TRAVEL TRENDS INDEX

DECEMBER 2015

The Travel Trends Index measures the direction and pace of travel volume to and within the U.S. on a monthly basis. The index includes a Current Travel Index (CTI) and a Leading Travel Index (LTI). Both the CTI and the LTI include subcomponents (domestic, international, leisure and business).

CTI shows travel growth leveled off in Q4 of 2015. LTI predicts moderate growth in early 2016, with a rebound in domestic business travel.

Overall travel volume (person trips to or within the United States involving a hotel stay or air travel) was higher in December 2015 than in December 2014. Growth in travel volume from December 2014-2015 was comparable with that of November 2014-2015. Domestic leisure travel expanded, while domestic business travel declined for the fourth time in six months. Growth in inbound international travel has trailed that of domestic travel since July 2015. The near-term outlook suggests this trend will continue into early 2016.
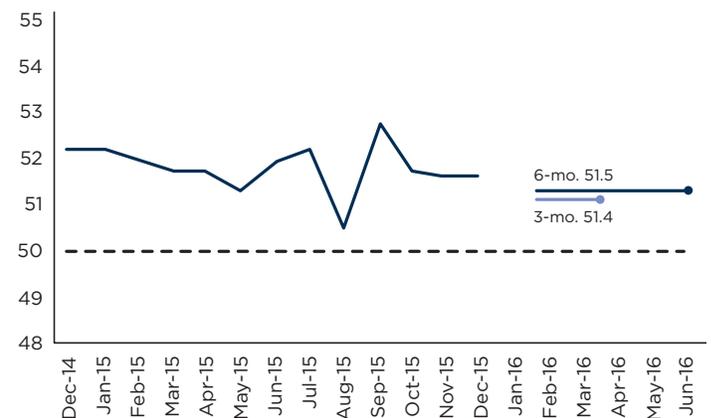
➤ HIGHLIGHTS:

* For CTI and LTI definitions, please see below.

- The Current Travel Index (CTI) has registered above 50 (indicating growth) for 72 straight months, indicating a six-year expansion in U.S. travel volume.

- The CTI held steady in December, with a reading of 51.6, near the six-month moving average.

- International inbound travel continued its overall 2015 softening trend, with a reading of 50.9 in December, lagging behind domestic travel, which posted a score of 51.7 for the month. The Leading Travel Index (LTI) projects domestic travel will continue to outperform international inbound travel in the first half of 2016.

- Domestic leisure travel grew steadily for most of 2015, and will lead the U.S. travel market into early 2016. Domestic business travel struggled for much of the year, but is expected to post modest gains in coming months.

- The 3- and 6-month LTI readings of 51.4 and 51.5, respectively, indicate overall U.S. travel volume growth near three percent through June 2016.

December Travel Trends Index
Current Travel Index and Leading Travel Index

Index (>50=expansion, <50=decline)

6-mo. 51.5
3-mo. 51.4

Source: Oxford Economics, U.S. Travel Association

	CTI	3-month LTI*	6-month LTI**
November Index	51.6	51.3	51.4
December Index	51.6	51.4	51.5
Direction and Speed	Travel demand grew at the same rate as the previous month.	Travel is expected to grow over the coming 3 months at a slightly slower rate.	Travel is expected to grow over the coming 6 months at a slightly slower rate.

* Average outlook reading for Jan 2016 to Mar 2016
** Average outlook reading for Jan 2016 to Jun 2016

> "While still expanding, the pace of travel volume for 2015 decelerated slightly compared to 2014, with an acceleration in domestic leisure travel nearly offsetting a starker slowdown in international inbound travel to the U.S.
>
> – David Huether
> Senior Vice President, Research

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The Oxford/U.S. Travel **Leading Travel Index (LTI)** is an indicator of the future direction and pace of travel volume to and within the U.S. over the coming three and six months compared to the same period in the prior year. The LTIs represent average readings over the next three and six months. The LTI econometric model is based on data sets that have demonstrated to predict near-term future travel: online travel searches and bookings for future travel, consumer travel intentions data, and economic fundamentals. A score above 50 indicates expansion. A score below 50 indicates decline.

TRAVEL TRENDS INDEX (Continued)

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➤ DETAILED RESULTS

Domestic consumers, emboldened by rising wages and low gas prices, are driving robust domestic leisure travel growth, which will persist into 2016. Business travel volume in the U.S. dipped in late 2015 as sentiment wavered over volatile financial markets and rising interest rates. However, research and bookings indicators point to modest gains in coming months.

Inbound travel to the U.S. has averaged less than one percent growth over the past six months. International market turmoil and the continued strength of the U.S. dollar suggest soft inbound travel growth into 2016, yet advance travel indicators suggest some pickup in the coming months.

Travel Trends Index Summary

	Current Travel Index (CTI)				Leading Travel Index (LTI)		6-month LTI vs. CTI 6-month avg	
	6-month avg	October	November	December	3-month*	6-month**	Direction	Speed
Total Market	**51.7**	**51.7**	**51.6**	**51.6**	**51.4**	**51.5**	Increasing ▲	Slightly Slower
International	50.4	50.6	49.9	50.9	50.5	50.5	Increasing ▲	Slightly Faster
Domestic	51.9	51.8	51.8	51.7	51.5	51.6	Increasing ▲	Slightly Slower
Business	49.7	51.3	53.2	48.7	50.2	50.3	Increasing ▲	Faster
Leisure	52.8	51.3	53.2	52.9	52.2	52.2	Increasing ▲	Slower

* Average outlook reading for Jan 2016 to Mar 2016
** Average outlook reading for Jan 2016 to Jun 2016

December Domestic and International Travel Index

Index (>50=expansion, <50=decline)

6-mo. 51.6
3-mo. 51.5
3-mo. 50.5 6-mo. 50.5

— Domestic
— International
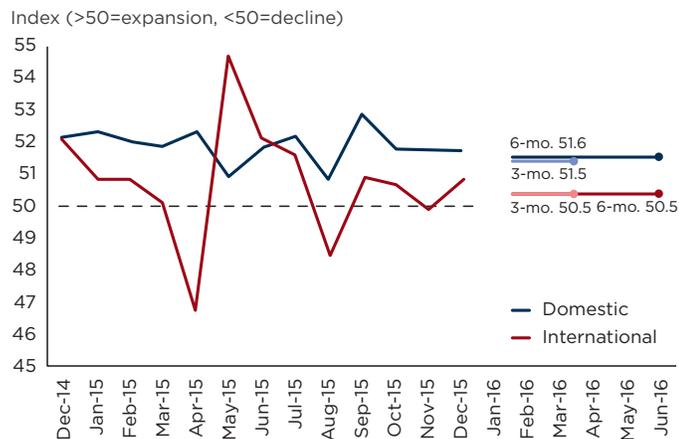
Source: Oxford Economics, U.S. Travel Association

December Domestic Business and Leisure Travel Index

Index (>50=expansion, <50=decline)

3-mo. 52.2   6-mo. 52.2
3-mo. 50.2   6-mo. 50.3

— Leisure
— Business
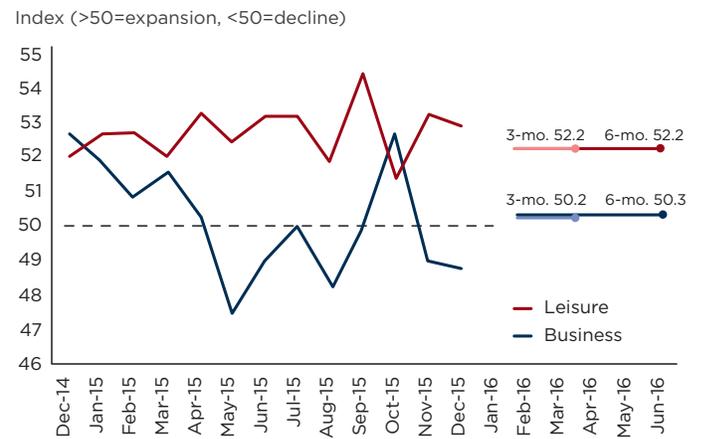
Source: Oxford Economics, U.S. Travel Association

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The Oxford/U.S. Travel **Leading Travel Index (LTI)** is an indicator of the future direction and pace of travel volume to and within the U.S. over the coming three and six months compared to the same period in the prior year. The LTIs represent average readings over the next three and six months. The LTI econometric model is based on data sets that have demonstrated to predict near-term future travel: online travel searches and bookings for future travel, consumer travel intentions data, and economic fundamentals. A score above 50 indicates expansion. A score below 50 indicates decline.

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The current travel volume growth rate is similar to the average pace of growth since the beginning of the post-recession recovery. The December CTI reading of 51.6 is slightly lower than the 2015 average as a whole. However, it is consistent with the Travel Trends Index throughout 2015, with solid growth in domestic leisure travel offsetting sluggish growth in international inbound and domestic business travel. Looking forward, drivers of domestic leisure travel remain on a firm footing, with improvements in domestic business as well as inbound travel expected in 2016.

Adam Sacks, president of Oxford's Tourism Economics group, says, "We are encouraged by evidence of strong consumer sentiment inherent in steady domestic leisure travel growth, even though it may be less apparent among U.S. firms early in 2016. Still, bookings in both segments are looking up. Forward-looking travel searches and bookings suggest greater enthusiasm toward U.S. travel from foreign markets; though it looks like inbound travel growth will remain in low gear, especially as long as a strong dollar persists."

December CTI, 3-month and 6-month LTI

>50=expansion, <50=decline
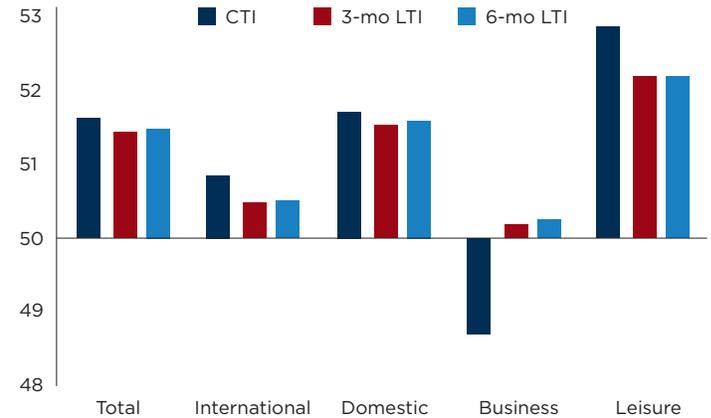
Source: Oxford Economics, U.S. Travel Association

➤ METHODOLOGY

The Current Travel Index (CTI) measures monthly travel volume in the U.S., including both domestic and international inbound travel. A score over 50 indicates an expansion in travel relative to the same month the prior year.

The index measures person trips that involved a hotel stay and/or a flight. STR provides monthly data on hotel room demand and A4A provides monthly data on passenger enplanements. TNS provides representative data on U.S. travelers to determine the average length of stay, persons per traveler party and the proportion of hotel guests who also fly. On these bases, the CTI encompasses three traveler types that are shown below with their basic calculation.

Hotel Guests & Flyers

$$\frac{\text{enplanements}}{\text{enplanements per trip}} \quad X \quad \frac{\text{\% of flyers that}}{\text{stay in hotel}}$$

Hotel Guests & Non-Flyers

$$\frac{\text{occupied rooms x people per room}}{\text{length of stay}} \quad X \quad \frac{\text{\% of hotel guests}}{\text{that did not fly}}$$

Non-Hotel Guests & Flyers

$$\frac{\text{enplanements}}{\text{enplanements per trip}} \quad X \quad \frac{(1 - \text{\% of flyers that}}{\text{stay in hotel})}$$

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The international component of the CTI is based on monthly data from the U.S. Department of Commerce I-94 and I-92 programs, as well as Statistics Canada. The I-94 dataset is the basis of official overseas inbound travel estimates for the United States. The I-92 program is called the Advanced Passenger Information System (APIS), and tracks international travel to the U.S. with distinctions between inbound travel by foreign nationals and U.S. citizens. APIS is generally more timely than I-94, allowing for estimates of air arrivals with only a one-month lag. Domestic travel is measured as the residual of total travel minus international.

The domestic leisure travel component of the CTI is based on STR room demand data that is segmented by type of property and day of the week. A domestic leisure travel proxy has been developed based on the location, type of property and day of the week of travel. Domestic business travel is measured as the residual of domestic travel minus domestic leisure.

The Leading Travel Index (LTI) measures the likely average pace and direction of U.S. travel volume over the coming three and six month periods. A score over 50 indicates an expansion in travel relative to the same period last year.

The LTI econometric model includes three categories of information that have shown to be strongly capable of predicting short-term travel trends. High frequency macroeconomic data capture underlying movements in the labor market, exchange rates and company performance. Consumer sentiment data from the Conference Board provide a long-term trend of consumer attitudes that can be tracked with future travel patterns. Online search and bookings data provide a window into traveler planning based on data from ADARA and nSight, while data from the Airlines Reporting Corporation (ARC) measures bookings.

Travel Trends Index Data Category	Measurement	Travel Segments	Details
Macroeconomic Trends	Unemployment Rate	Total, International, Domestic (Leisure)	Share of labor force
	Exchange Rates	Total, International	$U.S. market rates, weighted average of inbound markets
	GDP by Visitor Origin	Total, International, Domestic (Business and Leisure)	Gross output, U.S. and weighted average of inbound markets
	Corporate Profits	Total, International, Domestic (Business)	Corporate earnings, U.S. and weighted average of inbound markets
	Personal disposable income	Total, International	Personal income, weighted average of inbound markets
Consumer and Business Sentiment	Consumer Travel Intentions	Total, Domestic (Leisure)	Visitor intentions and air visitor intentions
	S&P stock market index	Total, Domestic (Business)	Stock market index, period average
Travel Search and Booking	ADARA online searches and bookings for future travel	Total, International, Domestic (Business and Leisure)	Domestic / International and Business / Leisure
	ARC bookings for future travel	Total, Domestic	Air travel with 6-month booking windows
	nSight online searches and bookings for future hotel stays	Total, Domestic, International	Domestic / International forward bookings

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About the U.S. Travel Association
The U.S. Travel Association is the national non-profit organization representing all components of the travel industry, which generates $2.1 trillion in U.S. economic output and supports 15.0 million jobs. U.S. Travel's mission is to increase travel to and within the United States.

About Oxford Economics
Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Its best-of-class global economic and industry models and analytical tools give it an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Data Contributors
The U.S. Travel Index project is dependent upon unique datasets to track and predict travel trends. The U.S. Travel Association and Oxford Economics wish to thank the following organizations for their significant contributions:

ADARA is the leader in leveraging global transactional, non-personally identifiable, travel data from direct relationships with over 90+ travel brands and identifying trends that can help companies impact future business decisions. ADARA contributes historical and future, search and booking data to provide travel demand used in the compilation of the Leading Travel Index.

Airlines for America (A4A) advocates on behalf of its members to shape crucial policies and measures that promote safety, security and a healthy U.S. airline industry. We work collaboratively with airlines, labor, Congress and the Administration and other groups to improve air travel for everyone.

Airlines Reporting Corporation (ARC) is a leading technology solutions company providing the U.S.-based travel industry with world-class business products, travel agency accreditation services, process and financial management tools, and powerful data analytics.

nSight combines the world's largest view of consumer shopping data with predictive marketing and revenue management solutions to deliver more guests to your hotel and visitors to your destination.

STR is the leading global provider of competitive benchmarking, information services and research to the hotel industry.

Travel Trends Index	55	54	53	52	51	50	49	48	47	46	45
12-month % change in trips	+10.0%	+8.0%	+6.0%	+4.0%	+2.0%	+0.0%	-2.0%	-4.0%	-6.0%	-8.0%	-10.0%

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