EUROPEAN TOURISM - TRENDS & PROSPECTS

QUARTERLY REPORT - Q4/2017

EUROPEAN TRAVEL COMMISSION

EUROPEAN TOURISM IN 2017: TRENDS & PROSPECTS

Quarterly Report (Q4/2017)

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 2018
ETC Market Intelligence Report

European Tourism in 2017: Trends & Prospects (Q4/2017)

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Cover: Mountain cabin with the view on mountain ranges under the snow, fog and clouds, mountain Kopaonik, Serbia
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FOREWORD

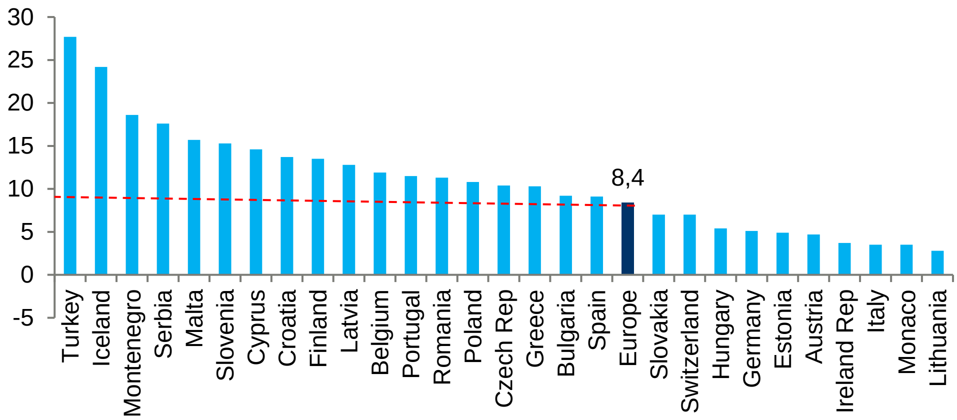
EXTRAORDINARY RESULTS FOR EUROPEAN TOURISM AT THE CLOSE OF THE YEAR 2017

In 2017, Europe registered an all-time record upswing (+8%) in international tourist arrivals, an increase four times higher than in 2016 and above worldwide growth (+7%)[1]. The region welcomed 671 million travellers last year, consolidating, for the eight consecutive year, its position as the leading destination worldwide. Growth momentum has been bolstered by economic growth in major source markets and the strong recovery of destinations previously affected by security concerns (e.g. Belgium, France and Turkey).

Growth was recorded in virtually all monitored destinations with more than half growing in excess of 10% or above the regional performance. Turkey (+28%) enjoyed a strong rebound in arrivals following years of decline as growth was held back by safety concerns and political turmoil; the situation has now stabilised sufficiently. Iceland (+24%) was the star performer in terms of arrivals expansion, while its government considers measures to address "overtourism". Destinations in Southern Mediterranean Europe also outperformed: Montenegro (+19%), Serbia (+18%), Malta (+16%), Slovenia, and Cyprus (both +15%) have proved success in overcoming seasonality.

International tourist arrivals to selected destinations

2017 year-to-date*, % change year ago



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

Finland's solid rate of expansion (+14%) was boosted by large Asian source markets, China and India. Established destinations, Croatia (+14%) and Portugal (+12%) also showed robust growth towards the end of the year. The former owes its success to significant investments in tourism whereas the later benefitted from improved air connectivity, particularly to long-haul destinations. Spain (+9%) also posted robust results despite political tensions in Catalonia.

[1] UN World Tourism Organization (UNWTO)

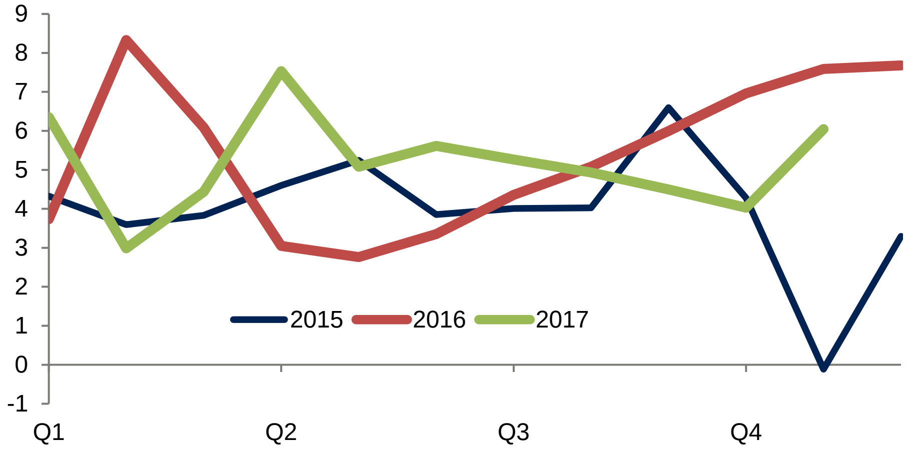
ENCOURAGING PERFORMANCE IN EUROPEAN HOTEL AND TRAVEL DEMAND

Positive results in European tourism demand are consistent with indicators in the accommodation sector. Occupancy rates, up 2.4% alongside a 1.2% rise in daily rates, contributed to a 3.6% growth in Revenue per Available Room (RevPAR). Interestingly, destinations in Southern Mediterranean Europe have reported faster growth in arrivals than in overnights, highlighting a trend in shorter stays.

European air travel remains strong as the impact of Ryanair's cancellations and the collapse of some airlines have barely been noticed in aviation capacity. Although transatlantic travel continues to underpin European growth, a weaker US dollar and a stronger euro may result in some slowdown as the region becomes less affordable for US travellers.

European Airlines Capacity

ASK, monthly average, % change year ago



Source: IATA

EUROPEAN TRAVEL DEMAND ON A GROWTH TRAJECTORY SUPPORTED BY A RANGE OF SOURCE MARKETS

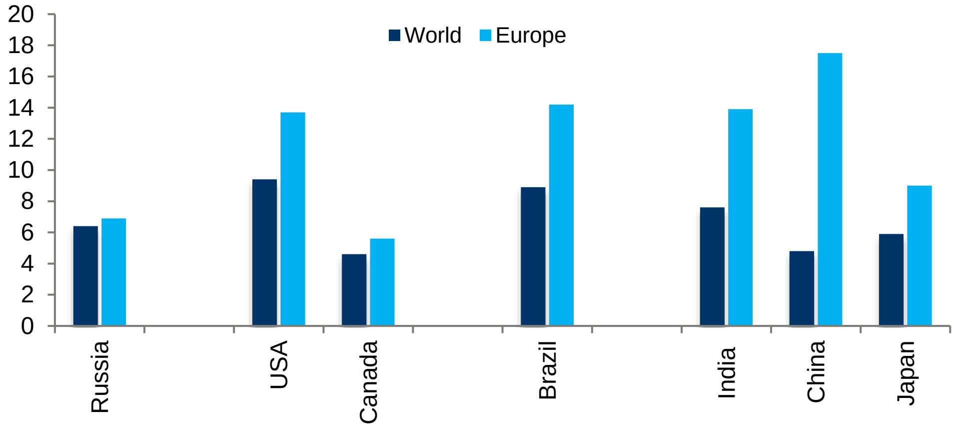
Strengthening economic conditions in the Eurozone underpin travel demand from key intra-regional source markets such as Germany, France and the UK. Germans are likely to continue travelling more this year as low unemployment and wage gains supports private consumption. German demand for Turkish holidays, however, slumped (-8%) as German holidaymakers are heading instead to south-eastern European destinations (Montenegro, Slovenia and Serbia). In France, a rebound in tourism is supporting economic growth in the country that in turn contributes to increasing numbers in tourist arrivals across many European destinations. In the UK, weaker exchange rates seem not to have hindered British tourists' desire to travel. Although, travel abroad has become more expensive for Britons, a clear majority of destinations has reported double-digit increases in arrivals from this market.

Almost all reporting destinations (all but one) saw a staggering recovery in Russian travel demand following two years of grinding recession. Europe hosted some 24.3 million Russian arrivals in 2017, with Turkey recording an outstanding 465% growth rate. The fact that Russia will resume flights to Cairo after two years of suspended air links, following the downing of a passenger jet, suggests some softening of Turkey's share of Russian holidaymakers.

Economic growth in the US is projected to continue in 2018 as strong consumer confidence will drive household spending. Despite steady growth in the US economy, relatively high uncertainty over future trade policy remains and has the potential to hinder medium-term growth prospects. International tourist arrivals from the US to Europe are estimated at 30.6 million in 2017, a 12% increase compared to the year prior. In China, tourism growth continues to be aided by improving air connections between China and Europe and its growing middle class will continue to drive outbound travel growth this year. In 2017, Europe welcomed 12.1 million Chinese visitor arrivals (+16% versus 2016), an outstanding performance compared to the flat growth rate seen in 2016.

Tourist arrivals from select markets to the World and Europe

2017, % change year ago



Source: Tourism Economics

POSITIVE DEVELOPMENTS IN EUROPEAN TOURISM LAY THE FOUNDATION FOR AN INTEGRATED APPROACH TO EFFECTIVE TOURISM POLICIES.

Having proven resilient to global challenges last year (e.g., terror attacks, geo-political woes etc.), the outlook for European tourism in 2018 remains positive and is expected to increase by around 3-4% this year. Strengthening resilience and securing tourism growth in Europe calls for a strong cooperation among European destinations and tourism stakeholders to put in place a comprehensive and proactive approach for a long-term sustainable development of tourism. *"The upturn in the global economy paves the way to reorient European and national policy to support the drivers of tourism growth, promote long-term sustainable development and be a more effective catalyst for job creation in Europe."* said Eduardo Santander, Executive Director of ETC.

Jennifer Iduh (ETC Executive Unit)
with the contribution of the [ETC Market Intelligence Group]

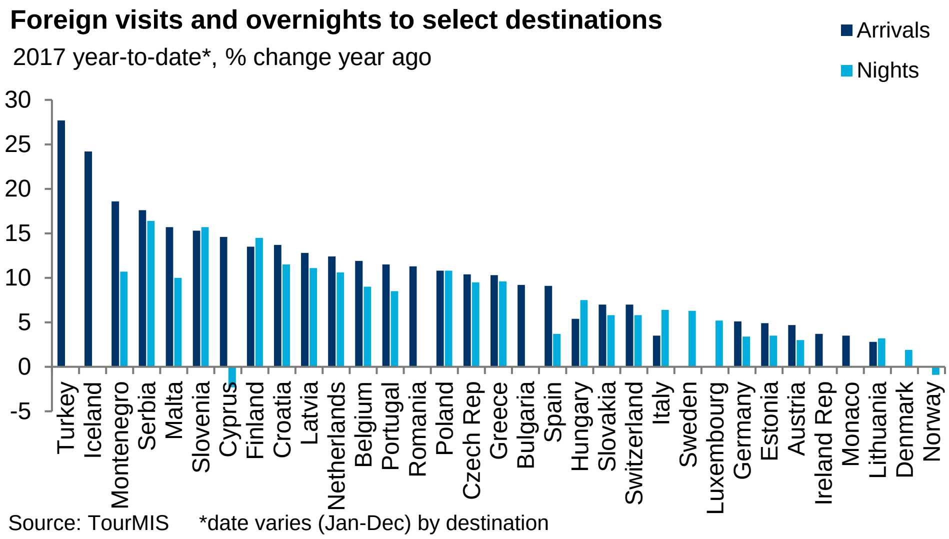
1. TOURISM PERFORMANCE SUMMARY 2017

32

The number of European destinations reporting growth in 2017 to date

33 destinations have reported on tourism performance in 2017

Tourism growth in 2017 has so far been reported by all but one country according to most recent year-to-date data. Some recovery from the dip in performance in 2016 in destinations which were affected by safety concerns was notable, and travel to other destinations has also remained strong. Economic growth in major source markets, including European source markets, has improved driving some faster travel demand in many destinations. 33 countries have so far submitted some data for 2017 (3 countries have submitted full year data) of which 32 reported growth in arrivals or overnights. When the relative size of each destination is taken into account growth in 2017 to date was approximately twice as fast as growth in 2016. Norway has been the only reporting European destinations to record declining arrivals in 2017 and this decline is due to a drop in demand from short-haul markets.



Turkey's tourism sector has faced a difficult few years since 2014 and concerns over the state of emergency no doubt linger amongst some potential tourists. An increase in arrivals in the 12 months to November 2017 of 27.7% has done much to address the losses of the previous few years. However, the recovery remains largely driven by tourism from Russia with many other source markets (such as Germany and the UK) still awaiting a period of sustained political stability and guaranteed public safety.

Arrivals to Iceland have continued to grow impressively, up 24.2% for the year. Iceland has been the fastest growing European destination in each year since 2012, and growth is likely to only be surpassed by the rebound in Turkey in 2017. Growth has now averaged over 25% per annum over the past six years, or 230% cumulatively, and was 40% in 2016 alone. This growth should decelerate in the medium term as demand for accommodation, as well as for tourism infrastructure more generally, outstrips supply and eats away at Iceland's relative competitiveness.

A number of other countries have also grown in excess of 10% in 2017 to date following robust performance in 2016, including Montenegro, Serbia, Malta, Slovenia, and Cyprus. These destinations all enjoyed strong growth in arrivals and overnights following momentum built in 2016 and early 2017. These destinations typically have a high dependency on peak summer demand but have shown that as well as being able to reduce seasonality, growth can also be found from a broader range of source markets.

Finland has enjoyed strong growth from a range of source markets, but there have been especially large increases in Chinese and Indian arrivals based on data to November compared to the same period in 2016. A similarly large influx in Chinese visitors was also reported in Estonia (arrivals growth from India is not reported) and from India to Sweden. These and other Baltic destinations may be benefiting from an increase in tours from long-haul markets, and these tours could be cruise related.

Portugal and Spain have also continued to grow as destinations in 2017 with arrivals up by more than 11.5% and 9.1% respectively according to year-to-date data. This follows a year of notable growth in 2016 when these destinations seemingly benefitted from some displaced travel from Turkey. Continued growth to these large European destinations highlights the fact that current performance is not just a rebound from a softer 2016. Demand continued to grow from key source markets, including intra-European demand. Spain has remained an attractive destination and has increased market share, but initial reports suggest that the political tensions in Catalonia are beginning to deter some visitors in late 2017 with reported declines in arrivals in October and November compared to 2016. These declines contrast starkly to performance for the rest of 2017, and since Catalonia accounts for almost one-fifth of all foreign visits to Spain this impact is significant.

However, Portugal and Spain also highlight a trend of faster growth in arrivals than in overnights as some shorter trips are now being taken. Current growth may be fuelled by a greater number of short trips being taken each year. This may include short business trips as economic growth has become more broad-based; and a growing number of short leisure trips (including weekend travel) in addition to main annual vacations.

Growth to the UK of 8% was also notable based on data to September. This influx in foreign visitors will have been aided by the relative affordability of the UK as a destination following the fall in the value of the pound as a result of the announcement of *Brexit*. By contrast, travel growth to Ireland was slower than it has been in recent years and may be due to some substitution effect as travellers opt for the relatively cheaper UK.

Terrorism attacks in London earlier in the year have not apparently deterred any large numbers of potential visitors to Europe. France and Belgium also grew as destinations. Travel to these destinations from European source markets recovered while some long-haul, especially emerging, markets remained subdued.

Tourism Performance, 2017 Year-to-Date

	International Arrivals		International Nights	
Country	% ytd	to month	% ytd	to month
Austria	4.7	Jan-Dec	3.0	Jan-Dec
Belgium	11.9	Jan-Sep	9.0	Jan-Sep
Bulgaria	9.2	Jan-Nov		
Croatia	13.7	Jan-Dec	11.5	Jan-Dec
Cyprus	14.6	Jan-Dec	-2.3	Jan-Sep
Czech Rep	10.4	Jan-Sep	9.5	Jan-Sep
Denmark			1.9	Jan-Nov
Estonia	4.9	Jan-Nov	3.5	Jan-Nov
Finland	13.5	Jan-Nov	14.5	Jan-Nov
Germany	5.0	Jan-Nov	3.5	Jan-Nov
Greece	10.3	Jan-Sep	9.6	Jan-Sep
Hungary	5.4	Jan-Nov	7.5	Jan-Nov
Iceland	24.2	Jan-Dec		
Ireland Rep	3.7	Jan-Nov		
Italy	3.5	Jan-Sep	6.4	Jan-Sep
Latvia	12.8	Jan-Jun	11.1	Jan-Jun
Lithuania	2.8	Jan-Sep	3.2	Jan-Sep
Luxembourg			5.2	Jan-Oct
Malta	15.7	Jan-Nov	10.0	Jan-Nov
Monaco	3.5	Jan-Sep		
Montenegro	18.6	Jan-Nov	10.7	Jan-Nov
Netherlands	12.4	Jan-Oct	10.6	Jan-Oct
Norway			-0.9	Jan-Nov
Poland	10.8	Jan-Nov	10.8	Jan-Nov
Portugal	11.5	Jan-Oct	8.5	Jan-Oct
Romania	11.3	Jan-Nov		
Serbia	17.6	Jan-Nov	16.4	Jan-Nov
Slovakia	7.0	Jan-Oct	5.8	Jan-Oct
Slovenia	15.3	Jan-Nov	15.7	Jan-Nov
Spain	9.1	Jan-Nov	3.7	Jan-Dec
Sweden			6.3	Jan-Nov
Switzerland	7.0	Jan-Nov	5.8	Jan-Nov
Turkey	27.7	Jan-Nov		
UK		Jan-Sep		

Source: TourMIS, http://www.tourmis.info; available data as of 1.2.2018
Measures used for nights and arrivals vary by country
See TourMIS for further data including absolute values

2. 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**				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
data/estimate/forecast ***	d	d	e	f	f	d	d	e	f	f
World	**4.3%**	**3.5%**	**7.0%**	**4.9%**	**4.0%**	**4.1%**	**4.3%**	**7.1%**	**4.6%**	**4.0%**
Americas	**6.0%**	**3.7%**	**3.2%**	**4.7%**	**4.5%**	**5.2%**	**4.3%**	**5.9%**	**4.5%**	**3.5%**
North America	5.5%	2.4%	2.0%	3.7%	4.1%	4.5%	3.6%	6.0%	4.3%	3.5%
Caribbean	8.1%	4.9%	3.4%	5.3%	3.8%	15.7%	9.1%	11.0%	6.3%	5.5%
Central & South America	6.4%	7.0%	6.4%	7.2%	6.0%	7.0%	6.7%	4.9%	4.8%	3.5%
Europe	**4.6%**	**1.9%**	**8.6%**	**4.3%**	**2.7%**	**2.3%**	**3.3%**	**8.1%**	**4.1%**	**3.4%**
ETC+4	4.9%	2.1%	8.9%	4.2%	2.5%	4.1%	4.3%	6.1%	4.0%	3.3%
EU	5.3%	4.5%	7.9%	3.8%	2.5%	3.9%	4.6%	6.2%	4.0%	3.2%
Non-EU	1.9%	-8.2%	11.5%	6.3%	3.6%	-3.8%	-1.6%	16.0%	4.4%	3.9%
Northern	6.3%	6.9%	6.2%	3.5%	2.3%	7.6%	6.0%	4.6%	3.5%	3.2%
Western	3.4%	-0.9%	6.7%	3.6%	2.3%	0.0%	2.5%	5.6%	4.0%	3.4%
Southern/Mediterranean	4.9%	1.2%	12.4%	5.2%	2.8%	8.6%	4.8%	8.9%	5.8%	3.6%
Central/Eastern	5.4%	3.5%	6.0%	4.0%	3.2%	-3.3%	1.1%	17.0%	3.5%	3.1%
- Central & Baltic	*8.2%*	*8.1%*	*6.5%*	*3.0%*	*2.1%*	*6.8%*	*6.6%*	*7.9%*	*2.5%*	*2.2%*
Asia & the Pacific	**5.5%**	**8.5%**	**6.0%**	**5.8%**	**5.6%**	**7.5%**	**6.6%**	**6.3%**	**5.5%**	**5.6%**
North East	4.3%	8.6%	3.3%	5.0%	5.5%	8.4%	6.0%	7.2%	5.8%	5.7%
South East	7.8%	8.1%	8.4%	6.2%	5.7%	5.0%	8.1%	3.6%	5.6%	5.9%
South	1.5%	10.3%	14.0%	9.7%	6.6%	9.5%	8.8%	5.6%	3.1%	5.0%
Oceania	7.2%	9.0%	6.2%	5.2%	3.9%	3.9%	6.2%	6.4%	5.1%	3.6%
Africa	**-5.0%**	**-0.8%**	**11.5%**	**8.7%**	**6.3%**	**4.2%**	**13.4%**	**5.2%**	**6.5%**	**4.7%**
Mid East	**2.5%**	**1.2%**	**3.5%**	**3.2%**	**4.3%**	**1.0%**	**-6.3%**	**8.5%**	**2.8%**	**3.1%**

* 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

The geographies of Europe are defined as follows:

Northern Europe is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;

Western Europe is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;

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

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

Central & Baltic Europe *is Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia;*

ETC+4 is all ETC members plus France, the Netherlands, Sweden, and the United Kingdom

Source: Tourism Economics

3. RECENT INDUSTRY PERFORMANCE

INDUSTRY PERFORMANCE REMAINS STRONG

- Passenger growth in 2017 has improved from the solid performance seen in 2016.
- Asian travel to Europe has been recovering following some safety concerns.
- Concerns that the collapse of Monarch Airlines and scheduling problems at Ryanair would weigh on growth appear to have been exaggerated.
- Hotel occupancy has continued to rise in early 2017 in most European countries and across all European regions. Hoteliers have raised ADR in most destinations in response to the high occupancy and confidence.

3.1 AIR TRANSPORT

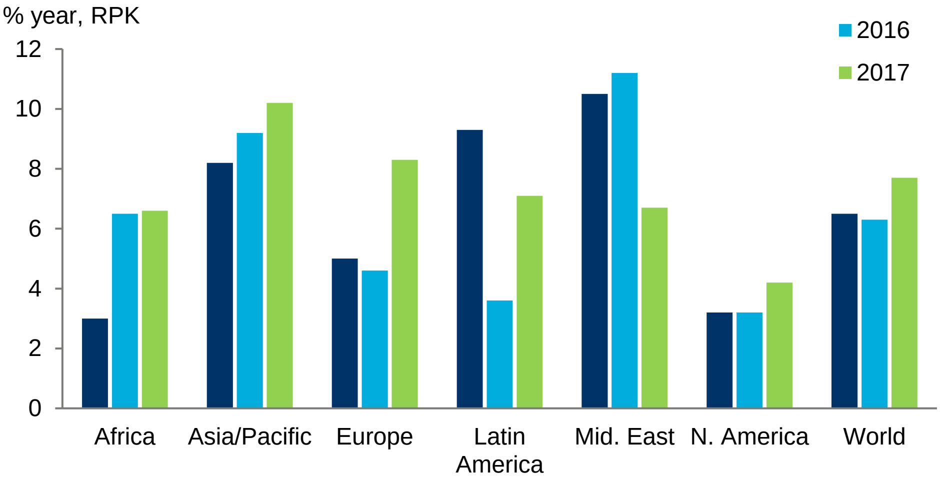
7.7%

The rate of World RPK growth in 2017 to date

YTD growth based on data to November

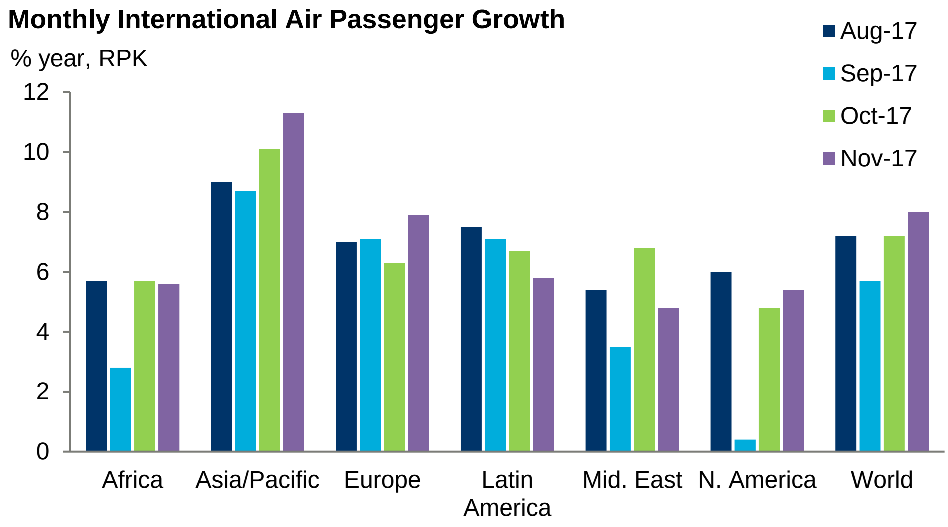
Global air transport, measured in Revenue Passenger Kilometres (RPKs), grew by 7.7% this year to date compared to the same period in 2016. This is comfortably above the average annual growth rate of the past 10 years of 5.2%. This higher demand was helped by broad-based growth in global economic conditions while the degree of stimulus to demand from lower airfares has eased.

Annual International Air Passenger Growth



Source: IATA

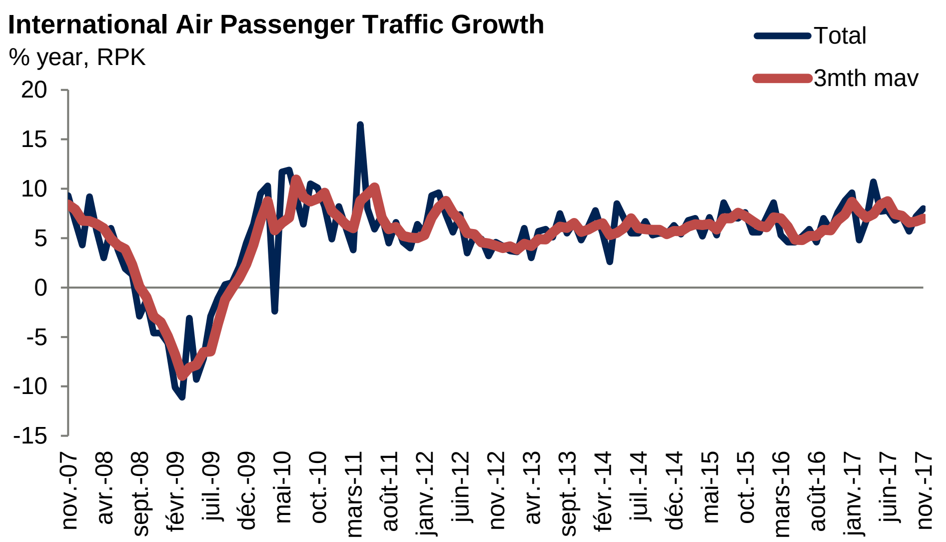
Year-to-date RPK growth was strongest in Asia/Pacific based on data to November as air passenger demand to, from, and within the region grew by 10.2%. 2017 looks set to be the fastest growth year of the past decade, exceeding even the recession rebound in 2010. New capacity, including on European routes, will continue to facilitate Asian growth, with large capacity growth evident for Indian and Chinese airlines.



Source: IATA

The Middle East is now among the slowest growing regions in terms of RPK growth in 2017, second only to North America for the year to date. This follows some notably high growth in recent years. A combination of factors has weighed on recent Middle East growth from terrorist attacks in Europe to immigration and security concerns in the US.

The ongoing blockade of Qatar by a number neighbouring countries, including three out of the five other GCC countries (only Kuwait and Oman have maintained the *status quo*) since June has also had a clear impact on RPK growth. The blockade has resulted in significant restrictions on Qatar's (and its flag carrier Qatar Airways') use of airspace.



Source: IATA

In Africa RPKs grew by 6.6% in 2017 based on data to November, demonstrating considerable slowing in recent months. It follows a recovery in the trend on the key markets to and from Europe. Conditions in the region's two largest economies are improving. Business confidence in Nigeria has risen fairly consistently since the end of 2016 and is now in positive territory, boosting travel. South Africa remains more fragile but OE forecasts for GDP growth have been revised upwards on the back of a more market-oriented economy and reduced corruption.

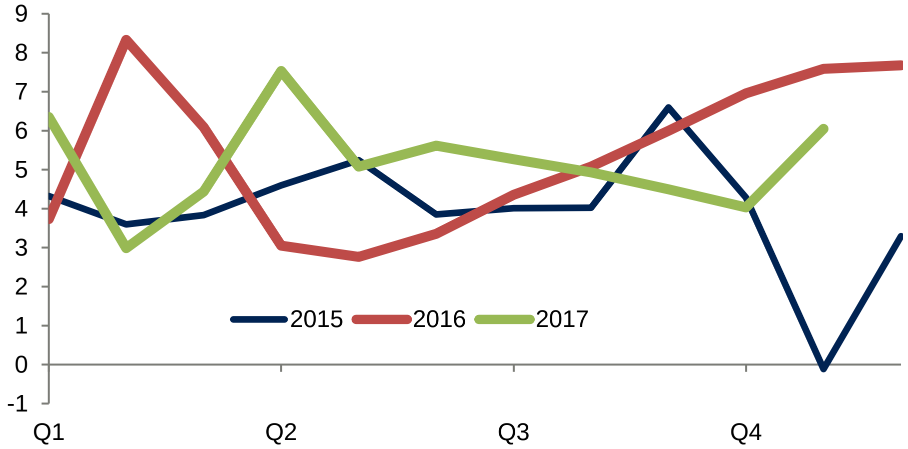
In Latin America, year-to-date RPK growth was 7.1%. Fragility in Argentina, Brazil and outright recession in Venezuela continue to offset demand growth elsewhere in the region and air demand is likely to remain sluggish throughout the remainder of 2017.

North American traffic grew by 4.2% in the first eleven months of the year: a modest improvement from growth earlier in the year and looking like the best out-turn over the past six years. Nevertheless, after strong growth in August, September growth was especially weak, largely on account of hurricane impacts.

In Europe, RPK growth was 8.3% in the first eleven months of 2017. Data for November was especially strong in spite of the month being characterised by a number of major disruptions in Europe. 2017 saw three relatively high-profile airline failures in Monarch, Air Berlin and Alitalia as the continued expansion of low cost airlines in the region and lower fuel prices have contributed to an increase in competition. Both Alitalia and Air Berlin were affected by Etihad pulling the plug on funding.

Aviation capacity within Europe has continued to rise throughout 2017 at rates comparable to prior years. There is little evidence that the collapse of Monarch and the cancellations of a number of Ryanair flights within Europe have had a major impact on capacity with the percentage change on one year ago not far beneath the comparable period for 2016.

European Airlines Capacity
ASK, monthly average, % change year ago



Source: IATA

Airline load factors are higher in 2017 than in previous years having eased throughout 2016. Load factors have peaked at 88.5% so far in 2017 – an all-time high value for European airlines.

Overall, Europe is seeing a strong economic recovery in the air travel sector. In the west of Europe there appears to be a major rebound from the terrorism events of 2016, accompanied by consolidation following the collapse of some airlines. Passenger load factors have been generally higher than in previous years and sometimes at record levels. Strong Trans-Atlantic demand has also continued to be supportive of European growth in the second half of 2017 and this seems set to continue into 2018. However, 2018 will be characterised by a weaker US dollar and a stronger euro than in recent years. This will make much of Europe a more expensive destination for US travellers and will ultimately result in some slower travel growth.

88.5%

Peak of European airline passenger load factor in 2017 to date

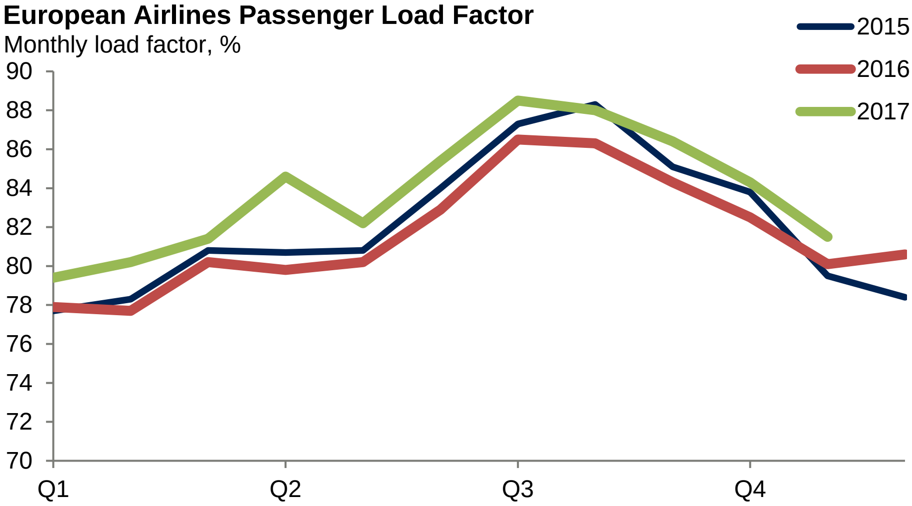
Based on data to November

In the east of Europe there is also a rebound in air travel from the Russian source market but this may benefit some other destinations more. For example, Turkey might potentially lose some of its Russian market to Egypt, following resumption of flights to that destination.

One of the major downside risks continues to be the lack of regulatory clarity surrounding operating licences and Brexit. Recent months have seen some low cost airlines setting up either UK or EU subsidiaries so that they can continue to operate in both the UK and the EU after the Open Skies agreement ceases to apply to the UK. A further downside risk must also be any resumption of terrorism events in Europe.

European Airlines Passenger Load Factor

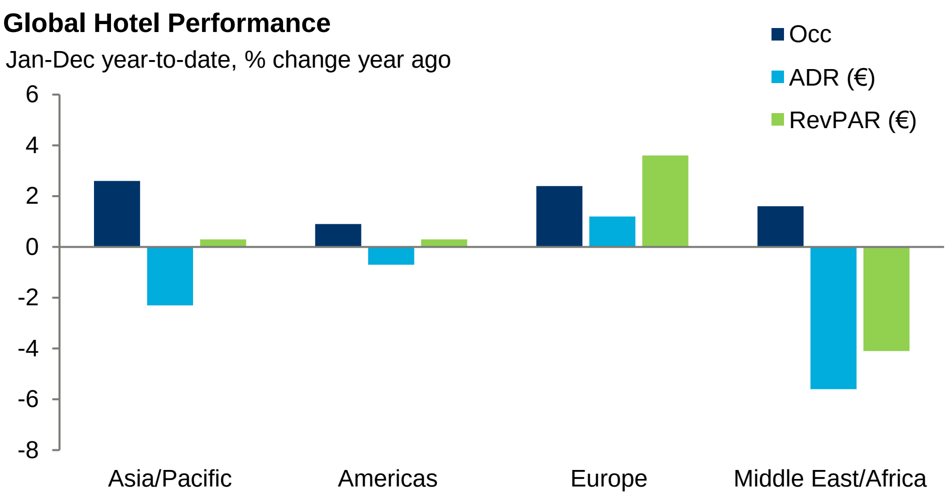
Monthly load factor, %



Source: IATA

3.2 ACCOMMODATION

Global accommodation performance improved in 2017 based on data covering the full year. Revenue per available room (RevPAR) was higher than in 2016 in all regions except the Middle East/Africa – where it fell by 4.1%.



Source: STR

In Asia/Pacific higher occupancy was enough to more than offset lower average daily rates (ADR), and RevPAR was 0.3% higher during 2017 when compared to last year. This overall result was driven largely by performance in Central and South Asia (where growth in RevPAR was 2.2%) as well as in Australia and Oceania (where it was 3.7%). In contrast, in North Eastern Asia RevPAR actually declined (although occupancy increased), related to ongoing tensions on the Korean peninsula. Chinese travel to Korea is notably down in 2017. Destinations beyond the immediate region appear to be benefitting from some displaced travel.

2.4%

Occupancy growth across Europe in 2017

Based on full year data

Europe was the top performing region as a whole by quite some margin. Occupancy growth slowed to 2.4% across the region but European hotels have been able to raise ADR by 1.2% over 2017 (leading to RevPAR growth of 3.6%). This is a clear indicator of hotel and travel demand within the region as well as high confidence within the industry. Occupancy performance lags the international arrivals growth due to some offsetting growth in supply and a further drag from domestic demand in some countries.

Hotel Performance 2017, Year-to-Date (Jan-Dec)

	Occupancy		ADR*		RevPAR*	
Country	% change year ago	YTD level (%)	% change year ago	YTD level (euro)	% change year ago	YTD level (euro)
Austria	1.5	74.2	1.2	100.2	2.7	74.3
Belgium	10.9	70.5	3.0	102.3	14.3	72.2
Bulgaria	3.2	64.0	8.9	73.4	12.4	47.0
Croatia	13.2	62.2	1.7	135.9	15.1	84.6
Czech Republic	4.0	74.9	4.3	81.7	8.4	61.2
Finland	4.2	66.0	5.8	103.5	10.3	68.3
France	5.0	66.6	-10.8	118.2	-6.3	78.7
Germany	0.9	71.3	2.0	101.5	3.0	72.3
Greece	4.8	72.3	7.0	119.7	12.2	86.5
Hungary	3.0	77.0	11.2	82.4	14.5	63.5
Ireland	1.8	78.3	6.6	126.0	8.5	98.6
Israel	4.6	70.1	-0.9	185.3	3.6	129.8
Italy	4.0	68.5	4.1	142.9	8.3	97.9
Latvia	1.6	66.9	6.0	68.2	7.8	45.7
Lithuania	3.3	67.2	6.4	60.9	10.0	40.9
Malta	2.3	75.6	11.8	138.4	14.3	104.6
Netherlands	3.9	74.3	5.3	117.9	9.4	87.6
Poland	1.5	72.3	5.1	67.2	6.6	48.6
Portugal	2.6	70.4	13.2	110.4	16.1	77.7
Romania	2.4	69.1	6.6	71.4	9.2	49.3
Russia	4.6	60.8	3.7	78.7	8.4	47.8
Slovakia	3.3	66.9	0.7	65.0	4.1	43.5
Spain	0.7	74.6	8.0	114.4	8.8	85.3
Switzerland	2.7	66.1	-0.7	192.8	2.0	127.5
Turkey	18.0	60.2	9.2	66.8	28.9	40.2
United Kingdom	0.5	77.4	3.6	105.2	4.1	81.5

Source: STR

*ADR and RevPAR in local currency

Note: Includes all European markets for which STR collect data with a sufficient sample for reporting

4. SPECIAL FEATURE: 2018 GROWTH PROSPECTS

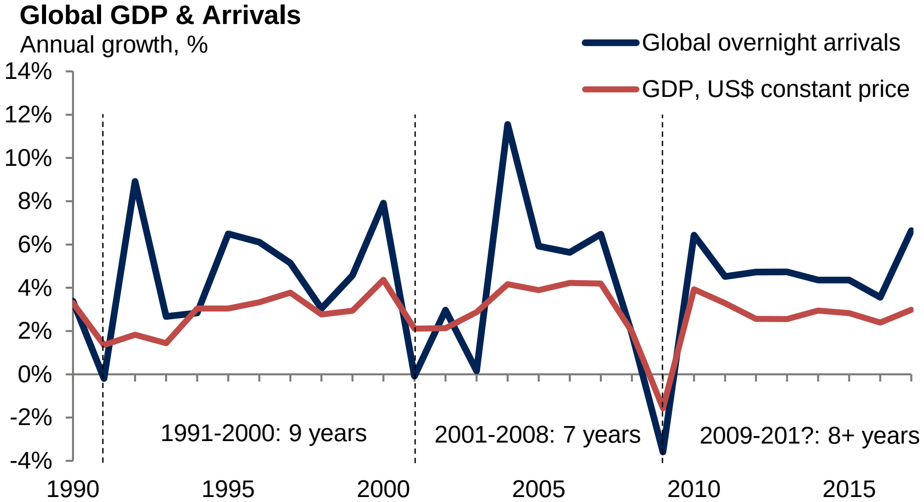
EIGHT YEARS OF GLOBAL TOURISM GROWTH

Global tourism demand grew for the eighth consecutive year in 2017, with rising travel to European destinations in each of these years. This is longer than the previous growth period from 2001-08, and comes close to the period of expansion in 1991-2000.

Travel growth will continue into 2018 as economic drivers will remain supportive

Further growth is expected in 2018 and the current upturn will not simply die of old age, but growth rates may well moderate. Economic growth is expected to continue into 2018 for most source markets and will fuel further travel demand. However, the growth premium of travel over economic growth is likely to moderate as some beneficial pricing effects fade.

Global GDP & Arrivals



Source: Tourism Economics

EUROPEAN GROWTH WAS EXCEPTIONALLY STRONG IN 2017

European travel growth was particularly strong in 2017, partly helped by the synchronised global economic upturn, but also including a rebound from weaker demand in 2016. European demand growth was stronger than for all other global destinations.

Short-haul travel made a significant contribution to this growth, offsetting the weaker 2016, but also benefitting from the booming Eurozone economy. Economic growth strengthened throughout 2017 and became more broad-based, including expansion in investment with momentum set to continue into 2018.

2017 rebound was most evident for long-haul markets. 2018 growth will slow but underlying trends remain robust

Demand from long-haul source markets was particularly strong in 2017 having been most affected in 2016 by security concerns. 2017 performance involves a significant rebound more than offsetting any prior weakness. The share of European arrivals from long-haul markets rose again to reach new highs. Over a quarter of European arrivals are now from long-haul source markets, up from a low of just 16% in 2003. By itself, growth from long-haul markets would have been sufficient to generate almost 4% arrivals growth for European destinations.

PRICING HEADWINDS PICK UP

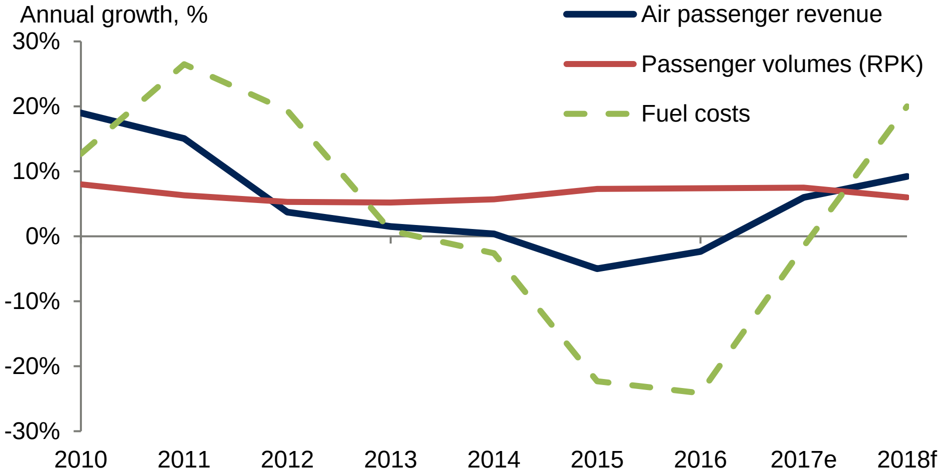
Low prices have supported travel growth in recent years but this trend is starting to reverse

Tourism growth in recent years has benefited from some lower prices, which have inflated the premium over economic drivers. This included some increased affordability from exchange rate movements, and notably against the US dollar. The euro is expected to appreciate further in 2018, continuing the trend which became evident in 2017, and impacts will become felt on travel following usual lag periods.

Average air fares fell in recent years, but the decline was seemingly arrested last year. Fares have not yet risen significantly, but higher fuel prices and load factors will generate upward pressure. Oil prices increased in 2017 and are apparently feeding through into transport costs. The difference between air passenger revenue and passenger growth reported by IATA (in the chart below) is essentially air fares, which fell each year 2012-17. But the fall in 2017 was minimal as revenue growth only moderately lagged passenger growth. This came as load factors continued to rise while fuel costs also began to edge up. There are some suggestions that fares actually began to rise in the second half of 2017.

Airline Industry Performance

Annual growth, %



Source: IATA

Hotel rates and air fares are rising as capacity constraints start to bite, while input costs are rising

Hotel rates are also rising across European destinations as ADR is becoming more important as a driver of revenue and RevPAR growth. Hotels are more confident in raising prices without fear of deterring demand which was an apparent concern in earlier years. This comes as occupancy rates have continued to rise and capacity constraints may become apparent.

Higher air fares and hotel rates will therefore take a larger share of available travel budgets and will act as a drag on future demand growth. This reverses the trend of recent years in which travel costs have either fallen or increased by less than wider prices, promoting additional travel. Higher costs will increase spending per trip placing pressure on travel budgets. Some travel may be deterred while some shorter durations may also be taken to keep costs stable.

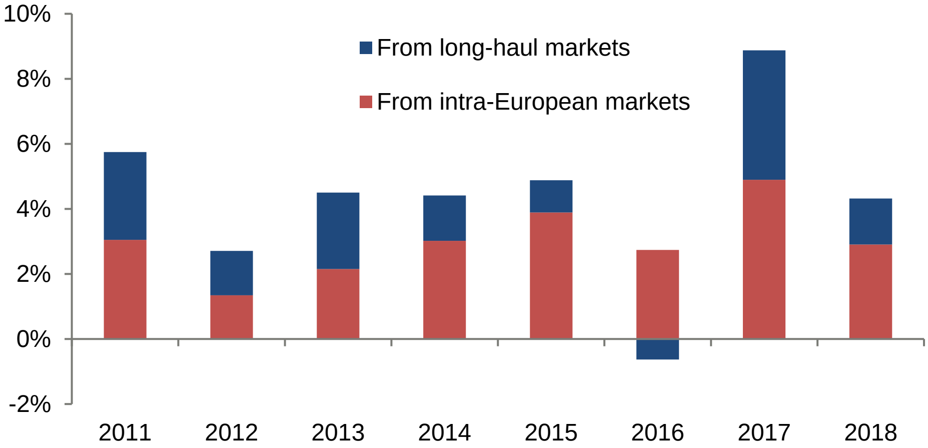
GROWTH TO CONTINUE INTO 2018

Growth will remain robust in 2018, but will slow compared to stellar 2017 performance

Overall, a continuation of travel growth is expected for European destinations into 2018. The increase in economic demand and wealth will be enough to offset any rising costs. But the premium of travel over economic growth will slow. Both long-haul and short-haul markets are set to slow from the stellar growth of 2017.

European Tourism Demand by Origin

% year, contribution to growth



Source: Tourism Economics

Key trends for travel to Europe from major source markets:

- The **Eurozone** economic boom will continue into 2018 supporting continued travel growth. Cost increases will deter some travel within the region, while the stronger euro will also make long-haul outbound travel more affordable and some substitution away from European trips is expected.
- **UK** outbound demand remained robust throughout 2017 despite weaker sterling and more moderate economic performance. But some lagged effects of exchange rate movements are expected and, coupled with higher costs, a slowdown in travel growth is anticipated for 2018.
- **Russia** is set to be one of the fastest growing source markets again as oil prices have edged up, the rouble has seemingly stabilised, and economic growth will continue allowing activity to return to pre-recession values. Outbound travel continues to rebound from 2016 lows, but will not immediately return to previous peak levels.
- **US** travel growth will slow moderately as some faster economic drivers will be offset by the weaker dollar and rising costs for transatlantic travel.
- Arrivals growth from **China** will remain strong and roughly consistent with the average growth over the past two years (albeit slower than the exceptional growth recorded in 2017). This is despite the more moderate economic growth in China, and the rising costs. The number of middle class households and the travel class will continue to rise in China and it should remain one of the fastest long-haul markets for travel to Europe in the EU-China Tourism year.

5. KEY SOURCE MARKET PERFORMANCE

GROWTH REMAINED STRONG THROUGHOUT 2017

- European travel demand continues to grow across the majority of destinations and from a range of source markets.
- Intra-European travel remains crucial for future growth.
- Long-haul demand grew strongly once again in 2017 after weaker performance in 2016.

Trends discussed in this section in some cases relate to all 12 months of the year although actual coverage varies by destination. For the majority of countries 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.

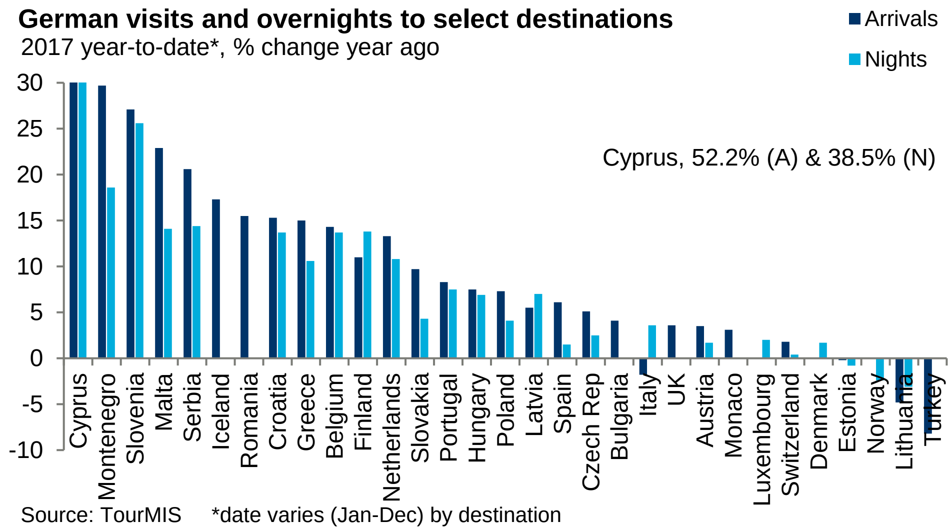
5.1 KEY INTRA-EUROPEAN MARKETS

27

out of 31 destinations reported arrivals growth from Germany pointing to continued intra-regional growth in 2017

The majority of reporting European destinations experienced strong growth in travel from Germany. Cyprus reported the largest influx in German arrivals based on full year data for 2017, 52.2% higher than in 2016. Overnights by Germans in Cyprus were also significantly higher. However, overnights growth is based on data to October only. An increasing number of German arrivals and overnights was also reported in a number of southeast European destinations including Montenegro, Slovenia, and Serbia, helped by improved air connectivity to the region. The traditionally large destination markets of Spain and Italy reported declining arrivals and overnights respectively. However, Spain's decline in arrivals was offset by overnights growth and Italy's decline in overnights was offset by arrivals growth. Arrivals to Turkey fell 8.2% in 2017 to date; a significant drop given that Germany is its largest source market.

German visits and overnights to select destinations
2017 year-to-date*, % change year ago

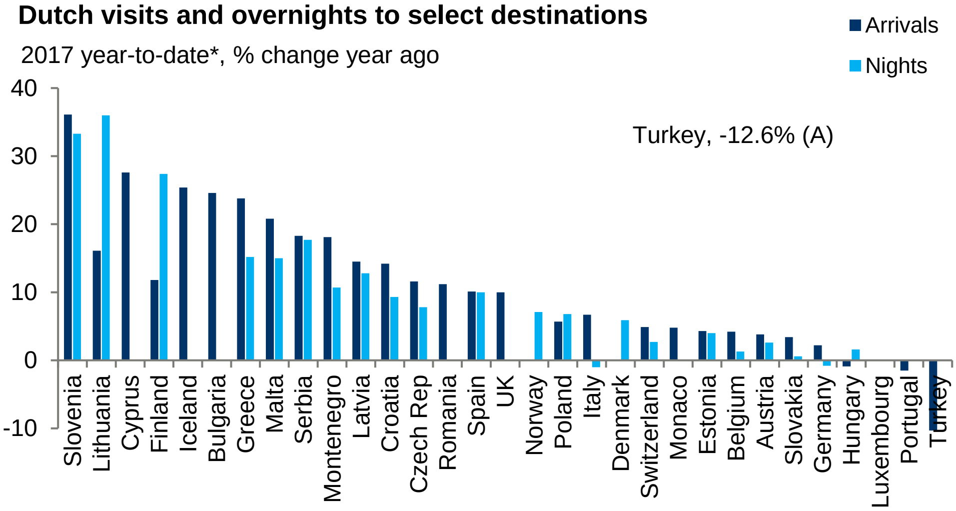


Source: TourMIS *date varies (Jan-Dec) by destination

Some less traditional destinations have enjoyed some sizeable growth from the Netherlands in 2017. Slovenia reported a significant rise in the number of Dutch visitors it welcomed, with 36.1% and 33.3% more arrivals and overnights based on data to November compared to the same period in 2016. Growth to Lithuania has moderated compared to exceptional growth reported earlier in the year, but remains strong with arrivals up by 16.1% and overnights by 36% based on data to September. This growth has been partly facilitated by new air routes to Kaunas.

Dutch visits and overnights to select destinations

2017 year-to-date*, % change year ago

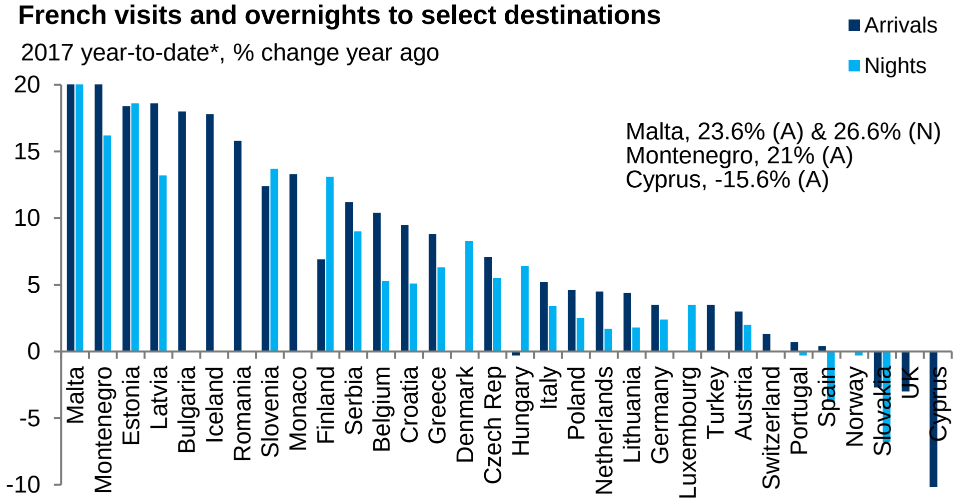


Source: TourMIS *date varies (Jan-Dec) by destination

Any lingering disruption from terrorist attacks is not affecting France as a source market as travel behaviour appears to have normalised. Malta has reported the largest increase in French arrivals and overnights so far in 2017, 23.6% and 26.6% higher compared to the same period in 2016. Cyprus reported a decline in French arrivals based on full year data for 2017 despite having experienced arrivals growth in excess of 50% based on early 2017 data.

French visits and overnights to select destinations

2017 year-to-date*, % change year ago

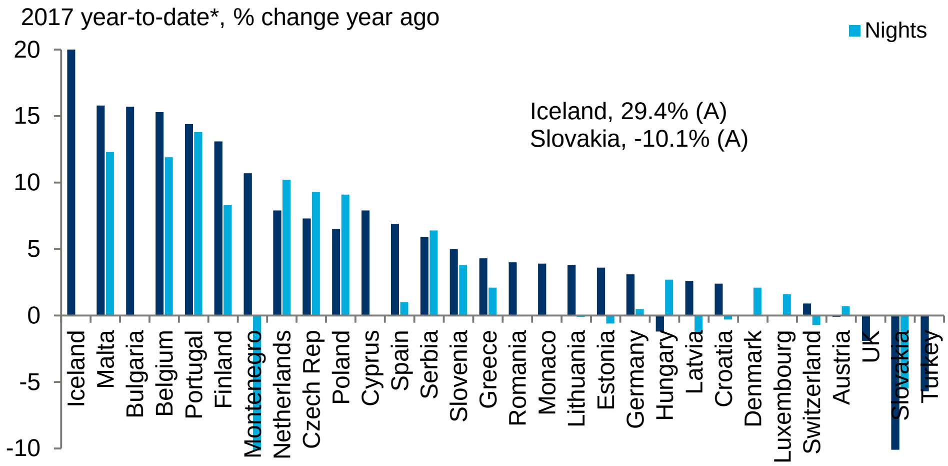


Source: TourMIS *date varies (Jan-Dec) by destination

Conversely, Switzerland, which had reported a decline in both French arrivals and overnights earlier in the year, is now reporting some arrivals growth, albeit marginal. French travel to the UK reportedly fell during 2017 according to data to September, despite the continued weak sterling and improved affordability, hinting that some ill sentiment stemming from Brexit might be a factor.

Iceland remains the top growth destination for Italian travellers according to data for 2017 as a whole, albeit based on some relatively small volumes. A varied array of other destinations have also reported significant growth from Italy including Malta, Bulgaria, Belgium, Portugal, Finland, and Montenegro. Turkey, the UK, and Slovakia all reported significant declines from Italy. Arrivals to the UK from Italy have fallen by 1.9% based on data to September, representing an improvement on growth earlier in the year; data to June had shown arrivals from Italy to be as much as 13% lower compared to the same period in 2016, suggesting that the weaker pound facilitated some growth in the peak summer months.

Italian visits and overnights to select destinations



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

25

out of 32 destinations reported some form of growth from the UK – positive given the weakness of the pound.

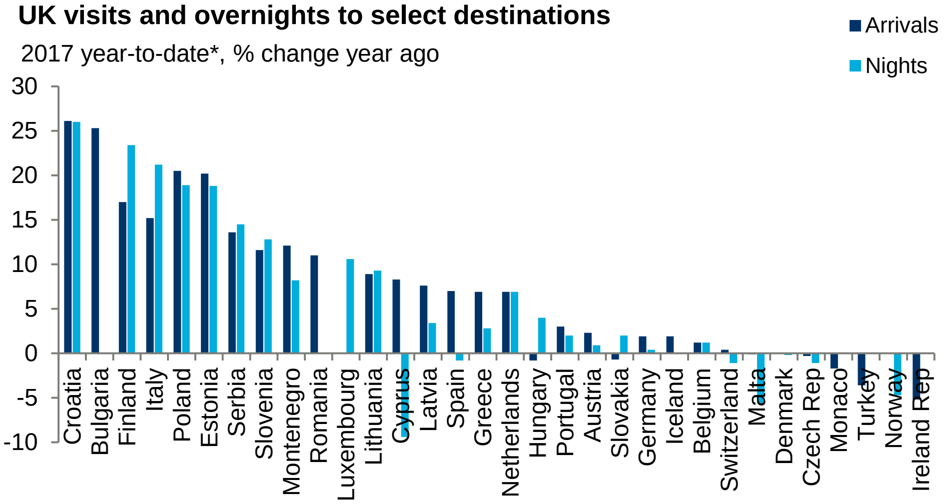
25 out of 32 reporting destinations have reported growth from the UK based on available data for 2017. Eleven destinations enjoyed either arrivals or overnights growth (or both) in excess of 10%, and six in excess of 20%. Growth from the UK has largely continued despite a weaker pound which has made international travel more expensive for the British traveller. Growth has been more evident for less traditional destinations and may involve some bargain hunting by British travellers. Travel to some more established summer destinations, such as Cyprus, Spain, and Portugal, continued but at a slower rate than in recent years. In Cyprus and Spain arrivals growth has continued at the expense of overnights which have declined compared to the same period in 2016 as Brits stretch the weaker pound by taking shorter trips than usual. The collapse of Monarch Airlines and Ryanair flight cancellations appear to have only had small impacts on travel in available data.

Croatia reported the largest arrivals and overnights growth from the UK based on full year data compared to 2016, up 26.1% and 26% respectively. The growing number of flights between UK cities and a number of Croatian destinations has played a major role in this growth.

Ireland has reported a 5.2% decline in UK arrivals based on data to November compared to a year ago. Although this represents some improvement on reported declines earlier in the year, given that UK arrivals account for roughly half of all arrivals to Ireland, this is a significant blow to Ireland's tourism economy in absolute terms.

UK visits and overnights to select destinations

2017 year-to-date*, % change year ago



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

Outbound travel from Russia has improved in line with the recovery of the rouble against the euro in the first half of the year. Year-to-date data shows that a majority of reporting destinations (all but one of 32) have reported rebounds from the lower Russian demand of the past few years.

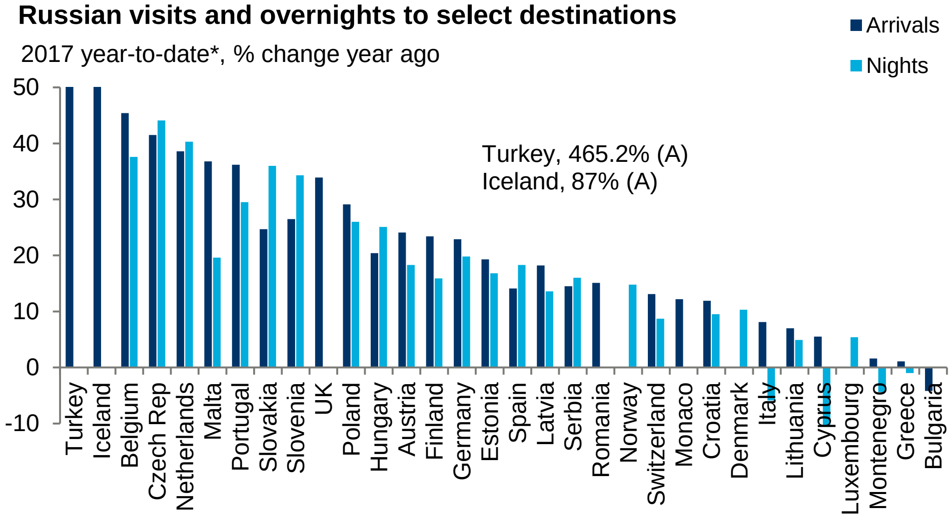
31

out of 32 destinations reported growth in arrivals or overnights from Russia.

The most notable rate of Russian growth was that of 465% to Turkey. This growth followed some mild improvement in the latter part of 2016 after Russia lifted travel restrictions on its citizens visiting Turkey. Notable efforts have been made to restore relations between the two countries including 2017's 'Turkey Festival' hosted in Moscow in June as well as the removal of trade bans. Data for Bulgaria indicate some decline in Russian arrivals this year based on data to November. However, Bulgaria was amongst a minority of growth destinations for Russian travel in 2016 and may have benefitted from some displaced travellers who are now returning to Turkey and other destinations.

Russian visits and overnights to select destinations

2017 year-to-date*, % change year ago



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

5.2 NON-EUROPEAN MARKETS

US arrivals growth across much of Europe has been sizeable so far in 2017 thanks in part to a strong US dollar, despite some softening in recent months. 29 out of 32 reporting destinations have reported growth from the US and 22 destinations reported double-digit growth in either arrivals, overnights, or both. Cyprus has usurped Iceland to become the fastest growing destination for US travellers based on full year data, up 49.8% compared to 2016.

29

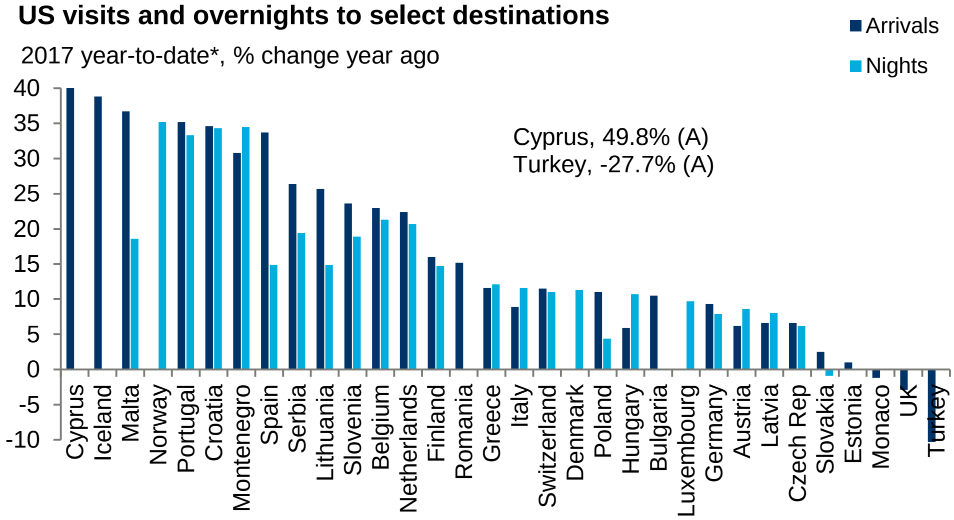
out of 32 destinations reported some form of growth from the United States

Iceland was the second fastest growth market for US arrivals; highly significant given that arrivals from the US account for around 20% of all arrivals to Iceland. Expansion continues to be aided by Iceland's role as a hub for transatlantic travel as both Europeans and North Americans have been increasingly breaking up transatlantic trips with some nights in Iceland.

Monaco, the UK, and Turkey were the only destinations which did not report US growth for 2017. Declines were most notable in Turkey (-27.7%) which has continued to see lower arrivals from the US due to a combination of political unrest and recurrent terror attacks. The recent suspension of visa services between these countries will only exacerbate these declines and further falls are likely moving into 2018.

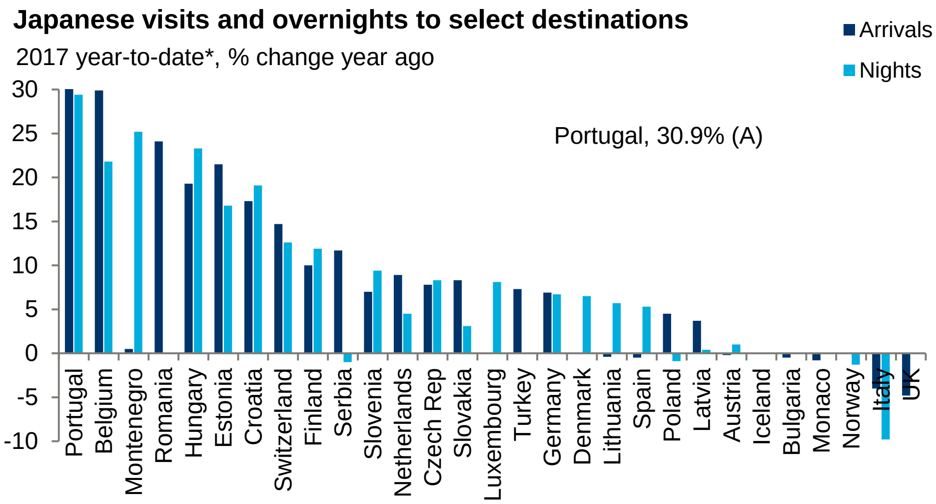
US visits and overnights to select destinations

2017 year-to-date*, % change year ago



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

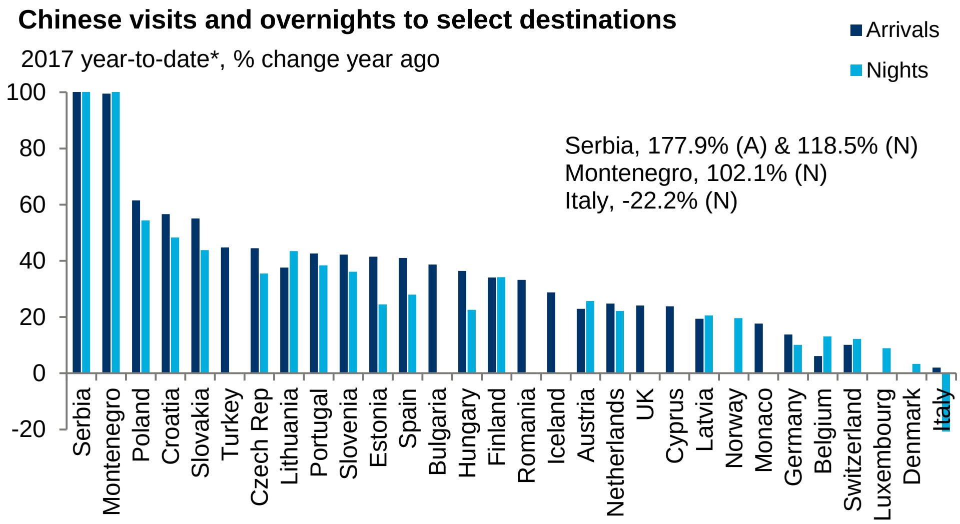
Arrivals from Japan have grown strongly in 2017 in a number of reporting destinations. 24 out of 29 destinations reported some form of growth and double-digit growth was reported in 10, albeit from relatively low bases. Arrivals and overnights growth to Portugal and Belgium (and overnights to Montenegro) has been particularly strong so far in 2017 amid some strengthening of the yen which has aided affordability for Japanese travellers. Some robust growth in travel was also reported by traditionally expensive destinations such as Switzerland, Finland, and Luxembourg. Some strong growth to the UK was reported earlier in the year with 2017 Q1 having been especially strong and potentially event-driven. However, this influx appears to have been short-lived with Japanese arrivals to September 4.8% lower compared to the same period of 2016.



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

China has been a source of strong arrivals growth for most European destinations in 2017 with every destination reporting some form of growth. Only Italy recorded any kind of contraction, with a reported 22.2% fall in nights for the year to September despite 2% growth in arrivals. Growth is on the back of improving connectivity between China and Europe and use of the Schengen visa, while comparable growth rates in neighbouring countries suggest that tour groups are still important drivers for the Chinese market.

Serbia and Montenegro were the top growth destinations based on latest available data, with reported arrivals growth of 178% and 99.5% respectively. Central and Eastern European destinations seem to be doing better in attracting increased Chinese arrivals than some of the more 'traditional' destinations in Europe, such as the UK, Germany and Switzerland. The EU-China tourism year in 2018 should support further growth.

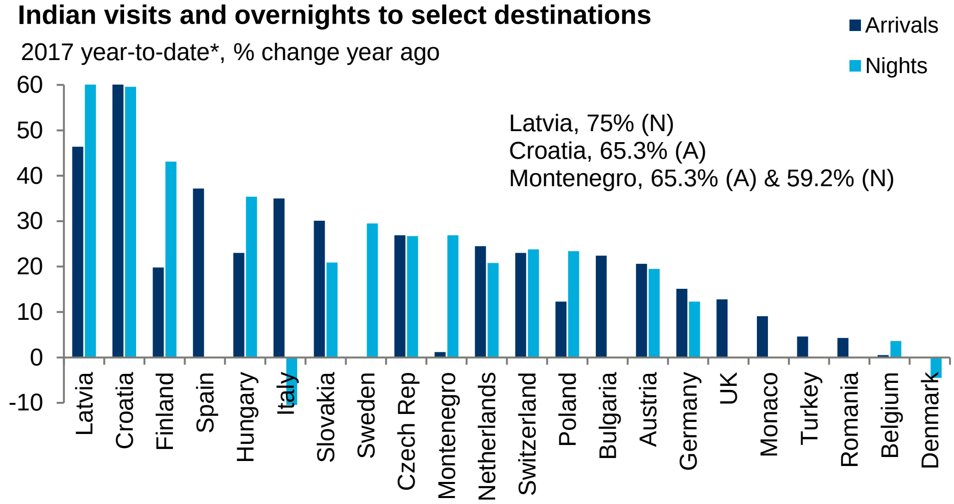


Source: TourMIS *date varies (Jan-Dec) by destination

Croatia and Latvia recorded the highest percentage growth in Indian arrivals and overnights respectively. Once again Central and Eastern European destinations exhibited large percentage growth figures. Finland also showed very strong growth in overnights from India. A strong economic backdrop in India (evident in robust GDP growth, a positive consumer spending outlook, and a rising number of middle-income households) has facilitated a phenomenal amount of outbound travel growth and will continue to do so

Indian visits and overnights to select destinations

2017 year-to-date*, % change year ago

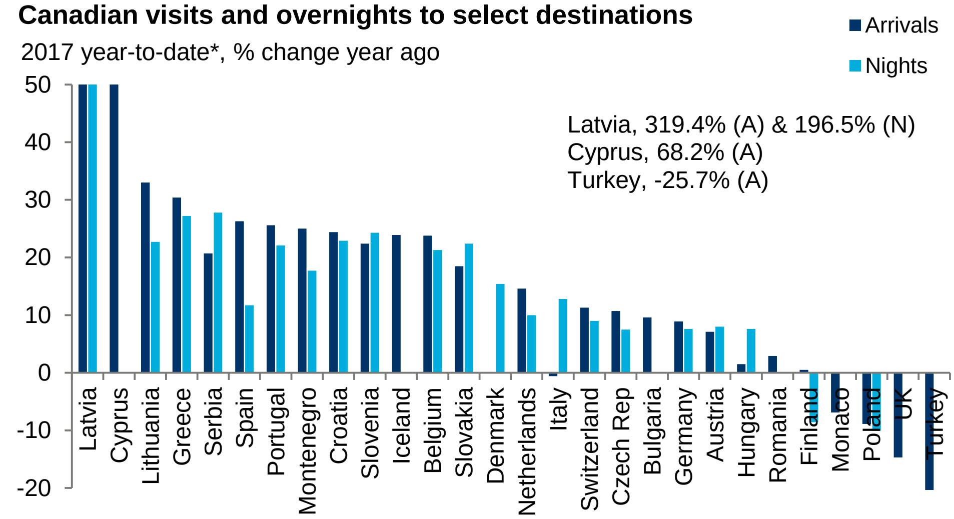


Source: TourMIS *date varies (Jan-Dec) by destination

Many destinations have reported arrivals and overnights growth from Canada so far in 2017. Travel to Latvia was particularly strong with arrivals up 319% and overnights 197%, albeit from low volumes based on data for January to June. This was also true to a lesser extent in Lithuania and these two countries may be jointly benefitting from multi-destination trips. Cyprus has also enjoyed an influx in arrivals which were 68.2% higher in 2017 compared to 2016. Travel to Iceland also remains particularly strong aided by the increase in hub traffic on transatlantic flights. Meanwhile, Turkey has been avoided as a destination, similar to the trend from the US, but this may have benefitted Greece through displaced travellers. There was a marked pickup in the number of Canadian arrivals and overnights over the summer months, following falling arrivals for earlier months of the year.

Canadian visits and overnights to select destinations

2017 year-to-date*, % change year ago



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

6. ORIGIN MARKET SHARE ANALYSIS

METHODOLOGY

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, in most cases, year-to-date estimates based on the latest available data and are not final reported numbers.

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 are 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.

The geographies of Europe are defined as follows:

Northern Europe is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;

Western Europe is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;

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

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

6.1 UNITED STATES

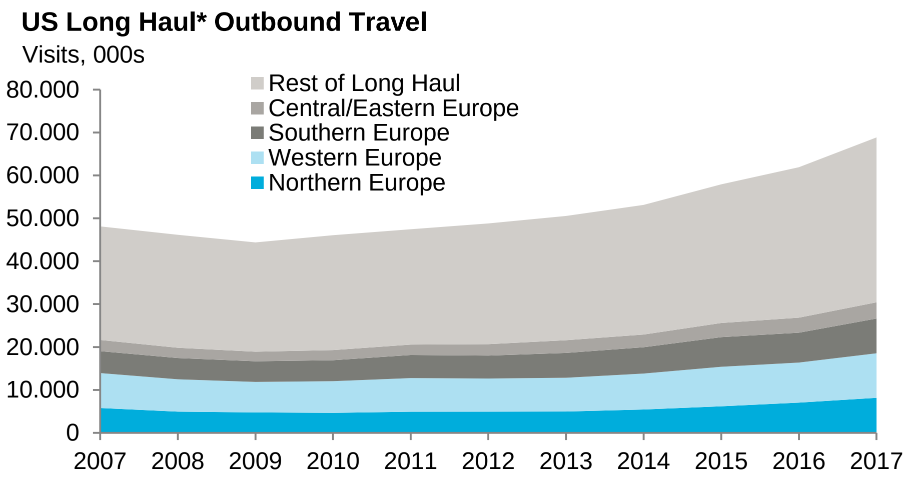
US Market Share Summary

	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	104,432	-	5.8%	32.7%	-	34.6%	-
Long haul (000s)	61,906	59.3%	6.5%	37.3%	61.3%	30.5%	61.1%
Short haul (000s)	42,526	40.7%	4.7%	26.1%	38.7%	41.0%	38.9%
Travel to Europe (000s)	26,847	25.7%	6.3%	35.6%	26.3%	30.5%	26.5%
Northern Europe (000s)	7,049	6.7%	5.6%	31.5%	6.7%	43.0%	6.4%
Western Europe (000s)	9,335	8.9%	4.7%	25.7%	8.5%	19.1%	10.1%
Southern Europe (000s)	6,960	6.7%	8.4%	49.8%	7.5%	29.4%	6.9%
Central/Eastern Europe (000s	3,504	3.4%	7.3%	42.3%	3.6%	44.4%	3.1%

*Shows cumulative change over the relevant time period indicated

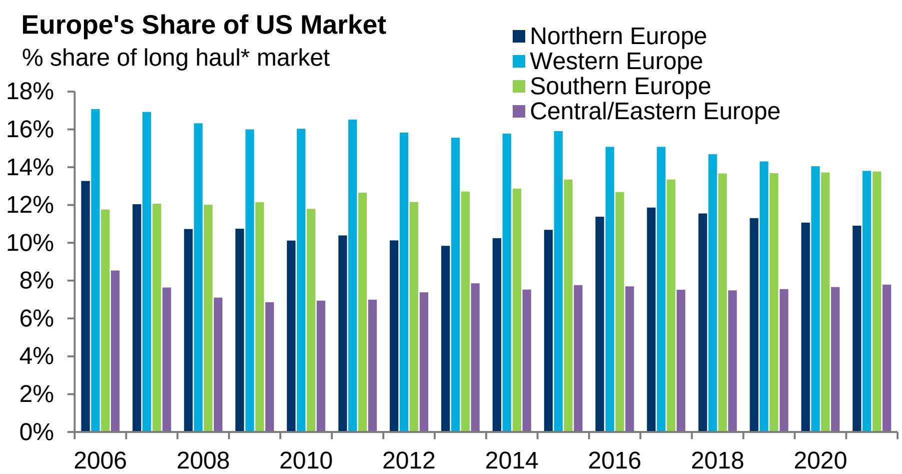
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*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

6.2 CANADA

Canada Market Share Summary

	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	33,905	-	4.2%	23.1%	-	0.5%	-
Long haul (000s)	12,857	37.9%	5.4%	29.9%	40.0%	18.8%	32.1%
Short haul (000s)	21,048	62.1%	3.5%	18.9%	60.0%	-8.1%	67.9%
Travel to Europe (000s)	5,013	14.8%	4.3%	23.5%	14.8%	21.3%	12.3%
Northern Europe (000s)	1,248	3.7%	5.9%	33.1%	4.0%	23.8%	3.0%
Western Europe (000s)	1,616	4.8%	4.8%	26.3%	4.9%	5.3%	4.5%
Southern Europe (000s)	1,855	5.5%	3.4%	18.2%	5.3%	37.5%	4.0%
Central/Eastern Europe (000s)	294	0.9%	0.1%	0.3%	0.7%	21.9%	0.7%

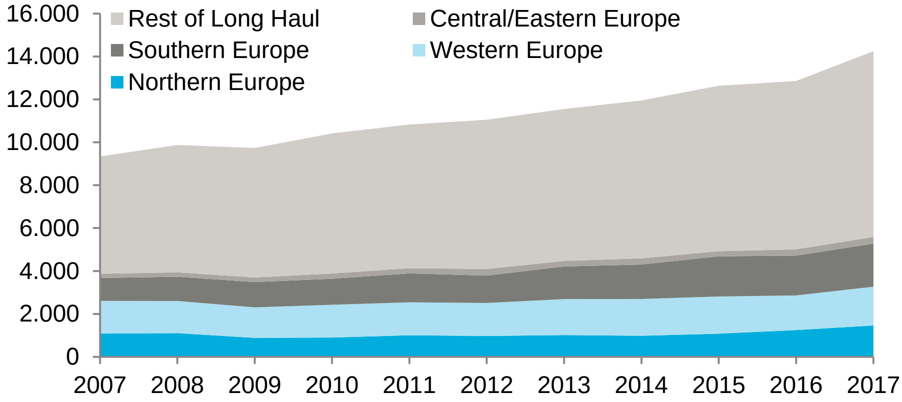
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Canada Long Haul* Outbound Travel

Visits, 000s

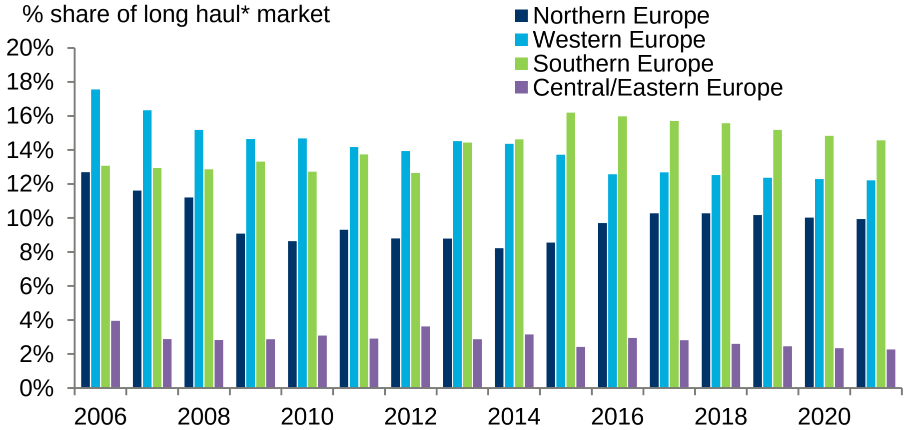


*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Europe's Share of Canadian Market

% share of long haul* market



*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

6.3 MEXICO

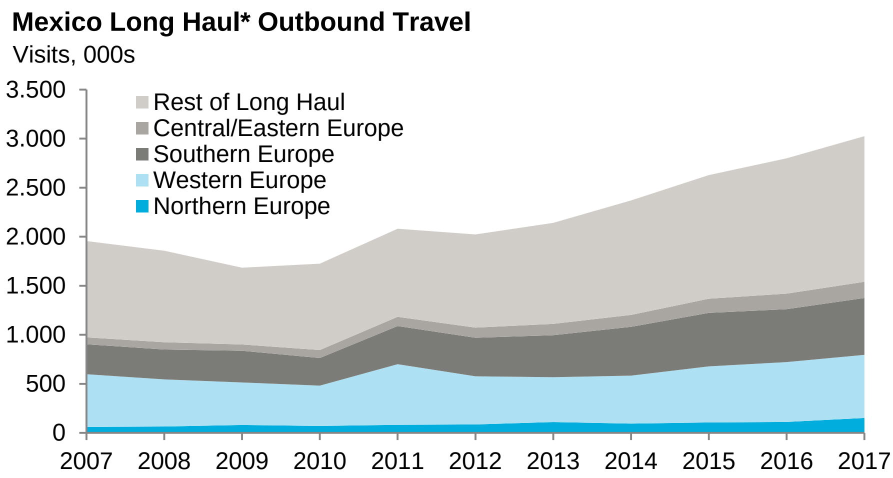
Mexico Market Share Summary

	2016	Growth (2016-21)				Growth (2011-16)	
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	21,771	-	0.9%	4.8%	-	37.7%	-
Long haul (000s)	2,799	12.9%	5.2%	28.6%	15.8%	34.5%	13.2%
Short haul (000s)	18,972	87.1%	0.3%	1.3%	84.2%	38.2%	86.8%
Travel to Europe (000s)	1,420	6.5%	3.8%	20.6%	7.5%	20.0%	7.5%
Northern Europe (000s)	112	0.5%	5.8%	32.7%	0.6%	35.5%	0.5%
Western Europe (000s)	610	2.8%	4.8%	26.3%	3.4%	-1.3%	3.9%
Southern Europe (000s)	539	2.5%	2.9%	15.1%	2.7%	38.7%	2.5%
Central/Eastern Europe (000s)	159	0.7%	1.7%	8.6%	0.8%	68.9%	0.6%

*Show s cumulative change over the relevant time period indicated

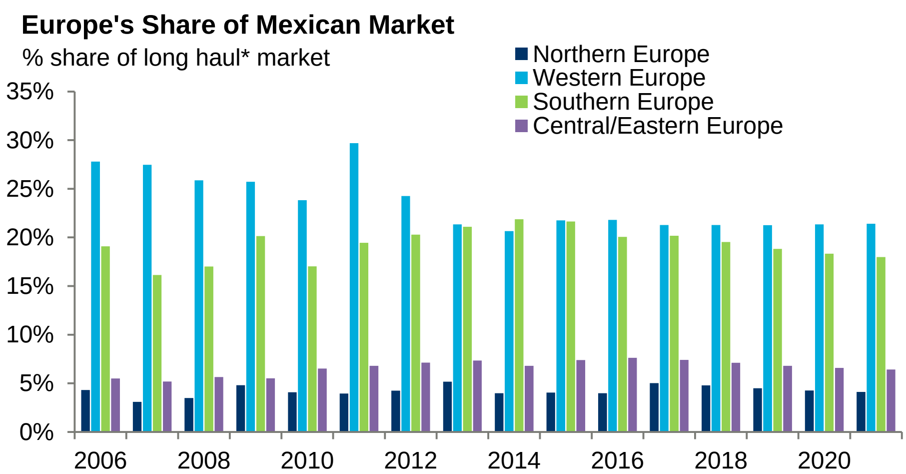
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*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

6.4 ARGENTINA

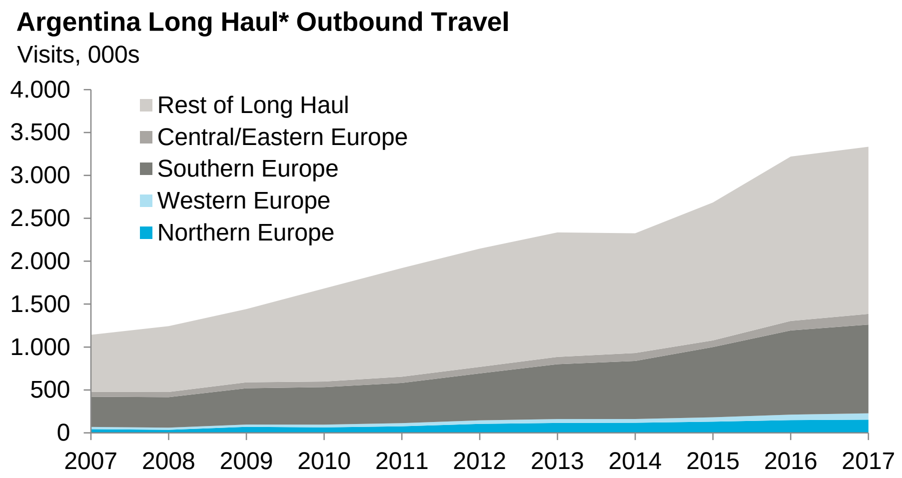
Argentina Market Share Summary

	2016	Growth (2016-21)				Growth (2011-16)	
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	11,860	-	2.2%	11.5%	-	72.0%	-
Long haul (000s)	3,219	27.1%	0.3%	1.6%	24.7%	67.6%	27.8%
Short haul (000s)	8,641	72.9%	2.9%	15.2%	75.3%	73.6%	72.2%
Travel to Europe (000s)	1,304	11.0%	-1.4%	-7.0%	9.2%	99.2%	9.5%
Northern Europe (000s)	149	1.3%	0.2%	1.0%	1.1%	94.4%	1.1%
Western Europe (000s)	64	0.5%	2.5%	13.3%	0.5%	72.1%	0.5%
Southern Europe (000s)	980	8.3%	-2.8%	-13.3%	6.4%	109.4%	6.8%
Central/Eastern Europe (000s)	111	0.9%	4.7%	25.5%	1.1%	52.6%	1.1%

*Shows cumulative change over the relevant time period indicated

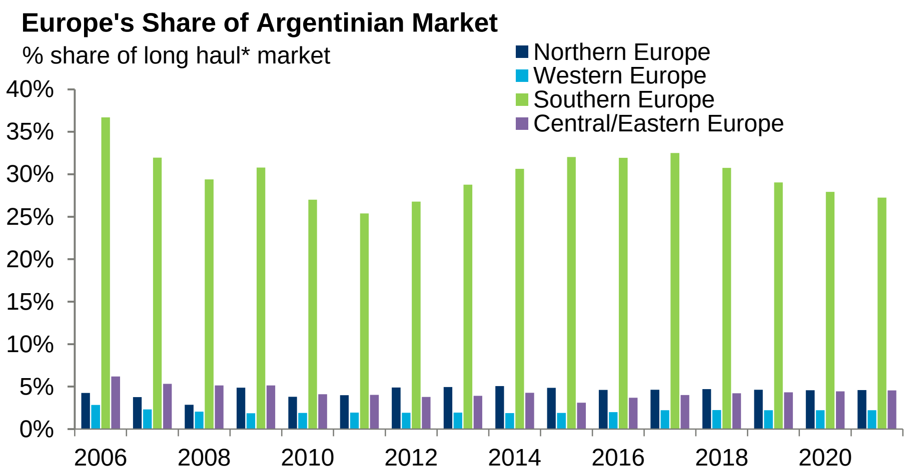
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*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

Source: Tourism Economics

6.5 BRAZIL

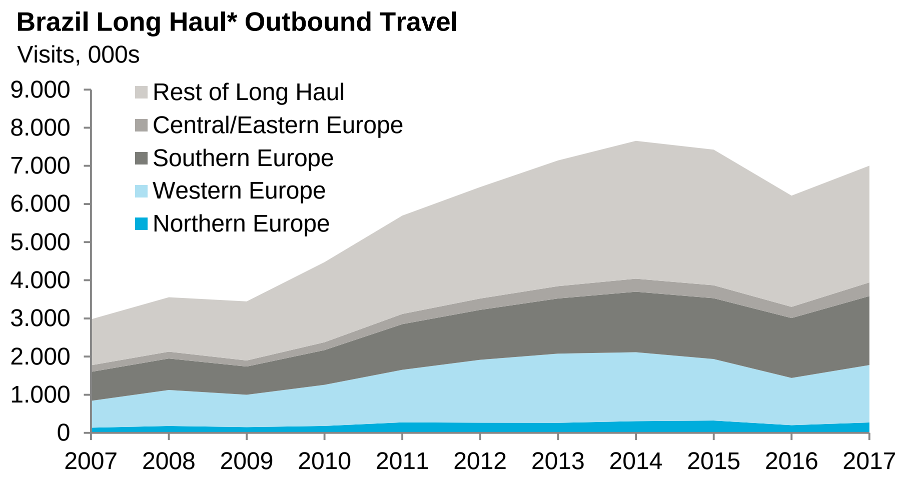
Brazil Market Share Summary

	2016	Growth (2016-21)				Growth (2011-16)	
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	8,552	-	6.1%	34.7%	-	3.8%	-
Long haul (000s)	6,219	72.7%	4.9%	26.8%	68.5%	9.2%	69.1%
Short haul (000s)	2,333	27.3%	9.3%	55.7%	31.5%	-8.3%	30.9%
Travel to Europe (000s)	3,303	38.6%	3.3%	17.6%	33.7%	5.9%	37.8%
Northern Europe (000s)	202	2.4%	11.0%	68.4%	2.9%	-26.8%	3.3%
Western Europe (000s)	1,238	14.5%	5.7%	31.8%	14.2%	-10.2%	16.7%
Southern Europe (000s)	1,570	18.4%	-0.8%	-3.8%	13.1%	31.2%	14.5%
Central/Eastern Europe (000s)	293	3.4%	6.5%	37.2%	3.5%	9.7%	3.2%

*Shows cumulative change over the relevant time period indicated

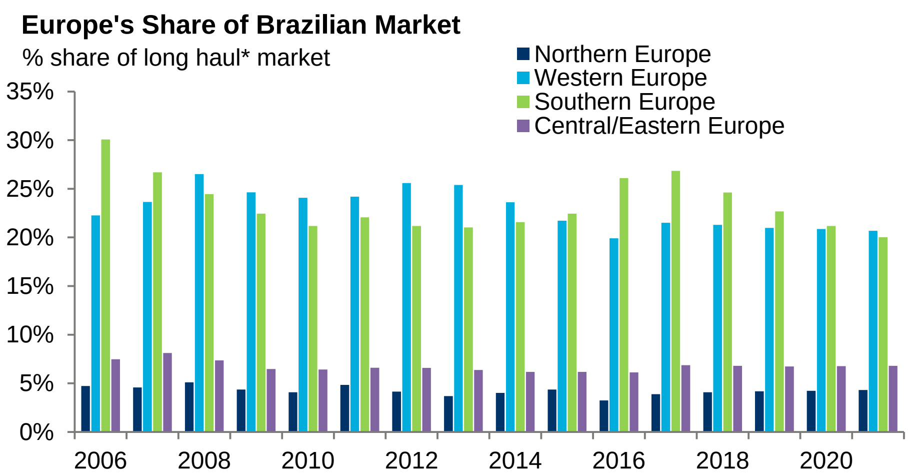
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*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

Source: Tourism Economics

6.6 INDIA

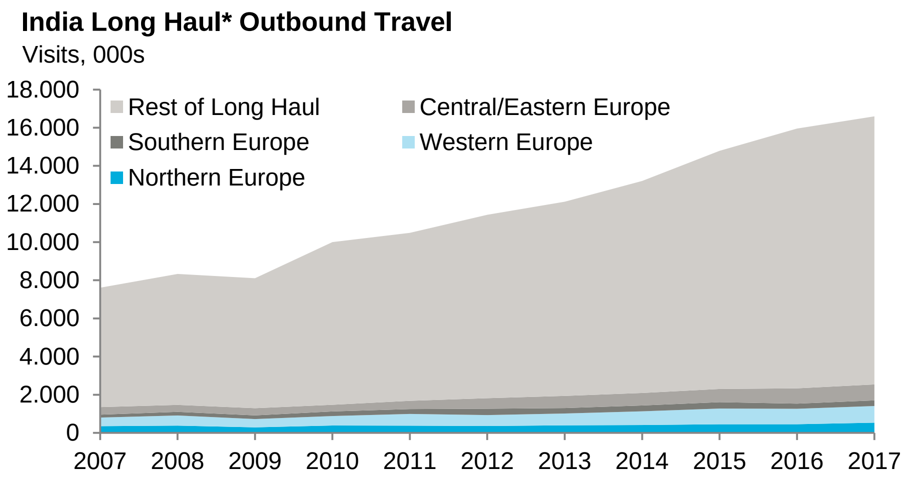
India Market Share Summary

	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	16,584	-	5.5%	30.7%	-	50.3%	-
Long haul (000s)	15,954	96.2%	5.4%	30.2%	95.9%	52.1%	95.0%
Short haul (000s)	630	3.8%	7.3%	42.4%	4.1%	14.8%	5.0%
Travel to Europe (000s)	2,335	14.1%	4.9%	26.9%	13.7%	38.9%	15.2%
Northern Europe (000s)	453	2.7%	4.4%	23.9%	2.6%	20.0%	3.4%
Western Europe (000s)	810	4.9%	5.2%	28.7%	4.8%	31.6%	5.6%
Southern Europe (000s)	269	1.6%	6.9%	39.5%	1.7%	6.0%	2.3%
Central/Eastern Europe (000s)	802	4.8%	4.2%	22.6%	4.5%	85.0%	3.9%

*Shows cumulative change over the relevant time period indicated

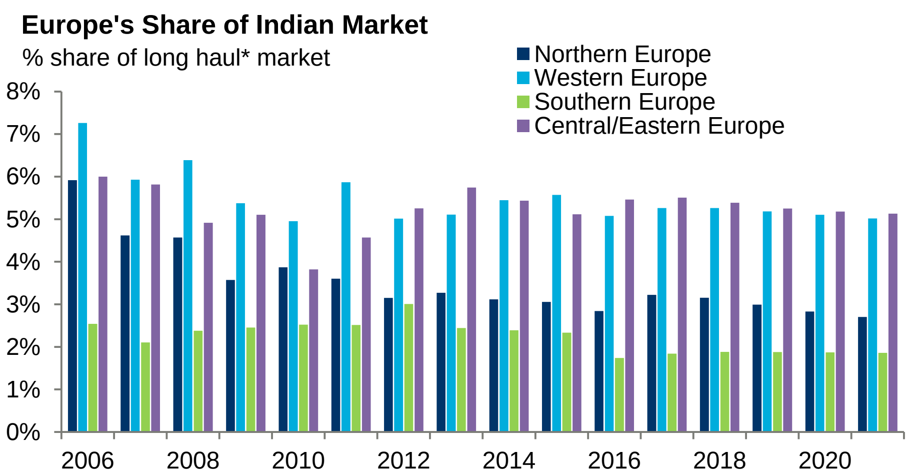
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*Long haul defined as tourist arrivals to destinations outside South Asia

Source: Tourism Economics



*Long haul defined as tourist arrivals to destinations outside South Asia

Source: Tourism Economics

6.7 CHINA

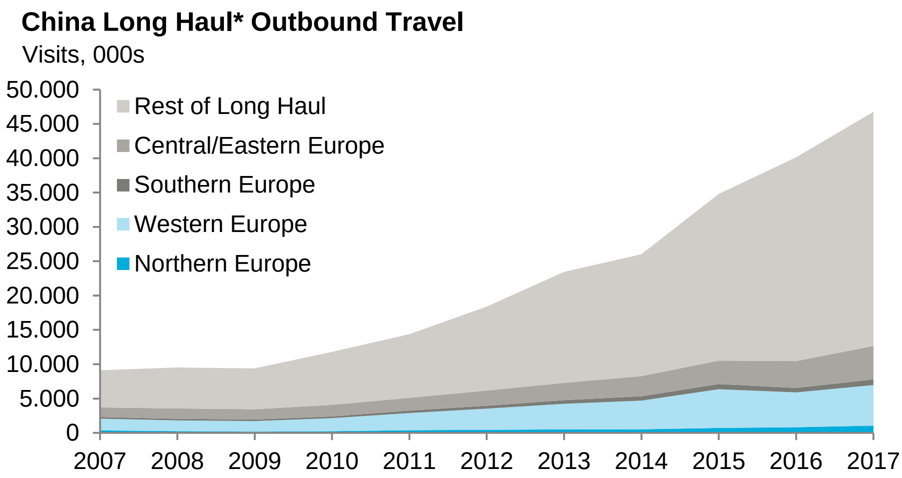
China Market Share Summary

	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	86,176	-	6.8%	38.7%	-	113.1%	-
Long haul (000s)	40,134	46.6%	8.9%	53.3%	51.5%	179.1%	35.5%
Short haul (000s)	46,042	53.4%	4.7%	25.9%	48.5%	76.6%	64.5%
Travel to Europe (000s)	10,456	12.1%	10.0%	60.9%	14.1%	104.7%	12.6%
Northern Europe (000s)	821	1.0%	11.0%	68.8%	1.2%	111.5%	1.0%
Western Europe (000s)	5,072	5.9%	9.9%	60.6%	6.8%	102.9%	6.2%
Southern Europe (000s)	651	0.8%	9.6%	58.4%	0.9%	80.4%	0.9%
Central/Eastern Europe (000s)	3,913	4.5%	9.9%	60.0%	5.2%	110.5%	4.6%

*Show s cumulative change over the relevant time period indicated

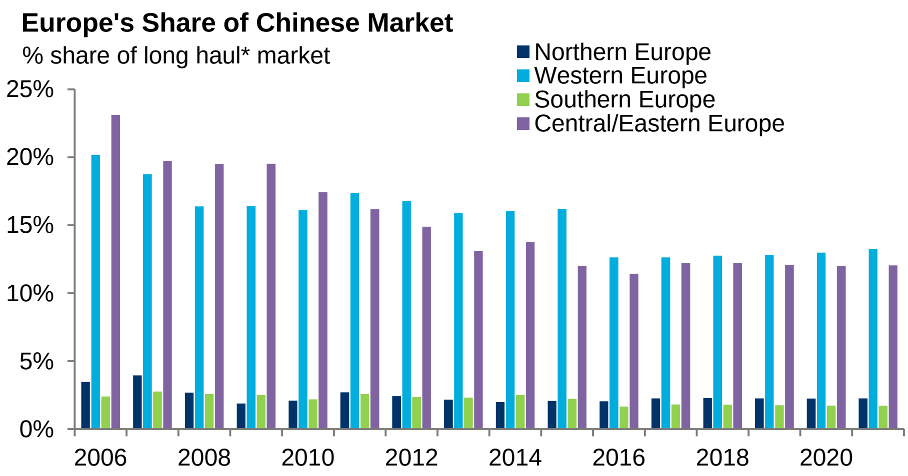
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*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

Source: Tourism Economics

6.8 JAPAN

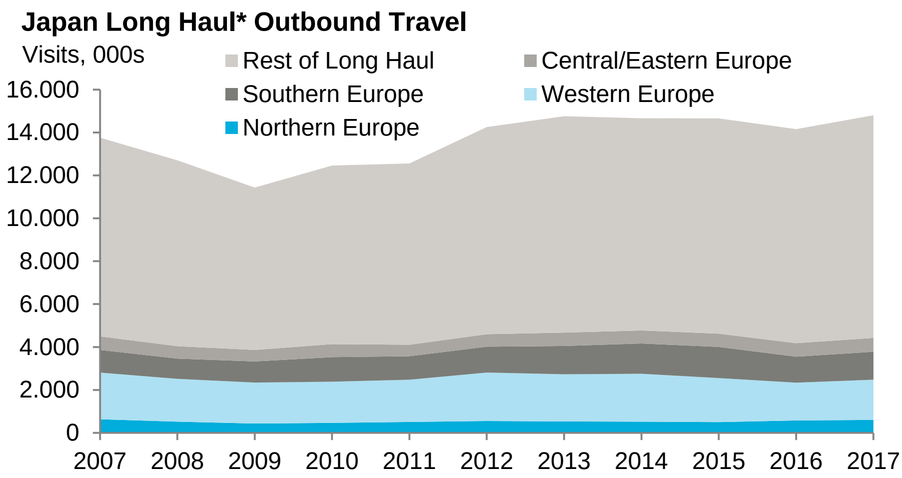
Japan Market Share Summary

	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	21,947	-	4.8%	26.2%	-	0.8%	-
Long haul (000s)	14,155	64.5%	4.7%	26.0%	64.4%	12.7%	57.7%
Short haul (000s)	7,792	35.5%	4.8%	26.5%	35.6%	-15.4%	42.3%
Travel to Europe (000s)	4,180	19.0%	5.1%	28.0%	19.3%	1.8%	18.9%
Northern Europe (000s)	578	2.6%	1.7%	8.8%	2.3%	13.7%	2.3%
Western Europe (000s)	1,761	8.0%	6.2%	35.4%	8.6%	-10.6%	9.0%
Southern Europe (000s)	1,212	5.5%	5.7%	32.1%	5.8%	10.6%	5.0%
Central/Eastern Europe (000s)	629	2.9%	3.2%	16.8%	2.7%	17.8%	2.5%

*Show s cumulative change over the relevant time period indicated

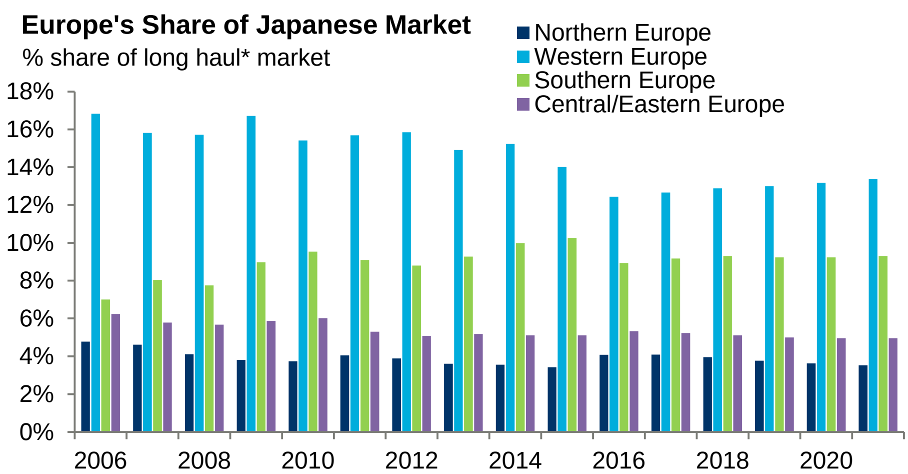
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*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

Source: Tourism Economics

6.9 AUSTRALIA

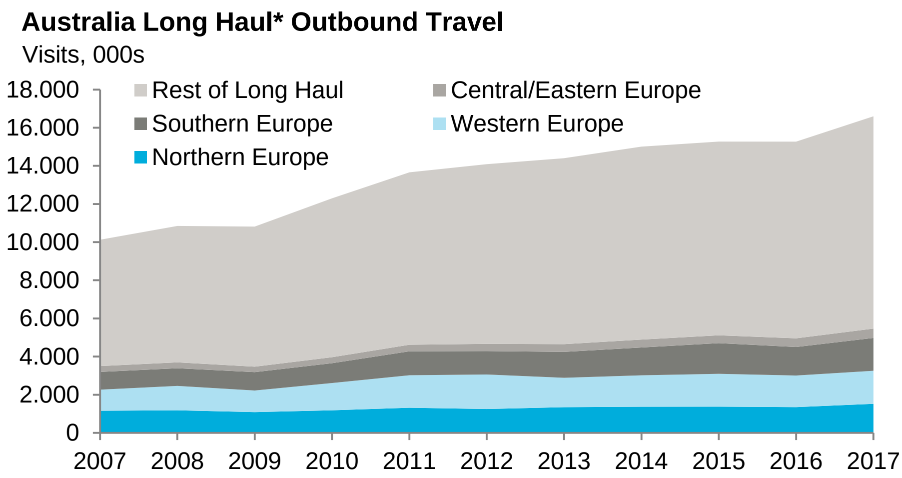
Australia Market Share Summary

	2016	Growth (2016-21)				Growth (2011-16)	
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	16,005	-	5.1%	28.3%	-	13.4%	-
Long haul (000s)	15,269	95.4%	5.2%	28.9%	95.9%	11.8%	96.8%
Short haul (000s)	737	4.6%	2.9%	15.5%	4.1%	61.0%	3.2%
Travel to Europe (000s)	4,957	31.0%	5.4%	29.9%	31.4%	7.3%	32.7%
Northern Europe (000s)	1,350	8.4%	6.9%	39.3%	9.2%	2.4%	9.3%
Western Europe (000s)	1,657	10.4%	1.9%	10.0%	8.9%	-2.7%	12.1%
Southern Europe (000s)	1,494	9.3%	7.6%	44.5%	10.5%	19.0%	8.9%
Central/Eastern Europe (000s)	455	2.8%	4.8%	26.6%	2.8%	32.5%	2.4%

*Show s cumulative change over the relevant time period indicated

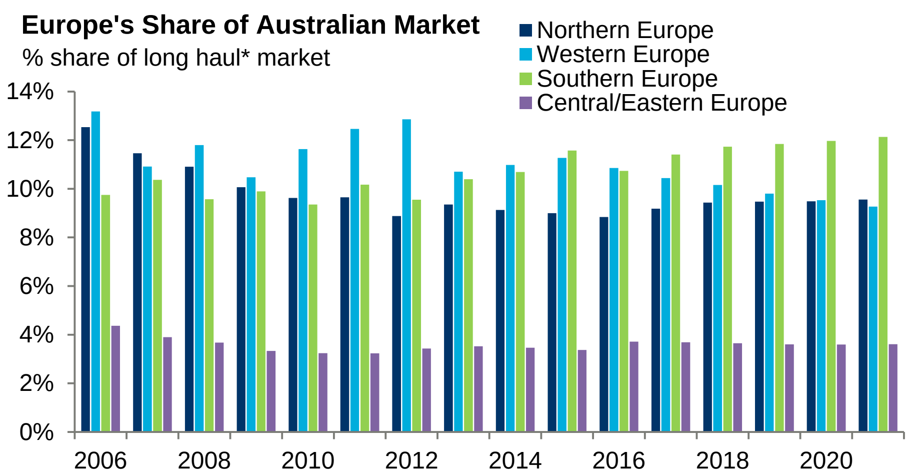
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics



*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

6.10 UNITED ARAB EMIRATES

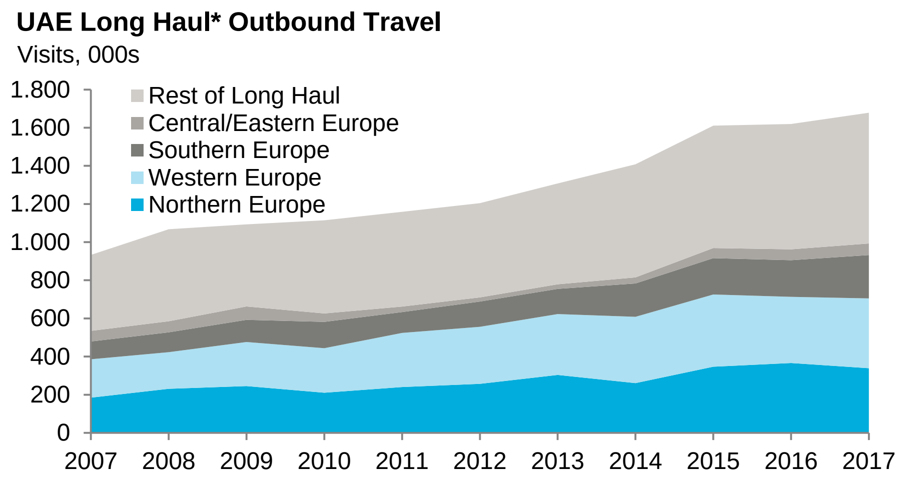
United Arab Emirates Market Share Summary

	2016	Growth (2016-21)				Growth (2011-16)	
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	3,107	-	5.7%	31.8%	-	7.5%	-
Long haul (000s)	1,619	52.1%	2.9%	15.5%	45.7%	39.7%	40.1%
Short haul (000s)	1,488	47.9%	8.4%	49.5%	54.3%	-14.1%	59.9%
Travel to Europe (000s)	962	31.0%	1.6%	8.1%	25.4%	45.3%	22.9%
Northern Europe (000s)	366	11.8%	-1.3%	-6.2%	8.4%	52.5%	8.3%
Western Europe (000s)	347	11.2%	2.2%	11.5%	9.5%	22.2%	9.8%
Southern Europe (000s)	192	6.2%	5.2%	28.9%	6.0%	75.8%	3.8%
Central/Eastern Europe (000s)	57	1.8%	1.7%	8.5%	1.5%	97.7%	1.0%

*Shows cumulative change over the relevant time period indicated

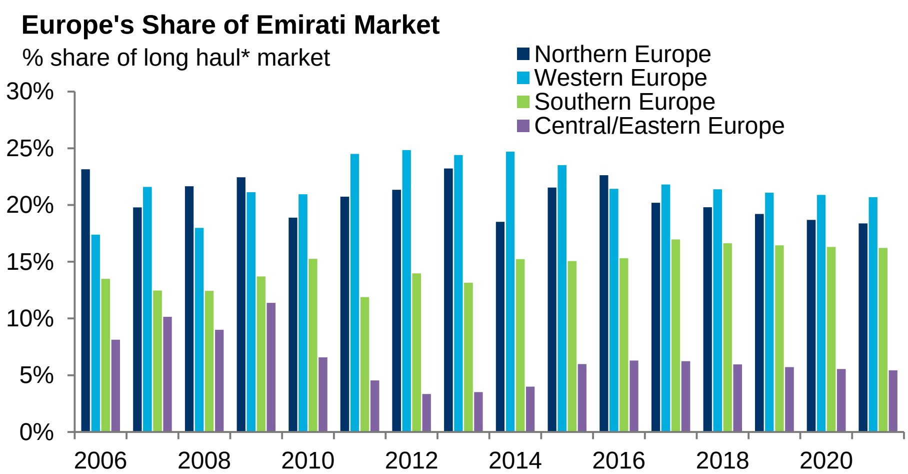
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



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

Source: Tourism Economics



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

Source: Tourism Economics

6.11 RUSSIA

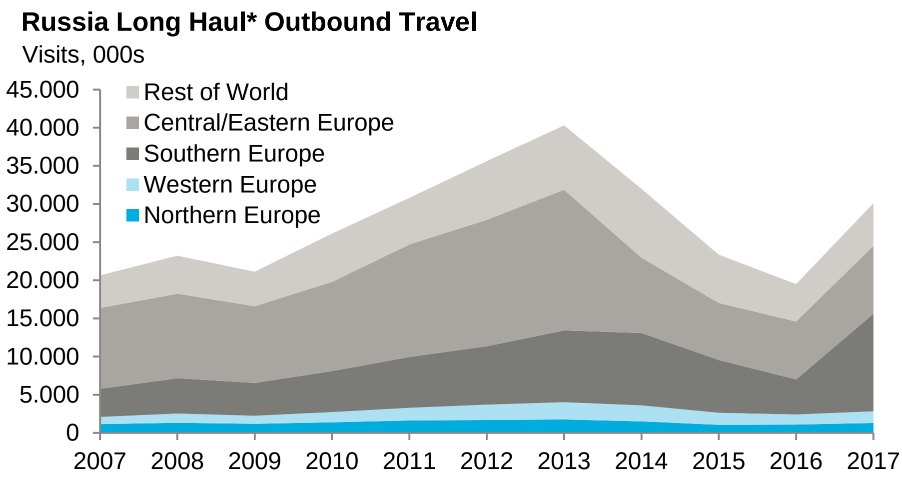
Russia Market Share Summary

	2016	Growth (2016-21)				Growth (2011-16)	
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	19,504	-	12.9%	83.8%	-	-36.7%	-
Long haul (000s)	4,908	25.2%	8.3%	48.9%	20.4%	-19.7%	19.8%
Short haul (000s)	14,597	74.8%	14.4%	95.6%	79.6%	-40.9%	80.2%
Travel to Europe (000s)	14,597	74.8%	14.4%	95.6%	79.6%	-40.9%	80.2%
Northern Europe (000s)	1,088	5.6%	10.2%	62.3%	4.9%	-33.1%	5.3%
Western Europe (000s)	1,321	6.8%	7.9%	46.1%	5.4%	-20.5%	5.4%
Southern Europe (000s)	4,594	23.6%	23.0%	181.9%	36.1%	-31.0%	21.6%
Central/Eastern Europe (000s)	7,593	38.9%	9.4%	56.7%	33.2%	-48.5%	47.9%

*Shows cumulative change over the relevant time period indicated

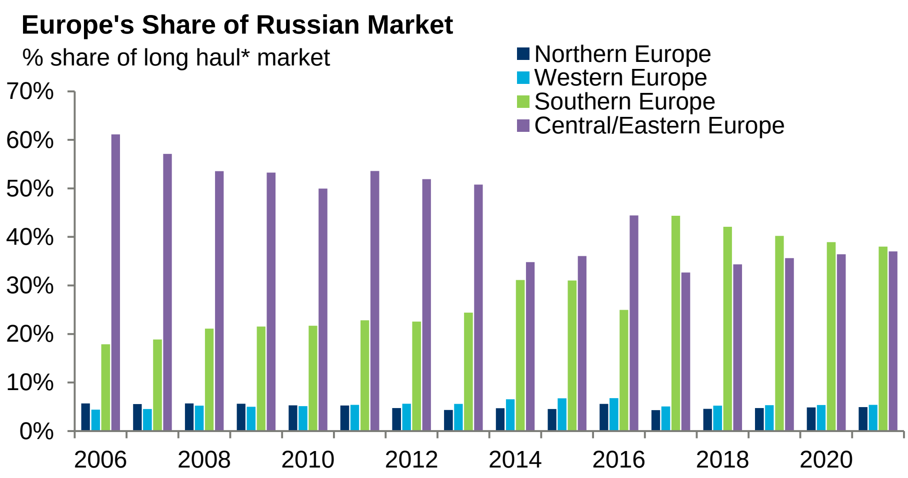
**Shares are expressed as % of total outbound travel

Source: Tourism Economics



*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics



*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

7. ECONOMIC OUTLOOK

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 travel abroad. 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. For example, if the euro appreciated (gained value) against the US dollar, the Eurozone would become a more expensive destination and therefore potentially less attractive for US visitors. Conversely, depreciation of the euro against the US dollar would make the Eurozone a relatively cheaper destination and therefore more attractive to US travellers.

7.1 OVERVIEW

ENTERING 2018 WITH PLENTY OF MOMENTUM

Further evidence that the global economy ended last year on a high note is consistent with our view that world GDP growth in 2018 will be around 3.2%, a little better than the likely rise of 3% in 2017 and the best annual outturn since 2011.

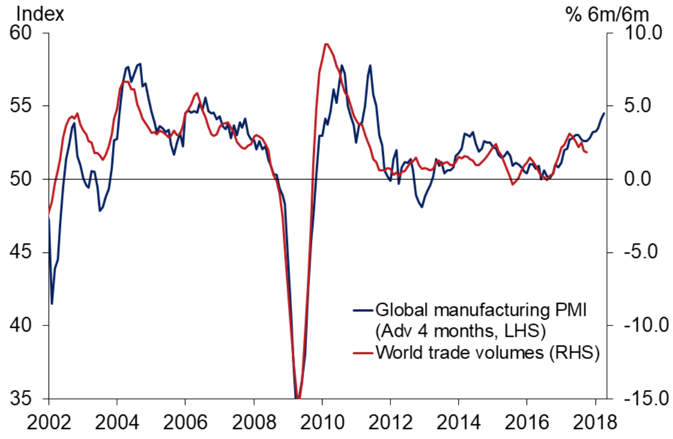
The global economy has entered 2018 with plenty of momentum. In December, the global composite PMI continued to trend upwards, rising to its highest level of 2017. This was primarily down to developments in the manufacturing sector, with several emerging markets recording especially strong gains.

While the strength of the manufacturing PMI bodes well for global trade, other timely trade indicators, particularly from Asia, have been less positive. On balance, though, we have nudged up our forecast for world trade growth in 2018 to 4.8%. But this would still be a slowdown after last year's estimated rise of 6%.

This partly reflects the change in the drivers of GDP growth from 2017. We still expect a modest slowdown in China, triggering a sharper drop-off in import growth there. Eurozone GDP growth is also likely to slow slightly, to 2.2%, which is still well above our estimate of potential growth. By contrast, we have nudged up our US GDP growth forecast for this year to 2.8% – 0.5pp higher than the probable 2017 outturn – as looser fiscal policy will not be fully offset by tighter monetary policy. The recent rise in commodity prices, further dollar weakness and still-strong global trade growth all bode well for prospects in many emerging markets.

Some commentators have questioned the durability of the global economic expansion, reflecting the long period of uninterrupted GDP growth and concerns that a financial market slowdown could eventually impinge on growth. But economic expansions do not die of old age. And while equity markets look expensive on many metrics, we expect strong earnings growth to push equity prices higher over the coming months. Meanwhile, although various geopolitical risks remain, more generally economic uncertainty has diminished.

Advanced Econs: Goods trade volumes



Source : Oxford Economics/Haver Analytics

Summary of economic outlook, % change year ago*

	2017					2018				
Country	GDP	Consumer expenditure	Unemploy-ment *	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemploy-ment **	Exchange rate***	Inflation
UK	1.8%	1.4%	3.4%	-6.7%	2.7%	1.8%	0.9%	-0.4%	-0.4%	2.2%
France	1.9%	1.2%	-4.3%	0.0%	1.0%	2.1%	1.9%	-2.2%	0.0%	1.3%
Germany	2.5%	2.3%	-6.4%	0.0%	1.7%	2.4%	1.8%	-4.9%	0.0%	1.8%
Netherlands	3.3%	2.2%	-19.1%	0.0%	1.4%	2.2%	2.0%	-8.7%	0.0%	1.5%
Italy	1.6%	1.5%	-3.5%	0.0%	1.2%	1.4%	1.1%	-5.5%	0.0%	0.9%
Russia	1.7%	4.4%	-5.3%	12.1%	3.7%	1.8%	3.0%	0.6%	-6.5%	3.8%
US	2.3%	2.7%	-10.6%	-2.5%	2.2%	2.8%	2.7%	-8.7%	-5.4%	2.1%
Canada	2.9%	3.6%	-9.2%	-0.4%	1.6%	2.0%	2.6%	0.6%	-4.4%	2.2%
Brazil	1.1%	1.0%	11.4%	7.1%	3.4%	2.5%	2.8%	-3.7%	-8.3%	4.1%
China	6.9%	7.8%	-2.0%	-4.1%	1.5%	6.4%	7.3%	-0.1%	-2.3%	2.3%
Japan	1.8%	1.2%	-9.1%	-5.5%	0.5%	1.7%	1.0%	-6.0%	-6.8%	0.7%
India	6.2%	6.8%	4.3%	0.5%	3.3%	7.5%	8.0%	1.7%	-3.3%	5.3%

Source: Tourism Economics

* 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.

7.2 EUROZONE

Survey data continue to suggest the Eurozone is enjoying its best growth ever, and some of the hard data that had been lagging are now catching up as well. This has led to a new set of GDP revisions which are likely to have taken 2017 growth to around 2.5%. On the monetary policy front, we now expect a period of calmness following the cut in QE purchases that has now started.

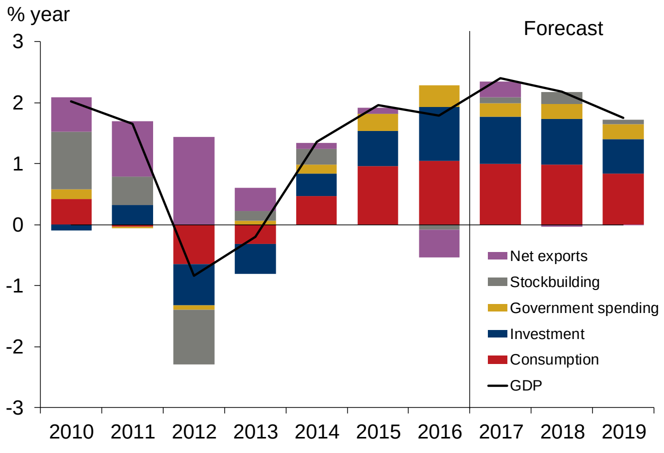
The gap between surveys and hard data was a constant in 2017, but was partly resolved with constant revisions to previous GDP numbers. Q3 GDP growth was raised to 0.7% (from 0.6% previously), due primarily to stronger external accounts; a large upward revision to exports and a downgrade to imports meant that net trade added 0.5 percentage points to growth.

While survey indicators continue to overstate the pace of growth, it is undeniable that the Eurozone economy is in rude health. Some of the hard data – which had been lagging somewhat in earlier months – showed a strong bounce in November. Both industrial production and retail sales posted very strong numbers and are set to experience a buoyant Q4, providing a more consistent growth picture.

Inflation edged down to 1.4% in December, whereas core inflation remained stuck at 0.9%. We still expect inflation to moderate in early-2018 as the impact of the stronger euro on imported prices is felt fully, but the recent rise in oil prices means that the fall will be milder than previously thought. Nevertheless, the dip will be transitory and inflation should trend upwards again in H2 this year.

Our 2018 GDP growth forecast remains unchanged this month at 2.2%. For 2019, we see GDP growth at 1.8% (up from the previous 1.7%).

Eurozone: Contributions to GDP growth



Source: Oxford Economics

7.3 UNITED KINGDOM

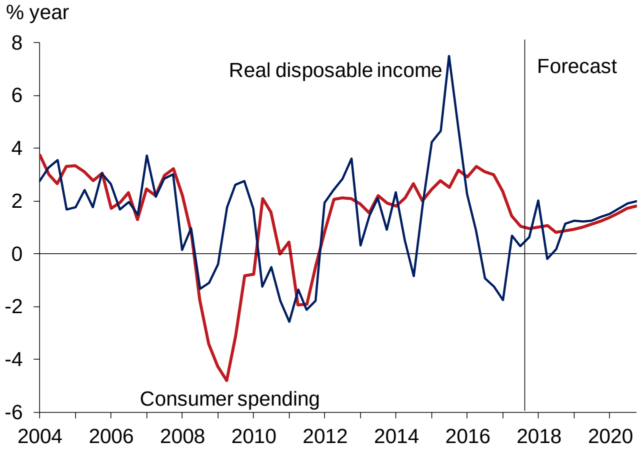
Favourable revisions to historical data mean that our forecast for 2017 GDP growth has been raised from 1.5% to 1.8%. But this would still be a below-par result given the stronger global trend. We expect activity to remain sluggish in the short term, with growth of 1.8% in 2018. Although we expect inflation to slow sharply during 2018, easing the squeeze on consumers, businesses will remain wary of investing in a climate of Brexit-related uncertainty, while the boost from net trade will fade as sterling strengthens.

Early indications are that Q4 2017 is again likely to have seen quarterly GDP growth of 0.4%. Although the manufacturing sector continues to perform well, construction output has slumped and the dominant services sector remains sluggish.

The UK and EU have agreed a deal on the first phase of Brexit talks. A transitional deal should be agreed quickly, with the UK remaining bound by EU rules until the end of 2020. We think a Canada-style free trade agreement (FTA) is the most likely outcome (40% chance). But the need to maintain regulatory alignment with the EU in many areas and the time needed to negotiate a FTA threaten to spin the talks off in one of two opposing directions. A “cliff-edge” Brexit in 2019 is slightly more likely (30%) than the UK joining the EEA to participate in the single market (20%).

December’s MPC meeting was something of a non-event, with the Committee deferring any substantive discussions until February. We see a risk of a more hawkish tilt in February, given the references in the December minutes to the need to assess the impact of looser fiscal policy and more positive Brexit developments, as well as a review of supply side conditions. But we expect a sharp slowdown in inflation to mean that the Committee is becalmed throughout 2018.

UK: Consumer spending & income



Source: Oxford Economics

7.4 UNITED STATES

We foresee the US economy growing 2.8% in 2018, following a 2.3% advance in 2017. Consumer spending and business investment will be supported domestically by strong fundamentals and a fiscal stimulus package and externally by ongoing strength in global activity. On the monetary policy front, we continue to expect three interest rate hikes in 2018, accompanied by ongoing passive and predictable balance sheet normalization.

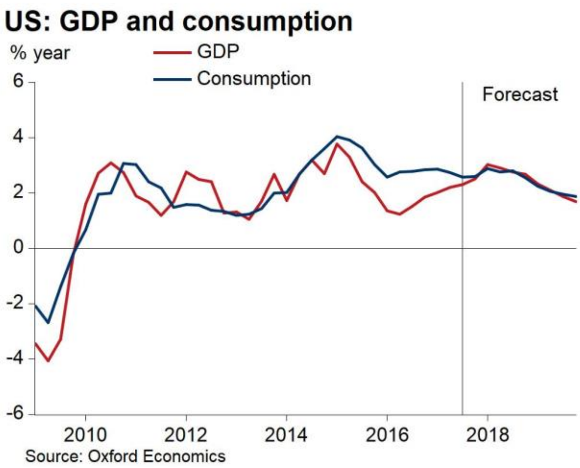
The December employment report showed a disappointing 148,000 jobs gain, but this came after two very strong months, leaving the twelve-month moving average above 170,00 jobs. With the economy adding more than 2 million jobs in 2017, for the seventh consecutive year, the unemployment rate ended 2017 at a 17-year low of 4.1% while wage growth firmed modestly to 2.5% y/y.

High confidence and stock prices, sturdy income growth and still-low interest rates will support moderate consumer spending growth in 2018. Reduced tax burdens from the Tax Cuts and Jobs Act should provide an extra boost to growth, especially in H1.

We forecast business fixed investment growth of around 6.5% in 2018 on a combination of strong global demand, renewed energy activity and reduced tax rates.

The three major risks for the economy are a correction in elevated equity valuations, political and policy disruptions (trade protectionism, immigration and the Russia investigation, in particular), and policy-induced “growth exhaustion” in 2019.

We expect the headline and core inflation measures to sit just ahead of the Fed’s 2% target in 2018, at 2.2%, and we continue to forecast three 25bp rate hikes, especially given the more hawkish lean to this year’s FOMC voters.



7.5 JAPAN

External conditions remain favourable although export growth is forecast to ease over the year as Chinese import demand cools. But we expect domestic demand to become an increasingly important driver of growth, helped by fiscal and monetary policy. GDP is forecast to grow 1.7% this year, after an estimated expansion of 1.8% in 2017. We expect growth to moderate to 0.9% in 2019 as the construction boost from the Tokyo Olympics and infrastructure spending wanes, and the planned consumption tax hike weighs on residential investment and household spending.

Recent data suggest that economic growth remained firm in the final quarter of 2017. Monthly trade data imply that momentum in exports was solid, with volumes up 7.1% on the year in October-November combined. Healthy global trade and a competitive exchange rate will continue to support exports this year, although we do look for growth to moderate as Chinese import demand cools.

The latest Tankan survey points to healthy business investment intentions amid higher operating profits. We also believe that the weakness in household consumption in Q3 was temporary given the background of solid employment growth and upbeat consumer confidence. That said, we look for wage growth to remain sluggish despite tight labour market conditions, and this will limit household spending growth in 2018.

Headline inflation is forecast to rise to 0.7% this year, well short of the BoJ's 2% target. The BoJ is expected to maintain its current monetary policy during 2018-19. This is in contrast to the ongoing tightening in the US. As such, while the yen will be subject to any 'risk-off' episodes, we still expect the growing divergence in US-Japanese monetary policy to underpin the JPY/USD depreciating to 114 by end-2018.

Japan: Exports and world trade

Source: Oxford Economics

7.6 EMERGING MARKETS

DOMESTIC DEMAND IN CHINA BEGINS TO COOL

Goods export growth remained solid in December, indicating steady global demand momentum at the end of 2017. But import growth slowed sharply last month, likely heralding the cooling of Chinese domestic demand in 2018 that we have long expected. However, we do not think that imports are likely to slow down as sharply this year as suggested by the December data, given that China's policymakers continue to want to see a gradual slowdown in credit and the economy. We expect overall credit growth to ease by 1 percentage point to around 13% year-on-year by the end of 2018. Based on that path for credit growth, we project GDP growth to ease to 6.4% from 6.9% in 2017.

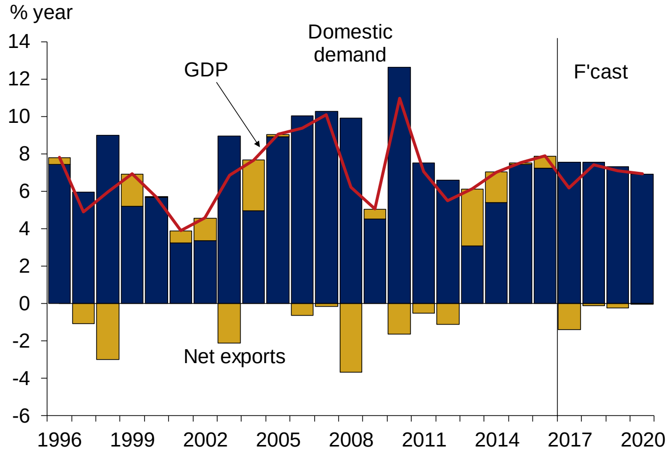
The messages from the December Central Economic Work Conference (CEWC) were in line with those from October's Party Congress and a key Politburo meeting earlier in the month. China will continue to "seek progress while maintaining stability" and take a cautious approach to financial tightening. In line with a subtle shift in emphasis from the "quantity" of growth to its "quality", the CEWC identified financial risk prevention, targeted poverty alleviation and pollution control as the top economic priorities for the next three years.

GROWTH RECOVERY UNDERWAY IN INDIA

Real GDP growth accelerated to 6.3% y/y in Q3 (from 5.7% in the previous quarter) supporting our view that the economy is recovering from recent shocks. While GST-related disruptions continue to be felt in some parts of the economy (as evidenced by some of the Q4 data), a pick-up in leading indicators of growth, such as credit, suggest that these are likely to be resolved soon. Accordingly, we expect the recovery to gather steam in 2018, as receding headwinds allow domestic demand to gain momentum. We continue to look for a sharp GDP recovery and forecast 2017 and 2018 growth at 6.2% and 7.5% respectively. Amid a positive global backdrop and a supportive domestic macro policy environment, we expect the ongoing simplification of

GST rates and efforts to reduce the compliance burden to spur consumption, investment and services growth going forward.

India: Contributions to GDP

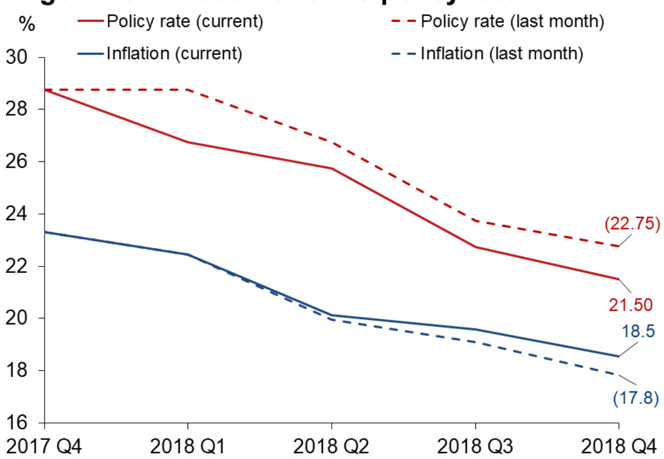


Source: Oxford Economics

ARGENTINA KICKS OFF EASING CYCLE

The Argentinian Central Bank (BCRA) cut its policy rate by 75bp on January 9 to 28%. The decision, which was widely expected by markets, followed the announcement, on December 28, to increase the inflation targets for 2018 and 2019 by 500bp to 15% and 10%, respectively. There was no clear consensus on the magnitude of the rate cut, but market participants had taken for granted that the BCRA would not wait too long to ease policy, especially as the Bank's president Federico Sturzenegger was emphatic about signalling that monetary policy needed to be re-calibrated given the new objectives. The dovishness of the post-meeting statement – focusing on disinflation of core prices, which to us remains very modest, and downplaying the increase in inflation expectations – reinforces our view that the BCRA will cut interest rates by another 650bp this year to 21.5%, with the next move possibly coming as soon as later this month. However, we expect the BCRA to miss its (higher) targets in both 2018 and 2019, as we forecast inflation of 18.5% and 13.6%, respectively.

Argentina: Inflation and the policy rate



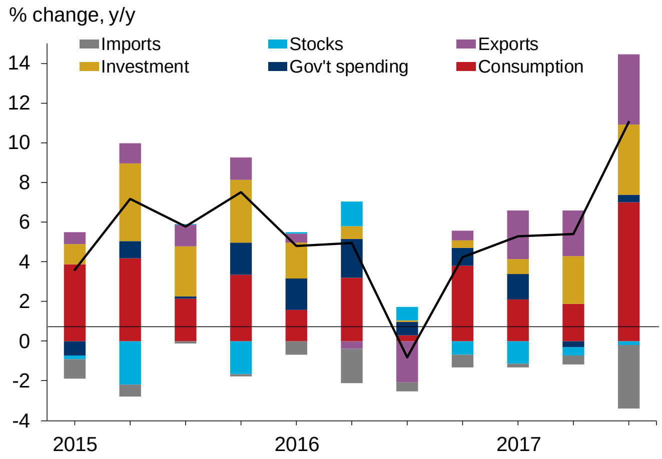
Source: Oxford Economics/Haver Analytics

TURKEY'S ECONOMY IS OVERHEATING

The economy grew by an eye-popping 11.1% y/y in Q3, making Turkey the fastest-growing G20 economy by a wide margin. This reflected favourable base effects, a surge in domestic consumption (due to the massive credit boost resulting from the Credit Guarantee Fund, KGF) and very strong export growth (thanks to the strong recovery in Europe and the rebound in tourism).

But while these growth rates may be the envy of other emerging markets, they are clearly unsustainable and indicate that the economy is now overheating. Following the surge in Q3, our GDP growth forecast for 2017 has been shifted up to 7% from 5.8% previously. However, we expect that the withdrawal of stimulus measures will slow growth significantly in 2018, to 3.8%, and, as we have pointed out before, the exceptionally strong growth in 2017 has come at the expense of higher inflation. The core rate has reached a 13-year high and there is an increasing risk of medium-term inflation expectations becoming unanchored and thus necessitating tighter monetary policy from the central bank.

Turkey: Contributions to quarterly GDP

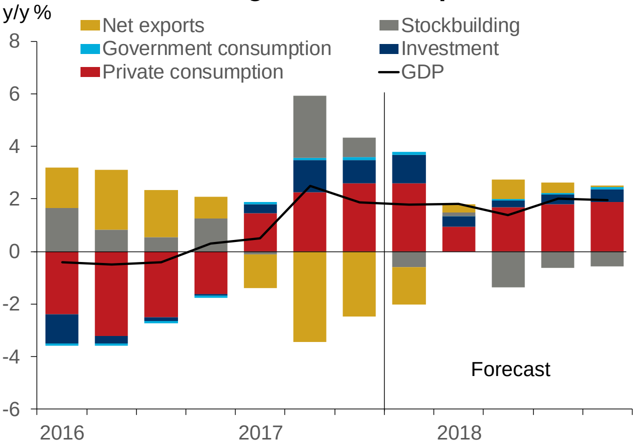


Source: Oxford Economics/Haver Analytics

RUSSIA IN FRAGILE CONSUMPTION-LED RECOVERY

GDP growth in Q3 was driven by consumption and exports, which were supported by strong retail sales and rising oil prices, confirming our view that the economy's recovery is being led by consumption. Investment growth, on the other hand, slowed, and was reflected in weak industrial production (a trend that continued into Q4, most particularly in November). To support the country's fragile economic recovery the Central Bank of Russia reduced interest rates by 50bp in December and, against a backdrop of low inflation, we expect four 25bp rate cuts in 2018.

Russia: Real GDP growth decomposition



Source : Oxford Economics/Haver Analytics

8. APPENDIX 1

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 Responsibility;

PBoC – People’s Bank of China.

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 – Quantitative 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 the United States, the United Kingdom, France, Germany, Italy, Canada, and Japan.

9. APPENDIX 2

ETC MEMBER ORGANISATIONS

Austria – Austrian National Tourist Office (ANTO)

Belgium: Flanders – Tourism Flanders

Wallonia – Wallonie-Belgique 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 – Business Finland Oy

Germany – German National Tourist Board (GNTB)

Greece – Greek National Tourism Organisation (GNTO)

Hungary – Hungarian Tourism Agency 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 under the Ministry of Economy

Luxembourg – Luxembourg for Tourism (LFT)

Malta – Malta Tourism Authority (MTA)

Monaco – Monaco Government Tourist and Convention Office

Montenegro – National Tourism Organisation of Montenegro

Netherlands – NBTC Holland Marketing

Norway – Innovation Norway

Poland – Polish Tourist Organisation (PTO)

Portugal – Turismo de Portugal, I.P.

Romania – Romanian Ministry of Tourism

San Marino – State Office for Tourism

Serbia – National Tourism Organisation of Serbia (NTOS)

Slovakia – Ministry of Transport and Construction of the Slovak Republic

Slovenia – Slovenian Tourist Board

Spain – Turespaña **-** Instituto de Turismo de España

Switzerland – Switzerland Tourism

Turkey – Ministry of Culture and Tourism