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SOAR **(Situation & Outlook Analysis Report)** **June 2013**

Summary Headlines

- Data indicates that **overseas visitors** to the Republic of Ireland grew by +4% in the first four months (Jan – April) of 2013 when compared to the same period in 2012. Growth was driven by a particularly strong performance from North America and Mainland Europe.
- According to the Civil Aviation Authority (CAA), **air traffic estimates** between GB and Northern Ireland for the first four months of the year decreased by -1% YOY.
- 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.
- Industry and trade feedback in relation to travel this year is largely positive, especially for the Republic of Ireland. The **sentiment** for travel to Northern Ireland is more mixed, possibly influenced somewhat by uncertainty created by the unrest in Belfast earlier in the year.

2. External Travel Trends

Key Markets Economic and Travel Outlook

2.1 Overview

The global upturn is proving less robust than was anticipated a few months ago. According to Oxford Economics, world GDP growth is forecast at +2.1% for 2013, down -0.2% from April. Emerging market growth is forecast at +4.4% this year.

In Europe, national budget deficits remain in the spotlight as most governments wrestle with accumulated debt, recession and sparse tax revenue. It is reported that France, Spain and the Netherlands are not now likely to meet this year's deficit target of 3% of GDP. Up until now, austerity policies have been the order of the day. However, the protracted downturn is deepening, and consequently, the EU has indicated its willingness to relax the pace of belt-tightening and extend target deadlines.

The Office of National Statistics in the UK reports that the number of visits abroad by UK residents for the first three months of 2013 declined by -1% YOY. According to the Central Statistics Office (CSO), British visitors to the Republic of Ireland grew by just over +1% YOY for the first three months of the year. US visits to Europe for the first quarter of 2013 declined by -3%, according to the latest data from the US Dept of Commerce. However, the Central Statistics Office (CSO) reports that North American visitors to the Republic of Ireland for the first three months of the year grew by +17% YOY. The Republic of Ireland's 2013 Q1 performance from North America is trending ahead of many of its European competitors and is gaining market share.

2.2 Economic Indicators

<p>Great Britain</p> <p>A weaker pound and strengthening global demand will support recovery, though downward revisions of global growth forecasts have led to a scale-back in expectations for the pace of an export pick-up. A recovery would also be driven by a further improvement in household spending power and rising corporate confidence. It is predicted that GDP will grow by 0.9% this year.</p>	<p>2013 GDP Forecast: +0.9% (up from 0.7%)</p> <p>CPI*: + 2.7% (no change)</p> <p>Unemployment: 7.8% (no change)</p> <p>Exchange rate(€/£): €1: £0.85</p>
<p>USA</p> <p>GDP grew at +2.5% in Q1 2013, a sizable improvement on the +0.4% growth seen in Q4 2012. Nevertheless, growth fell short of expectations, principally because business investment was slow, possibly reflecting subdued world trade. Retail sales in April increased by +0.1%, suggesting that tax increases have yet to have a major impact.</p>	<p>2013 GDP Forecast: +2.1 % (down from 2.2%)</p> <p>CPI*: +1.7% (up from 0.7%)</p> <p>Unemployment: 7.5% (down from 7.6%)</p> <p>Exchange rate (€/€): €1: \$1.30</p>
<p>France</p> <p>France continues to suffer from the same woes as the Eurozone as a whole and the international environment has turned less favourable since the beginning of the year. High and rising unemployment will dent household incomes, which are expected to stagnate again this year, reducing consumer's willingness to spend.</p>	<p>2013 GDP Forecast: - 0.3% (no change)</p> <p>CPI*: +1.2% (up from 1.1%)</p> <p>Unemployment: 11.0% (up from 10.8%)</p>
<p>Germany</p> <p>Business sentiment has been hit by the downturn in global trade. However, this has not led to any rise in unemployment. Private consumption increased in Q1. With robust rises in real wages, low household debt and a revival in the housing market, conditions are in place for the consumer sector to take over as a key engine of growth.</p>	<p>2013 GDP Forecast: +0.3% (down from +0.5%)</p> <p>CPI*: +1.4% (no change)</p> <p>Unemployment: 6.8% (no change)</p>

Source: Oxford Economics Bulletins; UNWTO, IMF, World Travel & Tourism Council, Central Bank of Ireland/ECB Reference Rate 04/06/2013; 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 May 2013.

2.3 Travel Trends in Key Markets

Great Britain: The Office of National Statistics in the UK reports that the number of visits abroad by UK residents for the first three months of 2013 declined by -1% YOY. The trend in taking shorter trips abroad continues with visits to North America down -11%, while trips to Europe were up +1%. Visits to the UK by overseas residents were up +2% during this same period. It is estimated that 2 million Britons travelled abroad for sun holidays during the UK Bank Holiday in late May. The vast majority of these were last minute bookings due to the unseasonably poor weather in Britain at the time. According to VisitBritain, domestic holiday trips in GB remained flat in the first two months of 2013 YOY. This was largely driven by a decline in longer holidays (4+ nights), but an increase in shorter breaks (1-3 nights), which rose by +3%. However, bednights and expenditure decreased, falling by -4% and -7% respectively.

North America: US visits to Europe for the first three months of 2013 dropped by -3%, according to the latest data from the US Dept of Commerce. North American traffic to Britain declined by -13% in March following a -5% decline in February, according to preliminary figures from VisitBritain. Canadian outbound trips grew by just +0.5% during the first two months of 2013 and operators are reporting that winter 2012/13 was a disappointment.

Mainland Europe: German travel agencies are reporting that bookings have increased +2.7% for the first six months of the year. In France, a recent survey by a major online travel operator has indicated that only 53% of respondents said they will take a holiday in 2013, this is the lowest level recorded since 2008. High unemployment and low disposable income combined with negative consumer sentiment means that the travel and tourism sector in Spain and Italy continues to contract. In the Netherlands, a leading tour operator has reported that the frequency of holidays taken abroad is beginning to decrease; however, duration is increasing. In the Nordics, outbound travel is strong but tour operators in the region report that outbound travel to sun destinations is looking very strong due to the very cold winter and spring.

Australia & Developing Markets: Outbound travel continues to grow as the Australian dollar remains robust against the euro. The slight downturn in the A\$ against the US\$ has proven beneficial in encouraging consumers to consider Europe as a long-haul alternative. Chinese outbound travel is forecast to reach 94 million trips in 2013. In India, with the increase in disposable income, international travel has come within the reach of the majority of the middle classes.

3. Market Intelligence

3.1 Visitors

2013 Preliminary Visitor Estimates

Visitor Origins	ROI	
	January – April 2013	
	'000s	%YOY
Total	1,820	+4%
Great Britain	808	0%
Mainland Europe	663	+7%
North America	253	+16%
ADM	95	0%

Source: CSO

Current data indicates that overseas visitors to the Republic of Ireland grew by +4% in the first four months (Jan – April) of 2013 when compared to the same period in 2012. Growth was driven by a particularly strong performance from North America and Mainland Europe.

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 decreased by -2% during the first three 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 +7% during the first three months of 2013 when compared to the same period in 2012. Again 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 2013 indicate that 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%, while 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 versus summer 2012.

As regards US air 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 Dublin and Toronto 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*	Feb 13	Mar 13	Apr 13
Dublin Airport	19.1m	0%	+8%	+1%
Shannon Airport	1.4m	-17%	-7%	-12%
Cork Airport	2.3m	-2%	+4%	-2%
Ireland West Airport Knock	0.7m	-7%	-6%	-12%
Belfast Int Airport	4.3m	0%	+2%	-11%
Belfast City Airport	2.2m	-3%	-3%	+2%
City of Derry Airport	0.4m	-13%	-8%	-2%
All ROI Airports	23.6m	-1%	+7%	0%
All NI Airports	7m	-2%	0%	-6%
All UK Airports	224m	0%	+3%	0%
All Germany Airports	201m	-3%	-1%	0%
All Norway Airports	50m	+1%	-4%	+14%
All Sweden Airports	37m	-4%	-4%	+3%
ROI sea passengers	3.1m	-8%	+11%	-16%
NI sea passengers	2m	+3%	+10%	-12%

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 DAA, almost 5.5 million passengers (inbound and outbound) travelled through Dublin Airport in the first four months of this year, a +3% increase on the same period in 2012. According to the CAA, air traffic estimates between GB and Northern Ireland for the first four months of the year decreased by -1% YOY.

Aer Lingus reports that its total number of passengers (inbound and outbound) in April, including those on its regional operations, decreased by -2.5% compared to same month in 2012. However, total passenger numbers for the first four months of the year grew by +0.9% when compared to the same period in 2012. Ryanair announced passenger growth of +5% respectively for the 12 month period to the end of May 2013.

3.4 Accommodation

Hotel accommodation data estimates (Hotel rooms sold)

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

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 decreased by -2% during the first three 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 +7% during the first three 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 	<p>Accommodation Providers</p> <p>The majority of hotels and guesthouses in ROI expect to see growth in business as a direct result of the Gathering Ireland 2013. 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.</p>
Brightening up 	<p>Air and Sea</p> <p>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. A leading sea carrier experienced a slight increase in passenger traffic for Q1 YOY. Their GB business for Q1 was broadly flat and business in April was disappointing.</p>
Bright 	<p>Attractions</p> <p>In NI, a leading attraction reports a positive YTD from overseas visitors. The Giant's Causeway Visitor experience has also performed strongly since opening last July. 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 mainly by business from the US. Key Dublin attractions report a positive start to the year. Although, April was a soft month, May appears to have been much stronger. Markets driving growth are the US, France and Germany. Leading attractions in the West are reporting growth for the year to date and their outlook for the summer remains positive.</p>
Brightening up 	<p>Inbound Operators and Business</p> <p>By and large, inbound operator reports are positive for 2013, based on 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 has reportedly had a very positive impact on Dublin.</p>

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

3.6 Tourism Ireland Market Feedback

Great Britain: Overall air carriers are reporting flat to only very modest growth in bookings to the island of Ireland YOY. However, some regional airports (outside London) are showing double-digit growth. Sea carriers are reporting that both April and May have been challenging, however, bookings for July and August are more positive. Coach operators, while acknowledging the loss of some Northern Ireland business earlier in the year due to uncertainty created by the unrest in Belfast, report that bookings overall are on par with 2012.

North America: All major FIT (Free Independent Traveller), escorted and golf operators continue to report that bookings are going very well. Overall, all leading escorted tour operators continue to report record level of bookings to Europe with the island of Ireland's performance tracking in line with or, in some instances, ahead of Europe. The significant increase in direct air access continues to stimulate the promotion of more competitive airfares. Industry and market trade are both reporting a solid season ahead from Canada. A large Canadian tour operator is reporting business to be up +12% on 2012. Two leading golf operators also report solid bookings through 2013, with one reporting an increase in business to Northern Ireland over 2012 levels.

Mainland Europe: Feedback from our main carriers and tour operators in Germany, France, the Netherlands and the Nordics is positive and bookings remain strong up to and including September. Reports from carriers and tour operators in Spain and Italy are mixed as the recession in these countries is having a negative impact on holiday bookings.

Australia & Developing Markets: Bookings for the island of Ireland have slowed from Australia following a strong first quarter; however, operators are still advising that bookings are ahead of 2012 levels. Bookings are also positive from China for July and August. A leading Indian tour operator saw a substantial increase in business to the island of Ireland in Q1 2013 compared to Q1 2012.

4. Conclusion

Despite a challenging economic backdrop in many of our source markets, the overall sentiment for travel to the island of Ireland in 2013 is largely positive. Early indicators are promising with official data indicating that overseas visitors to the Republic of Ireland grew by +4% in the first four months of 2013 when compared to the same period in 2012. Growth was driven by a particularly strong performance from North America and Mainland Europe.

Tourism Ireland continues to promote both The Gathering Ireland 2013 and Derry~Londonderry UK City of Culture 2013 prominently in its marketing programmes overseas. The Gathering continues to gain traction overseas, with over 4,000 events in total pledged on the Gathering Ireland website. Tourism Ireland is also working to capitalise on major events like the forthcoming G8 Summit in Fermanagh and the World Police and Fire Games in Belfast to highlight Northern Ireland as a holiday destination.

Ends
