



Titanic Visitor Experience, Belfast

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**SOAR**  
(Situation & Outlook Analysis Report)  
May 2012

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## 1. Overview and Summary

First indications for 2012 overseas visitors have come in the form of the CSO's January to March release for the Republic of Ireland. The results for the first quarter of 2012 are in line with expectations; the global economic landscape of recent months certainly presented a challenging environment for travel and tourism and that is reflected in the figures, which show a drop of -1% for the three-month period ending in March.

However, our tourism industry and travel trade partners are generally positive heading into the summer months with reports of enquiries and advance bookings being up on this time last year.

## 2. External Travel Trends

### 2.1 British travellers concern at rising air travel costs

A study by *TripAdvisor* reveals that British travellers are more concerned than previous years about the cost of air travel, with Air Passenger Duty (APD), high fares and add-on flight costs all taking their toll. Over two-thirds (68%) said the rising costs of APD will impact their travel plans, with 9% saying this impact will be "substantial". The majority (83%) also cite the price of a flight as a key factor when choosing an airline, up from 71% in 2011. However, the study concludes that while it's clear that British travellers are feeling price-conscious as economic uncertainty continues, the vast majority still expect to take at least one flight this year. Eight in ten respondents intend to take at least one short-haul flight, whilst 67% intend to take at least one long-haul flight in 2012.

## Key Markets Economic and Travel Outlook

### 2.2 Overview

The International Monetary Fund (IMF) is more optimistic about the global economy after seeing faster U.S. growth and a coordinated effort in Europe to address its debt crisis.

The global lending organisation said in April that the U.S. economy should expand by just over +2% this year. They forecast that the European economy will shrink marginally (-0.3%), with the world economy growing by +3.5%. In general the IMF estimates in April are more positive than its January forecasts.

However, the Eurozone crisis continues to loom as the biggest threat to the global economy. The IMF indicates that a key challenge for Europe is balancing the need to cut government budget deficits without choking off growth. On a positive note, in the U.S., consumers are spending more, business investment has grown and the job market has shown "signs of life".



## 2.3 Other Economic Indicators

<p><b>Great Britain</b> The economy is back in recession, according to official figures, piling pressure on the government and providing fodder for the critics of austerity. However the UK has benefited from the improved performance of the US and emerging markets, with exports to these areas accelerating strongly. The hosting of the Olympic Games is expected to give a boost to the economy over the summer.</p>	<p>2012 GDP Forecast: + 0.6 % (up from + 0.5%)</p> <p>CPI*: + 3.4% (down from +3.6%)</p> <p>Unemployment: 8.3% (down from 8.4%)</p> <p>Exchange rate(€/£): €1: £0.81</p>
<p><b>USA</b> Economic growth is expected to gradually accelerate over the course of the year. The labour market continues to strengthen, with a declining unemployment rate and rising wages boosting consumers' income and confidence. The impact of higher oil prices is a concern, but natural gas prices are falling and will offer some relief to both consumers and businesses.</p>	<p>2012 GDP Forecast: +2.4% (up from +2.3%)</p> <p>CPI**:+0.4% (up from +0.2%)</p> <p>Unemployment: 8.2% (down from 8.3%)</p> <p>Exchange rate (€/£): €1: \$1.32</p>
<p><b>France</b> Growth for Q2 has been revised down and a short, shallow recession in H1 is forecast. Consumer spending is being constrained by high unemployment. There could also be fiscal policy implications following the elections. The government and President may implement further austerity measures. However, financial markets could force a more drastic policy correction.</p>	<p>2012 GDP Forecast: 0.1% (up from 0%)</p> <p>CPI*: +2.3% (no change)</p> <p>Unemployment: 10.0% (no change)</p>
<p><b>Germany</b> Recent activity data suggests that the German economy is picking up again after GDP contracted -0.2% in Q4 2011. Despite a slight dip in February, consumer confidence seems to have turned a corner after dropping in H2 last year. Households' confidence in their financial position remains close to record highs reflecting the current strength of the labour market.</p>	<p>2012 GDP Forecast: +0.5% (down from 0.6%)</p> <p>CPI*: +2.1% (no change)</p> <p>Unemployment: 6.7% (down from 6.8%)</p>

Source: Oxford Economics Bulletins; World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 01/05/2012; 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. Data is compared to the economic indicators as released in SOAR March 2012.

## 2.4 Travel Trends in Key Markets

**Great Britain:** Following on from a poor January (-6%), the number of visits taken abroad by UK residents during February increased by +4%. This leads to a -1% decrease overall for the first two months of the year when compared with the same period in 2011. The *Nationwide Consumer Index*, which is an important index of consumer sentiment, fell in February after a slight rise in January.

**North America:** Transatlantic traffic rose in March, with leading carriers reporting a +6% increase year on year (YOY). However, travel by Americans to Britain declined by -3% in February, based on preliminary data from VisitBritain. In the US, an improvement in consumer confidence, retail spending and the general pace of economic recovery should have a positive impact on outbound travel. It is difficult to gauge Canadian outbound travel intentions for 2012, as consumers are booking a lot closer to their date of departure, in line with the general late booking trend. However, indications remain positive. Arrivals to Europe from Canada are up almost +11% for the first two months of the year, according to the Conference Board of Canada (CBOC).

**Mainland Europe:** German travel agencies report sales revenue growth of almost +12% in March with Turkey and Spain proving popular. Tour operators in France remain cautious as Presidential election years have traditionally delivered mixed results. Feedback from the Italian trade is that outbound travel has been weak YTD. They report that forward bookings are slow for the high season and that there is increased price sensitivity in the marketplace. There are concerns in Spain that the recently introduced income and airport tax increases will impact negatively on air travel. The principal airports in the Nordics all recorded an increase in passengers during Q1 2012 YOY. Dutch consumers are planning to travel less, for shorter periods and choose destinations closer to home, which may be to the benefit of the island of Ireland.

**Australia & Developing Markets:** Indications for the outbound Australian market are positive, aided by a strong dollar. Official data reveals that overseas departures rose by +2% in January compared to the previous month. The Indian outbound market continues to expand and is estimated to have grown more than threefold in the last fifteen years. Chinese outbound travel grew by +22% in 2011 according to official sources. Travel to Europe from China is predicted to continue growing in 2012, however, at a slower rate than recent years.

### 3. Market Intelligence

#### 3.1 Visitors

##### Jan-March 2012 Preliminary Visitors

Visitor Origins	ROI Total Jan-Mar 2012 Preliminary	
	'000s	%YOY
<b>Total</b>	<b>1,165</b>	<b>-1%</b>
GB	562	+2%
ME	393	-4%
NA	145	-6.5%
OA	65	-1%

Source: CSO Overseas Travel release Jan-March 2012

Latest figures released by the CSO indicate a muted first quarter for 2012. Visitors to the Republic of Ireland decreased marginally (-1%) in the first three months of the year compared with the same period the year before. There are no equivalent figures for Northern Ireland available as yet.

## 3.2 Access Capacity

Air Access	Summer 2012			Winter 11/12		
YOY % Change	ROI	NI	Island	ROI	NI	Island
Great Britain	+2%	-2%	+1%	+1%	-1%	0%
Mainland Europe	+4%	+13%	+5%	+1%	+68%	+4%
-France	+7%	-15%	+6%	-8%	0%	-7%
-Germany	+7%	0%	+7%	+4%	0%	+4%
North America	-5%	-3%	-5%	-8%	0%	-8%
<b>Overall</b>	<b>+3%</b>	<b>+0.5%*</b>	<b>+3%*</b>	<b>+1%</b>	<b>+4%</b>	<b>+2%</b>

Source: TTC Access Inventory Summer 2012 report on weekly seat capacity

\* The planned summer schedule doesn't take into account the recent announcement by bmibaby regarding the suspension of flights to Belfast City Airport from June 2012.

Total available capacity on direct air services to the island of Ireland for summer season 2012 is scheduled to be up +3% on last summer, with +3% more seats on ROI routes and +0.5% more on NI routes.

The planned summer 2012 schedule doesn't take into account the recent announcement by bmibaby regarding the suspension of flights to Belfast City Airport from June.

Available car capacity on ferry routes between the island of Ireland and Britain, based on current published schedules, will be down by -8% this summer YOY. The schedule to France is unchanged versus summer 2011.

### 3.3 Total Passenger Numbers

	Jan 12	Feb 12	Mar 12
Dublin Airport	-5%	-2%	0%
Shannon Airport	-17%	-26%	-14%
Cork Airport	-2%	+4%	-2%
Ireland West Airport Knock	+2%	0%	+3%
Belfast Int Airport	+9%	+8%	+10%
Belfast City Airport	-14%	-8%	-7%
City of Derry Airport	+7%	+7%	+3%
<b>All ROI Airports</b>	-4%	-2%	0%
<b>All NI Airports</b>	-1%	+2%	+3%
All UK Airports	+0%	+2%	+4%
All Germany Airports	+2%	+2%	+3%
All Norway Airports	+7%	+9%	+4%
All Sweden Airports	+8%	+10%	N/A
<b>ROI sea passengers</b>	-4%	+2%	+6%
<b>NI sea passengers</b>	+2%	-8%	+9%

Source: Annaero, Fáilte Ireland, Ferrystat, DAA

A total of 3.74 million passengers travelled through Dublin Airport in the first quarter of the year, a -2% decline on the same period last year. Please note that the results recorded include both inbound and outbound passengers.

According to Aer Lingus, the total number of passengers the airline flew in March, including those on its regional operations, rose by +8.2% compared to the same month in 2011. This has contributed to the airline posting first quarter passenger results ahead of last year. Yield per passenger was up +8.4%, while total passenger numbers increased by +6.6% for the first quarter YOY.

### 3.4 Accommodation

#### Hotel accommodation data (Hotel rooms sold)

	Jan 12	Feb 12	Mar 12
Island of Ireland	0%	-1%	+2%
ROI	-1%	-1%	0%
NI	+4%	+3%	+18%
Scotland	-2%	-2%	+4%
England	+1%	0%	0%
Italy	0%	-7%	+4%

Source: STR Hotel reports – STR at present has the best all island hotel information. It provides a good representation from Dublin and Belfast. 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 experienced an increase (+2%) in room sales in March. It is not possible to break out overseas bookings from domestic business.

Total rooms sold in hotels, B&Bs and guesthouses in Northern Ireland increased by +6% YOY for the period January to February, according to the Northern Ireland Statistics and Research Agency (NISRA). 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><b>Accommodation Providers</b></p> <p>Hotel providers in ROI generally possess a positive outlook and report that rates and occupancy are rising in most areas. Many hotels have seen an increase in spend on food and beverage. The majority experienced a good Easter, however, mentioned that bookings were very late.</p> <p>There is also an air of optimism amongst NI hoteliers with many reporting a reasonably busy April, with a pick up in overseas visitors versus the first few months of the year. They are still challenges on rates and late booking continues to be prevalent. Overall, business is similar to last year YTD, with Belfast doing better. NI B&amp;Bs report they are they are slightly up on last year and that April was busy. They have noticed an increase in overseas visitors.</p>
<p>Brightening up</p> 	<p><b>Airlines, Ferries and Car Hire</b></p> <p>Many air carriers are reporting that forward bookings are good for Q2 and Q3 and are generally positive about the 2012 outlook. Sea carriers are indicating mixed outlooks. One leading sea carrier concedes that whilst advance bookings for the peak summer months of July and August are positive, the next few months are looking poor. Another major sea carrier reports that March &amp; April were good, with May showing a dip in bookings. Their summer bookings are slow at present.</p> <p>Car rental companies report that Q1 was flat and Easter was solid. Dublin, which represents the significant bulk of the car rental business, seems that it will be flat for Q2. They acknowledge that it's very difficult to forecast with any degree of certainty, given that circa 50% of business is received in the month of travel.</p>
<p>Bright</p> 	<p><b>Attractions</b></p> <p>A principal Dublin attraction experienced single digit growth for March YOY. April was also up, aided by a very good Easter period. This growth has come primarily from Mainland European visitors. Attractions in the west of Ireland report a good start to the year with overseas markets driving growth. Advance bookings are also positive. In Northern Ireland, Titanic Belfast has opened with high interest levels and good forward bookings being reported.</p>
<p>Brightening up</p> 	<p><b>Inbound Operators and Business</b></p> <p>Inbound operators report a satisfactory start to 2012, with an increase in confirmed bookings and enquiries generally.</p> <p>On the business travel side, a leader in the conference &amp; events sector, reports a positive Q1 from the US and Mainland Europe. However, their bookings for Q2 and Q3 are down on last year. They report that enquiries are quite good for 2013 and 2014, though the level of enquiries have dried up a little over the past few weeks.</p>

Source: Based on feedback from island of Ireland industry sources, April 2012

### 3.6 Tourism Ireland Market Feedback

**Great Britain:** The overall outlook for travel to the island of Ireland from GB, despite challenging economic conditions, is guardedly positive. Many partners are indicating a reasonable start to the year, with some saying they are up on this time last year in terms of advance bookings.

**North America:** US feedback across all sectors remains one of cautious optimism. Most major operators continue to report a good start to the year with YOY spring/summer bookings ahead of last year. On the carrier side, many airlines report strong forward bookings. There are also positive indications in terms of US ticket sales for the autumn Notre Dame vs. Navy football game in Dublin. In Canada, our partners continue to report solid advance bookings. One key operator reports that bookings are up +10%, with two of their Ireland tours in their top 10 world tours.

**Mainland Europe:** The feedback from market trade continues to be positive, and while there was a slow-down registered by some operators in March, the overall sentiment is good. Last minute bookings continue to be a feature of the market. Many key operators and airlines in Germany are reporting up to double-digit growth vs. 2011. In France, partners are positive but cautious, reporting that inquiries are strong and ahead of last year. The outlook from Spain is good, despite the economic difficulties, with one key carrier seeing a double-digit increase in March YOY. Italian tour operators report good interest levels in the island of Ireland, however, conversion to booking is challenging. The larger operators in the Netherlands saw a pick up in bookings in March, however some specialist operators experienced a slow down. In the Nordics, all major airline partners are reporting satisfaction with route performance to date and with forward bookings.

**Australia & Developing Markets:** Feedback from trade has indicated that sales from Australia are on par with 2011 figures YTD. Our airline partners indicate that forward bookings are good. The extension of the visa waiver initiative until 2016 is positive news for visitors from emerging markets to the island of Ireland. Travel agents in India have indicated that enquiries for Ireland have increased in comparison to last year.

## 4. Conclusion

The CSO's January to March release for the Republic of Ireland, which shows a drop of -1% for that three-month period, was in line with expectations, given the challenging environment for travel and tourism.

However, our tourism industry and travel trade partners are generally positive heading into the summer months with reports of enquiries and advance bookings being up on this time last year.

Our extensive, early season marketing campaign is in full swing across all markets and we look forward to working closely with our tourism partners to deliver further growth in 2012.

Ends

11/05/2012

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