The BHA Travel Monitor
February 2017

Inbound holiday passenger numbers in February increased by 11% year on year, continuing the strong growth seen at the end of 2016. However, inbound business passenger numbers declined by -11% year on year, although it remains slightly positive versus February 2015. There was very strong growth in the 'Miscellaneous' category, which incorporates visits for multiple purposes, as well as for shopping trips. Overseas spend in the UK was up 6% year on year, ahead of the total inbound passenger numbers growth of 0.3% - likely aided by the weaker currency. Outbound holiday passengers declined (-4% y/y), but grew +16% versus February 2015; UK resident spend overseas continued to grow strongly (+9% y/y).

Fig 1: Summary Table – February 2017

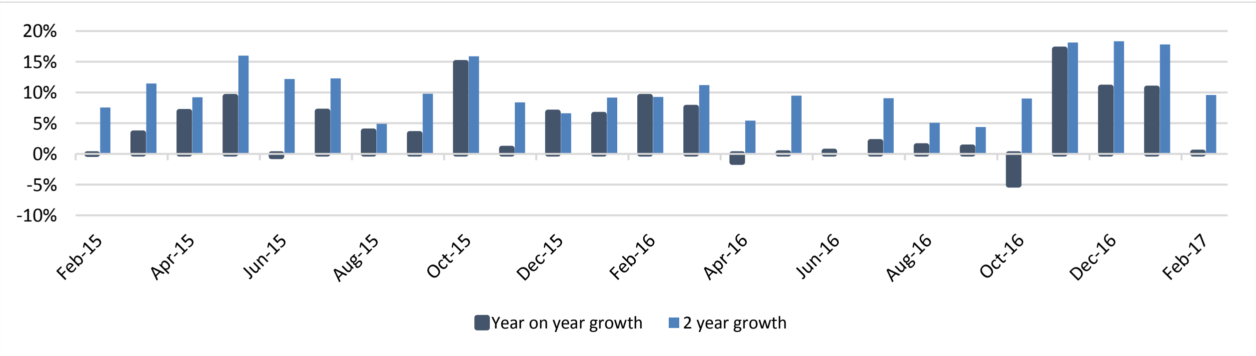
	Inbound						
	All visits	Holiday	Business	Visiting friends or relatives	Misc.	Outbound Holiday Passengers	Overseas spend in the UK
February y/y growth	0.3%	10.9%	-11.4%	-6.5%	45.4%	-3.9%	6.4%
February 2-yr growth	9.6%	12.5%	1.2%	5.3%	56.4%	16.1%	12.2%
Year to date	5.8%	15.3%	2.3%	-2.8%	24.3%	0.8%	11.0%
Rolling 3 months	7.5%	15.2%	-1.8%	5.9%	16.5%	4.2%	5.3%
Rolling 12 months	3.2%	0.5%	3.0%	7.3%	1.5%	5.2%	1.5%

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

Key conclusions and what this means for the British hospitality sector

- February 2017 inbound travel was broadly flat year on year, with declines from North America and Europe offset by growth from other countries. Inbound business passenger numbers continue to be relatively weak, which could pose a headwind for corporate-facing businesses
- Inbound tourism in February has shown a continuation of the very strong growth seen towards the end of 2016. The recent positive momentum in passenger numbers, combined with improved spending data, suggests that the hospitality industry is benefitting from last year's currency devaluation.
- Outbound holiday passenger numbers fell, but are still up 16% on a 2-year view. Any slowdown in the UK staycation market is likely being more than offset by the growth in inbound holiday passengers, however it could be having a regional impact on certain businesses
- Visiting friends or relatives (VFR) travel was the main driver of inbound growth in 2016, but is against tough comps. Misc. was the main driver of growth in February, although we note it is a smaller category
- Overall UK spend by overseas residents grew 6% year on year, ahead of the total inbound passenger numbers growth of 0.3% - likely aided by the weaker currency encouraging inbound travellers to spend more once they're in the UK. Overseas spend by UK residents grew by 9% year on year

Fig 2: Year on year inbound passenger growth



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

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Summary:

- **February 2017 inbound travel:** *Inbound travel to the UK in February was broadly flat year on year, but grew by +10% versus February 2015.*
- **Rolling 3 months:** *Over the past 3 months, inbound travel has increased by +7.5% versus the same period 12 months ago, and is +5.8% year to date*
- **Country of Origin:** *Inbound travel from North America was down -4% in February, Europe -3% (driven by EU countries -4.6%, non-EU countries +12%), but grew +30% from other countries.*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +11% in February (+71,000 passengers), and up 15% year to date (+217,000 passengers). Outbound holiday travel is broadly flat year to date.*
- **Business Travel:** *Business inbound travel to the UK declined by +11% in February, and broadly flat versus February 2015. Outbound business travel was broadly flat in February y/y, but +30% versus February 2015*
- **Inbound Spend:** *Overseas residents' spend in the UK grew +6% in February, with 2 year growth of +12%, and continues to run ahead of growth in visitor numbers. UK spend overseas was up +9% in February, and +33% on a 2-year basis*

Holiday Passengers

➢ Holiday inbound travel to the UK year to date has shown a continuation of the strong growth (+15% / +217k passengers y/y) seen towards the end of 2016, after a poor summer period in 2016. The recent positive momentum in passenger numbers, combined with improved spending data, suggests that the hospitality industry is benefitting from last year's currency devaluation.

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

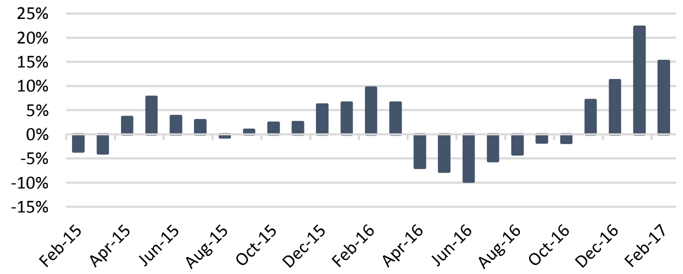
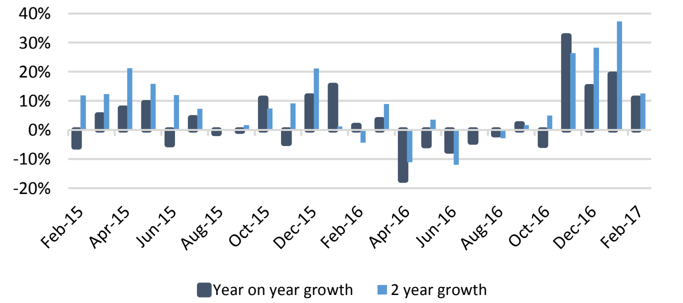


Fig 4: Inbound Holiday Passengers – year on year and 2-year growth

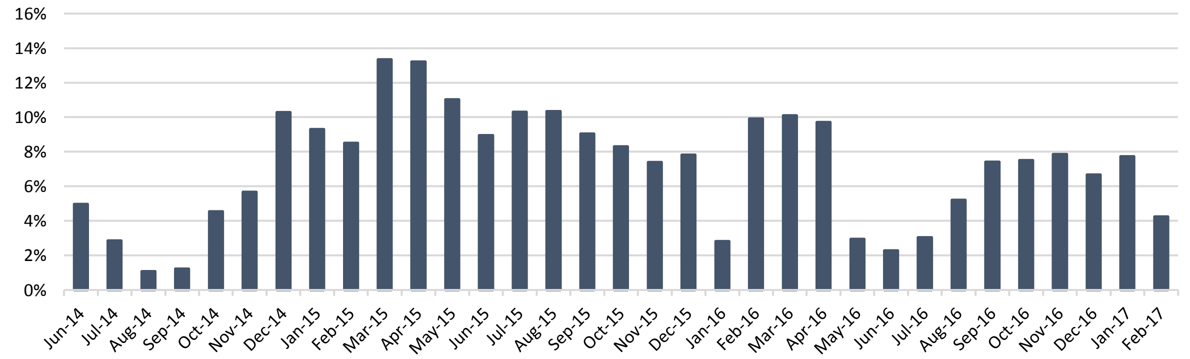


Source: International Passenger Survey, ONS data, British Hospitality Association analysis

➢ There were particularly poor months in April and June 2016, with inbound holiday passenger numbers 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

➢ Outbound holiday passenger numbers declined in February, but is up 16% on a 2-year view. Any slowdown in the UK staycation market is likely being more than offset by the growth in inbound holiday passengers, but it could be having a regional impact on certain businesses

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, February 2017 saw passenger numbers decline by -11% versus February 2016, which equates to 87,000 fewer inbound passengers, but is slightly positive (+2%) year to date.

- February business inbound passenger numbers were broadly flat on a 2-year view versus February 2015.

- The business inbound passenger numbers throughout 2016 were quite volatile, with January 2016's inbound business passenger decline of 17% due to really tough comps, and April's figures likely flattered by the timing of Easter.

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

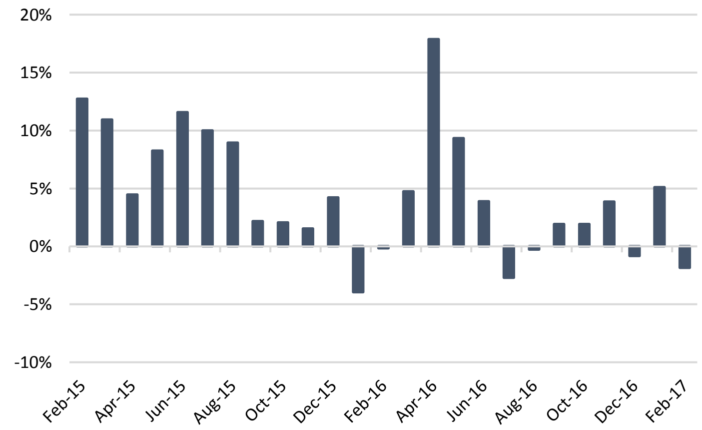
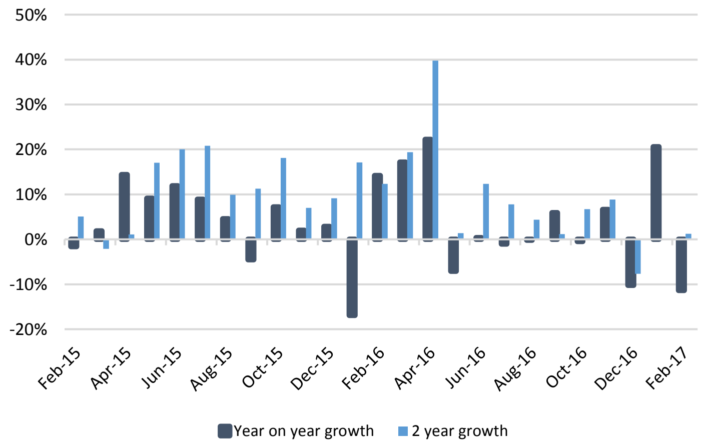


Fig 7: Inbound Business Passengers – year on year and 2-year growth



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

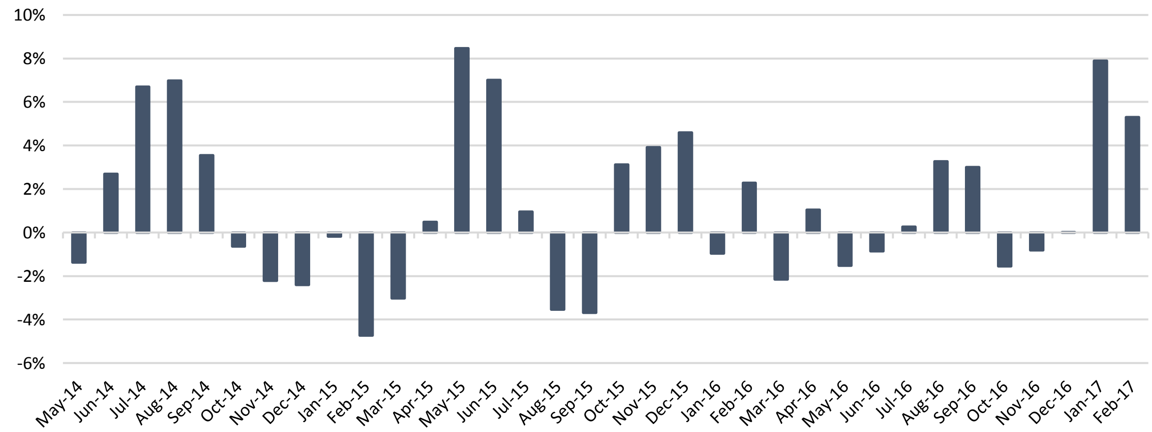
- Outbound business travel was broadly flat in February y/y, but +30% versus February 2015. Outbound business travel was flat for 2016 and is up +3% YTD.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK grew by +6% year on year in February, with 2 year growth of +12%, and continues to run ahead of growth in visitor numbers. This compares to less than 1% growth for 2016.

- UK spend overseas was up +9% in February, +33% on a 2-year basis, and 7.4% year to date. This compares to +11% growth in 2016.

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
February y/y growth	0.3%	10.9%	-11.4%	-6.5%	45.4%
February 2-yr growth	9.6%	12.5%	1.2%	5.3%	56.4%
Year to date	5.8%	15.3%	2.3%	-2.8%	24.3%
Rolling 3 months	7.5%	15.2%	-1.8%	5.9%	16.5%
Rolling 12 months	3.2%	0.5%	3.0%	7.3%	1.5%

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)

Inbound Passenger numbers ('000s)	All Visits	Holiday	Business	Visiting friends or relatives	Miscellaneous	Outbound holiday passengers
Year to date 2017	5,150	1,630	1,370	1,690	470	4,500
Year to date 2016	4,869	1,413	1,339	1,738	378	4,464
Difference	281	217	31	- 48	92	36
Difference (%)	5.8%	15.3%	2.3%	-2.8%	24.3%	0.8%

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
February y/y growth	0.3%	-4.3%	-3.4%	30.2%
February 2-yr growth	9.6%	-3.4%	8.6%	23.6%
Year to date	5.8%	1.9%	4.7%	15.4%
Rolling 3 months	7.5%	9.2%	5.9%	16.4%
Rolling 12 months	3.2%	6.9%	3.5%	-0.7%

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
February y/y growth	-3.4%	-4.6%	11.5%	-2.6%	-11.9%
February 2-yr growth	8.6%	8.8%	6.9%	7.5%	13.9%
Year to date	4.7%	4.7%	5.1%	7.9%	-7.2%
Rolling 3 months	5.9%	6.7%	-2.7%	8.6%	-0.5%
Rolling 12 months	3.5%	3.7%	0.9%	3.2%	6.2%

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
February y/y growth	-1.8%	-3.9%	-1.7%	2.1%	10.1%
Year to date	3.6%	0.8%	2.7%	8.2%	8.5%

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
February y/y growth	-1.8%	23.3%	-4.9%	4.2%
Year to date	3.6%	0.7%	3.1%	6.3%

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