



Ashford Castle

SOAR **(Situation & Outlook Analysis Report)** **December 2011**

1. Overview and Summary

The island of Ireland is seeing a recovery in overseas visitor numbers in 2011. Figures for the first ten months of the year show growth in overseas visitors to the Republic of Ireland of +7% and tourism statistics for Northern Ireland show an increase of +11% for the first half of the year.

Following an encouraging year through the summer, tourism growth is expected to soften for the remainder of the year, in line with an expected slowdown in global tourism.

Industry sentiment on the island of Ireland is generally positive regarding the year to date, although the recovery hasn't been experienced uniformly across all regions.

The economic turmoil of recent weeks has brought increased uncertainty to travel and tourism and has cast a shadow on industry expectations for the remainder of the year. Shorter trips and late booking patterns continue to be prevalent.

Given the scale of the ongoing turbulence facing the global economy and its impact on consumer confidence, travel and tourism is facing a cautious passage into 2012.

2. Global Outlook

Despite the faltering recovery in the global economy, the travel and tourism sector has been resilient in 2011. International tourist arrivals increased by +4.5% through the first eight months of 2011 according to the World Tourism Organization (UNWTO).

The best-performing regions this year, in terms of international arrivals, are Europe and Asia Pacific. According to the European Travel Commission (ETC) in October, inbound travel to Europe is expected to increase by +6% in 2011. This growth is based on a strong performance in the first eight months of the year, although this may in part be due to the negative impact of the Ash Cloud on the 2010 figures, followed by a more subdued performance being forecast for the last four months of 2011.

According to the World Travel and Tourism Council (WTTC) hotel occupancy and average daily room rates (ADR) have been higher in the first seven months of 2011 than in the same period in 2010 across most regions. In line with the trend in international arrivals growth, some regions have performed particularly strongly – notably Europe and Southeast Asia.

However, the economic landscape presents a challenging environment for travel in 2012. The ETC expect European inbound travel to slow markedly, to between +2% to +3% in 2012 from +6% in 2011.

Estimated International Tourist Arrivals

	2011 Expected Outturn	2012 Forecast
UNWTO(World)	+4% to +4.5%	+3% to +4%
WTTC (World)	+4.5%	+3.3%
ETC (Europe)	+6%	+2% to +3%
WTM Euromonitor (Europe)	+5.8%	+1.5%

Data as of November 2011

2.1 External Travel Trends

2.1.1 International tourists to hit 1.8 billion by 2030

International tourist arrivals are forecast to reach 1.8 billion by 2030 according to the UNWTO. They foresee that international tourism will continue to grow in the period 2010-2030, but at a more moderate pace than past decades. The number of international tourist arrivals worldwide is expected to grow by an average of +3.3% a year. As a result, an average 43 million additional international tourists will join the tourism marketplace every year.

At the projected pace of growth, arrivals will pass the 1 billion mark by 2012, up from 940 million in 2010. By 2030, arrivals are expected to reach 1.8 billion, meaning that in two decades time, 5 million people will be crossing international borders for leisure, business or other purposes such as visiting friends and family, every day.

International arrivals in emerging economies are expected to continue growing at double the pace (+4.4% a year) of advanced ones (+2.2% a year). By 2015, emerging economies will receive more international tourist arrivals than advanced economies, and by 2030 their share is expected to reach 58%. By 2030, North East Asia will be the most visited subregion in the world, representing 16% of total arrivals and taking over from Southern and Mediterranean Europe, with a 15% share in 2030.

2.1.2 US travellers to Europe set to increase

The main finding of a recent UNWTO/ETC report on US outbound travel indicates that in spite of a tough domestic economic environment, US travellers to Europe will grow in the future.

The report states that in 2010, Europe attracted 11 million US citizens, a figure expected to rise in the coming years. The research shows that although US travellers to Europe tend to be more financially resilient than many, they are still keen on finding value for money at every turn.

The European Tour Operators Association (ETOA), whose members include some of the largest inbound tour operators to Europe, state that the US market occupies a unique position for European tourism - it combines great wealth with conspicuously strong cultural ties. The ETOA believe that these two factors mean that the US market will continue to be key for inbound demand into the foreseeable future.

2.1.3 London set to suffer significant decline in overseas leisure tourism during the Olympic Games

In a survey conducted among its members, the ETOA suggests that they are experiencing a major slump in leisure bookings to London for summer 2012. At the end of October 2011, the ETOA canvassed 38 operators who bring more than two million people annually to London and discovered a significant downturn in summer bookings to the city for 2012.

This decline looks like it will be severe in July and August, where operators report a 60% shortfall in bookings, becoming acute during the period of the Olympic Games where bookings are 95% below where they would normally be.

Whilst acknowledging that it is still very early in the booking cycle the ETOA point out they always see a decline in demand for a destination during an Olympic year. However the ETOA is highlighting the rapid rise in hotel rates in London for next summer's Olympics, which may represent an opportunity for the island of Ireland.

The figures represent only leisure tourism and do not account for what corporate business may come, or those who are coming for the Olympics. The problem for the local tourism industry is that, even if London does fill with Olympic enthusiasts, they do not behave like normal tourists. They are unlikely to shop or sightsee as much as a regular tourist as their primary purpose is to attend the Games.

2.2 Key Markets Economic and Travel Outlook

2.2.1

According to the OECD the global economic outlook is continuing to deteriorate and the impact of the Eurozone crisis could possibly drag the U.S. economy towards recession. The OECD expects growth to be modest among its members next year, while they predict that U.S. growth will be flat. Monthly economic indicators for Europe have also softened markedly and Oxford Economics foresee the Eurozone to be at risk of re-entering recession.

The outlook for travel and tourism in 2012 will be heavily dependant on the restoration of confidence and strength of the economic recovery in our key source markets.

2.2.2 Other Economic Indicators

<p>Great Britain</p> <p><i>Growth prospects remain heavily dependent on the outcome of events in the Eurozone. Rising unemployment, fragile consumer confidence and a depressed housing market is likely to severely impact on consumer spending next year.</i></p>	<p>2011 GDP Forecast: + 0.9% (down from +1.0%)</p> <p>CPI*: + 5.2% (up from +4.5%)</p> <p>Unemployment: 8.1% (up from 7.9%)</p> <p>Exchange rate (€/£): €1: £0.86</p>
<p>USA</p> <p><i>Current economic reports and indicators are giving mixed signals. Despite economic growth remaining stronger than expected and encouraging growth around consumer spending, the economy remains fragile as consumer confidence remains extremely low and unemployment is still relatively high.</i></p>	<p>2011 GDP Forecast: +1.8% (up from +1.6%)</p> <p>CPI***: +0.3% (down from +0.5%)</p> <p>Unemployment: 9.0% (down from 9.1%)</p> <p>Exchange rate (€/€): €1: \$1.33</p>
<p>France</p> <p><i>Ongoing concerns about the global financial situation and new austerity measures planned by the government are likely to undermine any expectations of growth next year. The government is now under pressure to reduce deficits more forcefully than previously planned. Banks have tightened credit availability while unemployment remains high.</i></p>	<p>2011 GDP Forecast: +1.6% (down from 1.7%)</p> <p>CPI*: +2.3% (up from +2.2%)</p> <p>Unemployment: 9.9% (unchanged)</p>
<p>Germany</p> <p><i>The economic climate in Germany has become cloudier. Growth is expected to be much weaker this quarter and in Q1 2012. Slow growth is based on the demand for exports grinding to a halt in the Eurozone and the slowing demand from emerging markets. Consumers are likely to remain cautious.</i></p>	<p>2011 GDP Forecast: +2.9% (down from +3.0%)</p> <p>CPI*: +2.5% (down from +2.6%)</p> <p>Unemployment: 5.8% (down from 5.9%)</p>

Source: Oxford Economics Bulletins; Central Bank of Ireland/ECB Reference Rate 29/11/2011; OECD; ONS; INSEE; Federal Statistics Office; GfK/GfK NOP on behalf of the European Commission; The Conference Board; * YOY CPI changes; **Monthly CPI changes. Based on most recent available data

2.2.3 Travel Trends in Key Markets

Great Britain: The number of visits abroad by UK residents during the period January to August was flat compared to the same period in 2010, with overseas departures contracting by -7% YOY in the month of August. The outbound market is expected to see some marginal growth next year but British holidaymakers in 2012 are likely to shop with a recessionary mindset and will be looking for more for less.

North America: Despite low consumer confidence levels in the US there seems to be some resilience in relation to travel demand. Transatlantic traffic continued to grow in September, but at a reduced pace, with carriers reporting a +2% increase over September last year. Due to the strength of the Canadian economy the outbound market continues to perform well. Canadians took +6% more outbound trips during the first eight months of 2011 while outbound trips to Europe grew by over +8%.

Mainland Europe: Outbound travel from Germany is strong with some travel agencies expecting to see double digit growth by the end of this year. Despite the economic crisis, those French consumers who intended to take a holiday this winter are maintaining their plans. However, expected government cuts and taxes are likely to impact outbound travel from France next year as people may have less disposable income. The Italian Airport Authority reported a +8% growth in passenger numbers for the period January to September. However, given the economic and political situation in Italy, there is a climate of uncertainty which is affecting bookings in the short term and there is a greater-than-ever price consciousness among consumers. Outbound travel from Spain remains surprisingly buoyant with national statistics indicating that outbound travel increased by +15% in August. The principal airports in the Nordics all recorded an increase in passengers during October year on year.

Australia & Developing Markets: The European debt crisis is clearly unhelpful for the Australian market, but other key factors such as the strong dollar and high employment levels remain positive. Recent reports indicate that there is still a strong demand to take overseas holidays, but it remains to be seen if this will translate into anything more than modest growth in 2012. China outbound for Jan-Sept is up more than +20% versus the same period last year. The Indian outbound market is expected to grow by +11% in 2011.

3. Market Intelligence

3.1 Visitors

2011 Year to Date Overseas Visitor Estimates

Source: CSO's Overseas Travel release, NISRA's Northern Ireland Passenger Survey.

Visitor Origins	IOI	ROI (CSO*)		NI (Total)	
	Jan-Sep 2011	Jan-Oct 2011		Jan-Jun 2011	
	%YOY	'000s	%YOY	'000s	%YOY
Total	+8%	5,600	+7%	686	+11%
GB	+5%	2,471	+5%	472	+7%
ME	+12%	1,939	+10%	114	+33%
NA	+10%	887	+7%	63	+20%
OA	+11%	304	+12%	37	-8%

NB: Due to small sample sizes NI data should be treated as estimates until annual data is available. IOI estimates are lower than both ROI and NI, as there has been an increase in visitors including both jurisdictions in their trip and these visitors cannot be double counted.

** ROI CSO data does not include visitors who overnight in the Republic of Ireland but who exit the island of Ireland through an air or sea port in Northern Ireland. ROI CSO data includes same day visits which are removed from final figures.*

Following a strong summer season, overseas visitors to the island of Ireland have shown good recovery year to date (Jan-Sept) with estimated growth of +8% compared with the same period in 2010.

Both the Republic of Ireland and Northern Ireland have shared in this return to growth, with an increase in visitors including both jurisdictions in their trip. However, this growth is not being experienced uniformly by all stakeholders across the island of Ireland.

While the growth reported here includes a bounce back from the volcanic ash disruptions in early 2010, there has clearly been a return to growth beyond those one-off occurrences.

3.2 Access Capacity

Air Access	Summer 2011			Winter 11/12		
YoY % Change	ROI	NI	Island	ROI	NI	Island
Great Britain	-2%	-9%	-5%	+1%	-1%	0%
Mainland Europe	+3%	0%	+3%	+1%	+68%	+4%
-France	-9%	-8%	-9%	-8%	0%	-7%
-Germany	+3%	0%	+3%	+4%	0%	+4%
North America	+8%	0%	+7%	-8%	0%	-8%
Overall	+1%	-7%	-1%	+1%	+4%	+2%

Weekly seat capacity - Source: TTC Inventory Report

Total available capacity on direct scheduled air services to the island of Ireland for winter season 2011/12 is up +2% on last winter, with +1% more seats on ROI routes and +4% more on NI routes. The total of 337,000 seats per week in each direction is still below the level of winter 2005/06 (354,000 seats), and the peak winter season 2007/08 (472,000 seats).

Available car capacity on ferry routes between the island of Ireland and Britain, based on current published schedules, is down by -6% this winter on last winter. The winter schedule to France is unchanged versus winter 2010/11.

3.3 Total Passenger Numbers

	Jul 11	Aug 11	Sep 11	Oct 11
Dublin Airport	+1%	-2%	-3%	-10%
Shannon Airport	-7%	-6%	0%	-11%
Cork Airport	+2%	0%	+2%	-4%
Belfast Int Airport	-3%	0%	+4%	-2%
Belfast City Airport	-20%	-19%	-20%	-24%
All ROI Airports	+1%	-1%	-1%	-7%
All NI Airports	-8%	-6%	-5%	-10%
All UK Airports	+2%	+1%	+2%	-2%
All Germany Airports	+3%	+1%	+2%	0%
All Norway Airports	+7%	+4%	+7%	+7%
All Sweden Airports	+15%	+9%	+9%	+9%
ROI sea passengers	-5%	-1%	-1%	-15%
NI sea passengers	-4%	-4%	-3%	-14%

Source: DAA, IAA, Fáilte Ireland, NITB, Annaero, Ferrystat

- According to Aer Lingus, their total booked passenger numbers for October 2011 increased by +1.6% compared to October 2010. This represents a continuation of the positive trend in Aer Lingus's recent results.
- October saw a further softening of traffic through many airports on the island of Ireland according to official sources. Please note that the declines recorded include both inbound and outbound passengers.

3.4 Accommodation

Hotel accommodation data (Hotel rooms sold)

	Aug 11	Sept 11	Oct 11	Nov 11
Island of Ireland	+7%	+0%	+3%	+5%
ROI	+7%	+0%	+2%	+4%
NI	+10%	+3%	+8%	+14%
Scotland	+4%	+3%	+3%	+2%
England	+5%	+3%	+4%	+3%
Sweden	-1%	+4%	+3%	N/A
Greece	+1%	+5%	-6%	-27%

Source: STR Hotel reports – STR at present has the best all island hotel information. It provides a good representation from Dublin and Belfast – (49 and 18 hotels respectively, from a total of 94 properties). Properties across the island are represented, but the focus is quite urban and the Midlands and Northwest is unrepresented.

- The latest available data indicates that hotels on the island of Ireland have experienced growth in room sales of +5% in November. It is not possible to break out overseas bookings from domestic business at this time.
- The Fáilte Ireland Hotel Survey demonstrates that overseas hotel bednight sales grew by +7% for the period January to September in the Republic of Ireland, compared with the same period last year.
- Total rooms sold in hotels, B&Bs and guesthouses in Northern Ireland increased by +3% YOY for the period January to September, according to NISRA. However, total beds sold fell by -6% over the same period. It is not possible to break out overseas from domestic bookings in Northern Ireland.

3.5 Island of Ireland Industry feedback

Forecast	What they said....
<p>Brightening Up</p> 	<p>Accommodation Providers</p> <p>Hotel providers in ROI report moderate growth in October and have indicated that November and December will be slightly up on the same months last year. Luxury niche hotels in ROI have seen double digit growth in October, with the US and European markets performing particularly well. They expect business in November to be better than last year. B&B's in ROI report double digit growth for the year to date, with the US, French and German markets performing particularly well. However, it seems that only those B&B's that are located in the tourism hotspots are sharing in this growth.</p> <p>NI hotels have seen encouraging signs versus last year with resort and central Belfast hotels doing quite well. There is an improved picture for international visitors, although GB remains challenging. NI B&Bs and the self catering sector report that the summer was quite good, with a welcome increase in overseas visitors. However visitors were staying for a shorter period.</p>
<p>Cloudy</p> 	<p>Airlines, Ferries and Car Hire</p> <p>Air carriers are reasonably happy overall with the year to date performance and forward bookings for 2012 look promising, but profit margins are very tight. International traffic (which includes domestic and overseas residents) was down -8% at Dublin airport in October. Total air traffic to the island was also down in October.</p> <p>Sea carriers are reporting their business to be down in Q4 and 2012 is hard to call as last minute booking is increasingly prevalent. Car rental companies have seen good growth for the first nine months of the year. Christmas is looking "soft" but it is still too early to call.</p>
<p>Clouds on the horizon</p> 	<p>Attractions</p> <p>Most major ROI attractions have experienced a good 2011. However, they point to a slowdown in October with many attractions seeing a decline in visitors versus October 2010. One key Dublin attraction reckons that November will also be down YOY. Attractions in the West of Ireland report a similar a pattern to their year, while results in Northern Ireland are more mixed. For the remainder of the year visitor attractions expect to see their business tail off with little or no growth expected.</p>
<p>Bright</p> 	<p>Inbound Operators and Business</p> <p>Inbound operators generally remain upbeat as they have seen good growth in both their group and independent travel business in October, particularly from Europe. Current indications regarding business in 2012 are overall positive. Business is mixed from coach operators and they can't accurately call how the remainder of the year will pan out as bookings are coming in at the very last minute. On the business travel side, the end of the year is quiet; however generally 2011 has gone well overall with 2012 and beyond shaping up nicely.</p>

Source: Based on feedback from island of Ireland industry sources.

3.6 Tourism Ireland Market Feedback

Great Britain: The fragility of the market is affecting consumer behaviour and spending, which is filtering through to the travel market. The outlook for travel to the island of Ireland remains mixed, reflected in feedback from trade and industry; however some are seeing evidence of promising forward bookings for 2012.

North America: Feedback from all US trade sectors reinforces the view that 2011 will deliver strong overall growth to the island of Ireland. Concern over the economy and the resulting decline in consumer confidence is having an impact on forward booking patterns for 2012. Most leading operators report bookings for 2012 at a similar level as this year however golf operators are reporting an increase in the enquiries for next year. Our Canadian travel partners indicate that bookings have increased this year compared to 2010 and 2012 looks promising. According to the Conference Board of Canada, visits from Canada to Ireland to the end of August 2011 are up +11% YOY.

Mainland Europe: In Germany most trade and carrier partners are reporting double digit growth for 2011 and pre-bookings for 2012 are already promising. Key French trade indicate that enquires and advance bookings look very positive for next year. In Italy a leading airline advises of strong forward bookings for the Rugby 6 Nations weekend in February and for St. Patricks Day, while tour operators report demand is otherwise soft for 2012. Carriers and trade partners in the Nordics report a very positive year and are seeing an encouraging increase in off season travel. Most Spanish tour operators to the island of Ireland have seen a positive performance this year. Carriers report good business during the autumn and forward bookings are also encouraging for early 2012, while summer bookings are strong in the EFL and group sectors.

Australia & Developing Markets: Intelligence from tour operators indicates that 2011 overall will see good growth in visitors from Australia to the island of Ireland. Operators have advised that October was a very good month for forward bookings of coach tours and flights to the island of Ireland for 2012; however the majority erred on the side of caution until the end of the year to assess the full impact of the usual early bird promotions and the prospects for 2012. Travel from India and China in 2012 looks positive due to the impact of the visa waiver initiative, the new Emirates service to Dublin and the positive impact of the first Bollywood movie shot in Ireland, which is expected to be released in June 2012.

4.0 Conclusion

Overseas visitor numbers to the island of Ireland have grown +8% YOY in the year to September and overall expectation is for positive growth in 2011. Given the scale of the ongoing turbulence facing the global economy, travel and tourism is facing a cautious passage into 2012.

In our marketing plan for 2012 we are targeting growth of +5.5% in visitor numbers next year for the island of Ireland. To view our 2012 plan please visit www.tourismireland.com

Ends.

08/12/2011
