The BHA Travel Monitor
December 2016

Inbound holiday passenger numbers in December increased by 15% year on year, following on from strong growth in November, although outbound holiday passenger growth also remains strong at +12.5%. Total inbound passenger numbers grew by 11% in December, suppressed by a fall in inbound business passengers (-10% y/y), which contributed to an overall decline in spend by overseas residents of -2% (vs +14% y/y in November). For 2016 as a whole, inbound holiday passenger numbers were broadly flat, while outbound holiday passenger numbers grew by +6%. Total overseas passenger spend in the UK was slightly positive (+0.4%) for 2016, although UK resident spend overseas increased by 11%

Fig 1: Summary Table – December 2016

	Inbound				Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives		
December y/y growth	10.8%	14.9%	-10.2%	24.1%	12.5%	-2.3%
December 2-yr growth	18.3%	28.3%	-7.7%	28.9%	20.5%	2.1%
Year to date	3.4%	-0.3%	2.4%	9.9%	6.3%	0.4%
Rolling 3 months	6.4%	11.2%	-0.8%	15.1%	6.7%	0.0%
Rolling 12 months	3.4%	-0.3%	2.4%	9.9%	6.3%	0.4%

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

Key conclusions and what this means for the British hospitality sector

- For 2016 as a whole, inbound travel grew +3.4%, with 1.2 million more people visiting the UK than in 2015. Inbound business passengers have grown by +2.4% (+211,000 passengers year on year), which should benefit corporate-facing businesses – although inbound business was weak in December

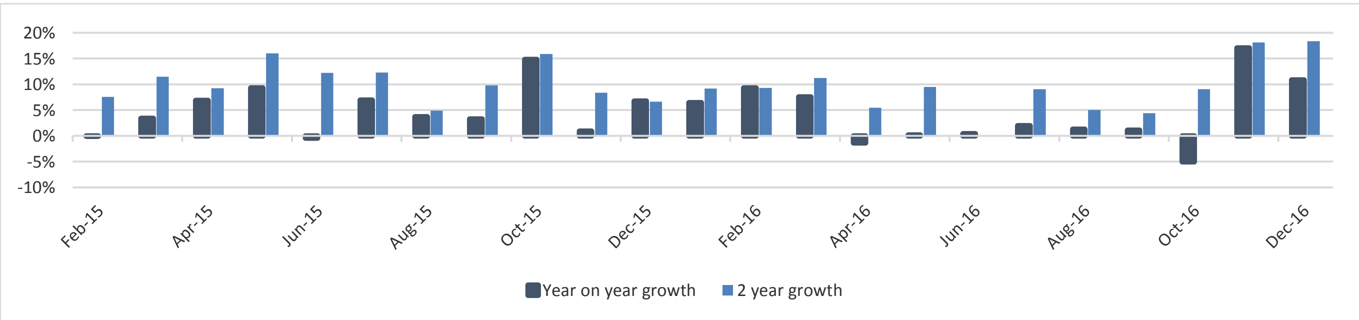
- Inbound tourism in December was very encouraging, following a very strong November. However, due to a poor summer period, 2016 as a whole saw a similar number of inbound holiday passengers as 2015. Nevertheless, recent positive momentum in passenger numbers, combined with Q3's improved spending data, suggests that the hospitality industry is benefitting from the recent currency devaluation.

- Outbound holiday passenger numbers continue to grow strongly, suggesting a slowdown in the UK staycation market, which is likely a headwind for consumer-facing businesses

- Visiting friends or relatives (VFR) travel has been the main driver of inbound passenger growth, up by just over 1 million passengers in 2016 versus 2015 (+9.9%). While growth in this category is a positive for the industry, the contribution to the hospitality sector of a VFR passenger is significantly lower than that of a holiday passenger

- Overall UK spend by overseas residents decreased by -2% in December versus December 2015 (although up 2% versus December 2014), which is likely due to the large decline in December inbound business passengers. For 2016 as a whole, overseas spend in the UK is slightly higher than in 2015.

Fig 2: Year on year inbound passenger growth



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

Summary:

- **December 2016 inbound travel:** *Inbound travel to the UK in December increased +11% year on year; inbound travel grew by +18% versus December 2014.*
- **2016 as a whole:** *Over the past 3 months, inbound travel has increased by +6.4% versus the same period 12 months ago; for 2016 as a whole, it has grown +3.4% compared to 2015*
- **Country of Origin:** *For 2016, inbound travel from North America is up 7%, Europe +4% (driven by non-EU15 countries), but down -3% from other countries.*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +15% in December, but down -0.3% for 2016 as a whole. By contrast, outbound holiday travel is up +12.5% in December, and +6.3% for 2016 overall.*
- **Business Travel:** *Business inbound travel to the UK declined by -10% in December, but is up +2.4% for 2016. Outbound business travel was down -22% y/y in December (+2% vs December 2014), and flat for 2016 as a whole*
- **Inbound Spend:** *Overseas residents' spend in the UK was down -2% in December, and is slightly positive (+0.4%) for 2016. UK spend overseas was up +7.5% in December, and +11% for 2016*

Holiday Passengers

➢ Holiday inbound travel to the UK was particularly strong in December, up +15% year on year; this follows on from a very strong November, suggesting that the hospitality industry is benefitting from the recent currency devaluation. We note that over the peak summer period, inbound holiday passenger numbers were significantly lower year on year, resulting in a small decline for 2016 as a whole. However, 2 year growth of more than 25% in both November and December is very encouraging

Fig 3: Rolling 3-month average Inbound Holiday Passengers y/y growth

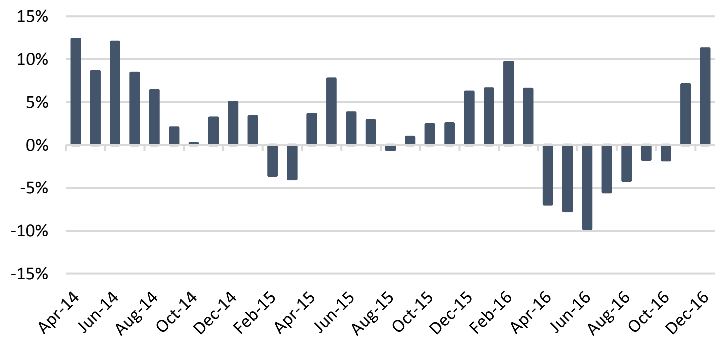
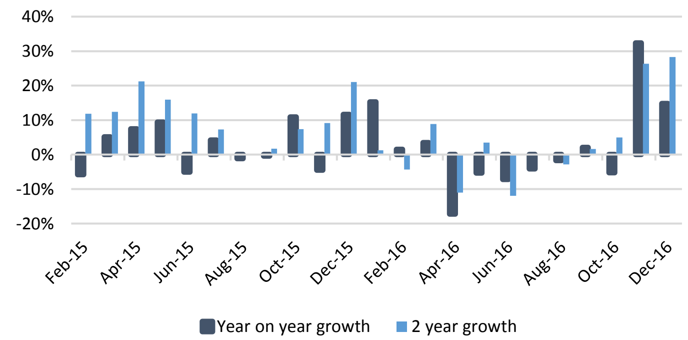


Fig 4: Inbound Holiday Passengers – year on year and 2-year growth

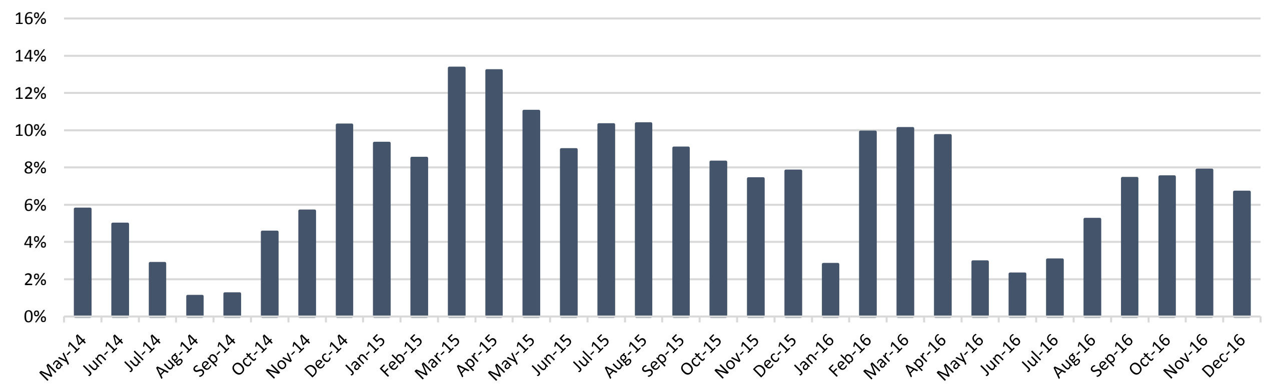


Source: International Passenger Survey, ONS data, British Hospitality Association analysis

➢ There were particularly poor months in April and June, where inbound holiday passenger numbers were down significantly on both a one year and two-year comparison; in both months, passenger numbers were down double digit versus the same month in 2014. We note that the April data is likely affected by the change in the timing of Easter. We also note that October's data was affected by tough comps due to the Rugby World Cup in October 2015, which also meant that there were easy comps for November

➢ By contrast, outbound holiday travel is up +12.5% in December, and +6.0% for 2016 as a whole; this is likely putting pressure on the UK domestic staycation market

Fig 5: Rolling 3-month average Outbound Holiday Passengers y/y growth



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

Business Passengers

- In terms of inbound business passengers, 2016 saw passenger number growth of +2.4% versus 2015, which equates to 211,000 more inbound passengers.

- However, December business inbound passenger numbers fell -10% versus December 2015, and -7.7% versus December 2014.

- The business figures for 2016 are also depressed by January's inbound business passenger decline of 17% year on year. However, this was due to a particularly difficult comparative period in January 2015 where inbound business passenger numbers were up 41% year on year. On a 2-year view, January's inbound business passengers grew 17% versus January 2014. We note that April's figures are likely flattered by the timing of Easter.

Fig 6: Rolling 3-month average Inbound Business Passengers y/y growth

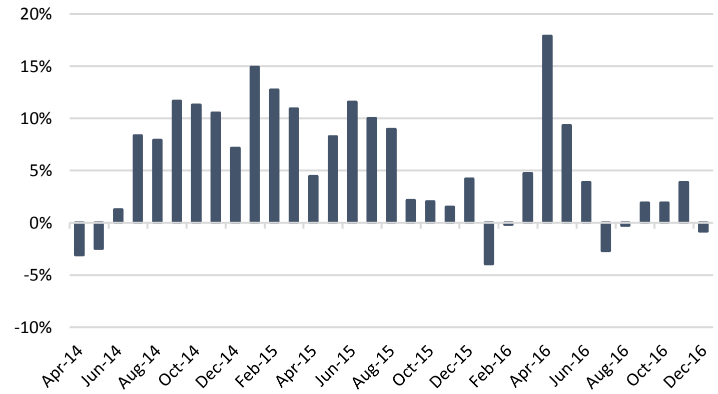
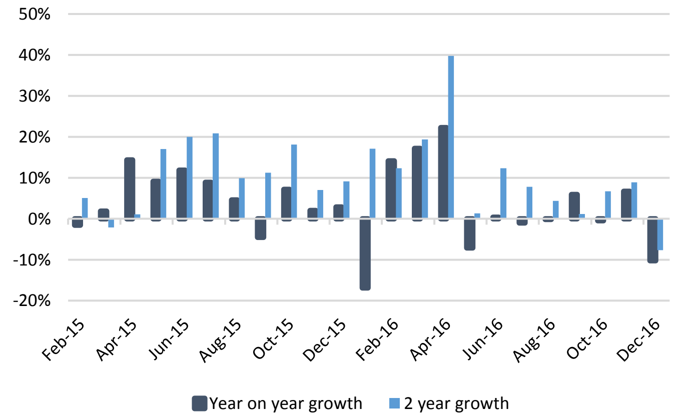


Fig 7: Inbound Business Passengers – year on year and 2-year growth



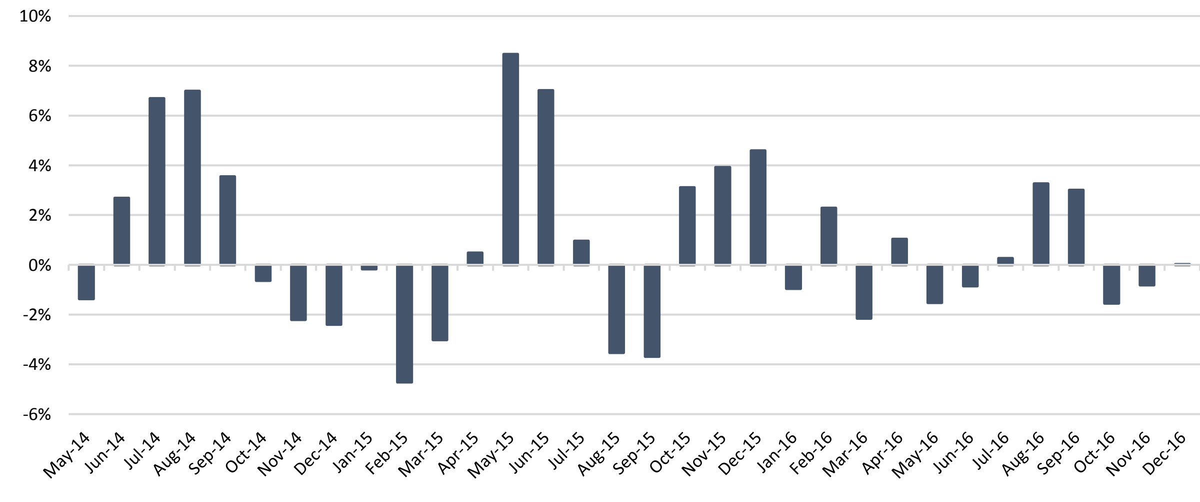
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel was also down strongly (-22% year on year), but up slightly (+2%) versus December 2014, and is flat for 2016 as a whole.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK declined by -2% year on year in December, after strong growth of +14% in November – and was broadly flat for 2016 as a whole. By contrast, overseas spend by UK residents increased by +7.5% in December, and grew by +11% in 2016 overall.

Fig 8: Rolling 3 month average overseas residents' expenditure in UK y/y growth



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

Inbound Passenger Data:

Fig 9: Year on year inbound passenger growth by purpose of visit

	All visits	Holiday	Business	Visiting friends or relatives	Miscellaneous
December y/y growth	10.8%	14.9%	-10.2%	24.1%	6.4%
December 2-yr growth	18.3%	28.3%	-7.7%	28.9%	18.6%
Year to date	3.4%	-0.3%	2.4%	9.9%	0.1%
Rolling 3 months	6.4%	11.2%	-0.8%	15.1%	-16.4%
Rolling 12 months	3.4%	-0.3%	2.4%	9.9%	0.1%

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

Fig 10: Year on year inbound passenger growth by purpose of visit – ('000s of passengers)

Passenger numbers ('000s)	All Visits	Holiday	Business	Visiting friends or relatives	Miscellaneous
Year to date 2016	37,338	13,817	9,076	11,490	2,945
Year to date 2015	36,115	13,856	8,865	10,451	2,943
Difference	1,223	- 40	211	1,040	2
Difference (%)	3.4%	-0.3%	2.4%	9.9%	0.1%

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

Fig 11: Year on year inbound passenger growth by region of origin

	All visits	North America	Europe	Other Countries
December y/y growth	10.8%	21.8%	8.1%	18.2%
December 2-yr growth	18.3%	42.5%	12.8%	35.3%
Year to date	3.4%	7.0%	4.2%	-2.7%
Rolling 3 months	6.4%	15.1%	7.1%	-3.3%
Rolling 12 months	3.4%	7.0%	4.2%	-2.7%

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

Fig 12: Year on year inbound passenger growth – Detailed breakdown of European origin

	Total	Europe - of which:		EU - of which:	
	Europe	European Union	Non-EU	EU-15	Other EU
December y/y growth	8.1%	10.5%	-17.5%	9.8%	13.7%
December 2-yr growth	12.8%	16.3%	-20.4%	15.8%	17.6%
Year to date	4.2%	4.5%	0.8%	3.4%	9.7%
Rolling 3 months	7.1%	8.0%	-1.5%	7.8%	8.7%
Rolling 12 months	4.2%	4.5%	0.8%	3.4%	9.7%

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

Outbound Passenger Data:

Fig 13: Year on year UK Outbound Passenger Growth – Purpose of visit

	All visits	Holiday	Business	Visiting friends or relatives	Miscellaneous
December y/y growth	5.5%	12.5%	-21.8%	2.4%	41.5%
Year to date	7.2%	6.3%	-0.1%	11.8%	21.4%

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

Fig 14: Year on year UK Outbound Passenger Growth – Destination

	All visits	North America	Europe	Other Countries
December y/y growth	5.5%	10.2%	6.9%	-2.0%
Year to date	7.2%	4.4%	8.4%	1.9%

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