

Impact of Shanghai Stock Market Fall On Outbound International Air Bookings from China

Valencia – September 2015

*“Applied traveler operational intelligence to support
tactical business decisions”*



www.ForwardKeys.com

Shanghai Stock Market Fall and Air reservation

Methodology and Glossary



- ▶ This analysis is based on Air Reservation Data property of ForwardKeys® as of 2nd September 2015. Database contains reservations handled via the main air reservation systems worldwide. Database updated as of **31th August 2015**.
- ▶ **Perimeter:**
 - ▶ Origin: China
 - ▶ Point of Sale: China
 - ▶ Destination Market: Total International bookings **excluding South Korea** in order to remove MERS crisis effect.
 - ▶ Period:
 - ▶ **Booking history**: Tuesday, 26th May to Monday, 31th August 2015 vs. Tuesday 27th May to Monday, 1st September 2014. Weekly.
 - ▶ **Arrivals on the book**: Arrival dates from Monday 1st September to Thursday 31th December 2015, based on issued bookings as of 31th August 2015.
 - ▶ Lengths of Stay: Current analysis includes only those reservations with a length of stay between one night and 21 nights in destination, therefore excluding transits, day trips, one way trips and stays of more than 21 nights.
- ▶ **Arrivals** refer to the number of airline passengers arriving at the destination within a specific time frame.
- ▶ **Arrivals on the Book (OTB Arrivals)** refer to the number of airline passengers arriving at the destination within a specific future time frame according to the bookings that have been issued as noted.
- ▶ **Bookings** represent air reservations made for travel to the specific destination (i.e. Barcelona) for any date of travel.

Key Findings



- Shrinking YoY Variations in total international outbound bookings from China align with the troubled Shanghai Stock Market over last 3 months, turning negative in August 2015.
- September – December departures from China still grow vs 2014. The upcoming Golden Week of Oct 1st to 7th is hardly affected by the stock market performance, as bookings were issued months in advance.
- Europe and America booking situation for Nov and Dec 2015 behind volumes for same period last year. Chinese lower purchasing power, with a weaker Yuan might impact destination decisions.
- As Chinese travellers have been turning into late bookers, and most investors in China are individuals (~80%), the outcome of the low season (post Golden Week) is yet uncertain.

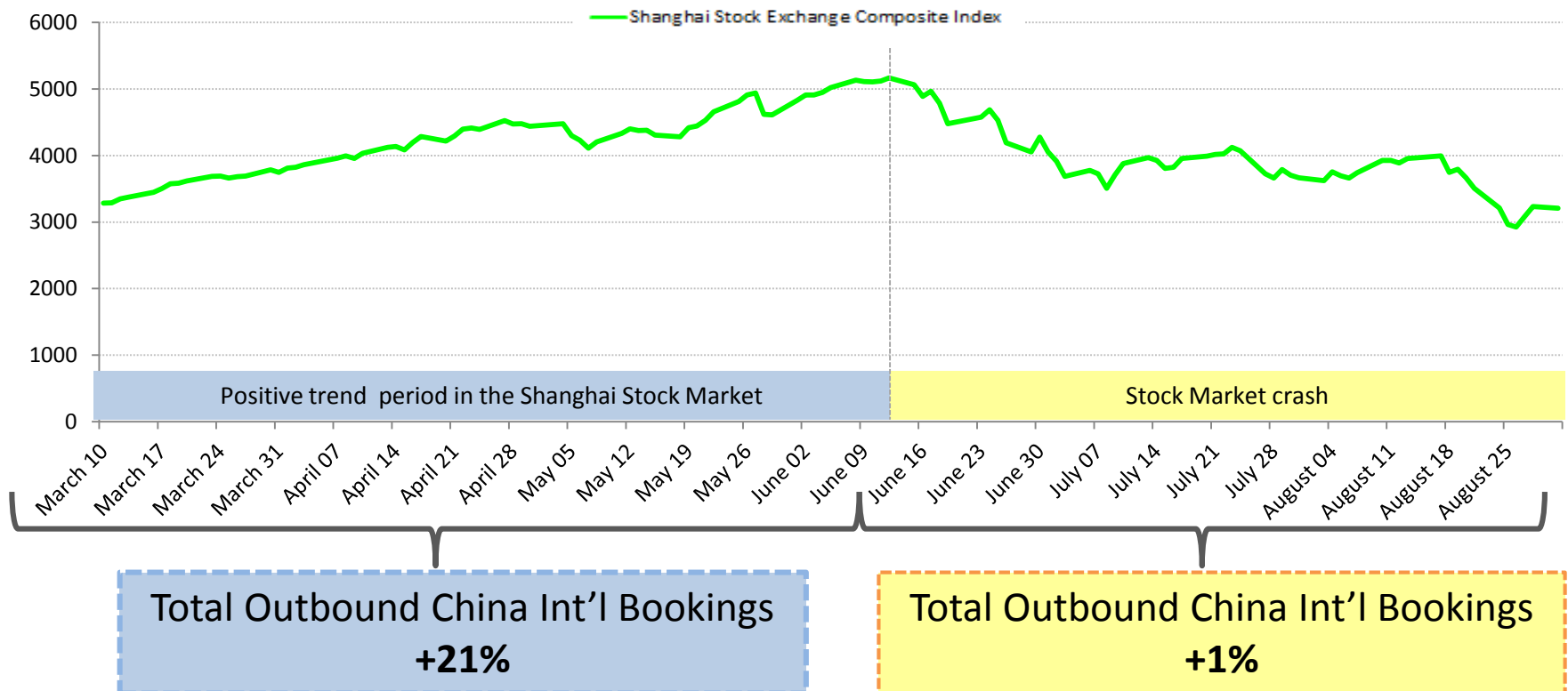
Shanghai Stock Market Fall and Air Reservation

International Outbound Bookings from China Declined



- Shanghai Stock Exchange Composite Index downturn coincides with a decrease in Chinese growth for outbound travel.

Evolution of Shanghai Stock Exchange and YoY %Var Int'l Air Bookings from China
March 10 to August 31 2015



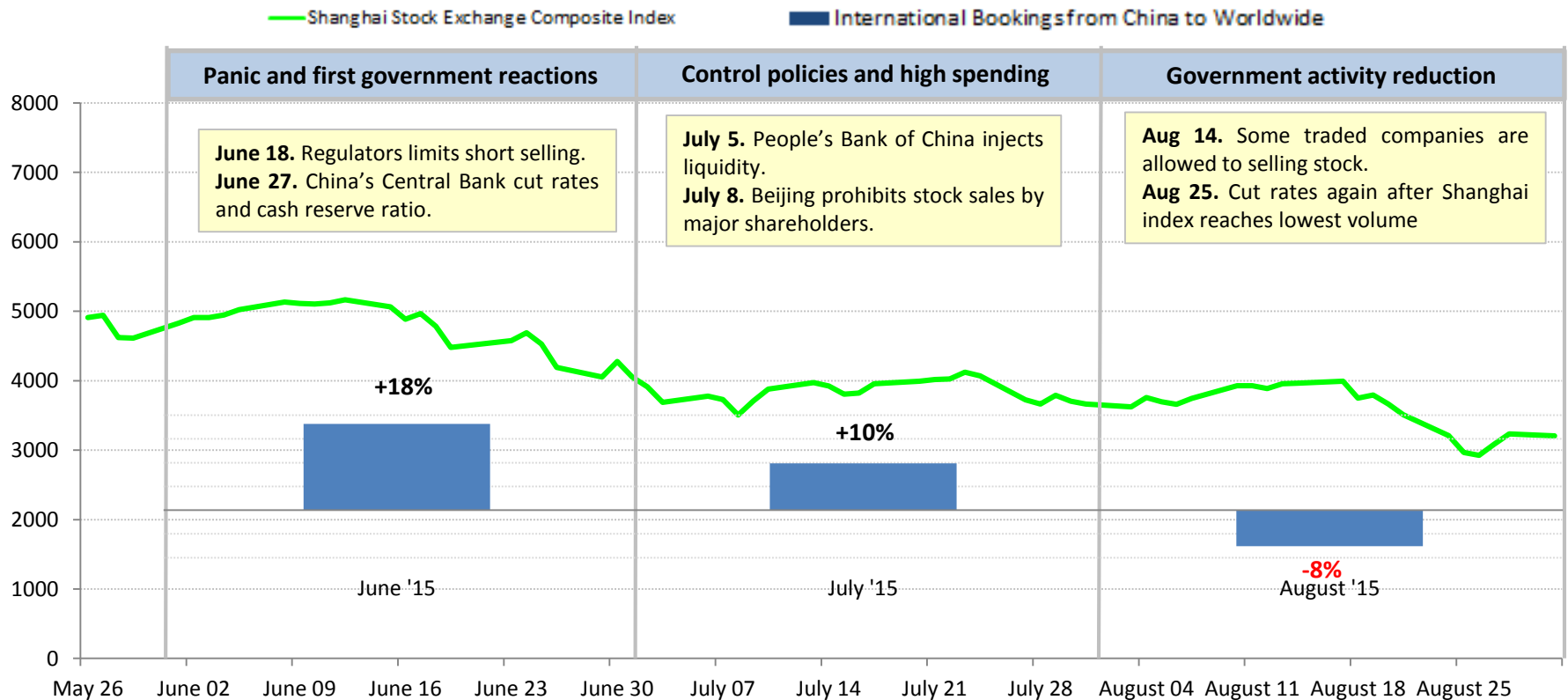
Shanghai Stock Market Fall and Air Reservation

Investors' Economic Health Reflected Into Travel Industry



- Stock market continued dive clearly eroded Chinese dynamic reservation trends, to reach a negative YoY performance in August.

Evolution of Shanghai Stock Exchange and YoY %Var Int'l Air Bookings from China
May 26 to Aug 31 2015



Shanghai Stock Market Fall and Air Reservation

More Factors Impact Future Departures, Weakening Growth

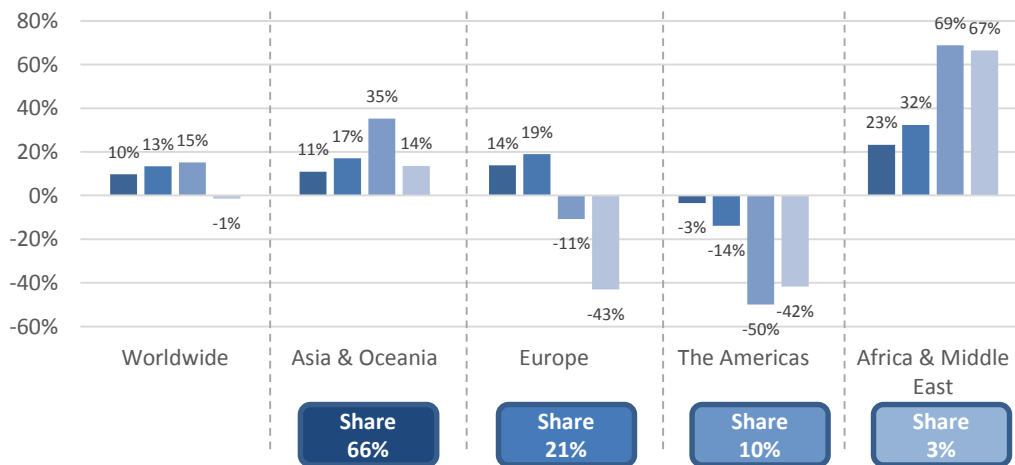


- A weaker Yuan vs . USD and EUR fosters drops in bookings to the Americas and Europe whose arrivals are due in November and December 2015.
- Africa & Middle East strong performance linked to Ebola crisis in 2014, while APAC sees strong growth taking its giant market share into account.

YoY %Var Issued Arrivals OTB by World Region

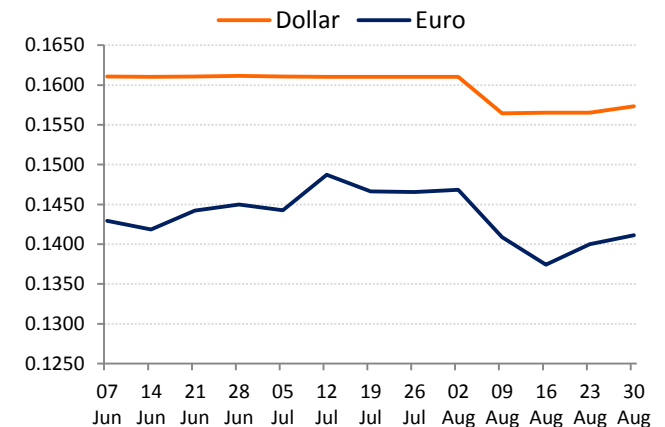
(Sep – Dec 2015 vs same period 2014)
Booking status as of August 31st 2015

■ September '15 ■ October '15 ■ November '15 ■ December '15



Weekly Exchange rates CNY vs EUR and USD

Jun to Aug 2015



Shanghai Stock Market Fall and Air Reservation

Timeline and References

Panic and first government reactions	Control policies and high spending
<p>June 12. Highest Peak on 5170 points.</p> <p>June 18. Regulators limit short selling.</p> <p>June 27. China's Central Bank cut rates by 25 basis points and cash reserve ratio by 50 basis points in order to stimulate the stock market.</p> <p>June 29. Markets continue to crash. China allows pension funds managed by local governments to invest up to 30% of their assets in the stock market. Rumours regarding a freeze on IPOs, institutional investors do not allow to sell shares and a new tax on share sales.</p>	<p>July 1. Main Chinese stock markets announce a 30% cut in trading fees in an effort to increase the number of transactions in the market.</p> <p>July 4 and 5. China's top securities brokerages pledge to invest collectively to help. China state-owned investment company purchased exchange traded funds to support. Chinese Securities Regulatory Commission announces that People's Bank of China will inject liquidity directly to the state-backed margin finance company.</p> <p>July 8. Beijing prohibits stock sales by major shareholders. A thousand traded companies out of a 2800 were excluded from the stock markets.</p> <p>July 13. Chinese government says some brokerages have been found to have improperly manipulated futures exchanges.</p>
Government activity reduction	References
<p>Aug 14. In order to restore the normal market operations, regulators ease the moratorium on new share issues and some publicly traded companies are allowed to raise money by selling stock.</p> <p>Aug 19. Shanghai Index declines 5% the most part of the day but closes with a growth of 1.2% at the last minute, a clear signal of the intervention of the Chinese government.</p> <p>Aug 24. Shanghai Index falls by 7.6%.</p> <p>Aug 25. China cuts interest rates again in a new effort to break the current negative trend after Shanghai index reached the lowest volume of 2015 (2964 points).</p>	<ul style="list-style-type: none"> ▪ External Data <ul style="list-style-type: none"> ▪ Historical data for Shanghai Stock Market http://www.investing.com/indices/shanghai-composite-historical-data ▪ News <ul style="list-style-type: none"> ▪ Reuters http://www.reuters.com/article/2015/07/06/us-china-stocks-factbox-idUSKCN0PG0NH20150706 ▪ ABC news http://abcnews.go.com/International/wireStory/timeline-chinese-stock-market-slide-33301876 ▪ Business Insider http://www.businessinsider.com/bloomberg-chinas-market-and-policy-timeline-2015-7 ▪ The Economist http://www.economist.com/blogs/freeexchange/2015/05/chinas-stockmarket