

Tourism Ireland
SOAR
(Situation & Outlook Analysis Report)
February 2018

1. Summary Headlines

- **Industry sentiment** across the island of Ireland and from overseas trade partners is positive for 2018 and optimism prevails as the tourism year gets underway. The uncertainty arising from Brexit, however, remains a key concern for industry on the island of Ireland. Tourism Ireland continues to maintain its close consultation with stakeholders at home and overseas, and is closely monitoring the implications of Brexit on all markets.
- 2017 was another record-breaking year for **overseas tourism to Ireland**, with more than 9.9 million arrivals – an increase of almost +4% when compared with 2016. North America performed exceptionally well, with more than 2.1 million arrivals from the US and Canada, up +16% for the year. Long-haul markets also delivered strong growth, with arrivals from Australia and Developing Markets growing by +13%. There was growth from Mainland Europe too, with an increase of +5.5%. However, Britain was down -5% for the year and this continues to be a concern.
- According to NISRA, in the January to September 2017 period, **overseas visitors to Northern Ireland** grew by +4% when compared to the same period in 2016. The figures confirm that 1.7 million overseas visitors came during that period, delivering almost £458 million for the local economy, up +12%. Holidaymakers grew by +6%, with significant increases recorded from GB (+4%), North America (+10%) and Australia and Developing Markets (+26%). Holiday revenue grew by +29% for the nine month period.
- Both STR **hotel data** and industry sources report a strong performance for hotels across the island of Ireland for 2017, and have a positive outlook for the year ahead. STR reports that occupancy in Northern Ireland increased by +3%, with average daily rate increasing by +12%. Ireland recorded growth of +2% in occupancy and +7% for average daily rate.
- Tourism Ireland's spring **campaigns are in full swing across the globe**, helping to boost travel for the first quarter. Our aim is to grow overseas tourism revenue to the island of Ireland in 2018 by +5%, to €6 billion. We continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities. Tourism Ireland and Fáilte Ireland have also launched a new initiative specially designed to boost tourist numbers from Britain to the Wild Atlantic Way.

2. Global Outlook

The UNWTO reports that international tourist arrivals grew by +7% in 2017 to reach a record total worldwide of 1.32 billion. This is well above the sustained and consistent trend of circa +4% since 2010 and represents the strongest results in seven years.

Europe recorded +8% more international arrivals than in 2016. Africa consolidated its 2016 rebound with a +8% increase also. Asia and the Pacific recorded +6% growth, the Middle East +5% and the Americas +3%. Northern Europe, of which the island of Ireland is part, experienced +5% growth, behind the +7% global increase.

Results for 2017 are summarised in the table below.

UNWTO Global Performance	
International Arrivals	Jan-Dec 2017 YoY % +/-
World	+7%
Africa	+8%
Asia Pac	+6%
Americas	+3%
Middle East	+5%
Europe	+8%
Northern Europe	+5%
Northern Ireland (NISRA) (Jan-Sep)	+4%
Ireland (CSO) (Jan-Dec)	+4%

Sources: UNWTO, NISRA, CSO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

International tourist arrivals grew by +7% in 2017 to reach a total of 1.32 billion, according to the UNWTO. The current strong momentum is expected to continue in 2018, though at a more sustainable pace after steady expansion following the 2009 economic and financial crisis.

Based on current trends, economic prospects and the outlook by the UNWTO Panel of Experts, they predict international tourist arrivals worldwide to grow at a rate of +4% to +5% in 2018. This is above the +3.8% annual average increase projected for the period 2010-2020 in its *Tourism Towards 2030* long-term outlook. In 2018, Europe and the Americas are both expected to grow by +3.5% to +4.5%, Asia and the Pacific by +5% to +6%, Africa by +5% to +7% and the Middle East by +4% to +6%.

3.2 Economic Indicators

<p>Great Britain</p> <p>UK GDP growth slowed to +1.5% in 2017, bucking the stronger global trend. Oxford Economics forecasts that activity will remain sluggish over the next two years with growth of +1.5% in 2018 and +1.6% in 2019 forecast. Although inflation is expected to decline during 2018, easing the squeeze on consumers, businesses will remain wary of investing in a climate of Brexit-related uncertainty.</p>	<p>2018 GDP Forecast: +1.5% (no change)</p> <p>CPI 2018: +2.2% (up from +2.1%)</p> <p>Unemployment: 4.3% (no change)</p> <p>Exchange rate(€/£): €1:£0.88 (down from €1:£0.89)</p>
<p>USA</p> <p>Oxford Economic expects the US economy to grow by +2.8% in 2018, following a +2.3% rise in 2017. Consumer spending and business investment will be supported domestically by strong fundamentals and a fiscal stimulus package, and externally by ongoing strength in global activity. High consumer confidence, sturdy income growth and low interest rates should support moderate growth in consumer spending in 2018.</p>	<p>2018 GDP Forecast: +2.8% (up from +2.6%)</p> <p>CPI 2018: +2.1% (up from +1.9%)</p> <p>Unemployment: 4.1% (no change)</p> <p>Exchange rate (€/€): €1: \$1.23 (up from \$1.18)</p> <p>Exchange rate (£/\$): £1: \$1.40 (up from \$1.33)</p>
<p>France</p> <p>Economic activity in France appears to have grown from strength to strength. Oxford Economics now expects the French economy to expand by +2.1% in 2018 (up from their previous forecast of +1.9% in Dec 2017). Dynamic job creation is starting to feed into earnings' growth and will continue to boost consumers' real disposable incomes, which in turn should bolster consumer spending.</p>	<p>2018 GDP Forecast: +2.1% (up from +1.9%)</p> <p>CPI 2018: +1.3% (up from +0.7%)</p> <p>Unemployment: 9.6 % (no change)</p> <p>Exchange rate(€/£): €1:£0.88 (down from €1:£0.89)</p>
<p>Germany</p> <p>The German economy ended 2017 on a high note and current data suggests that 2018 will pick-up where 2017 left off and grow by +2.5%. Oxford Economics expects inflation to average +1.8% in 2018, which is likely to prompt workers to push for higher wage rises to compensate for increased prices. The combination of these factors is likely to see consumer spending growth of +1.8%.</p>	<p>2018 GDP Forecast: +2.5% (up from +2.4%)</p> <p>CPI 2018: +1.8% (up from +1.7%)</p> <p>Unemployment: 5.5% (down from 4.7%)</p> <p>Exchange rate(€/£): €1:£0.88 (down from €1:£0.89)</p>

Source: Oxford Economics Briefing and January reports 2018. Comparisons are with the Dec 2017 SOAR report.

3.3 Travel Trends in Key Markets

Great Britain: Recent figures from the Office of National Statistics (ONS) show outbound travel from GB declined -0.4% YOY during Q3 2017. The number of nights spent abroad by GB residents fell by -2.8%, while expenditure increased by +0.6%. VisitBritain reports an increase of +6.2% in inbound visits in 2017 and forecasts an increase of +4.4% this year. British holidaymakers took 47 million domestic holidays from January to September 2017, spending £11 billion, an increase of +5% and +6% YOY respectively.

North America and Australia: VisitBritain is reporting +14% growth from the US market for January-September 2017. Spain, France, Italy, Iceland and Portugal are also commenting on good growth from the US. Transatlantic airfares continue to be competitively priced and there is widespread optimism among leading US travel companies about further US outbound traffic growth in 2018. In Canada, demographics remain an important driver of outbound trip volumes, with 42% of those planning an outbound trip aged 55+, up from 36.1% in 2016. The Conference Board of Canada (CBOC) reports 5.1 million visits to Europe by Canadians during the first 10 months of 2017, an increase of +7.4% YOY, with the island of Ireland experiencing growth of +17%. Outbound travel from Australia continues to trend upwards with highest percentage increases recorded for Japan and India.

Mainland Europe: German holidaymakers made 69 million holiday trips of 5 days+ in 2017, a slight increase on 2016, according to statista.com. Reports suggest that ongoing political uncertainty is having no major effect on travel plans or bookings, with the *Urlaubsreisetrends 2018* report noting that 25% of Germans are planning even more trips this year, with 30% prepared to pay more for their travel. Last year is considered as "the best year since 2007 for French tour-operators" according to the results of SETO (association of French tour-operators). The outlook for 2018 is for further growth in French outbound travel. In Spain, the outbound sector looks buoyant in the short to mid-term. The Spanish National Statistics Office reports that outbound travel by Spanish residents increased by +10.7% YOY for the Jan-Sept period. Italy is reporting an increase in bookings to destinations previously considered "unsafe" - such as Tunisia, Oman and Jordan, with Albania also growing in popularity. Passenger growth was recorded at all Italian airports last year. 2018 should be another positive year for the Nordic markets, based upon the sustained political and economic stability in these markets and no major negative changes to air access connectivity.

Developing Markets: According to the latest data, the number of Chinese tourists visiting Europe in the third quarter of 2017 has increased 29% YOY. Outbound travel expenditure from the Middle East is growing and expected to reach \$165.3 billion by 2025, according to the World Travel and Tourism Council. Switzerland, Austria and the UK are the most popular European tourist destinations from the UAE and Qatar.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (12 month arrivals) January - December 2017		Northern Ireland Visitors (9 month visitors) January –September 2017	
		% YOY		% YOY
Total	9,932,100	+3.6%	1,673,098	+4%
Great Britain	3,728,900	-5.0%	1,056,783	+2%
Mainland Europe	3,482,400	+5.5%	283,371	+5%
North America	2,101,500	+16.2%	202,002	+6%
Rest of world	619,300	+12.6%	130,942	+25%

Sources: CSO, NISRA

Note : **Arrivals** are all overseas trips to the destination including transits, transfers, overnights and day-trips.
Visitors only include those who stay overnight in the destination.

Ireland: The official figure for overseas arrivals to Ireland for 2017 was 9,932,100. This represents growth of +3.6% (+347,700 additional arrivals) on last year. North America continued its strong performance with arrivals from the US and Canada up +16.2%. Arrivals from Australia and Developing Markets grew by +12.6% while Mainland Europe grew by +5.5%. Arrivals from Britain declined by -5.0% for the year.

Northern Ireland: According to NISRA, in the January to September 2017 period, overseas visitor figures to Northern Ireland grew by +4% when compared to the same period in 2016. The figures confirm that 1.67 million overseas visitors came during that period with growth from all Market Areas – GB (+2%), North America (+6%), Mainland Europe (+5%), and Other Areas (+25%). Overseas visitors delivered almost £458 million for the local economy, up +12%.

Holidaymakers grew by +6%, with significant increases recorded from GB (+4%), North America (+10%) and Australia and Developing Markets (+26%). Holiday revenue grew by +29% for the nine month period.

4.2 Air and Sea Connectivity

Estimates

Air Access Seat Capacity Estimates	Winter 2017/18 vs. Winter 2016/17			
	YOY % Change	Ireland	NI	Island
Great Britain		+1%	-11%	-3%
Mainland Europe		+9%	-1%	+8%
-France		+4%	+3%	+4%
-Germany		+36%	-33%	+35%
North America		+19%	-55%	+17%
ADM		+25%	NA	+25%
Overall		+7%	-10%	+3%

Source: TTC Winter Access Estimates. Capacity is estimated at a single point in time (December) for the season.

NA= Not applicable

There are estimated to be just over 430,000 direct, one-way air seats available each week this winter season to the island of Ireland, a +3% increase in capacity compared to the same period last year. This is the largest number of seats since the winter of 2008/09, when there were just over 440,000 available, with growth in seat capacity from North America, the Middle East and key European markets.

Ireland is estimated to see a +7% increase in air seats available. However, Northern Ireland is forecast to experience a -10% decline, primarily driven by the reduced frequency of the British Airways Heathrow-Belfast City airport service and the winter suspension of Ryanair's London-Belfast International Airport service from Gatwick. However, this Ryanair service will be reinstated from Stansted to Belfast International Airport in March.

There have been many positive air connectivity announcements. These include; Ryanair's new services from Stuttgart and Munich in Germany to Dublin which offer significant inbound potential, Aer Lingus adding new winter routes such as Miami and Bordeaux to Dublin, Norwegian's year-round transatlantic services and Flybe's increased capacity on GB routes to Belfast.

Ferry capacity is broadly in line with last winter, with welcome developments coming on stream for summer 2018 on key routes from France and GB, including the new Brittany Ferries' Santander to Cork service, beginning at the end of April.

4.3 Total Passenger Numbers

	Total Pax 2017*	2017 v 2016 YOY % change
ROI sea passengers	3.1m	+2%
NI sea passengers	2.1m	+3%
Dublin Airport	29.6m	+6%
Shannon Airport	1.8m	0%
Cork Airport	2.3m	+3%
Ireland West Airport Knock	0.75m	+2%
All ROI Airports	34.4m	+5%
Belfast International Airport	5.8m	+13%
Belfast City Airport	2.6m	-4%
City of Derry Airport	N/A	N/A
All NI Airports	N/A	N/A

Sources: CAA, DAA, Shannon Group, IWAK, Belfast City Airport, Fáilte Ireland, Annaero, Ferrystat.

*Total Pax 2017 is the total traffic (two-way and includes transit passenger) at the airport(s)/seaports

N/A=Not available

Published air passenger traffic results to the island of Ireland were mainly positive for 2017 (two-way and including connecting transit business). Dublin, Belfast International and Ireland West (Knock) Airports experienced record numbers of passengers in 2017. A significant increase in long-haul traffic, and a robust performance from continental European routes, were the main elements of a +6% increase in Dublin Airport's passenger numbers in 2017, which was the seventh consecutive year of growth at the airport.

Sea passenger numbers to and from Ireland, which also includes Irish residents, were +2% YOY in 2017, while sea passengers to and from Northern Ireland were up +3% YOY.

4.4 Accommodation

Hotel accommodation data estimates





Hotel Accommodation January – December 2017				
	Occupancy		ADR	
	%	% change v 2016	Average Daily Rate	% change v 2016
Island of Ireland	78%	+2%	€121.51	+6%
Northern Ireland	78%	+3%	£78.33	+12%
Ireland	78%	+2%	€125.95	+7%
Scotland	77%	+2%	£82.50	+6%
England	77%	0%	£91.17	+3%
Italy	69%	+4%	€142.85	+4%

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 reports that hotels on the island of Ireland experienced good growth in terms of ADR and occupancy in 2017. Industry sources on the island report that business from the US remained strong throughout 2017, while performance from the GB market continued to remain sluggish.

Tour operators point to accommodation capacity constraints in key tourism hotspots as a major barrier to growth in 2018. However, there are a number of hotels under construction with reports of 1,000 extra beds coming onto the market in both Dublin and Belfast during 2018.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
<p>Mixed</p> 	<p>Accommodation providers</p> <p>In Ireland, hotels and guesthouses report a good 2017 across all the main tourist hubs. Dublin in particular traded very well, with high occupancy and strong room rates. Sources report slow performance from Great Britain and some European markets, but business from other major markets was strong. Sector sources expect another good year in 2018.</p> <p>The Northern Ireland hotel sector has reported a strong 2017 with good growth in occupancy and room rates. There was a strong performance from overseas tour business, as well as leisure travellers. Sentiment from across the sector is positive for 2018.</p> <p>The B&B sector reports a good 2017 from overseas, and has a positive outlook for 2018 with good early enquiries and bookings reported.</p>
<p>Mixed</p> 	<p>Air and sea carriers</p> <p>Air performance for 2017 was positive overall, with increased services for the summer helping to ensure a strong year for passenger growth. However, yields were under pressure. The access picture for 2018 to the island of Ireland is mainly positive with increased capacity/frequency on established routes and some welcome new long-haul routes.</p> <p>A leading sea carrier reports a good 2017 where their promotions and discounting ensured a good market response and stimulated business. While it's too early to give any solid indications for the year ahead, the carrier remains cautiously positive for 2018.</p>
<p>Mixed</p> 	<p>Attractions</p> <p>Key visitor attractions in Northern Ireland are reporting a very good performance for 2017, with a significant increase in overseas business. While acknowledging that it is still early in the year and generally a quieter time for some attractions, sources expect another good year in 2018 and the outlook remains upbeat.</p> <p>Overall, attractions across Ireland performed well in 2017. There was strong growth from markets such as the US, which compensated for a more subdued performance from Britain and some Mainland European markets. While the last quarter softened for some attractions, the outlook for 2018 remains positive.</p>
<p>Mixed</p> 	<p>Tour Operators</p> <p>Overall, Tour Operators have reported a good year in 2017, but remain cautious for 2018. This sentiment comes in anticipation of the long term implications of increasing accommodation rates, capacity issues at some attractions during peak times, and the continuing uncertainty around Brexit.</p>

Source: Based on feedback from island of Ireland industry sources, January 2018

4.6 Tourism Ireland Market Outlook

Great Britain: The outlook for GB remains very mixed and difficult to call. Brexit is still a big concern for the market as uncertainty prevails and exchange rates make a holiday to Ireland more expensive. The depreciation of the pound against the euro, however, provides good opportunities for Northern Ireland again this year. Tourism Ireland is working with carriers and OTA partners on tactical campaigns to drive travel into all parts of the island, and will continue working with partners to encourage more and longer bookings.

North America and Australia: Tour operators in the US are reporting a strong start to the year across both FIT and escorted segments, with bookings ahead of last year. 2018 will see an increase in direct air access to the island of Ireland for the peak summer season, which is expected to generate further growth. Tourism Ireland is targeting holidaymaker revenue growth from North America of +8% in 2018. The outlook from Canada remains positive with upbeat feedback from carrier and operator partners as well as a positive mix of market factors. The national consumer confidence rating is at a four year high with very strong confidence in all regions boosting the sentiment, according to the CBOC. In Australia/NZ, industry and operator feedback on bookings to the island of Ireland remain positive for 2018. Increased access and competition due to the new Hong Kong route to Dublin may push down airfares and help to further stimulate consumer demand.

Mainland Europe: Operators in Germany are expecting a positive performance in 2018 on the back of a good 2017. Growth last year came from FIT bookings, both via tour operators and direct, and there is an expectation for this to continue in 2018. Group travel bookings remain difficult to predict as high hotel prices are expected to hamper sales. Tour Operators in France are generally positive about their business in 2018 and have welcomed the increased capacity from a major sea carrier. Air access is also expected to improve slightly in 2018, including on regional routes. The outlook from Spain is very optimistic for this year with good forward bookings on the back of strong end of year sales. Increased airline capacity and a new sea service are expected to have a positive impact on sales for the year ahead. In Italy air access developments offer further growth potential in 2018 and Tour Operators are upbeat and ambitious for the year ahead. The outlook from trade partners in the Nordics and the Netherlands is also optimistic for 2018. Tourism Ireland is targeting holidaymaker revenue growth from Mainland Europe of +7% in 2018.

Developing Markets: Outbound travel continues to grow from India and the recent reduction in tax levied on international packages (from 9% to 5%) should encourage further growth. In China, travel agencies are keen to increase bed-nights and extend itineraries out of Dublin and Belfast. The new Cathay Pacific flight starting in June will offer further opportunities for growth. The removal of the visa requirement for UAE citizens travelling to Ireland is another positive development. Tourism Ireland is targeting holidaymaker revenue growth from Developing Markets of +9% in 2018.

5. Conclusion

Sentiment for the year ahead is positive from both overseas trade partners and tourism businesses across the island of Ireland. Overall, performance for 2017 was strong and partners remain optimistic.

The decline in visitor numbers from Britain to Ireland continues to be a concern. The fall in the value of sterling has made holidays and short breaks to Ireland more expensive for British visitors and has made Britain more affordable for visitors from many of our top markets. In 2018, Tourism Ireland will continue to place a greater focus on the 'Culturally Curious' audience, who are less impacted by currency fluctuations. Competitiveness and value for money message remain more important than ever in Britain this year. The depreciation of the pound against the euro, however, provides good opportunities for Northern Ireland again this year.

Hotel occupancy and room rates are performing strongly for accommodation providers in both Northern Ireland and Ireland. However, the challenges associated with capacity and room rates remain a key issue for tour operators.

Tourism Ireland's spring campaigns are in full swing across the globe, helping to boost Q1 travel and to keep the destination front of mind for potential visitors in key markets. Our aim is to grow overseas tourism revenue to the island of Ireland in 2018 by +5%, to €6 billion. We continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities.

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