



Glenmacnass, Co Wicklow

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

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## Summary Headlines

- **Overseas visitors to Ireland** grew to record levels in the first four months of 2016, with almost 2.6 million arrivals based on CSO estimates. This represents an increase of +16%, or nearly 360,000 additional overseas visitors, when compared to the same period in 2015. Growth was seen from all market areas - North America (+20%), Mainland Europe (+20%), Great Britain (+19%), and Australia and Developing markets (+2%).
- The Northern Ireland Statistics and Research Agency (NISRA) reports that almost two million **overseas visitors overnighted in Northern Ireland** in 2015, representing a +10% increase or more than 176,000 more than in 2014. All market areas delivered growth. Holiday visitors accounted for more than 595,000 overseas visitors (+10%); and, more importantly for the economy, revenue from overseas visitors to Northern Ireland grew by +8% during the year (£484 million). While there is no NISRA data available yet for 2016 overseas performance, Titanic Belfast reports that its overseas business was good for the first three months of the year, with a +9% increase recorded from Jan-March.
- **Industry sentiment** on the island of Ireland remains positive, with enquiries and bookings generally reported to be ahead of, or on par with, 2015 levels.
- The outlook from **overseas trade partners** is also positive. However, hotel capacity constraints in some urban areas during the peak are a key issue for many tour operators and a potential barrier to further growth. A survey by Tourism Ireland suggests that two thirds of overseas tour operators see room availability in Dublin as their 'biggest challenge' to growth.
- Tourism Ireland remains alert to **external risks** and we continue to monitor factors including Brexit, geo-political concerns, exchange rates, pricing levels and the global economy.
- Tourism Ireland continues to roll out its **extensive marketing campaign across all markets** to ensure that 2016 is another record breaking year for overseas tourism.

## 2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reports that international tourist arrivals worldwide grew by an estimated +5% in the first two months of 2016 compared to the same period last year.

By region, Asia and the Pacific (+8%) and the Americas (+7%) saw the highest growth in the January-February period, while Europe recorded a +4% increase in arrivals. Northern Europe, of which the island of Ireland is part, experienced +11% growth, well ahead of Europe's +4% increase. Results are summarised in the table below, illustrating the market share growth of Ireland in the early part of 2016.

The UNWTO forecasts that international tourism will grow by between +3.5% and +4.5% worldwide, this year.

<b>UNWTO Global Performance</b>	
<b>International Arrivals</b>	<b>Jan-Feb 2016 YoY % +/-</b>
<b>World</b>	<b>+5%</b>
Africa	+6%
Asia Pac	+8%
Americas	+7%
Middle East	-10%
<b>Europe</b>	<b>+4%</b>
<b>Northern Europe</b>	<b>+11%</b>
<b>Northern Ireland (NISRA)</b>	<b>N/A</b>
<b>Ireland (CSO) (Jan-Feb)</b>	<b>+22%</b>

*Source: UNWTO, CSO, NISRA, N/A=Not Available*

## 3. External Travel Trends

### Key Markets Economic and Travel Outlook

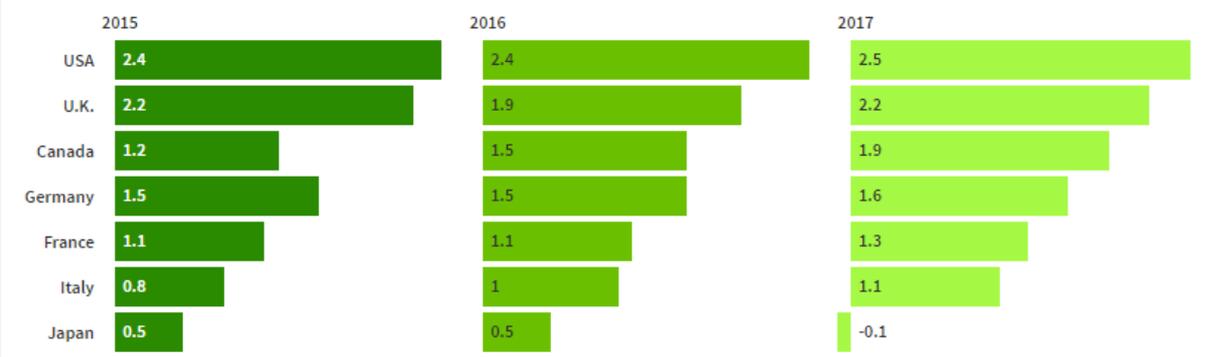
#### 3.1 Overview

Oxford Economics' world economic growth forecast for 2016 has edged down to 2.2%, from 2.3% in April.

The most notable downgrade is in the US, where GDP is now expected to rise by 1.8% this year compared to 2.0% in April. The Eurozone looks more resilient than previously; growth hit a one-year quarterly high of 0.6% in Q1 2016.

In May, leaders from the G7 countries (the United States, Britain, Canada, France, Germany, Italy and Japan, along with the European Union's council president) agreed that the growing economic risks — from low oil prices to sluggish Chinese demand — could continue to slow down the global economy this year and in 2017. Overall, G7 growth for 2016 is forecast at 1.4%.

#### Economic Growth Outlook for G7 Countries



Source: IMF April 2016

### 3.2 Economic Indicators

<p><b>Great Britain</b></p> <p>Oxford Economics has nudged down its forecast for 2016 GDP growth from 2.1% to 2.0%, reflecting the soft outturn for Q1 and the recent run of sluggish business survey results. The risks remain heavily skewed to the downside, with concerns around the durability of global growth and the possibility of 'Brexit' following the referendum on the UK's membership of the EU on June 23rd. Oxford Economics expects domestic demand to remain the dominant driver of UK growth this year.</p>	<p>2016 GDP Forecast: +2.0% (down from +2.1%)</p> <p>CPI: + 0.6% (up from +0.5%)</p> <p>Unemployment: 5.1% (down from 5.4%)</p> <p>Exchange rate(€/£): €1: £0.76 (down from €1:£.78)</p>
<p><b>USA</b></p> <p>Oxford Economics has revised down its 2016 GDP growth forecast by 0.2 percentage points to 1.8% on more subdued consumer spending and business investment momentum. A strong dollar, sluggish global growth and reduced oil and gas investment may continue to constrain activity. However, the economy appears set to rebound in Q2 with growth expected to firm further in the latter half of the year. Strong income growth should support robust spending and housing activity while the Fed may tighten policy only very gradually.</p>	<p>2016 GDP Forecast: +1.8% (down from +2.0%)</p> <p>CPI: +1.3% (up from 1.0%)</p> <p>Unemployment: 5.0% (no change)</p> <p>Exchange rate (€/€): €1: \$1.12 (down from \$1.13)</p>
<p><b>France</b></p> <p>In the first quarter of the year, economic growth edged up 0.1%. The improvement was supported by a combination of stronger domestic demand and a smaller negative contribution from net trade. Meanwhile, investment rose at its strongest pace in five years, indicating a continued broadening of the recovery. A revival in consumer spending and investment should support economic growth through 2016, pushing GDP growth to 1.5%. However, the economy could lose further dynamism if employment reform process remains slow in the face of resistance to change among the population and policymakers.</p>	<p>2016 GDP Forecast: +1.5 % (up from +1.4%)</p> <p>CPI: +0.1% (no change)</p> <p>Unemployment: 10.0% (up from +10.2 %)</p>
<p><b>Germany</b></p> <p>The German economy staged a healthy rebound in Q1, the strongest quarterly result in two years. A key source of this strength was a robust +1.8% quarterly rise in industrial production, a five-year high. Employment growth remains solid, however, there are signs that wage pressures are building. For 2016, Oxford Economics foresees consumer spending rising by +2%, the largest annual increase since 2000.</p>	<p>2016 GDP Forecast: +1.7% (no change)</p> <p>CPI: +0.6% (up from +0.5%)</p> <p>Unemployment: 6.2% (down from +6.3%)</p>

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

### 3.3 Travel Trends in Key Markets

**Great Britain:** The Office of National Statistics (ONS) reports that the number of *visits* abroad by UK residents for the first quarter of 2016 grew by +8% when compared to the same period last year. According to the CSO, GB visitors to Ireland for the same period were up +17%, resulting in an increase in market share. No official data is available at this time regarding GB visits to Northern Ireland in 2016. VisitBritain reports the best ever first quarter for inbound visitors, with visitors from the EU and North America both growing by +7% YOY in Q1 2016 when compared to the same period in 2015.

**North America:** US traffic to Europe grew by almost +8% YOY in the first quarter of 2016, according to the US Department of Commerce. However, according to trade partners, there has been some shift in destination choice with Turkey, France and Benelux down YOY, and the island of Ireland, GB, Spain and Scandinavia benefiting from the shift. While a softening of travel to some European countries is anticipated in Q2/Q3 – some US tour operators are reporting weaker demand than previously anticipated – GB and the island of Ireland do not appear to have been impacted. However, there are concerns among key tourism industry partners that the issuing on 31 May of the US State Department's travel advisory on Ireland, which raised concerns about safety and security, has the potential to impact travel to Ireland.

**Mainland Europe:** The German travel industry reports a shift in bookings away from destinations recently affected by terrorism. In France, the travel industry reports the top destinations considered for this summer are Greece, Portugal and Spain with Northern European destinations also doing well. The Spanish Association of Travel Agents (ACAVE) is predicting an increase of +8% YOY in outbound holiday bookings this summer. Passenger numbers through Italian airports grew by nearly +5% YOY in the first four months of 2016. Similarly in the Nordics, outbound travel continues to grow with all major Nordic airports reporting increases YTD. However, the introduction of an air departure tax on flights leaving Norway has potential to impact Norwegian visitor numbers to the island of Ireland.

**Australia & Developing Markets:** According to the Australian Bureau of Statistics, visitor numbers to popular countries like Italy, Greece and Turkey have declined significantly in the first three months of 2016. France, Switzerland, Spain and Croatia are also experiencing downturns possibly following heightened security warnings in the wake of the Paris attacks last November and a weakening Australian dollar against the euro. The Chinese Outbound Tourism Research Institute estimates that Chinese outbound trips increased by just over 2% YOY in Q1 2016. Despite currency fluctuations and an economic slowdown, experts say India's outbound tourism has risen by +29% in 2016.

## 4. Market Intelligence

### 4.1 Arrivals and Visitors

#### Preliminary Estimates

Visitor Origins	Ireland Visitors January 2016 – April 2016		Northern Ireland Visitors January – December 2015	
	'000s	% YOY	'000s	% YOY
<b>Total</b>	<b>2,584</b>	<b>+16%</b>	<b>1,965</b>	<b>+10%</b>
Great Britain	1,209	+19%	1,295	+10%
Mainland Europe	892	+14%	311	+17%
North America	354	+20%	229	+1%
ADM	130	+2%	130	+6%

Sources: CSO, NISRA

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The Northern Ireland Statistics and Research Agency (NISRA) reports that almost two million overseas visitors overnigheted in Northern Ireland in 2015, representing a +10% increase or more than 176,000 more than in 2014. All market areas delivered growth. Holiday visitors accounted for more than 595,000 overseas visitors (+10%); and, more importantly for the economy, revenue from overseas visitors to Northern Ireland grew by +8% during the year (£484 million).

While there is no NISRA data available yet for 2016 performance from overseas, the industry is positive about the summer season.

## 4.2 Air and Sea Connectivity

### Preliminary Estimates

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

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

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

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

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

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

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

### 4.3 Total Passenger Numbers

	Total Pax 2015*	March 16 YOY % change	April 16 YOY % change
Dublin Airport	25m	+17%	+10%
Shannon Airport	1.7m	+11%	-3%
Cork Airport	2.1m	+14%	+3%
Ireland West Airport Knock	0.7m	+10%	-5%
Belfast International Airport	4.4m	+12%	+16%
Belfast City Airport	2.7m	-1%	N/A
City of Derry Airport	0.3m	+6%	N/A
<b>All ROI Airports</b>	29.5m	+16%	+8%
<b>All NI Airports</b>	7.4m	+7%	N/A
All UK Airports	255m	+8%	N/A
All German Airports	216m	+5%	N/A
All Norwegian Airports	54m	0%	-1%
All Swedish Airports	41m	+7%	N/A
<b>ROI sea passengers</b>	3.2m	+11%	-15%
<b>NI sea passengers</b>	2m	+19%	-10%

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

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

## 4.4 Accommodation

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

	April 2016 v April 2015 % change	Jan-April 2016 v Jan-April 2015 % change
Island of Ireland	+1%	+3%
Ireland	+2%	+4%
Northern Ireland	-6%	-6%
Scotland	+2%	+1%
England	+4%	+1%
Italy	+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, which has a strong representation of hotels from Dublin and Belfast, indicates that hotels in Ireland generally experienced a good start to the year in terms of hotel rooms sold. Northern Ireland has experienced some decline in the first four months of the year. It is not possible to break out overseas bookings from domestic business. However, air passenger traffic to Northern Ireland was up +9% YOY for the first quarter of 2016.

According to the Irish Hotels Federation, hoteliers have experienced a good start to the year and bookings are strong for the summer season.

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

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

NISRA reports that the number of hotel rooms sold in Northern Ireland for the quarter of 2016 decreased by -7% when compared to the same period in 2015. Feedback from Northern Ireland industry is that the season started slowly; however, the summer season looks positive.

## 4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Mixed 	<p><b>Accommodation providers</b></p> <p>Reports from hoteliers and guesthouse operators in Ireland indicate a positive first five months of 2016 with good occupancy and advance bookings. There is a clear expectation of a strong season ahead but concerns about availability in the peak season remain. The B&amp;B sector also reports a good performance so far. Northern Ireland has had a challenging first quarter, with business slow. However, good overseas bookings are lifting business and a good summer is forecast.</p>
Bright 	<p><b>Air and sea carriers</b></p> <p>A strong season is also expected by air carriers, with increased air access including greater capacity on key US routes this summer. A major sea carrier reports a very positive first quarter, a strong Easter, with May and June expected to be positive overall. Although it is too early to call the summer, the GB and European markets are performing well and responding well to offers. Overall, the outlook for summer is positive.</p>
Bright 	<p><b>Attractions</b></p> <p>Business for attractions across the island is good overall and there is an expectation that the season ahead will be a busy one. A west coast attraction had a very strong first five months and is anticipating growth for the season ahead. Most major attractions in Dublin experienced increased business for the first five months, compared to the same period last year, and are expecting a buoyant summer. In Northern Ireland, one of Belfast's main attractions has reported that it had a good performance from overseas YTD and also expects a positive summer season.</p>
Mixed 	<p><b>Tour Operators and Business Tourism</b></p> <p>Sentiment and expectations are positive in both the Tour Operator and Business Tourism sectors for the summer season. Capacity issues and limited availability in urban areas continue to cause concern.</p>

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

## 4.6 Tourism Ireland Market Outlook

**Great Britain:** Sentiment from trade partners in GB is generally positive, suggesting that 2016 will be another good year for travel to the island of Ireland. Many GB tour operators, OTA's and carriers are experiencing growth and bookings are robust. However, ongoing feedback from GB trade suggests that capacity continues to be a challenge for the market. This is particularly in relation to Dublin, the West and the South West. In some cases, tours are being moved elsewhere, both within and beyond the island of Ireland.

**North America:** In the US, tour operators are having a good year to the island of Ireland with the majority forecasting YOY growth, assuming no further geo-political uncertainties. However, they are not reporting the same double digit growth levels as recent CSO reports, which seems to confirm a strong, direct booking pattern among independent travellers. All air carriers to the island of Ireland are currently selling at below last year's fare levels. Hotel availability is an increasing cause for concern and the biggest constraint to growth especially for group operators. Pressure points are spreading beyond Dublin, including key visitor attractions. Bookings for the island of Ireland continue to remain strong from Canada. A leading tour operator has confirmed that the island of Ireland has surpassed long-standing leader Italy as their number one destination from Canada. Another tour operator reports that their 'Taste of Ireland' programme is now the top selling tour of their entire European product.

**Mainland Europe:** Results for the year to date confirm continuing growth from Europe and the outlook for travel to the island of Ireland continues to be very positive. Familiarisation trips to the island of Ireland during April and May have been very well received by tour operators, travel agents and press / bloggers, and have already resulted in group programming for 2017. Feedback from tour operator partners is consistent across markets and positive, with strong demand coming through, tempered however by capacity challenges in Dublin and tourism 'hot spots'. In Germany, sales for the island of Ireland are very strong so far this year, outperforming the overall outbound travel trend. French travel partners report that there is a very positive outlook for the summer ahead. In Spain and Italy, key partners are reporting growth year to date, and are mostly very optimistic about the remainder of the year. In the Nordics, tour operators and carriers are reporting high demand and very strong advance sales to the island of Ireland for the summer season.

**Australia & Developing Markets:** In Australia, while the outlook for the island of Ireland remains largely positive, some partners have reported a decline in bookings to European destinations including GB, and the early bird bookings have been slower overall than in previous years. The British-Irish Visa Scheme and Short Stay Visa Wavier Scheme continue to help generate greater levels of enquiries and bookings for the island of Ireland from the Indian and Chinese travel trade.

## 5. Conclusion

The positive start to the year very much reflects the sentiment expressed by tourism industry partners overseas – including tour operators and carriers – as well as by tourism businesses here at home.

Tourism Ireland remains alert to external risks and we continue to monitor factors including Brexit, geo-political concerns, exchange rates, pricing levels and the global economy.

We continue to roll out our extensive marketing programme around the world, aiming to make 2016 another record year for overseas tourism to the island of Ireland.

Ends

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