



Murlough Bay on the Causeway Coast in Northern Ireland

SOAR
(Situation & Outlook Analysis Report)
July 2015

Summary Headlines

- Statistics from the Central Statistics Office (CSO) indicate that overseas visitors to Ireland for the January to June 2015 period increased by +12% when compared to the same period last year. This suggests it was best ever January-June period to Ireland on record. Growth was seen from all market areas - North America (+15%), Mainland Europe (+13%), Australia and Developing markets (+12%) and Great Britain (+9%).
- According to the Northern Ireland Statistics and Research Agency (NISRA), total **overseas visitors to Northern Ireland** in 2014 grew by +6% when compared to 2013. Growth was seen from all main market areas, however total revenue fell by -6%. Overseas holidaymakers increased by +11% when compared to 2013, with British holidaymakers up +12%. Strong holidaymaker growth was also seen from Mainland Europe (+19%) and North America (+16%). Results for the first quarter of 2015 are due for release by NISRA later in July.
- Industry **sentiment** on the island of Ireland and among our overseas trade partners remains very positive. This bodes well for a busy peak season, aided by favourable exchange rates in some of our key source markets and increased air access capacity for the summer.
- Tourism Ireland's **key marketing and promotional themes** this year include the Wild Atlantic Way and the Causeway Coastal Route, Dublin, Ireland's Ancient East, Festivals and Events, Yeats 2015 and ID2015.

2. Global Outlook

According to the United Nations World Tourism Organisation (UNWTO), the upward trend in international tourist arrivals experienced globally in recent years is continuing in 2015.

In the first two months of 2015, international tourist arrivals worldwide increased by an estimated +5% when compared to the same period last year. Arrivals to Europe also grew by +5% for the same two-month period. Arrivals to Northern Europe, of which the island of Ireland is part, grew by only +1%. During the same period, however, visitors to Ireland grew by +13%, outpacing global and European growth and in stark contrast to the trend for Northern Europe.

| International Arrivals | Jan - Feb |
|--------------------------------|-------------------|
| | 2015 YoY % +/- |
| World | +5% |
| Africa | -4% |
| Asia Pac | +5% |
| Americas | +7% |
| Middle East | +3% |
| Europe | +5% |
| Northern Europe | +1% |
| Ireland (CSO) (Jan-Feb) | +13% |

Source: UNWTO, CSO

The UNWTO forecasts global tourist arrivals to grow between +3% and +4% in 2015, which is in line with the International Monetary Fund's forecast for global economic growth – estimated at +3.5%.

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

In light of the Greek crisis, Oxford Economics expects the euro to weaken further against the US dollar and may reach parity this year, which will be good for US travellers to Europe.

Other potential 'watch-outs' include the volatility of the Chinese stock market. Whilst GDP has been growing YOY, recent stock market losses in the region of 30% are resulting in unease in China and further afield.

3.2 Economic Indicators

Great Britain

The economy slowed in Q1 2015 with GDP rising by just 0.3%. Overall, the encouraging trend in leading activity indicators – improving labour market, subdued inflation and rising real wages – suggests that the UK recovery will be sustained. The strong performance of the consumer sector reflects the substantial improvement in household spending power aided by the temporary absence of inflation, combined with a pickup in wage growth and a reduction in the tax bill for most workers.

| | | |
|-------------------------|---|---|
| GDP growth | ● | Prolonged austerity set to weigh on pace of recovery |
| CPI inflation | ● | Large output gap to keep underlying inflation subdued |
| Current account balance | ● | Expanding export demand to close trade deficit |
| Government balance | ● | Austerity set to rein in the large budget deficit over time |
| Government debt | ● | Debt to GDP ratio set to peak in 2015-16 |
| External debt | ● | Debt levels have been reduced since financial crisis |

USA

In the US, the jobless rate continues to decline and stands at 5.4%. The US economy is benefiting from lower oil prices, with activity also being supported by a continuing accommodative monetary policy. The marked appreciation of the dollar, though, is a headwind for external trade. Oxford Economics estimates the economy grew by 2.5% in Q2 and will expand by close to 3% in the second half of the year. Consumer spending surged by 0.9% in May, the strongest monthly gain in six years.

| | | |
|-------------------------|---|---|
| GDP growth | ● | Reasonably solid, domestic-led, growth in prospect |
| CPI inflation | ● | Disinflation will be temporary |
| Current account balance | ● | Current account deficit to stabilize around 2% of GDP |
| Government balance | ● | Budget deficit has halved since 2009 |
| Government debt | ● | Debt to stabilize just under 80% of GDP |
| External debt | ● | US is a net debtor, but generates income surplus |

France

Oxford Economics is uncertain if France will manage a repeat of Q1's strong 0.6% GDP quarterly expansion. Recent activity data suggests that growth may have been slower in Q2. French exporters finally appear to be experiencing a pick-up in demand, in response to the weaker euro. The recent growth in household spending and consumer sentiment remains intact, implying that household spending growth in the second quarter may not be too much weaker than Q1's impressive 0.9% rise.

| | | |
|-------------------------|---|---|
| GDP growth | ● | Sluggish recovery but narrowing gap with Eurozone |
| CPI inflation | ● | Lackluster inflation prospect but now in positive territory |
| Current account balance | ● | Deficit set to decline in the period ahead |
| Government balance | ● | Maastricht target will not be met by 2017 |
| Government debt | ● | Government debt set to exceed 100% this year |
| External debt | ● | High external debt but in local currency |

Germany

According to Oxford Economics, the available data for Q2 suggests that exporters may be starting to benefit from the weaker euro. Retail sales and car registrations made a healthy start to Q2. This, coupled with the fact that the labour market recovery remains in full swing and workers are benefitting from solid real wage growth, suggests that household spending will continue to be the lynchpin of the wider economic recovery both in Q2 and beyond.

| | | |
|-------------------------|---|---|
| GDP growth | ● | External factors pose downside growth risks |
| CPI inflation | ● | Deflation risks are small |
| Current account balance | ● | Large surpluses look here to stay |
| Government balance | ● | Surplus may be wider than fiscal plans envisage |
| Government debt | ● | Not a major concern |
| External debt | ● | Not a major concern |

Source: Oxford Economics Briefing and Outlook reports July 2015. Economic Table Symbols: Green = positive, Amber = cautious, Red = negative

3.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics (ONS) in the UK reports that the number of *visits* abroad by UK residents for the first four months of 2015 grew by +9% when compared to the same period in 2014. According to CSO estimates, GB arrivals to Ireland for the same period were up +10%. VisitEngland reports that domestic *holiday* trips for the first quarter of the year in England grew by +12% with spend growing +11%. It is the highest volume of holiday trips recorded for the January to March period since the current survey began in 2006. Data from the CSO shows that GB holiday trips to Ireland for the first quarter of 2015 were up +12%, with holiday spend up +2%. There is no NISRA data on GB performance to Northern Ireland available yet for 2015.

North America: In the US, the travel industry is in buoyant mood with reported growth in most travel sectors. Airfares continue to rise and it is expected that airlines will deliver record profits in 2015. Airfares to Europe are averaging +7% over 2014 levels. According to the US Dept. of Commerce, US traffic to Europe grew by +3.4% for the January-April period when compared with the same period in 2014. According to the Conference Board of Canada (CBOC), Canadians made almost +5% more visits to Europe between January and April this year than in the same four months of last year. North American arrivals to Ireland are up +15% for the first four months of 2015 when compared to the same period in 2014. There is no NISRA data on North American performance to Northern Ireland available yet for 2015.

Mainland Europe: In Germany, travel agents report that travel bookings are up on last year and they predict moderate growth this year. Favoured destinations are long-haul, mainly Asia, and short-haul destinations such as Scandinavia and Egypt. In France, the travel trade is reporting mixed business and expects a lot of last minute bookings. The Spanish outbound market continues to recover, aided by improving consumer sentiment. There are similar good vibes in Italy with the Italian Airport Authority reporting that traffic is up +4% YOY in May. Airport traffic is also on the increase in the Nordics, with the major airports in Sweden, Denmark and Norway all recording some growth on last year. Outbound travel from the Netherlands is expected to grow in 2015, with long-haul destinations expected to benefit most.

Australia & Developing Markets: Overall, the Australian outbound market remains buoyant. In May, Australian international passenger demand rose +7% compared to May 2014, with airlines in all regions, except Africa, recording growth. Reports suggest that Chinese consumer travel spend continues to grow rapidly and many are moving from Hong Kong to Europe for luxury shopping. According to Indian travel agents, this year's travel trends indicate that Greece, Turkey, Russia and China are the emerging new destinations for Indian travellers.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

| Visitor Origins | Ireland Visitors January 2015 – June 2015 | | Northern Ireland Visitors January – December 2014 | |
|-----------------|--|-------------|--|------------|
| | '000s | % YOY | '000s | % YOY |
| Total | 3,876 | +12% | 1,789 | +6% |
| Great Britain | 1,612 | +9% | 1,175 | +1% |
| Mainland Europe | 1,377 | +13% | 265 | +9% |
| North America | 659 | +15% | 227 | +38% |
| ADM | 228 | +12% | 122 | +2% |

Sources: CSO, NISRA

Data from the Central Statistics Office (CSO) indicates that overseas visitors to Ireland for the January to June 2015 period increased by +12% when compared to the same period last year. This suggests it was the best ever January-June period on record to Ireland overall. Growth was seen from all market areas - North America (+15%), Mainland Europe (+13%), Australia and Developing markets (+12%) and Great Britain (+9%).

According to NISRA, total overseas visitors to Northern Ireland in 2014 grew by +6% when compared to 2013. Growth was seen from all main market areas. Overseas holidaymakers increased by +11% when compared to 2013, with British holidaymakers up +12%. Strong holidaymaker growth was also seen from Mainland Europe (+19%) and North America (+16%). Results for the first quarter of 2015 are due for release by NISRA later in July.

4.2 Air and Sea Connectivity

| Air Access | Summer 2015 vs. Summer 2014 | | |
|-----------------|-----------------------------|-------------|------------|
| YOY % Change | Ireland | NI | Island |
| Great Britain | +6% | +8% | +7% |
| Mainland Europe | +8% | +20% | +9% |
| -France | +5% | +10% | +5% |
| -Germany | +5% | NA | +5% |
| North America | +16% | NC | +15% |
| ADM | +27% | NA | +27% |
| Overall | +9% | +10% | +9% |

Source: TTC Access Inventory Report 2015 on direct one-way weekly seat capacity. Capacity is estimated at a single point in time for the season. NA= Not applicable NC = No change

Summer 2015 will see an estimated 492,000 direct, one-way air seats available each week, a +9% increase in capacity to the island of Ireland compared to the same period last year. This growth is coming from all market areas and is close to the record level of summer 2008 (498,000 one-way seats).

Air seats to Ireland are also estimated to have grown this summer by +9% YOY. Developments contributing to this growth include a new Aer Lingus flight from Washington DC, a new United Airlines flight from Chicago, a new Ethiopian Airlines flight from Los Angeles, a new Transavia service from Paris, as well as other new routes including Finnair from Helsinki and SAS from Gothenburg.

Air seats to Northern Ireland are estimated to have grown by +10% YOY this summer. There is a new Vueling service from Barcelona and Jet2 have a new service from Verona. KLM's new route from Amsterdam Schiphol opens up great opportunities through the KLM worldwide network.

It is estimated that up to 234 ferry sailings per week are operating in each direction on the Irish Sea this summer, providing capacity for almost 50,000 cars. Stena Line is consolidating its services from Holyhead to Dublin Port, withdrawing its seasonal HSS Stena Explorer service between Holyhead and Dun Laoghaire. This will result in a marginal decrease in peak season capacity, but an increase over the rest of the year. It is anticipated that other Irish Sea services will operate on similar levels to 2014. Up to nine sailings each way per week will operate between France and Ireland this summer, providing for an average weekly capacity of up to 2,855 cars in each direction.

4.3 Total Passenger Numbers

| | Total Pax 2014* | Apr 15 | May 15 | Jun 15 |
|-------------------------------|--------------------|--------|--------|--------|
| Dublin Airport | 21.7m | +11% | +13% | +18% |
| Shannon Airport | 1.6m | -3% | +4% | +1% |
| Cork Airport | 2.1m | -9% | -3% | -4% |
| Ireland West Airport Knock | 0.7m | +3% | +3% | |
| Belfast International Airport | 4.0m | +5% | +8% | |
| Belfast City Airport | 2.6m | +5% | +7% | |
| City of Derry Airport | 0.4m | -19% | -23% | |
| All ROI Airports | 26.3m | +8% | +11% | |
| All NI Airports | 6.9m | +4% | +6% | |
| All UK Airports | 241m | +3% | +5% | |
| All German Airports | 209m | +5% | +6% | |
| All Norwegian Airports | 55m | -3% | -1% | |
| All Swedish Airports | 40m | +2% | +2% | |
| ROI sea passengers | 3.2m | -5% | 0% | |
| NI sea passengers | 2.1m | -6% | 0% | |

Sources: Annaero, DAA, Fáilte Ireland, Ferrystat. *Total Pax 2014 is the passenger traffic (in millions) at the airport(s)/seaports estimate NA=Not available

The latest available passenger data indicates that air and sea ports on the island of Ireland are generally experiencing a good year.

Aer Lingus reports that total passengers (inbound and outbound) for the first half of 2015 declined by -0.9% when compared to the same period in 2014. Ryanair announced passenger growth of +14% in June contributing to +14% growth also in the twelve months to June 2015, carrying over 94m million passengers.

4.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)





| | May 2015 v May 2014 % change | Jan-May 2015 v Jan-May 2014 % change |
|-------------------|---------------------------------|---|
| Island of Ireland | +4% | +7% |
| Ireland | +4% | +7% |
| Northern Ireland | +8% | +5% |
| Scotland | 0% | +2% |
| England | +2% | +3% |
| Italy | +4% | +3% |

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

The latest available STR data indicates that hotels on the island of Ireland are experiencing a good year. However, it is not possible to break out overseas bookings from domestic business.

According to NISRA the number of hotel rooms and bed-spaces sold in February 2015 increased by +1% and +18% respectively. This represents the highest recorded rooms and bed-spaces sold for February since records began. NISRA also reports that total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland increased by +24% in February 2015, when compared to the same month in 2014. Again it is not possible to break out overseas from domestic bookings.

4.5 Island of Ireland Industry Feedback

| Barometer | What they said ... |
|--|--|
| <p>Bright</p>  | <p>Accommodation providers</p> <p>Sentiment across the island is very positive. In Ireland, accommodation providers are feeling a definite uplift in the number of overseas guests this year. Advance bookings for the remainder of the year are also up across the board. In Northern Ireland, May was a strong month for many in the accommodation sector and forward bookings for the remainder of the peak season are looking very good. The leisure market is driving business and all main markets are contributing to growth. Revenue and occupancy increases are evident among Belfast hoteliers. In Derry~Londonderry, tour groups are underpinning strong growth in overseas visitors to the city.</p> |
| <p>Bright</p>  | <p>Sea and air carriers</p> <p>A major sea carrier indicated that the first half performance from GB was well up on last year, with the German and French markets seeing marginal increases. It also indicated that summer bookings from GB are encouraging and that the German market is also ahead of last year. Bookings from France are slightly ahead of the good performance experienced in 2014. Another sea carrier experienced a particularly high volume of bookings to Northern Ireland in recent weeks which they attribute to a variety of events taking place there. Strong sales have been reported by air carriers operating routes from all markets; however, performance on routes from regional European cities is mixed. Transatlantic loads are performing very well again this year especially when viewed against what was a very strong 2014.</p> |
| <p>Bright</p>  | <p>Attractions</p> <p>Enquiries and interest in visiting Belfast are well up on last year and festivals and events are drawing strong volumes of visitors into the city. A key Causeway Coast attraction reported a very busy season so far, with double-digit growth in visitors in the twelve months to June. The main markets have all delivered increased visitor numbers, and FIT is driving the majority of business. Major attractions in Dublin and along the Wild Atlantic Way are experiencing robust annual growth on the back of solid 2014 visitor volumes.</p> |
| <p>Bright</p>  | <p>Business Tourism</p> <p>Conference organisers have indicated that business is growing and conferences are getting larger. However, they continue to report a shortfall in four-star hotel capacity in central Dublin, limiting their bidding power for larger conferences and resulting in a loss of potential business. Belfast is seeing a steady flow of conference business, with associated revenue and bed-nights set to continue for the remainder of the year.</p> |

Source: Based on feedback from island of Ireland industry sources, July 2015

4.6 Tourism Ireland Market Feedback

Great Britain: The majority of trade partners have experienced growth in business to the island of Ireland so far this year and continue to report good booking levels for the summer season. This buoyant sentiment is echoed, also, by many air and sea carriers, who cite the strong pound to euro exchange rate as having a positive impact in bookings to Ireland. Both traditional tour operators and online travel agents (OTAs) are seeing an increase in business to Ireland and Northern Ireland compared to last year.

North America: All transatlantic airlines are expressing positive sentiments for both yields and load-factors to the island of Ireland this summer. Golf Operators are reporting an excellent year, with limited capacity remaining on some courses in Northern Ireland. Escorted Tour Operators are reporting a mixed year with some large island of Ireland operators seeing a small contraction in business. Concerns have been expressed that the Tunisian tragedy may negatively impact the late booking market. In Canada, tour operators report that bookings for Europe are slow. However, they do not feel that the island of Ireland has been impacted as much as other European destinations. A key tour operator reports that island of Ireland business is up +10% YOY.

Mainland Europe: Europe has had a very strong year to date with the first six months of 2015 breaking previous records for visitors to Ireland. As a result, Ireland is gaining market share in many of our chief European markets. Increasing interest and intent to visit levels from key markets are resulting in a very positive outlook for future bookings. Increased direct air capacity and new routes from Italy, France, Spain, Germany, Benelux and the Nordics are all contributing to the positive picture.

Australia & Developing Markets: Despite some softening in demand for travel to Europe, Australian partners are generally reporting that travel to the island of Ireland remains strong. Tour operators in China and India continue to report increased enquiries and bookings for the island of Ireland and cite the introduction of British-Irish Visa Scheme as a boost to awareness levels for the island of Ireland.

5. Conclusion

Performance for the year to date has been strong and sentiment among island of Ireland industry and overseas trade partners remains very positive. For the most part, enquires and bookings have been on a par with, or ahead of, 2014 levels. This bodes well for a busy summer season, aided by favourable exchange rates in some of our key source markets and further increases in air access capacity.

Tourism Ireland's busy promotional programme continues in markets across the world. Key promotional themes include the Wild Atlantic Way and the Causeway Coastal Route, Dublin, Ireland's Ancient East, top Festivals and Events, Yeats 2015 and ID2015.

Ends
