





# EUROPEAN TOURISM: TRENDS & PROSPECTS

## Quarterly report (Q1/2022)

A report produced for  
the European Travel Commission  
by Tourism Economics



Brussels, May 2022

ETC Market Intelligence Report



## EUROPEAN TOURISM: TRENDS & PROSPECTS (Q1/2022)

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Data sources: This report includes data from the [TourMIS database](#), [STR](#), [IATA](#), [Eurocontrol](#), [UNWTO](#), and [Transparent](#). Economic analysis and forecasts are provided by [Tourism Economics](#) and are for interpretation by users according to their needs.

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Rue du Marché aux Herbes, 61,  
1000 Brussels, Belgium

Website: [www.etc-corporate.org](http://www.etc-corporate.org)

Email: [info@visiteurope.com](mailto:info@visiteurope.com)

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**Cover:** Drina house reflection - Colorful little house on the rock on the middle of the Drina river in west Serbia, one of the most popular attractions of this area

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## FOREWORD

European tourism portrays signs of resilience amid setbacks and looks poised to continue recovering in 2022, albeit at a slower pace than previously hoped. As the region was picking up again from the devastating impacts of the global pandemic, tourism continues to face challenges, such as lingering concerns about new Covid variants, inflationary pressures on household spending, climate change, and the potential for a prolonged Russo-Ukrainian war. These disruptions and escalating uncertainty for the global travel and tourism industry continue to make accurate predictions arduous. On the brighter side, strong pent-up demand for domestic and intra-European travel will help keep the industry afloat and continue to drive the region's tourism rebound in 2022, while transatlantic travel shows encouraging signs.

Over the last decade, the tourism sector has endured multiple challenges. The global pandemic served as a cautionary tale and encouraged destinations to be prepared for what could lie ahead. Research shows that Covid-19 is ebbing as a key factor influencing travel plans, helped by the Covid-19 vaccine and boosters and destinations' health protocols and certifications. Furthermore, following the Easter holiday period, holidaymakers are now getting ready for the summer season after a long period of restrictions, while tourism businesses aspire to recover the revenue lost to the global pandemic.

Although reaching pre-pandemic tourism volumes might make most headlines in the industry, other aspects such as reducing the impact of the travel industry on climate change or countering the perception of overtourism in destinations should not be left behind. As travel and tourism returns, destinations should endeavour to effect meaningful change. These changes should aim to prevent past mistakes, such as unmanaged growth and minimise the potential negative effects of tourism on residents' quality of life and natural ecosystems.

Unlike the pandemic, the climate crisis has been around for decades, it is accelerating faster than scientists predicted and it will continue to be one of the threats faced by the industry in the coming years. While it remains to be seen whether destinations will see crowded beaches and tourism hot spots this summer season, nonetheless, the world has a moral responsibility to address the climate crisis, and government action as well as that of travellers and local communities are pivotal for climate change mitigation. In the efforts to safeguard the tourism industry and ensure the sustainable return of travel, it is imperative to prioritise climate action plans, embrace a low carbon pathway and educate and raise awareness among both travellers and businesses. The tourism industry has the potential to drive greener changes and transform the travel sector for the benefit of the planet and ensure a resilient future for the coming generations.

The *European Tourism Trends & Prospects* quarterly report provides a thorough analysis of tourism trends in Europe, key source markets and the macroeconomic environment. This latest edition monitors the European tourism recovery during the first quarter of 2022, amidst the pandemic, geopolitical conflicts and a cost-of-living crisis.

Jennifer Iduh  
ETC Executive Unit



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## EXECUTIVE SUMMARY

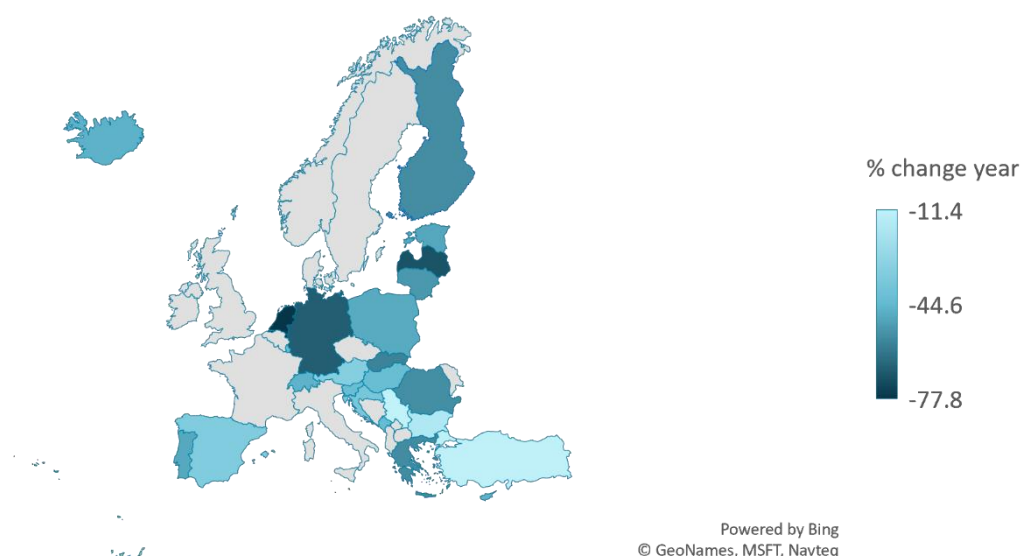
### EUROPEAN TRAVEL TO EXPERIENCE SLOWER BUT STEADY RECOVERY DESPITE NEW CHALLENGES IN 2022

European tourism seems to remain resilient to economic, pandemic and geopolitical headwinds. The ongoing Russo-Ukrainian conflict has led to an elevated oil and gas crisis. Soaring energy and commodity prices, which are driving inflation, have increased business costs, disrupted supply chains and could hurt consumer spending for much of 2022. Lingering uncertainty remains about the extent to which the oil-price shock will weigh on travel due to the sector's energy reliance. Should the conflict persist, the impact could be translated into increased transportation costs, while holidaymakers are likely to explore closer-to-home destinations and reduce travel spending.

Latest available data suggests that in 2021, international tourist arrivals were 61%<sup>1</sup> below pre-pandemic levels. The outlook remains bleak in global growth terms, however, in 2022 arrivals to Europe are forecast to be 30% below 2019 volumes supported by domestic and short-haul travel. Domestic travel is projected to recover fully in 2022, while international travel is now expected to exceed 2019 levels only by 2025. Uncertainty about possible new Covid-19 variants or further outbreaks and a prolonged war in Ukraine affecting travel to neighbouring countries could take its toll on European tourism recovery this year.

Despite remaining in negative territory, year-to-date data for 2022 showed that across all reporting destinations, arrivals are estimated to be 43% lower on a weighted basis relative to 2019, an improvement over the 60% decline observed in the previous quarter. The fastest rebounds based on data to February were reported by Serbia (-11%) and Turkey (-12%). Other destinations recovering at a faster pace based on data to February-March 2022 are Bulgaria (-18%), Austria (-33%), Spain and Monaco (both -34%), and Croatia (-37%) compared to 2019.

### Foreign Visits and Overnights to Select Destinations



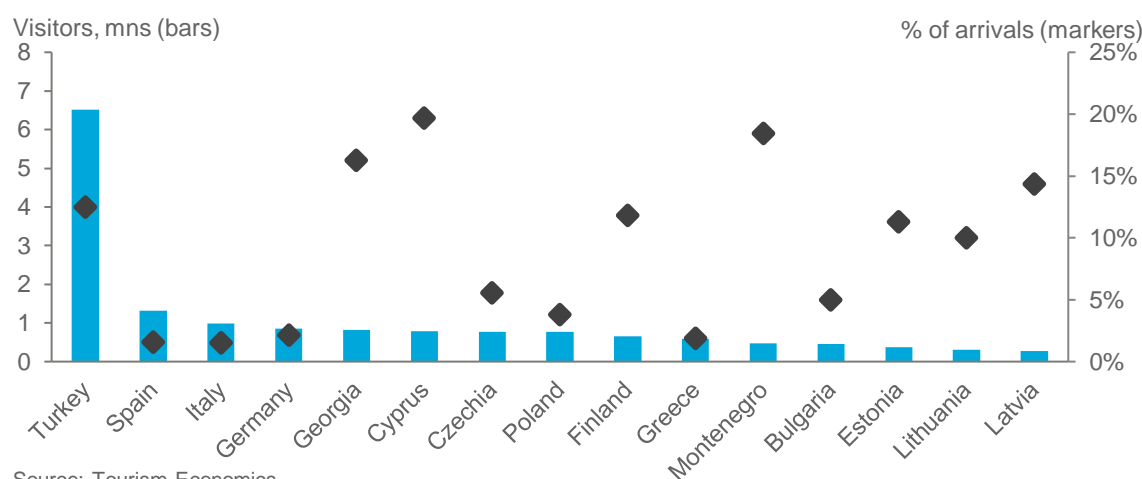
### EUROPEAN AVIATION RECOVERY WAS DERAILED BY THE WAR IN UKRAINE

<sup>1</sup> Tourism Economics



The impact of the Russia-Ukraine conflict on the recovery of European air travel has been limited and has been more severe in Russia and in countries neighbouring Ukraine, dampening both international and domestic air travel. The closure of Russian, Ukrainian, Moldovan, and Belarussian airspaces to most Western European airlines has caused flights to be suspended or re-routed, causing long detours between Europe and East-Asia. Nevertheless, this impact should be minimal in the short-term as Asian markets still have strict Covid policies in place, restricting international travel from these source markets.

### Top European destinations for Russian visitors, 2019



### EUROPEAN TOURISM RECOVERY IS FACING EXCEPTIONALLY UNSTABLE TIMES

When recovery from Covid-19 was underway, Western sanctions against Russia, following its invasion of Ukraine, resulted in the ban of Russian airlines in Europe and vice versa. Furthermore, a spike in jet fuel prices raised air fares for Russians considering a trip to other European destinations. In 2021 Russian global outbound travel had plummeted 67.4% compared to 2019 due to the Covid-19 pandemic, with a 63.4% decline in travel to Europe. The downward impact of the Russia-Ukraine war will be mostly felt in destinations heavily reliant on Russian outbound travel, such as Cyprus, Montenegro, Latvia, Finland, Estonia and Lithuania, for which Russians accounted for at least 10% of total inbound travel in 2019. European reporting destinations continue to see marked declines in Russian arrivals, averaging -83.9% based on data to January although data to February showed an improvement to -46.4%. Croatia, Serbia, Turkey, Slovenia, Montenegro and Hungary managed to register growth in arrivals or overnights from the Russian market over 2019 volumes.

Although the war in Ukraine is tilting risks to the downside, there seems to be limited impact on Europeans' overall travel intention. Recent research suggests that 77% of Europeans intend to travel between April and September 2022, with a strong preference for Mediterranean destinations, such as Spain, Italy or France<sup>2</sup>. *It is crucial that destinations continue to work together, especially in times of challenges and support consumer confidence by sending the right and coordinated messaging and ensuring safe travel within the region despite the pandemic and geopolitical challenges. Travel is a force for peace, understanding and respect and at ETC we will remain steadfast in our commitment to ensuring travel continues to build bridges between different cultures and people.*" said Eduardo Santander, Executive Director of the [European Travel Commission \(ETC\)](https://etc-corporate.org/reports/monitoring-sentiment-for-domestic-and-intra-european-travel-wave-11/).

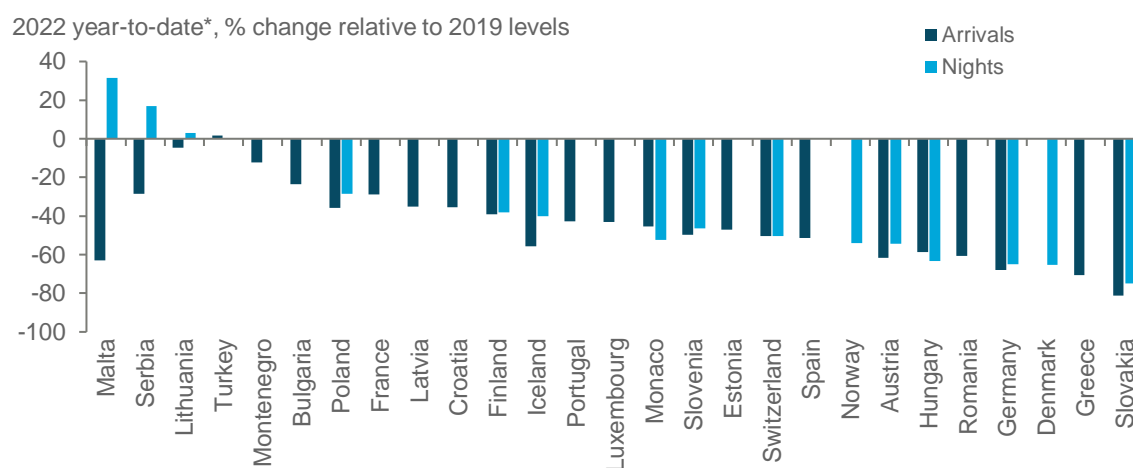
<sup>2</sup> <https://etc-corporate.org/reports/monitoring-sentiment-for-domestic-and-intra-european-travel-wave-11/>



No immediate signs of recovery are visible from the world's biggest tourism spender; China is currently enduring a severe outbreak of the Omicron variant in Shanghai and other big cities, prompting authorities to reimpose strict lockdowns and mandatory testing to suppress the spread of the virus. Besides the 'zero Covid' policy in place, the crisis unfolding in Ukraine could erode Chinese travel confidence. Over 50% of reporting destinations saw declines of over 90% in Chinese tourist arrivals compared to 2019. However, Serbia (+45.6%), was the only destination seeing an increase in nights over 2019, helped by strong ties between the two countries and improved air connectivity.

In the US, the impact of the war in Ukraine could hurt travel sentiment to Europe. A recent survey conducted by MMGY Travel Intelligence indicates that 62% of US travellers planning to visit Europe stated concerns about the war in Ukraine spreading to nearby countries as a factor impacting plans, which is double the number of respondents that mentioned Covid-19 health and safety concerns as a factor<sup>3</sup>. Nevertheless, the US remains among the top performers compared to other long-haul source markets.

### American Visits and Overnights to Select Destinations



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

Jennifer Iduh (ETC Executive Unit)

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

<sup>3</sup> <https://www.mmgyglobal.com/news/war-in-ukraine-now-twice-as-likely-as-covid-19-to-impact-americans-vacation-plans-to-europe/>





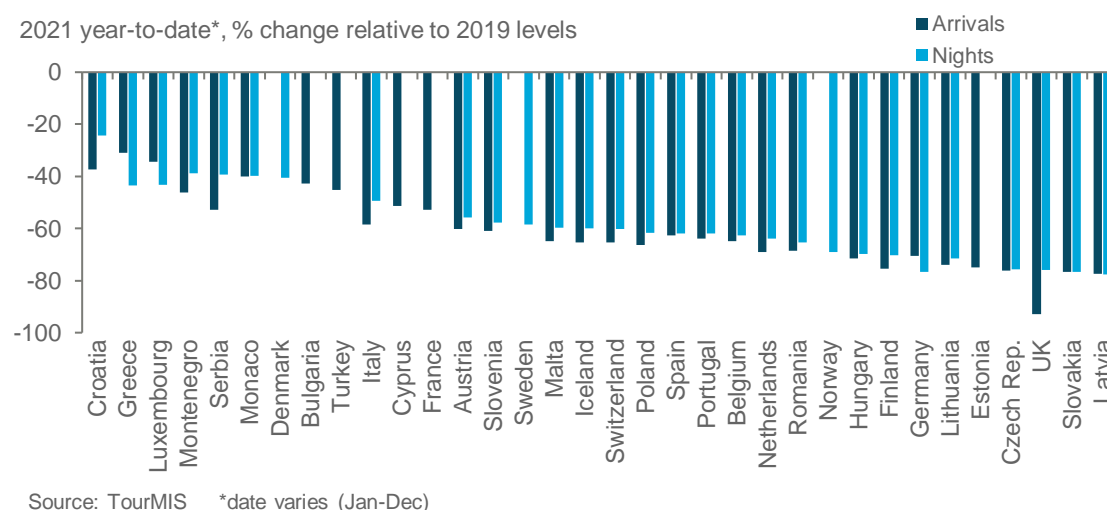
# 1. TOURISM PERFORMANCE SUMMARY 2021

## SUMMARY

- Following a successful summer season Europe-wide in 2021, the emergence of the Omicron variant stalled recovery for Q4 2021.
- Short-haul and domestic travel dominated the travel profile for 2021, with fears of contracting Covid-19 when using public transport causing travellers to look for destinations accessible by private transport alternatives, such as car. Lingering caution around long-haul trips, spurred on by the emergence of Omicron, and restrictions for outbound travel for long-haul markets meant short-haul travel remained key to Europe's recovery.
- Despite significant recovery for air departures from Europe in 2021, passenger load factors and increasing commodity prices reduced carriers' profits.
- Signs of recovery were apparent across both the leisure and business markets. Europe's high vaccination rate will allow this pent-up demand to drive recovery in 2022.
- In the travel and tourism sector, labour shortages reported across Europe in summer 2021 may be a potential growth constraint in 2022.

Travel restrictions being eased, increased rates of vaccination, and the provision of the EU Digital Covid-19 certificate all contributed to a 2021 summer that was better than expected. Moving into the winter months, a seasonal slowdown in travel was already expected, but the outbreak of the Omicron variant stalled recovery in the closing months of the year.

## Foreign Visits and Overnights to Select Destinations

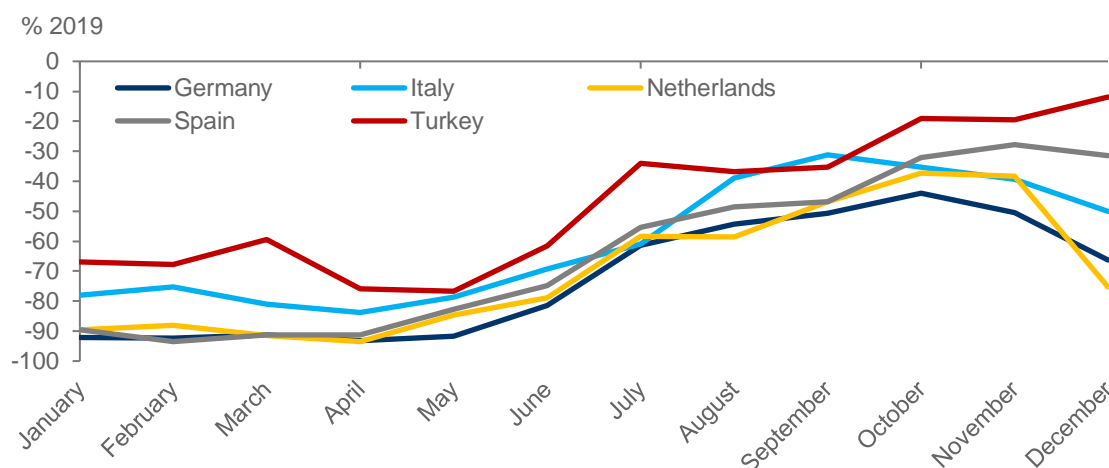


The decline in international visitors relative to 2019 varied between countries in 2021. Ease of visitation by private transport has been more of a factor for tourism than previously, given persistent fears around Covid-19. Croatia sits 37.3% below 2019 levels in 2021; its accessibility by car has been cited as one of the prime reasons it has recovered so quickly, with 43% of tourists arriving by car (particularly from Germany), according to the Croatian National Tourist Board. The same applied to Slovenia and Monaco for French travellers.



Greece saw arrivals decline the least in 2021 relative to 2019 levels, at -31% for the full year. Visitors also stayed longer on average. Greece's comparatively early dropping of quarantine restrictions for travellers in April 2021, provided they were fully vaccinated or produced a negative PCR, seems to have enabled the travel sector's recovery. The Greek government also prioritised vaccinating tourism sector workers in time for this reopening to reduce transmission of the virus into the summer months.

### Evolution of Arrivals Recovery for Select Destinations, 2021 vs. 2019



The shift in preferences to more rural destinations persisted in 2021, with the pandemic having changed travellers' behaviour noticeably. Relative changes to cities have been greater than at country level. According to TE's sample of 66 major European cities in the Global City Travel (GCT) database, nights spent in major cities declined 44% in 2021 from 2019 levels, compared to 39% for other locations (i.e., all other travel within a given country).

By sub-region, Central and Eastern Europe fared slightly better than the European average; with international arrivals estimated to have been 58% below 2019 levels in 2021, versus 61% for Europe as a whole. Serbia experienced a relatively modest decline for the region thanks to some key markets outside Europe, such as India, not requiring a visa for travel. Other destinations such as Poland, opted to maintain strict entry requirements.

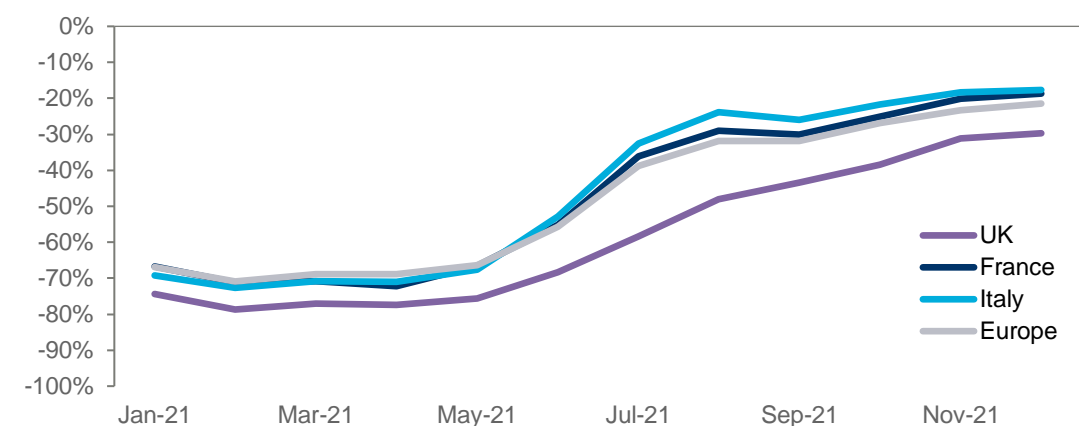
### Due to Covid-19 restrictions across Europe, falling travel demand led to route cancellations in the tail-end of 2021 and into 2022.

Despite the EU regulation to maintain flights to secure take-off and landing spot rights, air carriers unilaterally cancelled flights and routes through Q4 2021 and into Q1 2022. Lufthansa, Wizz and Ryanair cancelled tens of thousands of flights, citing reduced travel demand as the prime reason. Route cancellations also involved destinations with consistently 'tighter' Covid-19 regulations thus reducing traveller volumes to destinations such as Austria.



## Recovery of Flight Departures in Europe over 2021

Relative to 2019 levels



Source: Eurocontrol, Tourism Economics

Despite cancellations, data from Eurocontrol showed a rebound in flight departures from Europe across 2021. By the close of the year, departures were 21% below 2019 levels overall, with variation across countries. Italy and France were upside outliers, both around 18% below, and the UK a downside outlier, finishing the year 30% down. However, recovery in the volume of flights is not synonymous with full capacity flights or profits for airlines. The requirement to run flights to retain airport slots is likely to be bumping up the flight departures and implies lower average load factors.

According to Eurocontrol, there were nearly 1.5 billion fewer passengers on flights to, from, and within Eurocontrol member countries in 2021 compared to 2019. For airlines within Eurocontrol's network, financial losses stood at €18.5 billion. Though these are less significant losses than 2020, it continues to be a challenging period for air carriers, particularly given increasing fuel costs and rising debt servicing requirements.

Business travel recovery was slower than some anticipated in 2021, constrained by persistent lockdown restrictions, the emergence of new Covid-19 variants and the success of video conferencing. Tourism Economics' forecasts domestic business travel to recover by the end of 2024 and international business travel to lag by year, with recovery in 2025. Recovery diverged between the US and Europe, and the US saw a rebound of 23% in 2021 relative to 2020, whereas Europe only improved by 6% for the same period.

### Europe-wide shortages in labour within the hospitality sector could cause a constraint on recovery in 2022 unless a coordinated approach is taken to address the situation.

The two-year downturn in hospitality has led to some displacement of workers looking for more stable jobs outside the industry. This may result in skills and labour shortages as travel returns. [A recent study](#) by Tourism Economics for the World Travel and Tourism Council (WTTC) examined staff shortages in the hospitality sector in a selection of European countries (UK, Spain, France, Italy, Portugal) and in the United States. As well as volume shortages of staff, distributional shortages also posed a problem, as an observed rural-urban shift persisted in traveller behaviour.

2021 marked the first full year of the UK being out of the EU following a transitional period which ceased at the end of 2020. The consequences of Brexit on travel to/from the UK in 2021 are hard to



separate from covid effects. The unavailability of full-year data for 2021 also make it difficult to compare the UK's performance against that of other European destinations and source markets. However, since the practicalities of travelling between the UK and Europe are as yet unchanged, any negative effects in 2021 are more likely to be sentiment driven.

### Summary Performance, 2021 YTD vs. 2019

| Country     | International Arrivals |          | International Nights |          |
|-------------|------------------------|----------|----------------------|----------|
|             | % YTD vs. 2019         | to month | % YTD vs. 2019       | to month |
| Austria     | -60.1%                 | Jan-Dec  | -55.7%               | Jan-Dec  |
| Belgium     | -64.9%                 | Jan-Dec  | -62.6%               | Jan-Dec  |
| Bulgaria    | -42.7%                 | Jan-Dec  |                      |          |
| Croatia     | -37.3%                 | Jan-Dec  | -24.2%               | Jan-Dec  |
| Cyprus      | -51.3%                 | Jan-Dec  |                      |          |
| Czech Rep.  | -76.2%                 | Jan-Dec  | -75.7%               | Jan-Dec  |
| Denmark     |                        |          | -40.6%               | Jan-Dec  |
| Estonia     | -75.0%                 | Jan-Dec  |                      |          |
| Finland     | -75.4%                 | Jan-Dec  | -70.4%               | Jan-Dec  |
| France      | -52.8%                 | Jan-Dec  |                      |          |
| Germany     | -70.5%                 | Jan-Dec  | -76.6%               | Jan-Dec  |
| Greece      | -30.9%                 | Jan-Dec  | -43.5%               | Jan-Dec  |
| Hungary     | -71.5%                 | Jan-Dec  | -69.8%               | Jan-Dec  |
| Iceland     | -65.4%                 | Jan-Dec  | -60.0%               | Jan-Dec  |
| Italy       | -58.4%                 | Jan-Dec  | -49.3%               | Jan-Dec  |
| Latvia      | -77.3%                 | Jan-Dec  | -77.6%               | Jan-Dec  |
| Lithuania   | -73.9%                 | Jan-Dec  | -71.4%               | Jan-Dec  |
| Luxembourg  | -34.3%                 | Jan-Dec  | -43.3%               | Jan-Dec  |
| Malta       | -64.8%                 | Jan-Dec  | -59.6%               | Jan-Dec  |
| Monaco      | -40.1%                 | Jan-Dec  | -39.9%               | Jan-Dec  |
| Montenegro  | -46.1%                 | Jan-Dec  | -38.8%               | Jan-Dec  |
| Netherlands | -69.0%                 | Jan-Dec  | -64.0%               | Jan-Dec  |
| Norway      |                        |          | -69.1%               | Jan-Dec  |
| Poland      | -66.4%                 | Jan-Dec  | -61.7%               | Jan-Dec  |
| Portugal    | -63.8%                 | Jan-Dec  | -62.0%               | Jan-Dec  |
| Romania     | -68.5%                 | Jan-Dec  | -65.3%               | Jan-Dec  |
| Serbia      | -52.8%                 | Jan-Dec  | -39.4%               | Jan-Dec  |
| Slovakia    | -76.7%                 | Jan-Dec  | -76.6%               | Jan-Dec  |
| Slovenia    | -61.0%                 | Jan-Dec  | -57.8%               | Jan-Dec  |
| Spain       | -62.7%                 | Jan-Dec  | -61.9%               | Jan-Dec  |
| Sweden      |                        |          | -58.4%               | Jan-Dec  |
| Switzerland | -65.4%                 | Jan-Dec  | -60.3%               | Jan-Dec  |
| Turkey      | -45.2%                 | Jan-Dec  |                      |          |
| UK          | -93.0%                 | Jan-Sep  | -76.0%               | Jan-Sep  |

Source: Visit Britain (UK only) and TourMIS (<http://www.tourmis.info>)

Measures used for nights and arrivals vary by country. Available data as of 29.4.2022

Source: Visit Britain (UK only) and TourMIS (<http://www.tourmis.info>)



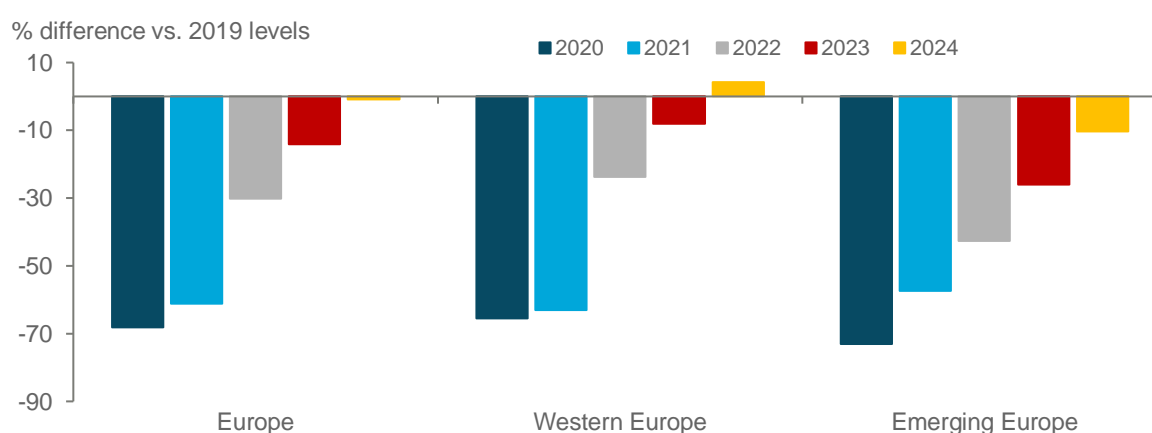
## 2. TOURISM PERFORMANCE SUMMARY 2022

### SUMMARY

- 2022 will still be a year of tourism recovery for Europe, albeit slower than was expected prior to Russia's war in Ukraine, and Western Europe is likely to fare better than Eastern Europe.
- The conflict between Russia and Ukraine will result in reduced outbound travel from both source markets due to sanctions, higher inflation, unemployment, etc. There are further downside risks should the war escalate.
- Rising commodity prices may also transfer through to airfares this year – increasing the cost of travel.
- The continued elevated share of domestic and short-haul travel will persist into 2022.
- Business travel will start to recover in earnest in 2022.

Consumer-led growth continues to drive travel recovery into 2022, with consumers keen to spend the savings accumulated throughout the pandemic. However, continued recovery will be dampened by rising inflation and the resultant pressure on household budgets, exacerbated by the events unfolding in Ukraine. Staff sickness due to Covid has further hampered travel and tourism's recovery; vaccination remains key to ensuring the industry's success in the coming months, enabling the release of pent-up demand.

### International arrivals by destination region, Europe



Source: Tourism Economics

Western Europe is forecast to be the best performing region globally this year, albeit 24% below 2019 levels. Many countries, such as Spain, France, and Italy, have removed the requirements for Covid testing prior to travel, conditional on vaccination status. Direct impacts of the Russia-Ukraine conflict are unlikely to be felt in Western Europe. However, the highest levels of inflation in Western Europe for decades will be exacerbated by disruption to commodity imports due to the sanctions being levied upon Russia and will reduce travel demand.

Eastern Europe's recovery has been pushed back to 2025 due to the ongoing Russia-Ukraine conflict, with arrivals now forecast to be 43% lower in 2022 compared to 2019. In the short-term, neighbouring countries and those most reliant on Russia and Ukraine as source markets will be most severely affected in terms of tourism performance. There is the possibility that certain countries may target Russian visitors, given the potential size of the market and their inability to travel to destinations they



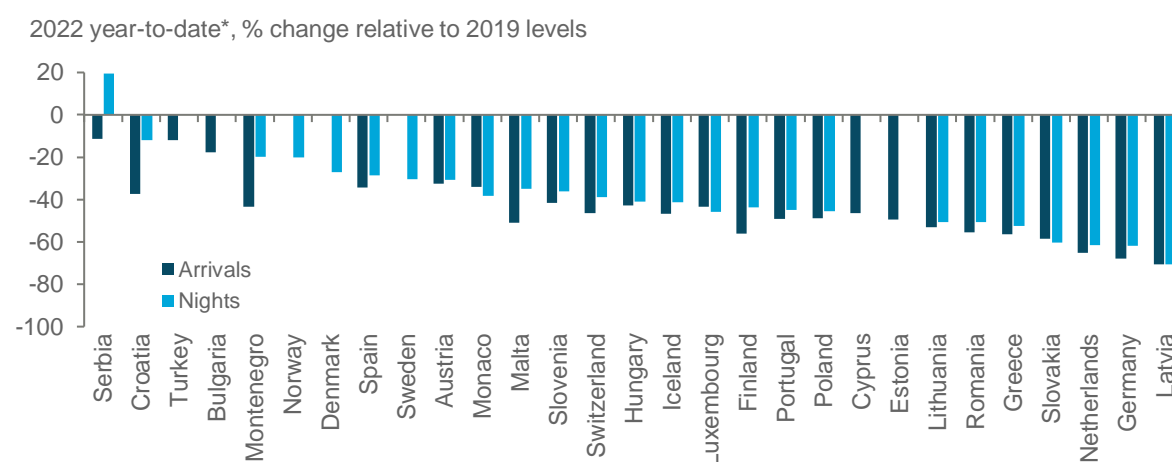


might usually visit. This will, of course, be affected by whether the Russian rouble managed to hold on to recent exchange rate gains.

Beyond the reputational and traveller sentiment impacts, economic risks posed by the Russia-Ukraine conflict focus on three areas. First, there are the direct effects of reduced travel both from Russia and Ukraine. Second, reciprocal air space closures will have impacts on traffic movements. In particular, the closure of Russian, Ukrainian, Moldovan, and Belarussian airspaces to most Western European carriers will impact European-Asian air connectivity. Given the ongoing Covid restrictions in parts of Asia, demand for such routes has not yet recovered, and thus the impacts of this airspace closure have been minimal to date. Finally, and most far-reaching, is the inflationary effect of economic sanctions being imposed on Russia, particularly if this is extended beyond coal into the energy sector by the European Union.

Rising jet fuel prices due to the crisis may pass through to airfares this year, as debt servicing requirements mean that carriers cannot easily absorb additional costs. The degree to which prices change will be strongly influenced by the degree of fuel hedging, which varies by carrier. Higher fares and squeezed incomes will encourage travellers to seek lower-cost options, such as taking a domestic holiday or travelling to a nearby country by an alternative mode of transport (e.g., car or train). A wider or longer-lasting conflict remains a key risk to recovery, alongside the possibility of renewed restrictions to combat any further Covid outbreaks or new variants.

### Foreign Visits and Overnights to Select Destinations



An elevated share of travel for short-haul and domestic destinations will continue into 2022. Domestic travel is forecast to recover entirely in 2022, whereas international travel will now only surpass 2019 levels in 2025.

The recovery of business travel is also set to begin in earnest in 2022, along with premium travel. [In IATA's February 2022 Air Passenger Market Analysis](#), it was found that the pace of recovery has been similar across cabin classes for the first time since the pandemic began. This will be welcome news for airlines, for whom margins tend to be especially tight on economy travel.



## Summary Performance, 2022 YTD vs. 2019

| Country     | International Arrivals |          | International Nights |          |
|-------------|------------------------|----------|----------------------|----------|
|             | % YTD                  | to month | % YTD                | to month |
| Austria     | -32.6%                 | Jan-Feb  | -30.8%               | Jan-Feb  |
| Bulgaria    | -17.6%                 | Jan-Feb  |                      |          |
| Croatia     | -37.3%                 | Jan-Mar  | -11.9%               | Jan-Mar  |
| Cyprus      | -46.4%                 | Jan-Jan  |                      |          |
| Denmark     |                        |          | -27.1%               | Jan-Feb  |
| Estonia     | -49.4%                 | Jan-Feb  |                      |          |
| Finland     | -56.2%                 | Jan-Feb  | -43.6%               | Jan-Feb  |
| France      | -20.0% (f)             | Jan-Dec  |                      |          |
| Germany     | -67.9%                 | Jan-Jan  | -61.8%               | Jan-Jan  |
| Greece      | -56.3%                 | Jan-Jan  | -52.4%               | Jan-Jan  |
| Hungary     | -42.8%                 | Jan-Feb  | -41.1%               | Jan-Feb  |
| Iceland     | -46.6%                 | Jan-Mar  | -41.3%               | Jan-Feb  |
| Latvia      | -70.6%                 | Jan-Jan  | -70.6%               | Jan-Jan  |
| Lithuania   | -53.0%                 | Jan-Feb  | -50.5%               | Jan-Feb  |
| Luxembourg  | -43.3%                 | Jan-Jan  | -45.8%               | Jan-Jan  |
| Malta       | -50.8%                 | Jan-Jan  | -35.0%               | Jan-Feb  |
| Monaco      | -34.0%                 | Jan-Mar  | -38.1%               | Jan-Mar  |
| Montenegro  | -43.4%                 | Jan-Feb  | -19.7%               | Jan-Feb  |
| Netherlands | -65.3%                 | Jan-Jan  | -61.5%               | Jan-Feb  |
| Norway      |                        |          | -20.0%               | Jan-Mar  |
| Poland      | -48.7%                 | Jan-Jan  | -45.4%               | Jan-Jan  |
| Portugal    | -49.1%                 | Jan-Jan  | -45.0%               | Jan-Jan  |
| Romania     | -55.6%                 | Jan-Feb  | -50.6%               | Jan-Feb  |
| Serbia      | -11.4%                 | Jan-Feb  | 19.6%                | Jan-Feb  |
| Slovakia    | -58.5%                 | Jan-Feb  | -60.2%               | Jan-Feb  |
| Slovenia    | -41.7%                 | Jan-Feb  | -36.1%               | Jan-Mar  |
| Spain       | -34.2%                 | Jan-Feb  | -28.5%               | Jan-Feb  |
| Sweden      |                        |          | -30.3%               | Jan-Feb  |
| Switzerland | -46.5%                 | Jan-Feb  | -39.0%               | Jan-Feb  |
| Turkey      | -12.0%                 | Jan-Feb  |                      |          |

Source: TourMIS (<http://www.tourmis.info>) (f) denotes forecast provided by member

Measures used for nights and arrivals vary by country. Available data as of 29.4.2022



### 3. 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

|                         | Inbound* |        |        |        |       | Outbound** |        |        |        |       |
|-------------------------|----------|--------|--------|--------|-------|------------|--------|--------|--------|-------|
|                         | 2020     | 2021   | 2022   | 2023   | 2024  | 2020       | 2021   | 2022   | 2023   | 2024  |
| data/estimate/forecast  | e        | f      | f      | f      | f     | e          | f      | f      | f      | f     |
| World                   | -72.4%   | 7.3%   | 98.2%  | 36.9%  | 20.8% | -72.1%     | 4.8%   | 101.9% | 37.1%  | 20.8% |
| Americas                | -68.4%   | 7.9%   | 91.0%  | 29.3%  | 16.4% | -71.0%     | 8.4%   | 101.8% | 30.0%  | 16.7% |
| North America           | -68.4%   | 1.8%   | 102.5% | 31.6%  | 17.3% | -71.1%     | 9.7%   | 105.4% | 29.9%  | 16.6% |
| Caribbean               | -68.5%   | 78.9%  | 30.6%  | 19.4%  | 10.5% | -68.1%     | 39.3%  | 43.4%  | 21.5%  | 15.6% |
| Central & South America | -68.4%   | -13.4% | 119.4% | 28.5%  | 17.0% | -71.1%     | 0.2%   | 95.0%  | 31.3%  | 17.1% |
| Europe                  | -68.1%   | 22.0%  | 79.3%  | 23.0%  | 15.6% | -67.1%     | 17.1%  | 83.1%  | 23.6%  | 15.6% |
| ETC+2                   | -67.2%   | 17.5%  | 92.1%  | 20.9%  | 13.9% | -66.1%     | 13.0%  | 98.3%  | 21.9%  | 13.6% |
| EU                      | -66.6%   | 10.8%  | 100.6% | 21.8%  | 13.6% | -66.2%     | 13.3%  | 98.3%  | 21.8%  | 13.5% |
| Non-EU                  | -73.6%   | 74.1%  | 16.1%  | 29.5%  | 25.4% | -70.9%     | 35.5%  | 23.2%  | 35.3%  | 27.8% |
| Northern                | -69.9%   | -18.4% | 153.6% | 36.5%  | 15.6% | -72.8%     | -8.0%  | 206.6% | 24.5%  | 14.7% |
| Western                 | -57.9%   | -5.7%  | 92.9%  | 18.8%  | 12.6% | -61.3%     | 17.0%  | 74.9%  | 20.3%  | 12.4% |
| Southern/Mediterranean  | -71.5%   | 58.3%  | 74.7%  | 16.5%  | 13.5% | -68.6%     | 23.8%  | 87.0%  | 21.6%  | 13.4% |
| Central/Eastern         | -73.3%   | 33.3%  | 37.5%  | 40.7%  | 25.4% | -69.8%     | 35.0%  | 24.3%  | 31.9%  | 24.5% |
| - Central & Baltic      | -72.2%   | 13.1%  | 102.3% | 27.8%  | 16.7% | -65.5%     | 22.6%  | 57.5%  | 22.4%  | 16.1% |
| Asia & the Pacific      | -84.1%   | -58.3% | 394.3% | 104.9% | 36.3% | -83.5%     | -52.1% | 331.1% | 99.7%  | 35.9% |
| North East              | -88.0%   | -36.7% | 322.9% | 114.0% | 38.1% | -85.0%     | -46.8% | 301.3% | 107.7% | 38.7% |
| South East              | -81.4%   | -86.4% | 1080%  | 109.5% | 37.3% | -83.1%     | -73.9% | 631.8% | 102.0% | 31.7% |
| South                   | -75.8%   | -30.6% | 167.3% | 53.3%  | 23.9% | -72.7%     | -23.6% | 121.3% | 49.6%  | 23.0% |
| Oceania                 | -76.3%   | -43.6% | 210.4% | 79.9%  | 28.6% | -82.2%     | -67.7% | 779.2% | 95.6%  | 38.7% |
| Africa                  | -74.4%   | 21.6%  | 43.9%  | 53.3%  | 30.0% | -70.0%     | -2.2%  | 50.7%  | 55.4%  | 30.4% |
| Middle East             | -67.5%   | 7.6%   | 105.8% | 27.1%  | 18.2% | -68.0%     | 28.0%  | 61.6%  | 31.9%  | 21.8% |

\* 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;

\*Andorra, Liechtenstein, Monaco, San Marino, and Vatican City are not available within GTS, but regional forecasts are indicative.

Central/Eastern Europe is Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine;

- Central & Baltic Europe is Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, and Slovakia;

ETC+2 is all ETC members plus Sweden, and the United Kingdom

Source: Tourism Economics based on GTS as of 14.4.2022



## 4. RECENT INDUSTRY PERFORMANCE

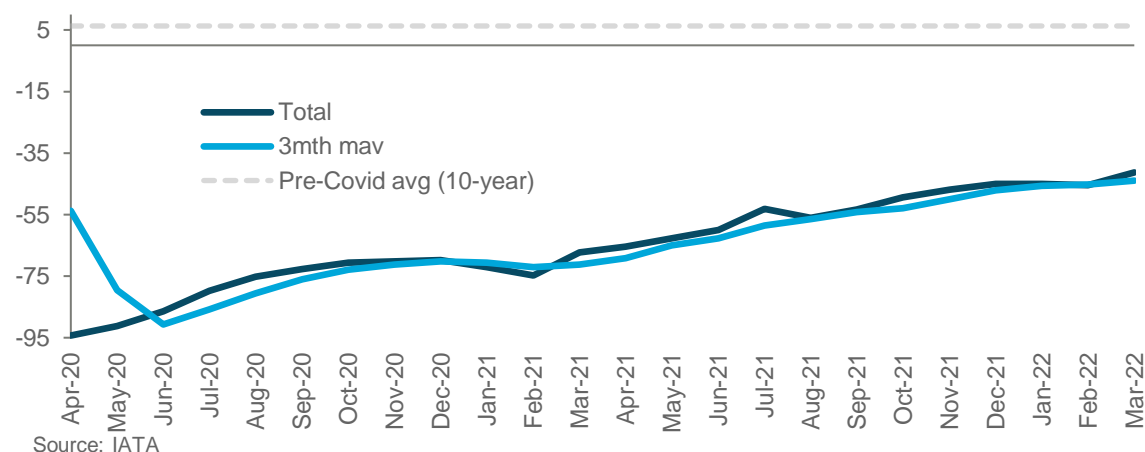
### AIR TRANSPORT

Global air passenger demand was relatively buoyant in February 2022. Industry-wide RPKs increased 115.9% in February compared to a year ago. However, that implies traffic still at 54.5% of February 2019 levels. The three-month moving average looks broadly flat. The Omicron variant was less of a burden on travel in February – except in Asia.

Globally, there is a note of caution for domestic air travel with ticket sales suggesting a future downturn, while international travel sales are currently looking more resilient. However, it should be noted that the performance of domestic travel globally is being unduly influenced by China's ongoing 'zero Covid' response and by a marked deterioration in the previously recovering Russian domestic market. Both these markets are expected to see further declines in the coming months. [ForwardKeys](#) bookings data suggest that Russian domestic bookings have been impacted massively, partly because of the withdrawal of aircraft leases used by Russian airlines and restrictions which prevent routine maintenance of aircraft.

### Global Air Passenger Traffic Growth

% change 2019, RPK



Demand conditions for air passenger travel remain supportive overall, mostly from the fact that Omicron has become less of a burden on societies outside of Asia. The conflict in Ukraine has not had a major impact on March traffic data outside of Russia and countries neighbouring the conflict.

In fact, traffic within Europe and on other linked markets, such as Europe to/from Asia, rose by 26% and 11% respectively MoM in seasonally adjusted terms. The strong recovery appears to be undisturbed by the capacity impacts from the Ukraine-Russia conflict- indeed, traffic within Europe increased noticeably in March. Seasonally adjusted international RPKs, selected routes.

[Ticket sales data](#) suggest the fall in traveller confidence was not only moderate but also quick to rebound. Further, refugee movements within Europe led to a strong surge in outbound travel from countries neighbouring Ukraine and this will partly insulate the region from any large fall in traffic in March.

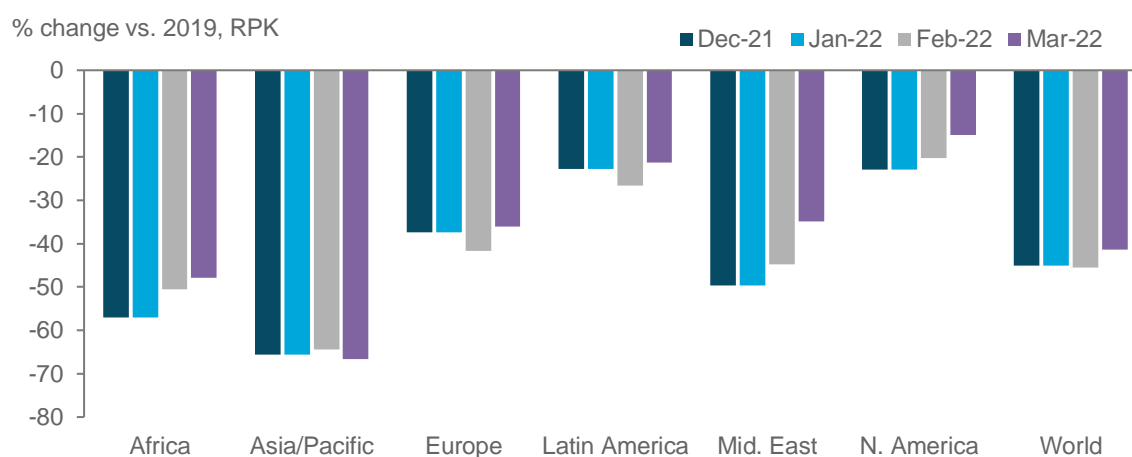


Airlines based in Europe performed the best of any global region. Traffic between Europe and Asia rose 9.6% month on month in February in seasonally adjusted terms despite some airlines abandoning routes between the two. The limited impact of this is down to the fact that routes to China, Japan and South Korea were operating with very limited demand beforehand. Traffic within Europe was up by more than 30% on the same basis.

However, [ForwardKeys](#) bookings data suggest that there are going to be strong impacts on parts of Eastern Europe, specially Poland, Georgia, Slovakia, Hungary, Croatia and the Baltic States with bookings for these destinations being markedly down.

A very positive sign is that premium airline classes are now recovering in line with economy travel. This addresses the serious concern which many airlines had regarding the slower recovery of business travel. Business travel tends to generate much higher revenues than leisure travel. Recovery in premium class travel will help dampen upward price pressures.

### Monthly Air Passenger Growth



Source: IATA

However, monthly air passenger growth data shows a clear downtick in Europe over February – -41.7% relative to 2019. The beginning of spring has seen a raft of cancellations and delays. This may be related to staff lay-offs generating capacity challenges and illness among staff during continued virus outbreaks. Despite this, Europe is still among the better performing regions globally, alongside the Americas.

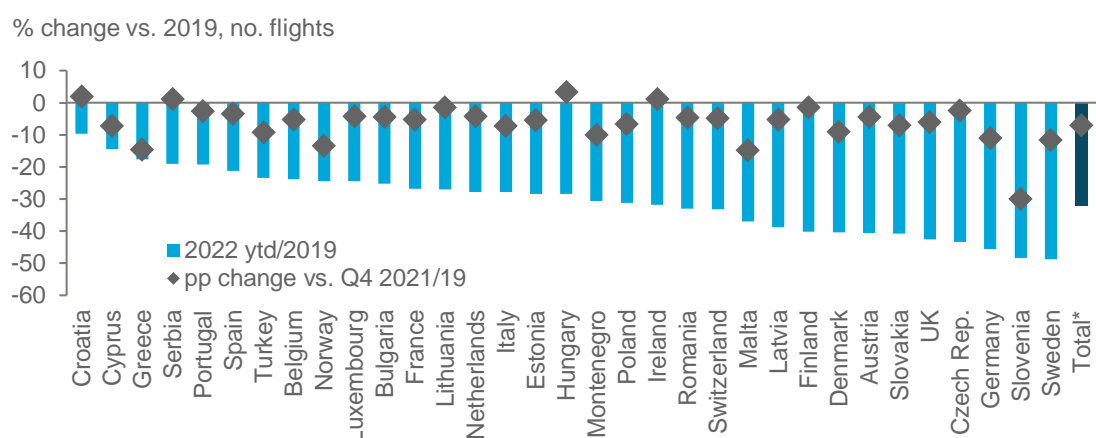
Eurocontrol data suggest that across its jurisdiction, traffic was down 32% on 2019 levels in Q1 2022. Some countries (Sweden, Slovenia, Germany, Czechia, Slovakia, and the UK) have seen considerably worse than average declines. The most moderate declines relative to 2019 have been in a group of Mediterranean countries including Croatia, Cyprus, Portugal, Greece, Turkey and Spain as well as in Serbia.

Almost every country in the Eurocontrol area was notably worse in Q1 2022 than it was in Q4 2021, although Croatia, Serbia, Hungary and Ireland were all slightly up and some countries such as Finland, and the Czech Republic saw barely any deterioration quarter on quarter. Slovenia (-30%) and Greece (-15%) saw the greatest percentage point deteriorations relative to the previous quarter.





## European Air Traffic by Country, Total Flights Arriving and Departing

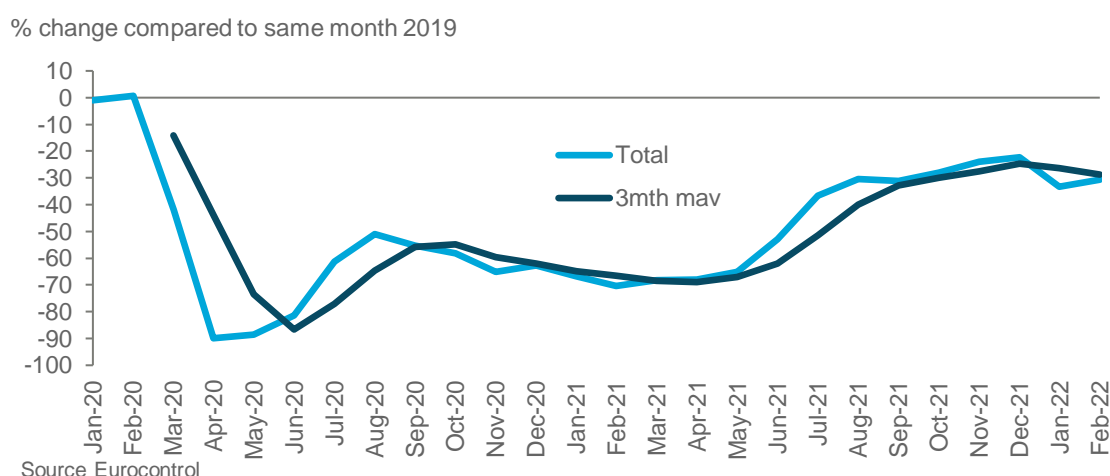


Source: Eurocontrol

In February, flights to and from ETC+2 countries were 31% lower than in the same month in 2019. This was an improvement from -33% in January, but still a deterioration on all the months of Q4 2021. Eurocontrol's latest update, which explores changes between February and mid-March, also notes that the re-routing around Ukraine is disrupting traffic flows across a wide area within Europe. Much of this has, of course, focused on other Eastern European countries. For example, Lithuania has lost almost 200 overflights per day during this period, a decrease of 46%. More than half of this reduction is a result of flows between Russia and the UK, Germany and France ceasing. Some other Eastern European countries, specifically Latvia and Poland, have also registered fewer overflights.

However, regarding the impact on travel between Europe and Asia, analysis of data collected by Flightradar24 by Eurocontrol, indicates that airspace restrictions are adding as much as seven hours to round trip flight times on some routes.

## Flights to/from ETC+2 countries



Source: Eurocontrol

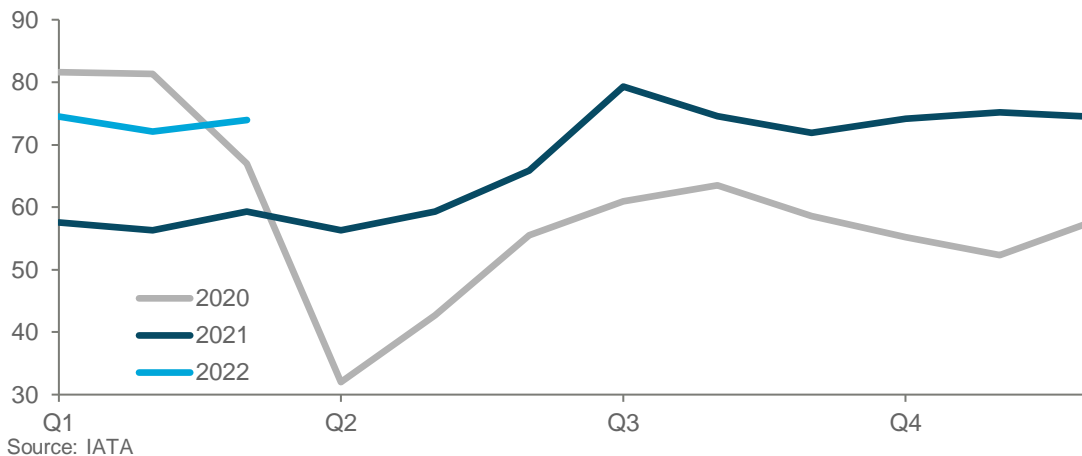
Passenger Load Factors (PLFs) for European airlines grew in March to 73.9%, having fallen from 75.2% in November 2021 to 72.1% in February. Some low-cost carriers recorded the highest PLF in March 2022 since the start of the pandemic. Ryanair carried 11.2 million passengers at a PLF of 87% in March,



while Wizz recorded a PLF of 86.2%. Norwegian has also been registering PLFs in excess of 80% in both February and March. Low-cost carriers added capacity to the network in February, thanks to fewer restrictions after the Omicron wave.

### European Airlines Passenger Load Factors

Monthly load factor, %



Increased pressures on operating costs continue. As of April 2022, the costs of jet fuel per barrel is 50% higher than in the previous peak in the autumn of 2018. The rise to 14-year highs has outpaced even the escalation in the price of Brent crude, with airlines forced to pay a premium for the refined product.

Airlines now face a difficult decision. As demand recovers, they need to gauge how much of the additional costs to pass on to passengers. The surging price of jet fuel threatens the prosperity of the recovery period. Low-Cost Carriers (LCCs) are especially impacted as fuel costs make up a greater proportion of overall ticket prices than more traditional airlines, which charge more for seats. However, those LCCs which hedged a significant proportion of their likely fuel consumption this year will be in a more fortuitous position.

One possibly surprising development is that the Covid pandemic might have brought about a more favourable market environment for new start-ups in the airline sector. Historically, the industry has been characterised by strong barriers to entry, driven by the high capital intensity of the industry. But a buoyant second-hand airline market may have eased these barriers. [A report by IATA](#) shows that in 2021 airline births were up 36% on 2019, while deaths and dormancies declined notably.



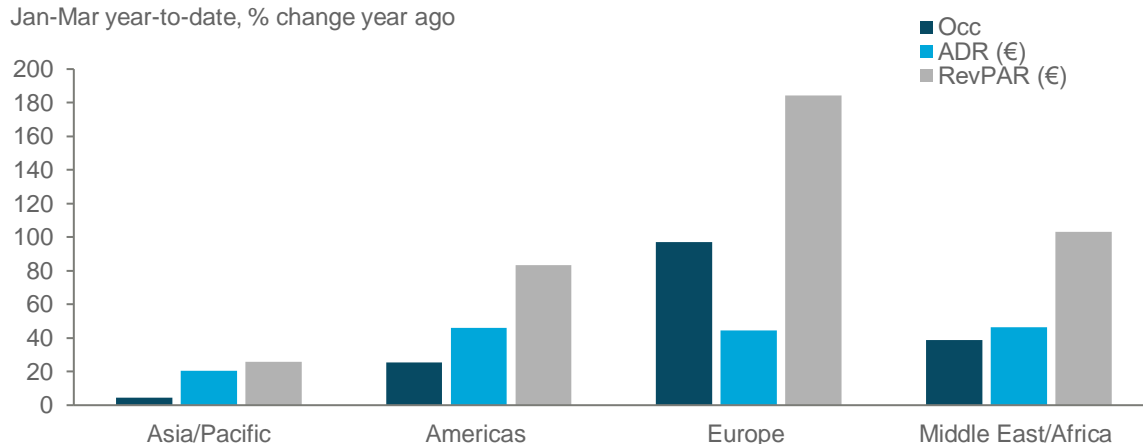
## ACCOMMODATION

Globally, all regions reported growth in occupancy, ADR and RevPAR in the first quarter of 2022 compared to the same period in 2021. However, Europe was by far the best performing region globally. In Europe, occupancy was up 97% with room rates (ADR) also up by a more moderate 44.4%. As a result, RevPAR rose 184.5%. However, it needs to be kept in mind that these increases are relative to the historically disastrous Q1 2021 in Europe and hotel demand and revenue still well-below 2019 levels. Performance in early 2021 was much stronger in other regions providing less scope for current growth; and notably in China and the US with large domestic markets that were subject to limited travel restrictions last year.

Both the Americas and the Middle East / Africa also saw strong growth in all three metrics. RevPAR in the Americas increased by 83.4%, while in the Middle East / Africa it increased by 103%. Recovery in the Asia-Pacific region was far weaker. China is still following a 'zero Covid' policy and enforcing stringent lockdowns in several major cities, including Shanghai. Elsewhere in the region, such as in Australia and New Zealand, there has been considerable reopening. Still, occupancy across the Asia-Pacific region in the first quarter of 2022 increased by only 4.5% compared to a year ago. There was more of a recovery in room rates with ADR rising 20.4%, resulting in a RevPAR increase of 25.8%.

### Global Hotel Performance

Jan-Mar year-to-date, % change year ago



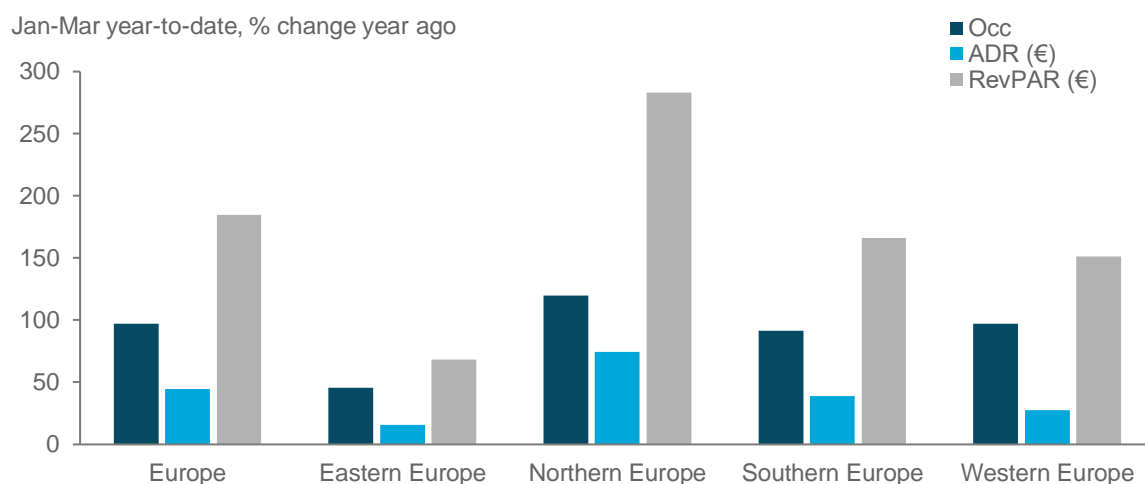
Source: STR

Within Europe there were very divergent performances across the four sub-regions, with Northern Europe outperforming other sub-regions on all three metrics. Growth within the UK and Ireland is a key part of this story. The return of Six Nations rugby was a key factor, particularly in Ireland, with spectators returning after having been absent since the early conclusion to 2020's tournament. In Northern Europe, occupancy was up 120% and ADR up 74.2%, resulting in a 283% increase in RevPAR. Southern Europe also recorded a strong performance, with RevPAR rising 166%.



Western Europe saw an increase in RevPAR of 151%, while Eastern Europe lagged, in part because of perceived risks of the geopolitical conflict in Ukraine and the loss of the Russian source market. Nevertheless, the region managed to record some growth in all three metrics, with RevPAR up 68.5%.

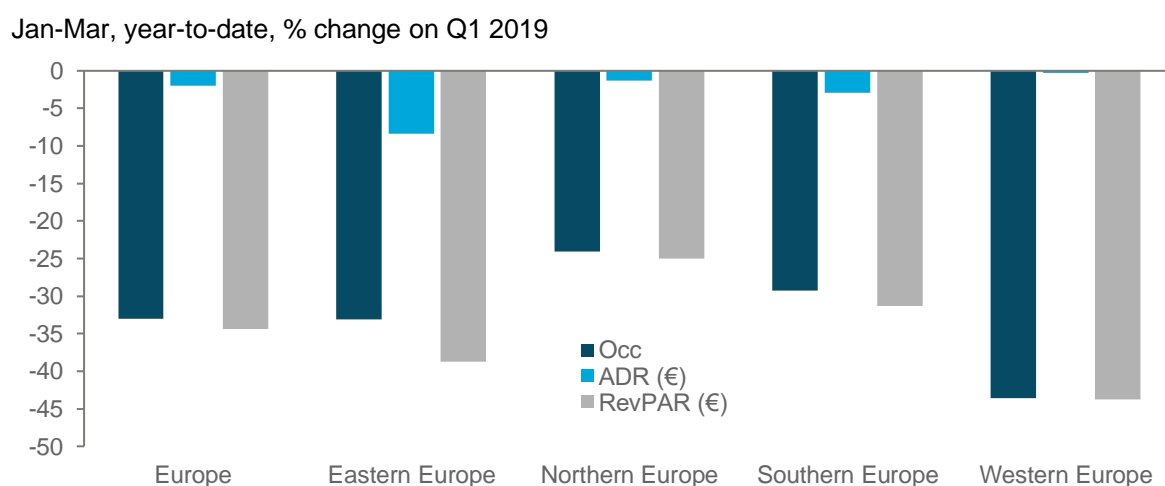
## European Hotel Performance



Source: STR

Compared with pre-pandemic levels in 2019, occupancy in Europe remains significantly down with a decline of 33%. In contrast, room rates have effectively recovered, being down only 2% – at least in nominal terms. It should be noted that this is not the case in Eastern Europe where rates are still 8.4% lower than they were in the same months in 2019. But, generally, the impact on room rates has been less steep and less long-lasting as pent-up demand suggests that many travellers are not as price sensitive as usual. Western Europe has seen the steepest decline in occupancy but the smallest decrease in ADR. Across Europe as a whole, RevPAR is still down 34.4% on 2019 levels.

## Hotel performance compared with 2019



Source: STR

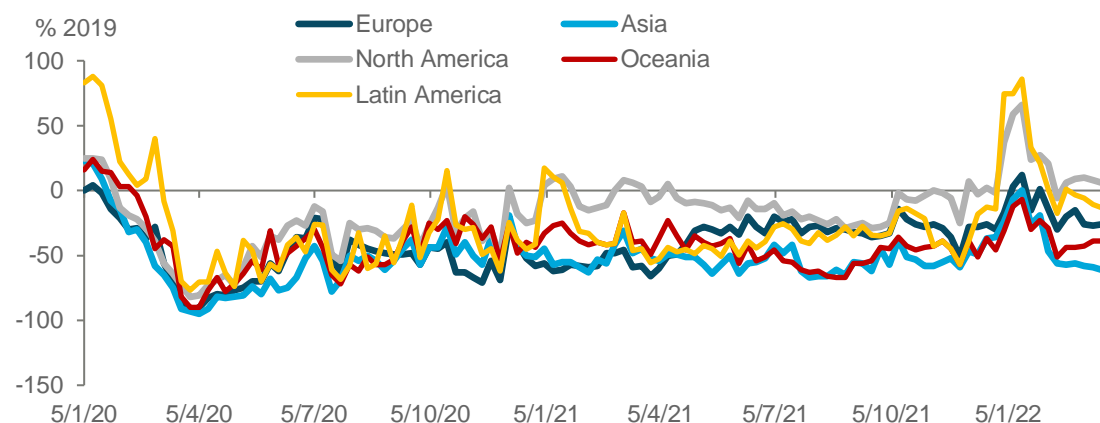


## SHORT-TERM RENTALS

Amid world regions achieving demand in excess of pre-pandemic levels at the start of the year, Q1 2022 has, on balance, been a success story for European short-term rentals.

Both appetite and rates are up on 2019 levels, with prices showing sustained increases. In a [global context](#), Europe as a whole is comparing favourably with other regions as of March 2022, with only the Americas showing significantly stronger reservations growth.

### Variation in Global Reservations vs. 2019



Source: Transparent

Overall, while we have seen a decline towards the end of the quarter (-26% vs 2019), January saw [European bookings](#) in excess of 2019 levels. France and the UK saw the greatest growth through the start of the quarter, while Spain has now surpassed the UK. Italy's performance remained below 2019 levels, but still represented an improvement over 2021.

The confidence in this demand is reflected in the pricing trends seen across the sector: average daily rates were [26% higher](#) at the end of Q1 2022 than in 2019.

These factors will contribute to heightened revenues across the sector, and furthermore, the increase in flexible working policies is bringing more 'bleisure' travel and [longer stays](#) (+9% over pre-pandemic).

Short-term rentals have enjoyed [occupancy levels](#) exceeding 2019 over the course of 2022 so far. Looking ahead, occupancy on the books for the summer period is looking brighter at this stage of the year than ever across the majority of European nations.





## 5. SPECIAL FEATURE: IMPACT OF RUSSIA-UKRAINE CONFLICT ON EUROPEAN TOURISM

### SUMMARY

- Following Russia's invasion of Ukraine, a raft of economic sanctions have been imposed on Russia. The sanctions span several sectors, individuals and sporting events, including impeding the operations of key Russian banks.
- Russian air operators are prohibited from flying in European airspace, with EU and UK airlines facing a reciprocal ban in Russia.
- In the short term, countries that rely on Russian and Ukrainian visitors will be affected as travel from both countries will be limited. Destinations in Eastern Europe will fare worse than other regions due to a greater reliance on travel from both countries.

Many countries, including the EU and UK, have imposed a raft of economic sanctions on Russia following Russia's invasion of Ukraine on 24 February 2022. Initially, sanctions focused on restrictions imposed on the operations of some Russian banks (including cutting them off from SWIFT - the international bank messaging system), airspace restrictions for Russian airlines and, in an unprecedented move, a freeze on Russian central bank assets, rendering them with extremely limited operating capability. At the end of March, 36 countries (including EU countries, the UK and US) have shut their airspace to Russian airlines, whilst in return, Russia has banned most of these countries from utilising its airspace. Ukrainian airspace is also closed, Moldova has fully shut its airspace and much of Belarus' is restricted.

Initially, most European countries shied away from imposing sanctions on the energy industry since key European economies are dependent on Russian gas. But there is a keenness in Europe to break dependence on Russian energy sources. On 7 April, the EU announced a new suite of sanctions. Besides sanctioning individuals and restricting shipping, the new sanctions included a ban on Russian coal imports from August. However, oil and gas are a more complex matter. In particular, Germany gets around 50 billion cubic metres each year from Russia (55% of its consumption), the largest by volume of any EU nation. Berlin-based think tank, the German Institute for Economic Research (DIW) believes Germany could overcome its dependency on Russian energy imports by winter of this year – much earlier than the German government estimate of mid-2024 at the earliest. However, German businesses are extremely worried by the prospect of the loss of Russian gas.

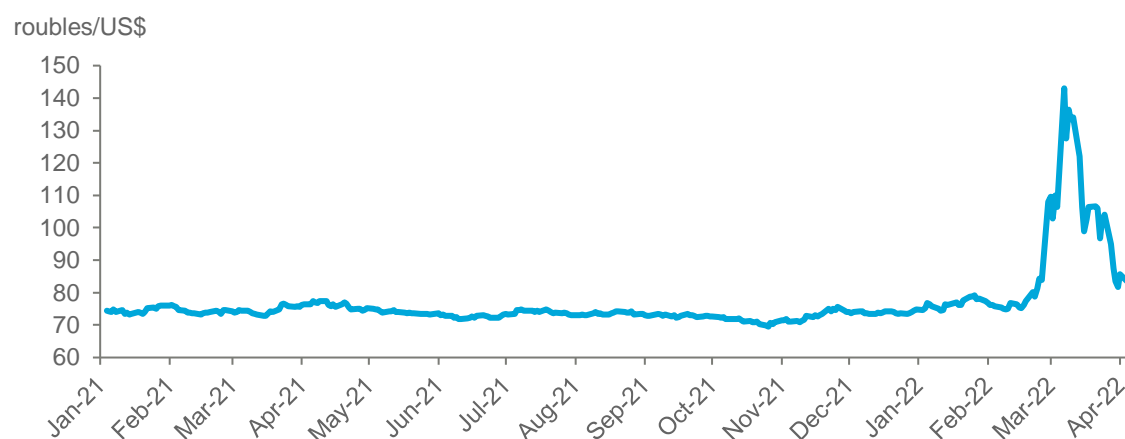
Alongside these legal sanctions, a whole range of global companies have divested their Russian investments and cut ties with Russian business partners. BP decided to offload its stake in Russian oil producer, Rosneft, and Delta Airlines cut ties with Aeroflot. The latest companies to cut ties include the French bank, Société Générale, and more than 20% of Japanese firms have exited Russia.

Initially, the market's response to these measures was stark with the rouble falling to historical lows against the US dollar, raising the inflationary outlook. Credit default swaps on Russian sovereign debt were signalling a 56% chance of default. In response, the Russian central bank increased its policy rate 1050 base points to 20% and imposed capital controls to prevent foreign clients from selling



Russian assets. The rouble's exchange rate since this initial period has been extremely volatile. Mandatory conversion of dollar and euro revenues by export-focused companies helped the recovery from historic lows. On 8 April, the Russian central bank cut its policy rate from 20% down to 17%, saying that it was open to the idea of further cuts. This move sent the rouble rallying, at one point reaching its strongest since November 1971 – but, unable to maintain these gains, it still ended the day down. Despite this, the rouble has still recovered nearly all the ground it lost following what Russia calls its 'Special Military Operation' in Ukraine.

### Russian rouble exchange rate



Source: Oxford Economics/Haver Analytics

Oxford Economics has downgraded Russia's GDP outlook and also modelled more pessimistic scenarios for the prospect of a prolonged war in Ukraine. The downgrade in Russian GDP will significantly impact outbound travel potential from Russia. If the rouble reverses the gains made recently, that will also make international travel more expensive for Russians. High interest rates and rising living costs will also squeeze household budgets significantly and constrain outbound travel potential.

Spill-over effects are likely for other economies worldwide, with both direct economic impacts from the war and indirect consequences arising from the sanctions and rising geopolitical tensions. The impact of rising oil and gas prices will be crucial, which could worsen if sanctions are imposed on the energy sector or if Russia chooses to retaliate by limiting its energy supply. Further, there is a significant risk to the supplies of wheat, corn and sunflower oil, inflicting further upward pressure on agricultural food prices. Ukraine is also the world's largest supplier of noble gases used in microchip production.

Potential economic impacts also arise from the sanctions imposed on Russian central bank reserves. Russian energy revenues feed through into a system known as 'petrodollar recycling'; they are lent back to their customers, providing finance on global capital markets. It is estimated that up to \$300bn of Russian reserves are invested in short-term money markets, which, if restricted, could serve as a serious financial shock to western economies.

### OUTBOUND TRAVEL IMPACTS

While Ukraine and Russia will suffer significant impacts in terms of inbound travel, there will be immediate and direct impacts across other destinations due to weaker economic conditions:

- Reduced Russian GDP will dampen income growth in Russia, hitting travel demand. Russia's



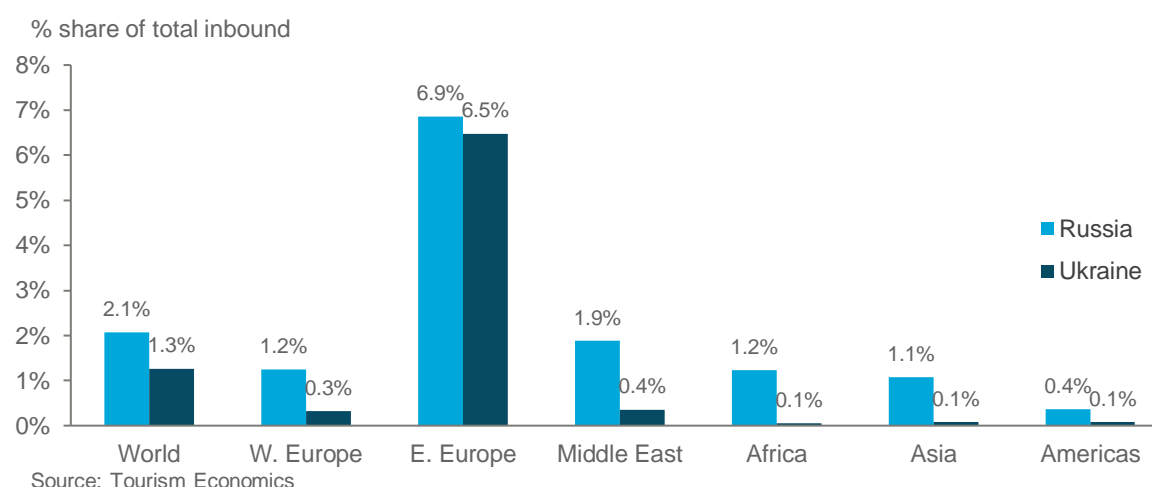
GDP is unlikely to return to pre-crisis levels until the early 2030s, according to Oxford Economics' modelling. Russia's economy is expected to contract by almost 11% in 2022 and a further 3.3% in 2023, assuming that the war in Ukraine does not continue beyond 2023. Ukraine's expected loss of GDP is obviously far greater in the short-term.

- Airspace restrictions on Russian airlines imposed by many Western economies will immediately preclude Russian outbound tourism flows.
- Sanctions will affect airline financing, which could limit capacity in the long-run.

Beyond this, there will also be impacts on traveller sentiment, which may be long-term.

On aggregate, Russian and Ukrainian outbound travel accounted for 3.4% of global international trips in 2019 and 7.2% of arrivals to European destinations in the same year. However, Russia was the much larger source market and will have the greatest impact on a range of destinations. Russia accounted for 31 million outbound trips compared to 19 million from Ukraine. In addition, the destination mix for Russia's outbound travel is more diversified. Most travel from Ukraine was to neighbouring countries, including almost 60% of outbound travel to Russia.

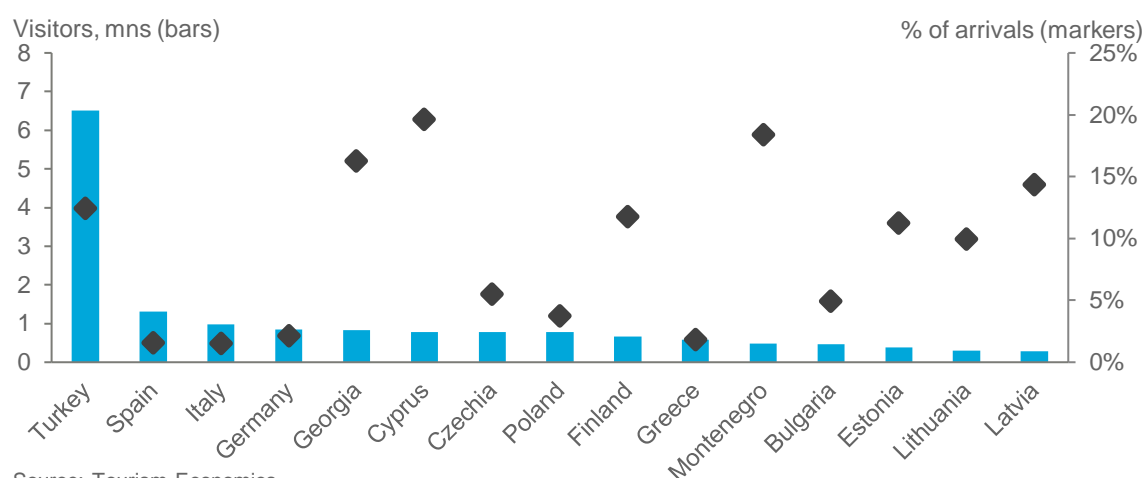
#### Russian & Ukrainian share of total inbound, 2019



Exposure to the crisis is potentially much greater for destinations reliant on Russian tourism, and these impacts can vary significantly across destinations. Turkey was by far the most popular destination for Russians in 2019, with 6.5 million visitor arrivals, accounting for 12% of total inbound travel in that year. However, since Turkey remains open to Russian travellers, it may well benefit since competitor destinations are closed to them.



## Top European destinations for Russian visitors, 2019



While other popular destinations in Europe also attract a high number of Russian visitors (e.g., Spain and Italy), they are far less exposed because the majority of their visitors come from elsewhere. Considering this, the more exposed European destinations include Cyprus, Montenegro, Latvia, Finland, Estonia and Lithuania, where Russians made up at least 10% of total inbound travel in 2019. Cyprus is significantly exposed to Russia through supply chains and investment as well. Those countries most directly affected might want to focus their marketing activities on other source markets.

Beyond the visitor impacts, Russian tourists tend to be high spenders meaning that an even larger impact will be felt in terms of tourism expenditure in a number of destinations. In 2019, Russian spending contributed to 34% of total expenditure in Montenegro, 25% in Cyprus and 16% in Latvia. Should sanctions persist into the busier summer season, these countries could see total tourism expenditures fall considerably.

No immediate recovery is expected for countries with a high reliance on Russian tourism in the near-term. Multiple countries have seen Russian tourism shares decline from 2014 as previous sanctions following Russia's annexation of Crimea and rouble depreciation had a lasting impact.

Sanctions will affect all aspects of the industry, including airlines and the cruise industry. Russian airlines reliant on EU-based aircraft leasing companies could be forced to terminate their agreements under the sanctions, limiting airline capacity in the long term and hampering any recovery. Prior to the crisis, Tourism Economics cruise analytics had forecast St. Petersburg to be amongst the most visited ports in Northern Europe this year. However, this is unlikely to materialise with several cruise liners cancelling calls to St Petersburg and the wider Baltic region. Further disruption is likely on cruise routes in the Black Sea; however, the volume of calls in this region is lower than in the Baltic. Some rerouting means that cruises are visiting lesser-known destinations.



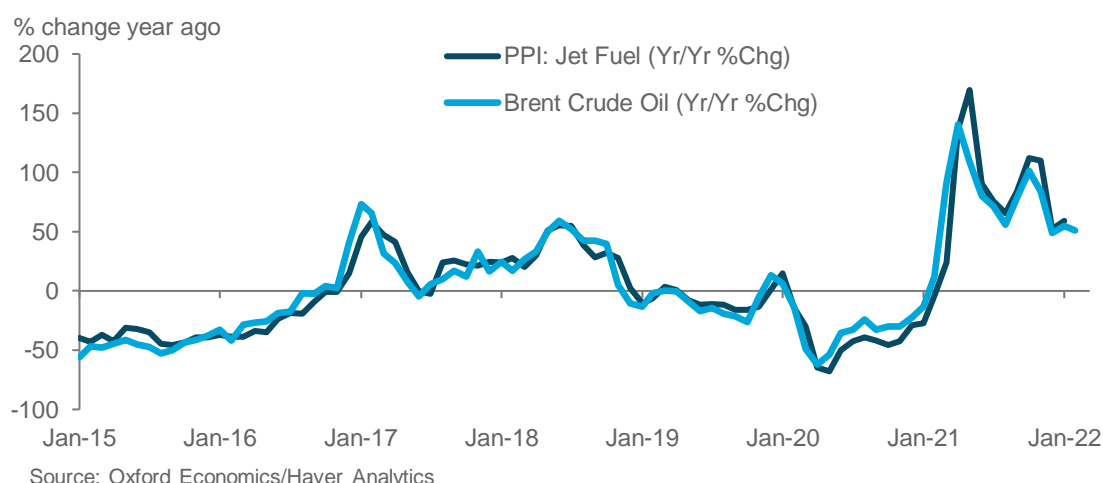
## OTHER EUROPEAN DEMAND IMPACTS

There are several channels through which this evolving situation will feed through to impact the tourism industry in Europe and worldwide.

- Increased oil prices will increase transport costs including airfares, although the relationship between fuel prices and air ticket prices is a complex one. Upward price pressure may be exacerbated if more stringent sanctions are applied to the Russian energy sector – dependent on changes in production elsewhere. All airlines that have unhedged fuel demand will be directly impacted.
- Other rising costs, such as food, will erode consumer demand and further impact travel in a range of markets.
- GDP and incomes are being downgraded, with Oxford Economics' latest forecasts suggesting the war could lower world GDP.

The risk of increased inflationary pressure on oil prices will filter through to jet fuel prices, potentially significantly impacting already slim airline operating margins. If increased costs are passed through to customers through ticket prices, airlines could see a fall in demand, impeding the recovery from the Covid-19 pandemic. Further, with Russia retaliating by imposing reciprocal airspace restrictions for European countries, flights to East Asia (such as Japan, South Korea and China) whose routes include significant portions of their journey in Russian airspace will require large diversions, increasing prices and travel times.

### Jet fuel and oil prices – year on year change

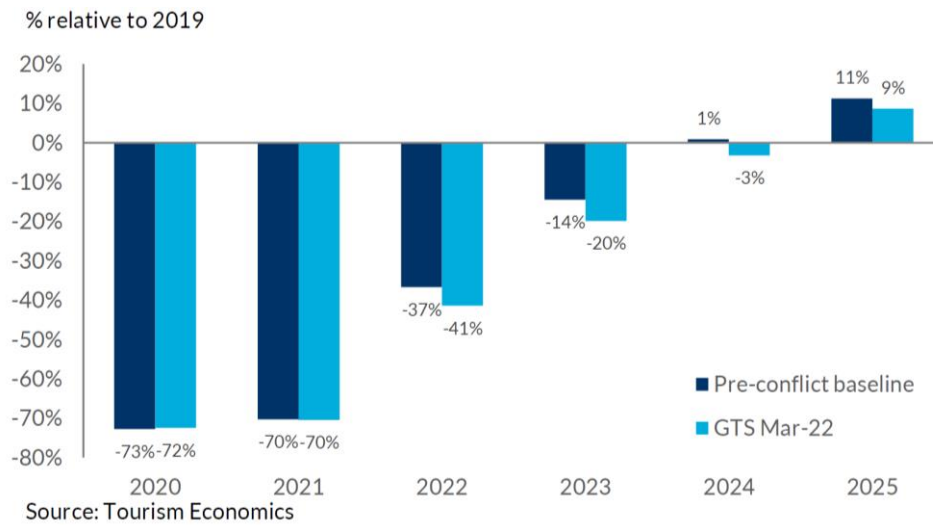


Oxford Economics forecasts that the sanctions could reduce eurozone GDP by half a percentage point by the end of 2023. Alongside these decreases in output, the conflict will add to already high inflationary pressures. The eurozone is forecast to hit a CPI inflation rate of 5% and the UK above 6%. Squeezed disposable incomes from higher energy and food prices, particularly in Europe, will hinder tourism recovery.





## Downgrade to global international visitors





## 6. KEY SOURCE MARKET PERFORMANCE

Trends discussed in this section in some cases relate to the period January to March 2022, 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

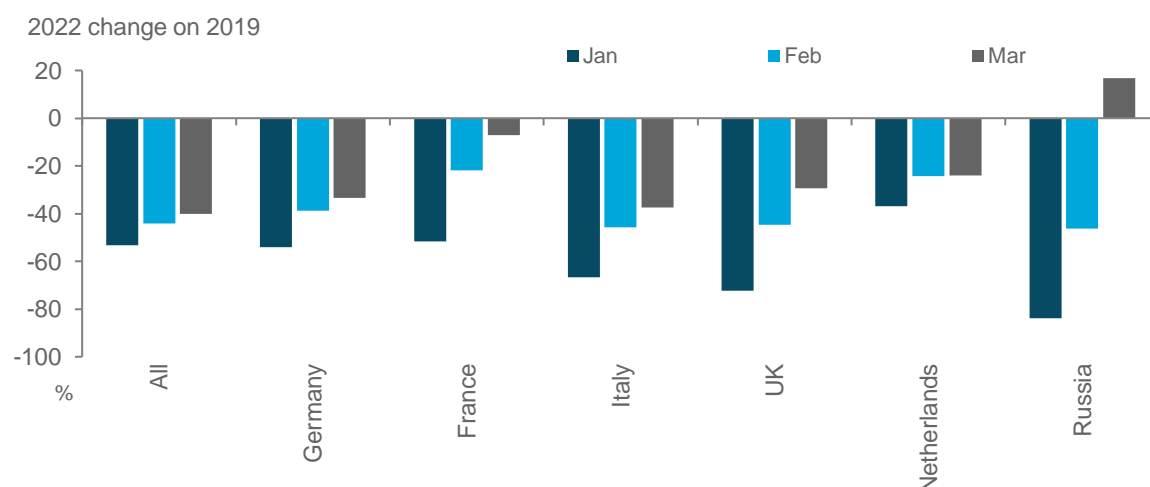
- Arrivals across European destinations were an estimated 43% lower based on the latest year-to-date data for 2022 on a weighted basis. That is an improvement on the previous quarter (-60%). Intra-European travel showed a relatively strong performance.
- Within Europe, all key source markets recorded some improvement across the quarter – counterintuitively most notably from Russia. Recovery will be driven by intra-European travel and some areas of long-haul travel, such as transatlantic.
- Some long-haul source markets have started to recover in terms of outbound travel to European destinations.
- Also notable is the very slow start to recovery from both the Chinese and Japanese source markets. As well as the lockdown situation in Shanghai, the Russia-Ukraine conflict has created intermediate closed airspace for which re-routing is generally long and impractical.

### KEY INTRA-EUROPEAN SOURCE MARKETS

Relative to 2019 levels for the same period, arrivals across European destinations were an estimated 43% lower based on the latest year-to-date data for 2022 on a weighted basis. That is an improvement on the previous quarter (-60%).

The few countries reporting to March have tended to record milder declines.

#### Average Change in Tourist Arrivals by Reporting Month by Source Market, 2022



The chart above shows the average decline in tourist arrivals to European destinations by source market and reporting month. However, it should be noted that March as the latest reporting month

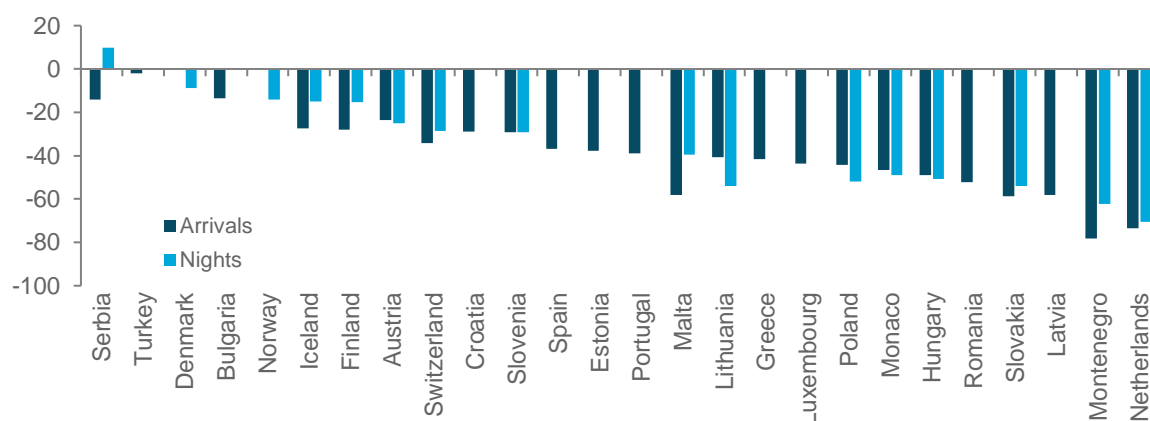


is a simple average between Croatia, Monaco and Iceland. In some cases, the changes are on relatively small baselines. It should also be noted that the *All* category includes all source markets for which data was reported, not just those listed and also comprises non-European source markets.

Counterintuitively, Russia has had a very marked change in performance across the quarter, with a notable uptick based on demand in destinations reporting to March. However, this was most likely driven by demand secured in January and February, with any subsequent deterioration in March insufficient to offset these gains. Furthermore, March is a simple average with a very strong recovery in Russian arrivals to Croatia. Russian citizens not specifically under sanctions need a visa, which in most instances is easily acquired. There are currently no direct flights from Russia to Croatia, but Russians can fly direct to Belgrade and then travel onwards into Croatia. A few countries which remain open to Russian travellers – such as Turkey – have effectively had much of their competition removed by sanctions and are likely to be among the few destinations available to Russian travellers.

### German Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019



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

Arrivals from Germany have seen some improvement in performance since December 2021 in most reporting destinations. Those countries reporting only to March averaged a decline in German arrivals of 33.4%, compared to a 38.7% decline for those reporting to February and 54.1% for those reporting to January. January is likely to have been affected by the surge in the Omicron variant.

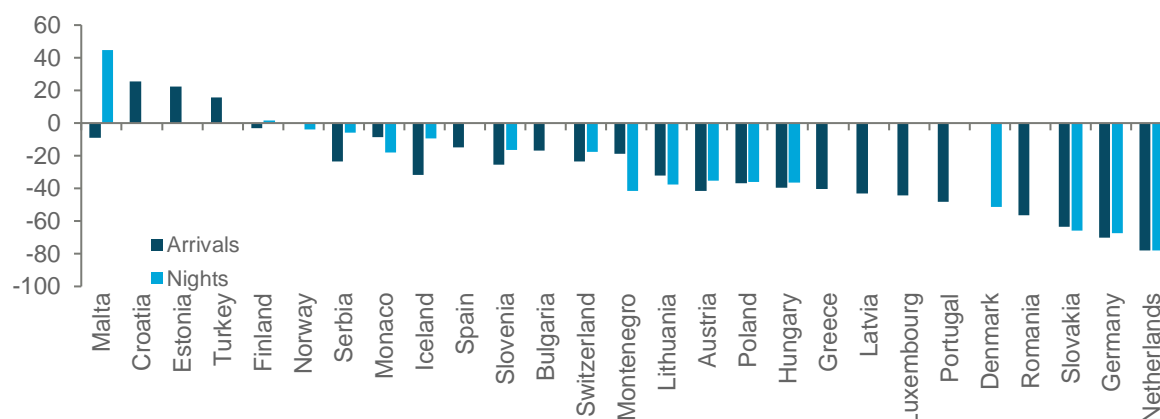
Turkey had the most marginal decline in German arrivals relative to 2019 (down 1.9%). Turkey, concerned about the potential loss of Russian and Ukrainian tourists is keen to target German tourists. According to data from the provincial directorate of culture and tourism, over January to March, more than 111,000 Germans arrived in Antalya alone. Destinations accessible by car (such as France, Denmark, Austria, Switzerland and Croatia) also continued to fare relatively well. The steepest declines in German arrivals were in Latvia, Slovakia, the Netherlands and Montenegro. Serbia enjoyed nights growth from Germany, but this was alongside a decline in arrivals, implying that that visitors from Germany are staying for longer on average.

The [ITB Berlin Convention Statista Survey](#) indicates that flexibility in terms of booking will be key to attracting German travellers. Whereas in 2019, the majority of Germans took more than three months to decide on a trip, 1 in 4 now needs less than four weeks. The broader economic context in Germany, with potential energy rationing as a result of European sanctions against Russia may also severely impact traveller sentiment over the coming months.



## French Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019



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

The French source market has shown a very marked improvement over the quarter. Destinations reporting to January saw an average decline in French arrivals of 51.6%. Those reporting to February had a lower average decline of 21.8% and those reporting to March a mere 7% decline on 2019 arrivals.

Malta, reporting only to January posted a small decline of 9.1% in French arrivals but a change in the average length of stay meant that nights from France were up 44.9%. Malta has reported that French, Italian and Polish arrivals accounted for around 36% of all visits in February 2022.

Croatia, Estonia and Turkey reported increases in arrivals, while Finland registered a marginal increase in nights.

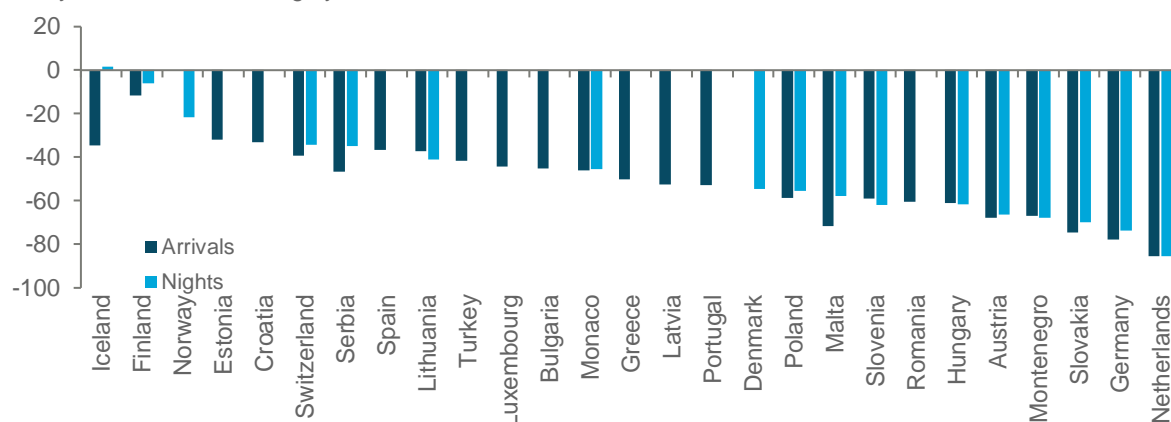
Some of the declines for France are now very small in comparison with 2019. For example, Norway's decline in nights relative to 2019 was a mere 3.8% and Monaco saw only an 8.7% decline in French arrivals.

The poorest performing countries include near neighbouring destinations such as the Netherlands (down 78% in terms of both nights and arrivals) and Germany, which saw a decline of 70% in French arrivals.



## Italian Visits and Overnights to Select Destinations

2022 year-to-date\*, % change year relative to 2019



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

Most reporting destinations have seen improvement from the Italian source market over the quarter, although recovery has been slower than from most other European source markets. Destinations reporting to January averaged Italian arrivals 66.6% lower than in 2019. In comparison, those countries reporting to February averaged a 45.6% decline and the small number of countries reporting to March averaged a decline of 37.4%.

While Iceland, reporting to March, saw a significant decline in Italian arrivals compared to 2019 (down 34.7%), it did manage a marginal increase in nights (+1.6%) from Italy across the first two months of 2022 – the only country to register growth in either metric. Iceland scrapped all Covid-related travel restrictions earlier this year, regardless of vaccination status.

Fewer countries registered declines in Italian arrivals of 75% or more than in the last report. These continued to include two large destinations in travel and tourism terms, with Germany seeing a 77.7% decline in Italian tourists and the Netherlands a decline of 85.4%.

## British Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019 levels



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

The UK also provided some destinations with growth for the first time in a long run of quarters, albeit limited to two countries: Turkey (which saw arrivals increase 16.4% on 2019 levels) and Croatia (up a more moderate 6.4%). Turkey might expect further growth in the coming months. With significant



capacity added between it and the UK for the upcoming summer season, notably to Antalya and Dalaman. Turkey may also benefit from the fact that, at present (11 April), the UK is on nearby Cyprus' red list.

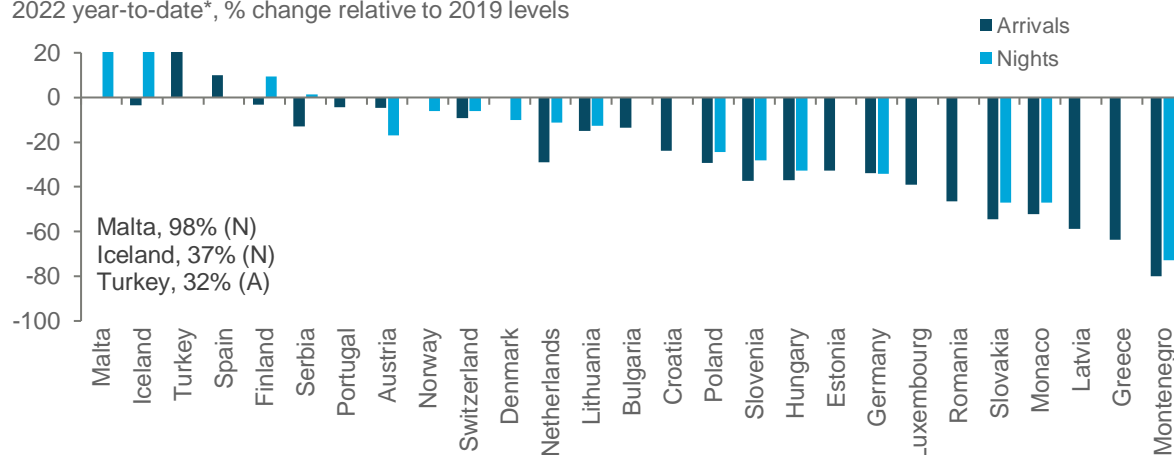
However, there was also a marked improvement across the quarter. Destinations reporting to January registered a relatively large 72.4% decline on 2019 levels. This improved to 44.7% in February and further to 29.4% in March.

At the other end of the spectrum, Germany, Slovakia and the Netherlands all continued to report steep declines in UK arrivals, with the Netherlands being the worst performer overall with a 93.9% decline in arrivals.

April data are likely to reflect some degree of the travel disruption and cancellations at UK airports and sea ports over Easter due to staffing pressures. Furthermore, although UK outbound travel seems to be recovering quickly, inbound travel appears to be making a slower comeback. The World Travel & Tourism Council (WTTC) has released [new research](#) that shows bookings on incoming flights from important source markets such as the US, Germany, Spain, and Ireland, are all significantly below pre-pandemic levels.

### Dutch Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019 levels



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

Arrivals from the Netherlands were down less than other major European source markets in January. Those destinations reporting to January saw Dutch arrivals 36.9% lower than in 2019. However, compared to most other European source markets, there was only a relatively small improvement across the remainder of the quarter with countries reporting to February seeing an average decline in arrivals of 24.3% and those reporting to March, 23.9%.

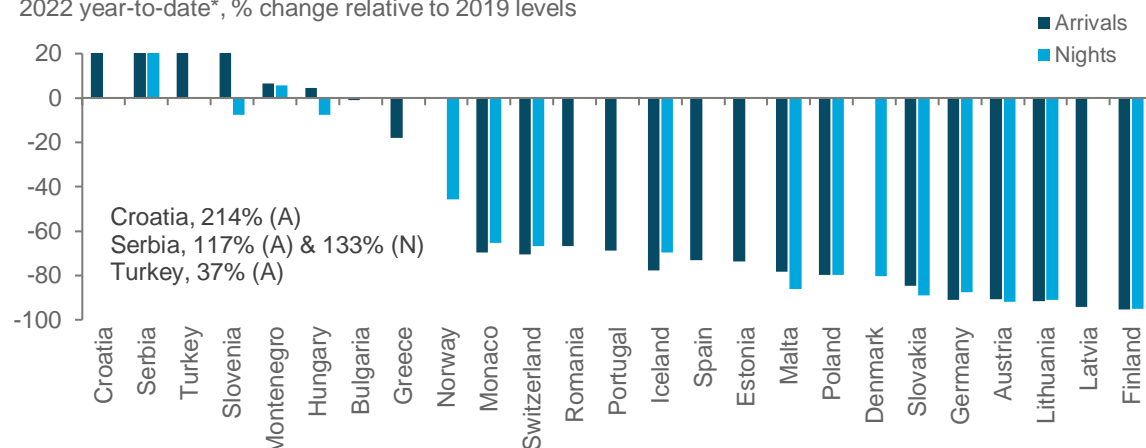
Nevertheless, Malta, Iceland, Finland and Serbia all recorded an increase in nights from the Netherlands relative to 2019, whilst Turkey and Spain both reported increases in arrivals. Malta's increase in nights represented a near doubling (+98.2%). A small group of countries (Portugal, Austria, Norway and Switzerland) recorded declines which by recent standards were relatively small – i.e., in the order of 5%. A new ferry service now linking the Netherlands with Norway from Groningen to Kristiansand should facilitate some future growth between the two. Far steeper declines were seen in Montenegro (down 80.1%) and in Greece (down 63.6%).





## Russian Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019 levels



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

At first sight, patterns of Russian arrivals look counterintuitive. Those destinations reporting to January were still registering very steep falls in Russian arrivals, averaging -83.9%. This improved markedly in February to -46.4% and Russia was in positive territory for those countries reporting to March (up 16.8%), although this is weighed up by the performance of Croatia (+214%). Croatia had set its sights on a strong performance from the Russian source market in 2022 but it is unclear how the remainder of the year will pan out given the situation in Ukraine.

Among the other strong performers was Serbia, which saw growth in Russian arrivals of 117%, and even stronger growth in nights (+133%) recorded from Russia. Turkey – which remains open to Russian visitors – saw growth of 37.3% in arrivals. All three of these countries accept evidence of the Russian vaccine, Sputnik V.

Slovenia saw some growth in arrivals (+24.4%) but a fall in nights (-7.7%), whilst a group of countries (Montenegro, Hungary, Bulgaria and Greece) saw relatively moderate changes over 2019.

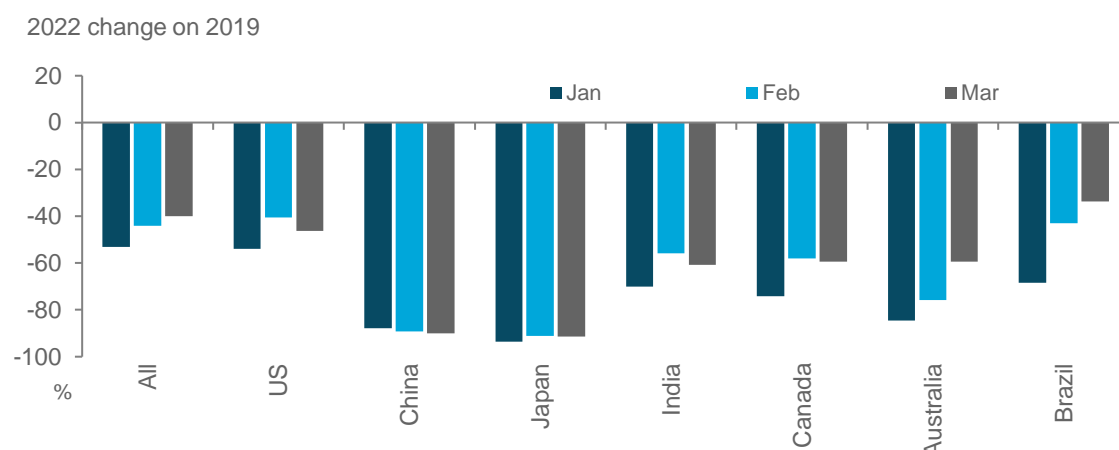
However, there remains a significant bloc of countries where the decline in Russian arrivals continues to exceed 75%. This includes Latvia and Lithuania as well as Finland, which has recorded the steepest decline in Russian arrivals at 95.2% (and the same decline in nights).



## NON-EUROPEAN SOURCE MARKETS

The chart below shows the average decline in tourist arrivals to European destinations by long-haul source market and reporting month. Again, it should be noted that March as the most recent month with data available is a simple average between a relatively small number of reporting countries. It should also be noted that the *All* category includes all source markets for which data was reported, not just those listed and also comprises European source markets.

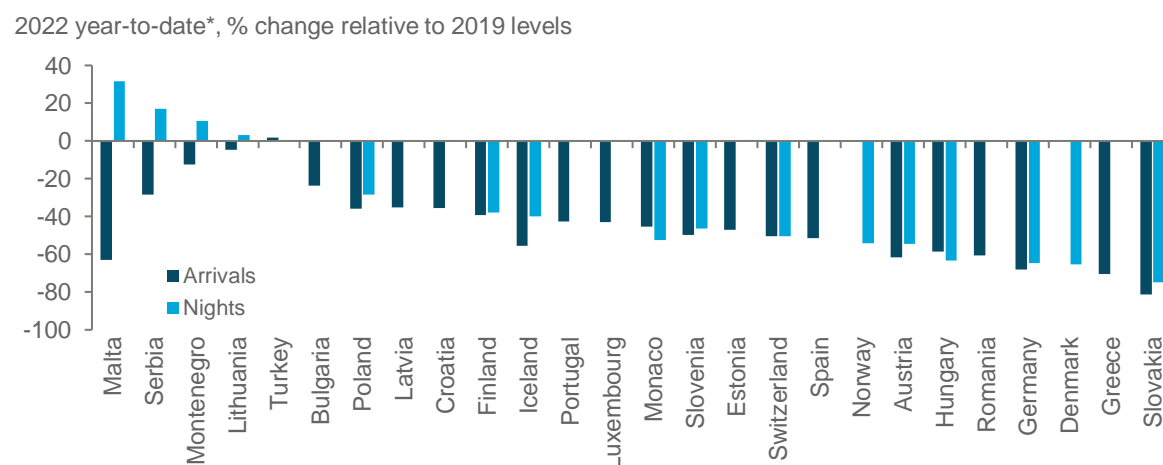
### Average Decline in Tourist Arrivals by Reporting Month by Source Market, 2022



It is clear that long-haul travel to Europe continues to be more seriously affected by ongoing restrictions than short-haul travel within Europe, especially from Asian source markets. There was some very slight improvement across the quarter from Japan, but China has actually worsened since January and Chinese outbound has barely shown any recovery at all so far. As well as the lockdown situation in Shanghai, the Russia-Ukraine conflict has created intermediate closed airspace for which re-routing is generally long and impractical.

Elsewhere, there is a mix of improvement across the quarter (for example, from Australia and Brazil) and improvement in February followed by some mild deterioration in performance in March (for example, from India, the United States and Canada).

### American Visits and Overnights to Select Destinations



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



The United States remains amongst the better performers of the long-haul source markets. Destinations reporting to January registered an average decline in American arrivals of 53.9%. This improved in February to -40.5% but then deteriorated back to -46.2% for March – although this is based on a limited number of reporting destinations.

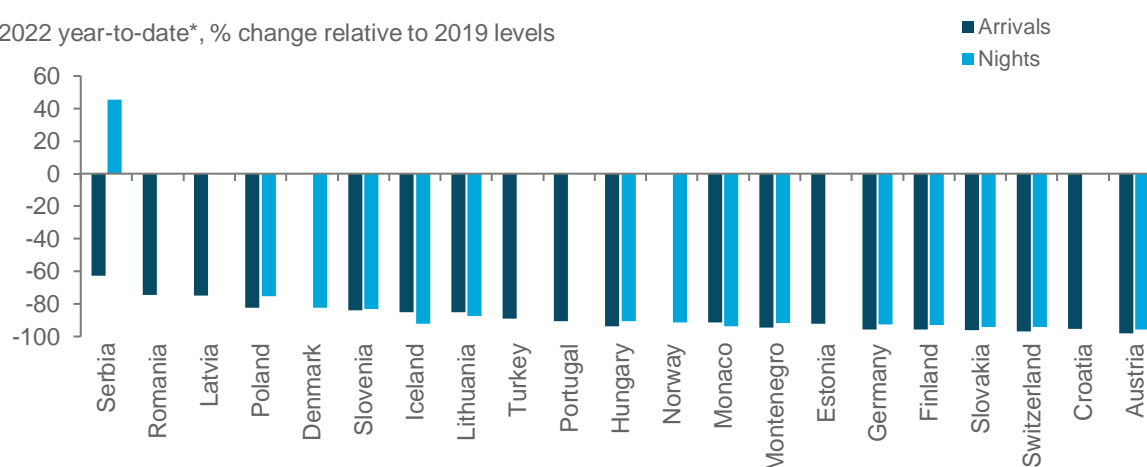
Stronger performing destinations (Malta, Serbia and Lithuania) show a clear picture of declining arrivals relative to 2019, but a longer implied average length of stay. In the case of Malta, the decline in arrivals from the United States remains very substantial at 63%, whilst nights have increased on 2019 levels by 31.6% from a low baseline.

However, some major destinations were among the worst performing countries – including Greece (which saw arrivals fall by 70.6%) and Germany (down 68.0% on 2019 levels). The very worst performing European destination was Slovakia with a decline in American arrivals of 81.3%. Slovakia's proximity to Ukraine and the refugee crisis there is unlikely to help in the coming months.

Nevertheless, it remains the case that over 2022 transatlantic travel between the US and Europe will be one of the key drivers of the industry's recovery. However, eastern European destinations may well suffer because of perceived proximity to the Russia-Ukraine conflict. The travel marketing company, MMGY has said that nearly half of Americans who were planning trips to Europe had decided to 'wait and see' how the conflict in Ukraine develops. ForwardKeys has found that bookings between the US and Europe fell 13% week-on-week following Russia's invasion.

### Chinese Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019 levels



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

No destination reported growth in arrivals from China, but Serbia has seen an increase in nights when compared to 2019 (up 45.6%). Strong ties between Serbia and China are driving a recovery not seen elsewhere in Europe and connectivity between the two continues to improve. Air Serbia's plans to introduce new services to China are already at the advanced planning stage, with the company finalising its business case. Romania and Latvia were the countries with the next most moderate declines compared to 2019 – of up to three quarters of arrivals.

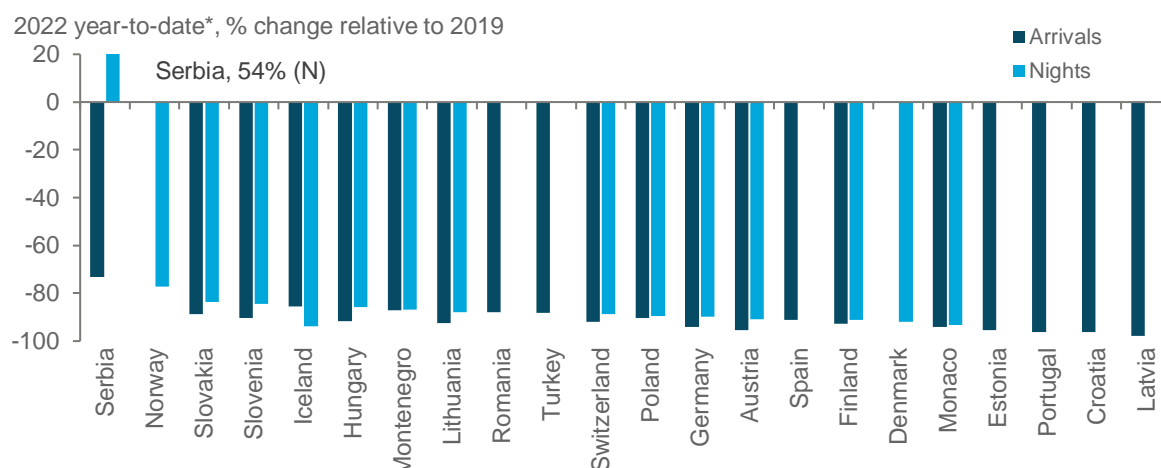
In contrast, a whole range of countries in Europe are still registering declines in Chinese arrivals of 90% or more.

In China, the 'zero Covid' policy continues. Another major outbreak has been identified in the north-eastern Jilin province and there are fears of major outbreaks elsewhere. This combined with the im-



portance of 2022 to the Chinese Communist Party (with the 20<sup>th</sup> Congress in November and Xi's attempt for a third five-year term as CCP leader) implies that there is little chance of the easing of travel restrictions any time soon.

## Japanese Visits and Overnights to Select Destinations



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

Japan is another long-haul source market for which recovery in arrivals to Europe seems a long way off. There was some marginal improvement over the quarter, but even those destinations reporting to February and March recorded declines in Japanese visitors of 91% (93.6% for those destinations reporting to January). That is a mild improvement on the 95% reported in the previous report.

In the Q4/2021 report, Serbia had seen an 85.6% decline in visitors, but a 71.3% fall in nights. The fall in Japanese arrivals to Serbia has now improved to -73.2% and nights (+54.2%) are now in positive territory relative to 2019 (although from a low baseline).

Norway was among the best performing destinations. Beyond it, all countries have seen declines in Japanese visitors of 85% or more.

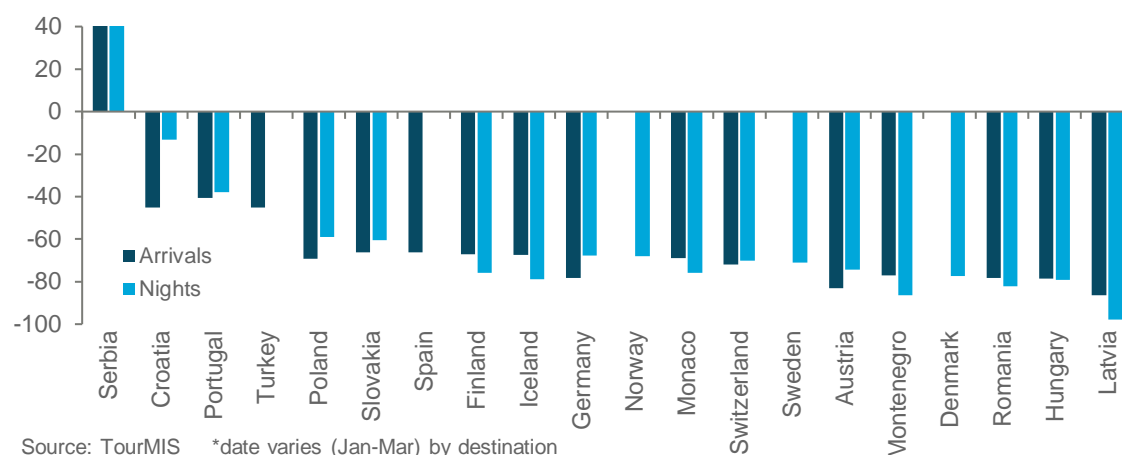
Japan has lifted border restrictions for 106 countries. However, in most cases it remains impossible for leisure tourists to visit under the daily quotas systems in operation. Many European carriers have shut down routes to Japan – a result of very low demand and the impracticalities of re-routing around the Ukraine / Russia / Belarus / Moldova airspace zones.



## Indian Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019

Serbia, 438% (A) & 792% (N)



Once again, Serbia was the exception to the rule for Indian travellers thanks to its role as a loophole in the travel requirements of other countries. Vaccinated travellers presenting a negative Covid test can stay in Serbia visa-free. Depending on the requirements of their final destination, they usually need to isolate for seven days. Indian arrivals to Serbia were up 438% and because of the compulsory isolation periods, nights were up even more, increasing by 792% on 2019's low base.

No other destination reported growth in either metric from India. Montenegro, which had performed relatively well in the last quarterly report, registered a decline in Indian arrivals of 77.1% - although it should be noted that its volatility is due to a very low base.

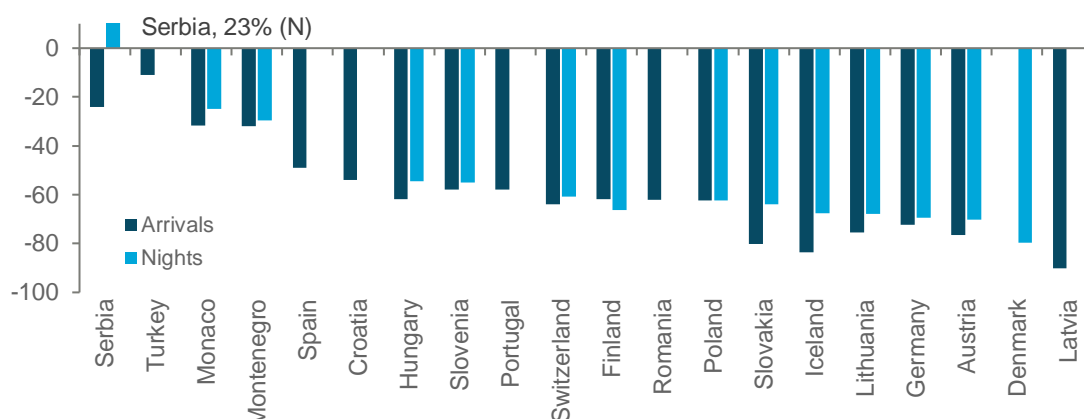
The smallest declines were recorded in Croatia, Portugal and Turkey. Beyond this group, all remaining countries reported declines in arrivals in excess of 65%.

Other than Serbia, there is relatively little sign of improvement. Countries reporting to February did see smaller declines than countries reporting to January, but March's average decline was still registering at -60.8% compared to 2019 levels. However, this may change in April. On 27 March India resumed international commercial flights. Previously, India had introduced 'air bubble' arrangements with Australia, Canada, Japan, the US and the UK. Those arrangements have now been replaced by a more all-encompassing policy.



## Canadian Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019



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

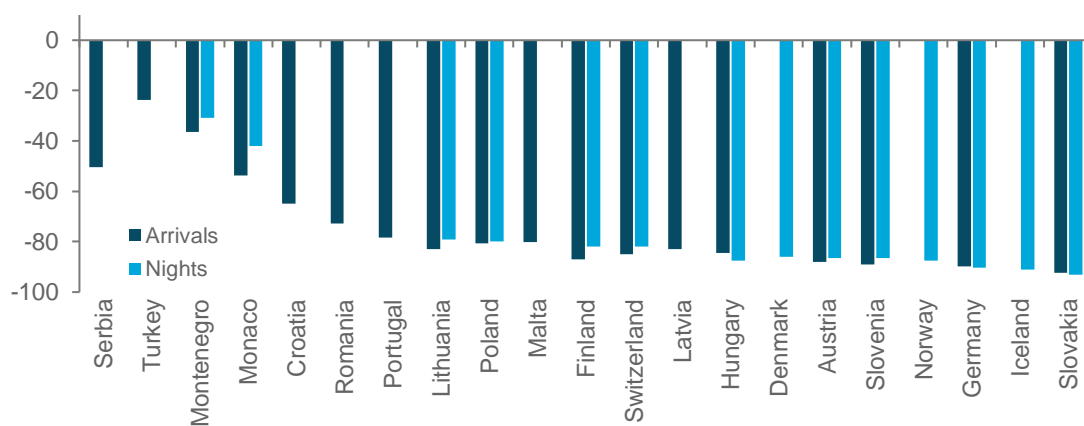
Although there was some improvement over the quarter, European destinations continue to report weak activity from Canada. The best performing destination in terms of nights was Serbia – in positive territory and up 22.7% on 2019 levels, although arrivals in Serbia from Canada fell 24.2%. Relatively moderate declines compared to 2019 levels are now being recorded in Turkey, Monaco, and Montenegro. Spain saw arrivals from Canada drop by 48.9% and Croatia by -54%.

However, a bloc of countries, including major destinations, such as Germany, Austria and Iceland, continue to record very steep falls from Canada, in excess of 70%.

At the time of the last quarterly update, Canada was advising its citizens against international travel and the EU was tightening its restrictions for unvaccinated Canadian travellers. Canada has now significantly relaxed its entry requirements and the EU now recommends to European nations that vaccinated travellers should be allowed to visit. However, Canada is still not on the EU green list meaning that unvaccinated travellers still face travel restrictions.

## Australian Visits and Overnights to Select Destinations

2022 year-to-date\*, % change relative to 2019



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

Australia has seen considerable improvement across the first quarter of 2022. Countries reporting to January recorded an 84.6% average decline in Australian arrivals. By March, that figure had improved to -59.5%, bringing Australia more into line with the performance of other non-Asian long-haul source

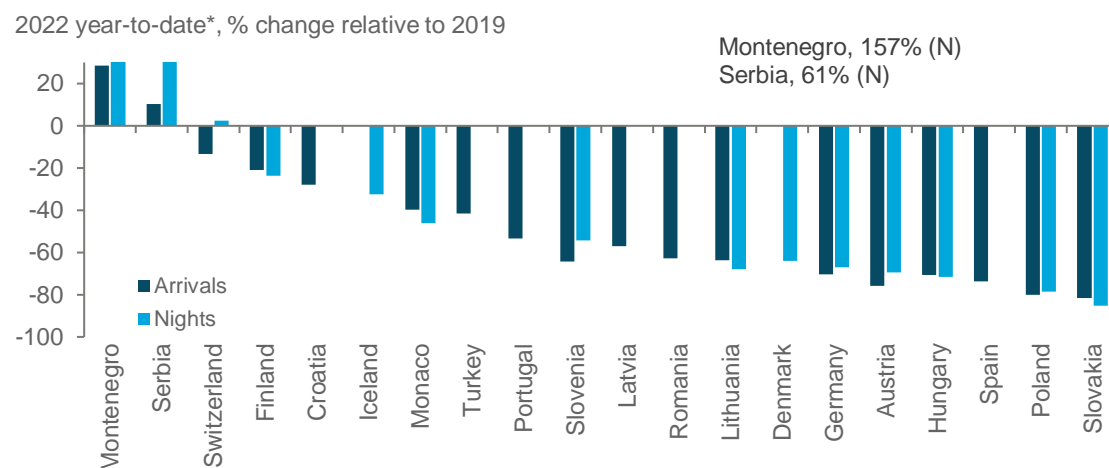


markets. But, even with eased restrictions, many European destinations continue to record very reduced tourism activity from Australia.

Parts of south-eastern Europe fared best with Turkey, Montenegro and Serbia the best overall performers. Turkey's decline from 2019 levels was only 23.6%.

However, despite high vaccination take-up, countries such as Germany, Austria and Denmark (in terms of nights) continue to record declines from Australia in excess of 85%.

### Brazilian Visits and Overnights to Select Destinations



The limited recovery made by Brazilian outbound travel in Q4 2021 has continued into the first quarter of 2022. Destinations reporting to January averaged a 68.4% decline in Brazilian arrivals. By March, the average had improved to a 33.6% decline.

Serbia continues to post strong results for Brazilian arrivals. Although arrivals are only up 10.3% on 2019 levels, nights are now 61.2% higher than their low base in 2019. Visits and nights to Montenegro have actually recovered more strongly and now stand 28.6% and 157% above their 2019 level respectively. However, both are from a low base.

In Q4/2021, a range of countries, including Germany, Austria and Belgium as well as several Central European destinations had seen declines in Brazilian arrivals of well over 90%. This quarter the worst performing country was Slovakia with a decline in Brazilian arrivals of 81.7%.





## 7. ORIGIN MARKET SHARE ANALYSIS

*Based on 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 the 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, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine.



## United States Market Share Summary

|                        | 2021   |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|--------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s   | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 44,139 | -       | 27.4%            | 235.0%             | -            | -57.6%             | -            |
| Long haul              | 23,382 | 53.0%   | 29.3%            | 262.0%             | 57.2%        | -62.6%             | 60.0%        |
| Short haul             | 20,756 | 47.0%   | 25.0%            | 204.6%             | 42.8%        | -50.2%             | 40.0%        |
| Travel to Europe       | 9,446  | 21.4%   | 33.6%            | 325.1%             | 27.2%        | -65.8%             | 26.5%        |
| European Union         | 5,873  | 13.3%   | 42.2%            | 481.2%             | 23.1%        | -74.7%             | 22.3%        |
| Northern Europe        | 1,688  | 3.8%    | 41.5%            | 467.3%             | 6.5%         | -75.7%             | 6.7%         |
| Western Europe         | 3,263  | 7.4%    | 32.3%            | 304.6%             | 8.9%         | -67.1%             | 9.5%         |
| Southern Europe        | 3,386  | 7.7%    | 29.9%            | 269.9%             | 8.5%         | -53.4%             | 7.0%         |
| Central/Eastern Europe | 1,108  | 2.5%    | 34.3%            | 337.1%             | 3.3%         | -68.2%             | 3.3%         |

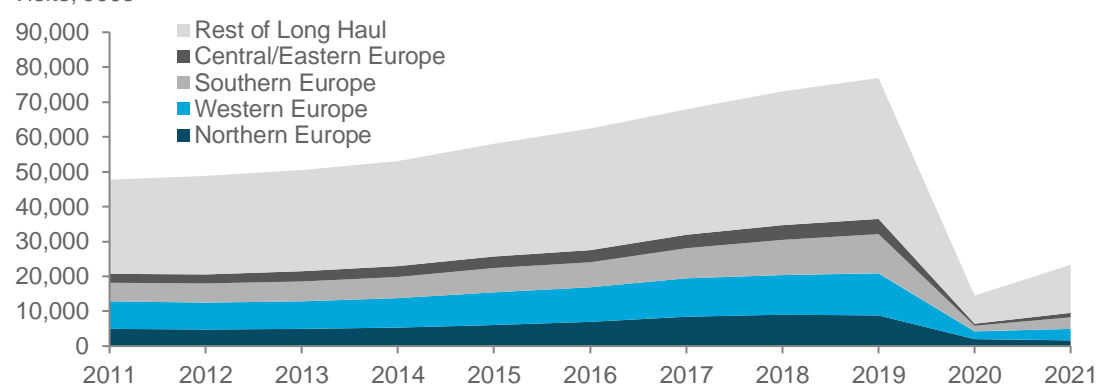
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## United States Long Haul\* Outbound Travel

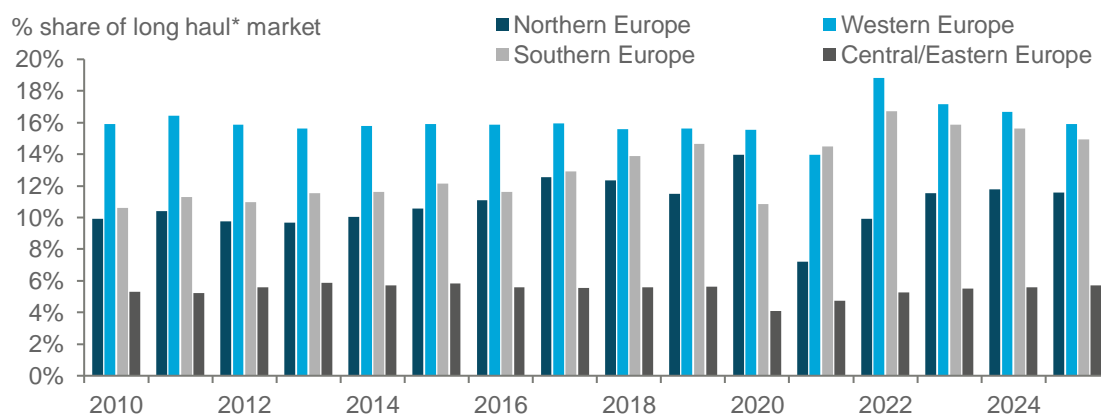
Visits, 000s



\*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

## Europe's Share of American Market



\*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics



## Canada Market Share Summary

|                        | 2021  |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|-------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s  | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 4,794 | -       | 57.9%            | 881.7%             | -            | -86.0%             | -            |
| Long haul              | 1,804 | 37.6%   | 58.9%            | 913.7%             | 38.9%        | -86.4%             | 38.7%        |
| Short haul             | 2,990 | 62.4%   | 57.3%            | 862.4%             | 61.1%        | -85.8%             | 61.3%        |
| Travel to Europe       | 954   | 19.9%   | 48.9%            | 631.5%             | 14.8%        | -82.0%             | 15.5%        |
| European Union         | 1,321 | 27.6%   | 36.7%            | 377.3%             | 13.4%        | -72.1%             | 13.8%        |
| Northern Europe        | 190   | 4.0%    | 49.9%            | 656.8%             | 3.0%         | -85.2%             | 3.7%         |
| Western Europe         | 322   | 6.7%    | 47.6%            | 601.6%             | 4.8%         | -82.3%             | 5.3%         |
| Southern Europe        | 361   | 7.5%    | 52.7%            | 730.1%             | 6.4%         | -81.0%             | 5.5%         |
| Central/Eastern Europe | 81    | 1.7%    | 28.7%            | 253.2%             | 0.6%         | -72.9%             | 0.9%         |

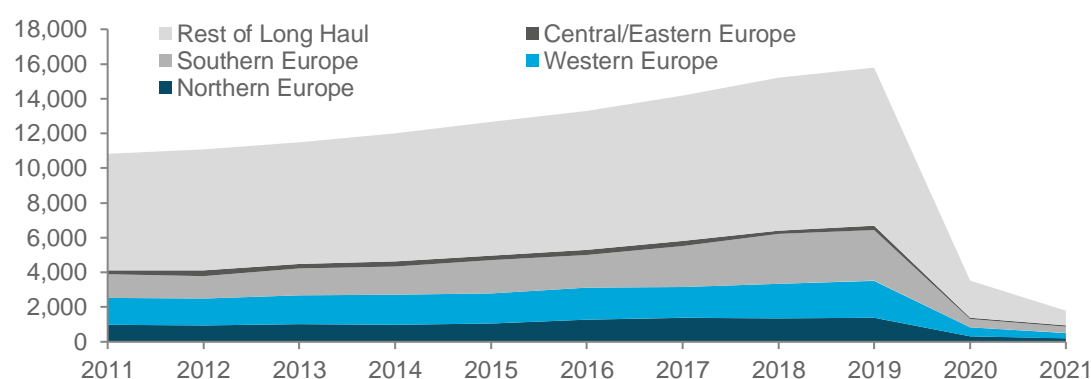
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Canada Long Haul\* Outbound Travel

Visits, 000s

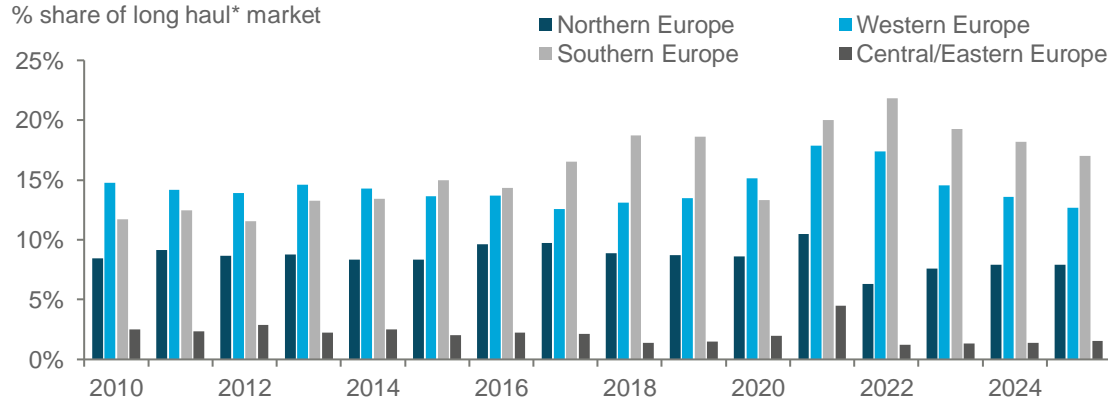


\*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

## Europe's Share of Canadian Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics



## Mexico Market Share Summary

|                        | 2021   |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|--------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s   | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 11,598 | -       | 15.3%            | 104.2%             | -            | -47.6%             | -            |
| Long haul              | 1,120  | 9.7%    | 24.7%            | 201.4%             | 14.3%        | -61.4%             | 13.1%        |
| Short haul             | 10,478 | 90.3%   | 14.1%            | 93.8%              | 85.7%        | -45.5%             | 86.9%        |
| Travel to Europe       | 657    | 5.7%    | 22.5%            | 175.9%             | 7.7%         | -57.6%             | 7.0%         |
| European Union         | 394    | 3.4%    | 31.5%            | 293.1%             | 6.5%         | -69.6%             | 5.9%         |
| Northern Europe        | 10     | 0.1%    | 78.6%            | 1717.4%            | 0.7%         | -94.0%             | 0.7%         |
| Western Europe         | 337    | 2.9%    | 15.9%            | 109.6%             | 3.0%         | -50.1%             | 3.1%         |
| Southern Europe        | 247    | 2.1%    | 24.6%            | 200.6%             | 3.1%         | -54.3%             | 2.4%         |
| Central/Eastern Europe | 63     | 0.5%    | 24.8%            | 202.2%             | 0.8%         | -63.9%             | 0.8%         |

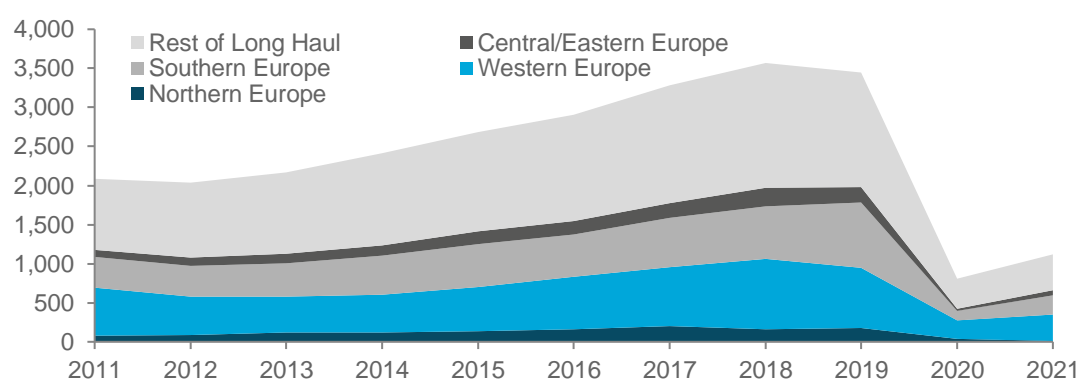
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Mexico Long Haul\* Outbound Travel

Visits, 000s

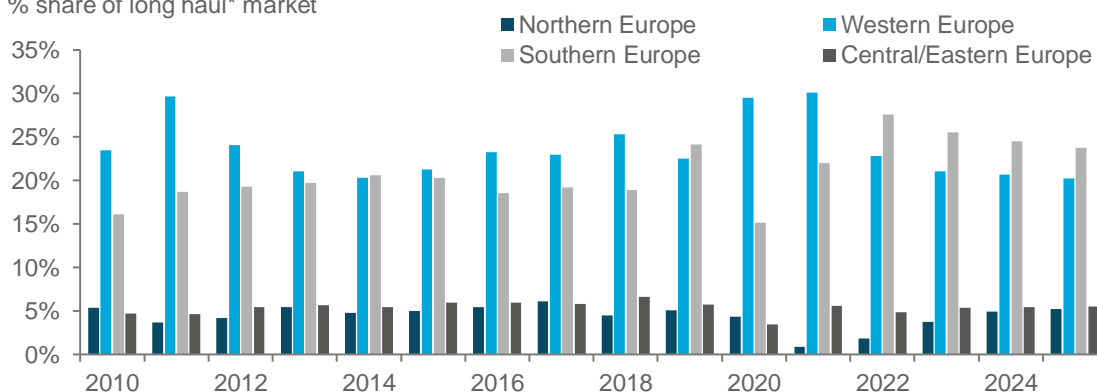


\*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

## Europe's Share of Mexican Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics



## Argentina Market Share Summary

|                        | 2021  |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|-------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s  | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 1,995 | -       | 36.4%            | 372.9%             | -            | -83.2%             | -            |
| Long haul              | 574   | 28.8%   | 41.5%            | 466.8%             | 34.5%        | -82.3%             | 27.4%        |
| Short haul             | 1,421 | 71.2%   | 34.2%            | 335.0%             | 65.5%        | -83.5%             | 72.6%        |
| Travel to Europe       | 146   | 7.3%    | 55.6%            | 811.5%             | 14.1%        | -89.1%             | 11.3%        |
| European Union         | 215   | 10.8%   | 39.6%            | 429.7%             | 12.1%        | -77.1%             | 7.9%         |
| Northern Europe        | 2     | 0.1%    | 124.2%           | 5561.4%            | 1.4%         | -98.5%             | 1.3%         |
| Western Europe         | 8     | 0.4%    | 50.5%            | 671.0%             | 0.6%         | -87.5%             | 0.5%         |
| Southern Europe        | 119   | 6.0%    | 53.5%            | 751.1%             | 10.7%        | -88.0%             | 8.3%         |
| Central/Eastern Europe | 17    | 0.9%    | 50.0%            | 658.3%             | 1.4%         | -87.2%             | 1.1%         |

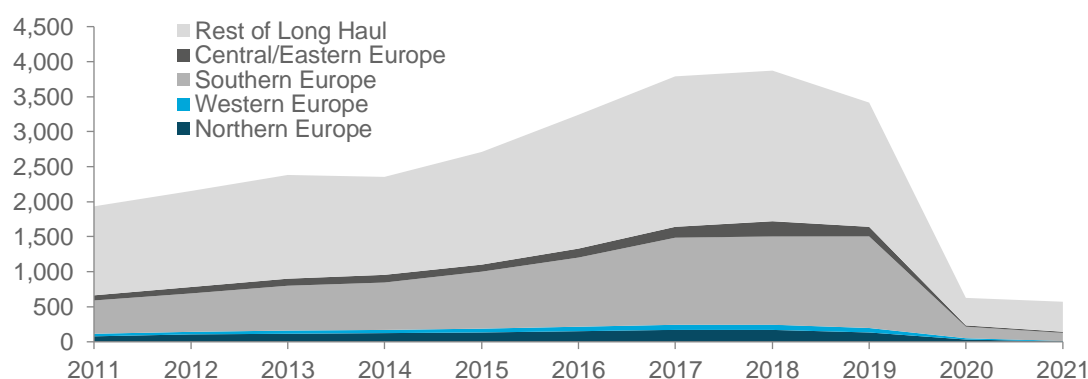
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Argentina Long Haul\* Outbound Travel

Visits, 000s

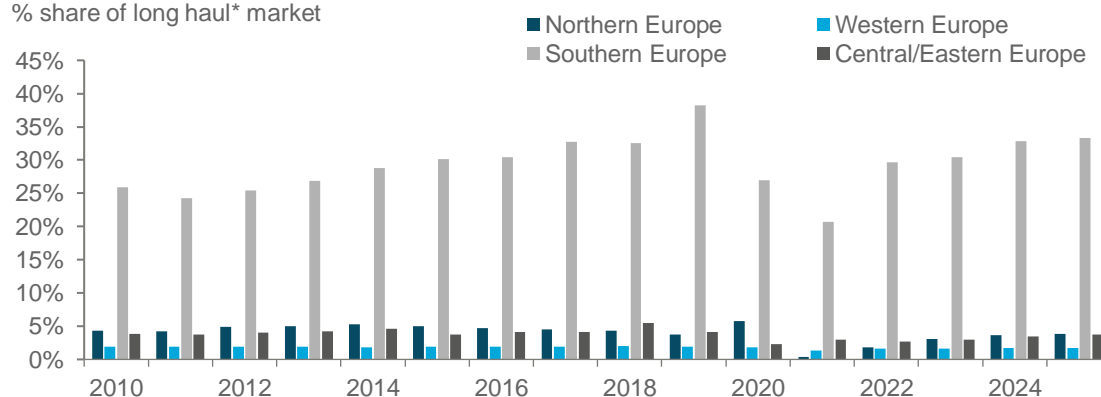


\*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

## Europe's Share of Argentine Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics



## Brazil Market Share Summary

|                        | 2021  |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|-------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s  | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 1,963 | -       | 44.7%            | 533.3%             | -            | -78.2%             | -            |
| Long haul              | 1,534 | 78.1%   | 41.9%            | 476.1%             | 71.1%        | -76.2%             | 71.6%        |
| Short haul             | 429   | 21.9%   | 53.0%            | 737.8%             | 28.9%        | -83.2%             | 28.4%        |
| Travel to Europe       | 835   | 42.5%   | 42.7%            | 491.8%             | 39.7%        | -75.8%             | 38.4%        |
| European Union         | 839   | 42.7%   | 39.0%            | 418.1%             | 34.9%        | -76.7%             | 40.0%        |
| Northern Europe        | 6     | 0.3%    | 121.0%           | 5166.2%            | 2.6%         | -97.2%             | 2.4%         |
| Western Europe         | 360   | 18.4%   | 32.7%            | 312.1%             | 11.9%        | -71.7%             | 14.2%        |
| Southern Europe        | 384   | 19.5%   | 47.6%            | 599.4%             | 21.6%        | -76.8%             | 18.4%        |
| Central/Eastern Europe | 85    | 4.3%    | 39.7%            | 431.5%             | 3.6%         | -72.4%             | 3.4%         |

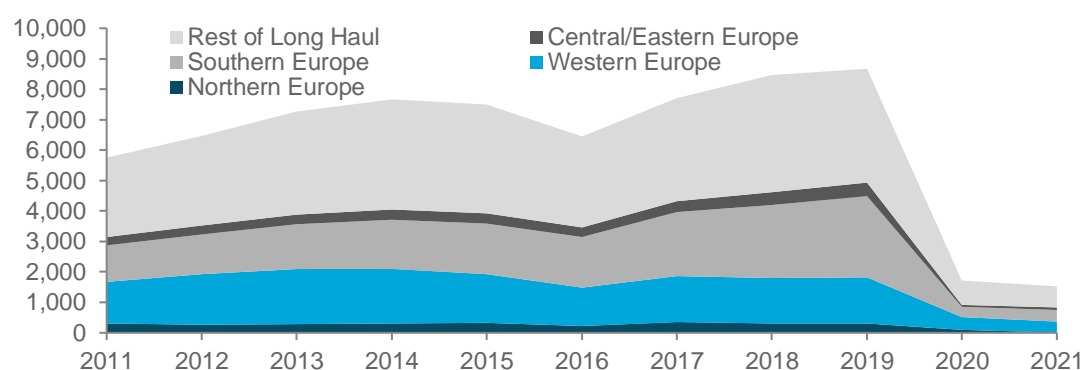
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Brazil Long Haul\* Outbound Travel

Visits, 000s

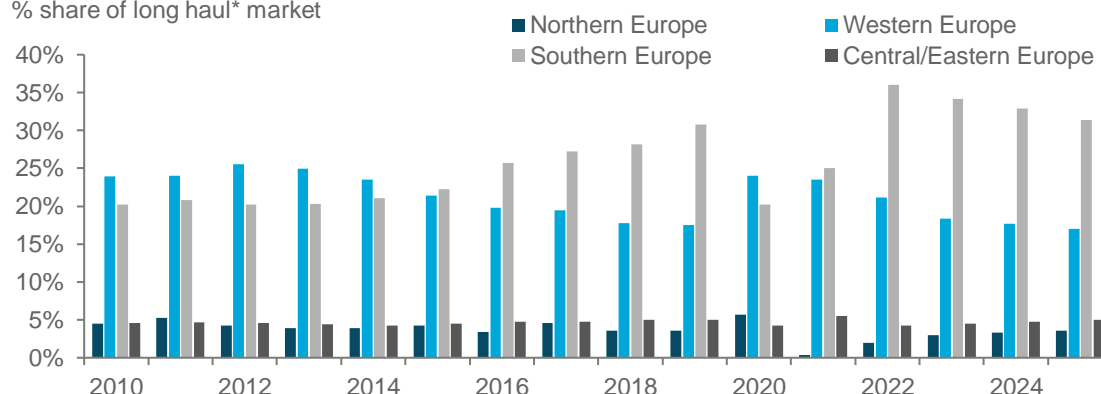


\*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

## Europe's Share of Brazilian Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics



## India Market Share Summary

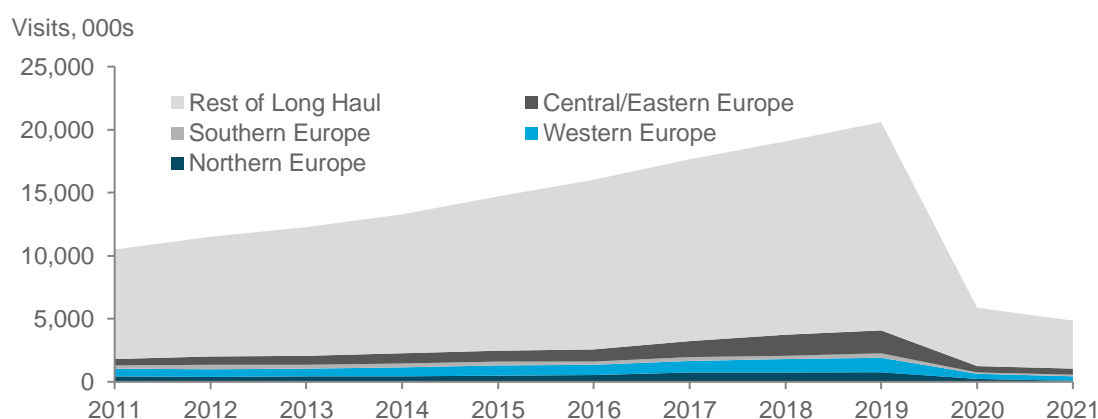
|                        | 2021  |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|-------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s  | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 5,165 | -       | 36.4%            | 371.7%             | -            | -69.8%             | -            |
| Long haul              | 4,870 | 94.3%   | 36.4%            | 371.9%             | 94.3%        | -69.6%             | 93.6%        |
| Short haul             | 295   | 5.7%    | 36.2%            | 369.4%             | 5.7%         | -72.9%             | 6.4%         |
| Travel to Europe       | 1,046 | 20.3%   | 33.5%            | 324.6%             | 18.2%        | -59.6%             | 15.1%        |
| European Union         | 726   | 14.0%   | 21.3%            | 162.4%             | 7.8%         | -45.5%             | 7.8%         |
| Northern Europe        | 69    | 1.3%    | 63.9%            | 1081.3%            | 3.4%         | -86.7%             | 3.0%         |
| Western Europe         | 372   | 7.2%    | 27.5%            | 236.4%             | 5.1%         | -54.6%             | 4.8%         |
| Southern Europe        | 129   | 2.5%    | 26.5%            | 224.3%             | 1.7%         | -51.8%             | 1.6%         |
| Central/Eastern Europe | 476   | 9.2%    | 32.7%            | 310.7%             | 8.0%         | -51.5%             | 5.7%         |

\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

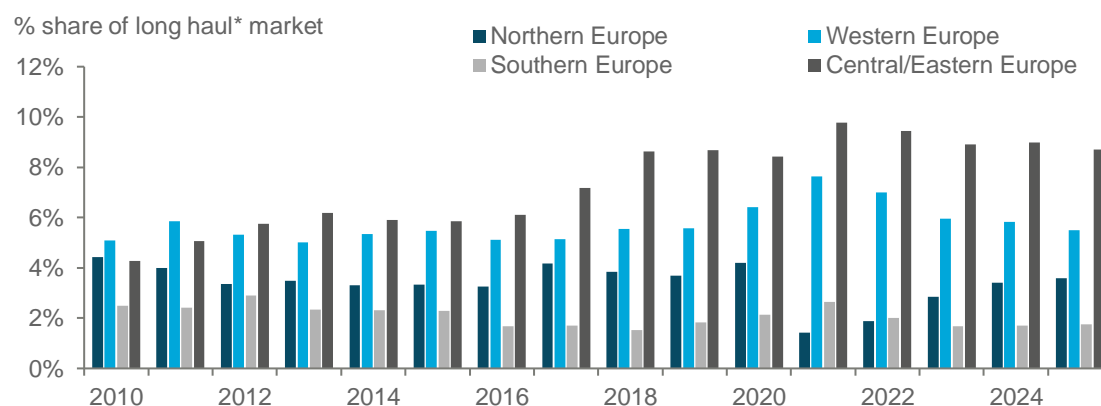
## India Long Haul\* Outbound Travel



\*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

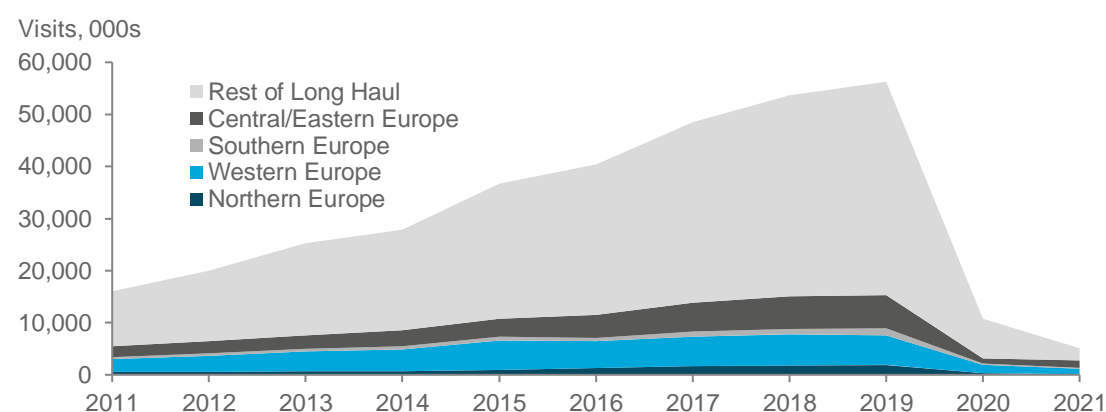
|                        | 2021   |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|--------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s   | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 12,429 | -       | 63.0%            | 1051.1%            | -            | -87.1%             | -            |
| Long haul              | 5,108  | 41.1%   | 66.5%            | 1178.5%            | 45.6%        | -87.4%             | 42.0%        |
| Short haul             | 7,321  | 58.9%   | 60.4%            | 962.2%             | 54.4%        | -86.9%             | 58.0%        |
| Travel to Europe       | 2,744  | 22.1%   | 42.1%            | 479.6%             | 11.1%        | -76.1%             | 11.9%        |
| European Union         | 2,182  | 17.6%   | 31.2%            | 289.2%             | 5.9%         | -67.4%             | 6.9%         |
| Northern Europe        | 114    | 0.9%    | 77.9%            | 1683.1%            | 1.4%         | -91.0%             | 1.3%         |
| Western Europe         | 1,031  | 8.3%    | 43.1%            | 500.3%             | 4.3%         | -79.9%             | 5.3%         |
| Southern Europe        | 188    | 1.5%    | 44.3%            | 524.7%             | 0.8%         | -71.6%             | 0.7%         |
| Central/Eastern Europe | 1,411  | 11.3%   | 35.7%            | 360.8%             | 4.5%         | -68.2%             | 4.6%         |

\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

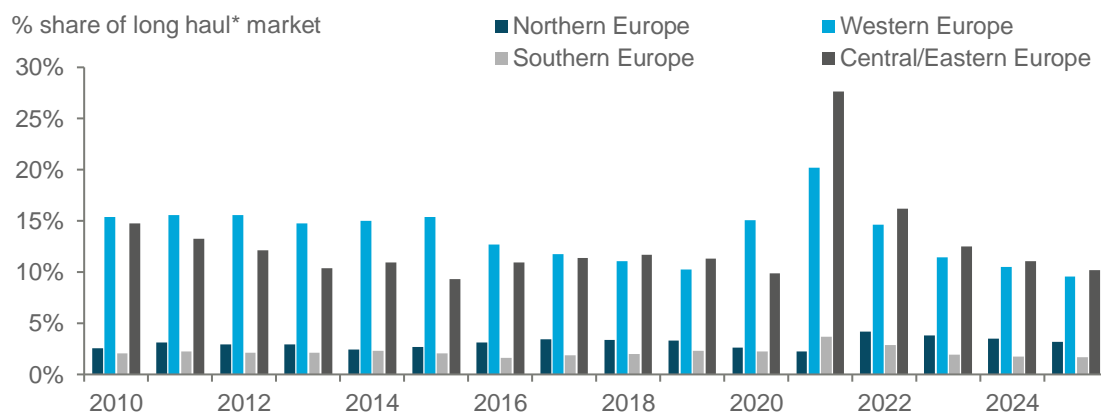
## China Long Haul\* Outbound Travel



\*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

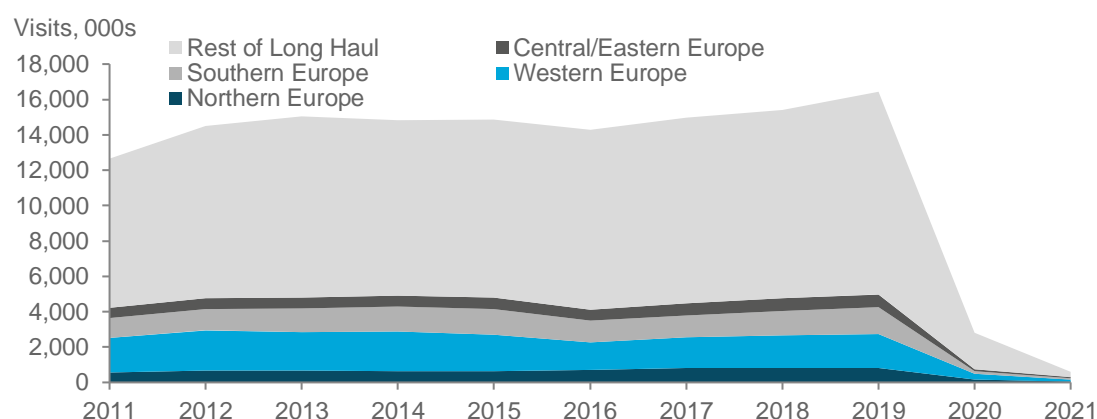
|                        | 2021 |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 711  | -       | 118.7%           | 4899.3%            | -            | -96.8%             | -            |
| Long haul              | 593  | 83.4%   | 104.9%           | 3515.3%            | 60.3%        | -95.8%             | 64.7%        |
| Short haul             | 118  | 16.6%   | 160.4%           | 11864.8%           | 39.7%        | -98.5%             | 35.3%        |
| Travel to Europe       | 293  | 41.1%   | 81.4%            | 1866.6%            | 16.2%        | -92.9%             | 18.6%        |
| European Union         | 680  | 95.7%   | 47.3%            | 592.9%             | 13.3%        | -84.1%             | 19.4%        |
| Northern Europe        | 38   | 5.3%    | 86.3%            | 2143.0%            | 2.4%         | -94.7%             | 3.2%         |
| Western Europe         | 114  | 16.1%   | 81.1%            | 1847.1%            | 6.3%         | -92.6%             | 7.0%         |
| Southern Europe        | 82   | 11.6%   | 85.6%            | 2104.8%            | 5.1%         | -93.3%             | 5.5%         |
| Central/Eastern Europe | 58   | 8.2%    | 71.7%            | 1392.5%            | 2.5%         | -90.8%             | 2.9%         |

\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

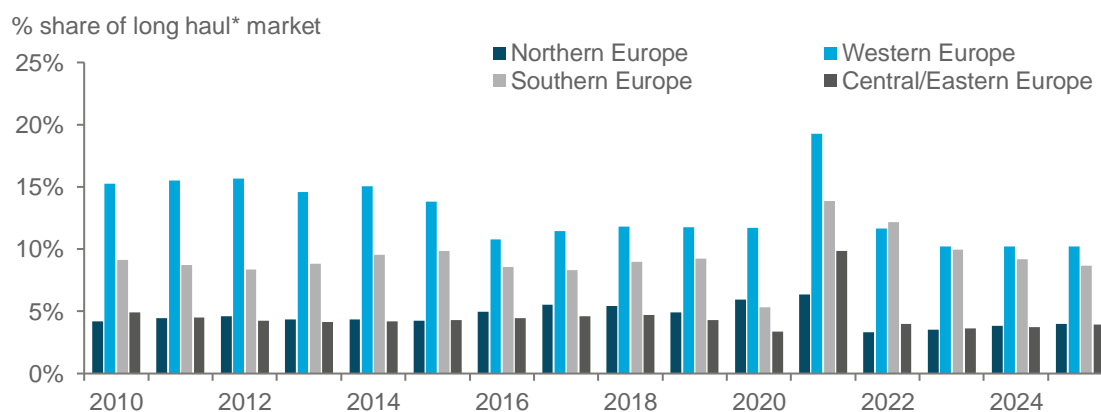
## Japan Long Haul\* Outbound Travel



\*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

|                        | 2021 |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 559  | -       | 112.7%           | 4250.6%            | -            | -96.6%             | -            |
| Long haul              | 536  | 95.9%   | 112.9%           | 4269.9%            | 96.3%        | -96.6%             | 95.6%        |
| Short haul             | 23   | 4.1%    | 108.1%           | 3802.4%            | 3.7%         | -96.8%             | 4.4%         |
| Travel to Europe       | 207  | 37.1%   | 102.8%           | 3331.9%            | 29.3%        | -95.8%             | 30.0%        |
| European Union         | 705  | 126.2%  | 53.6%            | 756.1%             | 24.8%        | -84.5%             | 27.8%        |
| Northern Europe        | 31   | 5.5%    | 122.3%           | 5324.0%            | 6.9%         | -97.7%             | 8.3%         |
| Western Europe         | 63   | 11.2%   | 93.6%            | 2618.6%            | 7.0%         | -96.0%             | 9.5%         |
| Southern Europe        | 86   | 15.4%   | 105.5%           | 3564.3%            | 12.9%        | -94.4%             | 9.4%         |
| Central/Eastern Europe | 28   | 5.0%    | 84.0%            | 2007.8%            | 2.4%         | -93.7%             | 2.7%         |

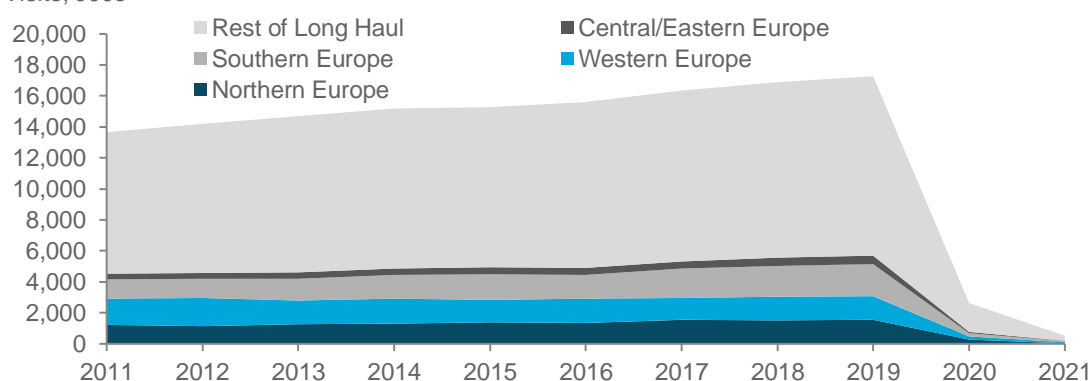
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Australia Long Haul\* Outbound Travel

Visits, 000s

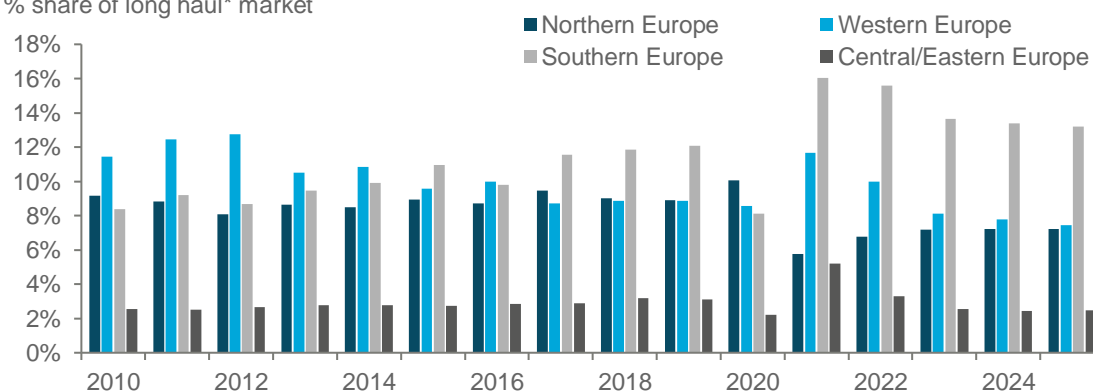


\*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

## Europe's Share of Australian Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics



## Russia Market Share Summary

|                        | 2021  |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|-------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s  | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 9,888 | -       | 24.0%            | 193.5%             | -            | -49.4%             | -            |
| Long haul              | 1,196 | 12.1%   | 37.0%            | 383.3%             | 19.9%        | -76.5%             | 26.0%        |
| Short haul             | 8,692 | 87.9%   | 21.7%            | 167.4%             | 80.1%        | -39.9%             | 74.0%        |
| Travel to Europe       | 8,692 | 87.9%   | 21.7%            | 167.4%             | 80.1%        | -39.9%             | 74.0%        |
| European Union         | 2,222 | 22.5%   | 25.4%            | 210.6%             | 23.8%        | -72.9%             | 41.9%        |
| Northern Europe        | 105   | 1.1%    | 58.4%            | 898.6%             | 3.6%         | -88.4%             | 4.6%         |
| Western Europe         | 328   | 3.3%    | 36.2%            | 368.7%             | 5.3%         | -75.5%             | 6.8%         |
| Southern Europe        | 6,126 | 62.0%   | 11.8%            | 74.9%              | 36.9%        | 33.4%              | 23.5%        |
| Central/Eastern Europe | 2,133 | 21.6%   | 36.0%            | 366.1%             | 34.3%        | -72.0%             | 39.0%        |

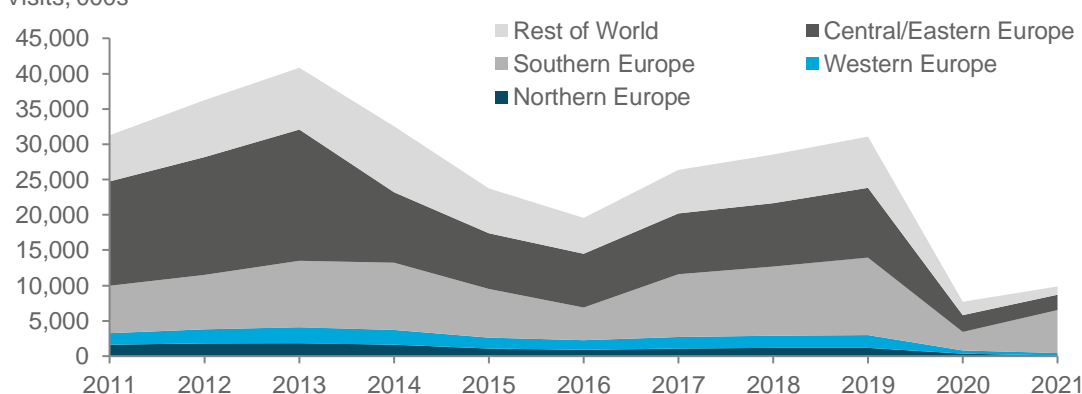
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Russia Long Haul\* Outbound Travel

Visits, 000s

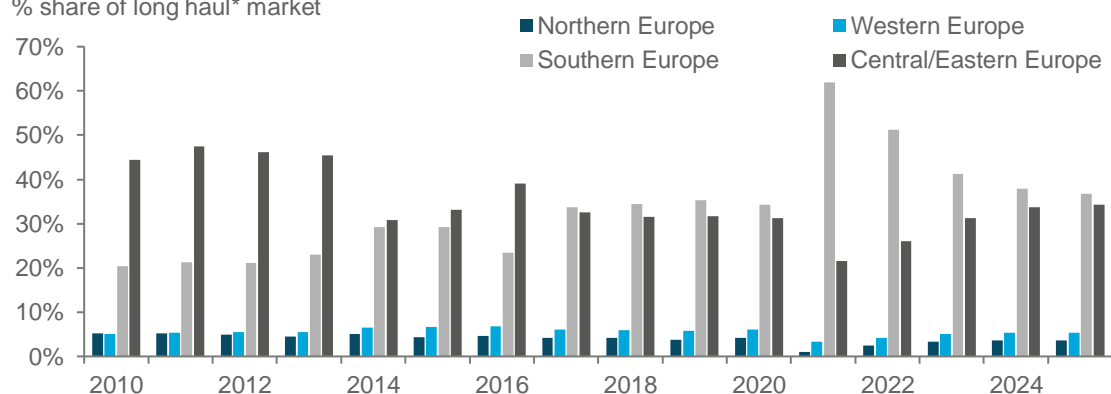


\*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

## Europe's Share of Russian Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics



## United Arab Emirates Market Share Summary

|                        | 2021  |         | Growth (2021-26) |                    |              | Growth (2016-21)   |              |
|------------------------|-------|---------|------------------|--------------------|--------------|--------------------|--------------|
|                        | 000s  | Share** | Annual average   | Cumulative growth* | Share 2026** | Cumulative growth* | Share 2016** |
| Total outbound travel  | 1,861 | -       | 24.9%            | 203.7%             | -            | -51.3%             | -            |
| Long haul              | 1,223 | 65.7%   | 16.3%            | 113.1%             | 46.1%        | -46.2%             | 59.6%        |
| Short haul             | 638   | 34.3%   | 36.7%            | 377.5%             | 53.9%        | -58.7%             | 40.4%        |
| Travel to Europe       | 908   | 48.8%   | 13.8%            | 90.5%              | 30.6%        | -41.4%             | 40.6%        |
| European Union         | 280   | 15.1%   | 29.5%            | 264.0%             | 18.1%        | -65.9%             | 21.5%        |
| Northern Europe        | 65    | 3.5%    | 54.3%            | 774.0%             | 10.0%        | -84.5%             | 10.9%        |
| Western Europe         | 348   | 18.7%   | 5.1%             | 28.4%              | 7.9%         | -15.6%             | 10.8%        |
| Southern Europe        | 151   | 8.1%    | 0.8%             | 3.9%               | 2.8%         | -21.4%             | 5.0%         |
| Central/Eastern Europe | 344   | 18.5%   | 10.3%            | 63.1%              | 9.9%         | -34.8%             | 13.8%        |

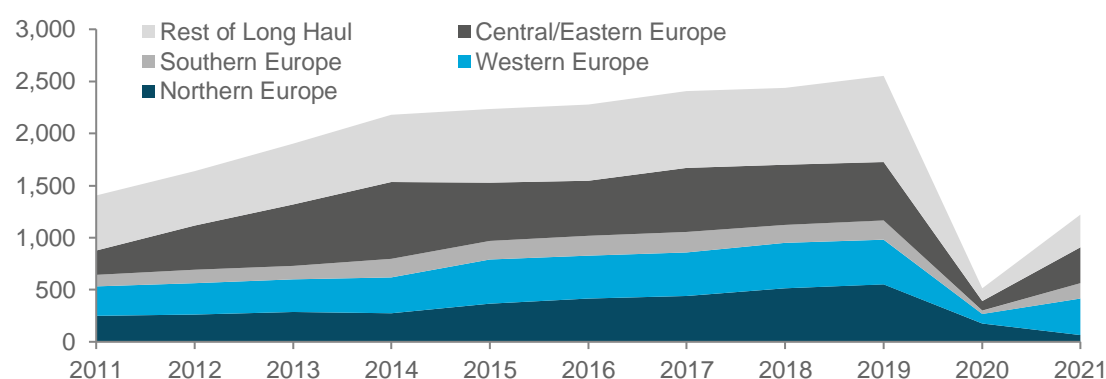
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## United Arab Emirates Long Haul\* Outbound Travel

Visits, 000s

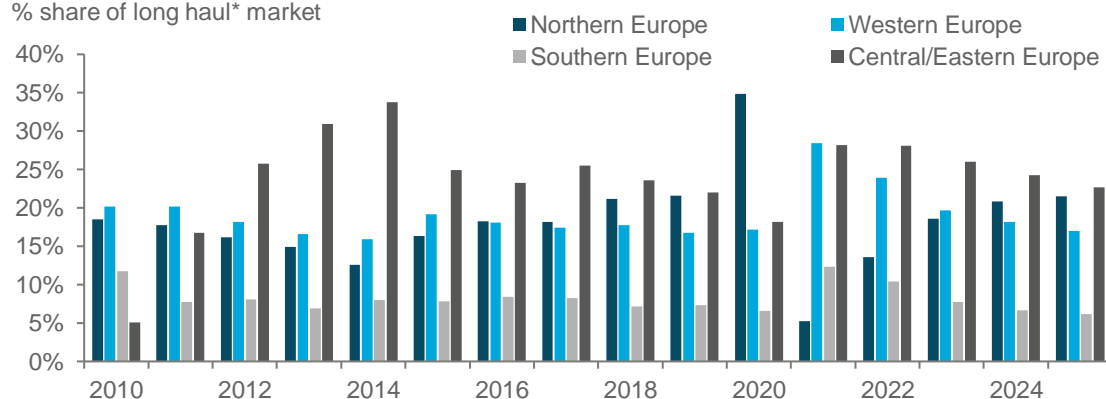


\*Long haul defined as tourist arrivals to destinations outside Middle East

Source: Tourism Economics

## Europe's Share of Emirati Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside Middle East

Source: Tourism Economics



## 8. 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

The recent escalation of both formal and informal sanctions against Russia, the emergence of further supply chain problems, and more upside inflation surprises have prompted us to further downgrade our economic forecasts. We have cut our baseline forecast for global GDP growth by 0.4ppts to 3.4% this year. Global CPI inflation is now expected to average over 7% this year; the highest rate since 1996. Much of the increase reflects higher energy and food inflation triggered to a large extent by the war in Ukraine. But the prospect of further long-lasting supply chain disruptions and more upside surprises have prompted us to raise our forecasts for core inflation in some major economies, including the US and the eurozone. Although we have made significant downward revisions to our GDP growth forecasts and some major upward revisions to expected CPI inflation over recent months, we still see little risk of 2022 being a year of stagflation, meaning high inflation and very weak GDP growth. Compared to the fallout from the global financial crisis, global GDP growth this year is expected to be fairly solid. Growing concerns about recession next year, heightened by the inversion of parts of the US yield curve, suggest that the risk of stagflation is greater in 2023. While we do expect global GDP growth to slow to 3.2% in 2023, it is far from stagflation territory. Despite the upward revisions to our near-term CPI forecasts, we still expect inflation to ease markedly next year and to generally undershoot consensus forecasts.

While energy and food prices may remain high over the coming quarters, the rate of annual inflation should fall back sharply as we move into 2023, helping to lower the headline rate of inflation. In addition, the squeeze on households' real incomes from high inflation and tighter monetary and fiscal policies should exacerbate any downward forces on core inflation from an eventual easing of supply chain pressures.

Nonetheless, the prospect of even higher inflation over the next few quarters than forecast just a month ago means that we expect many central banks will continue to push ahead with rate hikes in the near-term. Indeed, we now see slightly swifter and sharper policy tightening by the Fed over the next year or so and expect 200bps of rate hikes in 2022.



## Summary of economic outlook, % change\*

| Country     | 2021 |             |                |                  |           | 2022   |             |                |                  |           |
|-------------|------|-------------|----------------|------------------|-----------|--------|-------------|----------------|------------------|-----------|
|             | GDP  | Consumption | Unemployment** | Exchange rate*** | Inflation | GDP    | Consumption | Unemployment** | Exchange rate*** | Inflation |
| UK          | 7.4% | 6.2%        | 0.2%           | 2.7%             | 2.6%      | 3.8%   | 4.1%        | -1.7%          | 2.6%             | 7.2%      |
| France      | 7.0% | 4.8%        | -0.2%          | 0.0%             | 1.6%      | 3.0%   | 3.7%        | -0.1%          | 0.0%             | 3.8%      |
| Germany     | 2.9% | 0.1%        | -0.2%          | 0.0%             | 3.1%      | 2.0%   | 5.4%        | -0.6%          | 0.0%             | 6.0%      |
| Netherlands | 5.0% | 3.5%        | -0.6%          | 0.0%             | 2.7%      | 3.2%   | 4.4%        | -0.5%          | 0.0%             | 8.5%      |
| Italy       | 6.6% | 5.2%        | 0.2%           | 0.0%             | 1.9%      | 2.8%   | 3.6%        | -0.4%          | 0.0%             | 6.2%      |
| Spain       | 5.1% | 4.6%        | -0.7%          | 0.0%             | 3.1%      | 4.8%   | 4.4%        | -1.0%          | 0.0%             | 6.3%      |
| Russia      | 4.7% | 11.1%       | -1.0%          | -5.4%            | 6.7%      | -10.9% | -11.4%      | 3.1%           | -4.0%            | 23.7%     |
| US          | 5.7% | 7.9%        | -2.7%          | -3.4%            | 4.7%      | 3.1%   | 3.3%        | -1.9%          | 5.4%             | 7.4%      |
| Canada      | 4.6% | 5.1%        | -2.2%          | 3.4%             | 3.4%      | 4.1%   | 5.5%        | -1.7%          | 4.2%             | 6.0%      |
| Brazil      | 5.0% | 3.9%        | -0.5%          | -7.7%            | 8.3%      | 0.9%   | 2.1%        | -2.5%          | 15.6%            | 10.0%     |
| China       | 8.1% | 12.9%       | 0.1%           | 3.1%             | 0.9%      | 4.8%   | 4.1%        | 0.0%           | 6.9%             | 2.3%      |
| Japan       | 1.7% | 1.3%        | 0.0%           | -6.2%            | -0.2%     | 2.2%   | 2.0%        | -0.2%          | -5.4%            | 1.7%      |
| India       | 8.1% | 8.0%        | -1.2%          | -3.2%            | 5.1%      | 7.3%   | 7.6%        | -1.8%          | 2.9%             | 6.7%      |
| Australia   | 4.7% | 4.8%        | -1.4%          | -4.8%            | 2.8%      | 4.1%   | 6.2%        | -1.1%          | -5.1%            | 4.7%      |

Source: Tourism Economics based on GEM as of 14.4.2022

\* 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

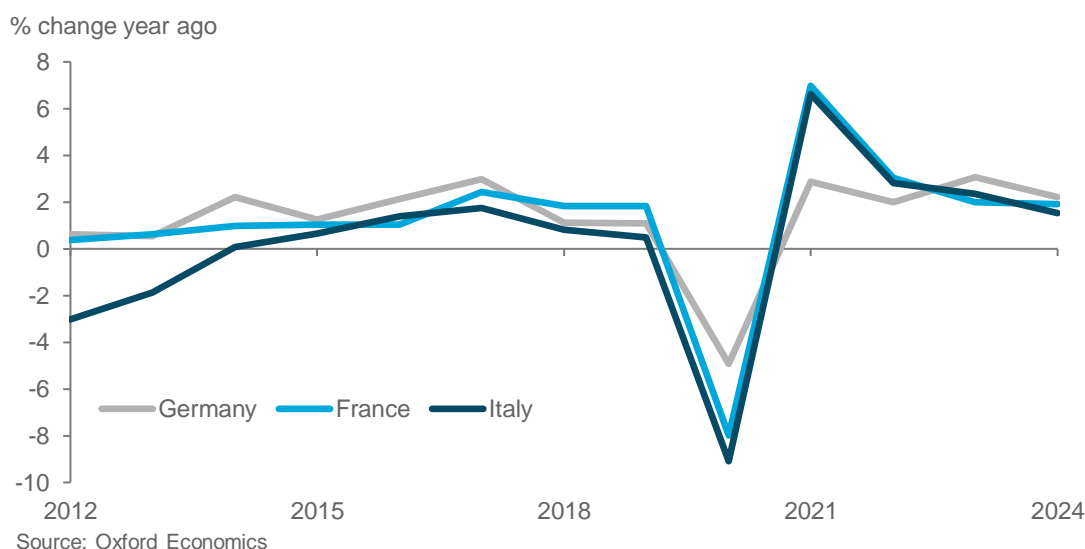
The conflict in Ukraine is having an acute impact on the eurozone. Our projections see a combination of higher-for-longer inflation and lower growth, mainly via more subdued consumption and industrial activity. We project eurozone GDP will grow by 2.8% in 2022, 0.9ppts below our pre-conflict baseline.

Eurozone inflation reached a historical high of 7.5% in March. We expect inflationary pressures to continue throughout 2022, propelled by higher energy and food prices as well as a resurgence of supply bottlenecks. We see inflation averaging 5.9% this year before easing to 1.2% in 2023. Current developments are happening in a context of high and rising inflation. Inflation jumped to 7.5% in March from 5.9% in February, with strong increases in the energy and food components. Core inflation increased to 3%, with both services and non-energy industrial goods experiencing marked price rises. Our new baseline does not see any rate hikes this year, with the first interest rate hike in Q1 2023, but the ECB maintains a large degree of flexibility.

Risks to our central scenario continue to be skewed to the downside. A more protracted military conflict is possible, in which case energy prices would remain high beyond 2023 and would continue to affect inflation and business activity. This scenario, which also assumes more Western sanctions and Russia further restricting gas supplies, would result in the eurozone economy being 4% smaller in 2023 than in our baseline, according to our modelling.

We are likely to see disruptions in the industrial sector, which will continue to be under enormous pressure. The manufacturing PMI confirmed industrial conditions deteriorated in March. The Russia-Ukraine war has exacerbated some long-standing issues in supply chains and will lead to further demand-supply mismatch, impacting industrial activity over the coming months.

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





## UNITED KINGDOM

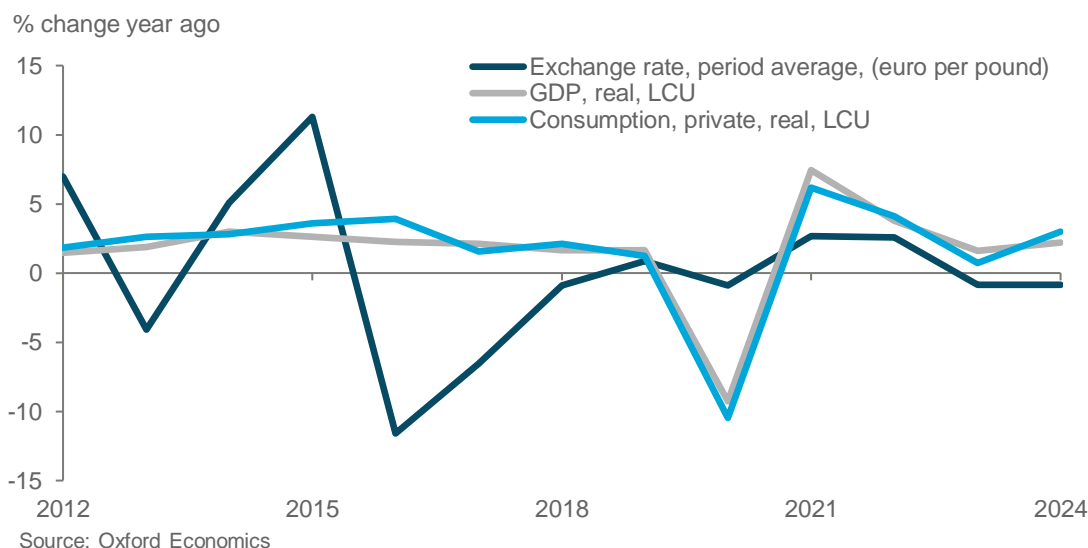
Higher assumptions for world food, oil, and gas prices have led us to raise our near-term UK inflation forecast. We now expect CPI inflation to average 7% this year, up from March's forecast of 6.5%. With the scope for households to offset the squeeze on real incomes by reduced saving looking increasingly limited, we've also cut our forecasts for GDP growth by 0.1ppt to 3.6% in 2022 and by 0.4ppts to 1.7% in 2023. Upward revisions to our assumptions for food, oil, and gas prices mean we now expect CPI inflation to peak at 8.5% in April. The saving ratio is already lower than the average of the decade before the pandemic, suggesting limited scope for households to cushion the blow of falling real incomes by saving less. We expect the consumer sector to fall into recession this year.

The Q4 2021 National Accounts saw quarter on quarter GDP growth revised up to 1.3% from 1%, and monthly data showed a strong rebound in activity in January after December's Omicron-related dip. But momentum is set to ebb, particularly given the end of free Covid testing in England means most of the sizeable boost from pandemic-related activities in the health sector will disappear by April.

The Spring Statement of 23 March 2022 offered only modest help to households. A rise in the threshold for National Insurance Contributions (NICs) only mitigated the impact of the previously announced increase in NIC rates, while the 5p/l cut in fuel duty was only a third of the rise in petrol prices over the previous month. Similarly, the 1p cut in income tax in 2024 will come midway through a four-year freeze in tax thresholds and allowances. Fiscal policy will remain a significant drag on GDP growth.

Though the BoE raised Bank Rate for the third successive meeting in March, the minutes revealed a clear change in tone. Growing concerns about the downside risks to growth from high inflation mean that we think another 25bps hike in the policy rate in May will be the last one this year.

### United Kingdom economic outlook





## UNITED STATES

We expect GDP growth slowed sharply in Q1, though the underwhelming performance reflects a slower inventory build and weaker exports. While we believe the economy will prove resilient to rising headwinds from higher inflation and a more aggressive Fed tightening cycle, risks are tilted to the downside, and our yield curve models signal an increased risk of a harder landing in 2023. We see real GDP growing 3.1% in 2022 and slowing meaningfully to 2% in 2023.

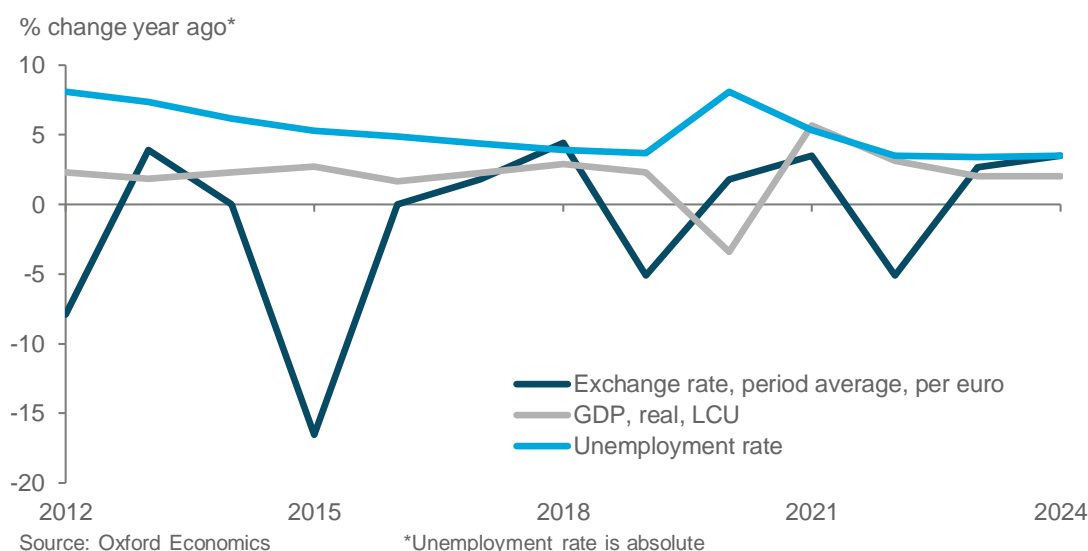
Consumers pulled back in February after splurging in January. While elevated inflation will hurt households' budgets and lead them to limit purchases and dip into their savings, the combination of robust wage growth, record household wealth, and ample excess savings worth 13% of GDP suggests that consumer spending should remain well supported in the coming months.

The labour market continues to run hot even as the economy faces challenges. The economy added 431,000 jobs in March while unemployment fell to a low point in the cycle of 3.6%, and wage growth showed renewed buoyancy. We see the economy adding around 4 million jobs this year and the unemployment rate falling toward 3.3% amid a continued rebound in the labour supply.

Inflation continued to rise at a hefty pace in February, with headline PCE prices climbing 0.4ppts to 6.4%, while core inflation firmed 0.2ppts to 5.4% – the fastest pace since 1983. High inflation will remain a headwind in 2022 amid persistent supply constraints. We now believe inflation will peak in Q2 2022 and do not expect Core Personal Consumption Expenditure (PCE) inflation to fall below 5% before Q4.

After raising rates by 25bps at their March policy meeting, Chairman Powell and Fed officials have signalled their intent to act more aggressively to fight inflation. We look for a 50bps rate hike at each of the May and June Federal Open Market Committee (FOMC) policy meetings and a total of 200bps of rate tightening this year.

### United States economic outlook





## JAPAN

We have lowered our 2022 GDP growth forecast by 0.4ppts to 2.4% to reflect the upward revision to our energy price forecasts after Russia's invasion of Ukraine. Headline CPI is now projected to average 1.6% in 2022, up from 1.3% previously. With few signs of wage increases, we believe that the squeeze on households' real incomes will substantially delay the recovery.

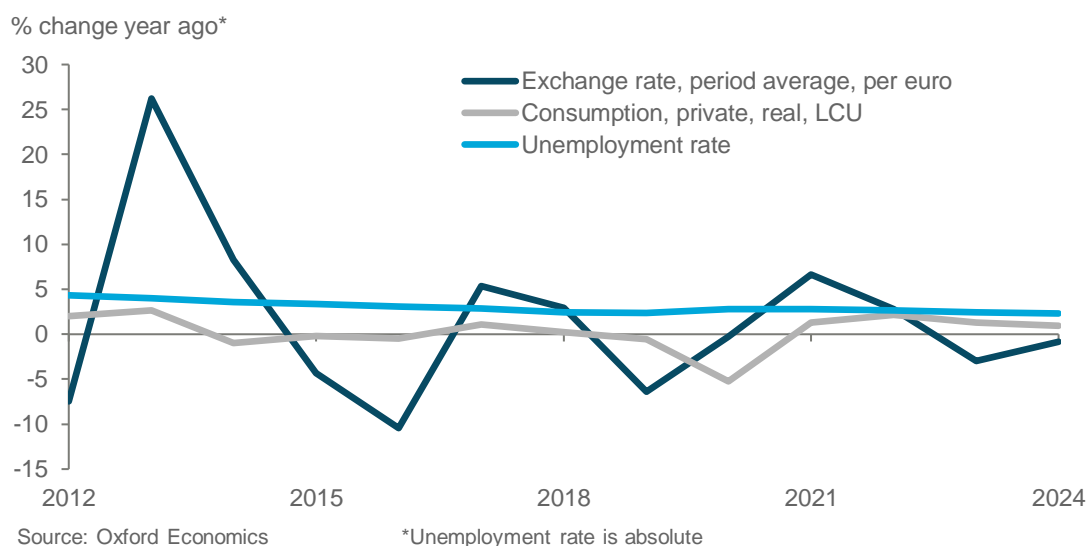
We project headline CPI inflation will reach 2% y/y in April, up from 0.9% y/y in February. We forecast inflation will gradually moderate from H2 2022, but it will stay at an elevated level for longer than previously thought due to higher commodity prices and a weaker yen. As we still believe that this inflationary trend will not lead to sustained 2% inflation, we expect that the Bank of Japan (BoJ) will maintain its current policy rates in the coming years.

High frequency data suggests that a recovery in mobility is taking place alongside a decline in Covid cases and easing restrictions on activities. We expect consumption to improve in Q2 as pent-up demand is released, but the financial burden from soaring energy prices will weigh on the recovery.

A resurgence of supply chain disruptions hindered exports in January and February. Exports will be supported by robust demand for capital goods and a gradual easing of supply chain disruptions, but slower global trade growth adds downside risk to our outlook. Machinery orders suggest that investment will finally start to recover in Q1.

The yen has weakened against the US dollar to a six-year low, reflecting the difference in monetary policy outlooks and Japan's rising trade deficit. However, the market's expectation for the Federal Funds' terminal rate has not significantly changed, so we believe that there is limited room for further yen weakening.

### Japan economic outlook





## EMERGING MARKETS

Our 2022 outlook for Emerging Markets (EMs) has been cut further to reflect deep recessions in Russia and Ukraine and increased headwinds elsewhere. Our 2022 GDP growth forecast now stands at 3.7%, 0.9ppts below our baseline before Russia's invasion of Ukraine and the weakest growth rate since 2009 (excluding 2020). We have also lowered our projection for 2023 EM GDP by 0.2ppt to 4.3%.

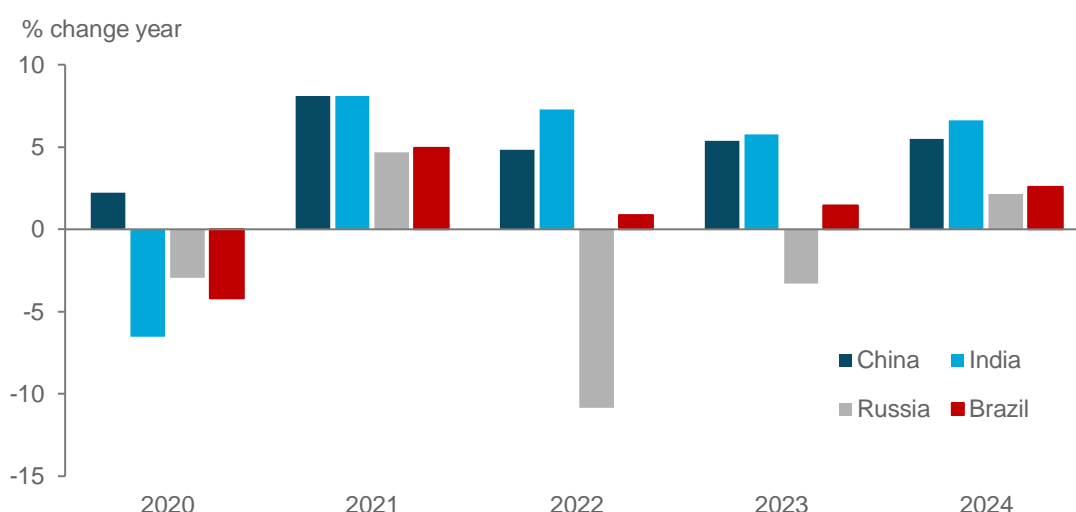
In addition to the ongoing real estate downturn, recent Omicron outbreaks and lockdowns in major cities will hold back China's economic recovery. We have therefore shaved another 0.1ppt off our 2022 GDP growth forecast to 4.8%.

We now expect GDP to decline by 10.9% in Russia this year, as private consumption and investment collapses, with the economy continuing to contract by 3.3% in 2023. Ukraine's economy will shrink by a third this year, but even assuming the conflict is short-lived and a recovery starts in H2, output will remain about a quarter below pre-war levels in the medium-term.

Even Latin American commodity exporters, which are shielded by greater distance and limited direct economic ties with Russia and Ukraine, will experience tighter credit conditions resulting from higher inflation and interest rates. This will eventually slow the recovery in services, offsetting the benefits of improved terms of trade. Weaker global trade and higher global commodity prices will also hurt growth in emerging Asia.

Inflation challenges are becoming more pronounced, with average inflation in non-China EMs seen at 8.7% this year, the fastest rate since 2008. The risks of inflationary pressures becoming more persistent are rising. Accordingly, we have lifted our policy rate expectations in several countries, including in Central and Eastern Europe (CEE), where inflation has increased into double-digits, surpassing expectations. Our rate forecasts are also higher across Latin America, except in Mexico, where energy price subsidies will put a lid on inflation.

### Economic growth in select Emerging Markets, GDP real



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

- Austria** – Austrian National Tourist Office (ANTO)
- 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