

TOURISM TRENDS QUARTERLY

Issue 4 February 2010



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 estimate that international tourist arrivals declined by 4% in 2009 to 880 million, but with tentative signs of recovery emerging during the final few months of the year.

An upturn in tourist numbers is by no means widespread or entrenched however, with Asia Pacific and the Middle East in the vanguard with Europe and the Americas still reporting a more mixed picture.

Global exports are thought to have declined by as much as 12% during the past year, which leads the UNWTO to note that an estimated 6% fall in international tourism receipts is a resilient performance.

For the current year UNWTO is forecasting growth in international travel of between 3% and 4%, but with trips to European destinations seeing a more sluggish performance of between 1% and 3%.

Only time will tell whether this is a case of false optimism, or simply a sign of relief that the worst appears to be over, but confidence relating to 2010 among the UNWTO's 330 strong 'panel of experts' has returned to levels achieved during the period 2004 to 2007.

Some 62% of experts believe that tourism in 2010 will perform 'better' or 'much better' than could be reasonably expected, while only 7% anticipate a year that will be 'worse' than expected.

Only Africa (based on limited data) reported growth in arrivals in 2009, with Europe, Americas and Middle East all reporting declines in excess of 5%.

Among individual destinations managing to grow the number of international tourist arrivals were Morocco, South Africa, Chile, Peru, Indonesia, Malaysia, Iceland and Turkey.

IATA declared 2009 to be a year during which the aviation sector witnessed the largest ever post-war decline in international air travel. Passenger demand was 3.5% down on 2008 with average load factors at 75.6%.

The figures for international air travel solely for December tell a slightly less depressing story, with demand up 4.5% on December 2008. Recovery will be slow, however, with an expected global loss of \$11bn in 2009 followed by a loss of \$5.6bn in 2010.

A sign of the shifting pattern of global economic activity comes with IATA figures showing that in 2009 Asia-Pacific eclipsed North America as the world's largest regional market for air travel – some 647 million journeys were made within the Asia Pacific region compared to 638 million in North America. IATA forecast that by 2012 an additional 217 million Asia Pacific travellers will be taking to the skies.

According to STR Global hotel occupancy has been decreasing throughout 2009 in all world regions, with Europe performing slightly better than other parts of the world with occupancy in the first eleven months averaging 61.9%, down from 66.5% in 2008.

Inbound tourism to the UK

The UK economy earned £16.48bn courtesy of spending by inbound visitors during 2009 according to provisional International Passenger Survey figures released by the Office for National Statistics, representing a 1% increase on 2008. This increase came about despite a 7% decline in the number of overseas visitors as a favourable exchange rate resulted in a sharp jump in average spending per trip in sterling terms.

The decline in visitor numbers meant that during 2009 Britain welcomed 29.6 million overseas visitors, the lowest number since 2004.

There were definitely glimmers of encouragement to be found in the numbers, with a 3% jump in overseas visitors choosing to take a holiday in Britain last year, equivalent to an increase of 350,000.

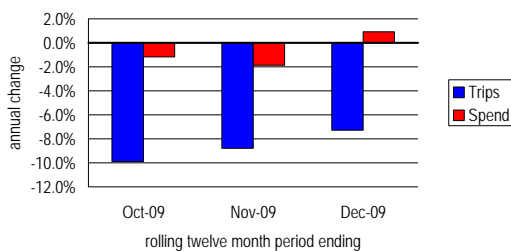
During the final three months of 2009 holiday visits increased at an annual rate of 5%, and trips classified as having a 'miscellaneous' purpose witnessed a jump of 8%, we can be pretty certain that Christmas shopping trips from across the Channel was a key driver behind this trend.

Key European markets set the pace for much of 2009 with our near neighbours taking advantage of the value for money on offer in Britain, but one of the most positive signs emerging during the final months of 2009 was a return to growth in the number of visits from North America, with visits up 8% in the final three months of the year.

By contrast the global economic downturn resulted in the number of international business visits to Britain dropping by one-fifth, or 1.6 million during 2009. This is perhaps unsurprising considering the decline in global trade and upheaval in the banking and financial services sector during the past eighteen months.

After a sustained period of exceptionally fast growth the number of visits to Britain from the twelve EU Accession nations fell sharply in 2009 by some 21%, equivalent to 700,000 fewer trips.

Trends in inbound tourism



Global Blue UK report sales to overseas visitors who can reclaim tax on departure from the UK increased substantially in each of the past three months compared with a year ago providing further evidence that inbound visitors have been spending more thanks to favourable exchange rates.

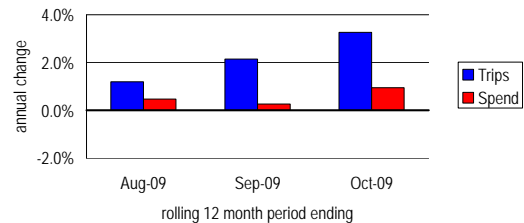
Data for the six airports operated by BAA show that passenger traffic declined in both December and January, though with BAA estimating that much of this fall can be blamed on disruption due to snow.

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.

At the time of writing figures are available through to October, with the favourable autumn weather helping to ensure a continuation of the trend established in the peak summer months for strong year-on-year growth in trip taking.

Trends in overnight domestic tourism



The picture is not one of uniformity across different trip types, with the domestic tourism scene having been perked up primarily by very strong growth in Brits taking holidays, rather than travelling for business or to visit friends and relatives.

Over the period August to October the number of overnight holiday trips increased at a double-digit percentage rate compared with 2008, and looking at the year to October Britons took 7.2 million more overnight holidays than during the year before.

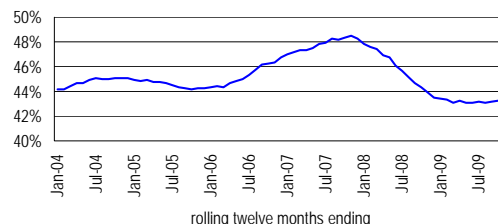
Another measure of domestic tourism trends in 2009 comes from analysis of the type of location visited. In the year to October an additional 3.2 million overnight trips were made to seaside locations compared with the previous year, while an extra 1.5 million trips were destined for the countryside and small villages.

By contrast to the holiday market the volume of overnight business tourism during the twelve months to October was 7% down on 2008, but it should be noted that this is a far less dramatic decline than has been seen in the volume of inbound business tourism.

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 37% in November, down from 38% in November 2008. In fact throughout the second half of last year occupancy was fairly similar to levels achieved in 2008, though this still represents a decline on 2007.

Bedspace occupancy in UK serviced accommodation



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 December London chain hotel occupancy stood at 77.3% (up from 71.4% a year earlier), with regional occupancy at 59.7% (up from 57.8% in December 2008).

For London hoteliers the good news was not limited to occupancy, average room rates in the final month of last year were nearly £2 higher than a year earlier, but in the provinces room rates remain nearly £4 lower than at the end of 2008.

London has in fact taken on the mantle of one of the strongest performing European city hotel markets in the past few months according to TRI. The very affordable rate of sterling is thought to have helped fuel demand for pre Christmas shopping expeditions to London, particularly from Eurozone countries.

Growth in shopping trips is supported by figures from Global Blue on refunds to overseas visitors reclaiming tax and data released by the British Retail Consortium indicating an annual 12% jump in sales in London during December.

Looking forward rather than back the Quarter 1 TRI Hospitality Consulting Hotel Confidence Monitor revealed that hotel general managers were far more upbeat than at the start of 2009, but interestingly the number who were uncertain about prospects for the next three months had increased somewhat compared with the situation three months ago.

These hints of nervousness tie in with January figures from TRI revealing that in the provinces hotel occupancy was static in January compared with the start of 2009 at 54%, with average room rates nearly £5 lower. London started the year more promisingly with occupancy at 71.3% up from 67.0% and room rates £2 higher at £107.

According to STR Global Europe's hotel room pipeline currently stands at 97,266, with London being the city with the largest number at 5,154, testimony to the current buoyancy of the London hotel market.

Indeed, the UK economy is set to benefit to the tune of £115m worth of Travelodge investment thanks to the chain announcing plans for 26 new hotels across the country.

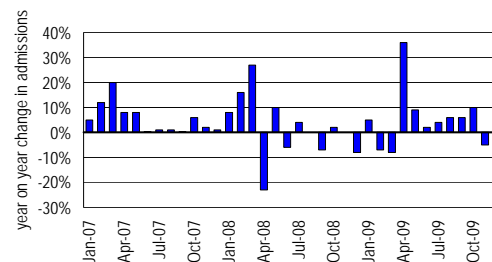
Attractions

The most recent VisitEngland 'England Attractions Monitor' provides a thorough overview as to how this sector performed during the three months to December 2009. Overall admissions increased 4% on a year before, but this came about thanks to a very strong October, helped by favourable weather, during which attractions welcomed 10% more visitors – the figures for November and December were not as encouraging with declines of 5% and 1% respectively.

In the final three months of last year 46% of responding attractions reported that retail spending continues to recover, a trend that was felt across other sources of secondary revenue too. A trend that continues to emerge is for 'paid' attractions to outperform 'free' attractions, with admissions up 6% at paid attractions and unchanged at free attractions during the final three months of 2009.

Doubtless driven by the relatively lacklustre performance in November and December along with the disruptive winter weather, only 22% of attractions in England were expecting admissions in the first three months of 2010 to be up on 2009, while 32% expected fewer admissions.

Visits to visitor attractions in England



Outbound tourism from the UK

With a 15% decline in trips abroad by Britons during 2009 and a 14% drop in how much was spent while overseas, the UK's international tourism balance of payments deficit shrank by around one-quarter in 2009 to £15.4bn, the first time the deficit has declined since 1995.

The number of trips to North America was 21% lower in 2009 than 2008, while European destinations welcomed 15% fewer Britons. Travel to other parts of the world witnessed an 11% fall.

Looking across different types of journey purpose, Brits made 16% fewer holiday trips, 22% fewer

business related trips and 7% fewer trips to visit friends or relatives.

Business Surveys

We have already seen in the sections on Attractions and Accommodation that there remains great uncertainty about prospects for the coming year. The hope is that part of the uncertainty, most acutely felt in the accommodation arena, is down to the ongoing trend towards late booking.

Based on interviews with 500 tourism enterprises during the late November and early December the latest Northern Ireland Tourist Board 'Tourism Barometer' looked at expectations for 2010. Definite concerns about the future were expressed by businesses from most branches of the tourism sector but overall respondents did not expect 2010 to be any worse than 2009.

Visit Wales contacted tourism businesses during January to quiz them about the months ahead and provide an assessment of the Christmas and New Year period.

Respondents represented both the accommodation and attractions sectors across Wales with 401 interviews taking place. It has been a 'steady start' to 2010 according to the survey. Businesses reporting a downturn in trade were most likely to say this was down to the economic climate or disruptive weather conditions.

Advance bookings are down for 2010. One-third of accommodations providers say that bookings are 'not as good as normal' with only one-in-eight reporting trade 'better than normal'.

Respondents are hopeful that the trend towards late bookings is the key to explaining absence of reservations for later in the year and looking ahead to spring and Easter 22% are 'very confident' while 56% are 'fairly confident'.

Not a statistic emerging from a 'business survey', but well worth reporting, is the fact that London's Theatreland had a record year in 2009 with more than 14 million visits to 52 theatres, representing an increase of 5.5% on 2008.

Getting to and from Britain

Snow was perhaps the most consistent storyline when it came to the ease, or not, of travelling to, from and around Britain during the past three months, with few

airports escaping the effects of the coldest and snowiest winter for three decades.

Flyglobespan was the most high profile airline casualty during the period under review, which although having more of an outbound than inbound focus was an important provider of capacity at Scottish airports from a number of origin markets.

The alleged terror plot on a plane travelling between Amsterdam and Detroit on Christmas Day has resulted in a tightening of security measures at airports worldwide and the early introduction of full body scanners at a number of airports.

Looking at changes in air route connectivity announced in the past few months we have seen Aer Lingus announce the suspension of flights to Gatwick from cities including Zurich, Vienna, Munich and Nice.

New routes announced include Taiwan's China Airlines plans for a three times per week service between Taipei and Heathrow from the end of March, and Kingfisher Airlines getting the go-ahead for flights between New Delhi and Heathrow.

Promising growth in traffic between the Middle East and Britain has seen Etihad announce that it is to deploy larger planes on its service from Abu Dhabi to Manchester. Meanwhile Wizz Air is to operate a new route between Belgrade and Luton from July.

The threat of industrial action has hung over British Airways for the past few months. Cabin crew initially announced plans for a twelve day strike over Christmas but the airline won a court injunction banning this action. A second ballot has again resulted in a vote for industrial action but at the time of writing no strike dates have been announced. The airline is expected to announce record losses for the second consecutive year later in the spring.

British Airways is not alone in facing industrial strife, with Lufthansa flights disrupted by a pilots strike in late February, though this dispute appears now to have been resolved.

The upcoming General Election could well have an impact on plans for a third runway at Heathrow Airport, but a recent study published by the British Chambers of Commerce estimates that increased runway capacity at the west London airport would benefit the UK economy by £30.7bn.

A non-negotiable item that every inbound visitor to Britain needs is of course a passport, and new figures

show that in the year to 30 September 2009 11.9 million first-time or renewal passports were issued in the USA. According to estimates published by Donald N Martin & Company 94.5 million US citizens (33%) now own a passport, a significant increase on a few years ago.

Eurostar services have faced considerable disruption during the past few months, with the failure of multiple trains inside the Channel Tunnel a week before Christmas resulting in extensive media coverage and a suspension of services for a number of days. A collision between domestic services in Belgium in mid February resulted in a further week long curtailment of trains between Brussels and the UK.

Despite these difficulties Eurostar passenger figures for the final three months of 2009 were 9% up on 2008, though this is largely the result of severe disruption in autumn 2008 due to a fire inside the Channel Tunnel.

Domestic long-distance rail travel in Great Britain during the final quarter of 2009 encompassed 4% more passenger journeys than was the case a year before.

Port of Dover passenger statistics over the past few months have not made for happy reading with volumes down roughly one-fifth in the period November to January.

Brittany Ferries has announced that from spring it will axe its service between Cherbourg and Poole and P&O says that from September it will no longer operate its Bilbao to Portsmouth route. On a more positive note from March LD Lines is offering a double-daily service between Ostend and Ramsgate.

Economic round-up

Dubai and Greece have been hitting the economic headlines over the past three months for all the wrong reasons, and although there is a growing sense of confidence that the global economy is recovering, led very much by Asia, 2010 looks destined to be a year filled with economic uncertainties, if not on the same scale as the seismic events of late summer 2008.

The UK economy 'officially' came out of recession in the final three months of 2009, but by a cat's whisker with quarter-on-quarter growth of 0.1%. The 'average' forecast for economic growth in 2010 according to figures compiled by HM Treasury is 1.4%, but this arithmetic average disguises a wide underlying range.

The possibility of a 'W' shaped recession, whereby a short spurt of growth is followed by the economy slipping back into recession cannot be ruled out.

The European Commission is equally cautious regarding prospects for the Eurozone, with economic growth of 1% thought to be the most likely outcome. Unemployment in Germany continued to drift upwards in February but at a slower rate than had been anticipated.

Greece is the main concern in the Eurozone at present, but Portugal, Italy, Ireland and Spain are also on the radar of global finance markets pondering the mushrooming size of national debts.

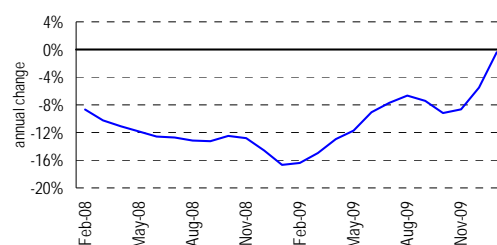
The Euro is likely to remain volatile over the coming weeks until such time as financial markets feel reassured that a credible programme for tackling Greek debt is in place and be acted upon.

In the UK there has been much media coverage about the size of the public sector deficit, with rival groups of economists writing letters to newspapers; one group claiming that the government should set out and implement measures to tackle debt immediately and another that such measures should be postponed until 2011.

Sterling exchange rates during 2009 were a major factor underpinning both the growth in holiday visits from abroad, especially from Eurozone countries, but also in encouraging Brits to rediscover their own country as foreign holidays to traditional outbound destinations including France and Spain witnessed a steep increase in cost.

The size of Britain's national debt along with how and when it is tackled will never be far from the minds of currency traders over the coming months, and sterling exchange rates may well experience further volatility during 2010.

The cost of sterling for inbound visitors



The Asia Pacific region is showing a growing momentum when it comes to economic revival, and China is expected to be confirmed as the world's

second largest economy following economic growth of 8.7% in 2009. Yet another accolade for China is that in 2009 some 13.6 million cars were sold, making it the biggest car market in the world.

The Indian government anticipates that in the year to March the economy will have expanded by 7.2%, not quite as impressive as the Chinese performance, but nonetheless decidedly healthy.

One of the consequences of economic growth in Asia has been the price of oil once more reaching \$80 a barrel, with some economists forecasting that within the next couple of years the imbalance between demand and supply could result in \$100 per barrel becoming the norm.

In the US there are signs that unemployment may have peaked, with two consecutive months of declining joblessness, which perhaps helps explain why we have seen a small upturn in consumer confidence. Putting something of a dampener on this is a recent announcement by the Federal Reserve indicating its belief that unemployment will remain high throughout 2010.

Weather

Last time we noted that the Met Office anticipated just a one-in-five chance of winter being colder than normal, and the past three months is testament to the fact that sometimes events with a low probability do occur.

It has been the coldest and snowiest winter across Britain for some thirty years, and in each of the past months transport infrastructure, be it air, rail and road, has been disrupted to some degree. Perhaps the most high-profile event was the failure of multiple Eurostar trains in the Channel Tunnel in the week before Christmas.

The good news is that both December and January brought sunshine totals well above seasonal norms and below average amounts of precipitation, it was just that that which fell from the sky was often white rather than translucent. Early indications suggest that February has been much wetter than normal.

As for temperatures, Met Office figures confirm that in December and January these were exceptionally below average and all signs point toward a similar outcome for February.

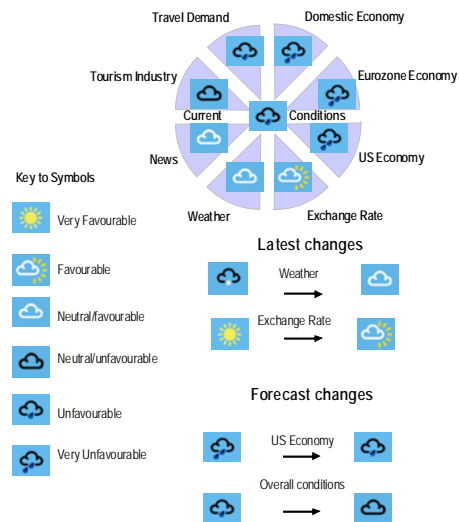
With many attractions closed for a winter break the disruption to road traffic may not have hit this sector

too badly, and country pubs will no doubt have benefited from an enthusiasm by Brits to get out and take a brisk winter walk through picturesque countryside.

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 chart clearly comes with a hefty health warning, with the 'scoring' of each factor being as much art as it is science.

Factors contributing to tourism trends in Britain, February 2010



Keep up-to-date

By subscribing to VisitBritain's industry e-newsletter you can keep up-to-date with all the latest market intelligence and research, including our fortnightly round-up of what is happening to the drivers of tourism, *Trends Update*. Sign up to the newsletter at <http://www.visitbritain.org/aboutus/newsletter.aspx>

Feedback

If you would like to get in touch regarding *Tourism Trends Quarterly* we would very much welcome any feedback; email vb.research@visitbritain.org.