Sharp dollar weakening

US: Real and nominal effective exchange rates

Nominal effective rate (RHS)

Real effective rate (LHS)

Source: Oxford Economics/Haver Analytics
Eurozone a haven of stability?

- France and Germany enjoying moderately strong growth, supported by competitive industries

- Mediterranean countries in the doldrums. Industry unlikely to offset weak domestic demand, especially in Spain
  - Domestic demand and confidence low in Italy
  - Spain facing a sharp slowdown from collapse of its housing market bubble

- Housing market a risk in several countries:
  - Foremost Spain and Ireland, but potentially Greece and France

- Scandinavian economies doing well, especially oil rich Norway
Eurozone slowing only modestly so far…
while unemployment falls...

Eurozone: Unemployment rate

Source: Haver Analytics
German industry resilient.

Germany: Industrial production

Source: Haver Analytics
...and exports hold up...

Export expectations

Germany: Ifo export expectations (RHS)
Eurozone: volume of export orders (LHS)

Source: Haver Analytics
...thanks to emerging focus...

Export shares of total exports

Source: Oxford Economics/Haver analytics
Eurozone: Exchange rates

Jan 1 2002=100

Source: Haver Analytics

Nominal effective rate

Dollar/€

£/€

Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08

...despite soaring euro
Sharp slowdown in sight in Spain and Ireland

Spain: Purchasing Managers Indices

-Manufacturing
-Services

A reading above 50 indicates the sector is expanding

Source: Reuters

Ireland: Retail sales & consumer confidence

-Consumer confidence (RHS)
-Retail sales (LHS)

Source: Haver Analytics, Eurostat
CEE in a strong position

- Poland and Russia surge ahead, supported by high real wage growth
- Most other countries to slow slightly although consumption stays mostly solid
- Hungary is notable exception, held back by 2006’s fiscal tightening.

- High inflation proves a risk to entire region
  - Energy and food pressures amplified by second-round effects
- Large external financing requirements also worrying
  - Bulgaria and Romania particularly vulnerable
- Political instability problematic in Hungary
Wealth driving Middle East economic growth

Largest Sovereign Wealth Funds

- Qatar: 50 US$ bn
- Temasek: 110 US$ bn
- Russia: 127 US$ bn
- Kuwait: 250 US$ bn
- Saudi Arabia: 300 US$ bn
- China: 300 US$ bn
- Norway: 322 US$ bn
- Singapore: 330 US$ bn
- Abu Dhabi: 850 US$ bn

Source: Oxford Economics/Haver Analytics
Emerging Markets: Demand as % of US

Emergers = 10 largest emergers

Emergers' GDP in $ as % of US GDP

Emergers' domestic demand in $ as % of US domestic demand

Source: Oxford Economics

Forecast


% of US demand

90
85
80
75
70
65
60
55
50
45
40
Asia is less dependent on the US

US imports & real GDP in Emerging Asia

Aggregate growth in Emerging Asia (LHS)

US non-fuel import volumes (RHS)

Source: Oxford Economics
Inflation creeping up...

G4 Inflation and OECD growth

% year

Source: Oxford Economics/Haver Analytics

OECD GDP
Headline CPI
Core CPI
...thanks to surging commodities

Key world commodity prices

Index 1988=100

Source: Oxford Economics/Haver Analytics
A modest slowdown in world growth…

World: GDP growth

% year


Source: Oxford Economics

PPP exchange rates
Market exchange rates
Forecast

Tourism Economics
Conclusions

- Risk of US recession in 2008H1 but aggressive policy reaction, lower dollar and emerging market resilience likely to lead to recovery in H2.
- Asia and Mid-East still booming but EU hit by weak dollar.
- Nevertheless, Europe’s economy remains stable.
- But if high oil and food prices persist then risk of inflation becoming more entrenched globally and squeeze on real incomes could have severe impact on growth in 2009.
## US Inbound Forecast Summary

### Visits by Region

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Asia</strong></td>
<td>4.5%</td>
<td>5.3%</td>
<td>6.4%</td>
<td>6.1%</td>
<td>4%</td>
</tr>
<tr>
<td>Northeast</td>
<td>0.0%</td>
<td>4.8%</td>
<td>6.3%</td>
<td>6.1%</td>
<td>-8%</td>
</tr>
<tr>
<td>Southeast</td>
<td>18.4%</td>
<td>3.7%</td>
<td>5.3%</td>
<td>4.5%</td>
<td>17%</td>
</tr>
<tr>
<td>South</td>
<td>30.1%</td>
<td>7.2%</td>
<td>8.7%</td>
<td>7.2%</td>
<td>115%</td>
</tr>
<tr>
<td>Oceania</td>
<td>10.2%</td>
<td>8.7%</td>
<td>6.3%</td>
<td>5.7%</td>
<td>39%</td>
</tr>
<tr>
<td>Europe</td>
<td>12.5%</td>
<td>5.7%</td>
<td>4.8%</td>
<td>4.3%</td>
<td>14%</td>
</tr>
<tr>
<td>Western</td>
<td>12.6%</td>
<td>5.4%</td>
<td>4.2%</td>
<td>4.8%</td>
<td>12%</td>
</tr>
<tr>
<td>Eastern</td>
<td>11.5%</td>
<td>10.4%</td>
<td>5.5%</td>
<td>5.3%</td>
<td>43%</td>
</tr>
<tr>
<td>Americas</td>
<td>10.0%</td>
<td>6.2%</td>
<td>4.4%</td>
<td>5.0%</td>
<td>40%</td>
</tr>
<tr>
<td>Canada</td>
<td>10.9%</td>
<td>7.0%</td>
<td>4.8%</td>
<td>5.2%</td>
<td>43%</td>
</tr>
<tr>
<td>Mexico</td>
<td>7.6%</td>
<td>4.4%</td>
<td>3.3%</td>
<td>4.5%</td>
<td>52%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>14.7%</td>
<td>9.0%</td>
<td>6.3%</td>
<td>5.6%</td>
<td>5%</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>11.4%</td>
<td>6.3%</td>
<td>3.9%</td>
<td>3.9%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>OVERSEAS</strong></td>
<td>10.3%</td>
<td>6.2%</td>
<td>5.5%</td>
<td>5.1%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>9.8%</td>
<td>6.0%</td>
<td>4.7%</td>
<td>5.0%</td>
<td>27%</td>
</tr>
</tbody>
</table>
Canada and Mexico offset overseas declines

Good Neighbors, 2007 vs. 2000 Arrivals
Largest declines in South America and Asia

2007 vs. 2000 Overseas Arrivals

South America: -25%
Asia: -20%
Middle East: -15%
Overseas: -10%
Africa: -5%
Central America: 0%
Europe: 5%
Caribbean: 20%
Overseas markets fully recover next year

Overseas Arrivals by Market

- Africa
- Middle East
- Caribbean
- Central America
- South America
- Europe
- Asia

Thousands
Tourism Economics, headquartered in Philadelphia, is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of local and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.

Our staff have worked with over 100 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.

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