



The Kelpies, Scotland, joined Tourism Ireland's Global Greening 2017

SOAR
(Situation & Outlook Analysis Report)
March 2017

Summary Headlines

- **Industry sentiment** on the island of Ireland and the outlook from overseas trade partners is generally positive for 2017. **Latest intelligence** for January and February, from key sources on the island of Ireland, suggests that overall bookings and performance are on a par with, or ahead of, this time last year. However, some industry reported a softening in the British market in the first two months of 2017. **Web visits** to Ireland.com have been strong for the first two months of the year. Organic traffic to the site, which is a good indicator of underlying demand, was up +10.5% compared to the same period in 2016.
- According to the latest official figures **for overseas arrivals to Ireland** there were almost 1.9 million arrivals in the Nov 2016–Jan 2017 period. This represents an increase of just over +7% YOY. Growth was seen from all market areas - North America (+31%), Australia and Developing markets (+11%), Great Britain (+3%) and Mainland Europe (+2%).
- **Overseas visitors to Northern Ireland** grew by +8% YOY for the first nine months of 2016 according to the latest official results. Holiday visitors grew by +11% and revenue from overseas visitors to Northern Ireland grew by +17% (£436 million). NISRA has indicated that full year data for 2016 will be available in May. STR **hotel data** reports that hotel rooms sold in Northern Ireland increased by +18% in January 2017 YOY. Industry in Northern Ireland is generally positive about the season ahead.
- Estimates for **air capacity** to the island of Ireland for the forthcoming 2017 summer season are positive with a record number (just over 550,000) of scheduled direct one-way seats available per week to the island of Ireland. Growth is forecast from North America, the Middle East and key European markets. However, direct air access from GB is projected to be down -4% YOY. **Ferry** capacity to the island is expected to be broadly unchanged.
- Accommodation capacity constraints in key tourism centres – leading to competitiveness challenges - and the impact of Brexit are the **principal concerns** for industry and trade in 2017. Tourism Ireland is closely monitoring the possible implications of Brexit and is liaising with key stakeholders on the island of Ireland and overseas.
- This month saw the **largest ever Tourism Ireland Global Greening initiative** to mark St Patrick's Day, with almost 300 major landmarks and iconic sites in 45 countries around the world turning green, including the Colosseum in Rome; the Leaning Tower of Pisa; Burj al Arab in Dubai; Niagara Falls and the Great Wall of China. New 'greenings' for 2017 included One World Trade Center, New York; City Hall in London; Plaça de Catalunya and the fountains on the Gran Via in Barcelona; Matsue Castle in Japan and the famous red carpet in Cannes.

2. Global Outlook

The majority of the United Nations World Tourism Organisation (UNWTO)'s *Panel of Experts* forecast international tourism to grow by +3% to +4% worldwide in 2017. By region, growth is expected to be stronger in Asia and the Pacific and Africa (+5% to +6%) and the Americas (+4% to +5%), followed by the Middle East (+2% to +5%) and Europe (+2% to +3%).

The UNWTO reports that international tourist arrivals grew by almost +4% in 2016 to reach a record total of 1.24 billion in 2016. Europe grew by +2%. Northern Europe, of which the island of Ireland is part, experienced +6% growth, ahead of the +4% global increase. Ireland and Northern Ireland both grew significantly faster than Europe as a whole, resulting in market share growth. Results for 2016 are summarised in the below table.

UNWTO Global Performance	
International Arrivals	Jan-Dec 2016 YoY % +/-
World	+4%
Africa	+8%
Asia Pac	+8%
Americas	+4%
Middle East	-4%
Europe	+2%
Northern Europe	+6%
Northern Ireland (NISRA) (Jan-Sept)	+8%
Ireland (CSO) (Jan-Dec)	+11%

Sources: UNWTO, NISRA, CSO

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

According to *Euromonitor International*, political uncertainty is a key concern in 2017, with two of the biggest risks coming from advanced economies. *Euromonitor* suggests that one is the Trump effect – reporting that it is hard to determine the exact impact a Trump presidency will have on the US and global economies. The ramifications of protectionist trade policies and an expansionary fiscal stance are potentially global, with some emerging market currencies already suffering. Brexit is *Euromonitor's* second major risk – another unknown quantity; outside of Europe, its impact on the global economy is more subdued than a Trump downturn, but it adds another element of unpredictability at a time when political volatility is a key concern.

Consumers are approaching 2017 in an uncertain frame of mind. However, over the course of the year, *Euromonitor* is forecasting that consumer expenditure will rise by +2.3% in real terms. With the US still accounting for almost one in three dollars spent globally, consumer behaviour in the US matters to the world. Despite a slowing economy, Chinese consumers will continue to see one of the largest increases in spending, and expenditure in emerging and developing economies overall will grow by more than twice that of developed markets.

Despite this uncertainty, the UNWTO expects global travel to grow by +3% to +4% worldwide in 2017.

3.2 Economic Indicators

<p>Great Britain</p> <p>Early indications in Q1 2017 are mixed. Retail sales dropped sharply in December 2016 and services output was flat. These were the two key drivers of last year's growth and they are carrying less momentum into 2017. January's CBI retail survey was also surprisingly weak. Inflation has already started to rise and this is likely to continue through 2017 as a result of the depreciation of sterling. Oxford Economics expects this pattern of weakening consumer demand to continue and this is a concern as it accounts for a large element of the economy.</p>	<p>2017 GDP Forecast: +1.6% (up from 1.5%)</p> <p>CPI 2017: +2.6% (up from +2.5%)</p> <p>Unemployment: 4.8% (no change)</p> <p>Exchange rate(€/£): €1:£0.86 (up from €1:£0.85)</p>
<p>USA</p> <p>The US economy is showing solid momentum at the start of the year, driven by private sector confidence and healthy employment. Despite solid employment and wage growth, real disposable income growth is likely to slow to +2.2% in 2017 (from +2.7% last year). Oxford Economics has said that the impact of anti-immigration sentiment and protectionism on the economy should not be under-estimated. It expects US GDP to grow by +2.3% this year and +2.5% in 2018.</p>	<p>2017 GDP Forecast: +2.3% (no change)</p> <p>CPI 2017: +2.2% (no change)</p> <p>Unemployment: 4.8% (up from 4.7%)</p> <p>Exchange rate (€/€): €1: \$1.06 (down from \$1.07)</p> <p>Exchange rate (£/\$): £1: \$1.23 (down from \$1.26)</p>
<p>France</p> <p>Economic activity in France accelerated in Q4 2016, with consumer and investment spending contributing most of the rise, after two muted quarters. Momentum has continued to build at the start of 2017, especially in manufacturing. While household spending will come under pressure from higher inflation, the expected recovery in employment will help offset some of this pressure. Oxford Economics forecasts GDP growth will rise to +1.4% this year and to +1.1% in 2018.</p>	<p>2017 GDP Forecast: +1.4% (down from +1.5%)</p> <p>CPI 2017: +1.3% (up from +1.2%)</p> <p>Unemployment: 9.6 % (up from 9.5%)</p> <p>Exchange rate(€/£): €1:£0.86 (up from €1:£0.85)</p>
<p>Germany</p> <p>2017 is forecast to be another year of solid GDP growth. However, inflation is rising and Oxford Economics expects inflation to average +2.1% this year, principally due to higher energy costs. The squeeze on spending may trigger a demand for pay increases. The government has indicated the possibility of tax cuts after the 2017 election in response to better-than-expected fiscal figures. This will put more money in consumers' pockets and should increase spending.</p>	<p>2017 GDP Forecast: +1.5% (no change)</p> <p>CPI 2017: +2.1% (up from +2.0%)</p> <p>Unemployment: 5.9% (down from 6.0%)</p> <p>Exchange rate(€/£): €1:£0.86 (up from €1:£0.85)</p>

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

3.3 Travel Trends in Key Markets

Great Britain: The decline in sterling against major currencies is causing some uncertainty among Britons, in terms of outbound holiday intentions. Oxford Economics estimates that outbound travel from Great Britain to all destinations will decline by -2.5% in 2017 which would equate to 1.5 million fewer trips overseas. Research carried out by *Tourism Ireland/RED C* among British consumers in January, to assess their propensity to travel overseas in 2017, reiterated the view that Britons will change their outbound holiday intentions, highlighting reduced spend and length of stay. The latest official data from the Office of National Statistics in the UK reports that more overseas visitors came to the UK last year than ever before. They report that there were 37.3 million inbound visits to the UK, up +3% YOY. Results for January 2017 will be available towards the end of March.

North America: The US travel industry is very optimistic overall about outbound travel. The strong dollar is impacting positively on advance booking trends to Western Europe. Tour operators are reporting on good sales for Britain albeit not as strong as for the island of Ireland. The major US airlines are all recording strong profits. However, rising oil prices and tough union negotiations for higher pay are expected to impact on this profitability in future years. The Cruise industry is reporting the strongest early booking sales since 2008. Domestic travel is increasing with multi-generational family groups referenced as an emerging trend. According to the Conference Board of Canada, overseas travel accounted for 41% of all leisure trips in 2016, compared to 32% in 2014, demonstrating Canadians growing desire to travel further afield.

Mainland Europe: The prospects for outbound travel from key source markets remain generally positive, despite geo-political uncertainty and general elections in some markets this year. Reports in Germany are that the year has started well for the tourism sector with growth in summer travel bookings. In France, regional tourist boards are up-weighting promotions and spend, following considerable reductions in domestic holidays in 2016. The Spanish and Italian outbound travel sectors continue to growth, with key airports registering the best January in years. In the Netherlands, the industry forecasts that those countries that are perceived as safe will continue to see growth in tourism. According to trade sources in the Nordics, the prospects for growth in outbound travel in 2017 remain very positive, illustrated by strong airport departures in the early part of the year.

Australia & Developing Markets: Short-term resident departures from Australia increased by +2% in 2016. The New Zealand market continues to be buoyant, due to a positively performing economy, strong dollar, and a competitive travel environment. The Chinese outbound travel market increased by +4% in 2016.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Arrivals (3 month arrivals) November 2016 - January 2017		Northern Ireland Visitors (9 month visitors) January –September 2016	
	'000s	% YOY	'000s	% YOY
Total	1,871	+7%	1,620	+8%
Great Britain	842	+3%	1,043	+5%
Mainland Europe	589	+2%	270	+14%
North America	315	+31%	198	+13%
ADM	126	+11%	108	+8%

Sources: CSO, NISRA ADM = Australia and Developing Markets. Please note that 'visitors' are that subset of arrivals who overnight in the destination.

Ireland: Overseas arrivals to Ireland grew by just over +7% during the period Nov 2016-Jan 2017, according to the latest official figures. This represents over 126,000 additional overseas arrivals, when compared to the same period a year ago. Growth was seen from all market areas – North America (+31%), Australia and Developing markets (+11%), Great Britain (+3%) and Mainland Europe (+2%).

Estimates for the month of **January 2017** indicate that overseas arrivals to Ireland grew by +8% YOY, again with growth from all market areas - North America (+31%), Australia and Developing markets (+21%) and Mainland Europe (+7%), although growth from Great Britain slowed to +1%.

Northern Ireland: The latest official data reports that overseas visitors to Northern Ireland grew by +8% for the first nine months of 2016, when compared to the same period in 2015. Holiday visitors grew by +11% and revenue from overseas visitors to Northern Ireland grew in the nine months by +17% (£436 million). GB visitors grew by +5%, accounting for 64% of all overseas visitors to Northern Ireland during the nine months. NISRA has indicated that full year data for 2016 will be available in May. STR hotel data reports that hotel rooms sold in Northern Ireland increased by +18% in January 2017 when compared to the same month in 2016. Industry feedback is that 2017 started well, with sentiment overall positive for the season ahead.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates			
Summer 2017 vs. Summer 2016			
YOY % Change	Ireland	NI	Island
Great Britain	-2%	-8%	-4%
Mainland Europe	+6%	+22%	+7%
-France	-4%	-9%	-5%
-Germany	+6%	N/A	+8%
North America	+23%	-20%	+22%
ADM	+14%	N/A	+14%
Overall	+5%	-2%	+4%

Source: TTC Summer Access Inventory Report 2017 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

Estimates indicate that there will be over 550,000 direct, one-way air seats available per week to the island of Ireland during the forthcoming peak summer season, a +4% increase in capacity on the same period last year. This would be a record number of seats. Growth is forecast from North America, the Middle East and key European markets. However, direct air access from GB is projected to be down by -4% YOY. Ferry capacity is estimated to remain unchanged compared to the same period in 2016.

Access developments for 2017 include a new Aer Lingus flight to Dublin from Miami, as well as expanded services on Aer Lingus flights from Los Angeles, Chicago and Orlando. Norwegian Air has announced new services from the US to Belfast, Cork, Dublin and Shannon commencing in July. Other new routes include a Delta flight from Boston to Dublin, a Ryanair service from Girona to Belfast, Transavia from Munich to Dublin, a SAS flight from Stockholm to Shannon, a Norwegian service between Stockholm and Dublin, a Lufthansa flight from Frankfurt to Shannon, WOW Air from Reykjavik to Cork, Air Iceland from Reykjavik to Belfast and a Swiss flight from Zurich to Cork. Etihad will once again operate double-daily departures from April between Abu Dhabi and Dublin. Qatar Airways will fly from Doha to Dublin commencing in June. While connectivity improvements are paying dividends, airlines have referred to concerns over yields, which have been squeezed in recent years. It is important to note the role of yield in sustaining future growth in capacity.

4.3 Total Passenger Numbers

	Total Pax 2016*	Jan 2017 % change YOY	Feb 2017 % change YOY
Dublin Airport	28m	+9%	+4%
Shannon Airport	1.7m	+9%	N/A
Cork Airport	2.2m	+6%	0%
Ireland West Airport Knock	0.7m	+13%	+5%
Belfast International Airport	5.1m	+33%	
Belfast City Airport	2.7m	-2%	
City of Derry Airport	0.3m	-5%	
All ROI Airports	32.6m	+8%	
All NI Airports	8.1m	+19%	
All UK Airports	222m	N/A	
All Italian Airports	70m	+9%	
All Norwegian Airports	54m	+4%	
All Swedish Airports	43m	+9%	
ROI sea passengers	3.1m	+2%	
NI sea passengers	2m	+4%	

Sources: CAA, DAA, Shannon Group, IWAK, Fáilte Ireland, Annaero, Ferrystat. *Total Pax 2016 is the total traffic estimate (two-way and includes transit passenger) at the airport(s)/seaports N/A=Not available.
A number of Northern European markets included for comparison purposes.

Air passenger traffic to the island of Ireland was mainly positive for the first two months of the year (this is two-way traffic and includes connecting transit business). Sea passenger numbers to and from Ireland (including Irish residents) were up +2% YOY for January 2017. Sea passengers numbers to and from Northern Ireland were also up +4% YOY. (It should be noted that February 2016 had an extra day compared to February this year.)

Ryanair reports its total annual rolling traffic grew by +15% to 118m customers in January 2017. According to IAG, Aer Lingus traffic (measured in revenue passenger kilometres RPKs) in January 2017 was up just over +12% on January 2016.

4.4 Accommodation

Hotel accommodation data estimates

	Jan 2017 v Jan 2016 Hotel Rooms Sold % change	Jan 2017 v Jan 2016 Average Daily Rate % change
Island of Ireland	+6%	+5%
Ireland	+4%	+6%
Northern Ireland	+18%	+8%
Scotland	+4%	+1%
England	+5%	+5%
Italy	+11%	0%

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 good growth in terms of rooms sold in January. It is not possible to break out overseas bookings from domestic business. STR also reports that average daily rates (ADR) also grew on the island of Ireland this January. Ireland had the second highest ADR increase in Europe last year and highest hotel occupancy rate, according to STR.

According to the Irish Hotel Federation (IHF), almost three in ten hoteliers say that business levels from Britain are down compared to this time last year, while four in ten are seeing a drop in bookings from Britain. An online hotel booking provider has also reported a softening in bookings from the British market to Ireland during January and February.

Early reports from the industry in Northern Ireland suggest that 2017 started more positively than 2016.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
<p>Mixed</p> 	<p>Accommodation providers</p> <p>Hotel and guesthouse owners are reporting a good start to the year with business stronger than this time last year. In addition, there's an increase in advance bookings and hoteliers across Ireland are positive about the year ahead. However, this comes with a note of caution as the impact of Brexit unfolds; with the decline in sterling has already had a direct effect on some business. Britain is showing limited growth in bookings and even some declines; whereas USA business is very strong.</p> <p>The Northern Ireland hotel sector reports that 2017 appears to have started positively. Initial indicators suggest that Northern Ireland is having a better start to 2017 than it did in 2016. The weaker pound and increased direct air access will help to drive business. Reports suggest that summer bookings for Northern Ireland are solid – with providers reporting good interest from tour business and leisure travellers from overseas.</p>
<p>Bright</p> 	<p>Air and sea carriers</p> <p>The majority of carriers expect another good year in 2017, due to increased uplift for this summer, especially from long-haul markets, North America and Mainland Europe.</p> <p>A leading sea carrier reports steady bookings as the market continues to be very competitive, with all sea carriers promoting discounted fares in the early sale period. However, there is concern that further depreciation in sterling would impact business.</p>
<p>Mixed</p> 	<p>Attractions</p> <p>Larger attractions across the island with advance booking data report that business is generally on par with, or higher than, 2016 – but suggest that it is still difficult to predict how well 2017 will perform.</p> <p>Visitor numbers for January and February at a major attraction on the Wild Atlantic Way were ahead of last year, with FIT business the primary driver of growth.</p> <p>A major Northern Ireland visitor attraction also reports very significant increases in business across all overseas markets for the early part of the year compared to the same period in 2016.</p> <p>However, two major Dublin attractions reported reduced visitor numbers from the British market in February, and this situation is being monitored closely to see if it becomes a significant trend.</p>
<p>Mixed</p> 	<p>Tour Operators</p> <p>While the long term implications of increases in accommodation rates and capacity constraints remain an issue, tour operators are optimistic about the outlook for 2017. The impact on travel of geo-political uncertainty is also still a concern. However, operators remain cautiously positive.</p>

Source: Based on feedback from island of Ireland industry sources, February/March 2017

4.6 Tourism Ireland Market Outlook

Great Britain: Feedback from the industry remains mixed, with carriers, tour operators and OTAs providing different perspectives and many saying that it is just too early to call how 2017 will play out. Tour operators cite lack of availability of hotels in key areas as an issue. The weaker exchange rate is also making Ireland more expensive than this time last year. However, this is not the case for Northern Ireland. Some key attractions in Dublin report a softening in GB visitor numbers this February YOY. However, web traffic from GB to Ireland.com for the first two months of year is strong with a +26% increase.

North America: US based tour operators with island of Ireland programmes are universally reporting double digit growth in advance bookings. Escorted tour specialists are all having an excellent Q1. Accommodation issues in Dublin, however, continue to be a source of frustration for tour operators. Norwegian Air has announced new services to Cork, Belfast, Dublin and Shannon commencing in July. Some 5,000 seats were sold on the first day, with one way fares offered from \$69.00. This increased airlift means there will be twenty gateways and almost 60,000 one-way weekly seats available from North America to the island of Ireland for peak summer season – an increase of +22% over last summer. Canadian industry partners continue to be positive about travel to the island of Ireland, with key operators reporting growth for 2017.

Mainland Europe: Feedback from trade and carrier partners is mixed for the next couple of months. Markets including France, Spain, Benelux, and Nordics are showing positive trends. However German tour operators are increasingly concerned and feel that price increases for Ireland have negatively impacted on the important early booking period. There is positive feedback on the new Belfast routes from Berlin and Bergamo, and welcome access gains for the regions with Stockholm-Shannon, Frankfurt-Shannon and Berlin-Kerry for winter 2017.

Australia & Developing Markets: Overall feedback from the Australian market trade remains cautiously positive and, with the 'Early Bird 2' period well underway, enquiries and booking have picked up over the last month. In China, feedback from tour operators is that the island of Ireland performed well in the past few months. In India, the British Irish Visa Scheme continues to be beneficial, with travel agents seeing higher numbers of enquiries and interest in travelling to the island of Ireland.

5. Conclusion

This year the target is to grow overseas tourism revenue for the island of Ireland by +4.5%, to €5.7/£4.9 billion. Sentiment is generally positive for 2017 among trade partners overseas and tourism businesses across the island. Importantly, air and sea access to the island of Ireland remains strong and is set for further improvement this summer. However, direct air access from GB is projected to be down -4% YOY. Many partners are reporting bookings for the island of Ireland on a par with, or ahead of, this time last year. However, some have reported a decline in GB business this year. Web visits to Ireland.com have been robust with organic traffic up +10.5% in the first two months of 2017.

Since the EU referendum in the United Kingdom, Tourism Ireland has been monitoring developments closely, to better understand and plan for the implications of Brexit. The depreciation of the pound against the euro means that value for money is a key message for us in Britain this year.

We remain conscious of external risks and we continue to monitor exchange rates, pricing levels and the global economy. Hotel bedroom capacity, especially in Dublin, remains a key issue for operators at peak times.

Tourism Ireland continues to work with its industry partners on the island of Ireland and overseas to highlight compelling holiday experiences, ease of access and good value offers. Key themes include the Wild Atlantic Way, Ireland's Ancient East, Titanic Belfast and the Causeway Coastal Route. We are also promoting Dublin – a breath of fresh air and Belfast, in particular for shoulder and off-peak travel.

Our promotional efforts received a major boost this month with the largest ever Tourism Ireland Global Greening initiative to mark St Patrick's Day. Almost 300 major landmarks and iconic sites in 45 countries around the world turned green – just part of our extensive spring promotional campaign to boost travel to the island. It generated over €10M in positive publicity at an important time for travel and holiday decision-making.

Ends