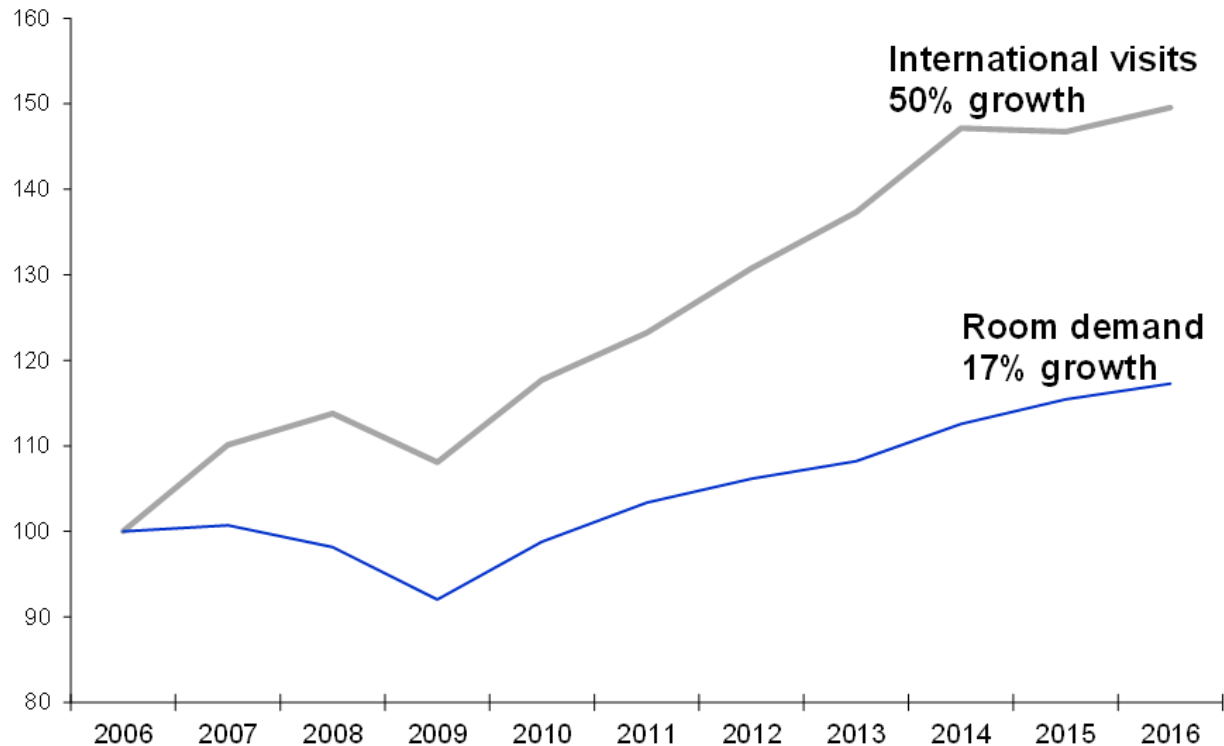


The international market is increasing in importance

International visits to the US have outpaced domestic travel demand over the past decade

Room demand and international travel to the US

2006=100



Growth in international tourism far exceeds growth in hotel room demand, which serves as a metric for the total tourism market

Source: STR; NTTO; Tourism Economics

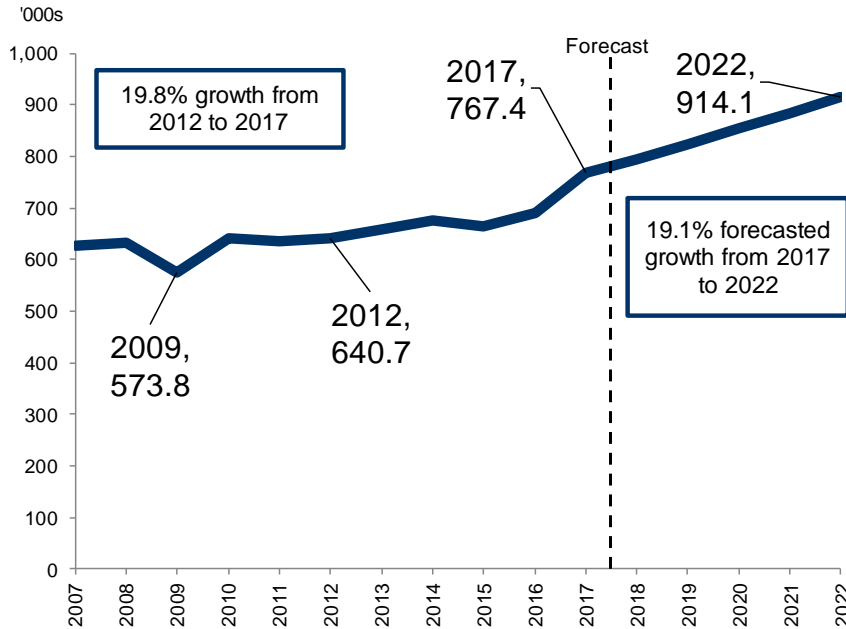
3) Tennessee's International Market

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- 5) Tennessee's Regional Results
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A new record in international visitation

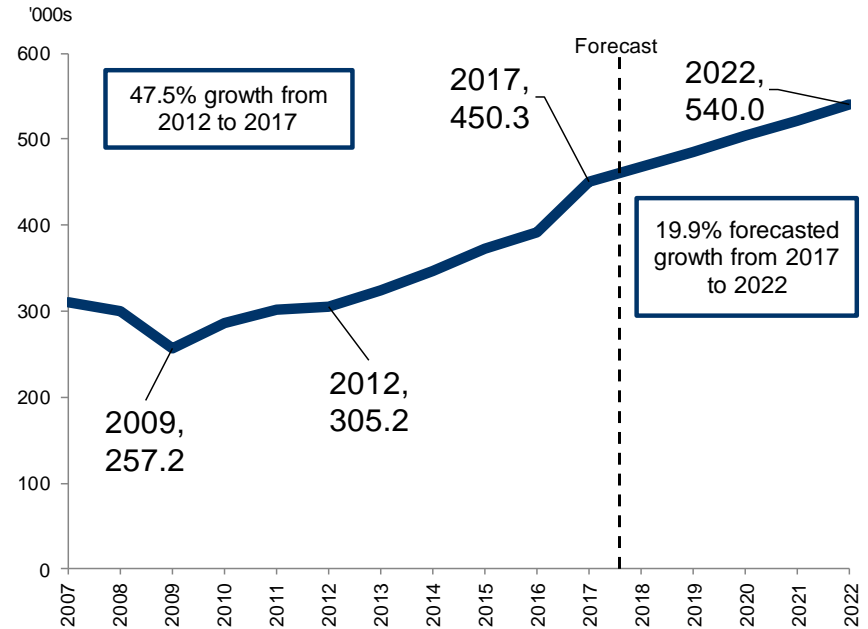
767,400 total visits and 450,300 overseas visits in 2017

Total international visits in Tennessee



Source: Tourism Economics

Total overseas visits in Tennessee



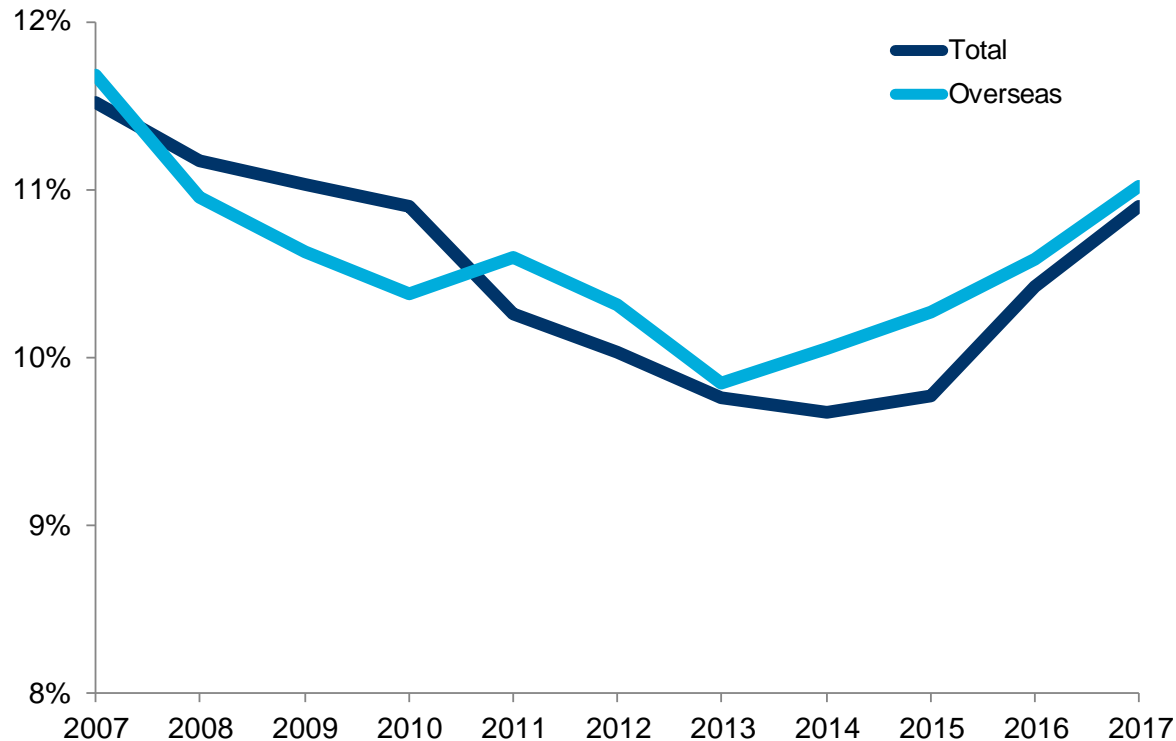
Source: Tourism Economics

Tennessee's market share is increasing

After a steady decline, Tennessee's market share has increased in each of the last three years

Tennessee visits market share (Travel South)

Share of total visits



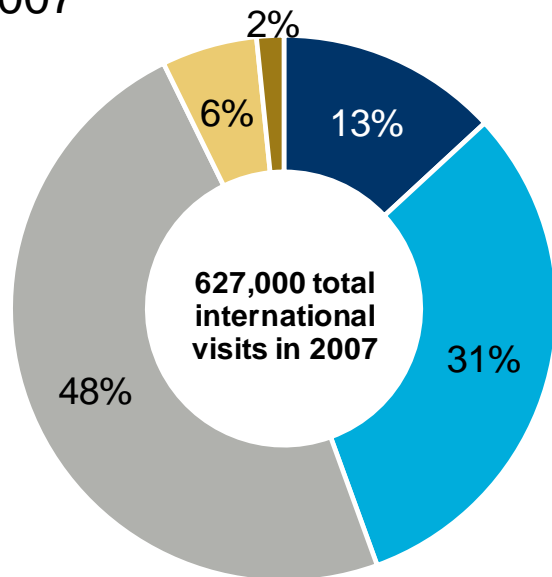
Source: Tourism Economics

The origin market mix is changing

Asian markets are growing in importance

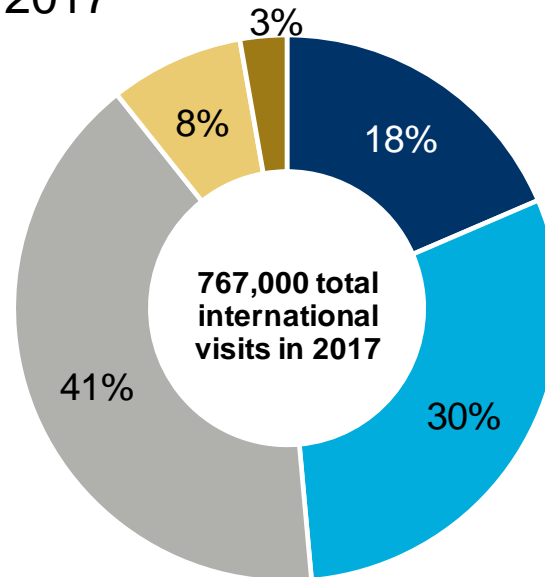
Tennessee's international visits by region of origin

2007



Source: Tourism Economics

2017

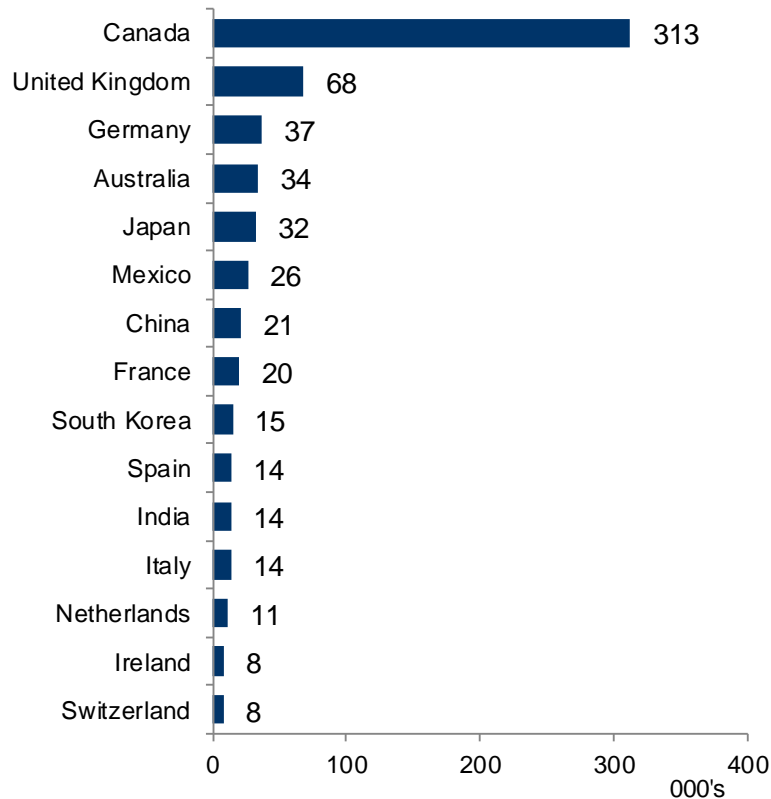


Source: Tourism Economics

- Asia-Pacific
- Europe
- Canada
- Latin America
- MENA

Canada is Tennessee's largest source market by a wide margin

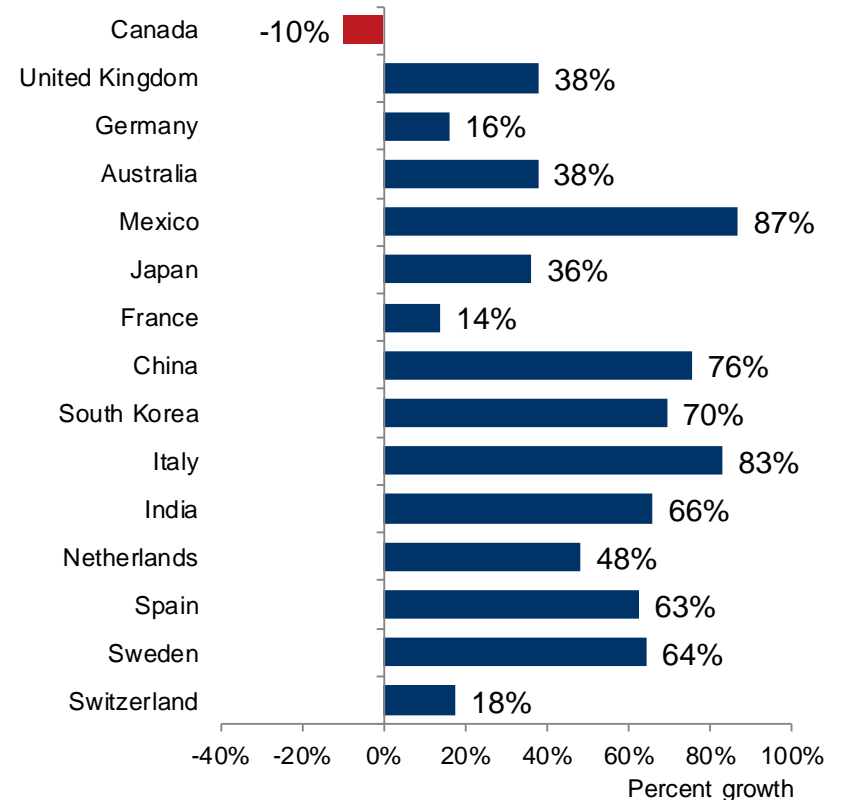
Visits from major markets in Tennessee, 2017



Source: Tourism Economic

Mexico and Italy led growth while Canada declined

Visits growth from major markets in Tennessee, 2012 to 2017

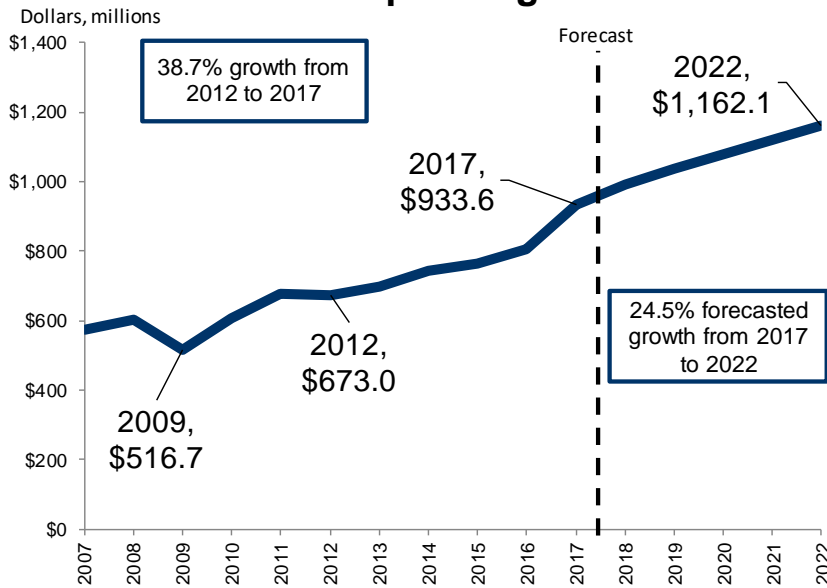


Source: Tourism Economics

Another new record in international spending

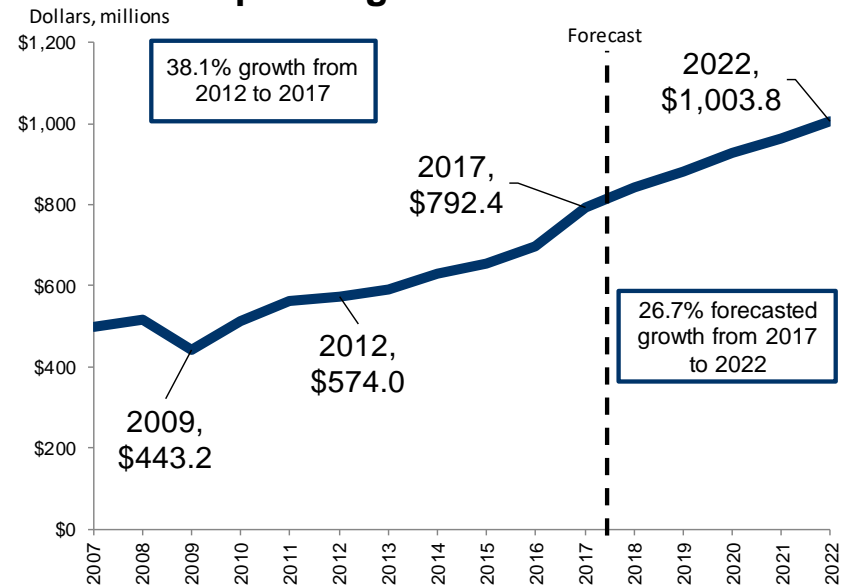
\$934 million total spending and \$792 million overseas spending in 2017

Total international spending in Tennessee



Source: Tourism Economics

Overseas spending in Tennessee



Source: Tourism Economics

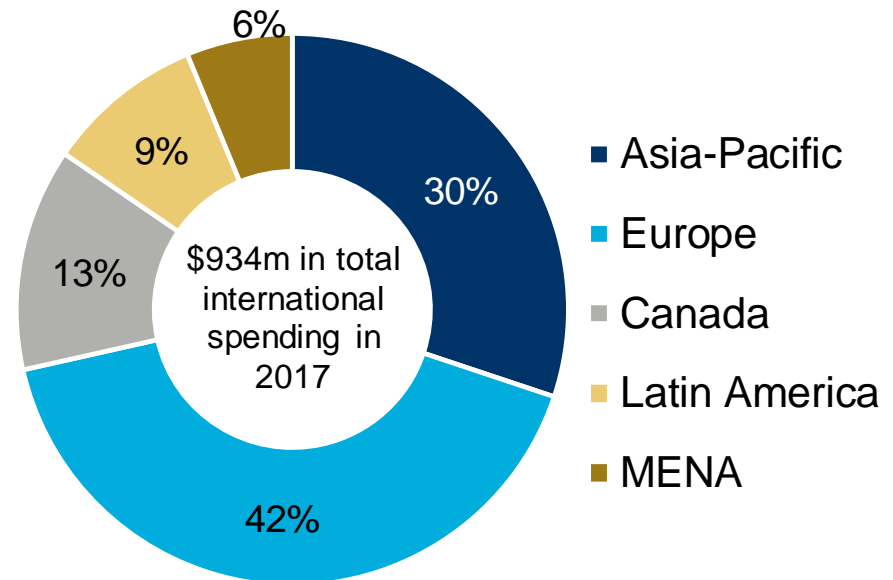
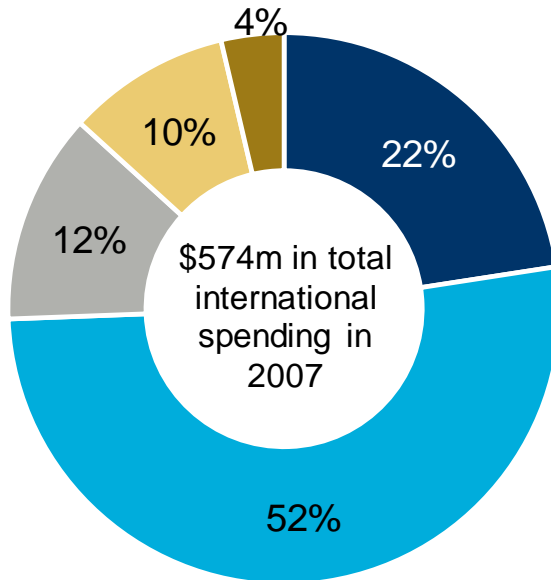
The origin market mix is changing

As with visits, Asian spending is growing in importance

Tennessee's international spending by region of origin

2007

2017



Source: Tourism Economics

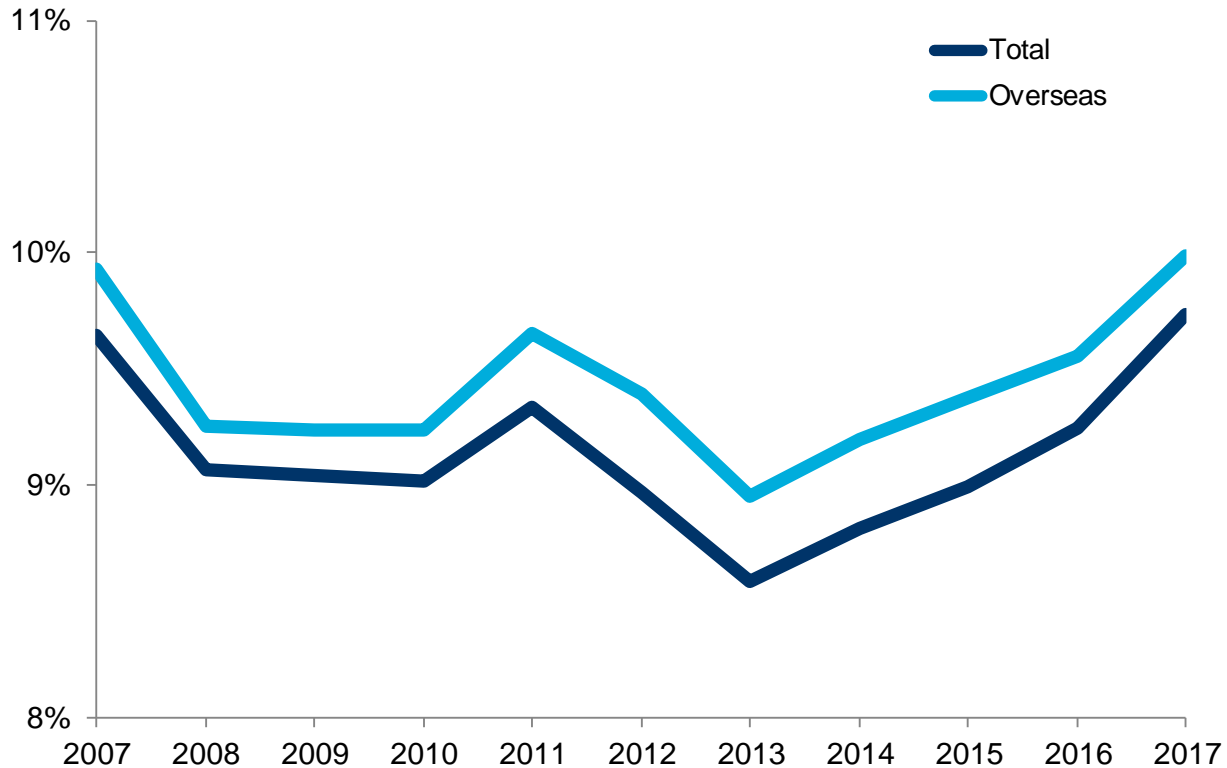
Source: Tourism Economics

Tennessee's market share is increasing

As with visits, Tennessee's share of spending is increasing

Tennessee spending market share of Travel South

Share of total visits

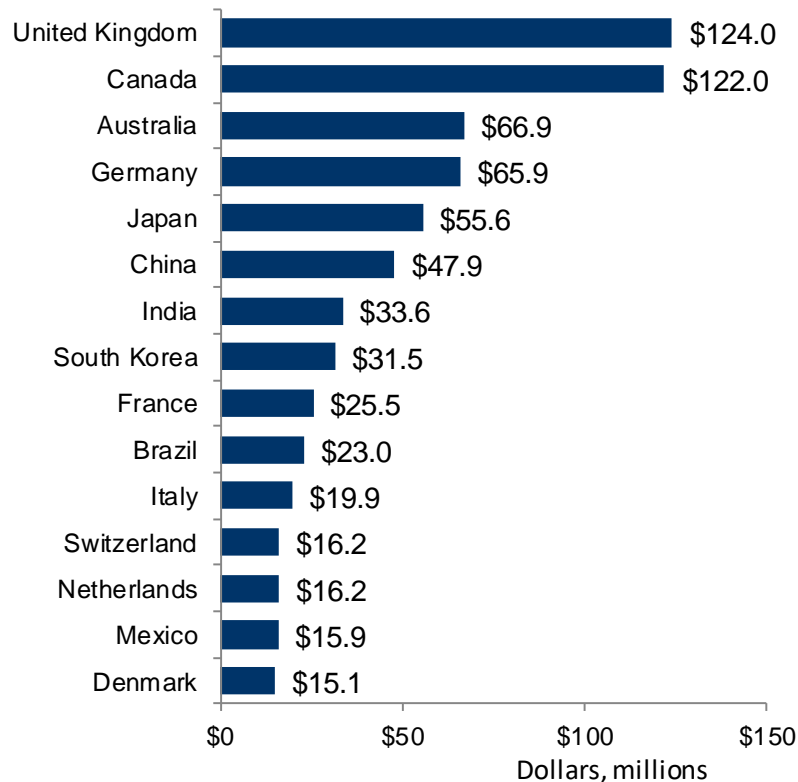


Source: Tourism Economics

Canada and the UK account for about a quarter of all spending

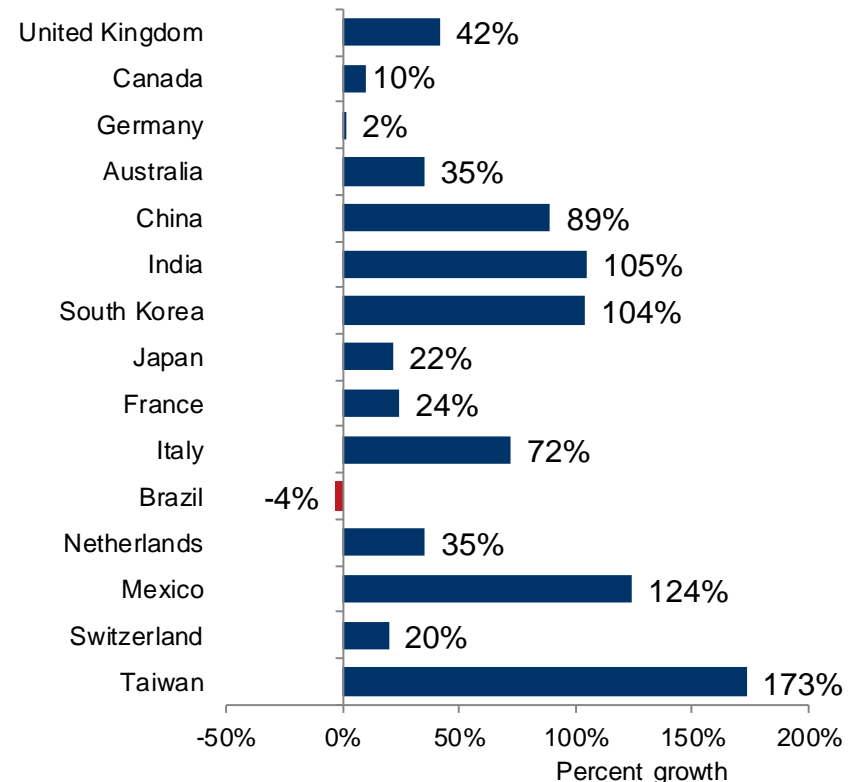
Tennessee receives strong growth from emerging markets such as China and India

Spending from major markets in Tennessee, 2017



Source: Tourism Economics

Spending growth from major markets in Tennessee, 2012-2017



Source: Tourism Economics

4) Tennessee's 2017 Results

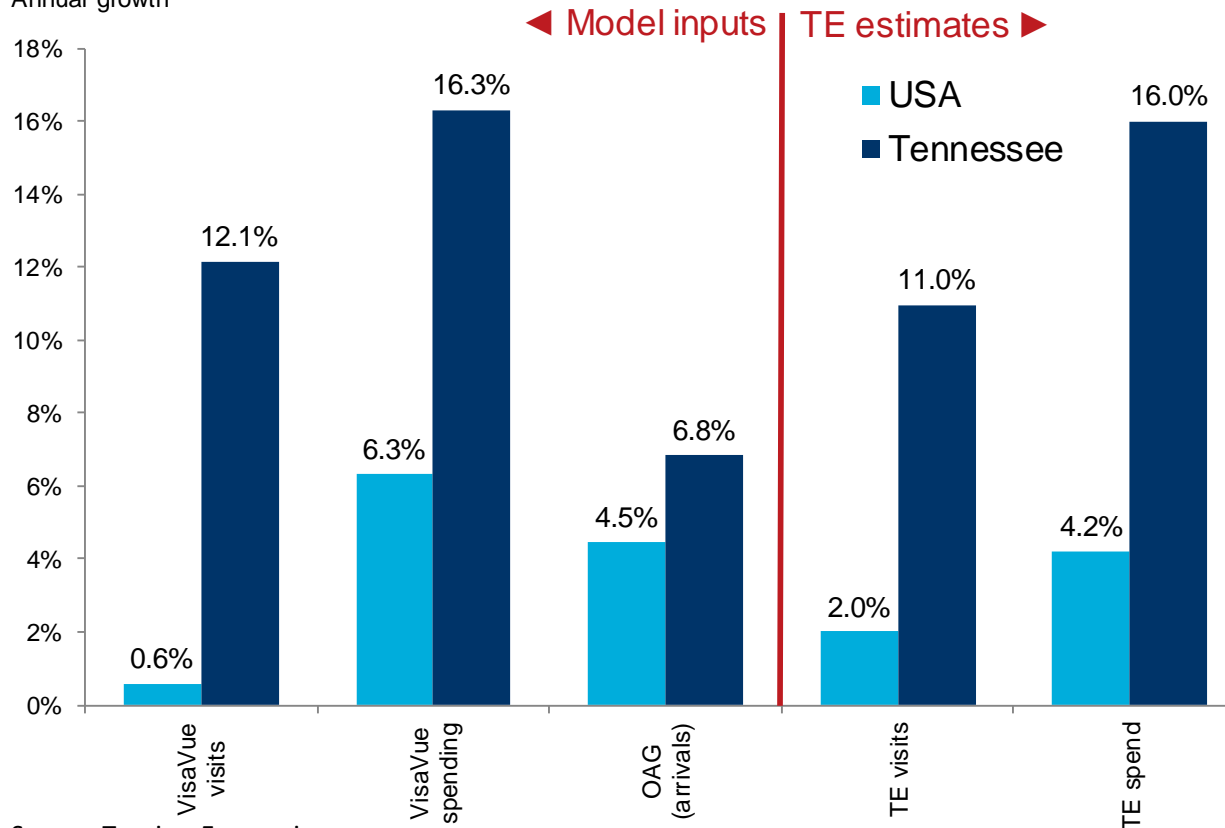
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All indicators reflect Tennessee's strong 2017 results

Tennessee easily outpaced the US in major indicators

Growth in key indicators, US vs Tennessee, 2017

Annual growth

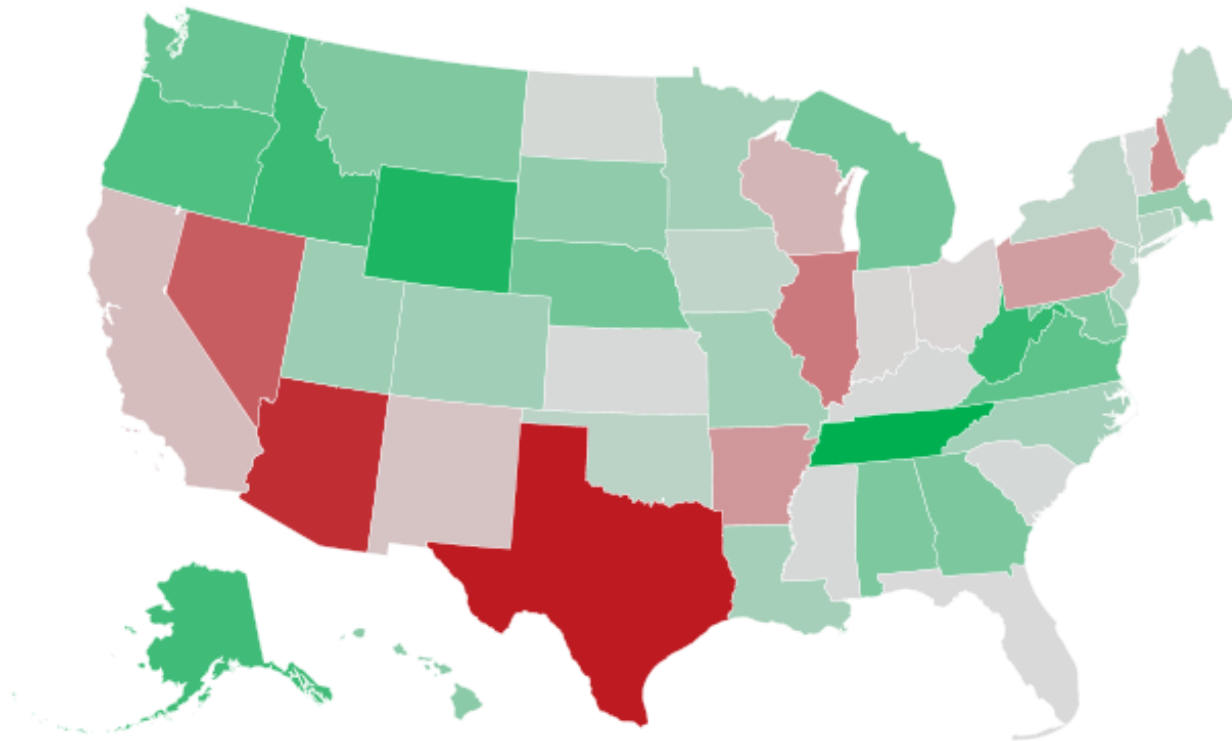


Source: Tourism Economics

Tennessee was fastest growing state for international visits in 2017

Total international arrivals growth in 2017

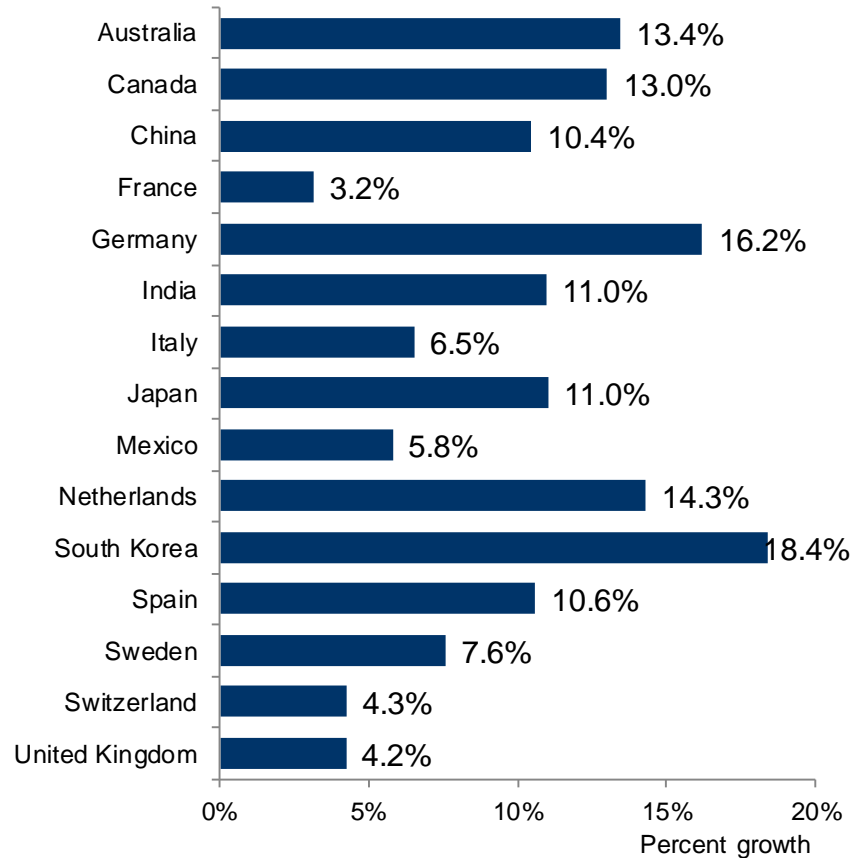
■ Slower growth ■ Faster growth



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Visitation from all major markets grew in 2017

Visits growth from major markets in 2017



Source: Tourism Economics

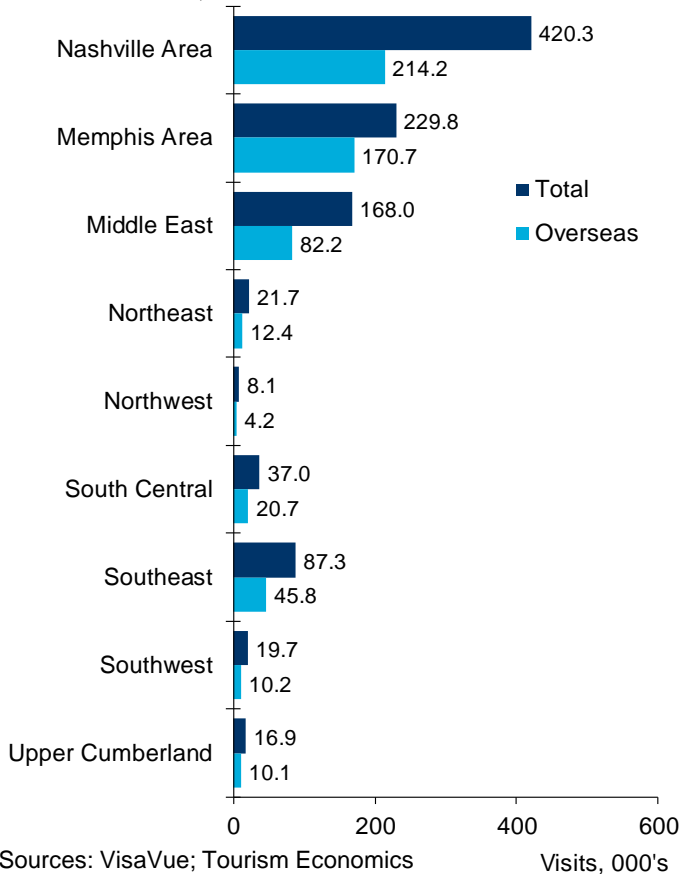
5) Tennessee's 2017 Regional Results

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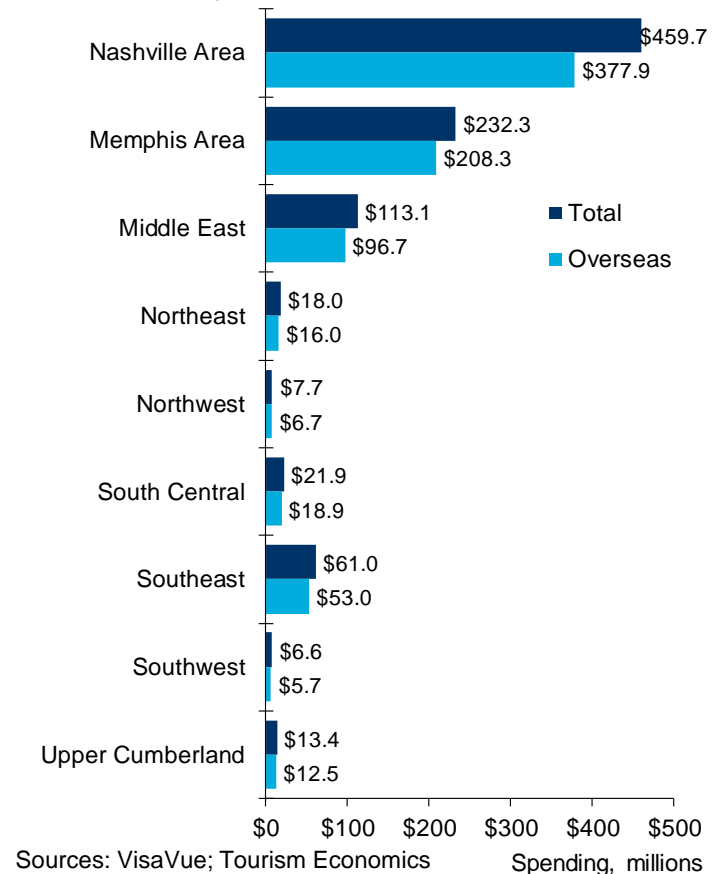
International visits and spending are distributed throughout Tennessee

The Nashville Area leads the state in attracting visitors and spending, trailed closely by the Memphis Area

International visits to Tennessee's regions from select markets, 2017



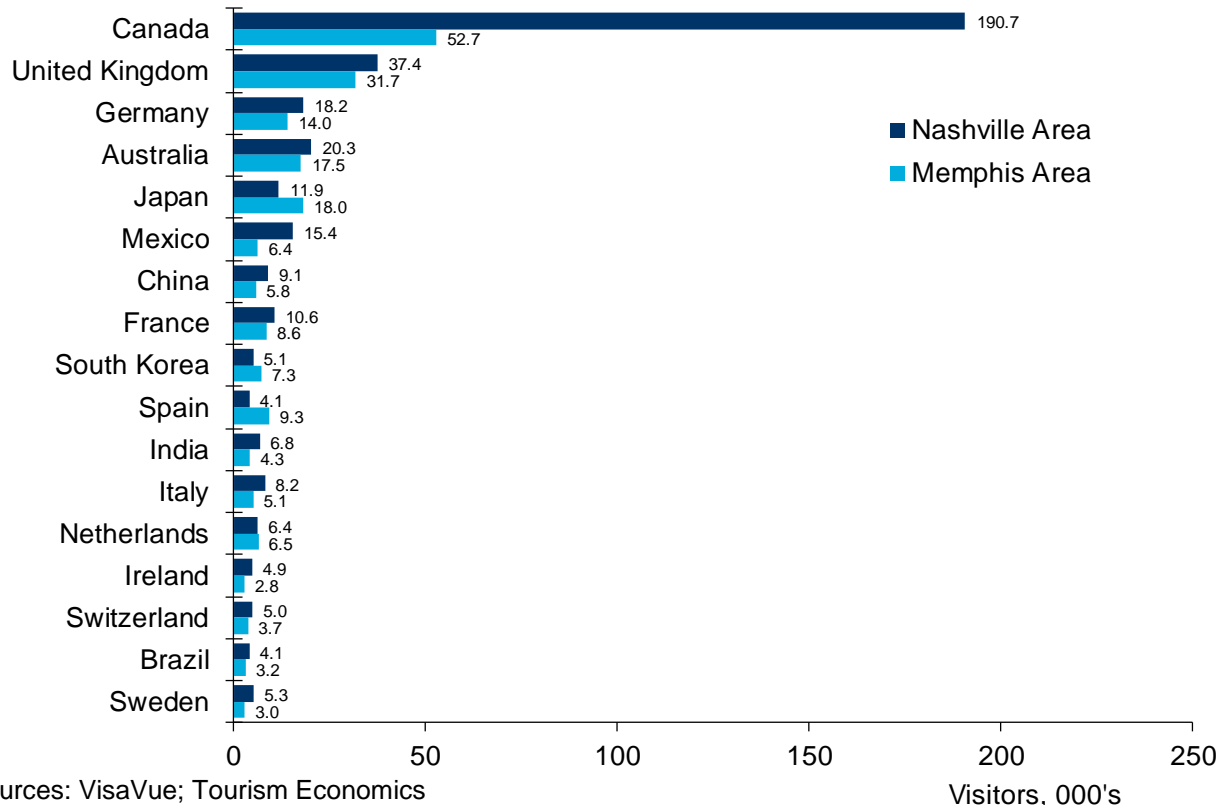
International spending to Tennessee's regions from select markets, 2017



Preference for Nashville and Memphis varies amongst origin markets

While a majority of origin markets are more likely to visit Nashville, visitors from Japan, South Korea Spain, and the Netherlands are more likely to visit Memphis

International visits to Nashville and Memphis, 2017



Sources: VisaVue; Tourism Economics

Visitors, 000's

Regional visits, full breakdown

Regional visits (000's) in Tennessee, 2017

	Tennessee total*	Nashville Area	Memphis Area	Middle East	Northeast	Northwest	South Central	Southeast	Southwest	Upper Cumberland
Total	1,008.8	420.3	229.8	168.0	21.7	8.1	37.0	87.3	19.7	16.9
Overseas	570.5	214.2	170.7	82.2	12.4	4.2	20.7	45.8	10.2	10.1
Canada	404.8	190.7	52.7	82.5	8.7	3.4	14.5	37.6	8.6	6.2
United Kingdom	92.7	37.4	31.7	10.7	1.4	0.4	2.5	5.8	1.5	1.3
Germany	56.9	18.2	14.0	8.4	1.2	0.6	3.9	8.0	1.5	1.1
Australia	48.3	20.3	17.5	4.2	0.6	0.2	1.7	2.1	1.0	0.6
Japan	39.6	11.9	18.0	4.4	0.5	0.3	1.7	1.8	0.5	0.5
Mexico	33.5	15.4	6.4	3.3	0.6	0.4	1.9	3.8	1.0	0.6
France	27.3	10.6	8.6	3.7	0.5	0.1	0.9	2.0	0.5	0.4
China	27.0	9.1	5.8	7.2	1.1	0.2	0.7	2.1	0.3	0.4
Netherlands	20.9	6.4	6.5	3.5	0.6	0.2	0.8	1.6	0.8	0.5
Italy	20.4	8.2	5.1	2.0	0.4	0.2	1.7	1.5	0.4	1.0
South Korea	17.5	5.1	7.3	2.1	0.2	0.1	0.4	2.0	0.1	0.2
Spain	17.4	4.1	9.3	1.3	0.3	0.1	0.4	1.3	0.2	0.4
India	16.7	6.8	4.3	2.8	0.4	0.1	0.4	1.4	0.2	0.3
Switzerland	12.5	5.0	3.7	1.4	0.3	0.1	0.5	0.9	0.3	0.2
Sweden	11.9	5.3	3.0	1.4	0.2	0.1	0.4	0.8	0.4	0.3
Ireland	11.2	4.9	2.8	1.1	0.5	0.1	0.3	1.2	0.2	0.1
Brazil	10.7	4.1	3.2	1.4	0.2	0.1	0.5	0.9	0.3	0.1
Rest of world	139.6	56.8	29.9	26.6	4.1	1.3	3.8	12.4	2.0	2.7

Sources: Tourism Economics; VisaVue; NTTO; OAG; I-94; Statcan; BTS; nSight

*Total visits to the regions within Tennessee, this number is higher than the number of international visitors to Tennessee as travelers can visit more than one region during a trip

Regional spending, full breakdown

Regional spending (millions) in Tennessee, 2017

	Tennessee total	Nashville Area	Memphis Area	Middle East	Northeast	Northwest	South Central	Southeast	Southwest	Upper Cumberland
Total	\$933.6	\$459.7	\$232.3	\$113.1	\$18.0	\$7.7	\$21.9	\$61.0	\$6.6	\$13.4
Overseas	\$795.7	\$377.9	\$208.3	\$96.7	\$16.0	\$6.7	\$18.9	\$53.0	\$5.7	\$12.5
Canada	\$122.0	\$73.9	\$21.2	\$15.0	\$1.7	\$0.9	\$2.2	\$5.6	\$0.8	\$0.8
United Kingdom	\$124.0	\$53.6	\$45.5	\$11.7	\$1.9	\$1.2	\$1.6	\$6.9	\$0.7	\$1.0
Germany	\$65.9	\$21.5	\$16.6	\$8.4	\$1.3	\$0.6	\$3.5	\$12.5	\$0.8	\$0.7
Australia	\$66.9	\$30.7	\$27.6	\$4.1	\$0.6	\$0.2	\$0.8	\$2.1	\$0.3	\$0.5
Japan	\$55.6	\$25.0	\$15.7	\$6.8	\$0.6	\$0.7	\$3.5	\$2.1	\$0.5	\$0.6
Mexico	\$15.9	\$7.9	\$2.8	\$1.4	\$0.2	\$0.1	\$0.8	\$2.4	\$0.2	\$0.1
France	\$25.5	\$11.0	\$8.3	\$3.0	\$0.6	\$0.1	\$0.5	\$1.7	\$0.1	\$0.3
China	\$47.9	\$20.1	\$10.7	\$11.3	\$1.8	\$0.5	\$0.5	\$2.3	\$0.2	\$0.4
Netherlands	\$16.2	\$5.6	\$6.0	\$2.4	\$0.7	\$0.1	\$0.2	\$0.9	\$0.1	\$0.1
Italy	\$19.9	\$9.2	\$4.2	\$1.4	\$0.3	\$0.1	\$1.7	\$1.3	\$0.3	\$1.4
South Korea	\$31.5	\$13.6	\$11.6	\$3.3	\$0.3	\$0.0	\$0.6	\$1.8	\$0.0	\$0.3
Spain	\$14.1	\$4.6	\$4.3	\$1.2	\$0.2	\$0.0	\$0.5	\$2.5	\$0.1	\$0.5
India	\$33.6	\$15.6	\$11.9	\$2.7	\$0.6	\$0.0	\$0.3	\$1.4	\$0.7	\$0.5
Switzerland	\$16.2	\$8.1	\$5.3	\$1.3	\$0.3	\$0.0	\$0.2	\$0.9	\$0.1	\$0.1
Sweden	\$9.3	\$5.1	\$2.0	\$1.1	\$0.1	\$0.1	\$0.1	\$0.6	\$0.1	\$0.1
Ireland	\$10.9	\$4.8	\$2.7	\$0.7	\$0.5	\$0.1	\$0.2	\$1.8	\$0.0	\$0.1
Brazil	\$23.0	\$9.2	\$8.0	\$2.8	\$0.3	\$0.3	\$0.6	\$1.5	\$0.3	\$0.1
Rest of world	\$235.2	\$140.2	\$27.7	\$34.6	\$5.9	\$2.6	\$3.9	\$12.9	\$1.3	\$6.0

Sources: Tourism Economics; VisaVue; NTTO; OAG; I-94; Statcan; BTS; nSight; STR

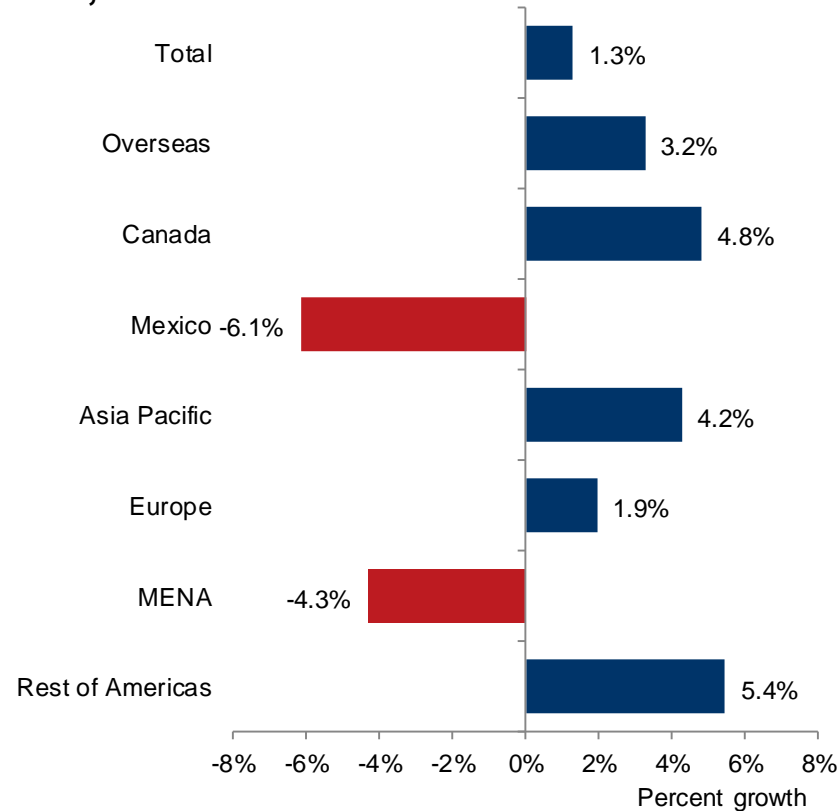
6) 2017 National Review

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National overview

Overall, 2017 was a modest growth year for the US

Growth from international markets to the US, 2017

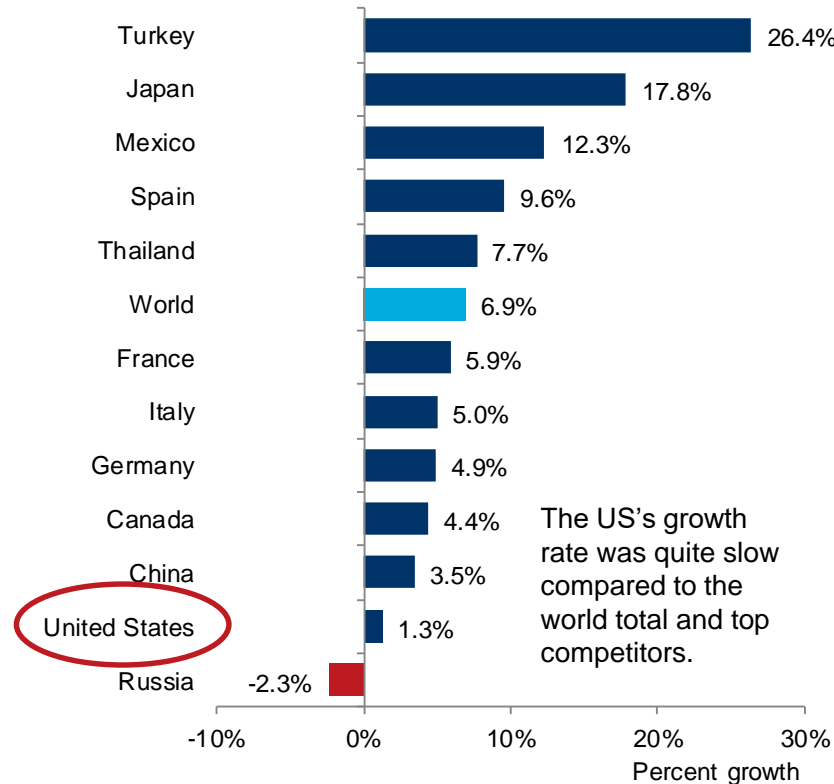


Source: Tourism Economics

US arrivals growth in perspective

2017 was a strong year for global international tourism, and the US lost market share

International arrivals growth in major competitors, 2017



Source: Tourism Economics; government reports

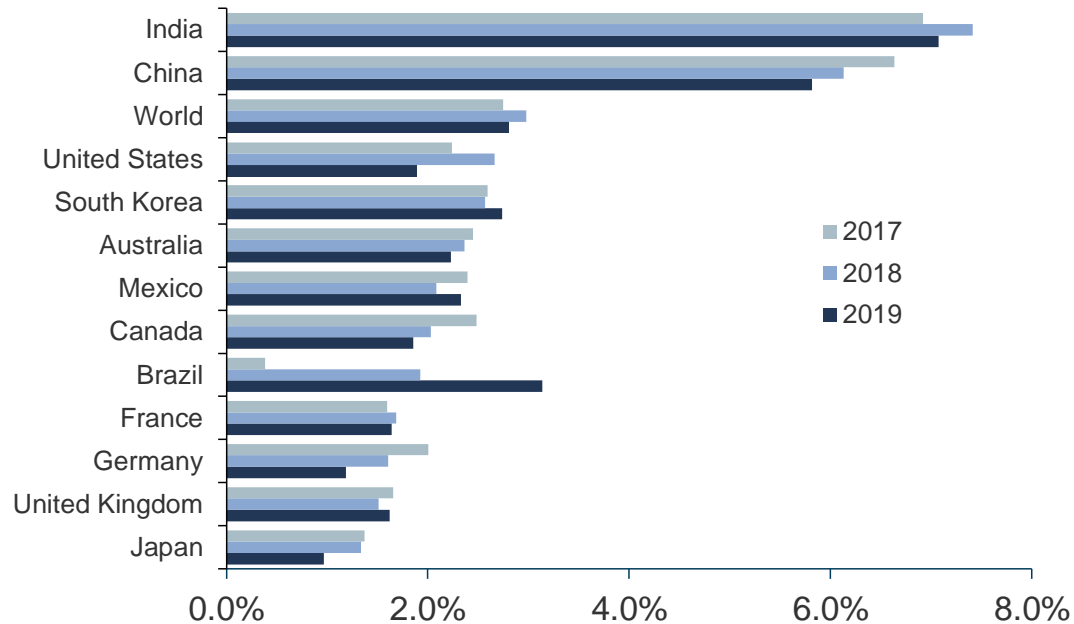
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Global economic growth will remain strong in 2018 and 2019

World GDP by major market

% change



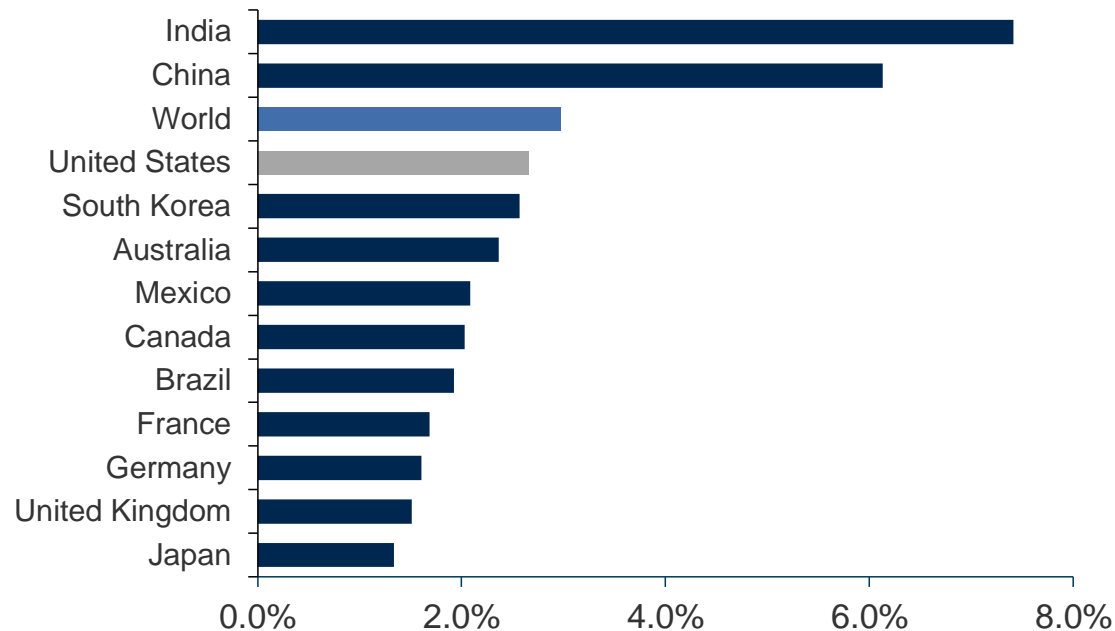
Source: Oxford Economics

We expect strong, broad based growth in 2018

Solid growth rates from major origin markets will support growth in international tourism

World GDP by major market in 2018

% change



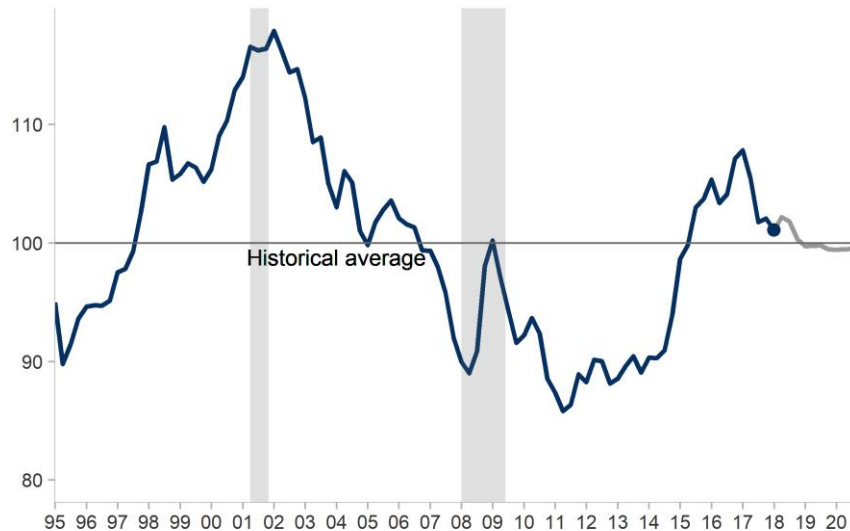
Source: Oxford Economics

The dollar is weakening

A weaker dollar makes US vacations cheaper and should attract visitors

Exchange rate, US dollar

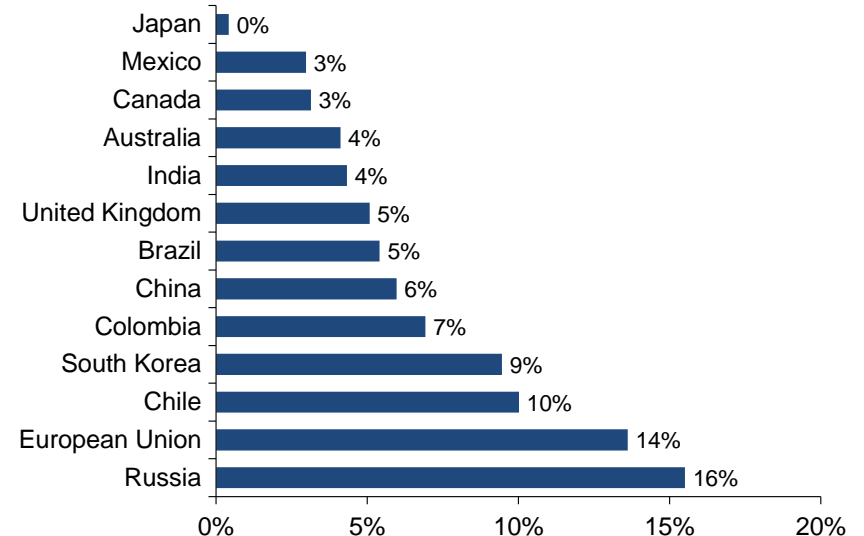
Real effective exchange rate index, historical average = 100



Note: History through 2018 Q1. Historical average based on period from 1995 Q1 to 2018 Q1.
Source: Bank for International Settlements; Oxford Economics

Exchange rate shifts, 2018 / 2016

\$US per local

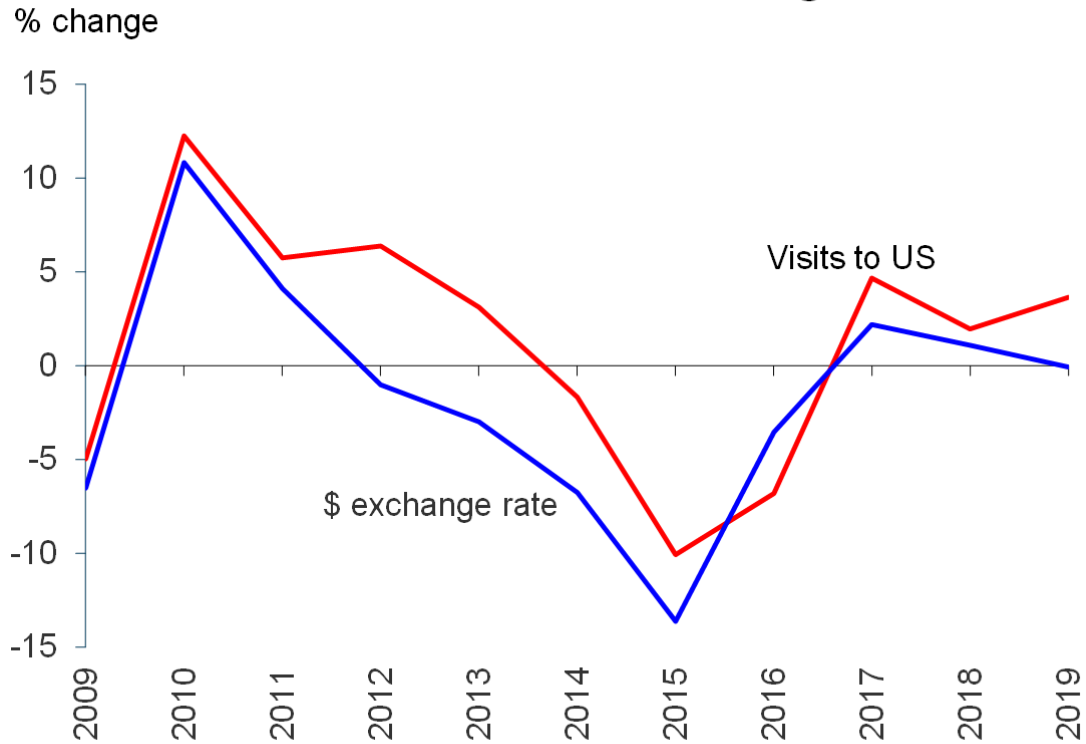


While the dollar remains strong relative to the 2011 to 2014 period, it has weakened somewhat over the past year. As a result, the US is more price attractive in 2018 to travelers from all major origin markets than it was two years ago.

Canadian visitors are returning with the strengthening Loonie

The historical connection between the exchange rate and visitation is especially strong in Canada

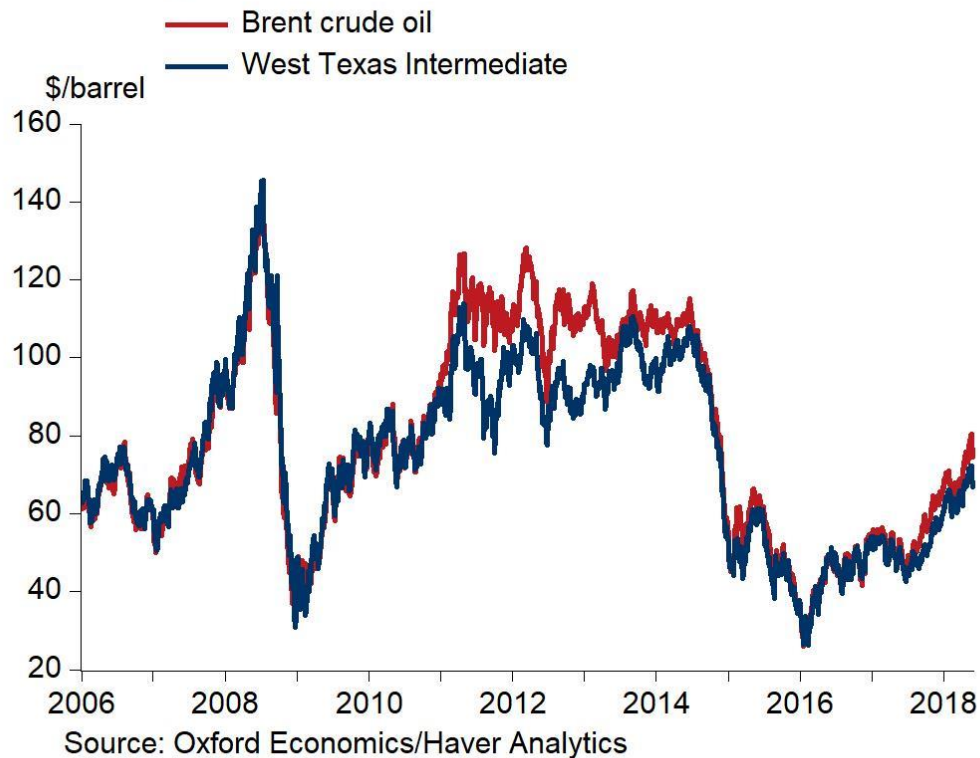
Canada visits to the US and exchange rates



Source: Statistics Canada, Oxford Economics

Rising oil prices impact the economy and tourism

US: Oil prices

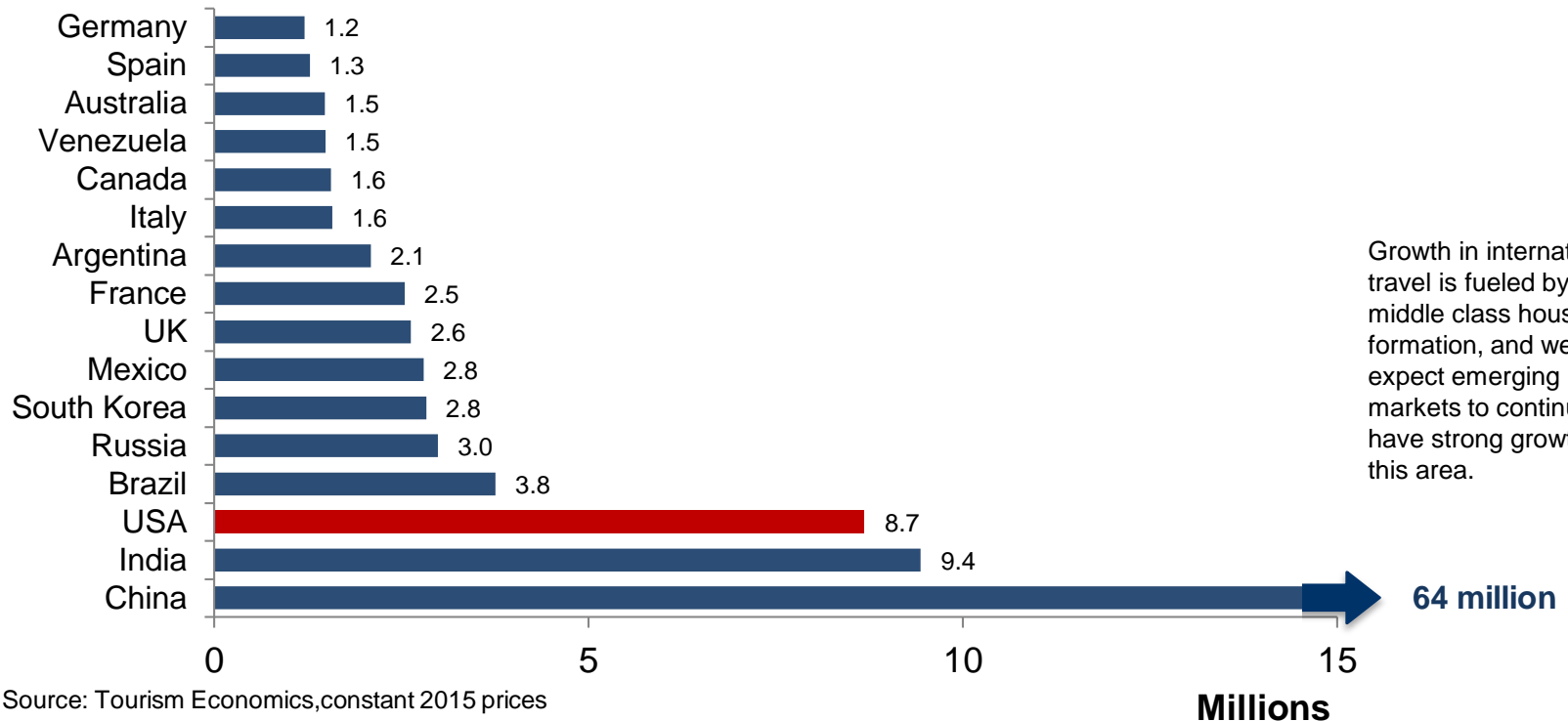


One area of concern is rising oil prices, which lower households' discretionary budgets and can have a mild effect on airfare.

New middle class households will support long-term growth

New middle class households in emerging markets will fuel future growth

Added households with income > \$35,000 2027 vs. 2017

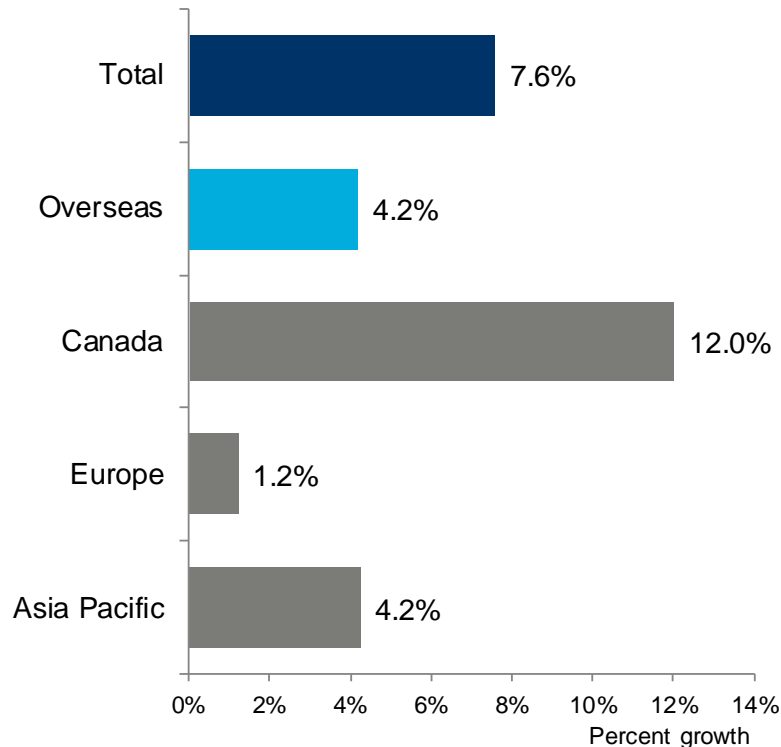


Growth in international travel is fueled by middle class household formation, and we expect emerging markets to continue to have strong growth in this area.

How does this impact Tennessee?

In the near-term, Tennessee appears on-track for a strong 2018

International air passenger growth in Tennessee, YTD 2018



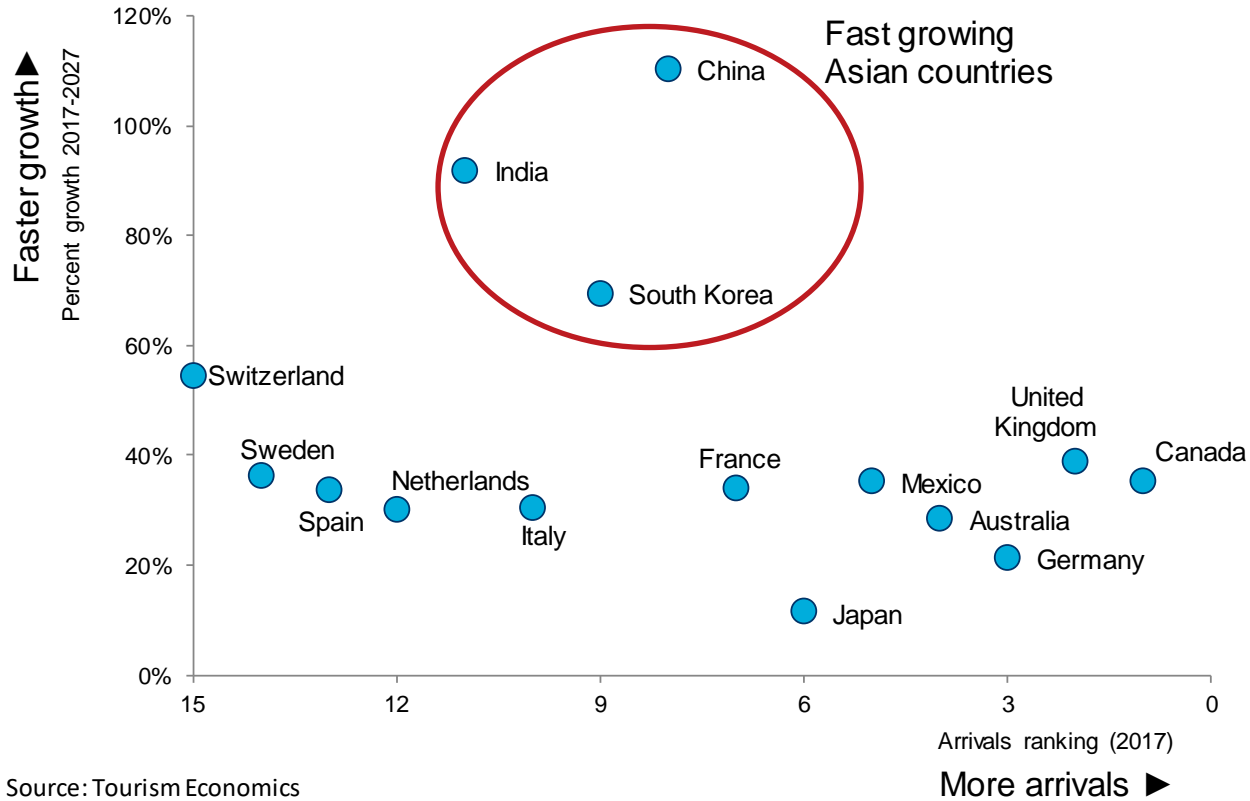
Air traffic indicators with data through June show more strong growth.

Source: OAG

In the long-term, emerging Asian markets will drive growth

Emerging Asian markets will lead future growth

Tennessee's size-growth matrix



Source: Tourism Economics

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

For more information:

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