





EUROPEAN TOURISM: TRENDS & PROSPECTS

Quarterly report (Q3/2020)

A report produced for
the European Travel Commission
by Tourism Economics

Brussels, November 2020

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Cover: Sunset at the Pazaislis monastery, surrounded by trees colored by autumn colors. Aerial view photographed in Kaunas, Lithuania

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FOREWORD

Europe has been greatly affected by the Covid-19 pandemic and has seen its tourism economy shaken in ways not seen in previous crises. Countries' efforts to flatten the curve of infection rates during early spring were having a clear impact as the summer season approached. As the spread of the virus seem to be under control, countries across Europe began to reopen to activate the tourism economy early June. Although the reopening phase allowed travel mobility and economic activity, the region is now facing an accelerating second wave. It is worth noting that escalating Covid-19 cases are also owing to increased testing and contact-tracing systems.

More than ever before, what has become essential to limit the spread of the virus is to put in place thorough testing and tracing systems, social distancing and sanitary measures, and strengthen information sharing among destinations. As the winter season approaches, it is crucial that European nations join forces and agree on common solutions, not only to curb the spread of the virus but also to support tourism's sustainable recovery, restore traveller's confidence, and most importantly protect the millions of businesses, jobs, and enterprises that are in jeopardy, so they can survive the economic fallout.

Europe's path to recovery will be slow and will require a reassessment of tourism KPIs, the implementation of new tourism policies and a stronger commitment among society, business and institutions at a local, regional and international level. While working together to rebuild the sector it is crucial to consider not only how to make people travel in a safer, sustainable and more responsible way but also think about how the tourism sector can contribute positively to society and the environment.

The European Tourism Trends & Prospects report provides an analysis of the travel and tourism sector and the wider macro-economic environment. Throughout the year, this quarterly report has been closely monitoring the evolution of the COVID-19 pandemic and analysing its impact on travel and tourism. This edition also investigates possible scenarios for recovery.

Jennifer Iduh (ETC Executive Unit)



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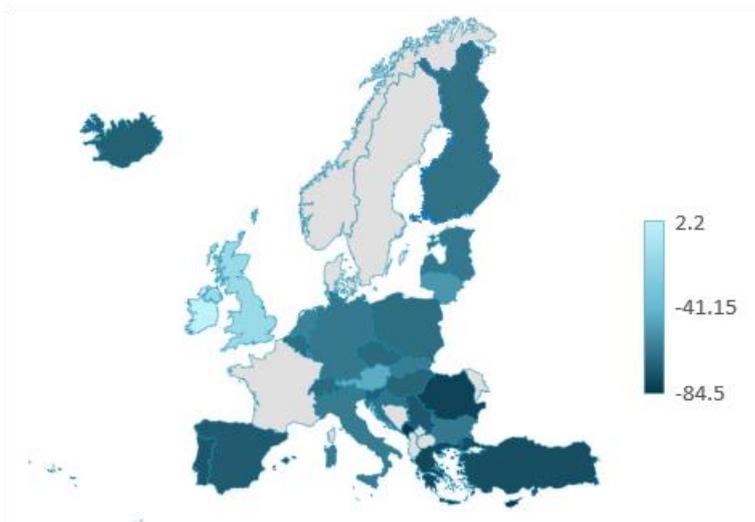
EXECUTIVE SUMMARY

FEARS OVER A SECOND WAVE OF COVID-19 INFECTIONS INTO THE AUTUMN MONTHS MATERIALISE IN EUROPE

The easing of pandemic restrictions is being reversed as European destinations see a surge in Covid-19 cases. Governments have been prompted to re-impose curfews and travel restrictions while bars and restaurants sit empty in most affected areas. Effective test-trace-isolate systems are widely recognised as the most effective way to curb the spread of the virus and preferable to economically damaging measures (e.g. full lockdowns).

Foreign visits to select destinations

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



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

International tourist arrivals to Europe were down 68%¹ the first eight months of the year relative to 2019. Heightened uncertainty and risks tilted to the downside (e.g. evolution of the pandemic, further lockdowns, consumer confidence, economic recession, etc.) continue to dampen the outlook with European arrivals set to decline 61%² in 2020. Domestic travel is likely to bounce back faster, achieving 2019 levels by 2022, whereas overall travel volumes are now projected to return to pre-pandemic levels by 2024.

The knock-on effects of the pandemic have been unprecedented in scale and duration with virtually all destinations recording declines in tourist arrivals over 50%. Mediterranean destinations Cyprus (-85%) and Montenegro (-84%) saw the steepest falls in arrivals attributable also to a higher dependency on foreign travellers. Romania's international arrivals plunged 80%, while relatively smaller falls were posted in Turkey (-77%), which is likely to see a sluggish recovery due to its increasingly reliance on long-haul markets.

Portugal and Serbia also experienced sharp falls in tourist arrivals (both -74%). Island destinations, Iceland and Malta, (both -71%) also performed poorly and are challenged by their geographical location and strict border restrictions. The Nordic island is currently leveraging the travel halt by heavily

¹ World Tourism Organization (UNWTO)

² Tourism Economics

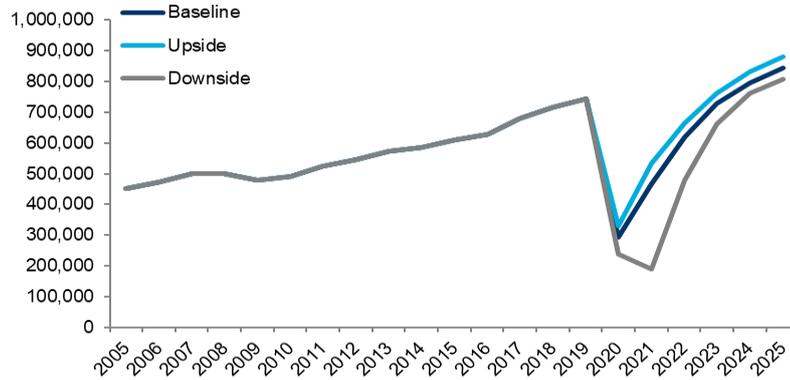


investing in tourism infrastructure and domestic and international promotion to support the tourism rebound post-pandemic.

Uncertainty in the outlook for European inbound tourism

Inbound arrivals by scenario, 2005-25, Europe

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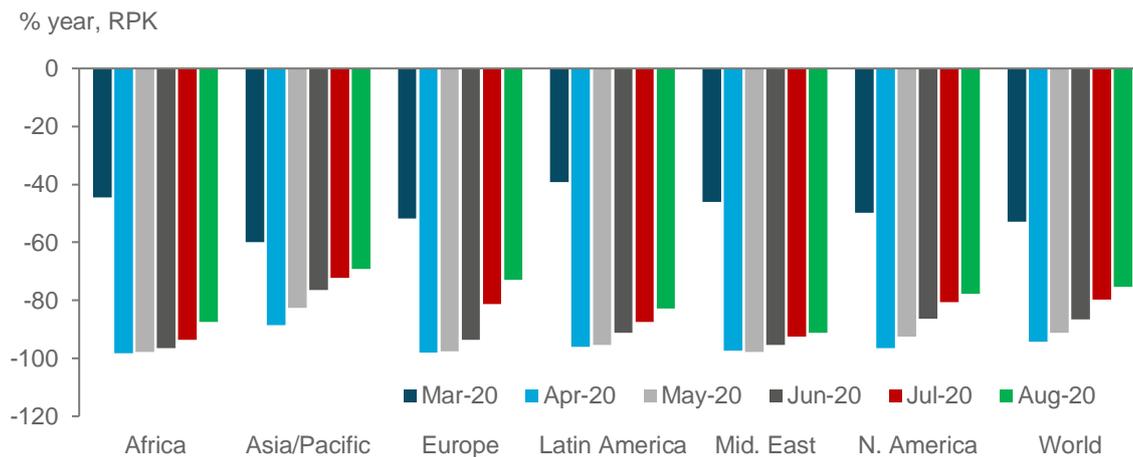


Source: Tourism Economics

LINGERING TRAVEL BARRIERS WEIGH ON NEAR-TERM PROSPECTS

Europe experienced a mild pick-up in RPK³ terms in August compared to earlier months, although air travel levels remain below 2019 volumes. European air travel demand in August was 73.0% lower, compared to 81.3% lower in July and 93.7% lower in June. However, skyrocketing Covid-19 infections and travel restrictions are likely to depress air passenger demand further in the coming months.

Monthly International Air Passenger Growth



Source: IATA

³ Revenue passenger per kilometre



COOPERATION AND SOLIDARITY: KEY DRIVERS TO STRENGTHEN EUROPEAN TOURISM.

The peak summer season provided some encouragement. As the sector gradually opened up to travel over the summer months, a pick-up in travel demand signaled people's enthusiasm to travel again⁴. However, a fragmented approach to the re-opening of borders, stringent quarantine and testing procedures remained significant travel deterrents. A strong policy response and hefty financial interventions by Central banks and governments have also been crucial to alleviating the impact of the pandemic across European nations. Nevertheless, as tourism recovery seemed to take place supported by a relaxation of restrictions and government subsidy, increasing infection rates have added to the region's challenges, sending most parts of the region back into imposing restrictive measures. According to the latest European Commission Communication: [‘Europe’s moment: Repair and Prepare for the Next Generation’](#), the travel industry has been one of the sectors most heavily impacted by COVID-19 and requires [€ 161](#) billion worth of investment to return to pre-crisis levels.

Covid-19 has imposed a new economic, social, and digital reality calling for an agile response among European nations. More than ever before it is crucial to lay the foundations to ensure tourism's long-term viability, make sure it is safe to travel and support big and small businesses affected by the pandemic. Destinations have a crucial role to play in strengthening Europe's position and leading the transformation to a post-pandemic world. *“Gone are the days where growth was the only indicator of tourism success. Today any strategy must be accompanied by a sustainable transition to embrace environmental and digital realities. Investing in European tourism means promoting the power of travel to help local communities thrive and to preserve the European spirit and citizenship. These changes will also have to be accompanied by new tourism policies and a strong commitment at local, regional, national and European level.”* said Eduardo Santander, Executive Director [European Travel Commission \(ETC\)](#).

Jennifer Iduh (ETC Executive Unit)

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

⁴ <https://etc-corporate.org/news/europeans-still-optimistic-about-travel-but-their-plans-may-be-hampered-by-health-concerns-and-intensifying-covid-19-restrictions/>



1. TOURISM PERFORMANCE SUMMARY 2020

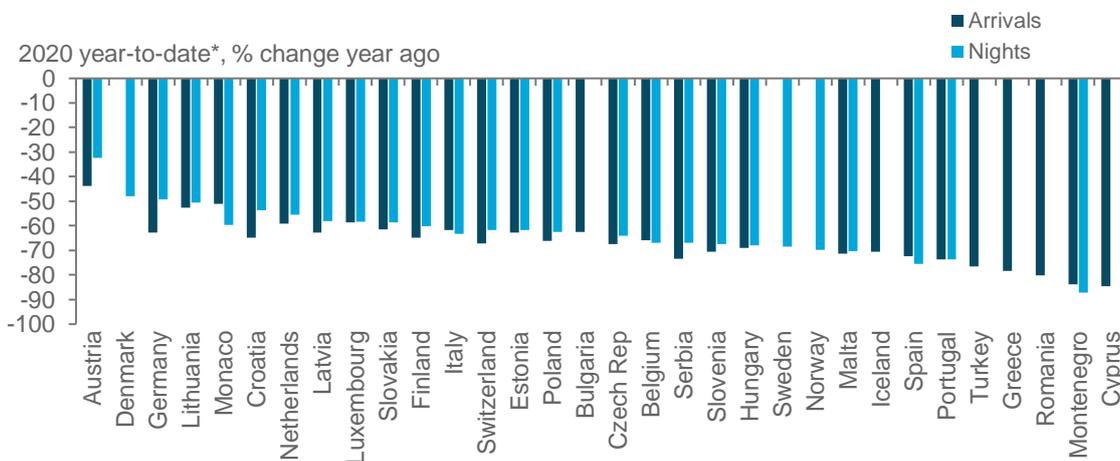
SUMMARY

- A loss of almost 1 billion global international arrivals is expected in 2020, with European arrivals set to decline by 61%, according to Tourism Economics' latest forecasts.
- A fragmented approach to restarting international travel stifled the initial summer recovery, while a resurgence in coronavirus cases means activity in Europe's Travel and Tourism sector has seemingly plateaued.
- Sizeable downside risks persist for the travel outlook, with stringent restrictions on travel persisting while vast uncertainty remains about the development and distribution of a vaccine.

RENEWED CORONAVIRUS OUTBREAKS DAMPEN THE INITIAL TRAVEL REBOUND

Most European nations began reopening borders during the summer months, with the hope of recovering some of the earlier lost activity during the peak summer season. While certain destinations benefited from the release of pent-up demand following the easing of lockdown restrictions, Europe's travel rebound was limited. Available data for the year-to-date shows that European nations have suffered massive declines in international travel, with nearly all destinations seeing their visitor arrivals more than halve.⁵

Foreign visits and overnights to select destinations



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

The disparity of approaches adopted throughout Europe regarding travel restrictions and quarantine measures has faced criticism from tourism bodies for causing confusion and further depressing travel demand. The recent resurgence in coronavirus cases was a further devastating blow for the industry, leading to the re-imposition of some travel curbs. Many nations began tightening entry requirements, with 'safe' travel lists constantly changing to account for emerging coronavirus hot spots. These restrictions were often applied with little notice, increasing frustration for businesses in the industry

⁵ The only available data for the UK and Ireland relates to Q1 2020.



and making travel arrangements especially difficult. A survey by IATA suggests that travel restrictions are as much a travel deterrent as the perceived risk of catching the virus itself.⁶

The global pandemic has placed extreme pressure on the Travel and Tourism industry, with severe restrictions on travel causing substantial losses in visitor arrivals. Tourism Economics' (TE) latest baseline forecasts a 65% decline for global international travel in 2020, equivalent to the loss of almost 1 billion arrivals. TE anticipates European travel demand will drop 61% in 2020 with travel volumes expected to remain below 2019 levels until 2024.

Large declines in travel demand are reported in year-to-date data across a wide range of destinations relative to 2019. While there has been some improvement over the summer months, no destination saw a complete recovery in international travel. Large declines are apparent for destinations reporting data for the year to September as well as for earlier months.

Cyprus is currently the hardest-hit European country in terms of reported declines in visitor arrivals, experiencing an 85% decline based on data to August. A high dependency on foreign tourists renders the nation more exposed to the significant reduction in international travel, increasing the likelihood of a volatile recovery. The UK is a particularly important source market for Cyprus, but has experienced one of the worst outbreaks in Europe. On top of depressed outbound UK demand, the Cypriot government mandated that British tourists provide a negative Covid-19 test before entering the country. As a result, UK visitor arrivals have fallen 87%. Slightly less dramatic falls from other source markets do not offset this due to the size of the UK market.

Travel to Montenegro and Romania to date in 2020 is also less than 20% of 2019 levels based on data from the first eight months of the year. Montenegro was the first European country to declare itself free from coronavirus in May, but unfortunately, this success was short-lived. The nation, like elsewhere, is struggling against a second rise in coronavirus infections. The government has subsequently restricted entry to selected countries based on the severity of each nation's coronavirus outbreak. This instability in travel restrictions will prolong the recovery, increasing concerns for the Montenegrin economy, which is heavily dependent on tourism.

Turkey is exposed to enduring restrictions on international travel, evidenced initially by the 77% decline in arrivals based on available data to August while the reliance on long-haul source markets raises a challenge for the travel rebound. Long-haul travel is likely to face the most protracted recovery due to ongoing travel restrictions, while negative sentiment will linger for travelling to these less well-known long-haul destinations.

Austria has performed slightly better than the wider European region based on year-to-date information, albeit still recording a substantial 44% decline in visitor arrivals for the year to September. As a winter destination, Austria benefitted from the normal travel trends at the start of the year to a greater extent than many other destinations. A greater reliance on short-haul travel also placed Austria in a strong position to attain a less volatile recovery in 2020 to date as travel restrictions have eased more quickly. However, an upsurge in coronavirus outbreaks has led to a tightening of restrictions; Germany, a major source market, has issued travel warnings against several regions in Austria. This will undoubtedly diminish travel demand from other markets as tourists remain cautious of visiting destinations with rising infection rates, while upcoming winter tourism will likely be significantly impacted.

⁶ International Air Transport Association COVID-19 Passenger Survey



The global pandemic has prompted a shift in traveller preferences, with domestic and short-haul trips accounting for a greater share of travel demand. TE's latest forecasts include a quicker rebound for domestic travel in Europe, based on trends in available data, surpassing 2019 levels by 2022. European short-haul arrivals will reach 2019 levels by 2023, compared to 2025 for long-haul travel.

The coronavirus outbreak has instigated a change in traveller preferences

There has also been an increased travel appetite for rural and coastal locations, due to enduring health concerns of virus transmission within city destinations, which tend to be over-crowded, leading to perceived difficulties with social distancing. This change in travel demand may ultimately mitigate, to some degree, the issue of over-tourism. Increased travel demand for secondary destinations will relieve some popular tourist destinations that previously struggled to cope with excessive travel demand and will help spread the economic benefits of tourism within countries.



Summary Performance, 2020 YTD

Country	International Arrivals		International Nights	
	% ytd	to month	% ytd	to month
Austria	-43.9%	Jan-Sep	-32.4%	Jan-Sep
Belgium	-65.9%	Jan-Jun	-66.8%	Jan-Jun
Bulgaria	-62.5%	Jan-Aug		
Croatia	-64.7%	Jan-Sep	-53.6%	Jan-Sep
Cyprus	-84.5%	Jan-Aug		
Czech Republic	-67.5%	Jan-Jun	-64.0%	Jan-Jun
Denmark			-47.9%	Jan-Aug
Estonia	-62.7%	Jan-Aug	-61.8%	Jan-Aug
Finland	-64.9%	Jan-Aug	-60.2%	Jan-Aug
Germany	-62.8%	Jan-Aug	-49.3%	Jan-Aug
Greece	-78.4%	Jan-Jun		
Hungary	-69.0%	Jan-Jul	-67.9%	Jan-Jul
Iceland	-70.6%	Jan-Sep		
Republic of Ireland	2.2%	Jan-Feb		
Italy	-61.6%	Jan-Jun	-63.3%	Jan-Jun
Latvia	-62.7%	Jan-Jun	-58.1%	Jan-Jun
Lithuania	-52.6%	Jan-Jul	-50.5%	Jan-Jul
Luxembourg	-58.5%	Jan-Jul	-58.3%	Jan-Jul
Malta	-71.2%	Jan-Aug	-70.3%	Jan-Aug
Monaco	-51.1%	Jan-Sep	-59.7%	Jan-Sep
Montenegro	-83.9%	Jan-Aug	-87.1%	Jan-Aug
Netherlands	-59.1%	Jan-Jul	-55.4%	Jan-Jul
Norway			-69.7%	Jan-Aug
Poland	-66.1%	Jan-Jul	-62.4%	Jan-Jul
Portugal	-73.6%	Jan-Aug	-73.6%	Jan-Aug
Romania	-80.2%	Jan-Aug		
Serbia	-73.5%	Jan-Aug	-66.8%	Jan-Aug
Slovakia	-61.5%	Jan-Jun	-58.5%	Jan-Jun
Slovenia	-70.5%	Jan-Sep	-67.4%	Jan-Sep
Spain	-72.4%	Jan-Jul	-75.6%	Jan-Jul
Sweden			-68.5%	Jan-Aug
Switzerland	-67.2%	Jan-Aug	-61.7%	Jan-Aug
Turkey	-76.6%	Jan-Aug		
UK	-16.1%	Jan-Mar		

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

Measures used for nights and arrivals vary by country. Available data as of 29.10.2020



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
World	4.0%	-64.9%	61.3%	38.0%	21.4%	3.2%	-64.9%	61.8%	38.2%	21.5%
Americas	1.6%	-69.4%	65.7%	41.3%	24.3%	1.5%	-70.0%	71.2%	37.2%	20.5%
North America	2.5%	-75.9%	85.7%	52.9%	27.5%	3.0%	-72.9%	83.5%	40.5%	21.8%
Caribbean	4.1%	-57.8%	50.4%	23.5%	17.4%	4.7%	-60.9%	52.0%	27.6%	11.9%
Central & South America	-2.2%	-55.8%	40.0%	25.5%	19.3%	-4.2%	-59.1%	40.7%	27.3%	16.8%
Europe	3.9%	-60.7%	58.8%	33.1%	17.7%	3.4%	-59.0%	54.3%	33.7%	18.4%
ETC+3	3.6%	-60.1%	57.3%	32.4%	17.2%	2.8%	-58.4%	51.4%	33.6%	18.4%
EU	2.8%	-59.0%	54.6%	31.6%	17.0%	2.9%	-58.6%	51.2%	34.0%	18.5%
Non-EU	8.2%	-66.6%	77.8%	39.2%	20.3%	5.4%	-60.5%	66.5%	32.7%	18.0%
Northern	0.7%	-65.1%	69.2%	36.4%	19.0%	1.6%	-61.2%	57.4%	34.6%	20.8%
Western	3.8%	-52.2%	37.1%	26.4%	14.9%	2.5%	-55.9%	45.2%	32.2%	17.2%
Southern/Mediterranean	4.5%	-63.7%	72.6%	35.1%	17.9%	4.8%	-59.6%	53.3%	35.5%	19.0%
Central/Eastern	2.0%	-63.3%	64.0%	36.6%	19.9%	5.9%	-61.0%	66.3%	33.5%	17.5%
- Central & Baltic	3.2%	-61.8%	58.4%	34.3%	19.0%	3.5%	-59.3%	60.7%	33.1%	16.7%
Asia & the Pacific	4.6%	-71.8%	64.4%	52.5%	28.9%	3.7%	-73.6%	77.5%	53.6%	29.4%
North East	3.1%	-75.8%	100.6%	51.3%	28.2%	2.4%	-75.6%	91.2%	56.0%	30.4%
South East	7.3%	-69.3%	45.7%	54.5%	29.6%	6.5%	-70.6%	55.1%	45.8%	26.8%
South	2.2%	-61.2%	13.9%	50.2%	27.2%	7.5%	-68.9%	58.7%	49.5%	27.2%
Oceania	2.2%	-65.6%	24.0%	53.6%	34.0%	2.1%	-69.7%	71.3%	63.2%	31.6%
Africa	5.0%	-61.6%	55.5%	35.4%	20.8%	1.1%	-61.0%	57.5%	30.1%	17.0%
Middle East	7.9%	-64.5%	73.0%	30.8%	21.2%	9.6%	-63.3%	62.4%	28.0%	22.6%

* Inbound is based on the sum of the country overnight tourist arrivals and includes intra-regional flows

** Outbound is based on the sum of visits to all destinations

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 02.11.2020



3. RECENT INDUSTRY PERFORMANCE

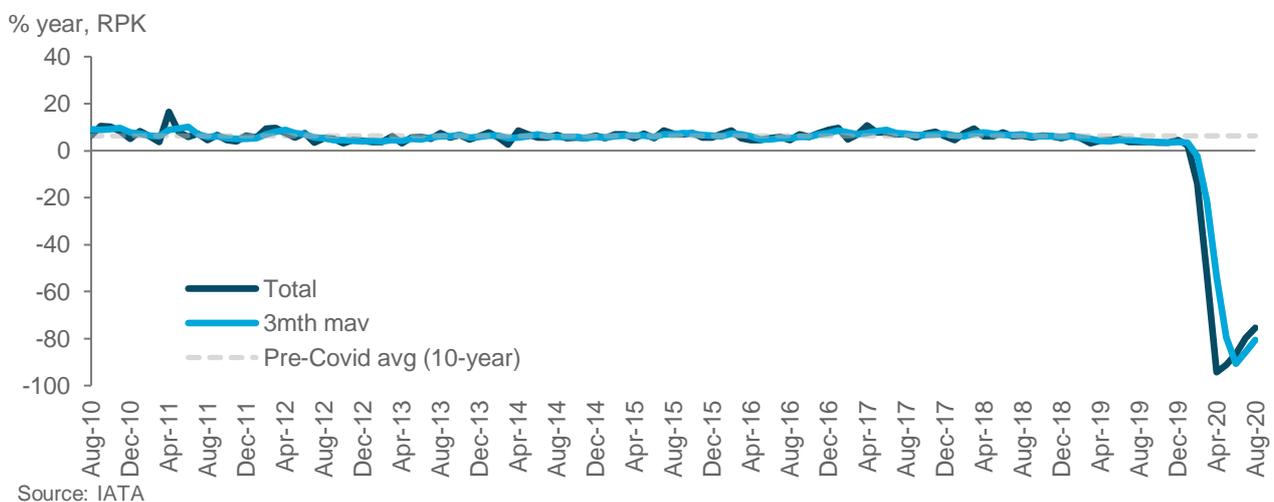
AIR TRANSPORT

The weaker global appetite for international travel, and various travel restrictions, has decimated air passenger demand in all regions. The pandemic is not contained, as had been hoped earlier in the year. Case numbers continue to surge in most countries, while restrictions on movement of people (particularly for leisure purposes) remain a significant barrier to recovery in air travel. Businesses have also found new ways of working virtually, diminishing the need for some business-related travel, at least for now.

August data show signs of improvement in global air passenger demand, but volumes remain well below 2019 levels

Global RPK volumes were 58.4% lower than in 2019 based on year-to-date data to August reported by IATA. This is a deterioration from the comparable figure reported for the year to June in the previous quarterly report. However, data for July and August showed some improvement for those months as restrictions began to ease, and countries forged travel corridors. Moreover, recent weekly data suggest that the number of flights rose further into September, while remaining well below 2019 levels.

International Air Passenger Traffic Growth

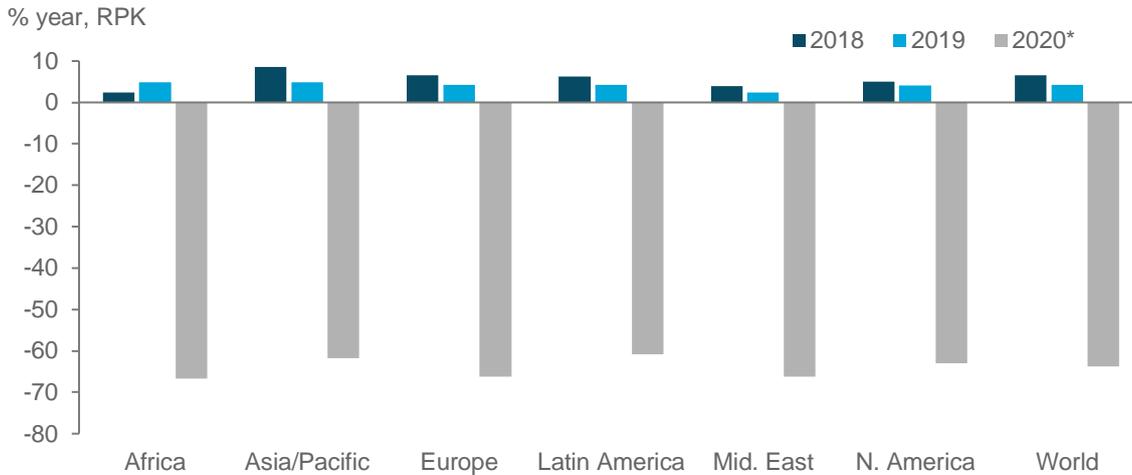


The largest downgrade in year-to-date growth was on Middle Eastern routes, which saw growth for the year tick down 10.2pp between June and August. A high reliance on long-haul international air travel demand in the Middle East may account for the relative lag in performance as demand from these markets has been unable to resume; relative recovery is connected primarily to short-haul routes where travel corridors have been developed.

African routes also suffered a significant decline to year-to-date growth (9.6pp). Like the Middle East, a higher reliance on long-haul travel demand is likely to have contributed, with a more limited intra-regional market unable to fill the void. As of August, Africa was the most affected region based on year-to-date declines, with RPK volumes down 66.7% compared to the same period a year ago.



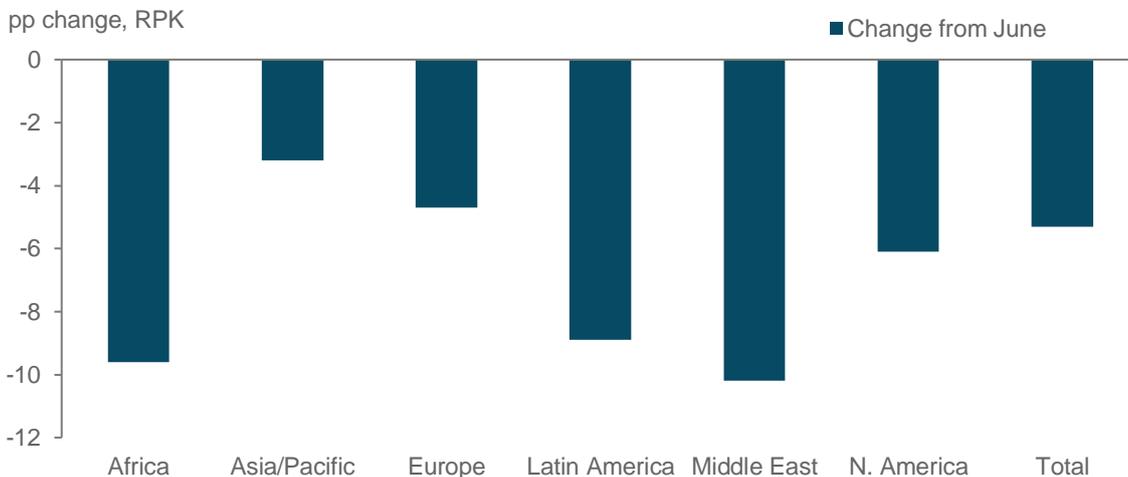
Annual International Air Passenger Growth



Source: IATA *based on data to August

In contrast, while Europe was the worst affected region in terms of year-to-date RPK declines as of June (61.6% lower compared to the same period a year ago), the region reported the second smallest downward tick in RPK growth among all regions since June. The resumption of some intra-regional demand in Europe (supported by permitted travel corridors between certain destinations) appear to have mitigated some of the deterioration in other regions. Nonetheless, European RPKs remain 66.3% lower compared to the same period a year ago.

Change in Air Passenger Growth Since Last Update



Source: IATA *based on data to August

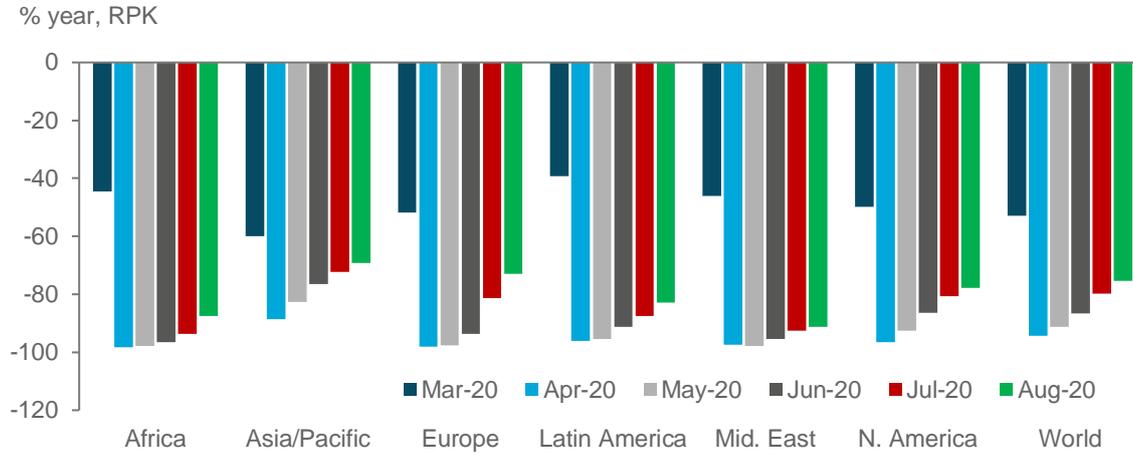
There was a notable improvement in all regions in August, relative to prior months, but with levels of air travel remaining well below 2019 volumes. Monthly improvement is particularly evident in Europe with demand 73% lower compared to 81.3% lower in July and 93.7% lower in June. Europe's performance in August was second only to Asia-Pacific (much of which has been supported by growth in China).

Data from ForwardKeys supports this improvement in Q3, with all regions in the EU reporting more bookings than cancellations in data to the end of September. However, the improvement remains limited, with the recovery stalling even before the announcement of new lockdown measures in many



major European countries. The recent spike of Covid-19 cases and renewed restrictions across Europe (as well as related capacity cuts) suggest that this improvement is unlikely to continue into Q4.

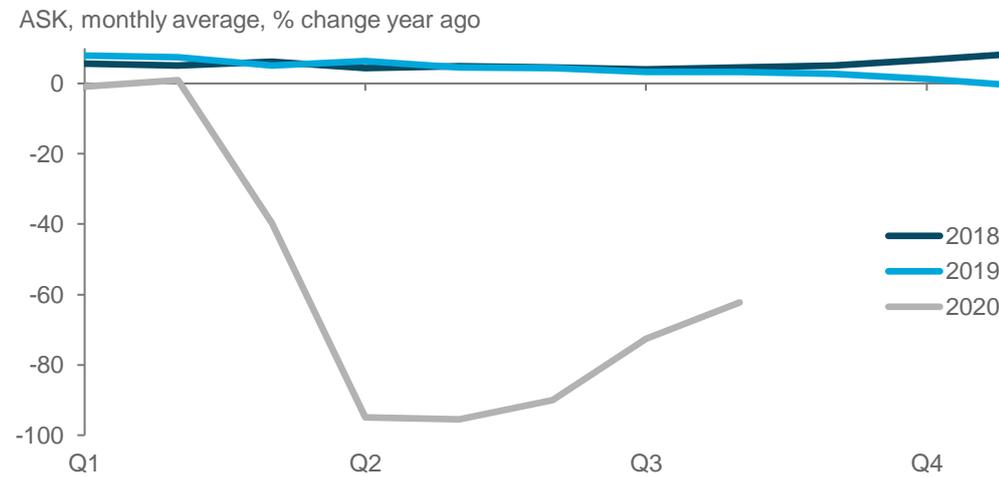
Monthly International Air Passenger Growth



Source: IATA

The significant declines in capacity seen in March through to May began to unwind in June and continued to ease in August as airlines returned more fleet to service and increased the frequency of operations on some routes. All regions displayed lower capacity contraction compared to previous months. However, in August, seats on European airlines were 62.2% lower compared to the same period a year ago.

European Airlines Capacity



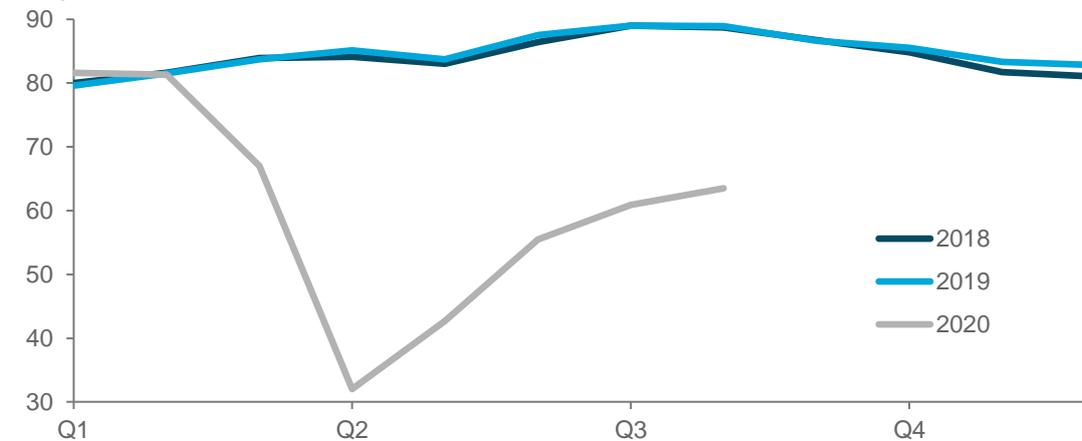
Source: IATA

This lack of demand relative to supply is evident within the load factor data. Although much-improved compared to the all-time low load factor of 32% in April, aircraft utilisation rates remain significantly lower than in recent years. Just 63.5% of seats on European aircraft were occupied in August. Load factors on domestic routes remain, on average, higher than for international routes (64.2% vs. 48.7%). This confirms the trend of domestic substitution suggested by other data; travellers are choosing to visit destinations within their own country instead of a trip to a different country.



European Airlines Passenger Load Factor

Monthly load factor, %



Source: IATA

Availability of widespread and reliable testing will be one of the key factors for growth in passenger volumes in the near term before a vaccine is fully developed and distributed. According to IATA's latest passenger survey⁷, willingness to fly with 'no wait at all once the pandemic has subsided' remains relatively low, but also points to significant pent-up demand. More than half of the respondents plan to travel within three months, once the pandemic has subsided. However, the risk of compulsory quarantine at a destination is cited as a key deterrent to immediate travel, with 83% of respondents indicating that they will not travel if there is chance of quarantine after arrival. However, only a very small proportion of respondents have no intention of travelling again.

⁷ International Air Transport Association COVID-19 Passenger Survey



ACCOMMODATION

Global hotel demand has also collapsed despite some respite from domestic markets in some destinations, while government acquisition of hotel rooms (for the purposes of facilitating self-isolation for inbound arrivals) has created quasi-demand in others. Commandeering of hotel accommodation was more prevalent in Asia Pacific, notably in Singapore and Australia, as well as in some Middle Eastern countries.

Nonetheless, occupancy rates remained at least 30% lower across all world regions for the year to September compared to the same period a year ago according to STR data. Declines ranged from 34.8% in the Americas to 51% in Europe, despite significant volumes of hotel closures in all regions.

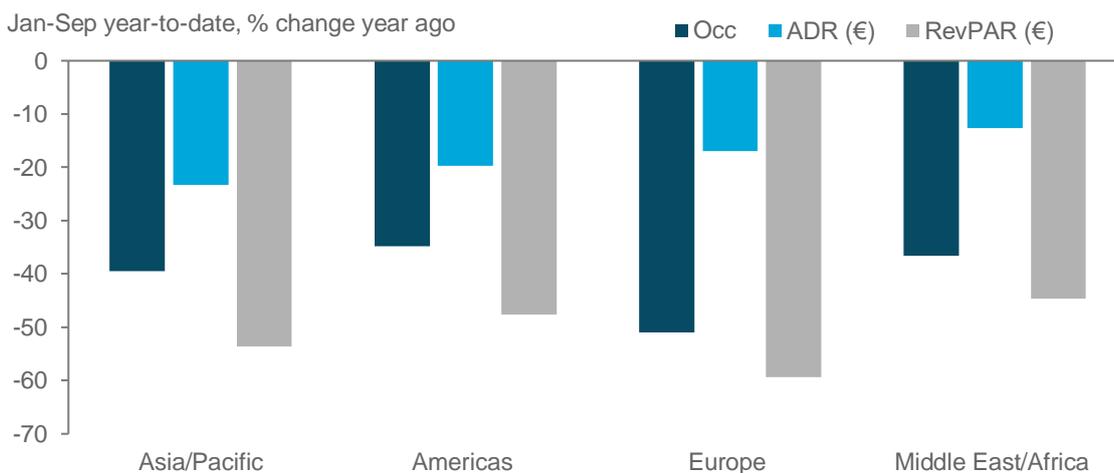
Across all regions, average occupancy rates remain at historically low levels in Q3, according to STR data. In Europe, average occupancy of 39% was reported for Q3, well below normal levels, but up from the low of 15% reported for the three months to May. Higher demand improvement was also evident, as much of the hotel capacity which was temporarily shut earlier in the year reopened.

Average daily rates (ADR) also fell in all regions, but with less variation. Based on data to September these falls were in excess of 10% across all regions priced in euro terms, ranging from 12.6% lower in the Middle East & Africa, to 23.3% lower in Asia Pacific.

Measured by Revenue per Available Room (RevPAR), Europe was the worst hit region, with a decline of 59.3% over the first nine months of the year. This was mostly driven by declines in occupancy.

Although data suggest that ADRs have declined (by 17% in Europe), the true extent of these declines as a result of the pandemic-related demand shock will not be apparent until hotel markets become fully operational again. This is because a number of hotels have chosen to close rather than endure low levels of demand – if these were higher-priced hotels, their absence in the data would pull down ADR for the market/region as a whole.

Global Hotel Performance



Source: STR

The impact of weak demand on Europe's hotel industry appears to be evenly spread across all subregions, with occupancy declines within 10pp of each other. Southern Europe was the worst hit region with hotel occupancies 56.4% lower compared to a year ago. Eastern Europe was close behind with a decline of 55.2%. Northern and Western Europe have seen relatively more modest occupancy declines of just under 50%.

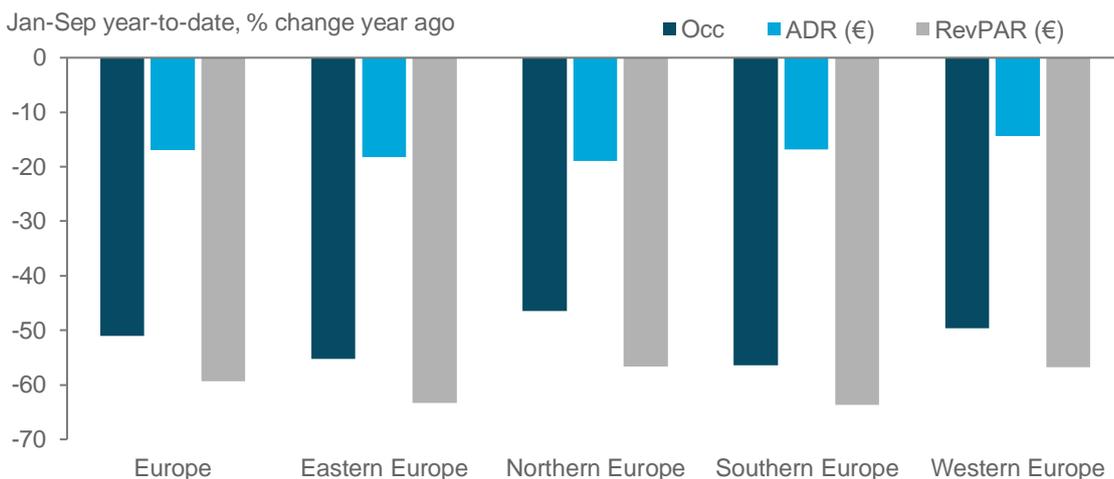


However, the difference in timing for the reopening of each country's hotel industry will likely contribute to a varied performance in each region. For example, hotels remained closed in Ireland until late June, while Austria became one of the earliest European nations to reopen hotels in late May, allowing its hotel industry to take advantage of pent-up travel demand earlier than some other nations.

A higher degree of domestic substitution (that is, instead of travelling abroad, a would-be tourist will take a trip within their own country) in some large destinations may have mitigated some of the losses of foreign hotel demand. In France for example, a survey by ADN Tourisme, (the national federation representing tourism offices and government travel boards), found that 94% of those travelling in the peak summer period took their holiday in France.⁸

Government support has also played an important role in kickstarting domestic demand during the summer, with several European countries implementing fiscal policies and initiatives to help restart tourism. For example, Iceland offered domestic travel vouchers and created a promotional campaign to encourage domestic travel while the Turkish government reduced the VAT rate on domestic air flights from 18% to 1% until November.

European Hotel Performance



Source: STR

⁸ [ADN Tourisme, First Assessment of the 2020 Summer Tourist Season](#)



SHORT TERM RENTALS

Vacation rentals outperformed hotel accommodation this summer, experiencing much closer to 'usual' performance levels on average. Occupancy rates picked up from -90% in April 2020 (compared to April 2019) to -16% in August 2020 (compared to August 2019) as reported by Transparent. This recovery in demand was aided by increased average length of stay which rose from 3.5 nights last year to 4.5 nights in August (but down from 8.5 nights in the worst of the crisis).

This post-lockdown surge in demand has benefited the online travel agencies (OTAs), in particular those with strong domestic demand and strong house / villa inventory (Airbnb and Vrbo in particular). However, the increase in demand was not the same everywhere. While property managers in leisure markets with domestic demand have been performing in some cases better than last year, property managers in most urban areas (notably in London, Madrid, Paris, and other major urban areas) are still struggling.

The market remains very volatile with a number of cancellations due to new travel restrictions and a fast-changing news environment. Data from Transparent suggests that urban markets are likely to encounter a more difficult recovery, with occupancy rates down 22% in the last quarter compared to the same period a year ago. However, optimism remains for the leisure market, which saw a 7% increase in occupancy for this last quarter compared to the same period last year.



4. SPECIAL FEATURE

CORONAVIRUS: UNCERTAINTY AND POTENTIAL FOR SUSTAINABLE GROWTH

SUMMARY

- It will take some time for demand to fully recover and there remains considerable uncertainty in the outlook.
- But there are opportunities for destinations to refocus growth in recovery.
- The travel recession provides an opportunity to reconsider tourism policies, with greater emphasis on destination management for more sustainable growth.

INTRODUCTION

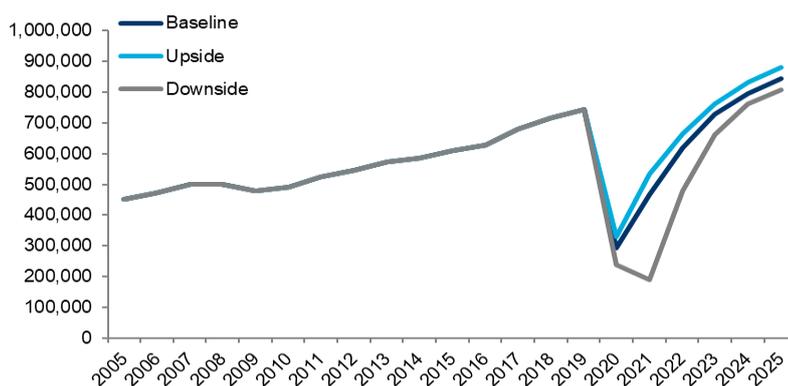
The impact of lower travel demand has been felt acutely within Europe, especially in destinations with a high reliance on tourism activity. However, in all destinations a complete economic recovery will not be possible without a return to more normal activity within tourism given that the sector has borne the brunt of losses in demand.

A resurgence in cases across Europe has impeded the initial travel rebound, and inbound travel is set to fall by more than 60% in 2020. The lack of a co-ordinated approach caused confusion, which subsequently dampened tourist sentiment and impaired the travel rebound. However, a proactive approach to reopening borders, especially for crucial intra-regional demand, would allow many European countries to return to 2019 levels by 2024.

Uncertainty in the outlook for European inbound tourism

Inbound arrivals by scenario, 2005-25, Europe

000s



Source: Tourism Economics

Major downside risks remain for the outlook as concerns about virus transmission continue in the absence of a vaccine and stringent travel restrictions endure. The development of a vaccine, the pace of global delivery and public confidence in the treatment, alongside traveller confidence, will prove critical to the travel recovery profile.

A more uniform approach towards travel policies, quarantine measures and testing and tracing will be crucial to mitigating the downside risks across Europe, with tourism organisations and businesses



calling for greater co-operation among governments to remove some of the previous confusion and encourage travel demand.

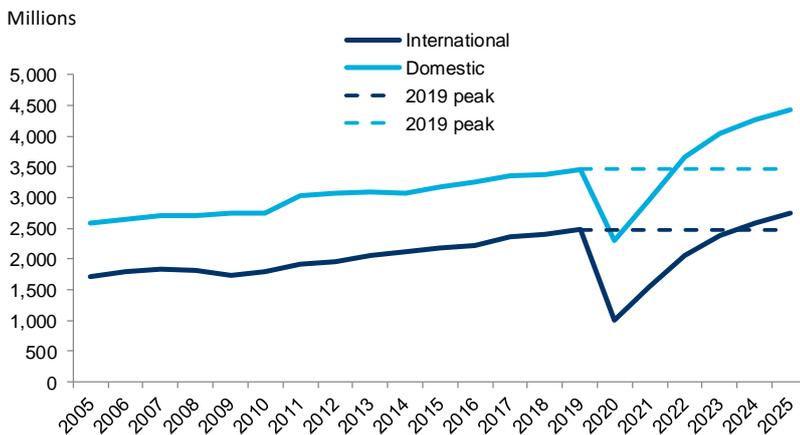
The EU's decision to implement a more co-ordinated approach towards travel restrictions, with the development of the traffic-light system for travel is a visible sign of progress on this issue. This approach includes a colour code for classifications of regions, (green, orange, red and grey) based on the epidemiological situation. Agreement has also been reached for the common criteria which should be applied when deciding on travel restrictions, as well as delivering more timely information to the wider public. This development should boost traveller confidence and ultimately demand to support a swifter and less volatile recovery for Europe's Travel and Tourism industry.

A TWO-SPEED RECOVERY IN DOMESTIC AND INTERNATIONAL DEMAND

The recovery in international travel will be protracted due to a combination of lingering travel restrictions, smaller disposable incomes and travel budgets as well as associated confidence effects. In addition, the need for quarantine and/or testing on arrival in some destinations as well as enduring health concerns will act as significant impediments for international travel in the near-term. In contrast, a faster return to 2019 levels is likely for domestic travel, which will support activity in some destinations. Domestic travel has enjoyed a quicker easing of restrictions and a swifter revival in tourist sentiment, as greater anxieties linger for virus transmission on foreign trips. Moreover, economic impacts in terms of lost income and jobs as a result of the pandemic, may lead tourists to opt for domestic trips instead of more expensive foreign trips.

Europe: Domestic vs International Demand

Inbound & domestic nights, 2005-25, Europe, baseline



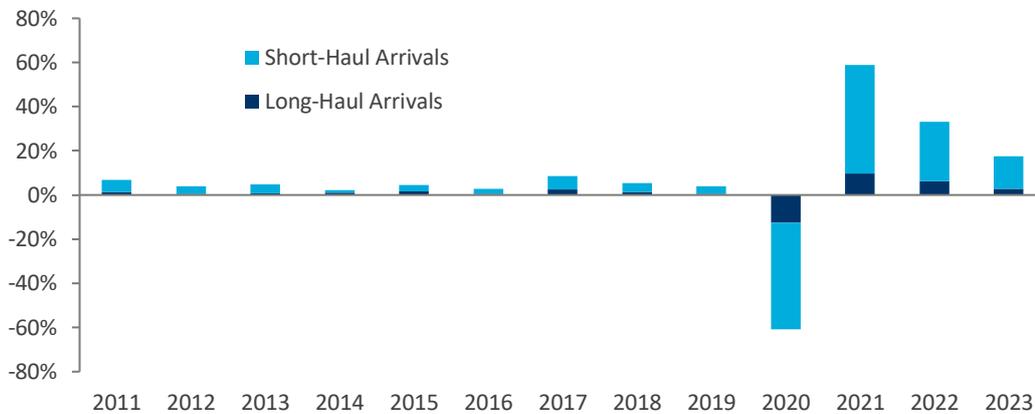
Source: Tourism Economics

Short-haul travel is expected to recover before long-haul demand, due to both health fears, including among older and more vulnerable demographic groups, and business travel shifts. Reductions in business travel budgets will mean that more expensive long-haul trips will be under greater scrutiny, at least in the short-term. Short-haul travel has also benefited from a quicker revival in tourist sentiment, helped by a swifter easing of travel restrictions and a lesser perceived risk compared to long-haul trips. This follows a pattern observed by Tourism Economics in previous health crises and other adverse events as short-haul travel has returned quickest due to greater familiarity with affected destinations.



Europe: Long-haul vs. Short-haul Arrivals

% year, contribution to growth



Source: Tourism Economics

A SLUGGISH RECOVERY FOR BUSINESS TRAVEL

The almost immediate halt to business travel triggered by the global pandemic will have a significant impact on Europe as the region receives over 50% of global business arrivals. Many businesses are now utilising virtual platforms instead of face-to-face meetings and large business events have been cancelled.

While the halt in business travel was sudden, the return to pre-crisis levels will not be so rapid. Previous global economic shocks, such as the 9/11 attacks and the financial crash show business travel's sensitivity to external factors. But these examples also show that this downturn in business travel will not be permanent. Face-to-face contact remains a deep-rooted feature of business activity, and in person meetings, including at large business events, will return.

Business travel is expected to regain previous levels of activity, but at a slower pace than leisure travel, with pre-2019 levels not being reached again until 2026, compared to 2024 for leisure travel.

OPPORTUNITY FOR CHANGE

In recent years, overtourism has been considered a major problem in some locations, with the perceived costs and benefits of tourism disproportionately impacting different groups and individuals. While the absence of large numbers of visitors has seen the costs (including congestion, price rises and environmental damage) subside in affected areas, there have been significant economic consequences for locations that have become very reliant on tourism in recent years.

The travel recession provides an opportunity to reconsider and 'reset' tourism policies for the future, with a stronger focus on spreading visitors (and consequent benefits and costs) more evenly across locations and attractions. The social distancing required during the pandemic has pushed demand towards lesser-known areas and away from tourist hot-spots. Considered marketing and management could leverage this shift in traveller preferences to improved long-term regional distribution, alleviating pressure on these hotspots.



SEASONALITY OF TRAVEL DEMAND

It is important to consider the seasonality of visits within the year, as the impacts of overtourism on a local population tend to be magnified when seasonality is taken into consideration. Perceptions of overtourism are often based on a peak period, which tends to be the summer months for European destinations.

Seasonal fluctuations in travel demand have impacted many popular European destinations, with high levels of tourism intensity for a select number of months while the rest of the year experiences much more subdued level of travel activity. This imbalance in travel demand places extreme pressure on the industry for a short period, with those same resources underutilised during non-peak months. A shift in policy could not only ease the burden in peak months, but also help destinations make better use of their resources.

Edinburgh hosts almost 70 tourist nights per capita during its peak three months, followed by Dubrovnik with over 40 tourist nights per capita during its peak. These ratios are estimated according to just overnight visitor volumes, and intensity ratios will be further inflated in some destinations with the inclusion of daytrips and cruise visitors, especially during peak months. Such high intensities place significant strain on destinations, including a stress on infrastructure, such as overcrowding in public spaces and a lack of capacity for residents on public transport. High peak demand can also lead to increased accommodation costs, which can price locals out of the area.

Tourist Nights Per Capita and Seasonal Impact in 2019 – Selected European Cities

Overnights relative to local population



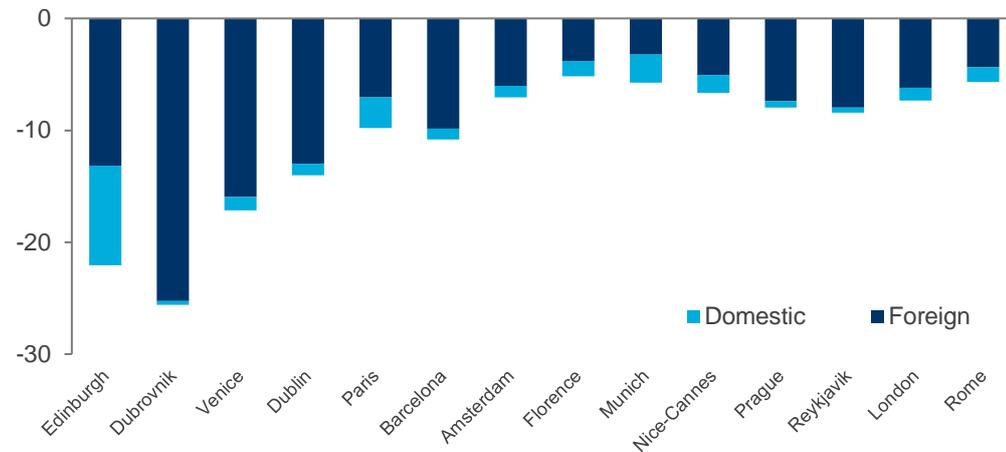
*Peak consecutive three months, annualised; based on 2018 seasonality
Source: Tourism Economics; TourMIS; OAG

Edinburgh will see a large adjustment in tourist nights per capita in 2020, with around 20 nights per capita fewer than in 2019. However, the large proportion of nights per capita arising from domestic travel will mitigate some demand losses. Dubrovnik will see the largest change to tourism intensity in 2020, owing to the fact that almost all of its overnight visitors are foreign.



Change in Tourist Nights Per Capita, 2019-20 – Selected European Cities

Overnights relative to local population

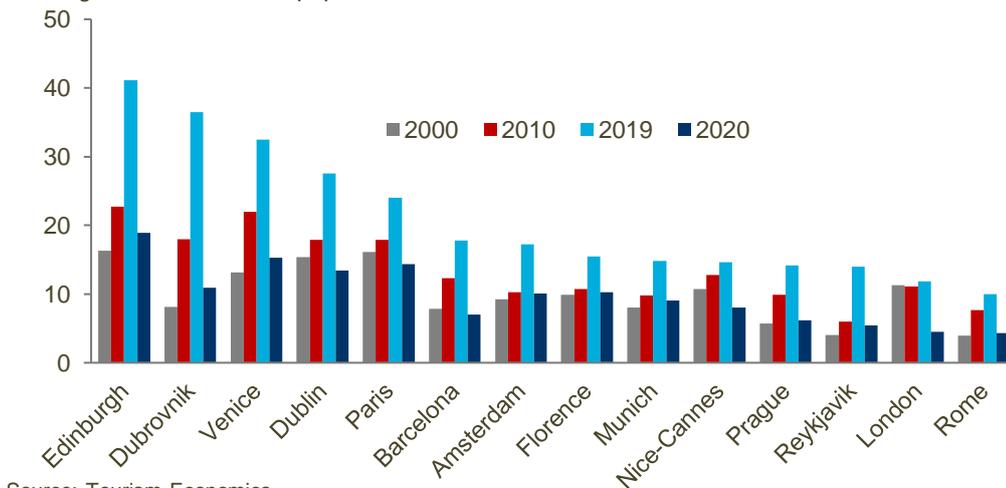


Source: Tourism Economics

The decline in overnights means a reversal to levels of demand not seen for 20 years, and also means a return to previous levels of tourism intensity. Destinations have the opportunity to consider the right degree of tourism intensity for them and whether to embrace a full return to previous peak levels. This must be balanced against the clear economic benefits that tourism activity can bring. A lot has changed since 2000, with a lot more tourism infrastructure and jobs reliant on tourism, therefore if tourism intensity remains at low levels it will raise significant challenges for local businesses which are dependent on tourist demand. This may ultimately endanger the commercial and financial viability of many businesses, potentially leading to greater business closures and a rise in unemployment. However, an up-tick in travel demand to lesser-known areas may provide a new source of employment and business opportunities, relieving some of this economic pressure.

Tourist Nights Per Capita Over Time – Selected European Cities

Overnights relative to local population; annual



Source: Tourism Economics



5. KEY SOURCE MARKET PERFORMANCE

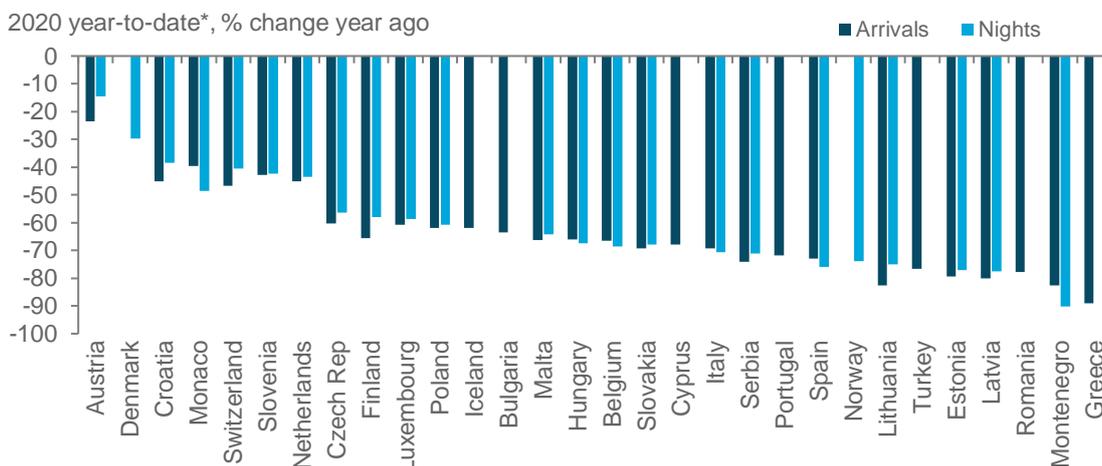
Trends discussed in this section in some cases relate to the period January to September, although actual coverage varies by destination. For most countries, the latest available data point will be earlier than this. Further detailed monthly data for origin and destination, including absolute values, can be obtained from TourMIS (<http://tourmis.info>).

SUMMARY

- Available destination data for the year so far suggests that, although September may have seen some recovery from a limited selection of source markets, the declines in visitors to European destination countries remain unprecedented.
- Major non-European source markets failed to make it onto a European Union safe country list, and this has resulted in dramatic declines in visits from the United States.
- Some European destinations such as Austria, Croatia, and Monaco, have become more reliant on overland visits from neighbouring countries.
- The reporting period has a more complex impact than in the last quarterly report. However, recent increases in coronavirus cases across Europe and the return of restrictions do not bode well for the industry's performance over the final quarter of the year.

KEY INTRA-EUROPEAN SOURCE MARKETS⁹

German visits and overnights to select destinations



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

The weighted average decline in visitors from Germany for countries reporting to June was 73.1%, to July 60.7%, to August 68.9%, and to September 54.7%. This suggests some degree of recovery in visits from Germany in the third quarter. Berlin has completed its new airport, Berlin-Brandenburg Willy Brandt Airport, which may encourage a greater propensity for outbound travel once the coronavirus is under control again.

⁹ The only available data for the UK and Ireland relates to Q1 2020.

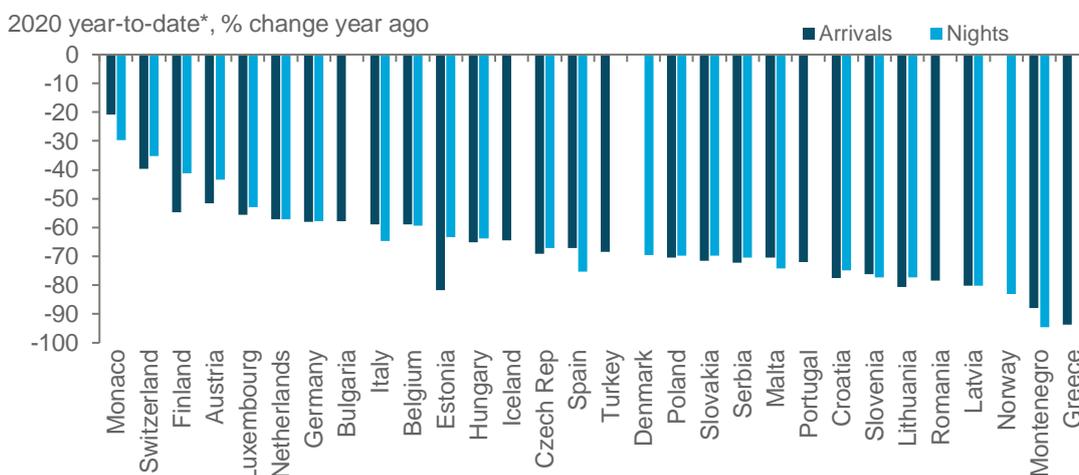


The worst performers included Greece (reporting only to June), Montenegro, Turkey and Romania (all reporting to August) and the Baltic States. All these destinations saw falls in excess of 75% in German arrivals. Arrivals in Greece fell 89.1% although increased tourism activity after June may see this modified in future reports.

Croatia (which is one of the few countries to report to September) saw a smaller decline in German visitors, suggesting that extension of the peak season has had some beneficial impact in Croatia – at least in attracting visitors from Germany. Nevertheless, arrivals to Croatia were still down 45.2% when compared with the same months in 2019. Furthermore, parts of Croatia are now subject to a travel advisory from the German government.

Austria saw a relatively mild fall in German visitors (23.6%), benefitting from overland tourism. However, with the resurgence of coronavirus cases in Austria, Germany has issued a travel warning for parts of the country.

French visits and overnights to select destinations



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

The weighted average decline in visitors from France for countries reporting to June was 73.0%, to July 64.8%, to August 62.3% and to September 70.1%. The steeper decline in destinations reporting in September compared to those reporting to either July or August indicates that there was little sign of recovery in French arrivals at the beginning of the autumn season.

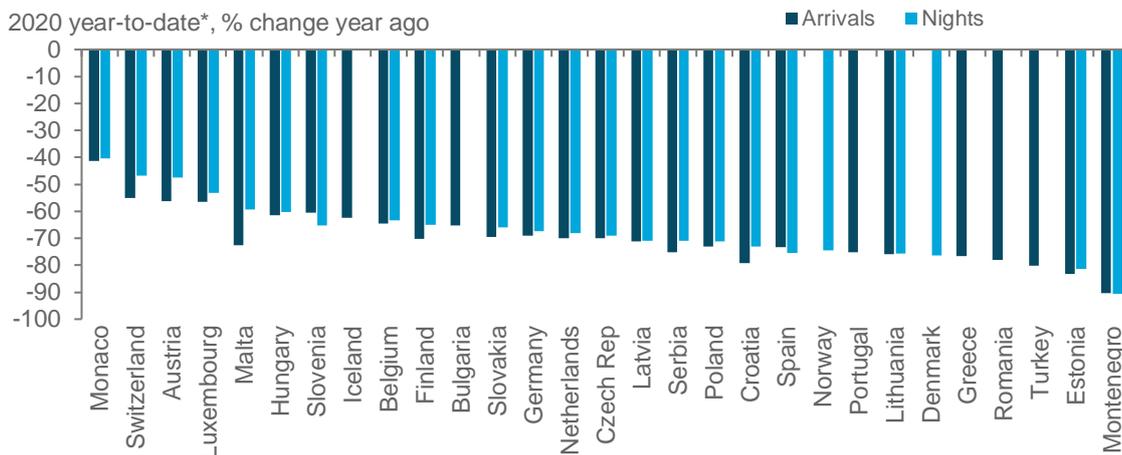
The steepest declines in French arrivals were in Greece, Latvia (both reporting to June), Lithuania (reporting to July) and Estonia, Montenegro and Romania (reporting to August). Norway only reported nights but also saw a steep fall of 83.1%. However, Croatia, reporting to September also saw a fall of 77.6% in arrivals, suggesting that most of its tourists this summer have arrived overland from source markets in relative proximity to the destination.

Switzerland saw a relatively 'moderate' decline in arrivals of 39.7% based on data to August, whilst Monaco saw a decline of 20.9% based on data to September, likely helped by their geographical proximity to France. Both of these destinations suggest some degree of salvaging 2020 in the third quarter. Winter tourism destinations, such as Switzerland benefitted from a normal start to the year, including a proportion of the peak winter season, although the upcoming 2020/21 ski season looks threatened by the second wave of coronavirus. Tourism officials in Switzerland have suggested that the current quarantine system should be modified so that foreign visitors from Covid-19 high risk countries should be able to travel to Switzerland with negative coronavirus tests, thereby avoiding imposed quarantine periods.



As in other countries, there is likely to have been some degree of substitution between outbound tourism and domestic tourism. So, France’s own travel and tourism sector may have benefited from French tourists opting to take domestic vacations. According to a new report from ADN Tourisme, the national federation representing tourism offices and government travel boards, 94% of those travelling over the peak summer months took their holiday in France.

Italian visits and overnights to select destinations



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

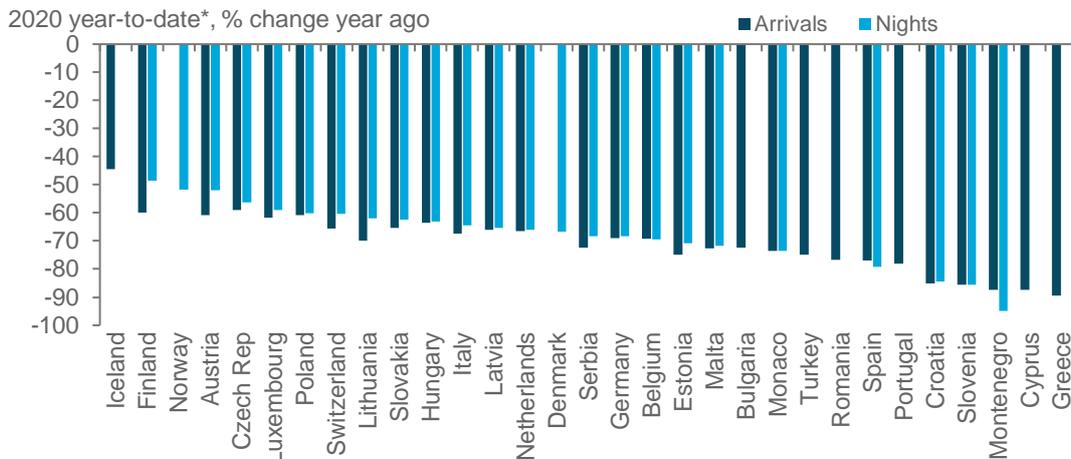
The weighted average decline in visitors from Italy for countries reporting to June was 61.1%, to July 68.0%, to August 66.4%, and to September 69.7%. Larger declines for many of those destinations reporting data to September diminishes the likelihood of a recovery from Italian outbound tourism in the near-term. However, this will vary by the main purpose of travel to destination country, for example travel to Switzerland and Austria is usually concentrated in winter months and they will be more affected by continued weakness into early 2021.

Among those countries reporting to August, the poorest performances were in Montenegro, Estonia, Turkey and Romania – which all saw declines in arrivals of 78% or more. While Croatia, reporting to September, saw a decline in arrivals of 79.2%. Greece, reporting only to June, saw a decline of 76.5% in arrivals while Denmark saw a comparable decline of 76.4% in nights, based on data to August.

The least steep fall, based on data through to September, was seen in Monaco with a decline in arrivals of 41.3%. Again, this suggests that visitors may well have been arriving overland from source markets at relatively short distance.



United Kingdom visits and overnights to select destinations



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

All reporting destinations countries saw steep falls in arrivals from the United Kingdom, ranging from 44.4% in Iceland (reporting to September) to 89.4% in Greece (reporting to June).

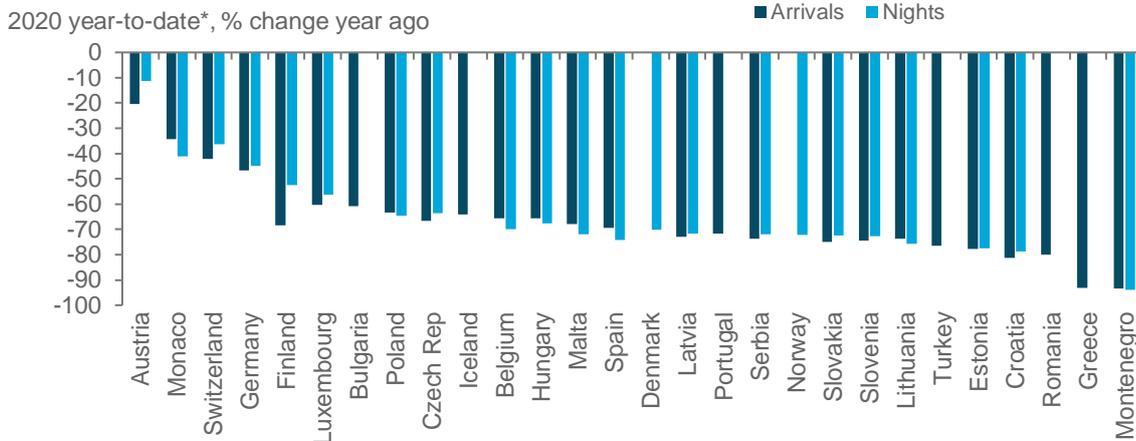
The weighted average decline in visitors from the United Kingdom across countries was very erratic but suggested some improvement in September. For countries reporting to June was 71.0%, to July 66.2%, to August 76.3%, and to September 62.0%. It is hard to fully compare these changes over time due to the countries involved and specific associated travel restrictions. However, the constantly changing nature of the UK's safe travel list may account for some of this volatility, with markets being added/removed, often at little notice.

Many of the steepest falls in arrivals were countries in the Mediterranean or South Eastern Europe. Greece, Cyprus, Montenegro, Slovenia, Croatia, Portugal, Spain, Romania, Turkey, Estonia, and Monaco, all saw declines in arrivals in excess of 70%. Montenegro saw an even steeper fall in nights (-94.9%) than arrivals (-87.3%), on the same months in 2019 based on data to August, suggesting that visits which have gone ahead have had a relatively short length of stay.

In contrast, those destination countries which have been more resilient tend to be located either in Alpine Europe or Scandinavia, including Iceland (reporting to September), Austria (reporting to September), Czech Republic (reporting to June), Finland (reporting to August) and Norway (reporting only nights to August). It should be kept in mind that, while the peak season is now over for most Mediterranean countries, destinations with a winter tourism offer face challenging months ahead.



Dutch visits and overnights to select destinations



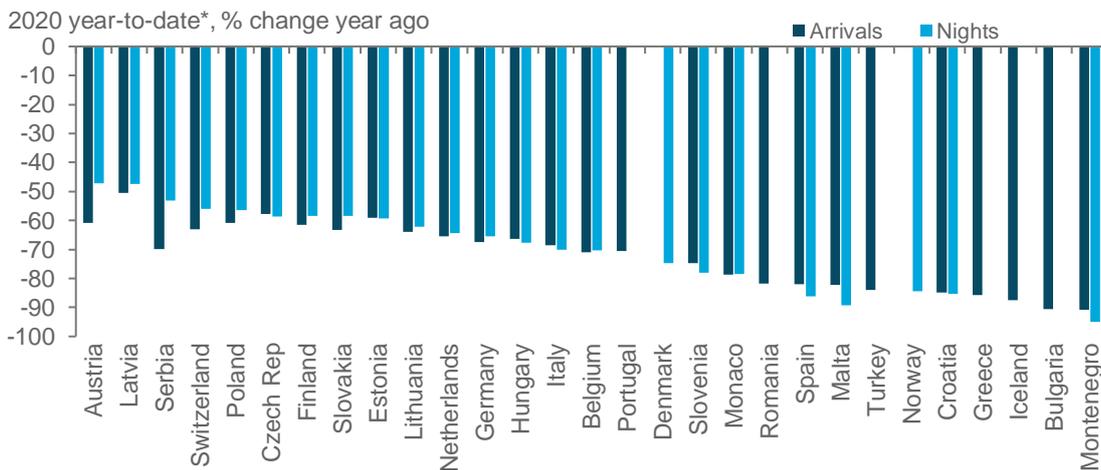
Source: TourMIS *date varies (Jan-Sep) by destination

The weighted average decline in visitors from the Netherlands for countries reporting to June was 64.4%, to July 57.7%, to August 64.6% and to September 71.5%. This indicates few, if any, signs of recovery in September for the market from the Netherlands.

Destinations in South Eastern Europe tended to see the most pronounced declines from the Netherlands, led by Montenegro which experienced a 93.5% fall in arrivals and a 94.0% decline in nights. Greece, Croatia and Romania also fared poorly with falls in arrivals in excess of 79%.

Austria and Monaco experienced the smallest declines in Dutch arrivals of 20.4% and 34.3%, based on data to September.

Russian visits and overnights to select destinations



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

The weighted average decline in visitors from Russia for countries reporting to June was 66.1%, to July 58.0%, to August 68.5% and to September 86.3%, suggesting that travel from Russia may have declined further in September. Russia was originally omitted from the EU list of approved countries, and with only a gradual reopening to the Russian market, this has likely weighed on the performance of Russian arrivals across Europe. Latest data from IATA shows that domestic air passenger demand for Russia grew in August compared to a year ago which is perhaps indicative of a preference for domestic trips.

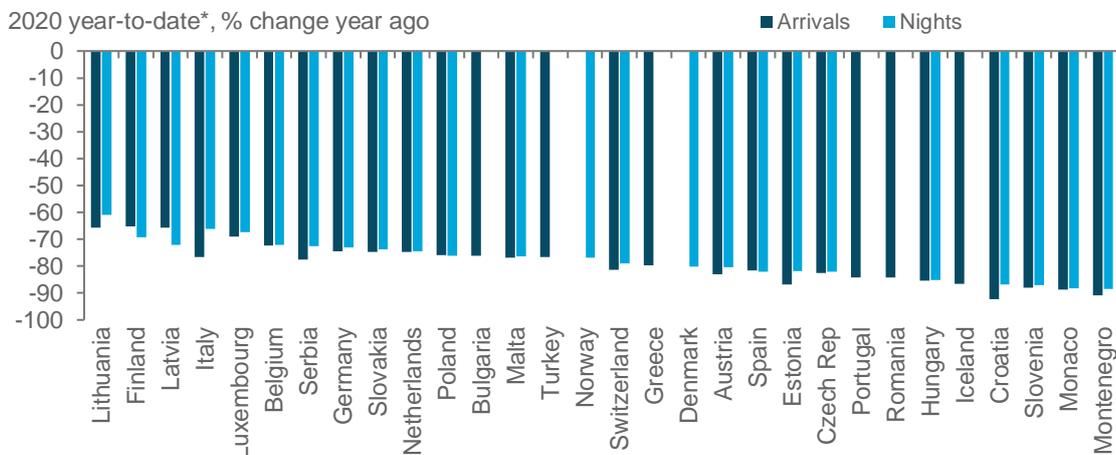


Destination countries in the Mediterranean and South Eastern Europe tended to suffer the steepest declines in Russian visitors. Montenegro saw a 90.7% drop in arrivals and a 94.9% decline in overnights. Bulgaria, Iceland and Greece also reported declines in arrivals in excess of 85% when compared to the same months in 2019, while Russian arrivals (-69.8%) to Serbia declined significantly more than overnights (-53.2%).

Only two countries – Austria and Latvia – reported declines in nights of less than 50%, however arrivals to both countries declined by greater than 50%.

NON-EUROPEAN SOURCE MARKETS

United States visits and overnights to select destinations



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

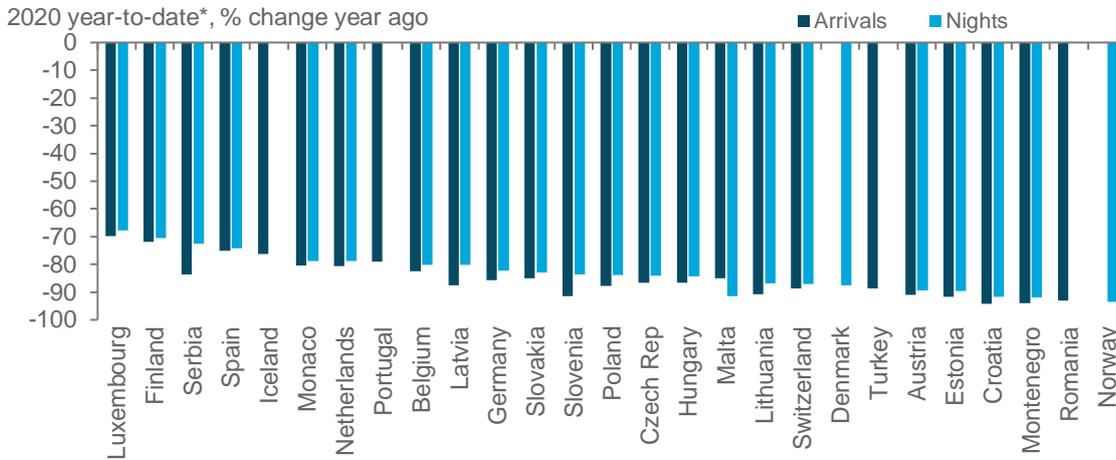
Travel from the United States to European destinations fell especially sharply – in general, more steeply than intra-European travel. This reflects the fact that most countries excluded the United States from lists of safe source countries. It also reflects the fact that European countries cannot easily benefit from overland tourism from beyond the European continent and greater falls are evident from all long-haul source markets.

Countries reporting to August reported the smallest declines in arrivals (down 72.0%) while the steepest declines were experienced by countries reporting to September (89.1%) - pulled downwards by Croatia. US arrivals could enter Croatia during the early summer months, which may have contributed to increased coronavirus infections in the country (due to the scale of the outbreak in the US); the increased infection rate resulted in some travel restrictions and reduced arrivals in September.

Both Montenegro and Croatia saw a decline in arrivals from the US greater than 90%, with Monaco, Slovenia, Estonia, Iceland, and Hungary all also recording falls in excess of 85%.



Chinese visits and overnights to select destinations



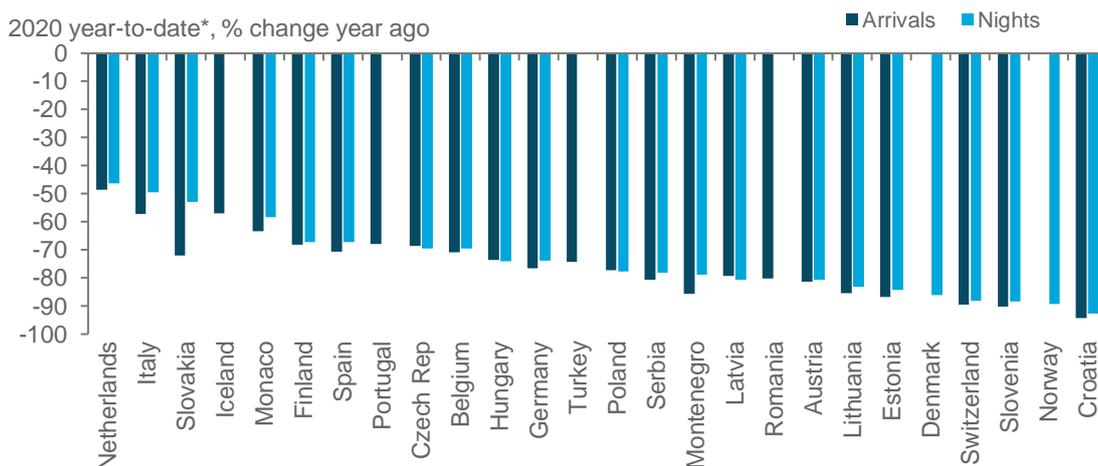
Although travel is recovering in China, the resumption is very much restricted to domestic travel. 637 million Chinese tourists took domestic holidays over the eight-day Golden Week. For the time-being, European destinations are effectively locked out of the Chinese boost in consumer spending.

Luxembourg (reporting to July) saw the smallest decline with a 69.7% fall in arrivals and a drop of 67.8% in overnights.

All other reporting destinations saw declines in both metrics in excess of 70% with the majority of countries reporting declines of over 80%.

The worst performing countries were Norway (only reporting nights to August) and Croatia, Montenegro, Romania, Estonia, Slovenia and Lithuania, all of which saw declines in arrivals in excess of 90%.

Japanese visits and overnights to select destinations



Japan was hit by coronavirus shortly after China, but it is the European outbreak and subsequent restrictions of travel which have really affected the figures for Japanese visitors this reporting quarter.

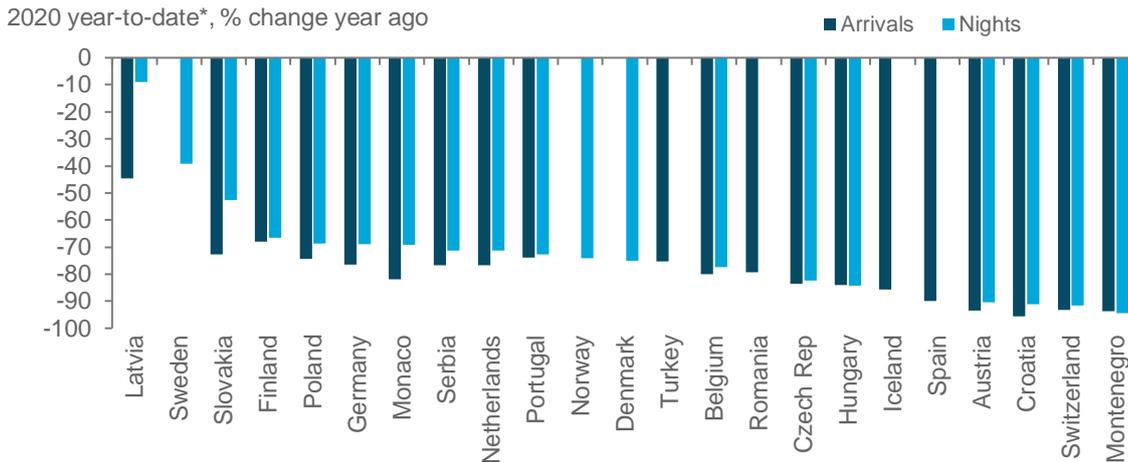
Nevertheless, in general, the falls in Japanese visitors are less steep than those from either the United States or China. The Netherlands, reporting data to July, saw a 48.6% drop in arrivals and a 46.2% fall in overnights and was the best performer once the United Kingdom is excluded. Italy also saw a relatively 'moderate' decline in arrivals of 57.1%. From the start of July, Japanese visitors were welcomed



back to travel to the European Union but a surge in tourism was always unlikely, given lingering fear of the virus.

There are exceptions to this overall better performance. For example, Croatia saw a decline of 94.2% of Japanese visitors and Slovenia saw a 90.1% drop in arrivals based on data to September. Switzerland experienced an 89.6% decline in arrivals, while Norway witnessed a loss of 89.3% of nights, based on data to August.

Indian visits and overnights to select destinations



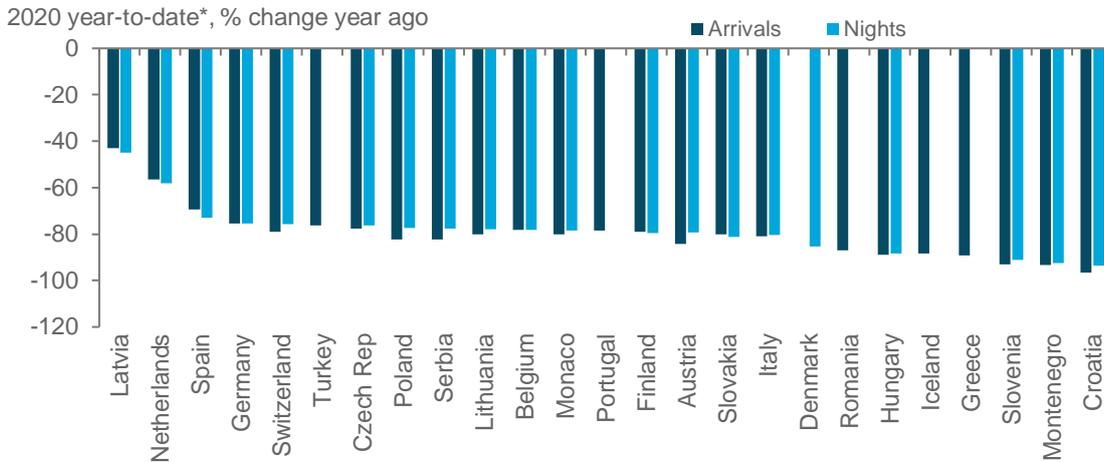
Source: TourMIS *date varies (Jan-Sep) by destination

No destination country reported growth in either travel metric from India. When the European Union reopened its borders to 'safe' countries, India was excluded.

Latvia and Sweden saw the least steep falls. Nights in Sweden fell by a relatively limited 39.1%. Sweden was an exception in the European context, never having implemented a lockdown in response to the coronavirus. However, Latvia and Sweden aside, all reporting destination countries saw declines in arrivals of more than 65%. The very steepest falls were in Montenegro, Switzerland, Croatia, Spain and Austria – which all saw falls in arrivals in excess of 90%.



Canadian visits and overnights to select destinations



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

No reporting destination saw growth in either metric from Canadian visitors. This is even though Canada was included in the shortlist of countries permitted to enter the European Union. However, many European countries continued to implement local restrictions. For example, a 14-day quarantine continued to be implemented in Italy (which saw a steeper than average decline in Canadian visitors). The European Union is now trying to take a more co-ordinated approach to travel and border restrictions.

Croatia saw the biggest decline in arrivals, down 96.5%, with only a marginally less steep fall in Montenegro and Slovenia.

The least poor performances were in Latvia, reporting to June (with arrivals down 43.0% from 2019) and in the Netherlands, reporting to July (down 56.5%).

Spain saw a fall of 69.5% in arrivals and a decline of 72.9% in nights. All other reporting destination countries saw a fall in arrivals greater than 70%.



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

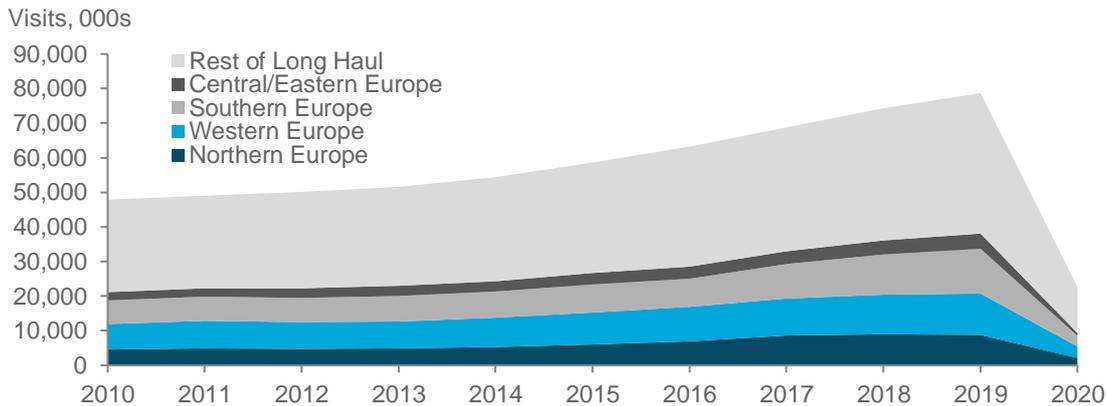
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	129,521	-	-0.1%	-0.7%	-	44.7%	-
Long haul	78,692	60.8%	-0.8%	-4.0%	58.7%	44.8%	60.7%
Short haul	50,830	39.2%	0.9%	4.5%	41.3%	44.5%	39.3%
Travel to Europe	38,067	29.4%	-1.7%	-8.1%	27.2%	56.6%	27.2%
European Union	29,814	23.0%	-4.4%	-20.2%	18.5%	48.8%	22.4%
Northern Europe	8,821	6.8%	0.4%	2.2%	7.0%	65.8%	5.9%
Western Europe	11,929	9.2%	-2.0%	-9.6%	8.4%	42.3%	9.4%
Southern Europe	13,041	10.1%	-2.8%	-13.0%	8.8%	70.5%	8.5%
Central/ Eastern Europe	4,275	3.3%	-2.1%	-10.1%	3.0%	44.6%	3.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

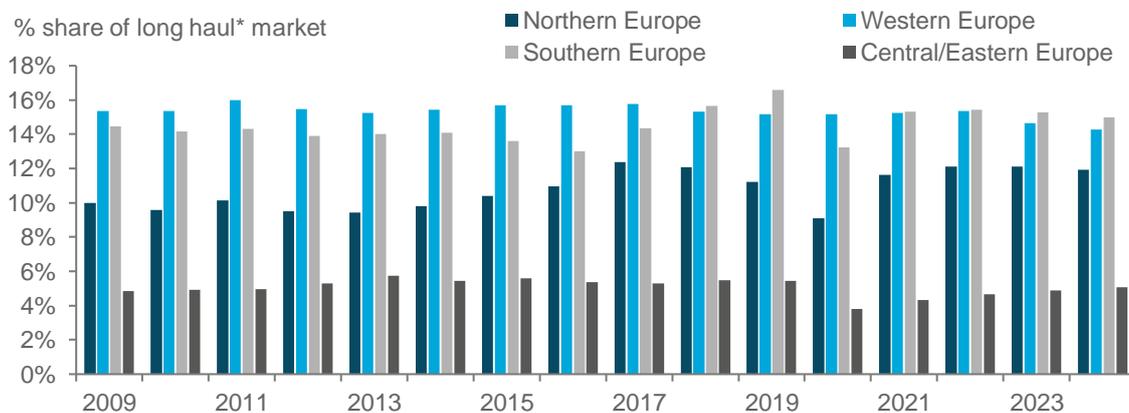
United States Long Haul* Outbound Travel



*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

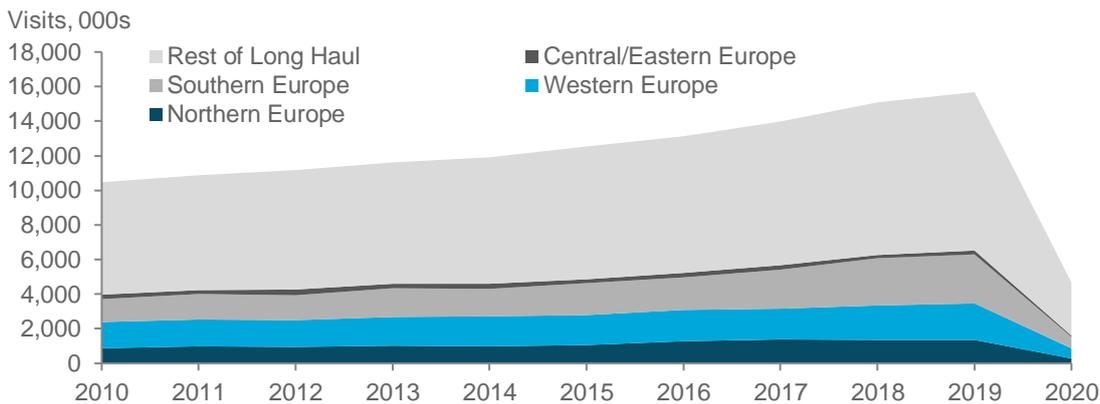
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	38,697	-	1.0%	5.3%	-	5.8%	-
Long haul	15,678	40.5%	0.5%	2.5%	39.4%	31.8%	32.5%
Short haul	23,019	59.5%	1.4%	7.2%	60.6%	-6.7%	67.5%
Travel to Europe	6,522	16.9%	-0.9%	-4.6%	15.3%	42.1%	12.6%
European Union	5,457	14.1%	-2.7%	-12.6%	11.7%	37.0%	10.9%
Northern Europe	1,354	3.5%	0.0%	-0.1%	3.3%	35.6%	2.7%
Western Europe	2,110	5.5%	-0.6%	-2.9%	5.0%	23.0%	4.7%
Southern Europe	2,843	7.3%	-0.6%	-3.0%	6.8%	79.6%	4.3%
Central/ Eastern Europe	214	0.6%	-22.4%	-71.8%	0.1%	-26.9%	0.8%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

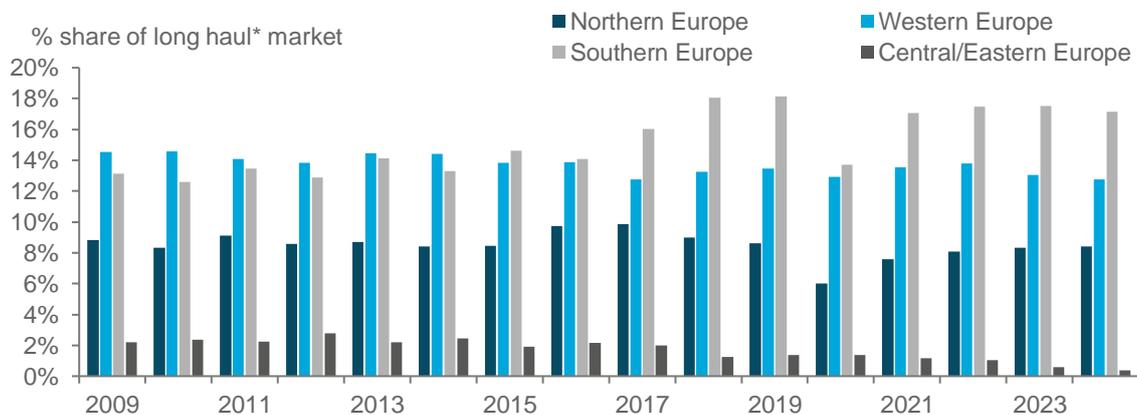
Canada Long Haul* Outbound Travel



*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

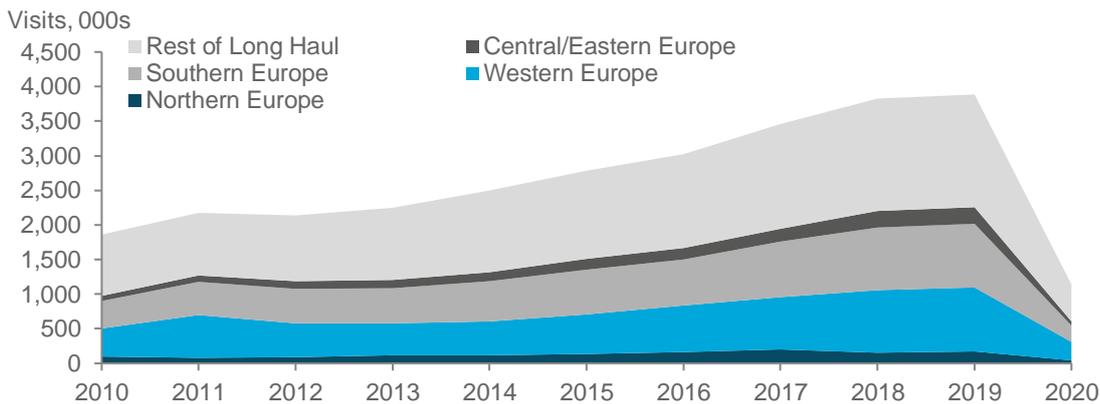
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	22,499	-	-1.8%	-8.6%	-	14.0%	-
Long haul	3,885	17.3%	-2.4%	-11.7%	16.7%	55.7%	12.6%
Short haul	18,614	82.7%	-1.7%	-8.0%	83.3%	8.0%	87.4%
Travel to Europe	2,256	10.0%	-3.0%	-14.2%	9.4%	71.3%	6.7%
European Union	1,820	8.1%	-3.0%	-14.0%	7.6%	63.7%	5.6%
Northern Europe	172	0.8%	-1.9%	-9.0%	0.8%	49.3%	0.6%
Western Europe	925	4.1%	-3.3%	-15.6%	3.8%	89.1%	2.5%
Southern Europe	923	4.1%	-3.0%	-14.2%	3.9%	58.0%	3.0%
Central/ Eastern Europe	236	1.0%	-2.6%	-12.5%	1.0%	83.1%	0.7%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

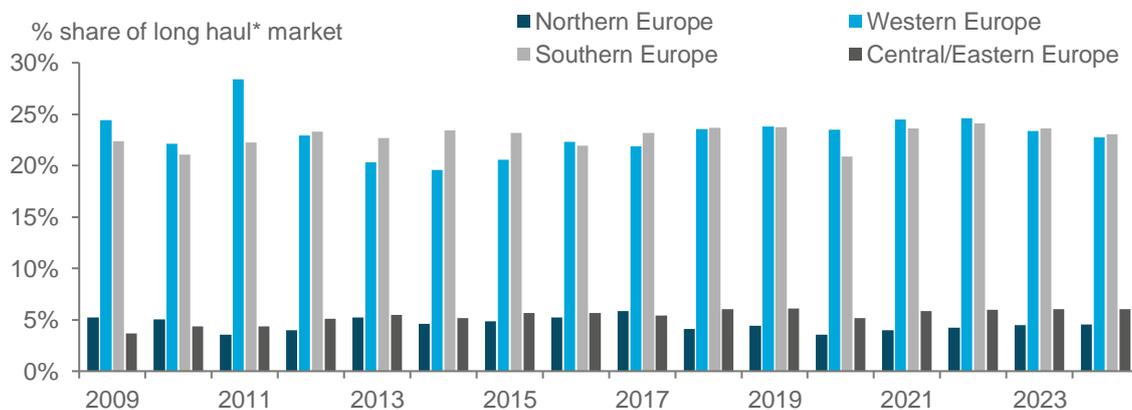
Mexico Long Haul* Outbound Travel



*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

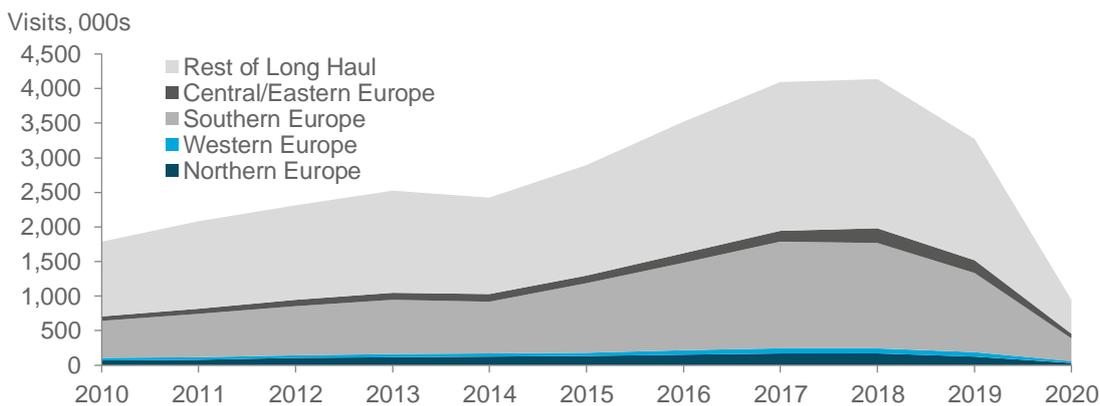
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	10,526	-	-1.9%	-9.0%	-	37.0%	-
Long haul	3,273	31.1%	-2.8%	-13.4%	29.6%	35.0%	31.5%
Short haul	7,253	68.9%	-1.4%	-7.0%	70.4%	37.8%	68.5%
Travel to Europe	1,515	14.4%	-2.3%	-11.0%	14.1%	47.5%	13.4%
European Union	1,741	16.5%	-10.8%	-43.4%	10.3%	107.3%	10.9%
Northern Europe	130	1.2%	-0.1%	-0.3%	1.4%	3.8%	1.6%
Western Europe	65	0.6%	-2.7%	-12.9%	0.6%	47.6%	0.6%
Southern Europe	1,137	10.8%	-3.5%	-16.1%	9.9%	51.5%	9.8%
Central/ Eastern Europe	183	1.7%	2.7%	14.3%	2.2%	70.5%	1.4%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

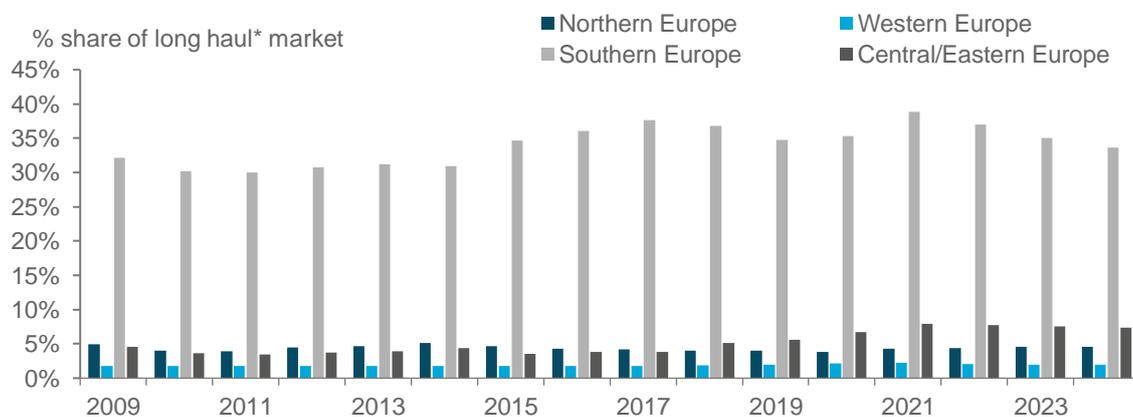
Argentina Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Argentine Market



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

Source: Tourism Economics



Brazil Market Share Summary

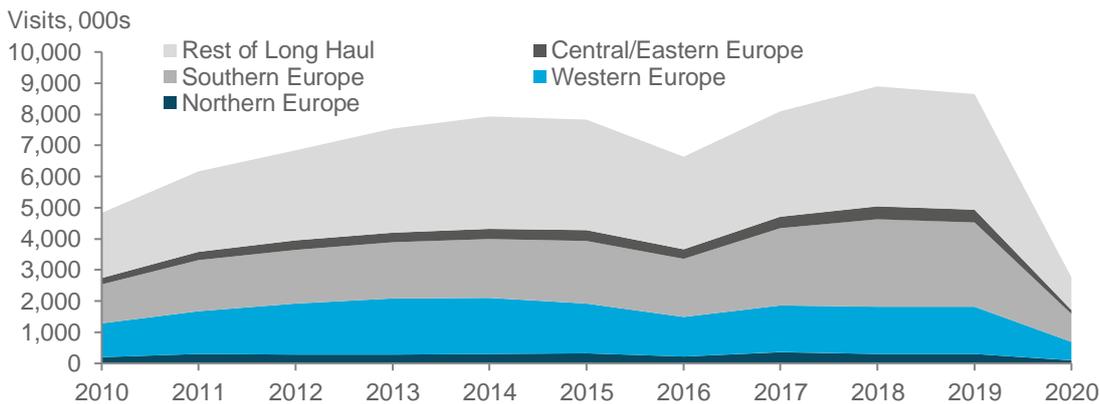
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	11,509	-	-2.9%	-13.5%	-	7.6%	-
Long haul	8,655	75.2%	-4.1%	-19.0%	70.4%	9.0%	74.2%
Short haul	2,854	24.8%	0.6%	3.2%	29.6%	3.5%	25.8%
Travel to Europe	4,938	42.9%	-4.1%	-18.9%	40.2%	14.3%	40.4%
European Union	4,357	37.9%	-4.5%	-20.7%	34.7%	19.4%	34.1%
Northern Europe	309	2.7%	-4.0%	-18.5%	2.5%	3.2%	2.8%
Western Europe	1,508	13.1%	-4.4%	-20.0%	12.1%	-16.3%	16.8%
Southern Europe	2,707	23.5%	-3.9%	-18.1%	22.3%	43.0%	17.7%
Central/ Eastern Europe	414	3.6%	-4.5%	-20.8%	3.3%	27.2%	3.0%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

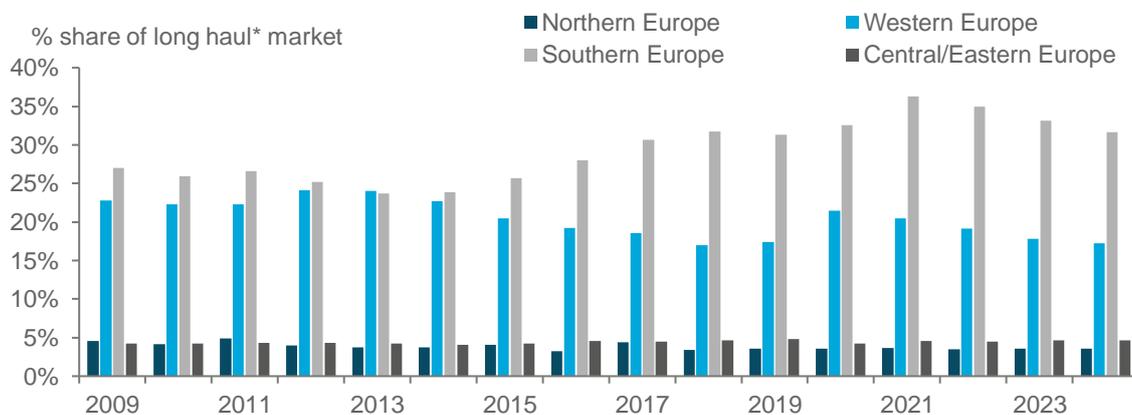
Brazil Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Brazilian Market



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

Source: Tourism Economics



India Market Share Summary

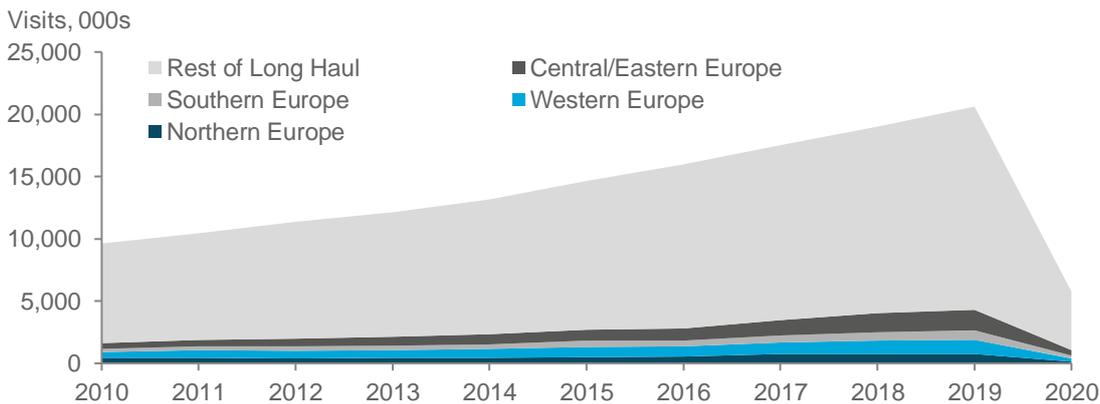
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	21,883	-	2.7%	14.0%	-	59.2%	-
Long haul	20,615	94.2%	2.7%	14.4%	94.5%	56.6%	95.7%
Short haul	1,267	5.8%	1.4%	7.4%	5.5%	116.6%	4.3%
Travel to Europe	4,306	19.7%	1.5%	7.9%	18.6%	85.5%	16.9%
European Union	1,929	8.8%	-2.5%	-12.1%	6.8%	74.5%	8.0%
Northern Europe	753	3.4%	0.2%	1.2%	3.1%	70.9%	3.2%
Western Europe	1,136	5.2%	1.0%	4.9%	4.8%	58.5%	5.2%
Southern Europe	747	3.4%	-1.8%	-8.9%	2.7%	97.0%	2.8%
Central/Eastern Europe	1,670	7.6%	3.8%	20.3%	8.1%	112.8%	5.7%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

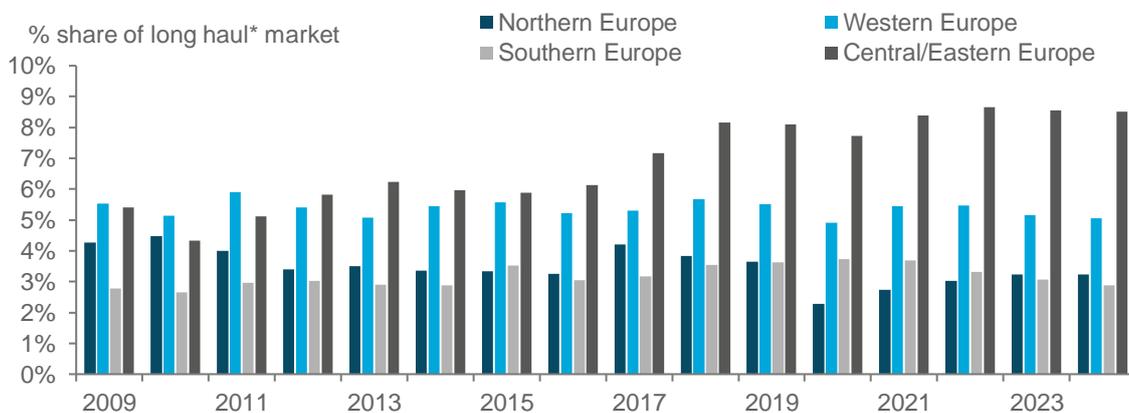
India Long Haul* Outbound Travel



*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

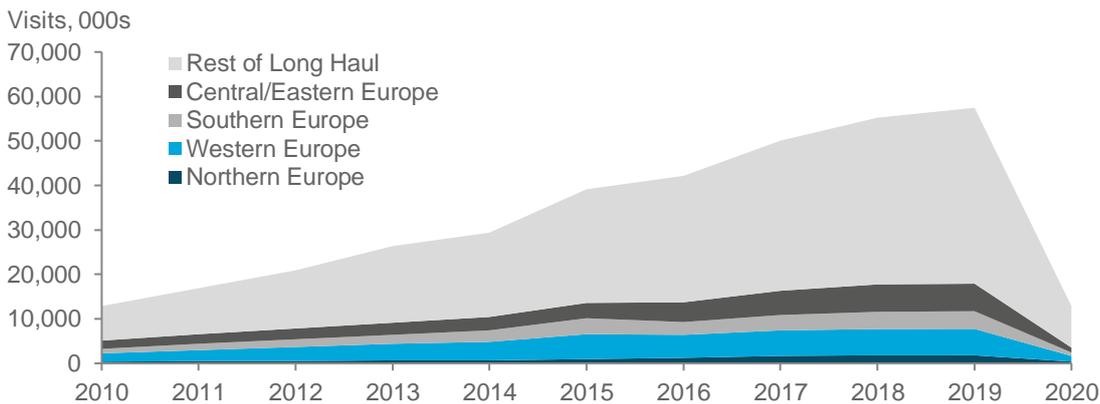
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	107,630	-	3.0%	15.7%	-	51.0%	-
Long haul	57,454	53.4%	1.8%	9.2%	50.4%	95.9%	41.2%
Short haul	50,176	46.6%	4.2%	23.1%	49.6%	19.7%	58.8%
Travel to Europe	17,921	16.7%	1.5%	7.8%	15.5%	72.6%	14.6%
European Union	10,976	10.2%	-5.9%	-26.2%	6.5%	114.5%	7.2%
Northern Europe	1,803	1.7%	3.2%	17.2%	1.7%	169.3%	0.9%
Western Europe	5,943	5.5%	3.9%	21.2%	5.8%	42.4%	5.9%
Southern Europe	3,994	3.7%	-0.2%	-1.0%	3.2%	59.2%	3.5%
Central/ Eastern Europe	6,181	5.7%	-0.4%	-2.1%	4.9%	103.9%	4.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

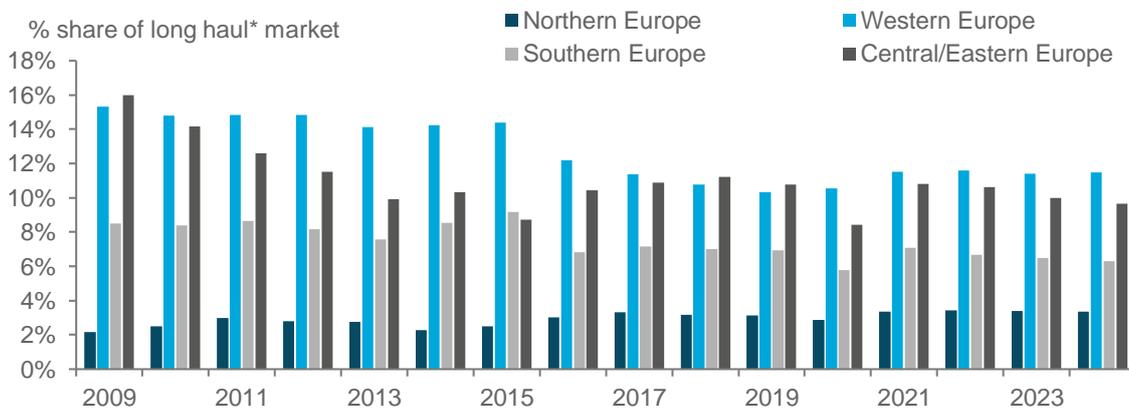
China Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Chinese Market



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

Source: Tourism Economics



Japan Market Share Summary

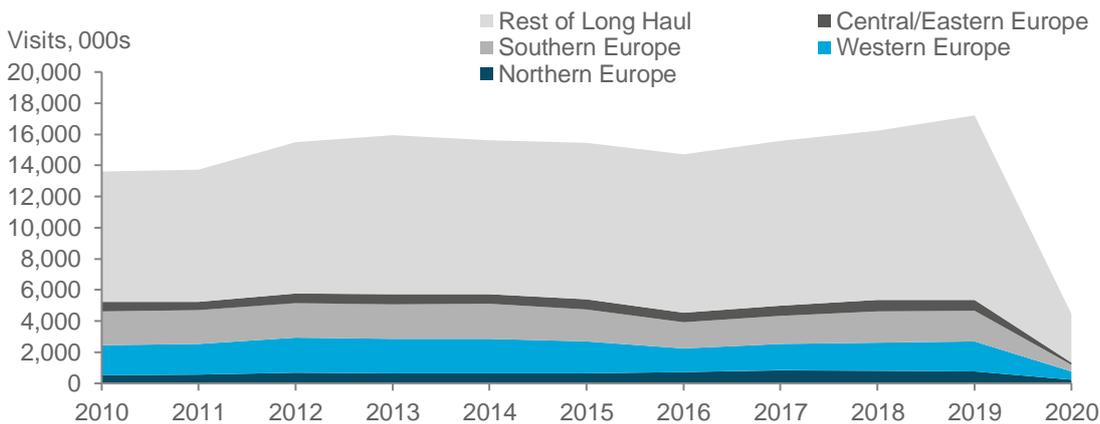
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	26,653	-	1.0%	5.2%	-	14.6%	-
Long haul	17,209	64.6%	1.1%	5.6%	64.8%	10.2%	67.2%
Short haul	9,444	35.4%	0.9%	4.7%	35.2%	23.8%	32.8%
Travel to Europe	5,377	20.2%	0.3%	1.3%	19.4%	-5.9%	24.6%
European Union	4,486	16.8%	-4.6%	-20.9%	12.6%	-11.5%	21.8%
Northern Europe	764	2.9%	1.3%	6.8%	2.9%	19.1%	2.8%
Western Europe	1,927	7.2%	3.2%	17.2%	8.1%	-13.8%	9.6%
Southern Europe	1,983	7.4%	-2.5%	-11.8%	6.2%	-11.0%	9.6%
Central/ Eastern Europe	704	2.6%	-2.3%	-11.0%	2.2%	15.0%	2.6%

*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

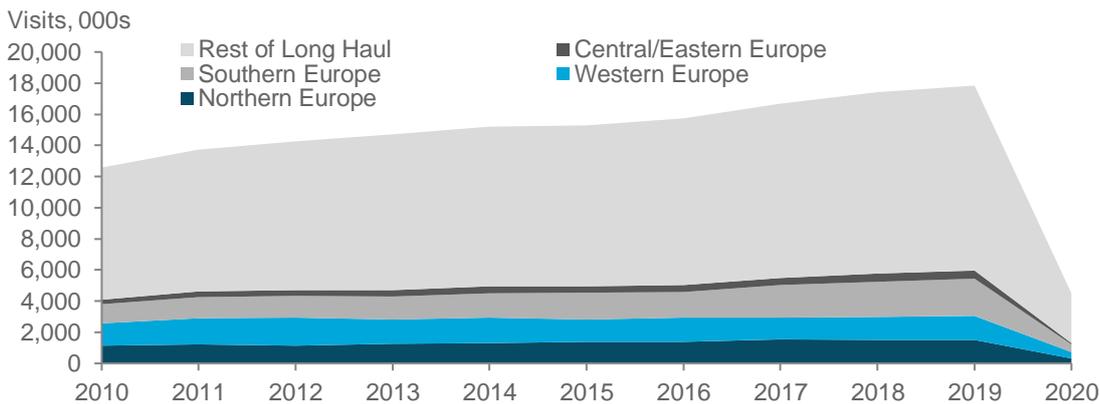
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	18,453	-	1.2%	6.4%	-	16.8%	-
Long haul	17,841	96.7%	1.3%	6.5%	96.8%	17.4%	96.2%
Short haul	612	3.3%	0.3%	1.5%	3.2%	1.9%	3.8%
Travel to Europe	5,957	32.3%	-0.7%	-3.3%	29.3%	20.9%	31.2%
European Union	5,108	27.7%	-6.2%	-27.6%	18.8%	16.6%	27.7%
Northern Europe	1,503	8.1%	0.5%	2.3%	7.8%	16.8%	8.1%
Western Europe	1,546	8.4%	-4.0%	-18.6%	6.4%	-6.1%	10.4%
Southern Europe	2,395	13.0%	0.9%	4.8%	12.8%	51.9%	10.0%
Central/Eastern Europe	512	2.8%	-2.5%	-11.9%	2.3%	22.7%	2.6%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

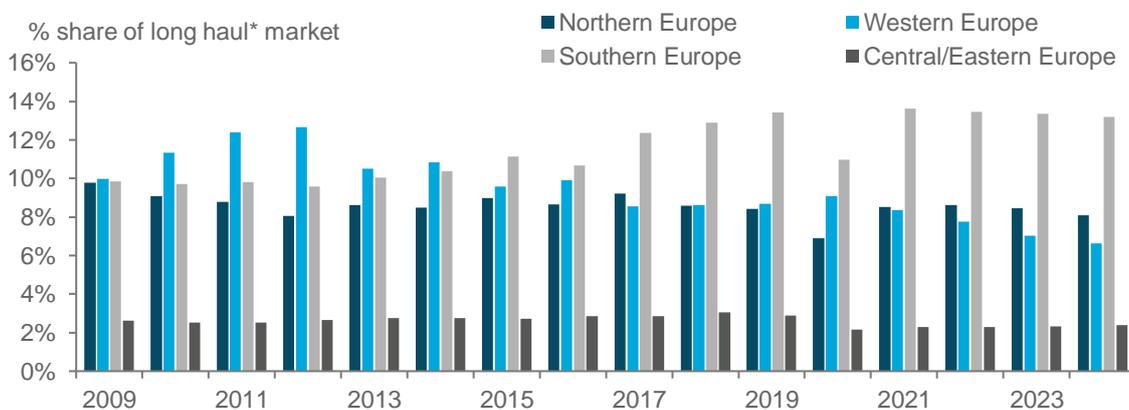
Australia Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

Europe's Share of Australian Market



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics



Russia Market Share Summary

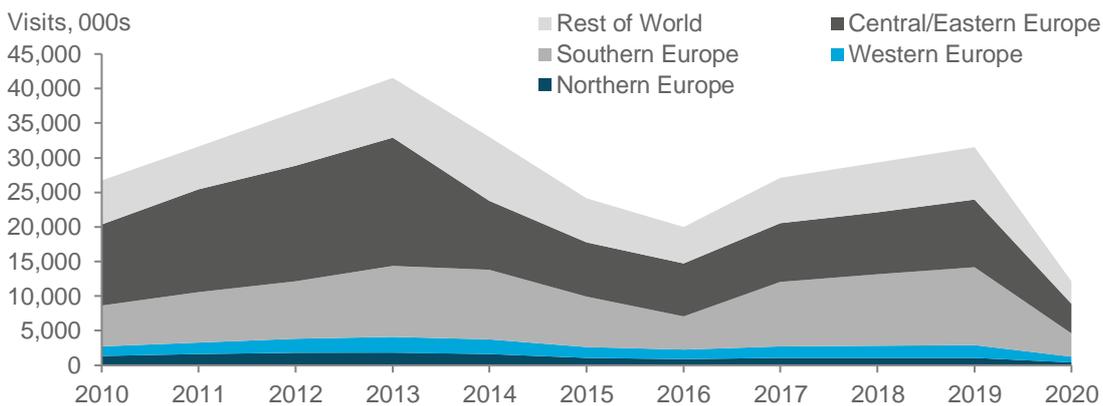
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	31,483	-	1.6%	8.4%	-	-4.5%	-
Long haul	7,502	23.8%	0.4%	1.8%	22.4%	-18.3%	27.9%
Short haul	23,981	76.2%	2.0%	10.4%	77.6%	0.8%	72.1%
Travel to Europe	23,981	76.2%	2.0%	10.4%	77.6%	0.8%	72.1%
European Union	10,026	31.8%	-1.5%	-7.4%	27.2%	-17.5%	36.8%
Northern Europe	1,088	3.5%	2.7%	14.2%	3.6%	-33.4%	5.0%
Western Europe	1,793	5.7%	0.4%	2.2%	5.4%	-14.6%	6.4%
Southern Europe	11,294	35.9%	-0.6%	-3.2%	32.1%	12.1%	30.5%
Central/ Eastern Europe	9,807	31.2%	4.9%	27.1%	36.5%	-1.8%	30.3%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

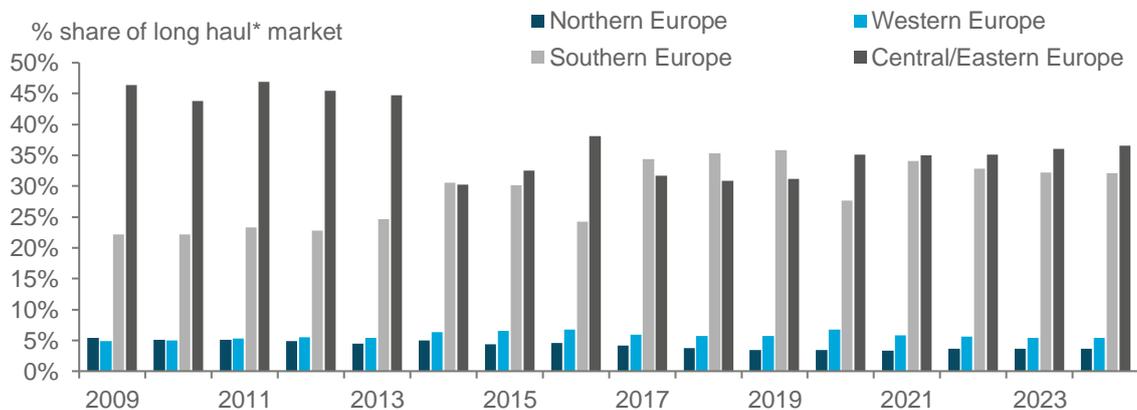
Russia Long Haul* Outbound Travel



*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

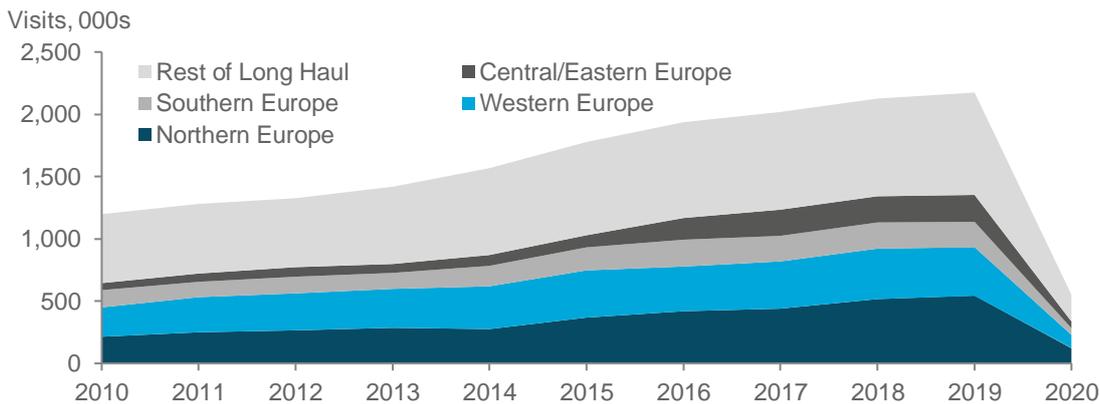
	2019	Growth (2019-24)			Growth (2014-19)		
	000s	Share**	Annual average	Cumulative growth*	Share 2024**	Cumulative growth*	Share 2014**
Total outbound travel	3,646	-	0.2%	1.0%	-	6.5%	-
Long haul	2,174	59.6%	-3.7%	-17.3%	48.8%	38.6%	45.8%
Short haul	1,472	40.4%	5.1%	28.0%	51.2%	-20.7%	54.2%
Travel to Europe	1,353	37.1%	-3.3%	-15.3%	31.1%	55.3%	25.4%
European Union	865	23.7%	-5.3%	-23.9%	17.9%	45.3%	17.4%
Northern Europe	544	14.9%	-3.7%	-17.3%	12.2%	98.8%	8.0%
Western Europe	389	10.7%	-2.6%	-12.5%	9.3%	12.1%	10.1%
Southern Europe	203	5.6%	-5.9%	-26.1%	4.1%	24.2%	4.8%
Central/ Eastern Europe	217	5.9%	-1.1%	-5.4%	5.6%	148.9%	2.5%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

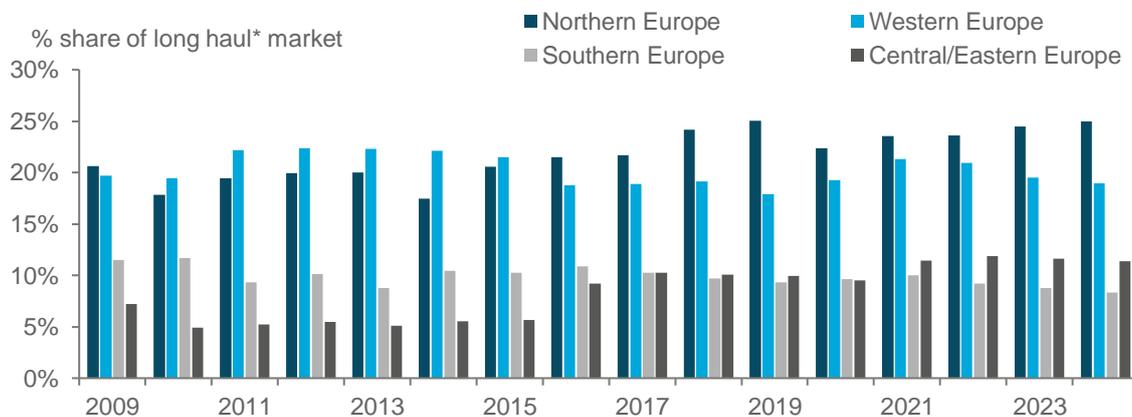
United Arab Emirates Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Emirati Market



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

Source: Tourism Economics



7. ECONOMIC OUTLOOK

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

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

Disclaimer: the opinions expressed in the forthcoming section [Economic Outlook] are those of Oxford Economics ("we, us, our"). They do not purport to reflect the opinions or views of ETC or its members.

OVERVIEW

The global economic recovery has now entered a second, slower growth phase. With many economies, particularly in Europe, needing to reimpose some restrictions on activity in the light of rising Covid-19 cases, we have again nudged down our forecast for global GDP growth next year, from 5.4% to 5.2%.

In response to recent GDP releases and some other timely indicators, we have edged up our growth estimates for Q2 and Q3 2020 at a global level. But this improvement has been broadly offset by downward revisions to our GDP growth forecast for Q4 2020 and early next year.

Retail sales and consumer confidence data have recently been encouraging in the advanced economies as a whole. But it is unclear whether the strength of the former reflects households spending more freely or continued substitution of spending away from services towards goods as a result of restrictions to curb the spread of Covid-19.

It is also uncertain as to the extent that households and firms will adjust behaviour in response to the recent resurgence in the number of Covid-19 cases in many parts of the world. Expectations of further curbs to come or a slower return to normal may also prompt households and firms to become more cautious. In this respect, the renewed, albeit small, fall in the global services PMI in September provides pause for thought.

Overall, we have become somewhat more cautious about the pace of the expansion as we move into Q4. Growth over the next few quarters is still expected to be similar to that recorded during the post-global financial crisis recovery. But this is conditional on very supportive fiscal and monetary policy as well as the avoidance of a widespread return to lockdown-style conditions. Thus, risks to our baseline forecast remain firmly skewed to the downside.



Summary of economic outlook, % change*

Country	2020					2021				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	-10.3%	-13.7%	3.6%	-0.9%	0.8%	6.7%	6.8%	1.3%	-0.9%	1.3%
France	-9.0%	-6.7%	0.4%	0.0%	0.6%	6.8%	5.3%	2.2%	0.0%	1.5%
Germany	-5.3%	-6.8%	0.9%	0.0%	0.6%	4.8%	7.0%	-0.2%	0.0%	1.7%
Netherlands	-4.8%	-6.5%	0.8%	0.0%	1.5%	3.7%	4.7%	1.4%	0.0%	1.3%
Italy	-9.8%	-10.4%	-0.6%	0.0%	-0.1%	6.0%	5.9%	0.9%	0.0%	0.6%
Russia	-4.1%	-6.3%	1.2%	-12.7%	3.3%	1.9%	6.6%	-0.4%	-7.4%	3.7%
US	-3.5%	-4.0%	4.6%	-1.8%	1.2%	3.7%	4.6%	-1.6%	-3.4%	1.7%
Canada	-5.3%	-5.8%	4.0%	-3.2%	0.7%	5.9%	6.2%	-1.2%	-6.1%	1.6%
Brazil	-4.6%	-5.7%	1.5%	-25.2%	3.0%	3.9%	4.3%	-1.4%	-7.4%	4.0%
China	2.0%	-3.4%	3.0%	-2.0%	2.9%	7.6%	13.7%	-3.1%	-1.4%	2.4%
Japan	-5.7%	-6.1%	0.5%	0.2%	-0.1%	2.5%	2.1%	0.2%	-2.9%	-0.3%
India	-10.0%	-8.9%	5.4%	-6.5%	6.4%	9.2%	13.3%	-4.1%	-2.5%	4.1%

Source: Tourism Economics based on GEM as of 03.11.2020

* 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

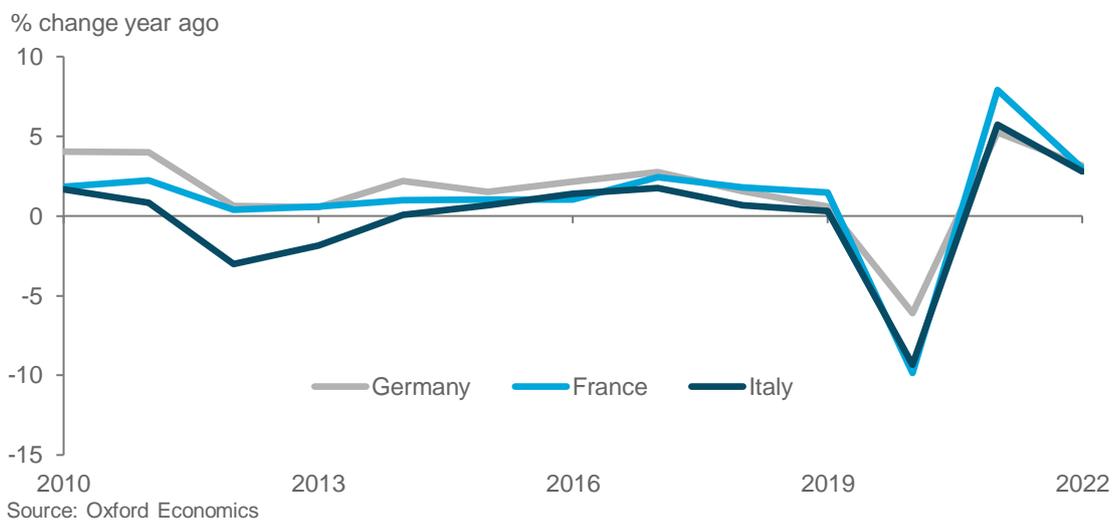
Although we still expect that the economy experienced a strong bounce in Q3, high-frequency data show that the recovery is weakening at the start of Q4, leading to weaker growth forecasts for 2021. With the pandemic hitting some countries harder than others and various degrees of policy responses put in place, the economic impact will be uneven across the continent. We expect eurozone GDP to contract 7.5% this year before a pick-up to 5.5% growth in 2021 (down from 5.9% previously).

GDP will see historically strong quarterly growth in Q3 – we expect around 10% q/q – benefiting from a very favourable base effect after activity collapsed in April. However, the latest monthly data continue to show that our fears of the recovery tapering off faster than expected are now materialising. PMIs fell for a second consecutive month in September amid a sharp decline in services, highlighting the impact that renewed restrictions and enforced social distancing are having on the sector, while at the same time adding downside risks to the outlook for Q4.

Although retail sales still showed strong growth in August, we think that the lag present in the ‘hard’ data means that the impact of the worsening health situation has yet to be reflected in these series. As consumer confidence stalls given the rise of infections and with households still concerned about the economic outlook, we expect retail and services activity to weaken.

The outlook will continue to be dominated by the evolution of the pandemic and the responses to contain it, but we do not expect eurozone GDP to return to its pre-crisis level until 2022, with the hardest-hit countries seeing slower recoveries and larger permanent damage to their economies.

Economic performance in key Eurozone economies, GDP real





UNITED KINGDOM

The number of Covid-19 infections has risen sharply over the past month, leading to renewed restrictions on activity. While the direct impact of these restrictions is likely to be fairly muted, we now think it unlikely that there will be any material easing in social distancing measures for the next six months. Thus, we now expect GDP growth of 6.7% in 2021, down from the 8.3% seen last month.

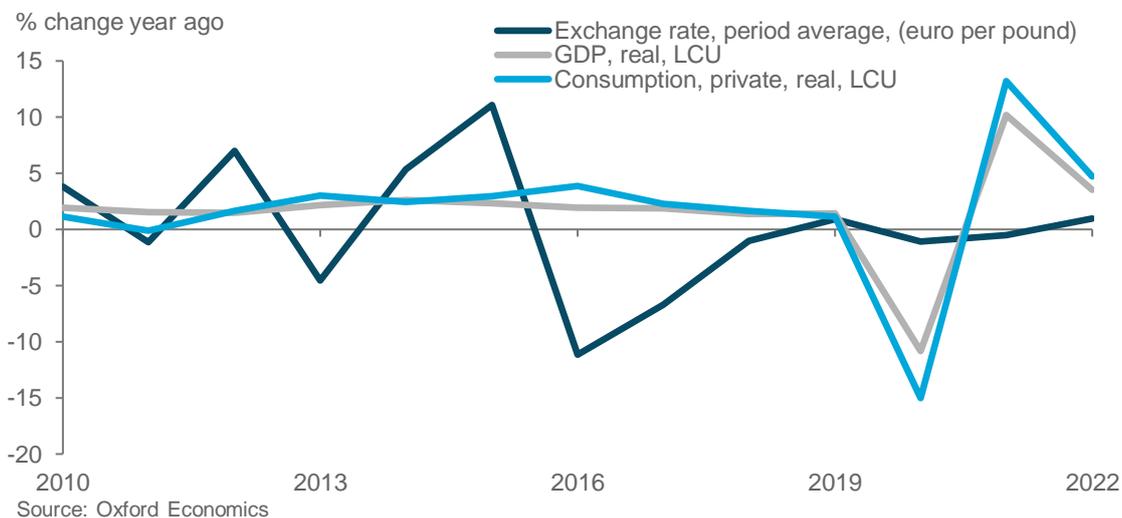
The Quarterly National Accounts (which included the annual rebasing and introduction of methodological improvements) revised down the scale of Q2's fall in GDP from 20.4% q/q to 19.8%. The ONS is yet to publish a monthly GDP series which is consistent with the revised quarterly data. But we estimate the reopening of sectors previously subject to the lockdown will have resulted in growth of 16-17% q/q in Q3.

A sharp rise in the number of Covid-19 infections through September resulted in the government announcing a number of measures, including a 10pm curfew for bars and restaurants, encouraging office workers to work from home and postponing the return of spectators to sporting venues. The direct economic impact of these restrictions is likely to be modest. But, with the new measures set to be in place for six months, the government has effectively signalled that there is unlikely to be any material loosening of social distancing restrictions over that period. Therefore, we have revised down our forecast for GDP growth in Q4 2020 and Q1 2021.

Chancellor Rishi Sunak announced a further stimulus package in reaction to the new restrictions. The main measure was the Job Support Scheme, under which employers and the government will top-up the wages of workers who are working fewer hours than normal. We think this scheme, together with the Job Retention Bonus, offer a relatively weak incentive for firms to maintain headcount and we still expect unemployment to spike up when the Job Retention Scheme comes to an end.

Brexit negotiations continue between the UK and the EU and despite progress being very slow to date the UK decided not to request an extension of the transition period beyond the end of 2020. Our forecast still assumes that the two sides will strike a free-trade agreement, albeit late in the process, which will allow continued trade between the UK and EU on a similar basis and will limit the introduction of non-tariff barriers. However, even if a free-trade agreement is agreed, this will still introduce some barriers in the form of customs bureaucracy and regulation, weighing on export competitiveness.

United Kingdom economic outlook





UNITED STATES

The pace of the recovery has slowed markedly. We believe the economy has regained two thirds of the output lost in March and April, but with fiscal stimulus expiring, flu season approaching and election uncertainty rising, the main economic question is how strong the labour market will be going into Q4. We see the economy contracting 3.5% in 2020 but expect a relatively soft GDP rebound of around 3.7% in 2021.

The September jobs report showed nonfarm payrolls rising a modest 661,000, less than half of the August gain and the smallest increase in five months. Employment remains a staggering 10.7mn below pre-Covid levels while the unemployment rate of 7.9% is still close to previous recession peaks. More worryingly, the rise in the share of permanent unemployed to 36% points to increased scarring of the labour market.

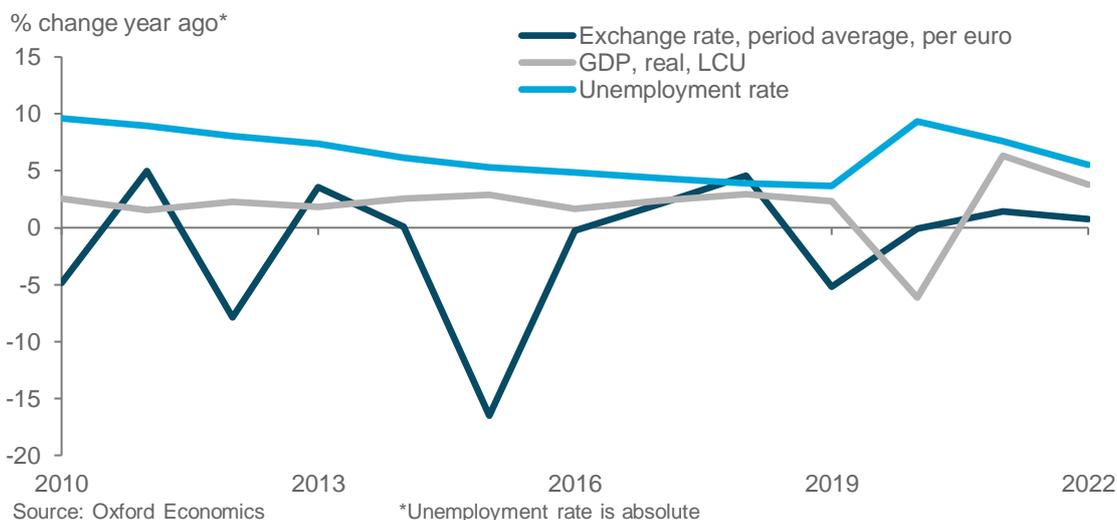
Headline PCE inflation rose 0.3ppt to a still-modest 1.4% y/y in August, while core inflation firmed to 1.6% y/y. A slow recovery should keep a lid on price pressures.

We believe Congress will eventually pass a fiscal aid package worth around \$1tn, including transfers to households (delivering a boost to growth worth 1.0-1.5% of GDP over the next year). However, given the heightened political volatility and Trump's recent opposition to a comprehensive stimulus package, we fear a large downside risk to growth. Even if Biden wins the election and delivers fiscal aid in 2021, the economy would approach stall speed in Q4 2020 with growth falling close to 1.0% annualised.

Fed Chair Powell stressed the importance of conditional dovish forward guidance contained in the September FOMC statement. The Fed will keep interest rates at the effective lower bound until the economy is assessed to be at full employment, and inflation has risen to 2% and is on track to moderately exceed 2% for some time.

The economic policy outlook for 2021 carries upside and downside risks in the aftermath of the US election. A Joe Biden presidency would involve additional stimulus and faster growth based on policies announced during the campaigns, but the degree of stimulus will depend on who controls Congress.

United States economic outlook





JAPAN

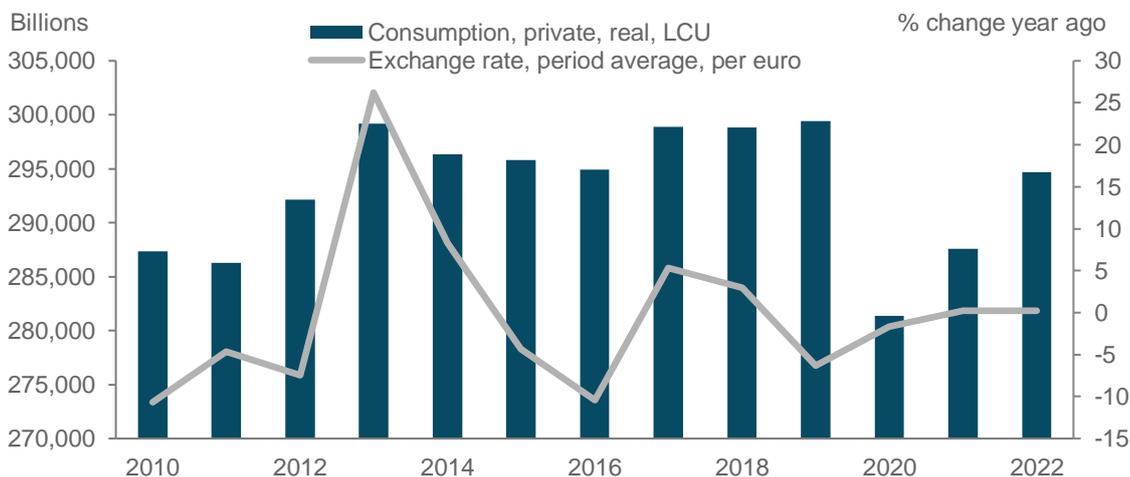
The economy continues to improve after taking a very heavy hit in Q2. Growth should see a sizeable rebound in Q3, but we continue to expect a gradual and protracted recovery thereafter. While production and spending have regained ground, forward-looking indicators paint a more mixed picture, suggesting the path back to normal levels of activity will be uneven. We expect GDP to fall 5.7% in 2020 as a whole before growing 2.5% in 2021.

Growth likely rebounded robustly in Q3 after the historic contraction in Q2. That said, timely data point towards an uneven and protracted recovery. Industrial production rose to -11.7% y/y in August, up from -14.7% in July, but the pace of improvement slowed. The manufacturing PMI edged up to 47.7 in September while the services PMI rose to 46.9, both modestly higher than previous months but notably still below the crucial 50 mark (separating expansion from contraction). On the positive side, real exports improved to -10.2% y/y in August from -16.3% in July.

Risks remain clearly skewed to the downside. Covid-related disruptions and the consumption tax hike in Q4 2019 have led to three consecutive quarterly declines in GDP, leaving the economy vulnerable to a renewed setback in domestic or overseas demand.

Yoshihide Suga succeeded Shinzo Abe as Prime Minister in mid-September and pledged to broadly follow his policy path. Two fiscal packages deployed in 2020 provided temporary relief to households and firms affected by the Covid-19 crisis and the government has hinted at the possibility of further support so long as risks to demand and labour markets persist. We expect the Bank of Japan to continue to focus on support for corporate credit while keeping interest rates unchanged. We expect the yen to continue to trend sideways and finish the year at 106 to the dollar.

Private consumption in Japan



Source: Oxford Economics



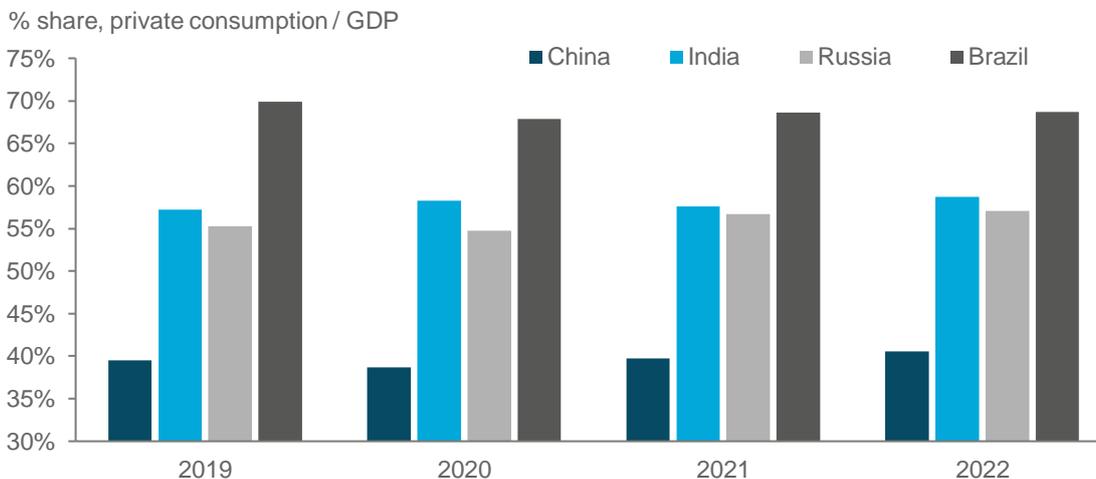
EMERGING MARKETS

Emerging Markets (EM) saw a robust rebound in Q3 after the lockdowns ended, but the pace of recovery has already begun to fade in several economies. And with policy responses varying widely and virus flare-ups prompting renewed localised restrictions, growth will likely remain uneven in Q4 and beyond. Consequently, our aggregate 2020 and 2021 GDP growth forecasts remain little changed from last month, at -2.3% and +6.3% respectively.

The recovery in China remains on a fairly firm footing, supported by exports and investment, but for most Asian EM economies the path back to normality will be much more gradual. In India, Indonesia and the Philippines, in particular, the course of the pandemic remains disappointing, clouding prospects for recouping Covid-19 induced output losses. Latin America also has plenty of ground to make up and is unlikely to recover its 2019 level of GDP until mid-2022. Meanwhile, tourism losses continue to weigh heavily on services exports in EMs with a high dependence on the sector, such as Turkey, and given fears of a second wave of the pandemic and renewed restrictions, there is little to suggest a meaningful near-term turnaround in this area.

Inflation readings have largely surprised on the downside in the past few months, with depressed domestic demand limiting the impact of FX depreciation on prices. But most EM central banks will likely remain on hold for the foreseeable future having delivered large rate cuts earlier in the pandemic, which reduced local borrowing costs. Turkey, where excessively easy policy reinforced inflation risks, has gone against the grain with a surprise hike, trying to regain some control over inflation and the lira.

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