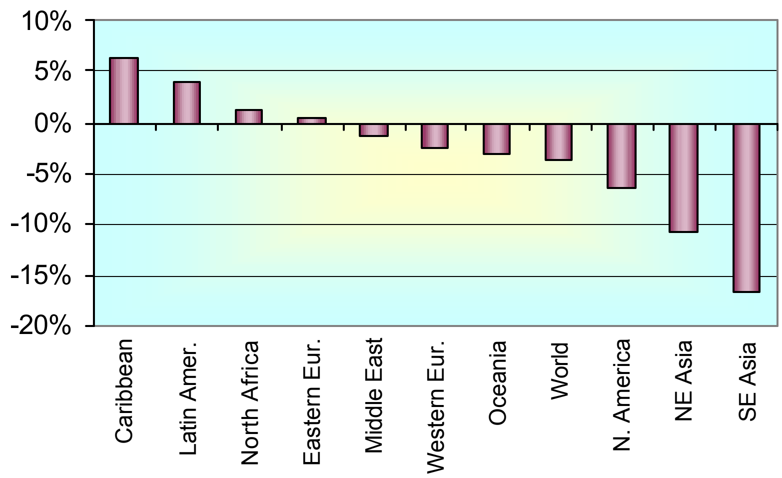
Global Tourism Report

2003 Issue 3

A Destination Perspective

- This year will mark the single largest decline in international travel in decades. We anticipate international travel to suffer a 3.8% loss in 2003 at the hands of the insidious trio of war, disease, and economic malaise.
- The regions most affected are Southeast Asia, Northeast Asia, and North America with declines of 16.7%, 10.8%, and 6.5%, respectively. The Asian regions, although rebounding, lost too much in the second quarter to be fully recovered this year. In North America, Canada was (disproportionately) affected by SARS, while the United States continues to battle security perceptions and public relations challenges.
- Meanwhile, the Caribbean has thrived on its safe-haven image and the weaker dollar. Latin America has also performed well with its bargain rates and strong intra-regional travel.

Growth in International Tourism, 2003
Effects of an Insecure World



- Arrivals to the Middle East will decline 1.4% due to the war in Iraq and fear of terrorist activities. This represents a reversal of trend for the Middle East, which experienced a dramatic upsurge in intra-regional travel last year.
- Western Europe will experience a moderate decline of 2.5%, as travel from Asia and North America has dropped for nearly all destinations. The two largest generating markets within Europe, Germany and the United Kingdom, both contracted in 2003—also weighing heavily on European destinations.
- As the global economy enters into a sustained recovery, 2004 will emerge as a recovery year for most destinations—although some will take years to attain their previous peak level. (See page 21 for Global Insight's world economic perspective.)

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GLOBAL INSIGHT

- Both Northeast and Southeast Asia will rebound with strong growth next year as a combination of the natural year-over-year recovery effect from 2003's crises and the strengthening of these economies.

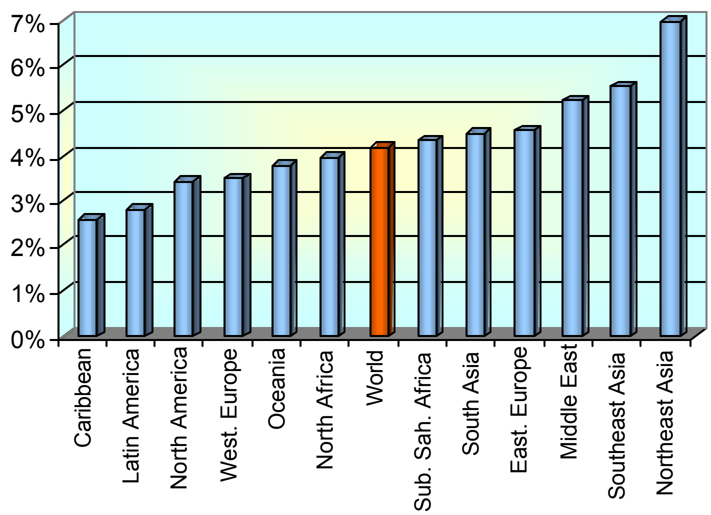
- North America (notably the United States) will begin its long climb back to 2000 parity with growth of 4.3% next year. The weak exchange rate (see exchange rate article on page 5) will greatly aid this trend.

- The Middle East and North Africa will begin a new phase of growth in 2004, assuming no large-scale conflict in the region. Ongoing destination development in Dubai, Morocco, and Tunisia will ensure medium-term growth in the region.

- Western Europe will rebound strongly in 2004 with Greece, France, Italy, and the United Kingdom all achieving robust growth between 4% and 7%. A strengthening economy will outweigh the negative effects of the stronger euro.

- Eastern Europe will begin to post above-average growth rates with the accession of most of the region into the EU. Behind this are a number of factors including stronger business ties, open access, improving investment climate, and stronger economic growth in the region.

International Arrivals, Avg. Annual Growth 2004-08



The following tables summarize the current Global Tourism Navigator forecasts for inbound travel by destination. (Outbound travel tables begin on page 17.) A number of factors will converge in 2004 to support our robust projections for that year. First, the recovering global economy will spur employment and income growth in key source markets. Second, postponed business travel from 2003 will contribute to 2004 demand. Third, aggressive destination marketing and package pricing will spur demand. Momentum will build into 2005 as the ongoing globally-synchronized economic recovery pays dividends. Full details on origin-destination market size and projections are available through your Global Tourism Navigator account.

International Arrivals, thousand visits

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Western Europe	284,452	293,188	308,874	307,693	313,944	306,072	319,839	336,391	352,025	366,251	379,997
Eastern Europe	69,100	68,297	74,431	74,444	77,102	77,345	81,906	87,114	92,294	97,209	102,260
North America	85,075	87,139	91,249	84,099	80,739	75,505	78,775	82,713	86,568	90,120	93,252
Caribbean	15,267	15,946	16,897	16,709	16,208	17,221	17,551	18,055	18,639	19,262	19,942
Latin America	18,758	19,028	19,738	18,849	18,514	19,262	19,939	20,708	21,474	22,194	22,885
Middle East	17,017	19,448	23,367	22,274	24,497	24,164	25,468	27,099	28,830	30,708	32,835
North Africa	14,168	16,505	17,331	16,937	16,939	17,155	18,114	19,200	20,206	21,129	22,019
Sub-Saharan Africa	16,541	16,840	17,270	17,597	18,353	18,428	19,386	20,480	21,575	22,708	23,930
North East Asia	49,854	53,888	61,938	64,873	72,152	64,335	72,470	80,604	88,313	95,364	101,538
South East Asia	28,476	32,809	37,063	40,877	42,328	35,264	38,343	41,350	44,311	47,274	50,192
South Asia	4,201	4,378	4,728	4,403	4,063	4,324	4,647	4,967	5,266	5,538	5,783
Oceania	6,117	6,584	7,150	7,227	7,391	7,160	7,515	7,897	8,277	8,663	9,054
World	609,027	634,050	680,036	675,983	692,228	666,236	703,954	746,577	787,777	826,420	863,687

International Arrivals, annual percentage change

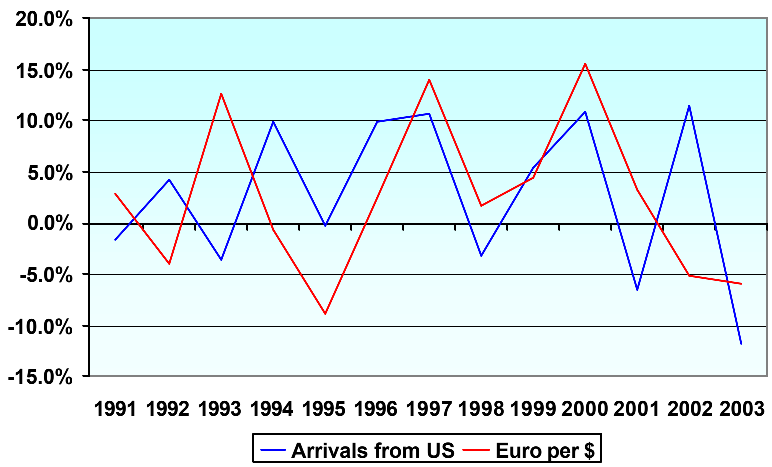
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Western Europe	5.77	3.07	5.35	-0.38	2.03	-2.51	4.50	5.18	4.65	4.04	3.75
Eastern Europe	-5.01	-1.16	8.98	0.02	3.57	0.32	5.90	6.36	5.95	5.33	5.20
North America	0.36	2.43	4.72	-7.84	-4.00	-6.48	4.33	5.00	4.66	4.10	3.48
Caribbean	4.13	4.45	5.96	-1.11	-3.00	6.25	1.92	2.87	3.23	3.35	3.53
Latin America	15.82	1.44	3.73	-4.51	-1.78	4.04	3.51	3.86	3.70	3.35	3.11
Middle East	9.94	14.29	20.15	-4.68	9.98	-1.36	5.40	6.40	6.39	6.51	6.93
North Africa	1.85	16.50	5.01	-2.27	0.01	1.28	5.59	5.99	5.24	4.57	4.21
Sub-Saharan Africa	14.99	1.81	2.55	1.89	4.29	0.41	5.20	5.64	5.35	5.25	5.38
North East Asia	0.86	8.09	14.94	4.74	11.22	-10.83	12.64	11.22	9.56	7.98	6.47
South East Asia	-4.66	15.22	12.97	10.29	3.55	-16.69	8.73	7.84	7.16	6.69	6.17
South Asia	2.84	4.21	8.00	-6.86	-7.73	6.43	7.46	6.89	6.03	5.16	4.42
Oceania	-2.45	7.63	8.60	1.07	2.27	-3.12	4.95	5.09	4.81	4.66	4.52
World	3.09	4.11	7.25	-0.60	2.40	-3.76	5.66	6.06	5.52	4.91	4.51

Special Report: The Falling Dollar and Shifts in Tourism

The dollar—and all those currencies linked to it—has fallen dramatically over the past two years. No other economic indicator has the unilateral ability to affect travel patterns like relative exchange rates. A shift in the real (inflation adjusted) exchange rate between and origin and destination automatically acts as a price lever making a destination either prohibitively expensive or invitingly affordable. Looked at differently, origin markets can be suppressed or revived as a result of their currency-determined purchasing power.

This is a time-proven relationship. For example, travel from the United States to the Eurozone has tracked strongly with the number of euros a dollar can purchase. The adjacent chart shows the strong correlation with a slight lag as travel bookings and consumer awareness respond to real changes in purchasing power.

Travel Follows Currency (annual % change)



Understanding these relationships is critical given the ongoing changes in the value of key markets' currencies. The U.S. dollar has declined steadily against other major currencies since the second half of 2001. As the following table indicates, the dollar is down by nearly 30% against some major currencies from its peak in 2001–02.

The Dollar's Decline Since Late 2001

Currency	*Trough Month*	*Value in Trough Month*	*November 2003 Value*	*Dollar's Decline*
Canadian $	Jan 2002	1.60 per $	1.31 per $	18.1%
Euro	June 2001	1.17 per $	0.85 per $	27.2%
Japanese Yen	February 2002	133.60 per $	109.15 per $	18.3%
UK Pound	March 2002	0.70 per $	0.59 per $	15.8%

This reversal has been stunning (though predicted by Global Insight), coming after the dollar's persistent strength since the mid-1990s. In light of these changes and their importance to the Global Tourism Navigator forecasts, we are presenting a detailed analysis of exchange rate shifts and their implications. Three questions must be answered to understand the way ahead:

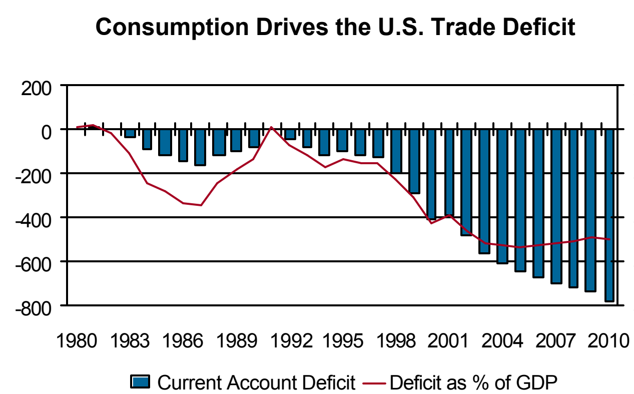
- What has led to the dollar's decline?
- Has the decline ended?
- What will be the effects on international travel?

What Triggered the Decline of the Dollar?

The dollar has declined because the elements that enabled its strength during the second half of the 1990s waned. Some would argue that at least part of the dollar's earlier strength was artificial—in part a consequence of the dot-com boom that inflated U.S. financial markets—and that the recent decline is merely a return of the dollar to a more reasonable value. Regardless, several factors have combined to strip away the underpinnings that supported the dollar prior to 2001.

First, the U.S. trade deficit has ballooned, both in nominal terms and as a percent of GDP. The current account deficit, which fluctuated below $100 billion in the ten years ending in 1997, surged to over five times that level in 2003. By 2000, the deficit exceeded $400 billion and showed very little cyclical decline during the recession year of 2001. This was particularly discouraging. In the 1990–91 recession,, the current account balance turned positive as Americans slowed their purchases from overseas. In contrast, the current account deficit declined only slightly in 2001, and increased again in 2002. This is a function of the continued strength of the U.S. consumer sector during the past three years, a response to financing opportunities offered by light vehicle manufacturers and historically low U.S. home-mortgage markets, coupled with purchasing power afforded by the strength of the dollar during that period. It is also related to the recessions in Europe and Japan in 2001–02, which reduced demand for imports in those countries.

We do not anticipate a quick change in this trend. Although the bulk of the deficit's increase has already occurred (in percentage terms), we expect it will continue to grow, approaching $800 billion by the end of this decade. The best that can be said is that, as a percent of GDP, the deficit will begin to recover in the second half of the decade. Despite this improvement, we expect the deficit to remain below its 1986 value as a percentage of GDP.

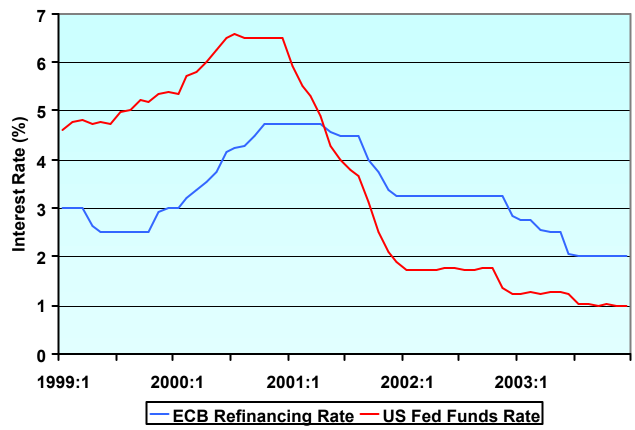


Part of the dollar's decline is a response to the current and future trade deficits. The flip side of the deficit increase is that dollars have accumulated in the hands of foreigners, and this excessive accumulation pressures the dollar's value in foreign exchange transactions. As the value of the dollar declines, it increases the cost (and discourages) U.S. imports, and increases the competitiveness of our exports in global markets. Both of these trends help to account for the slowing growth of the deficit in the coming years.

This accumulation of foreign-owned dollars brings us to the second reason for the dollar's collapse. With the end of the dot-com boom, the financial returns available to foreign investors in the U.S. markets have fallen sharply, further lessening their enthusiasm for the dollar. Returns on both equities and debt have plummeted compared to what was available as recently as 2000.

Little more needs to be said about the U.S. stock market. Despite the 24% increase in the S&P composite stock price index since last spring, the value of the index remains well below the peaks reached during the summer of 2000. Few observers expect future stock market returns to approach those that characterized the late 1990s.

The Fed Eases More than the European Central Bank



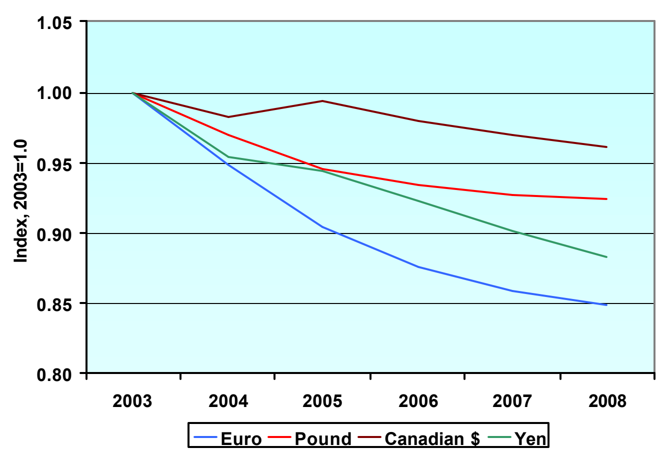
U.S. debt market returns have also declined, a result of the Fed's efforts to control the recessionary damage by aggressively easing monetary policy. This has resulted in the reversal in the yield advantage U.S. debt markets had relative to those in Europe prior to 2001.

A marginal contributor to the dollar's weakness is the change in official dollar policy by the Bush administration. During the 1990s, the Clinton administration vigorously espoused its strong dollar policy. Since taking office in January 2001, the Bush administration has not objected to the decline in the dollar. While government currency policies cannot by themselves determine the course of long-term exchange rate trends, they do impact the psychology of the currency markets. The change in the dollar policy discouraged foreign investors from holding dollars.

Will the Dollar's Decline Continue?

Global Insight expects the value of the dollar to continue to decline over the next several years, although the rate of decline will slow from that of the past year and a half. Nevertheless, given the recovery that is underway in the United States, we do not expect a dollar crisis in which the currency would tumble suddenly and dramatically, upsetting currency markets and posing new problems for the global economic recovery.

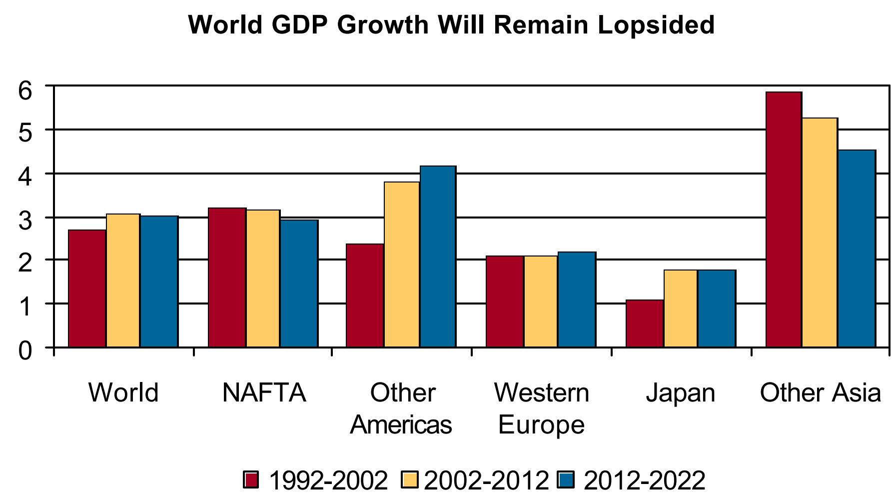
The Dollar Will Continue to Decline



Among the major industrialized nations, the dollar's future decline is expected to be greatest against the euro, while the drop against the Canadian dollar will be limited to only an additional 3-4%. For the United Kingdom and Japan, the declines will fall in between.

The growing U.S. trade deficit will continue to pull down the dollar. As noted above, the deficit is likely to continue to decline in absolute terms, even as it stabilizes in terms of its share of total U.S. GDP. Without an absolute reduction in the deficit, it is difficult to envision an opportunity for the dollar to reverse course. As the U.S. economy recovers, demand for imported products and services will increase by an amount that, in dollar terms, will exceed the increase in demand for U.S. exports to our trading partners.

We anticipate GDP growth in North America to continue to exceed that in Europe and Japan for the foreseeable future. Consequently, net goods and services trade demand will continue to favor the U.S. and Canada. This explains much of the ongoing growth in the U.S. deficit, and also explains why the dollar will continue to decline more against Europe and Japan than it will against Canada. Only the economic growth in non-Japan Asia will outpace that of North America. But these countries do not represent a source of demand for U.S. export—quite the contrary; they have taken over the role formerly served by Japan. They have relatively high levels of savings and export proportionately large amounts of their GDP, much of it to the United States. China's role in this regard ensures that this trend will remain in place for some years.



The Impact on Global Tourism—Who Benefits and Who Loses?

In one sense, the answer to the question is straightforward. Those destinations with currencies linked to the dollar will benefit as prices implicitly fall. Conversely, those destinations with rising currencies vis-à-vis their source markets will become more expensive and will suffer.

Clearly, this will facilitate a much-needed recovery for the United States and will benefit much of the Caribbean as it maintains parity with the dollar. In addition, Asia countries with little recent currency movement on the dollar (e.g. China, Hong Kong, Malaysia, Singapore, and Thailand) should benefit as lower cost destinations.

In Europe, it could be generally stated that the Eurozone will struggle as the strong euro encourages travel out of the region by its residents and discourages inbound travel.

However, this is a simplistic look in that it fails to take into account various countries' dependencies on specific markets. For example, Ireland faces a larger hurdle than Spain based on its higher dependency on the U.S. market. Despite both being fixed to the U.S. dollar, Hong Kong will benefit more than Mainland China.

In order to understand and quantify the true exchange rate impact on travel, Global Insight has developed a new series called the Tourism-Weighted Exchange Rate (TWER). The concept is calculated as the average exchange rate for a destination, weighted by each of its origin markets' share of total arrivals. This then is adjusted for relative inflation in the origin and destination to calculate a measure of the average change in prices for tourists to each destination. This concept measures the average price benefit or cost incurred by shifts in exchange rates between a destination and its origin markets..

Real Tourism Weighted Exchange Rate
Ranked Percent Change, 2005 vs. 2000

Destinations Hurt		Destinations Helped	
Ecuador	-43%	Egypt	104%
Indonesia	-25%	Argentina	84%
Hungary	-24%	Venezuela	70%
Russia	-20%	Israel	37%
Ireland	-19%	South Africa	36%
Slovakia	-19%	Morocco	22%
Czech Republic	-18%	Japan	18%
Australia	-17%	Hong Kong	18%
New Zealand	-15%	Kenya	17%
Ivory Coast	-13%	Singapore	17%
Netherlands	-12%	Brazil	16%
Canada	-11%	Ethiopia	15%
Spain	-10%	Vietnam	15%
Greece	-10%	Peru	10%
South Korea	-10%	Romania	9%
Italy	-10%	China	9%
Uruguay	-9%	Taiwan	9%
Switzerland	-9%	United Kingdom	9%
Portugal	-8%	United States	8%
Denmark	-6%	Philippines	8%
Kuwait	-6%	Tunisia	8%
Norway	-5%	Thailand	7%
Belgium	-4%	India	6%
Germany	-3%	Mexico	5%
Slovenia	-3%	Sweden	3%
France	-3%	Jordan	2%
Malaysia	-3%	Chile	2%
Finland	-2%	Croatia	1%
Austria	-1%	Turkey	1%

Most Affected

Least Affected

Negative Number = Negative Effect on Tourism
Positive Number = Positive Effect on Tourism

Tourism Weighted Exchange Rate (TWER) measures the average exchange rate impact on prices for visitors to a given destination.

Using this table as a guide, we can clearly see the tourism beneficiaries and benefactors of the weaker U.S. dollar. As would be expected, Canada and Ireland are strongly affected as a function of their strengthening currencies and their dependence on the U.S. market.

At the top of the "Destinations Helped" list stands Egypt, Argentina, and Venezuela; all of which have depreciated even more than the dollar and have become extremely inexpensive destinations.

All of the Eurozone finds itself in the "Destinations Hurt" column with Ireland and Netherlands atop the list. The United Kingdom is a beneficiary as an outsider to the Eurozone. Though it will be less attractive to Americans—an important market—it will be more attractive to its neighbors, which will more than compensate for this effect.

Asia is marked by exchange rate winners and losers as well. Indonesia, Australia, New Zealand, Korea, and Malaysia will be, on average, more expensive to its source markets over the 2000–05 time period. However, Japan, Hong Kong, Singapore, China, and Taiwan will benefit from relatively weaker prices vis-à-vis its source markets.

In Central Europe, Hungary, Russia, Slovakia, and the Czech Republic will all struggle against relatively stronger currency-induced prices for their attractions.

What Are the Strategic Implications for Destinations?

These, of course, vary destination by destination. However, it can be generally stated that countries on the "Destinations Helped" side should *aggressively court those markets for which they are now a bargain*. For some destinations in this group, *domestic tourism* offers new opportunities, as well as residents find international travel relatively expensive.

Those countries on the "Destinations Hurt" side should *refocus on markets* where the exchange rate effect is not so severe (or even beneficial). *Special pricing and packages* should be considered for select markets to induce travel where the exchange rate has become unfavorable.

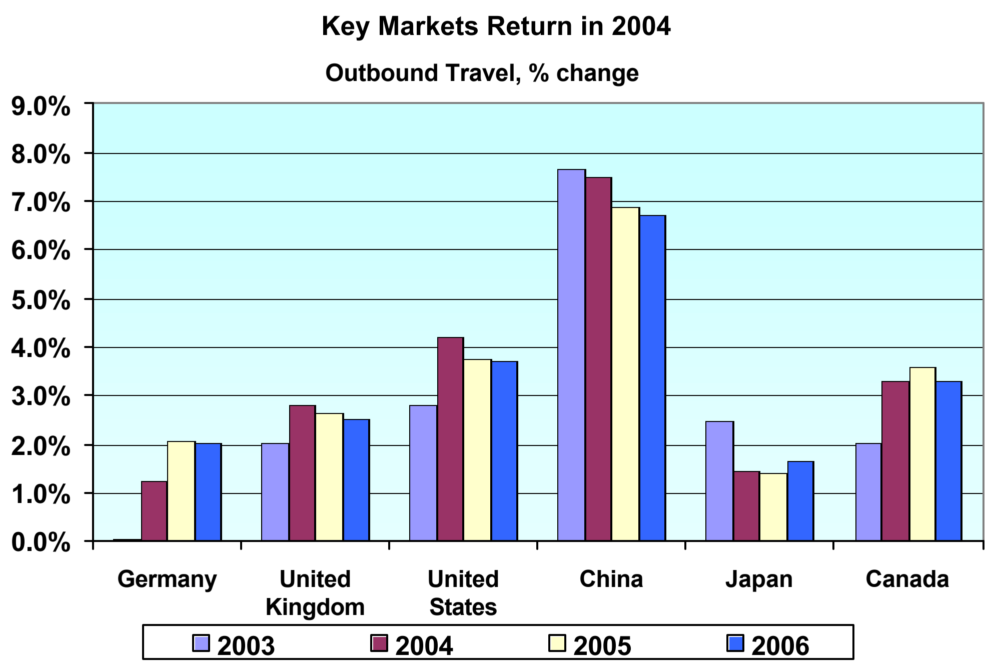
Global Tourism Navigator Tip…

In order to calculate the relative exchange rate for a particular origin-destination pair, simply pull the real inflation adjusted or nominal exchange rate for each country. This will give you the local currency per dollar for each currency forecasted through 2008. Then take the ratio of the two (origin/destination) to calculate the relative exchange rate. An increase in this number will signify an increase in the relative price of the destination, i.e. it becomes more expensive to that market.

Analysis of Global Economies and Outbound Travel

Global Insight's outlook for both the global economic recovery and international tourism has changed relatively little over the past several months. In the *Global Tourism Report* published this past summer, we noted that the major economies of the world were poised for recovery, and that global travel should follow along, after the resolution of several major travel disruptions. Evidence to date suggests that this view is still spot on. The U.S. turned in a very impressive real growth of 8.2% in the third quarter, and monthly evidence suggests that the growth surge is continuing in the fourth. Japan has put together a string of positive growth quarters since 2001.In the second quarter of this year, Japanese real GDP was 3.0% above its year-earlier value. After declines in the second quarter, the economies of Germany, France, and the United Kingdom all posted increases in the third quarter.

While positive news, third-quarter economic growth abroad did not approach the rate of growth in the United States, suggesting that the U.S. economy remains the key economic growth locomotive. Most other countries are counting on strong export growth as a major contributor to their recoveries. This is a risky proposition, because the continued depreciation forecast for the dollar will undermine some of the translation of strong U.S. growth into demand for U.S. imports. We still expect the global recovery to continue, with global real GDP forecast to increase by 3.3% in 2004 followed by 3.4% in 2005, a full one to two percentage points over the growth rate of the past two years.



In terms of overall activity, non-Japan Asia will post the strongest numbers over the next few years. China will exhibit robust economic recovery following the SARS outbreak, growing by a projected 7.5% in 2004. Growth of the other major Asian markets will range from 3.5% (New Zealand) to 6.6%

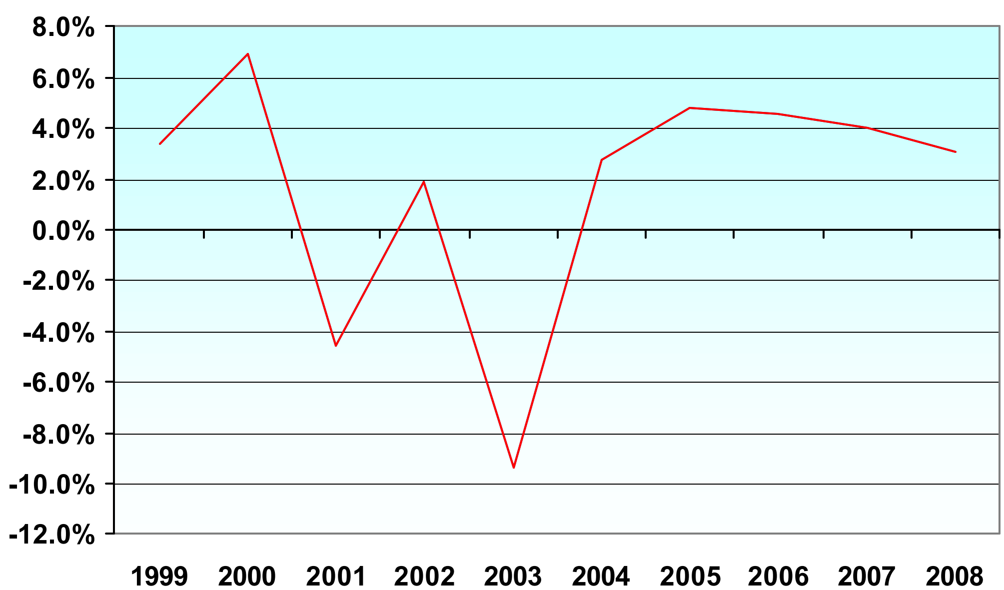
(Thailand), while Japan limps along at 1.4%. Europe remains the other laggard in 2004. While Greece and Ireland will see economic growth in excess of 4%, most of the other economies in Western Europe will show more modest increases in the range of 1.5% to 2.5% in 2004. (Full details of economic forecasts are available through the GTN.)

A Sharp Recovery in North American Outbound

With the bounce back of the U.S. economy in the third quarter, and a bright outlook for the future, the North American economy is getting back on track. Increased consumer confidence and strong domestic demand lead the U.S. economic engine to a quick pick up in the third quarter of 2003 when real GDP increased by 8.2%. While this pace will not continue, Global Insight believes that the U.S. economy is responding to the end of the war in Iraq, and the adjustments necessary following the binging that characterized the last of the dot-com glory years.

Canada's economy showed less volatility over the past two years despite the SARS outbreak and diminished export activity. In fact, Canada expanded by an annual average GDP growth rate of 3.6% during 1999–2003, well exceeding the 2.4% rate posted by the United States. Going forward, the economic outlook for Canada is similar to that of the United States, but the appreciation of the Canadian dollar against the U.S. dollar changes the terms of trade between these countries in favor of somewhat higher growth in the United States. Mexico will benefit from the growth of its neighbors to the north, with growth similar to that of Canada during the coming five years.

Growth in U.S. International Outbound Travel*



*International Outbound measured as the sum of U.S. arrivals to all destinations

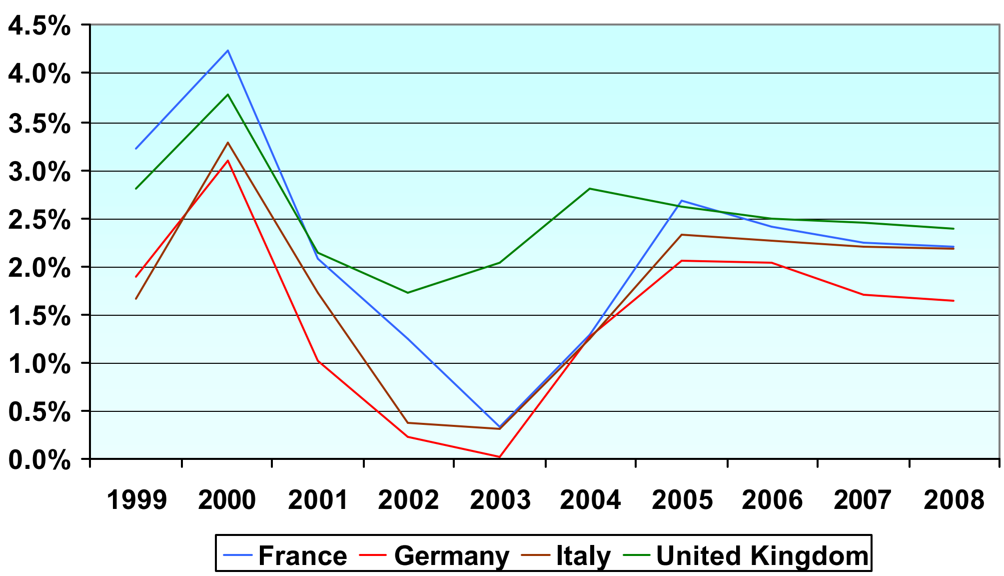
Although growth prospects for North America are improving, travel beyond the region will be affected by the continued depreciation of the US dollar. The dollar's decline will be a major impetus for international long-haul travel into the region, but does not bode well for U.S.-outbound growth, particularly to Europe. Nevertheless, the improving domestic economy will encourage domestic tourism and short-haul departures to Mexico. Although restricted by weakened purchasing power, a return of consumer confidence and income growth will drive U.S.-outbound travel higher. After *declining* by 9.4% in 2003, total U.S. outbound is forecast to increase by 2.7% in 2004. U.S. arrivals to Asia will grow most rapidly (up 4.7%).

Regardless of relatively higher interest rates, a stronger Canadian dollar will spur outbound travel activity. After dropping to a five-year low in 2003, Canadian outbound will rebound in 2004, growing 5.6%. Asia will be a particular beneficiary of this activity—in 2004, outbound Canadian travel to Asia is forecast to increase by 11.4%.

Western Europe's Recovery Will Lag

The outlook for Western European outbound is less ebullient than for North America. Two elements contribute to this: First, Europe's recovery growth will occur at a slower pace than North America; and second, Europe's cyclical bounce will not occur until 2005 for many of the economies on the continent.

A Slower, Drawn-Out Economic Recovery for Europe
(Real GDP Growth)

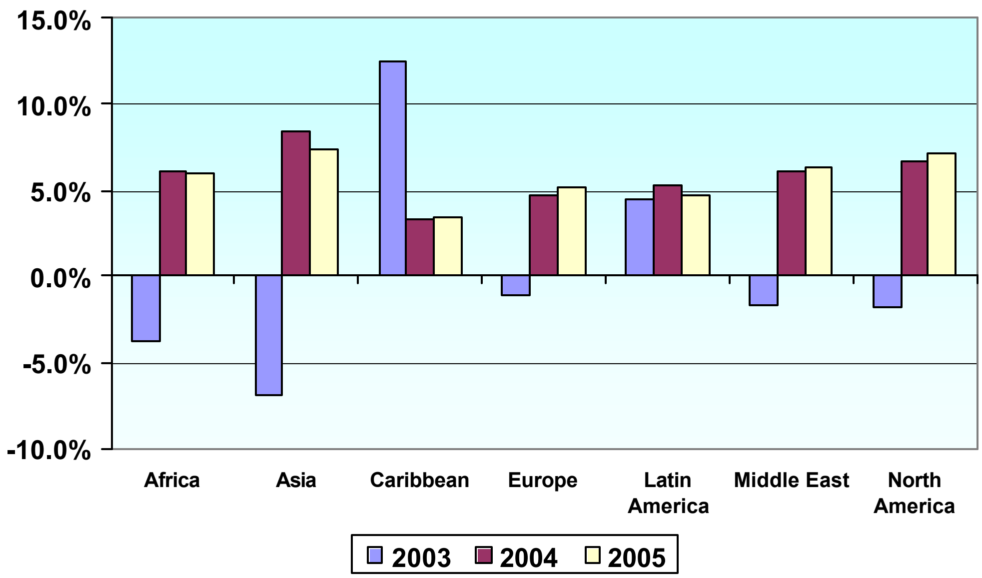


Unlike the United States, Europe's major economies did not experience the boom of the late 1990s. Still, this did not eliminate a European growth slowdown in the past three years., Growth rates for the Big 4 fell sharply from their peak in 2000. The United Kingdom managed to pull out of its decline in 2003, with a modest 2.0% increase in growth, but the major economies on the continent continued their decline. More importantly for the outlook, we do not expect these economies to regain their peaks until 2005—a year behind North America. This is a reflection of the reliance on the U.S. locomotive by these economies, as well as the prospective impact of the dollar's decline against the euro, which will cut into the locomotive impact as U.S. importers find European goods much more expensive. Europe's cyclical recovery in 2005 will not regain the growth rates of 2000, and the growth later in 2006–08 will remain modest compared with North America.

In 2003, European outbound travel looks to increase by an estimated 4.9%. Taking advantage of the euro's strength, European outbound *beyond Europe* will increase 5.7% in 2004, and we expect this differential to continue through 2008, as Europeans find it less expensive to travel to destinations beyond Europe.

As part of this shift, the preference that Europeans have shown for Caribbean vacations in 2003 is likely to dissipate, and their travel will become more balanced among all regions over the next two years.

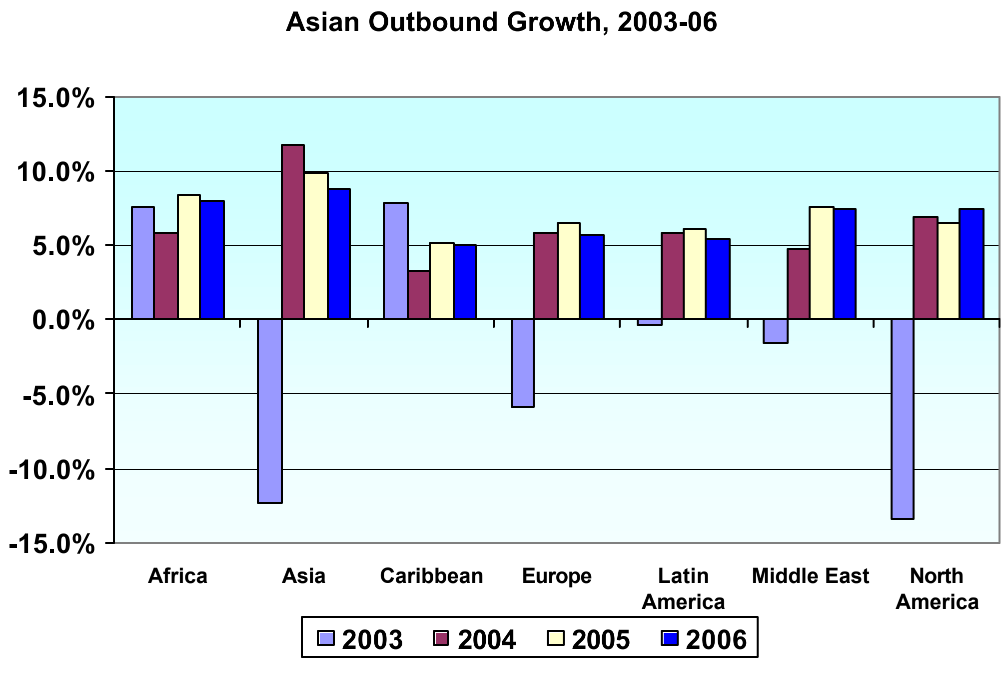
A European Outbound Recovery in 2004-05



Asia Outbound is Due for a Post-SARS Bounce

In 2003, Asian outbound travel and economic activity was affected by the outbreak of SARS in the spring. Although China and Hong Kong reported the largest outbreaks, the disease also established itself in Taiwan, Singapore, Vietnam, and the Philippines, hobbling economic activity in these countries and in the region as a whole as other countries felt the economic fallout. Despite a late occurrence reported in Singapore in August, the epidemic had ended by the end of June for all practical purposes. SARS had a very significant negative impact on travel from Asia in the spring, but travel volumes since then have begun to recover as it became clear that the disease was under control.

The impact on economic activity varied by country, depending on the severity of the disease and the number of fatalities that resulted. In the end, however, the economic impact for the year was limited, with Singapore bearing the worst of the brunt in economic growth terms. But travel to, from, and through the region was greatly impacted. Total Asian outbound, which had increased by 7.5% in 2002, *plummeted* by an estimated 11.3% in 2003. Outbound to other Asian countries and to North America bore the brunt of this decline.



The good news is that Asian outbound travel is already on the upswing, and 2004 will be a much better year for Asian travelers. Total Asian outbound is forecast to increase by 10.5% in 2004, followed by increases in the 8-9% range in the subsequent two years. International travel within Asia itself will increase by a robust 11.7% in 2004, reversing the 12.3% *decline* in 2003. All other regions will see a proportionate increase in outbound travel from Asia.

SARS remains an unknown in our forecast perspective. On the one hand, many health experts feel that the disease is likely to return annually, like influenza. On the other hand, public health officials have learned a great deal about the disease since it surfaced late last winter, and it looks much less scary now than it did then. Earlier this year, international travelers reacted to the potential of the disease, which was largely unknown. Since then, we have come to understand that SARS is spread much less easily than is, for example, the flu. Health scientists also understand the gestation of the disease in humans and the period when a patient is most infectious. Additionally, public health authorities now track international travelers with SARS-like symptoms, and are much better prepared to locate and quarantine individuals carrying the disease. Today, many health authorities feel that it will be relatively easy to limit the severity of any future SARS outbreaks.

For these reasons, we believe that any future impact of SARS on travel will be more limited than in 2003, and we have not made any assumptions regarding a future impact on our travel forecasts. If the disease does become a perennial visitor, like influenza, we believe it will become routine, with no more than a modest impact on international travel in the long run.

Latin America is the Weak Sister

Over the past several years, economic activity in Latin America has been dominated by the political problems in Argentina and Venezuela. The success of other Latin American nations has been determined largely by their independence from these two problems. Argentina lost control of its economy trying to maintain the dollar peg through the 1990s, while trying to service growing amounts of debt to international lenders. Pressure on the peso intensified sharply as both Argentinean and international investors began to doubt the government's ability to repay, and the economy floundered. GDP declined in 1999 and fell steadily through 2002.

More recently, however, it appears that Argentina is making progress. In 2003, real GDP is estimated to have risen 5.2%. The country is making progress is negotiating a new debt service arrangement with its lenders, and the peso's 66% decline over the past two years has made its goods and services much more competitive in foreign markets.

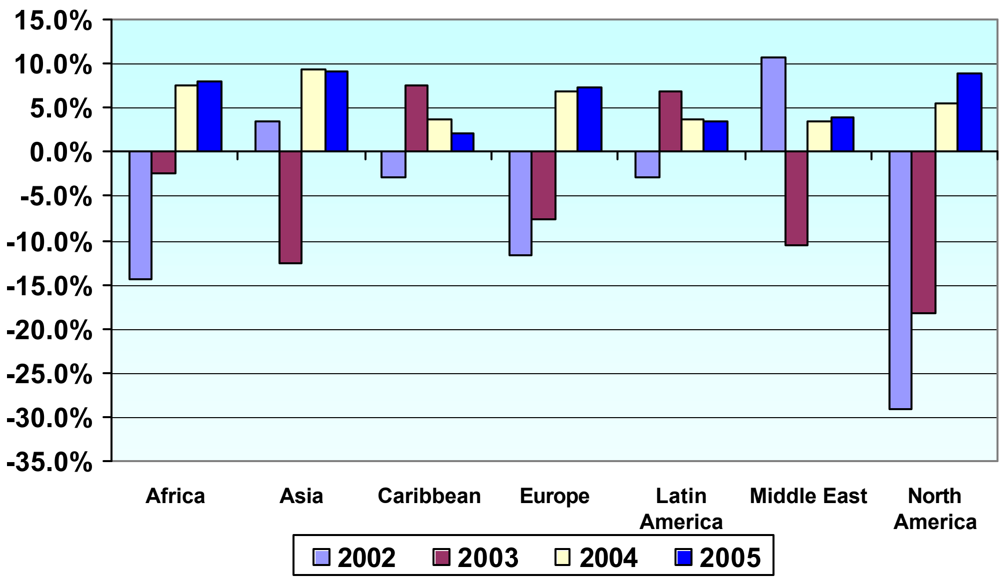
Venezuela's immediate problems are more political. Although President Hugo Chavez was a favorite of the country's common man when he was elected two years ago, his presidency has been very disruptive for the economy. Unemployment averages almost 19%, and the economy contracted 14.7% during the first three quarters of 2003 year –over year. A petition to recall President Chavez claims 3.6 million signatures, and the National Election Council is now validating these signatures on its way to deciding whether to proceed with a recall. For his part, Chavez has denounced the petition as a fraud and says he will ignore the Council's actions.

Although the outlook for Venezuela remains problematic as long as Chavez remains in office, the country's oil output has risen from the strike-induced lows in early 2003. As a consequence, we believe there could be a bounce in economic activity in 2004, when we anticipate real growth of 5.8% in 2004. This is little more than a statistical artifact, however, since the growth comes from a very low base. In addition to the oil revenues, increased government spending will help power this increase. Our baseline forecast calls for a stabilization of political difficulties in 2004, leading to continued growth in succeeding years. However, the risk to this outlook is very high, particularly if Chavez manages to retain his office until his term expires in 2006.

Argentina and Venezuela's problems have adversely affected other countries in the region, particularly Brazil, which has posted very sluggish growth for four of the past five years. Taken together, the seven major economies in the region *declined* 1.1% in 2002, and managed only an estimated 1.1% increase in 2003. We expect a recovery in 2004 of 3%, with modest acceleration in growth to over 4% per year in 2007 and 2008.

Latin American outbound trips fell by over 8% in both 2001 and 2002. This year has seen growth in outbound travel within the region and to the Caribbean, while travel to all other regions continued to fall. For the year, we estimate a very modest increase of 2% in total outbound. For 2004-08, Latin American outbound is forecast to grow by only 3.7% per year on average—the weakest of all the major seven regions.

Latin America Outbound Travel Growth, 2002-05



The recovery in Latin American outbound travel to North America will be particularly striking. From a 29% *decline* in 2002, we anticipate a growth of 8.9% in 2005 as Latin American economies continue to recover from the problems of the past several years and as their currencies stabilize.

International Outbound for Key Markets, thousand visits

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Western Europe	**248,041**	**261,292**	**272,603**	**284,349**	**286,580**	**287,565**	**283,777**	**296,910**	**312,365**	**326,929**	**340,213**	**353,362**
Austria	6,357	6,470	6,550	7,013	7,207	7,438	7,793	8,372	9,055	9,642	10,213	10,803
Belgium	15,785	15,785	16,233	17,156	17,115	17,321	16,840	17,499	18,466	19,284	20,097	20,958
Denmark	5,176	5,329	5,605	5,774	5,874	5,963	5,882	6,146	6,387	6,636	6,870	7,057
Finland	2,050	2,218	2,425	2,395	2,362	2,364	2,366	2,500	2,637	2,770	2,885	3,000
France	21,148	22,411	22,826	24,042	24,735	24,403	24,720	25,796	27,462	28,913	30,195	31,399
Germany	70,853	72,859	74,649	76,524	75,645	76,825	76,762	80,413	85,269	89,858	93,618	97,092
Greece	1,488	1,520	1,528	1,665	1,704	1,726	1,687	1,770	1,860	1,979	2,077	2,190
Ireland	2,908	3,156	3,392	3,298	3,461	3,431	3,645	3,883	4,118	4,322	4,534	4,740
Italy	18,014	17,900	18,860	19,887	19,883	20,169	19,368	19,799	20,392	20,988	21,575	22,156
Netherlands	21,537	23,269	25,463	26,298	26,601	26,998	25,018	25,406	26,271	27,073	27,858	28,753
Norway	4,149	4,279	4,908	4,942	5,234	5,239	5,041	5,243	5,375	5,551	5,706	5,859
Portugal	2,322	2,480	2,642	2,917	2,998	3,027	3,029	3,219	3,360	3,510	3,646	3,800
Spain	12,784	13,841	14,187	14,614	14,824	14,595	14,782	15,711	16,410	17,160	17,853	18,658
Sweden	6,785	7,081	7,413	7,728	7,447	7,379	7,255	7,551	7,826	8,083	8,335	8,572
Switzerland	10,643	10,995	11,090	11,620	11,560	11,509	10,943	11,580	12,387	13,071	13,734	14,445
Turkey	594	594	577	726	655	605	570	593	647	695	745	794
United Kingdom	45,449	51,105	54,255	57,748	59,275	58,572	58,075	61,429	64,442	67,393	70,273	73,086
Eastern Europe	**9,889**	**11,043**	**10,382**	**11,870**	**12,572**	**13,068**	**13,363**	**14,581**	**15,746**	**16,950**	**18,081**	**19,328**
Bulgaria	229	265	288	273	296	303	287	298	308	317	326	333
Czech Republic	1,983	1,975	1,965	2,357	2,502	2,671	2,756	2,959	3,168	3,425	3,681	3,968
Hungary	878	1,183	1,291	1,381	1,513	1,672	1,811	1,999	2,203	2,398	2,588	2,813
Poland	2,651	2,953	2,987	3,543	3,539	3,726	3,932	4,361	4,804	5,239	5,639	6,071
Romania	426	611	395	432	473	343	351	371	387	404	420	439
Russia	3,722	4,058	3,456	3,885	4,249	4,353	4,227	4,593	4,875	5,166	5,427	5,704
North America	**90,335**	**91,481**	**95,208**	**101,360**	**96,465**	**97,379**	**90,479**	**93,504**	**97,851**	**102,106**	**106,029**	**109,532**
United States	61,503	63,005	65,146	69,659	66,368	67,631	61,310	62,996	66,041	69,061	71,849	74,029
Canada	19,734	18,395	19,209	20,242	19,480	18,811	18,430	19,416	20,229	21,046	21,812	22,683
Mexico	9,098	10,081	10,854	11,458	10,617	10,937	10,738	11,091	11,581	11,999	12,368	12,820

International Outbound for Key Markets, thousand visits (continued)

	1997	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
Asia	**71,034**	**64,424**	**71,777**	**80,971**	**84,044**	**90,688**	**80,362**	**88,838**	**97,067**	**105,148**	**112,933**	**120,252**
Australia	5,492	5,496	5,672	6,182	6,019	6,051	5,917	6,298	6,586	6,845	7,082	7,309
China (mainland)	5,375	6,797	8,297	10,360	12,077	16,406	14,118	16,665	18,788	20,868	22,894	24,759
Hong Kong	6,429	6,130	6,143	6,891	7,629	7,404	6,809	7,519	8,349	9,149	9,922	10,651
India	1,185	1,320	1,417	1,912	1,734	2,011	2,064	2,301	2,528	2,760	2,980	3,219
Japan	25,531	21,582	22,669	24,317	22,648	22,917	20,120	21,188	22,581	23,935	25,143	26,158
South Korea	5,070	2,973	4,269	5,501	6,159	7,073	6,728	7,554	8,380	9,178	9,948	10,725
Malaysia	3,462	2,985	3,114	3,426	3,471	3,894	3,642	4,003	4,413	4,780	5,134	5,490
New Zealand	1,412	1,466	1,531	1,669	1,567	1,543	1,526	1,601	1,691	1,769	1,842	1,914
Philippines	1,673	1,451	1,615	2,567	1,967	2,137	1,957	2,127	2,320	2,497	2,685	2,874
Singapore	6,663	6,351	8,217	7,766	10,496	10,661	8,155	9,137	9,993	10,852	11,723	12,547
Thailand	2,009	1,702	2,023	2,722	2,772	3,049	2,826	3,092	3,360	3,616	3,864	4,117
Taiwan	6,734	6,170	6,810	7,659	7,507	7,541	6,501	7,352	8,079	8,900	9,715	10,490
Latin America	**9,182**	**9,482**	**9,142**	**9,553**	**8,857**	**7,529**	**7,499**	**7,840**	**8,232**	**8,624**	**9,012**	**9,417**
Argentina	3,658	3,737	3,778	3,838	3,583	2,628	2,700	2,780	2,874	2,962	3,036	3,113
Brazil	2,767	2,828	2,387	2,438	2,138	1,977	1,873	2,001	2,162	2,326	2,491	2,647
Chile	869	925	924	989	872	907	1,040	1,078	1,119	1,161	1,206	1,256
Colombia	698	728	747	800	758	701	699	735	776	832	892	960
Peru	409	397	371	447	428	404	415	429	444	455	468	483
Venezuela	781	867	935	1,043	1,077	913	772	816	857	889	919	959
Africa	**3,432**	**3,662**	**3,652**	**4,263**	**4,134**	**4,117**	**4,071**	**4,309**	**4,554**	**4,812**	**5,068**	**5,349**
Egypt	146	179	160	194	199	183	183	193	202	209	220	229
Israel	2,240	2,407	2,383	2,830	2,794	2,790	2,767	2,917	3,062	3,218	3,365	3,529
Jordon	205	197	207	243	197	218	230	257	293	333	377	428
Morocco	73	75	68	70	66	65	68	74	80	86	92	98
South Africa	704	745	769	841	799	779	741	779	826	872	917	963
Tunisia	63	58	65	85	79	81	83	88	92	95	99	102

International Outbound for Key Markets, annual percentage change	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR 99-03	CAGR 04-08
Western Europe	**4.33**	**4.31**	**0.79**	**0.34**	**-1.32**	**4.63**	**5.21**	**4.66**	**4.06**	**3.87**	**0.8**	**3.5**
Austria	1.23	7.08	2.75	3.21	4.78	7.42	8.17	6.48	5.91	5.78	3.5	5.2
Belgium	2.84	5.69	-0.24	1.20	-2.77	3.91	5.53	4.43	4.22	4.29	0.7	3.7
Denmark	5.18	3.01	1.74	1.52	-1.37	4.49	3.93	3.90	3.52	2.72	1.0	2.8
Finland	9.35	-1.27	-1.36	0.10	0.09	5.65	5.49	5.02	4.15	3.99	-0.5	3.7
France	1.85	5.33	2.88	-1.34	1.30	4.35	6.46	5.29	4.44	3.99	1.6	4.0
Germany	2.46	2.51	-1.15	1.56	-0.08	4.76	6.04	5.38	4.19	3.71	0.6	3.8
Greece	0.56	8.92	2.39	1.27	-2.26	4.91	5.13	6.38	4.93	5.48	2.0	4.4
Ireland	7.49	-2.76	4.93	-0.86	6.22	6.53	6.07	4.93	4.93	4.53	1.4	4.1
Italy	5.36	5.45	-0.02	1.44	-3.97	2.23	3.00	2.92	2.80	2.69	0.5	2.3
Netherlands	9.43	3.28	1.15	1.50	-7.34	1.55	3.40	3.05	2.90	3.21	-0.4	2.5
Norway	14.70	0.70	5.90	0.11	-3.78	3.99	2.52	3.28	2.79	2.67	0.5	2.2
Portugal	6.51	10.41	2.78	0.96	0.06	6.29	4.38	4.47	3.86	4.24	2.8	3.4
Spain	2.50	3.00	1.44	-1.54	1.28	6.28	4.45	4.57	4.03	4.51	0.8	3.5
Sweden	4.68	4.26	-3.64	-0.92	-1.67	4.08	3.64	3.29	3.11	2.84	-0.4	2.6
Switzerland	0.87	4.77	-0.52	-0.44	-4.92	5.83	6.97	5.52	5.07	5.18	-0.3	4.5
Turkey	-2.88	25.82	-9.80	-7.66	-5.71	3.98	9.02	7.46	7.17	6.56	-0.2	6.0
United Kingdom	6.17	6.44	2.64	-1.19	-0.85	5.78	4.90	4.58	4.27	4.00	1.4	3.5
Eastern Europe	**-5.99**	**14.34**	**5.91**	**3.94**	**2.26**	**9.12**	**7.99**	**7.64**	**6.67**	**6.90**	**5.2**	**5.8**
Bulgaria	8.64	-5.10	8.57	2.35	-5.40	3.93	3.36	3.04	2.63	2.16	0.0	2.2
Czech Republic	-0.50	19.95	6.16	6.77	3.17	7.37	7.07	8.12	7.46	7.80	7.0	6.0
Hungary	9.19	6.93	9.56	10.51	8.33	10.35	10.25	8.83	7.94	8.67	7.0	7.1
Poland	1.16	18.63	-0.12	5.28	5.55	10.91	10.16	9.04	7.63	7.68	5.7	6.8
Romania	-35.25	9.19	9.68	-27.56	2.25	5.88	4.18	4.43	3.98	4.53	-2.4	3.4
Russia	-14.84	12.42	9.37	2.46	-2.91	8.67	6.15	5.97	5.05	5.10	4.1	4.4
North America	**4.07**	**6.46**	**-4.83**	**0.95**	**-7.09**	**3.34**	**4.65**	**4.35**	**3.84**	**3.30**	**-1.0**	**3.2**
United States	3.40	6.93	-4.72	1.90	-9.35	2.75	4.83	4.57	4.04	3.03	-1.2	3.3
Canada	4.42	5.38	-3.77	-3.44	-2.03	5.35	4.19	4.04	3.64	3.99	-0.8	3.2
Mexico	7.67	5.57	-7.35	3.02	-1.81	3.29	4.42	3.61	3.07	3.66	-0.2	2.9

International Outbound for Key Markets, annual percentage change (continued)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR 99-03	CAGR 04-08
Asia	**11.41**	**12.81**	**3.80**	**7.91**	**-11.39**	**10.55**	**9.26**	**8.33**	**7.40**	**6.48**	**2.3**	**6.2**
Australia	3.21	9.00	-2.64	0.52	-2.22	6.45	4.57	3.93	3.46	3.21	0.8	3.0
China (mainland)	22.06	24.88	16.57	35.85	-13.95	18.05	12.73	11.08	9.71	8.15	11.2	8.2
Hong Kong	0.22	12.17	10.71	-2.94	-8.04	10.43	11.03	9.59	8.45	7.35	2.1	7.2
India	7.31	34.92	-9.30	15.97	2.63	11.50	9.86	9.17	7.99	8.03	7.8	6.9
Japan	5.04	7.27	-6.86	1.19	-12.20	5.30	6.58	5.99	5.05	4.04	-2.4	4.3
South Korea	43.57	28.86	11.97	14.84	-4.88	12.28	10.93	9.52	8.39	7.80	9.5	7.3
Malaysia	4.32	10.01	1.32	12.20	-6.48	9.92	10.23	8.33	7.42	6.92	3.2	6.5
New Zealand	4.48	8.95	-6.10	-1.49	-1.14	4.96	5.59	4.60	4.17	3.87	-0.1	3.6
Philippines	11.30	58.96	-23.40	8.69	-8.46	8.71	9.08	7.62	7.55	7.04	3.9	6.2
Singapore	29.37	-5.49	35.15	1.58	-23.50	12.04	9.37	8.60	8.02	7.03	-0.2	6.5
Thailand	18.86	34.52	1.85	9.98	-7.31	9.40	8.68	7.61	6.86	6.55	6.9	5.9
Taiwan	10.37	12.48	-2.00	0.46	-13.80	13.10	9.89	10.16	9.16	7.97	-0.9	7.4
Latin America	**-3.59**	**4.49**	**-7.29**	**-14.99**	**-0.41**	**4.55**	**5.00**	**4.77**	**4.49**	**4.50**	**-3.9**	**3.7**
Argentina	1.09	1.58	-6.62	-26.67	2.75	2.98	3.36	3.06	2.51	2.52	-6.5	2.3
Brazil	-15.59	2.11	-12.27	-7.56	-5.23	6.80	8.07	7.56	7.10	6.28	-4.7	5.8
Chile	-0.10	6.97	-11.81	4.02	14.65	3.71	3.75	3.75	3.93	4.10	2.4	3.1
Colombia	2.63	7.06	-5.28	-7.51	-0.30	5.16	5.58	7.30	7.16	7.63	-1.3	5.5
Peru	-6.71	20.50	-4.07	-5.73	2.74	3.32	3.53	2.58	2.68	3.25	2.3	2.4
Venezuela	7.86	11.51	3.29	-15.19	-15.48	5.76	4.97	3.69	3.44	4.37	-3.8	3.3
Africa	**-0.27**	**16.73**	**-3.03**	**-0.40**	**-1.12**	**5.86**	**5.68**	**5.67**	**5.32**	**5.53**	**2.2**	**4.4**
Egypt	-10.79	21.43	2.33	-8.01	-0.17	5.79	4.62	3.55	4.89	4.13	2.7	3.4
Israel	-0.99	18.78	-1.27	-0.16	-0.83	5.43	4.95	5.10	4.57	4.89	3.0	3.9
Jordon	5.23	17.05	-18.73	10.80	5.22	11.94	13.83	13.53	13.35	13.44	2.1	10.7
Morocco	-9.89	3.13	-5.78	-0.26	3.32	9.95	7.45	7.21	7.45	6.30	0.0	5.6
South Africa	3.22	9.31	-4.99	-2.46	-4.91	5.19	6.00	5.54	5.14	5.10	-0.7	4.3
Tunisia	11.00	31.03	-7.39	2.68	2.42	6.21	4.14	4.12	3.39	3.67	5.0	3.1

The Global Economic Outlook

The good news is that most regions of the world are now showing signs of recovery, although in some regions these recoveries are still quite tentative. Nevertheless, all evidence does suggest that a strong U.S. economic rebound is already underway. The U.S. rebound will lift the rest of the world, but the strength and stability of global recovery will remain uncertain for some time.

The U.S. economy has shown both positive and negative factors over the past months. With stimulative monetary and fiscals policies in effect the economy is receiving the fuel it needs for improved growth. Unemployment has fallen over recent months, productivity growth is strong, and the falling dollar will contribute to a rise in exports. On the other hand, job losses continue in several sectors and corporations have not yet relaxed their conservative management policies required to begin rehiring in volume. Additionally, low-capacity utilization and high-debt levels will continue to weigh down any future growth. Nonetheless, positive elements far outweigh the negatives for the U.S. economy that, as recovery continues, have a positive effect in North America and Asia.

The U.S.-led global economic recovery is spreading and fast gathering momentum, with signs of improvement continuing to emerge. In the short term, North America and non-Japan Asia have rebounded strongly since the end of the Iraq war, but the recovery remains anemic in most other regions. For the global economy as a whole, real aggregate growth will likely remain somewhat subdued, as many consumers and businesses outside of North America and Asia remain uncertain about the future. High-frequency indicators are signaling that the global recovery will end the year on a much stronger note, with a good likelihood that it will shift into a still higher gear in 2004.

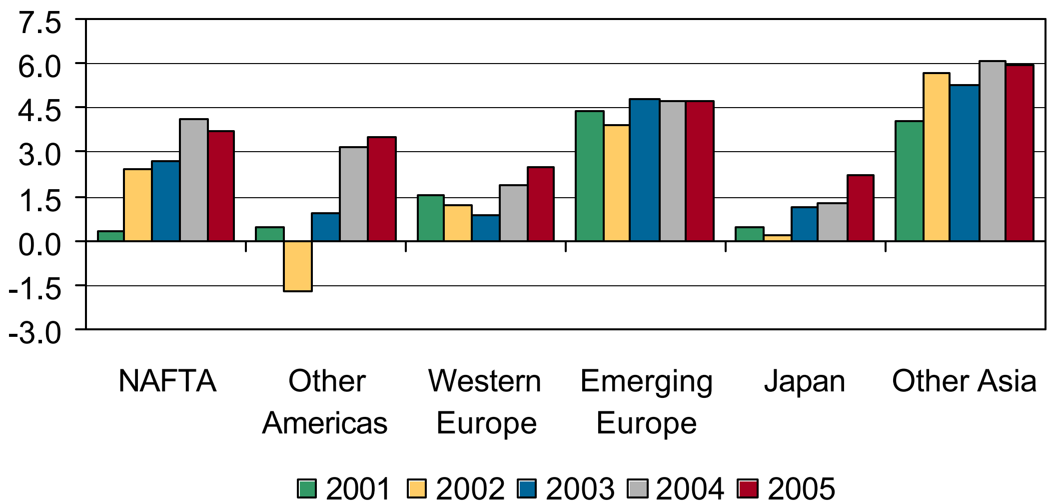
The beneficiaries of the U.S. recovery will include:

- **Non-Japan Asia and Emerging Europe** will benefit most from the anticipated surge in U.S. imports, thanks to their strong competitiveness and relatively cheap currencies.
- Cheap local currencies, along with rising primary commodity prices, will benefit the export sectors of **Latin America**.
- **The Eurozone and Japan** should also benefit from the U.S. rebound, but their recoveries will be rather lackluster due to structural problems, more expensive currencies, and institutional constraints.
- The U.S. recovery will also help **primarily commodity exporters** elsewhere, since the resulting increase in global aggregate demand will boost their export revenues.

Since the end of the war in Iraq, the global economy has benefited from a post-war bounce in consumer and business confidence and a 25% decline in oil prices. The fading of the threat from severe acute respiratory syndrome (SARS) has enabled the recovery of international travel along the Pacific Rim. Improved confidence is reflected in a 30–55% rebound in most global equity markets. Markets have also been reassured by the aggressive reflationary policies of the United States and non-Japan Asia, along with further loosening of monetary policies in many other countries since November 2002. Even the complacent European Central Bank (ECB) was forced to somewhat loosen its monetary policy, helping to get the global recovery re-ignited; however, the ECB's 50-basis-point rate cut on June 5 has left it well behind the reflation curve, given the weak state of Eurozone economies.

Indeed, lagging consumer spending in the Eurozone and Japan remain major drags for the global economy, given the sheer combined size of their economies. While both economies are experiencing cyclical recoveries of their own, the key driving force for their growth is now external demand from the United States and non-Japan Asia. Since much of the latter's growth depends on exporting to the United States, the fate of the global economy will depend on the sustainability as well as the strength of the U.S. economic rebound.

Emerging Markets Achieve the Fastest Growth



Global Insight is now convinced that the global economy is headed for a solid rebound, although its acceleration will be a bit less robust and its sustainability more uncertain than we had been expecting at the start of 2003. Global Insight's latest forecast, completed on December 10, projects the world economy to grow at an annual rate of 2.5% in 2003, compared with our forecast of 2.8% at the end of last year. While this year's projected growth represents a substantial improvement over the world economy's lackluster 2.0% pace in 2002 and a huge step up over its anemic 1.3% performance in 2001, it is well below its long-term trend growth rate of 3.1% per year.

Indeed, the world economy's growth in 2003 is destined to be by far the weakest second-year performance of all post-World War II cyclical recoveries. The recovery is not proceeding according to the usual script, but this is by no means a typical economic cycle. The investment-led nature of the 2001 downturn makes the current economic cycle an outlier among post-World War II cycles. It is, therefore, hardly surprising that the current recovery has been rather bumpier than usual. Indeed, the bumpiness is more than understandable, given the jarring shocks that have pummeled the global economy over the past few years, such as the collapse of the equity bubble, the September 11 attacks, corporate governance scandals, periodic oil price spikes, the Iraq war, and this year's SARS outbreaks.

Nevertheless, after nearly three years of weak and uneven growth, we believe that the global economy is headed for a robust rebound and its growth should accelerate to a sustainable above-average pace in early 2004. The average annual growth for 2004 is projected to be 3.7%—the second-highest annual rate since 1990. On a year-on-year basis, Global Insight's latest forecast envisages the global economy moving above its trend growth rate of 3.1% in the first quarter of next year. Our projected average annual growth rate for the five years from 2005 through 2009 is 3.3%, compared with 2.6% for the last five years (1998–2002).

There are many risks to this forecast, however. Key among them are the possibility for a mediocre investment rebound, a retrenchment by the over-stretched American consumer, or an acceleration in U.S. dollar weakness.

Other risks include:

- **Japan and the Eurozone**. Sub-par growth and inability to generate domestic demand continue to threaten the health of the world recovery. As the ECB begins to show more willingness to adjust interest rates, the Eurozone has a better chance of benefiting from the current environment than Japan.
- **Trade Imbalances**. Lingering imbalances in trade pose a major risk. The unbalanced pattern of world growth has produced a U.S. current account deficit that has reached 5% of GDP. Although U.S. exports could benefit from the continued depreciation of the dollar, if the decline is too rapid, the drain on foreign investment could send interest rates skyward.
- **International Terrorism**. The war against terrorism has reduced the opportunity for global terrorists to affect the international economy. Nevertheless, while their targets have become focused on smaller targets in less-vigilant countries, their risk to the tourism industry is disproportionately great.
- **Other Geo-Political Uncertainty**. Nuclear weapons programs in North Korea and Iran, though not an immediate threat, loom large on the horizon. After moving beyond the Middle East, the efficacy of U.S. foreign policy and diplomatic efforts will have some impact on the prospects for future nuclear threats.

WORLD ECONOMIC FORECAST SUMMARY

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1998-2002	2003-2008	1999-2008
	REAL GDP (PERCENT CHANGE)												
WORLD (PPP WEIGHTS)	**3.4**	**4.7**	**2.0**	**2.5**	**2.9**	**3.7**	**3.8**	**3.8**	**3.7**	**3.6**	**3.1**	**3.7**	**3.4**
WORLD (1990 BASE)	3.1	4.1	1.4	2.0	2.4	3.2	3.3	3.3	3.3	3.1	2.6	3.3	2.9
DEVELOPED COUNTRIES	2.9	3.6	0.9	1.6	1.9	2.7	2.8	2.8	2.7	2.5	2.2	2.7	2.4
UNITED STATES	4.1	3.8	0.3	2.4	2.8	4.2	3.7	3.7	3.5	2.9	2.7	3.6	3.1
CANADA	5.5	5.3	1.9	3.3	2.0	3.3	3.6	3.3	3.3	3.1	3.6	3.3	3.4
JAPAN	0.2	2.8	0.4	0.2	2.5	1.4	1.4	1.7	1.8	1.8	1.2	1.6	1.4
WESTERN EUROPE	**2.6**	**3.8**	**1.5**	**1.2**	**0.8**	**1.8**	**2.5**	**2.4**	**2.2**	**2.2**	**2.0**	**2.2**	**2.1**
GERMANY	1.9	3.1	1.0	0.2	0.0	1.3	2.1	2.0	1.7	1.6	1.2	1.7	1.5
FRANCE	3.2	4.2	2.1	1.2	0.3	1.3	2.7	2.4	2.2	2.2	2.2	2.2	2.2
ITALY	1.7	3.3	1.7	0.4	0.3	1.3	2.3	2.3	2.2	2.2	1.5	2.0	1.8
UNITED KINGDOM	2.8	3.8	2.1	1.7	2.0	2.8	2.6	2.5	2.5	2.4	2.5	2.6	2.5
AFRICA, EXCL. SOUTH AFRICA	**3.9**	**3.4**	**3.1**	**1.9**	**3.3**	**3.5**	**4.7**	**5.0**	**5.2**	**5.2**	**3.1**	**4.7**	**3.9**
LATIN AMERICA, EXCL. MEXICO	-1.0	3.1	0.5	-1.2	1.1	3.1	3.6	3.8	4.0	4.1	0.5	3.7	2.1
MIDDLE EAST, EXCL. TURKEY	1.1	5.6	2.2	2.2	3.5	3.5	4.0	4.1	4.1	4.0	2.9	4.0	3.4
OTHER ASIA	5.9	4.0	5.3	4.3	5.8	5.8	5.5	5.4	5.3	5.4	5.0	5.5	5.3
PACIFIC BASIN	6.2	7.4	1.3	4.5	3.2	5.2	5.4	5.4	5.5	5.3	4.5	5.3	4.9
CHINA	**7.1**	**8.0**	**7.3**	**8.0**	**7.7**	**7.5**	**6.9**	**6.7**	**6.6**	**6.8**	**7.6**	**6.9**	**7.3**
MEXICO	3.7	6.6	-0.3	0.9	1.5	3.4	3.5	3.5	3.6	3.6	2.4	3.5	3.0
EASTERN EUROPE	2.6	3.8	2.8	2.8	3.3	4.2	4.3	4.4	4.1	4.2	3.1	4.2	3.7
FORMER SOVIET UNION	5.0	9.0	6.1	4.9	6.1	5.1	4.8	4.5	4.6	4.7	6.2	4.7	5.5
	CONSUMER PRICE INDEXES (PERCENT CHANGE)												
DEVELOPED COUNTRIES, EXCL. TURKEY	**1.4**	**2.2**	**2.1**	**1.5**	**1.8**	**1.2**	**1.6**	**1.7**	**1.8**	**1.9**	**1.8**	**1.6**	**1.7**
UNITED STATES	2.2	3.4	2.8	1.6	2.3	1.2	1.8	1.9	2.1	2.1	2.4	1.8	2.1
CANADA	1.7	2.7	2.5	2.2	2.7	1.0	1.6	1.9	2.0	2.0	2.4	1.7	2.0
JAPAN	-0.3	-0.9	-0.7	-0.9	-0.2	-0.7	-0.1	0.3	0.9	1.3	-0.6	0.3	-0.1
WESTERN EUROPE, EXCL. TURKEY	**1.2**	**2.2**	**2.3**	**2.0**	**2.1**	**1.8**	**1.9**	**1.9**	**1.9**	**1.9**	**2.0**	**1.9**	**1.9**
GERMANY	0.5	1.3	2.0	1.3	1.0	0.9	1.5	1.6	1.6	1.5	1.2	1.4	1.3
FRANCE	0.5	1.7	1.6	1.9	2.1	1.7	1.4	1.5	1.7	1.8	1.6	1.6	1.6
ITALY	1.7	2.5	2.8	2.5	2.7	2.1	2.2	2.1	1.9	1.9	2.4	2.0	2.2
UNITED KINGDOM	1.6	2.9	1.8	1.6	3.0	2.7	2.6	2.6	2.6	2.6	2.2	2.6	2.4
	UNEMPLOYMENT RATE (PERCENT OF LABOR FORCE)												
DEVELOPED COUNTRIES	**7.3**	**6.9**	**7.0**	**7.6**	**7.8**	**7.9**	**7.6**	**7.4**	**7.1**	**7.1**	**7.3**	**7.4**	**7.4**
UNITED STATES	4.2	4.0	4.8	5.8	6.1	6.1	5.9	5.8	5.7	5.8	5.0	5.9	5.4
CANADA	7.6	6.8	7.2	7.6	7.7	7.5	7.2	7.0	6.9	6.9	7.4	7.1	7.2
JAPAN	4.7	4.7	5.0	5.4	5.4	5.8	5.9	5.6	5.3	5.0	5.0	5.5	5.3
WESTERN EUROPE	**8.9**	**8.1**	**7.6**	**8.1**	**8.4**	**8.3**	**7.7**	**7.3**	**6.8**	**6.7**	**8.2**	**7.4**	**7.8**
GERMANY	10.5	9.6	9.4	9.8	10.6	10.6	9.6	8.9	8.5	8.3	10.0	9.2	9.6
FRANCE	10.8	9.5	8.7	9.0	9.6	9.8	8.8	8.0	8.0	8.0	9.5	8.5	9.0
ITALY	11.5	10.6	9.6	9.0	8.9	8.7	8.0	7.7	7.5	7.4	9.9	7.9	8.9
UNITED KINGDOM	6.0	5.5	5.1	5.2	5.1	5.0	5.0	5.0	4.9	5.0	5.4	5.0	5.2
	CRUDE OIL PRICE												
AVE. CRUDE PRICE ($/BARREL) (b)	18.0	28.2	24.3	25.0	29.9	23.7	24.4	25.2	26.2	26.7			
PERCENT CHANGE	37.6	57.0	-14.0	2.8	19.7	-20.8	3.1	3.4	3.6	2.1	18.0	-2.2	7.4
	EXCHANGE RATE (LOCAL CURRENCY/U.S. DOLLAR, AVERAGE)												
EURO	0.9	1.1	1.1	1.1	0.9	0.8	0.8	0.8	0.8	0.8	-0.1	-2.9	-1.5
DEUTSCHE MARK	1.8	2.1	2.2	2.1	1.8	1.7	1.6	1.5	1.5	1.5	0.1	-3.2	-1.6
JAPANESE YEN	113.8	107.8	121.5	125.3	116.4	111.0	110.0	107.4	105.0	102.8	-2.3	-2.5	-2.4
POUND STERLING	0.6	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-1.7	-0.6
CANADIAN DOLLAR	1.5	1.5	1.5	1.6	1.4	1.3	1.3	1.3	1.3	1.2	-1.0	-2.6	-1.8

Appendix

Overview of the Global Tourism Navigator Forecasting Model

The travel data in this report is taken from the Global Tourism Navigator. The Global Tourism Navigator model is the first of its kind to be built around a consistent set of macroeconomic and demographic forecast drivers. Global Insight's forecasts for real income, exchange rates, prices, and population act as determinants of demand for travel by origin market.

Demand (origins) is then linked with supply (destinations) according to current travel trends, as well as a weighting for all destinations. Each destination is scored across three criteria: security, tourism product/infrastructure, and tourism development plans. Using this weighting mechanism, in conjunction with econometrically calculated outbound travel, the model calculates globally consistent forecasts at the detail of origin-destination pairs.

The travel forecasts contain the following distinct characteristics:

- ***Forecasts are based on consistent and accurate economic and demographic projections;***
- ***Supply and demand are balanced across all origin and destination countries;***
- ***Shifts in traveler preferences and destination developments are captured;***
- ***Forecast coverage includes visitors, traveler spending, mode of transport, purpose of trip, as well as all relevant economic and demographic forecasts;***
- ***Continued Web delivery and manipulation through the Navigator platform.***

2003 Enhancements to Global Tourism Navigator Database

A number of substantial enhancements have been made to the GTN database in this release, including:

- ***Over 1,000 additional tourism indicators;***
- ***An additional six countries, bringing total coverage to 164 countries;***
- ***Improved origin market coverage;***
- ***New data on international inbound and outbound spending by purpose of trip (business versus leisure);***
- ***Forecasts extending to 2008;***
- ***Web delivery and manipulation through the Navigator platform for all indicators.***

GLOBAL TOURISM NAVIGATOR COUNTRY COVERAGE BY REGION

Northeast Asia
- China
- Hong Kong
- Japan
- Korea, Republic
- Macao
- Taiwan

Southeast Asia
- Brunei Darussalam
- Cambodia
- Indonesia
- Laos
- Malaysia
- Myanmar
- Papua New Guinea
- Philippines
- Singapore
- Thailand
- Vietnam

Oceania
- Australia
- Fiji
- Kiribati
- New Zealand
- Solomon Islands
- Tonga
- Vanuatu

South Asia
- Bangladesh
- India
- Maldives
- Nepal
- Pakistan
- Sri Lanka

Caribbean
- Anguilla
- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Bermuda
- Cayman Islands
- Cuba
- Curacao
- Dominica
- Dominican Republic
- Grenada
- Guadeloupe
- Haiti
- Jamaica
- Martinique
- Puerto Rico
- St. Kitts and Nevis
- St. Lucia
- St. Vincent & Grenadines
- Trinidad and Tobago
- U.S. Virgin Islands

Western Europe
- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Luxembourg
- Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom

Eastern Europe
- Bulgaria
- Croatia
- Czech Republic
- Hungary
- Latvia
- Lithuania
- Poland
- Romania
- Slovakia
- Slovenia
- Russian Federation

Middle East
- Bahrain
- Cyprus
- Dubai
- Iran
- Israel
- Jordan
- Kuwait
- Lebanon
- Oman
- Saudi Arabia

Syria
Yemen, Republic

North America
Canada
Mexico
United States

Latin America
Argentina
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Ecuador
El Salvador
Guatemala
Guyana
Honduras
Nicaragua
Panama
Paraguay
Peru
Suriname
Uruguay
Venezuela

North Africa
Egypt
Libya
Morocco
Tunisia

Sub-Saharan Africa
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo
Congo, Democ. Rep.
Ethiopia
Gabon
Gambia
Ghana
Guinea
Ivory Coast
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Malta
Mauritius
Namibia
Niger
Nigeria
Reunion
Rwanda
Sao Tome and Principe
Senegal
Seychelles
Sierra Leone
South Africa
Sudan
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe