

Box 1.2: An update on the tourism sector in the EU: insights from early 2021 data

After the slump in tourism activity in 2020 and early 2021, the strong progress in the fight against the pandemic provides for cautious optimism going forward. This Box describes recent and expected developments in tourism, with the analysis relying mostly on Eurostat data on nights spent at tourist accommodation establishments. Where such data for 2020 and the first five months of 2021 are missing, the analysis uses indications from customer reviews for AirBnB holiday listings.⁽¹⁾ The language of the reviews is used as a proxy to differentiate between resident and non-resident tourists. Available air traffic information is also taken into account in the analysis.

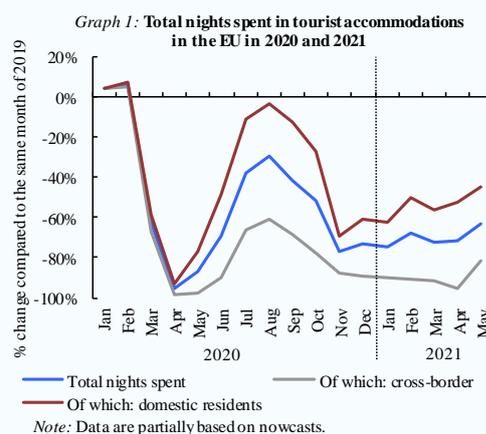
The tourism slump extended into 2021, with some signs of recovery starting in May.

Following the sharp decline in nights spent in tourist accommodations in March and April 2020, tourism activity recorded a short-lived recovery last summer (see Graph 1). By August, nights spent by domestic tourists had increased strongly towards 2019 levels, while cross-border tourism picked up more mildly. The resurgence of the pandemic in autumn and winter then set the stage for a renewed slump in tourism activity, in particular for inbound tourism.

For the EU as a whole, total nights spent in tourist accommodations in 2020 amounted to 50% of its 2019 level, with resident tourists at 67% and non-residents at 30% (see Table 1)⁽²⁾. Countries largely relying on air travel were most hit: tourism activity in Cyprus was 22% of 2019 levels for instance; conversely, the number of tourist nights spent in the Netherlands reached 70%.

In early 2021, tourism remained in the doldrums. Most countries recorded a weak performance in the

first quarter compared to 2019-Q1, as illustrated in Table 1. This performance was also worse than in 2020 as a whole. In April and May, domestic tourism continued to recover slowly from its autumn slump, later joined by cross-border tourism, which picked up during the long weekends of May (see Graph 1). Going forward, tourism activity would have to rebound strongly for results in 2021 as a whole to exceed 2020 levels.



City tourism remains the hardest-hit segment.

City tourism normally accounts for about 60% of customer reviews across the EU. Its decline contributed the most to the overall decline in tourism activity (see Graph 2).⁽³⁾ After being down by about 80% in 2020, city tourism remained just as low in the first five months of 2021, as compared to the same months in 2019. In contrast, *coastal* and *rural tourism* performed better, and on average contributed less to the decline. Coastal regions in Denmark, Germany, France, the Netherlands, and Poland in particular saw activity in the third quarter of 2020 close to, or even exceeding, normal levels.⁽⁴⁾ The decline in coastal tourism in most Mediterranean Member States was less pronounced than in their major cities. In

⁽¹⁾ A real-time dataset of 45 million customer reviews for 2.3 million AirBnB listings in the EU is used to nowcast the number of nights spent in tourist accommodation establishments, following the methodology presented in European Commission (DG ECFIN). (2020). 'Tourism in pandemic times: an analysis using real-time big data'. European Economic Forecast – Autumn 2020. Special Topic 3.3.

⁽²⁾ It should be noted that for the purpose of this box UK tourists are estimated in the same way as those from EU countries, in view of their comparable importance and distance to destination countries.

⁽³⁾ AirBnB customer reviews further allow for more granular insights by statistical region (NUTS 3). Note that granular high-frequency data on tourism by type of destination is not available, but can be proxied by data on short-term rental customer reviews.

⁽⁴⁾ The overall decline in reviews for coastal regions in these Member States is mostly due to an underperformance in off season week-ends during Q2 and Q4.

(Continued on the next page)

Box (continued)

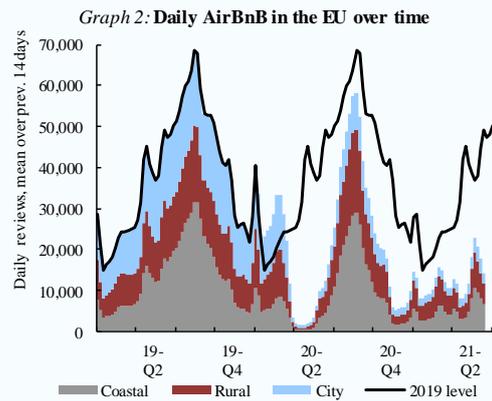
Table 1:

Tourism activity overview - nights spent in tourism accommodations, in % of 2019 (i.e. in % of 2019Q1 for 2021Q1)

	Total nights spent		Domestic tourists		Foreign tourists		Foreign air tourists from EU27+UK		Total nights spent		Domestic tourists		Foreign tourists		Foreign air tourists from EU27+UK		
	2020	21Q1	2020	21Q1	2020	21Q1	2020	21Q1	2020	21Q1	2020	21Q1	2020	21Q1	2020	21Q1	
Cyprus	22	18	115	54	17	12	20	13	Luxembourg	53	60	83	131	48	47	43	51
Greece	28	22	52	25	23	16	27	19	Estonia	53	51	88	97	32	18	31	26
Malta	30	19	115	119	25	12	25	14	Slovakia	55	17	64	23	37	7	17	5
Spain	31	18	49	31	20	12	23	13	Lithuania	55	30	79	41	27	16	30	14
Ireland	36	17	37	16	35	18	31	33	Czechia	55	12	80	20	27	3	23	4
Portugal	39	26	65	48	26	16	30	18	Poland	55	19	60	20	35	15	33	30
Hungary	44	13	62	19	24	7	26	7	Slovenia	58	9	133	12	29	6	36	5
Croatia	45	35	76	59	42	23	29	38	Germany	60	19	66	20	36	14	28	13
Bulgaria	45	42	76	49	28	32	40	34	Finland	62	44	75	62	32	11	23	11
Romania	46	49	53	57	15	14	22	18	Austria	62	6	77	20	56	2	29	4
Italy	47	19	64	30	30	6	27	7	Sweden	62	44	74	50	29	26	26	27
Belgium	48	26	65	45	31	10	32	12	France	62	41	76	54	31	10	35	11
EU-27	50	24	67	35	30	10	27	13	Denmark	68	41	86	55	37	15	27	14
Latvia	52	33	84	71	39	15	32	26	Netherlands	70	45	90	70	41	11	32	12

Note: Number of nights spent reported via Eurostat, augmented by nowcasts based on AirBnB-reviews.

addition, several tourism-intensive rural regions saw activity comparable to that in coastal regions, most notably in France.

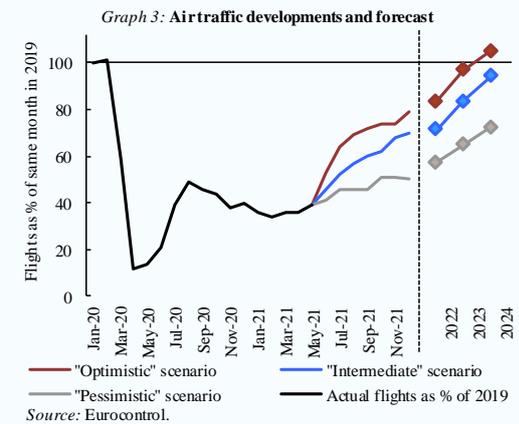


Air traffic forecasts suggest a timid summer.

In parallel to tourism dynamics, European air traffic recovered somewhat in the summer of 2020 (Graph 3).⁽⁵⁾ However, the increase was mild and temporary, with the number of flights in August reaching only around 50% of 2019 levels, and declining thereafter. In 2021, air traffic started rising again, albeit mildly, and was at less than 40% of 2019 levels in May. What is more, the average number of passengers per plane also

⁽⁵⁾ Figures here refer to air traffic for the EU27, as reported by Eurocontrol. Note that Eurocontrol scenarios for 2022-2024 likewise refer to the EU27, while monthly forecasts for the remainder of 2021 are based on Eurocontrol aggregate projections for the 44 Member States of the European Civil Aviation Conference.

declined, to around 60% of normal seat occupation levels by late 2020. In May 2021, seat occupation had not recovered significantly. Looking ahead, passenger traffic over the short term is likely to develop in line with the number of flights.



Eurocontrol has recently provided projections for the number of flights in Europe in three scenarios, labelled here as *pessimistic*, *intermediate* and *optimistic* (Graph 3).⁽⁶⁾ Only in the *optimistic scenario* does the number of flights reach pre-pandemic levels by 2024. This is also the only scenario expecting a substantial improvement during the summer of 2021, among others thanks to

⁽⁶⁾ For annual country-specific forecasts see, Eurocontrol (2021). 'Forecast Update 2021-2024'. European Flight Movements and Service Units: Three Scenarios for Recovery from COVID-19, May 2021; For the Europe-wide monthly 2021 scenarios, see Eurocontrol's latest air traffic scenario, June 2021.

(Continued on the next page)

Box (continued)

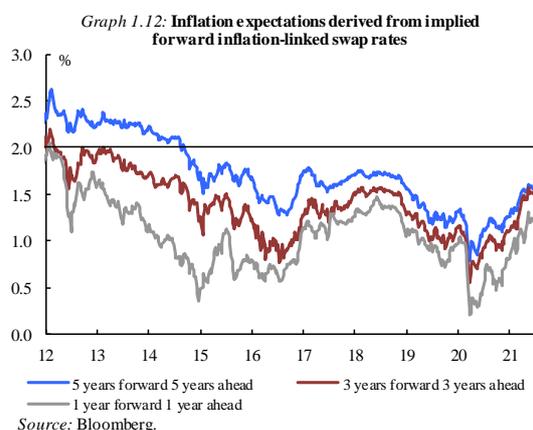
pent-up demand. The other two projection scenarios imply a slower recovery. ⁽⁷⁾

These projections are consistent with only a gradual return to pre-pandemic tourism activity levels, especially in countries that rely strongly on airbound tourism. In the intermediate scenario, these countries will likely see cross-border tourism this summer only slightly higher than last year. In 2021 as a whole, tourism figures are also likely to improve somewhat, but should remain much closer to 2020 levels than to pre-pandemic normality. Over the forecast horizon, the recovery is expected to be particularly sluggish for extra-EU inbound tourism.

⁽⁷⁾ Assessing forward-looking indicators remains complex. Pre-booking figures, for example, are not likely to behave as in the past, and are thus less useful to gauge tourism activity going forward. The assessment here focuses on Eurocontrol projections because these have proven to be a reliable proxy during recent months.

Surging demand should allow for a slightly higher pass-through of rising production costs to consumer prices in some sectors. However, a negative output gap and large labour market slack are likely to constrain second-round effects.

Moreover, market-based inflation expectations in the medium- to long-term remain anchored markedly below 2%, despite an uptick since the beginning of the year. At the cut-off date of this forecast, inflation-linked swap rates at the one-year forward one-year-ahead horizon stood at 1.2% (see Graph 1.12). On the three-year forward three-year-ahead and five-year forward five-year-ahead horizons, the indicator implies average inflation of 1.5% and 1.6%, respectively.



1.7. RISKS TO THE OUTLOOK

Uncertainty and risks surrounding the growth outlook are high, but remain overall balanced. While pandemic-related risks are mainly posed by the spread and emergence of virus variants of concern, economic risks relate in particular to the response of households and firms to changes in restrictions, as well as the impact of emergency policy support withdrawal.

Inflation may turn out higher than forecast, if supply constraints are more persistent and price pressures are passed on to consumer prices more strongly.

The race between injections and infections continues

There is still considerable uncertainty about how the pandemic will evolve. The spread and emergence of variants of concern continue to pose a serious health risk, as the experience in the UK shows. There, the number of new cases from the Delta (B.1.617.2) variant and hospitalisation have been increasing since mid-May despite around two thirds of the total UK population having received at least one dose of vaccine. Available information suggests that the Delta variant is more transmissible than the Alpha variant, which still