



VisitBritain™


Inbound Tourism Trends Quarterly Issue 1

January 2012

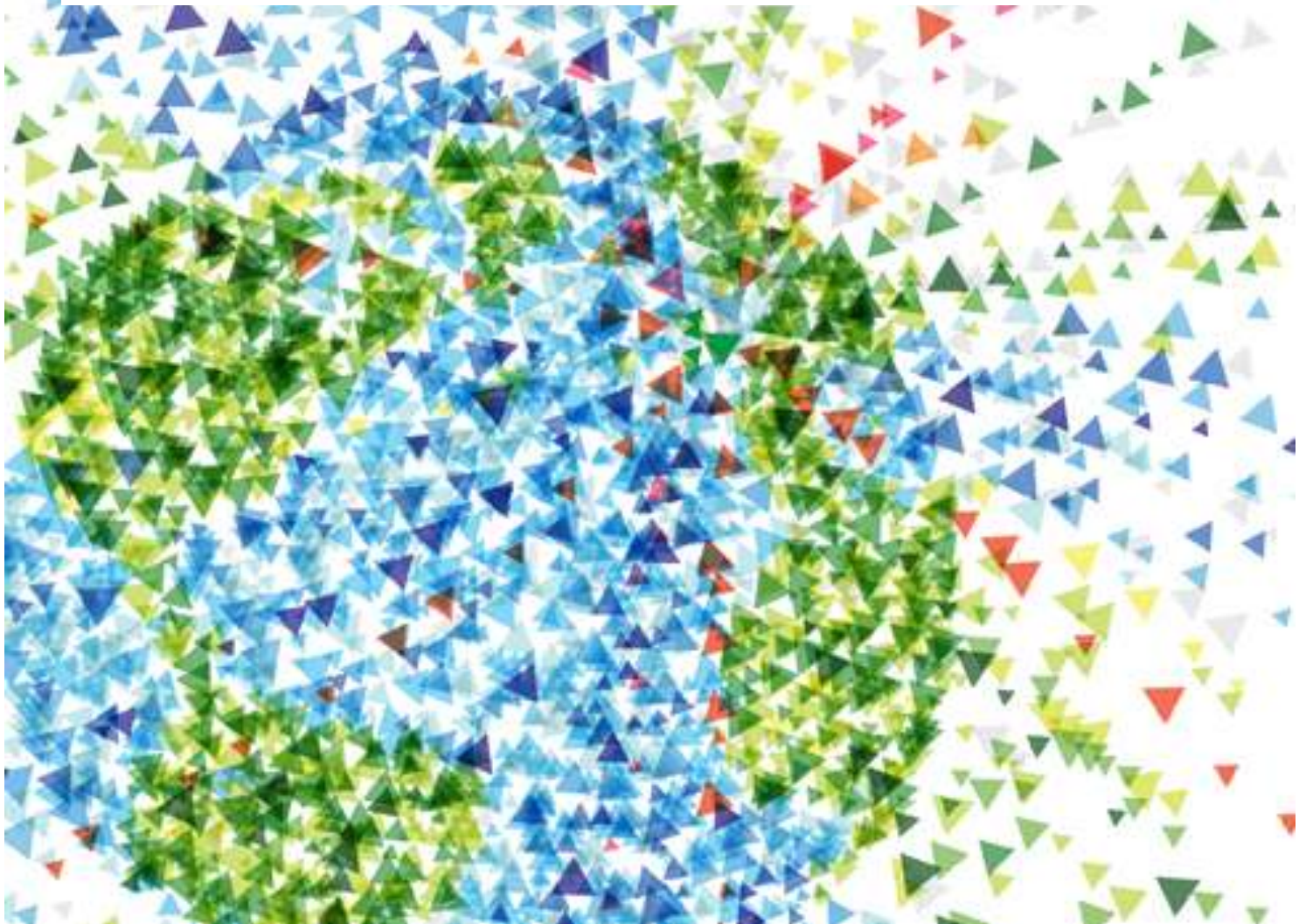
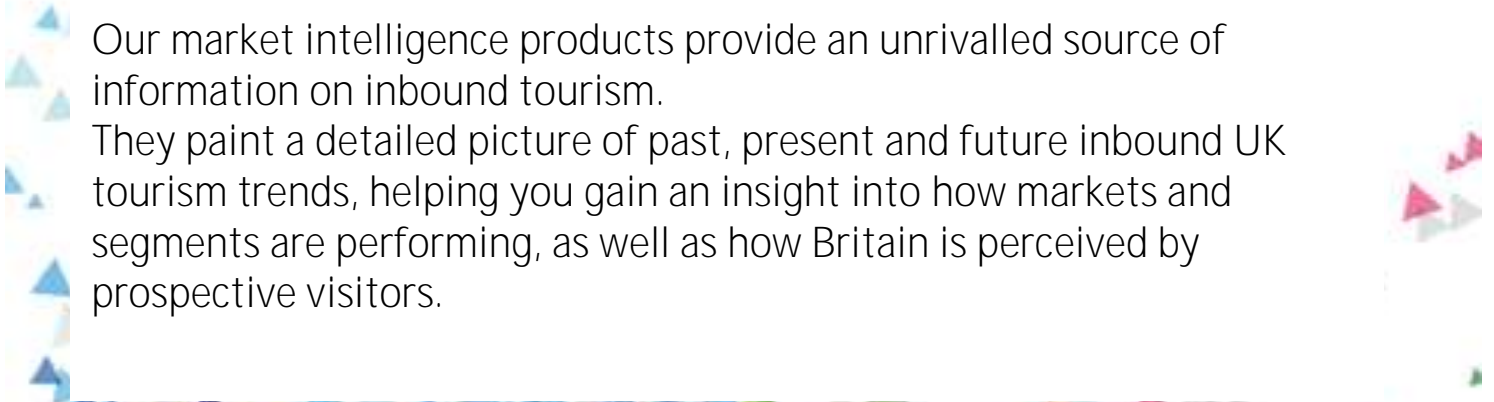
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Our market intelligence products provide an unrivalled source of information on inbound tourism. They paint a detailed picture of past, present and future inbound UK tourism trends, helping you gain an insight into how markets and segments are performing, as well as how Britain is perceived by prospective visitors.

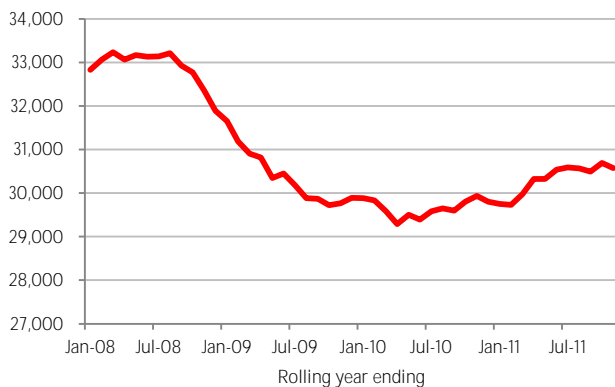


Inbound Tourism Trends Quarterly: Issue 1

Volume and Value Trends

The most recent figures available for the volume and value of inbound tourism to Britain allow us to look at trends through to the end of November 2011. Throughout the past six months the rolling twelve month total of overseas visitors has fluctuated between 30.5 million and 30.7 million (Chart 1).

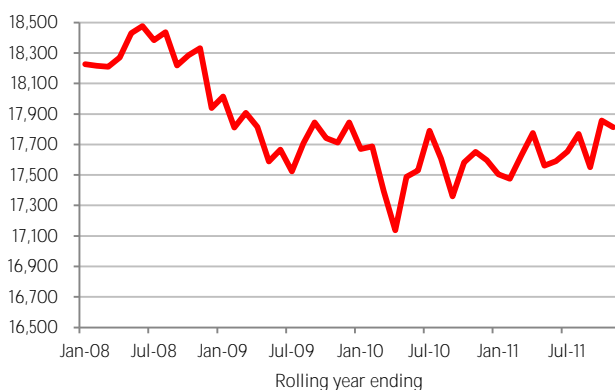
Chart 1: Inbound visits (000s)



This trend sits behind our forecast for arrivals in 2012 to stand at around 30.7 million, a number similar to that likely to be the full-year tally for 2011.

Furthermore, 2012 is an extremely difficult year to predict due to Britain hosting both the Queen’s Diamond Jubilee celebrations and the London 2012 Olympic and Paralympic Games. Add to this the exceptional degree of global economic uncertainty that exists at the present time and it is clear that attracting just shy of 31 million visitors during the coming year will be a good outcome.

Chart 2: Inbound visitor spending (£m)



Looking at the amount that is spent by overseas visitors to Britain on a rolling twelve month basis, with all figures adjusted to constant prices, it is clear from Chart 2 that there has been an upward trend during 2011, though with this trend at times being rather erratic.

The implication of the aggregate volume and value charts is that Britain is earning more from each inbound visit now, in real terms, than was the case for much of the past couple of years. However, it is apparent that when casting an historical gaze back to before the global economic crisis of 2008 Britain was earning more than £500 million more per annum at today’s prices than is now the case.

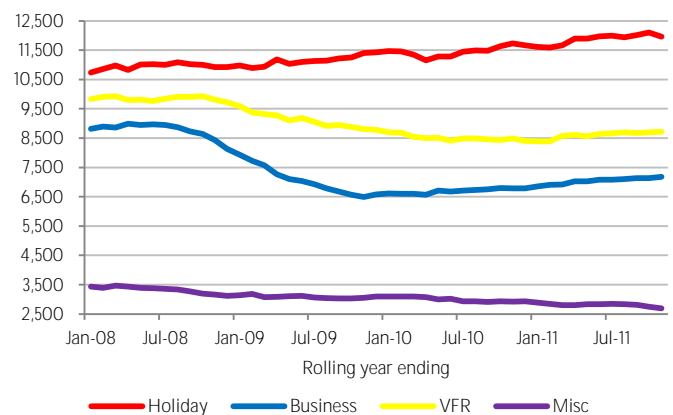
Journey Purpose Trends

From Chart 3 it can be seen how the number of overseas visits to Britain on a twelve month rolling basis has been performing by journey purpose over the past few years.

The performance of holiday and business visits have been in stark contrast to one another with Britain welcoming one million more holiday visitors in the year to November 2011 than it did in the year to November 2008, while despite a gentle yet persistent recovery over the past two years, the number of overseas business visits in the most recent twelve months is 1.7 million lower than it was in the year to April 2008.

The number of Visiting Friends and Relatives visits has declined by well over one million since its high-water mark back in the autumn of 2008, although during 2011 it has broadly stabilised at about 8.7 million.

Chart 3: Inbound visits by journey purpose (000s)



Visits by Source Market

BRICs

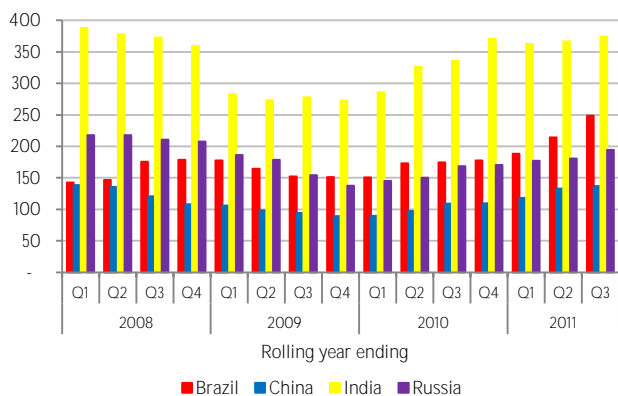
Taking a journey around the globe in terms of the relative performance of inbound markets to Britain over the past few years helps to shine a light on some very varied performances.

Starting with the so-called BRIC markets of Brazil, Russia, India and China (Chart 4) tells a fascinating story in its own right, with India being throughout the period the country to generate the most visits on a rolling twelve month basis, but experiencing a notable reduction during 2009 before rebounding strongly in 2010 and then a little more modestly through the first three quarters of 2011.

The data for Russia tells a similar tale to that for India, but with the dip and the rebound each somewhat shallower. The picture for China is again similar, with a decline followed by recovery, but here the recovery commenced in late 2010 since when it has enjoyed strong year-on-year growth.

Last, but by no means least, is Brazil, and this is undoubtedly the star performer from the BRIC markets over the past couple of years making it now a clear second to India in terms of the number of visits that it accounts for, with the annual tally having jumped by more than 100,000 in the space of just 18 months.

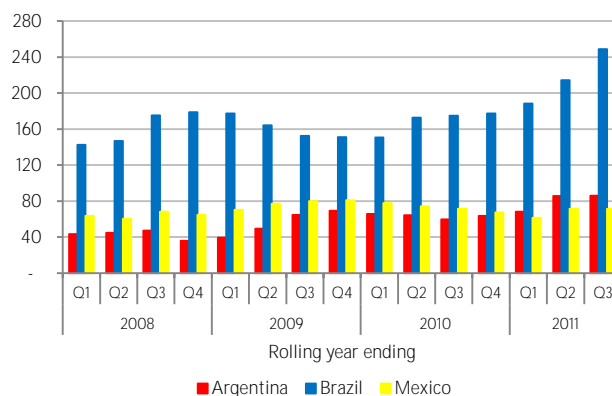
Chart 4: Inbound visits from BRIC markets (000s)



Latin America

In addition to re-presenting the Brazil figures, Chart 5 shows that another Latin American market, Mexico, has seen growth in the past few years, with visits increasing from a low of 36,000 in the year ending December 2008 to 86,000 in the year ending September 2011. By contrast the number of visits from Argentina has been reasonably static in recent times, though during 2011 there has been occasional disruption to flights from Buenos Aires due to volcanic ash.

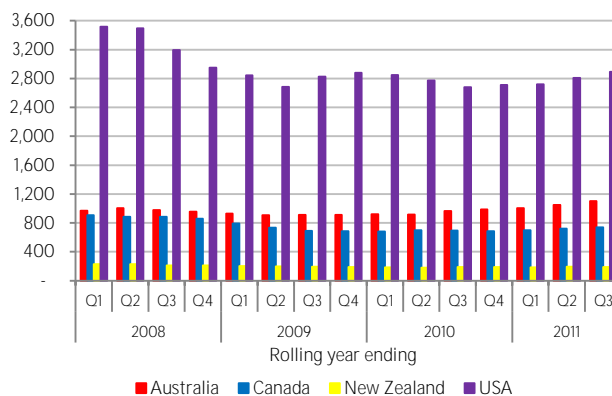
Chart 5: Inbound visits from Latin America (000s)



Developed Long-haul

Australia is now a 'one million visits per annum' market having reached this mantle by the first quarter of 2011 since when it has grown by a further 10% to stand at 1.1 million in the year to September 2011 (Chart 6).

Chart 6: Inbound visits from long-haul developed markets (000s)



Although having enjoyed growth in the past year it is evident that the number of visits from Canada remains more than 150,000 down on where it had been at the start of 2008 while the New Zealand results have been fairly stable for the past couple of years despite the disruption caused to the New Zealand economy by a number of earthquakes and further flight disruption due to a volcanic eruption in South America during the southern hemisphere winter of 2011.

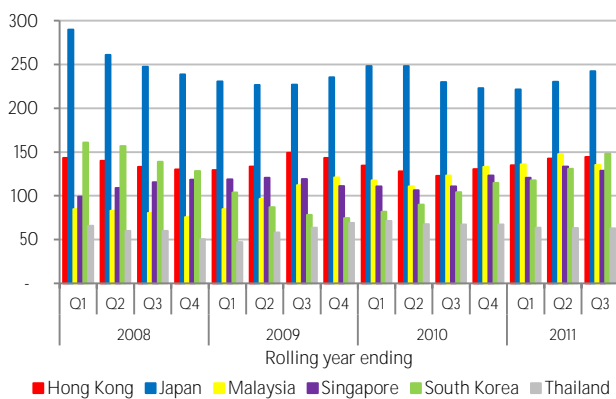
The number of visits from the USA fell following the onset of the global economic crisis in 2008 but has seen sporadic periods of rebound since late 2009 meaning that by the year ending September 2011 Britain had welcomed very nearly 2.9 million visitors from the USA.

Asia

The stories emerging from Chart 7 include the improvement in the number of visits from Japan during 2011 despite the impact of the earthquake and tsunami in March 2011. Indeed, an unexpected consequence of the power supply problems suffered in Japan since spring has been that many citizens are able to do their bit for conserving energy by taking a foreign holiday.

There has been a definite increase in the number of visits from Malaysia, but it needs to be noted that Air Asia X recently announced that from March 2012 it will suspend flights from Kuala Lumpur to London Gatwick.

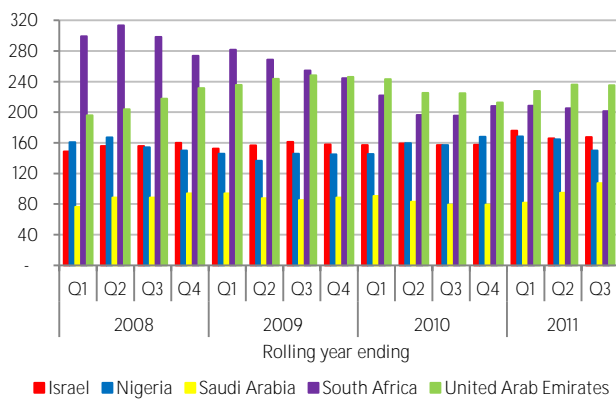
Chart 7: Inbound visits from Asia (000s)



Middle East and Africa

Visitors from South Africa have required a visa to visit Britain since March 2009. It is clear from Chart 8 that since late 2008 there has been a sharp decline in the number of visits to Britain from South Africa, the magnitude of which is close to 100,000 visits.

Chart 8: Inbound visits from Middle East and Africa (000s)



By contrast the number of visits by residents of the UAE (note that this will include a significant proportion of British expats) saw steady growth through 2008 and 2009 but has been rather more

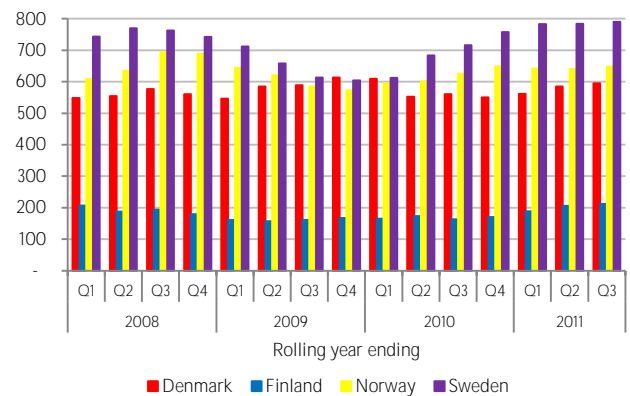
varied in its performance in recent months.

Nordics

Chart 9 shows that despite dipping in 2009 Sweden has once again established a position as the Nordic market generating the most visits to Britain having grown by roughly one-third in volume terms over the past two years.

Results for the remaining Nordic markets are encouraging with all generating as many, if not more, visits now than was the case some four years ago.

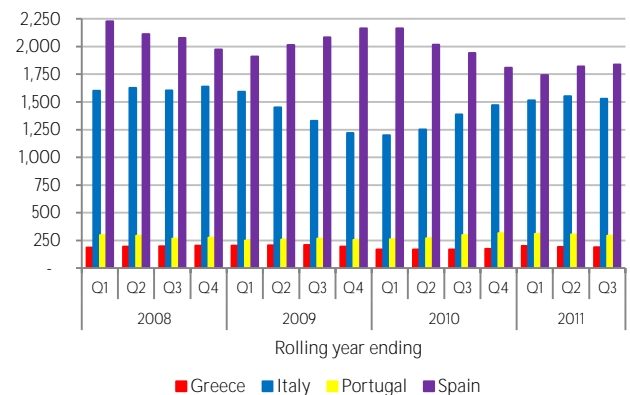
Chart 9: Inbound visits from Nordic markets (000s)



Southern Europe

The four markets covered in Chart 10 have all been at the sharp end of the Eurozone sovereign debt crisis and it is apparent that on a rolling annual basis the number of visits from the most important of the four, Spain, has broadly been on a downward trend, with 1.8 million visits in the year to September 2011 compared with 2.2 million in the year to March 2010.

Chart 10: Inbound visits from Southern Europe (00s)



The Italian market has shown signs of improvement since a low-point around the start of 2010, while remaining steady at about 1.5

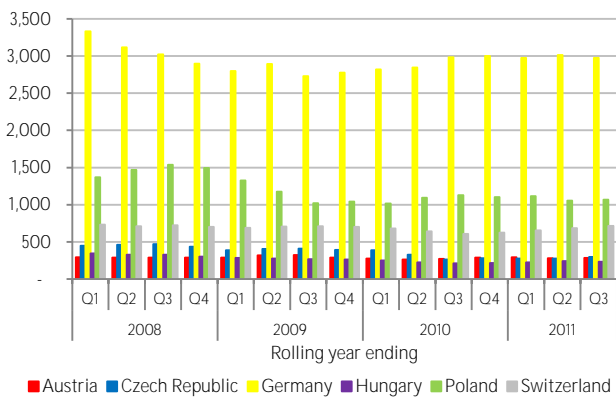
million visits during 2011.

Central Europe

Germany is Britain's second most valuable source market and as can be seen from Chart 11 generates around 3 million visits per annum, a story that has held true for much of the past year after recovering from a dip in 2009.

The three EU Accession countries covered, Poland, Czech Republic and Hungary, have all witnessed a decline since 2008 though this decline would appear now to have abated, with a good degree of stability during much of 2011.

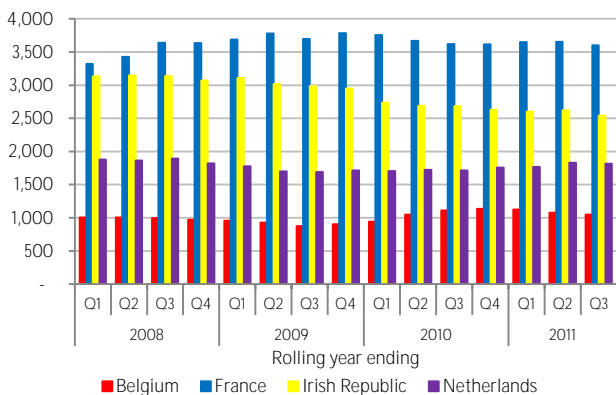
Chart 11: Inbound visits from Central Europe (000s)



North West Europe

The number of visits from Ireland has declined by half a million in the space of the past two years (Chart 12), while the other markets have all enjoyed a broad degree of stability. Despite a bit of a dip in recent quarters France still remains the market that generates the most visits to Britain.

Chart 12: Inbound visits from North West Europe (000s)



Connectivity

Chart 13 shows the year-on-year change in airline seat capacity destined for Britain from different parts of the world excluding European origin airports.

The chart clearly shows the reductions in capacity that were implemented following the global financial crisis in the late summer of 2008 (particularly from North American airports), the impact of the air space closure following the Icelandic ash cloud episode of April and May 2010, along with the subsequent rebound a year later.

As can be seen, for the most part capacity has been fairly stable from each world region, though with evidence of a decline in the number of seats destined for Britain from Africa.

Chart 13: Annual change in airline seat capacity to Britain from non-European origin airports

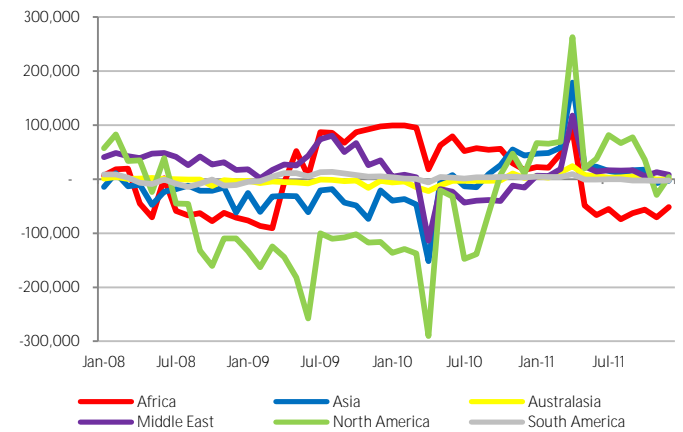


Chart 14: Annual change in airline seat capacity to Britain from leading European markets

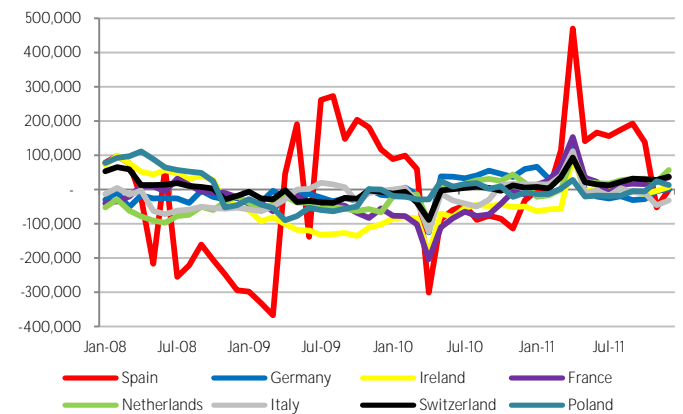


Chart 14 shows changes in the number of seats from the eight European countries that account for the largest shares of capacity. There has been some variability in capacity from Spain in recent

years with, on balance, more periods of contraction than expansion. Although to a lesser extent, there has also been a decline in capacity from France in the last few years.

Looking at some of the changes to Britain's connectivity over the past few months throws up a number of findings, including that the Middle East remains a rapidly evolving hub for capacity to Britain, with of course this facilitating access from other parts of the Asia Pacific region via hubs in the Gulf region.

Among some of the changes announced has been Emirates doubling its frequencies from Dubai to Glasgow and British Airways deploying a larger aircraft on its daily service from Kuwait. One less positive note is that Qatar Airways are to reduce frequencies from Doha to Manchester.

It was recently confirmed that there would be no major changes to the structure of Air Passenger Duty relating to either the number of distance bands or class of travel bands. An increase in rates was confirmed from April 2012 with the average levy rising by 8%.

Looking at the ferry market it has been confirmed that SeaFrance has entered liquidation and has subsequently ceased operation, but it is reported that other carriers are actively looking to enter the Calais to Dover market. The Government recently gave the go ahead for a second terminal to be built at Dover once passenger demand makes the scheme viable.

Due to a number of technical problems Deutsche Bahn has been forced to postpone the launch of through services from Germany and Holland to St Pancras International until 2015; however Eurostar still hopes to forge ahead with the introduction of through services, including some from Switzerland, before that date.

Economics

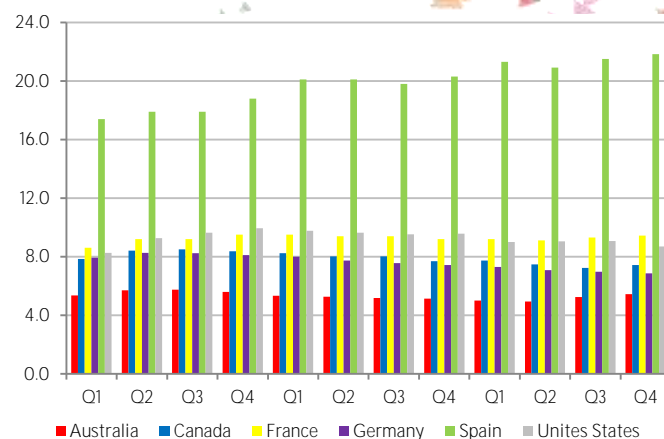
Over the past few months there has been a dearth of good news relating to the global economy, with the bulk of the gloomy headlines directed towards the Eurozone, with persistent market uncertainty regarding the scale of sovereign debt and whether or not adequate measures are in place to manage the situation.

Both Greece and Italy gained new technocrat governments towards the end of 2011 but with the new year has come renewed nervousness among investors, with Standard & Poors recently downgrading its credit rating for nine Eurozone countries including France and Austria.

The US economy has seen better, or at least less bad, news, with the rate of unemployment declining more quickly than many analysts had forecast. Chart 15 shows the rate of unemployment in a handful of key inbound source markets for Britain and it is clear

that Spain is enduring by far the worst labour market situation of those countries shown, with more than one-in-five now out of work.

Chart 15: Rate of unemployment (%)



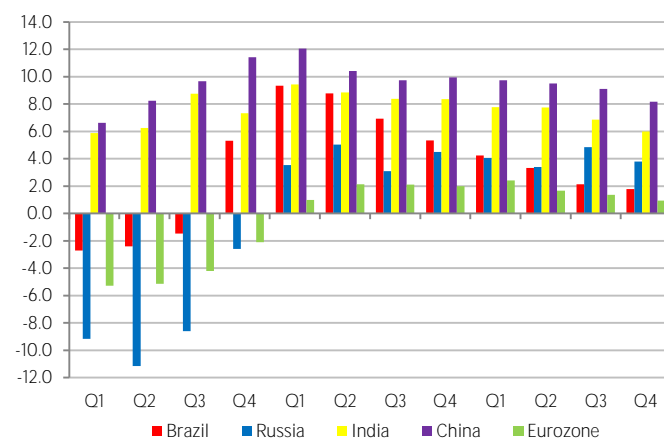
In France it is one-in-ten, but many see the persistent high unemployment rate as perhaps a bigger electoral obstacle for President Sarkozy than the loss of France's AAA credit rating.

Although recent figures suggest a definite slowdown in Germany it still enjoys comparatively low rates of unemployment, which at 7% is not dissimilar to that in Canada.

A market that has seen rapid growth in terms of visits to Britain in recent months is Australia, and it is evident that this is a country whose rate of unemployment has stayed steady at about 5% throughout the past few years.

Turning to GDP in the BRIC markets it can be seen from Chart 16 that Brazil bounced back strongly from recession in early 2009 but that by late 2011 there were clear signals that the rate of growth, while still positive, was decelerating.

Chart 16: Real GDP (annual rate of growth, %)



Among the BRIC markets Russia saw the sharpest decline in economic activity during 2009 but has enjoyed healthier growth over the past two years, though this can to some extent be explained by high global energy prices helping to boost the all-important energy production sector.

It is the two Asian members of the BRIC club that have led the way though, with India consistently seeing growth in excess of 6% and China regularly reporting that its economy is growing at a double-digit pace.

Nevertheless, there are worries about the property market overheating in China and its export market for Europe is suffering as a result of the sluggish Eurozone economy.

The final set of figures shown in Chart 16 are for the Eurozone bloc and illustrate both the seriousness of the 2009 recession and the lacklustre nature of recovery, with many forecasting that GDP will at best stand still in 2012 and many anticipating a return to recession even if a way through the debt crisis can be found and, more importantly, delivered.

Exchange Rate

While a host of economic measures from consumer confidence to unemployment have a role in determining the level of business and leisure travel that takes place globally, one of the pivotal relationships determining travel from one country to another is the relevant exchange rate.

Table 1 illustrates for a handful of inbound markets to Britain the cost of sterling in the final three months of 2011 alongside how the cost has changed in comparison with the prevailing rate in the equivalent period of 2010, and to give a slightly longer term flavour, the final three months of 2008.

Table 1: Exchange rates

Currency	Cost of sterling 3 months to Dec 11	1 year change in cost of sterling	3 year change in cost of sterling
Aus dollar	1.55	-3%	-34%
Can dollar	1.61	0%	-15%
Euro	1.17	0%	-2%
Indian Rupee	79.80	13%	5%
US dollar	1.57	-1%	0%

It has already been noted that Australia has become a market generating more than one million visits per annum for Britain over the past few months and the Table 1 certainly helps explain why this is the case.

Although at a rate of Aus\$1.55 in the final three months of 2011 Britain was only 3% cheaper than a year ago, when we look at the change over three years it is clear that Australian visitors are

paying one-third less for sterling than at the back end of 2008.

Canadian visitors have seen a 15% reduction in the cost of sterling over the past three years, but no substantial change when looking back just a single year. Frequent visitors from Eurozone countries will now be becoming accustomed to paying somewhere between **€1.15 and €1.20 for every pound** that they buy, with there having been little variation in the past few years.

This same finding applies to visitors from the USA, which remains by far the most valuable inbound source market for Britain, with the US dollar having been trading at a rate close to \$1.60 to the pound for quite some time now.

The British currency has a rate of exchange against all other trading currencies, and Table 1 also shows how the cost of sterling has changed for visitors from India over the past three years, and the story is rather different to many of the currencies reviewed so far, with a 5% increase in its cost over the past three years and a 13% rise since the final three months of 2010.

Learn more

It is possible to find much more detail about all of VisitBritain's priority markets, including the latest quarterly data from the International Passenger Survey by exploring the Insights & Statistics pages of our website.

In addition to being able to manipulate data through a series of Excel pivot tables our Market and Trade Profiles provide a comprehensive summary of each market including trends, attitudes and characteristics.

To keep up to date with the latest developments that will shape current and future trends, such as changes to connectivity, economic performance and much more, read our Trends Update publication which is published twice each month.

Data Sources

Table 2: Data sources

Source	Charts/Tables
Office for National Statistics, International Passenger Survey	Chart 1 to 12
Capstats.com	Chart 13, 14
Oxford Economics	Chart 15, 16
Bank of England	Table 1



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