



Banna Beach, Co Kerry

SOAR
(Situation & Outlook Analysis Report)
July 2017

1. Summary Headlines

- Latest official figures for **overseas arrivals** to Ireland in the first six months of 2017 show there was +4.2% growth overall. 2017 had the best ever month of June for Irish tourism, with almost 1 million arrivals, an increase of +8%. During this first six months period, there has been impressive growth of +21.6% from North America, with Australia and Developing markets also performing very strongly with an increase of +20.6%. Arrivals from Mainland Europe also grew, by a more modest +6%. However, Great Britain continued to decline, with a decrease of -6.4% in the Jan-June period. While there are no official figures available for **Northern Ireland** yet, industry sources report a very positive performance to date.
- Overall, **industry sentiment** across the island of Ireland and from overseas trade partners remains positive. Business is generally strong and intelligence for June suggests that bookings and performance are generally ahead of last year. However, sources also report a continued slowdown from the British market and declines from some European markets. Competitiveness challenges as a result of accommodation capacity constraints in the main tourism centres, and the impact of Brexit on exchange rates, remain the key concerns for industry and trade partners. Tourism Ireland continues to liaise with stakeholders on the island of Ireland and overseas, and is closely monitoring the possible implications of Brexit on all markets and the impact of recent terrorist incidents.
- Both STR hotel data and industry sources report a **strong performance for hotels** across the island for the Jan-June 2017 period, and a positive outlook for the season as it unfolds. STR reports that occupancy in Northern Ireland has increased by +7% YOY for the first six months, with average daily rate increasing by +12%.

2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reports that international tourist arrivals worldwide grew by an estimated +6% in the first four months of 2017 compared to the same period last year.

By region, the Middle East (+10%) and Africa (+8%) saw the highest growth in the Jan-April period, while Europe recorded a +6% increase in arrivals. Northern Europe, of which the island of Ireland is part, experienced +9% growth, ahead of the +6% Europe increase. Results are summarised in the below table.

UNWTO Global Performance	
International Arrivals	Jan-April 2017 YoY % +/-
World	+6%
Africa	+8%
Asia Pac	+6%
Americas	+4%
Middle East	+10%
Europe	+6%
Northern Europe	+9%
Northern Ireland (NISRA)	N/A
Ireland (CSO) (Jan-May)	+3%
Source: UNWTO, CSO, N/A=Not available	

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Despite a degree of uncertainty and unpredictability, travel and tourism growth has remained at around +6% this year worldwide. While disruption has been a feature of travel and tourism for the past 20 years, the sector has continued to emerge stronger and more resilient for it. This can be seen in the latest International Air Transport Association (IATA) results.

According to IATA global passenger traffic results for May, demand (measured in revenue passenger kilometres, or RPKs) rose by +7.7% compared to the same month in 2016. This was slower than the +10.9% growth recorded in April; however, this was still well ahead of 5-year and 10-year average growth rates. All regions, excluding the Middle East and North America, posted record-high load factors in May.

IATA have indicated that passenger demand is solid and they don't foresee any weakening in the Northern Hemisphere over the busy summer months. But the rising price of fuel and other input costs are likely to challenge airlines' ability to stimulate markets with lower fares over the coming months. In addition, rising trade protectionism and barriers to travel are worrying trends and could impact on travel.

3.2 Economic Indicators

<p>Great Britain</p> <p>Inflation is close to +3% due to the depreciation of sterling and the impact of rising oil prices. With wage growth remaining subdued, consumers are enduring a squeeze in their spending power which is likely to last for the remainder of the year. Cuts in government spending and tax rises will mean that economic growth will be negatively impacted over the next few years.</p>	<p>2017 GDP Forecast: +1.7% (no change)</p> <p>CPI 2017: +2.9% (no change)</p> <p>Unemployment: 4.6% (down from 4.7%)</p> <p>Exchange rate(€/£): €1:£0.89 (up from €1:£0.87)</p> <p>Outbound Travel Forecast 2017: -2%</p>
<p>USA</p> <p>Oxford Economics continues to see GDP growth at +2.2% this year, despite the government's economic stimulus package not being fully implemented. Healthy employment growth and gradual increases in wages will support household spending and consumer confidence. Consumer spending continues to grow at around +2.5% which is underpinned by buoyant private sector confidence and lower taxes.</p>	<p>2017 GDP Forecast: +2.2% (up from +2.1%)</p> <p>CPI 2017: +2.0% (down from +2.3%)</p> <p>Unemployment: 4.4% (down from 4.5%)</p> <p>Exchange rate (€/\$): €1: \$1.15 (up from \$1.12)</p> <p>Exchange rate (£/\$): £1: \$1.28 (down from \$1.29)</p> <p>Outbound Travel Forecast 2017: +7%</p>
<p>France</p> <p>The election of Emmanuel Macron as president has markedly boosted business and consumer confidence in France. Following his election, the economic outlook is more positive and Oxford Economics have upgraded their 2017 GDP growth forecast from 1.4% to 1.6% this year. Macron proposed reforms should support labour market improvements as well as help France regain some of its lost competitiveness, in the long term.</p>	<p>2017 GDP Forecast: +1.6% (up from +1.4%)</p> <p>CPI 2017: +1.0% (down from +1.2%)</p> <p>Unemployment: 9.5 % (up from 9.4%)</p> <p>Exchange rate(€/£): €1:£0.89 (up from €1:£0.87)</p> <p>Outbound Travel Forecast 2017: +6%</p>
<p>Germany</p> <p>Economic growth prospects have improved further over the past month. Retail sales, consumer confidence and new car registrations show little evidence of household spending easing markedly in response to the rise in inflation. The government has also talked up the possibility of tax cuts after the 2017 election in response to the better-than-expected economic data. As a result, another year of solid GDP growth appears to be on the cards.</p>	<p>2017 GDP Forecast: +2.0% (no change)</p> <p>CPI 2017: +1.9% (no change)</p> <p>Unemployment: 5.7% (down from 5.8%)</p> <p>Exchange rate(€/£): €1:£0.89 (up from €1:£0.87)</p> <p>Outbound Travel Forecast 2017: +3%</p>

Source: Oxford Economics Briefing and Outlook reports June/ July 2017. Comparisons are with the June 2017 SOAR report

3.3 Travel Trends in Key Markets

Great Britain: According to official sources in the Scottish Government, the country is experiencing a strong year in tourism, especially from the staycation market. However, while domestic holidays remain popular with GB holidaymakers, spend is decreasing and cheaper options such as glamping are rising in popularity. The British countryside remains a popular destination for short stays and tourism is now reportedly the GB countryside's biggest source of income. Terror attacks have had a negative impact on tourism in the main cities, with London tourism expected to suffer significantly as a result. Research by World Travel Market shows that a third of Britons have changed travel plans this year due to terrorism.

North America: Travel to Europe remains buoyant with many destinations, particularly Spain, Portugal, Italy and Germany, experiencing strong growth from the US. Notably, US visitor traffic to the UK increased by +16% for the January to April period. Airfares to Paris, Rome, Barcelona and Madrid are 20%-30% cheaper this year and reports from European travel sources are very positive, with all areas performing strongly. Dublin, London and Rome are among the best performing European cities. Turkey and Egypt continue to report weak bookings.

Mainland Europe: In **Germany**, 'safe' sun destinations such as Greece are performing well, while destinations such as Turkey continue to suffer. In **France**, local sources report an increase of +9% in outbound travel this summer with Spain, Greece, Italy and Portugal proving popular; notable however, is an increase in bookings to Tunisia and Morocco. In **Spain**, AENA report a +5% and +7% increase from the airports of Madrid and Barcelona in May, the 5th month of incremental growth, with Spanish airports overall growing +9% cumulatively year to date. The Spanish outbound market is buoyant with a +7% increase in outbound bookings expected this summer. Overall the Spanish economy is doing well with latest predictions showing +3% growth in 2017, which bodes well for consumer confidence and spending. Overseas holidays are growing from **Italy** with Spain, Greece and France proving popular, however duration and spend are declining. Traffic through Italian airports grew by +6% from January to May, and Northern European destinations such as The Netherlands, Norway and Denmark are also performing well. Outbound travel is also strong from **The Netherlands** and their over-55 market is enjoying strong double digit growth.

Australia and Developing Markets: Outbound departures from **Australia** are growing, though at a very low rate, while the trend for last minute bookings to the UK, Ireland and Europe is strengthening. In **China**, demand for tailor-made tours is growing in the luxury market; Europe is a popular choice with 45% of high-end tourists travelling to Europe in 2016. In **India**, business travellers are increasingly incorporating family time into their business trips and extending their overseas stays by several days with family holiday add-ons.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (6 month arrivals) January - June 2017		Northern Ireland Visitors (12 month visitors) January - December 2016	
	'000s	% YOY	'000s	% YOY
Total	4,565,600	+4%	2,132,576	+9%
Great Britain	1,745,300	-6%	1,389,411	+7%
Mainland Europe	1,617,900	+6%	358,383	+15%
North America	922,300	+22%	249,962	+9%
ADM	280,100	+21%	134,821	+4%

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

Ireland: According to the latest CSO figures, overseas arrivals to Ireland grew by +4.2% overall during the period January to June 2017. North America continues its strong performance, with an increase of +22%. Visitor numbers from Australia and Developing Markets are also really positive for the first six months of 2017, up +21%. Arrivals from Mainland Europe grew by +6%, with important markets like Germany, France, the Nordics and Spain continuing to perform well. Great Britain, however, recorded a decline of -6% for this period.

Northern Ireland: The latest NISRA data reports a strong performance for Northern Ireland in 2016. Overseas visitors to Northern Ireland grew by +9% last year, when compared with 2015. Holiday visitors grew by +15% and revenue from overseas visitors to Northern Ireland grew by +12% (over £543 million).

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates		Summer 2017 vs. Summer 2016		
YOY % Change	Ireland	NI	Island	
Great Britain	-2%	-8%	-4%	
Mainland Europe	+6%	+22%	+7%	
-France	-4%	-9%	-5%	
-Germany	+6%	N/A	+8%	
North America	+23%	-20%	+22%	
ADM	+14%	N/A	+14%	
Overall	+5%	-2%	+4%	

Source: TTC Summer Access Inventory Report 2017 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

There are more than 550,000 direct, one-way air seats available per week to the island of Ireland during this peak summer season. This is a record number of seats and a +4% increase in capacity on the same period last year, with growth in seat capacity from North America, the Middle East and key European markets. However, direct air access from GB is projected to be down by -4% YOY to the island of Ireland, primarily driven by reductions in provincial services into Northern Ireland. Ferry capacity has remained unchanged compared to the same period in 2016, with almost 48,000 car spaces available per week.

Compared to last summer, new routes include Ryanair services to Belfast from Berlin, Girona and Milan, as well as from Hamburg to Dublin, a Transavia flight from Munich to Dublin, a SAS flight from Stockholm to Shannon, a Norwegian service between Stockholm and Dublin, a Lufthansa flight from Frankfurt to Shannon, WOW Air from Reykjavik to Cork, Air Iceland from Reykjavik to Belfast and a Swiss flight from Zurich to Cork, as well as a Delta flight from Boston to Dublin. There's a new Aer Lingus flight to Dublin from Miami, as well as expanded services on flights from Los Angeles, Chicago and Orlando. Norwegian Air's new services from the US to Belfast, Cork, Dublin and Shannon commenced in July. Etihad are operating double-daily departures between Abu Dhabi and Dublin and Qatar Airways flies from Doha to Dublin.

While connectivity improvements are paying dividends, airlines have concerns over yield, which continues to be squeezed, and is important for sustaining growth in capacity.

4.3 Total Passenger Numbers

	Total Pax 2016*	May 2017 % change YOY	June 2017 % change YOY
ROI sea passengers	3.1m	+5%	+1%
NI sea passengers	2m	-1%	+6%
Dublin Airport	28m	+5%	+6%
Shannon Airport	1.7m	-1%	-4%
Cork Airport	2.2m	-1%	+1%
Ireland West Airport Knock	0.7m	+3%	-1%
All ROI Airports	32.6m	+3%	+5%
Belfast International Airport	5.1m	+19%	+15%
Belfast City Airport	2.7m	-9%	
City of Derry Airport	0.3m	-41%	
All NI Airports	8.1m	+7%	
All UK Airports	222m	N/A	
All Danish Airports	34m	+1%	
All Norwegian Airports	54m	+2%	
All Swedish Airports	43m	+8%	

Sources: CAA, DAA, Shannon Group, Belfast International Airport, IWAK, 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. NOTES: A number of Northern European markets included for comparison purposes.

Looking at the first six months of the year, published air passenger traffic results to Ireland for 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 +3% YOY for the January to June period, while sea passengers to and from Northern Ireland were up +4% YOY for the same period.

4.4 Accommodation

Hotel accommodation data estimates

	Jan - June 2017 v Jan - June 2016 Occupancy % change	Jan - June 2017 v Jan - June 2016 Average Daily Rate % change
Island of Ireland	+2.3%	+6.4%
Ireland	+1.7%	+6.9%
Northern Ireland	+6.7%	+12.1%
Scotland	+2.6%	+5.5%
England	+1.4%	+4.8%
Italy	+4.7%	+3.4%

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 indicates that hotels on the island of Ireland experienced good growth in terms of ADR and occupancy in the January to June period.

Industry sources on the island report that performance from the GB market continues to remain sluggish. Business from the US, however, continued to remain strong, with the island of Ireland viewed as a safe, familiar and friendly destination that currently provides good value for the dollar.

According to NISRA, there was an overall increase of +9% in bed-spaces sold in hotels, guesthouses, guest accommodation and B&Bs across Northern Ireland for the January to May period. This strong performance represents an increase of +8% for hotels and an increase of +16% for guesthouses, guest accommodation and B&Bs.

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 first half to the year with strong occupancy and rooms rates. There's good interest from overseas tour business, as well as leisure travellers. Sentiment across the sector is very positive, with a strong summer season in progress.</p> <p>In Ireland, hotels and guesthouses are reporting a strong January to June period across all the main tourist hubs. Although business from Great Britain is generally slow, other main markets are compensating for this and both occupancy and room rates are performing well.</p>
<p>Bright</p> 	<p>Air and sea carriers</p> <p>Air performance for the first five months of 2017 has been strong and carriers are expecting this to continue. Increased services for the summer, especially from long-haul markets, North America and Mainland Europe, has helped to ensure a positive season.</p> <p>A leading sea carrier has seen a slight uplift in business from Britain in the past number of weeks, and this growth has been stimulated by increased promotion. Overall, the British market is looking marginally better than it was earlier in the year and is expected to grow slightly when compared to last year. From the Mainland Europe, the picture is also positive, with business from Germany and France expected to grow slightly this year.</p>
<p>Bright</p> 	<p>Attractions</p> <p>Attractions across Ireland are performing very well overall, with some very strong individual markets, such as the US, compensating for a more depressed performance from Britain and some Mainland European markets. Northern Ireland visitor attractions are reporting a similar picture with a significant increase in business for the first half of the year.</p>
<p>Mixed</p> 	<p>Tour Operators</p> <p>The long-term implications of increases in accommodation rates and capacity constraints continue to cause concern. However, Tour Operators are generally very positive about performance so far this year. Business from the US continues to perform very strongly, and European Markets are also doing very well. Bookings from Britain, however, continue to slow and are showing very little growth.</p>

Source: Based on feedback from island of Ireland industry sources, June/July 2017

4.6 Tourism Ireland Market Outlook

Great Britain: Reports from Tour Operators in the GB market are mixed. While recent terror attacks in Manchester and London have resulted in a small number of cancellations to mainland GB cities, there has been no reported impact on the island of Ireland, as yet. Ireland is in a strong position with regard to perceived safety but the current exchange rate, and hotel rate and availability issues, continue to frustrate the trade and hamper growth potential. An OTA partner reports that interest in Ireland has increased significantly YoY; the partner is actively working with Tourism Ireland to harness this potential. A new air route from GB to Northern Ireland is having a very positive impact and joint promotions are helping to drive bookings to the region. The sea carrier market remains extremely competitive, resulting in increased sales YoY being reported across the sector.

North America: All US Tour Operators are reporting an exceptionally strong season to Ireland. Attention is now turning towards the off-peak months as hotel inventories begin to free up. One leading escorted operator has reported a YOY increase of +13% in its 2018 bookings already. Norwegian Air commenced service in July from Stewart Intl Airport, NY, and Providence, RI, to Dublin, Belfast, Shannon and Cork, with 25 flights per week. Aer Lingus will begin its new twice weekly Miami to Dublin service on September 1. While there were no reported cancellations for Ireland in the aftermath of the tragedies in both London and Manchester, booking activity to Ireland for one large FIT operator declined in June, with the peak season all but sold out. Ongoing monitoring of booking trends with the leading operators remains a priority to influence visitor flows throughout the remainder of the year.

Mainland Europe: In **Germany**, major tour operators reported a slow start to the season this year with a slight decline in bookings, but while this has recovered somewhat, it is not expected to quite reach 2016 levels. The season is going very well for both air and sea carriers. Looking forward to 2018, there are some indications that FIT business is positive while demand for group tours may decline due to issues with pricing and availability. Overall, **Italy** is reporting a strong season and good uplift. The outlook from **Spain** is very positive from operators there and there is good bookings growth. **France** is less upbeat, with a decline in access moderating its strong start to the year. In **The Nordics**, feedback from operators on booking numbers remains positive, with new access developments and cooperative campaigns driving growth, while airlines are reporting good load factors for their new and more established routes.

Australia & Developing Markets: The island of Ireland is performing very well from **Australia** with double digit growth and very positive sentiment in the market, with **New Zealand** also showing strong growth - improved access and exceptional air fares are fuelling this performance. Indicators from **China** and **India** remain very positive, with continued strong growth in both interest and bookings and an expansion in programmes and length of stay. In **China**, an additional three British visa application centres in regional cities have now started to accept Irish visa applications, and this is expected to have a positive impact.

5. Conclusion

Overall, sentiment is positive from both overseas trade partners and tourism businesses across the island of Ireland. However, visitor numbers from Great Britain to Ireland continue to decline, and some European markets are also slowing down. While some stronger performing overseas markets are compensating for this, and Northern Ireland does not appear to be seeing a decline, it remains a concern.

Value for money continues to be a key message for Tourism Ireland in Great Britain as we remain alert to the implications of the market's current macro environment. While the depreciation of the pound against the euro provides good opportunities for Northern Ireland, its impact is being 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 on a par with, or ahead of, this time last year.

Tourism Ireland remains alert to all changes in the environment worldwide and continues to monitor risk factors such as exchange rates, pricing levels, global political unease and the global economy.

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 at peak times.

We continue to work closely with industry partners on the island of Ireland and with trade partners overseas to highlight compelling holiday experiences, good value for money and ease of getting to the island of Ireland.

Ends