



Tourism Ireland
SOAR
(Situation & Outlook Analysis Report)
September 2018

1. Summary Headlines

- Industry sentiment across the island of Ireland and among overseas trade partners continues to remain upbeat, after a largely positive first eight months of 2018. The summer season performed strongly, with overseas tourism trading well across all sectors. While the uncertainty arising from Brexit remains a key concern for industry, Tourism Ireland continues to monitor its implications and to consult closely with stakeholders at home and overseas.
- Latest figures for **overseas arrivals to Ireland** show an increase of +8% for the first seven months of 2018, with more than 6 million arrivals from January to July. There were strong results from North America, up +14% on the first seven months of last year; and from Mainland Europe, up +11%. We also saw modest growth of +3% from Britain and +4% from Australia and Emerging Markets.
- Latest figures released by the Northern Ireland Statistics and Research Agency (NISRA) show that we welcomed 380,000 **overseas visitors to Northern Ireland** in the first three months of 2018, a decline of -6%. Spend by overseas visitors increased by +3% for this period.
- Both STR **hotel data** and industry sources report a strong hotel performance across the island of Ireland for the first seven months of 2018, instilling confidence for the remainder of the year. STR reports that hotels in Ireland enjoyed an increase in occupancy and average daily rate for January to July; occupancy was 78%, an increase of +1%, with the average daily rate rising to €131.51, an increase of +8%. While the addition of new hotel stock to the market in Northern Ireland meant that occupancy for the period calculates at 75% (a slight decline of -1% yoy), this actually represents a net increase of +6% in real terms. The average daily rate in Northern Ireland increased by +4% to £78.90.
- Tourism Ireland's **promotional campaigns** continue across the markets, helping to boost bookings for the autumn/winter shoulder season. We continue to work closely with trade and industry partners and our colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise overseas promotional opportunities and grow tourism revenue further this year.

2. Global Outlook

Latest figures from the World Tourism Organisation (UNWTO) show that international tourist arrivals grew by +6% in the first four months of 2018. This is a continuation of the strong 2017 trend and exceeds UNWTO's earlier forecast of between 4% and 5% for 2018.

From January to April this year, international arrivals increased in all regions, led by Asia and the Pacific (+8%), with South-East Asia (+10%) and South Asia (+9%) driving results.

Europe – the world's largest tourism region – also performed strongly during this four-month period (+7%), led by Southern and Mediterranean Europe, and Western Europe (both +8%).

Growth in the Americas is estimated at +3%, with strongest results in South America (+8%). The Caribbean (-9%) is the only sub-region to experience a decrease in arrivals during this period, weighed down by some destinations still struggling with the aftermath of the hurricanes of August and September 2017.

The limited information coming from Africa and the Middle East points to +6% and +4% growth, respectively, confirming the rebound of Middle East destinations and the consolidation of the growth in Africa.

Confidence in global tourism remains strong, according to the latest UNWTO 'Panel of Tourism Experts' survey. Their outlook for the May-August period is one of the most optimistic in a decade, led by the particularly upbeat sentiment in Africa, the Middle East and Europe.

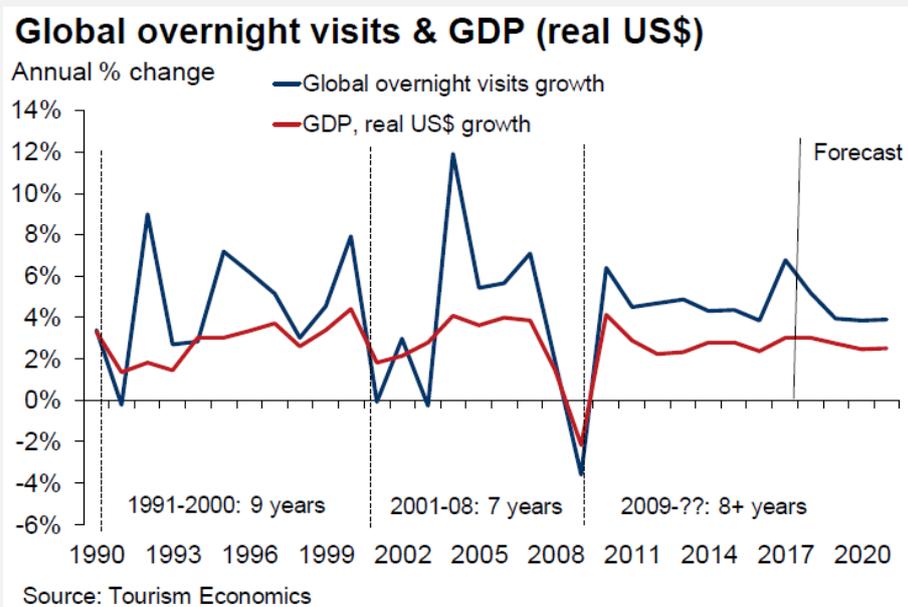
3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

Global travel demand in early 2018 has continued to grow, and at a faster rate than wider economic growth, albeit at a slightly slower pace than last year. This slowdown in travel demand comes amid the general slowdown in global economic activity.

Labour market strength continues to support household spending and travel demand. Global trade is slowing but should remain at a healthy rate compared to 2012-16, and recession is not expected.



Higher oil prices will yield stronger CPI inflation; however, a sustained spell of high inflation is considered unlikely. Recent travel demand growth was aided by lower travel costs, so higher prices could weaken this tailwind. Oxford Economics forecasts predict global travel growth to slow down further in 2019.

3.2 Economic Indicators

Great Britain

With Q2 GDP growth of 0.4%, in line with expectations, Oxford Economics GDP forecasts for 2018 and 2019 are unchanged at 1.3% and 1.4% respectively. Sterling has weakened again, reaching a 13-month low, reflecting the persistence of Brexit-related uncertainty and heightened geopolitical risk, which has boosted the dollar. These factors look likely to remain influential for the near-term, so Oxford Economics have lowered their short-term sterling forecast; however, they remain of the view that sterling is undervalued and that it will recover, once these factors have receded in importance.

2018 GDP Forecast:	+1.3% (no change)
CPI 2018:	+2.5% (down from +2.6%)
Unemployment:	4.0% (down from 4.2%)
Exchange rate(€/£):	€1:£0.90 (up from €1:£0.87)

USA

The economy is on a firm footing and underlying momentum looks healthy, with GDP up 2.8% year-on-year, the strongest annual pace since mid-2015. This is underpinned by strong consumer spending, solid business investment, robust export growth and firming government outlays. Upbeat consumer confidence, loose fiscal policy, a reduced regulatory burden, historically low interest rates and modest inflationary pressures will mitigate headwinds from tariffs and trade policy uncertainty. Steady job growth and firmer wage rises will support household incomes. Unemployment will continue to fall toward 3.7%.

2018 GDP Forecast:	+2.8% (down from +2.9%)
CPI 2018:	+2.5% (down from +2.6%)
Unemployment:	3.9% (up from 3.8%)
Exchange rate (€/€):	€1: \$1.16 (no change)
Exchange rate (£/\$):	£1: \$1.29 (down from \$1.33)

France

The economy slowed markedly in the first half of 2018, rising just 0.2%. Business sentiment and industrial output have fallen sharply, reflecting concerns about the imposition of US tariffs and the potential for a wider trade war with the US. More positively, tax cuts and lower inflation should boost consumption. Overall, Oxford Economics now expect growth to average 1.6% this year (down from 1.7% last month) before picking up slightly to 1.7% in 2019.

2018 GDP Forecast:	+1.6% (down from +1.7%)
CPI 2018:	+1.9% (no change)
Unemployment:	9.2 % (no change)
Exchange rate(€/£):	€1:£0.90 (up from €1:£0.87)

Germany

The economy grew by a solid 0.5% in Q2 this year, in line with Oxford Economics expectations. Consumption was bolstered by solid employment gains and the impact of some recent strong pay deals. However, industry will face a challenging environment for the rest of 2018 as global trade slows, while tariff threats will persist and impact investment. According to Oxford Economics, surging energy and food prices should keep inflation at 2.0%.

2018 GDP Forecast:	+1.8% (down from +2.0%)
CPI 2018:	+2.0% (no change)
Unemployment:	5.2% (down from 5.3%)
Exchange rate(€/£):	€1:£0.90 (up from €1:£0.87)

Source: Oxford Economics Briefing and August reports 2018.

3.3 Travel Trends in Key Markets

Great Britain: The British Office of National Statistics' recent travel trends report revealed that trips abroad by UK residents continue to rise in 2017. There were 72.8 million visits overseas by UK residents last year, the highest figure recorded by the International Passenger Survey (IPS) and an increase of +3% on 2016. UK residents spent £44.8 billion on visits overseas in 2017, +2% more than in 2016. Meanwhile, Travel GBI has reported that more than 7 million Britons were planning staycations for the August bank holiday weekend, up from 6.9 million in 2017.

North America and Australia: In the **US**, outbound travel to Europe is trading well this year, with all European destinations reporting strong growth. Budget airlines are offering exceptional fares to 11 European destinations, including Dublin, up to the end of the year. These discounted fare offers are bolstering business to Europe and helping to keep fares low across the industry, in spite of rising fuel costs. In **Canada**, outbound travel is still growing, with Europe seeing strong growth again this year. In **Australia**, the outbound tourism market continues to show positive growth, with the delivery of additional seat capacity helping to drive growth.

Mainland Europe: In **Germany**, outbound tourism is performing well, despite political and economic uncertainty. The German Tourism Index reports an increase in both outbound trips and staycations in the market, with growth forecast up to the end of the year. Reports from the German travel trade are positive too, with good growth and brisk trade throughout the summer season. In **France**, sun destinations are performing well once again, with Greece and Portugal enjoying a boost in popularity this year. Air traffic control issues remain a concern in the market and continue to have an impact, with an increasing number of delays recorded. In **Spain**, outbound travel performance remains strong and indicators are positive for this to continue, with stable consumer confidence and reduced unemployment. Latest figures released by the Spanish Airports Authority show good increases in air travel for all major airports. In **Italy**, outbound travel and holiday spend grew over the summer season, with Mediterranean destinations, France, Central Europe, Sweden and Ireland all performing well; however, the UK saw slower growth. The economies in **the Nordics** are performing well, with solid growth recorded for the early part of this year. While the summer heatwave moderately affected the sale of package holidays in the market, traffic performed well at the principal airports. Outbound travel in **the Netherlands** has also seen the impact of the summer heatwave, with staycations increasing over the period. Dutch travel trade sentiment remains positive and confidence is growing, according to the 'Trust in Travel' confidence index carried out by the Dutch Association of Travel Agents and Tour Operators.

Emerging Markets: In **India**, European destinations are growing in popularity among outbound travellers. An increase in outbound tourist numbers to Europe is expected during Durga Puja – an Indian festival in October. In **the UAE**, the island of Ireland is becoming more popular among Emirati tourists, as it becomes more visible in the market. In **China**, the 2018 EU-China Tourism Year has seen positive traveller flows, with almost all European destinations seeing high growth in Chinese visitor numbers. Ireland, considered a seasonal destination in the market, has enjoyed steady growth since 2017 – especially in the peak season from June to October and mostly in combined UK & Ireland itineraries.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	2018			
	Ireland Arrivals (7 month arrivals) Jan-July 2018		Northern Ireland Visitors (3 month visitors) Jan – Mar 2018	
		%YOY		% YOY
Total	6,033,100	+8%	378,571	-6%
Great Britain	2,139,400	+3%		
Mainland Europe	2,205,500	+11%		
North America	1,320,100	+14%		
Rest of World	368,100	+4%		

Sources: CSO, NISRA

Note : **Arrivals** are all overseas trips to the destination, including transfers, overnights and day-trips.

Visitors only include those who overnight in the destination.

Ireland (Direct) Overnight Visitors – only includes those that leave through ports in the ROI.

Ireland: Latest results for the January to July period show 6,033,100 overseas arrivals. This represents year-on-year growth of +8% for the period, an additional 436,000 arrivals. North America continued its strong performance, with arrivals from the US and Canada up +14% (+157,400). Mainland Europe also recorded good growth, with 211,700 extra arrivals (+11%). Arrivals from Britain grew, with 52,300 extra arrivals (+3%). Growth from Australia and Emerging Markets was +4% (+14,600 extra arrivals).

Northern Ireland: According to NISRA, in the January-March 2018 period, overseas visitors to Northern Ireland fell by -6% when compared with 2017, while revenue grew by +3% to more than £98 million. The figures confirm that 378,571 overseas visitors came to Northern Ireland during the first three months of the year.

4.2 Air and Sea Connectivity

Air Access Seat Capacity Estimates		Summer 2018 vs. Summer 2017		
YOY % Change	Ireland	NI	Island of Ireland	
Great Britain	+4%	+6%	+4%	
Mainland Europe	+7%	+19%	+8%	
-France	+7%	+20%	+8%	
-Germany	+19%	-33%	+18%	
North America	+7%	-20%	+7%	
ADM	+16%	NA	+16%	
Overall	+6%	+9%	+7%	

Source: TTC Summer Access Inventory Report 2018.

Capacity is estimated at a single point in time (July) for the season.

NA= Not applicable.

Estimates indicate that there were 591,000 direct, one-way air seats available per week to the island of Ireland during this summer, a +7% increase in capacity when compared to the same period last year. This was a record level, with growth from all market areas. Ireland and Northern Ireland were estimated to see a +6% and +9% increase respectively in available seats.

There were many positive air access announcements offering significant inbound potential. These include Ryanair's Munich and Stuttgart to Dublin and Manchester to Belfast services; new Aer Lingus summer routes, such as Seattle and Philadelphia to Dublin; Air Canada's new flights from Montreal and Toronto to Dublin and Shannon respectively; and Air France's new service from Paris to Cork. Both new direct services from China to Dublin – Cathay Pacific from Hong Kong and Hainan Airlines from Beijing – began in June. The outlook for the winter 2018/19 season is positive, with many of the new summer 2018 services continuing into the winter.

Brittany Ferries' twice weekly direct service from Spain was in operation for the summer season and the company doubled its frequency from France. Sailings on the Irish Sea remained largely unchanged over the peak months.

4.3 Total Passenger Numbers

	Total Pax 2017*	June 2018 YOY % change	July 2018 YOY % change
ROI sea passengers	3.1m	-1%	-2%
NI sea passengers	2.1m	0%	-1%
Dublin Airport	29.6m	+7%	+7%
Shannon Airport	1.8m	+8%	+6%
Cork Airport	2.3m	+4%	0%
Ireland West Airport Knock	0.75m	+4%	+1%
All ROI Airports	34.4m	+7%	+6%
Belfast International Airport	5.8m	+8%	+11%
Belfast City Airport	2.6m	-2%	n/a
City of Derry Airport	0.2m	n/a	n/a
All NI Airports	8.6m	n/a	n/a

Sources: CAA, DAA, Shannon Group, IWAK, Fáilte Ireland, Annaero, Ferrystat, TTC

*Total Pax 2017 is the total traffic (two-way) at the airport(s)/seaports

N/A = not available

Latest published sea passenger numbers to and from Ireland were down -2% for January to July 2018, while sea passengers to and from Northern Ireland were down -1% overall for the January to July period.

Latest published results for air passenger traffic to Ireland was positive (+6%) for the first seven months of the year (two-way).

4.4 Accommodation

Hotel accommodation data estimates

Hotel Accommodation January - July 2018				
	Occupancy		ADR	
	%	% change v 2017	Average Daily Rate	% change v 2017
Island of Ireland	78%	+1%	€126.25	+7%
Northern Ireland	75%	-1%	£78.90	+4%
Ireland	78%	+1%	€131.51	+8%
Scotland	75%	0%	£81.51	+3%
England	77%	+1%	£91.10	+1%
Italy	70%	+2%	€143.30	+2%

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

The hotel data specialist, STR, reports that hotels across the island of Ireland experienced strong growth, in terms of average daily rate for the first seven months of 2018, with occupancy moderately better overall, when compared to the same period last year. Industry sentiment is upbeat and overall indications are positive for another buoyant year.

In Northern Ireland, there are now 142 hotels providing 9,033 rooms. Industry sources have noted an increase in overseas visitors but report a mixed performance overall for July. With the introduction of 1,200 new rooms, occupancy and rate figures are under pressure in most areas, in particular Belfast. Increased competition and fewer major events/conferences also had the effect of slowing the rate of growth, overall.

In Dublin, Fáilte Ireland's latest 'Analysis of Tourist Accommodation in Dublin 2018-2020' reports that there will be an estimated 5,435 new hotel rooms on-stream by the end of 2020 (a net addition of just over 4,900 because of hotel closures over the next two years.) The pipeline post 2020 also looks strong, although any external shocks that adversely affect the Irish tourism sector may alter this picture.

4.5 Island of Ireland Industry Feedback 2018

Barometer	What they said ...
<p>Bright</p> 	<p>Accommodation providers</p> <p>Sources in Ireland’s hotels and guesthouses are reporting another good summer season for the sector. The first eight months have brought good rate and occupancy growth and this looks set to continue.</p> <p>While Northern Ireland hotels saw a strong May and June, July and August were more mixed, as a result of increased room supply and fewer conferences and events. The outlook for September and October is more positive as the market settles. Hoteliers are reporting strong overseas and tour business.</p> <p>Performance and outlook for the B&B sector across the island is also positive, year to date.</p>
<p>Bright</p> 	<p>Air and sea carriers</p> <p>Feedback from air carriers is positive, with strong overall performance year to date and good forward bookings into next year. Transatlantic business is particularly strong and the increase in capacity for 2019 is expected to bring even more growth.</p> <p>Some sea carriers have seen a somewhat softer summer in terms of growth this year, with special offers and co-operative campaigns expected to stimulate business for the autumn shoulder period.</p>
<p>Bright</p> 	<p>Attractions</p> <p>Overall feedback across Ireland is very positive, with many attractions seeing an increase, especially from the US market, and on the east and west coast in particular. Reports indicate that numbers for Mainland Europe were also strong over the summer season.</p> <p>In addition, sources in Northern Ireland are reporting a strong performance from overseas visitors, with two major attractions experiencing buoyant international visitor growth year-to-date.</p>
<p>Bright</p> 	<p>Tour Operators</p> <p>Overall, tour operators are enjoying moderate growth year to date, with good early indications for 2019. North America is still performing well, despite continuing concerns over capacity and rates. Business from Mainland Europe is also trading well, overall. Sources in Northern Ireland are also reporting a strong performance.</p>

Source: Based on feedback from island of Ireland industry sources, August/September 2018

4.6 Tourism Ireland Market Outlook

Great Britain: Outlook reports from GB remain very mixed, with a range of sentiments being expressed by both operators and carriers. While indications from air carriers, OTAs and coach holiday operators are positive, reflecting good growth and strong forward bookings, reports from sea carriers and some other operators are more subdued, with the impact of exchange rates and hotel availability issues more keenly felt.

North America and Australia/New Zealand: In the **US**, sentiment from FIT and escorted tour operators remains very positive overall, with very strong growth recorded so far, and good indications for the remainder of the year. Air carriers are also reporting a healthy bookings pipeline for the fall sales season. Indications are also positive for next year, with the newly announced American Airlines daily service from Dallas to Dublin, commencing in June 2019, bringing the number of US gateways with direct access to Ireland to 17. The outlook from **Canada** is also very positive, with strong forward bookings for both carriers and tour operators. Season extension products are performing very well and Tourism Ireland's co-operative brand and tactical campaigns are currently running in the market, helping maximise sales of regional and off-season products. In **Australia and New Zealand**, trade sources report that outbound travel to the island of Ireland is showing good growth for this year and into 2019.

Mainland Europe: In **Germany**, the outlook is positive overall, with good carrier and market trade sentiment. In **France**, air carriers are reporting a strong performance year to date, with good growth and positive forward bookings for the rest of the year. Reports from market trade are also positive, with good sales and strong indications for 2019. Accommodation rate and availability challenges remain a concern, however, with competitors such as Scotland reportedly benefiting. In **Spain**, feedback from operators, carriers and market partners is very positive. There has been strong business into both Ireland and Northern Ireland year to date, with co-operative campaigns yielding a very good response. While outlook is positive in **Italy** too, with trade partners declaring strong sales to Ireland and Northern Ireland this year, Scotland is still gaining ground and there are plans in place to further expand Scotland/Italy programmes in 2019. In **the Nordics**, consumer sentiment towards the island of Ireland continues to be positive and demand remains strong. **Both air** carriers and tour operators report a good performance and positive indications for the remainder of the year. The outlook in **BeNe** is also positive, with a strong performance recorded for both Ireland and Northern Ireland for the year to date and good off-season bookings for the autumn/winter period.

Emerging Markets: Visa processing delays are hampering growth from **India** and causing concern for trade partners, though MICE business continues to grow and is expanding seasonality from this market. Outlook from the **UAE** is positive overall, though visa delays in Qatar remain an issue. In **China**, direct access developments are continuing to have a positive effect on holidaymaker business to the island of Ireland and trade partners expect this to continue for the rest of the year.

5. Conclusion

Sentiment for the summer season is positive from both overseas trade partners and tourism businesses across the island of Ireland year to date, with indications still suggesting overall growth for 2018.

Overseas arrivals to Ireland have grown to 6,033,100 for the first seven months of 2018, an increase of +8%. There was good growth from North America (+14%) and Mainland Europe (+11%), with modest growth from Great Britain (+3%) and Emerging Markets (+4%).

While the growth from Britain is welcome, it's too early to assess if this is part of a long-term trend. Continuing Brexit uncertainty is still a major source of anxiety in the market. The fall in the value of sterling has made holidays and short breaks in Ireland more expensive for British visitors and has made Britain more affordable for visitors from many of our top markets. We have seen a huge growth in demand for Scotland from our source markets this year and Tourism Ireland continues to closely monitor our competitors. We also maintain our focus on the 'Culturally Curious' audience, who are less impacted by currency fluctuations.

Market share remains an important measure and Tourism Ireland continues to assess our competitive share of outbound travel in key source markets.

Hotel occupancy and room rates are performing strongly for accommodation providers in both Ireland and Northern Ireland. However, the challenges associated with capacity and room rates remain a key issue for some tour operators.

Tourism Ireland continues to promote the island of Ireland strongly in our markets overseas during the autumn/winter period to stimulate seasonal business. We are working closely with industry partners and colleagues in Fáilte Ireland and Tourism Northern Ireland to maximise all opportunities to grow overseas tourism revenue to the island of Ireland.