

**Tourism Trends Quarterly provides a summary of the latest available tourism data for the UK, alongside an analysis of factors underpinning the latest trends.**

### Global Tourism Trends

In the last edition our focus was on the events unfolding in North Africa and the Middle East in terms of likely impact on global tourism flows, and while there remains considerable flux in many nations from this part of the world, with consequent high oil prices, there have been a number of other events during the past quarter we need to mention.

The earthquake and subsequent tsunami in Japan back in March resulted in a dip in international traffic to/from Japan, with many airlines, including British Airways, reducing their flight schedules due to weak demand. There are signs that Japanese consumers are starting to regain some confidence, but it looks set to be a challenging year for destinations for which Japan is a key source market for international arrivals.

The impact on global travel from the eruption of the Grimsvotn volcano in Iceland has so far been far less than was the case in April last year following the eruption of Eyjafjallajokull but nevertheless reminds us once more that unexpected events can play a role in shaping short-term global travel trends.

The United Nations World Tourism Organisation has now posted figures for 2010 enabling us to assess which destinations moved up or down the international tourism league tables. The UK retains 6<sup>th</sup> position in terms of arrivals, accounting for 3.0% of the total (3.2% in 2009). The only change among the rankings of the top ten is that China has moved up one place to 3<sup>rd</sup>, pushing Spain down to 4<sup>th</sup>. This leaves France still firmly in top spot and the USA some 17 million arrivals behind in second place.

In terms of receipts the UK retains 7<sup>th</sup> place. Within the top ten China moves up to 4<sup>th</sup>, pushing Italy down into 5<sup>th</sup> place, and Hong Kong enters the top-flight in 9<sup>th</sup> spot with Turkey falling to 10<sup>th</sup> and Austria leaving the top ten. The league is headed by the USA followed by Spain and France.

### Inbound tourism to the UK

It will be some while before we can say with conviction how 2011 is shaping up for inbound tourism to the UK because of the 'one off' events that have influenced both the early months of this year and last. Figures last year were weak for both March and April (with the ash cloud being the primary cause during April) while in the current year Easter has shifted dates, there has been an additional Bank Holiday and the Royal Wedding, plus we now have minor disruption to some air travel because of the latest Icelandic ash cloud.

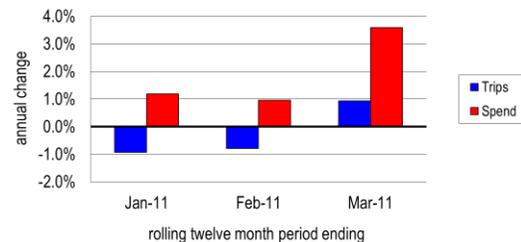
So caveats abound, but we do have provisional figures from the International Passenger Survey for the period January to March.

These show that in the three months to March there were 4% more visits to the UK by overseas residents than in the equivalent three months a year before. There was a 6% increase, in nominal terms, in the amount that overseas visitors spent in the UK during the three months to March 2011 compared with the same period a year before.

Holiday visits increased by 2% to just under 2 million during the first three months of the year while visits to friends and relatives, which had a particularly weak month in March 2010, were 12% up in the three months to March 2011. Business tourism continues to make steady progress with visits up 9%.

The number of visits from EU15 countries (nations who were members of the European Union before the 2004 expansion) was up 1% in the three months to March while visits from Accession countries are yet to show robust signs of recovery. Visits from North America grew 5% in the three months to March and those from remaining parts of the world grew by 11%.

**Trends in inbound tourism**



Looking at more recent traffic data, in April BAA's six airports handled 31.1% more passengers than a year ago, however the ash cloud of last April and changes in the number of bank holidays make meaningful comparisons difficult. However, both Heathrow and Edinburgh had their busiest April on record.

## Overnight domestic tourism

From 2011 our best source of information on overnight tourism is the Great Britain Tourism Survey as information about overnight trips taken by Northern Ireland residents is being collected separately by the Northern Ireland Statistics and Research Agency.

The most up-to-date figures available cover January (and reveal an 11% increase in the number of trips compared with the same month of last year), but here we look in a little more detail at the headline results from the previous UK survey for calendar year 2010.

The results show that the volume of domestic overnight trips taken in 2010 was 5% down on 2009, with spending also down 5%, delivering a visits total of 119.4 million worth £20.8bn.

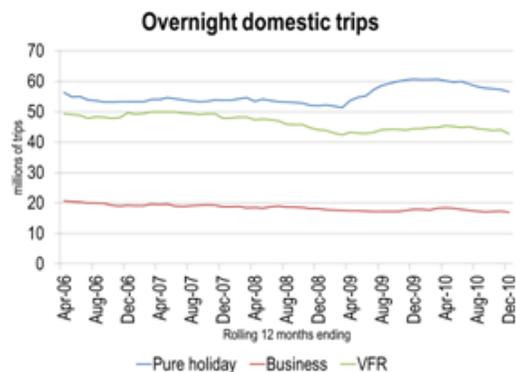
The number of 'pure holiday' trips was 7% down in 2010, while trips to visit friends or relatives fell 4% and business trips fell by 6%.

By type of destination the number of overnight domestic trips to the seaside fell 11% and to the countryside by 8%, indicating a reversal of fortunes in 2009 when seaside destinations performed strongly.

Looking at where trips took place across England in 2010 shows that the South West remains the dominant destination, accounting for one-in-six UK domestic overnight trips and nearly one-fifth of all expenditure.

However, London was the only area to see growth in the number of overnight trips last year (up 7% to 11.6 million), whereas the number of trips to the East of England fell by 16%.

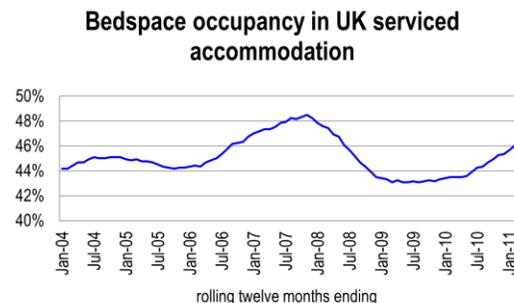
It can be seen from the following chart that despite the declines seen during 2010 the volume of 'pure holiday' trips taken remains well up on that seen in 2007.



## Accommodation

The United Kingdom Occupancy Survey provides occupancy levels across the whole of the serviced accommodation sector, with the most recent figures indicating that bedspace occupancy stood at 40% in February, up from 36% in February 2010.

If we take a rolling twelve month average of bedspace occupancy it is evident that the gradual improvement has shown sustained momentum over the past year.



More recent data for the hotel sector from STR Global indicates that UK occupancy during April stood at 71.2%, up 2.7% on April 2010, with average daily rates up 4.4% to £78.

The latest VisitEngland's Business Confidence Monitor provides an insight from 500 accommodation businesses across England as to how they assessed recent business performance and prospects as at early May. More than one-third, 36%, said that they had more guests over Easter than a year ago while 22% had fewer guests.

Caravan and camping had a very strong Easter, with 51% reporting visitors up on last year and 40% saying they were at similar levels. By contrast only 27% of Guesthouse/B&B owners reported higher visitor numbers with 35% saying numbers were lower than last Easter.

When asked about their forward bookings for the remainder of spring and summer 39% said these were better than normal and 27% not as good as normal. There were substantial variations by sector, with 65% of hotel owners saying forward bookings were better than normal in comparison with just 25% of self-catering owners making this assertion.

In its most recent Hotel Confidence Monitor TRI Hospitality Consulting found that UK chain hotel managers' confidence about 2011 remains positive across both the leisure and corporate markets.

## Attractions

The Association of Leading Visitor Attractions has released details of how its members did during 2010 and the table shows the top ten was dominated by London attractions and that all bar two enjoyed an increase in admissions compared with 2009. All of the top seven were free to enter attractions.

Site	Charge		
	Admissions	/Free	Change
British Museum	5,842,138	F	5%
Tate Modern	5,061,172	F	7%
National Gallery	4,954,914	F	4%
Natural History Museum	4,647,613	F	13%
Science Museum (South Kensington)	2,751,902	F	-1%
V&A (South Kensington)	2,629,065	F	16%
National Maritime Museum	2,419,802	F	2%
Tower of London (HRP)	2,414,541	C	1%
St Paul's Cathedral	1,892,467	F/C	4%
National Portrait Gallery	1,819,442	F	-7%

According to the VisitEngland 'England Attractions Monitor' the average annual change in admission numbers across 682 attractions surveyed during the period January to March was an increase of 7%, in part driven by the improved weather in comparison to 2010 during January and February.

Outdoor attractions had a particularly strong quarter (for example admissions to gardens up 16%), while indoor attractions delivered a more modest performance (museums and art galleries up 2%).

Looking ahead to expectations for the number of visits during the period April to June, 37% anticipated an increase on 2010 levels while only 20% foresaw a decline on last year.

Figures published by the Department for Culture Media and Sport provide an insight to recent trends in admissions to selected museums across the country.

These show that in the three months to March the number of visitors at the British Museum was up 2% compared with a year before while visits to the Museum of Science and Industry in Manchester enjoyed a 24% jump.

Not all museums and galleries saw an increase, with Tate St Ives seeing a 27% decline in admissions during the first three months of 2011 compared with a year ago. It will be interesting to monitor whether persistent high oil prices result in attractions close to large population centres having a stronger year than those in more remote parts of Britain.

## Outbound tourism from the UK

Outbound travel from the UK has declined significantly over the past three years. There are as yet no signs of a robust rebound, but figures for the first three months of 2011 reveal that Brits took 11,000 more outbound trips than during the same period of last year, suggesting some degree of stability.

There were very modest increases in the number of trips to both North America and Europe, while trips to other parts of the world fell by 3%, potentially on the back of upheaval in parts of North Africa and the Middle East, and (for outbound travel) unfavourable exchange rates in destinations such as Australia.

Looking at the journey purpose for outbound travel indicates that it is trips to visit friends or relatives that have led the uplift in early 2011 (a 12% increase in the first three months of the year), while business trips are up a modest 1% and the number of holiday trips continues to decline (by 5%).

A number of tour operators reported strong demand around the consecutive long weekends of Easter and the Royal Wedding as families took advantage of the extended break.

## Weather

The word 'dry' pretty much sums up the weather story for the past three months in most parts of Britain.

Met Office figures for April show that it was the warmest April on record, the sunniest in a series stretching back to 1929, and many areas had only 10% of their normal April rainfall, and this on the back of March, for which the official verdict was that it was exceptionally dry for the time of year, temperatures were above average and sunshine amounts well above average.

During May a similar trend has continued, though with parts of the north of Britain experiencing more in the way of rainfall, and during the middle of May, unusually high winds which caused some disruption to road, rail, air and ferry routes.

The forecast for much of June is that it will remain mostly sunny, warmer than normal and with rainfall amounts around or below their seasonal norms. This would seem to describe a scenario that many, but not all, tourism businesses will find appealing.

## Getting to and from Britain

According to Eurotunnel in the first three months of 2011 the number of Eurostar passengers was up 8% on the same period of last year, while the number of cars on-board passenger shuttles was up 7%, but the number of coaches conveyed was down by 6%.

Broadly this paints a robust picture for demand, but annual comparisons for more recent months will be muddied by the anniversary of the ash cloud, and potentially by any further impact from the current volcanic eruption in Iceland.

Indeed, the number of passengers using the Port of Dover during April was 8.5% lower than a year before, with ferries having been a major beneficiary of the dislocation of air services in April 2010.

On the domestic rail front the government has recently confirmed the electrification of the route from London to Bristol and Cardiff which will in time bring considerable reductions in journey times between the west of England, South Wales and London.

The latest figures for long-distance rail journeys undertaken in Britain indicate an annual increase of 3.8% during the final three months of 2010.

Air travel has again made it into the mainstream media recently thanks to the latest wave of volcanic ash from Iceland, but it would appear at the time of writing that the impacts will be far less disruptive than in April 2010 thanks to a combination of revamped regulations, a difference in the size of the ash particles being ejected and more fluid weather patterns.

The dispute between British Airways and some of its cabin crew would finally appear to have been settled subject to a full ballot of union members, but in a separate dispute Virgin Atlantic pilots are set to be balloted on possible strike action.

With persistent high oil prices and much weaker demand for outbound travel than was the case a few years ago these are still tough times for many within the aviation sector. This was apparent recently when the owners of Plymouth City Airport announced that it is to close in December of this year.

Looking at planned route changes there has been quite a lot of good news for potential visitors to Britain from Brazil, with both British Airways and TAM announcing plans to double frequencies from Rio de Janeiro to London Heathrow from three to six flights per week later in the year.

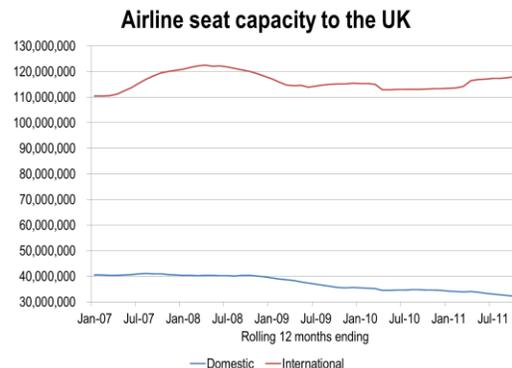
In the last edition we noted improved connectivity from the Middle East to Manchester, and this trend shows no sign of abating, with Emirates now operating a third daily flight from Dubai to the North West's largest airport.

Changes to short-haul connectivity on the horizon seem to have a Scottish flavour, and include the announcement by flybe that from September it will operate six flights per week from Amsterdam to Inverness and Blue 1 confirming two flights per week from the Finnish capital Helsinki to Edinburgh. easyJet has also announced that from October it will operate daily flights from Amsterdam to Glasgow.

The withdrawal of bmi from the Glasgow to Heathrow route generated much comment, but British Airways has recently revealed that it is boosting capacity from both Glasgow and Edinburgh to London City.

The news for Wales has been less good, with bmibaby deciding to axe all flights that it operates to Cardiff from autumn 2011.

Looking at airline seat capacity at UK airports over recent years (based on data from [www.capstats.com](http://www.capstats.com)) reveals that domestic route capacity continues to decline, while capacity on international routes has been staging a marked recovery, though is not yet back to the sort of volumes that were commonplace in the spring of 2008 before the onset of the global financial crisis.



Either through increasing fuel duty surcharges, or by amending baggage allowances, a number of airlines have been seeking to pass on some of the increases in fuel costs to their customers over the past three months, with for example Qantas recently levying an additional Au\$100 on flights from Australia to Europe.

The price of a multi-entry six month visitor visa (required only by a minority of visitors, but including those from emerging markets such as China, India and Russia) has increased to £76, with the two-year equivalent now costing £265.

## Economic round-up

The IMF has released its World Economic Outlook which firmly states 'The recovery is gaining strength'. The report notes that especially in emerging market economies consumer demand is robust, and that there is now less of a risk that a winding down in the amount of fiscal support being given to developed economies will lead to a double-dip recession.

All these positive vibes do not mean that the global economy is in the rudest of health though, with worries persisting about the state of public finances in a number of Eurozone nations, the persistence of high commodity prices and geo-political uncertainties across North Africa and the Middle East.

Global GDP is forecast to expand by about 4.5% in each of 2011 and 2012 according to the IMF, but with developed economies lagging behind emerging economies (growth of 2.5% and 6.5% respectively). However, the organisation stresses the need for developing economies to keep a grip on the rate of expansion in order to minimise the risk of an unsustainable boom developing.

In the USA the Federal Reserve has recently lowered its growth projection for 2011 to between 3.1% and 3.3%, and after a number of monthly declines the rate of unemployment rose slightly in the most recent month for which figures are available, which suggests that while the US economic recovery is continuing this is not happening at a rapid pace. Indeed, US consumer confidence has shown a mixed picture in the past quarter, with a slight improvement in April coming on the back of a sharp decline during March.

Placing in sharp relief the contrasting place in which individual Eurozone economies find themselves in, the European Central Bank has increased base rates due to concerns about rising inflation. This action is unlikely to dent the healthy state of the German economy but is unlikely to help the perilous state of the Greek economy, with bond markets signalling they believe Greece may well default on its debts.

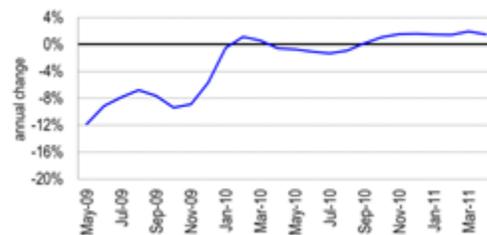
Rising commodity prices, changes in the level of taxes and benefits, and below inflation wage settlements look set to create a cocktail that will see the average UK family being £910 worse off this year than last according to the Centre for Economic and Business Research.

The UK economy did at least expand during the first quarter of 2011, by some 0.5% and unemployment

continues to show signs of declining, standing at 7.7% in the three months to March.

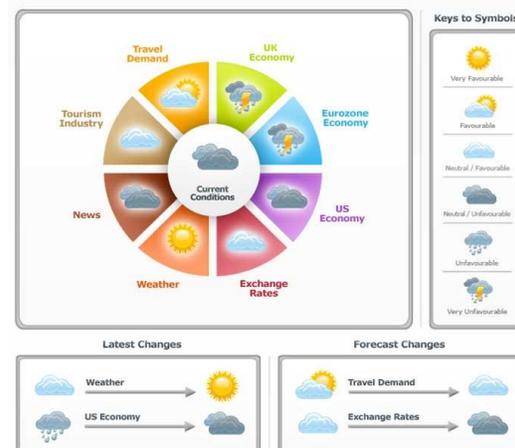
On the currency markets sterling continues to enjoy fairly stable conditions, trading at around \$1.61 and just over €1.15, meaning that, on average, inbound visitors to Britain are getting about the same, very favourable by historic standards, deal on their currency as was the case this time last year.

The cost of sterling for inbound visitors



## 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.



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