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EUROPEAN TOURISM 2015- Trends & Prospects

Quarterly Report- Q4/2015

EUROPEAN TRAVEL COMMISSION

EUROPEAN TOURISM in 2015: TRENDS & PROSPECTS

Quarterly Report (Q4/2015)

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

Brussels, February 2016
ETC Market Intelligence Report

European Tourism in 2015: Trends & Prospects (Q4/2015)

Data sources: This report includes data from the TourMIS database / http://www.tourmis.info, STR Global, IATA, AEA and UNWTO.

Economic analysis and forecasts are provided by Tourism Economics and are for interpretation by users according to their needs.

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on behalf of the ETC Market Intelligence Group

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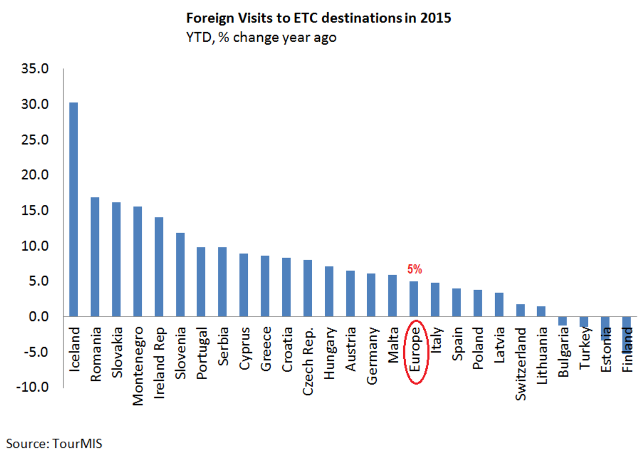
In memoriam Mr Tom Ylkänen

Foreword

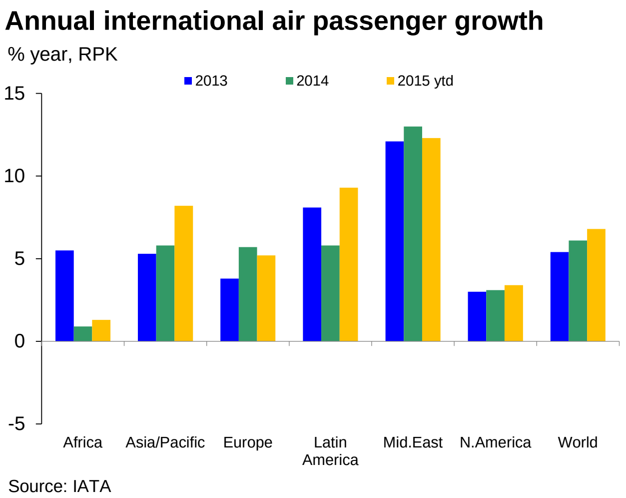
European tourism holds firmly in the path of growth

- 2015 was a year of further growth for the most visited region in the world. According to UNWTO[1] international tourist arrivals to Europe saw a healthy 5% increase, a total of 609 million arrivals. The region has now experienced growth in visitor numbers for the sixth consecutive year. Amidst the migration crisis and despite safety and security challenges, tourists continue to travel and tourism flows to Europe are expected to surge 3.5-4.5% in 2016[1].



- According to data reported to ETC, a number of destinations saw double-digit growth in arrivals towards the end of last year. Iceland (+30%) led growth, followed by Romania (+17%) and Slovakia (+16%). Others like Montenegro (+15.5%) and Ireland (+14%) also enjoyed robust growth. Bulgaria, Turkey (both -1%), Estonia (-3%) and Finland (-5%) saw a weak performance. The downward trend in these markets is attributable to the sizeable decrease in tourist flows from Russia.

- Sustained growth was also driven by established destinations in Southern/Mediterranean Europe such as Portugal (+10%), Greece (+9%) and Croatia (+8%). Croatia benefitted from their on-going efforts to extend the pre- and post-summer season while Greece, profited from improving flight connections and from the flow of tourist avoiding those destinations perceived to be at risk of terrorist attacks.



Sound results in hospitality and transportation

- Encouraging visitor trends are also backed up by a good performance by the hospitality sector. The region enjoyed strong growth in Average Daily Rates (ADR) and Revenue Per Available Room (RevPAR), 8% and 10.5% respectively on top of the rates registered the same period in 2014. Growth was stimulated by the appreciation of the Euro against key currencies, attracting mostly tourist flows from the US and the UK.

- The air traffic sector shows continued solid demand with strong increase during the last quarter of 2015. In Europe, Revenue Passenger per Kilometre (RPK), rose 5.2% compared to the same period in 2014. Air capacity also followed a slow but steady trend increasing by 4% (annual average) in 2015 versus 2014. Risks still remain in the sector due to the fragility in some emerging market economies and the threat of more terrorist attacks.

[1] http://media.unwto.org/press-release/2016-01-18/international-tourist-arrivals-4-reach-record-12-billion-2015

A prominent performance fuelled by key intra-European and long-haul markets

Demand from key intra-European markets continues to thrive within the confines of Europe, aided by improving economies, favourable exchange rate movements, low oil prices and continued marketing and promotion efforts to extend the peak seasons. European destinations reported growth in visits from Europe's top source markets – France, the UK, Germany and Italy - despite tightened border controls within the Schengen area in the wake of the increased threat of terrorism. In line with positive economic trends several destinations, particularly emerging ones, reported strong figures from Germany and the UK. On the other hand, the French and Italian markets experienced stronger growth thanks to the evolving demand for sun and beach holiday destinations.

Despite this strong boost, many reporting ETC destinations were impacted by the falling numbers of arrivals from Russia, especially traditional summer destinations including Baltic countries, Turkey and Finland. Only Montenegro enjoyed growth from this market (+6.4% overnights). Only Montenegro enjoyed growth from this market (+6.4% overnights). Turkey has been the top choice for Russians travellers, however, following the ban on holidays, Russian tourists are seeing the array of tourism options dwindle. The plunge in travel flows are the result of political and economic instability, extended EU sanctions, falling oil prices and the depreciation of the Rouble against key trading currencies. Future prospects paint a bleaker picture as the second BRIC economy is expected to suffer deeper recession for the time to come.

In the US, the upswing of the economy, a strong US dollar, stable air fares, and an ever-increasing consumer confidence are boosting travel to Europe. Although US travellers[2] are concerned about terrorism they still want to travel. The US accounted for 5% of total arrivals (25.7million) to Europe in 2015 and is expected to grow on average at 6% towards 2020. Similarly, double-digit growth is recorded in almost all reporting destinations from two BRIC countries, China and India. The economic slowdown in China failed to deter Chinese tourists´ enthusiasm to travel internationally, arrivals grew +30% in 2015. Growth potential arises from India as the country's economic growth is on the right track supported by reduced oil prices worldwide and meaningful economic reforms. At present, Indian arrivals account for less than 1% of all international arrivals to Europe.

Tailwinds for European tourism under tumultuous clouds

Although the European tourism sector was in the international spotlight following difficult situations in the past year, it still managed to see healthy growth in tourist arrivals and maintained its leading position as the number one tourism destination worldwide. According to the ETC LHTSI[3] Survey, the recent attacks in Paris had a weak overall impact on travel sentiment in Europe's key long-haul markets. Moreover, underlying drivers of the region´s positive performance include the gradual economic recovery of the Eurozone, lower oil prices and the weakness of the euro against key trade currencies that continue to fuel travel to and within Europe.

In order to remain successful, ETC believes it is vital to continue to invest in research activities to gain further insights on key target markets' needs and expectations. "Through intensive market research, the public sector should uncover the themes fostering the development of pan-European experiences and products and stimulate the dialogue with the industry to develop these products", said Eduardo Santander, Executive Director of ETC. In the long-term ETC's strategy will focus on raising awareness of pan-European, transnational thematic products and experiences that shall inspire and be tailored to different markets and traveller segments.

Jennifer Iduh, ETC Executive Unit

[2] Learn more about the US travel market through this short video!

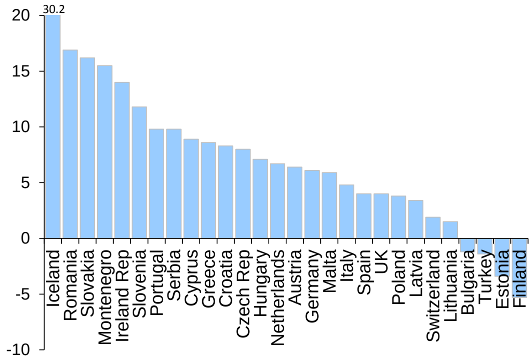
[3] ETC Long-Haul Travel Sentiment Index

ETC Market Intelligence Group

2015 Tourism Performance Summary

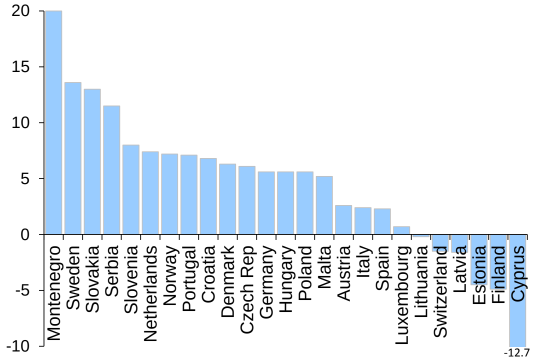
A vast majority of reporting destinations have seen an influx in visitor numbers in 2015 compared to 2014, while a smaller majority saw visitor nights increase. The euro's weakness relative to the US dollar has aided price attractiveness for Eurozone destinations, while falling oil prices (currently at a 12-year low) continue to boost real household incomes in net oil-importing countries.

Foreign visits to select destinations
2015, year-to-date*, % change year ago



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

Foreign visitor nights in select destinations
2015, year-to-date*, % change year ago



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

Iceland looks likely to be crowned the top performing European destination of 2015 with foreign visits growing by 30.2% based on full year data compared to 2014. Although some countries have yet to report full year performance, it is very unlikely that Iceland will be usurped at the top of the table. This is the fourth consecutive year in which Iceland has been the leading European destination in terms of visitor growth. In each of the years between 2012 and 2015 (inclusive) Iceland has grown on average by 24% per annum. Additionally, there have been no signs of a slowdown with growth in each year between 2012 and 2015 greater than growth in the previous year. Arrivals in 2015 are 150% higher than the pre-recession peak recorded in 2008, helped by the significantly weakened currency over this period. Research by WTTC, in conjunction with Oxford Economics, shows that the contribution of tourism to whole economy GDP has doubled over the same period.

Visits to Romania also grew markedly (by 16.9%) based on data to November. In the first few months of this year Romania was one of only two countries which enjoyed visits growth from Russia. However, this is no longer the case as Russian demand in general has weakened while relations between the two nations have worsened.

Ireland is growing at an increasing rate (by 14% based on data to November compared to 12.2% growth based on data to August). This indicates that Ireland is more than just a summer destination with visits during each of the months from September to November (inclusive) greater than the 2015 monthly average up to that point. Some of these additional visits may have been destined for the UK but relative euro weakness against the pound makes Ireland a more attractive option.

The same is also true for Montenegro which also enjoyed on average more visitors per month from September to November (inclusive) than the 2015 monthly average up to that point. Based on data to August Montenegro received 11.9% more visitors than in the same period of 2014. By November it had received 15.5% more visitors than in the same period of 2014. At the beginning of the year Montenegro had enjoyed some growth in visits from Russia. This growth has since faded and according to data to November visits were down by 6.3%; although Russian nights continued to grow, by 6.4% and Montenegro is the only destination to report growth of any kind from Russia in 2015. Given that in 2013 visits from Russia accounted for over a fifth of all visits to Montenegro, the fact that it has managed to sustain such strong growth without Russia's help is testament to its broadening appeal as an emerging European destination.

Portugal is also growing at a steady pace with visits growth of 9.8% and night's growth of 7.1% based on data to October compared to the same period in 2014. Demand was primarily driven by established European markets with growth of over 10% in Italy, France, Germany and UK. Portugal also benefitted from strong US demand, helped by the weaker euro, although this is a smaller share of arrivals.

Despite some concerns that Serbia might be overly reliant on Russian visitors, growth in 2015 has been robust with visits growth of 9.8% and nights growth of 11.5% based on data to November compared to the same period in 2014.

Switzerland's tourism industry has faltered this year following the cessation of the Swiss franc's peg to the euro, a policy intended to safeguard it from depreciation against the US dollar. This has made Switzerland relatively more expensive when priced in euro terms. Although visits continued to grow (by 1.8%) based on data to October compared to the same period in 2014, these visits are becoming shorter as suggested by a corresponding fall in visitor nights (by 1.6%). An unseasonably warm December across Europe made for little snow in many of its ski resorts. This means that Switzerland is unlikely to reverse its downward trend by the end of the year.

A key issue facing Europe's prospects in 2016 rest with the future of the Schengen Area; over the past few weeks a number of countries within the Area are reneging on the Agreement due to the refugee crisis and the strain this is putting them under. The increased threat of terrorism has also been cited as the reason for France and Malta's decision to reinstate their border controls. At the time of writing nine countries within the Schengen Area had reinstated their borders – over one third of the countries that make up the Area. This may have a detrimental impact on trips made to these countries within Europe. Cross-border flows within Europe are likely to be more affected by additional border checks than long-haul arrivals which are already subject to checks on arrival in the continent. However, it is clear that a large share of the sector is at risk, as around three-quarters of European travel involves cross border flows between Schengen countries. A complete reversal of Schengen zone freedoms and imposition of checks at all borders would reduce arrivals in the region by around 2% per annum at a conservative measure based on an analysis of various visa facilitation measures. The expected impacts given current policy should be lower than this, although the true implications of this reversal of positive facilitation will become apparent as 2016 unfolds.

Tourist Arrivals and Nights

2015 Performance, Year to Date

	International Arrivals		International Nights	
Country	% ytd	to month	% ytd	to month
Austria	5.6	Jan-Dec	2.6	Jan-Dec
Belgium				
Bulgaria	-1.2	Jan-Nov		
Croatia	8.3	Jan-Dec	6.8	Jan-Dec
Cyprus	8.9	Jan-Dec	-12.7	Jan-Aug
Czech Rep	8.0	Jan-Sep	6.1	Jan-Sep
Denmark			6.3	Jan-Nov
Estonia	-3.4	Jan-Nov	-4.5	Jan-Nov
Finland	-5.3	Jan-Nov	-4.9	Jan-Nov
Germany	6.2	Jan-Nov	5.6	Jan-Nov
Greece	8.6	Jan-Sep		
Hungary	7.1	Jan-Oct	5.6	Jan-Oct
Iceland	30.2	Jan-Dec		
Ireland Rep	13.7	Jan-Dec		
Italy	4.8	Jan-Oct	2.4	Jan-Oct
Latvia	3.4	Jan-Sep	-1.6	Jan-Sep
Lithuania	1.5	Jan-Sep	-0.2	Jan-Sep
Luxembourg			0.7	Jan-Oct
Malta	5.9	Jan-Nov	5.2	Jan-Nov
Montenegro	15.5	Jan-Nov	20.0	Jan-Nov
Netherlands	6.7	Jan-Oct	7.4	Jan-Oct
Norway			7.2	Jan-Nov
Poland	3.8	Jan-Nov	5.6	Jan-Nov
Portugal	9.8	Jan-Oct	7.1	Jan-Oct
Romania	16.9	Jan-Nov		
Serbia	10.1	Jan-Dec	11.5	Jan-Dec
Slovakia	16.2	Jan-Oct	13.0	Jan-Oct
Slovenia	11.4	Jan-Nov	8.0	Jan-Oct
Spain	4.0	Jan-Sep	2.3	Jan-Sep
Sweden			13.6	Jan-Nov
Switzerland	1.8	Jan-Nov	-1.5	Jan-Nov
Turkey	-1.4	Jan-Nov		
UK	4.0	Jan-Oct		

Source: TourMIS, http://www.tourmis.info; available data as of 1.2.16
Measures used for nights and arrivals vary by country
See TourMIS for further data including absolute values.

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. Forecasts are consistent with Oxford Economics' macroeconomic outlook according to estimated relationships between tourism and the wider economy. Full origin-destination country detail is available online to subscribers.

TDM Visitor Growth Forecasts, % change

	Inbound*					Outbound**				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
data/estimate/forecast ***	d	d	e	f	f	d	d	e	f	f
World	**4.6%**	**4.2%**	**4.7%**	**3.9%**	**4.7%**	**4.6%**	**3.9%**	**5.0%**	**4.2%**	**4.9%**
Americas	**3.3%**	**8.3%**	**4.7%**	**3.3%**	**4.6%**	**2.8%**	**7.2%**	**4.8%**	**3.3%**	**4.5%**
North America	3.6%	9.4%	3.0%	4.0%	4.8%	2.1%	7.7%	4.9%	4.6%	5.0%
Caribbean	3.1%	5.3%	7.6%	3.8%	3.2%	3.8%	8.2%	7.3%	5.8%	4.9%
Central & South America	2.7%	6.8%	8.0%	1.2%	5.0%	5.7%	5.4%	4.0%	-1.7%	2.2%
Europe	**4.8%**	**2.1%**	**4.5%**	**3.2%**	**4.4%**	**4.0%**	**0.8%**	**3.1%**	**3.8%**	**4.7%**
ETC+3	4.3%	4.5%	5.2%	3.0%	4.2%	2.4%	3.8%	4.7%	3.9%	4.6%
EU	4.1%	4.5%	5.6%	2.7%	3.8%	2.1%	3.5%	4.5%	4.0%	4.6%
Non-EU	7.2%	-5.9%	0.5%	5.4%	6.9%	11.0%	-8.4%	-2.3%	2.7%	4.8%
Northern	2.8%	3.5%	5.9%	2.6%	4.6%	1.4%	3.2%	7.3%	4.5%	4.7%
Western	3.0%	2.2%	4.3%	2.1%	3.1%	3.9%	2.6%	2.7%	3.9%	4.8%
Southern/Mediterranean	5.6%	7.1%	4.8%	4.1%	4.8%	-1.1%	5.2%	5.3%	2.8%	3.6%
Central/Eastern	6.6%	-6.4%	3.8%	3.5%	5.2%	9.3%	-4.2%	-0.5%	3.7%	5.5%
- Central & Baltic	*4.8%*	*4.3%*	*8.3%*	*2.2%*	*4.1%*	*4.8%*	*8.5%*	*6.9%*	*4.2%*	*5.0%*
Asia & the Pacific	**6.3%**	**5.6%**	**5.6%**	**6.2%**	**5.6%**	**6.7%**	**7.6%**	**9.0%**	**6.0%**	**5.9%**
North East	3.5%	7.3%	4.9%	6.3%	6.1%	6.6%	8.2%	13.2%	6.4%	6.1%
South East	10.7%	2.8%	6.2%	6.0%	4.7%	8.1%	5.8%	-2.7%	6.4%	5.2%
South	7.7%	8.3%	7.6%	6.6%	6.3%	4.8%	10.6%	10.3%	4.8%	6.0%
Oceania	4.0%	5.9%	6.6%	6.0%	5.8%	5.3%	3.8%	3.6%	2.3%	5.6%
Africa	**1.3%**	**1.9%**	**-0.6%**	**2.4%**	**3.3%**	**6.2%**	**1.7%**	**0.3%**	**1.1%**	**2.4%**
Mid East	**4.2%**	**8.6%**	**7.5%**	**4.3%**	**5.2%**	**8.5%**	**10.9%**	**11.5%**	**4.2%**	**4.8%**

* 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
Note: world inbound and outbound do not match exactly in historic data or forecast. This is due to visits to multiple destinations. For example, one outbound trip may be to more than one destination. Some sample error may also be evident in historic data.
*** d - data reported by national statistical agencies are available for all years to 2014
e - 2015 estimated using all available year-to-date data, and forecasts for the rest of the year
f - forecasts according to Tourism Economics' global economic and tourism forecast models

ETC+3 = ETC members plus France, Netherlands, and UK
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

Recent Industry Performance

Industry performance is robust

- RPK growth in 2015 looks set to outpace 2014 in most regions
- A strong dollar helps brings travel growth from the Americas to Europe
- Some slowdown in the emerging economies has weakened the outlook for economic growth but RPK has so far been unaffected
- Terrorist attacks in Paris weighed on European flows towards the end of 2015

Air Transport

Revenue Passenger Kilometers (RPK) have grown steadily in 2015 (6.8% to November), suggesting that full year growth will surpass that of 2014. While there are no signs of growth slowing in the immediate future (Chinese outbound travel was up by around 30% in 2015), fragility in some emerging market economies remains a risk.

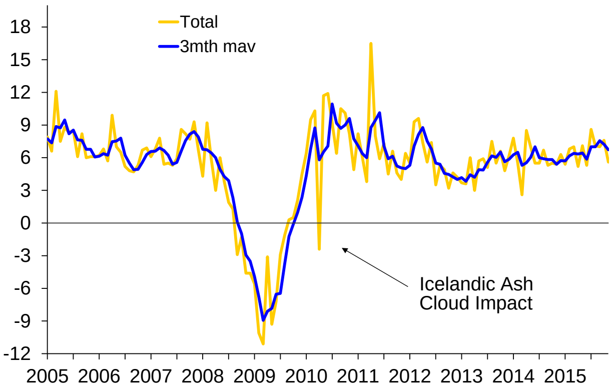
Asia/Pacific continued to perform well having grown by 8.2% based on year-to-date data to November and is on track to record its highest RPK growth year since 2010. However, there has been notable weakening in regional trade in recent months which will stifle some business-related travel.

Only Europe and the Middle East look likely to grow at a slower rate in 2015 than in 2014. The falling price of oil appears to be the root cause of slower growth in the Middle East. With 45% of GCC GDP attributable to oil in 2013, its falling price has inevitably seeped into a multitude of ancillary business segments. Substantial amounts have been eroded from GCC budgets since oil prices began to slide necessitating reserves spending in order to avoid big budget deficits. Spending cuts have been implemented with more expected in 2016. This has placed many large government-backed projects on hold and stifled business related travel in the region. Regardless, the Middle East is still the fastest growing region at 12.3% to November.

In Europe a combination of airline strikes and the threat of more terrorist attacks following events in Paris in November appear to have weighed heavily on European travel flows during November. Year-to-date growth to November was 5.2%.

International air passenger traffic growth

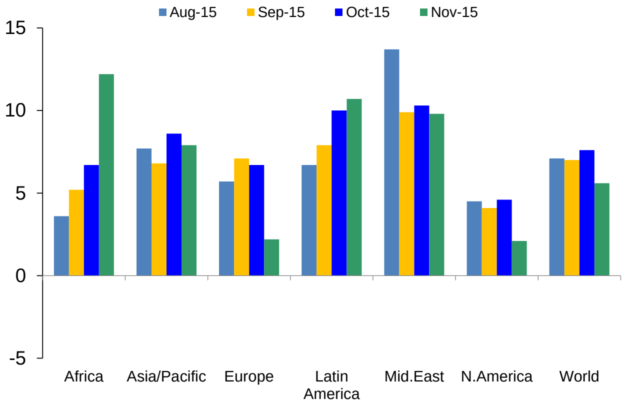
% year, RPK



Source: IATA

Monthly international air passenger growth

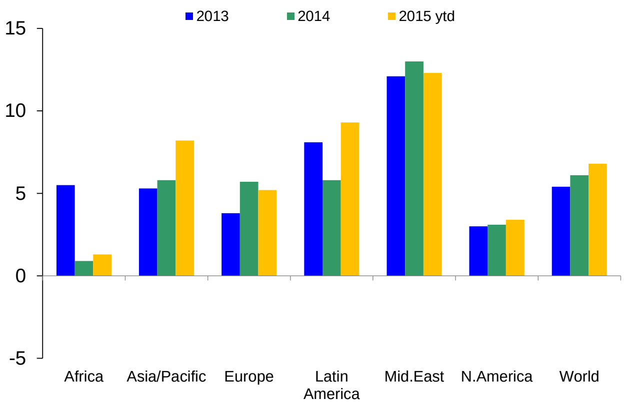
% year, RPK



Source: IATA

Annual international air passenger growth

% year, RPK



Source: IATA

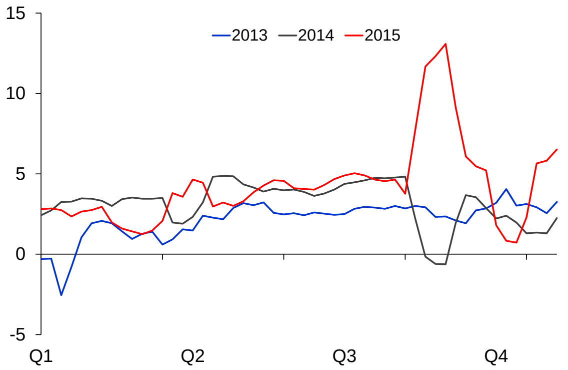
Data from the Association of European Airlines (AEA) indicated lower European airline capacity for much of the beginning of 2015 compared to 2014. This gap closed towards the end of Q2 and remained broadly similar throughout Q3. However, at the beginning of Q4 capacity rocketed to levels in excess of 12% greater than in the same period in 2014 before normalising to its average rate of growth of around 4%. In November Lufthansa cancelled nearly 1,000 flights because of strike action by cabin crew. This resulted in total European capacity growth falling to a 2015-low of 2.8% when growth is averaged over a dynamic four week period – in absolute terms European capacity was actually 9.2% lower than in the same week of 2014.

Oil prices have continued to decline but airlines have appeared reluctant to increase capacity by any significant amount in order to protect fares. Capacity growth at the start of Q4 largely offsets the large fall in capacity in 2014 and therefore is more likely a restoration of capacity (to not much above 2013 levels) than an addition to capacity.

Passenger load factor appears to be following a broadly similar pattern as in 2013 and 2014, with the exception of an upward deviation in the middle of Q3 when PLF peaked at a decade high of 89.9% and most disturbances are consistent with strike action.

European airlines capacity

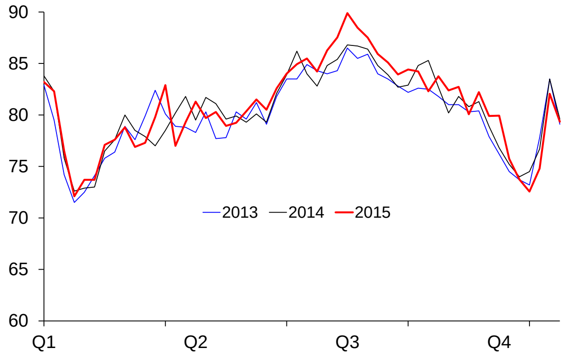
ASK, 4 week moving average, % change year ago



Source: AEA

European airlines passenger load factor

Weekly load factor, %



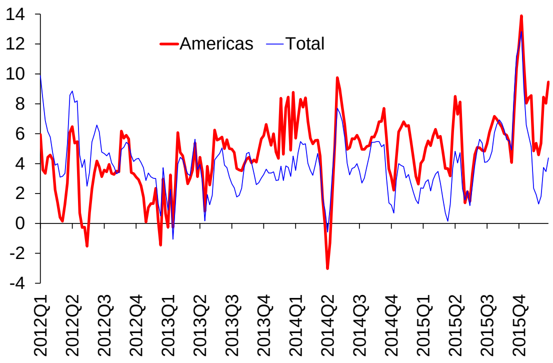
Source: AEA

Travel between Europe and Asia increased at a faster rate than total European airline passenger growth throughout most of 2014 but slowed later in the year and into 2015. Although growth picked-up again towards the end of 2015 and once again outpaced total European growth, a significant slowdown is notable in the latter weeks of 2015. This is consistent with a slowing Chinese economy but may also be related to fears concerning the terrorist attacks in Paris and fears of further atatcks, indicated by the lockdown in Brussels.

Air passenger flows between Europe and the Americas continued to grow at a faster rate than total scheduled travel to and from Europe for all but a few weeks of 2015. United States outbound travel to Europe is particularly strong, driven by the relative strength of the dollar against key currencies, (most notably the euro) and by favourable economic conditions in the United States.

European airline passenger traffic: Americas

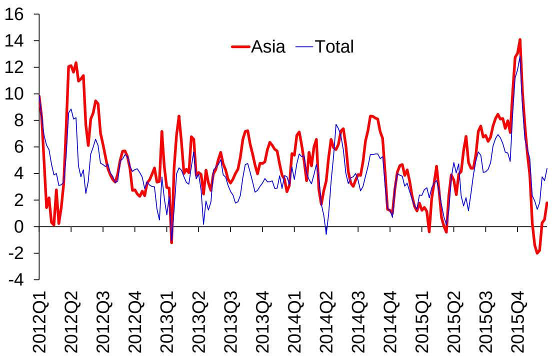
RPK, 4 week moving average, % change year ago



Source: AEA RPK = revenue passenger kms

European airline passenger traffic: Asia

RPK, 4 week moving average, % change year ago



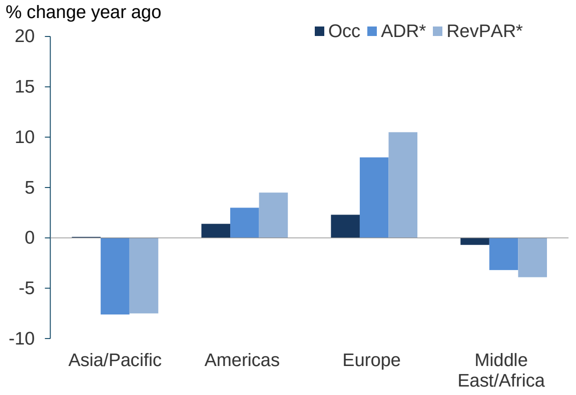
Source: AEA RPK = revenue passenger kms

Accommodation

With the exception of the Middle East/Africa occupancy rates increased in all World regions in 2015 compared to 2014. Europe saw the biggest increase in occupancy which was 2.3% higher in 2015 than in 2014. This was complemented by even greater room rate growth of 8% and RevPAR growth of 10.5% in euro terms, and point to a healthy accommodation sector in the region.

In Asia/Pacific occupancy increased marginally by 0.1% in 2015 compared to 2014. Over the same period average daily rates (ADR) in the region fell by 7.6% when denominated in US dollar terms. As such, RevPAR in the region was 7.5% lower in 2015 than in 2014. However, when denominated in euro terms these same monetary performance measures are comfortably positive, each exceeding 10% growth across all regions with the exception of ADR in Europe. This means travel to these destinations has become cheaper for anyone using the US dollar, but is more expensive for travellers using the euro. This may be helping to increase intra-European travel.

Global Hotel Performance, Jan-Dec 2015



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

The Americas enjoyed particularly strong ADR growth (23.3%) and RevPAR growth (25.1%) in euro terms compared to the same period last year thanks to the appreciation of North American currencies against the euro. These large increases will have aided intra-European travel by making much of the Americas relatively more expensive and therefore less attractive when compared to one year ago. Yet, despite the affordability of Europe, travel demand within North America and the Caribbean (where many countries peg their currency to the US dollar) remains robust in the face of room rate hikes with each recording occupancy rate increases of 1.6% and 1.4% respectively in 2015 compared to 2014. The Americas as a whole managed to grow despite South America dragging on all measures in US dollar, British pound, and euro terms with occupancy down 4.8% in 2015 compared to 2014.

Within Europe, occupancy is rising across the vast majority of countries while ADR continued to grow indicating strong confidence within the sector. One weak spot was in Eastern Europe due to economic and political difficulties in Russia. Many EU foreign ministers have prolonged economic sanctions against Russia until at least the end of July 2016 (with a corresponding extension of Russian counter-sanctions).

Key Source Market Performance

A strong end to the year…

- European travel demand continues to grow across the majority of markets
- Lower oil prices and weak euro aid European inbound tourism growth
- Economic slowdown in China a distant worry?
- Schengen Area in limbo amid terrorism concerns and a worsening refugee crisis

Trends discussed in this section in some cases relate to all months of the year although actual coverage varies by destination; for the majority of countries October or November will be the latest available data point.

Further detailed monthly data for origin and destination, including absolute values, can be obtained from TourMIS, http://tourmis.info.

Key intra-European markets

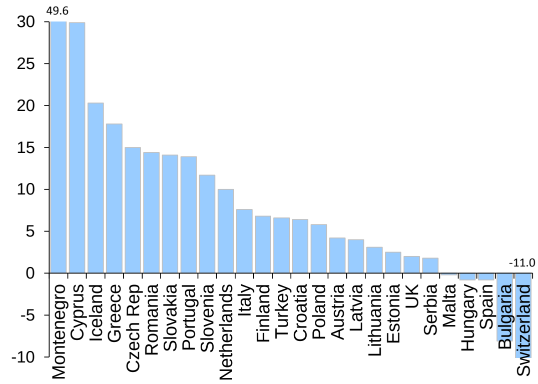
Montenegro remains as the top European growth destination for German visitors, receiving 49.6% more visits in the first eleven months of 2015 than in the same period of 2014. This compares favourably to visits growth of 44.7% based on data to August, meaning that German visitor numbers are growing at an increasing rate as we move into the last quarter of 2015. In addition, visitor nights data (up 66.9% over the same period) suggest that the average length of a German visit to Montenegro has also increased.

Cyprus and Iceland both reported German visits growth in excess of 20% based on full year data. However, in 2014 Cyprus lost a large number of German visits compared to 2013 and this year's growth is largely (but not entirely) a rebound from this poor 2014 performance. Iceland on the other hand has continued to attract German visits at impressive double-digit rates in terms of growth over the past number of years.

German visits represented 16% of all arrivals to Spain in 2014. That Spain has reported falling visits from Germany based on data to September will therefore be of some concern given the large numbers that these seemingly small percentage falls represent.

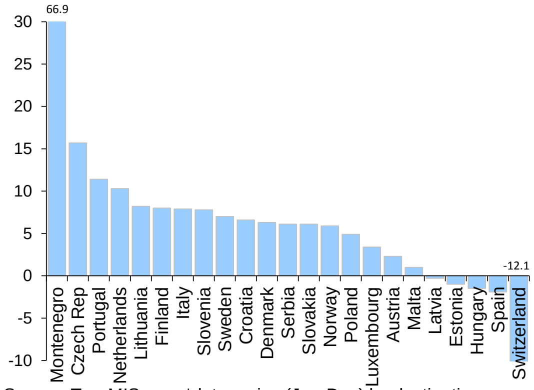
Switzerland has also seen German visitor numbers dwindle compared to last year based on data to October. Because Switzerland is not in the Eurozone this trend is likely economically motivated as currency movements have eroded some of its competitiveness

Visits from Germany to select destinations
2015, year-to-date*, % change year ago



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

German visitor nights in select destinations
2015, year-to-date*, % change year ago



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

Montenegro was the most prosperous recipient of Dutch visits in the first eleven months of 2015, managing to attract 38.2% more visitors than it did in the same period of 2014. Cyprus also attracted 32% more visitors from the Netherlands than it did in 2014 based on full year data. This is the second growth year in succession and by now will have offset the large fall in Dutch visits as reported in 2013 compared to 2012.

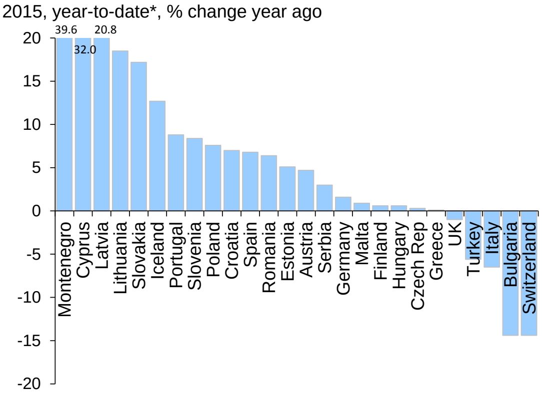
Latvia, Lithuania, and Slovakia have all enjoyed a large increase in the number of visits from Netherlands, aided by an ever-increasing air network linking western and northern Europe with eastern European countries. Based on at least nine months of the year (nine months in the case of Latvia and Lithuania and eight in the case of Slovakia) visits from the Netherlands grew by 20.8%, 18.5%, and 17.2% respectively, compared to the same periods in 2014. Nights grew by similarly large amounts.

Switzerland and Bulgaria have both lost some visitors from the Netherlands. In the case of Switzerland this is likely to be linked to the Swiss National Bank abandoning its three year old cap against the euro at the beginning of 2015. Interestingly, this cap was imposed in 2011 due to economic and political instability. Three years later, similar economic and political instability surrounded the reversal of that decision.

Greece had reported declining numbers of Dutch visitors based on the first three months of 2015 compared to the same period last year. But with data now available to September, it is now reporting marginal growth in Dutch visits (0.1%). Given the relative strength of the British pound and Swiss franc against the euro it is not surprising to see the Dutch visits to the UK and Switzerland struggle.

Visits from Netherlands to select destinations

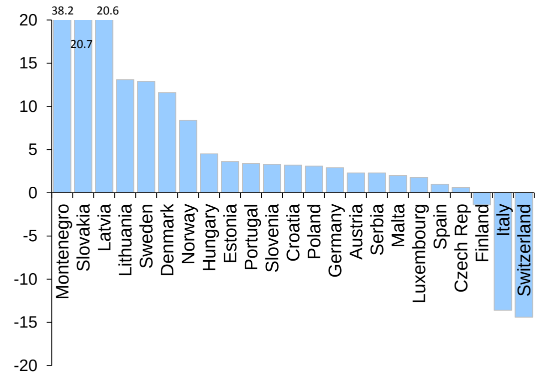
2015, year-to-date*, % change year ago



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

Netherlands nights in select destinations

2015, year-to-date*, % change year ago



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

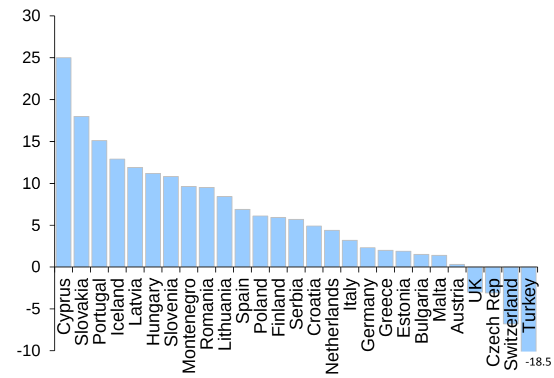
A majority of reporting destinations have seen the number of visits received from France increase in 2015, many of them quite substantially. Cyprus led the way as the fastest growing destination based on full year data compared to 2014.

Many emerging destinations, such as Slovakia, Iceland, Latvia, Hungary, and Montenegro also enjoyed double-digit visits growth from France.

Turkey saw falling numbers of French visitors in the first eleven months of 2015, reporting 18.5% less visitors compared to the same period of 2014.

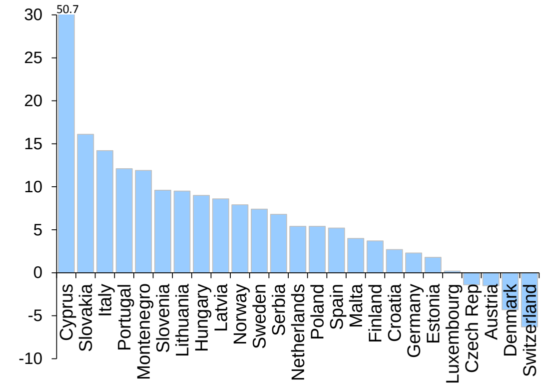
Switzerland, Czech Republic, Denmark, and the UK also experienced lower French demand and relative euro weakness could be a factor given that none of the above are Eurozone constituents.

Visits from France to select destinations
2015, year-to-date*, % change year ago



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

French visitor nights in select destinations
2015, year-to-date*, % change year ago



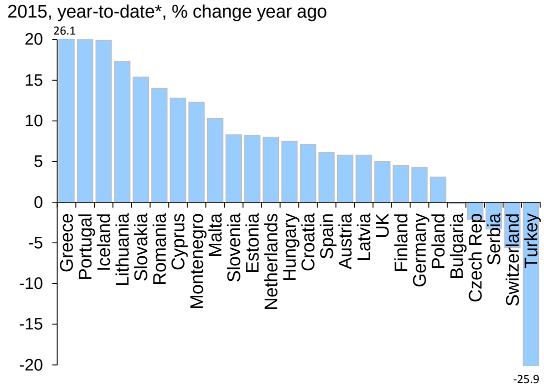
Source: TourMIS *date varies (Jan-Dec) by destination

Greece has attracted 26.1% more Italian visitors according to data to September compared to the same period in 2014. If double-digit growth has been sustained in the last quarter of 2015 it would mark the third successive year that Greece has reported such growth from Italy.

Portugal has also had a very good year in terms of Italian visits and nights growth placing it amongst the top three growing European destinations based on data to October. Lithuania saw a large increase in number of Italian visitors it received in the first nine months of 2015 compared to the same period in 2014 (17.3%), but superior nights growth of 54.2% indicates that the average length of an Italian trip to Lithuania is also increasing by quite a margin. The same is true for Malta which enjoyed 10.3% growth in Italian visits and 19.6% growth in Italian visitor nights.

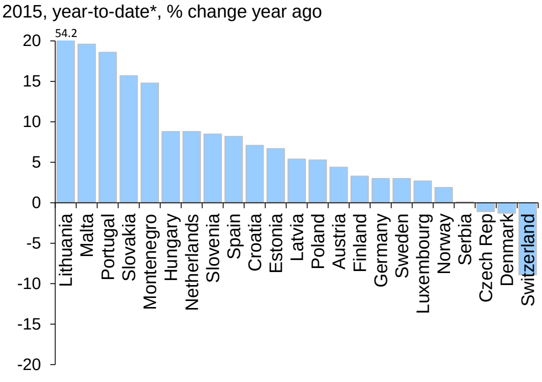
Italian visits to Turkey fell further based on data to November, by 25.9% compared to 21.6% based on data to July compared to the same periods in 2014. Turkey has seen arrivals from many key source markets fall this year. Part of the reason for this weaker demand is mounting political unrest and the threat of terrorism. Events in Tunisia and Egypt in 2015 have made potential visitors uneasy and threats have been made against Turkey made by those claiming responsibility for those attacks carried out in Tunisia and Egypt. Although not fully evident in available data, acts of terrorism carried out in Ankara in October 2015 and Istanbul in January of this year will further deter visitors to Turkey in 2016.

Visits from Italy to select destinations
2015, year-to-date*, % change year ago



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

Italian visitor nights in select destinations
2015, year-to-date*, % change year ago



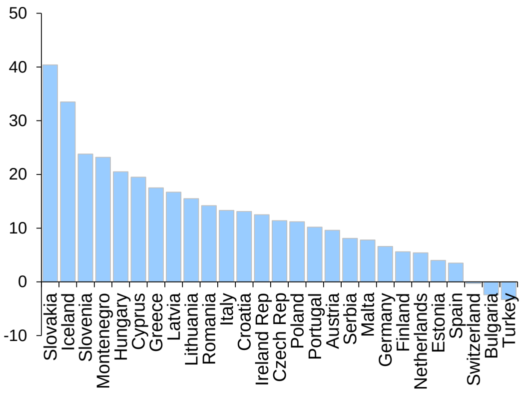
Source: TourMIS *date varies (Jan-Dec) by destination

The relative strength of the British pound against the euro has made the Eurozone a more appealing destination for the British visitor. Only non-members of the European monetary union reported falling visits from the UK and only a minority of countries reported falls in the number overnights.

Despite the pound appreciating upwards of 15% against the Turkish lira in 2015, this was seemingly not enough to offset the perceived higher risk of a holiday to Turkey, with visits from the UK falling further as the year progressed by 3.3% based on data to November compared to 0.9% based on data to July compared to the same periods in 2014.

Visits from UK to select destinations

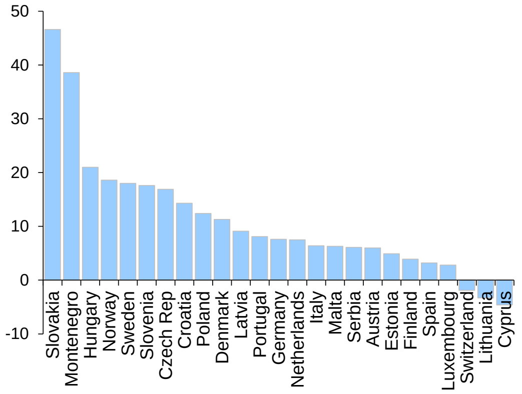
2015, year-to-date*, % change year ago



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

British visitor nights in select destinations

2015, year-to-date*, % change year ago



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

The economic sanctions against Russia, which are due to last until the end of July 2016 at the earliest, are one factor having a clear effect on travel flows from Russia. Every reporting destination has recorded falling arrivals from Russia and all but one has recorded falling nights. Amongst those reporting falling arrivals are some usually popular Russian holiday destinations such as the Baltic countries, Finland, and Turkey.

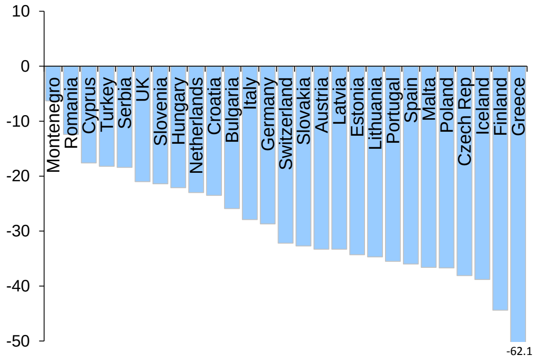
These large falls also reflect the impact of lower oil prices on Russian aggregate income as well as other political and economic uncertainties which caused the rouble to depreciate markedly from mid-2014 onwards. This makes foreign travel relatively more expensive for Russians. The first few months of 2015 saw the rouble rally against its key trading currencies (including the euro and the US dollar) but by mid-May 2015 it fell in value again before stabilising at a record low rate.

Current economic and tourism demand remains well below levels experienced in early 2014 and all indicators point to a deep recession in Russia in the coming year as oil prices continue to fall. An eventual recovery in tourism demand is possible towards the end of 2016 albeit from a very low base.

Turkey is unlikely to attract Russian visits growth in 2016 following the political fallout from Turkey shooting down a Russian warplane for supposedly breaching its airspace close to its border with Syria at the end of November 2015.

Visits from Russia to select destinations

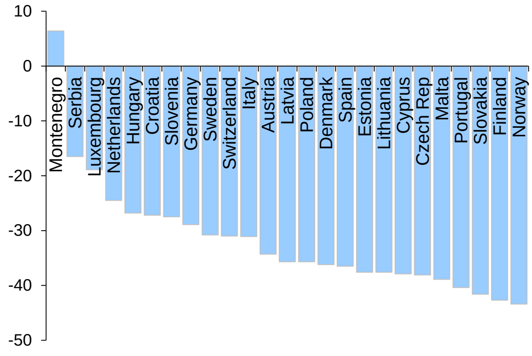
2015, year-to-date*, % change year ago



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

Russian visitor nights in select destinations

2015, year-to-date*, % change year ago



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

Non-European markets

Travel to Europe from the US continues to boom in all but a few reporting destinations, aided by a strong economy and a strong US dollar relative to its key trading currencies such as the euro, worth more now than at any other point in the past decade.

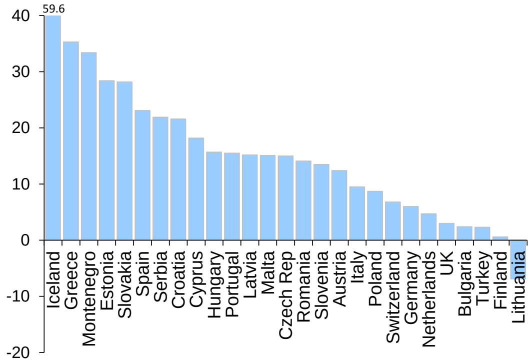
Both emerging and mature European destinations have seen arrivals from the US grow as the stronger dollar and favourable economic conditions make travel to these destinations more viable than they would have been as recently as a year ago.

Iceland, Greece and Montenegro all reported strong US visits growth of 59.6%, 35.3%, and 33.4% respectively, based on data to December, September, and November respectively compared to the same period in 2014.

Lithuania was the only country which saw a fall in both US visits and visitor nights based on data to July and Finland reported more US visits but less US visitor nights based on data to November. This means that on average Americans are not staying as long as they were at the same time last year.

Visits from US to select destinations

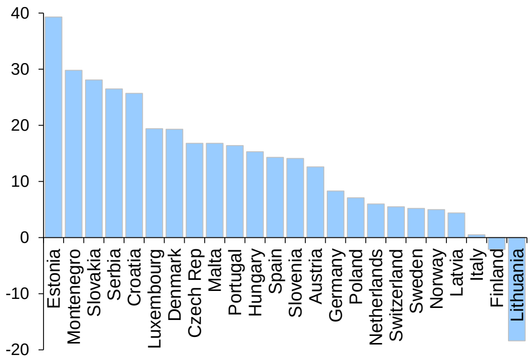
2015, year-to-date*, % change year ago



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

US visitor nights in select destinations

2015, year-to-date*, % change year ago

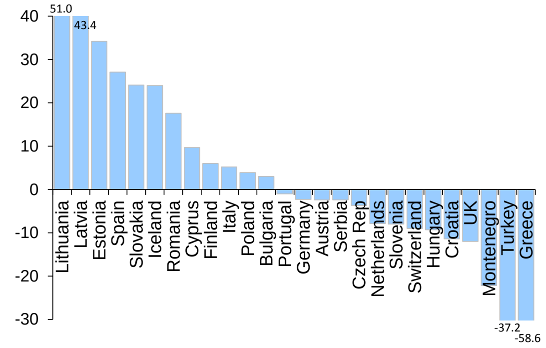


Source: TourMIS *date varies (Jan-Dec) by destination

Many emerging European destinations have seen a large increase in the number of visitors received from Japan, particularly eastern European destinations such as Lithuania, Latvia, and Estonia, all of which posted visits growth in excess of 30%, accompanied by similarly strong growth in Japanese visitor nights. Spain also prospered with Japanese visits growth just shy of 30% and Japanese nights growth of over 30%.

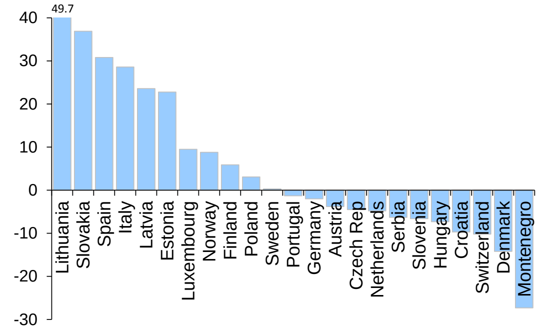
However, an equal number of destinations have reported similarly large falls in the number of Japanese visits and nights they received, chief amongst them Greece and Montenegro. However, both saw a particularly sizable influx of Japanese visitors in 2014 such that the average rate of growth over the past two years is positively in double-digit territory. While this illustrates volatility, it also demonstrates that Japan is still a market capable of providing growth.

Visits from Japan to select destinations
2015, year-to-date*, % change year ago



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

Japanese visitor nights in select destinations
2015, year-to-date*, % change year ago

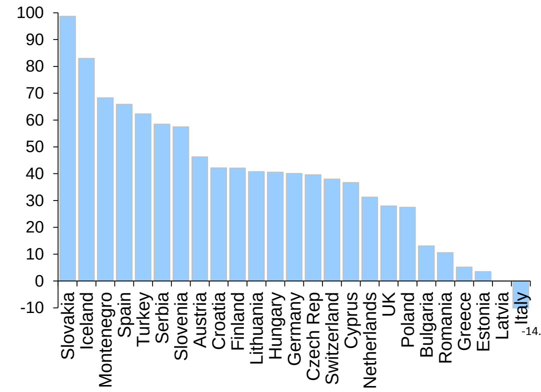


Source: TourMIS *date varies (Jan-Dec) by destination

Outbound travel from China continues to grow in 2015 in terms of both visits and visitor nights with double-digit growth observed in all but a handful of destinations. This is positive amid concerns of a slowdown in the Chinese economy. This recent growth is unsustainable given the economic volatility and some slowdown in tourism demand more in line with fundamentals is expected.

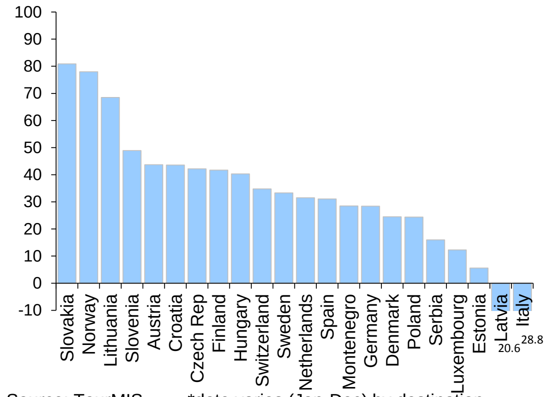
Travel to Europe as a whole was estimated to have grown by over 17% in 2014 and around 40% in 2015 according to the latest data – and there is no reason that future growth cannot be safeguarded. The Bank of China and the Chinese government have many, as yet unused, policy options available should the slowdown get out of hand and even an expected slowdown in demand will represent robust expansion.

Visits from China to select destinations
2015, year-to-date*, % change year ago



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

Chinese visitor nights in select destinations
2015, year-to-date*, % change year ago



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

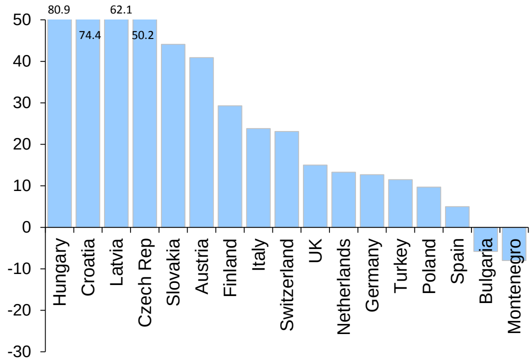
Visits growth from India was broadly positive with many destinations reporting double-digit growth. Hungary and Croatia enjoyed the strongest growth in visits terms, seeing respective increases of 80.9% and 74.4% based on data to October and December respectively, compared to the same period in 2014.

They both saw similarly large increases in the number of Indian visitor nights. However, Latvia reported Indian nights growth close to twice that of visits (116.4% and 62.1%) based on data to September. This suggests that on average Indian visitors are staying close to twice as long as they were one year ago. With borders closures being implemented by a large minority of countries comprising the Schengen Area it is likely that this trend will be more prominent within the long haul source markets as we move into 2016.

Indian arrivals still represent a relatively small proportion of total European arrivals and some volatility should be expected but with limited impact on overall destination performance. In the longer-term, growth prospects remain strong with potential economic reform. Given these positive economic trends, there is clear potential for India to catch-up with China as an emerging source market.

Visits from India to select destinations

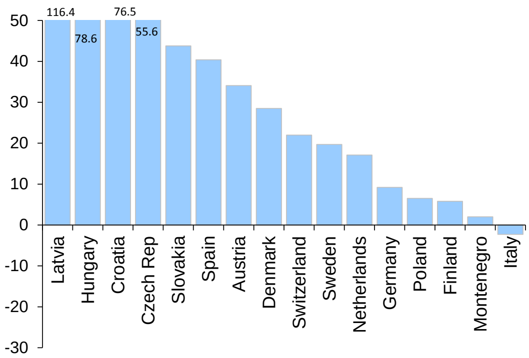
2015, year-to-date*, % change year ago



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

Indian visitor nights in select destinations

2015, year-to-date*, % change year ago



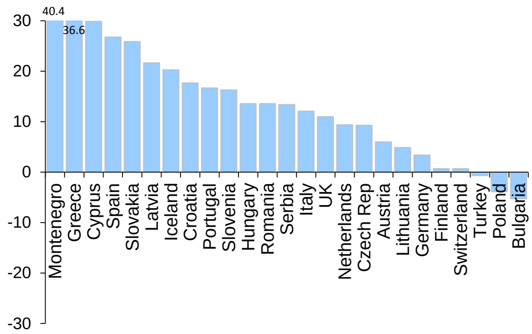
Source: TourMIS *date varies (Jan-Dec) by destination

Some promising growth from Canada has been recorded by the majority of reporting destinations, many of which have seen both visits and visitor nights from Canada grow by double-digit rates. Lower World oil prices have made the Canadian dollar weaker against its US counterpart, while the Canadian dollar has appreciated against the euro. This will have aided the attractiveness of Eurozone destinations from the Canadian perspective.

Montenegro, Greece, Cyprus, Spain, and Slovakia are some of the destinations benefitting from these currency movements with each seeing Canadian visits increase in excess of 25%. Many of these same countries have reported a simultaneous increase in Canadian visitor nights meaning that Canadian visits are on average longer than they were one year ago. As with other long haul source markets, this trend will likely become more prominent as border closures make intra-European travel, and therefore multi-destination trips, more logistically difficult.

Visits from Canada to select destinations

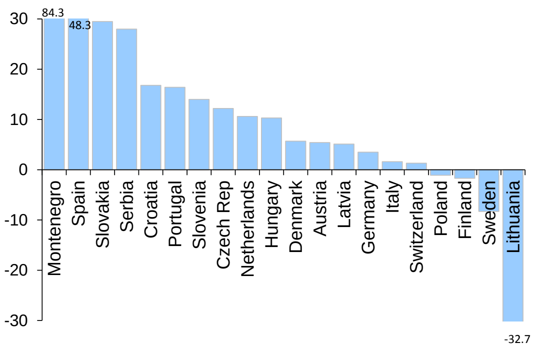
2015, year-to-date*, % change year ago



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

Canadian visitor nights in select destinations

2015, year-to-date*, % change year ago



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

Origin Market Share Analysis

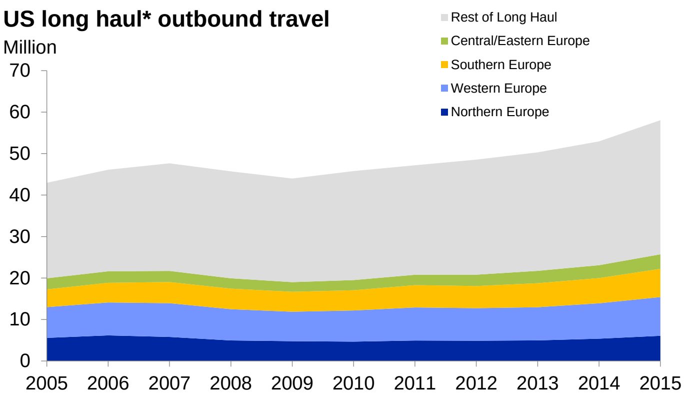
Based on the Tourism Decision Metrics (TDM) model, the following charts and analysis show Europe's evolving market position – in absolute and percentage terms – for selected source markets. 2015 values are year-to-date estimates based on the latest available data and are not final reported numbers.

United States

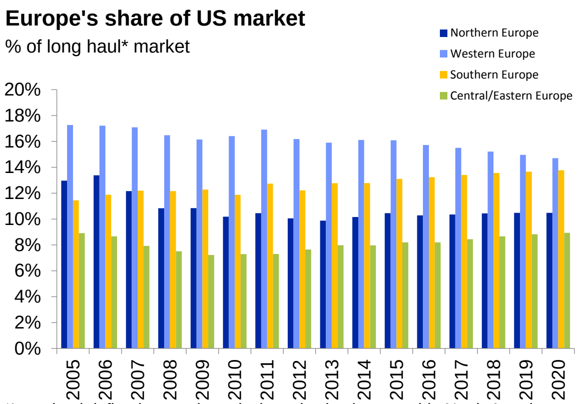
US Market Share Summary

	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	96,525	-	5.6%	31.5%	-	26.9%	-
of which:							
Long haul (000s)	58,053	60.1%	6.6%	37.3%	62.8%	26.8%	60.2%
Short haul (000s)	38,472	39.9%	4.2%	22.7%	37.2%	27.1%	39.8%
Travel to Europe* **							
Europe (000s)	25,717	26.6%	6.5%	37.1%	27.8%	31.8%	25.6%
Northern Europe (000s)	6,070	6.3%	6.6%	37.7%	6.6%	30.2%	6.1%
Western Europe (000s)	9,341	9.7%	4.7%	25.5%	9.2%	24.3%	9.9%
Southern Europe (000s)	6,811	7.1%	7.6%	44.3%	7.7%	39.5%	6.4%
Central/Eastern Europe (000s)	3,496	3.6%	8.8%	52.5%	4.2%	42.7%	3.2%

* Levels are in 000s unless otherwise specified
** Shows cumulative change over the relevant time period indicated
*** Shares are expressed as a % of total outbound travel



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



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

Methodology note:

Data in these charts and tables relate to reported arrivals in all destinations as a comparable measure of outbound travel for calculation of market share.

For example, US outbound figures featured in the analysis is larger than reported departures in national statistics as long-haul trips often involve travel to multiple destinations; in 2014 US data reporting shows 11.9m departures to Europe while the sum of European arrivals from the US was 23.4m. Thus each US trip to Europe involved a visit to two destinations on average.

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-Herzegovina, Croatia, Cyprus, FYR Macedonia, Greece, Italy, Malta, Montenegro, Portugal, Serbia, Slovenia, Spain, Turkey

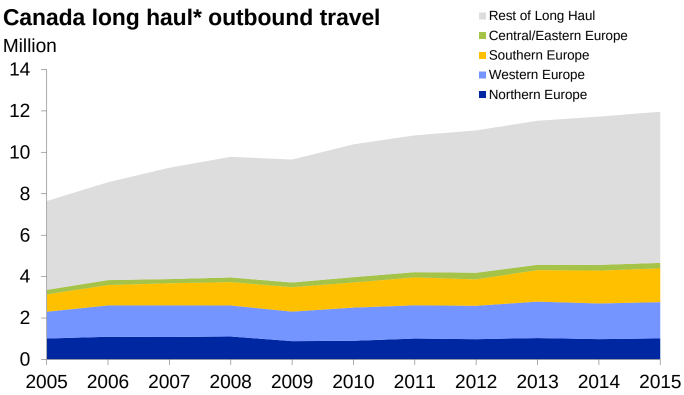
Central/Eastern Europe: Armenia, Azerbaijan, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, Ukraine

Canada

Canada Market Share Summary	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	34,504	-	3.6%	19.2%	-	10.7%	-
of which:							
Long haul (000s)	11,961	34.7%	3.6%	19.4%	34.7%	15.2%	33.3%
Short haul (000s)	22,543	65.3%	3.6%	19.1%	65.3%	8.5%	66.7%
Travel to Europe* **							
Europe (000s)	4,662	13.5%	2.3%	11.9%	12.7%	17.3%	12.8%
Northern Europe (000s)	1,014	2.9%	7.5%	43.5%	3.5%	12.7%	2.9%
Western Europe (000s)	1,753	5.1%	1.0%	5.1%	4.5%	9.3%	5.1%
Southern Europe (000s)	1,630	4.7%	-0.1%	-0.4%	3.9%	34.6%	3.9%
Central/Eastern Europe (000s)	265	0.8%	2.3%	12.3%	0.7%	2.2%	0.8%

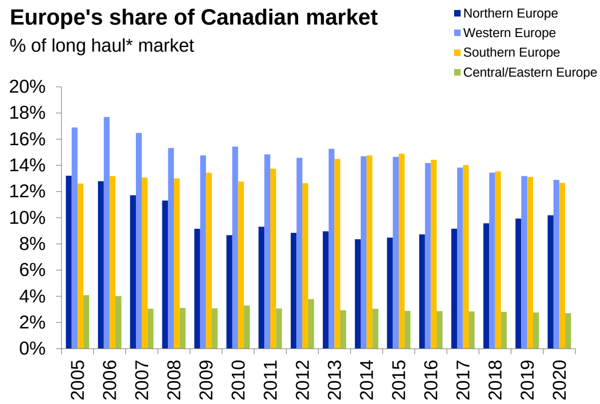
* Levels are in 000s unless otherwise specified
** Shows cumulative change over the relevant time period indicated
*** Shares are expressed as a % of total outbound travel

Canada long haul* outbound travel
Million



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

Europe's share of Canadian market
% of long haul* market



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

Methodology note:

Data in these charts and tables relate to reported arrivals in all destinations as a comparable measure of outbound travel for calculation of market share.

For example, US outbound figures featured in the analysis is larger than reported departures in national statistics as long-haul trips often involve travel to multiple destinations; in 2014 US data reporting shows 11.9m departures to Europe while the sum of European arrivals from the US was 23.4m. Thus each US trip to Europe involved a visit to two destinations on average.

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

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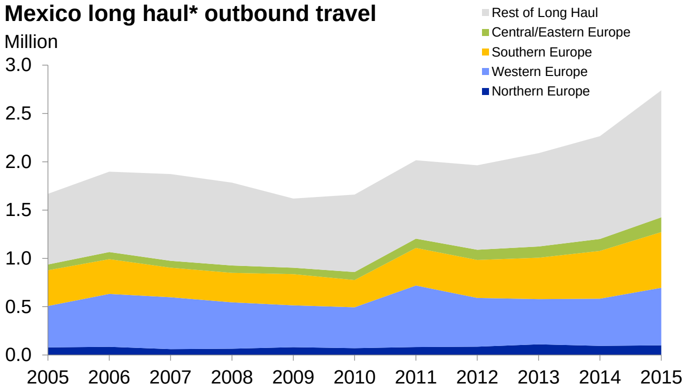
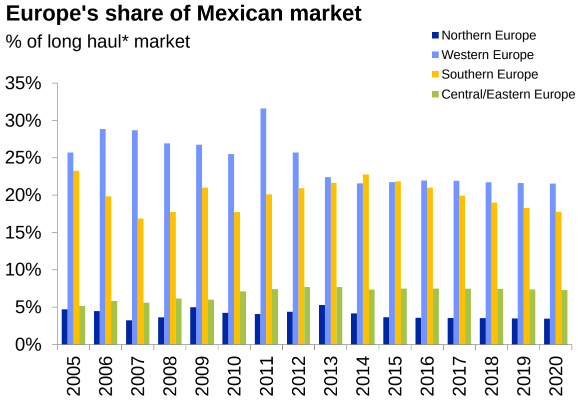
Mexico

Mexico Market Share Summary							
	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	21,137	-	4.2%	22.8%	-	38.6%	-
of which:							
Long haul (000s)	2,739	13.0%	4.7%	25.8%	13.3%	65.0%	10.9%
Short haul (000s)	18,397	87.0%	4.1%	22.4%	86.7%	35.3%	89.1%
Travel to Europe* **							
Europe (000s)	1,425	6.7%	2.9%	15.2%	6.3%	66.0%	5.6%
Northern Europe (000s)	100	0.5%	3.5%	18.8%	0.5%	42.2%	0.5%
Western Europe (000s)	596	2.8%	4.5%	24.7%	2.9%	40.7%	2.8%
Southern Europe (000s)	576	2.7%	0.5%	2.6%	2.3%	104.5%	1.8%
Central/Eastern Europe (000s)	153	0.7%	4.3%	23.3%	0.7%	84.4%	0.5%

* Levels are in 000s unless otherwise specified
** Shows cumulative change over the relevant time period indicated
*** Shares are expressed as a % of total outbound travel



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



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

Methodology note:

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Argentina

Argentina Market Share Summary	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	8,066	-	0.8%	4.3%	-	37.6%	-
of which:							
Long haul (000s)	2,322	28.8%	1.3%	6.9%	29.5%	38.2%	28.7%
Short haul (000s)	5,744	71.2%	0.6%	3.2%	70.5%	37.4%	71.3%
Travel to Europe* **							
Europe (000s)	924	11.5%	1.7%	8.9%	12.0%	54.5%	10.2%
Northern Europe (000s)	113	1.4%	2.6%	13.6%	1.5%	77.1%	1.1%
Western Europe (000s)	45	0.6%	1.8%	9.5%	0.6%	38.8%	0.5%
Southern Europe (000s)	675	8.4%	1.0%	5.1%	8.4%	54.3%	7.5%
Central/Eastern Europe (000s)	92	1.1%	5.5%	30.7%	1.4%	40.7%	1.1%

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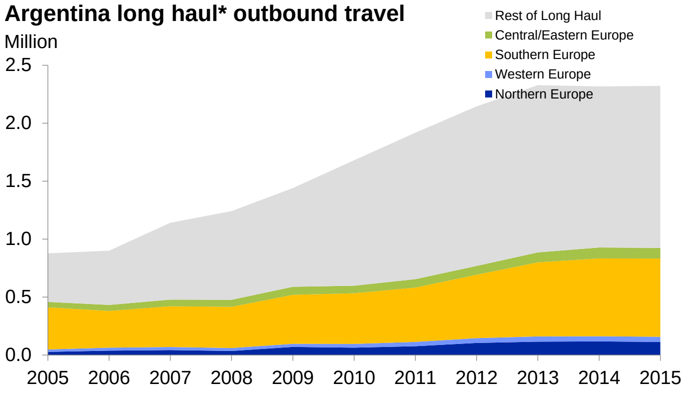
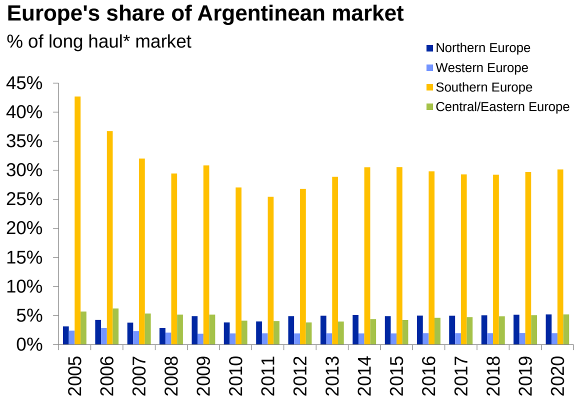


*Long haul defined as tourist arrivals to destinations outside South America
Source: Tourism Economics



*Long haul defined as tourist arrivals to destinations outside South America
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Brazil

Brazil Market Share Summary							
	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	10,067	-	-0.6%	-2.8%	-	50.3%	-
of which:							
Long haul (000s)	7,228	71.8%	-1.1%	-5.2%	70.0%	61.5%	66.8%
Short haul (000s)	2,839	28.2%	0.6%	3.2%	30.0%	27.8%	33.2%
Travel to Europe* **							
Europe (000s)	3,614	35.9%	-3.7%	-17.2%	30.6%	52.1%	35.5%
Northern Europe (000s)	303	3.0%	2.8%	14.7%	3.6%	66.3%	2.7%
Western Europe (000s)	1,593	15.8%	-4.2%	-19.3%	13.1%	47.8%	16.1%
Southern Europe (000s)	1,394	13.8%	-6.0%	-26.6%	10.5%	53.3%	13.6%
Central/Eastern Europe (000s)	324	3.2%	0.7%	3.8%	3.4%	56.5%	3.1%

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** Shows cumulative change over the relevant time period indicated
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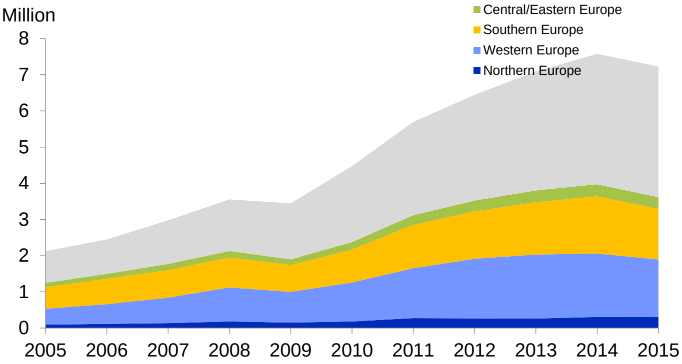
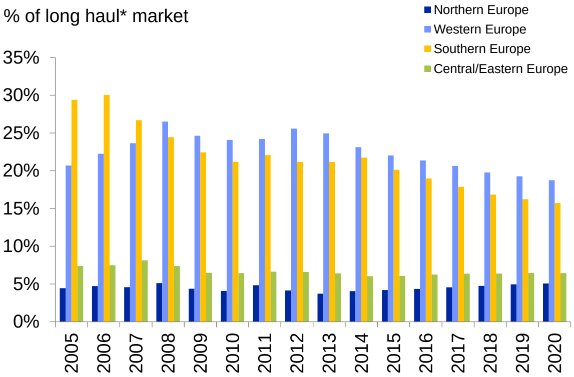
Brazil long haul* outbound travel



*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

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India

India Market Share Summary							
	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	15,277	-	6.0%	33.8%	-	54.3%	-
of which:							
Long haul (000s)	14,526	95.1%	6.0%	33.9%	95.1%	54.3%	95.1%
Short haul (000s)	751	4.9%	5.7%	32.1%	4.9%	54.3%	4.9%
Travel to Europe* **							
Europe (000s)	2,482	16.2%	6.0%	34.1%	16.3%	68.3%	14.9%
Northern Europe (000s)	437	2.9%	4.4%	24.0%	2.7%	13.0%	3.9%
Western Europe (000s)	887	5.8%	5.5%	30.9%	5.7%	79.0%	5.0%
Southern Europe (000s)	360	2.4%	7.7%	44.7%	2.6%	48.6%	2.5%
Central/Eastern Europe (000s)	797	5.2%	6.7%	38.4%	5.4%	128.2%	3.5%

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** Shows cumulative change over the relevant time period indicated
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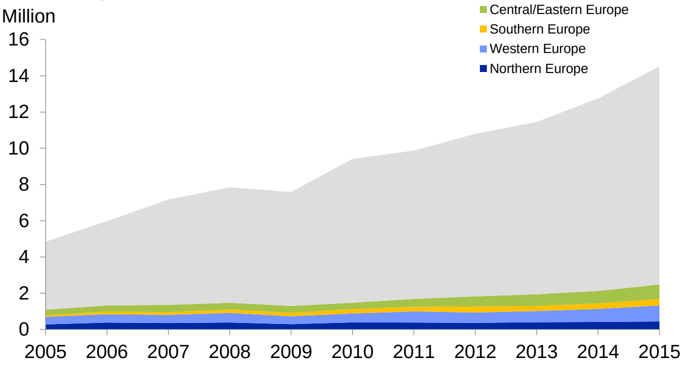
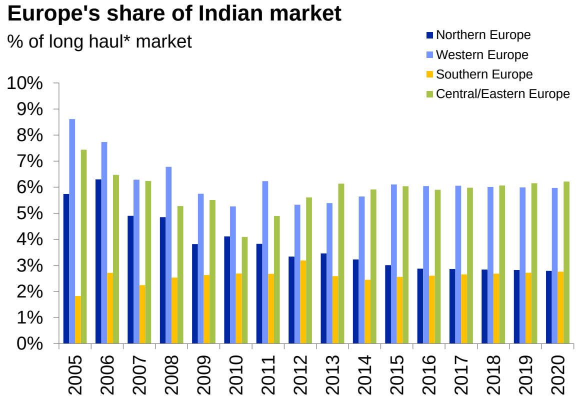
India long haul* outbound travel



*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
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China

China Market Share Summary	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	85,744	-	7.2%	41.4%	-	143.7%	-
of which:							
Long haul (000s)	40,148	46.8%	7.9%	46.5%	48.5%	241.4%	33.4%
Short haul (000s)	45,596	53.2%	6.5%	36.9%	51.5%	94.6%	66.6%
Travel to Europe* **							
Europe (000s)	12,472	14.5%	8.8%	52.6%	15.7%	205.2%	11.6%
Northern Europe (000s)	782	0.9%	9.1%	54.5%	1.0%	217.0%	0.7%
Western Europe (000s)	7,193	8.4%	9.0%	54.0%	9.1%	265.4%	5.6%
Southern Europe (000s)	853	1.0%	9.0%	53.7%	1.1%	238.1%	0.7%
Central/Eastern Europe (000s)	3,644	4.2%	8.3%	49.1%	4.5%	125.1%	4.6%

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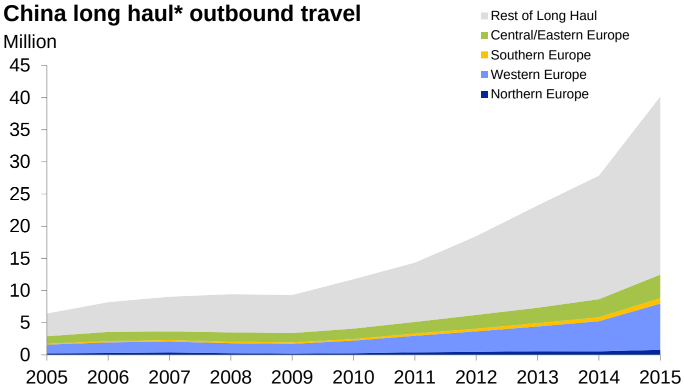
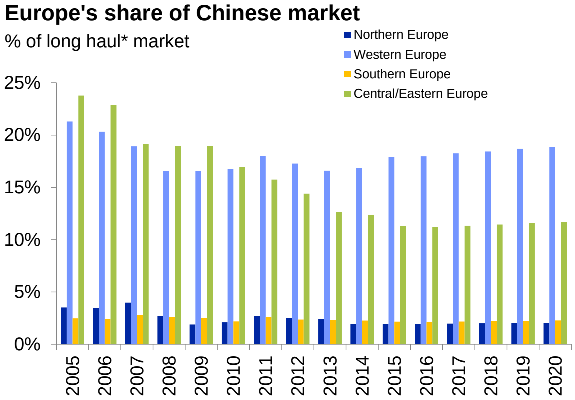


*Long haul defined as tourist arrivals to destinations outside Northeast Asia
Source: Tourism Economics



*Long haul defined as tourist arrivals to destinations outside Northeast Asia
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Note Chinese outbound shown here is smaller than reported departures in national statistics as the latter includes same day visits to Hong Kong and Macau.

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Japan

Japan Market Share Summary							
	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	20,173	-	6.4%	36.6%	-	-6.5%	-
of which:							
Long haul (000s)	13,261	65.7%	6.7%	38.1%	66.5%	6.4%	57.7%
Short haul (000s)	6,912	34.3%	6.0%	33.7%	33.5%	-24.2%	42.3%
Travel to Europe* **							
Europe (000s)	4,457	22.1%	4.9%	26.9%	20.5%	6.9%	19.3%
Northern Europe (000s)	521	2.6%	2.7%	14.2%	2.2%	11.8%	2.2%
Western Europe (000s)	2,023	10.0%	5.3%	29.6%	9.5%	4.3%	9.0%
Southern Europe (000s)	1,338	6.6%	4.8%	26.3%	6.1%	17.1%	5.3%
Central/Eastern Europe (000s)	575	2.8%	5.5%	30.4%	2.7%	-7.4%	2.9%

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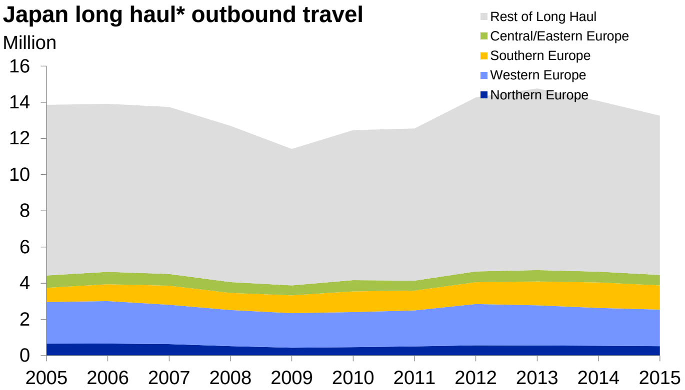
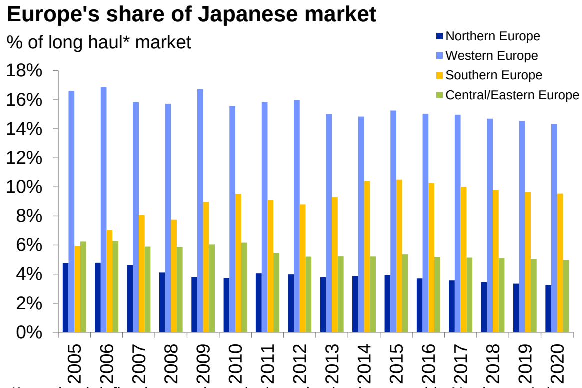


*Long haul defined as tourist arrivals to destinations outside Northeast Asia
Source: Tourism Economics



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United Arab Emirates

United Arab Emirates Market Share Summary	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	3,583	-	4.4%	23.8%	-	0.8%	-
of which:							
Long haul (000s)	1,511	42.2%	2.2%	11.3%	37.9%	35.6%	31.4%
Short haul (000s)	2,072	57.8%	5.8%	32.9%	62.1%	-15.1%	68.6%
Travel to Europe* **							
Europe (000s)	885	24.7%	1.1%	5.5%	21.1%	41.4%	17.6%
Northern Europe (000s)	291	8.1%	-1.3%	-6.2%	6.2%	38.4%	5.9%
Western Europe (000s)	382	10.7%	1.1%	5.6%	9.1%	63.5%	6.6%
Southern Europe (000s)	189	5.3%	3.7%	20.2%	5.1%	37.1%	3.9%
Central/Eastern Europe (000s)	23	0.6%	6.0%	33.8%	0.7%	-48.3%	1.2%

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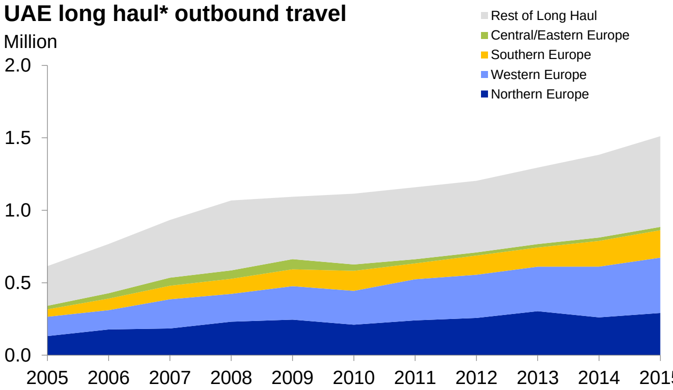
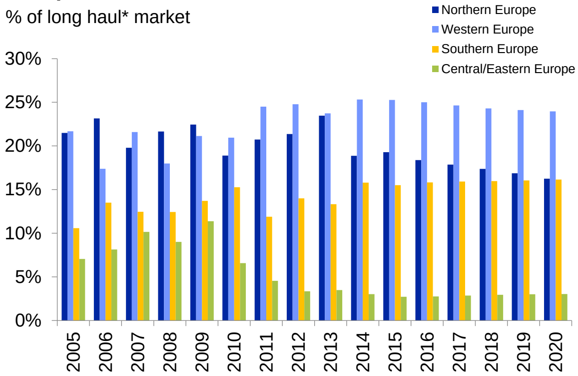
UAE long haul* outbound travel



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

Europe's share of Emirati market



*Long haul defined as tourist arrivals to destinations outside the Middle East
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Russia

Russia Market Share Summary							
	2015		Growth (2015-20)			Growth (2010-15)	
	Level*	Share	Annual average	Cumulative growth**	Share 2020	Cumulative growth**	Share 2010
Total outbound travel (000s)	26,698	-	6.8%	39.1%	-	2.4%	-
of which:							
Long haul (000s)	7,400	27.7%	4.7%	25.9%	25.1%	17.7%	24.1%
Short haul (000s)	19,298	72.3%	7.6%	44.2%	74.9%	-2.5%	75.9%
Travel to Europe* **							
Europe (000s)	19,298	72.3%	7.6%	44.2%	74.9%	-2.5%	75.9%
Northern Europe (000s)	1,297	4.9%	5.0%	27.5%	4.5%	-6.5%	5.3%
Western Europe (000s)	1,724	6.5%	4.5%	24.4%	5.8%	28.9%	5.1%
Southern Europe (000s)	7,508	28.1%	7.9%	46.5%	29.6%	39.9%	20.6%
Central/Eastern Europe (000s)	8,769	32.8%	8.2%	48.5%	35.1%	-25.0%	44.9%

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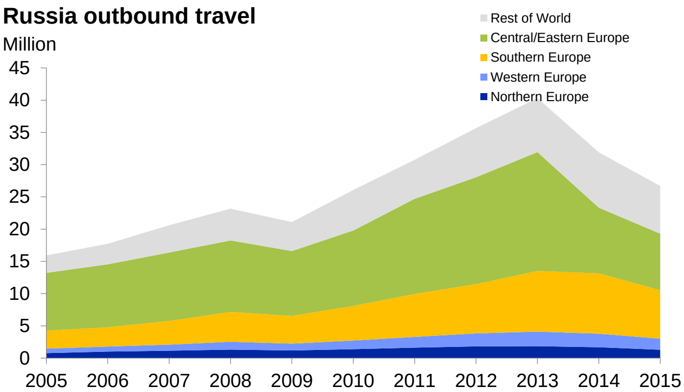
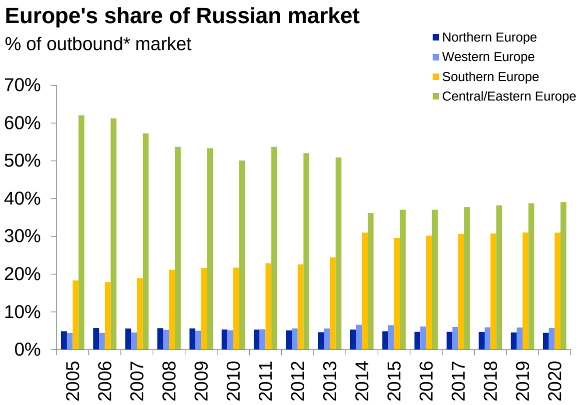


*Outbound travel defined as tourist arrivals to all destinations
Source: Tourism Economics



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

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Economic outlook summary: key source markets

Assessing recent tourism data and industry performance is a useful way of directly monitoring the key trends for travel demand across Europe. This can be complemented by looking at key trends and relationships in macroeconomic performance in Europe's key source markets which can provide further useful insight into likely tourism developments throughout the year.

The linkages between macro and tourism performance can be very informative. For example, strong GDP or consumer spending growth is an indication of rising prosperity with people more likely to avail of international travel. It is also an indication of rising business activity and therefore stronger business travel. Movements in exchange rates against the euro can be equally important as it can influence choice of destination.

Summary of economic outlook: 2015

% growth y-y*

	Macroeconomic indicators				
	GDP	Consumer expenditure	Unemploy-ment **	Exchange rate***	Inflation
UK	2.2%	3.0%	-0.6%	11.1%	0.1%
France	1.1%	1.4%	0.1%	0.0%	0.0%
Germany	1.5%	1.9%	-0.3%	0.0%	0.2%
Netherlands	1.9%	1.5%	-0.4%	0.0%	0.6%
Italy	0.7%	0.9%	-0.8%	0.0%	0.0%
Russia	-3.8%	-9.8%	0.4%	-24.9%	15.5%
US	2.4%	3.1%	-0.9%	19.8%	0.1%
Canada	1.2%	1.9%	0.0%	3.4%	1.0%
Brazil	-3.7%	-4.0%	1.7%	-15.4%	9.0%
China	6.9%	7.6%	0.0%	17.5%	1.4%
Japan	0.7%	-0.8%	-0.2%	4.5%	0.7%
India	7.4%	7.2%	0.0%	14.0%	4.9%

Summary of economic outlook: 2016

% growth y-y*

	Macroeconomic indicators				
	GDP	Consumer expenditure	Unemploy-ment **	Exchange rate***	Inflation
UK	2.4%	2.9%	-0.1%	-1.4%	0.7%
France	1.5%	1.4%	-0.2%	0.0%	0.6%
Germany	2.1%	2.0%	-0.1%	0.0%	0.8%
Netherlands	2.1%	1.5%	0.0%	0.0%	0.9%
Italy	1.4%	1.5%	-0.5%	0.0%	0.4%
Russia	-1.0%	-0.9%	0.3%	-14.9%	7.5%
US	2.4%	2.8%	-0.5%	4.1%	1.3%
Canada	1.7%	1.7%	0.3%	-5.0%	1.2%
Brazil	-2.6%	-2.7%	1.5%	-20.5%	8.1%
China	6.3%	7.2%	0.0%	-3.4%	1.6%
Japan	1.2%	1.2%	0.0%	1.5%	0.2%
India	7.4%	7.3%	-0.1%	1.3%	5.6%

* unless otherwise specified
** percentage point change
*** exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.
Note: Colour coding relates to each individual column and highlights the strongest performing countries shaded as dark green (e.g. China fastest growing GDP), and weakest performaing countries as dark red (e.g. rising unemployment and falling GDP, consumer expenditure, and exchange rate in Russia).

- Eurozone GDP growth is forecast to grow across all key markets in 2016, most notably in Germany and the Netherlands helped by continued low inflation and the boost to spending power due to the weak euro. Investment will also contribute to growth.

- The UK economy is expected to grow by 2.4% in 2016, with growth broadening beyond consumer spending as well as in the Eurozone. .

- Russian growth slowed substantially in 2015 and Oxford Economics' latest outlook is recession with GDP expected to fall further in 2016, albeit to a lesser extent than in 2015. This is partly linked to the large devaluation of the rouble which began in 2014 and at the time of writing was at a record-low against the US dollar. Oil prices continue to fall into 2016 and this will also affect government revenue and spending. More competitive exports are perhaps a much needed lifeline. However, the continued sanctions and counter-sanctions will continue to act as a further drag on growth unless they are lifted at the end of January 2016.

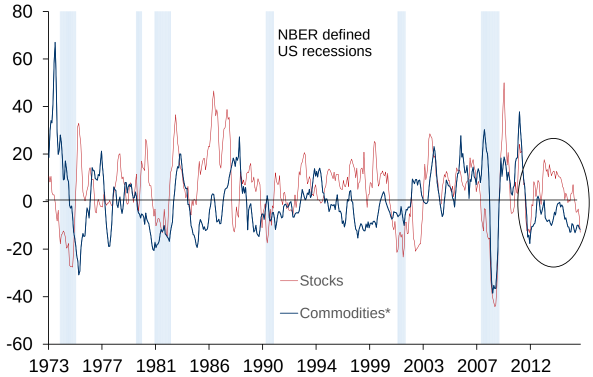
- Official indicators suggest strong GDP and consumption growth in China but unofficial indicators such as PMI or industrial activity point to slower growth. Nevertheless, it is still a country on the rise and with an ever-growing middle-class population.

Overview: 2016 – unhappy New Year?

- 2016 has got off to a shaky start, with sharp declines in global equity markets and renewed jitters about China and its currency. Recent asset market trends have prompted some observers to suggest a high risk of a global recession this year.
- A glance back at recent history suggests why – since May 2015, global stocks and non-fuel commodity prices have both dropped by 12-13%. Over the last forty years, such a combination in a similar time frame has usually been associated with recession.
- There have been exceptions to this pattern; there were similar sell-offs in stocks and commodities in 2011, 1998 and 1984 without associated recessions. Notably though, in at least two of these cases, expansionary US policy helped reverse market movements – but US policy is now headed in the opposite direction.
- More heart can be taken from the relative resilience of real economy developments in many of the advanced economies over recent months. There are few signs, for instance of sharp declines in consumer or business confidence, or in property prices.
- Policy settings also remain expansionary in the Eurozone, Japan and China – where broad money and growth has moved higher in recent months.
- Industry remains the problem area, both for commodity price-sensitive extractive sectors and manufacturing. The global manufacturing PMI continues to suggest very subdued output growth.
- Services output remains more robust, and should be supported during 2016 by tightening labour markets – December 2015's strong US payrolls release was encouraging in this regard.
- But there are downside risks to services, too, should stock price declines hit consumer spending. Our Global Economic Model suggests a 15% fall in world stocks may cut global GDP by 0.4-0.7%.
- As a result, there is a real danger that our global growth forecast of 2.6% for 2016 proves too optimistic with growth instead slipping below last year's already-modest 2.5% reading.

World: Asset prices

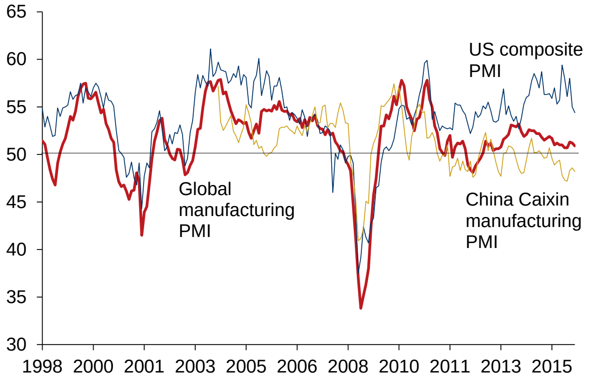
% decline on 8 months earlier



Source : Oxford Economics/Haver Analytics * deflated by US CPI

World: PMI surveys

Diffusion index, 50=neutral



Source : Oxford Economics/Haver Analytics

Summary of International Forecasts

	2014	2015	2016	2017	2018	2019
Real GDP						
North America						
United States	2.4	2.4	2.4	2.7	2.4	2.3
Canada	2.5	1.2	1.7	2.3	2.5	2.5
Europe						
Eurozone	0.9	1.5	1.8	1.8	1.7	1.5
Germany	1.6	1.5	2.1	2.0	1.6	1.1
France	0.2	1.1	1.5	1.7	1.7	1.7
Italy	-0.4	0.7	1.4	1.2	1.1	0.9
UK	2.9	2.2	2.4	2.5	2.2	2.2
EU27	1.4	1.8	2.0	2.1	1.9	1.7
Asia						
Japan	-0.1	0.7	1.2	1.2	1.0	1.1
China	7.3	6.9	6.3	6.0	5.9	5.7
India	7.1	7.4	7.4	7.2	7.0	6.8
G7	1.6	1.7	2.0	2.2	1.9	1.8
World	2.7	2.5	2.6	3.0	3.0	3.0
World 2010 PPPs	3.3	3.0	3.3	3.7	3.7	3.7
World trade	3.3	0.8	3.2	4.6	4.7	4.7
Inflation (CPI)						
North America						
United States	1.6	0.1	1.3	2.3	2.2	2.2
Canada	1.9	1.0	1.2	2.2	2.2	2.1
Europe						
Eurozone	0.4	0.0	0.7	1.7	1.7	1.7
Germany	0.9	0.2	0.8	2.1	1.7	1.7
France	0.5	0.0	0.6	1.7	1.6	1.8
Italy	0.2	0.0	0.4	1.3	1.4	1.8
UK	1.5	0.1	0.7	1.6	1.8	1.9
EU27	0.6	0.0	0.8	1.8	1.7	1.8
Asia						
Japan	2.7	0.7	0.2	2.3	1.3	0.9
Emerging Asia, excl Japan	5.3	5.2	4.7	4.4	4.3	4.3
China	2.0	1.4	1.6	2.2	2.6	2.8
India	6.6	4.9	5.6	5.6	5.5	5.3
World	3.2	2.6	2.6	2.6	2.4	2.3
Exchange Rates						
US$ Effective	78.4	91.1	96.5	96.1	94.3	92.5
$/€	1.33	1.11	1.07	1.06	1.09	1.11
¥/$	105.9	121.0	124.2	126.5	126.5	126.2
Commodity Prices						
Brent Oil ($/bl)	99.0	52.4	39.4	46.6	53.9	61.1

Eurozone Economy

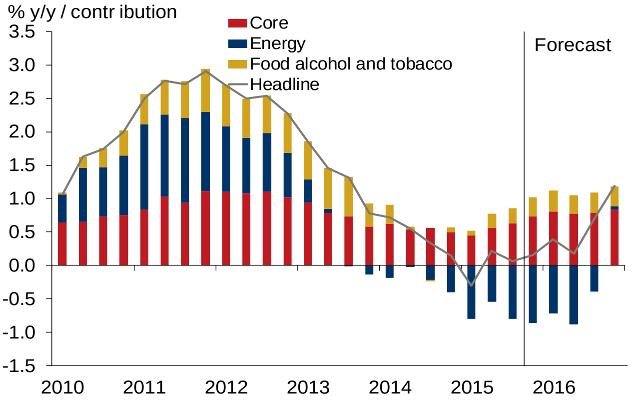
- Recent developments outside the Eurozone and, in particular, China have added to concerns that external weakness could undermine the ongoing recovery. However, for now at least, this negative development is being offset by further improvements in the health of the domestic economy.

- Although the hard industrial and trade data suggest that the struggles faced by the externally-focused sectors of the economy in Q3 continued into Q4, recent developments suggest that the overall Eurozone recovery has nonetheless gained momentum. Both the composite PMI and EC Economic Sentiment Indicators averaged multi-year highs in Q4 and picked up as the quarter progressed, which bodes well for GDP growth prospects in both Q4 and Q1 of this year.

- Indeed, prospects for household spending in 2016 have if anything brightened. As a result of downgrades to our energy price forecasts, we have reduced our CPI inflation forecast for 2016 and now expect inflation to average 0.7% this year, compared to a 1.0% forecast last month. Meanwhile, the labour market recovery continues – in the six months to November – unemployment fell almost 800,000 and the rise in survey-based measures of firms' hiring intentions suggests that rising employment growth will further bolster household spending.

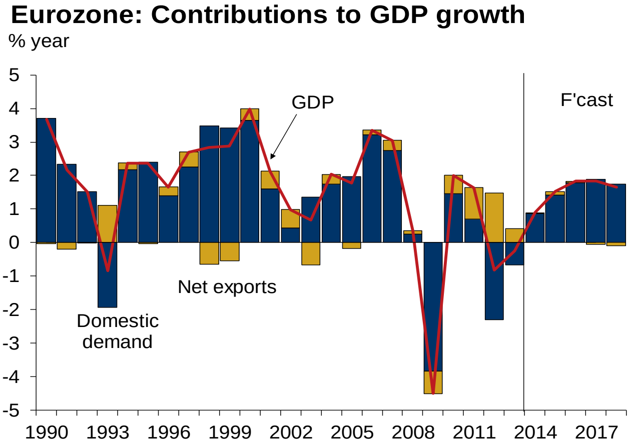
- We maintain our view that GDP growth will pick up from 1.5% in 2015 to 1.8% this year and next. Although external weakness and the further slide in energy prices has perhaps increased the risk of the ECB announcing further changes to the QE programme, deflation is still very much a tail risk. Given this and the well-documented problems associated with expanding government bond purchases, we continue to expect December's policy measures to be the last major easing by the central bank in this cycle.

Eurozone: CPI Inflation (Bottom-up f'cast model)



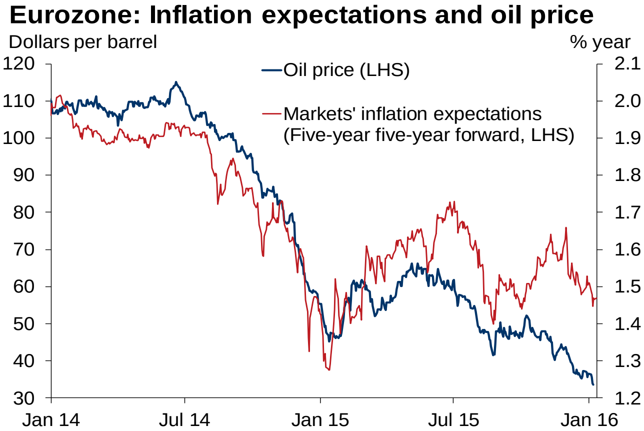
Source : Oxford Economics/Haver Analytics

Eurozone: Contributions to GDP growth



Source: Oxford Economics

Eurozone: Inflation expectations and oil price



Source: Oxford Economics/Bloomberg

UK Economy

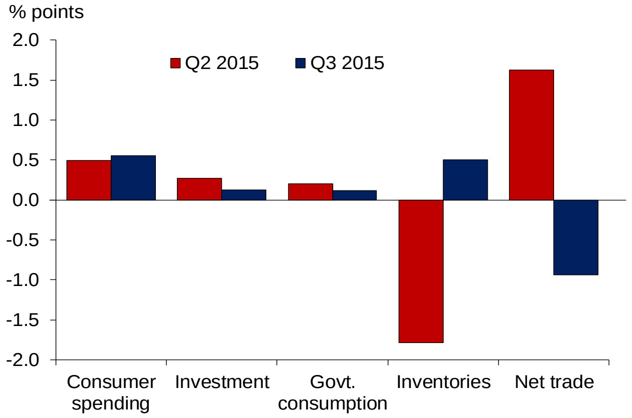
- 2015 ended on a disappointing note with the National Accounts for Q3 2015 seeing downward revisions to quarterly GDP growth in both Q2 – from 0.7% to 0.5% – and Q3 (from 0.5% to 0.4%). Though we remain on course to see an uptick in growth to around 0.6% in Q4, we are likely to see the preliminary estimate for 2015 as a whole come in at just 2.2%. This would be well down on 2014 and would be particularly disappointing given the extent to which the economy has benefitted from very low inflation and a sizeable amount of spare capacity.

- The expenditure breakdown confirmed the picture painted by the previous month's release, with growth in Q3 driven exclusively by the domestic economy and in particular the consumer sector. However, the data for inventories and trade shows such volatility from quarter-to-quarter that there are sizable question marks about its reliability: we would be surprised if there were not significant revisions over the coming quarters, continuing the pattern of recent years.

- More positively, the larger trade deficit in Q3 was not reflected in a widening of the current account deficit. This was due to a decline in the deficit on primary (or net investment) income. This component had been largely responsible for the deterioration in the UK current account since the financial crisis, reflecting the poor performance of UK investments abroad. But with our key trading partners forecast to enjoy stronger economic growth over the coming years, the performance of UK investments abroad should continue the recent improvement, moving the primary income balance back into surplus.

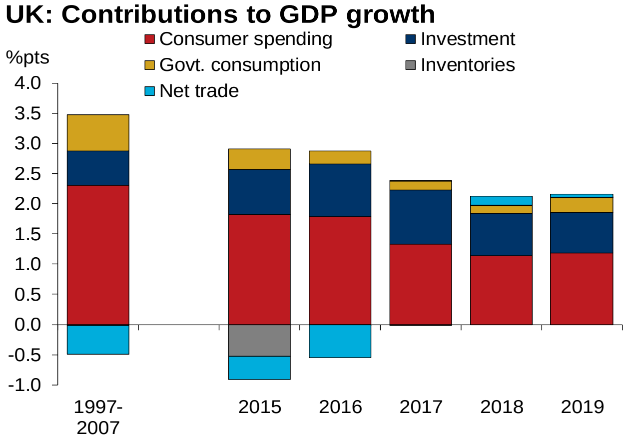
- Recent speeches and media interviews by MPC members have focused on the need to see a sustained pickup in wage growth before there was a possibility of interest rates increasing. Though compositional effects, chiefly a drop in hours worked, are largely to blame for the recent slowdown in wage growth, we expect the pickup in pay to be gradual and, therefore, see a growing risk that the first rate rise will come later than our forecast of Q4 2016.

UK: Contributions to quarterly GDP growth



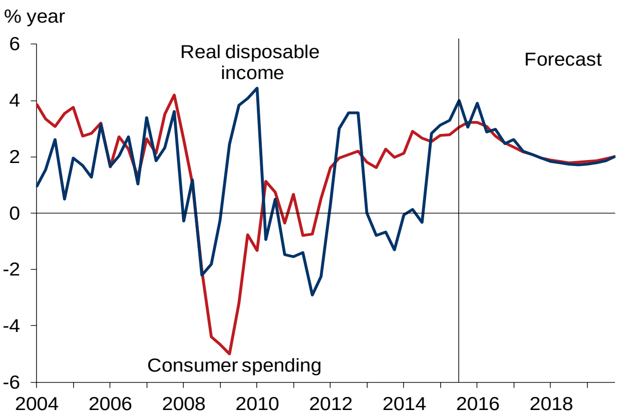
Source : Haver Analytics

UK: Contributions to GDP growth



Source : Oxford Economics

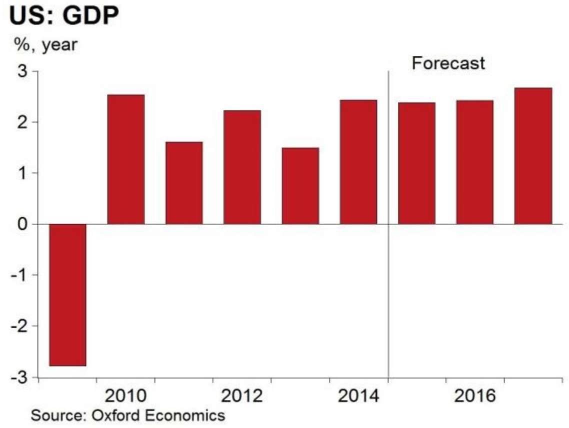
UK: Consumer spending and income

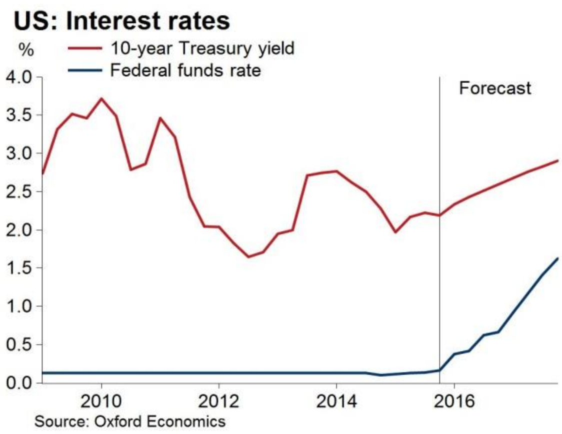


Source: Oxford Economics

US Economy

- Real GDP growth in Q3 2015 was revised down to 2.0%, with inventories exerting a slightly larger drag on growth and final sales growth unchanged at 2.7%. With regard to Q4, we see weak trade, inventories and construction data constraining GDP growth to less than 1%.
- Warmer-than-usual weather during the holiday season likely weighed on retail sales. Real consumer spending was up 2.5% year-on-year in November – the second consecutive reading below 3% – but we see real disposable income growth at 3.5% as a good omen for household outlays growth in 2016.
- Employment growth was quite firm in 2015 with an average of 220,000 jobs added per month, though the pace slowed a tad from that seen during parts of 2014. We forecast employment growth slowing modestly in 2016; however, wage growth should provide more of an impetus to incomes this year.
- Residential investment is expected to add 0.3 percentage points (pp) to growth in 2015 and 2016, with housing starts and sales maintaining their solid pace.
- Global headwinds in the form of a strong US dollar and weak global demand continue to weigh on business investment while lower oil prices are reducing oil and gas activity. These headwinds will dissipate over 2016, but only very gradually.
- We see net exports remaining a drag on GDP growth in 2016, though not as large as the 0.6pp drag in 2015 as import growth moderates.
- While low oil prices and a strong dollar will continue to dampen inflation, we expect a gradual rebound over the course of 2016. Reflecting base effects and resilient activity, we expect annual headline and core PCE inflation at 1.3% and 1.7% this year.
- We estimate that real GDP grew 2.4% in 2015 but, in light of weak output data in Q4, we have revised our growth outlook for 2016 down from 2.6% to 2.4%.
- The Federal Reserve raised the federal funds rate by 25bp in December bringing an end to six years at the zero lower bound. The FOMC minutes indicated this was a very 'cautious' rate hike. We see the Fed only raising rates twice in 2016 (June and December) and three times in 2017.

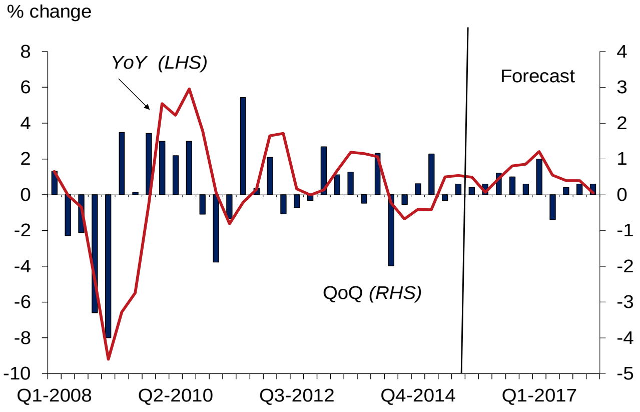




Japanese Economy

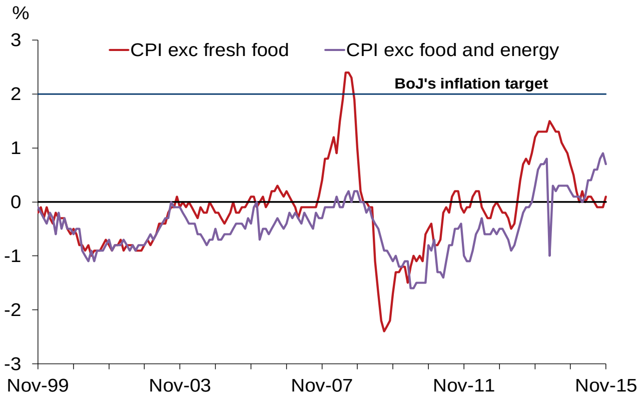
- The economy enters 2016 once again buffeted by volatility in global financial markets. The Topix index has fallen by almost 7% in the month to 11th January. Of more concern, if sustained, is the appreciation of the yen. Since the US rate lift-off in mid-December the yen has risen by over 5% on a trade-weighted basis.
- The real economy is likely to have grown in Q4, depending as always on the rather unpredictable business investment. A positive influence is likely to be exports which have risen, along with manufacturing output, so far in Q4. We estimate GDP rose 0.7% last year with at 1.2% growth forecast for 2016.
- We remain positive on the consumer outlook, with real wages to show a modest upswing this year. True, the November earnings data showed a 0.4% year-on-year slippage in real wages. But the trend should be one of a gradual increase in real earnings, helped by continued low inflation. Consumer confidence is above the ten-year average. A buoyant labour market is likely to be a factor with the job-to-applicant ratio at a 23-year high of 1.25 in November.
- Target inflation (CPI excluding fresh food) moved back into positive territory at 0.1% y/y in November. The core CPI excluding fresh food and energy was steady at 1.2% year-on-year. A big issue is the degree to which the targeted measure of inflation will rise towards core inflation measures this year.
- In a speech early in January Governor Kuroda committed the BoJ to "do whatever it can" to hit the inflation target. This came after some technical changes to monetary policy were announced in December. These included a modest new ETF purchase programme worth ¥300 billion a year plus extending the maturity of JGB purchases out to 7-12 years (from 7-10). Our view is that the BoJ will have to increase the scale of its QE programme if there is to be any chance of hitting the inflation target.
- A modest fiscal stimulus is currently passing through parliament. Measures worth ¥3.5 trillion (0.7% of GDP) funded with higher than expected corporate tax receipts are to be targeted on family-friendly policies.

Japan real GDP



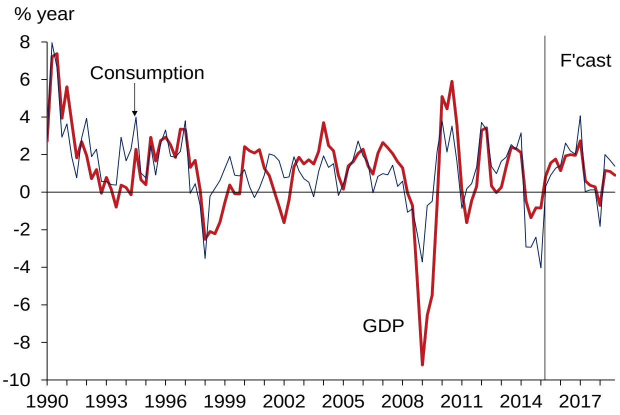
Source : Oxford Economics/Haver Analytics

Japan CPI inflation (excluding consumption tax)



Source : Statistics Japan/Haver Analytics

Japan: GDP and consumption



Source: Oxford Economics

Emerging Market Economies

For China, policy, not stock trading, is key

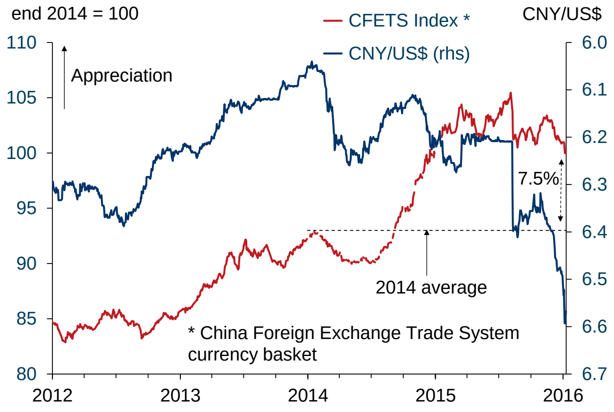
China's stock market has fallen sharply this year, with the Shanghai index down 15%, and the Shenzhen index down a whopping 20%. Meanwhile, the onshore spot exchange rate depreciated by 1.6% in the first eight days of January, a sizeable move relative to the historic trend. But with China's capital markets still largely shielded from global markets, the room for financial contagion is limited and furthermore, we do not expect the equity slump to have a major impact on China's real economy. Nor do we think that the rout reflects signs of a sudden worsening of growth dynamics as recent indicators have been mixed: the manufacturing PMI fell in December 2015 but steel prices have trended upwards in recent weeks. China's still underdeveloped stock market is typically not driven by fundamentals with large moves sometimes prompted by expectations of IPOs, sentiment and herd behaviour. We continue to expect GDP growth to slow to 6.3% in 2016. There are risks though that lower confidence could dampen consumption and investment, and the impact on investment would be magnified if IPOs were delayed.

Meanwhile, the PBoC appears to have shifted its focus to the (trade-weighted) effective exchange rate rather than the USD-based one. Notwithstanding the declines against the US$ recently, the currency basket has moved remarkably little since mid-December. We estimate the currency is about 8% overvalued. In light of the slight overvaluation and the shift in policy focus we now think that the USDCNY will depreciate to 6.8 by mid-2016 from 6.6 previously. However, with capital mobility still modest, there is a limit to the extent to which the CNY can depreciate, stemming from the competitive manufacturing sector which will generate larger current account surpluses as the CNY weakens. But with global commentary still focused on China's US$ rate, the impact on global FX dynamics from further CNY depreciation may be larger. Another risk is greater US$ strength than is currently expected. In this case we would expect a larger depreciation of the CNY.

Latin American outlook still gloomy

Moving west, Latin America should begin to recover in 2016, albeit heterogeneously, with activity picking up in Mexico and Chile but Brazil and Venezuela staying longer in recession. We now expect the Brazilian central bank to hike rates by 50bp in January and March in a bid to fight the second-round effects of recent FX depreciation. In Argentina, we expect interest rates to

China: Spot rate and currency basket

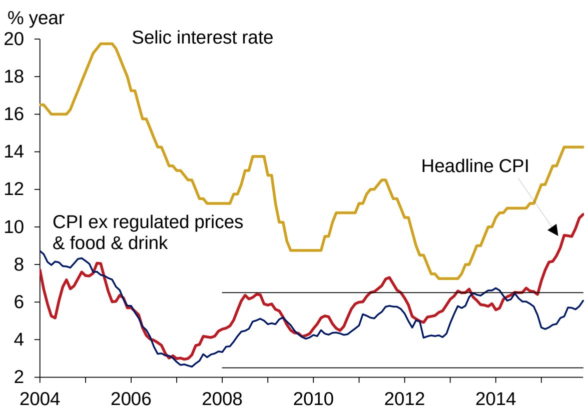


Source : Oxford Economics/Haver Analytics

The stock market and the real economy

Source: Oxford Economics, CEIC Data

Brazil: CPI measures & Selic interest rate

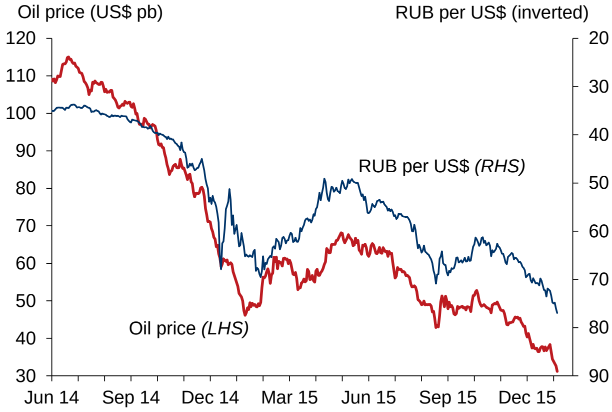


Source: Haver Analytics / Oxford Economics remain high for a prolonged period of time in order to curb inflation following the peso devaluation last month. And looking longer term, we have lowered potential growth in Mexico due to weaker US growth and slow progress on reforms.

Lower oil price deepens Russian recession

The second BRIC economy still in recession next year will be Russia, now expected to contract by 1% (0.8% previously). Oil prices have fallen to their lowest level since the global financial crisis, putting the rouble under pressure again. Given our revised 2016 oil price forecast, we now expect the rouble to weaken by 22% in 2016, from our earlier expectation of a 16% decline. Renewed RUB weakness again forced the Central Bank of Russia (CBR) to keep its key policy rate at 11% at its December meeting. With inflation expected to remain high, we see no scope for rate cuts before Q2 2016 but expect rates to be eased thereafter to 8.5% by end-2016, supporting a return to growth in 2017, albeit of just 1.4%.

Russia: RUB and oil price

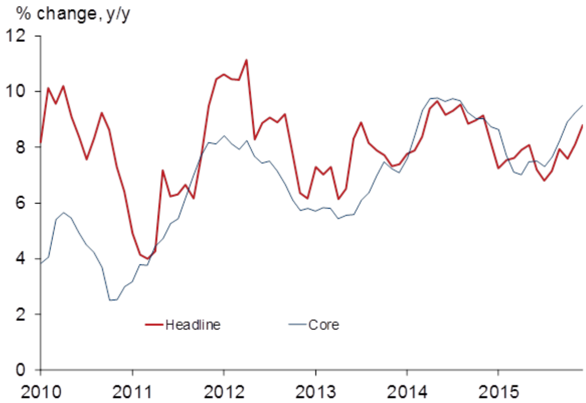


Source: Haver Analytics

Turkey rates left on hold, worrying investors

The outlook for Turkey remains hampered by still-strong domestic and external headwinds – which will constrain GDP growth to around 3% in 2016. The lira has resumed its slide this year, falling to a record low of 3.04 to the US$ as investors become increasingly nervous over rising geopolitical violence and policy credibility. Indeed the CBRT left the main interest rate unchanged for the 10th straight month in December, defying market expectations of an increase. Having repeatedly hinted that it would follow the Fed in normalising policy, the decision damaged the bank's inflation-fighting credibility. Inflation ended the year at 8.8%, well over the official 5% target, and we expect 200bp of rate hikes this year.

Turkey: Inflation gaining momentum

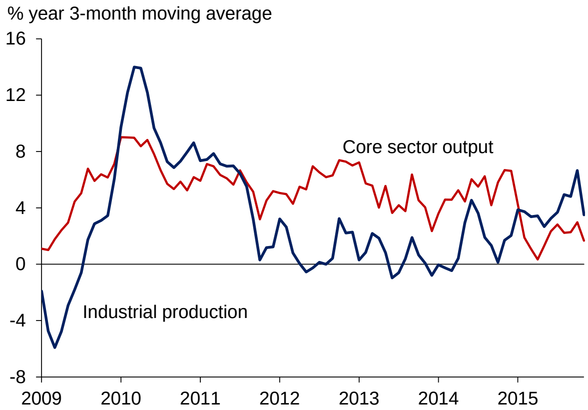


Source : Oxford Economics/Haver Analytics

Cautious on India despite solid Q3 growth

In India, industrial output fell in November and the manufacturing PMI contracted in December. However, this is likely to be a temporary dip, partly caused by flooding in Chennai in November and December. As such, although this poses a downside risk to our growth forecast for Q4, we do not expect it to force the RBI's hand at the February monetary policy meeting. Food prices and core prices picked up in December and while we expect the upside pressures on inflation to ease going forward, the RBI is likely to remain very cautious about easing policy further, especially given the growing risks of fiscal slippage. Monitoring fiscal progress will be important because the RBI expects fiscal tightening to play a key role in curbing upside inflation risks.

India: Manufacturing indicators



Source: Oxford Economics/Haver Analytics

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

3mth mav **Three month moving average**

Hotel industry indicators

ADR **Average Daily Rate –** Indicator of hotel room pricing. Equal to hotel room revenue / rooms sold in a given period

Occ **Occupancy Rate –** Indicator of hotel performance. Equal to the number of hotel rooms sold / room supply

RevPAR **Revenue per Available Room –** Indicator of hotel performance. Equal to hotel room revenue / rooms available in a given period

Central Banks

BoE **Bank of England;**

MPC **Monetary Policy Committee of BoE**

BoJ **Bank of Japan**

ECB **European Central Bank**

Fed **Federal Reserve (US)**

RBI **Reserve Bank of India**

OBR **Office for Budget Responsilbility**

Economic indicators and terms

BP **Basis Point –** A unit equal to one hundredth of a percentage point

Broad money Key indicator of money supply and liquidity including currency holdings as well as bank deposits that can easily be converted to cash

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

FDI **Foreign Direct Investment –** Investment form one country into another, usually by companies rather than governments

GDP **Gross Domestic Product –** The value of goods and services produced in a given economy

LCU	**Local Currency Unit –** The national unit of currency of a given country, e.g. pound, euro, etc.
PMI	**Purchasing Managers' Index –** Indicator of producers' sentiment and the direction of the economy
PPI	**Purchase Price Index –** Measure of inflation of input prices to producers of goods and services
PPP	**Purchasing Power Parity –** An implicit exchange rate which equalises the price of identical goods and services in different countries so they can be expressed with a common price
QE	**Quantitive Easing –** Expansionary monetary policy pursued by Central Banks involving asset purchases to reduce bond yields and increase liquidity in capital markets
G7	Group of seven industrialised countries comprising US, UK, France, Germany, Italy, Canada, Japan

ETC Member Organizations

Austria	Austrian National Tourist Office (ANTO)
Belgium	Flanders: Tourism Flanders
	Wallonia: Wallonie-Bruxelles Tourisme (WBT)
Bulgaria	Bulgarian Ministry of Tourism
Croatia	Croatian National Tourist Board (CNTB)
Cyprus	Cyprus Tourism Organisation (CTO)
Czech Republic	CzechTourism
Denmark	VisitDenmark
Estonia	Estonian Tourist Board - Enterprise Estonia
Finland	Visit Finland – Finpro ry
Germany	German National Tourist Board (GNTB)
Greece	Greek National Tourism Organisation (GNTO)
Hungary	Hungarian Tourism Ltd.
Iceland	Icelandic Tourist Board
Ireland	Fáilte Ireland and Tourism Ireland Ltd.
Italy	Italian Government Tourist Board
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 Tourist Organisation (PTO)
Portugal	Turismo de Portugal, I.P.
Romania	Romanian National Authority for Tourism
San Marino	State Office for Tourism
Serbia	National Tourism Organisation of Serbia (TOS)
Slovakia	Slovak Tourist Board
Slovenia	SPIRIT Slovenia, Slovenian Tourist Board
Spain	Turespaña - Instituto de Turismo de España
Sweden	VisitSweden
Switzerland	Switzerland Tourism
Turkey	Ministry of Culture and Tourism