



Enniskillen Castle, County Fermanagh

SOAR

(Situation & Outlook Analysis Report)

December 2016

Summary Headlines

- **Overseas visitors to Ireland** grew to record levels in the first ten months of 2016, with almost 8.3 million arrivals based on CSO estimates. This represents an increase of almost +12%, or nearly 860,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas - North America (+18%), Great Britain (+12%), Mainland Europe (+10%) and Australia and Developing markets (+1%). In the first half of the year overseas holiday visitors grew by +12% and revenue from holidaymakers grew by +9% when compared to the same period in 2015.
- According to NISRA, **overseas visitors to Northern Ireland** grew by +9% for the first half of 2016, when compared to the same period in 2015. Holiday visitors grew by +16% and revenue from overseas visitors to Northern Ireland grew by +14% (£245 million). GB, which accounted for 70% of all overseas visitors to Northern Ireland in the first half of 2016, grew by +10% with holiday revenue from GB up +29%. Leading attractions in Northern Ireland report strong increases in overseas visitors into the high summer and autumn seasons.
- The 2016/17 winter season is estimated to see a +4% increase in direct one-way weekly **air seats** available to the island of Ireland, when compared to the same period last winter. **Ferry capacity** to the island is expected to be same as last winter.
- **Industry sentiment** on the island of Ireland and the outlook from overseas trade partners remains positive. Accommodation capacity constraints in key tourism centres and the uncertainty surrounding the EU referendum in the UK remain the principal concerns for 2017.
- Tourism Ireland **launched its marketing plans for 2017** recently in Dublin and Belfast and details are now available on www.tourismireland.com

2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reports that international tourist arrivals worldwide grew by an estimated +4% in the first nine months of 2016, compared to the same period last year.

Asia and the Pacific (+9%) and Africa (+8%) saw the highest growth during the January-September period, while Europe recorded a +2% increase in arrivals. Northern Europe, of which the island of Ireland is part, experienced +6% growth. Results are summarised in the table beneath illustrating market share growth for Ireland and Northern Ireland so far in 2016.

UNWTO Global Performance	
International Arrivals	Jan-Sept 2016 YoY % +/-
World	+4%
Africa	+8%
Asia Pac	+9%
Americas	+4%
Middle East	-6%
Europe	+2%
Northern Europe	+6%
Northern Ireland (NISRA) (Jan-June)	+9%
Ireland (CSO) (Jan-Oct)	+12%

Sources: UNWTO, NISRA, CSO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

In 2017, Tourism Ireland aims to grow overseas tourism revenue by +4.5%, to €5.7 million for the economies north and south. In terms of visitor numbers, the goal is to welcome 10.6 million overseas visitors, of which 9 million will visit Ireland and 2.15 million will visit Northern Ireland, making it another record year. Factors working in our favour include increased airlift from North America, Germany and Scandinavia, as well as expanded services via the Middle East from long-haul countries; strong economies in key source markets such as the US and Mainland Europe; and the strength of the island of Ireland 'brand' (or image abroad).

The result of the UK referendum on EU membership has brought uncertainty and may have consequences for travel from Great Britain to all destinations, including the island of Ireland. According to Oxford Economics, the UK outbound market is projected to decline by -2.5% next year as sterling is expected to weaken against the euro. While this would make overseas travel more expensive for British holidaymakers to Ireland, visitors from Britain, the US and Europe would find Northern Ireland more competitive as the weak pound makes it a less expensive travel destination.

Oxford Economics forecasts the global economy to grow by +2.5% and world tourism to grow by +4% in 2017. The outbound markets of North America and Mainland Europe - key source markets for the island of Ireland - are both projected to grow again next year according to Oxford Economics.

3.2 Economic Indicators

Great Britain

Following a stronger than expected outturn in Q3, and evidence that the economy is carrying greater momentum into Q4, Oxford Economics has revised up its forecasts. It now expects GDP growth of 2.1% in 2016 and 1.4% in 2017. The depreciation of the pound since the referendum has led to higher import and consumer prices. Oxford Economics expects to see CPI inflation rise from its current rate of 1% to just under 3% in H2 2017, and higher inflation may eat into household spending. Corporate confidence is now weakening in light of the potential impact of Brexit on businesses, which is likely to weigh on hiring plans, leading to potentially increased unemployment.

2016 GDP Forecast:	+2.1% (up from 1.9%)
2017 GDP Forecast:	+1.4% (up from 1.2%)
CPI 2016:	+0.7% (down from +0.8%)
CPI 2017:	+2.7% (up from +2.1%)
Unemployment:	4.9% (no change)
Exchange rate(€/£):	€1: £0.85 (down from £0.90)

USA

Markets appear to have adopted a 'glass half-full' view of the recent election outcome. While lower taxes, more infrastructure spending and reduced regulation may be positives for businesses, increased policy uncertainty, more trade protectionism and stricter immigration rules are important constraints to economic growth. A strong dollar, sluggish global growth and reduced oil and gas investment may continue to dampen the economy; however business activity is slowly firming. Strong income growth should support spending and housing activity.

2016 GDP Forecast:	+1.5% (down from +1.6%)
2017 GDP Forecast:	+2.0% (down from +2.3%)
CPI 2016:	+1.2% (up from +1.1%)
CPI 2017:	+2.0% (down from +2.2%)
Unemployment:	4.9% (no change)
Exchange rate (€/€):	€1: \$1.06 (down from \$1.10)

France

Solid consumer spending and rebounding investment should lift economic growth to +1.3% in 2016 and support average growth of +1.5% over the following few years. Consumer confidence remains close to its highest level since the financial crisis, with households upbeat about job prospects and future earnings. With inflation set to rise to +1.3% in 2017, household real disposable income will find support in a recovering labour market.

2016 GDP Forecast:	+1.3% (no change)
2017 GDP Forecast:	+1.5% (up from +1.4%)
CPI 2016:	+0.2% (no change)
CPI 2017:	+1.3% (no change)
Unemployment:	10.5 % (up from 10.3%)

Germany

In response to the weaker than expected Q3 outturn, Oxford Economics has cut its 2016 GDP growth forecast from +1.8% to +1.7%. It also expects growth in 2017 to slow further, reflecting the economy's weak potential prospects. However, encouragingly, domestic demand prospects remain solid and the labour market recovery continues. Inflation will eat into real income growth as it is expected to rise from +0.5% this year to +1.8% in 2017. However Oxford Economics expects consumer spending growth to ease only slightly from 1.4% to 1.2%.

2016 GDP Forecast:	+1.7% (down from + 1.8%)
2017 GDP Forecast:	+1.4% (down from + 1.5%)
CPI 2016:	+0.5% (no change)
CPI 2017:	+1.8% (no change)
Unemployment:	6.0% (down from + 6.1%)

Source: Oxford Economics Briefing and Outlook reports November 2016. (Comparisons are against the last SOAR report)

3.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics (ONS) reports that the number of visits abroad by UK residents during the first nine months of 2016 grew by +7% when compared to the same period last year. According to the CSO, GB arrivals to Ireland for the January-September period were up +13% resulting in an increase in our market share. GB visitors to Northern Ireland grew by +10% YOY in the first half of 2016 with their spend up +16%. Inbound visits to the UK, for the January-September 2016 period, were up +3%, compared to the same period last year. Brexit and terrorism are the main concerns among UK travellers according to travel reports.

North America: The US Department of Commerce reports that the US outbound market to Europe increased by +7% YOY during the January-August period. US visits to the UK grew by +3% YOY during the January-August period of 2016, according to Visit Britain. According to the Conference Board of Canada (CBOC), Canadians made +2% more visits to Europe, YOY, in the first eight months of 2016. Leisure travel by Canadians to the US continues to decline, impacted by a strong US dollar to Canadian dollar exchange rate. The CBOC estimates an increase of +9% in the number of Canadians visiting Ireland, in the January-August 2016 period.

Mainland Europe: The German travel trade report that 2016 has been one of the slowest years for bookings in recent years. The French tourism industry is suffering from the impact of the terrorist attacks, especially in Paris (double digit declines at the Louvre and the Eiffel Tour, contributing to a reported loss of €1 billion in tourism revenue for Paris). Passenger traffic at Italian airports increased +4% YOY in the first nine months of 2016. In Spain, the outbound travel market has increased +19% from January to September this year when compared to the same period in 2015, according to the WTO. The majority of Nordic airports are experiencing passenger growth this year and it has been announced that Keflavik International Airport in Iceland will join Stockholm Arlanda in offering pre-clearance facilities for US bound travellers.

Australia & Developing Markets: In Australia, the outbound travel market for overseas holidays remains solid with largest percentage increases this year for Canada (+22%) and Indonesia (+20%). Chinese outbound travel is growing steadily and more destinations are on offer, arising from changing visa policies and expanding product offerings from OTAs.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Visitors		Northern Ireland Visitors	
	January 2016 – October 2016		January – June 2016	
	'000s	% YOY	'000s	% YOY
Total	8,278	+12%	940	+9%
Great Britain	3,335	+12%	654	+10%
Mainland Europe	2,890	+10%	139	+13%
North America	1,585	+18%	95	+4%
ADM	468	+1%	52	+2%

Sources: CSO, NISRA

Overseas visitors to Ireland grew to record levels in the first ten months of 2016, with almost 8.3 million arrivals, based on CSO estimates. This represents an increase of almost +12%, or nearly 860,000 additional overseas arrivals, when compared to the same period in 2015. Growth was seen from all market areas - North America (+18%), Great Britain (+12%), Mainland Europe (+10%) and Australia and Developing markets (+1%). In the first half of the year, overseas holiday visitors grew by +12% and revenue from holidaymakers grew by +9% when compared to the same period in 2015.

According to NISRA, overseas visitors to Northern Ireland grew by +9% for the first half of 2016, when compared to the same period in 2015. Holiday visitors grew by +16% and revenue from overseas visitors to Northern Ireland grew by +14% (£245 million). GB, which accounted for 70% of all overseas visitors to Northern Ireland in the first half of 2016, grew by +10%, with holiday revenue from GB up +29%. Leading attractions in Northern Ireland report strong increases in overseas visitors into the high summer and autumn seasons.

4.2 Air and Sea Connectivity

Estimates

Air Access Seat Capacity Estimates		Winter 2016/17 vs. Winter 2015/16		
YOY % Change	Ireland	NI	Island	
Great Britain	+1%	+1%	+1%	
Mainland Europe	+4%	+109%	+8%	
-France	-7%	NC	-6%	
-Germany	+4%	NA*	+7%	
North America	+17%	NC**	+17%	
ADM	-9%	NA	-9%	
Overall	+3%	+8%	+4%	

Source: TTC Winter Access Inventory Report 2016/17 on scheduled direct one-way weekly seat capacity. Capacity is estimated at a single point in time (December) for the season. NA= Not applicable NC = No change * Note: Germany-Northern Ireland new service offering 567 one way seats per week. ** United Airlines have announced the discontinuation of their Newark to Belfast service from January 2017

The 2016/17 winter season is estimated to see a +4% increase in direct one-way air seats available per week to the island of Ireland, when compared to the same period last winter. There will be approximately 418,000 one-way weekly seats available, the largest number since the winter period of 2008/09 when there were just over 440,000. Ireland is expected to see a +3% increase in air seats available and Northern Ireland a +8% increase.

Key air announcements for this winter season include Ryanair adding new routes and frequency to their network including Berlin and Milan to Belfast, Aer Lingus's expanded transatlantic services and KLM introducing a new Amsterdam-Dublin service.

Ferry capacity this winter is expected to remain unchanged.

4.3 Total Passenger Numbers

	Total Pax 2015*	August 16 YOY % change	Sept 16 YOY % change	Oct 16 YOY % change
Dublin Airport	25m	+9%	+11%	+9%
Shannon Airport	1.7m	+2%	0%	-3%
Cork Airport	2.1m	+13%	+5%	0%
Ireland West Airport Knock	0.7m	+16%	+6%	+6%
Belfast International Airport	4.4m	+14%	+18%	
Belfast City Airport	2.7m	+2%	0%	
City of Derry Airport	0.3m	+13%	+15%	
All ROI Airports	29.5m	+9%	+10%	
All NI Airports	7.4m	+10%	+11%	
All UK Airports	255m	N/A	N/A	
All German Airports	216m	0%	+5%	
All Norwegian Airports	54m	+1%	+1%	
All Swedish Airports	41m	+4%	+3%	
ROI sea passengers	3.2m	-4%	-3%	
NI sea passengers	2m	-3%	+2%	

Sources: Annaero, DAA, Shannon Group, IWAK, Fáilte Ireland, Ferrystat. *Total Pax 2015 is the passenger traffic estimate (in millions) at the airport(s)/seaports N/A=Not available

Published air passenger traffic results to the island of Ireland, (which include connecting transit business) are mainly positive. Airlines report that, although traffic volumes are up, they are having to discount fares heavily in order to sustain demand.

Ryanair reports its total rolling annual traffic grew by +16% to over 114m customers in the 12 months to October 2016. According to IAG, Aer Lingus traffic (measured in revenue passenger kilometres RPKs) in October 2016 was up by +12.9% on October 2015.

Sea passenger numbers to Ireland, which include Irish residents, are -3% for the year to October YOY. Sea passengers to Northern Ireland are flat for the same period.

4.4 Accommodation

Hotel accommodation data estimates

	January-October 2016 v January-October 2015 Hotel Rooms Sold % change	January-October 2016 v January-October 2015 Average Daily Rate % change
Island of Ireland	+1%	+13%
Ireland	+1%	+15%
Northern Ireland	+1%	+6%
Scotland	+1%	0%
England	+1%	+2%
Italy	-2%	-2%

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

The hotel data specialist STR, which has a strong representation of hotels from Dublin and Belfast, indicates that hotels on the island of Ireland experienced marginal growth in the first ten months of the year in terms of hotel rooms sold. It is not possible to break out overseas bookings from domestic business. However, average daily rates in Ireland have grown significantly in the past year.

The number of hotel rooms sold in Northern Ireland for the first nine months of 2016 increased by +3% when compared to the same period in 2015, according to NISRA. Northern Ireland hotels achieved record room occupancy levels over the summer period, with August occupancy reaching 88%, the highest ever achieved.

NISRA also reports that Guesthouse/B&B/Guest Accommodation delivered a very strong performance during the period January to September, with rooms sold growing +30% YOY. However, it is not possible to break out overseas bookings from domestic business.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	Accommodation providers The Northern Ireland hotel sector is reporting a strong performance for this year with growth across all sectors and regions. The tour market has held up well, with business tourism and FIT markets also performing well. Hotels and guesthouses in Ireland have had a very strong year with good increases in bookings and growth from all key overseas markets. Dublin hotels are still operating at maximum capacity, with little potential to expand; however, properties on Dublin's doorstep are reported to be benefitting from the overflow. B&Bs outside the main cities and tourism hotspots have also benefited in overflow business where there have been accommodation capacity constraints.
Mixed 	Air and sea carriers Air carriers are experiencing a strong year with lower fares stimulating demand. The increased air access from North America is performing very well with peak season air fares to Europe being the lowest in several years. There has also been strong growth in business from Europe. A leading sea carrier has commented that trading conditions have been tough in GB following the EU referendum. Sales have begun to pick up since September and they are hopeful this will continue, however there is unease that a further drop in sterling would significantly stifle consumer confidence.
Bright 	Attractions Dublin's main attractions continue to experience growth in overseas visitor numbers, and attractions in Ireland's Ancient East also report a very good year. On the Wild Atlantic Way, attractions have experienced strong growth with a great response to product enhancements. Key Northern Ireland visitor attractions have reported significant increases in overseas visitor numbers with a major Belfast attraction reporting record growth from overseas. Derry~Londonderry is also reporting strong double-digit growth.
Mixed 	Tour Operators Tour Operators are reporting a good year but remain cautious about the long term implications of increases in rates and capacity issues, as well as the impact of Brexit and the US election. Business Tourism is performing well from the US and Mainland Europe, however GB performance remains uncertain following the Brexit vote.

Source: Based on feedback from island of Ireland industry sources, November 2016

4.6 Tourism Ireland Market Outlook

Great Britain: The majority of GB partners are reporting on a good year for travel to the island of Ireland with many seeing excellent growth YOY. Many GB operators are concerned about the sterling/euro exchange rate for 2017 which will increase the price of their Ireland programmes. However, many are still adding new Ireland tours. Ongoing feedback suggests that capacity continues to be a challenge for the market, with many tour operators reporting that they are experiencing difficulty with 2017 rates and allocations. The effect of the EU referendum result on holidays to the island of Ireland in the long term remains uncertain.

North America: US tour operators are reporting up to a +10% increase in their tour business to the island of Ireland in 2016. However, FIT traffic is flat. Looking forward to 2017, escorted operators are reporting a positive advance booking pipeline (+5% to +10%). There has been consistent feedback from operators on the rise in demand of multi-country trips (Ireland primarily coupled with England, Scotland, Wales, France and Italy). Rising hotel prices in Dublin with low availability is the biggest issue for operators. US authorities have granted Norwegian Air a permit to operate services between Cork and the US. However, WOW, the low cost Icelandic carrier, will operate a Cork to Reykjavik service in 2017 that has connection options to several east coast US cities. United Airlines has announced the discontinuation of its Newark to Belfast service from January 2017. It will continue its Dublin and Shannon operations. Canadian tour operators are reporting solid interest in the island of Ireland with bookings on a par with this time last year.

Mainland Europe: Europe continued to show steady growth in visitor numbers over the period July-September, with nearly all markets recording growth. Spain, Italy and Benelux led the way, with Benelux, thanks to the significant increase in access, delivering the largest contribution to European growth this year. The majority of German tour operator and carrier partners are very satisfied with 2016 bookings, although challenges remain around availability and increasing room prices. Destination marketing campaigns are in full swing, along with carrier cooperative campaigns, in order to drive awareness and conversion in the final months of the year and into Q1 2017.

Australia & Developing Markets: Feedback from Australian operators on forward bookings is mixed. We are now in the midst of the important Early Bird period, where airlines and operators offer discounts on 2017 fares and packages to Europe. While some operators report an increase in enquiries, anecdotally, consumers are holding off booking due to global uncertainties. The British Irish Visa Scheme and short stay visa waiver scheme continue to impact, and a greater number of enquiries and bookings to the island of Ireland have been experienced by the Indian travel trade.

5. Conclusion

Performance for the year has been strong with growth in visitor numbers from all main market areas around the world. Figures indicate that we are heading for a record year for tourism to the island of Ireland. Sentiment is positive among tourism industry partners overseas, as well as tourism businesses across the island.

Tourism Ireland remains alert to external risks, including the consequences of the EU referendum in the UK. We continue to monitor the implications closely and to liaise with key stakeholders, at home and overseas. Britain remains a very important source market for tourism to the island of Ireland and a focus for our busy promotional programme. We continue to monitor exchange rates and pricing levels here and the potential impact on the tourism sector of any shifts.

Tourism Ireland is redoubling its efforts to keep the growth momentum going and ensure that the island of Ireland continues to increase its share of the global travel business. We launched our marketing plans for 2017 recently in Dublin and Belfast and details are now available on www.tourismireland.com

Ends