



EUROPEAN TOURISM 2014 -Trends & Prospects



Quarterly Report - Q2/2014

EUROPEAN TRAVEL COMMISSION



EUROPEAN TOURISM in 2014: TRENDS & PROSPECTS

Quarterly Report (Q2/2014)

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

Brussels, July 2014
ETC Market Intelligence Report

European Tourism in 2014: Trends & Prospects (Q2/2014)

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Tourism Economics (an Oxford Economics Company)
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Cover: Biking in Boka Bak Photo © National Tourism Organisation of Montenegro

Foreword

Momentum continues for European tourism in the pre-summer period

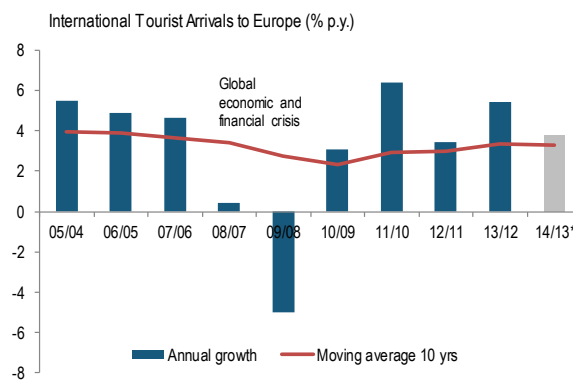
Data for the pre-summer period confirm handsome growth for European tourism this year. The persistent appetite for European tourism – from both intraregional and overseas markets – boosts growth in the region, and consolidates the upward trend which began after the global economic and financial crisis (top figure).

Virtually all 22 ETC members reporting international tourism data through March-June show continued growth into 2014 (figure in the middle). Overnights persistently grow at a more moderate pace than arrivals, as demand for shorter breaks outside the main holiday season recovers. Spain (+9% in arrivals and +12% in overnights) and Germany (+4% and +5% respectively) are notable exceptions, not least for their comparatively high reliance on European tourism.

Nordic countries are set to grow fast, after a few years of subdued activity in the region. Iceland continues its strong growth (+31%) and outpaces the noteworthy double-digit growth of Sweden (+12%) and Denmark (+10%). In Norway (+2%) growth is softened by a strong currency, while in Finland (-1%) performance is clearly impacted by a weakening Russian market.

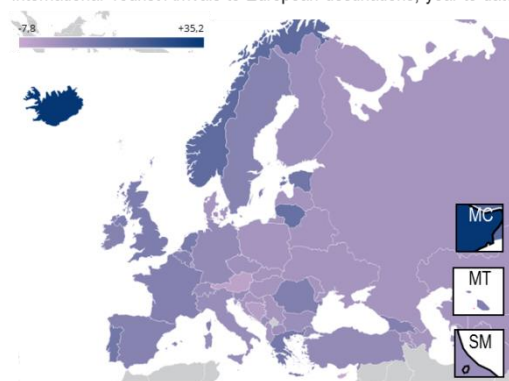
Baltic countries also rank among the fastest-growing destinations, with Latvia and Lithuania (both at +17%) posting double-digit growth. The latter achieved significant increases in 7 out of 10 of its largest source markets. Estonia also performs strongly (+8%) due to a rise in city trips from Finland and short breaks from Russia.

In the Balkans, improved air capacity boosts international tourist arrivals to Serbia (+15%), while Croatia (+11%) benefits from the recovery of the Italian market. As more data become available, softer growth is expected for this region for the first half of the year, mostly because of the floods that hit the region in May.



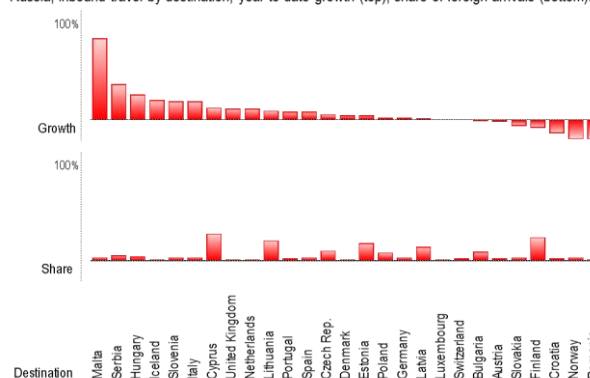
Source: UNWTO; *: ETC estimate.

International Tourist Arrivals to European destinations, year-to-date (p.y. %)



Source: UNWTO, www.etc-dashboard.org.

Russia, inbound travel by destination, year-to-date growth (top), share of foreign arrivals (bottom).



Source: TourMIS

Europe's largest source markets lay a solid foundation for growth

From within Europe, established source markets are making a steady contribution to international tourism growth. Favourable prospects also come from Italy and possibly France, especially if looking at the imminent summer season. Rising optimism for an eventual economic recovery appears to have encouraged an increasing number of Italians to travel abroad during the first three months of 2014. Compared to the same period in 2013, outbound tourism grew by 5%, and expenditure was up by an encouraging 13%¹. Similar dynamics can be observed in the French market, despite a persistently stagnating economy. According to a recent survey², intention to travel is lower among occasional travellers, the elderly and households with low incomes. However, travel expenditure is on the rise among the 60% of the French who intend to make trips this year.

Travel from Russia remains strong, but demand is expected to soften towards the end of the year, reflecting declining confidence of Russian consumers about their future economic situation. At present, a large number of ETC destinations report solid growth from this market, as Lithuania, attracting Russian visitors through an effective mix of marketing, visa facilitation in remote areas and improved air connections. Yet, under the threat of the Ukraine conflict, travel from this increasingly relevant market may progressively slow down.

A more positive picture is emerging for travel from long haul markets. Solid growth in the US economy, coupled with improved unemployment figures, brighten the outlook for 2014. Air reservations grew by 5%³ during the first five months of this year, when compared to same period in 2013. In this market, Europe continues to consolidate its long-dominant share of overseas travellers, currently at just above 40%. Unexpected growth has also come from Japan, in line with recent positive signals from this country's economy. Air bookings to Europe increased by an encouraging 8% through May 2014. Anecdotal evidence from Estonia, where Japanese inbound grew by 81% between January and April, points to favourable media coverage about the destination as a main driver of growth.

Challenging traditionally-held perceptions as a key to success

There is growing optimism that the upcoming peak summer season will consolidate preliminary positive expectations for 2014. International tourism is experiencing healthy growth worldwide, and European destinations proved successful in tapping the sector's potential. Yet, Europe's competitors are also increasingly investing to win market shares in the global tourism market.

"In an increasingly vibrant landscape, marked by new players, technological innovation and rapidly changing consumers, the need arises to challenge traditionally-held perceptions of Destination Europe," said Eduardo Santander, Executive Director of ETC. "In key long-haul markets, where the largest potential for growth is, the match is won by those who can truly inspire, excite and engage potential travellers to experience their destination."

Valeria Croce, ETC Executive Unit
ETC Market Intelligence Group

¹ Source: Banca d'Italia.

² Source: Ipsos.

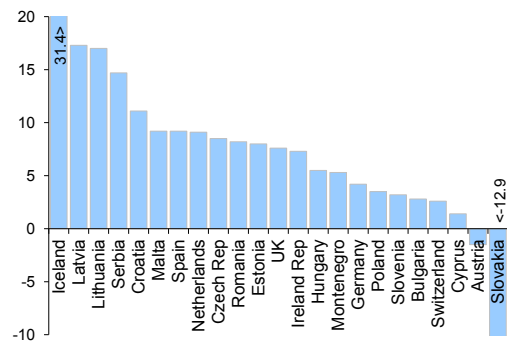
³ Source: ForwardKeys.

2014 Tourism Performance Summary

Strong growth in international tourist arrivals and nights has continued across most of Europe throughout the first half of 2014, reflective of an ever-improving macroeconomic environment in key source markets. And while some downside risks loom, there is nevertheless room for optimism given current trends in the wider economy. Sustained recovery in economic growth is expected to support further growth in tourism demand within the region.

Foreign visits to select destinations

2014, year-to-date*, % change year ago

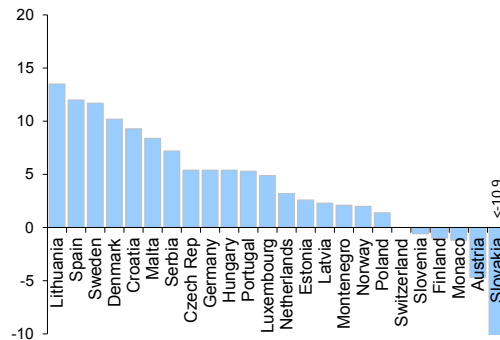


Source : TourMIS

*date varies (Jan-May) by destination

Foreign visitor nights in select destinations

2014, year-to-date*, % change year ago



Source : TourMIS

*date varies (Jan-May) by destination

The majority of European destinations reporting tourism data through TourMIS for the first five months of 2014 show continued growth in international arrivals and overnights. 20 of the 22 reporting countries have recorded growth for the year to date. While the pace of growth in this available data is not fully indicative of the pace for the year as a whole ahead of the peak summer season, the direction of growth is an important indicator and. A fifth consecutive year of growth in European tourism is looking extremely likely.

Strong arrivals growth to traditional destinations such as Spain, Germany and the Netherlands are suggestive of the overall trend given their size and long-standing popularity within Europe. In particular travel to Spain has improved notably in data for the year to April, with arrivals up by almost 10% and nights by around 12% – acceleration from 5.6% visitor growth as observed in 2013. A bastion of European tourism, Spain accounts for around 11% of all international travel to Europe, and while its year-to-date growth figure is more modest than that reported by many smaller countries, given the size of the market, acceleration will have a large impact on the total regional growth performance. This is indicative of strong growth in demand from source markets and should be welcomed.

With growth of 31.4% to May, Iceland is still well ahead of the rest of Europe in terms of arrivals growth, continuing its upward trend of the past few years. Iceland arrivals in 2013 were almost 70% higher than in 2010, and over 60% higher than previous peak levels achieved in 2008. Currency depreciation in 2008/09, an increased interest via off-peak season marketing campaigns, as well as the increased exposure as a popular television and film location, have all helped to spur this growth and indeed show that fluctuations in demand via seasonality can be at least somewhat mitigated. Growth has been especially strong during the first months of the year, typically months of lower visitation. This replicates the growth pattern seen in 2013 as demand growth has been stronger in the 'off-season' than during peak months, and seasonal fluctuations have been somewhat diminished.

Croatia has seen growth in both arrivals and overnights restored after a poor start to the year owing to the later timing of Easter (travel to Croatia is highly seasonal and correlated with major holidays). On the other hand, Austria has yet to recover from a weak start to the year with a fall in arrivals and an even bigger fall in overnights in available data to April. This can be attributed to poor weather conditions during the winter sports season.

Lithuania and Latvia have both enjoyed impressive growth in visitor arrivals so far this year (17.3% and 17% respectively), as has Serbia with 14.7% growth. However, strong arrivals growth does not necessarily equate to similarly strong growth in overnights as there is a large differential between arrivals growth and overnights growth in Latvia and Serbia. In Slovakia a large fall in arrivals and nights is still heavily influenced by the timing of Easter with data only reported for the year to March. These falls are not expected to be indicative of the true underlying trend for 2014 and some return to growth is likely for more recent months, although hotel demand has remained soft.

Tourist Arrivals and Nights				
2014 Performance, Year to Date				
Country	International Arrivals		International Nights	
	% ytd	to month	% ytd	to month
Austria	-1.5	Jan-May	-4.7	Jan-May
Bulgaria	2.8	Jan-Apr		
Croatia	11.1	Jan-Apr	9.3	Jan-Apr
Cyprus	1.4	Jan-Apr		
Czech Rep	8.5	Jan-Mar	5.4	Jan-Mar
Denmark			10.2	Jan-Apr
Estonia	8.0	Jan-Apr	2.6	Jan-Apr
Finland			-1.0	Jan-Apr
Germany	4.2	Jan-Apr	5.4	Jan-Apr
Hungary	5.5	Jan-Apr	5.4	Jan-Apr
Iceland	31.4	Jan-May		
Ireland Rep	7.3	Jan-Mar		
Latvia	17.3	Jan-Mar	2.3	Jan-Mar
Lithuania	17.0	Jan-Mar	13.5	Jan-Mar
Luxembourg			4.9	Jan-Apr
Malta	9.2	Jan-Apr	8.4	Jan-Apr
Monaco			-1.2	Jan-Apr
Montenegro	5.3	Jan-Feb	2.1	Jan-Feb
Netherlands	9.1	Jan-Mar	3.2	Jan-Mar
Norway			2.0	Jan-Apr
Poland	3.5	Jan-Mar	1.4	Jan-Mar
Portugal			5.3	Jan-Mar
Romania	8.2	Jan-Apr		
Serbia	14.7	Jan-Apr	7.2	Jan-Apr
Slovakia	-12.9	Jan-Mar	-10.9	Jan-Mar
Slovenia	3.2	Jan-Mar	-0.6	Jan-Mar
Spain	9.2	Jan-Apr	12.0	Jan-Apr
Sweden			11.7	Jan-Apr
Switzerland	2.6	Jan-Mar	0.0	Jan-Mar
UK	7.6	Jan-Apr		

Source: TourMIS, <http://www.tourmis.info>; available data as of 01.07.14

Measures used for nights and arrivals vary by country

See TourMIS for further data including absolute values.

Global Tourism Forecast Summary

Tourism Economics' global travel forecasts are shown on an inbound and outbound basis in the following table. These are the results of the *Tourism Decision Metrics (TDM)* model, which is updated in detail three times per year. Forecasts are consistent with Oxford Economics' macroeconomic outlook according to estimated relationships between tourism and the wider economy. Full origin-destination country detail is available online to subscribers.

TDM Visitor Growth Forecasts, % change											
	Inbound*					Outbound**					
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	
	data/estimate/forecast ***	d	d	e	f	f	d	d	e	f	f
World		5.5%	4.1%	4.8%	3.3%	5.0%	3.5%	3.7%	4.7%	3.8%	5.5%
Americas		4.3%	4.4%	3.2%	3.3%	4.7%	3.6%	5.4%	4.2%	4.3%	5.1%
North America		2.9%	4.3%	3.7%	3.0%	4.8%	0.4%	4.7%	4.4%	4.6%	5.6%
Caribbean		2.2%	3.2%	2.1%	4.0%	3.5%	-5.0%	-1.7%	-1.8%	4.9%	4.9%
Central & South America		10.4%	5.6%	2.4%	3.7%	5.2%	17.8%	9.4%	4.9%	3.2%	3.6%
Europe		7.5%	3.8%	5.8%	2.7%	4.1%	4.3%	3.7%	4.0%	2.3%	4.2%
EU		6.8%	3.0%	5.1%	2.9%	3.4%	2.0%	1.2%	2.3%	3.3%	4.2%
Non-EU		10.1%	6.6%	8.3%	2.1%	6.5%	12.6%	11.9%	9.4%	-0.5%	4.2%
Northern		11.1%	4.6%	3.8%	2.6%	3.6%	4.3%	3.1%	4.5%	4.2%	4.2%
Western		4.6%	3.0%	4.5%	2.0%	3.1%	3.6%	3.2%	2.7%	4.2%	4.3%
Southern/Mediterranean		7.7%	1.6%	6.4%	5.1%	4.3%	2.4%	-2.8%	0.6%	1.0%	2.7%
Central/Eastern		9.7%	7.3%	7.7%	-0.9%	4.7%	5.9%	6.5%	6.8%	-0.4%	4.9%
- Central & Baltic		6.9%	4.2%	5.8%	1.7%	4.0%	-4.1%	2.2%	0.9%	1.9%	5.7%
Asia & the Pacific		6.4%	6.7%	6.0%	4.5%	6.8%	7.3%	7.4%	7.3%	5.2%	6.8%
North East		3.8%	6.0%	3.5%	5.5%	7.5%	7.7%	8.4%	8.0%	5.6%	6.4%
South East		10.2%	8.9%	10.0%	3.2%	6.7%	5.2%	5.7%	7.6%	4.1%	7.2%
South		14.1%	3.7%	5.9%	5.9%	4.5%	11.0%	4.0%	-0.3%	6.2%	9.1%
Oceania		2.7%	2.4%	4.3%	1.9%	3.1%	7.1%	4.9%	5.3%	3.2%	6.6%
Africa		-7.7%	8.3%	-0.7%	1.9%	4.5%	4.8%	6.0%	0.0%	3.1%	4.5%
Mid East		2.3%	-8.9%	0.2%	5.7%	7.6%	-11.2%	-12.2%	1.3%	6.6%	9.5%

* Inbound is based on the sum of the country overnight tourist arrivals and includes intra-regional flows

** Outbound is based on the sum of visits to all destinations

Note: world inbound and outbound do not match exactly in historic data or forecast. This is due to visits to multiple destinations.

For example, one outbound trip may be to more than one destination. Some sample error may also be evident in historic data.

*** d - data reported by national statistical agencies are available for all years to 2012

e - 2013 estimated using all available year-to-date data, and forecasts for the rest of the year

f - forecasts according to Tourism Economics' global economic and tourism forecast models

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

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

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

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

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

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

of which

Central Europe & Baltic countries = Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia

Recent Industry Performance

A strong start to 2014 with growth showing no sign of slowing...

- International air transport growth in 2014 continues to outperform 2013 growth
- Airline strikes and a late Easter resulted in weaker than normal growth for March, but long haul travel growth remained stronger, with full year growth likely back on track
- Hotel occupancy and room rates have increased across most World regions, with the exception of ADR in the Asia / Pacific region
- European year-to-date performance remains well ahead of 2013 despite the Ukraine-Crimea-Russia developments in the east of the continent

Air Transport

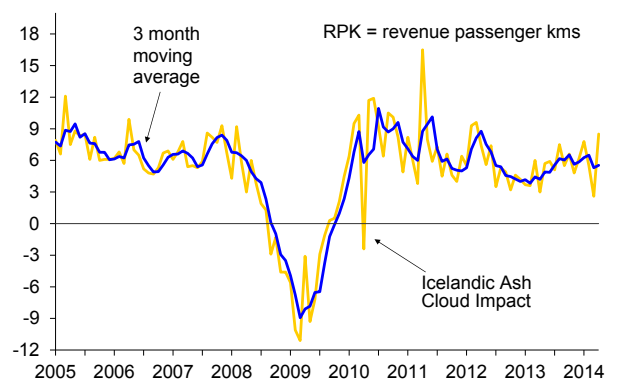
Global air passenger demand growth shows no sign of waning based on the latest available 2014 data (to April) as measured by growth in revenue passenger kilometres (RPK), well outpacing growth in the same period a year earlier and marginally ahead of growth for the same period in 2012 according to IATA. Total air passenger traffic grew 6.1% on average in January-April 2014, while full year performance for 2013 was 5.4% and 6% for 2012.

The later timing of Easter in 2014 compared with 2013 has had a marked impact on the monthly pattern of air passenger demand. Activity has been pushed back into April from March. This is true for all regions with the exception of Africa. Despite this monthly volatility, the overall trend in year-to-date growth is representative of the trend.

Acceleration in growth is evident within Europe, having lagged behind other regions in growth terms in the previous two years. The positive impact of economic recovery on Europeans' travel habits is evident. European air passenger year-to-date growth of 5.6% is second only to air passenger year-to-date growth of 14.8% as enjoyed by the Middle East.

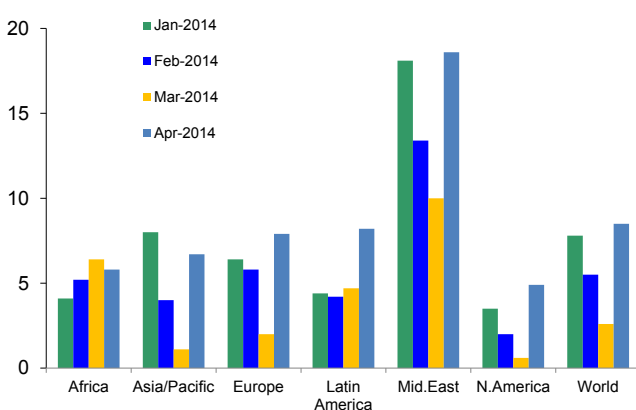
International air passenger traffic growth

% year, RPK



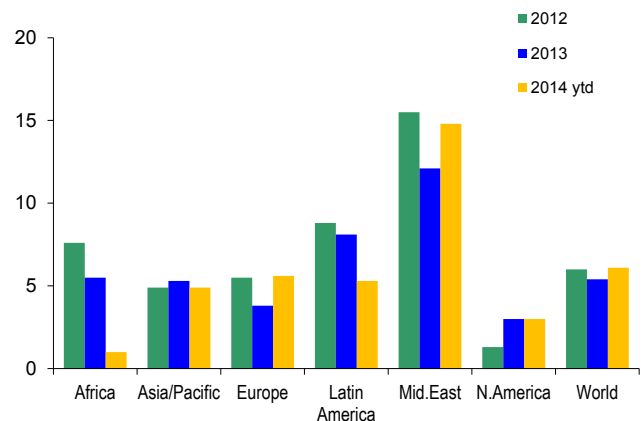
Monthly international air passenger growth

% year



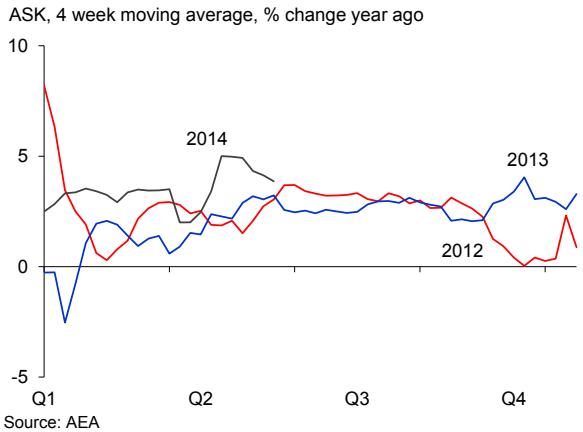
Annual international air passenger growth

% year, RPK

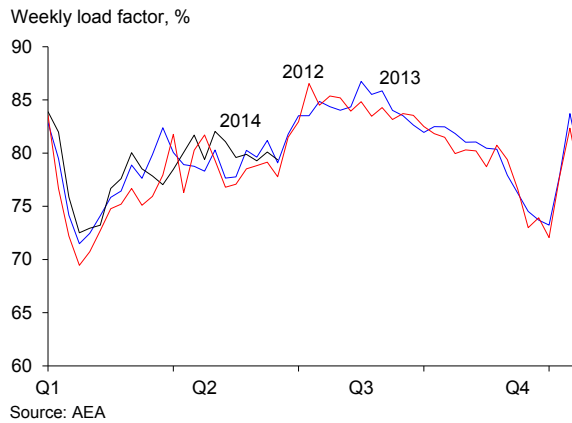


The Association of European Airlines (AEA) provides data which confirms the pick up in European air transport demand. Average RPK growth of 4.3% based on the first four months of 2014, markedly higher than the 1.6% growth for the same months a year earlier, and 2.6% growth reported for 2013 as a whole. Available seat kilometres (ASK) rose by 3.8% over the same period, reflecting this pick-up in demand, and an expectation of continued growth. Available weekly data shows that ASK rose 3.5% in the first 23 weeks of 2014, more than double growth for the same period in 2013 (1.6%), impressively higher than growth over the same period in 2012 (2.2%). Load factors have remained at high levels of capacity utilisation.

European airlines capacity



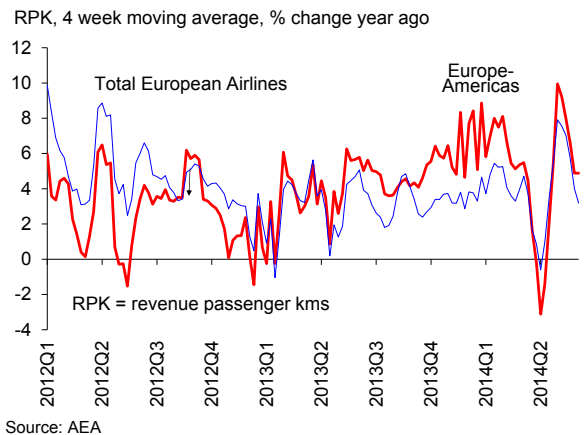
European airlines passenger load factor



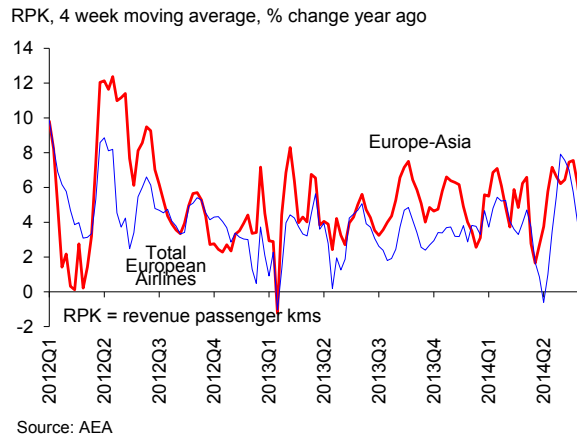
Data shows a clear trend emerging which highlights the growing importance of intra-regional travel as the gap between long haul and short haul travel has narrowed. Data for 2014 to date suggest that intra-regional demand has been growing at a similar rate to traffic on long-haul trans-Atlantic routes and on routes between Europe and Asia. This supports the anticipated trend that traditional European markets will regain prominence as source markets as economic recovery continues.

The fall and subsequent rebound in April came after strike action taken by Luthansa pilots and France ATC in March, as well as the later timing of Easter in 2014.

European airline passenger traffic: Americas



European airline passenger traffic: Asia

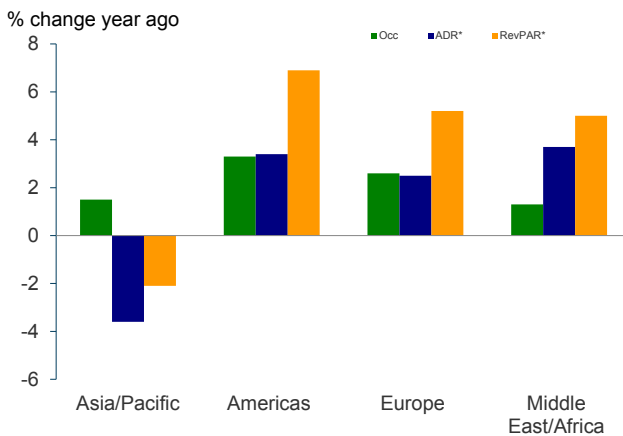


Accommodation

The accommodation sector also points to improved growth in global tourism demand in 2014 to date, emulating the growth trends observed in air passenger demand. All regions have enjoyed strong growth in hotel occupancy rates according to year-to-date data to May. In all but one region (Asia Pacific) this growth in occupancy rates was accompanied by average daily rate (ADR) growth and growth in revenue per available room (RevPAR). The fall in ADR in Asia Pacific may suggest slowing demand growth and low confidence, but this is also linked to recent currency movements within the region which make the value of room rates lower denominated in US dollar terms. Rates in local currencies are less dramatic.

Europe and the Americas have both seen respective growth rates of 2.6% and 3.3% in hotel occupancy rates year-to-date to May. This healthy demand has roused confidence in the industry to push up ADR by a similar proportion, resulting in strong RevPAR growth in these regions in excess of 5%. Middle Eastern & African hoteliers have also found justification to hike up ADR at a rate greater than Europe and the Americas, thus despite a lower occupancy growth rate, RevPAR growth is almost on par with Europe's (5.2% versus 5%).

Global Hotel Performance, Jan-May 2014



Source: STR Global

* ADR and RevPAR denominated in US\$ except for Europe

At a sub-regional level, performance in Europe has been varied so far this year. Occupancy rates have grown positively and indeed strongly across most sub-regions, with Southern Europe enjoying the strongest growth and Northern Europe not far behind.

Occupancy in Eastern European has continued to fall on the same period in 2013, largely pulled down by a notable fall in Russian hotel occupancy, as well as lesser falls in Slovakia and Czech Republic. This of course coincides with tensions between Ukraine and Russia which has caused some large disruption to international travel to the region. A marked fall in ADR would suggest some attempt is being made by hoteliers to reverse this deterrent by increasing price attractiveness.

Key Source Market Performance

So far so good for European travel...

- Intra-European travel demand maintains momentum according to the latest available data for 2014
- A strong economic backdrop is a common feature, particularly amongst the major 'traditional' Western markets
- Travel from Russia also remains strong in available data but there are clear impacts from political tensions
- Travel from long-haul markets continues to rise, but short-haul markets are also now growing at a comparable rate rather than lagging.

Trends discussed in this section are for up to the first five months of the year, although actual coverage varies by destination; for the majority of countries March or April will be the latest available data point. These trends are not fully indicative of full year performance and will be heavily influenced by performance in the June-August period.

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

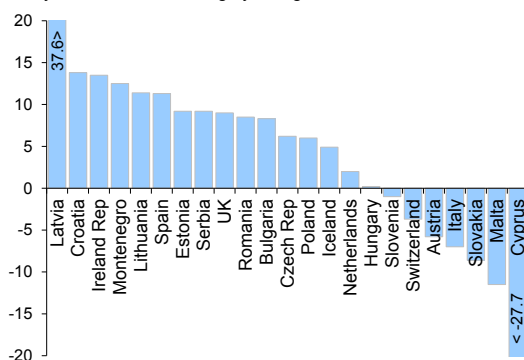
Key intra-European markets

Data to May 2014 suggests that travel from Germany continues to grow, following on from the trend of 2013, with a majority of destinations reporting growth in both arrivals and overnights. Recent economic data suggest a pick-up in German growth, with consumer expenditure growth (including tourism spending) set to accelerate in 2014 according to Oxford Economics' latest forecast which should prompt some pick up in outbound travel.

While some destinations have reported a slowdown in visitor arrivals from Germany these are relatively small destinations. More importantly we can see visits from Germany to the bigger European source markets (which hold a higher proportion of total European arrivals) remain solid with Spain, UK, Netherlands, and Ireland all reporting strong growth. Travel to Croatia has enjoyed a turnaround in recent data; it saw both visits and nights from Germany plummet by more than 30% in the first month of the year but is now enjoying growth in excess of 10%. Malta and Cyprus, on the other hand, appear to still be in freefall.

Visits from Germany to select destinations

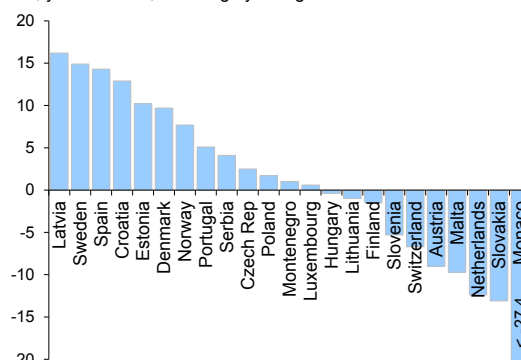
2014, year-to-date*, % change year ago



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

German visitor nights in select destinations

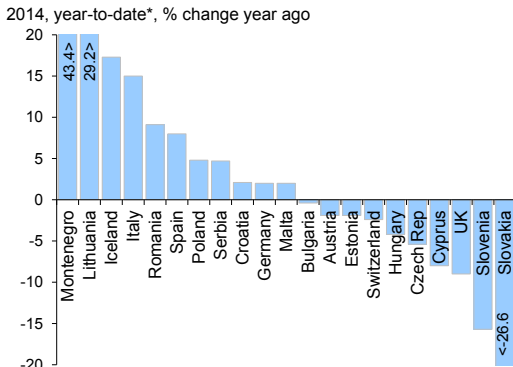
2014, year-to-date*, % change year ago



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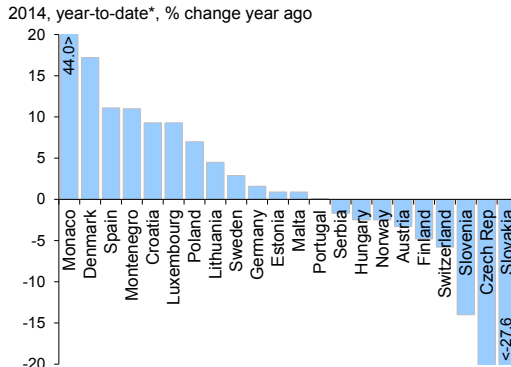
Outbound growth from the Netherlands has remained weak so far in 2014 off the back of expected weaker consumer spending and softness within the labour market. It is important to note that the three fastest growing destinations account for only a very small share of total outbound travel from the Netherlands and are therefore not representative of performance generally; growth of just 3.2% in travel to Spain is perhaps a better barometer of performance since 8.5% of all Dutch outbound trips are to Spain. Germany has suffered a fall in visits and nights in the year to date, a further indicator of weak travel demand from the Netherlands as a large destination for Dutch outbound.

Visits from Netherlands to select destinations



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

Netherlands nights in select destinations

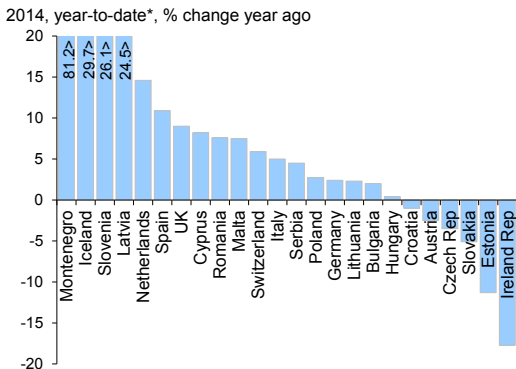


Source : TourMIS *date varies (Jan-May) by destination

International travel by French residents in the year-to-date for 2014 is thus far encouraging. Larger markets including Spain, UK and Germany have reported strong growth in the early parts of the year. These markets combined account for around a third of outbound travel from France, and therefore indicate another year of outbound travel growth despite only modest improvements in economic and consumer spending trends. However, the countries which have seen strong growth rates are largely short-haul destinations for French travel, potentially reflecting the weak economic environment with limited long-haul travel potential until stronger economic performance is evident. While this will boost visitor volumes from France to European destinations, spending may remain modest.

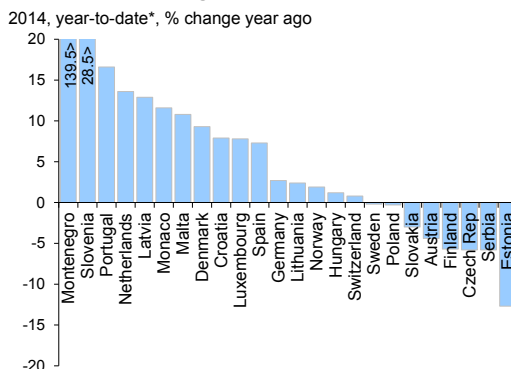
Smaller markets in terms of share of total outbound travel from France have reported strong growth in arrivals and overnights exceeding 30% and more moderate growth rates are expected later in the year.

Visits from France to select destinations



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

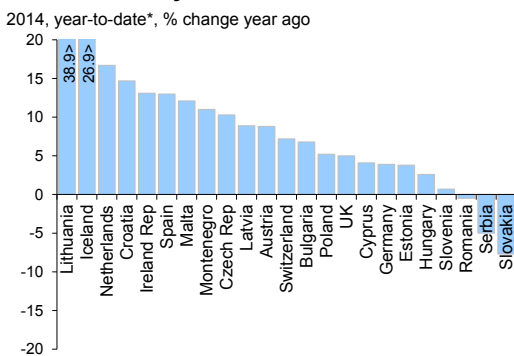
French visitor nights in select destinations



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

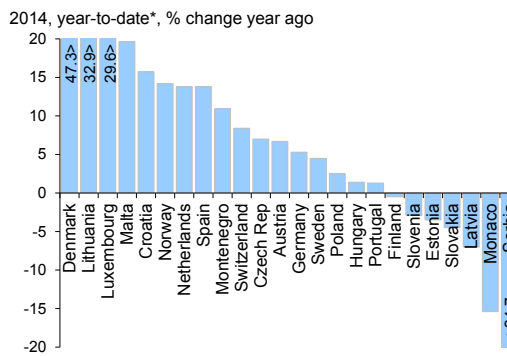
2014 data so far suggests that outbound travel from Italy grew strongly with larger destinations such as Spain and Germany reporting arrivals growth of 13% and 6.1% respectively and slightly faster growth in overnights. This looks positive for growth in travel from Italy for the year ahead given the majority of countries have reported growth in arrivals and overnights from Italy for the first few months of 2014. However, those countries receiving visits from Italy are very similar to the patterns observed for France, all suggesting a growing propensity for short-haul travel. Tourism demand should be supported by economic reforms including tax reductions to stimulate demand. However, credit conditions remain tight, and with continued high unemployment and little wage growth we remain cautious about the outlook for growth in outbound travel.

Visits from Italy to select destinations



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

Italian visitor nights in select destinations

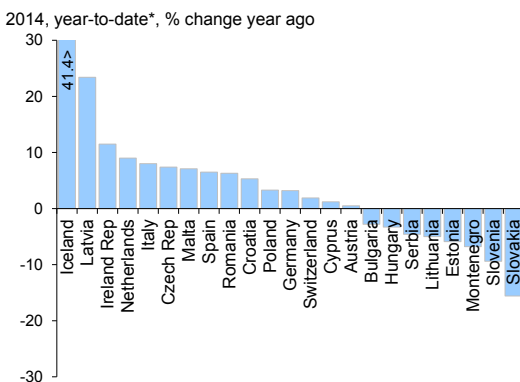


Source : TourMIS *date varies (Jan-May) by destination

Some of the larger UK destination markets such as Spain and Germany have reported robust growth in arrivals and overnights from the UK in the first few months of the year. With an improved economic backdrop it is expected that UK outbound travel growth will improve during the summer months which carry a greater weighting of the full year performance. However, a large proportion of destinations, albeit smaller in volume terms, report lower travel from the UK.

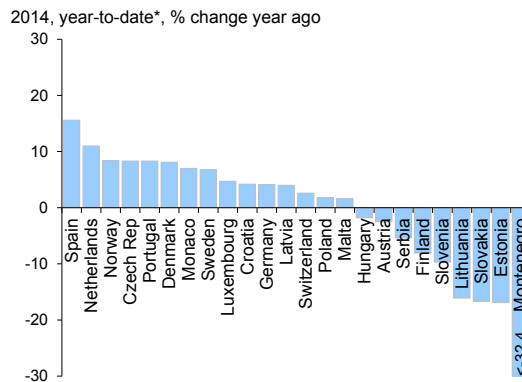
However, as UK travel demand improves some recovery in long-haul demand is to be expected. Indeed, UK data shows stronger growth in recent months for travel from the UK to destinations such as North America than to Europe.

Visits from UK to select destinations



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

British visitor nights in select destinations



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

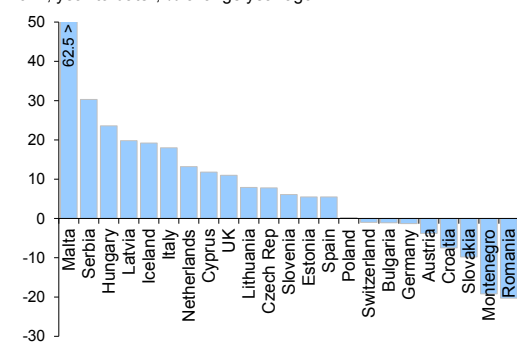
Travel growth from Russia to the rest of Europe remains strong according to data for the first few months of 2014. While some countries have reported a fall in visitor arrivals from Russia, many other destinations have seen continued strong double digit growth according to available data. This is a continuation of the trend observed in recent years, which has seen a surge in Russian outbound travel and an increase in its importance to European destinations. Eastern Europe continues to be the main destination for travel from Russia, though Western Europe has also gained a share in recent years.

Foreign arrivals and overnights to Croatia are notably weak in this data to March due to the comparison to the earlier Easter in 2013. We expect to see this downturn for Croatia ease as data for subsequent months (which will include Easter) is made available as well as a more positive outturn over the remainder of the year. However, given that Russian arrivals to Croatia also fell in the second half of 2013 following the country's entry to the EU (and alignment with aspects of Schengen Area visa policy) a strong rebound is not expected in the near-term.

Note that reported data largely relates to the earlier months of the year before tensions surrounding Ukraine developed which may adversely affect Russian international travel. Some travel bans have also been reportedly imposed on some Russian government employees which will likely constrain growth in 2014.

Visits from Russia to select destinations

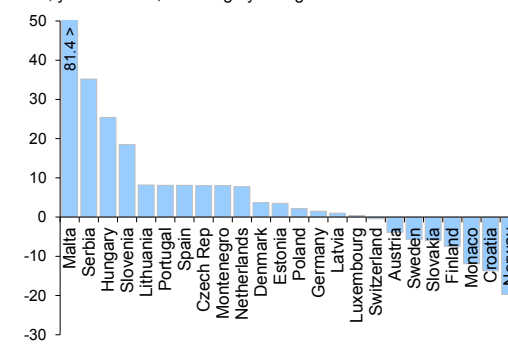
2014, year-to-date*, % change year ago



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

Russian visitor nights in select destinations

2014, year-to-date*, % change year ago



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

Non-European markets

Initial data for the beginning of 2014 indicate that travel to Europe from the US was positive in most reporting destinations.

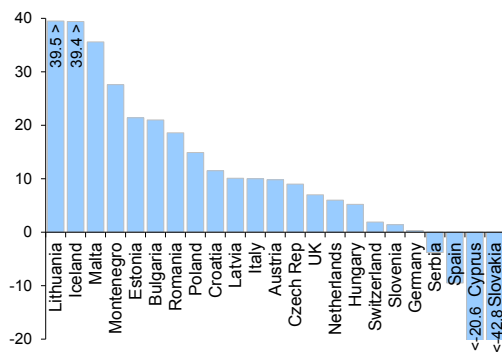
Economic growth in the US is strengthening according to the latest data and we anticipate acceleration in GDP in 2014 as a whole. This will include acceleration in consumer spending on the back of jobs and wage growth. There is ample scope for accelerated growth over the remainder of the year and particularly in terms of long haul travel which is an encouraging sign for European tourism.

Lithuania and Malta continue to enjoy strong US arrivals and overnights growth, however, stronger growth tends to be reported in smaller destinations where US visitor arrivals represent a very small share of total arrivals.

Interestingly, Cyprus, based on early 2014 data, enjoyed market arrivals growth from the US, yet we are now seeing a decline of 20.6%, second only to Slovakia which saw its visitor arrivals from the US fall 42.8%.

Visits from US to select destinations

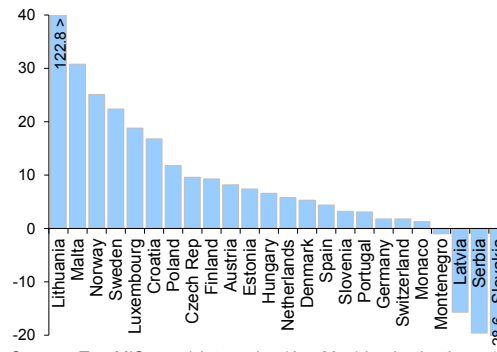
2014, year-to-date*, % change year ago



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

US visitor nights in select destinations

2014, year-to-date*, % change year ago

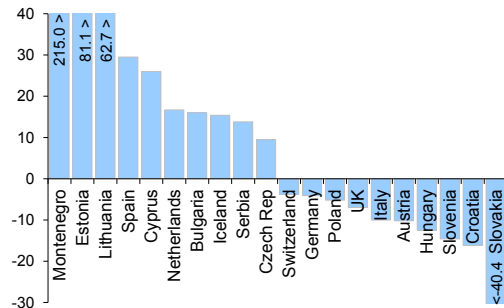


Source : TourMIS *date varies (Jan-May) by destination

Travel from Japan to Europe has remained mixed thus far with around half of all countries reporting either arrivals or nights growth. This comes as the yen depreciates further, which will have positive impacts on domestic tourism in Japan, but negative impacts on outbound travel, especially for long-haul trips. This may also be adversely affecting the duration of such trips, suggested by a greater proportion of reporting countries recording negative growth for overnights arrivals from Japan. With this in mind, risks remain in the outlook for the rest of the year.

Visits from Japan to select destinations

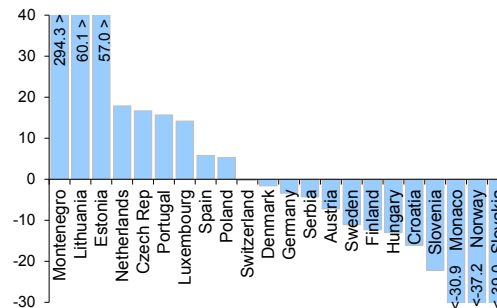
2014, year-to-date*, % change year ago



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

Japanese visitor nights in select destinations

2014, year-to-date*, % change year ago

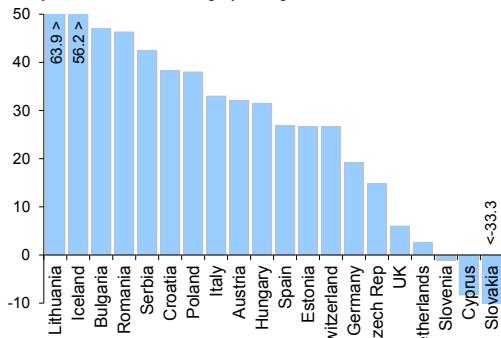


Source : TourMIS *date varies (Jan-May) by destination

Outbound travel from China has been strong so far in 2014 for both visitor arrivals and visitor nights. Only four countries reported negative arrivals growth while nine destinations have seen arrivals from China grow at rates in excess of 30%. While this is not necessarily indicative of full year performance we should expect to see a continuation of growth in outbound travel, and ahead of general GDP growth. The Chinese economy remains stable and with an increasing number of middle-class households, now more able to afford travel. However, travel from China to Europe remains small in terms of visitor volumes.

Visits from China to select destinations

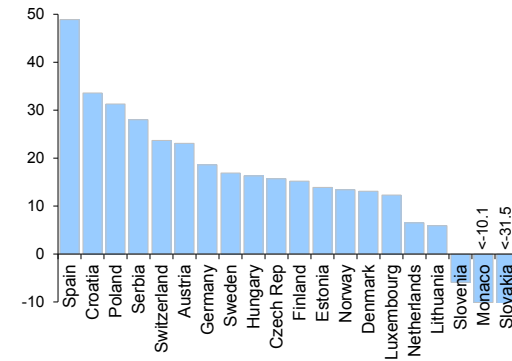
2014, year-to-date*, % change year ago



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

Chinese visitor nights in select destinations

2014, year-to-date*, % change year ago

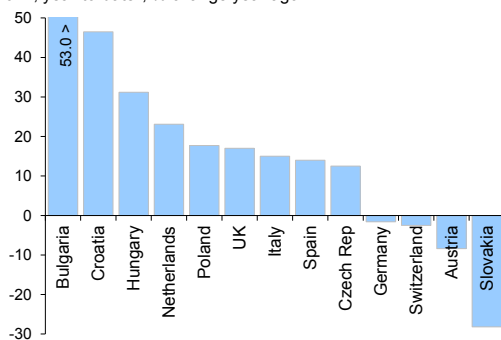


Source : TourMIS *date varies (Jan-May) by destination

Recent growth in travel from India is more positive than in some recent periods. Nine out of twelve destinations reporting travel from India indicate growth in either arrivals or overnights. In some destinations, exceptional growth was reported particularly in Croatia and Bulgaria in terms of arrivals, and Croatia, Sweden, and Finland in terms of overnights. Indian arrivals still represent a relatively small proportion of total European arrivals and some volatility should be expected, but having limited impact on overall destination performance. In the longer-term growth prospects remain strong with potential economic reform and faster growth ahead following recent elections.

Visits from India to select destinations

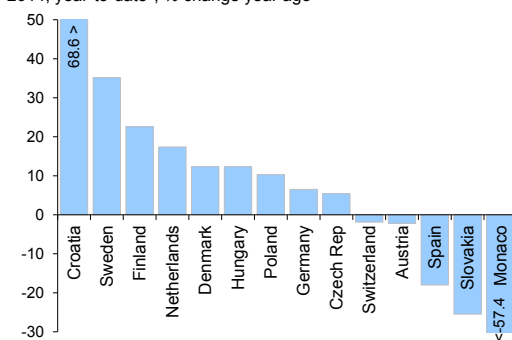
2014, year-to-date*, % change year ago



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

Indian visitor nights in select destinations

2014, year-to-date*, % change year ago

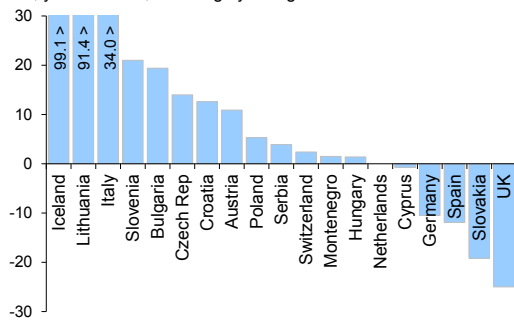


Source : TourMIS *date varies (Jan-May) by destination

Data relating to travel from Canada to Europe in the first few months of the year indicate further growth, but mixed performance supports a view that growth could slow from the rapid pace as enjoyed in 2013. Similar to India, Canadian arrivals to Europe represent a small share of total foreign visitors to Europe and therefore some volatility should be expected. This is especially true for those countries reporting high double digit to triple digit growth in visitor arrivals and visitor nights respectively. Overall, growth in visitor arrivals and nights from Canada is expected to be positive for the rest of the year.

Visits from Canada to select destinations

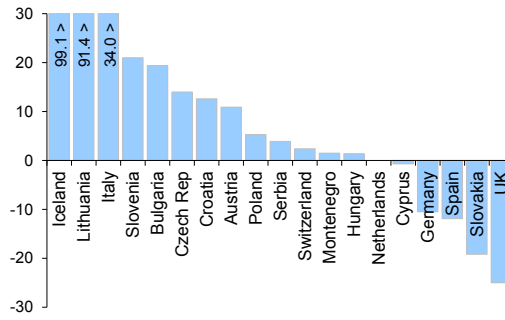
2014, year-to-date*, % change year ago



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

Visits from Canada to select destinations

2014, year-to-date*, % change year ago



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

Origin Market Share Analysis

Based on the Tourism Decision Metrics (TDM) model, the following charts and analysis show Europe's evolving market position - in absolute and percentage terms - for selected source markets. 2014 values are preliminary estimates based on the first few months of information and are not final reported data.

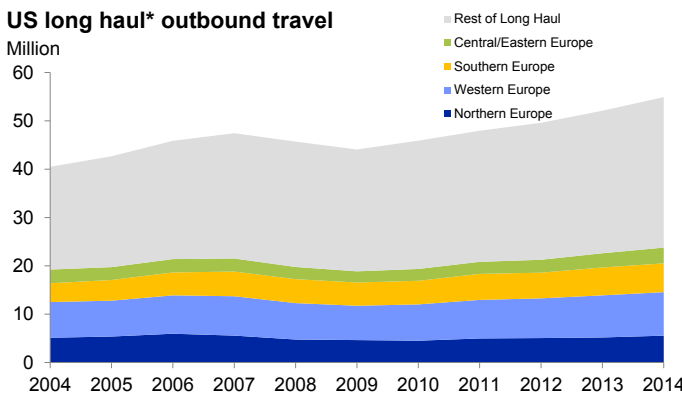
United States

US Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	86,728	-	4.6%	25.2%	-	17.2%	-
of which:							
Long haul (000s)	54,903	63.3%	5.3%	29.3%	65.4%	24.6%	59.6%
Short haul (000s)	31,825	36.7%	3.4%	18.1%	34.6%	6.3%	40.4%
Travel to Europe***							
Europe (000s)	23,772	27.4%	4.5%	24.5%	27.3%	26.0%	25.5%
Northern Europe (000s)	5,555	6.4%	6.2%	35.1%	6.9%	19.8%	6.3%
Western Europe (000s)	8,999	10.4%	3.5%	18.8%	9.8%	26.7%	9.6%
Southern Europe (000s)	5,955	6.9%	3.4%	18.1%	6.5%	23.8%	6.5%
Central/Eastern Europe (000s)	3,263	3.8%	6.0%	34.1%	4.0%	41.2%	3.1%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

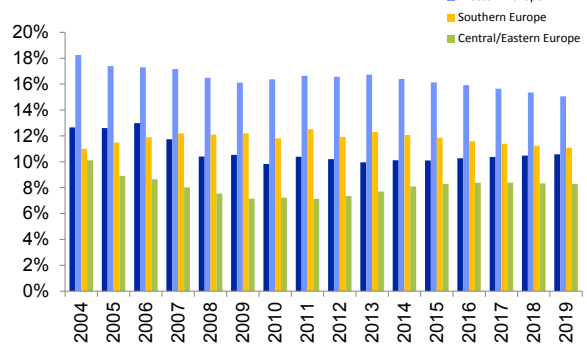
*** Shares are expressed as a % of total outbound travel



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

Europe's share of US market

% of long haul* market



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

Methodology note:

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

Hence, US outbound shown here is larger than reported departures in national statistics as long-haul trips often involve travel to multiple destinations. For example US data reporting shows 11.4mn departures to Europe while the sum of European arrivals from the US was 22.7mn; each US trip to Europe involved a visit to two destinations on average.

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

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

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

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

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

Canada

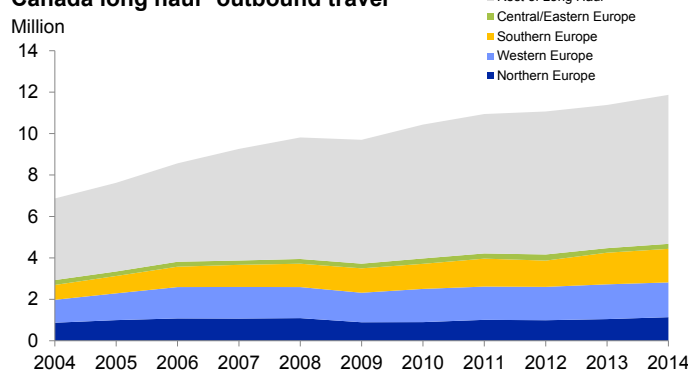
Canada Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	36,632	-	4.4%	24.0%	-	29.5%	-
<i>of which:</i>							
Long haul (000s)	11,869	32.4%	4.9%	27.0%	33.2%	22.4%	34.3%
Short haul (000s)	24,763	67.6%	4.2%	22.6%	66.8%	33.2%	65.7%
Travel to Europe***							
Europe (000s)	4,677	12.8%	3.4%	18.0%	12.2%	25.7%	13.2%
Northern Europe (000s)	1,138	3.1%	6.4%	36.1%	3.4%	27.6%	3.2%
Western Europe (000s)	1,678	4.6%	1.9%	9.9%	4.1%	17.7%	5.0%
Southern Europe (000s)	1,620	4.4%	2.1%	10.7%	3.9%	37.5%	4.2%
Central/Eastern Europe (000s)	241	0.7%	6.8%	38.6%	0.7%	6.8%	0.8%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

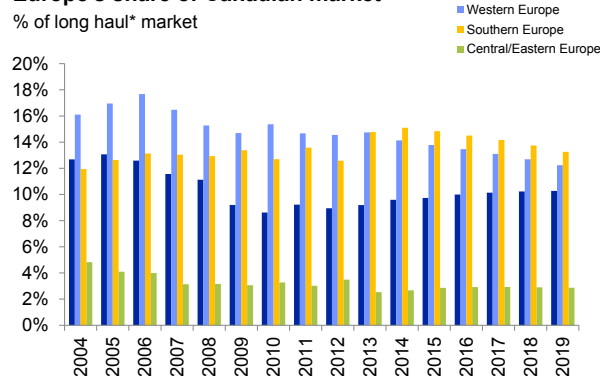
*** Shares are expressed as a % of total outbound travel

Canada long haul* outbound travel



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

Europe's share of Canadian market



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

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

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

Mexico

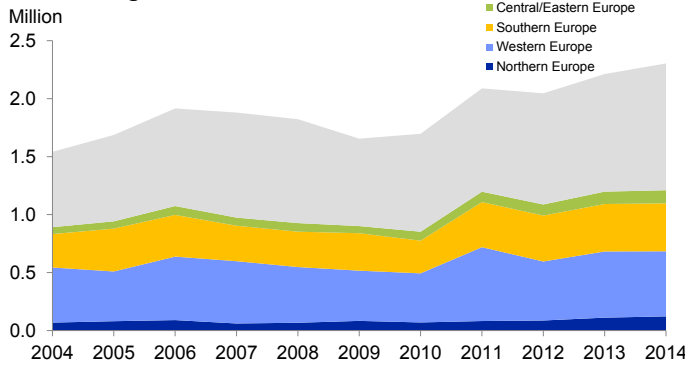
Mexico Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	17,640	-	5.7%	31.7%	-	17.2%	-
<i>of which:</i>							
Long haul (000s)	2,304	13.1%	6.4%	36.1%	13.5%	39.2%	11.0%
Short haul (000s)	15,337	86.9%	5.6%	31.0%	86.5%	14.5%	89.0%
Travel to Europe***							
Europe (000s)	1,210	6.9%	4.2%	23.1%	6.4%	34.3%	6.0%
Northern Europe (000s)	122	0.7%	7.4%	42.9%	0.8%	46.6%	0.6%
Western Europe (000s)	561	3.2%	4.9%	26.9%	3.1%	29.6%	2.9%
Southern Europe (000s)	413	2.3%	1.5%	7.5%	1.9%	28.0%	2.1%
Central/Eastern Europe (000s)	113	0.6%	6.8%	39.3%	0.7%	84.0%	0.4%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

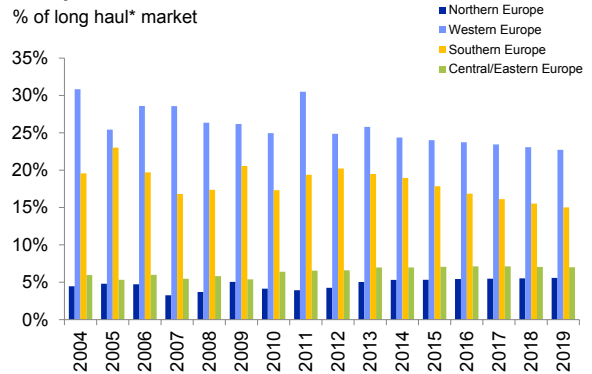
*** Shares are expressed as a % of total outbound travel

Mexico long haul* outbound travel



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

Europe's share of Mexican market



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

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

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

Argentina

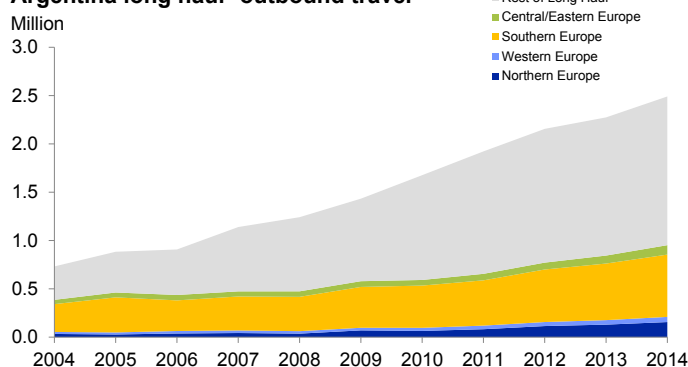
Argentina Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	8,160	-	4.2%	22.6%	-	54.2%	-
<i>of which:</i>							
Long haul (000s)	2,490	30.5%	5.7%	31.7%	32.8%	73.8%	27.1%
Short haul (000s)	5,669	69.5%	3.5%	18.7%	67.2%	47.0%	72.9%
Travel to Europe***							
Europe (000s)	952	11.7%	6.2%	35.4%	12.9%	64.4%	10.9%
Northern Europe (000s)	156	1.9%	8.7%	51.6%	2.4%	122.3%	1.3%
Western Europe (000s)	53	0.7%	8.5%	50.1%	0.8%	98.7%	0.5%
Southern Europe (000s)	645	7.9%	4.9%	27.0%	8.2%	52.6%	8.0%
Central/Eastern Europe (000s)	98	1.2%	9.4%	57.0%	1.5%	64.3%	1.1%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

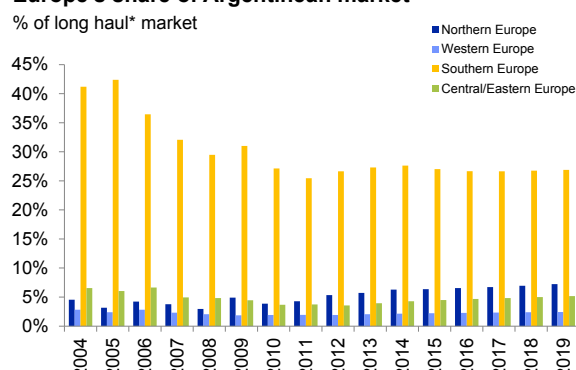
*** Shares are expressed as a % of total outbound travel

Argentina long haul* outbound travel



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

Europe's share of Argentinean market



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

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

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

Brazil

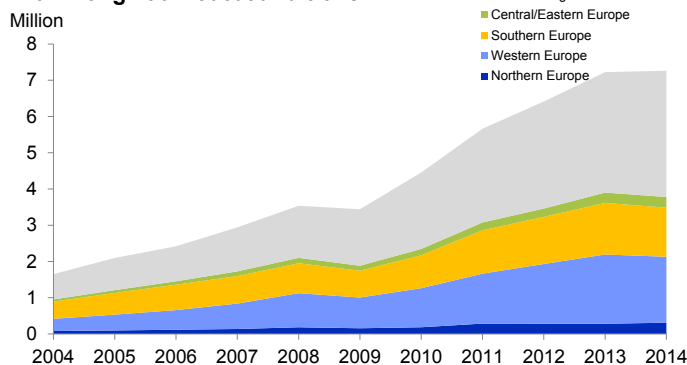
Brazil Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	9,874	-	4.7%	25.7%	-	96.4%	-
of which:							
Long haul (000s)	7,263	73.6%	4.9%	26.9%	74.2%	111.0%	68.5%
Short haul (000s)	2,611	26.4%	4.2%	22.5%	25.8%	64.7%	31.5%
Travel to Europe***							
Europe (000s)	3,779	38.3%	1.5%	7.8%	32.8%	100.7%	37.5%
Northern Europe (000s)	311	3.1%	9.0%	53.8%	3.9%	97.3%	3.1%
Western Europe (000s)	1,820	18.4%	0.9%	4.8%	15.4%	114.5%	16.9%
Southern Europe (000s)	1,354	13.7%	-0.9%	-4.2%	10.4%	83.1%	14.7%
Central/Eastern Europe (000s)	294	3.0%	5.8%	32.5%	3.1%	113.7%	2.7%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

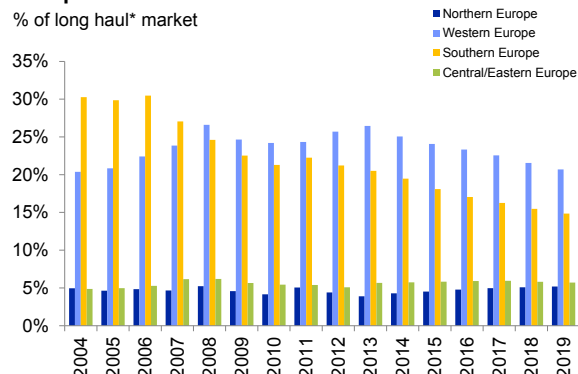
*** Shares are expressed as a % of total outbound travel

Brazil long haul* outbound travel



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

Europe's share of Brazilian market



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

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

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

India

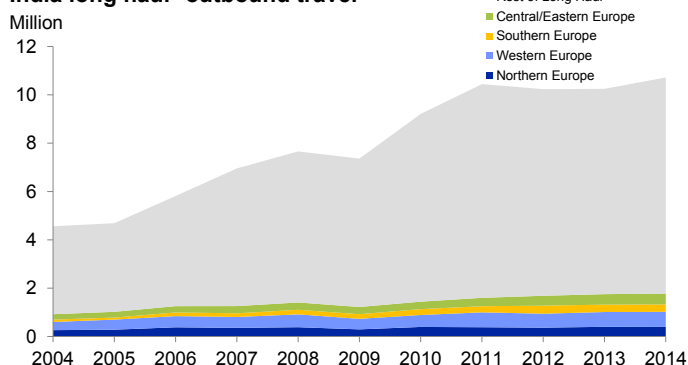
India Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	11,349	-	8.3%	49.2%	-	48.0%	-
<i>of which:</i>							
Long haul (000s)	10,720	94.5%	8.4%	49.6%	94.7%	45.6%	96.0%
Short haul (000s)	629	5.5%	7.5%	43.7%	5.3%	104.1%	4.0%
Travel to Europe***							
Europe (000s)	1,774	15.6%	7.4%	42.8%	15.0%	45.4%	15.9%
Northern Europe (000s)	394	3.5%	2.6%	13.5%	2.6%	34.7%	3.8%
Western Europe (000s)	624	5.5%	8.3%	49.2%	5.5%	43.2%	5.7%
Southern Europe (000s)	307	2.7%	6.3%	35.9%	2.5%	59.9%	2.5%
Central/Eastern Europe (000s)	448	3.9%	10.5%	64.5%	4.4%	49.9%	3.9%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

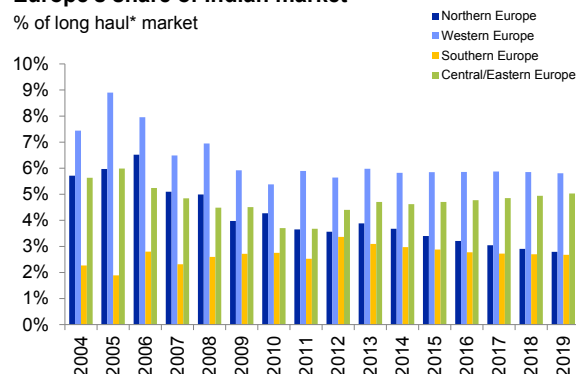
*** Shares are expressed as a % of total outbound travel

India long haul* outbound travel



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

Europe's share of Indian market



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

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

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

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China

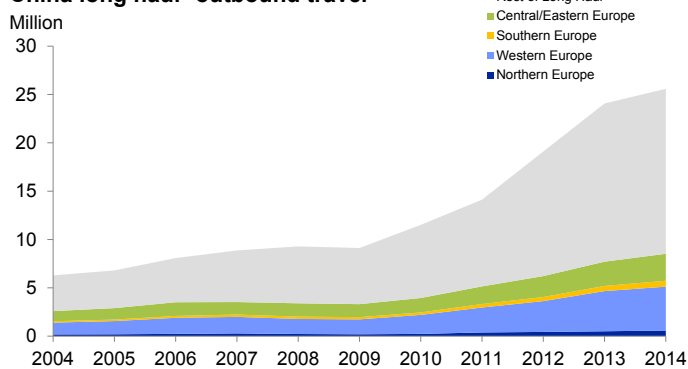
China Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	62,748	-	5.1%	28.4%	-	127.2%	-
<i>of which:</i>							
Long haul (000s)	25,589	40.8%	6.3%	35.5%	43.0%	180.7%	33.0%
Short haul (000s)	37,159	59.2%	4.3%	23.5%	57.0%	100.9%	67.0%
Travel to Europe***							
Europe (000s)	8,519	13.6%	6.7%	38.0%	14.6%	157.7%	12.0%
Northern Europe (000s)	580	0.9%	8.3%	48.7%	1.1%	207.1%	0.7%
Western Europe (000s)	4,536	7.2%	6.2%	35.0%	7.6%	194.1%	5.6%
Southern Europe (000s)	613	1.0%	8.9%	53.5%	1.2%	165.7%	0.8%
Central/Eastern Europe (000s)	2,789	4.4%	6.5%	37.1%	4.7%	107.6%	4.9%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

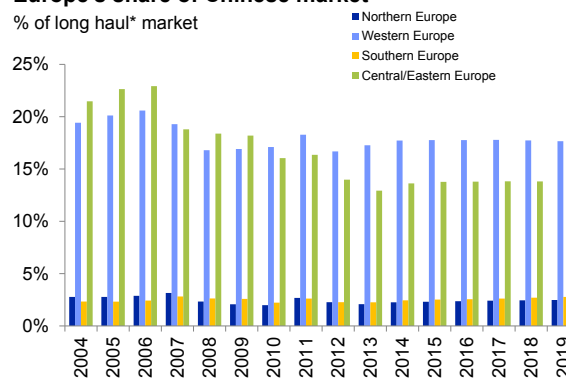
*** Shares are expressed as a % of total outbound travel

China long haul* outbound travel



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

Europe's share of Chinese market



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

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Japan

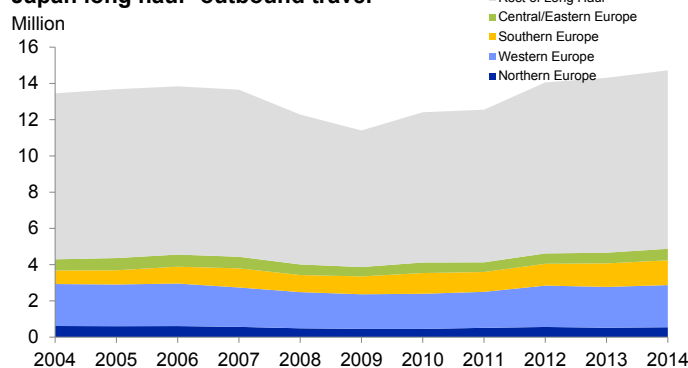
Japan Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	23,917	-	4.0%	21.9%	-	19.5%	-
<i>of which:</i>							
Long haul (000s)	14,724	61.6%	3.3%	17.6%	59.4%	29.1%	57.0%
Short haul (000s)	9,193	38.4%	5.2%	28.6%	40.6%	6.8%	43.0%
Travel to Europe***							
Europe (000s)	4,874	20.4%	2.3%	11.9%	18.7%	26.1%	19.3%
Northern Europe (000s)	544	2.3%	1.8%	9.6%	2.0%	19.7%	2.3%
Western Europe (000s)	2,327	9.7%	2.2%	11.5%	8.9%	21.8%	9.5%
Southern Europe (000s)	1,367	5.7%	1.6%	8.1%	5.1%	38.7%	4.9%
Central/Eastern Europe (000s)	637	2.7%	4.3%	23.4%	2.7%	23.5%	2.6%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

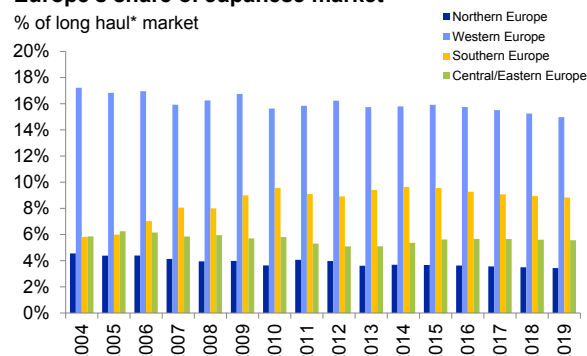
*** Shares are expressed as a % of total outbound travel

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

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United Arab Emirates

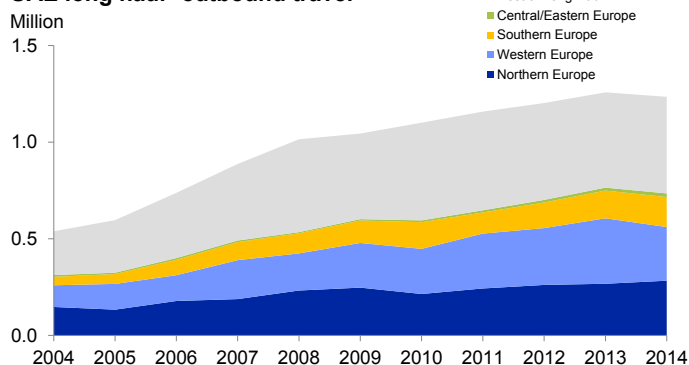
United Arab Emirates Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	2,551	-	4.2%	22.7%	-	-25.7%	-
<i>of which:</i>							
Long haul (000s)	1,234	48.4%	2.9%	15.3%	45.5%	18.2%	30.4%
Short haul (000s)	1,317	51.6%	5.3%	29.6%	54.5%	-44.9%	69.6%
Travel to Europe***							
Europe (000s)	735	28.8%	1.7%	9.0%	25.6%	22.1%	17.5%
Northern Europe (000s)	283	11.1%	-0.5%	-2.4%	8.8%	14.5%	7.2%
Western Europe (000s)	278	10.9%	2.4%	12.5%	10.0%	20.2%	6.7%
Southern Europe (000s)	155	6.1%	3.8%	20.3%	6.0%	33.5%	3.4%
Central/Eastern Europe (000s)	19	0.7%	6.2%	35.1%	0.8%	169.5%	0.2%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

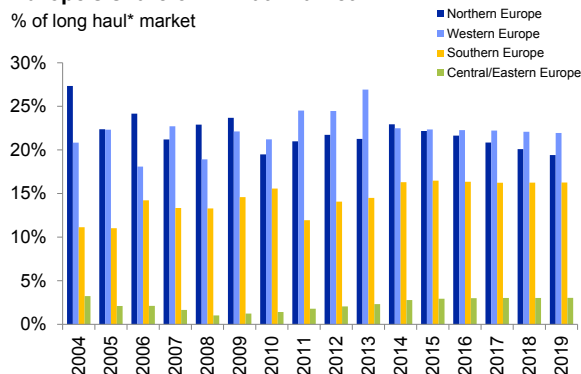
*** Shares are expressed as a % of total outbound travel

UAE long haul* outbound travel



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

Europe's share of Emirati market



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

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Russia

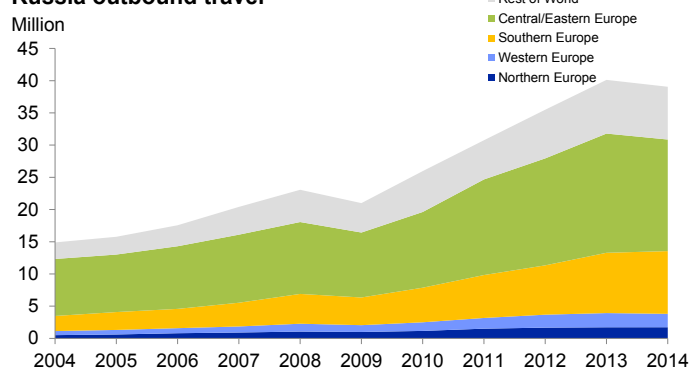
Russia Market Share Summary							
	2014		Growth (2014-19)			Growth (2009-14)	
	Level*	Share	Annual average	Cumulative growth**	Share 2019	Cumulative growth**	Share 2009
Total outbound travel (000s)	39,058	-	4.6%	25.3%	-	86.0%	-
of which:							
Long haul (000s)	8,191	21.0%	8.1%	47.5%	24.7%	79.4%	21.7%
Short haul (000s)	30,868	79.0%	3.6%	19.5%	75.3%	87.9%	78.3%
Travel to Europe***							
Europe (000s)	30,868	79.0%	3.6%	19.5%	75.3%	87.9%	78.3%
Northern Europe (000s)	1,729	4.4%	2.7%	14.3%	4.0%	74.2%	4.7%
Western Europe (000s)	2,078	5.3%	2.6%	13.7%	4.8%	96.5%	5.0%
Southern Europe (000s)	9,741	24.9%	5.5%	30.7%	26.0%	126.7%	20.5%
Central/Eastern Europe (000s)	17,320	44.3%	2.7%	14.4%	40.5%	71.8%	48.0%

* Levels are in 000s unless otherwise specified

** Shows cumulative change over the relevant time period indicated

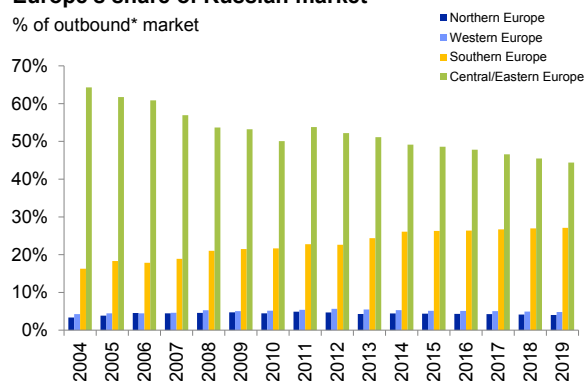
*** Shares are expressed as a % of total outbound travel

Russia outbound travel



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

Europe's share of Russian market



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

Travel from Russia to Europe has enjoyed exceptional growth in recent years in line with economic developments. The growing importance of Russia as an origin market has been widely recognised and there was a large potential upside factor to the outlook from some easier visa conditions on Russian travellers to Schengen zone countries. Previous analysis by Oxford Economics shows that there is a clear positive impact from visa facilitation measures.

However, in light of ongoing tensions in Ukraine, the likelihood of this benefit has been delayed at best.

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Economic outlook summary: key source markets

- Assessing recent tourism data and industry performance is a useful way of directly monitoring the key trends for travel demand across Europe. This can be complemented by looking at key trends and relationships in macroeconomic performance in Europe's key source markets which can provide further useful insight into likely tourism developments throughout the year.
- The linkages between macro and tourism performance can be very informative. For example, strong GDP or consumer spending growth is an indication of rising prosperity with people more likely to avail of international travel. It is also an indication of rising business activity and therefore stronger business travel. Movements in exchange rates against the euro can be equally important as it can influence choice of destination.

Summary of economic outlook: 2013						Summary of economic outlook: 2014					
% growth y-y*						% growth y-y*					
	Macroeconomic indicators						Macroeconomic indicators				
	GDP	Consumer expenditure	Unemployment **	Exchange rate***	Inflation		GDP	Consumer expenditure	Unemployment **	Exchange rate***	Inflation
UK	1.7%	2.2%	-0.5%	-4.5%	2.6%	UK	3.0%	2.5%	-1.0%	3.8%	1.7%
France	0.4%	0.3%	0.5%	0.0%	0.9%	France	0.7%	0.2%	-0.1%	0.0%	0.8%
Germany	0.5%	1.0%	0.0%	0.0%	1.5%	Germany	2.0%	1.5%	-0.2%	0.0%	1.1%
Netherlands	-0.8%	-2.1%	1.8%	0.0%	2.5%	Netherlands	0.4%	-0.7%	0.7%	0.0%	1.0%
Italy	-1.8%	-2.6%	1.5%	0.0%	1.2%	Italy	0.3%	-0.2%	0.7%	0.0%	0.5%
Russia	1.4%	4.7%	0.0%	-5.6%	6.8%	Russia	0.2%	1.3%	0.1%	-11.5%	6.9%
US	1.9%	2.0%	-0.7%	-3.4%	1.5%	US	2.1%	2.8%	-1.0%	-2.3%	1.7%
Canada	2.0%	2.4%	-0.2%	-6.2%	1.0%	Canada	1.9%	2.3%	-0.1%	-10.9%	1.5%
Brazil	2.5%	2.6%	-0.1%	-12.5%	6.2%	Brazil	1.4%	1.8%	-0.1%	-9.4%	6.4%
China	7.7%	8.5%	0.0%	-1.4%	2.6%	China	7.1%	8.4%	0.0%	-2.3%	2.3%
Japan	1.5%	2.0%	-0.3%	-20.8%	0.4%	Japan	1.1%	0.3%	-0.6%	-9.6%	2.5%
India	4.7%	4.0%	0.0%	-11.8%	10.1%	India	4.5%	4.7%	0.0%	-5.2%	8.4%

* unless otherwise specified

** percentage point change

*** exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.

Note: Colour coding relates to each individual column and highlights the strongest performing countries shaded as dark green (e.g. China fastest growing GDP), and weakest performing countries as dark red (e.g. falling consumer expenditure in Netherlands and France).

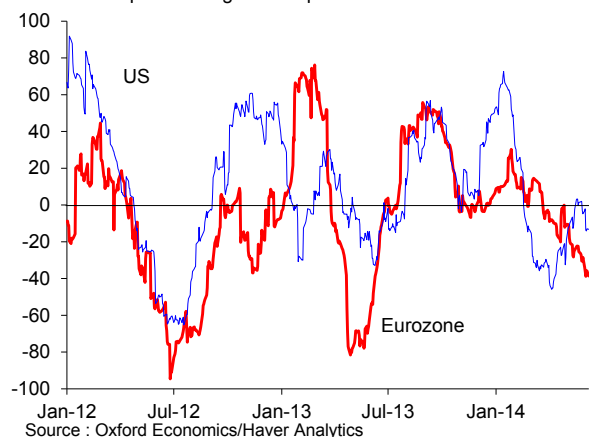
- Eurozone GDP growth is forecast to grow in 2014 across all key markets, but large disparities remain across countries. Overall this will likely to result in some higher leisure and business travel.
- Two diverging trends stand out within major Eurozone countries:
 - Germany and France show the most signs of optimism for the year ahead with rising GDP and consumer expenditure, falling unemployment and modest growth in inflation;
 - Italy and Netherlands are suffering the opposite with falling consumer spending, albeit more stable than in 2013. Unemployment is set to rise further, thus unlikely that these markets will be a key source of European travel growth this year.
- The UK looks set for a strong year in terms of economic growth with a recovery now well and truly underway, GDP growth is forecast to accelerate to 3.0%, supported by a modest pickup in consumer spending growth. The stronger exchange rate in 2014 may have a positive impact on outbound travel to Europe throughout the year.
- Russian growth has slowed substantially in 2014 and Oxford Economics' latest outlook is for a recession during the year. This is linked to the large devaluation and risks related to capital flight in emerging markets, while a falling oil price will also affect government revenue and spending. Political tensions will further affect investment attractiveness.
- Chinese growth is also expected to slow in 2014, although it remains the strongest growing source markets in terms of GDP. China remains a small source market for Europe, however strong travel growth from China nonetheless provides a modest contribution to overall growth.

Global Economy: The ECB acts... but growth forecasts edge down

- At the start of June the ECB announced a package of measures aimed at easing monetary conditions in the Eurozone – including negative interest rates on banks' excess reserves, a cut in the repo rate and new long-term refinancing facilities.
- These moves were overdue in our view, with inflation hovering at just 0.5% and key countries such as France and Italy seeing zero or negative GDP growth in Q1. The overall pattern of 'surprises' in Eurozone economic data has become heavily skewed to the negative over recent weeks and we have modestly revised down our forecast for Eurozone GDP growth in 2014, from 1.2% to 1.1%.
- We have also cut growth forecasts for this year in the US and Japan. The reduction in US growth from 2.4% to 2.1% is mainly the result of GDP contracting in Q1, a development we continue to view as largely erratic. We expect a strong rebound in quarterly growth in the rest of 2014, helped by household consumption; this is supported by the latest payroll figures which again showed over 200,000 new jobs added in May.
- In Japan by contrast we think downside risks to consumer spending have risen; the first evidence of activity after the rise in the consumption tax on 1 April has started to come through and looks disappointing. The Bank of Japan is likely to delay any further monetary easing until late summer at the earliest, so we now see GDP growth at just 1.1% in 2014 and 2015 versus 1.3% in both years last time.
- Among the emergers, forecasts are relatively stable this month, barring a further cut in India after weak Q1 performance. But world GDP growth is now forecast at 2.7% for 2014 and 3.1% next, with these forecasts having edged lower since the start of the year.
- Sluggish world trade growth is a factor constraining the global recovery, with our forecast for world trade growth this year having fallen from 4.7% in February to 4% now. There have, however, been some positive signs in the latest indicators – including in Asia – supporting our view that trade growth will strengthen in the next 18 months.

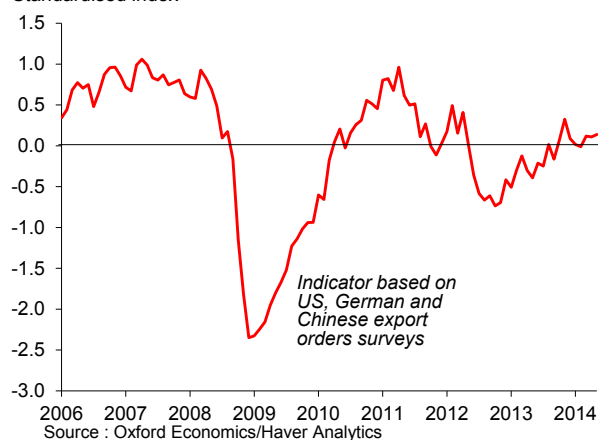
World: Citigroup Economic Surprise Indices

% balance of positive/negative surprises in economic data releases



World: Monthly export orders index

Standardised index



Summary of International Forecasts						
	2012	2013	2014	2015	2016	2017
Real GDP						
North America						
United States	2.8	1.9	2.1	3.2	3.2	3.0
Canada	1.7	2.0	1.9	2.3	2.5	2.5
Europe						
Eurozone	-0.6	-0.4	1.1	1.5	1.5	1.6
Germany	0.9	0.5	2.0	1.8	1.6	1.6
France	0.4	0.4	0.7	1.1	1.2	1.3
Italy	-2.4	-1.8	0.3	1.2	1.3	1.3
UK	0.3	1.7	3.0	2.5	2.6	2.6
EU27	-0.3	0.1	3.1	5.1	3.9	3.2
Asia						
Japan	1.4	1.5	1.1	1.1	1.1	1.5
China	7.7	7.7	7.1	6.9	7.1	7.1
India	4.8	4.7	4.5	4.9	6.1	6.6
G7	1.6	1.3	1.8	2.3	2.4	2.3
World	2.6	2.4	2.7	3.1	3.4	3.5
World 2005 PPPs	3.1	3.0	3.1	3.7	4.0	4.1
World trade	2.6	2.7	4.0	5.7	6.0	5.9
Inflation (CPI)						
North America						
United States	2.1	1.5	1.7	2.1	2.3	2.1
Canada	1.5	1.0	1.5	1.8	2.0	2.0
Europe						
Eurozone	2.5	1.3	0.7	1.2	1.6	1.6
Germany	2.0	1.5	1.1	1.8	2.2	2.0
France	2.0	0.9	0.8	1.1	1.5	1.6
Italy	3.0	1.2	0.5	0.9	1.2	1.3
UK	2.8	2.6	1.7	1.6	1.7	1.8
EU27	2.6	1.5	0.8	1.3	1.6	1.7
Asia						
Japan	0.0	0.4	2.5	1.5	1.6	0.9
Emerging Asia, excl Japan	4.8	5.0	5.3	5.2	4.7	4.4
China	2.6	2.6	2.3	2.5	2.8	3.0
India	9.7	10.1	8.4	7.6	6.8	6.3
World	3.8	3.7	3.1	3.0	2.9	2.5
Exchange Rates						
US\$ Effective	73.52	76.03	77.91	79.90	80.04	79.65
\$/€	1.29	1.33	1.36	1.32	1.31	1.30
¥/\$	79.81	97.56	105.56	112.50	113.13	111.03
Commodity Prices						
Brent Oil (\$/bl)	111.7	108.7	105.9	103.0	105.8	109.2

Eurozone Economy

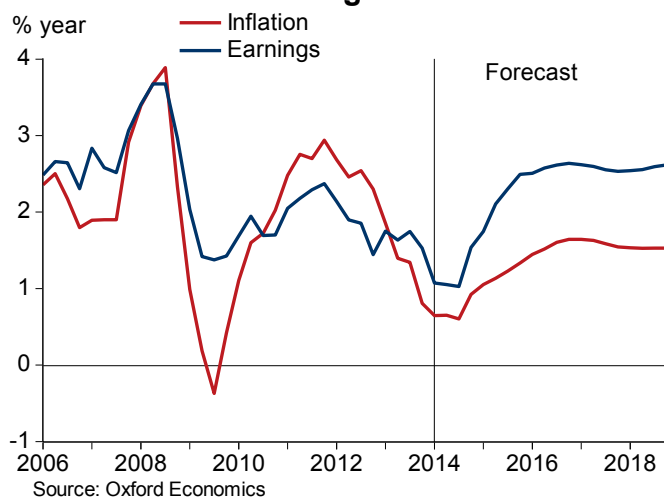
Recent high frequency indicators underline the extent to which the economic recovery is continuing along divergent tracks within the Eurozone. While latest PMI readings for competitive core economies such as Germany, and reforming peripherals such as Spain, have largely sustained positive momentum into the second quarter (and in some cases surprised on the upside) the pace of improvement has ebbed slightly in France and less ambitious reformers such as Italy.

We have modestly revised down our forecast for Eurozone GDP growth in 2014, from 1.2% to 1.1%, which reflects the weaker Q1 outturn than expected in France. Countries where less has been done to improve competitiveness have seen minimal improvements to economic prospects. Nevertheless, both Spain and Germany have experienced increases in personal incomes which are expected to drive consumption.

More generally, a number of familiar constraints on growth remain. Ongoing fiscal consolidation efforts will slow growth by 0.4-0.5 percentage points in 2014 and 2015. Investment and trade will also be undermined by very different competitive positions, with overall Eurozone export growth of 3-4% a year masking a wide range of outcomes at national level. Finally, the banking system will remain fragmented, undermining investment in peripheral economies.

We remain concerned about the risk of deflation in the Eurozone after the latest fall in CPI inflation to 0.5% in May. To address this risk, the ECB announced a series of measures this month which we believe are designed to depress interest rates at the short end of the yield curve and reduce the relative attractiveness of euro area assets. The new TLTRO, meanwhile, will matter most for those countries in southern Europe with banks facing outright funding constraints.

Eurozone: CPI and wages



UK Economy

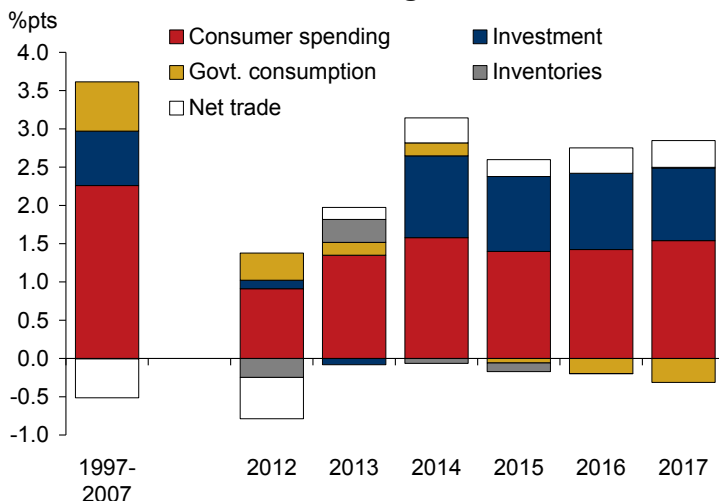
Concerns that the UK upturn was dangerously unbalanced have receded in recent months. Though the early part of the recovery was dominated by the consumer and housing, the latest national accounts data reported that investment made almost as large a contribution to GDP growth as consumer spending over the year to Q1 2014. There is also evidence that exports are recovering, though there is a notable gap between the subdued growth reported by the official data and the more upbeat business surveys.

With real incomes having been progressively squeezed, the consumer upturn has largely been founded on households reducing their rate of saving and this looks likely to have continued into Q1. However, we now appear to be at a turning point and we expect earnings growth to accelerate steadily as the labour market tightens, while inflation is likely to remain low. This will allow a steady recovery in spending power, which should help to put the consumer recovery onto firmer foundations.

Housing activity has cooled over the past couple of months, although anecdotal evidence suggests this could be a function of bottlenecks in the mortgage system as banks adjust to their new obligations following the Mortgage Market Review. Recent pronouncements from the Bank of England suggest that the Financial Policy Committee will intervene to try and cool the housing market at its June meeting. This is likely to involve either imposing even stricter affordability tests or forcing banks to hold more capital against their mortgage lending, rather than any changes to Help to Buy.

The MPC has made it clear that the housing market will not force it to increase Bank Rate in the short term. The May Inflation Report was surprisingly 'dovish', with the Governor playing down the likelihood of an early rate hike. However, with most of the Bank's favourite measures of 'slack' pointing to a significant tightening of the labour market in recent months, we have brought forward our forecast for the first rate rise from Q3 2015 to Q2.

UK: Contributions to GDP growth



Source : Oxford Economics

US Economy

The first reading of GDP growth in Q1 was weak, but the revised estimate was even weaker. Real GDP contracted by an annualized 1% in Q1 – the largest decline since 2011 – as the inventory drag on growth was revised to 1.6 percentage points, and final sales rose a mere 0.6%.

The most recent data indicate that Q1 GDP could be revised down further, to show a 1.4% annualized contraction – the largest since the Great Recession. Fortunately, however, the worst is behind us, and most incoming information points to a Q2 rebound with real GDP growth around 3.5% annualized.

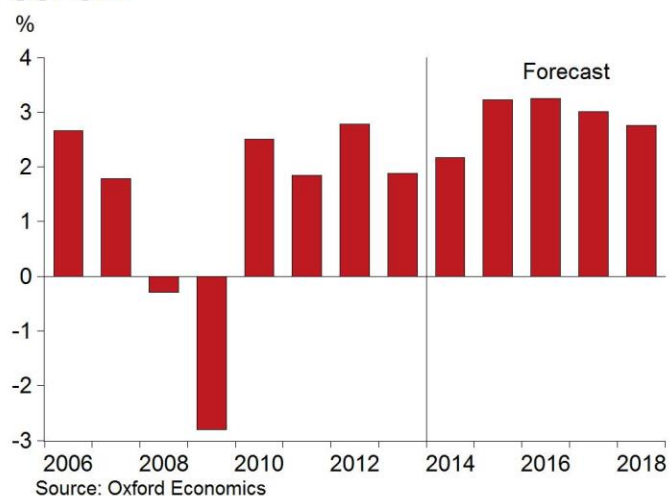
The latest employment data are supportive of that view, with the economy adding a solid 217,000 jobs in May, and the 12-month moving average running around 200,000 – in line with our expectations for 2014. Overall, we foresee a stronger labour market and gradually rising labour compensation supporting household spending through 2014 and into 2015. We expect real household outlays to increase 2.8% this year and 3% next.

Housing activity continues to show signs of weakness. Looking ahead, we foresee pent-up demand and stronger fundamentals as supportive of a gradual rebound in activity, with the contribution of residential investment to growth around 0.1 percentage points.

Fiscal policy should represent less of a drag on the economy while monetary policy is expected to remain ultra-accommodative. We expect the Fed will end its asset purchase program in the fall, but we do not expect an interest rate hike before the second half of 2015 as labour market slack and modest earnings growth favour a dovish stance.

We expect the economy will grow 2.1% in 2014 – weaker than last month's forecast of 2.4% due to the sharp contraction in Q1. Growth should pick up to 3.2% in 2015, helped by improving global conditions – although there are downside risks in this area.

US: GDP



Japanese Economy

GDP rose by 1.6% in Q1, with most of the strength coming from private consumption brought forward to pre-empt April's consumption tax rise. Investment also made a solid contribution, with firms expanding capacity in anticipation of the pre-tax demand surge.

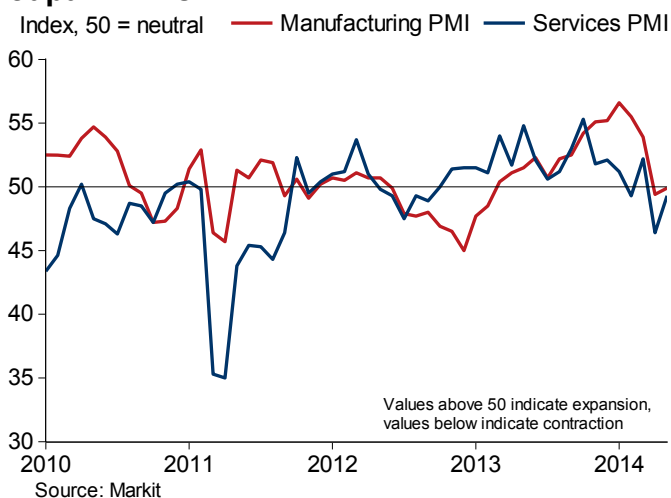
The Q1 gain reflects a temporary boost ahead of the tax hike, and we expect these gains to be given back in Q2. Pronounced weakness in private consumption is likely for the rest of the year as the tax eats into real incomes.

Monthly indicators from Q2 so far confirm a sharp pullback in activity. Retail sales plunged by almost 14% on the month in April; industrial production fell by 2.5% as factories cut output of consumer goods; and both manufacturing and services PMIs swung into contraction territory in April-May.

We are increasingly doubtful that trade will be able to offset the fiscal drag over the next couple of years. Net exports made no growth contribution in Q1, and the current account posted its first quarterly deficit since the early 1980s. Further support from yen weakness will also be hard to come by – the currency has hovered around the 102/US\$ mark since early February. As a result we have downgraded our GDP growth forecast for this year and next to 1.1%.

Prices received a one-off boost in April from the tax hike, causing CPI inflation to soar to 3.4%. However, we expect inflation to fall back below the BoJ's 2% target once the effects of the tax fade. And although consumer prices have so far received a boost from 'Abenomics', broader price deflation will be harder to shake – the GDP deflator continued to fall in Q1. Given the fiscal drag and the ongoing softness in net exports, the economic case for further BoJ action remains, and indeed has arguably been strengthened by the ECB's recent rate cut. Although the BoJ has sounded an optimistic note recently, we think they will be forced into further action this year as the damage to activity from fiscal consolidation becomes apparent.

Japan: PMIs



Emerging Market Economies

Now that the main emerging economies have reported first quarter growth, it is clear that activity was very subdued. Given the slow start to the year, we have cut our GDP forecasts for the BRIC economies over the past few months, although we think – and some more recent data releases suggest – that there will be a gradual improvement in activity as the year progresses.

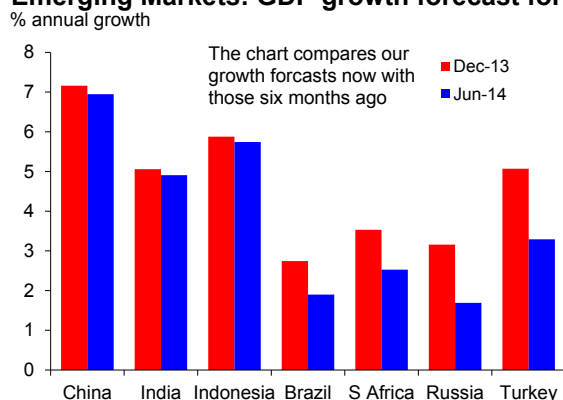
Emerging markets will be assisted by an expected improvement in world trade in 2014, supported in turn by a bounce-back in US growth beginning in Q2 and a gradual improvement in the Eurozone. This is likely to be a gentle upturn rather than a decisive rebound, however. Emerging market stock indices have more than recovered their falls in January to outperform the world index since the start of the year. As advanced economy shares reach record highs, there should be increasing recognition of the additional growth opportunities available in emerging economies.

The past month has seen some tentative signs of improving trade. Most notably, Chinese exports rose strongly in May, up 7% year-on-year, although exports from Hong Kong, Korea and Singapore are still relatively weak, so it is not at all clear that the improvement will be durable. Chinese imports in May were 1.6% lower than a year earlier, suggesting continued weak domestic demand in at least one major engine of growth. The new export orders component of manufacturing PMIs for May was generally still subdued. Overall readings, however, were slightly more positive about the near-term outlook.

We have reassessed the short-term prospects for Thailand following the military coup last month. We now expect the economy to contract by 0.2% this year, sharply down from our May forecast for growth of 2.1%. There is little prospect of an early restoration of democratic government. Much depends on the ability of the army to improve consumer and business confidence, to get investment going again and to boost industrial production, which was over 12% lower in April than its most recent peak in November 2012. The army has announced that rice subsidies and investment assessments (both of which have been on hold for some months) will begin again, but to strengthen the economy these areas of central control need reform rather than reinstatement. A curfew and intolerance of criticism will do little to encourage tourism, which has fallen off sharply since the protests began. Based on the experience of previous coups in Thailand, this could last for at least 18 months.

India's economy may struggle to live up to the euphoria that followed Modi's election last month. Manufacturing output has fallen for the past four quarters, and GDP grew just 4.6%

Emerging Markets: GDP growth forecast for 2015



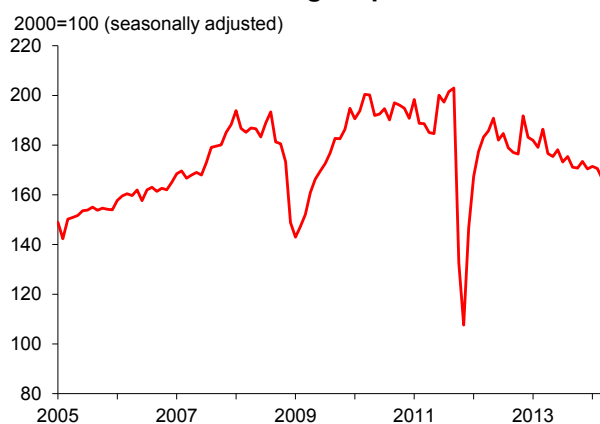
Source : Oxford Economics/Haver Analytics

World and Emerging Markets: Share prices



Source: Morgan Stanley Capital International/ Haver Analytics

Thailand: Manufacturing output



on the year in Q1. Inflation remains elevated, at 8.6% in April, more than twice the recommended target, so there is no room for monetary policy to be loosened to encourage activity. Fiscal policy will remain tight, too, as the government budget deficit is 4.5% of GDP. We cut our forecast for 2014 to 4.5%, from 4.7% last month to take account of the weak start to the year.

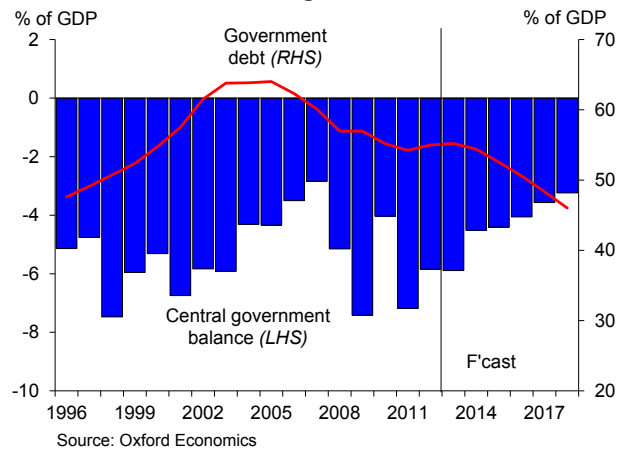
Football fever may not help Brazil with GDP growing just 0.2% on the quarter in Q1 with only growth in government consumption preventing contraction, and both exports and investment were notably weak. This poor performance seems to have continued into Q2 with the manufacturing PMI in contractionary territory for the second consecutive month in May at 48.8, a ten-month low. Our GDP forecast for 2014 is unchanged at 1.4% and 1.9% in 2015.

The Mexican central bank delivered an unexpected 50bp rate cut last week, following weak Q1 growth of just 0.3% on the quarter. We think the reference rate will now remain at 3% for the rest of this year, in a bid to support activity, as inflation remains under control. A wide range of policy reforms is in process, which promises stronger growth once in place, but in the meantime higher taxes, delayed government spending plans and US contraction in Q1 have held the economy back, with the construction sector notably underperforming. We have cut our forecast for this year to 2.4% from 3.4%, although we expect an improvement over the course of this year and into next, delivering a 3.8% rise in GDP in 2015.

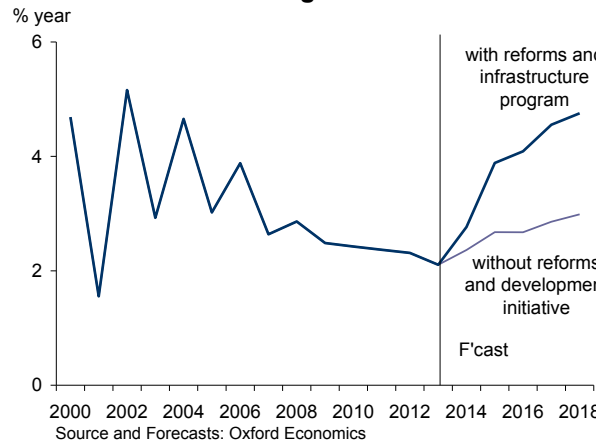
In common with many other emerging economies, South Africa experienced a weak Q1 – GDP fell by 0.2% on the quarter, resulting in growth of just 1.8% year-on-year. Imports rose strongly, more than offsetting a gradual improvement in exports, and output has been affected by a strike among platinum miners. Our forecast for this year has been cut to 1.2%, from 2.2%, although assuming these factors dissipate, the economy should grow more strongly next year. Nevertheless, the forecast is more likely to be cut again than raised. Inflation of 6.1% in April breached the 6% target ceiling, allowing no room for monetary stimulus; a widening trade deficit will put additional pressure on the already large current account deficit; the PMI for June indicated continued contraction; unemployment is stubbornly high and confidence is low.

While Russia remains embroiled in its conflict with Ukraine, it has also negotiated a gas supply deal with China. This will require investment of around US\$55 billion in pipeline construction, boosting our growth forecast in 2015-19 by around 0.3 percentage points a year. Our short-term forecast has been cut to just 0.2% for this year, however, as rouble depreciation has pushed inflation above 7%, so monetary policy remains tight and investment constrained.

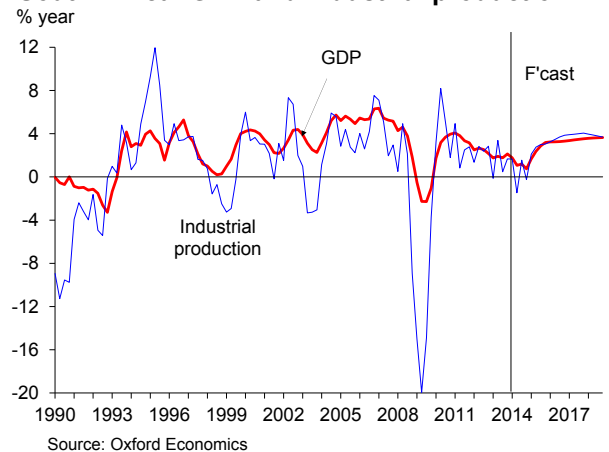
India: Government budget balance and debt



Mexico: Potential GDP growth



South Africa: GDP and industrial production



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

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 | | |

Economic indicators and terms

- 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
- 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 US, UK, France, Germany, Italy, Canada, Japan

ETC Member Organizations

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

