



Tourism Ireland
SOAR
(Situation & Outlook Analysis Report)
July 2018

1. Summary Headlines

- Industry sentiment across the island of Ireland and among overseas trade partners continues to remain upbeat, after a largely positive first six months of 2018. The summer season got off to a solid start, with overseas tourism business trading well across all sectors. While the uncertainty arising from Brexit remains a key concern for industry, Tourism Ireland continues to monitor its implications and to consult closely with stakeholders at home and overseas.
- Latest figures for **overseas arrivals to Ireland** show an increase of +7% for the first half of 2018, with 4,872,500 arrivals from January to June. There were strong results from North America, up by +11% on the first six months of last year; from Mainland Europe, up +10%; we also saw modest growth of +2% from Britain and +1% from Australia and Emerging Markets.
- Latest figures released by the Northern Ireland Statistics and Research Agency (NISRA) show +2% growth in **overseas visitors to Northern Ireland** in 2017. The figures confirm that 2.175 million overseas visitors came during that period with growth from all market areas – GB (+1%), North America (+3%), Mainland Europe (+1%) and other areas (+18%). Overseas visitors delivered almost £566 million for the local economy, up +4%.
- Both STR hotel data and industry sources report a strong **hotel performance** across the island of Ireland for the first half of 2018, instilling confidence for the rest of the summer season. STR reports that occupancy in Northern Ireland was 74% for the January to June period, on par with the same period last year, with the average daily rate increasing by +6% to £78.54. Hotels in Ireland enjoyed an increase in occupancy and average daily rate for the first six months of 2018; occupancy was 76%, an increase of +2%, with the average daily rate rising to €128.48, an increase of +8%.
- Tourism Ireland's **promotional campaigns** continue across the markets, helping to boost bookings for the summer and into the autumn. We continue to work closely with trade and industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise overseas promotional opportunities and grow tourism revenue further this year.

2. Global Outlook

International tourist arrivals grew by +6% in the first four months of 2018 according to the World Tourism Organisation (UNWTO). This is a continuation of the strong 2017 trend and exceeds UNWTO's earlier forecast of between 4-5% for 2018.

From January to April this year, international arrivals increased in all regions, led by Asia and the Pacific (+8%), with South-East Asia (+10%) and South Asia (+9%) driving results.

Europe - the world's largest tourism region - also performed strongly during this four-month period (+7%), led by Southern and Mediterranean Europe, and Western Europe (both +8%).

Growth in the Americas is estimated at +3%, with strongest results in South America (+8%). The Caribbean (-9%) is the only sub-region to experience a decrease in arrivals during this period, weighed down by some destinations still struggling with the aftermath of the hurricanes of August and September 2017.

The limited information coming from Africa and the Middle East points to 6% and 4% growth, respectively, confirming the rebound of Middle East destinations and the consolidation of the growth in Africa.

Confidence in global tourism remains strong according to the latest UNWTO 'Panel of Tourism Experts' survey. Their outlook for the May-August period is one of the most optimistic in a decade, led by the particularly upbeat sentiment in Africa, the Middle East and Europe.

3. External Travel Trends

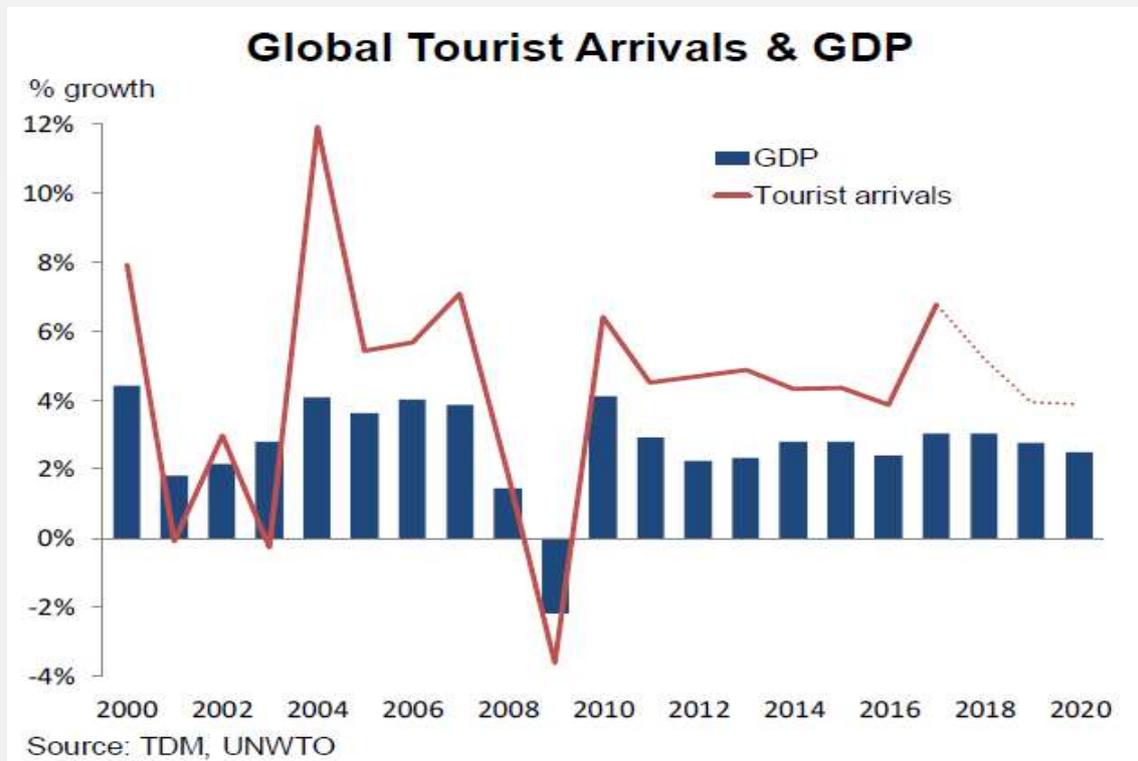
Key Markets Economic and Travel Outlook

3.1 Overview

Global travel demand in early 2018 has continued to grow faster than wider economic growth, according to Oxford Economics. While this growth is at a slightly slower pace than last year, the slowdown in travel comes amid the general slowdown in global economic activity. 2017 travel growth also included some rebound from previous years.

Global tourism growth in 2018 is now expected to be 5.2%, helped by accumulated gains in income in recent years. But the global slowdown will erode some momentum; 2018 travel growth is expected to be lower in all regions compared to 2017, except for the Middle East.

Labour market strength should offer some respite, as it continues to support household spending and travel demand. Global trade is slowing but should remain at a healthy rate compared 2012-16, and recession is not expected.



3.2 Economic Indicators

<p>Great Britain</p> <p>Early data for Q2 has largely backed the idea that GDP growth will recover. Oxford Economics expects GDP to grow by +1.3% in 2018 and +1.4% in 2019. Retail sales rebounded strongly, growing by over +1% in both April and May and other consumer related indicators have also been firmer. However the recovery in household spending power will be constrained by the government's welfare reforms, higher interest rates and softer employment growth.</p>	<p>2018 GDP Forecast: +1.3% (down from +1.5%)</p> <p>CPI 2018: +2.6% (up from +2.4%)</p> <p>Unemployment: 4.2% (no change)</p> <p>Exchange rate(€/£): €1:£0.89 (up from €1:£0.87)</p>
<p>USA</p> <p>The US economy is currently growing at the strongest pace in four years, with Q2 growth expected to surpass 4% for the first time since 2014. However, rising trade protectionism and elevated energy prices are concerns and could curtail growth, especially if met by further retaliation from China and other key partners. The unemployment rate fell to 3.8%, its lowest level since 2000. The stringent immigration policy remains a risk to having adequate labour to fill the employment gaps. Consumer spending is expected to grow +2.5% in 2018.</p>	<p>2018 GDP Forecast: +2.9% (up from +2.8%)</p> <p>CPI 2018: +2.6% (up from +2.5%)</p> <p>Unemployment: 3.8% (down from 3.9%)</p> <p>Exchange rate (€/€): €1: \$1.17 (up from \$1.16)</p> <p>Exchange rate (£/\$): £1: \$1.32 (down from \$1.33)</p>
<p>France</p> <p>Oxford Economics expects growth to average 1.7% this year, before slowing further to 1.6% in 2019. Consumers are likely to face numerous pressures reflecting the impact of government tax changes and the recent rise in oil prices. Despite unemployment dropping sharply, down to 8.9% in Q1, it still has not led to wage increases. Given these factors, growth in consumers' real disposable income is set to slow to just 0.5% this year from 1.4% in 2017.</p>	<p>2018 GDP Forecast: +1.7% (down from 1.8%)</p> <p>CPI 2018: +1.9% (up from +1.6%)</p> <p>Unemployment: 9.2 % (up from 8.8%)</p> <p>Exchange rate(€/£): €1:£0.89 (up from €1:£0.87)</p>
<p>Germany</p> <p>The German economy started Q2 on a weak note, with industry feeling the pain from slowing global growth and worries over tariffs weighing on investment intentions. As a result, Oxford Economics has lowered its 2018 GDP forecast to 2.0% and sees downside risks if trade uncertainties persist. A jump in April retail sales and solid labour market data point to robust domestic demand, but rising oil prices are set to weigh on real incomes in H2.</p>	<p>2018 GDP Forecast: +2.0% (down from +2.2%)</p> <p>CPI 2018: +2.0% (up from +1.8%)</p> <p>Unemployment: 5.3% (up from 5.2%)</p> <p>Exchange rate(€/£): €1:£0.89 (up from €1:£0.87)</p>

Source: Oxford Economics Briefing and July reports 2018.

3.3 Travel Trends in Key Markets

Great Britain: Holiday prices are increasing in the British market as a result of Brexit, according to operators at the *ABTA Travel Matters* conference in June. In addition, data from *Travel Trade Consultancy* reported that holiday prices for summer 2018 are already up +3% when compared with last year. Industry forecasts predict further price increases in 2019. In-market reports reveal that exchange rate deficits have impacted negatively on operator costs, and there is also concern in the industry relating to the future loss of freedom of movement. The latest report from the GB Office of National Statistics, for November and December 2017, shows that UK residents made fewer visits abroad than the same period in 2016 with decreases of -4% and -1% respectively.

North America and Australia: Aviation fuel prices have risen by around +25% since last year and some airlines have increased fares on domestic routes in response. Intense competition on transatlantic services is currently keeping international fares lower, but analysts believe these fares are also likely to increase in the medium term. Low cost, traditionally domestic carriers are now turning their expansion ambitions towards international routes, with European routes expected to be actively considered. Regional airports within the US are growing at a faster pace than the major hubs and increasingly servicing international routes. In **Canada**, outbound winter travel saw growth of +6% for 2017/18 with trips to Europe trending ahead of the average with +8% growth. The country's foremost independent research agency, the Conference Board of Canada (CBOC), notes that Europe is trading strongly since the start of this year with +8% growth versus 2017. In **Australia**, the outbound market continues to grow at a steady pace, with data from the *AFTA Travel Trends report* showing a five-year trend of +5%.

Mainland Europe: In **Germany**, outbound travel remains strong despite the current uncertain political environment. Reports from travel agencies and airlines reveal a robust summer business to international destinations, with bookings for departures from June to October increasing by +12% versus last year. In **France**, both inbound and outbound travel is strong with Croatia, Spain and Turkey enjoying the highest demand and growth. In **Spain**, latest national statistics show outbound travel growth of +13% for the first quarter of 2018, with a +3% increase in holiday and leisure travel. A study by Ipsos-Europe in the market shows that spend by Spaniards on holidays has increased by +3% in 2018, with 67% of travellers booking within three months of departure. In **Italy**, outbound travel and holiday spend are growing. The Italian Tour Operator Association lists Ireland among the leading European destinations, however, Scotland, our main competitor in the market, is enjoying a very strong season and achieving significant growth. In **The Nordics**, outbound travel remains strong, with the markets predicted to take more than 50 million outbound trips this year. Spending is also trending up, with the UNWTO reporting that these countries represent the fifth highest spenders in the world for overseas travel.

Emerging Markets: In **India**, outbound travel is growing strongly, with luxury travellers increasingly prioritising sustainability. Thailand is proving popular with the market, along with the UAE, US, France and the UK. In **the UAE**, outbound travel has slowed somewhat in the first few months of 2018, however Europe is still the destination of choice for holidays of 10 days or more. The UK travel and school group sectors are growing in the market. In **China**, the first quarter of 2018 saw a +35% growth in Chinese visitors to Europe. The demand for luxury travel is growing too, according to a joint report from the Chinese Tourism Academy, and leading outbound tour operators CTrip and Huayuan International Travel. An estimated 100,000 Chinese are expected to visit Russia for the FIFA World Cup, illustrating how increasingly ready and able the market is to spend on leisure travel. Chinese travel trends are also influenced by geopolitical circumstances and the growing closeness between Russia and China is also believed to be driving preference, along with the attraction of visa-free travel.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	2018		2017			
	Ireland Arrivals (6 month arrivals)		Ireland (Direct) Overnight Visitors (12 month visitors)		Northern Ireland Visitors (12 month visitors)	
	Jan – June 2018		Jan – Dec 2017		Jan – Dec 2017	
		% YOY		%YOY		% YOY
Total	4,872,500	+7%	8,722,000	+3.5%	2,175,506	+2%
Great Britain	1,786,200	+2%	3,239,000	-4.6%	1,397,920	+1%
Mainland Europe	1,782,800	+10%	3,226,000	+4.9%	362,037	+1%
North America	1,020,800	+11%	1,682,000	+16.3%	257,011	+3%
Rest of world	282,900	+1%	575,000	+12.9%	158,538	+18%

Sources: CSO, NISRA

Note : **Arrivals** are all overseas trips to the destination including transfers, overnights and day-trips.

Visitors only include those who overnight in the destination

Ireland (Direct) Overnight Visitors – only includes those that leave through ports in the ROI

Ireland: Latest results for the January to June period show 4,872,500 arrivals. This represents year-on-year growth of +7% for the period, an additional 307,000 trips. North America continued its strong performance, with arrivals from the US and Canada up +11% (+98,500). Mainland Europe also recorded good growth, with 164,800 extra arrivals (+10%). Arrivals from Britain grew very slightly with 41,000 extra arrivals (+2%). Growth from Australia and Emerging Markets was a modest +1% (+3,000 extra arrivals).

Northern Ireland: According to NISRA, in the January-December 2017 period, overseas visitors to Northern Ireland grew by +2% when compared to 2016. The figures confirm that 2.175 million overseas visitors came during the year, with growth from all market areas; GB (+1%), North America (+3%), Mainland Europe (+1%) and other areas (+18%). Overseas visitors delivered more than £566 million for the local economy, up +4%. Holidaymakers grew by +4% overall, with increases recorded from GB (+2%), North America (+19%) and Australia and Emerging Markets (+21%) and a decline from Mainland Europe (-11%). Holiday revenue grew by +3% for the period. Note: Q1 2018 data will be available in late August.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates	Summer 2018 vs. Summer 2017			
	YOY % Change	Ireland	NI	Island of Ireland
Great Britain		+4%	+6%	+4%
Mainland Europe		+7%	+19%	+8%
-France		+7%	+20%	+8%
-Germany		+19%	-33%	+18%
North America		+7%	-20%	+7%
ADM		+16%	NA	+16%
Overall		+6%	+9%	+7%

Source: TTC Summer Access Inventory Report 2018.

Capacity is estimated at a single point in time (July) for the season.

NA= Not applicable

Estimates indicate that there are 591,000 direct, one-way air seats available per week to the island of Ireland during this summer, a +7% increase in capacity when compared to the same period last year. This is a record level, with growth from all market areas. Ireland and Northern Ireland are estimated to see a +6% and +9% increase respectively in available seats.

There have been many positive air access announcements offering significant inbound potential. These include Ryanair's Munich and Stuttgart to Dublin and Belfast to Manchester services; new Aer Lingus summer routes such as Seattle and Philadelphia to Dublin; Air Canada's new flights from Montreal and Toronto to Dublin and Shannon respectively; and Air France's new service from Paris to Cork. Both new direct services from China to Dublin – Cathay Pacific from Hong Kong and Hainan Airlines from Beijing – began in June. The outlook for the winter 2018/19 season is positive, with many of the new summer 2018 services continuing into the winter.

Brittany Ferries' twice weekly direct service from Spain is in operation for the summer season and the company has doubled its frequency from France. Sailings on the Irish Sea remain largely unchanged over the peak months.

4.3 Total Passenger Numbers

	Total Pax 2017*	May 2018 YOY % change	June 2018 YOY % change
ROI sea passengers	3.1m	+1%	-1%
NI sea passengers	2.1m	+5%	0%
Air passengers:			
Dublin Airport	29.6m	+10%	+7%
Shannon Airport	1.8m	+7%	+8%
Cork Airport	2.3m	+6%	+4%
Ireland West Airport Knock	0.75m	+5%	+4%
All ROI Airports	34.4m	+10%	+7%
Belfast International Airport	5.8m	+7%	+8%
Belfast City Airport	2.6m	+4%*	-2%
City of Derry Airport	0.2m	N/A	
All NI Airports	8.6m	N/A	

Sources: CAA, DAA, Shannon Group, IWAK, Fáilte Ireland, Annaero, Ferrystat, TTC

*Total Pax 2017 is the total traffic (two-way) at the airport(s)/seaports

N/A = not available

Latest published sea passenger numbers to and from Ireland were down -2% for January to June 2018, while sea passengers to and from Northern Ireland were down -1% overall for the January to June period.

Published results for air passenger traffic to the island of Ireland were positive (+6%) for the first half of the year (two-way).

4.4 Accommodation

Hotel accommodation data estimates

Hotel Accommodation January - June 2018				
	Occupancy		ADR	
	%	% change v 2017	Average Daily Rate	% change v 2017
Island of Ireland	76%	+2%	€123.586	+8%
Northern Ireland	74%	0%	£78.54	+6%
Ireland	76%	+2%	€128.48	+8%
Scotland	74%	0%	£78.46	+3%
England	75%	0%	£88.84	0%
Italy	68%	+2%	€137.78	+2%

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

The hotel data specialist, STR, reports that hotels across the island of Ireland experienced strong growth in terms of average daily rate for the first half of 2018, with occupancy on par or moderately better than the same period last year. Industry sentiment is positive and expectations remain high for another buoyant year.

While tour operators point to accommodation capacity constraints in key tourism hotspots as a barrier to growth this year, there is optimism that the number of new hotels under construction and expansion will impact positively. In addition, the outlook for 2019 is positive, with a number of new Dublin city centre hotels currently under construction.

In Northern Ireland, there are now 142 hotels providing 9,033 rooms. Industry sources report that May and June traded strongly with July proving more of a challenge as a result of the increase in room supply and fewer conferences and events compared with July 2017. However, tour business is strong province-wide.

4.5 Island of Ireland Industry Feedback 2018

Barometer	What they said ...
<p>Bright</p> 	<p>Accommodation providers</p> <p>Another good summer season in Ireland’s hotels and guesthouses is reported. The first six months have brought good rate and occupancy growth and this looks set to continue.</p> <p>Northern Ireland hotels have seen a strong May and June, with July currently trading a little slower as a result of increased room supply and fewer conferences and events when compared to last year. August is looking good, however, and the outlook for September and October is positive too. Hoteliers are reporting strong tour business province-wide.</p> <p>Performance and outlook for the B&B sector across the island is also positive for 2018 with some reports of a good season so far.</p>
<p>Bright</p> 	<p>Air and sea carriers</p> <p>Feedback from air carriers is positive, with strong overall performance for the first half of the year. Growth on transatlantic routes is good and European routes continue to be strong in spite of increased competition. UK inbound and outbound business also remains strong.</p> <p>Current performance indications for a major sea carrier are a little subdued. External factors have affected capacity and services to France. Current forecasts suggest business from Britain is projected to hold steady when compared with last year.</p>
<p>Bright</p> 	<p>Attractions</p> <p>Attractions across the island have generally seen good growth from overseas markets for the first six months of the year. Outlook for the rest of the summer is upbeat, with the good weather reportedly having a positive effect overall. Sources in Northern Ireland are also reporting a strong performance from overseas visitors, with two major attractions reporting buoyant international visitor growth year-to-date.</p>
<p>Bright</p> 	<p>Tour Operators</p> <p>Overall, tour operators are enjoying moderate growth so far this year. North America is performing well, despite continuing concerns over capacity and rates. Europe is performing well overall, although some markets are showing signs of being sensitive to price. Sources in Northern Ireland are also reporting a strong performance from tour groups.</p>

Source: Based on feedback from island of Ireland industry sources, June 2018

4.6 Tourism Ireland Market Outlook

Great Britain: Outlook is moderately positive, with the market responding well to joint promotions, however, some Brexit-related unease persists. Air and sea carriers are reporting a good performance, with bookings up year-on-year. Online Tour Operators are seeing strong results from co-operative marketing activity and remain positive in their outlook for the rest of the year. However, there are mixed views from other tour operators, with some partners enjoying a strong year and others feeling the negative impact of exchange rates and hotel rates more keenly.

North America: Business from the US is strong, and optimism prevails in the market. The US economy is buoyant, with Q2 growth of +5.3%, the best in 15 years. All key economic indicators remain strong and are supporting growth in US outbound travel. The unemployment rate has fallen to an historic low but optimism is tempered by worries of a trade war. The euro strengthened against the US dollar at the end of June and the impact of this on outbound travel remains to be seen. Overall feedback is very positive for operators to the island of Ireland, with most reporting on or near double digit growth for this year. Air carriers also report healthy bookings for the summer and into the autumn sales season. However, accommodation shortages, rate increases and golf fee increases in Ireland continue to be a constraint to growth. In **Canada**, performance is strong and the outlook remains confident with positive feedback from carrier and tour operator partners. Consumers are responding well to joint campaigns with market partners and growth in demand is strong. In **Australia & New Zealand**, trade sources report that outbound travel to the island of Ireland is showing good growth this year, with good early demand for 2019 too.

Mainland Europe: In **Germany**, the outlook is mixed, while FIT business is trading well, tour bookings are more subdued, and sources expect accommodation rates and availability challenges to have an effect on 2019 programmes. In **France**, air carriers are enjoying a strong performance, with good growth so far this year and positive indications for the rest of the year. Market trade are also positive, reporting good sales and positive interest and indications for 2019. Inbound operators are reporting good bookings for the off-season with group business performing well, however accommodation rate and availability challenges remain a concern. In **Spain**, operator and partner feedback is positive overall. Airlines are doing very well, and OTAs are also reporting increases. Northern Ireland packages are performing well, reportedly as a direct result of cooperative campaigns. Outlook is positive in **Italy** too, with trade partners declaring strong sales this year. However, Scotland is gaining ground with a very strong performance this year and an expansion of their programmes in 2019. Consumer sentiment is very positive in **The Nordics** and all direct air routes are performing well. The outlook in **BeNe** is also positive, with good seasonal distribution of bookings this year in The Netherlands.

Emerging Markets: Sentiment is positive in **India**, however lengthening visa turnaround times are causing unease and operator sources are concerned about the long term reputational impact and subsequent business implications. Outlook from the **UAE** is positive, with trade partners reporting that visa liberalisation is having a very good effect on awareness and bookings. In **China**, direct access developments are having a very positive effect on holidaymaker business to the island of Ireland and trade partners expect this to continue for the rest of the year.

5. Conclusion

Sentiment for the summer season is positive from both overseas trade partners and tourism businesses across the island of Ireland, with indications still suggesting modest growth for 2018.

Overseas arrivals to Ireland have grown to 4,872,500 for the first six months of 2018, an increase of +7%. There was good growth from North America (+11%) and Mainland Europe (+10%), with modest growth from Great Britain (+2%) and Emerging Markets (+1%).

While the growth from Britain is welcome, it's too early to assess if this is part of a long term trend. Continuing Brexit uncertainty is still a major source of anxiety in the market. Although the sterling/euro exchange rate has maintained a certain amount of stability in recent months, the fall in value of sterling has made holidays and short breaks in Ireland more expensive for British visitors. In addition, it has made Britain more affordable for visitors from many of our top markets and already this year there has been a huge growth in demand for Scotland from our source markets. Tourism Ireland continues to closely monitor competitors and maintain our focus on the 'Culturally Curious' audience who are less impacted by currency fluctuations.

Hotel occupancy and room rates are performing strongly for accommodation providers in both Ireland and Northern Ireland. However, the challenges associated with capacity and room rates remain a key issue for some tour operators.

Tourism Ireland continues to promote the island of Ireland strongly in our markets overseas and to work closely with industry partners and colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities to grow overseas tourism revenue to the island of Ireland by a further +5% this year.

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