

The BHA Travel Monitor

May 2017

Inbound passenger numbers in May decreased by -2% year on year, compared to a +13% increase in the period Jan-April 2017; year to date (YTD), passenger numbers are +9%. May's decline has been driven by a large decrease in 'visiting friends or relatives' (VFR). Inbound business passenger growth rebounded, and is now only -2% YTD. However, holiday passenger growth of +2% in May is a material slowdown compared to Jan-Apr growth of +28%. Inbound passengers from Europe have fallen -10% in May, while North America continues to grow strongly (+35%), and this mix effect (combined with lower VFRs) has led to overseas spend in the UK up +5% year on year, despite the overall fall in visitor numbers. Outbound holiday passengers declined -5% in May – the first decline since before 2014

Fig 1: Summary Table – May 2017

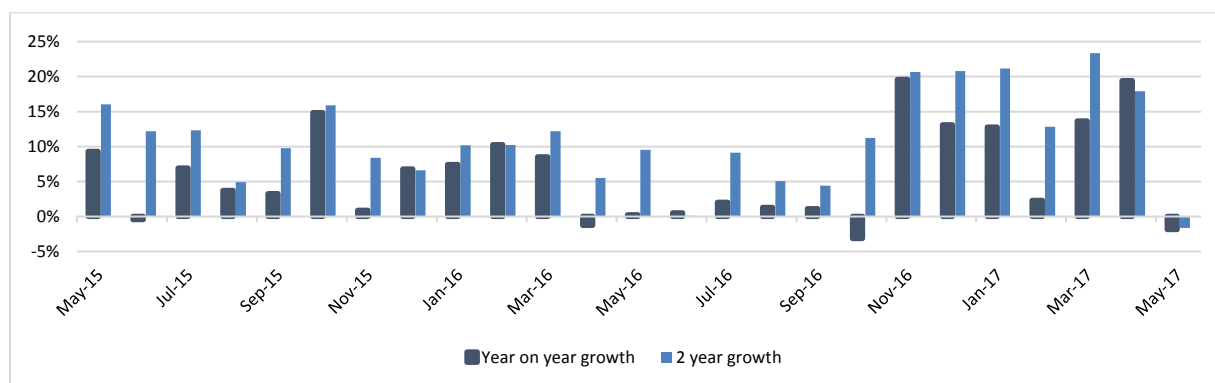
	Inbound					Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives	Misc.		
May y/y growth	-1.9%	2.0%	8.5%	-16.5%	2.2%	-4.5%	4.7%
May 2-yr growth	-1.6%	-3.4%	0.9%	-3.2%	6.6%	-5.6%	1.5%
Year to date	9.0%	20.3%	-1.9%	4.4%	14.8%	2.7%	13.7%
Rolling 3 months	9.6%	21.2%	-3.4%	6.6%	8.4%	1.8%	13.6%
Rolling 12 months	6.0%	8.9%	0.4%	8.2%	2.4%	5.7%	6.8%

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

Key conclusions and what this means for the British hospitality sector

- May 2017 inbound travel declined -2% year on year, driven by a -10% decline in passengers from Europe, partially offset by strong growth from North America. Inbound business passenger numbers rebounded in May; however, this is against easy comps, with May 2017 growth of less than 1% versus May 2015, and YTD business inbound passenger number growth remains negative
- Inbound holiday passenger growth in May of +2% is a significant slowdown in growth compared to the +28% seen in the first four months of the year, and passenger numbers are down -3% compared to May 2015. While growth is still strong year to date (+20%), the scale of the slowdown is a concern
- Outbound holiday passenger numbers have fallen for the first time since our data started in 2014, which implies a potentially stronger domestic staycation market in the UK
- Visiting friends or relatives (VFR) travel was the main driver of passenger number declines in May – while this is against tough comps in 2016, passenger numbers are also down a 2-year view
- Overall UK spend by overseas residents grew 5% year on year, despite the 2% fall in visitor numbers; this is likely due to the mix effect of proportionately more visitors from N. America and lower VFRs

Fig 2: Year on year inbound passenger growth



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

Summary:

- **May 2017 inbound travel:** *Inbound travel to the UK in May declined -2% year on year, a significant slowdown on the +13% growth seen in Jan-April*
- **Year to date:** *Year to date, inbound travel has increased by +9.0% versus the same period 12 months ago, and is +14% versus the same period in 2015*
- **Country of Origin:** *Inbound travel from Europe was the main driver of the fall in May, -10% year on year, partially offset by North America +35% and other countries +21%*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +2% in April (+31,000 passengers), and up 20% year to date (+1m passengers). Outbound holiday travel is +2.7% year to date (+396,000 passengers)*
- **Business Travel:** *Business inbound travel to the UK returned to growth in May, albeit against easy comps, with May 2017 growth of less than 1% versus May 2015, and YTD business inbound passenger number growth remains negative*
- **Inbound Spend:** *Overseas residents' spend in the UK grew +5% in May, which is a slowdown on the YTD growth of +14%. UK spend overseas declined -8% in May, and is +4% YTD*

Holiday Passengers

- Holiday inbound travel to the UK in May of +2% is a significant slowdown on the strong growth that we have seen since the end of 2016. Inbound holiday passenger numbers were down -3% compared to May 2015

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

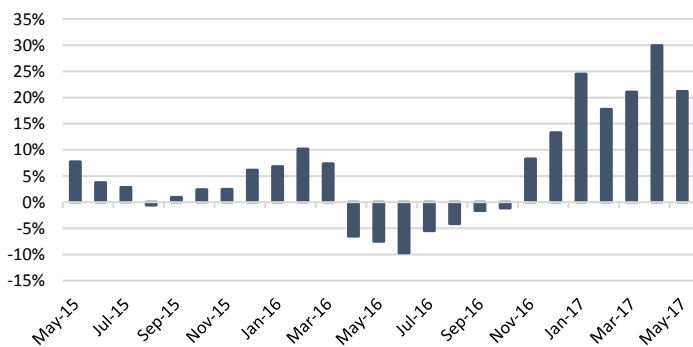
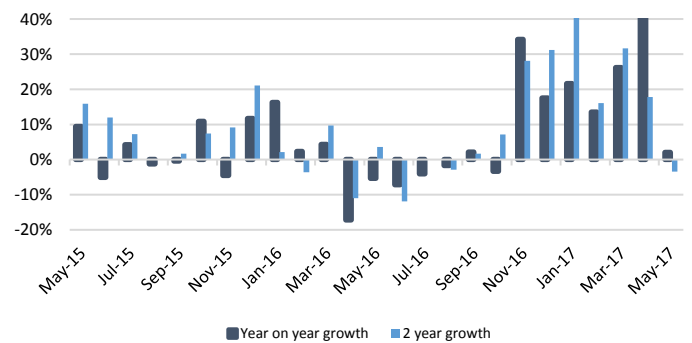


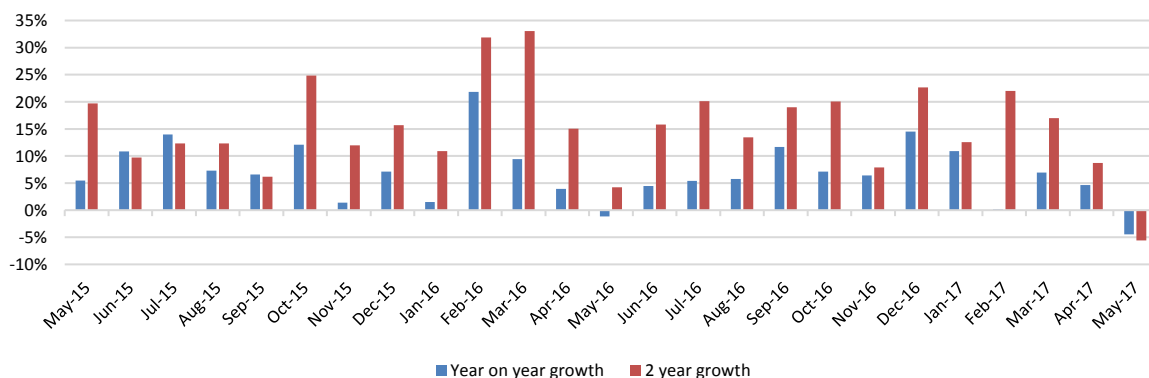
Fig 4: Inbound Holiday Passengers – year on year and 2-year growth



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

- In terms of monthly fluctuations, 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, which is one of the reasons for the strong rebound in growth in April 2017. 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 passengers declined by -5% in May, the first decline since before 2014.

Fig 5: Year on year outbound holiday passenger growth



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

Business Passengers

- In terms of inbound business passengers, May 2017 saw passenger numbers return to growth, with 68,000 more inbound passengers (+8.5%), albeit against weak comps. However, inbound business passengers remain down -1.9% year to date (74,000 fewer passengers).
- May business inbound passenger numbers grew +0.9% on a 2-year view versus May 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 2016's figures likely flattered by the timing of Easter.

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

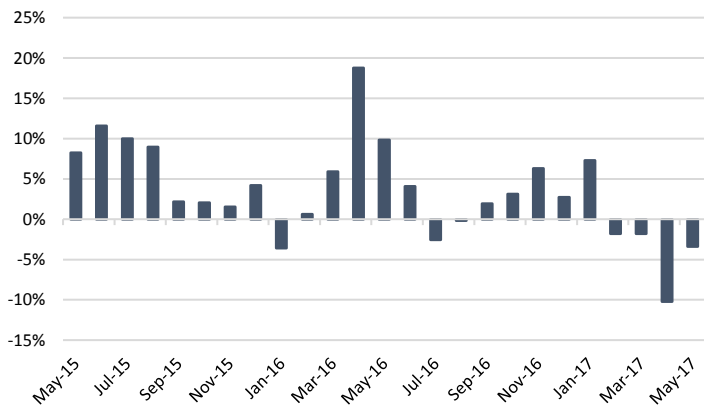
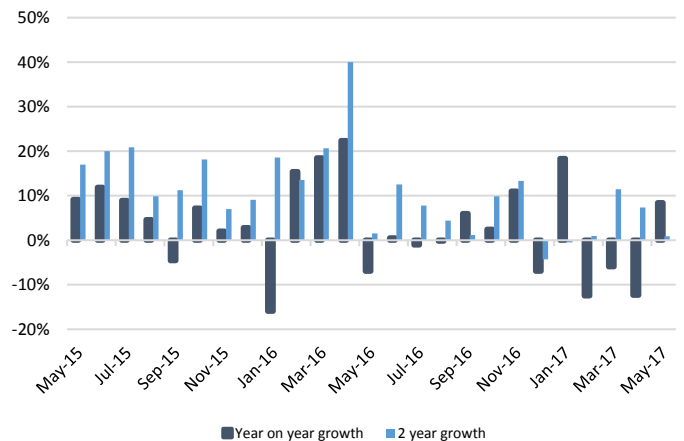


Fig 7: Inbound Business Passengers – year on year and 2-year growth



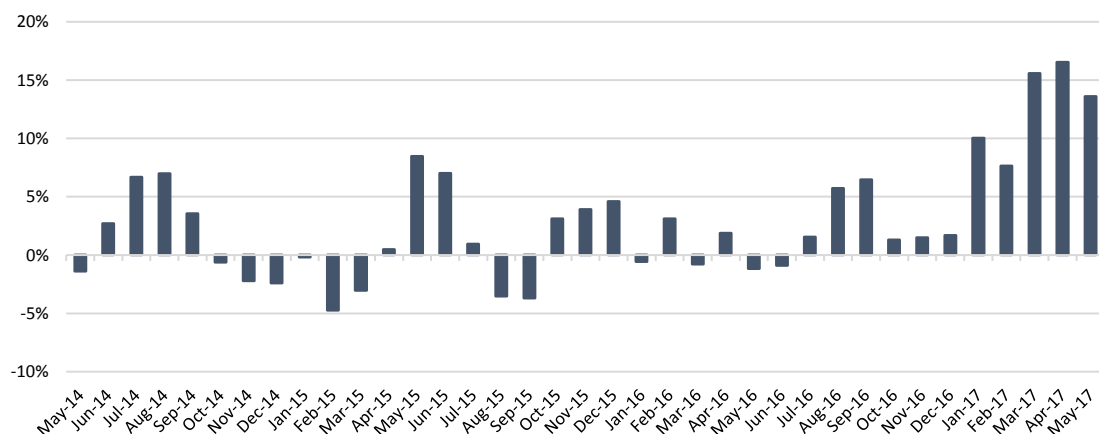
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel continued to decline significantly in May (-11.4%), and declined by -15% versus May 2015. Outbound business travel was flat for 2016, and is -1.8% year to date.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK grew by +5% year on year in May, compared to inbound visitor numbers -2%. This is likely a function of an increase in visitors from North America, and fewer inbound visiting friends or relatives. For 2016 as a whole, overseas residents' expenditure growth was less than 1%.
- UK spend overseas declined -8.1% in May, and by -1.4% on a 2-year basis, but is up +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
May y/y growth	-1.9%	2.0%	8.5%	-16.5%	2.2%
May 2-yr growth	-1.6%	-3.4%	0.9%	-3.2%	6.6%
Year to date	9.0%	20.3%	-1.9%	4.4%	14.8%
Rolling 3 months	9.6%	21.2%	-3.4%	6.6%	8.4%
Rolling 12 months	6.0%	8.9%	0.4%	8.2%	2.4%

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	15,537	5,976	3,732	4,617	1,211	15,048
Year to date 2016	14,252	4,970	3,806	4,421	1,055	14,652
Difference	1,285	1,007	-74	197	156	396
Difference (%)	9.0%	20.3%	-1.9%	4.4%	14.8%	2.7%

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
May y/y growth	-1.9%	34.5%	-10.1%	21.0%
May 2-yr growth	-1.6%	15.1%	-5.7%	5.7%
Year to date	9.0%	22.1%	5.0%	25.3%
Rolling 3 months	9.6%	30.9%	4.1%	31.3%
Rolling 12 months	6.0%	14.8%	4.5%	7.2%

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	Europe - of which:		EU - of which:	
	Europe	European Union	Non-EU	EU-15	Other EU
May y/y growth	-10.1%	-10.2%	-9.2%	-13.2%	7.8%
May 2-yr growth	-5.7%	-7.5%	15.9%	-7.6%	-5.7%
Year to date	5.0%	4.3%	13.1%	5.3%	-0.2%
Rolling 3 months	4.1%	2.8%	17.9%	3.1%	1.2%
Rolling 12 months	4.5%	4.7%	2.7%	4.2%	6.9%

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
May y/y growth	-4.6%	-4.5%	-11.4%	2.8%	-25.6%
Year to date	3.6%	2.7%	-1.8%	8.9%	0.6%

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
May y/y growth	-4.6%	-4.3%	-7.0%	12.0%
Year to date	3.6%	-3.1%	2.4%	11.3%

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