



Powerscourt House and Gardens, Co Wicklow

SOAR **(Situation & Outlook Analysis Report)** **December 2017**

1. Summary Headlines

- Latest official figures for **overseas arrivals to Ireland** from January to October show that we welcomed 8,531,000 arrivals. This represents growth of +3.1% (254,000 additional arrivals) on the same ten-month period last year. North America and long-haul markets continue to perform very well, with arrivals from the US and Canada up +16.4% for January to October, and arrivals from Australia and Developing Markets growing by +14.7%. Arrivals from Mainland Europe also grew by +4.4%. While the decline in arrivals from Britain continues to be a real concern – down -6.1% for the January to October 2017 period – it's important to note that British arrivals of 3,132,900 during this period are up +5% on the same period in 2015.
- According to NISRA, in the January to June 2017 period, **overseas visitor figures to Northern Ireland** grew +4% when compared to the same period in 2016. The figures confirm that we welcomed 973,000 overseas visitors in this period. Holiday visitors grew by +8% and revenue grew by +11% to more than £255+ million for this six month period. There were good holidaymaker increases recorded from our main market areas with GB growing by +4%, North America by +8%, Mainland Europe by +13% and Australia and Developing Markets up +34%. Northern Ireland industry sentiment remains upbeat as we look towards 2018.
- Overall, **industry sentiment** across the island of Ireland and from overseas trade partners is positive and optimism prevails as our partners look towards 2018. Business was strong this year and intelligence reports indicate that bookings and performance will turn out ahead of last year. While Northern Ireland performed well this year and saw the benefit of its currency advantage, sources in Ireland reflect the CSO results and report declines from the British market and from some European markets. As we head into 2018, competitiveness challenges as a result of capacity constraints on accommodation and visitor attractions in the main tourism centres, and the impact of Brexit on exchange rates, continue to remain the key concerns for industry and trade partners. Tourism Ireland continues to maintain its close consultation with stakeholders on the island of Ireland and overseas, and is closely monitoring the implications of Brexit on all markets.
- Both STR hotel data and industry sources report a **strong performance for hotels** across the island for the January–October period, and a positive outlook for the remainder of the year. STR reports that occupancy in Northern Ireland has increased by +3.5% YOY for the first ten months, with average daily rate increasing by +12.2%. While Ireland has recorded more modest growth of +1.5% in occupancy and +7% for average daily rate.

2. Global Outlook

Visitor numbers reported by destinations around the world reflected strong demand for international travel in the first eight months of 2017. According to the UNWTO's latest World Tourism Barometer, international tourist arrivals (overnight visitors) for January-August increased by +7% compared to the same period in 2016. Results reflected the sustained growth in many destinations combined with the recovery of those suffering from security challenges in recent years.

Growth was strongest in Africa (+9%), and Europe (+8%), followed by Asia and the Pacific (+6%), the Middle East (+5%) and the Americas (+3%). Northern Europe, of which the island of Ireland is part, experienced +6% growth.

Prospects for the remainder of 2017 are also buoyant and the year is set to be the eighth conservative year of continued growth for international tourism. Results are summarised in the table below.

UNWTO Global Performance	
International Arrivals	Jan-Aug 2017 YoY % +/-
World	+7%
Africa	+9%
Asia Pac	+6%
Americas	+3%
Middle East	+5%
Europe	+8%
Northern Europe	+6%
Northern Ireland (NISRA) (Jan-Jun)	+4%
Ireland (CSO) (Jan-Oct)	+3%

Source: UNWTO, CSO, NISRA

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Recent economic data suggests that the signs for next year are positive, with solid global economic growth expected to be maintained. Oxford Economics have slightly raised their global GDP growth forecast for 2018 from +3.0% to +3.1%, the best estimated outcome since 2011. In response to the ongoing positive economic data, they have also increased their 2018 GDP growth forecasts for several economies, including the US, the Eurozone and China.

In 2018, the key economic metrics in our top source markets are positive, and this is expected to translate into an increase in consumer spending on recreational activities.

IPK International is forecasting that 2018 will be yet another year of growth in global outbound travel. They are estimating an increase of around +5% worldwide, with the strongest growth for outbound trips coming from Asia as well as Latin America with increases of +6%, followed by a +4% rise from both North America and Europe.

3.2 Economic Indicators

<p>Great Britain</p> <p>Though the preliminary GDP estimate for Q3 2017 was a little stronger than expected, it has not been enough to shift Oxford Economics' forecast for the UK above +1.5% for 2018. Growth is expected to remain subdued due to high inflation weighing on consumer spending, businesses wary of investing in a climate of Brexit-related uncertainty, and the Government continuing with its programme of fiscal austerity.</p>	<p>2018 GDP: +1.5%</p> <p>CPI 2018: +2.1%</p> <p>Unemployment: 4.3% (down from 4.4%)</p> <p>Exchange rate: €1:£0.89 (up from €1:£0.88)</p>
<p>USA</p> <p>Oxford Economics expects the US economy to grow by an estimated +3% in 2018. Solid employment growth and gradual improvements in wages will support an increase in consumer confidence and household spending. The unemployment rate is expected to stabilise at around 4% next year. Business investment is expected to grow from +4.6% in 2017 to +5.6% in 2018, due to stronger global growth, elevated levels of business confidence and a competitive currency.</p>	<p>2018 GDP: +2.6%</p> <p>CPI 2018: +1.9%</p> <p>Unemployment: 4.1% (down from 4.4%)</p> <p>Exchange rates: €1: \$1.18 (up from \$1.17) £1: \$1.33 (no change)</p>
<p>France</p> <p>Solid consumer spending and investment are expected to lift GDP growth in France to +1.8% in 2018. Job vacancies are rising at their fastest pace in two decades. Better job prospects are slowly exerting upward pressure on wages which should intensify at the end of 2017 and into the start of 2018. Inflation is now set to dip to +0.7% in 2018 (from 1% in 2017) as stronger exchange rates and lower import prices are giving a small boost to real disposable income. These factors should help support consumer spending next year.</p>	<p>2018 GDP: +1.8%</p> <p>CPI 2018: +0.7%</p> <p>Unemployment: 9.6 % (up from 9.6%)</p> <p>Exchange rate: €1:£0.89 (up from €1:£0.88)</p>
<p>Germany</p> <p>Oxford Economics have raised Germany's economic growth outlook to +2.4% in 2018. The continued broad-based recovery of the global economy and the absence of any major shocks should fuel German exports and economic growth. Inflation is expected to average at +1.7% in 2018, and, as inflation increases, wage growth is predicted to pick up, leading to a more sustained period of increased household spending. However, uncertainty regarding the makeup of the next government in Germany remains a downside risk.</p>	<p>2018 GDP: +2.4%</p> <p>CPI 2018: +1.7%</p> <p>Unemployment: 5.7% (no change)</p> <p>Exchange rate: €1:£0.89 (up from 1:£0.88)</p>

3.3 Travel Trends in Key Markets

Great Britain: The GB outbound market continued to grow in 2017 with this trend driven primarily by growth to long-haul markets (Middle East, South Africa, India, China), as well as European sun destinations (Spain, Portugal, France). A number of Tour Operators also report growth in their overall outbound forward bookings for 2018. However, in terms of business to the island of Ireland, reports from the GB trade are very mixed and it is just too early to get a sense of the emerging trend.

North America and Australia: Overall, the **US** outbound market to Europe remains robust and is on track for a record year. Visit Britain reported YOY growth of +21% from the US market for the January-July period, the best performance from the US market since 2000. Spain, Portugal, Italy and Iceland are also performing strongly from the US. Signs remain positive to the island of Ireland from a revenue perspective with operators reporting an increase in sales of higher yielding offerings. This trend is expected to continue in 2018. In **Canada**, the outlook remains positive through early 2018 and consumer confidence is trending at its highest in four years. Belgium, Serbia, Croatia, Slovenia and Ireland have experienced double digit growth this year while Turkey, Italy and Norway experienced a decline. Outbound travel from **Australia** continues its modest growth with increases in departures to China, Japan, Italy and the UK. Increased competition has led to significantly reduced air fares, which is expected to stimulate consumer demand. Evidence suggests that Australian holidaymakers are taking multiple trips throughout the year, and a trip to Europe is no longer viewed as a once in a lifetime event.

Mainland Europe: In **Germany**, traditional high street travel agencies continue to perform well and recent research shows that Germans book online less than any other country - they use the internet to research holidays but ultimately prefer to book with a travel agent. Outbound travel to Turkey continues to decline, while Greece and Egypt performed well in 2017. In **France**, 2017 has shown an increase in outbound travel with +3.5% more passengers travelling between January and October this year compared to the same period in 2016. Tunisia performed well this year, while forward bookings for the UK declined steeply during the month of October. Current and forward bookings from France to Spain have been negatively impacted by the recent political uncertainty in Catalonia. This has also had an impact in **Spain** itself, with decreased consumer confidence and spending throughout the country. There is economic uncertainty in the run up to their regional elections on December 21st and trade sources are reporting more caution than usual at this time of the year with a fall-off in bookings. In **Italy**, consumer confidence and holiday consumption remains strong, with good indications for outbound travel into 2018. In **Belgium** and **The Netherlands** consumer confidence is trending at its highest level in many years, and Scandinavia and Iceland are the outbound destinations benefiting most.

Developing Markets: In **China**, online tour agency Ctrip.com reports that Europe has become the third most popular destination for Chinese tourists, with an annual increase of +10.6%. Chinese travellers are interested in in-depth trips and single/two destinations visits, extended-family and experience-led holidays. In **India**, the use of mobile apps have revolutionised travel booking behaviours with Indian travellers now more open to unplanned holidays and more likely to book activities "in-trip".

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (10 month arrivals) January - October 2017		Northern Ireland Visitors (6 month visitors) January - June 2017	
	'000s	% YOY	'000s	% YOY
Total	8,531,500	+3.1%	973,000	+4%
Great Britain	3,132,900	-6.1%	651,000	0%
Mainland Europe	3,016,700	+4.4%	156,000	+13%
North America	1,845,200	+16.4%	98,000	+8%
Rest of world	536,600	+14.7%	68,000	+34%

Sources: CSO, NISRA

Note : **Arrivals** are all overseas trips to the destination including transits, transfers, overnights and day-trips.
Visitors only include those who stay overnight in the destination.

Ireland: The latest official figure for overseas arrivals to Ireland from January to October was 8,531,500. This represents growth of +3.1% (254,000 additional arrivals) on the same ten-month period last year. North America and long-haul markets continue their strong performance with arrivals from the US and Canada up +16.4% and arrivals from Australia and Developing Markets growing by +14.7%. Arrivals from Mainland Europe also grew by +4.4%. Arrivals from Britain continue to decline with a decrease of -6.1% for the January to October period.

Northern Ireland: According to NISRA, overseas visitors to Northern Ireland grew +4% in the January-June 2017 period when compared to the same period in 2016, this represents 973,000 overseas visitors. Holiday visitors grew by +8% and revenue grew by +11% to more than £255+ million for these six months. Holidaymaker increases were recorded from all of our main market areas, with GB growing by +4%, North America by +8%, Mainland Europe by +13% and Australia and Developing Markets up +34%.

4.2 Air and Sea Connectivity

Estimates

Air Access Seat Capacity Estimates	Winter 2017/18 vs. Winter 2016/17		
YOY % Change	Ireland	NI	Island
Great Britain	+1%	-11%	-3%
Mainland Europe	+9%	-1%	+8%
-France	+4%	+3%	+4%
-Germany	+36%	-33%	+35%
North America	+19%	-55%	+17%
ADM	+25%	NA	+25%
Overall	+7%	-10%	+3%

Source: TTC Winter Access Estimates. Capacity is estimated at a single point in time (December) for the season.

NA= Not applicable

The 2017/18 winter season is estimated to see a +3% increase in direct, one-way air seats available per week to the island of Ireland, when compared to the same period last winter. It is projected that there will be just over 430,000 one-way weekly seats available, the largest amount since the winter period of 2008/09 (when 440,000 were available), with growth in seat capacity from North America, the Middle East and key European markets.

Ireland is estimated to see a +7% increase in air seats available. However, Northern Ireland is forecast to experience a -10% decline, primarily driven by the reduced frequency of British Airways' Heathrow-Belfast City airport service, and the winter suspension of Ryanair's London-Belfast International Airport service from Gatwick, however, this Ryanair service will be reinstated from Stansted to Belfast International Airport in March.

There have been many positive air connectivity announcements. These include; Ryanair's new services from Stuttgart and Munich in Germany to Dublin which offer significant inbound potential, Aer Lingus adding new winter routes such as Miami and Bordeaux to Dublin, Norwegian's year-round transatlantic services and Flybe's increased capacity on GB routes to Belfast.

Ferry capacity is broadly in line with last winter, with welcome developments coming on stream next year on key routes from France and GB.

4.3 Total Passenger Numbers

	Total Pax 2016*	Sept 2017 % change YOY	Oct 2017 % change YOY
ROI sea passengers	3.1m	+2%	-2%
NI sea passengers	2m	+3%	0%
Dublin Airport	28m	+7%	+4%
Shannon Airport	1.7m	-2%	+3%
Cork Airport	2.2m	+6%	+4%
Ireland West Airport Knock	0.7m	0%	-5%
All ROI Airports	32.6m	+6%	+3%
Belfast International Airport	5.1m	+10%	
Belfast City Airport	2.7m	-7%	
City of Derry Airport	0.3m	-44%	
All NI Airports	8.1m	+2%	

Sources: CAA, DAA, Shannon Group, Belfast City Airport, Fáilte Ireland, Annaero, Ferrystat.

*Total Pax 2016 is the total traffic (two-way and includes transit passenger) at the airport(s)/seaports

N/A=Not available.

Looking at the first ten months of the year, published air passenger traffic results to Ireland were up +5% (this includes two-way traffic, Irish residents and connecting transit business).

Sea passenger numbers to and from Ireland, which also include Irish residents, were up +2% YOY for the January to October period, while sea passengers to and from Northern Ireland were up +3% YOY for the same period.

4.4 Accommodation

Hotel accommodation data estimates

	Occupancy % change January – October 2017 v January – October 2016	Average Daily Rate % change January - October 2017 v January - October 2016
Island of Ireland	+1.7%	+6.7%
Ireland	+1.5%	+7.0%
Northern Ireland	+3.5%	+12.2%
Scotland	+1.6%	+5.8%
England	+0.5%	+3.9%
Italy	+3.9%	+4.3%

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 reports that hotels on the island of Ireland experienced good growth in terms of ADR and occupancy in the January to October 2017 period.

Industry sources on the island report that business from the US remains strong, while performance from the GB market continues to remain sluggish. Tour operators point to accommodation capacity constraints in key tourism hotspots as a major barrier to future growth. However, there are a number of hotels under construction with an estimated increase of between 7,000–10,000 rooms on the island of Ireland by 2020.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
<p>Bright</p> 	<p>Accommodation providers</p> <p>The Northern Ireland hotel sector is reporting a strong year this year with good occupancy and room rates. While business from Great Britain had declined, the United States and Mainland Europe performed well. There was a strong performance from overseas tour business, as well as leisure travellers, and sentiment from across the sector is positive for 2018.</p> <p>In Ireland, hotels and guesthouses are also reporting a strong 2017 across all the main tourist hubs. Dublin in particular traded very well with high occupancy and a strong room rate. Sources report slow performance from Great Britain and some European markets, but business from other major markets was strong. Sector sources remain optimistic for 2018.</p>
<p>Mixed</p> 	<p>Air and sea carriers</p> <p>Air performance for 2017 has been positive with increased services for the summer helping to ensure a strong year for passenger growth. Yields however were weak, and across the industry we saw failures such as Monarch, Air Berlin and Alitalia. The access picture for 2018 is positive with increased capacity/frequency on established routes and some welcome new long-haul routes.</p> <p>A leading sea carrier has seen a good year to date with a positive picture to the end of the year. Business was stimulated by a good market response to promotions and discounting and 2017 is expected to turn out marginally ahead of last year. The picture is also positive from Mainland Europe, with business from Germany and France performing well overall. Sentiment for 2018 remains optimistic on the back of the 2017 performance.</p>
<p>Mixed</p> 	<p>Attractions</p> <p>Key visitor attractions in Northern Ireland are reporting a very positive performance, with a significant increase in overseas business this year. An upbeat outlook continues for 2018.</p> <p>Overall, attractions across Ireland performed well too this year, with some strong individual markets, such as the US, compensating for a more subdued performance from Britain and some Mainland European markets. While the last quarter softened for some attractions there is still a cautiously positive outlook for 2018.</p>
<p>Mixed</p> 	<p>Tour Operators</p> <p>Tour Operators are reporting a good year in 2017 overall, but remain cautious for 2018. This sentiment comes in anticipation of the long term implications of the increase in accommodation rates, capacity issues at attractions, and the continuing uncertainty around Brexit.</p>

4.6 Tourism Ireland Market Outlook

Great Britain: The picture from GB remains very mixed and difficult to call, with many operators concerned about business in 2018. Ongoing feedback suggests that hotel price and availability remain an issue, particularly in Dublin. While some operators are positive, with good forward bookings, others report that their allocations and rates did not compare positively with competing destinations, and, as a result, this has impacted sales, with booking numbers down YoY. Tourism Ireland will be working with partners throughout 2018 to encourage regional and seasonal extension, and highlight value for money messages and breaks.

North America and Australia: Industry sentiment in the **US** is positive overall as attention turns to 2018. Many operators are reporting a steady YOY growth in Q4 bookings and, on the back of another robust year, 2018 appears to be off to a good start with strong Q1 bookings. However, concerns are still being expressed at ever-increasing rates for Dublin properties and low availability for ad hoc groups with tour operators offering more properties outside of Dublin. In **Canada**, operators are reporting a very strong 2017 and good forward bookings for 2018, particularly in the luxury sector. The increase in access from both the US and Canada should lead to another strong year for these markets in 2018.

Mainland Europe: In **Germany**, major tour operator brochures have been delivered to travel agencies and 2018 co-operative promotions for the island have begun in earnest. Air capacity from Germany will be close to 28,000 seats per week for summer 2018 and this is expected to bring gains. However, hotel capacity in Dublin and other hotspots around the island remain an area of concern. Tour Operators in **France** are generally positive about their business to Ireland in 2018 and have welcomed the increased capacity from a major sea carrier. Air access is also expected to remain relatively stable or improve slightly in 2018, including on regional routes. Feedback for Ireland remains positive in **Spain** too with Tour Operators reporting strong sales to the island, and carriers were also seeing good results from co-operative marketing activities. There are some concerns around the impact of the Catalan crisis, however, as this region makes up 25%-30% of our business from the Spanish market. In **Italy** group bookings look strong to the end of the year and into 2018 for both airlines and Tour Operators with new coach tours and FIT packages added to programmes. OTAs are reporting very strong sales to date and are positive for the rest of the year and into 2018. Operators in **The Netherlands** and **Belgium** report a strong 2017 with a general increase in demand for Green/Northern European destinations and expect the demand for Ireland to remain stable in 2018. FIT business is also performing very well from these markets into 2018.

Developing Markets: Travel trade in **India** reports an increase in bookings to the island and cite the British Irish Visa Scheme as instrumental for this growth. Travel agents are increasingly selling Ireland as part of a UK/Scotland package. Increased air capacity has led to greater competition and lower flight costs, which is encouraging more travel to the island. In **China**, a recent forecast report (from a major OTA) on Chinese tourists to Europe 2017-2018 predicts an annual increase of 10.6%. Europe has become the third most popular destination for Chinese tourists and, in the next two years, the number of Chinese tourists visiting Europe is expected to reach 5.5-6 million, with an overall tourism spend of €19.6 billion - half of this sum is expected to be spent on shopping.

5. Conclusion

Sentiment is positive overall from both overseas trade partners and tourism businesses across the island of Ireland. Performance for 2017 was strong overall and partners remain optimistic as we head into 2018.

However, declining visitor numbers from Great Britain to Ireland continue to cause concern. While Northern Ireland did not appear to be negatively impacted to date, and some stronger performing overseas markets have counter-balanced these declines, we remain vigilant as we look towards the future. Tourism Ireland is monitoring the trading environment in Great Britain and value for money remains a key message for us into 2018. While the continuing depreciation of the pound against the euro provides good opportunities for Northern Ireland, the impact continues to be felt more negatively in other parts of the island. Other main market areas are performing well and many partners are reporting bookings for the island of Ireland ahead of, or at least on a par with, last year.

While hotel occupancy and room rates are performing strongly for providers in both Northern Ireland and Ireland, the challenges associated with capacity and room rates remain a key issue for Tour Operators, even during the shoulder season.

Tourism Ireland has a number of late-season campaigns and co-operative promotions under way in the main markets, helping to boost travel into the early part of 2018. We also continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities.

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