EUROPEAN FREE TRADE ASSOCIATION

EFTA Statistical Office Publication

Pandemic crisis and economic trends: the tourism sector in European and EFTA countries

Luxembourg, March 2022

Summary

The ongoing Covid crisis has had and still continues to have a considerable impact on different sectors of the European economy. Hope for a fast recovery has been repeatedly contradicted by new waves of infections leading to renewed measures that slowed down the pace of recovery in national economies. This publication presents empirical data from Eurostat's database with a focus on some figures from the tourism sector for the EU 27 complemented by additional figures from EFTA Member States.

Some results:

- ***The second quarter 2020 marked the low point in the decline of quarterly GDP since 2017 for all countries under consideration, with the EFTA countries being affected to a somewhat lesser degree.***
- ***EFTA countries have profited from a compensation effect in 2020 and 2021 with domestic tourism compensating at least partially for losses of foreign tourism in terms of total nights spent.***
- ***Number of passengers decreased over all modes of transport (air, railway, maritime) in 2020 and 2021, with the largest amplitudes in air passenger transport. Recent data for 2021 shows signs of slow recovery.***

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Introduction

The recurrent tendency of national economies to pass through periods of expansion followed by contractions led to the idea that the underlying tendency is that of a business cycle. In Official Statistics, the business cycle is often described through a series of expansions and contractions in real Gross Domestic Product (GDP). Production and price indices as well as other indicators, such as e.g. employment, often complement such analysis.

The current Covid pandemic situation caused a global economic recession, starting in most countries in the beginning of 2020 after a period of economic slowdown in 2019[1]. Measures to limit the spread of the Covid virus, such as "lockdowns" and the accompanying interruptions in delivery and supply chains as well as a slowdown in consumer activities advanced the recession, causing firm bankruptcies and rapid increases in unemployment.

One of the areas that is amongst the most severely affected ones is the tourism sector. Although latest releases from the World Travel & Tourism Council (WTTC)[2] revealed increased bookings for the Easter and summer periods 2022, the European travel and tourism sector's contribution to GDP only grew by less than a quarter in 2021. After a worldwide loss of about 62 million travel jobs in 2020, the sector employment remained almost stagnant (+0.7%) in 2021[3]. According to WTTC's latest projections from October 2021 this tendency could be followed by an increase of 18% in 2022.

Shifting away from the worldwide situation and focussing instead on the European economy, the present publication intends to provide some empirical facts on the current situation in the tourism sector while paying special attention to data from EFTA countries. Official Statistics in the European Statistical System (ESS), to which all EFTA countries adhere, reacted to the need for key figures throughout the pandemic with the provision of a wide range of statistics, in order to provide a baseline against which the impact of the crises can be measured and its development be evaluated. The European Recovery Dashboard[4] provides in this regard an overview on indicators that display the recent economic development in several areas.

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[1] See also: "The World Economy: Synchronized Slowdown, Precarious Outlook" IMF Blog. Retrieved 15 April 2020.

[2] See WTTC Presse Release from 21.10.2021.

[3] See WTTC Release on Staff Shortages from December 2021: WTTC-Staff-Shortages.pdf

[4] See: https://ec.europa.eu/eurostat/cache/recovery-dashboard/

In order to first convey a more general picture of the current economic situation in Europe we will first present some figures on the latest GDP developments for the EU 27, Iceland, Norway and Switzerland. As will become evident then, the second quarter 2020 marked the low point in the decline of quarterly GDP since 2017 for all countries under consideration, with the EFTA countries being affected to a somewhat lesser degree.

The tendency observed for quarterly GDP in the second quarter of 2020 is also clearly reflected in the number of overnight stays in European tourist accommodations in this period for EFTA countries as well as for the top three tourist destinations in the EU. Interesting in this context is how far domestic overnight stays have compensated for foreign ones.

Finally, we will look at passenger transport in different modes (air, railway and maritime) in order to convey an impression of the economic effects of the pandemic in this area. As will become clear then, all modes of passenger transport have been negatively affected by the pandemic, although to varying degrees.

Signs of economic recovery: GDP

GDP is one of the key indicators used to describe economic activity, and therefore quarterly GDP estimates usually receive a lot of attention when assessing short-term economic development. An economic recession can be defined according to several criteria, but a frequently used criterion is two consecutive quarters of decline in real GDP. In order to describe the severity of the economic impact of the COVID-19 pandemic we look at the development in quarterly GDP volume in the period 2017-2021.

Figure 1 shows the development of quarterly GDP volumes for the EU-27 aggregate and the EFTA countries. It was evident that the economic activity in the EU-27 and the EFTA countries Iceland, Norway and Switzerland not only entered into an economic slowdown in the first half of 2020, but according to the criteria above also a recession with two consecutive quarters of negative GDP growth. The EU-27 as a whole experienced a larger decline in quarterly GDP from the fourth quarter 2019 to the second quarter 2020 with an overall drop of 14 per cent in this period compared to the EFTA countries: the GDP of Iceland fell by 12 per cent in the same period, whereas the GDP of Norway and Switzerland fell by 6 and 8 per cent respectively. Looking at the quarterly changes rate in GDP volume from a longer perspective, quarterly GDP fell by 1.8 and 2.9 per cent for EU-27 during the first and second quarters of 2019 respectively. These quarterly changes observed during the financial crisis of the late 2000s appear very modest compared to the drop of 11.3 per cent from the first to the

second quarter 2020 in quarterly GDP for EU-27, which illustrates the severe impact the pandemic had on economic activity in 2020.

As the economic slowdown was closely connected to the restrictions introduced during the pandemic, one would anticipate a gradual recovery when such restrictions are removed. This could be observed by the growth in GDP in the period from the second quarter 2020 and onwards for both the EU-27 and the EFTA countries. However, as can be seen from figure 1 the economic growth following the first half 2020 has been unstable, even with periods of economic slowdown. While the GDP volumes of Norway and Switzerland surpassed the level before the pandemic towards the end of 2021, the GDP of EU-27 is at the about the same level as in the fourth quarter 2019 and lower for Iceland.

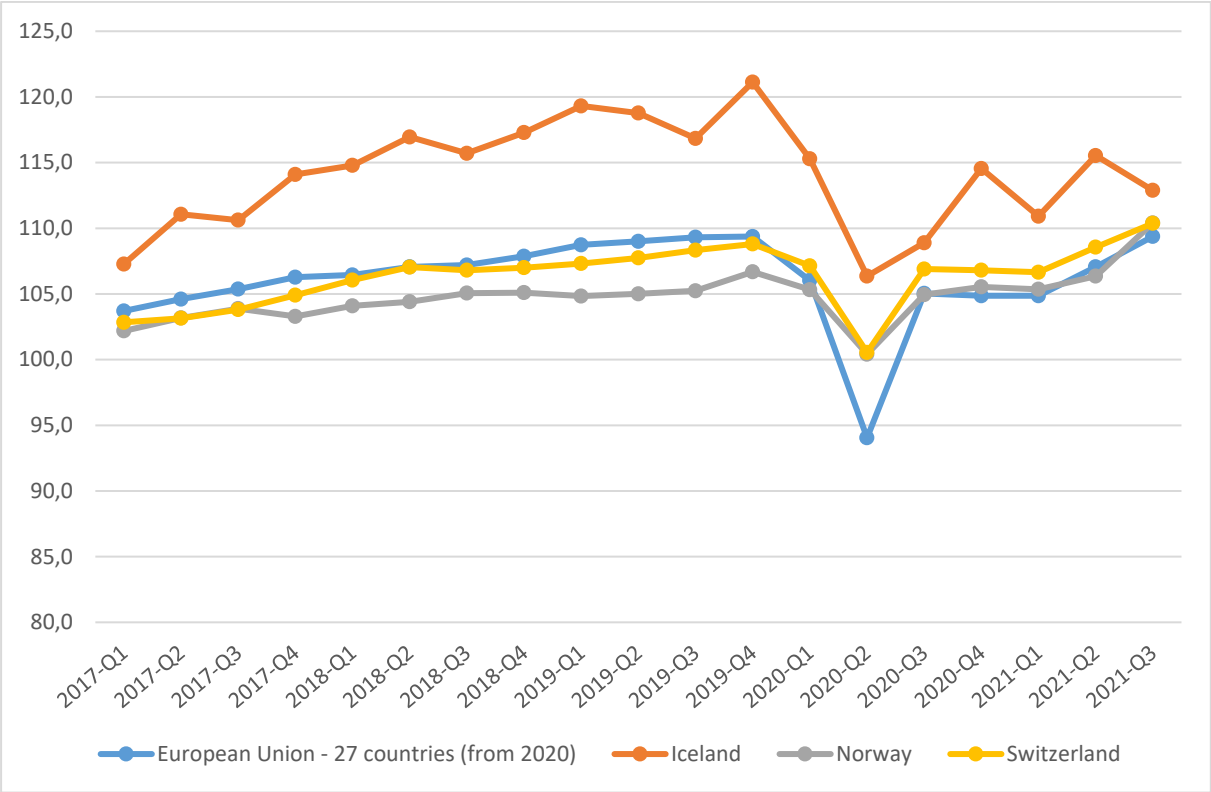

Fig. 1: Quarterly Gross Domestic Product, chain-linked volume, seasonally and calendar adjusted data, 2015=100. Data for Iceland seasonally adjusted only. Data from Liechtenstein not available.

Because of the restrictions introduced on travel, the tourism sector was one of the sectors that experienced a marked economic downturn during the pandemic. This becomes also evident in

figure 2, which shows the development in quarterly Gross Value Added (GVA)[5] volume for the EU-27, and the EFTA countries Norway and Switzerland. As there is no single available estimate for the tourism sector from quarterly national accounts, we look at the closest available aggregate, which also includes the sectors wholesale and retail trade, transport, accommodation and food service activities. From the fourth quarter 2019 to the second quarter 2020, GVA dropped markedly for these sectors, by about 25 per cent for EU-27, and about 13 per cent for both Norway and Switzerland. Again, the drop in economic activity was larger for the EU-27 compared to the two EFTA countries Norway and Switzerland. Moreover, the following recovery was substantial from second to third quarter 2020 for these economies. As was observed with the overall quarterly GDP the recovery was not stable and with declining economic activity towards the end of 2020 and early 2021. Figure 2 also shows that the GVA for these sectors is still at a lower level in the third quarter 2021 compared to quarter four 2019 (before the pandemic began) for EU-27 and Switzerland. Together, these findings indicate that the recovery was not complete nor was there continuous growth, which is likely linked to the continued impact of the pandemic restrictions during this period.

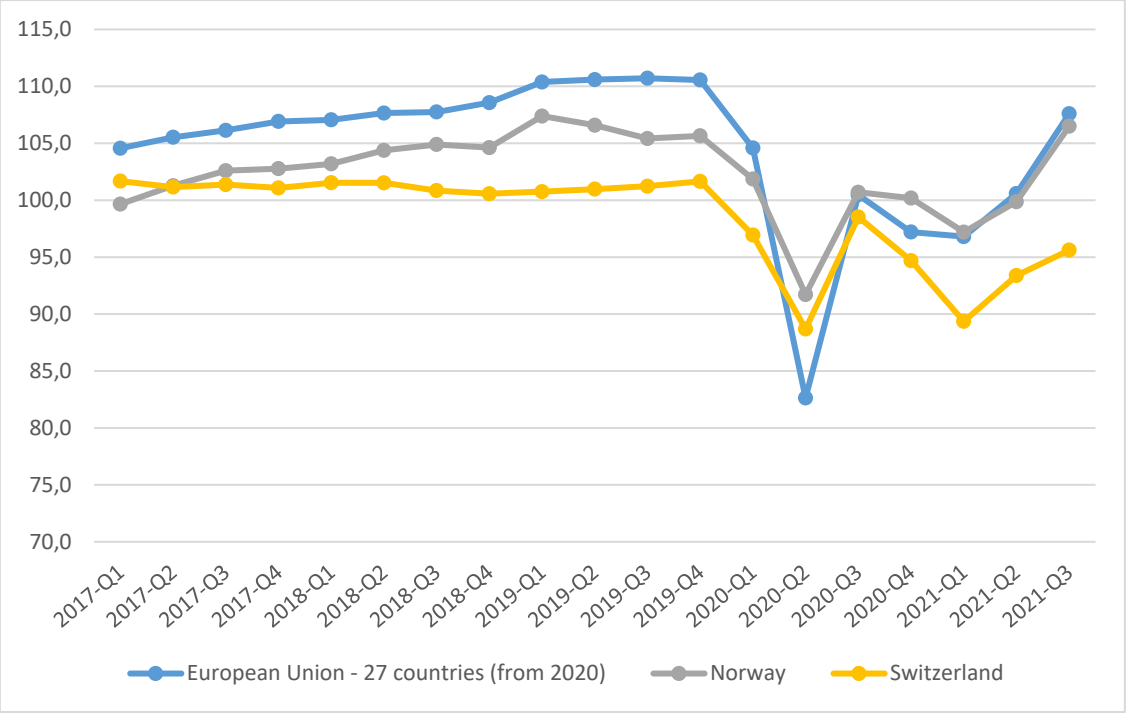

Fig. 2: Quarterly Gross Value Added in wholesale and retail trade, transport, accommodation and food service activities (NACE G-I), chain-linked volume, seasonally and calendar adjusted data, 2015=100. Data from Iceland and Liechtenstein not available.

[5] Gross Value Added (GVA): GVA is defined as the value of output minus the intermediate consumption in National Accounts.

Nights spent in tourism accommodation: The overall picture

Figure 3 illustrates the total nights spent (national and international) in tourism accommodation of Iceland, Liechtenstein, Norway and Switzerland from early January 2018 to the end of November 2021. Overall development in nights spent is marked by seasonal fluctuations which are characteristic for the tourism sector. As can be seen from figure 3, the seasonality for the alpine countries Switzerland and Liechtenstein differs from Norway and Iceland with respect to a pronounced winter season in addition to the summer period.

In contrast to the usual seasonal fluctuations, the number of overnight stays followed the consequences of the measures against the pandemic. The drop of nights spent in EFTA countries in April 2020 followed the lockdown implemented in March 2020. This trend also holds for the alpine countries, Switzerland and Liechtenstein. All four countries stand out with the number of nights spent in summer 2020 which was followed by an important drop. As the latest data from 2021 indicate, the tendency shows an upward trend although not attaining the pre-pandemic level of 2019 so far.

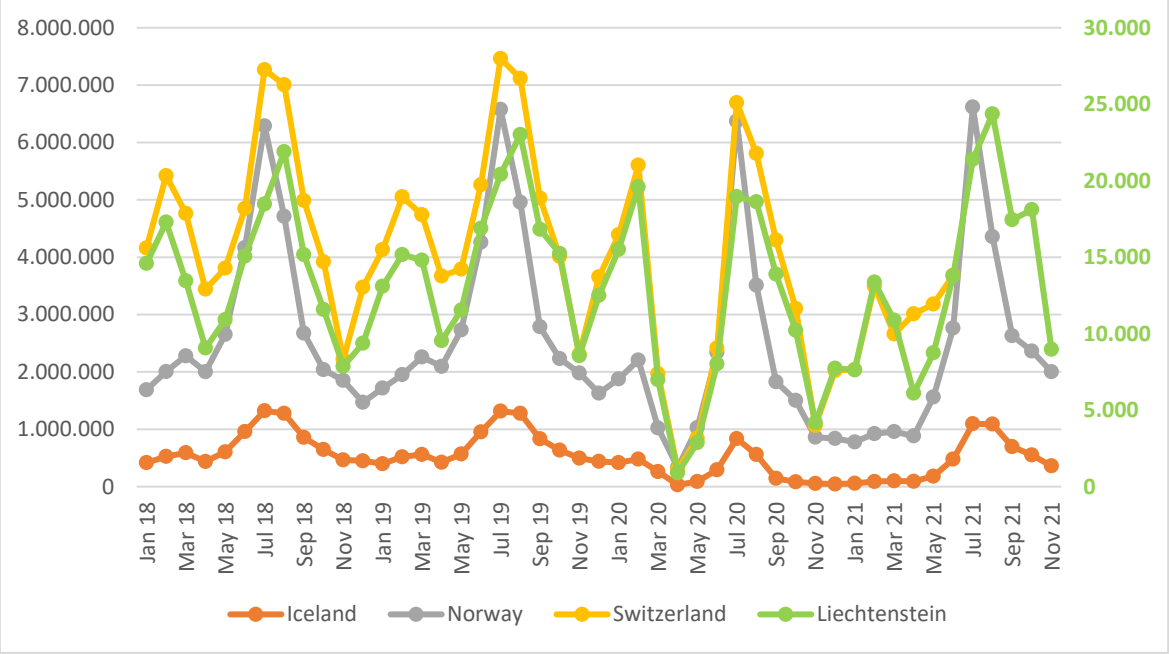

Fig.3 *:* Total nights spent in tourist accommodation, EFTA countries.

Germany, Italy and Spain are amongst the largest tourism destinations in the EU. Therefore, we focus in the second step on the total number of nights spent in tourist accommodations in these countries in the same period from 2018 to 2021. As can be seen in figure 4, over the whole observation period Italy was the country with the highest number of nights spent in the summer period, followed by Spain and Germany. This ranking changed somewhat in 2020,

with Italy still having the highest number of nights spent, now followed by Germany and then Spain. The evolution follows somewhat the pattern of the pandemic measures. As figure 4 indicates, there were also less nights spent in the summer seasons 2020 and 2021 compared to pre-pandemic levels.

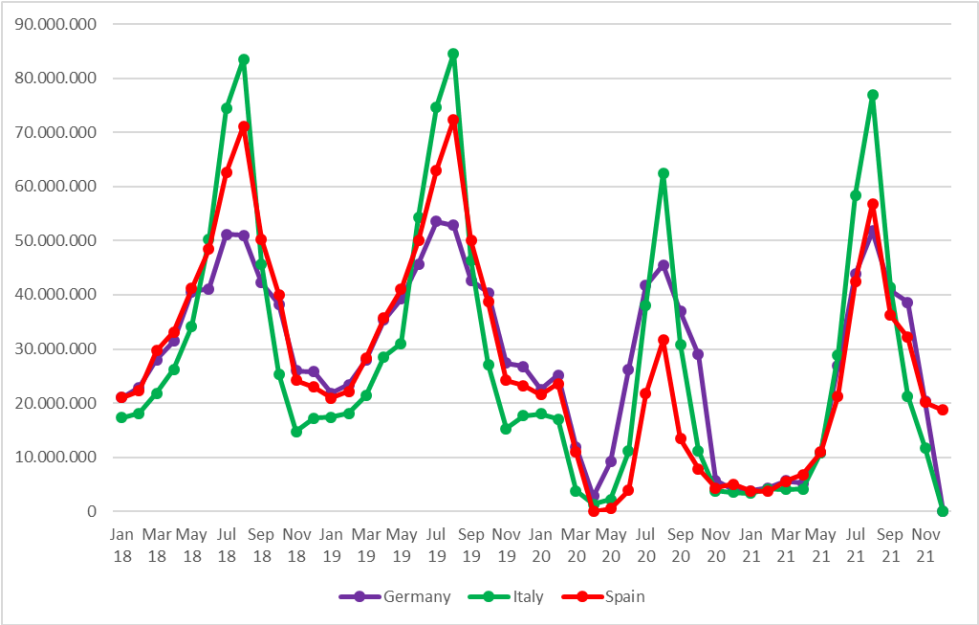

Fig. 4 : Total nights spent in tourist accommodation in selected EU countries.

Nights spent in tourism accommodations by domestic and foreign tourists

The following figures illustrate nights spent in EFTA countries regarding the travellers' country of residence from January 2018 to the latest data in 2021. Despite an increase in the nights spent in 2021 compared to 2020, the level stays lower than before the pandemic. This section will permit us to observe if there is a compensation effect in accommodation thanks to a higher domestic tourism in comparison to foreign tourism.

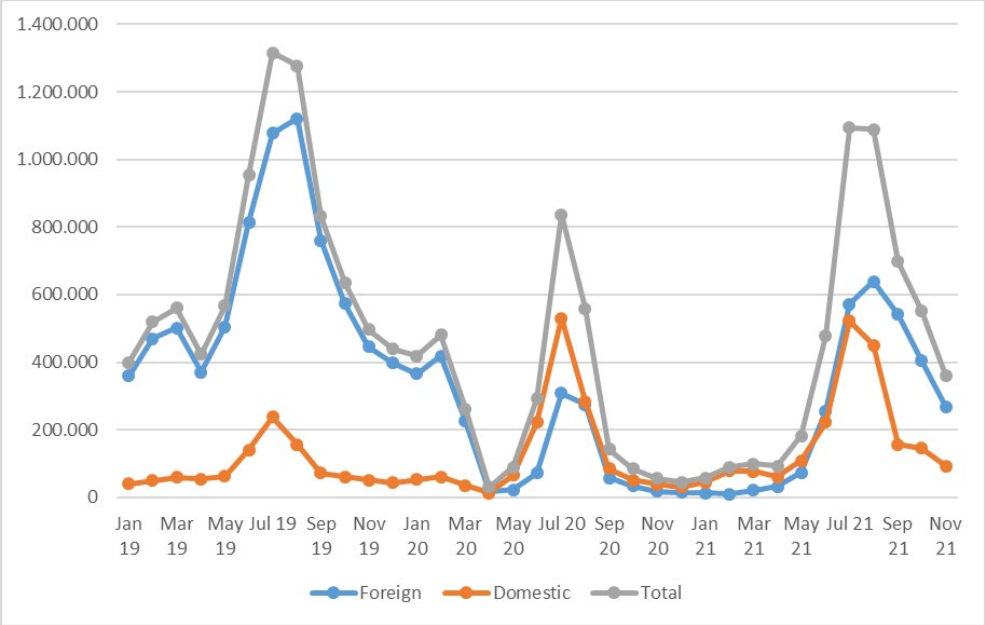

Fig. 5 : Overnight stays in Iceland

Figure 5 illustrates the nights spent in Iceland. The development is characterised by a seasonal demand in summer mainly from international travellers. There is a reversed tendency in 2020 after sanitary measures had been introduced which caused the closure of many hotels in March and April: the Icelanders spent more nights in tourism accommodations than international travellers. In July 2020, Icelanders represented 63% or 529,648 overnight stays, whereas foreign visitors represented 37%, with 307,784 overnights. Domestic overnights represent an increase of 22% compared to July 2019, but it did not compensate fully the loss of foreigners travelling to Iceland compared to 2019. In summer 2021, Iceland reached again more than 1 million nights in July 2021 in all accommodations, and the foreign nights were again more important with 52% of total nights spent. Again, domestic overnights didn't compensate for the loss of international tourism as compared to pre-pandemic times in 2019.

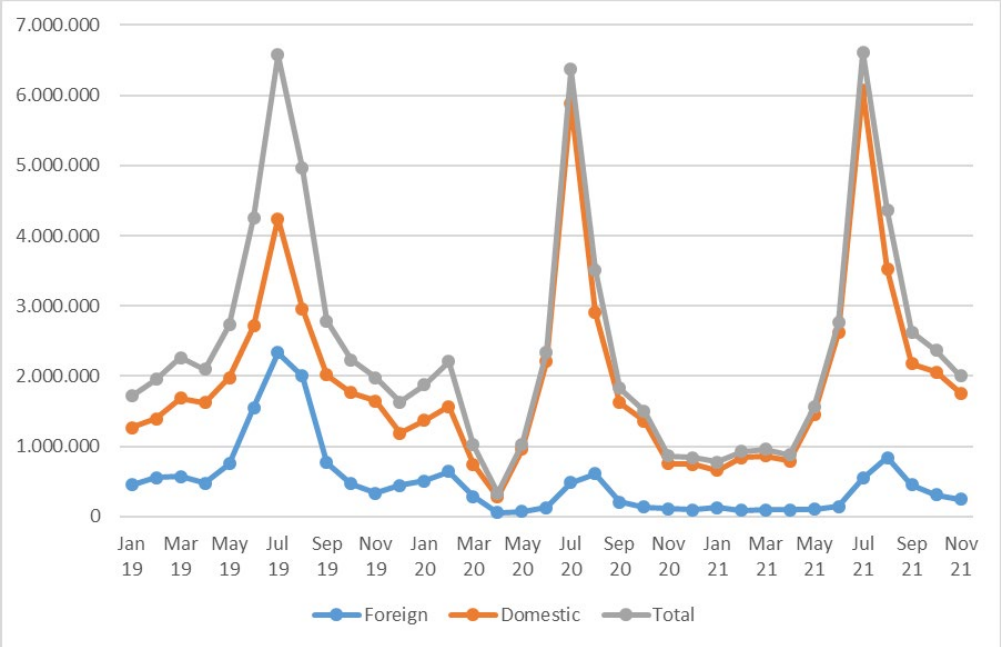

Fig. 6 *:* Overnight stays in Norway

The Norwegian tourism sector is characterised by an important part of domestic nights spent in tourist accommodations. As figure 6 shows, after the lockdown on 12th of March 2020 there was a decrease in demand with only 331,077 nights in April 2020, this is 84% fewer than in April 2019. July 2020 is almost as high as July 2019, due to a compensation effect by the domestic guest nights, accounting for more than 39% compared to July 2019. Despite this good summer season the number of nights spent remain lower than at pre-pandemic level. In August 2021, Statistics Norway recorded the highest number of Norwegian overnights in four years with 3,521,091 domestic overnights. This is 21% more than for the respective month in 2020 and 19% more than 2019. With fewer travel restrictions in place by the end of September 2021 a record number of guest nights was attained in October with a total of 2,362,975 overnights (domestic and international). This represents an increase of nearly 6% compared to 2019. In November 2021 the number of overnights reached the same level as before the pandemic in November 2019.

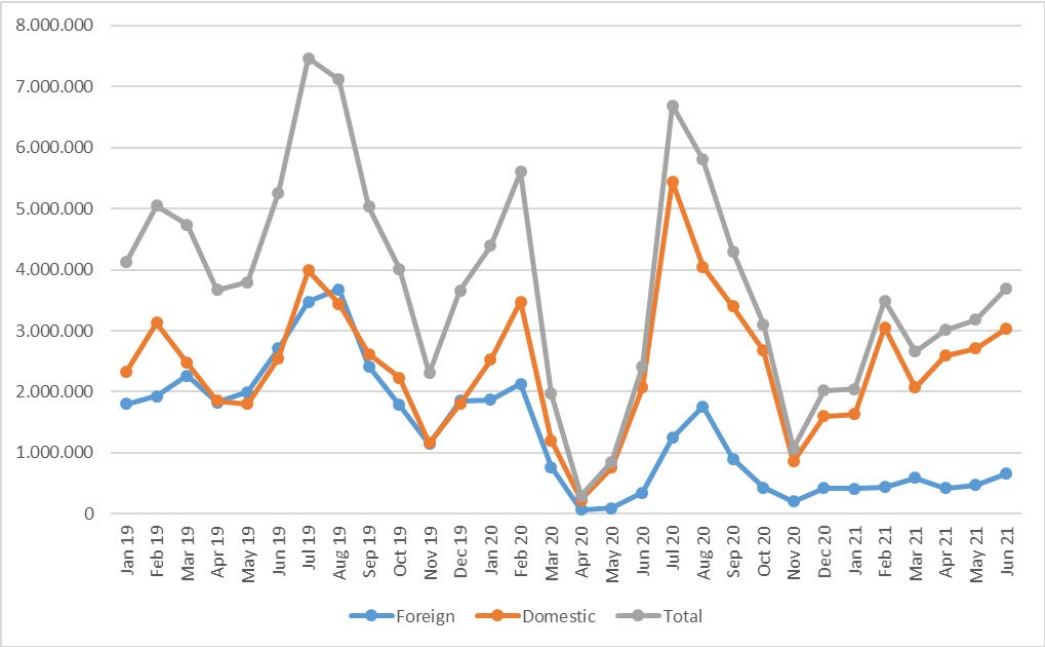

Fig. 7 *:* Overnight stays in Switzerland

As figure 7 shows, the number of domestic overnights in Switzerland are similar to the international figure. In winter 2019/2020, Switzerland experienced an increase in domestic and foreign overnight stays although first effects of the pandemic-related measures showed effect in February 2020. As the Federal Council announced restrictions for the Swiss population in March 2020, the tourism sector saw a drop in demand with 58% fewer overnights in March and 92% fewer in April as compared to 2019. After measures against Covid had been relaxed in June 2020, the Swiss overnights were rapidly recovering during July and August 2020 with even a stronger demand between July and October 2020 in comparison to 2019 numbers (15,6 millions in 2020 and 12,3 millions in 2019, representing an increase of 27%). Figure 7 shows the importance of domestic overnights in the total numbers of nights spent in Switzerland during summer 2020. The low foreign demand is probably due to the travel restrictions around the world. The following winter season 2020/2021 still shows lower numbers of nights spent in Switzerland in comparison to 2019. However, with 72% more domestic overnights the number of overnights in March 2021 was higher than in March 2020 although numbers of foreign overnights were still low (minus 23% in comparison to 2020). This difference was less important than in March 2020 where it amounted to minus 66% compared to the same period in 2019 in numbers of nights spent.

To sum up, EFTA countries have profited from a compensation effect with regard to the domestic tourism in terms of total nights spent. However, this effect did not always outweigh the loss incurred of fewer international travellers. This seems to hold in particular during the

off-seasons where nights spent in tourist accommodations remain at a lower level compared to 2019.

Air passenger transport

Over the last decade up to 2020 air transport in Europe has grown rapidly as a result of various factors such as economic growth and integration, liberalisation and higher productivity. It is characterised by seasonal upticks in demand during holiday periods. In 2019, the year before the pandemic a total of 1,034 billion passengers flew from one of the EU27 airports. During the pandemic, the seasonal pattern was still recognisable, albeit on a much lower scale. Restrictions introduced as a response to the pandemic were especially strict in the second quarter of 2020, when air traffic fell to 7,3 million passengers in the 27 member states, which corresponded to only 2,6% of the previous year's passenger volume. Although the aggregate for the 3rd and 4th quarters 2021 is not yet available, data from individual member states show a rather slow rebound even though figures are generally considerably higher than in 2020.

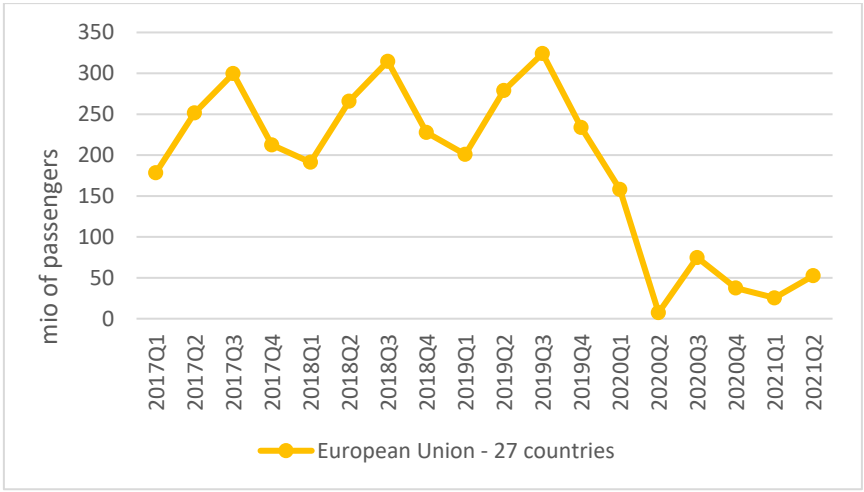

***Fig. 8**:* Air passenger transport in the EU27

As can be seen in figure 14, air transport numbers for the three EFTA countries Iceland, Norway and Switzerland, which have at least one airport, follow a similar pattern, but with important local differences:

The first months of 2020 show a pronounced downward trend for Switzerland: As the country has relatively few national flights and international flights were – because of the various restrictions in different countries - severely limited, its air passenger industry came almost to a complete halt. The second quarter of 2020 saw only 2,4% of the number of passengers (363

077 Passengers) compared to the same period in 2019, presumably flights from Switzerland into the EU. This tendency for Switzerland resembles the one for 2020 of the entire EU with mainly flights within the European market.

In Iceland, which also has few domestic flights and restrictive entry rules, the number of passengers amounted in the second quarter 2020 only to 3,2% of the same quarter in the previous year. The Icelandic passenger numbers for the whole of 2021 are around 59,3% higher than in 2020, which marks a clear upward trend.

In contrast, the development in Norway, where air travel is an important means of domestic transport, was less dramatic: The number of passengers in 2020 dropped to 32,8% compared to 2019 and remained at a low level throughout 2020. In 2021 the passenger numbers grew by 7% compared to 2020, which was still only 35% of 2019.

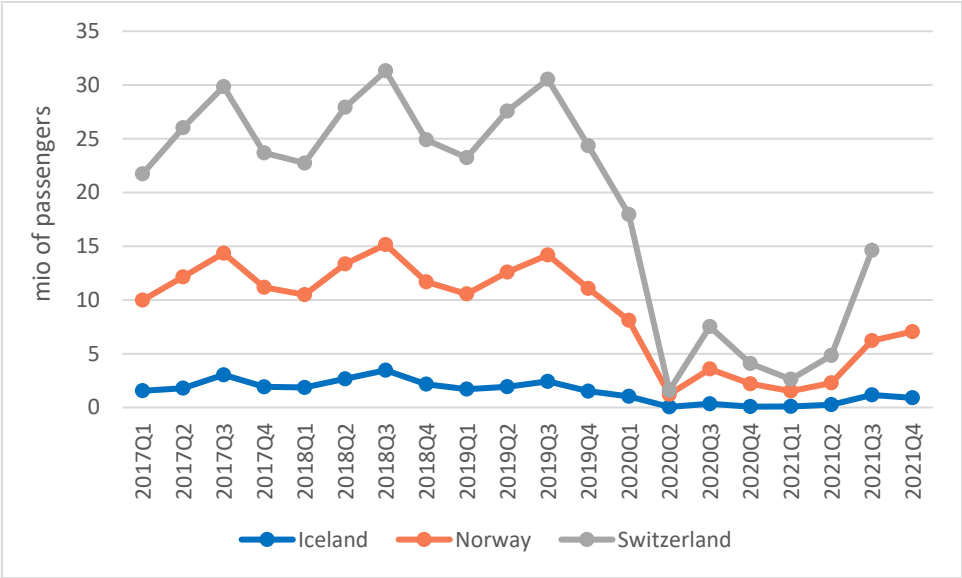

Fig. 9: Air passenger transport in Iceland, Norway and Switzerland

Railway passenger transport

After a steady increase during several years, the annual EU27 traffic figures dropped from 413,9 million passengers in 2019 to 223,4 million passengers in 2020 – a reduction of 46%. The use of the railways appears to be generally only weakly seasonal, not least because of the largely complementary nature of leisure and commuter traffic. The use of railways varies between the individual countries, which on the one hand has to do with geography and demography, and on the other hand also with the level of development of services and infrastructure. Quarterly figures are not available for all EU27 countries, which is why the

following analysis only looks at individual countries. No figures are available for Iceland, which has no railway, and Liechtenstein, whose only railway line is operated by the Austrian railway. For the sake of comparability, the analysis is based on a selection of countries of similar size, such as the Czech Republic, the Netherlands, Sweden, Norway and Switzerland.

The covid impact on the use of railways was stronger in countries such as the Netherlands or Switzerland whereas the northern countries were somewhat less affected.

It should be noted that the relatively high level of passenger numbers in Switzerland partly depends on the definition of railways: Subways do not count as railways but play an important role in the largest metropolitan areas of all observed countries except Switzerland where suburban trains partly take over the role of subways.

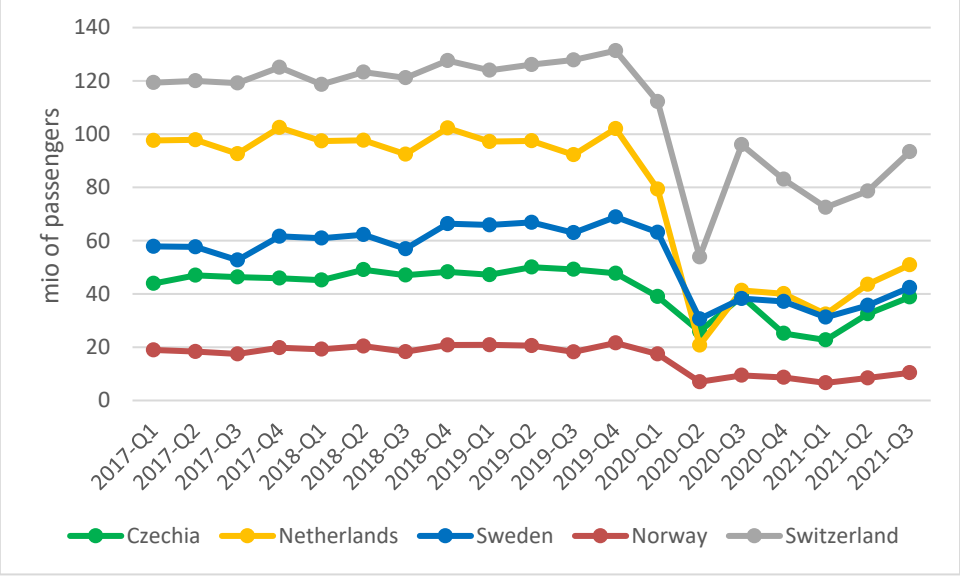

Fig. 10: Railway passenger transport in selected countries

In 2020, all observed countries experienced sharp declines in the number of passengers using railways compared to the previous year. Switzerland (67,8%) and the Czech Republic (66,5%) recorded around a third fewer rail passengers. Compared to 2019, in Sweden, the passenger volume in 2020 was still 63,9%, in Norway 52,3% and in the Netherlands 46,7%. As with all modes of transports considered here, the second quarter 2020 was the weakest in all countries with regard to passenger numbers: compared to the same quarter 2019, passenger volume fell by up to 78,7% in the Netherlands, 66 % in Norway and 57,3% in Switzerland.

Maritime passenger transport

In the period 2017-2020 marine passenger traffic follows a strongly seasonal pattern with peaks in the summer months. This is true for the whole of Europe even though the variation is more pronounced in the Mediterranean countries. This can be seen for example with Norway, where passenger traffic in the first quarter (winter) represents usually only about half of numbers for the third quarter (summer). In Italy and other Mediterranean countries this seasonal difference can mount up to four times for the summer period.

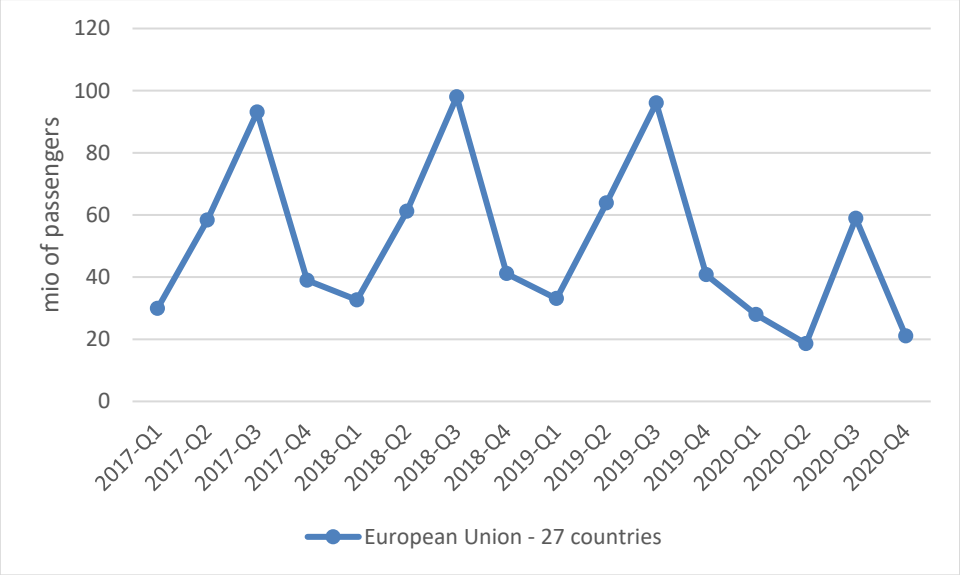

Fig. 11: Maritime passenger transport in EU27

The advent of covid shows how traffic decreased from the outset. In Norway traffic fell from 6,3 million passengers in 2019 to 1,9 million passengers in 2020, hence only 29,7% of that of the year before with the other countries following that tendency although it was less pronounced. It is also a lower percentage than in other Nordic countries such as Sweden (45,6%).

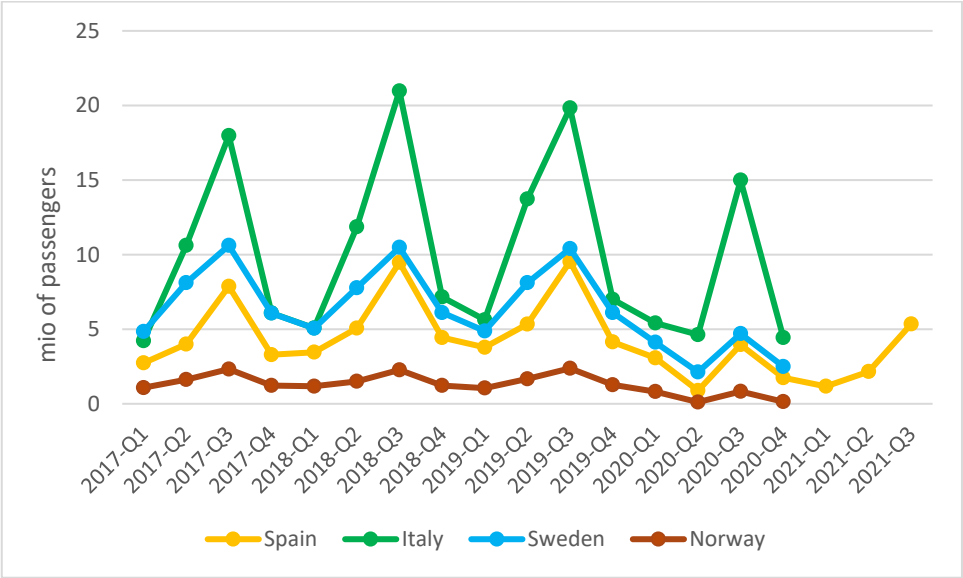

Fig. 12: Maritime passenger transport in selected countries. Data from Iceland and the landlocked countries of Liechtenstein and Switzerland not available.

Explanatory and methodological notes

The data used in this article were extracted from Eurostat's dissemination database and from the Swiss Statistical Office.

Sources:
Fig. 1: Eurostat, date of extraction 31-01-2022,
https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=namq_10_gdp&lang=en
Fig. 2: Eurostat, date of extraction 31-01-2022,
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Fig. 3: Eurostat, date of extraction 09-02-2022,
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Fig. 8: Eurostat, date of extraction 22-02-2022,
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Fig. 10: Eurostat, date of extraction 22-02-2022,
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Fig. 12: Eurostat, date of extraction 22-02-2022,
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