

# TOURISM TRENDS QUARTERLY

Issue 3 November 2009



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 forecast that the volume of international tourism is likely to grow by between 1% and 3% in 2010, having declined by potentially more than 5% during 2009.

The UNWTO 'panel of experts' were in a better mood when it comes to prospects in autumn 2009 than earlier in the year, but that said 42% still anticipated the final few months of 2009 being 'worse' than normal, with 30% saying prospects were 'equal' and only 28% thinking prospects were 'better' than normal.

During the first eight months of 2009 the only global region to witness an increase in the volume of tourism was Africa (+3.8%), though small numbers of reporting countries may be skewing the figures. Meanwhile Europe has seen the sharpest decline in arrivals (-8%), though all other regions are down by more than 5%.

Looking at individual destinations there are very few that have seen any growth in 2009, a few examples include Turkey, Sweden and Malaysia. More typically we find declines of between 5% and 10% but in a few extreme cases as steep as 25% for inbound to Japan.

A recent OAG report noted that global airlines offered 0.2% more seat capacity this August than a year ago, the first year-on-year increase for a year and evidence that a turning point has been reached.

IATA estimate that globally scheduled airlines are currently losing up to \$1bn per month which indicates that even if passenger volumes have now stabilised it will be a long road to widespread profitability for the aviation sector.

Passenger demand in September was 0.3% up on a year ago according to IATA, but the organisation notes that it is 'far too early to call this a recovery'.

According to STR Global hotel occupancy has been decreasing throughout 2009 in most European destinations, though now at a slower pace than earlier in the year. Revenue per available room continues to fall faster than occupancy across Europe, with the sharpest declines in Eastern Europe.

A recent European Commission study found 63% of EU citizens will have taken a holiday in 2009, compared with 67% in 2008; this downward trend is forecast to continue in to 2010 as only 60% anticipate taking a holiday next year. Nearly one-in-eight (12%) booked their 2009 holiday using a last minute deal with 54% of these respondents saying that this was in order to secure a cheaper price.

## Inbound tourism to the UK

Our best indication of what is happening to trends in the volume and value of inbound tourism to the UK comes courtesy of the International Passenger Survey, conducted by the Office for National Statistics.

September looks to have marked a turning point with no change in the volume of inbound tourism compared with a year earlier. VisitBritain forecast that the full year picture for volume will be -5.3%.

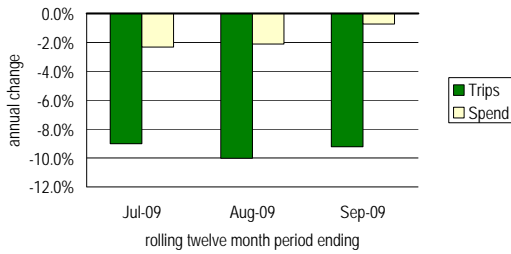
Considering that during the first nine months of the year volume was down 8% this forecast implies that the final three months of the year will deliver strong year-on-year growth.

The well established trend for inbound visitor spending to outperform volume persists. In September spending was 7% up on 2008, meaning that in the period January to September spending is on a par with last year. VisitBritain forecast that the full year picture will be one of spending increasing by roughly 1%.

ONS now publish figures showing what is happening across different journey purpose categories, and this new material highlights that 2009 has been a healthy year for inbound holiday tourism, up 3% in the first nine months, while the number of international business visitors to Britain is down by 23% compared with 2008. Trips to visit friends or relatives are 10% lower.

The decline in business tourism is by no means unique to the UK. According to a recent American Express report two-thirds of European corporates have cut their travel budgets during 2009, with the average reduction (among those cutting spend) being 31%.

### Trends in inbound tourism



Driven on by strong growth in holiday visits the region of the world showing the greatest resilience when it comes to inbound tourism to the UK during 2009 is Western Europe, with visits from the pre 2004 fifteen EU nations down only 4% in the first nine months, compared, for instance, with a drop of 11% in visits from North America.

Global Refund report sales to overseas visitors who can reclaim tax on departure from the UK increased by 45% in October compared with a year ago. This increase came courtesy of a 28% increase in transactions and 14% jump in average spend per transaction.

Data for the seven airports currently operated by BAA show that during October overall passenger volumes (that is counting both inbound and outbound trips) declined at an annual rate of 1.4%, a somewhat slower pace than during earlier months of 2009, providing further evidence that we are at a turning point.

### Overnight domestic tourism

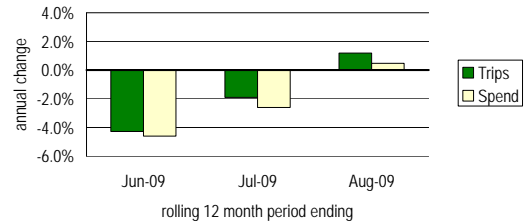
The United Kingdom Tourism Survey captures what is happening to the number and value of overnight domestic tourism trips that are taken within the UK.

Recently released figures reveal that 2009 was definitely the year of the 'staycation' with an extremely robust set of data for the all-important summer months.

In August alone UK residents took 2.2 million more domestic overnight trips than a year before, equivalent to a 15% increase. There was a similar jump in spending on these trips in August, meaning a total of £3bn was pumped into the UK economy thanks to domestic trip taking.

Looking at the year-to-date picture trips are up 6% on 2008 with spending up 4%. Average length of stay remains stable, with visitor nights up 5%.

### Trends in overnight domestic tourism



It is holiday trips that are stealing the show with a 15% increase in August, in line with the year-to-date story of a 17% increase. In the first eight months of 2009 domestic holiday trips were worth £9.4bn, that's 12% up on 2008.

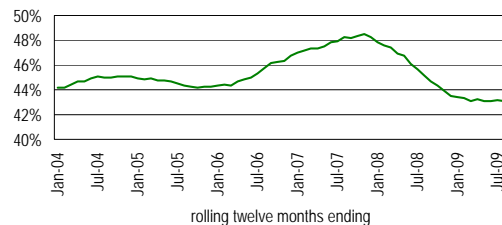
The volume and value of overnight business tourism during the period January to August was 8% down on 2008, while the number of trips to visit friends and relatives is on a par with last year while spending on such trips is down 4%.

A good example of how tourism is much more than hotels and attractions when it comes to economic contribution can be found in Halfords recently reporting better than expected profits, which it says is in part down to growth in sales of camping equipment to those looking for value for money holiday options.

### 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 58% in August, down from 59% in August 2008. Perhaps not surprisingly for the time of year seaside based establishments enjoyed the highest bed-space occupancy at 62%.

### 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.

Latest figures from TRI Hospitality Consulting show that in October London chain hotel occupancy stood at 85.1% (up from 83.6% a year earlier), with regional occupancy at 73.6% (down from 74.5% in October 2008).

Room rates fell by less than 5% in London and by 8% in the provinces, indicating that a degree of stability is returning and that hoteliers are perhaps not discounting rates as aggressively as was the case earlier in the year.

According to the Quarter 4 TRI Hospitality Consulting Hotel Confidence Monitor 73% of hotel general managers are more optimistic about prospects than they were three months ago, a trend that has become well established over the course of the year.

### Attractions

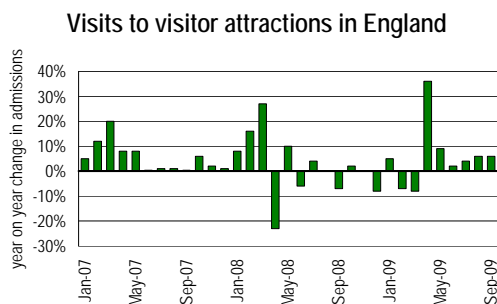
The most recent VisitEngland 'England Attractions Monitor' provides a thorough overview as to how this sector performed during the three months to September 2009. Overall it was a steady quarter, with a 5% increase in admissions.

Participating attractions were asked whether they had held any public events during the quarter and 54% said that they had, with an overwhelming majority saying that the event had a positive impact, and nearly one-in-four that it had a 'major positive impact'.

Half of all attractions that had offered special offers during the quarter said that use of discount vouchers had increased compared with a year ago.

Somewhat at odds with a trend seen over recent quarters attractions with paid admission outperformed those with free admissions (9% growth versus a 2% decrease).

Looking ahead 43% of attractions were more optimistic for the final three months of the year than had been the case a year ago whereas only 13% were less optimistic.



VisitScotland regularly publish information taken from its 'Visitor Attractions Barometer' and the latest figures reveal that in September the 512 participating attractions welcomed virtually the same number of visitors as a year ago, while taking the first nine months of the year together we find a 3.4% increase.

So far in 2009 attractions in the Highlands, Borders and Outer Hebrides have seen the healthiest increases in numbers.

### Outbound tourism from the UK

In 2008 Brits represented the third most valuable source market for international tourism behind Germany and the USA, and although there will be no change in the UK's league position once 2009 figures become available the volume and value of outbound tourism generated by UK residents will have shrank dramatically.

Based on IPS figures for the first nine months of the year there were 15% fewer outbound trips than in 2008 (equivalent to a fall of 8 million trips). The region of the world seeing the biggest decline in visits from the UK is North America, with volumes down 24%.

Unlike the case for inbound tourism, outbound holiday tourism is sharply down (-15%), though the drop in outbound business tourism is more severe (-21%).

### Business Surveys

Based on interviews with 500 tourism enterprises during the first half of September the latest Northern Ireland Tourist Board 'Tourism Barometer' found that the only accommodation sector not seeing a contraction is camping and caravanning. More than half (58%) of attractions reported growth on 2008, while among suppliers of tourism activities 68% of walking and cycling business reported a rise in activity with 45% of angling businesses reporting declines.

The most recent wave of VisitEngland's Domestic Industry Panel took place during October and involved interviews with 25 senior people in leading tourism businesses.

Panellists certainly felt that volumes over the summer were up on 2008, but that pressure to offer deals as consumers demand more affordable options meant earnings performance has lagged 'footfall'.

Although seeking to find ways of cutting costs, a number of businesses have recognised that the fall in advertising costs provides a unique marketing

opportunity. A number of panellists noted the trend towards last minute booking as consumers seek out the best offers is making planning for the future more challenging than normal. Many respondents felt that VAT rates ought not be raised at the end of the year as the economic situation remains fragile.

Visit Wales conduct a Tourism Business Survey five times each year and the latest research reviewed the key summer months, with 206 businesses participating in the study.

The headline finding is that the Welsh tourism industry enjoyed a good summer with two-fifths of businesses seeing increased businesses and a further two-fifths recording activity that is on a par with 2008. As seems to be the case across the UK the camping and caravanning sector had a particularly strong summer season.

Twice as many business say last minute bookings are up as say they have declined (34% versus 15%). The late booking trend feeds through to lower than normal advance bookings, which has helped to depress the number who were confident about autumn 2009 (68%).

#### Accessibility round-up

SkyEurope planes no longer bring visitors to Britain and the prospect of further airlines filing for bankruptcy cannot be ruled out. More airline mergers are certainly on the cards with the respective Boards of British Airways and Iberia agreeing terms for the two airlines to come together; assuming both shareholders and regulatory authorities endorse the proposals the merger is expected to be complete by late 2010.

Although global seat capacity is growing according to OAG many airlines serving the UK continue to reduce capacity. Both Ryanair and easyJet announced significant reductions in flight frequencies for the winter timetable, in some instances chopping up to 20% of flights to some airports.

While Lufthansa has opted not to sell bmi the airline continues to look for ways of generating additional cash and is axing five routes to Heathrow resulting in 600 redundancies. The airline is expected to enjoy a cash injection when it auctions the freed up Heathrow slots.

British Airways has announced a pay freeze and the equivalent of 1,700 redundancies among its cabin crew, along with a reduction in the number of cabin

crew on flights operated by Boeing 747 aircraft, a move that has resulted in a ballot for industrial action.

Japan Airlines, the Japanese flag carrier remains in a precarious state, requiring intervention from the incoming government to see through a programme of restructuring and an emergency loan to help keep planes in the air.

Looking at infrastructure issues the Scottish Government has shelved plans to build a rail link from Glasgow Airport in light of increasing pressure on public finances. Meanwhile after 54 years in service Terminal 2 at Heathrow has finally closed its doors and the building will be demolished as part of redevelopment plans.

Following on from the Competition Commission report into airport ownership Gatwick Airport has been sold by BAA to Global Infrastructure Partners for £1.51bn, a sum considerably lower than the initial asking price.

Away from aviation in the three months to September Eurostar carried 7% more passengers on inbound visits to Britain with an 11% increase in outbound travel. The figures are in part due to the fire in the Channel Tunnel in September 2008 which depressed traffic a year ago.

According to the Department for Transport the volume of car traffic on Britain's roads was 1% up on a year ago during the three months to September, while on the rails during the same period the volume of long distance rail journeys undertaken in the UK declined at an annual rate of 2%.

One new ferry route to note is that from March 2010 FastnetLine will operate sailings from Cork to Swansea. However, the number of passengers passing through the Port of Dover in October was 15.4% down on a year ago, possibly reflecting the disruption to Channel Tunnel services a year ago boosting ferry traffic at that time.

According to American Express business class air fares are set to rise by 15% in 2010 due to reduced capacity and higher ancillary costs for airlines. Regardless of price hikes that airlines choose to impose airborne visitors to the UK have been paying higher rates of Air Passenger Duty since the start of November.

Visitors from nearby European markets have seen the amount of ADP they pay increase from £10 to £11 if they are travelling in economy class, whereas a

visitors from Argentina now has to pay £55 in economy and £110 in all other classes.

### Economic round-up

In Australia and Norway base rates are now on the rise as inflation remains subdued and demand continues to pick up. It will be some months yet before any significant increases in interest rates in the US and Eurozone, and according to many analysts well in to 2010 before UK base rates head upwards.

The IMF says that the global economy is now expanding, led by Asia which has withstood the financial crisis better than expected.

South Korea was the latest Asian economy to come out of recession but even the US was able to report annualised economic growth of 2.8% in the three months to September. In technical terms China never came anywhere near being in recession and there are clear signs that domestic consumption and manufacturing has resumed the rates of growth typical of pre down-turn days. The market for cars is now bigger in China than in the US.

However, unemployment tends to lag economic recovery, one reason why consumer confidence in most parts of the world remains downbeat.

In Britain unemployment is close to 8%, while latest figures for the Eurozone show that 9.6% of the workforce is seeking a job. Meanwhile across the Atlantic Commerce Department figures released in early November indicated an unexpectedly steep rise in US joblessness, with the rate increasing to 10.2%.

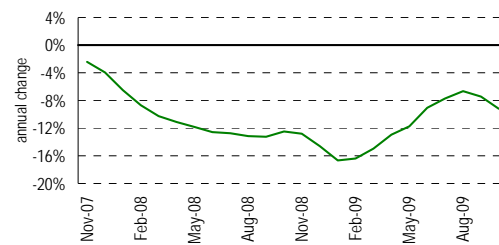
The CBI recently warned that Britain's economic recovery would be slow throughout 2010, and this prognosis emerged before the latest official data surprised many forecasters by revealing that the UK remained in recession in the third quarter of 2009, contracting by 0.3%.

The UK Energy Research Council recently warned that global production of oil could peak in 2020 but in the much nearer term an economic revival, especially in oil hungry Asia, has helped push the price of oil up to \$80 a barrel.

All of the evidence points to British tourism having received a fillip from currency market movements over the past twelve months, with a very affordable pound attracting increasing numbers of inbound holiday visitors while the other side of the coin means an expensive Euro has helped persuade Brits to re-

evaluate their options when choosing between domestic or foreign holiday choices.

The cost of sterling for inbound visitors



### Weather

The weather can play a crucial role in shaping tourism behaviour and is never too far down the list of most talked about topics. Met Office figures for the most recent three months paint a mixed picture; while the advertised 'Barbecue summer' apparently suffered a bout of stage fright early on there was certainly no repeat of the summer floods seen in the past couple of years.

August is peak summer holiday month, especially for those with school aged children and the bad news was that rainfall totals across the UK were exceptionally above average, though thankfully temperatures were slightly above average and the sun shone for the time it should at this time of year.

September was far drier than on average with temperatures slightly higher than average, while once again sunshine amounts were in line with historical norms. As for October, which of course includes school half-term, both sunshine and rainfall totals were close to average while temperatures were well above average for the time of year. November has been somewhat less kind to many parts of Britain bringing gales, heavy rain and flooding.

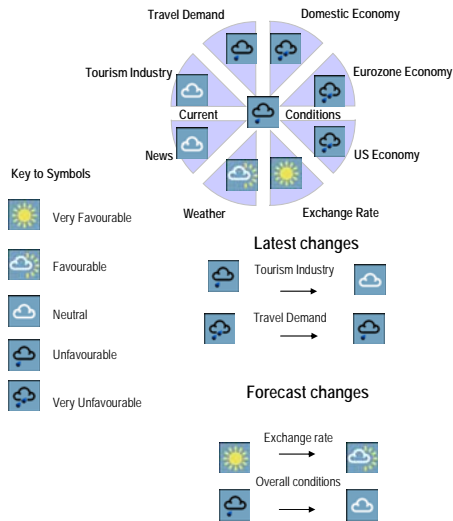
According to the Met Office the coming winter (that's December to February) is set to bring near or above average rainfall with temperatures milder than last year, but there remains a one-in-five chance of a colder than average winter.

### 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, November 2009



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### Feedback

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