

The challenging conditions facing tourism on the island of Ireland and globally have persisted into the autumn. This is reflected in the continuing decline in visitor numbers and revenue during the summer peak season. The global economy remains quite turbulent, leading us to expect no material change to the outturn for this year. Improvements in consumer confidence are slow and quite patchy, while unemployment continues to rise in most of our source markets. It seems likely that the current uncertainty in the global economy will persist into 2010.

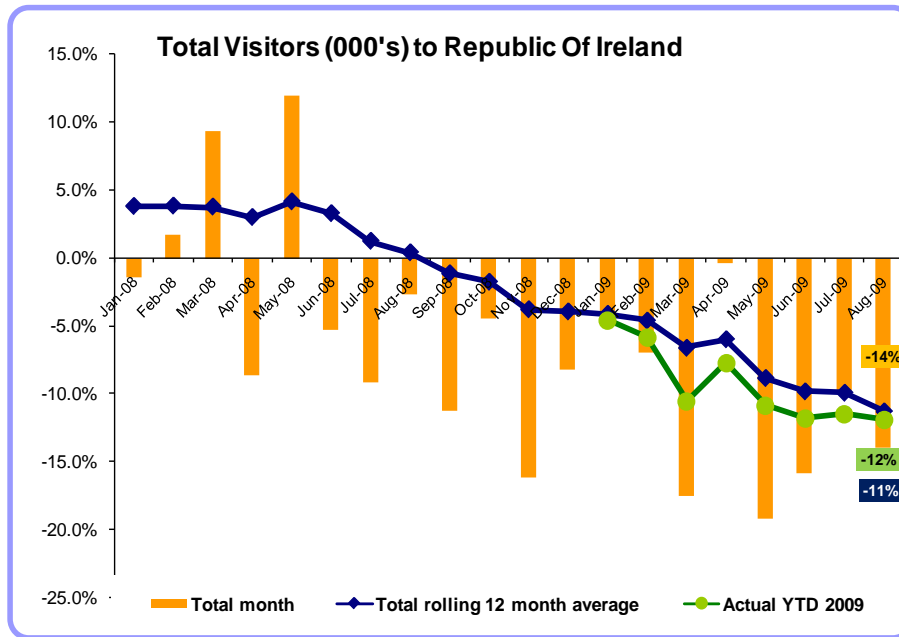
Visitors, revenue, and promotable visitors continued to decline through August, the latest month for which data is available. Based on these disappointing results and the latest information on the performance of the global economy, we continue to believe that the full year outturn will match or exceed our worst case scenario for the full year of 2009, for visitors, revenue and promotable visitors. The details of our forecasts are included in this paper.

## Performance to date

Overall visitors to the island of Ireland declined by -12% during the first eight months of the year: visitors to the Republic of Ireland declined by -11.9% in the year to August according to the Central Statistics Office (CSO), while visitors to Northern Ireland declined by -14%. There have been sharp declines in visitors to the island of Ireland from our four main market areas, with Great Britain declining most steeply (-16%).

<b>Overseas Visitors 2009 v 2008 % Change January to August</b>			
	<b>Northern Ireland</b>	<b>Republic of Ireland</b>	<b>Island of Ireland</b>
Great Britain	-14.7%	-16.8%	-15.8%
North America	-9.0%	-7.7%	-6.2%
Mainland Europe	-13.9%	-6.5%	-7.3%
Other Areas	-17.5%	-12.9%	-12.8%
<b>Total</b>	<b>-14.2%</b>	<b>-11.9%</b>	<b>-12.0%</b>

Using a 12 month moving average to smooth out short-term fluctuations and highlight longer-term trends, the following graph illustrates that the tourism declines witnessed by the Republic of Ireland in the past year have yet to bottom out. While monthly data is not available for Northern Ireland, the same trend seems evident there.



Summer air access capacity to both Northern Ireland and the South declined by -14% and -10% respectively and this has contributed to the continuing poor visitor numbers. The air access situation is expected to worsen during the coming winter so the final months of this year will be equally challenging.

A decline in visitor numbers is also being experienced by most of the world's tourist destinations. According to the United Nations World Tourism Organisation (UNWTO), international tourism declined by -7.4% between January and July this year while travel to Europe declined by -8.4%.

One of the key factors driving Ireland's poorer performance is the fact that, unlike other European destinations, the majority of visitors to the island of Ireland come from Britain and North America, two source markets which have suffered disproportionately from the economic downturn. Outbound travel from both GB and North America has fallen back sharply this year by -16% and -6.5% respectively.

Full results for revenue and holidaymakers are only available for the first half of the year but they are not encouraging. During the first half of 2009, visitor revenue declined by -13% to the Republic of Ireland and by -26% to Northern Ireland, while the number of holidaymakers declined by -20% and -15% respectively.

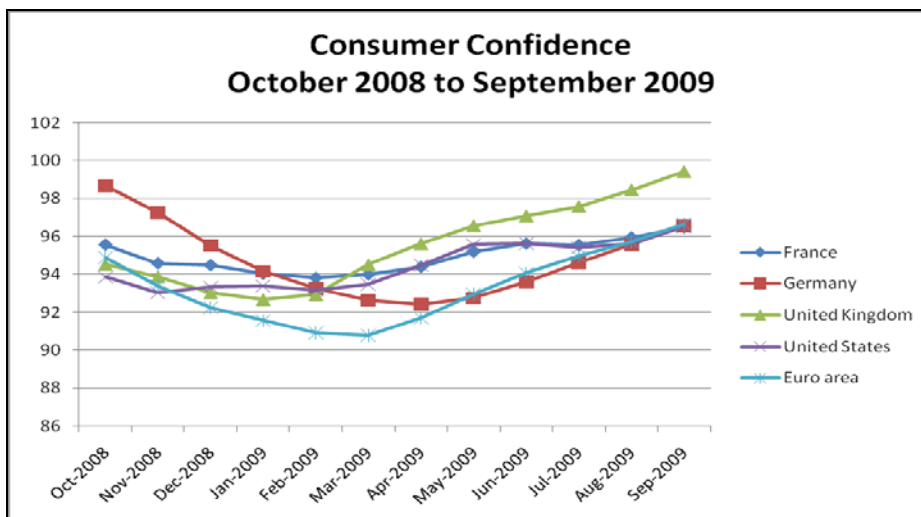
## The global situation

Although much uncertainty persists, there is some evidence indicating that the low point of the current recession may have been reached. Data on international tourism for the month of July show a relative improvement over previous months. Arrivals have declined by -4% as compared to decreases of -10% in May and -7% in June. Where the data is available, it suggests the months of July and August have been, in general, not as depressed as the first six months of the year.

Other global industry indicators seem to corroborate this trend. The International Air Transport Association (IATA) reports that in July passengers' demand for international scheduled flights fell by -3% and in August by -1%, compared with -7% for the two previous months. Furthermore, according to the Official Air Guide (OAG), worldwide airline capacity for September 2009 is showing positive growth for the second consecutive month. In September, the world's airlines have scheduled 270 million seats, a rise of +1.4% over the same month last year.

Similarly, accommodation data from STR Global shows that the decline in occupancy rates has moderated in most world regions during July and August, after six months of double digit declines.

Experts warn the global economic recovery might be sluggish and the financial crisis is likely to leave long lasting effects on the world economy. Furthermore, unemployment, which rose very fast over the last year, is likely to take longer to rebound. However consumer confidence continues to improve which should help business in 2010.



Economic conditions, combined with the additional uncertainties brought about by the influenza A (H1N1) outbreak, are expected to continue to impact tourism demand – at least in the short term.

For the moment, the UNWTO has decided to maintain its forecast for tourism performance. As the rates of decline are anticipated to ease during the remainder of 2009, international tourism is forecast to decrease within a range of -6% to -4% this year, with Europe performing less well than this. However, our greater reliance on the weaker GB market will mean that the island of Ireland's performance will be somewhat poorer.

## Impact of the changed market environment for the island of Ireland

In March, Tourism Ireland produced the following range of forecasts for tourism performance this year.

**Tourism Ireland's Forecast Scenarios for the Island of Ireland 2009**

	Visitors %	Promotable Visitors %	Revenue %
Best Case	-4%	-4%	-4%
Middle Scenario	-7%	-8%	-9%
<b>Worst Case</b>	<b>-9%</b>	<b>-11%</b>	<b>-15%</b>

In the worst-case scenario, the island of Ireland would welcome almost 8 million visitors and 3.5 million promotable visitors which would generate €3.6 / £3.2 billion in visitor revenue.

We expect that the outcome for visitor numbers for 2009 to the island of Ireland is likely to be close to our worst case forecast. The pessimistic assumptions which underpinned the 'worst case' scenario have been validated. Economic conditions in our key source markets remained weak during the summer, the predicted loss of air access has occurred and both the dollar and sterling (adversely impacting the Republic of Ireland) continued their slide against the Euro.

Promotable visitor numbers are however, likely to exceed our worst case scenario as the global recession has impacted more significantly on discretionary travel. In light of the significant price cutting by the industry we anticipate that revenue will decline by at least -15%, despite the more optimistic CSO results for the Republic of Ireland. Industry sentiment suggests that the decline in revenue being experienced by frontline tourism enterprises is in the range of -20% to -30%.

## Responding to the changing environment

Over the course of the year, Tourism Ireland has implemented a range of initiatives to address the market weaknesses and to win business in this aggressively competitive marketplace. We are strongly communicating to the consumer that the island of Ireland is a great place to visit, is easily accessible and offers great value for money. We are investing over €13 / £12 million in tactical and co-operative marketing activity during the autumn and winter. Industry engagement is a vital part of our strategy moving forward. To support this we have provided thousands of promotional opportunities worldwide to the industry so they can present

consumers with compelling bookable offers. Most recently we have committed an additional €1.5 / £1.2 million to boost tactical activity in the British market during the last four months of 2009.

To continue to secure as much business as possible, Tourism Ireland has already generated over 9.6 million web visits to [www.discoverireland.com](http://www.discoverireland.com) and our suite of sites which feature hundreds of offers at any given time. From these web visits, we have generated over 1.7 million referrals to industry websites in order to help enterprises close the sale. We will have nearly 3.5 million consumers on our database by the end of the year - all of these have expressed an interest in hearing about the island of Ireland and we will continue to target them with special offers to try to convert this business.

The first ten months of 2009 have proved to be a very tough period for tourism on the island of Ireland and for tourism worldwide, and we recognise the impact that this is having on individual enterprises across the island. Expanding hotel capacity in Northern Ireland is putting further pressure on prices. Depressed overseas demand coupled with increased hotel capacity and tightened banking credit has made 2009 a very difficult year for the industry in the South. Tourism Ireland is committed to working to support the industry through these difficult times by marketing aggressively to win as much business as possible.

We are currently finalising our Marketing Plan for 2010 and will be presenting it to the industry across the island of Ireland in early December. Additional industry platforms overseas will be a core feature of our plans for 2010. In addition the recent Global Irish Economic Forum identified a number of strong themes for tourism growth which will be reflected in our plan. Our ambition is to restore growth in visitor numbers next year, with a plan which is tactical and urgent. This ambition is underpinned by a new strategy for Great Britain, our largest market, and a focus on Germany as a very high potential market, as well as a continuing commitment to maximising visitors from North America and New and Developing Markets to the island of Ireland.

# Examples of tactical activity in 2009

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Four Seasons [www.4seasons.fr](http://www.4seasons.fr)

Irish Ferries @ Cy

\* Prix TTC aller simple, voiture de tourisme + conducteur + séjour hebdomadaire de Cherbourg ou Roscoff à Rosslane, à bord du cat Ferry Oscar Wilde. Véhicule en 2009 selon disponibilité.

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By C. Young

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