



*Launch of Titanic May 1911-2011*

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**SOAR**  
**(Situation & Outlook Analysis & Report)**  
**May/June 2011**

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## 1. Overview and Summary

Despite Grimsvotn erupting, the situation is looking positive for visitors to the Island of Ireland during April and May 2011. April appears to have been a very strong month for the island of Ireland, with Easter falling in this month and relative to the period of the Ash crisis in 2010. Industry sentiment is strong for May and forward bookings looking strong across the US and European markets. There are some signs of GB visitors returning to key Dublin attractions, but overall this market is still hard to call. However the very extensive and positive publicity generated by the Queen's visit has led to an increase in interest.

Indications of an improvement which were anecdotally reported in SOAR quarter 1 were confirmed for both ROI and NI with the release of visitor statistics. From an admittedly low base, when compared with the same period last year, visitor numbers from all major markets to both parts of the island grew during the first three months.

Despite the strong performance in the first quarter and strong sentiment for April and May, there are some regional variations with Shannon and the North West not experiencing a similar pick up. Another concern is the continuing downward pressure of prices and late booking patterns, which adds to an air of uncertainty amongst some parts of the industry.

## 2. Global Outlook

International tourist arrivals grew by nearly 5% during the first two months of 2011, consolidating the 7% rebound registered globally in 2010. According to the United Nations World Tourism Organisation (UNWTO) World Tourism Barometer, growth was positive in all world (sub) regions during January and February 2011, with the exception of the Middle East and North Africa. South America and South Asia led growth (both at +15%), followed by Sub saharan Africa (+13%) and Central and Eastern Europe (+12%).

Results were better than expected for Europe (+6%), boosted by the recovery of Central and Eastern Europe, and the temporary redistribution of travel to destinations in Southern and Mediterranean Europe due to developments in North Africa (-9%) and the Middle East (-10%).

## 2.1 External Travel Trends

JWT's *Rebooting Travel* report details that travellers are different from those a few years ago. Today's travellers are tech-enabled, with infinite information at their fingertips, and driven to share experiences as they have them. Three trends JWT identify are:

**Travel's Tiny Essential:** The smartphone is king. It's a one-stop shop that connects travellers with their surroundings, each other and travel brands better than any traditional travel guide ever could.

**The New Travel Currency:** Where travellers of old shared and bragged about their activities upon returning home, today's mobile-enabled are doing so in real time. Travel has always garnered some level of social currency and posting photos and videos affords the opportunity to broadcast widely how cool, privileged, worldly, the traveller is.

**Unplugging Holidays:** There is a growing amount of travellers who are seeking refuge from technology: choosing to log off in an effort to reconnect with loved ones, fully recharge and savour real-world experiences.

## 2.2 Key Markets Economic and Travel Outlook

### 2.2.1 Consumer Confidence

GB consumer confidence lifted in May, with the GfK NOP Consumer Confidence Index increasing ten points in May to -21, a very large increase but from a very low figure. Possible explanations for this bounce include the feel-good factor of the Royal wedding and successive sunny bank holidays.

Although this is just one month's figure it does illustrate the impact external events and positive news can have on consumer confidence. This is an important economic indicator for travel and tourism, as how optimistic consumers feel about the overall state of the economy and their personal financial situation, determines their spending activity. In particular this is important for discretionary spending items like holidays.

## 2.2.2 Other Economic Indicators

<p><b>Great Britain</b></p> <p><i>Disappointing Q1 GDP growth suggests the economy has effectively stagnated for the past six months. Recovery remains fragile and consumer outlook remains poor.</i></p>	<p>2011 GDP Forecast: + 1.4% (down from +1.8%)</p> <p>CPI*: + 4.0% (stable)</p> <p>Unemployment: 7.7% (down from 7.8%)</p> <p>Exchange rate (€/£): €1: £0.89 (stable)</p>
<p><b>USA</b></p> <p><i>Slower than expected growth in Q1, due in large part to slowdown in consumer spending, but likely to prove temporary, with pick-up expected in Q2. Economy remains fragile, with initial unemployment claims on the rise and continued uncertainty over the future.</i></p>	<p>2011 GDP Forecast: +2.7% (down from +2.9%)</p> <p>CPI**:+0.4% (down from +0.5%)</p> <p>Unemployment: 9.1% (up from 8.8%)</p> <p>Exchange rate (€/€): €1: \$1.47 (stable)</p>
<p><b>France</b></p> <p><i>GDP forecast revised upwards, following the best quarterly performance since 2006 in Q1 2011. Moderate growth in consumption to continue but inflation leading to losses in purchasing power.</i></p>	<p>2011 GDP Forecast: +2.2% (up from +1.8%)</p> <p>CPI*: +2.1% (up from 1.7%)</p> <p>Unemployment: 9.4% (down from 9.6%)</p>
<p><b>Germany</b></p> <p><i>On course to record another year of exceptional growth. Unemployment expected to fall toward full employment level by year end. Consumer sentiment dampened in May, as high energy prices and worsening debt crisis are overshadowing very positive general conditions.</i></p>	<p>2011 GDP Forecast: +3.5 % (up from +2.6%)</p> <p>CPI*: +2.4% (up from 2.1%)</p> <p>Unemployment: 6.1% (down from 6.3%)</p>

Source: Oxford Economics Bulletins; Central Bank of Ireland/ECB Reference Rate 7/06/2011; OECD; ONS; INSEE; Gfk/Gfk NOP; 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 in the first three months of 2011 was similar to that of Q1 2010. The Nationwide Consumer Confidence rose strongly in May, albeit from a very low base. Somewhat worryingly the OECD reports that household spending has slumped to its lowest rate in nearly two years.
- **North America:** While oil and fuel prices fell back, the US dollar strengthened against the euro in May, but has now fallen back. The overall trans Atlantic traffic increased by 23 % in April according to leading carriers, which more than makes up for the previous year's drop due to Eyjafjallajokull erupting. The anticipated upward pressure of transatlantic fares appears to have abated, with fares holding at or near levels quoted in April.
- A strong Canadian dollar is promoting increased outbound leisure trips from Canada. According to the Conference Board of Canada, outbound leisure trips between November 2010 and February 2011 grew by +8%.
- **Mainland Europe:** Travel continues to perform strongly in Germany with outbound air traffic up +8% for Q1 2011. The national carrier, Lufthansa, grew by +12.5% for the same period. The travel industry in France is positive for 2011 as economic recovery continues and unemployment decreases. A survey by Harris Interactive states that 62% of French travellers plan to maintain or increase their travel budget this year.
- **Australia & Developing Markets:** With their strong dollar, Australians are choosing to take overseas rather than domestic holidays. However some airlines report that loads to Europe could be better this summer, suggesting this could be as a result of a late booking trend. The travel trade in both India and China welcome the Republic of Ireland's new visa waiver initiative and the outlook is for a improved business from holidaymakers who want to extend their UK trips to Ireland. Indian outbound travel to the UK grew by +34% last year over 2009 and total Chinese outbound travel is forecast to increase by +13% in 2011 to 65 million overseas trips.

## 3. Market Intelligence

### 3.1 Visitors

#### 2010 Revised Overseas Preliminary Visitor Estimates

Destination	Visitors	Island of	Republic of	Northern
		Ireland*	Ireland*	Ireland**
		2010	2010	2010
Total	Visitors	6.9 million	5.9 million	1.4 million
	Change 10/09	-10%	-11%	-2%
GB	Visitors	3.6 million	2.7 million	1 million
	Change 10/09	-10%	-11%	n/a
NA	Visitors	0.9 million	0.8 million	0.1 million
	Change 10/09	-5%	-5%	n/a
ME	Visitors	2.1 million	2 million	0.2 million
	Change 10/09	-13%	-15%	n/a
OA	Visitors	0.4 million	0.3 million	0.1 million
	Change 10/09	+6 %	+5%	n/a

Source: Tourism Economics ViPeR model, \*Based on new NI survey data preliminary estimates

\* Please note that some of the increase in the 2010 figures for ROI and NI are a result of the new Northern Ireland Passenger Survey(NIPS), which has provided a more robust survey and captures passengers travelling to the South of Ireland via Northern Ireland more effectively. This has resulted in some upward impact on total ROI visitors relative to previous estimates. While there is likely to have been a systematic under evaluation of via traffic from Northern Ireland to the South of Ireland, the level of difference is not sufficient to invalidate annual comparisons at either the total visitor or market level according to statistical norms. Tourism Ireland will continue with our trend data at all levels for the South of Ireland and Island of Ireland data. Where forecasts are provided, they are also consistent with the new data for 2010, and predicted visitor levels will be higher than in previous forecasts (although growth rates remain comparable).

\*\* With regard to estimated 2010 figures for Northern Ireland, the new NIPS survey approach has produced changes in the trend data below the top-line level, for example at market level and purpose of visit. **This sub-analysis cannot, therefore, be compared with previous years to, for example, indicate year-on-year changes in their performance.** Similarly, any statistics which are, in part, based on NIPS data (below top-line level) cannot be compared with previous

years. As such, 2010 has become a new base year for data from the NIPS. For details regarding the new methodology go to: <http://www.detini.gov.uk/deti-stats-index/tourism-statistics.htm>

## 2011 Quarter 1 Overseas Visitors Estimates

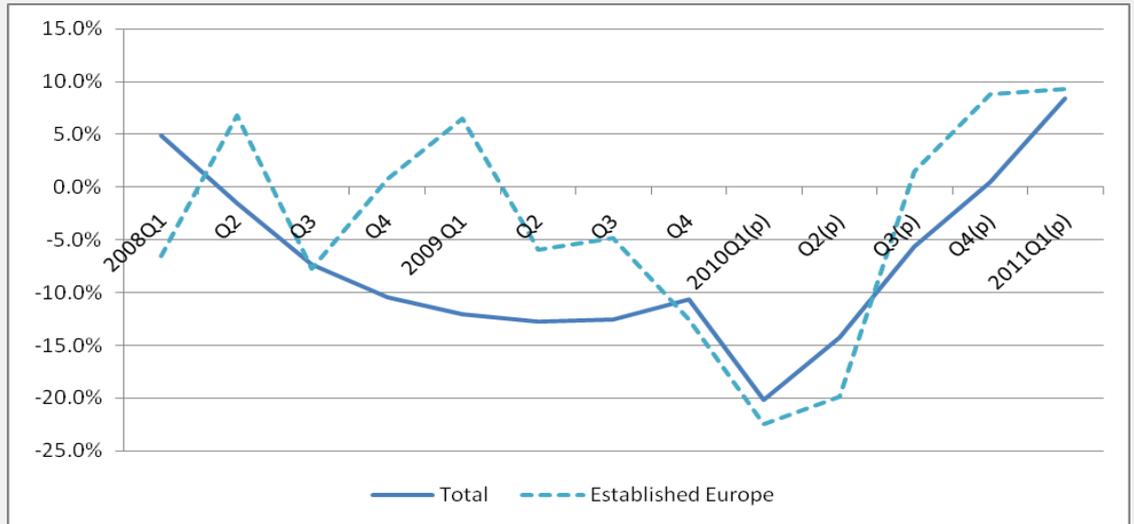
Visitor Origins	Island of Ireland Q1 2011/2010	Republic of Ireland Q1 2011/2010	Northern Ireland Q1 2011/2010
Total	+8%	+9%	+8%
GB	+7%	+7%	n/a
NA	+12%	+13%	n/a
ME	+10%	+9%	n/a
OA	+5 %	+11%	n/a

Source: CSO, Tourism Economics ViPeR model, Northern Ireland Passenger Survey

### 3.2 Trend Analysis by Main Markets

- The most recent quarterly data presents a clear picture of the island of Ireland visitor trend regaining positive growth and the very strong impact of the bad weather and ash crisis in delaying our return to growth. The total visitor line shows this quite clearly.
- The graph below highlights the negative impact on Mainland Europe of the bad weather and ash crisis of 2010, which has artificially boosted visitors to the island of Ireland. Visits from Established Europe were especially impacted by the Ash Crisis and bad weather.
- The movement in visitor trends over the last three quarters for mainland Europe indicates a return to above trend growth, though subsequent quarters may give more conclusive results.

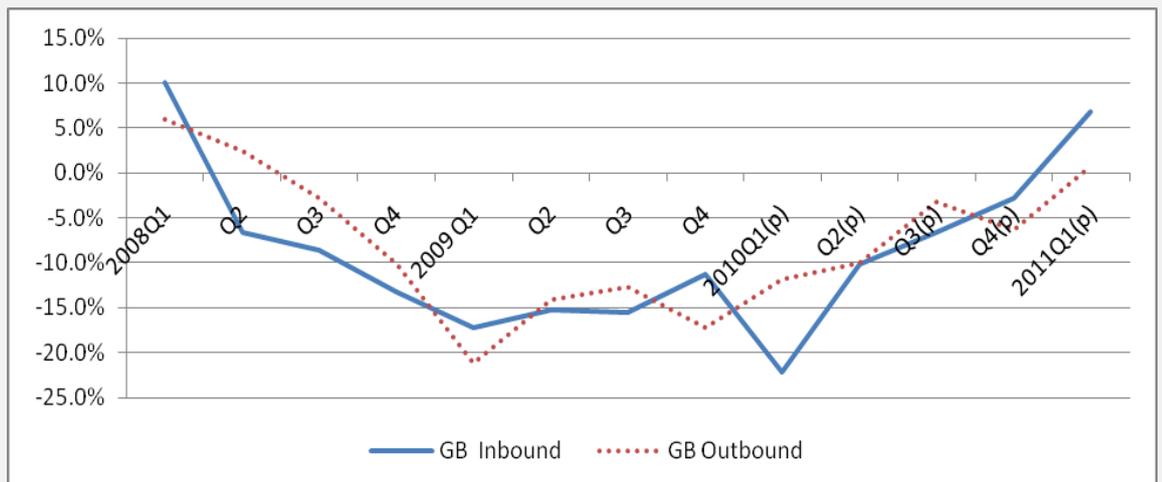
## Total IOI visitors and Established Europe IOI visitors



Source: Tourism Economics ViPeR model

- The decline in visitors from GB to Ireland mirrors the decline in visitors outbound in general from GB and this was added to by the poor weather and Ash crisis, our growth trend over the last two quarters has begun to outpace the recovery in out bound travel in GB. Again, the next few quarters will indicate whether this results in a strengthening in our competitive position and if the trend continues may lead to increased share.

## Total inbound GB visitors to IOI and Outbound GB visitors to Europe



Source: Tourism Economics ViPeR model

Inbound Visitor Estimates for other European destinations Q1 2011			
GB (March)	+4 %	Italy (Feb)	-1 %
Germany (March)	+ 9 %	Czech Rep (March)	+ 7%
Netherlands (Jan)	+ 7%	Greece (Dec)	+1%
Croatia (Feb)	+10%	France (March)	+2%

Source: Oxford Economics

- The island of Ireland's competitive position relatively to other European destinations for quarter 1 2011 is quite encouraging.

### 3.3 Air Access Capacity

YoY % Change	Winter 10/11 Actual			Summer 2011 Planned		
	ROI	NI	Island	ROI	NI	Island
Great Britain	-6%	-14%	-9%	-2%	-9%	-5%
Mainland Europe	-15%	-19%	-15%	+3%	0%	+2%
-France	-26%	+5%	-24%	-9%	-8%	-9%
-Germany	-7%	-100%	-10%	+3%	0%	+3%
North America	-1%	0%	-1%	+7%	0%	+7%
<b>Overall</b>	<b>-9%</b>	<b>-14%</b>	<b>-10%</b>	<b>+1%</b>	<b>-7%</b>	<b>-1%</b>

Weekly seat capacity - Source: TTC Summer 2011 Inventory Report.

- The Summer schedule has now commenced for all airlines and this is reflected in the decline of 7% in weekly seats into NI. This is reflected in the overall decline in access to the Island of Ireland.

### 3.4 Passenger Numbers

	Jan 11	Feb 11	Mar 11	Apr 11
Dublin Airport	+1%	-3%	-3%	+32%
Shannon Airport	-37%	-30%	-31%	+56%
Cork Airport	-11%	-22%	-18%	+25%
Belfast Int Airport	-6%	-2%	-5%	+21%
Belfast City Airport	-8%	-15%	-17%	+11%
<b>All ROI Airports</b>	<b>-1%</b>	<b>-5%</b>	<b>-4%</b>	<b>+35%</b>
<b>All NI Airports</b>	<b>-6%</b>	<b>-7%</b>	<b>-10%</b>	<b>+18%</b>
All UK Airports	+4%	+1%	-1%	+31%

All Germany Airports	+7%	+7%	0%	+30%
All Norway Airports	+8%	+5%	+8%	+44%
All Sweden Airports	+15%	+9%	+7%	+53%
<b>ROI sea passengers</b>	+3%	+8%	-12%	-17%
<b>NI sea passengers</b>	0%	+12%	-7%	-13%

Source: DAA, IAA\*, Fáilte Ireland, NITB, Annearo, Ferrystat

- Early indications for arrivals in May 2011 are for a continuation in the upward trend.
- Aer Lingus passenger numbers for April 2011 increased by +19% versus April 2010, and are down by -5% YTD. The April figures are impacted by two events – The closure of airspace due to the volcanic ash cloud in 2010 and the timing of Easter.
- A major low cost carrier reported a significant increase in inbound passengers for April, with increases from all major markets.
- Sea passenger arrivals were significantly down for April, reflecting the inflated growth during April 2010 due to the Ash crisis.

### 3.5 Accommodation

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

	Mar 11	April 11	May 11
Island of Ireland	+5.2%	+14.6%	+16.2%
ROI	+5.5%	+15.7%	+18.4%
NI	+2.6%	+5.7%	-1.7%
Scotland	+2.3%	+8.5%	+1.6%
England	+3.9%	+10.6%	+4.3%
Sweden	+7.8%	+13.1%	+10.0%
Greece	-4.9%	+4.6%	+7.6%

Source: STR Hotel monthly 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.

- There was a substantial increase in hotel bookings in May 2011 relative to the previous month in the Republic of Ireland, however this was not reflected in figures for Northern Ireland.

- Fáilte Ireland released their tri annual Tourism Barometer for January to May 2011, which is a survey of business sentiment amongst the various accommodation sectors. On the basis of their performance during the first five months of this year, four in ten operators are reporting that their business is up with a further three in ten holding level. Two years ago, eight in ten businesses were reporting that activity levels were down for the same period.

## 3.6 Island of Ireland Industry feedback

Forecast	What they said....
<p>Sunny</p> 	<p><b>Accommodation Providers</b></p> <p>Hotel bookings continue to be strong in the South of Ireland, and brightening slightly in Northern Ireland particularly at the lower price hotels and B&amp;B accommodation. There has been little upward movement in rates, and despite the benefit of improved value for money perceptions there is strong downward pressure on margins. Accommodation providers in Northern Ireland are reporting a slow April, and very little overseas activity.</p> <p>Sentiment in the Bed and Breakfast sector is positive, with a very strong April and good weekend bookings. Forward bookings for June onwards are strong particularly from the European markets, with the US more difficult to assess due to the voucher system of payment. There has not been a similarly strong improvement in visitors from GB, particularly in the key North-western region which has also been impacted by a decline in visitors from Northern Ireland.</p>
<p>Brightening up</p> 	<p><b>Airlines, Ferries, Cruises and Car Hire</b></p> <p>Airport arrivals and airline bookings both increased significantly in April, and May is also expected to be very strong. Some of the increase in bookings will be as a result of comparison with the similar period last year and also that Easter fell in April this year.</p> <p>There has been a decline in ferry passenger arrivals, but this is mainly an adjustment due to the Ash Crisis which artificially boosted 2010. The mainland European routes are performing well, with GB performing less strongly.</p> <p>Car hire companies continue to report growth, especially with visitors from the US and signs of recovery from GB.</p>
<p>Sunny</p> 	<p><b>Attractions</b></p> <p>Most major attractions reported a strong April with visitors from most destinations, and were feeling confident about May. Visitors from the US and Europe grew strongly, but less so from GB. There was an increase in queries to attractions visited by the queen from GB and the Us, and Dublin attractions mentioned a slight increase in GB visitors indicating possible green shoots for the Summer.</p> <p>Attractions in the West of Ireland were generally positive; as were outdoor attractions in the North of Ireland but generally they do not attract significant overseas visitors.</p>

## Brightening up

**Business and Specialist operators**

Irish inbound tour operators reported a very strong first quarter and are optimistic regarding leisure tourism from the US in particular, and also Europe. They are not seeing any strong signs of recovery from GB. Tour and golf operators in the North were less positive.

On the business travel side operators, while 2011 is still relatively quiet, this is a sector with a long lead time and they are seeing an increase in enquiries and bookings and are optimistic about growth in this sector for 2012, with improved perceptions about Value for money being a key driver with US companies.

Source: Based on feedback from industry sources.

### 3.6 Tourism Ireland Market Feedback

- **Great Britain:** The market continues to be fragile in the midst of difficult economic conditions and low consumer confidence. Whilst there are signs of optimism, including a vast amount of positive media coverage on the State Visit of the Queen to Ireland, there remain mixed messages from carriers for forward bookings to the island of Ireland.
- **North America:** In the US positive sentiment from key partners continues despite concerns about fluctuating dollar and high peak-season transatlantic airfares. A recent review of competitive transatlantic airfares showed Dublin was less expensive than London and Paris for chosen dates in July and August. Ireland has also been voted the holiday destination with the highest satisfaction rate among US travellers by US travel magazine Travel Age West. Canadian carriers report that bookings to Ireland are up and maintain a positive outlook for 2011.
- **Mainland Europe:** The air of optimism continues from European markets, with carriers and tour operators reporting positive forward booking trends to the island of Ireland for the summer season. In relation to Germany, airlines and partners are very buoyant with double digit growth being reported. Operators also report positive French business leading into the summer. A late booking trend is continuing in some European markets.
- **Australia & Developing Markets:** The travel industry and specifically operators selling Ireland report good results to Ireland YTD as the strong Australian dollar continues to encourage travellers to head overseas. The NZ market is still suffering from the Christchurch earthquake and it may be 2012 before a rebound is seen. Indian visa applications to Ireland were broadly the same compared to the first four months of 2010, whilst Chinese visas to Ireland showed a +32% YOY increase for the same period.

## 4.1 Impact of the Royal and Presidential Visits

The recent high profile visits by Queen Elizabeth II and President Obama provided a unique and valuable platform to profile Ireland as a welcoming destination, being particularly welcome following extended coverage of Ireland's economic travails in the global media. The visits generate enormous global exposure which money simply can't buy, including to audiences in our key source markets of GB and the US.

Minister for Transport, Tourism & Sport Leo Varadkar reported that at least **€298 million worth of publicity for Ireland** was generated following both the Royal and Presidential visits, with some **37,795 separate print and broadcast pieces generated**, creating enormous exposure for Ireland as a tourism destination.

Separately, Hotels.com reported a **surge in searches for Irish destinations** which were beamed around the world in the past month, both at home and abroad and from the US and UK. According to the latest figures, searches by US tourists for Cork which Queen Elizabeth II visited last week are up 104% compared with this time last year while searches from the UK are up 191%.