



SOAR
(Situation & Outlook Analysis & Report)

Quarter 1 2011

1. Overview and Summary

The only certainty for the industry is that 2011 will be another tough year, however overall there is a sense of cautious optimism for the coming season.

The industry response in general, is that they will have to work hard to make gains in 2011. Delayed booking is a clear trend, reflecting uncertain consumer confidence and a greater cost consciousness.

In the absence of official Island of Ireland visitor data for quarter 1, Tourism Ireland has analysed arrivals data, overseas market office intelligence and industry feedback to provide this analysis of our current visitor situation and outlook for 2011.

Europe offers a steady growth opportunity, with Germany in particular showing strong consumer confidence. US outbound traffic is forecast to grow globally, and Tourism Ireland's North American office and some industry also report strong bookings for 2011. Although Great Britain outbound traffic is picking up and is forecast to grow in 2011, this does not yet appear to be reflected anecdotally in island of Ireland growth in visitors, or forward bookings.

2. Global Outlook

- International world tourism arrivals are back to 2008 pre-crisis levels. World arrivals grew by +6.7% in 2010. This growth was driven by all regions (especially developing regions) across the world - Asia Pacific (+12.6%), Americas (+7.1%), Africa (+6.4%), Middle East (+14.2%). Europe, while growing, performed behind the average with growth of just +3.4% in 2010.
- The European growth has also varied by region with Northern Europe (of which ROI is a core constituent, along with the UK) recording a decrease of -0.1%. Northern Europe is the only sub region of both the world and of Europe to record a decrease for this period. The island of Ireland's negative performance contributed significantly to this decrease.
- Growth in travel and tourism slowed globally significantly in December 2010 due to early winter storms and airport closures in Europe. Growth was already beginning to slow in late 2010 for many destinations even before this, a trend in line with the turn in the broader cyclical recovery after an initial rebound from recession.

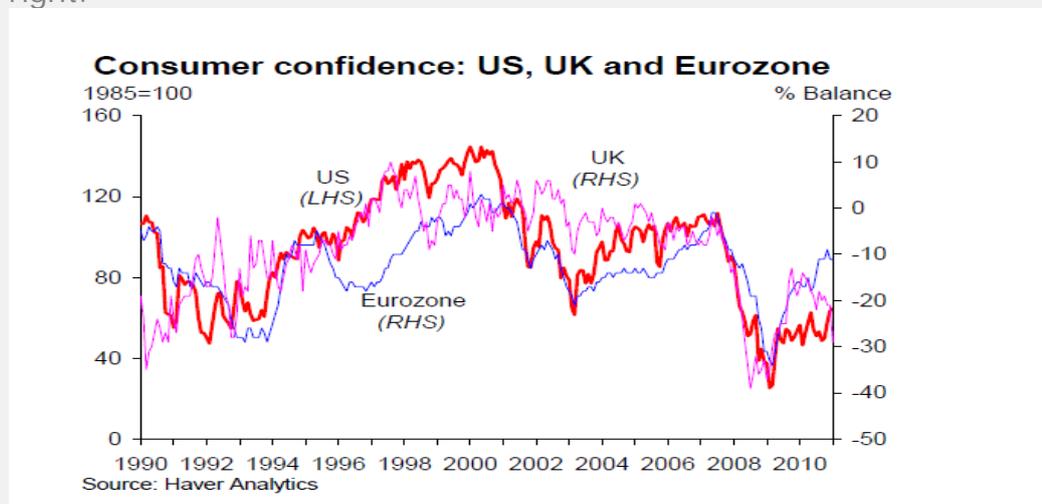
2.1 External Travel Trends

- According to the most recent World Tourism and Travel Council report, tourists are continuing to try to cut costs:
 - More short haul travel, including domestic;
 - Greater share of day trips and non-hotel stays;
 - Shorter trip duration (fewer nights);
 - Downward pressure on room rates.
- The key changes in travel and booking behaviour identified by the World travel monitor were an increase in off season trips and an increase in internet bookings, the role of smart phones in booking holidays is also increasing.
- In terms of holiday types, Europeans went city-hopping last year, with the number of city breaks up strongly by +13%. The number of tours also grew, by +6%, and there was a slight +1% rise for beach holidays. Holidays in the countryside declined by -12%, however which is a trend that may be relevant to the recent visitor declines to the island of Ireland.

2.2 Key Markets Economic and Travel Outlook

2.2.1 Consumer Confidence

- International tourism demand grew throughout 2010, as both emerging and developed markets rebounded from recession but consumer confidence remains relatively low in our key markets as the graph below shows. The US figures are shown on the index on the right.



2.2.2 Other Economic Indicators

Great Britain <i>Growth continues, but unemployment and inflation continue to rise and consumer confidence is still falling.</i>	2011 GDP Forecast: + 1.8% CPI: + 4.0% Feb 2011 Unemployment: 8.0% 2011 Exchange rate (£/€): €1: £0.82
USA <i>Strong growth and strong consumer confidence and spending, as unemployment falls.</i>	2011 GDP Forecast: + 3.2% *CPI: + 0.4% Feb 2011 Unemployment: 9.0% 2011 Exchange rate (\$/€): €1: \$1.20
France <i>Moderate growth, but unemployment is not falling which affects consumer spending.</i>	2011 GDP Forecast: + 1.6% CPI: + 1.3% Feb 2011 Unemployment: 9.6%
Germany <i>Good growth and improving consumer confidence expected in 2011.</i>	2011 GDP Forecast: + 2.3% CPI: +2.0% Feb 2011 Unemployment: 6.5%

Source: Oxford Economics Bulletins, Most recent available data, *Monthly CPI changes.

2.2.3 Travel Trends in key markets

- GB** - The UK Office of National Statistics (ONS) have released the January outbound figures for travel from the UK. After suffering decreases in 2010 (-7% to Europe), January 2011 has set a positive start to the year at + 2% in outbound travel numbers.
- US** -Growth in overall trans-Atlantic traffic resumed in January, with the average increase reported by the leading carriers at around 4%.
- Europe**- According to the recent IPK Global Trends and Travel Report for 2010, Europeans went travelling again in greater numbers last year than in 2009, the number of outbound trips went up by 2% to 402 million following a 6% decline in 2009.

- The same report showed that **German travellers** are taking more domestic trips, with a 3% increase in domestic trips in 2010 compared to a 1% increase in overseas holidays. They are also staying closer to home, with Austria, now outstripping Italy and Spain as the most popular destinations.
- According to nVision research (Aug 2010), **French consumers** were significantly less likely to take holidays than the European average, not only abroad but also domestically. The French are more likely to holiday domestically than any other Western European country, 65% of French holidaymakers said that their main holiday in 2009 was domestic, against, for example, 23% of British holidaymakers.

3. Market Intelligence

3.1 Visitors

2010 Overseas Visitor Estimates

Destination	2010	GB	North America	Mainland Europe	Other Areas
Republic of Ireland	-14%	-17%	-5%	-15%	+2.1%
Northern Ireland	-6%*	-9%*	-7%*	+8%*	-1%*
Island of Ireland	-13%*	-15%*	-6%*	-15%*	+1%*

Source: Tourism Economics ViPeR model, *Based on Jan -September actual data for NI.

- Overall in terms of annual outturn the island of Ireland (-12.9%) is still forecast to perform significantly behind the World (+6.7%) and European (+3.4%) arrivals, as was the trend for the first 8 month of 2010. On a positive note ROI is starting to see a slowdown in our year to date decline after a relatively less negative Q3 2010 (-8%) and Q4 (-2%) in 2010.
- Estimated Promotable visitors to the IOI fell by -17.1%, and revenue for 2010 is estimated to have fallen -10.3%, finalised figures will be available in July.
- Visitors from other areas to the ROI increased in 2010, but the figures from other market areas all showed declines. Total estimated Promotable visitors fell by -17.8% and estimated revenue per visitor declined by -10.8% in 2010.
- Visitors from Mainland Europe to NI increased by 8% during 2010, though this is still an estimate figure. Estimated Promotable visitors increased by +5.3% and revenue from visitors fell by -5.7%.

- The new Northern Ireland passenger data will be available from mid April, and there will be a discontinuation with previous data for NI and also for Island of Ireland data. The new data will give a more accurate estimation of direct visits to Northern Ireland.

Visitor Estimates for other Benchmark European destinations 2010			
UK	-1%	Austria	+3%
Germany	+11%	Czech Rep	+5%
Netherlands	+11%	Iceland	-1.1%
Belgium **	+6%	France	+2.8%

Source: *TOURIMIS/UNWTO, **Belgium and France based on 10 month data.

- Growth in inbound tourism across all regions, except Europe, slowed in the 4th quarter. Europe actually improved its expected outturn in Q4 and strong performances to the UK and Germany for October and November helped to fuel this growth. December proved a more abnormal month as European arrivals slowed considerably due to the extreme weather conditions.
- While access cuts, bad weather and the ash cloud can account for some of this fall off, Ireland did not appear to benefit from the tourist recovery in 2010 and continued to experience a steep decline.

3.2 Air Access Capacity

YoY % Change	Winter 10/11 Actual			Summer 2011 Planned		
	ROI	NI	Island	ROI	NI	Island
Great Britain	-8%	-14%	-10%	-2%	-9%	-5%
Mainland Europe	-15%	-19%	-15%	+2%	0%	+2%
-France	-26%	+5%	-24%	-9%	-8%	-9%
-Germany	-7%	-100%	-10%	+3%	0%	+3%
North America	-1%	0%	-1%	+8%	0%	+7.5%
Overall	-11%	-14%	-11.5%	+1%	-7%	-1%

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

- The new Minister for Transport and Tourism has stated that he would expect improvements in access to ROI in return for any reductions in airport charges, indicating a clear focus on improving access.
- A number of new routes have also been announced for NI, including new UK routes. There is also a Belfast /Malta service and another airline has announced a service to Tenerife; both are mainly outbound tourist routes. However the withdrawal of a leading low cost carrier from some routes has left NI down overall versus summer 2010.

3.3 Passenger Numbers

	Jan 11	Feb 11
Dublin Airport	+1%	-3%
Shannon Airport	-37%	-30%
Cork Airport	-11%	-22%
Belfast Int Airport	-6%	-2%
Belfast City Airport	-8%	-15%
All ROI Airports	-1%	-4.8%
All NI Airports	-6%	-7%
All UK Airports	+4%	0%
All Germany Airports	+7%	+7%
All Norway Airports	+8%	+5%
All Sweden Airports	+15%	+9%
ROI sea passengers	+3%	+8%
NI sea passengers	0%	+11%

Source: DAA, IAA*, Fáilte Ireland, NITB,, Anneo.

- January passenger data (both ways) from Fáilte Ireland, shows a slight decline of (-0.8%) in 2011 relative to 2010, and the main trends of note were:
 - Passenger numbers on cross channel routes increased by 2% in January.
 - Passengers by cross channel air were +2% and cross channel sea numbers + 3%.
 - Continental air passenger numbers were down -3% in January.
 - Passenger traffic on transatlantic routes declined by -10%.
 - Passenger numbers on other long haul routes increased by +10% on January 2010.
 - Cars on cross channel routes grew by + 5% in January.
- Based on Airport arrival data, February passenger figures to ROI are down by -4.8% compared to 2010. The decline overall is driven mainly by declines in regional airports with Dublin Airport showing only a slight decline of -3% in passengers.

3.4 Accommodation

Hotel accommodation data- (Hotel rooms sold)

	Jan 11	Feb 11
Island of Ireland	+5.7%	+9.4%
ROI	+6.1%	+11.3%
NI	+2.6%	-1.8%
Scotland	+7.2%	+5.2%
England	+1.4%	+1.6%
Sweden	+13.1%	+3.7%
Greece	+12.4%	+7.9%

Source: STR Hotel monthly reports

- Hotel occupancy remaining stable across Europe, with domestic travel bolstering demand. The WTTC highlight that this impact is particularly apparent for Ireland and the UK
 - Ireland- hotel occupancy rose by 6% but Foreign arrivals fell by around 20%
 - UK- hotel occupancy was up by 4%, but foreign arrivals fell by 1%.
- Hotel Bookings for 2011 continue to improve on 2010, with February showing strong bookings for ROI but with a slight decline in NI relative to the same period.

3.5 Island of Ireland Industry feedback

Forecast	What they said....
<p>Brightening up</p> 	<p>Accommodation Providers</p> <p>Hotels and B&Bs in ROI are reporting a slightly more optimistic start to 2011, and good occupancy. Hoteliers still find the trading environment very difficult.</p> <p>Northern Ireland is experiencing a more difficult start to the year, and is relying very much on domestic bookings. Uncertain was the word used to describe the outlook for 2011</p> <p>Bookings for self catering are also off to a very slow start, with a much slower online level of activity. Domestic demand is also slow, prompting an even stronger dependence on growth in overseas bookings.</p>
<p>Remains cloudy</p> 	<p>Airlines and Car Hire</p> <p>Airport arrivals for February were down on previous years, especially outside Dublin in the ROI. DAA are forecasting an improvement in figures for quarter 2 in 2011, as new capacity comes on line. Figures are down for Belfast city airport, and not looking strong for March but hoping to announce capacity increases soon.</p> <p>Major Airlines are anticipating a tough year in 2011, with weak domestic growth in ROI and an NI airline mentioned a relatively stable February, with bookings on track for the rest of the year.</p> <p>Car hire and bookings for February is similar to last year, and there is growth from GB and strong anticipated growth from the US in April/May. A large element of growth is being driven by business travel.</p>
<p>Sunny</p> 	<p>Ferries</p> <p>There were strong increases in passenger arrivals via Ferry from both cross channel and continental Europe.</p> <p>Cross channel ferries are reporting a strong February on their routes, and bookings for May, June and July are similar to last year.</p>
<p>Brightening up</p> 	<p>Attractions</p> <p>Attractions in the West of Ireland are reporting an increase in visitor numbers relative to 2010, driven largely by coach tours and American visitors but very few visitors from GB. Overall they expect some increases relative to 2010, but still expect a tough season.</p> <p>Attractions in Dublin are experiencing slight declines on February 2010, with the decline mainly from GB and US. Overall however they are anticipating a slight increase in 2011 based on growth from the US and continental Europe, rather than GB. The number of visitors to Dublin tourism information is down by 10% relative to 2010.</p> <p>A major Belfast attraction reported that February was slightly up, and their visitors were drawn mainly from GB, ROI, Europe and Canada. Other NI attraction thought visitors are level with last year, but are optimistic about the rest of the season.</p>

<p>Brightening up</p> 	<p>Business and Specialist operators</p> <p>After a very difficult 2010 for business travel, with steep declines in incentive tourism, 2011 appears to be about working hard to stand still and an increase in interest for 2012. There is a wide spread of business coming from Asia- India, China, Singapore and Korea.</p> <p>Golf tours in the ROI are showing strong forward booking, particularly from the US, less so from GB. The picture in NI is less robust with slow initial bookings.</p> <p>Group tour providers are reporting strong growth and forward bookings, and are relatively optimistic about 2011.</p>
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Source: Based on feedback from 30 industry sources.

3.6 Tourism Ireland Market Feedback

- **Great Britain:** In spite of depressed levels of consumer confidence and a difficult economic climate, feedback from carriers and online tour operators is mainly positive regarding current booking levels to the island of Ireland.
- **North America:** Consumer confidence continues to improve and tour operators are reporting positive levels of advance bookings which is encouraging. Carriers report a tough first quarter with pressure on numbers and yield but good forward bookings for Q2 and beyond.
- **Mainland Europe:** Feedback from industry and trade partners has been uniformly moderately positive, with improved forward bookings versus 2010, and an optimistic view from most quarters on the summer season. The response from consumers has also been positive, with a more concrete level of planning and booking for Ireland than last year. The access situation continues to be a source of concern; there are **-16%** fewer seats in Q1 than 2010.
- **Australia & Developing Markets:** Australia and New Zealand report positive economic growth and consumer confidence remains very high; however, the recent Queensland flooding will likely impact results from this important region. Most operators and airlines reported very strong bookings in January 2011. Chinese visa applications to Ireland in January were up **+40%** YOY whilst Indian applications for a visa to Ireland showed **+8%** growth for the same period.

3.7 Competitor Analysis

3.7.1 The Travel and Tourism Competitiveness Report 2011

- Ireland has maintained its score in terms of the Travel and Tourism Competitiveness ranking for 2011 relative to 2009, a qualitative assessment of tourism published on a biannual basis.
- The RoI has fallen by three positions from 18 to 21 in 2011 but there was no significant difference between Ireland at 21 and Norway at 20. We had very low rankings on purchasing power parity and ground transport, which are affecting our overall ranking as a destination.
- RoI has stayed at the top end of the competitive scale and is still well ahead of other key European tourism destinations such as Italy, Cyprus, Croatia, Turkey and Greece.
- A more important measure for Tourism Ireland is the effectiveness of marketing and branding to attract tourists, on this measure we are still ranked amongst the top 10 in the world, and one of only three European countries in the top 10, alongside Austria and Switzerland.
- We have fallen two places on this ranking; however the mean score for this category has fallen from 4.8 to 4.4 between 2009 and 2011, indicating a general downward trend in this category and also the increase of countries included in the index to 139 this year.
- Austria may be emerging as a competitor to watch, based on this report and also it's improving performance as a destination for Germans one of our key markets.

4. Other Insights

4.1 US reputational research

- Tourism Ireland commissioned Omnibus research in the US amongst a nationally representative sample to look at the penetration of negative media coverage on Ireland amongst consumers, and possible impacts. The headline findings of the research were:

- 82% of total respondents had not heard any negative media coverage about Ireland
- A significant majority of outbound travellers (77%) felt that the negative media coverage would have no impact on their travel plans.
- Those who had the negative news felt that it would have a positive impact on their travel plans (15%), compared to (12%) who felt it would have a negative impact.
- The reason may be that 65% of those that had heard negative news felt that they were more likely to get better value for money in Ireland, compared to 7% who disagreed

4.2 Improvements in Value for Money perceptions

- The 2010 visitor attitude table initial data was provided by Fáilte Ireland to SD&I. The most notable findings were around improvements in perceptions of value for money, particularly amongst visitors from GB and this has a follow through on improved likelihood to recommend Ireland to friends and relatives.
 - Overall in 2010 56% of visitors were satisfied with that ROI provides good value for money, compared to 49% in 2009, also only 13% of visitors in 2010 were dissatisfied compared to 21% in 2009.
 - Looking specifically at visitors from GB in 2010, 50% were satisfied with value for money compared to 41% in 2009.
 - However 23% of visitors from GB are still dissatisfied which is significantly higher than the overall figure and than visitors from all other countries survey. This is an improvement from 2009 when 32% of GB visitors were dissatisfied – but may still represent a barrier to improved growth from this market.
 - Overall the number of British holidaymakers who said their holiday expectations have been met or exceeded increased from 91% in 2009 to 95% in 2010.