



Green lighthouse, Dublin Bay

## **SOAR** **(Situation & Outlook Analysis Report)** **July 2016**

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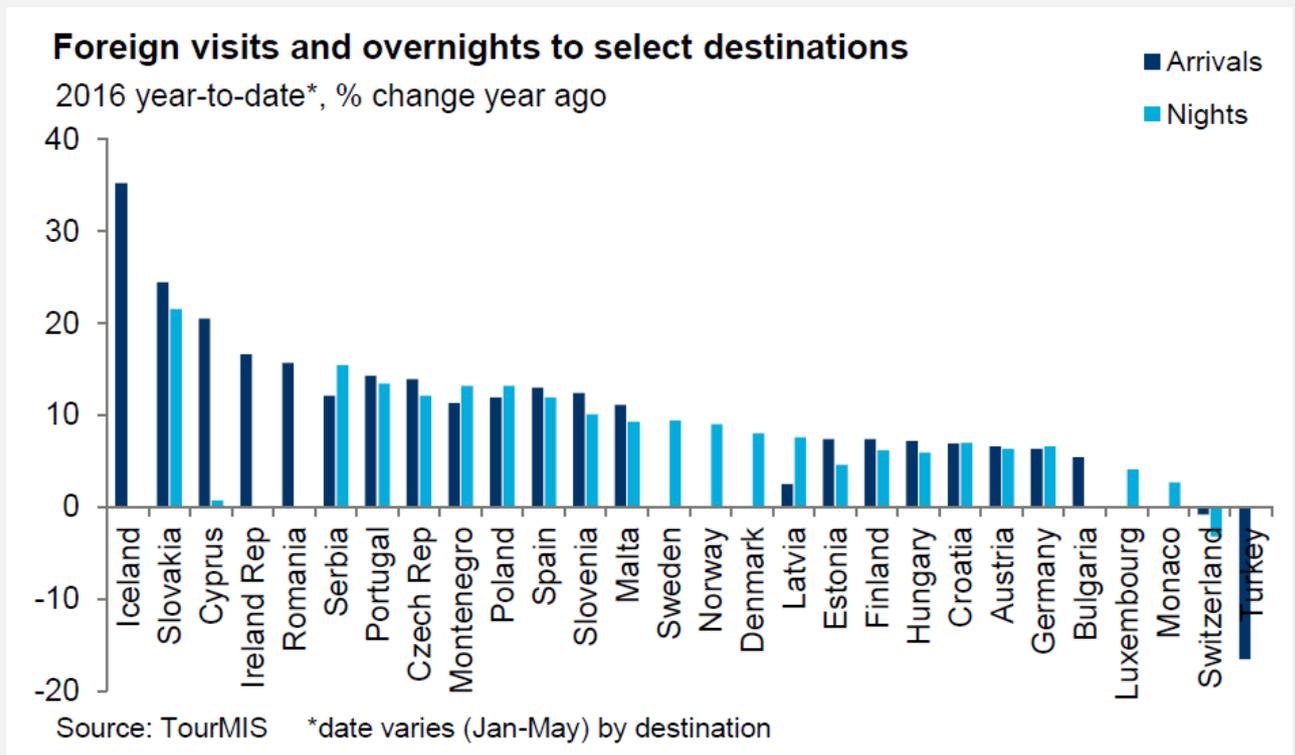
## Summary Headlines

- **Overseas visitors to Ireland** grew to record levels in the first five months of 2016, with almost 3.5 million arrivals based on CSO estimates. This represents an increase of +14%, or nearly 420,000 additional overseas visitors, when compared to the same period in 2015. Growth was seen from all market areas - North America (+18%), Great Britain (+16%), Mainland Europe (+12%) and Australia and Developing markets (+1%).
- While there is no NISRA data available at this time regarding 2016 **overseas performance to Northern Ireland**, key attractions in Northern Ireland report that they have experienced a significant increase in overseas visitors in the first half of 2016.
- Tourism Ireland remains alert to **external risks**, including the outcome of the recent EU referendum in the UK; the resulting economic uncertainty has the capacity to hamper tourism growth. At the time of issue, the pound has depreciated to €1.19, compared to €1.31 on June 23rd – immediately before the referendum result. Tourism Ireland is liaising with key stakeholders and monitoring developments and trends closely. A separate communication will issue on this.
- Tourism Ireland is the agency set up under the Belfast/Good Friday Agreement to market the island of Ireland overseas. The vote has no impact on these arrangements and we look forward to working with industry partners across the island of Ireland to **maintain the strong growth in tourism** we have seen in the last number of years.
- **Industry sentiment** among island of Ireland and overseas partners remains generally positive for a very good summer season. Accommodation capacity in key tourism centres and the uncertainty surrounding the EU referendum result in the UK are the chief concerns at the moment.
- Tourism Ireland continues to roll out its **summer marketing campaign across all markets** to ensure that 2016 is another record breaking year for overseas tourism.

## 2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reports that international tourist arrivals worldwide grew by an estimated +5% in the first two months of 2016 compared to the same period last year.

According to the European Travel Commission twenty nine European destinations saw strong increases in arrivals with half recording double-digit growth compared to the same period last year. Using data available for at least the first quarter of the year for the majority of countries and including up to May in some cases, all but two reporting destinations enjoyed increased visitors in early 2016 compared to 2015. As expected, most of the growth rates reported by destinations have moderated from those reported for the first months of the year, and more subdued growth rates are likely for the peak summer months, but the current performance is still a clear indication of continued growth for 2016.



Source: European Travel Commission

### 3. External Travel Trends

#### Key Markets Economic and Travel Outlook

##### 3.1 Overview

The UK has voted to leave the EU – the 'Brexit' scenario. Considerable uncertainty remains regarding the precise detail of the exit and it could be two years or more before the issues are fully resolved. Nothing will immediately change in terms of the free movement of goods, services, capital and people between the UK and the remaining EU. In addition to the possible impact on the free movement of travel due to 'Brexit', there are many consumer protection issues, such as financial protection, health cover while traveling and roaming charges while abroad which could impact UK leisure and business travellers. However, prolonged uncertainty will likely influence both the magnitude and persistence of the economic impacts.

The implications of the outcome of the recent EU referendum in the UK on the economy and travel have already been seen in the latest reports from Oxford Economics which indicate:

- The global tourism outlook has weakened.
- Currency movement will have significant impacts on travel in 2017.
- The UK economic outlook has been downgraded.
- UK outbound is forecast to decline in 2017, curtailed by a weaker pound.
- Destinations with a higher proportion of UK visitors are most exposed.
- A deprecation of sterling may boost inbound holiday visitor growth to the UK.

### 3.2 Economic Indicators

<p><b>Great Britain</b></p> <p>The initial market reaction to the referendum result was severe; equities plunged sharply and sterling been depreciated against both the euro and the US dollar. The situation has stabilised to some extent since then, but sterling ended Q2 down 7% on its end-Q1 level against the dollar and 4% lower against the euro. Oxford Economics expects it to slip further during Q3 given the degree of uncertainty surrounding the outlook. The weaker pound may drive up inflation and squeeze household spending power, although there should be some offset from stronger exports.</p>	<p>2016 GDP Forecast: +1.8% (down from +2.0%)</p> <p>CPI: + 0.7% (up from +0.6%)</p> <p>Unemployment: 5.0% (down from 5.1%)</p> <p>Exchange rate(€/£): €1: £0.85 (up from £0.79)</p>
<p><b>USA</b></p> <p>Oxford Economics 2016 GDP growth forecast has been revised up by 0.2% to 2% on stronger consumer spending momentum, while their 2017 and 2018 forecasts have been lowered slightly due to the impact of 'Brexit'. The impact on the US economy is likely to be limited in the short run, but lingering uncertainty about the future of the EU and UK may reduce growth and weigh on export-oriented industries. Weak global growth, a strong dollar, depressed oil prices, tighter credit and rising election uncertainty are all factors impacting the economy.</p>	<p>2016 GDP Forecast: +2.0% (up from +1.8%)</p> <p>CPI: +0.6% (down from +1.3%)</p> <p>Unemployment: 4.7% (down from 5.0%)</p> <p>Exchange rate (€/€): €1: \$1.10 (down from \$1.12)</p>
<p><b>France</b></p> <p>French economic growth picked up in Q1 leading to an increase in the GDP growth forecast for 2016. In May, consumer confidence climbed to its highest level since the financial crisis against a backdrop of a strengthening labour market. The pick-up in activity is boosting employment prospects, in turn pushing earnings growth higher. The boost to household incomes will underpin consumption growth even as inflation picks up at the end of the year.</p>	<p>2016 GDP Forecast: +1.7% (up from +1.5%)</p> <p>CPI: +0.3% (up from +0.1%)</p> <p>Unemployment: 9.9% (down from +10.0%)</p>
<p><b>Germany</b></p> <p>As expected, the economy made a strong start to the year; GDP rose by 0.7% in Q1, much better than the 0.3% rises in the preceding two quarters. However the German economy may lose some momentum due to 'Brexit'. While expected higher inflation in the second half of the year and beyond will erode real household spending power, the growing bottlenecks in the labour market point to an acceleration of wage growth which will help to offset some of this negative influence.</p>	<p>2016 GDP Forecast: +1.7% (no change)</p> <p>CPI: +0.6% (no change)</p> <p>Unemployment: 6.1% (down from +6.2%)</p>

Source: Oxford Economics Briefing and Outlook reports July 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 for the first four months of 2016 grew by +8% when compared to the same period last year. According to the CSO, GB visitors to Ireland for the same period were up +19% resulting in an increase in market share. No official data is available at this time for GB visits to Northern Ireland in 2016.

**North America:** US traffic to Europe grew by almost +8% YOY in the first quarter of 2016, according to the US Department of Commerce. Tour Operators advise that there has been a decline in continental European destination bookings, however, GB & island of Ireland bookings remain steady. Following the 'Brexit' vote, the US Dollar has appreciated against the British pound and the euro. This may serve to generate an increase in transatlantic traffic from the US in the short term. Transatlantic air fares are generally lower than last year with several carriers continuing to offer special transatlantic promotions for both peak and autumn traffic. The US Department of State issued a travel advisory on May 31<sup>st</sup>, which raised concerns about safety and security in Europe, which we continue to monitor, especially in light of recent events in Nice. According to the Conference Board of Canada (CBOC), Canadians made +8% YOY more visits to Europe in the first four months of 2016. For Ireland specifically, the report indicates growth of 13.5% in the year to April. According to an online agency, travel searches for Britain increased by 50% on the weekend after the June 23rd EU referendum vote and interest has remained strong since.

**Mainland Europe:** The German travel industry forecasts a stable year, with no significant growth expected in outbound travel. Northern European destinations are all expected to fare well this year from Germany. There is clear evidence that French travellers are choosing destinations perceived as "safe", with the island of Ireland benefiting, according to operators on the ground. In Spain, more buoyant consumer sentiment and increased economic stability in the market is expected to see the outbound market grow this year. Similarly in Italy, trade press report a pick-up in consumer sentiment with growth in Italian holiday numbers and revenue is forecast for summer 2016 – although it seems domestic holidays will see most of the growth. Outbound travel continues to grow from the Nordics with most major airports and airport groups reporting increases this year.

**Australia & Developing Markets:** In Australia, the general outbound travel market is relatively stable according to statistics. However, the US reported a record numbers of Australians in the year to March 2016. In China, there has been keen interest in UK and Ireland tours since the EU referendum in the UK, with some operators predicting an increase of as much as 10% in bookings for UK tours.

## 4. Market Intelligence

### 4.1 Arrivals and Visitors

#### Preliminary Estimates

Visitor Origins	Ireland Visitors January 2016 – May 2016		Northern Ireland Visitors January – December 2015	
	'000s	% YOY	'000s	% YOY
<b>Total</b>	<b>3,465</b>	<b>+14%</b>	<b>1,965</b>	<b>+10%</b>
Great Britain	1,541	+16%	1,295	+10%
Mainland Europe	1,213	+12%	311	+17%
North America	536	+18%	229	+1%
ADM	175	+1%	130	+6%

Sources: CSO, NISRA

Overseas visitors to Ireland grew to record levels in the first five months of 2016, with almost 3.5 million arrivals based on CSO estimates. This represents an increase of +14%, or nearly 420,000 additional overseas visitors, when compared to the same period in 2015. Growth was seen from all market areas - North America (+18%), Great Britain (+16%), Mainland Europe (+12%) and Australia and Developing markets (+1%).

Data for overseas performance to Northern Ireland in Q1 2016 is expected to be available shortly. Titanic Belfast reports that its overseas business was good for the early months of 2016, with a +9% increase recorded from January – March. Overseas visitors to the Giant's Causeway have been strong with double digit growth experienced in the year to June. The industry in general is positive about the peak summer season.

## 4.2 Air and Sea Connectivity

### Estimates

Air Access Seat Capacity Estimates			
Summer 2016 vs. Summer 2015			
YOY % Change	Ireland	NI	Island
Great Britain	+14%	+11%	+13%
Mainland Europe	+6%	+9%	+6%
-France	-1%	NC	-1%
-Germany	+8%	NA	+8%
North America	+7%	NC	+7%
ADM	+5%	NA	+5%
<b>Overall</b>	<b>+9%</b>	<b>+10%</b>	<b>+9%</b>

Source: TTC Access Inventory Report 2016 on scheduled direct one-way weekly seat capacity. Capacity is estimated at a single point in time (July) for the season. NA= Not applicable NC = No change

There are an estimated 537,000 direct, one-way air seats available each week to the island of Ireland during the peak summer season, a +9% increase in capacity compared to the same period last year. This is a record number and growth is expected from all market areas with Ireland up +9% and Northern Ireland up +10%.

In absolute terms, Great Britain is estimated to deliver the greatest volume of extra seats (approximately 27,000), equating to just over 60% of the growth, with Mainland Europe delivering 30% of the extra seats. The two largest air carriers operating onto the island, Ryanair and Aer Lingus, account for 68% of the total number of one-way seats this summer.

Ferry capacity is estimated to be down marginally this summer due to the withdrawal of P&O's seasonal fast ferry on routes from Troon and Cairnryan to Larne.

There have been many positive air access announcements for the winter 2016/17 season. These include Ryanair adding new routes and frequency to their network, Aer Lingus's broader transatlantic services and KLM introducing a new Amsterdam-Dublin service.

### 4.3 Total Passenger Numbers

	Total Pax 2015*	April 16 YOY % change	May 16 YOY % change	June 16 YOY % change
Dublin Airport	25m	+10%	+11%	+9%
Shannon Airport	1.7m	-3%	+2%	+3%
Cork Airport	2.1m	+3%	+10%	+10%
Ireland West Airport Knock	0.7m	-5%	-4%	
Belfast International Airport	4.4m	+16%	N/A	
Belfast City Airport	2.7m	-2%	+2%	+1%
City of Derry Airport	0.3m	N/A	N/A	
<b>All ROI Airports</b>	29.5m	+8%	+10%	
<b>All NI Airports</b>	7.4m	N/A	N/A	
All UK Airports	255m	N/A	N/A	
All German Airports	216m	+1%	+1%	
All Norwegian Airports	54m	-1%	+2%	
All Swedish Airports	41m	+4%	+6%	
<b>ROI sea passengers</b>	3.2m	-15%	-9%	
<b>NI sea passengers</b>	2m	-10%	0%	

Sources: Annaero, DAA, Shannon, 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, (includes connecting transit business) to the island of Ireland are mainly positive for 2016. This good start to the year is all the more encouraging after a year of growth for many airports last year.

Sea passenger numbers to Ireland, which includes Irish residents, and were impacted by an earlier Easter are -4% YOY for the year to May. Sea passengers to Northern Ireland are +2% for the same period.

## 4.4 Accommodation

### Hotel accommodation data estimates (Hotel rooms sold)

	May 2016 v May 2015 % change	Jan-May 2016 v Jan-May 2015 % change
Island of Ireland	-2%	+2%
Ireland	-1%	+2%
Northern Ireland	-6%	-5%
Scotland	0%	+1%
England	+1%	+1%
Italy	-1%	+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 in Ireland generally experienced growth in the first five months of the year in terms of hotel rooms sold. Northern Ireland has experienced some decline in the first five months of the year. It is not possible to break out overseas bookings from domestic business. However, air passenger traffic to Northern Ireland was up +9% YOY for the first quarter of 2016.

According to the Irish Hotels Federation, hoteliers have experienced a very good year to date and bookings are strong for the peak summer season. According to STR, hotel average daily rates grew faster in Ireland than other European destinations in the first quarter of 2016.

NISRA reports that the number of hotel rooms sold in Northern Ireland for the first five months of 2016 decreased by -4% when compared to the same period last year. Feedback from the Northern Ireland industry suggests that the year started slowly; however, the summer season is looking positive. NISRA also reports that rooms sold in Guesthouses, B&B's and Guesthouse accommodation grew by +26% YOY in the period January–May 2016.

## 4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	<b>Accommodation providers</b> <p>In Ireland, hoteliers and guesthouses have reported a very positive first six months with a significant increase in bookings across the board. The main tourist regions are trading well and a strong summer is expected. The accommodation sector in Northern Ireland is expecting a good summer, after a challenging six months. The leisure sector, both group and FIT, is expected to deliver growth with solid bookings from key overseas markets. Most sectors are anticipating a good July and August, with optimism for September. However, there is some unease since the EU referendum result.</p>
Bright 	<b>Air and sea carriers</b> <p>Air carriers are experiencing a strong summer season. The increased air access from North America is performing well and there's also strong growth from Europe. An encouraging increase in group business is being reported from across the main overseas markets. A leading sea carrier is cautiously optimistic overall against an uncertain background, reporting that the British market has gone soft since the referendum result.</p>
Bright 	<b>Attractions</b> <p>Key Northern Ireland visitor attractions have experienced strong overseas visitor growth in the first half of the year. There have been significant increases especially from North America and Mainland Europe. The outlook for the peak summer season is also very positive. Most Dublin attractions continue to experience YOY overseas visitor growth and a key attraction on Ireland's Ancient East reports a strong performance to date in 2016, with visitor numbers well ahead of 2015 levels. Business from the US market has been extremely strong. Strong double digit growth in both group and FIT sectors has been reported by a major attraction on the Wild Atlantic Way. A very positive summer season is expected.</p>
Mixed 	<b>Tour Operators</b> <p>The outlook for tour operator business is very positive overall with bookings up on last year and the summer season is performing strongly – another record year is expected. The news that more than 5,500 new hotel rooms are planned for Dublin by 2020 has been welcomed, as concern still remains around hotel capacity in the city. While other neighboring regions maybe benefiting to a degree, overseas operators are cautious about the long term implications of rate and capacity issues in Dublin.</p>

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

## 4.6 Tourism Ireland Market Outlook

**Great Britain:** It is yet to be seen what effect the EU referendum result will have on holidays to the island of Ireland in the short and long term. Local trade has seen no major impact on bookings yet. Many GB tour operators, OTA's and carriers have experienced growth YTD. However, ongoing feedback from GB trade suggests that capacity continues to be a challenge for the market. This is particularly in relation to Dublin, the West and the South West.

**North America:** The US is on course for another record year with continuing gains to our market share over most European destinations. Dublin accommodation capacity remains an issue - especially for small group operators - but all segments are negatively impacted. Air carriers confirm that business to the island of Ireland is trending well and that the additional capacity introduced in 2016 has been absorbed. Other observed booking trends by industry include: a shorter advance booking period than heretofore; a younger traveller and an increase in two-centre holidays – typically in combination with a UK city. Bookings for the island of Ireland continue to remain strong from Canada. Leading air carriers are reporting strong sales YTD.

**Mainland Europe:** Results for the year to date confirm the continuing growth momentum from Europe and the outlook for travel to the island of Ireland continues to be very positive. According to German trade partners, travel to the island of Ireland still outperforms overall outbound travel trends and 2016 is on track to be another record year. In France, tour operators and carriers are also experiencing strong demand for the island of Ireland. There is some concern amongst the trade that this growth could soon stagnate, due to the shortage of accommodation in key cities this summer and beyond. Feedback from market partners and island of Ireland industry continues to be very positive about the Spanish market. With some new air routes and capacity increases kicking in this summer, there is an expectation of further growth in the coming months. Feedback from key Italian tour operators is positive for the island of Ireland, while a major carrier reports a more mixed group performance; however, the general uncertainty in the Italian economy may impact the more substantial FIT business. In the Nordics, feedback remains positive from local trade on their sales to the island of Ireland for the summer season, with many reporting high demand and strong advance sales.

**Australia & Developing Markets:** In Australia, there is mixed feedback from the travel industry; however, the outlook is mainly positive for the island of Ireland, with many partners reporting a later booking trend. According to the industry in China, the devalued British pound may stimulate bookings for shopping tours to Britain. This may benefit the island of Ireland, since GB and Ireland tours are popular in the market. Reports from India suggest that the number of Ireland itineraries available there has grown by double-digits since the British Irish Visa Scheme was launched.

## 5. Conclusion

Overseas tourism has enjoyed a positive year to date; this sentiment is shared generally by tourism industry partners, including tour operators and carriers, at home and overseas.

Tourism Ireland remains alert to a range of external risks, including the outcome of the recent EU referendum in the UK and the resulting economic uncertainty which has the capacity to hamper tourism growth. Tourism Ireland is liaising with key industry stakeholders and is monitoring developments and trends closely.

Britain remains an extremely important source market for tourism to the island of Ireland and Tourism Ireland is undertaking an extensive programme of promotions in GB, and elsewhere around the world, to ensure that 2016 is another record-breaking year for tourism to the island.

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