



St George's Market, Belfast

## **SOAR** **(Situation & Outlook Analysis Report)** **May 2016**

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## Summary Headlines

- **Overseas visitors** to Ireland grew to record levels in the first quarter of 2016, with almost 1.8 million people arriving according to the Central Statistics Office (CSO). This represents an increase of +17%, or more than a quarter of a million additional overseas visitors, when compared to the same three months in 2015. Growth was seen from all market areas - North America (+25%), Great Britain (+17%), Mainland Europe (+14%) and Australia and Developing markets (+8%).
- The Northern Ireland Statistics and Research Agency (NISRA) reports that total **overseas visitors to Northern Ireland** for the first nine months of 2015 grew by +11% when compared to the same period in 2014. Growth was driven by visitors from our main market areas of GB (+11%), Mainland Europe (+14%), North America (+6%) and from Australia and Developing markets (+11%). NISRA have advised that full year data for 2015 will be available at the end of May 2016. While there is no NISRA data available for 2016 performance at this time, feedback from industry in Northern Ireland is generally positive about the forthcoming summer season.
- **Industry sentiment** on the island of Ireland as a whole remains positive. During the early months of this year enquires and bookings have generally been ahead of, or on par with 2015 levels.
- The outlook from **overseas trade partners** is also positive. However, hotel capacity constraints in some urban areas during the peak are a major issue and a barrier to further growth for many tour operators. A recent survey by Tourism Ireland suggests that two thirds of overseas tour operators see room availability in Dublin as their 'biggest challenge' to growth.
- Tourism Ireland remains alert to **external risks** and we continue to monitor influences including the potential Brexit, geo-political concerns, exchange rates, pricing levels and the global economy.
- Tourism Ireland continues to roll out its **summer marketing campaign across all markets** to ensure that 2016 is another record breaking year for overseas tourism.

## 2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reports that international tourist arrivals grew by over +4% in 2015 to reach a record total of 1.2 billion. This marked the sixth consecutive year of sustained growth, with international arrivals increasing by +4% or more every year since 2010.

Growth in advanced economies (+5%) exceeded that of emerging economies (+4%), boosted by the solid results of Europe (+5%). Northern Europe, of which the island of Ireland is part, experienced +6% growth, ahead of the +4% global increase. Results for 2015 are summarised in the table below, illustrating the market share growth of Ireland and Northern Ireland last year.

While the UNWTO have not yet released any official global figures for 2016, many destinations are reporting a positive start to the year. The UNWTO forecasts international tourism to grow by +4% worldwide this year. By region, growth is expected to be stronger in Asia and the Pacific (+4% to +5%) and the Americas (+4% to +5%), followed by Europe (+3.5% to +4.5%). The projections for Africa (+2% to +5%) and the Middle East (+2% to +5%) are positive, despite a larger degree of uncertainty and volatility for travel to those regions.

UNWTO Global Performance	
International Arrivals	Jan - Dec 2015 YoY % +/-
<b>World</b>	<b>+4%</b>
Africa	-3%
Asia Pac	+5%
Americas	+5%
Middle East	+3%
<b>Europe</b>	<b>+5%</b>
<b>Northern Europe</b>	<b>+6%</b>
<b>Northern Ireland (NISRA) (Jan-Sept)</b>	<b>+11%</b>
<b>Ireland (CSO)</b>	<b>+14%</b>

Source: UNWTO, CSO, NISRA

### 3. External Travel Trends

#### Key Markets Economic and Travel Outlook

##### 3.1 Overview

In April, the International Monetary Fund cut its global growth forecast for the fourth time in the past year. It forecasts that the global economy will grow at a rate of +3.2% in 2016, compared to its previous forecast of +3.4% in January.

The IMF has cited China's slowdown, persistently low oil prices, continued volatility in the financial markets, low inflation, geo-political conflicts and terrorism as the reason growth remains modest and uneven.

The outlook for major western economies, namely the United States, the eurozone and the United Kingdom, is not particularly promising. It is predicted that the eurozone economy will grow very slowly and, despite the US economy being generally sound domestically, it too may suffer from the impact of lagging growth in the rest of the world and the strong dollar.

The IMF has stated that a British vote to leave the EU may cause severe economic and political damage in Europe and may spill over into the overall wider global economy.

### 3.2 Economic Indicators

<p><b>Great Britain</b></p> <p>Oxford Economics has raised the UK GDP forecast for 2016 from 2.0% to 2.1%, due mainly to encouraging Q1 2016 data. Oxford expects domestic demand to remain the dominant driver of UK growth this year. CPI inflation is forecast to average 0.5% in 2016 and this, combined with stronger wage growth, should see consumers continue to enjoy improvements in their spending power through this year. However, Oxford's forecasts assume that the referendum on 23 June will see the UK vote to remain in the EU.</p>	<p>2016 GDP Forecast: +2.1% (up from +2.0%)</p> <p>CPI: + 0.5% (up from +0.1%)</p> <p>Unemployment: 5.4% (no change)</p> <p>Exchange rate(€/£): €1: £0.79 (no change)</p>
<p><b>USA</b></p> <p>The picture is still one of solid domestic fundamentals, constrained by global headwinds. Oxford Economics reports that a strong dollar, sluggish global growth and reduced oil and gas investment will continue to constrain activity, but economic momentum appears to have picked up at the end of Q1. Domestically, strong income growth should support robust spending and housing activity.</p>	<p>2016 GDP Forecast: +2.0% (no change)</p> <p>CPI: +1.0% (no change)</p> <p>Unemployment: 5.0% (up from 4.9%)</p> <p>Exchange rate (€/€): €1: \$1.13 (up from \$1.09)</p>
<p><b>France</b></p> <p>Despite political discontent, the economy and the labour market continue to recover. Consumers have loosened their purse strings with spending rising 1.8% YOY in February, the strongest increase since October. Low inflation continues to give a boost to consumers' real disposable income. However, high public debt levels may constrain government spending, while the economy could lose momentum if the reform process slows due to resistance from policymakers. Weak global growth also remains a concern.</p>	<p>2016 GDP Forecast: +1.4% (no change)</p> <p>CPI: +0.1% (down from +0.4%)</p> <p>Unemployment: 10.2% (no change)</p>
<p><b>Germany</b></p> <p>Oxford Economics forecasts GDP to grow by +1.7% this year. Although exports were flat in Q1 they expect growth to pick up during the year. Low inflation, and a strong labour market are coupled with signs that the recent economic uncertainty has not had an overly damaging effect on the economy. Oxford expects employment will continue to rise, which will eventually boost wage growth, and this should result in real household disposable income rising at its sharpest pace since the early 1990s.</p>	<p>2016 GDP Forecast: +1.7% (down from +2.1%)</p> <p>CPI: +0.5% (down from +0.8%)</p> <p>Unemployment: 6.3% (no change)</p>

Source: Oxford Economics Briefing and Outlook reports April 2016 (Comparisons are versus the last SOAR report)

### 3.3 Travel Trends in Key Markets

**Great Britain:** The Office of National Statistics (ONS) reports that the number of *visits* abroad by UK residents for the three month period of December 2015 to February 2016 grew by +14% when compared to the same period last year. According to the CSO, GB visitors to Ireland for the same period were up +21%, resulting in an increase in market share. No official data is available yet for GB visits to Northern Ireland in 2016. VisitBritain reports that inbound tourism to the UK grew by +6% YOY in January 2016. According to some online travel reports, a vote to leave the EU may result in increased costs for travel and higher prices for UK travellers. According to one study, almost 34 million Britons will take at least one UK domestic break during 2016, an increase of more than a million people. This may be due to concerns about safety in overseas holiday destinations.

**North America:** US traffic to Europe grew by just over +1% YOY in March, according to the US Department of Commerce. A travel alert for travellers to Europe was issued by the US Department of State in March following the terror attacks in Brussels. According to one report, search engine traffic for European holidays saw double digit declines in the aftermath of the Brussels attacks. However, holiday-driven reservations for the high season are recovering to 'pre-Brussels attack' patterns, reports say. According to the Conference Board of Canada (CBOC), Canadians made +5% (YOY) more visits to Europe in January 2016. Europe as a whole saw strong growth in winter 2015/16, with the CBOC reporting strong demand for Spain and Great Britain.

**Mainland Europe:** The German travel industry reports a shift in bookings away from destinations recently affected by terrorism. Turkey, Egypt and Tunisia have seen a significant fall in bookings with gains for Spain (Canaries), Italy and Portugal. Similarly in France, the travel industry reports that destinations viewed as secure will continue to perform better. Travel over Easter was buoyant both domestically and internationally according to the Spanish Airport Authority, with a +14% increase in passengers through Spanish airports in Q1 2016. Trade press in Italy are predicting a boom for Italian and Spanish beach holidays as a consequence of international terrorist threats. Outbound travel continues to grow from the Nordic countries. However, a proposal to introduce a 'green tax' on flights in Norway has the potential to have a serious impact on Norwegian visitor numbers to the island of Ireland, should the tax be implemented.

**Australia & Developing Markets:** According to the Australian Bureau of Statistics, short-term resident departures from Australia continued to rise marginally each month during the winter. The Indian travel industry saw a mixed response to bookings for Europe this year. Although airlines did have reduced airfares to Europe for travel in summer, bookings in general have been slow when compared to previous years.

## 4. Market Intelligence

### 4.1 Arrivals and Visitors

#### Preliminary Estimates

Visitor Origins	Ireland Visitors		Northern Ireland Visitors	
	January 2016 – March 2016		January – September 2015	
	'000s	% YOY	'000s	% YOY
<b>Total</b>	<b>1,785</b>	<b>+17%</b>	<b>1,509</b>	<b>+11%</b>
Great Britain	852	+17%	998	+11%
Mainland Europe	600	+14%	236	+14%
North America	238	+25%	175	+6%
ADM	95	+8%	100	+11%

Sources: CSO, NISRA

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The Northern Ireland Statistics and Research Agency (NISRA) reports that total overseas visitors to Northern Ireland for the first nine months of 2015 grew by +11% when compared to the same period in 2014. Growth was driven by visitors from the main market areas of GB (+11%), Mainland Europe (+14%), North America (+6%) and from Australia and Developing markets (+11%). Holiday visitors accounted for almost half a million overseas visitors (+12%); and revenue from overseas visitors to Northern Ireland grew by +9% to £378 million during this period. NISRA has advised that full year data for 2015 will be available at the end of May 2016.

While there is no NISRA data for overseas performance in 2016 available at this time, the industry outlook is positive for the forthcoming summer season.

## 4.2 Air and Sea Connectivity

### Preliminary Estimates

Air Access Seat Capacity Estimates		Summer 2016 vs. Summer 2015		
YOY % Change	Ireland	NI	Island	
Great Britain	+14%	+11%	+13%	
Mainland Europe	+6%	+9%	+6%	
-France	-1%	NC	-1%	
-Germany	+8%	NA	+8%	
North America	+7%	NC	+7%	
ADM	+5%	NA	+5%	
<b>Overall</b>	<b>+9%</b>	<b>+10%</b>	<b>+9%</b>	

Source: TTC Access Inventory Report 2016 on scheduled direct one-way weekly seat capacity. Capacity is estimated at a single point in time (July) for the season. NA= Not applicable NC = No change

Estimates indicate that there will be almost 537,000 direct, one-way air seats available each week to the island of Ireland during the peak summer season, a +9% increase in capacity compared to the same period last year – this would be a record number. Growth is expected from all market areas with seats to Ireland up +9% and to Northern Ireland up +10%.

In absolute terms, Great Britain is projected to deliver the greatest volume of extra seats (approximately 27,000), equating to just over 60% of the growth, with Mainland Europe delivering 30% of the additional seats. The two largest air carriers operating onto the island, Ryanair and Aer Lingus, account for 68% of the total number of one-way seats this summer.

Ferry capacity is estimated to decrease marginally this summer due to the withdrawal of P&O's seasonal fast ferry on routes from Troon and Cairnryan to Larne.

Belfast Harbour is expected to play host to a record 145,000 cruise visitors\* this year while Dublin Port is also expecting its biggest year to date, with 120 cruise ships booked to arrive. Most other ports on the island of Ireland are also expecting an increase in business this year.

\*Day visit cruise visitors are not counted in overnight arrivals to the island of Ireland.

### 4.3 Total Passenger Numbers

	Total Pax 2015*	Feb 16 YOY % change	Mar 16 YOY % change
Dublin Airport	25m	+17%	+17%
Shannon Airport	1.7m	+11%	+11%
Cork Airport	2.1m	+9%	+14%
Ireland West Airport Knock	0.7m	+7%	+10%
Belfast International Airport	4.4m	+20%	+12%
Belfast City Airport	2.7m	+1%	0%
City of Derry Airport	0.3m	+8%	N/A
<b>All ROI Airports</b>	29.5m	+16%	+16%
<b>All NI Airports</b>	7.4m	+12%	N/A
All UK Airports	255m	+10%	N/A
All German Airports	216m	+7%	N/A
All Norwegian Airports	54m	+5%	0%
All Swedish Airports	41m	+10%	N/A
<b>ROI sea passengers</b>	3.2m	+2%	+11%
<b>NI sea passengers</b>	2m	+1%	+19%

Sources: Annaero, DAA, Shannon, IWAK, Fáilte Ireland, Ferrystat. \*Total Pax 2015 is the passenger traffic estimate (in millions) at the airport(s)/seaports N/A=Not available

Published air and sea passenger traffic results to the island of Ireland (includes connecting transit business), are largely positive for the first few months of 2016. This good start to the year is all the more encouraging after a year of growth for many air and sea ports last year.

## 4.4 Accommodation

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

	Mar 2016 v Mar 2015 % change	Jan-Mar 2016 v Jan-Mar 2015 % change
Island of Ireland	+2%	+3%
Ireland	+3%	+5%
Northern Ireland	-8%	-5%
Scotland	+1%	0%
England	0%	0%
Italy	+2%	+3%

Source: STR Hotel reports – Properties across the island of Ireland are represented, with a strong representation from Dublin and Belfast.

The hotel data specialist STR, which has a strong representation of hotels from Dublin and Belfast, indicates that hotels in Ireland generally experienced a good Q1 2016 in terms of hotel rooms sold. Northern Ireland has experienced a slower start to the year. However, it is not possible to break out overseas bookings from domestic business. NISRA report that the number of hotel rooms sold in Northern Ireland for the first two months of 2016 decreased by -9% when compared to the same period in 2015. Feedback from Northern Ireland industry is that the season started slowly – however, the summer season is looking positive.

The total number of rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland increased by +15% for the first two months of 2016 when compared to same period in 2015, according to NISRA. Again, it is not possible to break out overseas from domestic bookings.

In research by Tourism Ireland, two thirds of overseas tour operators said that room availability in Dublin is their 'biggest challenge' to growth this year.

According to STR, hotel average daily rates grew faster in Ireland than other European destinations in the first quarter of 2016.

## 4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Mixed 	<p><b>Accommodation providers</b></p> <p>Hoteliers and guesthouses operators in Ireland have reported a very positive first quarter with an increase in both current business and advance bookings. All forecasts reflect the expectation of a strong season ahead. The first quarter was also strong for the B&amp;B sector, with double digit increases in bookings. There are, however, concerns about availability in the peak season. Northern Ireland has had a challenging first quarter; business in Belfast was slow however rural areas held up slightly better. Reports suggest the next quarter looks stronger with good overseas bookings, and this trend is expected to continue over the summer.</p>
Bright 	<p><b>Air and sea carriers</b></p> <p>Air carriers are expecting a strong season with increased air access including greater capacity on key US routes this summer. A major sea carrier reports a very positive first quarter and a strong Easter period, with May and June expected to be positive overall. Although it's too early to call the summer, the GB market is performing well and responding well to offers. Continental Europe is also positive. Overall, the outlook is positive for the year ahead.</p>
Bright 	<p><b>Attractions</b></p> <p>Attractions in Ireland's Ancient East are performing well overall, and looking forward to a busy season ahead. An attraction on the west coast had a very strong start to 2016, with numbers up significantly for the first quarter. In Dublin, major attractions experienced an increase in business in the first three months of the year, with one leading attraction showing strong double digit growth compared to 2015. Enquiries and bookings for the year ahead are also looking positive. Reports are somewhat mixed in Northern Ireland, with a slow start to the year for some attractions. However, a leading Belfast attraction reports that its overseas business was good for the first three months of the year, with increases recorded.</p>
Mixed 	<p><b>Tour Operators and Business Tourism</b></p> <p>Tour Operator expectations for the year ahead are generally positive, with single digit growth in both the leisure and business tourism sectors anticipated. However, capacity issues and the lack of availability in urban areas continue to cause concern.</p>

Source: Based on feedback from island of Ireland industry sources, April 2016

## 4.6 Tourism Ireland Market Outlook

**Great Britain:** The sentiment among GB trade partners is positive, suggesting that 2016 will be another good year for travel to the island of Ireland. Many GB tour operators are experiencing a strong start to 2016 and forward bookings are robust. Scottish operators are all experiencing growth for 2016 and many English operators are reporting double digit growth on packages to Ireland and Northern Ireland. Carriers and Online Travel Agents (OTAs) also report a good start to the year.

**North America:** In the US, tour operators have not reported any cancellations to the island of Ireland following the Brussels attacks. Travel industry sentiment to the island is very positive, however, bookings are showing early signs of slowing down for those booking through tour operators/travel agents. Accommodation availability for Dublin remains a concern among tour operators – for both peak and, increasingly, shoulder periods. Bookings for the island of Ireland continue to remain strong from Canada, despite recent global events, with leading tour operators reporting significant YOY growth.

**Mainland Europe:** The outlook for travel to the island of Ireland continues to be very positive from Europe. In Germany, sales for the destination are very strong so far this year, outperforming the overall outbound travel trend. French travel partners maintain that the season ahead looks positive, however, tour operators are worried about the lack of accommodation in major cities at peak times and have concerns that prices have risen significantly for bookings for 2017. Spanish and Italian travel partners are positive and, while it is still relatively early to gauge the full summer season, Easter was strong which bodes well and indicates that there is good demand for the island of Ireland. In the Nordics, feedback from the travel trade is very positive for 2016 but the issue of capacity and allocations in Dublin is being felt and is hindering additional programming.

**Australia & Developing Markets:** In Australia, YOY bookings were weaker than anticipated during the 'Early Bird 2' booking season (Dec – March). Some operators and carriers reported that bookings were soft to Europe and the island of Ireland over the last few months. However, it is difficult to determine if it is the impact of consumer confidence or due to the way Easter and school holidays fell this year. Key Chinese travel trade say they have not seen a reduction in people's interest in travelling to the island of Ireland.

## 5. Conclusion

Sentiment remains positive for 2016 among trade partners overseas and tourism businesses across the island. New flight announcements and additional capacity for 2016 augur well for continued growth. Many partners are reporting that enquiries and bookings are on a par with, or ahead of, this time last year.

Tourism Ireland remains alert to external risks and continues to monitor influences including the potential Brexit, geo-political risks, exchange rates, pricing levels and the global economy.

Tourism Ireland continues to roll out extensive promotional campaigns across all markets to ensure that 2016 is another record breaking year for overseas tourism.

Ends

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