



Lough Feeagh, Mayo

SOAR

(Situation & Outlook Analysis & Report)
October 2011

1. Overview and Summary

The island of Ireland recorded growth in overseas visitors of +10% in the year to July, compared with the same period in 2010. Current indications are that the growth momentum from early in the year will continue into the latter months of 2011, albeit at a slower pace.

Following an encouraging first six months in 2011, global tourism growth is expected to carry through to a positive outturn at year end, with growth in the remainder of the year likely to soften. Given the scale of the challenges and ongoing uncertainty facing the global economy, travel and tourism looks likely to face a cautious passage into 2012.

While industry and trade partners are relatively positive about the coming months, particularly in the Republic of Ireland, there is some evidence of a recent slowdown in forward bookings and enquiries for 2012, indicative perhaps of consumers adopting a 'wait and see' attitude. In this context, we are likely to see a continued focus on price and discounting, along with shorter trips and late booking patterns.

Meanwhile, falling oil prices should mean reduced fuel costs and lower inflation, which may ease pressure on disposable incomes and air fares. The recent strengthening of the US dollar may help sustain outbound travel from the US to eurozone destinations.

2. Global Outlook

International tourism grew by almost +5% in the first half of 2011 to a new record of 440 million arrivals, according to the United Nations World Tourism Organisation (UNWTO). The results confirm that, in spite of multiple challenges, international tourism has continued to consolidate the rebound initiated in 2010, with growth in line with the UNWTO forecast of +4% to +5% for the full year 2011.

All regions have recorded a positive performance except the Middle East and North Africa, with results from Europe (+6.4%) better than expected.

In the face of the challenging economic climate, this sustained growth in global tourism demonstrates the resilience of tourism demand to adverse events and reinforces its potential to drive economic recovery and generate employment.

Following an encouraging first half of 2011, growth in the remainder of the year is expected to soften. The economic and political turmoil of recent months has brought increased uncertainty, dampening business and consumer confidence. As the global economy shows signs of increased volatility, the UNWTO maintains a cautious outlook, underscoring the importance of restoring sustained and balanced economic growth.

2.1 External Travel Trends

2.1.1 Ten Years after 9/11: the impact on travel

On the tenth anniversary of 9/11, the World Travel and Tourism Council (WTTC) has called on governments to adopt smarter visa and border security policies to promote travel and tourism as a driver of jobs and economic growth.

Rather than diminishing through better use of technology and passenger profiling, the barriers to travel have become even greater, due to lengthy visa processing times and the unpleasant experience of airport security.

The WTTC highlights the need for smarter policies which balance security needs with freedom to travel by moving away from the current approach to a faster implementation of visa waiver and trusted traveller programmes.

2.1.2 Impact of recent volatility on Canadian travel plans

A survey by the Conference Board of Canada provides some evidence of the impact that recent economic and financial turmoil may have on winter 2011/12 travel plans, with the winter vacation plans of one in five Canadians reportedly affected by the mid-summer stock market crash. Overall, 'spending less' appears to be how most of these Canadians plan to respond.

Canadians planning to visit Europe this winter indicate they do not intend cancelling their trip or changing the destination, which is positive news. Rather, they are most likely to change the length of their trip (50%) and/or spend less (40%).

The Conference Board highlights that travellers are likely to be very price sensitive at this stage in the booking cycle, with the recent downturn in the market only serving to reinforce these findings.

2.1.3 ABTA: Holidays will be the 'last thing to go'

Findings from the ABTA Consumer Travel Trends 2011 survey show the resilience of travel in economically difficult times, revealing that for many people holidays are simply something they cannot live without.

Nearly four out of ten British consumers say holidays are the last thing they will cut back on (37%), preferring instead to make savings on eating out (20%) and other leisure activities (17%). One in five regards a longer overseas trip as a necessity they could not do without, while one in four sees a short break in the UK as equally essential.

2.2 Key Markets Economic and Travel Outlook2.2.1

The outlook for travel and tourism remains challenging, as global economic activity has weakened. Confidence has fallen sharply, putting pressure on consumer spending, both key drivers of travel and tourism demand.

In its latest World Economic Outlook, the IMF has revised downwards its growth forecasts in the US and euro area for 2011 and 2012, with the downward revision in US growth particularly of note. The IMF expects recovery in consumer spending to be held back by persistently high unemployment and income concerns.

Meanwhile, oil prices have dropped to pre-Middle East and North Africa crisis levels and are expected to fall further, while the US dollar recently surged to a six-month high against the euro.

The outlook for travel and tourism heavily depends on the success of measures which governments in the US, Europe and elsewhere are putting in place to restore confidence and stability and strengthen economic recovery.



2.2.2 Other Economic Indicators

Great Britain		
Large domestic energy price rises will	2011 GDP Forecast:	+ 1.0%
squeeze spending power in autumn but inflation set to slow sharply in 2012,		(down from +1.1%)
easing pressure on household finances.	CPI*:	+ 4.5%
Rising unemployment expected to peak at 8.5% in mid-2012. Consumer confidence		(up from 4.2%)
remains at recession levels but decline	Unemployment:	7.9%
halted in September.		(up from 7.7%)
	Exchange rate (€/£):	€1: £0.87
USA		
Outlook weak into 2012 with pick-up in	2011 GDP Forecast:	+1.6%
consumer spending expected to be slow. Poor labour market performance, with job		(down from +1.7%)
creation falling to zero in August.	CPI**:	+0.5%
European debt crisis and collapse in confidence leading to consumer and		(up from -0.2%)
business retrenchment could further weaken the US economy.	Unemployment:	9.1%
		(unchanged)
	Exchange rate (€/\$):	€1: \$1.33
France		
Recovery remains fragile. Private consumption expected to rebound after	2011 GDP Forecast:	+1.6%
sharp fall in Q2, but will remain weak due		(down from 1.7%)
to high unemployment, as jobless	CPI*:	+2.2%
numbers rose for third consecutive month. Consumer confidence deteriorates to its		(up from +1.9%)
lowest level since February 2009.	Unemployment:	9.9%
		(up from 9.7%)
Germany		
Global turmoil could hit key export sector.	2011 GDP Forecast:	+3.0%
Low unemployment and positive growth in real disposable income – but fall in		(unchanged)
private consumption, while consumer	CPI*:	+2.3%
confidence fell more rapidly than in rest of eurozone, stabilising in September.		(down from 2.4%)
Consumers likely to remain cautious for	Unemployment:	6.1%
some time.		(unchanged)

Source: Oxford Economics Bulletins; Central Bank of Ireland/ECB Reference Rate 7/10/2011; 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

2.2.3 Travel Trends in key markets

Great Britain: The number of visits abroad by UK residents in the period January to July increased by +2% compared to the same period in 2010, with overseas departures contracting by -6% YOY in the month of July. A substantial increase in the Air Passenger Departure tax (APD) is expected to be announced in November, which will come into effect in early 2012. ABTA predicts this will make flying prohibitively expensive, curtailing air travel for average families and hitting the overseas holiday plans of many Britons.

North America: Transatlantic traffic continued to grow through August, but at a slower pace, with leading carriers reporting a +3% increase over August 2010. Pent-up demand created momentum in the US outbound market in the first half of the year but consumer confidence has been damaged by economic and political uncertainty, impacting consumer spending and travel demand into 2012. Canadians made +6% more outbound trips (14.9 million) during the first half of 2011. Europe performed particularly well, linked with a strong Canadian dollar and increased access capacity.

Mainland Europe: The German travel sector continues to perform strongly despite slow economic growth in Q2, with tour operators and carriers reporting double-digit growth this summer. Further feedback points to a similarly positive trend in bookings for the winter season. Outbound travel from France to North Africa has continued to decline (-40%), with Italy, Spain and Turkey the principle beneficiaries, while the financial crisis is negatively impacting demand for Greece. Notwithstanding difficult economic and political conditions, outbound travel is growing well ahead of domestic travel in Spain (+5% in July YOY), but is expected to level off in the second half of the year. Spain, Greece and long-haul destinations US and Australia recorded strong numbers from Italy this summer, while international departures from the Netherlands increased almost +5% for the first half of the year.

Australia & Developing Markets: The Australian outbound market continues to be strong, driven by the strong dollar. Latest official data reveals Australians are increasingly choosing to holiday overseas, with departures rising +11% YOY in the year ending July. While economic indicators point to less buoyant conditions in the coming months, overall it is hoped that overseas travel by Australians will continue to be resilient, as consumers take advantage of the strong dollar into 2012. India and China have been placed among the top four wealth creators in the world by Boston Consulting Group (with the US and UK), underscoring the MICE potential from these markets.

3. Market Intelligence

3.1 Visitors

2011 January to July Overseas Visitor Estimates

Source: CSO, NISRA's Northern Ireland Passenger Survey.

Visitor		IOI Jan-Jul*		ROI CSO**		NI Direct***	
Origins	20	11	Jan-Jul 2011		Jan-Jul 2011		
	`000s	%YOY	'000s	%YOY	'000s	%YOY	
Total	4,263	+10%	3,696	+12%	567	+1%	
GB	2,103	+8%	1,626	+9%	477	+2%	
NA	620	+12%	595	+13%	25	-4%	
ME	1,321	+14%	1,279	+14%	42	+14%	
OA	219	+12%	196	+18%	23	-21%	

NB: Due to small sample sizes NI data should be treated as estimates until annual data is available.

The first seven months of 2011 point to strong recovery in overseas visitors to the island of Ireland with estimated growth of +10% compared with the same period in 2010.

Growth is largely driven by visits to the Republic of Ireland (up +12% overall). This is a continuation of the positive first half, and while this includes a bounce back from the poor weather and volcanic ash disruptions that downgraded 2010, it does indicate growth beyond those one-off occurrences.

July was a particularly strong month for direct visitors to Northern Ireland, bringing growth to what had been a slow first half of the year. The estimated number of direct visitors on holiday in Northern Ireland increased +3% for the period January to July compared to the same period last year, following a strong July performance.

^{*}IOI estimates exclude visitors to the island of Ireland who depart via Northern Ireland but don't overnight there and include all same day visitors to the Republic of Ireland.

^{**} ROI CSO data 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. ROI CSO data includes same day visits which are removed from final figures.

^{***} NI Direct data does not include visitors who overnight in Northern Ireland but who exit the island of Ireland through an air or sea port in the Republic of Ireland. NI Direct Visitors account for approximately 75% of total visitors to Northern Ireland.

The island of Ireland has performed well in the global competitive context and appears to be gaining market share against key competitors.

With estimated visitor growth of +8% from GB in the first seven months of the year, the island is gaining market share in GB, outperforming the market which has grown by +2% overall, but which has decreased by -1% to Western Europe over the same period.

3.2 Air Access Capacity

Winter 10/11			Su	mmer 20)11	
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 air access capacity schedules show a slight increase in seats to ROI, but a decline of -7% in seats to NI, leading to an overall decrease of -1% to the island of Ireland. As the inbound/outbound mix of passengers on routes changes over time, thus more seats for inbound visitors can become available, even when overall access has declined slightly.
- From 1 November 2011, the Air Passenger Duty (APD) will be cut for direct long-haul routes departing from airports in Northern Ireland, falling to the lower short-haul rate of £12 per passenger in economy and £24 for business and first-class passengers.

3.3 Total Passenger Numbers

	Jun 11	Jul 11	Aug 11
Dublin Airport	+1%	+1%	-2%
Shannon Airport	+3%	-7%	-6%
Cork Airport	-1%	+2%	0%
Belfast Int Airport	+1%	-3%	0%
Belfast City Airport	-20%	-20%	-19%
All ROI Airports	+2%	+1%	-1%
All NI Airports	-6%	-8%	-6%
All UK Airports	+3%	+2%	+1%
All Germany Airports	+3%	+3%	+1%
All Norway Airports	+8%	+7%	+4%
All Sweden Airports	+10%	+15%	+9%
ROI sea passengers	-6%	-5%	-1%
NI sea passengers	-6%	-4%	-4%

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

- Aer Lingus' total booked passenger numbers for September 2011 increased by +3% compared to September 2010. Aer Lingus' regional operations increased by +45% YOY.
- Another major airline reported a decrease of -3% in total inbound passengers for July 2011 YOY, while the equivalent August figure is -5% compared with 2010.

3.4 Accommodation

Hotel accommodation data (Hotel rooms sold)

	June 11	July 11	Aug 11	Sept 11
Island of Ireland	+10%	+7%	+6%	+0%
ROI	+11%	+7%	+6%	+0%
NI	+3%	+5%	+9%	+3%
Scotland	+4%	+1%	+2%	+3%
England	+7%	+4%	+4%	+3%
Sweden	+6.%	-4%	-3%	+4%
Greece	+3%	+3%	0%	+5%

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.

- Overall, STR data show hotel room sales on the island of Ireland were flat in September, while Northern Ireland hotels experienced growth of +3%. It is not possible to break out overseas from domestic bookings.
- The Fáilte Ireland Hotel Survey shows that overseas hotel bednight sales grew by +10% for the period January to July in the Republic of Ireland, compared with the same period last year.
- NISRA statistics show that total rooms sold in hotels, B&Bs and guesthouses in Northern Ireland increased by +3% YOY for the period January to August, with total bedspaces sold falling by -4% over the same period. It is not possible to break out overseas from domestic bookings.
- According to the latest Hotel Price Index report, the Irish hotel
 market has shown signs of recovery with a +2% increase in room
 rates in the first six months of 2011, the first rise recorded in three
 years. The modest growth in average room rates was driven by a
 stabilisation of prices, increased demand due to low prices and high
 profile events including the presidential and royal visits. The price of
 a hotel room in Belfast fell by -8% during the same period.

3.5 Island of Ireland Industry Feedback

Forecast	What they said
Remains cloudy	Accommodation Providers Hotels in ROI report continued growth, with all markets performing well. There are reports of business from tour operators growing more strongly than from online channels for the first time in a number of years. Occupancy levels have held up in Northern Ireland hotels, but with lower rates. The main driver is the domestic market, rather than overseas visitors. Lower ROI VAT rate of 9% v. 20% in NI is affecting business tourism outlook. Noticeable shortening in booking lead times. Expectations are for 2011 to finish up on 2010, with a difficult Q4, into early 2012. NI self-catering had a good summer, particularly at the high end. B&B sector reports a slow high season but September and October is looking more positive. The summer season is reported to have been particularly difficult for NI B&Bs.
Clouds on the horizon	Airlines, Ferries and Car Hire International traffic (which includes domestic and overseas residents) was slightly down at -0.7% in Dublin Airport in August, linked with reduced capacity on European routes, but is up almost +5% overall year to date. Total air traffic was down on the island in August. Some airlines report positive results and good forward bookings. Ferry companies report a relatively weak summer, with the market down YOY on the Irish Sea. While routes to France have been stronger, this is mainly due to outbound travel. The Irish Sea corridors improved in September, with the traditional return to university traffic. With the withdrawal of the Stena HSS, capacity on the central corridor has been reduced in the shoulder period. Car rental companies report a flat Q3. Signs are September is down, October looking poor. De-fleeting appears to have started early, an indication of poor business levels.
Clouds on the horizon	Attractions Attractions across the island report a positive summer season, with growth strongest from Mainland Europe and the US, while business from the GB market is also up. The picture for September is more mixed. While a number of attractions report growth in September, visitor numbers were down at a major West of Ireland attraction. Similarly, following a strong performance in July and August, September was disappointing for a major Dublin attraction.
Bright	Inbound operators generally upbeat, with all markets performing ahead of last summer. September either up or on a par with last year. One operator handled a record number of FIT pax in August. Overall outlook for 2011 positive, with advance bookings for 2012 ahead of last year, particularly from Germany and France. However, inbound operators report a significant fall-off in 2012 enquiries in recent weeks. Concerns about the poor economic outlook, higher air access costs and sifting currency exchange rates v. USD value a year ago may be putting upward pressure on 2012 holiday package costs. The CCD has 200,000 delegate days confirmed so far for 2012.

Source: Based on feedback from island of Ireland industry sources.

3.6 Tourism Ireland Market Feedback

Great Britain: The fragile consumer outlook continues to affect travel and tourism to the island of Ireland, compounded by a lingering sense of shock following the August riots. While it has been a tough year and feedback from trade and industry is mixed, overall GB appears to have improved and is doing somewhat better than it had been.

North America: Based on trade and industry feedback, the expectation is for strong growth in 2011, with momentum from earlier in the year forecast to continue through year end, albeit at a slower pace. Carriers in the US report a good start to the fall/winter advance booking pipeline, supported by low airfare initiatives. Looking ahead, prospects for 2012 are uncertain, with reports of future bookings falling back over the past couple of weeks. Feedback from Canadian trade is positive, with one key partner reporting a +20% increase in bookings YTD.

Mainland Europe: Inbound travel from Mainland Europe has continued to recover, with visits up +14% year to July. Some softness has appeared in the figures, which seems to be driven by a poor July. This is somewhat at variance with feedback from operators and some carriers, who have been satisfied with the season. August and September are expected to be positive for all markets, with strong campaigns with major airline and OTA partners in all markets set to ensure the island of Ireland is very visible throughout October and November. Due to strong performance, both the newly launched Stuttgart-Dublin route and Hamburg-Dublin will continue through the winter. The outlook for the island of Ireland looks positive for the remainder of the year.

Australia & Developing Markets: Reports from key tour operators continue to show strong growth YTD, with most advising double-digit growth (+10 to +15%). The outlook for the 2012 season for the island of Ireland will become clearer in the coming weeks, as the focus moves to next year with the release of early bird offers in the retail travel market. One of Bollywood's biggest film production companies, Yash Raj Films, is currently filming in Dublin which has generated good coverage in the Indian press.

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4.0 Conclusion

Overseas visitors to the island of Ireland have grown +10% YOY in the year to July. While growth is expected to soften in the latter months of the year, the overall expectation is for positive growth in 2011. There is evidence of a recent slowdown in forward bookings and enquiries for next year, which points to a cautious passage into 2012.