

# European Tourism – Trends & Prospects

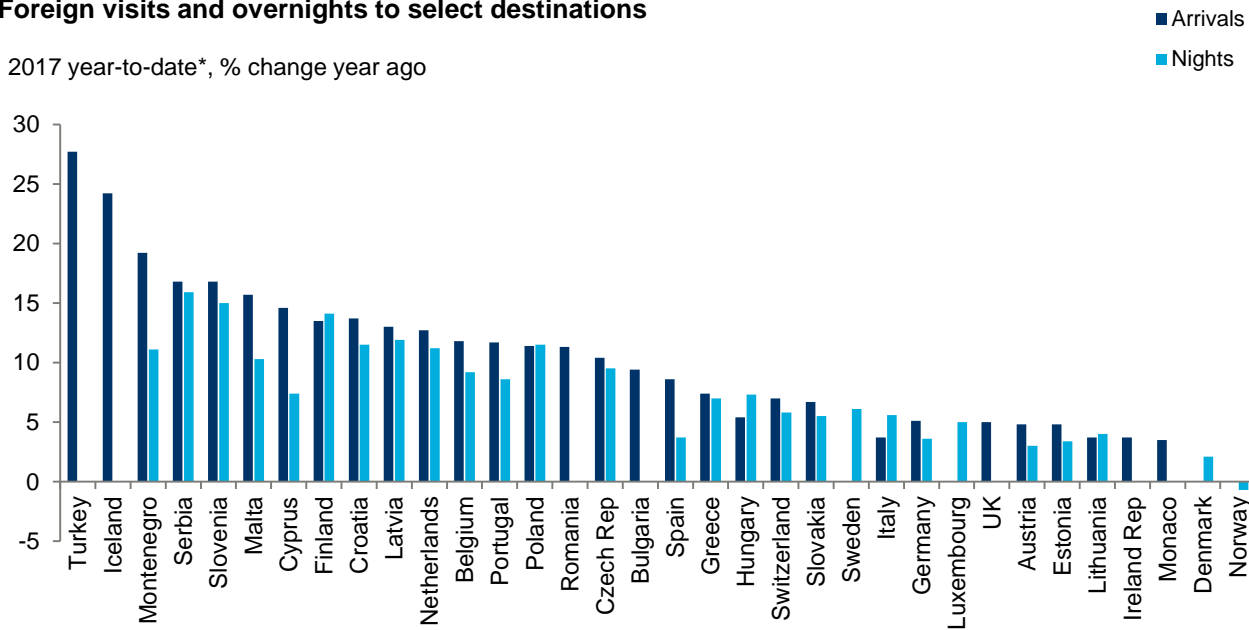
## *Executive Summary*

# European tourism growth in 2017

- 2017 marked Europe's strongest growth year since the early 1990s, with international tourist arrivals up more than 8% compared to 2016 – higher than world growth in 2017 and significantly faster than the rate of European growth in 2016.
- This demonstrates Europe's dynamism and resilience in the face of a variety of challenges in recent years, as well as its ability to evolve amidst increased competition from fast-emerging destinations in Asia and the Pacific.

## Foreign visits and overnights to select destinations

2017 year-to-date\*, % change year ago



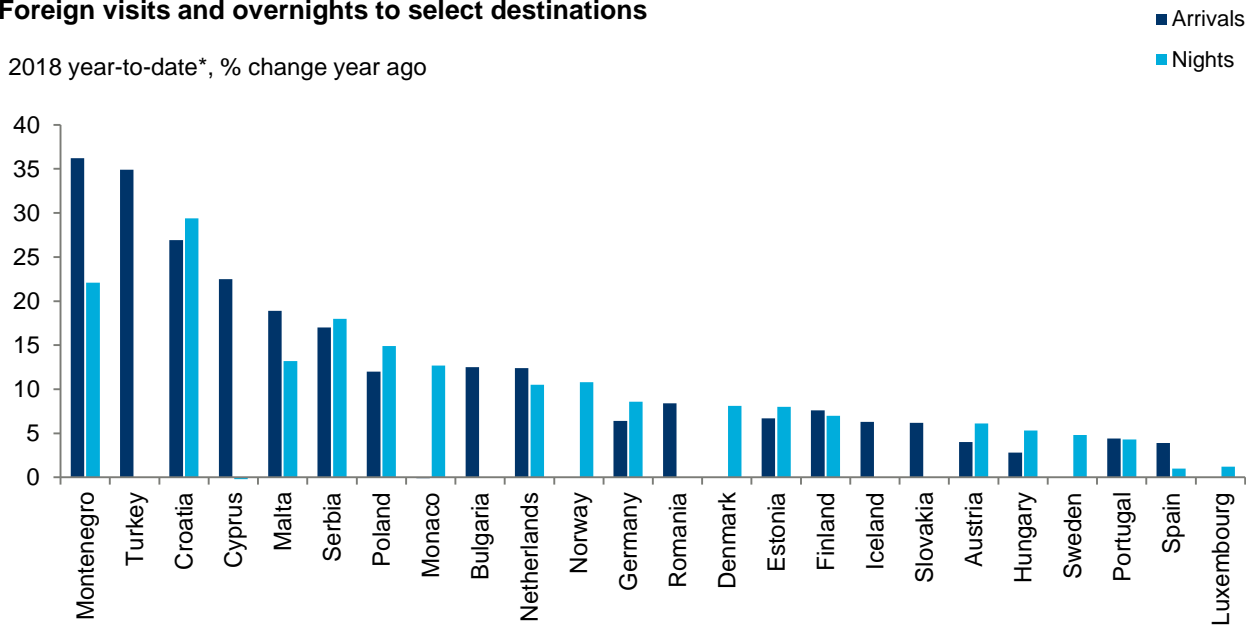
Source: TourMIS \*date varies (Jan-Dec) by destination

# European tourism growth in 2018

- Growth in arrivals and nights was unabated in early 2018 according to available data and the outlook for international tourism appears promising, expected to remain steady between 3% and 4% in 2018.
- Continued synchronised strength in economic activity in the Eurozone as well as in long-haul developed and in emerging markets underpin this growth outlook.

## Foreign visits and overnights to select destinations

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

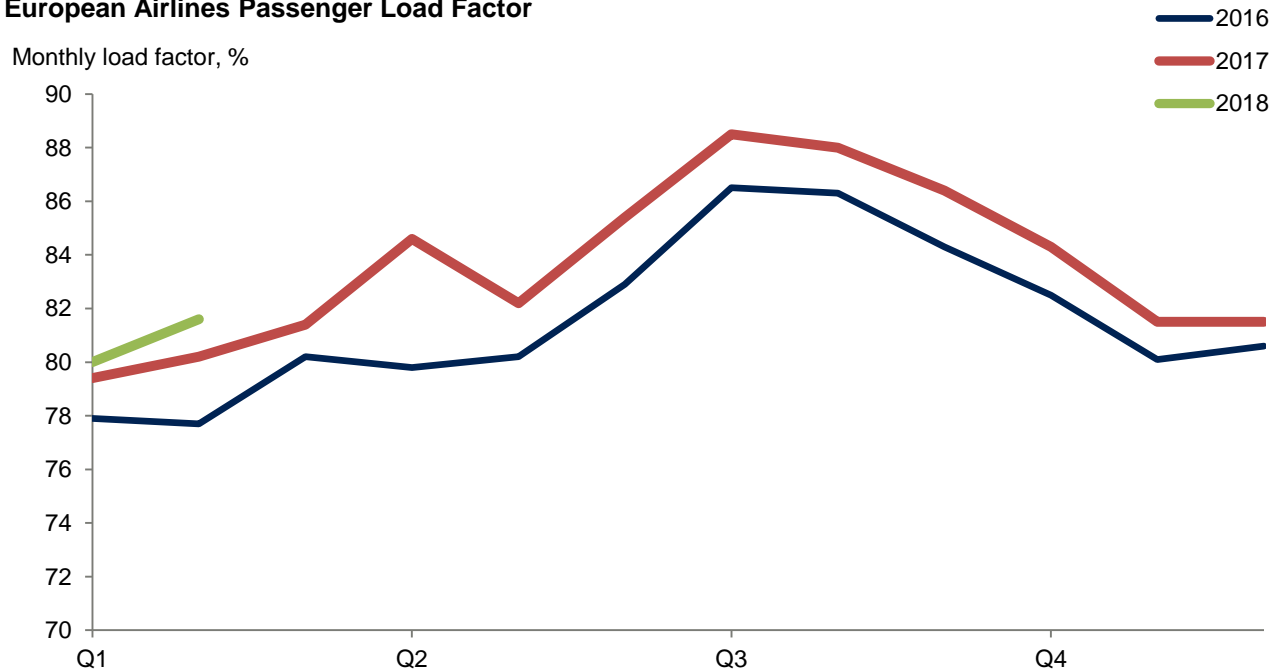


Source: TourMIS \*date varies (Jan-Mar) by destination

# Airline passenger load factors rise further

- Airline passenger load factors continued to rise in data to February despite ongoing increases in capacity of 5.2% based on data to February. This new supply growth is insufficient to keep up with demand and, if this trend continues, capacity constraints on some busier routes may hamper future growth prospects.
- However, this more rapid increase in load factors in shoulder months may be part of an apparent reduction in seasonality for European travel.

European Airlines Passenger Load Factor



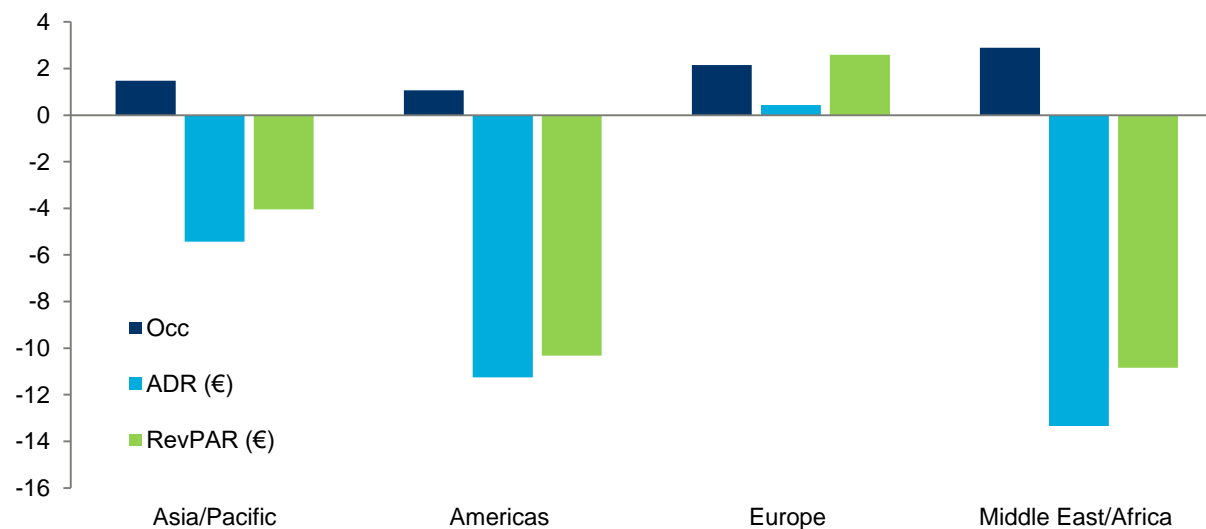
Source: IATA

# Europe outperforms other world regions

- Europe was the only world region which reported growth across all key hotel performance indicators in the first quarter of 2018 (in euros).
- The strengthening euro has not deterred travel demand from either short-haul or long-haul or markets to Europe. Neither has it yet encouraged demand from European source markets to long-haul destinations.
- Softer ADR in Europe in early 2018 may be supporting this off-season growth helping to reduce seasonality.

## Global Hotel Performance

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



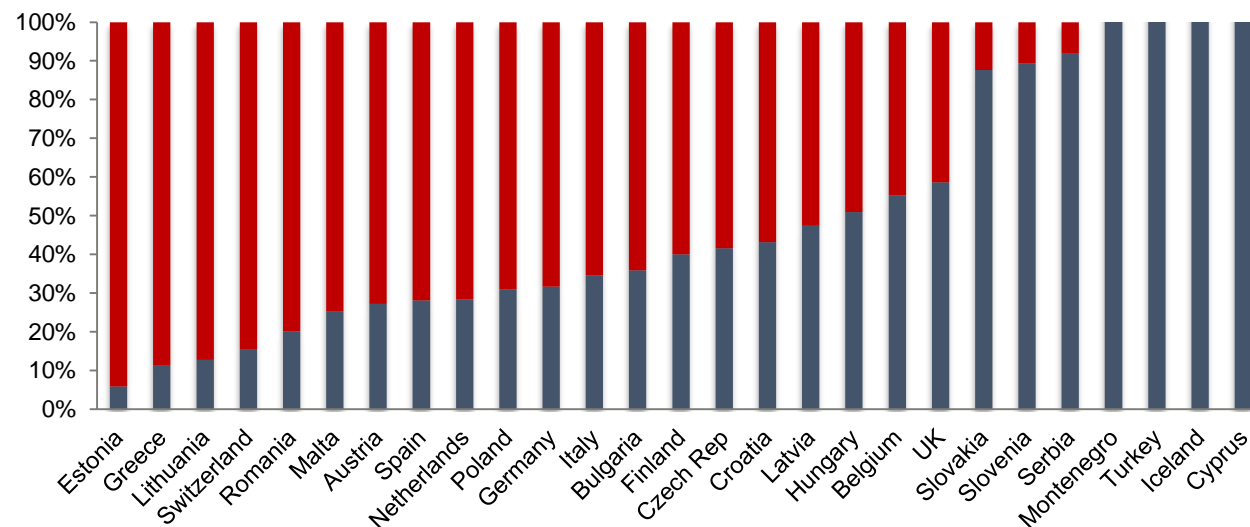
Source: STR

# Russian outbound travel

- Travel from Russia to European destinations was particularly strong in 2017, with the vast majority of destinations reporting growth in arrivals and a clear turnaround from earlier falls.
- Prior falls were only fully offset for a handful of countries: Turkey, Montenegro, Iceland, and Cyprus. This implies that there is still some scope for further rebound to regain prior travel patterns.
- However, strong growth in initial 2018 data may well moderate as exchange rates stabilise, along with more stable oil prices and the risk of new sanctions.

## Extent of recovery in Russian arrivals in ETC destinations

Arrivals increase in 2017 (& 2016 in some cases) relative to prior falls



Source: Tourism Economics

# Economic outlook

- Most advanced economies will enjoy continued economic growth in the near-term, and any slowdown, including in the Eurozone, is from multi-year highs. This growth is expected even in an environment of rising protectionism and should support steady expansion in European travel demand. While there is a risk that a further escalation of trade tensions could trigger a sharper slowdown in global GDP growth, the risks of a full-blown and damaging trade war are limited.

Summary of economic outlook, % change year ago\*

Country	2018					2019				
	GDP	Consumer expenditure	Unemployment *	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment **	Exchange rate***	Inflation
UK	1.7%	1.0%	0.0%	-0.8%	2.3%	1.7%	1.1%	-0.1%	0.9%	1.6%
France	2.1%	1.5%	-0.8%	0.0%	1.4%	1.9%	1.7%	-0.5%	0.0%	1.5%
Germany	2.3%	1.5%	-0.5%	0.0%	1.6%	1.8%	1.7%	-0.3%	0.0%	2.1%
Netherlands	2.5%	1.7%	-0.8%	0.0%	1.5%	1.7%	1.7%	-0.2%	0.0%	1.7%
Italy	1.5%	1.0%	-0.6%	0.0%	1.0%	1.1%	0.9%	-0.4%	0.0%	1.6%
Russia	1.8%	3.0%	0.1%	-6.5%	3.2%	1.4%	2.8%	-0.1%	-2.7%	4.0%
US	2.8%	2.6%	-0.5%	-10.1%	2.6%	2.4%	2.1%	-0.3%	-2.7%	2.0%
Canada	1.8%	2.4%	-0.2%	-9.4%	2.2%	2.1%	1.9%	0.2%	-2.1%	2.0%
Brazil	2.4%	2.5%	-0.7%	-13.2%	3.1%	3.2%	3.2%	-1.3%	-6.0%	3.6%
China	6.4%	7.4%	0.0%	-3.2%	2.4%	6.0%	6.9%	0.0%	-1.3%	2.6%
Japan	1.5%	1.0%	-0.3%	-7.0%	1.0%	0.9%	1.0%	0.0%	-6.8%	1.1%
India	7.3%	7.8%	0.1%	-9.2%	5.3%	7.0%	7.6%	0.0%	-1.9%	5.5%

Source: Tourism Economics

\* Unless otherwise specified

\*\* Percentage point change

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