SOAR

Sheep's Head Peninsula, West Cork

SOAR
(Situation & Outlook Analysis Report)
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Summary Headlines

- **Latest official figures** for overseas arrivals to Ireland show there has been a modest increase of +1% YOY for January-March 2017. Impressive growth of +23% was seen from North America, with Australia and Developing markets up +16%. Mainland Europe recorded a modest decline of -1% on the back of an exceptional 2016. Great Britain has also declined by -6.5%, after a period of sustained growth.

- **Industry sentiment** on the island of Ireland and the outlook from overseas trade partners remains cautiously positive overall for the season ahead. Latest intelligence for April suggests that, in general, bookings and performance are on a par with the same period in 2016. However, sources report a slight slowdown in the British market. Web visits to Ireland.com have been strong to late April, up +8.5% YoY. Organic traffic to the site, a good indicator of underlying demand, was up +10.25% compared to the same period in 2016, when traffic was at record levels.

- A drop in **air access** to Ireland this summer (-4% less capacity on GB routes) and the decline in sterling has made holidays and short breaks more expensive for British visitors to Ireland; and economic uncertainty is making British travellers more cautious about discretionary spending.

- According to the latest official results from NISRA, **overseas visitors to Northern Ireland** grew by +8% YOY for the first nine months of 2016. Holiday visitors grew by +11% and revenue from overseas visitors to Northern Ireland grew by +17% (to £436 million). NISRA reports that full year data for 2016 will be available this month. STR hotel data reports that occupancy in Northern Ireland increased by +6.8% in March 2017 YOY, with average daily rate increasing by +9.5%. Reports from industry partners in Northern Ireland indicate a generally optimistic outlook for the season ahead.

- The **main concerns** for industry and trade partners in 2017 remain – competitiveness challenges as a result of accommodation capacity constraints in key tourism centres and the impact of Brexit. Tourism Ireland is liaising with key stakeholders on the island of Ireland and overseas and is closely monitoring the possible implications of Brexit and the impact on consumer confidence of the forthcoming British general election.

- The **World Economic Forum** recently announced the results of its global Travel & Tourism Competitiveness Index 2017 and ranks Ireland at number three in the world, out of 136 countries, for 'effectiveness of marketing and branding to attract tourists'

2. Global Outlook

The majority of the United Nations World Tourism Organisation (UNWTO)'s panel of experts forecast international tourism to grow by +3% to +4% worldwide in 2017. By region, growth is expected to be stronger in Asia and the Pacific and Africa (+5% to +6%) and the Americas (+4% to +5%) and Europe (+2% to +3%).

The forecast for 2017 is based on a scenario of modest global recovery, good prospects in many advanced economies and a gradual pick-up in commodity prices including oil. The UNWTO expects growth in 2017 to be at a sustainable level, following seven years of solid expansion globally. Conflict and geo-political tension remain a downside risk for tourism in many parts of the world, possibly offsetting the strong dollar as an engine of growth in the northern hemisphere.

Global Visitor Outlook

	2017 (F)
World	+3% to +4%
Americas	+4% to +5%
Europe	+2% to +3%
Africa	+5% to +6%
Asia Pacific	+5% to +6%

(F): Forecast

Source: UNWTO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

According to the World Travel & Tourism Council (WTTC), continued solid growth is expected globally across the main economic indicators including jobs, investment and outbound travel.

A key challenge for travel & tourism in 2017 is the general slowdown in consumer spending power which may impact discretionary spend on travel. The combination of higher inflation caused by recovering oil prices (which could have knock-on impacts for air fares), rising debt servicing costs as interest rates rise, and a slowdown in job creation across the globe is curbing global spending power which is expected to grow at the weakest rate for eight years in 2017.

The outlook varies across different outbound markets:

- With the strength of the dollar expected to persist, 2017 is forecast to be another strong year for the USA, with expected growth in spend of +5.4% in outbound travel & tourism. The most likely beneficiaries of this strong growth will be destinations such as Canada, Mexico and the Caribbean, as well as Mediterranean destinations.

- In China, after seven consecutive years of growth in excess of +20% per annum, spend on outbound travel is expected to cool slightly, while still remaining strong by international standards, with growth of +12% expected in 2017.

- The depreciation of sterling is forecast to continue during 2017 and is expected to lead to a substantial slowdown in outbound travel and tourism spending from the UK, from +8% in 2016 to a contraction of -4.2% in 2017. The markets most likely to suffer as a consequence are European destinations, including the island of Ireland, and longer-haul travel to the USA.

3.2 Economic Indicators

Great Britain Oxford Economics have nudged up their forecast for 2017 GDP growth from +1.6% to +1.9% due to the Budget delivering a modest increase in planned government consumption this year. But the bigger picture is one of growth slowing through 2017 as higher inflation erodes household spending power and leads to slower consumer spending growth. Over the past couple of years, consumer spending has been boosted by low inflation, falling oil prices and a strong labour market. However, inflation has started to accelerate and this is likely to continue through 2017 as the impact of the sharp depreciation of sterling. Household spending power will also come under pressure from the government's welfare reforms.	**2017 GDP Forecast:** +1.9% (up from +1.6%) **CPI 2017:** +2.6% (no change) **Unemployment:** 4.7% (down from 4.8%) **Exchange rate(€/£):** €1:£0.84 (down from €1:£0.86)
USA Based on economics data in Q1 2017, Oxford Economics see GDP growth slowing to +2.1%. Business investment and trade flows are firming only gradually, and rising inflation is impacting real incomes and spending. While the leading economic fundamentals remain positive, Government policy uncertainty may drag on the economy in 2017.	**2017 GDP Forecast:** +2.1% (down from +2.3%) **CPI 2017:** +2.6% (down from +2.2%) **Unemployment:** 4.5% (down from +4.8%) **Exchange rate (€/$):** €1: $1.06 (down from $1.07) **Exchange rate (£/$):** £1: $1.23 (down from $1.26)
France Although surveys continue to point to economic strength, industrial performance remains stuttering. Increasing inflation will impact on household spending. However, the increasing pace of job creation (last year at its strongest since 2007) will help to sustain consumer spending growth, forecast for 1.5% this year.	**2017 GDP Forecast:** +1.4% (no change) **CPI 2017:** +1.2% (down from +1.3%) **Unemployment:** 9.6 % (no change) **Exchange rate(€/£):** €1:£0.84 (down from €1:£0.86)
Germany Oxford Economics expects solid domestic demand, combined with healthy export growth in the initial stages of 2017, to deliver another year of well above-trend growth in Germany. As a result, they have raised their 2017 GDP growth forecast from +1.5% to +1.8%, matching last year's expansion. Near-term indicators of consumer spending point to a healthy start to the year, perhaps reflecting the ongoing labour market recovery.	**2017 GDP Forecast:** +1.8% (up from +1.5%) **CPI 2017:** +1.9% (down from +2.1%) **Unemployment:** 5.8% (down from 5.9%) **Exchange rate(€/£):** €1:£0.84 (down from €1:£0.86)

Source: Oxford Economics Briefing and Outlook reports April 2017. Comparisons are with the March 2017 SOAR report

3.3 Travel Trends in Key Markets

Great Britain: Concerns over the impact of Brexit continue to dominate in Britain. A survey by flight comparison website *Cheapflights* reports that 80% of Britons are worried about holidaying in a post-Brexit Europe with fears relating to higher prices, more red tape and unfriendly locals. Online searches and bookings for staycations in Britain are up nearly +25% this summer according to research by travel marketing group *Sojern*.

North America: In the US, overall growth in tourism has outperformed global GDP for the sixth consecutive year. Key tour operators are reporting strong sales and forecast a positive outbound season with robust advance bookings. US carriers are recording solid profits and their stock value continues to increase. Air travel to Britain is performing well, with bookings experiencing a significant increase during Q1. 'Brand USA' is reporting negative sentiment for travel from Western Europe to the USA, with growing concern that inbound tourism will be softer this year as a result of the new administration's Executive Order limiting inbound travel from some countries and a degree of uncertainty for those travelling on visas. The strong dollar is also having a negative impact. The US Government has also proposed raising airline security fees and this is being met with strong opposition from the aviation industry.

Mainland Europe: Across Europe, sun destinations such as Spain and Greece, and countries that are perceived as 'safe', are expected to continue to see growth in tourism. Visits to Britain from European countries continues to grow strongly in 2017 and this builds on a record breaking 2016. France was the number one European market into GB last year, with some 4m visitors. In Germany, the latest results from the "Reiseanalyse" research show that 33% of Germans still holiday at home, 33% go to the Mediterranean, with the remainder going elsewhere. 4 star hotels are the most popular option for Italians, with 69% booking this category, according to a recent Trivago report on Italian metasearch travel trends for 2017. The travel sector in Spain continues to perform well with the Spanish Travel Agent's Association reporting a +10% increase in trips booked for Easter 2017 compared to last year. The Spanish economy continues to recover with the Spanish Central Bank recently upgrading its growth forecast to 2.8% for 2017. Data released by the Spanish Statistics office shows that overall trends for travel are also very promising.

Australia and Developing Markets: Outbound travel is growing in Australia with high demand on leisure routes, with traditional travel agents still playing a key role in the booking process. In China, comprehensive travel packages grew rapidly in Q1 2017, with single destination packages growing by +88% and twin-destination packages by +51% - this development is significant for the island of Ireland. Mobile remains a strong trend in China with the country's largest OTA reporting that some 60% of their European holiday bookings come through their mobile app. The demand for exciting itineraries and experiential travel continues in India. Self-drive holidays continue to be a trend, along with last-minute bookings.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (3 month arrivals) January - March 2017		Northern Ireland Visitors (9 month visitors) January –September 2016	
	'000s	% YOY	'000s	% YOY
Total	**1,796,200**	**+1%**	**1,620**	**+8%**
Great Britain	796,100	-6.5%	1,043	+5%
Mainland Europe	595,900	-1%	270	+14%
North America	293,400	+23%	198	+13%
ADM	110,800	+16%	108	+8%

Sources: CSO, NISRA ADM = Australia and Developing Markets. Please note that 'visitors' are that subset of arrivals who overnight in the destination.

Ireland: Overseas arrivals to Ireland grew by +1% overall during the period January–March 2017, according to the latest official figures. Significant growth was seen from some key market areas, with North America recording +23% growth and Australia and Developing markets up +16%, however Great Britain recorded a decline of -6.5% and Mainland Europe was down slightly by -1%.

Estimates for the month of March 2017 indicate that overseas arrivals to Ireland grew, with stronger performances from some key markets compensating for slower performance from others.

Northern Ireland: The latest available official data reports that overseas visitors to Northern Ireland grew by +8% for the first nine months of 2016, when compared to the same period in 2015. Holiday visitors grew by +11% and revenue from overseas visitors to Northern Ireland grew by +17% (£436 million). NISRA has indicated that full year data for 2016 will be available later this month. STR hotel data reports that hotel occupancy in Northern Ireland increased by +6.8% in March 2017, when compared to the same month in 2016, while the average daily rate has increased by +9.5% for the same period. Industry feedback suggests that 2017 has started well, with overall sentiment positive for the season ahead.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates	Summer 2017 vs. Summer 2016		
YOY % Change	**Ireland**	**NI**	**Island**
Great Britain	-2%	-8%	-4%
Mainland Europe	+6%	+22%	+7%
-France	-4%	-9%	-5%
-Germany	+6%	N/A	+8%
North America	+23%	-20%	+22%
ADM	+14%	N/A	+14%
Overall	**+5%**	**-2%**	**+4%**

Source: TTC Summer Access Inventory Report 2017 on scheduled direct one-way weekly seat capacity. Capacity is estimated at a single point in time (July) for the season. NA= Not applicable NC = No change

Estimates indicate that there will be over 550,000 direct, one-way air seats available per week to the island of Ireland during the forthcoming peak summer season. This is a record number of seats and a +4% increase in capacity on the same period last year. Growth in seat capacity is forecast from North America, the Middle East and key European markets. However, direct air access from GB is projected to be down by -4% YOY to the island of Ireland, primarily driven by reductions in provincial services from GB into Northern Ireland. Ferry capacity is expected to remain unchanged compared to the same period in 2016 with almost 48,000 car spaces available per week.

Access developments for 2017 include a new Aer Lingus flight to Dublin from Miami, as well as expanded services on Aer Lingus flights from Los Angeles, Chicago and Orlando. Norwegian Air has new services from the US to Belfast, Cork, Dublin and Shannon commencing in July. Other new routes include a Delta flight from Boston to Dublin, a Ryanair service from Girona to Belfast, Transavia from Munich to Dublin, a SAS flight from Stockholm to Shannon, a Norwegian service between Stockholm and Dublin, a Lufthansa flight from Frankfurt to Shannon, WOW Air from Reykjavik to Cork, Air Iceland from Reykjavik to Belfast and a Swiss flight from Zurich to Cork. Etihad will once again operate double-daily departures from April between Abu Dhabi and Dublin. Qatar Airways will fly from Doha to Dublin commencing in June.

While connectivity improvements are paying dividends, airlines have referred to concerns over yields, which continue to be squeezed, and are important for sustaining growth in capacity.

4.3 Total Passenger Numbers

	Total Pax 2016*	Feb 2017 % change YOY	Mar 2017 % change YOY
ROI sea passengers	3.1m	-5%	-15%
NI sea passengers	2m	+9%	-20%
Dublin Airport	28m	+4%	+2%
Shannon Airport	1.7m	+2%	-5%
Cork Airport	2.2m	0%	-5%
Ireland West Airport Knock	0.7m	+5%	N/A
All ROI Airports	32.6m	+3%	+1%
Belfast International Airport	5.1m	+27%	
Belfast City Airport	2.7m	N/A	
City of Derry Airport	0.3m	-15%	
All NI Airports	8.1m	N/A	
All UK Airports	222m	N/A	
All Italian Airports	70m	+2%	
All Norwegian Airports	54m	-2%	
All Swedish Airports	43m	+3%	

*Sources: CAA, DAA, Shannon Group, Belfast International Airport, IWAK, Fáilte Ireland, Annaero, Ferrystat. *Total Pax 2016 is the total traffic estimate (two-way and includes transit passenger) at the airport(s)/seaports N/A=Not available.*
A number of Northern European markets included for comparison purposes.
NOTE: Easter fell in April in 2017 and in March in 2016.

Published air passenger traffic results to the island of Ireland were +4% for the first three months of the year (this includes two-way traffic and connecting transit business). Sea passenger numbers to and from Ireland, which also include Irish residents were down -8% YOY for the January to March period, while sea passengers to and from Northern Ireland were down -5% YOY for the same period. It is important, however, to note that the Easter holiday fell in March in 2016 but is reflected in April numbers this year.

4.4 Accommodation

Hotel accommodation data estimates

	Mar 2017 v Mar 2016 Occupancy % change	Mar 2017 v Mar 2016 Average Daily Rate % change
Island of Ireland	-0.2%	+4.6%
Ireland	-1.0%	+5.3%
Northern Ireland	+6.8%	+9.5%
Scotland	+1.7%	-1.1%
England	+2.7%	+5.9%
Italy	+5.5%	-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 in Dublin and Belfast, indicates that hotels on the island of Ireland experienced good growth in terms of ADR in March.

Industry sources on the island report that performance from the GB market is still sluggish, but is recovering somewhat from the slow start to 2017. The US continues its strong performance with the island of Ireland being viewed as a safe, familiar and friendly destination that provides good value for the dollar.

The NIHF reports a very strong performance for the first quarter of the year. There was double digit growth in all three key indicators for the period - occupancy, ADR and REVPAR - when compared to the same period in 2016. Industry partners in Northern Ireland are optimistic about a very good season ahead, based on forward bookings.

4.5 Island of Ireland Industry Feedback

Barometer	What they said …
Bright 	**Accommodation providers** Hotel and guesthouse owners are reporting a good start to the year with business stronger than this time last year. In addition, there's an increase in advance bookings and a positive outlook from hoteliers across Ireland for the year ahead. However, this comes with a note of caution as the impact of Brexit unfolds, with the decline in sterling having already had a direct effect on some business. The Northern Ireland hotel sector reports that 2017 has started on a very positive note. Reports suggest that summer bookings for Northern Ireland are strong, with providers reporting good interest from tour business and leisure travellers from overseas.
Bright 	**Air and sea carriers** First quarter air performance has been good and carriers are expecting another strong year for the rest of 2017. Increased uplift coming on stream this summer, especially from long-haul markets, North America and Mainland Europe, looks set to ensure a positive season ahead. A leading sea carrier reports a strong Easter performance following a slow start to the year. While it is too early to call the summer season, there is some optimism that bookings will continue to improve.
Bright 	**Attractions** Larger attractions across the island are performing well overall, with some strong individual markets such as the US compensating for low growth or decline from the British market. Those with advance booking data are, in general, expecting higher numbers overall than in 2016. A major Northern Ireland visitor attraction reports a significant increase in business for the first quarter of the year compared to the same period in 2016. However, again, it's a case of very strong performance from the US and France making up for small declines in other markets.
Mixed 	**Tour Operators** While the long term implications of increases in accommodation rates and capacity constraints remain an issue, tour operators are optimistic about the outlook for 2017. The less price sensitive markets are continuing to book in spite of modest rate increases. France is performing well, especially in the leisure sector. Britain is showing limited bookings growth, and even some declines. Germany is also experiencing slow growth, while business from the US is very strong.

Source: Based on feedback from island of Ireland industry sources, March/April 2017

4.6 Tourism Ireland Market Outlook

Great Britain: The continued impact of Brexit and decline in sterling is still causing uncertainty for outbound holidaymakers in Britain. Recent survey results show that holidaymakers continue to have concerns about higher prices, more red tape and unfriendly locals post-Brexit. Long-haul destinations and staycations are therefore proving increasingly popular. The impact of the British General Election is also expected to negatively affect consumer confidence and may lead to the deferral of holiday plans. However, carriers are reporting strong forward bookings into Belfast and Dublin and an increase in fly/drive bookings. OTAs are also reporting positive results from targeted marketing campaigns, and have a generally positive outlook for the season ahead.

North America: Business from the US is performing very strongly, with significant growth YTD and very optimistic outlook for outbound travel overall. The strong dollar is having a positive impact and Tour Operators are reporting healthy sales for the island of Ireland. Oil prices remain low which continues to have a positive impact on aviation industry profits. The Dow Jones continues to march forward towards the 22,000 point milestone and this is an important indicator of income, particularly for retirees, when making holiday plans. Overall, most FIT and escorted tour operators remain positive and forecast a strong outbound season with robust advance bookings pipeline.

Mainland Europe: Key source markets are optimistic about the season ahead, overall. This is despite continued geo-political uncertainty and general elections in some markets this year. Carriers and tour operators are reporting positive performance from Italy and Spain for January–April, with a strong Easter period into the island of Ireland and healthy forward bookings. This confidence extends to other destinations, however, with Italian travel press and some tour operators reporting an increase in demand for destinations recently considered ‘unsafe’. All indicators for the summer season are positive from France, too, with a strong performance YTD and good indications; group business in particular is performing well. Business from the BeNe region (Belgium and Netherlands) is also looking positive, with strong Tour Operator sentiment and growth expected again in 2017. Performance is much softer in Germany, however, with Tour Operators reporting a disappointing performance YTD and low growth in forward bookings. Carriers from Germany to the island remain more optimistic, but cautiously so.

Australia & Developing Markets: Outbound travel from Australia is growing and the island of Ireland is performing well YTD, with positive indicators for the year ahead - despite weaker currency and a slight economic slowdown. Indicators from China and India are very positive, with continued strong growth in both interest and bookings.

5. Conclusion

This year the target is to grow overseas tourism revenue for the island of Ireland by +4.5%, to €5.7/£4.9 billion. Sentiment is generally positive for 2017 among trade partners overseas, as well as tourism businesses across the island. Importantly, air and sea access from overseas to the island of Ireland remain strong and air access is set for further improvement this summer. However, direct air access from GB is projected to be down -4% YOY. Many partners are reporting bookings for the island of Ireland on a par with, or ahead of, this time last year. Many also see low growth or a decline in GB business so far this year. Web visits to Ireland.com have been robust with organic traffic up +10.25% YoY to the end of April 2017, and referrals to third parties up +14%.

Since the EU referendum in the United Kingdom, Tourism Ireland has been monitoring developments closely, to better understand and plan for the implications of Brexit. The depreciation of the pound against the euro means that value for money is a key message for us in Britain this year. The impact of the forthcoming General Election on consumer confidence is also being assessed. We remain conscious of other external risk factors and we continue to monitor exchange rates, pricing levels and the global economy. Hotel bedroom capacity, especially in Dublin and other centres, remains a key issue for tour operators at peak times.

Tourism Ireland continues to work with industry partners on the island of Ireland and with trade partners overseas to highlight compelling holiday experiences, good value and ease of getting to the island of Ireland.

Ends