



President Obama's Visit May 2011

SOAR

(Situation & Outlook Analysis & Report)

July 2011

Ireland

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1. Overview and Summary

There appears to have been quite a good recovery in visitor numbers up to June 2011, with increases in both overall arrivals and international visitors to key attractions. Both Republic of Ireland and Northern Ireland are experiencing a growth compared to 2010, however whether this moves beyond just recovery and into strong growth is uncertain at present. Northern Ireland did not experience a strong first quarter, but there are signs of growth over the last few months, though not as strong as in the ROI. Recent Tourism Ireland research highlights the continuing concern over safety and security relative to other destinations.

There are mixed views amongst industry, with some feeling that while the losses from the ash crisis have been regained, the overall trend in visitor growth is not sufficient to restore pre recession growth. Where all sources are in agreement is that there is still room for growth from GB visitors, and that this sector will be key in achieving a strong overall performance in 2011.

The economic outlook for the second half of the year is casting an uncertain shadow on performance for the latter part of 2011 and combined with the trend to late booking is resulting in price discounting by both accommodation and transport providers.

Overall while there is evidence of some recovery, stronger growth would be more certain if there was a further uplift in visitors from Great Britain.

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2. Global Outlook

International tourist arrivals increased by 4.5% between January and April 2011, and according to the United Nations World Travel organisation (UNWTO) panel of tourism experts, the outlook for May to August continues to be positive. Halfway through 2011, UNWTO continue to forecast 4-5% growth in international tourist arrivals for 2011.

April has been the strongest month for international travel with an estimated 6% increase over 2010. While January was also a strong month at 6%, February and March were comparatively weaker at 3%.

Europe has been leading tourism growth internationally, and at 6% posted the highest growth in the first four months of 2011. Results reflect a delayed recovery in various European destinations and source markets, the late Easter holiday and compensation for the negative trend in April 2010, which was affected by the volcanic ash cloud. Destinations in Northern, Eastern and Southern Europe performed particularly well.

The World Travel and Tourism Council's (WTTC) June indicators highlighted a slow down in the growth trends of international airline passenger traffic and tourist arrivals since the latter half of 2010. The annual 3 month moving averages for both indicators are now moderating back towards pre recession rates, following the initial strong bounce back from the depths of global recession.

2.1 External Travel Trends

2.1.1

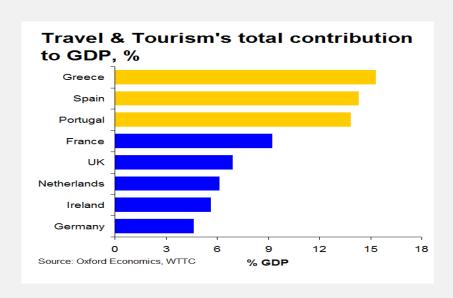
According to the most recent Ipsos Eurobarometer 2011:

- Europeans holiday plans are back on the rise this year: 66% (+2 points) of Europeans claim that they plan to go on holiday this year, as compared to 64% in 2010 and in 2009. This slight increase catches up with the pre-crisis level, where 67% of Europeans claimed to be planning to go on holiday.
- This trend is even more marked among the Spanish and Italians, where the alteration in holidaymaker behaviour was more tangible last year: this year, respectively 65% (+6 points) and 78% of them (+7 points) plan to go on holiday this summer. In France, holiday plans are stable compared to 2010 (68%) and so have still not returned to their pre-crisis level (74% in 2008).

• This year we once again observed the increasing dominance of the Internet in the organisation of holidays. Holiday reservation via this means of communication has been constantly on the rise among Europeans since 2005; when 28% of Europeans used it as opposed to 57% in 2011.

2.1.2 Tourism and Travel contribution to GDP

Recent estimates published by Oxford Economics and the WTTC reveals the importance of travel and tourism as an economic sector varies across countries. The economic contribution of travel and tourism is relatively more important in Southern Europe/Mediterranean countries, where the sector is estimated to account for approximately 12-15% of GDP in 2010. According to Oxford Economics and WTTC estimates, the *total* contribution to Ireland's GDP is just over 5%. There is not a separate figure for Northern Ireland, however Deloitte estimate the value of the total visitor economy at 5%.



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Variation is also apparent across countries in terms of the relative importance of domestic and international tourism in terms of GDP contribution. Domestic tourism makes a higher contribution to GDP in France, Spain, Germany and the UK, while the relative contribution is more evenly balanced in Greece and the Netherlands. However, for the peripheral countries Portugal and Ireland, international tourism makes a much higher contribution to GDP relative to domestic tourism.

This levels of contribution of domestic travel and tourism to GDP highlights that in our key European source markets of GB, France and Germany, the level of domestic tourism is as large or larger than the level of international travel. This may indicate that we are competing for visitors from these countries both with other destinations, and with their home country.

2.2 Key Markets Economic and Travel Outlook

2.2.1

Ongoing turmoil and uncertainty in the eurozone has negatively impacted the economies and consumer confidence in key source markets.

April retail figures in GB appear to have been boosted by the extra bank holiday and the Royal Wedding, which may also have contributed to increased consumer confidence in May. However, as indicated in the last SOAR, this rise was just one month's results and consumer confidence fell again in June, reversing the May gain. Furthermore, there is anecdotal evidence that workers used the unusual pattern of bank holidays to take more holidays than they would normally take at that time of the year. It remains to be seen the impact these events will have on GB travel trends for the remainder of 2011.



2.2.2 Other Economic Indicators

| Great Britain | | |
|---|--------------------------|-------------------|
| Consumer outlook remains poor, with | 2011 GDP Forecast: | + 1.4% |
| consumer confidence falling again in June, reversing the May gain and is now | | (Down from +1.5%) |
| lower than at any point in 2010. | CPI*: | + 4.2% |
| Consumer spending is forecast to fall in 2011. Unemployment is expected to edge | | (Down from 4.5%) |
| up. Inflation, expected to move higher | Unemployment: | 7.7% |
| over the summer months, fell in June. | | (unchanged) |
| | Exchange rate (€/£): | €1: £0.88 |
| | | |
| USA | | |
| Weakness in Q1 appears to have | 2011 GDP Forecast: | +2.5% |
| extended into Q2, but growth is expected to pick up in H2. Consumer confidence is | | (Down from +2.7%) |
| low and likely to remain so for some | CPI**: | +0.2% |
| time, having fallen again in June, impacting consumer spending. While the underlying employment trend remains | | (Down from +0.4%) |
| | Unemployment: | 9.2% |
| positive, unemployment has risen. | | (Up from 9.1%) |
| | Exchange rate (€/\$):*** | €1: \$1.41 |
| France | | |
| On the back of a strong Q1, GDP is now | 2011 GDP Forecast: | +2.2% |
| forecast to be back to its pre-crisis level by the end of 2011. Unemployment | | (unchanged) |
| outlook implies only a gradual fall in the unemployment rate by the end of the year. Consumer confidence remains low, but the deterioration has been roughly | CPI*: | +2.1% |
| | | (unchanged) |
| | Unemployment: | 9.5% |
| stable since March. | | |
| | | |

Germany

Similarly dynamic GDP growth expected this year as in 2010, with a further reduction in unemployment. Inflation thought to have peaked in April and expected to remain stable in H2. Having slightly weakened in previous months, consumer sentiment improved again in June.

2011 GDP Forecast: +3.5%

(unchanged)

CPI*: +2.3%

(Down from 2.4%)

Unemployment: 6.0%

Source: Oxford Economics Bulletins; Central Bank of Ireland/ECB Reference Rate 13/07/2011; OECD; ONS; INSEE; Federal Statistics Office; Gfk/Gfk NOP on behalf of the European Commission; The Conference Board; BNP Paribas; The Irish Times; *YOY CPI changes; **Monthly CPI changes. Based on most recent available data *** Euro fell to its lowest rate in 4 months against the US dollar in the midst of continued turmoil in the eurozone

2.2.3 Travel Trends in key markets

- **Great Britain:** The number of visits abroad by UK residents in the first five months of 2011 was +6% to that of the same period in 2010. As inflation increases in Great Britain and sterling strengthens against the Euro, we expect to see continuing improvements in value for money perceptions from this key market. A recent survey by Future Foundations in GB found 85% used the internet for gathering information on holidays.
- North America: In the US *DN Martin & Company* guesstimate that travel to Europe is up approximately +7% for the January-May period. Carrier feedback to Ireland for June is very positive with strong load factors from all gateways reported. Overall, Ireland's route performance is on par or ahead in some cases of key European competitors. Weaker outbound demand from Ireland has resulted in greater availability of point of sale seats ex US. Feedback from Canadian travel partners is also positive, with enquires in June up on the previous month. Visits to Europe by Canadians are expected to grow by +5% this summer.
- Mainland Europe: Travel continues to perform strongly in Germany with travel agencies reporting sales to the end of May up by +13%. It's evident in France that closer to home destinations will benefit from the displacement of business away from destinations in North Africa and the Middle East. Ireland should win a small share of this displaced traffic although it's difficult to determine the extent of this traffic gain. In Italy, airport international passenger traffic is up +9% YTD. Operators in Spain emphasis that price continues to play a huge part with consumers when choosing a destination.
- Australia & Developing Markets: Departures from Australia have continued to outstrip arrivals as the strength of the dollar continues to tempt travellers to venture further afield. Total departures rose +29% for the 12 months to April 2011, with all major outbound markets experiencing growth in Australian visitation. In China the processing time of a UK visa has increased from 10 working days to 17-20 working days which have resulted in some consumers changing their itinerary to other destinations. Outbound travel from India is looking positive to all destinations on the back of a growing economy leading to greater disposable income.
- As there are strong positive outward trends from all markets, island
 of Ireland visitor arrivals will have to increase by similar or greater
 levels to win market share.



3. Market Intelligence

3.1 Visitors

| Visitor Origins | IOI Q1 2011/2010 | | ROI Q1 2011/2010 | | NI Q1 2011/2010 | |
|--------------------|---------------------|------|---------------------|------|--------------------|-------|
| | '000s | %YOY | '000s | %YOY | '000s | %YOY |
| Total | 1,340 | +8% | 1,135 | +9% | 258 | +4% |
| GB | 718 | +7% | 546 | +7% | 191 | +8%* |
| NA | 150 | +12% | 143 | +13% | 15 | -20%* |
| ME | 409 | +10% | 386 | +9% | 40 | +7% * |
| OA | 64 | +5 % | 59 | +11% | 11 | -13%* |

2011 Quarter 1 Overseas Revised Visitors Estimates

Source: CSO, Tourism Economics ViPeR model, Northern Ireland Passenger Survey, FI Survey of Travellers – June, Quarter 1 NI data accuracy is highly variable due to the small sample size and should be treated as estimates until annual data is available.

We have updated our overseas visitor estimates for Northern Ireland based on the June release of the estimates from the Northern Ireland Statistical research agency (NISRA). These show that the quarter 1 growth in Northern Ireland at 4% and the Republic of Ireland at +9%.

The Central Statistics Office will be publishing quarter 2 visitors' figures at the end of August, and also final 2010 results which will allow for a more detailed analysis of 2010 promotable and revenue figures.



3.3 Air Access Capacity

| | Winter 10/11 Actual | | | Summe | er 2011 F | Planned |
|-----------------|---------------------|-------|--------|-------|-----------|---------|
| YoY % Change | ROI | NI | Island | ROI | NI | Island |
| Great Britain | -6% | -14% | -9% | -2% | -9% | -5% |
| Mainland Europe | -15% | -19% | -15% | +3% | 0% | +2% |
| -France | -26% | +5% | -24% | -9% | -8% | -9% |
| -Germany | -7% | -100% | -10% | +3% | 0% | +3% |
| North America | -1% | 0% | -1% | +7% | 0% | +7% |
| Overall | -9% | -14% | -10% | +1% | -7% | -1% |

Weekly seat capacity - Source: TTC Summer 2011 Inventory Report.

• The summer schedule sees a -7% decline in weekly seats into NI.

3.4 Passenger Numbers

| | Apr 11 | May 11 | Jun 11 |
|----------------------|--------|--------|--------|
| Dublin Airport | +32% | +11% | +1% |
| Shannon Airport | +56% | +14% | +3% |
| Cork Airport | +25% | 0% | -1% |
| Belfast Int Airport | +21% | +10% | NA |
| Belfast City Airport | +11% | -9% | NA |
| All ROI Airports | +35% | +11% | +1% |
| All NI Airports | +18% | +3% | NA |
| All UK Airports | +31% | +7% | NA |
| All Germany Airports | +30% | +5% | NA |
| All Norway Airports | +44% | +13% | +8% |
| All Sweden Airports | +53% | +17% | +10% |
| ROI sea passengers | -17% | -6% | NA |
| NI sea passengers | -13% | -13% | -6% |

Source: DAA, IAA*, Fáilte Ireland, NITB, Annaero, Ferrystat

Looking at year to date trends for international traffic at Dublin
 Airport, there has been a strong growth of +7% and a slightly lower

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growth of +2% at Cork. Shannon is still slightly negative relative to 2010.

- Aer Lingus passenger numbers for June 2011 decreased by -1.7% versus June 2010, and are down by -2.5% YTD. The June figures are impacted by uncertainty over scheduled services caused by the threat of industrial action by pilots.
- Another major airline announced a +9% increase in total traffic in June 2011. There was an increase in inbound passengers to Ireland for May, with increases from most major markets.
- Sea passenger arrivals were down for May, reflecting the inflated growth during May 2010 due to the Ash crisis.

3.5 Accommodation

| | Mar 11 | April 11 | May 11 | June 2011 |
|-------------------|--------|----------|--------|-----------|
| Island of Ireland | +5.2% | +14.6% | +16.2% | +10.2% |
| ROI | +5.5% | +15.7% | +18.4% | +11.1% |
| NI | +2.6% | +5.7% | -1.7% | +2.7% |
| Scotland | +2.3% | +8.5% | +1.6% | +4% |
| England | +3.9% | +10.6% | +4.3% | +6.6% |
| Sweden | +7.8% | +13.1% | +10.0% | +6.1% |
| Greece | -4.9% | +4.6% | +7.6% | +2.8% |

Source: STR Hotel monthly 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 most recent Irish Hotels Federation quarterly barometer revealed cautious optimism amongst hoteliers. The survey of IHF members throughout the country reveals that 64% of respondents are optimistic about the viability of their businesses over the next 12 months. Compared with this time last year, 53% of respondents report an increase in overall business levels. When asked about the recent State visits, 94% of hoteliers who took part in the survey feel the visit by Queen Elizabeth II has had a positive impact for Irish tourism with 83% saying they expect to see an increase in visitor numbers as a result.



3.6 Island of Ireland Industry feedback

| Forecast | What they said |
|---|---|
| Brightening up | Accommodation Providers |
| | Accommodation providers in ROI continue to experience strong growth from Mainland Europe and the US. Interestingly some destinations such as Switzerland and Netherland are providing strong growth. Anecdotal evidence for the self catering sector is that late booking and a weaker year from GB has lead to discounting and special offers. Hotel bookings were more mixed in Northern Ireland, with very little change overall. |
| Brightening up | Airlines, Ferries and Car Hire |
| | Airlines experienced some growth in April and May; however industrial action affected June bookings. Major airlines remain cautious about the recovery in tourist bookings, however the year to date percentages for international arrivals show an increase relative to 2010. Some of this has been recovery from the Ash crisis; however there also appears to have been some growth in both May and June, consolidating the trend. |
| | Car hire continues to show strong forward bookings, mainly from Europe and the states, however rates remain subdued. |
| | Ferry Companies are more pessimistic about the later part of the year, as the growth at the start of the year appears to have been reversed. While some slowdown in growth would be expected as an adjustment based on the gains from the ash crisis, late booking and a cautious GB market appear to be causing a slow down beyond April/May. |
| Sunny | Attractions |
| | May and June were very strong months for most key visitor attractions, once again led by European and American visitors with less increase in GB visitors. There have been very strong increases in Dublin attractions, and some good growth in other regions. Visitors to Northern Ireland have improved slightly in May and June, after a quiet start to the year and overall a similar outturn to last year is anticipated. |
| Sunny | Business and Specialist operators |
| | Irish inbound tour operators continue to report very strong bookings for 2011 and forward bookings for 2012, with interest from both the independent travellers and group bookings. This is particularly strong from Germany and France. |
| THE REPORT OF THE PARTY OF THE | Interest in Golf travel appears to have benefited from the recent victory of Rory McIlroy, and from President Obama's visit to the states. |

Source: Based on feedback from industry sources.



3.7 Tourism Ireland Market Feedback

- **Great Britain:** The outlook for travel to the island of Ireland remains mixed, reflected in feedback from trade and industry. Some members of the industry are seeing evidence of a late booking pattern developing.
- North America: In the US, reports from key partners, including members of the newly-established *Marketing Partnership Group*, indicate that Q2 and Q3 should perform strongly despite some unexpected downturn in the US economy and a weak US dollar. Carriers in Canada continue to be confident about summer 2011, whilst operators believe a strong Canadian dollar will contribute positively for visitation to the island of Ireland.
- Mainland Europe: In general Q2 is expected to produce positive results, following on from, strong indications from airports, carriers, tour operators and OTAs. Key tour operators and carriers report double-digit growth YOY from Germany and France. A late booking trend is continuing in most European markets, notably in Spain and Italy. Market feedback is mixed from the Netherlands while forward bookings with the relevant airlines from the Nordics are performing strongly.
- Australia & Developing Markets: The Australian dollar continues to fuel an overseas travel exodus as Australians favour overseas holidays over domestic trips. Operators report significant growth in bookings to Ireland in May which bodes extremely well for the summer months. Indian visa applications to Ireland were slightly up when compared to the first five months of 2010, whilst Chinese visas to Ireland showed a +52% YOY increase for the same period. With the new visa waiver scheme in effect, travel trade in general have made a focused push on business to Ireland in both India and China.

4.1 Tourism Ireland Brand Tracker 2011

- Results indicate that interest in Ireland has remained reasonably stable in all seven Brandtracker markets (Research carried out in GB, USA, France, Germany, Italy, Spain and Australia) with slight direction improvements in Britain. Australia and France and slight rank decreases in Germany and the USA since 2010 with improvements evident in Australia and France. Given the tough year (economically in 2010 and early 2011) this is a positive result as the research was carried out pre-President Obama and the Her Majesty the Queen's visit.
- The number of People "actively planning" a holiday in Ireland in the next year has also remained reasonably stable (approx 10 million

in the top 4 markets) with an increase evident in France where we conducted an extensive review in late 2010/early 2011. In general however the number of countries being considered at active planning has dropped across most markets reflecting an overall reduction in holiday taking from the outbound markets.

- The islands *key image attributes have also held up in 2011*, despite some longer term declines in Value for money and safety and security. The value for money perception has improved in Germany (a cost conscious market) while uniqueness/differentiation improved considerably in GB. The key strengths across all markets remain the beautiful scenery and the friendly and welcoming people while safety and security and VFM still need to improve. The VFM issue is a perception problem more than an actual problem as the VAS has shown strong improvements in this area in 2010.
- Irelands *advertising* performed well across markets. In GB total advertising recall increased significantly reflecting our increased investment thus improving our Share of Voice (SOV) and also our reedited TV execution (Discovery). Similarly in Germany the advertising recall has increased consistently over the last two years reflecting our return to TV media in the last 2 years. Conversely however in the USA our recall has dropped slightly reflecting a move away from TV advertising.

Ends.