BRITISH HOSPITALITY Association

The Restaurant Association

The BHA Travel Monitor

November 2016

Inbound holiday passenger numbers in November increased by 32% year on year. Although this is against weak comps, this is significantly ahead of expectations, with holiday passenger growth of +26% vs November 2014. Data last week showed a recovery in Q3 inbound holiday passenger spend, which combined with November's strong return to growth in passenger numbers, suggests that the UK hospitality industry should start to benefit from the recent currency depreciation. However, we note year to date holiday passengers remain negative, while outbound holiday passengers continue to grow. Business passenger growth of +6.7% in November is also running ahead of the +3% year to date growth

Fig 1: Summary Table – November 2016

	Inbound				Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives		
November y/y growth	17.1%	32.4%	6.7%	17.3%	4.3%	14.1%
November 2-yr growth	18.1%	26.4%	8.9%	24.4%	5.8%	8.2%
Year to date	2.8%	-1.2%	3.4%	8.7%	6.0%	0.6%
Rolling 3 months	3.4%	7.1%	3.9%	8.1%	7.9%	-0.8%
Rolling 12 months	3.1%	-0.5%	3.4%	8.4%	6.0%	0.9%

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

Key conclusions and what this means for the British hospitality sector

- Year to date, inbound travel is up +2.8%, with 944,000 more people visiting the UK than in the same period last year. Inbound business passengers have grown by +3.4% (+278,000 passengers year on year), which should benefit corporate-facing businesses

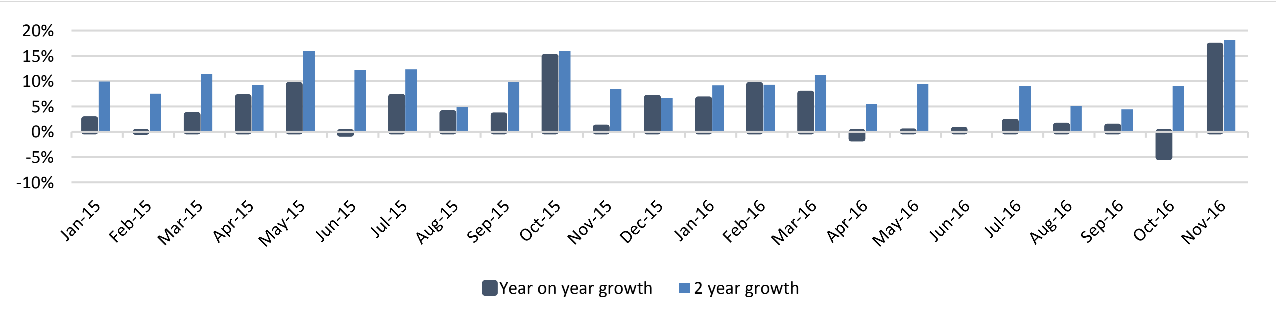
- Inbound tourism in November was strong, following a respectable October (which was against tough comps due to the 2015 Rugby World Cup). However, after a poor summer period, year to date growth remains negative, with 160,000 fewer holiday passengers year to date versus the same period in 2015. Recent positive momentum in passenger numbers, combined with last week's spending data, suggests that the hospitality industry is starting to benefit 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 842,000 year to date (+8.7%). 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 increased by 14% in November, and is now slightly positive year to date. Last week's data showed that inbound holiday passenger spend was up 5% in Q3, suggesting that the weaker GBP encouraged inbound holiday passengers to spend more

Fig 2: Year on year inbound passenger growth



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

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Summary:

- **November 2016 inbound travel:** *Inbound travel to the UK in November increased +17.1% year on year; inbound travel grew by +18.1% versus November 2014.*
- **Year to date:** *Over the past 3 months, inbound travel has increased by +3.4% versus the same period 12 months ago; year to date it has grown +2.8%*
- **Country of Origin:** *Year to date, inbound travel from North America is up 6.1%, Europe +3.8% (driven by non-EU15 countries), but down -4.2% from other countries.*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +32% in November, but down -1.2% year to date. By contrast, outbound holiday travel is up +4.3% in November, and +6.0% year to date.*
- **Business Travel:** *Business inbound travel to the UK grew +6.7% in November, and is up +3.4% year to date. Outbound business travel was up +4.5% in November, and is up +1.8% year to date*
- **Inbound Spend:** *Overseas residents' spend in the UK was up +14% in November, and is now slightly positive (+0.6%) year to date. UK spend overseas was up +19% in November, and +11% year to date*

Holiday Passengers

➢ Holiday inbound travel to the UK was particularly strong in November, up +32% year on year, but remains down -1.2% year to date. By contrast, outbound holiday travel is up +4.3% in November, and +6.0% year to date. We note that over the peak summer period, inbound holiday passenger numbers were significantly lower year on year, but there has been encouraging positive momentum in inbound travel over the past couple of months.

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

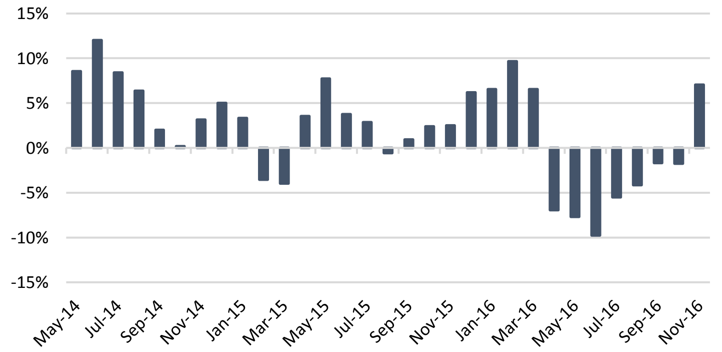
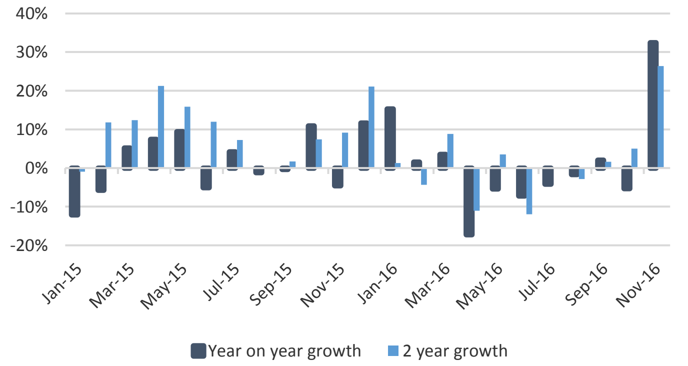


Fig 4: Inbound Holiday Passengers – year on year and 2-year growth

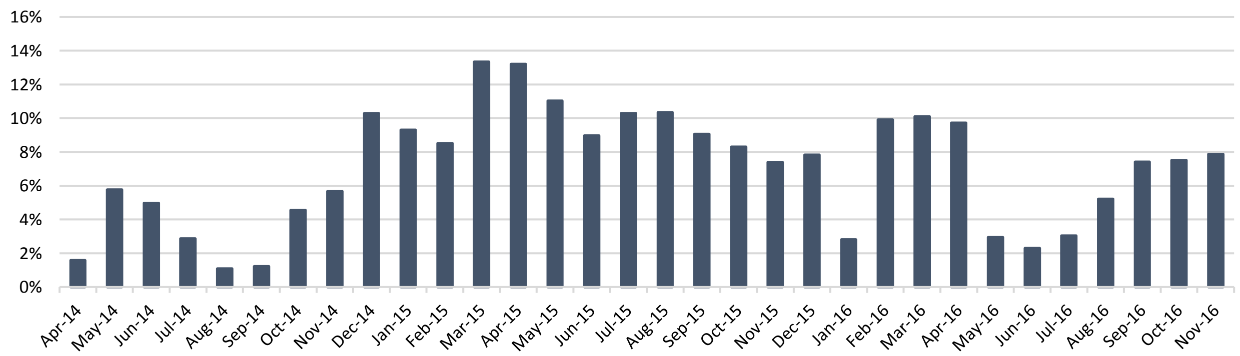


Source: International Passenger Survey, ONS data, British Hospitality Association analysis

➢ 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; on a 2-year growth basis, October was an encouraging month.

➢ By contrast, outbound holiday passenger numbers continue to grow strongly year on year, which 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 continues to show growth. On a rolling 3-month basis business passengers are +3.9 year on year, and year to date business passenger numbers are up +3.4% versus the same period in 2015.

- November business inbound passenger numbers are up +6.7% versus November 2015, and up +8.9% versus November 2014.

- The business figures year to date are 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

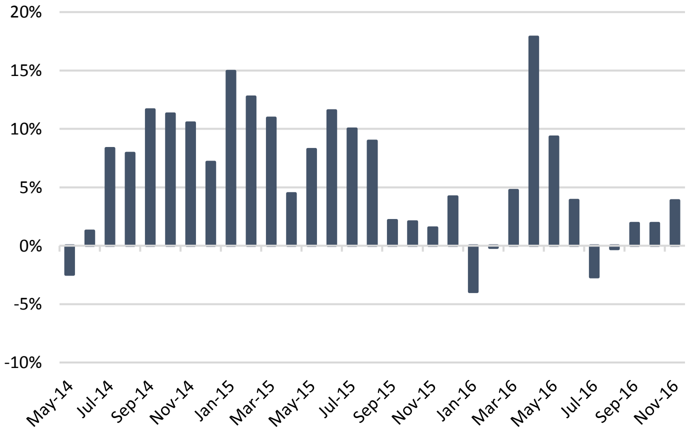
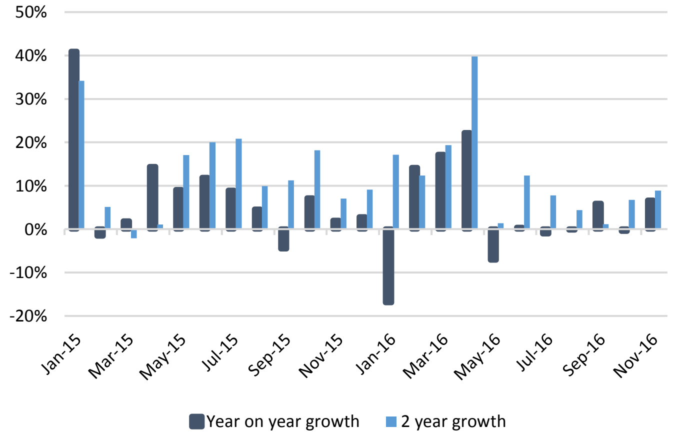


Fig 7: Inbound Business Passengers – year on year and 2-year growth



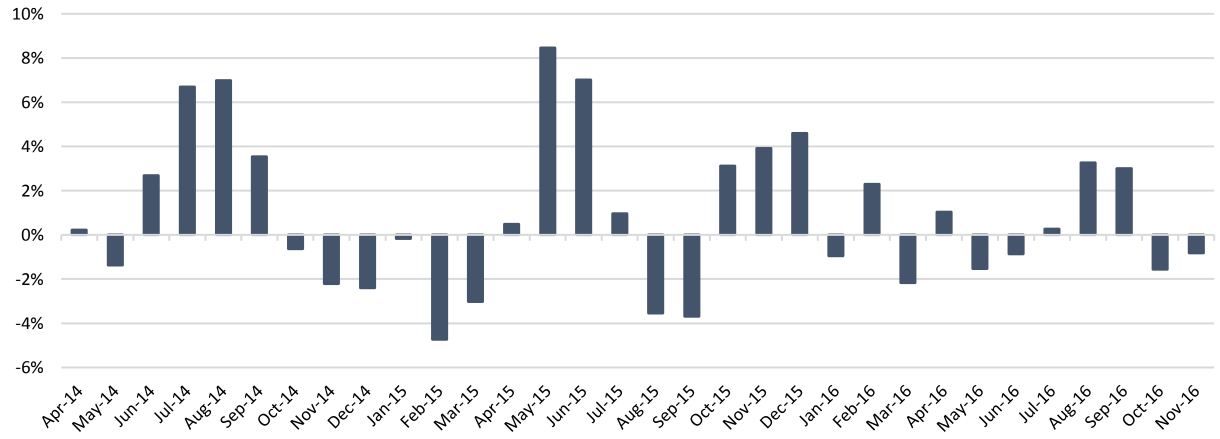
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel was up strongly in November (+4.5% year on year, but +20% versus November 2014), following on from a strong September and October, and is up +1.8% year to date.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK grew +14% in November, and +8.2% on a 2-year view versus November 2014. On a rolling 3-month view, overseas spend in the UK is down -0.8% (against tough Rugby World Cup comps), but year to date is now slightly positive (+0.6%) versus the same period last year. By contrast, overseas spend by UK residents has grown +11.7% year to date compared to the same period last year.

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
November y/y growth	17.1%	32.4%	6.7%	17.3%	-3.1%
November `2-yr growth	18.1%	26.4%	8.9%	24.4%	-2.9%
Year to date	2.8%	-1.2%	3.4%	8.7%	-0.6%
Rolling 3 months	3.4%	7.1%	3.9%	8.1%	-24.2%
Rolling 12 months	3.1%	-0.5%	3.4%	8.4%	0.5%

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	34,478	12,887	8,486	10,470	2,635
Year to date 2015	33,535	13,047	8,208	9,628	2,651
Difference	944	- 160	278	842	- 17
Difference (%)	2.8%	-1.2%	3.4%	8.7%	-0.6%

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
November y/y growth	17.1%	28.3%	18.0%	2.5%
November 2-yr growth	18.1%	56.0%	14.6%	19.4%
Year to date	2.8%	6.1%	3.8%	-4.2%
Rolling 3 months	3.4%	10.9%	4.9%	-8.5%
Rolling 12 months	3.1%	6.6%	3.9%	-3.1%

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
November y/y growth	18.0%	19.3%	6.3%	18.8%	21.4%
November 2-yr growth	14.6%	17.4%	-9.2%	14.8%	30.4%
Year to date	3.8%	4.0%	2.3%	2.9%	9.3%
Rolling 3 months	4.9%	4.9%	4.8%	5.2%	3.8%
Rolling 12 months	3.9%	4.1%	1.8%	3.1%	8.9%

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
November y/y growth	7.4%	4.3%	4.5%	16.0%	16.5%
Year to date	7.3%	6.0%	1.8%	12.5%	19.1%

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
November y/y growth	7.4%	17.7%	5.5%	12.4%
Year to date	7.3%	4.0%	8.5%	2.1%

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