



Travel & Tourism | Europe

Updated Coronavirus impacts and the path to recovery

Economists

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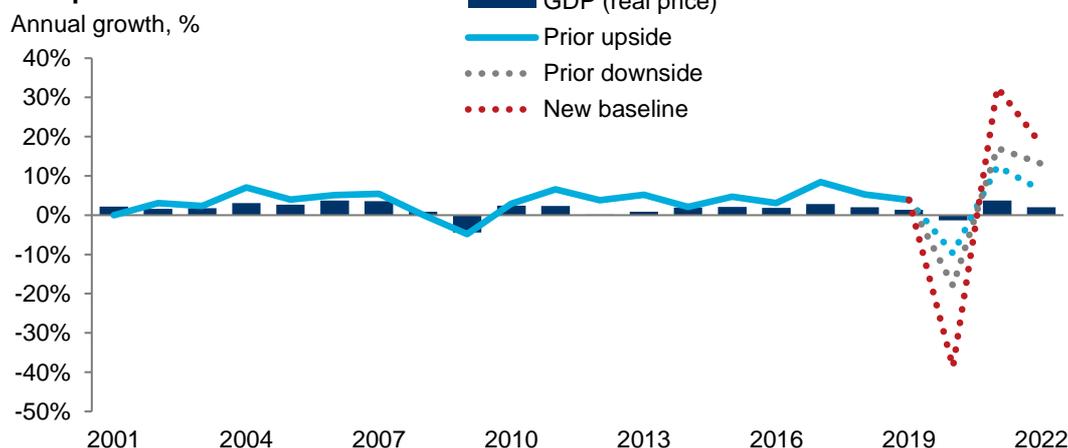
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Key points

- Europe has become the epicentre of the virus although according to the World Health Organisation this is now shifting to the United States. Almost all European countries have confirmed cases.
- There are a wide variety of restrictions on both international and domestic travel and movement across Europe including in all major European economies. This affects travel to all affected destinations, as well as outbound travel from all major markets.
- Our new baseline outlook assumes that the impact on travel lasts for eight months although considerable uncertainty still surrounds the potential duration of travel bans. Globally this will reduce travel by 39%. For Europe the new baseline also sees a reduction in travel of 39% with 287 million fewer international arrivals.
- France is the most heavily impacted European country in volume terms with nearly 38 million fewer inbound visits in 2020 although the largest percentage impact is in Italy (49.0%). Spain is also heavily affected and these three important destinations will account for around one-third of the fall in European international arrivals.
- While rapid recovery is expected in 2021, 2019 volumes of international travel are not expected to be regained until 2023, as lingering effects on income impact on travel.
- Domestic travel will be less affected than international travel with a decline of 23% expected in 2020. Domestic movement restrictions will be removed before the lifting of international travel restrictions while there will be some substitution of domestic travel.

There will be 287 million fewer international tourist arrivals to Europe in 2020 than in 2019.

Europe GDP & tourist arrivals



Source: Tourism Economics

Note: the prior upside and downside scenarios were published on 16th March; and the new baseline was published more recently on 27th March.

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Current situation in Europe and travel restrictions

As of 1st April, there are more than 450,000 cases of coronavirus across Europe and more than 30,000 deaths. At the time of writing, the worst affected European countries are Italy and Spain, but this is a changing situation and both identified cases and deaths in other European countries will rise.

Co-ordinated public health actions to reduce the spread and rate of inflection of the virus such as self-isolation, social distancing and travel restrictions have been introduced. In particular, the EU has proposed that all non-essential travel should be suspended for a period of 30 days, and major European economies such as Germany, France, the UK, Spain and Italy have implemented full or partial lockdowns - affecting not just international travel (inbound and outbound) but also domestic movements.

Europeans also face bans on entry to some countries (including the United States) or quarantine periods on arrival. Only a limited number of European countries have no travel restrictions in place and even these often cannot be accessed from their source markets. These restrictions mean immediate tourism impacts will be much greater than for GDP.

2020 international travel impact

In our March 16th forecast, at which point most cases of coronavirus in Europe were in Italy, our upside outlook for Europe projected a 10% decline in European inbound travel with a downside 'prolonged pandemic' scenario seeing an 18% decline. Within the region, these negative impacts were heavily skewed towards Western Europe.

The central assumption in our new baseline forecast is that restrictions are imposed for an eight month period. Within this, something close to the current restrictions are assumed to be in place for four months, with some lingering, but more relaxed limits for a further four months for key destinations and source markets.

The duration of effects and the extent to which current limits are in force for usual peak travel seasons will affect the annual outcome and alternative scenarios are outlined later.

New baseline assumptions

- The outbreak is now truly a global crisis with almost every country seeking to contain the spread, safeguard the economy and avoid overwhelming public health services.
- By contrast, our March 16th forecasts and scenarios still expected this to be concentrated within a relatively small number of countries, but with some limited spillovers to other countries.
- As economies begin to reopen, it is assumed that this will be gradual and controlled, so that any 'second wave' can be avoided.
- The duration of the impact is a key determinant of the outlook. In our new baseline we anticipate eight months of negative impact but with the most severe impacts concentrated in the first four months.

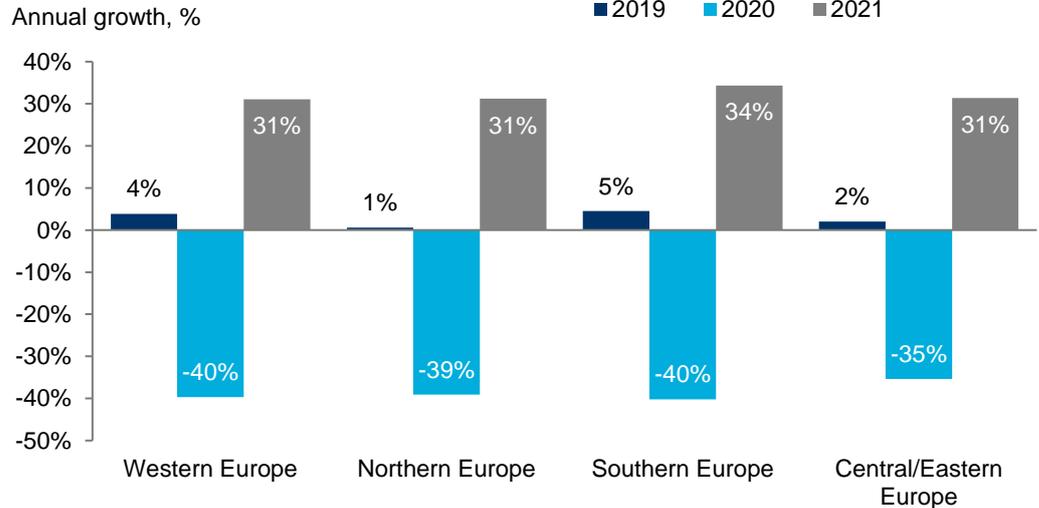
**Over 450,000 cases
across Europe.**

**Travel restrictions
will mean immediate
tourism impacts will
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GDP**

Inbound travel will fall 39% across Europe in 2020.

In the baseline forecast, across Europe international arrivals are now expected to fall by 39% in 2020, a significant downgrade from our last forecast. This fall will be felt across all sub-regions of Europe, as most countries having implemented travel restrictions and lockdown measures.

Europe tourist arrivals by destination region

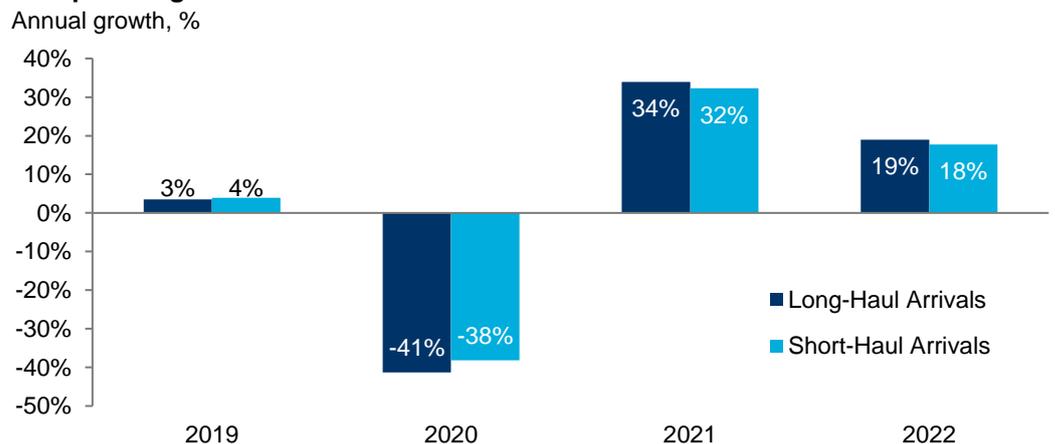


Source: Tourism Economics

Travel from long-haul and short-haul impacts will both be affected.

Most travel in Europe is intra-regional, so the reduction in travel to short-haul markets will drive the majority of the volume shift. In percentage terms however, long-haul travel will be slightly more affected in 2020, falling 41% compared to a 38% fall for short-haul travel. It will take at least two years for short and long-haul travel to fully recover.

Europe: Long-haul vs short-haul arrivals



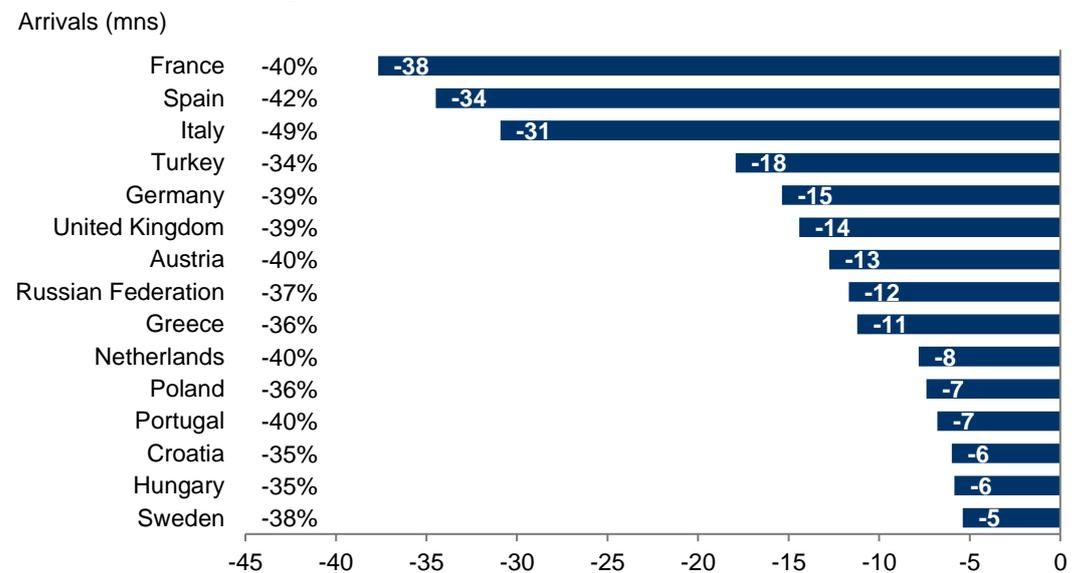
Source: Tourism Economics

2020 impact by country

Our modelling suggests that in percentage terms the most significantly affected European country from the coronavirus will be Italy, which is forecast to lose 49% of arrivals in 2020, standing out thanks to the earlier implementation of restrictions. Other large impacts in percentage terms include: Spain (-42%), Ireland (-41%) and Malta (41%), all of which have the UK as their major source market. However, in most cases country-specific percentage losses are similar to the overall percentage loss for Europe in our current forecast. Even where the number of cases in a country is currently low, similar travel and domestic movement restrictions tend to be in place. Earlier lifting of restrictions by some countries may affect recoveries, but, for now, we do not see this.

In volume terms, the biggest single loss in terms of inbound arrivals in 2020 will be in France (38 million fewer inbound visitors than in 2019). France alone accounts for around 13% of lost inbound arrivals across the whole of Europe. In volume terms, Spain and Italy are the next most heavily impacted countries with a loss of 34 million and 31 million arrivals. Turkey is also heavily affected in volume terms even though the percentage impact is lower than for most European countries.

Inbound arrivals: largest drops in arrivals, 2020



Source: Tourism Economics

Alternative scenario assumptions

Uncertainty continues to surround the likely duration of impacts and travel restrictions. The large impact on travel from the restrictions currently in place is clear. However, the duration of these restrictions will dictate the impact for the full year.

Impacts on travel for 2020 will be elevated if travel restrictions continue into the peak season, with one in four trips in Europe taken in either July or August.

Alternative scenarios are outlined in the table below showing the impact if the outbreak ends more rapidly than expected (i.e. before September 2020) or if it drags on further. For example, a full eighteen months of impact would cause an 81% decrease in travel in Europe, with further negative impact in 2021.

Italy will see the largest percentage drop in arrivals but France will have the greatest volume impact.

Uncertainty continues to surround the duration of the outbreak and travel restrictions.

Coronavirus scenario assumptions: Europe

	Total expected impact duration		#months including:		Total 2020 travel fall* % year
	# months	% 2020 affected	Current restrictions	Reduced restrictions	
Feb-Jul	6	60%	3	3	-28%
Feb-Sep	8	78%	4	4	-40%
Feb-Nov	10	90%	5	5	-52%
Feb-Jan	12	95%	7	5	-69%
Feb-Jul 21	18	95%	10	1	-81%

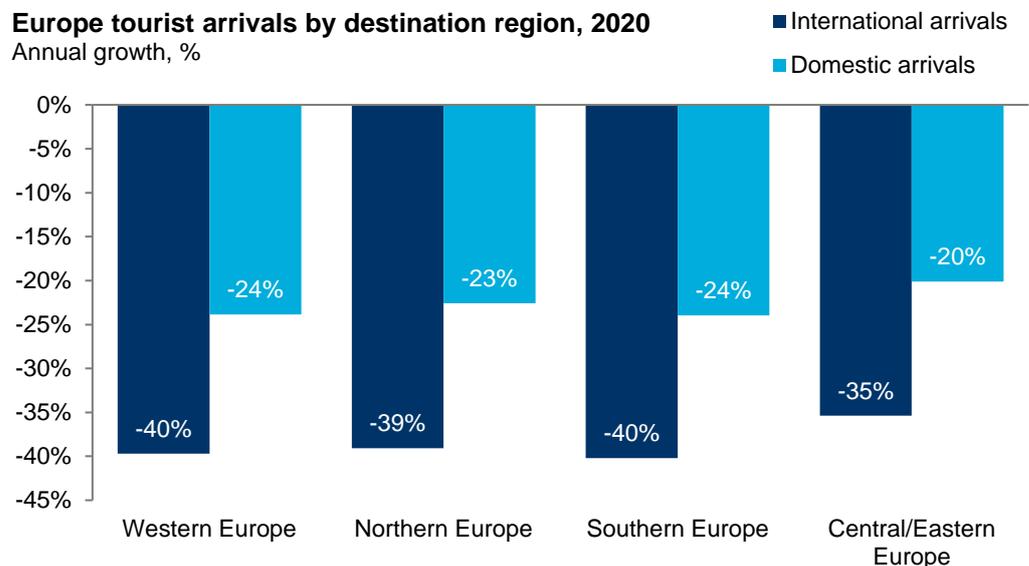
* impact on arrivals relative to counterfactual

Domestic travel in 2020

Domestic travel will also fall, but not by more than international travel. Restrictions have not been imposed on domestic travel as quickly and are likely to be lifted sooner. In addition, there is likely to be some substitution of domestic travel for international travel. Our modelling suggests that for Europe as a whole the expected decline in 2020 will be 23%. Among the four sub-regions, the decline in 2020 is greatest in Southern Europe (-24%) and Western Europe (-24%) and least in Central / Eastern Europe (-20%). Note that for each region the decline for domestic travel is markedly lower than for inbound.

Europe tourist arrivals by destination region, 2020

Annual growth, %



Source: Tourism Economics

Reliance on domestic versus international travel varies by country and will influence the overall impact on business by destination. The importance of the domestic market is often underestimated. Across Europe in 2019, 63% of spend was from the domestic travel market. There are forecast to be 135 million less domestic visits in 2020 than in 2019. So, although the domestic market will be less affected than international travel, the volume impact on 2020 is still very substantial.

As with inbound travel, Italy is the single most heavily affected country for the domestic travel market in 2020 (with a decline of 28% of visits), followed by Spain (-25%), the UK (-25%), Germany (-25%) and France (-24%).

Domestic travel will be less affected in 2020 than international travel.

Given consistent domestic travel restrictions, a relatively uniform impact in 2020 is expected. However, countries may vary in their recoveries and the mix of domestic and international travel will affect the speed and timing of recoveries.

Potential recovery path

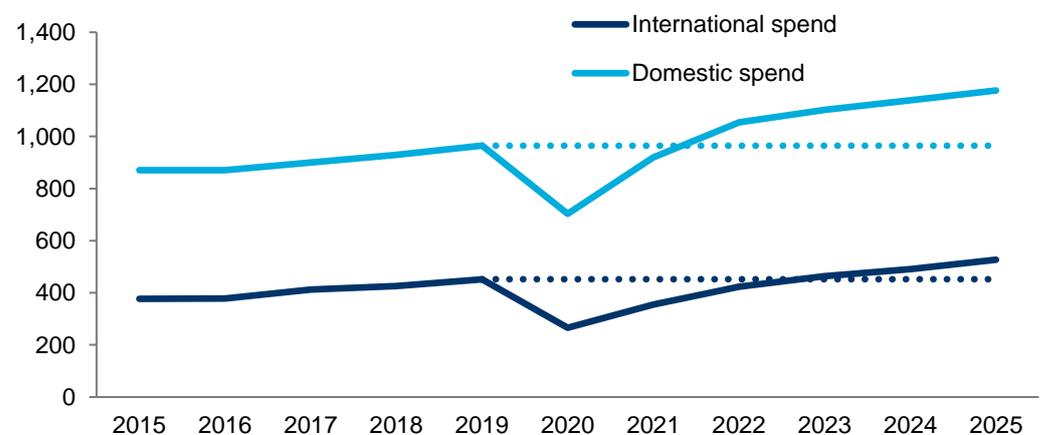
The path to recovery has no clear benchmark or precedent as it is a combination of a health crisis and recession. Health crisis recovery has tended to be rapid following a V-shaped path (such as SARS) but the nature and geographical spread of the coronavirus is very different. Recession impacts tend to be longer lasting – for example, the impact of the Global Financial Crisis of 2008 / 2009, following the financial crash. A slower return to international travel was evident in the years following this event.

Rapid growth in international travel is expected in 2021, but this is not likely to fully offset the falls this year. Indeed, even in 2022 volumes of international travellers will not have recovered to 2019 levels; it won't be until 2023 that international travel has recovered to its previous peak.

Domestic recovery is expected to come earlier once complete lockdowns are lifted and people are once again able to travel domestically. With the recovery starting earlier, our new baseline forecast suggests that, unlike international travel, 2019 levels of domestic travel will have been reached by the end of 2021. Across Europe, growth in 2021 is forecast at 32%.

Europe: International spend vs domestic spend

Euro, billions



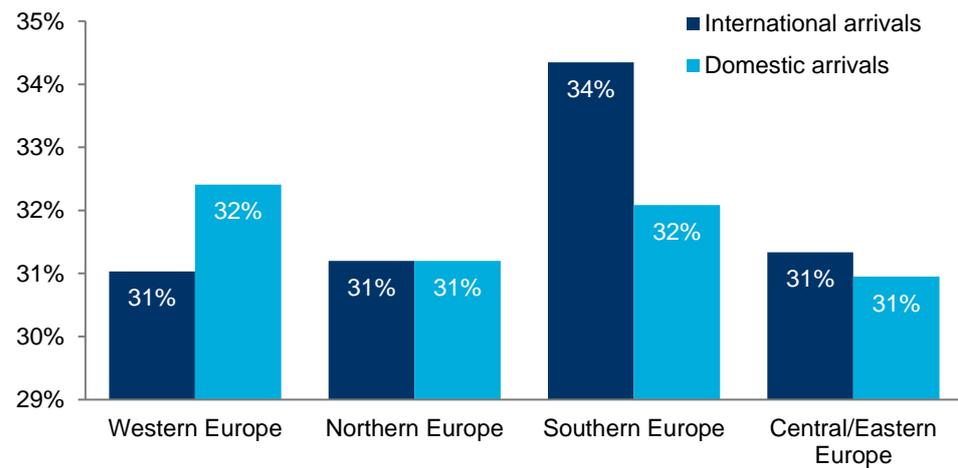
Source: Tourism Economics

Among the four sub-regions there is little difference in the rate of recovery of domestic travel in 2021. However, it is notable that there is a stronger recovery in Southern Europe of international arrivals, as a result of a deeper decline in 2020. Countries with greater reliance on the domestic travel market are likely to see a faster and earlier recovery.

No return to 2019 volume of international trips in Europe until 2023

Europe tourist arrivals by destination region, 2021

Annual growth, %



Source: Tourism Economics

Annex: UNWTO sub-regions of Europe

The sub-regions of Europe are defined as follows:

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

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

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

Central/Eastern Europe is Armenia, Azerbaijan, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, and Ukraine.