



The Croke Park Classic college football game, attended by 20,000 overseas visitors

SOAR (Situation & Outlook Analysis Report) September 2014

Summary Headlines

- Official data from the Central Statistics Office (CSO) indicates that **overseas visitors** to Ireland increased by +10% for the first seven 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 +11% when compared to the same period last year.
- **Overseas holidaymakers** grew by +7% in the first half of 2014 when compared with the first half of 2013. All market areas saw growth, with GB contributing most of this growth.
- VFR (+19%) and business (+5%) visitors also grew in the first half of the year. Revenue generated from overseas visitors grew by +9%.
- Data illustrates that Ireland is gaining **market share of European** visitor arrivals in 2014.
- According to the Northern Ireland Statistics and Research Agency (NISRA), total **overseas visitors to Northern Ireland** for the first quarter of 2014 grew by +4% YOY (year-on-year). Overseas holidaymakers to Northern Ireland were up +13% for the first quarter of 2014 when compared to the same period last year, with British holidaymakers up +15% YOY. Visitor growth was recorded from all overseas market areas. Revenue and nights from overseas visitors both grew by +6% respectively for the same period.
- Total overseas air and sea passengers to Ireland were up +6% for the first seven months of the year. The Civil Aviation Authority in the UK estimates that air **passengers** between Great Britain and Northern Ireland grew by +1% for the first half of the year when compared to the same period in 2013.
- **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 the year.
- Tourism Ireland is rolling out an **extensive autumn campaign** to boost late-season travel from around the globe. The period September to December traditionally yields as much as 30% of annual overseas tourism business.

2. Global Outlook

According to the United Nations World Tourism Organization (UNWTO), international tourist arrivals worldwide grew by +5% in the first four months of 2014. Destinations worldwide received some 317 million international overnight visitors between January and April, 14 million more than in the same period in 2013. This +5% 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%). Northern Europe, of which the island of Ireland is part, experienced +8% growth, ahead of the +6% increase for Europe as a whole.

Based on January to April data, Ireland has gained market share of European visitor arrivals in 2014. Visitor arrival data for Northern Ireland is only available for the first three months of this year and the UNWTO has not published comparable data, so we are unable to determine the market share position. The results are highlighted below.

| UNWTO Global Performance | |
|---|-----------------------------|
| International Arrivals | Jan - Apr 2014 YoY % +/- |
| World | 5% |
| Africa | 5% |
| Asia Pac | 6% |
| Americas | 6% |
| Middle East | -4% |
| Europe | 5% |
| Northern Europe | 8% |
| Rep of Ireland (CSO) | 9% |
| Northern Ireland (Jan - March) (NISRA) | 4% |

Source: UNWTO, CSO, NISRA

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

According to Deloitte, the global economy appears to be settling into a new normal of modest growth in developed economies and stabilisation of growth in emerging economies. On the other hand, geopolitical risks have increased in recent months and the conflicts in Ukraine, Iraq, and the Middle East have led to concerns about the potential impact on economic outcomes.

3.2 Economic Indicators

Great Britain

The GDP Q2 outturn was a little below expectations and has triggered Oxford Economics to nudge down their 2014 forecast from 3.2% to 3.1%. Despite this, the UK economy is expanding at consistently above-trend rates, with growth becoming ever more balanced. This healthy outlook is likely to lead the Bank of England to start gradually normalising monetary policy later this year. It expects the level of risk to decline over the next three years as the recovery strengthens and economic imbalances continue to fade.

| | | |
|-------------------------|---|---|
| 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 US economy grew by +4% in Q2 with consumer spending growing by +2.5%. Business investment rose +5.5%, residential investment by +7.5%, while government spending increased modestly. Oxford Economics expect the US economy to grow by +2.1% this year. Growth is forecasted to rise to over +3% in 2015, thanks to stronger private sector activity, reduced fiscal restraint and more policy certainty.

| | | |
|-------------------------|---|---|
| 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 |
| 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

The French economy continues to underperform vis-à-vis its eurozone peers. France is now posting the highest trade deficit of the large eurozone countries. Looking into the second half of the year, a gloomy outlook for the labour market with a persistently high level of unemployment and a more modest progression of wages in France than in the eurozone will continue to weigh on domestic demand. Against this backdrop, Oxford Economics have cut the 2014 GDP forecast to +0.4% from +0.7%, and the 2015 forecast to +1.0% from +1.2%.

| | | |
|-------------------------|---|--|
| GDP growth | ● | Slower recovery than much of the rest of Eurozone |
| CPI inflation | ● | Inflation will take some time to reach 2% |
| Current account balance | ● | Narrow deficit but losing competitiveness |
| Government balance | ● | Close to EU deficit targets with little scope to raise tax |
| Government debt | ● | Debt approaching 100% of GDP |
| External debt | ● | High external debt but in domestic currency |

Germany

Recent economic data suggests that the German recovery has lost a little momentum. The quarterly drop in GDP of 0.2% was weaker than expected. Looking further ahead, strong income growth by recent historical standards and the healthy state of household income suggests that consumer spending growth will continue to pick up. Oxford Economics have indicated that rising profit growth and the possibility of easier access to bank finance means that investment recovery is to continue.

| | | |
|-------------------------|---|---|
| GDP growth | ● | Risks beyond the short term lie to the upside. |
| CPI inflation | ● | Neither deflation or sustained high inflation likely. |
| Current account balance | ● | Surpluses set to remain high. |
| Government balance | ● | Broadly balanced providing room for manoeuvre. |
| Government debt | ● | Not a concern. |
| External debt | ● | Not a concern. |

Source: Oxford Economics Briefing and Outlook reports August 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 half of 2014 was +4% when compared to the same period last year. According to CSO data, GB arrivals to Ireland were up +14% for the same period, generating market share growth. VisitEngland reports that total domestic *holiday* trips in GB increased by +3% YOY for the first five months of the year, with equivalent spend rising +6%. Domestic (GB residents) holiday overnight trips to Scotland were up +5% for the first four months of 2014, with spend up +14%, according to VisitScotland. Data from the CSO indicates that GB holiday trips to Ireland were up +13% for the first six months of 2014, with holiday spend up +4%. Holidaymakers from GB to Northern Ireland grew by +15% in the first three months of 2014, according to NISRA.

North America: Data from the Dept. of Commerce confirms that US traffic to Europe grew by +3.5% for the first four months of 2014 when compared to the same period in 2013. US tour operators are reporting a positive year for travel to Europe, with US visits to Britain up +7% for the first five months. According to official data, North American trips to Ireland grew by +11% for the first seven months of 2014. Holiday trips from North America to Ireland grew by +9%; and associated revenue grew by +3% for the first half of the year. North American visitors to Northern Ireland grew by +37% in the first quarter of this year, illustrating market share gain. Latest figures from Canada show that outbound leisure trips grew by +1% for the first four months of this year, whilst leisure trips to non-US destinations grew by +6%.

Mainland Europe: German travel agencies report a slowdown in holiday bookings over the summer months, leading to a decline of -2%. Similarly in France, data shows that travel bookings were down YOY in June. The Spanish outbound market has seen some growth this year and Spanish airports report a +4% increase in international airline trips in July. In Italy, it is reported that outbound travel and spend are both on the increase. The number of Dutch holidays is expected to decline marginally this year, on the back of a -3% decline in 2013. Holiday trips to Ireland from Europe are up +3% for the first half of 2014.

Australia & Developing Markets: Outbound travel remains good from Australia and tour operators indicate that enquires are positive and there is good demand for travel in 2015. According to the UNWTO, the Chinese outbound market is expected to double between now and 2020 to 200 million annual travellers. The Indian travel trade expect outbound tourism to grow by +15 to +20% this year. The first six months of 2014 saw an increase of +5% in holiday trips from Australia and Developing markets to Ireland.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

| Visitor Origins | Ireland Visitors January 2014 – July 2014 | | Northern Ireland Visitors January – March 2014 | |
|-----------------|--|-------------|---|------------|
| | '000s | %YOY | '000s | %YOY |
| Total | 4,292 | +10% | 320 | +4% |
| Great Britain | 1,758 | +11% | 244 | +2% |
| Mainland Europe | 1,520 | +7% | 40 | +3% |
| North America | 746 | +11% | 23 | +37% |
| ADM | 269 | +17% | 14 | +1% |

Source: CSO, NISRA

The latest figures issued by the CSO indicate that overseas visitors to Ireland increased by +10% for the first seven 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, with an increase in arrivals of +11% when compared to the same period in 2014.

Overseas holidaymakers grew by +7% in the first half of 2014 when compared with the first half of 2013. All market areas saw growth, with GB contributing most of this growth. VFR (+19%) and business (+5%) visitors also grew in the first half of the year. Revenue generated from overseas visitors grew by +9%.

According to NISRA, total overseas visitors to Northern Ireland for the first three months of 2014 grew by +4% YOY. Overseas holidaymakers to Northern Ireland were up +13% for the first quarter of 2014 when compared to the same period last year, with British holidaymakers up +15% YOY. Visitor growth was recorded from all overseas market areas. Revenue and nights from overseas visitors both grew by +6% for the same period.

4.2 Access Capacity

| Air Access | Summer 14 vs Summer 13 Estimates | | |
|-----------------|----------------------------------|------------|------------|
| YOY % Change | ROI | NI | Island |
| Great Britain | -1% | -10% | -4% |
| Mainland Europe | +10% | +6% | +9% |
| -France | +14% | +11% | +14% |
| -Germany | +16% | N/A | +16% |
| North America | +14% | 0% | +14% |
| ADM | +18% | N/A | +18% |
| Overall | +6% | -7% | +3% |

Source: TTC Summer Access Inventory Report 2014 on weekly seat capacity

It is estimated that over 450,000 one-way direct scheduled air seats per week were available for the 2014 peak summer season. This represented the largest volume of seats available since summer 2008 and is almost 15,000 more per week than the same period last year. Sea services also saw additional capacity this summer with a projected +3% increase in car space capacity, attributed chiefly to increased departures on the Holyhead-Dublin route and two new European services (Cherbourg-Dublin and St. Nazaire/Gijon-Rosslare).

For winter 2014/15, European and GB schedules to the island of Ireland are currently unavailable. Indications for the US are that capacity will be up YOY for the months of November, December and March. However, capacity is likely to be down for the months of January and February, due to capacity reductions by American, Delta and United to the island of Ireland during those months. We will have direct scheduled services from Canada for the first time this winter. Preliminary figures for the winter 2014/15 season are expected to be available for the next SOAR report.

The Icelandic meteorological service reported a volcanic eruption on 31st August; and reported on 3rd September that further activity could potentially lead to an explosive ash-producing eruption. The Irish Aviation Authority (IAA) is "closely monitoring the situation". A volcanic eruption is of concern because of the aviation chaos that followed the eruption of the Eyjafjallajokul volcano in 2010, when more than 100,000 flights were cancelled. Airlines have been put on alert.

4.3 Total Passenger Numbers

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

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 eight months of 2014 were up +4.4%, compared to the same period in 2013. Ryanair announced passenger growth of +4% for the month of August, leading to an increase of +4% in the twelve months to the end of August 2014, with 83 million passengers.

4.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

| | July 14 v July 13 % change | Jan-July 14 v Jan-July 13 % change |
|-------------------|-------------------------------|--|
| Island of Ireland | 0% | +4% |
| ROI | 0% | +4% |
| NI | -4% | +6% |
| Scotland | +4% | +4% |
| England | +4% | +4% |
| Italy | +3% | +4% |

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 +6% for the first half 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</p> <p>Sentiment in Belfast and Derry~Londonderry is positive for summer business and good advance bookings for the shoulder season are being reported. Accommodation providers in rural Northern Ireland report that they are generally seeing increased overseas guests this year. In Ireland, West coast hoteliers and B&B owners are experiencing the benefit of the Wild Atlantic Way, with those in the West and North West regions reporting double-digit growth in overseas performance. Occupancy in traditional tourism hubs throughout Ireland has been good. Groups are performing very well, primarily from the US and Mainland Europe, whilst GB remains an important source market for FIT bookings. There are reports of a two-tier growth recovery in the hotel sector, with Dublin leading the way. The B&B sector reports notable increases from European visitors. Sentiment within the luxury hotel sector is also very positive, with the US and GB providing the bulk of overseas visitors.</p> |
| <p>Bright</p>  | <p>Air, Sea Carriers and Car Rental</p> <p>A major sea carrier reports strong results for the summer season with growth in passengers from Britain; and bookings are encouraging for the shoulder season. Carriers are reporting FIT business as being good from Germany, France and the Netherlands for the peak, while France is the main source of European bookings beyond the summer. Air routes from core European markets are generally doing well. Routes between the US and the island of Ireland saw robust peak-season load factors and yield, with encouraging trends in forward bookings for the autumn. The car rental industry is experiencing another good year on the back of solid 2013 results. While length of rental period has remained broadly flat, double-digit growth has been seen over the past two years in volume of rentals.</p> |
| <p>Bright</p>  | <p>Attractions</p> <p>North America is particularly strong for Northern Ireland attractions this year. Mainland Europe is also driving growth, with notable increases in French and German visitors to key attractions. An increase in Australian visitors is also being seen. In Ireland, growth from all main source markets is reported. North America continues to be a solid source of growth in visitor numbers to many attractions, whilst two major attractions in Dublin report double-digit increases from GB.</p> |
| <p>Mixed</p>  | <p>Inbound Operators and Business</p> <p>Tour operators report that market performance has been broadly in line with recent CSO results. North America is underpinning much of the growth for this sector with the Croke Park Classic providing a further boost for the shoulder season. France is lagging behind other markets, while GB is gaining ground with improved performance in leisure and corporate meeting bookings. Business tourism is generally unchanged from last year. The sector is looking ahead to 2015/16 when better performance is expected, particularly from the US incentive market.</p> |

Source: Based on feedback from island of Ireland industry sources, August 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, along with air and sea carriers, report growth in business for the year to date. Feedback on advance bookings is also generally positive. Aided by an improving economy, overall sentiment for travel to the island of Ireland is bright for the remainder of the year.

North America: In the US, feedback is very positive with all transatlantic carriers reporting strong peak season load factors and yield. Forward bookings for the Sept/Oct period are also looking strong with some attractive fare initiatives. Tour operators report a strong year with the escorted market performing especially well. However, they have expressed concern regarding city centre hotel availability for 2015, especially in Dublin. Canadian tour operators continue to report another good year for the island of Ireland, while air carriers operating from Canada report good summer load factors to Dublin.

Mainland Europe: Feedback from operators and carriers continues to be positive, with a good peak season being reported. Germany and Spain continue to demonstrate strong levels of growth, and indicators from partners suggest a continuing positive trend into the autumn. City break and carrier campaigns will keep the island of Ireland top of mind with European travellers to year end.

Australia & Developing Markets: Key Australian partners report that business to the island of Ireland is up in 2014, with some operators reporting double-digit increases. They are all optimistic about 2015 business. The short-stay visa waiver scheme continues to aid increased enquiries and bookings from China and India for the island of Ireland.

5. Conclusion

The year is continuing positively with official data showing that overseas visitors to Ireland grew by +10% for the first seven months of the year, with growth recorded from all market areas. According to NISRA, total overseas visitors to Northern Ireland for the first quarter of 2014 grew by +4% with growth recorded from all overseas market areas also.

Sentiment expressed by island of Ireland industry and overseas trade partners for the peak season was positive and the outlook remains good for the remainder of the year.

Tourism Ireland has launched an €11M/£9.5M autumn campaign to boost late-season travel from around the globe. The period September to December traditionally yields as much as 30% of our annual overseas tourism business.

Ends
