

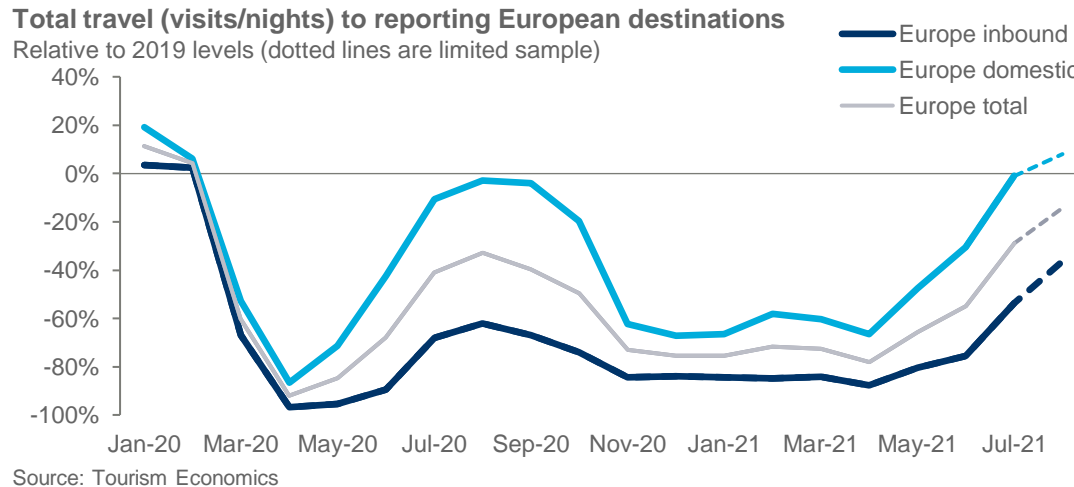
**EUROPEAN
TRAVEL
COMMISSION**

European Tourism – Trends & Prospects Quarterly Report 3/2021

Executive Summary

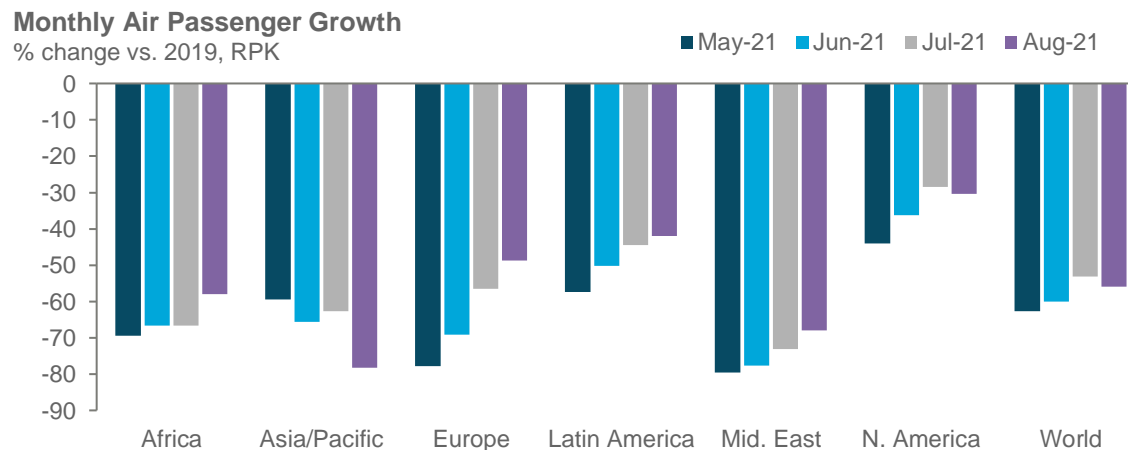
A promising summer season for most

- 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.



Rapid improvement in European air passenger demand

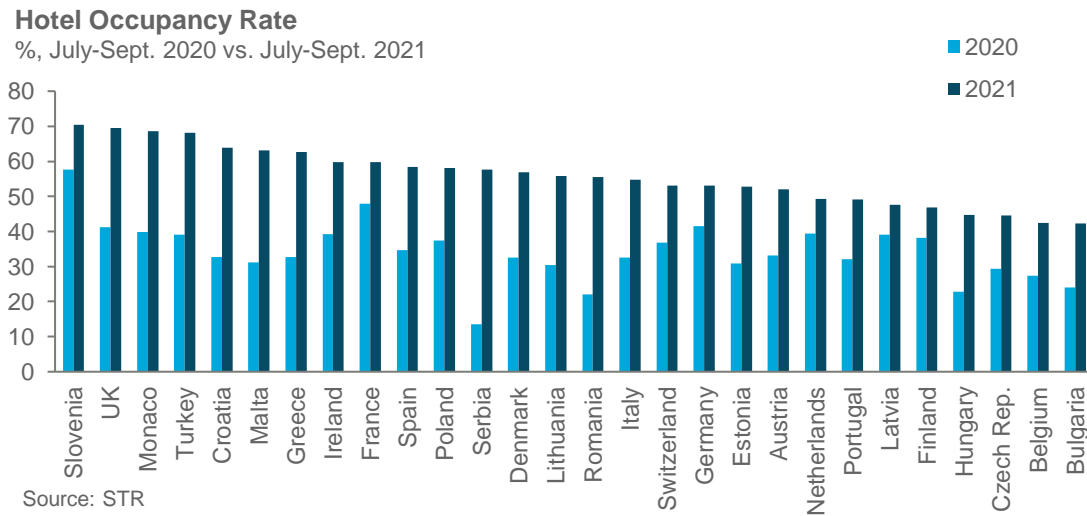
- Airlines in Europe also continued to recover in August as progress in vaccination rates permitted the loosening of restrictions, but with international RPKs still down 56% compared to 2019.
- Data from Eurocontrol currently only goes up to the end of August as well but confirms the overall picture of tentative recovery. The number of flights were down around 32% in August 2021 compared to August 2019 but marking a significant improvement 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.



Source: IATA

Hotel performance this summer outperformed last

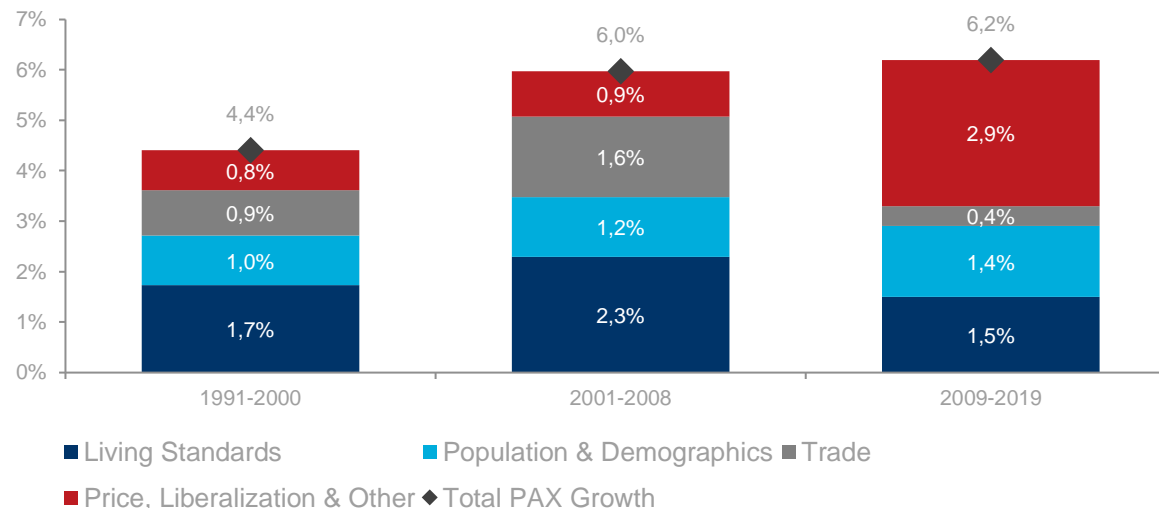
- All reporting European destinations enjoyed higher levels of hotel occupancy this summer compared to last, based on data for July-September. A number of destinations reported occupancy rates close to 70%, including Slovenia, the UK, Monaco, and Turkey.
- However, it is not clear within the data how many hotels have closed because of the pandemic and have yet to reopen; this reduction in supply will only support higher levels of occupancy temporarily, until room supply returns to pre-pandemic levels.
- 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.



The end of low-cost travel era could be drawing near...

- 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.
- The costs of travel have been falling for decades and lower air fares have played a critical part in this. This, alongside market liberalisation, played an increasingly important role in passenger growth in the most recent growth cycle. Raising fares risks dampening the recovery in demand for air travel. However, while there are plenty of reasons why travel prices may increase, evidence of this is not yet definitive.

Passenger growth decomposition by growth cycle
% CAGR



Summary of economic outlook

- Oxford Economics have downgraded their 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. Their GDP growth forecast for this year has been lowered to 5.8%, and 2022 is nudged down to 4.7%.
- A sharp drop in some key economic indices in August, 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. This has prompted some cautious about the Q3 consumer outlook, particularly in the US, nonetheless the Delta wave is expected to delay rather than undermine the recovery. This primarily reflects the fact that higher immunity levels now lessen the risk of major lock-downs.

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.