





# EUROPEAN TOURISM: TRENDS & PROSPECTS

## Quarterly report (Q3/2022)

A report produced for  
the European Travel Commission  
by Tourism Economics



**TOURISM  
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

Brussels, November 2022

**ETC Market Intelligence Report**

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

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Cover: Beautiful Mediterranean landscape. Perast, Kotor Bay (Boka Kotorska), Montenegro

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## FOREWORD

It is evident that European tourism experienced a strong rebound this summer, especially for destinations in the Southern Mediterranean region. This encouraging trend was driven by the unleashed pent-up demand following the lifting of pandemic-related travel restrictions. Forecasts, however, are fraught with a high level of uncertainty as the world is struggling with inflationary pressures, sluggish economic growth, and a deteriorating Russia-Ukraine war which has precipitated a global energy crisis.

The recovery of the tourism sector will continue, but at a slower pace due to lingering risks, especially as we approach the colder months amid energy price shocks. A shift in household spending will be apparent, attributed to the ongoing cost of living crisis. Consumers will be likely to travel closer to home while focusing on more affordable travel options.

Looking at long-haul markets, recent data has made it hard to argue that the fear of Russia's war in Ukraine has halted tourists' desire to travel to Europe. The return of transatlantic travel is providing much-needed boost for Europe's travel recovery. This is underpinned by a stronger US dollar against both the euro and the pound, rendering US outbound travel to Europe more affordable. On the other hand, travel from Asia and the Pacific, especially from China, has shown minimal progress towards a recovery due to the slower removal of travel restrictions and is nowhere near 2019 trends.

As European travel demand is roaring back from the pandemic, especially domestic travel, ongoing challenges continue to shape travel behaviour and the industry overall. As we continue to navigate challenges, it is crucial to rebuild a sector that responds to global risks, also considering the increase in consumers' living costs. Our recent research has shown that consumers' eroding disposable income is becoming a major concern for both European and long-haul travellers. Tourism as a force for good should therefore strive to be more inclusive and accessible for all, while addressing overtourism and environmental concerns. Attention should also be paid to strengthening the sector's resilience and competitiveness through innovative and more sustainable approaches for the benefit of society and the planet.

The latest edition of the *European Tourism Trends & Prospects* quarterly report provides a comprehensive analysis of the most recent tourism and macroeconomic developments in Europe. The report explores the ongoing disruptions expected to affect travel recovery and impact tourism prospects for the remainder of the year – and into 2023 – including the impact of currency shifts and the potential for recovery in travel demand from some long-haul markets.

Jennifer Iduh  
ETC Executive Unit



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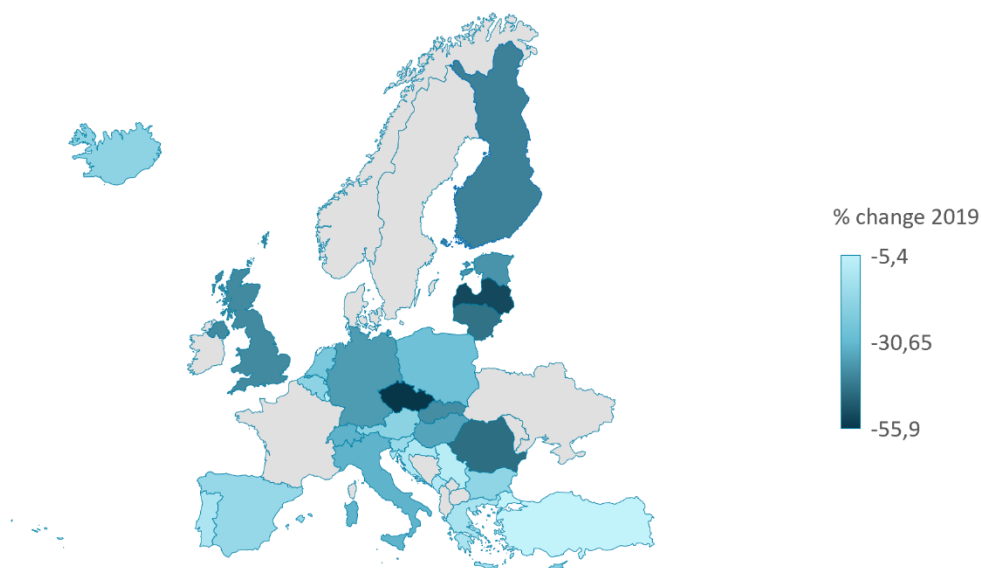


## EXECUTIVE SUMMARY

### EUROPEAN TOURISM HAS RALLIED DESPITE COST-OF-LIVING PRESSURES

Europe enjoyed a strong tourism rebound over the summer months as Covid-19 disruptions abated. However, the region was not exempt from turmoil arising from the prolonged war in Ukraine, labour shortages, elevated food and energy prices, and stalling economic growth (the Eurozone economy is expected to contract by 3.1% in 2022 and 0.5% in 2023)<sup>1</sup>. Although gas prices have recently decreased<sup>2</sup>, attributed to almost full storage levels and reduced demand in most EU countries due to a combination of warmer than average weather and energy saving initiatives, prices still remain sky-high and are expected to cause economic turmoil this winter.

### Foreign Visits to Select Destinations



Source: TourMIS\*, INSETE, Visit Britain  
\*date varies (Jan-Sep) by destination

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Travel costs have inevitably spiralled upwards, adding to the many factors sapping consumer spending and confidence. Despite acute challenges, Europe's travel bounce-back is expected to continue in the remaining months of 2022, led by cost-conscious and value-driven travel. Encouraging data suggests a positive outlook in 2022, with the region expected to recover 73% of 2019 overnight tourist arrival volumes. However, 2019 levels will only be achieved by 2025.

Travel enthusiasm persisted this summer with over half of reporting destinations recovering to at least 77% of 2019 levels of foreign arrivals. The rebound was led mostly by Southern Mediterranean destinations. Based on data to August, Turkey (-5%), Serbia (-8%) and Luxembourg (-9%) made the strongest comeback. While Turkey remains a good value destination, Serbia<sup>3</sup> is open to Russian travellers without visa requirements. Indeed, there has been an influx of Russians arriving in Serbia. In some cases, tourism is likely being used as a pretence for travel; in reality, many are likely fleeing Russia as a consequence of Putin's war in Ukraine and the impact this has had on life within an increasingly isolated Russia.

<sup>1</sup> World Economic Outlook October - IMF

<sup>2</sup><https://www.euronews.com/my-europe/2022/10/10/europes-gas-prices-reach-three-month-low-as-consumer-demand-and-industrial-production-decl>

<sup>3</sup>Russian arrivals to Serbia increased 47% compared to 2019 based on data to August 2022



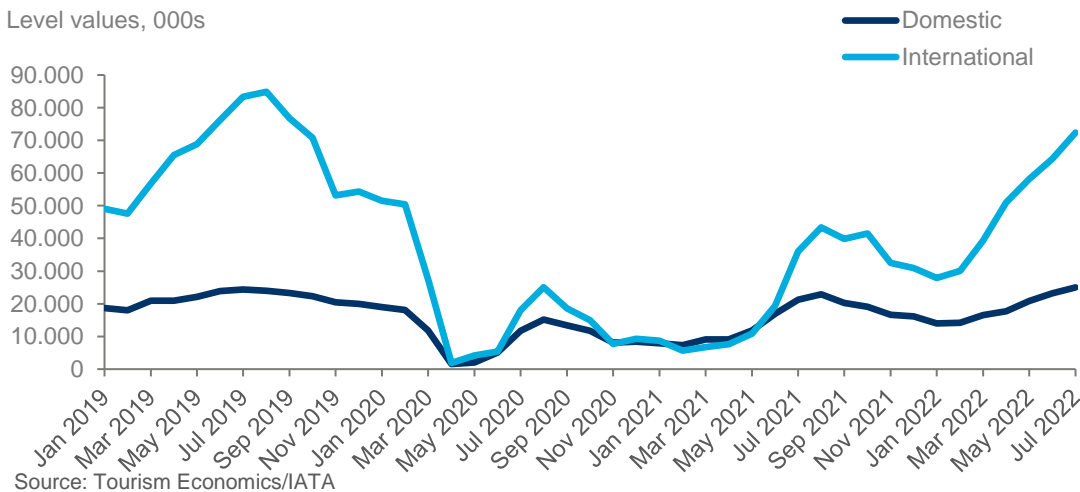
Montenegro, Croatia (both -10%) and Portugal (-11%) also reported robust recovery. The sharpest declines in tourist arrivals were recorded in the Baltic States, Finland, Romania, and Slovakia all posting falls in excess of 38%. Currently, the Baltic states have a war-related ban on Russian travel while Slovakia has suspended tourist visa applications for Russians<sup>4</sup>.

## ACCOMMODATION AND AVIATION SECTORS MAINTAINED THE SUMMER MOMENTUM DESPITE BUMPS ALONG THE WAY

January-September data relative to 2021 features a strong performance in the European hotel industry compared to other regions. Driven by strong occupancy rates, up 62% over prior-year levels and a 30.1% rise in ADR alongside surging travel demand, Europe recorded a 111% increase in RevPAR.

European airlines held up well this summer with August flight volumes down just 11% relative to 2019. In RPK terms, Europe recovered 78.6% of its 2019 levels in August, falling behind North America (at 85.4% of 2019). Based on recent air ticket data from ForwardKeys, US summer arrivals to Europe were only 5% below pre-pandemic levels as US travellers benefitted from favourable exchange rates<sup>5</sup>.

### European Air Passenger Volumes, Domestic vs. International



## TRANSATLANTIC TRAVEL IS SPURRED BY A STRONGER DOLLAR AGAINST KEY EUROPEAN CURRENCIES

The US dollar is gathering momentum. It has appreciated by around 20% against the Euro over the last 12 months and has hit a 20-year high. This has translated into solid transatlantic travel demand as US holidaymakers flock to Europe, spurred by a stronger dollar against both the pound and the euro which makes the region a more affordable destination.

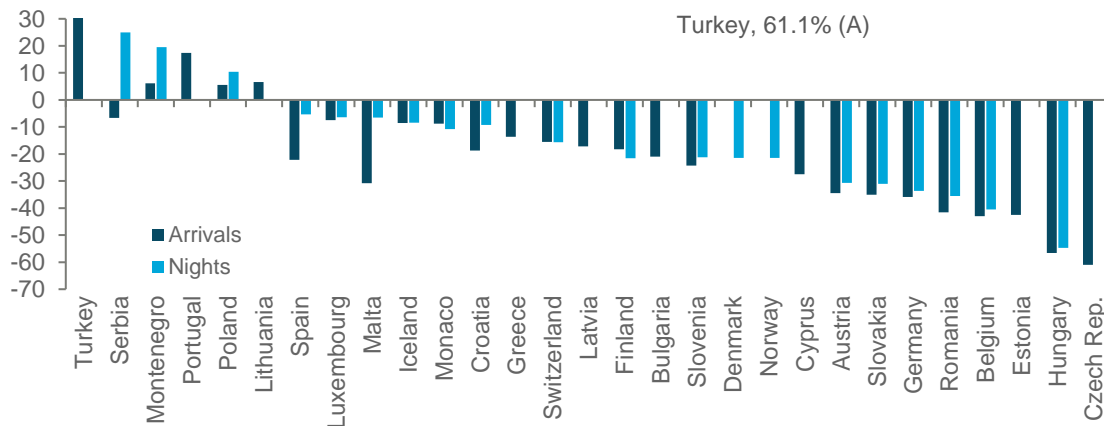
<sup>4</sup><https://www.schengenvisainfo.com/news/map-which-eu-countries-have-imposed-visa-entry-restrictions-on-russian-tourists-so-far/>

<sup>5</sup>International summer arrivals to Europe (Jul-Aug), as of 31 Aug; Var vs 2019



## US Visits and Overnights to Select Destinations

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



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

The latest data available shows that three in five reporting destinations have recovered at least 70% of 2019 American travel demand this summer. A number of destinations exceeded 2019 travel volumes. Turkey (+61%) saw the strongest rebound, followed by Portugal (+17%), Lithuania (+7%), Montenegro (+6%) and Poland (+6%).

*“A successful summer season has been fundamental to supporting travel and tourism recovery, especially for destinations where tourism makes a significant contribution to GDP. Long-haul travel is expected to continue its recovery – especially from the US – as weakening exchange rates make Europe an appealing destination for Americans. Nevertheless, it is important to remember that we are not out of the woods yet as the pandemic has left tourism businesses with a very limited income. Continuous financial support will be needed for the sector to help it fully recover, especially considering the importance of a green and digital transformation.”* said Eduardo Santander, Executive Director European Travel Commission (ETC).

Jennifer Iduh (ETC Executive Unit)

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





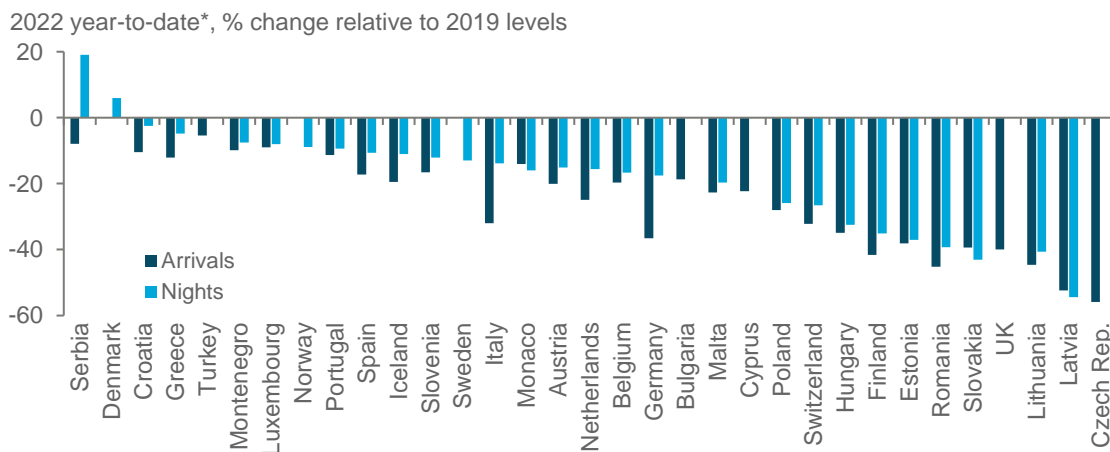
# 1. TOURISM PERFORMANCE SUMMARY 2022

## SUMMARY

- European destinations benefitted from a good summer in terms of travel and tourism, despite some concerns about staff shortages in a tight labour market. Air traffic in August 2022 across Europe rose to a level just 11% lower than in 2019.
- However, the economic (and political) picture has darkened with the ongoing war in Ukraine, surging inflation, and declining forecasts for GDP growth in Q4 2022 into 2023. Risks remain skewed to the downside.
- The dollar has appreciated against key European currencies, but intra-Eurozone travel ought to be largely unaffected and could potentially benefit from some improvements in relative affordability compared to other regions. Furthermore, these movements have made Europe a more attractive destination for US visitors.
- Consumer confidence in key source markets - such as Germany and the UK - is plummeting and will affect overall travel volumes. Damage to consumer confidence will also mean perceived value for money will play a central role in travel behaviour.

At the time of the last quarterly [report](#), recovery was on a clear upward trajectory ahead of the peak summer holiday season. Many people had accumulated unusually high levels of savings during the Covid-19 pandemic and were keen to spend some of it on travel as borders were reopened and restrictions lifted. Europe did have a successful peak summer season, despite some issues with staff shortages, congestion at airports and, in some countries, industrial action by airport and air traffic control staff. Eurocontrol data suggests that traffic over Europe as a whole in August was only down about 11% on 2019 levels.

### Foreign Visits and Overnights to Select Destinations



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

However, the last quarterly report warned of the dangers from inflation, particularly hikes in both energy costs (exacerbated very significantly by Russia’s invasion of eastern Ukraine and much of the Black Sea coastline) and necessities, such as food. This situation has worsened since the Q2 report.

The annual inflation rate in the Eurozone is expected to be 10.0% in September, up from 9.1% in August according to a flash estimate from Eurostat, the EU’s Statistical Office. Within this, the energy component shows an increase in excess of 40%. In the UK, the Consumer Prices Index (CPI) rose 10.1%



in the 12 months to September 2022, returning to July’s recent high after a slight dip in August. Modelled estimates suggest that July’s figure was the highest since 1990.

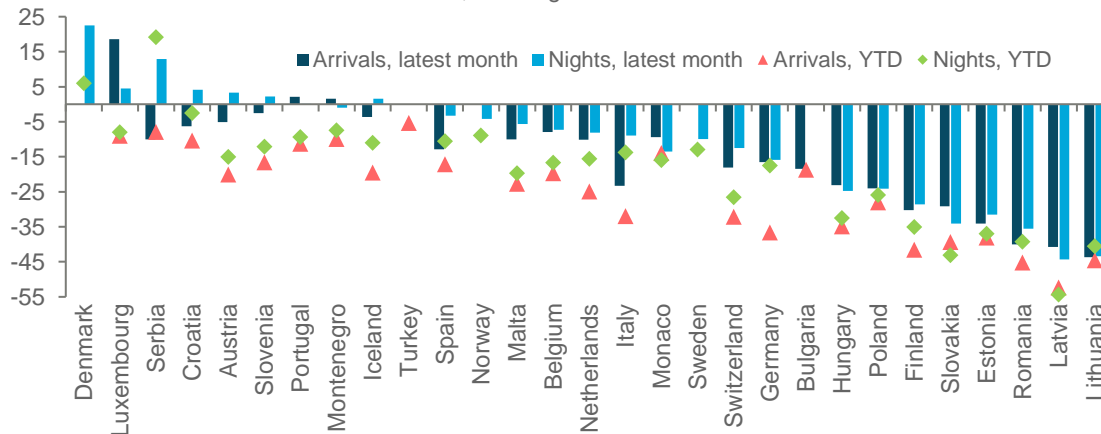
Forecasts for growth in 2023 have been markedly reduced. While Oxford Economics’ central forecast avoids a global recession, it remains a possibility – especially if China continues on a “zero-Covid” path. Oxford Economics now expects GDP in the eurozone to decline 0.1% in 2023 and believes that a mild contraction probably started in Q3 of 2022. The UK is expected to see a GDP contraction of 0.5% in 2023.

War in Ukraine escalated over the summer, especially with Russia’s annexation of four regions of Ukraine (Luhansk, Donetsk, Zaporizhzhia and Kherson). To date, the war has not had a huge impact on most European countries’ travel and tourism. However, the recovery of tourism demand within the Baltic States appears to be lagging that of other European destinations, due more in part to the lack of Russian visitors than proximity to the war in Ukraine. There are some downside risks that the war could further impact destinations which lie closest to the war’s epicentre.

Nonetheless, data for the latest available month taken in isolation shows that most destinations have seen an uptick in their recovery during the summer months relative to year-to-date performance. With each passing month continued progress towards 2019 levels was expected, particularly during the busy summer season, and broadly this appears to be the case across most destinations. Data in the chart below covers the period June to September (but the exact month shown depends on the data availability of the destination).

### Foreign visits and overnights to select destinations during summer season

Performance in most recent month of 2022, % change relative to same month 2019 and vs. YTD

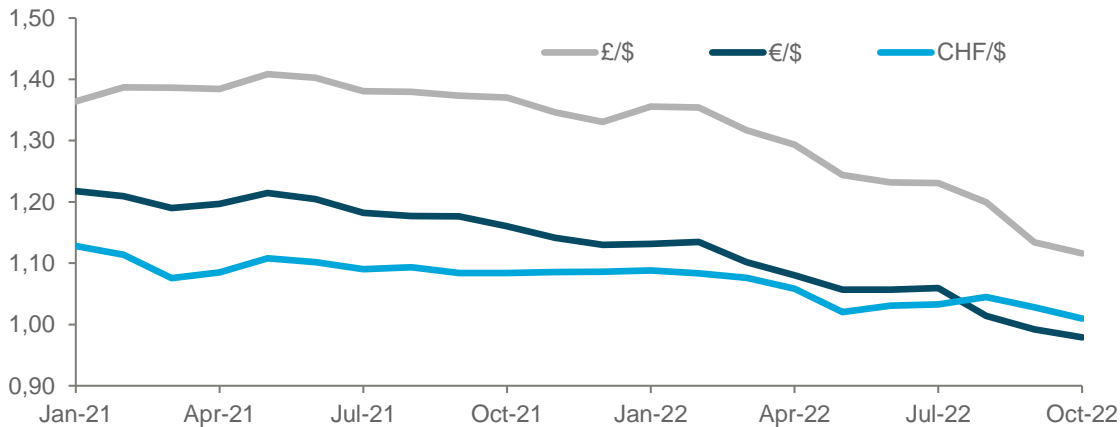


Source: TourMIS \*date varies (Jun-Sep) by destination

Over the summer there have also been strong movements in currencies, continuing trends seen in the earlier months of 2022, including notable depreciations of European currencies. As the economic outlook has darkened, investors have rushed to the US dollar, sending it surging in value relative to most European currencies. The US dollar and the euro have effectively arrived at parity.



## European exchange rates relative to the US dollar



Source: Tourism Economics

In one way this ought to be good news, encouraging US travellers to visit Europe. Much of Europe also benefits from being in the same currency zone, meaning that intra-European travel is largely unaffected by such movements, and could even be seen as the more attractive option as European travellers will be faced with more expensive holidays when travelling outside the continent. The UK is especially affected following a notable depreciation of the pound in recent times (though some recovery is expected in the near-term due to these movements being a response to UK policy which has since been reversed), resulting in more expensive holidays in the Eurozone. In the UK, an [ABTA survey](#) has suggested that one in three Britons plans to cut expenditure on travel in 2023, seeking out all-inclusive packages, though only 4% of those who travelled in 2022 say that they will not travel in 2023.

High inflation and looming recessions across Europe have impacted consumer confidence. In Germany, the GfK Consumer Climate Indicator fell to -42.5 heading into October of 2022, the fourth record low month in a row. Similarly, in France, September consumer confidence hit a nine-year low. In the UK, consumer confidence has plummeted as well, worsened by the prospect of a change in direction in house prices. Declines in consumer confidence in these key markets will not be reassuring for Mediterranean destinations, where Germany and the UK are often the two main source markets.

However, falling confidence is also likely to mean that European travellers will be more focused on value while travelling. This can also be to Europe's benefit as shorter-haul intra-European holidays, as well as domestic travel, tend to be cheaper than longer-haul alternatives.



## Summary Performance, 2022 YTD vs. 2019

Country	International Arrivals		International Nights	
	% YTD	to month	% YTD	to month
Austria	-20.1%	Jan-Aug	-15.1%	Jan-Aug
Belgium	-19.7%	Jan-Jun	-16.7%	Jan-Jun
Bulgaria	-18.7%	Jan-Aug		
Croatia	-10.4%	Jan-Sep	-2.5%	Jan-Sep
Cyprus	-22.2%	Jan-Aug		
Czech Rep.	-55.9%	Jan-Mar		
Denmark			6.0%	Jan-Aug
Estonia	-38.1%	Jan-Aug	-37.0%	Jan-Aug
Finland	-41.6%	Jan-Aug	-35.1%	Jan-Aug
France	-20.0% (f)	Jan-Dec		
Germany	-36.6%	Jan-Jul	-17.5%	Jan-Jul
Greece	-12.1%	Jan-Jul	-4.8%	Jan-Jul
Hungary	-34.9%	Jan-Aug	-32.5%	Jan-Aug
Iceland	-19.5%	Jan-Aug	-11.0%	Jan-Aug
Italy	-32.0%	Jan-Jun	-13.8%	Jan-Jun
Latvia	-52.4%	Jan-Jun	-54.4%	Jan-Jun
Lithuania	-44.6%	Jan-Aug	-40.6%	Jan-Aug
Luxembourg	-9.0%	Jan-Jul	-8.0%	Jan-Jul
Malta	-22.7%	Jan-Jul	-19.7%	Jan-Jul
Monaco	-14.0%	Jan-Sep	-16.0%	Jan-Sep
Montenegro	-9.9%	Jan-Aug	-7.5%	Jan-Aug
Netherlands	-24.9%	Jan-Aug	-15.6%	Jan-Aug
Norway			-8.9%	Jan-Aug
Poland	-28.0%	Jan-Jul	-25.9%	Jan-Jul
Portugal	-11.3%	Jan-Jul	-9.4%	Jan-Jul
Romania	-45.2%	Jan-Aug	-39.3%	Jan-Aug
Serbia	-7.9%	Jan-Aug	19.1%	Jan-Aug
Slovakia	-39.4%	Jan-Aug	-43.1%	Jan-Aug
Slovenia	-16.6%	Jan-Aug	-12.1%	Jan-Aug
Spain	-17.2%	Jan-Aug	-10.6%	Jan-Aug
Sweden			-13.0%	Jan-Aug
Switzerland	-32.2%	Jan-Aug	-26.6%	Jan-Aug
Turkey	-5.4%	Jan-Aug		
UK	-40.0%	Jan-May		

Source: TourMIS (<http://www.tourmis.info>), INSETE, Visit Britain (f) denotes forecast provided by member  
 Measures used for nights and arrivals vary by country. Available data as of 13.10.2022



## 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 year

data/estimate/forecast	Inbound*					Outbound**				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	e	f	f	f	f	e	f	f	f	f
<b>World</b>	<b>-72.6%</b>	<b>8.6%</b>	<b>100.3%</b>	<b>25.1%</b>	<b>24.7%</b>	<b>-71.9%</b>	<b>7.0%</b>	<b>101.8%</b>	<b>25.0%</b>	<b>24.8%</b>
<b>Americas</b>	<b>-68.5%</b>	<b>9.2%</b>	<b>111.6%</b>	<b>16.1%</b>	<b>16.9%</b>	<b>-68.6%</b>	<b>10.8%</b>	<b>116.9%</b>	<b>15.4%</b>	<b>16.5%</b>
North America	-68.4%	1.8%	130.1%	16.3%	18.2%	-67.7%	11.2%	119.8%	16.0%	16.6%
Caribbean	-70.0%	89.3%	42.4%	13.8%	11.5%	-68.3%	42.0%	69.9%	9.4%	18.1%
Central & South America	-67.9%	-10.7%	125.1%	17.1%	16.2%	-72.3%	5.6%	111.0%	13.3%	15.9%
<b>Europe</b>	<b>-68.2%</b>	<b>24.1%</b>	<b>85.3%</b>	<b>9.7%</b>	<b>18.2%</b>	<b>-66.9%</b>	<b>19.8%</b>	<b>87.2%</b>	<b>11.2%</b>	<b>18.4%</b>
ETC+2	-67.4%	19.9%	96.1%	9.1%	17.1%	-66.0%	17.1%	97.4%	10.0%	16.8%
EU 27	-66.7%	13.8%	103.3%	9.6%	17.8%	-66.0%	15.8%	102.5%	10.5%	16.6%
Non-EU	-73.4%	71.1%	30.7%	10.2%	20.0%	-70.7%	38.2%	29.1%	15.2%	28.7%
Northern	-69.8%	-5.9%	176.2%	6.0%	16.2%	-73.4%	-5.9%	204.7%	14.4%	18.7%
Western	-58.1%	-5.0%	87.8%	10.2%	21.8%	-60.9%	19.8%	78.8%	9.2%	14.9%
Southern/Mediterranean	-71.4%	58.8%	88.6%	6.7%	11.6%	-70.4%	25.9%	92.8%	13.6%	18.4%
Central/Eastern	-73.5%	34.4%	27.6%	22.2%	33.0%	-67.1%	36.7%	37.0%	7.6%	24.7%
- Central & Baltic	-72.4%	13.9%	88.4%	16.6%	23.8%	-62.1%	23.5%	78.7%	1.0%	15.9%
<b>Asia &amp; the Pacific</b>	<b>-84.0%</b>	<b>-63.7%</b>	<b>269.6%</b>	<b>151.3%</b>	<b>55.1%</b>	<b>-83.9%</b>	<b>-58.7%</b>	<b>226.0%</b>	<b>139.8%</b>	<b>55.9%</b>
North East	-88.2%	-46.4%	42.5%	392.8%	80.6%	-85.8%	-55.4%	109.8%	237.7%	72.3%
South East	-81.2%	-88.1%	1200%	109.6%	42.3%	-82.2%	-76.9%	670.8%	106.0%	38.6%
South	-76.0%	-29.9%	187.2%	45.4%	23.7%	-73.6%	-25.6%	152.7%	36.5%	26.2%
Oceania	-76.3%	-43.3%	234.0%	53.5%	30.5%	-82.7%	-67.8%	527.4%	49.1%	45.6%
<b>Africa</b>	<b>-74.4%</b>	<b>18.0%</b>	<b>78.7%</b>	<b>33.5%</b>	<b>24.2%</b>	<b>-70.7%</b>	<b>7.1%</b>	<b>87.5%</b>	<b>29.6%</b>	<b>24.0%</b>
<b>Middle East</b>	<b>-72.5%</b>	<b>15.0%</b>	<b>127.4%</b>	<b>23.0%</b>	<b>19.3%</b>	<b>-71.6%</b>	<b>52.6%</b>	<b>97.2%</b>	<b>20.4%</b>	<b>18.8%</b>

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

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

The geographies of Europe are defined as follows:

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

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

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

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

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

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

Source: Tourism Economics based on GTS as of 17.10.2022



### 3. RECENT INDUSTRY PERFORMANCE

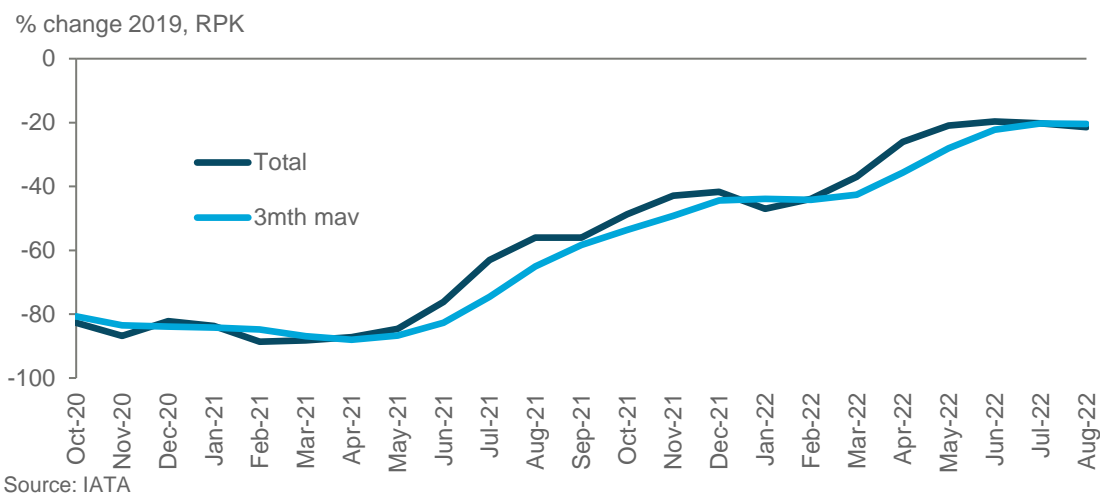
#### AIR TRANSPORT

Air traffic trends were very positive throughout the summer months, showing continued improvements in demand. In Europe, demand surged following the relaxation of Covid-19 restrictions as people spent some of their accumulated savings on travel, leading to issues for airlines and airports with staffing levels insufficient to match the rapid growth in passenger numbers. The release of this pent-up demand drove air industry recovery over the summer. But such demand is unlikely to persist indefinitely, and future performance is likely to be driven by economic fundamentals.

The global economy has been losing momentum over the summer and forecasts for 2023 have been downgraded markedly, with the outside chance of a global recession being considered. Europe has specific problems in terms of rising domestic energy prices, coupled with high inflation, which is eating into disposable incomes. Another strong positive is that jet fuel prices, which typically account for one fifth to one quarter of airline operating costs, are now trending downwards, though still notably above historic levels.

In Europe, the three-month moving average of RPKs for August was 20.4% lower than in 2019, a marginal decline over July (-20.3%), partly affected by growing headwinds from domestic economies and partly from the ongoing situation in Ukraine.

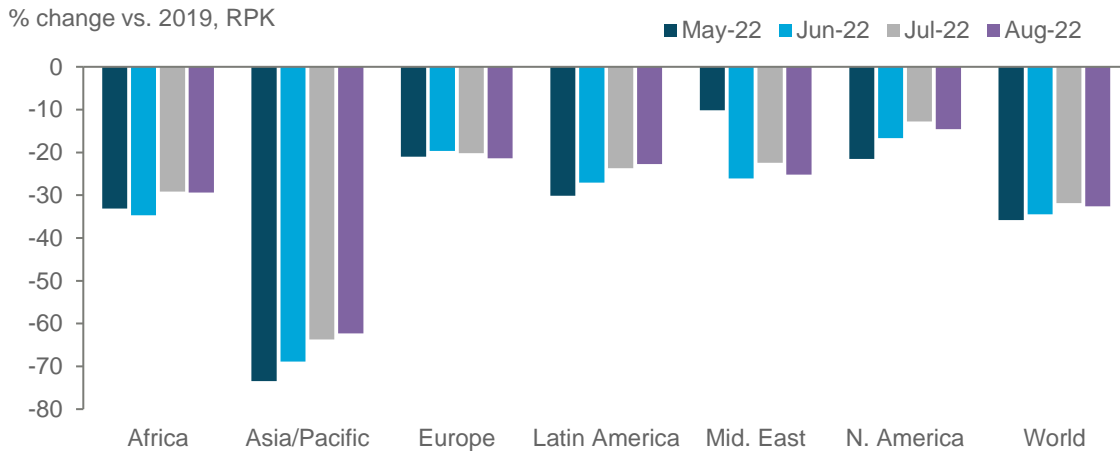
#### International Air Passenger Growth, Europe



North America was the best-performing global region in terms of air passenger recovery, at 85.4% of 2019 levels in August. Domestic traffic is stable in the region and close to pre-pandemic levels. However, recovery in North America may become limited by supply constraints. Europe was the next best performing region at 78.6% of 2019 levels. However, for both regions August performance was slightly below July. Globally, Asia remains the lagging region, largely driven by continued lockdowns and very tight movement restrictions in China.



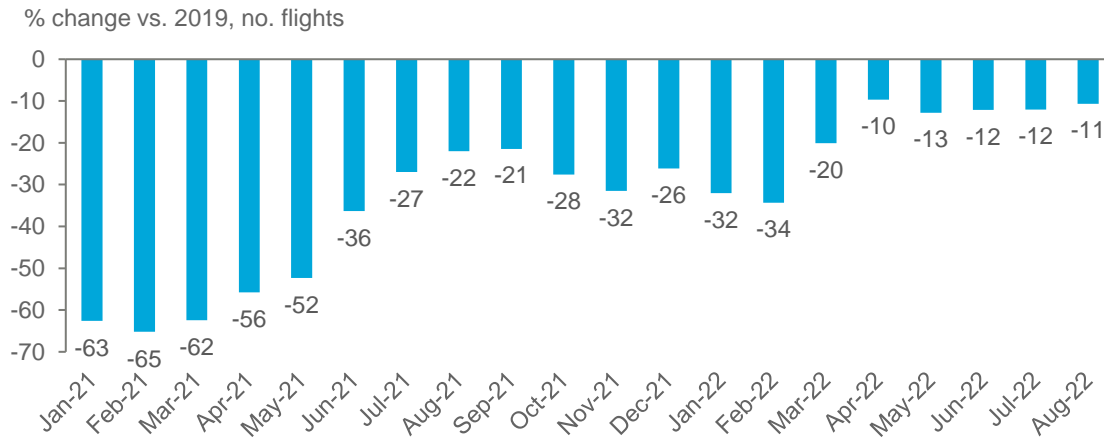
## Monthly Air Passenger Growth



Source: IATA

Data from Eurocontrol shows that, compared to August 2019, flight volumes were down just 11%. This dataset also shows that flight volumes in Europe have remained broadly stable since April as a proportion of 2019 activity, with clear improvement over levels at the start of the year and throughout 2021. The recovery in flights volumes in recent months has plateaued which is indicative of supply constraints hampering continued recovery, but these should ease as staffing levels within the industry are restored to levels comparable to before the pandemic.

## Flight volumes in European Network Area



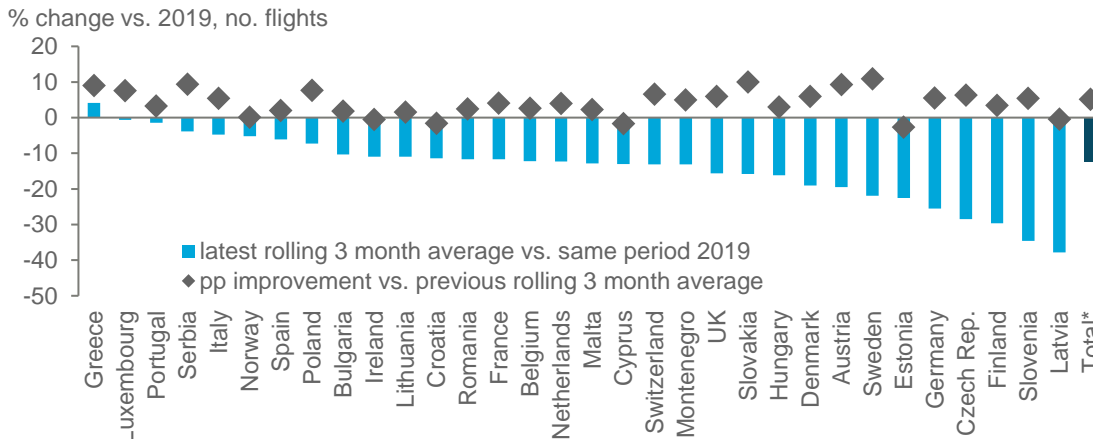
Source: Eurocontrol

There remains considerable divergence between European countries in terms of how well they have recovered. On a three-month rolling average basis, the best performing country in Europe has been Greece (up 4.1% on comparable months in 2019). It is currently the only country above 2019 levels.

Outlier weak performers include both Latvia (-37.8%) and Slovenia (-34.6%). Latvia is among the countries most indirectly affected by the conflict in Ukraine. Finland and Estonia are also amongst the poorest performers on Eurocontrol data.



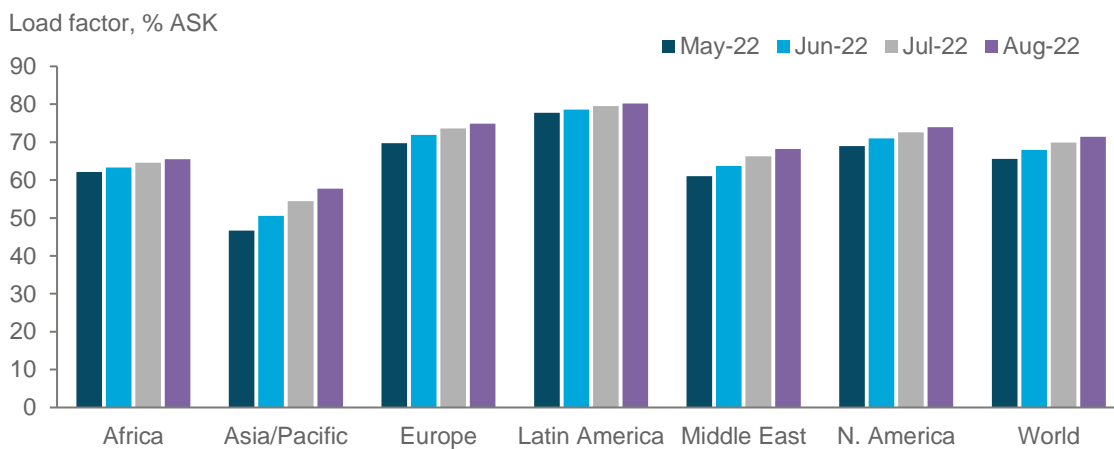
## European air traffic by country, total flights arriving and departing



Source: Eurocontrol

Passenger load factors have continued to increase since the last quarterly report. In August, passenger load factor rose to 71.4% globally. Europe was considerably higher at 74.9%, the only global region ahead of this performance being Latin America. Recovery in load factors continues to lag in the Asia-Pacific region but, even here, there has been considerable improvement despite a continued focus on “zero-Covid” in China.

## Monthly Passenger Load Factor



Source: IATA

The overall picture for the aviation industry now looks far more positive than it did at the beginning of the year. Low-cost carriers in particular have seen disproportionate growth. Ryanair has indicated that air passenger numbers will get back to pre-pandemic levels shortly, bringing the airline close to record profitability.

Currency movements, most notably the surging US dollar, should signal an increase in travel into Europe from the United States. The dollar has strengthened by about 20% over the past 12 months. The dollar’s strengthening has been even more marked against the pound, which has been especially unstable over the past few weeks due to questionable economic policy delivered by then-incumbent UK Government. This should make transatlantic flights to the UK an attractive prospect for US residents. While a weaker pound will make intra-European travel more expensive for British travellers, travellers from within the eurozone will not be deterred from intra-European travel in the same way given that the euro’s performance is also relatively weak against many major global currencies.





Other strong economic headwinds will add to currency impacts, providing greater challenges for destinations. The conflict between Ukraine and Russia has stepped up considerably since the last quarterly report. There is not only the risk of further escalation and wider geographical involvement in the war, but Russia has switched off gas lines to Europe. This has increased energy prices in Europe. While gas storage facilities in Europe are well stocked at present, the perceived risk of supply shortages has prompted energy saving initiatives across a number of European countries and has fed into the increased costs of many consumer products. In turn, this has impacted on consumer confidence across Europe. Consumer sentiment fell rapidly following Russia's invasion of Ukraine, and it has worsened further due to higher fuel bills, higher grocery bills, and higher interest rates. Several large European economies (including Germany and the UK) are among the worst affected. This is unlikely to wipe out outbound travel from these source markets, but it may divert demand to domestic or closer short-haul destinations

As stated in the last quarterly report, there is a potential upside of inflation for the airline sector. When nominal interest rates are below rates of inflation, it can be profitable for airlines to borrow, and can potentially aid the deleveraging of debt with inflation eroding the value of any amount borrowed in real terms.

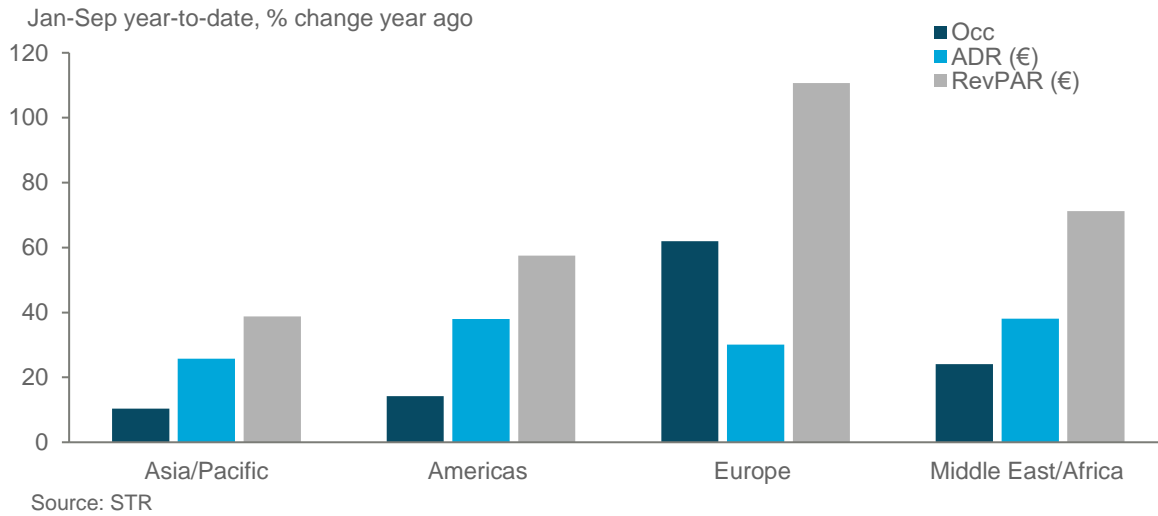
## ACCOMMODATION

Hotel performance data, collated by STR, demonstrates that Europe was the best performing region based on year-to-date RevPAR growth (a composite measure of growth in occupancy and average daily rate (ADR)) for the first nine months of 2022 compared to the same period a year ago. European hotels RevPAR grew 111%, driven mainly by strong occupancy growth – up 62% when compared with the same months of 2021. The second best performing global region was the Middle East where occupancy was up 24%; while ADR increased by 38.1%, resulting in an overall RevPAR increase of 71.2%. RevPAR growth across the Americas was modest at 57.5% but this was driven by the fact that the Americas (at least in aggregate) were relatively quick to recover from the Covid-19 pandemic and were, therefore, higher last year than most other regions.

As in other recent quarterly reports, Asia-Pacific was the worst performing region globally. But even here there was some improvement since last quarter. RevPAR was up 38.8% when compared to the same months in 2021.



## Global Hotel Performance

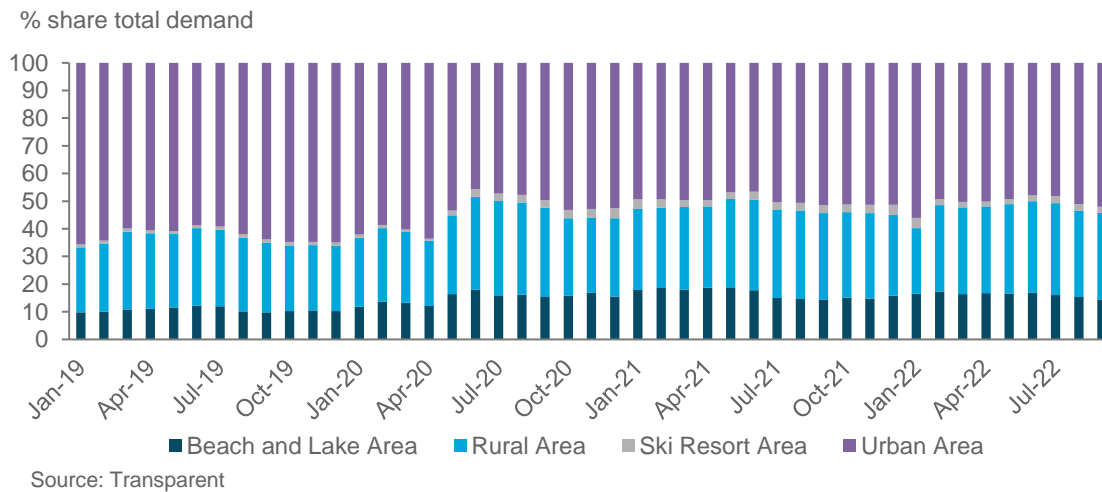


## SHORT-TERM RENTALS

The most significant trend continuing through Q3 for short-term rentals has been the [sustained increase in rates](#) over previous years (on average 2022 has been 23% up over 2019). This trend has brought in [revenues in excess](#) of previous years, despite occupancies being slightly lower than in 2019 across many destinations.

In most European markets however, an [uptick in demand can be observed](#), with key markets significantly exceeding 2019 levels. Great Britain, France and Spain are leading the way with 36%, 27% and 24% growth in reservations over 2019 respectively, while Italy has almost recovered with demand only 1% behind pre-pandemic levels. This [demand is still leaning towards non-urban](#) short-term rentals which have gained a market share of approximately 10% over the course of the pandemic.

## Evolution of global proportion of vacation rental reservations by market type



International travel has returned for European destinations, bringing a fresh wave of reservations. This is evident as all European nations monitored have seen [their share of domestic guests](#) decrease and return to pre-pandemic levels, now at 27%, 41% and 58% in Italy, Spain and France respectively.



This earning potential has kickstarted a [boom in supply](#), particularly in Europe – and more specifically in [professionally managed inventory](#). As supply and competition grow, regulation, competitive visibility and optimisation will become increasingly important.



## 4. SPECIAL FEATURE: ECONOMIC CHALLENGES - A DIFFICULT

### WINTER AHEAD

#### SUMMARY

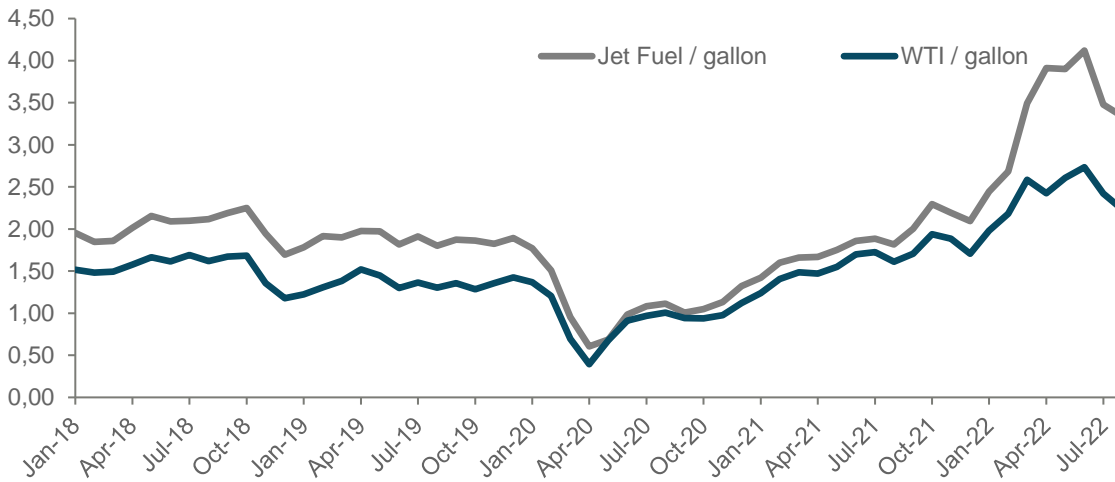
- Following a strong summer season, a looming recession and higher inflation across Europe will weigh on consumer spending and tourism demand, delaying but not derailing recovery.
- Airlines will face continued price pressures through elevated jet fuel prices and higher labour costs, passing this onto consumers via rising airfares.
- The winter period will increase the risk of gas rationing for countries more exposed to Russian gas, which could see hospitality venues closed at times as household gas use is prioritised.
- Intra-regional and short-haul outbound travel should ensure the recovery in travel next year as consumers that are still able to afford holidays will become more value-focused.
- The prolonged war in Ukraine and additional travel restrictions for Russian tourists across Europe will impact key markets and push back the recovery in Eastern Europe.

The summer brought about the normalisation of travel trends as many countries had either lifted or significantly eased Covid-related restrictions. However, a challenging economic backdrop will lead to a difficult winter for the tourism sector, with data for much of the region already indicating the start of a mild recession in Q3. The reason for this largely concentrates around the consumer as they are faced with higher-for-longer inflation levels and rising interest rates. Together, these are expected to increase debt-servicing costs and the cost of essentials, such as food and energy. As a result, this will erode disposable income and reduce the scope for discretionary spending, delaying the recovery in travel. There remain significant risks to the forecast and at present, they are more tilted towards the downside.

High inflation, a key factor behind the bleak winter outlook will impact the travel recovery two-fold, through demand and supply-side channels. Jet fuel prices remain elevated and disconnected from crude oil prices. This generally accounts for 20-30% of total airline operating costs and there will be a limit to which airlines will be able to absorb this cost before passing it onto the consumer. The impact on air fares will be more significant amid the current economic backdrop with prices of essential goods rising on average by double-digit figures as of September.



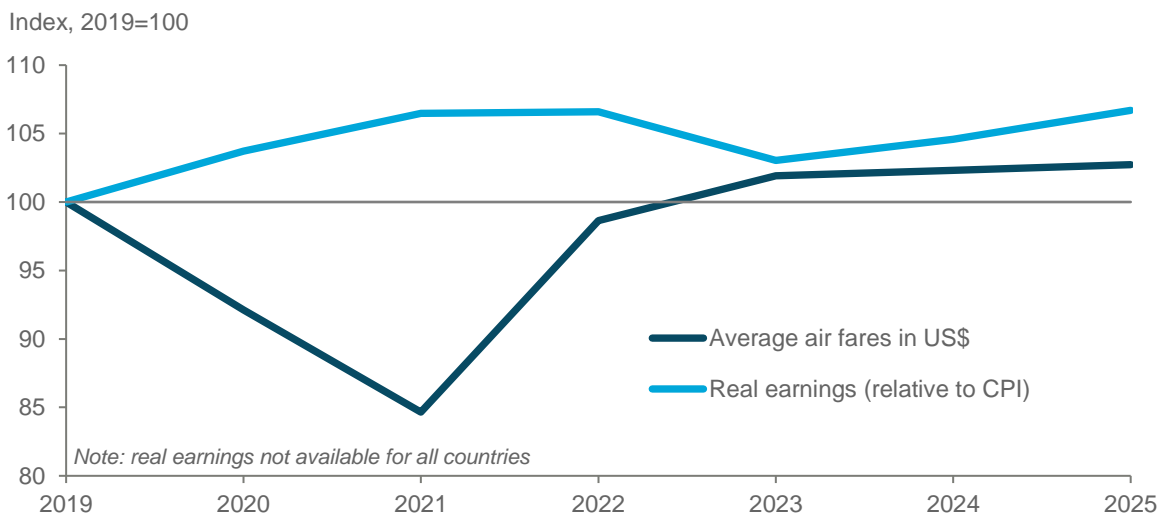
## Jet fuel and crude oil price per gallon



Source: Oxford Economics / Haver Analytics

Labour costs are also putting a strain on airline operating costs as summer delays and shortages pushed workers to strike for improved wages and working conditions. Shortages caused an imbalance in the supply of flights to demand over the summer and airlines across Europe have been cutting their winter schedules to reduce the scale of disruption. This will continue to put an upward pressure on airfares and with disposable income falling and real wage growth below inflation, we will inevitably see some households delaying travel plans. Next year, the difference between average air fares and real earnings will be the smallest –meaning air fares will be at their highest as a proportion of real earnings since 2019 - highlighting the difficult decisions households will have to take when planning a holiday. However, other methods of transport have likely increased in cost at a similar pace as both cars and trains have seen fuel and electricity prices rise.

## Average air fare and real earnings in Europe



Source: Oxford Economics / Haver Analytics

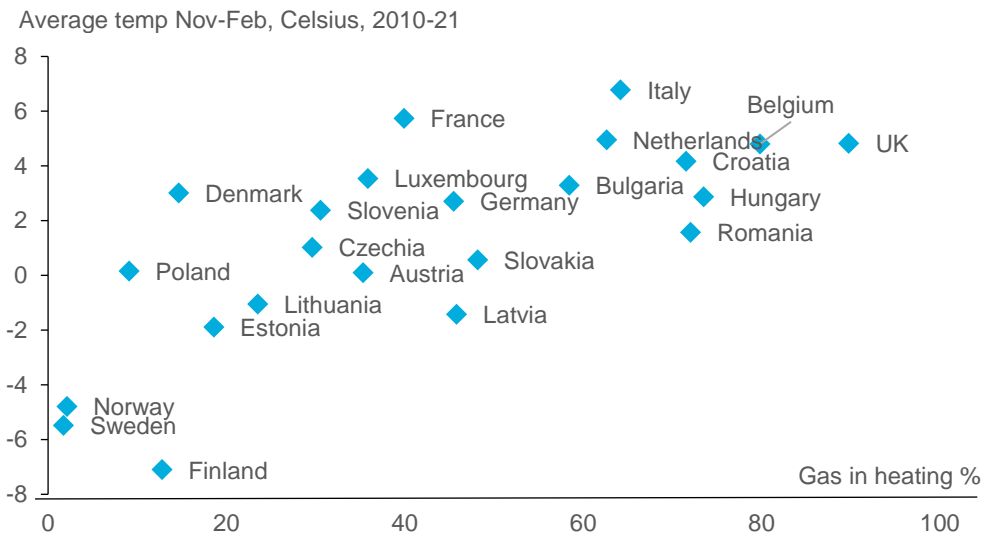
Overall inflation may be further exacerbated by the war in Ukraine as many European countries are reliant on Russian gas, with imbalances in supply and demand a key driver of price. But as we go into the winter, the risk of rising energy prices may now be somewhat replaced by the risk of gas shortages as it looks unlikely that Europe will negotiate a deal with Russia to unlock additional pipeline supplies.



Especially given that more countries are now restricting Russian tourist visas, across both Western and Eastern Europe.

Gas consumption is highly seasonal, as there is an almost perfect inverse correlation between gas use and outside temperatures across the EU, with gas use in peak winter months around three times higher than during the summer. This is driven by the heating season, with the UK and Belgium the most reliant on natural gas (80%-90%). Hungary, Romania, and Croatia are also highly reliant on gas for heating (70%-80%), making them particularly exposed in case of cold spells. Conversely, countries which tend to have colder winters rely less on gas for heating.

### European gas in heat generation vs winter temperatures



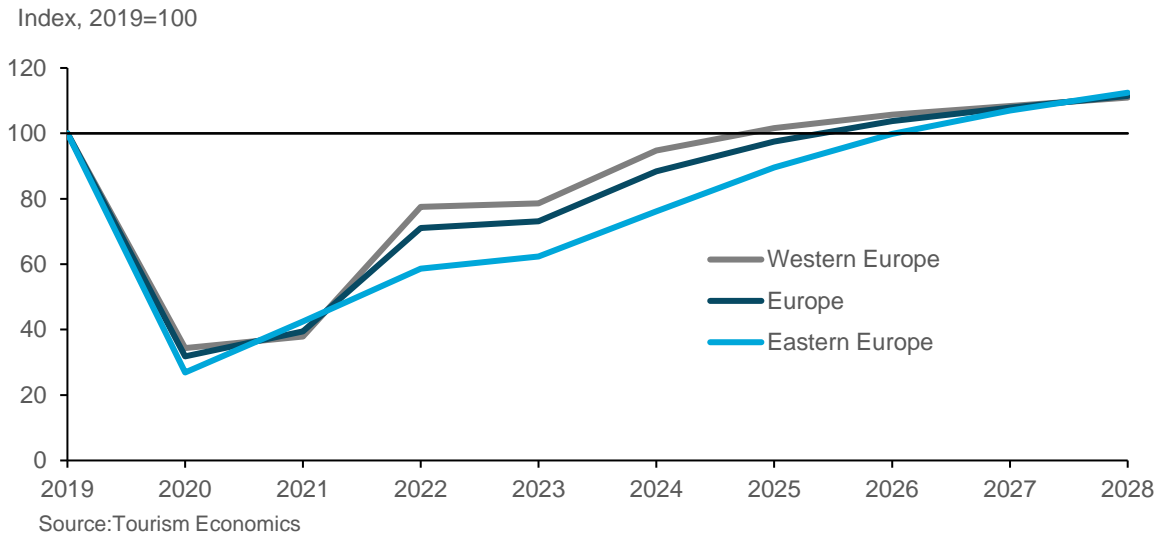
Source: Oxford Economics/Eurostat/Haver Analytics

As of the end of June, total gas supply has held up as lower pipeline flows from Russia were offset by liquified natural gas (LNG) and greater pipeline flows from other sources (Norway, Azerbaijan). However, by mid-September, Russian pipeline supplies were down 90% on the previous year, compared to 60% in June. Focusing on Germany and Italy, the EU's largest gas consumers traditionally reliant on Russia, we expect overall supplies to be down by 20% on 2021 in peak season. This runs the risk of gas rationing which is another key downside risk for the economy and travel as a whole.

Both gas shortages and high and persistent inflation levels are key risks to travel normalisation this winter. To assess the impact on European travel, we have modelled the outcome of a high inflation regime, whereby rates remain elevated for a protracted period as well as the assumption that pipeline supplies of natural gas from Russia to Europe were cut to zero from Q4 2022.



## International arrivals to Europe under the downside scenario



Under these downside risks we would see a weaker outturn for international arrivals across the region, due to the persistent squeeze on households' real disposable income and weaker activity in tourism-related sectors as gas is rationed across the business sector. Shorter operating hours, less discretionary spending and possibly reduced business travel will weigh on the travel recovery, with arrivals next year set to be roughly on par with 2022.

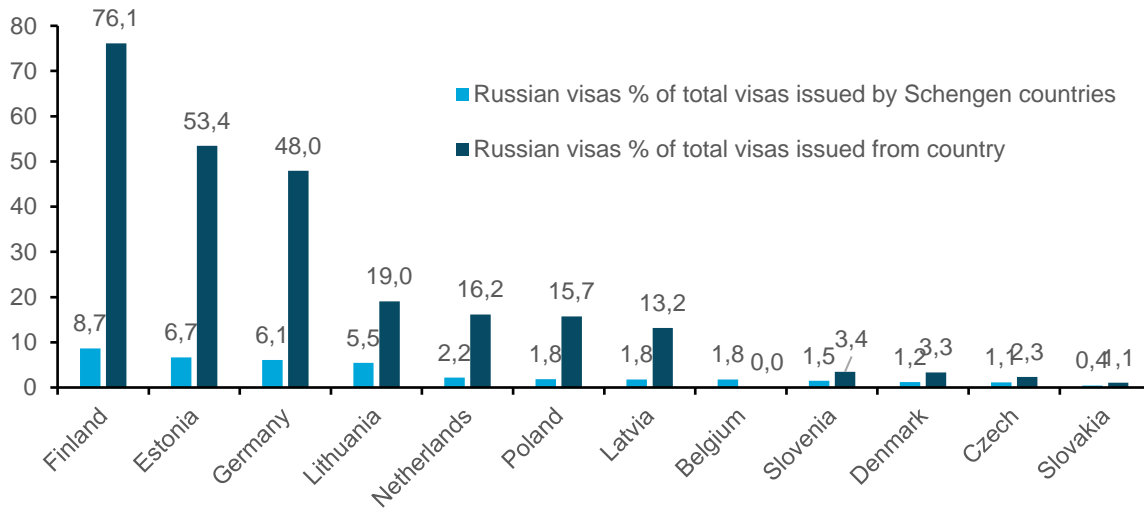
The impact on travel is expected to be less than on the overall economy. A reason for this is that short-haul travel makes up around 72% of total visits in Europe and shorter trips will tend to be cheaper than long-haul. The price of holidays will be a key deciding factor for households next year as they have less disposable income. The stronger dollar will also encourage travel within the Europe and may provide a boost to arrivals from the US as Europe becomes a cheaper destination.

Eastern Europe will continue to affect growth in the near-term due to the war in Ukraine and associated sanctions on Russia. A key addition to these sanctions has been countries banning Russian tourists by the non-issuance of Schengen visas (with a few exceptions). Some countries had this in place prior to the escalation of the conflict in the summer, but the number of countries involved has risen as of 19 September, and now include Lithuania, Latvia, Estonia, and Poland. This was followed by a ban on Russian tourists by Finland on 30 September. Overall, the countries with restrictions are mainly the Baltics and those neighbouring Russia and Ukraine, as well as a handful of Western European countries including Belgium, Denmark and the Netherlands. For countries such as Finland, Estonia and Poland, a sharp decline in Russian tourists will have a material impact on recovery.

The impact of visa restrictions on Russian tourists from the Schengen Area is less significant for the Schengen Area as a whole than for individual destinations. As of October, countries which had restrictions in place for Russian visas, together accounted for 29% of total visas issued to Russian citizens across the Schengen Area in 2021. At a country level, Finland will be one of the hardest hit by the ban on Russian tourist visas as they accounted for 76% of total visas issued by the country. This suggests that the effect of additional sanctions, directly impacting the flow of travel across the Schengen Area will disproportionately affect certain countries, including those who have the strictest bans in place.



## Russian visas issued relative to the total Schengen area and individual countries, 2021



Source: Schengen Visa

Inflationary pressures will also apply to Eastern European markets, like those in Western Europe. However, the greater reliance on Russian gas exports will exacerbate the situation, more so with support from the OPEC+ group becoming less certain. Downgrades to the economic outlook feed into lower expected travel demand from and between Eastern European markets. There are also risks that the more prolonged the war, the greater the delay in the recovery of inbound travel to these destinations.

The winter period will bring about challenges, but these will be short-lived and, in some cases, seasonal. The recovery in travel is better placed to weather the storm than the overall economy as the appetite to travel following the prolonged period of restrictions remains strong. It is more likely that households will choose cheaper trips rather than not travel at all. Furthermore, the war in Ukraine has highlighted the need for a more diversified energy-base. The most vulnerable countries are already taking steps to reduce their reliance, so if this conflict were to extend throughout next year, it is likely that the reliance on Russian energy will have reduced, hopefully removing any further risk of shorter operating hours of hospitality venues to conserve gas consumption.





## 5. KEY SOURCE MARKET PERFORMANCE

Trends discussed in this section in some cases relate to the period January to September 2022, although actual coverage varies by destination. For most countries, the latest available data point will be earlier than this. Further detailed monthly data for origin and destination, including absolute values, can be obtained from TourMIS (<http://tourmis.info>).

### SUMMARY

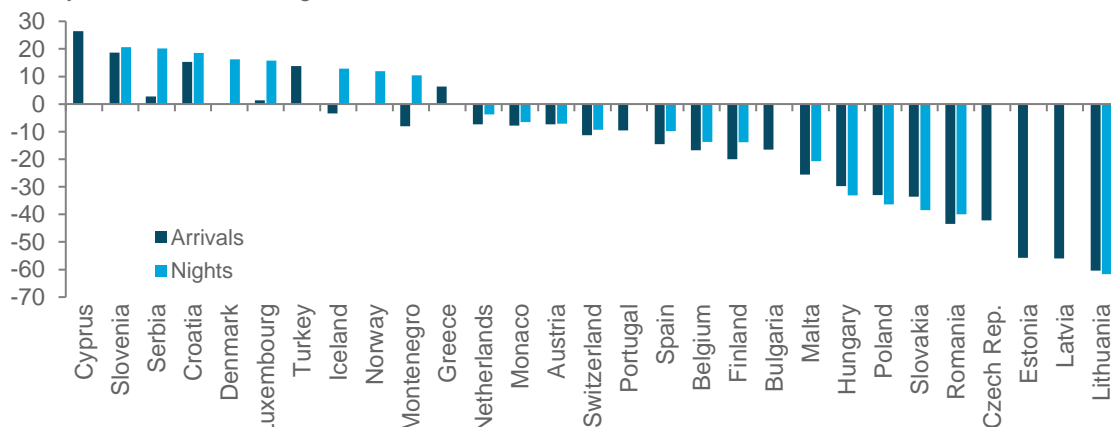
- Most European destinations reported continued recovery based on data for the peak summer season.
- Weighted average year-to-date growth for European destinations indicated demand was 13% below the comparable period for 2019.
- A number of destinations have reported year-to-date travel demand volumes from some source markets which are higher than the same period in 2019, but these remain the minority.
- Within long-haul source markets there is a marked division between countries which have witnessed significant recovery in recent months, such as the United States, versus the likes of Japan and China which have retained tougher travel restrictions and are yet to see any real recovery of travel demand to Europe.

### KEY INTRA-EUROPEAN SOURCE MARKETS

Relative to the same period in 2019, arrivals across European destinations were an estimated 13.2% lower in 2022 based on the latest year-to-date data covering the peak summer travel season. Declines relative to 2019 volumes remain for most markets, but it is positive to see a number of destinations reporting tourism demand in some months of 2022 surpassing those of the same month, or even for the comparable year-to-date period, of 2019.

#### German Visits and Overnights to Select Destinations

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



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

The number of destinations reporting growth from Germany has increased as the year has progressed. While not all destinations are reporting data to the same month of the year, over half (56%) are reporting to August. Cyprus reported the highest rates of arrivals growth from Germany based on the latest available data. While Germany is a not a major source market for Cyprus

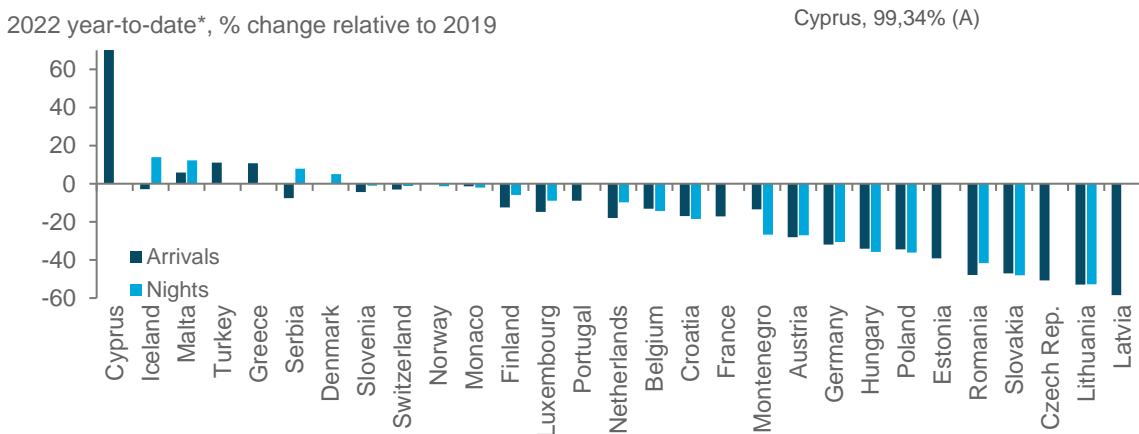


(accounting for just 4% of total arrivals in 2019), growth from Europe’s largest outbound market will help to offset the current lack of demand from Russia – Cyprus’s second largest source market in 2019. Slovenia also reported high rates of arrivals and overnights growth from Germany compared to the same period in 2019. This growth to above pre-pandemic volumes for the year-to-date happened during the summer months which points to Slovenia’s growing appeal as a summer holiday destination despite its limited coastline.

Overnights growth from Germany to Serbia was also strong at 20.2% based on data to August. As was the case earlier in the year, German arrivals growth continues to lag growth in overnights, implying lengthier trips compared to the same period in 2019. However, the gap between both metrics has shortened compared to earlier in the year, implying that the average length of stay has shortened also.

The addition of new routes from German airports appears to have aided the recovery of German arrivals volumes across a number of European destinations over the summer. Nuremburg in particular was able to boast 25 new routes, 13 of which are operated by Ryanair (which now counts the airport among its portfolio of base airports). Flights by British Airways, Corendon, Eurowings and Turkish Airlines make up the rest of these new connections.

### French Visits and Overnights to Select Destinations



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

Of those destinations which reported tourism performance data from France, 23% are now above comparable 2019 volumes based on the latest available data for 2022. Based on data to August, arrivals from France to Cyprus were double 2019 values for the same period. While France is not a typical source market for Cyprus and this high growth is from a low base, France represents a huge outbound travel market with untapped potential for Cyprus.

French overnights in Iceland were also up 13.9% on 2019 volumes based on data to August. The emergence of Play – a new start-up in the low-cost transatlantic air travel market – has likely supported a growing number of flights between continental Europe and Iceland, where travellers can transit onto US destinations. The collapse of Wow Air in 2019 – a dominant carrier for traffic to and from Iceland – precipitated a decline in arrivals volumes. With the entry of Play, the volume and frequency of low-cost flights to Iceland in general is likely to be higher now than in 2019 supporting Iceland’s recovery.

Malta has also enjoyed a very positive summer, with arrivals from France up 5.9% compared to the same period of 2019 and overnights up 12.2%. This represents a significant turnaround compared to

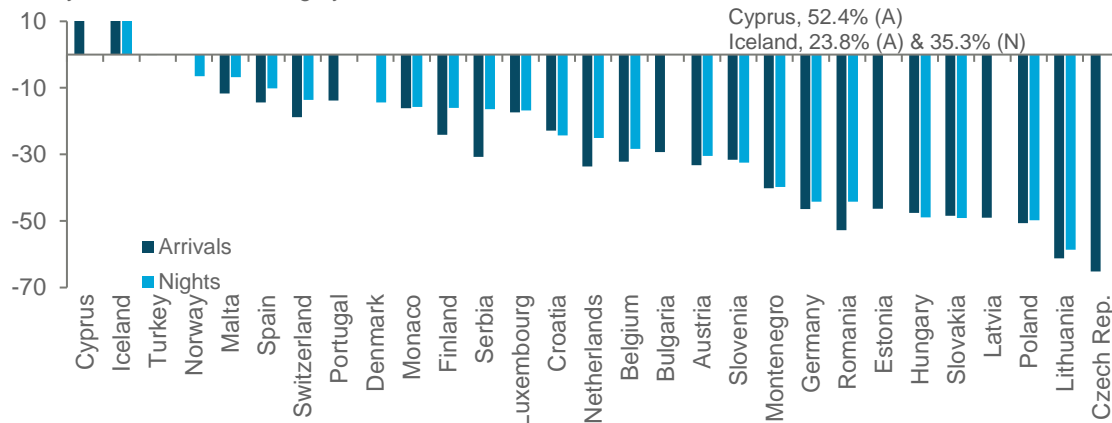


earlier in the year when arrivals to Malta from France remained below comparable 2019 volumes (-8.2% based on data to April). The Maltese summer has not only enticed arrivals back (along with additional visitors), but it has also encouraged trips which are close to twice as long as those taken during the same period of 2019. In contrast, destinations closer to Russia appear unable to make much progress in terms of recovering 2019 levels of demand from France.

While inflation is rampant across much of Europe, the French government capped energy prices at much lower levels compared to other European governments. This has helped to contain domestic inflation since energy prices have been a key driver of global inflation. In addition to mitigating the erosion of disposable incomes for the duration of this year, this should also help France avoid a recession next year, and support travel demand.

### Italian Visits and Overnights to Select Destinations

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



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

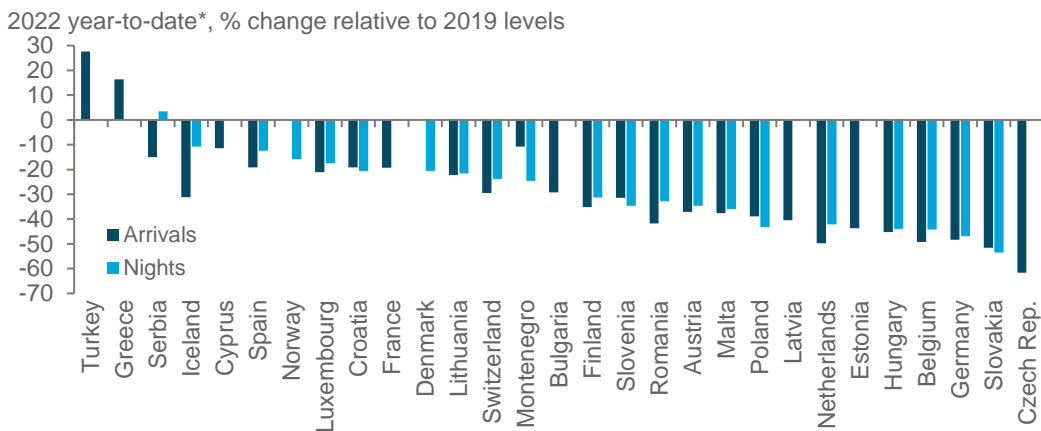
The recovery of arrivals demand from Italy gathered some momentum over the summer months, although it has been slower to recover than most other European source markets, with only 13% of destinations reporting volumes above those achieved in 2019. Cyprus reported robust arrivals growth (+52.4%) over the same period of 2019 based on data to August.

Iceland also enjoyed strong growth in both arrivals (+23.8%) and nights (+35.3%) from Italy based on data to August. Growth from Italy could reflect an uptick in transatlantic demand – for which Iceland has positioned itself as a stopover destination; a model utilised by Iceland to great effect prior to the pandemic.

Recovery of Italian demand across Europe during the summer months was not helped by some planned strike action. In early-June, air traffic controllers staged a 24-hour strike which disrupted travel mainly to and from Italy, but also to and from other European destinations where an Italian airport served as a hub.



## British Visits and Overnights to Select Destinations



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

Outbound travel demand from the UK appears to be recovering at a slower pace compared to most other intra-European source markets monitored in this report (only Italy and Russia exhibited weaker recovery for the year to date). Widely reported delays and cancellations across a number of UK airports, primarily due to staff shortages within the industry, are likely to have deterred some UK travel to European destinations. This demand is harder to divert to other modes of transport than for mainland European source markets.

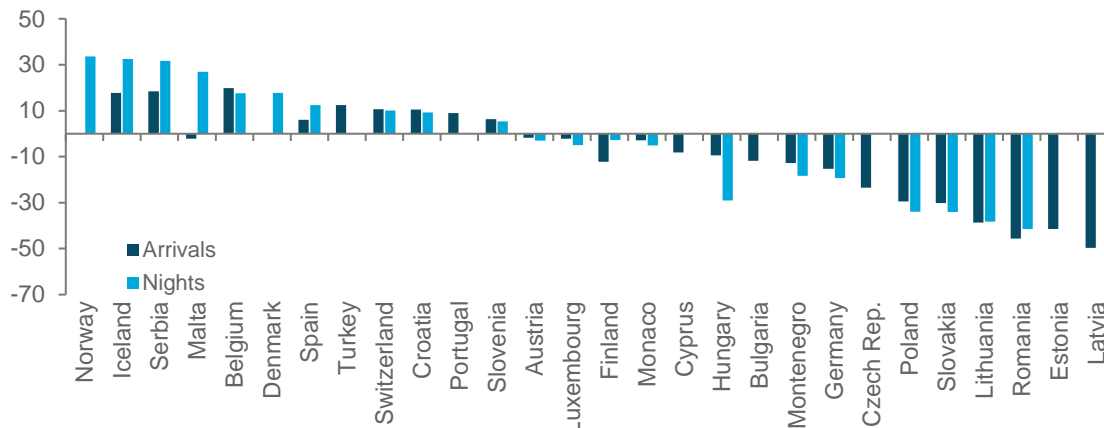
Nonetheless, Turkey and Greece continued to grow their share of UK outbound travel, with recorded arrivals volumes up 27.6% and 16.4% respectively relative to the same period of 2019. Growth in these destinations may be related to budget, with British travellers seeing them as better value for money compared to other European destinations.

A budgetary announcement by the UK Government in early-October precipitated further and significant depreciation of the pound against most major currencies. Subsequent policy changes may partly reverse the pound's depreciation, but recession remains likely and some focus on "value for money" (perceived or otherwise) will remain. Other inflationary pressures present within the UK economy may exacerbate this issue even further.



## Dutch Visits and Overnights to Select Destinations

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



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

While not a problem unique to Amsterdam's Schiphol Airport, it experienced lengthy delays and flight cancellation rates far above normal levels due to insufficient staffing levels which were unable to cope with demand at the airport. Despite this, the recovery of Dutch arrivals and overnights demand has been more widespread than any other intra-European source market so far in 2022 with 43% of destinations reporting growth.

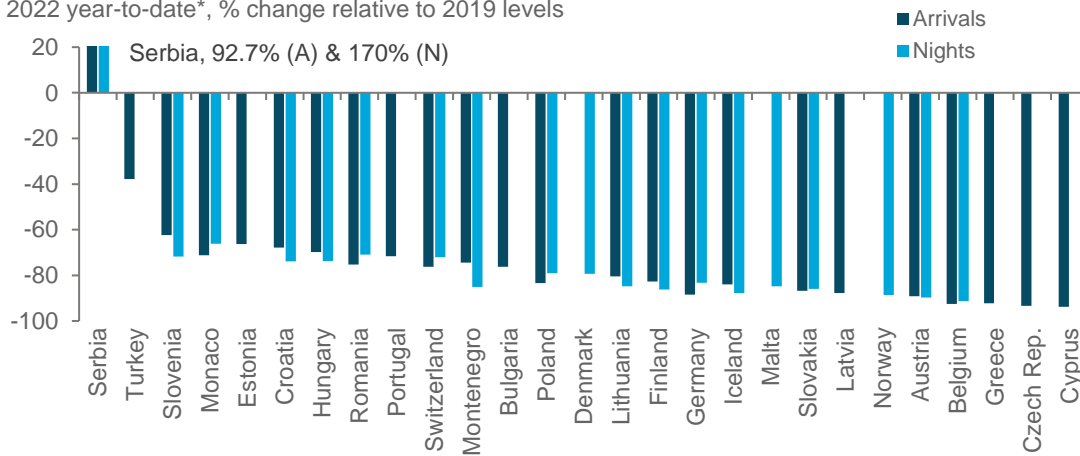
Norway reported the highest levels of growth from the Netherlands in terms of overnights, which were 33.7% higher than in 2019. Iceland also enjoyed strong arrivals (+17.8%) and overnights (+32.5%) growth from the Netherlands relative to 2019, albeit this is partly linked to declines in 2019 resulting in a lower recovery threshold. Serbia enjoyed growth from the Netherlands relative to 2019, with arrivals up 18.4% and overnights increasing by 31.7%.

In Malta, arrivals from the Netherlands were just below 2019 volumes based on data to July (down 2.1%), but overnights grew 26.9% over the same period. The gap between arrivals growth and overnights growth is a strong indication that Malta is now playing a greater role as a main holiday destination with the average Dutch visitor spending significantly more time in Malta per trip compared to the same period in 2019.



## Russian Visits and Overnights to Select Destinations

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



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

EU countries are officially taking a unified approach to sanctions against Russia, and the impact of this on arrivals from Russia is clear. But Serbia, as a non-EU member, has greater scope for unilateral policy decisions and has also retained greater links with Russia. Cut off from most other destinations in Europe, Russians have opted to travel to Serbia in considerable numbers and are staying for longer, with arrivals up 46.9% and overnights up 132% when compared to the same period in 2019 based on data to August.

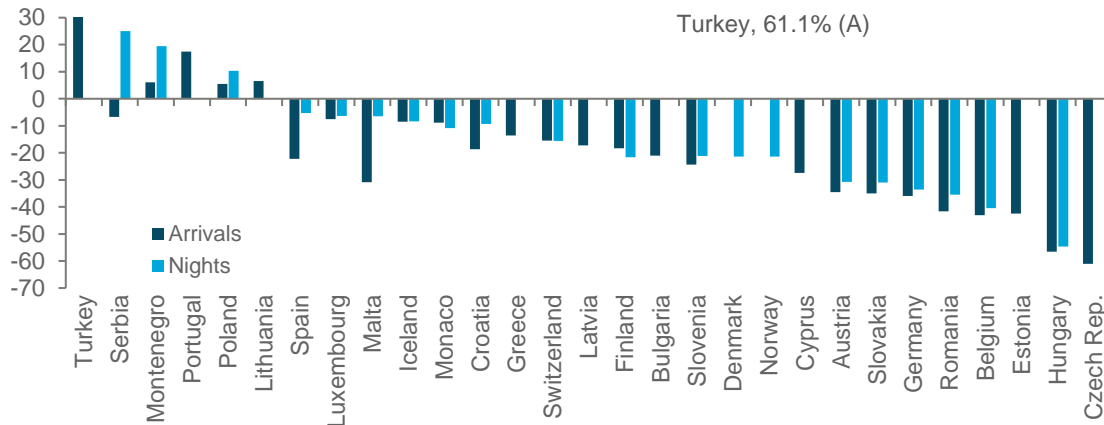
While it is difficult to say with any degree of certainty how long the war in Ukraine will last, what is known is that associated sanctions on Russian citizens – as well as numerous recessionary headwinds – will be felt very acutely within the European travel market over the near-term and for years to come.



## NON-EUROPEAN SOURCE MARKETS

### US Visits and Overnights to Select Destinations

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



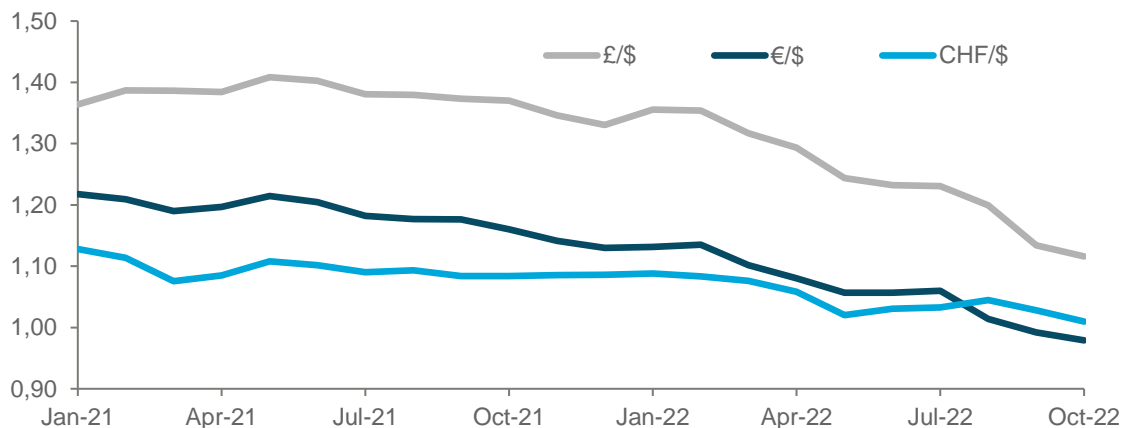
Source: TourMIS\*, INSETE \*date varies (Jan-Sep) by destination

Until June, US citizens returning from Europe were required to take PCR tests prior to travel, which is likely to have stifled some early summer demand. Since then, recovery of US arrivals and overnights has picked up through the summer. Well over half of reporting destinations stated that arrivals and nights were within at least 25% of 2019 volumes – and almost a fifth indicated that 2019 volumes have already been achieved.

Turkey has enjoyed the fastest growth from the US with arrivals 61.1% above the same period of 2019, albeit 2019 does not represent the historical peak year for US arrivals in Turkey. However, it looks likely that 2022 will represent a new peak year. Portugal has also enjoyed robust demand growth from the US, with arrivals 17.4% above the same period of 2019.

Some had feared that the war in Ukraine would deter US travel to Europe owing to safety concerns for the wider European region. There is little evidence to support this notion given the range of destinations already reporting recovery, including Poland (+5.5%) and Lithuania (+6.6%).

### European exchange rates relative to the US dollar

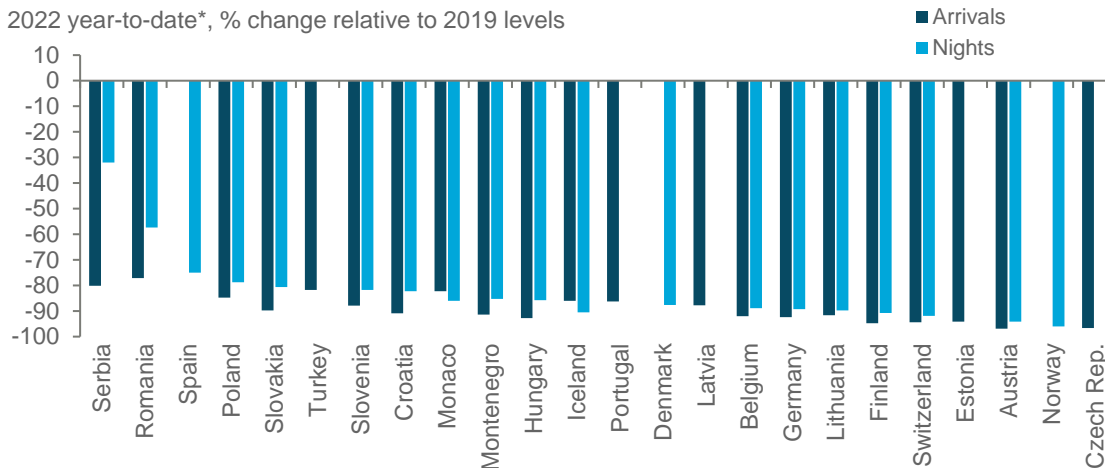


Source: Tourism Economics



Over the course of the last 12 months, the US dollar has appreciated around 20% against both the euro and the pound. This will help US-based travellers absorb rising prices across Europe. Further appreciation of the dollar against key European currencies since July should facilitate faster rates of recovery within Europe in the latter part of the year.

### Chinese Visits and Overnights to Select Destinations



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

While some apparent recovery is evident in a small number of destinations, strict lockdowns and foreign travel bans have remained a key feature of China’s Covid-19 policy since early 2020. Consequently, no destination has reported growth in arrivals from China so far in 2022.

Overnights from China to Serbia were 32% below 2019 volumes based on data to August, while arrivals declined by 80.1%. This represents a deterioration in performance compared to [earlier in the year](#) when Serbia reported an increase in overnights compared to 2019.

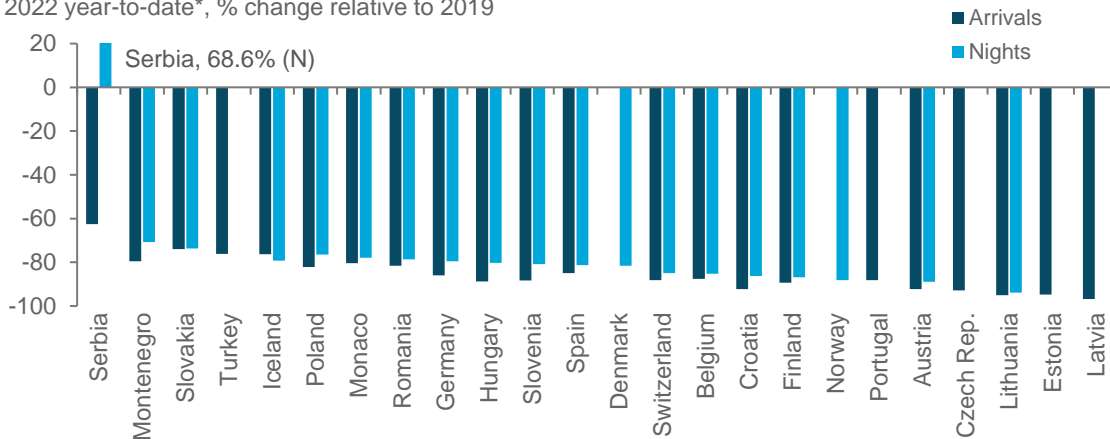
Given that travel bans from China remain in place, it is likely that further deterioration will occur as the year progresses, with most destinations likely to post declines in a comparable range. Chinese policy towards outbound travel is evolving but not necessarily easing. ‘Unnecessary’ overseas travel remains restricted with tighter controls on access to passports and other travel documentation.





## Japanese Visits and Overnights to Select Destinations

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



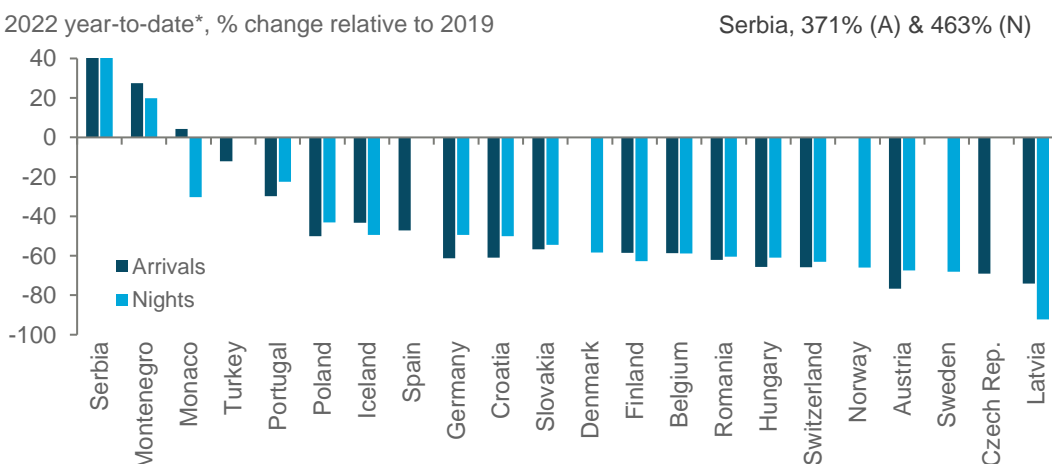
Source: TourMIS\*, INSETE \*date varies (Jan-Sep) by destination

With the exception of Serbia, there has been little improvement in Europe's prospects from Japan. Arrivals from Japan to Serbia are the most recovered at 62.5% below 2019 levels based on data to August (overnights were in fact 68.6% higher based on data for the same period). This represents a slight improvement in arrivals performance (-65.6% in the previous quarterly report) but a relative deterioration in overnights (+82.6% in the previous report). Beyond Serbia, the recovery has been comparably weak across destinations, with 2022 arrivals volumes ranging between -74% (Slovakia) and -96.8% (Latvia) below 2019 arrivals.

Currency shifts following the pandemic have not been favourable for Japanese outbound travel demand. The yen has lost 23% of its value against the US dollar over the past 12 months – marking a further deterioration versus six months ago. In the past 12 months it has shed 10% against the euro and 7% against the pound, albeit these rates of depreciation have remained fairly stable over the last six months.

## Indian Visits and Overnights to Select Destinations

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



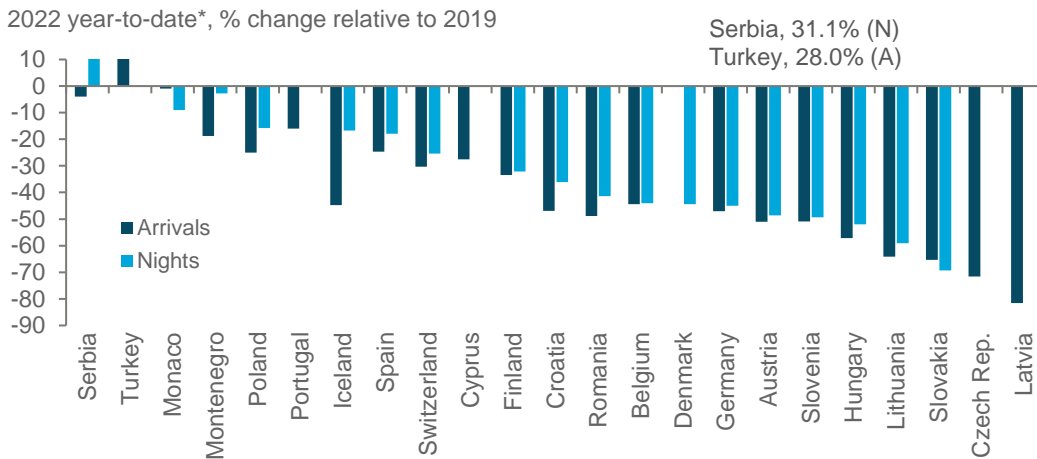
Source: TourMIS\*, INSETE \*date varies (Jan-Sep) by destination

Serbia continues to report some exceptional rates of arrivals and overnights growth from India for 2022. Growth was facilitated by a loophole in the travel requirements of other countries which allowed vaccinated travellers with a negative Covid-19 test to stay in Serbia visa-free. Depending on the requirements of their final destination, the isolation period could last for seven days. Indian arrivals to Serbia were up 371%. Due to the length of compulsory isolation periods, Indian overnights



grew to a greater extent than arrivals (+463%). Arrivals growth has slowed slightly compared to earlier in the year, but overnights have slowed to a much greater extent, indicating that the demand for trips to Serbia is still there, but the need for such lengthy isolation periods has waned. Montenegro (+27.4%) also enjoyed some strong growth from India, likely benefitting from its relative proximity to Serbia

### Canadian Visits and Overnights to Select Destinations

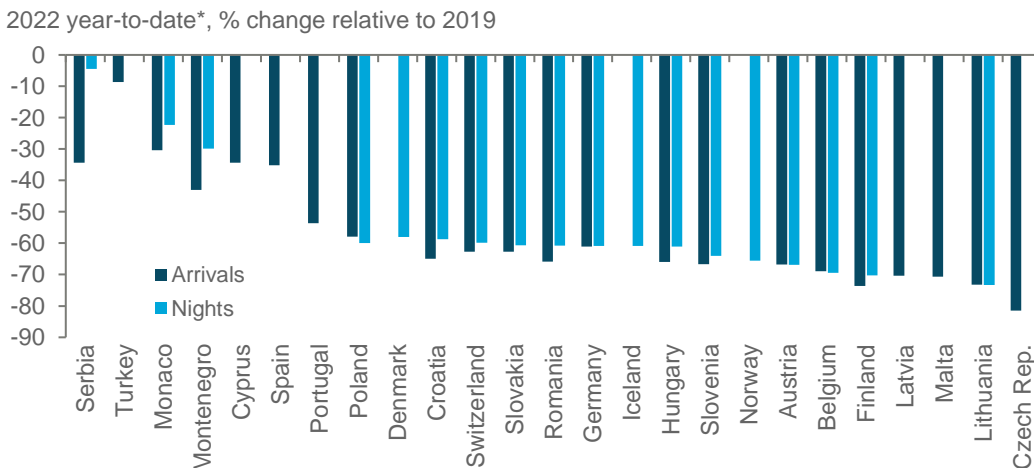


Source: TourMIS\*, INSETE \*date varies (Jan-Sep) by destination

Turkey reported strong growth in arrivals from Canada for the year-to-date (+28%). This growth has been facilitated by laxer travel restrictions compared to most other European destinations which tended to conform to the recommended EU legislation. Turkey, along with Serbia, and Montenegro, all opted to implement more watered-down travel restrictions compared to most other European destinations. This was done in order to drive growth and recovery within their respective travel industries.

The Canadian government dropped the requirement that domestic and outbound travellers be fully vaccinated against Covid-19, effective from 20 June 2022. It has subsequently dropped all Covid-related travel restrictions which should support the ongoing recovery of outbound travel demand to European destinations.

### Australian Visits and Overnights to Select Destinations



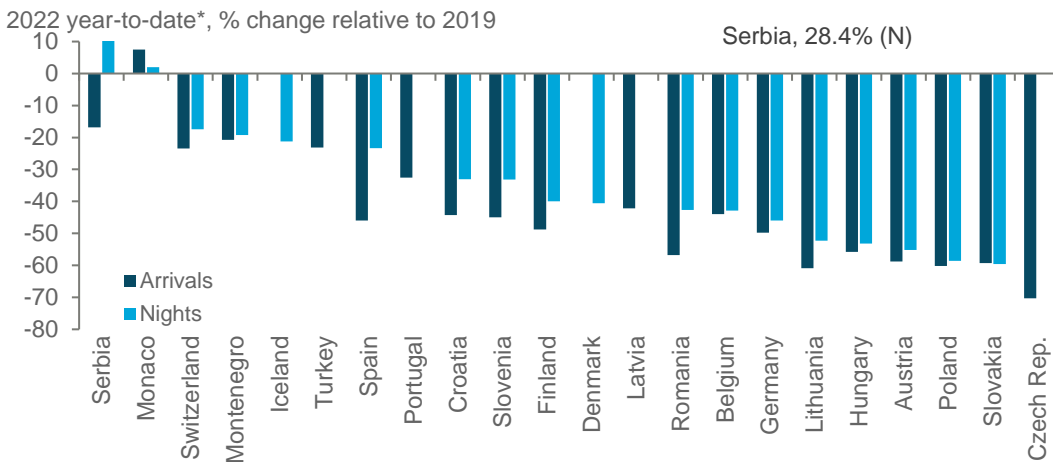
Source: TourMIS\*, INSETE \*date varies (Jan-Sep) by destination



As yet, no destination in Europe has reported growth on 2019 levels from Australia and many destinations have continued to report very low activity from this market. Serbia was the most recovered with overnights from Australia just 4.5% below 2019 levels. Australian arrivals in Turkey were 8.6% below 2019 levels. In Monaco, arrivals were 30.4% below the same period of 2019.

While volumes from Australia to most European destinations are very low at present, there is upside potential. Indeed, Qantas plans to fly its first non-stop flights from Sydney to London in 2025 with new ultra-long-haul jets. The flag-carrier has purchased a new fleet of Airbus A350-1000 jets capable of direct flights to any city in the world. This suggests that airlines have full confidence in a return of Australian outbound travel to Europe.

### Brazilian Visits and Overnights to Select Destinations



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

Serbia and Monaco were the only two destinations to enjoy growth from Brazil so far in 2022. Monaco was the strongest performing country for Brazilian travellers in arrivals terms based on data to September, with arrivals up 7.5% against comparable 2019 levels. Serbia enjoyed only growth in overnights (+28.4%). With the exception of Serbia and Monaco, the recovery of Brazilian travel volumes in reporting destinations ranges from -17.4% for nights in Switzerland to -70.3% in arrivals to the Czech Republic. However, with most other destinations only reporting data to July and August, this strong uptick in demand from Brazil to Monaco (reporting to September) compared to earlier in the year could bode well for other destinations as more summer data become available. Growth beyond that could be very dependent on the direction taken by the new Brazilian government under president Lula.



## 6. ORIGIN MARKET SHARE ANALYSIS

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

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

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

*The geographies of Europe are defined as follows:*

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

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

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

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



## United States Market Share Summary

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

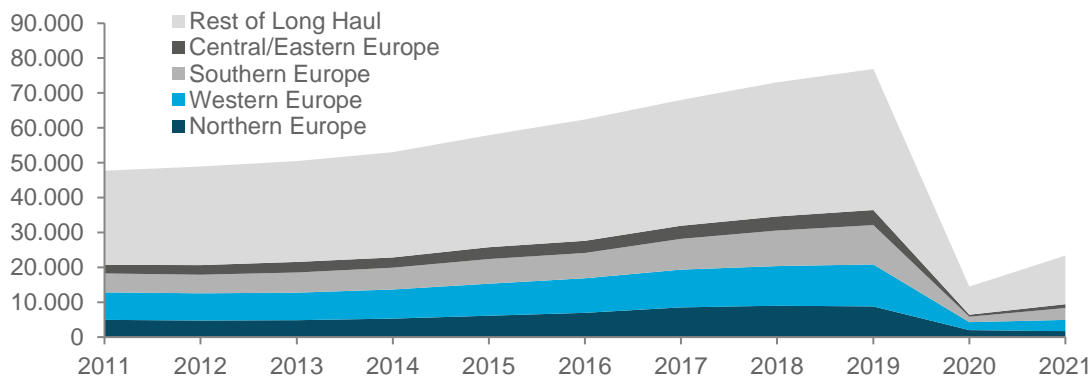
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## United States Long Haul\* Outbound Travel

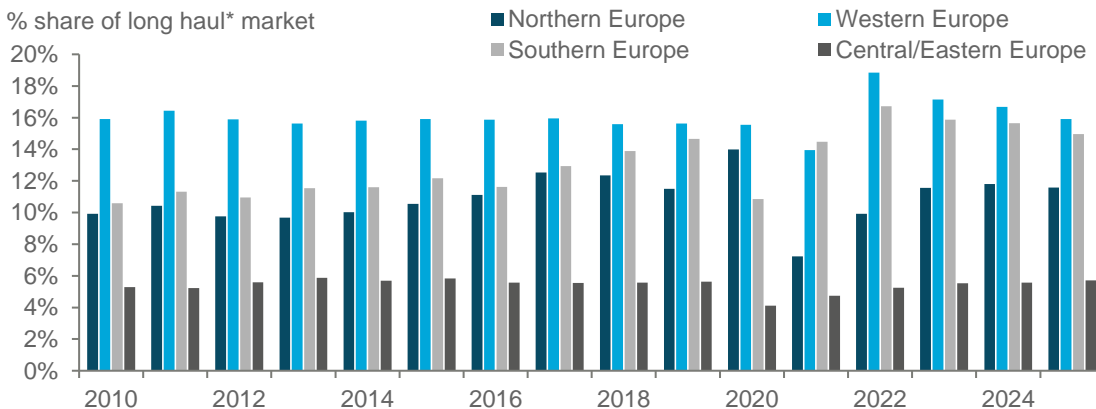
Visits, 000s



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

Source: Tourism Economics

## Europe's Share of American Market



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

Source: Tourism Economics



## Canada Market Share Summary

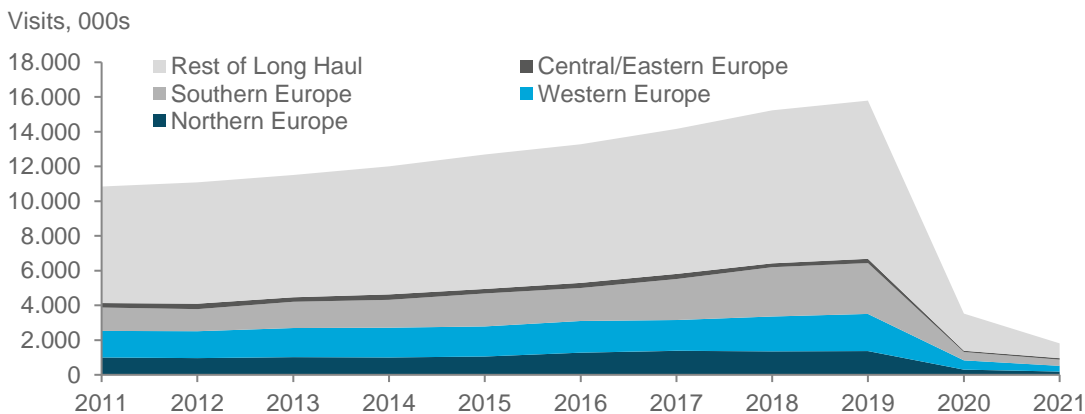
	2021		Growth (2021-26)			Growth (2016-21)	
	000s	Share**	Annual average	Cumulative growth*	Share 2026**	Cumulative growth*	Share 2016**
Total outbound travel	4,794	-	57.9%	881.7%	-	-86.0%	-
Long haul	1,804	37.6%	58.9%	913.7%	38.9%	-86.4%	38.7%
Short haul	2,990	62.4%	57.3%	862.4%	61.1%	-85.8%	61.3%
Travel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

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

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

Source: Tourism Economics

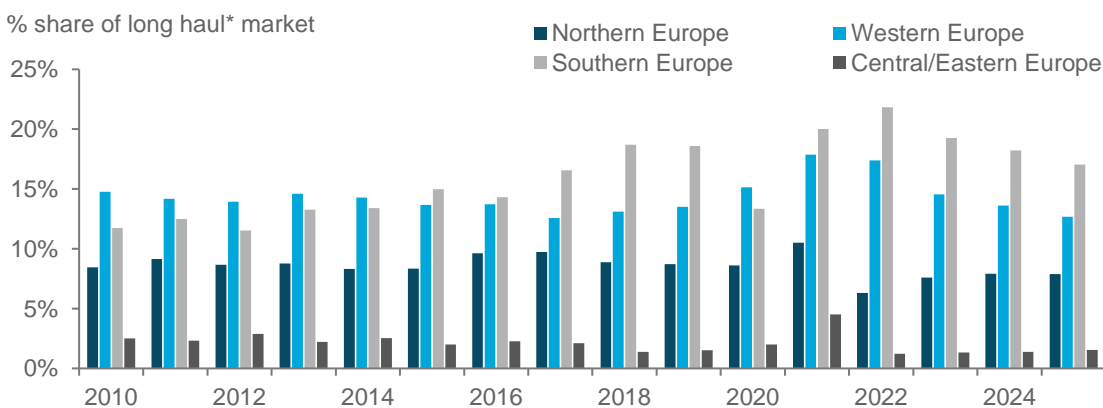
## Canada Long Haul\* Outbound Travel



\*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

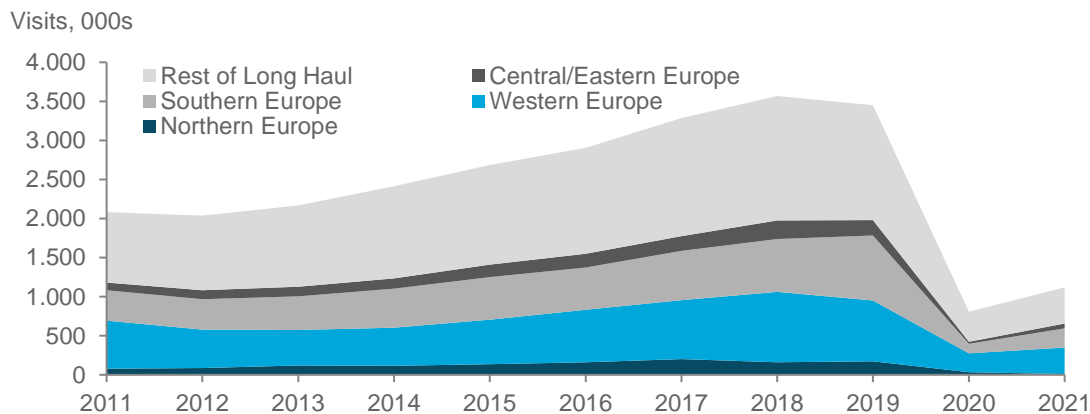
	2021		Growth (2021-26)			Growth (2016-21)	
	000s	Share**	Annual average	Cumulative growth*	Share 2026**	Cumulative growth*	Share 2016**
Total outbound travel	11,598	-	15.3%	104.2%	-	-47.6%	-
Long haul	1,120	9.7%	24.7%	201.4%	14.3%	-61.4%	13.1%
Short haul	10,478	90.3%	14.1%	93.8%	85.7%	-45.5%	86.9%
Travel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

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

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

Source: Tourism Economics

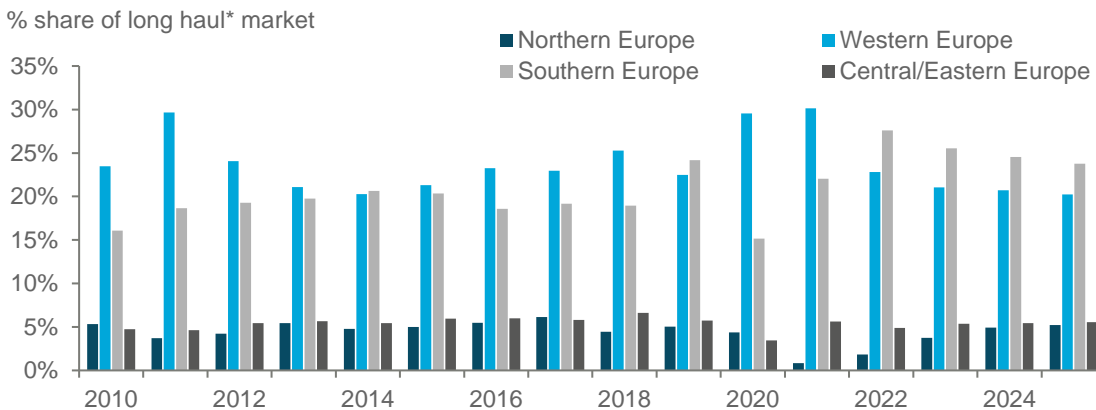
## Mexico Long Haul\* Outbound Travel



\*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

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

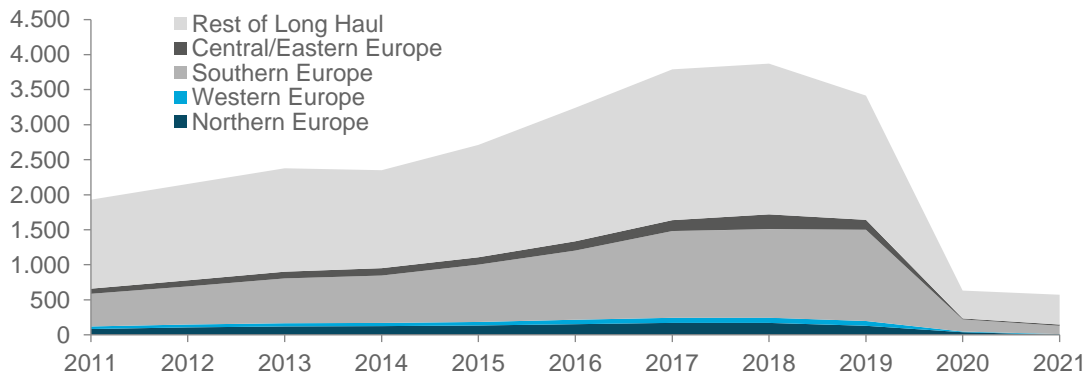
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Argentina Long Haul\* Outbound Travel

Visits, 000s

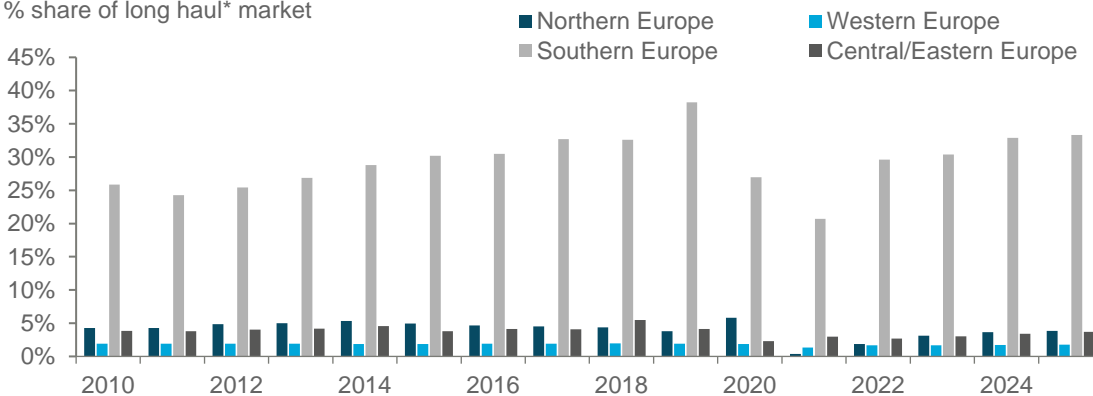


\*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

## Europe's Share of Argentine Market

% share of long haul\* market



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

Source: Tourism Economics





## Brazil Market Share Summary

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

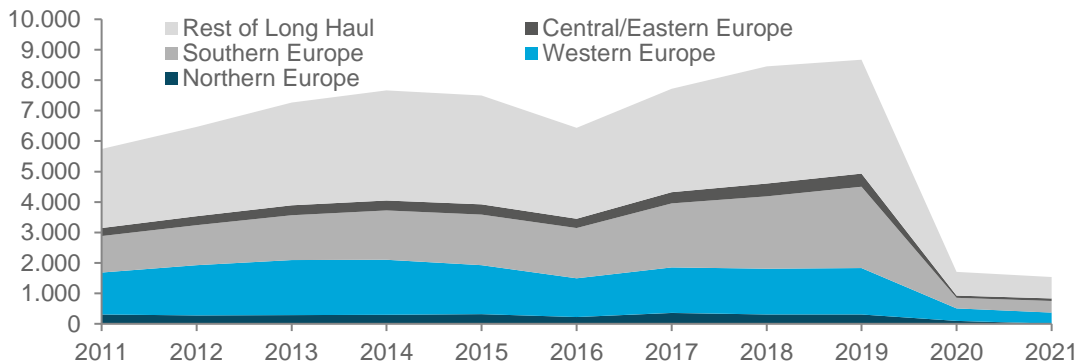
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Brazil Long Haul\* Outbound Travel

Visits, 000s

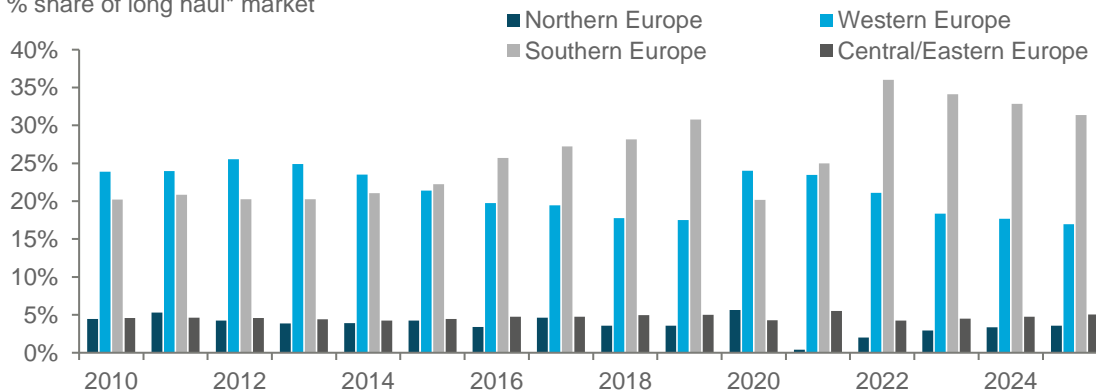


\*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

## Europe's Share of Brazilian Market

% share of long haul\* market



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

Source: Tourism Economics



## India Market Share Summary

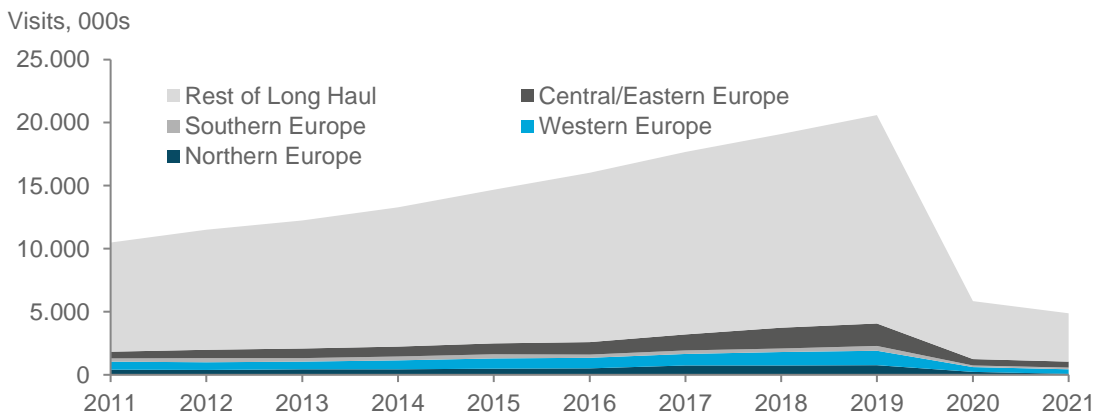
	2021		Growth (2021-26)			Growth (2016-21)	
	000s	Share**	Annual average	Cumulative growth*	Share 2026**	Cumulative growth*	Share 2016**
Total outbound travel	5,165	-	36.4%	371.7%	-	-69.8%	-
Long haul	4,870	94.3%	36.4%	371.9%	94.3%	-69.6%	93.6%
Short haul	295	5.7%	36.2%	369.4%	5.7%	-72.9%	6.4%
Travel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

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

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

Source: Tourism Economics

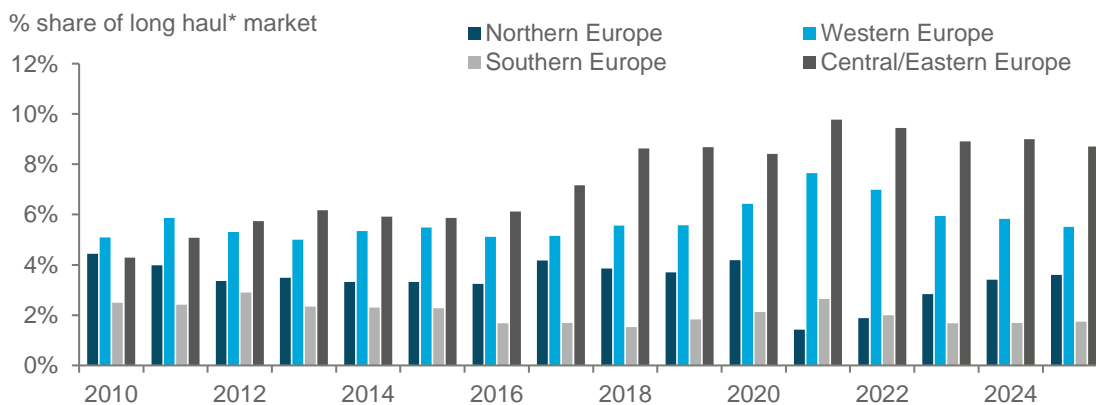
## India Long Haul\* Outbound Travel



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

Source: Tourism Economics

## Europe's Share of Indian Market



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

Source: Tourism Economics



## China Market Share Summary

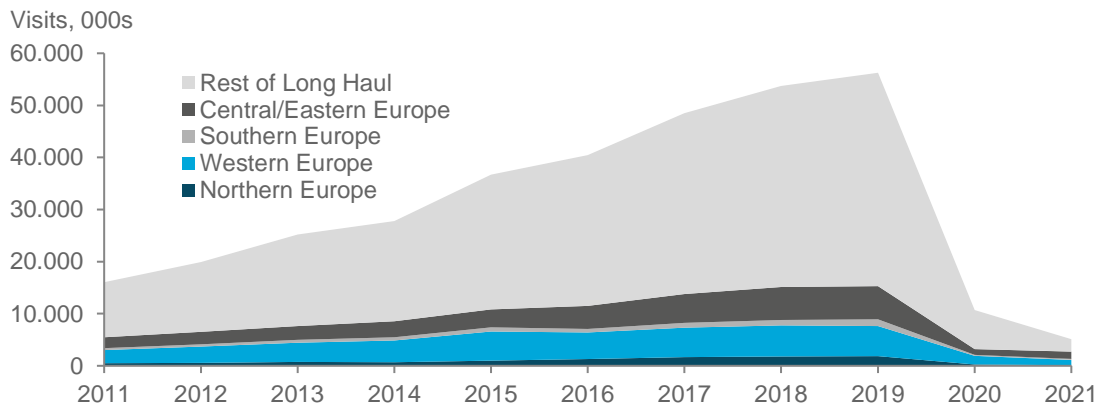
	2021		Growth (2021-26)			Growth (2016-21)	
	000s	Share**	Annual average	Cumulative growth*	Share 2026**	Cumulative growth*	Share 2016**
Total outbound travel	12,429	-	63.0%	1051.1%	-	-87.1%	-
Long haul	5,108	41.1%	66.5%	1178.5%	45.6%	-87.4%	42.0%
Short haul	7,321	58.9%	60.4%	962.2%	54.4%	-86.9%	58.0%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

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

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

Source: Tourism Economics

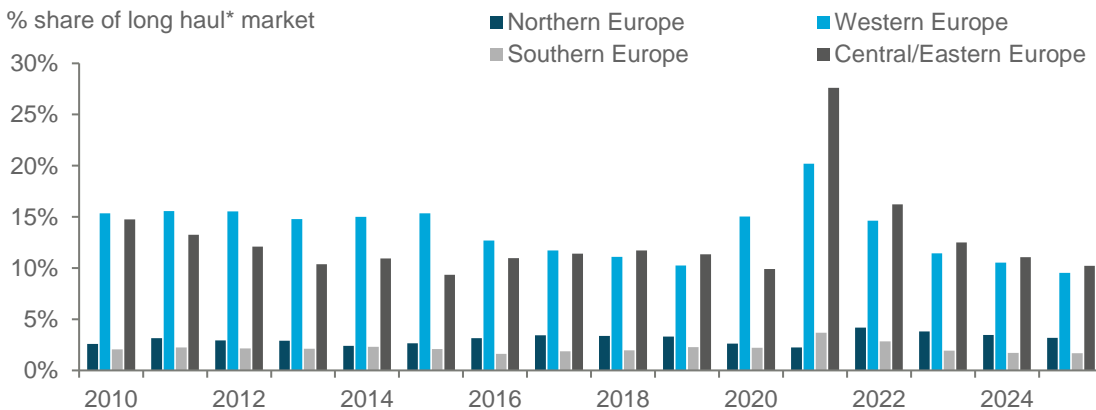
## China Long Haul\* Outbound Travel



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

Source: Tourism Economics

## Europe's Share of Chinese Market



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

Source: Tourism Economics



## Japan Market Share Summary

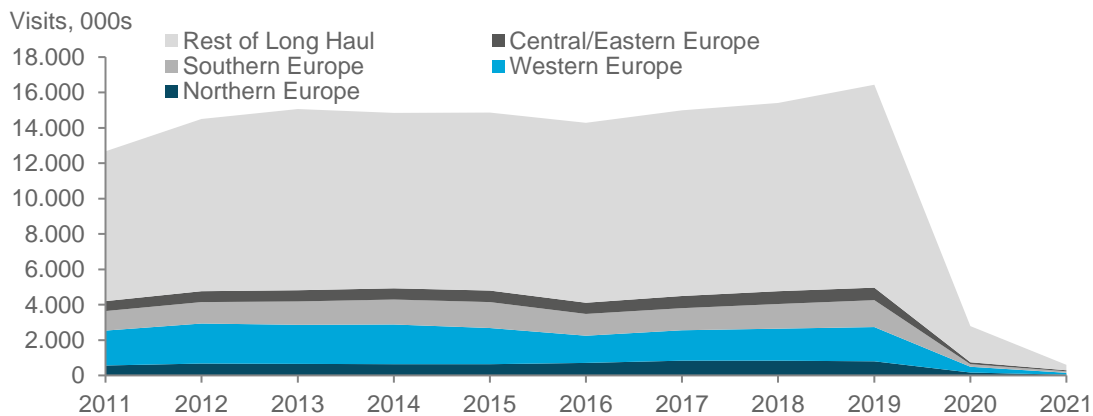
	2021		Growth (2021-26)			Growth (2016-21)	
	000s	Share**	Annual average	Cumulative growth*	Share 2026**	Cumulative growth*	Share 2016**
Total outbound travel	711	-	118.7%	4899.3%	-	-96.8%	-
Long haul	593	83.4%	104.9%	3515.3%	60.3%	-95.8%	64.7%
Short haul	118	16.6%	160.4%	11864.8%	39.7%	-98.5%	35.3%
Travel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

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

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

Source: Tourism Economics

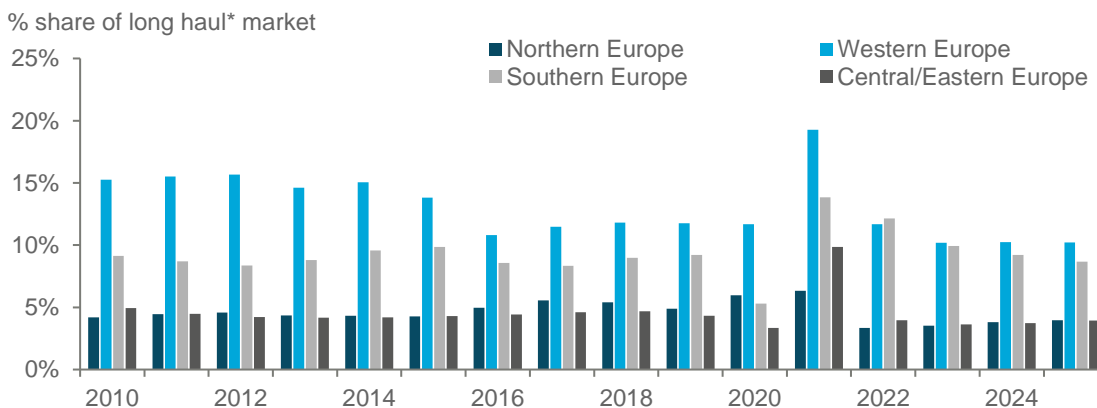
## Japan Long Haul\* Outbound Travel



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

Source: Tourism Economics

## Europe's Share of Japanese Market



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

Source: Tourism Economics



## Australia Market Share Summary

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

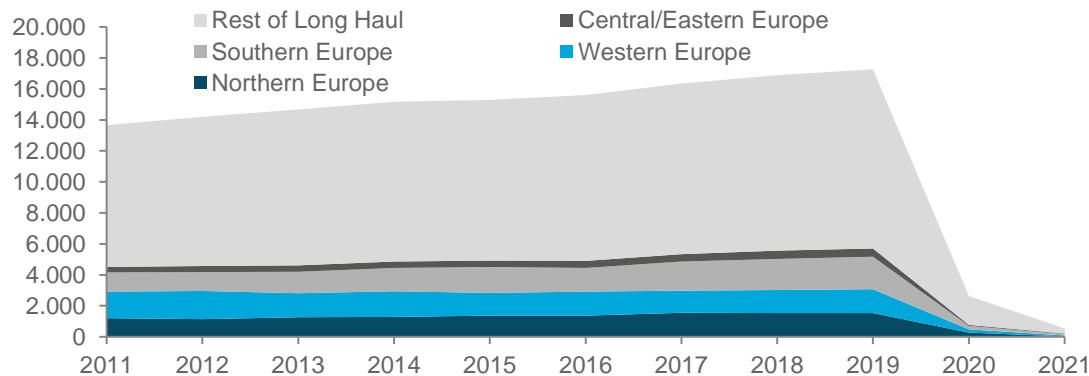
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Australia Long Haul\* Outbound Travel

Visits, 000s

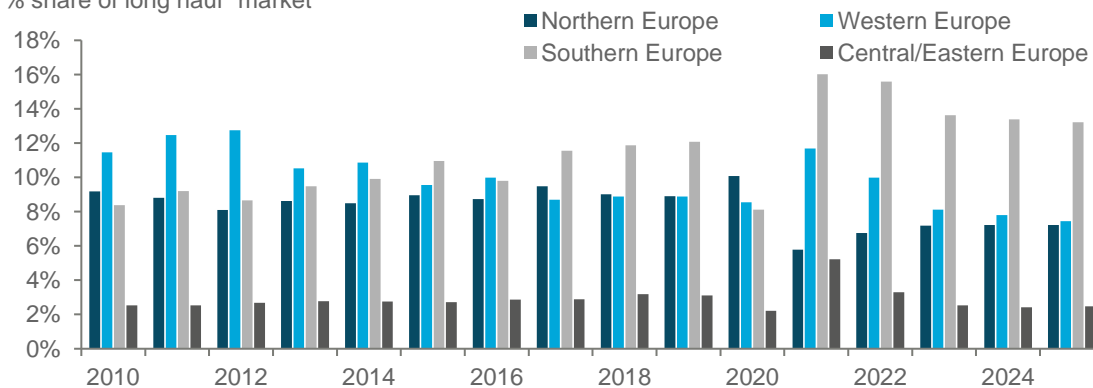


\*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

## Europe's Share of Australian Market

% share of long haul\* market



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

Source: Tourism Economics



## Russia Market Share Summary

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

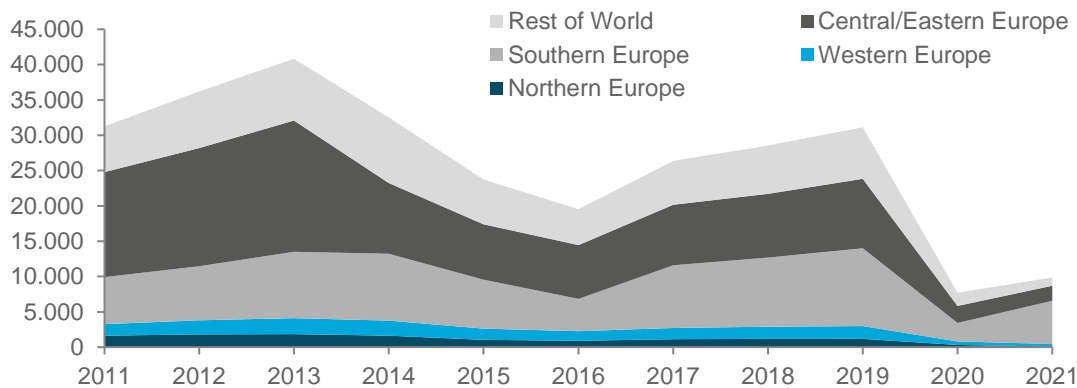
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## Russia Long Haul\* Outbound Travel

Visits, 000s

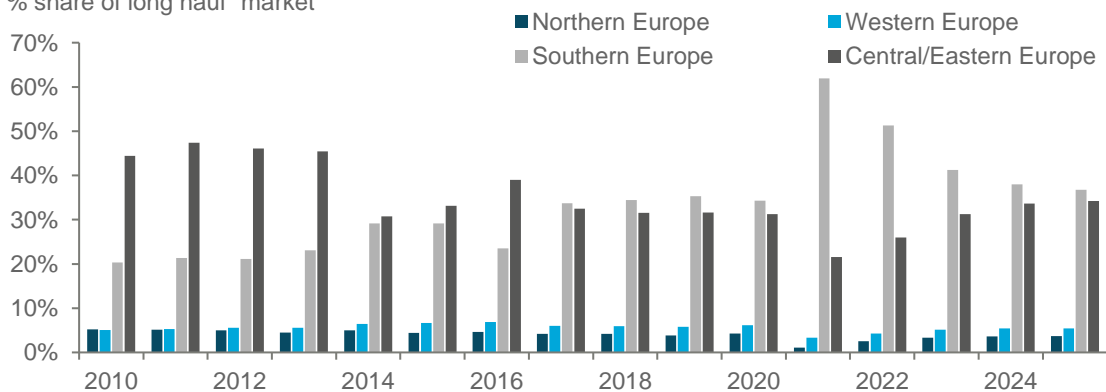


\*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

## Europe's Share of Russian Market

% share of long haul\* market



\*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics



## United Arab Emirates Market Share Summary

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

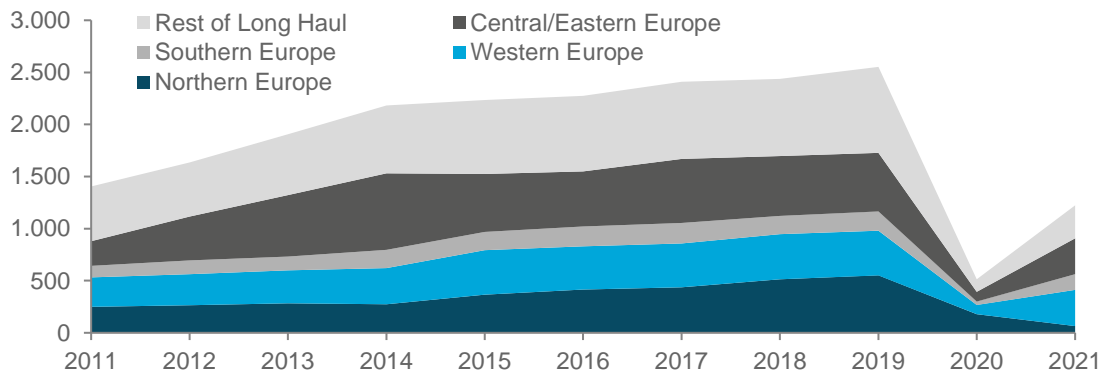
\*Shows cumulative change over the relevant time period indicated. 2016-21 includes COVID-19 pandemic related declines.

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

Source: Tourism Economics

## United Arab Emirates Long Haul\* Outbound Travel

Visits, 000s

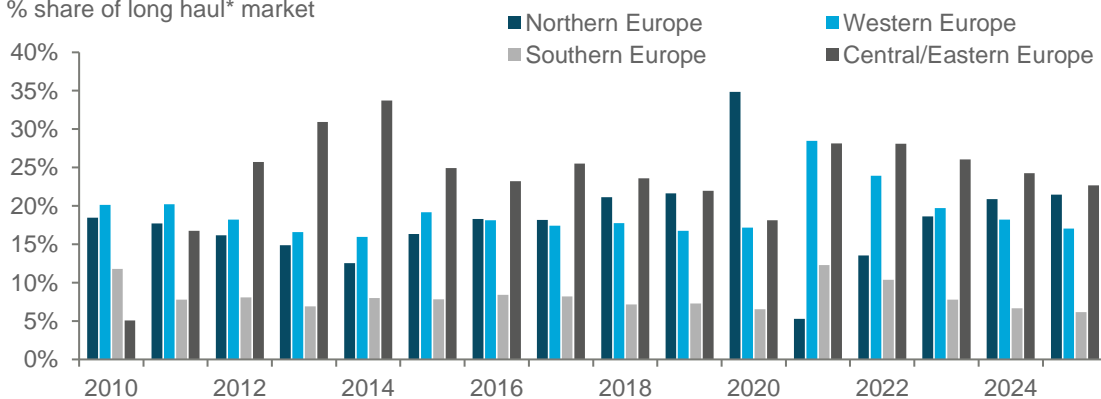


\*Long haul defined as tourist arrivals to destinations outside Middle East

Source: Tourism Economics

## Europe's Share of Emirati Market

% share of long haul\* market



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

Source: Tourism Economics



## 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 (lost value) of the euro against the US dollar would make the Eurozone a relatively cheaper destination and therefore more attractive to US travellers.*

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

### OVERVIEW

Further moderate downgrades to the near-term outlook for Advanced Economies (AEs) have pushed our global GDP forecast perilously close to recession territory – defined as two successive quarters of falling per capita GDP. We now envisage global GDP growth to slow from 2.9% this year to 1.5% in 2023 – the latter is 0.2ppts lower than a month ago (September) and considerably weaker than consensus and the IMF's forecasts.

The key drivers of our global GDP growth downgrade are the performance of the AEs. We now expect the US, the eurozone, the UK, and Canada to all record GDP contractions in 2023 as high inflation, monetary policy tightening and, in many cases, falling house prices bite.

The relative resilience of our global growth forecast for next year rests on only a mild slowdown in GDP growth in Emerging Markets (EMs) from 3.6% this year to 3.4% in 2023. This partly reflects idiosyncratic factors, such as a rebound in Chinese growth as the economy emerges from Covid-19 lockdowns and an easing in the pace of contraction in Russia as the economy adjusts to sanctions. Asia may generally prove more resilient due to a later end to Covid-related restrictions than in other parts of the world.

In comparison to past AE stress periods, we still see relatively small peak-to-trough contractions in GDP. AE recessions are being driven by a series of adverse shocks in quick succession that are taking the wind out of the sails of the economic recovery. We believe growth will resume as these shocks start to dissipate through 2023. This assessment relies on a significant easing of inflation and relatively resilient labour markets.

But a longer period of weakness, perhaps due to stickier inflation and more aggressive policy tightening that triggers a more notable softening of the labour market and greater falls in financial asset and property prices, could plausibly lead to lengthier and more painful recessions.





Meanwhile, EMs' resilience could melt in the face of further lockdowns in China, more prolonged geopolitical uncertainties stemming from the war in Ukraine, or greater adverse spill over from the strong US dollar and contracting demand in the AEs.

Overall, we expect the weakest period of global GDP growth since the 2008-09 global financial crisis (excluding the coronavirus-driven downturn in 2020). The world is undoubtedly going through a tough patch, but we continue to think that the average peak-to-trough falls in GDP will be smaller than during past global stress periods over the past 40 years. The risks of a major global recession remain reasonably low.

### Summary of economic outlook, % change\*

Country	2021					2022				
	GDP	Consumption	Unemployment**	Exchange rate***	Inflation	GDP	Consumption	Unemployment**	Exchange rate***	Inflation
UK	7.5%	6.2%	0.2%	2.7%	2.6%	4.5%	4.9%	-1.6%	0.9%	8.9%
France	6.8%	5.3%	-0.2%	0.0%	1.6%	2.6%	2.4%	-0.4%	0.0%	5.3%
Germany	2.6%	0.4%	-0.2%	0.0%	3.1%	1.4%	4.3%	-0.4%	0.0%	8.0%
Netherlands	4.9%	3.6%	-0.6%	0.0%	2.7%	4.7%	6.0%	-0.6%	0.0%	10.7%
Italy	6.7%	5.1%	0.2%	0.0%	1.9%	3.4%	2.9%	-1.2%	0.0%	7.9%
Spain	5.5%	6.0%	-0.7%	0.0%	3.1%	4.3%	1.1%	-2.1%	0.0%	8.7%
Russia	4.7%	9.5%	-1.0%	-5.4%	6.7%	-3.3%	-6.6%	-0.7%	18.5%	13.7%
US	5.9%	8.3%	-2.7%	-3.4%	4.7%	1.7%	2.5%	-1.7%	13.5%	8.0%
Canada	4.5%	4.9%	-2.2%	3.4%	3.4%	2.9%	5.1%	-2.0%	8.8%	6.7%
Brazil	4.9%	3.6%	-0.5%	-7.7%	8.3%	3.2%	4.7%	-3.5%	17.9%	9.7%
China	8.1%	12.3%	0.0%	3.1%	0.9%	3.2%	0.6%	0.1%	9.0%	2.3%
Japan	1.7%	1.3%	0.0%	-6.2%	-0.2%	1.6%	2.9%	-0.2%	-5.5%	2.3%
India	8.3%	9.3%	-1.2%	-3.2%	5.1%	7.0%	8.8%	-1.5%	7.6%	6.9%

Source: Tourism Economics based on GEM as of 12.10.2022

\* Unless otherwise specified

\*\* Percentage point change

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



## EUROZONE

The most recent surveys of eurozone economic activity support our belief that a mild contraction started in Q3. We expect the recession will last until Q1 next year, with a cumulative GDP contraction of around 1%, but there are clear downside risks to the length and severity of the contraction. We now expect GDP to decline by 0.1% in 2023 and maintain our 3% GDP growth forecast for 2022.

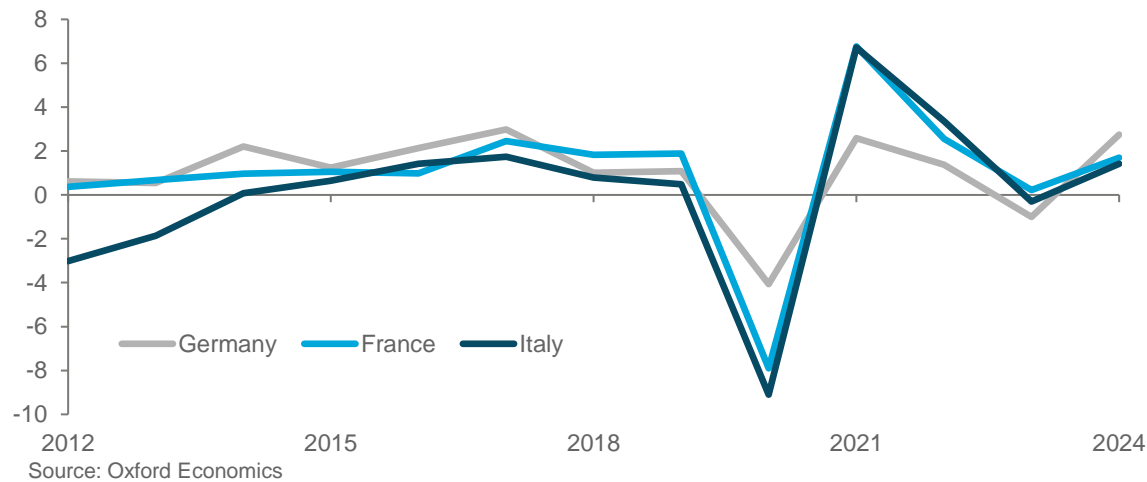
The September composite PMI for the eurozone was in recession territory at 48.1, and down by around 1pt from August. Both services and industrial activity weakened. While industrial production growth in August was encouraging, industry is facing several headwinds, such as soaring energy costs, weakening demand, supply disruptions, and input shortages – though supply pressures have been easing recently. We believe that this recession will be driven by negative industrial dynamics and see headwinds intensifying over the winter.

Prices have continued to rise, causing headline inflation to increase to 10% in September from 9.1% in August, reflecting a 1.2% m/m gain. Core inflation also rose to an all-time high of 4.8%, up from 4.3% in August. We expect high prices to last further into next year and anticipate eurozone inflation will average 4.7% in 2023, marginally higher than our previous forecast.

Recent European Central Bank (ECB) communications, including the minutes of the September meeting, reveal that policymakers remain concerned about inflation dynamics. We expect further aggressive tightening by the ECB in the form of a 75bps policy rate hike at its meeting in October and 50bps at the December meeting. We then see the deposit rate peaking early next year at 2.25% and think the ECB will begin to substantially cut rates in 2024.

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

% change year ago





## UNITED KINGDOM

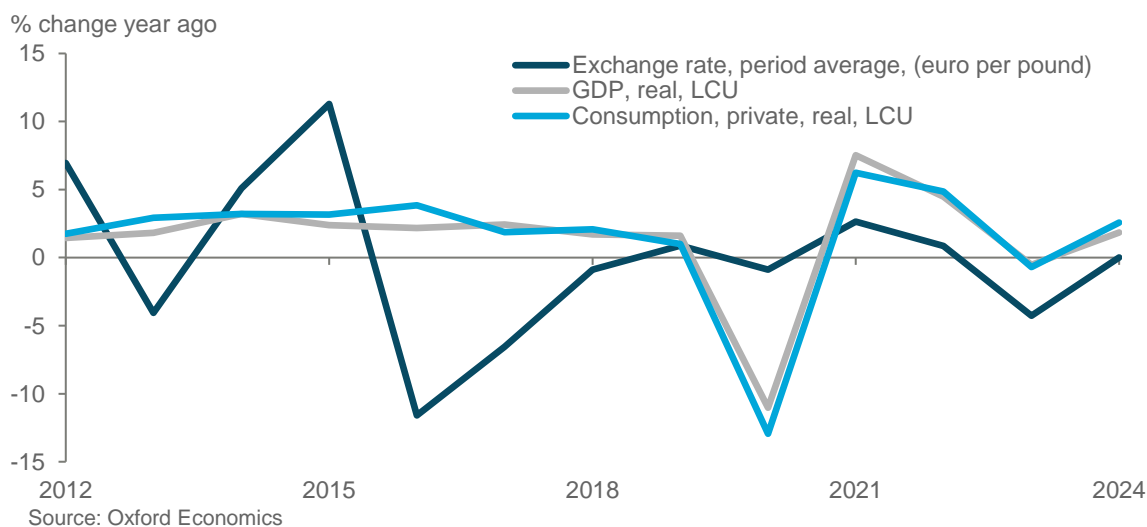
New UK prime minister Rishi Sunak has delayed publication of the government's new fiscal plans until November 17. We suspect this is partly borne out of a desire to benefit from the recent fall in bond yields – the resulting impact on the government's debt servicing costs should mean that the Office for Budget Responsibility (OBR) judges there's a smaller hole to be filled in the public finances.

The delay also likely reflects Sunak and his new cabinet having different policy priorities to the outgoing administration. Early indications suggest Sunak will prioritise keeping a tight rein on the public finances over promoting economic growth. And with latest PMIs suggesting that the downturn in activity is deepening, the near-term outlook remains very challenging.

Financial markets were unfazed by the delay, which appears to be motivated by two factors. First, having put in the hard yards to restore its credibility with financial markets, the government is rightly seeking to bank some of the proceeds. The OBR has previously taken a flexible approach to the observation windows for its financial market assumptions, so estimating the scale of the fiscal impact from delaying is far from an exact science. In preparing its last forecast (published on March 23), the OBR's initial intention had been to use the average of observations over the ten working days to February 17. But to better capture fast-moving developments, it switched to a shorter and more up-to-date window (five working days up to March 2). Given the recent volatility, there's a strong argument for adopting a similar approach this time around. If the OBR does so, the two-and-a-half-week delay could lower the assumption for bond yields by around 60bps. Over the same period, market expectations for short rates have fallen around 70bps.

The annual Blue Book revisions revealed the Office for National Statistics judged there was a steeper fall in GDP in 2020 (-11% instead of -9.3%). Though the subsequent recovery was stronger than previously thought – which explains the upgrade to our 2022 forecast for GDP growth to 4.5% from 3.5% – GDP is now estimated to have been 0.2% short of pre-pandemic levels in Q2 2022, not 0.6% above. Our current GDP forecast for 2023 is for a fall of 0.5%.

### United Kingdom economic outlook





## UNITED STATES

Our forecast for 2022 real GDP growth remains unchanged at 1.7%. However, we have cut our 2023 GDP forecast by 0.5ppts and now expect a 0.5% contraction. The mild recession next year will be driven by elevated prices, more costly borrowing rates, and weaker corporate earnings that will cause a retrenchment in consumer spending, business investment, and hiring in H1 2023.

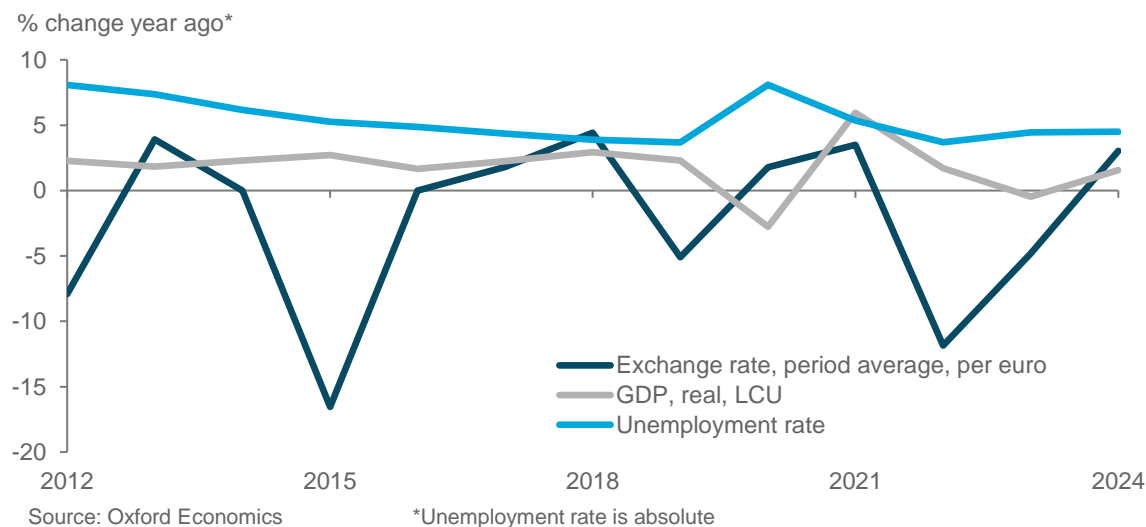
Consumers spent more warily in August as households cut their goods outlays and spent cautiously on services. Nominal personal outlays rose 0.4%, but only 0.1% after adjusting for inflation. The August data and downward revisions to consumer spending in July point to soft consumption growth at around 1% annualised in Q3. Sluggish growth in consumer spending in H2 should be followed by a cutback in spending in H1 2023 as softer hiring and wage growth weigh on incomes and pandemic-related savings have been significantly drawn down.

Job growth slowed to 263,000 in September and a more modest rise in average hourly earnings softened wage inflation to 5% y/y, largely as we anticipated. Meanwhile, the unemployment rate fell back to its pre-pandemic level of 3.5% as the labour force participation rate dipped 0.1ppt to 62.3%. While the latest jobs report will not throw the Fed's aggressive pace of tightening off track, labour market dynamics are poised to weaken next year.

The surprisingly strong August CPI data indicates that inflation continues to be more persistent than desired. Meanwhile, headline PCE inflation fell 0.2ppts to 6.2% in August, but core inflation edged 0.2ppts higher to 4.9%. We believe inflation will remain well above the Fed's 2% target through 2023, with risks tilted to the upside.

The Fed delivered another 75bps rate hike in September, pushing the range for the federal funds rate to between 3%-3.25% as it adopted an increasingly hawkish tone. The latest Fed forecasts signal that policymakers now expect a recession, in line with our view. We anticipate another 125bps of rate hikes before year-end. We expect the federal funds rate will remain unchanged next year, and for slower growth and lower inflation to lead to rate cuts in 2024.

### United States economic outlook





## JAPAN

We have cut our 2023 GDP growth forecast for Japan by 0.4ppts to 1.4%, reflecting a weaker global economic projection, while maintaining our 2022 GDP growth forecast at 1.6%.

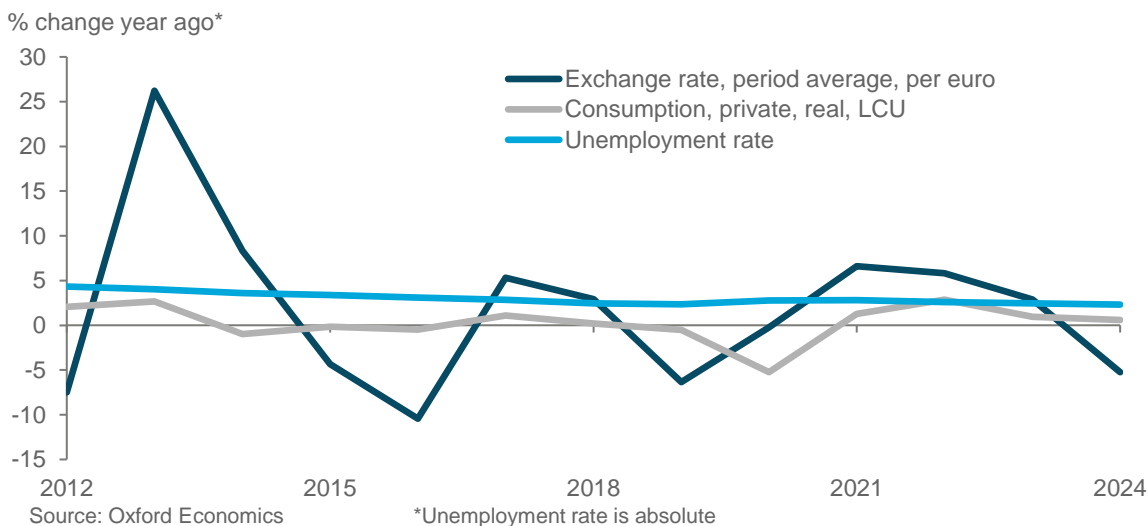
Q2 GDP growth was revised to 0.9% q/q, up from the initial estimate of 0.5% q/q, driven by upgrades to business investment, inventories, and net exports. We believe the recovery trend has continued in Q3 despite an increase in Covid-19 cases in July and August, led by improvements in exports and business investment.

With recessions now likely in the US and the eurozone, we have downgraded our export growth forecast for 2023 to 2.8% y/y from 3.9% in August. As a result, we expect net exports to contribute only slightly to growth in 2023. Restrained export growth projections will hamper business investment appetite next year.

Japan intervened in the currency market for the first time in more than two decades. We believe unilateral and sterilised intervention will have a limited impact, and yen weakness will persist as the US dollar remains strong, supported by rate differentials and global liquidity conditions. But there is a risk of further depreciation until financial markets are confident the Fed has completed its rate hiking cycle.

Although we expect CPI to stay well above 2% in the coming quarters given the lagged impact from the past yen depreciation, we think high inflation will prove temporary in the absence of a wage-price spiral. With little concern about sustained inflation, we expect the Bank of Japan (BoJ) will maintain current policy rates under the Yield Curve Control framework in the coming years.

### Japan economic outlook





## EMERGING MARKETS

We maintain our 2023 GDP growth forecast for EMs at 3.4%, but the deteriorating global backdrop is adding headwinds to the outlook. High inflation looks set to endure, making it likely that global interest rates will be pushed higher than we previously expected. This raises the risk that the looming recessions in the AEs will be more severe, which would hurt EM's external demand and worsen growth prospects.

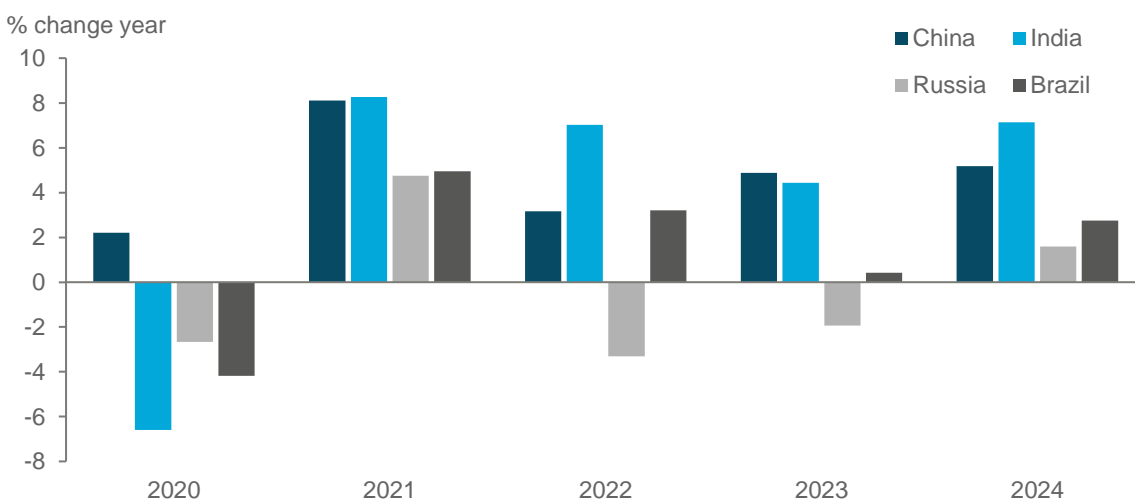
Among major EM economies, only China will see stronger growth next year. However, the recovery in China hinges on the authorities exiting the "zero-Covid" containment approach, maintaining downside risks to our current 2023 GDP growth forecast of 4.9%. Meanwhile, the real estate downturn continues to weigh on the outlook.

Available indicators show that quite a few EM economies are still doing relatively well at the moment, particularly in Asia, Latin America, and the GCC. However, growth looks set to slow heading into 2023, as exports weaken and downside pressures from tightening global financial conditions intensify. Indeed, recessions are looming in Central Europe and Turkey. The headline forecast for EM growth in 2023 will be supported by the slowing rate of Russia's economic contraction.

Inflation has likely peaked in Latin America, where pressures were first to appear, but will likely be slow to ease given elevated demand-related factors pushing up prices. Meanwhile, moderating energy prices in July and August have slowed the rise in inflation in parts of Asia. By contrast, Central Europe continues to see double-digit inflation rates, with the peak now expected in Q1 2023. Inflation is up to a worrying 83.5% in Turkey, driven by food prices and rents. Overall, EM inflation should slow to 6.7% in 2023, from 9.8% this year.

Ongoing high inflation is motivating the US Fed to continue to hike interest rates, which will likely remain at high levels throughout 2023. As such, we have raised many EM policy rate forecasts, especially in EM Asia. While the risks are shifting from high inflation to slower growth, central banks will be cautious about implementing rate cuts next year due to foreign exchange considerations. That said, our baseline still sees a partial reversal of recent tightening in several economies in Latin America and Central Europe in 2023.

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



Source: Oxford Economics



# APPENDIX 1

## GLOSSARY OF COMMONLY USED TERMS AND ABBREVIATIONS

### AIRLINE INDUSTRY INDICATORS

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

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

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

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

### HOTEL INDUSTRY INDICATORS

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

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

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

### CENTRAL BANKS

**BoE** – Bank of England;

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

**BoJ** – Bank of Japan;

**ECB** – European Central Bank;

**Fed** – Federal Reserve (US);

**RBI** – Reserve Bank of India;

**OBR** – Office for Budget Responsibility;

**PBoC** – People's Bank of China.

### ECONOMIC INDICATORS AND TERMS

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

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

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

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

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

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

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

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

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

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

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



## APPENDIX 2

### ETC MEMBER ORGANISATIONS

- Austria** – Austrian National Tourist Office (ANTO)
- Belgium**: Flanders – Visit Flanders, Wallonia – Wallonie-Belgique Tourisme
- Bulgaria** – Bulgarian Ministry of Tourism
- Croatia** – Croatian National Tourist Board (CNTB)
- Cyprus** – Deputy Ministry of Tourism, Republic of Cyprus
- Czech Republic** – CzechTourism
- Denmark** – VisitDenmark
- Estonia** – Estonian Tourist Board – Enterprise Estonia
- Finland** – Business Finland Oy, Visit Finland
- France** – Atout France
- Germany** – German National Tourist Board (GNTB)
- Greece** – Greek National Tourism Organisation (GNTO)
- Hungary** – Hungarian Tourism Agency Ltd.
- Iceland** – Icelandic Tourist Board
- Ireland** – Fáilte Ireland and Tourism Ireland Ltd.
- Italy** – Agenzia Nazionale del Turismo (ENIT)
- Latvia** – Investment and Development Agency of Latvia (LIAA)
- Lithuania** – Ministry of the Economy and Innovation, Tourism Policy Division
- Luxembourg** – Luxembourg for Tourism (LFT)
- Malta** – Malta Tourism Authority (MTA)
- Monaco** – Monaco Government Tourist and Convention Office
- Montenegro** – National Tourism Organisation of Montenegro
- Netherlands** – NBTC Holland Marketing
- Norway** – Innovation Norway
- Poland** – Polish Tourism Organisation (PTO)
- Portugal** – Turismo de Portugal, I.P.
- Romania** – Romanian Ministry of Economy, Entrepreneurship and Tourism
- San Marino** – State Office for Tourism
- Serbia** – National Tourism Organisation of Serbia (NTOS)
- Slovakia** – Slovakia Travel
- Slovenia** – Slovenian Tourist Board
- Spain** – Turespaña – Instituto de Turismo de España
- Switzerland** – Switzerland Tourism
- Ukraine** – State Agency for Tourism Development of Ukraine (SATD)