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EUROPEAN TOURISM 2012 – Trends & Prospects

Quarterly Report - Q2/2012

EUROPEAN TRAVEL COMMISSION

EUROPEAN TOURISM in 2012: TRENDS & PROSPECTS

Quarterly Report (Q2/2012)

A quarterly insights report produced for the Market Intelligence Group
of the **European Travel Commission (ETC)**
by **Tourism Economics (an Oxford Economics Company)**

Brussels, July 2012
ETC Market Intelligence Report

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European Tourism in 2012: Trends & Prospects (Q2/2012)

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

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Foreword

Travel in Europe is holding the course set early in the year.

At the start of the peak summer season, travel in Europe is holding the course established early in the year. Most of our destinations are reporting continued visitor growth in the first half of 2012. It is evident that travel within Europe is supporting much of this growth.

European air carriers report continued strength on European routes and even stronger recent performance on Asian routes. In terms of visitor arrivals, Russia continues to be the strongest performing source market thus far and Japan is continuing its resurgence. Routes servicing North America have underperformed, however.

However, performance remains mixed across Europe

Occupancy rates of European hotels have trended toward flat in total. Yet, hotels in both Eastern and Northern Europe have experienced the largest share of gains in occupancy through May. While occupancy rates in Western Europe are essentially flat, hotel occupancy has fallen in Southern Europe.

And reason for caution remains. Hotel performance data continues to present signs of mixed performance with 16 out of 26 European countries experiencing a decline through May of 2012.

Further signs of slowdown in global economy emerge.

Austerity continues to be a drag on the global economy, prompting central banks to loosen monetary policy in order to provide liquidity to the financial sector. These actions come as leading indicators of economic activity in many economies indicate slowing and the US recovery becomes increasingly uncertain.

In the face of these headwinds, Tourism Economics forecasts visits to all of Europe are expected to decline nearly 1% in 2012 with only moderate growth of 0.9% expected for 2013.

This peak travel season will largely indicate the resilience of our industry for the year. We trust you will find the analysis in this report helpful as you track your own destination's performance and seek to anticipate future trends.

Best wishes,

Leslie Vella
Chairman
ETC Market Intelligence Group

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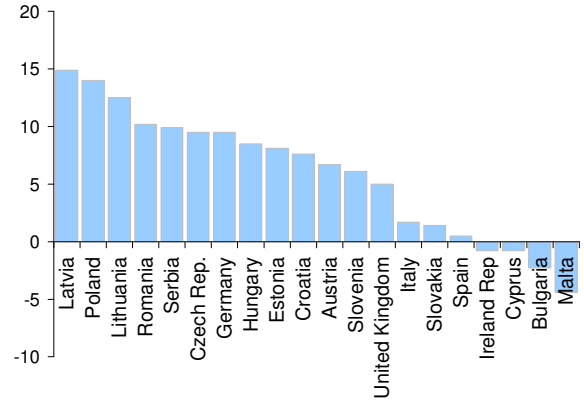
Executive Summary

- In the first half of 2012 European travel has exhibited some resilience in the face of the weak and uncertain global economic environment. Most reporting destinations have experienced growth in foreign visits and nights.
- At the moment, the global economy is restrained by government austerity and a softening in export demand with leading indicators suggesting most major economies are slowing. In response to deteriorating economic conditions, global central banks have lowered interest rates.
- This uncertain economic backdrop, however, is not yet causing significant falls in tourism demand, but the trend is of slowing growth.
- Air travel has also shown some encouraging signs, with European airline passenger growth around 6% through mid-June. European airline load factors have strengthened and, on average, continued to rise.
- However, airlines passenger load factors have increased only marginally as the year is progressing. Demand remains healthy while capacity continues to be added throughout 2012. But the small rise in load factors indicates the increase in demand may be less than airlines had expected.
- Hotels data show signs of mixed performance throughout Europe. While Central and Eastern European destinations have performed well, a significant number of Southern European destinations have recorded falls in hotel occupancy during the first half of the year.
- Overall, a moderation in hotel occupancy rates in most European sub-regions is apparent.
- Tourism arrivals data for the first half of 2012 reveal an uneven picture of growth in the major European source markets. Meanwhile, Russia continues to be a star performer, with strong growth in all markets. While demand in Japan continues to recover, the struggle for US market share continues.

Foreign visits to select destinations

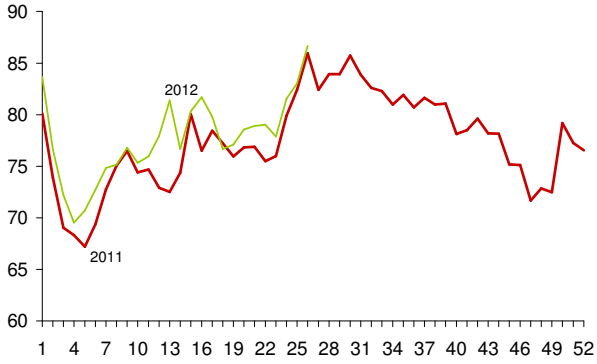
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

European airlines passenger load factor

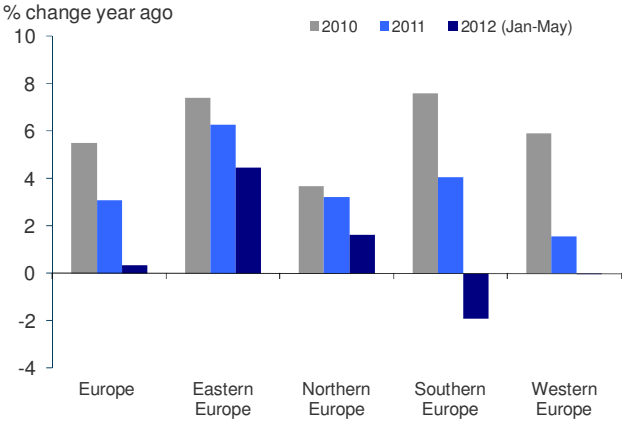
weekly load factor, %



Source: AEA

Occupancy trends in Europe

% change year ago



Source: STR Global

2012 Tourism Performance Summary

Data for 2012 indicate that parts of the region have expanded. Arrivals and nights data show Eastern and Central Europe continue to perform well. Meanwhile, large Western European destinations, including Germany, the UK, Austria, and Spain have also posted growth in the first five months of 2012. However, hotel performance data that covers more countries present a more mixed picture of performance. Of the 26 reported countries, 16 are showing declines in occupancy through May.

2012 Performance, Year to Date

Tourist Arrivals and Nights						Hotel Performance, Jan-May			
International Arrivals			International Nights			Hotel Occupancy		Hotel ADR (LCU)	
Country	% ytd	to month	Country	% ytd	to month	Country	% ytd	Country	% ytd
Latvia	14.9	Mar	Latvia	17.8	Mar	Iceland	18.7	Estonia	16.1
Poland	14.0	Apr	Serbia	15.0	May	Russia	7.3	Italy	12.9
Lithuania	12.5	Mar	Spain	14.7	May	Poland	6.6	Hungary	9.5
Romania	10.2	Apr	Czech Rep.	13.0	Mar	Slovakia	6.5	Romania	7.4
Serbia	9.9	May	Lithuania	12.9	Mar	Czech Republic	4.8	Ireland	6.6
Czech Rep.	9.5	Mar	Finland	12.8	Apr	Malta	3.3	Poland	6.6
Germany	9.5	Apr	Poland	12.7	Apr	Estonia	2.5	Finland	6.0
Hungary	8.5	May	Germany	10.1	Apr	Germany	1.7	Netherlands	5.5
Estonia	8.1	May	Hungary	9.7	May	Ireland	1.6	Czech Republic	5.4
Croatia	7.6	Jun	Sweden	7.7	May	Hungary	0.0	Denmark	4.0
Austria	6.7	May	Croatia	7.0	Jun	Austria	-0.3	Turkey	3.9
Slovenia	6.1	Apr	Austria	6.7	May	Turkey	-0.3	France	3.6
United Kingdom	5.0	Apr	Romania	6.6	Apr	Portugal	-0.9	Portugal	3.0
Italy	1.7	Apr	Estonia	6.3	May	Finland	-1.0	Iceland	2.9
Slovakia	1.4	Mar	Montenegro	6.1	Feb	Denmark	-1.1	Germany	2.4
Spain	0.5	May	Slovenia	4.3	Apr	Norway	-1.3	Austria	1.5
Ireland Rep	-0.8	May	Norway	4.2	Apr	France	-1.5	Russia	1.5
Cyprus	-0.8	May	Denmark	3.5	May	Belgium	-1.6	Spain	1.4
Bulgaria	-2.3	May	Luxembourg	3.5	Apr	Romania	-2.3	Lithuania	1.4
Malta	-4.4	May	Portugal	2.6	Apr	Spain	-2.3	Norway	1.3
Montenegro	-5.7	Feb	Malta	0.7	May	Lithuania	-2.4	Belgium	0.6
			Slovakia	0.3	Mar	Italy	-3.3	Switzerland	-2.6
			Switzerland	-7.4	Apr	Netherlands	-3.3	Malta	-3.8
						Switzerland	-3.9	Greece	-9.8
						Greece	-5.2	Iceland	-12.7
						Malta	-8.9	Slovakia	-18.8

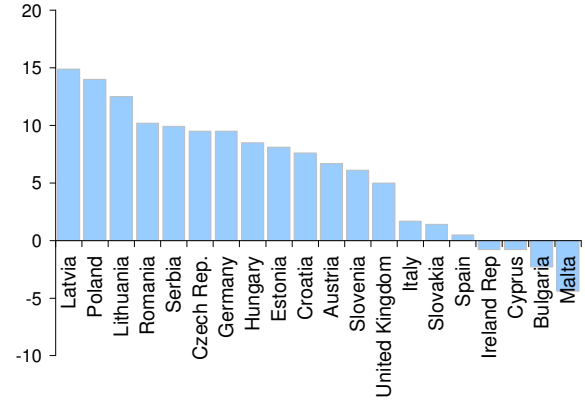
Sources: TourMIS (tourist arrivals and nights), STR Global (hotel performance) Based on data available through 16 July, 2012

Measures used for nights and arrivals vary by country

ADR = average daily rate, LCU = local currency unit. Please refer to the glossary included at the end of the report for more details.

Foreign visits to select destinations

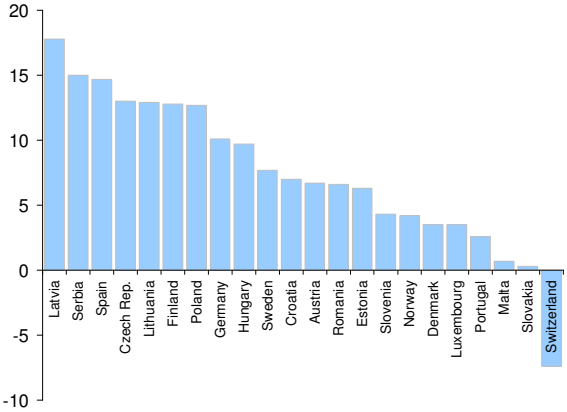
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

Foreign visitor nights in select destinations

2012, year-to-date*, % change year ago

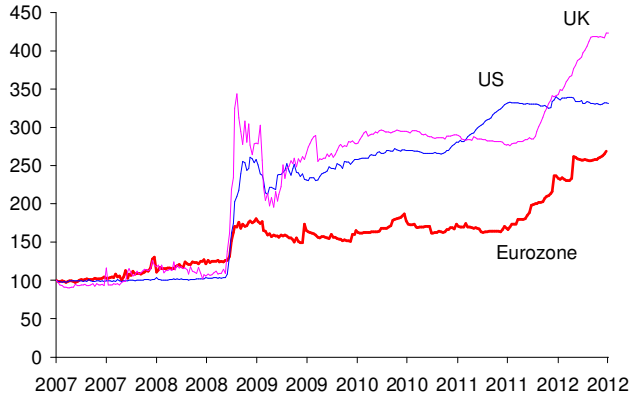


Source : TourMIS *date varies (Mar-Jun) by destination

Global Economy: Growth concerns prompt central banks to act

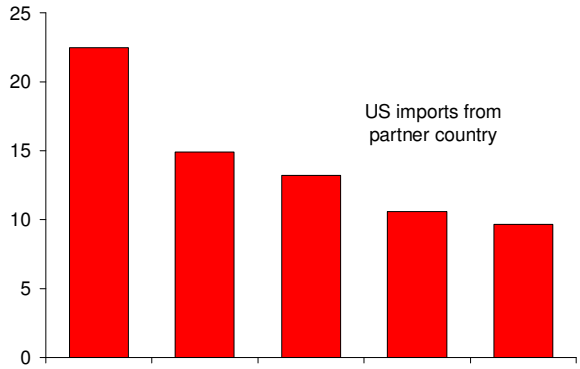
- The beginning of July has seen a series of important policy moves by global central banks, in the face of growing concerns about stalling world growth.
- In the Eurozone, the European Central Bank (ECB) cut key interest rates – aiming to encourage banks to lend or buy assets. But the ECB's moves still look too timid in the face of acute financial strains and chronic weakness in the Eurozone. Meanwhile, the Bank of England has authorised a further £50 billion of asset purchases, and there was also a surprise rate cut in China.
- These moves were not coordinated, but a general shift toward looser policy is understandable in the face of a weak recent run of economic data. Survey evidence such as the Purchasing Managers' Index (PMI) indicators suggests a widespread slowdown in manufacturing, particularly contracting in most major economies.
- And in the US, three successive months of weak jobs growth has raised questions about the durability of the recovery. With so many countries banking on export-led growth to offset fiscal tightening and/or consumer deleveraging, a weak US, a major source of export demand, is a worrying prospect.
- Against this background, attention is likely to turn to the US's own policy settings. Although the Federal Reserve Bank (Fed) has authorised the extension of its 'operation twist' bond purchases to the end of 2012, the Fed balance sheet has been flat since mid-2011.
- Even with prompt and large-scale policy action, global growth prospects have been damaged. Eurozone GDP is set to contract 0.5% this year, and Eurozone woes have contributed to a loss of momentum in other regions. US growth has been revised down to just 2.1% for 2012, with the labour market picture still subdued.
- Key emergers are also looking weaker thanks to slower export growth and reduced capital inflows. Emerging growth this year will still be respectable, but will not be enough to prevent world growth (at Purchasing Power Parity) slowing to just 3.1% this year, the slowest since 2008.

World: Central bank balance sheets
Index, Jan 2007=100



Source : Oxford Economics/Haver Analytics

World: Exports to US
% year, 3m average



Source : Oxford Economics/Haver Analytics

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Recent Industry Performance

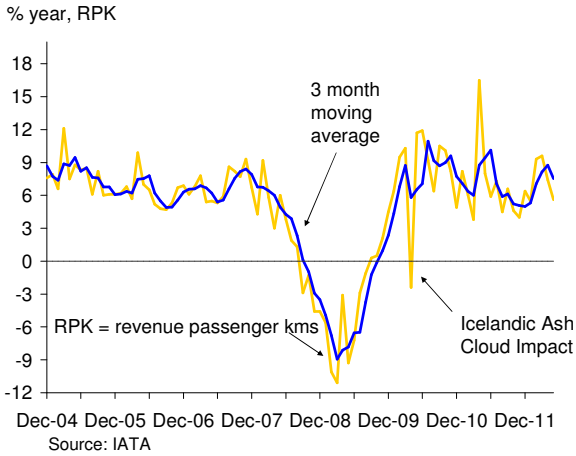
Slowdown but still growth in 2012

- Despite signs of a more pronounced economic slowdown, international air travel continues to expand.
- Reflecting some of the uncertainties in Europe and North America, air capacity in these regions has risen only marginally as the year has progressed.
- Although hotel demand in Europe has slowed sharply, it remains positive in the first five months of 2012 with Central and Eastern Europe displaying notable strength.

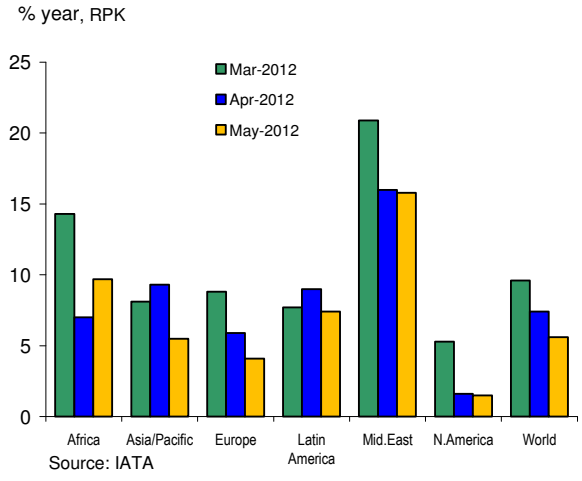
Air Transport

Global international air passenger traffic surged ahead in early 2012, but has recently slowed somewhat. February's strong growth of 9.3% continued into March which recorded a 9.6% advance, before moderating in April and May to 7.4% and 5.6%, respectively. This expansion has been led by growth in the Middle East, which continues to record the strongest increase, and a resurgence in African air traffic. The rapid pace of growth in recent months is an encouraging sign of a global uptick in air passenger travel. Indeed, at a global level, the results are indicative of a rebound in 2012 following modest growth in 2011, seemingly divergent from the broader economic cycle.

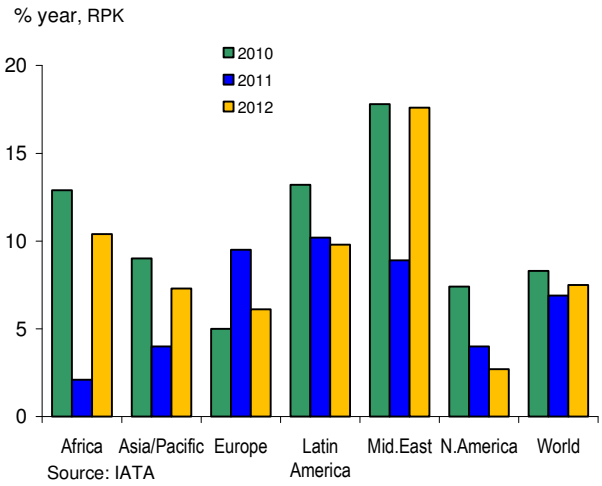
International air passenger traffic growth



International air passenger growth by region



International air passenger growth by region



In Europe, however, the trend differs. In 2010, revenue passenger kilometers (RPK) grew by 5% before accelerating to 10% in 2011. Although, expansion has been variable, European air travel growth on average slowed to around 6% over the first five months of the year.

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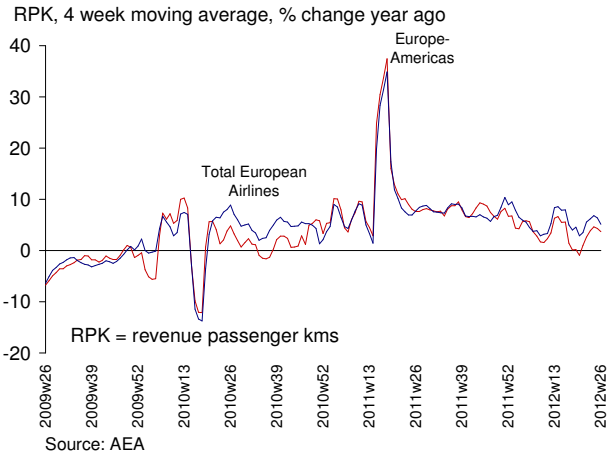
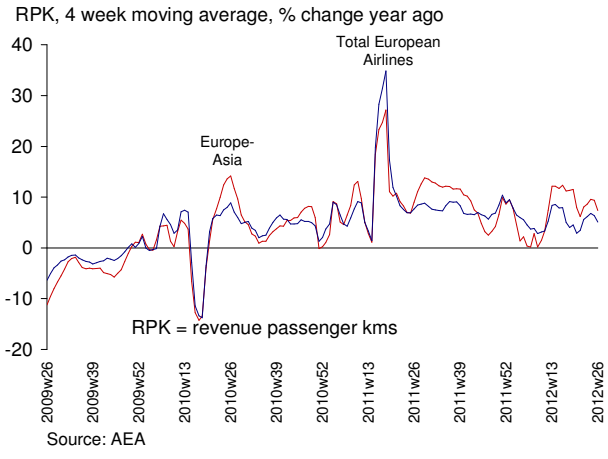
Over the same period, European airline cross-border air traffic has been resilient with 5.3% RPK growth. Subdued Europe-North America demand of just 3.3% was partly offset by much more bouyant Europe-Far East demand posting a 9.8% advance.

European airline passenger traffic



Source: AEA

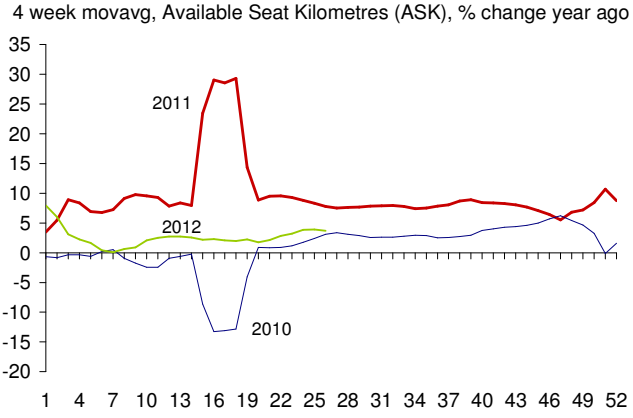
European airline passenger traffic



Source: AEA

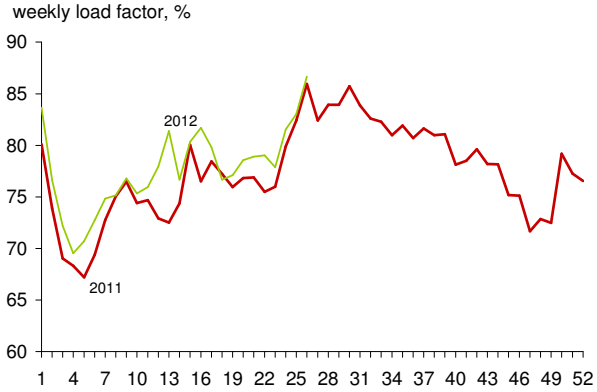
Load factors which had strengthened through 2011 and early 2012 have, on average, continued to rise. However, load factors have only marginally increased as the year progresses. This comes as capacity continues to be added throughout 2012 indicating demand remains healthy, albeit for less than airlines may have hoped.

European airlines capacity



Source: AEA

European airlines passenger load factor

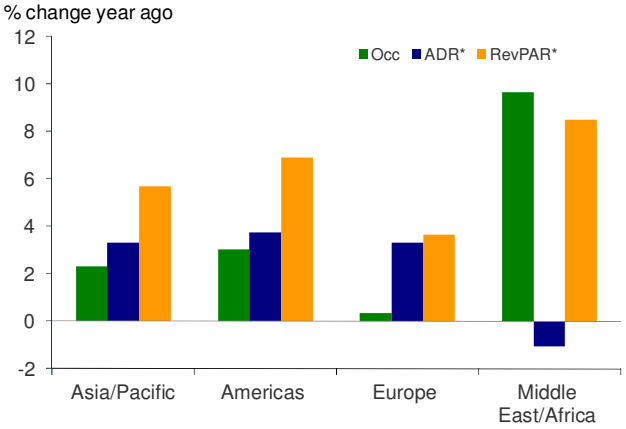


Source: AEA

Accommodation

The international hotel industry has continued to record a strong performance in 2012. According to recent STR Global data, all regions reported an expansion in RevPAR (revenue per available room) in the first five months of the year. In particular, the Americas which is dominated by the US market, continued to experience a strong rate of growth in ADR (average daily rate) and occupancy ahead of expectations.

Global hotel performance, Jan-May 2012

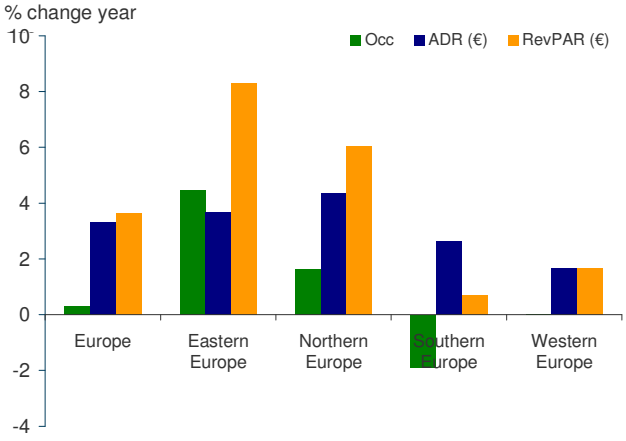


Source: STR Global * ADR and RevPAR denominated in US$ except for Europe

Over the same period, Asia Pacific also recorded strong ADR growth in spite of a more moderate expansion in occupancy rates. Meanwhile, the Middle East and Africa region has had a somewhat different experience – despite robust occupancy rate growth, rates have deteriorated. While occupancy has rebounded from the Arab Spring, low rates are indicative of demand remaining below its long run trend.

Posting the slowest growth in terms of RevPAR among the regions, Europe has experienced steady advances in ADR while the occupancy rate has remained almost flat.

European hotel performance, Jan-May 2012

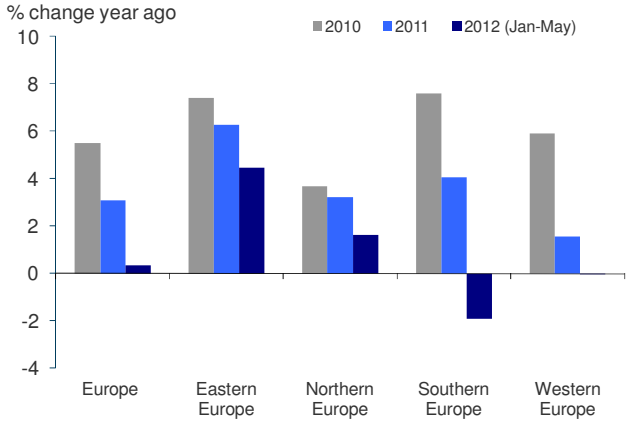


Source: STR Global

Performance in Eastern European hotels remains strong, with RevPAR growth surging 8.3% in the first five months of the year. Northern European hotel

demand has continued to make gains in 2012 with nearly 2% growth in occupancy through May. Taken altogether, RevPAR in Europe climbed 3.6% in the first five months of the year on account of a 3.3% gain in ADR against the more modest rise of 0.3% in occupancy. Compared with the earlier months, performance across the sub-regions in Europe has improved reflecting the move into the summer, Europe's high season.

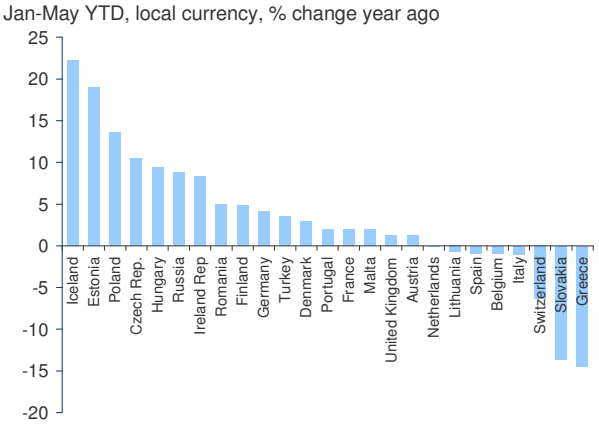
Occupancy trends in Europe



Source: STR Global

Longer-run trends however, indicate that demand in all European sub-regions has moderated this year. In 2010, European hotel demand recovered from the recession lows, climbing 5.5%. Demand continued to climb in 2011, albeit at a reduced rate of 3%. In 2012, demand has slowed considerably to a growth rate of just 0.3%. Given recent economic trends, this is not entirely surprising and is in line with Tourism Economics overall expectations of lacklustre European tourism demand in 2012.

Hotel revenue per available room (RevPAR)



Source: STR Global

Country-specific data that compares the first five months of 2012 and 2011 indicate many areas are performing well. A number of Central & Eastern European destinations, including the Czech Republic, Hungary, Estonia, and Poland, have recorded 10% or better increases in RevPAR. Outside of these countries, Iceland and Ireland are the only other destinations which experienced robust growth in the first five months of the year with RevPAR growing 22% and

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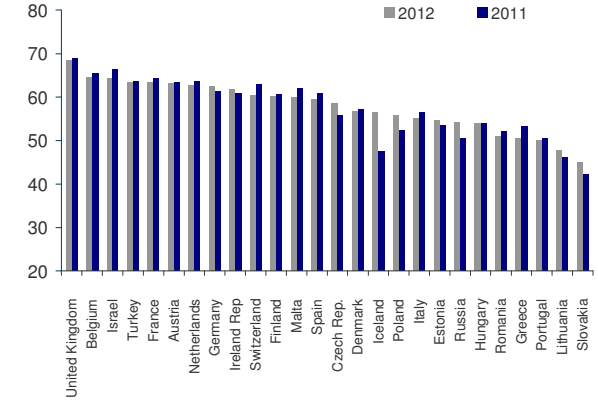
8% respectively. With the exception of Iceland, all of these countries recorded high ADR growth as hoteliers attempt to restore prices to prior peaks. This positive picture of European hotel performance is tempered by data indicating RevPAR slipped in 8 out of 26 reporting destinations during the first five months of 2012.

Fragility can be observed in the occupancy rates, which indicate 16 out of 26 destination countries experienced a decline in occupancy in the first half of 2012. However, for occupancy rates, it is important to look at the levels. Although the United Kingdom experienced a modest decline in occupancy in the first five months, its occupancy levels remain the highest amongst reporting countries at more than 65%. Meanwhile Iceland experienced the strongest occupancy gains in percentage terms thus far in 2012, yet its average occupancy is less than 50% in 2011.

Hotel occupancy rates

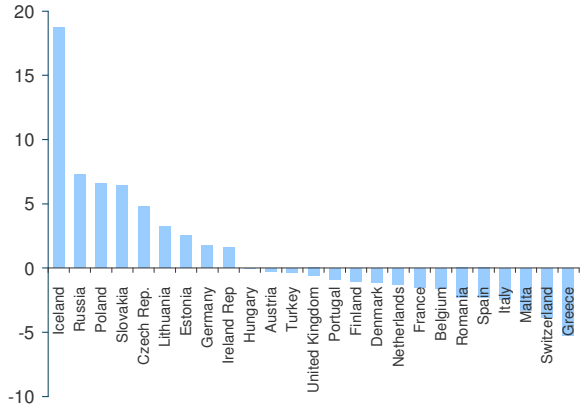
Jan-May occupancy, %



Source: STR Global

Hotel occupancy rates

Jan-May YTD, % change year ago



Source: STR Global

Lodging Performance - Jan-May 2012

% change year ago	Occ	ADR	RevPAR
Austria	-0.3	1.5	1.2
Belgium	-1.6	0.6	-0.9
Czech Republic	4.8	5.4	10.5
Denmark	-1.1	4.0	2.9
Estonia	2.5	16.1	19.0
Finland	-1.0	6.0	4.9
France	-1.5	3.6	2.0
Germany	1.7	2.4	4.1
Greece	-5.2	-9.8	-14.5
Hungary	0.0	9.5	9.4
Iceland	18.7	2.9	22.2
Ireland	1.6	6.6	8.3
Italy	-3.3	12.9	9.1
Lithuania	-2.4	1.4	-1.0
Malta	3.3	-3.8	-0.7
Netherlands	-3.3	5.5	2.0
Norway	-1.3	1.3	-0.1
Poland	6.6	6.6	13.6
Portugal	-0.9	3.0	2.0
Romania	-2.3	7.4	4.9
Russia	7.3	1.5	8.8
Slovakia	6.5	-18.8	-13.6
Spain	-2.3	1.4	-0.9
Switzerland	-3.9	-2.6	-6.4
Turkey	-0.3	3.9	3.6
United Kingdom	-0.6	1.9	1.3

Source: STR Global

Key Source Market Performance

A strong recovery in 2011 gives way to more uneven growth

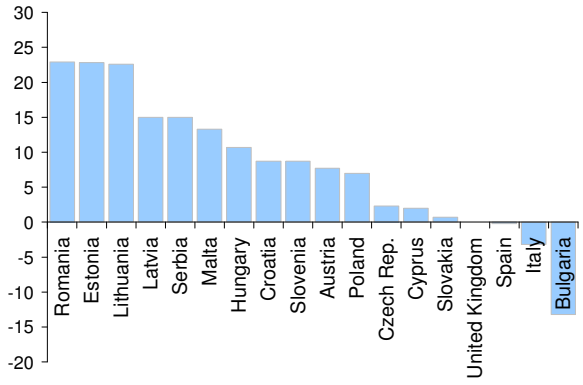
- Data from the first half of 2012 reveal an uneven picture of growth in the major European source markets but with an overall slowing trend. Meanwhile, Russia continues to be a star performer, with strong growth in all destinations.
- Origin markets are also experiencing sluggish growth relative to last year. While US arrivals to Emerging Europe continue to increase, the UK has experienced a fall in demand from US travellers. Meanwhile, arrivals from Japan continue to recover from 2011's disasters.

Key intra-European markets

During the first half of 2012 travel from Germany expanded to most destinations in Europe. In particular, German visits to Eastern European destinations—which include Romania, Estonia and Lithuania—were buoyant, recording growth that exceeded 15%. However, data also show German travel growth to some large and more expensive Western European destinations, including the United Kingdom, Spain and Italy, stalled in the first half of the year, possibly revealing concerns related to economic uncertainty.

Visits from Germany to select destinations

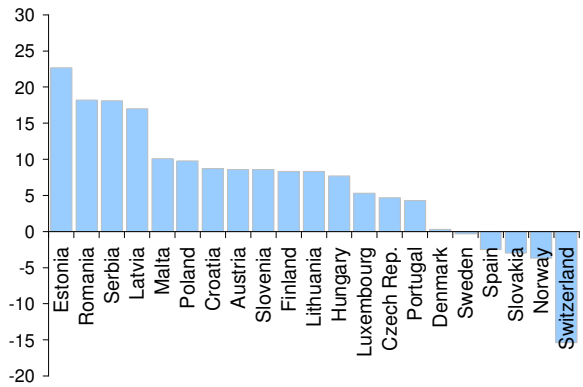
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

German visitor nights in select destinations

2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

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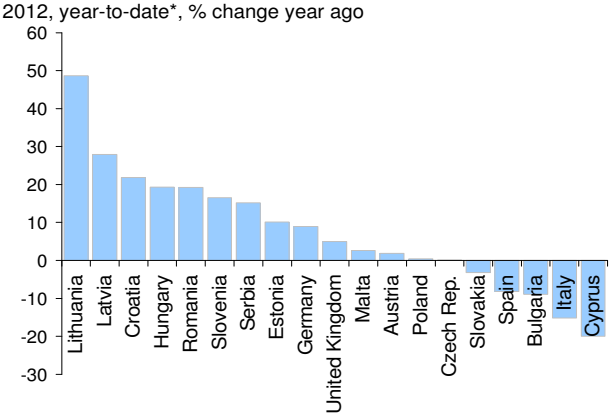
Over the same period, a similar trend emerged for the Dutch market, with Eastern European destinations gaining market share. Overall, the Dutch market appears to have expanded strongly in the first half of 2012.

Visits from Netherlands to select destinations

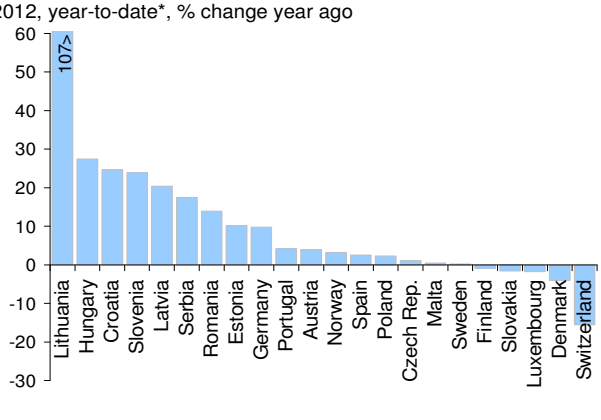
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

Netherlands nights in select destinations

2012, year-to-date*, % change year ago

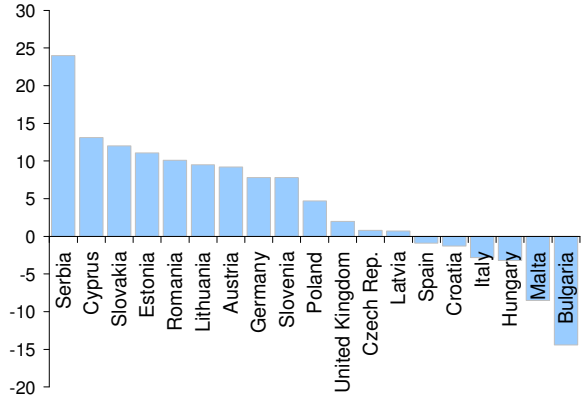


Source : TourMIS *date varies (Mar-Jun) by destination

In the first half of 2012 the picture of the French travel market remains mixed. Of the 19 destinations reporting visits data, six recorded declines while a further destination experienced anaemic growth (less than 1.5%). Conversely, nights data revealed a more positive trend, with only five out of the 28 destinations experiencing a decline in the number of nights spent by French visitors in the first half of 2012. Scandinavian as well as select Western and Eastern European destinations recorded robust growth in the number of nights spent by French visitors.

Visits from France to select destinations

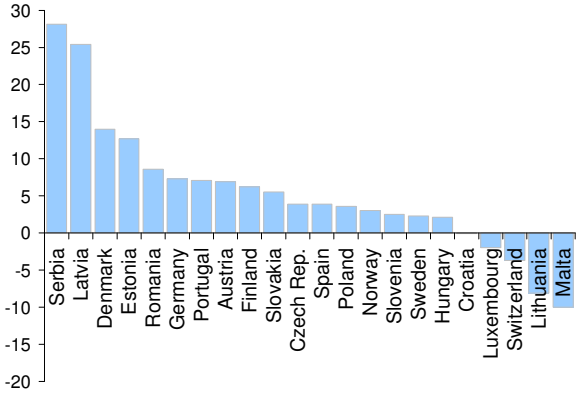
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

French visitor nights in select destinations

2012, year-to-date*, % change year ago

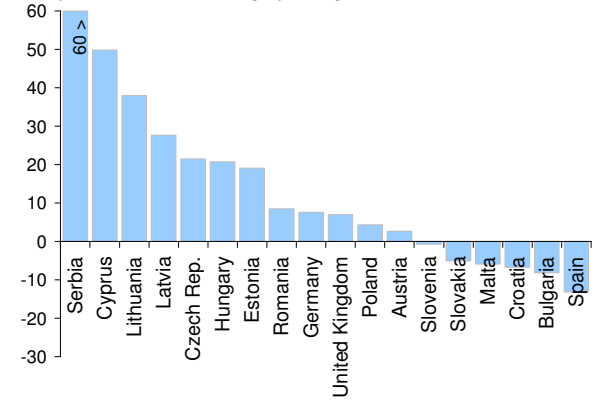


Source : TourMIS *date varies (Mar-Jun) by destination

The Italian travel market has also recorded uneven results. Of the reporting destinations, 6 of 18 show visitor declines while half of the 22 destinations recorded falls in the number of nights spent by Italian travellers.

Visits from Italy to select destinations

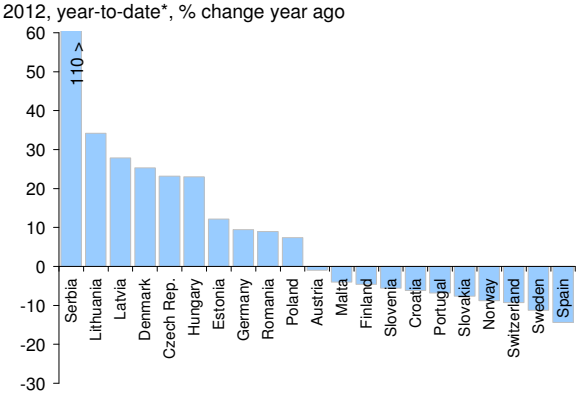
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

Italian visitor nights in select destinations

2012, year-to-date*, % change year ago

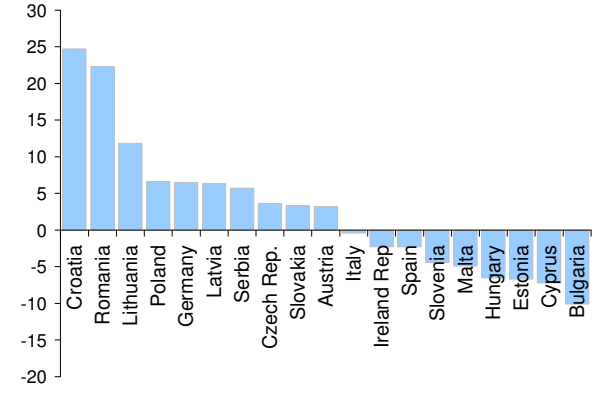


Source : TourMIS *date varies (Mar-Jun) by destination

Following the steady growth recorded in the early part of 2012, the UK travel market appears to have worsened slightly with 9 of the 19 reporting destinations recording a decline in the number of UK visits. Both Western and Eastern European destinations showed some weakness, but the growth destinations are largely in Eastern Europe. These are generally lower cost but also lower volume markets and not indicative of a healthy UK outbound market. Like the rest of European source markets the growth trend for UK outbound appears to have weakened.

Visits from UK to select destinations

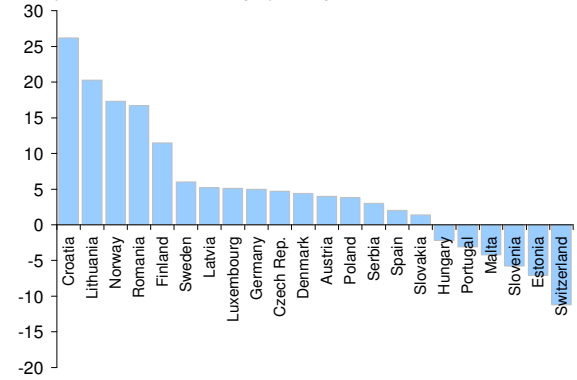
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

British visitor nights in select destinations

2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

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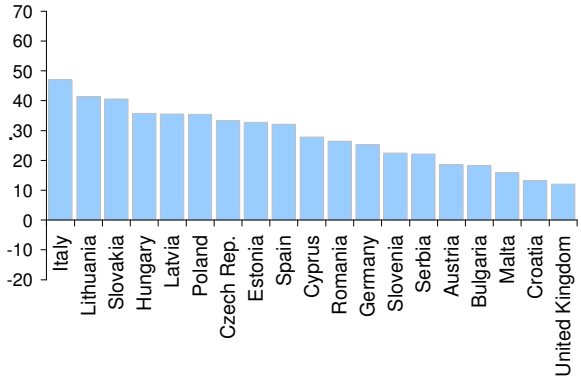
Data for the first half of 2012 show that Russia remains the top performing source market. All 19 reporting destinations recorded visitor growth from Russia which exceeded 10%. Both established and emerging destinations throughout Europe continue to benefit from this buoyant growth in Russian outbound travel.

Visits from Russia to select destinations

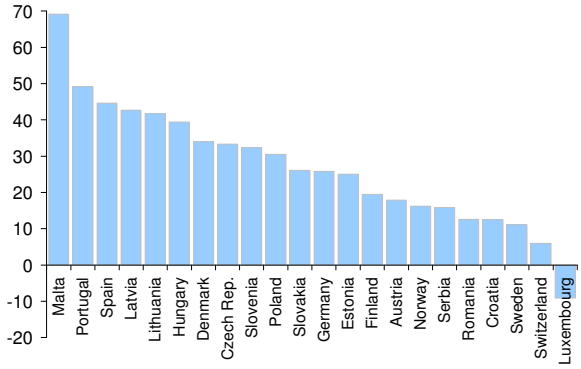
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

Russian visitor nights in select destinations

2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

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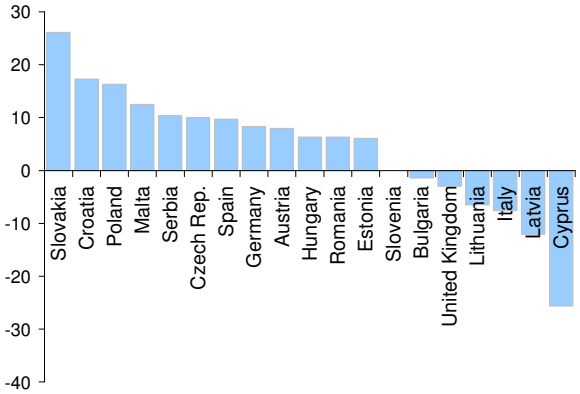
Non-European markets

Visits from the US expanded in most destinations in Europe. Eastern European destinations, including Slovakia, Croatia and Poland, have recorded strong growth surpassing 15%. Although, given that the UK holds the largest market share, the modest decline in the US visitors to the UK is noteworthy.

Visits from US to select destinations

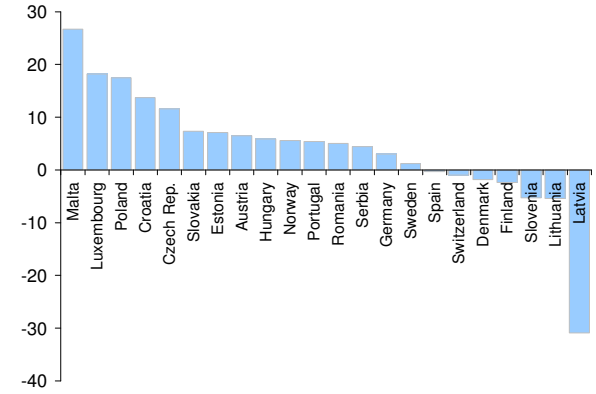
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

US visitor nights in select destinations

2011, year-to-date*, % change year ago

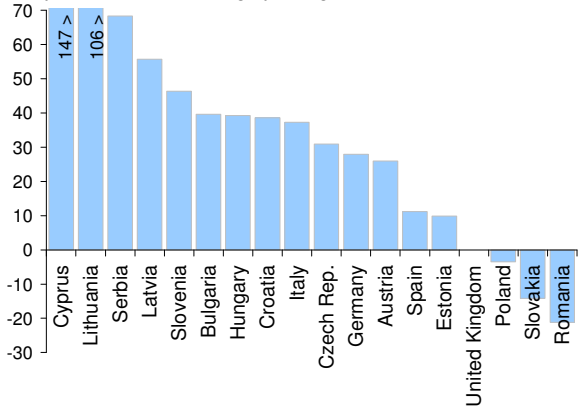


Source : TourMIS *date varies (Mar-Jun) by destination

Visits from Japan continue to rebound in the first half of 2012 following the catastrophic earthquake, tsunami, and nuclear disaster in early 2011. Several smaller destinations are reporting particularly robust growth.

Visits from Japan to select destinations

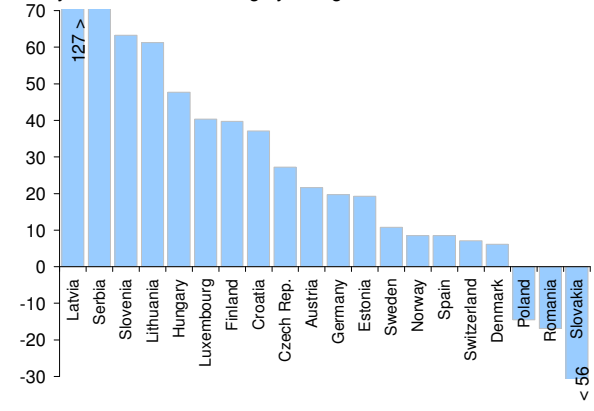
2012, year-to-date*, % change year ago



Source : TourMIS *date varies (Mar-Jun) by destination

Japanese visitor nights in select destinations

2012, year-to-date*, % change year ago



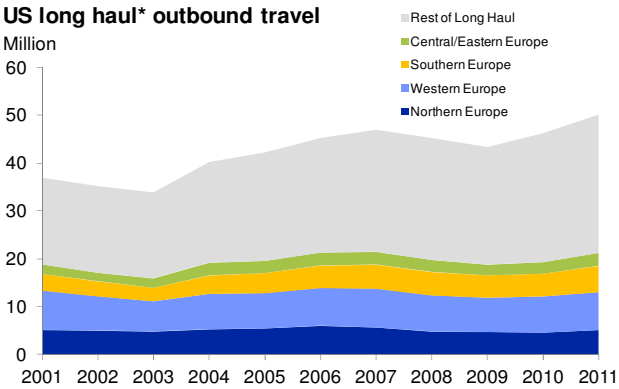
Source : TourMIS *date varies (Mar-Jun) by destination

Origin Market Share Analysis

Based on the Tourism Decision Metrics (TDM) model, the following charts and analysis show Europe's evolving market position - both in absolute and percentage terms - for selected source markets.

United States

- 81.0 million tourists traveled from the US in 2011. Of these, 30.9 million traveled within North America, while 50.2 million (61.9%) traveled to long haul destinations.
- US tourist arrivals to Europe in 2011 totalled 21.2 million, representing 42.2% of the US long haul outbound market.
- US tourist arrivals to Northern Europe in 2011 totalled 5.1 million, representing 24.0% of US arrivals to Europe.
- US tourist arrivals to Western Europe in 2011 totalled 7.9 million, representing 37.2% of US arrivals to Europe.
- US tourist arrivals to Southern Europe in 2011 totalled 5.5 million, representing 26.1% of US arrivals to Europe.
- US tourist arrivals to Central/Eastern Europe in 2011 totalled 2.7 million, representing 12.7% of US arrivals to Europe.
- Northern Europe's share of the US market was 10.1% in 2011, a 3.7 percentage point decrease from 2001.
- Western Europe's share of the US market was 15.7% in 2011, a 6.5 percentage point decrease from 2001.
- Southern Europe's share of the US market was 12.3% in 2011, a 1.4 percentage point increase from 2001.
- Central/Eastern Europe's share of the US market was 7.2% in 2011, a 1.1 percentage point decrease from 2001.
- Long haul outbound from the US is forecast to grow 4.5% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 34.1% through 2016, to 6.8 million. Northern Europe's share of the US market is forecast to rise to 10.9% in 2016.

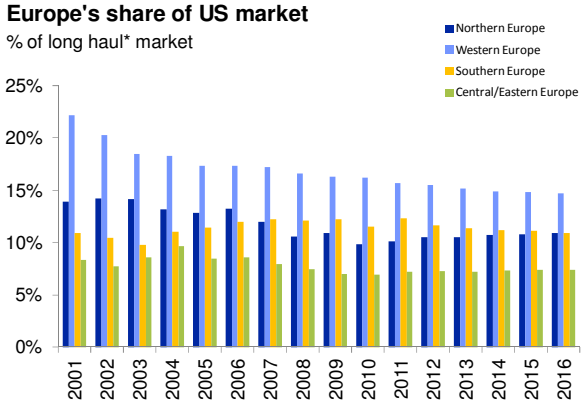


*Long haul defined as tourist arrivals to destinations outside North America
Source: Tourism Economics

- Arrivals to Western Europe are expected to increase 16.2% through 2016, to 9.2 million. Western Europe's share of the US market is forecast to fall to 14.7% in 2016.
- Arrivals to Southern Europe are expected to increase 9.8% through 2016, to 6.1 million. Southern Europe's share of the US market is forecast to fall to 10.9% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 28.2% through 2016, to 3.4 million. Central/Eastern Europe's share of the US market is forecast to rise to 7.4% in 2016.

Europe's share of US market

% of long haul* market



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

Note: this analysis is based on the *Tourism Decision Metrics (TDM)* model. The geographies of Europe are defined as:

Northern Europe: Denmark, Finland, Iceland, Ireland, Norway, Sweden, UK

Western Europe: Austria, Belgium, France, Germany, Luxembourg, Netherlands, Switzerland

Southern/Mediterranean Europe: Albania, Bosnia-Herzogovina, Croatia, Cyprus, FYR Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, Turkey

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

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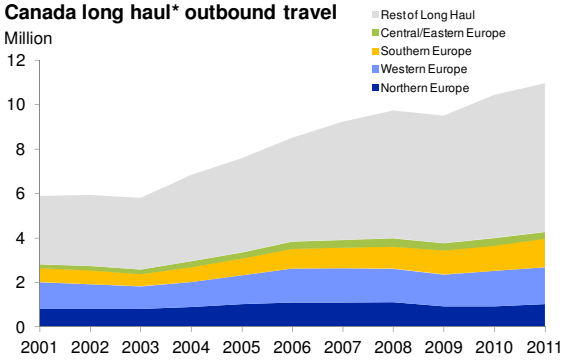
Canada

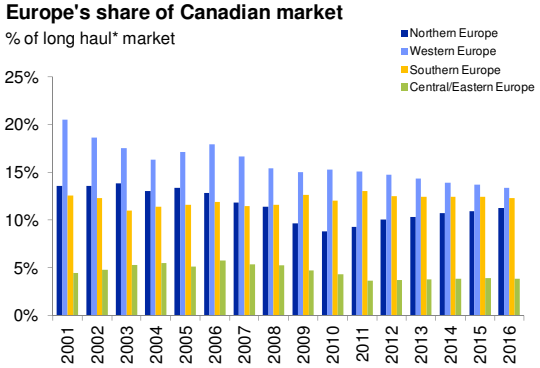
- 32.6 million tourists traveled from Canada in 2011. Of these, 21.6 million traveled within North America, while 11.0 million (33.7%) traveled to long haul destinations.
- Canadian tourist arrivals to Europe in 2011 totalled 4.3 million, representing 39.0% of the Canadian long haul outbound market.
- Canadian tourist arrivals to Northern Europe in 2011 totalled 1.0 million, representing 23.8% of Canadian arrivals to Europe.
- Canadian tourist arrivals to Western Europe in 2011 totalled 1.7 million, representing 38.8% of Canadian arrivals to Europe.
- Canadian tourist arrivals to Southern Europe in 2011 totalled 1.3 million, representing 30.3% of Canadian arrivals to Europe.
- Canadian tourist arrivals to Central/Eastern Europe in 2011 totalled 0.3 million, representing 7.1% of Canadian arrivals to Europe.
- Northern Europe's share of the Canadian market was 9.3% in 2011, a 4.3 percentage point decrease from 2001.
- Western Europe's share of the Canadian market was 15.1% in 2011, a 5.4 percentage point decrease from 2001.
- Southern Europe's share of the Canadian market was 13.0% in 2011, a 0.5 percentage point increase from 2001.
- Central/Eastern Europe's share of the Canadian market was 3.7% in 2011, a 0.8 percentage point decrease from 2001.
- Long haul outbound from Canada is forecast to grow 1.8% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 32.3% through 2016, to 1.3 million. Northern Europe's share of the Canadian market is forecast to rise to 11.2% in 2016.
- Arrivals to Western Europe are expected to decrease -3.2% through 2016, to 1.6 million. Western Europe's share of the Canadian market is forecast to fall to 13.4% in 2016.
- Arrivals to Southern Europe are expected to increase 0.7% through 2016, to 1.3 million. Southern Europe's share of the Canadian market is forecast to fall to 12.3% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 14.5% through 2016, to .3 million. Central/Eastern Europe's share of the Canadian market is forecast to rise to 3.8% in 2016.

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

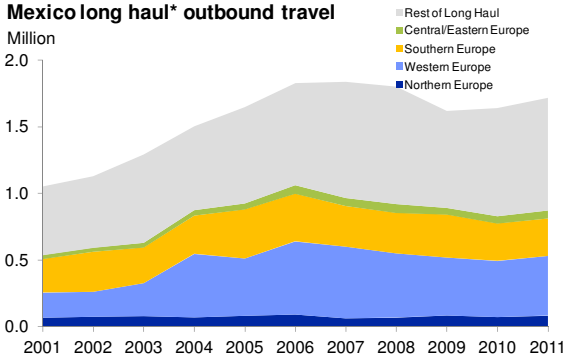


*Long haul defined as tourist arrivals to destinations outside North America
Source: Tourism Economics

Mexico

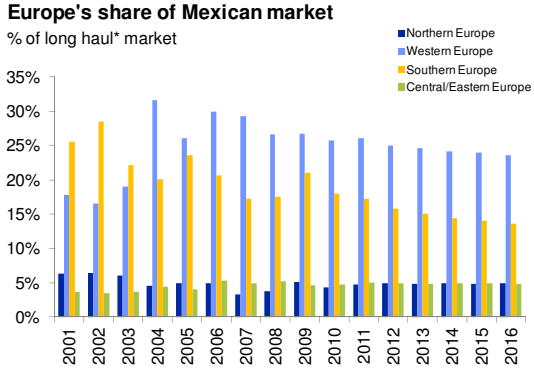
- 15.3 million tourists traveled from Mexico in 2011. Of these, 13.5 million traveled within North America, while 1.7 million (11.2%) traveled to long haul destinations.
- Mexican tourist arrivals to Europe in 2011 totalled 0.9 million, representing 50.7% of the Mexican long haul outbound market.
- Mexican tourist arrivals to Northern Europe in 2011 totalled 81,000, representing 9.3% of Mexican arrivals to Europe.
- Mexican tourist arrivals to Western Europe in 2011 totalled 447,000, representing 51.3% of Mexican arrivals to Europe.
- Mexican tourist arrivals to Southern Europe in 2011 totalled 282,000, representing 32.4% of Mexican arrivals to Europe.
- Mexican tourist arrivals to Central/Eastern Europe in 2011 totalled 60,000, representing 6.9% of Mexican arrivals to Europe.
- Northern Europe's share of the Mexican market was 4.7% in 2011, a 1.6 percentage point decrease from 2001.
- Western Europe's share of the Mexican market was 26.0% in 2011, an 8.2 percentage point increase from 2001.
- Southern Europe's share of the Mexican market was 17.2% in 2011, an 8.3 percentage point decrease from 2001.
- Central/Eastern Europe's share of the Mexican market was 5.1% in 2011, a 1.4 percentage point increase from 2001.
- Long haul outbound from Mexico is forecast to grow 6.5% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 42.2% through 2016, to 116,000. Northern Europe's share of the Mexican market is forecast to rise to 4.9% in 2016.
- Arrivals to Western Europe are expected to increase 24.2% through 2016, to 555,000. Western Europe's share of the Mexican market is forecast to fall to 23.6% in 2016.
- Arrivals to Southern Europe are expected to increase 7.8% through 2016, to 304,000. Southern Europe's share of the Mexican market is forecast to fall to 13.6% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 35.9% through 2016, to 82,000. Central/Eastern Europe's share of the Mexican market is forecast to fall to 4.9% in 2016.

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

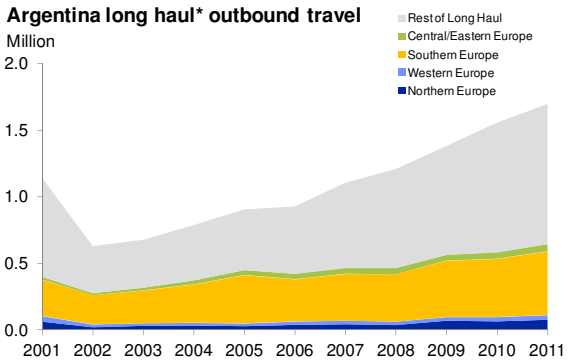


*Long haul defined as tourist arrivals to destinations outside North America
Source: Tourism Economics

Argentina

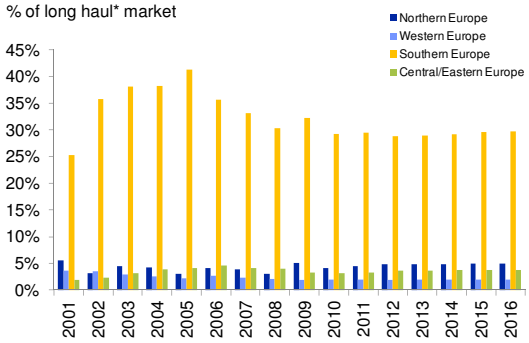
- 66.3 million tourists traveled from Argentina in 2011. Of these, 4.6 million traveled within South America, while 1.7 million (26.8%) traveled to long haul destinations.
- Argentinian tourist arrivals to Europe in 2011 totalled 0.6 million, representing 37.9% of the Argentinian long haul outbound market.
- Argentinian tourist arrivals to Northern Europe in 2011 totalled 77,000, representing 12.0% of Argentinian arrivals to Europe.
- Argentinian tourist arrivals to Western Europe in 2011 totalled 34,000, representing 5.3% of Argentinian arrivals to Europe.
- Argentinean tourist arrivals to Southern Europe in 2011 totalled 478,000, representing 74.5% of Argentinian arrivals to Europe.
- Argentinian tourist arrivals to Central/Eastern Europe in 2011 totalled 53,000, representing 8.3% of Argentinian arrivals to Europe.
- Northern Europe's share of the Argentinian market was 4.5% in 2011, a 1.0 percentage point decrease from 2001.
- Western Europe's share of the Argentinian market was 2.0% in 2011, a 1.6 percentage point decrease from 2001.
- Southern Europe's share of the Argentinian market was 29.5% in 2011, a 4.2 percentage point increase from 2001.
- Central/Eastern Europe's share of the Argentinian market was 3.4% in 2011, a 1.5 percentage point increase from 2001.
- Long haul outbound from Argentina is forecast to grow 6.9% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 53.7% through 2016, to 118,000. Northern Europe's share of the Argentinian market is forecast to rise to 5.0% in 2016.
- Arrivals to Western Europe are expected to increase 42.8% through 2016, to 48,000. Western Europe's share of the Argentinian market is forecast to rise to 2.0% in 2016.
- Arrivals to Southern Europe are expected to increase 39.9% through 2016, to 668,000. Southern Europe's share of the Argentinian market is forecast to rise to 29.7% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 56.3% through 2016, to 83,000. Central/Eastern Europe's share of the Argentinian market is forecast to rise to 3.8% in 2016.

Argentina long haul* outbound travel



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

Europe's share of Argentinean market

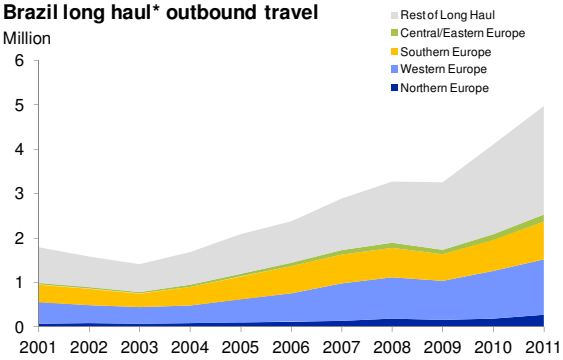


*Long haul defined as tourist arrivals to destinations outside South America
Source: Tourism Economics

Brazil

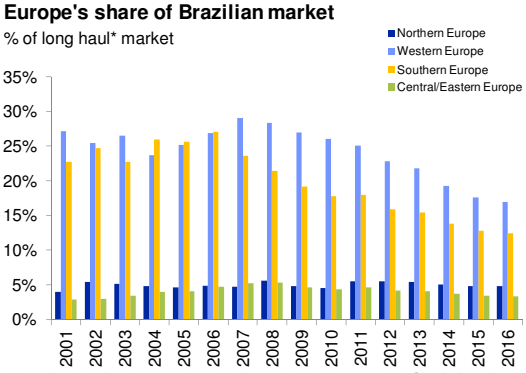
- 7.5 million tourists traveled from Brazil in 2011. Of these, 2.5 million traveled within South America, while 5.0 million (66.5%) traveled to long haul destinations.
- Brazilian tourist arrivals to Europe in 2011 totalled 2.5 million, representing 50.8% of the Brazilian long haul outbound market.
- Brazilian tourist arrivals to Northern Europe in 2011 totalled 275,000, representing 10.9% of Brazilian arrivals to Europe.
- Brazilian tourist arrivals to Western Europe in 2011 totalled 1,246,000, representing 49.3% of Brazilian arrivals to Europe.
- Brazilian tourist arrivals to Southern Europe in 2011 totalled 845,000, representing 33.5% of Brazilian arrivals to Europe.
- Brazilian tourist arrivals to Central/Eastern Europe in 2011 totalled 160,000, representing 6.3% of Brazilian arrivals to Europe.
- Northern Europe's share of the Brazilian market was 5.5% in 2011, a 1.5 percentage point increase from 2001.
- Western Europe's share of the Brazilian market was 25.1% in 2011, a 2.1 percentage point decrease from 2001.
- Southern Europe's share of the Brazilian market was 18.0% in 2011, a 4.7 percentage point decrease from 2001.
- Central/Eastern Europe's share of the Brazilian market was 4.6% in 2011, a 1.7 percentage point increase from 2001.
- Long haul outbound from Brazil is forecast to grow 9.3% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 36.4% through 2016, to 375,000. Northern Europe's share of the Brazilian market is forecast to fall to 4.8% in 2016.
- Arrivals to Western Europe are expected to increase 5.9% through 2016, to 1,319,000. Western Europe's share of the Brazilian market is forecast to fall to 17.0% in 2016.
- Arrivals to Southern Europe are expected to increase 8.8% through 2016, to 920,000. Southern Europe's share of the Brazilian market is forecast to fall to 12.5% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 27.8% through 2016, to 205,000. Central/Eastern Europe's share of the Brazilian market is forecast to fall to 3.4% in 2016.

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

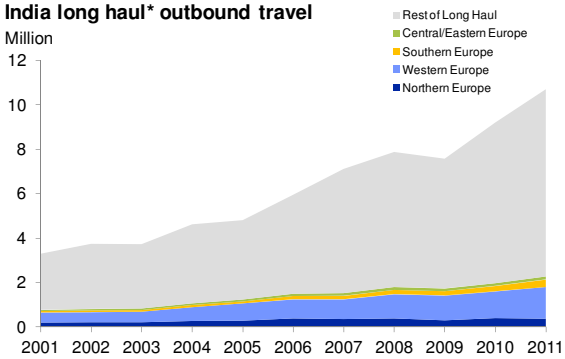


*Long haul defined as tourist arrivals to destinations outside South America
Source: Tourism Economics

India

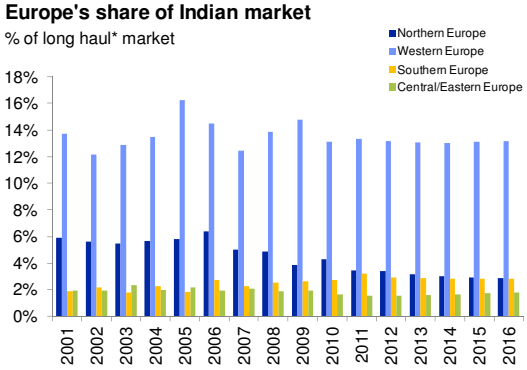
- 11.2 million tourists traveled from India in 2011. Of these, 0.5 million traveled within South Asia, while 10.7 million (95.5%) traveled to long haul destinations.
- Indian tourist arrivals to Europe in 2011 totalled 2.3 million, representing 21.2% of the Indian long haul outbound market.
- Indian tourist arrivals to Northern Europe in 2011 totalled 368,000, representing 16.2% of Indian arrivals to Europe.
- Indian tourist arrivals to Western Europe in 2011 totalled 1,430,000, representing 63.1% of Indian arrivals to Europe.
- Indian tourist arrivals to Southern Europe in 2011 totalled 331,000, representing 14.6% of Indian arrivals to Europe.
- Indian tourist arrivals to Central/Eastern Europe in 2011 totalled 137,000, representing 6.0% of Indian arrivals to Europe.
- Northern Europe's share of the Indian market was 3.4% in 2011, a 2.5 percentage point decrease from 2001.
- Western Europe's share of the Indian market was 13.4% in 2011, a 0.4 percentage point decrease from 2001.
- Southern Europe's share of the Indian market was 3.2% in 2011, a 1.3 percentage point increase from 2001.
- Central/Eastern Europe's share of the Indian market was 1.5% in 2011, a 0.4 percentage point decrease from 2001.
- Long haul outbound from India is forecast to grow 7.2% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 18.3% through 2016, to 435,000. Northern Europe's share of the Indian market is forecast to fall to 2.9% in 2016.
- Arrivals to Western Europe are expected to increase 39.7% through 2016, to 1,998,000. Western Europe's share of the Indian market is forecast to fall to 13.2% in 2016.
- Arrivals to Southern Europe are expected to increase 24.9% through 2016, to 413,000. Southern Europe's share of the Indian market is forecast to fall to 2.8% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 65.1% through 2016, to 226,000. Central/Eastern Europe's share of the Indian market is forecast to rise to 1.8% in 2016.

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

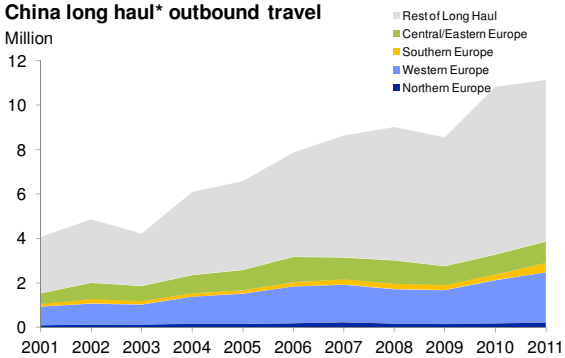


*Long haul defined as tourist arrivals to destinations outside South Asia
Source: Tourism Economics

China

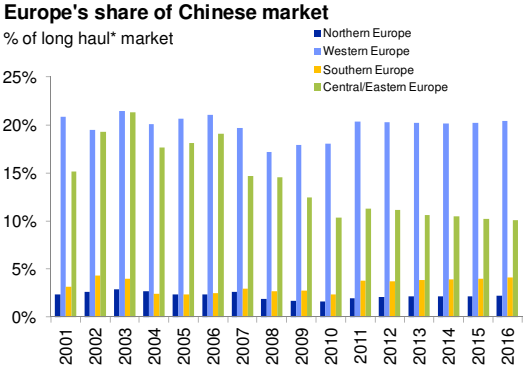
- 35.9 million tourists traveled from China in 2011. Of these, 24.7 million traveled within Northeast Asia, while 11.1 million (31.0%) traveled to long haul destinations.
- Chinese tourist arrivals to Europe in 2011 totalled 3.9 million, representing 34.8% of the Chinese long haul outbound market.
- Chinese tourist arrivals to Northern Europe in 2011 totalled 216,000, representing 5.6% of Chinese arrivals to Europe.
- Chinese tourist arrivals to Western Europe in 2011 totalled 2,263,000, representing 58.4% of Chinese arrivals to Europe.
- Chinese tourist arrivals to Southern Europe in 2011 totalled 417,000, representing 10.8% of Chinese arrivals to Europe.
- Chinese tourist arrivals to Central/Eastern Europe in 2011 totalled 977,000, representing 25.2% of Chinese arrivals to Europe.
- Northern Europe's share of the Chinese market was 1.9% in 2011, a 0.4 percentage point decrease from 2001.
- Western Europe's share of the Chinese market was 20.3% in 2011, a 0.5 percentage point decrease from 2001.
- Southern Europe's share of the Chinese market was 3.8% in 2011, a 0.7 percentage point increase from 2001.
- Central/Eastern Europe's share of the Chinese market was 11.3% in 2011, a 3.8 percentage point decrease from 2001.
- Long haul outbound from China is forecast to grow 9.1% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 76.9% through 2016, to 382,000. Northern Europe's share of the Chinese market is forecast to rise to 2.2% in 2016.
- Arrivals to Western Europe are expected to increase 55.1% through 2016, to 3,510,000. Western Europe's share of the Chinese market is forecast to rise to 20.4% in 2016.
- Arrivals to Southern Europe are expected to increase 66.3% through 2016, to 694,000. Southern Europe's share of the Chinese market is forecast to rise to 4.1% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 37.7% through 2016, to 1,345,000. Central/Eastern Europe's share of the Chinese market is forecast to fall to 10.1% in 2016.

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

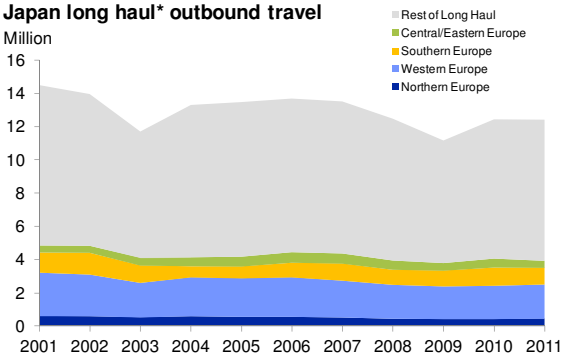


*Long haul defined as tourist arrivals to destinations outside Northeast Asia
Source: Tourism Economics

Japan

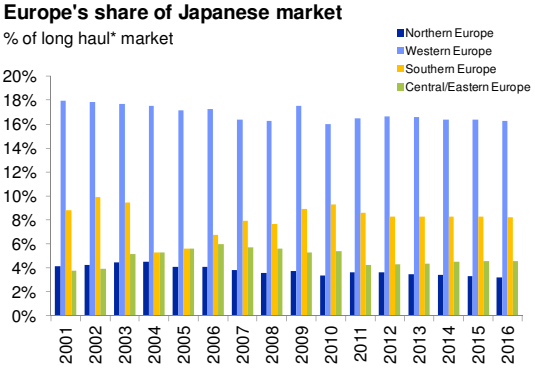
- 20.8 million tourists traveled from Japan in 2011. Of these, 8.4 million traveled within Northeast Asia, while 12.4 million (59.6%) traveled to long haul destinations.
- Japanese tourist arrivals to Europe in 2011 totalled 3.9 million, representing 31.7% of the Japanese long haul outbound market.
- Japanese tourist arrivals to Northern Europe in 2011 totalled 446,000, representing 11.3% of Japanese arrivals to Europe.
- Japanese tourist arrivals to Western Europe in 2011 totalled 2,042,000, representing 51.9% of Japanese arrivals to Europe.
- Japanese tourist arrivals to Southern Europe in 2011 totalled 1,025,000, representing 26.1% of Japanese arrivals to Europe.
- Japanese tourist arrivals to Central/Eastern Europe in 2011 totalled 422,000, representing 10.7% of Japanese arrivals to Europe.
- Northern Europe's share of the Japanese market was 3.6% in 2011, a 0.5 percentage point decrease from 2001.
- Western Europe's share of the Japanese market was 16.5% in 2011, a 1.5 percentage point decrease from 2001.
- Southern Europe's share of the Japanese market was 8.6% in 2011, a 0.3 percentage point decrease from 2001.
- Central/Eastern Europe's share of the Japanese market was 4.3% in 2011, a 0.5 percentage point increase from 2001.
- Long haul outbound from Japan is forecast to grow 5.3% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 15.8% through 2016, to 517,000. Northern Europe's share of the Japanese market is forecast to fall to 3.2% in 2016.
- Arrivals to Western Europe are expected to increase 27.7% through 2016, to 2,607,000. Western Europe's share of the Japanese market is forecast to fall to 16.2% in 2016.
- Arrivals to Southern Europe are expected to increase 25.1% through 2016, to 1,283,000. Southern Europe's share of the Japanese market is forecast to fall to 8.3% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 40.5% through 2016, to 593,000. Central/Eastern Europe's share of the Japanese market is forecast to rise to 4.6% in 2016.

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

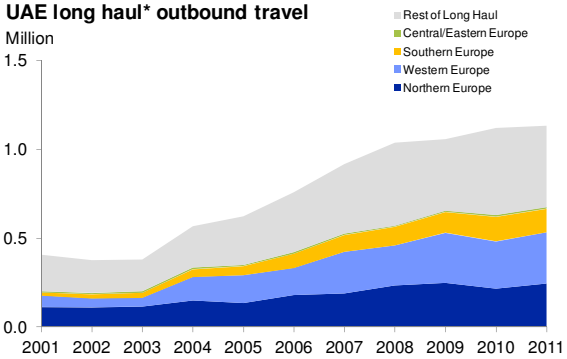


*Long haul defined as tourist arrivals to destinations outside Northeast Asia
Source: Tourism Economics

United Arab Emirates

- 5.6 million tourists traveled from the UAE in 2011. Of these, 4.5 million traveled within the Middle East, while 1.1 million (20.2%) traveled to long haul destinations.
- Emirati tourist arrivals to Europe in 2011 totalled 0.7 million, representing 59.4% of the Emirati long haul outbound market.
- Emirati tourist arrivals to Northern Europe in 2011 totalled 244,000, representing 36.2% of Emirati arrivals to Europe.
- Emirati tourist arrivals to Western Europe in 2011 totalled 290,000, representing 43.1% of Emirati arrivals to Europe.
- Emirati tourist arrivals to Southern Europe in 2011 totalled 131,000, representing 19.4% of Emirati arrivals to Europe.
- Emirati tourist arrivals to Central/Eastern Europe in 2011 totalled 9,000, representing 1.3% of Emirati arrivals to Europe.
- Northern Europe's share of the Emirati market was 21.5% in 2011, a 5.9 percentage point decrease from 2001.
- Western Europe's share of the Emirati market was 25.6% in 2011, a 9.5 percentage point increase from 2001.
- Southern Europe's share of the Emirati market was 14.7% in 2011, an 8.5 percentage point increase from 2001.
- Central/Eastern Europe's share of the Emirati market was 1.5% in 2011, a 1.1 percentage point decrease from 2001.
- Long haul outbound from the UAE is forecast to grow 2.0% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 27.9% through 2016, to 312,000. Northern Europe's share of the Emirati market is forecast to rise to 24.9% in 2016.
- Arrivals to Western Europe are expected to decrease -0.4% through 2016, to 289,000. Western Europe's share of the Emirati market is forecast to fall to 23.0% in 2016.
- Arrivals to Southern Europe are expected to increase 11.2% through 2016, to 145,000. Southern Europe's share of the Emirati market is forecast to rise to 15.4% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 18.7% through 2016, to 11,000. Central/Eastern Europe's share of the Emirati market is forecast to rise to 1.6% in 2016.

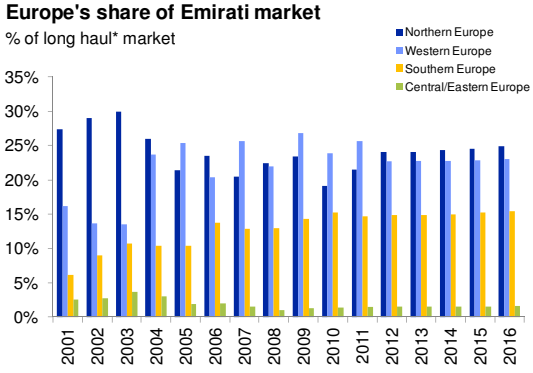
UAE long haul* outbound travel



*Long haul defined as tourist arrivals to destinations outside the Middle East
Source: Tourism Economics

Europe's share of Emirati market

% of long haul* market

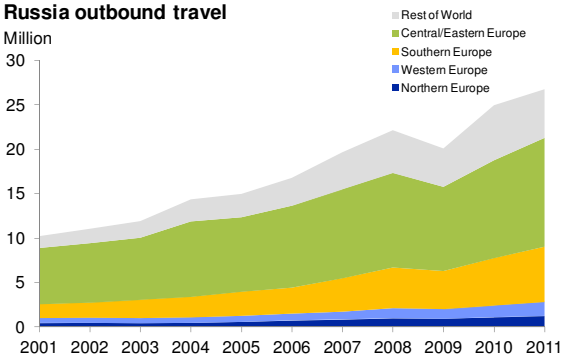


*Long haul defined as tourist arrivals to destinations outside the Middle East
Source: Tourism Economics

Russia

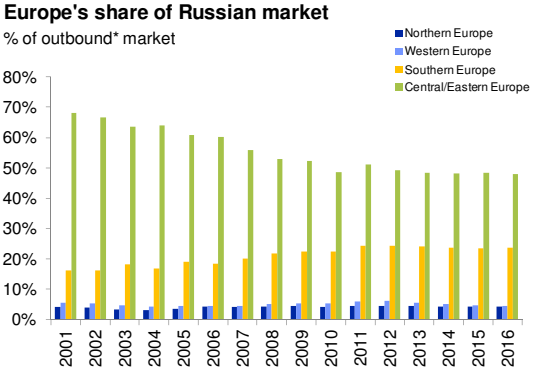
- 26.9 million tourists traveled from Russia in 2011. Of these, 21.4 million (79.6%) traveled within Europe, while 5.5 million traveled to destinations outside Europe.
- Russian tourist arrivals to Northern Europe in 2011 totalled 1.2 million, representing 5.6% of Russian arrivals to Europe.
- Russian tourist arrivals to Western Europe in 2011 totalled 1.6 million, representing 7.5% of Russian arrivals to Europe.
- Russian tourist arrivals to Southern Europe in 2011 totalled 6.2 million, representing 29.3% of Russian arrivals to Europe.
- Russian tourist arrivals to Central/Eastern Europe in 2011 totalled 12.3 million, representing 57.6% of Russian arrivals to Europe.
- Northern Europe's share of the Russian market was 4.5% in 2011, a 0.4 percentage point increase from 2001.
- Western Europe's share of the Russian market was 6.0% in 2011, a 0.4 percentage point increase from 2001.
- Southern Europe's share of the Russian market was 24.4% in 2011, an 8.1 percentage point increase from 2001.
- Central/Eastern Europe's share of the Russian market was 51.2% in 2011, a 16.9 percentage point decrease from 2001.
- International outbound travel from Russia is forecast to grow 5.3% per year on average from 2011 through 2016.
- Arrivals to Northern Europe are expected to increase 25.7% through 2016, to 1.5 million. Northern Europe's share of the Russian market is forecast to fall to 4.4% in 2016.
- Arrivals to Western Europe are expected to increase 0.4% through 2016, to 1.6 million. Western Europe's share of the Russian market is forecast to fall to 4.6% in 2016.
- Arrivals to Southern Europe are expected to increase 26.0% through 2016, to 7.9 million. Southern Europe's share of the Russian market is forecast to fall to 23.7% in 2016.
- Arrivals to Central/Eastern Europe are expected to increase 23.3% through 2016, to 15.1 million. Central/Eastern Europe's share of the Russian market is forecast to fall to 48.0% in 2016.

Russia outbound travel



*Outbound travel defined as tourist arrivals to all destinations
Source: Tourism Economics

Europe's share of Russian market



*Outbound market defined as tourist arrivals to all destinations
Source: Tourism Economics

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 *Tourism Decision Metrics (TDM)* model, which is updated in detail three times per year. Full origin-destination country detail is available online to subscribers.

TDM Visitor Growth Forecasts, % change												
	Inbound*						Outbound**					
	2010	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015
World	**6.4%**	**4.5%**	**1.7%**	**3.1%**	**4.6%**	**4.7%**	**6.5%**	**4.8%**	**1.9%**	**3.4%**	**4.8%**	**5.0%**
Americas	**6.5%**	**3.9%**	**3.2%**	**4.1%**	**5.1%**	**4.2%**	**5.7%**	**4.3%**	**3.7%**	**4.1%**	**5.2%**	**4.6%**
North America	6.5%	2.8%	2.8%	4.6%	5.2%	4.2%	5.8%	3.7%	2.7%	3.8%	4.5%	4.0%
Caribbean	2.9%	3.6%	2.9%	3.2%	3.8%	3.9%	2.6%	-1.2%	6.4%	4.3%	3.5%	3.7%
Central & South America	8.7%	7.4%	4.4%	3.2%	5.3%	4.4%	6.1%	8.0%	6.8%	5.1%	8.1%	6.8%
Europe	**2.9%**	**6.2%**	**-0.7%**	**0.9%**	**3.5%**	**4.2%**	**2.2%**	**4.8%**	**-0.7%**	**1.2%**	**4.0%**	**4.6%**
EU	2.4%	5.8%	-1.0%	0.2%	2.7%	3.5%	0.4%	4.2%	-1.1%	0.7%	3.3%	4.0%
Non-EU	4.5%	7.7%	0.2%	3.4%	6.1%	6.4%	9.4%	7.0%	0.7%	2.7%	6.0%	6.5%
Northern	0.7%	5.7%	1.7%	0.3%	3.8%	3.1%	-1.4%	6.3%	-0.8%	1.3%	3.8%	4.2%
Western	3.6%	3.5%	-0.1%	-0.3%	1.8%	2.8%	0.3%	3.4%	-1.3%	0.8%	2.3%	3.0%
Southern/Mediterranean	2.8%	7.6%	-2.5%	1.4%	3.4%	4.6%	3.0%	1.7%	-1.8%	-0.5%	2.6%	4.0%
Central/Eastern	3.1%	8.3%	0.1%	2.2%	5.9%	6.0%	6.9%	7.6%	0.9%	2.6%	6.7%	6.9%
- Central & Baltic	*3.9%*	*9.0%*	*0.3%*	*0.8%*	*4.9%*	*5.3%*	*1.6%*	*5.8%*	*1.5%*	*2.4%*	*7.6%*	*7.4%*
Asia & the Pacific	**13.1%**	**6.3%**	**5.2%**	**6.2%**	**6.2%**	**5.9%**	**13.0%**	**6.8%**	**6.3%**	**6.5%**	**6.4%**	**6.0%**
North East	13.8%	3.8%	7.2%	6.8%	6.7%	6.0%	11.2%	4.6%	7.3%	6.8%	6.5%	6.1%
South East	13.2%	10.3%	2.7%	5.5%	6.0%	6.3%	20.4%	9.9%	4.1%	6.2%	6.2%	5.7%
South	15.5%	11.5%	4.9%	5.2%	4.6%	5.2%	8.0%	17.0%	6.5%	7.9%	8.2%	7.5%
Oceania	4.4%	2.7%	2.0%	5.5%	4.1%	3.9%	10.1%	7.9%	2.7%	0.9%	2.1%	2.9%
Africa	**9.0%**	**-8.0%**	**7.0%**	**5.2%**	**5.2%**	**4.7%**	**5.9%**	**1.5%**	**4.1%**	**4.1%**	**5.3%**	**5.5%**
Mid East	**13.5%**	**-0.7%**	**1.6%**	**5.7%**	**5.5%**	**5.7%**	**12.0%**	**0.7%**	**-2.5%**	**2.3%**	**2.7%**	**4.3%**

* 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

EU: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK

Non-EU Europe is all European countries (listed below) outside EU

Northern Europe: Denmark, Finland, Iceland, Ireland, Norway, Sweden, UK

Western Europe: Austria, Belgium, France, Germany, Luxembourg, Netherlands, Switzerland

Southern/Mediterranean Europe: Albania, Bosnia-Herzegovina, Croatia, Cyprus, FYR Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, Turkey

Central/Eastern Europe: Armenia, Azerbaijan, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, Ukraine, of which
Central Europe & Baltic countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia

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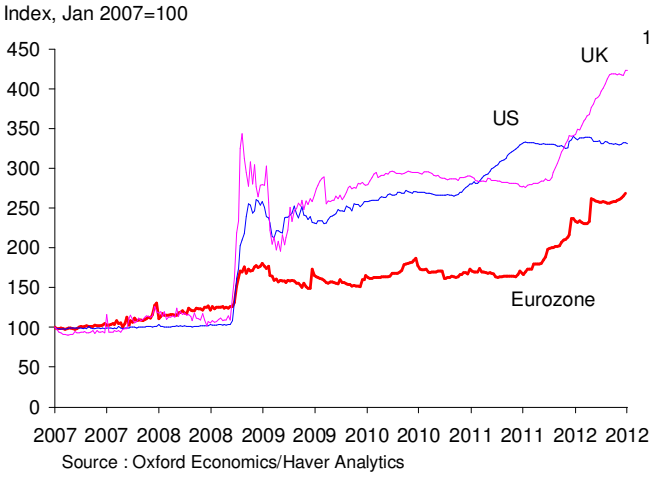
Economic Outlook for Key Markets

Four forces shaping the global economy

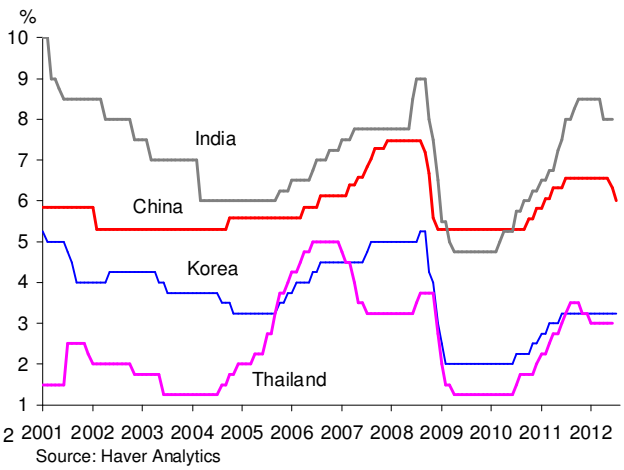
- Austerity: governments continue to tighten budgets which is weighing on economic growth
- Loose monetary policy: global central banks move to lower interest rates and inject funds in a bid to support growth
- Slowdown: leading indicators suggest a widespread moderation with manufacturing contracting in most major economies
- Uncertain US recovery: as a major source of export demand for other large developed and developing economies, recent weak US jobs growth and a decline in manufacturing raises questions about the durability of a recovery in export demand

World: Central bank balance sheets



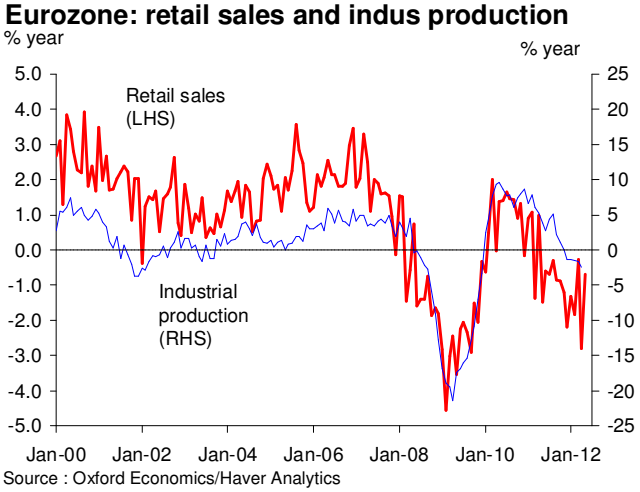
Source : Oxford Economics/Haver Analytics

Emerging Asia: Short-term interest rates



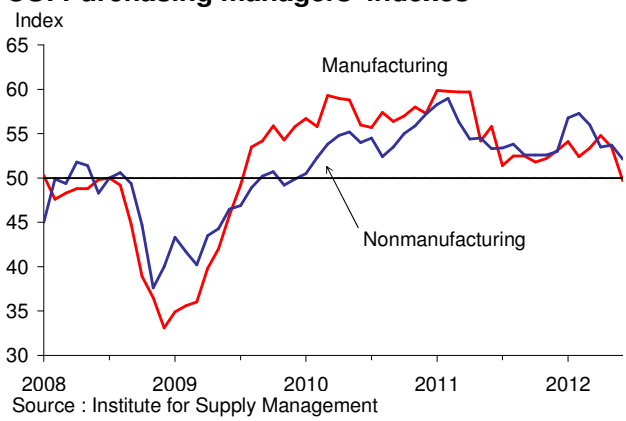
Source: Haver Analytics

Eurozone: retail sales and indus production



Source : Oxford Economics/Haver Analytics

US: Purchasing managers' indexes



Source : Institute for Supply Management

Summary of International Forecasts

	2011	2012	2013	2014	2015	2016
Real GDP						
North America						
United States	1.7	2.1	2.5	3.3	3.2	3.1
Canada	2.4	2.1	2.4	2.6	2.6	2.5
Europe						
Eurozone	1.5	-0.5	0.5	1.7	2.0	2.0
Germany	3.1	0.9	1.4	2.1	2.0	2.0
France	1.7	0.1	0.8	1.7	1.9	1.8
Italy	0.5	-2.3	-0.2	1.2	1.6	1.8
UK	0.8	0.0	1.6	2.7	2.8	2.7
EU27	1.6	-0.2	0.8	2.0	2.3	2.3
Asia						
Japan	-0.7	1.9	2.0	2.0	1.4	1.2
China	9.2	7.5	8.4	8.8	8.5	8.0
India	7.5	5.7	7.5	8.7	8.5	7.9
G7	1.3	1.3	1.9	2.6	2.5	2.4
World	2.8	2.3	2.9	3.7	3.8	3.6
World 2005 PPPs	3.8	3.1	3.7	4.5	4.6	4.4
World trade	6.6	2.2	5.7	7.4	7.1	6.7
Inflation (CPI)						
North America						
United States	3.1	2.0	2.0	2.2	2.3	2.3
Canada	2.9	1.7	2.0	2.1	2.1	2.2
Europe						
Eurozone	2.7	2.3	1.9	1.8	1.8	1.9
Germany	2.3	1.9	1.8	1.9	2.0	2.0
France	2.1	2.1	1.9	1.9	1.9	1.9
Italy	2.8	3.1	2.6	2.1	1.9	2.0
UK	4.5	2.5	1.7	1.8	1.9	1.9
EU27	3.1	2.4	1.9	1.9	1.9	1.9
Asia						
Japan	-0.3	0.2	0.6	0.8	1.0	1.0
Emerging Asia, excl Japan	6.6	5.3	4.8	4.6	4.5	4.4
China	5.4	3.1	2.8	2.9	3.0	3.0
India	8.9	8.8	5.8	4.5	4.1	3.9
World	4.4	3.2	2.2	2.1	2.1	2.1
Exchange Rates						
US$ Effective	70.9	74.5	76.1	78.0	79.8	80.3
$/€	1.39	1.27	1.28	1.27	1.24	1.24
¥/$	79.7	80.5	87.0	92.8	95.5	97.4
Commodity Prices						
Brent Oil ($/bl)	111.3	105.0	100.7	107.6	113.2	117.4

World 2005 PPP: A measure of GDP in real (2005) prices where PPP (purchasing power parity) is an implicit exchange rate which equalises the price of goods and services across countries.

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Eurozone Economy

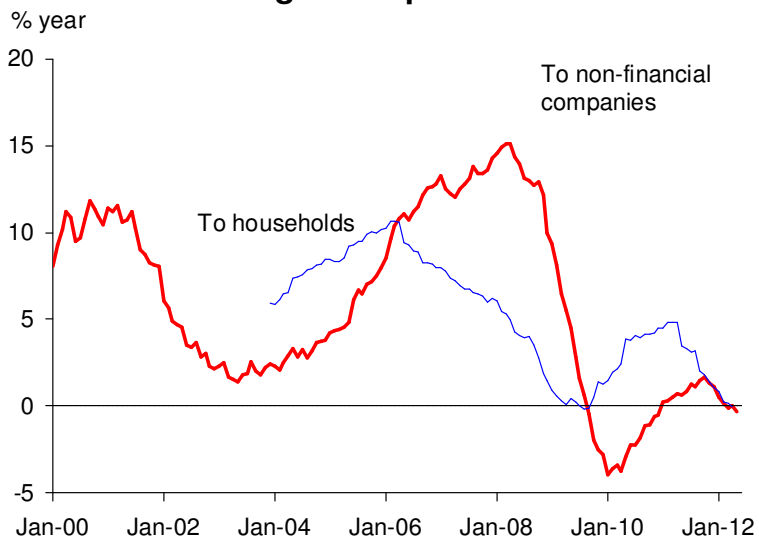
The EU summit at the end of June surprised slightly on the upside. A failure to agree on the proposed measures would have prompted a resurgence in financial tensions. The measures were necessary, but may not be sufficient to keep the Eurozone together. In particular there is still a risk that the demands of the Greek bailout become unacceptable for the Greek electorate leading to the collapse of the government, pushing Greece out of the Eurozone.

Meanwhile the ECB surprised on the downside by cutting interest rates by only 25 basis points instead of the 50bp cut that Oxford Economics and many other analysts expected.

Recent data continue to support the view that GDP growth was negative in Q2 and it is probable that GDP will shrink further in Q3 as austerity continues to bite, companies cut staff in response to lower demand and profit expectations and the global environment remains subdued.

For the year as a whole GDP is forecast to fall 0.5%, but activity should pick up slowly from the end of the year, assuming governments keep up the momentum of the June EU summit and make further progress with national and Eurozone-wide reforms. For 2013, we expect Eurozone GDP to rise by 0.5%.

Eurozone: lending to the private sector



Source : Oxford Economics

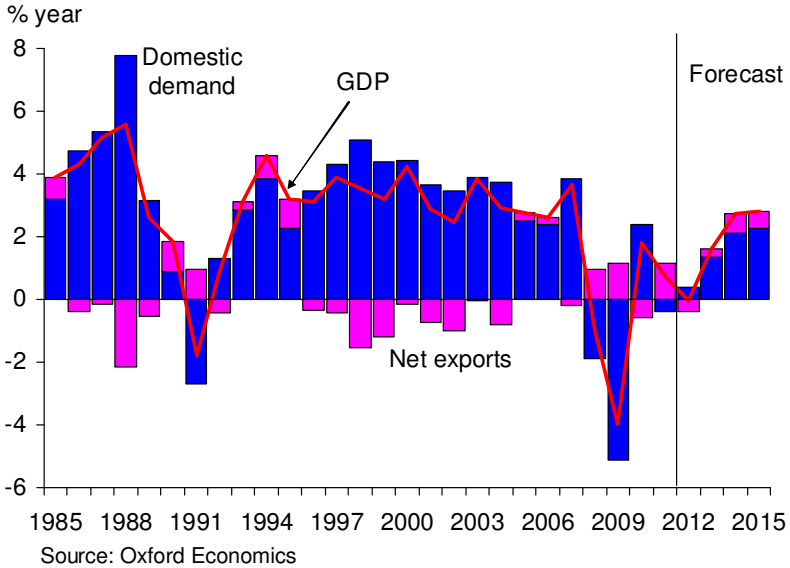
UK Economy

Recent data suggest that the UK economy has moved into a softer patch, coinciding with the latest wave of the Eurozone crisis. Manufacturers have been particularly badly hit, with the PMI reporting further declines in activity in May and June. The service sector has held up better, particularly for retailers, although the PMI survey has reported weaker activity and demand elsewhere in services, with new business rising at its slowest rate for eighteen months in June.

Signs of softening activity and increased concerns about the Eurozone led the Bank of England to step up its policy support from mid-June. It will implement a 'funding for lending' scheme where banks' funding costs will be cut in exchange for lending commitments, while it will also make emergency liquidity support available to the banks. These announcements were followed by a further round of quantitative easing (QE) in July.

The forecast remains heavily dependent upon Eurozone events. Assuming that policymakers are able to keep the euro intact and stabilise financial markets, we expect a gradual recovery to take hold over the second half of the year. Strengthening real incomes should support a gradual consumer recovery, while more positive news from the Eurozone would support export demand and encourage corporates to implement capital spending plans. We expect GDP to be flat in 2012, before growing by 1.6% in 2013.

UK: Contributions to GDP growth



Source: Oxford Economics

US Economy

Recent data emanating from the US has been rather mixed. On the downside, the third lacklustre monthly jobs report in a row, a sharp drop in the ISM (Institute for Supply Management) manufacturing index, and a third consecutive decline in consumer confidence, all point towards a worsening economic situation in June. In addition, consumer spending edged up just 0.1% in May and while auto sales rose in June, that did not make up for the May decline.

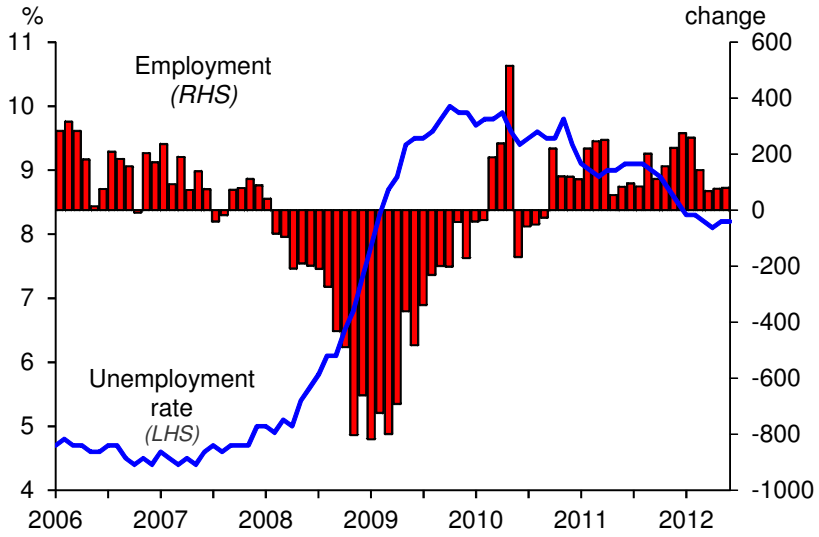
More positive indicators include some upbeat signals on construction and the continued expansion indicated by the ISM non-manufacturing index. Some encouragement was also to be found in the details of the payroll report. These do not appear sufficient to offset the negative, especially given the uncertainties which at present reinforce the negative.

As a result, we have lowered our forecast for 2012 Q2 and Q3 bringing growth for all of 2012 to 2.1%. We continue to expect some acceleration at the end of the year, leading to 2.5% growth in 2013.

That assumes that policymakers take action to avoid or at least to mitigate the fiscal cliff at the beginning of 2013. While it is difficult to see a way for the federal government to accomplish this in a timely fashion, politicians generally do manage to get things done when it is absolutely necessary.

At the June Federal Open Market Comittee meeting, the Federal Reserve downgraded its forecast for the economy and extended 'Operation Twist', its program of selling short-term and buying long-term government securities through the end of the year. In its minutes, it made clear that it will only embark on a new round of QE if the economy weakens further.

Employment and unemployment



Source: BLS

RHS = Right Hand Side (axis), LHS = Left Hand Side (axis)

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Japanese Economy

Recent economic indicators have tended to support our view that the strong economic growth seen in Japan at the start of 2012 will not be maintained in the coming quarters. We continue to forecast 1.9% GDP growth this year and 2% growth next.

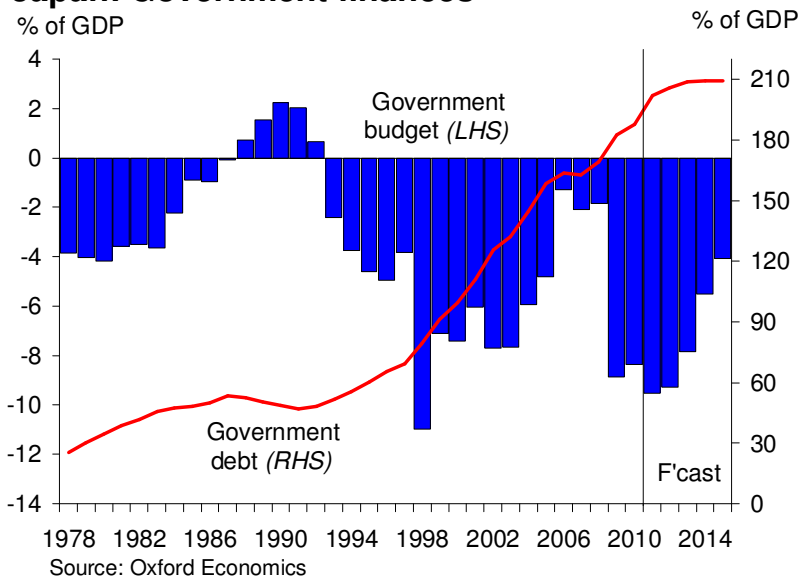
Consumer spending has shown some signs of slowing again after Q1's surge, with survey indicators for June suggesting a downbeat picture in the service sector.

Meanwhile, industrial output contracted in May and is likely to have done so over the whole of Q2. And a sharp fall in May core machinery orders is a worrying signal about demand prospects for key Japanese industries in the months ahead.

With downside risks to economic growth considerable, this also implies risks to the fragile fiscal situation. In the first quarter of this year, general government debt rose by over €50 trillion (over 10% of GDP) to stand at 225% of GDP.

Although Japan's fiscal position is not quite as dire as the headline figures suggest, continued deficits on the scale of recent years will eventually risk a serious crisis. Major fiscal adjustment must start soon and the government has made a start with plans to double the consumption tax. However, this move has caused a split in the governing Democratic Party which may delay or even prevent fiscal adjustment.

Japan: Government finances



Source: Oxford Economics

RHS = Right Hand Side (axis), LHS = Left Hand Side (axis)

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Emerging Market Economies

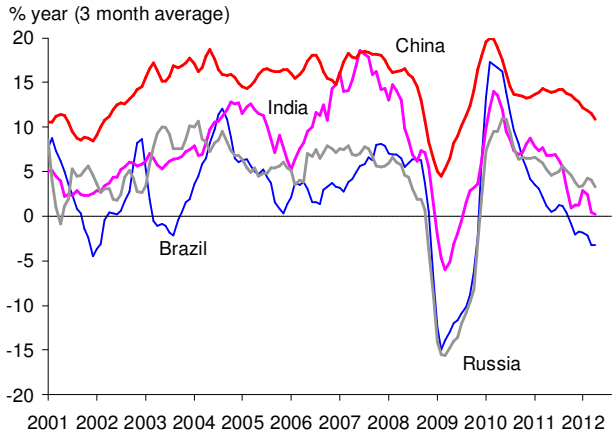
We have lowered our 2012 GDP growth forecast for Russia to 3.8% (from 4.2% in May) in response to falling oil prices, which we now expect to average less than US$100 per barrel for the rest of the year. And prospects for Russia could deteriorate further given recent suggestions that Q1 growth may be revised down to 4% from an initial estimate of 4.9%. This would weaken growth in 2012 as a whole given the importance of Q1 in terms of base effects, and especially since the economy was boosted during this period by a substantial fiscal stimulus.

Other data are more encouraging though, with industrial production and retail sales in May recovering from fairly disappointing April numbers and the June PMI surveys indicating that both services and manufacturing are still in positive territory. As a result of our lower growth forecast and weaker than expected inflation figures, we now expect Russian interest rates to be held at 8% for the rest of this year (we had previously expected a 25bp hike in Q4), with modest tightening delayed until early next year.

By contrast China has already begun to cut rates and there may be further gradual monetary easing this year if the economy remains subdued. June trade data suggest that domestic demand remains subdued, with imports unwinding most of the gains made in May. Exports also slowed in June, but not by as much. Our forecast remains unchanged after last month's downgrade to 7.5% GDP growth this year and 8.4% in 2013. The monthly data for April and May confirmed that China's economy lost momentum in Q2, with subdued external demand and a declining housing market weighing on the economy. As a result industrial output growth slowed further to 9.6% in May.

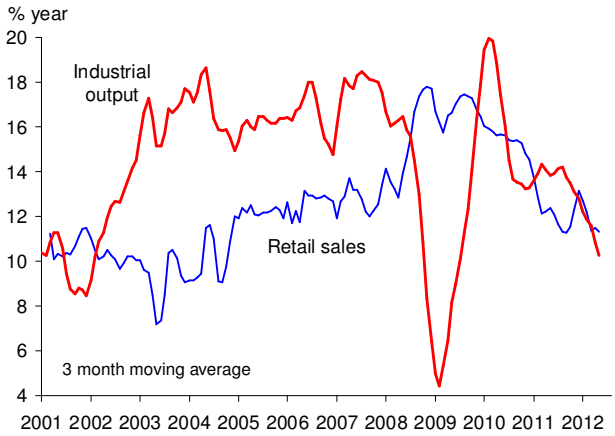
We continue to believe that a soft landing is the most likely outcome for China. Property price falls in a number of cities and the slowdown in investment are comparatively modest, and the authorities have been quick to react: the central bank has cut bank reserve requirements and lowered the key lending rate by 25 basis points on both 7 June and 5 July. The government has also announced several new spending projects to support domestic demand and has scope for further stimulus if necessary.

BRICs: Industrial output



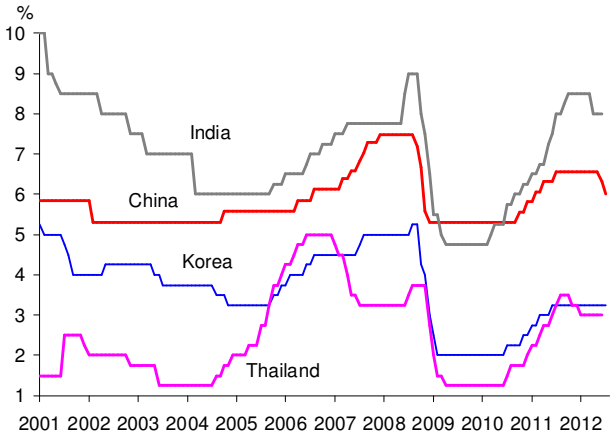
Source: Haver Analytics / Oxford Economics

China: Industrial output & retail sales volumes



Source: Haver Analytics

Emerging Asia: Short-term interest rates



Source: Haver Analytics

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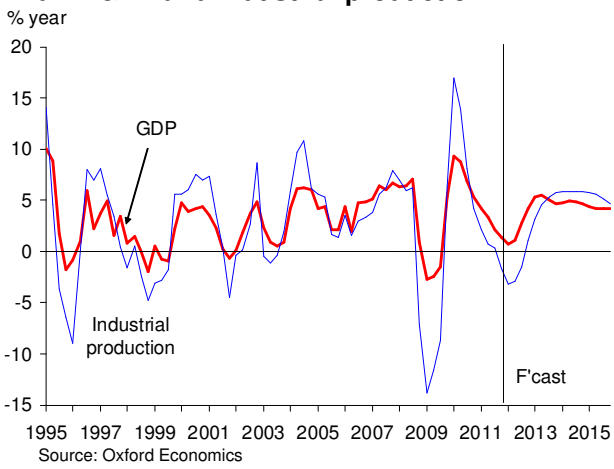
Brazil's economy has yet to pick up in response to stimulatory monetary and fiscal policies. We had already downgraded our 2012 growth forecast to 2.2% from 2.8% following disappointing Q1 data showing that GDP grew just 0.2% on the quarter, and we have now made a further downgrade to 1.9% as more recent monthly data continue to disappoint. The June manufacturing PMI came in at an eight-month low, industrial production and new orders are both down and the labour market is losing momentum. Consumption is still strong but is likely to be held back by rising non-performing loans, while investment shows no sign of picking up. We expect little improvement in the short term, although the recent fall in the exchange rate may help underpin exports. Some support is also likely to come from a 50bp rate cut to 8% expected in July.

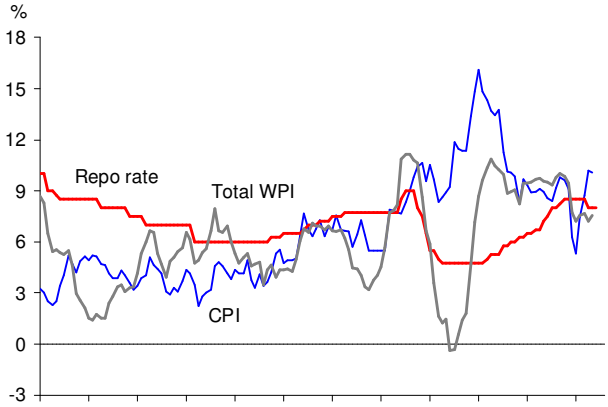
Brazil: GDP and industrial production



Source: Oxford Economics

Of the BRIC countries, only India does not currently have room to cut interest rates further. Growth slowed to 5.3% year-on-year in Q1, the lowest since 2003, and with the global outlook still poor we have already cut our growth forecast for this year to 5.7%. Although the RBI reduced interest rates in April, inflation is still stubbornly high and the depreciation of the rupee may tie the bank's hands for the rest of this year. We forecast GDP growth of 7.5% next year, but longer-term prospects are still marred by reluctance to address structural problems holding back investment.

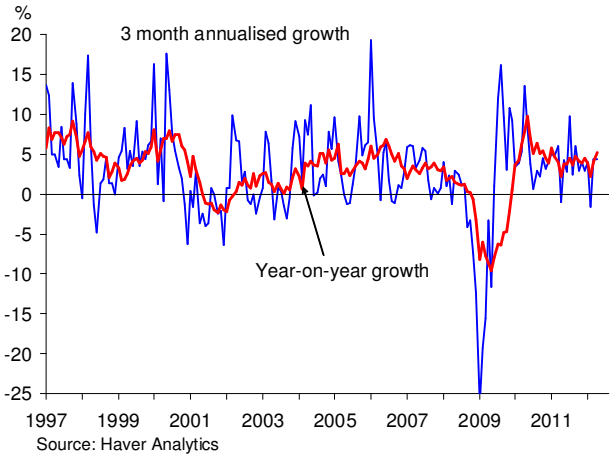
India: Interest rates & inflation



Source: Haver Analytics

Outside the BRICs, Mexico continues to perform well. June PMI data suggest that output and new orders expanded, with job creation at its fastest for a year, although manufacturing new orders fell for the first time this year and exports were down 0.7% in May. The US slowdown may be beginning to have an effect. Reflecting this, we have made our forecast more cautious, although we still expect GDP growth in 2012 to be a respectable 3.5%.

Mexico: Monthly GDP proxy



Source: Haver Analytics

Export-dependent emerging East Asia has been losing momentum in recent months, with export sales falling year-on-year in both Taiwan and South Korea. For the first time in five months the manufacturing PMI in Korea fell below 50, reflecting slowing global demand. We now expect Korea to grow 2.5% this year. More domestically-focused economies have fared better, with Indonesia and the Philippines reporting growth of over 1% quarter-on-quarter in Q1.

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Glossary of commonly used terms and abbreviations

Airline industry indicators

ASK **Available Seat Kilometers.** Indicator of airline supply, available seats x kilometers flown

PLF **Passenger Load Factor.** Indicator of airline capacity. Equal to revenue passenger kilometers (RPK) / available seat kilometers (ASK)

RPK **Revenue Passenger Kilometers.** Indicator of airline demand, paying passenger x kilometers flown

Central Banks

BoE **Bank of England**

BoJ **Bank of Japan**

ECB **European Central Bank**

Fed **Federal Reserve (US)**

RBI **Reserve Bank of India**

Economic indicators

CPI **Consumer Price Index.** Measure of price inflation for consumer goods

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.

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 revenue performance. Equal to hotel room revenue / room supply.

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ETC Member Organisations

Austria	Austrian National Tourist Office (ANTO)
Belgium	Flanders: Tourist Office for Flanders
	Wallonia: Tourist Office for Wallonia-Brussels
Bulgaria	Bulgarian State Agency for Tourism
Croatia	Croatian National Tourist Board (CNTB)
Cyprus	Cyprus Tourism Organisation (CTO)
Czech Republic	CzechTourism
Denmark	VisitDenmark
Estonia	Estonian Tourist Board - Enterprise Estonia (ETB)
Finland	Finnish Tourist Board (MEK)
Germany	German National Tourist Board (GNTB)
Greece	Greek National Tourism Organisation (GNTO)
Hungary	Hungarian Tourism Plc.
Iceland	Icelandic Tourist Board
Ireland	Fáilte Ireland and Tourism Ireland Ltd.
Italy	Presidency of the Council of Ministers, Department for the Development and Competitiveness of Tourism
Latvia	Latvian Tourism Development Agency (TAVA)
Lithuania	Lithuanian State Department of Tourism
Luxembourg	Luxembourg National Tourist Office (ONT)
Malta	Malta Tourism Authority (MTA)
Monaco	Monaco Government Tourist and Convention Office (DTC)
Montenegro	National Tourism Organisation of Montenegro
Norway	Innovation Norway
Poland	Polish National Tourist Office (PNTO)
Portugal	Turismo de Portugal, I.P.
Romania	Ministry of Regional Development and Tourism
San Marino	Ministry of Tourism, Sports, Economic Planning
Serbia	National Tourism Organisation of Serbia (TOS)
Slovakia	Slovak Tourist Board
Slovenia	Slovenian Tourist Board (STB)
Spain	Turespaña - Instituto de Turismo de España
Sweden	VisitSweden
Switzerland	Switzerland Tourism (ST)
Turkey	Ministry of Culture and Tourism

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