



Rathlin Island, County Antrim

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

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## Summary Headlines

- **Overseas visitors to Ireland** grew to record levels in the first seven months of 2016, with almost 5.5 million arrivals based on CSO estimates. This represents an increase of +13%, or over 600,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas – North America (+16%), Great Britain (+14%), Mainland Europe (+12%) and Australia and Developing markets (+3%). In the first half of the year, overseas holiday visitors grew by +12% and revenue from holidaymakers grew by +9%, when compared to the same period in 2015.
- According to NISRA, **overseas visitors to Northern Ireland** grew by +8% for the first quarter of 2016, when compared to the same period in 2015. Holiday visitors grew by +10% and revenue from overseas visitors to Northern Ireland grew by +10% (£93 million). Leading attractions in Northern Ireland report strong increases in overseas visitors for the second quarter and into the summer season.
- Tourism Ireland remains cognisant of **external risks**, including the outcome of the recent EU referendum in the UK, which has given rise to economic uncertainty which could hamper tourism growth. At the time of issue, the pound has depreciated to €1.17 per £1, which compares to a value of €1.31 immediately before the referendum result. Tourism Ireland is liaising with our key stakeholders and monitoring developments.
- **Industry sentiment** on the island of Ireland and the outlook from overseas trade partners remains very positive, with a very good summer season being experienced. Accommodation capacity in key tourism centres and the uncertainty surrounding the recent EU referendum in the UK are the chief concerns at the moment.
- Tourism Ireland continues to roll out its **marketing campaign across all markets** to ensure that 2016 is another record-breaking year for overseas tourism. We have launched a €9/£7 million promotional campaign, to boost late-season travel to the island of Ireland from around the world. Highlights include a travel trade and media roadshow in the US, sales missions to the Middle East, India, New Zealand and Australia, the 'Flavours of Ireland' workshop which will target long-haul markets through UK inbound tour operators, and co-operative campaigns with Aer Lingus and Ryanair in key European markets highlighting good value fares to the island of Ireland.

## 2. Global Outlook

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

By region, Asia and the Pacific (+9%), Africa (+7%) and the Americas (+6%) saw the highest growth during the January-April period, while Europe recorded a +4% increase in arrivals. Northern Europe, of which the island of Ireland is part, experienced +6% growth. Results are summarised in the table beneath, illustrating the market share growth of Ireland and Northern Ireland in the early part of 2016.

The UNWTO forecast international tourism to grow by between +3.5% and +4.5% worldwide this year.

UNWTO Global Performance	
International Arrivals	Jan-Apr 2016 YoY % +/-
<b>World</b>	<b>+5%</b>
Africa	+7%
Asia Pac	+9%
Americas	+6%
Middle East	-7%
<b>Europe</b>	<b>+4%</b>
<b>Northern Europe</b>	<b>+6%</b>
<b>Northern Ireland (NISRA) (Jan-Mar)</b>	<b>+8%</b>
<b>Ireland (CSO) (Jan-Jul)</b>	<b>+13%</b>

Sources: UNWTO, NISRA, CSO

### 3. External Travel Trends

#### Key Markets Economic and Travel Outlook

##### 3.1 Overview

Oxford Economics expects the global economy to grow by +2.7% in 2017. The economies of the island of Ireland's top four source markets are expected to continue to grow in 2017, albeit at different rates. The US economy is forecast to grow by +2.3%, while France and Germany are forecast to be key drivers of Eurozone growth in 2017, growing at +1.6% and +1.5% respectively. Consumer sentiment in Europe is expected to improve in 2017 as households become more confident about the future. Unemployment is expected to decline in all key markets, which should further stimulate consumer spending. The impact of Brexit has dampened the growth prospects for the UK, largely due to weak business investment and subdued consumer spending as a result of the weak pound. It is now expected that the UK will lag behind the other core source markets, with growth of just +1.1% in 2017.

According to Oxford Economics, forecast global tourism growth for 2017 will be +4.2%, with European tourism growing at +3.2%. This forecast shows that, despite challenges in 2017, both Europe and the global outbound market continue to grow at modest rates in 2017.

Given the strong economic fundamentals in the US, France and Germany, expectations for growth in travel from these markets are generally positive. Rising prosperity will mean that people are more likely to spend on international travel. Increased business activity is also a good indicator for further growth in business travel in the medium term.

### 3.2 Economic Indicators

<p><b>Great Britain</b></p> <p>Oxford Economics forecasts GDP growth of +1.8% for 2016 and +1.1% for 2017. The heightened uncertainty resulting from the EU referendum has dampened business investment, while the weaker pound will likely push up inflation and hamper consumer spending. By the end of 2016, Oxford Economics forecast that the pound will have fallen by -25% against the dollar, compared with its mid-2014 level. Oxford Economics expects the UK to endure a slowdown in growth, rather than a technical recession.</p>	<p>2016 GDP Forecast: +1.8% (no change)</p> <p>CPI: +0.7% (no change)</p> <p>Unemployment: 5.4% (up from 5.0%)</p> <p>Exchange rate(€/£): €1: £0.86 (down from £0.79)</p>
<p><b>USA</b></p> <p>Real GDP growth was only +1.2% in Q2 and this followed a downwardly revised +0.8% in Q1. Given the weakness in the first half of the year, Oxford Economics has lowered its 2016 GDP growth forecast by 0.5pp to +1.5%. The strong dollar, sluggish global growth and reduced oil and gas investment will likely continue to dampen activity, but the economy appears set to rebound in H2. Increase in employment and strong income growth should support spending and housing activity. The 2017 and 2018 GDP forecasts are unchanged at +2.3%.</p>	<p>2016 GDP Forecast: +1.5% (down from +2.0%)</p> <p>CPI: +1.2% (up from +0.6%)</p> <p>Unemployment: 4.9% (up from 4.7%)</p> <p>Exchange rate (€/€): €1: \$1.13 (up from \$1.11)</p>
<p><b>France</b></p> <p>French GDP was flat in Q2 as extensive strikes affected the production capacity of the economy. In spite of the terrorist attack in Nice in July, most recent business sentiment and consumer confidence indicators suggest that growth will rebound in Q3. Consumer spending should see further improvements due to increases in employment. Solid consumer spending and rebounding investment should lift economic growth to +1.4% in 2016 and support average growth of +1.6% over the following few years.</p>	<p>2016 GDP Forecast: +1.4% (down from +1.7%)</p> <p>CPI: +0.4% (up from +0.3%)</p> <p>Unemployment: 9.9% (down from 10.0%)</p>
<p><b>Germany</b></p> <p>Germany continued its strong start to the year in Q2 and appears to have shrugged off the UK's Brexit decision, leaving it on track to outperform the Eurozone this year. Oxford Economics forecast GDP growth of +1.8% for 2016 as a whole, mainly reflecting strong Q2 results. Positive consumer sentiment and rising employment suggests stronger household spending growth in the near term.</p>	<p>2016 GDP Forecast: +1.8% (up from +1.7%)</p> <p>CPI: +0.6% (no change)</p> <p>Unemployment: 6.1% (no change)</p>

Source: Oxford Economics Briefing and Outlook reports September 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 during the first six months of 2016 grew by +6% when compared to the same period last year. According to the CSO, GB visitors to Ireland for the same period were up +16%, resulting in an increase in market share. GB visitors to Northern Ireland grew by +10% YOY in the first quarter of 2016. Leading flight booking analysts report a bounce in inbound bookings to GB in the month post the referendum result, while some GB travellers are concerned that withdrawal from the European Union could lead to more expensive holidays in the EU. Ryanair says that Brexit uncertainty will more than halve its growth in Britain.

**North America:** US traffic to Europe grew by almost +7% YOY in the first half of 2016, according to the US Department of Commerce. US visitors to GB increased by +1% YOY for the first five months of the year. However, tour operators are reporting strong growth to the UK since the EU referendum vote, fuelled by the strong dollar against the pound and favourable air fares. Peak season airfares to Europe remain the lowest in several years. Additional capacity, coupled with security concerns, have contributed to lower airfares. According to the Conference Board of Canada (CBOC), Canadians made +4% YOY more visits to Europe in the first five months of 2016. For Ireland specifically, the report indicates growth of +12% YTD for the same period.

**Mainland Europe:** The German travel industry forecasts that bookings are marginally down this year, with no significant growth expected in outbound travel. French travellers are choosing closer to home destinations that are perceived as 'safe', with a lot of last minute bookings to Spain and Portugal. France, as a destination has been negatively affected on the tourism sector, especially Nice and Paris. In Spain, the outlook for outbound travel remains positive, with the economy performing relatively well and traffic at Spanish airports is up +12% YTD to July. Major Italian airports reported YOY passenger growth in June. Outbound travel continues to grow from the Nordics and all major airports are reporting passenger increases this year. Anecdotal feedback from Dutch tour operators is that there has been an increase in bookings for Northern European destinations, such as the Scandinavian countries and the island of Ireland, this year.

**Australia & Developing Markets:** In Australia, the general outbound travel market for overseas holidays is relatively stable. The Chinese outbound market is expected to grow by +4% YOY this year. Some Chinese operators have seen their UK business increase dramatically this summer – aided by the currency rate, ease of visa process and perceived better safety (than other parts of Europe). According to Indian trade, Europe, despite terror attacks, continues to be a favoured destination for Indian consumers this year, with high interest and robust bookings.

## 4. Market Intelligence

### 4.1 Arrivals and Visitors

#### Preliminary Estimates

Visitor Origins	Ireland Visitors January – July 2016		Northern Ireland Visitors January – March 2016	
	'000s	% YOY	'000s	% YOY
<b>Total</b>	<b>5,427</b>	<b>+13%</b>	<b>378</b>	<b>+8%</b>
Great Britain	2,225	+14%	288	+10%
Mainland Europe	1,911	+12%	N/A	N/A
North America	990	+16%	N/A	N/A
ADM	301	+3%	N/A	N/A

Sources: CSO, NISRA

Overseas visitors to Ireland grew to record levels in the first seven months of 2016, with almost 5.5 million arrivals based on CSO estimates. This represents an increase of +13%, or over 600,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas – North America (+16%), Great Britain (+14%), Mainland Europe (+12%) and Australia and Developing markets (+3%). In the first half of the year, overseas holiday visitors grew by +12% and revenue from holidaymakers grew by +9%, when compared to the same period in 2015.

According to NISRA, overseas visitors to Northern Ireland grew by +8% for the first quarter of 2016, when compared to the same period in 2015. Holiday visitors grew by +10% and revenue from overseas visitors to Northern Ireland grew by +10% (£93 million). GB, which accounted for 76% of all overseas visitors to Northern Ireland in the first quarter, grew by +10%. Due to small sample sizes results for other overseas markets are unavailable for Q1 due to robustness of the data. Leading attractions in Northern Ireland report strong increases in overseas visitors for the second quarter and into the summer season.

## 4.2 Air and Sea Connectivity

### 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

There are an estimated 537,000 direct, one-way air seats available each week to the island of Ireland during the summer season, a +9% increase in capacity compared to the same period last year. This is a record number and growth is from all market areas with Ireland up +9% and Northern Ireland up +10%.

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 season. New routes this summer compared to the previous summer season include Aer Lingus's new services from Los Angeles to Dublin and Düsseldorf to Cork and Ryanair's new services from Vigo to Dublin and London Gatwick to Belfast International Airport.

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

There have been many positive air connectivity announcements for the forthcoming winter 2016/17 season. These include Ryanair adding new routes and frequency to their network, Aer Lingus's broader transatlantic services and KLM introducing a new Amsterdam-Dublin service.

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 2015*	May 16 YOY % change	June 16 YOY % change	July 16 YOY % change
Dublin Airport	25m	+11%	+9%	+9%
Shannon Airport	1.7m	+2%	+3%	-3%
Cork Airport	2.1m	+10%	+10%	+6%
Ireland West Airport Knock	0.7m	-4%	+9%	+5%
Belfast International Airport	4.4m	+12%	N/A	
Belfast City Airport	2.7m	+2%	+1%	
City of Derry Airport	0.3m	+4%	N/A	
<b>All ROI Airports</b>	29.5m	+10%	+9%	
<b>All NI Airports</b>	7.4m	+8%	N/A	
All UK Airports	255m	N/A	N/A	
All German Airports	216m	+1%	+2%	
All Norwegian Airports	54m	+2%	-1%	
All Swedish Airports	41m	+6%	+2%	
<b>ROI sea passengers</b>	3.2m	-9%	+2%	
<b>NI sea passengers</b>	2m	0%	-3%	

Sources: Annaero, DAA, Shannon Group, 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 passenger traffic results (includes connecting transit business) to the island of Ireland are mainly positive for 2016.

Sea passenger numbers to Ireland, which includes Irish residents, are -2.5% YOY for the year to July. Sea passengers to Northern Ireland are flat for the year to July.

Ryanair reports its total rolling annual traffic grew by +16%, to over 110m customers, in the 12 months to July 2016. According to IAG, for the seven months to July 2016, Aer Lingus revenue passenger kilometres (RPKs) were up +8.7% with a load factor of 81%, up one point.

## 4.4 Accommodation

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

	July 2016 v July 2015 % change	Jan-July 2016 v Jan-July 2015 % change
Island of Ireland	+1%	+1%
Ireland	0%	+1%
Northern Ireland	+9%	-2%
Scotland	+2%	+1%
England	+3%	+1%
Italy	-2%	0%

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 marginal growth in the first seven months of the year, in terms of hotel rooms sold. Northern Ireland has experienced some decline during the same period. 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 five months of 2016.

According to the Irish Hotels Federation, hoteliers have experienced a very good year to date and bookings were strong for the peak summer season.

According to research by global hotel sales channel HRS, Dublin's average hotel room rates have risen by +70% to €195 between Q2 2015 and Q2 2016. HRS report that Dublin rates are on average €17 higher than London, which has seen a -7% drop during the same period.

NISRA report that the number of hotel rooms sold in Northern Ireland for the first half of 2016 decreased by -3% when compared to the same period in 2015. Feedback from Northern Ireland industry is that the year started slowly; however, the summer season was positive. NISRA also reports that rooms sold in Guesthouses, B&Bs and Guesthouse accommodation grew by +27% YOY during the January – June 2016 period.

## 4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	<b>Accommodation providers</b> <p>In Ireland, hoteliers and guesthouses are reporting a very positive year to date, with a significant increase in bookings across the board. The main tourist regions are trading well, with growth from all key overseas markets. After a challenging start to the year, the accommodation sector in Northern Ireland is experiencing a good summer with solid bookings from key overseas markets.</p>
Bright 	<b>Air and sea carriers</b> <p>Air carriers are experiencing a strong year overall. The increased air access from North America is performing very well and there's also strong growth in business from Europe. An encouraging increase in group business is being reported from the main overseas markets. A leading sea carrier has seen bookings soften somewhat in the aftermath of the EU referendum vote.</p>
Mixed 	<b>Attractions</b> <p>Key Northern Ireland visitor attractions have experienced good overseas visitor growth this year. There have been significant increases, especially from North America and Mainland Europe. Most Dublin attractions continue to experience very strong YOY overseas visitor growth. However, a leading attraction reports a decline in GB visitors since the EU referendum vote. Key attractions on Ireland's Ancient East report a good performance year to date, with visitor numbers generally ahead of 2015 levels. Strong double-digit growth in both group and FIT sectors has been reported by a major attraction on the Wild Atlantic Way.</p>
Mixed 	<b>Tour Operators</b> <p>The outlook for tour operator business is very positive overall, with bookings up on last year and the summer season performed well – another record year is expected. However, accommodation capacity constraints in key tourism centres at peak times remain an issue and a barrier to further growth. While other neighbouring regions may be benefiting to a degree, overseas operators are cautious about the long-term implications of rate and capacity issues, especially in Dublin.</p>

Source: Based on feedback from island of Ireland industry sources, July/August 2016

## 4.6 Tourism Ireland Market Outlook

**Great Britain:** It remains uncertain what effect the EU referendum result will have on holidays to the island of Ireland in the long-term. Local trade has seen no major impact on bookings. Many GB tour operators, OTAs and carriers have experienced strong growth YTD in their bookings to the island of Ireland. However, ongoing feedback from GB trade suggests that capacity continues to be a challenge for the market, with many tour operators referencing that they are experiencing difficulty with rates and allocations for 2017.

**North America:** US tour operators are having a good year to the island of Ireland with the majority forecasting YOY growth to Ireland. However, they are experiencing only single-digit growth compared to the double-digit increases being reported from the CSO, once again confirming a strong and ongoing trend towards direct booking by independent travellers. All air carriers to Ireland are reporting a positive performance with strong load factors. Hotel prices and availability remain a cause for concern and are viewed as the biggest constraint to growth. Capacity constraints for accommodation and key attractions during the peak are spreading beyond Dublin. Canadian operators and carriers report that the island of Ireland is very popular this year and are experiencing YOY growth.

**Mainland Europe:** Feedback from industry and trade regarding YTD performance and the outlook for the remainder of the year continues to be very positive. German trade partners are reporting that the vast majority of bookings for 2016 are in and many tour operators, OTAs and air carriers are reporting double-digit growth. Regarding France, feedback from tour operators, carriers and island of Ireland operators is that they are witnessing strong demand for the island of Ireland. This growth is starting to slow however, due to accommodation constraints in Dublin and other key cities during the peak season. Feedback from partners continues to be very positive regarding the Spanish market, with strong YOY growth being experienced. Italian tour operators' feedback is mixed, with accommodation constraints in Dublin limiting growth. In the Nordics, trade feedback remains positive on business to the island of Ireland; however, the decrease in available air access capacity from Copenhagen and Oslo (this winter) will likely have an impact on future visitor numbers. Feedback from leading tour operators in the Netherlands continues to be positive for current and future bookings to the island of Ireland, with most reporting double-digit growth this year.

**Australia & Developing Markets:** Australian operators report that whilst the island of Ireland bookings are up marginally, Europe is tracking down for this year with terror events in France, Belgium and Turkey having impacted travel to Europe. Australian travel to USA/Hawaii is doing exceptionally well this year. Anecdotal feedback from Indian trade is that interest and bookings for the island of Ireland are ahead of last year.

## 5. Conclusion

The positive year to date continues to be reflected by the latest CSO and NISRA performance results and the sentiment expressed by our trade partners overseas, as well as tourism businesses here at home.

Tourism Ireland remains cognisant of external risks, including the outcome of the EU referendum in the UK. Although it is still too soon to fully understand the long-term implications of Brexit for tourism, Tourism Ireland is closely monitoring the possible implications and is liaising with key stakeholders, at home and overseas, especially any impacts for the forthcoming Q4 period. Britain remains an extremely important source market for tourism to the island of Ireland and we are undertaking an extensive programme of promotions in Britain and elsewhere around the world. Our aim is to ensure that 2016 is another record-breaking year for overseas tourism to the island of Ireland.

We have launched a €9/£7 million promotional campaign, to boost late-season travel to the island of Ireland from around the world. Highlights include a travel trade and media blitz in the US, sales missions to the Middle East, India, New Zealand and Australia, the 'Flavours of Ireland' workshop which will target long-haul markets through UK inbound tour operators, and co-operative campaigns with Aer Lingus and Ryanair in key European markets highlighting good value fares to the island of Ireland. The September to December period usually yields as much as 30% of annual overseas tourism business.

Ends

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