





# EUROPEAN TOURISM: TRENDS & PROSPECTS

## Quarterly report (Q4/2020)

A report produced for  
the European Travel Commission  
by Tourism Economics

Brussels, February 2021

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## EUROPEAN TOURISM: TRENDS & PROSPECTS (Q4/2020)

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**Tourism Economics (an Oxford Economics Company) on behalf of the ETC Market Intelligence Group.**

**Cover:** Beautiful view of scenic Lofoten Islands archipelago winter scenery with traditional yellow fisherman Rorbuer cabins in the historic village of Sakrisoy at sunrise, Norway, Scandinavia

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## FOREWORD

As the Covid-19 pandemic enters its second year, its widespread impact is weighing heavily on destinations and the wider tourism economy. The health crisis has forced destinations to make fundamental changes to their strategies and prioritise safe travel. For the time being, there is no concrete end in sight of the Covid-19 pandemic as cases rise worldwide and multiple variants of the virus emerge.

Nevertheless, the availability of a vaccine, despite distribution challenges, together with improved test and tracing schemes, are expected to encourage the relaxation of travel restrictions, inspire consumer confidence, and boost the travel bounce-back.

Some questions, however, remain in place: *What will the travel comeback look like in 2021? Will the phenomenon of “Revenge travel” materialise? What will be the implications for the tourism industry?*

Covid-19 nationwide confinements and movement restrictions over 2020 have had profound social implications causing significant changes in the way individuals live, interact, work and travel. The concept of *revenge travel*, driven by pent-up travel demand, is a result of the missed opportunities to travel in 2020 and pandemic fatigue. A persistent enthusiasm for travel remains, as research shows, and would-be travellers seem ready to compensate for lost time and engage in purposeful travel once they are able to do so again.

A return to travel will happen, and hopefully consumers will be more appreciative due to the freedoms lost to the pandemic. Although Europe might be poised to resume travel, helped by the roll-out of vaccines worldwide, consumer travel habits will have changed, calling for strong adaptation and agile responses from the tourism sector. Potential travellers are likely to travel more slowly, closer to home and to lesser-known destinations. These “concerned citizens” are expected to be more aware of sustainability and more engaged with local communities, building on pre-existing trends.

The most recent edition of the European Tourism Trends & Prospects report continues to monitor the impact of the Covid-19 pandemic on the travel and tourism sector and the wider economic environment. This latest report examines recent trends and how travel activity is set to return in 2021 amid the current wave of infections and challenges with the vaccine roll-out.

Jennifer Iduh (ETC Executive Unit)



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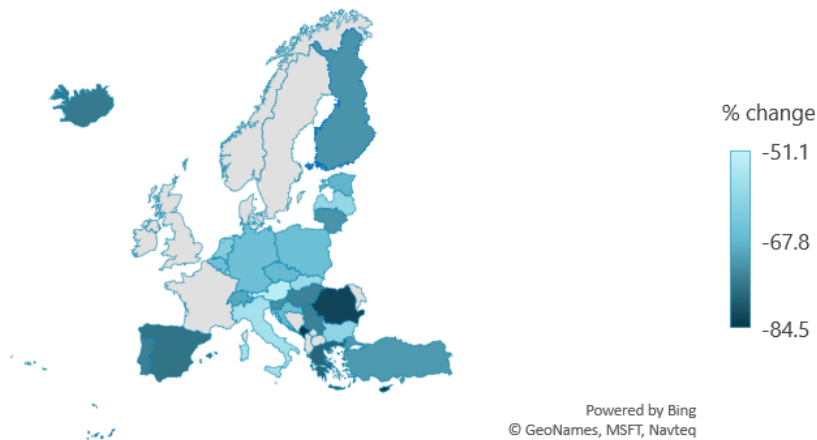
## EXECUTIVE SUMMARY

### 2020: ANNUS HORRIBILIS FOR THE GLOBAL TOURISM SECTOR

Struck by the global health crisis, international tourist arrivals to Europe dropped 70% in 2020 over 2019, and it now holds a 58% share of international tourist arrivals worldwide, with Asia Pacific remaining closed to tourism<sup>1</sup>. In early 2021, travel restrictions have been tightened and lockdowns re-introduced across Europe as destinations suffer a third wave of infections.

#### Foreign visits to selected destinations

% change, 2020 ytd\*



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

Despite distribution challenges, the roll-out of vaccines has provided some grounds for optimism for 2021 projections and, together with improved testing regimes, is expected to stimulate consumer confidence and hasten the easing of movement restrictions. Nevertheless, a return to typical international travel demand patterns will be gradual and apparent towards the second half of the year, with 2019 levels only reached fully by 2023.

All reporting destinations experienced record falls in arrivals between 51% and 85%. Montenegro (-85%), Cyprus (-84%) and Romania (-83%) were the hardest hit, affected by the heavy reliance on international markets. Around 1 in 3 destinations posted declines ranging from 70% to 79%. Spain (-77%), where tourism accounts for 12% of the country's GDP, suffered from the loss in demand from its key markets (the UK, Germany, France, the Netherlands and Italy).

Tourist arrivals in Portugal, Serbia, Malta, and Hungary (all -75%) also plummeted. On the other end of the spectrum, Austria (-53%) recorded one of the smallest falls in arrivals, although the spike in infection rates led to a tourism blanket ban until February 2021.

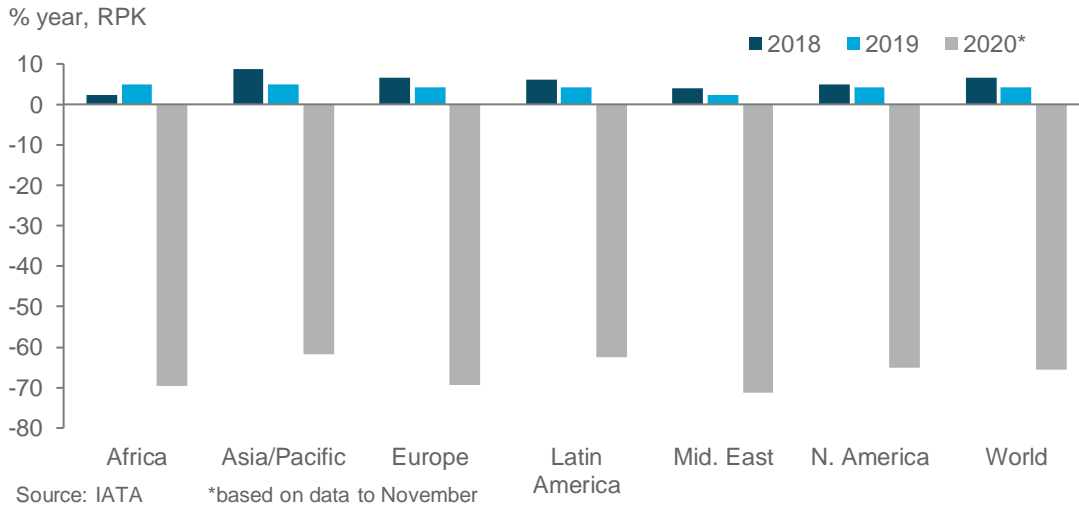
<sup>1</sup> UN World Tourism Organisation (UNWTO)



## PANDEMIC EFFECT HAS WREAKED HAVOC ON INDUSTRY PERFORMANCE

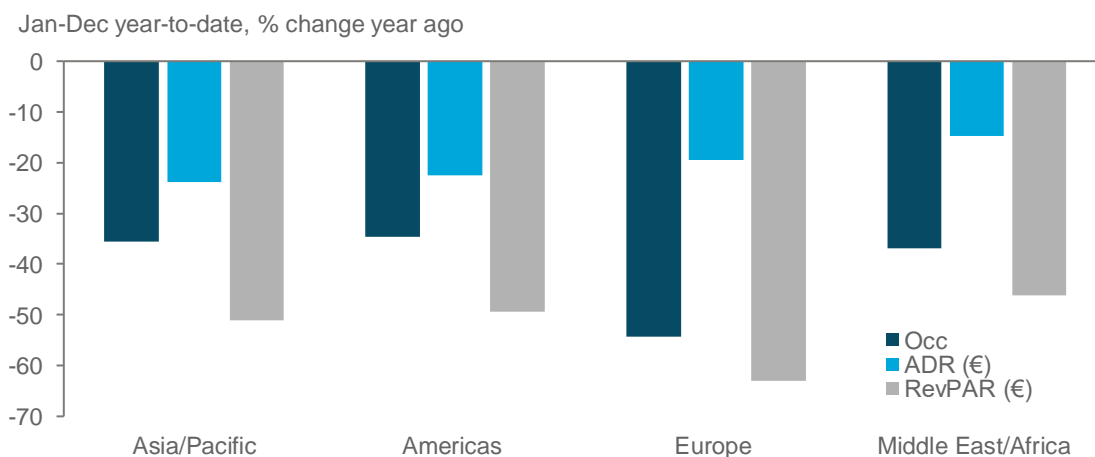
Although air traffic appeared to have stabilised during the summer months, the upsurge in cases over winter and consequent Europe-wide lockdowns dashed any hopes of a mild recovery into 2021.

### Annual International Air Passenger Growth



According to IATA’s latest economic forecast, Europe is expected to be the most affected region globally in 2021 in terms of airline losses (-\$11.9 billion) and EBIT<sup>2</sup> margin (-9.5%)<sup>3</sup>. Year-to-date data shows drops to a record low in European Passenger Traffic<sup>4</sup> (-69.3%), the third worst performing region, while monthly RPK has been shrinking since September. European air capacity was also down by 71.7% in November over the same month last year. The hospitality sector saw record falls in Occupancy levels, down 54% the worst performance of any region, while ADR dropped 19%, returning a 63% decline in RevPAR.

### Global Hotel Performance



Source: STR

<sup>2</sup> Earnings before interest and taxes

<sup>3</sup> <https://www.iata.org/en/pressroom/pr/2020-12-10-01/>

<sup>4</sup> Measured in RPK (Revenue Passenger Kilometres)

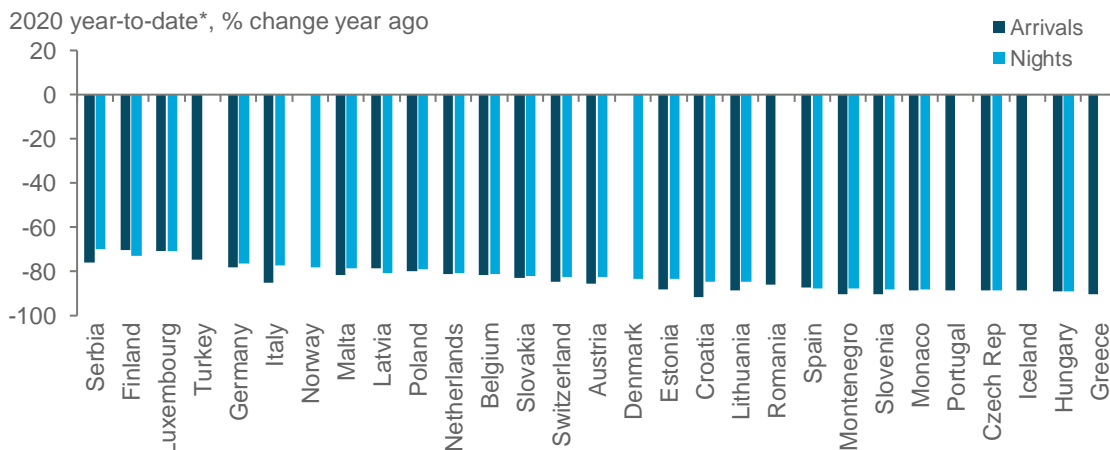


## COVID-19 PANDEMIC, VACCINES AND PENT-UP DEMAND: THE LIGHT AT THE END OF THE TUNNEL?

At the end of 2020 widespread restrictions were imposed on travel from the UK over concerns about the highly contagious mutation of the Covid-19 virus. The resurgence of cases across Europe and worries about new variants identified in Britain, South Africa and Brazil, have prompted countries to shut down non-essential travel to halt the spread of the pandemic, while borders remain opened to ensure freedom of movement within the EU. For the time being, rolled back travel restrictions will delay the recovery of the tourism sector. At the time of writing, EU leaders are exploring measures, to be implemented in a coordinated fashion, to minimise the impact of a third wave and consequent border closures across Europe which include a “mapping” of areas where the new variants are widespread.

Travel from long-haul source markets has been shut down with declines in Chinese arrivals ranging between 72% and 97% across all reporting European destinations. Croatia and Montenegro posted the steepest declines exceeding 95% based on most recent data. Significant declines in US tourist arrivals were also observed across European destinations driven by persistent travel bans between the US and the EU. Smallest declines, based on most recent data, were registered in Finland (-70%), Turkey (-75%) and Serbia (-76%), while the greatest falls were recorded in Croatia, Montenegro, Slovenia and Hungary, all posting declines equal to or above 90%.

### United States visits and overnights to select destinations



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

The global health crisis has devastated the tourism economy, one of the most affected sectors by the pandemic, despite government support to restore the industry and safeguard the millions of jobs and businesses in jeopardy. The Euro Area economy is estimated to have fallen 7.2% in 2020 while 2021 projections point at a 4.2% increase<sup>5</sup>.

On the brighter side, recent research<sup>6</sup> carried out among European citizens indicated that 54.4% of respondents intend to travel within the next six months either domestically or within Europe. This result reflects an apparent pent-up demand among consumers. Ensuring safe travel opportunities should become a priority for destinations as the same survey indicates that 68.8% of respondents feel safe and relaxed enough to enjoy their trip when strict safety protocols are in place.

<sup>5</sup> World Economic Outlook Update – January 2021

<sup>6</sup> Monitoring Sentiment for Domestic and Intra-European Travel (Wave 5)





*“We believe that the slow restart of tourism can be expected in the spring across Europe with a gradual return to normality through summer and autumn 2021. The industry should prepare now with step-by-step safety regulations and testing strategies for both tourism employees and their guests. It is also time to develop recovery campaigns – but in an agile manner to be launched quickly and adjusted if necessary”* said Eduardo Santander, Executive Director [European Travel Commission \(ETC\)](#).

Jennifer Iduh (ETC Executive Unit)

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



# 1. TOURISM PERFORMANCE SUMMARY 2020

## SUMMARY

- Tourism Economics latest estimate of European international travel is for a decline of 69% in 2020, compared to a 35% decline for domestic travel.
- European countries struggled to control Covid-19 outbreaks throughout 2020, with stringent restrictions needed for most of the year, thus depressing travel demand across the region.
- A new wave of infections led many European countries to impose non-essential travel bans and to block arrivals from the United Kingdom on account of a new strain of the virus.
- Vaccine developments have shifted the balance of risks, elevating the upside potential, and narrowing the downside risk. Though the resurgence in Covid-19 cases has highlighted the ongoing volatility in the outlook.

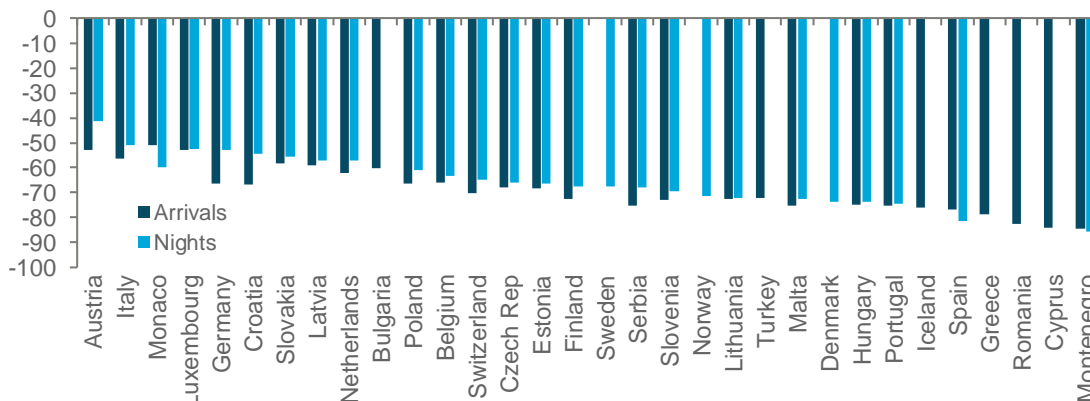
## HIGH INFECTION RATES AND ENDURING TRAVEL RESTRICTIONS MEANT THAT 2020 WAS THE WORST YEAR FOR INTERNATIONAL ARRIVALS IN OVER 30 YEARS

Global international travel demand is estimated to have declined 73% in 2020 compared to a 34% drop in domestic travel, according to Tourism Economics' (TE) latest baseline. Declines of 69% and 35% are estimated for European international and domestic travel respectively.

The reopening of borders during the summer allowed certain European destinations, such as Austria and Italy, to benefit from a brief up-tick in demand although annual levels remained well down on 2019. An inability to suppress outbreaks meant that restrictions persisted, and traveller confidence remained weak. Available data shows that travel performance across all European destinations remained bleak<sup>7</sup>.

### Foreign visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

The travel outlook for 2021 is more promising. An ETC survey shows that persistent restrictions on activity have stimulated a substantial amount of pent-up demand with 54% of Europeans stating an

<sup>7</sup> The only available data for the UK and Ireland relates to Q1 2020 and so both are excluded from the chart and discussions.



intention to travel by the end of July 2021<sup>8</sup>. The development and administration of vaccinations will be critical for facilitating the release of this repressed demand, by allowing a greater easing of restrictions. A number of European countries have already begun deploying vaccination programs, with the UK off to the fastest start. This is encouraging news for better travel performance in 2021.

A plunge in demand from longer-haul markets significantly impacted Europe's travel industry in 2020. Ongoing restrictions and weakened sentiment towards destinations, which requires longer journey times have contributed to weak demand for long-haul travel. The introduction of travel bans between the US and the EU contributed to a greater than 70% drop in US arrivals to all European countries.

Arrivals from other long-haul source markets also fell sharply. For example, a fall of over 70% was registered for Chinese arrivals across all European destinations, with China maintaining strict restrictions on outbound travel.

Montenegro suffered the greatest total arrivals decline at 85%, while Romania and Cyprus also recorded declines in excess of 80%. All three are more reliant on non-short-haul source markets which has left them exposed to some larger declines from these markets. The top three source markets for Cyprus (the UK, Russia, and Israel), which account for over 60% of international arrivals, have all maintained stringent travel restrictions.

International nights in Spain fell 81% based on data to November. Travel from the UK, Spain's top source market, dropped 82%, with the UK's decision to remove Spain from its travel corridor list in late-July adversely impacting travel demand. The UK's successful start to vaccination implementation provides greater hope for the easing of restrictions and increased outbound travel in 2021.

Travel to Austria dropped 53% based on data to December, which represents one of the smallest declines recorded among European destinations. An earlier reopening of borders in June and a dependence on short-haul travel allowed Austria to gain from the release of pent-up demand following the easing of restrictions after the first lockdown. However, the resurgence in cases at the latter-end of 2020 led to the tightening of restrictions in November which suppressed travel activity in December 2020.

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### The development of multiple vaccines provides optimism for 2021 travel performance

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A glimmer of hope from an otherwise depressing year for the travel industry was provided by the development and approval of multiple vaccines at the latter end of 2020. The rapid development of these treatments has considerably reshaped the travel outlook, which was previously marked by considerable downside risks and limited upside potential. These developments have significantly elevated the upside potential while simultaneously narrowing the downside risks. TE's alternative scenarios help to capture these potential travel outlooks, with the upside scenario seeing international arrivals exceed 2019 levels by 2023.

Vaccinations will be critical for facilitating a return to "normal" travel activity by allowing more substantial easing of restrictions. They will also provide a much-needed boost to traveller confidence; a recent survey by ETC<sup>9</sup> reinforces this relationship between vaccinations and travel confidence with 45% of Europeans planning to immediately reschedule their pre-pandemic trip once a Covid-19 vaccine has been found.

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<sup>8</sup> Monitoring Sentiment for Domestic and Intra-European Travel – Wave 5, ETC

<sup>9</sup> Monitoring Sentiment for Domestic and Intra-European Travel – Wave 5, ETC



While vaccine developments provide much encouragement for travel demand in 2021, this progress must be caveated. There remains vast uncertainty in the travel outlook, evidenced by the recent resurgence in cases and the tightening of restrictions across Europe. Significant uncertainty regarding the effectiveness of the vaccine, a successful global rollout of the vaccine, and the impact of the economic damage caused by the pandemic represent downside risks which could potentially derail the travel recovery.

There are vast challenges involved in the rapid production of enough quantities of these vaccines as well as their distribution. The pace of the roll-out process remains very slow in several European countries. Based on orders to date and having a greater infrastructure in place, Europe's advanced economies are set to attain a faster vaccination turnaround, while Europe's emerging markets may encounter a slower roll-out process. Though Europe's emerging markets will benefit from EU procurement and a local vaccine from Russia, it will take time for the travel industry to experience the benefit of this progress.

The rate and scale of recovery is contingent on widespread vaccination which is not expected until summer 2021 at the earliest. Some improvement in travel activity is still possible for the summer and for the end of 2021 relative to 2020, but a full recovery does not look likely this year.



## Summary Performance, 2020 YTD

Country	International Arrivals		International Nights	
	% ytd	to month	% ytd	to month
Austria	-52.7%	Jan-Dec	-41.2%	Jan-Dec
Belgium	-65.9%	Jan-Sep	-63.3%	Jan-Sep
Bulgaria	-60.2%	Jan-Nov		
Croatia	-66.6%	Jan-Dec	-54.6%	Jan-Dec
Cyprus	-83.9%	Jan-Nov		
Czech Republic	-67.9%	Jan-Sep	-65.8%	Jan-Sep
Denmark			-73.5%	Jan-Nov
Estonia	-68.4%	Jan-Nov	-66.5%	Jan-Nov
Finland	-72.7%	Jan-Dec	-67.4%	Jan-Dec
Germany	-66.2%	Jan-Nov	-52.9%	Jan-Nov
Greece	-78.6%	Jan-Sep		
Hungary	-74.9%	Jan-Nov	-73.7%	Jan-Nov
Iceland	-75.9%	Jan-Dec		
Republic of Ireland	2.2%	Jan-Feb		
Italy	-56.4%	Jan-Sep	-51.1%	Jan-Sep
Latvia	-59.2%	Jan-Oct	-57.2%	Jan-Oct
Lithuania	-72.7%	Jan-Sep	-72.0%	Jan-Sep
Luxembourg	-53.0%	Jan-Oct	-52.5%	Jan-Oct
Malta	-75.2%	Jan-Nov	-72.7%	Jan-Nov
Monaco	-51.1%	Jan-Sep	-59.7%	Jan-Sep
Montenegro	-84.5%	Jan-Nov	-85.8%	Jan-Nov
Netherlands	-62.3%	Jan-Nov	-57.3%	Jan-Nov
Norway			-71.3%	Jan-Dec
Poland	-66.4%	Jan-Oct	-61.1%	Jan-Oct
Portugal	-75.2%	Jan-Nov	-74.5%	Jan-Nov
Romania	-82.7%	Jan-Nov		
Serbia	-75.1%	Jan-Nov	-67.9%	Jan-Nov
Slovakia	-58.2%	Jan-Sep	-55.7%	Jan-Sep
Slovenia	-73.1%	Jan-Nov	-69.6%	Jan-Nov
Spain	-76.9%	Jan-Nov	-81.4%	Jan-Nov
Sweden			-67.7%	Jan-Nov
Switzerland	-70.1%	Jan-Nov	-64.8%	Jan-Nov
Turkey	-72.0%	Jan-Nov		
UK	-16.1%	Jan-Mar		

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

Measures used for nights and arrivals vary by country. Available data as of 22/2/2021



## 2. GLOBAL TOURISM FORECAST SUMMARY

Tourism Economics' global travel forecasts are shown on an inbound and outbound basis in the following table. These are the results of the Global Travel Service (GTS) model, which is updated in detail three times per year. Forecasts are consistent with Oxford Economics' macroeconomic outlook according to estimated relationships between tourism and the wider economy. Full origin-destination country detail is available online to subscribers.

### GTS Visitor Growth Forecasts, % change

data/estimate/forecast	Inbound*					Outbound**				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	e	f	f	f	f	e	f	f	f	f
<b>World</b>	<b>3.7%</b>	<b>-73.4%</b>	<b>122.0%</b>	<b>35.0%</b>	<b>19.5%</b>	<b>3.7%</b>	<b>-73.4%</b>	<b>122.7%</b>	<b>35.1%</b>	<b>19.5%</b>
<b>Americas</b>	<b>1.5%</b>	<b>-73.0%</b>	<b>95.9%</b>	<b>36.9%</b>	<b>22.9%</b>	<b>1.2%</b>	<b>-73.4%</b>	<b>100.4%</b>	<b>33.3%</b>	<b>19.3%</b>
North America	2.5%	-73.3%	103.1%	36.0%	21.8%	2.8%	-73.9%	107.0%	33.0%	19.1%
Caribbean	3.6%	-71.4%	79.4%	37.3%	23.3%	5.1%	-63.6%	70.6%	26.8%	11.3%
Central & South America	-2.3%	-72.9%	83.9%	39.7%	26.5%	-4.7%	-72.3%	79.3%	35.2%	20.7%
<b>Europe</b>	<b>4.2%</b>	<b>-68.8%</b>	<b>106.0%</b>	<b>30.9%</b>	<b>15.8%</b>	<b>4.1%</b>	<b>-67.5%</b>	<b>100.0%</b>	<b>31.8%</b>	<b>16.6%</b>
ETC+3	4.0%	-67.6%	98.7%	30.7%	15.4%	3.7%	-66.4%	91.2%	32.1%	16.7%
EU	3.2%	-66.7%	94.3%	30.0%	15.3%	3.8%	-66.7%	91.3%	32.7%	16.9%
Non-EU	8.1%	-76.3%	166.6%	34.2%	17.4%	5.5%	-71.1%	140.9%	28.3%	15.7%
Northern	1.6%	-73.4%	132.2%	31.7%	16.1%	5.1%	-70.5%	113.3%	31.5%	18.2%
Western	3.8%	-56.2%	57.0%	23.3%	12.7%	2.8%	-63.0%	76.3%	31.7%	15.7%
Southern/Mediterranean	5.5%	-72.4%	131.8%	34.4%	15.9%	4.5%	-67.5%	91.0%	33.7%	17.9%
Central/Eastern	1.5%	-74.9%	141.4%	35.0%	19.2%	5.4%	-71.8%	140.1%	30.7%	15.5%
- Central & Baltic	2.9%	-72.9%	113.2%	36.5%	20.3%	2.9%	-68.9%	113.3%	32.7%	15.7%
<b>Asia &amp; the Pacific</b>	<b>3.8%</b>	<b>-83.1%</b>	<b>207.3%</b>	<b>43.6%</b>	<b>25.3%</b>	<b>5.0%</b>	<b>-84.8%</b>	<b>246.0%</b>	<b>45.8%</b>	<b>26.3%</b>
North East	1.3%	-88.1%	356.2%	42.0%	25.1%	3.6%	-87.0%	300.0%	46.5%	26.9%
South East	7.8%	-80.5%	156.2%	46.0%	25.6%	8.7%	-82.5%	206.3%	38.6%	23.1%
South	1.9%	-75.8%	99.3%	45.4%	24.3%	6.6%	-80.1%	141.8%	56.2%	29.9%
Oceania	2.3%	-64.3%	47.5%	39.3%	25.3%	2.8%	-75.1%	156.7%	55.9%	27.5%
<b>Africa</b>	<b>5.0%</b>	<b>-72.9%</b>	<b>118.4%</b>	<b>34.8%</b>	<b>21.2%</b>	<b>2.0%</b>	<b>-72.5%</b>	<b>123.4%</b>	<b>28.2%</b>	<b>16.1%</b>
<b>Middle East</b>	<b>2.0%</b>	<b>-76.2%</b>	<b>139.4%</b>	<b>39.3%</b>	<b>21.9%</b>	<b>4.5%</b>	<b>-74.3%</b>	<b>120.1%</b>	<b>33.4%</b>	<b>21.2%</b>

\* 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

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, FYR Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, and Turkey;

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

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

ETC+3 is all ETC members plus France, Sweden, and the United Kingdom

Source: Tourism Economics based on GTS as of 11.1.2021



### 3. RECENT INDUSTRY PERFORMANCE

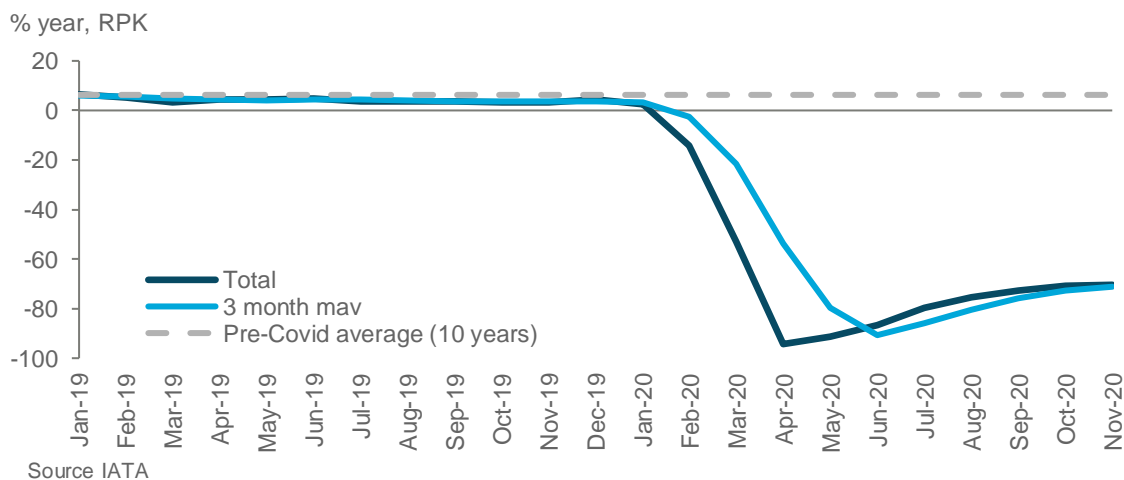
#### AIR TRANSPORT

The moderate recovery in air passenger volumes seen over the late summer has stalled. In most countries, case numbers of the virus have surged again. The consumer response in terms of reduced travel is not simply down to increased rates of infection but also to government responses – especially in Europe where strict travel restrictions are in place. Other, more usual drivers, such as economic activity are unlikely to have a major impact on volumes of travel until confidence is restored. Nevertheless, the virus’ apparent resurgence does lead to longer-term concerns about the impact on unemployment levels and personal incomes.

#### In November the moderate recovery in air passenger volumes stalled

Global RPK volumes were 70% lower than in 2019 based on year-to-date data to November reported by IATA. This is barely changed from the -71% reported by IATA for October. Furthermore, with new Covid-19 variants emerging and governments responding with further lockdowns and travel restrictions, RPKs are likely to fall further in December and into the new year.

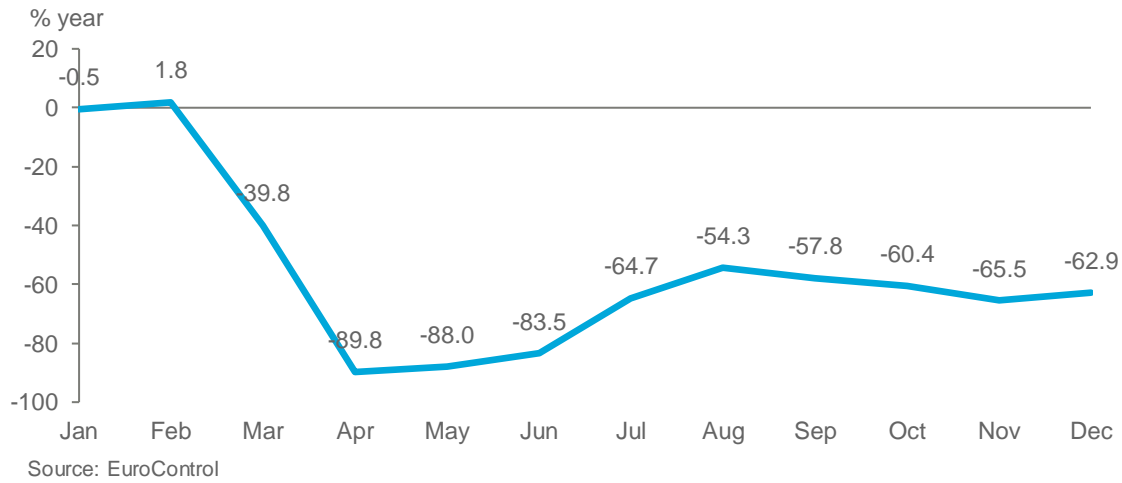
#### International Air Passenger Traffic Growth



Data from Eurocontrol is more up-to-date and provides data for December on annual percentage change in European flight volumes. This suggests that December was very marginally better than November and that the number of flights in Europe was 63% lower than over the same period in 2019.

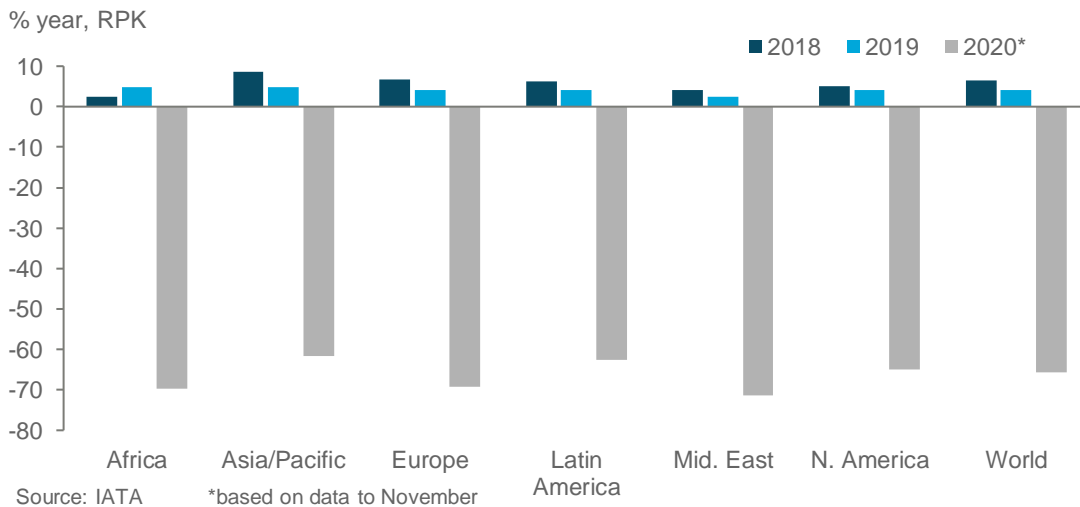


## Change in the number of flights across Europe, 2020



However, an analysis of daily activity suggests that even this mild recovery in December was largely driven by a few days around Christmas. Research by ForwardKeys has revealed that there was a last-minute surge in flight bookings for the Christmas period<sup>10</sup>. Bookings for January were weaker still at just 11.6% of the equivalent period in 2019.

## Annual International Air Passenger Growth



The Middle East has seen the greatest decline in year-to-date data (-71%) but declines in both Europe (-73%) and Africa (-70%) have also been steep. International routes in Europe have seen a decline of 73% over the year to November. This implies that domestic routes have been marginally less affected (which is the case across all regions). However, IATA notes that performance over the last few months has also weakened in domestic markets. Both domestic and international air passenger demand can be expected to decline further in December.

Most regions showed some improvement in November, albeit with levels of travel remaining way below those of 2019. With increasing travel restrictions, Europe is the negative outlier with steeper

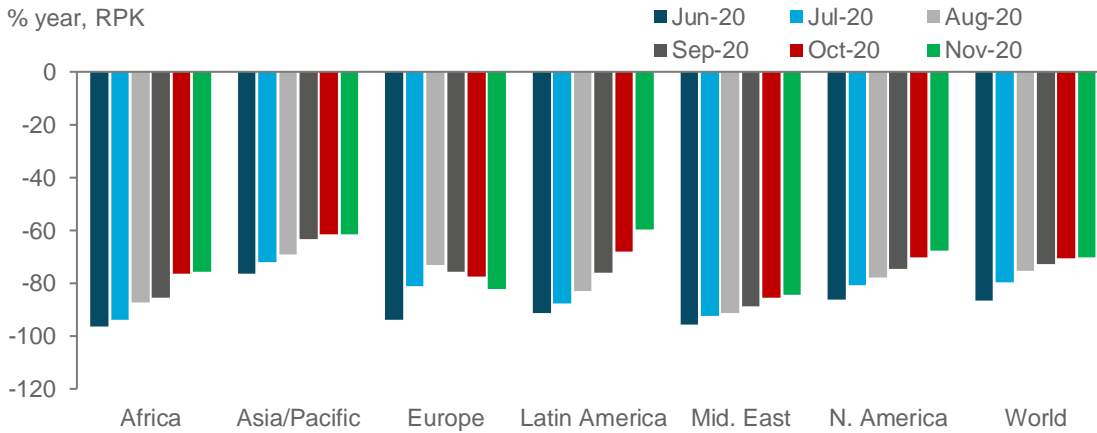
<sup>10</sup> <https://forwardkeys.com/christmas-travel-trends/>





falls every month since September. At the other end of the spectrum, Latin America's declines have been shortening month by month.

### Monthly International Air Passenger Growth

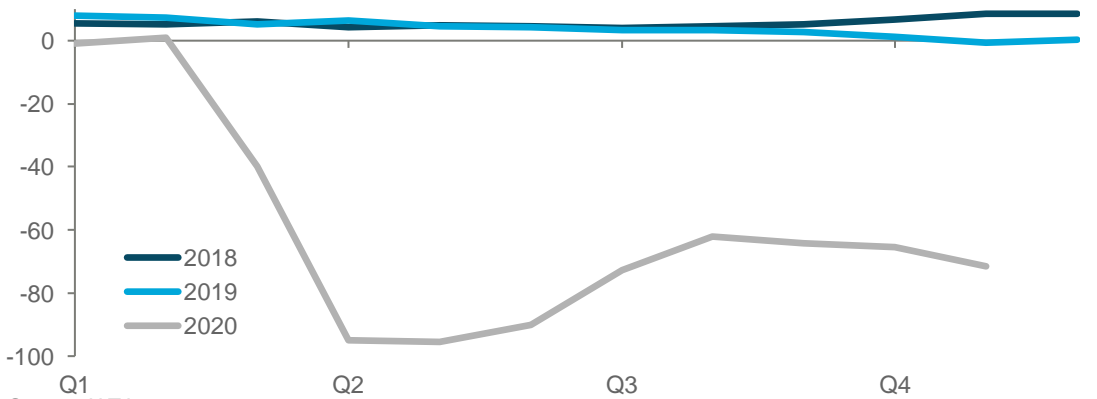


Source: IATA

In the Q3 report, we suggested that the declines in capacity seen over the period from March to May had started to unwind with some significant improvement up to August. However, since then, the resumption of European travel corridors has been largely curtailed. In November, seats on European airlines were 72% below the same period one year earlier.

### European Airlines Capacity

ASK, monthly average, % change year ago

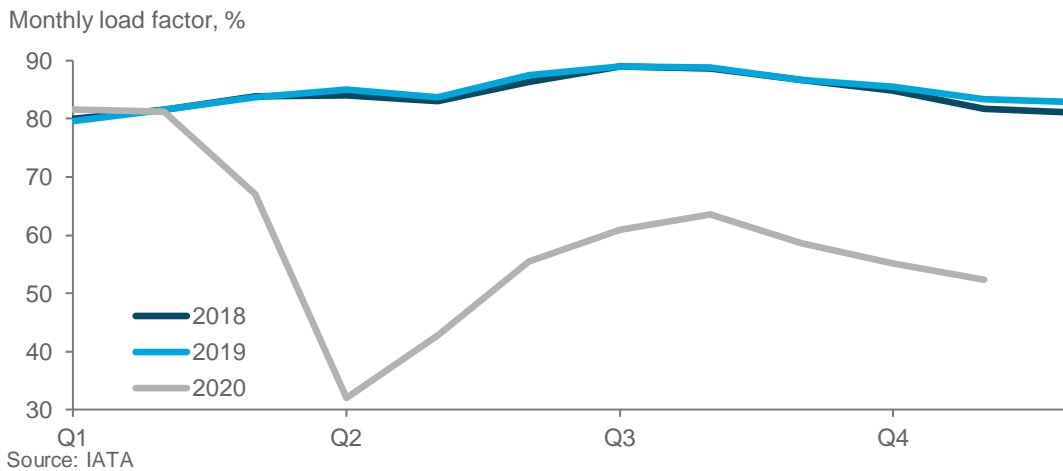


Source: IATA

This lack of demand relative to supply remains very evident within the load factor data as well. November load factors on European airlines were 52% compared to 64% in August and are lower than in June. They are likely to decline further in December. This recent decline in load factors is shared in most other global regions with the sole exception of Latin America. For North America, the Middle East, Africa as well as Europe, the November figures represent a record low.



## European Airlines Passenger Load Factor

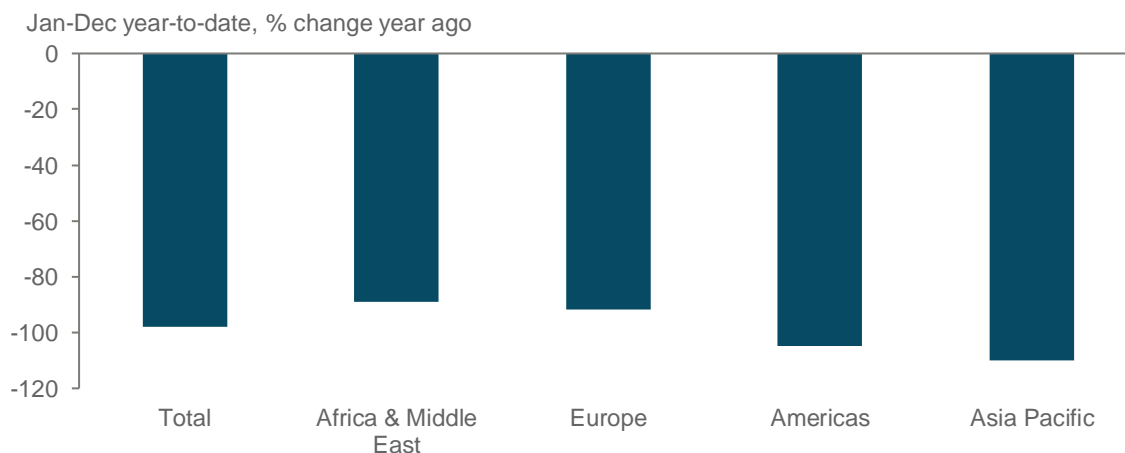


Bookings data from ForwardKeys suggest that there is unlikely to be any significant improvement in passenger volumes in the near term. Ticket purchases over the first three weeks of December were rising moderately, but this trend was reversed after 23<sup>rd</sup> December and has fallen sharply since<sup>11</sup>. Virus mutation concerns are clearly weighing heavily on already very weakened passenger demand in many key markets – including those in Europe.

Therefore, the start of 2021 is certainly looking challenging for the European airline industry. Vaccine roll-out will take some time and is yet to change people's attitudes towards air travel. It remains to be seen whether the introduction of pre-departure testing in some European countries (including the UK) will generate some level of recovery early in 2021.

Nonetheless, ETC's latest travel monitoring survey<sup>12</sup> showed confidence in air travel seems to be recovering slowly but steadily; air travel is now considered by 16% of Europeans with short-term travel plans as the most worrisome of part of the trip. That is the lowest percentage ever recorded since the start of the specific survey (September 2020).

## Bookings made for international travel to Europe by departure region in Q4



Source: ForwardKeys air reservation data \*Declines in excess of 100% indicate more cancellations than new bookings

<sup>11</sup> <https://www.iata.org/en/iata-repository/publications/economic-reports/passenger-bookings-point-to-a-difficult-start-for-2021/>

<sup>12</sup> Monitoring Sentiment for Domestic and Intra-European Travel – Wave 5, ETC



## ACCOMMODATION

The hospitality industry has undoubtedly been one of the hardest-hit sectors, with a plunge in demand causing many hotels to remain closed throughout most of 2020. A quicker easing of restrictions for domestic travel and a stronger demand from residents to travel locally provided some support to those hotels that remained open. A second wave of the coronavirus outbreak placed a halt to the travel rebound, with subdued travel activity towards the latter-end of 2020.

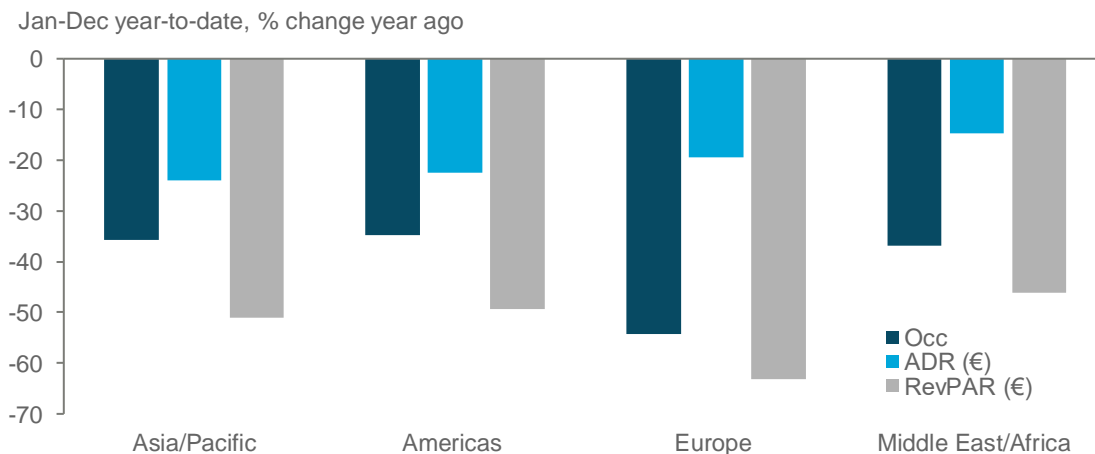
All regions experienced an over 30% fall in occupancy rates based on data to December. While Asia Pacific, the Americas, and the Middle East & Africa recorded comparable declines, European occupancy rates suffered the greatest decrease at 54% according to STR data. Europe's hotel industry has faced a turbulent year, with continuously changing government regulations and restrictions affecting performance.

STR data shows that Average Daily Rates (ADR) fell by more than 20% for Asia Pacific and the Americas, while the Middle East & Africa and Europe experienced slightly smaller declines of 15% and 19% respectively.

In terms of Revenue per Available Room (RevPar), all regions experienced falls of over 45%, ranging from a 46% fall in the Middle East & Africa to a considerably higher 63% drop in Europe compared to the same period a year ago.

2021 has not enjoyed an encouraging start, with most of the world still under strict restrictions. However, vaccination developments have raised hopes for 2021, increasing sentiment and showing a path for normalisation to commence for the hotel industry.

### Global Hotel Performance



Source: STR



## SHORT TERM RENTALS

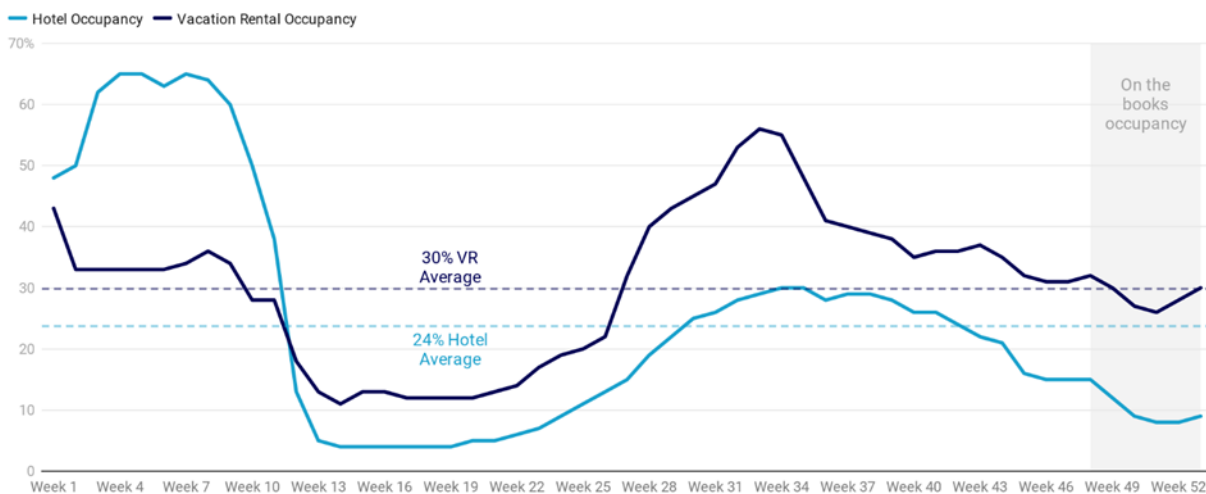
The global pandemic has had a detrimental impact on the short-term rental sector. At the beginning of April 2020, European reservations for short term rentals were down [92%](#) on 2019, according to Transparent data. While the summer season brought respite, with the easing of restrictions and an up-tick in travel activity, a resurgence in cases and the re-imposition of restrictions [dampened demand through the end of 2020](#).

With the global pandemic transforming life as we know it, it is not surprising that travel demand has also shifted. Individuals facing ongoing restrictions on their activity have fundamentally changed their travel behaviour. Travellers have generally avoided foreign travel due to health concerns and travel restrictions, giving rise to growth in domestic travel [in 2020](#).

There has also been a considerable shift away from urban destinations, which have seen higher infection rates and are thus regarded as less safe travel destinations, towards more rural or coastal locations. Transparent data supports this change in behaviour with [less bookings in urban vacation rentals](#), while [longer stays](#) have become more popular, and which may be linked to increased levels of remote working.

Short-term rentals have benefited considerably as non-serviced accommodation reduces concerns regarding social distancing. Short-term rentals thus present a more [positive picture relative to hotels](#) according to the latest data.

### 2020 Occupancy in European Vacation Rentals & Hotels



Occupancy from week 49 is current on the books occupancy  
Source: seetransparent.com • Created with Datawrapper

These trends are likely to continue for as long as local demand is subject to restrictions and international demand has limited access. Urban hubs and leisure markets with significant international demand, which are already suffering, will continue to do so. However, the data shows that demand exists immediately and in abundance when restrictions are lifted, so the outlook for 2021 may not be so bleak. Keeping abreast of demand with granular, forward-looking data insights is most critical to getting ahead of the erratic demand curve which is prevalent in the current climate.



## 4. SPECIAL FEATURE: THE FUTURE OF BUSINESS TRAVEL

### IN A POST-PANDEMIC WORLD, WHAT HAPPENS TO BUSINESS TRAVEL?

#### SUMMARY

- 92% of business travellers expect their company to experience negative outcomes (e.g., reduced ability to generate new business opportunities) due to travel restrictions around Covid-19.
- Tourism Economics expect global international business spend to recover to pre-coronavirus levels by 2024, and domestic business travel by 2023.
- The easing of border restrictions will be key for the resumption of international business travel. But organisational endorsement will also have a significant impact on the timing and magnitude of recovery.

#### INTRODUCTION

While some commentators and prominent business figures have predicted a permanent collapse in business-related travel as a result of the pandemic, the view of Tourism Economics (TE) is that such predictions are unlikely to materialise.

No doubt, the current downturn will be felt for some time. Since the onset of the pandemic, business travel has shrunk to a fraction of its usual volume as numerous industries have expanded their use of digital services to maintain inter- and intra-organisational communications and workflow. This has indeed cut the amount of travel — both in terms of commuting and longer-distance meetings and events. Although, in most European countries a limited amount of business travel is currently possible, whereas leisure travel is not permitted. Many large business events and conferences have been cancelled, further negating the need for travel. Even after restrictions are lifted, travel for business in 2021 is expected to remain lower than in 2019.

At the same time, there is an increasing desire for businesses to be more conscious of their activity within the context of environmental sustainability. The pandemic has provided an opportunity to re-evaluate working practices and the management of business relationships, and business travel in particular. This has led some (including Microsoft founder Bill Gates) to question whether there is still a place in the business world for face-to-face meetings, arguing that recent experience has shown that business relationships can function perfectly well online.

TE believe that in-person meetings will remain a key tenet of business relationships. Face-to-face contact remains a deep-rooted feature of business activity, and in-person meetings — including at large events — cannot be fully replaced by digital alternatives. Business travel enables more personal interaction and minimises the risk of miscommunication, (e.g., it is impossible to forget to unmute yourself during an in-person meeting). International business travel also plays a role in overcoming language and cultural barriers. This allows people and businesses to form long-lasting partnerships and maintain a strong rapport with clients.

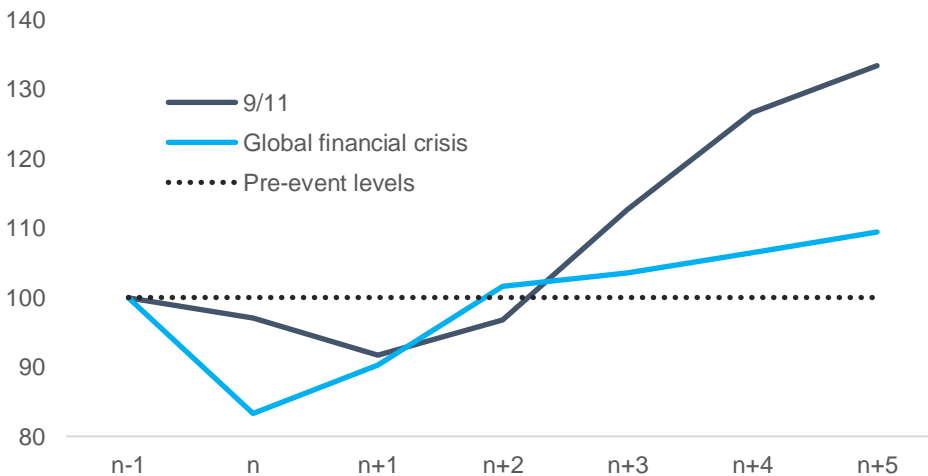
[Research](#) commissioned by SAP Concur in mid-2020 highlighted the importance of face-to-face contact, with 92% of business travellers expecting their company to experience negative outcomes due to Covid-19 travel restrictions, including a reduced number of deals or contracts signed and declines in new business wins.



While history shows that external shocks adversely impact business travel more than leisure, subsequent recoveries have also disproved premature predictions of the sector's demise. Previous global economic shocks, such as 9/11 and the financial crisis, have shown that although business travel is sensitive to external factors, such downturns are not permanent. Business travel was slower to recover from these shocks than leisure travel, but prior peak levels were regained within a comparable time period.

### Impact of downturns on international business spend

n = year of downturn, n-1 = 100



Source: Tourism Economics

While the standstill in travel has exposed both the negative and positive impacts of the sector and provoked a conversation about future development of travel and tourism in general, there remains a need for in-person meetings—and global travel demand will recover. While recent developments may act as an impetus for more mindful business travel, TE does not foresee a transformation of the kind envisioned by Mr Gates for business travel and expects global international business spend to [recover to pre-coronavirus levels](#) by 2024, and domestic business travel by 2023.

Recoveries from previous downturns have disproved premature predictions of the sector's demise. For example, following the global financial crisis in 2008-09, international business travel spend fell 17% compared to a 6% decline in leisure travel spend (domestic business also fell 15% while leisure was down 5%). In response, some predicted business travel would never regain those prior levels. While international business travel recovered more slowly than leisure, it had regained previous peak levels by 2011, followed by growth to a new peak in 2019.



## VIRTUAL OR BLENDED EVENTS ARE AN IMPERFECT REPLACEMENT FOR IN-PERSON

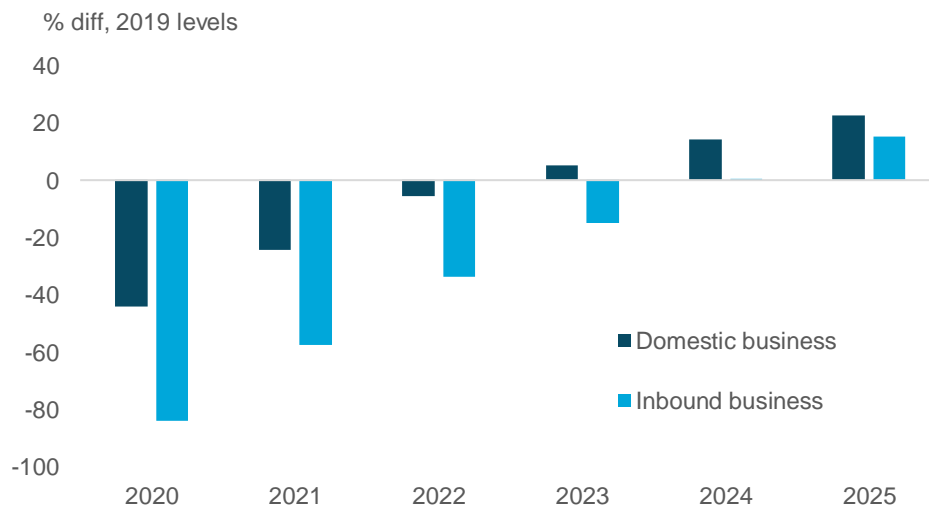
Many conferences embraced digital platforms in 2020, with almost every aspect of the event taking place online. However, many events are now being planned as blended in-person and online events; online activity is a back-up or in support of the full in-person experience. For example, this approach is being adopted for the upcoming WTM [Arabian Travel Market](#) conference and WTTC's [Global Summit](#). The MICE industry provides invaluable networking opportunities to facilitate collective partnership and discussion and so TE would expect these events to revert to their usual formats as soon as possible.

The importance of in-person meetings is supported by surveys of business travellers, such as in FCM Travel's [State of the Market](#) report from mid-2020. The majority of respondents expected to see a phased resumption of business travel starting with domestic trips. Digital activities will not be a viable alternative to travel over time. That does not mean that digital technologies will not continue to improve and offer a greater range of choice in the future.

## INITIAL INTERNATIONAL BUSINESS TRAVEL RECOVERY WILL LAG DOMESTIC

Global domestic business activity (-44%) fell by less than international business travel spend (-84%) in 2020 and a swifter return to 2019 levels is expected compared to international. The quicker recovery of domestic business demand is likely to be facilitated by a greater degree of perceived safety, as well as cost factors. It is easier to travel or change plans at short notice within one's own country, while a better knowledge of local/national restrictions will also help.

### Global business travel spend, international versus domestic



Source: Tourism Economics

The easing of border restrictions will be key for resuming international business travel. But organisational endorsement will also have a significant impact. A [survey](#) conducted by IATA highlighted the importance of passenger confidence in supporting the recovery of travel in general. While passengers are worried about a range of factors (including being subject to quarantine measures during or after travel), measures that would make passengers feel safer include the wearing of appropriate PPE by airport and aircraft staff; and regular cleaning and sanitisation of facilities.



## LONG-TERM BUSINESS TRAVEL OPPORTUNITIES

Over the long-term outlook, international business travel is still important to foster relationships. An [article](#) published by Singularity Education Group in October 2008, in the midst of the global financial crisis said “teleconferencing is the way of the future, and it is set to replace a large portion of business travel”. This view was predicated on the idea that as teleconference reliability improved over time, so too would its acceptance. While technology to facilitate online meetings has advanced considerably over the past decade, and acceptance of teleconferences has risen, this has supplemented rather than supplanted travel and in-person meetings. In-person meetings will remain important in coming years even if digital meetings replace some proportion of business activity. Over the ten-year outlook TE anticipate that international business travel will enjoy higher rates of growth than domestic.

Research by Oxford Economics in 2013 showed that every dollar invested by companies in business travel during the 2008-09 financial crisis returned \$9.50 in revenue and \$2.90 in profits. With returns like that, it is easy to see why business travel demand has remained so resilient.

## THE IMPORTANCE OF BUSINESS-RELATED TRAVEL TO EUROPEAN ECONOMIES

Finland has established itself as a major business convention centre with a particular weighting towards high tech industries: the Finland Convention Bureau has put a particular emphasis on encouraging business tourism relating to wireless technologies such as 6G, multimedia signal processing, neuroscience and space technologies.

Romania has a less developed leisure travel market when it comes to international demand compared to many other European destinations, meaning business travel accounts for a larger proportion of total travel spend.

The Netherlands and Sweden are countries with a high volume of inbound travel with business spend accounting for a large share of associated income. For example, the Netherlands’ major business centres include not just Amsterdam but also cities such as Rotterdam, Utrecht, Den Haag and Eindhoven. As well as its capital Stockholm, Sweden also has major centres surrounding Stockholm, such as Solna, as well as the major business centres in the south of the country, Gothenburg and Malmo.

Although Germany has the highest actual volume of inbound business travel spending, it also has a high volume of inbound leisure spending, resulting in an average share for business travel relative to total spend. This is also the case for the UK and Switzerland.

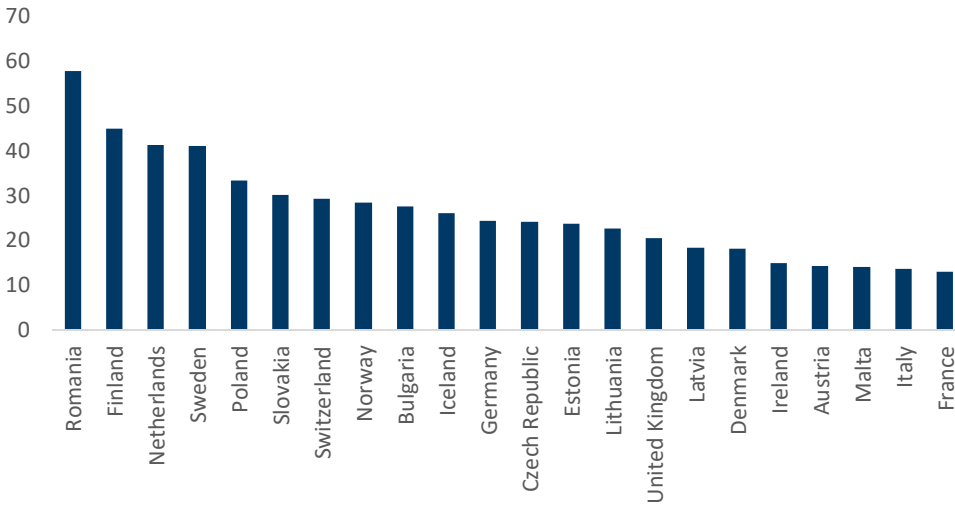
Simply being at the lower end of the business share scale does not imply that business travel is not important. For example, in France it is still worth some \$7.6 billion per year. Its low share is driven by the high volume of leisure visitor spend in the country.





## Proportion of business-related inbound travel spend in European destinations

% share total, 2019

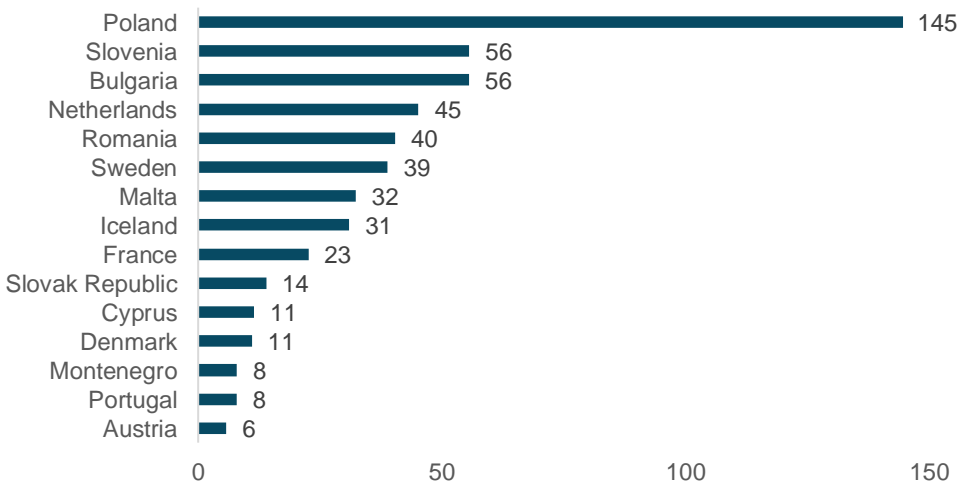


Source: Tourism Economics

In terms of its contribution to total inbound travel expenditure growth over the period 2014 to 2019, Poland saw the greatest contribution from business travel spend, equal to 145% of total spending growth over the period. This shows that growth in business travel in Poland over this period was such that it offset a decline in leisure / other travel spending over the same period.

## Contribution of business travel spend to total inbound travel spend growth

% contribution, 2014-19



Source: Tourism Economics



## 5. KEY SOURCE MARKET PERFORMANCE

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

- Available destination data for the year through to November and December suggest that there may have been some further downturn in arrivals to many European countries since the autumn.
- Major non-European source markets continue to show very steep declines, exacerbated by the shift towards domestic and short-haul destinations as travel restrictions limit options.
- Some European destinations such as Austria, Croatia, and Monaco, have become more reliant on overland visits from neighbouring countries.
- Recent spikes and the new variants of the coronavirus in December are unlikely to improve the overall picture as the remainder of 2020 arrivals and nights data become available.

### KEY INTRA-EUROPEAN SOURCE MARKETS<sup>13</sup>

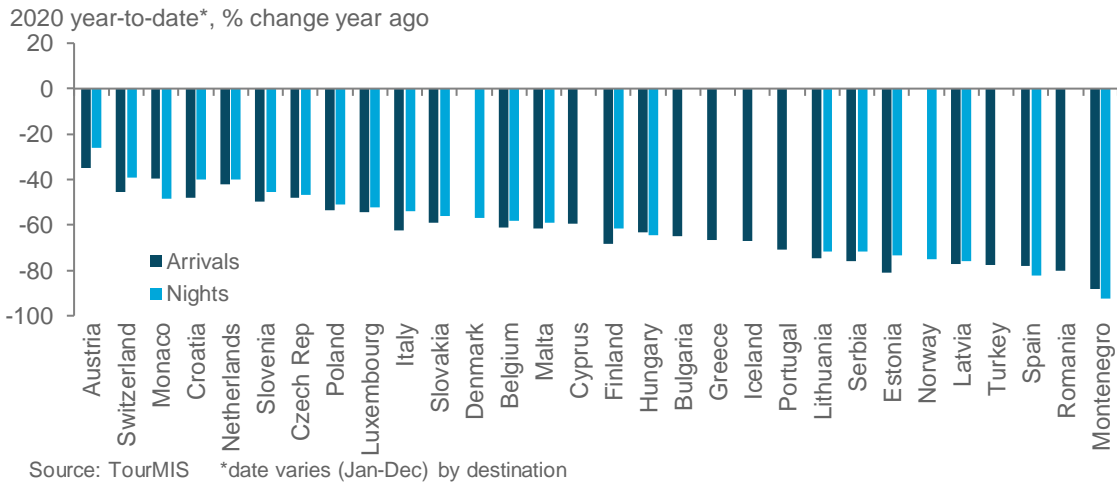
The latest reporting month by destination country is shown below. The majority of countries reported to November with only Croatia and Iceland reporting full year figures at the time of writing.

September	October	November	December
Belgium	Germany	Austria	Croatia
Czech Republic	Greece	Bulgaria	Iceland
Italy	Hungary	Cyprus	
Lithuania	Latvia	Denmark	
Monaco	Malta	Estonia	
Slovakia	Netherlands	Finland	
	Poland	Montenegro	
	Sweden	Norway	
	Switzerland	Portugal	
		Romana	
		Serbia	
		Slovenia	
		Spain	
		Turkey	

<sup>13</sup> The only available data for the UK and Ireland relates to Q1 2020 and so both have been excluded from charts.



## German visits and overnights to select destinations



No country has seen growth in either metric from the German market. The single worst performer was Montenegro, which saw a decline in nights from Germany of 92.6% based on data to November.

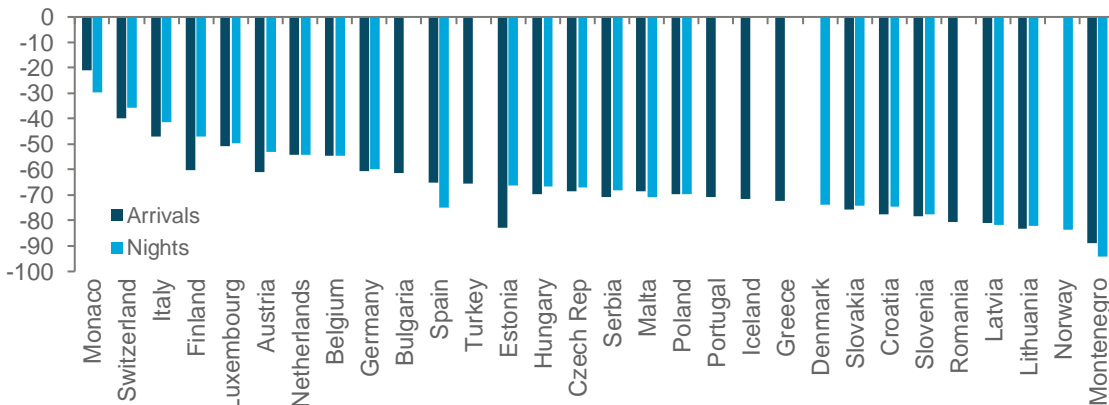
Many of the countries which saw the most 'moderate' declines were countries either immediately neighbouring or a short drive from Germany, such as Austria, Switzerland, Croatia, Slovenia, the Netherlands and Czech Republic. These countries saw falls in arrivals of between 35% and 50%. However, this situation may change rapidly in 2021 if borders are once again closed. On 19<sup>th</sup> January 2021, Chancellor Merkel announced that the country might have to consider border crossing curbs if other countries are not more stringent in their control of the new 'UK' variant of Covid-19. Although there are no concrete plans for border restrictions at present, some regions have already acted on concerns. For example, Baden-Wurttemberg closed the border to Switzerland in both directions before Christmas, while Bavaria chose to implement compulsory testing for those crossing the border.

In contrast, many Mediterranean countries saw much steeper falls. Spain saw a decline of 78.2% in German arrivals, based on data to November, while Turkey saw a drop of 77.8% over the same period. Greece witnessed a slightly smaller decline of 66.7% but only based on data to September.



## French visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

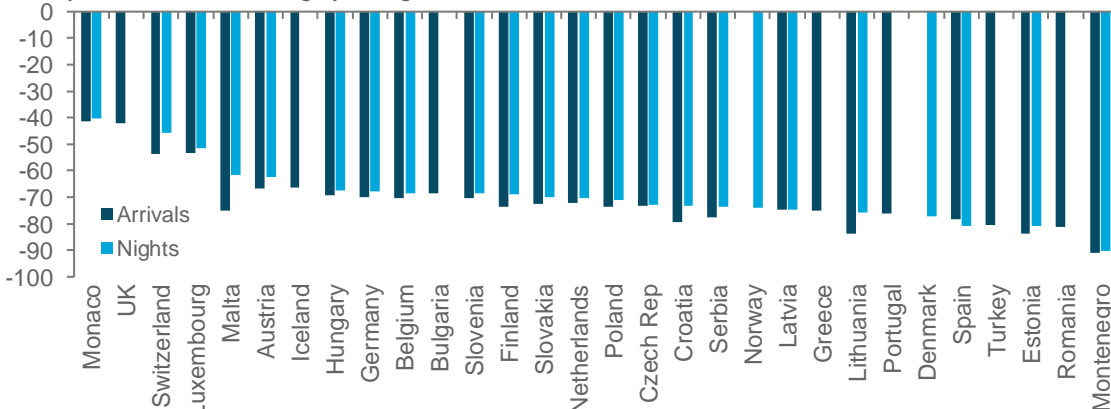
Travel from France to other European destinations also fell steeply in 2020. The countries experiencing the least steep falls tended to be those immediately bordering France – including Monaco (which saw a mere 20.9% fall in arrivals), Switzerland and Italy. The Benelux nations also fell into this category.

The single steepest decline was seen in Montenegro, where nights from French visitors fell by 94.1%. Norway, Lithuania, Estonia, and Latvia also saw especially steep declines.

The percentage weighted average annual decline in French arrivals has been increasing since October. For November, it stood at a decline of 72.2% and the two countries reporting through to December averaged a decline of 74.3%. The situation from France is unlikely to improve as countries start to report December and January. December saw the border between France and the UK closed over concerns about the UK variant of the virus and there have been further border complications following the departure of the UK from the EU. In addition, the country currently has a national curfew.

## Italian visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

The destination countries seeing the shallowest decline in Italian tourists included countries with or very near to the Italian border such as Monaco (which saw a decline in arrivals of 41.3%) and Switzerland (a decline of 53.5% in arrivals). However, in December, Italy and Switzerland suspended cross-border trains indefinitely.

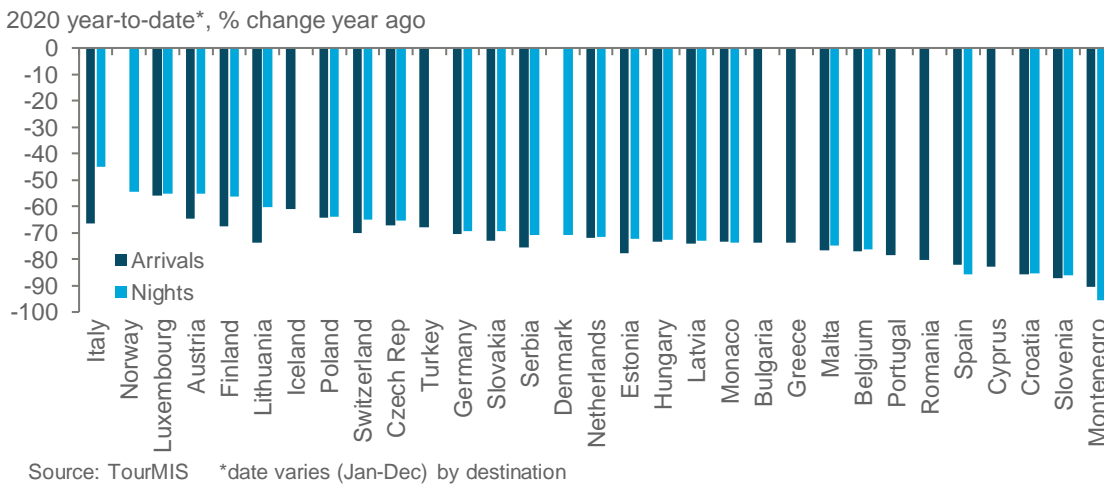


The worst single performer was Montenegro, which saw arrivals from Italy fall by 91.1%. Romania, Lithuania, and Estonia saw the next steepest declines, but other Mediterranean countries were also heavily represented among the steepest declines. For example, Spain saw a loss of 80.8% of nights from Italy, based on data to November.

In January 2021, restrictions were tightened to the maximum ‘red-zone’ level in Lombardia (around the northern city of Milan), Sicily and the autonomous province of Bolzano adjacent to the border with Austria. Much of the remainder of the country is currently in the orange zone in which it is not possible to leave one’s town without a valid reason. There is also a national curfew operating between 10pm and 5am.

For weighted average arrivals from Italy, there was little sign of any improvement through the autumn and it is too early to say whether the mild improvement in December will be maintained when more countries report data through to the month.

### United Kingdom visits and overnights to select destinations



All reporting destinations countries saw steep falls in arrivals from the United Kingdom, ranging from a decline of 56.0% in Luxembourg through to a 90.3% decline in Montenegro.

Countries in South Eastern Europe and the Western Mediterranean saw the steepest falls. Croatia (one of the two countries reporting to December) saw arrivals from the UK fall by 85.8%, whilst neighbouring Slovenia saw an even greater fall of 87.1% in arrivals based on data to November.

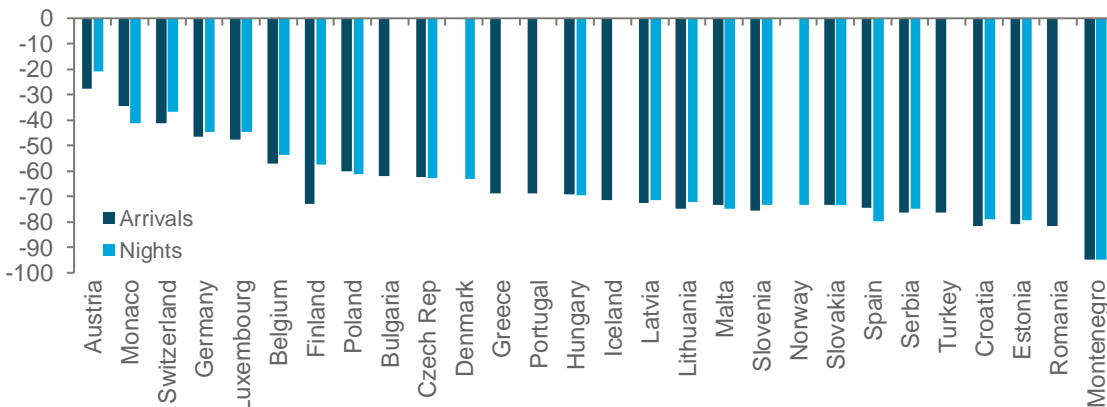
Italy was the only country to see a decline in nights of less than 50% (a decline of 44.9%). Arrivals from the UK fell 66.6% based on data to September. This is, in part, driven by the fact that data were only reported to September. However, Italy started the year with relatively strong growth from the UK and it managed to stay on the UK’s limited flight corridor list for a relatively long time.

The picture for visitors from the UK is unlikely to improve in December and January. The new UK strain identified in December caused most European countries to impose a travel ban from the UK and subsequently in January the UK temporarily closed its air corridors until at least mid-February.



## Dutch visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

Austria saw the most moderate fall in tourism from the Netherlands with a decline in nights of 20.7% and a slightly steeper decline in arrivals of 27.7%. Relatively proximate countries, such as Germany, Luxembourg and Switzerland also saw relatively moderate declines, alongside Monaco.

The single biggest declines from the Netherlands were in Montenegro which saw a 94.9% decline in both nights and arrivals based on data to November. Other destination countries in South East Europe also saw far larger than average declines: Croatia experienced an 81.7% decline in arrivals from the Netherlands, whilst Romania and Estonia saw falls of 81.6% and 80.9% respectively. Both Serbia and Turkey recorded declines of 76.5% in Dutch arrivals, both based on data to November.

Weighted averages by latest reporting month suggest that outbound travel from the Netherlands worsened considerably in November after a relatively benign autumn and failed to recover in December.

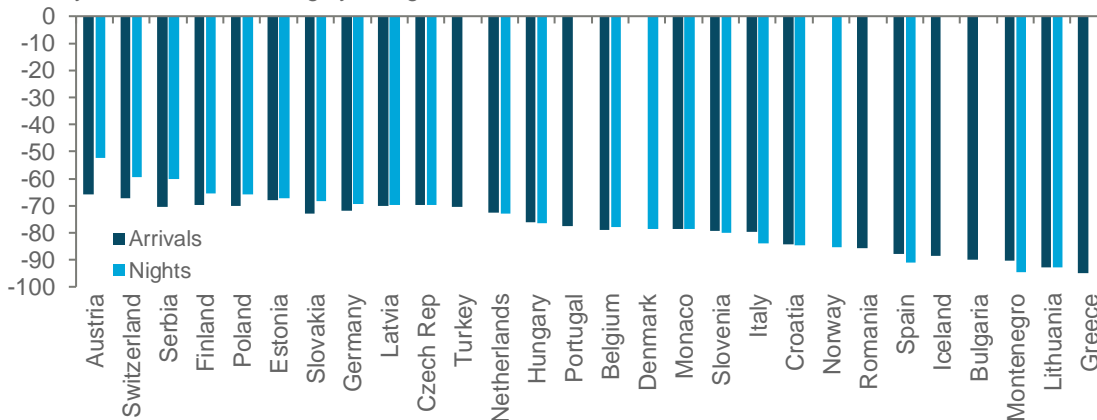
It seems unlikely that data from the Netherlands will indicate any improvements either. On 20<sup>th</sup> January, the Dutch Government announced that it would:

- Ban flights from the UK, South Africa and South America.
- Impose a new rule that everyone flying to the Netherlands will need to take a rapid antigen test, on top of the existing requirement for a PCR-test conducted within 72 hours of departure.
- Impose a curfew across the country.



## Russian visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

All countries once again saw steep declines from the Russian market with no destination seeing a fall in arrivals of less than 65%.

The very steepest falls were in Greece (a 95.1% decline in Russian visitors based only on data to September), Lithuania with a 92.8% decline in overnights and Montenegro, which experienced a 94.5% drop in nights from Russia.

Black Sea and Mediterranean destinations also saw marked falls with Bulgaria seeing a 90.1% decline in arrivals and Spain witnessing a fall of 91.1% in nights from Russia.

Russia is responsible for almost 20% of Montenegro's international arrivals and arrivals from this source market declined by more than 90%. The decision of Aeroflot, Russia's largest airline to cancel all flights from Moscow to Tivat (Montenegro's busiest airport) until 2021 was a substantial hit for the travel industry. While the recent news of the collapse of the nation's flag carrier, Montenegro Airlines, has dealt a further blow to the nation's travel outlook. Although recent government announcements of a new carrier to be operational by the peak tourist season and the lifting of entry requirements for foreign arrivals has boosted travel prospects.

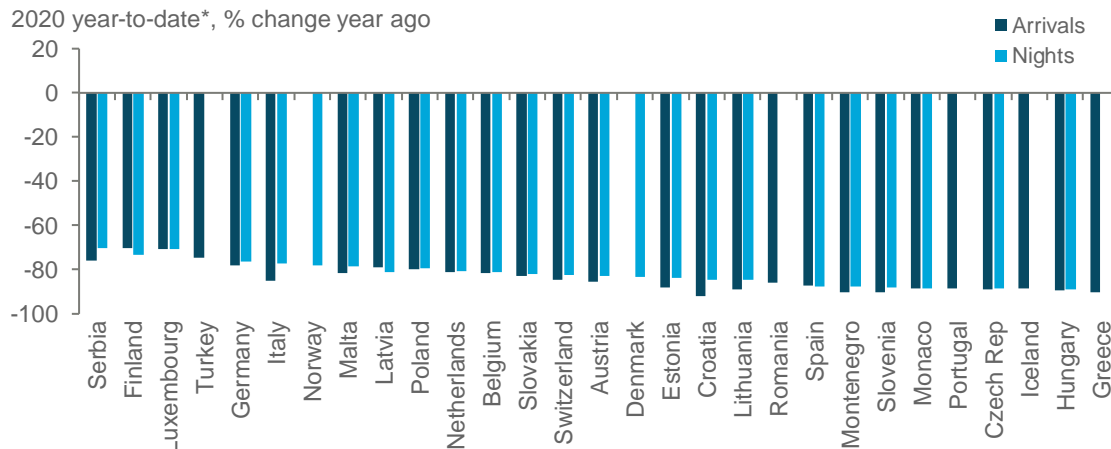
The winter resort destinations of Austria and Switzerland experienced far more moderate declines from Russia but even these destinations saw nights more than halve and arrivals from Russia drop by around two thirds.

Finland was also amongst the better performers. In January 2021 Russia announced that it planned to remove travel restrictions to Finland from 27<sup>th</sup> January (alongside Vietnam, India and Qatar).



## NON-EUROPEAN SOURCE MARKETS

### United States visits and overnights to select destinations



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

With mutual travel restrictions between most European countries and the United States, it is unsurprising that every country in Europe saw falls of over 70% in both metrics when compared to last year. The most moderate declines were in Serbia, Finland, Luxembourg and Turkey. Serbia remained open for US tourists and has only recently required a negative PCR test since December – which is yet to show up in reported data. Although Turkey also now requires a negative PCR test for entry, it has attempted to keep its borders open and tourists are not subject to curfews or restrictions on inter-provincial travel. Turkey was also the strongest performer from the US in Q1 of 2020. Luxembourg’s moderate fall may be related to a high proportion of business travel.

American visitors to Greece fell by a little more than 90%, while the drop in American arrivals to Hungary, Croatia, Slovenia and Montenegro fell by close to that figure.

As expected, declines are steeper for long-haul travel source markets but with the current lockdown situation in Europe, the gap between long-haul and short-haul is narrowing, except where driving is a possibility.

Most Americans are still banned from the majority of European Union countries – although both Croatia and (until recently) Ireland are exceptions. The overall picture seems likely only to worsen over the next couple of reporting months. In January, the outgoing Trump administration announced an end to the ban on inbound travel from Europe but this was promptly reversed by the new Biden administration which plans to extend and toughen restrictions.

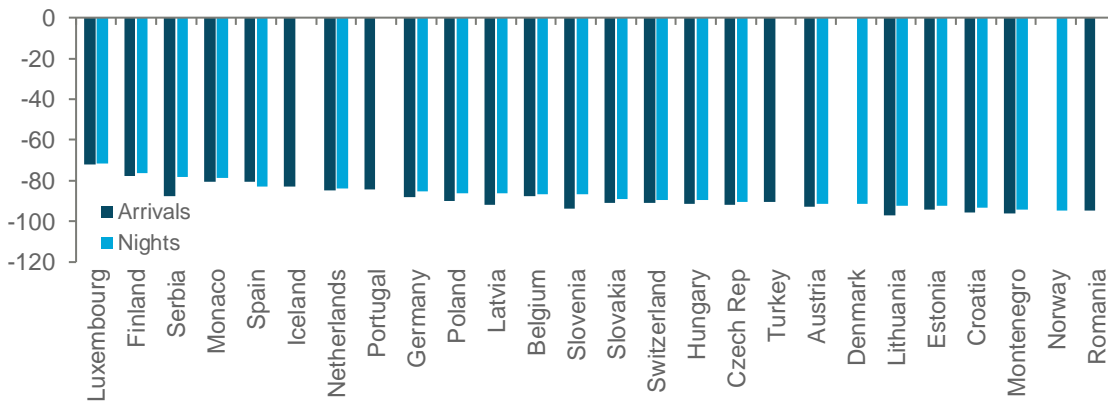
Countries reporting to November showed a notably lower decline in US visitors than those reporting to the other months. These countries included the two smallest declines: Serbia and Finland. However, Finland has clarified that it intends to keep its borders shut to tourists with the exception of business visitors. The two countries reporting to December suggest that December data may worsen the overall picture considerably.





## Chinese visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

Chinese domestic travel may be recovering, but outbound travel from China remains very depressed. Long-haul to Europe remains very low. At the time of the last quarterly report, the smallest decline in Chinese arrivals was in Luxembourg – although this fall in arrivals now stands at 72.2% – and this may be related to a high proportion of business travel.

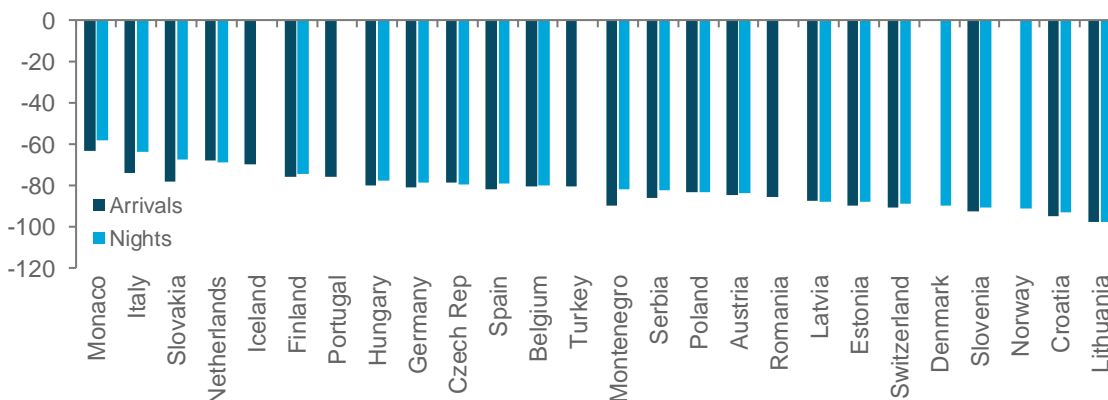
All other reporting destinations saw falls in both metrics in excess of 75% with the majority reporting decreases in excess of 85%, with the full range from 72% to 97%.

The worst performing countries were Lithuania (reporting to September), Romania, Norway and Montenegro (all reporting to November) which saw declines close to or above 95%. Croatia also saw a 95.7% fall in Chinese arrivals.

Figures for the countries reporting to October would seem to indicate that there was a small degree of recovery over the late autumn. Data for the countries reporting to November (of which there are many) and that for the two countries reporting to December would suggest that the winter period looks bleak for Chinese arrivals to Europe.

## Japanese visits and overnights to select destinations

2020 year-to-date\*, % change year ago



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

Japan's domestic travel market had been recovering. However, the latest spike in cases in January 2021 has prompted the government to declare a state of emergency for the second time since the

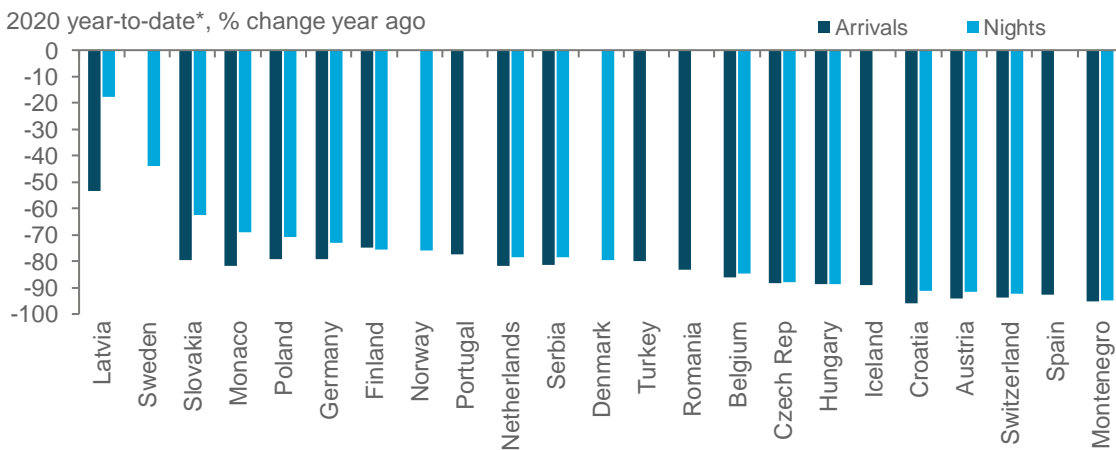


coronavirus first emerged. This has caused the two major airlines to scale back their domestic schedules in January and February. Outbound travel from Japan remains at very low levels. Furthermore, European restrictions have meant that the overall picture has worsened since the last quarterly update and the scale of declines means that there is little benefit in dwelling too much upon individual countries with the vast majority of European destinations seeing declines in Japanese visitors of more than 75%. In the previous quarterly report, falls in Japanese visitors were noticeably less steep than those from either the United States or China. That overall picture has been changing for the worse.

Monaco now has the most moderate decline with a fall in Japanese arrivals of 63.3%. However, this probably reflects the fact that in Q1 of 2020 Monaco was the second strongest performer from Japan.

At the other end of the scale, Lithuania experienced a staggering 97.9% fall in visitors from Japan. There is relatively little change or difference for Japanese arrivals for destination countries reporting to different months.

### Indian visits and overnights to select destinations



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

No country reported growth in either travel metric from India. When the European Union reopened its borders to ‘safe’ countries, India was excluded. There has been very little outbound tourism from India, which imposed a strict lockdown. Most European destinations have witnessed declines in Indian arrivals of between 80% and 96%.

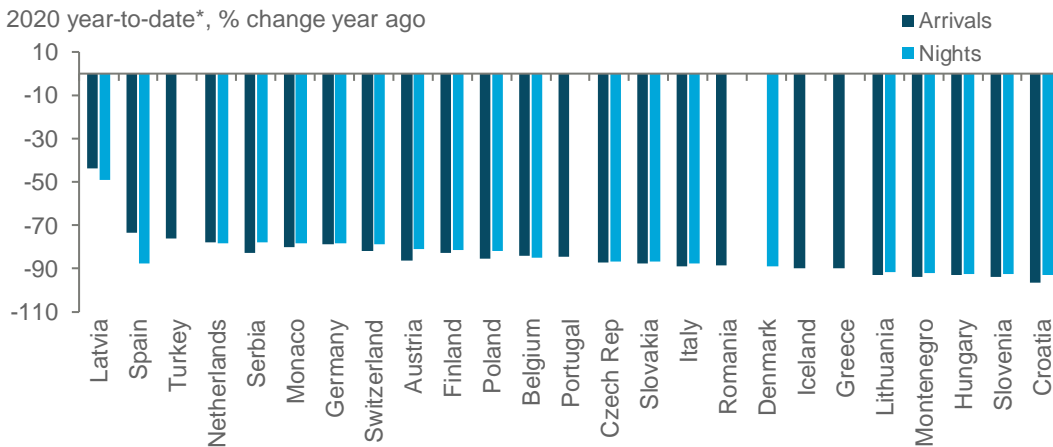
Latvia and Sweden continued to see the smallest falls as was the case in the last quarterly report. The fall in Indian nights in Sweden has now increased to 43.9% (from 39.1% in the last Quarterly Report). Sweden was an exception in the European context, not implementing stringent restrictions in response to the coronavirus until far later than most European countries. The decline in Indian nights in Latvia has increased from 8.9% in the last Quarterly Report to 17.7% - although the fall in arrivals is far steeper.

However, Latvia and Sweden aside, all reporting destinations saw declines in arrivals of more than 75%. The worst performers included Montenegro and Austria (which both attract only small numbers of Indian visitors anyway), Spain, Switzerland and Croatia – which all saw declines well in excess of 90% of Indian arrivals.

Although only two countries reported Indian arrivals to December, the high number of destination countries reporting to November would seem to indicate some further deterioration as autumn turned to winter.



## Canadian visits and overnights to select destinations



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

Once again, no reporting destination saw growth in either metric from Canadian visitors. Again, there has been very little outbound tourism from Canada and the vast majority of European destination countries have seen declines of between 73% and 97% in Canadian arrivals.

The least poor performance was in Latvia, reporting to October (with arrivals down 43.7% from 2019). For Canadian outbound travel there was a clear relationship between latest reported month of data and the scale of decline in arrivals with some let up over the late autumn but a return to very strong declines in December.

Croatia saw the biggest decline in arrivals, down 96.5%, with only a marginally smaller falls in Slovenia, Montenegro and Hungary.



## 6. ORIGIN MARKET SHARE ANALYSIS

*Based on the Tourism Economics' Global Travel Service (GTS) model, the following charts and analysis show Europe's evolving market position – in absolute and percentage terms – for selected source markets.*

*Data in these charts and tables relate to reported arrivals in all destinations as a comparable measure of outbound travel for calculation of market share.*

*For example, US outbound figures featured in the analysis are larger than reported departures in national statistics as long-haul trips often involve travel to multiple destinations. In 2014, US data reporting shows 11.9 million departures to Europe while the sum of European arrivals from the US was 23.4 million. Thus, each US trip to Europe involved a visit to two destinations on average.*

*The geographies of Europe are defined as follows:*

**Northern Europe** is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;

**Western Europe** is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;

**Southern/Mediterranean Europe** is Albania, Bosnia-Herzegovina, Croatia, Cyprus, North Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, and Turkey;

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



## United States Market Share Summary

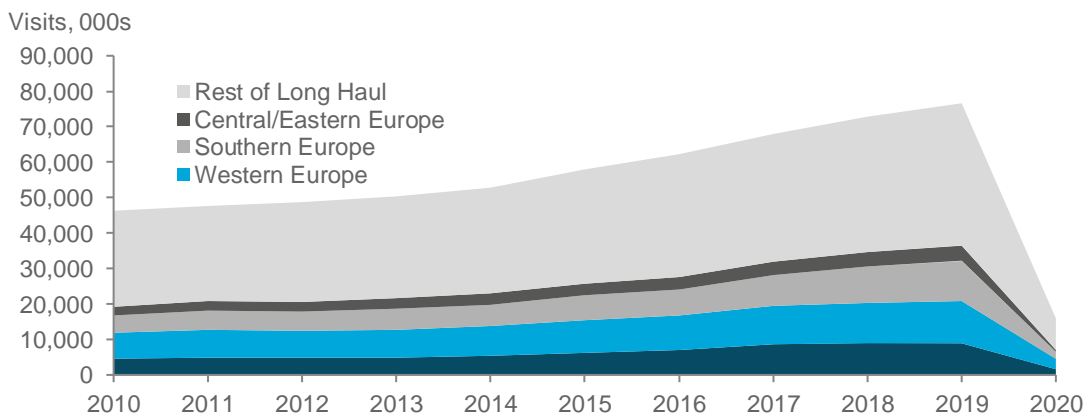
	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	127,433	-	-0.5%	-2.5%	-	44.6%	-
Long haul	76,604	60.1%	-1.1%	-5.4%	58.3%	44.8%	60.1%
Short haul	50,830	39.9%	0.4%	2.0%	41.7%	44.5%	39.9%
Travel to Europe	36,434	28.6%	-2.0%	-9.7%	26.5%	59.2%	26.0%
European Union	28,852	22.6%	-5.0%	-22.4%	18.0%	56.2%	21.0%
Northern Europe	8,919	7.0%	-0.3%	-1.3%	7.1%	67.6%	6.0%
Western Europe	11,922	9.4%	-3.8%	-17.7%	7.9%	42.2%	9.5%
Southern Europe	11,271	8.8%	-1.6%	-7.6%	8.4%	83.0%	7.0%
Central/Eastern Europe	4,323	3.4%	-2.3%	-10.9%	3.1%	43.0%	3.4%

\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

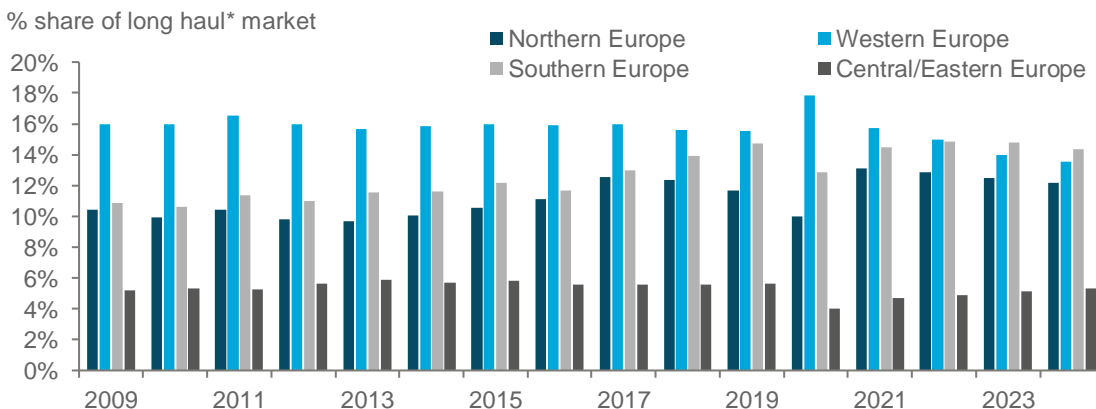
## United States Long Haul\* Outbound Travel



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

Source: Tourism Economics

## Europe's Share of United States Market



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

Source: Tourism Economics



## Canada Market Share Summary

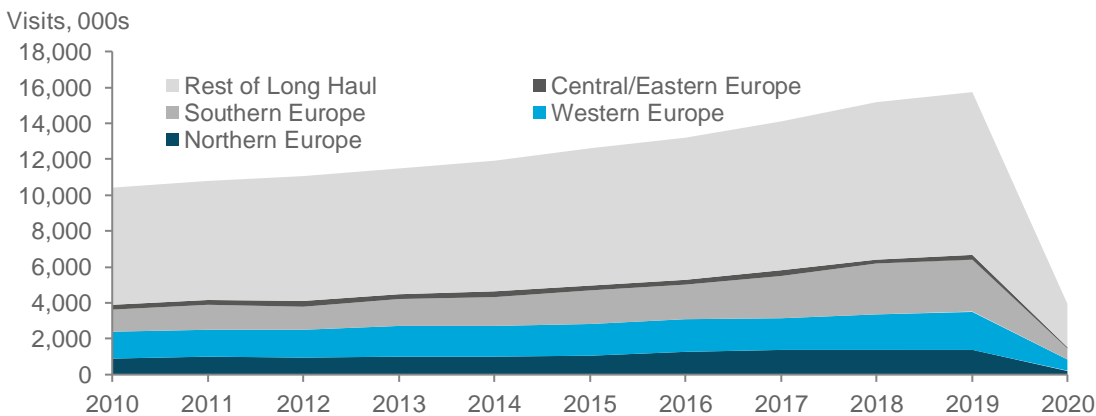
	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	38,752	-	1.1%	5.6%	-	5.9%	-
Long haul	15,733	40.6%	0.1%	0.4%	38.6%	31.8%	32.6%
Short haul	23,019	59.4%	1.8%	9.2%	61.4%	-6.7%	67.4%
Travel to Europe	6,668	17.2%	-2.0%	-9.5%	14.7%	44.0%	12.6%
European Union	5,582	14.4%	-2.8%	-13.5%	11.8%	45.6%	10.5%
Northern Europe	1,381	3.6%	-2.6%	-12.2%	3.0%	38.3%	2.7%
Western Europe	2,109	5.4%	-1.7%	-8.3%	4.7%	22.9%	4.7%
Southern Europe	2,937	7.6%	-1.0%	-4.7%	6.8%	82.4%	4.4%
Central/Eastern Europe	241	0.6%	-18.5%	-64.0%	0.2%	-20.6%	0.8%

\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

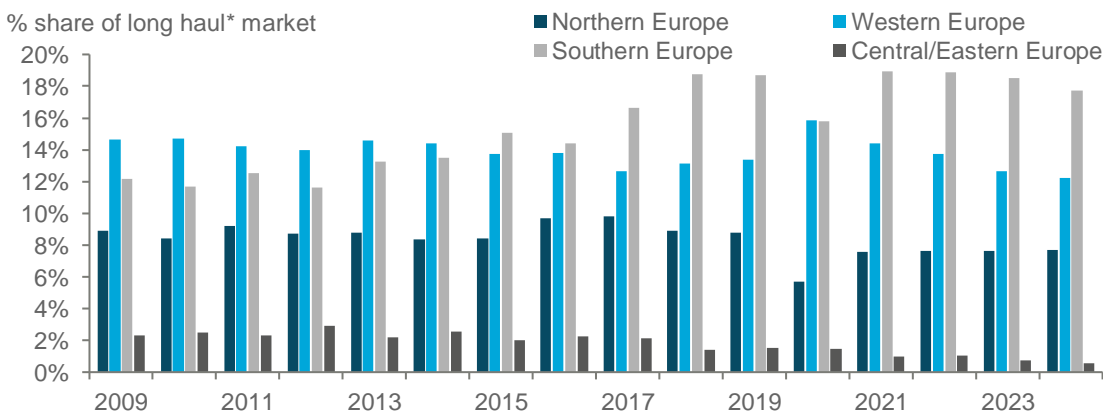
## Canada Long Haul\* Outbound Travel



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

Source: Tourism Economics

## Europe's Share of Canadian Market



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

Source: Tourism Economics



## Mexico Market Share Summary

	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	22,458	-	-0.3%	-1.6%	-	14.3%	-
Long haul	3,844	17.1%	-3.4%	-16.0%	14.6%	59.4%	12.3%
Short haul	18,614	82.9%	0.3%	1.3%	85.4%	8.0%	87.7%
Travel to Europe	2,176	9.7%	-4.2%	-19.4%	7.9%	76.4%	6.3%
European Union	1,653	7.4%	-2.1%	-9.9%	6.7%	63.8%	5.1%
Northern Europe	174	0.8%	-4.7%	-21.6%	0.6%	50.6%	0.6%
Western Europe	925	4.1%	-3.8%	-17.5%	3.5%	89.0%	2.5%
Southern Europe	837	3.7%	-4.5%	-20.7%	3.0%	68.3%	2.5%
Central/Eastern Europe	239	1.1%	-4.4%	-20.3%	0.9%	83.1%	0.7%

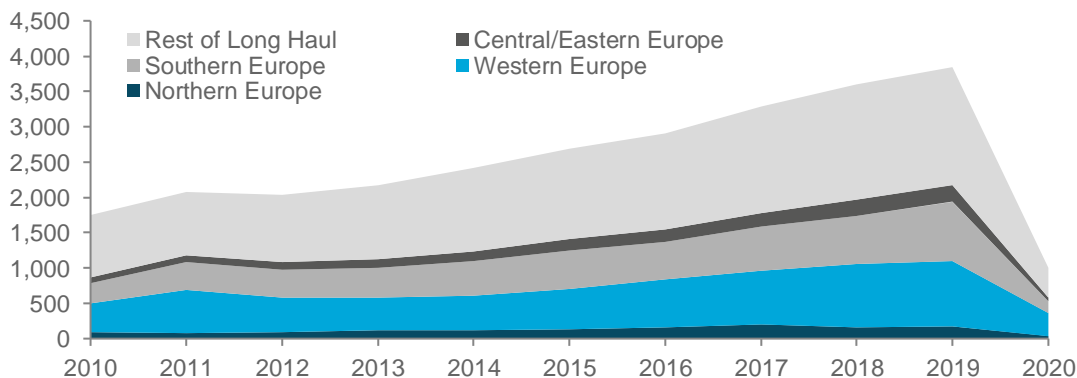
\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

## Mexico Long Haul\* Outbound Travel

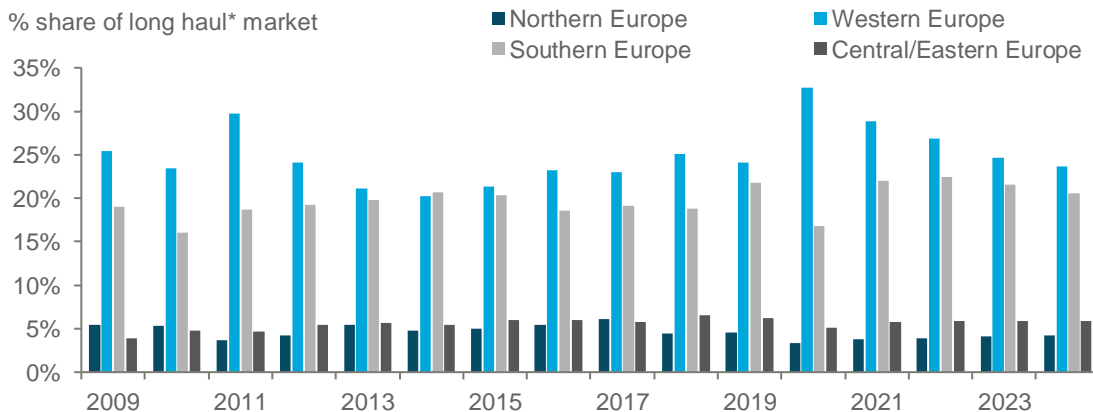
Visits, 000s



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

Source: Tourism Economics

## Europe's Share of Mexican Market



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

Source: Tourism Economics



## Argentina Market Share Summary

	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	10,026	-	-3.0%	-14.1%	-	31.7%	-
Long haul	3,450	34.4%	-4.8%	-21.7%	31.4%	46.8%	30.9%
Short haul	6,577	65.6%	-2.1%	-10.2%	68.6%	25.0%	69.1%
Travel to Europe	1,683	16.8%	-5.1%	-23.0%	15.1%	76.6%	12.5%
European Union	1,439	14.4%	-6.9%	-30.1%	11.7%	113.2%	8.9%
Northern Europe	129	1.3%	-1.5%	-7.3%	1.4%	3.3%	1.6%
Western Europe	65	0.6%	-4.3%	-19.7%	0.6%	47.8%	0.6%
Southern Europe	1,306	13.0%	-6.5%	-28.4%	10.9%	93.1%	8.9%
Central/Eastern Europe	183	1.8%	0.7%	3.5%	2.2%	70.0%	1.4%

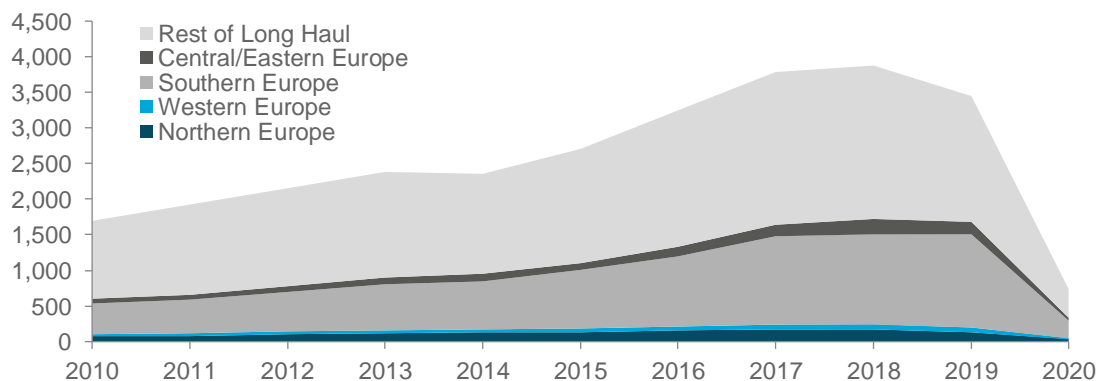
\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

## Argentina Long Haul\* Outbound Travel

Visits, 000s

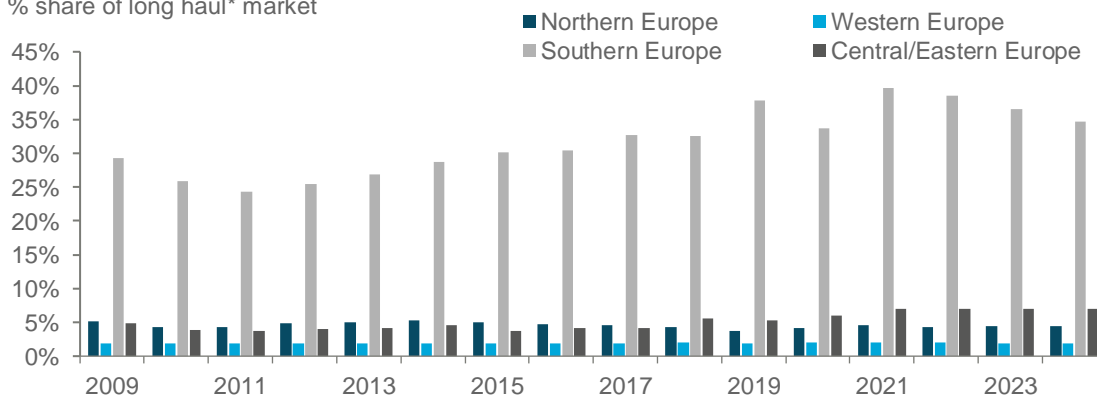


\*Long haul defined as tourist arrivals to destinations outside South America

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

	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	11,592	-	-3.8%	-17.8%	-	11.3%	-
Long haul	8,652	74.6%	-5.1%	-23.2%	69.8%	12.9%	73.5%
Short haul	2,940	25.4%	-0.4%	-2.0%	30.2%	6.6%	26.5%
Travel to Europe	4,915	42.4%	-5.1%	-23.0%	39.7%	21.6%	38.8%
European Union	3,976	34.3%	-4.2%	-19.2%	33.7%	23.1%	31.0%
Northern Europe	311	2.7%	-4.6%	-20.9%	2.6%	4.0%	2.9%
Western Europe	1,517	13.1%	-6.1%	-26.9%	11.6%	-15.8%	17.3%
Southern Europe	2,669	23.0%	-4.6%	-21.0%	22.1%	65.2%	15.5%
Central/Eastern Europe	418	3.6%	-5.0%	-22.8%	3.4%	28.2%	3.1%

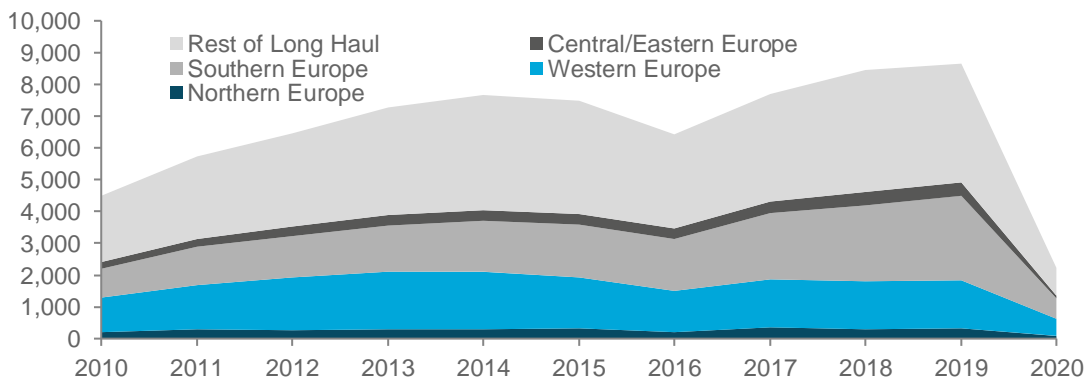
\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

## Brazil Long Haul\* Outbound Travel

Visits, 000s

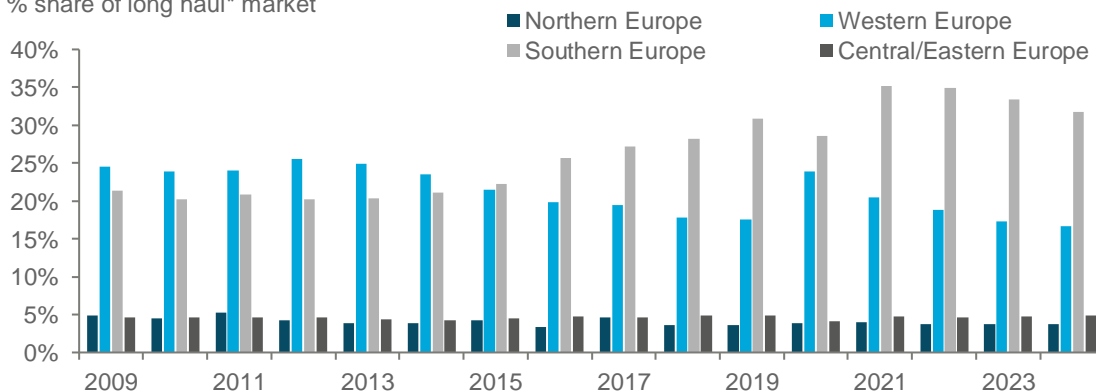


\*Long haul defined as tourist arrivals to destinations outside South America

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

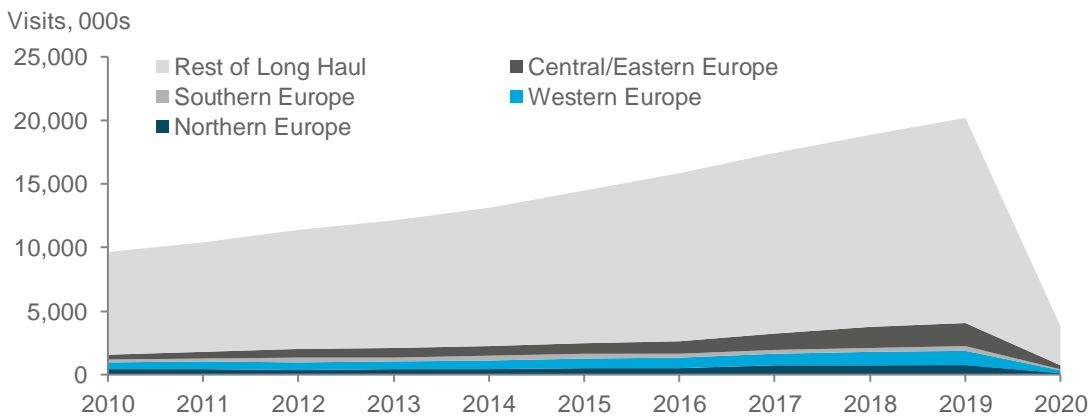
	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	21,488	-	3.9%	21.4%	-	56.7%	-
Long haul	20,201	94.0%	4.0%	21.9%	94.5%	53.9%	95.7%
Short haul	1,287	6.0%	2.4%	12.4%	5.5%	120.0%	4.3%
Travel to Europe	4,058	18.9%	3.5%	18.7%	18.5%	81.2%	16.3%
European Union	1,658	7.7%	-0.9%	-4.6%	6.1%	51.9%	8.0%
Northern Europe	761	3.5%	1.4%	7.2%	3.1%	72.8%	3.2%
Western Europe	1,113	5.2%	1.1%	5.7%	4.5%	57.0%	5.2%
Southern Europe	377	1.8%	6.7%	38.2%	2.0%	23.3%	2.2%
Central/Eastern Europe	1,807	8.4%	5.0%	27.4%	8.8%	130.2%	5.7%

\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

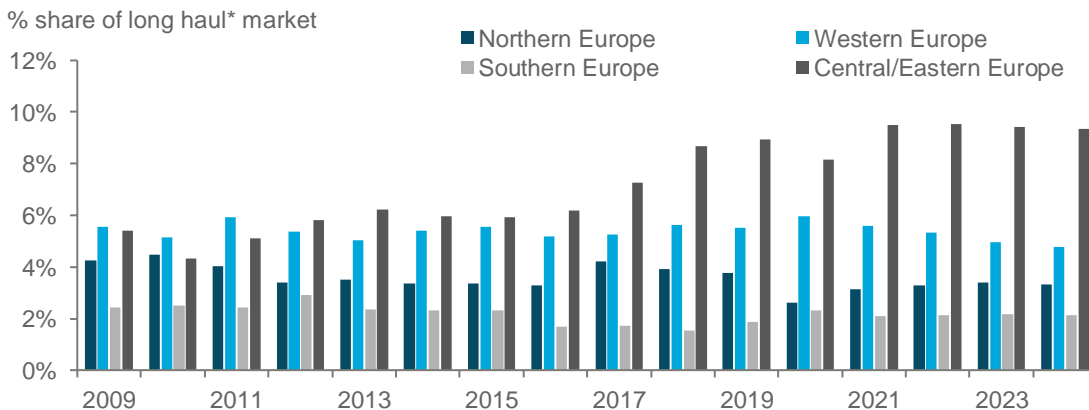
## India Long Haul\* Outbound Travel



\*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

	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	104,013	-	2.0%	10.2%	-	49.8%	-
Long haul	55,709	53.6%	1.7%	9.0%	53.0%	102.8%	39.6%
Short haul	48,304	46.4%	2.2%	11.6%	47.0%	15.1%	60.4%
Travel to Europe	15,400	14.8%	1.2%	5.9%	14.2%	80.6%	12.3%
European Union	8,331	8.0%	-5.4%	-24.1%	5.5%	116.4%	5.5%
Northern Europe	1,855	1.8%	3.3%	17.8%	1.9%	177.1%	1.0%
Western Europe	5,933	5.7%	2.5%	13.1%	5.9%	42.2%	6.0%
Southern Europe	1,283	1.2%	-1.7%	-8.2%	1.0%	100.0%	0.9%
Central/Eastern Europe	6,328	6.1%	-0.3%	-1.4%	5.4%	108.0%	4.4%

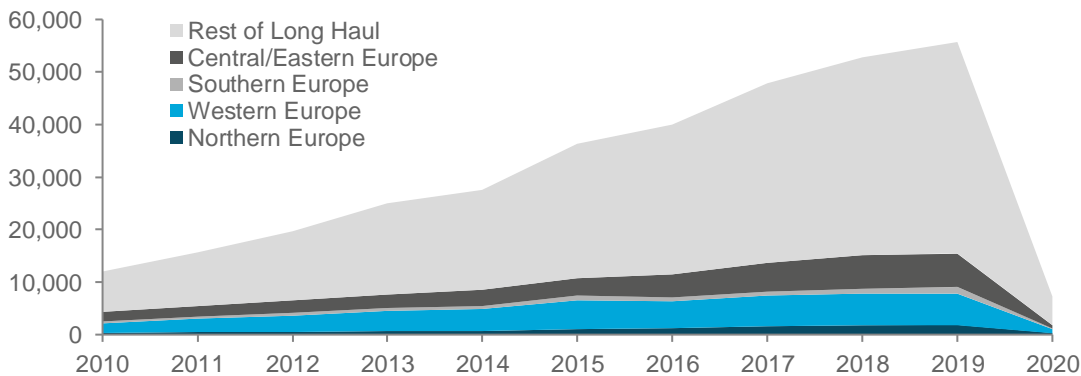
\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

## China Long Haul\* Outbound Travel

Visits, 000s

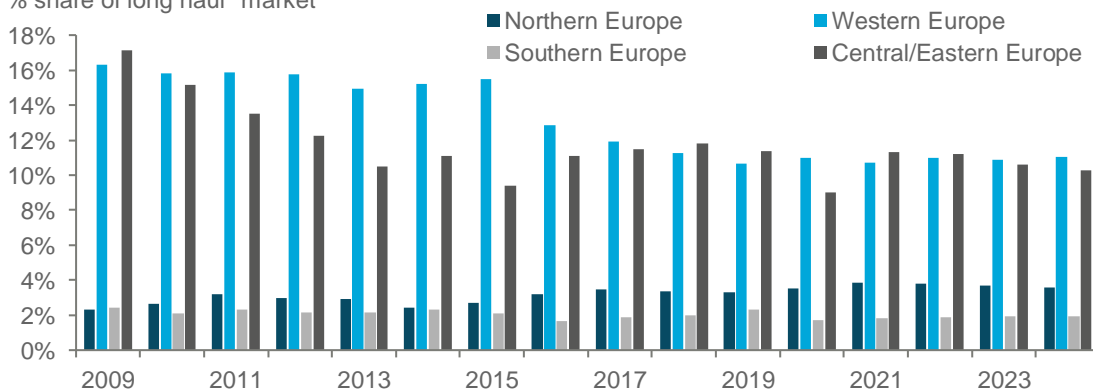


\*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

## Europe's Share of Chinese Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics



## Japan Market Share Summary

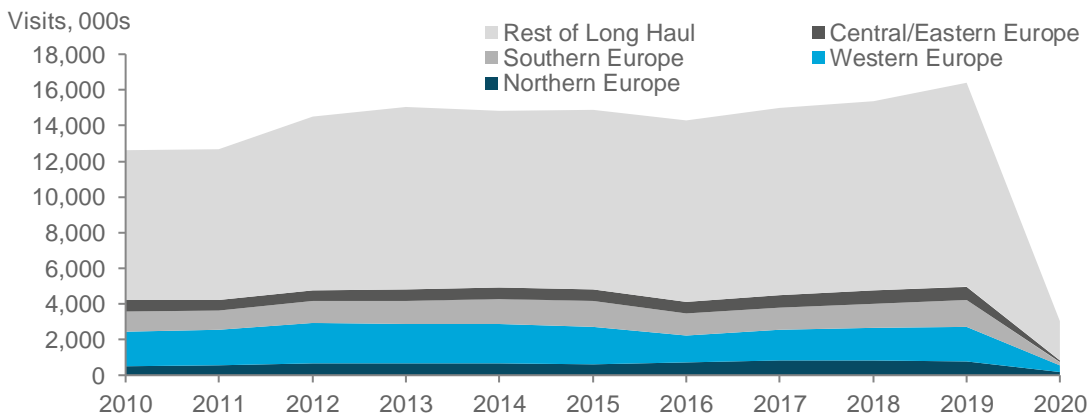
	2019 000s	Growth [2019-24]			Growth [2014-19]		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	25,765	-	1.4%	7.2%	-	14.7%	-
Long haul	16,401	63.7%	1.7%	8.5%	64.4%	10.6%	66.0%
Short haul	9,364	36.3%	1.0%	4.9%	35.6%	22.6%	34.0%
Travel to Europe	4,951	19.2%	1.4%	7.0%	19.2%	0.7%	21.9%
European Union	3,981	15.5%	-2.1%	-10.3%	12.9%	-1.9%	18.1%
Northern Europe	797	3.1%	1.5%	8.0%	3.1%	24.2%	2.9%
Western Europe	1,930	7.5%	2.0%	10.2%	7.7%	-13.6%	9.9%
Southern Europe	1,515	5.9%	1.1%	5.6%	5.8%	6.8%	6.3%
Central/Eastern Europe	709	2.8%	0.0%	0.2%	2.6%	13.9%	2.8%

\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

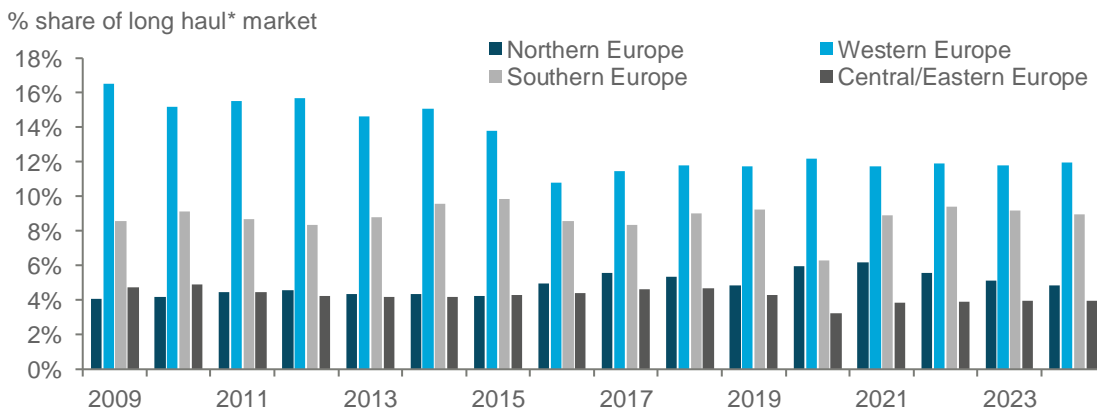
## Japan Long Haul\* Outbound Travel



\*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

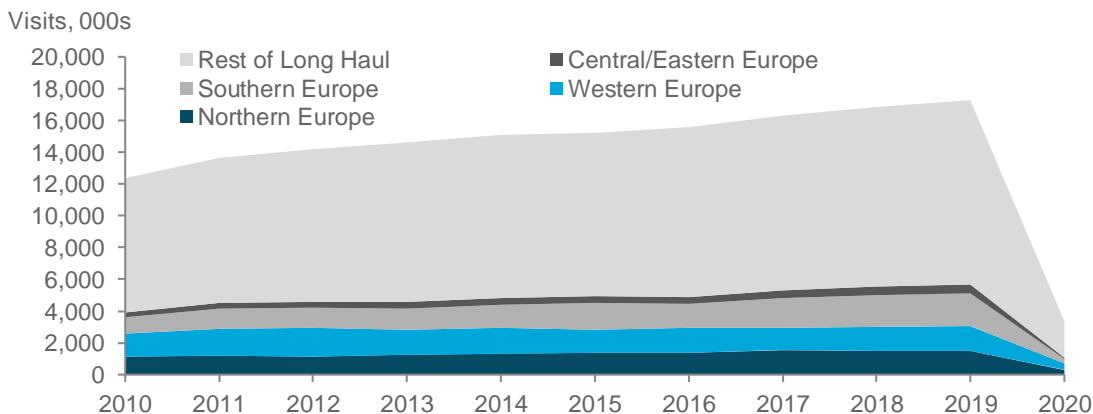
	2019 000s	Growth [2019-24]			Growth [2014-19]		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	17,866	-	2.5%	13.4%	-	13.8%	-
Long haul	17,272	96.7%	2.6%	13.7%	97.0%	14.4%	96.2%
Short haul	594	3.3%	0.7%	3.6%	3.0%	-1.1%	3.8%
Travel to Europe	5,678	31.8%	1.1%	5.5%	29.6%	17.4%	30.8%
European Union	4,937	27.6%	-3.9%	-18.1%	20.0%	16.4%	27.0%
Northern Europe	1,515	8.5%	2.4%	12.7%	8.4%	17.7%	8.2%
Western Europe	1,537	8.6%	-0.9%	-4.3%	7.3%	-6.7%	10.5%
Southern Europe	2,086	11.7%	2.3%	12.2%	11.6%	40.8%	9.4%
Central/Eastern Europe	539	3.0%	-2.7%	-12.7%	2.3%	29.1%	2.7%

\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

## Australia Long Haul\* Outbound Travel

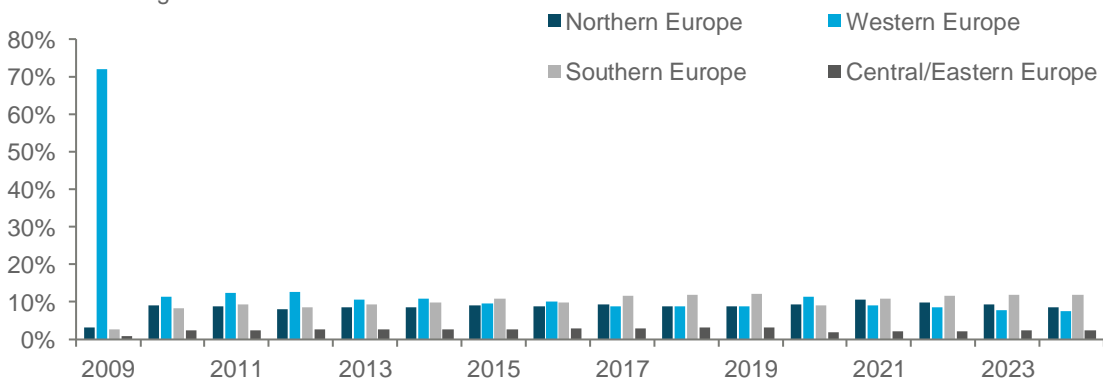


\*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

## Europe's Share of Australian Market

% share of long haul\* market



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

Source: Tourism Economics



## Russia Market Share Summary

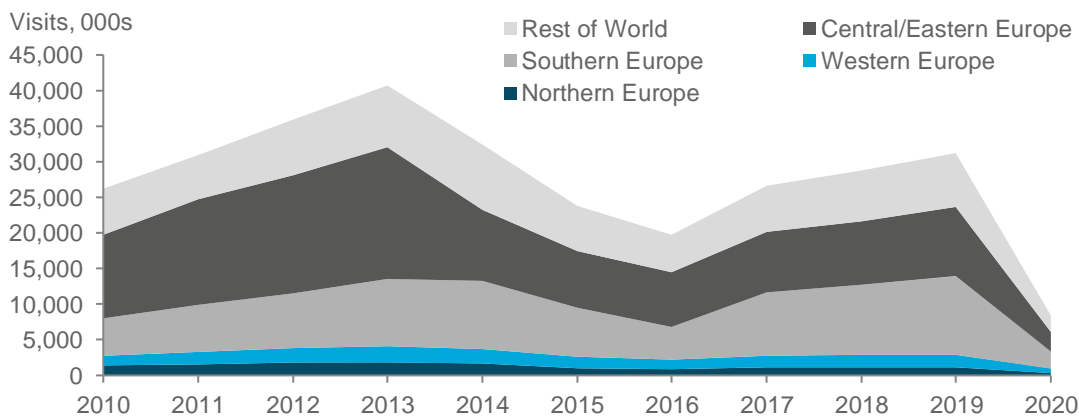
	2019 000s	Growth [2019-24]			Growth [2014-19]		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	31,251	-	1.2%	6.1%	-	-3.6%	-
Long haul	7,535	24.1%	1.1%	5.7%	24.0%	-18.0%	28.3%
Short haul	23,716	75.9%	1.2%	6.2%	76.0%	2.1%	71.7%
Travel to Europe	23,716	75.9%	1.2%	6.2%	76.0%	2.1%	71.7%
European Union	9,626	30.8%	-2.6%	-12.1%	25.5%	-16.3%	35.5%
Northern Europe	1,157	3.7%	2.6%	13.9%	4.0%	-29.2%	5.0%
Western Europe	1,778	5.7%	-0.6%	-3.0%	5.2%	-15.3%	6.5%
Southern Europe	10,986	35.2%	-1.1%	-5.2%	31.4%	15.7%	29.3%
Central/Eastern Europe	9,794	31.3%	3.7%	19.7%	35.4%	-2.1%	30.9%

\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

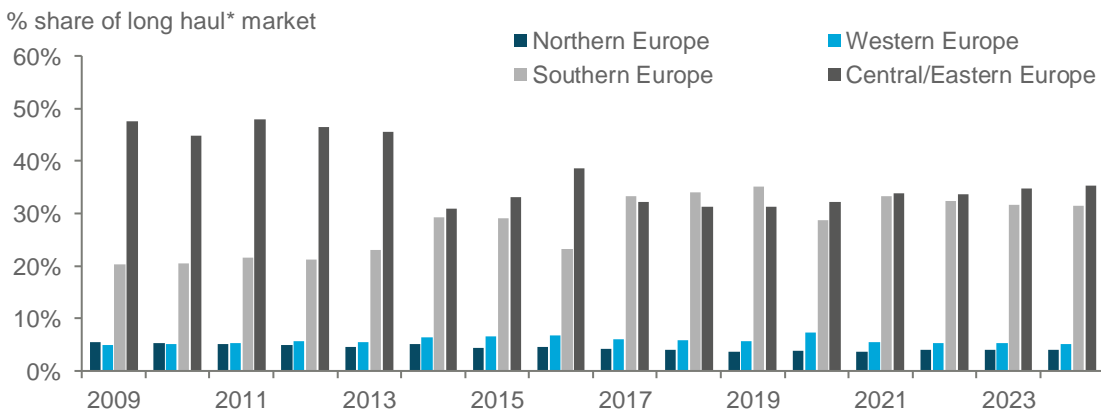
## Russia Long Haul\* Outbound Travel



\*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

## Europe's Share of Russian Market



\*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics



## United Arab Emirates Market Share Summary

	2019 000s	Growth (2019-24)			Growth (2014-19)		
		Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	3,720	-	-0.7%	-3.3%	-	-8.9%	-
Long haul	2,509	67.4%	-3.9%	-18.0%	57.2%	12.6%	54.5%
Short haul	1,211	32.6%	4.9%	27.2%	42.8%	-34.8%	45.5%
Travel to Europe	1,696	45.6%	-3.5%	-16.2%	39.5%	10.7%	37.5%
European Union	856	23.0%	-5.5%	-24.5%	17.9%	44.5%	14.5%
Northern Europe	552	14.8%	-4.1%	-18.9%	12.4%	101.8%	6.7%
Western Europe	389	10.5%	-3.8%	-17.5%	8.9%	12.2%	8.5%
Southern Europe	186	5.0%	-5.9%	-26.2%	3.8%	6.5%	4.3%
Central/Eastern Europe	568	15.3%	-1.9%	-9.3%	14.3%	-22.8%	18.0%

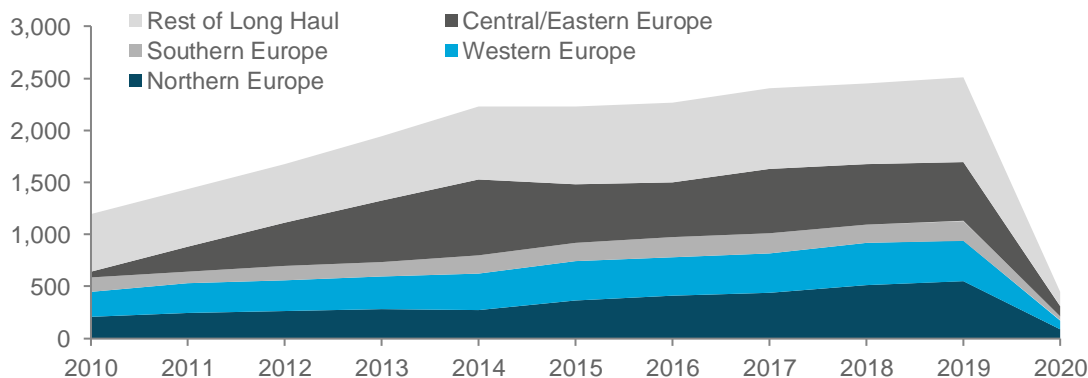
\*Shows cumulative change over the relevant time period indicated

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

Source: Tourism Economics

## United Arab Emirates Long Haul\* Outbound Travel

Visits, 000s

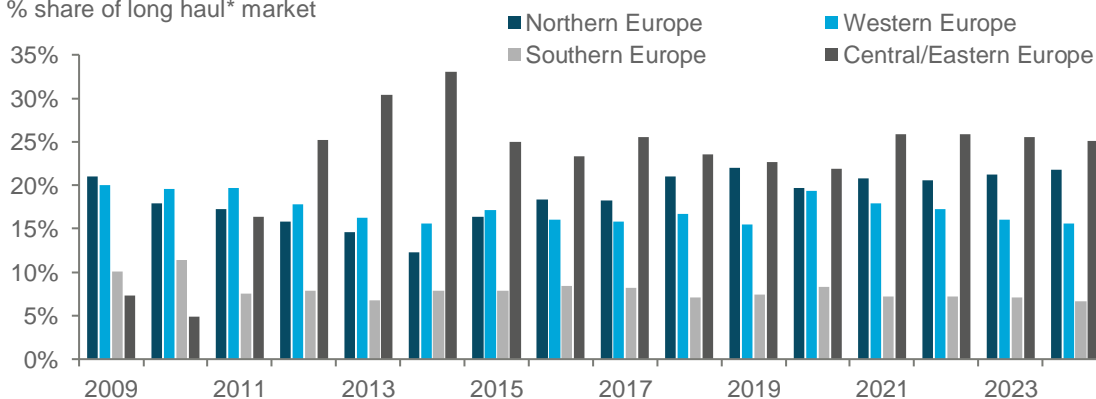


\*Long haul defined as tourist arrivals to destinations outside Middle East

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



## 7. ECONOMIC OUTLOOK

*Assessing recent tourism data and industry performance is a useful way of directly monitoring the key trends for travel demand across Europe. This can be complemented by looking at key trends and relationships in macroeconomic performance in Europe's key source markets which can provide further insight into likely tourism developments throughout the year.*

*The linkages between macroeconomics and tourism performance can be very informative. For example, strong GDP or consumer spending growth is an indication of rising prosperity with people more likely to travel abroad. It is also an indication of rising business activity and therefore stronger business travel. Movements in exchange rates against the euro can be equally important as it can influence choice of destination. For example, if the euro appreciated (gained value) against the US dollar, the Eurozone would become a more expensive destination and therefore potentially less attractive for US visitors. Conversely, depreciation 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

While vaccination roll-outs will pick up speed in the coming months, high global Covid-19 case numbers and the threat from the spread of more transmissible variants of the virus have prompted Oxford Economics (OE) to lower its 2021 world GDP growth forecast for 2021 slightly from 5.2% to 5.0% after an estimated 3.9% fall in 2020.

The start of Covid-19 vaccination programmes has provided light at the end of the tunnel with respect to the prospect of controlling the pandemic. But hopes that the start of inoculations will lead to an imminent relaxation of restrictions has been dampened somewhat.

While the slow pace of vaccinations to date has disappointed some, OE does not think this is grounds for panic. Initially slow progress is to a large extent down to teething problems and near-term constraints which should ease, particularly if other vaccines are licensed in the coming weeks and months.

The bigger risk is the possibility of tighter restrictions to contain virulent strains that spread far more easily. The UK COVID-19 mutation has now spread to around 50 economies and around a third have reported community transmission.

OE's global GDP growth forecast downgrade for 2021 largely reflects a more cautious assessment of the outlook for H1, particularly in Europe and other advanced economies where restrictions look set to be extended or increased.

But while the recovery path for the global economy is likely to be bumpy and risks remain elevated, OE still think this year will see strong growth, by pre- as well as post-GFC standards. Some emergency fiscal support measures will end, but policy will remain supportive. Indeed, by taking control of the Senate, US President Biden may be able to pass more ambitious fiscal plans.





## Summary of economic outlook, % change\*

Country	2020					2021				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	-10.9%	-14.3%	3.1%	-1.3%	0.9%	6.0%	5.3%	1.5%	-0.1%	1.4%
France	-9.1%	-7.5%	0.0%	0.0%	0.5%	6.2%	4.4%	2.0%	0.0%	1.1%
Germany	-5.5%	-6.7%	1.0%	0.0%	0.5%	4.0%	3.1%	0.0%	0.0%	1.7%
Netherlands	-4.2%	-6.6%	0.5%	0.0%	1.4%	2.7%	2.8%	1.1%	0.0%	1.7%
Italy	-8.8%	-10.1%	-0.5%	0.0%	-0.2%	4.8%	4.7%	0.7%	0.0%	0.6%
Russia	-3.9%	-7.8%	1.3%	-12.4%	3.5%	1.9%	4.5%	-0.4%	-9.9%	4.4%
US	-3.4%	-3.7%	4.4%	-1.8%	1.2%	4.3%	5.0%	-1.8%	-5.4%	2.0%
Canada	-5.6%	-6.4%	3.9%	-3.2%	0.7%	4.4%	4.8%	-0.9%	-5.8%	1.7%
Brazil	-4.7%	-6.0%	1.6%	-24.4%	3.3%	3.8%	2.6%	0.2%	-6.9%	4.7%
China	2.1%	-3.3%	3.0%	-1.9%	2.4%	8.1%	13.6%	-3.1%	0.2%	2.0%
Japan	-5.4%	-6.2%	0.5%	0.3%	0.0%	2.7%	2.3%	0.2%	-2.9%	-0.3%
India	-7.4%	-9.1%	5.4%	-6.7%	6.8%	8.8%	11.3%	-4.1%	-4.0%	4.6%

Source: Tourism Economics based on GEM as of 11.1.2021

\* Unless otherwise specified

\*\* Percentage point change

\*\*\* Exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.



## EUROZONE

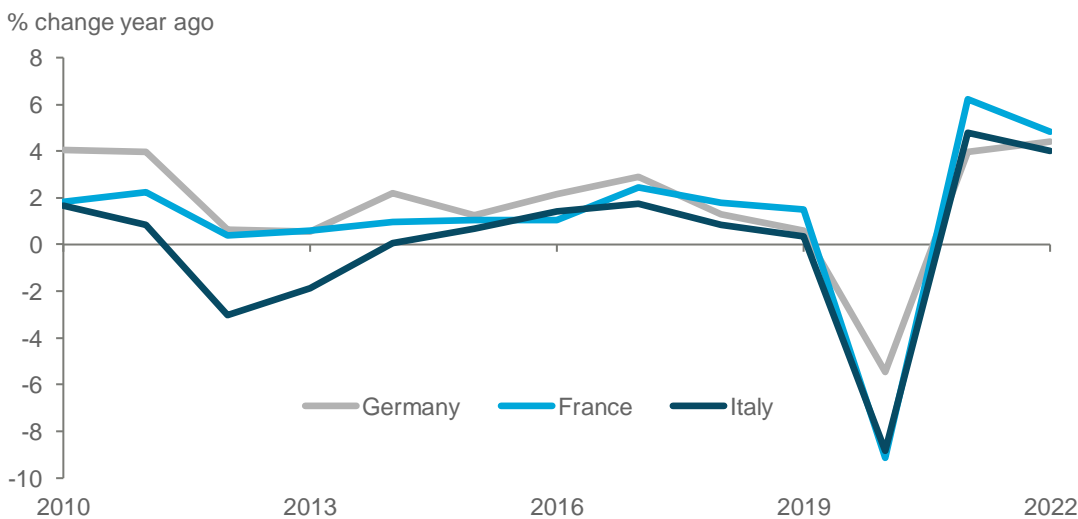
A deterioration in the health situation in most countries, the risks posed by the new strains of the virus and the slow start of the vaccination roll-out mean that Covid restrictions will have to be extended. This has resulted in a downgrade to OE's short-term forecasts, and OEs now see economic activity broadly flat in Q1. OEs estimates that GDP contracted 7.1% in 2020 and now expects growth to rebound to 4.2% in 2021 (down from 4.7% previously).

Recent monthly data suggest economic activity gained some momentum at end-2020, with the composite PMI in December rising for the first time in five months amid an improvement in services activity. While this should translate into a milder GDP contraction in Q4 than previously expected, short-term prospects remain gloomy given the deteriorating health situation and the slow start of the vaccination process across the region.

With most governments having announced an extension of restrictions to curb the renewed rise in Covid-19 infections, economic activity will be weaker in Q1. TE expects upcoming data releases to show a renewed decline in consumer confidence and consumer spending remaining weak in the short term, whereas new restrictions will mean a further postponement in the recovery in air travel and tourism activity. TE expects manufacturing will remain much less affected by the new round of lockdown measures than the more contact-intensive services sector.

A sharp pick-up in growth in Q2 and Q3 is still expected as restrictions are rolled back, but we do not expect eurozone GDP to return to its pre-crisis level until the start of 2022, with the hardest-hit countries seeing even slower recoveries and larger permanent damage to their economies.

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



Source: Oxford Economics



## UNITED KINGDOM

The introduction of a third national lockdown will weigh heavily on activity in Q1 and OE has cut their forecast for GDP growth in 2021 to 4.5% from 6.3% last month. But OE continue to expect the rapid vaccination of vulnerable groups to allow a meaningful loosening in social distancing restrictions from Q2, triggering a strong consumer-led recovery in activity.

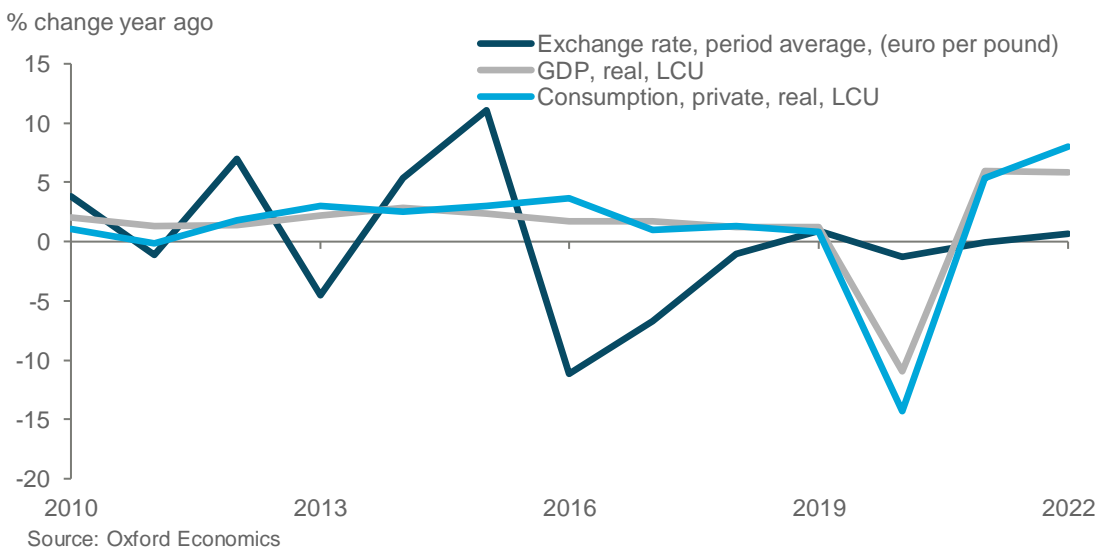
The recovery slowed through the autumn, with October's 0.4% m/m rise in GDP being the weakest of the recovery phase. High-frequency data suggest activity fell in November due to England's four-week lockdown, but with the drop in output much less dramatic than during the first lockdown. OE's forecast GDP fell by 1% in Q4.

A steep rise in Covid-19 cases through December, largely resulting from the emergence of a new and more transmissible variant, led the government to introduce a third national lockdown in early-January. The lockdown will last until at least mid-February. The new restrictions are more severe than those seen in November, with the closure of schools a key difference, but are less stringent than the first lockdown in March 2020. OE expect GDP to fall by more than 4% q/q in Q1, but this would be much smaller than the 18.8% plunge in Q2 2020 reflecting the lower starting point, less stringent restrictions and greater adaptability of consumers and firms.

With the government aiming to vaccinate the most vulnerable groups quickly, OE continue to assume there will be a meaningful relaxation of social distancing restrictions from Q2, leading to a strong rebound in GDP. But uncertainties around the path of the virus and success of the vaccination programme mean the risks are skewed to the downside.

The UK and EU reached a deal on a free-trade agreement that will ensure UK-EU trade will remain tariff- and quota-free. But with little to limit the introduction of non-tariff barriers, trade will be subject to much greater friction than before.

### United Kingdom economic outlook





## UNITED STATES

While near-term Covid-19 risks are tilted to the downside, a gradual vaccine rollout, increased fiscal stimulus and warmer weather should ensure stronger economic activity and employment from early-spring. After contracting by an expected 3.5% in 2020, OE now forecast GDP growth of 3.9% y/y by Q4 2021, up from 3.2% y/y in the December baseline, with overall growth in 2021 now seen at 4.2%, down slightly from 4.3% last month.

The labour market ended 2020 on a sour note with employment falling by 140,000 in December, the first decline since the onset of the recovery. The weakness was almost entirely due to a 0.5m drop in leisure and hospitality employment as the cold weather and virus surge took their toll. With the unemployment rate at 6.7%, the economy still counts 9.8m fewer jobs than prior to the pandemic.

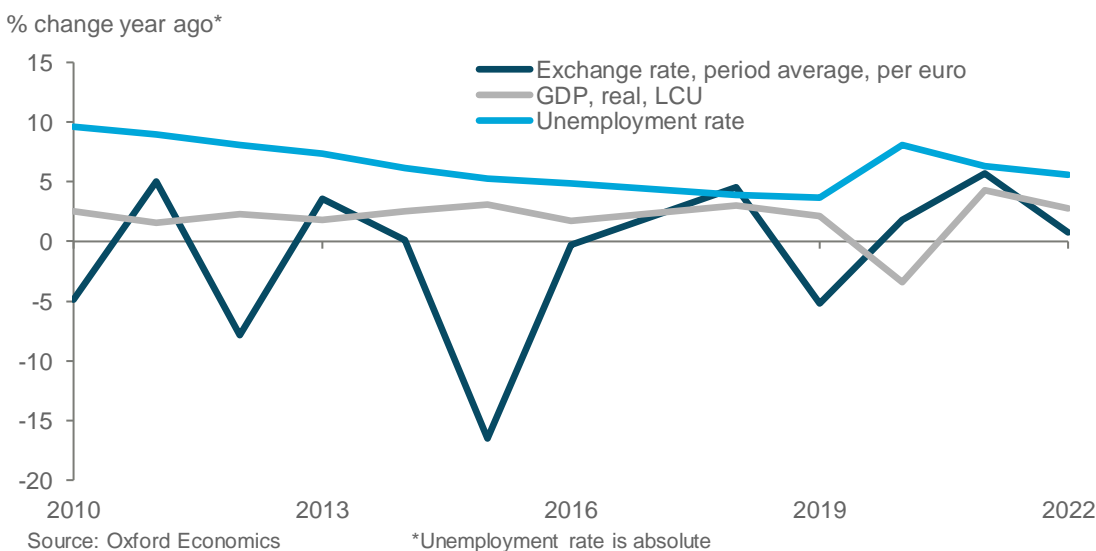
After months of partisan bickering, Congress finally agreed to a \$900bn fiscal relief package at the end of December. The deal extends emergency unemployment benefits for 13m people and includes \$600 checks to families, a weekly top-up to unemployment benefits, aid for small businesses and funding for vaccines.

In Q1, OE expect GDP to rise just 1.5% (annualised), constrained by the uncontrolled health crisis, but supported by the recently passed Covid-19 relief stimulus package and an expected additional round of \$1,400 checks to families. From Q2, faster vaccine diffusion, reduced virus fear, warmer weather and healthy savings should bolster the onset of a summer mini-boom.

With Democrats winning Georgia's run-off races, they will hold a "soft" 50-vote Senate majority. Control of the Senate will allow President Biden to enact more of his ambitious fiscal agenda, enhancing prospects of stronger growth in 2021-22.

OE continue to expect that QE tapering will not start until 2023, ahead of rate lift-off in mid-2024. However, increased fiscal stimulus could support stronger growth and inflation and could pull forward Fed tightening by a year.

### United States economic outlook





## JAPAN

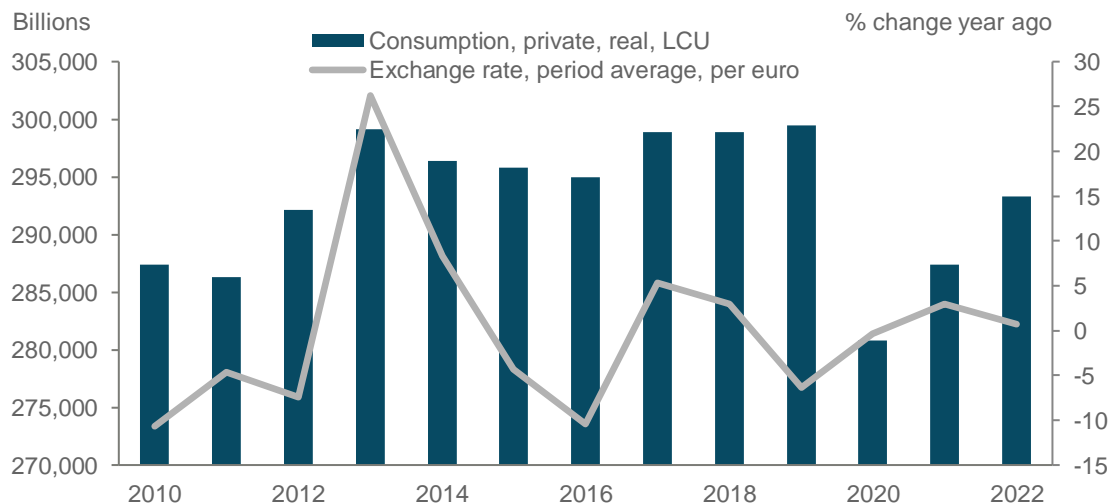
The recent resurgence in Covid-19 cases nationwide and the declaration of a renewed state of emergency for Tokyo and other major prefectures will weigh on growth in the near term, even as the arrival of a Covid-19 vaccine lifts prospects for H2 this year. OE now expect GDP to grow 2.7% in 2021 on stronger mid-year activity following a drop of 5.3% in 2020. In 2022, OE project GDP to grow 2.4%.

High-frequency data shows that the economy continued improving in Q4 2020, although momentum softened towards year-end. Exports rose 4.5% y/y in November (after -0.2% in October) thanks to higher shipments of ICT equipment and capital goods to China, the US and Europe. Industrial production recorded a modest increase to -2.6% y/y (after -3.2% in October) while the au Jibun Bank manufacturing PMI for December reached the 50.0 level for the first time since early 2019. However, industry forecasts point towards softer production in that month.

Although the gradual roll-out of a Covid-19 vaccine should allow for a more significant recovery from mid-year, the recent resurgence in virus cases and a state of emergency declaration for Tokyo, Osaka and major prefectures significantly cloud the near-term outlook. While more limited than the state of emergency in April-May last year, the new restrictions raise the risk that a renewed drop in consumer spending will hit the much-beleaguered services sector and a renewed pick-up in unemployment will damage the still-vulnerable consumer outlook.

Policy will remain supportive of growth in 2021. The Suga administration's third supplementary budget for fiscal year 2020 and its 2021 annual budget will extend fiscal support for businesses, households, and the health care system into the new year. Meanwhile, monetary policy will continue to focus on support for corporate credit while maintaining interest rates at their current low level.

### Private consumption in Japan



Source: Oxford Economics



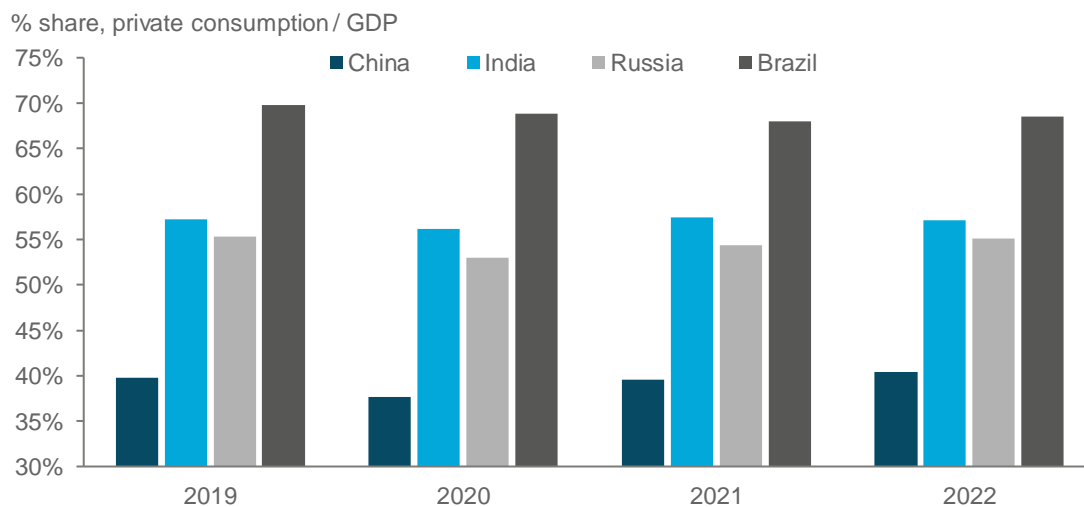
## EMERGING MARKETS

The resurgence of Covid-19 infections and the emergence of new and more transmissible virus variants have clouded the near-term outlook for Emerging Markets (EMs), taming the optimism surrounding vaccine availability. Although some countries have tightened restrictions to contain the spread, very few have implemented full lockdowns. Consequently, OE assume a limited hit to GDP at this point, sticking to its aggregate projection of 6.3% growth in 2021, after a contraction of close to 2% in 2020, but note increasing downside risks.

EM economies ended 2020 on a mixed note, with the pace of recovery generally softening. OE continue to expect China's quarterly growth to moderate after a resilient Q4, while activity in the rest of Asia will become more synchronous. OE also expects to see a pick-up in other regions as vaccines are rolled out, but immunisation programmes seem likely to face delays and it will take well into H2 before restrictions are fully lifted. Several countries in Latin America, emerging Europe, Middle East and Africa are struggling to bring recent outbreaks under control and have yet to start vaccine programmes. And even Israel, which has made a rapid start in distributing the vaccine, covering over 20% of its population and well ahead of peers, has been forced into another lockdown.

Inflation is not a concern, amid wide output gaps and elevated unemployment, but rising food and energy costs are pushing up price pressures. Consequently, OE's baseline sees very few rate cuts across EMs this year, with Indonesia and possibly Russia the notable outliers.

### Propensity to consume in key Emerging Markets



Source: Oxford Economics



# APPENDIX 1

## GLOSSARY OF COMMONLY USED TERMS AND ABBREVIATIONS

### AIRLINE INDUSTRY INDICATORS

**ASK** – Available Seat Kilometres. Indicator of airline supply, available seats \* kilometres flown;

**RPK** – Revenue Passenger Kilometres. Indicator of airline demand, paying passenger \* kilometres flown;

**PLF** – Passenger Load Factor. Indicator of airline capacity. Equal to revenue passenger kilometres (RPK) / available seat kilometres (ASK);

**Xmth mav** – X month moving average.

### HOTEL INDUSTRY INDICATORS

**ADR** – Average Daily Rate. Indicator of hotel room pricing, equal to hotel room revenue / rooms sold in a given period;

**Occ** – Occupancy Rate. Indicator of hotel performance, equal to the number of hotel rooms sold / room supply;

**RevPAR** – Revenue per Available Room. Indicator of hotel performance, equal to hotel room revenue / rooms available in a given period.

### CENTRAL BANKS

**BoE** – Bank of England;

**MPC** – Monetary Policy Committee of BoE;

**BoJ** – Bank of Japan;

**ECB** – European Central Bank;

**Fed** – Federal Reserve (US);

**RBI** – Reserve Bank of India;

**OBR** – Office for Budget Responsibility;

**PBoC** – People's Bank of China.

### ECONOMIC INDICATORS AND TERMS

**BP** – Basis Point. A unit equal to one-hundredth of a percentage point;

**Broad money** – Key indicator of money supply and liquidity including currency holdings as well as bank deposits that can easily be converted to cash;

**CPI** – Consumer Price Index. Measure of price inflation for consumer goods;

**FDI** – Foreign Direct Investment. Investment from one country into another, usually by companies rather than governments;

**GDP** – Gross Domestic Product. The value of goods and services produced in a given economy;

**LCU** – Local Currency Unit. The national unit of currency of a given country, e.g., pound, euro, etc.;

**PMI** – Purchasing Managers' Index. Indicator of producers' sentiment and the direction of the economy;

**PPI** – Purchase Price Index. Measure of inflation of input prices to producers of goods and services;

**PPP** – Purchasing Power Parity. An implicit exchange rate which equalises the price of identical goods and services in different countries, so they can be expressed with a common price;

**QE** – Quantitative Easing. Expansionary monetary policy pursued by central banks involving asset purchases to reduce bond yields and increase liquidity in capital markets;

**G7** – Group of seven industrialised countries comprising the United States, the United Kingdom, France, Germany, Italy, Canada, and Japan.



## APPENDIX 2

### ETC MEMBER ORGANISATIONS

**Belgium:** Flanders – Visit Flanders, Wallonia – Wallonie-Belgique Tourisme

**Bulgaria** – Bulgarian Ministry of Tourism

**Croatia** – Croatian National Tourist Board (CNTB)

**Cyprus** – Deputy Ministry of Tourism, Republic of Cyprus

**Czech Republic** – CzechTourism

**Denmark** – VisitDenmark

**Estonia** – Estonian Tourist Board – Enterprise Estonia

**Finland** – Business Finland Oy, Visit Finland

**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** – Italian Government Tourist Board

**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 Tourism

**San Marino** – State Office for Tourism

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

**Slovakia** – Ministry of Transport and Construction of the Slovak Republic

**Slovenia** – Slovenian Tourist Board

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

**Switzerland** – Switzerland Tourism