



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

1. Summary Headlines

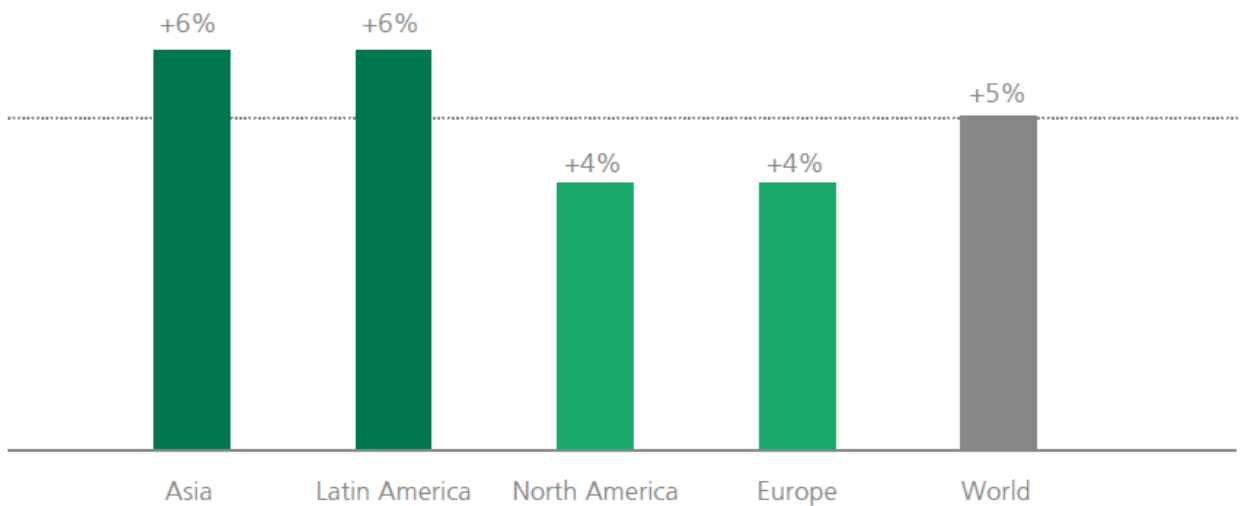
- **Industry sentiment** across the island of Ireland and from overseas trade partners remains upbeat after a positive start to 2018. The uncertainty arising from Brexit, however, remains a key concern for industry on the island of Ireland. Tourism Ireland continues to monitor the implications of Brexit and to consult closely with stakeholders at home and overseas.
- Latest figures for **overseas tourism to Ireland** show that we welcomed 8.7 million direct overnight visitors (+3.5%) in 2017, generating revenue of €4.8 billion (an increase of +6.5%). Of these visitors, 4.6 million were holidaymakers, an increase of +7.6% (+322,000) who spent €2.7 billion (+8.2%, an additional €207 million). Latest quarterly results show that there were almost 2 million arrivals in the November 2017 – January 2018 period, a year on year increase of +6% for the period (arrivals include same day and transit visitors). Mainland Europe was up +14%, with more than 670,000 arrivals and there was strong growth from North America too, with 350,000 arrivals - an increase of +11%. Long-haul markets remained steady, with arrivals of 126,000 from Australia and Developing Markets. Britain, however, was down slightly (-0.5%) for the three month period 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 arrived 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 start to the year for hotel performance across the island of Ireland, instilling confidence for the year ahead. When compared to the same period last year, STR reports that occupancy in Northern Ireland increased by +1.5% to 65.4% in the January-February period, with average daily rate increasing by +8.4%. Ireland saw growth of +3.2% in occupancy (63.7%) and +5.2% for average daily rate, for this period.
- Our aim for 2018 is to grow overseas tourism revenue to the island of Ireland by +5%, to €6 billion. With this in mind, Tourism Ireland's **spring campaigns** are in full swing across the globe, helping to boost early season travel. Our *Global Greening* campaign - in its ninth year - turned more than 300 sites and icons green this year, generating positive publicity for the island of Ireland worth in excess of €10 million in equivalent advertising value. Tourism Ireland and Fáilte Ireland have also launched an initiative specially designed to boost tourist numbers from Britain to the Wild Atlantic Way. We continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities to promote the island and maximise tourism revenue from overseas markets this year.

2. Global Outlook

IPK International is forecasting that 2018 will be yet another year of growth in worldwide outbound trips. It estimates an increase of around +5% worldwide, with the strongest growth for outbound trips coming from Asia and Latin America (+6%), followed by a +4% rise from both North America and Europe.

The International Monetary Fund (IMF) expects the global economy to grow by +3.4% in 2018. It is expected that healthy markets around the world will ultimately mean that consumers and businesses will spend more money.

IPK'S OUTBOUND TRAVEL FORECAST 2018



Source: World Travel Monitor® 1-8, 2017, IPK International

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

According to the Global Business Travel Association (GBTA) the growth in the global economy will mean more business travel and higher prices in 2018.

Airfares are expected to grow by +3.5% overall globally, with a big increase expected in Europe (+5.5% in Western Europe and +7.1% in Eastern Europe), while North America is expected to experience only a modest +2.3% increase. Hotel prices overall are expected to rise +3.7% globally, with increases of +6.3% in Western Europe and +6.6% in Eastern Europe, while in North America hotel prices are predicted to experience a relatively modest increase of +2.9%.

3.2 Economic Indicators

Great Britain

Oxford Economics forecasts that the UK economy will grow by +1.8% in 2018 and +1.6% in 2019. The economy will benefit from a modest recovery in household spending power this year. However the recovery in household spending will be constrained by the government's welfare reforms, higher interest rates and softer employment growth. The boost from growth in exports will steadily fade as sterling strengthens and Brexit uncertainty continues to weigh on business investment.

2018 GDP Forecast: +1.8% (up from +1.5%)

CPI 2018: +2.2% (no change)

Unemployment: 4.4% (up from 4.3%)

Exchange rate(€/£): €1:£0.90 (up from €1:£0.88)

USA

In the US, the recent stock market correction and renewed volatility do not detract from the economy's strong fundamentals, according to Oxford Economics. The economy appears set to grow by +2.8% in 2018, up from +2.3% last year, due to tax cuts and the Jobs Act. The unemployment rate held steady at its 17-year low of 4.1%, while wage growth firmed to +2.9% - the strongest annual pace since 2009. A sturdy labour market should support solid consumer spending growth of almost +3%.

2018 GDP Forecast: +2.8% (no change)

CPI 2018: +2.1% (up from +1.9%)

Unemployment: 4.1% (no change)

Exchange rate (€/€): €1: \$1.24 (up from \$1.23)

Exchange rate (£/\$): £1: \$1.39 (down from \$1.40)

France

France continues to benefit from Europe's remarkable industrial revival and the strength of global activity more generally. In addition, President Macron's pro-business policies have led to a rise in optimism among consumers and businesses. Employment has also been increasing rapidly, allowing unemployment to continue to fall back. Strong employment growth and higher wages should continue to drive increases in household incomes.

2018 GDP Forecast: +2.1% (no change)

CPI 2018: +1.4% (up from +1.3%)

Unemployment: 9.2 % (down from 9.6%)

Exchange rate(€/£): €1:£0.90 (up from €1:£0.88)

Germany

Little hard data is available, but despite coming off its recent highs, consumer and business sentiment leaves little doubt that the German economy is off to a good start in 2018. Unemployment has reached new lows and wage pressures have emerged. A tight labour market could result in much faster wage growth than expected, which would add to underlying inflationary pressure. Thus, inflation could rise further above the ECB's target. Households' real incomes should benefit and keep consumption growth close to +2%, but just shy of last year's 17-year high.

2018 GDP Forecast: +2.4% (down from +2.5%)

CPI 2018: +1.8% (no change)

Unemployment: 5.4% (down from 5.5%)

Exchange rate(€/£): €1:£0.90 (up from €1:£0.88)

Source: Oxford Economics Briefing and March reports 2018

3.3 Travel Trends in Key Markets

Great Britain: Recent figures from the Office of National Statistics show outbound travel from GB was up +3% for the first ten months of 2017; however travel to Ireland has contracted over this period, losing market share of the GB outbound market. Visitors to Northern Ireland from GB recorded growth of +2% for the first nine months of 2017. According to ABTA research, 2018 is showing a notable increase in people planning to spend more on their holidays this year with 31% of people planning a greater spend - compared with 24% in 2016. City breaks and beach holidays are expected to remain the top holiday choices for 2018 with more than half of all holidaymakers (51%) planning to take a city break. Staycations are also still on the rise. Visit Britain, Visit Scotland and Visit Wales are currently active in the marketplace with their TV advertising campaigns.

North America and Australia: In the **US**, leading US tour operators report a strong start to the year across both FIT and escorted segments, with some luxury operators reporting their strongest year for advance bookings. Latest Dept. of Commerce data shows a record 14.7 million US arrivals to Europe, an increase of +16.5% for the Jan – Nov 2017 period. Europe increased its market share of US outbound travel by 1.1% to 18.5% last year. The UK grew by +11% for the Jan-Oct period but, within this, registered an -11% fall for Aug-Oct period, the reasons for this are undetermined. In **Canada**, the *CBOC* reports a strong winter travel season with bookings to Belgium, Croatia, Portugal, Serbia, Slovenia and Spain proving most popular and continuing to report significant increases. **In Australia**, current estimates for overseas travel are up +3.2% year-on-year. New Zealand, Indonesia and the USA are the most popular outbound destinations. While a number of operators have reported a decline in bookings to America this year, feedback is mixed for Europe – Greece is declining, but Ireland and the UK are holding strong. Some trade partners are seeing a change in consumer booking patterns – booking very far in advance or much closer to departure than in previous years. Airport traffic is performing well at the key airports, with Sydney reporting a +6% increase in international departures and Melbourne Airport achieving record-breaking passenger numbers in the first four weeks of 2018.

Mainland Europe: In **Germany** last year €65 billion was spent on pre-booked packages, according to a DRV (German Travel Association) report. Growth of +8% in turnover was reported by tour operators and +5% by travel agents. Direct bookings with airlines, hotels, rail and car rental companies all increased by +9.7%, while OTAs had an increase of +10.4%. The outbound market in **France** is forecast to account for 61 million trips abroad with at least one overnight stay, by 2020. According to research by *Visit Britain* in France, 41% of all visitors to GB in 2016 also considered Ireland. This represents a significant opportunity particularly given the increased capacity to Ireland from France this year. **In Spain**, the market continues to perform well in terms of outbound travel; The *IET (Spanish Institute of Statistics)* report yoy growth in outbound travel of +10.8% at end of September 2017. AENA (Spanish airport authority) reports that 15 million passengers travelled through Spanish airports in January of 2018, an increase of +8.7%. The Spanish economy is back in recovery and is forecast to grow +2.6% in 2018, with indicators favourable in terms of disposable income and travel. Latest figures show Spanish visitors to Britain grew by +10.6% to the end of October 2017. **In Italy**, *Istat* reports that the average duration of overseas leisure trips from Italy increased

slightly to six nights. 19% of Italians travelled abroad last year, 13.4% to Europe. The number of outbound holidays from **The Netherlands** is expected to grow by 3% this year with the popularity of short breaks growing, along with FIT and mobile bookings (3% of total bookings). According to *NBTC-NIPO Research*, almost 1 in 3 holidays are taken by Dutch holidaymakers over the age of 55. Luxury travel is also becoming more popular in this market and demand for longhaul destinations is also growing. The economies in **the Nordic region** remain strong, with only Norway showing signs of slowing, as it feels the effects of its dependence on the oil industry. Despite this, predictions for outbound travel are still strong and likely to keep growing, along with growth forecast from Denmark, Sweden and Finland this year.

Developing Markets: An insight report by Facebook in **India** highlights that Indian women are becoming increasingly responsible for planning and purchasing holidays. This is evident in a +30% increase in female travel and a +62% increase in solo female travel. In addition, there is a +20% increase in holiday planning and purchasing among the 18-24 age group; this is notable because, traditionally, advertisers have targeted older age groups in this market. 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 outbound tourist destinations from the UAE & Qatar. In **China**, Europe was the second most popular destination for Chinese tourists in 2017, accounting for 9.3% of trips, according to the China Tourism Academy's 2017 China-Europe Tourism Market Data Report. Chinese citizens visiting Europe exceeded six million for the first time, last year. During the 2018 Chinese New Year period, Chinese outbound tourist numbers reached 6.5 million, a new record high.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (3 month arrivals) Nov 2017 – Jan 2018		Ireland (Direct) Overnight Visitors (12 month visitors) Jan – Dec 2017		Northern Ireland Visitors (9 month visitors) Jan –Sept 2017	
		% YOY		%YOY		% YOY
Total	1,986,100	+6.1%	8,722,000	+3.5%	1,673,098	+4%
Great Britain	837,500	-0.5%	3,239,000	-4.6%	1,056,783	+2%
Mainland Europe	672,400	+14.3%	3,226,000	+4.9%	283,371	+5%
North America	350,000	+11.3%	1,682,000	+16.3%	202,002	+6%
Rest of world	126,400	+0.0%	575,000	+12.9%	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 overnight in the destination

Ireland (Direct) Overnight Visitors – only includes those that leave through ports in the ROI

Ireland: Official figures show that we welcomed 8.7 million direct overnight visitors to Ireland in 2017 (+3.5%) generating revenue of €4.8 billion (+6.5%). Of these visitors, 4.6 million were holidaymakers, an increase of +7.6% (+322,000) who spent €2.7 billion (+8.2%, an additional €207 million). Latest quarterly results for the November 2017 to January 2018 period show 1,986,100 arrivals. This represents year on year growth of +6.1% (+115,000 additional arrivals) for the period. North America continued its strong performance with arrivals from the US and Canada up +11.3% (350,000). Mainland Europe also recorded significant growth with 672,400 arrivals (+14.3%). While not recording growth, arrivals from Australia and Developing Markets held their own with 126,400 arrivals. Arrivals from Britain declined slightly by -0.5% during the November–January period.

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

Air Access Seat Capacity Estimates		Summer 2018 vs. Summer 2017		
YOY % Change	Ireland	NI	Island of Ireland	
Great Britain	+4%	+6%	+4%	
Mainland Europe	+7%	+19%	+8%	
-France	+7%	+20%	+8%	
-Germany	+19%	-33%	+18%	
North America	+7%	-20%	+7%	
ADM	+11%	NA	+11%	
Overall	+6%	+9%	+7%	

Source: TTC Summer Access Inventory Report 2018. Estimates.
Capacity is estimated at a single point in time (July) for the season.
NA= Not applicable

Estimates indicate that there will be 590,000 direct, one-way air seats available per week to the island of Ireland during the forthcoming peak summer season, a +7% increase in capacity compared to the same period last year. This would be a record number of weekly air seats with growth forecast from all key market areas. Ireland and Northern Ireland are estimated to see a +6% and +9% increase respectively in air seats available.

There have been many positive air access announcements offering significant inbound potential. These include; Ryanair's new service from Manchester to Belfast, Aer Lingus adding new summer routes such as Seattle and Philadelphia to Dublin, Air Canada's new routes from Montreal and Toronto to Dublin and Shannon respectively and Air France's new service from Paris to Cork. Both the new Cathay Pacific service from Hong King to Dublin and the new Hainan Airlines Beijing to Dublin service beginning in June 2018.

While our connectivity continues to improve, airlines continue to be concerned over yield (which has been squeezed in recent years) – significant in terms of sustaining future capacity growth.

In a major development for ferry services, there will be an almost doubling of the number of sailings and capacity between Mainland Europe and Ireland this year. Irish Ferries will offer daily sailings in each direction from France over the peak months, while Brittany Ferries is launching a twice weekly direct service from Spain, and doubling its frequency from France. Sailings on the Irish Sea remain largely unchanged over the peak months.

4.3 Total Passenger Numbers

	Total Pax 2017*	January 2018 YOY % change	February 2018 YOY % change
ROI sea passengers	3.1m	-1%	+10%
NI sea passengers	2.1m	-5%	-4%
Dublin Airport	29.6m	+6%	+3%
Shannon Airport	1.8m	+4%	+2%
Cork Airport	2.3m	+5%	+3%
Ireland West Airport Knock	0.75m	+2%	+2%
All ROI Airports	34.4m	+6%	+4%
Belfast International Airport	5.8m	-4%	-5%
Belfast City Airport	2.6m	N/A	
City of Derry Airport	0.2m	N/A	
All NI Airports	8.6m	N/A	

Sources: CAA, DAA, Shannon Group, IWAK, Fáilte Ireland, Annaero, Ferrystat, TTC

*Total Pax 2017 is the total traffic (two-way and includes transit passenger) at the airport(s)/seaports
N/A=Not available

Published results for air passenger traffic to the island of Ireland were mainly positive for the beginning of the year (two-way, includes connecting transit business).

Sea passenger numbers to and from Ireland, which also includes Irish residents, were up +4% YOY for the first two months of 2018, while sea passengers to and from Northern Ireland were down -4% YOY for the same period.

4.4 Accommodation

Hotel accommodation data estimates





Hotel Accommodation Year to date, February 2018				
	Occupancy		ADR	
	%	% change v 2017	Average Daily Rate	% change v 2017
Island of Ireland	63.9%	+3.0%	€104.77	+5.2%
Northern Ireland	65.4%	+1.5%	£71.00	+8.4%
Ireland	63.7%	+3.2%	€108.26	+5.2%
Scotland	63.0%	-0.6%	£65.74	+1.7%
England	68.5%	+0.2%	£82.14	+0.6%
Italy	57.1%	+3.9%	€110.17	+4.1%

Source: STR Hotel reports – Properties across the island of Ireland are included, 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 for the first two months of 2018. While it's very early days, industry sentiment is positive and expectations are high for another buoyant year.

While tour operators point to accommodation capacity constraints in key tourism hotspots as a major barrier to growth in 2018, there is optimism that the number of new hotels under construction will impact positively. Reports suggest that Belfast will have a +25% increase in hotel rooms this year. In Dublin, sources expect around 1,300 new hotel rooms to open in the city this year, with more than 500 of these coming from extensions. While this will bring supply up by +6%, it will not quite meet demand, and some supply issues are expected to continue.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	<p>Accommodation providers</p> <p>Sector sources expect another good year in 2018 for Ireland’s hotels and guesthouses. The first two months of the year have brought good rate and occupancy growth and this looks set to continue.</p> <p>Northern Ireland hotels have also started the year with a positive performance. The strong average daily rate and high occupancy is expected to last throughout the year. The guesthouse sector is also optimistic for the year ahead.</p> <p>The outlook in the B&B sector across the island is also positive for 2018 with some reports of good early bookings and enquiries.</p>
Bright 	<p>Air and sea carriers</p> <p>A leading air carrier is expecting a strong performance in 2018, with very good growth from transatlantic routes. Demand for US inbound also remains high. European routes continue to be strong and steady in spite of increased competition. UK inbound and outbound business also remains strong.</p> <p>While it’s too early in the season for a leading sea carrier to have an accurate picture for 2018, it expects a modest growth in business and anticipate that extra capacity will have a positive impact on the market. Outbound business from Ireland remains buoyant.</p>
Mixed 	<p>Attractions</p> <p>A key visitor attraction in Northern Ireland is expecting a strong 2018 after a positive start to the year from overseas visitors and encouraging signs for the year ahead. Overseas business is showing consistently good growth and compensating for a weaker domestic performance.</p> <p>The sterling/euro exchange is still having negative impact on numbers from GB for most attractions across the island. However, in general, there is some optimism in the sector for the rest of the year. A number of key attractions across Ireland are reporting robust forward bookings from FIT clients for the year ahead, with the US, Canada, Germany and The Netherlands performing notably well.</p>
Bright 	<p>Tour Operators</p> <p>Overall, tour operators are expecting a good year in 2018. Overseas partners are showing enthusiasm for the destination and investing in developing and promoting their island of Ireland off-season product. North America is performing particularly well despite continuing concerns over capacity and rates. Europe is performing well, but showing signs of leveling off; while the New and Emerging Markets are continuing to grow.</p>

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

4.6 Tourism Ireland Market Outlook

Great Britain: The outlook from GB remains subdued with OTA and carrier partners reporting a slow start to 2018; however, joint cooperative campaigns are expected to stimulate growth and Tourism Ireland will continue to work closely with partners to create demand and generate sales.

North America and Australia: In the **US**, industry sentiment for the year ahead remains positive overall with YTD advance sales showing strong growth. Key economic indicators remain positive and likely to support growth in outbound travel in 2018. Unemployment is expected to fall and consumer confidence remains historically high. Tourism Ireland continues to monitor the potential impact of the strengthening US dollar. New air services and expanded capacity have helped to ensure positive expectations of the summer 2018 season and beyond. However, capacity issues in Dublin remain a concern. A major travel group has reported growth in booking levels to all European destinations in 2018 and US airports are experiencing record traffic. In **Canada**, operator sentiment for the island of Ireland is very positive overall, with brochure programmes performing strongly. In **Australia**, all indications point to a good year ahead for the island of Ireland, with tour operators and carriers reporting a strong start to the year.

Mainland Europe: In **Germany**, tour operator partners have had a slow start to the year and report significant competition between operators in the low cost sector. While group performance is slow to date, direct bookings are performing better. DRV (German Travel Association) is forecasting overall growth of +5% for the German Travel market in 2018 and market trade remain optimistic. In **France**, consumer confidence remains relatively high and there has been a positive start to the year. Tour operators report strong interest, and sea carrier bookings are ahead of last year. The improved access picture from sea and air carriers represents good opportunities for regional spread of visitors, longer stays and touring holidays. Partners in **Spain** are reporting good interest in the island of Ireland, and are forecasting growth for 2018 - though it's expected to be more modest than last year's very strong levels. The new ferry access from Santander to Cork with Brittany Ferries and a new Valencia Belfast flight with Easyjet are good opportunities for growth during the main season. On the back of last year's record year from **Italy**, signs for the season ahead are positive with operators showing good interest and an increase in direct access. Indicators from **the Nordics** are positive, while sources report that availability remains the main challenge for tour operators in **Belgium and the Netherlands(BeNe)**.

New and Emerging Markets: In **India**, the outlook is positive with local travel trade optimistic that the post-dated visa service launched by UK Visas and Immigration will also encourage higher numbers to Ireland, as many Indians use the BIVS scheme to travel to both destinations. Small family groups and MICE travel are performing well from India. The Republic of Ireland became visa free for **UAE** nationals in January and this is expected to have a very positive impact on a market that traditionally books late and is typically deterred by the visa application process. The travel trade is showing huge enthusiasm for this visa development, and joint campaigns with airlines are under way. In **Qatar**, outbound travel had been slow in the aftermath of recent conflict but key travel trade in the region have reported that holiday bookings have begun to improve. In **China**, the outbound market is expected to grow in 2018, and greater

inclusion of Ireland on Britain and European multi-centre tour packages is expected to have a hugely positive impact this year.

5. Conclusion

Sentiment for the year ahead is generally positive from both overseas trade partners and tourism businesses across the island of Ireland. Early indicators suggest modest growth for 2018.

However, the decline in visitor numbers from Britain to Ireland continues to cause concern. The fall in value of sterling has made holidays and short breaks to Ireland more expensive for British visitors and has made Britain a more affordable destination for visitors from many of our top markets. Competitiveness and the value for money message remain more important than ever for Tourism Ireland and partners in Britain. The depreciation of the pound against the euro does, however, provide good opportunities for Northern Ireland again this year. Tourism Ireland continues to focus on the 'Culturally Curious' audience this year because they are less impacted by currency fluctuations.

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

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

ENDS