The BHA Travel Monitor
March 2017

Inbound holiday passenger numbers in March increased by 23% year on year, continuing the strong growth seen over the past few months. However, inbound business passenger numbers continue to decline (-6% year on year), although it is up strongly versus March 2015. 'Visiting friends or relatives' and 'Miscellaneous' have also grown strongly. Overseas spend in the UK was up 14% year on year, ahead of the total inbound passenger numbers growth of 10.7% - likely aided by the weaker currency. Outbound holiday passengers are slightly positive (+1.5% y/y), but grew +11% versus March 2015; UK resident spend overseas continued to grow strongly (+13% y/y).

Fig 1: Summary Table – March 2017

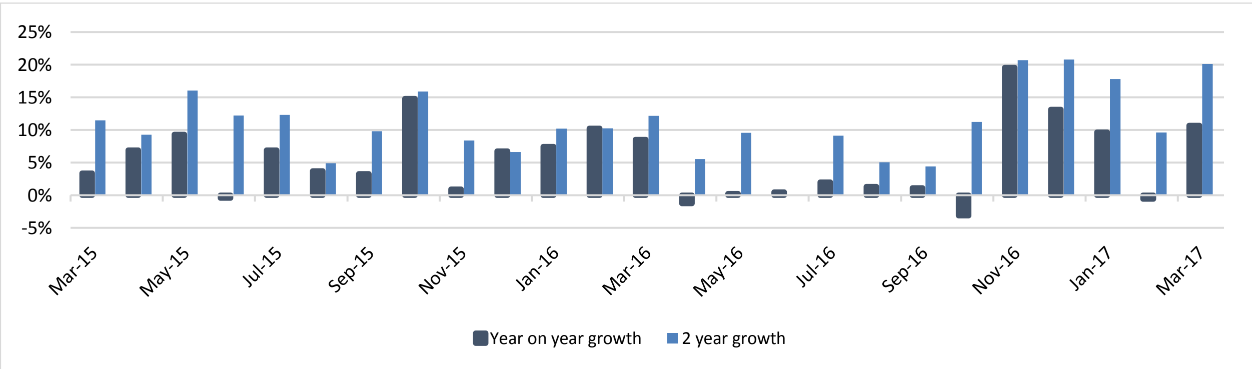
	Inbound						
	All visits	Holiday	Business	Visiting friends or relatives	Misc.	Outbound Holiday Passengers	Overseas spend in the UK
March y/y growth	10.7%	23.2%	-5.7%	13.5%	10.7%	1.5%	14.0%
March 2-yr growth	20.1%	28.5%	11.7%	27.3%	20.1%	11.1%	7.5%
Year to date	6.9%	17.8%	-1.4%	1.7%	6.9%	0.5%	11.0%
Rolling 3 months	6.9%	17.8%	-1.4%	1.7%	6.9%	0.5%	11.0%
Rolling 12 months	3.8%	2.1%	1.9%	7.9%	3.8%	5.1%	4.2%

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

Key conclusions and what this means for the British hospitality sector

- March 2017 inbound travel grew strongly year on year, driven by 43% growth in passengers from North America; passenger growth from Europe was more subdued at +4%. Inbound business passenger numbers continue to be relatively weak, which could pose a headwind for corporate-facing businesses, although we note that it is against tough comps, and inbound business travel is +12% vs March 2015
- Inbound tourism in March 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 were slightly positive, but are up 11% on a 2-year view. However, overseas spend by UK residents continues to grow strongly (+13% year on year)
- Visiting friends or relatives (VFR) travel and miscellaneous continue to be strong drivers of growth, although we note that the miscellaneous category is a much smaller number of passengers
- Overall UK spend by overseas residents grew 14% year on year, ahead of the total inbound passenger numbers growth of 10.7% - likely aided by the weaker currency encouraging inbound travellers to spend more once they're in the UK

Fig 2: Year on year inbound passenger growth



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

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Summary:

- **March 2017 inbound travel:** *Inbound travel to the UK in March grew +11% year on year, and +20% versus March 2015.*
- **Rolling 3 months:** *Over the past 3 months, inbound travel has increased by +6.9% versus the same period 12 months ago, and is +16% versus the same period in 2015*
- **Country of Origin:** *Inbound travel from North America was the main driver in March, +43% year on year, Europe +4% (driven by EU countries +3%, non-EU countries +16%), and other countries +32%.*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +23% in February (+207,000 passengers), and up 18% year to date (+412,000 passengers). Outbound holiday travel is +3.4% year to date (+158,000 passengers).*
- **Business Travel:** *Business inbound travel to the UK declined by -6% in March against tough comps, but grew +12% versus March 2015. Outbound business travel grew strongly in March (+15% y/y)*
- **Inbound Spend:** *Overseas residents' spend in the UK grew +14% in March, and continues to run ahead of growth in visitor numbers. UK spend overseas was up +13% in March, and +17% on a 2-year basis*

Holiday Passengers

- Holiday inbound travel to the UK year to date has shown a continuation of the strong growth (+18% / +412k 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

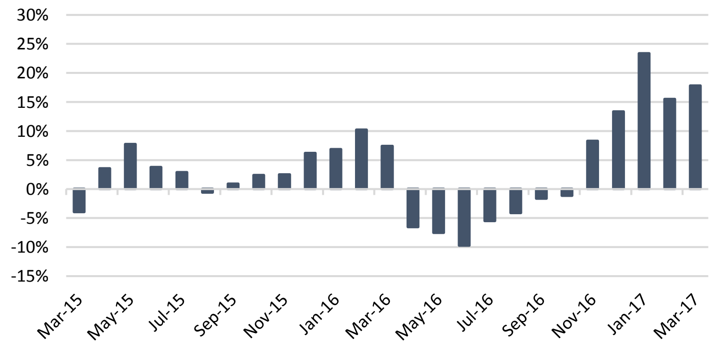


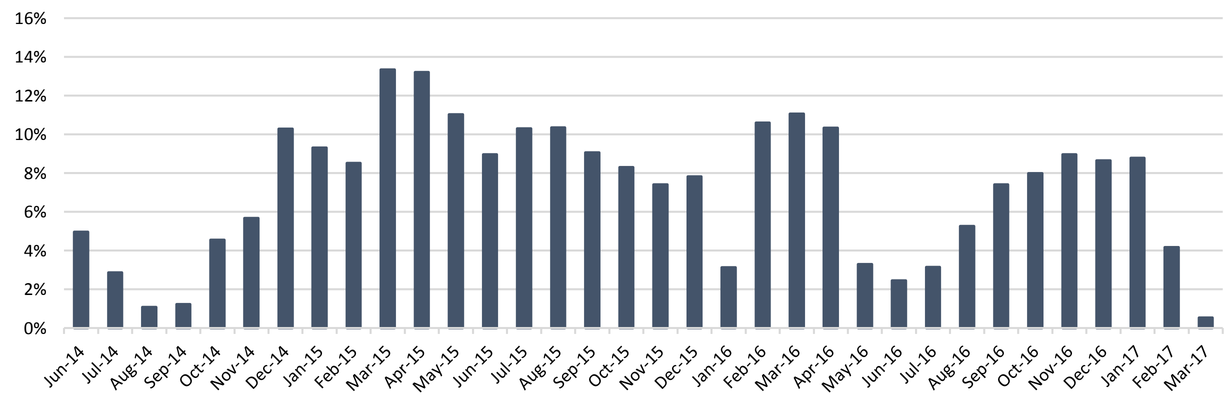
Fig 4: Inbound Holiday Passengers – year on year and 2-year growth

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 returned to growth in March (+1.5%), and is up 11% on a 2-year view.

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, March 2017 saw passenger numbers decline by -6% versus March 2016, which equates to 46,000 fewer inbound passengers, and remains slightly negative (-1.4%) year to date.
- March business inbound passenger numbers grew +11.7% on a 2-year view versus March 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

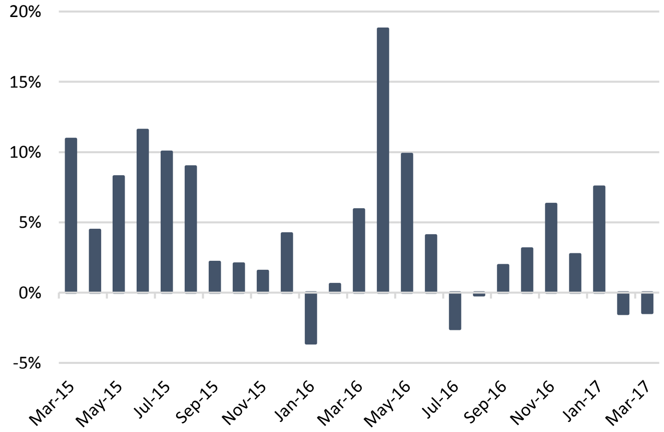
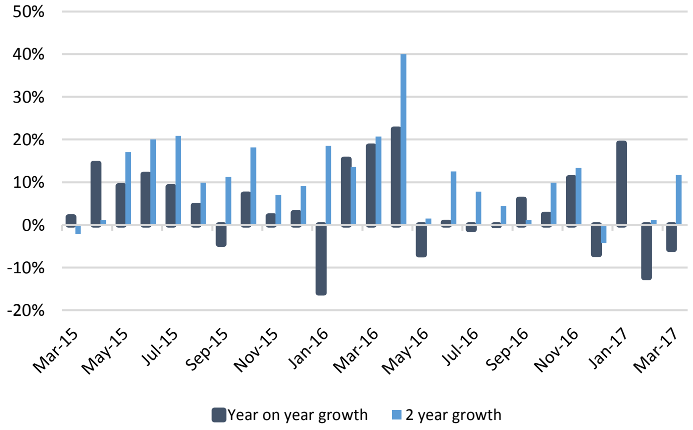


Fig 7: Inbound Business Passengers – year on year and 2-year growth



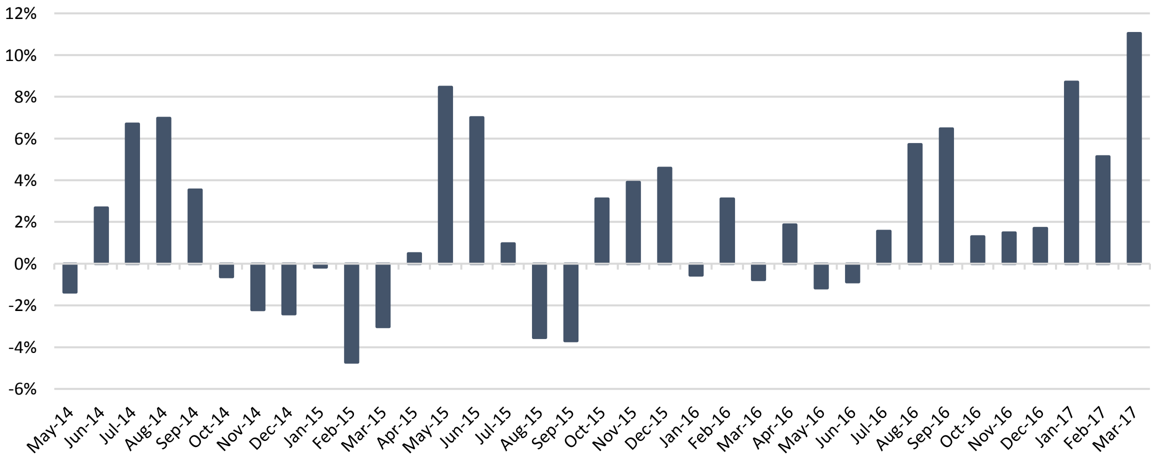
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel grew significantly in March (+15% y/y). Outbound business travel was flat for 2016, but is up +5.5% year to date.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK grew by +14% year on year in March, and continues to run ahead of growth in visitor numbers. This compares to less than 1% growth for 2016. We note that the March growth was against easy comps, with overseas spend +7.5% versus March 2015.
- UK spend overseas was up +12.6% in March, +17% on a 2-year basis, and +8.1% 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
March y/y growth	10.7%	23.2%	-5.7%	13.5%	10.9%
March 2-yr growth	20.1%	28.5%	11.7%	27.3%	-9.6%
Year to date	6.9%	17.8%	-1.4%	1.7%	19.1%
Rolling 3 months	6.9%	17.8%	-1.4%	1.7%	19.1%
Rolling 12 months	3.8%	2.1%	1.9%	7.9%	3.6%

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	8,070	2,730	2,140	2,550	660	4,850
Year to date 2016	7,551	2,318	2,171	2,508	554	4,692
Difference	519	412	-31	42	106	158
Difference (%)	6.9%	17.8%	-1.4%	1.7%	19.1%	3.4%

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
March y/y growth	10.7%	43.1%	4.2%	32.3%
March 2-yr growth	20.1%	60.9%	14.3%	27.4%
Year to date	6.9%	16.7%	4.1%	18.4%
Rolling 3 months	6.9%	16.7%	4.1%	18.4%
Rolling 12 months	3.8%	9.3%	3.6%	1.2%

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
March y/y growth	4.2%	3.1%	16.0%	7.2%	-9.2%
March 2-yr growth	14.3%	13.1%	29.2%	10.3%	31.2%
Year to date	4.1%	3.7%	7.9%	7.2%	-8.0%
Rolling 3 months	4.1%	3.7%	7.9%	7.2%	-8.0%
Rolling 12 months	3.6%	3.8%	1.3%	3.7%	4.6%

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
March y/y growth	4.6%	1.5%	15.0%	4.5%	21.0%
Year to date	3.2%	0.5%	5.5%	6.4%	12.4%

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
March y/y growth	4.6%	-2.9%	2.5%	15.6%
Year to date	3.2%	-3.2%	2.4%	7.8%

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