

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

Valencia – October 2015

As of 30th September 2015

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



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Shanghai Stock Market Fall and Air reservations

Methodology and Glossary



- ▶ This analysis is based on Air Reservation Data, property of ForwardKeys® as of 23rd September 2015. Database contains reservations handled via the main air reservation systems worldwide. Database updated as of **30th September 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 Wednesday, 30th September 2015 vs. Tuesday 27th May to Wednesday, 1st October 2014.
 - ▶ **Arrivals on the book**: Arrival dates from Thursday 1st October to Thursday 31st December 2015, based on issued bookings as of 30th September 2015.
 - ▶ Length of Stay: Current analysis includes only those reservations with a length of stay between one night and 21 nights at 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.



- Shrinking YoY Variations in total international outbound bookings from China align with the troubled Shanghai Stock Market over the last 4 months, turning negative in August 2015 and demonstrating an ongoing negative trend in September 2015.
- October – December departures from China still growing vs 2014 in consonance with our first study. The upcoming Golden Week of Oct 1st to 7th is barely affected by the stock market performance, as bookings were issued months in advance and a lower volume of issued bookings during September did not counteract a healthy positive performance.
- Europe and America booking situation for Nov and Dec 2015 below volumes for same period last year, but better performing when latest trends are included. Chinese lower purchasing power, with a weaker Yuan, might impact on destination decisions.

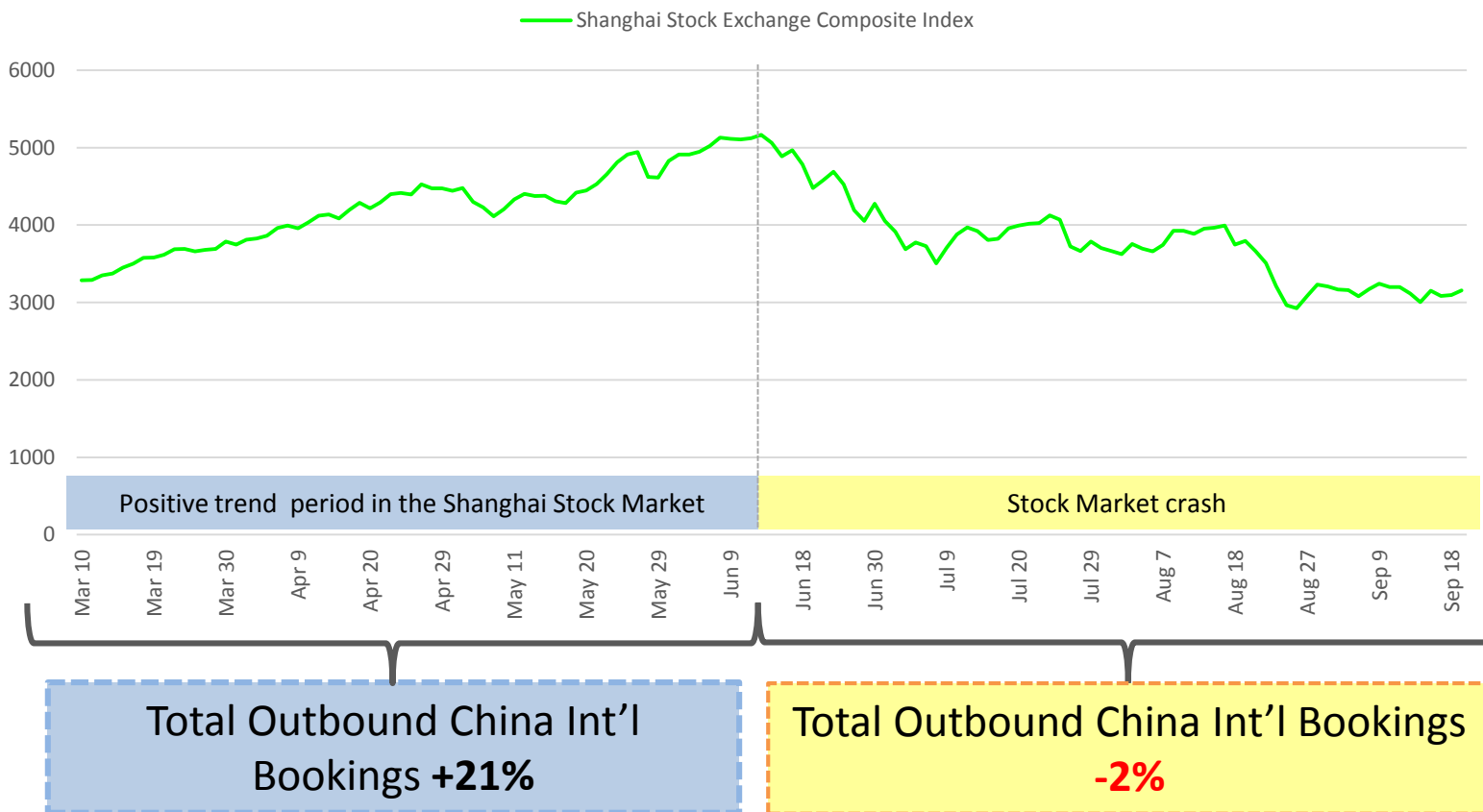
Shanghai Stock Market Fall and Air Reservation

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 September 21 2015



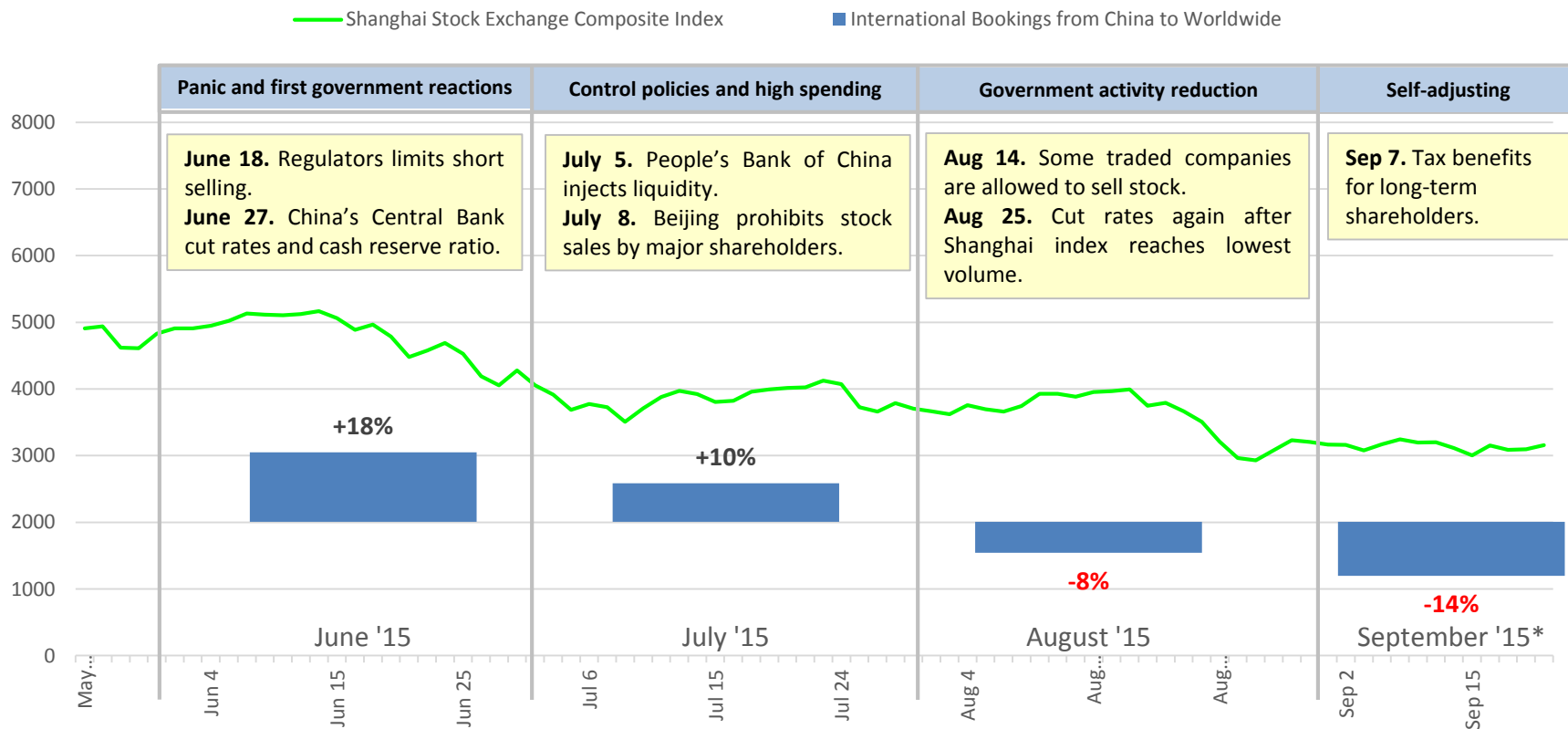
Shanghai Stock Market Fall and Air Reservations

Investors' Economic Health Reflected by Travel Industry



- Latest trends, after our latest analysis, show a worsening fall in bookings during September.

Evolution of Shanghai Stock Exchange and YoY %Var Int'l Air Bookings from China
May 26 to September 21 2015

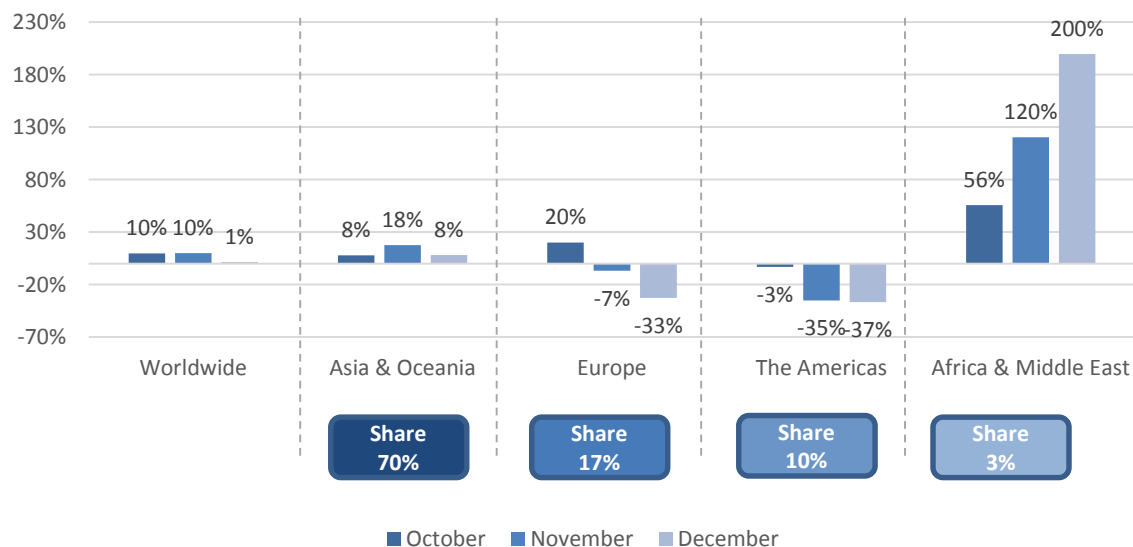


More Factors Impact on Future Departures, Weakening Growth

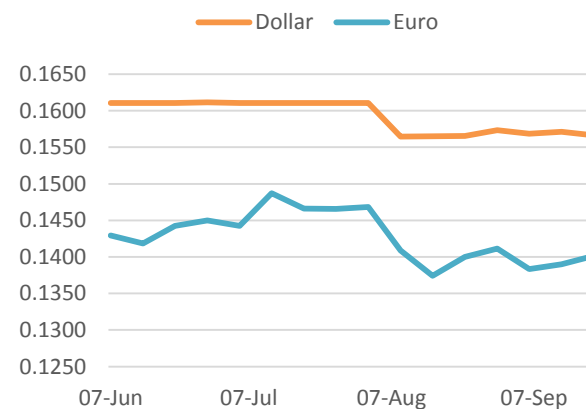


- A weaker Yuan to USD and EUR provokes fall in bookings to the Americas and Europe, with arrivals due in November and December 2015.
- Growth in bookings for future arrivals to Asia and Oceania fall when compared to ForwardKeys previous analysis, while Europe and America are still negative.
- Africa & Middle East, 2015 strong performance linked to Ebola crisis in 2014, while APAC sees strong growth when taking its giant market share into account.

YoY %Var Issued Arrivals OTB by World Region
(Oct-Dec 2015 vs same period 2014)
Booking status as of September 21st 2015



Weekly Exchange rates CNY vs EUR and USD
June 1 to September 21, 2015



Shanghai Stock Market Fall and Air Reservations

Timeline and References

Panic and first government reactions	Control policies and high spending
<p>June 12. Highest Peak at 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 local government managed pension funds to invest up to 30% of their assets in the stock market. Rumours regarding a freeze on IPOs: institutional investors not allowed to sell shares and a new tax on share sales introduced.</p>	<p>July 1. Main Chinese stock markets announce a 30% cut in trading fees in an attempt 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. Chinese Securities Regulatory Commission announces that People's Bank of China will inject liquidity directly into 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 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 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% during most of the day, but closes with a growth of 1.2% at the last minute. A clear indication 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 its lowest volume, 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