

BHA Quarterly Inbound Travel Analysis

Q4 2016

Overseas spend in the UK grew by 1.7% in Q4 2016 – a slowdown on the previous quarter, driven by a significant decline in the ‘miscellaneous’ category. However, growth in inbound holiday and business spend has rebounded strongly after a poor H1. Inbound holiday passengers spent an estimated £130m (+1.5%) more in the UK in 2016 than in 2015, driven by a £330m increase in H2, while business passengers have spent an estimated £50m (+0.9%) more, driven by a £247m increase in H2. Overall inbound spend in London was slightly lower in 2016 than in 2015, but grew year on year throughout the rest of the UK.

Fig 1: Q4 2016 year on year growth in spend from abroad – by purpose of visit

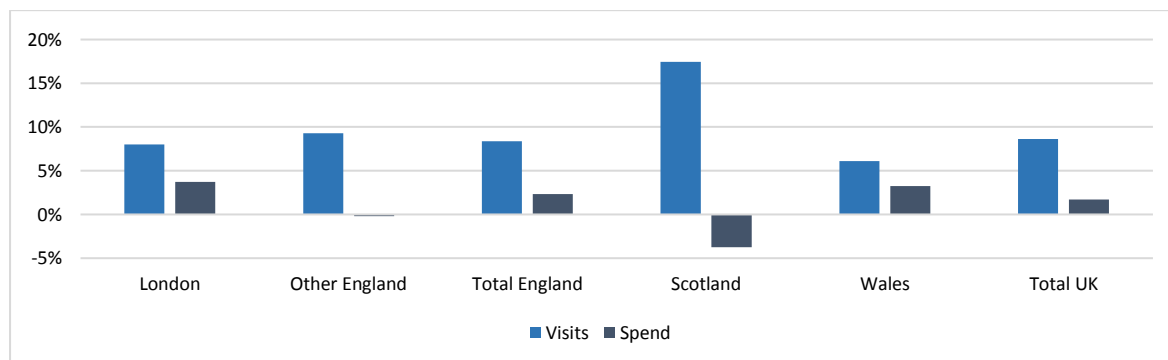
£ million	Q4 16	Q4 15	Change (£m)	Change (%)	Q3 16	Q3 15	Change (£m)	Change (%)	FY 16	FY 15	Change (£m)	Change (%)
Holiday	1,839	1,666	173	10.4%	3,420	3,263	157	4.8%	8,732	8,602	130	1.5%
Business	1,499	1,417	82	5.8%	1,483	1,318	165	12.5%	5,452	5,403	50	0.9%
Visit friends or relatives	1,232	1,130	102	9.0%	1,654	1,536	119	7.7%	5,053	4,796	257	5.4%
Miscellaneous	833	1,099	-266	-24.2%	1,036	1,014	22	2.1%	3,277	3,241	36	1.1%
All visits	5,410	5,319	90	1.7%	7,603	7,141	462	6.5%	22,543	22,072	471	2.1%

Source: International Passenger Survey, ONS data, British Hospitality Association analysis

What does this mean for the British Hospitality Sector?

- Q4's lower growth rate in overseas spend in the UK is due to a significant decline in 'miscellaneous' travel offsetting large increases in holiday and business spend. Miscellaneous travel could be due to no predominant individual reason, but also includes shopping trips etc. We note that the Q3 business spend data has been materially revised upwards since our last report.
- There has been a strong recovery in spend by holiday travellers in H2 16, after a poor start to the year, and following the revision to Q3 data, business spend has also been strong in H2. Although the full year growth remains low, the second half improvement suggests that both inbound holiday and business spend is benefitting from the currency devaluation.
- London-based businesses have seen inbound spend recover in Q4 after a very weak Q3, but overall London spend remains slightly negative for the year as a whole
- England (outside of London), as well as Scotland and Wales, have all seen an increase in overall inbound spend in 2016, although inbound spend in Scotland was down -4% in Q4 16 versus Q3 16, despite a 17% increase in visits

Fig 2: Q4 2016 year on year growth in overnight visits and spend from abroad – by region



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Summary:

- **Spend from abroad by purpose of visit:** *There has been a strong recovery in spend by holiday travellers in H2 16, after a poor start to the year, while Q3's revision also shows a significant improvement in business spend. Overall inbound spend in the UK increased by 2.1% for 2016, and increase of £471m compared to 2015*
- **Overnight visits to the UK by region:** *Q4 saw strong growth in overnight visitor numbers across all regions. For 2016 as a whole, London's growth of 2.6% year on year was the lowest growth rate, with Wales particularly strong at +10.8%*
- **Spend from abroad by region:** *Spend in London rebounded in Q4 after a weaker Q3, but remains slightly negative for the full year. Spend in other regions was strong, with Wales and Scotland returning full year growth of +8% and +9% respectively – despite Scotland's weak Q4 performance*

Spend from abroad by purpose of visit

- There has been a strong recovery in spend by holiday travellers in H2 16, after a poor start to the year, while Q3's revision also shows a significant improvement in business spend. Overall inbound spend in the UK increased by 2.1% for 2016, and increase of £471m compared to 2015
- Spend by inbound holiday passengers increased by estimated £130m (+1.5%) in 2016 compared to 2015, driven by a £330m increase in H2 (+6.7% vs H2 15)

Fig 3: Year on year growth in spend from abroad – holiday passengers

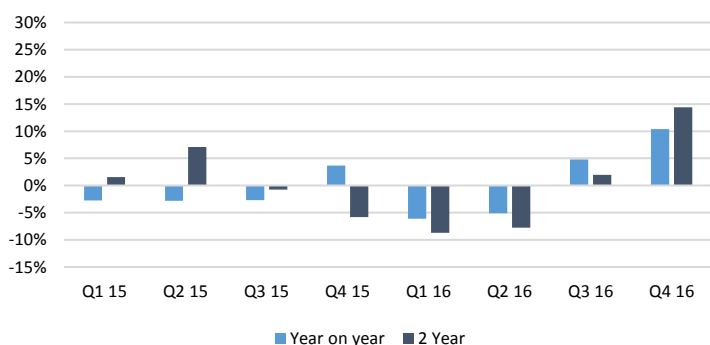
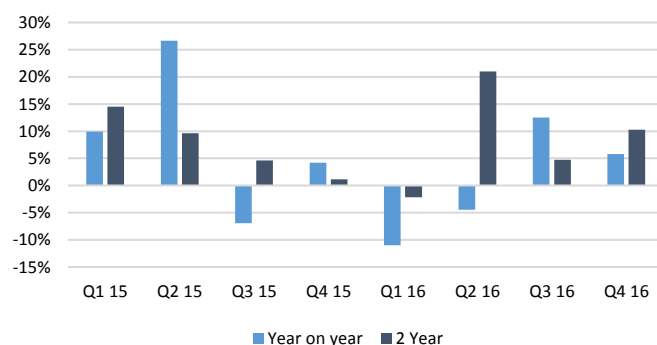


Fig 4: Year on year growth in spend from abroad – business passengers



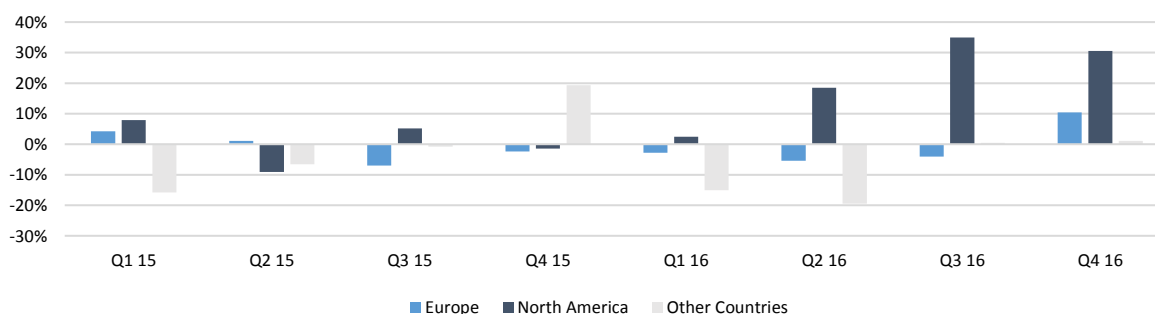
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Spend by inbound business passengers increased by estimated £50m (+0.9%) in 2016 compared to 2015, driven by a £247m increase in H2 (+9% vs H2 15)

Holiday passenger spend by source region

- We have broken down the holiday spend by the source region. The recovery in Q3 holiday spend was driven by inbound passengers from North America, and this trend continued into Q4, with North American inbound holiday passenger spend up +31% year on year in Q4. Europe inbound holiday passenger spend returned to growth in Q4 (+10%) after 5 consecutive quarters of year on year decline.

Fig 5: Q4 2016 year on year growth in holiday spend from abroad – by source region



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Overnight visits by region

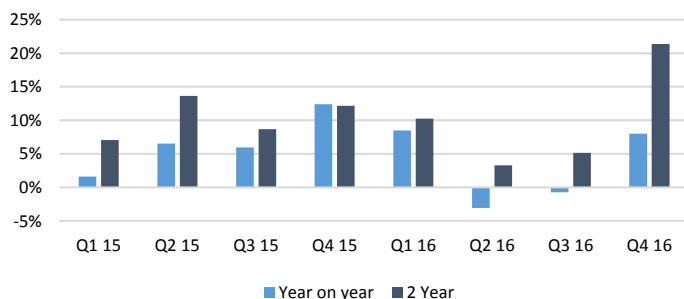
- Q4 saw strong growth in overnight visitor numbers across all regions. For 2016 as a whole, London's growth of 2.6% year on year was the lowest growth rate, with Wales particularly strong at +10.8%

Fig 6: Year on year growth in overnight visits – by region

Thousands	Q4 16	Q4 15	Change ('000s)	Change (%)	Q3 16	Q3 15	Change ('000s)	Change (%)	FY 16	FY 15	Change ('000s)	Change (%)
London	5,005	4,634	370	8.0%	5,200	5,238	-38	-0.7%	19,060	18,581	478	2.6%
Other England	3,783	3,462	321	9.3%	4,900	4,746	154	3.3%	15,979	15,169	810	5.3%
Total England	8,361	7,714	647	8.4%	9,279	9,203	76	0.8%	32,970	31,820	1,150	3.6%
Scotland	515	439	77	17.5%	1,099	1,052	47	4.5%	2,747	2,592	155	6.0%
Wales	217	205	13	6.1%	406	373	33	8.7%	1,074	970	105	10.8%
Total UK	9,432	8,683	749	8.6%	10,659	10,500	159	1.5%	37,609	36,115	1,494	4.1%

Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 7: Year on year growth in overnight visits – London



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 8: Year on year growth in overnight visits – England ex-London

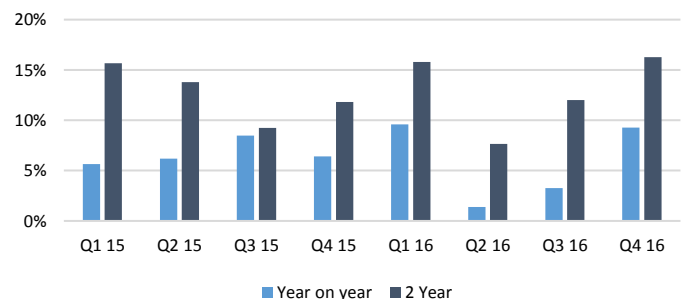
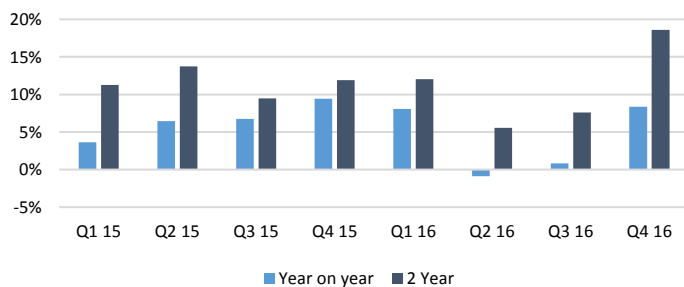


Fig 9: Year on year growth in overnight visits – Total England



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 10: Year on year growth in overnight visits – Scotland

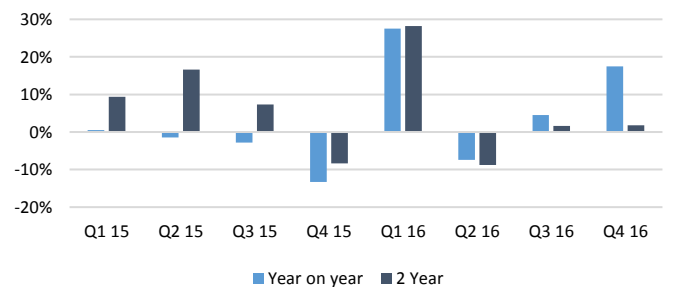
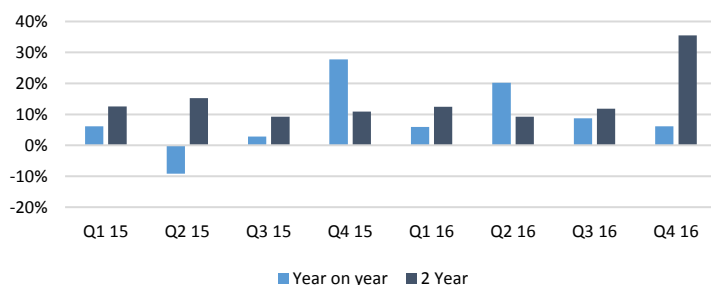
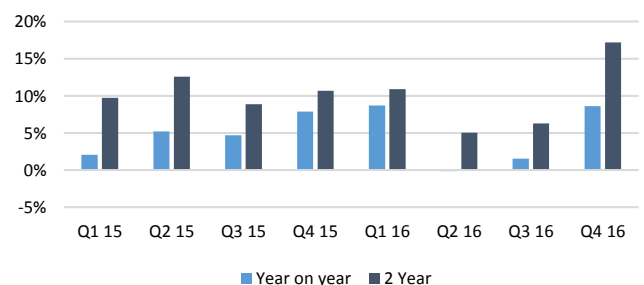


Fig 11: Year on year growth in overnight visits – Wales



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 12: Year on year growth in overnight visits – Total UK



Spend from abroad by region

- Spend in London rebounded in Q4 after a weaker Q3, but remains slightly negative for the full year. FY 16 spend in other regions was strong, with Wales and Scotland returning full year growth of +8% and +9% respectively – despite Scotland's weak Q4 performance

Fig 13: Year on year growth in spend – by region

£ million	Q4 16	Q4 15	Change (£m)	Change (%)	Q3 16	Q3 15	Change (£m)	Change (%)	FY 16	FY 15	Change (£m)	Change (%)
London	3,233	3,117	117	3.7%	3,364	3,476	-113	-3.2%	11,869	11,919	-51	-0.4%
Other England	1,702	1,706	-3	-0.2%	3,037	2,590	447	17.2%	7,818	7,508	310	4.1%
Total England	4,935	4,822	113	2.3%	6,400	6,066	334	5.5%	19,686	19,427	259	1.3%
Scotland	289	300	-11	-3.7%	854	750	104	13.8%	1,850	1,695	154	9.1%
Wales	76	74	2	3.2%	183	167	16	9.6%	444	410	34	8.3%
Total UK	5,410	5,319	90	1.7%	7,603	7,141	462	6.5%	22,543	22,072	471	2.1%

Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 14: Year on year growth in spend – London

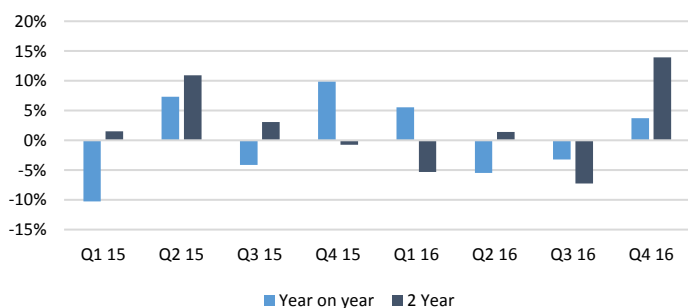
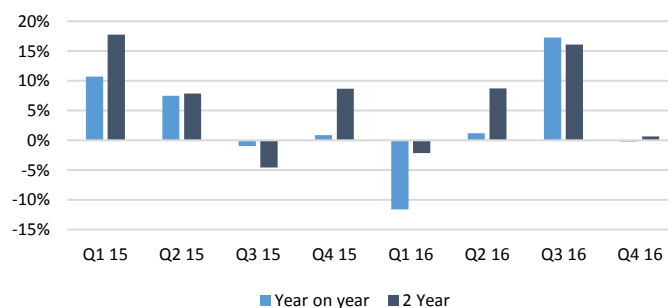


Fig 15: Year on year growth in spend – England ex-London



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 16: Year on year growth in spend – Total England

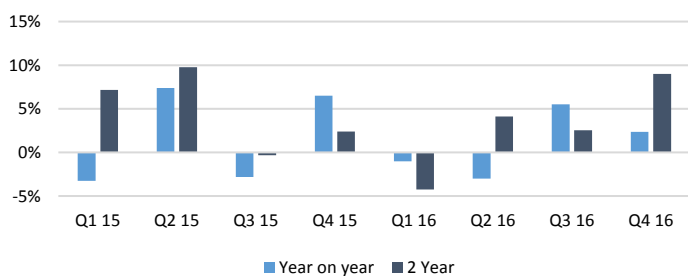
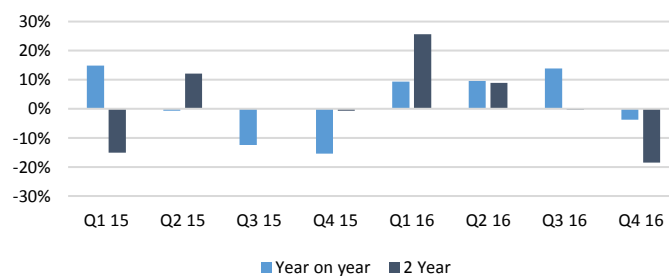


Fig 17: Year on year growth in spend – Scotland



Source: International Passenger Survey, ONS data, British Hospitality Association analysis

Fig 18: Year on year growth in spend – Wales

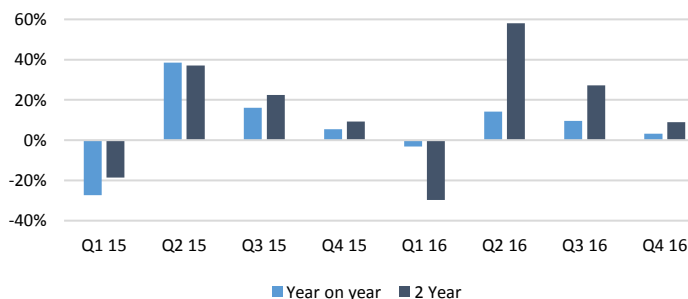
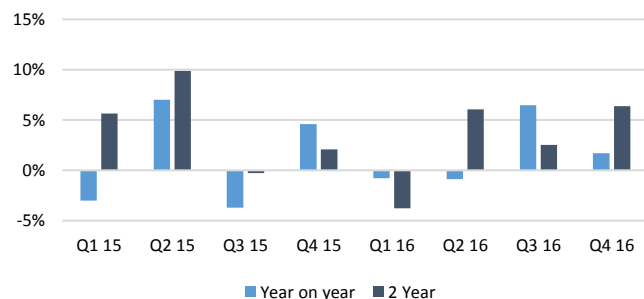


Fig 19: Year on year growth in spend – Total UK



Source: International Passenger Survey, ONS data, British Hospitality Association analysis