



A quarter of a million Germans will see stunning images of Northern Ireland next spring in Weitblick – the popular brochure of top outdoor clothing company, McKinley. Tourism Ireland invited them to stage their photo-shoot here as a stunning backdrop to their 2015 spring collection.

SOAR **(Situation & Outlook Analysis Report)** **October 2014**

Summary Headlines

- Official data from the Central Statistics Office (CSO) indicates that **overseas visitors** to Ireland increased by +9% for the first nine months of 2014, when compared to the same period last year. All market areas saw growth in this period. Great Britain (GB) contributed the largest share of this growth with an increase in arrivals of +9% when compared to the same period last year.
- Official data illustrates that Ireland is gaining **market share in European** visitor arrivals in 2014.
- According to the Northern Ireland Statistics and Research Agency (NISRA), total **overseas visitors to Northern Ireland** for the first half of 2014 grew by +5% YOY (year-on-year). Visitor growth was seen from all overseas market areas with visitor revenue growing by +6%. Overseas holidaymakers to Northern Ireland were up +19% for the first half of 2014 when compared to the same period last year, with British holidaymakers up +31% YOY.
- **Sentiment** expressed by the island of Ireland industry and our overseas trade partners for the peak season was positive and the outlook remains good for the remainder of 2014 and into 2015
- Tourism Ireland is completing its **extensive autumn/winter campaigns** to boost late-season travel from around the globe. We are currently finalising our Marketing Plans 2015, which will be launched to industry in early December.

2. Global Outlook

According to the United Nations World Tourism Organisation (UNWTO), international tourist arrivals worldwide grew by +4.6% in the first half of 2014. Destinations worldwide received some 517 million international overnight visitors between January and June, 22 million more than in the same period in 2013. This +4.6% growth consolidates the already strong increase registered in 2013 (+5%) and is well above the long-term trend projected by UNWTO for the period 2010-2020 (+3.8% annually). Northern Europe, of which the island of Ireland is part, experienced +8% growth, ahead of the +5% increase for Europe as a whole.

Based on January to June data the island of Ireland has gained market share of European visitor arrivals so far in 2014. The results are highlighted below.

| UNWTO Global Performance | |
|---------------------------------|-----------------------------|
| International Arrivals | Jan - Jun 2014 YoY % +/- |
| World | 4.6% |
| Africa | 3.0% |
| Asia Pac | 5.0% |
| Americas | 6.0% |
| Middle East | -4.0% |
| Europe | 5.0% |
| Northern Europe | 8.0% |
| Ireland (CSO) | 8.0% |
| Northern Ireland (NISRA) | 5.0% |

Source: UNWTO, CSO, NISRA

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Ebola

Fears about the spread of the Ebola virus have impacted the travel industry, causing uncertainty. Global travel and tourism was severely impacted more than a decade ago by the outbreak of SARS.

The short term impact of the Ebola outbreak on visitors to the island of Ireland is relatively low - only 13% of visitors typically arrive between November and December and 18% between January and March. However, the medium term impact may be more significant as 18% of our holidaymakers plan their main holiday during October to December and 34% plan between January and March. Tourism Ireland is monitoring the situation and is liaising with relevant agencies and departments.

Economic Outlook

Some recent data has pointed to sluggish growth, or even contraction in Germany and Japan and this has sparked renewed fears of an economic slowdown in Europe, North America and Asia.

3.2 Economic Indicators

Great Britain

GB's recent economic performance appears to be better than previously estimated following some substantial revisions to the national accounts. However, there has been increasing sectorial divergence, with services and construction striding ahead and manufacturers struggling. This reflects the contrast between the relative strength of the domestic economy and weakness in the UK's main export market, the eurozone. Consumers are set to come under pressure from rising interest rates in 2015 and the export outlook is likely to improve only gradually, this points to a modest slowdown in growth over the next few quarters. Oxford Economics expect GDP to grow by +3.1% in 2014 and +2.7% in 2015.

| | | |
|-------------------------|---|---|
| GDP growth |  | Prolonged austerity set to weigh on pace of recovery |
| CPI inflation |  | Large output gap to keep underlying inflation subdued |
| Current account balance |  | Expanding export demand to close trade deficit |
| Government balance |  | Austerity set to rein in the large budget deficit over time |
| Government debt |  | Debt to GDP ratio unlikely to peak until 2016 |
| External debt |  | Debt levels have been reduced since financial crisis |

USA

The most recent economic data point to real economic output growing at +3% in the second half of 2014 and into 2015. Oxford Economics foresee a gradual acceleration in wage growth in the latter part of 2014 which will boost income growth. This in turn will support stronger consumer outlays and lead to a gradual rebound in housing activity. Business investment is also expected to continue to grow pointing to stronger growth in the latter half of 2014. The outlook for real GDP growth in 2014 and 2015 is unchanged from last month, at +2.1% and +3.2%, respectively.

| | | |
|-------------------------|---|---|
| GDP growth |  | Real GDP growth quickening after a poor start to 2014 |
| CPI inflation |  | Inflation to remain subdued and well anchored |
| Current account balance |  | Current account deficit to stabilize around 2% of GDP |
| Government balance |  | Budget deficit has halved since 2009 |
| Government debt |  | Debt to stabilize just under 80% of GDP |
| External debt |  | US is a net debtor, but generates income surplus |

France

France continues to lag the eurozone recovery. GDP stagnated throughout the first half of the year, and weakness has persisted in Q3. Private sector output declined further in September for a fifth consecutive month. Moving to 2015, the recovery is expected to gain momentum only slowly. Consumption is set to grow by a modest +1.3% amid lacklustre real earnings expansion and persistently high unemployment. Meanwhile investment is expected to grow by just +0.8% aided by tax cuts and an improving external outlook.

| | | |
|-------------------------|---|---|
| GDP growth |  | Slower recovery than much of the rest of the Eurozone |
| CPI inflation |  | Inflation will take some time to reach 2% |
| Current account balance |  | Narrow deficit but loosing competitiveness |
| Government balance |  | Expected to meet EU deficit targets only in 2017 |
| Government debt |  | Debt approaching 100% of GDP |
| External debt |  | High external debt but in domestic currency |

Germany

GDP growth in H2 may turn out to be a bit weaker than expected a month or two ago. Weak retail sales figures for July and declining consumer sentiment have prompted Oxford Economics to revise down their near-term forecast for GDP growth and for household spending. However, strong economic fundamentals, accommodative monetary policy and the falling euro should ensure that growth picks up to a solid +2% next year.

| | | |
|-------------------------|---|--|
| GDP growth |  | Near term risks to downside, but upside in longer term. |
| CPI inflation |  | Inflation likely to remain low and reasonably stable. |
| Current account balance |  | High surpluses to gradually narrow over time. |
| Government balance |  | Broadly balanced, allowing possibility of a fiscal easing. |
| Government debt |  | Not a concern |
| External debt |  | Not a concern |

Source: Oxford Economics Briefing and Outlook reports October 2014.

Economic Indicators Table Symbols: Green = positive, Amber = cautious, Red = negative

3.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics (ONS) in the UK reports that the number of *visits* abroad by UK residents for the first seven months of 2014 was +3% when compared to the same period last year. According to CSO data, GB arrivals to Ireland were up +11% for the same period, generating market share growth. VisitEngland reports that total domestic *holiday* trips in GB decreased by -2% YOY for the first half of the year, with spend on a par with the first half of 2013. Domestic holiday overnight trips to Scotland by GB residents were up +5% for the first four months of 2014, with spend up +14%, according to Visit Scotland. Data from the CSO indicates that GB holiday trips to Ireland were up +13% for the first half of 2014, with holiday spend up +4%.

North America: Data from the Dept. of Commerce confirms that US traffic to Europe grew by +4.2% for the first half of 2014 when compared to the same period in 2013. Visit Britain reports on a -5% decline in year-on-year traffic from May-July from North America. According to CSO data, North American trips to Ireland grew by +14% for the first nine months of 2014. US tour operators continue to report positively on the FIT market with less price sensitivity than in recent years. Last minute booking patterns are still evident in the market and are reported on in all travel categories from cruising to FIT as well as certain segments of the Group market. Figures from Canada show that outbound leisure trips grew by +1% for the first four months of this year, while leisure trips to non-US destinations grew by +6%.

Mainland Europe: Latest reports showed that July was another weak month for German travel agencies. Sales declined by -7% in July and overall business is down by -2% for the YTD. According to data from Instituto de Estudios Turísticos (IET) international trips from Spain grew +6.2% in August 2014 compared to the same month last year, which brought YTD growth to +4.5%. Despite the ongoing economic crisis in Italy (which has slipped back into recession), key European destinations are reporting growth from Italy. The Dutch outbound travel market remains buoyant as passenger numbers at Amsterdam Airport Schiphol rose by +4.2% to 25.7 million travellers in the first half of 2014. The number of Dutch outbound holidays is expected to decline marginally this year, on the back of a -3% decline in 2013.

Australia & Developing Markets: Overall outbound travel remains good from Australia and tour operators indicate that enquires are positive and there is good demand for travel in 2015. The Indian travel trade expect outbound tourism to grow by +15 to +20% this year, with continuing growth also anticipated from China.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

| Visitor Origins | Ireland Visitors January 2014 – September 2014 | | Northern Ireland Visitors January – June 2014 | |
|-----------------|---|------------|--|------------|
| | '000s | % YOY | '000s | % YOY |
| Total | 5,910 | +9% | 811 | +5% |
| Great Britain | 2,396 | +9% | 573 | +3% |
| Mainland Europe | 2,079 | +7% | 108 | +2% |
| North America | 1,065 | +14% | 82 | +29% |
| ADM | 370 | +11% | 48 | +8% |

Source: CSO, NISRA

The latest CSO release indicates that overseas visitors to Ireland increased by +9%, or approximately an additional 500,000 visitors, for the first nine months of 2014 when compared to the same period last year. Growth was recorded from all market areas. Great Britain contributed the largest share of this growth an additional 194,000 visitors, or an increase of +9% when compared to the same period in 2013.

According to NISRA, total overseas visitors to Northern Ireland for the first six months of 2014 grew by +5% YOY. Visitor growth was seen from all overseas market areas with visitor revenue growing by +6%. Overseas holidaymakers to Northern Ireland were up +19% for the first half of 2014 when compared to the same period last year, with British holidaymakers up +31% YOY.

4.2 Air and Sea Connectivity

| Air Access | Winter 2014/15 vs. Winter 2013/14 | | |
|-----------------|-----------------------------------|------------|------------|
| YOY % Change | Ireland | NI | Island |
| Great Britain | +5% | +6% | +5% |
| Mainland Europe | +11% | -34% | +8% |
| -France | +9% | NC | +8% |
| -Germany | +5% | NA | +5% |
| North America | +12% | NC | +11% |
| ADM | +64% | NA | +64% |
| Overall | +9% | +3% | +8% |

Source: TTC Access Inventory Report 2014 on one-way weekly seat capacity

This winter season will see approximately 367,000 one-way seats weekly, an 8% increase in air capacity to the island compared to winter last year, or approximately 26,000 additional one-way seats a week. Ireland is estimated to see growth of +9% or 24,000 additional one-way weekly seats. This growth is coming from all market areas, with 11,000 or almost half (46%) coming from Mainland Europe (including Italy, Spain, France, Germany), almost 7,000 extra seats are coming from Britain (or +5% increase) and 6,000 extra seats are coming from long-haul destinations (a +23% increase in capacity). Long haul services from the US, Canada and the Middle East represent approximately one-in-ten weekly air seats to Ireland.

Growth in access to Northern Ireland (+3% or 2,000 additional one-way weekly seats) is driven by extra connectivity from Britain. However, the winter season sees a decline in capacity from Mainland Europe (-34%) to Northern Ireland.

Up to 211 cross-channel ferry sailings each way will be operated this winter, providing capacity for up to almost 45,000 cars. This represents a marginal increase (+2%) over last winter.

4.3 Total Passenger Numbers

| | Total Pax 2013* | Jun 14 | Jul 14 | Aug 14 | Sep 14 |
|-------------------------------|----------------------------|---------------|---------------|---------------|---------------|
| Dublin Airport | 20.2m | +6% | +6% | +6% | +8% |
| Shannon Airport | 1.4m | +20% | +22% | +23% | +18% |
| Cork Airport | 2.3m | -3% | -6% | -1% | -4% |
| Ireland West Airport Knock | 0.7m | +7% | +18% | +20% | +2% |
| Belfast International Airport | 4.0m | +5% | -1% | -2% | 0% |
| Belfast City Airport | 2.5m | -3% | -3% | -1% | -1% |
| City of Derry Airport | 0.4m | -7% | -8% | -11% | -19% |
| All ROI Airports | 24.6m | +6% | +6% | +7% | +7% |
| All NI Airports | 6.9m | +2% | -2% | -2% | -1% |
| All UK Airports | 232m | +4% | +3% | +4% | N/A |
| All German Airports | 203m | +3% | +1% | +6% | N/A |
| All Norwegian Airports | 53m | +6% | +1% | +1% | +1% |
| All Swedish Airports | 38m | +9% | +5% | +4% | +3% |
| ROI sea passengers | 3.1m | +1% | +5% | +6% | -3% |
| NI sea passengers | 2.1m | +1% | +4% | +3% | -1% |

Sources: Annaero, DAA, Fáilte Ireland, Ferrystat. *Total Pax 2013 is the passenger traffic (in millions) at the airport(s)/seaports in 2013 estimate

The Civil Aviation Authority estimates that air passengers between GB and Northern Ireland grew by +1% for the first half of the year when compared to the same period in 2013.

Aer Lingus reports that its total passengers (inbound and outbound) for the first nine months of 2014 were up +4.5% when compared to the same period in 2013. Ryanair announced passenger growth of +5% for the month of September, leading to an increase of +4% in the twelve months to the end of September 2014, carrying almost 84 million passengers.

4.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

| | Aug 14 v Aug 13 % change | Jan-Aug 14 v Jan-Aug 13 % change |
|-------------------|-------------------------------------|---|
| Island of Ireland | +3% | +4% |
| Ireland | +4% | +4% |
| Northern Ireland | 0% | +6% |
| Scotland | +1% | +4% |
| England | +5% | +4% |
| Italy | +3% | +4% |
| Denmark | 0% | +7% |

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

The latest available STR data indicates that hotels on the island of Ireland are experiencing a solid year in room sales. However, it is not possible to break out overseas bookings from domestic business.

NISRA reports that total hotel rooms sold across Northern Ireland increased by +5% for the first seven months of 2014 when compared to the same period in 2013. However, NISRA also reports that total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland declined by -11% over the same period. Again it is not possible to break out overseas from domestic bookings.

4.5 Island of Ireland Industry Feedback

| Barometer | What they said ... |
|--|---|
| <p>Bright</p>  | <p>Accommodation Providers and Restaurateurs</p> <p>Northern Ireland accommodation providers are generally upbeat regarding overseas guests YTD and have a positive outlook for the remainder of the year. The main markets driving this positive performance have been GB and the US with some Mainland European uplift and new business coming from Asia. The majority of guests are leisure and tour-based. Reports on the peak are mixed; July was slow for many but strong August results were also experienced. Belfast and other regions saw steady performance into the Autumn and a longer season than previously recorded. In Ireland, the majority of hotels, guesthouses, B&Bs and self-catering accommodation are benefiting from increased levels of overseas tourism from all key markets with double-digit growth from North America and Britain in addition to robust Mainland European growth. In the luxury sector, most markets are showing double-digit growth with the US and Britain delivering exceptional increases. A majority of restaurants in Ireland reported increased overseas dining business so far this year.</p> |
| <p>Bright</p>  | <p>Air and Sea Carriers</p> <p>A major sea carrier reports that bookings are encouraging for the shoulder season as growth continues in the British market on cross channel routes and in the French market on continental services. Transatlantic airlines have seen strong YTD performance to Ireland despite increased capacity and demand remains high into the shoulder season. Routes to/from the Middle East are experiencing exceptionally high load factors. Major European routes are performing well with very strong growth reported from Germany and Italy. Carriers operating on GB routes have seen a strong uplift in figures during the peak summer period.</p> |
| <p>Bright</p>  | <p>Attractions</p> <p>A majority of Irish attractions have experienced growth in the first eight months of this year compared to the same period in 2013. Sentiment is generally positive for the remainder of 2014. The South West and Dublin are leading this growth and attractions on the Wild Atlantic Way are generally very satisfied with the initiative's success so far. Industry in the North West and South East are reporting more mixed results this year. In Northern Ireland, an iconic Belfast attraction welcomed more overseas visitors in the first eight months of this year than in the same period in 2013, with a wide country-of-origin spread. The success of new tours and itineraries themed around the Game of Thrones is an interesting development by some smaller operators.</p> |
| <p>Mixed</p>  | <p>Golf and Inbound Operators</p> <p>Over half of Ireland's golf courses report overseas business up on 2013 levels so far this year; the remainder report good levels of overseas business. Repeat visits are cited as a major driver of strong overseas performance. A key golf operator reports that bookings are on a par with last year, however spend per visitor is up. There are some concerns that green fees may increase to an extent that would negatively affect future business. Inbound operators are generally optimistic; almost all markets show positive booking trends so far this year. Drivers of single-digit growth are the US, Germany, GB, Spain and Italy. France remains flat. Issues expressed by operators looking ahead to 2015 include limited hotel capacity in centres like Dublin, Belfast, Cork and Galway. This is seen as the greatest potential impediment to growth next year.</p> |

Source: Based on feedback from island of Ireland industry sources, September/October 2014

4.6 Tourism Ireland Market Feedback

Great Britain: Industry and trade partners generally report a positive year for travel to the island of Ireland from the British market. Many tour operators and air and sea carriers report growth in business for the year to date. Feedback on advance bookings is also generally positive. Overall sentiment for travel to the island of Ireland is positive for the remainder of the year, supported by the improving economy in GB.

North America: In the US, tour operators are having a good year but not all are reporting growth levels in line with the official figures. This suggests strong demand by independent travellers booking directly to the island of Ireland. All airlines are reporting a strong performance to the island of Ireland and air fares remain high right through October, reflecting continuing demand into the shoulder season. While there will be some winter capacity reductions on American, United and Delta, Aer Lingus have not indicated any reduction in capacity. Canadian tour operators continue to report another good year for the island of Ireland, while airlines operating from Canada reported good summer load factors to Dublin.

Mainland Europe: Virtually all European markets performed strongly this summer season. Increased summer access and greater visibility of the island of Ireland through cooperative campaigns with carriers and OTAs helped to boost bookings. Feedback from the trade is that early booking patterns for 2015 also look positive and it is thought that the island of Ireland may gain share as some long haul destinations affected by political instability become less attractive. Some operators in Northern Europe, and in Italy and Spain are now packaging the New Year festival season and Tradfest 2015, an indication of growing confidence in the market.

Australia & Developing Markets: Key Australian partners report that business to the island of Ireland is up this year, with some operators reporting double-digit increases. As the early bird airfare sales period for summer 2015 begins, interest in the island of Ireland appears to be high, from both trade and consumers. Many of the airlines are offering Dublin as the lowest fare to European from Australia as high competition keeps airfares comparatively low. The short stay visa waiver scheme continues to boost enquiries and bookings from China and India for the island of Ireland.

5. Conclusion

Official data shows that overseas visitors to Ireland grew by +9% for the first nine months of 2014, with growth recorded from all market areas. NISRA data also shows that overseas visitors to Northern Ireland grew by +5% in the first half of 2014, again from all overseas market areas.

Industry sentiment locally and amongst our overseas trade partners for the peak season was positive and the outlook remains good for the remainder of this year and into 2015.

Tourism Ireland's extensive autumn/winter campaigns continue across markets to boost late-season travel. We are currently finalising our Marketing Plans for 2015 which we will launch to the industry in early December.

Ends
