



Corona crisis diverts tourists' travel routes

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During the corona summer, Germans will probably travel less and for shorter periods of time than in former years. Destinations in Germany and in the neighbouring countries, which are only a car journey away, look set to benefit. In contrast, European holiday destinations which are usually reached by plane will see the number of tourists decline in 2020. Spain will probably be the main loser. Long-distance travel will not play a major role in 2020. The cruise boom is likely to come to an abrupt end. In 2020, the total amount spent by Germans abroad is likely to decline by 10-20%. Once the coronavirus crisis is over, climate and environmental regulation (in particular for the transport sector) will return as the main structural challenge for tourism.

The coronavirus crisis is clearly affecting Germans' holiday plans for the summer of 2020. Several recent, steady trends may come to an end.

Fewer holiday trips

Over the last few years, almost 80% of the Germans regularly made holiday trips lasting five days or longer (2019: 78%). This percentage might drop to less than 75% in 2020. In April 2020, 14% of survey participants had already cancelled their summer holidays. More than 30% had not made any travel plans yet, and just above one-fifth had postponed booking due to the coronavirus pandemic. There are both demand-side and supply-side reasons for the decline in travelling in 2020. First, the recession has led to unemployment or short-time work and income losses; some households reduce their travel budgets in these circumstances. Second, some parents had to use up part of their holidays to care for their children during school and kindergarten shutdowns, which means that they do not have any free days left for holiday trips. Third, some people are not in the mood for a holiday or do not want to use mass transport due to coronavirus-related risks. Fourth, several popular holiday concepts cannot be realised (or realised only to a very limited extent) in 2020, so people prefer not to go on holiday at all. Fifth, package holidays (for example group tours) may be cancelled due to low numbers of participants or bankruptcy of tour operators. Sixth, flights to numerous destinations will be suspended this summer owing to insufficient demand or travel restrictions. And seventh, the Foreign Office has warned against travelling to most countries outside Europe during the summer.

Still, we do not think that people are going to travel even less for their holidays; after all, the coronavirus situation has become much less severe in

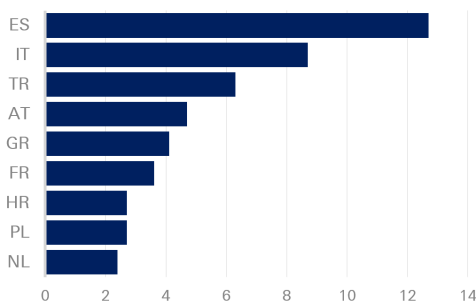


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many European countries since April. Many of those who were undecided back then may be willing to take at least a short holiday. Some of those who cancelled their holidays early on may have decided on another trip to another destination by now. Nevertheless, people are likely to travel less for their holidays this year than in the preceding years.

Most popular foreign destinations of German tourists: Spain in the lead

Share of countries in all holiday trips of German tourists lasting at least five days, %



Source: DRV

Holidays in Germany and neighbouring countries more popular

Destination preferences have shifted markedly in 2020. In 2019, 74% of all holiday trips which took at least five days or more were to a foreign destination. The share of foreign destinations has increased slowly, but steadily over the last few years. In 2014, it was only 69% of all holiday trips. In 2019, people preferred the traditional destinations around the Mediterranean, i.e., Spain, Italy and Turkey, with Austria, Greece, and France following behind. Nevertheless, with a market share of 26% Germany remained the most popular destination by far. Mecklenburg-Western Pomerania was in the lead, ahead of Bavaria, Schleswig-Holstein, and Lower Saxony. Most holidaymakers obviously went either to the sea or the mountains.

German destinations are likely among the winners in summer 2020. While hotels suffered irrecoverable revenue losses during the lockdown, they may be able to offset them to some extent by accommodating more guests in summer, particularly now that official capacity restrictions for hotels and others have been revoked. However, highly popular German destinations are unlikely to see their revenues skyrocket, simply because they are booked almost to capacity even during normal times; there are not enough hotel beds to accommodate (considerably) more tourists than in preceding years at least in the high season. In these cases, price hikes are the only opportunity to generate higher revenues; they might be justified by higher expenses for following official requirements (e.g., hygiene measures). In the end, other destinations in Germany might benefit, particularly those that are not situated near the sea or the mountains (the Alps). The highlands in the centre or the lakes in the north-east of the country may have an opportunity to make their mark in 2020 and get more attention in the longer run.

Neighbouring countries with low infection rates are likely to be among the winners as well. Austria is one example. The country can probably offer accommodation in those regions which rely on ski tourism during the winter season; there, hotels are usually not booked to capacity during the summer. In addition, hiking holidays imply relatively low infection risks, which may be an important factor for many guests. At the same time, destinations which are only a car journey away are likely to attract holidaymakers in 2020. Apart from Austria, this applies to northern Italy, parts of France, northern Croatia, the Netherlands, Poland, and Denmark. Here, too, potential additional revenues can be gained only if accommodation is available at all (compared to the year before) or if prices can be raised. However, many European holiday destinations may have free beds available, as demand from holidaymakers from other countries is likely to decline in 2020 due to the recession or due to travel restrictions on holidaymakers from countries with high infection figures. Switzerland is unlikely to attract more holidaymakers from Germany because of high prices.



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In contrast, European holiday destinations which are usually reached by plane will see the number of tourists decline in 2020. Spain will probably be the main loser. Flight schedules to some Spanish destinations will be thinned out, or flights may even be suspended completely. People are also less likely to travel to Turkey, Greece, Egypt, and Portugal.

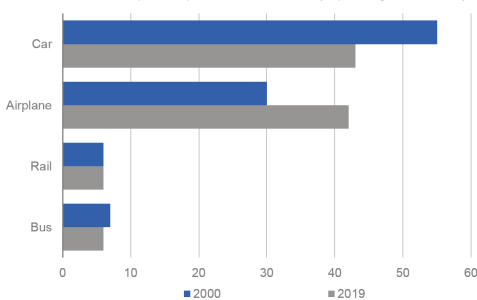
The number of long-distance trips will certainly decline. Their share in total travelling had risen slowly over the last few years, from 7.2% of all holiday trips in 2012 to 8.4% in 2019. In summer 2020, however, long-distance travelling is unlikely for both the supply and demand reasons mentioned above. Cruises will lose out as well, after seeing their passenger numbers increase tenfold during the past 25 years. The sector will be suffering until a reliable vaccination against the coronavirus is available. As social distancing is not really practicable on a ship, many holidaymakers will not want to go cruising. While operators are likely to reduce their prices to entice guests to book a cruise, it will certainly take some time until the crisis-related losses are recovered.

Average length of a trip: trend towards shorter holidays intensifies

Over the last few decades, the average length of Germans' main vacation has steadily declined. From more than 17 days in 1983, it went down to only 13 days in 2019. During the last few years, people tended to go on more, but shorter trips per year. The coronavirus crisis is likely to accelerate this trend, mainly due to demand-side factors (income losses, unemployment, use of vacation days due to the lockdown).

The car was losing ground as a mode of transport before corona

Share of modes of transport for trips of Germans in all holiday trips lasting at least five days



Source: DRV

Transport: a comeback for the car

Over the last few years, the car has become less important as a holiday means of transport. In 2019, 43% of the Germans travelled by car, down from 55% in 2000. During the same period, the percentage of flight travels rose from 30% to 42%. In 2020, the car might have a market share of (far) more than 70%. Apart from the factors mentioned above (such as holidays nearer home), the risk of infection is much lower if people use their own car. Mass transport is the only alternative. The number of biking holidays is likely to rise as well, though. The significant increase in e-bike sales during the coronavirus crisis could be an indicator.

Germans are likely to spend 10-20% less abroad in 2020

The coronavirus-related changes in travelling behaviour will also have an impact on Germany's balance of payments. As a rule, Germany registers a significant deficit in payments related to international travels. In 2019, Germans spent just above EUR 82 bn abroad. At the same time, foreigners spent a total of EUR 37.2 bn in Germany. In 2020, Germans might spend 10-20% less abroad as they take fewer, shorter and less expensive trips to foreign destinations. Lower income from tourism is one important reason why our GDP forecast for traditional holiday destinations such as Spain or Italy is more pessimistic than the one for Germany. At the same time, foreign revenues in Germany will probably decline considerably as well because the number of foreign visitors looks set to shrink due to the global recession and travellers from some countries may have to spend time in quarantine or not

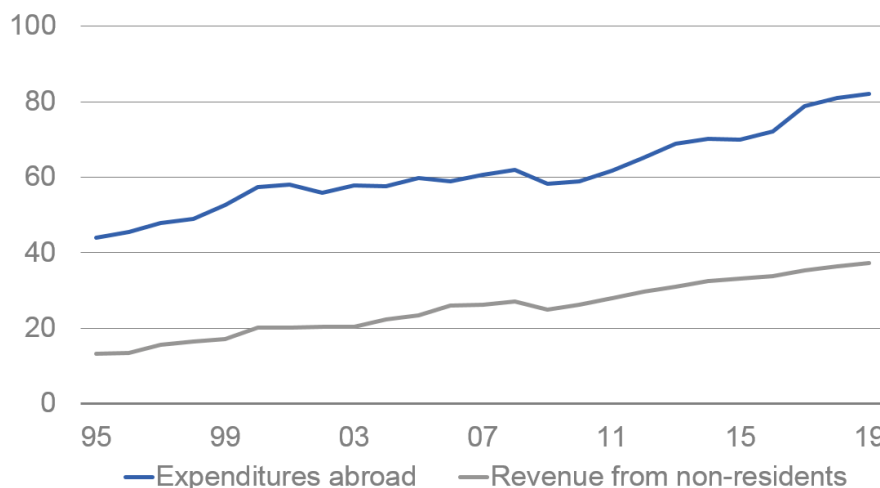


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be allowed to enter Germany at all.

Germany: Deficit in international travel spending

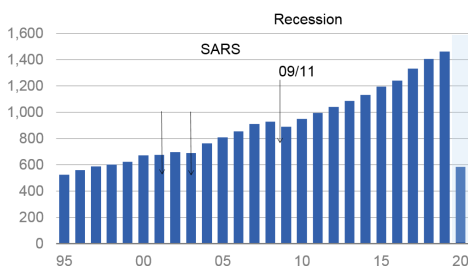
Expenditures from Germany



Source: Deutsche Bundesbank

International tourism: Tremendous corona breakdown

International tourist arrivals, m



Sources: UNWTO, Deutsche Bank Research

Tourism remains a growth sector

International tourism is one of the sectors hit hardest by the coronavirus crisis, both in terms of the extent and of the length of the crisis. Compared with the pre-crisis level, countries which generate a large share of their GDP from tourism will have to cope with losses for some quarters or even years. It will take considerably more time for tourism to recover and return to a growth path than after earlier exogenous shocks (09/11, SARS, terrorist attacks at holiday destinations). In the end, the coronavirus crisis cannot be overcome in full until a vaccination is available. Nevertheless, tourism will remain a global growth sector. People clearly want to travel and discover the world. Holiday trips are a superior good. As incomes rise, people spend disproportionately higher amounts on travelling. As soon as health risks from the coronavirus are minimised and ultimately eliminated, tourism will return to the growth path seen over the last few decades. Once the coronavirus crisis is over, climate and environmental regulation (in particular for the transport sector) will return as the main structural challenge for tourism. Better technological solutions for climate-friendly travelling will need to be developed. For now, command-and-control legislation to restrict travelling on climate grounds or attempts to make travelling considerably more expensive by hiking taxes or fees are unlikely to get a democratic majority.



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