



Niagara Falls Goes Green

SOAR (Situation & Outlook Analysis Report) **April 2012**

1. Overview and Summary

Preliminary results indicate a year of recovery in 2011, with growth in total overseas visitors to the island of Ireland. Both the Republic of Ireland (+7%) and Northern Ireland (+4%) saw an increase in visitors last year, although growth was not experienced uniformly by all stakeholders across the island of Ireland.

While there is evidence of a challenging start to this year, industry and trade partners are generally positive about the coming months, with reports of advance bookings and enquiries being well up on this time last year. Air seat capacity to the island of Ireland is scheduled to grow by +3% for the forthcoming summer season.

2. Global Outlook

The World Tourism Organisation (UNWTO) forecasts that international tourism arrivals will continue to grow again this year, albeit at a slower rate. Global arrivals are expected to increase by between +3% to +4%, reaching the historic one billion mark by the end of the year. Emerging economies will lead with strongest growth in Asia & Pacific and Africa (+4% to +6%), followed by the Americas and Europe (+2% to +4%).

2.1 External Travel Trends

2.1.1 Londoners show appetite to stay in the city to experience the Games

A recent study by *Amadeus* in conjunction with *Forward Data SL* was undertaken to determine the impact of the London 2012 Olympics on actual global air bookings. The findings reveal that travel volumes into London will increase during the period of the Games. The research also demonstrates the potential global impact of the Games as other European cities, connected to London via high speed rail, have already seen an increase in bookings.

Londoners are +11% more likely to stay in the city during the Olympics period than they did the corresponding weeks in 2011, according to analysis of scheduled departures from all London airports. This finding suggests that contrary to popular opinion, Londoners are not flocking en masse to rent out their homes and to travel abroad. Instead, it seems that the majority of Londoners are keen to play an active role in the event.

Key Markets Economic and Travel Outlook

2.2.1 Overview

Recent growth forecasts have been mildly positive in the US, UK and in key emerging markets. In contrast growth prospects for the Eurozone have weakened despite a modest improvement in financial conditions. With credit conditions tightening in Europe and major fiscal cutbacks in many countries, Eurozone GDP is expected to decline this year. The weakness of the Eurozone is also contributing to a marked slowdown in world trade. A new threat to world growth has also appeared in the shape of a sharp rise in oil prices. Brent crude prices are up significantly since the start of the year and are expected to continue to increase during 2012.

According to research by the World Travel & Tourism Council (WTTC), the global travel and tourism industry will grow by +3% in 2012, marginally faster than the global rate of economic growth. However, the prospects for travel and tourism growth in Europe in 2012 are precarious. Consumer spending is set to tighten as austerity measures kick in, and there continues to be considerable uncertainty around the future of the Eurozone and peripheral economies of Greece, Spain, Italy and Portugal.

2.2.2 Other Economic Indicators

<p>Great Britain</p> <p>There have been signs of improvement across a range of indicators over the first couple of months of 2012. The upturn has been founded upon an improvement in business and consumer sentiment. The improvement in the public finances – and more specifically tax revenues – has been stronger than expected.</p>	<p>2012 GDP Forecast: + 0.5 % (up from + 0.3%)</p> <p>CPI*: + 3.6% (down from +4.8%)</p> <p>Unemployment: 8.1% (no change)</p> <p>Exchange rate(€/£): €1: £0.83</p>
<p>USA</p> <p>Economic indicators continue to point towards moderate growth. Although consumer spending was flat in Nov-Jan, car sales surged in February. Confidence has also risen recently and consumers are borrowing again. However the increase in the price of oil could weigh more heavily on consumers and businesses than initially assumed.</p>	<p>2012 GDP Forecast: +2.3% (down from +2.5%)</p> <p>CPI**+: +0.2% (up from +0%)</p> <p>Unemployment: 8.3% (down from 8.7%)</p> <p>Exchange rate (€/£): €1: \$1.30</p>
<p>France</p> <p>Better than expected outcome for GDP growth in 2011 has led to an upward revision of the 2012 forecast. However, the outlook has not changed significantly. In January, purchases were down and unemployment increased again. Weak growth is likely to mean that more austerity policies could be announced after the presidential elections.</p>	<p>2012 GDP Forecast: 0% (up from -0.2%)</p> <p>CPI*: +2.3% (down from +2.5%)</p> <p>Unemployment: 10.0% (up from 9.9%)</p>
<p>Germany</p> <p>Given the weakening of the Eurozone, Germany is expected to see a sharp slowdown in 2012 after growth of +3% in 2011. Unemployment remained static in February. However, businesses are cautious with their recruitment plans until the economic outlook becomes clearer. Consumer sentiment is positive due to low unemployment and households benefiting from low inflation.</p>	<p>2012 GDP Forecast: +0.6% (no change)</p> <p>CPI*: +2.1% (no change)</p> <p>Unemployment: 6.8% (no change)</p>

Source: Oxford Economics Bulletins; World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 16/03/2012; OECD; ONS; INSEE; Federal Statistics Office; GfK/GfK NOP on behalf of the European Commission; The Conference Board; * YOY CPI changes; **Monthly CPI changes. Based on most recent available data. Data is compared to the economic indicators as released in the February SOAR.

2.2.3 Travel Trends in Key Markets

Great Britain: The number of visits taken abroad by UK residents during 2011 was marginally up (+1%) on 2010, with overseas departures increasing by +14% year on year (YOY) in the month of December. The *Nationwide Consumer Index* rose in January 2012, however, this important index of consumer sentiment is still below where it stood in January 2011, reflecting the continuing caution of British consumers.

North America: Transatlantic traffic rose in February, with leading carriers reporting a +2.5% increase YOY. In the US, the general mood of the travel trade is positive. Consumer confidence, unemployment and the stock market are all moving in the right direction. This positive news flow is somewhat dampened by the increasing cost of gasoline (which is a key indicator in the US) and the generally negative tone of the presidential campaign. Outbound travel to Europe from Canada grew by over +8% in 2011, helped by a strong Canadian dollar.

Mainland Europe: German travel agencies report sales growth of almost +4% in January. It is predicted that 2012 will be another year of growth for the German travel industry. Amidst the economic uncertainty, the French trade are cautious about 2012. Official statistics released show that outbound travel from Spain rose by +2% in January YOY. Italians are remaining cautious, with tour operators indicating that forward bookings are weak at the moment. In the Netherlands, consumers remain wary regarding their travel expenditure. Swedish airports registered +9% growth in 2011, aided by the appreciation of the Swedish krona against the euro.

Australia & Developing Markets: The Australian outbound market continues to perform well, driven by a strong dollar. Latest official data reveals Australians are increasingly choosing to holiday overseas, with departures in January rising by +2% compared to December 2011. The outbound market is forecasted to grow by around +5% this year. The Indian outbound market is also expected to continue expanding in 2012, however, there are signs of fragility that could hurt long-haul destinations and benefit its Asian neighbours. Due to the increase of flight frequency, good aircraft quantity and low ticket tax, more Chinese tour operators are choosing Emirates as their first choice for European packages.

3. Market Intelligence

3.1 Visitors

2011 Preliminary Visitor Estimates

Visitor Origins	ROI Total*		NI Total	
	2011 Jan-Dec Preliminary		2011 Jan-Dec Preliminary	
	'000s	%YOY	'000s	%YOY
Total	6,256	+7%	1,478	+4%
GB	2,796	+3%	969	0%
ME	2,208	+11%	264	+19%
NA	896	+5%	147	+1%
OA	357	+11%	99	+21%

Source: CSO, NISRA Northern Ireland Passenger Survey, Failte Ireland.

* ROI Total figures differ from the CSO release as the CSO release does not include visitors who overnight in the Republic of Ireland but who exit the island of Ireland through an air or sea port in Northern Ireland and the CSO release includes same day visits (which are removed from final figures).

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2012 Visitor Estimates

First indications for 2012 have come for the Republic of Ireland in the form of the CSO's *December to February* release. The three month period grew by +3% compared with the same period the year before, mostly bolstered by a strong December.

Source: CSO Overseas Travel release Dec 2011-Feb 2012

3.2 Access Capacity

Air Access	Summer 2012			Winter 11/12		
YOY % Change	ROI	NI	Island	ROI	NI	Island
Great Britain	+2%	-2%	+1%	+1%	-1%	0%
Mainland Europe	+4%	+13%	+5%	+1%	+68%	+4%
-France	+7%	-15%	+6%	-8%	0%	-7%
-Germany	+7%	0%	+7%	+4%	0%	+4%
North America	-5%	-3%	-5%	-8%	0%	-8%
Overall	+3%	+0.5%	+3%	+1%	+4%	+2%

Weekly seat capacity - Source: TTC Inventory Report

Total available capacity on direct scheduled air services to the island of Ireland for summer season 2012 will be up +3% on last summer, with +3% more seats on ROI routes and +0.5% more on NI routes.

Available car capacity on ferry routes between the island of Ireland and Britain, based on current published schedules, will be down by -8% this summer YOY. The schedule to France is unchanged versus summer 2011.

3.3 Total Passenger Numbers

	Nov 11	Dec 11	Jan 12
Dublin Airport	-3%	+10%	-5%
Shannon Airport	-7%	-5%	-17%
Cork Airport	-4%	-3%	-2%
Belfast Int Airport	0%	+19%	+9%
Belfast City Airport	+1%	+13%	-14%
City of Derry Airport	+11%	+32%	+7%
All ROI Airports	-3%	+9%	-4%
All NI Airports	+1%	+18%	-1%
All UK Airports	-1%	+11%	+0%
All Germany Airports	+2%	+7%	+2%
All Norway Airports	+8%	+7%	+7%
All Sweden Airports	+9%	+9%	+8%
ROI sea passengers	+3%	-9%	-4%
NI sea passengers	+2%	+5%	+2%

Source: Annaero, Fáilte Ireland, Ferrystat, DAA

January saw a decrease in traffic through many airports on the island of Ireland according to official sources. Please note that the results recorded include both inbound and outbound passengers.

According to Aer Lingus, their total flown passenger numbers, including Aer Lingus Regional operations, increased by +8.8% in February 2012.

3.4 Accommodation

Hotel accommodation data (Hotel rooms sold)

	Nov 11	Dec 11	Jan 12	Feb 12
Island of Ireland	0%	-6%	0%	-1%
ROI	-2%	-7%	-1%	-1%
NI	+9%	+8%	+4%	+3%
Scotland	+6%	+8%	-2%	-2%
England	+4%	+3%	+1%	0%
Italy	+1%	+1%	0%	-7%
Greece	-24%	-18%	-34%	-26%

Source: STR Hotel reports – STR at present has the best all island hotel information. It provides a good representation from Dublin and Belfast – (49 and 18 hotels respectively, from a total of 94 properties). Properties across the island are represented, but 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 modest decline (-1%) in room sales in February. It is not possible to break out overseas bookings from domestic business.

A recent survey by *Hotels.com* found that the average price of a room in Ireland increased in 2011 for the first time since 2008 - by +4% - to €82. Dublin was found to have the cheapest rooms for a capital city in Western Europe. The Dublin average of €76 a night was a +4% increase on 2010.

Total rooms sold in hotels, B&Bs and guesthouses in Northern Ireland increased by +10% YOY for the month of January, according to the Northern Ireland Statistics and Research Agency (NISRA). It is not possible to break out overseas from domestic bookings in Northern Ireland.

3.5 Island of Ireland Industry feedback

Forecast	What they said....
<p>Brightening up</p> 	<p>Accommodation Providers</p> <p>Hotel providers in ROI indicate that the year has started off on a par with last year, with some signs of growth in March. Luxury niche hotels in ROI report that forward bookings are very good with double digit growth from some markets. The US is particularly good, as is Canada, France, Netherlands and Germany. B&B's in ROI are seeing good growth in advance bookings from France and Germany.</p> <p>NI hotels have experienced a quiet Q1. March has been slow with a big challenge in Belfast on room rates. Occupancy rates in Belfast were reasonable for the first 2 months of the year. Derry hotels have experienced poor occupancy in Q1. Generally a cautious outlook for NI hotels - there hasn't been the level of bookings hoteliers had hoped there would be so far, however they acknowledge it is early days yet. NI B&B and self catering report a quiet winter.</p>
<p>Cloudy</p> 	<p>Airlines, Ferries and Car Hire</p> <p>Many airports on the island of Ireland experienced a decline in passenger numbers for January. The weak start is continuing through February and March at many airports. However, many air carriers are reporting that forward bookings are good for Q2 and Q3 and are positive about the 2012 outlook. A leading sea carrier reports that January and February were soft on its GB routes. They have experienced a lift in bookings of late, whilst summer bookings are more promising. Late booking is still very prevalent. Car rental companies report Q1 is the same as last year. Forward bookings are poor, however, at this stage it's too early to forecast how the rest of the year will turnout. The increasing cost of oil is significantly impacting the bottom line of all transport providers.</p>
<p>Brightening up</p> 	<p>Attractions</p> <p>Attractions across the island report a positive 2011, with growth strongest from Mainland Europe and the US. The winter months are generally quiet for many attractions on the island of Ireland. A leading Dublin attraction reports a slow Q1 with March down YOY, whilst another major attraction in the city is up year to date (YTD) to the end of February. Visitor numbers are up YTD at a major West of Ireland attraction and advance bookings are positive.</p>
<p>Bright</p> 	<p>Inbound Operators and Business</p> <p>Inbound operators report a satisfactory start to 2012, with an increase in confirmed bookings and enquiries generally. The key challenges expressed for 2012 include the lack of seats on direct flights from the US to Ireland during the peak season and the availability of hotel rooms in Dublin in the summer during major events. However, the overall expectation and outlook is for a further improvement on 2011.</p> <p>On the business travel side, 2012 is looking promising, whilst golf operators in general, report that 2011 was better than the year before and bookings for 2012 are good.</p>

Source: Based on feedback from island of Ireland industry sources, March 2012

3.6 Tourism Ireland Market Feedback

Great Britain: There are some positive signals for travel this year with a large number of GB trade reporting good levels of interest in island of Ireland packages and reasonable advance bookings. Overall, they indicate a good start to the year and are optimistic for the year ahead.

North America: US trade feedback across all sectors is one of 'cautious optimism'. The year appears to have got off to a good start, but it is too early to call and Q1 business is likely to be weaker than last year. Late spring and summer carrier bookings look good from all gateways. However, carriers are suggesting that the island of Ireland may be capacity-constrained during the peak period, which has been exacerbated following the recent announcement by United Airlines of a reduction in its summer capacity to Shannon. Feedback from Canada is also positive with our partners continuing to report strong advanced bookings for the island of Ireland.

Mainland Europe: European markets are continuing to show resilience in terms of travel to the island of Ireland, despite economic pressures, particularly in southern Europe. The positive outturn of last year looks to be sustained, based on feedback from tour operators and carriers on 2012 forward bookings. A buoyant response to the newly launched campaign and strong interest at consumer fairs in the first quarter enhance the feeling of optimism for another good year from Europe. Some German operators are reporting double digit growth YTD, whilst a key carrier indicates a solid increase in business for early 2012. Feedback from French trade is also promising, with sea carriers reporting that bookings are ahead of this time last year. Spain is difficult to judge at this stage, partly due to late bookings being so prevalent in the market. In the Nordics, the outlook for travel remains positive and increased access for summer 2012 should assist in continued growth. Feedback from Italy remains mixed, reflecting their cautious travel plans at present.

Australia & Developing Markets: Feedback from trade has indicated that sales from Australia are on par with 2011 figures YTD. However, our key airline partners indicate that forward bookings are strong. Travel from India and China in 2012 looks positive, aided by the visa waiver initiative and Emirates decision to increase capacity on the Dubai-Dublin route from July.

4. Conclusion

Although final numbers are still not available, preliminary results point to a year of recovery in 2011. While there is evidence of a challenging start to 2012, industry sentiment on the island of Ireland is generally positive for the months ahead.

Our significant marketing programme for 2012 is in full swing. Our St Patrick's programme allowed us to avail of every opportunity to capitalise on Ireland's heightened profile around the world. In line with the opening of Titanic Belfast, ni2012 forms an integral part of our global campaigns. All of this will provide an invaluable boost for our first half tourism marketing drive and we look forward to continuing to work with industry partners to deliver further growth in 2012.

Ends
