

EUROPEAN TOURISM 2011 – Trends & Prospects

Quarterly Report - Q1/2011

EUROPEAN TRAVEL COMMISSION



EUROPEAN TOURISM in 2011: TRENDS & PROSPECTS

Quarterly Report (Q1/2011)

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

Brussels, May 2011
ETC Market Intelligence Report

European Tourism in 2011: Trends & Prospects (Q1/2011)

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This report was compiled and edited by:
Tourism Economics (an Oxford Economics Company)
on behalf of the ETC Market Intelligence Group

© Photo (c) iStockphoto/Marcus Lindström - Row of colourful houses in Nyhavn, Copenhagen, Denmark

Foreword

Arrivals, hotel performance, and air capacity trends paint an encouraging picture of continued growth in 2011

Of those countries which have reported 2011 performance, the majority are experiencing a positive start to the year. Not only are arrivals generally up, but length of stay appears on the rise as well. These trends are confirmed by hotel industry data which indicate at least modest growth in occupancy in the first months of the year with rates increasing in tandem.

In addition, the capacity of European airlines continues to expand, carrying on the trend from late 2010. This should translate into competitive fares and act as a driver to travel demand over the next 6-8 months.

These encouraging trends appear set to continue, albeit at a slowing rate as comparisons are made to stronger performance in 2010 and high energy prices affect both disposable income and transportation costs.

The near term outlook for Japanese outbound has been revised downward with a 10% drop likely

Our thoughts are with the people of Japan as they persevere through the aftermath of the Tohoku earthquake. The ongoing nuclear crisis and recovery are expected to affect the Japanese economy and consequently outbound travel considerably in the short run. Japan is likely to briefly re-enter recession in 2011 with a 10% drop in outbound travel. A considerable rebound is expected on both fronts in 2012.

Overall, prospects are solid. Tourism Economics' baseline forecast scenario anticipates overnight visitor growth to Europe of 2.6% 2011 and 4% in 2012.

Overall prospects for the coming two years are sound

This edition of "Trends and Prospects" provides a viewpoint of Europe's market share of visits from some of its key source markets. This presents an overall theme of gains among emerging European destinations while Western European destinations have generally lost market share. To some extent this is the natural contrast of mature vs. developing destinations. However, it is also a healthy reminder to work together to promote all of Europe to the world.

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,

Ms Petra Hedorfer
President
European Travel Commission

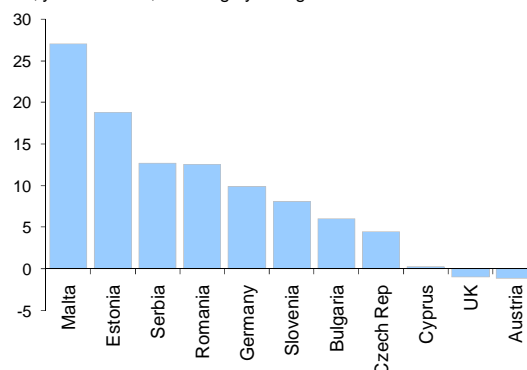
Leslie Vella
Chairman
ETC Market Intelligence Group

Executive Summary

- Destination and industry data indicate a positive start to 2011. Foreign visitor arrivals were reported higher through the beginning months of the year by most destinations.
- Both airline and hotel industry data confirm the continuation of travel growth to Europe, however at a more measured pace than experienced during the peak growth periods of 2010.
- International passenger traffic to Europe outpaced global growth over the first two months of the year. European airlines also report growth in traffic over the first 14 weeks of 2011, but growth has slowed over recent weeks.
- Hotel occupancy has improved further, but appears to have peaked. Average Daily Rates continue to push up across Europe in response to demand.
- We expect the overall growth trend to slow in 2011 as comparisons are made to stronger performance in 2010 and high energy prices affect both disposable income and transportation costs.
- Wage spiral inflation is unlikely in the developed economies as unemployment and spare capacity persist. Capacity utilisation is higher in emerging markets where food and energy prices are also having a bigger impact, thus more monetary tightening is expected.
- The aftermath of the Tohoku earthquake will affect the Japanese economy and consequently outbound travel considerably in the short run. Japan is likely to briefly re-enter recession in 2011 with a 10% drop in outbound travel. A considerable rebound is expected on both fronts in 2012.
- Capacity of European airlines continues to expand, carrying on the trend from late 2010. Capacity surged between late 2010 and early 2011, averaging a 7.8% increase in Available Seat Kilometres (ASK) over the first 14 weeks of 2011. This should translate into competitive fares and act as a driver to travel demand over the next 6-8 months.

Foreign Visits to Select Destinations

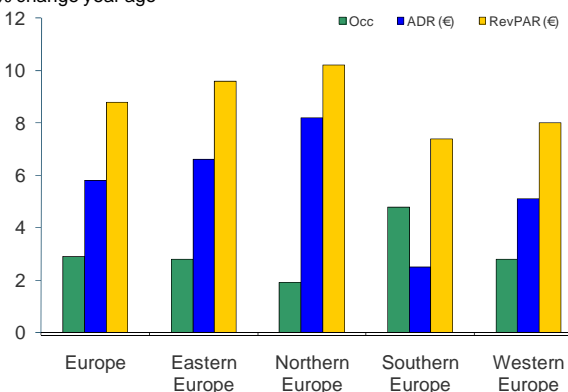
2011, year-to-date*, % change year ago



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

Hotel Performance, Jan-Feb 2011

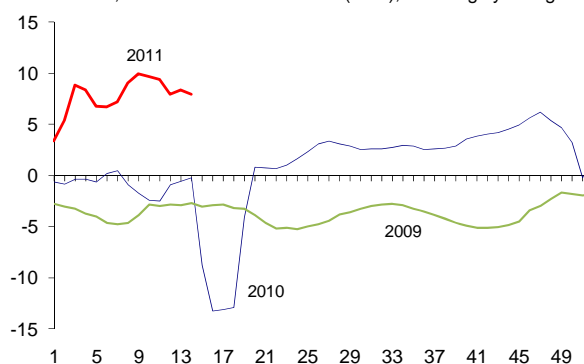
% change year ago



Source : STR Global

European airlines capacity

4 week MA, Available Seat Kilometres (ASK), % change year ago



Source: AEA

Outbound Travel Risk from Japan Disaster

The Tohoku Pacific earthquake and tsunami which struck Japan on March 11 was the most serious to hit Japan since the Kobe earthquake of 1995, and can be expected to have significant short-term economic and travel impacts.

The Tohoku earthquake and tsunami struck a broader, more rural area. The two regions most affected (Miyagi and Fukushima prefectures) have GDP around US\$200 billion or perhaps 4% of the Japanese total – somewhat less than the Hyogo region containing Kobe. But as well as damaging local infrastructure it has also led to major damage to electricity production facilities including nuclear plants – an impact that will have significant knock-on effects on the broader economy.

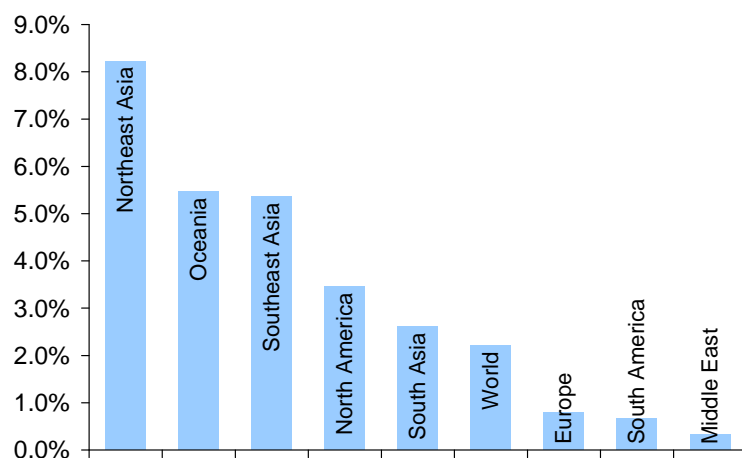
Japanese travellers are notably reactive to crises. An initial surge in Japanese outbound may be observed as some Tokyo and other regional residents flee potential radiation. This will likely benefit Asian destinations.

A significant drop-off in Japanese outbound is expected for 2011 in line with the 10% decline in departures observed in past crises. This will affect longer haul destinations more acutely as observed with historic drops in Japanese consumer confidence.

Europe has lost a significant market share of Japanese travel to Asian markets over the last decade (behind only Oceania and the Americas in market share loss). This has reduced the dependence of European destinations on Japanese travel—now well below the world average.

Japan Dependency Ratio

Share of international arrivals by destination region



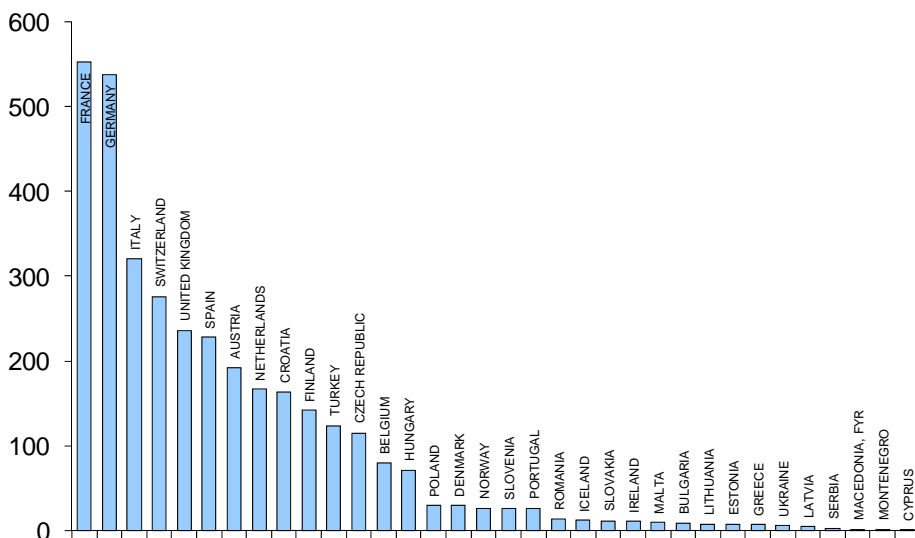
Source: Tourism Economics, TDM

However, this dependence varies by destination across Europe. The charts below show 2009 arrivals of Japanese visitors in European destinations and each destination's dependency on Japanese travel as a percentage of foreign arrivals.

France and Germany welcomed the largest number of Japanese travellers to Europe, over half a million each in 2009. Italy, Switzerland, UK, and Spain all received more than 200,000 Japanese visitors that year.

Overnight Arrivals from Japan

'000s, 2009, by destination

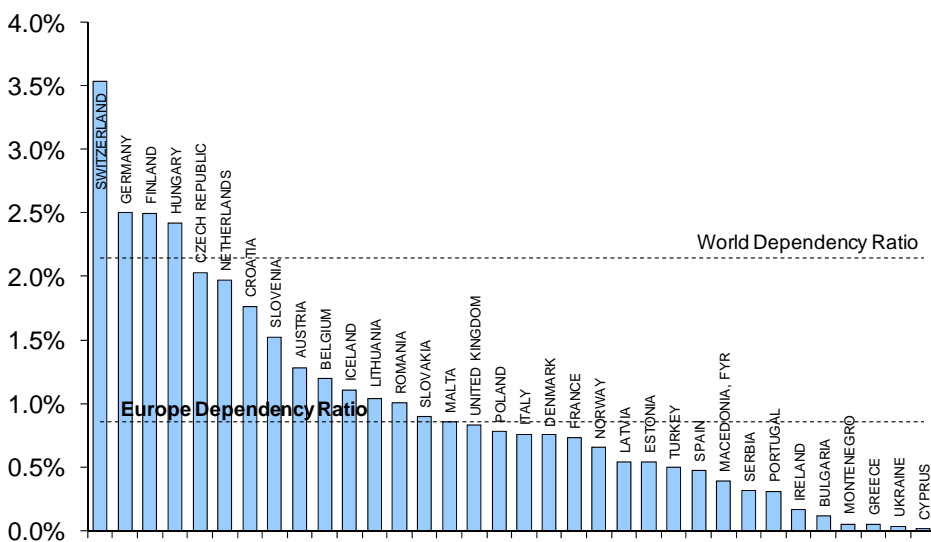


Source : Tourism Economics, TDM

Switzerland, Germany, Finland, and Hungary are the destinations most reliant on Japanese travel—all above the world average dependency ratio (the Japanese share of total international arrivals). The Czech Republic, Netherlands, Croatia, Slovenia, Austria, Belgium, Iceland Lithuania, Romania, and Slovakia all have a higher exposure to Japan than European destinations on average.

Japan Dependency Ratio

Share of international arrivals by destination



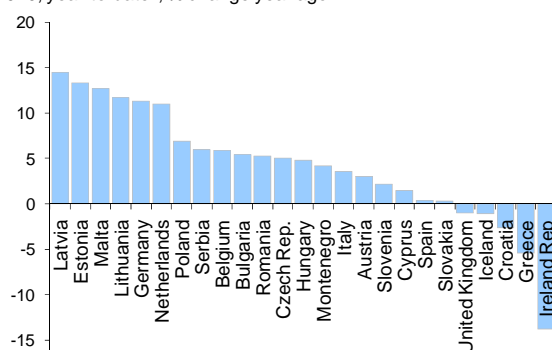
Source : Tourism Economics, TDM

2010 Tourism Performance Summary

- International arrivals remained on an upward trajectory for most European destinations as 2010 came to a close. Of 19 countries reporting full year data for arrivals in TourMIS, all but four posted international tourist arrivals growth for the year.
- Lodging sector performance attests to the increased volumes of international travellers. Hotel occupancy rates for full year 2010 were higher for most countries with only three countries reporting lower occupancy rates compared to 2009. Although Average Daily Rates (ADR) grew for the year in only 7 countries, rates began increasing later in the year for most countries. ADR growth was consistent with the historical lag observed between a recovery in occupancy rates and room rates.
- Intra-European travel continued to perform well over the course of 2010. Key source markets on the continent provided a source of growth for most destinations and Europe overall. While the arrivals from the UK declined for the year, outbound travel began to rebound in the latter part of 2010.

Foreign Visits to Select Destinations

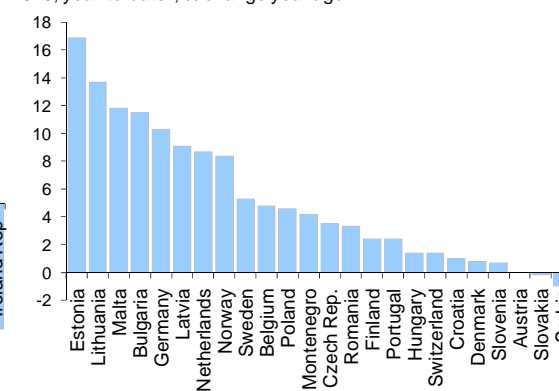
2010, year-to-date*, % change year ago



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

Foreign Visitor Nights in Select Destinations

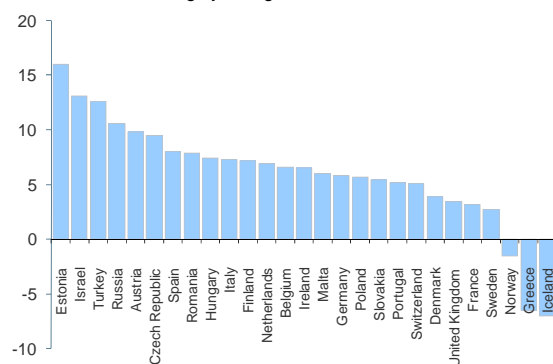
2010, year-to-date*, % change year ago



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

Hotel Occupancy Rates

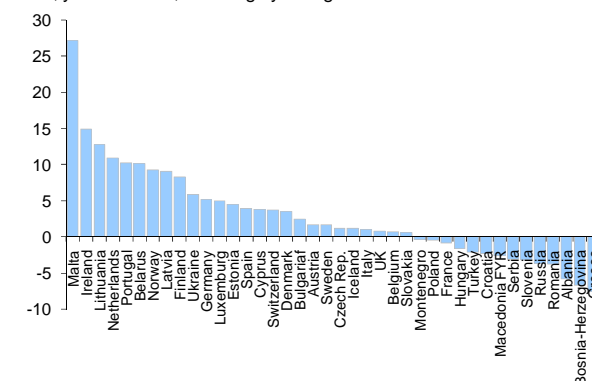
Jan-Dec 2010, % change year ago



Source : STR Global

International Tourism Receipts

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



Source: UNWTO

* date varies by country

2010 Performance, Year to Date												
Tourist Arrivals, Nights, and Receipts								Hotel Performance, Jan - Dec				
International Arrivals			International Nights			International Tourist Receipts			Hotel Occupancy		Hotel ADR (LCU)	
Country	% ytd	to month	Country	% ytd	to month	Country	% ytd (LCU)	to month	Country	% ytd	Country	% ytd
Albania	27.9	Sep	Estonia	16.9	Dec	Malta	27.2	Sep	Estonia	16.0	Germany	12.6
Bosnia-Herzegovina	17.5	Dec	Lithuania	13.7	Dec	Ireland	14.9	Dec	Turkey	12.6	Malta	11.4
Latvia	16.4	Dec	Malta	11.8	Dec	Lithuania	12.8	Sep	Russia	10.6	France	4.8
Malta	12.7	Dec	Bulgaria	11.5	Dec	Netherlands	10.9	Sep	Austria	9.8	Sweden	4.5
Lithuania	11.7	Dec	Germany	10.0	Dec	Portugal	10.2	Dec	Czech Republic	9.5	United Kingdom	3.8
Estonia	11.6	Dec	Spain	9.5	Dec	Belarus	10.1	Jun	Spain	8.0	Belgium	2.9
Germany	11.0	Dec	Latvia	9.1	Sep	Norway	9.3	Dec	Romania	7.9	Netherlands	2.7
Netherlands	10.9	Dec	Norway	9.0	Dec	Latvia	9.1	Sep	Hungary	7.4	Norway	-0.8
Denmark	10.9	Dec	Netherlands	8.7	Nov	Finland	8.3	Dec	Italy	7.3	Portugal	-0.9
Norway	8.8	Dec	Cyprus	6.7	Dec	Ukraine	5.9	Sep	Finland	7.2	Spain	-1.0
Finland	7.2	Dec	Belgium	4.8	Dec	Germany	5.2	Dev	Netherlands	6.9	Switzerland	-1.1
Portugal	6.0	Dec	Poland	4.7	Dec	Luxemburg	5.0	Sep	Belgium	6.6	Greece	-2.0
Belgium	5.9	Dec	Sweden	4.3	Dec	Estonia	4.5	Dec	Ireland	6.5	Italy	-3.0
Serbia	5.8	Dec	Montenegro	4.2	Dec	Spain	3.9	Dec	Malta	6.0	Estonia	-3.4
Turkey	5.7	Dec	Czech Republic	3.5	Dec	Cyprus	3.8	Dec	Germany	5.8	Finland	-3.6
Monaco	5.7	Sep	Romania	3.5	Sep	Switzerland	3.7	Sep	Poland	5.7	Austria	-3.7
Hungary	5.6	Sep	Finland	2.4	Dec	Denmark	3.5	Sep	Slovakia	5.4	Poland	-4.6
Bulgaria	5.4	Dec	Portugal	2.1	Dec	Bulgaria	2.5	Dec	Portugal	5.2	Iceland	-5.1
Romania	5.3	Dec	Hungary	1.4	Dec	Austria	1.7	Sep	Switzerland	5.1	Ireland	-5.5
Czech Republic	5.0	Dec	Switzerland	1.4	Dec	Sweden	1.7	Dec	Denmark	3.9	Hungary	-5.7
Croatia	4.8	Dec	Slovenia	1.2	Dec	Czech Rep.	1.2	Dec	United Kingdom	3.4	Turkey	-7.4
Poland	4.5	Sep	Croatia	1.0	Dec	Iceland	1.2	Sep	France	3.2	Russia	-8.5
Montenegro	4.2	Dec	Slovakia	1.0	Dec	Italy	1.0	Nov	Sweden	2.7	Czech Republic	-8.8
Switzerland	4.0	Dec	Denmark	0.8	Dec	UK	0.8	Sep	Norway	-1.5	Romania	-9.6
Russia	3.2	Sep	Austria	0.0	Dec	Belgium	0.7	Sep	Greece	-6.5	Slovakia	-12.6
Sweden	3.2	Oct	Serbia	-1.2	Dec	Slovakia	0.6	Dec	Iceland	-7.0	Denmark	-12.9
Austria	3.0	Dec				Montenegro	-0.4	Jun				
France	2.8	Oct				Poland	-0.5	Sep				
Slovenia	2.5	Dec				France	-0.8	Dec				
Slovakia	2.2	Dec				Hungary	-1.6	Sep				
Ukraine	1.9	Nov				Turkey	-2.1	Dec				
Greece	1.5	Sep				Croatia	-2.3	Sep				
Cyprus	1.5	Dec				Macedonia FYR	-2.6	Nov				
Spain	1.0	Dec				Serbia	-3.1	Nov				
Macedonia FYR	1.0	Dec				Slovenia	-3.2	Dec				
Italy	0.4	Nov				Russia	-3.7	Sep				
UK	-0.9	Dec				Romania	-3.8	Dec				
Andorra	-1.2	Dec				Albania	-5.8	Oct				
Iceland	-3.6	Dec				Bosnia-Herzegovina	-6.7	Sep				
Liechtenstein	-5.0	Oct				Greece	-7.6	Dec				
Ireland	-13.8	Dec										
San Marino	-20.9	Dec										

Sources: UNWTO, TourMS, ETC, STR Global

Measures used for nights and arrivals vary by country

2011 Tourism Performance Summary

Of those countries which have reported 2011 performance, the majority are experiencing a positive start to the year. Not only are arrivals generally up, but length of stay appears on the rise as well. These trends are confirmed by hotel industry data which indicate at least modest growth in occupancy in the first months of the year.

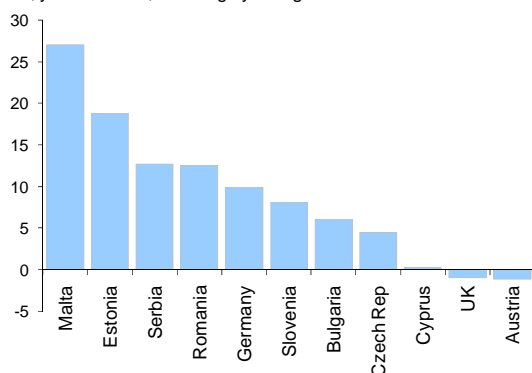
2011 Performance, Year to Date									
Tourist Arrivals and Nights						Hotel Performance, Jan-Feb			
International Arrivals			International Nights			Hotel Occupancy		Hotel ADR (LCU)	
Country	% ytd	to month	Country	% ytd	to month	Country	% ytd	Country	% ytd
Estonia	18.8	Feb	Estonia	21.6	Feb	Lithuania	27.3	Turkey	17.6
Malta	27.9	Feb	Malta	19.6	Feb	Malta	24.0	Iceland	12.6
Germany	9.9	Feb	Germany	8.6	Feb	Estonia	21.2	Estonia	11.6
Serbia	12.7	Feb	Serbia	13.8	Feb	Denmark	9.8	France	7.7
Romania	12.5	Jan	Hungary	11.6	Feb	Turkey	8.9	Ireland	6.0
Slovenia	8.1	Jan	Romania	11.5	Jan	Russia	6.8	Lithuania	5.5
Bulgaria	6.0	Feb	Denmark	10.1	Jan	Spain	6.6	Netherlands	5.5
Czech Rep	4.5	Jan	Finland	8.9	Jan	Norway	6.5	Poland	5.5
Cyprus	0.3	Mar	Slovenia	8.6	Jan	Sweden	6.5	Belgium	5.2
UK	-1.0	Feb	Switzerland	0.4	Jan	Ireland	5.6	Sweden	4.3
Austria	-1.1	Feb	Norway	-1.7	Feb	Iceland	5.0	United Kingdom	4.0
			Sweden	-1.9	Feb	Romania	4.8	Germany	3.9
			Austria	-3.0	Feb	Slovakia	4.8	Portugal	3.8
						Germany	4.5	Italy	3.6
						Israel	4.4	Finland	3.4
						Greece	3.7	Romania	3.3
						Belgium	2.8	Denmark	2.6
						Netherlands	1.7	Norway	2.3
						France	1.3	Russia	0.8
						Switzerland	1.3	Spain	0.5
						Finland	1.0	Switzerland	-0.1
						Italy	0.8	Austria	-0.5
						Poland	0.8	Israel	-0.5
						Czech Republic	0.2	Hungary	-0.7
						Hungary	-0.2	Greece	-2.2
						United Kingdom	-0.6	Slovakia	-2.7
						Austria	-0.8	Czech Republic	-5.0
						Portugal	-3.7	Malta	-7.9

Sources: TourMIS, ETC, STR Global

Measures used for nights and arrivals vary by country

Foreign Visits to Select Destinations

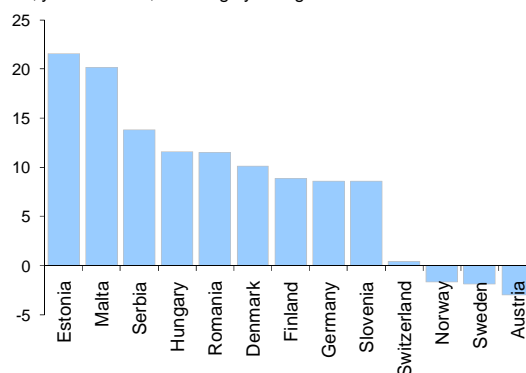
2011, year-to-date*, % change year ago



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

Foreign Visitor Nights in Select Destinations

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



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

Source Market Evolution: 2000-2010

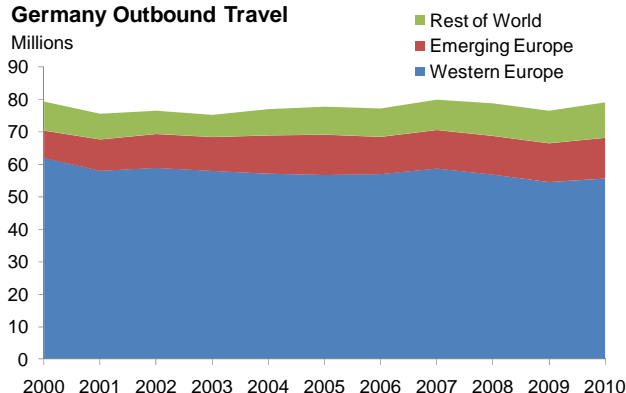
In our last report, we documented the decline in Europe's market share of global long haul and European outbound markets. This resulted from a strong euro over the decade and the increased development of and access to destinations outside Europe. Despite the loss in market share, arrivals to Europe have grown over the last decade as global travel has expanded. This quarter we take a look at the top 5 European and global source markets over the past decade.

European Markets

Germany

- Outbound travel from Germany declined at an annual rate of less than 0.1% from 2000-2010. Arrivals to Western Europe fell 1.1% and arrivals to Emerging Europe grew 4.1%, annually (compound annual growth), over this period. In 2010, the market share of German travellers to Western Europe was 70.3%, down 7.8 percentage points from 2000, and 16.0% to Emerging Europe, a gain of 5.3 percentage points in share.

Germany Outbound Travel

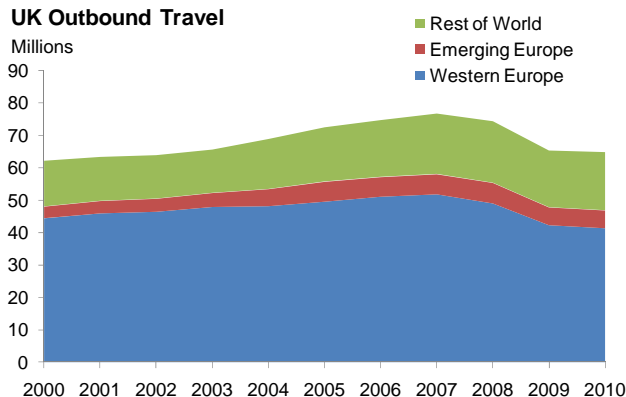


Source : Tourism Economics' Tourism Decision Metrics

UK

- Outbound travel from the UK grew at an annual rate of 0.4% from 2000-2010. Arrivals to Western Europe fell 0.7% and arrivals to Emerging Europe grew 4.3%, annually (compound annual growth), over this period. In 2010, the market share of British travellers to Western Europe was 63.9%, down 7.7 percentage points from 2000, and 8.4% to Emerging Europe, a gain of 2.7 percentage points in share.

UK Outbound Travel

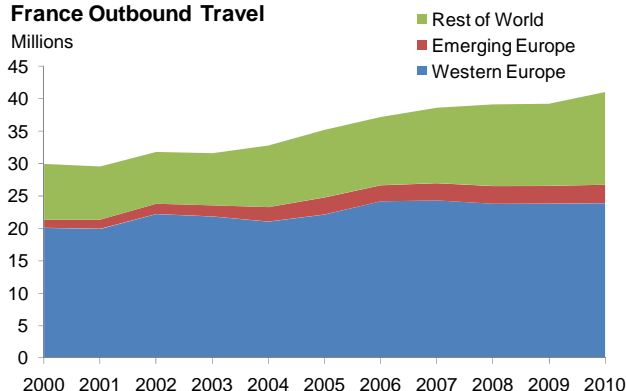


Source : Tourism Economics' Tourism Decision Metrics

France

- Outbound travel from France grew at an annual rate of 3.2% from 2000-2010. Arrivals to Western Europe grew 1.8% and arrivals to Emerging Europe grew 8.7%, annually (compound annual growth), over this period. In 2010, the market share of French travellers to Western Europe was 70.3%, down 7.8 percentage points from 2000, and 16.0% to Emerging Europe, a gain of 5.3 percentage points in share.

France Outbound Travel

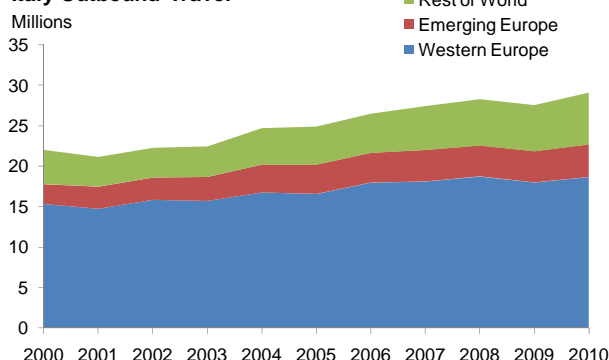


Source : Tourism Economics' Tourism Decision Metrics

Italy

- Outbound travel from Italy grew at an annual rate of 2.8% from 2000-2010. Arrivals to Western Europe grew 2.0% and arrivals to Emerging Europe grew 5.1%, annually (compound annual growth), over this period. In 2010, the market share of Italian travellers to Western Europe was 64.2%, down 5.5 percentage points from 2000, and 13.8% to Emerging Europe, a gain of 2.7 percentage points in share.

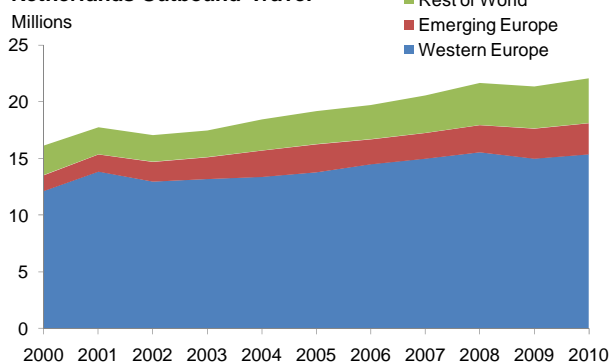
Italy Outbound Travel



Netherlands

- Outbound travel from the Netherlands grew at an annual rate of 3.2% from 2000-2010. Arrivals to Western Europe grew 2.4% and arrivals to Emerging Europe grew 7.1%, annually (compound annual growth), over this period. In 2010, the market share of Dutch travellers to Western Europe was 69.6%, down 5.6 percentage points from 2000, and 12.5% to Emerging Europe, a gain of 3.8 percentage points in share.

Netherlands Outbound Travel



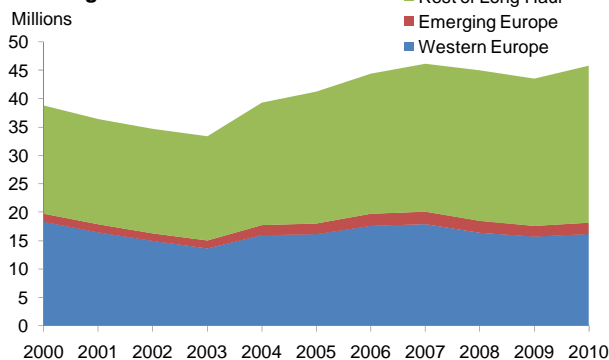
Source : Tourism Economics' Tourism Decision Metrics

Long Haul Markets

US

- Long haul travel from the US grew at an annual rate of 1.7% from 2000-2010. Arrivals to Western Europe fell 1.2% and arrivals to Emerging Europe grew 3.3%, annually (compound annual growth), over this period. In 2010, the market share of American long haul travellers to Western Europe was 35.2%, down 11.9 percentage points from 2000, and 4.4% to Emerging Europe, a gain of 0.6 percentage points in share.

US Long Haul* Visitors



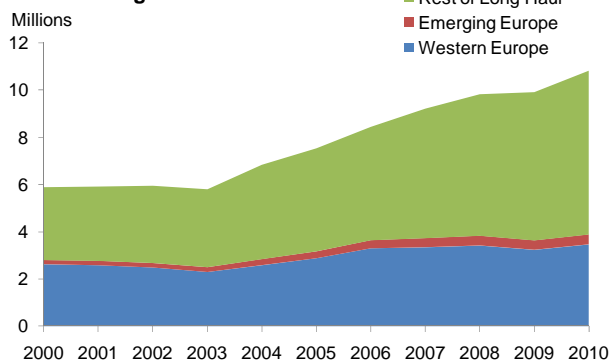
Source : Tourism Economics' Tourism Decision Metrics

*Long haul defined as outside North America

Canada

- Long haul travel from Canada grew at an annual rate of 6.3% from 2000-2010. Arrivals to Western Europe fell 12.6% and arrivals to Emerging Europe grew 0.9%, annually (compound annual growth), over this period. In 2010, the market share of Canadian long haul travellers to Western Europe was 32.1%, down 12.6 percentage points from 2000, and 3.9% to Emerging Europe, a gain of 0.9 percentage points in share.

Canada Long Haul* Visitors



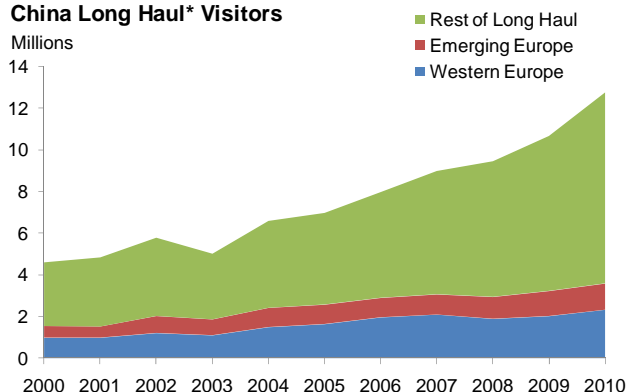
Source : Tourism Economics' Tourism Decision Metrics

*Long haul defined as outside North America

China

- Long haul travel from China grew at an annual rate of 10.7% from 2000-2010. Arrivals to Western Europe grew 9.0% and arrivals to Emerging Europe grew 8.5%, annually (compound annual growth), over this period. In 2010, the market share of Chinese long haul travellers to Western Europe was 18.3%, down 3.1 percentage points from 2000, and 9.9% to Emerging Europe, a loss of 2.2 percentage points in share.

China Long Haul* Visitors

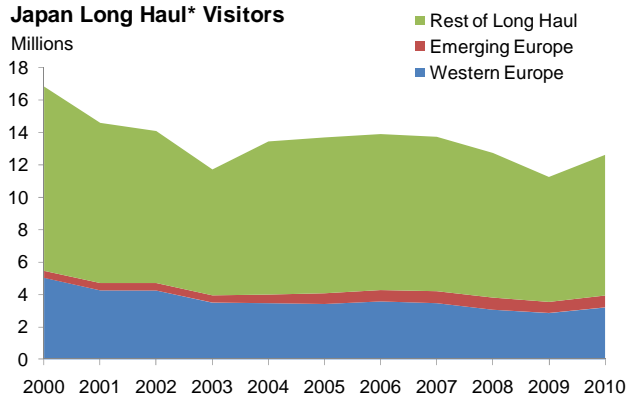


Source : Tourism Economics' Tourism Decision Metrics
*Long haul defined as outside Northeast Asia

Japan

- Long haul travel from Japan declined at an annual rate of 2.8% from 2000-2010. Arrivals to Western Europe fell 4.4% and arrivals to Emerging Europe grew 5.5%, annually (compound annual growth), over this period. In 2010, the market share of Japanese long haul travellers to Western Europe was 25.3%, down 4.5 percentage points from 2000, and 5.8% to Emerging Europe, a gain of 3.3 percentage points in share.

Japan Long Haul* Visitors

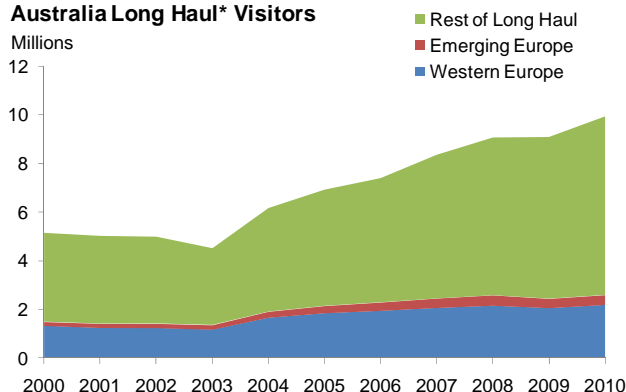


Source : Tourism Economics' Tourism Decision Metrics
*Long haul defined as outside Northeast Asia

Australia

- Long haul travel from Australia grew at an annual rate of 6.8% from 2000-2010. Arrivals to Western Europe grew 5.1% and arrivals to Emerging Europe grew 9.8%, annually (compound annual growth), over this period. In 2010, the market share of Aussie long haul travellers to Western Europe was 22.0%, down 3.9 percentage points from 2000, and 4.0% to Emerging Europe, a gain of 1.0 percentage points in share.

Australia Long Haul* Visitors



Source : Tourism Economics' Tourism Decision Metrics
*Long haul defined as outside Oceania

Recent Industry Performance

Recovery shows signs of slowing

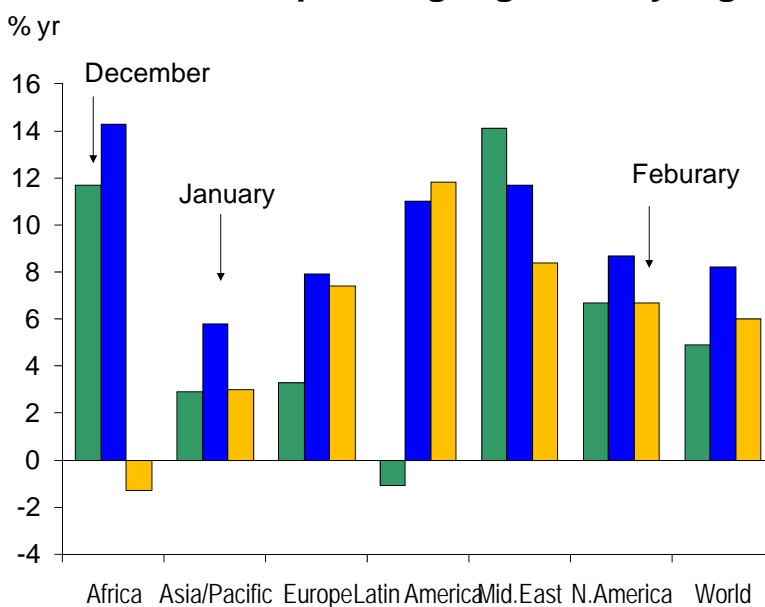
- Industry data show growth continuing in Europe, but there are signs of slowing in both the airline and hotel sector
- European airlines continued to add capacity over the early months of the year, but passenger traffic, which has slowed in recent weeks has failed to keep pace yielding lower load factors
- Occupancy rates increased across Europe over the first two months of the year, but the rate of increase has slowed from that seen in the latter months of 2010
- Strong year-over-year comparisons are expected in April due to the weak performance in 2010 brought about by the volcanic ash cloud. Beyond April, however, industry performance will likely slow in the headwinds of lukewarm economic growth and in comparison to the strongest periods of the travel recovery

Air Transport

After showing growth through late 2010, global air travel continued its expansion in early 2011. Through February, overall global revenue passenger kilometres (RPK) increased 7.3%. Latin America and the Middle East expanded at double-digit growth rates of 11.4% and 10.3%, respectively, and European market growth rate was once again above the global average.

The decline in the rate of global growth that started towards the end of 2010 continued through the start of 2011. This decline is attributable to the slow and fragile economic recovery and as well as comparisons to a higher base from the beginning of the recovery.

International air passenger growth by region

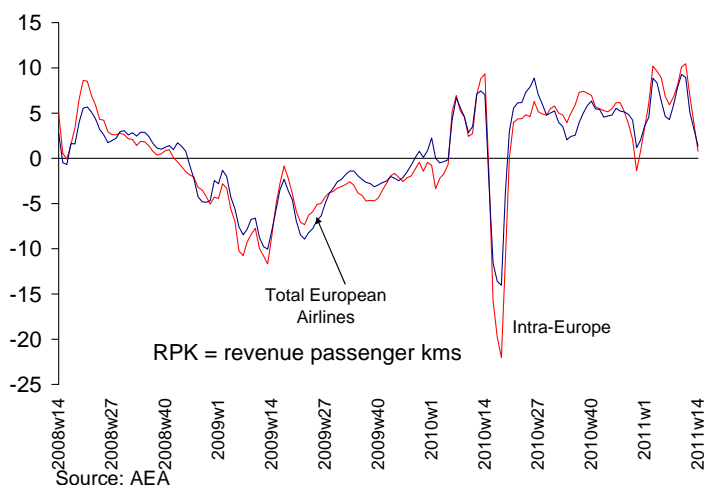


Although European air travel experienced a slight downturn in late 2010 (due mainly to weather), overall passenger growth on European airlines between mid 2010 and early 2011 has shown considerable growth compared to 2009 levels, based on data from the Association of European Airlines.

Overall, European Revenue Passenger Kilometres (RPK) have surged by an average of 7.0% through the first 14 weeks of 2011 with growth driven mainly by intra-European travel. However, RPK growth has slowed modestly in recent weeks.

European airline passenger traffic

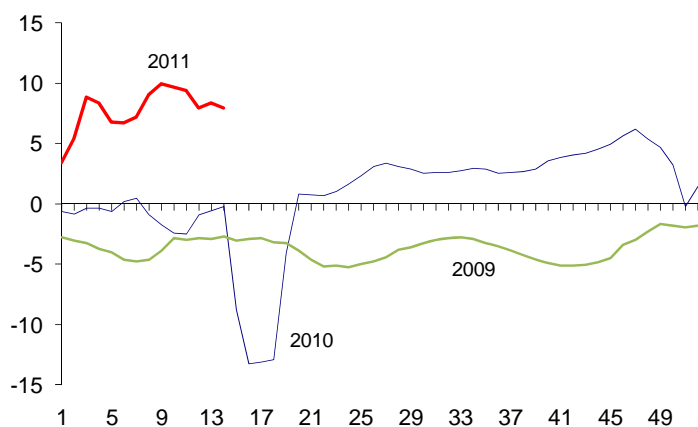
RPK, 4 week moving average, % change year ago



Capacity of European airlines continues to expand, carrying on the trend from late 2010. Despite capacity constraints imposed by bad weather late in 2010, capacity surged strongly between late 2010 and early 2011, averaging a 7.8% increase in Available Seat Kilometres (ASK) over the first 14 weeks of 2011. This trend in increased capacity continues to weaken load factors, which have been below 80% since mid-2010 and have averaged slightly below 73% in early 2011.

European airlines capacity

4 week MA, Available Seat Kilometres (ASK), % change year ago

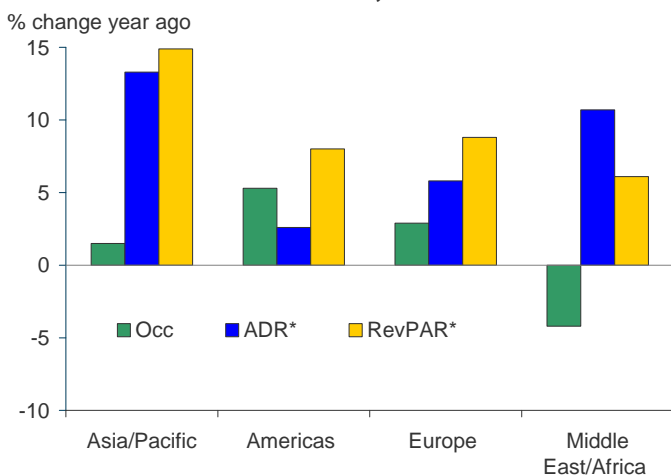


Source: AEA

Accommodation

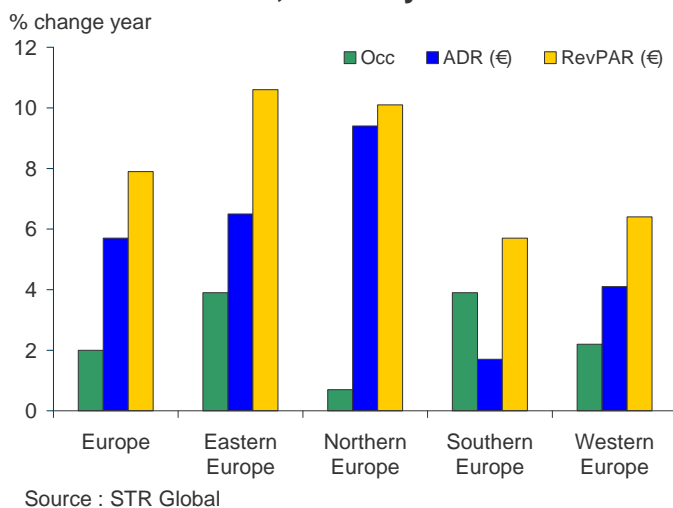
Average Daily Rates (ADR) and Revenue per Available Room (RevPAR) outperformed 2010 in the first two months of 2011 in every region of the world. Hotel occupancy rates were higher in every region of the world except for The Middle East/Africa (where supply continues to increase). ADR and RevPAR performance continues to be led by Asia Pacific, with growth rates of 13.3% and 14.9%, respectively.

Global Hotel Performance, Jan-Feb 2011



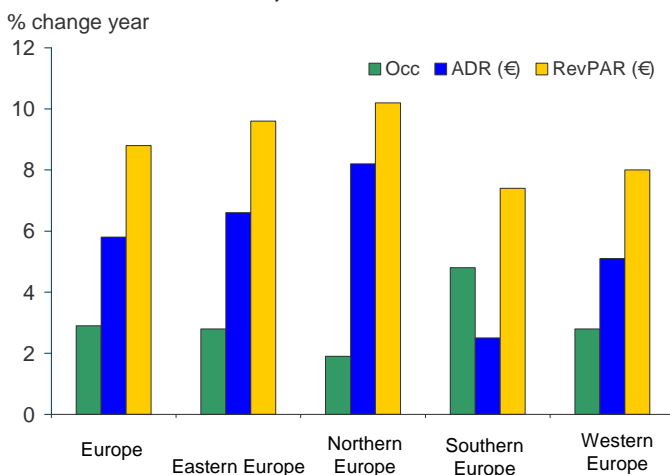
In February, the European lodging sector continued to experience the gains which gathered momentum over the course of 2010. Overall, each sub-region realized growth in the three metrics (occupancy, ADR, and RevPAR). Eastern and Southern Europe experienced the greatest increases in occupancy for the month.

Hotel Performance, February 2011



Over the first two months of 2011 occupancy rates grew 2.9% for Europe led by Southern Europe at 4.5%. Hoteliers continue to respond to the increased demand experienced over the last several months, pushing ADR up 5.8% for the year. RevPAR consequently resulted in even higher performance, rising 8.8% and led by an increase of 10.2% in Northern Europe.

Hotel Performance, Jan-Feb 2011

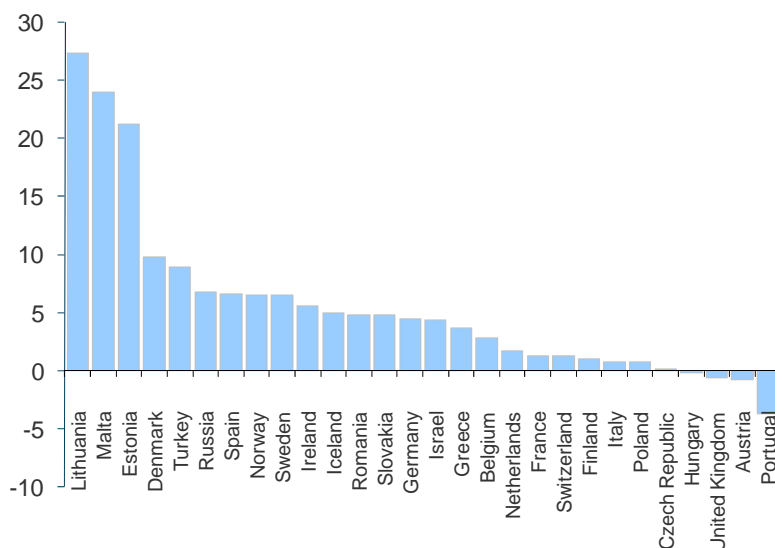


Source : STR Global

For the year-to-date through February, only 4 of 27 countries reported by STR Global have experienced a decline in occupancy rates. ADR growth ranges between -7.9% (Malta) and 17.6% (Turkey) and 20 countries report increases in ADR so far in 2011. RevPAR has increased in all but 4 countries through February.

Hotel Occupancy Rates

Jan-Feb YTD, % change year ago



Source : STR Global

Key Source Market Performance

2011 off to encouraging start

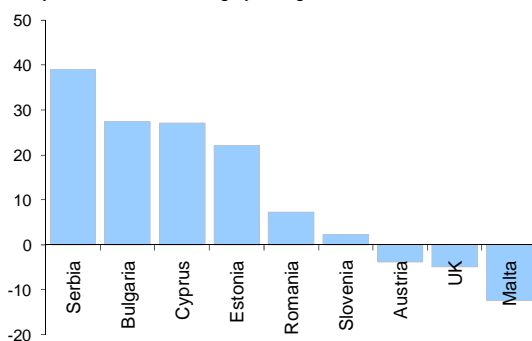
- European source markets are performing well in the early months of 2011
- US arrivals are also on the rise despite a weaker dollar
- Japan started the year generally stronger, but the outlook has dimmed post-earthquake and nuclear disaster

Key intra-European markets

Arrivals of German residents in 2010 were mixed across the 24 destinations reporting results in TourMIS, only half of destinations reported increases in arrivals from Germany. Slightly more than half of destinations reported increases in nights spent by German travellers, however. German travel grew robustly in the opening months of 2011 to most of the reporting destinations, with growth in four destinations above 20%. Early reports for the higher volume destinations of Austria and the UK show declines in arrivals from Germany.

Visits from Germany to Select Destinations

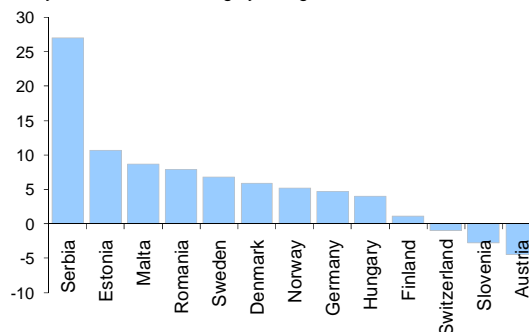
2011, year-to-date*, % change year ago



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

German Visitor Nights in Select Destinations

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

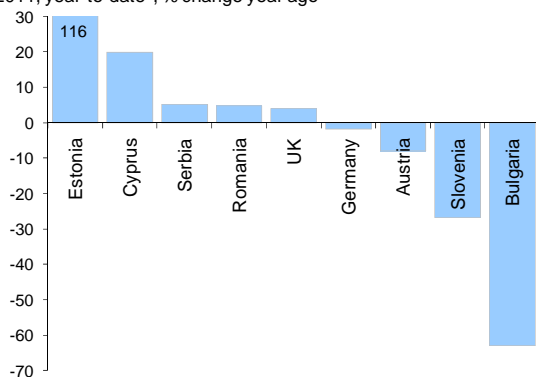


Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

In the early months of 2011, arrivals from the Netherlands appear to be trending upwards compared to the lacklustre results of 2010, though several destinations have experienced a decline in Dutch arrivals. As was the case of German travel in 2010, only half of destinations experienced an increase in arrivals from the Netherlands last year.

Visits from Netherlands to Select Destinations

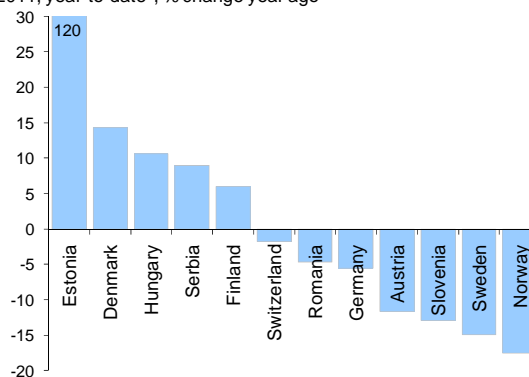
2011, year-to-date*, % change year ago



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

Netherlands Nights in Select Destinations

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

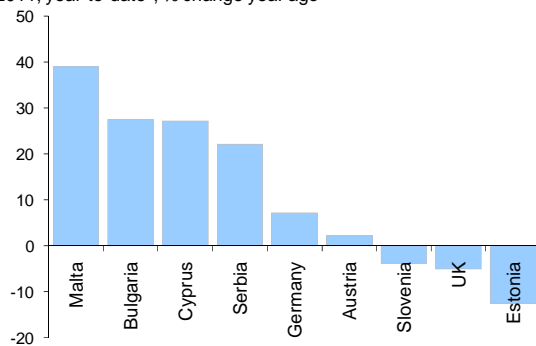


Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

French travellers were among the more prolific source markets in 2010, especially in destinations on the continent. That trend remains intact early in the year, as arrivals from France are up in all but two reporting destinations. Noting year-to-date growth rates tend to be more volatile early in the year and data for only a small sample of destinations are available, arrivals from France are up over 10% in half of the reporting destinations.

Visits from France to Select Destinations

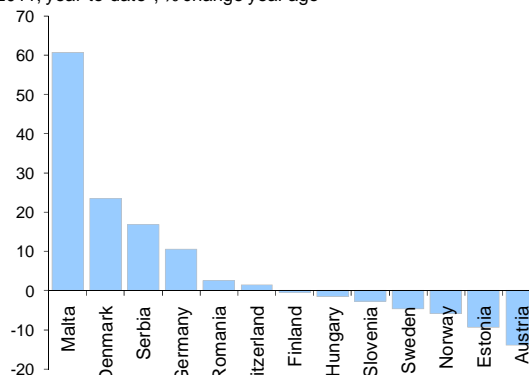
2011, year-to-date*, % change year ago



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

French Visitor Nights in Select Destinations

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

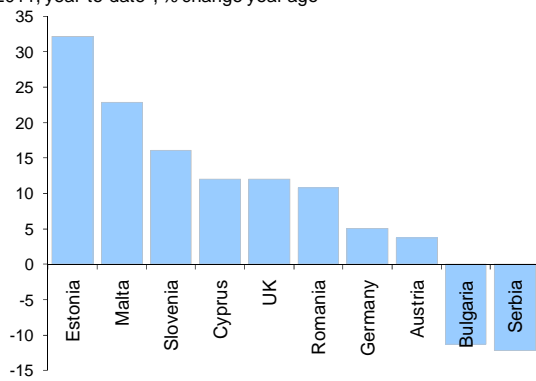


Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

Italy is also performing well early in the year, recovering from a weak start to 2010 which stabilised late in the year. Most destinations reported increases in arrivals from Italy and over half reported double-digit growth. Nights abroad by Italian travellers is equally split among gainers and losers in destinations, however.

Visits from Italy to Select Destinations

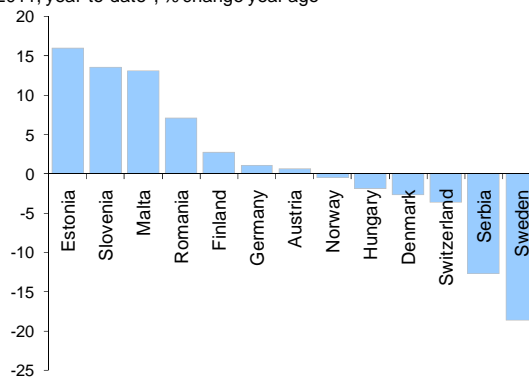
2011, year-to-date*, % change year ago



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

Italian Visitor Nights in Select Destinations

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

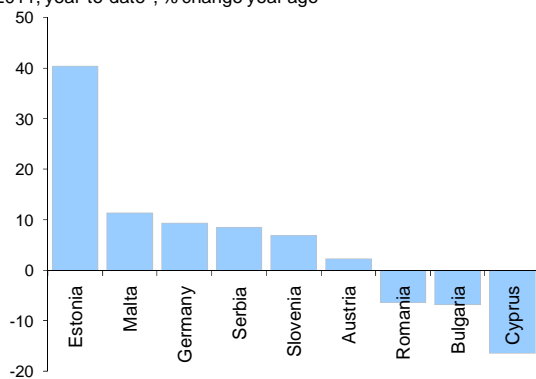


Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

Travel out of the UK is beginning to recover with a majority of destinations reporting gains in arrivals by the end of 2010 (and losses narrowing for most of the remaining destinations). The growth trend remains intact for most destinations in the early part of 2011.

Visits from UK to Select Destinations

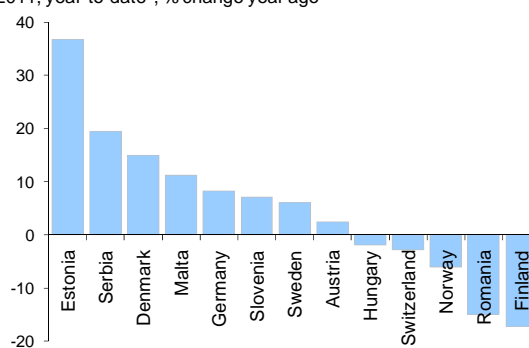
2011, year-to-date*, % change year ago



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

UK Visitor Nights in Select Destinations

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

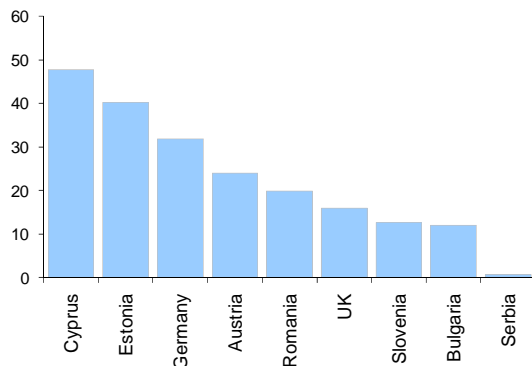


Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

Russia was once again the stand out performer of 2010 with growth of arrivals by Russian travellers in all reporting destinations as well as increases in nights spent in all but one destination. Early 2011 data indicate continued, robust growth of Russian travel as arrivals have increased in all reporting destinations.

Visits from Russia to Select Destinations

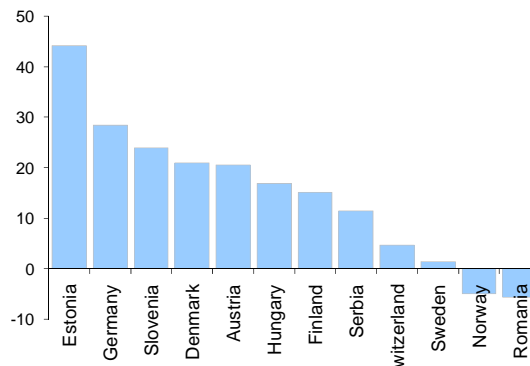
2011, year-to-date*, % change year ago



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

Russian Visitor Nights in Select Destinations

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



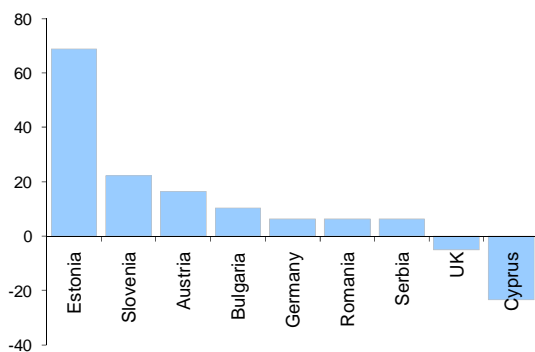
Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

Non-European markets

Strong performance in travel from the US carried over from the end of 2010 into the early months of 2011. Most destinations have reported strong growth in arrivals from the US in the first months of the year and nights have increased for all reporting destinations.

Visits from US to Select Destinations

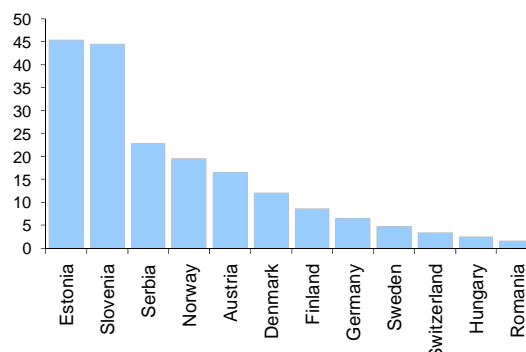
2011, year-to-date*, % change year ago



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

US Visitor Nights in Select Destinations

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

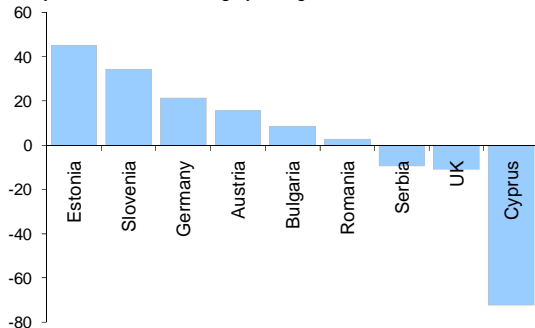


Source : TourMIS, ETC, *date varies (Jan-Mar) by destination

Japanese travel to Europe also exhibited a recovery in 2010 which has carried into 2011 for most reporting destinations. However, the catastrophic earthquake in March and unfolding nuclear disaster have cast uncertainty on Japanese outbound travel. While near term outflows of Japanese citizens with the means to travel are expected, travel will be mostly within Asia. Arrivals from Japan are now expected to decline by roughly 10% in 2011.

Visits from Japan to Select Destinations

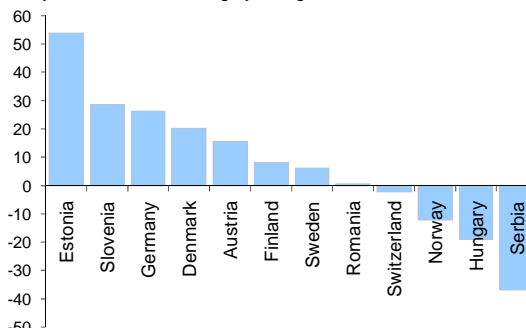
2011, year-to-date*, % change year ago



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

Japanese Visitor Nights in Select Destinations

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



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

Our 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.

Global Tourism Forecast Summary Table

TDM Visitor Growth Forecasts, % change												
	Inbound*						Outbound**					
	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013
World	1.9%	-4.4%	6.6%	2.9%	4.8%	3.9%	3.0%	-4.4%	7.2%	3.7%	5.1%	4.1%
Americas	2.7%	-4.9%	6.1%	4.3%	4.9%	4.3%	0.7%	-2.3%	6.7%	4.2%	5.2%	4.2%
North America	2.6%	-5.8%	6.7%	3.5%	4.7%	4.2%	0.7%	-3.3%	6.8%	2.3%	4.2%	3.5%
Caribbean	0.9%	-3.3%	3.2%	4.4%	4.2%	3.2%	-12.4%	3.6%	-2.7%	9.4%	8.3%	7.0%
Latin America	4.5%	-3.1%	5.9%	6.9%	6.2%	5.5%	5.2%	-0.1%	8.9%	10.2%	8.0%	5.8%
Europe	0.0%	-6.0%	3.1%	2.6%	3.9%	3.3%	0.6%	-6.0%	5.6%	4.3%	4.2%	3.9%
EU15	-1.8%	-5.9%	2.7%	2.4%	3.6%	2.7%	1.4%	-3.1%	3.1%	2.7%	3.4%	3.0%
Eastern Europe	2.6%	-8.7%	3.5%	4.0%	5.2%	4.8%	-0.5%	-10.5%	8.5%	6.7%	5.1%	5.2%
Asia	1.2%	-1.5%	12.6%	4.3%	6.9%	4.7%	3.6%	0.0%	10.5%	4.8%	7.0%	4.2%
North East	0.0%	-2.9%	13.8%	3.1%	8.1%	5.4%	1.9%	-1.1%	9.2%	4.4%	6.8%	3.9%
South East	3.5%	0.9%	12.0%	6.0%	5.3%	3.6%	9.3%	3.8%	13.2%	5.6%	7.3%	4.4%
South	3.6%	-4.2%	13.8%	9.2%	7.9%	4.4%	0.4%	-6.0%	12.7%	4.5%	10.1%	7.5%
Oceania	-1.2%	-0.6%	4.4%	2.3%	3.2%	4.2%	4.5%	5.2%	11.1%	4.3%	2.7%	2.5%
Africa	7.6%	2.2%	10.5%	2.0%	5.1%	4.1%	6.9%	-5.7%	6.7%	-2.7%	5.6%	4.8%
Mid East	16.7%	-4.9%	14.2%	-2.4%	4.9%	4.1%	27.5%	-10.8%	9.6%	-3.3%	4.8%	4.1%

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

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

Economic Outlook for Key Markets

Central banks becoming more cautious

- Central banks in emerging markets continue to raise rates as the ECB becomes the first major central bank to begin tightening monetary policy
- Commodity prices rose substantially in recent months, but core price inflation remains generally subdued. However, modest broad money supply growth raises a flag for caution on the part of central banks
- Wage spiral inflation is unlikely in the developed economies as unemployment and spare capacity persist. Capacity utilisation is higher in emerging markets where food and energy prices are also having a bigger impact, thus more tightening is expected.
- The April earthquake and tsunami in Japan will hinder the Japanese economy in 2011, but a strong rebound is expected in 2012. Production in Asian economies reliant on Japanese components will likely be affected to a certain extent in Q2.

Global Overview

The ECB became the first major central bank to raise rates on 7 April, citing concerns about higher headline inflation feeding into wage and inflation expectations.

This move came despite a relatively subdued growth outlook in the Eurozone and continued financial stress in the 'peripheral' countries and suggests the ECB is more concerned about credibility issues than the Federal Reserve or the Bank of England.

Although there are some dissenting voices at the Fed, we continue to believe rates will stay on hold until early 2012. This view has been strengthened by weaker recent data, which have seen our 2011 US growth forecast revised down to 2.9% from 3.2% last month

In the UK, we expect rates to rise in August at the earliest, with household incomes being squeezed hard already and inflation pressures likely to ease in 2012.

Modest broad money supply growth suggests a cautious approach by central banks would be wise. Long-term inflation expectations also remain relatively contained, while signs of the wage-price spiral feared by some policymakers are hard to discern.

In the emerging markets, the case for monetary tightening remains clearer and recent weeks have seen further rate rises in China, India and Poland. And limited spare capacity and a higher impact from food and fuel price rises suggest more rate rises ahead.

This should ease commodity price growth as strong demand from emerging markets has been an important factor pushing commodities up. It will also slow emerging market growth to some extent, but with signs of imminent overheating limited, the output loss should be modest.

Near-term tightening pressures in Asia will also be reduced by economic disruption in Japan. Following the March earthquake we now expect Japanese GDP to grow just 0.5% this year, down from 1.3% before, although 2012 should see a strong rebound.

Summary of International Forecasts						
	2009	2010	2011	2012	2013	2014
Real GDP						
North America						
United States	-2.6	2.9	2.9	3.2	3.7	3.5
Canada	-2.5	3.1	2.9	2.8	3.3	3.8
Europe						
Eurozone	-4.0	1.7	1.6	1.7	2.0	2.0
Germany	-4.7	3.5	2.6	1.8	2.1	2.1
France	-2.5	1.5	1.8	2.0	2.1	2.0
Italy	-5.2	1.2	1.1	1.2	1.3	1.4
UK	-4.9	1.3	1.7	2.3	3.0	3.0
EU27	-4.2	1.7	1.8	2.0	2.4	2.4
Asia						
Japan	-6.3	4.0	0.5	2.7	2.0	1.8
Emerging Asia, excl Japan	5.4	7.5	7.6	7.6	7.5	7.3
China	9.2	10.3	9.5	8.8	8.8	8.6
India	7.0	8.6	7.9	8.8	8.9	8.4
World	-2.1	3.8	3.4	3.8	4.0	3.9
World 2005 PPPs	-0.8	4.7	4.3	4.6	4.7	4.6
World trade	-12.7	13.6	7.0	7.9	8.1	7.7

Eurozone

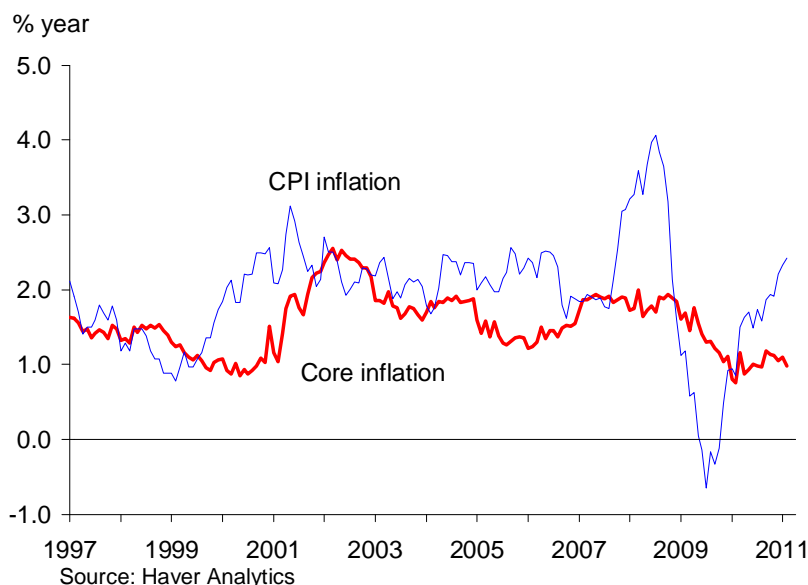
The ECB raised its policy rate by 25bp to 1.25% on 7 April. But monetary tightening will unfold at a relatively moderate pace and we expect the policy interest rate to be at 1.5% by the end of the year.

Inflation rose to 2.6% in March according to the flash estimate, but mainly due to soaring oil prices. Past increases in fuel prices are trickling slowly through the economy, with February core inflation stable at 1.2%. Despite rising inflation expectations, high unemployment makes a wage-price spiral unlikely. And with GDP and consumption set to grow by just 1.6% and 0.8% respectively this year, inflation pressures from the goods market are unlikely too.

The expected monetary policy tightening has propped up the euro. However, weaker fundamentals and uncertainty about fiscal policy will weigh against the single currency and we expect it to slide from the current rate of €1.44 to the US\$ to €1.30 at the end of this year.

On 6 April, the Portuguese government finally requested financial assistance from the EU and the IMF. The country needs loans of around €80bn, but will also be required to implement further fiscal adjustment. The bailout request has not yet affected the relatively sanguine market view of Spain, where long-term rates have remained stable.

Eurozone: Headline Inflation



UK Economy

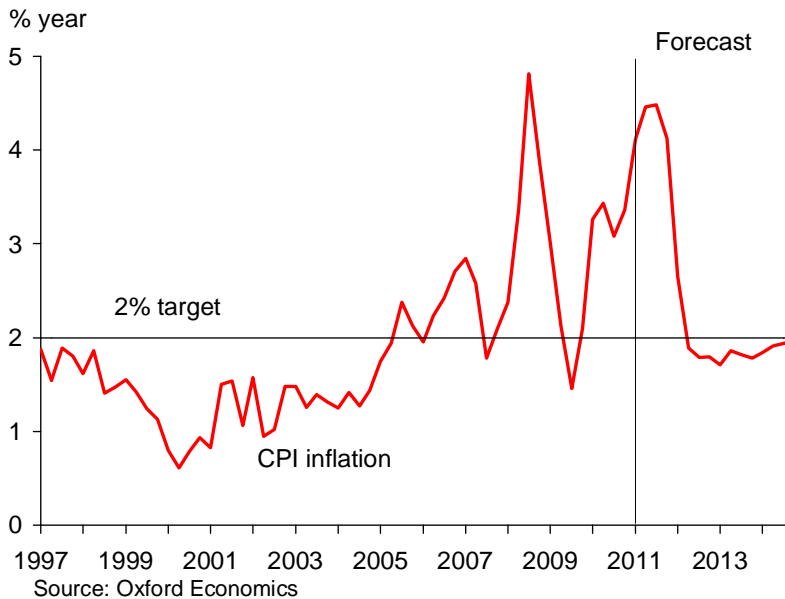
Recent data have dampened our expectations for GDP growth in 2011Q1. Though January saw a strong rebound across most indicators after the December snow, figures since then have been patchy and suggest a weaker underlying trend. Retail spending has been particularly soft, in response to the intensifying squeeze on real incomes, but manufacturing activity has also disappointed, both in terms of official data and the March PMI survey. We estimate that the economy grew by around 0.7% in Q1, having contracted by 0.5% in 2010Q4.

Softer inflation data in March would appear to have removed any prospect of a May rate hike from the agenda. CPI inflation fell from 4.4% to 4.0%, due to a sharp decline in food prices.

Although inflation remains more than double the 2% target, and is likely to edge up over the next few months as further rises in oil prices feed through, there has still been no pass-through into pay settlements. So we still expect inflation to slow sharply next year as commodity prices stabilise and January's VAT increase falls out of the calculation. We expect the MPC to keep interest rates at 0.5% until at least August.

While the Budget was 'fiscally neutral', the Chancellor still made 57 changes to tax and spending policy. These were largely aimed at helping consumers and supporting business, with the headline measure being a 1p cut in the rate of fuel duty instead of the increase of almost 5p that had been due

UK: Inflation relative to target



US Economy

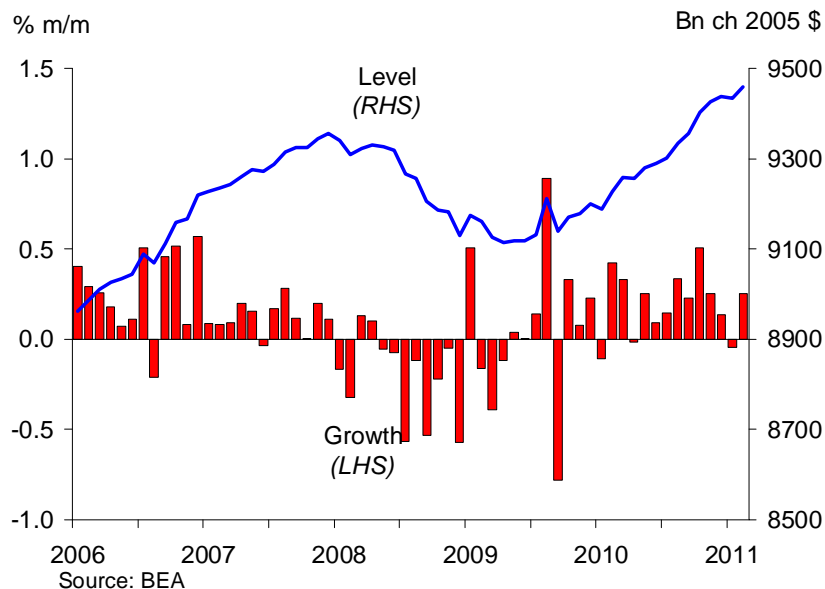
Recent economic data have been weaker than expected, including real consumer spending, construction spending, core durable goods orders and home building and sales. Some of this weakness is undoubtedly due to the bad weather at the beginning of the year, but it may also reflect higher levels of uncertainty.

However, there is also reason for guarded optimism. The labor market has been steadily improving and the ISM indexes continue to signal robust growth. In addition, chain stores reported positive results for March, suggesting a rebound from the earlier weakness.

A key downside risk comes from sharply higher energy prices. The rise in the oil price has boosted headline inflation in recent months and could lead to a rise in inflation expectations, and hence earlier monetary tightening than currently expected. In addition, higher energy prices cut into disposable income, which could lead to more subdued consumer spending.

The federal government has averted a partial shutdown for the present, although more battles over fiscal policy loom over the rest of the year. The recovery should be able to take budget cuts made to date in its stride, but larger cuts down the road and significant changes in programs and policy could have a greater impact.

Consumers' expenditure



Japan

The earthquake and tsunami that struck on 11 March was the worst natural disaster to hit Japan since the 1995 Kobe earthquake. As well as damaging infrastructure in the affected areas, there has been major disruption to electricity production facilities, including nuclear plants, with knock-on effects to the broader economy.

Plant shutdowns in several major industries such as motor vehicles and electronics could see industrial output fall sharply in March, wiping out previously projected growth for Q1 and hitting Q2 hard as well.

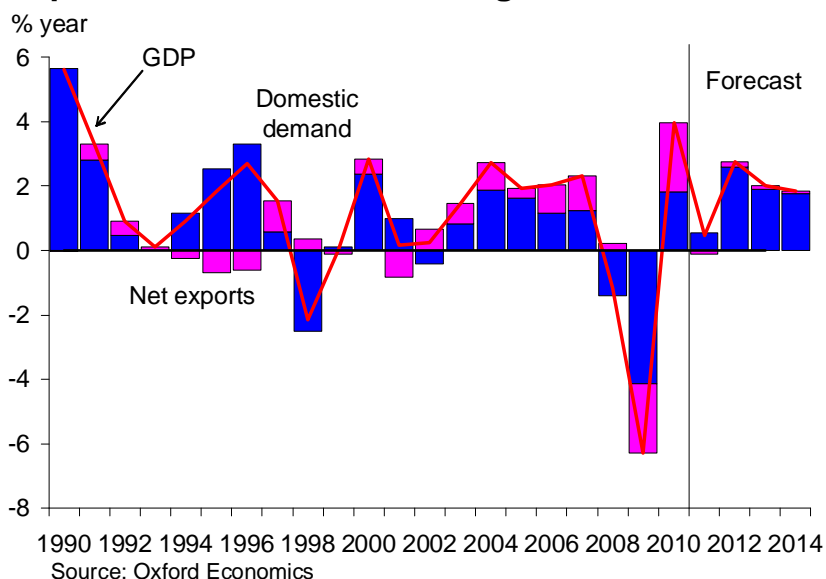
Economic activity will also be hit by weaker consumer and business confidence, with worrying early indications from car sales and the PMI indices.

We now expect GDP to contract in Q1 2011 and recover only slowly in Q2, resulting in growth for the whole year of just 0.5% compared with 1.3% a month ago.

But there is a good chance the initial GDP losses will be regained relatively quickly as reconstruction gets under way. We expect activity to pick up significantly from Q3 and now project GDP growth of 2.7% in 2012, up from our forecast of 2% a month ago.

One possible risk to this forecast is the weak state of public finances, which are far worse than at the time of the Kobe earthquake. This could mean slower reconstruction this time around and pressure for the Bank of Japan to loosen monetary policy further.

Japan: Contributions to GDP growth

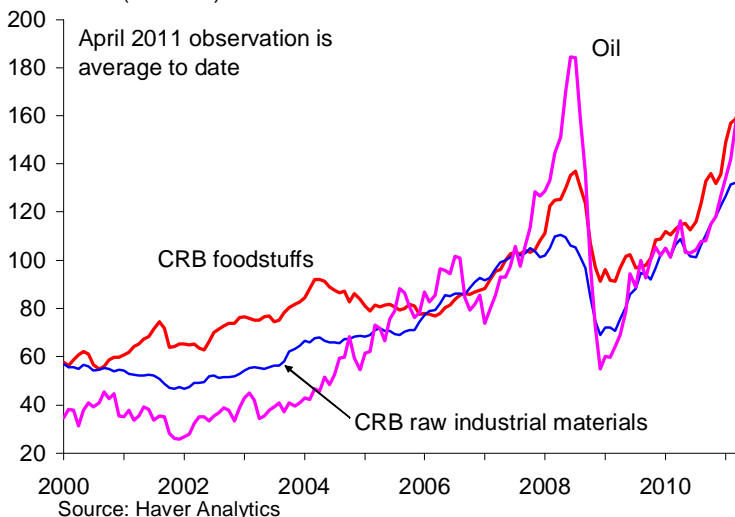


Emerging Markets

In December, the Brent oil price averaged US\$92pb, three months later it was around US\$114 and at the time of writing it was just above US\$120. Over the same period, raw industrial materials in US\$ terms have risen by about 9% and foodstuffs by close to 21%. This broad surge in commodity prices will feed into higher consumer prices across the emergers during the rest of the year, following on from the impact of significant rises in 2010H2.

World: Commodity prices

2007=100 (rebased)



For some particularly energy-intensive industries, this year's jump in oil prices is likely to hit profitability sufficiently hard that it leads to lower investment, but in the main the rise is probably not yet large enough to trigger a general deterioration of business and consumer confidence. The latter would be a lot more likely if the oil price was to rise to US\$150 or even higher, particularly as this development would have serious repercussions for emergers' exports to the still fragile US and EU economies.

But for the time being the main implication of the rise in commodity prices is that it keeps up the pressure on emergers' central banks to move their monetary policies to a more neutral setting to ensure that there are no second-round effects from these price shocks. This is all the more necessary given the fact that most countries have little spare capacity to provide any deflationary offsets.

Moreover, the latest monthly information indicates that demand remains fairly healthy across all the main emerger regions, albeit March manufacturing PMI surveys in parts of Asia and central Europe were not quite as dynamic as at the start of the year.

However, there does appear to be some evidence of a modest deceleration in the Chinese economy at the start of the year; the HSBC manufacturing PMI and the services PMI eased in Q1, nominal retail sales growth slowed modestly, bank lending growth has moderated and net trade was probably a drag on activity in Q1. Notwithstanding these tentative signs, the authorities have continued with their policy of gradually tightening monetary policy in an effort to prevent overheating and to check inflation. Although CPI inflation was

unchanged at 4.9% in February and the non-food component edged down, the upward pressures remain fairly clear – as shown by the continued rise in manufacturing PPI inflation, to 6.6%. As a result, bank reserve requirements were raised again in mid-March, while the key 1-year lending rate was hiked for the fourth time this cycle in early April. Further similar measures are expected during the rest of 2011.

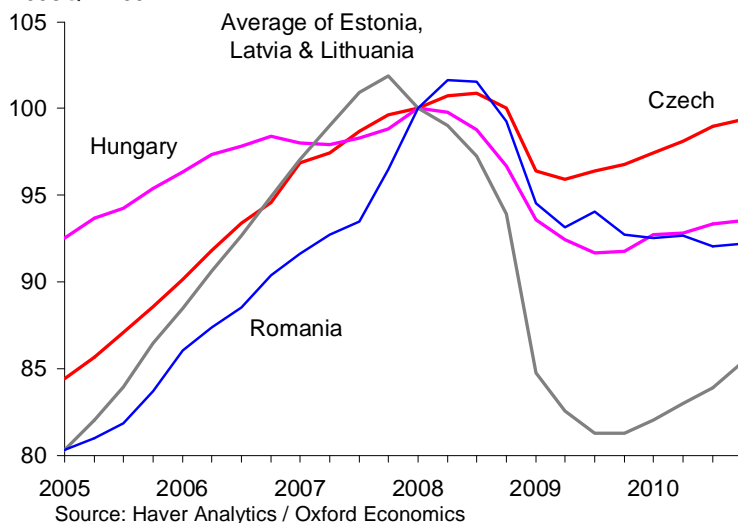
Meanwhile, since mid-March India, Poland and Chile have all raised interest rates again, the Philippines has made its first hike and Brazil is expected to push up its key rate by another 50bp at the forthcoming policy meeting later this month. Also, while not yet raising interest rates, the Turkish central bank stepped up the pace of its monetary tightening in March by raising reserve requirements as much in one move as in December/January combined. And given the lack of spare capacity in the economy and the risks from a very large current account deficit, further significant tightening will be required – this in turn is likely to cause the sharpest growth slowdown among the leading emergers over the next year.

Given the extensive production linkages between the Asian emergers and Japan, shortages of components from the latter as a result of the earthquake/tsunami may well dent industrial activity across the region in Q2. However, this effect is only likely to be temporary and underlying demand appears fairly solid – both the Korean and Taiwanese PMIs in March were little changed from February. But with imports from Japan accounting for over 16% of their respective totals, there are bound to be some impacts, though certain companies in these two countries may actually benefit from displaced demand. Thai industry may be the most affected, as Japan was the source of nearly 21% of its imports last year and its companies are not really competitors to those in Japan.

In contrast to other regions, the recoveries in the smaller countries of Central and Eastern Europe have still not made up for the drops suffered in the 2008/09 recessions. Moreover, these recoveries have been overwhelmingly export-driven so any deterioration in the main Eurozone countries would be a huge blow.

Emergers: Real GDP (seasonally adjusted)

2008Q1=100



ETC Member Organisations

Austria	Austrian National Tourist Office (ANTO)
Belgium	Flanders: Tourist Office for Flanders Wallonia: Office de Promotion du Tourisme de Wallonie et de Bruxelles (OPT)
Bulgaria	Bulgarian State Agency for Tourism
Croatia	Croatian National Tourist Board (CNTB)
Cyprus	Cyprus Tourism Organisation (CTO)
Czech Republic	CzechTourism
Denmark	VisitDenmark
Estonia	Estonian Tourist Board - Enterprise Estonia
Finland	Finnish Tourist Board (MEK)
France	Atout France - France Tourism Development Agency
FYR Macedonia	Agency for Promotion and Support of Tourism
Georgia	Department of Tourism and Resorts of Georgia
Germany	German National Tourist Board (GNTB)
Greece	Greek National Tourism Organisation (GNTO)
Hungary	Hungarian National Tourist Office (HNTO)
Iceland	Icelandic Tourist Board
Ireland	Fáilte Ireland and Tourism Ireland Ltd.
Italy	Italian State Tourism Board (ENIT)
Latvia	Latvian Tourism Development Agency (LTDA)
Lithuania	Lithuanian State Department of Tourism
Luxembourg	Luxembourg National Tourist Office
Malta	Malta Tourism Authority (MTA)
Monaco	Department of Tourism and Conferences
Montenegro	National Tourism Organisation of Montenegro
Netherlands	Netherlands Board of Tourism & Conventions (NBTC)
Norway	Innovation Norway
Poland	Polish National Tourist Office (PNTTO)
Portugal	Turismo de Portugal, I.P.
Romania	Ministry of Tourism
San Marino	Ministry of Tourism
Serbia	National Tourism Organisation of Serbia
Slovakia	Slovak Tourist Board
Slovenia	Slovenian Tourist Board (STB)
Spain	Turespaña - Instituto de Turismo de España
Sweden	VisitSweden
Switzerland	Switzerland Tourism
Turkey	Ministry of Culture and Tourism
Ukraine	National Tourist Office
United Kingdom	VisitBritain