

SOAR



Derry~Londonderry UK City of Culture 2013

SOAR

(Situation & Outlook Analysis Report)

May 2013

Summary Headlines

- Official data indicates that overseas visitors to the Republic of Ireland grew by +7% in the first quarter of 2013 when compared to the same period in 2012. The British market returned to growth (+1%) and North America had its strongest first quarter since 2004, delivering almost 169,000 visitors in the first three months (+17%) of 2013. Mainland Europe also performed very strongly (+13%), whilst Australia and Developing markets had its best ever first quarter. It should be noted that Easter occurred primarily in March this year compared to April in 2012.
- According to the Dublin Airport Authority (DAA), almost 3.9 million
 passengers (inbound and outbound) travelled through Dublin
 Airport in the first three months of this year, a +4% increase on the
 same period in 2012.
- **Air traffic** estimates between GB and Northern Ireland for the first three months of the year increased by +1% YOY, according to the Civil Aviation Authority (CAA).
- Total available **air seat capacity** for peak summer 2013 is scheduled to be +3% higher than the same time last year. It is expected that sea access capacity will remain largely unchanged.
- The overall **sentiment** for travel to the island of Ireland in 2013 is largely positive, based on industry and trade feedback.
- This year Tourism Ireland mounted its biggest ever St Patrick's promotion with over 70 iconic landmarks across the world turning green to mark St Patrick's Day. We continue to roll out a busy programme for 2013 with a major focus on The Gathering Ireland 2013 and Derry~Londonderry UK City of Culture 2013, which provides fresh and compelling reasons to visit the island of Ireland.

2. External Travel Trends

Key Markets Economic and Travel Outlook

2.1 Overview

According to the International Monetary Fund (IMF), global economic prospects have improved, however the road to recovery in advanced economies remains erratic. In the major advanced economies, the IMF expects economic activity to gradually accelerate, following a weak start to 2013. In emerging market and developing economies, activity has already picked up steam.

Advanced economy policymakers have successfully defused two of the biggest threats to the global recovery, namely, a breakup of the eurozone and a sharp contraction in the US arising from the "fiscal cliff." However, the IMF maintains that old dangers remain and new risks have come to the fore. In the short term, risks mainly relate to developments in the eurozone, including uncertainty about the fallout from events in Cyprus and politics in Italy, as well as vulnerabilities in the periphery.

According to the IMF, the key risks in the medium term, relate to adjustment fatigue, insufficient institutional reform, and prolonged stagnation in the eurozone as well as high fiscal deficits and debt in the United States and Japan. The IMF believes that in advanced economies, the right macroeconomic approach continues to be gradual, but sustained, fiscal adjustment built on measures that limit damage to activity, underpinned by monetary policy aimed at supporting internal demand.

2.2 Economic Indicators

Great Britain It is projected that economic activity in Q1 was broadly flat, with monthly data suggesting that snow in January was	2013 GDP Forecast:	+0.7% (down from 0.9%)
particularly disruptive. Nevertheless, there were indications of a steady acceleration	CPI*:	+ 2.8% (no change)
in activity towards the end of Q1. Further recovery may be driven by a rise in household spending power, a pick-up in	Unemployment:	7.9% (up from 7.7%)
world trade and strengthening corporate confidence.	Exchange rate(€/£):	€1: £0.85
US Consumer spending has been remarkably strong despite budget cuts and increased payroll taxes this year. This has led to a	2013 GDP Forecast:	+2.2% (down from 2.3%)
revision of GDP growth of 2.2% for 2013. Although payroll growth was firm at the start of the year, the latest data was	CPI*:	+0.7% (up from 0.1%)
surprisingly weak, with only 88,000 new jobs created in March. However, the housing market is picking up in response to	Unemployment:	7.6% (down from 7.9%)
low mortgage rates and the improving economic outlook.	Exchange rate (€/\$):	€1: \$1.30
France It is estimated that GDP fell again in Q1 and the economy is projected to contract by -0.3% this year. Consumption fell in the	2013 GDP Forecast:	-0.3% (down from 0%)
first two months of the year, hit by high and rising unemployment rates. With further job losses expected, real incomes	CPI*:	+1.0% (down from 1.3%)
will only avoid a sharp fall thanks to very low inflation. Investment is also expected to fall this year.	Unemployment:	10.8% (up from 10.6%)
Germany The GDP growth forecast for 2013 has been revised downwards on the back of	2013 GDP Forecast:	+0.5% (down from 0.7%)
disappointing data at the start of the year. However, this weakness is expected to be short-lived. Low unemployment rates and rising real wage growth means that	CPI*:	+1.4% (down from +1.9%)
households have several good reasons to increase spending. Moreover, business sentiment remains positive and this should act as a spur to investment.	Unemployment:	6.9% (up from +6.8%)

Source: Oxford Economics Bulletins; UNWTO, IMF, World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 24/04/2013; OECD; ONS; INSEE; Federal Statistics Office; Gfk/Gfk NOP on behalf of the European Commission; The Conference Board; *Monthly CPI changes. Based on the most recent available data. Data is compared to the economic indicators as released in SOAR March 2013.



2.3 Travel Trends in Key Markets

Great Britain: The total number of visits taken abroad by UK residents for the first two months of the year was flat when compared to the same period in 2012. UK visits to Europe for the first two months of 2013 were +3% YOY. VisitBritain report a strong inbound performance to GB in February, with a +14% rise in overseas visits. According to VisitBritain also, domestic holiday trips and nights in 2012 both declined by -1% and -3% YOY respectively. The Association of British Travel Agents acknowledged a strong demand for last minute overseas holidays over Easter, correlating with the cold snap in GB over the period.

North America: US visits to Europe fell slightly (-3%) in February, according to the latest data from the US Dept. of Commerce. However, the economic recovery continues to show signs of increasing strength, with many leading indicators heading in a favourable direction, which bodes well for outbound travel. According to the Conference Board of Canada (CBOC), Europe has experienced two solid summers of growth in Canadian arrivals. However, growth this summer may be more challenging, as air carriers are offering fewer seats overall from Canada to Europe when compared with summer 2012.

Mainland Europe: German travel agencies are having a good YTD with reports of a +5% increase in bookings in the first quarter YOY. In France, against the backdrop of a worsening economic and political environment, the French industry is not anticipating a great year as consumers remain cautious about discretionary expenditure. The Spanish outbound market continues to contract reflecting declines in disposable income and consumer spending. The Italian industry is reporting a general stagnation in holiday sales, with a last minute pattern dominating. In the Netherlands, travellers are tending towards destinations closer to home, with domestic and short haul international destinations predicted to see increases in Dutch business this year. In the Nordics, all major airlines report passenger increases YOY so far in 2013.

Australia & Developing Markets: Outbound travel from Australia remains strong with short-term departures up +3% YOY so far this year, aided by the Australian Dollar remaining strong versus other major currencies. Retail travel agents report solid outbound sales through February and early March. According to official sources, the Chinese outbound market grew by +18% YOY in Q1 2013. India is witnessing a boom in luxury travel, with an increasing interest in specialised holidays, unique experiences and self-drive being reported.



3. Market Intelligence

3.1 Visitors

2013 Preliminary Visitor Estimates

	ROI January – March 2013		
Visitor Origins			
	`000s	%YOY	
Total	1,252	+7%	
Great Britain	570	+1%	
Mainland Europe	444	+13%	
North America	169	+17%	
ADM	69	+5%	

Source: CSO Overseas Travel Release January - March 2013

Official data indicates that overseas visitors to the Republic of Ireland grew by +7% in the first quarter of 2013 when compared to the same period in 2012. Growth was recorded from all market areas and it was particularly encouraging to see Great Britain return its best first quarter performance in four years.

North America had its strongest first quarter since 2004, delivering almost 169,000 visitors in the first three months (+17%) of 2013. Mainland Europe also performed very strongly (+13%), whilst Australia and Developing markets had its best ever first quarter. It should be noted that Easter occurred primarily in March this year compared to April in 2012.

Official data regarding visitor performance to Northern Ireland in 2013 is as yet unavailable. However, according to the Northern Ireland Statistics and Research Agency (NISRA), total hotel rooms sold across Northern Ireland increased by +1% during the first two months of 2013 when compared to the same period in 2012. NISRA also reports that total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland grew by +27% during the first two months of 2013 when compared to the same period in 2012. It is not possible to break out overseas from domestic bookings.



3.2 Access Capacity

Air Access	Summer 2013 Estimates			
YOY % Change	ROI	NI	Island	
Great Britain	-2%	+2%	0%	
Mainland Europe	+6%	-7%	+4%	
-France	-4%	-11%	-4%	
-Germany	+3%	N/A	+3%	
North America	+24%	0%	+23%	
ADM	+18%	N/A	+18%	
Overall	+4%	0%	+3%	

Source: TTC Summer Access Inventory Report 2013 on weekly seat capacity

Estimates for air access capacity to the island of Ireland for peak summer season 2013 indicate that available air seat capacity will be up +3% on the same period last year, with +4% more seats on ROI routes and no capacity change on NI routes. Capacity from North America and Australia and Developing Markets (includes the Middle East) is planned to be up +23% and +18% respectively. Mainland Europe is scheduled to be up +4%, whilst capacity from GB is estimated to be unchanged when compared to summer 2012. It is also expected that sea access capacity will remain largely unchanged this summer compared to summer 2012.

As regards US air access capacity, American Airlines, United and US Airways are adding new services this summer and Aer Lingus is also increasing capacity from the US. US Airways have also announced plans to extend its summer services from Charlotte to Dublin and from Philadelphia to Shannon by one month until October 2013. Etihad intends to increase its capacity by +35% on its service from Abu Dhabi to Dublin by deploying a Boeing 777-300ER on the route from July 2, 2013.

Air Canada, which has operated a summer service between Toronto and Dublin since 2002, will operate the route on a year-round basis from May 2014 with its new Air Canada Rouge brand. The new service will be the first year-round link between Dublin and Canada.



3.3 Total Passenger Numbers

	Total Pax 2012*	Jan 13	Feb 13	Mar 13
Dublin Airport	19.1m	+2%	0%	+8%
Shannon Airport	1.4m	-10%	-17%	-7%
Cork Airport	2.3m	-3%	-2%	+4%
Ireland West Airport Knock	0.7m	+1%	-7%	-6%
Belfast Int Airport	4.3m	-5%	0%	+2%
Belfast City Airport	2.2m	+1%	-3%	-3%
City of Derry Airport	0.4m	-11%	-13%	-8%
All ROI Airports	23.6m	+1%	-1%	+7%
All NI Airports	7m	-3%	-2%	0%
All UK Airports	224m	-1%	0%	+3%
All Germany Airports	201m	-5%	-3%	-1%
All Norway Airports	50m	+3%	+1%	-4%
All Sweden Airports	37m	-2%	-4%	-4%
ROI sea passengers	3.1m	-1%	-8%	+11%
NI sea passengers	2m	0%	+3%	+10%

Source: Annaero, DAA, Fáilte Ireland, Ferrystat.

According to the DAA, almost 3.9 million passengers (inbound and outbound) travelled through Dublin Airport in the first three months of this year, a +4% increase on the same period in 2012. According to the CAA, air traffic estimates between GB and Northern Ireland for the first three months of the year increased by +1% YOY.

Aer Lingus reports that its total number of passengers (inbound and outbound) in March, including those on its regional operations, increased by +4.3% compared to same month in 2012. However, total passenger numbers for the first three months of the year grew by +2.2% when compared to the same period in 2012. Ryanair carried 5.4m total passengers in March, a decrease of -1% YOY. However, Ryanair's load factor increased by +1% in March YOY.

^{*}Total Pax 2012 is the passenger traffic (in millions) at the airport(s)/seaports in 2012

3.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

	Jan 13	Feb 13	Mar 13
Island of Ireland	+6%	+5%	+8%
ROI	+7%	+5%	+8%
NI	+4%	+6%	+9%
Scotland	+3%	+4%	+6%
England	+4%	+7%	+5%
Italy	+2%	+5%	+2%
Denmark	+11%	+6%	-7%

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 estimates indicate that hotels on the island of Ireland experienced a good start to the year in room sales. However, it is not possible to break out overseas bookings from domestic business.

According to NISRA, total hotel rooms sold across Northern Ireland increased by +1% during the first two months of 2013 when compared to the same period in 2012. NISRA also reports that total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland grew by +27% during the first two months of 2013 when compared to the same period in 2012. Again, it is not possible to break out overseas from domestic bookings.

3.5 Island of Ireland Industry Feedback

Barometer	What they said
Brightening up	Accommodation Providers
	The majority of hotels and guesthouses in ROI expect to see growth in business this year as a direct result of the Gathering Ireland 2013. Numerous ROI hoteliers report an increase in business YTD. Hotels in NI acknowledge that business YTD has been poor, however on a positive note, many are reporting that the summer looks better with a good influx of tours and overseas business. Derry~Londonderry hoteliers acknowledge a positive start to the year with both occupancy and yield up YOY for Q1. The self-catering sector reports an increase in overseas business YOY, driven by bookings from the US and Europe. German and French visitor numbers are reportedly significantly higher than previous years; however, the GB market is mixed. Self-catering properties acknowledge a small, but positive impact on bookings as a result of The Gathering Ireland 2013.
Brightening up	Air, Sea and Car Hire
	The outlook for 2013 from air carriers continues to be positive with many reporting that they are pleased with sales at this stage. Most airlines acknowledge good early season sales, especially from the US and key European markets. As regards sea access to the island of Ireland, a leading carrier experienced a slight increase in passenger traffic for Q1 YOY. Their GB business for Q1 was broadly flat. Car rental companies report that business so far in 2013 has also been fairly flat. There is a concern in the car rental industry that much of the forecasted growth for 2013 could turn out to be mainly coach tourism. However, they say that as the lead time to booking continues to shorten, it is still too early to call.
Bright	Attractions
	In NI, Titanic Belfast has experienced huge visitor success in its first full year of operation. Titanic Belfast almost doubled its initial visitor target by welcoming over 800,000 visitors from 128 countries. The Giant's Causeway Visitor experience has also performed strongly since opening in July 2012. The year has kicked off positively in Derry~Londonderry with bookings and enquiries up. One leading city tour reports that bookings are up significantly, driven by business from the US. Several top Dublin attractions are reporting a good start to the year, with single digit visitor increases for Q1. A rural attraction in the East reports that after a reasonable start to the year, they have experienced a substantial drop off in visitors of late. Leading attractions in the West of Ireland experienced a significant increase in group business from North America and Germany in Q1.
Brightening up	Inbound Operators and Business
	By and large inbound operators are reporting that 2013 is shaping up well based on forward bookings in place for the season ahead. US business is looking particularly promising and European markets also look positive. The GB market, which traditionally books closer to the time of travel, is more difficult to predict. While business tourism in NI is slow, Ireland's hosting of the EU Presidency is reportedly having a very positive impact in Dublin.

Source: Based on feedback from island of Ireland industry sources, April 2013



3.6 Tourism Ireland Market Feedback

Great Britain: Analysis of the British market (The GB Path to Growth Report) confirms that the island of Ireland competes primarily with domestic British destinations. This year has seen strong home holiday promotions by domestic destinations, including Scotland. However, the economy in GB remains fragile. There is a belief in the GB market that The Gathering Ireland 2013 is starting to deliver business, which will become more evident as the year progresses.

North America: In the US, all major FIT (Free Independent Traveller), escorted tour and golf operators continue to report that the 2013 booking season has got off to a good start and many expect this year to be a record year. Leading escorted tour operators continue to report record level of bookings to Europe with the island of Ireland's performance tracking strongly, and in some instances, ahead of the European average. The increase in direct air access for the peak season continues to stimulate the promotion of some very competitive summer airfares, with attention turning to an earlier than usual promotion of autumn fares, in response to increased capacity. Feedback from most Canadian operators remains positive for the year with reports of solid forward bookings. The Gathering Ireland 2013 is being referenced as a specific key driver of group business. Air carriers are pleased with bookings for the peak season with sales ahead of this time last year.

Mainland Europe: Europe has begun the year on a bright note, driven by strong performances from France, Germany and the Nordics, and positive trends from almost all other markets. This is encouraging, as European markets continue to feel the negative effects of the eurozone recession, particularly in Spain and Italy. Tour operators are reporting a good first quarter in bookings, with most experiencing growth over 2012. Carriers are also seeing good demand through to September, and bookings are helped by increases in capacity and new routes in France, Italy, Germany and the Nordics.

Australia & Developing Markets: Feedback from the Australian trade remains buoyant for travel to the island of Ireland. One key operator reports that sales for the island of Ireland are well ahead of the same time last year. The outlook from China and India continues to look positive, aided by the visa waiver scheme. In India, there are reports that enquiries for the island of Ireland have increased compared to last year. Agents are noticing that consumers are extending their holidays from the UK to Ireland and there has been an increase in the number of agents programming the island of Ireland.

4. Conclusion

Ends

The overall sentiment for travel to the island of Ireland in 2013 is largely positive, despite a challenging economic backdrop in many of our source markets. Early indicators for the year are good, illustrated by official data indicating that overseas visitors to the Republic of Ireland grew by +7% in the first quarter of 2013 when compared to the same period in 2012.

This year Tourism Ireland mounted its biggest ever St Patrick's promotion with over 70 iconic landmarks across the world turning green to mark St Patrick's Day. We continue to roll out our campaigns globally and The Gathering Ireland 2013 and Derry~Londonderry UK City of Culture 2013 present tremendous opportunities for us to shine a spotlight on the island of Ireland around the world this year.