



Tourism Ireland
SOAR
(Situation & Outlook Analysis Report)
May 2018

1. Summary Headlines

- **Industry sentiment** across the island of Ireland and among overseas trade partners remains upbeat, after a positive start to 2018. The uncertainty arising from Brexit, however, remains a key concern for industry on the island of Ireland. Tourism Ireland continues to monitor the implications of Brexit and to consult closely with stakeholders at home and overseas.
- Latest figures for **overseas arrivals to Ireland** show an increase of almost +7% in the first three months of 2018, around 124,500 additional overseas arrivals when compared with January-March 2017 (arrivals include same day, and transfer visitors). There were strong results from Mainland Europe, up nearly +14% on Q1 last year, with particularly strong performances from Germany (+31%), Italy (+18%) and Spain (+5%). Arrivals from North America grew by +13%, an extra 38,300 US and Canadian visitors over this period. Arrivals from Britain held their own for the first three months of 2018, with a modest +0.3% performance. However, we urge caution since it is too early to determine any turnaround in the long-term trend. The impact of Brexit on outbound travel from Britain remains a risk we are monitoring closely.
- Both STR **hotel data** and industry sources report a strong hotel performance across the island of Ireland for the first three months of 2018, instilling confidence for the year ahead. STR reports that occupancy in Northern Ireland was 67.6% for the January-March period, an increase of +1.0% when compared to the same period last year, with the average daily rate increasing by +7.7% to £72.41. Hotels in Ireland also enjoyed an increase in occupancy and average daily rate for the first quarter of 2018; occupancy was 67.6%, an increase of +3.4%, with average daily rate rising to €113.67, an increase of +8.2%.
- Tourism Ireland's **spring campaigns** continue across the markets, helping to boost early season travel and whet appetites for main holidays. We continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise overseas promotional opportunities and grow tourism revenue further this year.

2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) is forecasting growth in the sector again this year, on the back of last year's strong momentum. However, the expectation is that the pace will be more sustainable after eight years of expansion following the economic crisis.

Based on current trends, economic prospects and the outlook by its Panel of Experts, the UNWTO projects international tourist arrivals worldwide to grow at a rate of +4% to +5% in 2018. This is slightly stronger than the +3.8% average increase projected for the period 2010-2020 by UNWTO in its 'Tourism Towards 2030' long-term forecast.

Europe and the Americas are both expected to grow by +3.5% to +4.5%, Asia and the Pacific by +5% to +6%, Africa by +5% to +7% and the Middle East by +4% to +6%.

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

The Travel & Tourism sector has outperformed the global economy for the seventh consecutive year, according to the World Tourism and Travel Council (WTTC). It was the fastest growing broad economic sector globally, showing stronger growth (+4.6%) than all other sectors, including manufacturing (+4.2%), retail and wholesale (+3.4%), agriculture, forestry and fisheries (+2.6%) and financial services (+2.5%). Growth has been fuelled by new destinations, technology, improved transport networks, and a growing middle class in emerging markets.

Forecasts for 2018 suggest that growth will continue, albeit at a slower rate than in 2017 due to the impact of higher oil prices.

The long-term outlook to 2028 remains unchanged, with average growth of +3.8% per year expected over the next decade. By 2028, Travel and Tourism is expected to support more than 400 million jobs globally, which equates to 1 in 9 of all jobs in the world; and the sector is expected to contribute around 25% of global net job creation over the next decade.

3.2 Economic Indicators

<p>Great Britain: Oxford Economics continues to forecast that the British economy will grow by +1.8% in 2018 and +1.6% in 2019. The economy will benefit from a recovery in household spending this year, however, it will be constrained by the British government's welfare reforms and softer employment growth. The boost from net trade is expected to fade steadily as sterling strengthens.</p>	<p>2018 GDP Forecast: +1.8% (no change)</p> <p>CPI 2018: +2.3% (up from 2.2%)</p> <p>Unemployment: 4.3% (down from 4.4%)</p> <p>Exchange rate(€/£): €1:£0.88 (down from €1:£0.90)</p>
<p>USA: While economic momentum has picked up in early Spring, trade tensions have escalated. Oxford Economics believes that the economy will grow +2.8% in 2018, with a quarter of the growth coming from tax cuts and increased government spending, and the rest coming from solid fundamentals. The unemployment rate is at a 17-year low of 4.1%, and wage growth is rising gently at +2.7% year on year. Record confidence levels and low interest rates will help consumer spending grow by +2.6%.</p>	<p>2018 GDP Forecast: +2.8% (no change)</p> <p>CPI 2018: +2.6% (up from +2.1%)</p> <p>Unemployment: 4.1% (no change)</p> <p>Exchange rate (€/€): €1: \$1.23 (down from \$1.24)</p> <p>Exchange rate (£/\$): £1: \$1.40 (up from \$1.39)</p>
<p>France Despite a solid performance in Q4 2017, it is now clear that activity in France has slowed markedly since the start of this year. It is still not obvious what is driving the slowdown, but concerns about possible tariffs on steel and a potential trade war between the US and China have hurt sentiment. With inflation forecast to average +1.4% this year Oxford Economics sees consumers' real disposable income rising by only +1%. This is likely to curb consumption growth in the short term, before the positive effect of tax cuts is felt more strongly in 2019.</p>	<p>2018 GDP Forecast: +1.8% (down from +2.1%)</p> <p>CPI 2018: +1.4% (no change)</p> <p>Unemployment: 8.9 % (down from 9.2%)</p> <p>Exchange rate(€/£): €1:£0.88 (down from €1:£0.90)</p>
<p>Germany: Oxford Economics has cut its 2018 GDP forecast slightly to +2.3%, due to trade restrictions looming. However, it is still the second strongest result in seven years. With the unemployment rate falling to 5.3% in March, the labour market boom is testament to the strong domestic growth. Combined with stronger wages and benign inflation (which they now see at +1.6% this year), this bodes well for the consumption outlook.</p>	<p>2018 GDP Forecast: +2.3% (down from +2.4%)</p> <p>CPI 2018: +1.6% (down from +1.8%)</p> <p>Unemployment: 5.3% (down from 5.4%)</p> <p>Exchange rate(€/£): €1:£0.88 (down from €1:£0.90)</p>

Source: Oxford Economics Briefing and April reports 2018.

3.3 Travel Trends in Key Markets

Great Britain: Leading tour operators have seen a sharp uplift in package holidays this year, with value for money a key criterion for British holidaymakers. Holiday prices for Croatia and some Greek islands are reported to have dropped and Spain remains the most popular holiday destination for British holidaymakers.

North America and Australia: Latest reports from **US** Tour Operators confirm that booking levels to all Continental European destinations are up on last year, with Spain and Portugal doing particularly well. The softening in demand for Britain has continued since late last year and remains subdued. Despite the impact of spring snow storms and higher fuel prices, the US aviation industry is performing strongly, with additional capacity being absorbed for both domestic and international routes. In **Canada**, travel to Europe is growing, particularly from an older demographic, with Croatia, Denmark, Romania, Serbia, and Turkey performing very well. In **Australia**, new research shows that 42.5% of Australian adults book international holidays through their local travel agent, with 15.5% booking with an online travel agent.

Mainland Europe: The outbound holiday market from **Germany** is enjoying a strong start to the year, with Tunisia, Turkey and Egypt all making a comeback. Scotland and England are also performing well. Research by *FUR Reise Analyse* reveals that 70% of Germans are either certainly or very likely going on holiday in 2018, with some 30% planning a bigger spend on holidays. Price also came out as the single most important criterion for German holidaymakers when choosing a holiday product. In **France**, bookings for long haul destinations are growing and Mediterranean destinations are also seeing strong growth. Scotland remains popular as an outbound destination in our competitive set. The demand for Iceland is declining with tour operators blaming high prices for the falloff. Visit Britain has active campaigns in the market, as have Turkey and Cuba. In **Spain**, sentiment remains positive, with outbound tour operators expecting moderate growth for the peak season. In **Italy**, the *Italian Federation of Associations of Travel and Tourism Enterprises* reports good growth in outbound travel, with Egypt and Israel in particular enjoying a positive performance in the early months of this year. In **BeNe** the outbound market is trading strongly with some leading group and FIT tour operators reporting double digit growth to competitor destinations such as Scotland.

Emerging Markets: In **India**, Europe now commands an estimated market share of about 20% of all Indian outbound departures, according to the Pacific Asia Travel Association. Research in **China** shows that travellers have a strong desire to use holidays to get closer to nature (47%) and wish for travel to be a social experience (40%); they also aspire to visit notable tourist sites that solidify the travel experience (28%). Mobile payment is a current and future trend for outbound Chinese tourists, with 65% of Chinese tourists using mobile payment platforms during overseas travel for shopping, dining and visits to tourist attractions.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	2018		2017			
	Ireland Arrivals (3 month arrivals)		Ireland (Direct) Overnight Visitors (12 month visitors)		Northern Ireland Visitors (9 month visitors)	
	Jan – March 2018		Jan – Dec 2017		Jan –Sept 2017*	
		% YOY		%YOY		% YOY
Total	1,920,600	+7%	8,722,000	+3.5%	1,673,098	+4%
Great Britain	798,300	+0%	3,239,000	-4.6%	1,056,783	+2%
Mainland Europe	678,300	+14%	3,226,000	+4.9%	283,371	+5%
North America	331,600	+13%	1,682,000	+16.3%	202,002	+6%
Rest of world	112,400	+2%	575,000	+12.9%	130,942	+25%

Sources: CSO, NISRA

Note : **Arrivals** are all overseas trips to the destination including transfers, overnights and day-trips.

Visitors only include those who overnight in the destination

Ireland (Direct) Overnight Visitors – only includes those that leave through ports in the ROI

Ireland: Latest quarterly results for the January to March period show 1,920,600 arrivals. This represents year on year growth of +7% (+124,500 additional arrivals) for the period. North America continued its strong performance with arrivals from the US and Canada up +13% (38,300). Mainland Europe also recorded significant growth with 678,300 arrivals (+14%). Growth from Australia and Developing Markets was a modest +2% with arrivals of 112,400. Arrivals from Britain remained steady with 798,300 arrivals (an extra 2,300) representing a minute increase of 0.3% during the January to March period.

Northern Ireland: According to NISRA, in the January-September 2017 period, overseas visitors to Northern Ireland grew by +4% when compared to the same period in 2016. The figures confirm that 1.67 million overseas visitors came during that period with growth from all market areas – GB (+2%), North America (+6%), Mainland Europe (+5%), and other areas (+25%). Overseas visitors delivered almost £458 million for the local economy, up +12%. Holidaymakers grew by +6%, with increases recorded from GB (+4%), North America (+10%) and Australia and Developing Markets (+26%). Holiday revenue grew by +29% for the period.

*Please note, this is the latest available NISRA data. 2017 data for Northern Ireland/Island of Ireland will be available in June.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates		Summer 2018 vs. Summer 2017		
YOY % Change	Ireland	NI	Island of Ireland	
Great Britain	+4%	+6%	+4%	
Mainland Europe	+7%	+19%	+8%	
-France	+7%	+20%	+8%	
-Germany	+19%	-33%	+18%	
North America	+7%	-20%	+7%	
ADM	+16%	NA	+16%	
Overall	+6%	+9%	+7%	

Source: TTC Summer Access Inventory Report 2018. Estimates.
Capacity is estimated at a single point in time (July) for the season.
NA= Not applicable

Estimates indicate that there will be 591,000 direct, one-way air seats available per week to the island of Ireland during the forthcoming peak summer season, a +7% increase in capacity compared to the same period last year. This would be a record level, with growth forecast from all market areas. Ireland and Northern Ireland are estimated to see a +6% and +9% increase respectively in available seats.

There have been many positive air access announcements offering significant inbound potential. These include; Ryanair's new Munich and Stuttgart to Dublin services and their new service from Belfast to Manchester, the new Aer Lingus summer routes such as Seattle and Philadelphia to Dublin, Air Canada's new routes from Montreal and Toronto to Dublin and Shannon respectively and Air France's new service from Paris to Cork. Both new direct services from China to Dublin - Cathay Pacific from Hong King and Hainan Airlines from Beijing – beginning in June.

The fall-off in the number of seats into Northern Ireland this year comes as a result of slightly reduced services on existing routes. From Germany, the Ryanair Berlin-Belfast service goes from three rotations a week to two. While in North America, Norwegian have reduced their service from Stewart Airport to Belfast International from three flights a week to two.

In a major development for ferry services, there will be an almost doubling of the number of sailings and capacity between Mainland Europe and Ireland later this year. While there has been a slight delay in the arrival of Irish Ferries' new vessel, the W.B. Yeats, from August the company will offer daily sailings in each direction from France. Brittany Ferries is launching a twice weekly direct service from Spain, and doubling its frequency from France. Sailings on the Irish Sea remain largely unchanged over the peak months.

4.3 Total Passenger Numbers

	Total Pax 2017*	February 2018 YOY % change	March 2018 YOY % change
ROI sea passengers	3.1m	+10%	+7%
NI sea passengers	2.1m	-4%	+18%
Dublin Airport	29.6m	+3%	+3%
Shannon Airport	1.8m	+2%	+8%
Cork Airport	2.3m	+3%	0%
Ireland West Airport Knock	0.75m	+2%	-4%
All ROI Airports	34.4m	+4%	+3%
Belfast International Airport	5.8m	-5%	+1%
Belfast City Airport	2.6m	n/a	
City of Derry Airport	0.2m	n/a	
All NI Airports	8.6m	n/a	

Sources: CAA, DAA, Shannon Group, IWAK, Fáilte Ireland, Annaero, Ferrystat, TTC

*Total Pax 2017 is the total traffic (two-way) at the airport(s)/seaports

N/A=Not available

Published results for air passenger traffic to the island of Ireland were mainly positive for the beginning of the year (two-way).

Latest sea passenger numbers to and from Ireland, which also includes Irish residents, were up +7% YOY in March 2018, while sea passengers to and from Northern Ireland were up +18% YOY for the same month.

4.4 Accommodation

Hotel accommodation data estimates

Hotel Accommodation Year to date, March 2018				
	Occupancy		ADR	
	%	% change v 2017	Average Daily Rate	% change v 2017
Island of Ireland	67.6%	+3.1%	€109.76	+6.0%
Northern Ireland	67.6%	+1.0%	£72.41	+7.7%
Ireland	67.6%	+3.4%	€113.67	+6.2%
Scotland	65.6%	-1.2%	£67.53	+2.5%
England	70.6%	+0.2%	£84.02	+0.5%
Italy	59.9%	+3.0%	€112.24	+4.7%





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

The hotel data specialist, STR, reports that hotels on the island of Ireland experienced good growth in terms of Average Daily Rate and Occupancy for the first three months of 2018. While it's early days, industry sentiment is positive and expectations are high for another buoyant year.

While tour operators point to accommodation capacity constraints in key tourism hotspots as a barrier to growth in 2018, there is optimism that the number of new hotels under construction will impact positively.

In Dublin, sources expect around 1,300 new hotel rooms to open in the city, with more than 500 of these coming from extensions. While this will bring supply up by +6%, it will not quite meet demand, and some supply issues are expected to continue. In Northern Ireland, hotel rooms have exceeded 8,500 with the opening of AC by Marriott, Maldron Belfast City Centre and the completion of extensions at Bullitt and Ten Square. Q2 2018 will see further expansion, with hotel room numbers set to break the 9,000 mark.

4.5 Island of Ireland Industry Feedback 2018

Barometer	What they said ...
Bright 	<p>Accommodation providers</p> <p>Sector sources expect another good year in 2018 for Ireland’s hotels and guesthouses. The first two months of the year have brought good rate and occupancy growth and this looks set to continue.</p> <p>Northern Ireland hotels have also started the year with a positive performance. The strong average daily rate and high occupancy is expected to last throughout the year. The guesthouse sector is also optimistic for the year ahead.</p> <p>The outlook in the B&B sector across the island is also positive for 2018 with some reports of good early bookings and enquiries.</p>
Mixed 	<p>Air and sea carriers</p> <p>Feedback from air carriers is generally positive with a robust sales performance expected in 2018. Growth on transatlantic routes is good and European routes continue to be strong in spite of increased competition. UK inbound and outbound business also remains strong.</p> <p>While it’s still too early in the season for a leading sea carrier to have an accurate picture for 2018, current indications are moderately positive. Extra capacity from France will now be available later in the season than initially expected and this will impact forecast growth. Business from Britain is projected to hold steady compared to last year.</p>
Mixed 	<p>Attractions</p> <p>A key visitor attraction in Northern Ireland has seen a strong start to 2018 from overseas visitors and indications are good for the year ahead. The consistently good growth from overseas, particularly from North American markets and Germany, is compensating for a weaker domestic performance.</p> <p>While the sterling/euro exchange is still having a negative impact on numbers from GB for most attractions across the island, growth from other main markets is helping to balance this. The sector remains optimistic overall for the rest of the year.</p>
Bright 	<p>Tour Operators</p> <p>Overall, tour operators are expecting a good year in 2018. Overseas partners are showing enthusiasm for the destination and investing in developing and promoting their island of Ireland off-season product. North America is performing particularly well, despite continuing concerns over capacity and rates. Europe is performing well, but showing signs of levelling off; while Emerging Markets are continuing to grow.</p>

Source: Based on feedback from island of Ireland industry sources, April 2018

4.6 Tourism Ireland Market Outlook

Great Britain: While the holiday market in Britain is trading softer than last year's record performance – with both fewer outbound trips and a lower spend – demand for overseas holidays from Britain still remains strong. This is in spite of ongoing uncertainty relating to Brexit, exchange rates and the squeeze on consumer spending. Leading tour operators and OTAs are reporting a positive start to the year and good demand for the island of Ireland, with sound growth and a good market response to joint campaigns.

North America: Outlook from the **US** market is positive, with key economic indicators remaining robust and supporting growth in outbound travel. The US Consumer Confidence Index is at its highest level since 2000. The US dollar strengthened slightly against the euro in recent weeks and remains within a fairly narrow band, with little movement expected in the coming months. Feedback on performance to the island of Ireland from US trade sources is upbeat, with reports of a strong performance so far and positive indicators for the rest of the season. US Tour Operators in particular are reporting strong growth for the year and island of Ireland hotel sources have also reported record numbers of US guests with strong advance bookings for 2019 and 2020. Capacity issues in Dublin continue to remain a concern. In **Canada**, market outlook remains confident, with encouraging feedback from carrier and operator partners, as well as a positive mix of market factors. The national consumer confidence rating is growing and the Canadian dollar is expected to remain strong against the US dollar this year. In **Australia**, outbound travel to Europe is positive overall, and sales to the island of Ireland are reportedly sound for the season ahead.

Mainland Europe: In **Germany**, FIT operators are reporting slow business to the island of Ireland so far this year and ferry business is also subdued, particularly from groups. The picture from airlines is more positive, however. German tour operators report a softening in group tour bookings across all tours with increased marketing spend proving essential to maintain business. While FIT travel started positively this year, it has slowed down since early March. In **France**, international bookings and travel have been negatively impacted by a combination of bad weather and nationwide train strikes (which are expected to continue until June). While travel to the island of Ireland for the start of the year has been soft, additional seats to Ireland are expected to have a positive impact. High season bookings for group travel look stable and promise growth. In **Spain**, outbound indicators are positive; consumer confidence is growing and the economy has stabilised, with unemployment down to lows not seen since 2009. The Spanish Travel Agency Association recorded an increase of +6% in March compared to March 2017, driven by Easter travel. Traffic through Spanish airports increased by +9.7% YTD at the end of March, with important outbound airports Madrid and Barcelona growing +8.7% and +9.4% respectively. Outbound travel from **Italy** is buoyant this year too, with the Italian tourism industry representative body *Confturismo-Confcommercio* reporting good growth in bookings for Easter and the April and May bank holidays. The outlook to the island of Ireland from Italy is positive overall for the season ahead, with the market responding well to partner promotions. Indicators from **the Nordics** are positive, with airlines reporting good sales into the island of Ireland. Dublin remains popular as a city break and the Northern Ireland offering is proving popular.

Emerging Markets: Sentiment is positive in **India** with trade sources reporting an increase in queries for MICE travel and small family groups to the island of Ireland. They are also optimistic that the post-dated joint visa offer launched by UK Visas and Immigration will stimulate higher holidaymaker numbers to the island of Ireland. **The UAE** has seen an uplift in demand for Ireland as a holiday destination since the visa waiver was announced in January this year with reports of increased enquiries from UAE Nationals. In **China**, direct access developments are expected to have a very positive effect on outbound holidaymaker business to the island of Ireland. Hainan Airlines estimate that their flight will draw 70% FIT tourists and 30% groups. As direct flights come on stream, partners expect a significant increase in Irish visas granted to Chinese citizens and more island of Ireland single destination products programmed by the Chinese travel trade. Tourism Ireland, together with 24 tourism companies from the island of Ireland, recently concluded a sales blitz in four major Chinese cities. The programme targeted top Chinese travel agents, tour operators, and media through a schedule of workshops, presentations and networking events in Beijing, Shanghai, Guangzhou and Hong Kong.

5. Conclusion

Sentiment for the year ahead is generally positive from both overseas trade partners and tourism businesses across the island of Ireland, with early indications suggesting modest growth for 2018.

Arrivals from Britain held their own for the first three months of the year, but the decline in visitor numbers seen over the last year continues to cause concern. While the sterling/euro exchange rate has maintained a certain amount of stability in recent months, the fall in the value of sterling has made holidays and short breaks in Ireland more expensive for British visitors and made Britain more affordable for visitors from many of our top markets. However, the depreciation of the pound against the euro continues to provide opportunities for Northern Ireland. Competitiveness and value for money remain more important than ever this year. Tourism Ireland continues to focus on the 'Culturally Curious' audience who are less impacted by currency fluctuations.

Hotel occupancy and room rates are performing strongly for accommodation providers in both Ireland and Northern Ireland. However, the challenges associated with capacity and room rates remain a key issue for some tour operators.

Tourism Ireland's spring campaigns are in full swing across all markets, helping to boost travel as we head into the peak season and keeping the destination front of mind for potential visitors in key markets. We continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities and grow overseas tourism revenue to the island of Ireland to €6 billion (+5%) this year.

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