



QUARTERLY REPORT - Q3/2023

**EUROPEAN
TRAVEL
COMMISSION**



EUROPEAN TOURISM: TRENDS & PROSPECTS

Quarterly report (Q3/2023)

A report produced for
the European Travel Commission
by Tourism Economics



Brussels, November 2023

ETC Market Intelligence Report

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

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FOREWORD

The summer of 2023 proved to be resilient for European tourism demand considering the geopolitical, environmental, and economic challenges facing the sector and consumers. Destinations in Southern Mediterranean Europe were the main drivers of the rebound in foreign arrivals across the region this summer. Favourable exchange rates have also helped to fuel Europe's appeal to the US market so far this year which has supported recovery in several destinations. Despite an encouraging tourism rebound (-3.2% in international tourist arrivals to Europe between January-September compared to 2019), about 65% of reporting destinations are still in negative territory. Uneven recovery is mainly visible in the Eastern part of Europe, especially among destinations neighbouring Russia and Ukraine, as well as those that rely heavily on the Russian travel market.

Inflationary pressures and travel prices at record highs remain significant worries for holidaymakers who, nevertheless, are still putting holidays near the top of their discretionary spending priorities. Climate-related adversities, another key concern for travellers, were also very present this summer season with Southern European and Mediterranean destinations suffering from heatwaves and wildfires while other destinations across the region were affected by floods. Our research has shown that extreme weather events are increasingly gaining weight as a decision-making criterion to select a holiday destination and travel period. This in turn, might bring some benefits in terms of travel dispersal and tackling seasonality issues in the long-term.

Overall, mitigating tourism's impact on climate change requires a collaborative effort between destinations, governments, tourism businesses, travellers, and local communities. Through the adoption of more responsible measures, the tourism sector can play a vital role in reducing its carbon footprint and supporting the worldwide battle against climate change.

The most recent edition of the European Tourism Trends & Prospects quarterly report delves into destination performance over the summer and its implications on recovery and performance as we approach the shoulder season. This report also features a special chapter on the cost of living and its impact on travel. This analysis offers a more comprehensive perspective on Europe's tourism recovery, as well as the specific destinations and source markets driving the rebound in travel. The Quarterly Reports are meant to provide the know-how necessary to monitor the short-term development of European tourism.

Jennifer Iduh

Head of Research & Insights

European Travel Commission (ETC)



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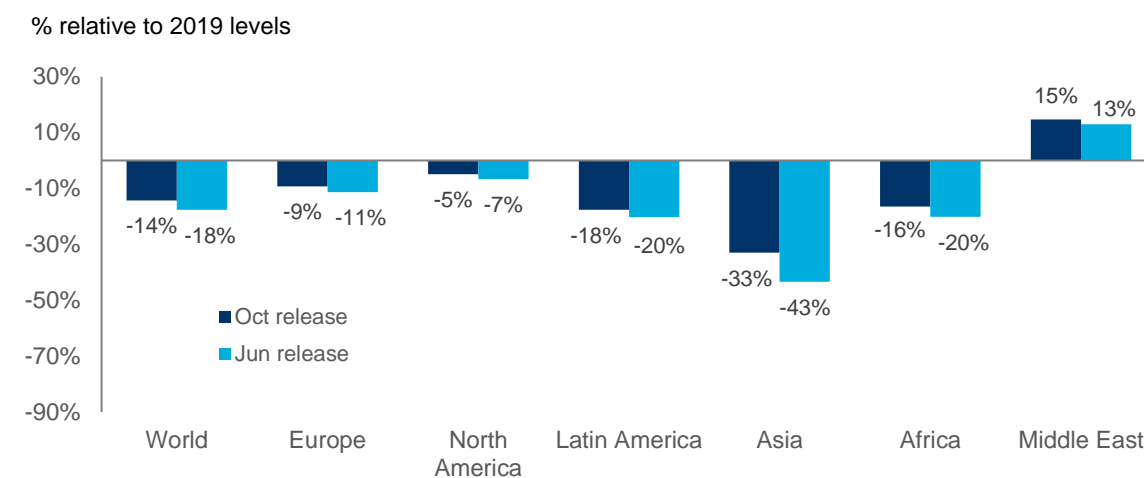
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EXECUTIVE SUMMARY

EUROPEAN TOURISM DISPLAYED ENCOURAGING RESILIENCE THIS SUMMER, ALTHOUGH UNEVEN ACROSS DESTINATIONS

Despite financial pressures, tourists continue to prioritise travel spending over other discretionary expenses. As a result, European travel demand continued to approach pre-pandemic levels, with foreign arrivals now at -3.2% compared to 2019, based on data from TourMIS covering January to September. This upward performance has been mainly driven by intra-European travel and the influx of US travellers leveraging favourable exchange rates.

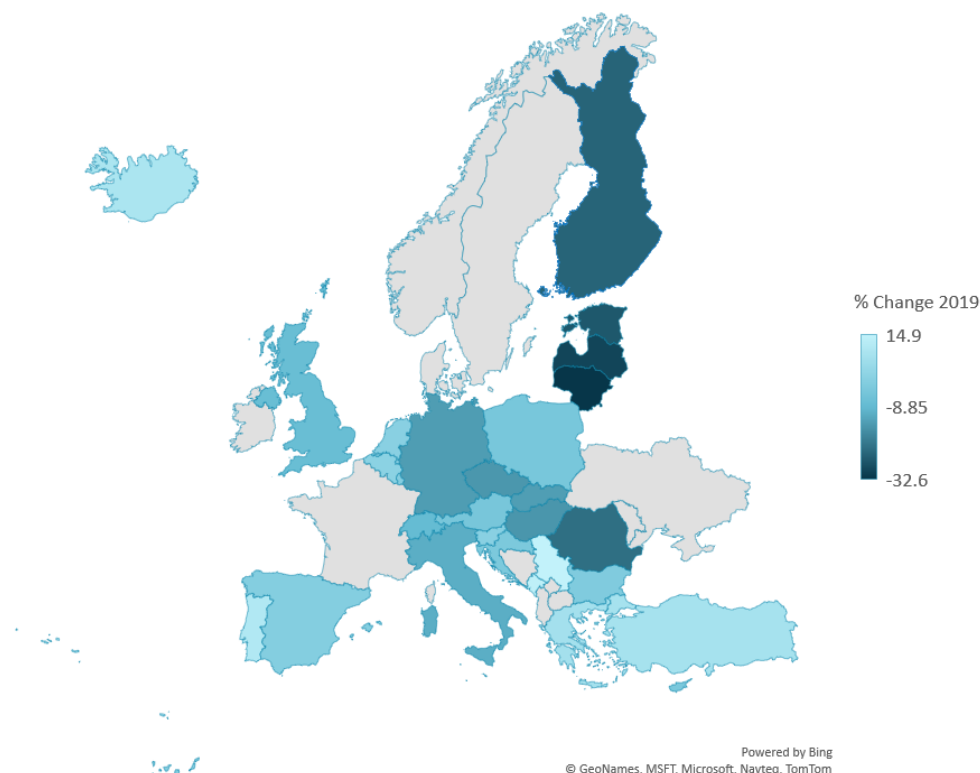
International arrivals by region, 2023 revision



Climate-related challenges such as heatwaves, wildfires, and floods hit tourism hotspots this summer, stressing the need for transformation in the industry to battle climate change. Other risks to Europe’s tourism outlook include the continued struggle against inflation, the war in Ukraine and weaker-than-expected growth in the eurozone¹ despite falling energy prices and healthy labour markets. Nevertheless, foreign arrivals to Europe are expected to pick up by the end of 2023, albeit at a slower pace, reaching 91% of pre-pandemic levels. Projections indicate international tourist arrivals to Europe to achieve 2019 levels by 2024, a year earlier than expected.

¹ [The European Commission revised downwards their forecast growth in the EU economy to 0.8% in 2023, and 1.4% in 2024](#)

Foreign Visits to European Destinations 2023 Year-to-Date



Source: TourMIS

Some divergence was apparent across destinations in terms of tourism rebound this summer. Year-to-date data show that around 1 in 3 destinations have surpassed 2019 levels of foreign arrivals. Europe's recovery was mostly driven by Southern European and Mediterranean destinations, notably Serbia (+15%), Montenegro (+14%), Portugal (+11%), Türkiye (+8%), Malta, and Greece (both +7%). However, around 65% of reporting destinations have still not reached pre-pandemic levels of arrivals to date. Destinations neighbouring Russia and Ukraine are among those struggling the most due to the proximity to the conflict zone or the lack of Russian visitors. These include Baltic countries which have registered the sharpest declines; Estonia (-27%), Latvia (-30%), and Lithuania (-33%).

PASSENGER TRAFFIC HAS BEEN STEADILY RECOVERING DURING THE FIRST HALF OF 2023

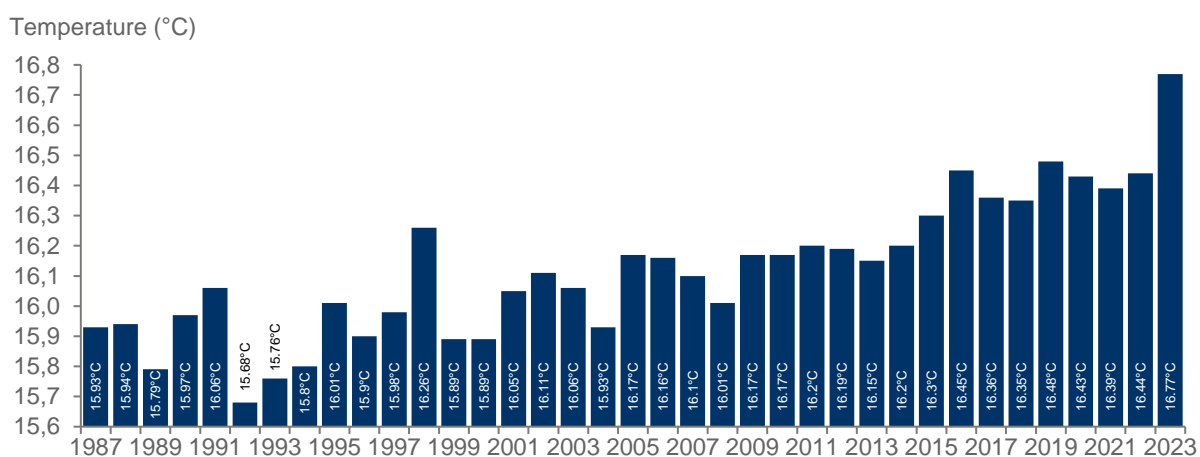
Europe's airports are now on the brink of achieving a full recovery in passenger demand. According to ACI Europe's August traffic report, passenger traffic in the European airport network was down by only 3.4% when compared to the same period in 2019. The association also highlights potential risks to air traffic recovery including the economic slowdown in Europe, persistent inflation, higher oil prices and geopolitical shocks. The upcoming months are not exempt from potential strike-related travel disruptions, similar to those witnessed during the summer. Such effects are expected in cities like Paris, London, Valencia, and the Canary Islands².

HOW READY IS THE INDUSTRY TO ADAPT TO THE CHANGES BROUGHT BY CLIMATE CHANGE?

² <https://www.euronews.com/travel/2023/10/10/europes-summer-travel-strikes-when-where-and-what-disruption-you-can-expect-in-august>

This summer was characterised by extreme weather events including floods, wildfires, and heatwaves in several locations across Europe. According to the Copernicus Climate Change Service, the summer of 2023 was the hottest globally since records began in 1940³. This was marked by extreme temperatures, particularly in European locations in Greece, Sardinia, Sicily, Southern Italy, Malta, and eastern Spain. Like many other industries, tourism is not immune to the direct and indirect impacts of extreme weather events associated with climate change. In the long-term, these impacts are expected to alter seasonal tourism flows, influence travellers’ destination choice, and simultaneously stifle the attractiveness of warmer tourism hotspots while boosting the appeal of cooler climates during the summer.

The 30 warmest boreal summers (JJA) globally



Source: Copernicus Climate Change Service

ETC’s recent study on travel intentions among Europeans revealed that pleasant weather conditions continues to rank as the top criterion for most respondents (19%) when choosing a holiday destination⁴, similar to the [pre-summer report](#). The same study also showed that 14% of respondents mentioned extreme weather events as one their main travel concerns, representing a 7% increase compared to the [May 2023 survey](#). Holidaymakers avoiding extreme heat, combined with lower travel expenses during off-peak months, could result in an extended summer season in Europe. As a result, this trend could support destinations that suffer from high seasonality and overcrowding. On a wider level, it is paramount that the tourism industry undergoes substantial changes to ensure the long-term sustainability of the sector and its resilience, while minimising its carbon footprint and protecting destinations from climate-related harm.

“Action is severely needed within the tourism industry to address our contribution to climate change. We can already see that regenerative tourism – travel actively contributing to regenerating local ecosystems, economies, and cultures – is growing fast. It is crucial that the industry and destinations work together to build comprehensive climate change mitigation strategies that focus on long-term resilience in the face of unpredictable weather patterns and extreme weather events.” said Eduardo Santander, Executive Director of the European Travel Commission (ETC).

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

³ <https://climate.copernicus.eu/summer-2023-hottest-record>

⁴ [Monitoring sentiment for domestic and intra-European travel \(Wave 17: October 2023-March 2024\)](#)



1. TOURISM PERFORMANCE SUMMARY 2023

SUMMARY

- The European travel recovery remained resilient over the summer months, despite the backdrop of high inflation, tighter financial conditions for households, and disruptive strikes by the airline sector.
- Total foreign arrivals to European destinations year-to-date are on average 3.2% below 2019 levels and nights are performing slightly stronger at just 1.3% below, based on data up to September, varying across reporting destinations on TourMIS.
- Households have continued to prioritise travel within discretionary spending, valuing it above other optional expenses.
- European air traffic volumes as a whole have seen an improvement relative to the last three months yet only a handful of destinations have seen air traffic volumes exceed pre-pandemic levels so far this year such as Serbia, Greece, Portugal, Cyprus, and Malta.
- High temperatures and record-breaking heatwaves caused havoc for popular summer destinations such as Italy, the Canaries, and some Greek Islands with wildfires disrupting holidaymakers. The frequency of these heatwaves has the potential to shift some travel demand away from these destinations, based on preliminary indications from recent survey data.
- The recent and developing conflict in Israel is a risk going into the shoulder and off-peak season, especially for popular destinations for these tourists such as France and Türkiye.

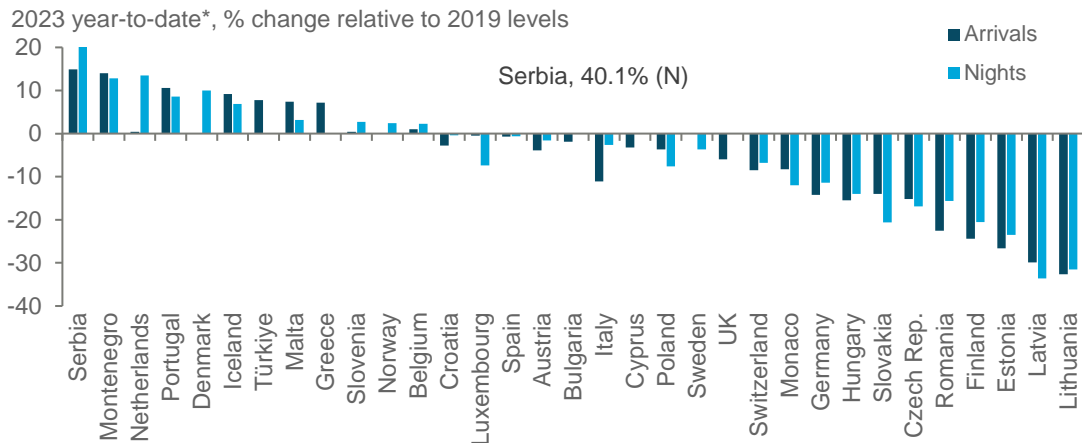
Travel recovery across Europe continued to edge closer to pre-pandemic levels during the summer months, with TourMIS data to September implying total foreign arrivals has recovered to just 3.2% below 2019 levels and nights to 1.3% below. This reflects an improvement in both metrics over peak summer-season, up from -5.8% and -3% respectively at the time of the [last quarterly report](#).

Destinations with the strongest recovery so far tend to be traditional summer hotspots such as Portugal, Malta, and Greece. Iceland has bucked this trend with both arrivals and nights ahead of 2019 levels. The Icelandic Tourist board saw [record travel to Iceland](#) this summer with tourists from the US making up the largest share of arrivals, followed by those from Germany and Poland.

Latest forecasts by Tourism Economics suggests that total foreign arrivals into Europe will now recover by 2024 following a stronger-than-expected summer performance. Some destinations, such as Portugal, Malta, and Montenegro, are expected to have fully recovered in 2023 based on full recoveries being reported to August and September. While there are some risks to the recovery, largely stemming from the downbeat economic backdrop of high inflation and tighter household finances, so far, the travel recovery has continued to defy economic trends with consumers continuing to prioritise travel.



Foreign Visits and Overnights to Select Destinations



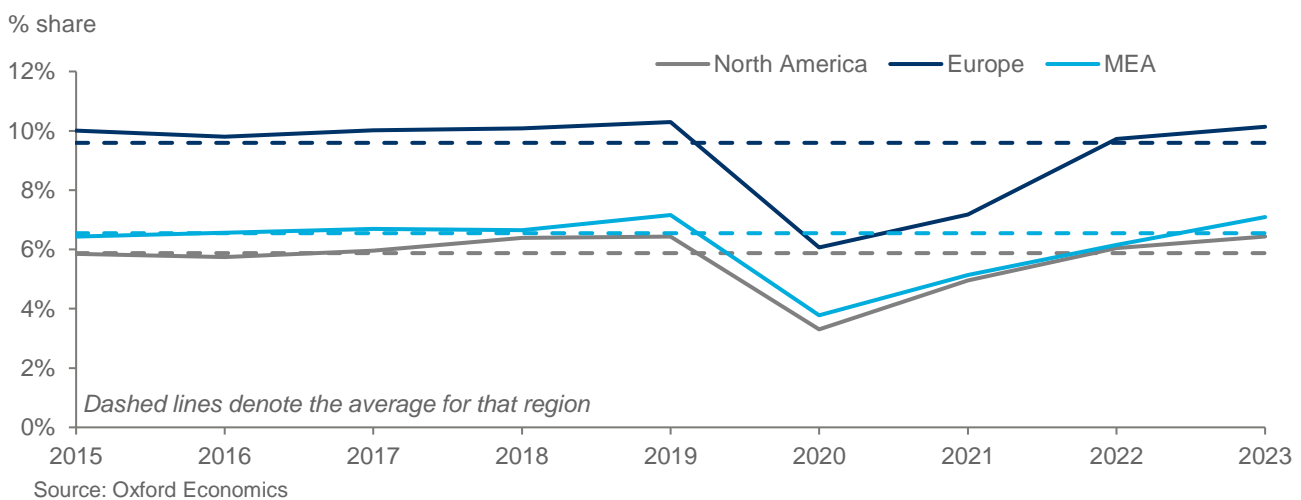
Source: TourMIS* *date varies (Jan-Sep) by destination

Some of the strength in the summer data, which is typically the most expensive time to go on holiday, can be attributed to the build-up of excess savings which remain elevated for households across the region. This has ensured that those who are able and willing to travel can still do so, despite trips costing significantly more than a year ago and even prior to the pandemic.

Excess savings will not necessarily mean increased discretionary spending, as the cost of essentials, which take priority, have also risen significantly. But within the discretionary element of consumption, travel has continued to be valued above other products and services. The share of leisure travel spend (domestic and outbound) as a share of consumer spending, continues to trend above average. This is also the case for major source markets that travel into the region such as the US and high spending source markets within the MEA region.

Some of the strongest recoveries in arrivals have tended to be in destinations which are more affordable this year such as Türkiye and Bulgaria, as well as those which are typically popular for package holidays (e.g., all-inclusive) such as Portugal and Spain. So, although consumers may still be spending money on travel, perceived value-for-money destinations appear to be benefiting the most.

Leisure travel spend (outbound and domestic) as a share of consumption



This summer marked another season of [high, record-breaking temperatures](#). Heatwaves in the region are not an unprecedented occurrence, and have become an [increasingly frequent](#) characteristic of the summer, but this year has been particularly severe. Extreme temperatures were the cause of

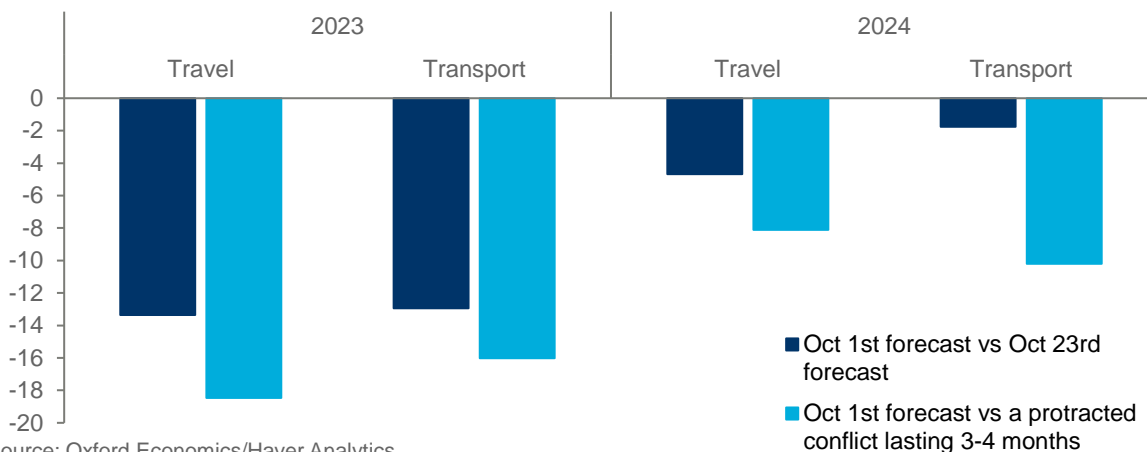


various [wildfires](#) across the Canary Islands, Greek Islands such as Rhodes and Corfu, Italy, and Portugal. This did not have a major immediate impact on travel recovery as many trips were pre-booked and paid for, especially given the increasing popularity of package holidays which appear to be a more cost-effective option for many. There were only limited cancellations by tour operators; for example, Thomas Cook only implemented cancellations to the worst affected areas in Greece, while some airline providers such as EasyJet and Ryanair continued to operate flights. However, it is likely that some last-minute holidays to the region were redirected elsewhere or postponed from the peak summer months and into the shoulder season.

Perhaps more significantly, with extreme heat possibly becoming the new normal in Europe, especially for the Mediterranean destinations, it has been confirmed that under higher warming scenarios travel preferences will shift, according to projections by the [European Commission's Joint Research Centre](#). In addition, latest [survey data by the ETC](#) has already started to indicate a slowing popularity for destinations in this sub-region of Europe as well as confirming that extreme weather events are a concern for European travellers.

Israel exports of services pre- and post-Israel and Gaza war

% below baseline forecast (provisional numbers)



Source: Oxford Economics/Haver Analytics

The conflict in Israel is an emerging risk for the remainder of the year in terms of its recovery to pre-pandemic tourism levels. Various [international airlines have suspended flights](#) in and out of the capital, Tel Aviv. The US and France were the largest source market for travel to Israel and those tourists may now go elsewhere across Europe. On the other side of this, destinations in Europe will undoubtedly see a drop in arrivals from Israel for tourist purposes, especially destinations such as France, Türkiye, and Romania. The extent and longevity of this impact is still uncertain as events continue to unfold, but the impact is likely to be felt towards the latter part of this year and into 2024.

From an economic perspective, the war is expected to remain confined to Israel and Gaza, with little or no intervention from neighbouring countries such as Lebanon, and to end before 2024. If the conflict spreads to the wider region and other opposition militant groups increase attacks on Israel, the war would be expected to last longer. The slowdown in economic activity will transmit through three channels: the impact on the tourism sector through exports of services, private consumption, and business investment.

In addition to the heightened magnitude of the already existing damage, a regional conflict will have deeper implications for financial markets. In this instance, the shekel is expected to begin a steeper downward trajectory, somewhat mitigated by Bank of Israel currency intervention. In addition, while



physical oil supply will not be materially impacted, the heightened geopolitical risk will push prices higher, adding to domestic fuel and inflationary pressures. Such developments would create a more uncertain monetary environment as higher inflation will be coupled with lower economic growth.

Summary Performance, 2023 YTD vs. 2019 and same period a year ago

Country	International Arrivals			International Nights		
	YTD % rel 2019	YTD % year	to month	YTD % rel 2019	YTD % year	to month
Austria	-3.9%	20.3%	Jan-Aug	-1.6%	15.9%	Jan-Aug
Belgium	1.0%	26.6%	Jan-Jun	2.3%	22.5%	Jan-Jun
Bulgaria	-1.9%	20.7%	Jan-Aug			
Croatia	-2.8%	8.4%	Jan-Sep	-0.4%	2.1%	Jan-Sep
Cyprus	-3.2%	24.5%	Jan-Aug			
Czech Rep.	-15.2%	48.5%	Jan-Jun	-16.9%	47.8%	Jan-Jun
Denmark				10.0%	5.0%	Jan-Aug
Estonia	-26.6%	18.6%	Jan-Aug	-23.5%	21.3%	Jan-Aug
Finland	-24.4%	28.0%	Jan-Aug	-20.5%	21.9%	Jan-Aug
Germany	-14.2%	35.5%	Jan-Jul	-11.4%	30.9%	Jan-Jul
Greece	7.2%	22.0%	Jan-Jul			
Hungary	-15.5%	22.5%	Jan-Aug	-14.0%	19.1%	Jan-Aug
Iceland	9.2%	36.2%	Jan-Aug	6.9%	20.2%	Jan-Aug
Italy	-11.1%	30.8%	Jan-Jun	-2.6%	12.9%	Jan-Jun
Latvia	-29.9%	34.1%	Jan-Jul	-33.6%	33.9%	Jan-Jul
Lithuania	-32.6%	20.8%	Jan-Aug	-31.5%	14.3%	Jan-Aug
Luxembourg	-0.5%	9.3%	Jan-Jul	-7.4%	0.7%	Jan-Jul
Malta	7.4%	34.7%	Jan-Aug	3.2%	26.3%	Jan-Aug
Monaco	-8.3%	6.6%	Jan-Sep	-12.0%	4.7%	Jan-Sep
Montenegro	14.0%	32.0%	Jan-Jul	12.8%	25.8%	Jan-Jul
Netherlands	0.4%	32.8%	Jan-Aug	13.5%	33.1%	Jan-Aug
Norway				2.4%	12.4%	Jan-Aug
Poland	-3.7%	35.7%	Jan-Jun	-7.6%	25.4%	Jan-Jun
Portugal	10.6%	24.6%	Jan-Jul	8.6%	19.4%	Jan-Jul
Romania	-22.5%	35.0%	Jan-Aug	-15.6%	32.6%	Jan-Aug
Serbia	14.9%	24.8%	Jan-Aug	40.1%	17.6%	Jan-Aug
Slovakia	-14.0%	47.7%	Jan-Jul	-20.6%	45.3%	Jan-Jul
Slovenia	0.4%	20.3%	Jan-Aug	2.7%	16.8%	Jan-Aug
Spain	-0.7%	19.6%	Jan-Aug	-0.6%	11.2%	Jan-Aug
Sweden				-3.7%	11.9%	Jan-Aug
Switzerland	-8.5%	37.5%	Jan-Jul	-6.8%	28.7%	Jan-Jul
Türkiye	7.8%	14.0%	Jan-Aug			
UK	-6.0%	50.0%	Jan-Jun			

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

(f) denotes forecast provided by member

Measures used for nights and arrivals vary by country. Available data as of 24.10.2023



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

data/estimate/forecast	Inbound*					Outbound**				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
	d	e	f	f	f	d	e	f	f	f
World	10.8%	106.0%	35.8%	17.1%	12.0%	9.4%	108.2%	35.3%	17.5%	12.1%
Americas	22.2%	81.7%	25.8%	14.8%	8.5%	23.4%	88.4%	30.2%	12.6%	8.2%
North America	21.3%	78.8%	25.5%	15.0%	8.9%	27.3%	85.0%	30.7%	11.9%	8.2%
Caribbean	80.3%	49.2%	15.3%	10.5%	7.6%	33.3%	64.2%	21.9%	16.3%	11.8%
Central & South America	-8.6%	131.1%	34.9%	16.7%	7.6%	5.0%	110.1%	28.5%	15.8%	7.8%
Europe	23.9%	95.4%	16.3%	11.6%	9.9%	19.8%	100.8%	17.8%	12.3%	9.8%
ETC+2	19.9%	105.0%	15.7%	10.7%	8.8%	17.5%	109.3%	16.7%	11.2%	8.6%
EU 27	14.0%	110.9%	15.5%	10.5%	8.6%	16.2%	114.2%	16.5%	11.3%	8.4%
Non-EU	70.3%	46.8%	20.0%	16.3%	15.1%	36.5%	49.2%	25.2%	17.6%	16.5%
Northern	-3.4%	184.2%	14.6%	10.6%	7.8%	6.1%	200.4%	18.6%	12.1%	7.6%
Western	-5.0%	105.2%	13.2%	12.2%	7.8%	16.4%	91.1%	13.3%	11.7%	8.4%
Southern/Mediterranean	58.8%	91.8%	16.5%	8.4%	7.4%	23.0%	112.4%	21.9%	8.0%	7.9%
Central/Eastern	30.3%	39.6%	23.2%	22.1%	23.2%	35.5%	52.6%	22.8%	15.0%	15.3%
- Central & Baltic	11.6%	103.4%	19.9%	12.3%	13.4%	25.7%	76.7%	18.2%	10.4%	10.3%
Asia & the Pacific	-65.9%	339.4%	182.5%	36.1%	19.3%	-58.9%	265.2%	157.6%	40.5%	21.1%
North East	-46.8%	97.9%	361.6%	52.1%	22.7%	-55.9%	108.9%	288.3%	59.2%	27.2%
South East	-88.1%	1247.2%	144.1%	27.6%	18.2%	-76.8%	756.6%	121.0%	23.5%	14.1%
South	-30.2%	232.1%	64.1%	16.9%	9.5%	-24.2%	209.0%	58.4%	13.4%	8.6%
Oceania	-72.9%	571.5%	97.8%	16.3%	13.5%	-67.8%	802.0%	48.3%	23.5%	14.5%
Africa	16.7%	87.8%	46.4%	19.8%	13.8%	8.0%	81.1%	46.6%	14.1%	11.6%
Middle East	18.8%	159.3%	39.1%	11.5%	11.2%	49.4%	140.0%	28.1%	8.5%	10.2%

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

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

The geographies of Europe are defined as follows:

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

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

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

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;

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

ETC members plus Sweden, and the United Kingdom

Source: Tourism Economics based on GTS as of 20.10.2023



3. RECENT INDUSTRY PERFORMANCE

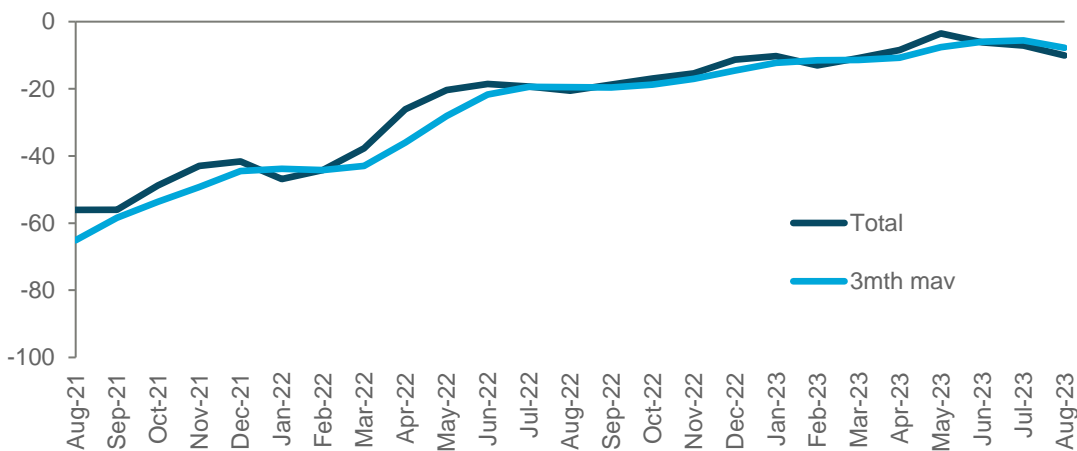
AIR TRANSPORT

The recovery in European air traffic has moderated over the summer months but is closer to pre-pandemic levels compared to earlier in the year. Following an improvement in RPKs in July, there was a marginal decrease in August at the global level. In contrast, domestic traffic reported a stronger improvement over the same period and continues to lead the recovery, with demand already ahead of 2019 levels. However, a lot of this is driven by the faster rebound in domestic rather than international travel in China. Only domestic traffic in Australia and Japan continues to lag international traffic among major markets.

Airport data have confirmed the recovery in European passenger demand continues to edge ever closer to pre-pandemic levels, with August data from [ACI Europe](#) reporting passenger traffic at European airports just 3.4% below 2019 levels. There is however a significant amount of variation across airports within the region; typically, recoveries after global shocks are similarly paced. Some of this can be attributed to the war in Ukraine and strong trends in intra-regional travel across Europe as well as travel from Europe to the Americas.

International air passenger growth, Europe

% change on 2019, RPK



Source: IATA

In terms of international air traffic, North America remains ahead of pre-pandemic levels as the strong dollar is driving trips to Europe this year. However, it is worth noting that the recovery relative to 2019 did slow slightly in more recent months when compared to data for May-July which averaged 1.9% above 2019 levels. The reason for this seems to be stronger domestic travel at the height of summer and highlights the risk of some renewed domestic substitution if travellers look for greater cost savings.

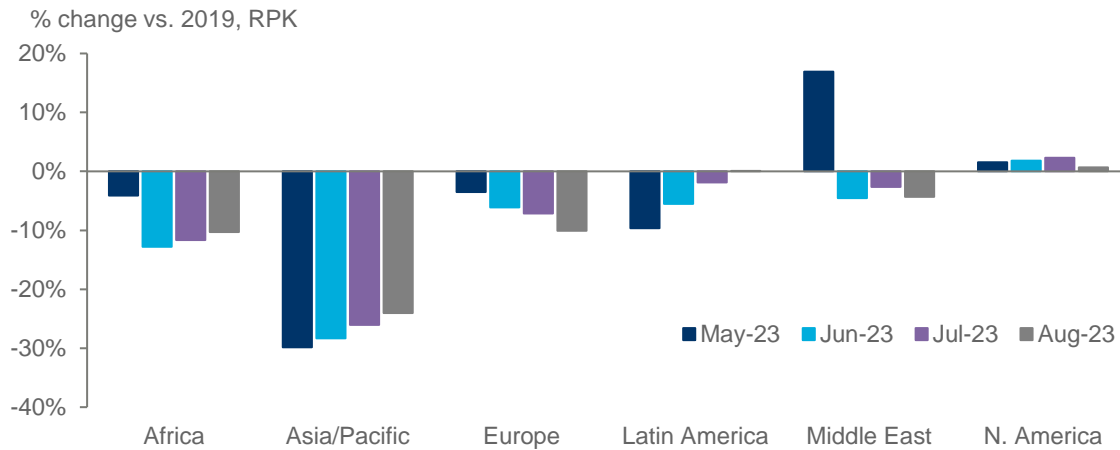
As of August, Latin America recovered to 2019 levels and had one of the fastest rates of recovery this year. The pace of the recovery in Asia-Pacific RPKs edged slightly ahead, however demand remained 24% below pre-pandemic levels as of August and it is still the weakest performing region.

Following an improvement in Q2, the recovery in Europe RPKs has gone back on itself, with the latest data at 10.1% below 2019 levels and on par with what it was at the start of this year. This is not just a decline in August, but this represents a deterioration in the outlook over the past three months.



Following a stronger start in May, air passenger traffic recovery across both Africa and the Middle East lost momentum. RPKs in Africa remained around more than 10% below 2019 levels over the last two months and the Middle East dropped back to 4.3% below. Like North America, total market recovery for the Middle East continues to outpace international, suggesting the summer period saw an increased appetite for domestic travel.

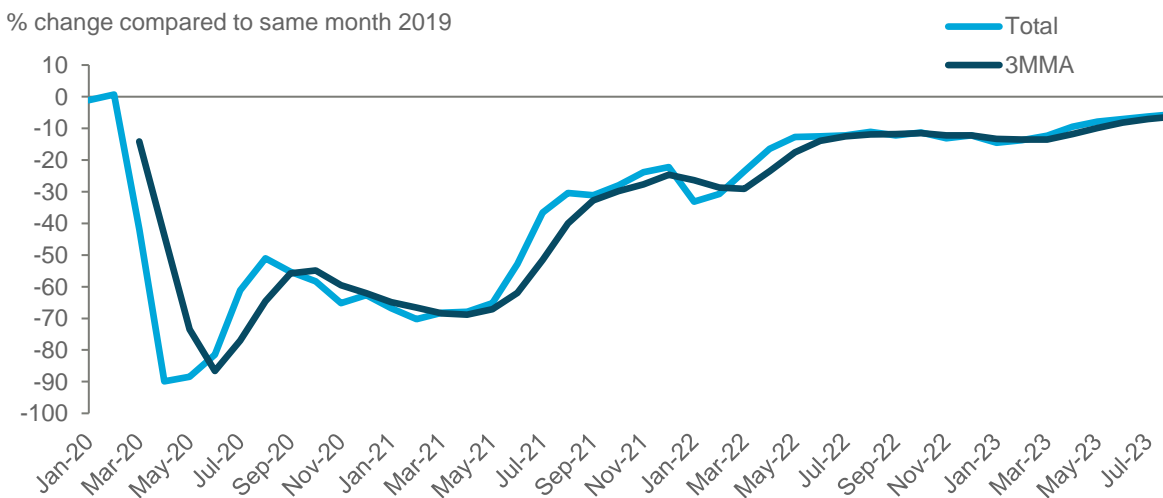
International Monthly Air Passenger Growth



Source: IATA

Latest data from Eurocontrol does suggest a slight lack of improvement in flight volumes across the European network area over the summer when we would expect to see greater demand to many destinations. Flight volumes in terms of a three-month rolling average were 6.3% below 2019 levels as of August. This puts the average across the last three months at 7.2% below, signifying a marked improvement on the prior three months (March-May averaged -11.8%). Higher prices and strained financial conditions are likely to have been a factor in the slowdown of the recovery but it is clear that some appetite and willingness to fly within Europe remains. It is also likely the outturn would have been stronger in countries such as France and the UK had they not been subject to various airline strikes over the summer.

Flight Volumes in European Network Area



Source EuroControl



At a country level, there remains a significant difference in terms of the recovery of flight volumes. Compared to last quarter (on a three-month rolling average basis), there are slightly fewer countries seeing flight volumes above 2019 levels. However, there is no change in the top five performing countries from last quarter into the summer months, the main difference being that Serbia now leads the recovery in flight volumes ahead of Greece, despite a slower percentage point improvement compared to the previous three months.

Ireland is the only country that reported flight volumes falling back below 2019 levels in the last three months due to some underperformance throughout June to August. But the recovery in Ireland is still one of the strongest, with many tourists from Ireland heading to Spain or North America during the summer months, while also benefitting from strong inbound transatlantic travel.

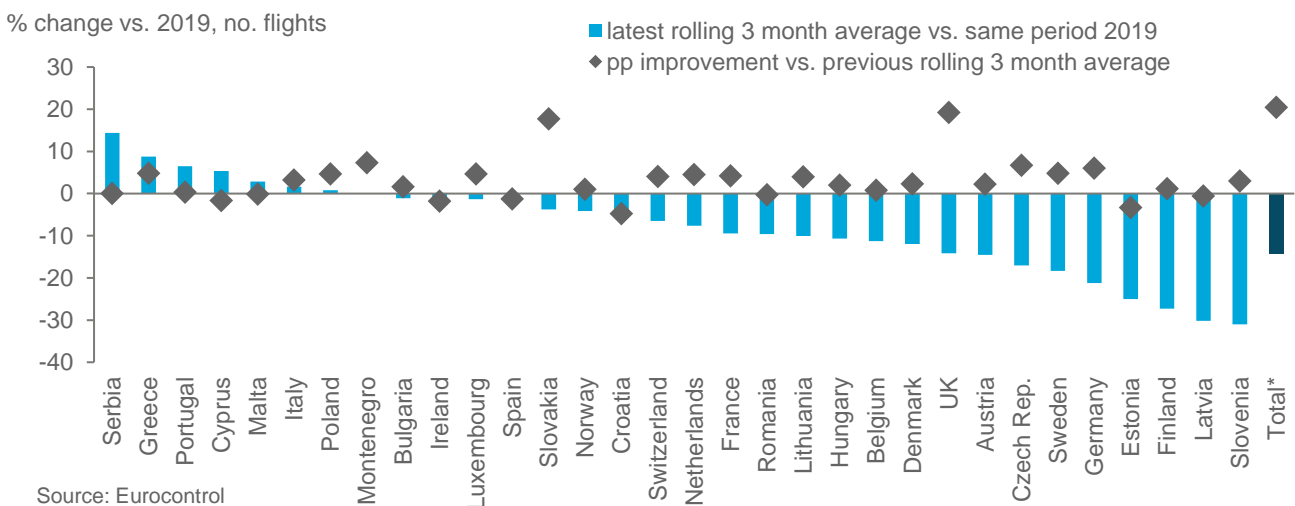
The weakest performing countries remain largely unchanged (including Slovenia, Latvia, Finland, Germany) along with Estonia. In Slovenia, while arrivals and overnights are above 2019 levels, this is not reflected in flight volumes. This could suggest that tourists are now accessing the country through different modes of transport such as road or train as opposed to plane.

Geopolitical tensions over the war in Ukraine looks to be persistently affecting travel sentiment to some countries neighbouring Russia such as Latvia, and to some extent Finland. But encouragingly Slovenia has reported a sizable percentage point improvement when compared to the last few months. This could be attributed to demand coming back for [events](#) such as the European Rowing Championships and the European Women’s Basketball Championships.

Related to the cost-of-living crisis, air transport strikes continued to plague the industry for another consecutive summer, motivated by the desire to improve working conditions and pay. Strikes have been fairly widespread and occurred in large destinations across Europe such as France, Spain, and the UK. Cancelled flights have had a detrimental impact on travel volumes but have also added to uncertainty in trip planning and traveller confidence.

Strikes had an adverse impact on European air traffic volumes for both arriving and departing flights over peak summer-season, although most destinations have seen an improvement against the previous three months on average, with Slovakia showing one of the biggest improvements. Popular summer destinations such as Greece, Portugal, and Cyprus are now seeing the number of flights exceed those of 2019, but they remain a minority, with three quarters of countries still lagging behind pre-pandemic levels.

European air traffic by country, total flights arriving and departing





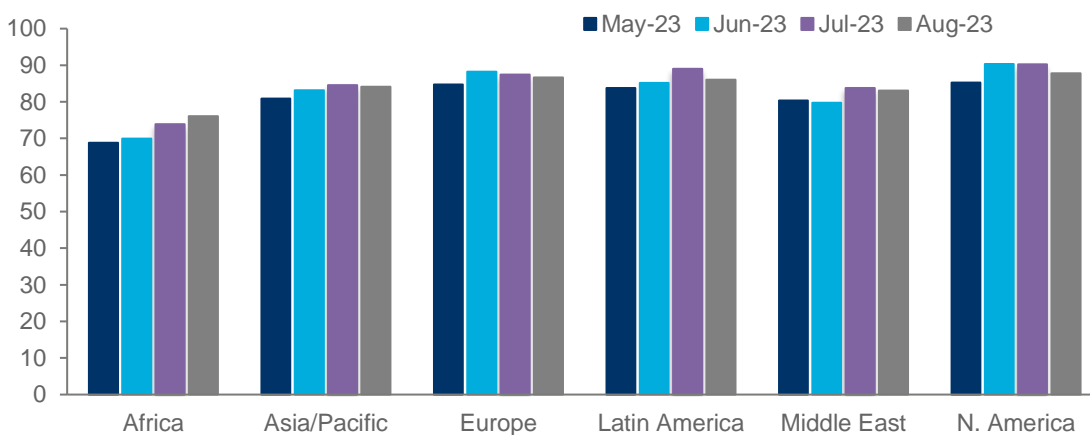
Passenger load factor (PLF) has continued to improve overall throughout the year so far, with the global load factor 1% above 2019 levels in the second quarter of this year, with a further improvement in August. This is another indication that travel demand continues to defy the economic slowdown currently affecting many large economies.

Africa continues to report an upward trend in PLF over the past four months, with July and August ahead of 2019 levels once more. Asia-Pacific is seeing a similar trend; however, August saw a marginal drop compared to July.

Latin America is catching up with Europe as of the last few months with PLF for both regions at 86.1% and 86.8% respectively. In fact, in July Latin America exceeded Europe, reaching 89%, just behind North America which has consistently had the highest PLF so far this year.

Monthly passenger load factor

Load factor, % ASK



Source: IATA

The risks to recovery do remain skewed to the downside with commentary from central banks suggesting interest rates will stay high for longer to combat persistently high inflation. This will undoubtedly have a differing impact across airlines. Low-cost airlines could potentially benefit as some consumers look for savings, but it is also notable that the greatest negative impacts from higher interest rates are falling on lower earning households.

[France banned some domestic flights](#) earlier this year, as per its government's agreement with Air France, whereby Air France received financial support during the pandemic and in return stopped certain domestic flights where viable train alternatives existed to help meet environmental targets. There is a risk more countries could follow suit, but this decision is not favourable across tourists and airlines since it will likely result in more costly connections between cities, disproportionately affecting tourists from low-income households – in particular within countries which do not have a cost effective and time efficient rail network. It may also result in lower sales for airline carriers, especially those that rely heavily on domestic flights. Furthermore, although the EU announced a €6.2 billion investment into transport infrastructure, it will take a while for improvements to be realised and for the benefits of rail transport to pose a significant threat to air travel within destinations.

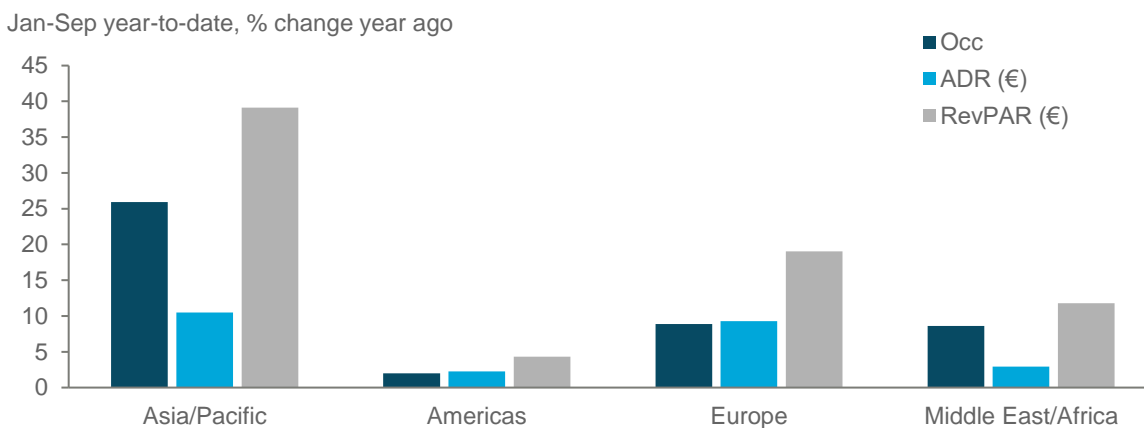


ACCOMMODATION

Hotel performance data collected by STR shows RevPAR⁵ growth across Europe continues to moderate relative to the same period in 2022, albeit still in double-digit territory. ADR⁶ growth has continued to catch up with occupancy over June-September, with ADR growth at 9.3% and occupancy at 8.9%.

Asia/Pacific (APAC) has seen the largest slowdown across all metrics compared to the last quarter, most notably in RevPAR growth which has decreased from 63% to 39.1% with the addition of four extra months of data. Despite this, the region continues to lead growth in both RevPAR and occupancy rates so far this year. The recovery in APAC is still considerably behind other regions such as the Americas and Europe which can help to explain the stronger relative growth rates. However, ADR growth in euro terms is starting to become more balanced across the regions. The latest data shows growth in APAC and Europe edging closer, with growth of 10.5% and 9.3% respectively. Demand in APAC and inflationary pressures in Europe are likely the cause of the convergence.

Global hotel performance



Source: STR

⁵ Revenue per available room

⁶ Hotel average daily rate

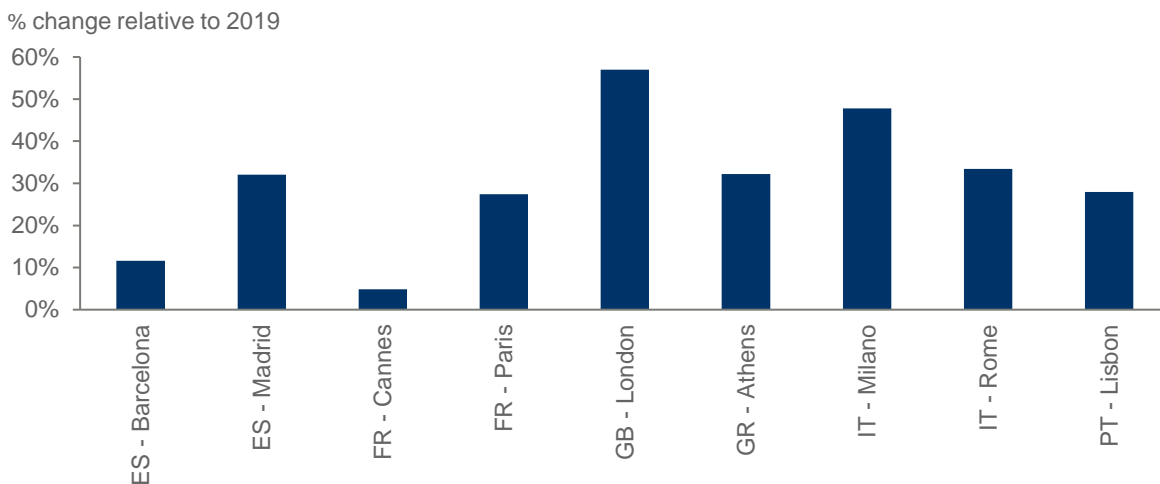


SHORT-TERM RENTALS

Year-on-year growth in Q3 revealed that key European short-term rental markets such as Paris, London, and Milan, which are amongst the highest in global inventory, are continuing to see significant growth in [supply](#) and [demand](#). In August, it was reported that [Paris and London had an upward trajectory in supply](#) compared to last year. [London was up +42% in average booked nights](#) and Madrid, Milan, and Paris each grew over +20% in demand in August 2023 over August 2022.

[Variations over European reservations were up by +48% since Q3 2022](#), averaging 137% this quarter. Great Britain experienced an upward trend in variations in reservations, along with Spain with growth corresponding to a half of last year's total. In Italy and France, growth is positive as well. [International travel has remained stable in Great Britain, Spain, and France](#) this quarter over last year Q3.

Revenue growth of short-term rentals in selected European cities, 2023



Source: Transparent

Revenue analysis also paints a positive picture for short-term rental trajectory in Europe. The continent's highest supply destinations all [saw growth in revenue](#) in August, relative to last year. The order of destinations with highest to lowest revenue growth, with increases ranging from +57% to +5%, were positioned as London, Milan, Rome, Athens, Madrid, Lisbon, Paris, Barcelona, and Cannes.

As the European tourism industry rebounds from the pandemic, short-term rental supply is increasingly dominated by professionally managed properties. These professional property managers are subsequently looking to mirror hotels by adopting similar services, structures, and commercial strategies. The [convergence of hotels and short-term rentals](#) means that it is even more important to understand the market and implement a comprehensive commercial strategy.

Finally, according to the [Transparent Sustainability Report](#), there exists a correlation between lower short-term rental supply density and higher relative growth destinations. London and Athens, however, show high growth despite high density. Accordingly, these cities should be those most concerned about social growth and active inventory. According to analysis, hotels appear to be better engaged with sustainability initiatives, with 50-80% of hotels in [Antwerp, Barcelona, Athens, and London holding sustainability badges](#), compared with just 10-30% of short-term rentals. This suggests a greater draw on sector-ambivalent, eco-conscious travellers for hotel accommodations, but also highlights the progress yet to come in short-term rental sustainability - in environmental but also economic and social senses.



4. SPECIAL FEATURE: INFLATION AND TRAVEL

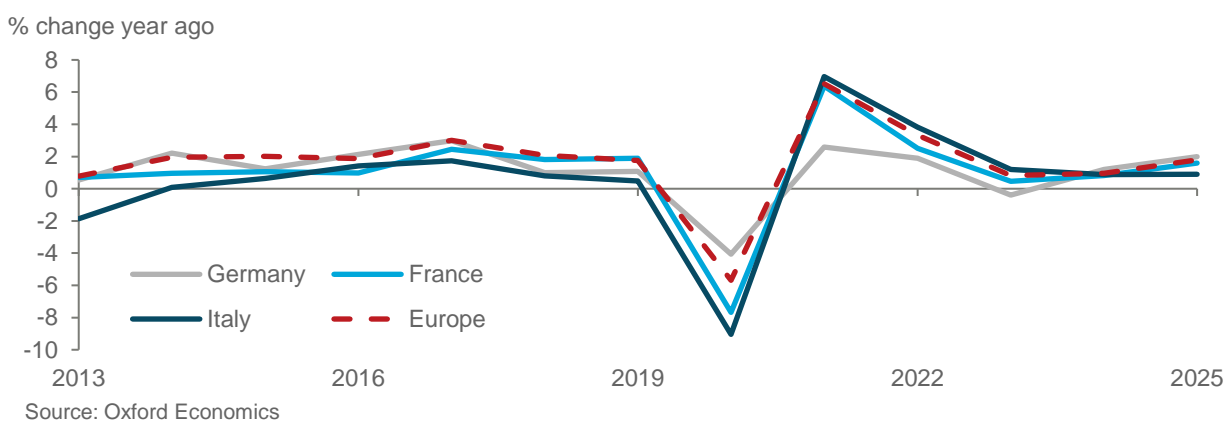
SUMMARY

- The wider macroeconomic environment has been placing pressure on travellers through the cost-of-living crisis and the outlook doesn't look optimistic. Despite this, travel spending looks to be booming.
- The price of holidays was of utmost importance to travellers this year, as they combined a range of tactics to reduce the overall cost of summer sun. Travelling in the shoulder-season, package holidays, booking accommodation and travel well in advance and considering a wider range of destinations were just some of the approaches taken in recent months to reduce costs.
- As a result, Eastern Europe, often offering favourable exchange rates and lower prices won favour with many travellers this summer and appeared to attract some visitors away from the Mediterranean.
- However, the increased appetite for travel was led by high net-worth individuals, with luxury travel growth outstripping general recovery of the sector. High-end boutique hotels, tailored experiences and a variety of exclusive eateries all offer alluring draws for the wealthy.

The economic outlook across Europe looks subdued, with 0.5% GDP growth this year and 2024 growth expected at 0.9%. Headline inflation remained unchanged in August, at 5.3%, and though core and services inflation had fallen on the previous month, higher oil prices had offset this fall. Inflation will fall below 2% next year and remain below the central bank target of 2% in 2025.

Though it looks as though nominal wages will grow well above pre-pandemic rates across Europe this year, and will continue into the following year, the consumer is still poorer in real terms. Household spending has flatlined too, with no growth for the past two consecutive quarters. Yet, despite the somewhat gloomy macroeconomic outlook and facing higher prices, travel spending has bounced back. Travel spending is a luxury generally afforded by middle-classes and above and consumers are continuing to prioritise travel over other large ticket items despite the blow to disposable income. Post-pandemic, it looks as though consumers are more focused on travel, with the intent to make up for travel opportunities lost during the pandemic.

Economic performance in key eurozone economies, real GDP

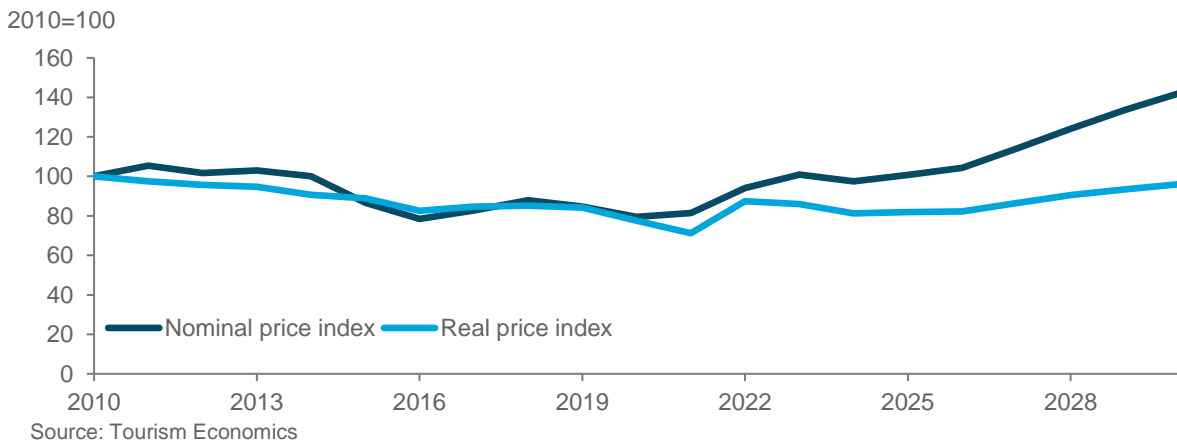


Price sensitivity is of upmost importance for many travellers this year, with higher prices changing preferences. Travellers are booking earlier, and considering travelling in shoulder season, all to reduce prices so that travelling is still feasible within reduced personal disposable incomes.



Package holidays are becoming an ever more popular choice, as they provide a level of certainty for holiday goers that all essential costs have been accounted for. As well as price certainty, they offer the ability to smooth consumption over time and pay off most holiday-related expenses in advance of the trip, rather than saving specifically for variable costs on the trip (e.g., activities and meals). It also avoids the risk of a large bill to settle post-trip, if in-destination costs are higher than anticipated.

Western Europe air fare trends and forecast expectations.



In the wider economic environment, package holidays now often offer a better deal. In the 10 years from 2010 – 2019, the cost of flights has fallen 36%. Post-pandemic it looks as though costs will rise in real terms, in part due to higher variable costs for airlines (oil prices) as well as to shore up profit margins and service debt requirements. This combined with higher food and accommodation prices means that the variable cost components of a holiday are significantly higher than they were pre-pandemic. As a result, individual savings that could be made by taking the ‘DIY’ holiday approach are no longer as clearly realised. The number and range of destinations offered with package holidays are also greater than in previous years and more attractive to consumers, while perks such as ‘children go free’ can make holidays more affordable for families.

Even if consumers aren’t willing to commit to a package holiday, [research from ETC](#) shows that Europeans have already fully or partially booked their upcoming trip (as of the launch of the survey), a 4% rise compared to this time last year. Booking early often locks in lower prices and allows to save and organise household finances accordingly to make the holiday feasible. Again, commitment to booking in advance shows changing behaviours, with individuals happy to forego the flexibility of booking at a later date for the price savings gained from booking early.

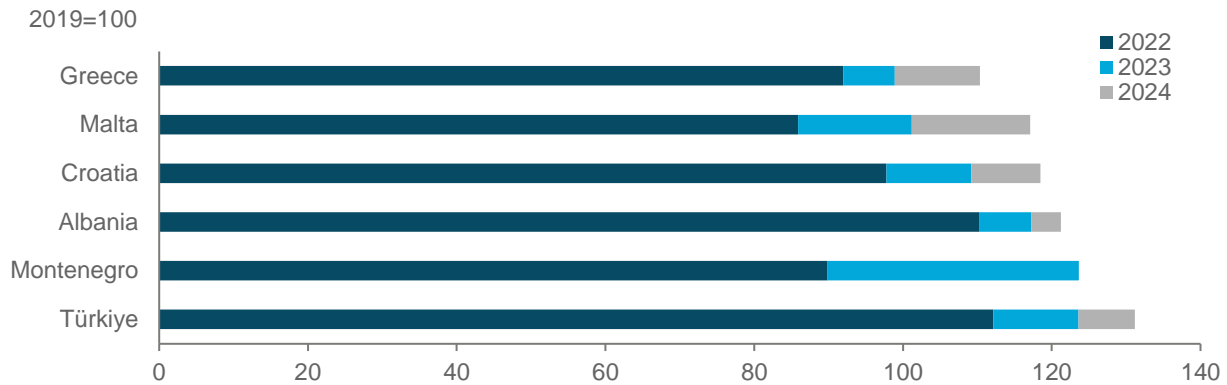
Consumers are also more aware of the advantages of a favourable exchange rate than ever before. Transatlantic travel into Europe led air traffic recovery over the summer this year. This has attributed in large part to pent-up demand for ‘bucket list trips’ which were enabled by the exceptionally strong dollar at the end of last year. As many of these long-haul trips had been booked well in advance, accommodation and transport had been purchased in the period of the particularly strong dollar.

Türkiye has also been a popular destination over the summer, due to a favourable exchange rate for Europeans. The lira’s continued devaluation has meant that accommodation and in-destination spending is much less expensive than in otherwise comparable Mediterranean destinations which offer similar draws of warm temperatures and sandy beaches. The UK and Germany are large markets for travel to Türkiye and key growth markets. For the period of May to July 2023, 217,000 more air arrivals to Türkiye arrived from the UK over 2019 levels, and Germany followed closely at 123,000



more, according to OAG flight arrivals data. Russian and Azerbaijani arrivals have also been well above 2019 levels, reflecting movement of people around the ongoing conflict in Ukraine.

Overnights for selected destinations



Europeans are also travelling to a wider range of destination than pre-pandemic to reduce costs – Türkiye, Montenegro, Albania, and Croatia are the top performers for overnight stays relative to pre-pandemic levels. A combination of very successful tourism board campaigns (Montenegro especially), combined with expansion of low-cost carrier routes have resulted in new Mediterranean travel markets being established over the period of the pandemic. Having established themselves as competitors to ‘more traditional’ Mediterranean destinations in Western Europe, with generally much lower prices, it looks like the emergence of Eastern European tourism is very much here to stay.

As well as travel prioritisation, the way people holiday is changing too. The willingness to spend is also particularly apparent in the younger age brackets. It seems the unfavourable economic environment, combined with no travel opportunities during the height of the pandemic has resulted in many young people prioritising travel over other purchases and in some cases over savings. In another change of behaviour, more travel companies are seeing multi-generational holidays, where grandparents, who tend to be wealthier, might cover a larger proportion of the costs of the trip.

Post-pandemic, luxury travel is also booming, as an increased appetite for travel echoes in the most affluent in society. Across the board, individuals are prioritising spending money on experiences rather than material things and those with the most disposable income, are demanding increasingly more exclusive and bespoke experiences. The luxury hotel stock has continued to grow over the pandemic period too, with 7.6% of total global hotel supply comprising luxury rooms. This segment is of particular interest to investors. In Europe, Madrid has become a luxury travel hub in recent years. The arrival of the Four Seasons and the reopening of the Mandarin Oriental Ritz post-pandemic provide luxury accommodation for visitors. This combined with the recent opening of the Galería Canalejas, a collection of high-end fashion and fine jewellery stores and a swathe of Michelin star restaurants provide too ample eateries and shopping opportunities for the ultra-wealthy. The market looks set to grow in the future and attracting these HNWIs (High Net Worth Individuals) will be a key source of growth for many destinations.

The emergence of the spend-savvy traveller looks unlikely to dwindle, given the macroeconomic outlook for the next couple of years, and as such package holidays and the popularity of shoulder season breaks looks likely to increase even further. The industry should be prepared to cater for travellers who are looking for competitive price points. Luxury travel has fared significantly better than total travel recovery and could be a key source of growth for markets should they cater for the more bespoke demands of these consumers.



5. KEY SOURCE MARKET PERFORMANCE

Trends discussed in this section in some cases relate to the period January to September 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

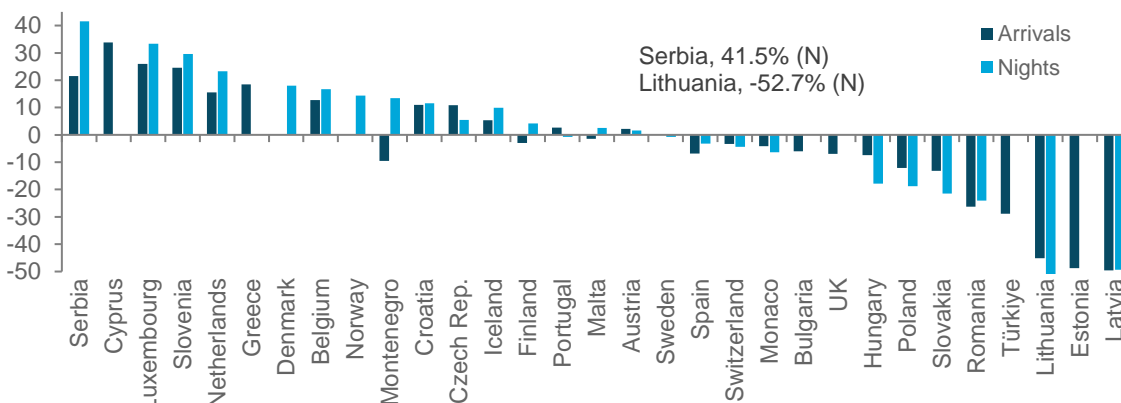
- Within Europe, some destinations have not only made a full recovery but continue to capitalise on pent-up demand for travel, notably from intra-regional markets. Cyprus, Serbia and Iceland stand out as destinations which have seen strong growth from intra-European markets.
- Türkiye, favoured for its devaluing currency, has been able to appeal to cost conscious travellers from European countries and as an increasingly popular long-haul destination for non-European source markets.
- Unsurprisingly, long-haul source markets lag intra-European travel demand and, although some progress is being made, both China and Japan in particular will need time to get back to 2019 levels.
- For both intra-European and non-European source markets, the Baltic States have generally struggled most to attract tourists, due to their perceived proximity to the Ukraine war. Other countries in the eastern part of the continent have also suffered, seemingly more so in the perceptions of long-haul source markets.

KEY INTRA-EUROPEAN SOURCE MARKETS

Relative to the same period in 2019, arrivals across European destinations present a mixed picture. Some destinations have not only made a full recovery but have also been able to capitalise on pent-up demand for travel. At the other end of the scale, perceptions of safety have hampered recovery in destinations close to or bordering Ukraine. More expensive destinations are not necessarily going to struggle in the challenging financial backdrop. Instead, they could benefit if they take advantage of the current boom in luxury travel.

German Visits and Overnights to Select Destinations

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



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



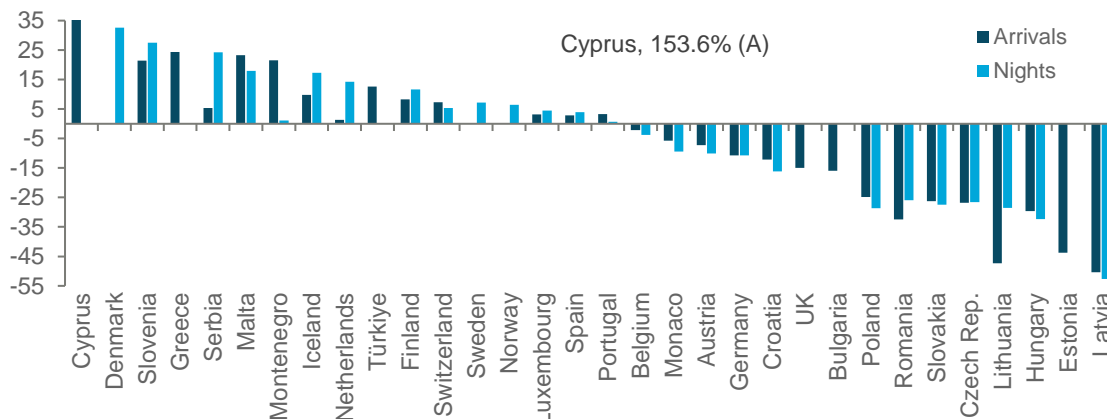
17 out of 31 reporting destination countries saw growth in either arrivals or overnights from Germany. The best performing country in terms of growth in nights was Serbia, posting an increase of 41.5% over 2019. Cyprus was the top performer in terms of arrivals growth which is an important result as Germany is one of the key traditional markets for Cyprus, accounting for nearly 152,000 visits in 2019. The increase of 33.8% in German arrivals to Cyprus relative to 2019, at least partly compensates for the loss of Russian demand. Neighbouring destinations also continue to do well from German travel, including Luxembourg, the Netherlands, Denmark, and Belgium.

In the last quarterly report, Montenegro exhibited a strong contrast between arrivals and nights reporting, which has now diminished to present a more positive view. Arrivals are now reportedly closer to having recovered 2019 levels while the nights growth of 13.4% remains similar to earlier in the year.

The weakest reporting destination countries are the Baltic States. However, given the importance of Germany as a source market for Türkiye, accounting for around 1 in 10 of all arrivals in recent years, a reduction of 28.9% in arrivals from Germany is of concern. This is despite the ongoing weakness of the lira which has lost nearly 80% of its value over the past four years. Data only covering up until March 2023 from the United Kingdom also indicates that arrivals from Germany were down 31.0% on 2019.

French Visits and Overnights to Select Destinations

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



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

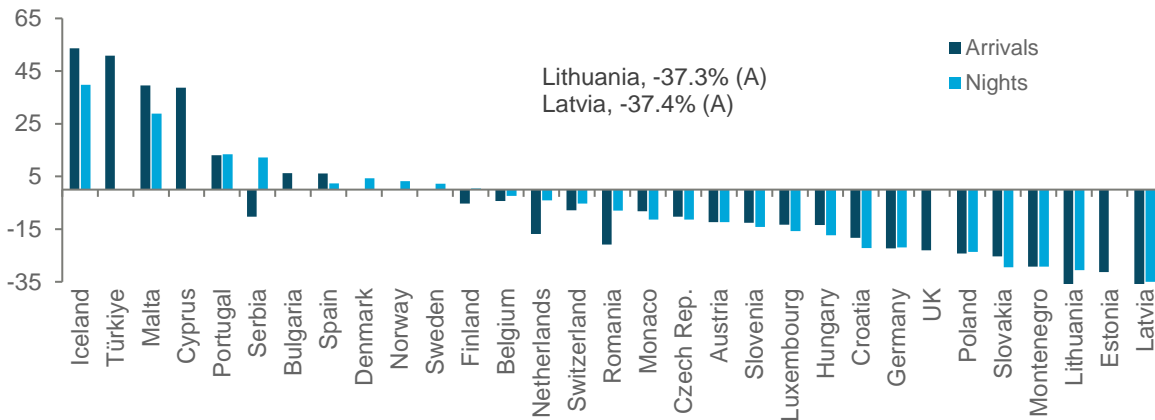
By far the strongest performer in terms of arrivals from France is Cyprus. Cyprus has specifically targeted the French market as part of its strategy to make up for the loss of Russian visitors. In the post-pandemic period, there have been an increased number of flights per week between France and Cyprus. Arrivals from France were up 153.6% on 2019. In October 2023, Cyprus' Deputy Tourism Minister, Kostas Koumis, visited Paris to discuss the impressive growth of the French market and emphasise historic links between the two nations.

A selection of countries including Denmark, Slovenia, Greece, Serbia, Malta, and Montenegro, also performed strongly, benefitting from growth in French travel to over 20% higher than 2019 levels. This was a far weaker performance for Montenegro than in the last quarterly report in which it was the strongest reporting destination country for French travellers. Current growth, however, is more reflective of the real trend as it includes more data for the peak summer months. Greece, reporting to July, performed well despite an exceptionally hot summer and forest fires. The worst performing reporting destinations were concentrated in the Baltics but also in parts of Central Europe – especially, those that border Ukraine.



Italian Visits and Overnights to Select Destinations

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



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

In terms of arrivals from Italy the strongest performer was Iceland, marginally ahead of Türkiye. Both saw increases relative to 2019 levels of more than 50%. Malta and Cyprus also demonstrated growth in arrivals of more than 38%.

However, many of the remaining reporting destinations which saw growth from Italy experienced double-digit growth. Portugal, for example, reported both arrivals and nights growth to July, but both were only around 13%. Romania saw a bigger shortfall in arrivals than nights suggesting a tendency towards longer stays. Finland, which was the second strongest reporting destination country in the last report, saw much more moderate performance during recent months with little change relative to 2019 for the year to date. This is possibly linked to previous travel including trips to multiple destinations including St Petersburg, which is no longer on many travel itineraries.

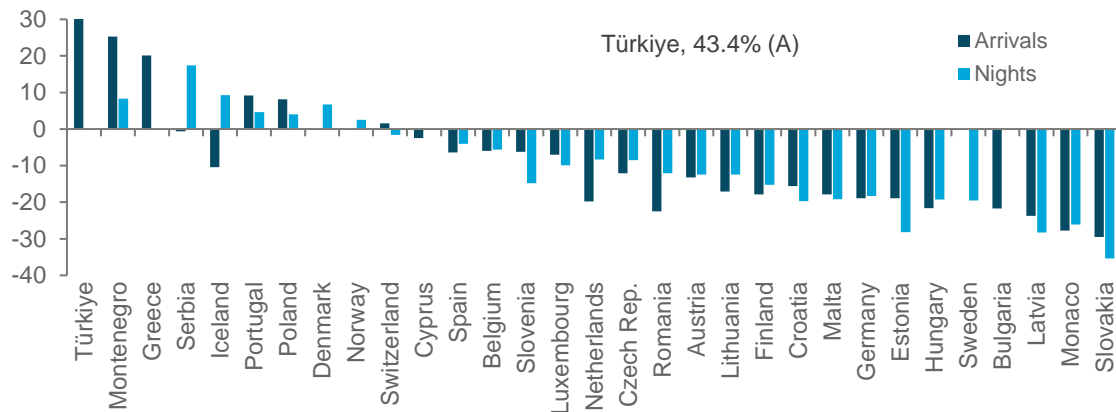
18 of 31 reporting destinations recorded Italian demand below 2019 levels on both metrics. The worst performing countries tended to be in the Baltics, but Estonia fared slightly better than Latvia. Poland and Slovakia probably suffered on account of their relative proximity to Ukraine, whilst Montenegro and Croatia were also among the poor performers. The weak performance for Croatia contrasts with the data for travel from other notable source markets such as Germany which showed strong improvement.

Wizz Air has announced a significant expansion of routes from Italy in 2024, linking Rome with Berlin, Hamburg, Alicante and Copenhagen and Milan with Paris and Tenerife. Going forward, increased travel linkages should help spur travel from Italy.



British Visits and Overnights to Select Destinations

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



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

Türkiye, Montenegro, and Greece are the strongest growth destinations for travel from the United Kingdom. Türkiye is still benefiting from its exchange rate – more so than ever for price conscious UK consumers as sterling’s weakness against the euro boosted its attractiveness over eurozone destinations. The Turkish lira saw an extraordinary decline against sterling in May – just in time for the summer peak season, going from less than 25 lira to the pound to nearly 35 by mid-July (for comparison, in July 2019, the exchange rate was around 7 lira to the euro). *On the Beach*⁷ has reported that bookings for summer trips to the country more than doubled the comparable period in 2019. Total arrivals from the UK to Türkiye were up 43.4% on 2019. There has also been a sharp rise in flight capacity between the UK and Türkiye with an additional 1.23 million seats compared to 2019. In October 2023, Turkish Airlines said it plans to open a new Glasgow connection. Türkiye’s current account deficit has narrowed as an influx of tourists has generated a services sector surplus.

However, there was less good news for many other destinations for which the UK is a key source market. For example, UK arrivals to Spain remained down by 6.4% compared to 2019. Visits to Germany were down 18.9% based on data reporting to July.

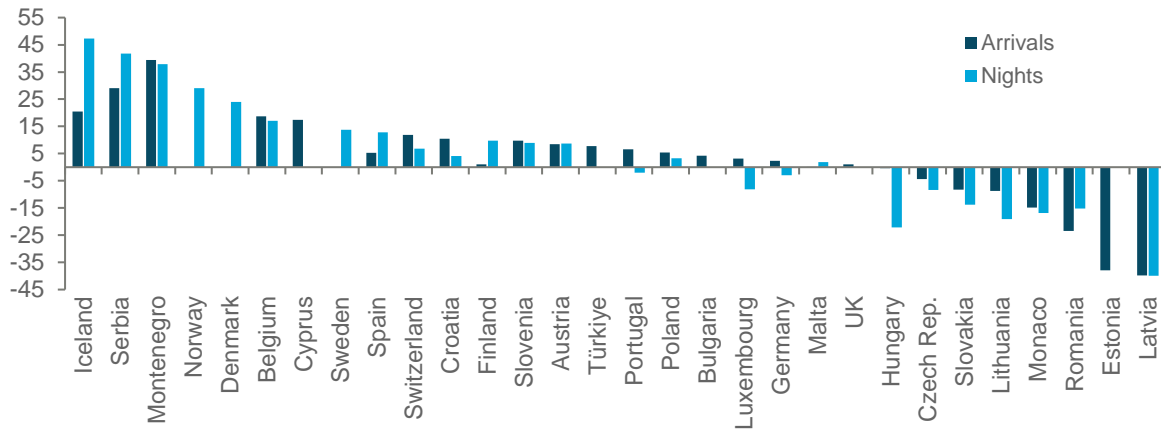
In fact, the majority of reporting destination countries continued to flag lower tourism from the UK with the worst performing destination being Slovakia – which saw arrivals 29.5% below 2019 and an even bigger shortfall in nights. The second poorest performing destination was Monaco which may be struggling as a relatively expensive destination with especially high average room rates, possibly suggesting that the demand for luxury tourism from UK arrivals is not strong.

⁷ <https://www.independent.co.uk/travel/news-and-advice/holiday-bookings-turkey-egypt-exchange-rate-b2392680.html>



Dutch Visits and Overnights to Select Destinations

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



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

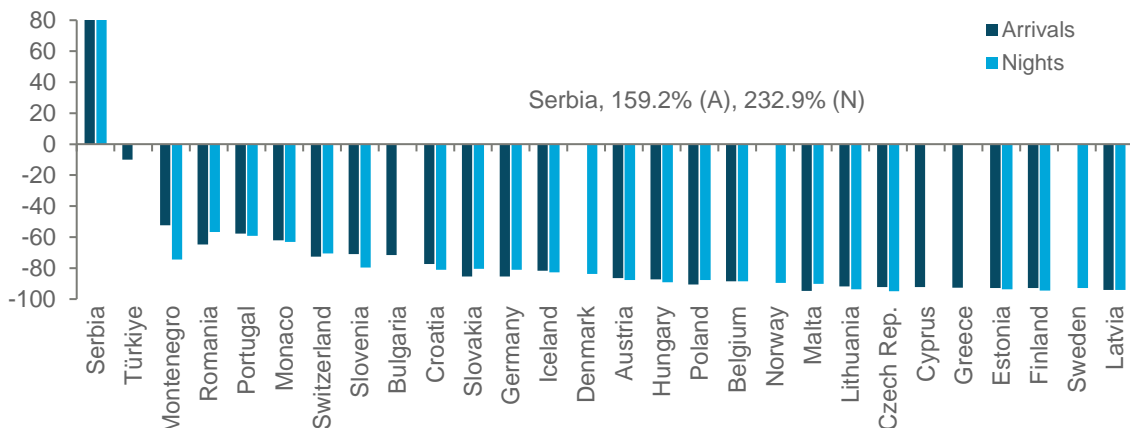
Most reporting destinations recorded increases on 2019 in terms of Dutch tourism. The strongest performers were Iceland, Serbia, and Montenegro. Iceland and Serbia's data implies an increase in length of stay in those countries from this market.

The worst performers included the Baltic States and Monaco as well as some countries in Central Europe. Monaco may be suffering from squeezed household incomes in the Dutch source market, impacted by higher levels of price increases relative to comparable destinations over the summer season when prices tend to peak.

Despite the current prioritisation of rail travel in the Netherlands, there are new routes from Schiphol, including a link to Cluj-Napoca in Romania and one to Skellefteå in northern Sweden. The cost differential between flights and rail travel amidst the current economic backdrop is likely to determine travel modes used, at least in the short-term.

Russian Visits and Overnights to Select Destinations

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



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

Unsurprisingly, the picture for travel from Russia continues to look very different from other key European source markets. Almost every reporting destination has continued to report steep declines relative to 2019. The sole destination reporting growth is Serbia which has seen a 159.2% increase in arrivals from Russia and a 232.9% increase in nights. It is worth mentioning that these data could be affected by war emigration, although they could also be driven by an absence of restrictions in Serbia.



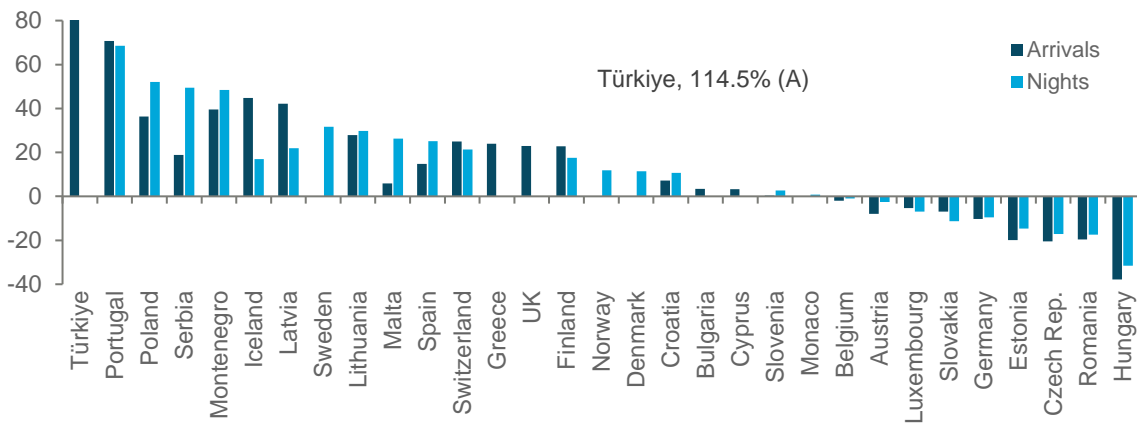
Other than Serbia, the best performing country was Türkiye – but even here Russian arrivals were 9.9% below 2019. Everywhere else saw at least one tourism metric down versus 2019 by more than 50%. Of those reporting, the worst performing destinations’ data imply barely any Russian arrivals. For example, in Latvia, both Russian arrivals and nights were 94% below 2019 levels. Sweden, Finland, Estonia – as well as Greece and Cyprus – saw similar shortfalls. This should not really be surprising as several countries have imposed outright bans and varying degrees of visa restrictions.

Some of the impact of this has been to shift Russian tourists away from European destinations altogether, replacing them with alternative destinations for Russian tourists such as Thailand, the United Arab Emirates, the Maldives, and Egypt. Recently, Iran has signed an agreement with Russia aimed at mutually boosting tourism between the two countries. Travel from Russia to most European destinations is very unlikely to recover in the near-term.

NON-EUROPEAN SOURCE MARKETS

American Visits and Overnights to Select Destinations

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



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

For Americans, by far the strongest reporting destination performance was Türkiye, where arrivals were up 115% on 2019. Portugal, Poland, Serbia, and Montenegro were also among the top performers. Türkiye has become an increasingly popular destination for visitors from the United States, with a particular focus on Istanbul.

Despite this surge in demand, currently no US airline offers direct flights between the US and Türkiye. In contrast, Turkish Airlines offers twelve routes to US cities from Istanbul. Istanbul has also been capturing more high-end luxury tourism thanks to new hotels such as The Peninsula on the Galataport waterfront and the Mandarin Oriental Bosphorus.

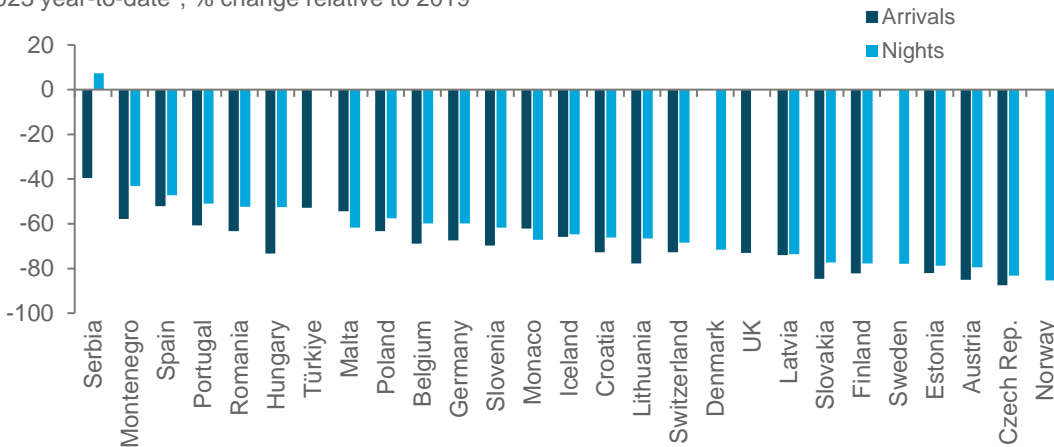
Only nine reporting countries recorded metrics below 2019 levels. These were concentrated in countries immediately bordering Ukraine but also included Germany, Belgium, and Austria.

As of this month the US Department of State released a [Worldwide Caution Travel Alert](#) due to the tension in the Middle East, caused by the Israel-Gaza war. Although this may not have a direct impact on many popular tourism destinations for Americans, there may be some impact through those that had planned to travel to the Middle East, who may now choose alternative destinations in Europe instead.



Chinese Visits and Overnights to Select Destinations

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



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

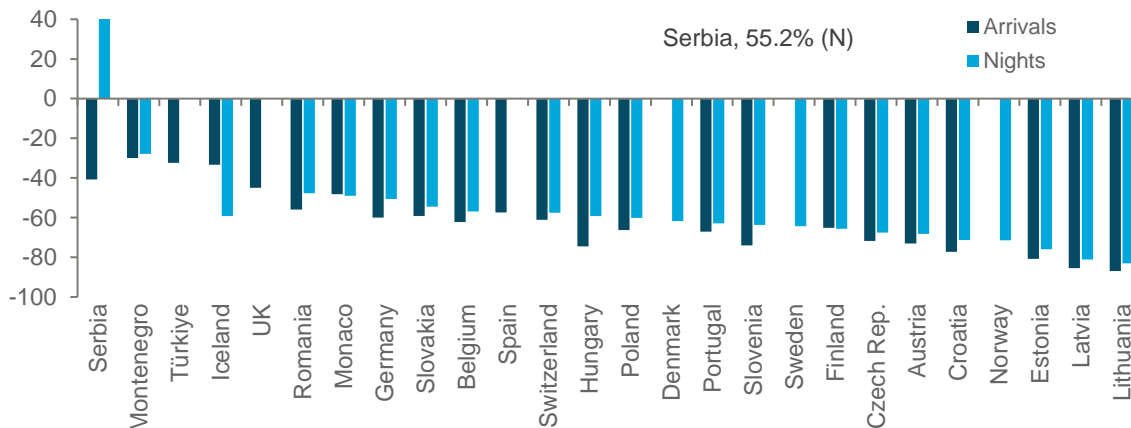
Despite reopening to international tourism, it is still too early to see dramatic improvements in Chinese arrivals in European destinations although the picture is gradually improving. Almost without exception, reporting countries recorded continued steep shortfalls in Chinese tourism when compared with 2019. Serbia marks the one exception with an increase in overnights of 7.3% but arrivals were still significantly down at -39.6%. Serbia restored direct flights with China in the summer of 2022 and in February 2023 China was guest of honour at Belgrade's 44th international tourism fair.

Other than Serbia, Montenegro, Romania, and Spain have the smallest gaps to 2019 albeit still being around 50% lower than pre-pandemic levels. That represents a deterioration relative to the last quarterly report for Montenegro whilst Spain has improved its position somewhat.

The United Kingdom remains weak, despite it being a popular destination for Chinese tourists prior to the pandemic. But the steepest shortfalls were Norway, the Czech Republic and Austria. There is little sign of recovery at this bottom end. However, Switzerland appears to have left this group of the poorest performers, possibly due to its reputation for having quality and reputable brands which has made it a popular destination for affluent Chinese households.

Japanese Visits and Overnights to Select Destinations

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



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

Patterns of recovery in Japan were fairly similar to those of China, although the average decline is significantly less. Serbia was the only country which recorded growth in 2019 in either metric, again

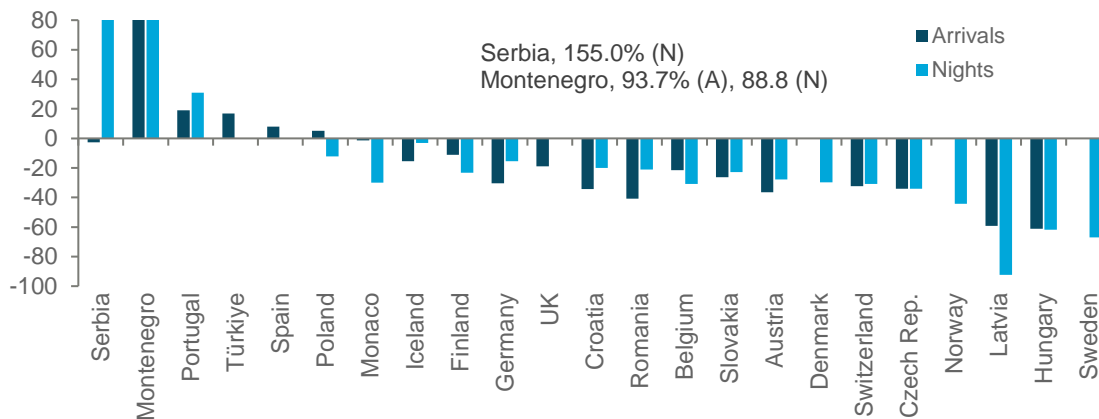


seeing an increase in overnights but a fairly significant shortfall in visits (down 40.7%). To help service this demand, Air Serbia is seeking permits for direct flights to Japan.

Despite reopening borders, Japanese travellers are still some of the most [reluctant to travel overseas](#), let alone to long-haul destinations such as Europe. This is in stark contrast to the outlook for arrivals into Japan. Some of the reasoning can lie in the higher prices for travel, especially when considering exchange rate differentials and a falling number of passport holders. It is not that Japanese tourists are not travelling, many of them continue to opt for domestic travel instead. This trend is reflective across most reported destinations, but less so for Montenegro, Türkiye and Iceland and the UK. The recovery should continue with the support from the [campaign to promote outbound tourism](#) run by the Japan Tourism Agency. Some European countries which should benefit from this include Spain, Finland, France and the UK. Unsurprisingly, the poorest performing destinations were the Baltic States. However, a wider range of countries saw levels in Japanese arrivals behind 2019 by 60% or more.

Indian Visits and Overnights to Select Destinations

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



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

Both Serbia and Montenegro saw very strong increases from India relative to 2019. In both cases, this is from a low base, so in terms of volume, it is unlikely to be a key driver of overall recovery for these destinations.

Serbia gained some traction with Indian travellers during the pandemic, initially as a way around the travel restrictions of many other European countries. However, it subsequently gained a following, largely through social media. However, in October 2022, under heavy pressure from the EU, Serbia reversed its decision about a visa-free policy for several countries, including India.

Portugal and Türkiye saw more moderate levels of growth with arrivals in both these countries up between 16.0% and 20.0%. Türkiye has an established reputation in India, especially as a wedding destination and by 2022 had equalled 2019 levels of Indian arrivals. Spain also saw arrivals rise by 8.0%, while Indian visits to Poland went up 5.2% at the same time as overnights remained below 2019.

However, the majority of reporting destinations still recorded lower levels of Indian tourism than in 2019. This fits with prior expectations that long-haul travel will be slowest to recover. The worst performers were Sweden, Latvia and Hungary, with the latter two undoubtedly affected by their proximity to the war in Ukraine.



Canadian Visits and Overnights to Select Destinations

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



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

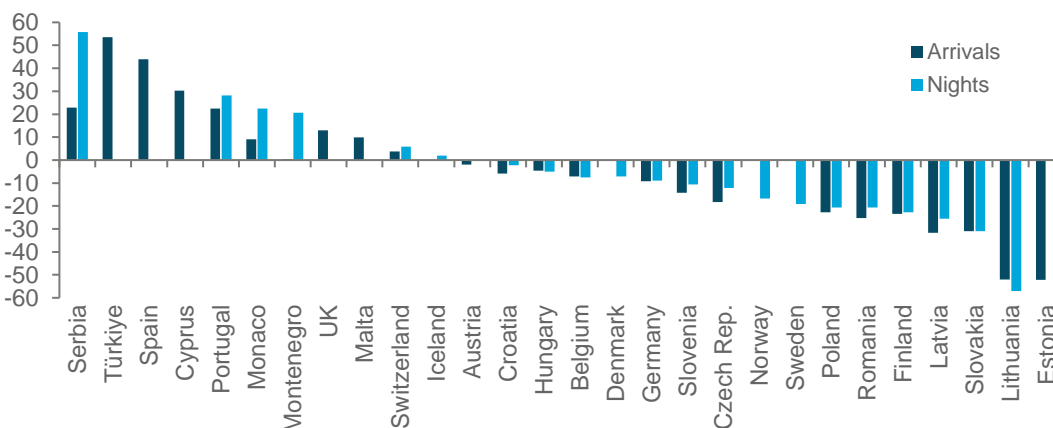
For Canada there is a broadly even split between those countries now reporting growth on 2019 levels and those still continuing to report shortfalls, an encouraging improvement on last quarter.

For Canadian travellers, the greatest increase in arrivals was for Türkiye – up 58.8% on 2019. However, longer stays in Serbia meant that it had the highest increase in nights from Canada (74.2%). Portugal and Spain also saw strong growth in both metrics and have cemented themselves as popular European summer destinations, especially as they tend to offer more price-conscious holiday packages.

Overall, the weakest performing reporting destination countries were those in Central Europe, but some large markets also fared poorly including Germany and Austria. Some reporting destinations were also notable in the gap between arrivals remaining below 2019 levels and more stable or even growing overnights. Both Latvia and Iceland stand out on this front, suggesting that Canadians typically are spending longer at these destinations than pre-pandemic.

Australian Visits and Overnights to Select Destinations

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



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

More destinations continued to record Australian demand below 2019 than those reporting growth. As another long-haul source market, patterns were relatively similar to those seen from Canada.



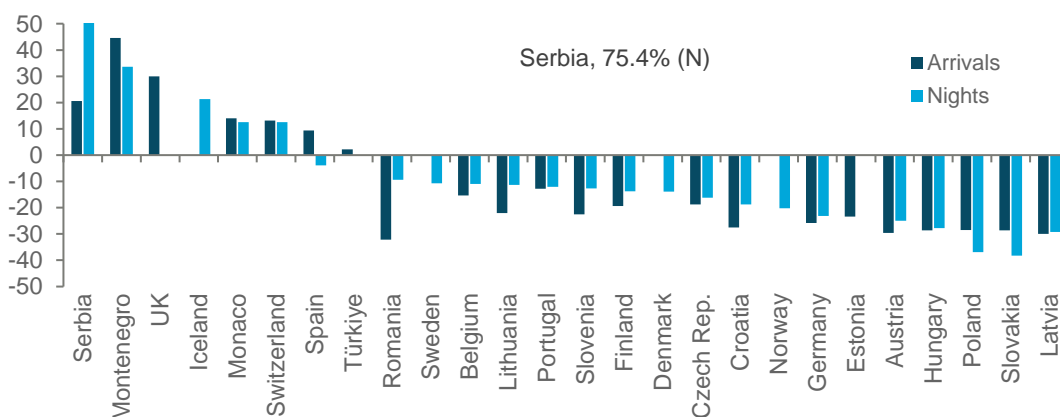
Türkiye continued to be a popular destination for Australian travellers over the summer, with arrivals 53.6% on 2019 levels. The favourable exchange rate between the lira and Australian dollar which is significantly better than pre-Covid is likely to have been a major factor when deciding where to visit in Europe, especially given that air fares have seen a considerable rise since travel restrictions were lifted. In terms of average length of stay, those arriving in Serbia tended to stay longer, with the recovery in nights more than double that of arrivals which is likely to have translated into higher spending within the destination.

Spain, Cyprus, and Portugal also all saw strong growth which is understandable as they tend to be some of the most popular European summer destinations while it is winter in Australia. Australians had a clear preference of destinations on the southern coast of Europe compared to more central or northern destinations in the region.

Only two reporting destinations recorded levels in arrivals below 50% when compared to 2019: Estonia and Lithuania – both almost certainly influenced by proximity to Ukraine and by having direct borders with Russia. Other countries with borders on to Ukraine or in the eastern half of the continent also fared relatively poorly.

Brazilian Visits and Overnights to Select Destinations

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



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

Brazil also lags 2019 levels, with many reporting destinations still on average 40% below pre-pandemic levels across one or both metrics. The nights recovery continues to outshine growth in arrivals, suggesting longer stays for those that do arrive, which could be beneficial to these European destinations in terms of spend.

Once more, Serbia and Montenegro were the strongest performers amongst reporting destinations. Montenegro saw a 44.6% increase in Brazilian arrivals – but from a low base in 2019. Serbia saw the third highest increase in Brazilian arrivals (after the UK) along with the highest increase in overnights (up 75.4%).

Central Europe and the Baltic States saw the worst performances from Brazil, as well as Germany and Austria. In the last quarterly report Latvia was the third best performing reporting destination for Brazilian travellers and it is now the poorest performing. The strong start to the year for this destination did not continue out in Q2 and into the summer, suggesting temporary factors were at play at the beginning of the year.



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.



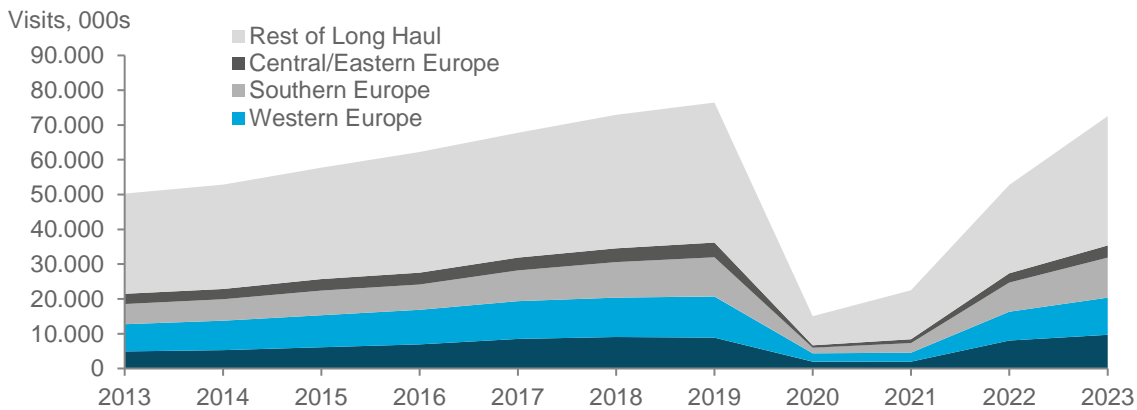
United States Market Share Summary

	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	93,863	-	11.3%	70.9%	-	-17.0%	-
Long haul	52,719	56.2%	13.0%	84.0%	60.5%	-22.2%	59.9%
Short haul	41,144	43.8%	9.0%	54.2%	39.5%	-9.2%	40.1%
Travel to Europe	27,361	29.2%	10.4%	64.3%	28.0%	-14.1%	28.2%
European Union	6,111	6.5%	42.7%	492.5%	22.6%	-73.6%	20.5%
Northern Europe	8,028	8.6%	7.4%	43.0%	7.2%	-5.8%	7.5%
Western Europe	8,281	8.8%	11.0%	68.3%	8.7%	-23.6%	9.6%
Southern Europe	8,342	8.9%	11.1%	69.4%	8.8%	-5.2%	7.8%
Central/Eastern Europe	2,710	2.9%	14.8%	99.3%	3.4%	-26.6%	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

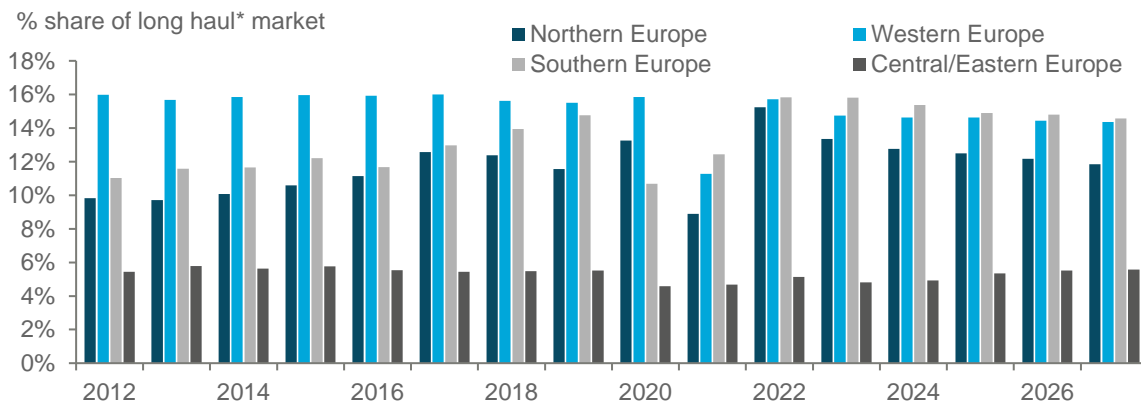
United States Long Haul* Outbound Travel



*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



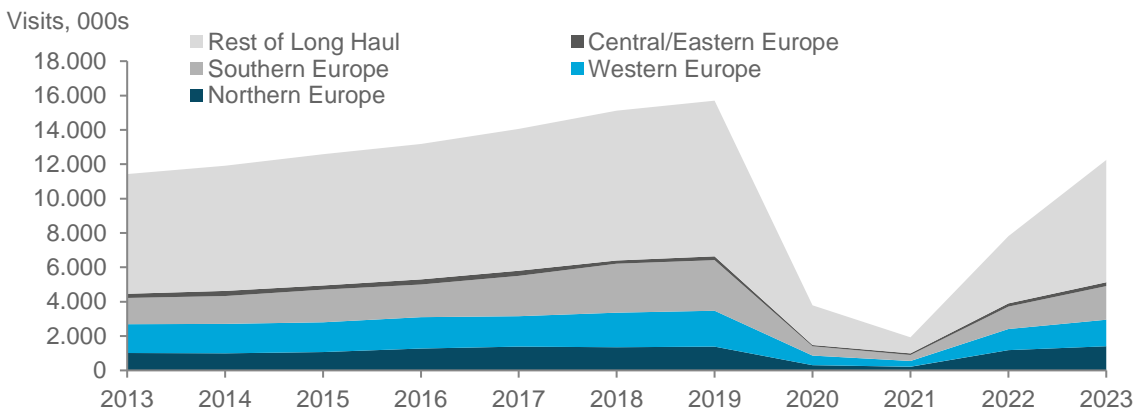
Canada Market Share Summary

	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	23,775	-	14.9%	100.6%	-	-34.9%	-
Long haul	7,806	32.8%	20.3%	152.2%	41.3%	-44.5%	38.5%
Short haul	15,969	67.2%	11.9%	75.4%	58.7%	-28.9%	61.5%
Travel to Europe	3,908	16.4%	13.8%	90.5%	15.6%	-32.6%	15.9%
European Union	1,423	6.0%	34.8%	345.9%	13.3%	-69.9%	12.9%
Northern Europe	1,186	5.0%	7.8%	45.3%	3.6%	-14.0%	3.8%
Western Europe	1,226	5.2%	13.8%	90.6%	4.9%	-31.2%	4.9%
Southern Europe	1,295	5.4%	18.8%	137.0%	6.4%	-44.8%	6.4%
Central/Eastern Europe	201	0.8%	9.3%	56.3%	0.7%	-30.7%	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

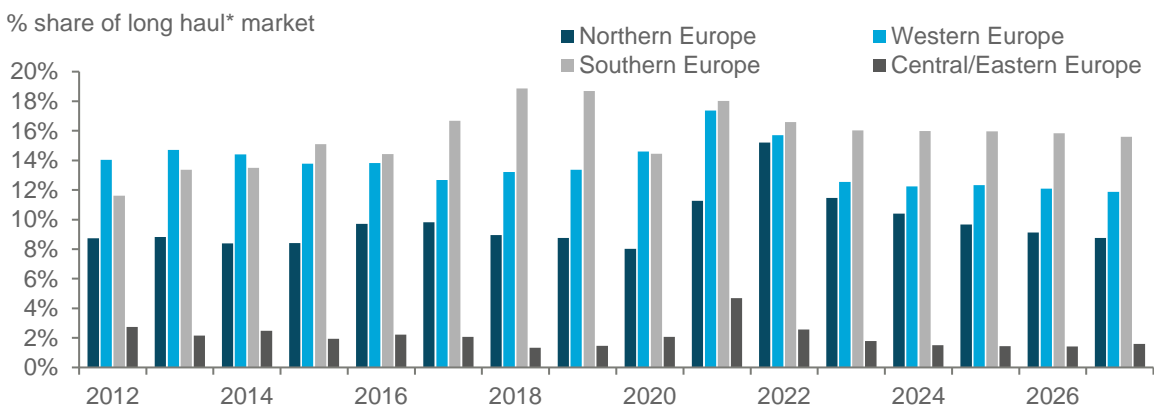
Canada Long Haul* Outbound Travel



*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



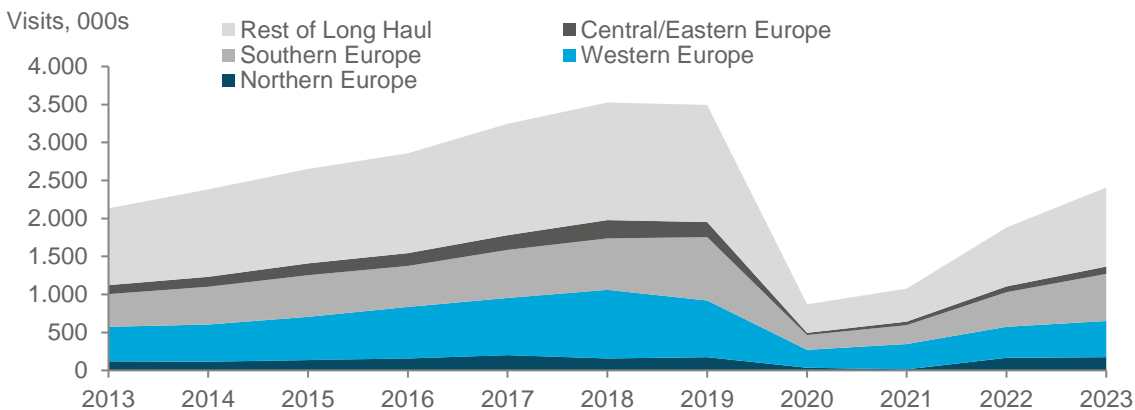
Mexico Market Share Summary

	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	14,783	-	12.6%	81.0%	-	-31.0%	-
Long haul	1,879	12.7%	14.2%	94.3%	13.6%	-42.1%	15.2%
Short haul	12,904	87.3%	12.4%	79.1%	86.4%	-29.0%	84.8%
Travel to Europe	1,103	7.5%	12.5%	80.5%	7.4%	-37.9%	8.3%
European Union	464	3.1%	26.5%	223.5%	5.6%	-64.2%	6.0%
Northern Europe	166	1.1%	4.1%	22.5%	0.8%	-17.4%	0.9%
Western Europe	409	2.8%	12.7%	81.9%	2.8%	-45.7%	3.5%
Southern Europe	454	3.1%	14.3%	95.3%	3.3%	-27.9%	2.9%
Central/Eastern Europe	73	0.5%	16.2%	112.0%	0.6%	-61.8%	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

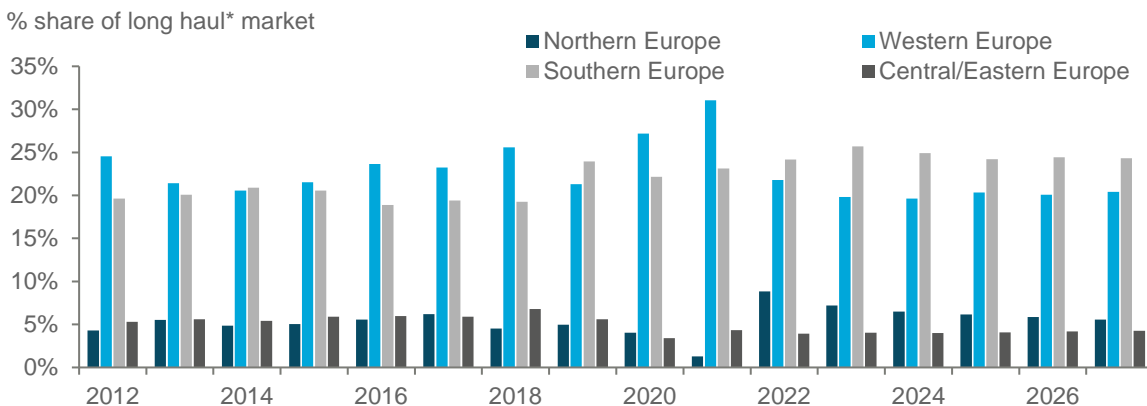
Mexico Long Haul* Outbound Travel



*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



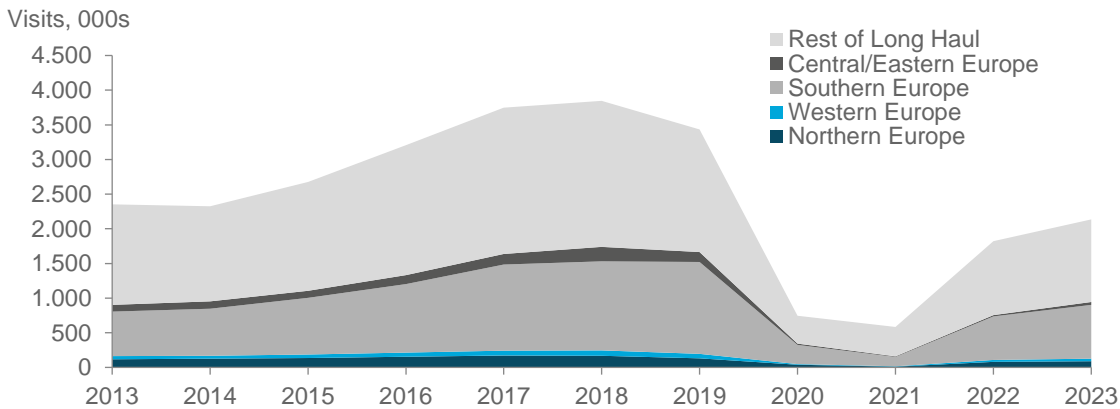
Argentina Market Share Summary

	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	5,255	-	10.9%	68.1%	-	-62.3%	-
Long haul	1,823	34.7%	10.4%	64.2%	33.9%	-51.3%	26.8%
Short haul	3,432	65.3%	11.2%	70.1%	66.1%	-66.4%	73.2%
Travel to Europe	756	14.4%	12.8%	82.4%	15.6%	-53.7%	11.7%
European Union	319	6.1%	25.0%	204.6%	11.0%	-65.9%	6.7%
Northern Europe	81	1.5%	11.3%	70.6%	1.6%	-52.6%	1.2%
Western Europe	28	0.5%	19.4%	142.3%	0.8%	-61.4%	0.5%
Southern Europe	627	11.9%	11.3%	70.5%	12.1%	-49.4%	8.9%
Central/Eastern Europe	20	0.4%	38.6%	412.1%	1.2%	-86.6%	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

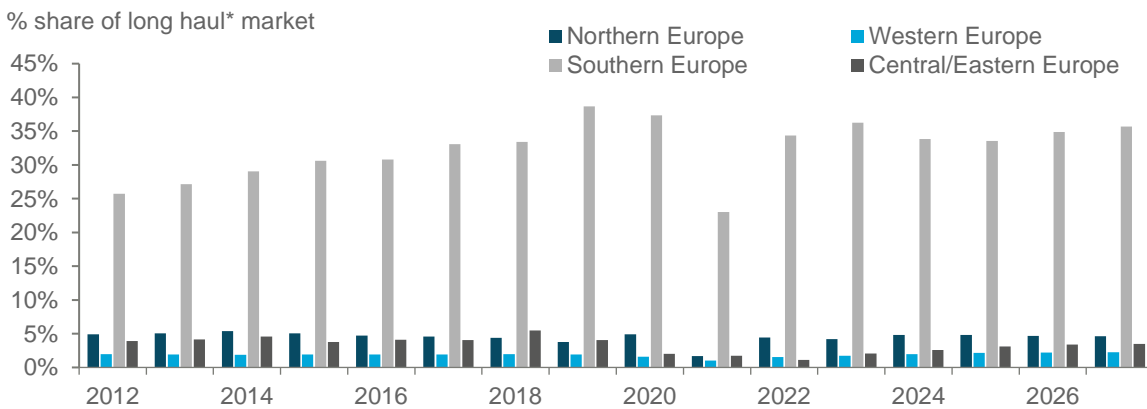
Argentina Long Haul* Outbound Travel



*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

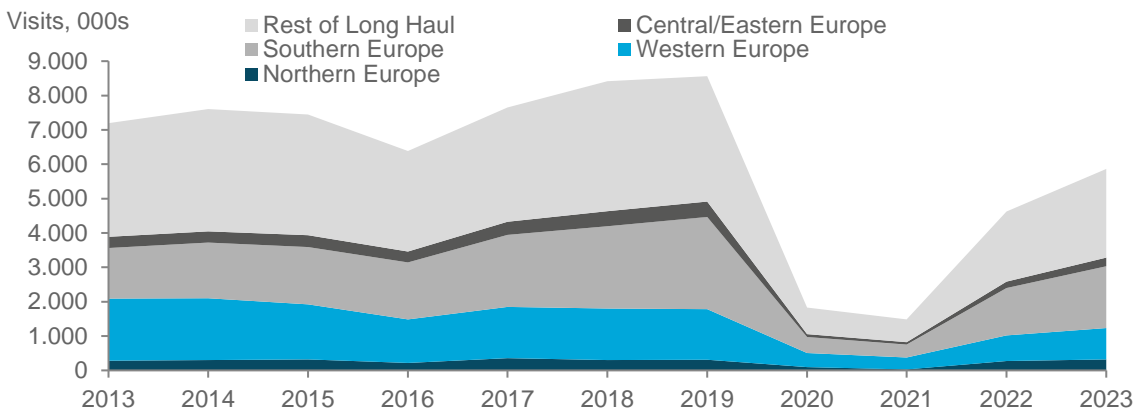
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	6,400	-	15.7%	107.3%	-	-40.2%	-
Long haul	4,625	72.3%	14.8%	99.4%	69.5%	-39.6%	71.5%
Short haul	1,776	27.7%	17.9%	127.8%	30.5%	-41.8%	28.5%
Travel to Europe	2,580	40.3%	15.0%	101.0%	39.1%	-40.3%	40.4%
European Union	955	14.9%	33.2%	319.7%	30.2%	-73.4%	33.5%
Northern Europe	275	4.3%	6.4%	36.5%	2.8%	-22.7%	3.3%
Western Europe	743	11.6%	15.8%	108.0%	11.6%	-50.2%	13.9%
Southern Europe	1,375	21.5%	15.8%	108.6%	21.6%	-34.5%	19.6%
Central/Eastern Europe	187	2.9%	16.2%	111.9%	3.0%	-50.2%	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

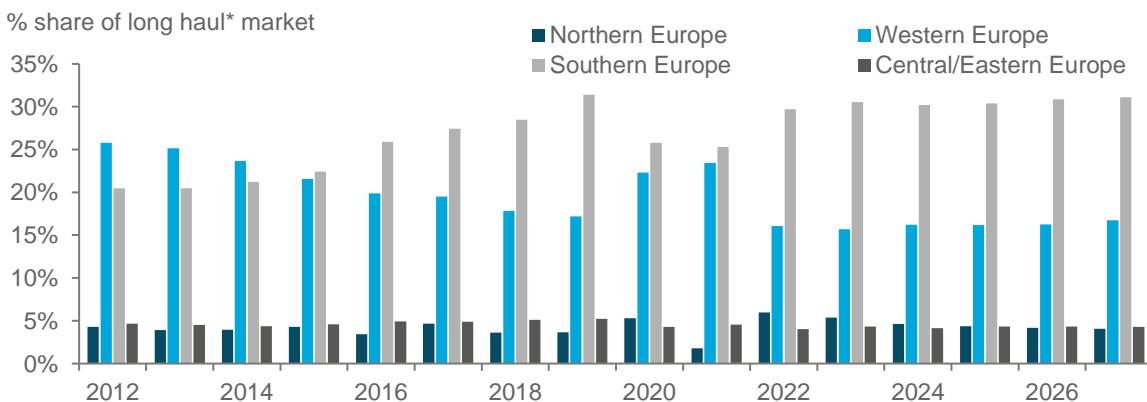
Brazil Long Haul* Outbound Travel



*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

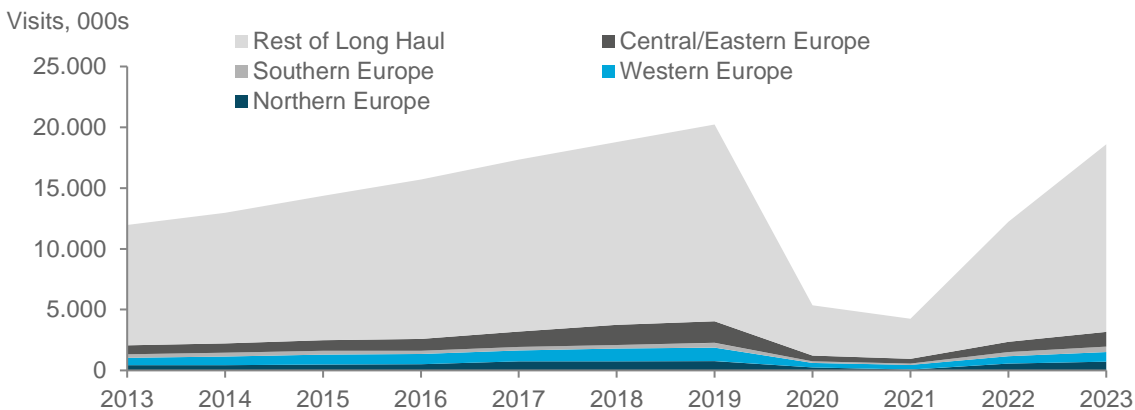
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	12,990	-	17.6%	125.0%	-	-30.2%	-
Long haul	12,221	94.1%	17.7%	125.8%	94.4%	-29.5%	93.2%
Short haul	769	5.9%	16.3%	112.4%	5.6%	-39.4%	6.8%
Travel to Europe	2,347	18.1%	15.0%	101.1%	16.1%	-26.6%	17.2%
European Union	728	5.6%	21.6%	165.4%	6.6%	-45.0%	7.1%
Northern Europe	556	4.3%	11.7%	74.1%	3.3%	-24.6%	4.0%
Western Europe	598	4.6%	14.7%	98.9%	4.1%	-33.9%	4.9%
Southern Europe	343	2.6%	10.6%	65.4%	1.9%	16.0%	1.6%
Central/Eastern Europe	850	6.5%	18.6%	134.7%	6.8%	-32.6%	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

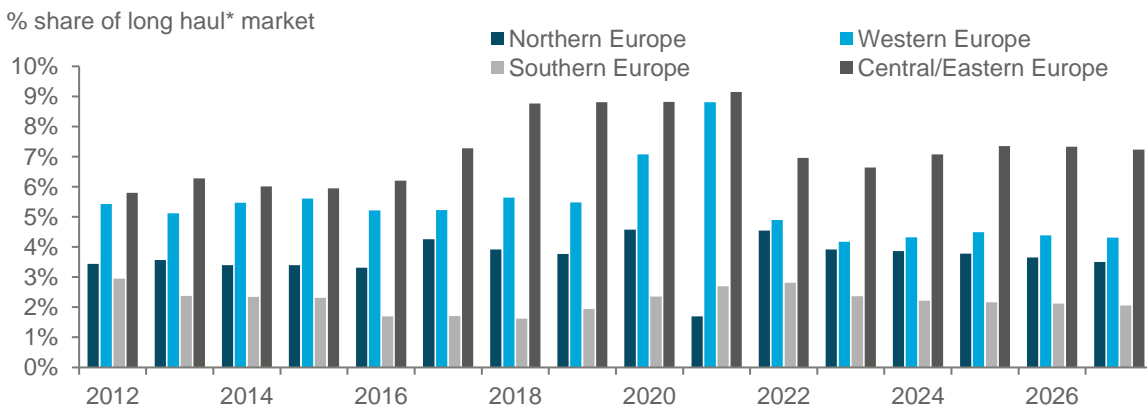
India Long Haul* Outbound Travel



*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	9,359	-	72.4%	1422.1%	-	-89.9%	-
Long haul	6,058	64.7%	64.9%	1118.0%	51.8%	-87.5%	52.0%
Short haul	3,300	35.3%	83.5%	1980.3%	48.2%	-92.6%	48.0%
Travel to Europe	2,025	21.6%	53.1%	740.4%	11.9%	-85.2%	14.7%
European Union	2,348	25.1%	29.3%	261.8%	6.0%	-64.7%	7.2%
Northern Europe	152	1.6%	72.1%	1410.1%	1.6%	-90.9%	1.8%
Western Europe	666	7.1%	57.8%	877.0%	4.6%	-88.3%	6.1%
Southern Europe	232	2.5%	39.9%	435.0%	0.9%	-74.3%	1.0%
Central/Eastern Europe	975	10.4%	48.2%	615.8%	4.9%	-82.1%	5.8%

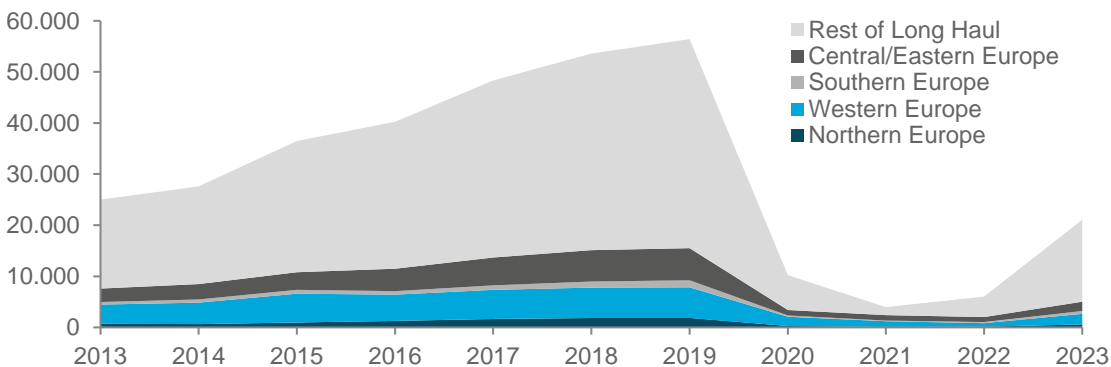
*Shows cumulative change over the relevant time period indicated. 2017-22 includes COVID-19 pandemic related declines.

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

China Long Haul* Outbound Travel

Visits, 000s

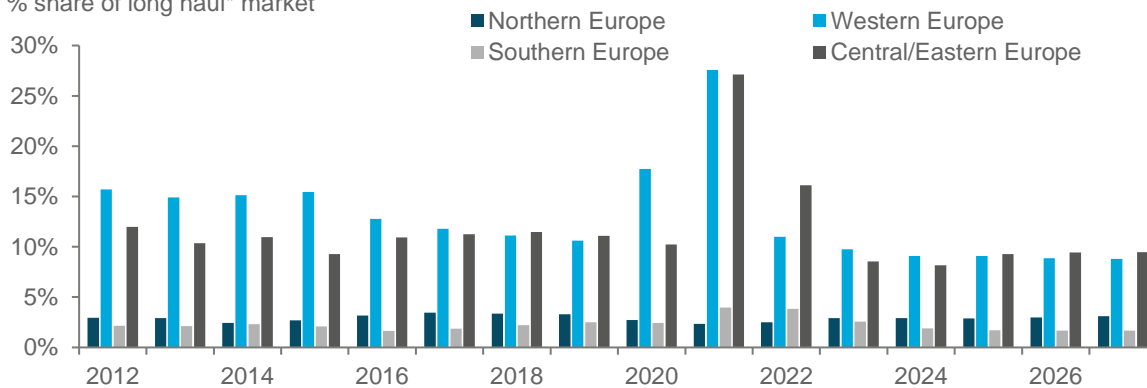


*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

Europe's Share of Chinese Market

% share of long haul* market



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

Source: Tourism Economics



Japan Market Share Summary

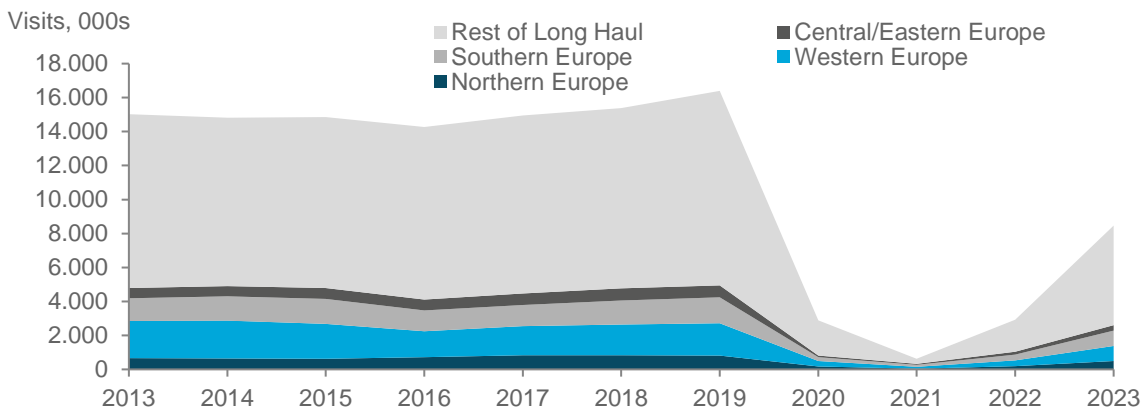
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	3,275	-	53.4%	748.1%	-	-84.1%	-
Long haul	2,916	89.0%	47.9%	608.5%	74.4%	-80.5%	72.8%
Short haul	359	11.0%	81.7%	1880.9%	25.6%	-93.6%	27.2%
Travel to Europe	1,045	31.9%	41.8%	473.0%	21.6%	-76.6%	21.8%
European Union	759	23.2%	42.8%	494.2%	16.2%	-82.2%	20.8%
Northern Europe	197	6.0%	35.1%	349.7%	3.2%	-76.3%	4.0%
Western Europe	333	10.2%	48.2%	615.1%	8.6%	-80.6%	8.4%
Southern Europe	338	10.3%	38.5%	409.7%	6.2%	-72.9%	6.1%
Central/Eastern Europe	177	5.4%	41.3%	463.3%	3.6%	-73.9%	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

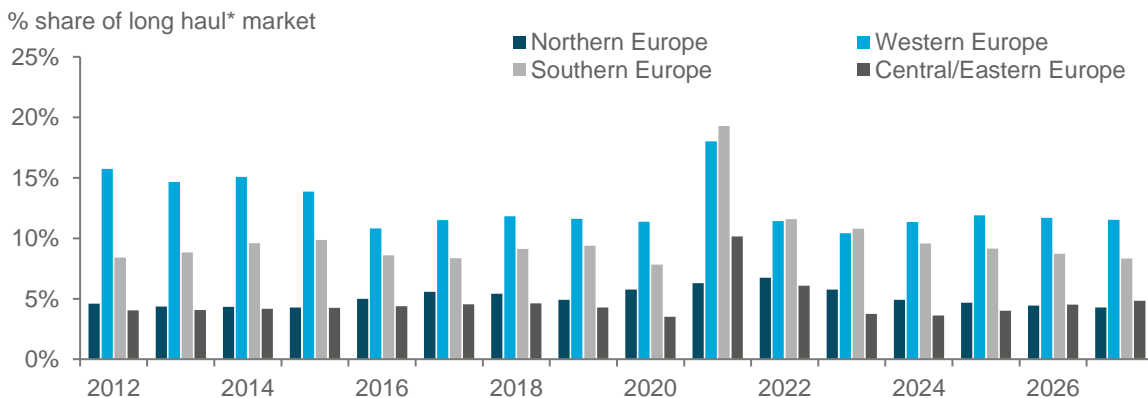
Japan Long Haul* Outbound Travel



*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

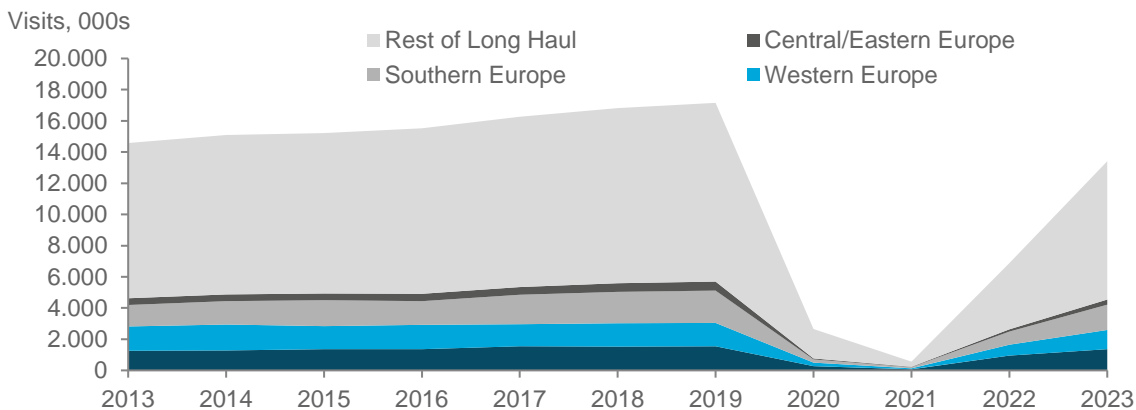
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	7,220	-	27.9%	242.0%	-	-57.3%	-
Long haul	6,884	95.4%	28.0%	243.1%	95.6%	-57.7%	96.2%
Short haul	335	4.6%	26.3%	221.4%	4.4%	-48.0%	3.8%
Travel to Europe	2,624	36.3%	22.2%	173.0%	29.0%	-51.0%	31.6%
European Union	716	9.9%	50.9%	681.2%	22.6%	-84.3%	27.0%
Northern Europe	949	13.1%	13.9%	91.3%	7.4%	-38.7%	9.2%
Western Europe	701	9.7%	21.0%	159.0%	7.4%	-50.7%	8.4%
Southern Europe	833	11.5%	29.0%	257.4%	12.1%	-55.8%	11.1%
Central/Eastern Europe	141	1.9%	31.6%	295.1%	2.2%	-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

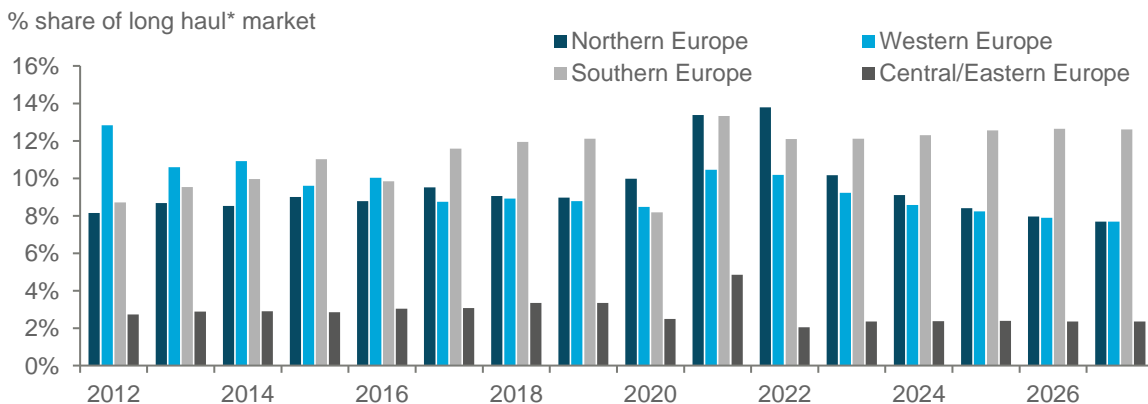
Australia Long Haul* Outbound Travel



*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

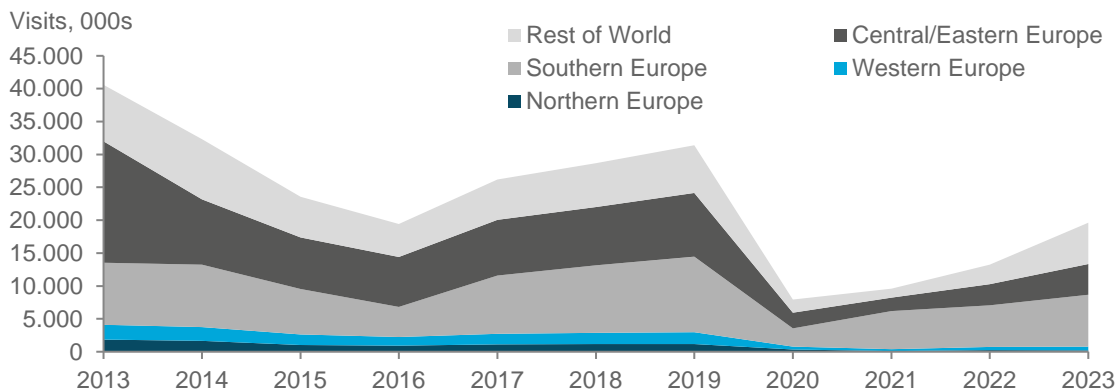
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	13,255	-	21.9%	169.4%	-	-49.4%	-
Long haul	2,973	22.4%	25.3%	208.6%	25.7%	-51.4%	23.3%
Short haul	10,283	77.6%	20.9%	158.1%	74.3%	-48.8%	76.7%
Travel to Europe	10,283	77.6%	20.9%	158.1%	74.3%	-48.8%	76.7%
European Union	2,209	16.7%	24.5%	199.1%	18.5%	-72.9%	31.1%
Northern Europe	249	1.9%	31.8%	297.5%	2.8%	-77.6%	4.2%
Western Europe	461	3.5%	29.6%	265.9%	4.7%	-71.0%	6.1%
Southern Europe	6,344	47.9%	14.6%	97.5%	35.1%	-28.7%	34.0%
Central/Eastern Europe	3,228	24.4%	28.6%	251.2%	31.7%	-61.9%	32.4%

*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

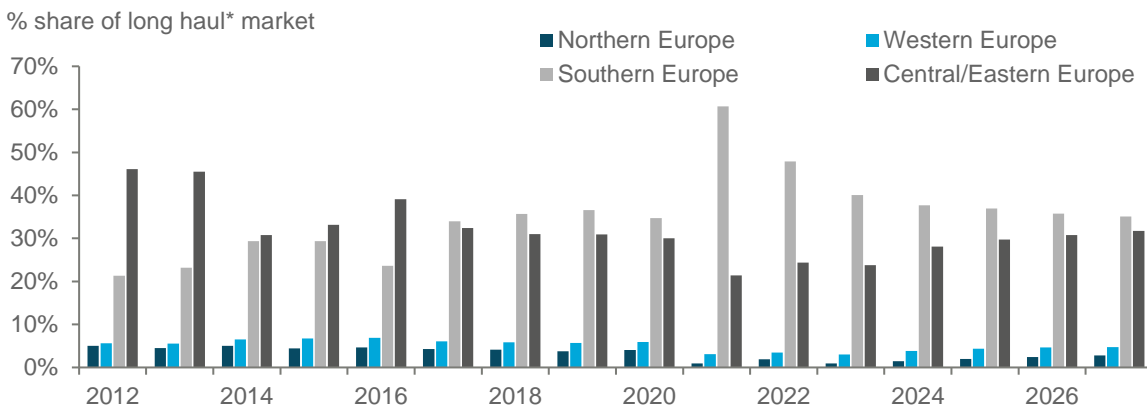
Russia Long Haul* Outbound Travel



*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

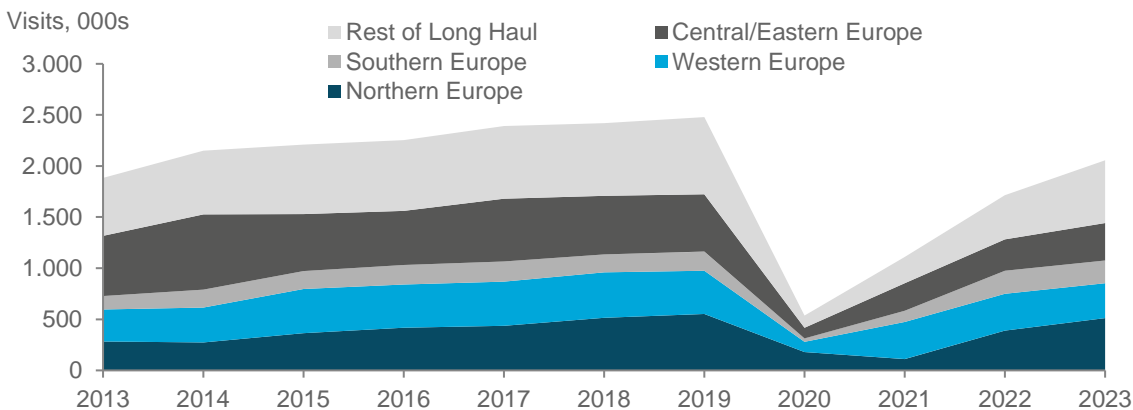
	2022		Growth (2022-27)			Growth (2017-22)	
	000s	Share**	Annual average	Cumulative growth*	Share 2027**	Cumulative growth*	Share 2017**
Total outbound travel	4,117	-	10.5%	64.7%	-	14.7%	-
Long haul	1,716	41.7%	8.1%	47.3%	37.3%	-28.3%	66.6%
Short haul	2,402	58.3%	12.1%	77.1%	62.7%	100.5%	33.4%
Travel to Europe	1,283	31.2%	6.3%	35.9%	25.7%	-23.7%	46.8%
European Union	293	7.1%	26.7%	227.0%	14.1%	-64.5%	23.0%
Northern Europe	388	9.4%	10.3%	63.5%	9.4%	-11.3%	12.2%
Western Europe	362	8.8%	4.2%	23.0%	6.6%	-16.0%	12.0%
Southern Europe	225	5.5%	-4.5%	-20.5%	2.6%	13.7%	5.5%
Central/Eastern Europe	308	7.5%	9.5%	57.5%	7.2%	-49.9%	17.1%

*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

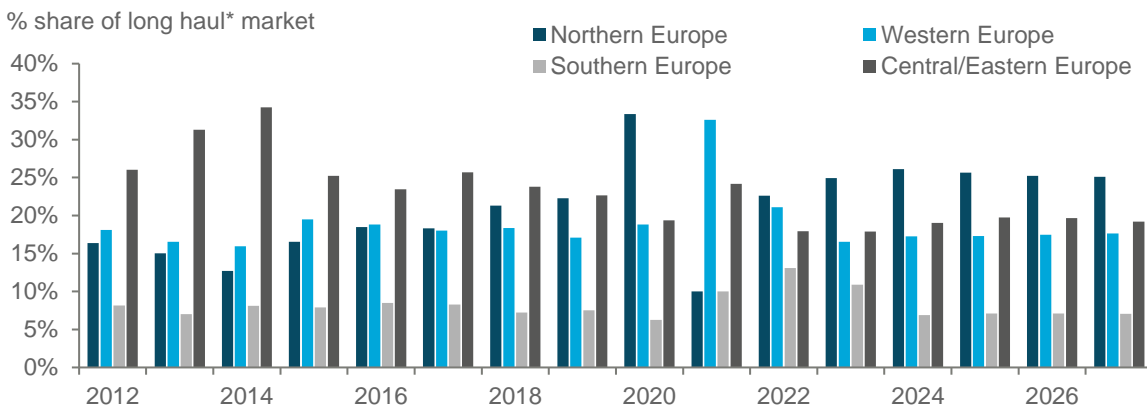
United Arab Emirates Long Haul* Outbound Travel



*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

It is anticipated that the world economy continued to grow at a solid pace in Q3 due mainly to the ongoing resilience of the US economy and a stimulus-driven pick-up in Chinese growth after a soft Q2. However, Q3 may be as good as it gets for quarter-on-quarter GDP growth in China. Meanwhile, there are a number of unfavourable factors in the US, such as the effects of past monetary policy tightening of the real economy, renewed payment of student loans, and the auto workers' strikes, which indicate a contraction in activity is possible around the turn of the year.

Despite this soft backdrop, we have pushed up our oil price forecast on the expectation of continued tight supply. We project the Brent oil price to end this year at US\$95 per barrel before falling slowly in 2024. However, the oil price has been volatile recently, and the ongoing Israeli-Palestinian conflict could add to this volatility.

We are sceptical that the projected, renewed rise in the oil price would significantly affect the path for policy rates. However, a more significant price increase would slow the normalisation of inflation next year, leading to weaker real household spending and potentially prompting a delayed and more cautious pivot to rate cuts by central banks.

Our baseline forecast assumes that a world recession, meaning two or more consecutive quarters of falling per capita GDP, is avoided. Even so, we think the soft patch we expect at the turn of the year will be followed by a sluggish recovery, ensuring that 2024 world GDP growth is the weakest since the global financial crisis, excluding the pandemic-induced result in 2020.



Summary of economic outlook, % change*

Country	2022					2023				
	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation
UK	4.3%	4.9%	4.1%	0.9%	9.1%	0.7%	0.8%	4.0%	-1.9%	7.4%
France	2.5%	2.2%	7.1%	0.0%	5.2%	0.8%	-0.1%	6.9%	0.0%	5.0%
Germany	1.9%	3.9%	5.3%	0.0%	6.9%	-0.5%	-0.5%	5.7%	0.0%	6.0%
Netherlands	4.4%	6.5%	3.5%	0.0%	10.0%	0.5%	0.4%	3.7%	0.0%	4.1%
Italy	3.9%	5.0%	8.1%	0.0%	8.2%	0.6%	1.1%	7.7%	0.0%	5.9%
Spain	5.8%	4.7%	12.9%	0.0%	8.4%	2.4%	1.6%	12.0%	0.0%	3.7%
Russia	-2.1%	-1.4%	3.9%	20.1%	13.7%	2.3%	5.3%	3.3%	-21.6%	5.8%
US	1.9%	2.5%	3.6%	12.3%	8.0%	2.0%	2.1%	3.7%	-2.1%	4.2%
Canada	3.4%	4.8%	5.3%	8.3%	6.8%	0.8%	1.8%	5.4%	-5.5%	3.8%
Brazil	3.0%	4.3%	9.3%	17.5%	9.3%	3.0%	2.4%	8.2%	0.7%	4.6%
China	3.0%	0.3%	3.6%	7.8%	2.0%	5.1%	9.2%	3.5%	-7.2%	0.5%
Japan	1.0%	2.1%	2.6%	-5.9%	2.5%	1.6%	1.1%	2.6%	-9.1%	3.1%
India	6.7%	8.1%	7.6%	5.7%	6.7%	6.6%	6.1%	7.6%	-7.0%	5.8%

Source: Tourism Economics based on GEM as of 16.10.2023

* 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

Recent national accounts data confirmed that eurozone GDP grew only by 0.1% in Q2 this year on the back of broad-based weakness across both the domestic and external sectors. Moreover, recent monthly data remained disappointing and suggested that the eurozone will remain stagnant at best through the rest of the year. Although the composite PMI edged slightly higher last month, interrupting a sequence of four consecutive monthly falls, the reading of 47.2 in September was still well in contractionary territory. This poor sentiment was matched by the latest Economic Sentiment Indicator from Eurostat, which is now at the lowest level since the pandemic period.

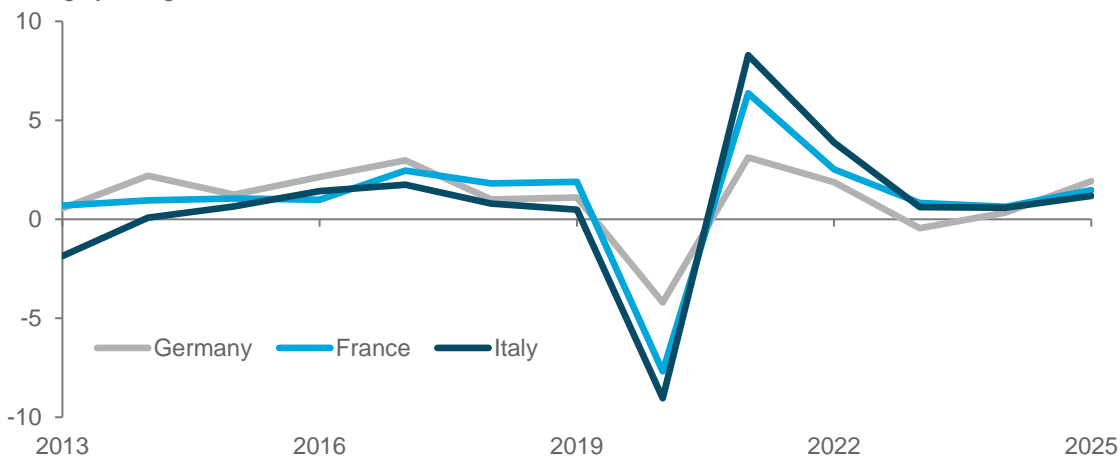
We now expect eurozone GDP to marginally contract in Q3 and to broadly stagnate in Q4 as a result of the industrial sector being in the midst of a recession and services activity not strong enough to offset this weakness.

Consumer spending is only set to improve gradually this year as the savings ratio, for which we have a first estimate for Q2, remained above the pre-Covid historical average. This suggests eurozone households are still in no rush to spend their excess savings accumulated during the pandemic. But the labour market is set to remain resilient and if inflation continues to moderate into next year, this should help support spending conditions going forward.

However, the lagged feed-through of higher interest rates is increasingly limiting credit availability and affecting loan rates, weighing on activity and affordability of credit-driven purchases across the economy as a whole. Overall, against this backdrop we expect to see a slight improvement in GDP growth in 2024, but still weak, before picking up in 2025.

Economic performance in key eurozone economies, real GDP

% change year ago





UNITED KINGDOM

The quarterly national accounts for Q2 included the annual Blue Book revisions, with methodological improvements introduced and data for 2021 put through the SUTs [supply and use tables] framework for the first time. The ONS judged that the fall in GDP in 2020, the first year of the pandemic, was smaller (10.4%) than previously thought (11.0%), and that the rebound in 2021 was stronger (8.7%, up from 7.6%).

The new vintage of data largely maintained the story of sluggish growth in the subsequent period. Quarterly growth in Q1 2023 was nudged up to 0.3% from 0.1%, but there has been a clear loss of momentum since the reopening boost faded. In Q2 2023, output was only 0.6% higher than a year earlier.

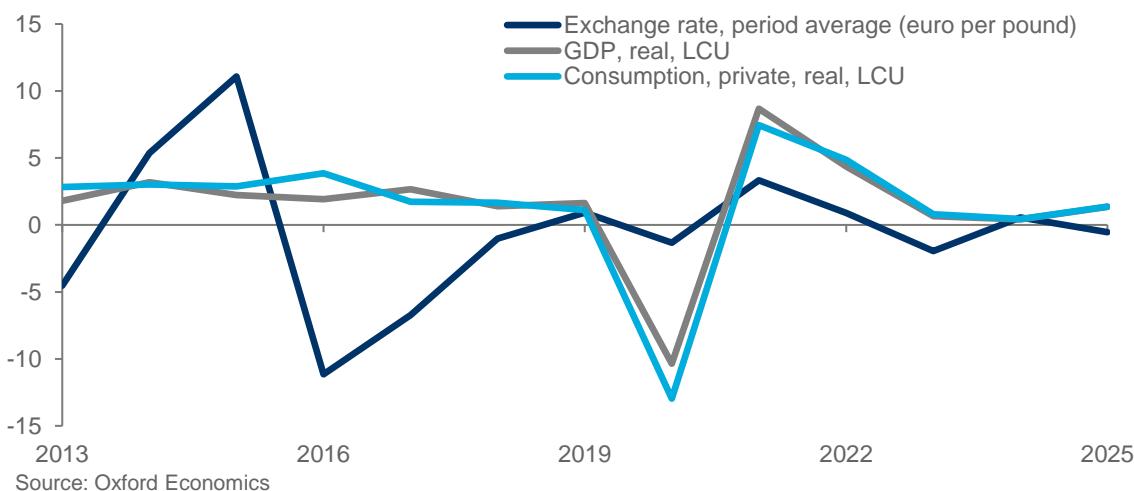
The revisions to data for the start of this year have led us to raise our forecast for 2023 GDP growth to 0.7% from 0.5% last month. But the near-term outlook remains weak. Quarterly growth in Q3 will be boosted by the comparison with Q2, which had one less working day. But we expect only modest GDP growth given July's large monthly fall and the weakness in recent business survey data. Our Q4 forecast assumes a smaller drag on public sector output as public sector pay disputes are gradually resolved, which should result in another small rise in GDP.

Softening activity and a downside surprise for services inflation in August convinced the majority of the Bank of England's (BoE) MPC to vote for no change in Bank Rate at the September meeting. Our forecast assumes that Bank Rate has now peaked at 5.25%, although another hike is a possibility if wage growth continues to surprise on the upside.

We continue to expect GDP growth of 0.4% in 2024. Sticky inflation, the lagged impact of monetary policy tightening, and tight fiscal policy settings will mean the recovery will struggle to gain momentum next year.

United Kingdom economic outlook

% change year ago





UNITED STATES

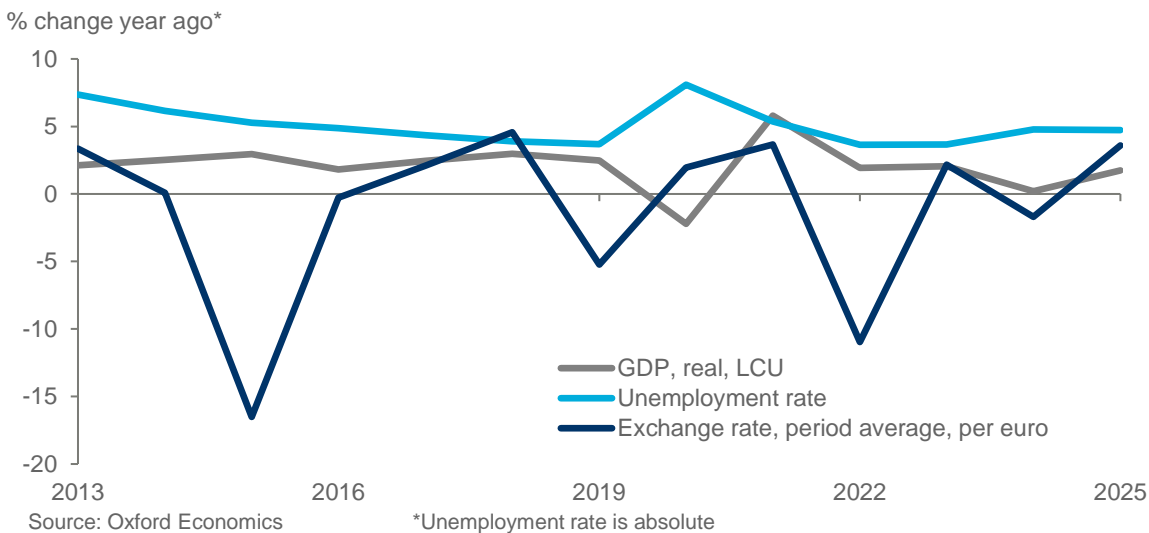
Comprehensive revisions to the national accounts have left the underlying economic story over the past few quarters largely unchanged. Some key differences were declines in corporate profits ended up being smaller than previously estimated and investment fell much sharply earlier in response to higher interest rates.

We expect strong GDP growth of 3.1% in Q3, driven by a robust 3.7% expansion in consumer spending, particularly in the services sector. We still think that growth momentum is about to slow markedly and project GDP contractions in the next few quarters. This is consistent with leading indicators, which still point to a sharp slowdown in growth over the rest of the year, although declines have moderated in recent months.

Fed Chair Jerome Powell's speech at Jackson Hole was consistent with our view that the July rate hike was the last of this cycle. However, as we have pointed out, the risks remain tilted toward another rate hike if progress on inflation and labour market conditions reverse course. Even if the Fed refrains from further rate hikes, Powell, the chair of the Federal Reserve made clear that they will keep rates in restrictive territory until it is confident that inflation is "sustainably" moving towards the central bank's target rate of 2%. As such, we expect the Fed will be very cautious about cutting interest rates, and we expect the first rate cut to come in May 2024. Crucially, this is contingent on the real economy deteriorating as we expect. If it doesn't, then rate cuts are likely to be even further away.

The US economy faces a slew of risks, including the United Auto Workers (UAW) strike, a government shutdown, and the resumption of student loan repayments over the coming months. Beyond that, we think that tight monetary and fiscal policies, as well as the depletion of excess savings, will weigh on the economy. As a result of this, we expect GDP growth of 2.0% in 2023 and just 0.2% in 2024.

United States economic outlook





JAPAN

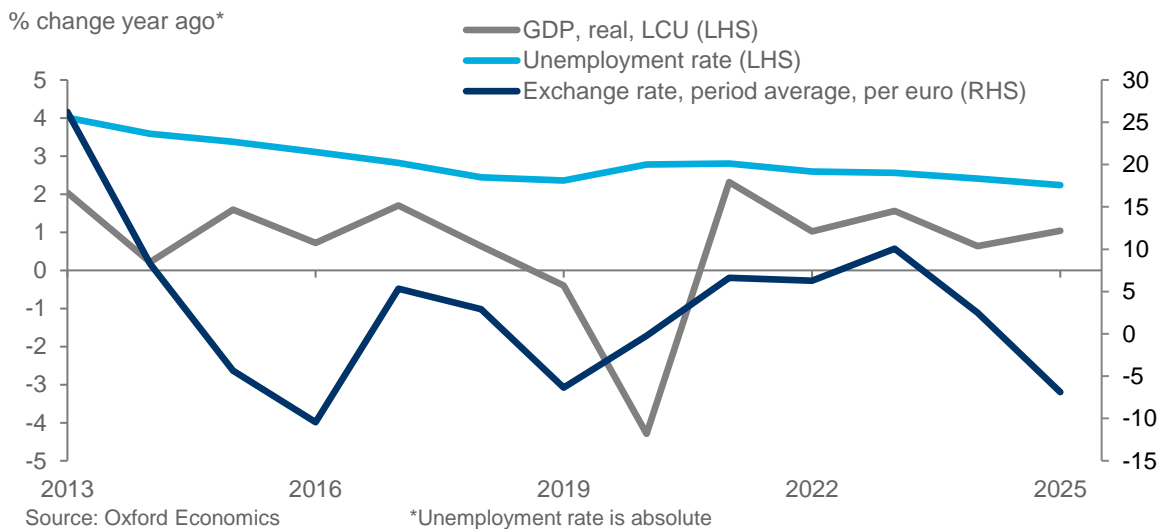
According to revised estimates, GDP grew 1.2% on the quarter in Q2, down from an initial estimate of 1.5%. Q2 corporate financial statement statistics suggest weaker investment across industries, suggesting that the waning external environment is undermining corporates' investment confidence. The capex slowdown was seen clearly in both manufacturers (4.9% on the year, from 11.3% in Q1) and non-manufacturers (4.4%, from 10.8%).

Monthly indicators suggest momentum was sluggish in Q3, as exports dipped in August and machinery orders extended losses. Consumption may fare better, but it is recovering from a dip in early spring.

At its September meeting, the BoJ (Bank of Japan) kept the policy rates unchanged, following a surprise tweak to its yield curve control policy in July. We continue to believe that the BoJ will maintain the status quo at least until the middle of next year.

We maintain our outlook that growth momentum will slow in H2 after a robust first half of the year, given deteriorating external demand conditions. Although we believe the fall in consumption will prove to be temporary as confirmed by July consumption activity index, the pace of a subsequent recovery in consumption will stay tamed, as pent-up service demand gradually fades. Gains in goods exports is also unlikely to be sustained with a slowing global economy, meaning firms will have less incentive to invest. Increases in auto exports won't persist. Overall, we expect GDP growth to expand by 1.6% this year, before slowing to 0.6% in 2024.

Japan economic outlook





EMERGING MARKETS

We have kept our aggregate 2023 GDP growth forecast for emerging markets unchanged at 4%. Activity is now cooling in most regions as demand eases. Recent rises in energy prices and volatile conditions in global bond markets will impede disinflation progress and are likely to delay rate cuts in some countries, including Mexico, and South Africa.

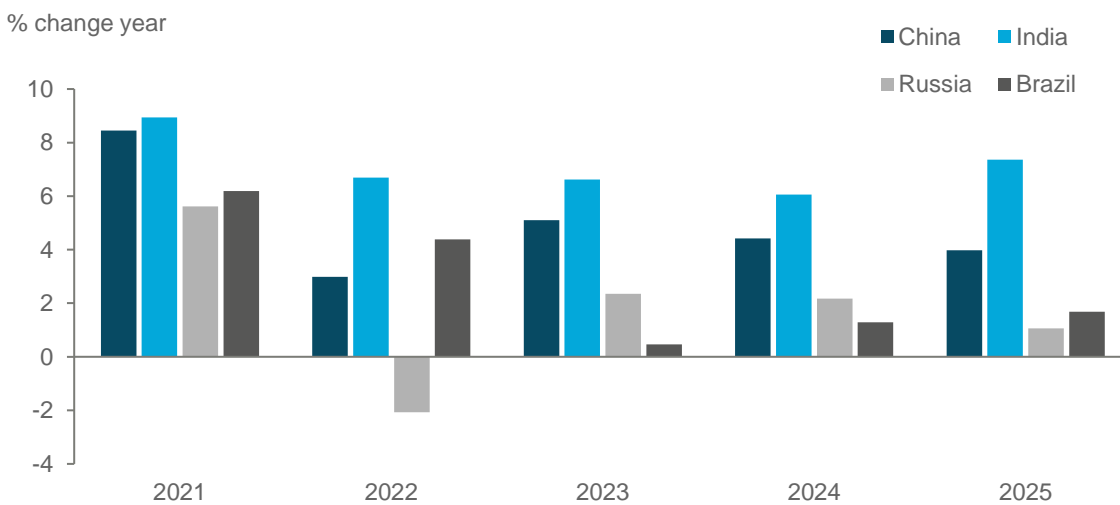
The Indian economy expanded by 7.2% on the year in Q2, up from 6.1% in Q1, but this strength is unlikely to be repeated. Despite the resilience shown in the economy, activity is set to soften. Government spending should remain solid and private investment demand is still holding up. However, there are signs that the full effects of monetary policy tightening have yet to materialise, and businesses expect financing conditions to worsen. Private consumption is set to weaken due to lower rural incomes, while external demand will likely be subdued. The outlook will not be helped by the erratic monsoon rainfall that occurred this summer which left headline inflation above the upper bound of the Reserve Bank of India's 2%-6% target.

Our 2023 GDP growth forecast for China remains at 5.1%, but we have cut our 2024 projection by 0.2ppts to 4.4%. Recent data suggest the economy is now on a firmer footing than in July, but the stresses in the property sector and weak private sector sentiment will limit the pace of recovery.

Brazil Q2 national accounts surprised to the upside as the economy grew 0.9% q/q, following a 1.9% rise in Q1. Growth in the year was jolted by an astounding 22% q/q increase in agriculture output in Q1, reflecting a record grain harvest. Going forward, services momentum is relatively strong, backed by real wage growth and household income, but we expect this to shift in Q4 this year as credit conditions remain heavily restricted.

Russian GDP expanded by 4.9% on the year in Q2, driven by a rapid expansion in manufacturing. We anticipate that growth will slow down to 2.3% next year as recent monetary policy tightening will help deflate the credit and mortgage bubbles. But we see an increasing likelihood that fiscal policy will be loosened ahead of the 2024 presidential elections, which should support household demand and ensure that the economy avoids a hard landing. That said, the Russia-Ukraine conflict remains a source of downward risks to our growth forecast.

Economic growth in select Emerging Markets, GDP real



Source: Oxford Economics



NON-EUROPEAN INFLATION OUTLOOK

The 0.4% monthly rise in US consumer prices in September was stronger than anticipated, driven by higher energy prices, but we expect this to be partly reversed in coming months, the trend in inflation is still down. This report will not change the message from Federal Reserve Bank officials in recent days that they can afford to be patient.

Headline CPI in Canada rose to 4% on the year in August, up for a second month in a row largely due to higher gasoline prices. The Bank of Canada's preferred measure [core inflation] also ticked back up in August. Higher global oil prices risk rekindling a re-acceleration of inflation, currently we expect CPI to return to the 2% target in late 2024.

Inflation in Brazil jumped 0.6ppts resulting in a 5.2% year-on-year rise in September due to low base effects from last year. Real wage growth is waning but remains high and this will bring about upside risks to services inflation. Fuel inflation has been a source of domestic concern, but we do not expect them to deviate enough to have a significant impact on CPI.

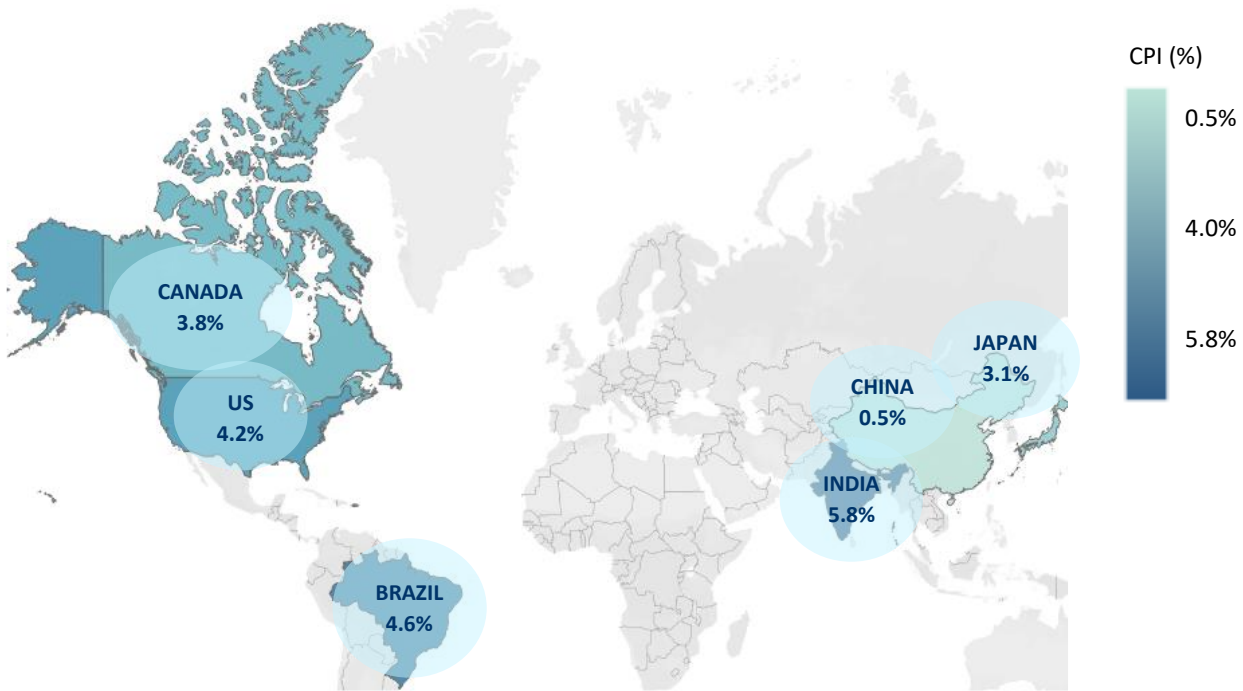
Headline CPI in India rose by 5% on the year, leaving it within the RBI's tolerance band after having exceeded the 6% upper limit in July and August. A normalisation of food prices was the main driver, but price pressures eased across the board. Inflation is still well above the RBI's 4% midpoint target, whose importance the RBI stressed at its last meeting when it delivered a hawkish pause. This target is unlikely to be achieved soon.

Japanese core CPI looks close to being at its peak. It stayed elevated at 4.3% in August, after 4.4% in July. We believe inflation will start easing soon, as pressures from past import price rises, particularly for food, will abate. We expect growth to slow to around 2% by Q1 2024.

Headline CPI in China returned to positive annual growth territory in August, as increases in services segments more than offset the continued drags from lower oil and pork prices. Data supports our view that the current bout of deflation was largely transitory, although the broad trend of weak prices are still far from encouraging.



CPI growth, 2023



EUROPEAN INFLATION OUTLOOK

The headline CPI index fell 0.9ppts in September, to 4.3% on the year, from 5.2% in August. Core inflation dropped as well, to 4.5% from 5.3%. The drop was driven to some extent by base effects, but seasonally adjusted monthly growth rates give cause for some optimism. The disinflationary momentum is becoming more apparent, with non-energy industrial goods even contracting on a monthly basis in some countries.

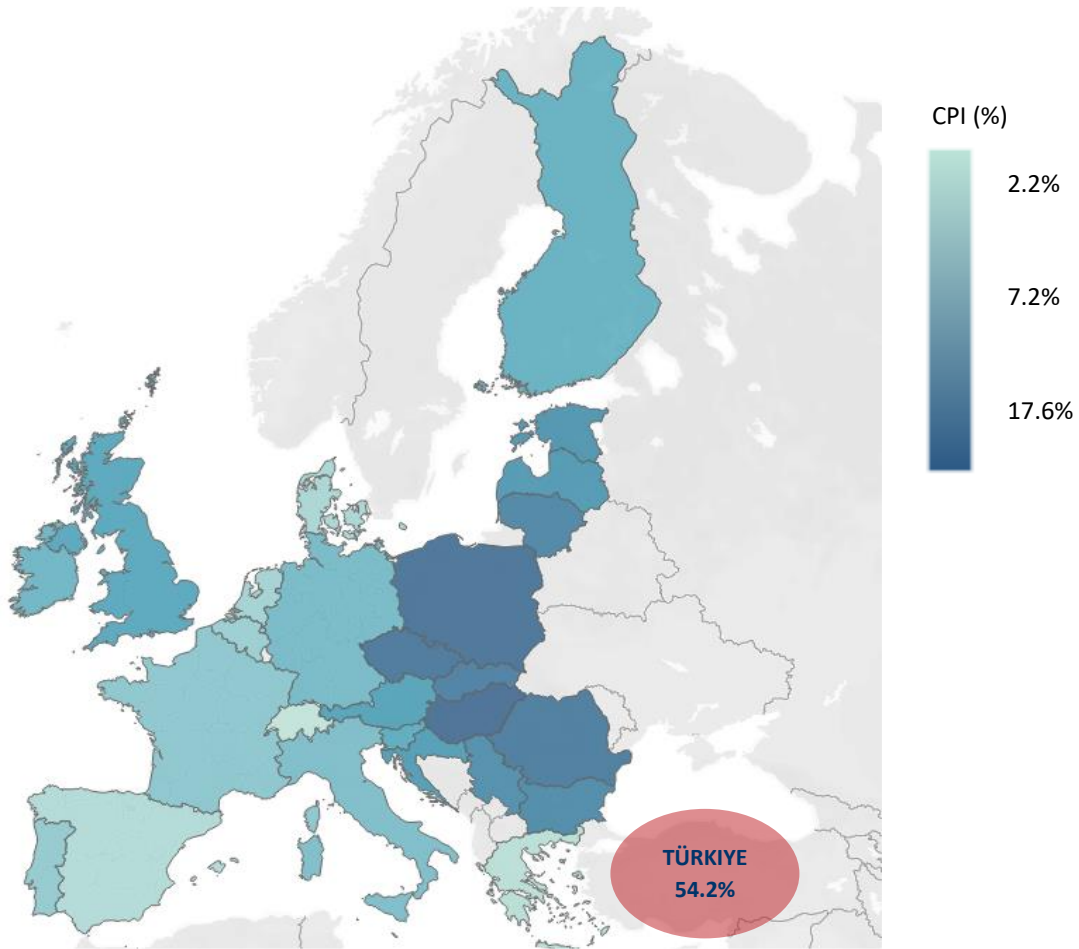
The latest data also suggest that core services, which are likely to be the most difficult component to bring down, are now showing some early signs of disinflation, which we expect will look increasingly convincing in coming months.

At the country level, harmonised inflation in France ticked down to 5.6% year-on-year from 5.7% in August, mainly because the energy component went up, while food and core components dropped to 9.6% and 3.6% respectively. Positively, services inflation slowed more quickly thanks to weaker activity in the tourism sector following a strong summer. In Italy, HICP inflation ticked 0.2ppts up to 5.7% as core inflation partially reverted its strong fall in August, although energy inflation turned positive at 1.6%. On the other hand, food inflation fell to 8.2%, its lowest value since June 2022. Italian inflation looks now set to fall markedly in October, due to significant base effects.

The heterogeneity of inflation rates across European countries remains high and continues to be a headache for monetary policy, ranging from an annual rate of -0.3% in Netherlands to 17.6% in Hungary. Eastern European countries continue to have some of the highest rates of inflation this year.



CPI growth, 2023





INFLATION OUTLOOK SUMMARY

Country (Region)	CPI % year		Currency % change vs euro (Q3 2023)
	2023	Q3 2023	
Austria	7.7%	6.8%	-
Belgium	4.3%	3.5%	-
Bulgaria	9.4%	7.7%	7.7%
Croatia	8.0%	7.5%	-
Czech Rep	10.5%	8.3%	10.3%
Denmark	3.8%	2.4%	2.2%
Estonia	8.9%	4.8%	-
Finland	6.2%	5.8%	-
France	5.0%	4.7%	-
Germany	6.0%	5.6%	-
Greece	3.6%	2.4%	-
Hungary	17.6%	15.8%	21.8%
Ireland	6.0%	6.2%	-
Italy	5.9%	5.6%	-
Latvia	8.6%	5.0%	-
Lithuania	9.9%	5.7%	-
Malta	5.6%	5.2%	-
Netherlands	4.1%	2.6%	-
Poland	12.1%	9.4%	15.5%
Portugal	4.5%	3.4%	-
Romania	10.4%	9.0%	8.1%
Serbia	9.2%	11.4%	-
Slovakia	10.0%	8.5%	-
Slovenia	7.2%	6.5%	-
Spain	3.7%	2.8%	-
Switzerland	2.2%	1.6%	2.9%
Türkiye	54.2%	56.2%	-3.3%
UK	7.4%	6.7%	6.3%
US	4.2%	3.6%	-4.2%
Canada	3.8%	3.4%	-6.8%
Brazil	4.6%	4.6%	3.9%
China	0.5%	-0.1%	-12.6%
Japan	3.1%	3.0%	-8.8%
India	5.8%	6.5%	-4.9%

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)