

**EUROPEAN
TRAVEL
COMMISSION**

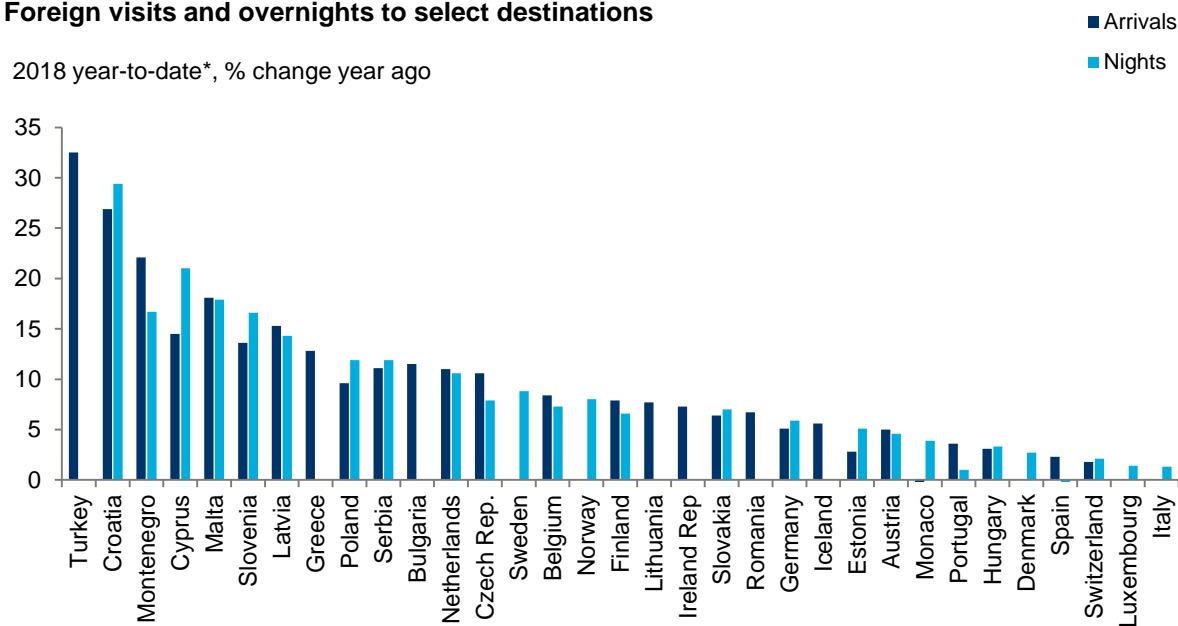
European Tourism – Trends & Prospects
Quarterly Report 2/2018 - Executive Summary

European tourism growth in 2018

- Despite a projected slowdown in the global economy, destinations in Europe saw a +7% increase in international tourist arrivals during the first four months of the year which should pave the way for an encouraging summer season.
- Year-to-date growth across all reporting destinations has been mainly driven by strong intra-European and long-haul travel demand, increased air connections and destinations' efforts to ensure year-round tourism growth.

Foreign visits and overnights to select destinations

2018 year-to-date*, % change year ago

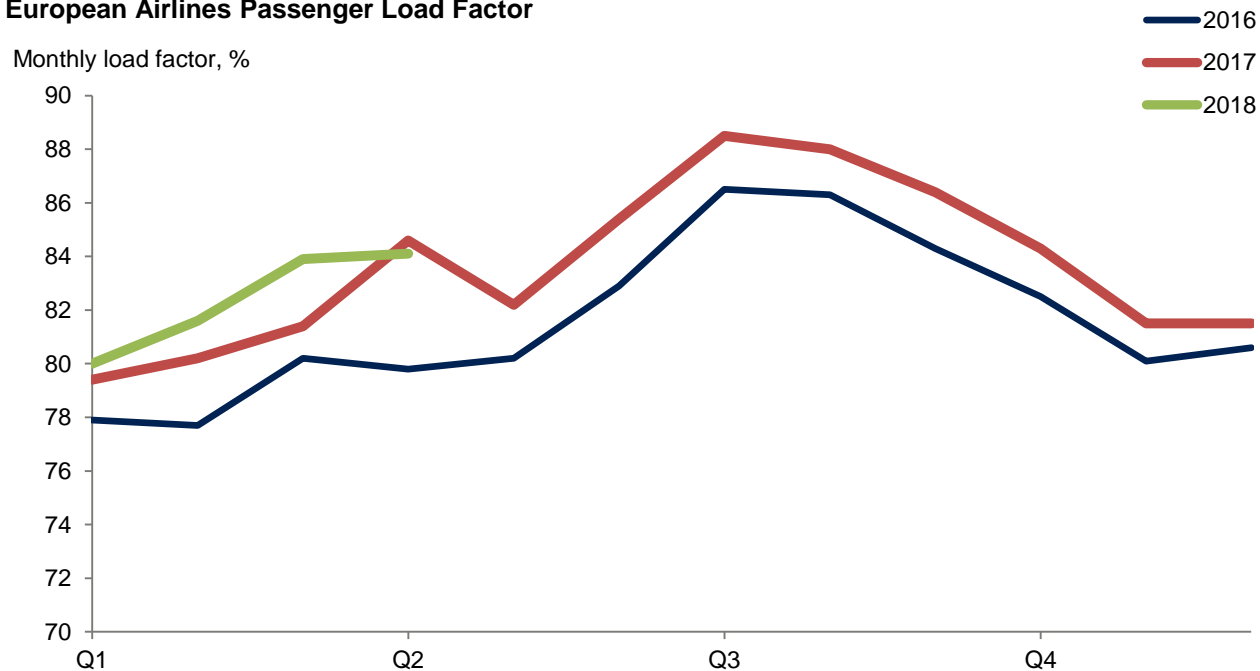


Source: TourMIS *date varies (Jan-May) by destination

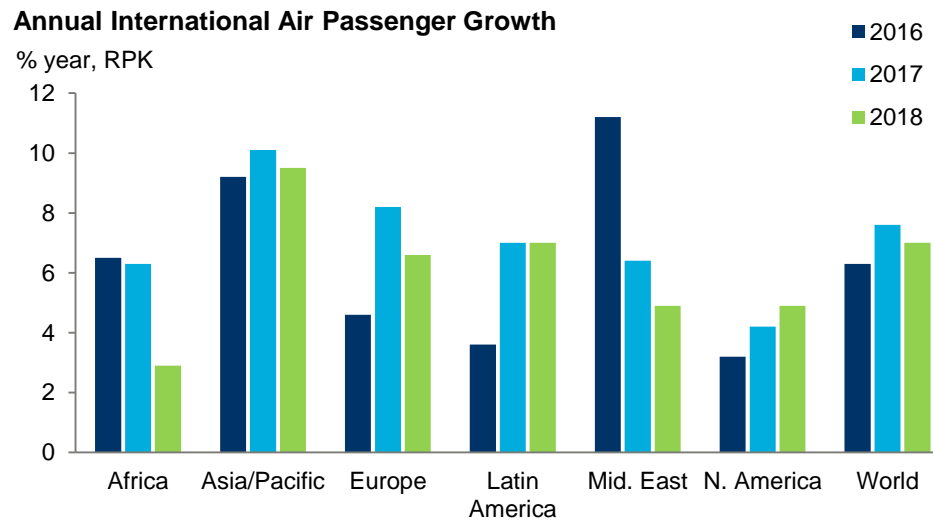
Airline passenger load factors begin to slow

- Global travel demand continues to edge up despite fuel costs being considerably higher than they were a year ago. These increases are likely to be passed on, while labour cost pressures are also increasing in some countries.
- Passenger load factors started 2018 high even when compared to 2017 despite continued growth in routes and seats on European routes. Capacity constraints may limit further growth on some routes. The recent growth trend is muddled by the timing of Easter (inflating March and depressing April compared against 2017).

European Airlines Passenger Load Factor



Source: IATA



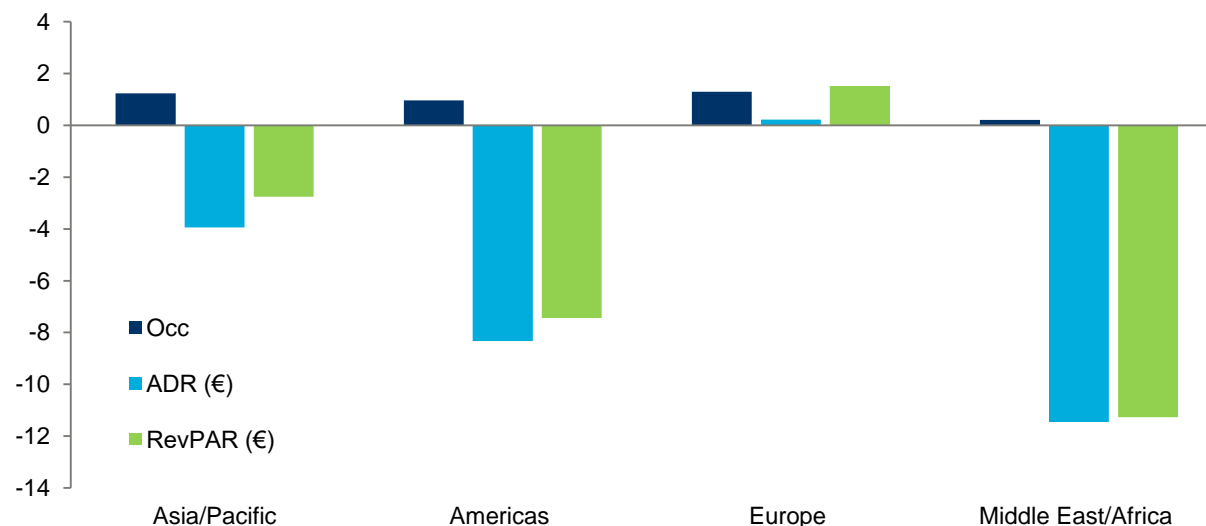
Source: IATA

Europe pushes occupancy and RevPAR

- Europe is the only world region to report growth across all key hotel performance indicators based on data to May (and priced in euro terms).
- Occupancy rates increased by 1.3% compared to the same period in 2017 and RevPAR grew 1.5% thanks to a small increase in ADR (0.2%), following some low pricing in early months of the year.
- Lower pricing may be related to euro appreciation and relative loss of competitiveness, as well as some discounting in shoulder months to drive demand in these periods.

Global Hotel Performance

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

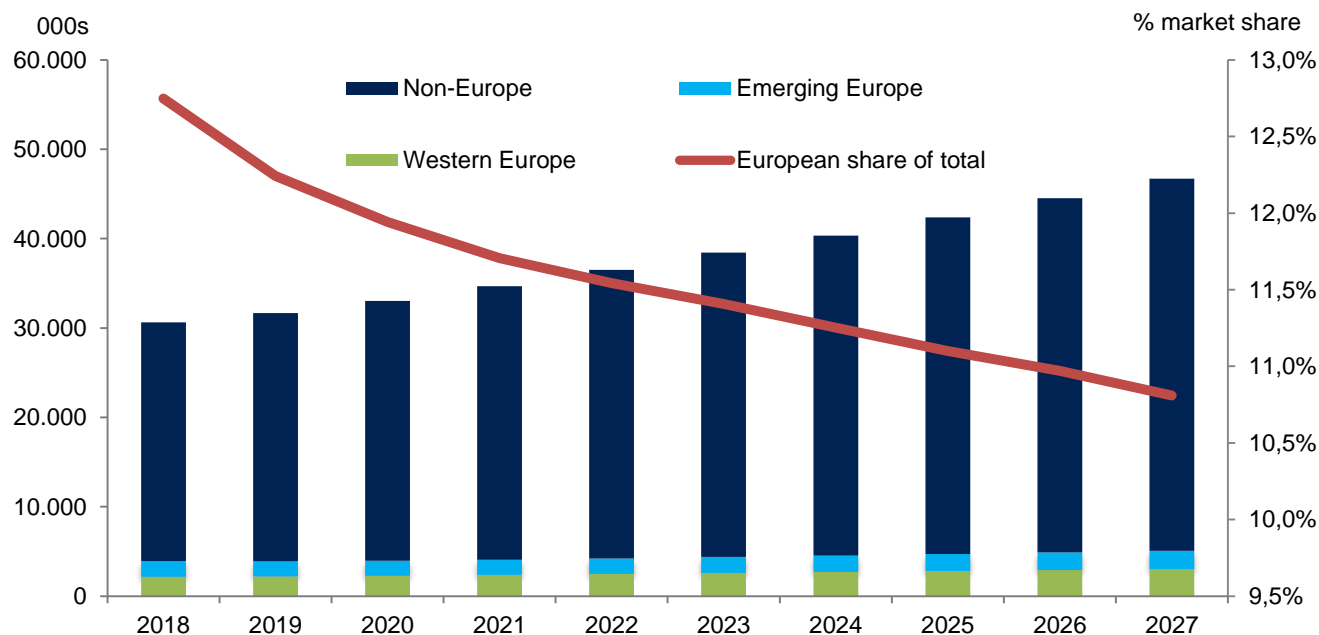


Source: STR

South Korea outbound travel

- Outbound travel from South Korea will continue to outpace wider economic growth thanks to a rising proportion of the population with enough personal disposable income to travel.
- But Europe's share of this outbound is expected to fall in the coming decade (however, it should still welcome greater than 1 in every 10 outbound trips in 2027).
- Despite a falling share of outbound trips, Europe will still see a significant increase in absolute terms with an additional 1.1 million South Korean visits expected in 2027, or total of over 5 million.

Outbound Travel from South Korea: Europe vs. Elsewhere



Source: Tourism Economics

Economic outlook

- Global travel demand in early-2018 has continued to grow faster than wider economic growth, albeit at a slightly slower pace than last year. This slowdown in travel demand comes amid the general slowdown in global economic activity. 2017 travel growth also included some rebound from previous years which is fading. Global tourism growth will be helped by accumulated gains in income in recent years, but the global slowdown will erode some momentum.

Summary of economic outlook, % change year ago*

Country	2018					2019				
	GDP	Consumer expenditure	Unemployment *	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment **	Exchange rate***	Inflation
UK	1.3%	1.1%	0.2%	1.0%	2.6%	1.4%	0.7%	0.0%	2.7%	1.8%
France	1.7%	0.8%	-0.5%	0.0%	1.9%	1.6%	1.2%	-0.5%	0.0%	1.6%
Germany	2.0%	1.3%	-0.4%	0.0%	2.0%	1.8%	2.0%	-0.4%	0.0%	1.9%
Netherlands	2.5%	2.5%	-1.0%	0.0%	1.7%	1.7%	1.3%	-0.1%	0.0%	1.7%
Italy	1.3%	0.9%	-0.4%	0.0%	1.3%	1.4%	1.2%	-0.4%	0.0%	1.7%
Russia	1.8%	3.0%	-0.1%	-7.5%	2.9%	1.3%	2.8%	0.1%	-1.8%	4.0%
US	3.0%	2.6%	-0.5%	-5.5%	2.6%	2.3%	2.1%	-0.3%	-2.0%	2.1%
Canada	1.8%	2.0%	-0.4%	-4.8%	2.3%	1.8%	1.9%	0.1%	-1.5%	1.9%
Brazil	1.6%	1.9%	-0.2%	-15.3%	3.3%	3.1%	3.1%	-1.4%	-0.9%	4.2%
China	6.4%	7.7%	0.0%	0.7%	2.3%	6.1%	7.1%	0.0%	-0.1%	2.7%
Japan	1.2%	0.8%	-0.4%	-2.1%	1.1%	1.1%	1.2%	0.0%	-2.2%	1.2%
India	7.5%	7.2%	0.1%	-6.9%	5.0%	7.1%	7.0%	0.0%	0.6%	5.2%

Source: Tourism Economics

* 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.