European Travel Outlook

Analysis for ETOA

Taken from Tourism Decision Metrics (TDM) database

December 2013
Summary: outlook for global travel improves

- Global tourism performance during 2013 exceeded prior expectations, especially within Europe as demand remained resilient while the economic background also improved.

- The Eurozone has now emerged from the longest recession in three decades and, with a pick-up in fortunes ahead, cross-border tourism demand is set to improve from key markets.

- Improvements in European demand should offset some short-term slowdown from emerging markets, but there is limited scope for a strong rebound as demand did not fall significantly in the recent economic downturn.

- Global travel is estimated to have expanded 4.5% in 2013, exceeding the pace set in 2012. As a result of stronger performance in 2013, the outlook for 2014 has been tempered to remain in line with longer run expectations.

- The following forecasts and analysis are based on Tourism Economics’ TDM database. Forecasts were updated in November 2013 and the next update will be released in February 2014.
## TDM Visitor Growth Forecasts, % change

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<td>Mid East &amp; Africa</td>
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<td>9.8%</td>
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<td>6.3%</td>
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* 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

*Note: world inbound and outbound do not match exactly in historic data or forecast. This is due to visits to multiple destinations. For example, one outbound trip may be to more than one destination. Some sample error may also be evident in historic data.*

*** d - data reported by national statistical agencies are available for all years to 2012

** e -2013 estimated using all available year-to-date data, and forecasts for the rest of the year

** f - forecasts according to Tourism Economics’ global economic and tourism forecast models
Year-to-date performance in 2013

- Data for the year-to-date (YTD) show growth across every world region.

- Asia continues to grow at a healthy rate. Travel to Japan has been particularly strong, helped by the weaker currency, and offsets weaker demand for China.

- Data for the Middle East have been very volatile in 2013, with some rebounds early in the year from some sharp losses in 2012. Data for later in the year show further large falls, notably in Saudi Arabia and Egypt.
Estimated 2013 full-year arrivals

- Middle East full year growth is still expected to exceed the YTD trend which has been affected by Saudi Arabia visa restrictions related to Hajj.

- European YTD growth has surprised somewhat and the overall pace of growth is not expected to be sustained completely, but there remains a risk of stronger performance.

- Recent European growth has been strongly influenced by some Eastern markets which are expected to slow, while Western European growth will edge up.
Detailed European trends
European travel overview

- European destinations remain highly dependent on intra-regional demand
- Developments in European demand are crucial for regional destinations. Even modest improvement in international travel demand by Europeans will be important for the regional tourism industry

**European Inbound 2013: 559mn**
Arrivals in European destinations

- Intra-regional: 81%
- Extra-Regional: 19%

**European Outbound 2013: 534mn**
Worldwide arrivals from European origin markets

- Intra-regional: 84%
- Extra-Regional: 16%
European tourism growth detail

- Growth to Europe from some long-haul markets is slowing and will remain relatively subdued over the coming years.
- Intra-European demand is expected to improve and will remain crucial for European destinations.
- Travel from Europe to long-haul destinations will also improve as economic confidence rises.
- Large differences in performance will be evident within European travel growth.

**European travel growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intra Europe travel</th>
<th>Long-haul arrivals</th>
<th>Long-haul outbound</th>
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<tbody>
<tr>
<td>2011</td>
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<td>2012</td>
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<td>2014-16 CAGR</td>
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Source: Tourism Economics
Northern & Western European tourism

- Improvement in intra-European demand is expected for Northern and Western European destinations, while arrivals from long-haul continue to expand, comprising a larger share of demand. Long-haul arrivals currently represent 25% and 20% of regional demand respectively.

- Outbound demand is also improving for these markets, notably within Europe in 2013, but with expected pick-up in travel to long-haul destinations beginning 2014.
Southern/Mediterranean & Central/Eastern & Central/Eastern destinations typically have higher reliance on European demand. Pick-up in demand from some large developed European markets will provide significant support for these markets.

- Travel from Russia is important for many of these markets, and has increased share of arrivals significantly. Russian travel demand is expected to continue to grow, but at a slower rate in the coming years.

**Southern/Med. European travel growth**

- Intra S/M. Europe travel
- Oth European arrivals
- Long-haul arrivals
- Outbound to Oth Europe
- Long-haul outbound

**Central/Eastern European travel growth**

- Intra C/E. Europe travel
- Oth European arrivals
- Long-haul arrivals
- Outbound to Oth Europe
- Long-haul outbound

Source: Tourism Economics
European sub-region definitions

- The 4 sub-regions shown in previous charts and tables align with UNWTO reporting as below:

**Northern Europe**: Denmark, Finland, Iceland, Ireland, Norway, Sweden, UK

**Western Europe**: Austria, Belgium, France, Germany, Luxembourg, Netherlands, Switzerland

**Southern/Mediterranean Europe**: Albania, Bosnia-Herzegovina, Croatia, Cyprus, FYR Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, Turkey

**Central/Eastern Europe**: Armenia, Azerbaijan, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, Ukraine
Global Economic Overview
Developed economies recovering well...

World: Growth and US bond yields

- G-4 average composite PMI (US, UK, EZ, Japan RHS)
- US 10-year bond yield (LHS)

Source: Oxford Economics/Haver Analytics
...but growth from emergers remains robust
Eurozone returns to growth, albeit modest at first

Eurozone: GDP and industrial production

% year

15 12 9 6 3 0 -3 -6 -9 -12 -15 -18


Source: Oxford Economics

GDP

Industrial production

F'cast
Risks to the outlook remain

**Eurozone tensions reach breaking point (15%)**
- Fiscal austerity in peripheral countries becomes unbearable
- No growth pushes unemployment yet higher
- Pro-exit parties gain popularity
- No real progress on banking and fiscal union
- Run on banks, debt defaults
- 6 countries exit Eurozone in 2015Q1

**Central banks get more than they bargained for (5%)**
- Growth initially surprises on the upside
- Inflation starts rising – Central banks accommodate, keeping QE programmes untouched
- Inflation scare in bond markets - Rates rise
- Central banks respond with very sharp unwinding of QE

**Shaky foundations for the BRICs (15%)**
- Transmission of monetary stimulus disappoints
- Structural impediments in BRICs
- Weaker EM growth affects global trade
- Advanced economies fall close to or in deflation

**Baseline (55%)**
- Emerging markets rebound
- US picks up as fiscal constraints ease
- Risk premia fall – Confidence gradually rises
- Deleveraging constrains recovery in Europe

**The golden age (10%)**
- Technology and competitiveness gains boost US growth beyond baseline
- Europe progresses towards banking union and eases fiscal policy
- Emergers benefit from higher world trade

**Policy transmission**

**Policy mistakes**
About Tourism Economics
Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners.

By combining quantitative methods with industry knowledge, Tourism Economics creates tourism forecasting models, tourism policy analysis, and economic impact studies; it is our passion to work as partners with our clients to achieve a destination’s full potential.
Tourism Decision Metrics (TDM)

TDM is the most comprehensive dataset of its kind, allowing clients to quickly analyze market trends and the outlook for travel and the economy around the world in 190 countries and 18 regions. With over twenty years of historical data and forecasts based on the tested Oxford Economics global macroeconomic model, TDM users can conduct extensive global market analysis in minutes.

Tourism Economics is pleased to be able to offer access to TDM to ETOA members at a discounted rate.
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