



Irish Linen Centre & Lisburn Museum, County Antrim

## **SOAR** **(Situation & Outlook Analysis Report)** **November 2015**

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## Summary Headlines

- **Overseas visitors** to Ireland for the January to September 2015 period increased by +12% when compared to the same period last year, according to the Central Statistics Office (CSO). Growth was seen from all market areas - North America (+14%), Mainland Europe (+14%), Great Britain (+11%) and Australia and Developing markets (+11%). This means it was the best ever January-September period on record to Ireland overall and +6% ahead of the previous peak in 2007.
- The Northern Ireland Statistics and Research Agency (NISRA) report that total **overseas visitors to Northern Ireland** for the first half of 2015 grew by +7% when compared to the same period in 2014. Growth was driven by visitors from our main markets of GB (+5%), Mainland Europe (+14%), North America (+11%) and from our new and developing markets (+6%). According to Visit Belfast, the city is on track to deliver its most successful tourism year to date, with hotel occupancy and room rates, visitor interest and tourist enquiries all at record levels for the first half of 2015. Belfast hotel room occupancy has gone from strength to strength this year and was over 80% for the January-August period, up almost +5% when compared to the same period last year, according to STR Global.
- Industry **sentiment** on the island of Ireland and among overseas trade partners has generally been very positive for the summer season. Bookings for the remainder of the year are also encouraging, aided by favourable exchange rates in some of our key source markets and strong air and sea connectivity.
- Tourism Ireland has an **extensive autumn campaign** in full swing right now, aimed at boosting late-season travel to the island of Ireland from around the globe. The period September to December traditionally yields as much as 30% of annual overseas tourism business.

## 2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reported a continuation of robust demand for international tourism in the first half of 2015 as arrivals increased by +4%. Destinations worldwide welcomed 538 million international tourists between January and June this year, 21 million more than the same period last year. This +4% YOY increase follows similar growth in 2014, consolidating an upward trend in international tourism since 2010.

Almost every region achieved growth in international arrivals in the first half of 2015; Europe, Asia Pacific and the Middle East all experienced a +5% increase, while tourism to the Americas grew by +4%. In Africa, demand weakened after years of solid growth, affected mainly by the Ebola outbreak and civil unrest among other challenges and tourism decreased by an estimated -6% in the first half of this year.

Northern Europe, of which the island of Ireland is part, experienced +5% growth, slightly ahead of the +4% global increase. Results are summarised in the below table:

UNWTO Global Performance	
International Arrivals	Jan - Jun 2015 YoY % +/-
<b>World</b>	<b>+4%</b>
Africa	-6%
Asia Pac	+5%
Americas	+4%
Middle East	+5%
<b>Europe</b>	<b>+5%</b>
<b>Northern Europe</b>	<b>+5%</b>
<b>Northern Ireland (NISRA) (Jan-Jun)</b>	<b>+7%</b>
<b>Ireland (CSO) (Jan-Jun)</b>	<b>+12%</b>

Source: UNWTO, CSO, NISRA

For the full year of 2015, the UNWTO forecasts international tourism to grow by +3% to +4%.

### **3. External Travel Trends**

#### Key Markets Economic and Travel Outlook

##### **3.1 Overview**

While the global economy is growing, the International Monetary Fund (IMF) has stated that the world economy will this year grow at its slowest pace since the global financial crisis. A deep slowdown in China and other emerging economies will mask a strengthening recovery in developed countries. Ireland was identified as one of the few growth bright spots in Europe in the IMF outlook.

The IMF predicts that 2015 will mark the fifth consecutive year of decline in average growth in emerging economies. This drag on global growth is sufficient to pull down the global growth forecast to +3% this year, even though advanced economies will post their best performance since 2010.

With downgrades to its growth forecasts, the IMF called for countries to redouble efforts to boost domestic spending and reform their economies to improve the potential for expansion.

## 3.2 Economic Indicators

### Great Britain

Current economic data have shown a slight loss of momentum through the summer months. While the services sector has continued to grow robustly, driven in part by the strong rebound in household spending power, the pace of growth has cooled a little compared with earlier in the year. Oxford Economics forecast shows the pattern of domestic strength and external weakness continuing in the short-term. Stronger wage growth, as a result of a tightening labour market, should deliver a substantial boost to household spending power in 2016.

GDP growth	●	Prolonged austerity set to weigh on pace of recovery
CPI inflation	●	Large output gap to keep underlying inflation subdued
Current account balance	●	Expanding export demand to slowly narrow trade deficit
Government balance	●	Austerity set to rein in the large budget deficit over time
Government debt	●	Debt to GDP ratio set to peak in 2015-16
External debt	●	Debt levels have been reduced since financial crisis

### US

Drags from a strong dollar, sluggish global growth and reduced oil and gas investment are constraining economic growth this year. Overall though, firmer wage growth should support more robust spending and housing activity, while Fed policy should remain very supportive of growth. Oxford Economics expects that US GDP growth will average around +2.5% in 2015 and +2.8% in 2016, supported by strong domestic fundamentals, but held back by global headwinds.

GDP growth	●	Solid domestic-led growth prospects
CPI inflation	●	Disinflation will be temporary
Current account balance	●	Current account deficit to stabilize around 2% of GDP
Government balance	●	Budget deficit has halved since 2009
Government debt	●	Debt to stabilize just under 80% of GDP
External debt	●	US is a net debtor, but generates income surplus

### France

Recent trends in France suggest the economy has lost momentum since the start of the year. However, Oxford Economics expects an improvement in the domestic and external environment to facilitate more robust growth going forward. Despite subdued wage growth resulting from high unemployment, consumption is forecast to pick up as consumer confidence also picks up. The weak euro should also further boost French exports. Oxford Economics forecasts GDP growth of +1.2% this year and +1.7% in 2016.

GDP growth	●	Growth to continue to lag behind the Eurozone.
CPI inflation	●	Neither deflation or strong inflation a concern.
Current account balance	●	Modest deficit to remain.
Government balance	●	Deficit to fall only slowly.
Government debt	●	Debt leaves little future wriggle room.
External debt	●	High external debt, but in euros

### Germany

Despite recent financial market turmoil, economic data from Germany has been fairly encouraging. It supports Oxford Economics' view that GDP growth will accelerate in the second half of this year. The latest fall in the oil price should support real income growth. The tight labour market should ensure that wage growth accelerates, even if employment growth remains subdued.

GDP growth	●	External factors pose downside growth risks
CPI inflation	●	Deflation risks are small
Current account balance	●	Large surpluses look here to stay
Government balance	●	Surplus may be wider than fiscal plans envisage
Government debt	●	Not a major concern
External debt	●	Not a major concern

Source: Oxford Economics Briefing and Outlook reports October 2015. Economic Table Symbols: Green = positive, Amber = cautious, Red = negative

### 3.3 Travel Trends in Key Markets

**Great Britain:** The Office of National Statistics (ONS) in the UK reports that the number of *visits* abroad by UK residents for the first seven months of 2015 grew by +10% when compared to the same period in 2014. VisitEngland reports that domestic *holiday* trips for the first half of the year in England grew by +2% with spend growing +6%. According to CSO estimates, GB arrivals to Ireland for the first nine months of 2015 were up +11%. And NISRA figures indicate that GB visitors to Northern Ireland grew by +7% in the first half of 2015 when compared to the same period in 2014.

**North America:** According to the US Dept. of Commerce, US traffic to Europe grew by +5% for the January-July period YOY. Visit Britain reports on a strong performance from the US with a +9% growth in visitor numbers for the year to July. The travel industry in the US is generally pleased with its overall performance this year. However, amongst tour operators, there has been a greater focus on yield rather than growth in passenger numbers. US airlines are all reporting a good year. According to the Conference Board of Canada (CBOC), arrivals to Ireland from Canada increased by almost +12% YTD to July, while arrivals to Europe only grew by +5%. According to the CSO, North American arrivals to Ireland were up +14% for the first nine months of 2015 when compared to the same period in 2014. NISRA reports that North American visitors to Northern Ireland grew by +11% YOY in the first half of 2015.

**Mainland Europe:** In Germany, the travel industry expects modest single digit growth for the full year. Favoured destinations for German travellers this year include Spain, Scandinavia and Greece. In response to challenging economic circumstances, the French are taking short breaks holidays, primarily in France or to neighbouring countries, according to industry sources. In Spain, travel agencies report increased sales (+8%) when compared to last year. The Spanish Airport Authority (AENA) also reports a pick-up in passenger numbers this year. Similarly in Italy, airport traffic is up and there is increased optimism amongst the Italian travel trade. In the Netherlands, the tourism industry is positive about growth this year. Another cool and wet Nordic summer has prompted a record number of overseas holiday bookings this year, with outbound passenger numbers up across the Nordic region.

**Australia & Developing Markets:** In Australia, short-term resident departures for July 2015 were over +3% higher than in July 2014. The Australian dollar has fallen against sterling and the euro, making a trip to Europe more expensive. The number of Indian visitors travelling to the UK on a visitor visa is increasing significantly year on year, according to trade reports.

## 4. Market Intelligence

### 4.1 Arrivals and Visitors

#### Preliminary Estimates

Visitor Origins	Ireland Visitors January 2015 – September 2015		Northern Ireland Visitors January – June 2015	
	'000s	% YOY	'000s	% YOY
<b>Total</b>	<b>6,647</b>	<b>+12%</b>	<b>863</b>	<b>+7%</b>
Great Britain	2,663	+11%	597	+5%
Mainland Europe	2,364	+14%	123	+14%
North America	1,209	+14%	91	+11%
ADM	411	+11%	51	+6%

Sources: CSO, NISRA

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## 4.2 Air and Sea Connectivity

### Preliminary Estimates

Air Access Seat Capacity Estimates	Winter 2015/16 vs. Winter 2014/15		
YOY % Change	Ireland	NI	Island
Great Britain	+7%	+10%	+8%
Mainland Europe	+13%	+57%	+14%
-France	+6%	+25%	+7%
-Germany	+7%	NA	+7%
North America	+8%	NC	+8%
ADM	-8%	NA	-8%
<b>Overall</b>	<b>+9%</b>	<b>+13%</b>	<b>+10%</b>

Source: TTC Access Inventory Report 2015 on 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

There are estimated to be just over 400,000 direct, one-way air seats available per week this winter to the island of Ireland, a +10% increase in capacity compared to the same period last year. This growth is coming from all market areas, except for ADM, where Etihad intends to reduce its services between Abu Dhabi and Dublin.

There have been many positive air access announcements for the winter 2015/16 season. These include United Airlines re-instating year round service between Newark and Belfast, KLM extending its Amsterdam-Belfast service through the winter and Ryanair and Aer Lingus increasing frequency on some of their GB and European services.

Ferry capacity is expected to be marginally up overall this winter due to a vessel change on the central corridor. All other capacities are scheduled to remain the same as last winter.

## 4.3 Total Passenger Numbers

	Total Pax 2014*	Jul 15	Aug 15	Sep 15
Dublin Airport	21.7m	+17%	+16%	+14%
Shannon Airport	1.6m	+3%	-4%	+3%
Cork Airport	2.1m	-3%	-8%	-3%
Ireland West Airport Knock	0.7m	-6%	-22%	
Belfast International Airport	4.0m	+11%	+11%	
Belfast City Airport	2.6m	+7%	+7%	
City of Derry Airport	0.4m	-27%	-35%	
<b>All ROI Airports</b>	26.3m	+13%	+10%	
<b>All NI Airports</b>	6.9m	+7%	+7%	
All UK Airports	241m	+6%	+5%	
All German Airports	209m	+6%	+4%	
All Norwegian Airports	55m	+1%	0%	
All Swedish Airports	40m	+5%	+3%	
<b>ROI sea passengers</b>	3.2m	0%	-7%	
<b>NI sea passengers</b>	2.1m	-3%	-9%	

Sources: Annaero, DAA, Fáilte Ireland, Ferrystat. \*Total Pax 2014 is the passenger traffic (in millions) at the airport(s)/seaports estimate NA=Not available

The latest available passenger data indicates that individual air and sea ports on the island of Ireland are experiencing mixed results.

## 4.4 Hotel Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

	<b>Aug 2015 v Aug 2014</b>	<b>Jan-Aug 2015 v Jan-Aug 2014</b>
	<b>% change</b>	<b>% change</b>
Island of Ireland	+1%	+5%
Ireland	+1%	+6%
Northern Ireland	-1%	+4%
Scotland	0%	+1%
England	+1%	+3%
Italy	+13%	+6%

Source: STR Hotel reports – Properties across the island of Ireland are represented, with a strong representation from Dublin and Belfast.

The latest available STR data continues to indicate that hotels on the island of Ireland are having a good year. However, it is not possible to break out overseas bookings from domestic business. STR estimates indicate that Dublin hotels are experiencing significant growth in their Average Daily Rates (ADR) this year when compared to last year.

NISRA report that the number of hotel rooms sold in Northern Ireland for the January to July 2015 period increased by +6%. This represents the highest recorded rooms sold for a January to July period since records began.

A recent Hotel Barometer from the Irish Hotels Federation (IHF) reports that 89% of Irish Hotels and Guesthouses are seeing an upturn in business in 2015 and over half of hoteliers plan to take on additional staff over the coming twelve months.

## 4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	<p><b>Accommodation providers</b></p> <p>The vast majority of hotels and guesthouses in Ireland are benefitting from increased overseas bookings this year. The majority reported growth in British and US visitors while European business is either up or at the same level as last year for almost all hotels and guesthouses. Self-catering providers have generally experienced a good season and sentiment is positive regarding future bookings. Occupancy and rate at Northern Ireland accommodation are generally up on last year. Derry~Londonderry has had a very busy peak season with group business. Capacity is now a concern, particularly for the summer and peak festival periods.</p>
Bright 	<p><b>Air carriers, sea carriers and car rental</b></p> <p>Air carriers operating between France and the island of Ireland experienced good load factors for the summer season. Carriers operating to and from Germany are positive about bookings for the remainder of the year, with market confidence evident in route announcements for 2016. Transatlantic airlines are pleased with YTD bookings and load factors to the island of Ireland. Key sea carriers operating between GB and the island of Ireland are reporting satisfaction with the summer season. The car rental sector reported a very strong, double-digit rise in overseas business for the first half of this year. Sentiment among car rental suppliers is very positive as strong booking levels are expected to continue for the rest of 2015. North American business has underpinned much of this growth.</p>
Bright 	<p><b>Attractions</b></p> <p>The Cliffs of Moher welcomed its millionth visitor of 2015 in mid-September and overall visits saw double-digit growth. Attractions in the south west are seeing an up-lift in visitors from North America and long-haul markets, but, lower growth from markets closer to home. Dublin experiences and attractions reported strong, double digit increases overall, underpinned by very strong performance from the top four markets. In Northern Ireland, business from GB and long-haul markets is up for many attractions, as it is from Europe for Derry~Londonderry and for an iconic attraction in Belfast.</p>
Bright 	<p><b>Tour Operators and Business Tourism</b></p> <p>Over half of hotels in Ireland which cater for corporate meetings and business events have experienced an increase in this area of their business compared with last year. In Belfast, leisure operators report business to be on the up; there are some concerns about the exchange rate but, on the whole, operators are positive about overseas leisure group business to the city.</p>

Source: Based on feedback from island of Ireland industry sources, October 2015

## 4.6 Tourism Ireland Market Feedback

**Great Britain:** Partners report solid business from GB to the island of Ireland this year and continue to experience good booking levels this autumn. Many have seen significant growth over 2014 levels. Air carriers are generally reporting that passengers to both Ireland and Northern Ireland are up and sea carriers are reporting good peak season business and are encouraged by advance bookings for the remainder of the year.

**North America:** All transatlantic airlines continue to report strong performance to the island of Ireland. There are ongoing tour operator concerns about accommodation capacity in Dublin and future growth prospects. While pricing levels are generally holding for 2016, concerns continue to be expressed on the long term affordability of Dublin, given the current accommodation demands. In Canada, given the weakened Canadian dollar, industry reps are promoting the benefits of escorted tours with all-in prices and early booking discounts.

**Mainland Europe:** The latest official figures confirm the positive growth trend from all core European markets in 2015. This is consistent with the feedback from local market tour operators and carriers, all of whom express satisfaction with the season. While no official figures are yet available for Northern Ireland's summer season, commentary from attractions is positive for Europe, helped in part by increased direct access into Belfast from Amsterdam, Barcelona, Rome and Reykjavík.

**Australia & Developing Markets:** In Australia, tour operators are reporting growth to the island of Ireland this year. They have also seen a good response to their early bird packages for 2016. The British-Irish Visa Scheme continues to help business to the island of Ireland with tour operators and OTAs in China and India reporting increased bookings this year.

## 5. Conclusion

Performance for the year to date has been strong and it is likely to be the best year ever for tourism to Ireland and Northern Ireland. Sentiment remains very positive among tourism industry partners overseas, as well as tourism businesses across the island. Bookings for the remainder of the year are very encouraging. Tourism Ireland's autumn promotional programme continues, aimed at boosting late-season travel from around the globe. The period September to December traditionally yields as much as 30% of annual overseas tourism business.

Ends