



Mussenden Temple, Derry-Londonderry, Northern Ireland

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## **SOAR** **(Situation & Outlook Analysis Report)** **September 2017**

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## Summary Headlines

- **Latest official figures for overseas arrivals to Ireland** (January to August 2017) show that we welcomed a record 6.7 million visitors, an increase of +2.5%. This equates to 160,000 more arrivals than the same period last year. It was a record period for all main market areas, with the exception of Great Britain which has seen a decline of more than -190,000 arrivals when compared with the same period in 2016. The British market is, however, still +5% ahead when compared to the same period in 2015. North America and our long-haul markets continue to perform exceptionally well. North America was up +18% for the eight-month period to August; Australia and Developing Markets were up +17%; and Mainland Europe was up +3%. The decline in visitor numbers from Britain continues to be a real concern, however. As anticipated, the impact of sterling depreciation is apparent, with British visitors down -7% for the eight-month period.
- **Latest official figures for overseas visitors to Northern Ireland** (January to March 2017) show that we welcomed almost 407,000 visitors, an increase of +8%. Holiday visitors grew by +23% and revenue grew by +7% to more than £98 million for this three month period. Significant increases in holidaymakers were recorded from Great Britain (+23%), North America (+31%) and Mainland Europe (+32%).
- Overall, **industry sentiment** across the island of Ireland and from overseas trade partners remains positive. Business is generally strong and intelligence suggests that bookings and performance are generally on a par with, or slightly ahead of, last year. However, sources also continue to report a 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 impact of recent terrorist incidents and the implications of Brexit, on all markets.
- Both STR hotel data and industry sources report a **strong performance for hotels** across the island for the January–July 2017 period, and a generally positive outlook for the rest of the year. STR reports that occupancy in Northern Ireland has increased by +5% YOY for the first seven months, with the average daily rate increasing by +12%; while Ireland has recorded more modest growth of +2% occupancy and +7% average daily rate.

## 2. Global Outlook

The United Nations World Tourism Organization (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 January-April period, while Europe recorded a +6% increase in arrivals. Northern Europe, of which the island of Ireland is part, experienced +9% growth. Results are summarised in the table below.

UNWTO Global Performance	
International Arrivals	Jan-April 2017 YoY % +/-
<b>World</b>	<b>+6%</b>
Africa	+8%
Asia Pac	+6%
Americas	+4%
Middle East	+10%
<b>Europe</b>	<b>+6%</b>
<b>Northern Europe</b>	<b>+9%</b>
<b>Northern Ireland (NISRA) (Jan-Mar)</b>	<b>+8%</b>
<b>Ireland (CSO) (Jan-Aug)</b>	<b>+2.5%</b>

Source: UNWTO, CSO, NISRA

Tourism is an increasingly valuable sector and major contributor to the world economy. According to the UNWTO, over the past six decades, tourism has experienced continued expansion and diversification to become one of the largest and fastest-growing economic sectors in the world. It has enjoyed virtually uninterrupted growth over time, despite occasional shocks, demonstrating the sector's strength and resilience.

International tourist arrivals have increased from 25 million globally in 1950 to 1,235 million in 2016 and international tourism receipts earned by destinations worldwide have surged from US\$2 billion in 1950 to US\$1,220 billion in 2016.

Tourism is a major category of international trade in services. In addition to receipts earned in destinations, international tourism also generated US\$216 billion in exports through international passenger transport services rendered to non-residents in 2016, bringing the total value of tourism exports up to US\$1.4 trillion, or US\$4 billion a day on average.

International tourism represents 7% of the world's exports in goods and services, having increased from 6% in 2015. Tourism has grown faster than world trade for the past five years, and, as a worldwide export category, it ranks third after chemicals and fuels and ahead of automotive products and food.

### 3. External Travel Trends

#### Key Markets Economic and Travel Outlook

##### 3.1 Overview

According to the European Travel Council, early indicators point to another year of growth for European tourism destinations. The economic picture in the Eurozone is looking brighter, helped by strong consumer spending, healthy employment rates and rising wages.

The majority of European destinations report strong growth in visitor arrivals, with more than one in two enjoying a double-digit increase compared to the same period last year. While Iceland (+56%) has seen a tourism boom for seven consecutive years, measures to manage capacity are being considered in light of accommodation and local infrastructure constraints. Growth momentum in the region also mirrors the efforts of destinations to reduce seasonality with strong results observed in Montenegro (+25%) and the island destinations of Malta (+23%) and Cyprus (+18%).

Outbound travel from Europe's largest domestic source markets – Germany, France, Italy and the UK – continues to drive this growth. However, some travellers from these markets have changed their travel patterns from traditional destinations to those that offer more affordable options. Travel has significantly increased to Balkan and Baltic destinations – Bulgaria (+26%), Croatia (+40%), Latvia (+23%), Montenegro and Poland (both +21%). Although the depreciation of sterling has increased travel costs for UK travellers, growth in visitor arrivals from this market was solid.

Strong growth in demand continues to come mainly from Europe's main long-haul source market, the US. In the US, the relative strength of the dollar, accelerated economic growth and decreasing air fares have contributed to the strong performance of this market.

## 3.2 Economic Indicators

<p><b>Great Britain</b></p> <p>Economic growth is likely to remain subdued over the next couple of years. Oxford Economics expects the UK to grow by +1.7% this year and +1.5% in 2018. Inflation has accelerated from below +1% to close to +3%, due to the depreciation of sterling and subsequent impact of rising oil and import costs. There is now clear evidence that high inflation has subdued consumer spending. Businesses are wary of investing in the current climate, with Brexit uncertainty and the Government continuing with its programme of fiscal austerity.</p>	<p><b>2017 GDP Forecast:</b> +1.7% (no change)</p> <p><b>CPI 2017:</b> +2.9% (no change)</p> <p><b>Unemployment:</b> 4.4% (down from 4.6%)</p> <p><b>Exchange rate(€/£):</b> €1:£0.92 (up from €1:£0.89)</p>
<p><b>USA</b></p> <p>The US economy remains strong despite some weakness at the start of 2017. Healthy employment growth is expected to increase demands for wage increases. Despite higher inflation than last year, the increase in consumer confidence and solid employment should support consumer spending. However, if the Government imposes protectionist measures, it would result in higher import prices, a further increase in inflation and reduced exports which will impact future economic growth.</p>	<p><b>2017 GDP Forecast:</b> +2.1% (down from +2.2%)</p> <p><b>CPI 2017:</b> +1.9% (down from +2.0%)</p> <p><b>Unemployment:</b> 4.4% (no change)</p> <p><b>Exchange rate (€/€):</b> €1: \$1.19 (up from \$1.15)</p> <p><b>Exchange rate (£/\$):</b> £1: \$1.30 (up from \$1.28)</p>
<p><b>France</b></p> <p>The French recovery is entering a more mature self-sustaining phase. The rebound in inflation at the start of the year had squeezed households' disposable income. However, the inflation rate has now fallen back to +0.7% and job creation is accelerating further, as the recovery gains steam. Expectations of more budget cuts following President Macron's election have also weighed on consumer spending.</p>	<p><b>2017 GDP Forecast:</b> +1.6% (up from +1.4%)</p> <p><b>CPI 2017:</b> +0.7% (down from +1.0%)</p> <p><b>Unemployment:</b> 9.5 % (no change)</p> <p><b>Exchange rate(€/£):</b> €1:£0.92 (up from €1:£0.89)</p>
<p><b>Germany</b></p> <p>German GDP growth slowed slightly in Q2 and the outlook for the second half of the year is somewhat mixed. Oxford Economics expects inflation to average +1.7%, much higher than the +0.5% in 2016 and this is likely to impact on consumer spending. However, the negative impact on consumer spending may be offset by the low unemployment rate and the labour supply shortages which will likely lead to demand for pay increases.</p>	<p><b>2017 GDP Forecast:</b> +2.0% (no change)</p> <p><b>CPI 2017:</b> +1.7% (down from +1.9%)</p> <p><b>Unemployment:</b> 5.7% (down from 5.8%)</p> <p><b>Exchange rate(€/£):</b> €1:£0.92 (up from €1:£0.89)</p>

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

### 3.3 Travel Trends in Key Markets

**Great Britain:** The popularity of staycations and UK city breaks remains, with Cornwall doing particularly well in the domestic market and the Lake District proving increasingly popular since it was awarded UNESCO World Heritage status. According to the Office for National Statistics (ONS), British holidaymakers are taking more trips but opting for shorter breaks.

**North America:** Spain, Portugal, Germany, Iceland and the UK are enjoying strong traffic growth from the US, with Iceland in particular up +40% on 2016. VisitBritain is reporting strong growth in North American visitors, at +29% for the April to June period. Turkey is showing marginal signs of recovery whilst Egypt and Tunisia continue to perform poorly. Recent terrorist incidents in Europe do not appear to have dampened demand and British Airways has advised that there was no dip in traffic following terrorist incidents in the UK. Lufthansa also reports that the Berlin attack last December had no impact on bookings from the US. Direct air access to Europe continues to expand, with 15 US cities seeing new services by the end of Q1 2018.

**Mainland Europe:** The **German** outbound holiday industry is enjoying a strong year to date, with a positive outlook for the rest of the year and strong bookings growth for the early part of 2018. While holiday business to Egypt from Germany has recovered somewhat, Turkey is still suffering, in spite of very low price offers. In **France**, overall, outbound travel is sluggish when compared to last year. Tunisia is showing early signs of recovery and the US is performing strongly. The outbound travel market from **Spain** is performing well with good bookings and revenue growth for this year. The Spanish economy is strong and is forecast to grow by +3% this year, which in turn is having a positive impact on consumer spending, up +2.3% this year. Statistics released by the Spanish Airport Authority (AENA) show that international passenger numbers at Spanish airports increased by +7.3% in the first seven months of the year, with the main outbound airports of Madrid and Barcelona up +4% and +8% respectively. Home holidays are proving popular in **Italy**, along with overseas trips to Spain and Greece. Italian airports saw single-digit passenger growth for the first half of 2017, with outbound travel growing slightly and a good outlook for the rest of the year. **The Netherlands** is also seeing strong outbound travel, with Schiphol Airport enjoying its busiest month ever – 6.7 million passengers in July alone.

**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, the island of Ireland and Europe is strengthening. In **China**, outbound tourist numbers have increased significantly over the past year, driven by improvements to the visa application process, economic stability and the overall value of tour packages. In **India**, family holidays accounted for approximately 65% of all outbound travel between April and July of this year, with the majority of outbound travellers opting for group holidays to Europe, the USA and the Far East.

## 4. Market Intelligence

### 4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (8 month arrivals) January - August 2017		Northern Ireland Visitors (3 month visitors) January - March 2017	
	'000s	% YOY	'000s	% YOY
<b>Total</b>	6,714,600	+2.5%	406,607	+8%
<b>Great Britain</b>	2,483,200	-7.1%	303,145	+5%
<b>Mainland Europe</b>	2,383,400	+3.2%	54,768	+21%
<b>North America</b>	1,419,400	+17.9%	27,948	+12%
<b>Rest of world</b>	428,600	+16.9%	20,747	+17%

Sources: CSO, NISRA 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 +2.5% overall during the period January to August 2017. North America continues its strong performance, with an increase of +17.9%. Visitor numbers from the rest of the world, including Australia and Developing Markets, were also positive for the first eight months of 2017, up +16.9%. Arrivals from Mainland Europe grew by +3.2%, with important markets like Germany, France, the Nordics and Spain continuing to perform well. Great Britain, however, recorded a decline of -7.1% for this period.

**Northern Ireland:** The latest NISRA data reports a strong performance for Northern Ireland for the first three months of 2017. Overseas visitors to Northern Ireland grew by +8%, when compared with the same period in 2016. There was strong growth in holidaymakers of +23% and revenue from overseas visitors to Northern Ireland grew by +7% to more than £98 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%	
<b>Overall</b>	<b>+5%</b>	<b>-2%</b>	<b>+4%</b>	

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 were more than 550,000 direct, one-way air seats available per week to the island of Ireland during the peak summer season this year. This was 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 was down by an estimated -4% YOY to the island of Ireland, primarily driven by reductions in provincial services into Northern Ireland. Ferry capacity remained unchanged compared to the same period in 2016, with almost 48,000 car spaces available per week.

There have been many positive air connectivity announcements for the forthcoming winter 2017/18 season. These include Ryanair and Aer Lingus adding new winter routes and frequency to their network and Norwegian's year-round transatlantic services.

The next edition of SOAR will include estimates on air and ferry capacity changes for the forthcoming winter season to both Ireland and Northern Ireland.

### 4.3 Total Passenger Numbers

	Total Pax 2016*	June 2017 % change YOY	July 2017 % change YOY
<b>ROI sea passengers</b>	3.1m	+1%	-2%
<b>NI sea passengers</b>	2m	+6%	+1%
Dublin Airport	28m	+6%	+6%
Shannon Airport	1.7m	-4%	-4%
Cork Airport	2.2m	+1%	+6%
Ireland West Airport Knock	0.7m	-1%	n/a
<b>All ROI Airports</b>	32.6m	+5%	+5%
Belfast International Airport	5.1m	+15%	+14%
Belfast City Airport	2.7m	n/a	
City of Derry Airport	0.3m	-42%	
<b>All NI Airports</b>	8.1m	n/a	
All UK Airports	222m	n/a	
All Danish Airports	34m	+1%	
All Norwegian Airports	54m	+3%	
All Swedish Airports	43m	+9%	

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. NOTE: A number of Northern European markets included for comparison purposes.

Looking at the first seven months of the year, published air passenger traffic results to Ireland 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 +2% YOY for the January to July period, while sea passengers to and from Northern Ireland were up +3% YOY for the same period.

## 4.4 Accommodation

### Hotel accommodation data estimates

	Occupancy % change	Average Daily Rate % change
	Jan - July 2017 v Jan - July 2016	Jan - July 2017 v Jan - July 2016
	Island of Ireland	+2.0%
Ireland	+1.6%	+6.9%
Northern Ireland	+5.3%	+11.6%
Scotland	+2.0%	+5.1%
England	+1.2%	+4.8%
Italy	+4.4%	+3.9%

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 Average Daily Rate and occupancy in the January to July period.

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

## 4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
<p>Mixed</p> 	<p><b>Accommodation providers</b></p> <p>The Northern Ireland hotel sector is reporting a strong summer season with good occupancy and room rates. There is strong performance from overseas tour business and leisure travellers and sentiment across the sector is very positive, as we head into autumn.</p> <p>In Ireland, hotels and guesthouses are also reporting a strong summer across all the main tourist hubs. Both occupancy and room rates are performing well. Sources report a slow performance from Great Britain and some European countries, but business from other main markets is compensating for this.</p>
<p>Bright</p> 	<p><b>Air and sea carriers</b></p> <p>Air performance for the first eight months of 2017 has been positive, with increased services for the summer helping to ensure a strong season overall.</p> <p>A leading sea carrier has seen a slight uplift in business from Britain over the summer months and into September, with the market responding positively to increased promotions. The picture is positive from Mainland Europe, with business from Germany and France performing well overall and expected to turn out marginally ahead this year.</p>
<p>Bright</p> 	<p><b>Attractions</b></p> <p>Attractions across Ireland are performing very well overall, with some very strong individual markets, such as the US, compensating for a more subdued performance from Britain and some Mainland European markets.</p> <p>Northern Ireland visitor attractions are reporting a similarly positive picture with a significant increase in business for the first eight months of the year.</p>
<p>Mixed</p> 	<p><b>Tour Operators</b></p> <p>Business from the US continues to perform very strongly and European markets are also doing well. Bookings from Britain, however, continue to slow and are showing very little growth. Overall, tour operators are generally positive about performance this year and are optimistic looking towards the rest of the year and into 2018. It is important to note, however, that the long-term implications of increases in accommodation rates and capacity constraints continue to cause concern.</p>

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

## 4.6 Tourism Ireland Market Outlook

**Great Britain:** Overall, a subdued performance and cautious outlook from the British market. British tour operators report a mixed picture with slow or no growth for the summer season and a similar performance expected for the last quarter of the year. However, some OTAs are more positive, reporting interest in visiting the island of Ireland as strong and searches for the island on their websites increasing significantly YOY. In addition, they report a strong growth in regional bookings. While air carriers are reporting a significant decline in outbound travel to all destinations from Great Britain this year, sea carrier business to the island of Ireland has held up well and the market has responded well to tactical promotions. Short breaks and staycations are proving popular with consumers in Britain, though recent poor weather has prompted demand for sunnier destinations.

**North America:** The outlook from North America is upbeat, with positive reports from both airlines and tour operators. While bookings to the island of Ireland slowed down in June, they recovered strongly towards the end of the summer and business is looking good to the end of the year and for early 2018. Escorted tour operators are reporting that a late booking trend (within four months of departure) is becoming an established pattern for this sector. Aer Lingus's thrice weekly service from Miami to Dublin commenced in September and is expected to support additional growth. A leading luxury consortium recently announced the island of Ireland as the 7<sup>th</sup> most popular summer destination amongst its client base.

**Mainland Europe:** Business from **Germany** has benefited from a rise in late bookings, with a healthy outlook for FIT travel and forward bookings for next year. While interest remains high for group travel, price and capacity issues are impacting on conversions. In **France**, a late booking pattern is also emerging, with optimism for the shoulder season ahead. Partners report that, despite competition from cheaper European weekend destinations, there is good potential to win some group and FIT business. While competitor destinations have had recent access wins, our increased connectivity for autumn/winter is expected to bring growth. OTAs in **Spain** are showing strong growth to the island with positive uplift in hotel bed-night numbers and touring packages. While some tour operators report slight declines in business, others are reporting double-digit growth on last year and overall performance is buoyant. Strong access into the winter is paying dividends, and the market is reacting well to Tourism Ireland's co-operative marketing promotions with airlines. There's a mixed picture from **Italy**, with some FIT declines and competitor wins earlier in the year. However, the outlook for the season ahead is positive overall with good access and stable forward bookings. In **the Nordics**, Ireland continues to benefit from recent connectivity improvements. The new SAS route from Stockholm to Shannon continues through October and opens up the Wild Atlantic Way for Swedish visitors; it is proving a valuable 'new news story' for promotional purposes.

**Australia & Developing Markets:** Sentiment among the travel trade in **Australia** is cautious but optimistic. Sources report an unprecedented last minute booking surge for 2017, on top of a very strong double-digit overall growth for the island of Ireland this year. Indicators from **China** and **India** remain very positive, with continued strong growth in both interest and bookings.

## **5. Conclusion**

Sentiment is positive overall, from both overseas trade partners and tourism businesses across the island of Ireland. However, declining visitor numbers from some Mainland European markets, and from Great Britain to Ireland, remains a cause for concern. While some stronger performing overseas markets are counterbalancing these declines, and Northern Ireland does not appear to be negatively impacted, we remain vigilant.

In Great Britain, Tourism Ireland remains alert to the implications of the market's current macro environment and value for money remains a key message. While the continuing depreciation of the pound against the euro provides good opportunities for Northern Ireland, its impact continues to be 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 ahead of, or on a par with, last year.

We remain alert to all changes in the environment worldwide and continue 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, even during the shoulder season.

Tourism Ireland recently launched its autumn promotional campaign to boost late-season travel to the island from around the world. This is a key opportunity, as the September to December period usually yields as much as 30% of the island of Ireland's annual overseas tourism business. This campaign is highlighting the many festivals and events taking place around the island this autumn and winter and includes a major focus on city breaks, as well as on attracting visitors to more rural areas over the coming months. We will continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise the opportunities.

**Ends**