8%	33.7%	327.4%	39.4%	-73.9%	38.6%
European Union	934	32.7%	33.3%	321.7%	35.5%	-74.0%	35.4%
Northern Europe	96	3.4%	25.1%	205.9%	2.7%	-69.7%	3.1%
Western Europe	454	15.9%	23.4%	186.3%	11.7%	-71.7%	15.8%
Southern Europe	397	13.9%	43.0%	497.6%	21.3%	-76.2%	16.4%
Central/Eastern Europe	78	2.7%	39.7%	432.2%	3.8%	-76.6%	3.3%

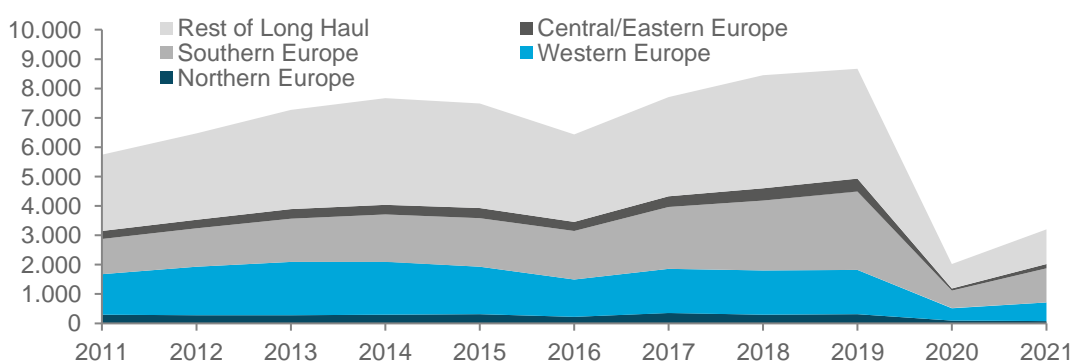
\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

## Brazil Long Haul\* Outbound Travel

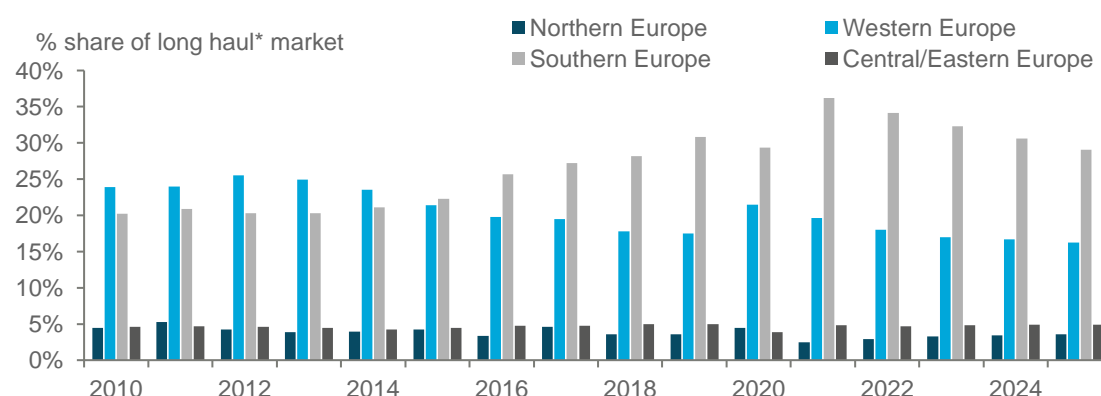
Visits, 000s



\*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

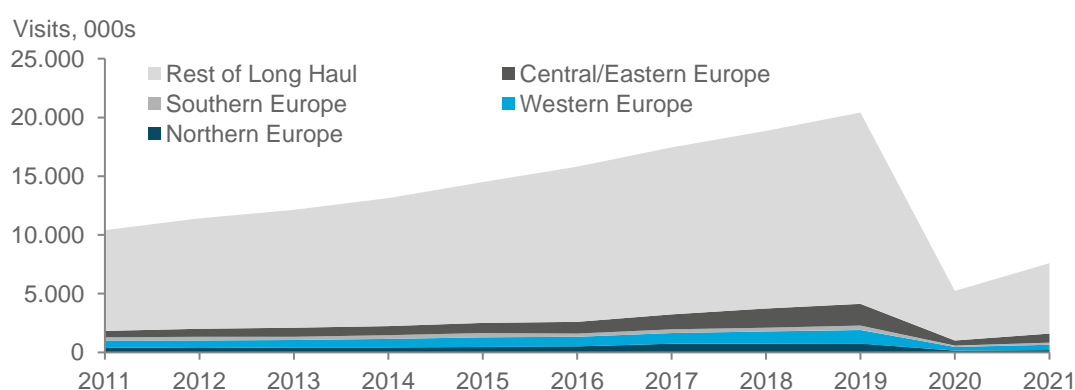
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	5,874	-	28.4%	249.6%	-	-62.3%	-
Long haul	5,434	92.5%	28.9%	256.0%	94.2%	-63.0%	94.2%
Short haul	440	7.5%	22.0%	170.1%	5.8%	-51.3%	5.8%
Travel to Europe	1,176	20.0%	27.1%	231.8%	19.0%	-52.7%	16.0%
European Union	672	11.4%	22.2%	172.6%	8.9%	-49.5%	8.5%
Northern Europe	245	4.2%	24.6%	200.5%	3.6%	-49.7%	3.1%
Western Europe	331	5.6%	25.8%	215.7%	5.1%	-58.9%	5.2%
Southern Europe	117	2.0%	29.1%	258.2%	2.0%	-65.1%	2.1%
Central/Eastern Europe	483	8.2%	28.6%	252.3%	8.3%	-43.9%	5.5%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

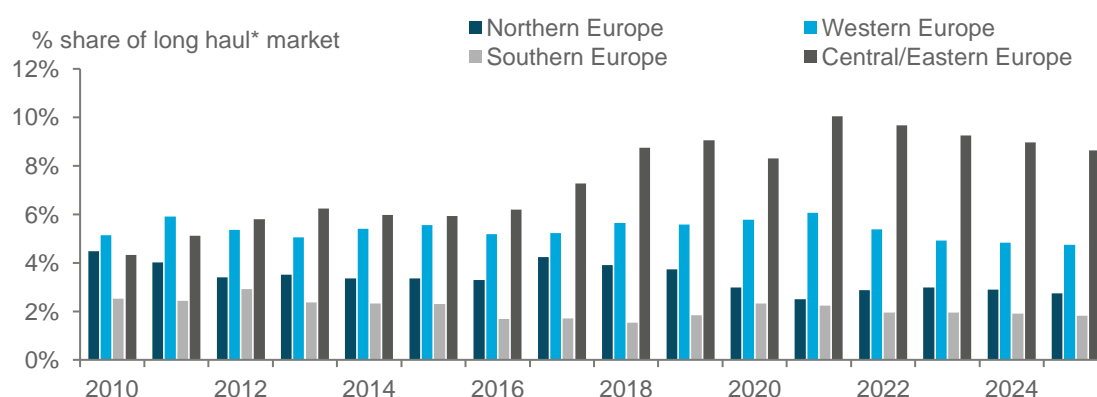
## India Long Haul\* Outbound Travel



\*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

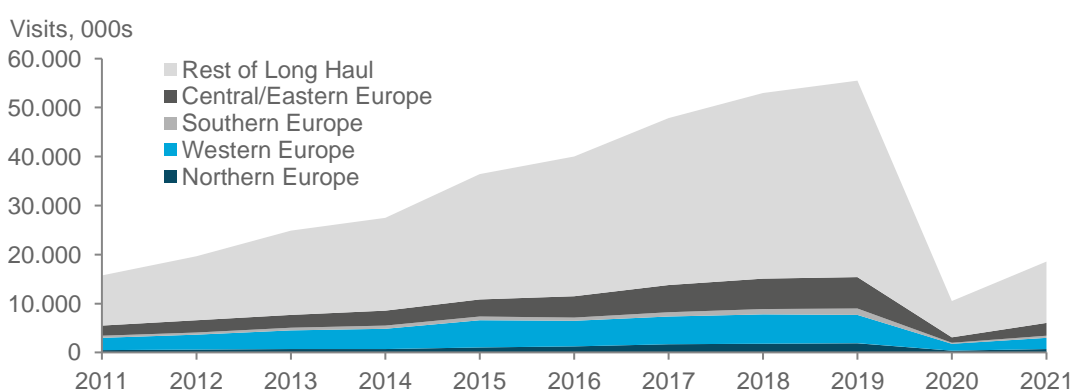
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	17,667	-	52.2%	717.7%	-	-80.5%	-
Long haul	10,186	57.7%	45.0%	541.8%	45.3%	-72.2%	40.6%
Short haul	7,481	42.3%	60.3%	957.1%	54.7%	-86.1%	59.4%
Travel to Europe	2,970	16.8%	42.4%	485.3%	12.0%	-72.5%	11.9%
European Union	2,024	11.5%	38.9%	417.2%	7.2%	-69.7%	7.4%
Northern Europe	277	1.6%	47.2%	590.7%	1.3%	-71.7%	1.1%
Western Europe	1,473	8.3%	36.5%	374.6%	4.8%	-73.9%	6.2%
Southern Europe	221	1.3%	42.4%	484.7%	0.9%	-71.0%	0.8%
Central/Eastern Europe	999	5.7%	48.4%	619.3%	5.0%	-70.8%	3.8%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

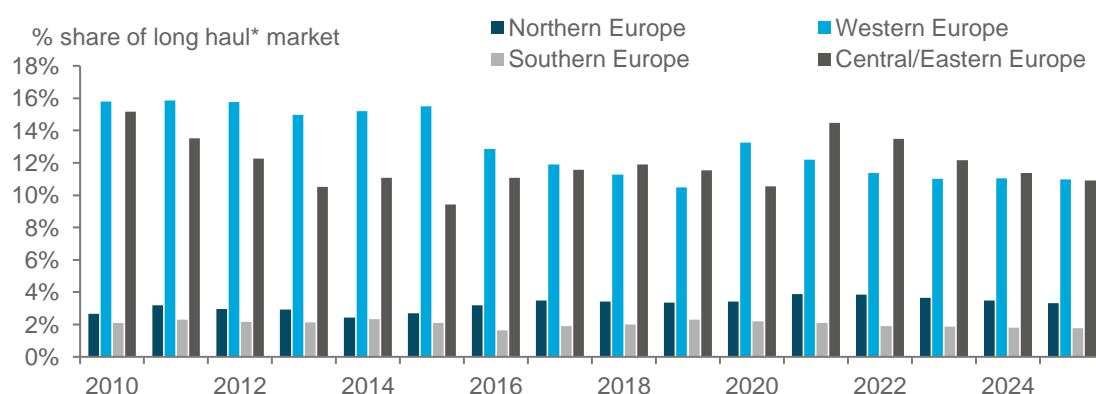
## China Long Haul\* Outbound Travel



\*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

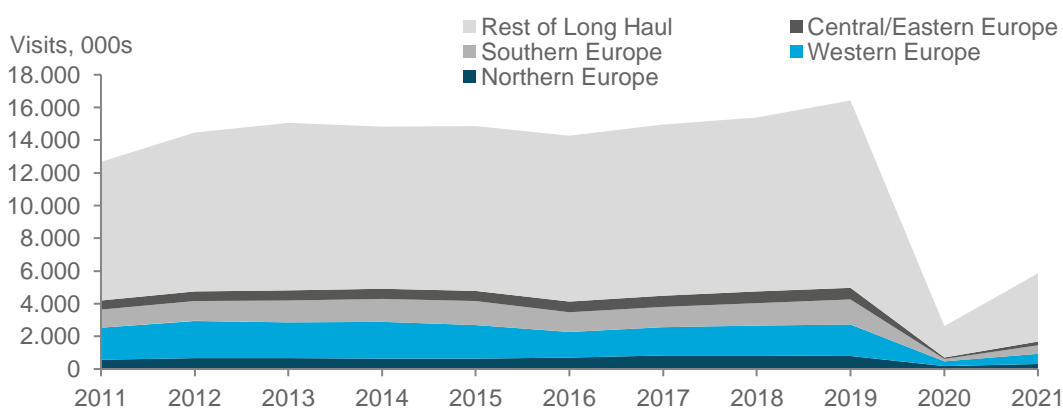
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	3,601	-	49.5%	647.4%	-	-83.5%	-
Long haul	2,675	74.3%	45.7%	557.2%	65.3%	-82.0%	68.3%
Short haul	925	25.7%	58.7%	908.2%	34.7%	-86.6%	31.7%
Travel to Europe	668	18.6%	49.7%	650.8%	18.7%	-86.1%	22.0%
European Union	617	17.1%	48.9%	630.9%	16.8%	-85.6%	19.7%
Northern Europe	166	4.6%	37.0%	382.2%	3.0%	-73.8%	2.9%
Western Europe	289	8.0%	46.8%	581.5%	7.3%	-85.9%	9.4%
Southern Europe	124	3.5%	65.9%	1158.2%	5.8%	-91.5%	6.7%
Central/Eastern Europe	89	2.5%	50.3%	668.0%	2.5%	-86.1%	2.9%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

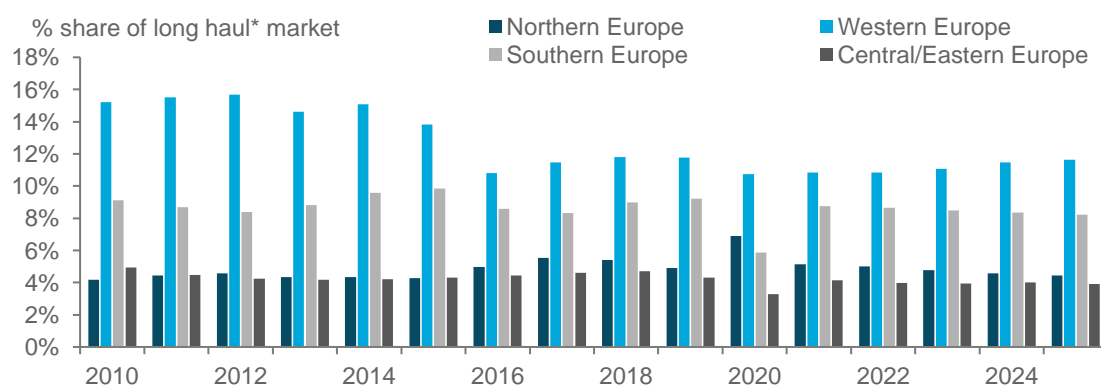
## Japan Long Haul\* Outbound Travel



\*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

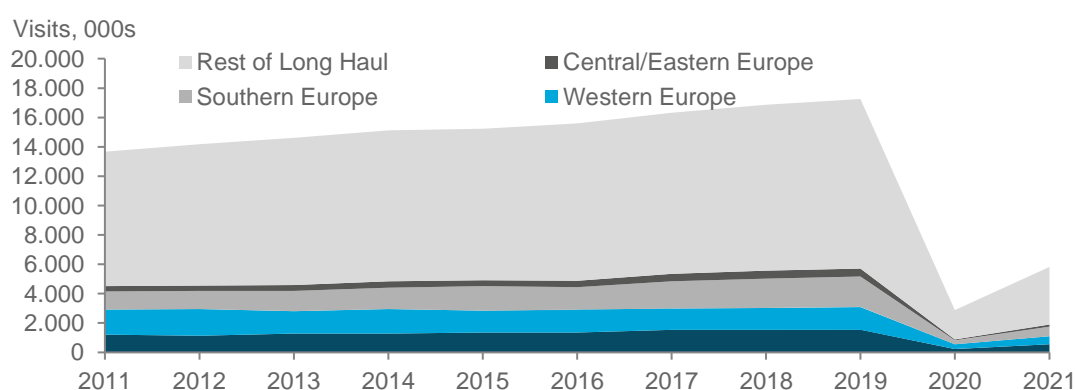
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	2,816	-	48.0%	611.0%	-	-82.4%	-
Long haul	2,719	96.6%	48.2%	613.8%	96.9%	-82.2%	95.6%
Short haul	97	3.4%	44.7%	533.8%	3.1%	-86.3%	4.4%
Travel to Europe	790	28.1%	51.8%	706.3%	31.8%	-84.0%	30.8%
European Union	735	26.1%	51.9%	708.6%	29.7%	-83.8%	28.4%
Northern Europe	265	9.4%	45.1%	542.2%	8.5%	-80.7%	8.6%
Western Europe	233	8.3%	42.9%	495.5%	6.9%	-84.1%	9.1%
Southern Europe	233	8.3%	63.3%	1060.7%	13.5%	-86.1%	10.5%
Central/Eastern Europe	60	2.1%	57.8%	877.1%	2.9%	-85.7%	2.6%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

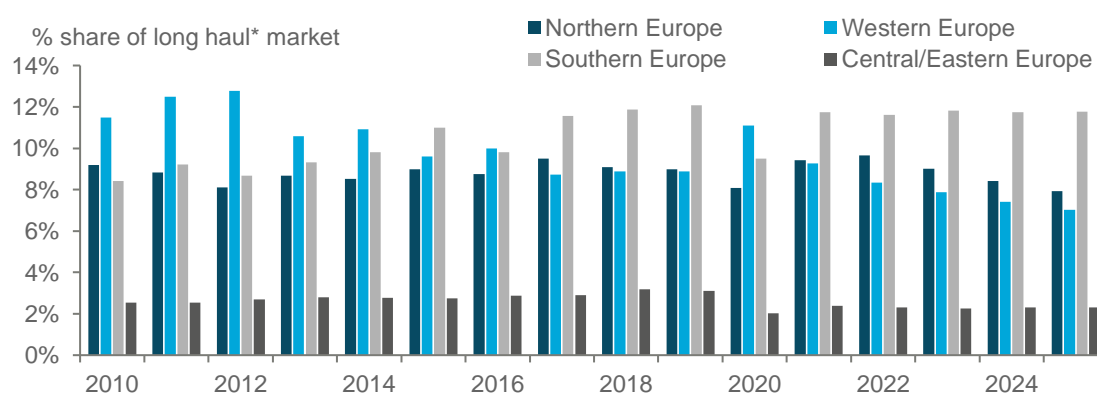
## Australia Long Haul\* Outbound Travel



\*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

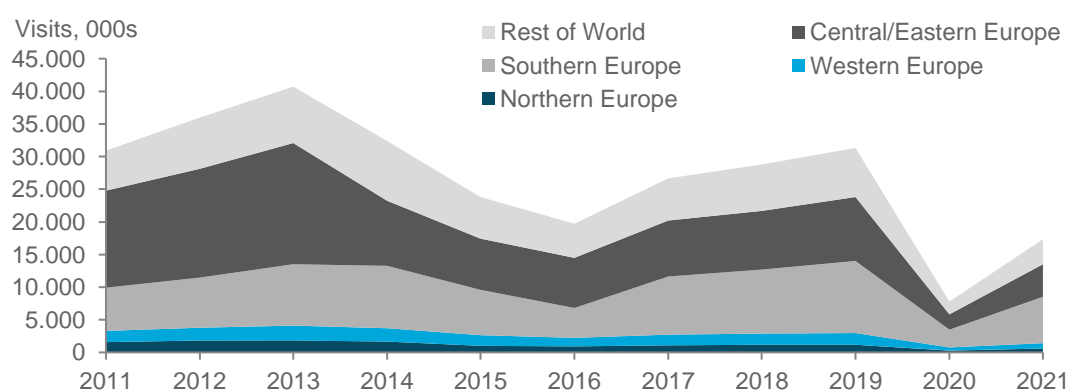
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	7,626	-	37.0%	383.3%	-	-67.9%	-
Long haul	1,828	24.0%	33.0%	316.5%	20.7%	-71.0%	26.6%
Short haul	5,798	76.0%	38.2%	404.4%	79.3%	-66.7%	73.4%
Travel to Europe	5,798	76.0%	38.2%	404.4%	79.3%	-66.7%	73.4%
European Union	2,213	29.0%	38.4%	408.5%	30.5%	-73.0%	34.5%
Northern Europe	326	4.3%	32.8%	313.6%	3.7%	-68.8%	4.4%
Western Europe	467	6.1%	32.5%	308.7%	5.2%	-70.5%	6.7%
Southern Europe	2,640	34.6%	37.8%	397.6%	35.6%	-61.9%	29.2%
Central/Eastern Europe	2,365	31.0%	40.3%	443.3%	34.9%	-69.9%	33.2%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

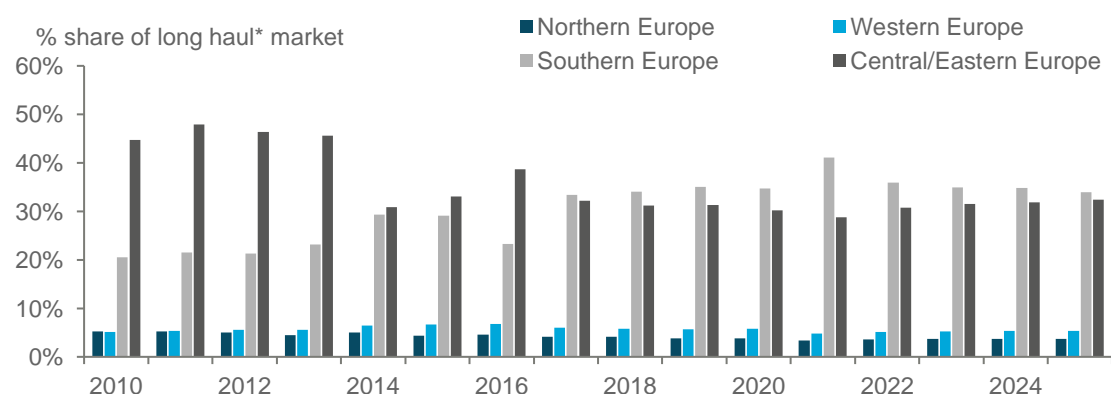
## Russia Long Haul\* Outbound Travel



\*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

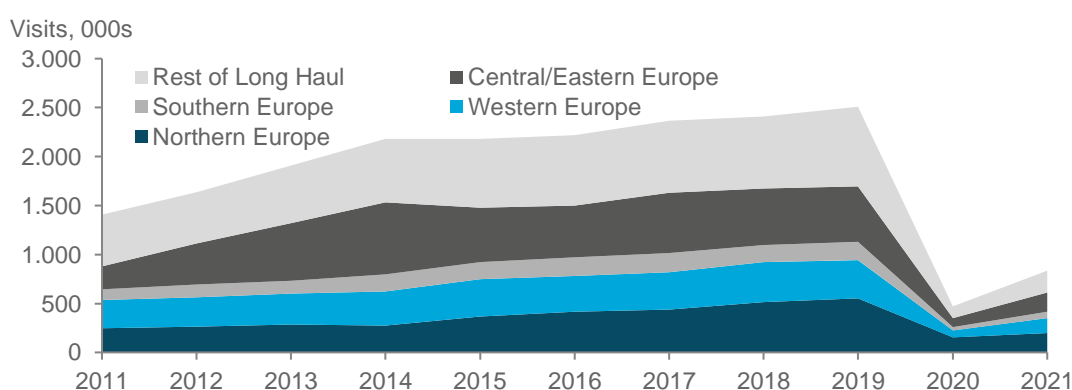
	2020		Growth (2020-25)			Growth (2015-20)	
	000s	Share**	Annual average	Cumulative growth*	Share 2025**	Cumulative growth*	Share 2015**
Total outbound travel	1,011	-	36.7%	377.4%	-	-74.7%	-
Long haul	530	52.4%	35.9%	363.7%	50.9%	-76.3%	55.9%
Short haul	481	47.6%	37.6%	392.6%	49.1%	-72.7%	44.1%
Travel to Europe	402	39.8%	32.0%	301.4%	33.5%	-73.6%	38.2%
European Union	286	28.3%	26.7%	226.6%	19.4%	-65.2%	20.6%
Northern Europe	179	17.7%	23.8%	190.3%	10.8%	-51.0%	9.1%
Western Europe	91	9.0%	33.4%	321.7%	7.9%	-78.7%	10.7%
Southern Europe	36	3.6%	34.5%	339.6%	3.3%	-79.5%	4.4%
Central/Eastern Europe	97	9.5%	41.8%	473.7%	11.5%	-82.7%	13.9%

\*Shows cumulative change over the relevant time period indicated. 2015-20 includes COVID-19 pandemic related declines.

\*\*Shares are expressed as % of total outbound travel

Source: Tourism Economics

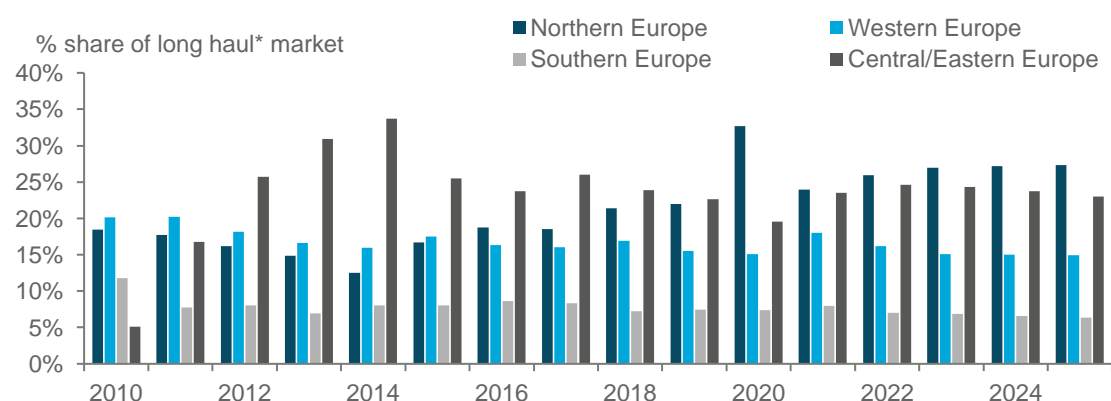
## United Arab Emirates Long Haul\* Outbound Travel



\*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 (lost value) 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

We have downgraded our global economic forecasts for H2 2021 and Q1 2022 because of Delta-related disruption and the mounting evidence that supply chain bottlenecks are likely to constrain activity for several more months. As a result, our world GDP growth forecast for this year has been lowered to 5.8% from 5.9% in September and 2022 is nudged down to 4.7% from 4.8%.

The global composite PMI fell in August, confirming that peak growth has already passed. The sharp drop in the services sub-index as well as in consumer sentiment in the advanced economies probably reflects the latest Delta-driven COVID-19 wave and the realisation that the pandemic is not yet over.

Although we have become more cautious about the Q3 consumer outlook, particularly in the US, we continue to expect the Delta wave to delay rather than undermine the recovery. This primarily reflects the fact that higher immunity levels now lessen the risk of major lockdowns.

We have also lowered our assessment of the growth outlook for the industrial sector. Despite buoyant industrial surveys and booming order books, global industrial production has broadly flatlined in H1 due to well-flagged supply chain and transportation issues. With firms continuing to report lower-than-desired inventories and growing problems in sourcing inputs, any upturn in industrial activity in H2 is likely to be modest. Parts of Asia may benefit from a Q4 upturn if restrictions to combat the spread of COVID-19 are loosened, but we expect a less front-loaded and a more gradual increase in industrial activity from here.



## Summary of economic outlook, % change\*

Country	2021					2022				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	6.9%	4.2%	0.2%	3.1%	2.2%	6.7%	8.7%	-1.2%	0.6%	2.7%
France	6.2%	4.7%	0.3%	0.0%	1.7%	4.2%	6.3%	0.7%	0.0%	1.6%
Germany	2.7%	0.1%	-0.2%	0.0%	2.9%	4.6%	9.6%	-0.5%	0.0%	1.6%
Netherlands	3.8%	2.4%	-0.4%	0.0%	2.3%	3.4%	6.2%	0.6%	0.0%	1.9%
Italy	6.2%	5.4%	0.5%	0.0%	1.6%	4.6%	6.5%	-0.6%	0.0%	1.2%
Russia	4.5%	6.4%	-0.8%	-7.1%	6.3%	2.7%	3.4%	-0.3%	-1.4%	4.6%
US	5.5%	8.0%	-2.7%	-4.8%	4.1%	4.4%	4.0%	-1.4%	-1.5%	2.6%
Canada	5.6%	5.7%	-1.9%	1.8%	2.9%	4.5%	6.5%	-0.7%	-2.8%	2.3%
Brazil	5.2%	3.7%	-0.1%	-7.8%	8.0%	1.7%	3.6%	-1.3%	-2.3%	6.2%
China	8.0%	9.6%	0.1%	1.6%	1.1%	5.4%	7.6%	-0.1%	-0.3%	2.8%
Japan	2.4%	1.7%	0.0%	-6.7%	-0.3%	2.8%	2.5%	-0.3%	-1.9%	0.3%
India	7.9%	7.7%	-1.2%	-4.1%	5.3%	7.5%	8.3%	-1.8%	-1.7%	4.8%

Source: Tourism Economics based on GEM as of 11.10.2021

\* 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.



## EUROZONE

Latest indicators show that the eurozone has been enjoying solid momentum. After revised GDP growth of 2.2% in Q2, driven by robust expansion in domestic demand, we expect Q3 to follow suit with another solid performance. Our forecast has been lifted slightly – we now see GDP growth of 5.1% in 2021 (up from 4.8% as per September) and then 4.5% in 2022.

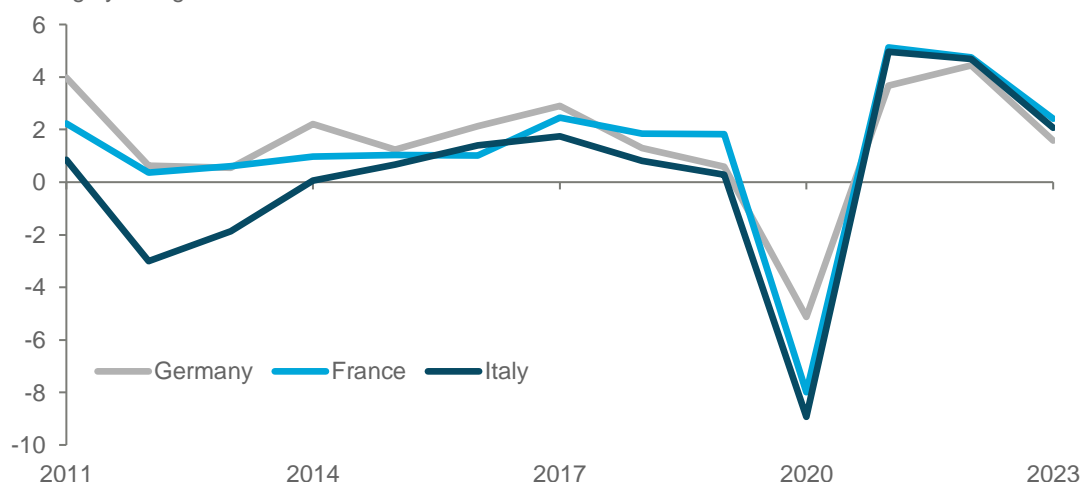
After the multi-year highs reached recently, some activity indicators have started to normalise. But this should not be seen as a worrying sign for the short-term outlook as alternative indicators, such as our proprietary trackers, continue to point to another solid quarter for growth in Q3. But going forward, the outlook for Q4 is less bright. We see the eurozone economy expanding by 1%. But uncertainty remains high.

Hard data so far are less positive, with the retail sales for July dropping by more than 2%. However, this was related to consumers normalising spending patterns from consumption of goods to services. Industrial data available so far, such as that for Germany for July, offered some respite to the sector which struggled over Q2. But the bottlenecks affecting the industrial sector mean that we have lowered our industrial forecasts for H2, pushing forward the expected recovery into next year.

High inflation has reached the eurozone, with the headline number at 3% in August and core at 1.6%, its highest in almost a decade. The outturn was higher than expected and triggered some marginal upward revisions to our inflation forecasts. But our big-picture view on prices in the eurozone has not changed – we continue to view the current inflation surge as largely transitory, mainly driven by pandemic-related issues and base effects that will fade next year. However, supply-chain disruptions could have a lasting impact on inflation in the near-term.

### Economic performance in key eurozone economies, real GDP

% change year ago



Source: Oxford Economics



## UNITED KINGDOM

We have nudged down our forecast for UK GDP growth in 2021 to 7.2%, from 7.3% in September, reflecting growing labour and component shortages. The biggest gains from re-opening the economy are now behind us but hopes of strong rebounds in consumer spending and business investment mean we remain bullish on the near-term outlook. Growth in 2022 is still seen at 6.7%.

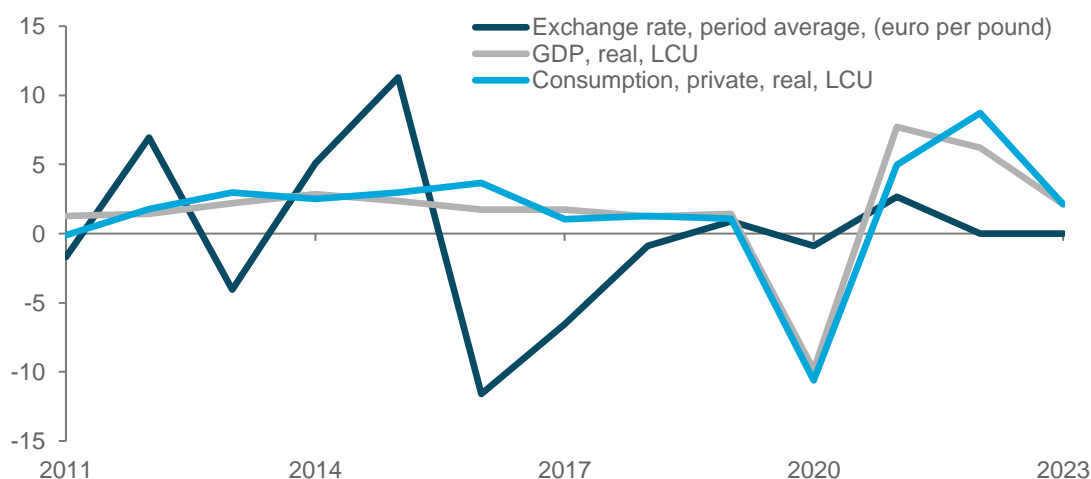
GDP rose by a surprisingly strong 1% m/m in June, although with the May increase revised down to 0.6% this meant that growth in Q2 as a whole was in line with expectations at 4.8% q/q. The key drivers of June's acceleration were a further pickup in activity in the hospitality sector, boosted by a full month of indoor venues being open, and stronger output in the health sector.

We expect the pace of growth to have cooled in July. Retail sales plunged by 2.5% m/m in July, while business surveys weakened, partly because rising COVID-19 cases triggered a surge in the number of people asked to self-isolate. But the recovery should quickly regain momentum. Lower case numbers and less stringent self-isolation rules will reduce the scale of COVID-related disruption from August. We also expect to see a boost from the removal of the remaining COVID-19 restrictions on 19 July. This included re-opening previously closed settings and the removal of social distancing restrictions that required many venues to operate at reduced capacity.

Input shortages represent a potentially serious constraint on activity. Component shortages may start to ease through H2 2021, but problems are unlikely to be fully resolved until 2022, so we have lowered our short-term forecast for manufacturing output. In the labour market there are some serious sector-specific issues which will take time to resolve. The cessation of the furlough scheme should ease some of the frictions that have become apparent in the services sector in recent months, although this will not yet be reflected in the data.

### United Kingdom economic outlook

% change year ago



Source: Oxford Economics



## UNITED STATES

The US economy has cooled significantly as a result of the rapidly spreading Delta variant, a diminishing fiscal impulse and lingering capital and labour supply constraints. But signs that COVID-19 infections may be peaking should prevent the labour market recovery from going into reverse and ensure that consumer spending maintains moderate momentum heading into 2022. Due to these factors, we have cut our 2021 GDP growth forecast to 5.5% from 6.1% as per September, and 2022 growth is lowered to 4.4% from 4.8%.

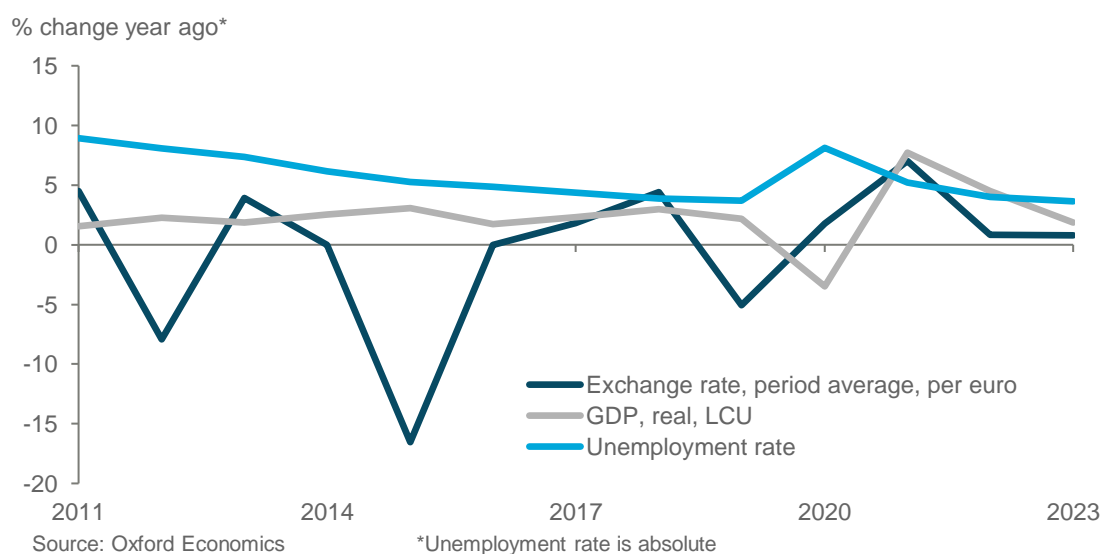
Although pandemic fatigue is setting in and leading to strong emotional responses, we believe slower spending growth is more likely than consumers actually retrenching. Employment growth remains solid, compensation is rising, household finances appear healthy, and savings buffers are elevated. Combined, these factors should help support record consumer spending growth of around 8% this year.

The labour market recovery cooled markedly in August as businesses and jobseekers grew more cautious in the face of the fast-spreading Delta variant. The soft 235,000 jobs gain fell well short of estimates with weakness concentrated in the most COVID-vulnerable sectors (e.g., travel and hospitality). Still, labour market progress remains visible with the unemployment rate falling to a new post-pandemic low of 5.2% and wage growth accelerating.

Headline PCE inflation rose 0.2pp to 4.2% y/y in July, the highest since 1991 and probably a peak, but core inflation was unchanged at 3.6% y/y, the highest since the early-1990s. While core inflation will probably remain sticky heading into 2022, we see inflation slowing to an average of 2.6% next year.

Given our outlook for employment and inflation, we expect the Federal Open Market Committee (FOMC) to start tapering its QE programme in December or January, depending on how the Delta variant affects the economy. We still expect rate lift-off in 2023, with two 25bp rate hikes.

### United States economic outlook







## JAPAN

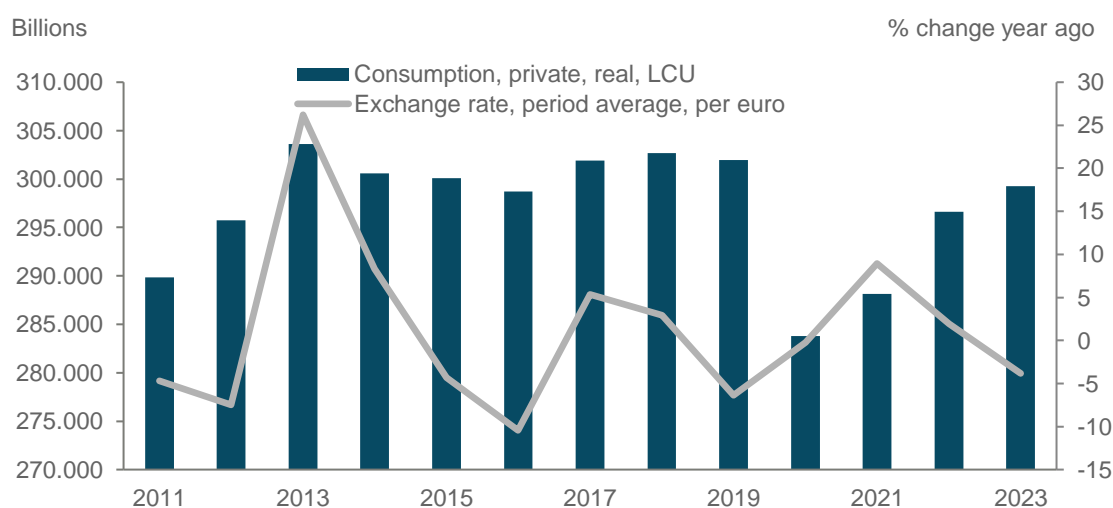
We have lowered our Q3 GDP growth forecast slightly to 0.5% q/q from 0.6% in September amid some softening in foreign demand. On the domestic front, a new wave of COVID-19 cases led by the Delta variant has led to a further decline in mobility in August. We now forecast 2021 GDP growth of 2.4% in 2021, up slightly from 2.3% as per September due to an upward revision for Q2, and then 2.9% in 2022.

The Delta variant has driven a massive wave of new COVID-19 infections this summer. Until late-July, the state of emergency in major cities had failed to reduce mobility, leading to steadiness in consumption activity at this point. But the spread of the Delta variant led to a decline in mobility in August, and we expect consumption to stagnate in Q3.

With the vaccination progress ongoing, consumption will probably regain momentum in Q4, albeit at a modest pace. Surveys for capital investment have continued to improve. On the other hand, a softening in China's growth momentum casts a shadow over export development in the near-term, and supply-chain disruptions will continue to hinder international trade and production.

Under a new base year series, core CPI (excl. fresh food) was in negative territory for twelve months in July (-0.2% y/y). We expect the BoJ's current policy rates to be maintained. The yen has been trading around ¥110/US\$ and will probably remain weak until late-2022 given the more favourable US growth prospects.

### Private consumption in Japan



Source: Oxford Economics



## EMERGING MARKETS

The Delta variant continues to take a toll on activity and sentiment in many Emerging Markets (EMs). Despite headwinds, we expect growth momentum to pick up in Q4, leaving our GDP forecast for this year unchanged at 6.8%. But a cut to the 2022 outlook for China pulls our overall EMs GDP growth forecast for next year down to 5.1% from 5.3% in September.

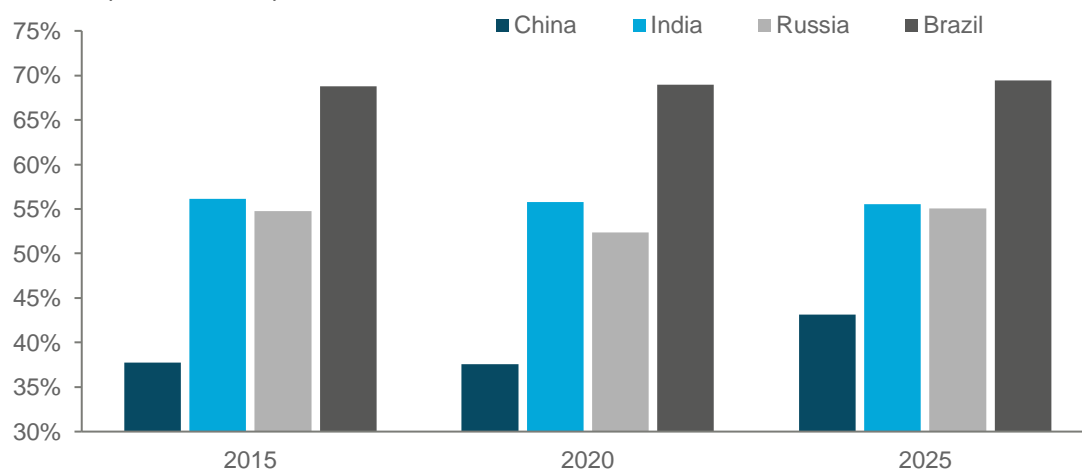
August PMI data showed a softening in momentum across many EMs, including in China, where we have cut our 2022 GDP growth forecast to 5.8% (down 0.3ppt) to reflect more caution among consumers and businesses in the face of the authorities' low COVID-19 tolerance and hence the likelihood of future restrictions.

Q2 GDP data saw downside surprises in India, Indonesia and Brazil, offset by stronger-than expected growth in Chile, Hungary, South Africa and Turkey. Growth performance will remain varied in Q3, with weakness persisting in Asia as slow vaccine progress constrains the pick-up in consumption amid recurrent COVID-19 outbreaks, while industrial and export recovery face supply chain pressures. In several EM economies, health threats carry the risk of further disruption to activity in Q4.

With global food prices on the rise, inflationary risks continue to build. Although the start of US rate hikes is not imminent, more EM central banks are opting for rate lift-off. Chile and Peru both delivered hawkish surprises in August and we cannot rule out a similar move in Colombia. We also now expect Russia to extend its tightening cycle in October to anchor inflationary expectations

### Propensity to consume in key Emerging Markets

% share, private consumption / GDP



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

**France** – Atout France

**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** – Agenzia Nazionale del Turismo (ENIT)

**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 Economy, Entrepreneurship and Tourism

**San Marino** – State Office for Tourism

**Serbia** – National Tourism Organisation of Serbia (NTOS)

**Slovakia** – Slovakia Travel

**Slovenia** – Slovenian Tourist Board

**Spain** – Turespaña – Instituto de Turismo de España

**Switzerland** – Switzerland Tourism