



Phoenix Park, Dublin

SOAR
(Situation & Outlook Analysis Report)
December 2015

Summary Headlines

- **Overseas visitors to Ireland** for the January to October 2015 period increased by +13% when compared to the same period last year, according to the Central Statistics Office (CSO). Growth was seen from all market areas - Mainland Europe (+14%), Australia and Developing markets (+14%), North America (+13%) and Great Britain (+11%) This means it was the best ever January-October period on record to Ireland overall and +7% ahead of the previous peak in 2007.
- The Northern Ireland Statistics and Research Agency (NISRA) reports that total **overseas visitors to Northern Ireland** for the first half of 2015 grew by +7% when compared to the same period in 2014. Growth was driven by visitors from our main markets of GB (+5%), Mainland Europe (+14%), North America (+11%) and from Australia and Developing markets (+6%). According to Visit Belfast, the city is on track to deliver its most successful tourism year to date, with hotel occupancy, visitor interest and tourist enquiries all at record levels for the first half of 2015.
- Industry **sentiment** on the island of Ireland and among overseas trade partners has generally been very positive for the year.
- Tourism Ireland has consulted with industry and trade contacts at home and in overseas markets to **monitor the likely implications for travel and tourism** arising from the increased terrorist threats in the wake of the Paris attacks. While all express concern, there have been very few reported cancellations for the island and the consensus is that it is too soon to call the situation. We continue to liaise with our contacts to monitor the situation closely.
- Tourism Ireland launched its marketing plans for 2016 recently and the presentations are now available on www.tourismireland.com.

2. Global Outlook

The United Nations World Tourism Organisation (UNWTO) reported a continuation of the strong demand seen in recent years, as tourist arrivals increased again in the first eight months of 2015. Strong results in Europe fuelled a +4% increase in all international tourist arrivals. Destinations worldwide welcomed 810 million international tourists between January and August this year, +33 million more than the same period in 2014. This +4% YOY increase follows similar growth in 2014, consolidating an upward trend in international tourism since 2010.

Almost every region recorded growth in international arrivals; tourism to Europe grew by +5% while Asia Pacific, the Middle East and the Americas all experienced a +4% increase. In Africa, demand weakened after years of solid growth, impacted mainly by the Ebola outbreak and civil unrest, among other challenges; and tourism decreased by an estimated -5% in the first half of this year.

Northern Europe, of which the island of Ireland is part, experienced +6% growth, ahead of the +4% global increase. Results are summarised in the below table:

UNWTO Global Performance	
International Arrivals	Jan - Aug 2015 YoY % +/-
World	+4%
Africa	-5%
Asia Pac	+4%
Americas	+4%
Middle East	+4%
Europe	+5%
Northern Europe	+6%
Northern Ireland (NISRA) (Jan-Jun)	+7%
Ireland (CSO) (Jan-Oct)	+13%

Source: UNWTO, CSO, NISRA

For the full year of 2015, the UNWTO forecasts international tourism to grow by +3% to +4%.

3. External Travel Trends

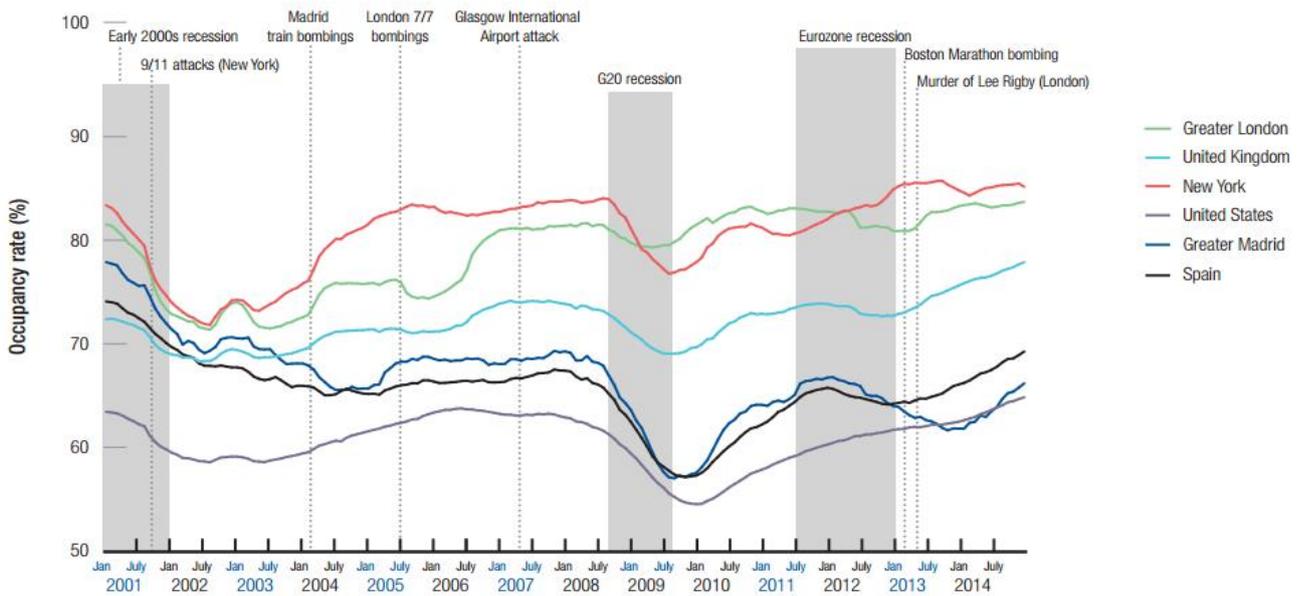
Key Markets Economic and Travel Outlook

3.1 Overview

The recent atrocity in Paris has traumatised the city and its people, with potential implications for travellers. As security is stepped up across Europe and beyond, tourists and business travellers with forward plans are considering their options. Tourism Ireland continues to monitor the situation closely.

Despite investor worries, the long-term impact on travel and tourism is unclear. The September 11th attacks in the U.S. were a major blow, particularly for the airline industry. However, the reaction to subsequent violence has been more muted. In a recent study, Deloitte found that hotel demand fell only marginally because of terror attacks, by comparison with economic factors like a recession. The authors attributed this to “the emergence of a ‘carry on as normal’ culture in response to terrorism”.

Figure 3: Terrorist attacks and demand trends, selected locations



Source: STR Global and Deloitte analysis, strictly illustrative.

However, that attitude may not continue for long. The US State Department has told its citizens to “exercise vigilance” when traveling anywhere in the world because of the continuing terrorist threat. The British Foreign Office has advised its citizens to exercise caution in public places in Paris. The Canadian, Australian, Chinese and Japanese governments, among others, have advised their citizens to consider deferring non-essential travel to the French capital.

3.2 Economic Indicators

Great Britain

Quarterly growth in Q2 2015 was estimated at +0.7%. However, data suggests a slight loss of momentum though Q3. While the services sector has continued to grow robustly, driven in part by the strong rebound in household spending power, the pace of growth has cooled a little, compared with earlier in the year. Oxford Economics' forecast shows the pattern of domestic strength and external weakness continuing in the short-term. They forecast GDP growth this year to be +2.5%, rising to +2.6% in 2016.

GDP growth	●	Prolonged austerity set to weigh on pace of recovery
CPI inflation	●	Large output gap to keep underlying inflation subdued
Current account balance	●	Expanding export demand to slowly narrow trade deficit
Government balance	●	Austerity set to rein in the large budget deficit over time
Government debt	●	Debt to GDP ratio set to peak in 2015-16
External debt	●	Debt levels have been reduced since financial crisis

USA

Real consumer spending remains strong, supported by real disposable income growth of almost 3.5%. The unemployment rate fell to 5% in October. Wage growth also picked up, with hourly earnings up 2.5% on the year – their strongest gain so far this recovery. However exports remain constrained by a strong dollar and weak global environment. Oxford Economics forecasts GDP growth averaging +2.4% in 2015 and +2.7% in 2016, supported by strong domestic fundamentals but held back by global headwinds.

GDP growth	●	Solid domestic growth but global headwinds
CPI inflation	●	Inflation subdued but gradually moving back to 2%
Current account balance	●	Current account deficit stabilizes around 2.5% GDP
Government balance	●	Budget deficit remains under 3% of GDP
Government debt	●	Debt remains under control around 80% of GDP
External debt	●	US is net debtor, but generates income surplus

France

The French economy continues to show signs of improvement with GDP rising by +0.3% in Q3. Oxford Economics expects consumer and business confidence to have softened following the terrorist attacks in Paris, However, they expect these effects should be short-lived and activity should rebound fairly quickly. One of the main drivers behind Q3's economic momentum is the rebound in consumer spending. Consumer sentiment continues to hold up as low inflation supports real disposable income.

GDP growth	●	Growth to continue to lag behind the Eurozone.
CPI inflation	●	Neither deflation or strong inflation a concern.
Current account balance	●	Modest deficit to remain.
Government balance	●	Deficit to fall only slowly.
Government debt	●	Debt leaves little future wiggle room.
External debt	●	High external debt, but in euros

Germany

Despite some slowdown in the German economy Oxford Economics expects Germany to maintain its steady expansion in Q4 and into 2016. Retail sales for Q3 suggest that household spending growth has rebounded sharply. The recent pick-up in employment growth may be sustained into 2016 as this year's influx of immigrants is assimilated into the workforce. The prospect of solid wage growth, thanks to the tight labour market, should ensure that household spending continues to provide strong support to the economy.

GDP growth	●	Domestic upside risks partly counter external concerns
CPI inflation	●	Lowflation less of a concern than in the region as a whole
Current account balance	●	Large surpluses here to stay
Government balance	●	Migration crisis could reduce budget surplus
Government debt	●	Not a concern
External debt	●	Not a concern

Source: Oxford Economics Briefing and Outlook reports November 2015. Economic Table Symbols: Green = positive, Amber = cautious, Red = negative

3.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics (ONS) in the UK reports that the number of *visits* abroad by UK residents for the first eight months of 2015 grew by +9% when compared to the same period in 2014. According to CSO estimates, GB arrivals to Ireland for the same period were up +11%. VisitEngland reports that domestic *holiday* trips for the first eight months of the year in England grew by +4% with spend growing +5%. Data from the CSO shows that GB holiday trips to Ireland for the first half of 2015 were up +17%, with holiday spend up +22%. According to NISRA, GB holidaymakers to Northern Ireland fell by -6% during the first half of 2015 YOY. However, GB visitors to Northern Ireland overall grew by +5% during the same period.

North America: According to the US Dept of Commerce, US traffic to Europe grew by +5% for the January-August period YOY. VisitBritain reports on a strong performance from the US with a +9% growth in visitor numbers for the year to August. The travel industry in the US is generally pleased with its overall performance this year. Tour Operators with a traditional island of Ireland portfolio, are also reporting on strong sales on their GB and Continental Europe packages. According to the Conference Board of Canada (CBOC), arrivals to Ireland from Canada increased by +11% YTD to August, while arrivals to Europe only grew by +6%. According to the CSO, North American arrivals to Ireland were up +14% for the first eight months of 2015 when compared to the same period in 2014. NISRA reports that North American visitors to Northern Ireland grew by +11% YOY in the first half of 2015.

Mainland Europe: In Germany, the travel industry has noticed a recent shift in interest and bookings away from Eastern Europe and towards Western and Northern Europe, possibly linked with the refugee crisis. Travel trade media in France report that Northern Europe has performed well in the French market this year. French authorities have heightened security due to a terrorist attacks. Outbound travel from Spain is estimated to be up +8% in the year to September. In Italy, airport traffic is up and there is increased optimism among the Italian travel trade. In the Netherlands, there has been an increase in autumn breaks to neighbouring countries with Belgium, Germany and France being the most popular destinations. Outbound passenger numbers at leading Nordic airports have been strong in 2015 and travel trade media have been reporting on a 'long haul access boom' out of the Nordics. Norwegian Airlines, for instance, has announced seven new routes to South America, India and South Africa.

Australia & Developing Markets: In Australia, short-term resident departures for September 2015 were +1% higher than the previous month. Departures are estimated to have been +3% higher in September 2015 than in September 2014. According to VisitBritain, the number of Chinese visitors to Britain during the first half of 2015 reached a record high of 90,000, a +28% increase from the same period of 2014.

4. Market Intelligence

4.1 Arrivals and Visitors

Preliminary Estimates

Visitor Origins	Ireland Visitors January 2015 –October 2015		Northern Ireland Visitors January – June 2015	
	'000s	% YOY	'000s	% YOY
Total	7,419	+13%	862	+7%
Great Britain	2,982	+11%	597	+5%
Mainland Europe	2,633	+14%	123	+14%
North America	1,343	+13%	91	+11%
ADM	461	+14%	51	+6%

Sources: CSO, NISRA

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4.2 Air and Sea Connectivity

Preliminary Estimates

Air Access Seat Capacity Estimates	Winter 2015/16 vs. Winter 2014/15		
YOY % Change	Ireland	NI	Island
Great Britain	+7%	+10%	+8%
Mainland Europe	+13%	+57%	+14%
-France	+6%	+25%	+7%
-Germany	+7%	NA	+7%
North America	+8%	NC	+8%
ADM	-8%	NA	-8%
Overall	+9%	+13%	+10%

Source: TTC Access Inventory Report 2015 on direct one-way weekly seat capacity. Capacity is estimated at a single point in time (December) for the season. NA= Not applicable NC = No change

There are estimated to be just over 400,000 direct, one-way air seats available per week this winter to the island of Ireland, a +10% increase in capacity compared to the same period last year. This growth is coming from all market areas, except ADM, where Etihad intends to reduce its service between Abu Dhabi and Dublin.

There have been many positive air access announcements for the winter 2015/16 season. These include United Airlines re-instating year-round service between Newark and Belfast, KLM extending its Amsterdam-Belfast service through the winter and Ryanair and Aer Lingus increasing frequency on some of their GB and European services.

Ferry capacity is expected to be marginally up overall this winter, due to a vessel change on the central corridor. All other capacities are scheduled to remain the same as last winter.

4.3 Total Passenger Numbers

	Total Pax 2014*	Aug 15	Sep 15	Oct 15
Dublin Airport	21.7m	+16%	+14%	+16%
Shannon Airport	1.6m	-4%	+3%	+6%
Cork Airport	2.1m	-8%	-3%	+4%
Ireland West Airport Knock	0.7m	-22%	0%	0%
Belfast International Airport	4.0m	+11%	+12%	N/A
Belfast City Airport	2.6m	+7%	+5%	+4%
City of Derry Airport	0.4m	-35%	-21%	-25%
All ROI Airports	26.3m	+10%	+11%	+14%
All NI Airports	6.9m	+7%	+8%	N/A
All UK Airports	241m	+5%	+5%	N/A
All German Airports	209m	+4%	+2%	N/A
All Norwegian Airports	55m	0%	-1%	-1%
All Swedish Airports	40m	+4%	+6%	N/A
ROI sea passengers	3.2m	-7%	+5%	+14%
NI sea passengers	2.1m	-9%	-2%	-1%

Sources: Annaero, DAA, Fáilte Ireland, Ferrystat. *Total Pax 2014 is the passenger traffic (in millions) at the airport(s)/seaports estimate NA=Not available

The latest available passenger data indicates that individual air and sea ports on the island of Ireland are experiencing mixed results.

4.4 Hotel Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

	Oct 2015 v Oct 2014 % change	Jan-Oct 2015 v Jan-Oct 2014 % change
Island of Ireland	+5%	+5%
Ireland	+5%	+5%
Northern Ireland	0%	+3%
Scotland	0%	+1%
England	+3%	+3%
Italy	+10%	+6%

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

The latest available STR data, which has a strong representation of hotels from Dublin and Belfast, continues to indicate that hotels on the island of Ireland are experiencing a good year. However, it is not possible to break out overseas bookings from domestic business. STR estimates also indicate that hotels are experiencing solid growth in their Average Daily Rates (ADR) this year when compared to last year.

NISRA reports that the number of hotel rooms sold in Northern Ireland for the January to September 2015 period increased by +4%. This represents the highest recorded rooms sold for a January to September period since records began.

According to NISRA, the number of total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland decreased by -10% for the January to September period when compared to the same period in 2014. Again, it is not possible to break out overseas from domestic bookings.

4.5 Island of Ireland Industry Feedback

Barometer	What they said ...
Bright 	<p>Accommodation providers</p> <p>Hoteliers in Ireland are very upbeat as four in five report overseas business to be up in the year to October compared with the same period in 2015. This sentiment was shared by B&B operators and self-catering providers, with the majority experiencing a strong uplift in overseas visitors. This positive trend has been reported by the majority of accommodation providers in all regions this year. In Northern Ireland, hoteliers have reported a good year overall in leisure business from all overseas markets. Growth has been underpinned by tour business, with FIT also performing well.</p>
Bright 	<p>Air carriers, sea carriers and car rental</p> <p>Transatlantic air carriers report an excellent year for island of Ireland business. In Europe, additional capacity to and from many source cities reflects air carriers' confidence in the continued robust performance of European markets. A prominent sea carrier reported a strong year with growth from Britain and Europe. Car rental suppliers also report a good year with strong growth from North America.</p>
Bright 	<p>Attractions</p> <p>More than half of Northern Ireland attractions reported a YOY increase in overseas visitor volumes for the first nine months of 2015. An iconic Belfast attraction reported overseas visitors for the year to October to be in line with the same period in 2014; while North American numbers declined, visitors from GB, Europe and developing markets showed strong growth. The majority of Ireland attractions reported an increase in overseas business in the year to October. Visitor experiences in Dublin and the south west reported robust growth.</p>
Bright 	<p>Tour Operators and Business Tourism</p> <p>Generally, business has improved for operators and the season has extended somewhat for leisure business. 2015 is likely to deliver single digit growth from the US. Feedback on European business is positive, with growth experienced to varying degrees by different operators. Southern European markets are having a particularly good year, well into the shoulder season. It is reported that Business Tourism was stronger this autumn than last year.</p>

Source: Based on feedback from island of Ireland industry sources, November 2015

4.6 Tourism Ireland Market Feedback

Great Britain: The majority of partners report strong business from GB to the island of Ireland this year and continue to experience good booking levels this winter. Many have seen significant growth over 2014 levels. Air carriers are generally reporting that passengers to both Ireland and Northern Ireland are up and sea carriers are reporting good peak season business and are encouraged by advance bookings for the remainder of the year.

North America: The travel trade is reporting a great year for travel to the island of Ireland this year. All transatlantic airlines have experienced growth with some announcing new routes and capacity increases for next year. However, there are ongoing tour operator concerns about accommodation affordability and availability in Dublin in the long term. The strong US dollar continues to attract favourable and ongoing mention in the US as it relates to Ireland's affordability. The dollar has reached a six month high against the euro. In Canada, feedback from both escorted and FIT operators remains positive, with the majority reporting good future bookings to the island of Ireland.

Mainland Europe: The latest official figures confirm the positive growth trend from all core European markets in 2015. This is consistent with the feedback from local market tour operators and carriers, all of whom express satisfaction with the season. While no official figures are yet available for Northern Ireland's summer season, commentary from attractions is positive for Europe, helped in part by increased direct access into Belfast from Amsterdam, Barcelona and Rome.

Australia & Developing Markets: In Australia, a number of operators report that they are seeing steady growth for the island of Ireland, which seems to be in line with growth for other European destinations. However, the early bird season—when airlines and travel companies promote their early fares and 2016 programmes—started slowly and resulted in some operators extending their sales into December. A key youth travel operator in Australia reports double digit growth for business to the island of Ireland in 2015. The British-Irish Visa Scheme continues to help business to the island of Ireland with tour operators and OTAs in both China and India reporting increased bookings this year.

5. Conclusion

Performance for the year has been strong with growth in visitor numbers from all market areas around the world. Figures indicate that we are heading for a record year for tourism to Ireland and Northern Ireland in 2015. Sentiment is very positive among tourism industry partners overseas, as well as tourism businesses across the island.

Tourism Ireland has consulted with industry and trade contacts at home and in overseas markets to monitor the implications for travel and tourism in the wake of the Paris attacks. While everyone is concerned, there have been very few reported cancellations for the island and the consensus is that it is too soon to call the situation. We continue to liaise with our contacts to monitor the evolving situation.

New flight announcements for 2016 augur well for continued tourism growth. These include three new Aer Lingus transatlantic flights; Norwegian's plans to introduce services from Boston and Barcelona to Cork; a new Brussels flight to Belfast City Airport, as well as United Airlines' decision to reinstate its flight between Newark and Belfast on a year-round basis. We continue to monitor the impact of any shifts in exchange rates and pricing levels on the tourism sector.

Tourism Ireland launched its marketing plans for 2016 recently and the presentations are now available on www.tourismireland.com.

Ends
