EUROPEAN TOURISM - TRENDS & PROSPECTS

QUARTERLY REPORT - Q2/2023

EUROPEAN TRAVEL COMMISSION

EUROPEAN TOURISM: TRENDS & PROSPECTS

Quarterly report (Q2/2023)

A report produced for
the European Travel Commission
by Tourism Economics

Brussels, July 2023

ETC Market Intelligence Report

EUROPEAN TOURISM: TRENDS & PROSPECTS (Q2/2023)

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Email: *info@visiteurope.com*

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Cover: Aerial view of An ancient stone bridge called Devil's bridge near the town of Ardino. Amazing Reflection of Devil's Bridge in Arda river and Rhodopes mountain, Kardzhali Region, Bulgaria
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FOREWORD

Europe’s tourism recovery is maintaining its momentum despite economic headwinds, with one quarter of reporting destinations surpassing pre-pandemic levels of foreign arrivals based on year-to-date data. Inflation and increased travel costs are squeezing consumers’ wallets, however, travel spending is still prioritised against other discretionary spending. Holidaymakers continue to be primarily driven by cost, which is reflected by recent data showing that more affordable destinations are among the best performers, notably Türkiye, Bulgaria, Montenegro and Serbia. Those allowing travel from Russia are among these destinations reporting a positive performance. Trends this summer are looking extraordinarily positive based on air ticket sales data from IATA, however, the air travel experience and connectivity still need to improve.

Intra-European travel demand continues its strong position, mainly driven by the Netherlands, France, and Italy. Longer-haul, the US is the standout performer with a stronger dollar as the main driver, while markets in Asia & Pacific still have a long way to go regarding travel recovery. Europe’s tourism outlook for the remainder of the year will be for slower than expected growth due to high and persistent inflation and sluggish economic growth.

Key questions remain, such as the shape that revenge travel will adopt this summer. As travel projections are strong for the season, the threat and concerns about over-tourism increase. Its negative impacts on tourism sites, the environment and the lives of residents call for destinations to offer more alternative options and implement strategies that ease the pressure on tourism hotspots. Tourism strategies that embrace travel dispersal will support destinations in addressing tourism massification while spreading the benefits of tourism to lesser-known areas. Tourism should be leveraged as a force for good to balance economic growth with current social, economic and environmental needs to ensure a responsible and more sustainable future.

The most recent edition of the European Tourism Trends & Prospects quarterly report comprehensively analyses key tourism and economic trends in Europe and relevant source markets. The latest report includes a special feature on emerging trends for the peak summer season supported by air passenger data and trends from IATA. This analysis provides a better understanding of the broader picture in terms of full recovery and the destinations and source markets driving travel growth.

Jennifer Iduh

Head of Research & Insights

European Travel Commission (ETC)

TABLE OF CONTENTS

EXECUTIVE SUMMARY

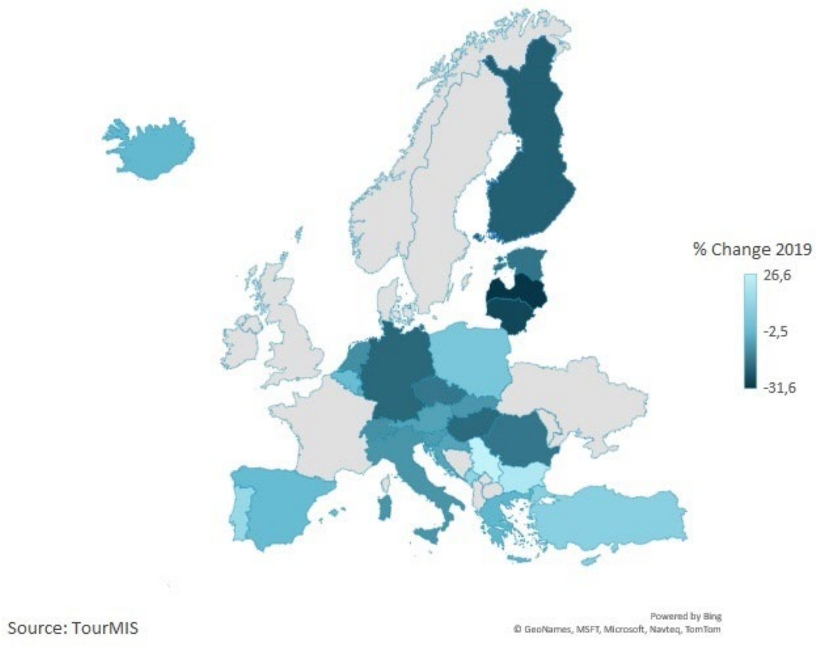
BUOYANT TRAVEL ENTHUSIASM WILL DRIVE EUROPEAN TOURISM RECOVERY THIS SUMMER, DESPITE ECONOMIC WOES SLOWING 2023 GROWTH PROSPECTS

In the first quarter of 2023, Europe has recovered to about 95% of 2019 levels of international tourist arrivals based on data from reporting destinations. Strong travel enthusiasm has supported this recovery despite stubborn inflation and higher living costs straining consumers' wallets. Before the peak season, sunseekers will make no concessions on travel and price sensitivity will continue to benefit destinations offering more value for money.

Europe's tourism will most probably have to navigate the travel disruptions experienced last summer in terms of short-staffed airports and accommodation establishments, and soaring travel costs. Nevertheless, the EU has also demonstrated some economic resilience so far in 2023 with lower energy prices, encouraging employment rates, and gradually receding inflation[1]. However, risks to the tourism outlook remain and are notably stemming from stubbornly high core inflation and uncertainty around the impact of Russia's war in Ukraine.

One in four reporting destinations surpassed pre-pandemic levels of foreign tourist arrivals, including value for money destinations such as Serbia (+27%), Bulgaria (+21%), Montenegro (+12%) and Türkiye (+9%). Poland also exceeded pre-pandemic levels by 4% based on data to March. This impressive performance could be attributable to the influx of journalists, official delegations, soldiers, and their families due to the war in Ukraine along with Ukrainian refugees staying at Polish accommodation establishments. At the other end of the spectrum, only 5 out of 27 destinations registered falls in foreign arrivals below 20% compared to 2019. These include Hungary (-20%), Germany (-21%), Finland (-22%), Lithuania (-28%) and Latvia (-32%).

Foreign Visits Growth to European Destinations 2023 Year-to-Date

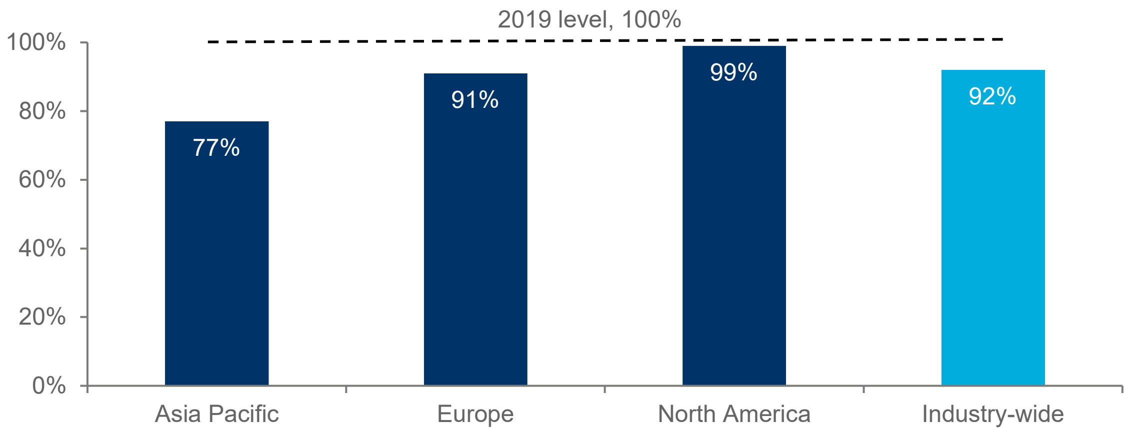


[1] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2723

SUMMER 2023 IS POISED FOR ROBUST PASSENGER DEMAND BUT IS NOT DISRUPTION-FREE

European international RPKs[2] have continued a steady recovery, achieving 90.8% of 2019 levels in April. Strong travel demand during the peak summer season reflects a buoyant recovery in European air ticket sales during May-September 2023, reaching 91% of pre-pandemic levels[3]. However, it remains to be seen whether airline capacity can meet demand this summer, although current schedules suggest this will be sufficient. At the same time, potential disruptions from aviation strikes, labour shortages and war-related airspace closures still pose great uncertainty for the sector.

Recovery of summer air travel ticket sales, 2023



Source: IATA S&E Economics, using data from DDS for tickets purchased in Q1 of 2023 and 2019

THE US HAS PROVED TO BE THE STRONGEST LONG-HAUL SOURCE MARKET SO FAR IN 2023

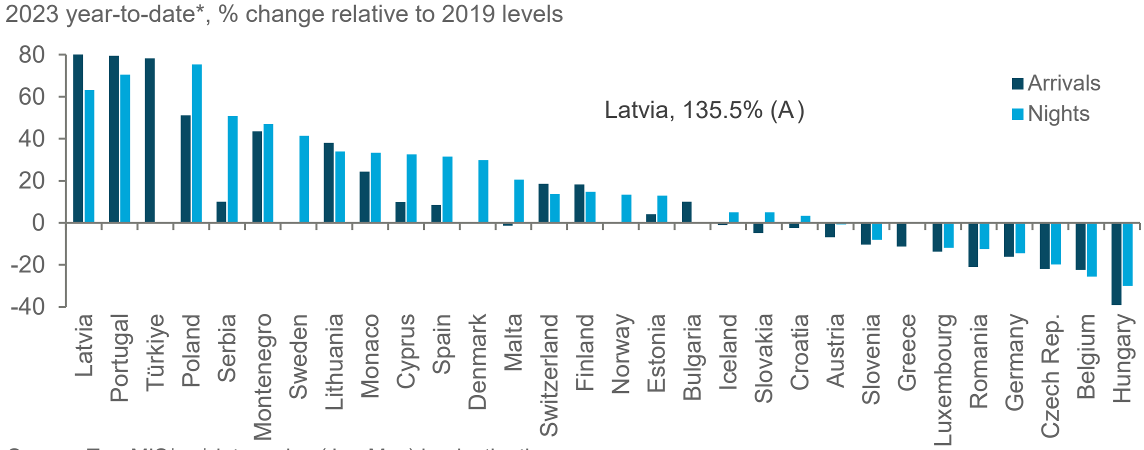
US travellers taking advantage of favourable exchange rates[4] should drive many European destinations' recovery this summer. With continued high inflation and a potential recession weighing on American households, affordability will be a key factor in holidaymakers' choice of travel destination within Europe. Most recent data shows that 52% of reporting destinations have surpassed pre-pandemic levels of US tourist arrivals. Southern Mediterranean destinations such as Portugal (+79%), Türkiye (+78%), and Montenegro (+43%) have reported substantial growth from this market. In Eastern Europe, Latvia (+135%) and Poland (+51%) also recorded significant growth in US arrivals, both based on data to March. In the case of Latvia, growth could be connected to VFR travel from the Latvian diaspora living outside Europe, while journalists reporting on Russia's war in Ukraine and an influx of US military personnel could explain Poland's performance. A recent Forbes Advisor survey indicated that 87% of surveyed Americans expect to travel at least as much as they did in 2022, with one in two respondents expecting to travel even more in 2023[5].

"*Long-haul travel has been lagging during Europe's tourism bounce back, but we are now seeing how it is gradually returning to regain market share this year. Nevertheless, the tourism industry has both a responsibility and an opportunity to protect the resources it depends on, including the natural environment, wildlife, and cultural heritage that bring travel experiences to life. Sustainability is*

[2] Revenue Passenger Kilometres
[3] https://www.iata.org/en/iata-repository/publications/economic-reports/strong-ticket-sales-point-to-a-busy-summer-travel-season/
[4] Despite the US dollar weaking against the Euro in recent months
[5] https://www.forbes.com/advisor/credit-cards/inflation-has-not-deflated-americas-travel-plans-2023/

developing into a competitive advantage and one of the most important potential unique selling points of destinations. In the future, tourism competitiveness will directly depend on destinations' progress in offering more sustainable and climate-friendly travel." said Eduardo Santander, Executive Director of the European Travel Commission (ETC).

US Visits and Overnights to Select Destinations



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

Jennifer Iduh (ETC Executive Unit)
With the contribution of the [ETC Market Intelligence Committee]

1. TOURISM PERFORMANCE SUMMARY 2023

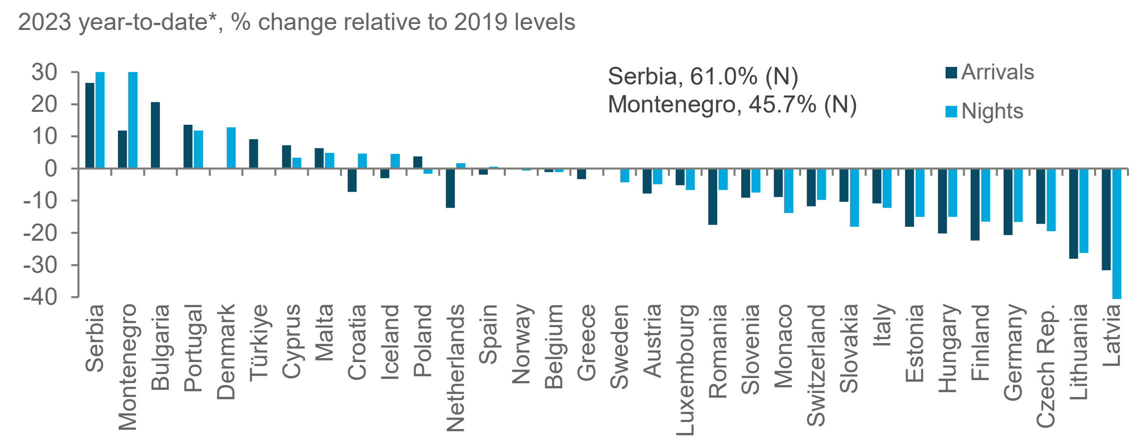
SUMMARY

- In 2023 to date arrivals to European destinations are now just 5.8% below 2019 levels and nights 3% below, according to reporting destinations through the TourMIS platform. Compared to last quarter, recent data for arrivals have remained strong, while nights have come in slightly softer.
- Long-haul travel, which has been a missing piece of the recovery for European destinations should start to regain market share this year. The US is already leading the way, with many tourists having already pre-booked and paid for trips to lock in the favourable exchange rate.
- Limited air travel from Russia to Europe continues to weigh on travel demand across most destinations in the region. Destinations among the handful that still have flight routes to Russia are benefiting the most, such as Serbia and Türkiye.
- European air traffic has started to take a positive turn going into peak season with volumes edging closer to pre-pandemic levels in mid-June.
- Despite inflation continuing to weigh on disposable income, households are still willing to spend money to travel. But because of this, we expect more to become price conscious. This will benefit cheaper destinations such as Türkiye, Montenegro and Bulgaria and likely see them outperform more expensive options such as Monaco as we move into the peak-season.

European destinations continue to benefit from rising international travel this year. The region recovered the bulk of its travel last year, benefitting from a strong and swift recovery in intra-regional travel. Following a strong start to the year, recent data among reporting destinations has become slightly softer, especially in terms of nights, now averaging 3% below 2019 levels. In contrast, arrivals data has been stable, just 5.8% below 2019 levels for this year so far.

Household finances and discretionary spending will remain strained going into the peak travel season in Europe (June to August), but this should not derail the overall recovery. Destinations will see stronger demand from transatlantic travel going into the summer, but also increased travel from other long-haul markets across the Asia Pacific region.

Foreign Visits and Overnights to Select Destinations



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

Recent data up to May for reporting destinations have shown a slightly softer recovery in nights, however the recovery has become more broad-based. This quarter, 36% of reporting destinations have seen nights exceed 2019 levels, compared to 33% last quarter.

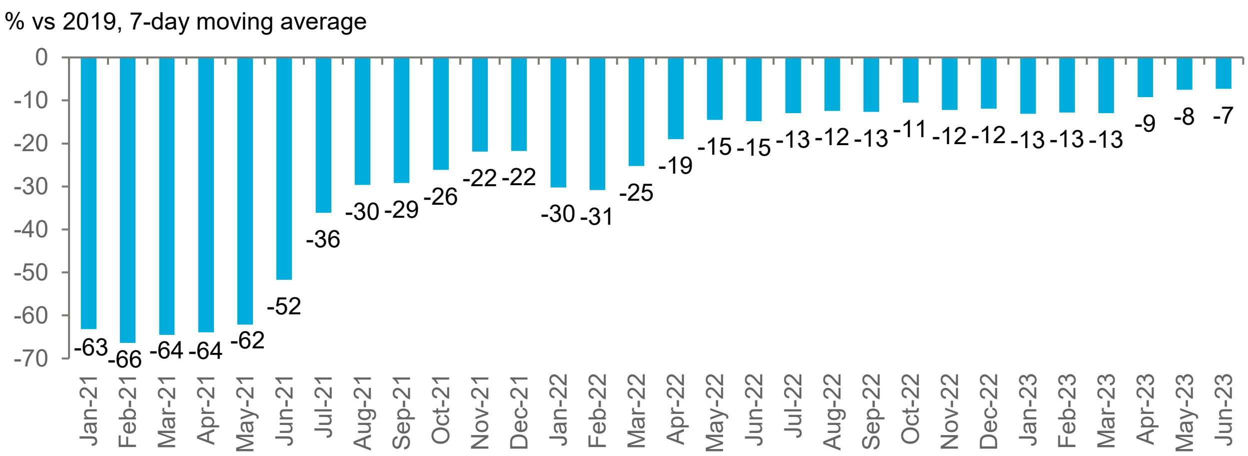
Markets more reliant on Russian travel [including Finland, Latvia and Cyprus] continue to feel the impact of the ongoing travel restrictions between many EU countries and Russia. Flights out of Russia are now only to a handful of destinations, with many of the countries reliant on this demand not included in this list. Recent data continues to show a significant weakness in Russian tourism in most destinations. However, Russian outbound travel has not stopped entirely – just the destinations have changed as tourists have been restricted by tighter visa restrictions. Last quarter's report found that Russian tourists have also played a significant role in the large number of arrivals to Serbia due to visa-free travel and cultural cohesion between the countries.

Türkiye has also become one of the top destinations for many European and extra-European source markets, despite a more gentle outturn in recent months. Some of this is coming from an influx of Russian tourists due to the lack of choice in destinations. Furthermore, its favourable exchange rate has made it more affordable for all source markets relative to other holiday destinations.

Montenegro has stood out as a popular destination within Europe. One of the reasons for this is increased promotional activity recently by the National Tourism Organization of Montenegro in markets where there is a noticeable growth. This has contributed to arrivals and/or nights fully recovering back to where they were before the pandemic from France, India, Brazil, UK and the Netherlands.

On the other end of the scale, more than half of the weakest destinations are in Eastern Europe such as Lithuania, Czechia, Hungary and Slovakia. Travel sentiment for this area could still be somewhat affected by the war in Ukraine.

European air traffic, total network manager area

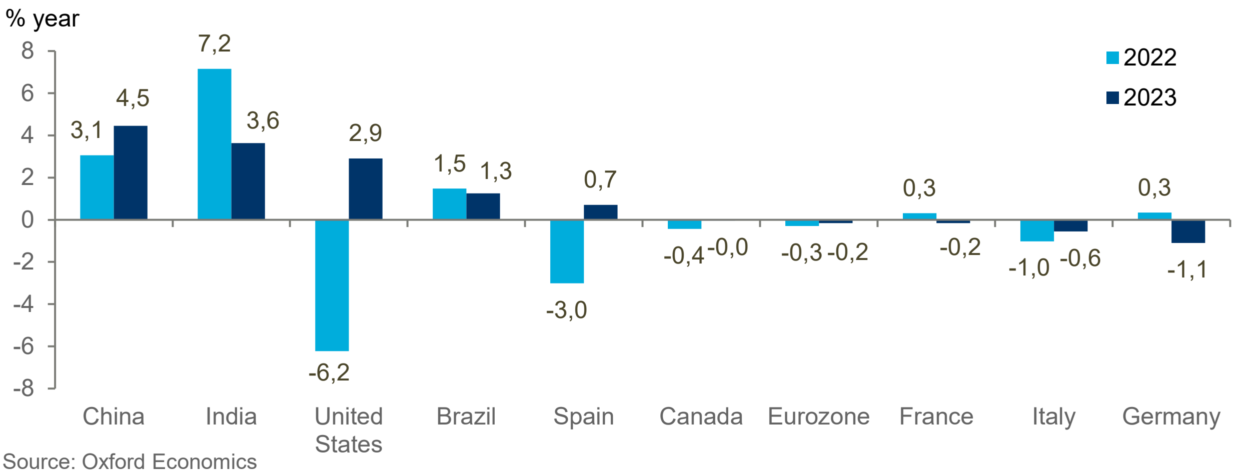


Source: Eurocontrol

The recovery in air traffic volumes largely stalled for most of last year. But the tide looks to be turning in Q2 of this year, with data up until the middle of June showing recovery edging closer to pre-pandemic levels. This can be attributed to increased airline capacity across both European and foreign airline carriers which will hit the market in time for the peak summer months and should allow demand growth. Examples of air carriers contributing to this are American Airlines who are planning to run additional routes to and from the UK and Lufthansa purchasing additional aircrafts.

This is not however representative of all destinations in Europe. Breaking down air traffic volumes to a country level, Croatia, Portugal and Serbia still continue to exceed pre-pandemic levels so far this year. In contrast, Germany joins a handful of Eastern European countries experiencing a poor recovery in air traffic with some of this due to industrial action. The weakness in countries such as Latvia and Slovenia can be attributed to the war in Ukraine, especially with no-fly zones and re-directed air routes. However, the German outlook is surprising as it has continued to lag behind other European counties in terms of air recovery. Possible reasons for this are that there has been a shift to alternative forms of transport for domestic travel such as road and rail. In addition, the low-cost airline Ryanair has significantly cut capacity in Germany, in favour of other European markets such as Austria. At a time where travellers are more price conscious, less availability of low-cost flights will impact travel demand.

Real household disposable income across key source markets for Europe



Source: Oxford Economics

Inflation will continue to impact holiday affordability throughout this year, feeding through to travel demand and spend through weaker household disposable income. Despite inflation having peaked from the highs experienced in 2022 across all the markets above, prices will continue to rise for tourists because demand for flights is currently ahead of supply, despite carriers adding additional routes for the summer. Prices may rise even further because, as of February, the EU initially approved an update of the bloc's carbon pricing rules on top of jet fuel prices which remain high. With some higher debt after the pandemic, airlines have more limited capacity to absorb additional costs. The cost of flying is not the only factor for tourists when assessing affordability – accommodation, attractions and food & drink are also factors to consider, which have also seen some higher prices consistent with wider inflation and the rising demand.

Recent data up to May have generally shown that more affordable destinations are performing better, such as Bulgaria in Eastern Europe and Portugal in Western Europe. Prices will undoubtedly rise further during peak-season, and this may lead to an acceleration in this trend, with tourists becoming even more price conscious. This will likely be to the detriment of more expensive destinations such as Monaco, Switzerland or Luxembourg. However, there does appear to be some willingness to pay as flight data points to growth despite fare increases and while these more expensive destinations should see slower growth travel is not expected to fall.

Summary Performance, 2023 YTD vs. 2019

Country	International Arrivals		International Nights	
	% YTD	to month	% YTD	to month
Austria	-7.8%	Jan-Apr	-4.9%	Jan-Apr
Belgium	-1.1%	Jan-Feb	-1.1%	Jan-Feb
Bulgaria	20.7%	Jan-Apr		
Croatia	-7.3%	Jan-May	4.7%	Jan-May
Cyprus	7.3%	Jan-Apr	3.4%	
Czech Rep.	-17.2%	Jan-Mar	-19.5%	Jan-Mar
Denmark			12.8%	Jan-Apr
Estonia	-18.1%	Jan-Apr	-15.0%	Jan-Apr
Finland	-22.4%	Jan-Apr	-16.5%	Jan-Apr
Germany	-20.7%	Jan-Mar	-16.6%	Jan-Mar
Greece	-3.3%	Jan-Mar		-
Hungary	-20.2%	Jan-May	-15.0%	Jan-May
Iceland	-3.0%	Jan-Apr	4.6%	Jan-Apr
Italy	-10.9%	Jan-Feb	-12.2%	Jan-Feb
Latvia	-31.6%	Jan-Mar	-41.7%	Jan-Jan
Lithuania	-28.1%	Jan-Apr	-26.3%	Jan-Apr
Luxembourg	-5.2%	Jan-Apr	-6.7%	Jan-Apr
Malta	6.3%	Jan-Apr	4.9%	Jan-Apr
Monaco	-8.9%	Jan-Apr	-13.8%	Jan-Apr
Montenegro	11.8%	Jan-Apr	45.7%	Jan-Apr
Netherlands	-12.2%	Jan-Mar	1.7%	Jan-Mar
Norway			-0.6%	Jan-Apr
Poland	3.8%	Jan-Mar	-1.6%	Jan-Mar
Portugal	13.6%	Jan-Mar	11.8%	Jan-Mar
Romania	-17.5%	Jan-Apr	-6.7%	Jan-Apr
Serbia	26.6%	Jan-Apr	61.0%	Jan-Apr
Slovakia	-10.4%	Jan-Apr	-18.1%	Jan-Apr
Slovenia	-9.1%	Jan-Apr	-7.5%	Jan-Apr
Spain	-1.9%	Jan-Apr	0.6%	Jan-Apr
Sweden			-4.3%	Jan-Apr
Switzerland	-11.7%	Jan-Mar	-9.8%	Jan-Mar
Türkiye	9.1%	Jan-Apr		

Source: TourMIS (http://www.tourmis.info)
(f) denotes forecast provided by member
Measures used for nights and arrivals vary by country. Available data as of 23.6.2023

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

	Inbound*					Outbound**				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
data/estimate/forecast	d	e	f	f	f	d	e	f	f	f
World	**10.9%**	**108.7%**	**28.4%**	**17.2%**	**13.5%**	**9.4%**	**111.6%**	**28.9%**	**17.2%**	**13.4%**
Americas	**22.1%**	**92.6%**	**22.1%**	**12.8%**	**7.7%**	**23.1%**	**102.2%**	**22.6%**	**10.6%**	**8.2%**
North America	21.2%	94.6%	21.4%	12.8%	7.8%	26.9%	100.3%	22.8%	9.9%	7.9%
Caribbean	80.3%	49.0%	13.6%	9.5%	7.4%	34.1%	65.1%	18.5%	19.3%	14.3%
Central & South America	-8.6%	133.9%	30.6%	14.8%	7.6%	5.2%	117.9%	22.0%	13.2%	8.9%
Europe	**24.0%**	**96.1%**	**13.2%**	**11.9%**	**10.5%**	**19.8%**	**101.3%**	**15.5%**	**11.8%**	**10.1%**
ETC+2	20.0%	106.0%	12.9%	10.9%	9.4%	17.3%	110.1%	14.1%	10.5%	9.3%
EU 27	14.2%	112.7%	12.7%	10.8%	9.1%	16.0%	114.1%	14.5%	10.4%	9.0%
Non-EU	69.3%	44.1%	15.6%	16.8%	16.2%	36.8%	52.3%	20.9%	18.9%	14.9%
Northern	-4.2%	181.4%	15.7%	8.9%	8.2%	3.2%	198.5%	18.1%	9.5%	7.2%
Western	-5.0%	108.9%	8.1%	14.1%	8.3%	17.0%	92.0%	11.5%	11.0%	9.1%
Southern/Mediterranean	59.4%	92.5%	13.0%	8.9%	7.8%	23.5%	119.9%	14.3%	9.5%	9.7%
Central/Eastern	30.4%	38.8%	22.5%	20.3%	24.4%	35.9%	51.5%	21.5%	16.3%	13.9%
- Central & Baltic	11.7%	102.0%	20.1%	9.4%	15.4%	26.1%	76.2%	15.3%	11.2%	11.5%
Asia & the Pacific	**-63.4%**	**323.7%**	**129.2%**	**43.5%**	**26.7%**	**-59.0%**	**265.3%**	**127.2%**	**45.9%**	**27.3%**
North East	-45.7%	98.8%	275.4%	61.5%	30.3%	-56.0%	108.9%	236.0%	68.7%	33.6%
South East	-88.1%	1303.5%	97.4%	36.2%	25.1%	-76.7%	754.9%	93.2%	27.2%	20.4%
South	-30.2%	232.6%	41.5%	16.2%	21.2%	-24.7%	209.0%	48.1%	11.1%	13.1%
Oceania	-43.0%	239.5%	59.4%	19.4%	16.8%	-67.7%	799.3%	42.3%	26.4%	20.2%
Africa	**14.8%**	**88.5%**	**41.6%**	**16.7%**	**16.1%**	**9.2%**	**83.5%**	**39.9%**	**12.5%**	**14.0%**
Middle East	**18.8%**	**159.8%**	**36.8%**	**8.1%**	**9.6%**	**49.9%**	**138.2%**	**25.2%**	**8.1%**	**9.6%**

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

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

The geographies of Europe are defined as follows:

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

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

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

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 25.06.2023

3. RECENT INDUSTRY PERFORMANCE

AIR TRANSPORT

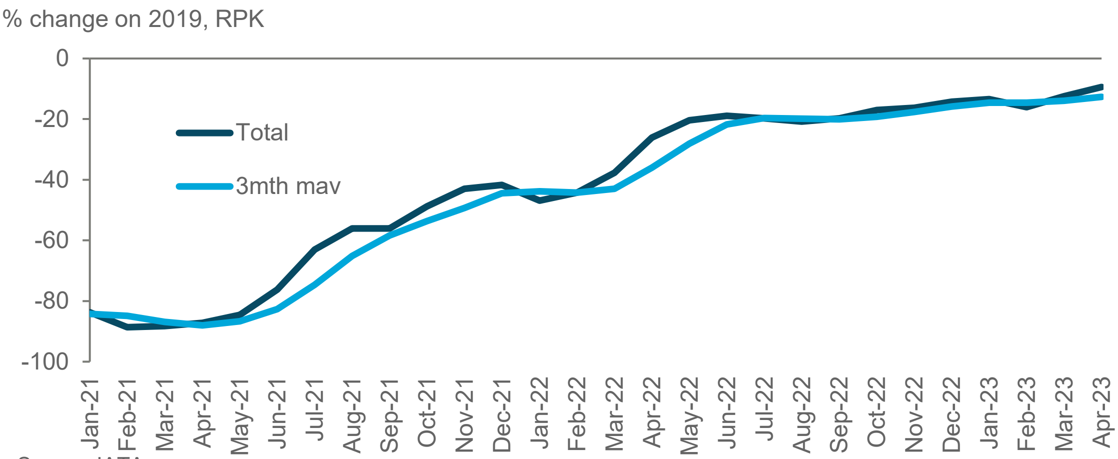
There has been a continuation of global air traffic recovery in 2023 according to data for the first four months of the year. RPKs grew in April over the previous month across all geographies and moved closer to 2019 levels. Domestic traffic overall has now surpassed 2019 levels, indicating a full recovery in that market segment, while the international recovery trend has continued in all regions. Most notably, domestic traffic in China showed significant progress in this period, surpassing pre-pandemic levels

Europe continued to outperform pre-pandemic levels in terms of domestic RPKs. However, all RPKs in Europe were 7.8% under 2019 levels because international RPKs were still 9.2% below. Domestic air travel across Europe has been higher than 2019 levels throughout the year to date.

The encouraging picture is supported by airport data. Passenger traffic at Europe's airports returned to within 8% of 2019 levels in April, according to the airport's association, ACI Europe. Nearly half of Europe's airports recovered to pre-pandemic volumes, skewed towards those serving low-cost carriers.

Forward ticket sales for the peak summer period also appear to be strong. Ticket sales for the May to September period in Europe are at 91% of their 2019 level according to IATA S&E, using data from DDS for tickets purchased in Q1 of 2023 and 2019.

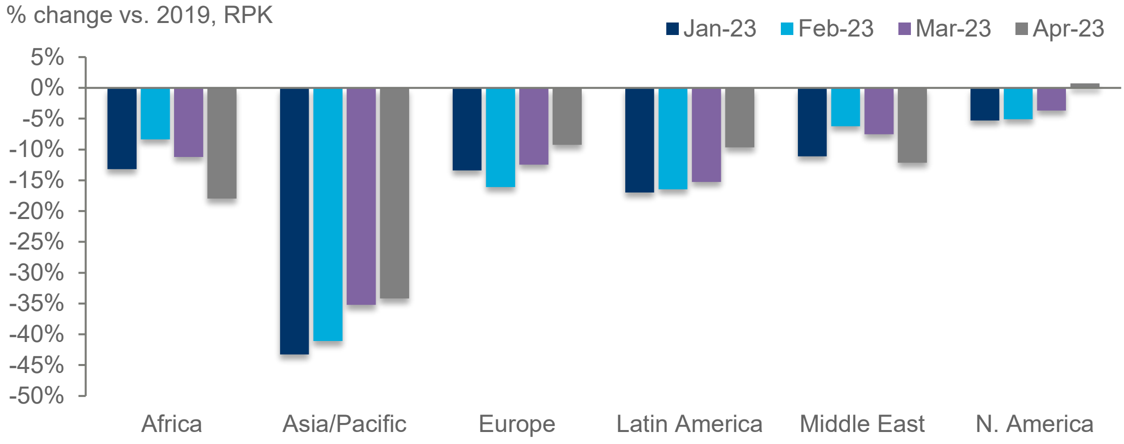
International air passenger growth, Europe



Source: IATA

North America was the best performing region in terms of international air passenger recovery and is the first global region to exceed 2019 levels in international RPK recovery in April. Although Asia-Pacific RPKs remain 34.2% below 2019 levels, it is still a significant improvement on the last quarter and over 2022 activity – a trend which is expected to continue. One anomaly is a stalling and part reversal in Africa's recovery in recent months, as well as in the Middle East despite some reported strong inbound travel performance for many countries within the region.

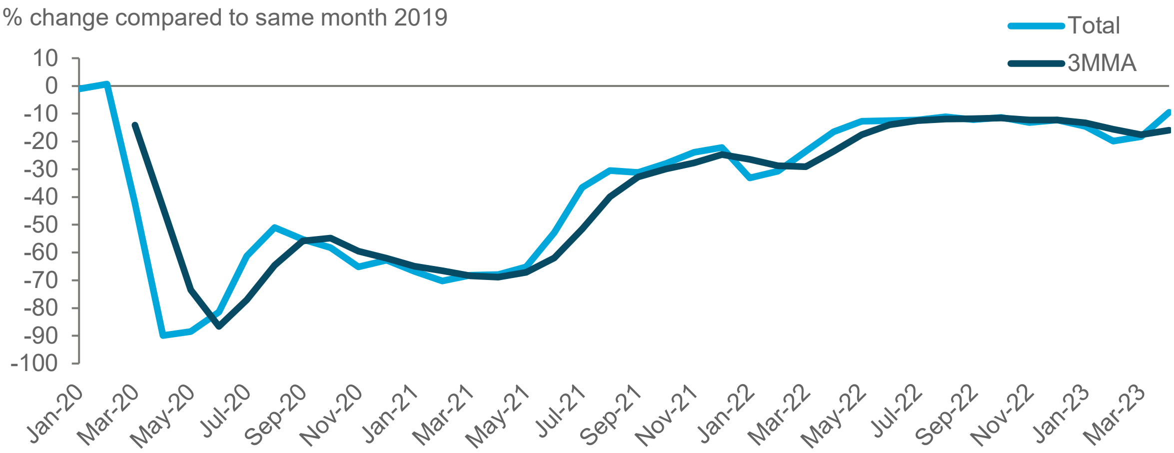
International Monthly Air Passenger Growth



Source: IATA

Meanwhile, data from Eurocontrol show that, compared to 2019, European flight volumes were down just 9.5% in April 2023, representing a recovery in flight volumes relative to 2022. The last Quarterly Report suggested that the plateau in this capacity measure was indicative of supply constraints hampering continued recovery. In March, flight volumes in Europe were also affected by some additional factors, including industrial action by the ATC air traffic controllers in France and very significant transport network strikes in Germany.

Flight Volumes in European Network Area



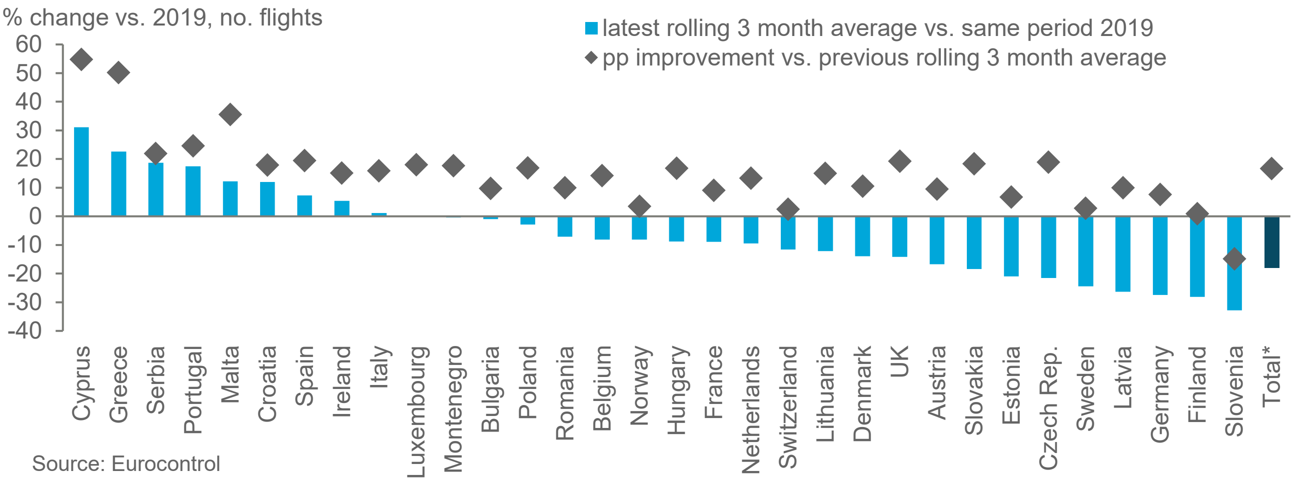
Source EuroControl

There remains considerable divergence between European countries in terms of how well they have recovered in terms of flight volumes. On a three-month rolling average basis, Greece has fallen out of the group of countries which have seen growth relative to the pre-pandemic period. However, Croatia, Portugal and Serbia – which were all in positive territory relative to pre-pandemic levels in the last Quarterly Report – have been joined by Cyprus as growth markets.

Slovenia, Germany, Latvia and Finland are the weakest performing countries in the Eurocontrol area. The situation in Latvia is potentially being affected by its proximity to Ukraine and Belarus, even though the conflict is hundreds of kilometres away. However, there has been some recent improvement in flight volumes relative to the previous quarter. The outlook in Finland is also similarly being affected by the war in Ukraine, more so than Latvia as it borders Russia. But almost all countries are still seeing improving flight volumes in data out to April.

Germany has consistently lagged other European countries in terms of air recovery. The situation is given context by having been identified by low-cost carrier, Ryanair, as one of only two markets (the other being Norway – far smaller in market terms) where its flight numbers are still beneath 2019 levels. According to Cirium, Ryanair's planned German departures for 2023 fall more than 7,100 short of 2019 (over 14%). In contrast, planned departures from Italy are up more than 30%.

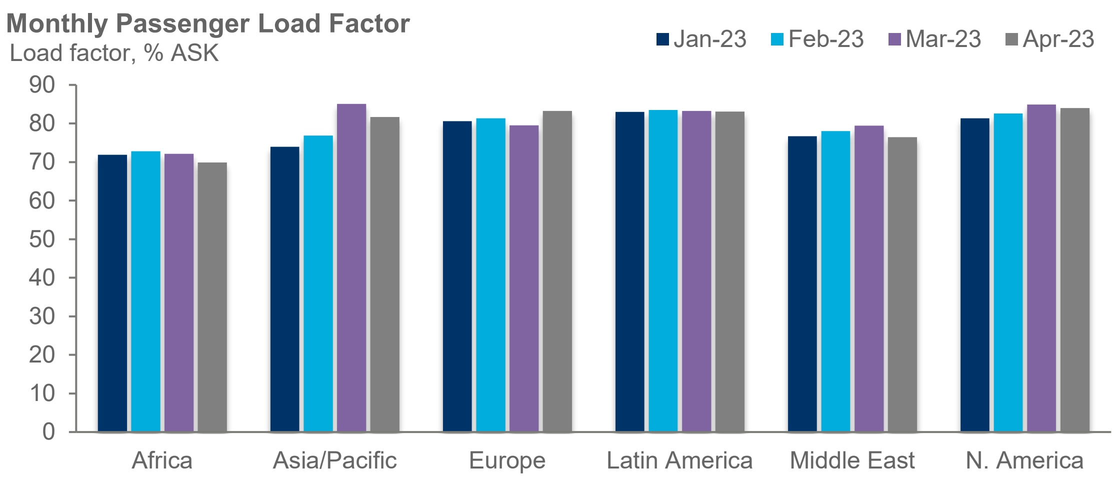
European air traffic by country, total flights arriving and departing



Source: Eurocontrol

Passenger load factors (PLF) have generally continued to increase as demand remains robust. In April, passenger load factors rose to 81.5% globally. Europe and North America had the highest international PLF levels at 83.3% and 84.0% respectively. In the Middle East passenger load factors have fallen back to 76.4%, making it the lagging region with the exception of Africa, where the same indicator also fell in April.

Monthly passenger load factor



Source: IATA

In terms of industry finance, IATA expects airlines to show profits in 2023 for the first time since 2019, after the impact of Covid-19 in 2020 and 2021 and significantly elevated fuel prices over 2022. Although on a per passenger basis, the profit forecast is limited to $2.20, it is still a remarkable recovery, indicating the resilience of the sector and passengers' continued appetite for air travel. In the latest update of the global outlook produced by IATA and Oxford Economics (the Air Passenger Forecast database), air travel is still expected to double globally by 2040 with a 3.4% compound average growth rate (CAGR). As a more mature market, Europe's CAGR is expected to be 2.1%, which still represents an addition of over 650 million passengers per annum by 2040 relative to pre-pandemic levels.

Clear downside risks remain, including ongoing high energy prices, along with lingering high inflation and interest rates, some signs of weakening consumer confidence and the challenge of the sector's transition to Net Zero by 2050, which could add significantly to prices.

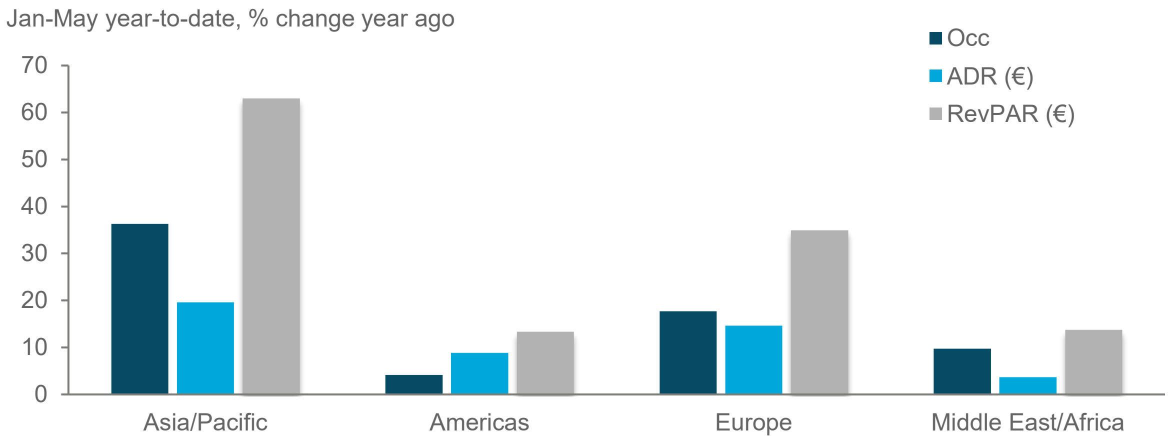
Specific additional challenges will also be faced in France, where a ban on domestic flights on routes under two-and-a-half hours by train came into force in May 2023. This new rule is part of an effort to reduce carbon emissions by 40% by 2030 but is likely only to affect around 12% of domestic flights since most domestic traffic is between Paris and the far South and connecting flights are also exempted.

ACCOMMODATION

Hotel performance data collected by STR reflects a continued slowdown in RevPAR[6] growth across Europe relative to the same period in 2022. Growth in the component metrics have become more balanced in more recent data for April and May, whereas before it was largely driven by occupancy growth. The latest data shows annual growth in RevPAR for Europe at 34.9%, occupancy growth at 17.7% and ADR at 14.6%.

Since last quarter, RevPAR, ADR and occupancy growth rates relative to the same period last year have all softened, with the exception of occupancy in the Middle East and Africa which has grown from 9.0% to 9.7%. Performance in the Asia-Pacific region continues to lead the way in terms of growth this year so far. Part of this is due to travel in the region coming from a lower base than other regions due to more prolonged travel restrictions. Elsewhere, growth in RevPAR across the Americas [13.3%] and the Middle East/Africa [13.8%] are very similar.

Global hotel performance



Source: STR

The strong growth in RevPAR across Europe so far this year is evident across all regions. Occupancy growth is the key driver across most regions with the exception of Eastern and Southern Europe. But

[6] Revenue per available room

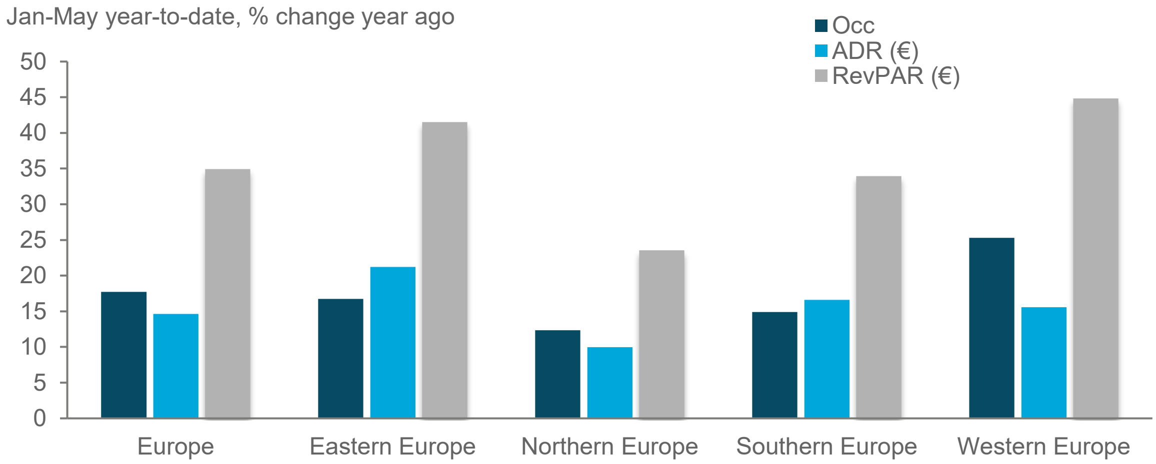
Western Europe continues to be the fastest growing region, with RevPAR growing by 44.8%, driven by occupancy growth of 25.3% and ADR growth of 15.6%.

RevPAR across Eastern Europe has strengthened in recent months, with growth now 6.6% higher than for Europe as a whole and just behind the outturn for Western Europe. This improvement gives rise to optimism as the data in both periods reflects the uncertainty and tensions arising from the war in Ukraine.

Northern Europe remains the weakest performing region in terms of RevPAR, ADR and occupancy. However, recent data has come out slightly stronger, relative to last year, especially for occupancy rates [12.3%] and RevPAR [23.5%]. There has been little movement in ADR with growth remaining fairly similar to where it was last quarter.

At a country level the outlook varies considerably, even for countries within the same region. Some Eastern European countries are outperforming the region in terms of both occupancy and RevPAR for example Czechia and Slovakia. These do not only outperform their region, but are also some of the highest across Europe in terms of growth relative to last year. Elsewhere, occupancy rates and RevPAR are growing particularly strongly in Austria [40.8% and 64.4%] and the Netherlands [34.8% and 61.6%]. Türkiye stands out in terms of ADR with the strongest growth this year so far at 33% [in EUR terms], likely driven by the booming luxury market.

European hotel performance



Source: STR

SHORT-TERM RENTALS

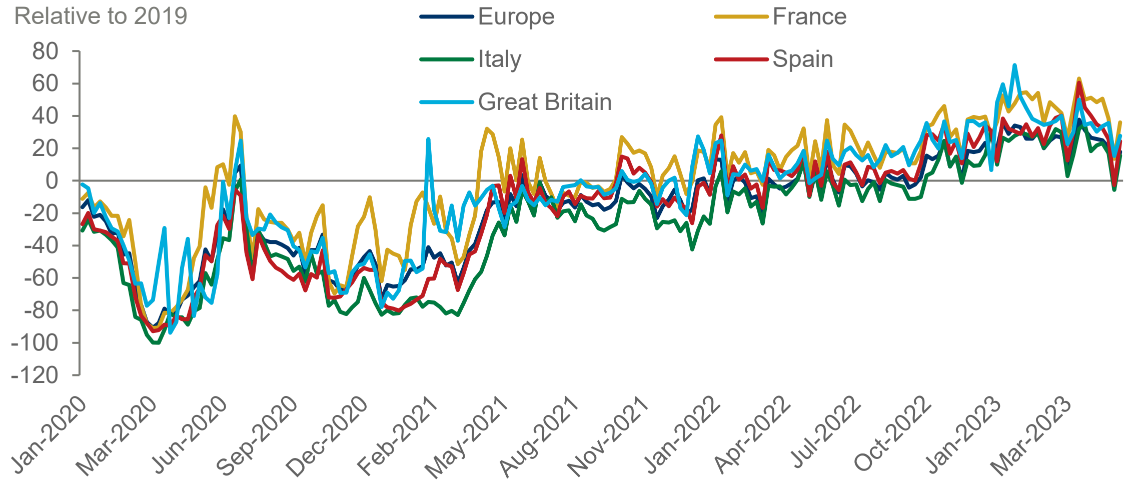
Elevated rates remain the prevailing trend for short-term rentals in numerous European countries, and globally over Q2 of 2023. Average prices for a two-bedroom vacation rental now sit around $150 globally per night, compared to $116 in 2019.

In terms of rural and urban demand, demand rates have stagnated since Q1, sustaining the gap between the two market types. As such, the share of reservations in urban areas remains around 10%-15% lower in 2023 compared to the first four months of 2019. Part of this demand has shifted towards vacation rentals in beach and lake areas, which has increased up to 18% in April, from around 11% in 2019.

Several major countries are witnessing consistently rising international travel. In June 2023, France exhibited a domestic share of guests of 52%, lower than the corresponding month in 2019. The decrease in the share of domestic guests is also an indication of international travel picking up heading into the peak summer season, as the share of domestic guests in France was still 69% in February of this year. In June 2023, France and Spain are seeing 3% and 4% growth respectively in international travel compared to the same period last year.

In terms of variations in European reservations in Q2 2023, France, Italy, Spain and Great Britain all show positive trends, exceeding 2019 levels. The European average on May 10, 2020, stood at -71%, on May 8, 2022, the rate was at 1% while most recently on May 7 2023, that European average stood at 25%, all demonstrating the positive trajectory.

Variation in European reservations vs 2019



Source: Transparent

Scandinavian countries specifically, are all experiencing higher ADRs and occupancy on-the-books rates, ahead of this summer compared to 2022. On average, yearly summer demand has risen 7-9% in all of the countries examined. Sweden garnered the highest occupancy on-the-books rates, followed by Denmark, Norway, and Finland. On average, summer pricing for two-bedroom listings has also risen since last year in these countries. Denmark and Sweden see the highest growth in ADR, up by 18% and 15% respectively. Finland and Norway follow with a 6% and 4% increase.

An analysis of Revenue Per Available Rental (RevPAR) over European markets (for markets of over 10,000+ 2-bedroom listings) showed that Italy, along with Great Britain, accounted for the most cities in the top 25 revenue-generating cities measured in Q1 & Q2 of 2023. This insight shows that there has been a steady flow of visitors seeking accommodation in these locations.

4. SPECIAL FEATURE: A PREVIEW OF SUMMER 2023

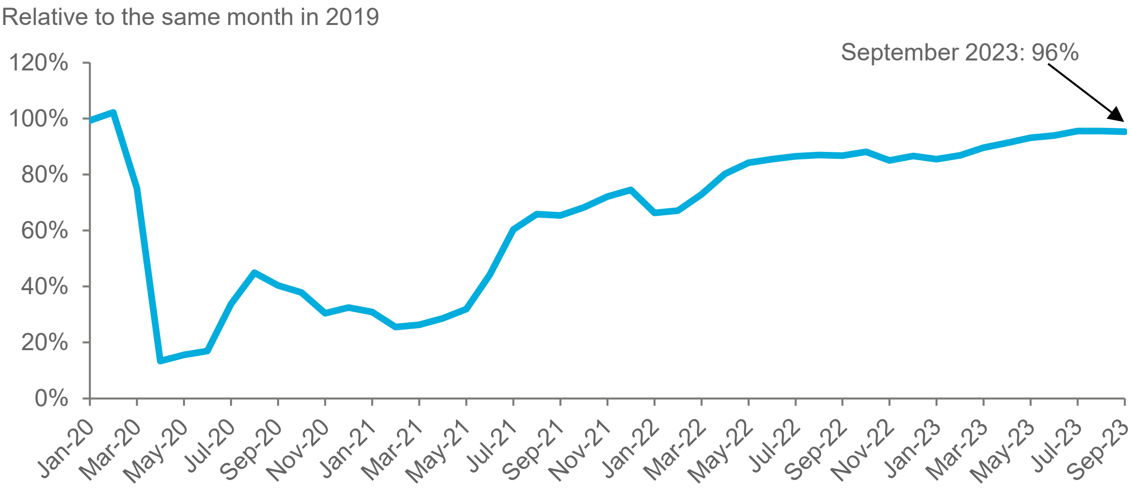
SUMMARY

- European flight scheduling is returning to its pre-pandemic highs of 2019, with planned seat capacity at 96% of pre-pandemic levels this summer.
- Traditional tourism destinations like France, Italy, Spain and Portugal appear to have robust demand coming into the peak season according to booking data, despite significant price increases since last year.
- This summer may prove a particularly strong one for Eastern Europe, with the invasion of Ukraine changing travel patterns for Russian tourists and the lower prices enticing new visitors away from their more traditional travel destinations.
- Both transatlantic travel and the return in travel from the Asia Pacific region, specifically China, is a welcome relief for the long-haul travel market.
- Staff shortages may still drag on demand, though airlines have had much more time to adjust to peak demand, which posed serious challenges last summer.

As we enter the European high-season [June-late August], schedules and bookings data are important indicators of whether summer 2023 will prove stronger than pre-pandemic levels, despite the inflationary environment squeezing consumers' incomes.

Travel decisions this summer will be price-driven for many consumers, with weaker economic conditions tied to rising inflation putting pressures on travellers' budgets. Crucially, travellers are still prioritising travel over material goods purchases, meaning that this summer's bookings data looks strong, despite the challenges facing households. Capacity is also rising to allow this continued growth, in a change from the more constrained situation in 2022.

Scheduled seats to and from Europe



Source: IATA Sustainability & Economics, using OAG data

Intra-European travel trends are still strong following a bumper 2022, with European air travel capacity at 96% of pre-pandemic levels this summer. According to bookings data, international air ticket sales into or within Europe are at 90% of pre-pandemic levels, with domestic slightly trailing at

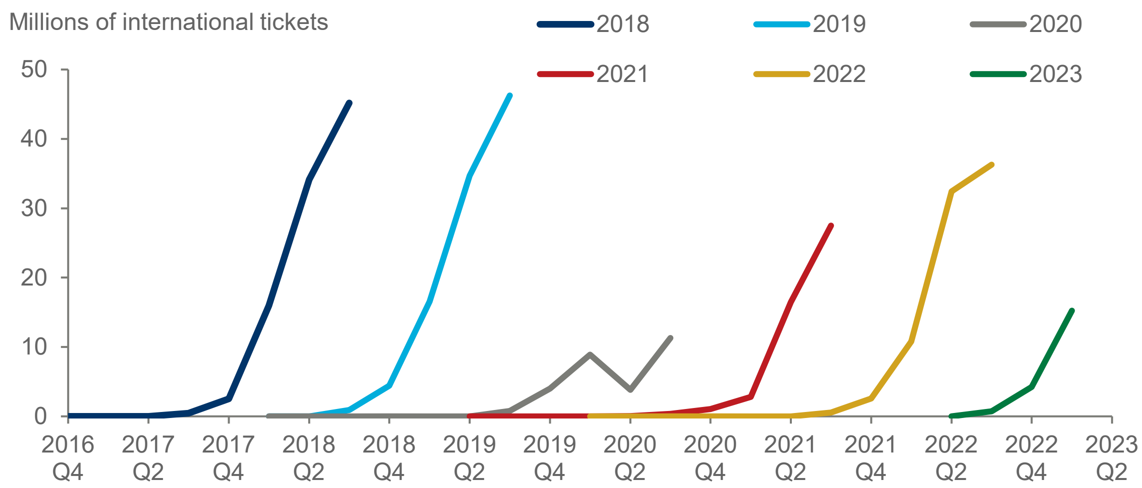
82%. This is a divergence from previous trends where domestic travel led the recovery, as consumers begin to substitute domestic travel to further afield and confidence in international travel returned. We may also see some domestic transport substitution, with domestic flight restrictions introduced (for example France) and increasing social awareness of the sustainability impacts of domestic flights changing consumer behaviour. Travel pathways are also evolving, with Germany and Spain becoming popular destinations for Latin American travellers.

Although some airlines have trimmed summer schedules over the past couple of months in anticipation of some lingering staff shortages, carriers have not been forced to cut on the same scale as last year. Airlines have over 50,000 transatlantic flights into Europe scheduled from June to August this year, reaching the highest levels since 2018. However, increased scheduling has done little to bring down fares, with roundtrips up 35% from last year and 24% on pre-pandemic levels. Given that the summer schedules show much promise, staffing will be the potential constraining factor for the season.

Staff shortages and resultant travel delays and cancellations across Europe dominated headlines over the summer in 2022. Airlines have focussed on ensuring staffing delivers in 2023, given that forward bookings for this summer show continued demand growth. Generally, post-pandemic labour markets have seen a structural tightening, particularly in advanced economies. Early retirement, alongside covid deaths, illness, and a shortage of manual labour, are all contributing factors. Although we expect this to unwind, the change will take time. The situation is improving, but some shortages are still likely to bite this year, as the supply of workers in the labour market is less reactive than demand. Security checks significantly increase the time taken to get workers 'on the ground' versus other industries, as well as normal recruitment and training times, and as such, employment delays may constrain the ability of airlines to meet visitor demand.

At the time of publication, France, the UK, Portugal, Italy, and Spain all have strikes scheduled for summer. Though some are likely to be reduced, and settlements will be reached, airlines are very wary after the volume of disruption caused last summer. Airlines across Europe are calling on the European Commission to change legislation to mitigate the impact of strikes over the summer period. This includes extending both union and personal time required to inform employers of the intention to strike, enabling time to find alternative crew or flight plans.

European air ticket sales



Source: DDS

Airline ticket sale patterns for the peak season appear to be returning to pre-pandemic norms. Typically, tickets for summer travel start being purchased up to a year in advance and as the season gets closer, the volume of tickets bought increases. This pattern is illustrated in the lines shown for 2018 and 2019.

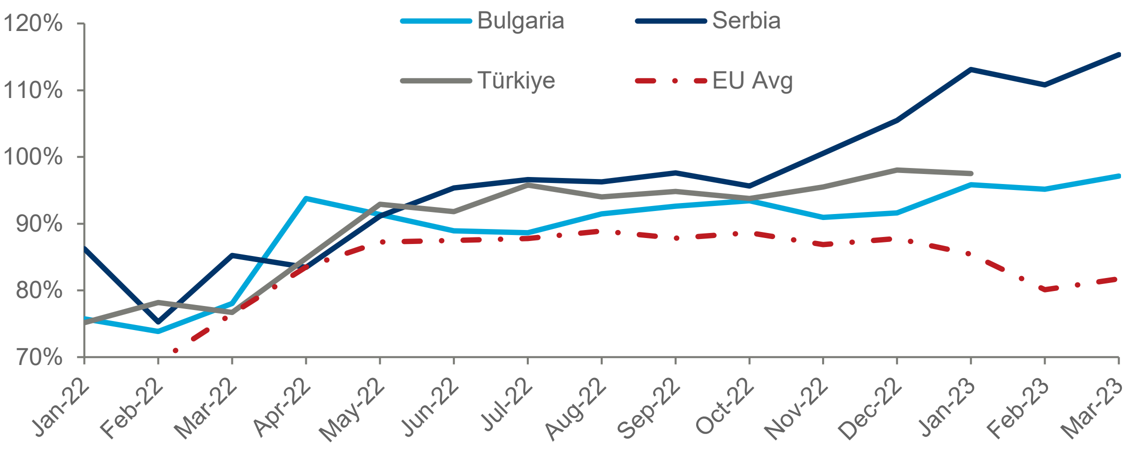
Over the period of the pandemic, international air ticket sales fell considerably, as travel restrictions significantly constrained travel demand. Moving from 2020 into 2021, individuals cautiously resumed international travel, with the pre-pandemic traditional shape of increased air ticket sales in Q2 and Q3 returning. A strong recovery started in 2022, with the greatest volume of ticket sales in Q3 for summer travel returning. This year continues to show promise, with Q1 bookings back on par with pre-pandemic bookings volumes, which bodes well for the summer season, where the greatest volumes of ticket sales occur in Q2 and Q3.

Favourite destinations for Europeans prior to the pandemic included the likes of Spain, Italy and France. These will remain popular, despite the price increases according to data reported by Trip.com. Island and coastal destinations have also proved increasingly popular once again, with the Canary Islands and Grecian Islands being the fastest-growing destinations. The drive for coastal holidays is also mirrored in Eastern Europe, where Türkiye and Cyprus, traditional beach destinations, are seeing bumper summer bookings as well as in more emerging destinations like Albania and Montenegro.

Looking at the year-to-date for international arrivals, relative to pre-pandemic levels, Serbia, Bulgaria, and Türkiye have been the strongest performers, all with international arrivals for the year to date well above pre-pandemic levels. Türkiye holds particularly strong appeal this year, as the weak Lira makes it a more affordable destination. This combined with rapidly expanding flight schedules makes the destinations more affordable than most. For all these countries, as called out in the previous special feature, the rapid recovery is largely due to the influx of Russian travellers, who face sanctions across much of the Western world due to Russia's ongoing invasion of Ukraine. Given the uncertainty around the future of the conflict, it would be sensible to assume that Russian travellers will continue to have a small pool of destinations available to them over the summer months. As such, we can expect those destinations still willing to receive them to garner the benefits and outperform the average for Europe as a whole.

Overnights by country

Relative to same month in 2019

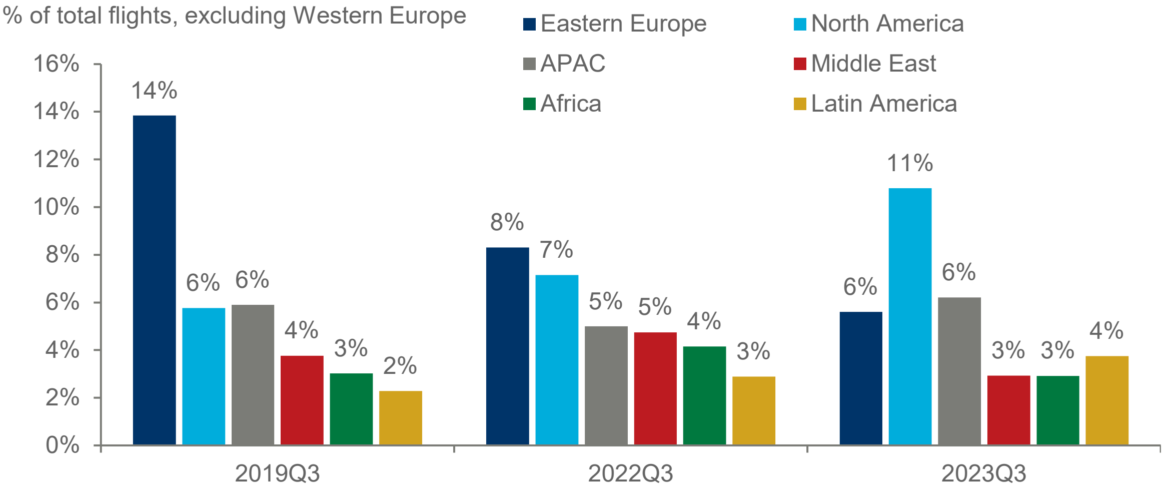


Source: Tourism Economics

Transatlantic travel has returned ahead of expectations, partly due to the strong US dollar and rapid growth in ultra-low-cost carriers in the US, making European travel more widely available. Hopper, a US travel agent, cited that 37% of all searches from US-based travellers are for flights to Europe, a 9% increase on the same period in 2019. Bookings data tell the same story, with air passenger traffic between Europe and the Americas being the first regional flight pair to surpass 2019 levels in April of this year. Allianz reports similar trends, with American visitor volumes 55% above the 2022 peak season, with London, Paris and Dublin being the top destinations. Transatlantic travellers are expected to make up a larger proportion of European travel than normal this summer. This will provide a welcome boost to destinations, as long-haul travellers tend to stay for longer, visit multiple destinations and spend more money than their intraregional counterparts.

China's surprise return to travel in the close of 2022 raises questions about when the 'normal' pre-pandemic volumes of Chinese travellers will return. China was the largest source market for international tourism spending pre-pandemic and contributed the most to growth in travel spending from 2010 to 2019. Preferences shifted to long-haul travel over the 2010s for outbound Chinese travel. As such, the return of Chinese travel promises both volume and increased spending, as longer-haul travel tends to be more expensive. As China enters the second stage of post-reopening economic recovery and consumer spending slows, the latest PBOC survey (Q1 2023) shows some promise for tourism spend, with an increased number of urban residents stating the intention to spend more on travel. Much of China's outbound travel to long-haul markets pre-pandemic was in groups through organised tours when travelling for tourism purposes. As travel returns, tour group operators are struggling to keep pace with the elastic tourism demand, and the Russian conflict is posing challenges for travel to Europe, with European carriers facing Russian airspace restrictions for Europe-China flights.

European inbound regional source market mix



Source: OAG

The French and Dutch tourism organisations have launched campaigns to try to disperse travellers more equally across the country as concerns of over-crowding are once again prevalent. These destinations are placing a renewed focus on visitor value over volume as the summer approaches. In France, 80% of visitors focus on just 20% of the country, with some sites introducing pre-booking systems and limiting visitor numbers and data shows that footfall does not correlate with the spend. Tourists will see attractions but not necessarily spend to enter them or surrounding facilities, which when combined with increased costs means that the increased footfall is not providing proportional economic benefit. This peak season poses the first opportunity for such schemes to be tested and may prove crucial for tourism to remain socially sustainable for some of the most popular destinations across Europe.

Destinations are combatting pressures on profits by reducing visitor volumes and upping prices, which, so far, there is some willingness amongst travellers to pay. This of course poses particular risk for more expensive destinations [such as Switzerland and Luxembourg], which may be deemed too expensive in the current economic climate. But overall, travel demand across the board still seems robust, and those able to afford more expensive holidays are likely to feel the pressure but to a lesser extent.

5. KEY SOURCE MARKET PERFORMANCE

Trends discussed in this section in some cases relate to the period January to April 2023, 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

- Arrivals across reporting European destinations are on average 5.8% below 2019 levels so far in 2023 based on data up to May (data points vary among reporting countries). For nights, the average across reporting countries is 3% below 2019 levels. On average, latest trends are aligned with prior expectations for continued recovery.
- Montenegro is experiencing a strong recovery in tourism activity to date in 2023. This is driven by the increase in promotional activities of the National Tourism Organisation of Montenegro which has boosted its reputation and visibility as a top destination among many key source markets.
- Serbia is so far successful in diversifying their guest mix with airlines introducing new flights and new partnerships across source markets. This destination continues to perform strongly across most key source markets with travel volumes already exceeding 2019 levels for many markets.
- There are distinct trends for reporting destinations in the eastern half of the continent, driven by concerns over the ongoing war in Ukraine.
- The US is one of the strongest source markets this year. Many US travellers have already locked-in the previously strong exchange rate which should ensure the recovery in many European destinations during the summer period despite a recession expected in the second half of 2023.
- Affordability is a key theme across most source markets for this year. Europe is experiencing high levels of inflation, increasing costs for long-haul tourists. Travellers are still showing willingness to pay for experiences, but destinations which can provide value for money will benefit the most.

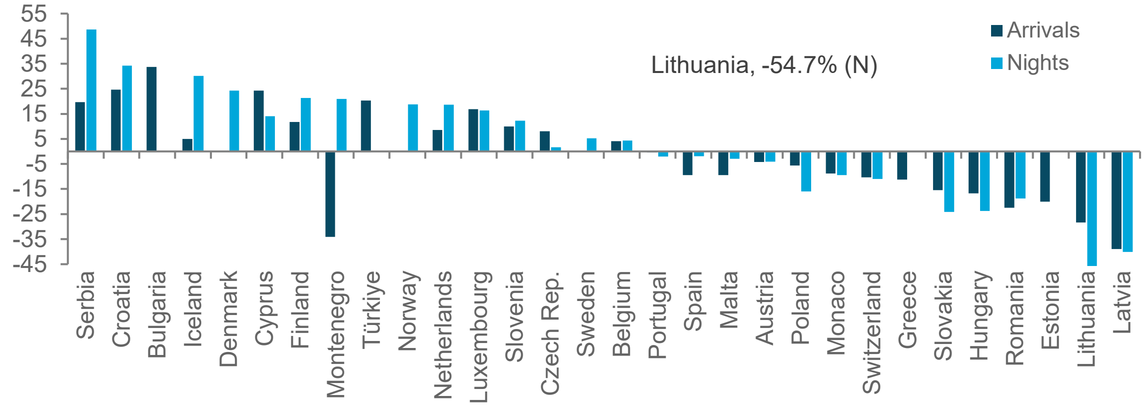
KEY INTRA-EUROPEAN SOURCE MARKETS

Intra-European travel has built on the overall positive start to the year, with the recovery continuing into Q2 of this year so far. Although recent data has been slightly softer in recent months, recovery from key source markets remains on an upward trajectory. Data for this year so far [timing of data points vary among reporting countries] shows recovery continuing in reported and nights, but on average trip volumes remain lower than in 2019. This is consistent with households experiencing a strain on their disposable income due to inflation.

On average, across arrivals and nights Dutch demand is recovering the fastest so far in 2023 among major source markets covered in the section (among smaller source markets, demand from Poland and Austria has also notably improved). Russia is among the weakest countries this year, as it was in the previous quarter due to heavily restricted travel to the EU as a consequence of Russia's war in Ukraine.

German Visits and Overnights to Select Destinations

2023 year-to-date*, % change relative to 2019



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

For German tourism, 44% of all reporting destinations showed growth in arrivals relative to 2019 for data in the first half of year to date. For all reporting destinations on average arrivals were 1.8% below pre-pandemic levels. Nights have performed stronger than arrivals so far this year, with 54% of all reporting destinations showing a rise relative to 2019, with average growth of nearly 2.4%.

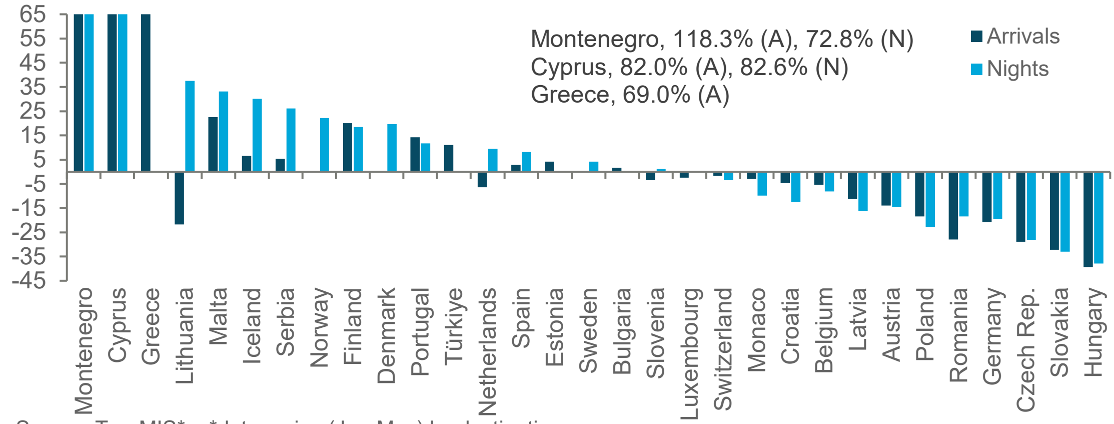
Serbia continues to lead the recovery as it was last quarter, with arrivals up 19.7% and nights by 48.7% with data for March and April remaining strong. This destination is known for having a comparatively lower cost of living, which could be a big draw to travellers from Germany who are facing high inflation and rising costs at home.

Eastern European countries such as Latvia, Lithuania, Estonia, Romania and Hungary continued to underperform in terms of both German visits and nights, through to the end of Q1 and the start of Q2. This is a persistent trend and likely related to Russia's ongoing war in Ukraine.

The travel recovery in Germany continues to lag behind its Western European counterparts such as France and Italy, especially in terms of air travel. We expect to see some improvement throughout this year as a result of new routes being launched, these should provide support and boost German travel to destinations across the region. New routes include those to Belfast and Iceland. The outlook is more positive going into the medium term as Lufthansa has also placed an order for 22 Airbus and Boeing long-haul jets in March, increasing Germany's long-haul travel capacity.

French Visits and Overnights to Select Destinations

2023 year-to-date*, % change relative to 2019



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

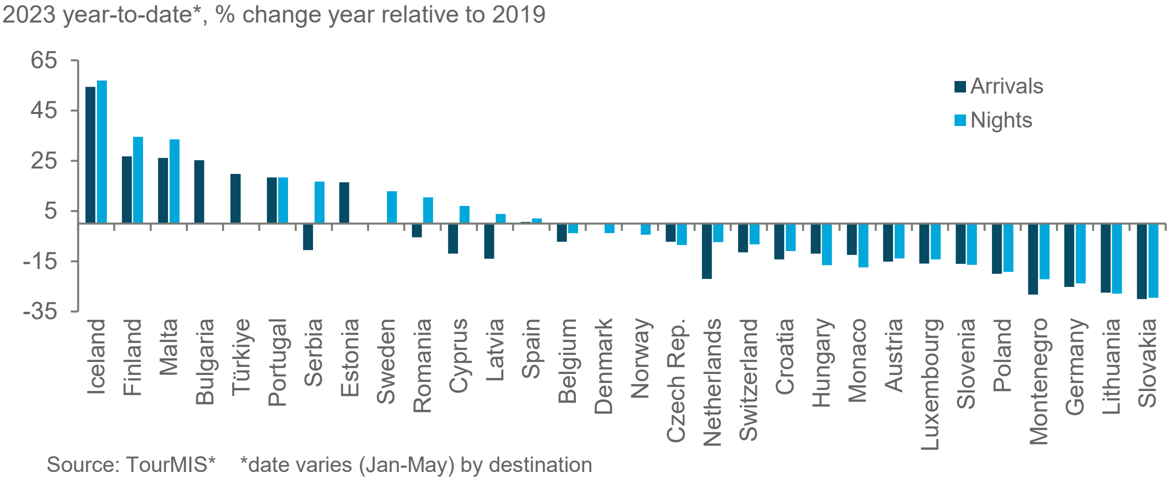
The recovery in French demand largely mirrors that of Germany, with 43% of reporting destinations showing a rise in arrivals so far this year and an average recovery of around 4.1% above pre-pandemic levels. French travellers are also spending longer in these destinations, with the recovery in nights averaging 5.7% above 2019 levels so far this year.

Air traffic strikes have had some impact in Q1, but they are also going to further feed into Q2 with strikes having taken place in early June causing additional cancellations. The French Civil Aviation Authority advises airlines to cancel up to 30% of all flights on strike days, having a significant impact on travel volumes over this period.

In contrast to the previous quarter, Montenegro is now ahead of all other destinations in terms of recovery, with arrivals up 118.3% and nights 72.8%. The promotional activities of the National Tourism Organization of Montenegro have intensified and is part of the reason for this recovery in French travel. Cyprus has maintained its dominant position as a popular destination for French tourists, as it was in the previous quarter. However recent data shows that it has slightly softened the magnitude of its recovery. Travel to Greece is also up strongly in 2023 to date, with growth also reported by other Mediterranean destinations which points to continued strong performance leading up to the summer months when these destinations are favoured.

Although recent months' data indicates a minor improvement in the recovery in arrivals to Eastern European destinations, Hungary, Slovakia, Czechia and Poland continue to lag behind. For these, the decline in arrivals ranges is well below the average across all reporting destinations. Travel sentiment from all source markets for this region, is likely to be affected by increased uncertainty stemming from the Russia's ongoing war in Ukraine.

Italian Visits and Overnights to Select Destinations



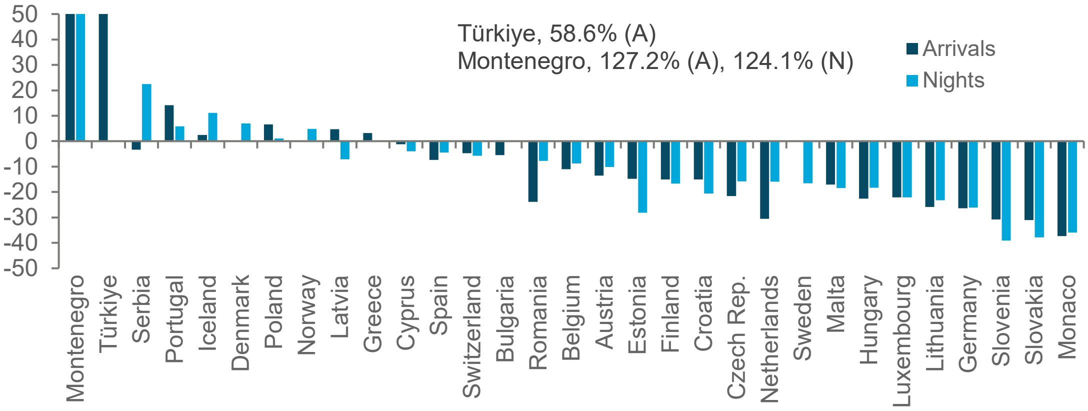
Across all reporting destinations, arrivals from Italy were on average -4.4% below 2019 levels (down from 0.4% last quarter) and nights were at 1.9% (down from 4.5% last quarter) for the year to date.

Iceland's recovery has remained strong, with arrivals and nights up 54.4% and 56.9% on 2019 levels respectively, marking an improvement in arrivals and a slightly softer outlook in nights relative to last quarter. Iceland is a popular destination around the winter period due to its landscape and view of the northern lights, this is likely to have been a reason driving up Italian demand across this period. It is likely that as the climate improves through spring into summer, that more warmer destinations popular with Italian tourists such as Spain and Türkiye will see a stronger rise in Italian tourists. Arrivals into Türkiye are already up 19.8% on 2019 levels as of this year so far which bodes well going into the summer, especially as the Lira/Euro exchange rate remains competitive. While in Spain, overnights have just about surpassed 2019 levels by 2%.

The recovery in Germany as a destination for Italian tourists has persistently lagged behind at a similar scale to Eastern European destinations affected by the war. It is possible that the slow recovery in German aviation is a driver of this, especially towards the start of the year while the industry struggled with significant industrial action.

British Visits and Overnights to Select Destinations

2023 year-to-date*, % change relative to 2019 levels



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

For British tourists, the recovery so far remains muted, with just 30% of all reporting destinations showing growth relative to 2019 for data in the first half of 2023 in either arrivals or nights. Out of the reporting destinations above, arrivals were on average -6.0% below pre-pandemic levels and slightly lower at -7.5% for nights.

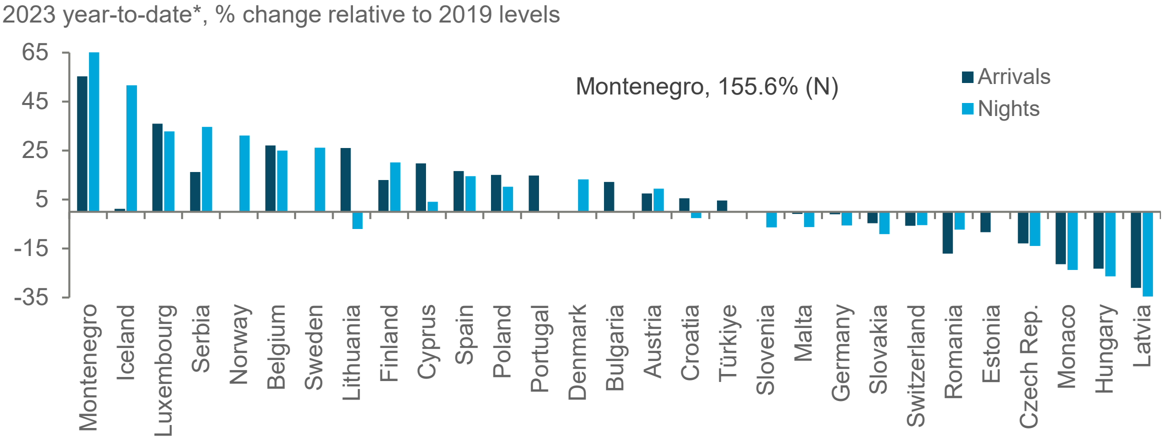
It is not a coincidence that both the top destinations for growth in arrivals from Britain are also two of the most affordable destinations in Europe, Türkiye and Montenegro, with Türkiye benefitting from its favourable exchange rate against sterling. Value for money will be a bigger factor for British tourists this year than it will be for other countries within Europe as it is predicated the UK will have one of the highest levels of inflation within Western Europe this year. This trend is already visible in the off-peak travel season, but when prices start to rise higher in peak-summer season (late June-August), it is likely that this trend will intensify.

The recovery in Croatia has taken a turn during April and May, with the current figures for British arrivals and nights now below 2019 levels, which is a stark contrast to last quarter where Croatia demonstrated a very strong start to the year relative to other destinations. The reason could also be cost-driven as the official low season ended in late March.

The destinations with the weakest recovery so far includes Slovakia, Slovenia and Monaco. It is likely that Monaco, will continue to lag in the recovery as prices rise into the summer months, with most of the recovery driven by luxury travellers. Germany is also lagging, potentially due to more limited air capacity.

British tourists will face higher costs travelling to Europe due to rising inflation, but they will not face the additional cost of obtaining an ETIAS visa until next year. This is to allow airports time to put processes in place at border security to minimise disruptions.

Dutch Visits and Overnights to Select Destinations



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

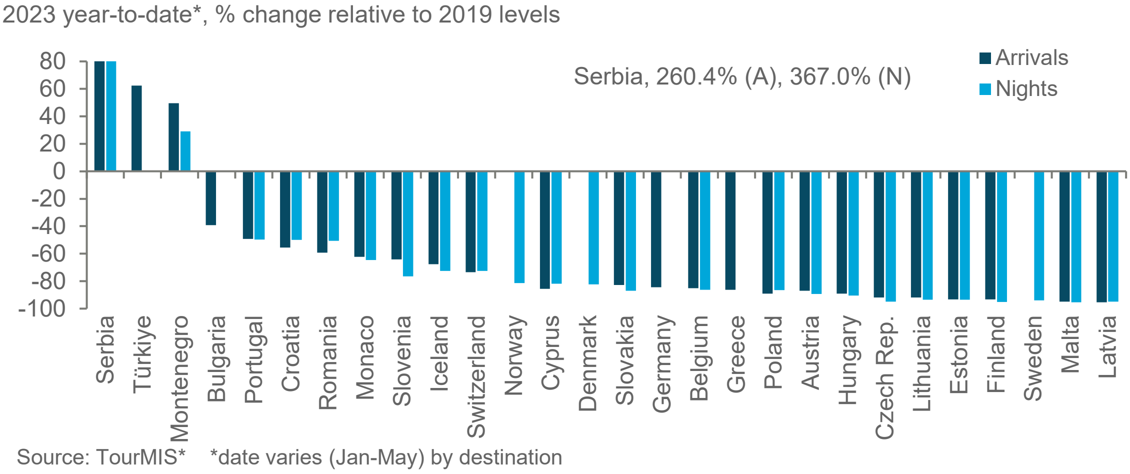
The recovery in Dutch arrivals and nights has softened since last quarter, with 58% and 52% of destinations reporting a rise in arrivals and nights on 2019 levels respectively, suggesting a softer end to Q1 and start of Q2 for Dutch travel demand. However, there was an improvement at a top level in the volume of nights, up to 11.2% above pre-pandemic levels, compared to 7.1% the last quarter.

Montenegro saw the largest improvement across all reporting destinations, in percentage terms having been the weakest performing last quarter to now reporting arrivals growth of 55.3% and 155.6% in nights following a strong outturn from February to April. Like Italians, Dutch travellers seem to have responded positively to enhanced marketing efforts by the country’s National Tourism Organization as well as seeing it as an affordable European holiday destination.

Like many other European markets, the recovery in Dutch travel to Monaco continues to lag elsewhere in Europe (despite around a 10ppt improvement on the previous quarter) and some Eastern European destinations close to the ongoing war in Ukraine (Latvia and Hungary). Monaco is one of the more expensive destinations to visit in the region and its slow recovery highlights the impact of falling disposable income across households because of high inflation, which suggests that destinations with more budget-friendly offerings will do better this year. This could explain the stronger recovery in Iceland and Luxembourg towards the start of this year, as these destinations tend to be cheaper to visit in the winter and early spring months.

Additional intra-European flights are set to be in place for the summer to support the rise in Dutch travel across the region with airlines such as EasyJet and Ryanair providing these additional flights. With sustainable travel becoming more prevalent for destinations and tourists, the new European Sleeper train provides an extra form of transport for Dutch tourists looking to travel to Belgium or Germany.

Russian Visits and Overnights to Select Destinations



The recovery in Russian arrivals to Europe remains the weakest across all source markets in the first half of this year so far. Out of the reporting destinations, arrivals and nights are down 53.9% and 57.8% below 2019 levels according to data up to May [data points among reporting destinations vary].

Russian tourists continue to have fewer holiday options as the summer period approaches, due to airspace ban between Russia and many European countries. There are still only a handful of routes flying out from Russia to Europe from both St. Petersburg and Moscow International airports[7]. These will limit tourist arrivals to just those destinations.

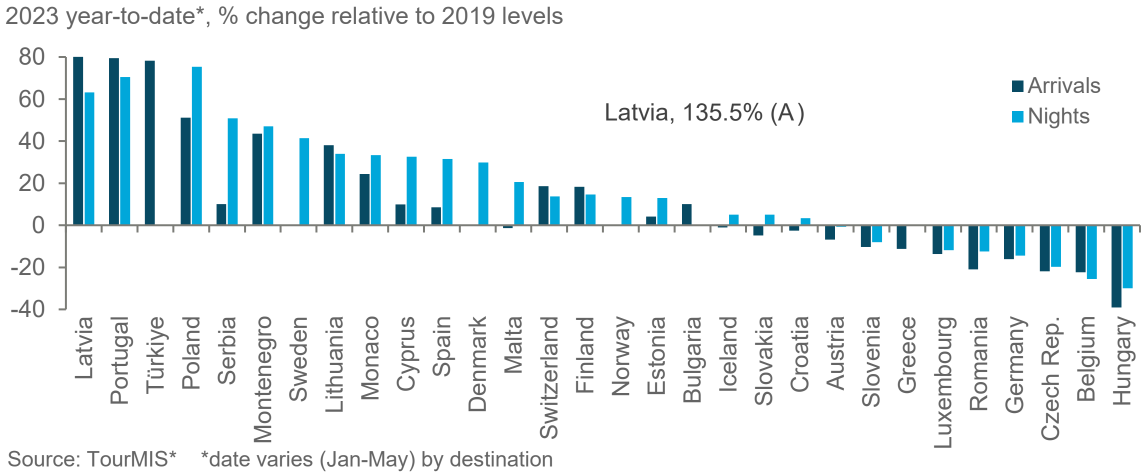
However, Georgia has announced that from June, Georgian Airways is set to start transit flights[8] allowing Russians to access more European destinations and by-pass current airspace restrictions. This will pose an upside risk to the recovery across destinations which have still significantly lag behind 2019 levels, including Italy, France, Austria and Cyprus.

Destinations which Russian's are able to fly to are seeing the strongest recovery so far, including Serbia, Türkiye, and Montenegro. These are all currently reporting arrivals and/or nights growth ahead of 2019 levels for this year so far. Türkiye has been a popular destination since the start of the war, especially for Russian's pre-emptively fleeing conscription. This may increase since a new legislation was passed earlier this year that bans men from leaving the country if they receive digital military summons.

[7] https://www.flightradar24.com/data/airports/led/routes and https://www.flightradar24.com/data/airports/svo/routes
[8] https://www.themoscowtimes.com/2023/05/25/georgia-to-launch-transit-flights-between-russia-and-europe-a81284

NON-EUROPEAN SOURCE MARKETS

US Visits and Overnights to Select Destinations



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

The US is one of the strongest source markets so far this year, with tourists benefitting from a favourable exchange rate. But with an impending recession and household incomes continuing to be squeezed across other source markets, lower cost and more affordable destinations will continue to take a larger share of this market. Of all reporting destinations, 52% showed arrivals growth above 2019 levels across January-May [dates vary among these destinations], which rises to 70% when looking at nights alone. This suggests that US arrivals to Europe are continuing to recover, and trips are lasting longer, and multi-country trips may also be a factor.

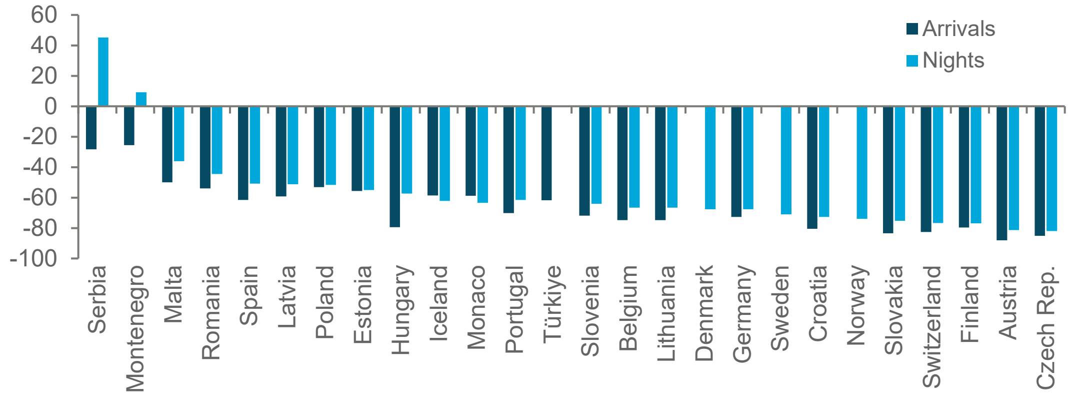
Despite the US dollar weakening against the Euro in recent months, Europe remains a popular long-haul destination for American tourists. Several trips for this year are expected to be pre-paid to lock-in favourable exchange rates. So, any recent movements in the US$/Euro exchange rate are unlikely to significantly impact demand. The main thing that will be impacted as a result of currency fluctuations is how much US travellers spend in Europe.

Affordability is a bigger factor in long-haul travel decisions getting closer to peak time for those that have not already pre-booked and paid for travel. The oncoming recession may increase consumers' propensity to save and lead them to change travel plans to more short- and medium- haul destinations. More affordable destinations such as Türkiye, Montenegro and Serbia may benefit more than others, adding to the strength in their recovery in 2023 so far.

Latvia, like last quarter keeps the top spot in terms of percentage growth across all reporting destinations, with data up to March showing arrivals at 135.5% above 2019 levels. A possible reason for this is that the US has some of the largest diaspora of Latvian's outside of Europe and a lot of travel includes visiting friends and relatives. Elsewhere, Poland also stands out as another Eastern European destinations being popular for Americans. However, it is possible that the influx could be an effect of the war including journalists and official delegations, especially as Poland is one of the closest NATO members to the crisis. This seems more plausible as other Eastern European countries (such as Hungary and Romania) are also geographically close to Ukraine and Russia but remain well below the average across reporting destinations.

Chinese Visits and Overnights to Select Destinations

2023 year-to-date*, % change relative to 2019



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

Despite international travel being a possibility for Chinese tourists from January this year, the average recovery across reporting countries has worsened since last quarter for both arrivals and nights. The average for Chinese arrivals has fallen from -63.4% to -65.6% this quarter and nights from -54% to -56.9% over the same period. There could have been some trade off with immediate travel once borders were reopened to more short- to medium-haul destinations, especially around the Lunar New Year within the first quarter of the year, and likely focussed on VFR travel rather than an immediate return to other forms of leisure or business travel.

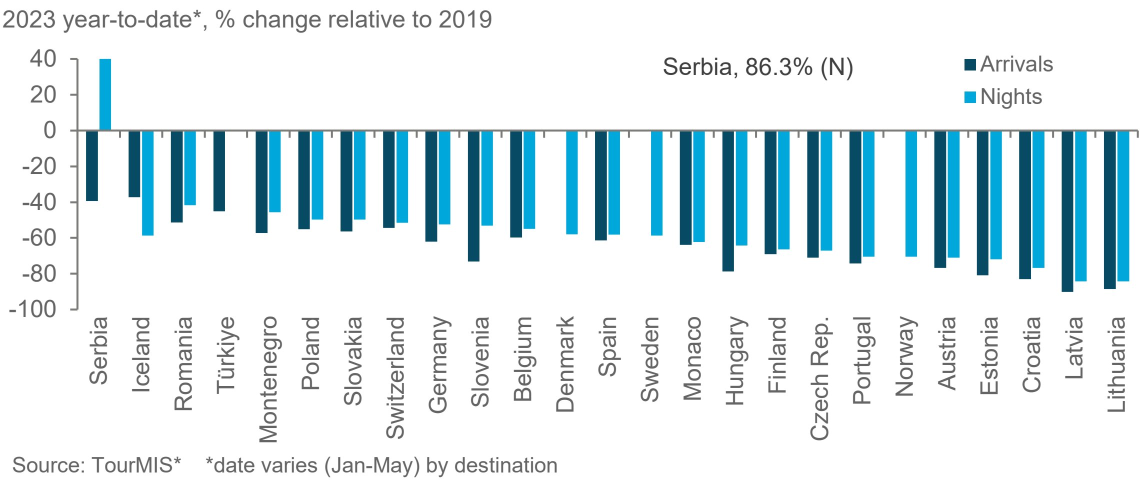
Recent research by the ETC in June reported that "73% of surveyed Chinese expressed eagerness to travel to Europe in the following months[9]", confirming there is still an appetite for Chinese travel to the region, despite few signs of an immediate return. There is still hesitancy for those who do not plan to travel with reasons including possibly changing restrictions. However, as conditions become more stable this is likely to become less of a reason as time goes on. Visa and passport issuance backlogs have also reportedly eased over this period.

Montenegro and Serbia continue to be the only two destinations reporting an improvement in growth for nights so far this year. Since last quarter the recovery in Chinese arrivals to Montenegro have moved into negative territory, 25.6% below 2019 levels. Elsewhere there has been very little change in the rankings for the strongest and weakest performing destinations in Europe. Another reason in the research above regarding those who do not plan to travel is related to documentation and this may be a factor in the stronger recovery in Serbia. Since 2017 Serbia has offered visa-free entry to Chinese passport holders.

Tourism Economics expects that Chinese arrivals into Europe will significantly improve this year, but only reaching 40% of 2019 levels by the end of 2023. This outlook is however slightly more optimistic than in the previous quarter.

[9] https://etc-corporate.org/uploads/2023/05/ETC_Long-Haul-Travel-Barometer-2_2023.pdf

Japanese Visits and Overnights to Select Destinations

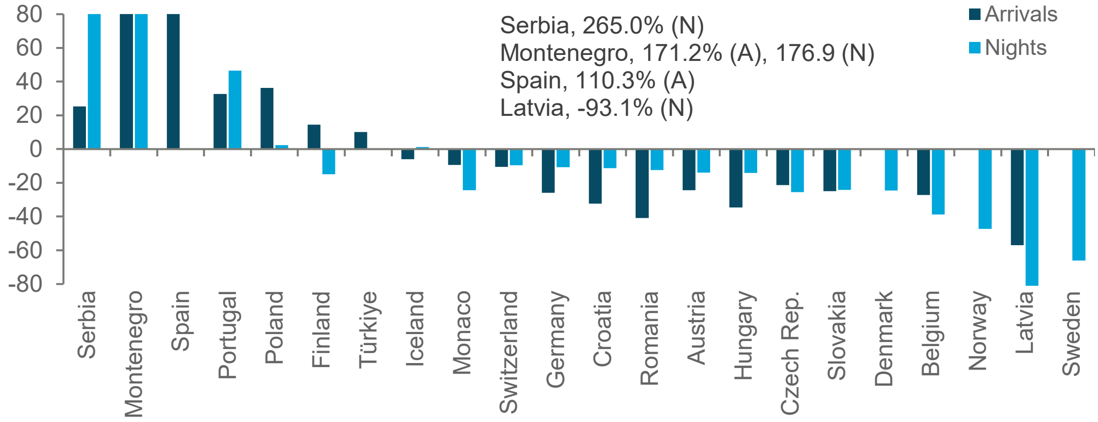


The outlook for Japanese demand to travel to Europe has remained relatively subdued. The average across reporting countries for arrivals and nights has weakened marginally since last quarter, with arrivals averaging 65% below 2019 levels (down 1.1%) and nights averaging 55.6% below 2019 levels (down 0.8%). Serbia also remains the sole destination with at least one metric exceeding 2019 levels, however, even this has softened since last quarter due to a weaker outturn in March and April. Nevertheless, Air Serbia has been proactive in adding routes and improving partnerships with other airlines, a factor which may have made Serbia stand out as a destination for Japanese tourists.

The slower overall recovery in Japanese demand has been confirmed by recent research by the ETC which reported that the "Japanese market continues to show the lowest willingness to travel overseas" out of the top long-haul source markets to Europe (China, Brazil, Australia, Canada, US and Japan). For a quarter of those surveyed, the unwillingness is directly stemming from Russia's war in Ukraine, despite many destinations in Europe being a fair distance away from the conflict. However, all of this may not be the war itself, but the effects of the war such as longer flight times to avoid the no-fly zone over Russia and Ukraine. Routes from Finland to Asia are disproportionately affected with flights to Asia increasing by between one and a half to nearly four hours. These diversions increase fuel usage and costs for airlines which is likely to have been reflected in the consumer prices.

Indian Visits and Overnights to Select Destinations

2023 year-to-date*, % change relative to 2019



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

For Indian tourism, 37% of all reporting destinations showed growth in arrivals relative to 2019 so far this year. Out of these destinations, on average arrivals were 4.5% above pre-pandemic levels (up from -1.7% last quarter). Nights have performed less well than arrivals so far this year, with just 25% of all reporting destinations showing a rise relative to 2019, with average growth of 3.1% (up from -2.7% last quarter).

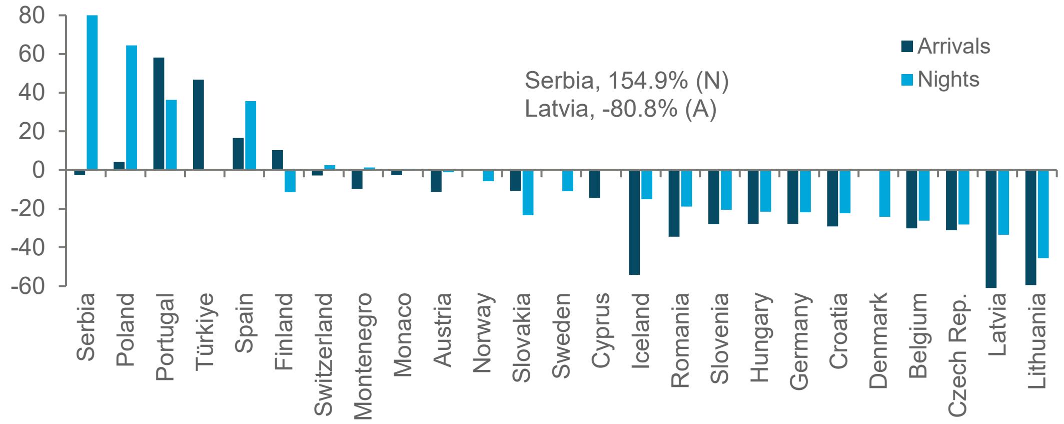
Serbia remains the fastest recovering destination in terms of growth in nights. Travel was previously facilitated by a loophole in the travel requirements of other countries which allowed vaccinated travellers with a negative Covid-19 test to stay in Serbia visa-free, and this has continued to have generate momentum through this year.

Southern & Mediterranean destinations, Montenegro, Spain and Portugal make up the other top performing destinations so far this year for increases in Indian tourists. Arrivals to Spain and Montenegro are strong at 110.3% and 171.2% above 2019 levels respectively. Portugal is slightly weaker at 32.7% but this is stronger than Serbia.

The weakest performing destinations continue to be concentrated in the Nordics and Eastern Europe, in particular Sweden, Latvia and Norway. Some of this could be due to hesitancy of travelling too close to the conflict in Ukraine but also because of the no-fly zone over Russia and Ukraine. This has had an impact on routes which have crossed these countries such as New Delhi to Oslo.

Canadian Visits and Overnights to Select Destinations

2023 year-to-date*, % change relative to 2019



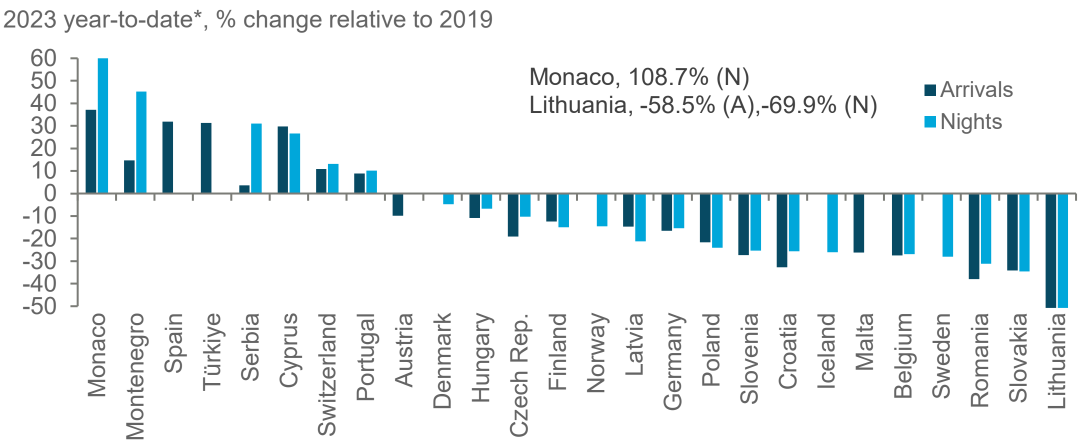
Source: TourMIS* *date varies (Jan-May) by destination

So far this year, only 23% of reporting destinations have registered an increase in arrivals from Canada and 30% for nights. This represents a softer outlook compared to last quarter, even in terms of the average across all reporting markets, with Canadian arrivals now averaging -14.6% (from -8.6% last quarter) below 2019 levels and nights -1.5% (from 19.4% last quarter) below.

The top five destinations in terms of growth for Canadian tourists remain the same as last quarter: Serbia, Poland, Portugal, Türkiye and Spain. Türkiye has been benefiting from a strong Canadian dollar relative to the Turkish lira, increasing its affordability as a long-haul destination in Europe. There is a similar trend emerging in Serbia and Poland, the recovery in arrivals is better than average but not significant, however nights spent in both countries is markedly higher than 2019 levels. It is possible that, like the US, Poland is a popular base for journalists and delegates (along with their families) reporting on the crisis – the longevity of the war could explain the rapid recovery in nights spent. Canada has stationed engineers in Poland for training support to Ukrainian troops which only strengthens this possibility.

Latvia and Lithuania continue to lag most other destinations, especially in terms of arrivals, down 80.8% and 59.5% respectively over 2019 levels so far this year. Proximity to Russia and Belarus is likely generating some hesitancy from Canadian tourists when choosing destinations to visit.

Australian Visits and Overnights to Select Destinations



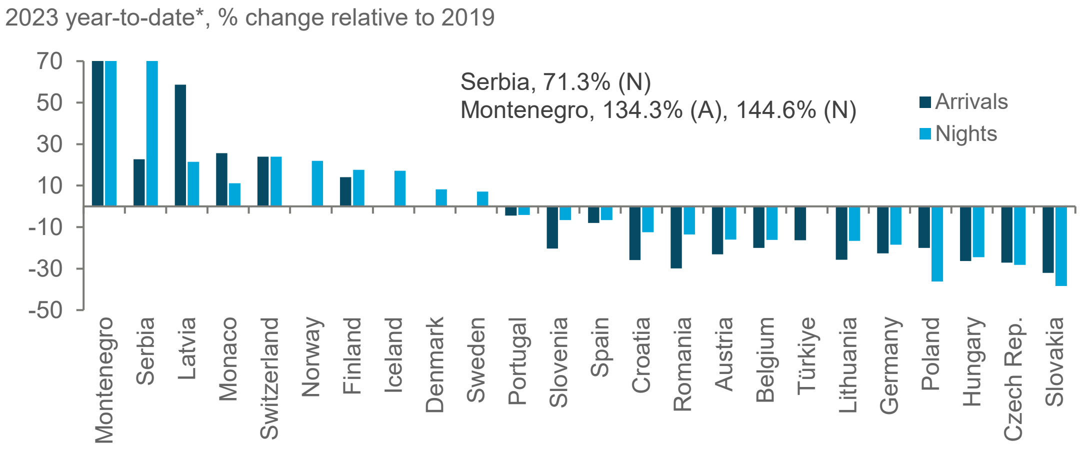
Source: TourMIS* *date varies (Jan-May) by destination

Eight reporting destinations (up from six last quarter) have registered increases in either Australian arrivals or nights so far in 2023 compared to 2019. Despite a softening in demand in recent months, Monaco continues to lead the way with nights up 108.7% and arrivals up 37.1% relative to 2019. This seems increasingly driven by the upmarket/luxury travel segment as Monaco is one of the most expensive destinations in the region and household consumption remains strained in Australia due to high interest rates and inflation.

Eastern European destinations closer to the war in Ukraine such as Lithuania, Slovakia, Slovenia and Latvia continue to underperform and lag behind many other destinations in the region. There is likely to be some continued hesitancy among travellers until conditions improve.

The cost for Australians to travel to Europe will remain elevated. Airfares are high, reflecting fuel costs, and tourism-related services such as hotels are trying to recover some pandemic-induced losses. Destinations that provide value for money are favoured for more mass tourism, such as Türkiye, Montenegro and Serbia which have all had a positive start to the year with above average recoveries.

Brazilian Visits and Overnights to Select Destinations



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

Out of all reporting destinations, 44% have recorded growth in at least one travel metric from Brazil for this year so far, down from 50% last quarter. Nights are performing better than arrivals with 43% of destinations reporting growth above 2019 levels, compared to just 30% for arrivals.

But the recovery across destinations is largely skewed toward just a few, including Montenegro, Serbia and Latvia. Out of these, the recovery in both arrivals and nights spent in Montenegro have improved markedly on last quarter where they were both below 2019 levels. Now they have reported growth in excess of 130% for both metrics. This is possibly down to a combination of the marketing effort of the National Tourism Organisation as well as being one of the cheaper destinations in Europe.

Despite inflationary conditions starting to ease in Brazil, affordability remains a big concern for Brazilian tourists. Research by the ETC has found that among those not intending to travel between May and August 2023, “53% mentioned their financial situation as a primary obstacle”. Tough financial conditions at home as well as rising inflation among tourism-related services across Europe has and are likely to continue to weigh on the recovery, especially for more expensive destinations.

The weakest performing destinations continue to be concentrated in Eastern Europe, including Hungary, Slovakia, Czechia and Poland. All four destinations are close to or border Ukraine which could be a contributing factor to their underperformance relative to the rest of the region.

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 Türkiye;*

***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

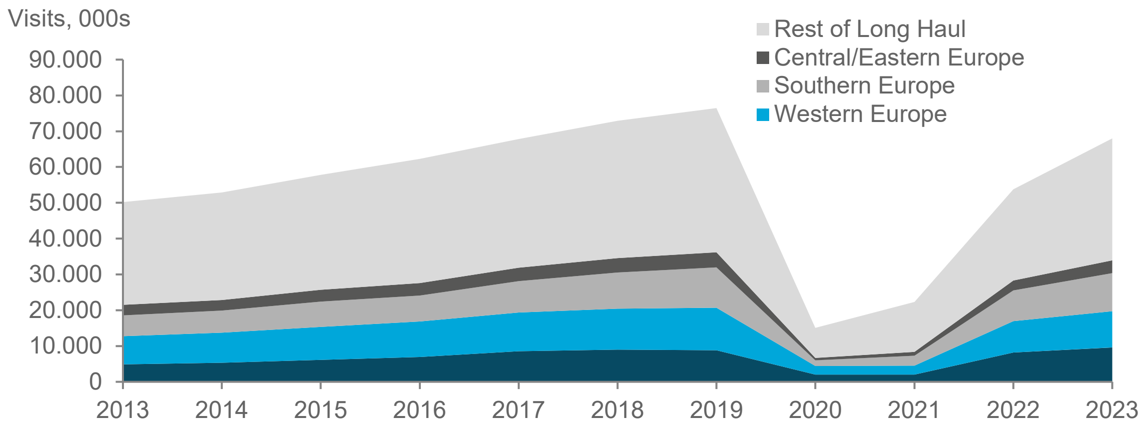
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**103,656**	**-**	**8.8%**	**52.5%**	**-**	**-8.4%**	**-**
Long haul	53,823	51.9%	12.4%	79.7%	61.2%	-20.6%	59.9%
Short haul	49,833	48.1%	4.3%	23.2%	38.8%	9.9%	40.1%
Travel to Europe	**28,289**	**27.3%**	**9.8%**	**59.5%**	**28.5%**	**-11.2%**	**28.2%**
European Union	6,111	5.9%	42.8%	493.7%	22.9%	-73.6%	20.5%
Northern Europe	8,155	7.9%	7.0%	40.3%	7.2%	-4.3%	7.5%
Western Europe	8,774	8.5%	9.8%	59.4%	8.8%	-19.1%	9.6%
Southern Europe	8,635	8.3%	10.7%	65.9%	9.1%	-1.8%	7.8%
Central/Eastern Europe	2,725	2.6%	14.5%	96.8%	3.4%	-26.1%	3.3%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

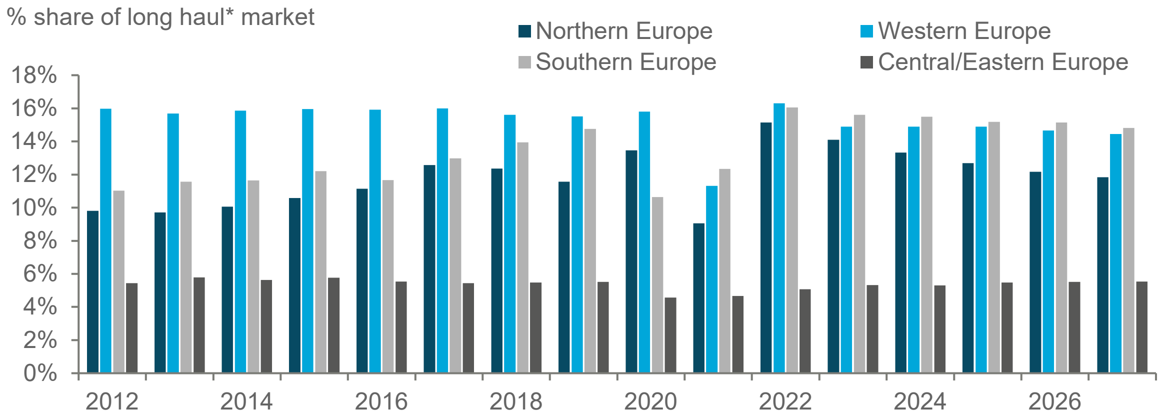
United States Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of American Market



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

Source: Tourism Economics

Canada Market Share Summary

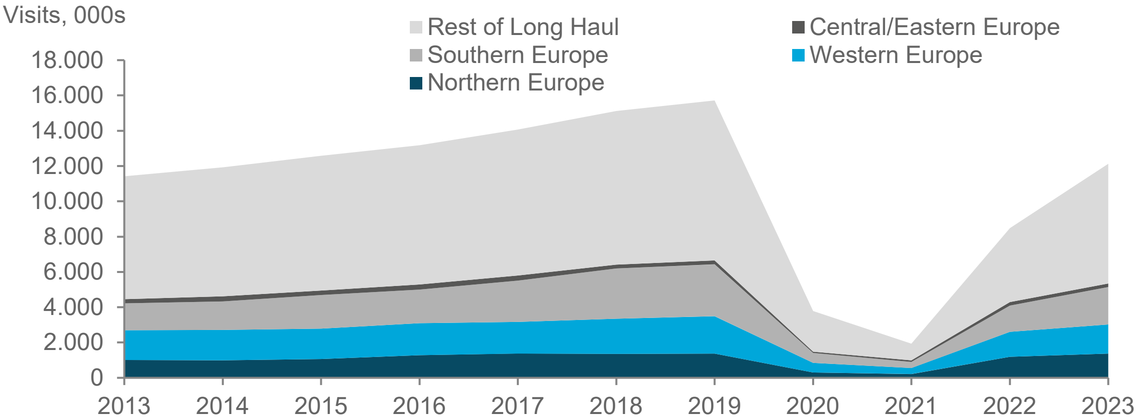
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**24,444**	**-**	**14.3%**	**94.7%**	**-**	**-33.1%**	**-**
Long haul	8,475	34.7%	17.4%	123.0%	39.7%	-39.8%	38.5%
Short haul	15,969	65.3%	12.4%	79.6%	60.3%	-28.9%	61.5%
Travel to Europe	**4,292**	**17.6%**	**11.3%**	**70.6%**	**15.4%**	**-26.0%**	**15.9%**
European Union	1,420	5.8%	35.3%	352.8%	13.5%	-69.9%	12.9%
Northern Europe	1,196	4.9%	6.5%	37.1%	3.4%	-13.3%	3.8%
Western Europe	1,418	5.8%	10.2%	62.2%	4.8%	-20.4%	4.9%
Southern Europe	1,487	6.1%	15.8%	108.3%	6.5%	-36.6%	6.4%
Central/Eastern Europe	191	0.8%	8.3%	49.0%	0.6%	-34.1%	0.8%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

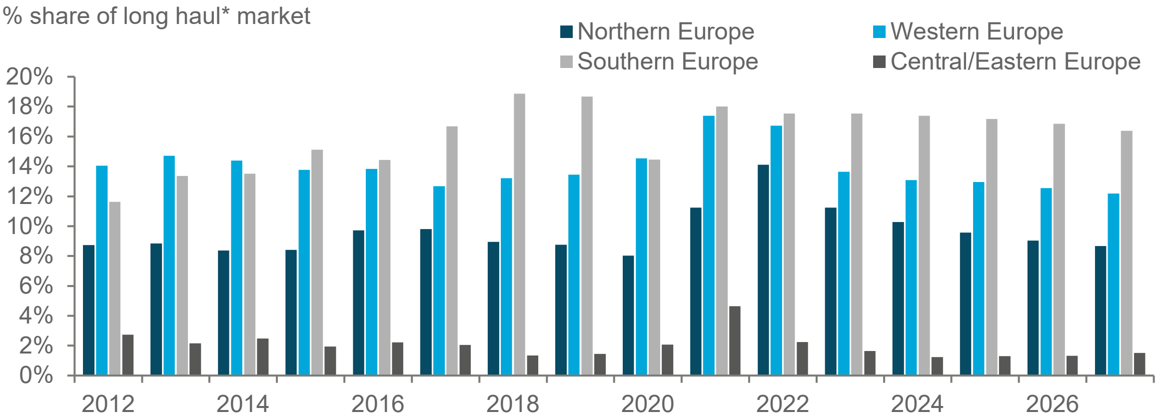
Canada Long Haul* Outbound Travel



*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

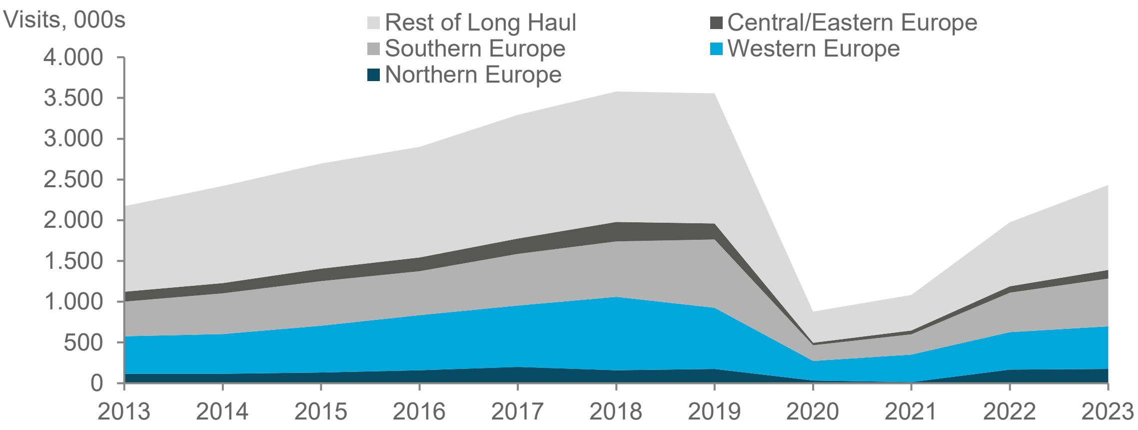
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**14,838**	**-**	**12.0%**	**76.4%**	**-**	**-30.8%**	**-**
Long haul	1,978	13.3%	13.0%	84.1%	13.9%	-40.0%	15.4%
Short haul	12,860	86.7%	11.9%	75.2%	86.1%	-29.1%	84.6%
Travel to Europe	**1,188**	**8.0%**	**10.8%**	**66.9%**	**7.6%**	**-33.2%**	**8.3%**
European Union	465	3.1%	26.7%	226.2%	5.8%	-64.1%	6.0%
Northern Europe	166	1.1%	3.0%	15.9%	0.7%	-17.3%	0.9%
Western Europe	460	3.1%	10.2%	62.3%	2.9%	-39.0%	3.5%
Southern Europe	486	3.3%	12.7%	81.4%	3.4%	-22.9%	2.9%
Central/Eastern Europe	76	0.5%	16.3%	112.8%	0.6%	-60.5%	0.9%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

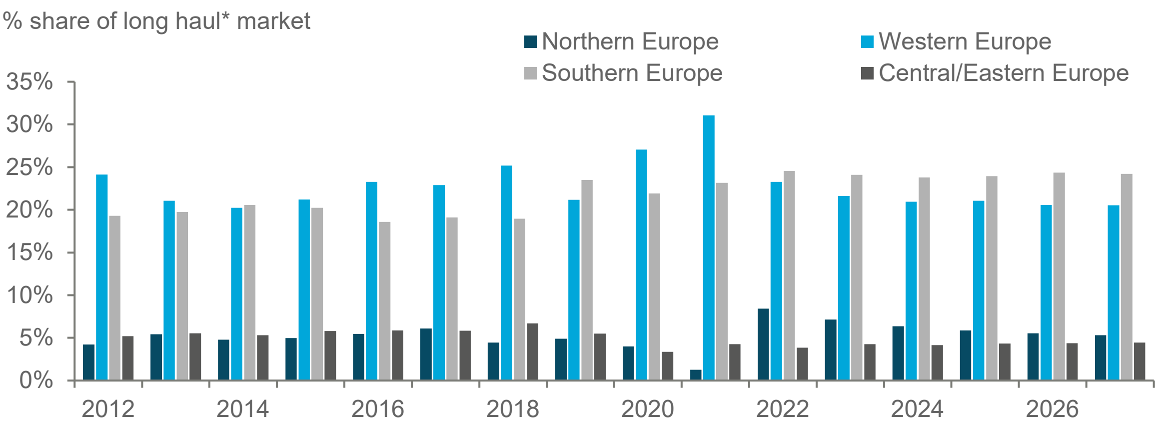
Mexico Long Haul* Outbound Travel



*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

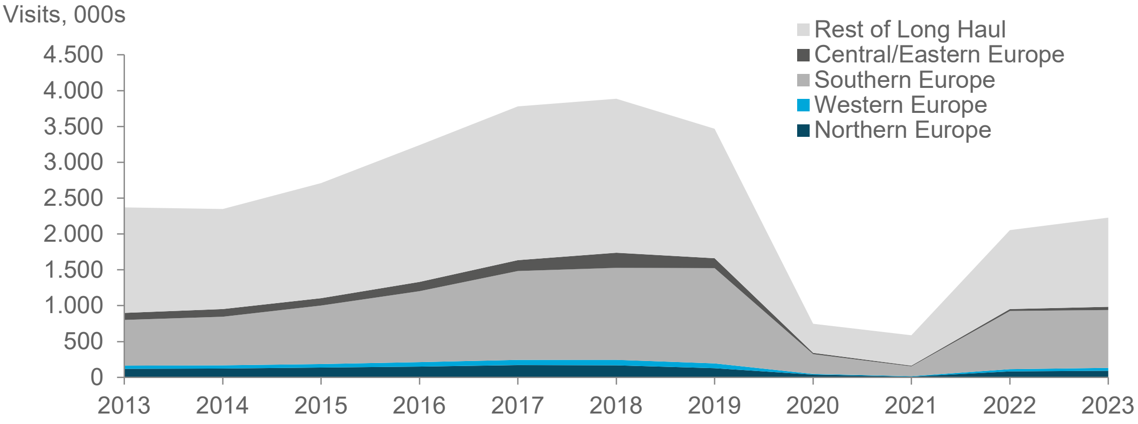
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**5,832**	**-**	**8.7%**	**52.0%**	**-**	**-58.3%**	**-**
Long haul	2,053	35.2%	9.0%	53.8%	35.6%	-45.7%	27.0%
Short haul	3,779	64.8%	8.6%	51.1%	64.4%	-63.0%	73.0%
Travel to Europe	**953**	**16.3%**	**8.3%**	**48.6%**	**16.0%**	**-41.7%**	**11.7%**
European Union	319	5.5%	25.9%	216.7%	11.4%	-65.9%	6.7%
Northern Europe	83	1.4%	10.6%	65.4%	1.5%	-51.5%	1.2%
Western Europe	32	0.5%	17.0%	118.8%	0.8%	-55.9%	0.5%
Southern Europe	812	13.9%	6.4%	36.1%	12.5%	-34.4%	8.9%
Central/Eastern Europe	26	0.4%	31.9%	299.4%	1.2%	-82.8%	1.1%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

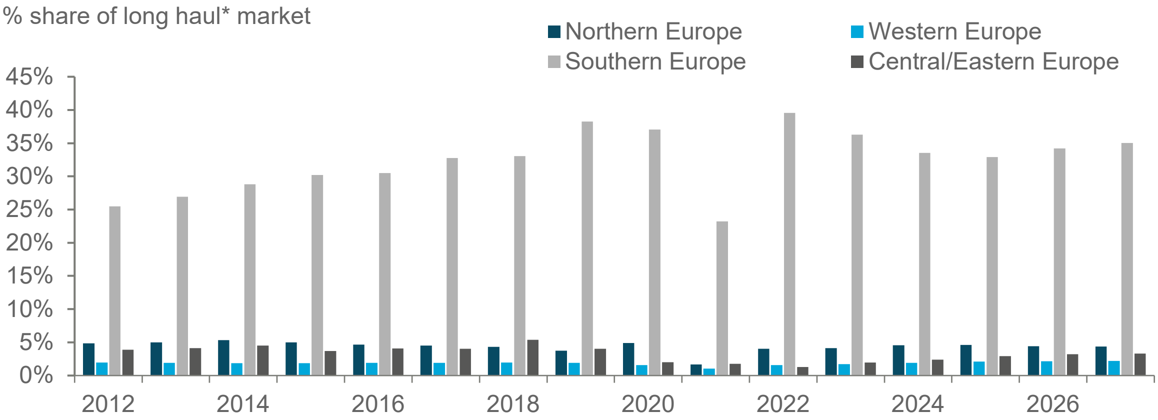
Argentina Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Argentine Market



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

Source: Tourism Economics

Brazil Market Share Summary

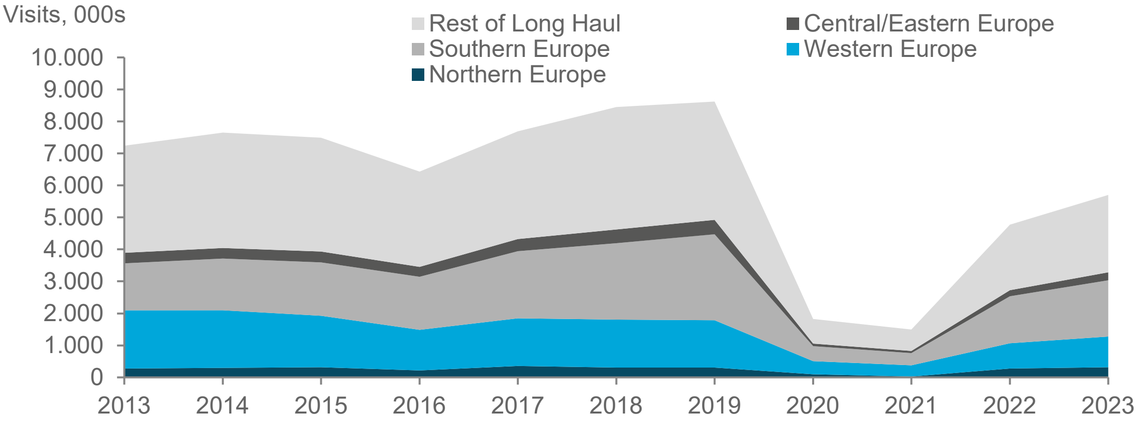
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**6,545**	**-**	**14.4%**	**95.7%**	**-**	**-39.1%**	**-**
Long haul	4,773	72.9%	13.7%	89.9%	70.8%	-38.0%	71.6%
Short haul	1,771	27.1%	16.1%	111.1%	29.2%	-41.9%	28.4%
Travel to Europe	**2,725**	**41.6%**	**13.2%**	**85.6%**	**39.5%**	**-37.0%**	**40.2%**
European Union	953	14.6%	32.5%	307.9%	30.3%	-73.4%	33.4%
Northern Europe	275	4.2%	5.9%	33.0%	2.9%	-22.7%	3.3%
Western Europe	791	12.1%	14.0%	92.6%	11.9%	-47.0%	13.9%
Southern Europe	1,471	22.5%	13.6%	88.8%	21.7%	-29.9%	19.5%
Central/Eastern Europe	188	2.9%	15.7%	107.8%	3.1%	-49.8%	3.5%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

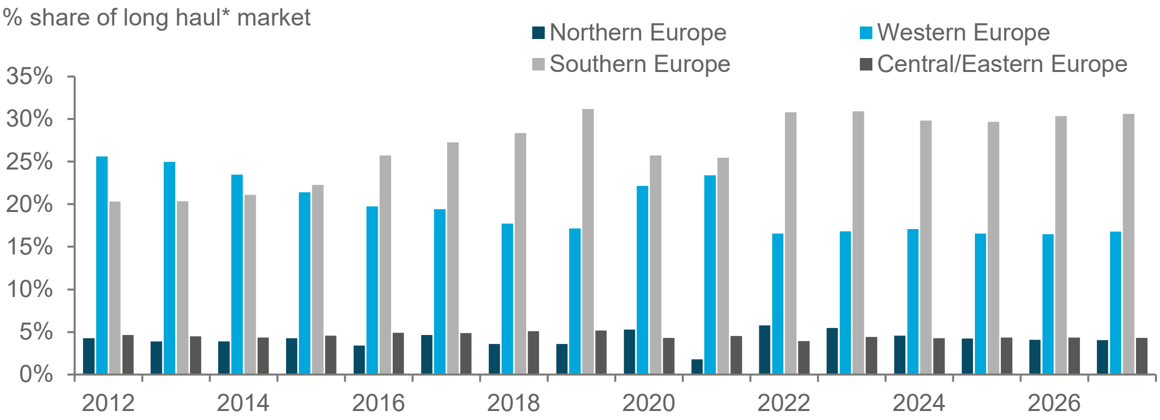
Brazil Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Brazilian Market



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

Source: Tourism Economics

India Market Share Summary

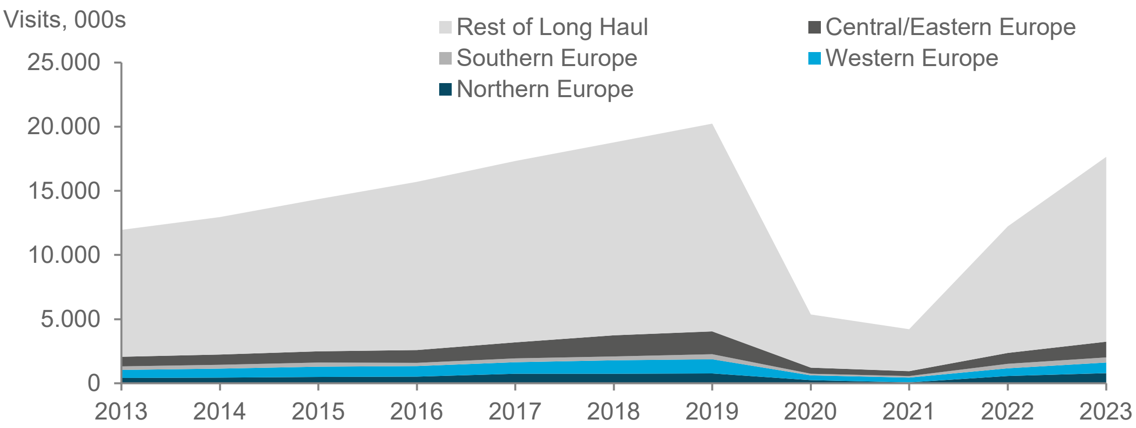
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**13,003**	**-**	**17.1%**	**120.1%**	**-**	**-30.1%**	**-**
Long haul	12,221	94.0%	17.1%	120.0%	93.9%	-29.5%	93.2%
Short haul	782	6.0%	17.3%	121.9%	6.1%	-38.4%	6.8%
Travel to Europe	**2,358**	**18.1%**	**15.1%**	**101.6%**	**16.6%**	**-26.3%**	**17.2%**
European Union	725	5.6%	22.4%	175.2%	7.0%	-45.1%	7.1%
Northern Europe	556	4.3%	11.6%	73.4%	3.4%	-24.6%	4.0%
Western Europe	622	4.8%	14.1%	93.2%	4.2%	-31.3%	4.9%
Southern Europe	345	2.7%	10.7%	66.5%	2.0%	16.5%	1.6%
Central/Eastern Europe	836	6.4%	19.3%	141.2%	7.0%	-33.7%	6.8%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

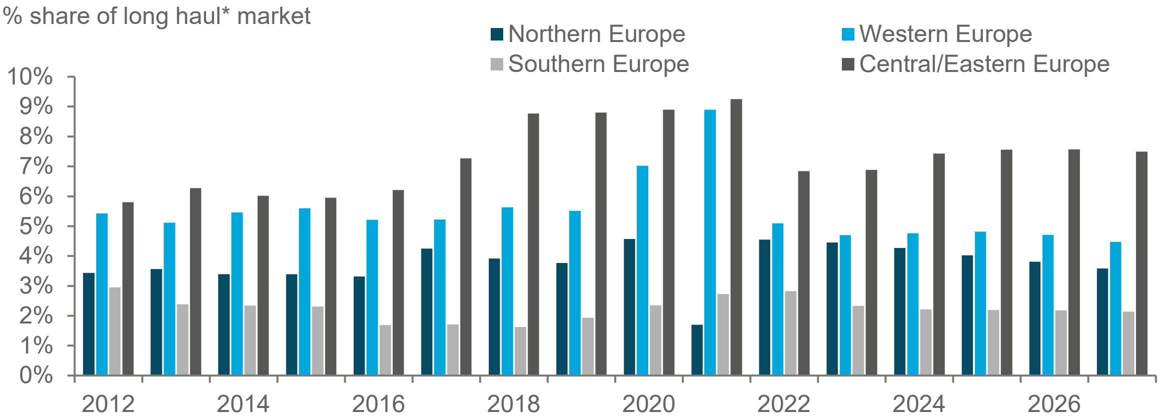
India Long Haul* Outbound Travel



*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

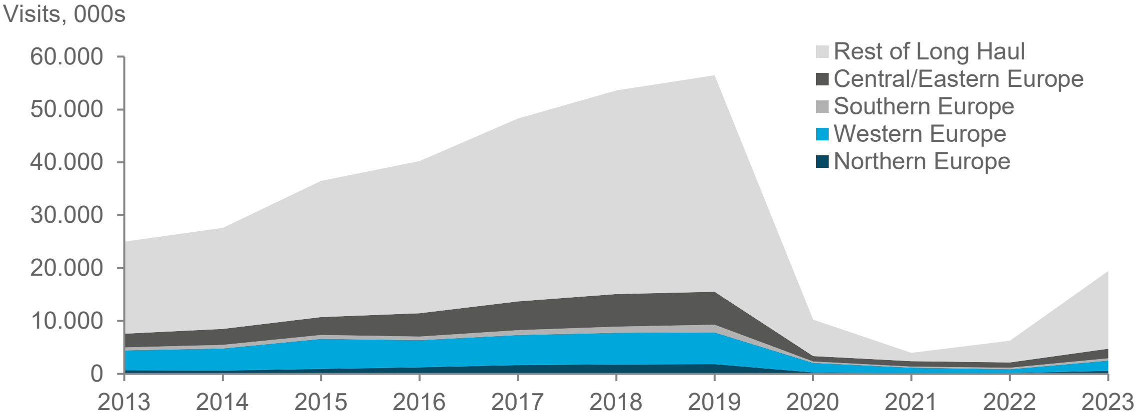
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**9,750**	**-**	**69.5%**	**1298.9%**	**-**	**-89.5%**	**-**
Long haul	6,242	64.0%	63.3%	1060.2%	53.1%	-87.1%	51.9%
Short haul	3,508	36.0%	78.7%	1723.7%	46.9%	-92.1%	48.1%
Travel to Europe	**2,182**	**22.4%**	**50.4%**	**669.8%**	**12.3%**	**-84.1%**	**14.7%**
European Union	2,342	24.0%	30.2%	274.2%	6.4%	-64.8%	7.2%
Northern Europe	158	1.6%	69.9%	1315.4%	1.6%	-90.5%	1.8%
Western Europe	746	7.7%	53.8%	759.5%	4.7%	-86.9%	6.1%
Southern Europe	247	2.5%	39.2%	422.1%	0.9%	-72.6%	1.0%
Central/Eastern Europe	1,030	10.6%	46.1%	565.2%	5.0%	-81.1%	5.8%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

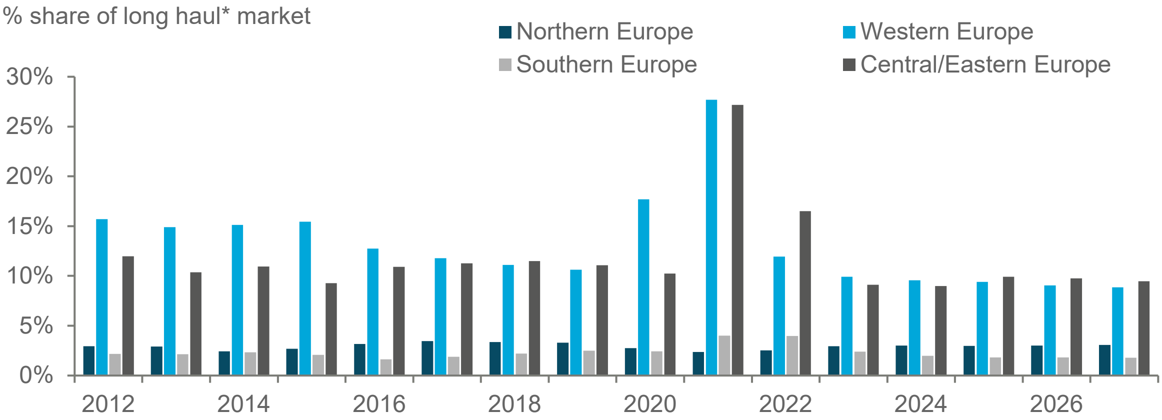
China Long Haul* Outbound Travel



*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

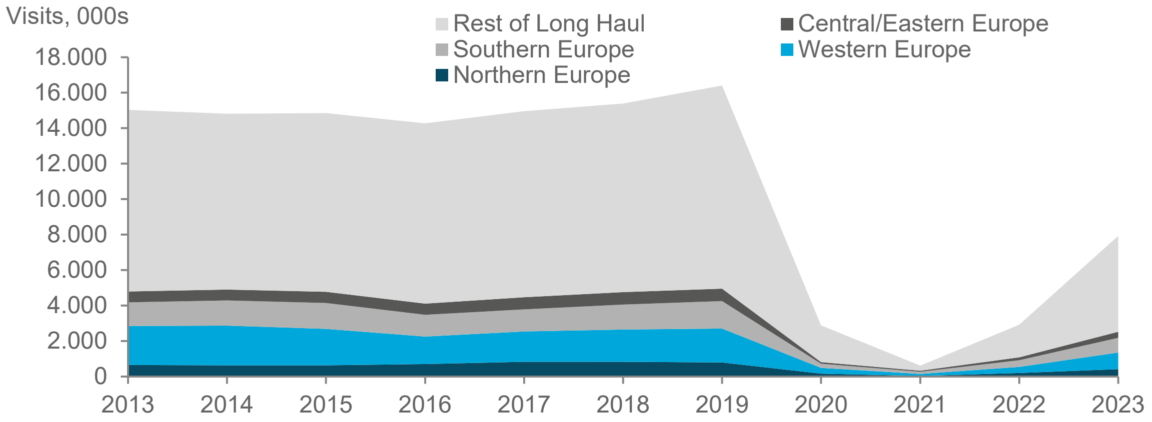
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**3,587**	**-**	**55.6%**	**811.3%**	**-**	**-84.3%**	**-**
Long haul	2,917	81.3%	48.4%	618.6%	64.1%	-80.5%	65.4%
Short haul	669	18.7%	77.3%	1651.2%	35.9%	-91.5%	34.6%
Travel to Europe	**1,093**	**30.5%**	**41.1%**	**458.7%**	**18.7%**	**-75.6%**	**19.6%**
European Union	758	21.1%	42.7%	491.3%	13.7%	-82.2%	18.7%
Northern Europe	198	5.5%	34.8%	345.4%	2.7%	-76.2%	3.6%
Western Europe	350	9.8%	46.9%	583.2%	7.3%	-79.6%	7.5%
Southern Europe	368	10.3%	36.9%	380.6%	5.4%	-70.5%	5.5%
Central/Eastern Europe	177	4.9%	43.2%	501.3%	3.3%	-73.9%	3.0%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

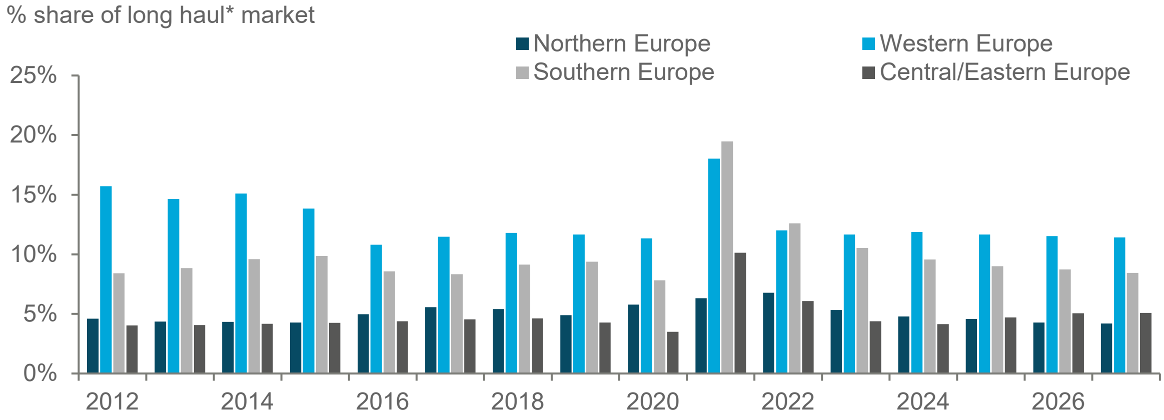
Japan Long Haul* Outbound Travel



*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

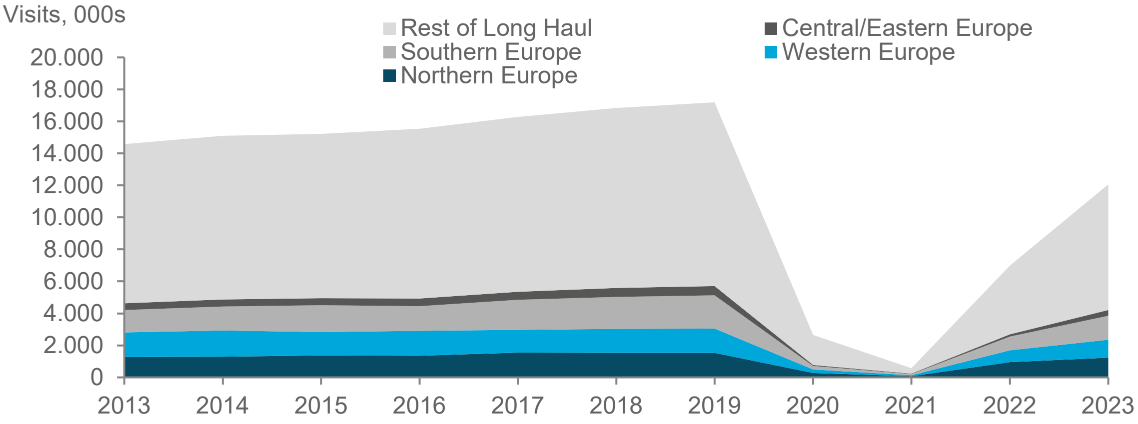
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**7,327**	**-**	**27.3%**	**234.8%**	**-**	**-56.7%**	**-**
Long haul	6,989	95.4%	27.5%	236.4%	95.8%	-57.1%	96.2%
Short haul	338	4.6%	24.8%	202.6%	4.2%	-47.5%	3.8%
Travel to Europe	**2,689**	**36.7%**	**21.9%**	**169.0%**	**29.5%**	**-49.8%**	**31.6%**
European Union	714	9.8%	51.1%	687.1%	22.9%	-84.3%	26.9%
Northern Europe	950	13.0%	13.5%	88.7%	7.3%	-38.7%	9.1%
Western Europe	736	10.0%	19.7%	146.2%	7.4%	-48.3%	8.4%
Southern Europe	864	11.8%	28.7%	253.1%	12.4%	-54.2%	11.1%
Central/Eastern Europe	141	1.9%	32.9%	314.4%	2.4%	-71.8%	2.9%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

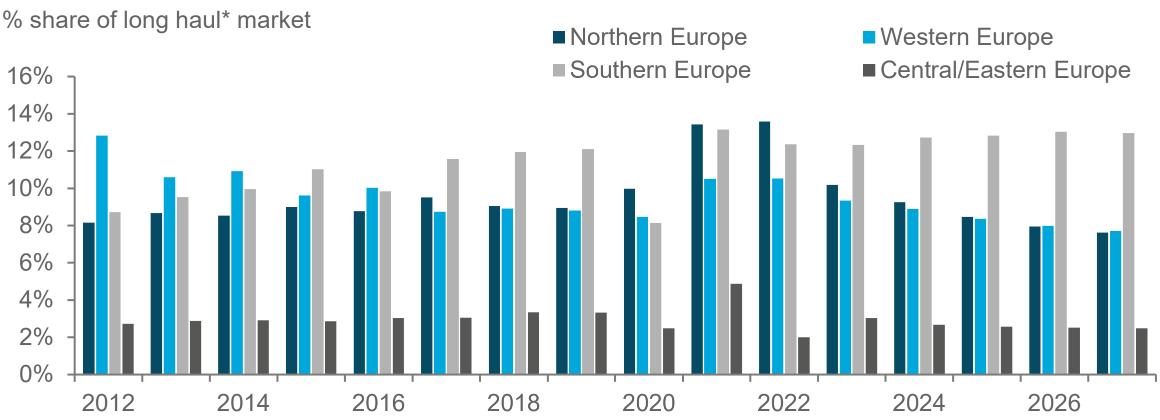
Australia Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

Europe's Share of Australian Market



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

Russia Market Share Summary

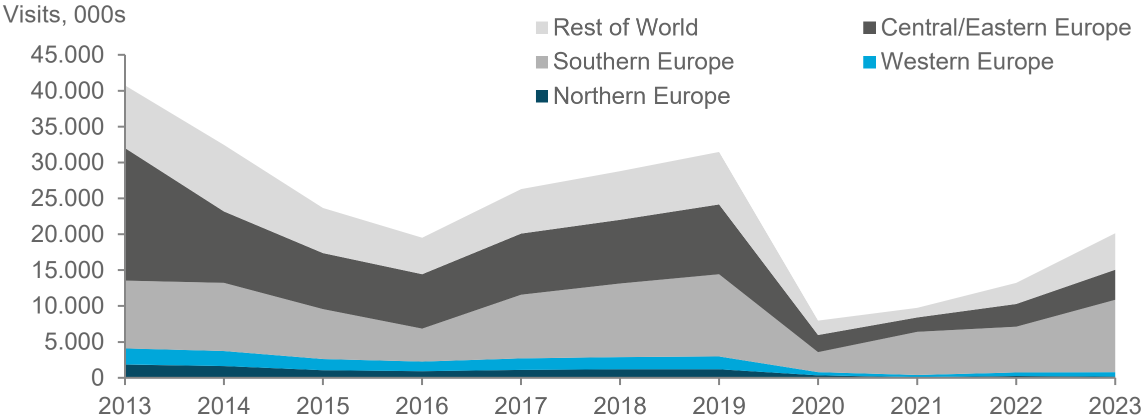
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**13,236**	**-**	**20.3%**	**152.4%**	**-**	**-49.6%**	**-**
Long haul	2,968	22.4%	20.8%	156.7%	22.8%	-52.2%	23.6%
Short haul	10,268	77.6%	20.2%	151.1%	77.2%	-48.9%	76.4%
Travel to Europe	**10,268**	**77.6%**	**20.2%**	**151.1%**	**77.2%**	**-48.9%**	**76.4%**
European Union	2,209	16.7%	24.0%	193.1%	19.4%	-72.9%	31.0%
Northern Europe	250	1.9%	31.5%	293.9%	3.0%	-77.5%	4.2%
Western Europe	495	3.7%	26.4%	222.3%	4.8%	-68.9%	6.0%
Southern Europe	6,361	48.1%	15.2%	103.1%	38.7%	-28.5%	33.9%
Central/Eastern Europe	3,162	23.9%	26.6%	225.4%	30.8%	-62.7%	32.3%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

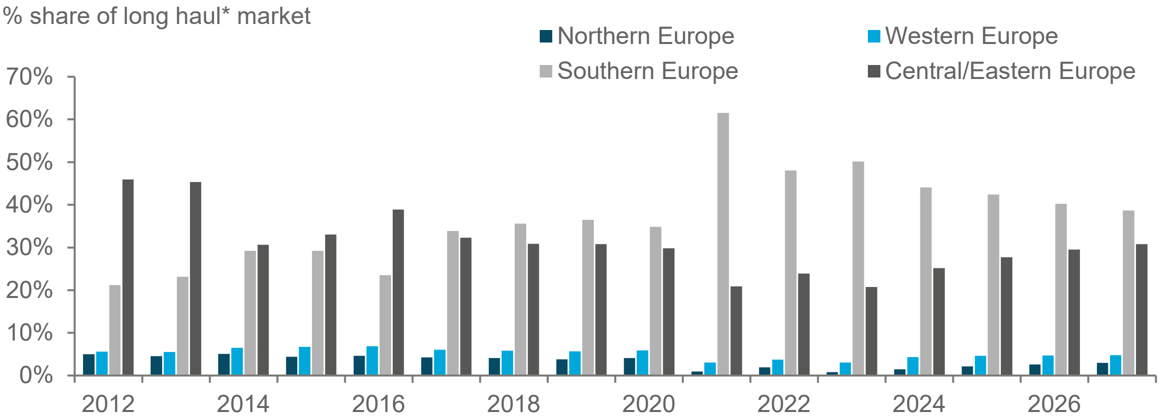
Russia Long Haul* Outbound Travel



*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

Europe's Share of Russian Market



*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

United Arab Emirates Market Share Summary

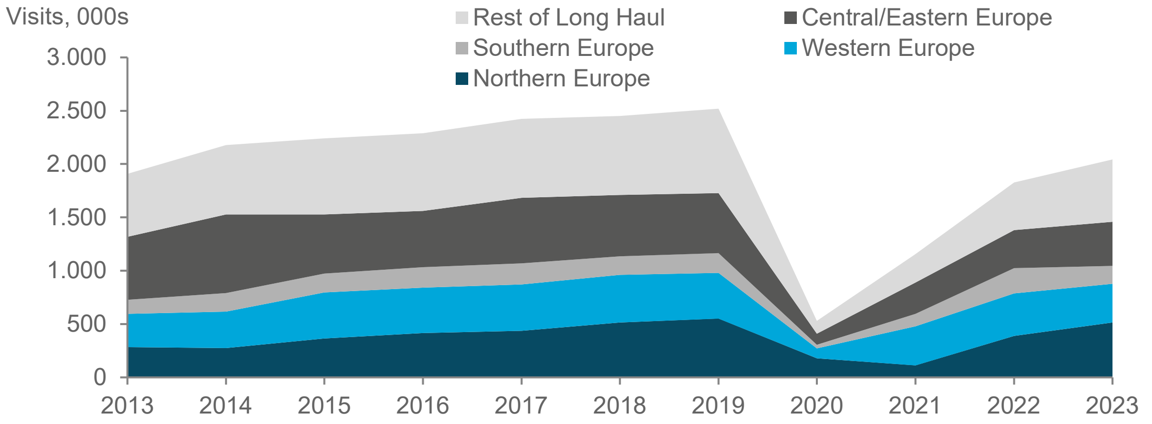
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	**4,110**	**-**	**10.3%**	**63.0%**	**-**	**13.5%**	**-**
Long haul	1,828	44.5%	7.6%	44.6%	39.4%	-24.6%	66.9%
Short haul	2,282	55.5%	12.2%	77.7%	60.6%	90.6%	33.1%
Travel to Europe	**1,380**	**33.6%**	**5.6%**	**31.5%**	**27.1%**	**-18.0%**	**46.5%**
European Union	285	6.9%	28.2%	246.2%	14.7%	-65.4%	22.8%
Northern Europe	389	9.5%	9.9%	60.2%	9.3%	-11.2%	12.1%
Western Europe	398	9.7%	2.7%	14.1%	6.8%	-7.9%	11.9%
Southern Europe	238	5.8%	-4.4%	-20.0%	2.8%	20.3%	5.5%
Central/Eastern Europe	355	8.6%	9.1%	54.2%	8.2%	-42.2%	17.0%

*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

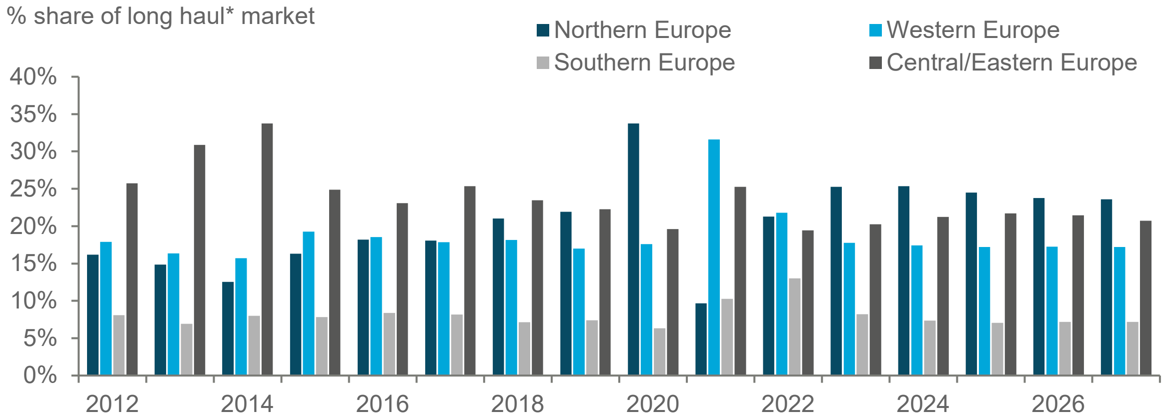
United Arab Emirates Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Emirati Market



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

Source: Tourism Economics

7. ECONOMIC OUTLOOK

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

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

Recent activity data suggest that world GDP growth in Q2 is likely to have eased only modestly after a strong Q1. Most notably, the ongoing strength of the US labour market and consumer spending have prompted us to raise our expectation for Q2's growth rate and scale back the size of the anticipated US recession in H2. As a result, we've raised our forecast for US GDP growth in 2023 to 1.3%.

Due to the continued resilience of global growth, as well as lingering concerns within central banks about the pace at which underlying inflation pressures will ease, we have also shifted some of our policy rate forecasts. We have removed two rate cuts by the Fed in 2024 and now expect a total of six cuts next year. Meanwhile, recent UK CPI inflation has been higher than expected, leading us to expect two further rate hikes by the Bank of England this year and for rates to remain at their 5% peak throughout 2024. We now see rates in the UK at the end of 2024 being 1.5ppts higher than our forecast from a month ago. But on the whole, in the absence of a major downturn, we expect policy rates cuts by the major advanced economy central banks generally to be off the table until next year.

We still expect inflation in the eurozone will drop more sharply than in the US and UK, and see headline CPI inflation in the currency bloc remaining persistently below 2% in 2024. As a result, we expect the ECB will cut rates by a total of 175bps next year – a slightly smaller reduction than envisaged a month ago but a more aggressive cutting cycle than the Fed is expected to deliver.

With policy rates likely to remain higher for longer, we have reduced the pace of world GDP growth in 2024 slightly and see calendar year growth slowing for a third consecutive year. Growth is expected to pick up in 2025 to around 3%, as the impact of policy rate cuts seeps through to the real economy. But this would only return growth back to around the average rate of the 2010s.

Overall, we have upgraded our world GDP growth forecast for 2023 to 2.2% to reflect ongoing economic resilience. Given stronger growth and lingering concerns about sustained high inflation, we expect policy rates to remain higher for longer. This is likely to temper growth in 2024 and beyond, leading us to nudge down our forecast for world GDP growth during 2024.

Summary of economic outlook, % change*

	2022					2023				
Country	GDP	Consum-ption	Unemploy-ment**	Exchange rate***	Inflation	GDP	Consum-ption	Unemploy-ment**	Exchange rate***	Inflation
UK	4.1%	5.3%	4.1%	0.9%	9.1%	0.4%	-0.1%	4.2%	-2.0%	7.1%
France	2.5%	2.2%	7.1%	0.0%	5.2%	0.5%	0.1%	7.0%	0.0%	5.2%
Germany	1.9%	4.9%	5.3%	0.0%	6.9%	-0.4%	-0.9%	5.5%	0.0%	5.2%
Netherlands	4.5%	6.5%	3.5%	0.0%	10.0%	0.7%	1.9%	3.7%	0.0%	4.2%
Italy	3.8%	4.6%	8.1%	0.0%	8.2%	1.2%	0.9%	7.9%	0.0%	5.9%
Spain	5.5%	4.4%	12.9%	0.0%	8.4%	2.3%	0.8%	12.7%	0.0%	3.4%
Russia	-2.1%	-1.4%	3.9%	20.1%	13.7%	0.7%	2.2%	3.5%	-13.5%	4.8%
US	2.1%	2.7%	3.6%	12.3%	8.0%	1.3%	1.9%	3.9%	-2.6%	4.4%
Canada	3.4%	4.8%	5.3%	8.3%	6.8%	0.6%	1.6%	5.4%	-7.0%	3.7%
Brazil	3.0%	4.3%	9.3%	17.5%	9.3%	1.8%	1.1%	8.6%	-0.4%	5.0%
China	3.0%	0.1%	3.6%	7.8%	2.0%	5.5%	9.3%	3.5%	-5.6%	1.4%
Japan	1.0%	2.0%	2.6%	-5.9%	2.5%	0.7%	1.6%	2.6%	-5.6%	2.8%
India	6.7%	8.1%	7.6%	5.7%	6.7%	5.6%	1.8%	7.9%	-7.5%	5.4%

Source: Tourism Economics based on GEM as of 07.06.2023

* 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 eurozone economy had a difficult winter, with GDP broadly flat in Q4 2022 and Q1 2023. The latest data showed that eurozone economy grew by only 0.1% on the quarter in Q1. Moreover, there is a distinct risk that Eurostat could lower the latest outturn in the forthcoming revision. There was a significant divergence across the region in Q1. Southern European economies such as Spain and Italy outperformed the eurozone average, while revised GDP figures confirmed that Germany fell into recession during the winter.

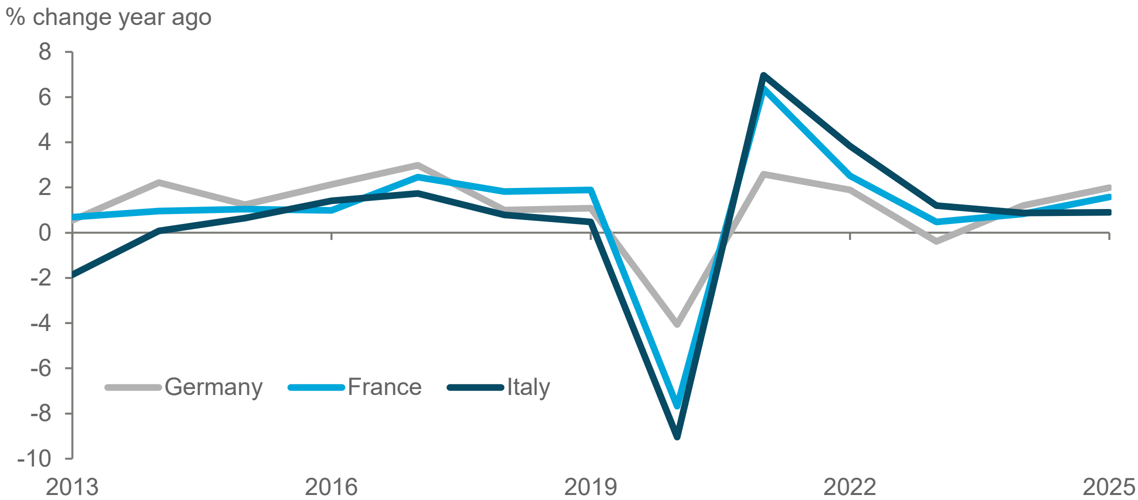
After a positive start to Q2, surveys in May, such as the PMIs and the ESI (economic sentiment indicator), showed that the economy is clearly cooling due to tighter financial conditions and weaker demand. The eurozone ESI dropped by more than we expected, and confidence fell across all sectors. Meanwhile, the final PMIs signalled the pace of growth moderated halfway through Q2. Hard data for March and April showed the eurozone economy was weaker than expected, indicating there was very little carryover from Q1 into Q2 and as a result we now expect a quarterly GDP gain of just 0.2% in Q2.

Consumer spending troubles are only set to ease gradually this year after recent national data for consumption appears to have declined for a second consecutive quarter in Q1. We expect it will recover from Q2 onwards as real incomes become less of a drag, but a weak carryover effect will result in a meagre rise of just 0.2% overall this year.

The ECB reduced its hiking pace to 25bps in May, signalling that it is likely near the end of its rapid tightening campaign as credit conditions have worsened and inflation has already peaked. We think that May's inflation figures lower the risk of additional hikes by the ECB beyond the 25bps hikes we expect in both June and July. If inflation is lower than forecast again in June and growth starts to disappoint more clearly, even July's hike could be put in question.

Overall, we expect eurozone GDP to grow 0.8% this year as many indicators suggest momentum has started to weaken. In addition, more restrictive financial and credit conditions alongside tighter monetary and fiscal policy settings will prevent the recovery from gaining momentum in H2.

Economic performance in key eurozone economies, real GDP



Source: Oxford Economics

UNITED KINGDOM

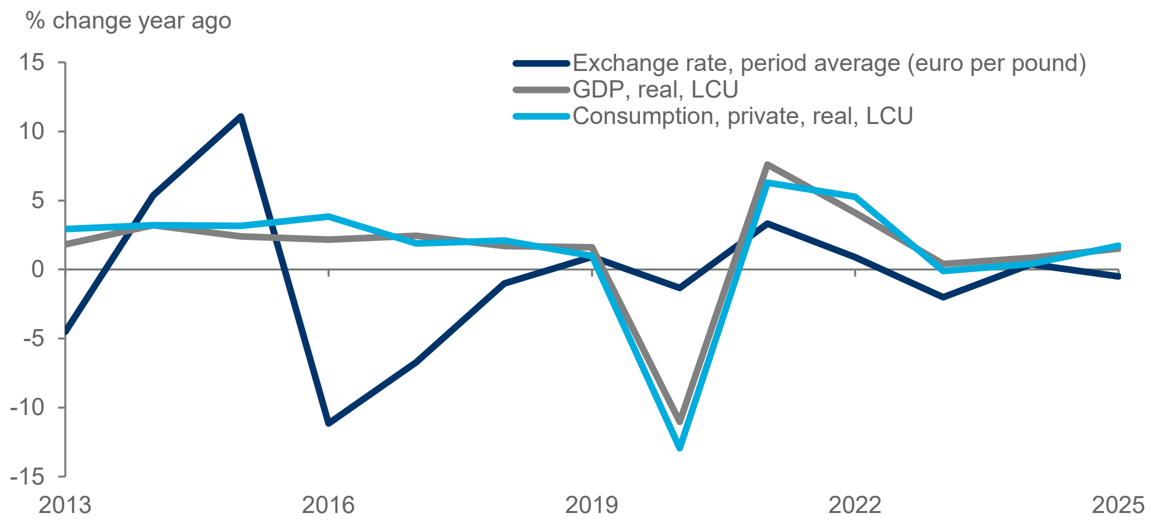
GDP fell 0.3% on the month in March, but favourable revisions to previous months meant that the UK economy eked out quarterly growth of 0.1% in Q1. Though activity has now been bumping around either side of zero for four quarters, there were encouraging signs in the Q1 data. Despite a setback in March, consumer-facing sectors fared better in Q1, while GDP would have been firmer if not for the significant disruption caused by industrial action.

Despite the setback in March, consumer-facing sectors were resilient at the start of this year, while business surveys also reported an improvement in demand. The impact of further strikes, particularly in the health sector, and the extra bank holiday for the King's coronation indicate another modest fall in output is likely in Q2, despite strength seen in the PMIs. But activity should rebound strongly in Q3 as these factors reverse.

CPI inflation fell to 8.7% in April, from 10.1% in March, this was much higher than our forecast and that of the BoE. The upside surprise was partly due to the scale of increases for goods and services whose prices rise once per year, such as phone contracts. But there was also a large, broad-based rise in core inflation. Though the impact of falling energy prices will continue to feed through, the breadth of core pressures leads us to think headline inflation will likely prove stickier than we previously anticipated. We expect CPI inflation to average 7.1% in 2023, up from 6.5% last month.

We believe April's inflation data clearly meets the criteria set by the MPC for a June rate hike. The odds of another rise in August are more balanced, but we expect a desire to reassert its inflation-fighting credibility will encourage the MPC to hike again to 5%. The prospect of a prolonged period of above-target inflation and a tight labour market makes rate cuts unlikely before 2025. The combination of higher inflation and further rate hikes increasing debt serving costs will continue to squeeze household spending power throughout this year, contributing to GDP growth of just 0.4% in 2023.

United Kingdom economic outlook



Source: Oxford Economics

UNITED STATES

GDP growth expanded by 1.3% SAAR in Q1, compared with the advance estimate of 1.1%. Growth in Q1 and Q2 is being driven by consumer expenditure as a result of a gain in disposable income. This is due to persistent labour shortages leading to income growth and households' willingness to spend their excess savings. Furthermore, the Fed held the central bank rate at 5% in June as inflation finally showed signs of easing. However, this is expected to be a respite, with more rate hikes expected this year if inflation becomes sticky.

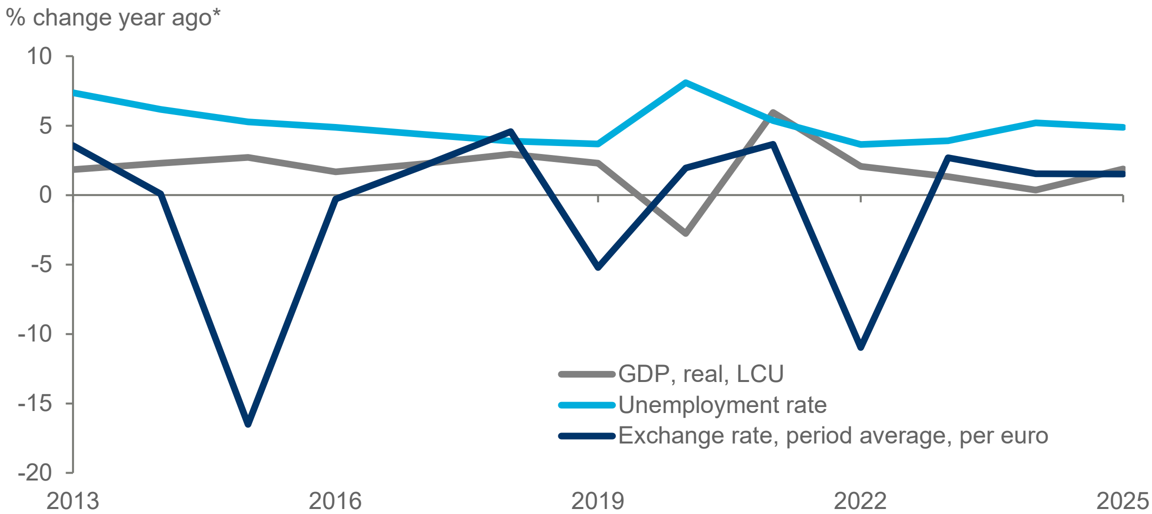
As a result, we still expect a mild recession in H2 2023 as the impact of cumulative Fed rate hikes, tighter lending conditions, and high inflation lead consumers and business to cut back on spending, hiring, and investment. Historically, Fed policy error-induced recessions – which we anticipate will be the catalyst for the upcoming downturn – have been mild.

We expect some job losses and cooler wage gains as the economy falls into a recession. However, due to persistent labour shortages, we have tempered our expectations for job losses. Minimising this during the imminent downturn could be essential for maintaining consumer expenditure which has been the backbone of keeping the economy on a positive trajectory.

Policymakers removed a significant near-term risk to the economy by passing the Fiscal Responsibility Act, which will suspend the debt limit through to the end of 2024 and hence, have avoided a debt ceiling disaster. The FRA will restrain growth in government outlays through caps on discretionary spending and make other policy changes with only a minor budgetary impact.

As officially scored by the Congressional Budget Office, the FRA would cut spending by $1.3tn over 10 years. Using the Oxford Global Economic Model, we estimated that those cuts would have a modest negative effect on the economy.

United States economic outlook



Source: Oxford Economics *Unemployment rate is absolute

JAPAN

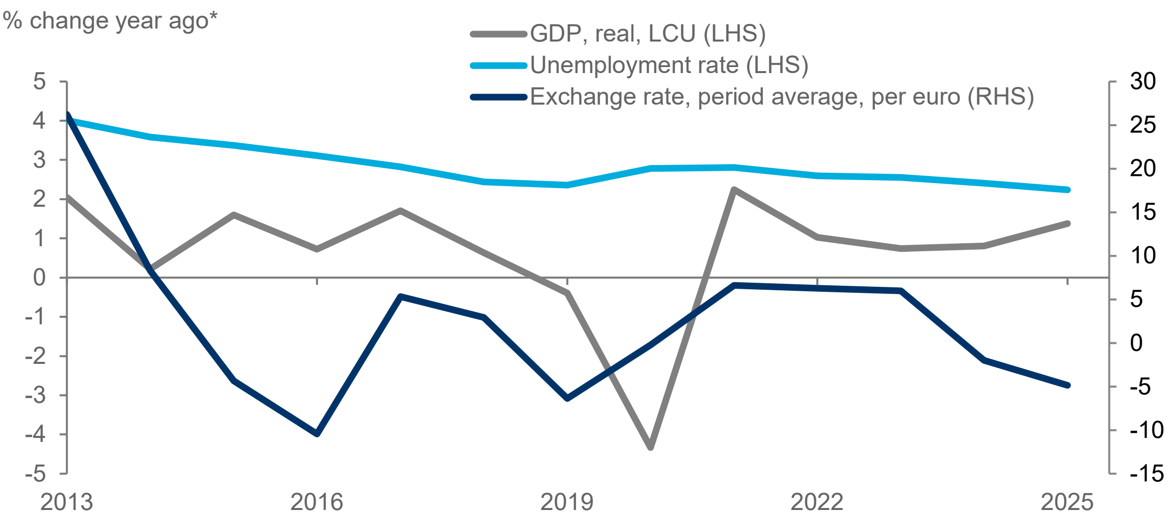
The Japanese economy reported quarterly growth of 0.4% in Q1 2023. Growth was led by domestic demand, with both consumption (supported by pent-up demand) and business investment, as a normalisation in economic activity and an easing in supply-chain disruptions progressed. We expect consumption to continue positively, however; the pace of the recovery will gradually slow as the release of the pent-up demand comes to an end. With a positive start to 2023 and with domestic demand due to stay resilient overall, we expect GDP growth of 0.6% this year, sticking to our 2023 and 2024 GDP growth forecast for Japan at 0.6% y/y and 1.1%.

Meanwhile, despite a sharp rebound in auto exports, export momentum has weakened. Nominal goods exports rose 2.6% on the year in April, slowing from a 4.3% increase in March, extending the weakening export momentum since year-end 2022. This is largely due to soft external capital goods demand as a result of a sluggish global economy. Therefore, we expect overall goods exports will stay weak until H1 2024 - when global investment activities start to resume. Similarly, despite industrial output increasing 1.1% m/m in March, we expect production to be pulled down by sluggish external demand in the coming quarters.

Elsewhere, inbound tourism consumption surged by 67% on the quarter in Q1 as border control measures were largely eliminated. Monthly visitor arrivals recovered further to 1.9 million in April, despite sluggish tourist numbers from China. Additionally, business investment increased by 0.9% q/q in Q1, up from a contraction of 0.7% in Q4 2022.

At its first meeting under Governor Ueda and despite the Yen reaching a 6-month low, the BoJ kept the policy rate unchanged. Simultaneously, Ueda announced his intention to carry out "a broad-perspective review" of monetary policy spending lasting 1-1.5 years, longer than what the market had originally expected. Although we think that the yen will gain when the market starts to price in Fed rate cuts, we believe the currency will stay weak this year as a substantial US/Japanese yield spread remains.

Japan economic outlook



Source: Oxford Economics *Unemployment rate is absolute

EMERGING MARKETS

Stronger-than-expected growth in Q1 and with growth set to remain resilient in Q2, we expect GDP growth in the region to outperform previous expectations. However, we have scaled back our expectations for growth in 2024 as domestic growth in most emerging markets will be constrained by the impact of tighter monetary and fiscal policies.

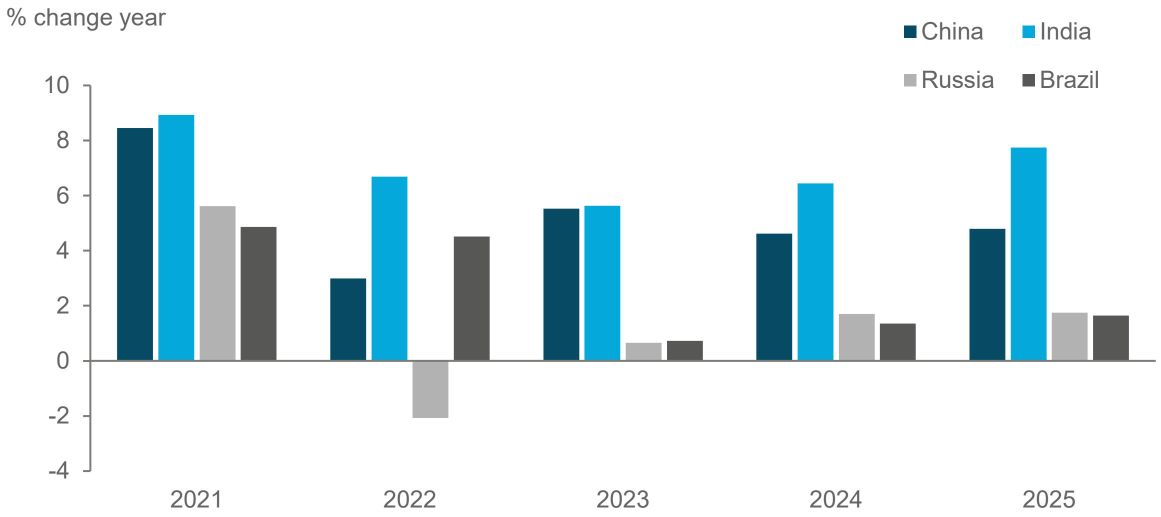
As expected, China's rebound has sputtered following the initial Q1 surge. However, we still expect GDP to comfortably exceed the government’s 5% target with growth of 5.5%, which is fast enough to limit the need for broad-based policy easing. For the rest of emerging Asia, we expect stumbling external demand as a result of a lethargic global economy limiting trade prospects.

GDP growth in India surprised on the upside in Q1 of this year, growing at an annual rate of 6.1%, up from 4.5% in Q4 2022. The pick-up was led by investment, but growth was further bolstered by net trade. Despite that, we maintain that momentum has begun to fade in Q2 2023 and think this will continue into H2 2023 as the weakening external environment and lacklustre domestic consumption and investment demand weigh on growth.

The outlook in Latin America has improved overall for this year, primarily reflecting the unexpected surge in Brazil's Q1 GDP, which expanded 1.9% on the quarter, pushing up growth this year to 1.8%. But we still expect that the strong momentum seen in Q1 will fade in the second half of the year and into 2024, as real rates peak to nearly 10% and the US enters a recession.

According to the official flash estimate, the Russian economy contracted 1.9% y/y in Q1 2023. Household consumption is expected to drag on growth as despite the CBR reporting that a revival in household lending will come about in Q2. We expect a decrease in spending in Q3 when we think authorities are likely to mobilise more troops. Either way, people’s propensity to save will remain elevated, with the savings behaviour to persist until the worst of the conflict is over.

Economic growth in select Emerging Markets, GDP real



Source: Oxford Economics

NON-EUROPEAN INFLATION OUTLOOK

In the US, CPI rose 0.1% m/m in May while the core index, which excludes food and energy was up 0.4% on the month. Core services' inflation excluding housing, which the Fed is laser focused on because of its stickiness, rose 0.2% in the same period. We remain confident in our forecast for inflation to continue to moderate for the rest of the year and it's clear the USA is progressing toward the Fed's 2% inflation goal.

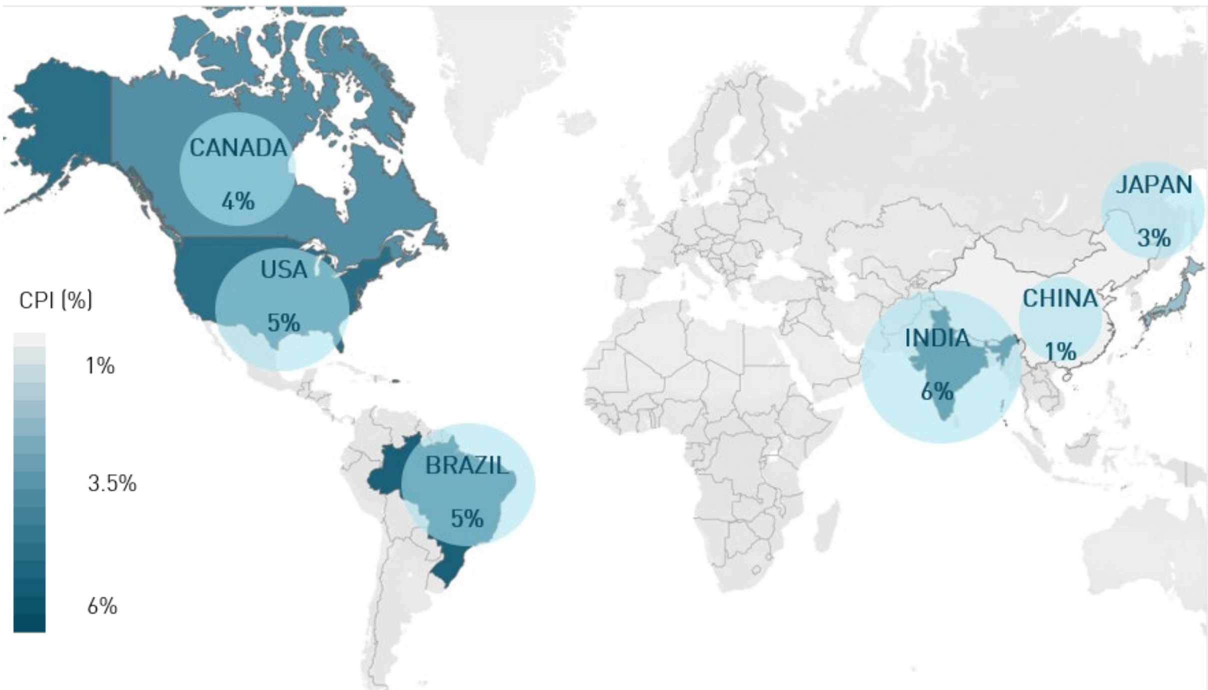
Headline inflation in Canada edged up to 4.4% on the year in April. This is likely just a bump in the road to lower inflation and we expect CPI will return to just below the BoC's 2%-3% target range by Q4 2023 at 2.8% y/y. Easing energy and food prices alongside weaker aggregate demand, building labour market slack, and a second leg down in house prices will be key in achieving this.

In Brazil, inflation fell to 4.1% on the year in mid-May and base effects should allow headline CPI to dip below 4% in the coming months. However, the probability of the Brazilian Central Bank making changes to the inflation-targeting regime are increasing and in such case; we expect inflation to rise in H2, ending the year at a peak of 5.2% y/y. We forecast CPI will close next year at 3.9%, however we expect it to stay permanently above the government's 3% target.

CPI in Japan edged up in April, led by food prices. Given increased costs from past import price hikes alongside greater price passthrough, we expect CPI to stay elevated in the coming months. But we see CPI inflation slowing in H2, as import costs trend down and firms' pricing power is weak.

Annual inflation growth cooled to 4.7% in April in India, down from 5.7% in March – marking a third consecutive slowdown, as a result of price pressures eased across food, fuel, and all major core categories. However, for the remainder of 2023; we expect inflation to stay above the mid-point target, which is a considerable risk to the Indian economy.

CPI growth, 2023



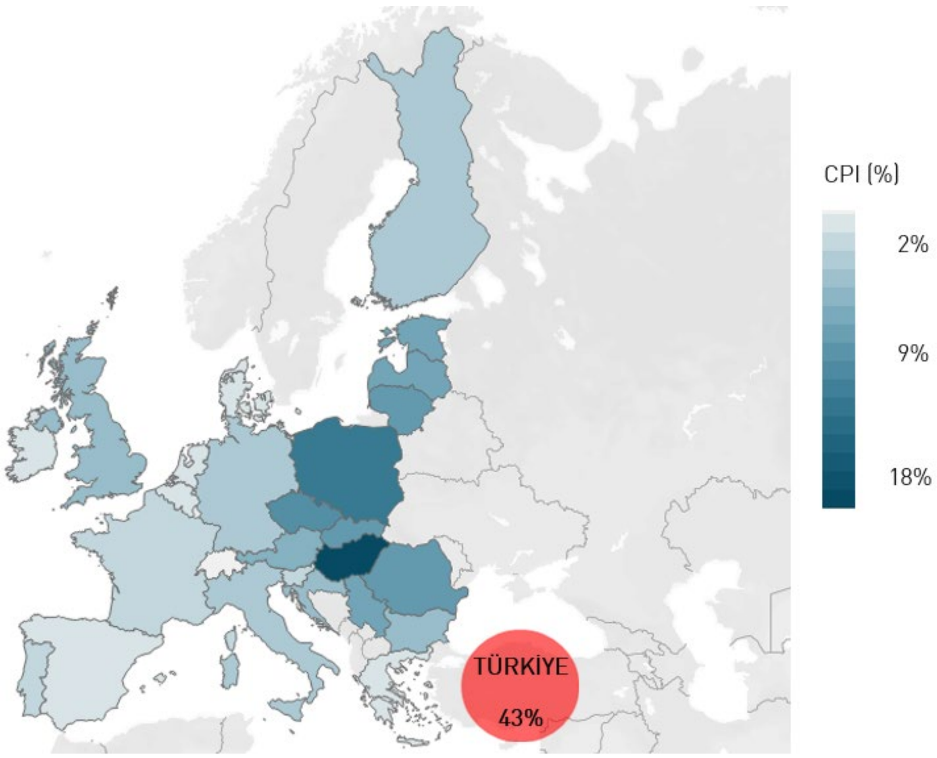
EUROPEAN INFLATION OUTLOOK

Eurozone inflation eased to 6.1% on the year in May. We interpret this easing of inflation as very positive, particularly because the data confirmed that the disinflationary process has now consolidated and broadened across all major price categories, including core inflation. However, core inflation is likely to fall only at a very moderate pace given the strength of price pressures in the services sector. Nevertheless, inflation has clearly already peaked across the eurozone and further reduction ahead of expectations in June, coupled with some slower GDP growth, could rule out the expected ECB interest rate hike in July.

Energy prices, the key driver of disinflation in early 2023, turned deflationary again in May, declining 1.7% annually. Food prices also declined again to 12.5%. Encouragingly, both non-energy industrial goods and services inflation also declined, albeit by small margins, resulting in a drop in core inflation to 5.3%. We see inflation gradually decreasing over the coming quarters and expect it to average 5.3% this year across the Eurozone. Germany, an example of a nation with price correction across the eurozone; experienced a fall in inflation to 7.2% in April due to a drop in food prices. Falling commodity prices, easing supply bottlenecks, subdued demand, and policy measures will help slow inflation towards 2% by year-end in Eurozone nations such as Germany.

Türkiye has seen a slight improvement, with inflation falling below 40% in May for the first time since December 2021 (but with an annual rate for 2023 of 43%). A major driver of the fall was the provision of free gas to all households, a pledge made as part of Erdogan's re-election campaign. Moving in the opposite direction, core inflation in Norway came in above Norges Bank's forecasts in April at 6.3% y/y. Food price inflation is high and the steady weakening of the krone is feeding further into imported goods prices. Services inflation is easing back thanks to the passthrough from some goods disinflation, but labour-intensive sectors are still seeing rises.

CPI growth, 2023



INFLATION OUTLOOK SUMMARY

	CPI % year		Currency % change vs euro (Q2 2023)
Country (Region)	2023	Q2 2023	
Austria	7.8%	9.0%	-
Belgium	3.9%	5.0%	-
Bulgaria	6.5%	10.6%	10.6%
Croatia	6.5%	7.8%	-
Czech Rep	10.7%	11.4%	15.3%
Denmark	4.0%	4.3%	4.2%
Estonia	8.6%	17.3%	-
Finland	5.6%	6.8%	-
France	5.2%	5.4%	-
Germany	5.5%	6.4%	-
Greece	4.0%	2.5%	-
Hungary	18.4%	23.4%	25.9%
Ireland	4.3%	5.2%	-
Italy	5.7%	7.8%	-
Latvia	8.8%	19.8%	-
Lithuania	9.6%	18.5%	-
Malta	5.6%	6.9%	-
Netherlands	3.8%	5.7%	-
Poland	12.9%	13.2%	13.3%
Portugal	5.0%	4.5%	-
Romania	10.4%	10.8%	11.0%
Serbia	8.5%	16.0%	-
Slovakia	10.4%	11.8%	-
Slovenia	4.8%	10.0%	-
Spain	3.8%	3.0%	-
Switzerland	2.5%	2.3%	7.3%
Türkiye	43.3%	41.2%	2.6%
UK	6.5%	8.2%	5.5%
US	4.5%	4.3%	2.5%
Canada	3.6%	3.7%	-4.3%
Brazil	5.0%	4.0%	0.7%
China	1.4%	0.7%	-6.3%
Japan	2.5%	3.5%	-3.3%
India	5.6%	4.7%	-3.4%

Source: Oxford Economics

Notes: currency % change vs the euro is CPI inflation adjusted for the euro, making it comparable to inflation across euro-denominated countries

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;
SAAR – Seasonally adjusted annual rate.

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)