



Cuilcagh Mountain, Counties Fermanagh & Cavan

SOAR (Situation & Outlook Analysis Report) October 2017

1. Summary Headlines

- **Latest official figures for overseas arrivals to Ireland** from January to August show a record 6.7 million visitors, an increase of +2.5%. This equates to 160,000 more arrivals than the same period last year. It has also been a record period for all main market areas, with the exception of Great Britain, which has seen a decline of more than 190,000 arrivals when compared to 2016; it is, however, still +5% ahead of 2015. North America and our long-haul markets continue to perform exceptionally well. Arrivals from North America were up +18% for January to August. Visitors from Australia and Developing Markets grew by +17% for January to August; and arrivals from Mainland Europe grew by +3%. The decline in numbers from Britain continues to be a real concern.
- According to NISRA, in the January to March 2017 period, **overseas visitor figures to Northern Ireland** grew by +8% when compared to the same period in 2016. Holiday visitors grew by +23%; and revenue grew by +7%, to more than £98 million, for this three-month period. There were significant holidaymaker increases recorded from GB (+23%), North America (+31%) and Mainland Europe (+32%); and Northern Ireland industry sentiment continues to be upbeat. The next release from NISRA will be on October 19th.
- Overall, **industry sentiment** across the island of Ireland and from overseas trade partners remains positive. Business is strong and intelligence reports suggest that bookings and performance are ahead of last year. Northern Ireland is performing well this year and also seeing the benefit of its currency advantage. However, sources in Ireland reflect the CSO results and report declines from the British market and from some European markets. Competitiveness challenges, as a result of accommodation capacity constraints in the main tourism centres and the impact of Brexit on exchange rates, continue to remain the key concerns for industry and trade partners. Tourism Ireland is maintaining its close consultation with stakeholders on the island of Ireland and overseas and is closely monitoring the impact of recent terrorist incidents and the implications of Brexit, on all markets.
- Both STR hotel data and industry sources report a **strong performance for hotels** across the island for the January–August period and a generally positive outlook for the rest of the year. STR reports that occupancy in Northern Ireland has increased by +4% YOY for the first eight months, with average daily rate increasing by +12%; while Ireland has recorded more modest growth of +2% in occupancy and +7% for average daily rate.

2. Global Outlook

Visitor numbers reported by destinations around the world reflect strong demand for international travel in the first half of 2017, according to the UNWTO's latest World Tourism Barometer. Worldwide, international tourist arrivals (overnight visitors) for January to June increased by +6% compared to the same period in 2016. This performance is stronger than the sustained and consistent trend of +4% or higher growth since 2010 and represents the strongest half-year in seven years.

Results are underpinned by robust growth in many destinations and a continuation of the recovery in those that suffered declines in previous years. Of UNWTO regions, growth was strongest in the Middle East (+9%), Europe (+8%) and Africa (+8%), followed by Asia and the Pacific (+6%) and the Americas (+3%).

Mediterranean destinations reported particularly strong growth in the first half of 2017, as reflected in the results for Southern and Mediterranean Europe (+12%), North Africa (+16%) and the Middle East (+9%). This trend is driven by the continued strength of many destinations in the area, combined with a significant rebound in destinations that suffered decreases in previous years, such as Turkey, Egypt and Tunisia.

Arrivals growth in this period was fuelled by strong outbound demand from major source markets. In particular, Canada, China, France, the Republic of Korea, Spain, the United Kingdom and the United States continued to report solid growth in outbound expenditure. This first half-year also saw a strong recovery in demand from Brazil and the Russian Federation after a few years of declines in terms of expenditure abroad.

Global Performance 2017	
International Arrivals	January - June 2017 YoY% +/-
World	+6%
Africa	+8%
Asia Pacific	+6%
Americas	+3%
Middle East	+9%
Europe	+8%
Northern Europe	+8%
Northern Ireland (NISRA Jan-Mar)	+8%
Ireland (CSO, Jan-Aug)	+3%

Source: UNWTO, CSO, NISRA

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

At present, the key economic metrics in our top inbound source markets continue to be positive in the main for 2018. This is expected to translate into continued growth in travel for next year. However, if the euro and dollar remain strong against the pound it may have a positive effect for Northern Ireland, while having a negative effect on travel to Ireland next year.

Sterling weakness has already provided a significant boost in inbound tourism to the UK (including Northern Ireland), with arrivals for January to July increasing by +9%, according to the ONS. Data from *ForwardKeys* suggests that international arrivals to the UK will be up +9% for August to October this year, compared to the same period last year. At the same time, domestic tourism in the UK is benefitting from a rise in 'staycations'.

Despite the increase in costs for overseas travel, the UK outbound market has continued to grow in 2017. Between January and July this year there has been a modest increase of +3% in travel, despite a slight softening in travel to North America (-2%). The +3% represents an increase of over 1 million additional trips: 609,000 extra trips to Other Areas (+12%) and >500,000 to Europe (+2%). However, according to the CSO, travel to Ireland decreased by -6% over the same period.

3.2 Economic Indicators

Great Britain Oxford Economics expects the UK to grow by +1.7% this year and +1.5% in 2018, unchanged from last month. However, there is clear evidence that high inflation is softening growth in consumer spending. With businesses wary of investing in a climate of Brexit-related uncertainty and the British Government continuing with its programme of fiscal austerity, growth is likely to remain subdued over the next couple of years.	2017 GDP Forecast: +1.7% (no change) CPI 2017: +2.7% (down from +2.9%) Unemployment: 4.4% (no change) Exchange rate(€/£): €1:£0.88 (down from €1:£0.92)
USA Oxford Economics expects the US economy to average +2% to +2.5% growth in the second half of the year, supported by stable business investment and steady consumer spending. It is expected that Hurricanes Harvey and Irma will dent Q3 GDP growth by around 0.4%. Growth is forecasted to pick up modestly to +2.4% in 2018, on the back of a modest fiscal stimulus programme. Solid employment growth and gradual increases in wages should support household income and boost consumer confidence.	2017 GDP Forecast: +2.2% (up from +2.1%) CPI 2017: +2.0% (up from +1.9%) Unemployment: 4.4% (no change) Exchange rate (€/£): €1: \$1.17 (down from \$1.19) Exchange rate (£/\$): £1: \$1.33 (up from \$1.30)
France Solid consumer spending and investment are expected to lift GDP growth to 1.7% in 2017 and these factors should help support growth over the next few years. Job vacancies are rising at their fastest pace in two decades. Inflation is now set to dip to +0.8% in 2018 (from +1% this year) as a stronger euro lowers import prices, giving a small boost to real disposable income.	2017 GDP Forecast: +1.7% (up from +1.6%) CPI 2017: +1.0% (up from +0.7%) Unemployment: 9.8% (up from 9.6%) Exchange rate(€/£): €1:£0.88 (down from €1:£0.92)
Germany Despite the recent softness in some economic data, Oxford Economics expects that the German economy will grow solidly in Q3 2017. The latest labour demand indicators suggest that employment will continue to grow in 2018. The elevated labour demand and robust wage growth are set to provide support to an increase in consumer spending, with tax cuts helping to offset rising inflation in 2018.	2017 GDP Forecast: +2.1% (up from +2.0%) CPI 2017: +1.7% (no change) Unemployment: 5.7% (no change) Exchange rate(€/£): €1:£0.88 (down from €1:£0.92)

Source: Oxford Economics Briefing and Outlook reports 2017. Comparisons are with the September 2017 SOAR report

3.3 Travel Trends in Key Markets

Great Britain: The UK outbound market has continued to grow in 2017 with a modest increase of +3%; this has been driven by an increase in holiday trips, with business and other trips declining for the year to date. While visits to the Republic of Ireland, the US and the Netherlands have all declined, Spain is the big winner and is by far the most popular foreign destination for UK holidaymakers this year, with local sources reporting that there's already significant interest in bookings to Spain for summer 2018.

North America and Australia: US outbound travel to Europe remains buoyant. VisitBritain has reported strong growth of +21% for January to July from North America, equating to 2.9 million visitors for the first seven months of 2017. Air France is currently running an extensive TV campaign in the US market and tour operators have reported that bookings for France are already strong throughout 2018. The increase in air capacity to Europe and arrival of new low cost flight options are resulting in a much shorter booking window and bookings are still being made for 2017 at only four weeks' notice. Australia's outbound market is benefiting from new routes and services with modest growth this year. The Australian Bureau of Statistics reports strong outbound growth for Italy (+16.5%) and the UK (8.3%) in July.

Mainland Europe: Outbound holidays from **Germany** have been strong year to date, with a positive outlook for the rest of the year and healthy bookings for the early part of 2018. Turkey and Tunisia are starting to see a resurgence in demand from the German market and also from France. Market trade partners in **France** report that the island of Ireland is still competing strongly with Scotland for group business, with their offering remaining slightly more expensive in spite of currency declines. Local intelligence also reveals that VisitBritain is focusing on developing the Wales brand. The outbound market from **Spain** is performing extremely well, with latest figures released by the Spanish National Statistics Office showing a performance of +7.9% for the first six months of the year. As well as the island of Ireland, Britain and Germany are also showing good growth. The outlook for the remainder of the year is positive, particularly in the city break market. In **Italy**, airports saw passenger growth of +6.8% from January to July (99.6 million) and July was a record month, with +7.2% growth. Denmark is proving popular with Italians, seeing a +9.9% growth in overnights in the past 12 months. **The Netherlands** is also enjoying a strong performance in outbound travel, with all Northern European destinations seeing growth this year. Scandinavia is performing particularly well, with Iceland and Norway proving most popular.

Developing Markets: In **China**, research shows that 60% of outbound trips are made by 18-34 year olds, and Chinese travellers born in the 90s spent an average of 35% of their income on international travel in 2016, versus 28% overall. Travel accounted for 9% of China's economy last year and is expected to grow +8% annually over the next decade, the highest rate of any major economy. Outbound travel in **India** is expected to grow by an annual rate of +8.2% over the period 2016-2021. The business travel industry is also growing there, at a rate of +16.2% from 2011-2016, and projections of +7.2% each year to 2027, according to a report by Travelport and the World Travel and Tourism Council (WTTC).

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland arrivals (8 month arrivals) January – August 2017		Northern Ireland visitors (3 month visitors) January – March 2017	
	'000s	% YOY	'000s	% YOY
Total	6,714,600	+2.5%	406,607	+8%
Great Britain	2,483,200	-7.1%	303,145	+5%
Mainland Europe	2,383,400	+3.2%	54,768	+21%
North America	1,419,400	+17.9%	27,948	+12%
Rest of world	428,600	+16.9%	20,747	+17%

Sources: CSO, NISRA Please note that 'visitors' are that subset of arrivals who overnight in the destination.

Ireland: According to the latest CSO figures, overseas arrivals to Ireland grew by +2.5% overall during the period January to August 2017. North America continues its strong performance this year, with an increase of +17.9%. Visitor numbers from the rest of the world, including Australia and Developing Markets, were also very positive for the first eight months, up +16.9%. Arrivals from Mainland Europe grew by +3.2%, with important markets like Germany, France, the Nordics and Spain continuing to perform well. Great Britain, however, recorded a decline of -7.1% for this period.

There was a +7% increase in overseas visitor revenue to Ireland in the period January to June this year. Total holidaymakers and holidaymaker revenue were up +9% and +12% respectively for the first half of the year; however, British holidaymakers and holiday spend were down -9% and -8% respectively.

Northern Ireland: NISRA data reports a strong performance for Northern Ireland for the first three months of 2017. Overseas visitors to Northern Ireland grew by +8%, when compared with the same period in 2016. There was strong growth in holidaymakers of +23%; and revenue from overseas visitors to Northern Ireland grew by +7%, to more than £98 million. The next NISRA release, with data for the first six months of this year, will be released on October 19th.

4.2 Air and Sea Connectivity

Estimates

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

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

NA= Not applicable NC = No change

The forthcoming 2017/18 winter season is projected to see a +3% increase in direct, one-way air seats available per week to the island of Ireland, when compared to the same period last winter. It is estimated there will be approximately 430,000 one-way weekly seats available, the largest amount since the winter period of 2008/09 (when just over 440,000 were available), with growth in seat capacity from North America, the Middle East and key European markets.

Ireland is estimated to see a +7% increase in air seats available. However, Northern Ireland is forecast to experience a -10% decline, primarily driven by the winter cancellation of Ryanair's Gatwick-Belfast International Airport service and reduced frequency by British Airways of its Heathrow-Belfast City Airport service.

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

Ferry capacity this winter is expected to be broadly in line with last winter.

4.3 Total Passenger Numbers

	Total Pax 2016*	Aug 2017 % change YOY	Sept 2017 % change YOY
ROI sea passengers	3.1m	+2%	N/A
NI sea passengers	2m	+3%	N/A
Dublin Airport	28m	+7%	+7%
Shannon Airport	1.7m	-5%	-2%
Cork Airport	2.2m	+7%	+6%
Ireland West Airport Knock	0.7m	-4%	
All ROI Airports	32.6m	+5%	
Belfast International Airport	5.1m	N/A	
Belfast City Airport	2.7m	-6%	
City of Derry Airport	0.3m	N/A	
All NI Airports	8.1m	N/A	

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

*Total Pax 2016 is the total traffic (two-way and includes transit passenger) at the airport(s)/seaports

N/A=Not available.

Looking at the first eight months of the year, published air passenger traffic results to Ireland were up +5% (this includes two-way traffic, Irish residents and connecting transit business).

Sea passenger numbers to and from Ireland, which also include Irish residents, were up +2% YOY for the January to August period, while sea passengers to and from Northern Ireland were up +3% YOY for the same period.

4.4 Accommodation

Hotel accommodation data estimates

	Occupancy % change January - August 2017 v January - August 2016	Average Daily Rate % change January - August 2017 v January - August 2016
Island of Ireland	+1.9%	+6.6%
Ireland	+1.6%	+7.0%
Northern Ireland	+4.4%	+11.9%
Scotland	+1.9%	+5.6%
England	+0.9%	+4.5%
Italy	+4.0%	+3.8%

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

The hotel data specialist STR reports that hotels on the island of Ireland experienced good growth in terms of ADR and occupancy in the January to August 2017 period.

Industry sources on the island report that business from the US remains strong, while performance from the GB market continues to remain sluggish. Tour operators point to accommodation capacity constraints in key honeypots as a major barrier to future growth. However, there are a number of hotels under construction, with estimates of an increase of between 7,000 and 10,000 rooms on the island of Ireland by 2020.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	Accommodation providers The Northern Ireland hotel sector is reporting a strong year to date, with good occupancy and room rates. While business from GB has declined, the US and Continental Europe are performing well. There's a strong performance from overseas tour business as well as leisure travellers. Sentiment from across the sector is very positive. In Ireland, hotels and guesthouses are also reporting a strong season across all the main tourist hubs. Dublin in particular is trading very well, with high occupancy and a strong room rate. Sources report a slow performance from Great Britain and some European countries, but business from other main markets is compensating for this.
Bright 	Air and sea carriers Air performance for the first nine months of 2017 has been positive, with increased services for the summer helping to ensure a strong year to date. A leading sea carrier has seen a good year to date, despite a slow start. The market responded well to increased promotions and discounting and this helped to stimulate business. The picture is also positive from Mainland Europe, with business from Germany and France performing well overall and 2017 expected to turn out marginally ahead of last year.
Bright 	Attractions Overall, attractions across Ireland are performing very well, with some very strong individual markets, such as the US, compensating for a more subdued performance from Britain and some Mainland European markets. Northern Ireland visitor attractions are reporting a similarly positive picture, with a significant increase in business for the first nine months of the year.
Mixed 	Tour operators Tour operators report that business from the US remains strong and European markets are also performing well. However, bookings from Great Britain remain muted and are showing very little growth. Overall, tour operators are generally positive about performance this year and are optimistic looking towards December and into 2018. However, the long-term implications of increases in accommodation rates and capacity constraints, in both accommodation and attractions, continue to cause concern.

Source: Based on feedback from island of Ireland industry sources, September 2017

4.6 Tourism Ireland Market Outlook

Great Britain: A mixed landscape in the market overall, with some operators holding their own while others are experiencing a downturn. Online tour operators (OTAs) are faring well and reporting both strong interest in the island and a significant YoY increase in online searches for the island. In addition, regional bookings are also growing strongly for these OTAs.

North America and Australia: The island of Ireland is on track for a fifth record year from North America. Tour operators continue to report a robust year, with bookings holding firm through to year end. All destinations in Europe are reporting strong growth from the US this year. While the euro has strengthened considerably against the dollar, most contracting for 2018 had occurred prior to the euro rebound and it is expected that price increases for most European vacations will be minimal. With consecutive hurricanes hitting the Caribbean and with extensive damage to Florida, it remains to be seen where this displaced traffic will be dispersed during the winter months. Many tour operators are currently active in the market, promoting product to stimulate early spring 2018 travel, and the Q1 booking pipeline is looking strong. The island is facing increased competition from Great Britain, however, as sterling continues to slide and hotel prices and availability remain an issue in some of the island of Ireland's key tourist regions. Local US tour operators are expecting GB to perform very well next year. Access is looking healthy, with Aer Lingus introducing an unbundled low cost saver fare on its transatlantic route, in response to competition from Norwegian and WOW. Aer Lingus has also announced further capacity expansion for summer 2018, which includes a new four times weekly service from Philadelphia to Dublin, as well as season extensions and aircraft changes on some existing routes. In **Australia and NZ**, positive sentiment continues among the travel trade and airlines after a healthy summer season. Looking towards 2018, enquiries are strong and the new service from Cathay Pacific is expected to have a positive impact.

Mainland Europe: In **Germany**, the outlook is positive for FIT business, as bookings for 2018 have already started to come through. However, the situation is not as positive for groups – while interest remains very high, pricing and capacity issues may lead to lower bookings next year. **France** is reporting a strong performance this year, with good growth for tour operators and air and sea carriers, and a positive outlook for the rest of 2017 and into early next year. Sentiment in **Spain** is upbeat on the back of a very strong season and business is good for the rest of the year and into 2018. Business from **Italy** is also looking good, with most operators reporting healthy forward bookings and a positive season past. Overall, trade sentiment across **Belgium** and **the Netherlands** remains very positive. Business is generally strong and intelligence for Q3/4 suggests that bookings and performance are ahead of last year. **The Nordic markets** are also upbeat, with co-op campaigns helping to drive more visitors to the island of Ireland over the winter months.

Developing Markets: Indicators from **China** and **India** continue to remain very positive, with strong growth in both interest and bookings for next year. In China, Northern Ireland is increasingly being included in itineraries, with growing packaging and promotion of Game of Thrones themed tours. The British Irish Visa Scheme and the short stay visa waiver scheme also continue to have a positive effect, with greater numbers of enquiries and bookings for the island of Ireland next year.

5. Conclusion

Overall, sentiment is positive, from both overseas trade partners and tourism businesses across the island of Ireland. However, declining visitor numbers from Great Britain to Ireland continue to cause concern. While Northern Ireland does not appear to be negatively impacted and some stronger-performing overseas markets are counterbalancing these declines, we remain vigilant. According to the UK Office of National Statistics, the UK outbound market grew by +3% during the first seven months of the year, illustrating that Ireland is losing market share from GB. We are attentive to the implications of the market's current macro environment and value for money remains a key message for us. While the continuing depreciation of the pound against the euro provides good opportunities for Northern Ireland, its impact continues to be felt more negatively in other parts of the island. Other main market areas are performing well and many partners are reporting bookings for the island of Ireland ahead of, or at least on a par with, last year.

While hotel occupancy and room rates are performing strongly for providers in both Northern Ireland and Ireland, the challenges associated with capacity and room rates remain a key issue for tour operators, even during the shoulder season.

Tourism Ireland recently launched its autumn promotional campaign to boost late-season travel to the island from around the world. The September to December period usually yields as much as 30% of island of Ireland's annual overseas tourism business and we see this as a key opportunity to boost business as we head towards the end of the year. This campaign is highlighting the many festivals and events taking place around the island this autumn and winter and includes a major focus on city breaks, as well as on attracting visitors to more rural areas over the coming months. We will continue to work closely with industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise the opportunities.

We remain alert to changes in the environment worldwide and continue to monitor risk factors such as pricing levels, exchange rates, global political unease and the global economy.