



# EUROPE

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**EUROPEAN TOURISM 2010 – Trends & Prospects**

**Quarterly Report - Q3/2010**

**EUROPEAN TRAVEL COMMISSION**





# **EUROPEAN TOURISM in 2010: TRENDS & PROSPECTS**

## **Quarterly Report (Q3/2010)**

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

Brussels, October 2010  
**ETC Market Intelligence Report**

## **European Tourism in 2010: Trends & Prospects (Q3/2010)**

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on behalf of the ETC Market Intelligence Group

© Photo by courtesy of the German National Tourist Board / Deutsche Zentrale für Tourismus e.V.: Torsten Krüger. Duisburg/Ruhr area: Duisburg-Nord Industrial Landscape Park (former steelworks), evening.

## Foreword

**The recovery has broadened and strengthened**

As we move into the fourth quarter of 2010, we take encouragement from a broad range of positive signals. The tourism recovery has broadened and strengthened with all but two destinations reporting growth this year.

Lodging performance has also strengthened. Occupancy rates in Europe are up 5.4% and hoteliers have been able to raise rates in response to increased demand.

Regional source markets are rebounding and the US market strengthened through the summer months. Meanwhile, arrivals from Japan and Russia continue to surge.

**However, the outlook for global economic recovery has become much less certain**

However, the outlook for global economic recovery has become much less certain. In this tenuous environment, risks seem to be skewed towards the downside.

While the corporate sector is flush with cash and represents an upside risk to the forecast, a timid response in hiring and investment lends to the possibility of a subpar recovery. Uncertainty in the financial sector led by problems with European banks and stalling of asset prices provides additional downside risks.

So while industry performance has been strong to date, the remainder of the year will likely see moderating growth as comparisons to the prior year overlap with the beginning of the recovery and headwinds to the economic recovery restrain travel to Europe.

**The remainder of the year will likely see moderating growth**

Tourism Economics forecasts visits to European destinations to grow 2.5% in 2010 and then accelerate to 3.7% in 2011, when 2008 peak visitor levels will finally be regained.

Within this environment we balance hopeful optimism with a sober awareness of the ongoing risks to the recovery. It remains our commitment to work together to ensure the best possible outcomes for each of our destinations and for all of Europe.

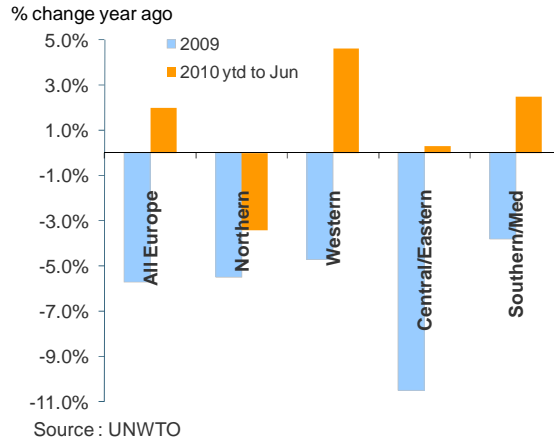


Leslie Vella  
Chairman  
ETC Market Intelligence Group

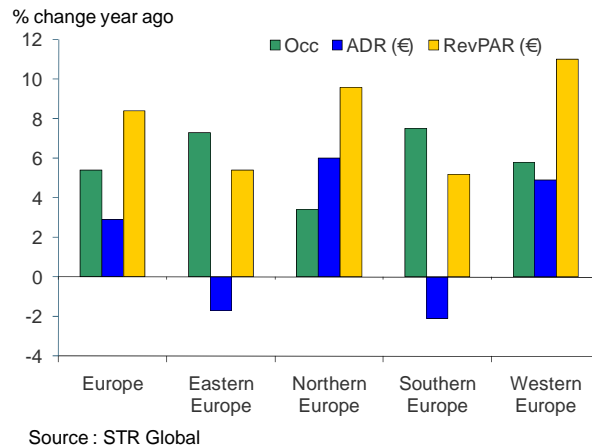
## Executive Summary

- Data confirm a global recovery in travel is underway. The recovery extends to Europe which has experienced growth in visitor arrivals through the first half of the year with indications of acceleration into the third quarter. This, despite the setbacks to air travel experienced in April due to the volcanic ash cloud.
- While the travel recovery in Europe has been generally broad, gains have favoured Western Europe while Northern Europe continues to lag behind last year.
- Some European destinations have benefitted from favourable exchange rate conditions. Russia and Japan have provided heady growth thus far with the US showing signs of recovery in recent months. The anticipated return of UK travellers to European destinations also appears to be budding in recent months.
- Industry data echo the results from destinations. Passenger growth on European airlines has been consistently positive since the airspace closures in April. Recovery in hotel prices, which typically lags in recovery, is now underway as occupancy rates continued to make gains through August.
- However, the outlook for global economic recovery has become much less certain. In this tenuous environment, risks are both high and skewed towards the downside.
- The US economy, in particular, has slowed while the Eurozone showed surprisingly strong in the first half of 2010 in the face of fiscal tightening and sovereign debt worries.
- While the corporate sector is flush with cash and represents an upside risk to the forecast, a timid response in hiring and investment lends to the possibility of a subpar recovery.
- Uncertainty in the financial sector led by problems with European banks and stalling of asset prices provides additional downside risks. Further crisis in the financial sector raises the risk of a return to recession.

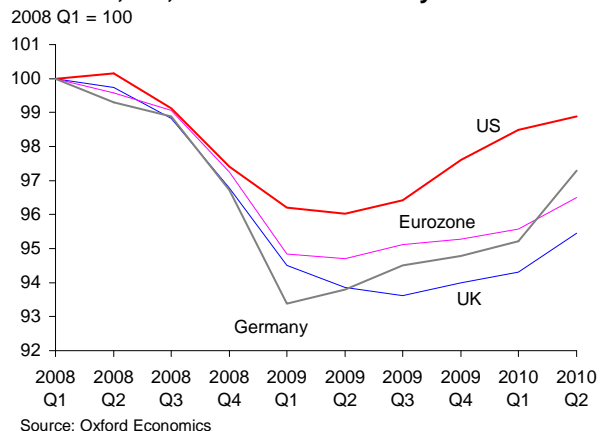
### International Tourist Arrivals



### Hotel Performance, Jan-Aug 2010



### GDP: US, UK, Eurozone & Germany



## Is the economic recovery stalling?

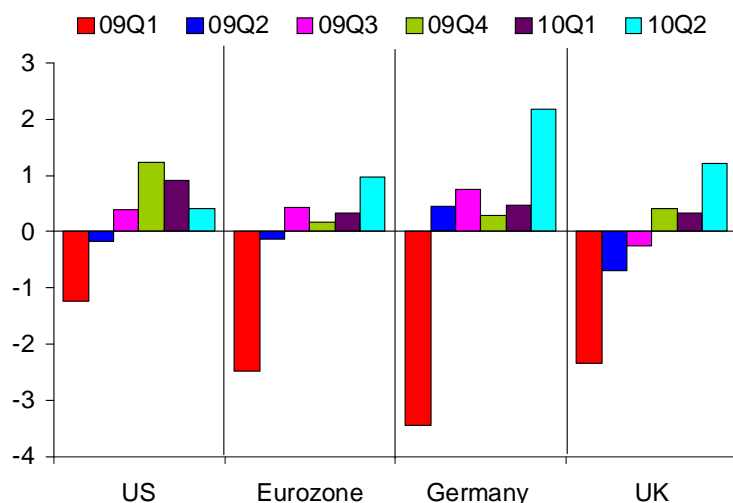
Over the past three months, significant revisions have been made to our economic forecasts, as second-quarter data and leading indicators have suggested an unusual divergence in prospects for GDP growth particularly between the US and the Eurozone. In contrast to the early months of the year, when the US outperformed and Eurozone underperformed expectations, recently the reverse has been evident.

The Eurozone's surprisingly strong rebound in 2010H1 was not inspired by confidence benefits from planned fiscal tightening. Indeed, significant risks are still posed by sovereign debt issues in the periphery of the Eurozone. Rather, a weaker euro and a higher dependence on trade with booming emerging countries – with the impact routed via Germany's export powerhouse – have been key factors, alongside a smaller exposure overall to the hard-hit construction sector. Finally, the greater depth of its downturn provided scope for a more marked Eurozone rebound.

**In a reversal of roles, recovery in the Eurozone is outperforming while the US is underperforming expectations.**

### GDP growth

% quarter



Source : Oxford Economics

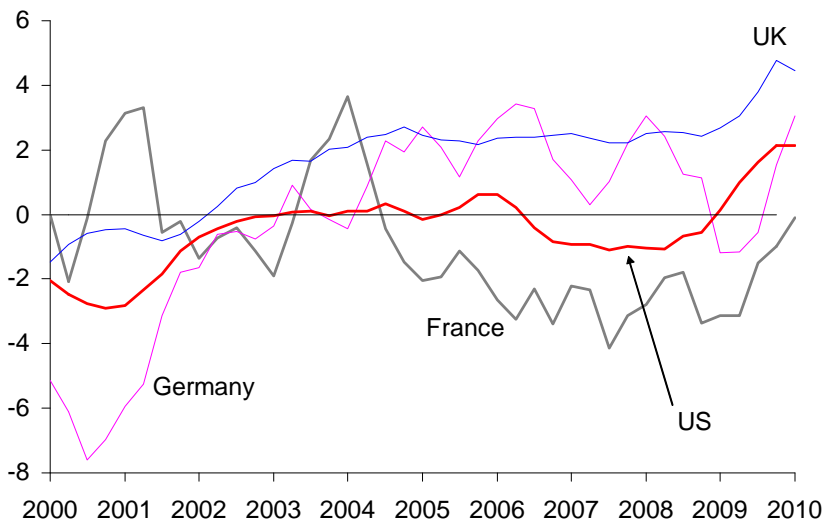
In contrast, the US has slowed as imports have surged, hiring has remained muted and the inventory boost to growth has faded. However, with final domestic demand strengthening in the second quarter US growth is set to continue, albeit at a more modest pace, despite worries about the housing and jobs markets in the US.

Nonetheless, the outlook remains highly uncertain, with the big question-mark being the behaviour of the corporate sector. Despite the woes in the financial sector, it is non-financial companies – rather than banks or households – which have been the largest driver of the global cycle. It was not consumer retrenchment or banks shedding jobs which were the main causes of the worst recession since WWII, but corporates cutting inventories and fixed investment, with the effects multiplied through international trade.

**The outlook is highly uncertain, with the behaviour of the corporate sector being the big question-mark.**

## Non financial corporate balance

% of GDP, 4QMA



Source: Oxford Economics

The counterpart of the swing to government deficits globally has been big surpluses not for households but for non-financial corporates, and these surpluses need to be spent if the recovery is to continue since governments and households are still rebuilding their balance sheets and not every country can devalue their way to export-led growth.

In this uncertain environment, risks are both high and skewed towards the downside. On the upside, the release of accumulated corporate liquidity into a new investment boom is possible but, on the downside, a sub-par recovery or even a renewed global financial crisis – triggered by re-emergence of the Eurozone sovereign debt crisis – is more likely.

**Risks going forward are weighted toward the downside.**

Alternative GDP growth forecasts				
	2009	2010	2011	2012
<b>Oxford Forecast (45%)</b>				
US	-2.6	2.7	2.6	3.5
Eurozone	-4.0	1.5	1.4	1.7
China	9.1	9.7	9.0	9.2
World	-0.7	4.5	4.3	5.0
<b>Renewed boom (20%)</b>				
US	-2.6	2.9	3.8	4.2
Eurozone	-4.0	1.7	2.5	2.8
China	9.1	10.4	10.7	10.4
World	-0.7	4.8	5.6	6.0
<b>Sub-par recovery (25%)</b>				
US	-2.6	2.5	1.9	2.2
Eurozone	-4.0	1.2	0.9	0.9
China	9.1	8.8	7.2	7.5
World	-0.7	4.1	3.4	3.8
<b>Renewed crisis (10%)</b>				
US	-2.6	2.3	-0.5	1.0
Eurozone	-4.0	1.0	-1.2	-0.2
China	9.1	8.0	4.9	5.5
World	-0.7	3.7	1.1	2.4

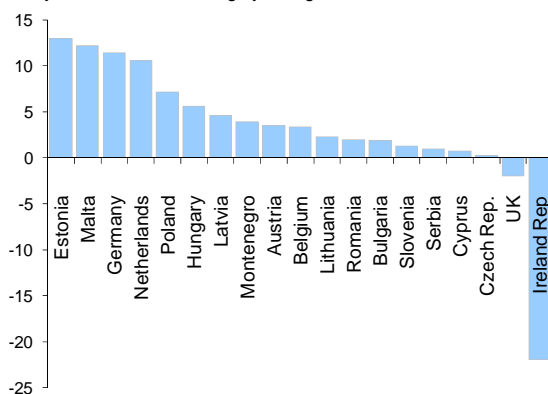


## 2010 Tourism Performance Summary

- Of 19 countries reporting data for arrivals in TourMIS, all but 2 have posted international tourist arrivals growth in the year to date. UNWTO shows visitor growth of 2% for the whole of Europe with every region exhibiting accelerating growth through June. This is a marked recovery from a slow start to the year and the set back to air transportation caused by the volcanic ash cloud in April. Northern Europe in particular has continued to contract this year but the rate of contraction has slowed over recent months.
- Lodging sector performance continues to improve as occupancy rates moved higher in most destinations over the past three months and all but three countries have experienced higher occupancy for the year to date. Hoteliers have generally responded to the increased demand with higher rates and hotel revenues are now positive versus last year in most countries.
- Intra-European travel continues to perform well with France showing strong growth and an apparent recovery in outbound travel from the UK. Russia has also been a stellar source market thus far in the year. The relatively weaker Euro has aided a resurgence of travel from long haul markets including Japan, US, and Canada.

### Foreign Visits to Select Destinations

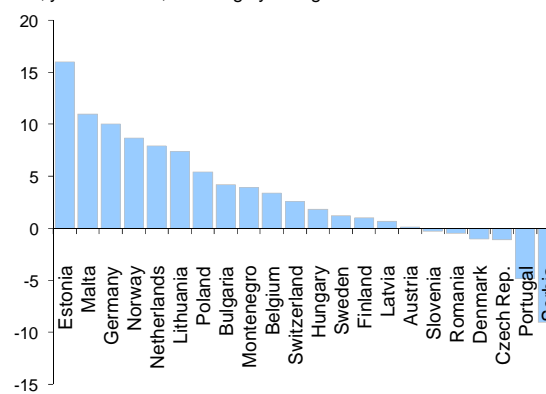
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

### Foreign Visitor Nights in Select Destinations

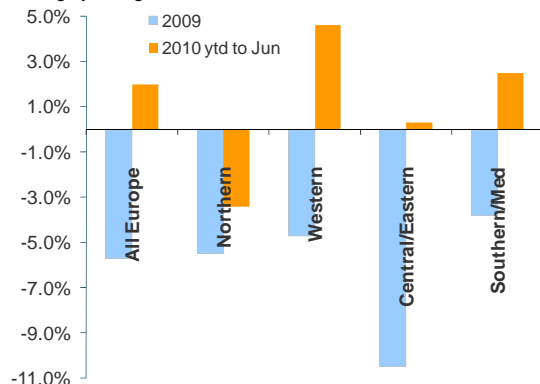
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

### International Tourist Arrivals

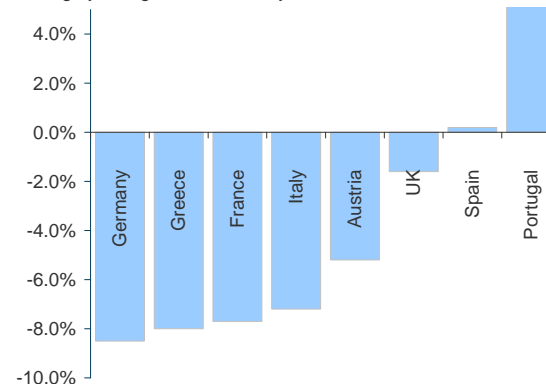
% change year ago



Source : UNWTO

### Tourism Receipts, 2010 Jan-April

% change year ago, local currency



Source : IMF

2010 Performance, Year to Date									
Tourist Arrivals and Nights						Hotel Performance			
International Arrivals			International Nights			Hotel Occupancy		Hotel ADR (LCU)	
Country	% ytd	to month	Country	% ytd	to month	Country	to Aug	Country	to Aug
Estonia	13.0	Jul	Estonia	16.0	Jul	Estonia	13.6	Germany	17.7
Malta	12.2	Jul	Malta	11.0	Jul	Austria	12.3	Malta	17.5
Germany	11.4	Jul	Germany	10.0	Jul	Turkey	12.3	Austria	10.4
Netherlands	10.6	Jun	Norway	8.7	Aug	Russia	11.4	Belgium	7.4
Poland	7.2	Jul	Netherlands	7.9	Jun	Romania	8.9	Netherlands	7.1
Denmark	6.1	Jun	Lithuania	7.4	Jun	Spain	8.2	United Kingdom	6.8
Turkey	5.5	Jul	Poland	5.4	Jul	Finland	7.8	Estonia	6.2
Latvia	4.6	Jun	Bulgaria	4.2	Jun	Italy	7.8	Sweden	6.2
Switzerland	4.6	Jun	Montenegro	3.9	Aug	Belgium	7.7	France	5.4
Montenegro	3.9	Aug	Belgium	3.4	Jun	Hungary	7.5	Spain	5.3
Hungary	3.6	Aug	Switzerland	2.6	n.a.	Czech Republic	7.1	Turkey	4.4
Austria	3.5	Aug	Sweden	1.2	Jun	Netherlands	6.2	Switzerland	3.6
Iceland	3.5	Jun	Finland	1.0	Jul	Poland	6.1	Portugal	3.2
Belgium	3.4	Jun	Latvia	0.7	Jun	Malta	5.9	Finland	2.0
Portugal	3.3	Jun	Austria	0.1	Aug	Germany	5.7	Italy	1.5
Lithuania	2.3	Jun	Hungary	-0.1	Aug	Switzerland	5.2	Romania	-2.0
France	2.2	Jun	Slovenia	-0.3	Jul	Ireland	5.1	Poland	-2.2
Romania	2.0	Jun	Romania	-0.5	Jun	Denmark	4.5	Russia	-2.3
Bulgaria	1.9	Jun	Denmark	-1.0	Jun	United Kingdom	3.9	Hungary	-2.4
Slovenia	1.3	Jul	Czech Rep.	-1.1	Jun	France	3.1	Norway	-3.1
Finland	1.1	Apr	Portugal	-4.8	Apr	Slovakia	2.9	Ireland	-4.0
Serbia	1.0	Aug	Serbia	-9.0	Aug	Portugal	2.8	Denmark	-6.1
Cyprus	0.7	Aug				Sweden	2.4	Greece	-6.2
Sweden	0.7	Jun				Norway	-2.2	Czech Republic	-7.1
Czech Rep.	0.3	Jun				Greece	-5.9	Slovakia	-11.1
Croatia	0.1	Jun				Iceland	-9.6	Iceland	-13.2
Spain	-0.4	Jul							
United Kingdom	-2.0	Jul							
FYR Macedonia	-4.3	Jun							
Ireland Rep	-22.0	Jun							

Sources: TourMIS, ETC, UNWTO, STR Global

## Economy Overview

### An Uncertain and Uneven Recovery

- There is greater uncertainty than usual in the global recovery and US growth in particular has slowed
- Recovery in Europe remains uneven with continued signs of divergence between core and peripheral countries
- Emerging markets are leading the global recovery with robust growth in both exports and consumer demand
- There are clear risks to the forecast and we assign just 45% probability to our central forecast. Risks appear to be skewed to the downside but a definite upside exists

### Global Overview

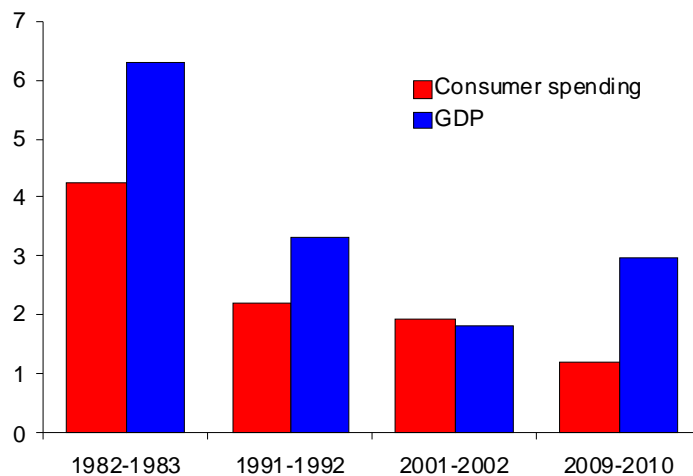
Global growth prospects have become more uncertain as weaker economic data, notably in the US, has interacted with financial stresses related to issues such as the European sovereign debt crisis.

Emerging markets have also slowed somewhat in recent months albeit to robust growth rates. The US drew large imports from around the globe in Q2 and made a significant contribution to demand growth in large emergers. Though the current US slowdown will affect export performance, domestic demand remains robust in large emerging markets and they will continue to outperform developed markets.

In the developed world, concerns remain about the relatively weak recovery in the US. Since the end of the recession GDP has grown at an annualised rate around 3%, quite modest given the depth of the preceding downturn. Caution in the corporate sector, especially over hiring, is making this a historically modest recovery given the extent of the recession.

### US: Recoveries then and now

% growth at annual rate, average over 4-6 quarters following recession



Source : Oxford Economics/Haver Analytics

Weak hiring is in turn contributing to soft consumption. The US consumer is usually the engine of recovery, but consumer spending has been rising at an average annual rate of only around 1% since the end of the recession.

With Japan and much of Europe also still showing rather soft trends in capital spending and employment, a cautious corporate sector is a key risk to our forecast, and could lead to a 'sub-par' recovery with growth struggling to reach trend levels.

Strikingly, however, the nonfinancial corporate sector's financial health appears to be very robust – much more so than at the same stage of the last two recessions. The money is there to spend if the sector feels so inclined, implying some upside risks to growth.

Another risk factor is the speed of recovery in the financial sector. Prospects here have become more clouded, due to problems in European banks and the stalling of the recovery in asset prices. A marked downturn in the sector could risk a return to recession.

We now give our central macro forecast only a 45% probability (down from 55% three months ago), with downside scenarios up to a 35% probability and upside scenarios unchanged at 20%.

Summary of International Forecasts						
	2009	2010	2011	2012	2013	2014
<b>Real GDP</b>						
<b>North America</b>						
United States	-2.6	2.7	2.6	3.5	3.8	3.6
Canada	-2.5	3.1	2.8	3.7	4.0	4.0
<b>Europe</b>						
Eurozone	-4.0	1.5	1.4	1.8	2.0	2.0
Germany	-4.7	3.1	1.8	1.7	2.0	2.1
France	-2.5	1.5	1.6	2.0	2.1	2.0
Italy	-5.1	0.8	0.9	1.4	1.4	1.5
UK	-4.9	1.6	2.1	2.7	3.2	3.1
EU27	-4.2	1.5	1.7	2.2	2.5	2.5
<b>Asia</b>						
Japan	-5.2	2.5	1.4	2.1	2.0	1.6
Emerging Asia, excl Japan	5.3	8.6	7.3	7.8	7.5	7.4
China	9.1	9.7	9.0	9.2	8.8	8.7
India	6.7	8.2	8.3	9.0	8.8	8.4
<b>World</b>	-2.0	3.5	3.4	4.1	4.2	4.0
<b>World 2005 PPPs</b>	-0.7	4.4	4.3	5.0	5.0	4.8
<b>World trade</b>	-13.0	13.5	7.4	8.2	8.1	7.7

## Recent Industry Performance

### Growth is accelerating, but reaching its potential

- Apart from the effects of airspace closures in April, air passenger demand has grown in every month of 2010.
- Recovery in hotel prices, which typically lags in recovery, is now underway as occupancy rates continue to make gains.
- While industry performance has been strong to date, the remainder of the year will likely see moderating growth as comparisons to the prior year overlap with the beginning of the recovery.

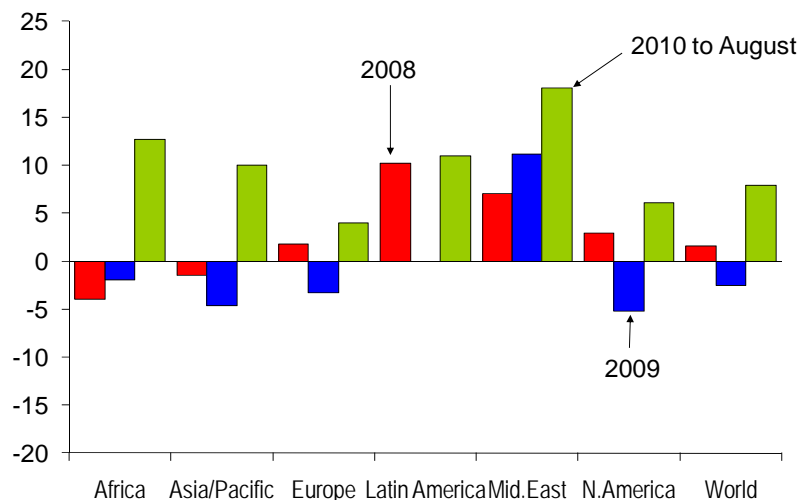
### Air Transport

In the first eight months of 2010, every region of the world has experienced a strong recovery in air travel. Global revenue passenger kilometres (RPK) expanded 7.9% including extraordinary growth of 18.1% in the Middle East. Asia Pacific also rebounded with a 10% expansion that is on pace to erase the 4.6% decline in 2009. The developed markets of Europe and North America are also making up for prior losses this year but at a more measured pace. Growth in passenger traffic for Europe through August is on pace to erase the losses of 2009.

**Robust global recovery in passenger demand is beginning to slow.**

### International air passenger growth by region

% year, RPK



Source: IATA

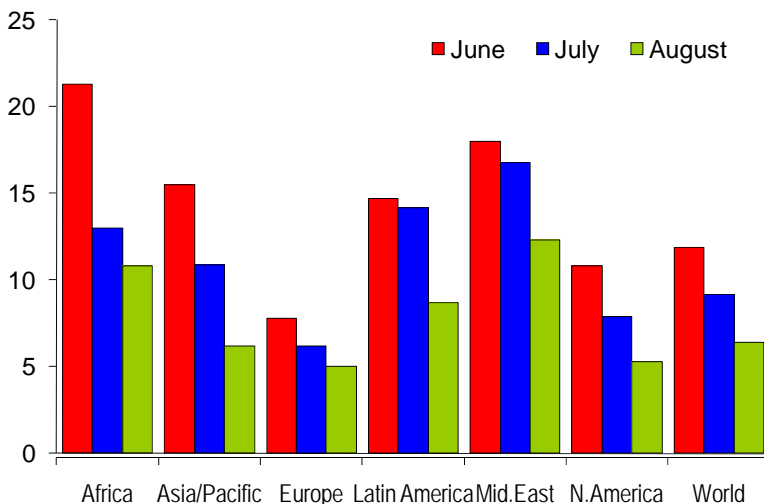
However, it should be noted that the rate of growth around the world is slowing as the year progresses. This is partly attributable to a slowing economic recovery but more so the effect of a stronger basis of comparison with 2009, which progressively improved.

Passenger growth on European airlines has been consistently positive since the airspace closures in April according to data from the Association of European Airlines. In the weeks since the airspace closures, European airlines have

posted an average increase of 5% in Revenue Passenger Kilometres (RPK) into September.

### International air passenger growth by region

% change year ago, RPK



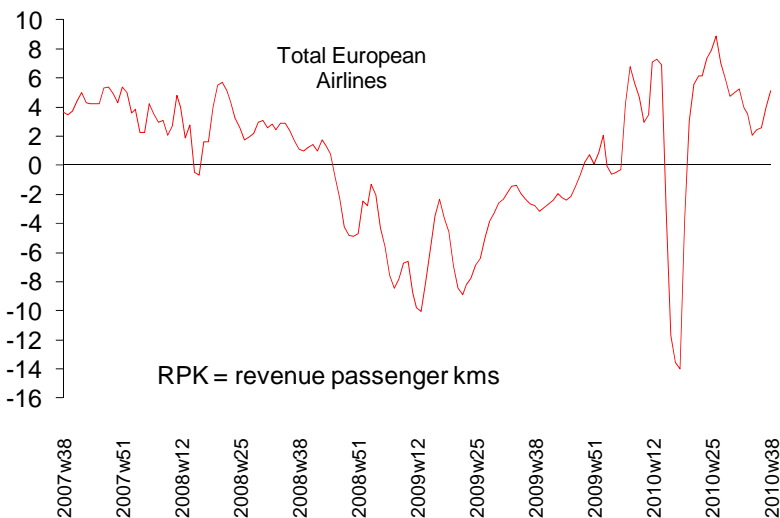
Source: IATA

The continued growth in passenger demand is the likely impetus of carriers' added capacity. Over the same period since April, Available Seat Kilometres (ASK) have expanded every week over the year earlier, averaging growth of 2.5%. As demand continues to outpace the new capacity added, load factors inch higher. Load factors have topped 80% in each of the last 15 weeks into September.

**European airlines continue to add capacity in response to growing demand.**

### European airline passenger traffic growth

RPK, 4 week moving average, % change year ago



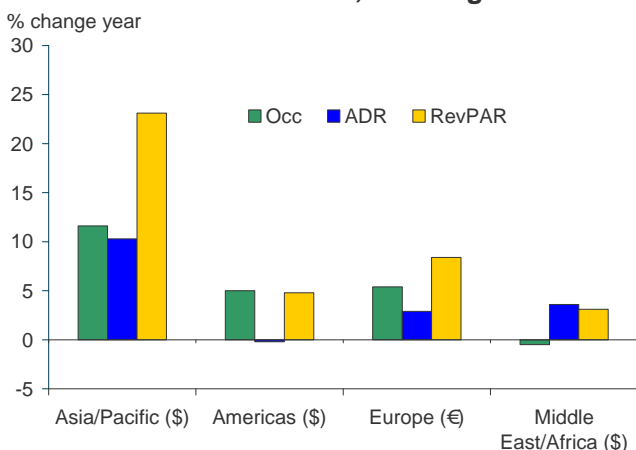
Source: AEA

## Accommodation

The lodging sector is also benefitting from the turnaround in global travel. Occupancy rates have risen in the first eight months of the year in every region of the world except Middle East & Africa (following a very weak August, which was likely affected by Ramadan). Average daily rates (ADR) have rebounded and are now above last year's levels through August in all regions except the Americas. Revenue per available room (RevPAR) has performed well globally given the surge in room demand led by Asia Pacific which climbed 23% in dollars for the year to date (with occupancy up 11.6%).

**Growing room demand is driving ADR and RevPAR higher.**

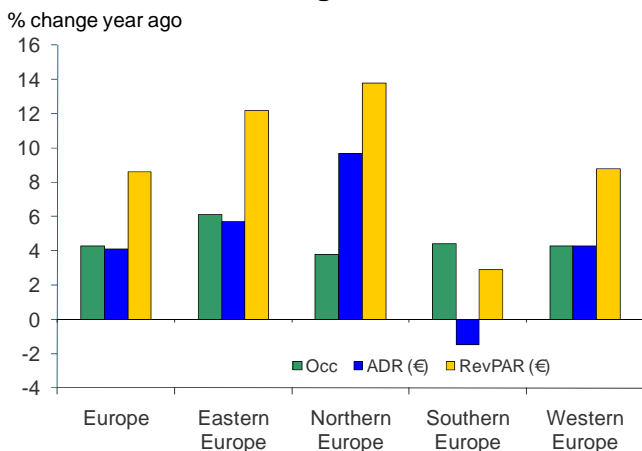
### Global Hotel Performance, Jan-Aug 2010



Source : STR Global

Within Europe, RevPAR continues to grow, helped both by advances in prices and demand. In August, hotel performance continued to show growth for Europe as a whole, but at a slower pace than earlier in the year. This will likely continue to the end of the year as comparisons will be to a higher basis given the start of the recovery in the latter half of last year. All regions posted gains over August of last year for occupancy and RevPAR with only Southern Europe posting lower ADR (but narrower than earlier in the year).

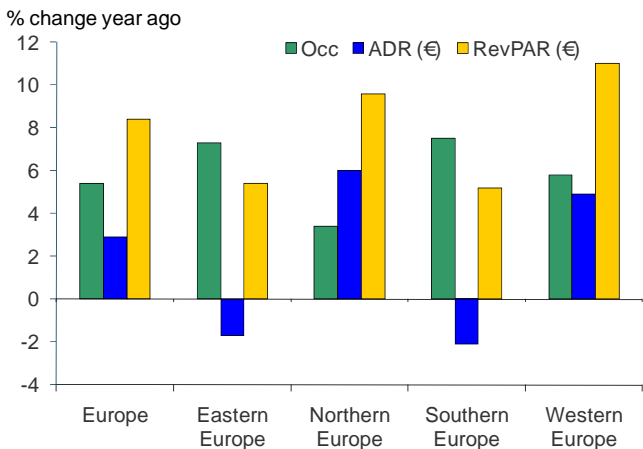
### Hotel Performance, August 2010



Source : STR Global

The industry has experienced ongoing improvement in the year through August. Occupancy rates for the year to date have improved in every sub-region and are up 5.4% for Europe as whole. ADR has also improved across Europe, rising to 2.9% for the year through August, as hoteliers have responded to increased demand. While Eastern and Southern Europe still lag last year's levels in ADR, their position has improved over the recent months. Both demand and ADR growth have pushed up RevPAR across Europe (advancing 8.4%) with every region posting higher RevPAR growth for the year.

### Hotel Performance, Jan-Aug 2010

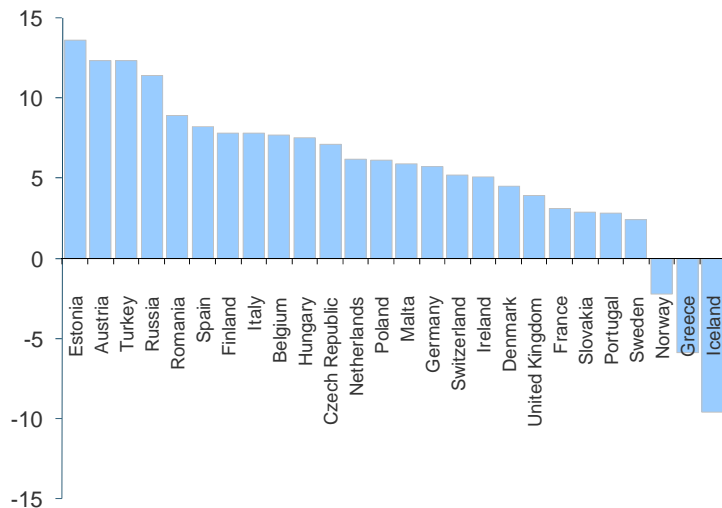


Source : STR Global

Occupancy rates across the countries of Europe reflect the more detailed story of the industry's recovery. Of the 26 countries with data reported by STR Global, 23 are showing growth in occupancy rates for the year through August. Of these, more than half saw August performance stronger than the rest of the year, with only 4 countries posting a weaker August in 2010. Of these four, only Greece and Iceland have experienced lower occupancy rates for the year, but the declines in August were smaller than for the year to date.

### Hotel Occupancy Rates

Jan-Aug YTD, % change year ago



Source : STR Global



## Key Source Market Performance

### Intra-European travel growing

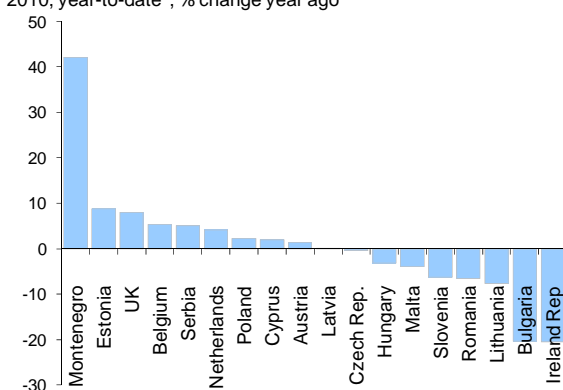
- Regional markets are rebounding in terms of trips and distance travelled
- UK visits to most destinations in Europe are growing again
- US outbound was flat early in the year but rebounded this summer
- Arrivals from Japan and Russia continue to surge

### Key intra-European markets

Through much of last year and early this year, German travellers tended toward more regional destinations within Europe. Over recent months, this trend appears to be thawing as German outbound travel to destinations outside their core region has accelerated. Germans are also spending more time in these longer haul destinations. Conversely, the nearer German destinations (eg Austria, the Netherlands, and Poland) have seen growth slow over recent months while trip duration has also shortened.

#### Visits from Germany to Select Destinations

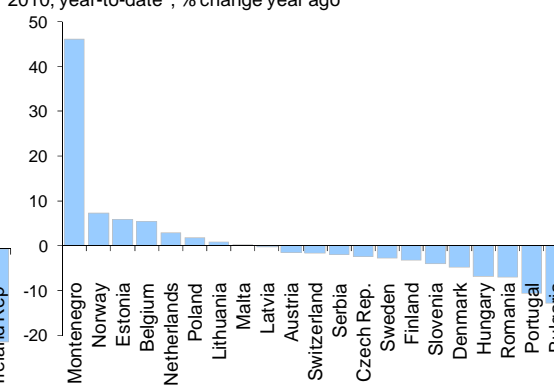
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

#### German Visitor Nights in Select Destinations

2010, year-to-date\*, % change year ago

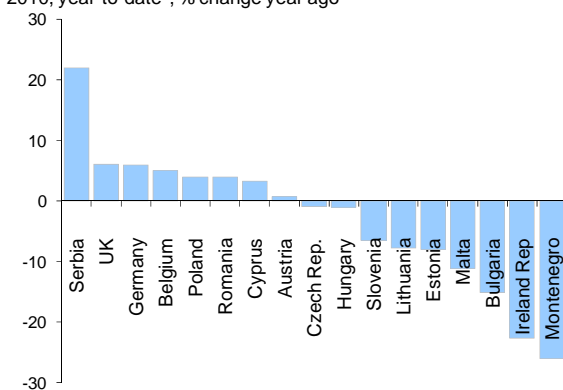


Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

Travel from the Netherlands to European destinations remains below last year's levels and the Dutch are spending fewer nights abroad. Destinations are experiencing mixed results, however, as roughly half of reporting destinations

#### Visits from Netherlands to Select Destinations

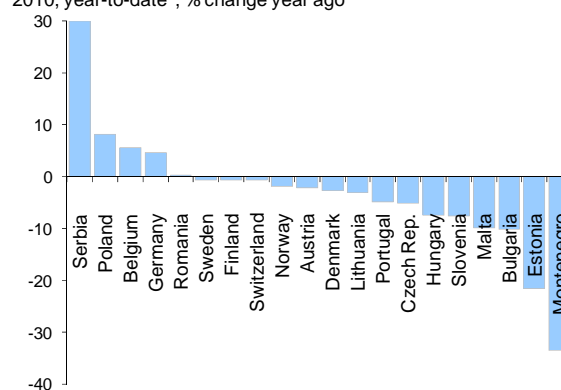
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

#### Netherlands Nights in Select Destinations

2010, year-to-date\*, % change year ago

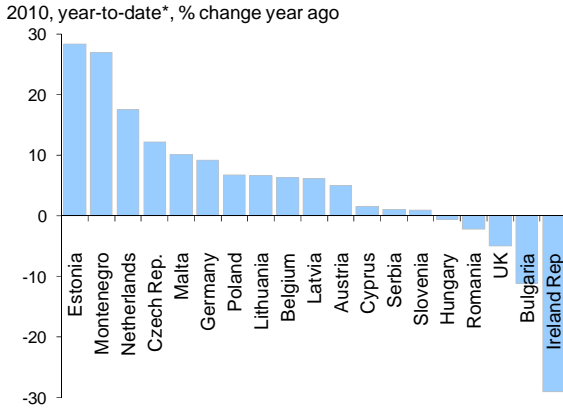


Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

have seen an increase in arrivals from the Netherlands.

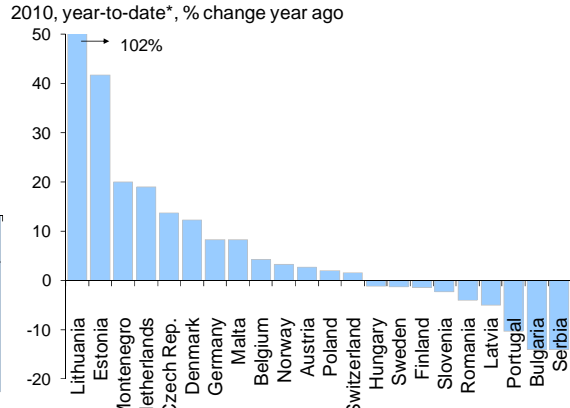
France continues to lead European source markets as visits to European destinations expand at a rapid pace this year. While French nights abroad are also on the rise, data indicate they have not kept pace with trips, indicating a shorter average length of stay.

**Visits from France to Select Destinations**



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

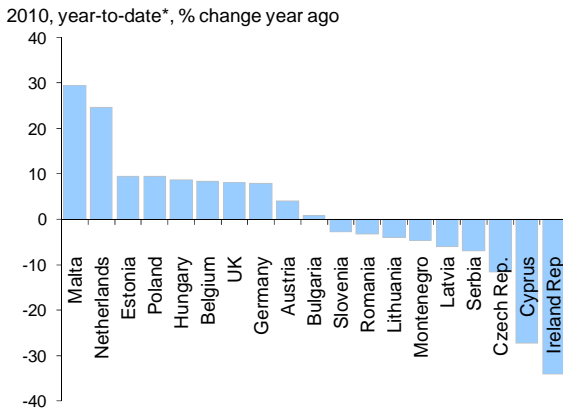
**French Visitor Nights in Select Destinations**



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

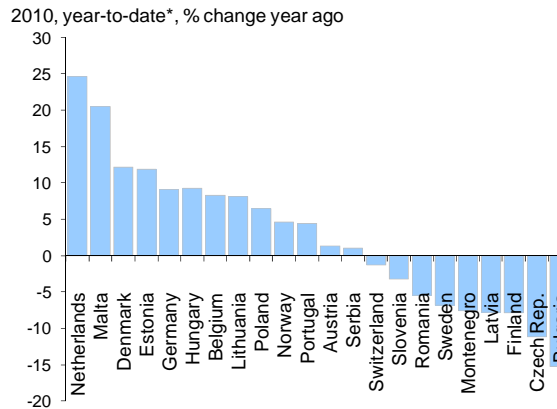
Unlike most source markets, Italians appear to be spending more time in their destinations with nights abroad outpacing outbound trips. Growth in visits from Italy remains intact for the year, albeit at a meagre pace. Destination performance is roughly equal between gainers and losers for reporting countries and generally favours Western Europe.

**Visits from Italy to Select Destinations**



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

**Italian Visitor Nights in Select Destinations**

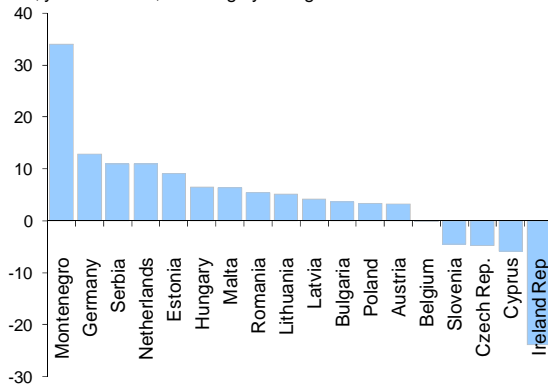


Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

The long awaited recovery in UK outbound appears to have arrived – at least for Europe. Arrivals are now positive for the year for most destinations and appear relatively robust for Europe. As with the trend of most other source markets, UK travellers are generally spending less time in their destinations.

**Visits from UK to Select Destinations**

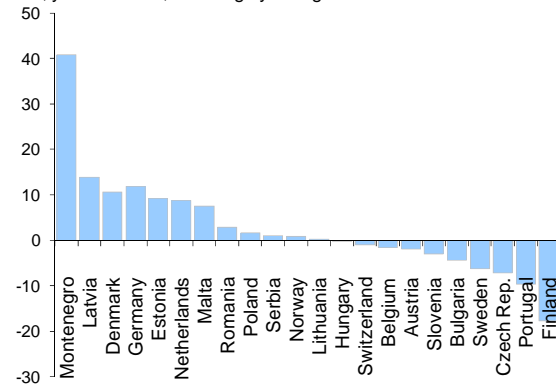
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

**UK Visitor Nights in Select Destinations**

2010, year-to-date\*, % change year ago

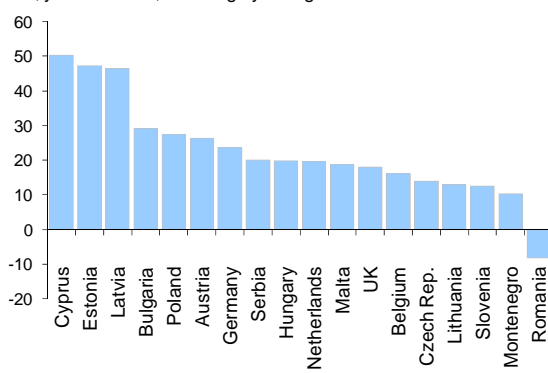


Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

Russia continues to impress with its strong recovery for the year-to-date. There are small signs of moderation for some destinations which received strong gains early in the year, but others continue to see acceleration in growth. Russian visits and nights for the year-to-date have grown for nearly every reporting destination. We still expect that there will be some moderation in the rest of this year given the strength in the latter part of last year.

**Visits from Russia to Select Destinations**

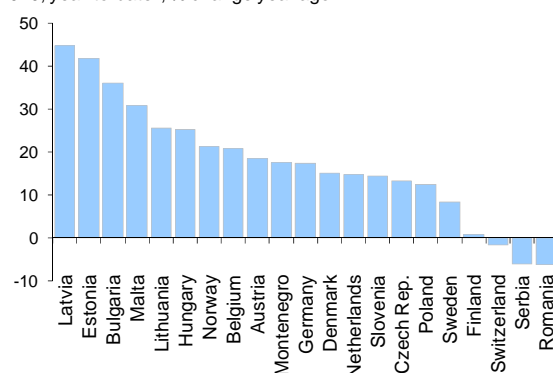
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

**Russian Visitor Nights in Select Destinations**

2010, year-to-date\*, % change year ago



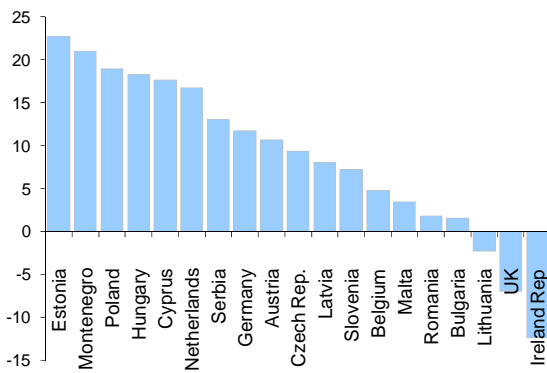
Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

## Non-European markets

Despite the disruption to travel in April, US travel to Europe rebounded strongly by June bringing second quarter outbound travel to Europe to 1% below 2009, according to data from the US Department of Commerce. More recent data from TourMIS indicates a strong summer for arrivals from the US. The same data also indicate growth in bednights, but as with other source markets, average length of stay in destinations is declining. One plausible way to read the data is that US travellers are participating in multi-leg European trips with shorter stays in each destination.

### Visits from US to Select Destinations

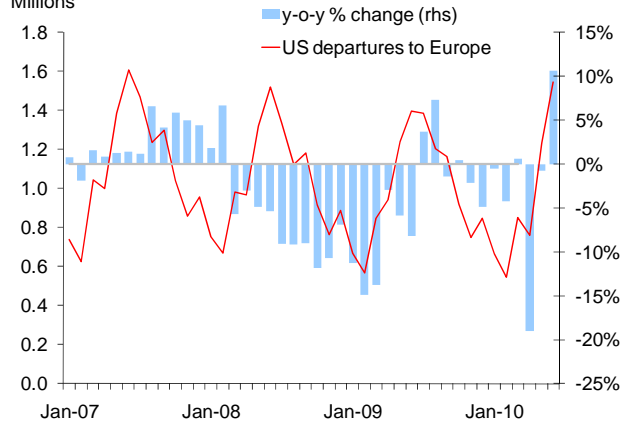
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

### US Travel to Europe

Millions

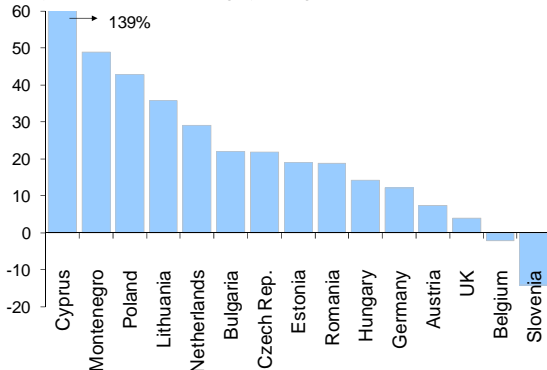


Source : OTTI, US Dept of Commerce

The long awaited recovery of the Japanese market has taken hold and has picked up steam in recent months. The recovery has been broad thus far with 13 of 15 countries showing growth in arrivals and 12 of 13 showing growth in nights. And 11 of 13 countries reporting visitor growth are showing double-digit gains for the year. Although room nights appear to be growing at a slower rate, the return of the Japanese traveller is a welcome addition to the travel recovery.

### Visits from Japan to Select Destinations

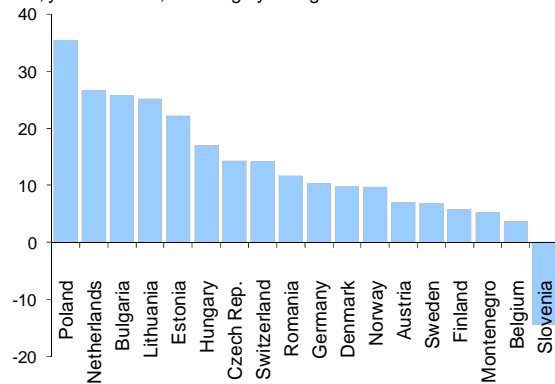
2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

### Japanese Visitor Nights in Select Destinations

2010, year-to-date\*, % change year ago



Source : TourMIS, ETC, \*date varies (Jun-Aug) by destination

## Global Tourism Forecast Summary Tables

TDM Visitor Growth Forecasts, Millions												
	Inbound*						Outbound**					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
<b>World</b>	<b>1,713.2</b>	<b>1,724.0</b>	<b>1,634.8</b>	<b>1,705.1</b>	<b>1,769.1</b>	<b>1,854.5</b>	<b>1,038.3</b>	<b>1,086.1</b>	<b>1,045.8</b>	<b>1,093.4</b>	<b>1,138.7</b>	<b>1,207.2</b>
<b>Americas</b>	<b>250.3</b>	<b>251.1</b>	<b>237.1</b>	<b>250.1</b>	<b>257.5</b>	<b>270.5</b>	<b>136.9</b>	<b>138.1</b>	<b>135.3</b>	<b>142.1</b>	<b>147.4</b>	<b>157.4</b>
North America	178.5	176.8	164.4	174.7	178.5	186.2	104.3	105.2	101.8	106.3	108.4	114.5
Caribbean	36.5	36.6	36.2	37.2	38.0	39.8	8.3	7.3	7.4	7.6	8.0	8.5
Latin America	35.3	37.7	36.5	38.2	41.0	44.5	24.4	25.7	26.1	28.2	31.1	34.3
<b>Europe</b>	<b>1,042.9</b>	<b>1,044.6</b>	<b>978.1</b>	<b>1,002.4</b>	<b>1,039.5</b>	<b>1,090.9</b>	<b>567.6</b>	<b>587.4</b>	<b>558.1</b>	<b>575.7</b>	<b>599.9</b>	<b>637.5</b>
EU15	551.3	549.5	509.6	524.2	546.7	575.7	297.5	301.5	284.4	294.3	300.9	316.9
Eastern Europe	448.3	448.3	422.1	432.7	445.4	464.5	240.9	256.0	244.0	250.5	266.3	285.7
<b>Asia</b>	<b>298.0</b>	<b>292.2</b>	<b>289.1</b>	<b>313.1</b>	<b>329.0</b>	<b>347.4</b>	<b>242.0</b>	<b>250.9</b>	<b>251.4</b>	<b>269.8</b>	<b>283.5</b>	<b>301.2</b>
North East	206.0	202.0	197.2	212.7	222.2	233.0	161.4	164.4	164.7	179.0	187.0	197.3
South East	72.1	70.1	72.5	79.9	85.2	91.3	57.2	62.6	64.5	67.8	72.0	77.3
South	8.2	8.4	7.9	8.7	9.1	9.8	15.7	15.7	14.7	15.2	16.3	17.9
Oceania	11.7	11.7	11.4	11.8	12.4	13.2	7.7	8.1	7.5	7.7	8.2	8.8
<b>Africa</b>	<b>67.3</b>	<b>72.5</b>	<b>71.5</b>	<b>75.4</b>	<b>77.8</b>	<b>79.8</b>	<b>35.6</b>	<b>38.1</b>	<b>37.1</b>	<b>38.5</b>	<b>39.0</b>	<b>40.2</b>
<b>Mid East</b>	<b>54.7</b>	<b>63.6</b>	<b>59.1</b>	<b>64.1</b>	<b>65.3</b>	<b>66.0</b>	<b>56.0</b>	<b>71.6</b>	<b>64.0</b>	<b>67.3</b>	<b>68.9</b>	<b>70.9</b>

Based on draft October 2010 TDM forecast update

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

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

TDM Visitor Growth Forecasts, % change												
	Inbound*						Outbound**					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
<b>World</b>	<b>4.3%</b>	<b>0.6%</b>	<b>-5.2%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>4.8%</b>	<b>7.9%</b>	<b>4.6%</b>	<b>-3.7%</b>	<b>4.5%</b>	<b>4.1%</b>	<b>6.0%</b>
<b>Americas</b>	<b>0.2%</b>	<b>0.3%</b>	<b>-5.6%</b>	<b>5.5%</b>	<b>3.0%</b>	<b>5.0%</b>	<b>4.3%</b>	<b>0.9%</b>	<b>-2.1%</b>	<b>5.1%</b>	<b>3.7%</b>	<b>6.8%</b>
North America	-1.9%	-1.0%	-7.0%	6.3%	2.2%	4.3%	3.9%	0.9%	-3.2%	4.5%	1.9%	5.7%
Caribbean	2.3%	0.3%	-1.1%	2.8%	2.1%	4.6%	0.5%	-12.1%	1.2%	3.0%	5.3%	6.9%
Latin America	10.1%	6.8%	-3.1%	4.6%	7.3%	8.7%	7.3%	5.2%	1.7%	8.0%	10.1%	10.5%
<b>Europe</b>	<b>3.4%</b>	<b>0.2%</b>	<b>-6.4%</b>	<b>2.5%</b>	<b>3.7%</b>	<b>4.9%</b>	<b>6.4%</b>	<b>3.5%</b>	<b>-5.0%</b>	<b>3.2%</b>	<b>4.2%</b>	<b>6.3%</b>
EU15	2.1%	-0.3%	-7.3%	2.9%	4.3%	5.3%	2.6%	1.3%	-5.6%	3.5%	2.2%	5.3%
Eastern Europe	4.3%	0.0%	-5.8%	2.5%	2.9%	4.3%	11.5%	6.3%	-4.7%	2.6%	6.3%	7.3%
<b>Asia</b>	<b>8.8%</b>	<b>-2.0%</b>	<b>-1.1%</b>	<b>8.3%</b>	<b>5.1%</b>	<b>5.6%</b>	<b>10.4%</b>	<b>3.7%</b>	<b>0.2%</b>	<b>7.3%</b>	<b>5.1%</b>	<b>6.3%</b>
North East	8.7%	-1.9%	-2.4%	7.8%	4.5%	4.9%	8.8%	1.9%	0.2%	8.7%	4.4%	5.5%
South East	10.2%	-2.7%	3.4%	10.2%	6.7%	7.1%	13.1%	9.5%	2.9%	5.2%	6.1%	7.3%
South	10.4%	2.4%	-5.6%	9.7%	5.2%	7.9%	18.3%	0.4%	-6.3%	2.9%	7.3%	10.1%
Oceania	1.5%	-0.3%	-2.3%	3.5%	5.0%	6.7%	9.1%	4.5%	-7.7%	3.9%	6.4%	6.7%
<b>Africa</b>	<b>13.4%</b>	<b>7.7%</b>	<b>-1.4%</b>	<b>5.5%</b>	<b>3.1%</b>	<b>2.6%</b>	<b>21.5%</b>	<b>6.9%</b>	<b>-2.6%</b>	<b>3.8%</b>	<b>1.3%</b>	<b>3.1%</b>
<b>Mid East</b>	<b>7.8%</b>	<b>16.4%</b>	<b>-7.1%</b>	<b>8.4%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>14.3%</b>	<b>27.7%</b>	<b>-10.5%</b>	<b>5.1%</b>	<b>2.3%</b>	<b>2.8%</b>

Based on draft October 2010 TDM forecast update

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

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

Detailed country forecasts are available directly in Tourism Decision Metrics online platform.

## Economic Outlook for Key Markets

### Eurozone

Eurozone GDP grew by 1% in Q2. Performance across the member countries was highly differentiated, reflecting the extent to which the various economies were able to reap the benefits of stronger external demand. The 2.2% quarterly growth posted by Germany far outstripped that in the other large Eurozone economies: French GDP rose by 0.6%, whereas in Italy and Spain economic activity increased by just 0.4% and 0.2% respectively.

The relatively strong performance in Q2 has led us to revise up our forecast for Eurozone growth to 1.5% for 2010, from 1%. However the robust dynamics seen in 2010H1 are already showing signs of giving way to a much more subdued pace of growth, with moderating external demand not being offset by a still-sluggish domestic economy. Orders to the German manufacturing sector, which was the main engine of growth during H1, dropped 2.2% in July dragged down by a fall of over 5% in investment goods orders. And in June-July the strong growth in industrial production seen in previous months came to a halt.

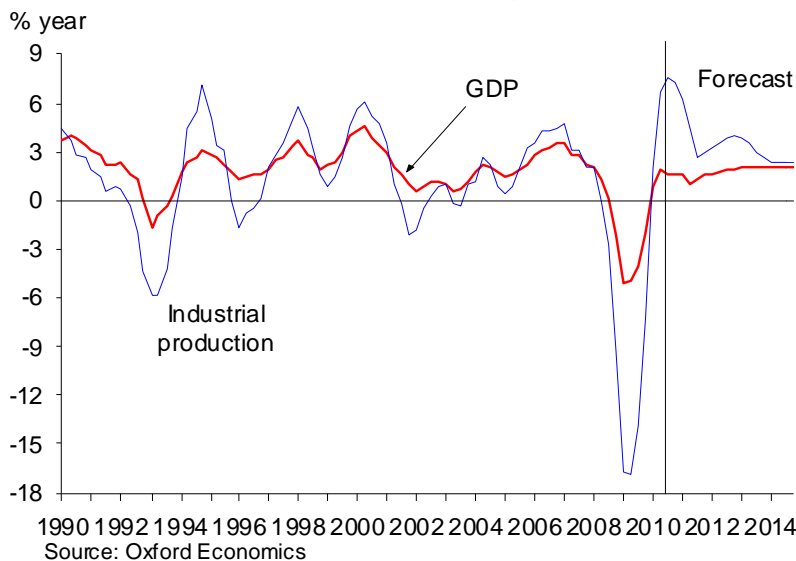
This will leave the economy with substantial spare capacity, with adverse consequences for capital formation and employment. Investment is set to contract for the third consecutive year in 2010, by nearly 1%, while high unemployment and the effects of fiscal austerity on disposable income will limit consumption growth to 0.5%.

The rapid transition from fiscal stimulus to tightening will further burden domestic demand, as infrastructure plans are scaled down.

The easing of tensions provided by the results of the bank stress tests has proved short lived. Markets remain concerned about the health of parts of the European banking sector, with fears heightened by the risk of a renewed growth slowdown. Lingering sovereign debt concerns have also seen bond spreads widening again in the 'peripheral' countries, in some cases back to the levels seen at the height of the Greek fiscal crisis.

**Eurozone growth exceeded expectations in Q2 helped by strong export demand from emerging markets**

### Eurozone: GDP and industrial production



## UK Economy

While the latest GDP release saw the estimate for Q2 growth upgraded (from 1.1% quarter-on-quarter to 1.2%), prospects for Q3 have worsened with all three PMI surveys reporting a marked slowdown in the pace of expansion in August. Reported strength was largely due to construction output which is now estimated to have grown by 8.5% on the quarter and we are likely to see some payback in the Q3 data, particularly given that the ONS reported that new construction orders fell by 14% in Q2.

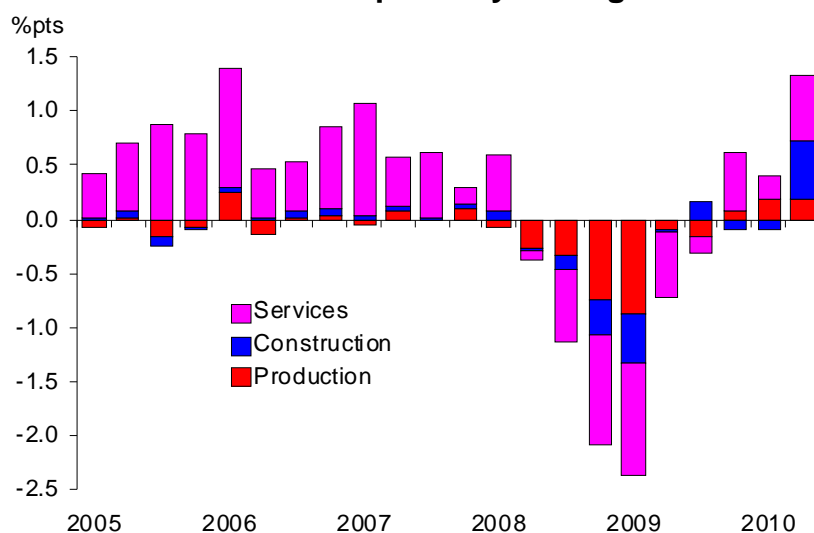
The expenditure breakdown for Q2 yielded a number of surprises. Despite strong monthly export figures, net trade made a negligible contribution to growth, while consumer spending was much stronger than anticipated, growing by 0.7%. The main driver of growth continues to be stockbuilding, but there appears to be limited scope for this source to contribute further to growth over the coming quarters. And with domestic demand remaining fragile and growing concerns over the global economy, growth will be much slower over the second half of 2010. Survey data points to GDP growth of 0.4% in Q3.

There is growing evidence that the housing market is heading for a double dip, with a range of surveys reporting falling prices and mortgage lending flows very weak. We expect prices to fall by around 3% by the end of the year and to continue to decline in 2011H1.

The rhetoric from the August Inflation Report was largely dovish, with the Governor restating that the MPC is prepared to move policy in either direction if necessary. In our view the prevailing uncertainty makes an early rate rise very unlikely and we expect rates to remain on hold until mid-2011.

**Strong Q2 growth was helped by temporary construction activity**

### UK: Contributions to quarterly GDP growth



Source : Haver Analytics

## US Economy

The slowdown that has been apparent for some time is becoming more pronounced. Growth in 2010Q2 was revised down by 0.8% to just 1.6% at an annual rate, with most of the downward revision, as expected, in real net trade and stockbuilding.

Growth is likely to be as weak or weaker in Q3. Residential construction has turned down again following the expiration of the homebuyers' tax credit, and non-residential construction is weak as well. Home sales also fell sharply in response to the expiration of the tax credit and house price growth is uncertain in the near-term.

Federal government spending will drop as the census effort winds down and the level of stimulus spending is at its peak, and stockbuilding will turn from boosting growth to exerting a mild drag.

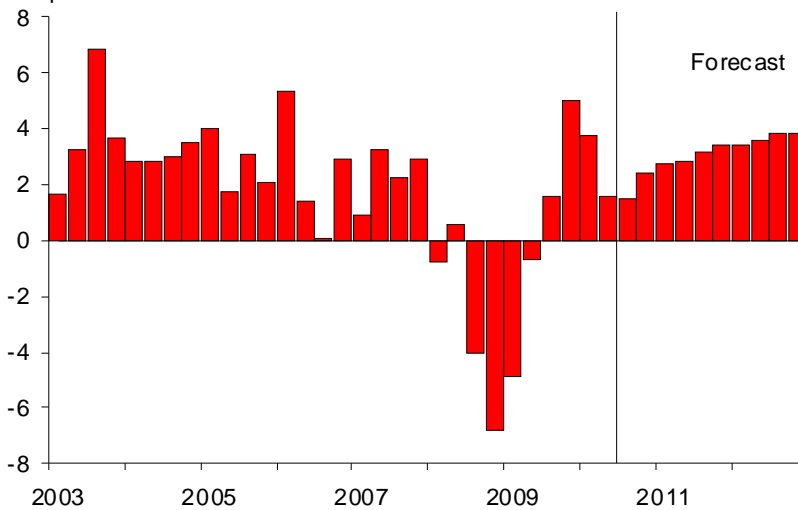
However, we continue to expect a moderate improvement in growth over the medium term. Businesses are flush with cash, and with productivity unlikely to climb further, are likely to invest more and pick up hiring. Better job growth will support income and spending. And the housing sector is expected to begin to improve thanks to low mortgage rates and house prices. We look for growth of 2.7% this year and 2.6% in 2011.

The Federal Reserve is expected to keep policy rates at extremely low levels, and while the impact of the federal stimulus is largely complete, smaller stimulus measures may be able to get through Congress.

**Slowdown in recovery intensifies but is expected to reverse soon**

### GDP growth

% quarter annualised



Source: Oxford Economics



## Japan

Japanese economic growth slowed sharply to just 0.1% on the quarter in April-June. The recent improvement in private consumption came to an abrupt halt, net exports provided a smaller boost, and investment and inventories were net drags.

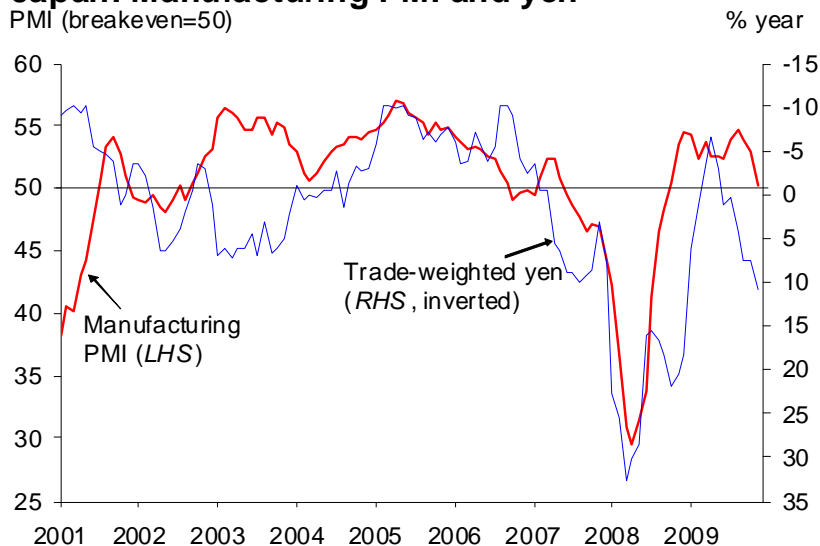
Stronger capital spending data may see Q2 GDP revised up slightly, but we have revised down 2010 growth to 2.5%, with growth seen at 1.4% next year. Risks look skewed to the downside, with the danger of a negative growth quarter in Q3 or Q4.

Industrial output was broadly flat between March and July, and the August PMI posted its lowest reading in fourteen months with a notable drop in new orders. The fall in orders appears to be linked both to the waning impact of the stock cycle, and the strength of the yen which has gained 9% on the year.

The policy response to renewed signs of economic weakness has been very modest so far. The Bank of Japan expanded its cheap loan scheme on August 30 but banks already appear to be awash with cash. Further measures, such as upping bond purchases, are probably needed to have a significant impact on monetary conditions.

**Domestic demand growth has stalled, hindered by the strong Yen, and modest policy response**

### Japan: Manufacturing PMI and yen



## Emerging Markets

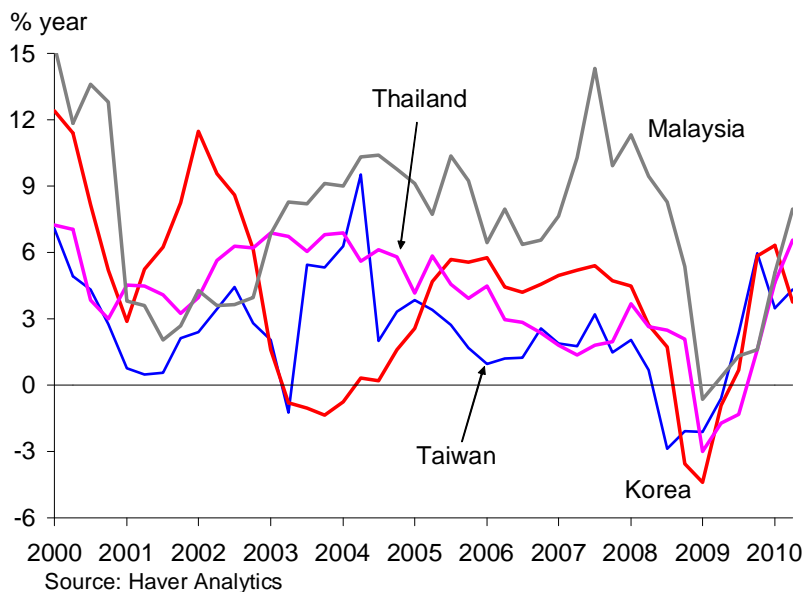
After four months of dropping noticeably, the Chinese HSBC manufacturing PMI rose in August (the official PMI also picked up). Together with the reassuring performance of the services PMI in July and August and ongoing credit expansion, this suggests that the current slowdown in the economy is not that rapid. Moreover, with the inflation risks now relatively limited (mostly from food prices) and the property market less frothy, the authorities could intervene quickly to inject more resources into the economy if they thought there was a danger of the slowdown becoming too severe.

Despite much less of a pull from Chinese imports in Q2, the rest of emerging East Asia performed strongly in the quarter – even if growth was not as rapid as in previous quarters. Exports to other parts of the world grew strongly (particularly the US), while domestic demand growth was buoyant, reflecting improving labour market conditions, high capacity utilisation rates and a pick-up in bank lending. Seasonally adjusted consumer spending grew on the quarter in Taiwan and in Thailand (despite the political turmoil of April/May), while Malaysian consumer spending was nearly 8% higher than a year earlier. Investment also grew robustly. Of course, the subdued outlook for the US and much of the EU in 2010H2 will dampen export prospects going forward but regional economic expansion is unlikely to come to a complete halt in the absence of a major global shock.

Despite a deceleration in industrial output and merchandise trade growth, overall year-on-year GDP growth in India edged up in Q2, reflecting faster growth in services and a normalising agriculture sector after last year's monsoon. Evidence of buoyant domestic demand comes from car sales, up 33% year-on-year in August, while surveys of manufacturers continue to point to high backlogs of work, made worse by power cuts.

**Growth in key emerging Asia markets has moderated but still leads developed countries significantly**

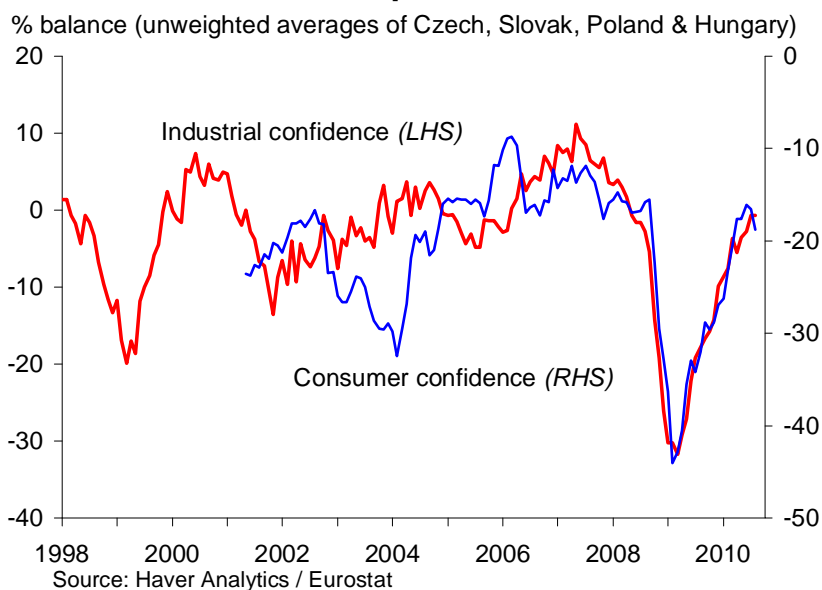
### Emerging Asia: Consumer spending



By contrast, the Brazilian economy slowed significantly in Q2. This, together with a moderation in inflation, prompted the central bank to leave interest rates on hold at its early September policy meeting. However, it remains to be seen how long the “soft patch” will last as the economy’s fundamentals remain healthy – unemployment is falling, real wages are growing robustly and bank lending growth is accelerating. Moreover, given its relatively low exposure to exports, the economy is unlikely to be significantly affected by the global situation unless there is a new shock that either drives world demand and commodity prices lower or disrupts financial links. However, Mexico is likely to be much more sensitive to small changes in the US outlook. Mexico’s recovery to date has been reliant on trade as many domestic sectors have remained subdued.

Although the extreme summer weather has disrupted the Russian recovery – capital spending growth fell sharply in July and inflation is expected to pick up, cutting purchasing power – the impact is likely to be temporary. Reassuringly, the HSBC manufacturing PMI survey edged up in August. In the other main emerging European economies, industrial confidence remained at quite high levels in August while consumer confidence fell back in a number of countries. Meanwhile, the region’s most resilient economy, Poland, recorded quarter-on-quarter GDP growth of 1.1% in Q2, led by a 5.8% surge in export volumes, a bounce-back in investment and steady growth in consumption. However, with Germany (destination for over 25% of Polish exports) set to experience more modest growth in H2, reflecting the impact of EU fiscal austerity and much more subdued global trade, Polish growth will also slow in H2.

### Central & Eastern Europe: Confidence



## ETC Member Organisations

<b>Austria</b>	Austrian National Tourist Office (ANTO)
<b>Belgium</b>	Flanders: Tourist Office for Flanders Wallonia: Office de Promotion du Tourisme de Wallonie et de Bruxelles (OPT)
<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
<b>Finland</b>	Finnish Tourist Board (MEK)
<b>France</b>	Atout France - France Tourism Development Agency
<b>FYR Macedonia</b>	Agency for Promotion and Support of Tourism
<b>Georgia</b>	Department of Tourism and Resorts of Georgia
<b>Germany</b>	German National Tourist Board (GNTB)
<b>Greece</b>	Greek National Tourism Organisation (GNTO)
<b>Hungary</b>	Hungarian National Tourist Office (HNTO)
<b>Iceland</b>	Icelandic Tourist Board
<b>Ireland</b>	Fáilte Ireland and Tourism Ireland Ltd.
<b>Italy</b>	Italian State Tourism Board (ENIT)
<b>Latvia</b>	Latvian Tourism Development Agency (LTDA)
<b>Lithuania</b>	Lithuanian State Department of Tourism
<b>Luxembourg</b>	Luxembourg National Tourist Office
<b>Malta</b>	Malta Tourism Authority (MTA)
<b>Monaco</b>	Department of Tourism and Conferences
<b>Montenegro</b>	National Tourism Organisation of Montenegro
<b>Netherlands</b>	Netherlands Board of Tourism & Conventions (NBTC)
<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 Tourism
<b>San Marino</b>	Ministry of Tourism
<b>Serbia</b>	National Tourism Organisation of Serbia
<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
<b>Turkey</b>	Ministry of Culture and Tourism
<b>Ukraine</b>	National Tourist Office
<b>United Kingdom</b>	VisitBritain