



## EUROPEAN TOURISM 2012 – Trends & Prospects

Quarterly Report - Q1/2012

EUROPEAN TRAVEL COMMISSION





# **EUROPEAN TOURISM in 2012: TRENDS & PROSPECTS**

## **Quarterly Report (Q1/2012)**

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

Brussels, April 2012  
**ETC Market Intelligence Report**

## European Tourism in 2012: Trends & Prospects (Q1/2012)

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on behalf of the ETC Market Intelligence Group

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## Foreword

**Travel in Europe is proving to be resilient despite concerns about the global economy.**

Travel in Europe is proving to be resilient. Despite concerns about the global economy and signs of a slowdown at the end of 2011, many destinations are showing continued visitor growth in the early part of 2012. Air travel among European carriers has shown particular strength through early April, growing more than 5%. As anticipated, intra-regional travel is behind much of the growth.

**However, reason for caution remains, as performance has been mixed and the peak travel season is before us.**

Although only two months of data are available for 2012, relative strength is evident in major European source markets - implying greater internalisation of travel in the region. Russia remains a star performer in the early stages of the year. Although struggles for the US market are continuing into this year, Japan is continuing its resurgence.

Travel has been especially strong in Eastern Europe with occupancy rates surging by 7.5% in the early part of the year. Northern European hotel demand has also continued to grow with nearly 2% growth in occupancy.

However, reason for caution remains. Hotel performance data presents initial signs of mixed performance with 12 out of 26 European countries experiencing a decline in the early part of 2012.

As we approach the peak travel season, the resilience of our industry will be tested. The global economy is being restrained by a mix of government austerity, household deleveraging, corporate caution, and high commodity prices. Meanwhile, data on economic activity indicate that the Eurozone is in mild recession and concerns are mounting regarding government debt.

**The global economy is being restrained by a mix of external factors.**

As a result, both regional and long haul travel markets face stiff headwinds over the next two years. Tourism Economics now forecasts visits to all of Europe are expected to decline just over 1% in 2012 and with just moderate growth of 0.8% expected for 2013.

As a new reference for destination strategy, this report includes a series of market share analyses for ten of Europe's largest source markets. These market profiles, beginning on page 15, reveal trends in total outbound travel, Europe's share of the market over the past decade, and growth forecasts for each market.

We trust you will find the analysis in this report helpful as you track your own destination's performance and seek to anticipate future trends.

Best wishes,

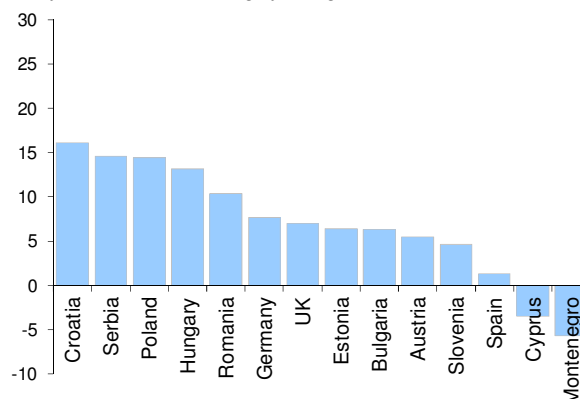
Leslie Vella  
Chairman  
ETC Market Intelligence Group

## Executive Summary

- European travel has exhibited resiliency in the early part of 2012. Most reporting destinations have experienced growth in foreign visits and nights through the first two months of the year.
- Air travel has also been encouraging, with European airline passenger growth exceeding 5% through mid-April. European airline load factors have been stronger than last year throughout the first quarter of 2012.
- However, there are signs of mixed performance and slowing throughout Europe. While Central and Eastern European destinations have been performing well, quite a number of Western European destinations have posted declines in hotel occupancy in the first two months of the year.
- Overall, a slowdown is evident in hotel occupancy rates in most European sub-regions.
- The global economy is being restrained by a mix of government austerity, household deleveraging, corporate caution, and high commodity prices. Meanwhile, data on economic activity indicate that the Eurozone is in mild recession and concerns are mounting regarding government debt. And doubts remain about the Eurozone's ability to prevent or manage a serious crisis, should it require significant bailouts for countries as large as Spain or Italy.
- Although only two months of data are available for 2012, relative strength is evident in major European source markets - implying greater internalisation of travel in the region. Russia remains a star performer in the early stages of the year. Struggles for the US market are continuing into this year, while Japan continues its resurgence.

### Foreign visits to select destinations

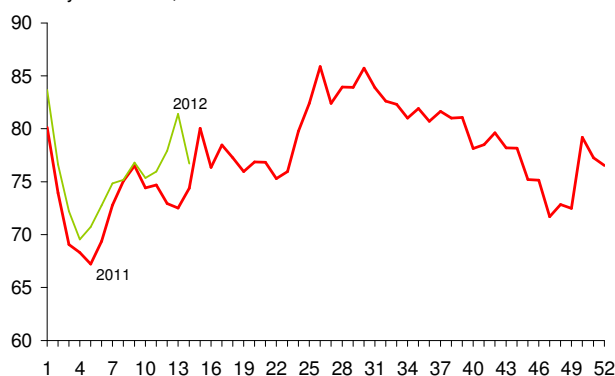
2012, year-to-date\*, % change year ago



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

### European airlines passenger load factor

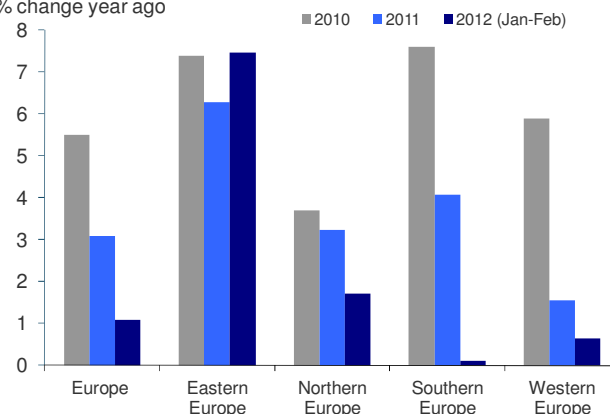
weekly load factor, %



Source: AEA

### Occupancy trends in Europe

% change year ago



Source: STR Global



## 2012 Tourism Performance Summary

Signals of a travel plateau emerged as 2011 came to a close. However, early data for 2012 show that parts of the region have continued to grow. Arrivals and nights data show Eastern and Central Europe are performing well. Large Western European destinations, including Germany, the UK, Austria, and Spain have also posted growth in the early months of 2012. However, hotel performance data that covers more countries presents initial signs of mixed performance. Of 27 reporting countries, 12 are showing declines in occupancy through February.

2012 Performance, Year to Date									
Tourist Arrivals and Nights						Hotel Performance, Jan-Feb			
International Arrivals			International Nights			Hotel Occupancy		Hotel ADR (LCU)	
Country	% ytd	to month	Country	% ytd	to month	Country	% ytd	Country	% ytd
Croatia	16.1	Mar	Serbia	25.0	Feb	Iceland	27.0	Estonia	17.3
Serbia	14.6	Feb	Croatia	18.1	Mar	Czech Republic	19.3	Hungary	9.5
Poland	14.4	Feb	Hungary	15.8	Feb	Slovakia	12.6	Malta	6.5
Hungary	13.2	Feb	Poland	13.0	Feb	Russia	9.1	Norway	6.1
Romania	10.4	Jan	Finland	12.9	Jan	Norway	8.9	Austria	5.3
Germany	7.7	Feb	Norway	11.3	Feb	Lithuania	8.2	Ireland	4.8
United Kingdom	7.0	Feb	Germany	9.9	Feb	Poland	5.0	Poland	4.7
Estonia	6.4	Feb	Austria	8.6	Feb	Portugal	4.1	France	4.1
Bulgaria	6.3	Jan	Sweden	6.6	Feb	Austria	3.6	Russia	4.1
Austria	5.5	Feb	Luxembourg	6.5	Feb	Hungary	3.6	Finland	3.1
Slovenia	4.6	Feb	Denmark	6.3	Feb	Germany	2.9	Turkey	2.8
Spain	1.3	Mar	Montenegro	6.1	Feb	Spain	1.3	Romania	1.9
Cyprus	-3.5	Feb	Romania	6.1	Jan	Finland	0.6	Denmark	1.9
Montenegro	-5.7	Feb	Portugal	5.1	Feb	Turkey	0.1	Portugal	1.7
			Estonia	2.9	Feb	Ireland	-0.3	United Kingdom	1.7
			Slovenia	2.1	Feb	United Kingdom	-0.6	Belgium	1.6
			Spain	0.7	Mar	Belgium	-1.8	Italy	0.9
			Switzerland	-6.1	Feb	France	-1.8	Netherlands	-0.4
						Italy	-2.2	Germany	-0.8
						Netherlands	-2.6	Czech Republic	-1.2
						Romania	-2.7	Spain	-1.3
						Denmark	-2.8	Switzerland	-2.0
						Switzerland	-3.0	Lithuania	-5.2
						Estonia	-4.3	Greece	-6.2
						Greece	-6.6	Slovakia	-8.9
						Malta	-8.9	Iceland	-12.7

Sources: TourMIS (tourist arrivals and nights), STR Global (hotel performance)

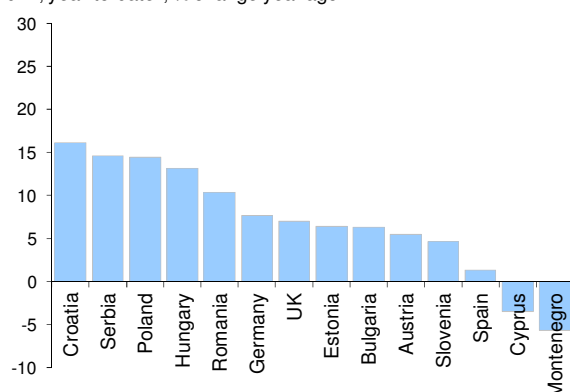
Based on data available through 18 April, 2012

Measures used for nights and arrivals vary by country

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

### Foreign visits to select destinations

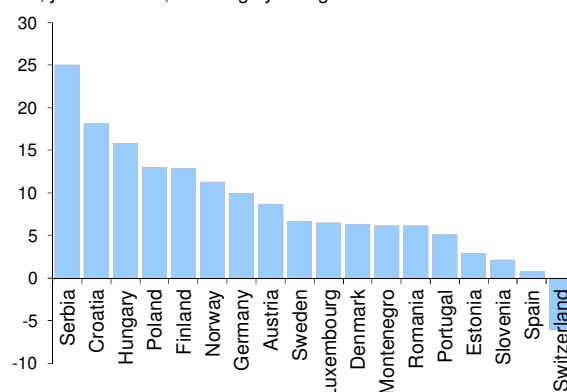
2012, year-to-date\*, % change year ago



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

### Foreign visitor nights in select destinations

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



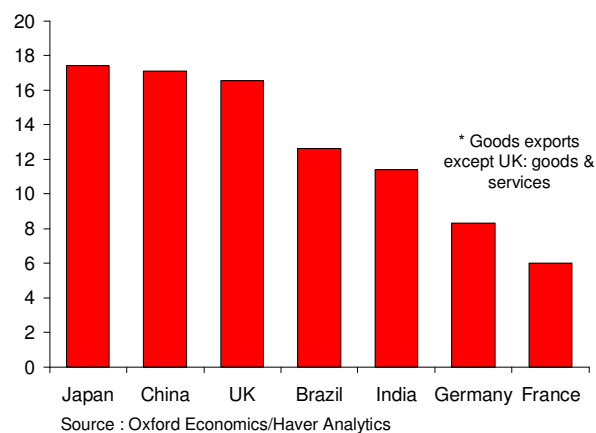
Source : TourMIS \*date varies (Jan-Mar) by destination

## Global Economy: Are global growth divergences set to widen?

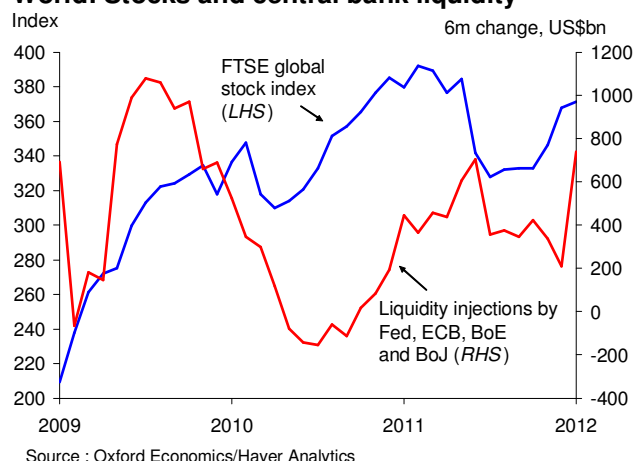
- Growth trends have become increasingly divergent among the major economies over recent months. In the US, GDP is growing at an annualised rate of 2-3% and the latest monthly indicators including the Institute for Supply Management (ISM) indexes suggest this pace of expansion will continue at least into 2012Q2.
- The pick-up in US growth in recent months is also benefiting those economies that have strong trade and financial links with the US. These include the Asian giants China and Japan and also Brazil and, in Europe, the UK.
- By contrast, the picture in the Eurozone remains bleak. Despite lower financial stress, monthly indicators for Q1 have shown no signs of a firmer trend in output. We expect GDP to fall in both Q1 and Q2 this year.
- And the acute weakness of the economies of the 'peripheral' countries such as Spain, Portugal and Italy, which will be exacerbated by the sharp fiscal tightening now under way, means that the risk of renewed sovereign debt and banking crises in these countries during 2012 is high.
- Among the emergers, recent rises in oil prices are also likely to create some divergence of performance between the oil and energy exporters and commodity consumers such as China and India.
- A further concern also exists in the form of how dependent even the current patchy growth trends in the global economy are on successive rounds of monetary stimulus.
- There are already some signs the positive effect of European Central Bank (ECB) actions on financial markets in the 'periphery' may be wearing off. More broadly, global stocks and leading indicators have tended to drop back as monetary stimulus phases have drawn to a close. A premature end to monetary stimulus, due for example to misplaced inflation concerns, is a significant downside risk for the global economy.

### World: Exports to US

% of total exports to US\*



### World: Stocks and central bank liquidity



## Recent Industry Performance

### Signs of resiliency in 2012

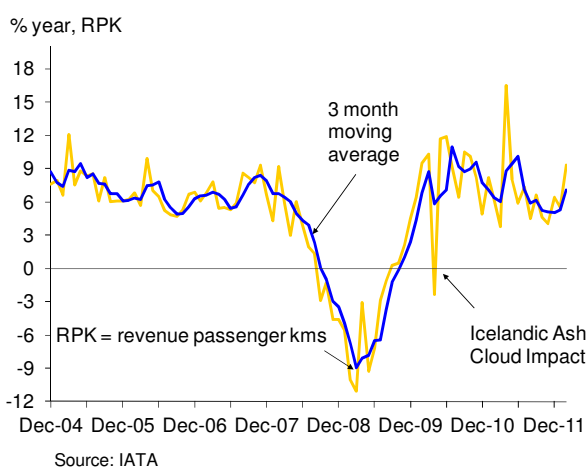
- Despite concerns about the global economy and signs of a slowdown at the end of 2011, air travel continues to expand.
- Increases in European air capacity show confidence among carriers and likely downward pressure on fares.
- Although slowing, hotel demand in Europe has remained positive in the early part of 2012 with Central and Eastern Europe exhibiting notable strength.

## Air Transport

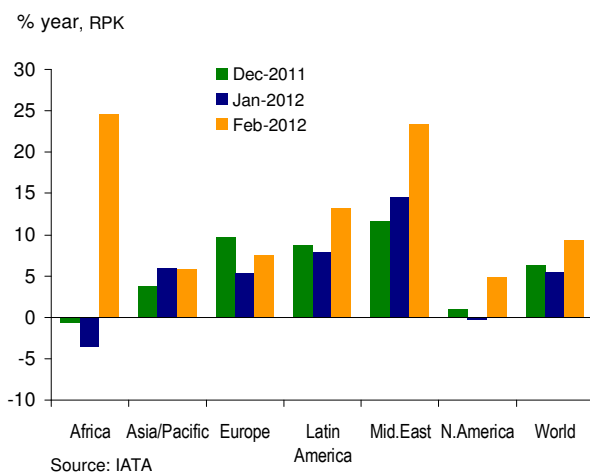
Global air passenger traffic has remained strong since our last report with demand exceeding 5% in December and January, then surging 9.3% in February. This growth has been strongest in the Middle East followed by consistent growth in Latin America. The acceleration in February is particularly encouraging, notwithstanding the extra day due to the leap year.

At a global level, the results reflect the overall economic cycle with a strong rebound in 2010, followed by more tempered growth in 2011.

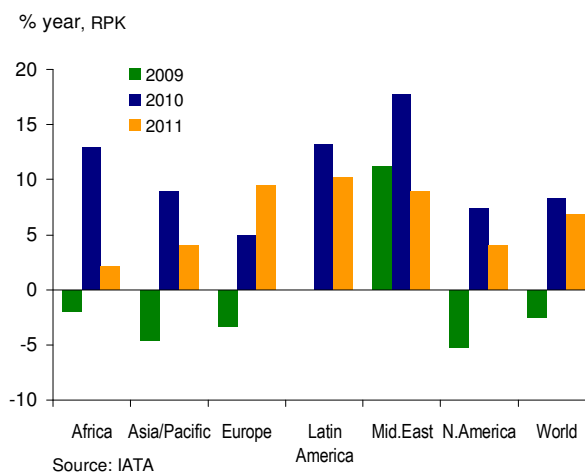
### International air passenger traffic growth



### International air passenger growth by region



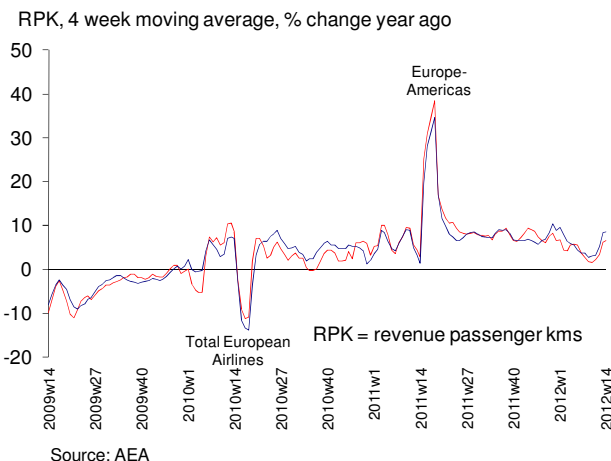
### International air passenger growth by region



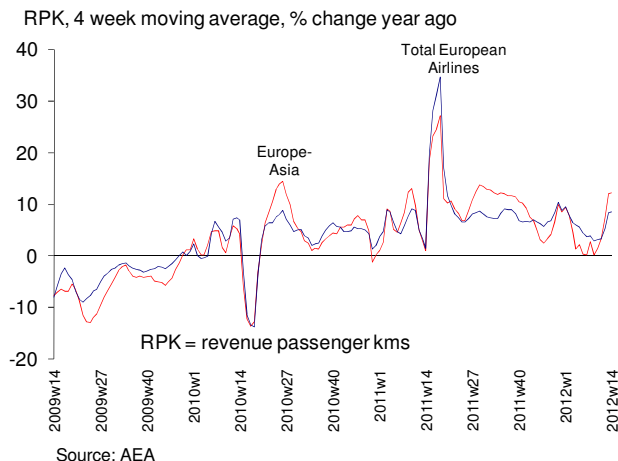
In Europe, however, the trend is somewhat different. Revenue passenger kilometers (RPK) increased 5% in 2010 and then accelerated to 10% growth in 2011. Strength has continued into the first two months of the year when European air travel has averaged more than 6% growth.

Weekly data from the Association of European Airlines (AEA) tells a similar, more detailed, story. Growth has remained robust with weekly RPK averaging 5.5% over the 15 weeks to early April. Cross-border air travel has been steady during this period with 5.4% RPK growth. North Atlantic and Far East demand has been less buoyant with growth of 4.2% and 4.9%, respectively.

### European airline passenger traffic

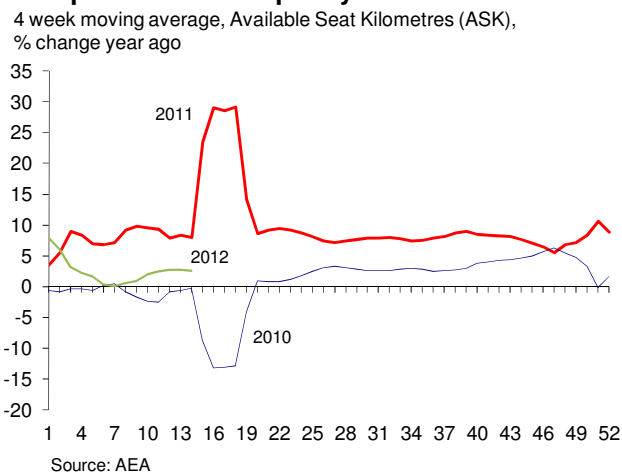


### European airline passenger traffic

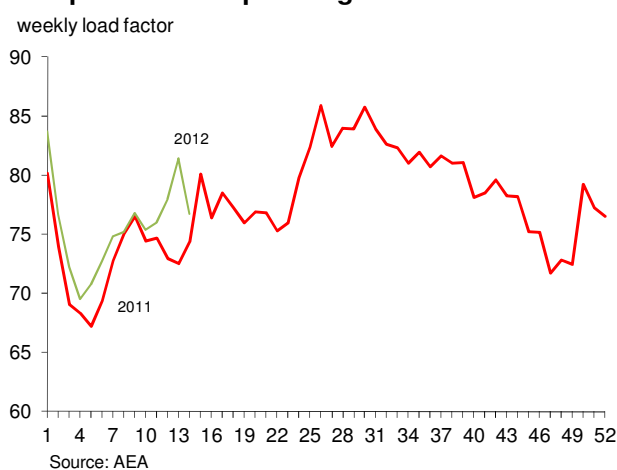


Load factors also strengthened as 2011 came to a close and 2012 results have exceeded prior year load factors in every week of the year. Not surprisingly, airlines are slowly adding more seat capacity as the year progresses. This result is beneficial to the tourism market on two fronts as it provides both continued access to Europe while at the same time keeps pricing competitive.

### European airlines capacity



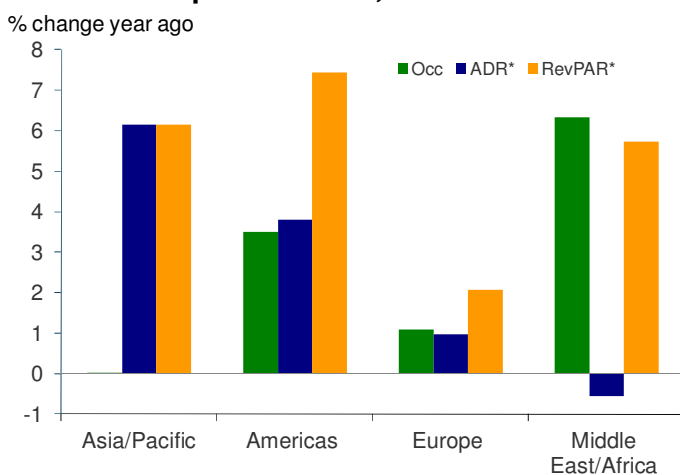
### European airlines passenger load factor



## Accommodation

The global hotel sector is continuing to expand into 2012. According to STR Global, every region of the world has experienced growth in RevPAR (revenue per available room) in the first two months of the year. The Americas, led by the US, has been particularly buoyant with solid growth in both occupancy and ADR

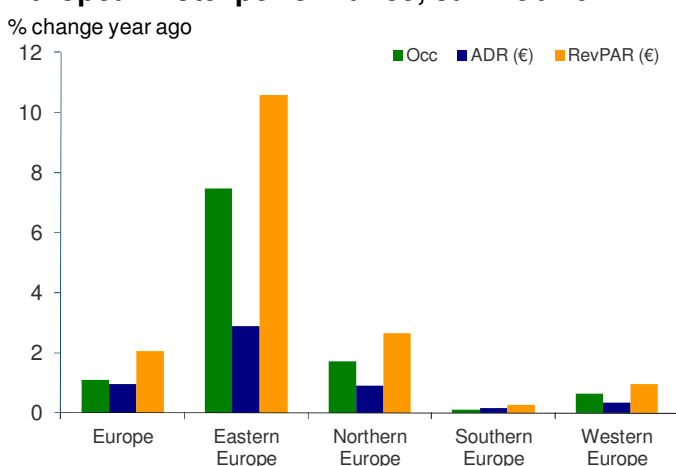
### Global hotel performance, Jan-Feb 2012



(average daily rate). Asia Pacific has experienced strong rate growth despite occupancy rates that have plateaued. Meanwhile, the Middle East & Africa region has experienced the opposite dynamic - deteriorating rates despite strong occupancy growth.

Europe has been the slowest growing region in terms of RevPAR as growth in both occupancy and ADR, though positive, has been modest at around 1% over

### European hotel performance, Jan-Feb 2012



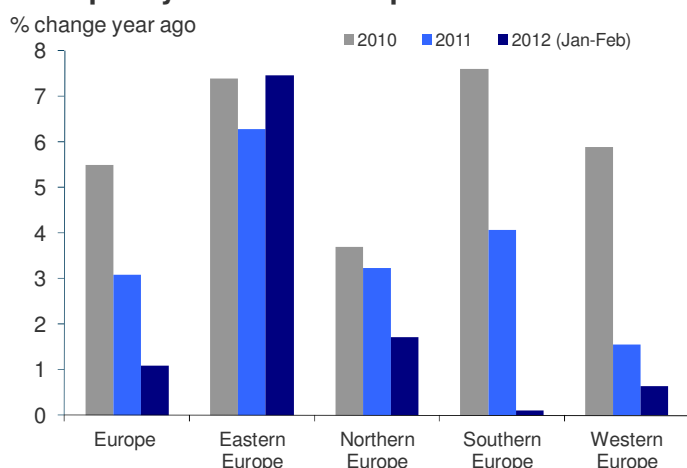
the first two months of the year.

Performance has been the strongest in Eastern Europe with occupancy rates surging by 7.5% in the early part of the year. Northern European hotel demand has also continued to grow with nearly 2% growth in occupancy. Overall,

RevPAR climbed by 2% in the first two months of the year as a function of 1% gains in both occupancy and ADR. Although performance across the sub-regions have Europe has been somewhat sluggish over the early part of 2012, these months are the low season for much of Europe and do not carry the weight that later months will - particularly the summer.

The three-year trend does, however, indicate a slowdown in demand in all European sub-regions except Eastern Europe. In 2010, European hotel

### Occupancy trends in Europe



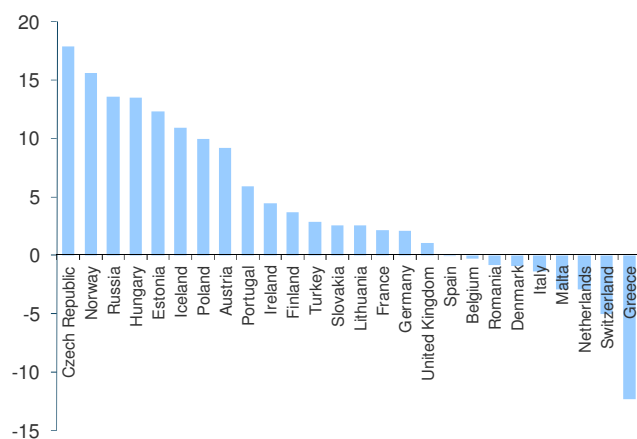
Source: STR Global

occupancy surged by 5.5% in 2010 as it recovered from recession lows. Growth continued in 2011, albeit at a more measured pace of 3%. The data for 2012 show demand slowing further with a growth rate of just 1%. This is not entirely surprising given economic trends and is consistent with Tourism Economics overall forecast for tourism demand.

Country-specific data that compares the first two months of 2012 and of 2011 do show many areas that are performing well. Several Eastern European

### Hotel revenue per available room (RevPAR)

Jan-Feb YTD, local currency, % change year ago



Source: STR Global

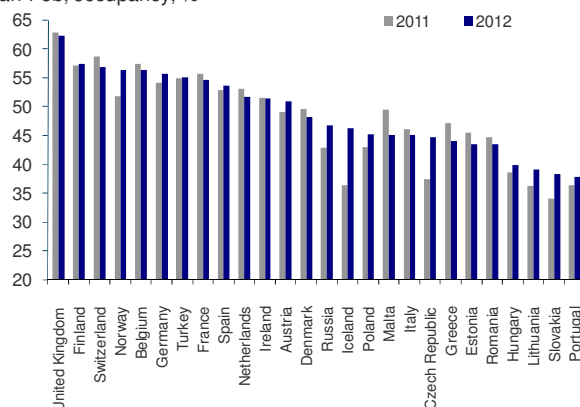
destinations, including the Czech Republic, Russia, Hungary, Estonia, and Poland, have experienced 10% or better increases in RevPAR. Northern European destinations, including Norway, Iceland, Ireland, and Finland, have

also posted strong growth in the early part of the year. However, RevPAR has slipped in 9 out of 26 reporting destinations during the first two months of 2012.

Occupancy rates show a similar distribution with 12 out of 26 destination countries experiencing a decline in the early part of 2012 and with some of the same growth leaders in Eastern and Northern Europe. However, for occupancy rates, it is also important to look at the levels. Although the United Kingdom has experienced a slight decline in occupancy, it remains the highest among reporting countries at more than 60%. And while the Czech Republic has experienced a strong gain in 2012, its average occupancy is less than 50%.

### Hotel occupancy rates

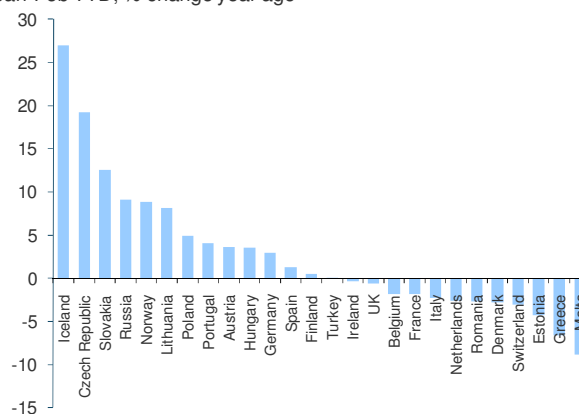
Jan-Feb, occupancy, %



Source: STR Global

### Hotel occupancy rates

Jan-Feb YTD, % change year ago



Source: STR Global

Lodging Performance - Jan-Feb 2012			
% change year ago	Occ	ADR	RevPAR
Austria	3.6	5.3	9.2
Belgium	-1.8	1.6	-0.3
Czech Republic	19.3	-1.2	17.9
Denmark	-2.8	1.9	-0.9
Estonia	-4.3	17.3	12.3
Finland	0.6	3.1	3.7
France	-1.8	4.1	2.2
Germany	2.9	-0.8	2.1
Greece	-6.6	-6.2	-12.3
Hungary	3.6	9.5	13.5
Iceland	27.0	-12.7	10.9
Ireland	-0.3	4.8	4.4
Italy	-2.2	0.9	-1.4
Lithuania	8.2	-5.2	2.6
Malta	-8.9	6.5	-2.9
Netherlands	-2.6	-0.4	-3.0
Norway	8.9	6.1	15.6
Poland	5.0	4.7	10.0
Portugal	4.1	1.7	5.9
Romania	-2.7	1.9	-0.8
Russia	9.1	4.1	13.5
Slovakia	12.6	-8.9	2.6
Spain	1.3	-1.3	-0.1
Switzerland	-3.0	-2.0	-5.0
Turkey	0.1	2.8	2.9
United Kingdom	-0.6	1.7	1.1

Source: STR Global

## Key Source Market Performance

### A robust recovery giving way to modest growth

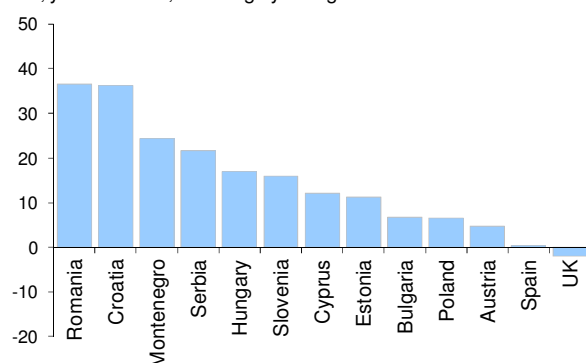
- Although only two months of data are available for 2012, relative strength is evident in major European source markets - implying greater internalisation of travel in the region. Russia remains a star performer in the early stages of the year.
- Struggles for the US market are continuing into this year, while Japan continues its resurgence.

## Key intra-European markets

Visits from Germany expanded to nearly every destination in Europe in 2011 and this trend is continuing into 2012. Eastern European destinations, including Romania, Croatia, Montenegro, Serbia, Slovenia, and Hungary, have started off particularly strong with growth exceeding 15%. Remarkably, 2012 growth builds on strong German market performance to Eastern Europe last year. Although data are not available for as many countries, it appears that German travel growth to Western European destination has stalled in the early part of 2012.

### Visits from Germany to select destinations

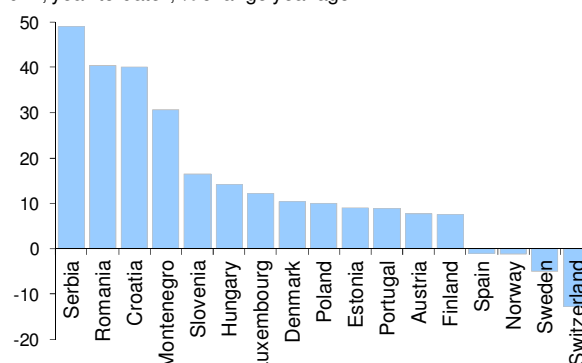
2012, year-to-date\*, % change year ago



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

### German visitor nights in select destinations

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

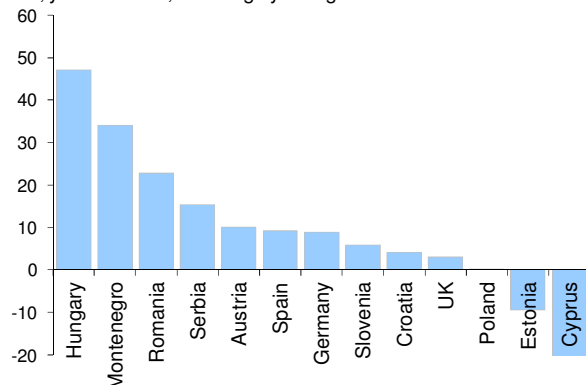


Source : TourMIS \*date varies (Jan-Mar) by destination

A similar picture is emerging for the Dutch market, with Eastern European destinations gaining market share. However, Austria, Spain, and Germany have

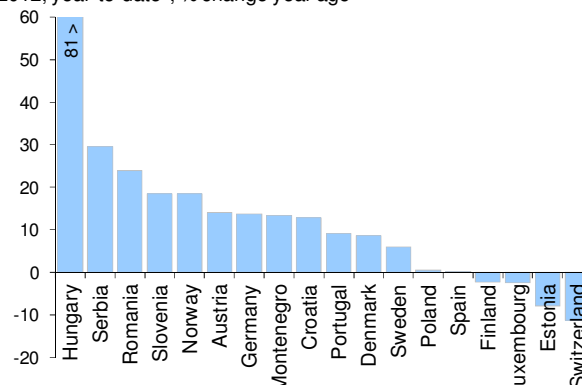
### Visits from Netherlands to select destinations Netherlands nights in select destinations

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



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

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



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

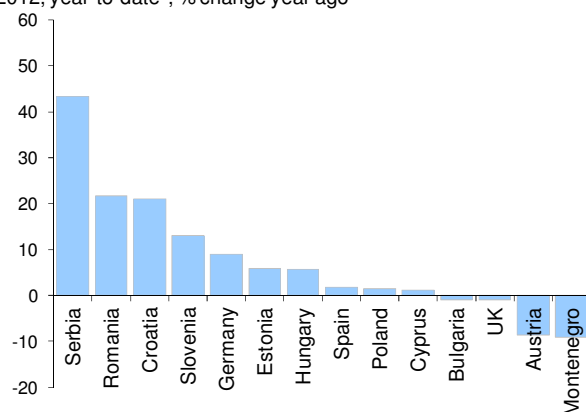


also posted strong growth in the early part of 2012 following solid performance in 2011. Overall, the Dutch market appears to be continuing along its growth path as we move toward the middle of 2012.

The French market posted mixed results for the early part of the year. Of 14 destinations reporting visits data, four have experienced declines and another three have experienced growth of less than 1.5%. Nights data reveal further weakness, with seven out of seventeen destinations showing a decline in the number of French visitors in the early part of 2012. However, Scandinavian destinations, as well as Germany and select Eastern European destinations, are reporting strong French visitor night performance.

### Visits from France to select destinations

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

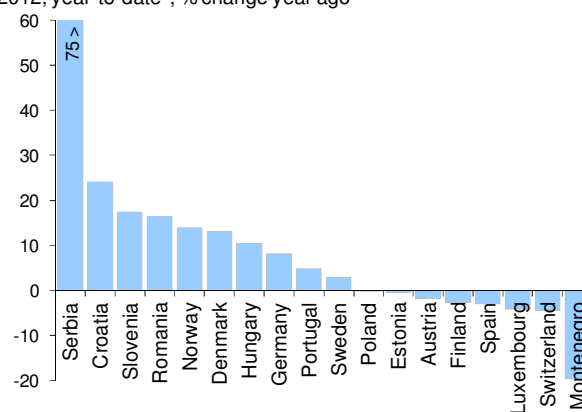


Source : TourMIS

\*date varies (Jan-Mar) by destination

### French visitor nights in select destinations

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



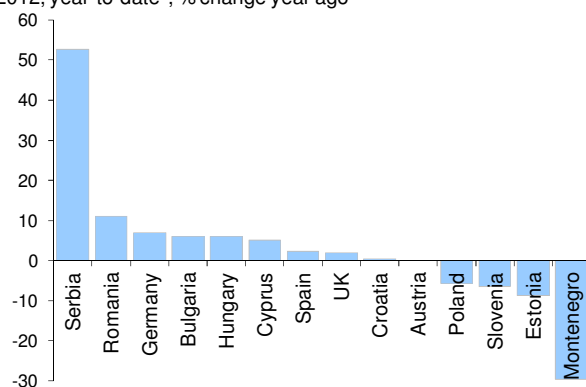
Source : TourMIS

\*date varies (Jan-Mar) by destination

Italian traveller trends have also been mixed with signs of slowing in recent months. Of reporting destinations, 4 of 14 show visitor declines and 11 of 18 destinations show declines in the number of nights in the early months of 2012.

### Visits from Italy to select destinations

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

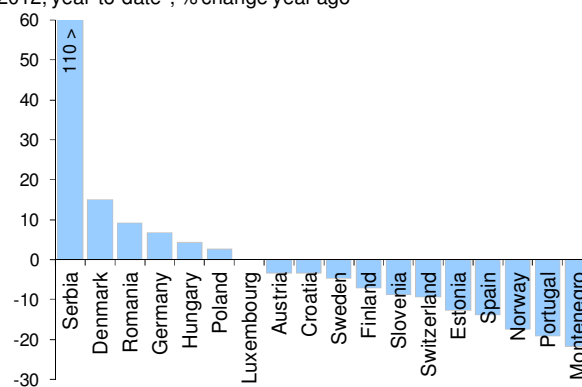


Source : TourMIS

\*date varies (Jan-Mar) by destination

### Italian visitor nights in select destinations

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



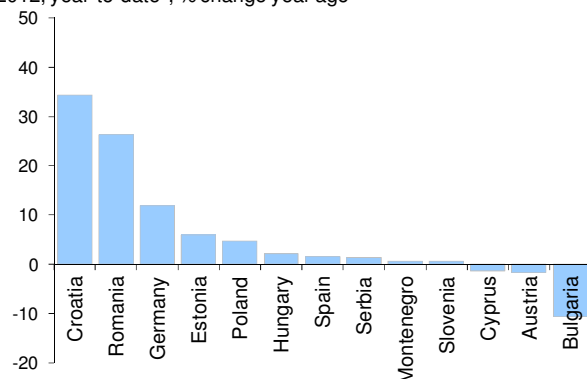
Source : TourMIS

\*date varies (Jan-Mar) by destination

Travel from the UK remains steady in the early part of 2012. After a strong performance last year to the largest destinations, the UK market continues to grow, albeit modestly, to the majority of destinations. Germany, Spain, Scandinavia, and Eastern European destinations are all showing solid gains. Like the rest of European source markets, however, the growth trend for UK outbound appears to be softening.

### Visits from UK to select destinations

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

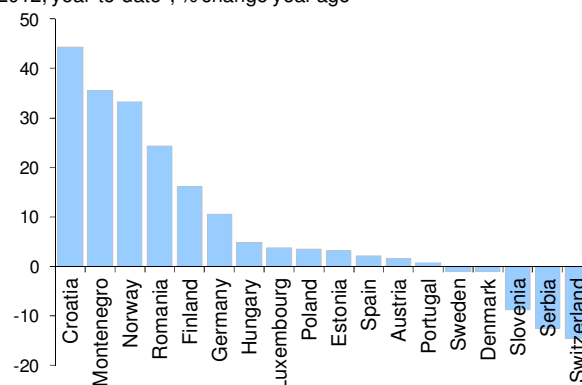


Source : TourMIS

\*date varies (Jan-Mar) by destination

### British visitor nights in select destinations

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



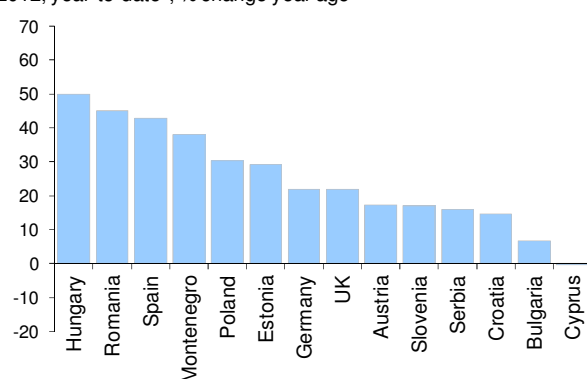
Source : TourMIS

\*date varies (Jan-Mar) by destination

After a stellar year of double-digit growth to most European destinations, Russia remains a top performing source market. All but 2 of 14 reporting destinations show visitor growth from Russia exceeding 10%. Both established and emerging destinations throughout Europe are benefiting from this ongoing trajectory of Russian outbound.

### Visits from Russia to select destinations

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

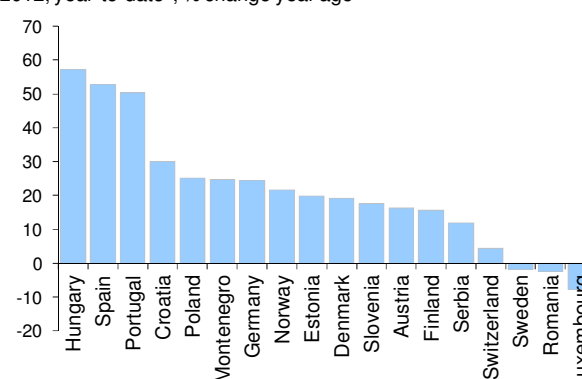


Source : TourMIS

\*date varies (Jan-Mar) by destination

### Russian visitor nights in select destinations

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



Source : TourMIS

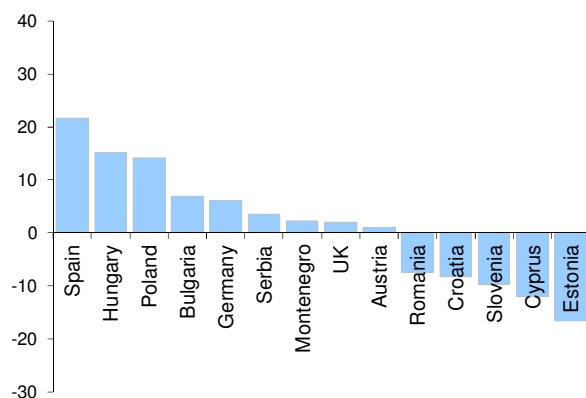
\*date varies (Jan-Mar) by destination

## Non-European markets

Travel from the US has been split between expansion and contraction across European destinations. However, given its large market share it is noteworthy that US travel to the UK has grown in the early part of the year.

### Visits from US to select destinations

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

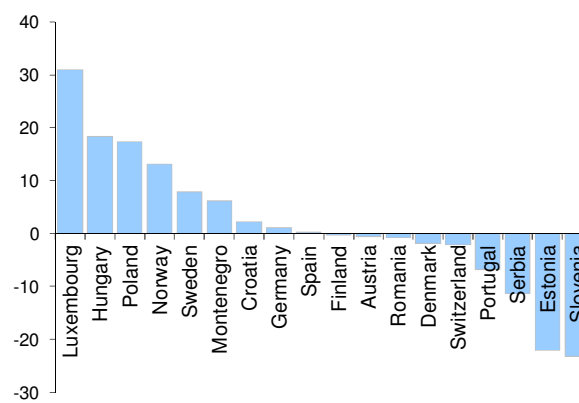


Source : TourMIS

\*date varies (Jan-Mar) by destination

### US visitor nights in select destinations

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



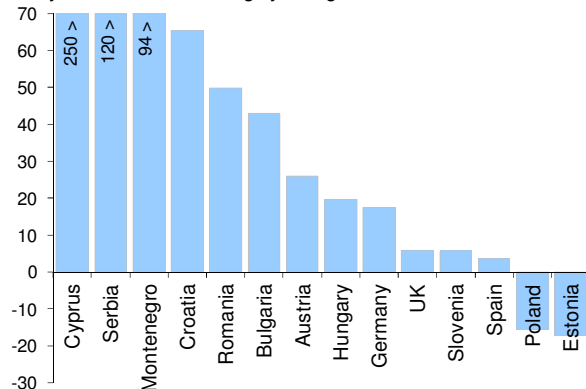
Source : TourMIS

\*date varies (Jan-Mar) by destination

The Japanese market is exhibiting signs of strengthening in early 2012. Some smaller destinations are reporting stellar growth thus far. Expectations remain strong for the rest of the year as demand rebounds after the catastrophic earthquake, tsunami, and nuclear disaster in early 2011.

### Visits from Japan to select destinations

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

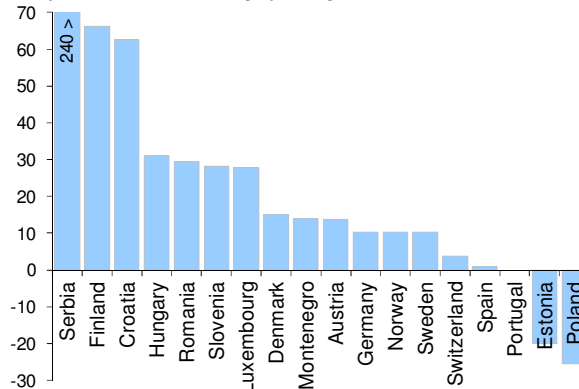


Source : TourMIS

\*date varies (Jan-Mar) by destination

### Japanese visitor nights in select destinations

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



Source : TourMIS

\*date varies (Jan-Mar) by destination

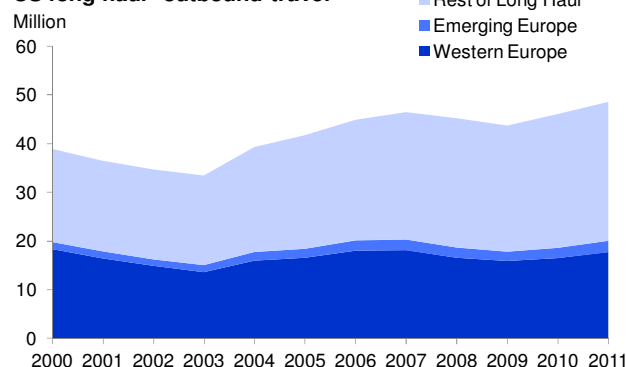
## Origin Market Share Analysis

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

### United States

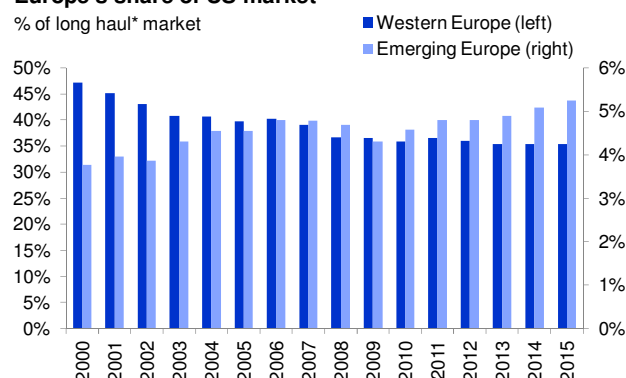
- 80.7 million tourists travelled from the US in 2011. Of these, 32.1 million travelled within North America, while 48.6 million (60.2%) travelled to long haul destinations.
- US tourist arrivals to Europe in 2011 totalled 20.1 million, representing 41.4% of the US long-haul outbound market.
- US tourist arrivals to Western Europe in 2011 totalled 17.7 million, representing 88.4% of US arrivals to Europe.
- US tourist arrivals to Emerging Europe in 2011 totalled 2.3 million, representing 11.6% of US arrivals to Europe.
- Western Europe's share of the US market was 36.6% in 2011, a 8.7 percentage point decrease from 2001.
- Emerging Europe's share of the US market was 4.8% in 2011, a 0.8 percentage point increase from 2001.
- Long-haul outbound from the US is forecast to grow 3.5% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 10.7% through 2015, to 19.6 million.
- Arrivals to Emerging Europe are expected to increase 25.1% through 2015, to 3 million.
- Western Europe's share of the US market is forecast to fall to 35.3% in 2015 while Emerging Europe's share is forecast to increase to 5.2%.

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

**Note:** this analysis is based on the *Tourism Decision Metrics (TDM)* model which defines the geography of Europe as:

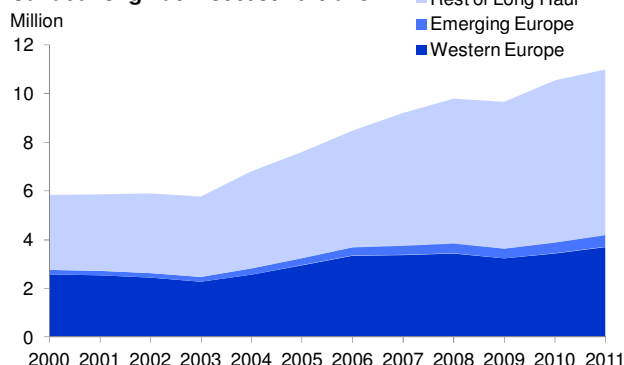
**Western Europe:** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom

**Emerging Europe:** Albania, Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, FYR Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkey, Ukraine, Uzbekistan

## Canada

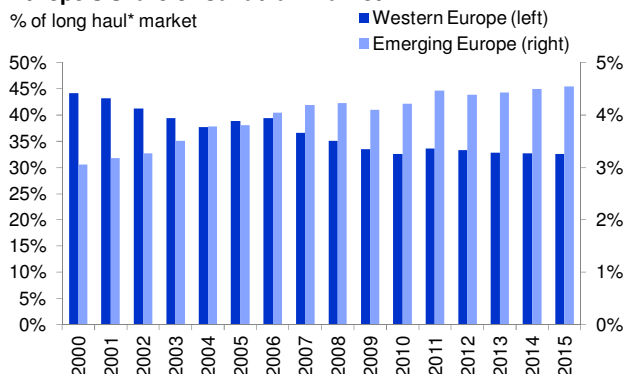
- 32.7 million tourists travelled from Canada in 2011. Of these, 21.7 million travelled within North America, while 11.0 million (34%) travelled to long-haul destinations.
- Canadian tourist arrivals to Europe in 2011 totalled 4.2 million, representing 38.1% of the Canadian long-haul outbound market.
- Canadian tourist arrivals to Western Europe in 2011 totalled 3.7 million, representing 88.3% of Canadian arrivals to Europe.
- Canadian tourist arrivals to Emerging Europe in 2011 totalled 491,000, representing 11.7% of Canadian arrivals to Europe.
- Western Europe's share of the Canadian market was 33.6% in 2011, a 9.7 percentage point decrease from 2001.
- Emerging Europe's share of the Canadian market was 4.5% in 2011, a 1.3 percentage point increase from 2001.
- Long-haul outbound from Canada is forecast to grow 0.9% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 0.2% through 2015, to 3.7 million.
- Arrivals to Emerging Europe are expected to increase 5.4% through 2015, to 518,000.
- Western Europe's share of the Canadian market is forecast to fall to 32.5% in 2015 while Emerging Europe's share is forecast to increase to 4.5%.

**Canada long haul\* outbound travel**



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

**Europe's share of Canadian market**

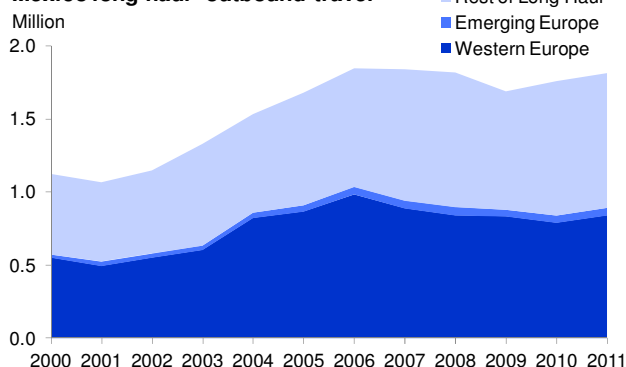


\*Long haul defined as tourist arrivals to destinations outside North America  
Source: Tourism Economics

## Mexico

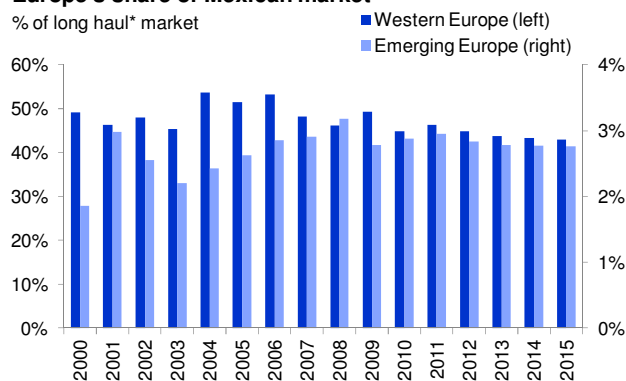
- 15.5 million tourists travelled from Mexico in 2011. Of these, 13.7 million travelled within North America, while 1.8 million (12%) travelled to long-haul destinations.
- Mexican tourist arrivals to Europe in 2011 totalled 0.9 million, representing 49.2% of the Mexican long-haul outbound market.
- Mexican tourist arrivals to Western Europe in 2011 totalled 839,000, representing 94.0% of Mexican arrivals to Europe.
- Mexican tourist arrivals to Emerging Europe in 2011 totalled 53,000, representing 6.0% of Mexican arrivals to Europe.
- Western Europe's share of the Mexican market was 46.2% in 2011, a 0.1 percentage point decrease from 2001.
- Emerging Europe's share of the Mexican market was 2.9% in 2011, a 0.0 percentage point decrease from 2001.
- Long haul-outbound from Mexico is forecast to grow 6.5% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 19.9% through 2015, to 1,006,000.
- Arrivals to Emerging Europe are expected to increase 20.7% through 2015, to 65,000.
- Western Europe's share of the Mexican market is forecast to fall to 43.0% in 2015 while Emerging Europe's share is forecast to decrease to 2.8%.

**Mexico long haul\* outbound travel**



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

**Europe's share of Mexican market**

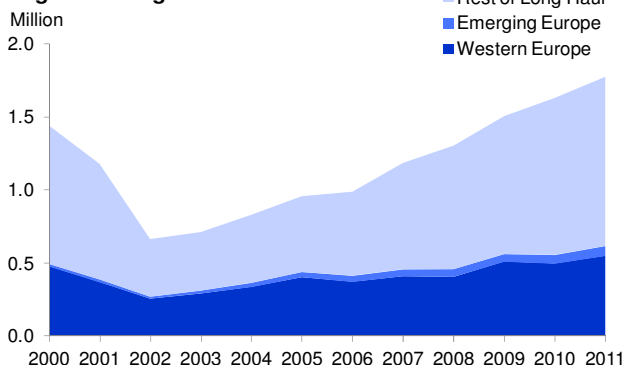


\*Long haul defined as tourist arrivals to destinations outside North America  
Source: Tourism Economics

## Argentina

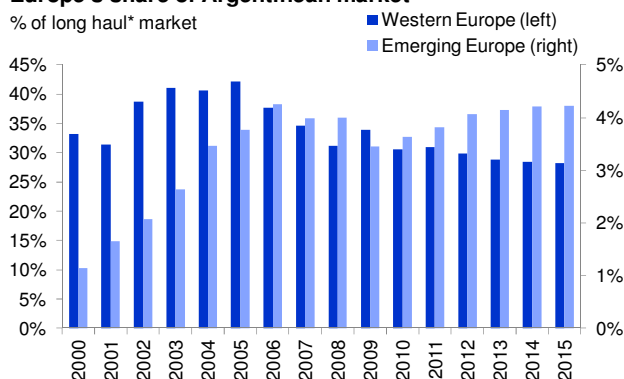
- 6.4 million tourists travelled from Argentina in 2011. Of these, 4.6 million travelled within South America, while 1.8 million (28%) travelled to long-haul destinations.
- Argentinean tourist arrivals to Europe in 2011 totalled 0.6 million, representing 34.8% of the Argentinean long-haul outbound market.
- Argentinean tourist arrivals to Western Europe in 2011 totalled 550,000, representing 89.0% of Argentinean arrivals to Europe.
- Argentinean tourist arrivals to Emerging Europe in 2011 totalled 68,000, representing 11.0% of Argentinean arrivals to Europe.
- Western Europe's share of the Argentinean market was 31.0% in 2011, a 0.4 percentage point decrease from 2001.
- Emerging Europe's share of the Argentinean market was 3.8% in 2011, a 2.2 percentage point increase from 2001.
- Long haul outbound from Argentina is forecast to grow 5.5% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 13.0% through 2015, to 621,000.
- Arrivals to Emerging Europe are expected to increase 37.3% through 2015, to 93,000.
- Western Europe's share of the Argentinean market is forecast to fall to 28.2% in 2015 while Emerging Europe's share is forecast to increase to 4.2%.

**Argentina long haul\* outbound travel**



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

**Europe's share of Argentinean market**

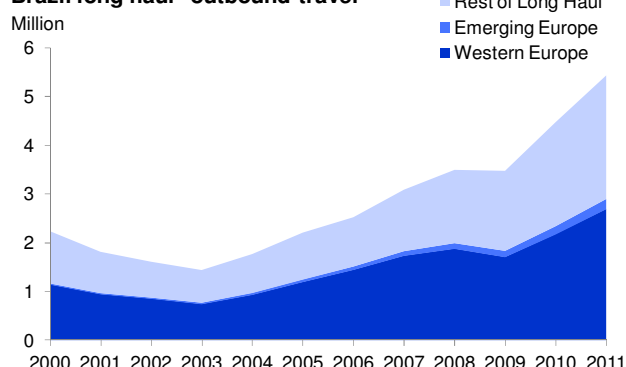


\*Long haul defined as tourist arrivals to destinations outside South America  
Source: Tourism Economics

## Brazil

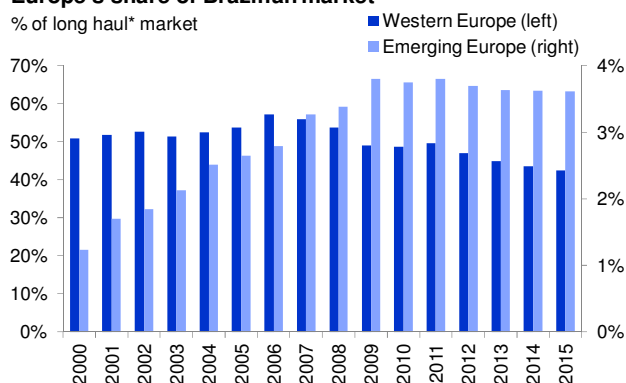
- 8.1 million tourists travelled from Brazil in 2011. Of these, 2.7 million travelled within South America, while 5.4 million (67%) travelled to long-haul destinations.
- Brazilian tourist arrivals to Europe in 2011 totalled 2.9 million, representing 53.4% of the Brazilian long haul outbound market.
- Brazilian tourist arrivals to Western Europe in 2011 totalled 2.7 million, representing 92.9% of Brazilian arrivals to Europe.
- Brazilian tourist arrivals to Emerging Europe in 2011 totalled 207,000, representing 7.1% of Brazilian arrivals to Europe.
- Western Europe's share of the Brazilian market was 49.6% in 2011, a 2.2 percentage point decrease from 2001.
- Emerging Europe's share of the Brazilian market was 3.8% in 2011, a 2.1 percentage point increase from 2001.
- Long haul outbound from Brazil is forecast to grow 3.3% per year on average through 2015.
- Arrivals to Western Europe are expected to decrease 2.2% through 2015, to 2.6 million.
- Arrivals to Emerging Europe are expected to increase 8.5% through 2015, to 224,000.
- Western Europe's share of the Brazilian market is forecast to fall to 42.5% in 2015 while Emerging Europe's share is forecast to decrease to 3.6%.

**Brazil long haul\* outbound travel**



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

**Europe's share of Brazilian market**



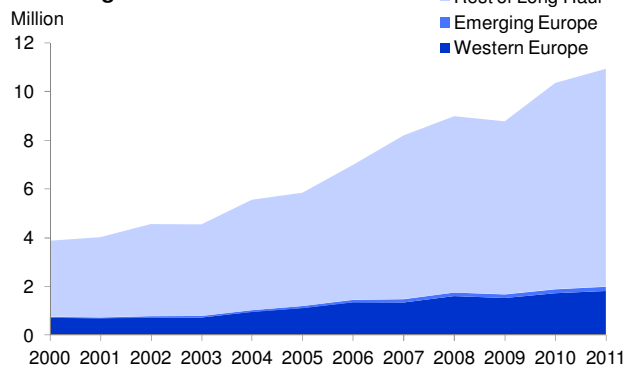
\*Long haul defined as tourist arrivals to destinations outside South America  
Source: Tourism Economics



## India

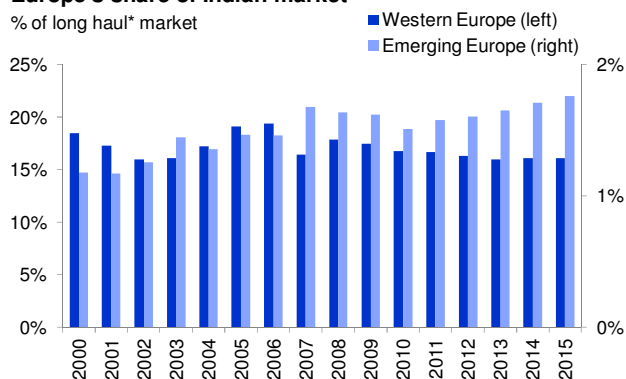
- 11.5 million tourists travelled from India in 2011. Of these, .5 million travelled within South Asia, while 10.9 million (95%) travelled to long-haul destinations.
- Indian tourist arrivals to Europe in 2011 totalled 2.0 million, representing 18.3% of the Indian long-haul outbound market.
- Indian tourist arrivals to Western Europe in 2011 totalled 1.8 million, representing 91.4% of Indian arrivals to Europe.
- Indian tourist arrivals to Emerging Europe in 2011 totalled 172,000, representing 8.6% of Indian arrivals to Europe.
- Western Europe's share of the Indian market was 16.7% in 2011, a 0.6 percentage point decrease from 2001.
- Emerging Europe's share of the Indian market was 1.6% in 2011, a 0.4 percentage point increase from 2001.
- Long-haul outbound from India is forecast to grow 6.2% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 22.8% through 2015, to 2.2 million.
- Arrivals to Emerging Europe are expected to increase 41.9% through 2015, to 245,000.
- Western Europe's share of the Indian market is forecast to fall to 16.1% in 2015 while Emerging Europe's share is forecast to increase to 1.8%.

**India long haul\* outbound travel**



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

**Europe's share of Indian market**

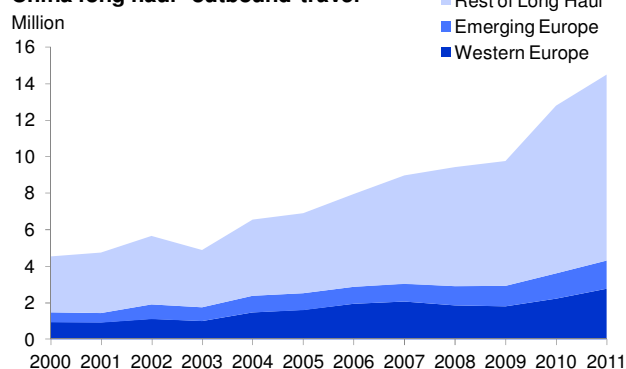


\*Long haul defined as tourist arrivals to destinations outside South Asia  
Source: Tourism Economics

## China

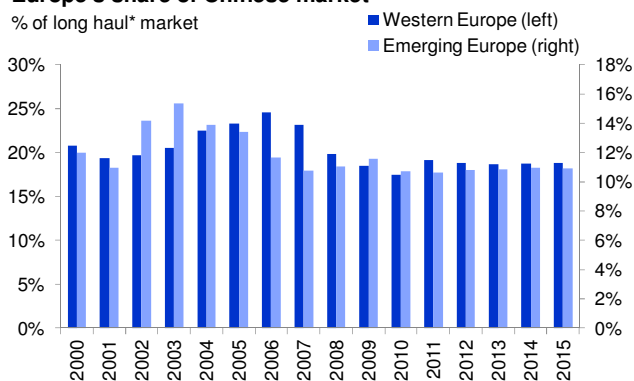
- 36.9 million tourists travelled from China in 2011. Of these, 22.4 million travelled within Northeast Asia, while 14.5 million (39.4%) travelled to long-haul destinations.
- Chinese tourist arrivals to Europe in 2011 totalled 4.3 million, representing 29.7% of the Chinese long-haul outbound market.
- Chinese tourist arrivals to Western Europe in 2011 totalled 2.8 million, representing 64.2% of Chinese arrivals to Europe.
- Chinese tourist arrivals to Emerging Europe in 2011 totalled 1.5 million, representing 35.8% of Chinese arrivals to Europe.
- Western Europe's share of the Chinese market was 19.1% in 2011, a 0.3 percentage point decrease from 2001.
- Emerging Europe's share of the Chinese market was 10.6% in 2011, a 0.3 percentage point decrease from 2001.
- Long-haul outbound from China is forecast to grow 7.7% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 32.6% through 2015, to 3.7 million.
- Arrivals to Emerging Europe are expected to increase 38.2% through 2015, to 2.1 million.
- Western Europe's share of the Chinese market is forecast to fall to 18.8% in 2015 while Emerging Europe's share is forecast to increase to 10.9%.

**China long haul\* outbound travel**



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

**Europe's share of Chinese market**

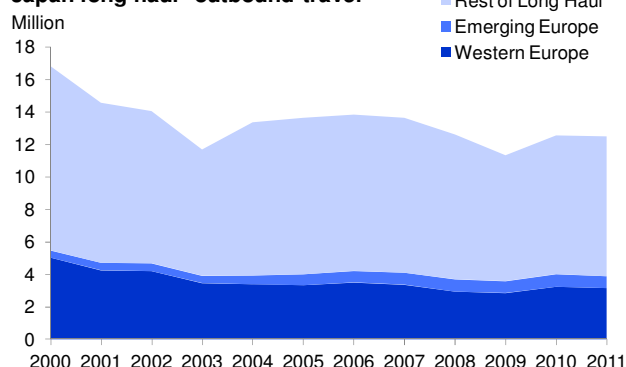


\*Long haul defined as tourist arrivals to destinations outside Northeast Asia  
Source: Tourism Economics

## Japan

- 20.7 million tourists travelled from Japan in 2011. Of these, 8.2 million travelled within Northeast Asia, while 12.5 million (60.0%) travelled to long-haul destinations.
- Japanese tourist arrivals to Europe in 2011 totalled 3.9 million, representing 31.0% of the Japanese long-haul outbound market.
- Japanese tourist arrivals to Western Europe in 2011 totalled 3.2 million, representing 81.3% of Japanese arrivals to Europe.
- Japanese tourist arrivals to Emerging Europe in 2011 totalled 725,000, representing 18.7% of Japanese arrivals to Europe.
- Western Europe's share of the Japanese market was 25.2% in 2011, a 4.0 percentage point decrease from 2001.
- Emerging Europe's share of the Japanese market was 5.8% in 2011, a 2.7 percentage point increase from 2001.
- Long-haul outbound from Japan is forecast to grow 4.2% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 12.1% through 2015, to 3.5 million.
- Arrivals to Emerging Europe are expected to increase 27.9% through 2015, to 927,000.
- Western Europe's share of the Japanese market is forecast to fall to 24.0% in 2015 while Emerging Europe's share is forecast to increase to 6.3%.

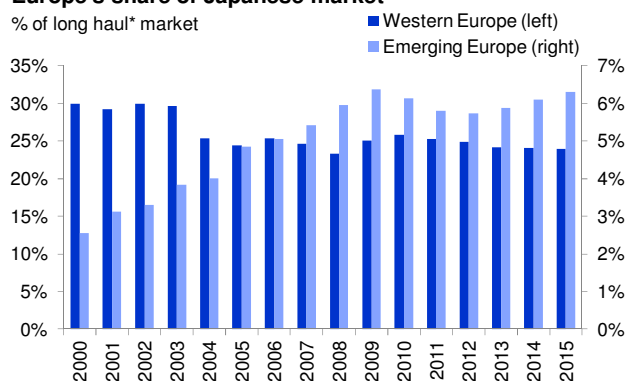
**Japan long haul\* outbound travel**



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

Source: Tourism Economics

**Europe's share of Japanese market**



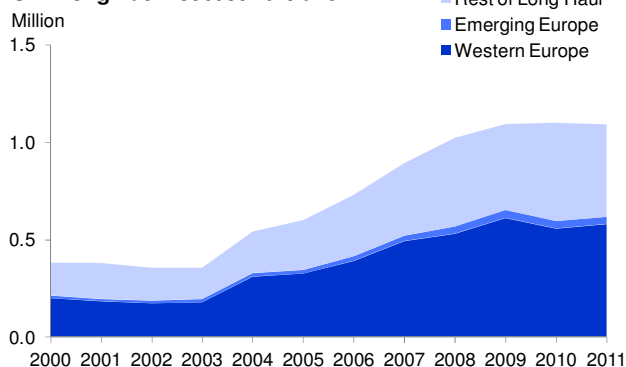
\*Long haul defined as tourist arrivals to destinations outside Northeast Asia

Source: Tourism Economics

## United Arab Emirates

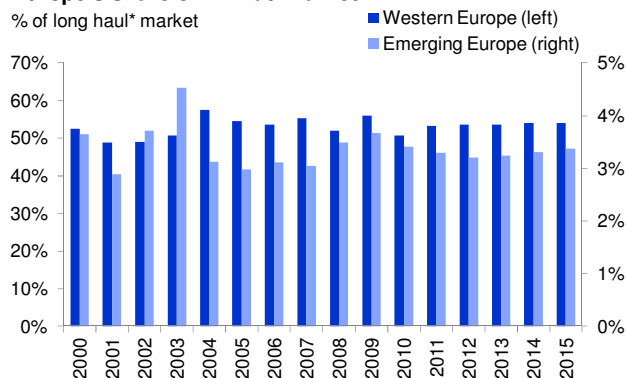
- 5.8 million tourists travelled from the UAE in 2011. Of these, 4.8 million travelled within the Middle East, while 1.1 million (19%) travelled to long-haul destinations.
- Emirati tourist arrivals to Europe in 2011 totalled 0.6 million, representing 56.5% of the Emirati long-haul outbound market.
- Emirati tourist arrivals to Western Europe in 2011 totalled 581,000, representing 94.2% of Emirati arrivals to Europe.
- Emirati tourist arrivals to Emerging Europe in 2011 totalled 36,000, representing 5.8% of Emirati arrivals to Europe.
- Western Europe's share of the Emirati market was 53.2% in 2011, a 4.4 percentage point increase from 2001.
- Emerging Europe's share of the Emirati market was 3.3% in 2011, a 0.4 percentage point increase from 2001.
- Long haul outbound from the UAE is forecast to grow 2.8% per year on average through 2015.
- Arrivals to Western Europe are expected to increase 13.1% through 2015, to 657,000.
- Arrivals to Emerging Europe are expected to increase 14.1% through 2015, to 41,000.
- Western Europe's share of the Emirati market is forecast to rise to 54.0% in 2015 while Emerging Europe's share is forecast to increase to 3.4%.

**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**

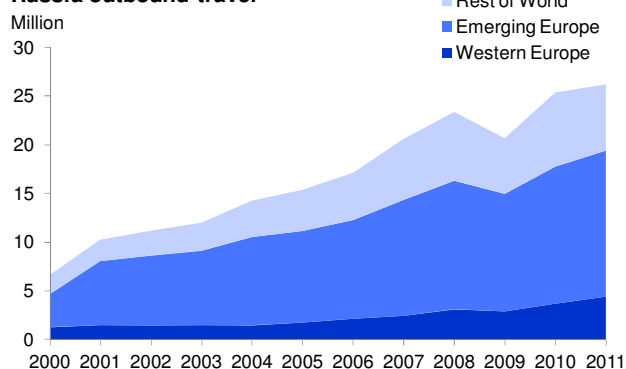


\*Long haul defined as tourist arrivals to destinations outside the Middle East  
Source: Tourism Economics

## Russia

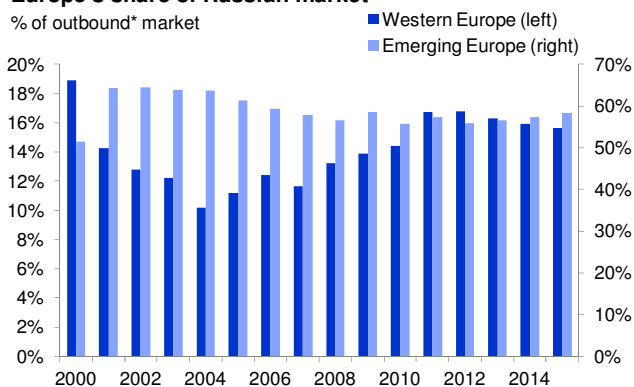
- 26.2 million tourists travelled from Russia in 2011. Of these, 19.4 million (74%) travelled within Europe, while 6.8 million travelled to other destinations outside Europe.
- Russian tourist arrivals to Western Europe in 2011 totalled 4.4 million, representing 22.6% of Russian arrivals to Europe.
- Russian tourist arrivals to Emerging Europe in 2011 totalled 15.0 million, representing 77.4% of Russian arrivals to Europe.
- Western Europe's share of the Russian market was 16.7% in 2011, a 2.5 percentage point increase from 2001.
- Emerging Europe's share of the Russian market was 57.3% in 2011, a 7.0 percentage point decrease from 2001.
- International outbound travel from Russia is forecast to grow 1.7% per year on average through 2015.
- Arrivals to Western Europe are expected to decrease 0.2% through 2015, to 4.4 million.
- Arrivals to Emerging Europe are expected to increase 8.8% through 2015, to 16.3 million.
- Western Europe's share of the Russian market is forecast to fall to 15.6% in 2015 while Emerging Europe's share is forecast to increase to 58.3%.

**Russia outbound travel**



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

**Europe's share of Russian market**



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

## Global Tourism Forecast Summary

Tourism Economics' global travel forecasts are shown on an inbound and outbound basis in the following table. These are the results of the *Tourism Decision Metrics (TDM)* model, which is updated in detail three times per year. Full origin-destination country detail is available online to subscribers.

TDM Visitor Growth Forecasts, % change													
	Inbound*						Outbound**						
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014	
<b>World</b>	<b>-4.0%</b>	<b>6.3%</b>	<b>4.6%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>4.4%</b>	<b>-2.4%</b>	<b>7.2%</b>	<b>5.3%</b>	<b>1.8%</b>	<b>2.7%</b>	<b>4.5%</b>	
<b>Americas</b>	<b>-4.9%</b>	<b>6.4%</b>	<b>4.4%</b>	<b>2.1%</b>	<b>3.5%</b>	<b>4.6%</b>	<b>-2.8%</b>	<b>6.7%</b>	<b>5.3%</b>	<b>2.2%</b>	<b>3.2%</b>	<b>4.7%</b>	
North America	-5.8%	6.6%	3.5%	0.7%	3.4%	4.4%	-3.3%	5.7%	3.7%	0.8%	2.6%	4.3%	
Caribbean	-2.8%	2.9%	3.7%	3.1%	3.2%	4.4%	-2.3%	3.4%	3.8%	3.9%	5.7%	4.3%	
Central & South America	-3.6%	7.9%	7.5%	5.6%	3.9%	5.3%	-1.0%	11.8%	11.4%	6.9%	4.5%	6.1%	
<b>Europe</b>	<b>-5.4%</b>	<b>2.8%</b>	<b>6.0%</b>	<b>-1.1%</b>	<b>0.8%</b>	<b>3.5%</b>	<b>-4.5%</b>	<b>3.5%</b>	<b>4.5%</b>	<b>-0.2%</b>	<b>1.5%</b>	<b>4.2%</b>	
EU	-5.2%	2.3%	5.4%	-1.3%	0.1%	2.9%	-4.4%	0.6%	4.4%	-0.4%	1.7%	4.1%	
Non-EU	-6.2%	4.4%	7.9%	-0.3%	3.1%	5.7%	-4.7%	14.8%	5.1%	0.6%	1.1%	4.6%	
Northern	-5.2%	0.7%	6.1%	1.8%	0.4%	3.4%	-12.4%	-1.8%	5.4%	-0.8%	1.1%	3.9%	
Western	-3.0%	3.3%	2.6%	-1.6%	-0.5%	2.1%	1.0%	1.5%	3.6%	-1.1%	0.9%	2.6%	
Southern/Mediterranean	-3.7%	2.8%	7.6%	-2.3%	1.1%	3.5%	2.4%	7.1%	2.1%	-0.8%	0.3%	3.6%	
Central/Eastern	-11.5%	3.1%	8.2%	0.0%	2.2%	5.7%	-8.7%	7.6%	7.0%	1.8%	3.5%	6.6%	
- Central & Baltic	-9.4%	3.9%	8.2%	-0.5%	0.8%	4.2%	-11.2%	-0.4%	8.6%	3.1%	6.4%	9.2%	
<b>Asia &amp; the Pacific</b>	<b>-1.5%</b>	<b>12.7%</b>	<b>5.9%</b>	<b>5.5%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>-0.2%</b>	<b>12.9%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>5.4%</b>	
North East	-2.9%	13.8%	2.3%	6.8%	5.7%	5.9%	-0.9%	11.1%	4.3%	4.5%	4.6%	5.4%	
South East	0.8%	12.3%	11.5%	4.1%	3.8%	4.9%	-0.6%	19.5%	6.9%	5.2%	5.1%	5.2%	
South	-3.5%	13.0%	11.6%	5.5%	4.8%	4.8%	5.4%	8.9%	9.0%	4.5%	7.5%	7.8%	
Oceania	-0.8%	4.5%	2.6%	1.4%	2.6%	3.4%	6.3%	8.0%	5.7%	-0.5%	1.1%	1.2%	
<b>Africa</b>	<b>2.0%</b>	<b>9.0%</b>	<b>-7.9%</b>	<b>4.6%</b>	<b>5.7%</b>	<b>6.5%</b>	<b>-12.3%</b>	<b>7.2%</b>	<b>4.7%</b>	<b>5.0%</b>	<b>4.7%</b>	<b>5.2%</b>	
<b>Mid East</b>	<b>-3.8%</b>	<b>13.5%</b>	<b>2.3%</b>	<b>2.6%</b>	<b>2.9%</b>	<b>4.6%</b>	<b>9.7%</b>	<b>10.6%</b>	<b>9.4%</b>	<b>1.4%</b>	<b>0.0%</b>	<b>2.2%</b>	

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

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

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

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

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

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

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

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

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

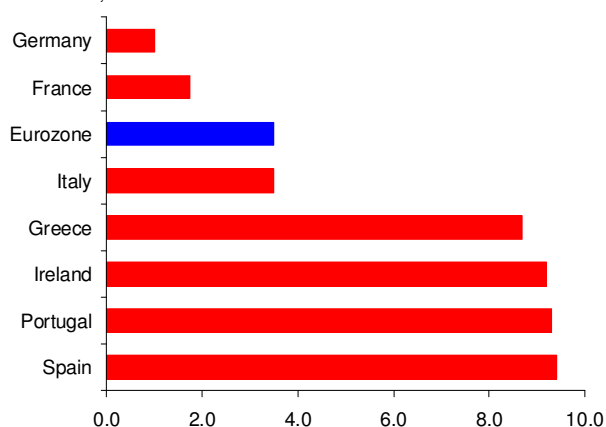
## Economic Outlook for Key Markets

### Four forces shaping the global economic cycle

- Austerity: governments continue to tighten budgets which is a drag on economic growth
- Deleveraging: households and businesses are paying down debt instead of using incomes and profits for spending and investment which would otherwise spur short-term growth
- Cash-hoarding by corporations: companies remain cautious but able to invest, weighing down short term growth prospects
- High commodity prices: consumer spending is dented by higher costs

### Discretionary fiscal tightening, 2011-13

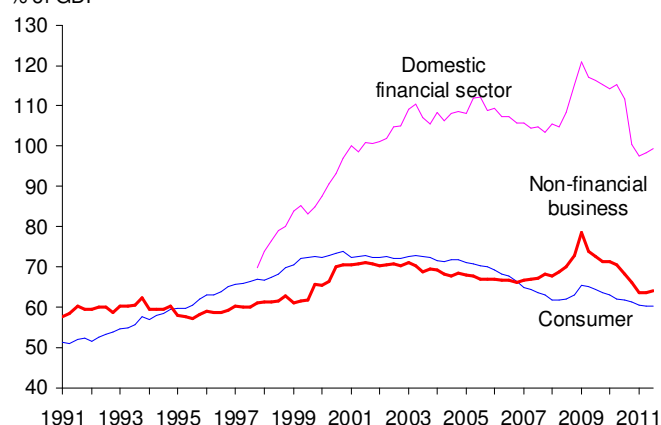
% of GDP, total 2011-13



Source : Oxford Economics

### Germany: Sectoral indebtedness

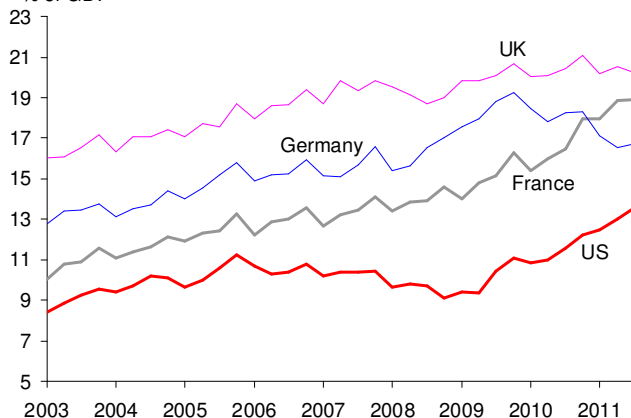
% of GDP



Source : Oxford Economics/Haver Analytics

### Cash holdings of non-financial corporations

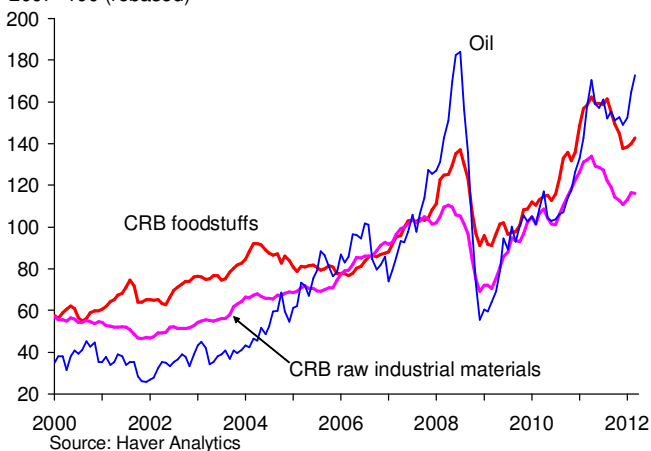
% of GDP



Source : Oxford Economics/Haver Analytics

### World: Commodity prices

2007=100 (rebased)



Source: Haver Analytics

<b>Summary of International Forecasts</b>						
	2010	2011	2012	2013	2014	2015
<b>Real GDP</b>						
<b>North America</b>						
United States	3.0	1.7	2.4	2.6	3.2	3.2
Canada	3.2	2.5	2.1	2.4	2.7	2.7
<b>Europe</b>						
Eurozone	1.9	1.5	-0.5	0.7	1.7	2.0
Germany	3.6	3.1	0.5	1.7	2.1	2.0
France	1.4	1.7	0.1	1.2	1.9	2.0
Italy	1.8	0.5	-1.6	-0.2	1.0	1.5
UK	2.1	0.7	0.6	1.7	2.8	2.8
EU27	2.0	1.6	-0.2	1.1	2.1	2.4
<b>Asia</b>						
Japan	4.5	-0.7	1.8	2.5	2.0	1.2
Emerging Asia, excl Japan	9.1	7.0	6.4	7.5	7.6	7.1
China	10.4	9.2	8.4	8.8	8.8	8.3
India	8.5	7.1	6.1	8.3	9.0	8.5
<b>World</b>	3.9	2.8	2.5	3.3	3.8	3.7
<b>World 2005 PPPs</b>	4.6	3.8	3.3	4.1	4.6	4.5
<b>World trade</b>	14.5	6.2	3.6	6.9	7.4	7.1
<b>Inflation (CPI)</b>						
<b>North America</b>						
United States	1.6	3.1	2.4	2.2	2.0	2.2
Canada	1.8	2.9	2.3	2.0	2.0	2.2
<b>Europe</b>						
Eurozone	1.6	2.7	2.3	1.8	1.8	1.8
Germany	1.1	2.3	2.0	1.8	1.8	1.8
France	1.5	2.1	2.3	2.0	1.9	1.9
Italy	1.5	2.8	2.7	2.1	2.2	2.0
UK	3.3	4.5	2.6	1.6	1.9	2.0
EU27	2.1	3.1	2.4	1.8	1.9	1.9
<b>Asia</b>						
Japan	-0.7	-0.3	0.7	0.7	0.8	0.9
Emerging Asia, excl Japan	5.9	6.6	5.4	4.7	4.6	4.5
China	3.3	5.4	3.3	2.6	3.0	3.0
India	12.0	8.9	6.9	5.3	4.5	4.1
<b>World</b>	3.4	4.5	2.8	2.2	2.0	2.1
<b>Exchange Rates</b>						
US\$ Effective	75.4	70.9	74.4	76.7	79.1	80.3
\$/€	1.33	1.39	1.29	1.30	1.27	1.24
¥/\$	87.8	79.7	83.3	89.5	92.9	95.3
<b>Commodity Prices</b>						
Brent Oil (\$/bl)	79.5	111.3	116.2	105.9	109.1	113.2

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



## Eurozone

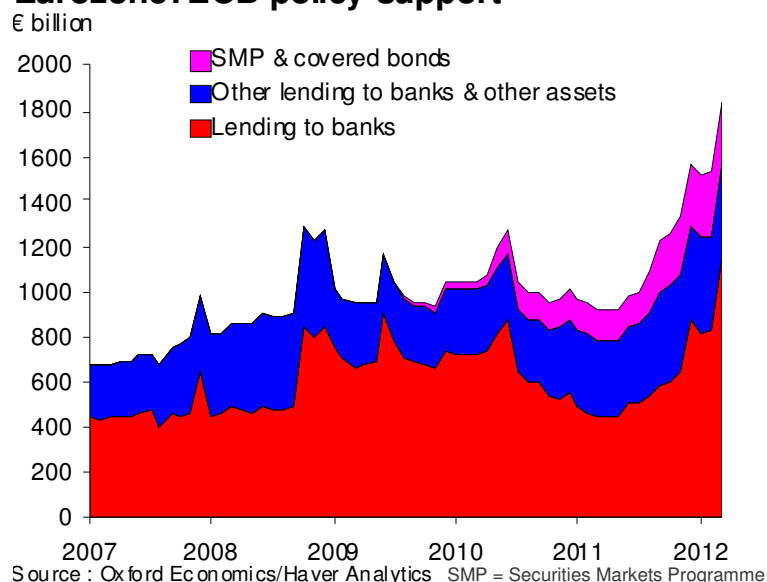
After a lull in the first few months of the year, financial tensions in the Eurozone are reappearing. Peripheral bond yields have risen significantly and share prices have fallen back from this year's highs. And the boost to investor confidence given by the European Central Bank's (ECB) loans to banks seems to be waning.

Meanwhile, data on economic activity support our view that the Eurozone is in mild recession. We have maintained our forecast of negative GDP growth in Q1 and Q2 this year, leading to a 0.5% contraction in 2012 as a whole. And divergence within the Eurozone keeps deepening.

Doubts remain about the Eurozone's ability to prevent or manage a serious crisis, should it require significant bailouts for countries as large as Spain or Italy. The extension of the Eurozone's firewall agreed on 30 March has been kept to the minimum that was acceptable to increasingly reluctant lender countries. The folding of the European Financial Stability Facility (EFSF) funds into the European Stability Mechanism (ESM) is a welcome decision, but is not bold enough to remove any concern about the Eurozone's handling of future crises.

Crisis prevention or management will continue to rely to a large extent on the ECB. No rate cuts seem to be on the ECB's agenda for the foreseeable future and we do not expect any unless the recession deepens. But we do not expect any rate rise before 2014 either. Monetary policy support will continue to focus on the banking sector.

### Eurozone: ECB policy support



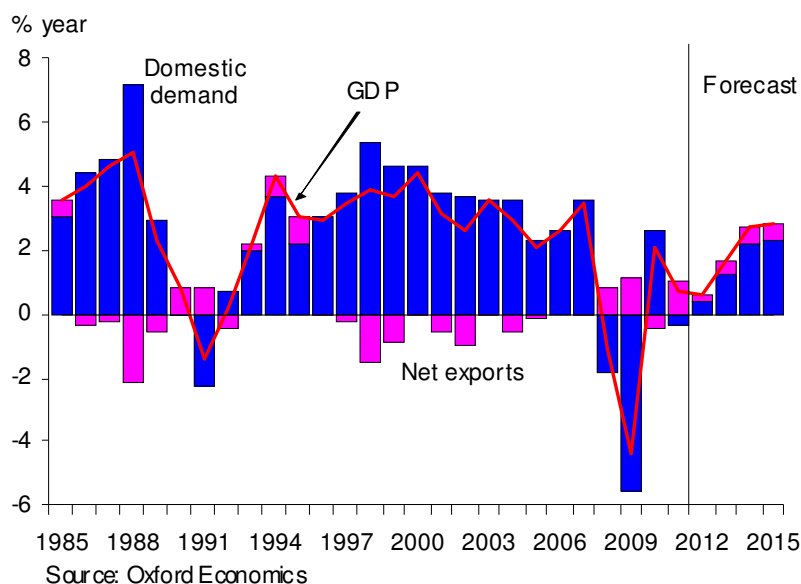
## UK Economy

With a few notable exceptions, activity data in the UK has continued to strengthen over the past month and we estimate that GDP grew by around 0.4% in 2012Q1<sup>1</sup>. The reasons for the upturn are twofold. First, confidence has stabilised following the policy intervention around the turn of the year from the Bank of England (BoE) and the ECB. Second, the UK has benefited from the improved performance of the US and emerging markets, with exports to these areas accelerating strongly and offsetting the weakness of demand from the Eurozone.

Headline growth rates are likely to continue to be volatile through 2012, with Q2 likely to see GDP decline because of an extra bank holiday and Q3 likely to see a strong rebound due to the catch-up and the boost from hosting the Olympic Games. But we expect underlying growth to strengthen gradually as the real wage squeeze eases, confidence rises and the external outlook improves. GDP is forecast to grow by 0.6% this year and by 1.7% in 2013, although the risks remain skewed to the downside.

The Budget saw the overall fiscal policy stance left unchanged, but the Chancellor made some encouraging moves towards improving the tax climate for business, in the hope that it will encourage the corporate sector to play a greater role in the recovery. Measures included a further reduction in the main rate of corporation tax and a reduction in the top rate of income tax. Against this fragile backdrop it would be a major surprise were the Bank of England not to authorise a further round of quantitative easing, once the current tranche of purchases is completed.

### UK: Contributions to GDP growth



<sup>1</sup> Since the writing of this piece, the Bank of England announced that UK GDP decreased by 0.2% in the first quarter.

## US Economy

Consumer spending surged in February as expected and appears to have held up quite well in March. However, there are gathering signs of weakness in other sectors that offset this extra strength. As a result, our forecast remains one of gradual acceleration over the course of this year.

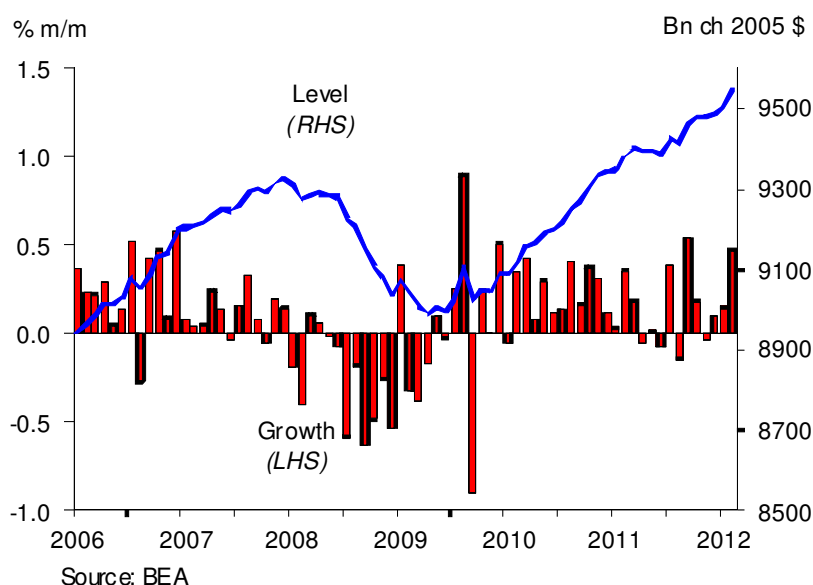
The weakness in the economy is apparent in the construction sector, with sizable declines in nonresidential construction in both January and February. International trade also appears set to subtract from growth in Q1 and, while stockbuilding is likely to be a positive factor in Q1, this will not be sustained.

The employment report for March was disappointing, with fewer jobs created than had been expected. But the labor market is gradually improving. High oil and gasoline prices are a constraint on the economy in the near term, but falling natural gas prices offer some mitigation.

Budgets remain under pressure for all levels of government, and there is a risk that fiscal policy will be unable to support the economy and might even do some harm, particularly in 2013.

The chances of a new round of quantitative easing by the Federal Reserve appear to be falling. The minutes of the last Federal Open Market Committee, the body within the Federal Reserve which decides monetary policy, meeting indicate more confidence in the economy's state of health and some mild concern about inflation risks.

### Consumers' expenditure



RHS = Right Hand Side (axis),

LHS = Left Hand Side (axis)

## Japan

Economic trends in Japan in 2012Q1 have been favourable on the whole, and suggest a solid quarterly rise in GDP of around 0.5%. The PMI indices have picked up, and consumer spending has grown robustly.

But while consumer spending has held up relatively well, one-off factors have boosted retail sales and consumer fundamentals remain mixed with households' appetite for credit still subdued.

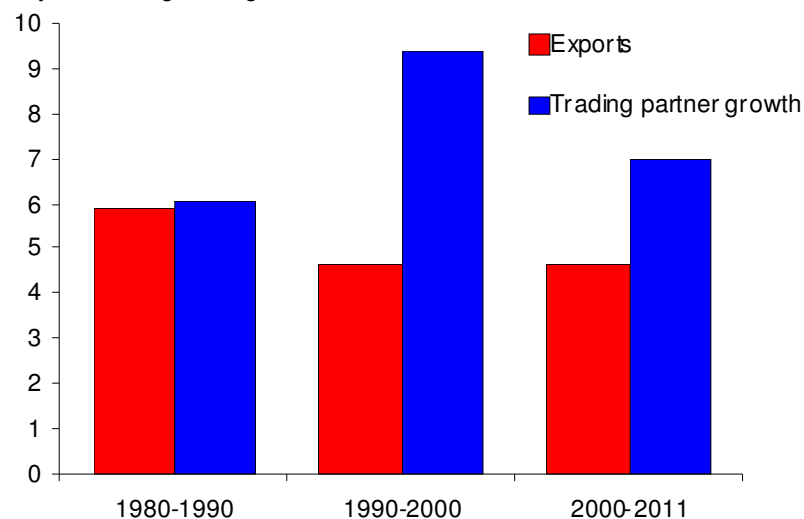
Moreover, both investment and exports are weak, remaining well below the peak levels seen in 2008. Without a recovery in these sectors, overall GDP growth would be likely once again to drop back to an anaemic pace.

The export sector has suffered from a growing competitiveness problem in recent years, with export growth running well below the growth of trading partner demand. This is due both to poor productivity performance and an overvalued yen.

We estimate that the yen is almost 20% overvalued, even after its recent decline. Although some policymakers appear to be concerned that further policy loosening could spark a rise in inflation and bond yields, we think these fears are overstated. We expect the authorities to continue to try to encourage a weaker yen through 2012-13. This is a key factor behind our GDP growth forecasts of 1.8% for this year and 2.5% for 2013.

### Japan: Lagging trade performance

% year, average real growth



Source : Oxford Economics

## Emerging Markets

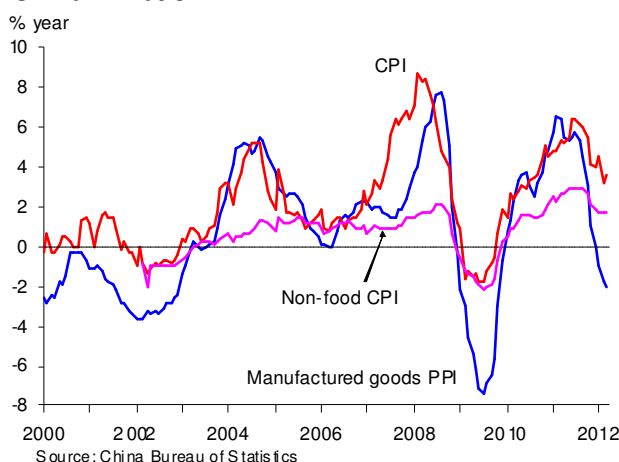
By Chinese standards, recent data remain fairly subdued. In 2012Q1 estimated seasonally adjusted exports in US\$ terms are likely to have fallen on the quarter for the first time since 2009H1, while trend growth of retail sales and imports has eased. And in March, although the official manufacturing PMI (purchasing managers index) moved up to its highest level in a year, the equivalent HSBC index slipped and was below the 50 expansion-contraction level for the fifth consecutive month.

Despite the added problem of a fragile external outlook and rising oil prices, the Chinese authorities still seem to be on course to deliver a “soft landing” for the economy. Their efforts to prevent the earlier construction boom from spiralling out of control and get inflation back down to more normal levels have so far had the desired impact; property prices have fallen but only gradually, while consumer price inflation (CPI) has slowed from around 6.0% in mid 2011 to 3.6% in March. Easing underlying inflation pressures, notwithstanding higher fuel prices, should give the authorities scope to ease policy (and support growth in 2012H2) by reducing bank reserve requirement ratios and by cutting the lending rate over the next few months.

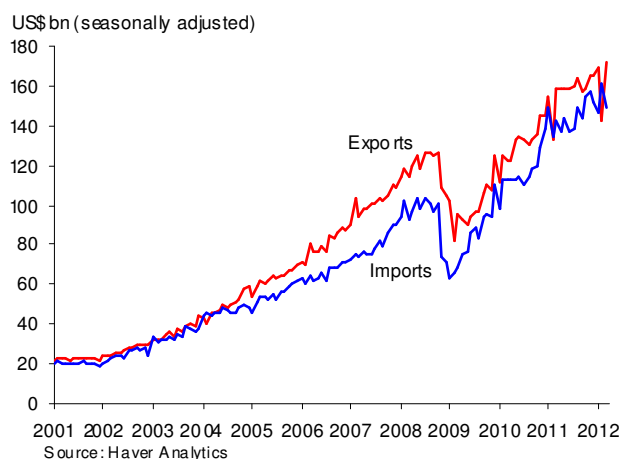
Reassuringly, neither foreign nor domestic developments have prompted Chinese firms to slash inputs in the way that occurred in 2008, and which so added to the downward impetus in many of the country's suppliers. Indeed, as an encouraging sign of reviving regional trade, the March PMIs for both Korea and Taiwan rose further into expansion territory, while the latest evidence from Thailand indicates that its recovery from Q4's disastrous flooding remains on track. However, the volatility in Korea's estimated seasonally adjusted exports – down sharply in March, albeit up in Q1 as a whole – suggests that the underlying trade picture remains fairly muted.

Having picked up in the last few months, both the manufacturing and services PMIs in India fell in March, albeit to levels still above last year's lows. Sentiment will not have been lifted by the recent Budget. Though there were moves on fiscal consolidation, these were largely focused on raising already existing indirect taxes while the credibility of efforts to rein in spending remains very much in question given the government's low level of support

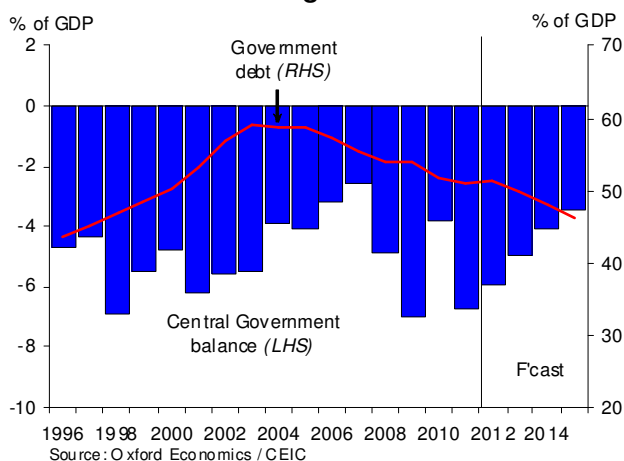
### China: Inflation



### China: Trade



### India: Government budget balance and debt



(which received a further major blow in a key regional election in early March). The government's inability to improve the business climate will have adverse consequences for long-term growth. Moreover, the eventual feeding-through of high global oil prices, as well as the recent tax changes, may limit the Reserve Bank's ability to ease policy this year to support growth – as these factors will serve to keep inflation expectations elevated. We have further reduced the expected pace of recovery in 2013, to 8.3%, and the risks remain firmly on the downside.

Brazil also reported less positive PMIs in March, reversing some of the improvement in recent months. But the weakness in Brazil is centred on its manufacturing sector, which is still feeling the consequences of a long period of exchange rate overvaluation and the resulting loss of markets. In the last six months, the authorities have greatly stepped up their efforts to rectify the situation, with the government introducing protectionist measures and selective tax cuts for certain industries as well as ramping up financial transaction taxes to deter speculative capital inflows. At the same time, the central bank has cut interest rates sharply and appears to have intervened in the currency market to weaken the Brazilian Real (which has been noticeably weaker than the Mexican Peso during the last month). However, while these moves may support industry, they risk unbalancing the rest of the economy as the unemployment rate is already historically low and the minimum wage has just been hiked significantly.

In comparison, Mexican economic policy is much more stable. The key interest rate has been unchanged at 4.5% since July 2009 and now looks likely to stay that way for quite some months yet as the economy has continued to expand at a reasonable pace this year (with both domestic and external demand contributing) while core inflation remains subdued.

Inflation is much more of a problem in Turkey. Although GDP growth has slowed sharply compared with a year ago, with the deceleration most marked in domestic demand - so facilitating some reduction in the massive current account deficit - the repercussions of running an overly expansionary monetary policy for too long are still feeding through. The central bank re-tightened monetary conditions at end-March to keep 3-month market rates above 10%, but there remain concerns about overall policy.

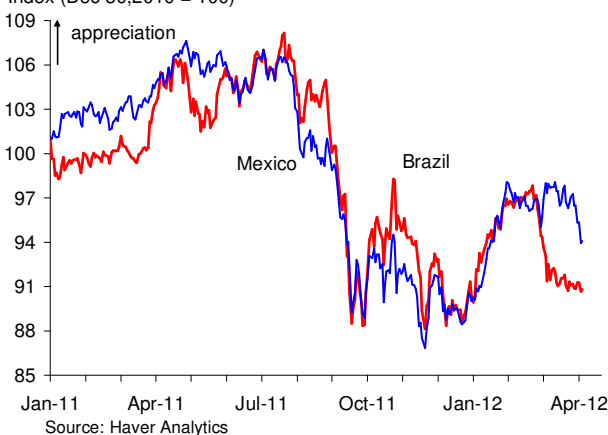
### Brazil: Industrial output & retail sales volumes

2007=100 (seasonally adjusted)

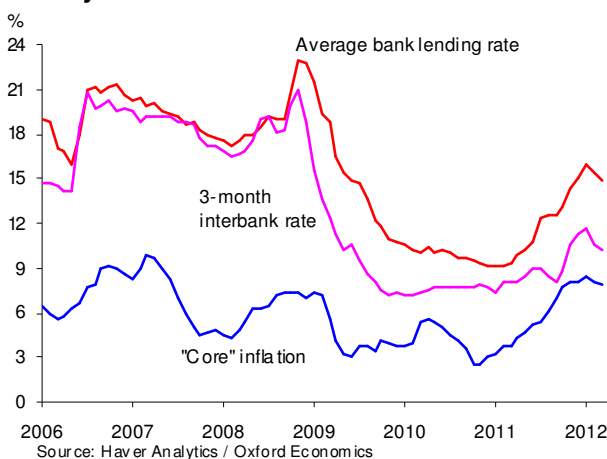


### Emergers: Exchange rates v US\$

Index (Dec 30, 2010 = 100)



### Turkey: Interest rates and inflation



## Glossary of commonly used terms and abbreviations

### Airline industry indicators

- ASK Available Seat Kilometers.** Indicator of airline supply, available seats x kilometers flown
- PLF Passenger Load Factor:** Indicator of airline capacity. Equal to revenue passenger kilometers (RPK) / available seat kilometers (ASK)
- RPK Revenue Passenger Kilometers.** Indicator of airline demand, paying passenger x kilometers flown

### Central Banks

- BoE Bank of England**
- BoJ Bank of Japan**
- ECB European Central Bank**
- Fed Federal Reserve (US)**

### Economic indicators

- CPI Consumer Price Index.** Measure of price inflation for consumer goods
- GDP Gross Domestic Product.** The value of goods and services produced in a given economy
- LCU Local Currency Unit.** The national unit of currency of a given country, e.g. pound, euro, etc.
- PMI Purchasing Managers Index.** Indicator of producers' sentiment and the direction of the economy
- PPI Purchasing 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 that they can be expressed with a common price.

### Hotel industry indicators

- ADR Average Daily Rate.** Indicator of hotel room pricing. Equal to hotel room revenue / rooms sold in a given period.
- Occ Occupancy Rate.** Indicator of hotel performance. Equal to the number of hotel rooms sold / room supply.
- RevPAR Revenue Per Available Room.** Indicator of hotel revenue performance. Equal to hotel room revenue / room supply.

## ETC Member Organisations

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