



The Causeway Coastal Route, Co Antrim

SOAR
(Situation & Outlook Analysis Report)
June 2017

Summary Headlines

- Latest official figures for **overseas arrivals** to Ireland show a mixed picture for the period February-April 2017. There has been impressive growth of +26% from North America, with Australia and Developing markets also performing very strongly with an increase of +17%. Arrivals from Mainland Europe recorded modest growth of +2%, with the important markets of France (+8.6%), Germany (+3.8%) and Spain (+10.4%) continuing to perform well. However, Great Britain has continued to decline with a decrease of -10.7% during this period.
- Overall, **industry sentiment** on the island of Ireland and the outlook from overseas trade partners remains positive for the season ahead. Latest intelligence for May suggests that bookings and performance are generally ahead of the same period in 2016. However, sources also report a continued slowdown from the British market. Competitiveness challenges as a result of accommodation capacity constraints in the main tourism centres, and exchange rate movements 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 the UK's decision to leave the EU and the impact of recent terrorist incidents in Manchester and London.
- A drop in **air access** to the island of Ireland from GB this summer (-4%) and the exchange rates have made holidays and short breaks more expensive for British visitors to Ireland, and staycations are reportedly increasing in popularity. The current economic uncertainty is also having an impact and is making British travellers more cautious about discretionary spending. However, access from North America is up +22% and this is having a very positive impact.
- According to the latest official results from NISRA, **Northern Ireland welcomed 2.1m visitors in 2016**. This represents an increase of +9% or almost 168,000 more visitors than in 2015. Holiday visitors accounted for more than 684,000 overseas visitors (up +15% on 2015); and, more importantly for the economy, revenue from overseas visitors grew by +12% to over £543 million.
- STR hotel data and industry sources both report a **strong performance for Northern Ireland hotels** for the January-April 2017 period, and are optimistic for the season ahead. Occupancy in Northern Ireland has increased by +5% in April 2017 YOY, with the average daily rate increasing by +15%.
- **Web visits** to Ireland.com have been strong from January to May, up +8% YoY. Organic traffic to the site, a good indicator of underlying demand, was up +10% compared to the same period in 2016, when traffic was at record levels.

2. Global Outlook

The majority of the United Nations World Tourism Organisation (UNWTO)'s panel of experts forecast international tourism to grow by +3% to +4% worldwide in 2017. By region, growth is expected to be stronger in Asia, the Pacific and Africa (+5% to +6%) and the Americas (+4% to +5%) than in Europe (+2% to +3%).

The forecast for 2017 is based on a scenario of modest global recovery, good prospects in many advanced economies and a gradual pick-up in commodity prices including oil. The UNWTO expects growth in 2017 to be at a sustainable level, following seven years of solid expansion globally. Conflict and geo-political tension remain a downside risk for tourism in many parts of the world, possibly offsetting the strong dollar as an engine of growth in the northern hemisphere.

Global Visitor Outlook	
	2017 (F)
World	+3% to +4%
Americas	+4% to +5%
Europe	+2% to +3%
Africa	+5% to +6%
Asia Pacific	+5% to +6%

(F): Forecast

Source: UNWTO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Oxford Economics has made an upward revision to their trade forecasts and predicts global trade will grow by +5% this year (up from a previous estimate of +3.9%). According to Oxford, data for the start of the year shows a synchronised pick-up in trade in several world regions. Surveys continue to suggest buoyant global activity, driven by manufacturing in several countries, which, in turn, is helping to bolster world trade. Oxford's forecasts see world GDP growth at +2.7% for 2017 and at +3.0% in 2018.

This positive overall economic outlook lends itself to further growth in global outbound travel in 2017.

3.2 Economic Indicators

<p>Great Britain</p> <p>Oxford Economics has lowered its forecast for UK GDP growth in 2017 from +1.9% to +1.7%. The bigger picture remains one of weaker growth this year as higher inflation weighs on household spending power, with other parts of the economy unable to fully compensate. Oxford Economics suggests that Q2 will be slightly better than Q1. March services output data suggested that the sector carried reasonable momentum into Q2, while April's retail sales figures were stronger than previous months.</p>	<p>2017 GDP Forecast: +1.7% (down from +1.9%)</p> <p>CPI 2017: +2.9% (up from 2.6%)</p> <p>Unemployment: 4.7% (no change)</p> <p>Exchange rate(€/£): €1:£0.87 (up from €1:£0.84)</p>
<p>USA</p> <p>Oxford Economics expects US GDP growth of +2.1% this year, supported by a solid labour market but constrained by rising inflation. The economy remains quite strong despite transitory weakness at the start of the year. Income growth should remain supportive of consumer spending despite rising inflation, while business investment is expected to firm. Oxford Economics believes the Fed may raise rates twice more this year and three times in 2018. GDP growth of +2.7% is expected in 2018, helped by fiscal stimulus.</p>	<p>2017 GDP Forecast: +2.1% (no change)</p> <p>CPI 2017: +2.3% (down from +2.6%)</p> <p>Unemployment: 4.5% (no change)</p> <p>Exchange rate (€/€): €1: \$1.12 (up from \$1.06)</p> <p>Exchange rate (£/\$): £1: \$1.29 (up from \$1.23)</p>
<p>France</p> <p>French GDP grew +0.3% in Q1, slower than the Eurozone average of +0.5%. Positive sentiment has spilled over into higher investment but not into consumption as the rebound in inflation has squeezed real disposable incomes. Oxford Economics expects President Macron to restart the reform process and forecasts GDP growth rising to +1.4% this year from +1.1% in 2016, with a further pick-up to +1.6% in 2018.</p>	<p>2017 GDP Forecast: +1.4% (no change)</p> <p>CPI 2017: +1.2% (no change)</p> <p>Unemployment: 9.4 % (down from 9.6%)</p> <p>Exchange rate(€/£): €1:£0.87 (up from €1:£0.84)</p>
<p>Germany</p> <p>Germany appears to be benefiting from the improving global trade backdrop in the early stages of this year. In comparison to other Eurozone economies, Germany sends a larger share of its exports to economies outside the currency bloc and should therefore benefit from Oxford's upward assessment of world trade growth for 2017. Given this and the ongoing strength of domestic economic fundamentals, Oxford have raised their 2017 German GDP forecast and expect growth of +2.0%.this year.</p>	<p>2017 GDP Forecast: +2.0% (up from +1.8%)</p> <p>CPI 2017: +1.9% (no change)</p> <p>Unemployment: 5.8% (no change)</p> <p>Exchange rate(€/£): €1:£0.87 (down from €1:£0.84)</p>

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

3.3 Travel Trends in Key Markets

Great Britain: Sources indicate that the General Election, Brexit, and general safety fears are delaying holiday bookings in Britain. *Travel Weekly* reports that the need for a clear post-Brexit visa strategy has been flagged as one of the important issues facing UK and Ireland tourism and hospitality sectors. However, our trade partners in the British market are generally positive for the season ahead. A key OTA reports strong sales to Ireland from Britain this year, including good regional growth. The Wild Atlantic Way, in particular, is seeing an increase in sales YoY and a key airline has reported strong sales into Cork. The ferry industry continues to be competitive with strong lead-in deals promoted, while growth has slowed somewhat, the ferry operators are still seeing strong bookings coming through and are generally positive for the upcoming summer months.

North America: US Outbound travel to Europe remains strong with almost all key destinations reporting healthy growth. Spain reported +38% YOY growth for Q1 having reached a record 2 million visitors in 2016. Strong YTD growth is also reported by Italy, Portugal and Scandinavia. US air capacity to Europe is up +6% YOY this year and the arrival of Low Cost Carriers (LCCs) is creating new competition on the transatlantic routes and putting downward pressure on airfares. A key OTA, specialising in flights, reported that airfares to Continental Europe were costing 25% to 35% less for travel for May to September 2017 vs 2016. Great Britain was performing very well from the US, before the recent terrorist attacks, with American Airlines reporting a significant increase in bookings to GB during the first half of 2017.

Mainland Europe: In **Germany**, travel agency turnover was 4.5% higher than last year for the period Jan-Apr, with bookings to the end of October 2017 performing 6.3% better than last year. Traditional sun destinations are performing very well from Germany, while destinations that are considered "unsafe" are still suffering significantly. Flight bookings to US are down but the cruise market is performing strongly. National elections take place in September and this is expected to delay holiday decision-making, and maybe even bookings. In **France**, Ireland's growth of +10% in Q1 was well ahead of the French outbound market at +4%. Growth is strong for inbound travel to **Spain** and **Italy** from other European countries and **Italian, Spanish and Nordic** airports all reported growth in April. Long-haul destinations are growing in popularity in **The Nordics** as access improves. The Swedish government is proposing to introduce passenger charges on flights from 2018 and this is causing unease for industry there.

Australia and Developing Markets: Demand remains somewhat depressed in Australia. The Australian Bureau of Statistics report that short-term resident departures continued to decline slightly from January to the end of March 2017. Oxford Economics predicts that a lower dollar, strong export demand and a growing services sector will ensure economic growth, and, as a consequence, more Australians are likely to holiday at home. The World Tourism Cities Federation (WTCF) reports that tourists from **China** aged 60+ prefer travelling to Western Europe, accounting for 10.49% of all outbound Chinese tourists. This represents a potential 13.5 million Chinese visitors to Europe in 2017.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (4 month arrivals) January - April 2017		Northern Ireland Visitors (12 month visitors) January -December 2016	
	'000s	% YOY	'000s	% YOY
Total	2,629,300	+2%	2,132,576	+9%
Great Britain	1,108,400	-8%	1,389,411	+7%
Mainland Europe	918,400	+3%	358,383	+15%
North America	449,000	+27%	249,962	+9%
ADM	153,600	+18%	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: Overseas arrivals to Ireland grew by +2% overall during the period January–April 2017, according to the latest CSO figures. Their February to April market breakdown shows significant growth from some key market areas, with North America recording +27% growth and Australia and Developing markets up +18%, Mainland Europe also grew, albeit by a more modest +3%. Great Britain, however, recorded a decline of -8%.

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 an impressive +23% to £162 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

It is estimated that there will be over 550,000 direct, one-way airline seats available each week to the island of Ireland this summer season. This is a record number of seats and a +4% increase in capacity on the same period last year. Growth in seat capacity is forecast 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 from GB into Northern Ireland. Ferry capacity is expected to remain unchanged on the same period in 2016 with almost 48,000 car spaces available per week.

Access developments for 2017 include a new Aer Lingus flight to Dublin from Miami, as well as expanded services on Aer Lingus flights from Los Angeles, Chicago and Orlando. Norwegian Air has new services from the US to Belfast, Cork, Dublin and Shannon commencing in July. Other new routes include a Delta flight from Boston to Dublin, a Ryanair service from Girona to Belfast, Transavia 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. Etihad are once again operating double-daily departures between Abu Dhabi and Dublin since April. Commencing this month, Qatar Airways flies from Doha to Dublin.

While connectivity improvements are paying dividends, airlines have referred to concerns over yields, which continue to be squeezed, and are important for sustaining growth in capacity.

4.3 Total Passenger Numbers

	Total Pax 2016*	Mar 2017 % change YOY	April 2017 % change YOY
ROI sea passengers	3.1m	-15%	+29%
NI sea passengers	2m	-20%	+24%
Dublin Airport	28m	+2%	+12%
Shannon Airport	1.7m	-5%	+7%
Cork Airport	2.2m	-5%	+6%
Ireland West Airport Knock	0.7m	+4%	+17%
All ROI Airports	32.6m	+1%	+11%
Belfast International Airport	5.1m	+21%	+26%
Belfast City Airport	2.7m	-6%	n/a
City of Derry Airport	0.3m	-23%	-53%
All NI Airports	8.1m	+10%	n/a
All UK Airports	222m	+5%	n/a
All Danish Airports	34m	0%	+6%
All Norwegian Airports	54m	+6%	+2%
All Swedish Airports	43m	+5%	+7%

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

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

N/A=Not available. NOTES: (A) A number of Northern European markets included for comparison purposes.

(B) Easter fell in March in 2016 and in April in 2017, thus affecting numbers.

Looking at the first four months of the year, published air passenger traffic results to Ireland for were up +6% (this includes two-way traffic, Irish residents and connecting transit business).

Passenger numbers on ferry services to and from Ireland, which also include Irish residents, were up +4% YOY for the January to April period, while ferry passengers to and from Northern Ireland were up +5% YOY for the same period.

4.4 Accommodation

Hotel accommodation data estimates

	April 2017 v April 2016 Occupancy % change	April 2017 v April 2016 Average Daily Rate % change
Island of Ireland	+3.8%	+7.6%
Ireland	+3.7%	+7.7%
Northern Ireland	+5.2%	+15.2%
Scotland	+4.2%	+7.3%
England	+0.6%	+4.7%
Italy	+3.5%	+5.7%

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 good growth in terms of Average Daily Rate and occupancy in April.

Industry sources on the island report that performance from the GB market remains sluggish. The US continues its strong performance with the island of Ireland being viewed as a safe, familiar and friendly destination that provides good value for the dollar.

Northern Ireland hotel sources report a strong performance for the first five months of the year and, based on forward bookings and interest levels, are optimistic for the season ahead.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
<p>Bright</p> 	<p>Accommodation providers</p> <p>Hotel and guesthouse owners across Ireland are reporting a strong first five months overall. Although business from Great Britain is slow, other markets are more than making up for the shortfall and both occupancy and room rates are performing positively.</p> <p>The Northern Ireland hotel sector also reports a strong January to May period with good bookings for the summer season and good interest from overseas tour business and leisure travellers. Sentiment across the sector is positive, with the expectation of a strong summer season.</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 uplift for the summer, especially from long-haul markets, North America and Mainland Europe, looks set to ensure a positive season.</p> <p>A leading sea carrier is expecting a flat performance from Britain this year. While there's no significant decline yet, growth is minimal and performance is generally in line with 2016 levels. Increased promotions are helping to maintain the business, so while volume is expected to be maintained, it will be at the expense of yield. The picture is brighter from Mainland Europe, however, with good performance and strong bookings overall across sea carriers.</p>
<p>Bright</p> 	<p>Attractions</p> <p>Larger 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 the British market.</p> <p>Northern Ireland visitor attractions are reporting a similar picture with a significant increase in business for the January to May period when compared with the same time last year. The positive impact of Game of Thrones was specifically called out by some NI attractions, with many citing the favourable spin-off effects.</p>
<p>Mixed</p> 	<p>Tour Operators</p> <p>The long-term implications of increases in accommodation rates and capacity constraints remain an issue, but tour operators are generally very optimistic about the season ahead. Business from the US continues to perform very strongly, and European Markets are also performing well. Booking from Britain, however, remain muted and are showing limited signs of growth.</p>

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

4.6 Tourism Ireland Market Outlook

Great Britain: A mixed picture in GB, with the continued impact of Brexit and the decline in sterling continuing to cause uncertainty for outbound holidaymakers. Staycations are proving increasingly popular, which represents an opportunity for Northern Ireland. The impact of the recent terrorist attacks is expected to negatively affect consumer confidence and may lead to the deferral of holiday plans. Capacity issues and rate increases in Dublin are causing significant concern for some operators. Some carriers and other tour operators are reporting strong bookings into Belfast and Dublin, however.

North America: Forward booking trends indicate that 2017 will be another strong, and potentially "record" year for tourism from the **US**. Key US economic indicators remain positive with the unemployment rate falling to +4.5%, earlier in the year than expected. Workers are also enjoying pay rises. Salaries recorded in March 2017 ran +2.7% higher than last year. In April 2017, US consumer confidence reached its highest level since 2000. While the US dollar has weakened slightly, Ireland and Europe continue to offer value for money. The outlook from **Canada** is also overwhelmingly positive for the season ahead. Airlines, travel agents and tour operators are all reporting strong bookings and positive sentiment.

Mainland Europe: There's a mixed outlook from key source markets for the season ahead. While performance is soft in the price-sensitive **German** market, this is on the back of a very strong 2016 and, though little growth is expected, bookings are generally good. There is concern for the long term though, as a result of capacity and pricing issues. Contrasting experiences in **Italy too** with some carriers and operators reporting slow uplift while others are experiencing good growth. In **Spain** there's a more positive picture, with a universally positive outlook from operators there and good bookings growth. The decrease in access from **France** is expected to moderate what had been a strong start to the year, and there is now more competition with increased access to Scotland from Transavia and Vueling. In addition, both Iceland and Norway are gaining ground there. **The Nordics** has a more positive outlook, with joint campaigns yielding good results.

Australia & Developing Markets: The island of Ireland is performing very well from **Australia** YTD, with very positive indicators for the year ahead. Improved access and exceptional air fares are fuelling this growth, with very strong forward bookings reported. Australian Tour Operators are hugely positive too. 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. Anticipated increased access from China later in the year would have a very positive impact.

5. Conclusion

Overall, sentiment is positive from overseas trade partners, as well as tourism businesses across the island. However, visitor numbers from Great Britain to Ireland continue to decline, and while stronger overseas markets are compensating for this, it remains a big concern.

Value for money continues to be a key message for us 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 elsewhere on the island.

Air and sea access to the island of Ireland from overseas remains strong this summer, with a positive impact on visitor numbers. However, direct air access from GB is down -4% YOY and this is expected to have a negative impact.

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.

Web visits to Ireland.com have been strong from January to May, up +8% YoY. Organic traffic to the site, a good indicator of underlying demand, was up +10% compared to the same period in 2016, when traffic was at record levels.

Tourism Ireland continues to monitor other risk factors, including exchange rates, pricing levels, global political unease and the global economy to ensure that we are alert to changes in the trading environment worldwide.

We remain conscious of the challenges associated with hotel bedroom capacity and room rates, especially in Dublin and other main tourism centres, which remains 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 and ease of getting to the island of Ireland.

Ends