

Tourism Ireland

SOAR

(Situation & Outlook Analysis Report)

June 2018

1. Summary Headlines

- Industry sentiment across the island of Ireland and among overseas trade partners continues to remain upbeat, after a generally positive first five months of 2018. However, the uncertainty arising from Brexit 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 visitors to Ireland** show an increase of +6% for the first three months of 2018, around +100,000 extra overseas visitors when compared with January-March 2017. There were strong results from Mainland Europe, up +12% on the first three months of last year; visitors from North America grew by +18%; and Australia and Emerging Markets also enjoyed growth, with a +2% performance. However, visitors from Britain declined by -1% for the first three months of 2018. Revenue for this period increased by +16%, with growth from all market areas; North America grew by +28%, Mainland Europe by +21%, Australia and Emerging Markets by +12% and Britain by +5%.
- Latest figures released by the Northern Ireland Statistics and Research Agency (NISRA) show +2% growth in **overseas visitors to Northern Ireland** in 2017. The figures confirm that 2.175 million overseas visitors came during that period with growth from all market areas – GB (+1%), North America (+3%), Mainland Europe (+1%) and other areas (+18%). Overseas visitors delivered almost £566 million for the local economy, up +4%.
- Both STR hotel data and industry sources report a strong **hotel performance** across the island of Ireland for the first four months of 2018, instilling confidence for the year ahead. STR reports that occupancy in Northern Ireland was 70% for the January-April period, on par with the same period last year, with the average daily rate increasing by +5% to £73.46. Hotels in Ireland also enjoyed an increase in occupancy and average daily rate for the first four months of 2018; occupancy was 71%, an increase of +2%, with the average daily rate rising to €116.60, an increase of +6%.
- Tourism Ireland's **promotional campaigns** continue across the markets, helping to boost late bookings for the summer and into the autumn. We continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise overseas promotional opportunities and grow tourism revenue further this year.

2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) is forecasting growth in the sector again this year, on the back of last year's strong momentum. However, the expectation is that the pace will be more sustainable after eight years of expansion following the economic crisis.

Virtually all source markets reported higher tourism spending in 2017, reflecting continued strong demand for international tourism across all world regions. Both emerging and advanced economies fuelled growth, led by the United States which spent US\$12 billion more on travel abroad. Strong tourism expenditure reflects enhanced connectivity, increased visa facilitation and a global economic upswing.

Based on current trends, economic prospects and the outlook by its Panel of Experts, the UNWTO projects international tourist arrivals worldwide to grow at a rate of +4% to +5% in 2018. This is slightly stronger than the +3.8% average increase projected for the period 2010-2020 by UNWTO in its 'Tourism Towards 2030' long-term forecast. This year, 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. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

With global oil prices rising, airlines are warning that ticket prices are at risk of increasing in the coming months.

However, it's important to note that the airline industry has become intensely competitive in recent times, as low-cost carriers make inroads; and, as a consequence, they are reducing the big airlines' pricing power and their ability to easily pass along rising fuel costs to consumers.

In addition, according to Airfarewatchdog, airfares for summer travel are currently at their lowest for quite some time, and, with increased competition, they're likely to remain that way through the season. The organisation states that, although there may be some increases in fares, these increases are expected to be the exception, rather than the rule.

Hence, travel industry experts believe that even with rising fuel costs, consumers looking for a bargain will still be able to find one.

3.2 Economic Indicators

Great Britain: According to *Oxford Economics*, the preliminary estimate for Q1 2018 reports a quarterly GDP growth of 0.1%, the weakest performance since Q4 2012. Inflation is expected to slow through 2018, dropping below the 2% target by the autumn. The recovery in household spending will be constrained by the government's welfare reform rates and softer employment growth. *Oxford Economics* expects consumer spending growth to slow from 1.7% last year, to a seven-year low of just 0.8% in 2018, before recovering to 1.1% in 2019.

2018 GDP Forecast: +1.5% (down from +1.8%)
CPI 2018: +2.4% (up from +2.3%)
Unemployment: 4.2% (down from 4.3%)
Exchange rate(€/£): €1:£0.87 (down from €1:£0.88)

USA: In 2018, *Oxford Economics* forecast GDP growth averaging 2.8%, up from 2.3% in 2017 and 1.5% in 2016. This reflects the stronger-than-expected Q1 figures. Robust employment growth, gradually firming wages, record confidence levels and low interest rates are expected to support household outlays in the near term. Consumer spending is expected to grow +2.4% in 2018, but there has been a 'savings dip' amid widening income and wealth inequality.

2018 GDP Forecast: +2.8% (no change)
CPI 2018: +2.5% (down from +2.6%)
Unemployment: 3.9% (down from 4.1%)
Exchange rate (€/€): €1:\$1.16 (down from \$1.23)
Exchange rate (£/\$): £1:\$1.33 (down from \$1.40)

France: The French economy slowed markedly in Q1 and business sentiment has fallen sharply, reflecting concerns about the potential imposition of US tariffs and its withdrawal from the Iran nuclear agreement. This has pushed oil prices above \$75pb and the euro below \$1.20. As a result, inflation is now forecast at 1.6% this year, which will further erode consumers' purchasing power. Consumer spending power in Q1 was adversely affected by increased indirect taxes and higher generalised social contributions. As a result, consumers' real disposal income stagnated in Q1, contributing to a further slowdown in consumption growth.

2018 GDP Forecast: +1.8% (no change)
CPI 2018: +1.6% (up from +1.4%)
Unemployment: 8.8 % (down from 8.9%)
Exchange rate(€/£): €1:£0.87 (down from €1:£0.88)

Germany: While the economy's momentum seems to be moderating as external tailwinds fade and trade worries continue to mount, there are no clear signs that the underlying domestic expansion is weakening. Underpinned by a strong labour market, upcoming fiscal easing and steady expansion in the construction sector, the domestic demand outlook appears well supported. Wage growth is picking up and should help to offset the drag from inflation. *Oxford Economics* see consumer prices rising 1.8% in 2018, given the recent climb in oil prices.

2018 GDP Forecast: +2.2% (down from +2.3%)
CPI 2018: +1.8 % (up from +1.6%)
Unemployment: 5.3% (no change)
Exchange rate(€/£): €1:£0.87 (down from €1:£0.88)

Source: *Oxford Economics Briefing and April reports 2018*

3.3 Travel Trends in Key Markets

Great Britain: Recent research from *Deloitte* has revealed a trend towards late booking and an outbound holiday market that's responding well to offers, as a result of cutbacks in consumer spending on holidays. The report found that holiday spend in Britain has declined for the first time in five years. Meanwhile, a report from *Travel GBI* notes that staycations are on the rise in the British market, with 57% of people saying that they will take their annual summer holiday in the UK this year.

North America and Australia: In the **US**, outbound travel to Europe is continuing to grow, with Italy, Spain and Portugal reporting strong double-digit growth and France recovering well from recent terrorism related declines. Business to Germany and Greece is also growing and Great Britain, which suffered a Q4 decline in visitors from the US in 2017, is forecasting modest single-digit growth for 2018. In **Canada**, travel to Europe is growing, with Croatia, Turkey and Norway enjoying the strongest growth. European destinations continue to see growth in the winter season – a positive sign for season extension. In **Australia**, a recent tour operator survey has found that authentic travel experiences and premium accommodation remain a priority, with luxury travel as much about adventure as service and comfort. Interest in sustainability and eco-friendly accommodation is also growing, with global travellers willing to absorb extra costs to ensure responsible travel.

Mainland Europe: In **Germany**, outbound travel remains strong with good summer and winter forward bookings reported by travel partners. Tunisia, Egypt and Turkey are all performing well. In **France**, the recent high demand for Iceland is declining, while Scotland remains popular, with strong bookings. Sources reveal that the British royal wedding has boosted interest in travel to GB from France. In **Spain**, outbound tourism is growing with spending on overseas trips by Spanish residents increasing by +12% in 2017, according to latest intelligence reports from the UNWTO. Meanwhile, the Spanish Airport Authority (AENA) is reporting increases in passenger numbers year to date, with strong performances coming from Spain's main outbound airports. In **Italy**, outbound travel and holiday spend are growing. Spain, Greece and France remain popular, while Norway and Serbia are also enjoying significant interest and growth. Outbound travel remains strong from **Belgium** and **the Netherlands**, with spending on holidays remaining steady. Consumer research by *NBTC-NIPO* reveals that Dutch millennials are going on holidays less often and closer to home than older generations and are also more price-conscious. Belgians, meanwhile, are travelling more but taking shorter holidays and spending less. The most popular destinations from Belgium are France, Spain and Italy.

Emerging Markets: In **India**, outbound travel is growing strongly, with London and Paris the most popular European destinations. The majority of Indian travellers are choosing four and five star hotels, and in terms of leisure spending in this market, travel spend remains a priority. Research in **China** reveals that Chinese tourists travel overseas mainly for leisure, dining and shopping, with 78% choosing leisure as their top priority. When selecting travel destinations and tourist attractions, Chinese tourists care most about the beauty and uniqueness of tourist attractions (56%), followed by the local environment, which includes safety (47%), ease of visa procedures (45%) and friendliness of locals to tourists (35%).

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	2018		2017			
	Ireland Visitors (3 month visitors)		Ireland (Direct) Overnight Visitors (12 month visitors)		Northern Ireland Visitors (12 month visitors)	
	Jan – Mar 2018		Jan – Dec 2017		Jan – Dec 2017	
		% YOY		%YOY		% YOY
Total	1,671,000	+6%	8,722,000	+3.5%	2,175,506	+2%
Great Britain	695,000	-1%	3,239,000	-4.6%	1,397,920	+1%
Mainland Europe	616,000	+12%	3,226,000	+4.9%	362,037	+1%
North America	254,000	+18%	1,682,000	+16.3%	257,011	+3%
Rest of world	105,000	+2%	575,000	+12.9%	158,538	+18%

Sources: CSO, NISRA

Note : **Arrivals** are all overseas trips to the destination including 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: Latest results for the January to March period show 1,671,000 visitors. This represents year-on-year growth of +6% for the period (+100,000 additional visitors). North America continued its strong performance, with arrivals from the US and Canada up +18% (+38,000). Mainland Europe also recorded good growth, with 65,000 extra arrivals (+12%). Growth from Australia and Emerging Markets was a modest +2% (+2,000 extra arrivals). Arrivals from Britain declined very slightly with 7,000 fewer arrivals (-1%).

Northern Ireland: According to NISRA, in the January-December 2017 period, overseas visitors to Northern Ireland grew by +2% when compared to 2016. The figures confirm that 2.175 million overseas visitors came during the year, with growth from all market areas; GB (+1%), North America (+3%), Mainland Europe (+1%) and other areas (+18%). Overseas visitors delivered more than £566 million for the local economy, up +4%. Holidaymakers grew by +4% overall, with increases recorded from GB (+2%), North America (+19%) and Australia and Emerging Markets (+21%) and a decline from Mainland Europe (-11%). Holiday revenue grew by +3% for the period. Note: Q1 2018 data will be available in early July.

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	+16%	NA	+16%	
Overall	+6%	+9%	+7%	

Source: TTC Summer Access Inventory Report 2018.

Capacity is estimated at a single point in time (July) for the season.

NA= Not applicable

Estimates indicate that there will be 591,000 direct, one-way air seats available per week to the island of Ireland during the forthcoming peak summer season, a +7% increase in capacity when compared to the same period last year. This would be a record level, with growth forecast from all market areas. Ireland and Northern Ireland are estimated to see a +6% and +9% increase respectively in available seats.

There have been many positive air access announcements offering significant inbound potential. These include Ryanair's new Munich and Stuttgart to Dublin services and its new service from Belfast to Manchester; new Aer Lingus summer routes such as Seattle and Philadelphia to Dublin; Air Canada's new flights from Montreal and Toronto to Dublin and Shannon respectively; and Air France's new service from Paris to Cork. Both new direct services from China to Dublin – Cathay Pacific from Hong Kong and Hainan Airlines from Beijing – begin in June. The early outlook for the winter 2018/19 season is positive, with many of the new summer 2018 services continuing into the winter.

Brittany Ferries' twice weekly direct service from Spain is in operation for the summer season and the company has doubled its frequency from France. Sailings on the Irish Sea remain largely unchanged over the peak months.

4.3 Total Passenger Numbers

	Total Pax 2017*	April 2018 YOY % change	May 2018 YOY % change
ROI sea passengers	3.1m	-16%**	n/a
NI sea passengers	2.1m	-15%**	n/a
Air passengers:			
Dublin Airport	29.6m	+5%	+6%
Shannon Airport	1.8m	+7%	n/a
Cork Airport	2.3m	+2%	+3%
Ireland West Airport Knock	0.75m	0%	+5%
All ROI Airports	34.4m	+5%	n/a
Belfast International Airport	5.8m	0%	+7%
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) at the airport(s)/seaports

N/A=Not available

**Sea figures for the month of April show the impact of Easter falling earlier – between March and April this year.

Overall sea passenger numbers to and from Ireland were down -3% for January to April 2018, while sea passengers to and from Northern Ireland were down -3% overall for January to April.

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

4.4 Accommodation

Hotel accommodation data estimates

Hotel Accommodation Year to date, April 2018				
	Occupancy		ADR	
	%	% change v 2017	Average Daily Rate	% change v 2017
Island of Ireland	71%	+2%	€112.47	+6%
Northern Ireland	70%	0%	£73.46	+5%
Ireland	71%	+2%	€116.60	+6%
Scotland	68%	-2%	£69.52	+1%
England	72%	0%	£85.38	0%
Italy	63%	+2%	€123.55	+4%





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 across the island of Ireland experienced good growth in terms of average daily rate for the first four months of 2018, with occupancy on par or moderately better than the same period last year. Industry sentiment is positive and expectations remain high for another buoyant year.

While tour operators point to accommodation capacity constraints in key tourism hotspots as a barrier to growth in 2018, there is optimism that the number of new hotels under construction and expansion will impact positively. In addition, the outlook for 2019 is very positive, with a number of new Dublin city centre hotels currently under construction.

In Northern Ireland, hotel rooms have exceeded 8,500 with the opening of AC by Marriott, Maldron Belfast City Centre and the completion of extensions at Bullitt and Ten Square. Q2 2018 is seeing further expansion, with hotel room numbers set to break the 9,000 mark.

4.5 Island of Ireland Industry Feedback 2018

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 four months of the year have brought good rate and occupancy growth and this looks set to continue.</p> <p>Northern Ireland hotels have also enjoyed a positive performance so far this year, with the sector seeing currency benefits. 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>Outlook for the B&B sector across the island is also positive for 2018 with some reports of good bookings and enquiries.</p>
Bright 	<p>Air and sea carriers</p> <p>Feedback from air carriers is positive, with a robust sales performance expected this year. Q1 was buoyant, and although April slowed somewhat, bookings for May and June are strong. Growth on transatlantic routes is good and European routes continue to be strong in spite of increased competition. UK inbound and outbound business also remains strong.</p> <p>Current performance indications for a major sea carrier are somewhat subdued. Planned extra capacity from France has been affected by extraordinary external circumstances which are expected to impact on earlier growth forecasts. Business from Britain is projected to hold steady compared to last year.</p>
Mixed 	<p>Attractions</p> <p>Attractions across the island have generally seen good growth from overseas markets for the first four months of the year and report feeling more positive about their overseas business growth when compared to domestic visitor business. While poor weather impacted negatively during the key St Patrick’s Day and Easter periods, the outlook for the season ahead is more upbeat. Sources in Northern Ireland are referencing Game of Thrones and currency advantages as having a positive impact on their visitor numbers.</p>
Bright 	<p>Tour Operators</p> <p>Overall, tour operators are expecting modest growth this year. North America is performing particularly well, despite continuing concerns over capacity and rates. Europe is performing well overall, although some markets are showing signs of being sensitive to price. Conference business to the island is strong, although Business Tourism from Britain has seen a decline.</p>

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

4.6 Tourism Ireland Market Outlook

Great Britain: Outlook is moderately positive but remains difficult to clearly call in GB. While performance remains steady overall and the market is responding well to joint promotions, some Brexit related unease persists. While some carriers, operators and OTAs (online travel agents) have seen a softening in performance, others are reporting increased bookings to the island of Ireland. VisitBritain, Visit Wales and VisitScotland are all active in the marketplace and staycations are reportedly still on the rise.

North America: Outlook from the **US** market is positive, with key economic indicators remaining robust and supporting growth in outbound travel. The US Consumer Confidence Index is at its highest level since 2000, while unemployment rates continue to fall and are at their lowest rate since 2000. Feedback from US trade partners is universally positive, with both FIT and escorted tour operators reporting strong growth for the year. However, capacity and rates issues in the accommodation sector continue to remain a constraint to growth. Carriers are also reporting healthy performance, with a strong future bookings pipeline. While fuel prices are rising, intense competition on transatlantic services is keeping fares competitive for now; however, analysts believe fares are likely to increase in the medium term. In **Canada**, the outlook remains confident on the back of a positive mix of market factors, with encouraging feedback from carrier and operator partners. The national consumer confidence rating is growing and the Canadian dollar is expected to remain strong against the US dollar this year. Consumers are responding well to joint campaigns with market partners and demand is strong. In **Australia & New Zealand**, trade sources report that outbound travel to the island of Ireland is showing good growth for the season ahead.

Mainland Europe: In **Germany**, the outlook is positive overall, with trade partners expecting a good season and welcoming season extension opportunities from winter capacity additions. Forward bookings from **France** are looking positive, despite the negative impact of recent strikes. While airlines and some tour operators experienced a decline during the strikes, other carriers stayed steady; and signs from all operators point to a more positive season ahead. In **Spain**, outbound indicators are positive as the Spanish economy continues to stabilise and consumer confidence remains relatively high. Feedback from market partners is optimistic, with modest increases in bookings and a good reaction from the market to joint campaigns. Northern Ireland in particular is performing well from Spain. Carriers are also confident, with good load factors and forward bookings. In **Italy**, the signs are good for a strong summer season, with trade partners reporting strong bookings for June, July and August. Group bookings, however, are just on par or slightly behind last year. Carriers are also expressing positive sentiment, with good bookings into September. Indicators from **the Nordics** remain positive, with airlines reporting good sales to the island of Ireland. Dublin remains popular as a city break and the Northern Ireland offering is also proving popular. In **BeNe**, the outlook remains generally positive; however, competing destinations such as Scotland are seeing the benefits of the sterling decline and are currently performing better than the island of Ireland.

Emerging Markets: Sentiment is positive in **India**, with trade sources reporting an increase in enquiries for FIT, GIT and MICE groups to the island of Ireland. The recent increased demand for visas has resulted in delays in processing times and there is some unease regarding the long-term impact of this. Outlook from the **UAE** is positive, with an expectation that the island of Ireland will benefit from the high volume of UAE nationals that visit and live in the UK over the summer months – particularly given the new visa arrangement. In **China**, direct access developments are expected to have a very positive effect on outbound holidaymaker business to the island of Ireland. Hainan Airlines estimates that its flight will draw 70% FIT tourists and 30% groups. As direct flights come on stream, partners expect a significant increase in Irish visas granted to Chinese citizens and more island of Ireland single destination products programmed by the Chinese travel trade. However, early indications show that capacity issues in Dublin are affecting length of stay.

5. Conclusion

Sentiment for the season ahead is generally positive from both overseas trade partners and tourism businesses across the island of Ireland, with indications suggesting modest growth for 2018.

Overseas visitors to Northern Ireland showed modest growth in 2017 and Tourism Ireland continues to focus on holidaymaker growth and revenue expansion in 2018.

Overseas visitors to Ireland have grown by +6% for the first three months of 2018, representing an extra 100,000 visitors. There was good visitor growth from North America (+18%), Mainland Europe (+12%) and Australia and Emerging Markets (+2%). Revenue from these market areas has also increased for Q1, with North America up + 28%, Mainland Europe up +21% and Australia and Emerging Markets up +12%. However, while revenue from Britain grew +5% for the first three months of the year, visitor numbers from Britain to Ireland declined slightly (-1%). The decline in visitor numbers seen over the last year is continuing to cause concern. While the sterling/euro exchange rate has maintained a certain amount of stability in recent months, the fall in the value of sterling has made holidays and short breaks in Ireland more expensive for British visitors and has made Britain more affordable for visitors from many of our top markets. Tourism Ireland continues to focus on the 'Culturally Curious' audience who 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 promotional activities continue across all markets, keeping the destination front of mind for potential visitors. 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 this year.

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