



The Skelligs, Co Kerry

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

1. Overview and Summary

The global economic landscape of recent months certainly presented a challenging environment for travel and tourism.

Visitor numbers to the Republic of Ireland for the period February-April 2012 remain unchanged compared to the same period in 2011. However, industry and trade partners are cautiously positive about the forthcoming months, with reports of enquiries and advance bookings being ahead of this time last year. Operators in city and urban areas across the island are generally more positive about the summer peak.

Northern Ireland has experienced a slow start with direct visitors estimated to have decreased by -13% for the first four months of the year versus the same period in 2011. More encouragingly, holiday visits grew by +2% for the period. Sentiment amongst the industry in Northern Ireland remains positive based on the extensive global coverage of the opening of the Titanic Visitor Experience in Belfast together with the buzz generated by ni2012. However there are continuing concerns about yields generally in Northern Ireland.

The recent drop in value of the euro against both sterling and the US dollar means that – combined with the better value now available on the ground – the cost of a holiday in many parts of the island is more attractive for GB and US visitors than it has been for some time.

Late booking patterns are prevalent across many of our source markets, demonstrating that there is still a vast amount of business to play for this summer and for the remainder of the year.

2. Global Outlook

The UNWTO have released preliminary data for the first two months of 2012. The key results are outlined below.

| <i>Updated UNWTO Global performance</i> | |
|--|--------------|
| 2012 Jan - Feb International arrivals | |
| World | +5.7% |
| Africa | +7.4% |
| Asia Pac | +7.3% |
| Americas | +6.1% |
| Middle East | -1.4% |
| Europe | +5.4% |
| Western Europe | +5.9% |
| Northern Europe | +6.0% |
| Central & Eastern Europe | +8.4% |
| South East Med | +2.2% |

Despite concerns about the global economy and signs of a slowdown at the end of 2011, most regions have experienced visitor growth in the early part of 2012.

Northern Europe, (which the island of Ireland is part of) grew by +6%, just ahead of Europe as a whole (+5.4%).

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

According to the OECD, the global economy is once again edging towards growth, helped by a modest pick-up in trade and an improvement in confidence. It is doing so, however, at different speeds. The United States is recovering at a stronger pace than the Eurozone and large emerging economies are enjoying a moderate cyclical upswing. Different dynamics are also developing in labour markets. In the United States, unemployment is slowly decreasing, whilst in the Eurozone, it is generally continuing to rise.

The crisis in the Eurozone remains the most important source of risk to the global economy. Confidence remains weak and financial markets are again volatile. Recent events have further increased downside risks. Elections in a number of European countries have signalled that reform fatigue is increasing and tolerance for fiscal adjustment may be reaching a limit.

Despite economic constraints demand currently remains strong for travel in both advanced and emerging economy destinations. International tourist arrivals worldwide grew by +5.7% in the first two months of 2012, which is encouraging given the generally more modest full year forecasts from leading commentators.

3.2 Other Economic Indicators

| | |
|---|--|
| <p>Great Britain: Preliminary estimates for GDP for Q1 report contraction, the second successive quarter of decline. The extra bank holiday for the Queen's Diamond Jubilee in Q2 and the hosting of the Olympic Games in Q3, are likely to mean that headline growth rates remain bumpy. However, the consumer outlook is beginning to brighten, with the labour market showing signs of stabilisation and the renewed declines in oil prices should see a drop in inflation.</p> | <p>2012 GDP Forecast: + 0.3 % (down from +0.6%)</p> <p>CPI*: + 3.5% (up from +3.4%)</p> <p>Unemployment: 8.1% (no change)</p> <p>Exchange rate(€/£): €1: £0.80</p> |
| <p>USA Construction spending continues to rise and the decline in oil prices will contribute to economic growth. GDP growth is anticipated in Q2 and expected to strengthen moderately during the second half of 2012. However, a number of weaker than expected indicators remain a concern for the US economy. There was only a small rise in payrolls in April while consumer spending only posted a minute (+ 0.1%) increase.</p> | <p>2012 GDP Forecast: +2.4% (no change)</p> <p>CPI**:+0.3% (down from +0.4%)</p> <p>Unemployment: 8.1% (down from 8.2%)</p> <p>Exchange rate (€/£): €1: \$1.24</p> |
| <p>France France has avoided falling back in recession for now. Private consumption rose slightly (by +0.2%) and so did export volumes. However, investment fell noticeably, down -0.8% on the quarter. Any significant change in domestic economic and fiscal policy following the election of President Hollande is unlikely until after the June parliamentary elections</p> | <p>2012 GDP Forecast: 0.3% (up from 0.1%)</p> <p>CPI*: +2.1% (down from +2.3%)</p> <p>Unemployment: 10.0% (no change)</p> |
| <p>Germany The German economy grew larger than expected in Q1 as exports and consumption increased. Wages continue to grow which has boosted consumer spending and investment. The main risk facing the economy is an intensification of the Eurozone crisis, which would hit Germany directly by snuffing out the pick-up in business and consumer confidence.</p> | <p>2012 GDP Forecast: +1.1% (up from 0.5%)</p> <p>CPI*: +2.1% (no change)</p> <p>Unemployment: 6.8% (up from 6.7%)</p> |

Source: Oxford Economics Bulletins; World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 30/05/2012; 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 May 2012.

3.3 Travel Trends in Key Markets

Great Britain: The total number of visits taken abroad by UK residents during Q1 2012 was flat compared to the same period in 2011, with overseas departures marginally up (+1%) in the month of March. UK visits to Europe for the first quarter of 2012 decreased by -2% year on year (YOY). The *Nationwide Consumer Index*, which is an important index of consumer sentiment, fell in April. This reflects the continuing caution of British consumers and may impact travel plans over the coming months.

North America: Transatlantic traffic rose marginally in April, with leading carriers reporting a +1% increase YOY. However, travel by Americans to Europe rose by +7% in March, based on data from the U.S. Dept. of Commerce. Improvements in US consumer confidence and the value of the dollar against the euro are likely to have to a positive effect on outbound travel. Canadians made +7% more outbound trips during the first two months of the year, according to the Conference Board of Canada (CBOC). Nonetheless, consumer confidence is weaker than this time last year and consumers are increasingly booking their travel closer to the date of departure.

Mainland Europe: Germany continues to perform strongly with travel agencies reporting that leisure travel sales were up +10% in April. Passenger numbers at German airports increased by +3% in Q1 2012 YOY. Amidst the economic uncertainty, holidaying at home and last minute bookings remain prevalent in the French market. Italian operators and agents report that bookings are slow and 2012 is not expected to be a strong year for travel. It is estimated that the outbound Dutch travel market will contract this summer as austerity measures are pushed through in the Netherlands. Outbound travel from Spain fell in March YOY with travel agents reporting a decline of -10%. However, the principal airports in the Nordics recorded an increase in passengers YTD to April.

Australia & Developing Markets: Latest official data reveals that Australians are continuing to holiday overseas with departures in March up +1% compared to the previous month. Travel from New Zealand to UK/Europe was up +29% for the first quarter of 2012, however, recorded a -4% drop in April. According to the Chinese travel trade, sales for European destinations were poor in May. In India, it is estimated that the market to Europe is growing at a steady 5-7% per annum.

4. Market Intelligence

4.1 Visitors

2012 Preliminary Visitors Estimates

| Visitor Origins | ROI Total | | NI Direct* | |
|-----------------|--------------------------|-----------|--------------------------|-------------|
| | 2012 Feb-Apr Preliminary | | 2012 Jan-Apr Preliminary | |
| | '000s | %YOY | '000s | %YOY |
| Total | 1,401 | 0% | 264 | -13% |
| Great Britain | 653 | 0% | 221 | -15% |
| Mainland Europe | 498 | 0% | 21 | -12% |
| North America | 178 | -7% | 11 | +10% |
| Other areas | 72 | +15% | 11 | +14% |

Source: CSO, NISRA Northern Ireland Passenger Survey, Fáilte Ireland.

* Please note the confidence intervals surrounding the NI direct results, which suggest that they should be treated with extreme caution. Confidence intervals for visitor estimates by residence January-April 2012 are: GB +/- 12%, ME +/- 22%, NA +/- 22%, OA +/- 27%.

Latest figures released indicate a muted start to 2012. Visitors to the Republic of Ireland remain unchanged for February to April 2012 when compared to the same period in 2011. The total number of visitors for the first four months of the year is estimated to be flat, as are visitors from GB.

Northern Ireland has experienced a slow start with direct visitors estimated to have decreased by -13% for the first four months of the year versus the same period in 2011. The drop in visitors was experienced mainly in the VFR (-14%) and Business (-17%) sectors. Holiday visits grew by +2% for the period and saw strong double digit growth in April alone. Sentiment amongst the industry in Northern Ireland is positive for the remainder of the year.

4.2 Access Capacity

| Air Access | Summer 2012 | | | |
|-----------------|--------------|------------|---------------|-------------|
| | YOY % Change | ROI | NI | Island |
| Great Britain | | +2% | -2% | +1% |
| Mainland Europe | | +4% | +13% | +5% |
| -France | | +7% | -15% | +6% |
| -Germany | | +7% | 0% | +7% |
| North America | | -5% | -3% | -5% |
| Overall | | +3% | +0.5%* | +3%* |

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

* The planned summer schedule doesn't take into account the 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.

The significant change in air service routes from North America for summer 2012 is the introduction of a new daily service from Washington Dulles to Dublin by United, formerly Continental, which replaces the carrier's second daily service on the Newark-Dublin route. Reduced frequency, change of aircraft type and configuration account for the reduced capacity on offer from North America.

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.

4.3 Total Passenger Numbers

| | Feb 12 | Mar 12 | Apr 12 |
|----------------------------|--------|--------|--------|
| Dublin Airport | -2% | 0% | +1% |
| Shannon Airport | -26% | -14% | -15% |
| Cork Airport | +4% | -2% | -1% |
| Ireland West Airport Knock | 0% | +3% | N/A |
| Belfast Int Airport | +8% | +10% | +10% |
| Belfast City Airport | -8% | -7% | -5% |
| City of Derry Airport | +7% | +3% | +13% |
| All ROI Airports | -2% | 0% | +1% |
| All NI Airports | +2% | +3% | +4% |
| All UK Airports | +2% | +4% | 0% |
| All Germany Airports | +2% | +3% | +2% |
| All Norway Airports | +9% | +7% | +3% |
| All Sweden Airports | +8% | +5% | +4% |
| ROI sea passengers | +2% | +6% | -8% |
| NI sea passengers | -8% | +9% | -6% |

Source: Annaero, Fáilte Ireland, Ferrystat, DAA

More than 5.3 million passengers travelled through Dublin Airport during the first four months of this year, a decline of -1% on the same period in 2011. 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 May, including those on its regional operations, rose by +2.4% compared to the same month in 2011. This has contributed to a total passenger increase of +5.6% for the first five months of this year when compared to the same period in 2011.

4.4 Accommodation

Hotel accommodation data (Hotel rooms sold)

| | Feb 12 | Mar 12 | Apr 12 |
|-------------------|--------|--------|--------|
| Island of Ireland | -1% | +4% | +7% |
| ROI | -1% | +3% | +6% |
| NI | +3% | +7% | +18% |
| Scotland | -2% | +3% | +4% |
| England | 0% | +2% | +8% |
| Italy | -7% | +5% | -6% |

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 (+7%) in room sales in April. However, 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 +10% YOY for the period January to April, according to the Northern Ireland Statistics and Research Agency (NISRA). It is not possible to break out overseas from domestic bookings in Northern Ireland.

Accommodation search engine *Hotels.com* has revealed that recent events commemorating the Titanic centenary saw interest in local hotels grow significantly. Searches for hotels in Belfast increased +312% during April, while accommodation venues in Cobh in Co. Cork experienced a hike in interest of +449%. Both Belfast and Cork are believed to have been the focus of tourists' attention recently because of their direct links with the ill-fated vessel and the many events that marked the milestone anniversary.

4.5 Island of Ireland Industry feedback

| Forecast | What they said.... |
|---|---|
| <p>Brightening up</p>  | <p>Accommodation Providers</p> <p>Hotel providers in ROI indicate that overseas business YTD is generally on a par with last year. However, the majority expect international business to be up on last year for the remainder of the year. The bulk of B&Bs in ROI report that overseas business is down YTD. The majority in the guesthouse and the self catering sectors expect the remainder of this year to be the same or up on last year as regards overseas visitors.</p> <p>NI hoteliers acknowledge that the first quarter was very tough but things seem to have improved. Belfast has experienced good levels of business over the last number of weeks. The weekends are strong; however they are concerns about poor weekday trade. Londonderry hotels have had a challenging YTD. Nevertheless, May and June appear good with a slight improvement in rate. Tours and international business have started to kick off and most NI hoteliers are reporting a stronger second quarter. However, some have expressed concerns at the fall of the euro which may have the dual effect of reducing the appeal of NI to the euro market and on the flip side make the Eurozone more appealing to the domestic traveller. Business Tourism is of real concern across Northern Ireland with a poor performance YTD.</p> |
| <p>Brightening up</p>  | <p>Airlines, Ferries and Car Hire</p> <p>Many air carriers are reporting that forward bookings are good for the summer and are generally positive about the outlook. Airports in ROI report that business for the first couple of weeks of May was in line with expectations. Sea carriers continue to report mixed outlooks, acknowledging late booking patterns. Car rental companies report that business is generally flat and concede that it's very difficult to forecast with any degree of certainty, given that a significant amount of business is received in the month of travel.</p> |
| <p>Bright</p>  | <p>Attractions</p> <p>A principal Dublin attraction has experienced growth YTD. This growth has come primarily from European visitors. Visitor numbers are also up YTD at a major West of Ireland attraction, again driven by European markets, with advance bookings looking good from North America. Titanic Belfast is performing well since opening and advance bookings are good. The majority of attractions report that business YTD is generally on a par with last year, however expect 2012 to finish ahead of 2011 levels.</p> |
| <p>Brightening up</p>  | <p>Inbound Operators and Business</p> <p>Inbound operators report a reasonable start to 2012, with an increase in confirmed bookings and enquiries generally. As the golfing season gets into swing, golf operators report that business YTD is generally slightly behind or on a par with last year. On the business travel side, a leader in the conference & events sector, reports that enquiries are quite good for 2013 and 2014.</p> |

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

4.6 Tourism Ireland Market Feedback

Great Britain: Despite the challenging economic and travel environment, the sentiment from Britain is one of cautious optimism. Many GB operators are reporting positive figures for the year so far and are largely upbeat for the remainder of 2012. However the vast majority of trips to Ireland from Britain are booked direct rather than through operators.

North America: In the US, advance carrier bookings are strong for the summer with load factors improving week on week. The biggest constraint remains the lack of availability in peak season air capacity, resulting in higher airfares, which in turn is creating some 'sticker shock' among consumers. Peak season fares are approximately 20-25% higher than last year, but it should be noted that Ireland remains competitive with other European destinations (London/Paris/Rome). In Canada, partners featuring Ireland report that sales are on a par with last year.

Mainland Europe: European markets are continuing to show resilience in terms of travel to the island of Ireland, despite economic pressures, with travel to Ireland unchanged when compared to the same period last year. This concurs with the feedback received from island of Ireland industry and market operators who are feeling positive about the outlook for the remainder of 2012. Major carriers are also reporting strong forward bookings. However, there is increasing nervousness around the fate of the euro, and this could dampen last minute bookings from the Eurozone markets. Many key operators and airlines in Germany are reporting up to double-digit growth vs. 2011. The sentiment from France remains optimistic for travel to the island of Ireland, with trade there confident about Q2. Given the challenging economic conditions in Southern Europe, the outlook from Italy and Spain is cloudy.

Australia & Developing Markets: Based on feedback from the Australian trade the outlook is positive for travel to the island of Ireland. Q1 has performed extremely well for 'one-stop carriers' to Ireland. A leading operator has indicated that the season ahead looks promising. Travel agents in India have indicated that enquiries for Ireland have increased in comparison to last year. In China, sales for GB & Ireland are positive for June. However, July/August looks weaker, partly due to increased airfares at that time, possibly associated with London's hosting of the Olympics.

5. Conclusion

The global economic turmoil of recent months certainly presents a challenging environment for travel and tourism. Our extensive marketing campaign is in full swing across the globe and we are working closely with our industry and trade partners to deliver growth in 2012.

Upcoming high profile events – ni2012, the Volvo Ocean Race and the Notre Dame vs Navy football game at the Aviva Stadium – promise to deliver many thousands of overseas visitors over the coming months.