



Kilkenny Castle in Ireland's Ancient East

SOAR (Situation & Outlook Analysis Report) October 2016

Summary Headlines

- **Overseas visitors to Ireland** grew to record levels in the first eight months of 2016, with over 6.5 million arrivals, based on CSO estimates. This represents an increase of +12%, or over 718,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas – North America (+15%), Great Britain (+13%), Mainland Europe (+11%) and Australia and Developing Markets (+3%). In the first half of the year, overseas holiday visitors grew by +12% and revenue from holidaymakers grew by +9%, when compared to the same period in 2015.
- According to NISRA, **overseas visitors to Northern Ireland** grew by +8% for the first quarter of 2016, when compared to the same period in 2015. Holiday visitors grew by +10% and revenue from overseas visitors to Northern Ireland grew by +10% (£93 million). GB, which accounted for 76% of all overseas visitors to Northern Ireland in the first quarter, grew by +10%. Leading attractions in Northern Ireland report strong increases in overseas visitors for the second quarter and into the summer season.
- The forthcoming 2016/17 winter season is projected to see a +4% increase in direct one-way weekly **air seats** available to the island of Ireland, when compared to the same period last winter, driven by double-digit growth from North America. **Ferry capacity** to the island is expected to be same as last winter period.
- **Industry sentiment** on the island of Ireland and the outlook from overseas trade partners remains positive. Accommodation capacity constraints in key tourism centres, the euro/sterling exchange rate and uncertainty surrounding Brexit are the principal concerns.
- Tourism Ireland continues to roll out its extensive **autumn marketing campaign across all markets** aimed at boosting late-season travel to the island of Ireland from around the globe, to ensure that 2016 is another record-breaking year for overseas tourism. Highlights include a travel trade and media blitz in the US, a sales mission to New Zealand and Australia and co-operative campaigns with Aer Lingus and Ryanair in key European markets highlighting good value fares to the island of Ireland.

2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reports that international tourist arrivals worldwide grew by an estimated +4% in the first half of 2016, compared to the same period last year.

Asia and the Pacific (+9%) and Africa (+5%) saw the highest growth during the January-June period, while Europe recorded a +3% increase in arrivals. Northern Europe, of which the island of Ireland is part, experienced +5% growth. Results are summarised in the table beneath, illustrating the market share growth of Ireland and Northern Ireland in the early part of 2016.

UNWTO Global Performance	
International Arrivals	Jan-Jun 2016 YoY % +/-
World	+4%
Africa	+5%
Asia Pac	+9%
Americas	+4%
Middle East	-9%
Europe	+3%
Northern Europe	+5%
Northern Ireland (NISRA) (Jan-Mar)	+8%
Ireland (CSO) (Jan-Aug)	+12%

Sources: UNWTO, NISRA, CSO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

The latest Oxford Economics forecast envisages +2.2% global GDP growth in 2016, a downgrade from +2.8% earlier in the year. While this will be the slowest rate of growth since 2009, it is only marginally below the growth rate observed in recent years. Growth is expected to pick up to +2.6% in 2017.

The impact of Brexit on 2016 world GDP growth is expected to be relatively negligible, although for the UK, not surprisingly, it is much more significant. For 2017, the referendum result has seen UK GDP growth being downgraded to +1.2% from a forecast of +2.3% before the referendum. In addition, sterling is now trading at near record low rates against the euro and commentators seem unwilling to rule out the possibility of parity between the currencies.

Given sterling's weakness and poorer UK consumer spending, the World Tourism and Travel Council (WTTC) predicts a weaker outlook for UK outbound travel. Given the reliance of Europe on visitors from the UK, WTTC expects Eurozone markets to be amongst the most negatively impacted in 2017. However, it expects stronger international inbound leisure spending as a consequence of the enhanced affordability of the UK as a tourism destination due to the depreciation of sterling.

3.2 Economic Indicators

<p>Great Britain</p> <p>Oxford Economics forecasts for UK GDP growth is +1.9% for 2016 and slowing to +1.2% for 2017. However, corporate confidence has weakened since June, which is likely to weigh on company plans, possibly causing unemployment to rise. Weaker sterling has already fed into higher import prices, causing inflation to likely increase above 2% by early 2017. With household spending power also under pressure from the government's welfare reforms, Oxford Economics expects consumer spending growth to slow from +2.7% this year to +1.3% in 2017.</p>	<p>2016 GDP Forecast: +1.9% (up from 1.8%) 2017 GDP Forecast: +1.2%</p> <p>CPI 2016: +0.8% (up from +0.7%) CPI 2017: +2.1%</p> <p>Unemployment: 4.9% (no change)</p> <p>Exchange rate(€/£): €1: £0.90 (up from £0.86)</p>
<p>USA</p> <p>The GDP growth forecast for the US for 2016 has fallen to +1.6% from +2.4% last January. The combined headwinds of a strong currency, weak global growth, depressed energy sector activity and rising election ambiguity are placing some uncertainty around business investments. Oxford Economics expects GDP to grow by +2.3% in 2017, boosted by buoyant private sector confidence, steady increases in employment and faster wage growth, which are expected to lead to consumer spending growing by + 2.7% next year.</p>	<p>2016 GDP Forecast: +1.6% (up from +1.5%) 2017 GDP Forecast: +2.3%</p> <p>CPI 2016: +1.1% (down from +1.2%) CPI 2017: +2.2%</p> <p>Unemployment: 4.9% (no change)</p> <p>Exchange rate (€/€): €1: \$1.10 (down from \$1.13)</p>
<p>France</p> <p>Following the UK's EU referendum vote, the GDP growth outlook for France is slightly less optimistic. The UK accounts for a moderate 7% of all French trade, but French businesses will be affected by uncertainty over the future of the EU and the UK's membership of the trade block. However, in spite of flat household spending in Q2 and the July terrorist attacks, consumer confidence remains close to its highest level since the financial crisis. Households are upbeat about job prospects and future earnings. Solid consumer spending and rebounding investment should see GDP growing by +1.3% in 2016 and support GDP growth of +1.4% in 2017.</p>	<p>2016 GDP Forecast: +1.3% (down from +1.4%) 2017 GDP Forecast: +1.4%</p> <p>CPI 2016: +0.2% (down from +0.4%) CPI 2017: +1.3%</p> <p>Unemployment: 10.3% (up from 9.9%)</p>
<p>Germany</p> <p>Over the past month, a number of economic indicators have struck a downbeat tone; however, consumers are resilient and are still spending. A low unemployment rate and rising employment imply that earnings growth will increase, so consumers remain confident. The government has also talked up the possibility of tax cuts after the next general election in response to the better-than-expected exchequer returns for the year to date. However, in light of some slowdown in the economy, Oxford Economics expects GDP growth of +1.5% in 2017 from +1.8% this year.</p>	<p>2016 GDP Forecast: +1.8% (no change) 2017 GDP Forecast: +1.5%</p> <p>CPI 2016: +0.5% (down from +0.6%) CPI 2017: +1.8%</p> <p>Unemployment: 6.1% (no change)</p>

Source: Oxford Economics Briefing and Outlook reports September 2016 (Comparisons are against the last SOAR report)

3.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics (ONS) reports that the number of visits abroad by UK residents from January to July 2016 grew by +6%, compared to the same period last year. July (the first full month post EU referendum vote) saw UK residents make 7 million visits abroad, an increase of +3% compared with July 2015. The CSO reports that GB visitors to Ireland for the January-July period were up +14%, resulting in increased market share. GB visitors to Northern Ireland grew by +10% YOY in the first quarter of 2016. There were more than 21 million inbound visits to the UK for the January-July 2016 period, up +2% on the same period last year. Brexit and terrorism are the main concerns among UK travellers, according to a recent survey. Ryanair stated that Brexit uncertainty will more than halve its growth in Britain. The recent sustained decline in the sterling exchange rate is expected to be more fully reflected in peak season outbound holidaymaker volumes from Great Britain.

North America: The US Department of Commerce reports that the US outbound market to Europe increased by +7% YOY during the January-July period. US visits to Europe increased by +9% YOY in July, resulting in thirty-eight consecutive months of growth in US traffic to Europe. However, according to travel analytics firm *Forward Keys*, US air traffic to Europe decreased marginally (-0.9%) during the summer period. VisitBritain reports that US visits to the UK grew by +2% during the first half of 2016 YOY. According to the Conference Board of Canada (CBOC), Canadians made +4% more visits to Europe in the first seven months of 2016. Leisure travel to the US by Canadians declined -7% YOY during the same period, impacted by a strong US dollar to Canadian dollar exchange rate.

Mainland Europe: German travel industry reports that Spain, Italy and Portugal are benefiting from the slowdown in travel to the East Mediterranean and Northern Africa. The French outbound market is expected to grow this year; however, travellers are choosing destinations closer to home that are perceived to be 'safe'. A positive outlook for outbound travel from Spain too, with principal airports reporting YOY passenger growth and tour operators are optimistic regarding future bookings. Italian travel agents saw a -5% drop in their summer bookings this year, with double-digit growth for the Caribbean and Cuba, and staycations up +5%. Two-thirds of Dutch households are going on holiday in 2016, with the majority opting for foreign breaks. Outbound travel continues to grow from the Nordics. According to a Swedish report, households there spend 41% of their disposable income on leisure trips, the highest in Europe.

Australia & Developing Markets: In Australia, the outbound travel market for overseas holidays has been stable over the summer. However, many travellers have diverted from Europe to Asia and the USA, as these regions are perceived to be 'safer' alternatives. Europe has seen low growth in Chinese arrivals this year, reportedly due to concerns about terrorist attacks. Feedback received from Indian travel trade is that the summer months saw good enquiries for Europe.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Visitors January 2016 – August 2016		Northern Ireland Visitors January – March 2016	
	'000s	% YOY	'000s	% YOY
Total	6,553	+12%	378	+8%
Great Britain	2,674	+13%	288	+10%
Mainland Europe	2,309	+11%	N/A	N/A
North America	1,204	+15%	N/A	N/A
ADM	367	+3%	N/A	N/A

Sources: CSO, NISRA

Based on CSO estimates, overseas visitors to Ireland grew to record levels in the first eight months of 2016, with over 6.5 million arrivals. This represents an increase of +12%, or more than 718,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas – North America (+15%), Great Britain (+13%), Mainland Europe (+11%) and Australia and Developing Markets (+3%). In the first half of the year, overseas holiday visitors grew by +12% and revenue from holidaymakers grew by +9%, when compared to the same period in 2015.

According to NISRA, overseas visitors to Northern Ireland grew by +8% for the first quarter of 2016, when compared to the same period in 2015. Holiday visitors grew by +10% and revenue from overseas visitors grew by +10% (£93 million). This is the best ever early season performance for Northern Ireland. GB, which accounted for 76% of all overseas visitors to Northern Ireland in the first quarter, grew by +10%. Results for other overseas markets are unavailable for Q1 due to small sample size restrictions. Leading attractions in Northern Ireland report strong increases in overseas visitors for the second quarter and into the summer season. Official NISRA figures for Q2 performance are due for release later this month.

4.2 Air and Sea Connectivity

Estimates

Air Access Seat Capacity Estimates		Winter 2016/17 vs. Winter 2015/16		
YOY % Change	Ireland	NI	Island	
Great Britain	+1%	+1%	+1%	
Mainland Europe	+4%	+109%	+8%	
-France	-7%	NC	-6%	
-Germany	+4%	NA*	+7%	
North America	+17%	NC	+17%	
ADM	-9%	NA	-9%	
Overall	+3%	+8%	+4%	

Source: TTC Winter Access Inventory Report 2016/17 on scheduled direct one-way weekly seat capacity. Capacity is estimated at a single point in time (December) for the season. NA= Not applicable NC = No change * Note: Germany-Northern Ireland new service offering 567 one way seats per week

The forthcoming 2016/17 winter season is projected to see a +4% increase in direct one-way air seats available per week to the island of Ireland, when compared to the same period last winter. There will be approximately 416,000 one-way weekly seats available, the largest amount since the winter period of 2008/09 when just over 440,000 were available. Ireland is expected to see a +3% increase in air seats available and Northern Ireland a +8% increase.

Key air announcements for the upcoming winter season include Ryanair adding new routes and frequency to their network including Berlin and Milan to Belfast, Aer Lingus' broader transatlantic services and KLM introducing a new Amsterdam-Dublin service. Ferry capacity this forthcoming winter is expected to be same as last winter period.

4.3 Total Passenger Numbers

	Total Pax 2015*	July 16 YOY % change	August 16 YOY % change	Sept 16 YOY % change
Dublin Airport	25m	+9%	+9%	+11%
Shannon Airport	1.7m	-3%	+2%	0%
Cork Airport	2.1m	+6%	+13%	+5%
Ireland West Airport Knock	0.7m	+5%	+16%	+6%
Belfast International Airport	4.4m	N/A	N/A	N/A
Belfast City Airport	2.7m	0%	+2%	0%
City of Derry Airport	0.3m	N/A	N/A	
All ROI Airports	29.5m	+8%	+9%	
All NI Airports	7.4m	N/A	N/A	
All UK Airports	255m	N/A	N/A	
All German Airports	216m	+4%	0%	
All Norwegian Airports	54m	-2%	+1%	
All Swedish Airports	41m	+6%	+4%	
ROI sea passengers	3.2m	-2%	-4%	
NI sea passengers	2m	-3%	-4%	

Sources: Annaero, DAA, Shannon Group, IWAK, Fáilte Ireland, Ferrystat. *Total Pax 2015 is the passenger traffic estimate (in millions) at the airport(s)/seaports N/A=Not available

Published air passenger traffic results (includes connecting transit business) to the island of Ireland are mainly positive for the summer months.

Ryanair reports its total rolling annual traffic grew by +16%, to 112m customers, in the 12 months to August 2016. According to IAG, Aer Lingus' traffic (measured in revenue passenger kilometres RPKs) in September 2016 was up by +11.3% on September 2015.

Sea passenger numbers to Ireland, which includes Irish residents, are -3% YOY for the year to August. Sea passengers to Northern Ireland are -0.6% for the year to August.

4.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

	Jan-Aug 2016 v Jan-Aug 2015 Hotel Rooms Sold % change	Jan-Aug 2016 v Jan-Aug 2015 Average Daily Rate % change
Island of Ireland	+1%	+14%
Ireland	+1%	+16%
Northern Ireland	-1%	+5%
Scotland	+1%	-1%
England	+1%	+2%
Italy	-1%	-2%





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

The hotel data specialist STR, which has a strong representation of hotels from Dublin and Belfast, indicates that hotels in Ireland experienced growth in the first eight months of the year in terms of hotel rooms sold. Northern Ireland has experienced some decline during the same period. It is not possible to break out overseas bookings from domestic business. However, average daily rates in Ireland have grown significantly in the past year.

According to research by global hotel sales channel HRS, Dublin's average hotel room rates have risen by +70% to €195 between Q2 2015 and Q2 2016. HRS report that Dublin rates are on average €17 higher than London, which has seen a -7% drop during the same period.

NISRA report that the number of hotel rooms sold in Northern Ireland for the first eight months of 2016 increased by +2% when compared to the same period in 2015. Following a slow start to the year Northern Ireland hotels achieved record room occupancy levels over the summer period, with August occupancy reaching 88%, the highest ever achieved. NISRA also report that rooms sold in guesthouses, B&Bs and guesthouse accommodation grew by +29% YOY during the January – August 2016 period. However, it is not possible to break out overseas bookings from domestic business.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
	<p>Accommodation providers</p> <p>The hotel sector in Northern Ireland is experiencing a very busy season into October, with a strong performance reported across all sectors and regions. The tour market has held up well, with business tourism and FIT markets also performing well. In Ireland, hoteliers and guesthouses are also having a strong year, with good increases in bookings and growth from all key overseas markets. There are reports of an extension of bookings into the shoulder season this year across the country. In the Shannon region, hotel occupancies are very positive and Dublin hotels are operating at maximum capacity. There are reports that B&Bs outside the main cities and tourism hotspots have benefited in overflow business where there have been accommodation capacity constraints.</p>
	<p>Air and sea carriers</p> <p>Air carriers are experiencing a strong year overall, with lower fares stimulating demand. The increased air access from North America is performing very well, with peak season air fares to Europe being the lowest in several years. There's also strong growth in business from Europe. Positive reports too from a leading sea carrier, with volumes generally on par with last year. They report that while it's difficult to call the rest of the year, indications are positive for mid-term and Christmas bookings. There is unease surrounding 2017 however, with fears that a further drop in sterling would significantly affect value and consumer confidence.</p>
	<p>Attractions</p> <p>Key attractions in Ireland's Ancient East are experiencing a good year to date, with growth in overseas visitor numbers. Dublin's main attractions also continue to report strong growth. On the Wild Atlantic Way, strong double-digit growth has been experienced by a major attraction and there is acute awareness of maintaining highest levels of visitor experience with an eye on potential capacity issues. The Wild Atlantic Way route itself is continuing to show huge potential with great enthusiasm from overseas operators. Key Northern Ireland visitor attractions are also reporting significant increases in overseas visitor numbers.</p>
	<p>Tour Operators</p> <p>It has been a strong year for tour operators, with a significant increase in figures from a very solid base last year. Accommodation capacity constraints in key tourism centres at peak times remain an issue, however, and are preventing further growth. Overseas operators are cautious about the long-term implications of rate and capacity issues, especially in Dublin, although neighboring regions are benefiting to a degree. Business tourism is performing well from the US and Mainland Europe; however, there is concern about business from GB following the Brexit vote. The golf sector has also experienced a good year, especially from North America.</p>

Source: Based on feedback from island of Ireland industry sources, October 2016

4.6 Tourism Ireland Market Outlook

Great Britain: It remains uncertain what effect the EU referendum result will have on holidays to the island of Ireland in the long-term. While local tour operators report that there has been short-term impact on business to the island of Ireland so far, they anticipate that £/€ exchange rate movements will likely have some impacts in 2017. The majority of GB tour operators, OTAs and carriers have experienced growth this year in their bookings to the island of Ireland. However, ongoing feedback suggests that capacity continues to be a challenge for the market, with many tour operators referencing that they are experiencing difficulty with 2017 rates and allocations.

North America: US tour operators report a good year to the island of Ireland. The luxury market is performing strongly, with the island possibly benefiting from displaced continental European luxury travel, with France being particularly hit. All carriers are reporting a positive performance to the island with strong load factors and lower airfares than last year. Hotel price and availability remain a cause for concern and are viewed as the biggest constraint to future growth. Pressure points and concerns are spreading beyond Dublin and also to key visitor attractions. There are some reports that the operator net rates from hotels are not being honoured during busy travel periods. Canadian tour operators are reporting an increased interest in the island of Ireland from the west coast of Canada given the new direct access and are expecting to see an increase in sales from the province of British Columbia in 2017.

Mainland Europe: Europe continued to show steady growth in visitor numbers over the key high season of June to August, with all markets in growth. Spain, Italy and Benelux led the way, with Benelux, thanks to the significant increase in access, delivering the largest contribution to European growth this summer. The German travel industry reports that Spain, Italy and Portugal are all benefiting from the slowdown in travel to the East Mediterranean and Northern Africa. The majority of tour operator and carrier partners are very satisfied with 2016 bookings, although challenges remain around availability and increasing room prices. Autumn brand campaigns are in full swing, along with carrier co-operative campaigns, in order to drive awareness and conversion during the last three months of the year.

Australia & Developing Markets: Feedback from Australian operators is positive, with many key partners reporting growth in forward bookings for the island of Ireland compared to the same period last year. The important 'Early Bird' season, where airlines release their fares to Europe for 2017, has been launched in the market with excellent offers and fares to the island of Ireland and the outlook remains positive. Travel trade in India and China have reported an increase in enquiries and bookings for the island of Ireland this year. With the British Irish Visa Scheme, leading travel agents are positive about promoting Ireland and are increasing the number of itineraries.

5. Conclusion

The strong year to date continues, reflected by the latest CSO and NISRA performance results and the sentiment expressed by our trade partners overseas, as well as tourism businesses here at home.

Tourism Ireland remains cognisant of external risks, including the consequences of Brexit. Tourism Ireland are closely monitoring the possible implications and are liaising with key stakeholders, at home and overseas, especially on any impacts for the remainder of the year and the early part of next year. Britain remains an extremely important source market for tourism to the island of Ireland and we are undertaking an extensive programme of promotions in Britain. The anticipated improved air connectivity into Northern Ireland, combined with the currency movements, represents a real opportunity for the market, while recognising that the same currency changes are creating challenges elsewhere.

Tourism Ireland will continue to support the industry to ensure that tourism growth continues. Our extensive autumn campaign is in full swing – aimed at boosting late-season travel to the island of Ireland from around the globe and keeping this momentum going. Campaign highlights include a travel trade and media blitz in the US, a sales mission to New Zealand and Australia and co-operative campaigns with Aer Lingus and Ryanair in key European markets, highlighting good value fares to the island of Ireland.

Ends