



QUARTERLY REPORT - Q4/2016

EUROPEAN
TRAVEL
COMMISSION

EUROPEAN TOURISM IN 2016: TRENDS & PROSPECTS

Quarterly Report (Q4/2016)

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 2017
ETC Market Intelligence Report

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European Tourism in 2016: Trends & Prospects (Q4/2016)

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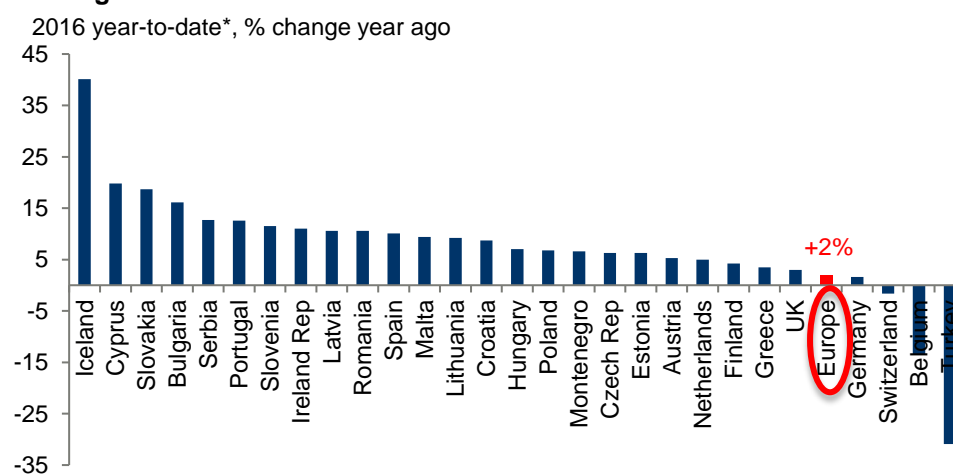
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FOREWORD

EUROPEAN TOURISM MAINTAINS MOMENTUM IN 2016

2016 marked the seventh consecutive year of growth for European tourism. The most visited region in the world welcomed 620 million international tourist arrivals last year, a modest but welcome 2% increase compared to 2015¹. Overall, Europe proved incredibly resilient to safety and security challenges. Encouragingly, despite political turmoil tourists wish to continue exploring the region. Prospects remain positive with tourist flows to Europe expected to increase by around 3% in 2017.

Foreign visits to ETC destinations



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

28 out of 32 European destinations reported continued growth towards the end of 2016, which was offset by falls in others. Iceland’s stunning growth (+40%) is followed by that of Cyprus (+20%), Slovakia (+19%) and Bulgaria (+16%). Improved air connectivity, targeted and off-season marketing efforts and increased visitor share at the expense of Turkey are some of the growth-drivers in Cyprus and Slovakia. Other destinations achieving record growth include Serbia and Portugal (both +13%), with both destinations appealing to bargain hunters and benefitting from being perceived as secure countries.

Overall growth across the region was impacted by the aftermath of tragic events. Arrivals in Turkey (-31%) dropped sharply following the failed coup and recent terror attacks. In Western Europe, a strong Swiss Franc continues to undermine Switzerland’s tourism demand (-2%) whereas Belgium’s (-14%) weak visitor numbers are clearly continuing to feel the effect of the tragic events in March 2016.

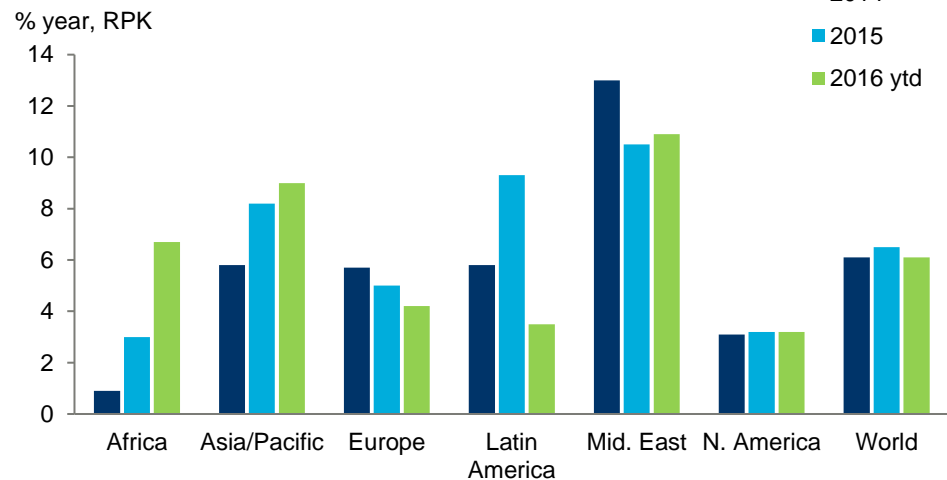
¹ UNWTO World Tourism Barometer (Excerpt) Volume 15 January 2017

MODEST PERFORMANCE IN THE EUROPEAN HOSPITALITY AND TRANSPORTATION SECTORS

The accommodation sector mirrored the performance of arrivals. Occupancy rates (0.3%) saw flat growth alongside a 3.4% fall in Average Daily Rates (ADR) across Europe in 2016. This downward trend is followed by a shrinking (3.1%) Revenue per Available Room (RevPAR). The absence of growth in this sector may be attributed to security fears and increasingly cost conscious travellers.

European Revenue Passenger per Kilometre (RPK) remains stable (+4.2%) based on 2016 year-to-date data². Likewise, despite a strong start to the year, airline capacity (ASK) has averaged 4.2% so far in 2016 compared to the 4.4% posted the same period last year. Notwithstanding freight traffic between Europe and the Americas is boosted by travel from the US, whereas European-Asian routes continue to slow down as security concerns steer Asian travellers elsewhere.

Annual International Air Passenger Growth



Source: IATA

TOURISM DEMAND STEMMING FROM LARGE INTRA-EUROPEAN SOURCE MARKETS

Key intra-European source markets (Germany, France and the UK) continue to drive travel growth within the region and remain essential for a positive outlook. Growth from these markets is also supported by stable economic conditions in the Eurozone owing to improving labour markets and solid money and credit growth. However, latest available data reveals that security concerns are likely to have tilted travellers' choice in favour of off-the-beaten-track destinations.

Several European destinations enjoyed sustained growth from German holidaymakers whose price consciousness continues to attract them towards more affordable destinations. A similar trend is observed

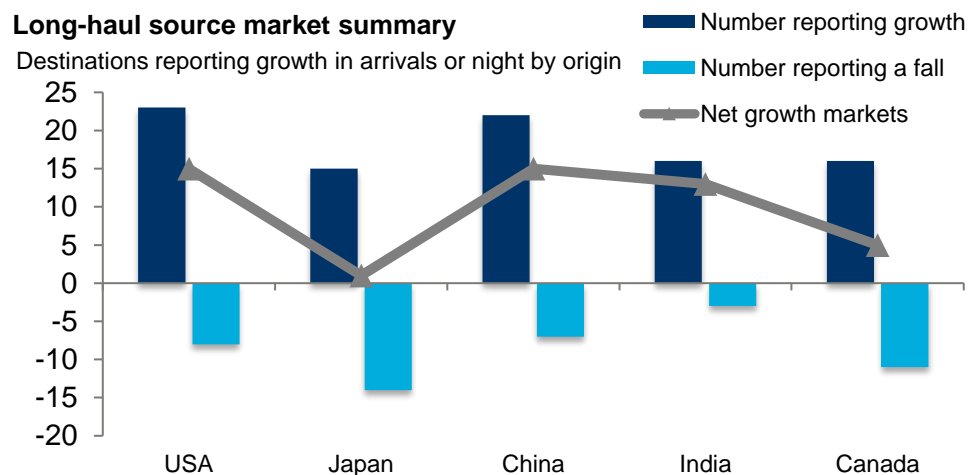
² YTD growth based on data to November

amongst French travellers. Britons continue to travel despite a weaker pound weighing on travel affordability. Almost one in two destinations reported double-digit growth from this market, including the UK's largest destinations: Spain, Portugal (both +12%), and Ireland (+11%).

Russian outbound travel flows to Europe are experiencing a gradual recovery. Both the Mediterranean and the Baltic countries are significant beneficiaries of the redistribution of business normally bound for Turkey. Cyprus (+49%), Iceland (+30%), Slovakia (+22%), Bulgaria (+20%) and Greece (+19%) witnessed a double-digit rebound from previous years. Although falling arrivals to European destinations (from Russia) continue to outnumber that of growing visits, some improvement is expected in 2017 as the rouble strengthens. Turkey however, has been the most affected destination plunging 77% despite restored relations with Russia and the lifting of the moratorium on Russian charter flights into the country.

A persistent strong dollar and healthy economic conditions, continue to boost US outbound travel. US arrivals to Europe totalled 27.4 million in 2016 (+8% versus 2015) with a similar growth expected in 2017. However, it remains to be seen whether this trend will continue, as outbound travel from the US to Europe may be hampered by the new US administration retrenchment from globalism.

Some European destinations continue to see skyrocketing growth from China. However, overall Chinese growth to the region was up by a mere 2% in 2016. This is a sign that, as is the case with Japan and India, Asian risk-averse markets, are turning their back on destinations at risk of further terror attacks. This has resulted in significant falls in Turkey, Belgium and Germany. Although a small market at present, Indian outbound travel holds a promise for future expansion as people become more affluent. In 2016, some 2.3 million arrivals were recorded in Europe from this market.



Source: TourMIS, Tourism Economics

FOSTERING THE REGION'S PAN-EUROPEAN EXPERIENCES TO REMAIN COMPETITIVE

Europe is still one of the world's most vibrant and appealing destinations for travellers around the world and still enjoys more than 50% of the tourism market share globally³. The beginning of 2017 however, brings further socio-political and economic uncertainties which risk jeopardising the prosperity of the European tourism sector. The region's growth continues to be heavily reliant on intra-European travel while the US and China remain an important source of arrivals growth for many European destinations. It is therefore of paramount importance that the European tourism community works together to protect Europe's image from crisis, capitalising on the potential pool of destinations to be discovered.

"European destinations acknowledge the need to remain competitive in a sector that is swiftly adapting to the diverse needs of travellers from both established and emerging markets. Only through increased commitment and cooperation from the European tourism authorities will Europe remain competitive and succeed in fostering inbound travel" said Eduardo Santander, Executive Director of ETC.

Jennifer Iduh (ETC Executive Unit)

With the contribution of the [ETC Market Intelligence Committee](#)

³ World Tourism Organization (UNWTO)

1. TOURISM PERFORMANCE SUMMARY 2016

The overwhelming majority of European destinations report continued growth in tourism demand as the last of 2016 data becomes available. 33 destinations have submitted 2016 year-to-date data in some capacity, with full year data for Cyprus and Iceland, and data for October to November for most others. 29 of these destinations have recorded either positive arrivals growth, overnights growth, or both. By contrast Turkey, Belgium, Switzerland, and Monaco have all reported a fall in arrivals or overnights in available 2016 data.

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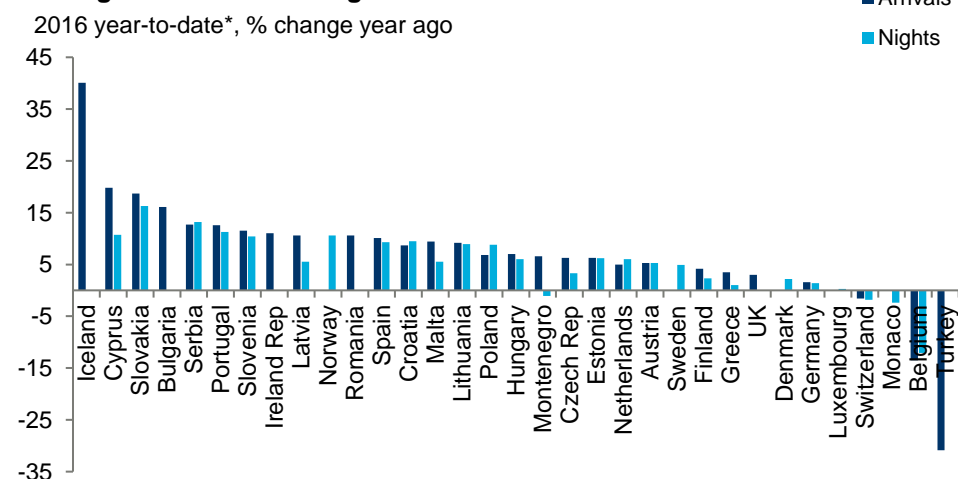
The number of European destinations reporting growth in 2016 to date

33 destinations have reported on tourism performance in 2016

Overall 2016 was another strong growth year for European inbound tourism as a whole. This was the seventh consecutive year of growth in tourist arrivals for the region as a whole. However, growth for the region as a whole is likely to have slowed from in 2015 including some notable slowdown in travel to France. Monthly data for travel to France is not available through TourMIS on a comparable basis to other destinations, but trends are evident in hotel data.

Iceland remains the top growth destination in Europe, based on its full year data, an accolade which it has enjoyed since 2012. This growth is supported by a wide array of both short and long haul markets and this has perhaps been key to Iceland's longevity as the top performing Europe destination market since its exposure to risks and economic shocks is well-spread. Ongoing growth in air capacity on transatlantic routes using Iceland as a hub continues to benefit the destination. The continued strength of the US dollar is supporting transatlantic demand evidenced by growth in arrivals from the US. However, there are some suggestions that accommodation capacity constraints may be starting to bite in Iceland and such growth is not sustainable into the longer-run.

Foreign visits and overnights to select destinations



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

Cyprus enjoyed both strong arrivals and overnights growth of 19.8% and 10.7% respectively based on full year data. This performance may have involved some gain in market share at the expense of Turkey, as a somewhat similar destination, given the recurrent threat of terrorism and the tumultuous political

landscape following the attempted military coup in the summer of 2016. Russia was a notable contributor to this growth with arrivals up 48.9% and overnights 31.9% higher, more than offsetting the fall in Russian arrivals in 2015.

Slovakia's strong start to the year helped it retain position as Europe's third fastest growth market in the year-to-date. Growth has moderated further from earlier in the year when arrivals and overnights growth both exceeded 20%. Based on data to October arrivals growth was 18.7% and overnights growth was 16.3%.

Bulgaria has also fared particularly well in 2016 based on data to November, with some notable pick-up coming after the peak summer months. There is the potential for further growth into 2017 as the ski season begins in earnest. As a relatively low cost market, this growth perhaps reflects some continued bargain-hunting in the market. STR data show that Bulgaria is one of the least expensive destinations in Europe in terms of average room rate (ADR). In any case, Bulgaria's accelerating growth as the year closes demonstrates that it possesses year-round appeal, albeit to a primarily short-haul market.

Travel to the UK continued to grow, but at a slower rate than earlier in the year. Weaker sterling means the UK is now a more price-attractive destination which should support inbound leisure travel, while domestic UK travel should also benefit due to these pricing effects. However, this will be, at least partly, offset by weakening sentiment and some lower business travel associated with some slowdown in investment and business activity. The outlook for UK outbound travel demand has also been downgraded, in line with weaker near-term growth prospects as well as a fall in the value of the pound.

Arrivals growth has been strong in Ireland, with 11% growth reported for data to November. There is limited impact from UK travel to date, but there is a large exposure to any Brexit fallout. The UK is Ireland's biggest European source market and weaker sterling may dissuade some travel. The UK and Ireland also compete directly for some visitors and a lower pound will inevitably encourage some displacement away from Ireland and towards the UK.

The relative strength of the Swiss franc continued to weigh on Switzerland's performance in 2016. Both arrivals and nights to Switzerland are now lower than they were a year ago based on data to November (-1.6% and -1.8% respectively), despite enjoying growth earlier in the year. This is on top of the falls endured in 2015.

Turkey reported lower arrivals from all monitored source markets based on data to November due to a combination of political unrest, weakened relations with the large source market of Russia, and unrelenting terrorist attacks.

Continued attacks in Turkey have resulted in a large number of fatalities in 2016 alone, and have added to the perception that it may not be safe to travel to the country, along with last year's political unrest. This has discouraged some potential tourists from visiting Turkey and arrivals for 2016 have fallen sharply following a modest drop in 2015. Russia's temporary ban on travel to Turkey following the shooting down of a Russian bomber had a large impact given that Russia typically accounts for over 10% of arrivals to Turkey. But with the ban now lifted and some restoration of relations between the two countries, including an accord regarding Syria, this negative trend may be reversed in

30.9%

Drop in tourist arrivals in Turkey based on data to November.

Arrivals in Turkey fell 1.6% in 2015 as a whole and a larger drop was expected for 2016.

2017. International travel to Turkey in 2016 as a whole is likely to remain significantly lower than in 2015. A period of political stability, and no terrorism activity, will be required before recovery can fully begin.

Tourism Performance, 2016 Year-to-Date

Country	International Arrivals		International Nights	
	% ytd	to month	% ytd	to month
Austria	5.3	Jan-Nov	5.3	Jan-Nov
Belgium	-13.5	Jan-Sep	-12.1	Jan-Sep
Bulgaria	16.1	Jan-Nov		
Croatia	8.7	Jan-Nov	9.5	Jan-Nov
Cyprus	19.8	Jan-Dec	10.7	Jan-Oct
Czech Rep	6.3		3.3	
Denmark			2.2	Jan-Nov
Estonia	6.3	Jan-Nov	6.2	Jan-Nov
Finland	4.2	Jan-Nov	2.3	Jan-Nov
Germany	1.6	Jan-Nov	1.4	Jan-Nov
Greece	3.5	Jan-Sep	1.0	Jan-Sep
Hungary	7.0	Jan-Nov	6.0	Jan-Nov
Iceland	40.1	Jan-Dec		
Ireland Rep	11.0	Jan-Nov		
Latvia	10.6	Jan-Sep	5.5	Jan-Sep
Lithuania	9.2	Jan-Sep	8.9	Jan-Sep
Luxembourg			0.3	Jan-Oct
Malta	9.4	Jan-Nov	5.5	Jan-Nov
Monaco			-2.4	Jan-Dec
Montenegro	6.6	Jan-Nov	-1.1	Jan-Nov
Netherlands	5.0	Jan-Oct	6.0	Jan-Oct
Norway			10.6	Jan-Nov
Poland	6.8	Jan-Oct	8.8	Jan-Oct
Portugal	12.6	Jan-Nov	11.3	Jan-Nov
Romania	10.6	Jan-Nov		
Serbia	12.7	Jan-Nov	13.2	Jan-Nov
Slovakia	18.7	Jan-Oct	16.3	Jan-Oct
Slovenia	11.5	Jan-Nov	10.4	Jan-Nov
Spain	10.1	Jan-Nov	9.3	Jan-Nov
Sweden			4.9	Jan-Nov
Switzerland	-1.6	Jan-Nov	-1.8	Jan-Nov
Turkey	-30.9	Jan-Nov		
UK	3.0	Jan-Nov		

Source: TourMIS, <http://www.tourmis.info>; available data as of 30.1.2017

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 year

	Inbound*					Outbound**				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
data/estimate/forecast ***	d	e	f	f	f	d	e	f	f	f
World	4.1%	4.5%	3.8%	3.8%	4.6%	3.2%	4.7%	4.0%	4.0%	4.8%
Americas	8.5%	6.1%	4.2%	3.8%	4.0%	6.9%	5.1%	3.7%	4.5%	4.0%
North America	9.7%	5.6%	3.6%	3.8%	4.0%	8.3%	4.4%	4.9%	5.2%	4.2%
Caribbean	5.3%	8.1%	3.6%	4.3%	3.7%	9.6%	16.1%	3.8%	2.8%	4.0%
Central & South America	6.8%	6.5%	6.4%	3.7%	4.2%	1.7%	6.8%	-0.7%	2.1%	3.1%
Europe	2.1%	4.7%	1.9%	3.0%	4.4%	-0.2%	3.3%	1.9%	2.8%	4.6%
ETC+4	4.4%	4.9%	1.9%	2.6%	4.1%	2.4%	5.5%	2.8%	2.6%	4.4%
EU	4.4%	5.5%	3.9%	2.1%	3.8%	2.0%	5.4%	2.8%	2.6%	4.5%
Non-EU	-6.2%	1.5%	-6.4%	7.1%	6.9%	-8.9%	-5.8%	-2.7%	3.8%	5.2%
Northern	5.2%	6.5%	5.1%	3.5%	4.4%	5.2%	7.4%	4.3%	-0.6%	4.2%
Western	2.2%	3.9%	-0.5%	1.9%	3.8%	-1.2%	3.3%	1.2%	3.8%	4.7%
Southern/Mediterranean	7.1%	4.7%	0.9%	2.7%	4.4%	5.9%	7.5%	2.9%	3.1%	4.3%
Central/Eastern	-7.9%	5.2%	5.2%	4.5%	5.0%	-4.8%	-3.8%	-0.3%	5.0%	5.1%
- Central & Baltic	1.9%	7.2%	8.4%	2.4%	3.4%	6.4%	7.7%	5.9%	4.9%	3.7%
Asia & the Pacific	5.2%	5.8%	8.8%	4.6%	4.9%	6.7%	7.8%	8.7%	5.4%	5.3%
North East	7.3%	4.3%	8.6%	4.2%	5.0%	8.0%	8.9%	10.0%	5.3%	5.3%
South East	2.8%	8.1%	9.2%	5.2%	4.8%	4.5%	6.4%	7.2%	6.0%	5.9%
South	9.7%	3.5%	9.2%	4.3%	5.3%	13.8%	9.0%	5.4%	6.7%	6.2%
Oceania	6.1%	7.2%	9.0%	5.3%	4.3%	3.9%	4.0%	4.6%	4.7%	2.6%
Africa	2.1%	-4.7%	-2.6%	5.7%	6.2%	3.9%	1.8%	-0.2%	4.1%	4.1%
Mid East	8.0%	1.9%	3.6%	5.6%	6.1%	8.7%	1.4%	4.2%	7.3%	8.0%

* 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 STRONG

- Passenger growth in 2016 continued in line with the strong expansion seen in 2015 worldwide.
- European passenger growth has been maintained and the deterrent of further terror attacks in Europe has seemingly eased somewhat.
- A strong dollar continues to aid growth from the Americas to Europe, while Asian travel may be more affected by safety concerns.
- European hotel industry is exercising pricing power but tourists remain price conscious.

6.1%

The rate of World RPK growth in 2016 to date

YTD growth based on data to November

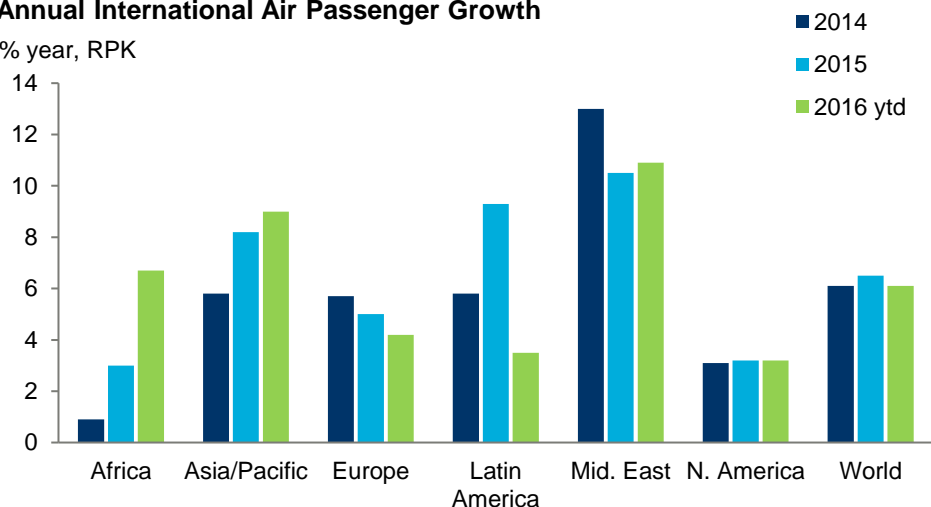
3.1 AIR TRANSPORT

In the year to November, World Revenue Passenger Kilometre (RPK) growth was 6.1%. This was comfortably above the average annual growth rate of the past 10 years (5.2%), thanks in part to low oil prices which fed into reduced air fares.

RPK growth was strongest in the Middle East based on 2016 year-to-date data, with many of its hubs continuing to grow as gateways between Asia, Europe, and the Americas. Capacity growth has continued to outstrip that of demand and passenger load factor (PLF) hit its lowest of the decade in November (68.8%). As these hubs continue to jostle for market share, by adding new routes, PLF may suffer further. Although demand lags supply, the full-year RPK growth looks likely to exceed that for 2015 as a whole despite some weaker regional traffic related to the oil industry.

Annual International Air Passenger Growth

% year, RPK



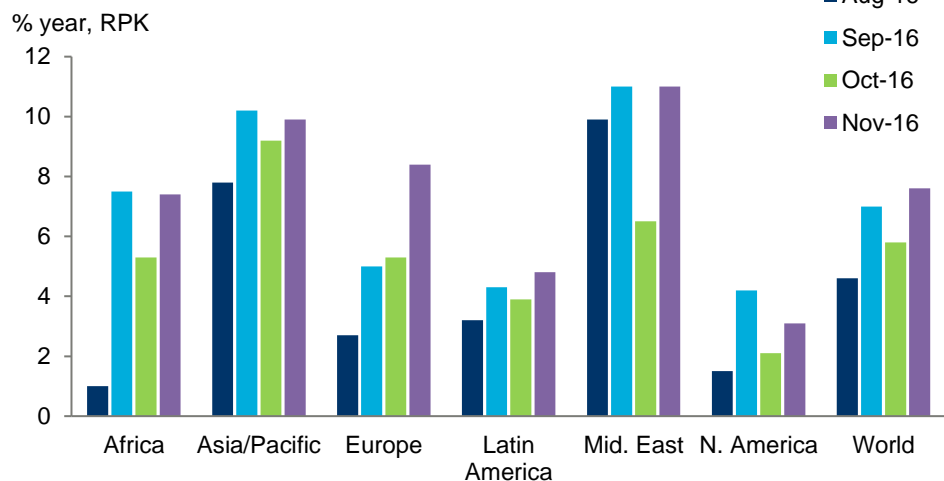
Source: IATA

Oil prices are unlikely to provide further stimulus to demand growth following an output agreement between OPEC members in November. But continued low oil prices will not place any upward pressure on air fares and will accommodate ongoing growth in passenger demand.

Air passenger demand to and from Asia/Pacific has grown by 9% so far in 2016 based on data to November. The reported rate of RPK growth marks 2016 as the fastest growth year of the past decade, and even puts it on a par with the post-recession rebound in 2010. Both Indian and Chinese airlines have increased the number of airport-pairs they serve which will have reduced journey times for passengers and stimulated demand in the same way as would a cut in fares.

In Latin America RPK growth slowed to its lowest rate since 2009 last year. Recessions in Venezuela and Argentina, coupled with the particular deep recession in Brazil offset demand growth elsewhere in the Latin America region and total regional growth will remain sluggish in 2016. Both business and leisure-related travel are suffering and RPK growth is unlikely to surpass that of 2015 at any point this year. In the case of Brazil, the summer's Olympic Games in Rio de Janeiro may have provided temporary respite, while recoveries in Venezuela and Argentina remain a distant prospect.

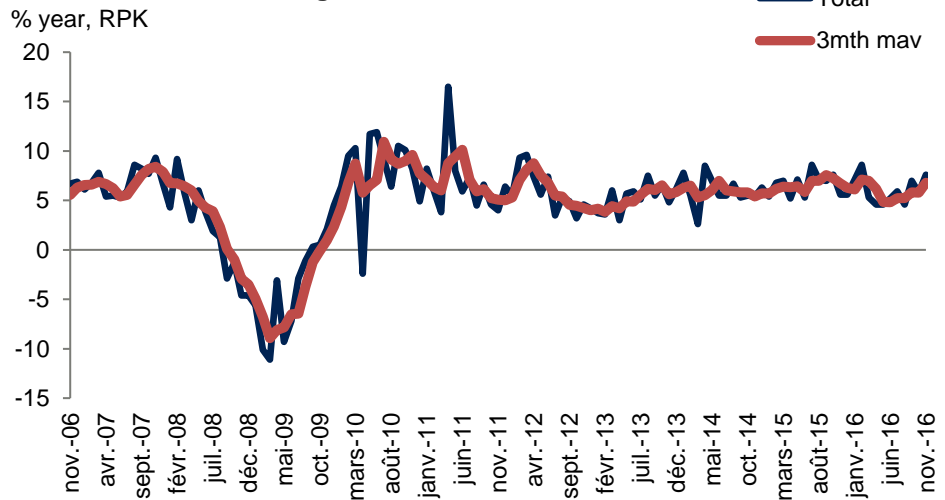
Monthly International Air Passenger Growth



Source: IATA

In Europe, year-to-date RPK growth has picked up somewhat in recent months, most notably in November when growth of 8.4% was reported. Year-to-date growth was 4.2% based on data to November. This was an improvement upon growth as reported earlier in the year and at one point in 2016 RPK growth was at its slowest since 2009. Fear of terrorist attacks, such as those witnessed in Europe earlier in the year, has evidently waned in recent months, with some improvements in passenger growth. But these fears have by no means disappeared and it is likely that some displacement is still ongoing as a result within the region.

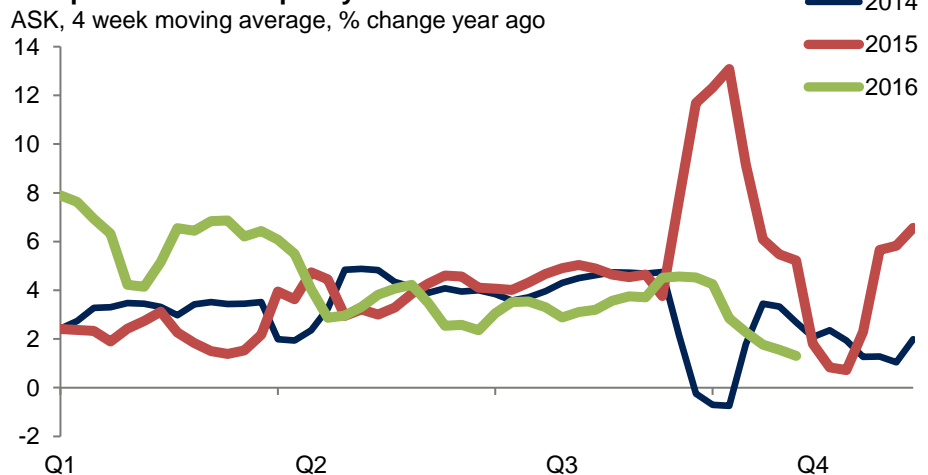
International Air Passenger Traffic Growth



Source: IATA

Data from the Association of European Airlines (AEA) confirmed that robust growth in European airline capacity continued throughout 2016, but has slowed somewhat from a particularly strong start to the year. Capacity growth has averaged 4.2% so far in 2016 compared to 4.4% for the same period in 2015. This remains in line with the trend in recent years and will be supportive of further demand growth.

European Airlines Capacity



Source: AEA

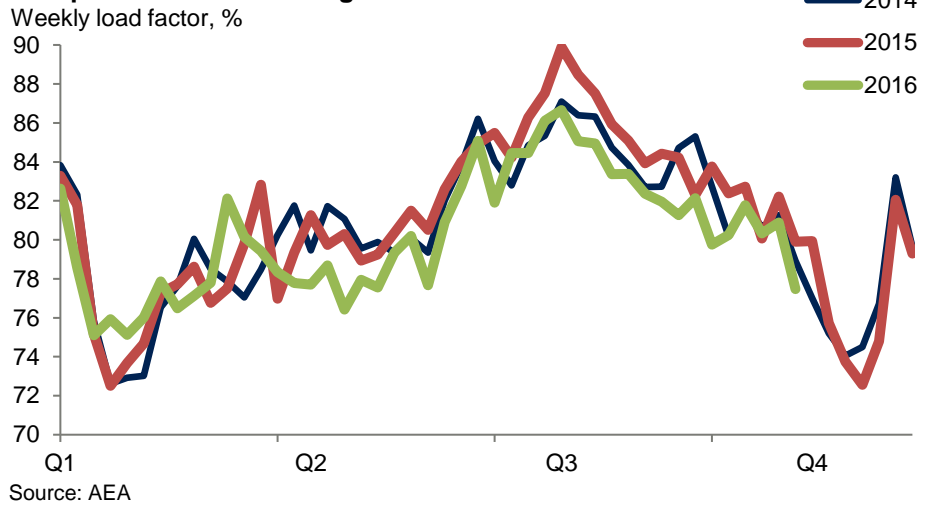
Airline load factors have eased a little in recent months but remain high despite this capacity growth. Average load factor for the year-to-date is only marginally lower than for the same period in previous years (80.3% compared to 81.5% in 2015 and 81.1% in 2014). As capacity growth slowed towards the end of 2016, load factors have moved roughly in line with those a year earlier with continued demand growth.

87%

Peak of European airline passenger load factor in 2016 to date

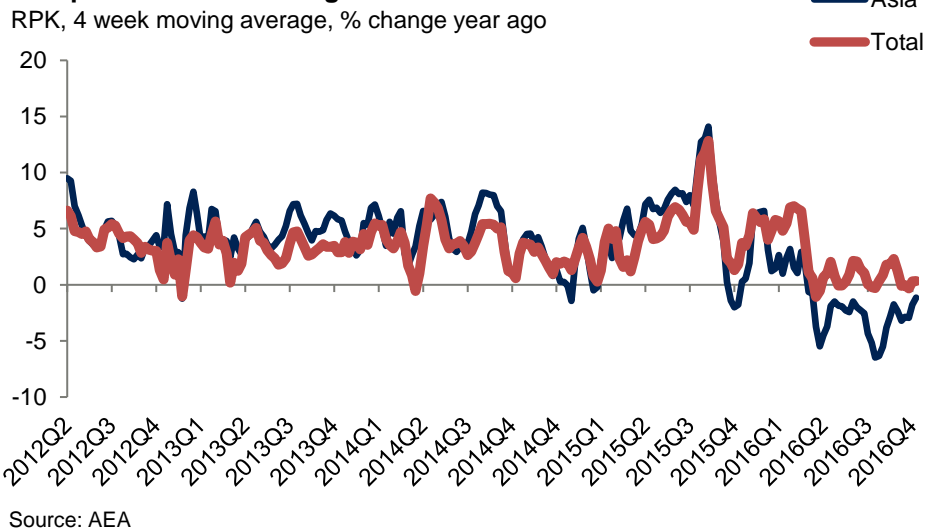
Based on data to mid-November

European Airlines Passenger Load Factor



In 2016 passenger demand on European-Asian routes has lagged total European airline passenger demand. This may be related to fears regarding recent terrorist attacks, as well as some slowdown in emerging markets. This is particularly true in the case of travel to France where nearly 40% fewer Japanese and 23% fewer Chinese arrivals are reported in year-to-date data to October (not available through TourMIS). The impact on overall passenger numbers indicates that these potential tourists are not just being redirected to other European destinations, but that there is an impact on total demand. Passenger demand growth for Asian routes has diverged from total European passenger demand to an unprecedented extent in 2016: the average percentage point (pp) difference was 3.3pp and 6.7pp at its greatest. Encouragingly, this gap appears to be narrowing in more recent data and may precipitate a return to growth in 2017.

European Airline Passenger Traffic: Asia



Air passenger flows between Europe and the Americas continued to grow at a faster rate than total scheduled travel to and from Europe in 2016. The two flows have also diverged to an unprecedented degree. The average difference between them was 5pp for 2016 to date. This is a substantial premium

9.7pp

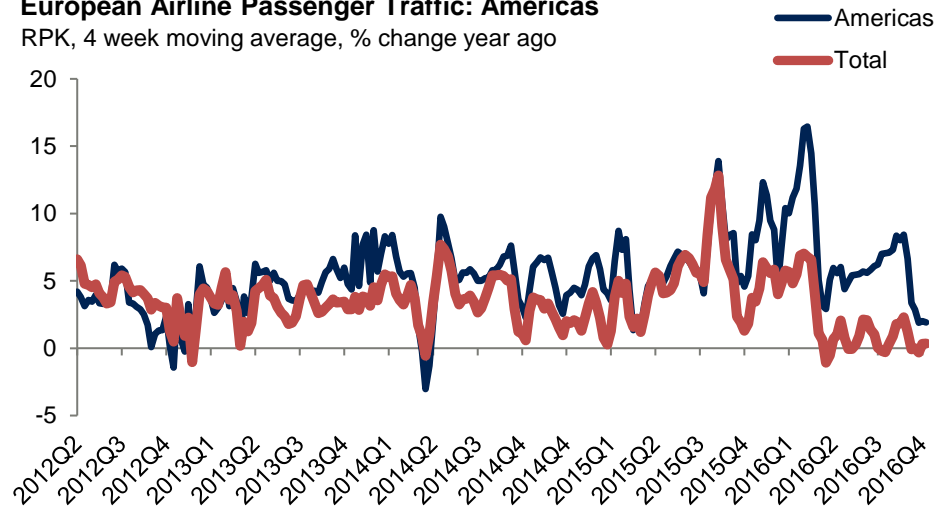
The gap between Europe-Americas and total European airline passenger growth in 2016

This is the biggest observed pp difference in 2016

compared to the average difference in 2015 of 1.7pp. The greatest percentage point difference observed in 2016 was 9.7. United States outbound travel to Europe has been particularly strong due to the relative strength of the dollar against key European currencies as well as favourable economic conditions in the United States. But the election of Donald Trump has created a degree of policy uncertainty that could potentially have serious impacts on travel flows from the US. It appears that President Trump will focus on pro-growth policies, but the risk of draconian immigration and trade barriers linger, as too does the economic shock that would come with them.

European Airline Passenger Traffic: Americas

RPK, 4 week moving average, % change year ago



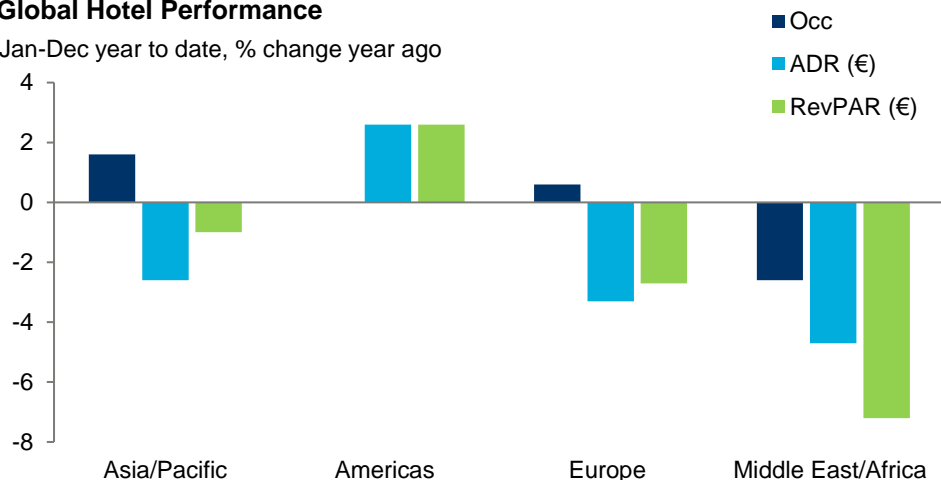
Source: AEA

3.2 ACCOMMODATION

Global accommodation sector performance remained mixed throughout 2016. The worst performing region was the Middle East & Africa where all performance measures showed a downturn compared to 2015. All other regions boasted at least one positive performance measure.

Global Hotel Performance

Jan-Dec year to date, % change year ago



Source: STR Global

In Asia/Pacific occupancy was up 1.6% in 2016 compared to 2015. However, this growth may have been aided by lower ADR in the region which fell 2.6% in euro terms over the same period. As a result, RevPAR fell by 1%. Lower ADR may also be related to some increase in the proportion of more affordable properties as travel becomes more of a middle class activity for emerging markets. But, this modest demand and price cutting is also consistent with some weakening economies and softer travel demand from Asian markets.

In the Americas, room rates continued to rise but was buoyed by North American performance, and particularly the growth in the US. ADR in other regions of the Americas fell over the same period. North American hotel occupancy was unchanged from 2015 levels, allowing hotels to continue to exercise pricing power and raise rates. There was some growth in occupancy in Central America: up 3.1% compared to 2015. However, there were substantial reductions in both occupancy and ADR in the Caribbean and South America with the latter in particular continuing to feel the pinch of recessions within the region.

In Europe as a whole, the accommodation sector performance remained lacklustre with occupancy growing by just 0.6% alongside a 3.3% reduction in ADR over the same period (priced in euros). This led to RevPAR contraction of 2.7%. Occupancy performance lags the international arrivals growth due to some offsetting growth in supply and a further drag from domestic demand in some countries.

3.3%

The reduction in ADR across
Europe in 2016

Based on full-year 2016 data

4. SPECIAL FEATURE

Destinations hit by terrorist attacks have seen large falls in international arrivals

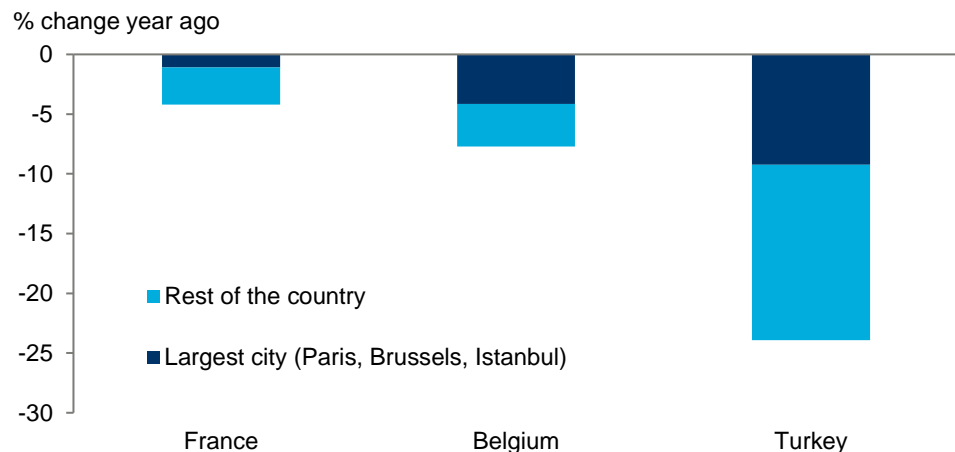
THE IMPACTS OF TERRORISM ON EUROPEAN TOURISM IN 2016

2016 saw a spate of terrorist attacks across a number of European cities which has clearly affected tourism performance in those destinations. France, Belgium and Turkey all reported significant falls in arrivals, overnights and hotel occupancy throughout 2016 following attacks in those countries.

Travel to a destination falls immediately following a terrorist attack before a usual recovery pattern. However, the frequency and proximity of attacks will affect the subsequent recovery. For example, the magnitude of the falls in Turkey are a likely consequence of multiple attacks and greater perceived risk to safety.

The perceived risk to safety is the crucial factor in determining the overall impact. Munich was hit by some attacks in summer 2016 but has seen limited impact due to the more isolated nature of these attacks. International arrivals in Munich were around 10% lower than in 2015 for subsequent months but have already shown some signs of recovery. This contrasts with falling arrivals of around 30% in Brussels for several months during 2016, and a more delayed recovery path. Attacks on the Berlin Christmas Market in late 2016 may have a greater impact on travel to Germany as a whole due to a perception of risk now being attached to the country as a whole.

Arrivals difference in 2016: city contribution



Source: STR Global

Other destinations within a country can also suffer following a terrorist attack due to perceptions of safety within the country as a whole. Taking Belgium as an example, travel to Brussels fell by a greater degree than travel to Belgium as a whole. However, Tourism Economics estimates that falling arrivals in other parts of the country accounted for around half of the overall drop in travel to Belgium as a whole in 2016. In France, the attacks in Nice have seemingly contributed to a perception of increased risk in travelling to the country as a whole. The tourist impact in Turkey is also widespread across the country and not just isolated to within one or two major destinations. Travel to Istanbul

Perceptions of safety are important factors in understanding the tourism impact for a country, with large falls to unaffected destinations

accounts for an estimated two-fifths of the fall in arrivals, with a large risk attached to travel to the rest of the country among potential travellers.

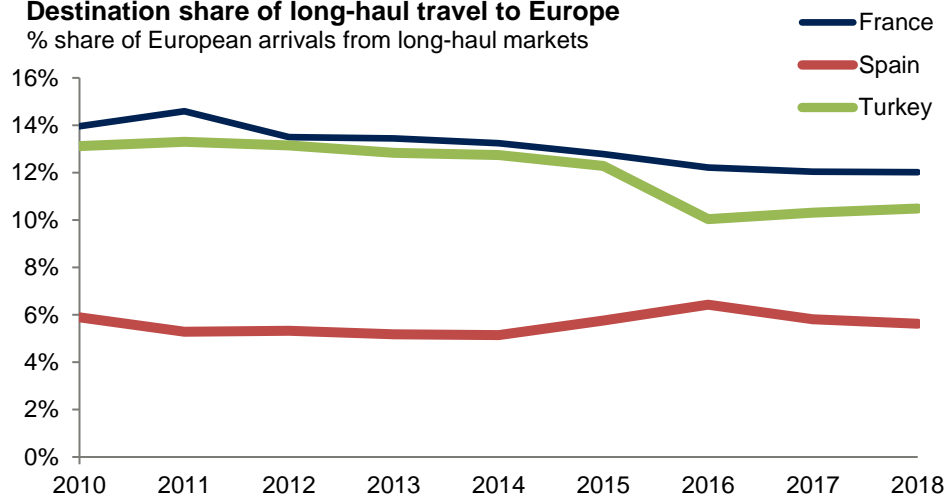
There are two distinct impacts on travel to Europe as a whole beyond these affected destinations: other destinations have benefited from some displaced travel; while some potential travellers have avoided European destinations altogether.

Spain has apparently gained from recent events taking a greater share of European arrivals in 2016 with relatively strong arrivals growth. This is particularly evident for travel from long-haul markets which have been among the most erratic. France and Turkey typically account for a large proportion of travel to Europe from non-European markets. Their share fell in 2016 while the proportion of this travel to Spain rose significantly.

Some unaffected destinations have benefited from displaced travel

Destination share of long-haul travel to Europe

% share of European arrivals from long-haul markets



Source: Tourism Economics' TDM database, UNWTO

However, Europe as a whole may be missing out on potential visitors. Potential travellers from some markets, and notably from some long-haul Asian markets, seemingly view all European destinations as being equally unsafe. European destinations lost share of both the Chinese and Japanese markets in 2016. Tourism Economics estimate that long-haul travel from these markets was increasingly to non-European destinations during the year. Perceptions may be exacerbated by travel itineraries on tours covering multiple countries and a view of the region as a single entity.

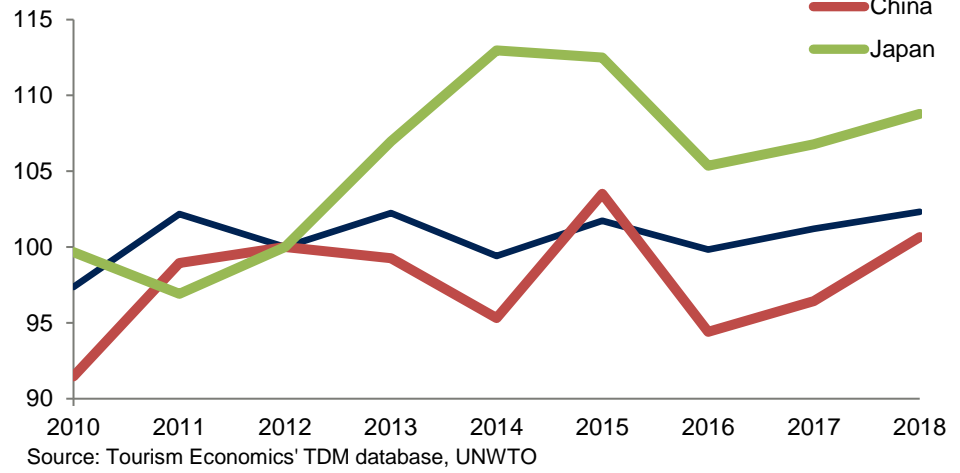
But some potential travellers have avoided travel to Europe altogether

Travel from the US has remained more resilient and European destinations have retained a relatively constant share of long-haul travel. This may be due to some greater familiarity with European destinations among US travellers and an understanding of the real risks involved in travel. However, the strength of the US dollar against the Euro means that travel is relatively more affordable which has provided some support.

European destinations need to ensure they project a clear image of the diverse destinations available and provide reassurances regarding safety to maximise recovery from the current low market share.

European market share of long-haul markets

European destinations' share of outbound, 2012=100



5. KEY SOURCE MARKET PERFORMANCE

2016 MAINTAINS MOMENTUM

- European travel demand continues to grow across the majority of markets.
- Intra-European travel remains crucial for future growth while US travel demand continues to grow – helped by a strong dollar.
- Economic slowdown and a weaker pound in the UK as a result of the Brexit referendum is a concern for outbound travel demand but UK inbound will benefit.

Trends discussed in this section in some cases relate to the first nine 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>.

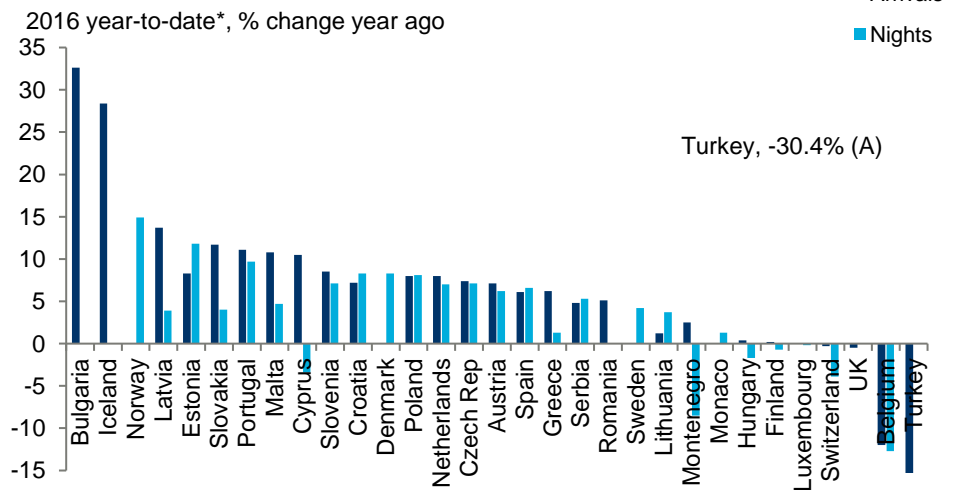
5.1 KEY INTRA-EUROPEAN MARKETS

The vast majority of European destination markets have reported growth from Germany in 2016 compared to the same period of 2015. Bulgaria enjoyed the strongest growth (32.6%) in arrivals from Germany based on data to November, and this growth was substantially higher than the 19.2% growth in the year to August. German tourists typically account for 10% of all arrivals to Bulgaria, hence growth of this magnitude represents a substantial number of new arrivals. And despite some continued economic growth, German tourists remain price sensitive, seeking out more affordable destinations. Belgium and Turkey have suffered, as Germans are seemingly deterred by 2016's terror attacks.

26

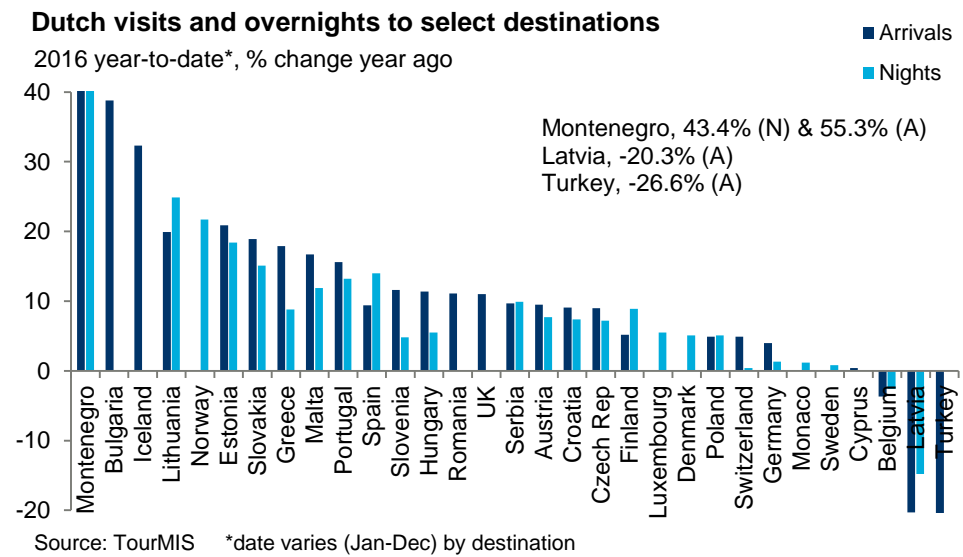
out of 31 destinations reported growth from Germany pointing to continued intra-regional growth in 2016

German visits and overnights to select destinations



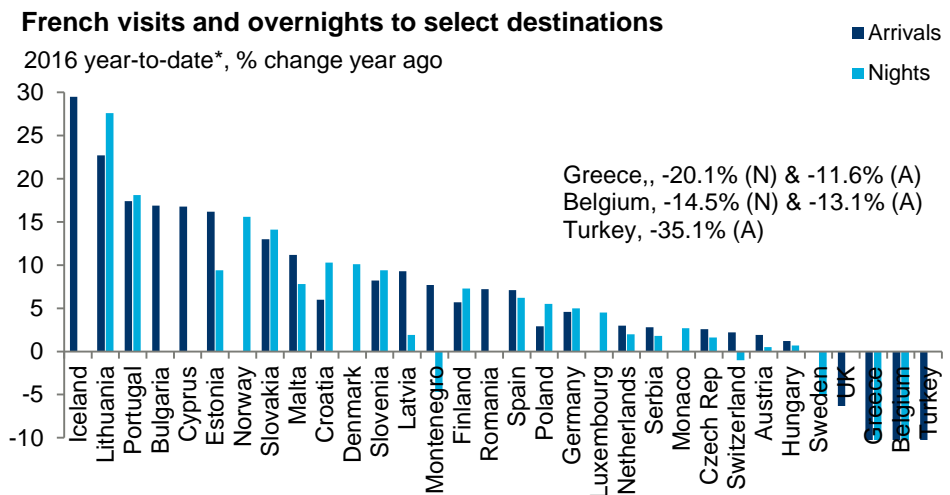
Montenegro continues to enjoy strong arrivals growth (55.3%) and overnights growth (43.4%) from the Netherlands based on data to August. And Bulgaria has also reported robust growth (38.8%) based on data to November. As with the German data, this is a substantial acceleration from growth during the summer months as Dutch tourists look to travel throughout the year, and remain price sensitive.

Arrivals from the Netherlands to Turkey fell markedly compared to same period in 2015. Based on data to November Dutch arrivals to Turkey fell by 26.6%. This is due, at least in part, to the recurrent terrorist attacks which have plagued Turkey for the past couple of years as well as the attempted military coup which took place earlier in 2016.



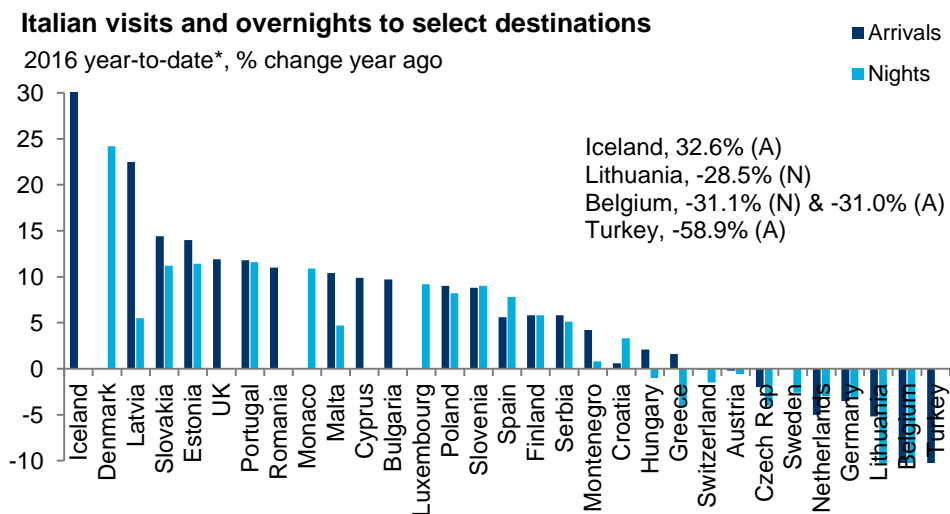
French travel behaviour has seemingly 'normalised' following the disruption earlier in the year related to terror attacks.

Some of the caution that was evident among French travellers earlier at the beginning of 2016 appears to have dissipated. The majority of destinations are now reporting some growth from France, returning to more typical trends. The disruption from terrorist attacks continue to affect France as a destination, but not as a source market. Iceland, Lithuania, and Portugal in particular have reported strong growth in arrivals and overnights from France; and a number of other destinations have also reported strong growth in French demand. Meanwhile, Sweden, the UK, Greece, Belgium, and Turkey were the only five destinations (out of 32 reporting) which saw French arrivals decline compared to the previous year.



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

Iceland was the top growth destination for Italians in 2016; based on full year data arrivals in 2016 were 32.6% higher than in 2015, albeit based on some relatively small volumes. Denmark and Latvia also enjoyed strong growth of 24.2% in overnights in the case of the former and 22.5% in arrivals in the case of the latter. This will be particularly positive from the Latvian perspective as it will go some way towards offsetting falling arrivals from elsewhere.



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

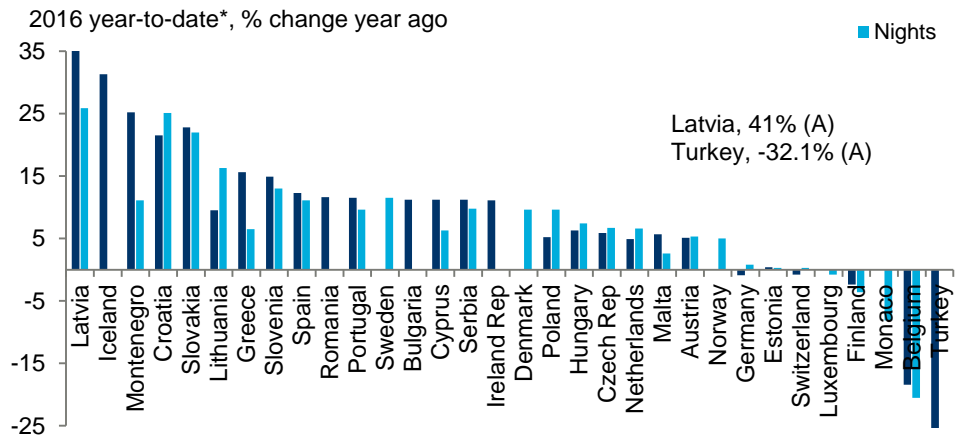
Sixteen reporting destinations have enjoyed double-digit arrivals growth from the UK so far in 2016, five of which enjoyed growth exceeding 20%. Latvia was the top growth market welcoming 41% more British arrivals in the first nine months of 2016 compared to the same period of 2015.

Growth from the UK has continued, despite the weaker pound making international travel more expensive. But effects may be more evident in 2017 as travel behaviour often lags price movements due to advanced bookings. The large UK destinations of Spain, Portugal, and Ireland each reported handsome double-digit growth in arrivals and overnights based on data to November, but the rates of growth have slowed somewhat as the year has progressed. Since arrivals from the UK equate to around 50% of total arrivals to Ireland, 25% of

total arrivals to Spain, and 17% of total arrivals to Portugal, such growth is a substantial driver of total growth for all three destinations.

The near-term growth prospects for UK travel are weaker than recent trends amid significant uncertainty, and with a weaker growth outlook for the UK economy, coupled with a fall in the value of the pound. Notably, the pound has lost in excess of 10% of its value against the euro in 2016. And whilst Britons will continue to travel, some destinations will shoulder a greater proportion of the Brexit burden than others in the short-term.

UK visits and overnights to select destinations



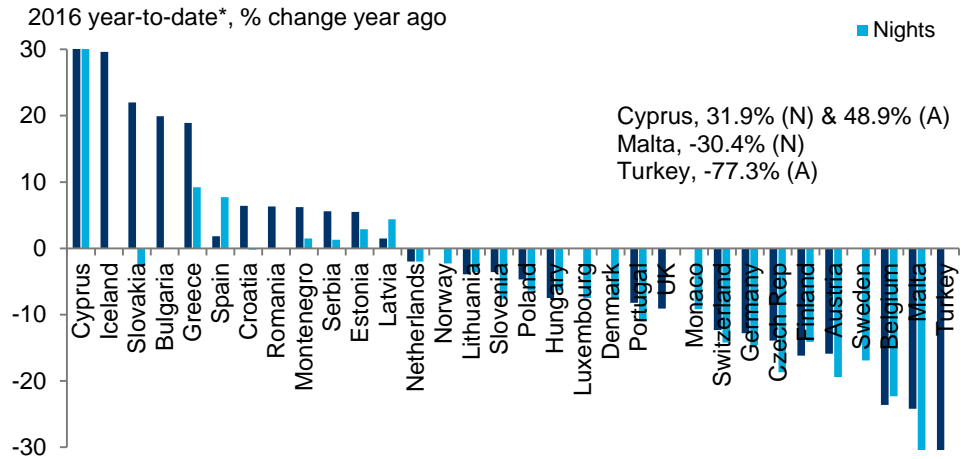
Source: TourMIS *date varies (Jan-Dec) by destination

Turkey has endured the largest decline in Russian arrivals so far in 2016, down 77.3% based on data to November. Note this implies some mild improvement in recent months as Russian arrivals were down 87.9% based on data to August. Russia has lifted earlier travel restrictions on Russian tourists visiting Turkey, and notable efforts have been made to restore relations between the two countries, more recently including agreement on the ceasefire in Syria. Some improvement in tourism performance may follow in 2017, but Russians will still share the same safety concerns of other European markets regarding travel to Turkey and any growth is unlikely to immediately offset these falls.

More destinations reported falling arrivals and overnights from Russia than reported growth but, many have reported strong double-digit growth. Cyprus, Iceland, Slovakia, Bulgaria, and Greece all reported notably strong arrivals growth from Russia. In most cases this includes some rebound from falls in prior years and potentially some substitution from travel which would ordinarily have been bound for Turkey. In general, outbound travel from Russia should improve further into 2017 when the rouble is expected to begin its recovery.

19
out of 31 destinations reported falling arrivals or overnights from Russia. The most sizeable falls were observed in Turkey.

Russian visits and overnights to select destinations



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

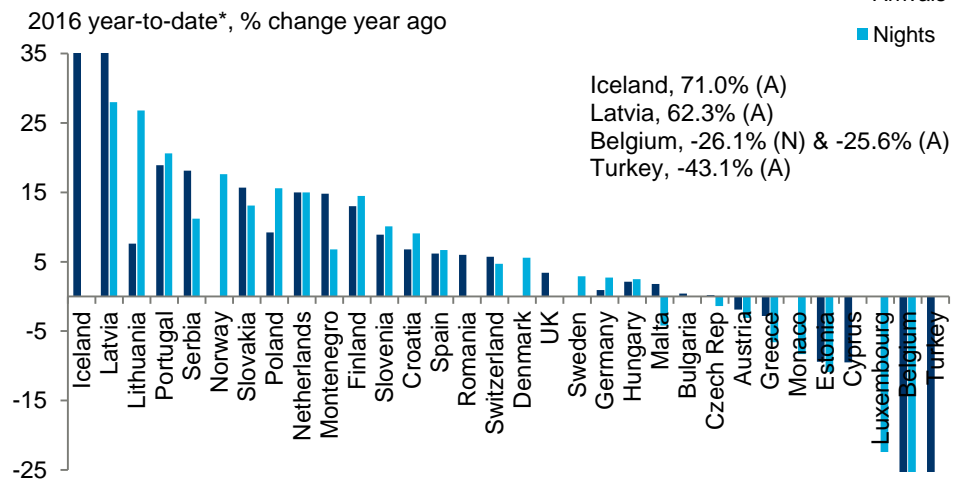
5.2 NON-EUROPEAN MARKETS

24 of 32 reporting destinations reported growth from the US in 2016 to date. Iceland was the fastest growing destination for US travellers in 2016, up 71% based on full year data. This growth was aided by Iceland's growing importance as a hub for transatlantic travel. Both Europeans and North Americans have been increasingly breaking up transatlantic trips with some nights in Iceland. In addition, continued growth in scheduled seats on flights between Iceland and the US, and also to European destinations will allow continued growth.

Latvia and Lithuania also fared well as a destination for US travellers and they may be benefitting from joint travel itineraries, although it is striking that travel to nearby Estonia fell. Both destinations reported growth in overnights in excess of 25% while arrivals growth was also reported. Portugal has also enjoyed over 20% growth from the US based on data to November.

Meanwhile, Belgium and Turkey have seen notably lower arrivals from the US, each down in by 25.6% and 43.1% in arrivals terms, due to a combination of political unrest and recurrent terror attacks.

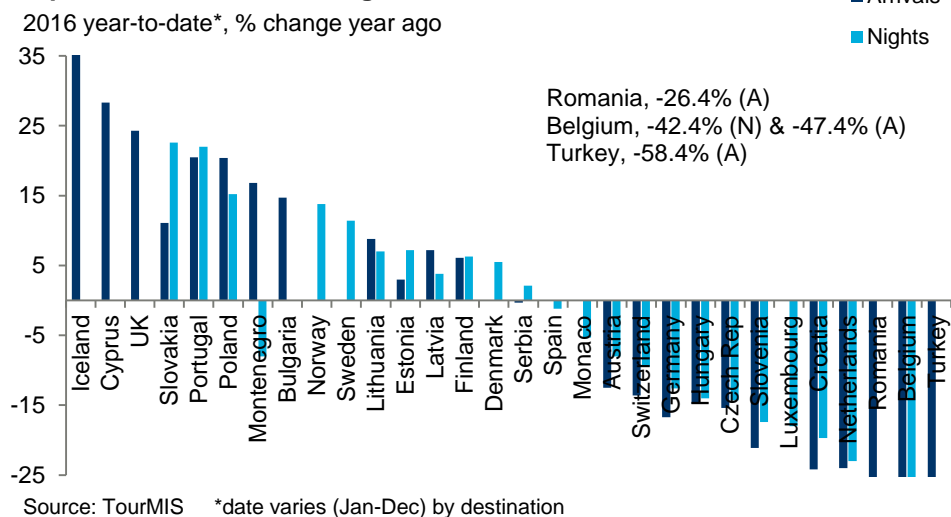
US visits and overnights to select destinations



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

Arrivals growth from Japan was reported in just over half of reporting European destinations, although it remains a large source market for many places despite this relative stagnation. Some strengthening of the yen in 2016, and notably following the Brexit vote, has aided affordability for Japanese travellers, but does not fully offset prior currency depreciation. Japan's economy has remained subdued over the past few years and this has been evident in outbound tourism performance. Growth has been notable in a handful of countries with no less than ten reporting some form of double-digit growth (albeit from relatively low bases). But more destinations have reported declines of equal magnitude and this may have to do with their perceived risk of suffering a terrorist attack. This is reflective of Asian travel to European markets typically being highly sensitive to such shock events. As an example of this, Germany has reported some modest growth from most source markets with little disruption evident, to date. Yet travel to Germany fell from both China and Japan.

Japanese visits and overnights to select destinations

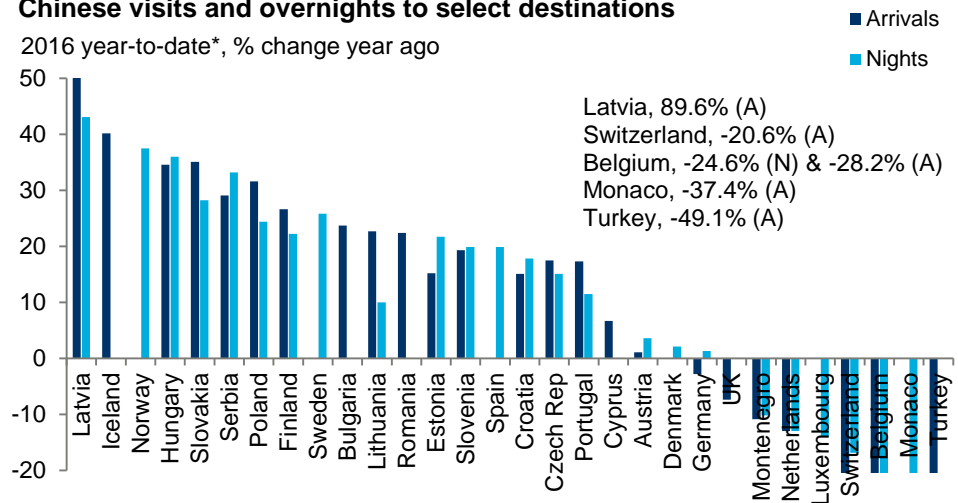


China continues to be a source of huge arrivals growth for many European destinations, albeit from some lower volumes than for more established markets. 18 of 30 reporting destinations reported double-digit arrivals growth from China, with Latvia chief amongst them reporting 89.6% growth based on data to September.

But an array of markets saw their number of Chinese arrivals fall. This is likely due to the perceived threat of terror attacks and security issues as security concerns in certain European markets are being projected to the region as a whole. As long as the threat of such events exists it will likely continue to undermine some Chinese growth to the region. However, industry data showed some improvement in Asian travel flows to Europe, and this may mean some more positive trends can be expected moving into 2017.

Chinese visits and overnights to select destinations

2016 year-to-date*, % change year ago



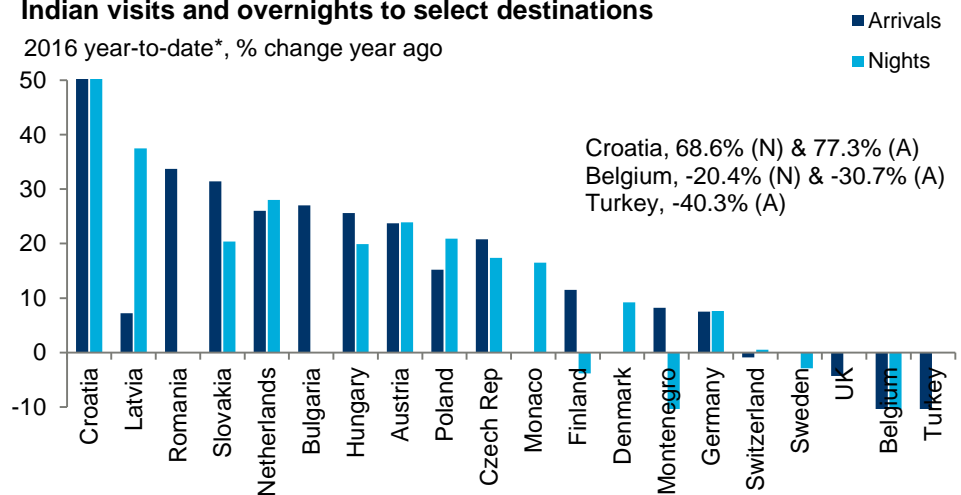
Source: TourMIS *date varies (Jan-Dec) by destination

Croatia was the most popular Indian growth destination with arrivals and overnights both up by 77.3% and 69.6% respectively in 2016 based on data to November. And many others enjoyed marked double-digit growth. This growth has been aided by a strong economic backdrop in India (led by strong GDP growth, a positive consumer spending outlook, and a rising number of middle-income households). It should be stressed that current arrivals numbers from India are low in absolute terms, but it will, in time, become increasingly more important as a source market for European destinations.

Four reporting destinations, however, did not enjoy any form of growth (arrivals or overnights) from India. Two of these are familiar enough in Turkey and Belgium due to concerns related to terrorism and security. Travel to Switzerland and Sweden also fell modestly.

Indian visits and overnights to select destinations

2016 year-to-date*, % change year ago



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

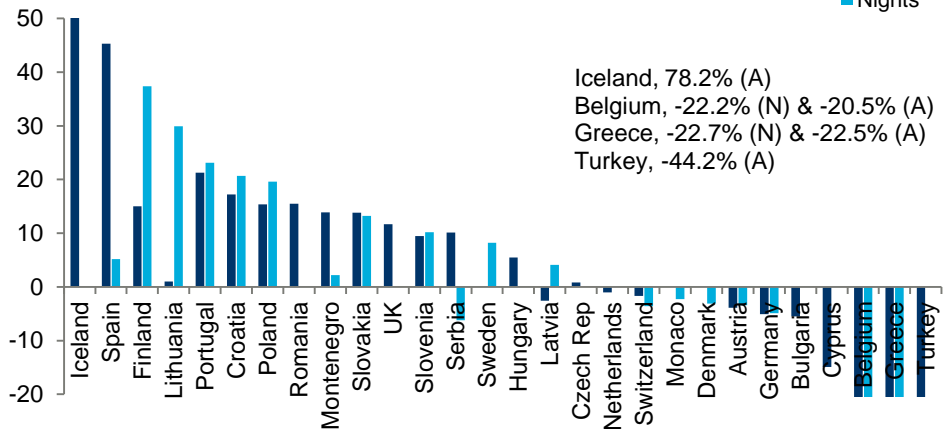
Many destinations have reported considerable arrivals and overnights growth from Canada so far in 2016. Travel to Iceland was strong at 78.2% according to full year data. This was aided by Iceland's hub status on transatlantic flights. Continued growth in scheduled seats on flights between Iceland and Canada and onward to European destinations will facilitate further growth. Strong

growth to Finland is skewed by substantial flows in January when Finland hosted the *Ice Hockey World Junior Championships* with reported arrivals growth of 175% and overnights growth of 701% compared to January 2015. This has since abated to more typical rates.

Spain was also the recipient of some very strong arrivals growth from Canada, up 45.3% based on data to November (albeit from a very small base). It is possible that Spain is benefitting from some displaced travel which may have otherwise been bound for Belgium, France, and Turkey if not for recent terrorist activity.

Canadian visits and overnights to select destinations

2016 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

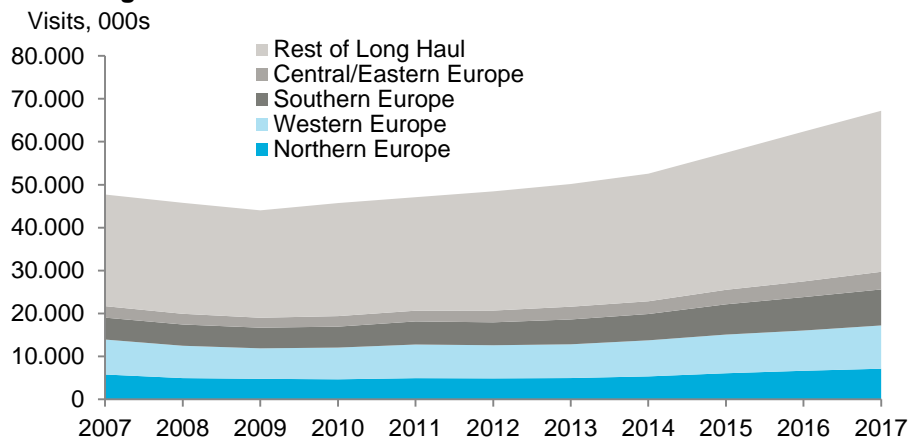
	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	105,016	-	4.4%	24.2%	-	36.1%	-
Long haul (000s)	62,372	59.4%	5.2%	28.8%	61.6%	32.5%	61.0%
Short haul (000s)	42,644	40.6%	3.3%	17.6%	38.4%	41.9%	39.0%
Travel to Europe (000s)	27,460	26.1%	5.2%	29.1%	27.2%	33.0%	26.8%
Northern Europe (000s)	6,648	6.3%	5.8%	32.6%	6.8%	34.8%	6.4%
Western Europe (000s)	9,382	8.9%	4.3%	23.3%	8.9%	19.7%	10.2%
Southern Europe (000s)	7,786	7.4%	5.4%	29.9%	7.7%	44.7%	7.0%
Central/Eastern Europe (000s)	3,645	3.5%	6.3%	36.0%	3.8%	45.7%	3.2%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

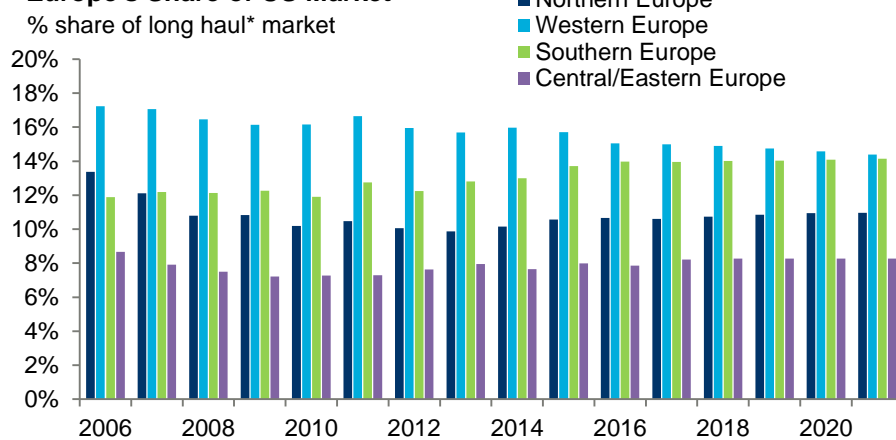
US Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of US Market



*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)	32,613	-	4.1%	22.2%	-	-0.8%	-
Long haul (000s)	12,592	38.6%	3.2%	17.1%	37.0%	16.9%	32.8%
Short haul (000s)	20,021	61.4%	4.6%	25.4%	63.0%	-9.4%	67.2%
Travel to Europe (000s)	4,870	14.9%	2.6%	13.7%	13.9%	17.5%	12.6%
Northern Europe (000s)	1,136	3.5%	5.9%	33.4%	3.8%	12.7%	3.1%
Western Europe (000s)	1,660	5.1%	2.5%	13.0%	4.7%	8.2%	4.7%
Southern Europe (000s)	1,778	5.5%	0.8%	4.0%	4.6%	31.8%	4.1%
Central/Eastern Europe (000s)	296	0.9%	-0.1%	-0.6%	0.7%	17.7%	0.8%

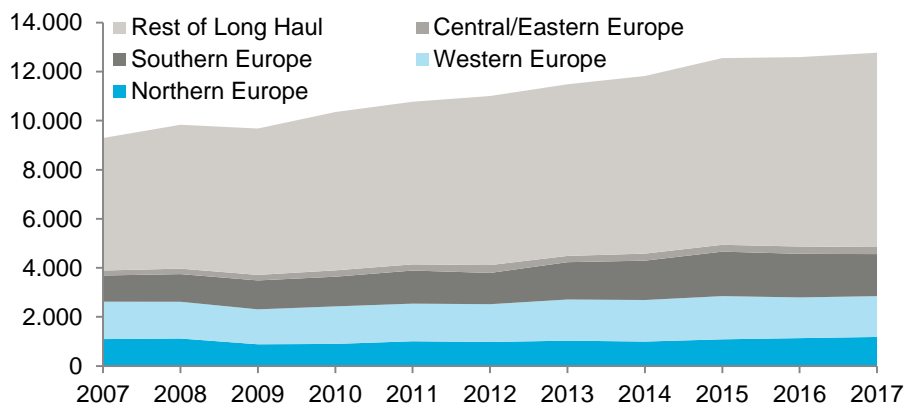
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Canada Long Haul* Outbound Travel

Visits, 000s

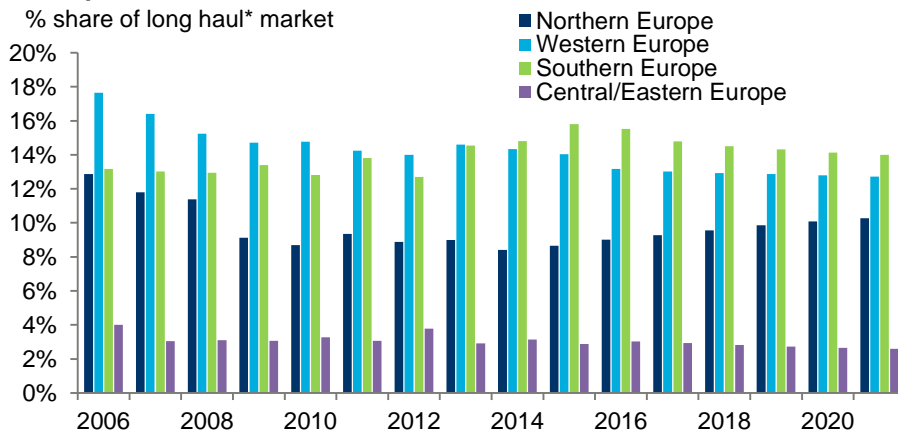


*Long haul defined as tourist arrivals to destinations outside North America

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)	21,698	-	3.4%	18.0%	-	37.9%	-
Long haul (000s)	2,778	12.8%	4.1%	22.0%	13.2%	39.0%	12.7%
Short haul (000s)	18,920	87.2%	3.3%	17.4%	86.8%	37.8%	87.3%
Travel to Europe (000s)	1,425	6.6%	3.4%	18.2%	6.6%	20.2%	7.5%
Northern Europe (000s)	105	0.5%	2.5%	13.2%	0.5%	27.8%	0.5%
Western Europe (000s)	602	2.8%	4.9%	26.7%	3.0%	-2.5%	3.9%
Southern Europe (000s)	557	2.6%	2.2%	11.4%	2.4%	43.3%	2.5%
Central/Eastern Europe (000s)	160	0.7%	2.5%	13.3%	0.7%	66.5%	0.6%

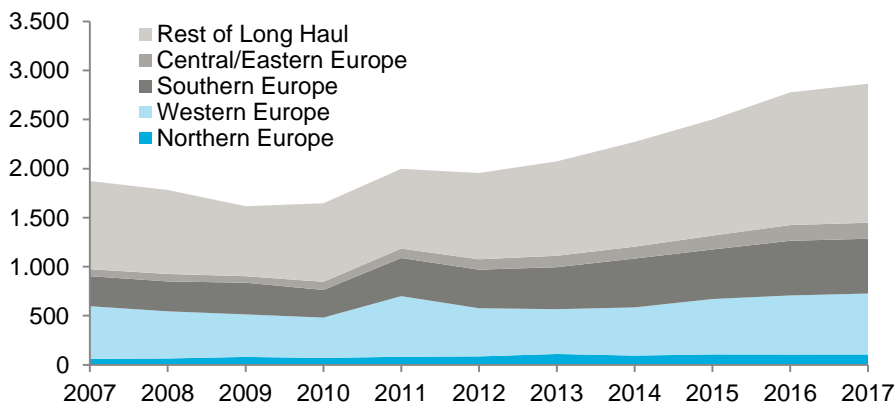
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Mexico Long Haul* Outbound Travel

Visits, 000s

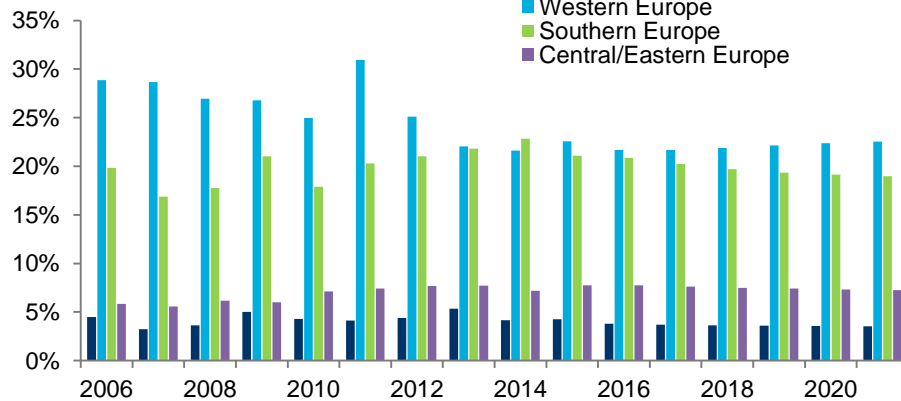


*Long haul defined as tourist arrivals to destinations outside North America

Source: Tourism Economics

Europe's Share of Mexican Market

% share of long haul* market



*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)	10,517	-	3.0%	16.1%	-	52.5%	-
Long haul (000s)	2,972	28.3%	5.4%	30.2%	31.7%	54.9%	27.8%
Short haul (000s)	7,545	71.7%	2.0%	10.6%	68.3%	51.6%	72.2%
Travel to Europe (000s)	1,166	11.1%	5.1%	28.3%	12.2%	78.0%	9.5%
Northern Europe (000s)	138	1.3%	9.4%	56.6%	1.8%	80.3%	1.1%
Western Europe (000s)	58	0.5%	6.8%	39.0%	0.7%	54.6%	0.5%
Southern Europe (000s)	841	8.0%	3.1%	16.2%	8.0%	79.5%	6.8%
Central/Eastern Europe (000s)	129	1.2%	11.5%	72.1%	1.8%	77.7%	1.1%

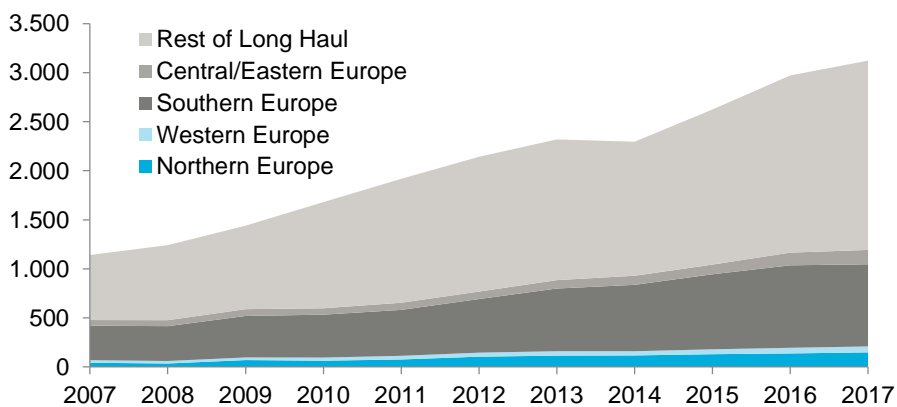
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Argentina Long Haul* Outbound Travel

Visits, 000s

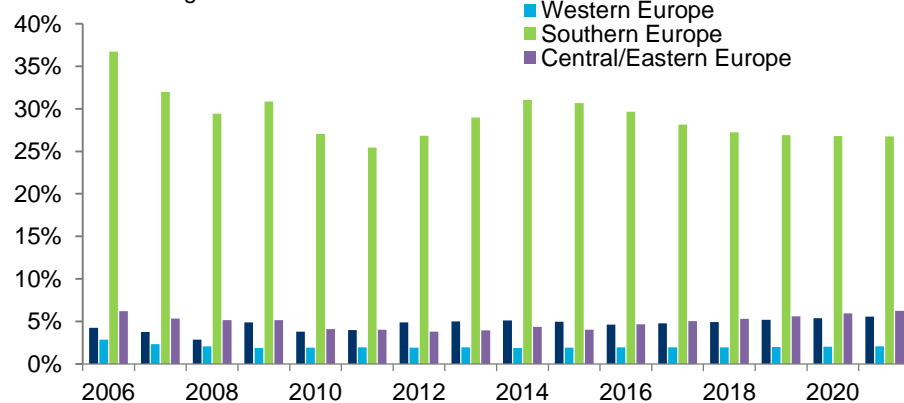


*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

Europe's Share of Argentinian Market

% share of long haul* market



*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)	8,009	-	4.2%	22.9%	-	-2.8%	-
Long haul (000s)	5,694	71.1%	4.6%	25.0%	72.3%	-0.1%	69.1%
Short haul (000s)	2,316	28.9%	3.3%	17.6%	27.7%	-9.0%	30.9%
Travel to Europe (000s)	2,750	34.3%	2.0%	10.3%	30.8%	-11.8%	37.8%
Northern Europe (000s)	233	2.9%	7.8%	45.8%	3.5%	-15.5%	3.3%
Western Europe (000s)	1,122	14.0%	3.4%	18.0%	13.5%	-18.6%	16.7%
Southern Europe (000s)	1,158	14.5%	-1.5%	-7.2%	10.9%	-3.3%	14.5%
Central/Eastern Europe (000s)	238	3.0%	4.4%	23.9%	3.0%	-11.2%	3.2%

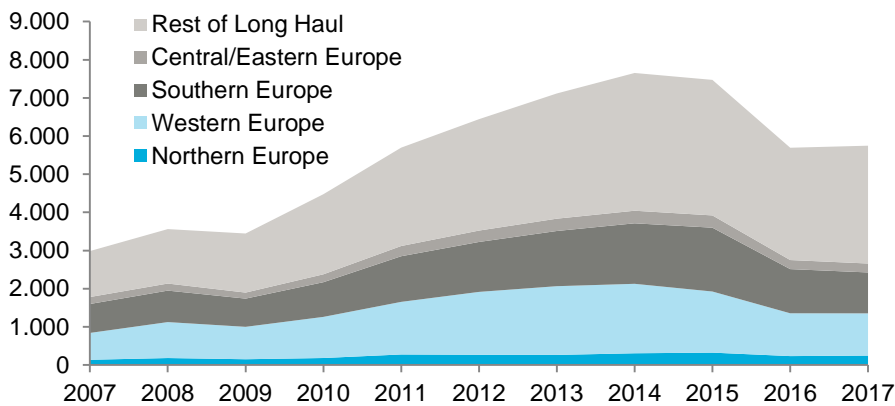
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Brazil Long Haul* Outbound Travel

Visits, 000s

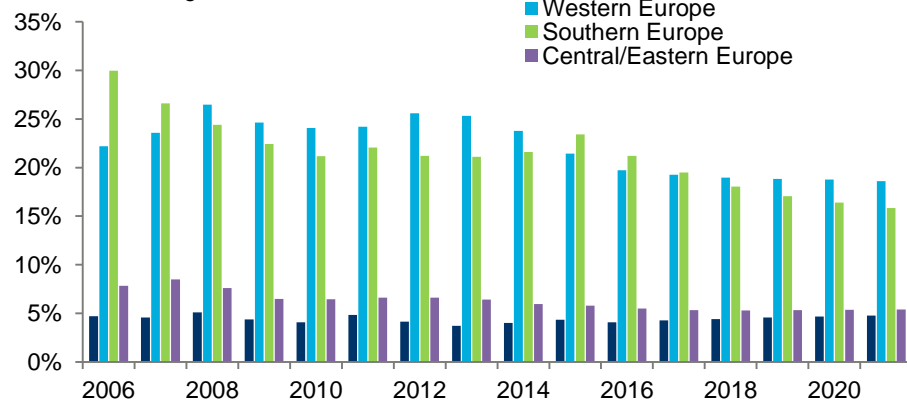


*Long haul defined as tourist arrivals to destinations outside South America

Source: Tourism Economics

Europe's Share of Brazilian Market

% share of long haul* market



*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)	15,650	-	7.2%	41.9%	-	46.5%	-
Long haul (000s)	15,025	96.0%	7.2%	41.5%	95.8%	48.2%	94.9%
Short haul (000s)	624	4.0%	8.4%	49.9%	4.2%	13.8%	5.1%
Travel to Europe (000s)	2,387	15.3%	9.0%	54.1%	16.6%	41.9%	15.7%
Northern Europe (000s)	446	2.8%	8.3%	48.7%	3.0%	18.1%	3.5%
Western Europe (000s)	813	5.2%	8.3%	48.8%	5.4%	32.0%	5.8%
Southern Europe (000s)	325	2.1%	9.6%	58.4%	2.3%	27.8%	2.4%
Central/Eastern Europe (000s)	803	5.1%	10.0%	60.7%	5.8%	84.7%	4.1%

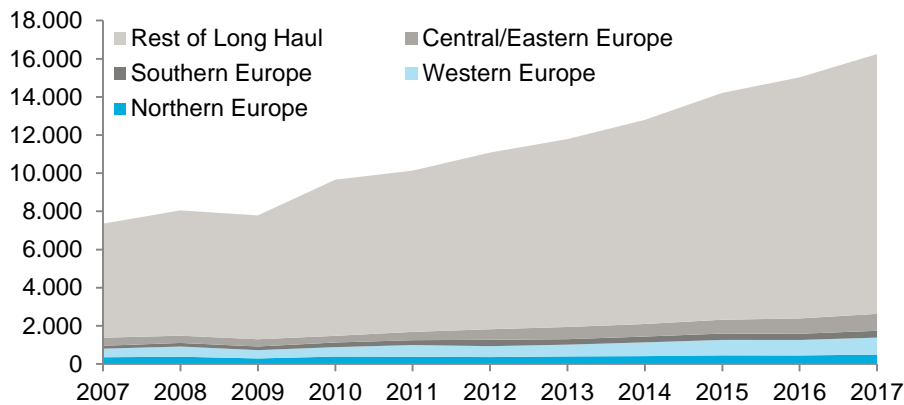
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

India Long Haul* Outbound Travel

Visits, 000s

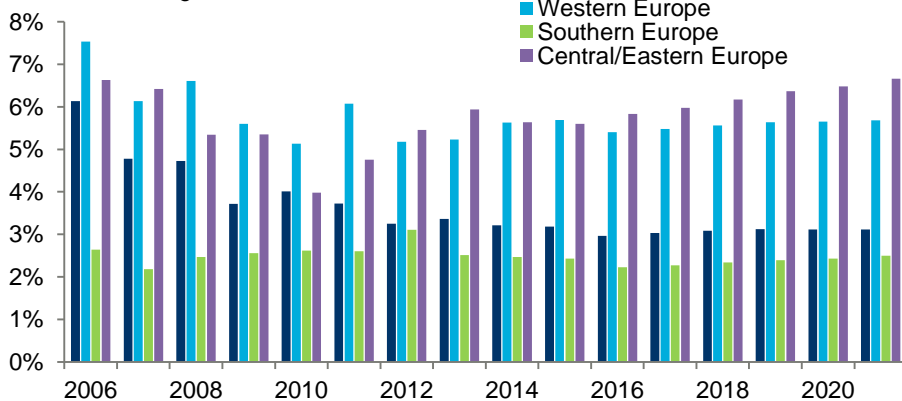


*Long haul defined as tourist arrivals to destinations outside South Asia

Source: Tourism Economics

Europe's Share of Indian Market

% share of long haul* market



*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)	86,619	-	5.7%	31.7%	-	112.8%	-
Long haul (000s)	39,540	45.6%	6.9%	39.8%	48.5%	177.5%	35.0%
Short haul (000s)	47,079	54.4%	4.5%	24.9%	51.5%	78.0%	65.0%
Travel to Europe (000s)	10,230	11.8%	9.3%	55.7%	14.0%	103.1%	12.4%
Northern Europe (000s)	881	1.0%	7.9%	46.1%	1.1%	127.0%	1.0%
Western Europe (000s)	4,986	5.8%	10.5%	64.9%	7.2%	99.5%	6.1%
Southern Europe (000s)	688	0.8%	8.6%	50.9%	0.9%	90.9%	0.9%
Central/Eastern Europe (000s)	3,675	4.2%	8.0%	46.6%	4.7%	105.4%	4.4%

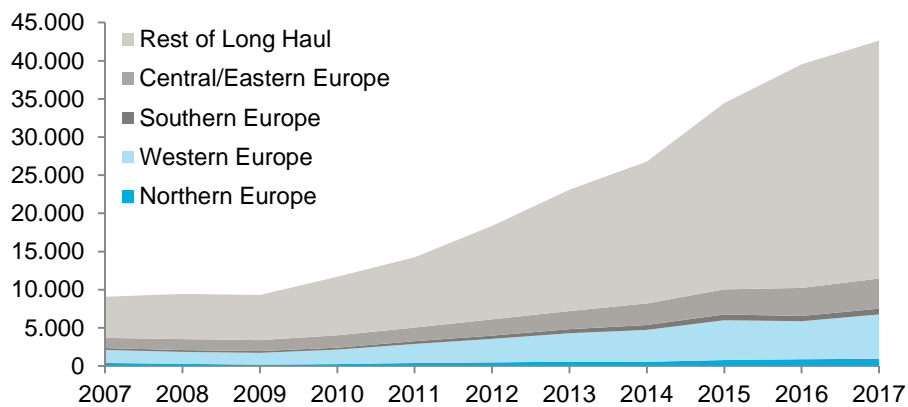
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

China Long Haul* Outbound Travel

Visits, 000s

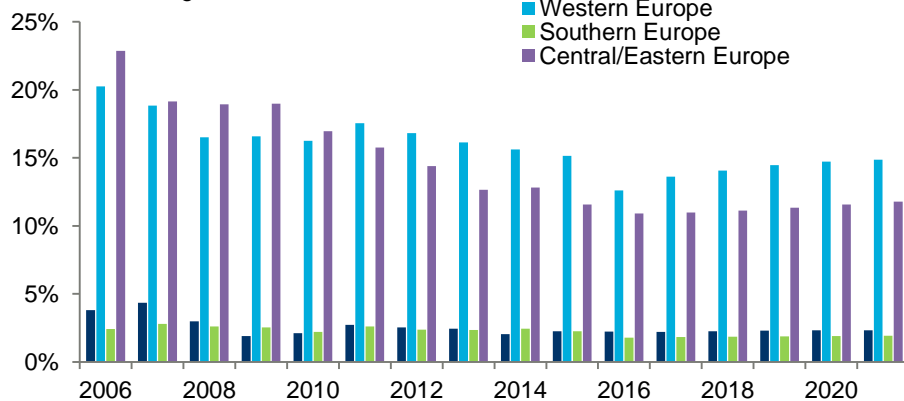


*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

Europe's Share of Chinese Market

% share of long haul* market



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

Source: Tourism Economics

6.8 JAPAN

Japan Market Share Summary

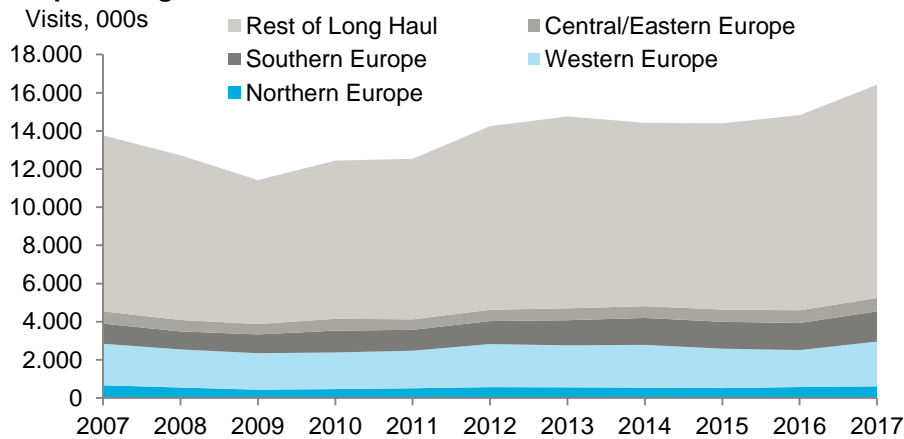
	2016	Growth (2016-21)			Growth (2011-16)		
	Level	Share**	Annual average	Cumulative growth*	Share 2021**	Cumulative growth*	Share 2011**
Total outbound travel (000s)	22,603	-	5.7%	31.7%	-	2.6%	-
Long haul (000s)	14,827	65.6%	6.2%	35.2%	67.3%	18.3%	56.9%
Short haul (000s)	7,776	34.4%	4.6%	25.2%	32.7%	-18.1%	43.1%
Travel to Europe (000s)	4,598	20.3%	6.8%	38.8%	21.4%	11.5%	18.7%
Northern Europe (000s)	573	2.5%	3.8%	20.8%	2.3%	12.7%	2.3%
Western Europe (000s)	1,937	8.6%	8.8%	52.4%	9.9%	-1.6%	8.9%
Southern Europe (000s)	1,419	6.3%	5.7%	31.9%	6.3%	29.5%	5.0%
Central/Eastern Europe (000s)	669	3.0%	5.3%	29.7%	2.9%	21.9%	2.5%

*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

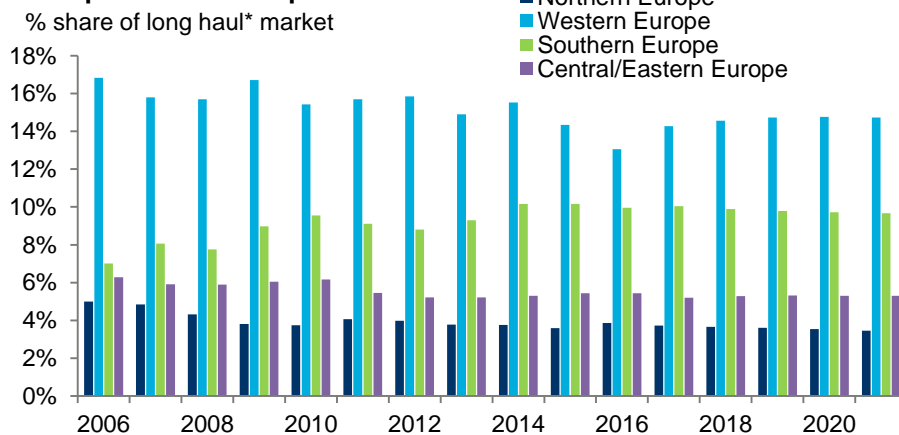
Japan Long Haul* Outbound Travel



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

Source: Tourism Economics

Europe's Share of Japanese Market



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

Source: Tourism Economics

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)	16,744	-	3.9%	21.0%	-	19.0%	-
Long haul (000s)	16,085	96.1%	3.9%	21.0%	96.0%	18.1%	96.8%
Short haul (000s)	659	3.9%	4.2%	22.7%	4.0%	47.8%	3.2%
Travel to Europe (000s)	5,375	32.1%	4.0%	21.8%	32.3%	16.3%	32.8%
Northern Europe (000s)	1,463	8.7%	6.7%	38.5%	10.0%	11.0%	9.4%
Western Europe (000s)	1,717	10.3%	0.5%	2.3%	8.7%	0.8%	12.1%
Southern Europe (000s)	1,701	10.2%	4.8%	26.2%	10.6%	35.5%	8.9%
Central/Eastern Europe (000s)	494	3.0%	4.5%	24.6%	3.0%	43.4%	2.4%

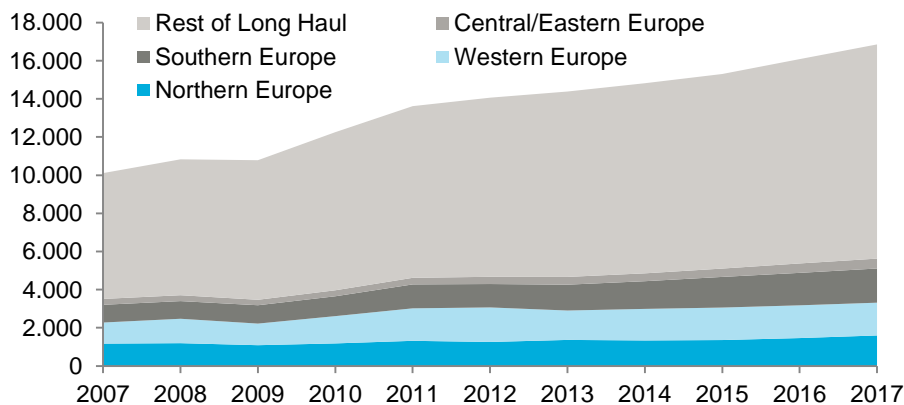
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Australia Long Haul* Outbound Travel

Visits, 000s

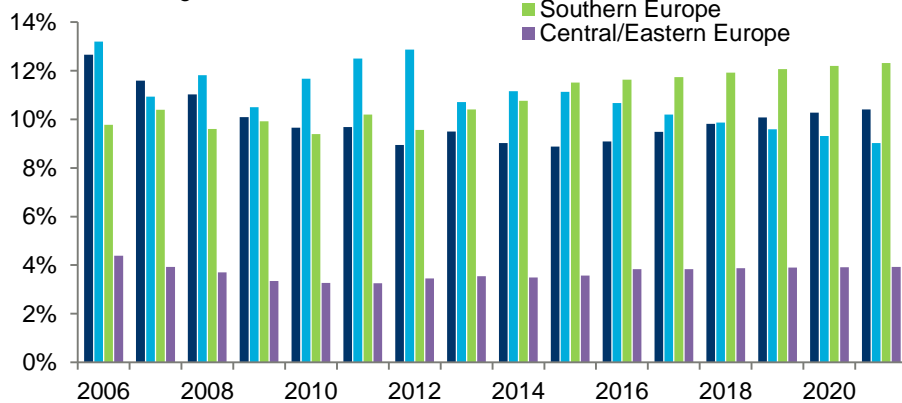


*Long haul defined as tourist arrivals to destinations outside Oceania

Source: Tourism Economics

Europe's Share of Australian Market

% share of long haul* market



*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)	3,701	-	4.7%	25.9%	-	29.0%	-
Long haul (000s)	1,772	47.9%	1.1%	5.8%	40.2%	52.9%	40.4%
Short haul (000s)	1,930	52.1%	7.6%	44.3%	59.8%	12.8%	59.6%
Travel to Europe (000s)	1,068	28.9%	1.0%	5.1%	24.1%	61.3%	23.1%
Northern Europe (000s)	375	10.1%	1.5%	7.6%	8.7%	56.1%	8.4%
Western Europe (000s)	432	11.7%	-0.9%	-4.2%	8.9%	52.0%	9.9%
Southern Europe (000s)	197	5.3%	1.1%	5.9%	4.5%	79.9%	3.8%
Central/Eastern Europe (000s)	65	1.8%	8.4%	49.7%	2.1%	125.8%	1.0%

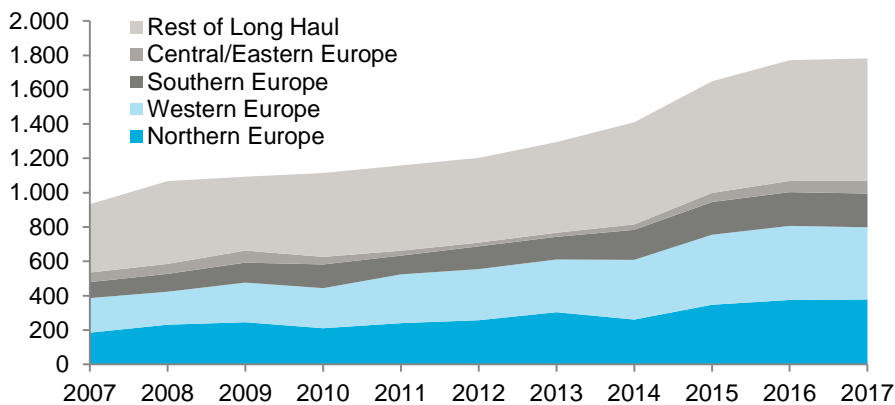
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

UAE Long Haul* Outbound Travel

Visits, 000s

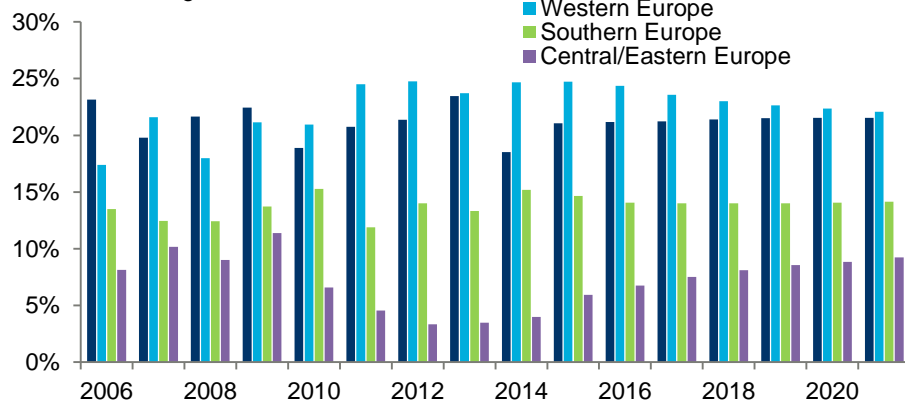


*Long haul defined as tourist arrivals to destinations outside Middle East

Source: Tourism Economics

Europe's Share of Emirati Market

% share of long haul* market



*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)	18,976	-	9.7%	58.7%	-	-38.4%	-
Long haul (000s)	5,022	26.5%	8.0%	46.8%	24.5%	-17.6%	19.8%
Short haul (000s)	13,954	73.5%	10.3%	62.9%	75.5%	-43.5%	80.2%
Travel to Europe (000s)	13,954	73.5%	10.3%	62.9%	75.5%	-43.5%	80.2%
Northern Europe (000s)	1,047	5.5%	8.9%	53.5%	5.3%	-35.6%	5.3%
Western Europe (000s)	1,346	7.1%	7.3%	42.0%	6.3%	-19.0%	5.4%
Southern Europe (000s)	4,296	22.6%	10.1%	61.6%	23.1%	-35.5%	21.6%
Central/Eastern Europe (000s)	7,265	38.3%	11.1%	69.0%	40.8%	-50.8%	47.9%

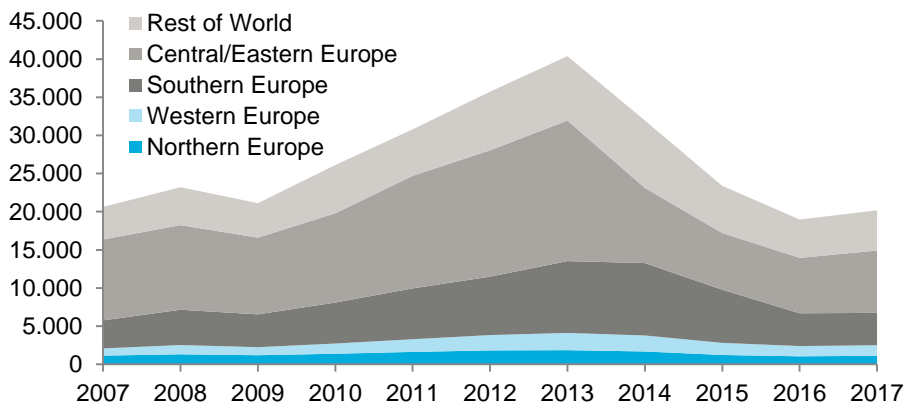
*Shows cumulative change over the relevant time period indicated

**Shares are expressed as % of total outbound travel

Source: Tourism Economics

Russia Long Haul* Outbound Travel

Visits, 000s

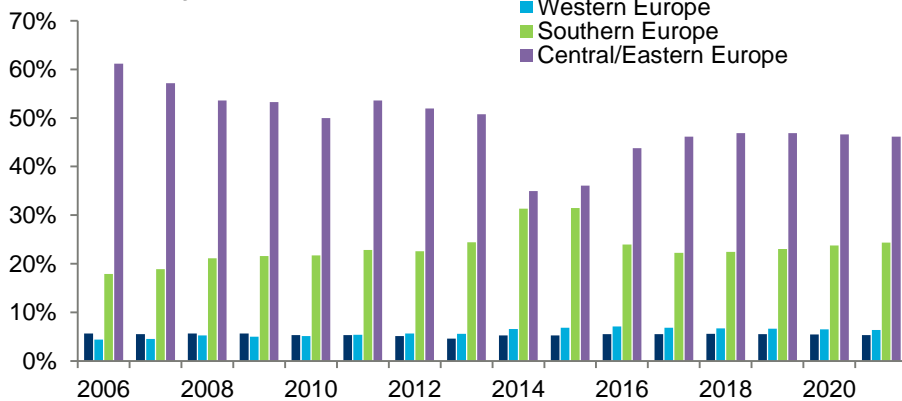


*Long haul defined as tourist arrivals to all destinations

Source: Tourism Economics

Europe's Share of Russian Market

% share of long haul* market



*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 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. 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.

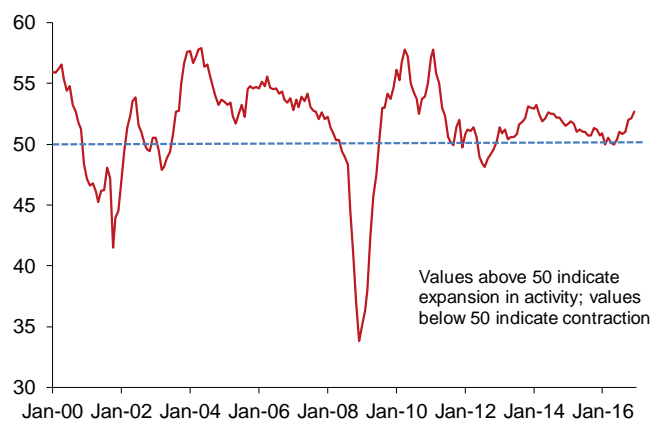
7.1 OVERVIEW

A WORLD WITH HIGHER INFLATION

Oxford Economics' world GDP growth forecasts remain unchanged at a relatively subdued rate of 2.6% for 2017 and 2.9% in 2018. But a sizeable increase in inflation is expected, to 3.3% in 2017 from an estimated 2.8% in 2016, as the effect of higher oil prices feeds through.

Global indicators continue to point to a pick-up in activity towards the end of last year, driven by stronger manufacturing activity. The global manufacturing PMI rose to the highest level in almost three years in December, while the composite index – which includes services – was at a 13-month high.

Global manufacturing PMI



Source : Oxford Economics/Markit

World trade should be underpinned by stronger growth in the US (2.3% in 2017 and 2.5% in 2018), bolstered by the anticipated effects of President Trump's

expansive fiscal policies. That said, uncertainties around our central forecast are unusually high given the high level of uncertainty surrounding the Trump administration. Encouragingly, there are increasing signs that the tighter labour market is leading to a pick-up in wage inflation in the US, which will support consumers.

Given these reflationary trends, we expect two increases in the Federal funds rate this year and US bond yields are likely to continue to rise. The widening of interest rate differentials between the US and the Eurozone will drive the euro down to parity with the US dollar by end-2017 for the first time since 2002.

Brexit assumptions have been revised to now assume that the two-year period of exit negotiations is followed by a transitional arrangement lasting 2-3 years. This would provide breathing space to negotiate a free trade agreement with the EU and follows government announcements that this is desirable and a goal of negotiations.

Emerging market growth on the whole will improve in 2017 but performance will differ across countries: Russia and Brazil will exit recession, but countries with weak balance of payments positions, high dollar debt and exposure to possible US protectionist actions will be at risk. In China, policymakers are moving to greater emphasis on reducing financial risks and less focus on the 6.5% GDP growth target for 2017. Continued action is also likely to dampen further depreciation of the CNY.

Summary of economic outlook, % change year ago*

Country	2016					2017				
	GDP	Consumer expenditure	Unemployment *	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment **	Exchange rate***	Inflation
UK	2.0%	2.8%	-0.1%	-11.2%	0.6%	1.5%	1.5%	0.3%	-0.8%	2.5%
France	1.1%	1.8%	-0.4%	0.0%	0.2%	1.5%	1.6%	-0.6%	0.0%	1.2%
Germany	1.8%	1.7%	-0.3%	0.0%	0.5%	1.5%	1.4%	-0.1%	0.0%	2.0%
Netherlands	2.0%	1.5%	-1.3%	0.0%	0.3%	1.7%	1.1%	-0.9%	0.0%	1.6%
Italy	0.9%	1.4%	-0.3%	0.0%	-0.1%	0.6%	0.6%	-0.1%	0.0%	1.3%
Russia	-0.6%	-3.3%	0.0%	-8.9%	7.0%	1.2%	0.2%	0.2%	18.6%	5.1%
US	1.6%	2.7%	-0.4%	0.3%	1.3%	2.3%	2.6%	-0.2%	8.0%	2.6%
Canada	1.3%	2.2%	0.1%	-3.3%	1.5%	1.7%	1.9%	-0.2%	8.1%	2.0%
Brazil	-3.4%	-4.3%	3.0%	-4.2%	8.7%	0.4%	0.0%	0.8%	13.6%	4.7%
China	6.7%	7.5%	0.0%	-5.1%	2.0%	6.3%	6.9%	0.0%	1.3%	2.4%
Japan	1.0%	0.4%	-0.2%	11.6%	-0.1%	1.0%	0.9%	-0.2%	-3.4%	0.6%
India	7.1%	7.3%	-0.1%	-4.3%	5.0%	6.7%	6.8%	0.0%	5.3%	4.8%

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.

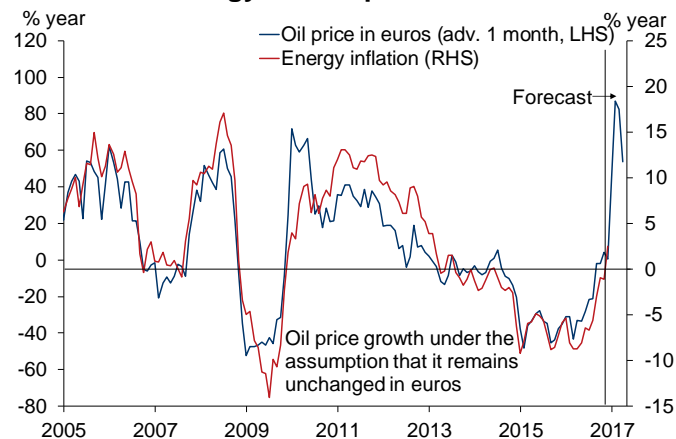
7.2 EUROZONE

The Eurozone economy appears to have remained resilient to the wide-ranging uncertainties currently confronting it both at home and abroad.

The broad picture from the available data for Q4 last year suggests that the economic recovery gathered steam after steady but unspectacular quarterly gains of 0.3% in Q2 and Q3. The composite PMI rose to a five and a half year high in December and, on past form, points to a Q4 GDP rise of almost 0.5%. Meanwhile, retail sales are on track to grow by a robust 0.9% in Q4, implying that household spending has picked up. As a result, we now expect a healthy 0.5% increase in GDP in Q4.

One key concern is of course whether the surge in inflation in December, which looks set to continue in early 2017, will undermine the household spending recovery and lead to GDP growth tailing off this year. While higher inflation will have an adverse effect on consumer spending, we expect some of the rise to be offset by a pick-up in wage growth, especially in member economies where labour markets are tight. There is also scope for households to respond by reversing some of the recent pick-up in their savings rates. Accordingly, we have pencilled in only a small fall in household spending growth, from 1.8% in 2016 to 1.4% in 2017.

Eurozone: Energy and oil prices



Source : Oxford Economics/Haver Analytics

While export growth may edge up in response to the weaker euro and stronger foreign demand, we expect investment growth to ease due to political uncertainty. As a result, these two sectors will do little to offset the consumer slowdown.

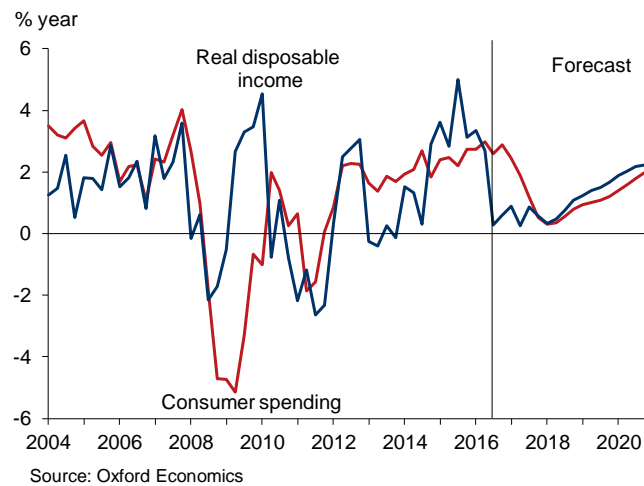
Overall, we have made no major changes to our growth assessment – we see GDP growth of about 1.5% in both 2017 and 2018, a touch weaker than last year's upwardly revised 1.7% rise but still well above the economy's potential growth rate.

7.3 UNITED KINGDOM

Recent high-frequency data have been fairly mixed. On the plus side, the consumer is still going strong, with robust readings for retail sales in both October and November suggesting that consumer spending made another solid contribution to GDP growth in Q4. But the monthly data for industrial production and construction were both very weak in October, suggesting that these two sectors once again dragged on growth in Q4.

On balance, we expect the preliminary estimate (due 26 January) to show quarterly Q4 GDP growth of around 0.5%, but once again it is likely to be almost wholly reliant on the services sector and, in particular, consumer demand. This is likely to be unsustainable given that household spending power is set to be squeezed by higher inflation this year.

UK: Consumer spending and income

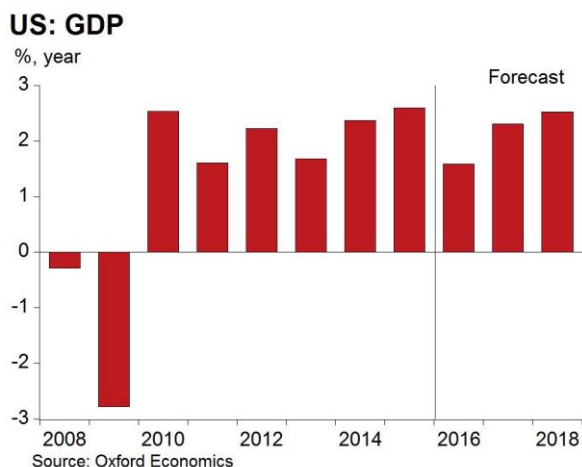


The Monetary Policy Committee (MPC) December meeting proved something of a non-event. The Committee voted unanimously to keep policy unchanged and the minutes gave the impression that members were content to sit and wait for evidence on the degree to which recent global developments and movements in financial markets will affect the outlook. We expect Bank Rate to remain at 0.25% until well into 2019, with no further QE once the current programmes of gilt and corporate bond purchases have been completed.

The government's plans for Brexit are steadily becoming clearer. It appears likely that Article 50 will be triggered in H1 2017, with the government likely to be able to gain parliamentary approval even if it loses its appeal to the Supreme Court. We now expect some form of interim arrangement to provide a bridge between the end of the Article 50 negotiations and the ultimate UK-EU trading relationship. This would allow businesses more time to plan for the transition and provide a more realistic timeframe in which to negotiate a free trade agreement (FTA). But while our baseline forecast assumes a FTA is agreed, there remains a sizeable risk that it proves impossible to agree such a deal and that the UK is forced to revert to trading with the EU according to WTO rules.

7.4 UNITED STATES

Economic data remain quite buoyant as we enter 2017, with private sector confidence recording post-recession highs. Real GDP growth was revised up to 3.5% in Q3 2016, with final sales up 3.0% and inventories adding 0.5 percentage points. Despite this solid reading, a lackluster start to last year means that the annual pace of growth was probably just 1.6% in 2016.



The latest employment report showed the US economy adding 156,000 jobs in December for an average of 180,000 jobs per month in 2016. With the unemployment rate at 4.7% and underemployment nearing its long-run average, wage growth is firming – hourly earnings reached a post-recession high of 2.9% y/y in December.

Real consumer spending continues to trend just below 3% y/y, supported by solid income growth. With inflation gradually firming – PCE inflation is expected to be 2.2% in 2017 – we see real disposable income moderating modestly to 2.3% in 2017. This will limit consumers' spending power, but lower household taxes should provide an offset from mid-2017 onwards.

Housing activity remains bumpy, with demand supported by solid income and credit momentum but supply constrained by a lack of inventory. Elevated home price inflation and rising interest rates pose a downside risk to activity and will limit growth in 2017.

Business sentiment has picked up since the presidential election, but we note that while expectations have surged in anticipation of major corporate tax breaks and deregulation, plans remain cautious. 'Animal spirits' will only be unleashed if promises are kept by the Trump administration.

A strong dollar, up 5% since the elections, will continue to limit export growth – though firmer global activity should provide some support to net trade.

7.5 JAPAN

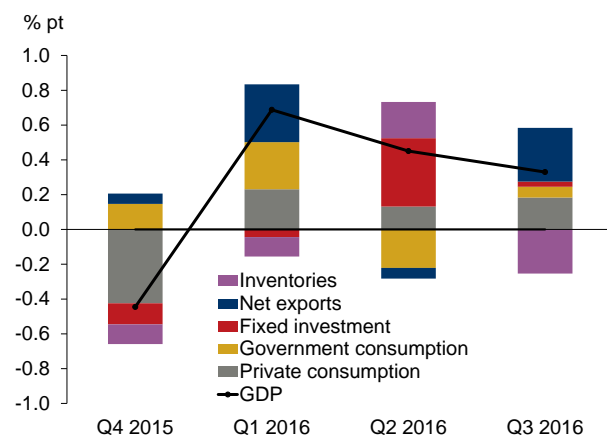
Amid rising US interest rates this year and next, the Bank of Japan's (BoJ) commitment to its 'around 0%' 10-year JGB yield target is likely to be tested. Japanese yields have already risen more than 10bp since the election of Donald Trump in early November, albeit much less than the rise in US bond yields and are currently only 0.06%.

With US yields expected to rise further, we believe that market pressures on Japanese yields will lead the BoJ to ramp up its bond purchases via its unlimited fixed-rate operations. And we expect there will be a time when the BoJ offers to buy an unlimited amount of bonds at a price that is attractive to market participants. This will push up the BoJ's share of outstanding bonds to over 42% from 37% currently, cementing its position as the biggest holder of Japanese government debt.

However, this approach is still consistent with falling overall gross purchases as we expect the central bank to focus on assets at the shorter-end of the curve, while reducing purchases of bonds with maturities of longer than 10 years.

Given the growing divergence in US and Japanese monetary policy we expect the recent depreciation in the yen to continue through 2017, with the JPY/USD to end this year at around 124. The weaker yen profile and a gradual improvement in global trade is expected to support an ongoing recovery in exports during the course of 2017-18. Meanwhile, an increase in government infrastructure spending will partly offset the forecast decline in business investment. Cash handouts and solid employment growth are also forecast to underpin a modest recovery in household consumption in 2017. Overall, we look for the economy to grow by 1% in 2017, the same as in 2016.

Japan: Contributions to quarter-on-quarter GDP



Source : Oxford Economics/Haver Analytics

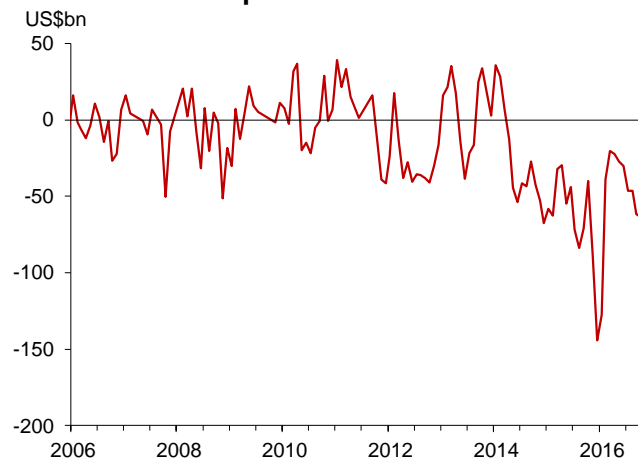
However, economic uncertainties are elevated following Trump's election victory. In particular, increased protectionism would likely hit Asia hard, with significant knock-on effects for Japan even if it is not the direct target of increased tariffs.

7.6 EMERGING MARKETS

CHINA SHIFTS POLICY EMPHASIS

Policymakers in China concluded 2016 with their annual policy meeting, the Central Economic Work Conference (CEWC), which outlines, in general terms, the government's key economic objectives and policy directions for the following year. The messages from the CEWC and other recent statements suggest that policymakers are moving to place somewhat more emphasis on reducing financial risks and less on ensuring at least 6.5% GDP growth. The CEWC provided a mandate for further fiscal expansion but called for a less generous monetary stance. We do not expect a benchmark interest rate rise this year but expect policymakers to guide overall credit growth down from almost 17% in 2016 to 14-15% in 2017. Meanwhile, we expect some further CNY weakening against a globally strengthening US\$ in 2017, to 7.15, amid continued intervention to dampen further depreciation, flanked by measures to contain outflows such as strictly enforcing regulations on FX purchases.

China: Net FX capital flow



Source : Oxford Economics/Haver Analytics

Local measures to contain housing prices in large cities will be maintained, slowing real estate construction in 2017, while medium-sized cities are being asked to reduce stocks of unsold housing. Meanwhile, a government-induced reduction of excess industrial capacity is to be extended to sectors other than coal and steel. Owing to these dampening factors on growth and to the heightened uncertainty from the Trump presidency, which includes the risk of China-specific trade restrictions, we expect GDP growth to slow to 6.3% this year from an estimated outturn of 6.7% for 2016.

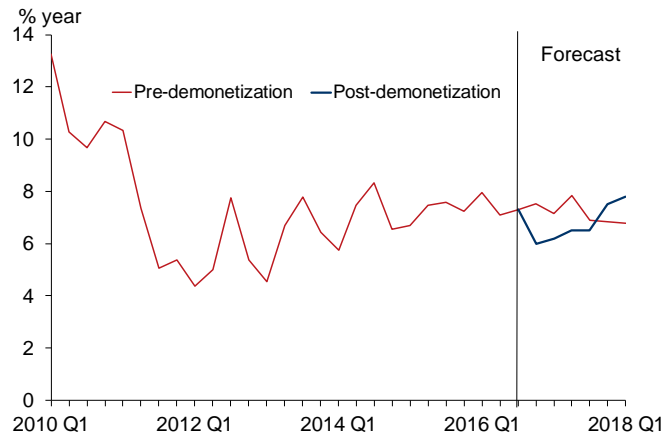
DEMONETIZATION WILL HURT GROWTH IN INDIA

India's unprecedented cash swap exercise, which declared 86% of the currency in circulation invalid overnight, remains the centre of attention, after the government withdrew INR15tn (12% of GDP) worth of currency from circulation on 9 November.

Data available so far are in line with our view that the short-term impact of 'demonetization' is likely to be significantly negative, with consumption and services feeling the maximum impact, and negative spillovers adding to the

pressures on industrial production and investment growth. We expect the economy to remain on a weak footing going into H1 2017, before normalisation of the cash situation facilitates faster growth. We forecast GDP growth of 6.7% in 2017. In addition, the setback to activity will intensify the downward pressure on inflation.

India : Real GDP growth



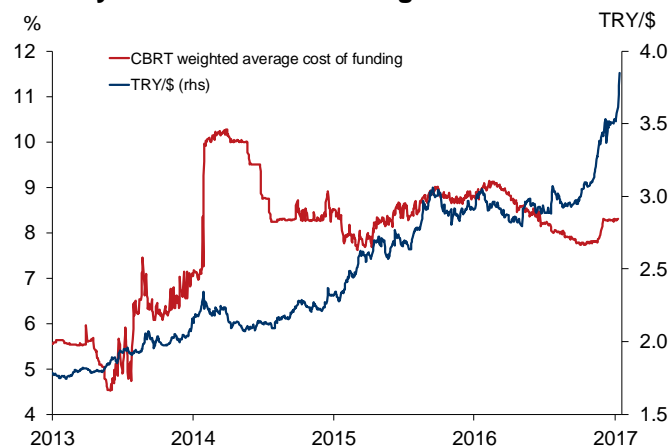
Source : Oxford Economics/Haver Analytics

This has strengthened the case for a 25bp interest rate cut in Q1 2017. The RBI should have sufficient room to shift its focus to domestic risks and away from the external concerns, as we do not expect the US Fed to hike again until the middle of the year and the rupee real effective exchange rate has been quite strong over the last few years.

EMERGENCY RATE HIKE NEEDED TO STABILISE TRY

2016 ended on a sour note for the Turkish economy, contracting for the first time since 2009, falling by 1.8% y/y in Q3. On the back of the weaker-than-expected data, we have revised our growth forecasts, and now expect the economy to have slowed to 2% growth in 2016 and to remain sluggish at 2.4% in 2017 (down from 2.8% and 2.9% in our previous report). Political uncertainty and increasing security threats are also compounding the effects of the weak economic data.

Turkey: CBRT cost of funding vs TRY



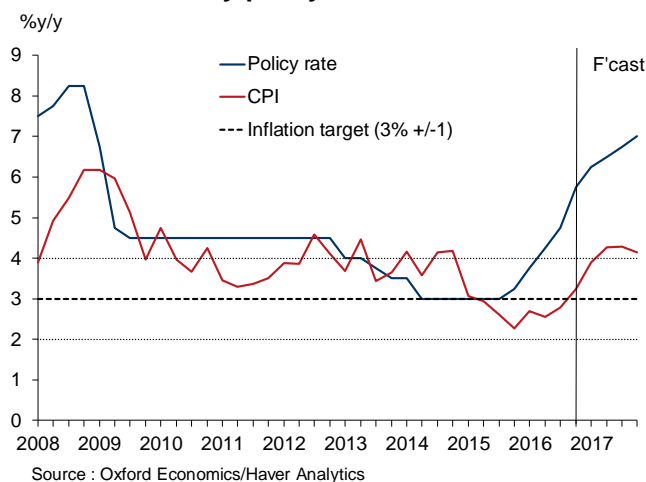
Source : Oxford Economics/Haver Analytics

And to unnerve investors even more, the credibility of macro policy has continued to be eroded. The central bank (CBRT) has again come under pressure to keep interest rates low to support the economy despite the likelihood of yet more inflationary pressure from the latest depreciation of the TRY, which has lost more than 10% of its value since the beginning of December (and fallen particularly sharply in the last week). The central bank's attempt to shore up the lira by tweaking foreign exchange reserve requirements has failed. Without much stronger action, such as emergency interest rate hikes, the TRY is unlikely to find a floor.

A BUMPY RIDE AHEAD FOR MEXICO IN 2017

This year will be challenging for the Mexican economy, not least because of Trump's threats to raise import tariffs. In addition, the government's abrupt liberalisation of domestic fuel prices will lead to a jump in inflation this month. We now forecast that inflation will rise to 3.9% in January and remain above 4% for the rest of 2017. And the peso has fallen to new lows in recent days. This has led the central bank to intervene in the foreign exchange market, albeit without much success. Accordingly, we now see Banxico raising its policy rate by another 50bp to 6.25% at its 9 February meeting and taking the rate to 7% before the end of the year. As a result, we have lowered our GDP growth forecasts for 2017 and 2018 to 1.8% and 2.0% respectively, down from 2.1% and 2.2% previously.

Mexico: monetary policy and inflation



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 from 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-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 for Tourism (LFT)

Malta – Malta Tourism Authority (MTA)

Monaco – Monaco Government Tourist and Convention Office

Montenegro – National Tourism Organisation of Montenegro

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