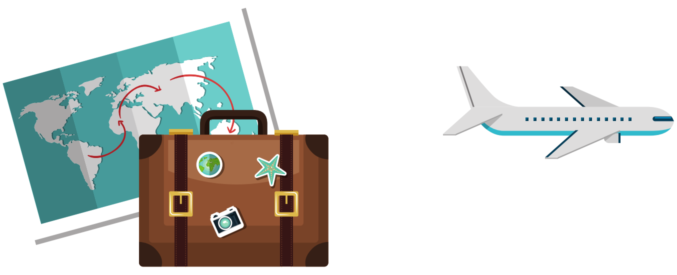
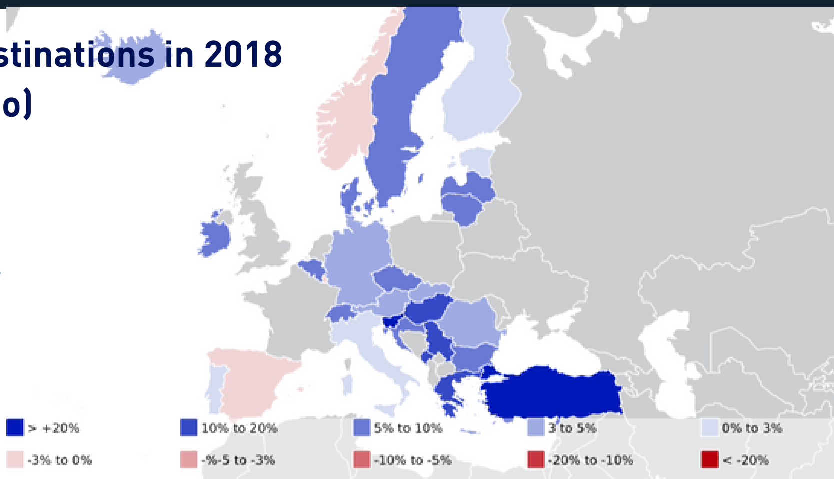
European Tourism Trends & Prospects

Quarterly Report 3/2018

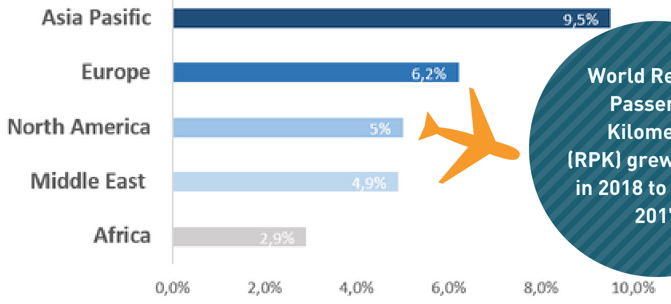
32 out of 34 reporting destinations registered some form of growth this summer, with 1 in 4 enjoying double-digit expansion in arrivals.

International Tourist Arrivals to Select Destinations in 2018 (YTD, % change to a year ago)





Encouraging Industry Performance



World Revenue Passenger Kilometers (RPK) grew by 6.8% in 2018 to date vs. 2017.

- Asia/ Pacific experienced the strongest rate of RPK growth based on data to August, with air passenger demand to, from and within the region 9.5% higher vs. same period in 2017.
- Air travel flights strikes and a mixed economic outlook appear to have had an impact on European air traffic growth with RPK slowing to 6.2% based on year-to-date figures.
- North American traffic continues to pick up (+5%) from the levels of growth seen in 2016 and 2017.

European hotels fared well when compared to other world regions with increasing Occupancy rates (1.1%) and ADR (1.9%) yielding a 3% growth in RevPar.

Most Destinations Continue to Report Substantial Growth

- Turkey (+23%) saw double-digit increases from all reported source markets. Fading security concerns and the depreciation of the lira added to the Turkey's attractiveness to foreign holidaymakers.
- Greece (+19%) enjoyed strong arrivals growth partly attributed to the destination's efforts to improve services and diversify both offering and seasonal appeal.
- Serbia (+15%) saw growth from virtually all source markets. Strongest increase was from China helped by Serbia's visa-free policy for Chinese and improved air connectivity.
- Malta (+16%) reported healthy growth supported by enhanced marketing activities and events hosted due to Malta's capital city being designated European Capital of Culture in 2018.
- Spain (-0.1%) "borrowed" market share now returning to Turkey may have led to the destination's slowdown.

Solid Demand from Long-Haul Source Markets

32 out of 33 destinations posted some form of growth from the US. Robust economic growth and low unemployment rates, aided by recent tax re-form, are yielding a stronger dollar resulting in solid consumer confidence that has sustained income and consumption growth.

Strong growth from Russia was reported in Malta (+40%), Iceland (+26%), Turkey (+26%) and Romania (+21%). Russian arrivals to Europe are expected to increase 5% a year on average by 2022.

Arrivals growth from China is solid with 24 out of 30 European destinations reporting some form of expansion. Balkan destinations saw highest growth rates; Serbia (+104%), Turkey (+87%), Montenegro (+64%), Croatia (+41%).

21 out of 29 countries showed some form of growth from Canada. Highest arrivals growth was seen in cruise destinations Cyprus (+68%) and Greece (+64%). Latvia (+20%) was the third fastest growing destination for Canadian visitors.

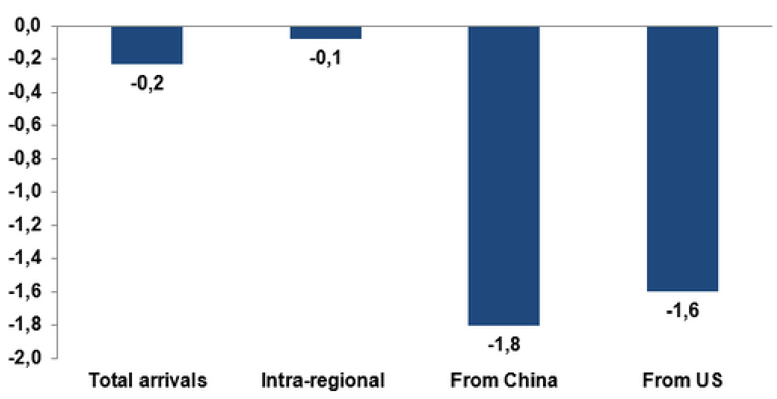
Arrivals from India have increased in all reporting destinations. 22 out of 23 destinations reported growth from India. Montenegro (+360%), Turkey (+92%), Latvia (+74%) and Spain (+68%) recorded fastest growth from this market.

Demand from Japan showed a mixed picture with 20 out of 30 destinations reporting growth. Turkey (+76%) had the strongest arrivals increase together with the Baltic countries.

Special Feature: Trade Wars' Impact on Global Economic & Travel Growth

European Arrivals by source market, 2021

% difference between scenario and baseline



- Travel to Europe from long-haul markets, and notably from the US and China, would be hit by a trade war. Travel demand would slow in line with weaker economic activity but should continue to outpace it.
- Travel from China would slow in each year, in line with weaker economic activity, but travel demand should continue to outpace economic activity. By 2021, it is estimated that Chinese travel to European destinations will be 1.7% lower than would otherwise be the case.
- Travel from the US will be more erratic under a trade war, with potential for some modest initial positive impact from the related currency movements.
- Travel impacts could be exacerbated if oil prices continue to rise, affecting costs and ultimately travel prices. Airline businesses are already facing higher fuel bills, as well as rising labour costs and a protracted trade war would hit the business travel sector especially badly. However, weaker trade would reduce pressure on oil demand and pricing and could alleviate some of these cost concerns.

TourMIS, UNWTO, Tourism Economics, Oxford Economics, IATA, STR Global

EUROPEAN TRAVEL COMMISSION