



Tourism Ireland SOAR (Situation & Outlook Analysis Report) October/November 2018

Titanic Belfast

1. Summary Headlines

- Industry sentiment across the island of Ireland and among overseas trade partners continues to remain upbeat, after a largely positive first nine months of 2018. The summer season performed strongly, with overseas tourism trading well across all sectors. While the uncertainty arising from Brexit remains a key concern for industry, Tourism Ireland continues to monitor its implications and to consult closely with stakeholders at home and overseas.
- In Ireland, the recent budget saw the rate of Value Added Tax in the tourism and hospitality sector rise from 9% to 13.5%, with tourism industry representatives expressing concern regarding the potential negative impact on tourism and competitiveness.
- Latest figures for **overseas arrivals to Ireland** show an increase of +7% for the first nine months of 2018, with more than 8.2 million arrivals from January to September. There were strong results from North America, up +13% on the first nine months of last year; and from Mainland Europe, up +10%. We also saw modest growth of +1% from Britain and +5% from Australia and Emerging Markets.
- Latest figures released by the Northern Ireland Statistics and Research Agency (NISRA) show that spend by **overseas visitors to Northern Ireland** increased by +3% for this period in the first three months of 2018.
- Both STR **hotel data** and industry sources report a strong hotel performance across the island of Ireland for the first nine months of 2018, instilling confidence for the remainder of the year. STR reports that hotels in Ireland enjoyed an increase in occupancy and average daily rate for January to September; occupancy was 81%, an increase of +1%, with the average daily rate rising to €135.42, an increase of +8%. While the addition of new hotel stock to the market in Northern Ireland meant that occupancy for the period calculates at 77% (a slight decline of -2% yoy), this actually represents a net increase of +6% in room sales. The average daily rate in Northern Ireland increased by +3% to £79.84.
- Tourism Ireland's **promotional campaigns** continue across the markets, helping to boost bookings to the end of the year. We continue to work closely with trade and 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

Latest figures from the World Tourism Organisation (UNWTO) show that international tourist arrivals grew by +6% in the first six months of 2018. This is a continuation of the strong 2017 trend and exceeds UNWTO’s earlier forecast of between 4% and 5% for 2018.

From January to June this year, international arrivals increased in all regions, led by Europe (+7%) and Asia and the Pacific (+7%). The Middle East and Africa also recorded strong arrivals growth of +5% and +4%, respectively. The Americas also saw a growth in arrivals (+3%) over the six-month period.

On the demand side, France, the United Kingdom and the Russian Federation, India, the Republic of Korea and the United States led outbound spending from their respective regions.

Against a strong first half, growth prospects for the remainder of 2018 remain positive overall, though at a slower pace, according to the latest UNWTO Confidence Index survey.

UNWTO Global Performance	
International Arrivals	Jan-June 2018 YoY % +/-
World	+6%
Africa	+4%
Asia Pacific	+7%
Americas	+3%
Middle East	+5%
Europe	+7%
Northern Europe	+1%

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Getting Ireland Brexit Ready

The Irish Government has organised a series of "Getting Ireland Brexit Ready" workshop events with participation from Tourism Ireland and Fáilte Ireland. These seminars are designed to inform and advise about Brexit preparedness and the range of support measures and resources that the Government has put in place.

UK Brexit Notices

The United Kingdom is working towards leaving the European Union on 29 March 2019. To facilitate preparations, the UK Government published a series of [technical notices](#) in September which set out information to assist businesses and citizens to understand what they would need to do in a 'no deal' scenario. One of the reports gave guidance in relation to what it would mean for UK citizens travelling to Ireland and Europe after this date, while another detailed the potential impact on the aviation industry.

Common Travel Area (CTA) and Passport controls: The CTA is a long-standing arrangement between the UK and Ireland that allows UK citizens to travel to Ireland freely, without seeking immigration permission from the authorities. However, in a 'no deal' scenario, UK passport holders will become what are called 'third country nationals' because the UK will no longer be inside the single market. British passport holders travelling to countries within the Schengen area of free movement of travel are likely to face longer queues at customs, passport control and security. The same is likely to be true for EU citizens seeking to enter the UK.

Air travel: UK registered air operators can currently operate any air route within the EU, but government guidance on a 'no-deal' exit from the EU for air travel suggests a worrying future scenario. Without any deal, the UK could experience massive flight disruption until UK and EU-licensed airlines negotiate hundreds of new air service agreements within a revised regulatory framework. Although the UK may be able to arrange what has been called a "bare bones" agreement on air services, EU countries could decide not to grant permissions which would effectively ground flights between the UK and EU.

Weaker exchange rates: It is likely that a 'no deal' will trigger a further depreciation in sterling and this will mean travel to Eurozone countries will become more expensive. In addition, Britons may have to start paying for emergency health insurance upon losing the European Health Insurance scheme.

As a result, a 'no deal' exit would likely have far reaching and costly implications for travel and tourism. More detail can be found on the UK government website www.gov.uk.

3.2 Economic Indicators

Great Britain

Major uncertainty remains with a little over six months until the UK leaves the EU. While Oxford Economics believes that it is unlikely the two sides will fail to agree a deal, it is still possible. There has been modest economic growth in Q3 and the UK economy is set to continue to grow at a sluggish pace. Household spending is gradually recovering but the strength of the recovery in household spending power will be constrained by the government's welfare reforms, higher interest rates and softer employment growth.

2018 GDP Forecast: +1.3% (no change)

CPI 2018: +2.5% (no change)

Unemployment: 4.0% (no change)

Exchange rate(€/£): €1:£0.89 (down from €1:£0.90)

USA

The US economy is strong, with GDP growth approaching +3% yoy and the labour market continuing to deliver robust jobs growth. Strong consumer outlays, solid business investment, sturdy export growth and firming government outlays remain supportive of growth. However, risks are appearing on the horizon, including rising inflation, threatening protectionism, slowing emerging markets growth and a rise in interest rates. Oxford Economics expects GDP growth to moderate towards the +2.0 to +2.5% range in the coming quarters.

2018 GDP Forecast: +2.9% (up from +2.8%)

CPI 2018: +2.4% (down from +2.5%)

Unemployment: 3.9% (no change)

Exchange rate (€/£): €1:\$1.15 (down from €1:\$1.16)

Exchange rate (£/\$): £1: \$1.30 (up from \$1.29)

France

The French economy slowed sharply during the first half of this year, with GDP rising by just +0.2%. This reflects both a drop-off in aircraft sales and the impact of higher taxes and inflation. Business sentiment and industrial production have fallen sharply, reflecting concerns about US tariffs and the potential for a trade war. More positively, tax cuts and lower inflation should boost consumption during the second half of the year. Oxford Economics forecast for 2018 remains unchanged, and picks up slightly to +1.7% in 2019.

2018 GDP Forecast: +1.6% (no change)

CPI 2018: +1.9% (no change)

Unemployment: 9.2% (no change)

Exchange rate(€/£): €1:£0.89 (down from €1:£0.90)

Germany

Industry and retail sales started slow in Q3; however the underlying trend remains solid. Germany's economic fortunes remain tied to the global growth cycle despite being more domestically-driven in recent years. Domestic demand grew strongly as consumer spending was bolstered by solid employment gains and the impact of recent strong pay deals. Overall, Oxford Economics remains fairly optimistic about the short and medium-term outlook, with GDP growth of +1.8% predicted this year and +1.6% for next year.

2018 GDP Forecast: +1.8% (no change)

CPI 2018: +1.9% (down from 2.0%)

Unemployment: 5.2% (no change)

Exchange rate(€/£): €1:£0.89 (down from €1:£0.90)

Source: Oxford Economics Briefing and October reports 2018.

3.3 Travel Trends in Key Markets

Great Britain: According to Britain's Office of National Statistics, during the period April to June 2018, there were 19.9 million visits abroad by UK residents, the same number as in the corresponding period a year earlier, and they spent +1% more on these visits. Split by area of visit, there were 1.1 million visits to North America, an increase of 12%, and 2.5 million visits to "other countries" (countries outside North America and Europe), a decrease of -11%. Visits to European countries increased by +1%, to 16.2 million. Considering reasons for visits, holiday visits increased by +3% compared with the same period a year earlier. Business visits decreased by -9% and visits to friends and relatives decreased by -1%.

North America and Australia: In the **US**, growth of both domestic and international travel decelerated between June and July, according to the Leading Travel Index (LTI), and this trend is expected to continue to the end of the year. The outlook for off-peak travel is positive this year according to *Forbes*, with a recent study finding that 79% of Americans would consider an overseas trip during the winter season, and 53% of these would not be seeking a change in weather. Intense competition in the airline sector is keeping US airfares low in spite of surging oil prices. Despite growth to all other European destinations this year, traffic to Great Britain declined by -1% in Q1. In **Canada**, the national consumer confidence rating was 115.3 points in September, a 2.9 point increase on last year, according to the *Conference Board of Canada*, who also report 3.3 million visits to European destinations during the first 7 months of 2018, an increase of 4.6% vs last year. Key partners have noted the increased emergence of late booking patterns across all destinations. Outlook remains positive with steady growth predicted by carrier and operator partners. In **Australia**, the economy continues to grow, albeit a more modest rate than previous years. The outbound travel market is also growing with the island of Ireland. Operators have reported strong performance to Europe this year, while other regions such as America saw a decline. Reports continue of a strengthening trend in shorter booking times. The Australian dollar is holding steady against the euro and has dropped slightly against the pound.

Mainland Europe: In **Germany**, outbound tourism performed well for the summer season, despite political uncertainty. Travel agents and tour operators remain an important holiday provider in the market with the 8 largest tour operators enjoying 57% market share, according to GfK/DRV. In **France**, outbound travel recovered in Q2 after a flat first quarter. Airlines are trading well to the island of Ireland and some are expanding capacity. Scotland is performing very well from France with a strong booking trend across airlines and tour operators. Tour Operator partners are also reporting increased interest from holidaymakers in visiting GB pre the exit from the European Union. Greece and other sun destinations have also performed well from the market this year. In **Spain**, a solid off-season booking trend is emerging and outbound trips are performing very well, with the *National Institute of Statistics (INE)* reporting a +30% increase in Q1 2018. There has been a strong performance into the island of Ireland overall this year and while Visit Britain are reporting declines in Spanish visitors for Q1, Ireland has seen growth. Indications are positive for a strong performance in Q4, with growth to year end. In **Italy**, the strong recovery by Egypt, Tunisia and Turkey is continuing with a strong demand from the market this year. This trend looks set to continue with increased air access to these destinations for Winter 2018/19. Passenger traffic at Italian airports is up +5% for Jan-Aug this

year according to Assoaeroporti. Outbound travel in **the Nordics** remains strong with consumers expected to have taken more than 50 million overseas trips by the end of 2018. The UAE, in particular, is enjoying good growth from the market. The *Danish e-commerce inventory 2018* shows that travel is the most popular online purchase among Danish consumers with 50% of online spend in the category of 'travel'. In **BeNe** economic conditions are proving difficult to read overall - while consumer confidence has declined in **the Netherlands**, it has recovered in recent months **in Belgium**. There has been good growth recorded by airports throughout the BeNe region and the outbound holiday destinations of Turkey, Egypt and Tunisia are seeing strong growth again. Research by the national statistics agency of the Netherlands (CBS), shows a strong online booking trend with Germany, France and Spain proving most popular as outbound destinations. Walking holidays remain the most popular outbound activity holiday in this market. Market trade are reporting a strong increase in bookings for the autumn with both sun holidays and city breaks trading well.

Emerging Markets: In **China**, European destinations have seen high growth in Chinese visitor numbers while outbound visitors to US are falling. Traditionally a package tour market, Chinese holidaymakers are increasingly travelling independently, and enjoying festivals and screen tourism routes. In **the UAE**, the UK and France are hugely popular European destinations, with demand for the Nordics also growing. There has been strong growth in awareness of, and bookings for, the island of Ireland among Emirati tourists, as it becomes more visible in the market. Airline and tour operator partners are reporting significant increases in business to the island of Ireland this year. In **India**, outbound travel is growing and market partners have seen a notable increase in the number of inquiries and interest from Indian travel trade to programme the island of Ireland. In addition, the island is becoming an increasingly popular MICE destination. An upsurge in outbound tourist numbers to Europe is expected during Durga Puja – an Indian festival falling on 15th-19th October this year.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	2018			
	Ireland Arrivals (7 month arrivals) Jan-Sept 2018		Northern Ireland Visitors (3 month visitors) Jan – Mar 2018	
		%YOY		% YOY
Total	8,203,500	+7%	378,571	-6%
Great Britain	2,842,000	+1%		
Mainland Europe	2,976,200	+10%		
North America	1,868,300	+13%		
Rest of World	516,900	+5%		

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: Latest results for the January to September period show 8,203,500 overseas arrivals. This represents year-on-year growth of +7% for the period, an additional 542,300 arrivals. North America continued its strong performance, with arrivals from the US and Canada up +13% (+213,400). Mainland Europe also recorded good growth, with 271,400 extra arrivals (+10%). Arrivals from Britain grew, with 31,500 extra arrivals (+1%). Growth from Australia and Emerging Markets was +5% (+25,900 extra arrivals).

Northern Ireland: According to NISRA, in the January-March 2018 period, overseas visitors to Northern Ireland fell by -6% when compared with 2017, while revenue grew by +3% to more than £98 million. The figures confirm that 378,571 overseas visitors came to Northern Ireland during the first three months of the year.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates	Winter 18/19 vs. Winter 17/18			
	YOY % Change	Ireland	NI	Island of Ireland
Great Britain		+1%	+12%	+4%
Mainland Europe		+10%	+8%	+10%
-France		+6%	-22%	+4%
-Germany		+8%	N/A	+7%
North America		+19%	-100%	+18%
Rest of World		+15%	N/A	+15%
Overall		+7%	+11%	+8%

Source: TTC Winter 2018/19 Access Inventory Report

Capacity is estimated at a single point in time (December) for the season.

NA= Not applicable.

The 2018/19 winter season is projected to see a +8% increase in direct, one-way air seats available per week to the island of Ireland, when compared to the same period last winter. It is estimated there will be approximately 465,000 one-way weekly seats available, the largest amount since the winter period of 2007/08 (when just over 470,000 were available).

Growth is projected from all four market areas. While EasyJet have dropped their weekly Lyon/Belfast service and Norwegian has withdrawn their Belfast service, Northern Ireland is still forecast to experience a +11% increase (which is driven by a +12% uplift from GB). Ireland is estimated to see a +7% increase in air seats available.

Ferry capacity this winter is expected to be broadly in line with last year.

4.3 Total Passenger Numbers

	Total Pax 2017*	July 2018 YOY % change	August 2018 YOY % change	Sept 2018 YOY % change
ROI sea passengers	3.1m	-2%	0%	-5%
NI sea passengers	2.1m	-1%	-1%	-2%
Dublin Airport	29.6m	+7%	+5%	+7%
Shannon Airport	1.8m	+6%	+9%	+9%
Cork Airport	2.3m	0%	-1%	+10%
Ireland West Airport Knock	0.75m	+1%	+3%	+6%
All ROI Airports	34.4m	+6%	+5%	+7%
Belfast International Airport	5.8m	+11%	+13%	+12%
Belfast City Airport	2.6m	-3%	-3%	-4%
City of Derry Airport	0.2m	+8%	+9%	n/a
All NI Airports	8.6m	+7%	+8%	n/a

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

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

n/a = not available

Latest published results for air passenger traffic to Northern Ireland was positive for the first eight months of the year (+8%), while air passenger traffic to Ireland from January to September (two-way) was also positive (+7%).

Latest published sea passenger numbers to and from Ireland were down -5% for January to September 2018, while sea passengers to and from Northern Ireland were down -2% for the same period.

4.4 Accommodation

Hotel accommodation data estimates

Hotel Accommodation January -September 2018				
	Occupancy		ADR	
	%	% change v 2017	Average Daily Rate	% change v 2017
Island of Ireland	80%	0%	€129.74	+7%
Northern Ireland	77%	-2%	£79.84	+3%
Ireland	81%	+1%	€135.42	+8%
Scotland	78%	0%	£87.01	+3%
England	78%	+1%	£91.86	+1%
Italy	70%	+1%	€148.88	+1%

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 across the island of Ireland experienced strong growth in terms of average daily rate for the first nine months of 2018, while occupancy levels remained the same. Industry sentiment is upbeat and overall indications are positive for another buoyant year.

In Northern Ireland, industry sources have noted an increase in overseas visitors and a welcome extension to the season. While the addition of new hotel stock to the market in Northern Ireland meant that occupancy for the period calculates at 77% (a slight decline of -2% yoy), this actually represents a net increase of +6% in room sales. The average daily rate in Northern Ireland increased by +3% to £79.84.

In Ireland, occupancy for the January to September period was a healthy 81%, while average daily rate grew by 8% to €135.42.

Fáilte Ireland's latest 'Analysis of Tourist Accommodation in Dublin 2018-2020' reports that there will be an estimated 5,435 new hotel rooms on-stream by the end of 2020 (a net addition of just over 4,900 because of hotel closures over the next two years.) The pipeline post 2020 also looks strong, although any external shocks that adversely affect the Irish tourism sector may alter this picture.

4.5 Island of Ireland Industry Feedback 2018

Barometer	What they said ...
Bright 	<p>Accommodation providers</p> <p>Sources in Ireland’s hotels and guesthouses are reporting another good year to date for the sector. The first nine months have brought good rate and occupancy growth and this looks set to continue to the end of the year.</p> <p>Northern Ireland hotels saw good room sales and rates overall. Sources in the region have reported larger numbers of tourists and a real uplift from overseas markets. They have also noted and welcomed the extension to the season. While the increased supply of room stock is putting pressure on room and occupancy rates in Belfast, there is huge enthusiasm in the sector to grow the market and ensure the new stock is filled in 2019.</p> <p>Sources in the self-catering sector report a somewhat challenging year, with increased competition from Airbnb, and a lag in technology proficiency for some of its providers proving to be a disadvantage in the competitive landscape. Performance and outlook for the B&B sector across the island is positive overall.</p>
Bright 	<p>Air and sea carriers</p> <p>Feedback from air carriers is positive, with strong overall performance year to date and good forward bookings into next year. Transatlantic business is particularly strong and the increase in capacity for 2019 is expected to bring even more growth.</p> <p>Some sea carriers have seen a somewhat softer summer in terms of growth this year, with special offers and co-operative campaigns expected to stimulate business for the autumn/winter shoulder period.</p>
Bright 	<p>Attractions</p> <p>Overall feedback across Ireland is very positive, with many attractions seeing an increase year to date, particularly from the US market.</p> <p>In addition, sources in Northern Ireland are reporting a strong performance from overseas visitors. Two major attractions experienced buoyant international visitor growth year-to-date with the performance from the US market especially strong.</p>
Bright 	<p>Tour Operators</p> <p>Overall, tour operators are enjoying moderate growth year to date, with good early indications for 2019. North America is still performing well, despite continuing concerns over capacity and rates. Business from Mainland Europe is also trading well. Sources in Northern Ireland are also reporting a strong performance.</p>

Source: Based on feedback from island of Ireland industry sources, September/October 2018

4.6 Tourism Ireland Market Outlook

Great Britain: Outlook reports from GB remain very mixed, with a range of sentiments being expressed by both operators and carriers. While some air carriers are seeing soft sales on routes into the island, sea carrier bookings remain largely steady. The accommodation sector is also difficult to predict with mixed reports from both the self-catering and tour operator sectors. Meanwhile, some online tour operators are reporting an increase in organic searches and bookings for the island of Ireland.

North America and Australia/New Zealand: While the **US** economy is strong, showing close to full employment in Q1, the US/China trade dispute is expected to stunt growth. The euro is holding steady against the US dollar with long term predictions forecasting a strengthening euro. Discretionary holiday spending is expected to decline, as US interest rates keep rising. Tour Operator sentiment is positive however, on the back of a strong year to date. New routes and product offerings for 2019 have been welcomed by the market. In **Canada**, outlook is positive with partners planning to expand their programmes and capacity, and extend the season for 2019. In **Australia and New Zealand**, key tour operator partners report strong demand for itineraries featuring the island of Ireland in 2019, with good growth in bookings already.

Mainland Europe: In **Germany**, market partners are reporting a stable FIT business but a slight reduction for groups. In **France**, reports from tourism partners in the market are encouraging, with good growth this year and strong indications for 2019. In **Spain** the outlook for travel remains positive, despite economic uncertainty as a result of political instability, fears around the impact of the UK's decision to leave the EU, and issues in the Catalan region. Latest figures from AENA, the Spanish Airports Authority, show good growth in traffic through Spanish airports and feedback from key market partners is positive in the main, with good growth, particularly into Northern Ireland. In **Italy**, group bookings are looking strong to year end and 2019 group requests are up double digits versus the same time last year. Online tour operators are also seeing good growth. In **the Nordics**, sentiment continues to be positive with consistent growth in visitors this year. Air carriers are reporting high load factors on direct air routes from the Nordics to Dublin, peaking at 95% during July. We expect growth to continue to the end of the year, given the market's propensity to travel in the shoulder season. However, golf holidays to the island are reportedly facing increased competition from cheaper and sun golf destinations. In **BeNe**, outlook is positive on the back of good growth in bookings for the year to date, there is some concern for 2019 however, with early pressure on rates and availability.

Emerging Markets: In **China**, tour operators and airlines have lowered prices and started promotions for the off-season while expanding product offerings and itineraries for 2019. Outlook from the **UAE** is positive with the expansion of partner programmes and increased awareness of the island among Emirati travel trade and holidaymakers. Visa processing delays are hampering growth from **India** and causing concern for trade partners, though MICE business continues to grow and is expanding seasonality from this market.

5. Conclusion

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

Overseas arrivals to Ireland have grown to 8,203,500 for the first nine months of 2018, an increase of +7%. There was good growth from North America (+13%) and Mainland Europe (+10%), with modest growth from Great Britain (+1%) and Emerging Markets (+5%).

The recent VAT hike in the Irish budget from 9% to 13.5% - has caused concern in the tourism and hospitality sector regarding its potential impact on competitiveness.

While the slight growth from Britain is welcome, it's too early to assess if this is part of a long-term trend. The uncertainty around the UK's exit from the European Union continues to be a major source of anxiety in the market. The fall in the value of sterling has made holidays and short breaks in Ireland more expensive for British visitors and has made Britain more affordable for visitors from many of our top markets. We have seen a growth in demand for Scotland from our source markets this year and Tourism Ireland continues to closely monitor our competitors.

Hotel room sales 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 continues to actively promote the island of Ireland in our overseas markets during the winter period to stimulate seasonal business. We are working closely with industry partners and colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities to grow overseas tourism revenue to the island of Ireland.