

Tourism Trends Quarterly is a publication from VisitBritain providing a summary of the latest available tourism data for the UK, alongside an analysis of factors underpinning the latest trends.

Global Tourism Trends

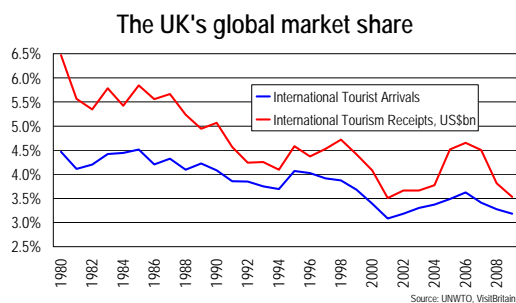
The United Nations World Tourism Organisation recently released provisional figures for 2009 showing which destinations attracted the most international visitors, earned the most from inbound tourism and which markets are the most valuable source markets for international travel.

The UK has retained sixth spot in terms of arrivals (with France the most visited destination) but of note is the rapidly diminishing gap between the UK and Turkey in seventh spot, plus the presence in the top ten of Malaysia for the first time.

Measured in US\$ the UK is the world's seventh highest earner from inbound tourism, a position we held in 2008, with Australia in 8th place now just \$4bn short of the UK's figure.

Despite a steep decline in outbound spending by Britons in 2009 the UK is still the third most valuable source market for outbound tourism behind Germany and the USA. Chinese outbound tourists spend \$5bn less than Brits on outbound travel placing China in fourth spot.

The presence in the top ten of Turkey and Malaysia is indicative of the growing number of destinations competing for international tourists. The following chart highlights that over the long-term the UK has been losing global market share in terms of both arrivals (3.2% in 2009) and receipts (3.5% in 2009).



Early figures for 2010 suggested that despite the severe winter across much of Europe many destinations enjoyed a more promising start to this year than last. The turbulent economic developments in parts of the Eurozone, violent protests in Bangkok and the effective week long closure of much of Europe's airspace will, in the short-term at least, dent this picture of global recovery.

Prior to the Icelandic eruption IATA declared that global air travel would be back to pre-downturn levels by early summer – a forecast that may well prove too optimistic, at least in a European context.

Surveys of business confidence conducted by Eurostat reveal that the hotel and restaurant sector sentiment has been on the up, but that an underlying current of nervousness remains.

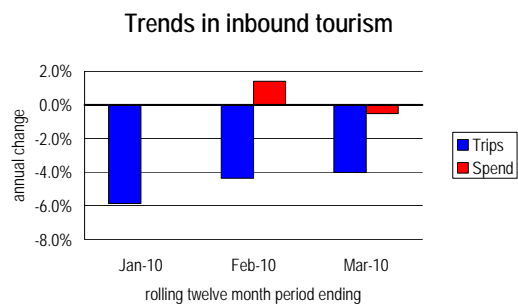
Inbound tourism to the UK

It will be mid June before we get the first official figures from the Office for National Statistics on the volume of inbound (and outbound) tourism during April, thus providing evidence as to the impact on the sector of the volcanic eruption in Iceland and subsequent airspace closures due to the ash cloud.

It is safe to assume that ash cloud impact will make it decidedly tricky to judge whether the underlying trends apparent over the past six months are continuing.

Taking account of published data for January through to March and the disruption during April and May VisitBritain now reckons on inbound visitor volumes declining by 0.7% this year while inbound visitor spend will increase by 1.3% before inflation.

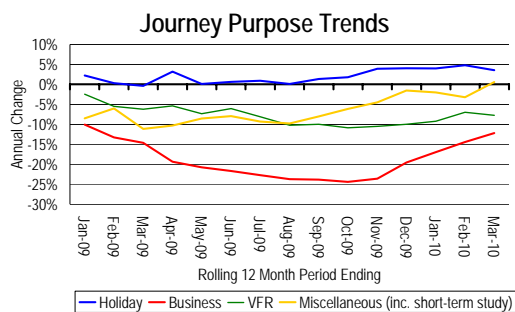
International Passenger Survey results for the first three months of 2010 reveal a 1% drop in visitor numbers while visitor spend was 7% lower than in the first three months of last year. The severe winter weather in the UK and across much of Europe during January along with the BA cabin crew strikes that took place during March helped to depress the figures.



Looking at trends in visits to the UK from different world regions during the first quarter of the year indicates that the sharpest losses are still from the twelve EU Accession countries. Visits from North America were down 3% in the first quarter while there was no change in the number of visitors from other long-haul destinations or from the 15 Western Europe markets that were members of the EU before 2004.

There is growing evidence that inbound business tourism has definitely turned the corner after a sustained period of turbulence. In the first three months of 2010 the UK welcomed 7% more international business visitors than in the equivalent period of last year.

The inbound holiday market remains resilient, though did see an annual drop of 2% in the first three months of the year, while visits to friends and relatives declined 8%. More than one-in-ten trips in the first quarter were for 'miscellaneous' trip purposes and this market continues to grow, up 4% on 2009. Though we cannot yet interrogate the data to find out what lies behind this trend there is a strong chance that it is being driven by growth in shopping trips to the UK, with foreign visitors increasingly aware of the favourable exchange rate.



Global Blue UK report sales to overseas visitors who can reclaim tax on departure from the UK increased substantially at the start of the year but with a small decline in March. The April figures show a 16% annual decline though the disruption caused by the ash cloud is likely to be a chief reason behind this.

Data for the six airports operated by BAA show that passenger traffic increased fractionally in February compared with a year before (though note that February 2009 figures had been hit by severe weather), declined slightly in March and fell by 23% in April.

The airport operator estimates that were it not for the disruption brought about by the ash cloud traffic levels in April would have been close to a year before.

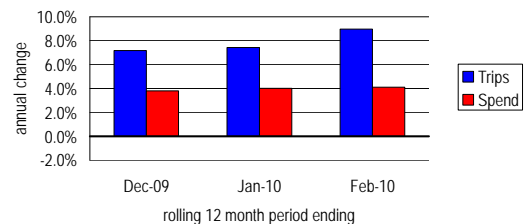
Overnight domestic tourism

The United Kingdom Tourism Survey captures what is happening to the number and value of overnight domestic tourism trips that are taken within the UK.

The most up-to-date figures currently available are for February and show that trip volumes remain slightly up on a year ago while spending during February was in fact down on February 2009.

If we look at a rolling year rather than an individual month it is clear that the renaissance in domestic trip taking continued through the winter months, though with trip volumes outperforming spending.

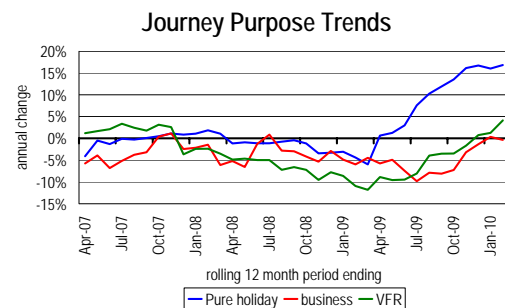
Trends in overnight domestic tourism



As can be seen from the chart below it is very definitely holiday trips that are driving the growth in domestic overnight tourism, up by over 15% in the twelve months to February.

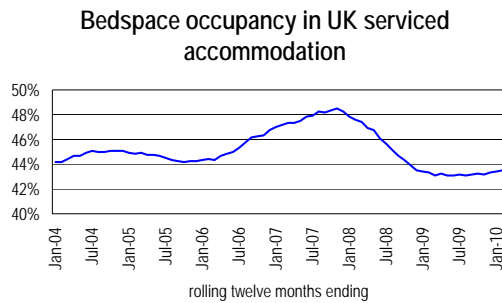
Looking at the destination of holiday trips in 2009 it is clear that seaside locations had an exceptionally strong year with trip volumes up 22% and countryside destinations up 23%. By contrast trips to 'small towns' increased by a more modest 9%.

Camping holidays increased by a whopping 29% in 2009 with holidays in a touring caravan up 24%, while the number of holidays in rented static caravans was up 24%. So, 2009 was unquestionably the year of the staycation, and indeed the year in which Britons sought out experiential holidays that offered great value for money.



Accommodation

The United Kingdom Occupancy Survey unearths occupancy levels across the whole of the serviced accommodation sector, with the most recent figures indicating that bed-space occupancy stood at 36% in February, up from 35% in February 2009. If we take a rolling twelve month average of bed-space occupancy it is evident that there has been a slight but discernible upward trend over the past year.



Although not capturing occupancy in all forms of serviced accommodation more recent data for chain hotels is provided by a number of private sector organisations.

Figures from TRI Hospitality Consulting show that in April London chain hotel occupancy stood at 76.1% (80.3% a year earlier), with regional occupancy at 67.1% (up marginally from 66.7% in April 2009). TRI estimate that the downturn in London (that was not reflected in average room rates which were 5% higher than a year ago) was largely due to the loss of inbound visitors due to the airspace closure.

Looking forward to summer the latest TRI Hospitality Consulting Hotel Confidence Monitor reveals that hotel general managers are in a positive frame of mind, with 72% either optimistic or very optimistic about their hotel's trading performance over the coming three months.

The Easter 2010 VisitEngland Business Confidence Monitor contacted 502 accommodation businesses and found that business performance (measured in terms of guest numbers) during the first quarter of 2010 was 'lower' than a year ago for 45% of respondents, 'similar' for 34% and 'up' for only 21%.

The survey took place a week before Easter and found bookings for the holiday period were on balance down on 2009, but interestingly 76% of respondents were either 'fairly' or 'very' confident about the Easter holiday period. This confidence stretched out towards the remainder of spring and summer with 82% either 'fairly' or 'very' confident.

Taking place just after Easter the Visit Wales Business Confidence Survey contacted 320 accommodation establishments and found Easter trade had been poor (not helped by a spell of wet weather), with only 16% of respondents in the accommodation sector reporting visitor numbers up on Easter 2009 and 41% reporting lower guest numbers than a year before.

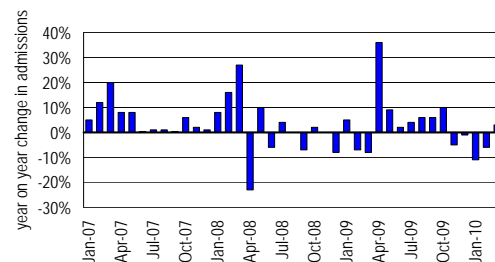
Advance bookings for the summer were up on what would be normal for the time of year for 24% of accommodation businesses but down for 42%, however the situation appears far rosier for the camping and caravanning sector.

Attractions

The most recent VisitEngland 'England Attractions Monitor' provides a thorough overview as to how this sector performed during the first three months of 2010. Overall admissions decreased 3% on a year before with sharp declines in both January and February (11% and 6% respectively) but a small increase (3%) in March.

We perhaps ought not read too much into the figures for this quarter as traditionally it is a time of year when many attractions are open for limited hours and hold fewer special events, but additionally during the first quarter of 2010 the winter weather will have likely deterred some excursions to visitor attractions.

Visits to visitor attractions in England



When asked how they felt their business had performed in the first quarter of 2010 compared with the same period of last year 27% said that performance was either 'much' or 'a little' better than a year ago, while 39% said it was either 'a little' or 'much' worse.

Somewhat more encouragingly when asked about levels of confidence for the April to June period 36% of responding attractions anticipated higher visitor numbers than during the same three months of 2009 with only 18% forecasting a decline in admissions.

In the latest wave of the Visit Wales Business Confidence Survey 80 attractions were contacted just after Easter and found that 35% had seen increased visitor numbers over the holiday period with 27% witnessing a decrease.

Figures from the Association of Leading Visitor Attractions show that in 2009 the ALVA member with the most visits was the British Museum (5.6 million) followed by The National Gallery and Tate Modern.

The most visited ALVA attraction that levies an admission charge was the Tower of London with 2.4 million visits, an 11% jump on 2008.

Outbound tourism from the UK

The decline in outbound travel by UK residents that was a feature of 2009 has persisted into the first three months of 2010 according to figures from the International Passenger Survey, with a 9% year-on-year reduction in both trip volumes and expenditure.

The number of outbound holiday visits fell 10% in the period January to March compared with twelve months earlier, with a similar decline in the number of trips to visit friends and relatives. To some extent reflecting the steep declines a year ago during the first quarter of this year outbound business visits declined by only 1%, while trips for miscellaneous purposes fell sharply by 22%.

The enforced closures of UK airspace due to volcanic ash since the middle of April is likely to result in the negative trend in outbound travel continuing for at least another two to three months.

Getting to and from Britain

Clearly the dominant story over the past three months has been the plume of volcanic ash from Iceland which resulted in the total closure of UK airspace for six days in April and has subsequently resulted in partial closures of parts of UK airspace on a number of separate occasions.

This unprecedented situation meant that many inbound visitors to Britain were here for longer than they had planned to be with their flight home cancelled, while many others were unable to reach Britain.

The disruption was felt across much of Northern and Western Europe and IATA estimate that it cost airlines in the region of \$1.7bn in lost revenues, with

European air traffic down 11.7% in April compared with a year before.

If data relating to traffic levels at BAA's six UK airports provides an indication for the entire UK aviation sector then we can expect volumes in April to be more than 20% down on the same month a year ago.

Two early announcements made by the new coalition government will impact on the cost of travelling to and from Britain in the months and years to come. Firstly there will be a change in the way Air Passenger Duty is administered, moving away from a 'per passenger' tax to a 'per plane' tax. While details are yet to be confirmed the goal is to encourage the use of fuller and greener aircraft by airlines.

The second decision relates to airport infrastructure in the southeast of England, where the Government says it does not support the development of a third runway at Heathrow or a second runway at either Gatwick or Stansted.

While only a minority of visitors to Britain require a visa to explore Britain in early April the previous Government announced that the price of a visitor visa was increasing by £1 to £68.

Looking at changes in air route connectivity announced in the past few months on the long-haul front we have seen Kingfisher being granted rights to operate flights from New Delhi to London, Virgin Atlantic introducing flights from Accra to London and plans to deploy larger aircraft on routes from the Middle East to both London and Manchester announced by Emirates and Etihad.

On the short-haul scene flybe will offer residents of Nantes the chance to reach southeast England with a direct link to Gatwick, Vueling will operate flights from Barcelona to Edinburgh and KLM is increasing frequencies between Amsterdam and Liverpool.

One airline to bite the dust recently was Highland Airways. The terms of a merger between British Airways and Iberia have been agreed, and recently in a further sign of consolidation among major carriers United and Continental announced merger plans.

BA cabin crew took seven days of industrial action during March and at the time of writing are midway through three periods of five day strikes, but the airline claims that around two-thirds of its customers have been able to reach their destination.

Train and ferry companies did reap some benefit from the disruption to air travel experienced over recent weeks, with Eurostar running numerous additional trains. Although before the period of airspace closure Eurostar had already seen a strong start to the year with 5% more passengers during the period January to March than a year before.

The train operator has drawn attention to the fact that the number of travellers from overseas markets outside of Europe increased by 22%. During the month of April the Port of Dover handled 15% more passengers than in April 2009.

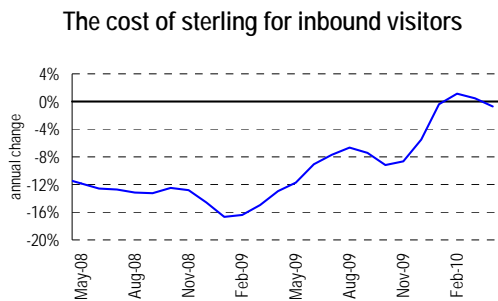
Economic round-up

Over the past three months in the arena of economics one might say that 'Greece is the word', with a perilous situation requiring unprecedented action on behalf of the European Union, the International Monetary Fund and a number of central banks.

The size of the national debt in Greece is far more alarming than in any other Eurozone nation, but nonetheless markets have been spooked by the prospect of contagion with the likes of Portugal, Spain and Italy among countries whose finances have come under scrutiny.

A rash of southern European countries have announced tough austerity measures in recent weeks in an attempt to shore up attitudes towards the single currency, and to reassure the markets that the Eurozone bloc is able to deal with the debt crisis effectively.

The result is that the Euro is trading at its weakest level against the US dollar for four years. Sterling has weakened against the dollar as traders believe the greenback offers a 'safe haven' away from Europe's woes, but has remained fairly steady against the Euro, trading at around €1.17 for a number of weeks.



As is clear from the above chart the overall cost of visiting Britain for overseas visitors is about on a par

with this time last year in terms of the purchasing power of most major currencies.

The economic mood music from Asia, and indeed Australia, remains distinctly upbeat, with the exception that is of the deteriorating political situation in Thailand which is one of Southeast Asia's major economies.

In China concerns remain that the economy may overheat, with inflation reaching its highest rate for more than 18 months, while property price inflation stood at 12.8% in the year to April prompting the Chinese authorities to announce they would act to curb price rises – an decision that led Chinese shares to fall to their lowest level for more than a year.

Worth more than twice any other inbound market for the UK visitor economy it is always important to keep an eye on economic developments in the USA. Unemployment has been stable at a whisker under 10% for the past few months and consumer confidence has improved for three consecutive months, now back to levels not seen since before the global financial crisis of summer 2008.

Unemployment across the Eurozone now averages 10.5% of the workforce, but in Spain it is nearly twice this rate. Consumer confidence across Europe had seen a slight improvement over recent months, but there is a strong likelihood that May's survey will deliver more evidence that sentiment remains fragile.

Here in Britain unemployment increased by more than expected in the most recent three months to stand at 2.51 million, its highest level since late 1994.

Provisional figures for the first three months of the year show that GDP continued to sit in positive rather than negative territory, but growth rates continue to be measured in tenths of a percentage, indicating that economic recovery is not yet well established.

Nevertheless, inflation keeps on coming in at a slightly higher rate than is expected which is one reason why the OECD recently suggested that the Bank of England will need to increase base rates over the coming year if inflation is to be kept under control.

A clearer picture will emerge regarding any possible changes to taxes in the UK following the emergency budget on 22 June. Indications of how public spending cuts will contribute towards reducing the UK public sector deficit should also emerge in the near future and currency speculators will be watching announcements carefully.

Weather

The Met Office has decided to stop issuing seasonal forecasts for UK weather having had some awkward moments over the past couple of years, so aside from soothsayers reckoning summer 2010 is set to be long hot and dry the best we can do is take stock of what the weather god's have delivered over the past few months.

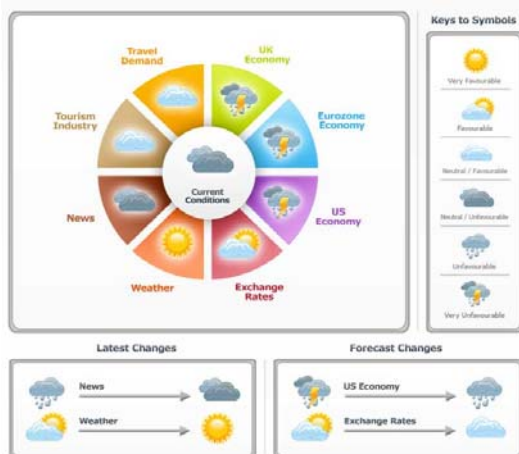
In both March and April the amount of sunshine was far higher than is normal for the time of year which unsurprisingly meant that the amount of precipitation was lower than the seasonal norm.

Although it may generate the odd raised eyebrow, official figures show that temperatures in March were close to average and in April slightly above average. By contrast the first half of May brought days and nights that were much cooler than is typical though a brief 'heat-wave' later in the month will help drag up the overall average.

Easter brought weather that for most was 'fair to middling' with not too much rain but a definite nip in the air. Late May and early June sees school half-term and many families and tourism businesses will be hoping for warmer temperatures and clear blue skies.

Trends in a picture

It is often said that 'a picture paints a thousand words' and below we have tried to summarise current trends in the factors driving tourism. Based on an analysis of over forty different series, grouped into eight 'segments', the following chart clearly comes with a hefty health warning, with the 'scoring' of each factor being as much art as it is science.



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