



Mount Errigal, Co Donegal

SOAR
(Situation & Outlook Analysis Report)
February 2013

Summary Headlines

- Official data indicates that **overseas visitors** to the Republic of Ireland were flat for 2012 when compared to 2011. However, with the exception of Great Britain, all other market areas, Mainland Europe (+3%), North America (+3%) and Australia and Developing markets (+6%) experienced growth. The year finished strongly with +5% year-on-year (YOY) growth recorded in the **final quarter** of 2012.
- Just over 19 million **passengers** travelled through Dublin Airport in 2012, an increase of +2% compared with 2011.
- Total **hotel rooms** sold in Northern Ireland increased by +11% for the January to October 2012 period, with room occupancy up +7%, according to the Northern Ireland Statistics and Research Agency (NISRA).
- According to the Civil Aviation Authority, 2012 **air traffic** estimates between GB and Northern Ireland were up +1% versus 2011.

2. Global Outlook

Despite economic uncertainties, most regions of the world experienced visitor growth in 2012. International tourist arrivals increased by +4%, when compared to 2011, according to preliminary figures from the UNWTO. Northern Europe, (of which the island of Ireland is part) was flat, while arrivals to Europe in total grew by +3%. The key results are highlighted in the table below.

Updated UNWTO Global performance	
International arrivals	Preliminary 2012
World	3.8%
Africa	6.3%
Asia Pac	6.8%
Americas	3.7%
Middle East	-4.9%
Europe	3.3%
Western Europe	3.0%
Northern Europe	0.4%
Cent & East Europe	8.0%
South East Med	2.0%

The UNWTO forecasts that international tourism arrivals are expected to grow by between +3% and +4% in 2013, while they are forecasting a slight slowdown in European arrivals in 2013 (+2% to +3%).

3. External Travel Trends

Key Markets Economic and Travel Outlook

3.1 Overview

The International Monetary Fund (IMF) has cut its global growth forecasts for 2013 slightly and projects a year of contraction in the euro region, as progress in battling Europe's debt crisis fails to produce an economic recovery.

The IMF expects the Eurozone to shrink by -0.2% in 2013, instead of growing by +0.2% as forecast last October, as Spain leads the contraction and Germany slows. The IMF warns that the region still poses a "large" risk to the rest of the world if efforts under way to strengthen its economies and work to achieve a banking union slip. It forecasts that the world economy will expand by +3.5% this year, slightly less than their +3.6% forecast last October.

3.2 Economic Indicators

<p>Great Britain</p> <p>Last year was a challenging one for the economy, with growth estimated to have been just +0.1%. Prospects for 2013 are a little better. Inflation is expected to come down as the year progresses, while the large increase in the income tax personal allowance, due to be implemented in April, should also support households' purchasing power.</p>	<p>2013 GDP Forecast: +1.0%</p> <p>CPI*: + 2.7% (no change)</p> <p>Unemployment: 7.7% (down from 8.1%)</p> <p>Exchange rate(€/£): €1: £0.84</p>
<p>USA</p> <p>The decision to tackle the 'fiscal cliff' has reduced the risks to the US economy substantially, although significant uncertainties remain. The government must still raise the debt ceiling and negotiate spending cuts. Although there will be more fiscal tightening the negative impact on the economy will be offset by stronger consumer spending.</p>	<p>2013 GDP Forecast: +2.3%</p> <p>CPI*: +0.1% (down from +0.6%)</p> <p>Unemployment: 7.8% (down from 7.9%)</p> <p>Exchange rate (€/£): €1: \$1.33</p>
<p>France</p> <p>The French economy contracted by -0.4% in the final quarter of 2012 and there is no sign of improvement in early 2013. Unemployment is expected to continue to increase, peaking by the middle of this year. However, the weak domestic economy will be partly offset by an improvement in the external environment.</p>	<p>2013 GDP Forecast: +0%</p> <p>CPI*: +1.3% (down from +1.9%)</p> <p>Unemployment: 10.5% (up from 10.4%)</p>
<p>Germany</p> <p>Disappointing industrial production and retail sales data has led to the German economy weakening again in Q4 2012. Although manufacturing orders have yet to improve, businesses are becoming more optimistic about the future. This may help the German economy to expand modestly in Q1 2013.</p>	<p>2013 GDP Forecast: +0.7%</p> <p>CPI*: +2.1% (up from +2.0%)</p> <p>Unemployment: 6.9% (no change)</p>

Source: Oxford Economics Bulletins; UNWTO, IMF, World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 23/1/2013; 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 December 2012.

3.3 Travel Trends in Key Markets

Great Britain: The total number of visits taken abroad by UK residents during the January-November period in 2012 was flat when compared to the same period in 2011. VisitEngland reports that total domestic trips and nights both declined by -4% YOY for the January-October period. Domestic holidays trips decreased by -3% YOY for the same period. VisitBritain is predicting international tourism to Britain to grow by +3% YOY in 2013. A recent study commissioned by VisitBritain suggests that global perceptions of Britain have improved, mainly thanks to the hosting of the London 2012 Games.

North America: US outbound travel to Europe for the January-November 2012 period was +4% YOY, according to the US Dept of Commerce. US visits to Britain declined by more than -5% in November, however, total YTD visitors are +3% and should exceed 2.9 million for the first time since 2008. The Conference Board of Canada (CBOC) reports that visits to Europe from Canada are likely to have fallen in 2012. This is in contrast to the general outbound market, which was up +5% YTD to October. It is anticipated that there will be fewer air seats available to Europe from Canada in 2013 than last year.

Mainland Europe: The German travel industry had a strong 2012 and the outlook for 2013 remains positive. In France, the majority of tour operators saw a decline in business and it is estimated that the outbound French holiday market declined by -4% last year. The Spanish travel market continues to suffer, as evidenced by a -7% decrease in trips abroad by Spaniards up to August, while passenger traffic at Spanish airports was down -5% YOY in 2012. Holiday spend by Italians was down -5% YOY for the first ten months of 2012, according to the Italian Central Bank. Leading airports in Scandinavia showed steady growth in 2012 and it is reported that the Swedish outbound market grew significantly last year. The Netherlands outbound market was flat in 2012.

Australia & Developing Markets: Outbound travel from Australia continues to be buoyant as the Australian Dollar remains strong versus other major currencies. Lead time between booking and departure continues to be short, even for long-haul travel. According to China's Tourism Economy report, there were 82 million Chinese outbound tourists in 2012, up +17% YOY. A report by indiatourismreview.com indicates that outbound figures for India in 2012 will grow by +6% over 2011 levels.

4. Market Intelligence

4.1 Access Capacity

Air Access	Winter 2012/13 Estimates		
YOY % Change	ROI	NI	Island
Great Britain	-6%	+4%	-2%
Mainland Europe	+2%	-47%	-2%
-France	0%	-43%	-4%
-Germany	-1%	0%	-1%
North America	+5%	-3%	+5%
ADM	+19%	0%	+19%
Overall	-1%	-2%	-1%

Source: TTC Winter Access Inventory report 2012/13 on weekly seat capacity

Estimates for air access capacity to the island of Ireland indicate that available seat capacity from GB and Mainland Europe is slightly down this winter season versus winter 2011/12. Capacity from North America is projected to be up +5% YOY. It is estimated that sea access capacity has remained largely unchanged versus last winter. In relation to the summer 2013 schedule, there have been a number of positive announcements on US air access capacity. American, United and US Airways are all adding new services and Aer Lingus also plans to increase capacity from the US for the forthcoming summer period. Current indications are that US capacity for peak summer 2013 will be more than +20% higher than summer 2012. Etihad has announced a +35% increase in capacity on its service from Abu Dhabi to Dublin, by deploying a Boeing 777-300ER on the route from July 2, 2013. Key summer 2013 announcements include the following:

SUMMER 2013 – Advance schedule changes				
ROUTE	CARRIER	ADJUSTMENT/CHANGE	EFFECTIVE	+ WEEKLY SEATS
Boston-DUB	Aer Lingus	Increased frequency (11 to 14pw)	mid June	816
Chicago-DUB	Aer Lingus	Increased frequency (7 to 11pw)	end March	1,088
JFK-DUB	American Airlines	New service	June 10	1,274
JFK-DUB	Delta	Increased frequency & larger aircraft	Jun18-Aug.29	750
Chicago-SNN	United	New seasonal service	Jun 06-Aug.26	845
Philadelphia-SNN	US Airways	New seasonal service	May 22-Sept.02	1,232
Philadelphia-DUB	US Airways	Larger aircraft	May 22-Sept 02	238
Abu Dhabi-DUB	Etihad	Larger aircraft	eff. July 01	924
Oslo-DUB	SAS	Increased frequency (4 to 6 pw)	end March	280
Oslo-DUB	Norwegian	Increased frequency (2 to 3 pw)	end March	186
Helsinki-DUB	Norwegian	New service (2 pw)	April 14-Oct 26	372
Madrid-DUB	Iberia Express	Increased frequency	Jun 29-Jul 31	855
			August	342
Munich-DUB	Lufthansa	Increased frequency	May 01-Oct 02	156
Gatwick-BHD	Aer Lingus	Increased frequency (3 to 4 daily)	end March	444
Luton-NOC	Ryanair	Increased frequency	Summer season	378

Source: TTC

4.2 Total Passenger Numbers

	<i>Total Pax 2012*</i>	Oct 12	Nov 12	Dec 12	<i>Total 2012</i>
Dublin Airport	19.1m	+10%	+5%	+5%	+2%
Shannon Airport	1.4m	-17%	-11%	-21%	-14%
Cork Airport	2.3m	-3%	+2%	+5%	-1%
Ireland West Airport Knock	0.7m	-6%	+8%	0%	+5%
Belfast Int Airport	4.3m	-6%	-1%	-1%	+5%
Belfast City Airport	2.2m	-14%	+9%	+6%	-6%
City of Derry Airport	0.4m	-8%	-6%	-2%	-2%
All ROI Airports	23.6m	+7%	+4%	+5%	+2%
All NI Airports	7m	-2%	+2%	+1%	+1%
All UK Airports	224m	0%	+4%	+2%	+1%
All Germany Airports	N/A	+1%	-2%	N/A	N/A
All Norway Airports	50m	+4%	+5%	+2%	+5%
All Sweden Airports	37m	+1	+1%	-6%	+2%
ROI sea passengers	3.1m	-4%	+1%	-1%	-5%
NI sea passengers	2m	+3%	+4%	+2%	-1%

Source: Annaero, DAA, Fáilte Ireland, Ferrystat.

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

According to the Dublin Airport Authority (DAA), more than 19 million passengers (inbound and outbound) travelled through Dublin Airport in 2012, a +2% YOY increase. According to the Civil Aviation Authority (CAA), air traffic estimates between GB and Northern Ireland were up +1% in 2012 over 2011.

Aer Lingus reports that its total number of passengers (inbound and outbound) in 2012, including those on its regional operations, rose by +3.8% compared to 2011. Ryanair carried 79.6m total passengers in 2012, an increase of +4% YOY.

4.3 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

	Oct 12	Nov 12	Dec 12
Island of Ireland	+7%	+8%	+14%
ROI	+7%	+8%	+14%
NI	+7%	+5%	+13%
Scotland	+4%	+3%	+9%
England	+3%	+1%	+11%
Italy	+2%	0%	+8%

Source: STR Hotel reports – Properties across the island are represented, with a good representation from Dublin and Belfast. The focus is quite urban and the Midlands and Northwest is unrepresented.

The latest available data indicates that hotels on the island of Ireland experienced a good finish to 2012 in room sales. However, it is not possible to break out overseas bookings from domestic business.

According to NISRA, total hotel rooms sold in Northern Ireland increased by +11% YTD to October 2012, with room occupancy up +7%. NISRA also reports that total rooms sold in B&Bs, guesthouses and guest accommodation in Northern Ireland increased by +18% in October YOY, resulting in a +7% increase YTD to October. It is not possible to break out overseas from domestic bookings in Northern Ireland.

Belfast Visitor and Convention Bureau (BVCB) reports that the peak summer months from June to September 2012 were particularly busy in terms of demand for hotel rooms with occupancy peaking at 88% in June and August – exceeding the previous record of 86% in 2007 when there were 1,000 fewer rooms in the city.

4.4 Island of Ireland Industry Feedback

Barometer	What they said....
<p>Mixed</p> 	<p>Accommodation Providers</p> <p>Dublin hoteliers report that indications for the first half of 2013 are positive, principally due to political and sporting events. The outlook from the rest of ROI hoteliers is mixed. NI hoteliers acknowledge, after a reasonably positive final quarter, 2013 has started on a worrying note. Some are reporting cancellations; initially this was on an ad hoc, individual basis in the short term. However, as January progressed, longer term cancellations for groups and conferences came in. While, the unrest in Belfast has abated, NI hoteliers have concerns regarding the negative image of Northern Ireland portrayed through the media, and how this may affect potential future visitors.</p>
<p>Brightening up</p> 	<p>Air</p> <p>The initial outlook for 2013 from leading air carriers is positive with many reporting that they are pleased with advance sales at this stage. Leading airlines acknowledge good early season sales, especially from key European markets. The significant increase in direct air access from the US for the peak season is a welcome development, and has stimulated the promotion of some very competitive early spring fares from carriers especially from the New York gateway where competition has increased.</p>
<p>Brightening up</p> 	<p>Attractions</p> <p>Early indications for 2013 are generally positive with many Dublin attractions reporting a stronger January YOY. However, it's a quiet time of the year for many rural attractions and the majority say it's too early to call 2013 yet. Some attractions in Northern Ireland expressed concern regarding the recent unrest in Belfast and the negative media coverage it generated.</p>
<p>Mixed</p> 	<p>Inbound Operators and Business</p> <p>While acknowledging that it is still early days, a significant inbound operator expressed some concern regarding 2013 business to date. A key golf operator reports that early indications for their overall 2013 business are bright. However, they acknowledge that more direct flights to their region would enhance prospects even more. A leader in the conference & events sector reports that 2013 bookings are slower than 2012.</p>

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

4.5 Tourism Ireland Market Feedback

Great Britain: A number of operators have expressed cautious optimism for travel to the Republic of Ireland in 2013. However, most are expressing concerns regarding the recent unrest in Belfast with a couple of smaller operators confirming that they cancelled a small number of Northern Ireland tours. The 'GB Path to Growth' strategy underpins Tourism Ireland's marketing plans for Great Britain in 2013.

North America: In the US, most operators and carriers report that forward bookings have got off to a good start and many expect 2013 to be stronger than 2012. Consumer awareness of The Gathering Ireland 2013 is high in key cities and this appears to be having a positive impact in generating incremental group business. The significant increase (more than +20%) in direct air access for the forthcoming peak summer season has already stimulated the promotion of some very competitive early spring fares. In Canada, airlines report growth for 2012. In terms of future bookings, most tour operators are reporting that business to the island of Ireland for summer 2013 is off to a good start. While final schedules remain to be confirmed, direct air access from Canada this year is expected to remain on a par with 2012.

Mainland Europe: In spite of the difficult economic environment, core European markets delivered growth in 2012 with Italy and Germany the top performing markets. Feedback from tour operators suggests that promotable visitors and holidaymakers were the main drivers of growth in 2012, and a strong final quarter suggests the increasing appeal of good value, off season short breaks for European visitors. The initial outlook for 2013 is promising, especially from Germany, where key tour operators and a principal airline are reporting double-digit growth compared to this time last year. The outlook is optimistic from France with trade partners happy with advance bookings. The outlook is also positive in general from Italy, Spain, the Netherlands and the Nordics - however it is still early days.

Australia & Developing Markets: Feedback from the Australian travel trade remains buoyant for travel to the island of Ireland. Airline earlybird sales for 2013 (Mar – Oct period) are reported as being very strong and most airlines extended the earlybird sales period due to this strength in sales. The outlook from India and China continues to be positive, aided by the extension of the visa waiver scheme. We continue to evaluate and explore opportunities that arise in Brazil, Russia and other developing markets.

5. Conclusion

The global economic landscape continues to present a challenging environment for travel in 2013. Despite the ambiguity surrounding the pace of economic recovery, North America, Mainland Europe and Australia and Developing Markets represent the best prospects for growth in 2013. The new GB Path to Growth strategy underpins Tourism Ireland's marketing plans for 2013 in GB; the plan aims to grow the number of British holidaymakers by +20% by 2016. In the US, Tourism Ireland is rolling out our plan to "Make Ireland Jump Out" and grow the number of American visitors by +20% between 2013 and 2015.

Overall sentiment for travel to the island of Ireland in 2013 is positive. Upcoming travel shows such as ITB Berlin provide significant opportunities for Tourism Ireland and its industry partners to promote directly to top trade, media and consumers. In particular, The Gathering Ireland 2013 and Derry~Londonderry UK City of Culture 2013 present tremendous opportunities to highlight the island of Ireland around the world.

Ends
