European Tourism: Trends & Prospects

Quarterly Report Q4/2024

EUROPEAN TRAVEL COMMISSION

EUROPEAN
TRAVEL
COMMISSION

European Tourism:

Trends & Prospects

Quarterly Report (Q4/2024)

A report produced for
the European Travel Commission
by Tourism Economics

Brussels, February 2025

ETC Market Intelligence Report

European Tourism: Trends & Prospects (Q4/2024)

Data sources: This report includes data from the TourMIS database, STR, IATA, Eurocontrol, UN Tourism, Lighthouse and MMGY TCI Research. Economic analysis and forecasts are provided by Tourism Economics and are for interpretation by users according to their needs.

Published by the European Travel Commission
Rue du Marché aux Herbes, 61,
1000 Brussels, Belgium

Website: www.etc-corporate.org

Email: *info@visiteurope.com*

ISSN No: 2034-9297

This report was compiled and edited by:

TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

Tourism Economics (an Oxford Economics Company) on behalf of the ETC Market Intelligence Group.

Cover: First snow at Strbske pleso, Slovakia. Winter nature, Christmas Scenery
Image ID: 1574020996
Copyright: kovop

Foreword

Looking at Europe's tourism performance in 2024 we recognise the sector's remarkable resilience considering the challenges that continue to shape its trajectory. Despite economic pressures, geopolitical uncertainties, adverse weather conditions, and the evolving dynamics of consumer behaviour, European tourism has demonstrated strong resilience and the ability to adapt and remain robust. Nevertheless, headwinds faced in 2024 are expected to continue into 2025 calling for strategic planning, adaptation and innovation within the sector in the years to come.

Latest data has shown that travellers are increasingly prioritising value-driven experiences, a key trend seen in the growing demand for travel off-season and to destinations perceived as more affordable. This value-hunting behaviour reflects consumers' direct response to high travel costs partly driven by high services inflation. Recent ETC research on intra-European travel sentiment, provides further insights, revealing that travel costs remain the main deterrent for European travellers (19%). Similarly, the latest results of the ETC Long-haul Travel Barometer indicate that, almost half of respondents (46%) who are open to international travel but not to Europe, cited "high costs" as the main deterrent to visit the region.

Eastward, Chinese outbound travel remains significantly below pre-pandemic levels, despite high recovery expectations set for 2024. The slow recovery from this market highlights the critical role air connectivity and accessibility play in fostering tourism rebound. In contrast, transatlantic travel from the US has played a key role in sustaining momentum during Europe's post-pandemic recovery, however increased economic uncertainties driven by the new Trump administration may introduce new challenges in the year ahead.

As we look toward 2025, the tourism industry will continue to navigate an increasingly complex landscape and heightened geopolitical and economic uncertainty. This highlights the critical need for resilient tourism strategies to allow destinations to prepare for rather than react to any crisis that emerges.

Jennifer Iduh

Head of Research & Insights

European Travel Commission (ETC)

European tourism: Trends & prospects (Q4/2024)

Table of contents

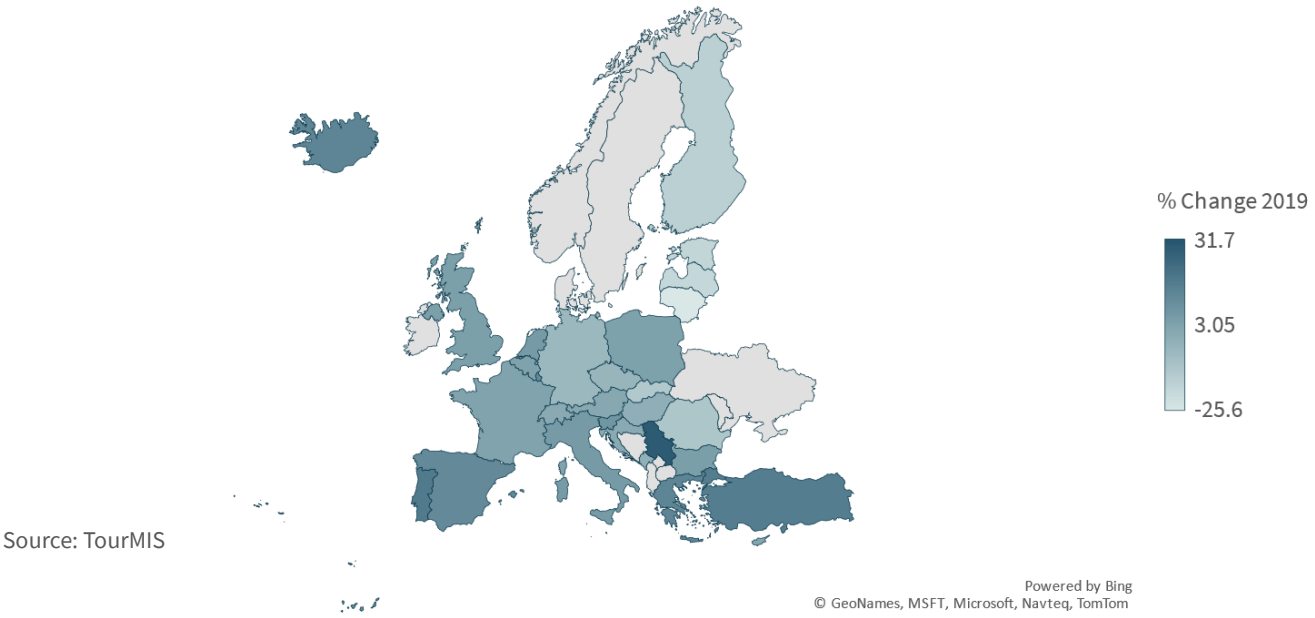
Executive summary

A positive year end for European tourism amidst heightened uncertainty

European travel demand continued its growth trajectory into the last quarter of the year, with foreign arrivals up 6% on 2019[1]. While the region's travel performance remains strong, consumers seem to favour destinations offering good value for money or opting for shorter stays due to elevated travel costs caused by high services inflation. Adverse weather conditions also disrupted key tourism hubs[2] impacting recovery in several destinations in the last quarter of the year.

Overall international tourist arrivals to Europe are projected to end 2024 increasing by 2% compared to 2019 levels, driven primarily by short- and medium-haul travel. However, long-haul travel to Europe continues to lag and is expected to remain 5% below 2019 largely due to the slow recovery from Asia/Pacific, particularly China. Looking ahead, 2025 is expected to be a year of heightened uncertainty due to ongoing geopolitical tensions, economic challenges, and rapidly evolving consumer travel behaviour.

Foreign visits to European destinations, 2024 year-to-date



Source: TourMIS

Towards the end of the year, several Southern/Mediterranean destinations, including Serbia, Portugal, Greece and Montenegro showed a more modest pace of growth in arrivals following a strong summer period. In arrival terms, Iceland (+14%) stood out as the fastest growing winter tourism destination with increased solar activity attracting visitors to see the Northern Lights. Performance across Central/Eastern Europe (-7%) remained subdued compared to other subregions. Foreign arrivals remained largely unchanged in Q4 compared to the previous quarter. However, notable exceptions were observed in Latvia, improving from -21% to -19% and Finland shifting from -16% to -14%.

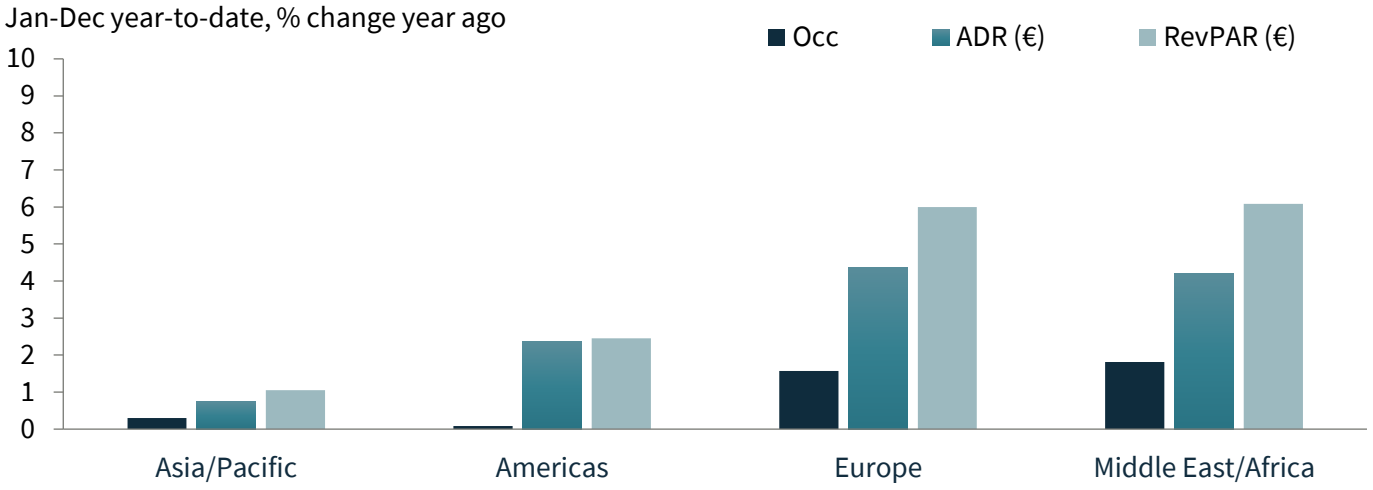
Europe's hotel performance holds strong at the end of 2024, amid a value-driven shift in travel

Europe's hotel performance is strong in the global market, with ADR and RevPAR growth matching or surpassing the top performers, Middle East & Africa. Growth in occupancy rates has increased from 1.3% to 1.6% compared to the previous quarter, mirroring the strength of the shoulder months and the winter season. ADR growth, however,

[1] Based on data reported by destinations on TourMIS for Q4/2024. Date varies (Jan-Dec) by destination
[2] Including France, Spain, Germany, and the UK

declined slightly compared to last quarter (from 4.6% to 4.4%), reflecting a shift in consumer behaviour favouring value-driven travel compared to last year. RevPAR rose 6% over the same period in 2023.

Global hotel performance



Source: STR

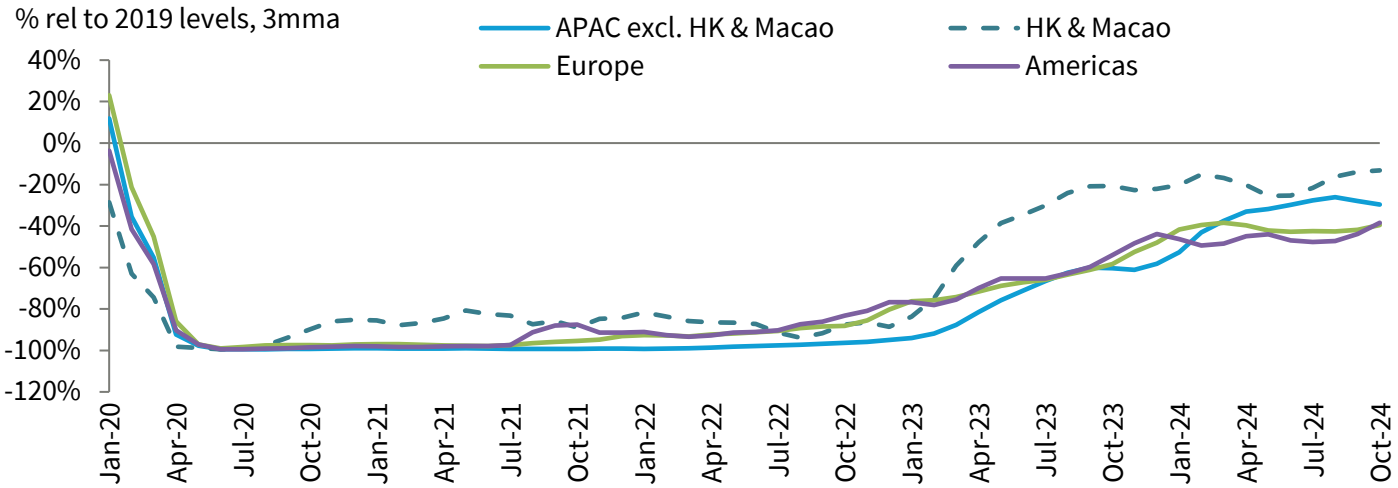
Visa-free entry plays a key role in influencing Chinese travellers' destination choice

Throughout 2024, expectations for a strong recovery of the Chinese outbound market did not materialise. Travel demand from this market has mainly focused on regional travel with fewer long-haul trips, especially to Europe. This trend is influenced by reduced flight availability from European airlines to Greater China. This is caused mainly by geopolitical factors as European carriers face further constraints due to required route changes to avoid Russian airspace, impacting connectivity and travel patterns. Declines in arrivals from China are, on average -39.6% below pre-pandemic levels across all reporting destinations, with over half of them still 40% below 2019. Sharpest declines were recorded in destinations in Northern, Western and Central/Eastern Europe. Serbia[3] was the only destination reporting growth in both arrivals (+7%) and overnights (+48%) from China over 2019 levels supported by relaxed visa policies. This resonates with most recent data from ForwardKeys which highlights the strong performance of the Chinese market in visa free destinations such as Malaysia, Singapore, and the UAE which are seeing growth of +41%, +26%, and +14% respectively — compared to their performance in 2019[4].

Outbound travel from the US to Europe has been fundamental during the post-pandemic recovery, with Americans enjoying a more favourable US$/Euro exchange rate. However, there is heightened uncertainty under the new Trump administration as rising inflation risks could reduce household disposable income potentially translating into less spending on international travel. In the last quarter of the year, twenty-two out of twenty-seven reporting destinations posted growth in US arrivals over 2019, with Türkiye (+153%), Portugal (+91%), Lithuania (+67%) and Montenegro (+49%) registering fastest growth.

[3] Serbia represents a small share of total arrivals from China to Europe
[4] Data from 13th January to 16th February 2025

Outbound trips recovery from China by region destination (% rel to 2019 levels, 3mma)



Source: Tourism Economics

Europe's travel recovery has remained strong in recent years. However, we continue to face significant geopolitical challenges, economic uncertainties, and increasing concerns about climate change and the impact tourism has on the environment. As we move into 2025, global travel will continue to adapt to these shifting dynamics. To navigate these changes, it is key to offer value-driven experiences that attract travellers while keeping destinations accessible, enjoyable and supporting local communities. As the travel landscape evolves, we must prioritise sustainable growth—ensuring that destinations remain vibrant without overwhelming their infrastructure or local communities, said Eduardo Santander, CEO/Executive Director of the European Travel Commission (ETC).

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

1. Tourism Performance Summary 2024

Summary

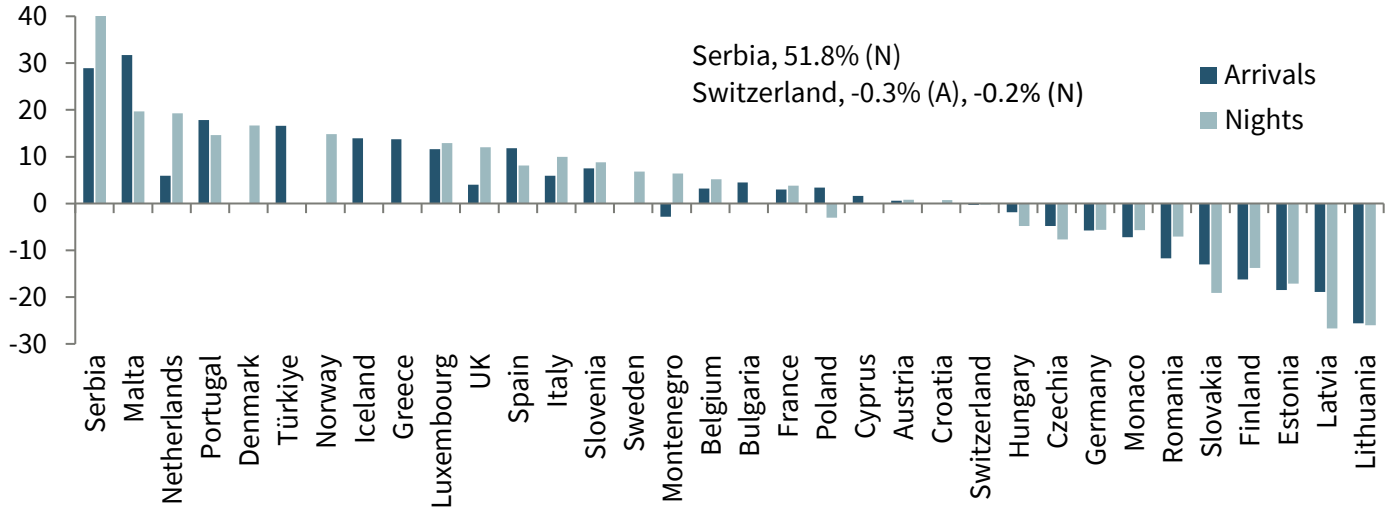
- Latest data from the TourMIS platform confirms that both arrivals and nights to Europe are still up on 2019 levels by 6.3% and 5.9% respectively (based on data to November-December in most destinations).
- Travel momentum continued throughout 2024 with arrivals up 6.7% on 2023 and nights up a more modest 4.8%. Faster growth in arrivals suggests the aggregate average length of stay within destinations is starting to decrease, but this does vary across both sub-regions and destinations.
- Iceland emerged as a popular destination once again moving into the winter period, boosted by favourable climate conditions that allowed for greater visibility of the Northern Lights which is a key tourism attraction. It likely also benefited from some travel that had been postponed from the start of the year due to volcanic activity.
- Southern/Mediterranean Europe had a quieter year end compared to some other destinations, following a very strong summer season. Montenegro stood out with some slip in arrivals, pushing it back below 2019 levels.
- Adverse weather conditions including flooding, snow and multiple storms impacted air travel over the last 3-4 months of the year, affecting many key tourism hubs, including France, Spain, Germany and the UK.
- The announcement that land checks will be lifted for tourists arriving by road/rail to Bulgaria and Romania at the start of the new year is encouraging news for the region which is still lags in the recovery following covid.

European international travel growth continued into the final quarter of 2024, adding to the confidence that the region is firmly set to exit this prolonged period of travel recovery. According to the latest data from TourMIS, European arrivals were up 6.3% on 2019 levels and nights 5.9% above, based on data from reporting destinations largely to November-December. Growth is stronger across both metrics compared to the previous quarter, suggesting travel in the shoulder season (September-October) and into the winter period remained robust.

Improvement is also clear relative to 2023 with strong annual growth of 6.7% for arrivals and 4.8% for nights. Faster growth in arrivals suggests a slight slowdown in the average length of stay at a collective level. However, a few destinations such as Italy and Monaco have reported the opposite.

Foreign visits and overnights to select destinations

2024 year-to-date*, % change relative to 2019 levels



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

More than half (66%) of the reporting destinations saw either arrivals or nights ahead of where they were in 2019 based on data mostly to November and December. Following a strong summer-season, a number of Southern and

Mediterranean destinations had a softer end to the year, including Portugal, Serbia, Greece and Montenegro, which was the only reporting destination with arrivals down on 2023, perhaps a result of tourists going elsewhere after an influx over the last couple of years. More modest growth was reported in nights, but to a lesser extent, with nights remaining above 2019 levels at 6.4%. Furthermore, both Serbia and Greece saw arrivals growth weaken since Q3, however, they are still up considerably on 2019, by 28.9% and 13.7% respectively. However, some destinations within the sub-region such as Italy bucked the trend with arrivals (5.9%) and nights (10.0%) further ahead of 2019 levels towards the end of the year.

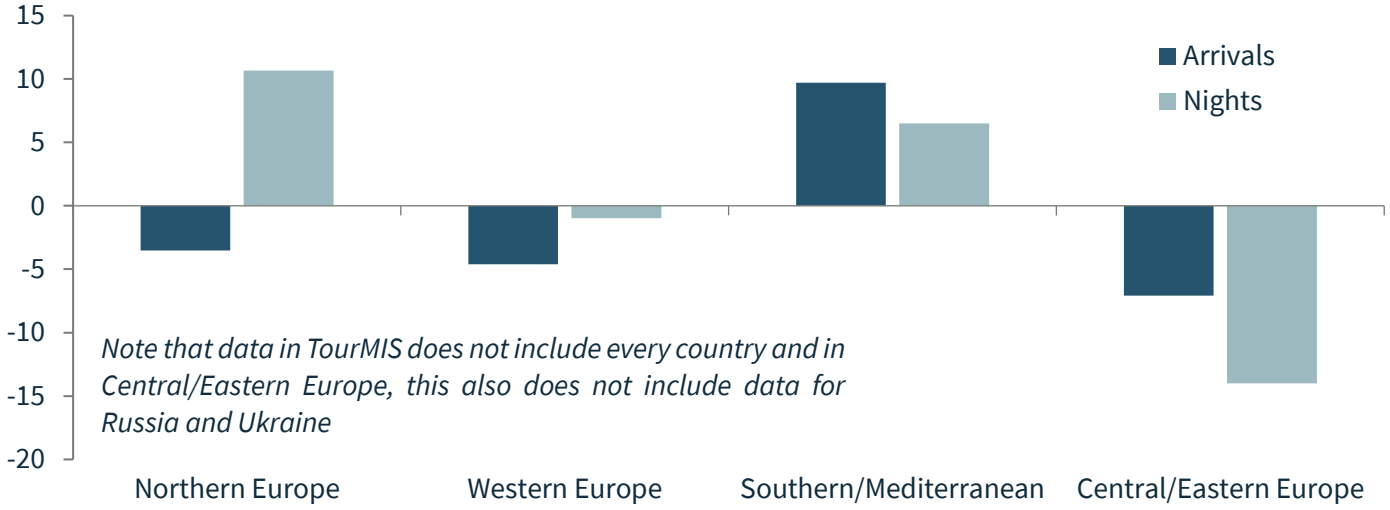
The Northern Lights is a key natural attraction that appeals to tourists looking for a winter holiday. Iceland has benefited from raised solar activity, sometimes referred to as the solar maximum, which increases the likelihood and visibility of the Lights. Seeing the Lights is not guaranteed, and it is a risk that tourists take when booking a trip and the cost of the risk is now higher as prices have risen. But the greater likelihood of getting to see the Lights in late 2024 appears to have contributed to strong growth to Iceland over the last few months. Arrivals from Germany, the Netherlands and Italy contributed to this growth among the reporting destinations, with some further positive contribution to arrivals from the UK .

Luxembourg was another small destination to see a marked improvement on last quarter, with arrivals rising to 11.6% above 2019 (up from 3.7%). Visitor numbers are likely to have benefited from improved perceptions of value-for-money, and research throughout 2024 has continued to point towards this as a key consideration for tourists. But the length of trips spent in Luxembourg this year, compared to 2023 are slightly shorter as arrivals (6.2%) growth outpaces that of nights (5.1%). This could have an implication on the economic value of tourism if this trend continues into 2025.

Performance among Central and Eastern European destinations varied considerably towards the end of 2024. The recovery in both arrivals and nights in Slovakia worsened over the period of August-November, falling to -13.0% and -19.1% respectively, with all months consistently lower than in 2019. In contrast, Latvia which has had the challenge to offset the drop in Russian tourists with visitors from elsewhere has continued to improve. Despite continuing to lag behind most other destinations arrivals and nights are now around 2% higher than in the previous quarter.

Foreign visits and overnights to Europe by sub-region

2024 year-to-date*, % change relative to 2019 levels

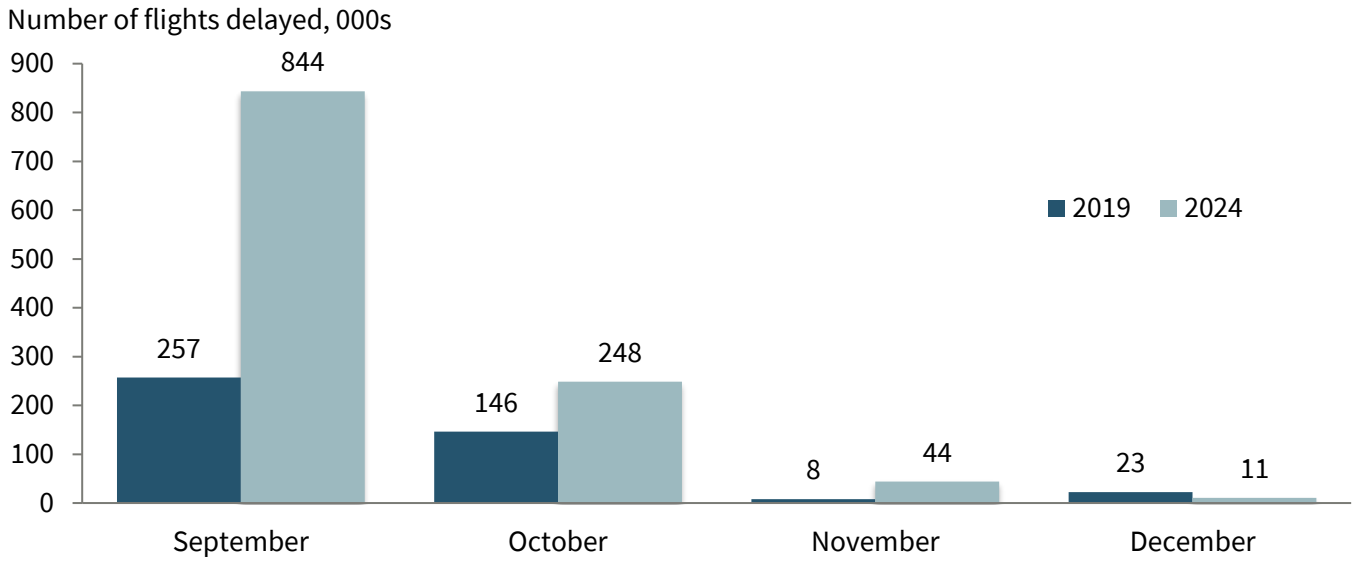


Source: TourMIS* *date varies (Jan-Dec) by destination

From a regional perspective, based on volume data available on TourMIS, nights are growing ahead of arrivals on average across Northern European destinations, up 10.7% on 2019 levels. Nights (-1.0%) are also outperforming arrivals (-4.6%) in Western Europe, which has yet to recover to 2019. A stronger recovery in nights than arrivals could indicate that tourists are starting to stay longer on holiday within this region and could imply greater tourism revenues. On the other hand, arrivals volumes are growing faster than nights in Southern/Mediterranean Europe and Central/Eastern Europe as a whole. This suggests that tourists are visiting for shorter times within destinations here, compared to what they did in 2019 and in some cases, possibly spending less.

Part of the slower recovery in some destinations from September-October onwards could be attributed to disruptions to air travel towards the end of 2024. Adverse weather conditions ranging from flooding, storms and snow all contributed to the higher levels of flight delays compared to in 2019. This affected airports across the region, including France, Germany, Spain and the UK.

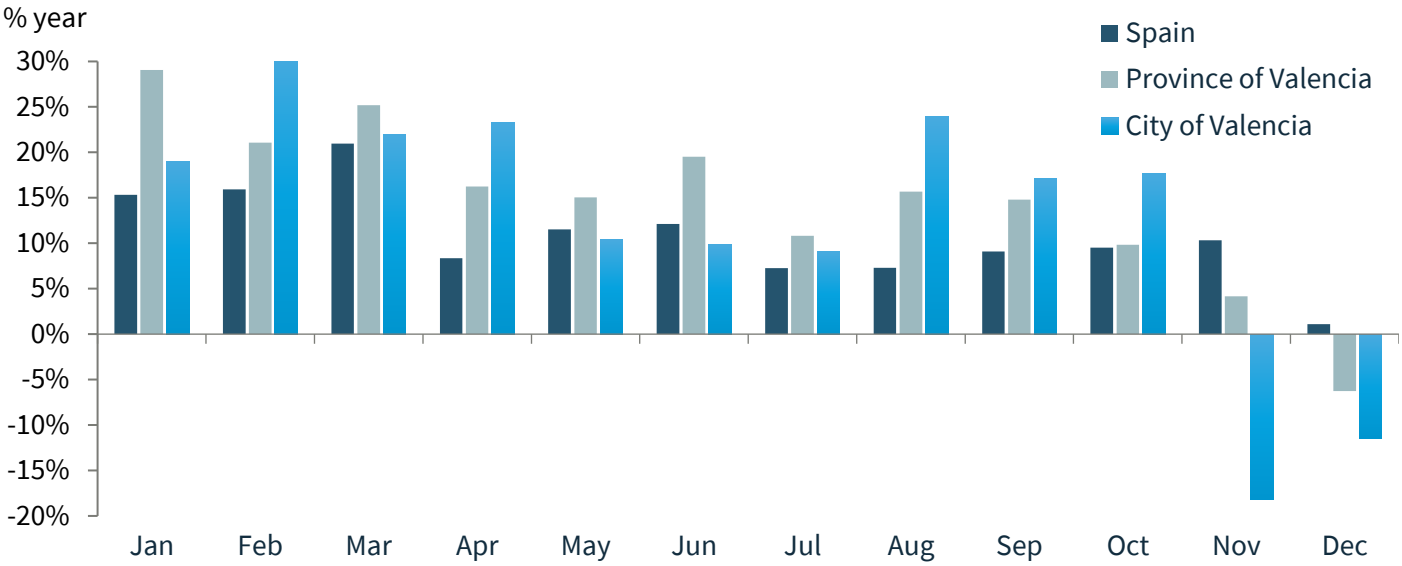
Volume of flights delayed in Europe* due to weather (000s)



Source: Eurocontrol *Europe is defined as Eurocontrol area

The immediate impact of the flooding that hit Spain in late October and into November is evident in the arrivals data at a province and city level. A number of areas were affected by these (including Andalucía), although the city of Valencia was hit particularly hard by these adverse weather conditions. Arrivals growth to the province dropped off in November (4.2%) and December (-6.3%) and in stark contrast to the rest of the year when arrivals growth outpaced Spain as a whole. The city of Valencia saw a sharper fall on last year in the last two months with growth falling by -18.2% and -11.5% and represented a decrease of 26,511 tourists during this period compared to the same time in 2023. Going forward, the city has started to recover with many tourist attractions open, but there is still a way to go. Although peak season for the city is still a number of months away, tourists have already started looking for their next destination and this could have an impact on visitor levels later in the year.

Number of tourists arriving into Spain and Valencia, 2024 year-to-date



Source: National Statistics Institute/TourMIS

Summary performance 2024, year to date % change relative to 2019 and 2023

	International Arrivals			International Nights		
Country	% YTD vs. 2019	% YTD vs. 2023	to month	% YTD vs. 2019	YTD % vs. 2023	to month
Austria	0.6%	3.9%	Jan-Nov	0.8%	1.6%	Jan-Nov
Belgium	3.2%	2.7%	Jan-Sep	5.2%	2.7%	Jan-Sep
Bulgaria	4.5%	4.8%	Jan-Nov			
Croatia	0.0%	2.6%	Jan-Dec	0.7%	0.6%	Jan-Dec
Cyprus	1.6%	5.1%	Jan-Jan			
Czechia	-4.8%	9.3%	Jan-Sep	-7.7%	8.5%	Jan-Sep
Denmark				16.7%	4.3%	Jan-Nov
Estonia	-18.5%	11.7%	Jan-Nov	-17.1%	9.0%	Jan-Nov
Finland	-16.2%	11.1%	Jan-Sep	-13.8%	8.7%	Jan-Sep
France	3.0%	0.8%	Jan-Dec	3.8%	1.2%	Jan-Dec
Germany	-5.8%	8.2%	Jan-Oct	-5.6%	5.6%	Jan-Oct
Greece	13.7%	9.2%	Jan-Oct			
Hungary	-1.9%	15.8%	Jan-Nov	-4.8%	10.5%	Jan-Nov
Iceland	13.9%	2.2%	Jan-Dec			Jan-Dec
Irish Rep.		6.7%				
Italy	5.9%	1.2%	Jan-Nov	10.0%	3.7%	Jan-Nov
Latvia	-18.9%	14.0%	Jan-Nov	-26.7%	9.6%	Jan-Nov
Lithuania	-25.6%	6.1%	Jan-Sep	-26.0%	3.5%	Jan-Sep
Luxembourg	11.6%	6.2%	Jan-Nov	12.9%	5.1%	Jan-Nov
Malta	31.7%	23.4%	Jan-Jun	19.7%	15.7%	Jan-Jun
Monaco	-7.2%	1.4%	Jan-Nov	-5.7%	3.6%	Jan-Nov
Montenegro	-2.8%	-0.2%	Jan-Nov	6.4%	-5.1%	Jan-Nov
Netherlands	5.9%	4.6%	Jan-Nov	19.3%	4.1%	Jan-Nov
Norway		11.4%	Jan-Aug	14.8%	10.6%	Jan-Nov
Poland	3.4%	10.2%	Jan-Oct	-3.0%	7.0%	Jan-Oct
Portugal	17.8%	6.1%	Jan-Oct	14.6%	4.8%	Jan-Oct
Romania	-11.7%	13.6%	Jan-Nov	-7.1%	10.4%	Jan-Nov
Serbia	28.9%	12.3%	Jan-Nov	51.8%	9.2%	Jan-Nov
Slovakia	-13.0%	3.2%	Jan-Nov	-19.1%	3.1%	Jan-Nov
Slovenia	7.5%	8.5%	Jan-Nov	8.8%	6.9%	Jan-Nov
Spain	11.8%	10.7%	Jan-Nov	8.1%	7.2%	Jan-Nov
Sweden				6.8%	10.2%	Jan-Nov
Switzerland	-0.3%	5.5%	Jan-Oct	-0.2%	4.2%	Jan-Oct
Türkiye	16.6%	7.1%	Jan-Nov			
UK	4.0%	11.0%	Jan-Jun	12.0%	5.0%	Jan-Jun

Sources: 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 22.01.2025

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-on-year

	Inbound*					Outbound**				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
data/estimate/forecast* **	d	e	f	f	f	d	e	f	f	f
World	**13.7%**	**102.6%**	**36.9%**	**13.3%**	**12.9%**	**12.4%**	**106.3%**	**37.9%**	**13.7%**	**13.1%**
Americas	**17.4%**	**90.0%**	**27.3%**	**8.2%**	**9.2%**	**17.6%**	**96.1%**	**32.5%**	**9.1%**	**8.7%**
North America	21.3%	78.7%	24.4%	8.3%	9.9%	23.9%	84.4%	31.5%	9.3%	8.5%
Caribbean	56.0%	53.2%	18.2%	7.5%	6.7%	46.2%	92.5%	19.9%	8.1%	11.6%
Central & South America	-24.1%	208.1%	43.5%	8.2%	8.8%	-13.7%	172.2%	38.6%	8.1%	9.2%
Europe	**27.4%**	**91.8%**	**19.1%**	**8.8%**	**10.0%**	**24.2%**	**99.4%**	**20.2%**	**9.3%**	**10.7%**
ETC+2	23.6%	100.7%	18.4%	8.1%	8.9%	19.5%	107.0%	18.8%	8.1%	9.0%
EU 27	17.7%	106.5%	19.1%	8.0%	8.7%	19.3%	109.6%	18.9%	8.1%	9.0%
Non-EU	72.1%	45.4%	19.2%	12.3%	15.5%	47.0%	60.4%	26.3%	15.2%	18.3%
Northern	-5.7%	203.8%	17.7%	8.2%	7.9%	-6.9%	226.2%	19.6%	6.8%	9.9%
Western	4.8%	93.6%	22.0%	3.1%	7.4%	30.7%	83.2%	17.4%	6.8%	8.5%
Southern/Mediterranean	59.5%	89.5%	17.2%	7.7%	8.6%	25.4%	109.9%	22.7%	9.5%	8.3%
Central/Eastern	28.2%	41.2%	20.2%	24.3%	20.7%	25.1%	57.0%	26.6%	14.8%	11.3%
- Central & Baltic	9.3%	92.3%	17.5%	22.4%	11.3%	11.6%	78.9%	19.7%	14.2%	9.4%
Asia & the Pacific	**-55.1%**	**233.9%**	**173.5%**	**32.6%**	**22.3%**	**-51.4%**	**199.2%**	**177.9%**	**34.6%**	**22.6%**
North East	-36.4%	55.0%	418.5%	43.3%	24.5%	-54.8%	89.5%	373.6%	44.6%	27.5%
South East	-87.6%	1216.5%	136.2%	26.1%	21.2%	-67.5%	419.4%	107.5%	23.9%	17.0%
South	10.4%	99.6%	15.5%	18.8%	16.6%	11.8%	174.9%	45.6%	22.7%	10.9%
Oceania	-80.1%	827.9%	93.1%	18.2%	19.5%	-65.5%	785.3%	74.6%	12.2%	14.2%
Africa	**26.6%**	**89.3%**	**37.1%**	**13.8%**	**12.1%**	**5.2%**	**99.5%**	**41.8%**	**15.1%**	**14.5%**
Middle East	**18.9%**	**157.8%**	**39.3%**	**8.6%**	**14.1%**	**50.6%**	**130.8%**	**29.3%**	**3.3%**	**13.5%**

* 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

***data is the final historical numbers available. Estimates are using high frequency indicators

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, and

Central/Eastern Europe is Armenia, Azerbaijan, Belarus, Bulgaria, Czechia, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine;

Central & Baltic Europe is Bulgaria, Czechia, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, and Slovakia;

ETC+2 is all ETC members plus Sweden, and the United Kingdom

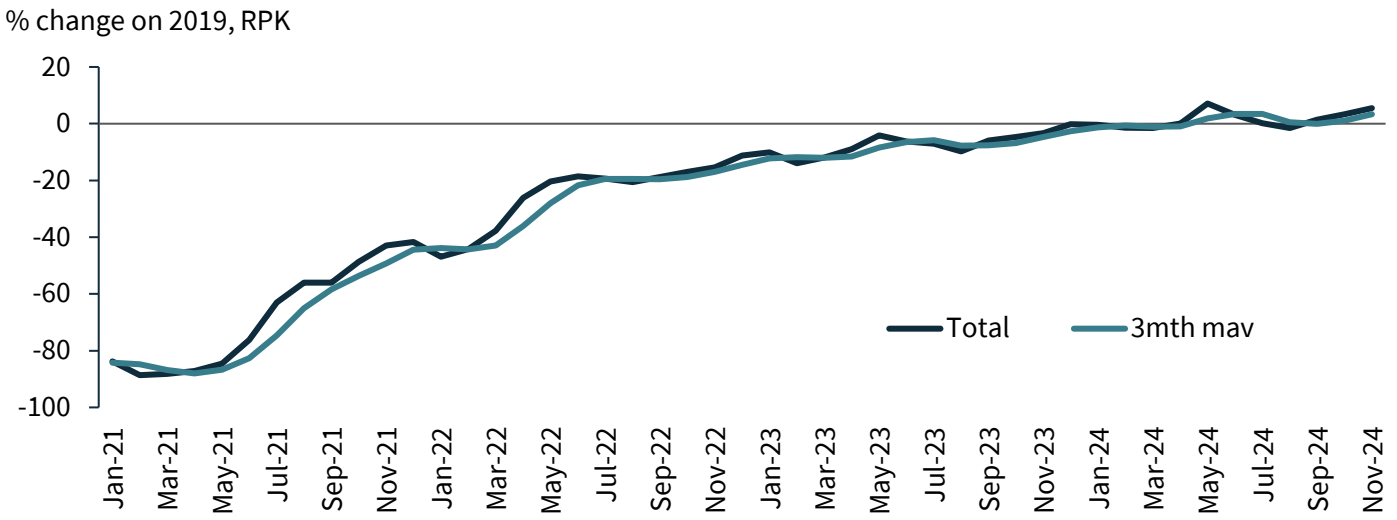
Source: Tourism Economics based on GTS as of 17.12.2024

3. Recent industry performance

3.1 Air transport

Relative to pre-pandemic levels growth in European air passenger demand was hindered in Q3 according to international revenue passenger kilometres (RPK) data, which were 0.1% lower compared to Q3 2019.

International air passenger growth (%), Europe

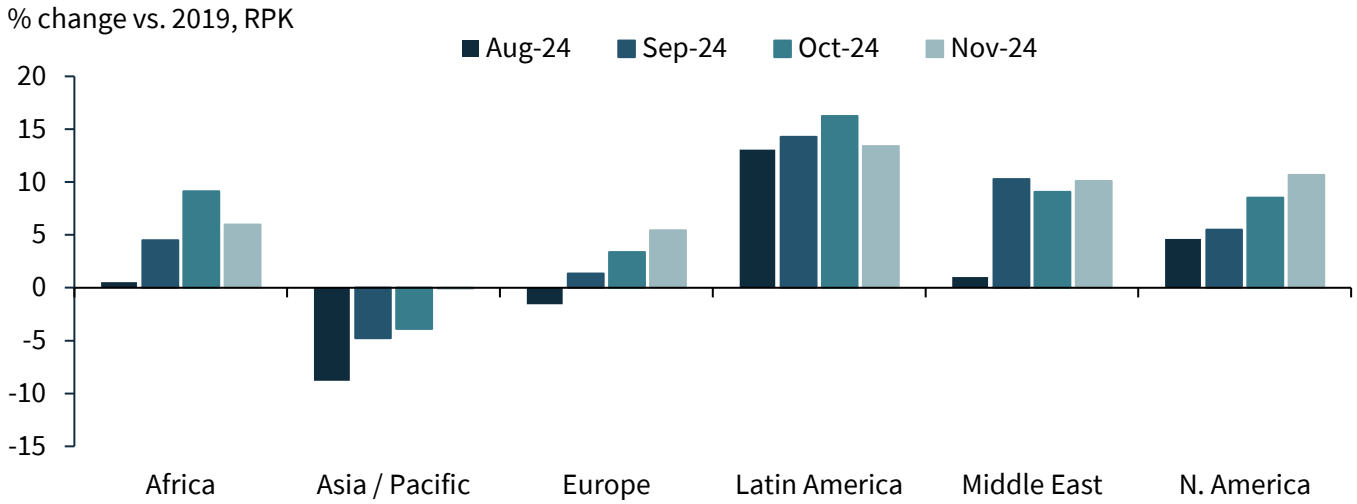


Source: IATA

Regional Air Passenger Outlook:

- European air travel demand growth in July was weak at 0.2%, the Q3 decline was wholly due to a decline of 1.6% in August. In July and as anticipated in the previous report, growth was weighed down by thousands of cancelled flights over a three-day period during this month as a result of the faulty update from CrowdStrike affecting its flagship product (Falcon).
- In August, growth in Europe looks to have been partly stifled by capacity constraints with available seat kilometres (ASK) only 2.3% higher compared to the same month in 2019. This marked the slowest growing month of 2024 on an ASK basis (based on data to November) compared to 4.1% for 2024-to-date. But across the summer (July & August), it is likely that this slump was at least partially linked to several aviation strikes which took place in these months across several European countries including Ireland, Italy, and the UK.
- Although demand growth among European airlines fell into negative territory in August (based on the average spanning July-September), growth swiftly rebounded in September. This highlights that demand in the region is clearly on an upward trajectory. November alone was 5.4% higher compared to 2019 (and 9% higher compared to 2023). This implies a strong finish is on the cards for Europe in 2024.
- Elsewhere, African countries reported an upward tick in international air passenger demand from August onwards, with October emerging as a standout month with demand 9.1% higher compared to 2019. While growth was partly supported by a rise in capacity across the region, rising demand was a bigger driver in recent months. Demand exceeded supply and consequently load factors for the region hit a record high in August (79.1%) and are on course to do the same on an annual basis (74.8% based on year-to-November data). Nonetheless, Africa's capacity remains the least utilised of all regions as the only one expected to record annual load factor below 80% in 2024.

International monthly air passenger growth (% change)



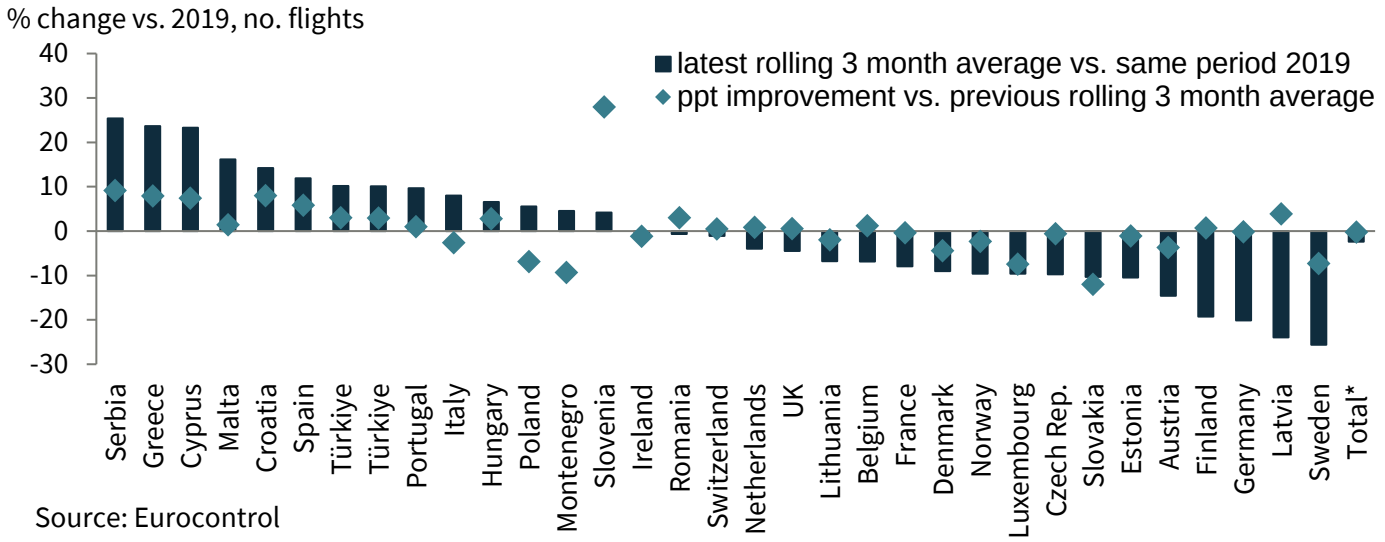
Source: IATA

More recent flight data from Eurocontrol provides country level detail for Europe covering the entirety of 2024 and appears to confirm the strong end to the year based on analysis of the IATA data. The latest outturn illustrates mixed demand for European countries, with around half of reporting countries seeing more flights in the last quarter of 2024 compared to the same period in 2019, and the other half seeing less.

For the region as a whole, the number of flights were 2.4% lower in Q4 2024 compared to Q4 2019, despite a slight improvement towards the end of the year. This decline continues to be (as it was last quarter) partly symptomatic of supply shortages across the industry for new aircrafts, and aircraft components and we are starting to see airlines such as BA announce changes to flight schedules because of this. Consequently, aircraft utilisation (i.e., load factor) across Europe has been mostly tracking above that of 2019 and is likely to continue rising. Airlines will need to carefully manage their fleets to maximise available capacity until supply side issues abate.

- Serbia experienced the fastest growth in flight volumes with 25% more flights in the final quarter of the year compared to the same period in 2019, much of which has been due to the continued expansion of routes and services by Air Serbia. Growth also ticked upwards by 9.2pp in Q4 compared to Q3. More routes are planned in 2025 from Belgrade to Shanghai, Olbia, Mykonos, Ibiza, and Florence.
- Greece recorded 23.7% more flights in Q4 2024 compared to the same quarter in 2019, with growth higher in Q4 compared to Q3. As alluded to in the previous quarterly report, Greece has been attempting to extend its tourism season into the shoulder months (September-October) to increase the resilience of the industry. If this leads to higher demand over this period, it may help to alleviate some of the overtourism-related pressures felt at the height of the summer (July-August).
- Sweden reported the largest fall in flights, with volumes 25.6% lower in Q4 compared to Q4 2019. Further, this represented slower growth compared to Q3 by 7.3ppts and this decline was largely driven by a fall in domestic flights. Scandinavian Airlines (SAS) cancelled or reduced flights from several Swedish airports in Q4 due to aircraft shortages. However, through a strategic partnership with Braathens Regional Airways (BRA), SAS intends to expand connectivity, with seven BRA aircraft operating on SAS' domestic network from Stockholm Arlanda Airport. This expansion, scheduled to roll out in January 2025 could support a return of domestic flight volumes. The Swedish government's decision to abolish 2018's aviation tax in 2025 could spur growth further, in both domestic and international demand.

European air traffic by country, total flights arriving and departing (% change)



Source: Eurocontrol

3.2 Accommodation

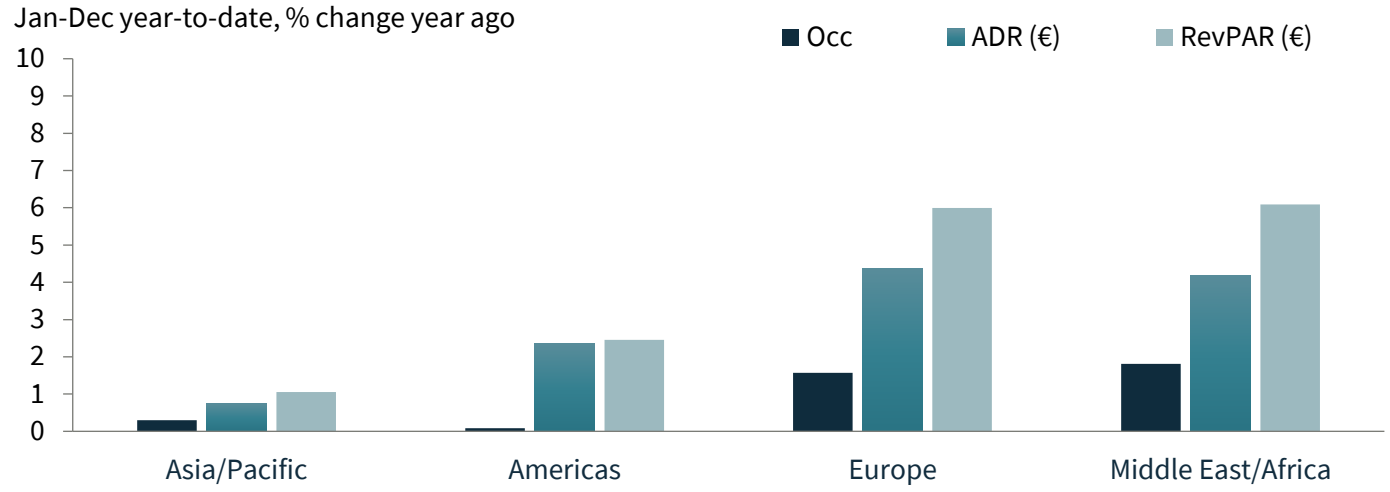
Global hotel performance largely had a strong end to 2024 with only occupancy in Asia Pacific and ADR in Europe reporting slightly weaker growth than last quarter compared to 2023. Furthermore, growth across all metrics was up on the year, including an improvement for US occupancy, which saw a decline over the first three quarters of the year. Overall, growth rates remained closer to more typical levels as the impacts of the pandemic have or are close to being fully realised in the data.

Global Outlook:

- At a collective level, average growth across all regions for hotel performance metrics (occupancy, ADR and RevPAR) was up on last quarter, suggesting that on the whole, the hotel sector had a stronger end to 2024 compared to the same period last year.
- The slower return of tourists to Asia Pacific continues to be reflected in both ADR and occupancy, with growth remaining below 1%. There has however been some improvement on last quarter, with RevPAR growth rising to 1.1% (up from 0.7%) and this was solely driven by a rise in ADR (from 0.4% to 0.7%). Modest growth is aided by the gradual increase in outbound travel from China to Europe that is expected to continue into 2025.
- Americas saw a marked improvement in occupancy in the last three-months of the year, pushing growth from a -0.4% decline back up to positive territory at 0.1%. Some of this improvement could be attributed to stronger demand in Central and South America which tend to experience better weather in September-December. Growth may have been stronger in North America without the US elections as well as tensions surrounding the uncertainty of the Trump administration, as analysis suggests hotel performance struggled at times during November.
- Europe continues to show resilience and strength, with growth in ADR and RevPAR ahead or in line with performance in the Middle East/Africa. Compared to last quarter there is an increase in occupancy from 1.3% to 1.6% which may suggest a stronger autumn/winter period. In contrast, there was a slight slowdown in ADR (4.4% from 4.6%), suggesting value-seeking behaviour among tourists is more prevalent than in 2023 as tourists attempt to find value for money.
- In the Middle East and Africa, popular tourist destinations such as Dubai and Saudi Arabia have lent to an increased occupancy rate from 1.3% to 1.8%. However, hotel pricing power has remained sticky across the region with a rise of just 0.1% in ADR. This could be due to continued geopolitical tensions, but with the decision of a ceasefire between Israel and Hamas in January 2025 there may be expectations that rate will

start to climb as the region regains market pricing power, however there is still much uncertainty.

Global hotel performance



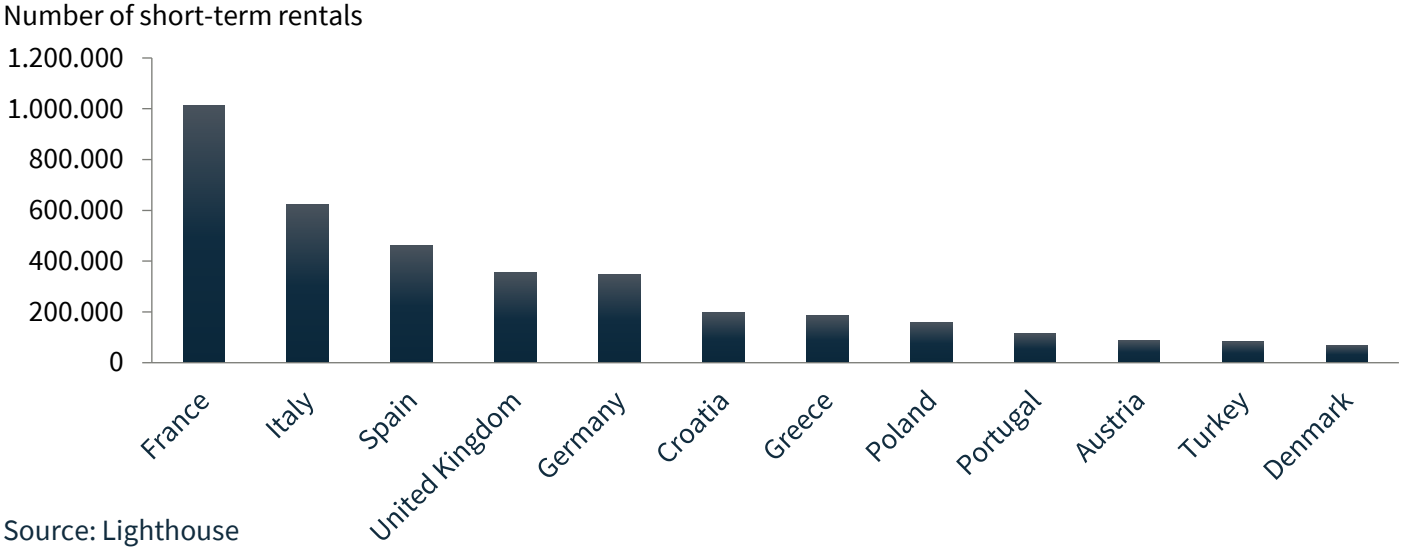
Source: STR

Short-term rentals

Europe reported a rise of roughly 9.2% in the supply of short-term rental units since November 2024, in absolute terms, this represents 369,000 additional units compared to the previous year. As of November, nearly 4.4 million short-term rental units were available for tourists year-to-date. However, since last quarter, with data from Lighthouse out to August, supply has fallen by 6.8% or in volume terms, by 321,000 properties.

Consistent with our previous edition, the largest European country in terms of short-term rental supply remains France, and with just over 1 million properties as of November 2024, short-term rental supply in the country grew by over 100,000 units YOY versus November 2023. This supply growth was driven by the 2024 Summer Olympics in Paris, and it comes through in the data. With over 1.1 million short-term rental units in France as of August 2024, supply is down 93,000 units over the past 3 months. This is perhaps indicative of a broad downward trend in French short-term rental supply, as property owners who previously offered their homes as an Olympic rental remove their properties from the supply. This ultimately could drive French (and perhaps more specifically Parisian) short-term rental supply in the direction of previously stabilised levels. Time will tell, if this is a trend, a blip in the data, or a seasonal supply adjustment, and it is something Lighthouse will continue to monitor over the coming quarters.

Short-term rental units across Europe, 2024, year-to-date to November



Source: Lighthouse

While France is the European country with the most significant absolute decrease in short-term rental supply compared to data up to August (19% of Europe's supply total reduction was due to decreases in French supply), it is worth noting that of all European countries with at least 4,000 short-term rental units, Germany, Cyprus and Switzerland were the only ones to experience growth in supply relative to August 2024 - all other countries in this category saw a decrease in supply. This is consistent with the typical trend we see, with more homeowners offering their properties for rent over the summer - in 2023, there was a roughly 200,000-unit supply reduction from August to November.

In terms of ADR, Monaco, which recorded the highest ADR market in Europe in quarter 3, was surpassed by Iceland. In the year to November 2024, the average monthly median ADR for Iceland was €216, surpassing Monaco, which achieved an average monthly median ADR of €213 over the same time period. Monaco topped the ADR rankings in September, but Iceland outperformed Monaco in October and November to take the top spot. At a macro level, the Europe-wide average monthly median ADR in the year to November 2024 was approximately €112, which represents a YOY increase of approximately 9.7% from the average monthly median ADR of €102.

4. Key themes

Summary

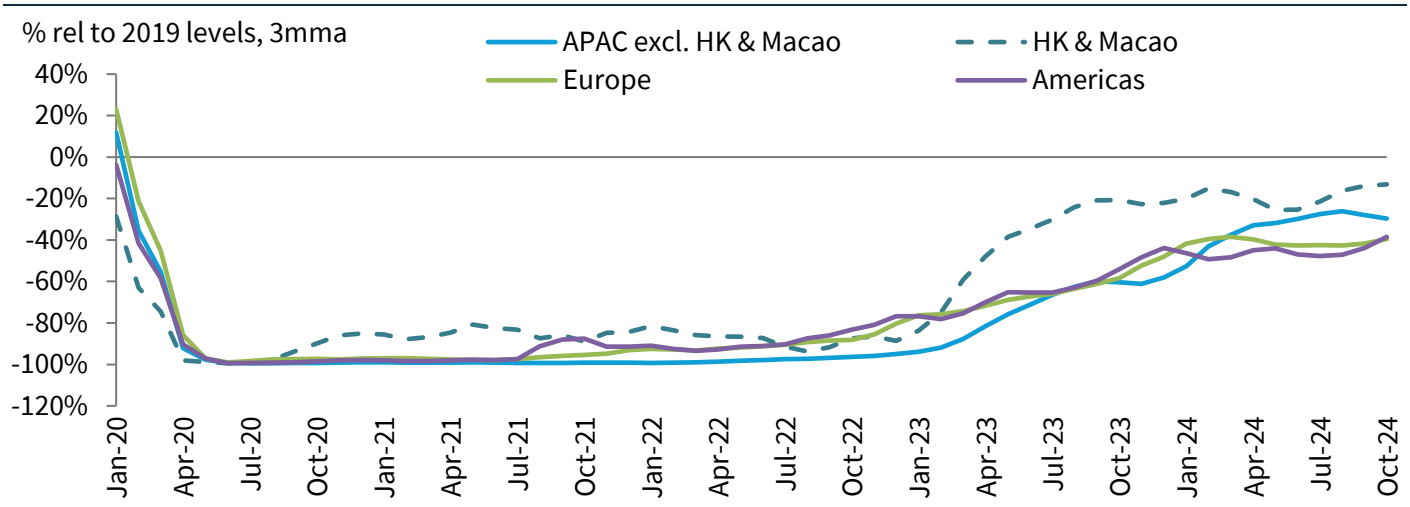
- Long-haul travel has remained a gap in the recovery of European travel, with arrivals from the Asia/Pacific region and in particular China still slow to come back in 2024. So far, travel from the region has been concentrated in short- and medium-haul destinations, but long-haul travel should pick up in 2025.
- A second Trump presidency poses an opportunity for European destinations to gain a greater share of Chinese travel next year, as it did during the 2017-2020 Trump administration, with potential similar impacts on other source markets according to implemented trade policy.
- Arrivals from countries facing travel bans to the US will not have a material impact on European travel demand if Europe is chosen as an alternative long-haul destination, because they make up a very small share of total arrivals to the region.
- Outbound travel from the US is set to remain resilient as the slightly less favourable US$/Euro rate and higher inflation should be offset by stronger economic fundamentals and spending off the back of planned tax cuts. This is despite a minor fall in disposable income, highlighting the continued prioritisation of travel.
- Inbound spend to Europe has continued to improve across many destinations towards the end of 2024, with Germany almost back to a full recovery. However, value-for-money remains a key consideration for tourists, with implications for destination choices, length of stay and in-destination spend.
- Costs remain a top concern for tourism businesses, with financial factors continuing to be the biggest challenges for tourism. But they also see value-for-money as an opportunity for growth in the industry, alongside growth in domestic tourism and emerging sustainability trends.

4.1 Special focus: Risks and opportunities to the long-haul travel outlook

International arrivals to Europe are estimated to have ended 2024 2% ahead of 2019 levels, but this has been largely driven by short- and medium-haul travel. Arrivals from long-haul source markets are set to be -5% below and a lot of this persistent weakness comes from the Asia/Pacific region and in particular China (-48% below).

Travel activity within Asia/Pacific has largely been concentrated to short- and medium-haul destinations (Hong Kong, Macao and the wider region), rather than further afield. Supply-side issues relating to the availability of flights to long-haul destinations in Europe have played a role in this. Airlines had to react to the pandemic, but many airlines, and notably European carriers, have also had to adjust flight paths to avoid Russian airspace since 2019.

Outbound trips recovery from China by region destination (% rel to 2019 levels, 3mma)



Source: Tourism Economics

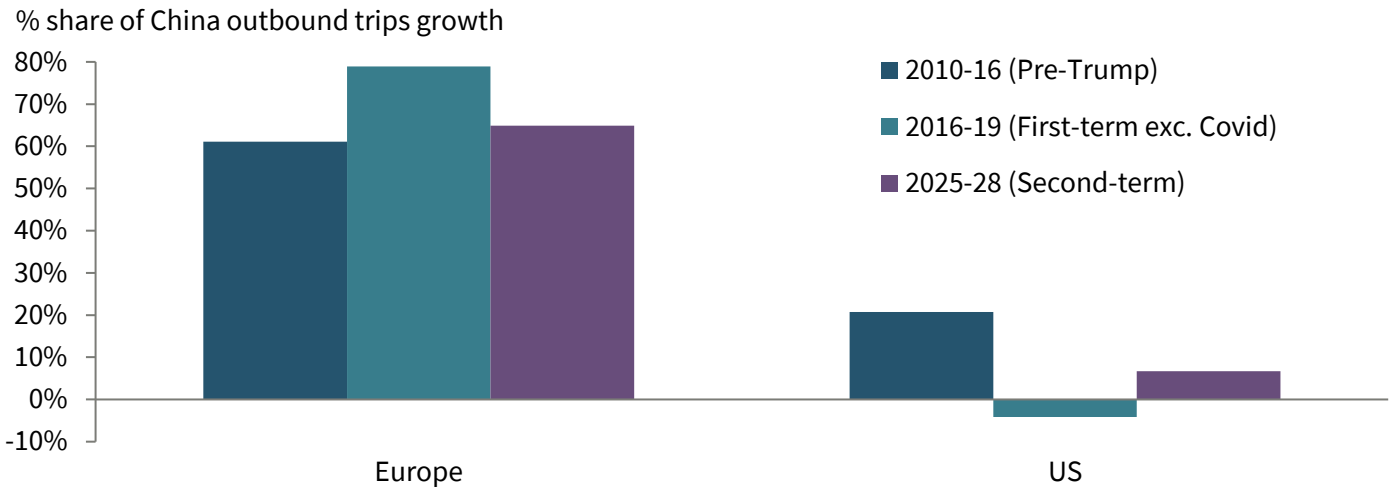
The second Trump presidency poses some uncertainty for the economic and travel outlook in 2025. The immediate macroeconomic impacts from a second Trump term involve a short-term boost due to tax cuts. Under this, inflation is expected rise slightly faster and will weigh slightly on disposable income, which is now set to grow slightly slower at 2.4% (down from 2.5% based on Oxford Economics forecasts from October 2024). However, consumer spending will continue to rise on the year and tax cuts will favour high-income households which are more likely to travel long-haul to destinations, which includes Europe.

However, the scale and reach of each of these policy effects is highly uncertain. For Europe, this uncertainty will pose both risks and opportunities to firstly, the expected improvement in long-haul travel from the Asia/Pacific region and secondly, regarding the continued growth in travel demand from the US.

Focusing on China as the largest source market in the region for Europe, potential impacts on long-haul outbound travel can be initially assessed by looking back to Trump's first term in office. During this period, Europe gained a larger share of Chinese tourism demand, with growth in the share of Chinese outbound trips rising to 78.9%, up from 61.1% pre-Trump. At the same time, the US saw shares growth fall to -4.2% during the first term, due to sentiment effects and some reduced air capacity between China and the US. Sentiment surveys throughout 2024 and the latest ETC long-haul barometer continues to suggest that safety is key factor in selecting a long-haul destination. Recent news articles have supported this, highlighting concerns over travel bans and visa restrictions in the US.

If travel sentiment towards the US did materially impact bookings, then Europe is likely to be a beneficiary. This would provide an opportunity for destinations to take advantage of higher travel demand. Based on previous reactions to a Trump presidency and the not-yet-fully-realised pent-up demand from China following the pandemic, Tourism Economics expects a similar difference in shares growth between Europe and the US over 2025-28. The difference is smaller than it was in the first-term, and we can put some of this down to the fact that the world has witnessed a Trump presidency once before, so somewhat know what to expect.

Share of Chinese long-haul outbound travel (%)



Source: Tourism Economics

The displacement of tourists from the US to Europe is also likely to come from countries that are set to face travel bans, as they did in Trump's first term. Countries facing a travel ban such as Iran, Libya, Syria and Venezuela did report weaker growth in arrivals to the US during 2017-2019 and simultaneously stronger demand for European travel. But the volume of tourists in total from these countries only makes up around 1.3% of total arrivals to Europe (and an even lower share of US arrivals), so any impact on the region will be minimal, even if growth does increase strongly.

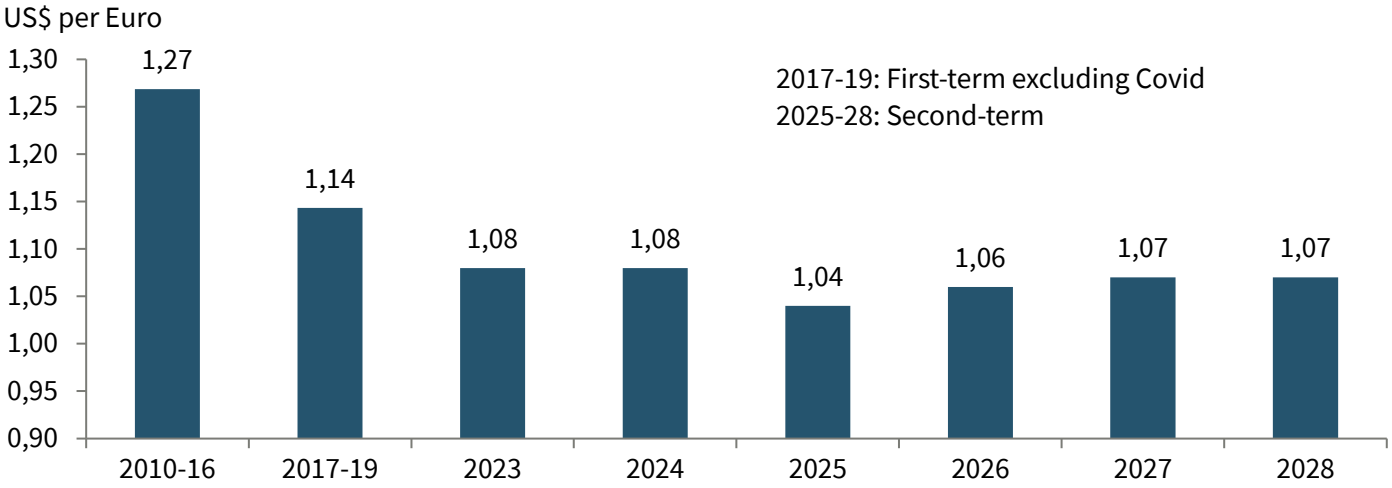
There is a potential impact on outbound travel from the US, affecting Europe, which has largely relied on this long-haul market during the recovery period following the pandemic. Costs have been key to the stronger growth in transatlantic travel volumes witnessed over the last few years as US tourists have enjoyed a more favourable US$/Euro exchange rate. But under this new Trump government, there is a greater upside risk to inflation and subsequently the disposable income of households. This is largely a consequence of the imminent tariffs expected

to be imposed on many trading partners, affecting a wide range of industries which are anticipated to be significantly higher in total than in Trump's first term. The US$ is expected to weaken slightly from current rates, but will remain strong, with less depreciation than in earlier forecasts.

Higher costs associated with long-haul travel may result in more domestic or short-haul travel choices. This has been reflected in the results of Tourism Economics' Q4 Travel Industry Monitor Survey. When asked about the impact of the US presidential election on travel, more than two fifths of all respondents and almost two thirds of US respondents confirmed that the outcome of the election has changed their view on the travel outlook. For both sets of respondents, the broad expectation was that inbound travel would be negatively impacted - both next year and in the medium term - while respondents expect stronger domestic tourism over the next few years. This could mean that there some substitution between domestic and international travel among lower-income households, possibly impacting US outbound travel to Europe.

The impact of higher costs and changes to the US$/Euro exchange rate will also need to be considered alongside the anticipated positive impacts on spending coming through via expected tax cuts. This lift to consumer spending is only expected in the short term and more skewed towards higher-income households. Further out, consumer spending is set to soften over 2027-28 as inflation picks up, driven partially by tariff policies.

Exchange rate, US$ per Euro



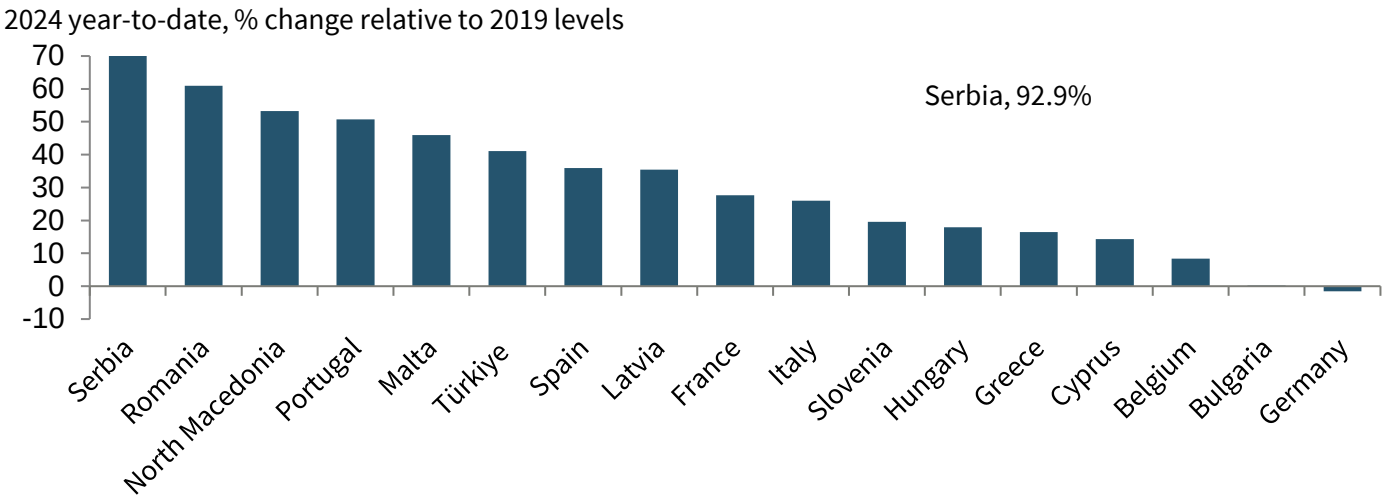
Source: Oxford Economics

4.2 The value of European tourism

The latest estimate for 2024 suggests that tourists spent 7.8% more across Europe than they did in 2023. This equates to €705.4bn euros (nominal terms), driven by Western Europe alone which accounts for nearly three quarters of total regional spend. Higher levels of inflation and increased demand for travel contributed to the increase.

Inbound spend across selected European countries for 2024 up to September (dates vary by country) ranged from 92.9% above 2019 levels to just -1.5% below which is a notable improvement on the third quarter where the weakest outturn came in at -12.4% below. Inbound spend in Belgium saw the largest improvement across these selected European destinations, previously at -12.4% behind 2019 and now ahead by 8.4%. This was largely due to a strong end to the summer and into September from German and Dutch tourists and now makes Germany the sole destination still in catch-up rather than growth territory for inbound spend. However, it has continued to build on the albeit slow improvement seen earlier this year, now just -1.5% below 2019.

Inbound travel spend in selected European destinations (% change vs. 2019)



Sources: Haver Analytics* *date varies (Jan-Sep) by destination

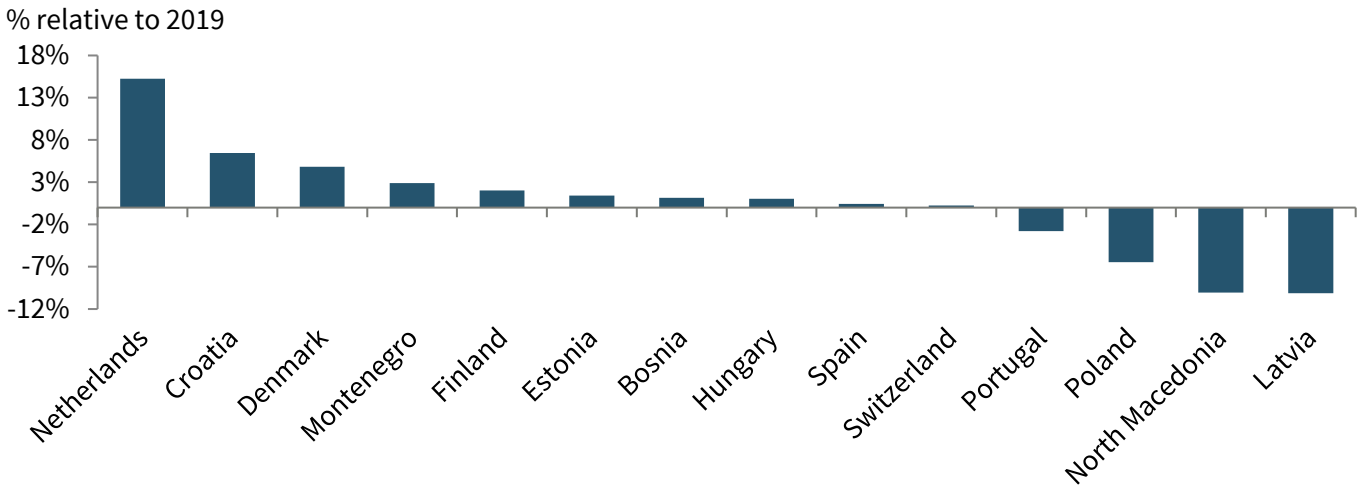
Encouragingly, growth remains strong for destinations such as Romania (60.9%) and Slovenia (19.6%), although growth is coming from a small base. For Romania, the stronger outlook in spending is likely due to a more favourable exchange rate relative to the Euro in 2024 than 2019. This is not the case in Slovenia, which uses the Euro and where arrivals from Europe have recently made up 88-91% of total international arrivals. Tourism revenue growth in Slovenia has been due to higher average spending with limited growth in tourist arrivals.

Tourism Economics' Travel Trends Survey (TTS) captures the views of more than 4,000 respondents across eight key outbound tourism markets – Australia, Canada, China, France, Germany, Italy, the United Kingdom, and the United States. The latest findings indicate that consumers are becoming more cost-conscious. This is sparking a wave of value hunting which presents new opportunities for destinations. Based on the latest travel data, the trend appears to be benefitting some smaller, "off the beaten track" destinations which are perceived to be more budget-friendly such as Montenegro and Albania. Furthermore, as some consumers pragmatically adapt their behaviour to save costs, there is evidence of faster travel growth during shoulder months in 2024, and notably for Mediterranean destinations which are traditionally skewed toward summer visitor activity. Other than travel being generally cheaper in the shoulder months, tourists may also prefer visiting at times where attractions are less overcrowded, and temperatures are more comfortable. However, travel costs remain elevated, partly influenced by sticky higher services inflation, a key challenge for consumers and the industry alike.

Growing adoption of tourist taxes in popular destinations may also play a role in shifting travel behaviours, especially among those most sensitive to price changes. With many household budgets squeezed, the implementation of a tourist tax may tip the balance for some destinations and lead to increased demand for destinations perceived to offer the best value for money. Survey results show that tourist taxes could be a financial barrier to travel as 41% of travellers oppose destinations charging a fee to help tackle overtourism and provide additional funds for tourism infrastructure improvements. There was greater resistance to tourism taxes among those who perceived themselves as financially worse-off compared to a year ago with 50% against them. This finding highlights the sensitivities of consumer behaviour in relation to increased travel costs and reinforces the need for travel brands to promote both quality and value in their offerings.

Decisions for cost conscious travellers could come in the form of changing to a cheaper destination or choosing to stick with the original choice for a shorter stay. From a destination perspective however, a longer stay by tourists tends to provide greater spending and economic impact. Average length of stay data up to November 2024 shows that tourists visiting the Netherlands spend longer there than prior to the pandemic (up 15.2%). There is a notable contrast in the average length of stay between neighbours Portugal and Spain relative to 2019, with Portugal lagging behind. This could possibly be cost-related as Portugal reported a faster rise in service sector prices in 2024 (4.5%) than Spain (3.7%).

Average length of stay in selected European destinations, 2024 (% change vs 2019)



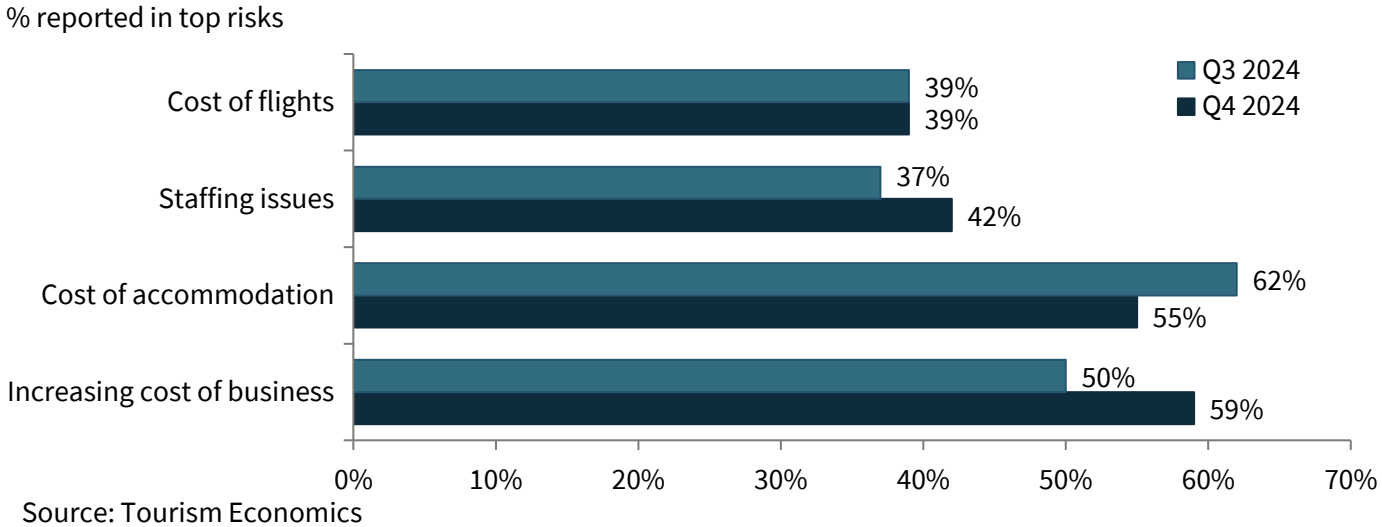
Sources: Haver/National Statistics/Tourism Economics* *date varies (Jan-Nov) by destination

4.3 Risks

The Tourism Industry Monitor (TIM) survey gauges industry professional's evaluation of the overall health of tourism globally, as well as its opportunities and challenges.

Financial factors, which can be defined as the increasing cost of business, cost of accommodation and cost of flights remained a significant global tourism challenge in Q4. Combining the results of these into this encompassing factor, results show that 87% of respondents mentioned at least one of these as a key tourism challenge. Compared to the results from earlier in the year (83% in Q2), financial factors have been an increasing challenge for the industry on a global scale and look to continue into 2025.

Top 4 key global tourism challenges



Source: Tourism Economics

Although the survey is more heavily weighted towards US respondents, the percentage of those in Europe identifying financial factors as a key tourism challenge were very similar and with -2% to 3% within the results from the US. Key differences were in staffing issues, with a higher percentage in Europe seeing this as a challenge. There was however less of a concern over other challenges such as bureaucracy and regulations in Europe than the global average as there was significantly more concern from the US which can be put down to, the impending change in the government administration at the time of the survey.

The trend in business tourism remains the most common opportunity for the tourism industry, from both a global and Europe perspective. Additional opportunities such as tourism infrastructure improvements and leisure events are seen as much greater globally than in Europe. Where Europe differs is that stakeholders in the industry are seeing more opportunities arising from increased domestic visitors to their destinations and growth stemming from sustainability trends among both businesses and consumers.

5. European travel sentiment tracker

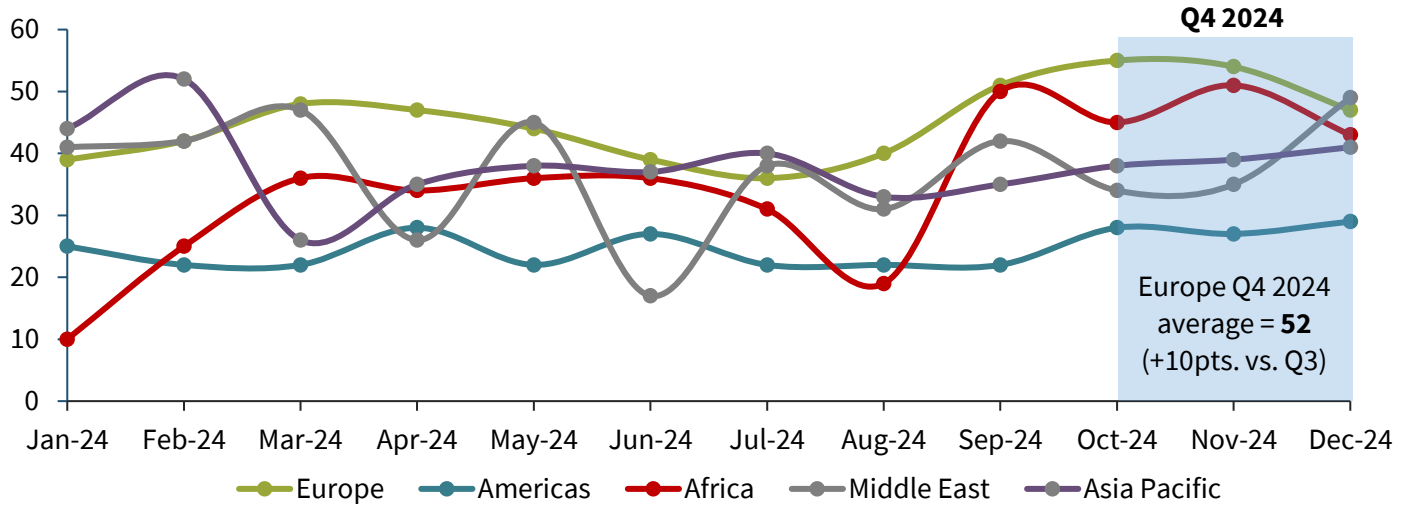
E-Reputation trends on travel in Europe

E-Reputation data, gathered from the TRAVELSAT© Sentiment Index by MMGY TCI Research, utilises social listening to assess destinations' online perception. Information shared by differing media, consumers, companies etc., on websites, forums, blogs & social networks is used. Net sentiment scores, ranging from -100 to +100, measure the balance between positive and negative sentiments to evaluate destination favourability. Value for Money and Sustainable Travel ratings are measured through sentiment scores derived of written reviews from 45 sources (e.g., TripAdvisor, Google Reviews, Booking.com, etc.), utilising advanced sentiment analysis technology to detect positive and negative sentiments towards specific concepts or topics, with ratings, ranging from 0 to 10.

For a further explanation of these methodologies please see Appendix 2.

Throughout the fourth quarter of 2024, the polarity of online social conversations regarding European travel stood at an average of 52 points (+10 pts. vs. Q3). Europe's score continued to increase in October, achieving its highest score in 2024, after which sentiment dropped in November and December. The floods in Eastern Spain affected sentiment in November, while the attack on Magdeburg's Christmas market in Germany affected December's score. However, Europe's score remained in first place in both October and November, only to fall very slightly behind the Middle East in December. Overall, Europe took the leading spot in global e-reputation scores in Q4 of 2024, holding at least 6 points more than all other world regions.

Net sentiment score per world region, P12M



Source: MMGY TCI Research

Several key themes drove the positive sentiment on European travel in the fourth quarter. Festive traditions and celebrations stood out in online content, captivating travellers with a blend of seasonal charm and cultural richness. In October, Halloween-themed activities shared online highlighted Europe's ability to transform destinations into magical and spooky experiences. As an example, Paris hosted a standout event at Club Haussmannien, where over 900 costumed vampires and wizards danced the night away in a "haunted castle" setting. Family-friendly Halloween events were also spoken about in travel blogs, such as **England's Castle Howard** featuring a Pumpkin Trail and Germany's Europa Park enchanting visitors with its blend of cute and spooky decorations.

As the season transitioned into winter, Christmas festivities took centre stage online. Strasbourg, France, was celebrated as the "Christmas Capital of the World", charming visitors with its iconic festive Christmas market. Switzerland's Grindelwald village also garnered attention in online conversations for its magical medieval architecture and cozy Christmas markets offering local crafts and foods. Offering a more unique experience, ancient traditions such as Krampusnacht in the European Alps and Mari Lwyd in Wales were showcased online, adding a folkloric dimension to the seasonal cheer.

Food-related content also made a strong impact within travel-related stories on Europe. One online conversation topic centred on Lisbon being crowned **Best Culinary Destination in Europe** at the World Culinary Awards, praised for its innovative culinary scene. Novel events like AfroFlavors celebrated the city's diverse heritage, offering a taste of African history through food. Romania also stood out, with stories spotlighting growing appreciation for local, seasonal ingredients, including Black Angus beef and artisanal smoked cheeses. Tuscany, Italy, added to this online narrative in November, combining nature and gastronomy during its autumn harvest season, which featured olives, truffles, and new wines.

Another theme that came through in November's sentiment drivers was nature-based travel, with destinations like the Canary Islands promoted as ideal winter getaways. The content praised the mild temperatures, allowing for hiking and whale watching. Travel bloggers seeking sport-filled voyages mentioned **Chamonix**, France, due to the thrilling climbing opportunities it offers paired with breathtaking mountain views.

Lastly, December saw a notable focus on **green transportation initiatives** online. The launch of the first direct train service between Paris and Berlin was celebrated as a milestone in promoting sustainable travel. Similarly, the Fehmarnbelt link between Denmark and Germany was highlighted as an infrastructure project that will significantly reduce travel time for both road and rail transport, reinforcing Europe's commitment to eco-friendly connectivity.

Negative online drivers of reputation were shaped by two primary topics, namely **environmental disasters** and **security** issues. The devastating floods in Eastern Spain were among the most discussed topics online. Claiming over 200 lives, the disaster prompted significant criticism as a result of the perceived governmental mishandling of the crisis.

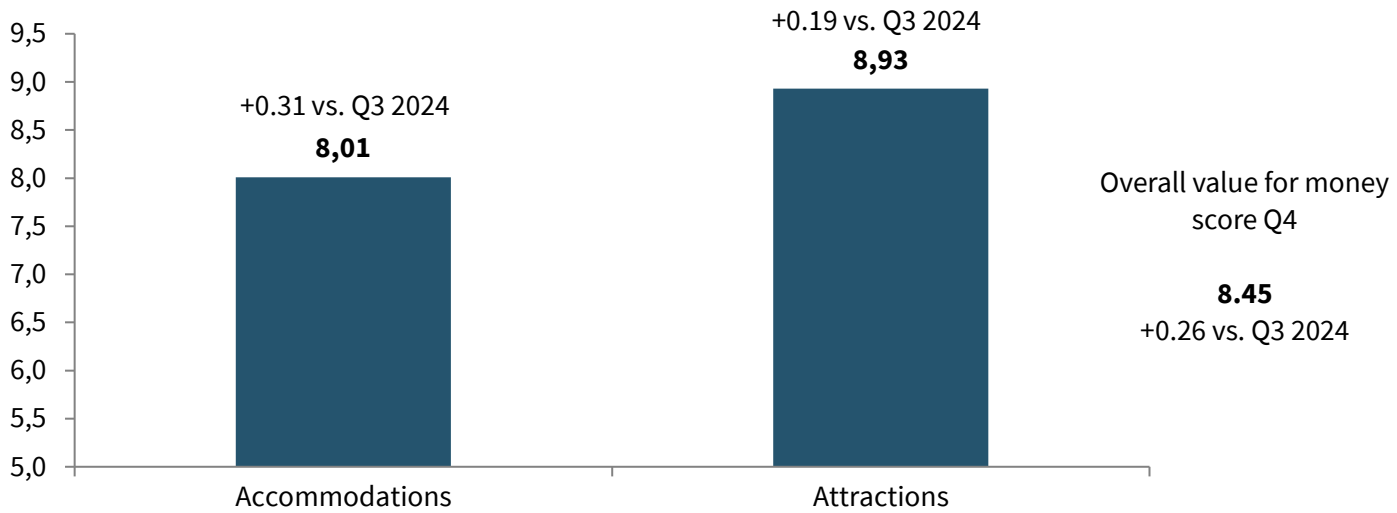
Stories related to security were present online in November and December. The attack at Magdeburg's Christmas market in Germany, which resulted in five deaths and over 200 injuries, was a particularly prominent story, leading to the temporary closure of many other Christmas markets across the country. Finally, violent clashes in Amsterdam following a football match between Maccabi Tel Aviv and Ajax in November were highlighted, with more than 60 arrests reported.

Focus on value for money from visitors' written reviews

Value for Money measures guests' perception of the worth or quality an experience has in relation to its cost.

The Value for Money sentiment score of European Accommodations and Attractions increased to 8.45 in the fourth quarter of 2024 (+0.26 points vs. Q3). Broken down by verticals, the score for Accommodations increased to 8.01 (+0.31 points vs. Q3), while for Attractions it increased to 8.93 (+0.19 points vs. Q3).

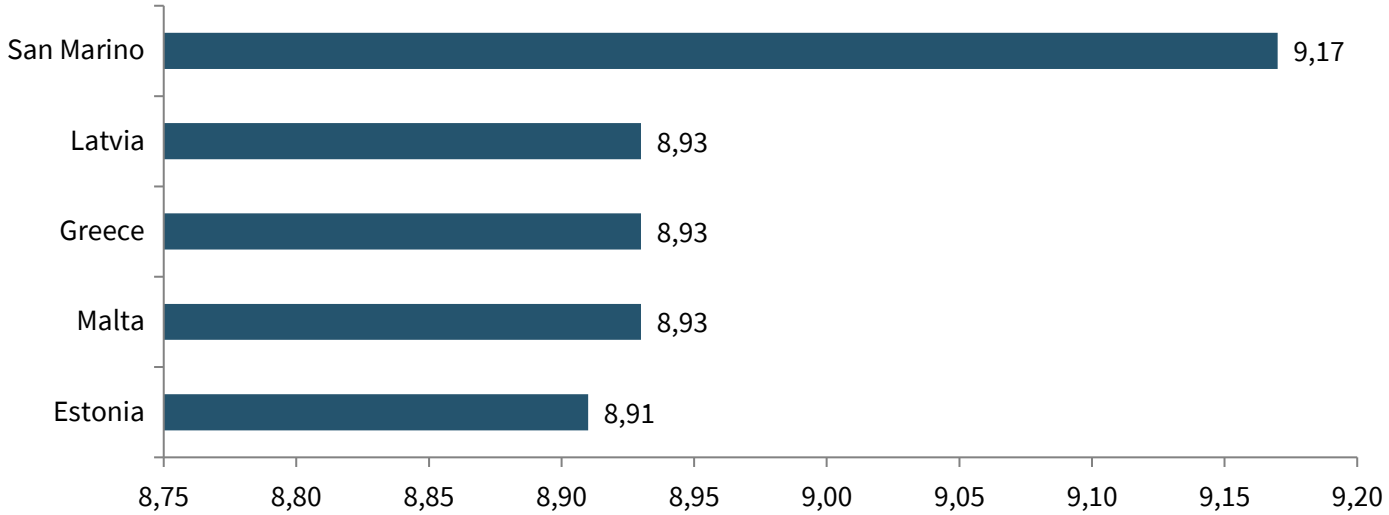
Value for money sentiment scores per vertical



Source: MMGY TCI Research

The five destinations receiving the most praise in terms of Value for Money in guests' written reviews were **San Marino, Latvia, Greece, Malta,** and **Estonia**. Online stories on these destinations suggest that they offer affordable dining, attractions, accommodations, or public transport. Some points in **San Marino's** favour that were shared in online stories regard its offer of historic attractions and museums with low entry fees, efficient transport, and the TuttoSanMarino Card, which provides discounts on tickets, tours, and restaurants[5]. Similarly for **Latvia**, its capital often holds free music events on Dome Square and access to its UNESCO-listed Old Town, while Latvia's national parks and beaches are easily reached by affordable train rides[6].

Destinations receiving the highest sentiment scores on the topic of value for money during Q4 2024



Source: MMGY TCI Research

Focus on sustainable travel from visitors' written reviews

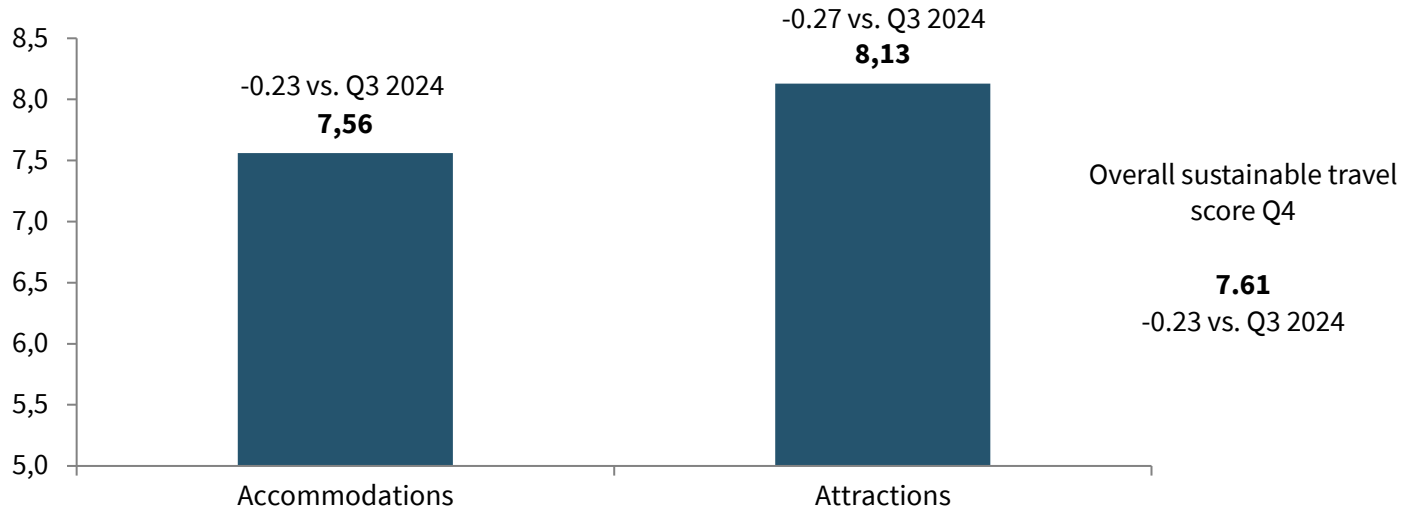
Sustainable Travel measures guests' perception of environmentally and socially friendly practices taken by operators.

The Sustainable Travel sentiment score of European Accommodations and Attractions decreased to 7.61 in the fourth quarter of 2024 (-0.23 points vs. Q3). Broken down by verticals, the score for Accommodations decreased to 7.56 (-0.23 vs. Q3 2024), while that of Attractions decreased to 8.13 (-0.27 vs. Q3 of 2024).

[5] Tiny nation, big spirit: How to experience the best of San Marino. Jan. 13th, 2025. https://www.minimalistjourneys.com/san-marino-travel-guide/?srsltid=AfmBOorcXsSyDGmmYdLPWdFnvt9Hlcyzq1-DTrswJrKfotTSHDWavsMq

[6] 24 of the best affordable city breaks in Europe. Jan. 17th, 2025. https://www.thetimes.com/travel/destinations/europe-travel/best-budget-city-breaks-in-europe-njwdwb8hq

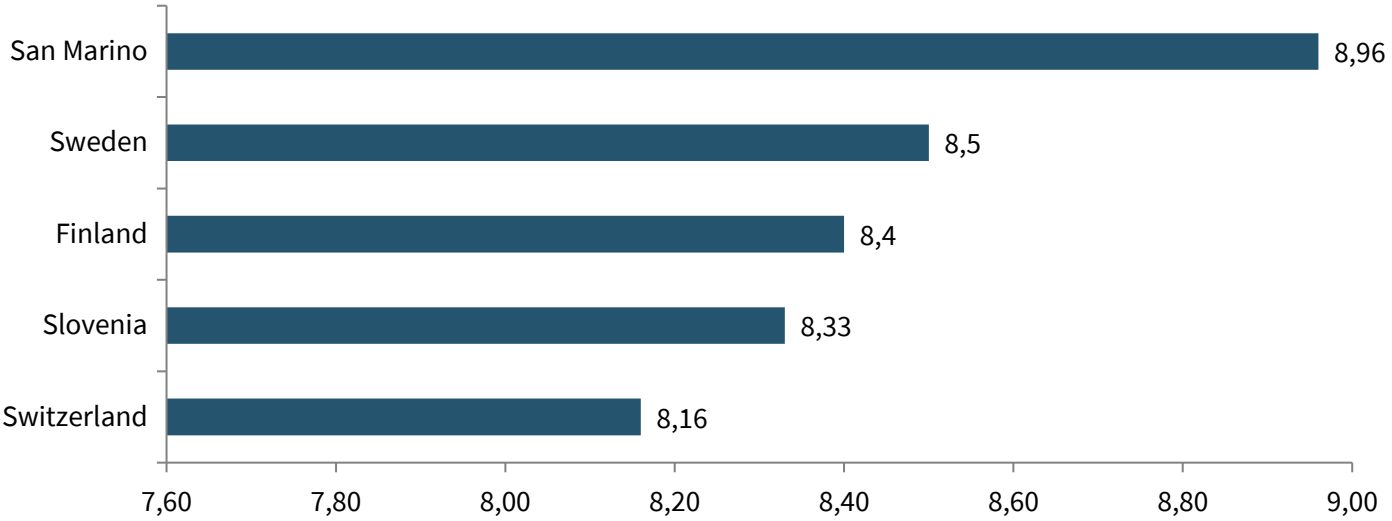
Sustainable travel scores per vertical



Source: MMGY TCI Research

In terms of guests' written reviews on Sustainable Travel, **San Marino, Sweden, Finland, Slovenia** and **Switzerland** received the most positive comments. One factor to consider is that San Marino published a three-year tourism strategy focusing on **improving accessibility** and **eco-friendly initiatives**[7]. An online story listed San Marino's increasing focus on renewable energy, modernising public transport with electric vehicles, conservation, waste management and support of greener accommodation[8]. West Sweden committed to the "Stepping up Sustainability initiative", working in public and private collaborations to minimise the tourism sector's environmental impact[9].

Destinations receiving the highest sentiment scores on the topic of sustainable travel during Q4 2024



Source: MMGY TCI Research

[7] The three year tourist programming, Oct. 31st, 2024. https://www.visitsanmarino.com/pub2/VisitSM/en/visitnews/20241031_CS_SdS.html

[8] Sustainability and green Initiatives in San Marino, April 13th, 2023. https://etichotels.com/journal/sustainability-and-green-initiatives-in-san-marino-san-marino/

[9] Destination West Sweden: Sustainability Showcase, 2024. https://sustainability-leaders.com/west-sweden-sustainable-tourism-spotlight/

6. Key source market performance

Trends discussed in this section relate to the period January to December 2024, although actual coverage varies by destination. Further detailed monthly data for origin and destination, including absolute values, can be obtained from TourMIS (http://tourmis.info).

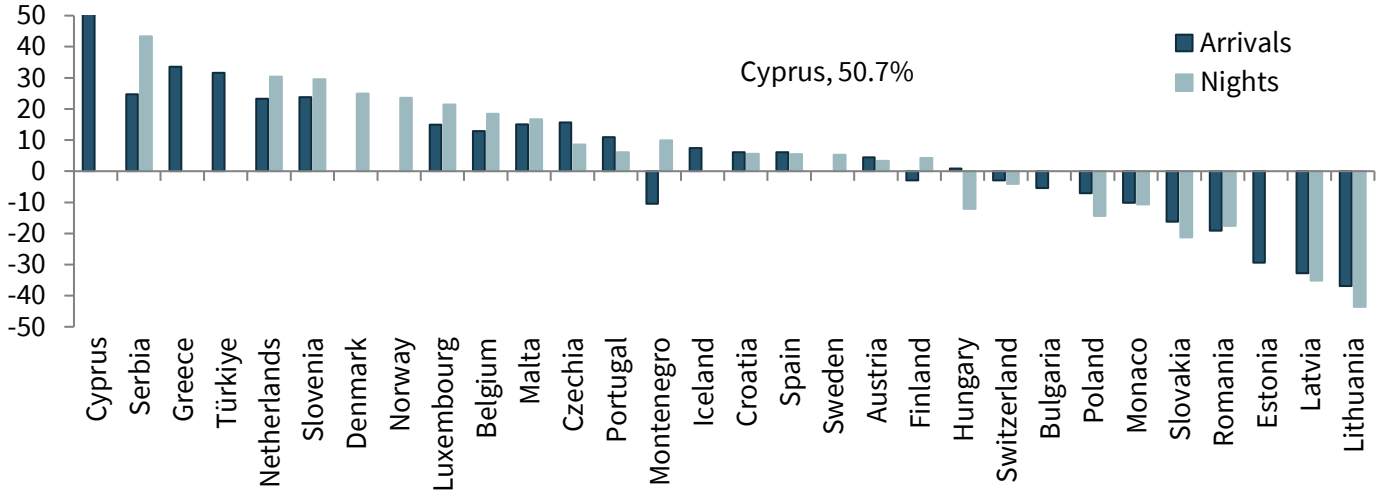
- Iceland recorded strong growth as a winter destination for tourists from several European source markets, including Italy, the Netherlands and Germany. Higher chances of viewing the northern lights due to the solar maximum event as well as possibly delayed trips from earlier in the year due to increased volcanic activity are possible reasons for the acceleration in demand.
- Visitor numbers to small destinations such as Serbia, Cyprus and Slovenia remained ahead of 2019 levels in the latter part of the year. These appeal to those looking for less well-known destinations and greater value-for-money, while for some non-European source markets such as China, they offer ease of travel. Growth in nights far exceeds arrivals for many source markets, suggesting a longer length of stay in these destinations than larger comparable ones in Europe.
- For the majority of Europe, travel from China and Japan remains persistently slow to come back. Visa processes are a part of this, but reduced flight connections between Europe and Mainland China also play a role. Increased travel options within Asia/Pacific have also contributed to more outbound short-haul travel than long-haul.
- Germany remains a destination that has yet to see the same volume of demand as 2019 for many source markets. Fewer flights and higher ticket prices are factors that are continuing to deter international tourists, but the recovery is continuing, albeit more slowly than in other destinations.
- The US remains an important source of demand for European destinations, with most seeing arrivals ahead of 2019 towards the end of 2024. Destinations that have not seen a strong revival in American tourists are largely within Central and Eastern Europe, such as Hungary and Bulgaria.

Key intra-European source markets

For most source markets, data suggest that travel remained strong into the late 2024 shoulder season (September-October). This is consistent with consumer value-for-money trends because it tends to be cheaper to travel during these months and a possible reaction to the high temperatures recorded in some sub-regions during peak summer season (July-August). Smaller destinations enjoyed a notably strong end to 2024, driven by cheaper prices than comparable destinations elsewhere in Europe. Demand for popular winter destinations remained strong in many cases, for example in Iceland with strong growth in travel to see the landscape and Northern Lights.

German visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019



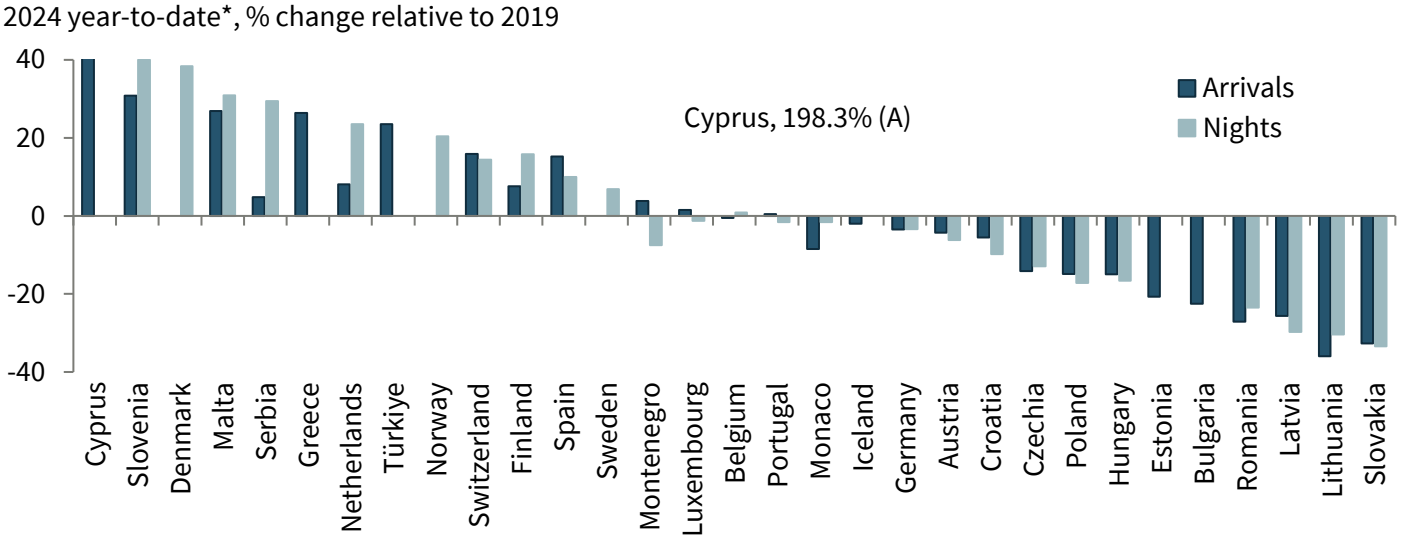
Source: TourMIS* *date varies (Jan-Dec) by destination

Iceland emerged as a growth destination in Q4 as arrivals from Germany jumped from being 1.7% below 2019 levels to 7.4% above. The opposite was the case for arrivals in Finland by German tourists, which saw values remain below 2019 levels once again at -3%. Elsewhere in Northern Europe, Denmark (24.9%) and Norway (23.6%) both saw a stronger end to the year in terms of nights, with growth up on last quarter.

Spain reported stronger growth across both metrics, but especially in terms of reported nights. In the year to August, nights were 3.3% below 2019 levels, but then rose to 5.5% above in reporting to November, with strong growth in the traditional shoulder season. Nearly half of visits by German tourists were concentrated in the Balearic Islands, likely due to the more favourable climate at that time of year. Weaker consumer spending and confidence in Germany during 2024 has possibly encouraged households to travel in cheaper months while also avoiding the peak of overcrowding and higher temperatures. Despite the improvement, Spain is still experiencing slower growth than other destinations within Southern and Mediterranean Europe. However, the stronger growth reported by Cyprus, Slovenia and Serbia comes from a smaller base.

Destinations within Central and Eastern Europe have had a mixed performance towards the end of 2024. While German arrivals to Estonia improved from -32.5% to -29.4%, Latvia remained relatively unchanged at -32.8%. Elsewhere Romania moved slightly further away from recovery with arrivals now -19.1% and nights -17.6% relative to 2019 levels. However, with both Bulgaria and Romania fully joining the Schengen area as of January 1st, 2025, there are some upside risks to the recovery moving forward for German tourists who undertake multi-destination trips.

French visits and overnights to select destinations (% change on 2019)



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

There continues to be a distinct split in the destinations chosen by French tourists based on year to date 2024 data. Destinations that are furthest from recovery to 2019 levels are within Central and Eastern Europe, with some apparent lingering impact on sentiment from the ongoing war in Ukraine. Despite an improvement in some countries towards the end of the year, this region is still significantly below the average for both nights and arrivals. Data suggests that French tourists have leant towards more tried-and-tested destinations such as Spain where arrivals are up 15.2%. Although the emerging trend for discovering less crowded and more unknown destinations such as Albania continues to grow, visitor volumes, in absolute levels are still very small relative to larger tourism hubs such as Spain.

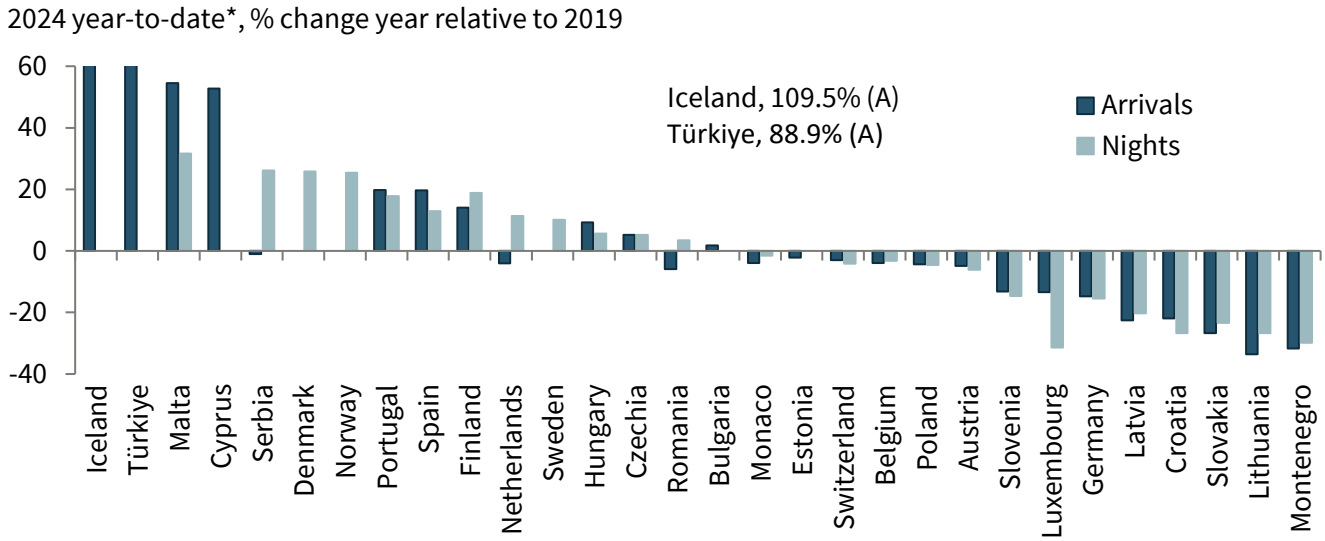
Marketing efforts by Türkiye to attract French tourists is paying off, with arrivals up 23.5% on 2019 levels and reaching record levels in 2024. The Tourism Promotion and Development Agency continues to see further potential for growth from the French market which bodes well for growth going into 2025.

Despite some concerns of a marked slowdown in arrivals to Cyprus based on the ongoing conflict nearby in the region, growth has only slowed to 198.3%, down from 217.2% last quarter (on a small base), and still above levels

in the prior year. But concerns over the impact on French tourist arrivals has decreased due to the recent ceasefire agreement between Hamas and Israel.

Air France started to expand its flight network in Q4, however this is not evident yet in data reporting to November. Increased flight connections from both Air France and the lower-cost airline Transavia France will help to boost outbound international travel to European destinations including but not limited to Spain, Sweden, Türkiye and Portugal at the end of 2024 and into 2025.

Italian visits and overnights to select destinations (% change on 2019)



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

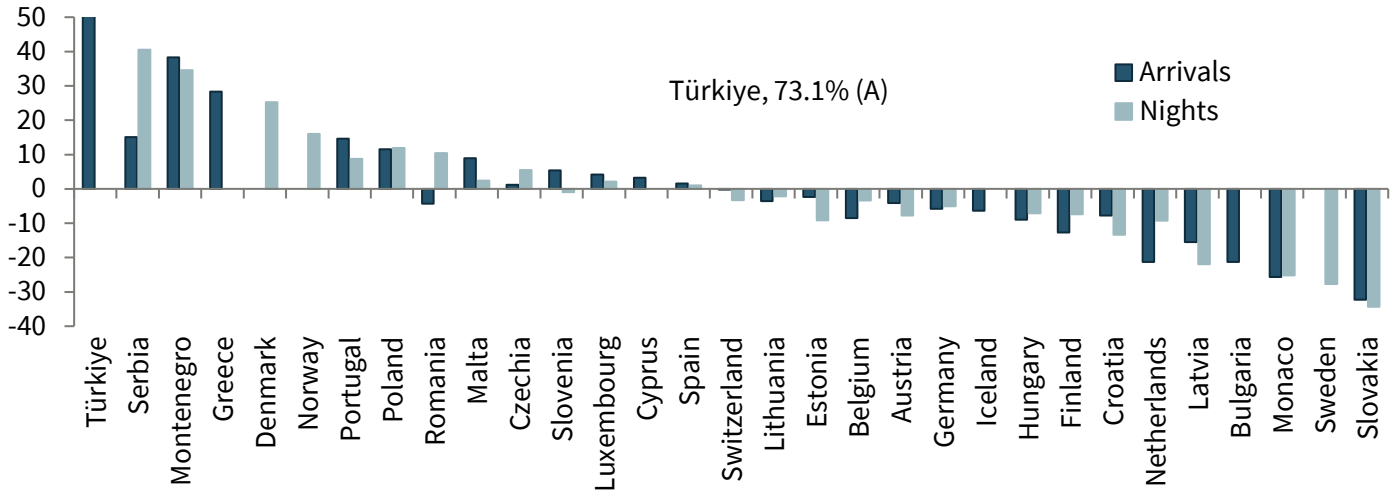
Iceland recorded rapid growth from 78.5% to 109.5% relative to 2019 based on an additional four months of data to December, however this does represent a small share of total arrivals by Italian tourists. A key appeal of Iceland during winter 2024 was the solar maximum event which makes the Northern Lights more visible. Some tourists may also have delayed trips to later in the year following the volcanic activity early in 2024 that caused the repeated closures of the Blue Lagoon. Other Scandinavian destinations lagged Iceland in terms of growth but also had a strong end to the year including Denmark and Norway with nights up 25.8% and 25.4% respectively, now ahead of Finland at 18.8%. Elsewhere, Austria, a typically larger winter destination for Italians saw an improvement on last quarter in arrivals, now -4.9% below 2019 (up from -7.7%).

The recovery in both nights and arrivals among reporting destinations tend to be roughly in the same ballpark, with the exception of Serbia, the Netherlands and Romania. These have continued to report nights growth significantly ahead of 2019 levels ranging from 3.4% to 26.1% and arrivals down between -1% and -5.9% below 2019 levels. This suggests Italians are spending longer and generating more revenue in these destinations.

Both arrivals and nights to larger destinations including Austria and Germany have improved towards the end of the year, but still lag behind most other destinations in the region with arrivals -4.9% and -14.8% below and nights -6.1% and -15.5% below 2019 levels respectively. Prior to August, nights spent in Slovakia were outperforming some other Central and Eastern European destinations, since then the recovery has deteriorated to 26.7% below, now only ahead of Lithuania (-33.6%) and Montenegro (-31.7%).

British visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019 levels



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

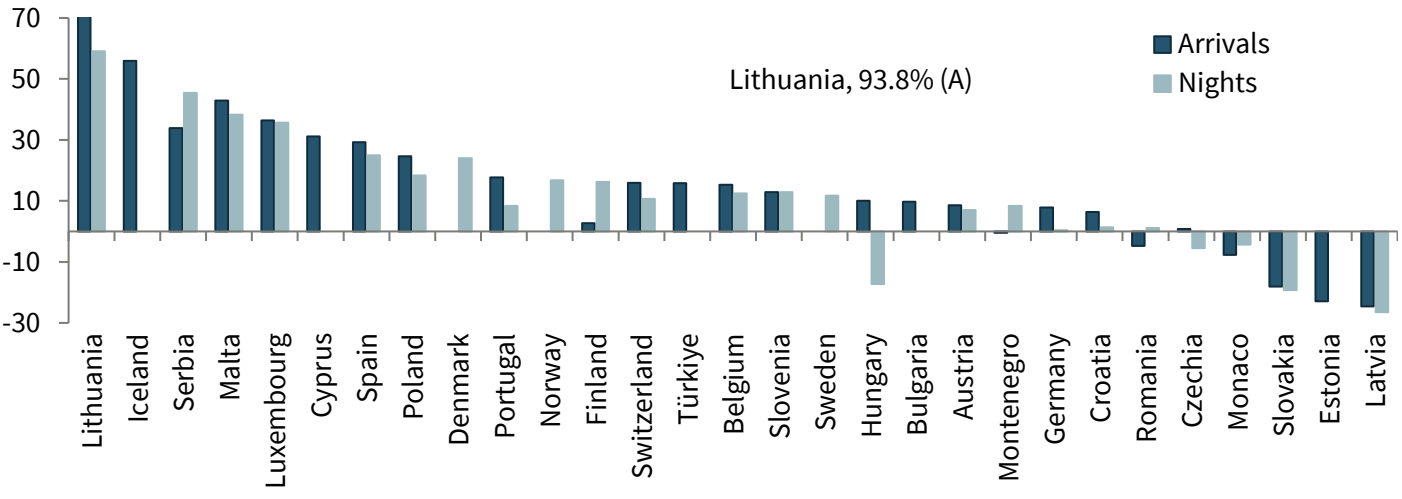
Destinations in Southern and Mediterranean Europe including Türkiye (73.1%), Montenegro (38.3%) and Greece (28.3%) continued to attract UK tourists in the latter part of 2024 and past the height of the summer. This is potentially related to the trends of value hunting and a growing desire to avoid overcrowding and higher summer temperatures. Elsewhere within the sub-region, growth in both arrivals and nights to Portugal from the UK continues to outperform Spain.

Despite the overtourism protests held in various locations in both mainland Spain and the islands, as well as the flooding in Valencia, arrivals from the UK are now 1.6% ahead of 2019 levels, up from 0.4% last quarter. British travellers are not avoiding these popular destinations, but this does indicate some shift in behaviour with stronger growth in the shoulder season. The last few months have also seen the recovery in nights more on par with that of arrivals due to longer stays, moving into recovery territory at 1% from -12.1% previously.

Some trips over the winter period were likely also disrupted by various storms and periods of adverse weather conditions affecting the operation of major airports in the UK, including Manchester, Liverpool John Moore, Heathrow and Gatwick. Some of these cancelled trips will likely be rebooked in the coming months and may support growth into 2025. Furthermore, cancellations to a number of long-haul flights from the UK could possibly result in more intra-regional travel within Europe, possibly benefiting those destinations which still have not yet fully recovered.

Dutch visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019 levels



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

Lithuania continues to report the strongest growth in both arrivals (93.8%) and nights (59.1%) from the Netherlands, despite growth slowing on Q3 – and in stark contrast to the other Baltic states (Estonia and Latvia). It is still a relatively small destination, but the introduction of a direct flight between Amsterdam and Palanga earlier this year, along with the emerging trend for discovering new 'off-the-beaten track' destinations may have supported growth throughout the second half of the year.

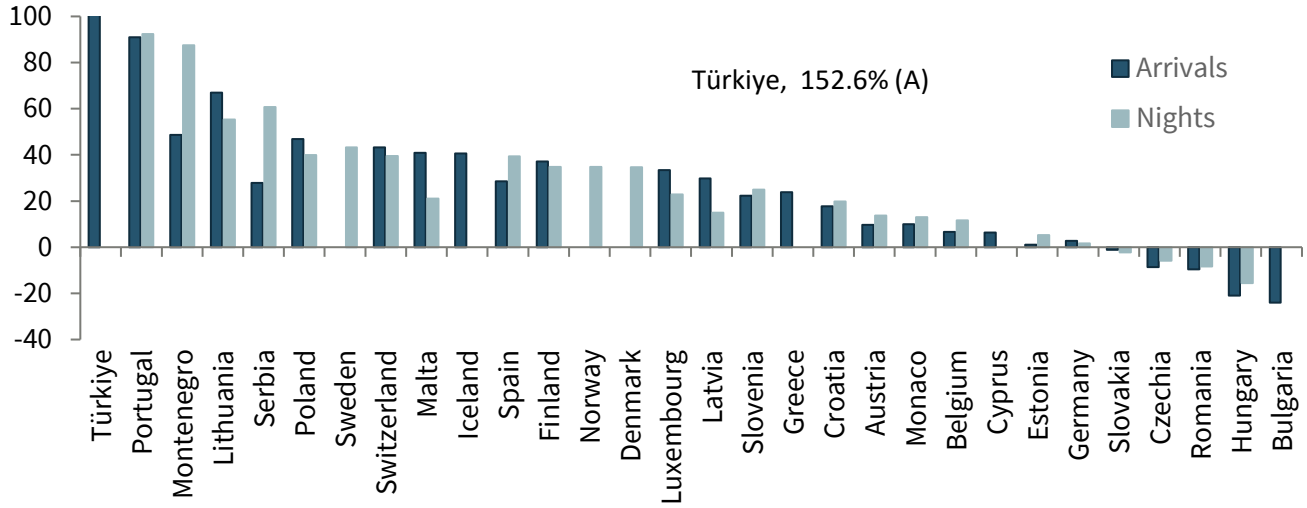
Austria and Germany had a stronger end to the year, with an improvement across both metrics with some continued clear preference for less expensive near-haul travel. Arrivals to both destinations are up 8.6% and 7.8% respectively, with a similar rate of growth in nights spent in Austria. In contrast, the performance for Belgium was slightly softer in recent months, however growth in both arrivals (15.3%) and nights (12.5%) still remains ahead of most other reporting destinations. Travel to these near-haul destinations may also indicate a shift away from flying.

A proposal to cap the number of flights at Schiphol airport has the potential to limit the continued growth and recovery across destinations frequented by Dutch tourists over the coming year. A final decision on this proposal may be announced towards the end of Q1 2025.

Non-European source markets

United States visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019 levels



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

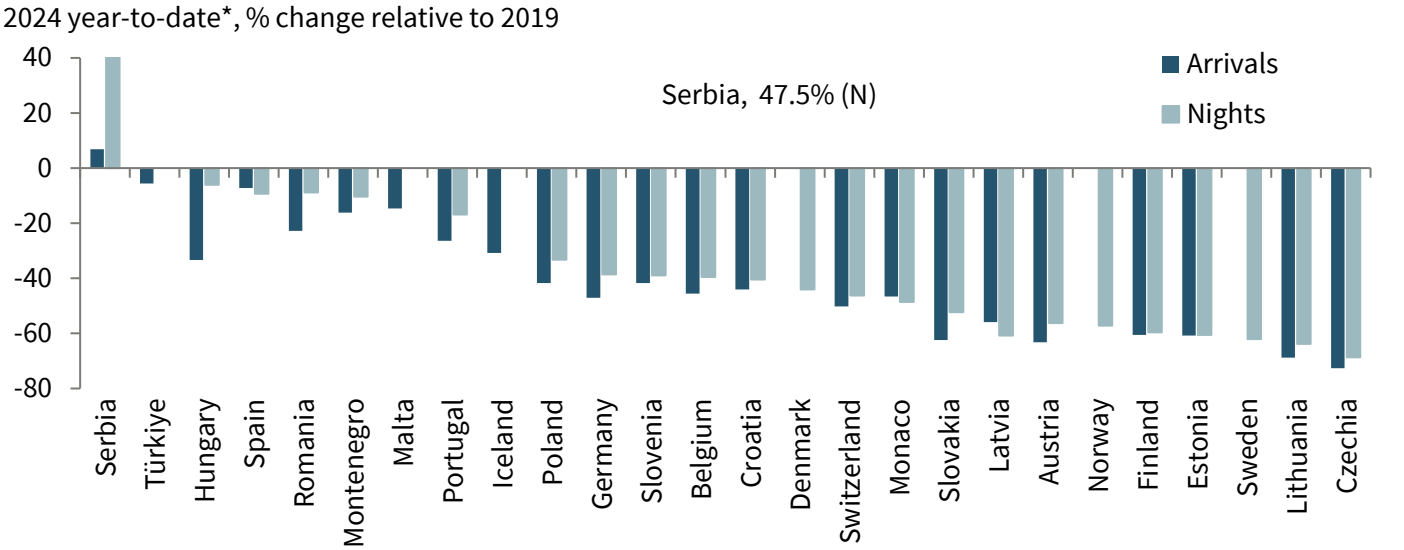
Türkiye continued to report strong growth in tourists from the US towards the end of 2024, with volumes 152.6% ahead of the same time in 2019 (up from 137.4% last quarter). American tourists have been drawn to the destination's nature and cultural offerings, which also reflects the travel trends towards less well-discovered locations that have emerged and set to continue into 2025. Switzerland is another destination benefiting from this trend, as it is growing in popularity within American tourists with arrivals 43.2% and nights 39.5% above pre-pandemic levels.

Despite growth lagging behind other destinations, Germany attracts a large volume of US tourists each year and has continued to report an increase in arrivals (2.8%) and nights (1.6%) in recent months moving further ahead of 2019 levels. Estonia is also behind the regional average in terms of growth, but a stronger end to the year has pushed both arrivals (1.1%) and nights (5.2%) into growth territory and ahead of 2019, a marked improvement on last quarter.

Within Southern and Mediterranean Europe, US arrivals to Spain largely held steady in 2024 with growth relative to 2019 in excess of 28%, whereas the nights spent within Spain grew faster at 39.4%, suggesting US tourists are staying for longer periods of time. Portugal remains a popular destination even as growth in arrivals (91.0%) and nights (92.3%) moderated. In contrast, growth in arrivals to Greece dropped off in recent months from 32.5% to 23.8%.

Some of the moderation seen in destinations are possibly connected to air traffic disruptions caused by Hurricane's Milton and Helene during September and October.

Chinese visits and overnights to select destinations (% change on 2019)



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

There has only been a minor improvement in Chinese arrivals and nights in selected European destinations towards the end of the year. The average for arrivals across reporting European destinations has improved by just 0.8% to -39.6% below 2019 levels. For nights there has been a slightly stronger rise of 1.4% to -38% below pre-pandemic levels. This reflects the softer outlook for Chinese outbound travel to destinations outside of the Asia/Pacific region reported throughout 2024.

Visa-free entry is becoming a more important preference for Chinese tourists when selecting a destination and Serbia is one of the only European destinations which offers this. It is evident this is a key factor in its performance compared to elsewhere in the region. Both arrivals (6.8%) and nights (47.5%) remain up on 2019 levels, despite a softer outturn in recent months. Although this destination only represents a small share of total arrivals from China to Europe, unless preferences shift or more destinations reciprocate the unilateral visa-free travel initiated by China, it is likely Serbia will continue to slowly increase its market size.

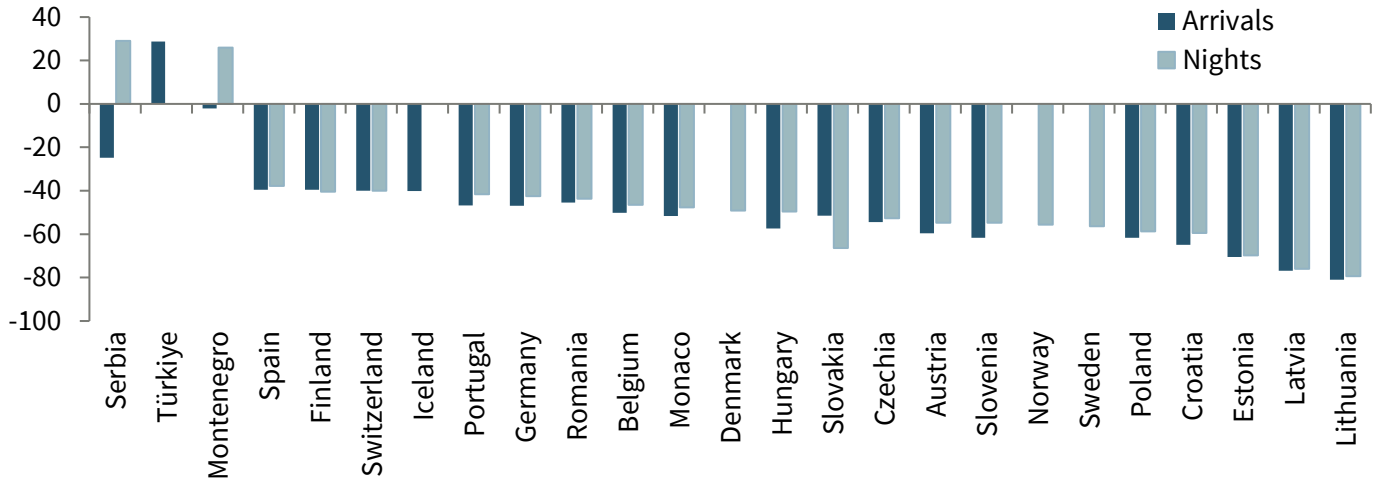
Larger destinations for Chinese tourists, including Germany and Spain, reported slower tourism demand compared to the third quarter. For Germany, arrivals fell to -47.1% and nights to -38.6% below 2019 levels, while arrivals to Spain edged further away from recovery to -7.2%. This may be related to some increased value hunting and preference for alternative destinations among Chinese travellers.

In contrast, arrivals to Switzerland (-50.2%) experienced a slight improvement in the final few months of 2024 despite volumes remaining around half of what they were in 2019. Supply-side factors have been cited as a reason for the slow come-back of Chinese arrivals to Europe, with Switzerland being one of the destinations significantly affected by this. Flight volumes have dropped from around 20 direct flights between Zurich and Mainland China to now just three a week.

However, an upside going forward is London Gatwick's expansion plans to improve connectivity between the UK and mainland China. This could help support arrivals to nearby European locations – even if it does include a connecting flight. If successful, it may encourage additional airports within the region to follow suit. But the benefits to the wider region could be impacted by different visa requirements for Chinese visitors going to both the UK and mainland Europe.

Japanese visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019`



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

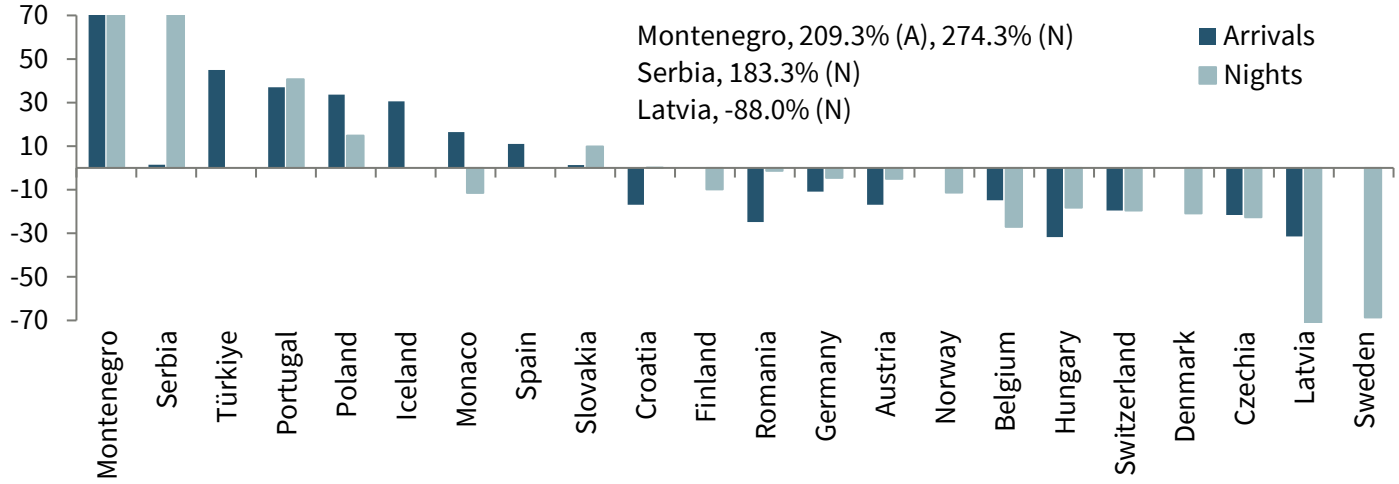
Similar to China, Japanese tourists have reacted positively to destinations that offer visa free travel. Within Europe Serbia remains the key beneficiary of this. Although both reporting metrics are slightly weaker than last quarter, the data point towards Serbia experiencing a high average length of stay among Japanese tourists which should add greater value to the economy.

Among some of the more notable destinations for tourists from Japan, Türkiye continued to build on its recovery with arrivals rising 28.7% ahead of 2019 levels. For Montenegro, nights experienced a recovery of 25.9%.

The data for Germany and Austria highlight the growth opportunities for European destinations even if travel remains well below 2019 levels. Arrivals in these countries are still -46.9% and -59.6% below 2019 levels, but the annual comparison shows the other side of the story. Compared to where they were in 2023, both destinations have reported a double-digit improvement.

Indian visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019



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

Serbia continues to be a fast-growing destination with tourists from the region, including those from India as well as for other source markets within the Asia/Pacific region. While arrivals growth has dropped off in recent months, now just 1.4% ahead of 2019 levels, those that do arrive stay for significantly more nights (183.3%). Arrivals from India could possibly be weaker than those from China because Serbia ended visa-free entry with India in 2023.

Montenegro is another small, yet emerging destination for Indian tourists which also requires a visa, but has consistently reported triple-digit growth over this year. It is possible that tourists are choosing to visit new destinations, as Serbia benefitted from opening up to Indian travellers immediately following the pandemic and Indian tourists may now be exploring some neighbouring countries including Montenegro.

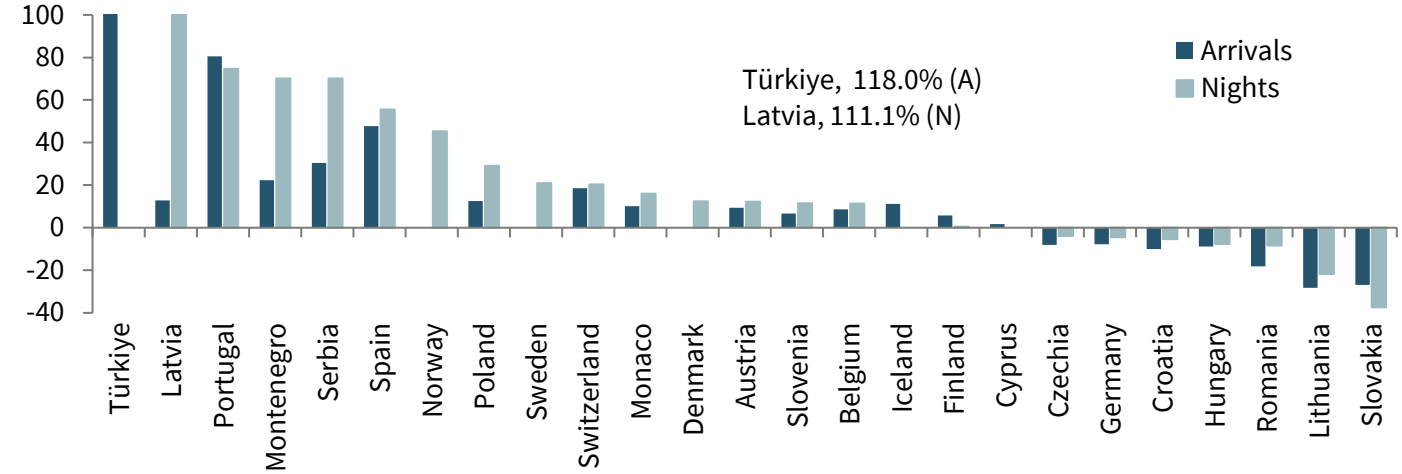
Western European destinations such as Austria and Switzerland have had a stronger end to 2024. Arrivals and nights to Austria have seen an upgrade on last quarter, with growth now -16.9% and -5% below 2019 levels, respectively. For Switzerland, both metrics are now sitting -19.6% lower than in 2019.

Arrivals to both Türkiye (45%) and Portugal (37%) continue to stand out ahead of a lot of other European destinations, despite softer data in recent months. Changes to visa requirement for immigrant workers in Portugal, set to largely affect Indian workers could be contributing to this, but even so, growth remains solid.

On the other end of the scale, the recovery in nights spent in both Latvia (-88%) and Sweden (-68.6%) has improved slowly, but continues to lag behind all other reporting destinations.

Canadian visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019



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

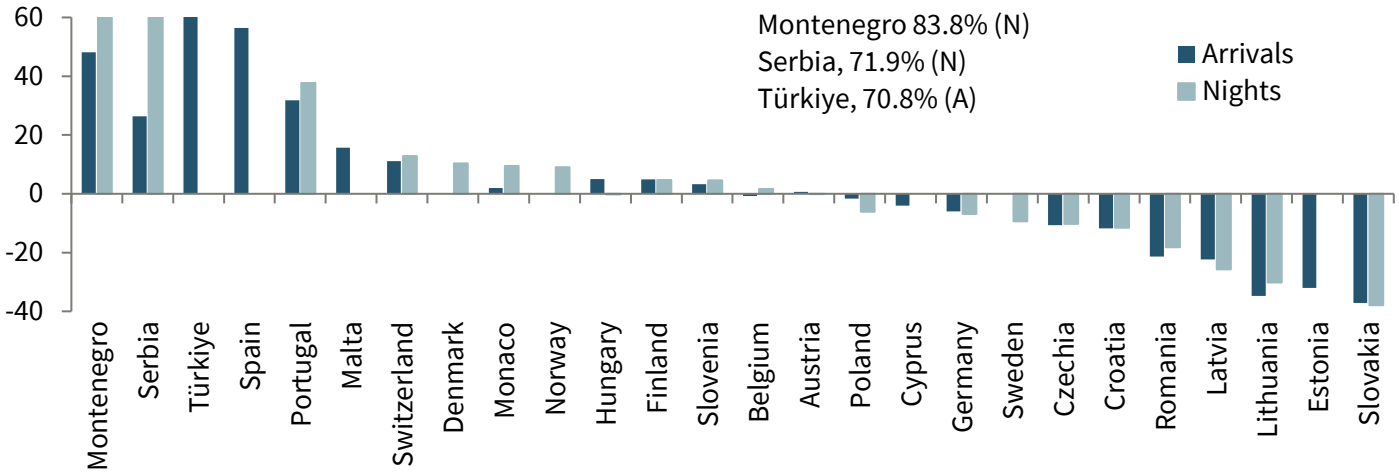
The average recovery in both arrivals and nights from Canada to selected European destinations has improved on last quarter, reflecting stronger travel demand in the shoulder season (September-October) and off-peak travel months.

Travel demand to Southern and Mediterranean Europe remained strong post-summer, with faster growth in arrivals to Türkiye (118%). Cyprus saw arrivals jump up towards the end of the year, resulting in growth rising 1.7% above pre-pandemic levels, up from -16.5% below in the previous quarter. Elsewhere, visitor growth in Portugal remained strong, despite a slight slowdown, however, this better aligns the recovery between nights (74.7%) and visits (80.6%).

Among the destinations yet to recover, arrivals to Germany (-7.7%) continued to improve slowly with a modest upgrade on last quarter. Overall, travel activity to most Eastern European destinations remains subdued, with work still to be done, to regain the losses incurred during the pandemic. Lithuania is the exception to this, reporting one of the strongest improvements over the last few months, with arrivals rising from -39.3% to -28.2% compared to 2019. Whereas arrivals to Slovakia remained relatively unchanged at -26.9% below 2019.

Australian visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019



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

Türkiye continues to see significantly more arrivals from Australia compared to 2019, and this increased more across September-November. Arrivals are now 70.8% above where they were, compared to 63% last quarter. Faster growth may still be reported for the end of 2024 and in early 2025 because Turkish Airlines started running seasonal flights between Istanbul and Sydney at the start of December, before transitioning to a non-stop service, likely appealing to more Australian tourists.

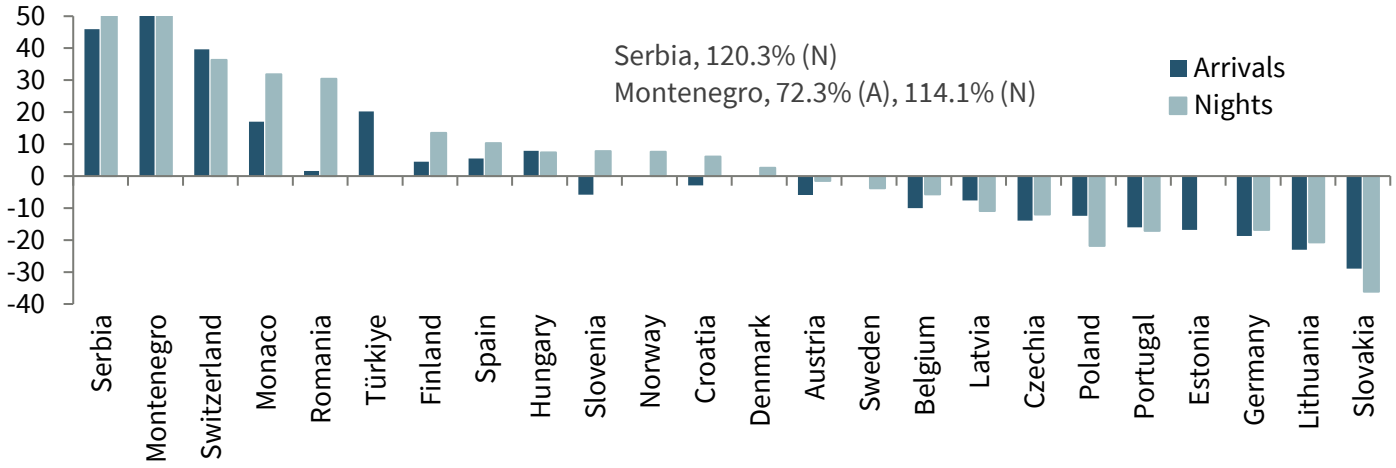
Spain reported softer growth in Australian tourists, over the same period with levels now 56.4% above, which is still significantly higher than almost all other reporting destinations. Similarly, Cyprus also had a slightly weaker period post-summer as arrivals dropped back into negative territory, now -4% below 2019 levels as opposed to quarter three where it edged up to 0.5% above. But other destinations across Southern and Mediterranean Europe fared better with Australian tourists, including Montenegro which saw both arrivals (48.2%) and nights (83.8%) jump up and take the top spot in percentage growth. Tourism demand for Portugal remained robust, with a modest gain in both arrivals (31.8%) and nights (37.7%).

The strong growth in Montenegro highlights the emerging popularity of tourist hotspots in the Balkans, including other non-reporting destinations such as Bosnia and Herzegovina, Albania and North Macedonia. As value-for-money becomes more important, cheaper destinations are going to have more appeal, especially for tourists who have longer and more expensive flights than those visiting from the immediate region.

The outlook among destinations in Central and Eastern Europe was mixed towards the end of the year. Hungary saw a large jump in arrivals, pushing it ahead of 2019 levels by 5%, while the improvement in nights edged closer to recovery at -0.2%. Lithuania remains one of the slowest to recover, and despite weaker growth this quarter relative to 2019, compared to 2023, arrivals and nights growth remains very strong at 23.8% and 35.8% respectively. Elsewhere, arrivals to Czechia (-10.7%) and Slovakia (-37.1%) had a weaker end to the year against both 2019 and 2023.

Brazilian visits and overnights to select destinations (% change on 2019)

2024 year-to-date*, % change relative to 2019



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

Across all selected destinations, average (non-weighted) growth in both arrivals and nights from Brazil have fallen, compared to the previous quarter, but still remain ahead of 2019 levels at 2.5% and 11% respectively.

The recovery in arrivals (-16%) and nights (-17.1%) to Portugal has weakened compared to quarter three. It is possible that activity will pick up towards the end of the year following additional flights by TAP Air between Lisbon Airport and Florianópolis-Hercílio Luz International Airport that started in September and the resumption of flights between Lisbon and Manus from November 2024.

Germany remains one of the largest destinations for Brazilian tourists that has yet to recover fully from the pandemic. A softer few months of data in late 2024 shows arrivals -18.7% and nights -16.8% below 2019. However, there is an opportunity to improve with new overnight flight connections between Rio de Janeiro and Frankfurt Airport.

In contrast, a strong performance over the summer has resulted in arrivals from Brazil to Spain now 5.5% ahead of 2019 levels, meaning both metrics are now back in growth territory. Montenegro and Serbia also reported strong improvement over this time, more so for arrivals (45.9%) to Serbia and nights (114.1%) spent in Montenegro.

7. 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, Czechia, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine.*

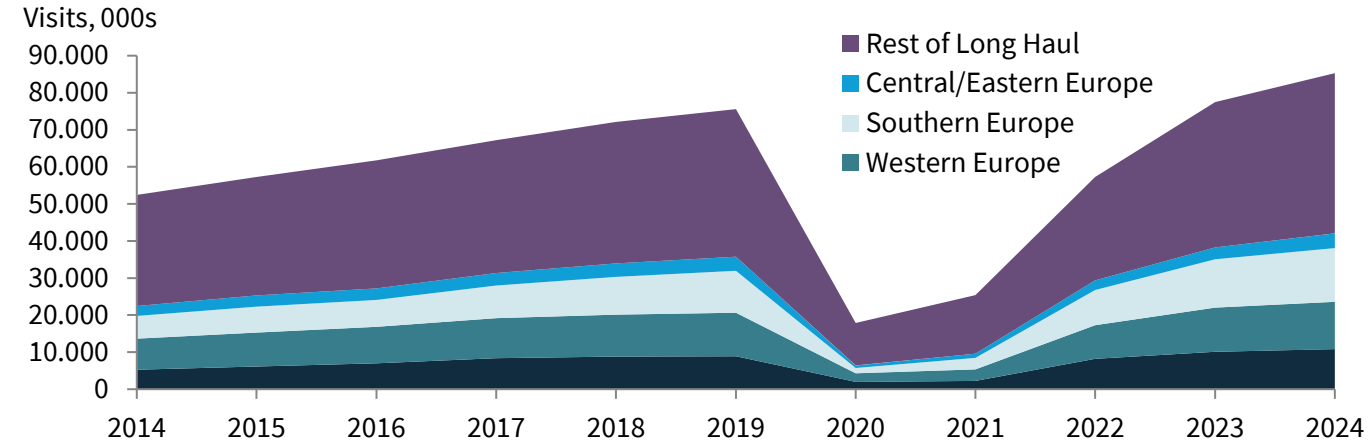
United States market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**125,210**	**-**	**6.5%**	**36.8%**	**-**	**4.3%**	**-**
Long haul	77,451	61.9%	6.8%	39.1%	62.9%	7.4%	60.1%
Short haul	47,759	38.1%	5.9%	33.2%	37.1%	-0.4%	39.9%
Travel to Europe	**38,265**	**30.6%**	**5.5%**	**30.6%**	**29.2%**	**12.7%**	**28.3%**
European Union	5,886	4.7%	46.7%	579.3%	23.3%	-74.2%	19.0%
Northern Europe	10,096	8.1%	3.3%	17.7%	6.9%	14.8%	7.3%
Western Europe	11,898	9.5%	4.9%	26.8%	8.8%	4.9%	9.4%
Southern Europe	13,084	10.4%	5.8%	32.6%	10.1%	28.7%	8.5%
Central/Eastern Europe	3,186	2.5%	12.1%	76.9%	3.3%	-12.6%	3.0%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

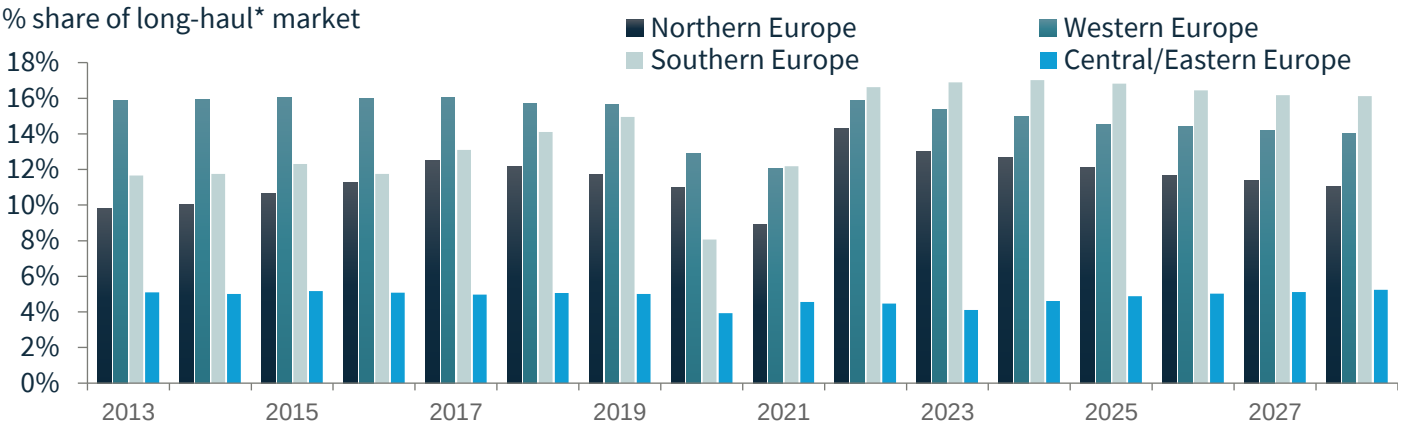
Source: Tourism Economics

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

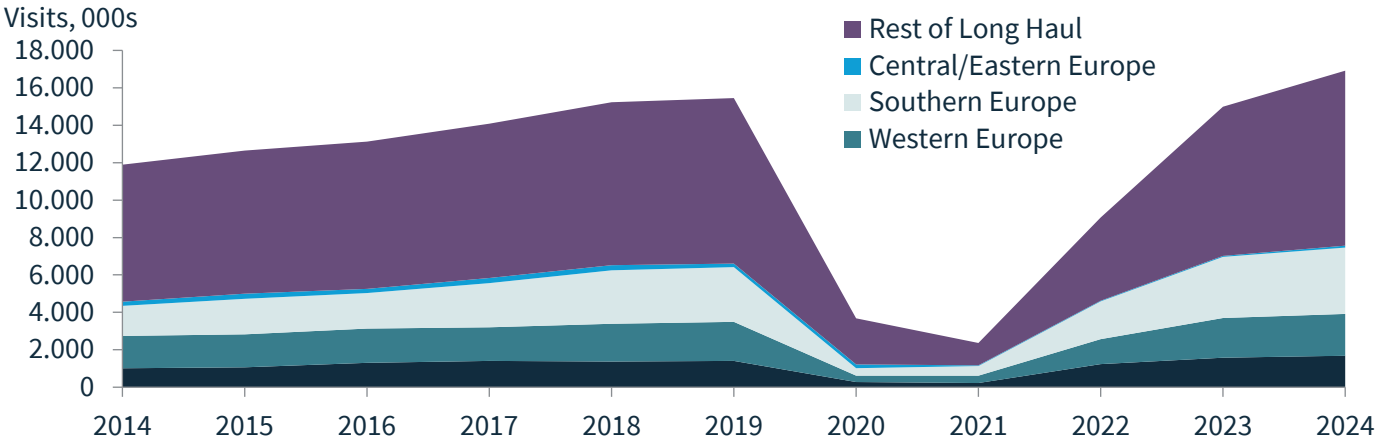
Canada market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**37,825**	**-**	**5.2%**	**29.1%**	**-**	**-2.5%**	**-**
Long haul	15,031	39.7%	7.0%	40.4%	43.2%	-0.8%	39.0%
Short haul	22,794	60.3%	4.0%	21.5%	56.8%	-3.6%	61.0%
Travel to Europe	**7,062**	**18.7%**	**3.7%**	**19.8%**	**17.3%**	**9.8%**	**16.6%**
European Union	999	2.6%	50.4%	669.9%	15.8%	-78.7%	12.1%
Northern Europe	1,572	4.2%	1.7%	8.9%	3.5%	14.0%	3.6%
Western Europe	2,132	5.6%	2.5%	13.3%	4.9%	5.9%	5.2%
Southern Europe	3,260	8.6%	4.8%	26.5%	8.5%	14.3%	7.4%
Central/Eastern Europe	99	0.3%	16.3%	112.7%	0.4%	-47.4%	0.5%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

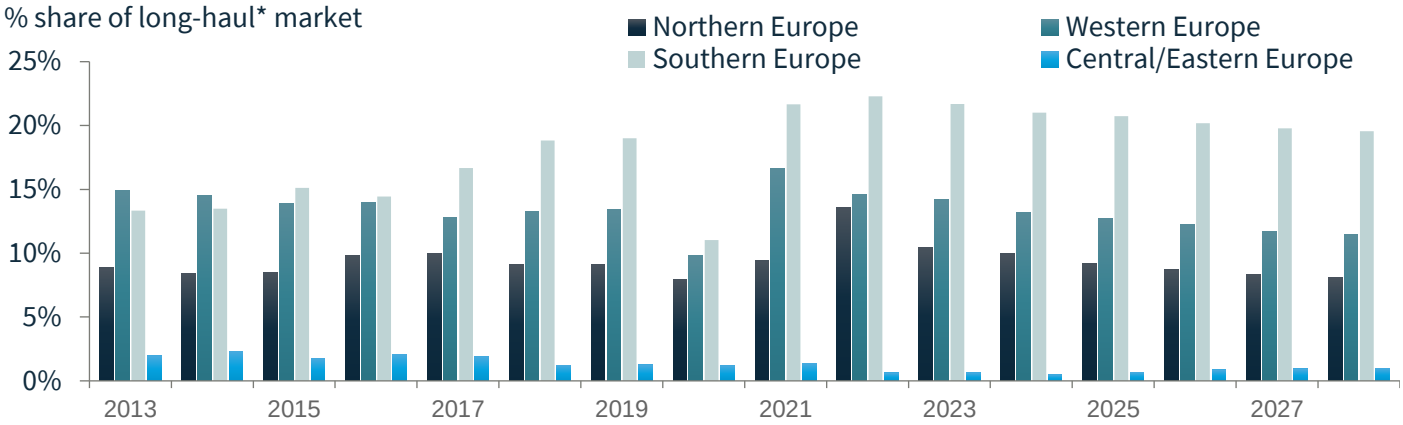
Source: Tourism Economics

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

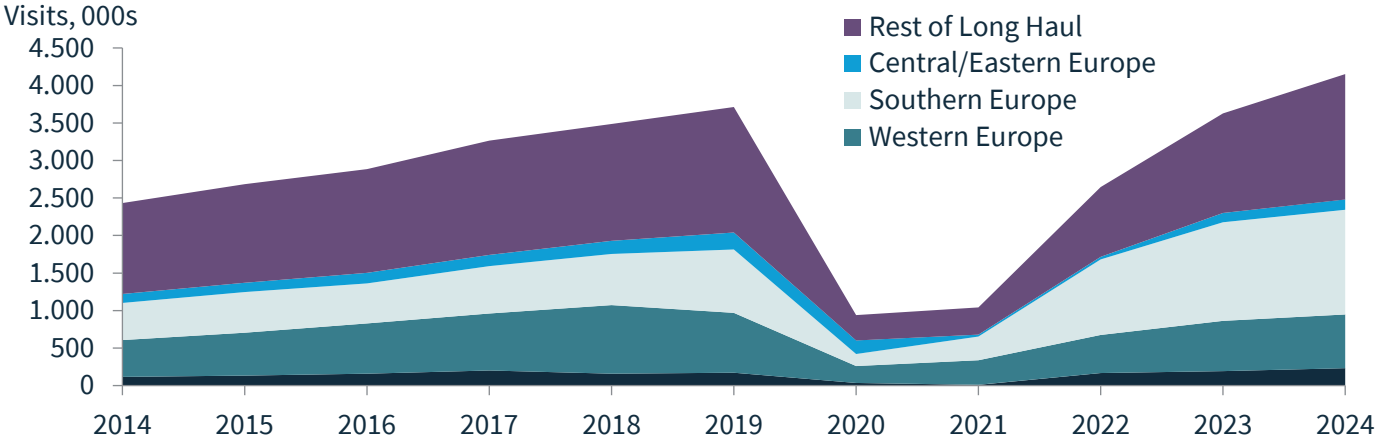
Mexico market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**18,689**	**-**	**8.0%**	**46.6%**	**-**	**-16.3%**	**-**
Long haul	3,641	19.5%	6.9%	39.4%	18.5%	2.9%	15.9%
Short haul	15,047	80.5%	8.2%	48.4%	81.5%	-19.9%	84.1%
Travel to Europe	**2,318**	**12.4%**	**3.2%**	**17.3%**	**9.9%**	**17.0%**	**8.9%**
European Union	416	2.2%	40.1%	440.4%	8.2%	-67.6%	5.7%
Northern Europe	192	1.0%	3.4%	18.1%	0.8%	21.3%	0.7%
Western Europe	669	3.6%	7.1%	41.2%	3.4%	-26.9%	4.1%
Southern Europe	1,318	7.1%	0.5%	2.4%	4.9%	93.4%	3.1%
Central/Eastern Europe	139	0.7%	7.3%	42.4%	0.7%	-38.2%	1.0%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

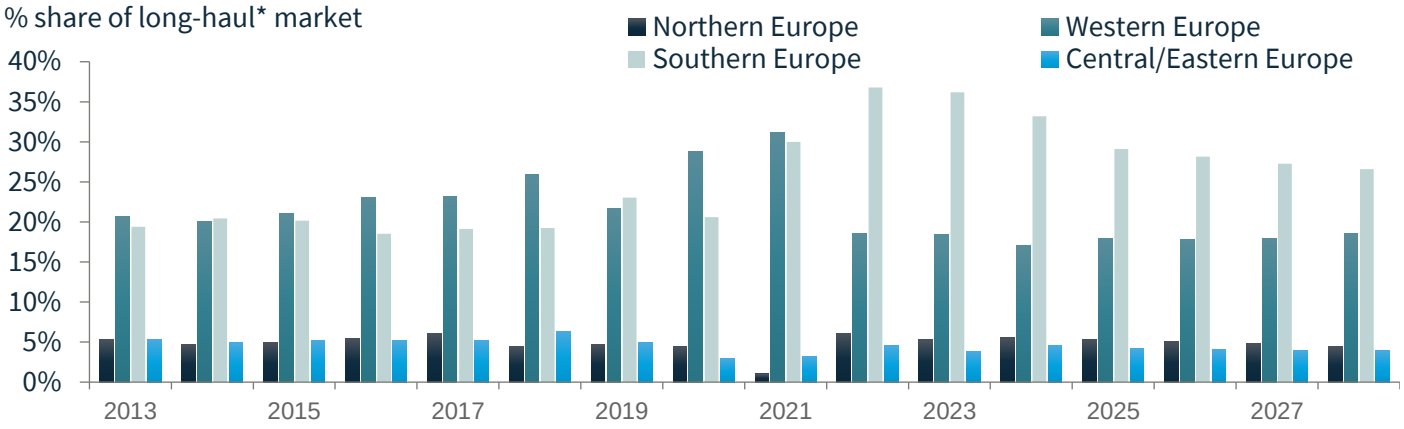
Source: Tourism Economics

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

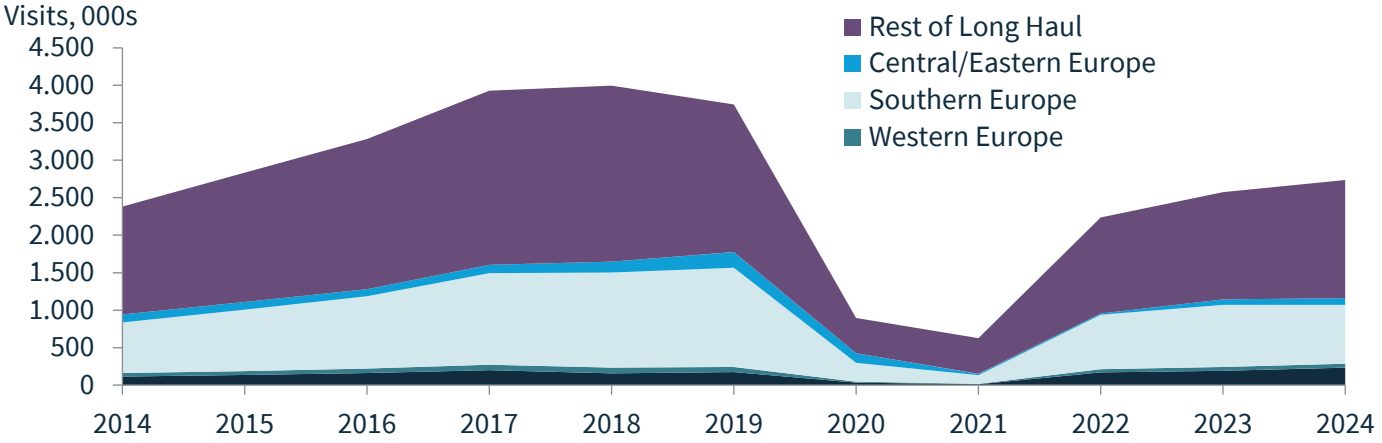
Argentina market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**8,952**	**-**	**6.7%**	**38.2%**	**-**	**-30.8%**	**-**
Long haul	2,541	28.4%	9.7%	59.2%	32.7%	-37.5%	31.5%
Short haul	6,410	71.6%	5.4%	29.8%	67.3%	-27.7%	68.5%
Travel to Europe	**1,110**	**12.4%**	**7.9%**	**46.4%**	**13.1%**	**-35.4%**	**13.3%**
European Union	290	3.2%	26.3%	221.8%	7.6%	-69.0%	7.2%
Northern Europe	140	1.6%	3.9%	21.1%	1.4%	-16.1%	1.3%
Western Europe	51	0.6%	12.3%	78.3%	0.7%	-31.7%	0.6%
Southern Europe	827	9.2%	8.2%	48.2%	9.9%	-34.9%	9.8%
Central/Eastern Europe	92	1.0%	8.6%	50.8%	1.1%	-55.4%	1.6%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

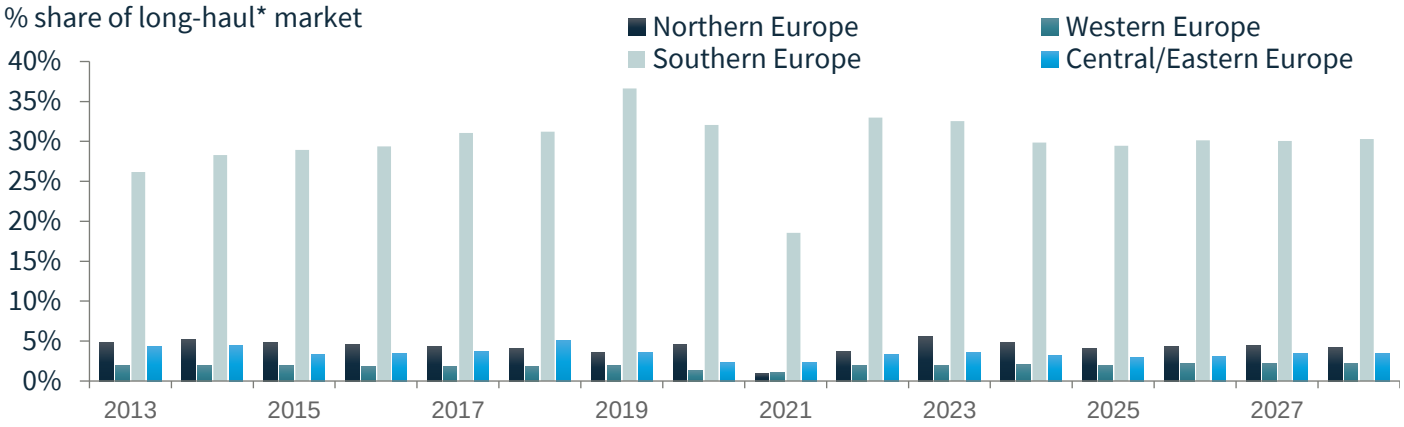
Source: Tourism Economics

Argentina Long-Haul* Outbound Travel



*Long haul defined as tourist arrivals to destinations outside South America
Source: Tourism Economics

Europe's share of Argentinian market



*Long haul defined as tourist arrivals to destinations outside South America
Source: Tourism Economics

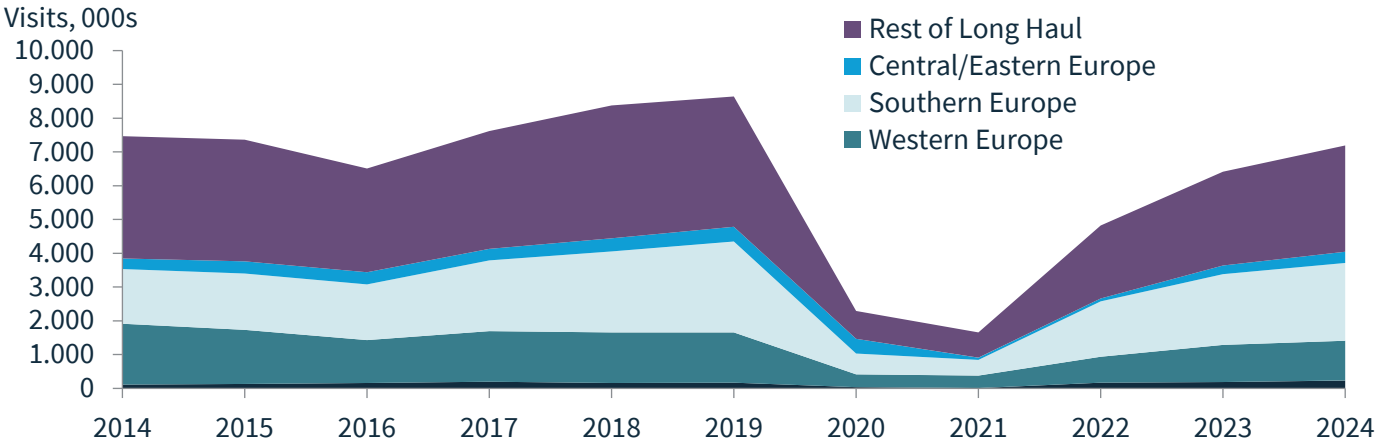
Brazil market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**9,779**	**-**	**8.5%**	**50.1%**	**-**	**-16.5%**	**-**
Long haul	6,655	68.1%	9.8%	59.6%	72.3%	-22.3%	73.2%
Short haul	3,124	31.9%	5.4%	30.0%	27.7%	-0.4%	26.8%
Travel to Europe	**3,881**	**39.7%**	**8.7%**	**51.8%**	**40.1%**	**-16.3%**	**39.6%**
European Union	1,071	11.0%	31.5%	292.8%	28.7%	-70.0%	30.5%
Northern Europe	353	3.6%	3.5%	18.5%	2.9%	17.1%	2.6%
Western Europe	1,093	11.2%	9.1%	54.9%	11.5%	-27.1%	12.8%
Southern Europe	2,098	21.5%	9.1%	54.3%	22.1%	-12.4%	20.5%
Central/Eastern Europe	337	3.4%	9.9%	60.4%	3.7%	-23.4%	3.8%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

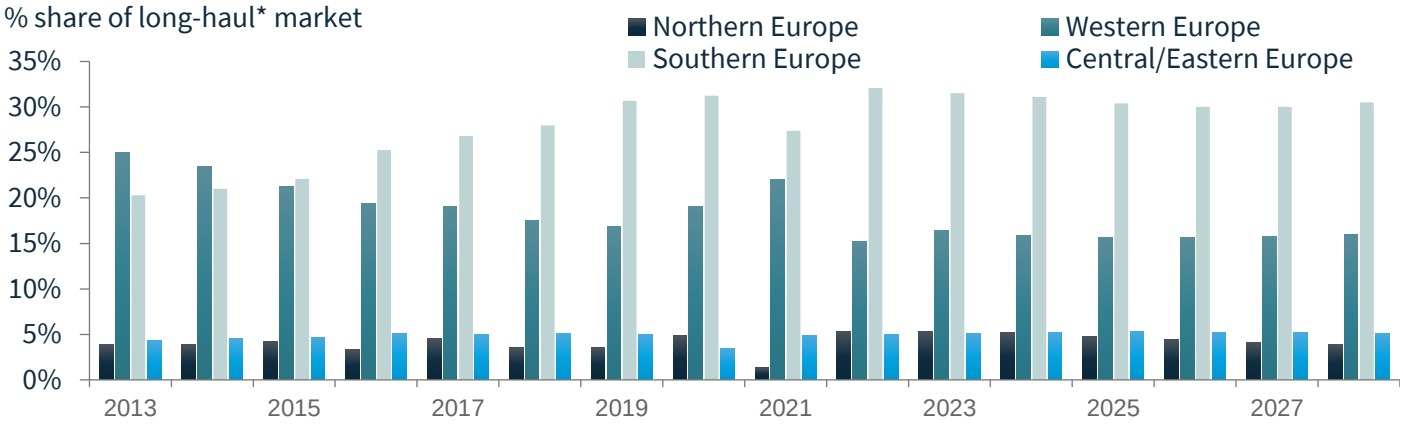
Source: Tourism Economics

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

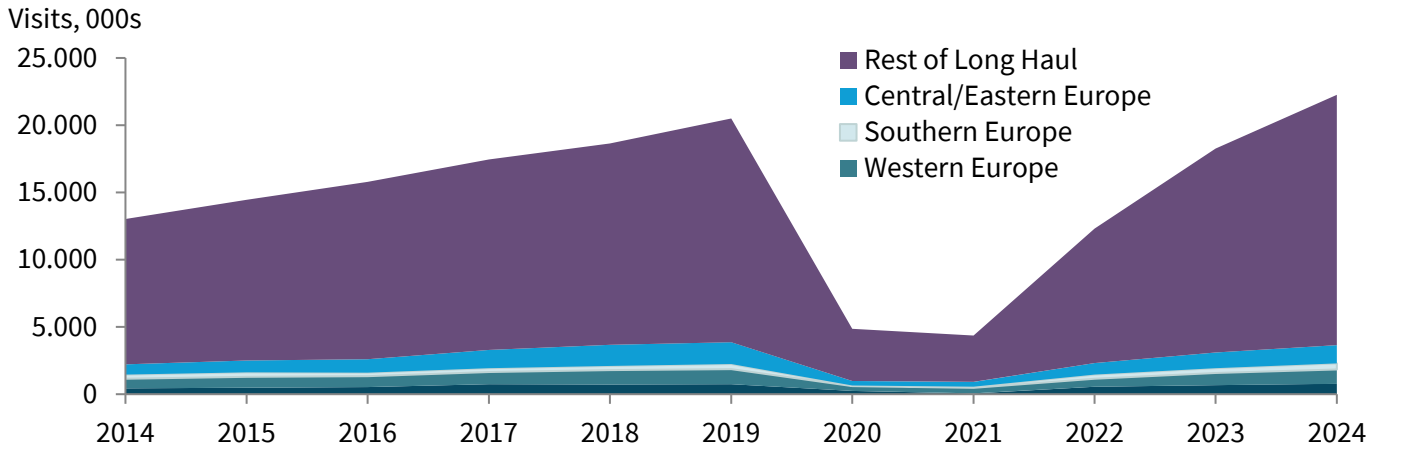
India market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**19,195**	**-**	**11.2%**	**70.1%**	**-**	**-2.4%**	**-**
Long haul	18,262	95.1%	11.5%	72.0%	96.2%	-2.0%	94.8%
Short haul	933	4.9%	5.8%	32.9%	3.8%	-8.5%	5.2%
Travel to Europe	**3,090**	**16.1%**	**9.6%**	**58.0%**	**15.0%**	**-15.7%**	**18.7%**
European Union	625	3.3%	25.4%	209.7%	5.9%	-52.4%	6.7%
Northern Europe	662	3.4%	8.3%	49.1%	3.0%	-9.2%	3.7%
Western Europe	910	4.7%	6.5%	36.7%	3.8%	-14.0%	5.4%
Southern Europe	362	1.9%	9.1%	54.2%	1.7%	18.9%	1.5%
Central/Eastern Europe	1,156	6.0%	12.6%	81.1%	6.4%	-26.6%	8.0%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

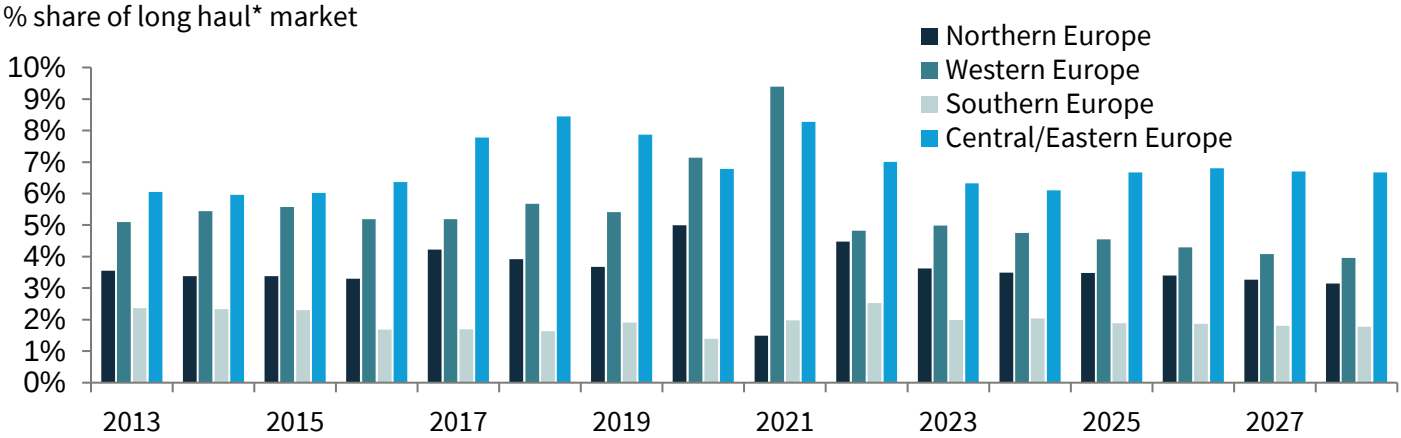
Source: Tourism Economics

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

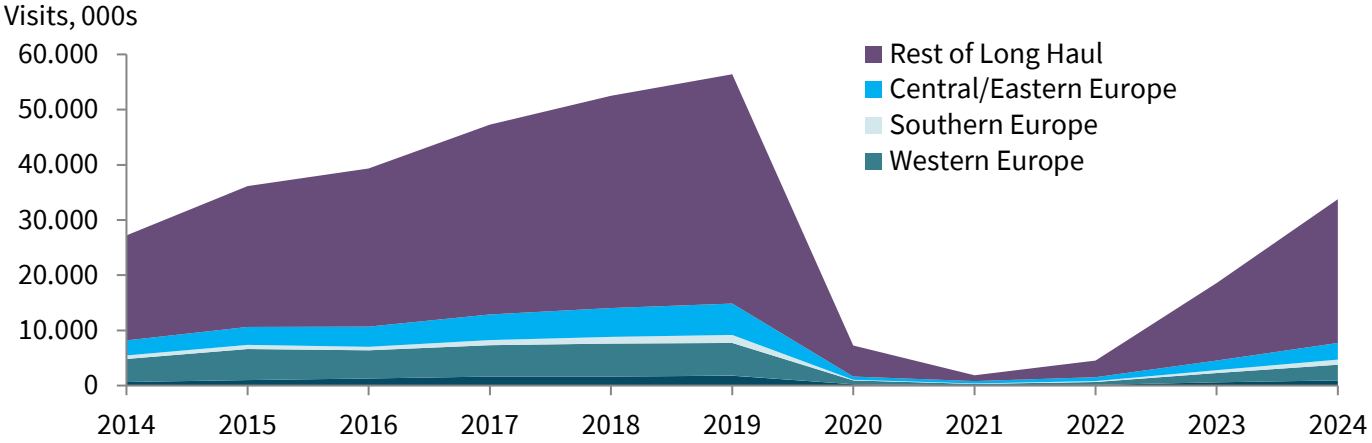
China market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**44,703**	**-**	**26.4%**	**222.4%**	**-**	**-55.9%**	**-**
Long haul	18,596	41.6%	31.9%	299.2%	51.5%	-64.6%	51.7%
Short haul	26,107	58.4%	21.8%	167.8%	48.5%	-46.7%	48.3%
Travel to Europe	**4,549**	**10.2%**	**34.2%**	**334.7%**	**13.7%**	**-67.6%**	**13.8%**
European Union	1,032	2.3%	48.2%	615.8%	5.1%	-84.3%	6.5%
Northern Europe	596	1.3%	32.5%	308.5%	1.7%	-63.7%	1.6%
Western Europe	1,699	3.8%	34.4%	337.9%	5.2%	-71.5%	5.9%
Southern Europe	512	1.1%	25.0%	205.7%	1.1%	-57.7%	1.2%
Central/Eastern Europe	1,742	3.9%	36.8%	378.5%	5.8%	-66.7%	5.2%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

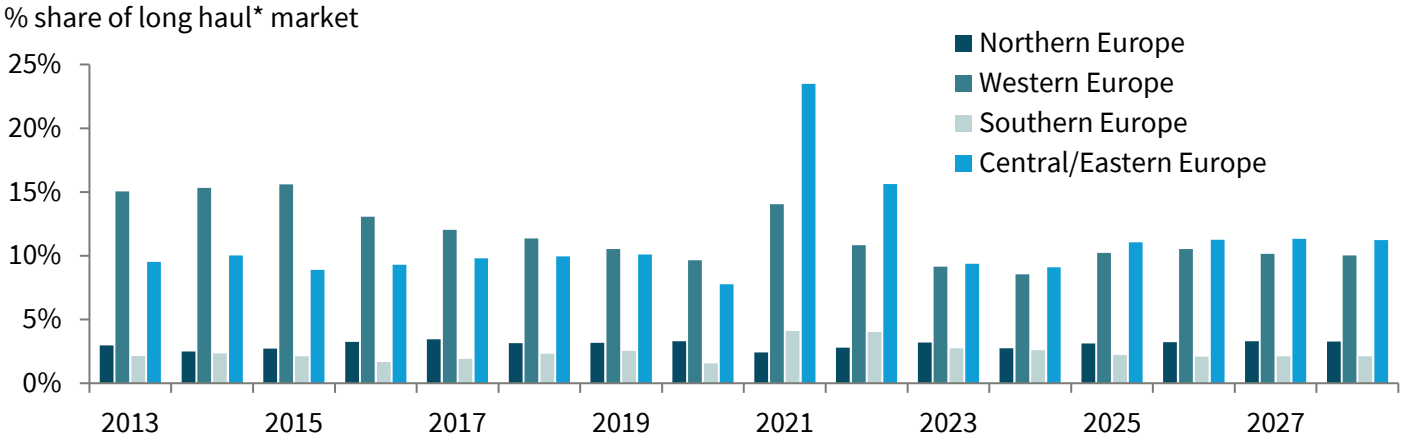
Source: Tourism Economics

China long-haul* outbound travel



*Long haul defined as tourist arrivals to destinations outside Northeast Asia
Source: Tourism Economics

Europe's share of Chinese market



*Long haul defined as tourist arrivals to destinations outside Northeast Asia
Source: Tourism Economics

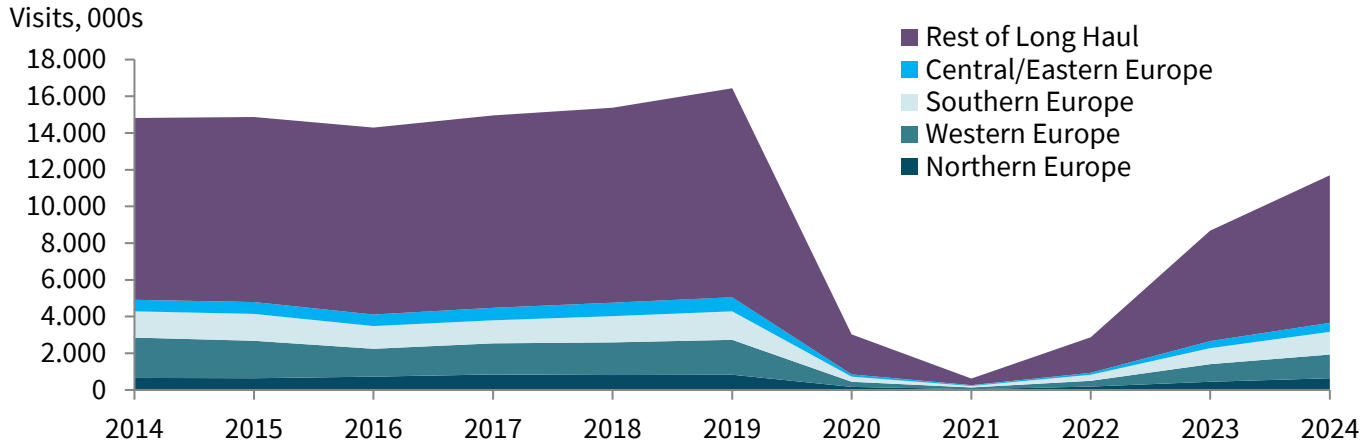
Japan market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**13,278**	**-**	**21.0%**	**159.2%**	**-**	**-44.7%**	**-**
Long haul	8,673	65.3%	20.3%	151.8%	63.5%	-43.6%	64.0%
Short haul	4,605	34.7%	22.2%	173.0%	36.5%	-46.8%	36.0%
Travel to Europe	**2,658**	**20.0%**	**19.9%**	**147.7%**	**19.1%**	**-44.0%**	**19.8%**
European Union	766	5.8%	40.9%	455.1%	12.4%	-81.8%	17.5%
Northern Europe	449	3.4%	18.9%	137.8%	3.1%	-44.3%	3.4%
Western Europe	960	7.2%	19.3%	141.4%	6.7%	-46.5%	7.5%
Southern Europe	879	6.6%	17.5%	124.1%	5.7%	-38.0%	5.9%
Central/Eastern Europe	370	2.8%	27.1%	231.8%	3.6%	-49.4%	3.0%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

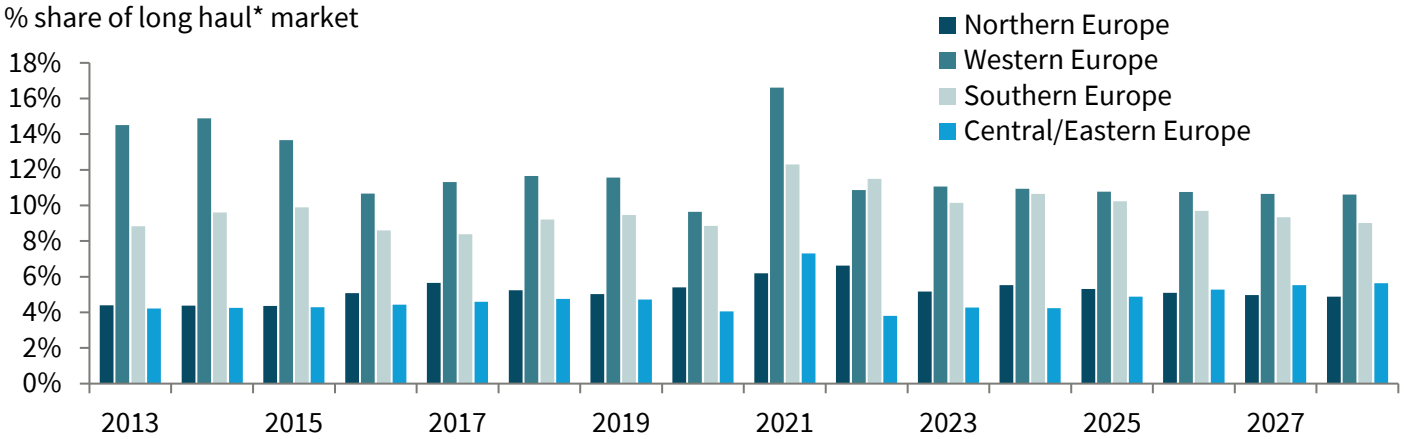
Source: Tourism Economics

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

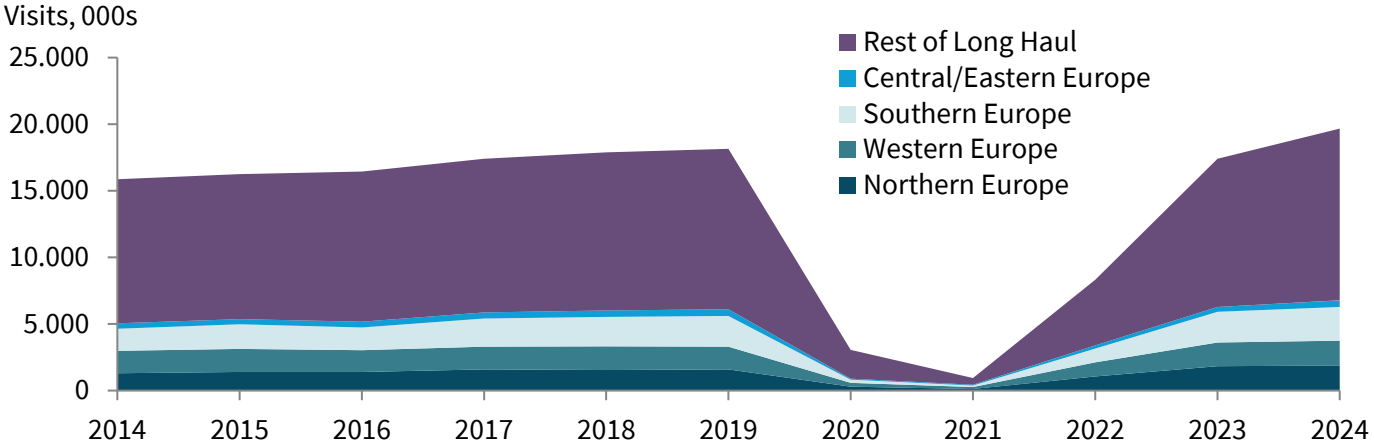
Australia market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**18,211**	**-**	**9.5%**	**57.4%**	**-**	**-1.7%**	**-**
Long haul	17,399	95.5%	9.4%	56.8%	95.1%	-2.8%	96.6%
Short haul	813	4.5%	11.4%	71.4%	4.9%	28.9%	3.4%
Travel to Europe	**6,286**	**34.5%**	**5.0%**	**27.7%**	**28.0%**	**4.4%**	**32.5%**
European Union	835	4.6%	51.0%	685.7%	22.9%	-83.3%	26.9%
Northern Europe	1,827	10.0%	1.6%	8.4%	6.9%	17.9%	8.4%
Western Europe	1,787	9.8%	3.5%	18.9%	7.4%	1.2%	9.5%
Southern Europe	2,298	12.6%	7.5%	43.4%	11.5%	4.2%	11.9%
Central/Eastern Europe	374	2.1%	10.8%	67.2%	2.2%	-24.9%	2.7%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

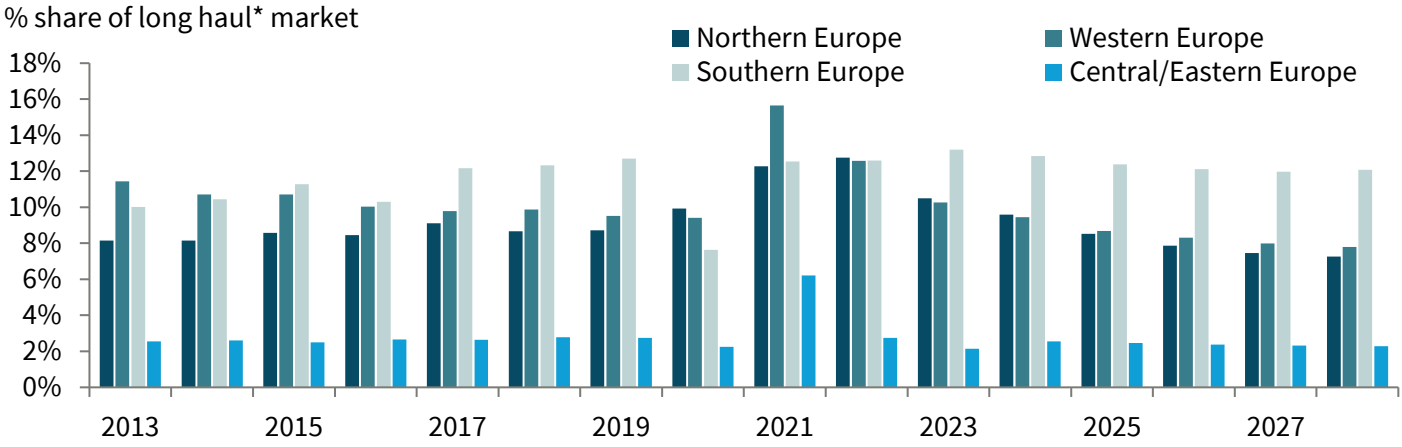
Source: Tourism Economics

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

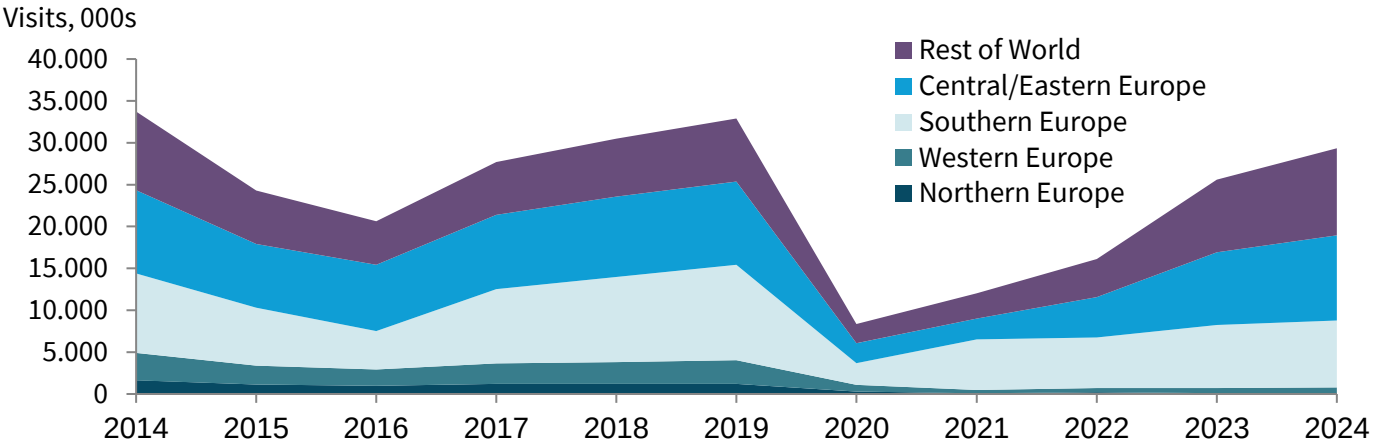
Russia market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**25,580**	**-**	**11.1%**	**69.3%**	**-**	**-16.1%**	**-**
Long haul	8,648	33.8%	8.9%	52.8%	30.5%	24.8%	22.7%
Short haul	16,933	66.2%	12.2%	77.7%	69.5%	-28.1%	77.3%
Travel to Europe	**16,933**	**66.2%**	**12.2%**	**77.7%**	**69.5%**	**-28.1%**	**77.3%**
European Union	2,225	8.7%	8.1%	47.9%	7.6%	-74.3%	28.4%
Northern Europe	108	0.4%	47.7%	603.2%	1.8%	-91.0%	3.9%
Western Europe	605	2.4%	34.5%	340.5%	6.2%	-76.8%	8.6%
Southern Europe	7,539	29.5%	9.5%	57.7%	27.5%	-26.0%	33.4%
Central/Eastern Europe	8,680	33.9%	11.2%	70.1%	34.1%	-9.3%	31.4%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

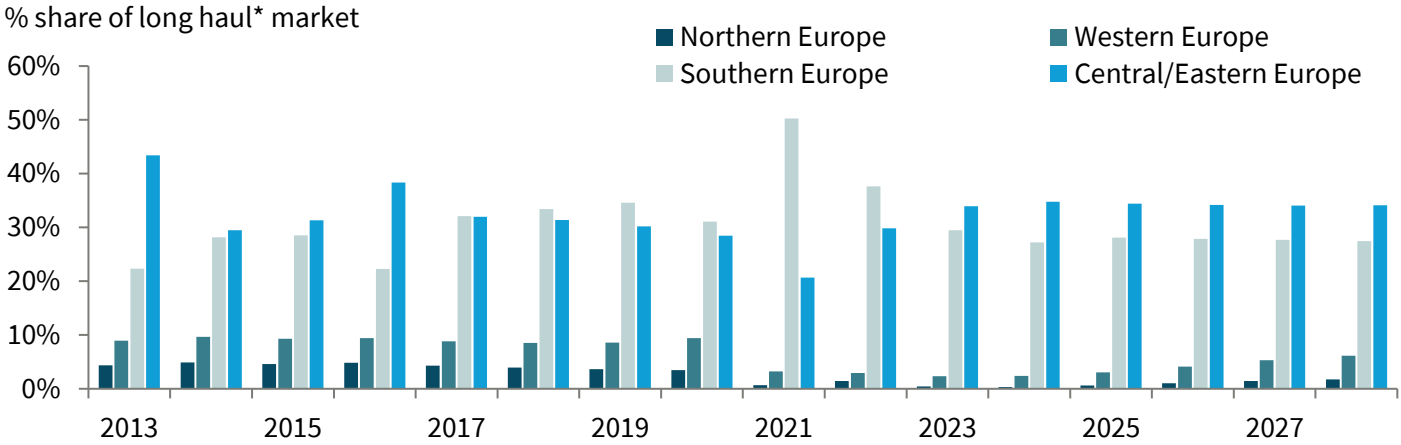
Source: Tourism Economics

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

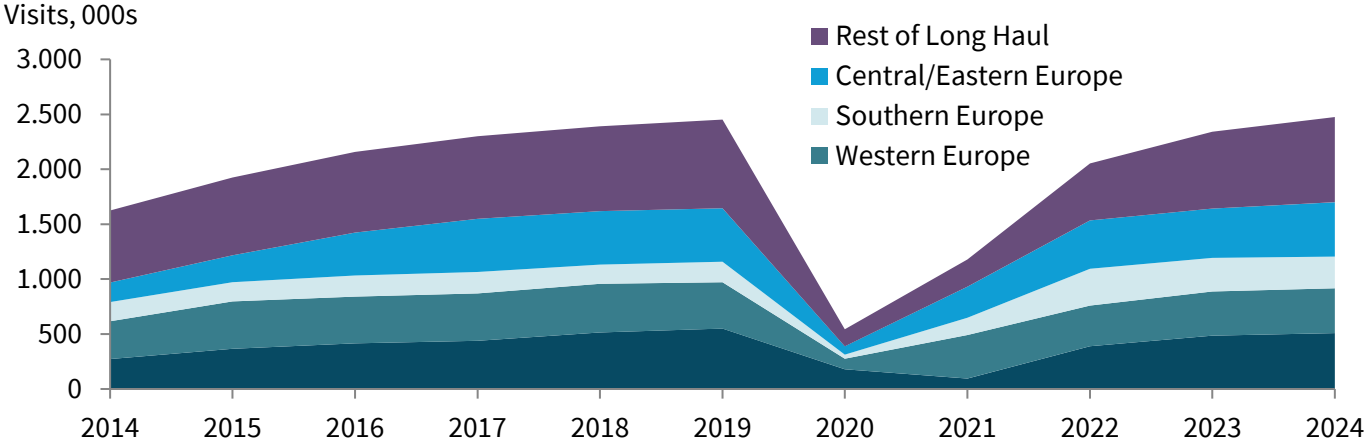
United Arab Emirates market share summary

	2023		Growth (2023-28)			Growth (2018-23)	
	000s	Share**	Annual average	Cumulative growth*	Share 2028**	Cumulative growth*	Share 2018**
Total outbound travel	**4,494**	**-**	**9.1%**	**54.5%**	**-**	**22.0%**	**-**
Long haul	2,342	52.1%	5.2%	28.6%	43.4%	-2.1%	64.9%
Short haul	2,152	47.9%	12.8%	82.7%	56.6%	66.6%	35.1%
Travel to Europe	**1,642**	**36.5%**	**4.0%**	**21.6%**	**28.7%**	**1.4%**	**43.9%**
European Union	296	6.6%	30.3%	275.9%	16.0%	-64.1%	22.4%
Northern Europe	484	10.8%	4.7%	25.7%	8.8%	-5.9%	14.0%
Western Europe	403	9.0%	3.3%	17.7%	6.8%	-9.2%	12.1%
Southern Europe	305	6.8%	1.3%	6.8%	4.7%	74.0%	4.8%
Central/Eastern Europe	450	10.0%	5.5%	30.8%	8.5%	-7.3%	13.2%

*Shows cumulative change over the relevant time period indicated. 2018-23 includes COVID-19 pandemic related declines.
**Shares are expressed as % of total outbound travel

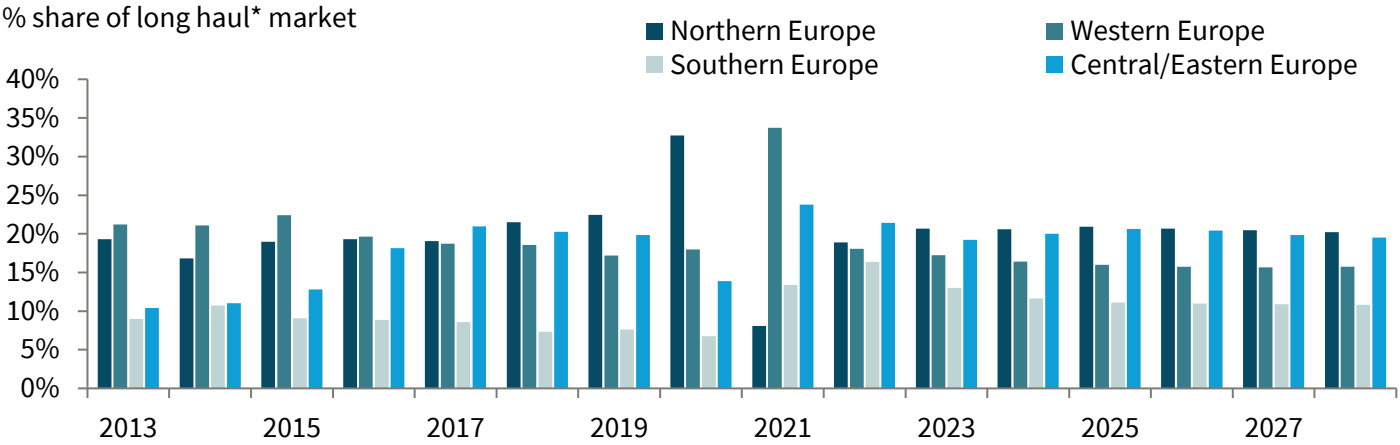
Source: Tourism Economics

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

8. 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 less expensive 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

Global growth is now estimated to have risen by 2.7% in 2024, and is likely to increase to 2.8% in 2025. The improvement over the next year will largely be driven by the advanced economies which are set to see growth rise from 1.7% to 1.9%, while growth in the emerging markets on average is expected to hold steady at 4%.

The prospect of more fiscal stimulus in the US alongside earlier news that China will step up fiscal support imply a slightly faster global growth over the next year or two. In the US, solid consumer spending and an increase in business investment spending will be key drivers of growth in 2025. The impact from the tariffs is not expected to materialise on US growth until later on in the current administration, because it takes time for the impact of them to feed through to households. The second Trump presidency will create other downsides for the US and the rest of the world in the form of higher US inflation, a slower pace of policy loosening by the Federal Reserve, and the disruption from higher US tariffs and associated retaliatory measures. This outlook assumes that more economies will now face new US tariffs, on top of China, the EU, Canada and Mexico. In addition, it is expected that the US will add targeted tariffs to imports from Japan, South Korea, and Vietnam.

Summary of Economic Outlook, % change*

	2023					2024				
Country	GDP	Consumer expenditure	Unemploy-ment**	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemploy-ment**	Exchange rate***	Inflation
UK	0.3%	0.5%	4.0%	-2.0%	7.3%	0.9%	0.8%	4.4%	2.7%	2.5%
France	1.1%	0.9%	7.1%	0.0%	4.9%	1.1%	0.9%	7.2%	0.0%	2.0%
Germany	-0.1%	-0.2%	5.7%	0.0%	5.9%	-0.1%	0.1%	6.0%	0.0%	2.2%
Netherlands	0.1%	0.8%	3.6%	0.0%	3.8%	0.9%	0.6%	3.7%	0.0%	3.4%
Italy	0.8%	1.0%	7.7%	0.0%	5.6%	0.5%	0.5%	6.5%	0.0%	1.0%
Spain	2.7%	1.8%	12.2%	0.0%	3.5%	3.1%	2.7%	11.6%	0.0%	2.7%
Russia	3.6%	6.5%	3.2%	-21.2%	5.9%	3.8%	5.4%	2.5%	-8.5%	8.3%
US	2.9%	2.5%	3.6%	-2.6%	4.1%	2.8%	2.7%	4.1%	-0.5%	2.9%
Canada	1.5%	1.9%	5.4%	-6.1%	3.9%	1.2%	1.9%	6.4%	-1.9%	2.4%
Brazil	3.2%	3.3%	8.0%	0.7%	4.6%	3.2%	5.3%	6.8%	-8.3%	4.3%
China	5.2%	9.2%	3.4%	-7.6%	0.2%	4.8%	5.9%	3.4%	-1.9%	0.2%
Japan	1.7%	0.7%	2.6%	-9.2%	3.3%	-0.2%	-0.2%	2.5%	-8.0%	2.5%
India	7.7%	3.4%	8.2%	-7.4%	5.7%	6.4%	6.0%	8.0%	-1.7%	4.8%

Source: Tourism Economics based on GEM as of 9.12.2024

* Unless otherwise specified

** Percentage point change

*** Exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.

Eurozone

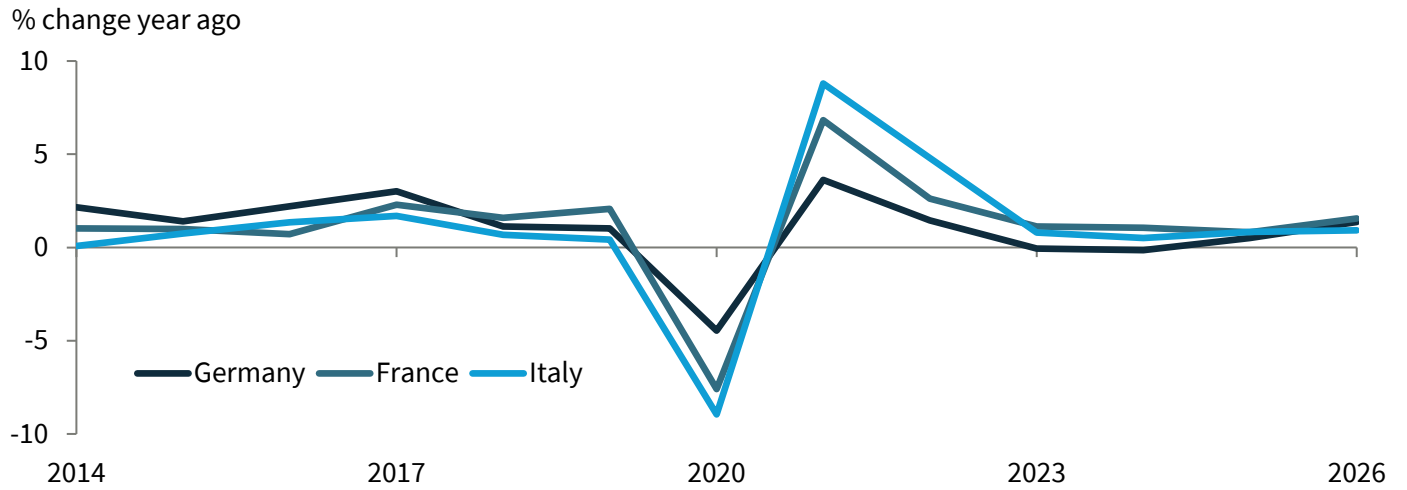
The eurozone economy expanded by 0.4% on the quarter in Q3, marking a two-year high for growth. Still, it is anticipated that the Q3 reading exaggerated the underlying growth, because this outturn was supported by some one-off factors, such as the Olympics in France. On the demand side, aggregate data for the region for Q3 pointed to a rather strong recovery in consumption, while net trade was very negative during the quarter. Buoyant growth in investment (2%) is possibly misleading because it purely reflects an extremely outsized increase in Ireland (212%), rather than a broad-based improvement. Excluding the sharp increase in Ireland, investment in the wider region is estimated to have fallen by -0.8% on the quarter.

Incoming sentiment and activity surveys confirm that the eurozone economy looks set to end 2024 on a weak footing with this likely to continue into early 2025. The weakness in surveys has been widespread and most indicators fell in November, signalling that that momentum has not bottomed out yet. For instance, the composite PMI declined in November to below the 50-mark, with services joining manufacturing in contraction, suggesting the economy is running out of growth engines.

Inflation increased again in November to reach a three-month high of 2.3%, but base effects fully explain this uptrend, rather than a pickup in price growth momentum. Looking into early 2025, it is anticipated that these rises will quickly reverse as base effects turn. On the whole, inflation is still set to undershoot the European Central Bank's target this year, underpinning the continued expectation of a sequence of rate cuts over the next 12 months.

Risks for the eurozone are linked to both domestic and international factors. Worsening labour market conditions could result into lower spending, while Trump's tariffs could impact trade. The direct hit to activity from tariffs should become evident from 2026 onwards given the time they take to implement, but there is a risk that companies' confidence will be negatively affected earlier.

Economic performance in key Eurozone economies, real GDP



Source: Oxford Economics

United Kingdom

Economic growth in the UK averaged just 0.1% for Q3 as a whole, following a surprise fall of 0.1% on the month in September. This was well below the above-trend pace reported in the first half of the year, though it is possible that noisy data exaggerated the loss of momentum. Timelier business survey data have been softer than earlier in the year. But survey results tend to be affected by swings in sentiment, and the dissatisfaction with the corporate tax rises announced in the Budget has had a heavy bearing on recent results.

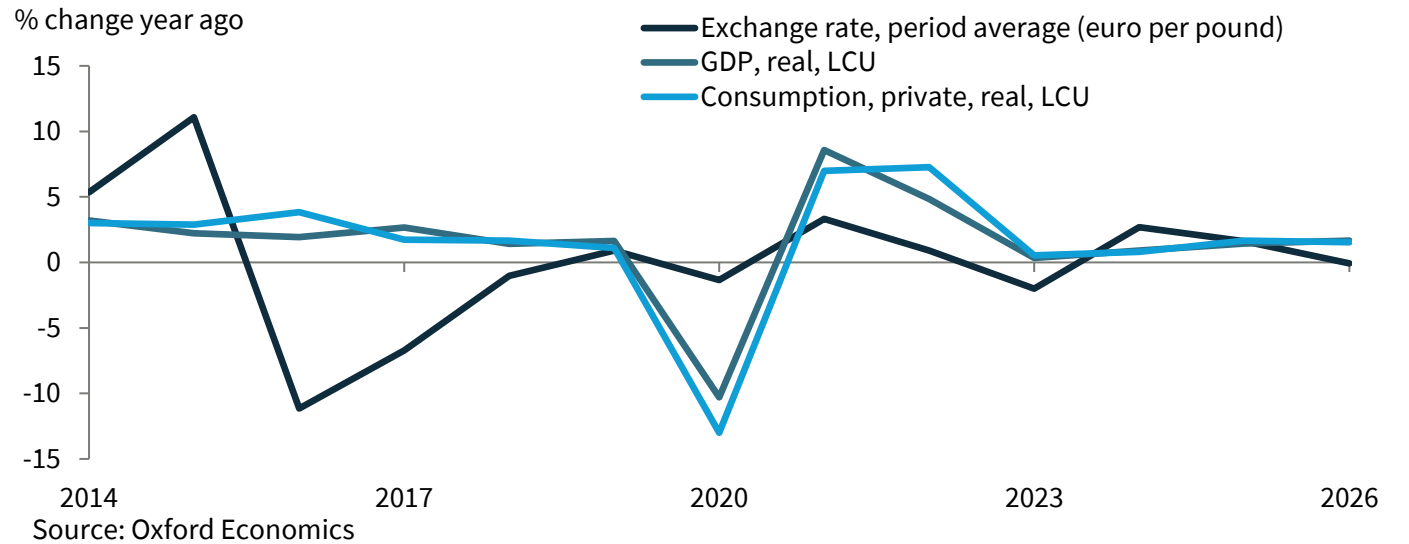
The Bank of England are still set to steadily cut the policy rate over the next year, and it is unlikely that they will switch to a faster pace of rate cuts with CPI inflation set to average 3%. This is still 1% above the central bank target rate and against the backdrop of sticky underlying inflationary pressures.

Tighter fiscal policy will be one factor that is expected to be a headwind to activity going forward. Compared with the plans inherited from the previous government, October's budget loosened fiscal policy. Still, over the term of this parliament, fiscal policy will be tightened significantly.

In addition to this, April's increase in employers' national insurance contributions (NICs) is set to dampen employment and pay growth as some firms will try to pass on some of the extra costs in the form of higher prices and even so. Despite this, profit margins are likely to be squeezed, limiting the availability of internal finance and opportunity to take advantage of lower interest rates and financing costs. Companies will likely cut spending on wages and salaries via a combination of smaller pay rises and lower headcount.

The pass through of the NICs increase is one of several factors likely to raise inflation in 2025, squeezing household spending power. A stronger US dollar, following Donald Trump's election victory, will push up prices of imported goods, while the drag from the energy category will reverse from the spring. At the same time, pay growth will continue to cool. On top of the rise in NICs, looser labour market conditions will weigh on workers' pay bargaining power. As a result, there is more scope for reduced saving among households with spending growth to outpace the rise in incomes over the next year or so.

United Kingdom economic outlook



Source: Oxford Economics

United States

Growth in real GDP in Q3 was solid and the details were encouraging. Real private sales to domestic purchasers, the engine of the economy continued to grow at a decent pace, suggesting that the economy remains on a solid footing. Overall, looking through the noisy data, the US economy is doing well. GDP growth is near its short-run potential, unemployment is low, consumers are spending, and manufacturing is showing signs of improvement.

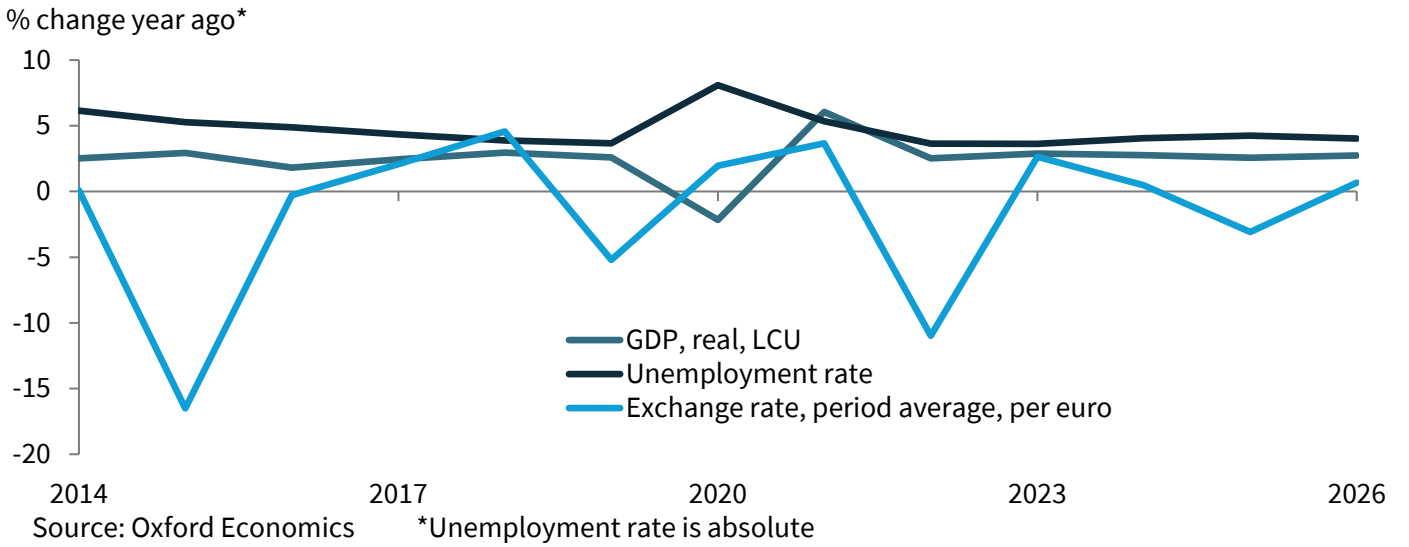
There are some new soft spots, but these are expected to be temporary. Business investment in equipment is set to end the year on a disappointing note, but this is simply a hangover after it grew rapidly throughout most of 2024. Policy uncertainty following the election was also a temporary drag on equipment spending in Q4. The negative effects of the hurricanes and the Boeing strike are still working their way through the economic data, causing wild swings in employment, housing, industrial production, and durable goods orders.

The current outlook assumes that the US will impose blanket tariffs of 30% on Chinese exports as trade tensions will be renewed in the coming year. It is expected that China will impose 25% tariffs on all US exports, though with an exemption for electronic products. Though the tariffs will not go into effect immediately, firms will likely front-load imports to boost inventories ahead of the tariffs. There was not a noticeable front-loading ahead of tariffs in Trump's first term, but the magnitude of imported goods covered by those tariffs was US$380bn. Meanwhile, the threat of across-the-board tariffs this time will affect US$3.1trn worth of imports in 2023 dollar prices. Higher import growth going forward will be a drag on growth, all else being equal.

The Federal Reserve (Fed) has suggested that the path of monetary policy is increasingly less certain, with a cumulative 75bps of rate cuts expected in 2025. The Fed's more cautious approach isn't surprising as the economy is doing better than the central bank anticipated, inflation is a little stickier, and there is uncertainty about the destination of monetary policy in this normalisation cycle.

The economy is still set to grow by around its short-run potential rate in 2025 at 2.6%, following an expected expansion of 2.8% in 2024. But uncertainty will remain higher than normal given the change in administration.

United States economic outlook



Source: Oxford Economics *Unemployment rate is absolute

Japan

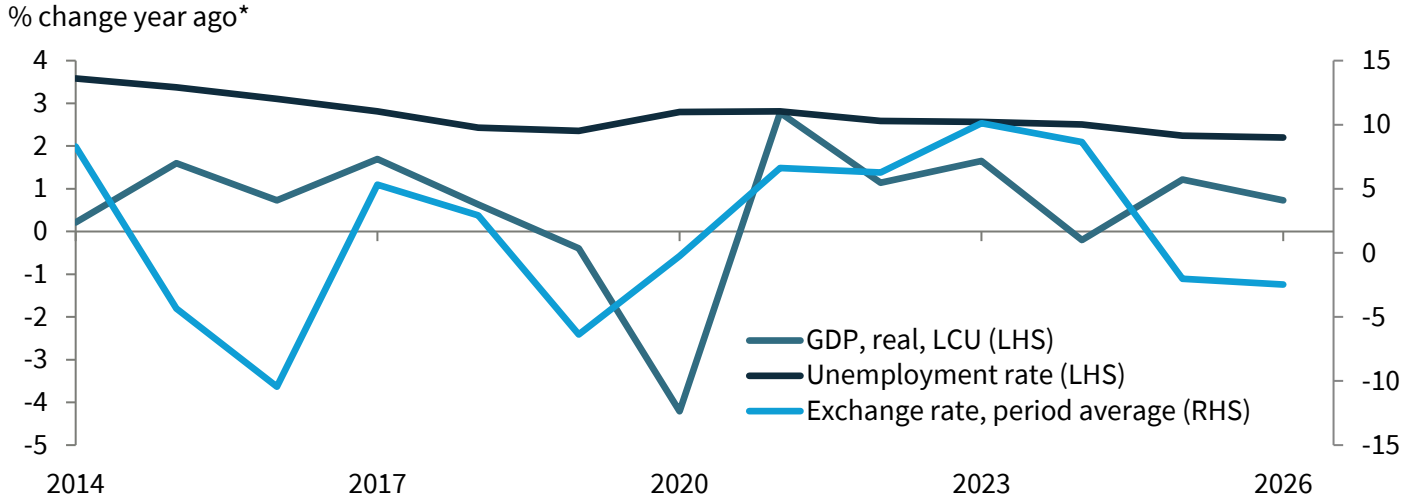
According to the preliminary estimate, Japan's real GDP grew by 0.2% on the quarter in Q3, after a 0.5% rise in Q2. Domestic demand improved, led by consumption, particularly of durable goods. But on the external side, net trade pulled growth down as the 0.4% increase in exports was less than the 2.1% rise in imports. Goods exports rose by 1.9%, led by exports to Asia (excluding China) amid chip cycle upturns. But service exports dipped by 4.2% as yen gains in Q3 limited the purchasing power of inbound tourists

The Bank of Japan will conduct gradual but continued rate hikes over the next year, despite holding the rate at 0.25% in its December meeting, making a rate hike more likely in its first meeting of 2025. The central bank is keen to return to policy normalisation, but the market is still unsure whether it will follow through resulting in long-term yields staying low at around 1%-1.1% despite rising US yields.

The yen weakened in November as expectations for future rate cuts by the US Federal Reserve retreated after Trump's win. The outlook for the yen has been cut to reflect a stronger US economic outlook and higher projections for US yields. It is now expected that the yen will stay around its current weak level throughout 2025, before appreciating gradually with tighter US/Japanese yield gaps.

The economic outlook going forward remains cautious with growth set to contract by -0.4% in 2024, with the economy only set to expand by 1.2% in 2025. However, growth is expected to be limited by domestic demand as the weak yen will limit households' real income gains and higher US policy uncertainty will likely dampen investment prospects.

Japan economic outlook



Source: Oxford Economics *Unemployment rate is absolute

Emerging Markets

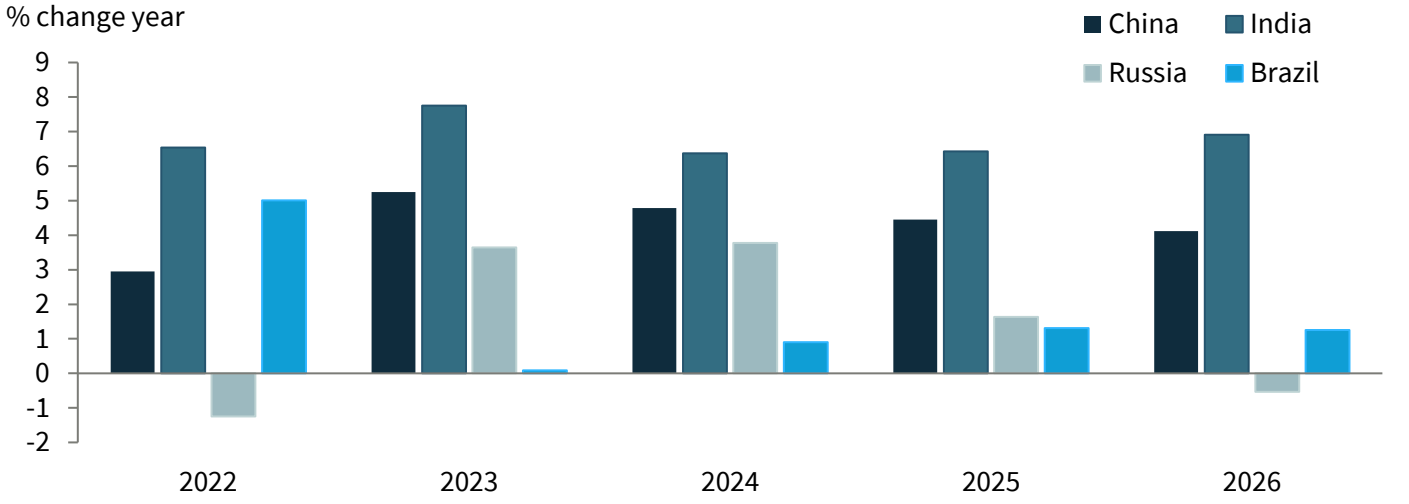
GDP growth in China during Q3 slowed to 4.6% on the year from 4.7% in Q2, despite the statistical assistance from the low base last year. Headline inflation weakened further to 0.2% year-on-year in November from 0.3% in October and inflation expectations remain subdued and driven by weak domestic demand amid historically low household income growth, elevated leverage ratios, and declining asset prices, alongside the constrained effectiveness of monetary easing. Mounting deflationary pressures in the domestic economy and increasing external uncertainty, such as those stemming from Trump's second term will put pressure on fiscal policy going forward.

Economic growth in India continued to slow in Q3, rising by only 5.4% on an annual basis. Private consumption and investment softened more than expected after a strong Q2, while large statistical discrepancies dragged the headline rate down further. Activity will continue to expand at a slower pace throughout the coming year as elevated inflation weighs on private consumption. Continued price pressures will also constrain the Reserve Bank of India's room to manoeuvre to ease policy rates, meaning financing conditions will likely remain tight for investors until later in 2025.

The economy in Brazil expanded by 0.9% on the quarter in Q3, brought on by a combination of household consumption and investment growth, while preliminary data for Q4 suggests a similar pace of growth. But monetary policy is set to quickly shift to a much more contractionary stance as policymakers become less and less tolerant of above-target inflation. As a result, household consumption is expected to slow sharply as inflation erodes real wage growth and the unemployment rate gradually shifts.

Annual GDP in Russia slowed to 3.1% in Q3 from 4.1% in Q2. This was driven largely by public administration and defence which contributed the most (0.9ppts) to annual growth, closely followed by manufacturing and financial services. Household demand, which propelled growth in the first half of the year is slowing as the prohibitively high cost of unsubsidised loans and mortgages begins to discourage consumer spending. In December, domestic demand received a boost from the year end increase in budget spending, but by mid-2025, this support will wane. Despite a second Trump presidency, it is unlikely that early talks between the US and Russia will put a swift end to the Russia-Ukraine war. The army has continued to advance in Donbas, providing Russian leadership with additional leverage in any upcoming negotiations.

Economic growth in selected emerging markets, GDP real



Source: Oxford Economics

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.

Appendix 2

TRAVELSAT© Sentiment Index & Sentiment Analysis Technology

E-Reputation data is sourced from the TRAVELSAT© Sentiment Index, an advanced social listening-based technique applied to travel and destinations developed by MMGY TCI Research. A proprietary script allows web-crawling posts and social content shared that can influence destination reputation, in direct relation to tourism or from other non-tourism external factors that impact attractiveness for potential visitors (politics, safety, social events, societal, economic context, business, geopolitics...).

The "sentiment" reflects the state of travel brands' online reputation. These are seen through online social conversations at a global level. They are shared by differing media, consumers, companies, citizens, brands and officials on websites, forums, blogs & social networks. While sentiment is not predictive of travellers' planning, a positive e-reputation is essential to generate favourability towards destinations and travel brands, particularly when choosing a destination.

Data are reported as Net Sentiment Scores measuring the balance of sentiment polarity in online social conversations concerning the topic and destinations monitored: % of positive comments - % of negative comments. In this sense, scores range from -100 to +100, where 0 is the middle point balancing an equal number of positive and negative mentions.

The sections on Value for Money and Sustainable Travel are measured through sentiment scores stemming from written reviews from 45 sources (TripAdvisor, Google Reviews, Booking…). In order to calculate the scores MMGY TCI Research uses advanced Sentiment Analysis Technology to detect the positive and negative sentiment towards specific concepts or topics in written reviews. In order to form the concepts, often referred to as "dimensions", keywords or lexicons are detected in the text. The context in which these are used in a review and the polarity of other words in the review are also used in determining the full polarity of the review (Positive, Neutral, or Negative).

Sentiment scores range from 0 to 10, with the lowest score being 0 and the highest being 10. When it comes to sentiment analysis, the score can be seen as the polarity of written reviews that a destination or point of interest has received. In this sense, a score over 5 means that the consolidated polarity of all reviews is more positive than it is negative, with the opposite being the case for scores below 5. A score of 5 will mean an equal proportion of positive and negative polarity.

Appendix 3

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
Czechia – 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
Türkiye - Türkiye Tourism Promotion and Development Agency
Ukraine – State Agency for Tourism Development of Ukraine (SATD)