



Derryclare Lake, Connemara, Co Galway

SOAR **(Situation & Outlook Analysis Report)** **December 2013**

Summary Headlines

- Official data from the Central Statistics Office (CSO) indicates that **overseas visitors** to the Republic of Ireland grew by +7.3% in the first ten months of 2013 when compared to the same period in 2012. The GB market continues to recover (+5.1%) and North America (+14.6%) is on course for its best year ever. Australia and Developing markets (+14.4%) and Mainland Europe (+5.6%) are also playing a major part in growing visitor numbers from overseas. The CSO estimates that total **overseas tourism earnings** and **overseas holidaymakers** both grew by +8% for the first six months of the year.
- According to the Northern Ireland Statistics and Research Agency (NISRA), total **overseas visitors to Northern Ireland** for the first half of 2013 grew by +13% YOY. Estimates also indicate that overseas holidaymakers to Northern Ireland were up +6% for the same period. The British market, which represented approximately 72% of all overseas visitors to Northern Ireland in the first half of the year, grew by +18% when compared to the same period of 2012.
- According to the Dublin Airport Authority (DAA), almost 17.3 million **passengers** (inbound and outbound) travelled through Dublin Airport in the first ten months of this year, a +5% increase on the same period in 2012. Shannon Airport reports an increase of +1% for the year to October, with growth seen each month since June. Air passenger estimates between GB and Northern Ireland for the first eight months of the year were up +2% when compared with the same period in 2012, according to the Civil Aviation Authority (CAA).
- Total available **air seat capacity** for winter 2013/14 is estimated to be +3% higher than the same time last year. Sea access services are also up this winter season when compared to last year with Irish Ferries and LD Lines adding extra capacity. There have already been some very positive air capacity announcements for the 2014 summer season.
- Leading attractions and accommodation providers in urban centres and tourism hotspots had a good year and in general outperformed rural locations, according to **industry sources**. The Gathering Ireland 2013 and Derry~Londonderry UK City of Culture 2013 have been cited as successes by the majority of those in the industry. Industry and trade feedback in relation to 2014 prospects and sentiment are positive.

2. Global Outlook

According to the UNWTO, international tourist arrivals increased by +5.3% for the first eight months of 2013 when compared to the same period last year. Northern Europe, (of which the island of Ireland is part) increased by +3.4%, while arrivals to Europe in total grew by +5.4%. The key results are highlighted in the table below. Growth is expected to continue during 2013, but at a slower pace. The UNWTO forecasts that 2013 will end at +4% or slightly above, thus exceeding their initial estimate for the year (+3% to +4%).

UNWTO Global Performance	
International Arrivals	YTD (Jan - Aug) 2013
World	5.3%
Africa	5.0%
Asia Pac	6.3%
Americas	3.2%
Middle East	6.8%
Europe	5.4%
Western Europe	4.0%
Northern Europe	3.4%
Cent & East Europe	7.4%
South East Med	6.1%
ROI Jan - Aug (CSO)	6.5%

Source: UNWTO, CSO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Oxford Economics took the view at the beginning of 2013, that the world recovery would strengthen by the end of the year, thanks to accelerated growth from the US, a pick-up in world trade and an upturn in emerging markets. These three factors have, however, failed to be as supportive as anticipated and global growth has remained patchy. US and Eurozone numbers have been weaker than expected in recent weeks, contributing to modest downgrades to near-term forecasts in both. Looking ahead, Oxford Economics expect world GDP growth to pick up from +2.1% this year to +2.8% next year, however, it's estimated to be well below that seen in the pre-crisis period 2004-2007.

3.2 Economic Indicators

<p>Great Britain</p> <p>As forecasted by Oxford Economics GDP growth for Q3 came in at +0.8%. Several consumer indicators have stabilised following sharp improvements earlier in the year. Oxford Economics expect household finances to only improve gradually as employment and earnings pick up and inflation slows. Consumer spending is expected to grow by just under +2% both this year and next.</p>	<p>2013 GDP Forecast: +1.4% (no change)</p> <p>CPI*: + 2.0% (down from +2.6%)</p> <p>Unemployment: 7.8% (no change)</p> <p>Exchange rate(€/£): €1: £0.84</p>
<p>USA</p> <p>Oxford Economics forecast GDP growth of +1.7% in 2013 and +2.6% next year. This acceleration in GDP growth will be supported in their view by a pick-up in consumer spending in Q4 and a reduction in unemployment from 7.3% this year to under 7% by the end of 2014. These improvements should support income growth and improve consumer confidence.</p>	<p>2013 GDP Forecast***: +1.7% (no change)</p> <p>CPI*: +1.5% (no change)</p> <p>Unemployment: 7.3% (down from 7.4%)</p> <p>Exchange rate (€/€): €1: \$1.35</p>
<p>France</p> <p>There are few signs that the French economy is improving. Economic activity fell in Q3 only a month after the Finance minister reassured the country that the recovery was under way. Oxford Economics forecast that unemployment will continue to rise until early next year, which would dent household incomes and reduce willingness to spend.</p>	<p>2013 GDP Forecast: +0.2% (down from +0.3%)</p> <p>CPI*: +0.9% (down from +1.1%)</p> <p>Unemployment: 11.1% (no change)</p>
<p>Germany</p> <p>German GDP grew by just +0.3% in Q3 2013, slightly below forecast. Oxford Economics expect growth of +0.5% in 2013 as a whole, before accelerating to +1.7% in 2014. Recent growth appears to have been driven by domestic demand, with gains in consumer spending and investment.</p>	<p>2013 GDP Forecast: +0.5% (down from +0.6%)</p> <p>CPI*: +1.5% (down from 1.6%)</p> <p>Unemployment: 6.9% (up from 6.8%)</p>

Source: Oxford Economics Bulletins; UNWTO, IMF, World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 22/11/2013; OECD; ONS; INSEE; Federal Statistics Office; GfK/GfK NOP on behalf of the European Commission; The Conference Board; *Monthly CPI changes. Based on the most recent available data. Data is compared to the economic indicators as released in SOAR October 2013.

3.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics in the UK reports that the number of *visits* abroad by UK residents for the first nine months of 2013 was up +3% when compared to the same period in 2012. According to the CSO, GB visitors to the Republic of Ireland were up +3.5% for the same period.

According to data released by VisitEngland for the first seven months of the year, total GB domestic *holiday* trips declined by -1%, with nights (-1%) and spend (-2%) also down, when compared to the same period in 2012. Looking solely at domestic holiday trips in England for the same period, there was a decline (-1%) year-on-year (YOY), with nights (-3%) and spend (-4%) also down. According to the latest available holidaymaker data provided by the CSO; GB holidaymakers to the Republic of Ireland were up +1% for the first half of the year. According to Visit Scotland, domestic (GB residents to Scotland) overnight trips to Scotland were up +1.6% for the first seven months of the year. International trips (non-GB) to Scotland for the first half of the year were down -1.3%, however spend was up +8.6%.

North America: US outbound traffic to Europe remained almost flat at +0.5% during the year to August highlighting continued growth in the Republic of Ireland's market share. Tour Operators are reporting strong sales for most European destinations within the island of Ireland's competitive set which would suggest more sluggish booking patterns within the market that book directly. Canadian outbound traffic to Europe declined by -3% during the year to August.

Mainland Europe: German travel agencies are reporting modest growth with bookings up +1% during the year to September. According to SNAV (Travel Agencies National Union) in France, any growth in travel bookings is predominantly coming from the domestic market. The Italian and Spanish outbound markets continue to contract on the back of their deep economic crises. However, in the Nordics, all key airports report growth this year, aided by improving Nordic economies. There are reports in the Netherlands that summer travel bookings were down -7% YOY.

Australia & Developing Markets: There seems to be an air of optimism that Europe will have another great year from Australia next year, aided by financial analysts predicting that the Australian dollar will remain strong against the euro throughout 2014. It is forecasted that the Chinese outbound market will grow by approximately +10% in 2014.

4. Market Intelligence

4.1 Visitors

2013 Preliminary Visitor Estimates

Visitor Origins	Republic of Ireland January – October 2013		Northern Ireland January – June 2013	
	'000s	%YOY	'000s	%YOY
Total	6,045	+7.3%	769	+13%
Great Britain	2,480	+5.1%	556	+18%
Mainland Europe	2,159	+5.6%	105	0%
North America	1,036	+14.6%	64	-1%
ADM	371	+14.4%	44	+2%

Source: CSO, NISRA

The latest available data from the CSO indicates that overseas visitors to the Republic of Ireland grew by +7.3% in the first ten months of 2013 when compared to the same period in 2012. The GB market continues to recover (+5.1%) and North America (+14.6%) is on course for its best year ever. Australia and Developing markets (+14.4%) and Mainland Europe (+5.6%) are also playing a major part in growing visitor numbers from overseas. The CSO also estimates that total overseas tourism earnings and overseas holidaymakers both grew by +8% for the first half of the year.

According to the Northern Ireland Statistics and Research Agency (NISRA), total overseas visitors to Northern Ireland for the first half of 2013 grew by +13% YOY. Estimates also indicate that overseas holidaymakers to Northern Ireland were up +6% for the same period. The British market, which represented approximately 72% of all overseas visitors to Northern Ireland in the first half of the year, grew by +18% when compared to the same period of 2012.

4.2 Access Capacity

Air Access	Winter 2013/14 Estimates			
	YOY % Change	ROI	NI	Island
Great Britain	+10%	-10%		+2%
Mainland Europe	+1%	+7%		+1%
-France	+9%	0%		+9%
-Germany	+5%	N/A		+5%
North America	+12%	0%		+11%
ADM	+14%	N/A		+14%
Overall	+7%	-9%		+3%

Source: TTC Winter Access Inventory Report 2013/14 on weekly seat capacity

Estimates for air access capacity to the island of Ireland for the winter season 2013/14 indicate that available seat capacity is up +3% on the same period last year, with +7% more seats on ROI routes and -9% fewer seats on NI routes. The capacity decrease for Northern Ireland arises from reduced frequency rather than a withdrawal of services. Capacity on both London and British provincial routes to Northern Ireland is estimated to be down -10% this winter season. The Republic of Ireland is scheduled to have capacity increases from all four market areas this winter season compared to last year.

Sea services from GB, France and Spain are scheduled to increase this winter as additional capacity and a number of new routes come on stream. Irish Ferries is increasing capacity on Holyhead-Dublin and introducing a new Cherbourg-Dublin service. LD Lines is introducing new routes from St Nazaire (west coast of France) and Gijón (northern Spain) to Rosslare.

There have already been some very positive air capacity announcements for the 2014 summer season. These include Aer Lingus's expansion at Dublin Airport from April next year which includes a new service from Hanover to Dublin and increased frequency on some of its existing routes – including services from Paris, Lyon, Munich and Copenhagen. Ryanair is also adding new services next April from Mainland Europe and GB to Dublin, Shannon and Knock Airports, while easyJet intends to introduce new flights from Bordeaux and Jersey to Belfast International next summer. Announcements on transatlantic capacity include expanded and new services from Aer Lingus, Air Canada Rouge and Westjet.

4.3 Total Passenger Numbers

	Total Pax 2012*	Aug 13	Sep 13	Oct 13
Dublin Airport	19.1m	+8%	+4%	+5%
Shannon Airport	1.4m	+3%	+4%	+5%
Cork Airport	2.3m	-8%	-7%	-2%
Ireland West Airport Knock	0.7m	-4%	+2%	+10%
Belfast Int Airport	4.3m	-11%	-10%	-7%
Belfast City Airport	2.2m	+30%	+30%	+25%
City of Derry Airport	0.4m	-1%	+3%	+2%
All ROI Airports	23.6m	+5%	+3%	+4%
All NI Airports	7m	+1%	+2%	+4%
All UK Airports	224m	+6%	+4%	+5%
All Germany Airports	201m	+2%	+2%	+2%
All Norway Airports	50m	+5%	+5%	+4%
All Sweden Airports	37m	+6%	+5%	N/A
ROI sea passengers	3.1m	+8%	+4%	+1%
NI sea passengers	2m	+5%	-2%	+3%

Source: Annaero, DAA, Fáilte Ireland, Ferrystat.

*Total Pax 2012 is the passenger traffic (in millions) at the airport(s)/seaports in 2012

According to the DAA, more than 17.3 million passengers (inbound and outbound) travelled through Dublin Airport in the first ten months of this year, a +5% increase on the same period in 2012. Shannon Airport reports an increase of +1% for the year to October, with growth seen each month since June. The CAA estimates that air passengers between GB and Northern Ireland for the first eight months of the year were up +2% compared to the same period in 2012.

Aer Lingus reports that its total passengers (inbound and outbound), in October decreased by -0.5% compared to the same month in 2012. Total Aer Lingus passenger numbers for the first ten months of the year grew by +1.2% when compared to the same period in 2012. Ryanair announced passenger growth of +6% for October leading to growth of +2% for the 12 month period to the end of October 2013, carrying more than 80 million passengers.

4.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

	Aug 13	Sep 13	Oct 13
Island of Ireland	+5%	+2%	+6%
ROI	+5%	+2%	+6%
NI	+4%	+4%	+10%
Scotland	+7%	+5%	+4%
England	+8%	+3%	+4%
Italy	+9%	+3%	+6%
Denmark	+5%	+4%	+3%

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 good year in room sales. However, it is not possible to break out overseas bookings from domestic business.

According to NISRA, total hotel rooms sold across Northern Ireland decreased by -1% during the first nine months of 2013 when compared to the same period in 2012. NISRA also reports that the total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland is unchanged for the first nine months of 2013 when compared to the same period in 2012. 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>The majority of hoteliers in the Republic of Ireland report an increase in business this year with bookings from the US and European markets noticeably up. After a slow start to the year, the bulk of hotels in Northern Ireland experienced a strong peak season. This was mainly due to increased leisure traffic (particularly from tour and coach business) and the World Police and Fire Games in Belfast this summer. Hoteliers in Derry~Londonderry report a strong year with significant increases in occupancy levels and hotel rooms sold. Luxury country hotels around the island experienced a good year overall, driven by growth from the US and GB. The B&B sector reports an increase in US and German business in 2013; however, it experienced a slight fall off in French business. The majority of self-catering providers report a good summer season with an increase in overseas visitors, particularly from North America.</p>
<p>Brightening up</p> 	<p>Air, Sea and Car Hire</p> <p>Most airlines experienced a good year, especially from the US and key European markets, while some carriers also experienced uplift in GB business. Passenger traffic to the island of Ireland on ferry services from GB was marginally up for the first ten months of the year when compared to the same period in 2012. A leading sea carrier reports a very good summer season, followed by a softening this autumn. The car rental sector reports a strong peak season, leading to a double digit YOY increase in car rental days for the first nine months of 2013.</p>
<p>Bright</p> 	<p>Attractions</p> <p>Leading Dublin attractions had a strong year, driven by growth from North American and European markets. Principal attractions in the West report a good year driven by strong group business growth from North America and Germany. In Northern Ireland, leading attractions also report a good year; however, figures from other attractions in NI are mixed. In Derry~Londonderry, enquiries at the tourist information centre increased from all main overseas markets this year and a leading city tour reports that US bookings were strongly up.</p>
<p>Brightening up</p> 	<p>Inbound Operators and Business</p> <p>Inbound operators report a good year with leisure group and FIT (Free Independent Traveller) business up from all main markets except GB. They cite The Gathering Ireland 2013 as driving new business. Operators report that Business Tourism this year was similar to 2012 levels; however, incentive travel from Europe was slow. They acknowledge a late booking pattern, which given Dublin's high accommodation occupancy levels and general business performance means that it is harder to accommodate the late bookings and, as a result, business is possibly being lost to other destinations. Business tourism levels in Northern Ireland were described as slow in 2013. A key golf operator in the South West reports increases in both rounds and associated revenue. The US, their largest market, saw modest growth, while both GB and Europe were up by double digits, albeit it from lower bases.</p>

Source: Based on feedback from island of Ireland industry sources, October/November 2013

4.6 Tourism Ireland Market Feedback

Great Britain: On the back of an improving economy, the overall sentiment for travel to the island of Ireland is generally positive, illustrated by YTD growth figures from the CSO. Most air carriers are reasonably satisfied with the year and some are planning on adding extra capacity next year. A number of OTAs are reporting growth in business to the island of Ireland this year. However, sea carriers are reporting mixed results.

North America: In the US, all major operators report double digit growth this year. The island of Ireland's price competitiveness and the significant increase in peak season air capacity are being cited as key drivers of growth. General sentiment for 2014 is looking positive with YOY advance bookings on the group and escorted front ahead of last year. Trade feedback for longer term growth from the smaller independent operators is typically single digit in nature, while the larger volume operators are anticipating further double digit increases for 2014. The overall sentiment in Canada remains positive with all operators and airlines now looking to 2014 and potentially a significant increase in growth, with four major airlines servicing Ireland next year. Advance bookings and interest in the island of Ireland are strong with recent airline incentives and offers proving successful.

Mainland Europe: Europe has experienced a positive 2013 with steady growth in visitors to the island of Ireland generally and even stronger growth from core focus markets. Most tour operators have had a strong summer season in relation to European business with reports of increased pressure on hotel room availability during the week. Autumn campaigns across the market have yielded strong results with carriers, and the stance for next year is one of increasing confidence on the back of new strategically important air routes for the 2014 summer season.

Australia & Developing Markets: Earlybird airfare prices for 2014 have been launched and overall there appears to be good interest in the island of Ireland for 2014 from the Australian trade. Bookings are also positive from China and India with reports forecasting a significant increase in travel trade bookings from China for 2014, aided by the extension of the visa waiver scheme.

5. Conclusion

Official figures and sentiment point to a year of positive tourism growth in 2013. The Gathering Ireland 2013 and Derry~Londonderry UK City of Culture 2013 have been cited as successes by the majority of those in the industry. Trade and industry feedback in relation to 2014 prospects and sentiment are also generally positive. The Wild Atlantic Way, the Causeway Coastal Route, Limerick City of Culture 2014, the Giro d'Italia 2014 and additional air and sea capacity will help to keep the momentum going and build on the positive legacy of 2013.

Ends
