



The Giant's Causeway, County Antrim

SOAR
(Situation & Outlook Analysis Report)
February 2017

Summary Headlines

- **Industry sentiment** on the island of Ireland and the outlook from overseas trade partners generally remains positive for 2017. **Latest intelligence** from key sources on the island of Ireland regarding January 2017 suggests that bookings and performance were on a par with, or ahead of, this time last year. Web visits to Ireland.com and organic traffic were up +25% and +10% respectively in January YOY.
- The United Nations World Tourism Organisation (UNWTO) forecasts **international tourism to grow** by +3% to +4% worldwide in 2017.
- There are estimated to be approximately 418,000 direct, one-way weekly **air seats** available this winter to the island of Ireland, a +4% increase in capacity compared to the same period last year. **Ferry** capacity this winter is estimated to be unchanged. Indications for air capacity for the 2017 summer season are positive with further improvements projected, especially from North America, the Middle East and key European markets.
- Accommodation capacity constraints in key tourism centres, and the impact of Brexit, remain among the **principal concerns** for industry and trade in 2017. Tourism Ireland is closely monitoring the possible implications of Brexit and is liaising with key stakeholders on the island of Ireland and overseas.
- Tourism Ireland will create 'stand out' for the island of Ireland around the world throughout 2017, **highlighting iconic experiences** including the Wild Atlantic Way, Ireland's Ancient East, Titanic Belfast and the Causeway Coastal Route. We will also promote Dublin and Belfast, in particular for shoulder and off-peak travel. The aim this year is to grow overseas tourism revenue by +4.5% to €5.7/£4.9 billion, for the island of Ireland.
- According to the latest official figures **for overseas arrivals to Ireland** there were almost 9.6 million arrivals in 2016 – another record year. This represents an increase of almost +11%, or just over 940,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas - North America (+19%), Great Britain (+11%), Mainland Europe (+9%) and Australia and Developing markets (+2%). In the first nine months of 2016 overseas holiday visitors grew by +9% and revenue from holidaymakers grew by +8%, when compared with the same period in 2015.
- **Overseas visitors to Northern Ireland** grew by +8% YOY for the first nine months of 2016 according to the latest official results. During that period, Holiday visitors grew by +11% and revenue from overseas visitors to Northern Ireland grew by +17% (to £436 million). GB, which accounted for 64% of all overseas visitors to Northern Ireland in the nine months, grew by +5%. Mainland Europe and North America were the fastest growing Market Areas with increases of +14% and 13% respectively during the period.

2. Global Outlook

The UNWTO reports that international tourist arrivals grew by almost +4% in 2016 to reach a record total worldwide of 1.24 billion. Some 46 million more tourists (overnight visitors) travelled to international destinations around the world last year compared to 2015.

Tourism growth of +5% in advanced economy destinations exceeded that of emerging economies which grew by +3%. Europe grew by +2%. Northern Europe, of which the island of Ireland is part, experienced +6% growth, ahead of the +4% global increase. Ireland and Northern Ireland both significantly outgrew Europe as a whole, resulting in market share growth. The outcome for 2016 is summarised in the below table.

The majority of the UNWTO's *Panel of Experts* expect 'better' or 'much better' results in 2017 than 2016, and the UNWTO is forecasting international tourism to grow by +3% to +4% worldwide this year. By region, growth is expected to be stronger in Asia and the Pacific and Africa (+5% to +6%) and the Americas (+4% to +5%), followed by the Middle East (+2% to +5%) and Europe (+2% to +3%).

UNWTO Global Performance	
International Arrivals	Jan-Dec 2016 YoY % +/-
World	+4%
Africa	+8%
Asia Pac	+8%
Americas	+4%
Middle East	-4%
Europe	+2%
Northern Europe	+6%
Northern Ireland (NISRA) (Jan-Sept)	+8%
Ireland (CSO) (Jan-Dec)	+11%

Sources: UNWTO, NISRA, CSO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

According to Oxford Economics, a combination of forces including shifts in the global economy, geo-political uncertainty and rising consumer demand will continue to reshape the travel landscape in 2017. **Oxford Economics** recently published its key economic commentary for 2017 including reference to potential impact on global travel. These include:

- **World GDP growth to improve – but only modestly.** Oxford Economics forecasts world growth of +2.6% in 2017, up from +2.2% in 2016.
- **US policies will shape the global landscape** – Oxford Economics expects US growth to improve in 2017 and US financial market developments will have a major impact on the global economic landscape.
- **Eurozone to prove surprisingly robust** – Oxford Economics forecasts that the Eurozone will grow by +1.5% in 2017.
- **UK economy to continue to grow** – Oxford Economics projects UK economic growth of +1.5% this year. This may be tempered by lower real income growth should inflation rise.
- **Euro/dollar rate may reach parity by end 2017** – The widening of interest rate differentials between the US and Eurozone may drive the euro/dollar rate down to parity by end 2017 for the first time since 2002. Oxford Economics forecasts that the GBP:EUR exchange rate will be in the range of £1:€1.20 during 2017.
- **Wage growth to make a comeback** – With measures of labour market turnover rising, Oxford Economics expects wage growth to strengthen in the advanced economies in 2017.

3.2 Economic Indicators

Great Britain

The UK economy continued to enjoy reasonable growth in the latter part of 2016. However, growth was heavily reliant on the strength of consumer spending. Oxford Economics expects inflation to nudge up and accelerate sharply through 2017. Oxford Economics forecasts that economic activity will slow through 2017 and into 2018. It expects GDP growth to be +1.5% in 2017 and +1.3% in 2018.

2017 GDP Forecast:	+1.5% (up from 1.4%)
CPI 2017:	+2.5% (down from +2.7%)
Unemployment:	4.8% (down from 4.9%)
Exchange rate(€/£):	€1:£0.85 (no change)

USA

Economic data is quite buoyant for 2017, with private sector confidence recording post-recession highs. Real consumer spending continues to grow, supported by solid income growth. Business sentiment has picked up since the presidential election, as expectations have surged in anticipation of major corporate tax breaks and deregulation.

2017 GDP Forecast:	+2.3% (up from +2.0%)
CPI 2017:	+2.2% (no change)
Unemployment:	4.7% (down from 4.9%)
Exchange rate (€/€):	€1: \$1.07 (up from \$1.06)
Exchange rate (£/\$):	£1: \$1.26 (down from \$1.27)

France

The unemployment rate fell to 9.5% in November, the lowest since 2012. However, inflation is set to rebound to over +1% in 2017. Labour market improvements should mean relatively healthy household income growth this year, with the slowdown in wage growth bottoming out. In turn, this should continue to support consumer spending. According to Oxford Economics, upbeat confidence and activity indicators all suggest a sharp pick-up in economic growth.

2017 GDP Forecast:	+1.5% (no change)
CPI 2017:	+1.2% (down from 1.3%)
Unemployment:	9.5 % (down from 10.5%)
Exchange rate(€/£):	€1: £0.85 (no change)

Germany

The German economy ended 2016 on a high note. While it is too soon to judge growth prospects for Q1 2017, the fact that business surveys remained at robust levels in December bodes well for GDP growth in the early stages of this year. The key recent development in Germany has been the surge in inflation from +1.8 % to +2.0%. While the rise mainly reflected higher energy inflation, Oxford Economics expects higher inflation to prompt workers to push for higher wage rises to compensate. The combination of these factors is likely to see consumer spending growth of +1.4%.

2017 GDP Forecast:	+1.5% (up from + 1.4%)
CPI 2017:	+2.0% (up from +1.8%)
Unemployment:	6.0% (no change)
Exchange rate(€/£):	€1: £0.85 (no change)

Source: Oxford Economics Briefing and Outlook reports January 2017. Comparisons are with the December 2016 SOAR report

3.3 Travel Trends in Key Markets

Great Britain: Tourism Ireland commissioned RED C to carry out research among British consumers this January, to assess their propensity to travel overseas in 2017. Of those Britons who will consider travelling overseas for their holiday this year, the research indicates that – 50% will spend less while on holiday; 25% will reduce their length of stay and 17% will postpone a trip outside the UK. Approximately 65 million overseas trips are taken to all destinations by British travellers each year. Oxford Economics estimates that outbound travel from Great Britain overall will decline by -2.5% in 2017, which would equate to 1.5 million fewer trips overseas.

North America: Data from the US Department of Commerce reports that US departures to Europe increased by +8% in 2016. According to VisitBritain, there was an increase of +3% in visitor numbers from the US to Great Britain in the first nine months of 2016. The vast majority of the USTOA (US Tour Operators Association) members are buoyant and expect a record year in 2017. Oxford Economics forecasts US outbound trips will grow by +7% in 2017. During the first ten months of 2016, Canadian visits to Europe increased by +2% YOY, according to the Conference Board of Canada. Almost 3.6 million Canadians visited Europe in the period May-October 2016, the highest volume of travel ever recorded for that period.

Mainland Europe: The prospects for outbound travel from key European source markets generally remain positive, despite geo-political uncertainty and general elections in some markets this year. A leading German report forecasts that Germans will keep travelling this year, after stable demand in 2016. The most important travel destinations remain Germany itself, Spain, Italy, Austria, Greece and despite some decline, Turkey is still a significant player. It is an election year in France; however it does not appear to have any negative impact on outbound travel prospects thus far. Outbound travel looks to be buoyant in the Spanish market, in line with the recovering economy. In Italy, an *Expedia* report on 2017 outbound trends suggests a rise in searches by Italians for alternative “safe” destinations compared to classic sun holidays and breaks in European capitals. According to trade sources in the Netherlands and the Nordics, the prospects for growth in outbound travel in 2017 are positive.

Australia & Developing Markets: Australians remain cautious about their travel plans to Europe, according to trade feedback. Uncertainties in Europe, and particularly the terrorist attacks in France, impacted travel to Paris – one of Europe’s major arrival points. Bookings for other European destinations such as Italy and Spain increased in 2016.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals		Northern Ireland Visitors	
	January 2016 –December 2016		January –September 2016	
	'000s	% YOY	'000s	% YOY
Total	9,584	+11%	1,620	+8%
Great Britain	3,924	+11%	1,043	+5%
Mainland Europe	3,302	+9%	270	+14%
North America	1,808	+19%	198	+13%
ADM	550	+2%	108	+8%

Sources: CSO, NISRA ADM = Australia and Developing Markets. Please note that 'visitors' are that subset of arrivals who overnight in a destination.

Ireland: Overseas arrivals to Ireland grew to record levels in 2016, with almost 9.6 million arrivals based on the latest official figures. This represents an increase of almost +11%, or over 940,000 additional overseas arrivals compared to the same period in 2015, and helped to support over 220,000 vital jobs across the tourism sector. Growth was seen from all market areas – North America (+19%), Great Britain (+11%), Mainland Europe (+9%) and Australia and Developing markets (+2%). In the first nine months of the year overseas holiday visitors grew by +9% and revenue from holidaymakers grew by +8%, compared to the same period in 2015. Mainland Europe and North America were the fastest growing Market Areas with increases of +14% and 13% respectively during the period.

Northern Ireland: The latest available official data reports that overseas visitors to Northern Ireland grew by +8% for the first nine months of 2016, when compared to the same period in 2015. Holiday visitors grew by +11% and revenue from overseas visitors to Northern Ireland grew by +17% (to £436 million) during that period. GB visitors grew by +5%, accounting for 64% of all overseas visitors to Northern Ireland during the nine months.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates			
Winter 2016/17 vs. Winter 2015/16			
YOY % Change	Ireland	NI	Island
Great Britain	+1%	+1%	+1%
Mainland Europe	+4%	+109%*	+8%
-France	-7%	NC	-6%
-Germany	+4%	NA**	+7%
North America	+17%	NC***	+17%
ADM	-9%	NA	-9%
Overall	+3%	+8%	+4%

Source: TTC Winter Access Inventory Report 2016/17 on scheduled direct one-way weekly seat capacity. Capacity is estimated at a single point in time (December) for the season. NA= Not applicable NC = No change * Northern Ireland one-way weekly air seats available grew from just under 6,000 to over 12,000 **Note: Germany-Northern Ireland new service offering 567 one way seats per week *** United Airlines ended their Newark to Belfast service in January 2017.

There are estimated to be approximately 418,000 direct, one-way air seats available each week this winter to the island of Ireland, a +4% increase in capacity compared to the same period last year. This is the largest number of seats since the winter of 2008/09, when there were just over 440,000 available. Key air announcements for this winter include Ryanair adding new routes and frequency to their network such as Berlin and Milan to Belfast, expansion by Aer Lingus on transatlantic services and KLM introducing a new Amsterdam-Dublin service. Ferry capacity this winter is estimated to be unchanged.

Indications for air capacity for summer 2017 are positive, with an overall increase anticipated. Developments include a new Aer Lingus flight from Miami to Dublin, as well as expanded services from Los Angeles, Chicago and Orlando. Other new routes include a Delta flight from Boston to Dublin; Transavia from Munich to Dublin; a Norwegian service between Stockholm and Dublin; an SAS flight from Stockholm to Shannon; a Lufthansa flight from Frankfurt to Shannon; a Ryanair service from Girona to Belfast; WOW Air service from Reykjavik to Cork; an Air Iceland service from Reykjavik to Belfast; and a Swiss Air flight from Zurich to Cork. Etihad will once again operate double-daily departures from April between Abu Dhabi and Dublin and Qatar Airways will fly from Doha to Dublin, commencing in June.

While connectivity improvements are paying dividends, airlines have alluded to yield concerns (which have been squeezed in recent years). Yield is critical for overall viability and for sustaining future capacity growth.

4.3 Total Passenger Numbers

	Total Pax 2016*	2016 v 2015 YOY % change
Dublin Airport	28m	+11%
Shannon Airport	1.7m	+2%
Cork Airport	2.2m	+8%
Ireland West Airport Knock	0.7m	+7%
Belfast International Airport	5.1m	+17%
Belfast City Airport	2.7m	-1%
City of Derry Airport	0.3m	+2%
All ROI Airports	32.6m	+10%
All NI Airports	8.1m	+10%
All UK Airports	222m	+5%
All Netherlands Airports	70m	+9%
All Norwegian Airports	54m	+1%
All Swedish Airports	43m	+5%
ROI sea passengers	3.1m	-3%
NI sea passengers	2m	+1%

Sources: CAA, Annaero, DAA, Shannon Group, IWAK, Fáilte Ireland, Ferrystat. *Total Pax 2016 is the total traffic estimate (two-way and includes transit passenger) at the airport(s)/seaports
A number of Northern European markets included for comparison purposes.

Published air passenger traffic results to the island of Ireland (two-way and includes connecting transit business) were mainly positive for 2016. These included two-way travel as well as transit business. Sea passenger numbers to and from Ireland, which also includes Irish residents, were down -3% YOY in 2016, while sea passengers to and from Northern Ireland were up +1% YOY.

Ryanair reports that its total annual traffic grew by +15% to 117m customers in 2016. According to IAG, Aer Lingus traffic (measured in revenue passenger kilometres RPKs) in December 2016 was up by +11.7% on December 2015.

The year appears to have started well, with key airports on the island of Ireland realising positive results for January.

4.4 Accommodation

Hotel accommodation data estimates

	2016 v 2015 Hotel Rooms Sold % change	2016 v 2015 Average Daily Rate % change
Island of Ireland	+1%	+12%
Ireland	+1%	+14%
Northern Ireland	+3%	+8%
Scotland	+1%	0%
England	+2%	+2%
Italy	-1%	-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 in Dublin and Belfast, indicates that hotels on the island of Ireland experienced marginal growth in terms of hotel rooms sold last year. It is not possible to break out overseas bookings from domestic business. However, average daily rates on the island of Ireland grew significantly in 2016, and Ireland had the second highest increase in Europe last year according to STR. They also reported that Ireland had the highest hotel occupancy rate in Europe last year.

The Northern Ireland Statistics and Research Agency (NISRA) reports that there was an overall +10% increase in bed-spaces sold in hotels, guesthouses, B&Bs and guest accommodation across Northern Ireland during the January-November 2016 period; this equates to almost 360,000 additional bed-spaces sold when compared to the same period in 2015. However, it is not possible to break out overseas bookings from domestic business. Early indications from the hotel industry are that enquiries and bookings for 2017 are in line with, or ahead of, the same period last year.

Airbnb reports that 403,500 'inbound' guests to Dublin used their service in 2016, spending €221 million during their stay. Airbnb also reports that 30% of inbound business came from North America, 19% from the UK, 11% from France and 7% from Germany.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	Accommodation providers <p>Hotels and guesthouses in Ireland report that Brexit is a key concern for 2017. Having said that, they remain optimistic – with the vast majority planning to upgrade and reinvest in their businesses and increase spend on marketing this year.</p> <p>The Northern Ireland hotel sector reports that 2016 finished well, and 2017 appears to have started on a positive note. Initial indicators are that Northern Ireland should have a better start to 2017 than it did to 2016. The weaker pound and increased direct air access have all helped to drive business. Reports suggest that summer bookings for Northern Ireland are solid, with providers reporting good interest in tour business and leisure from overseas.</p> <p>While acknowledging that it is too early to call, the B&B sector reports that booking numbers across the island of Ireland are very positive so far for 2017.</p>
Mixed 	Air and sea carriers <p>The majority of carriers to the island of Ireland report that 2016 was a year of growth. They anticipate another good year in 2017, with increased 'lift' coming on-stream this summer, especially from long-haul markets, North America and Mainland Europe. A leading surface carrier reports steady bookings in a very competitive market where ferry companies are discounting fares in the early sale period. There is concern that further depreciation in sterling would weaken consumer confidence.</p>
Bright 	Attractions <p>Many attractions reported record visitor numbers in 2016 and are positive about 2017. This time of the year is traditionally quiet for many attractions, especially those outside the tourism hotspots. Many say that it is difficult to predict how 2017 business will unfold, given the limited booking data available at this stage in the year. Larger attractions are generally reporting bookings on a par with, or ahead of, the same time last year.</p>
Mixed 	Tour Operators <p>Tour Operators remain optimistic about 2017, but are cautious about the long term implications of increases in accommodation rates and capacity issues, as well as the impact of geo-political uncertainty on travel.</p>

Source: Based on feedback from island of Ireland industry sources, January 2017

4.6 Tourism Ireland Market Outlook

Great Britain: Early 2017 feedback from tour operators is mixed and for some it is too early to call the season. Ongoing feedback suggests that capacity continues to be a challenge, with many tour operators referencing lack of hotel space in Dublin, Killarney and Galway, particularly at the weekends. The weaker exchange rate, which makes Ireland a more expensive destination, is another factor for 2017. However, this is not the case for Northern Ireland. A leading OTA has seen a shift from hotel only bookings to dynamic packaging (flights plus hotel combined). The operator believes that there is potential to grow this business in 2017 as consumers continue to be deal savvy and view these packages as good value. Web traffic from GB to Ireland.com in January has been very strong with double digit increases, YOY.

North America: Overall at this early stage, US tour operators report a good start to the year, with demand largely mirroring that of last year. All remain optimistic for another positive year. The escorted tours sector is reporting a positive advance booking pipeline (+5% to +10%) for 2017. A strong dollar and competitive air fares, driven by an increase in peak season air capacity to the island of Ireland, will be a key factor in driving continued growth. Hotel prices and availability remain a cause for concern and are the biggest constraints to future growth for tour operators. This impacts all travel sectors with the highest impact on ad hoc groups. There is continued positive sentiment towards the island of Ireland from Canadian industry partners. However, Canada is celebrating its 150th anniversary this year and there is an emphasis on travel within Canada to commemorate the founding of the state.

Mainland Europe: Provisional visitor numbers from Europe for 2016 show a strong performance, with growth from almost all markets, and a standout performance from Benelux, largely due to the first full year of significant access increases, which also assisted business from the Netherlands. Local trade and carrier partners are very happy with their 2016 performance and are optimistic about prospects for 2017, with leisure group bookings continuing to show growth. Winter access is positive, in the main, with new routes and increased frequency from markets including Italy, Germany, Spain, the Nordics and the Netherlands, making it easier to travel to the island of Ireland.

Australia & Developing Markets: Feedback from Australian operators for travel to the island of Ireland is mixed, with some cautious confidence. According to the Irish visa office in Beijing, visas approvals increased +21% in 2016 compared with 2015. Qatar Airways new flight from Doha to Dublin will commence in June and will provide improved connectivity from Australia and the Indian subcontinent to the island of Ireland.

5. Conclusion

2017 has kicked off strongly with feedback from industry sources suggesting a positive start in the early weeks. Web visits and organic traffic to Ireland.com were also up +25% and +10% respectively in January.

This year, Tourism Ireland aims to grow overseas tourism revenue to the island of Ireland by a further +4.5% to €5.7/£4.9 billion. Our focus continues to be on investing in best prospect markets and in consumer segments with the greatest potential to visit now. The key themes of our campaigns include iconic experiences like the Wild Atlantic Way, Ireland's Ancient East, Titanic Belfast and the Causeway Coastal Route. We are also promoting Dublin and Belfast, in particular for shoulder and off-peak travel.

Tourism Ireland's first half marketing campaigns are in full swing overseas, and there has already been strong tourism industry participation at key consumer and trade events overseas and further promotions and sales missions are planned. Air and sea access remains strong and is set for further improvement this summer. Our extensive overseas publicity programme will generate positive exposure for the destination throughout the year. We will continue to leverage Tourism Ireland's successful partnerships with Game of Thrones and Star Wars. And, we will capitalise on the tourism benefits of major sporting events, including the Irish Open at Portstewart Golf Club and the Women's Rugby World Cup in Dublin and Belfast.

Since the EU referendum in the United Kingdom, Tourism Ireland has been monitoring developments closely, to better understand and plan for the implications of Brexit. The depreciation of the pound against the euro makes competitiveness and value for money more important than ever for us in the GB market this year.

We will continue to work with island of Ireland industry and trade partners overseas to promote compelling holiday experiences, ease of getting here and good value for money.

Ends