

The BHA Travel Monitor

October 2016

Inbound holiday passenger numbers in October declined by -5.3% year on year, although we note that this was against tough comps due to last year's Rugby World Cup; on a 2 year basis, holiday passenger numbers grew vs October 2014. Given the volatility of individual months, we focus on the year to date data, where inbound holiday passenger numbers are down -3.7% versus the same period in 2015. While overall inbound passenger numbers have grown +1.7% year to date, we note that this has been driven by growth in business travel and visiting friends or relatives (VFR). By contrast, inbound tourism remains weak, with 450,000 fewer holiday passengers year to date versus the same period in 2015.

Fig 1: Summary Table – October 2016

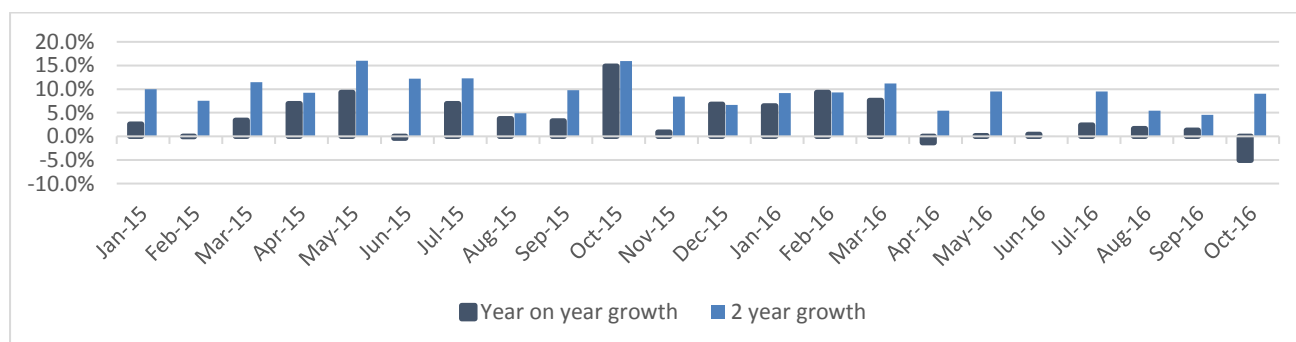
	Inbound				Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives		
October y/y growth	-5.1%	-5.3%	-0.5%	5.4%	5.2%	-8.3%
October 2-yr growth	9.0%	5.0%	6.7%	18.5%	18.0%	3.9%
Year to date	1.7%	-3.7%	3.3%	7.9%	5.4%	-1.2%
Rolling 3 months	-0.7%	-2.2%	2.3%	4.3%	6.5%	-3.0%
Rolling 12 months	2.0%	-2.9%	3.1%	7.4%	5.3%	-1.1%

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 +1.7%, with 527,000 more people visiting the UK than the in same period last year. However, we note that this has in part been driven by business travel growth, which should benefit corporate-facing businesses
- Inbound tourism remains weak, with 450,000 fewer holiday passengers year to date versus the same period in 2015. By contrast, outbound holiday passenger numbers continue to grow strongly, suggesting a slowdown in the UK staycation market. A combination of lower inbound holiday passengers and higher outbound holiday passengers is likely putting pressure on consumer-facing businesses
- Visiting friends or relatives (VFR) travel has been the main driver of inbound passenger growth, up by 695,000 year to date (+7.9%). 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 -8.3% in October; while this is not split out on a monthly basis by holiday / business passenger, in H1 2016 inbound holiday spend was down more than 5% year on year, and more recent passenger numbers suggest that Leisure spend continues to be significantly lower year on year, putting the hospitality industry under further pressure

Fig 2: Year on year inbound passenger growth



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

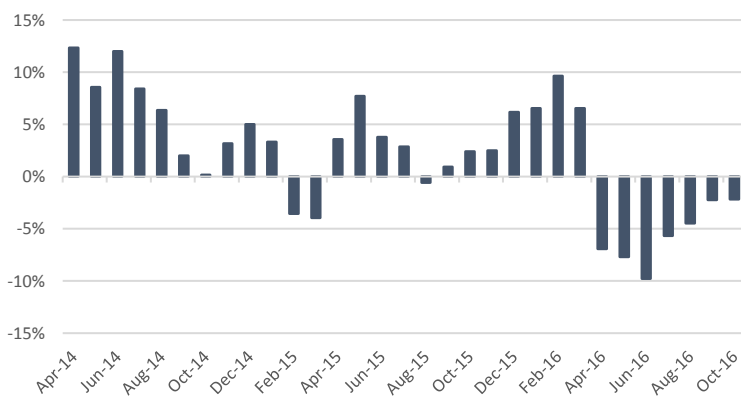
Summary:

- **October 2016 inbound travel:** *Inbound travel to the UK in October declined -5.1% year on year, against tough comps from the Rugby World Cup; inbound travel grew by +9.0% versus October 2014.*
- **Year to date:** *Over the past 3 months, inbound travel has declined by -0.7% versus the same period 12 months ago, but has grown +1.7% year to date*
- **Country of Origin:** *Year to date, inbound travel from North America is up 3.6%, Europe +2.3% (driven by non-EU15 countries), but down -2.8% from other countries.*
- **Holiday Travel:** *Holiday inbound travel to the UK is down -5.3% in October, and down -3.7% year to date. By contrast, outbound holiday travel is up +5.2% in October, and +5.4% year to date.*
- **Business Travel:** *Business inbound travel to the UK was slightly down in October (-0.5%), but is up +3.3% year to date. Outbound business travel was up strongly in October (+8.2%), and up +2.6% year to date*
- **Inbound Spend:** *Overseas residents' spend in the UK was down -8.3% in October, and is negative (-1.2%) year to date. However, UK spend overseas was up +17.0% in October, and +10.7% year to date*

Holiday Passengers

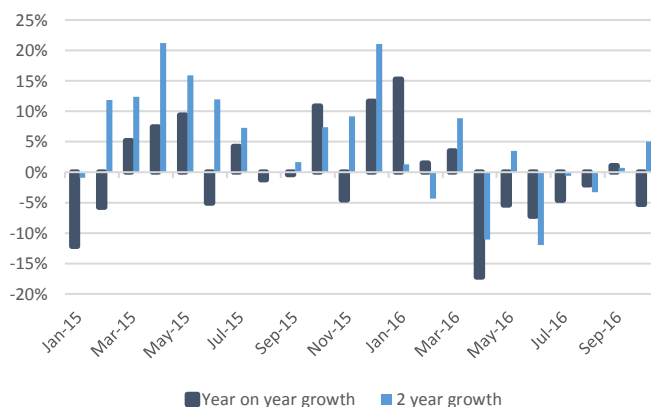
- While inbound passenger numbers are positive year to date, this hides the fact that holiday inbound passengers are down -3.7% year to date versus the same period last year, and on a rolling 3-month basis -2.2% versus the same period last year. We note that over the peak summer period, inbound holiday passenger numbers were significantly lower year on year.

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



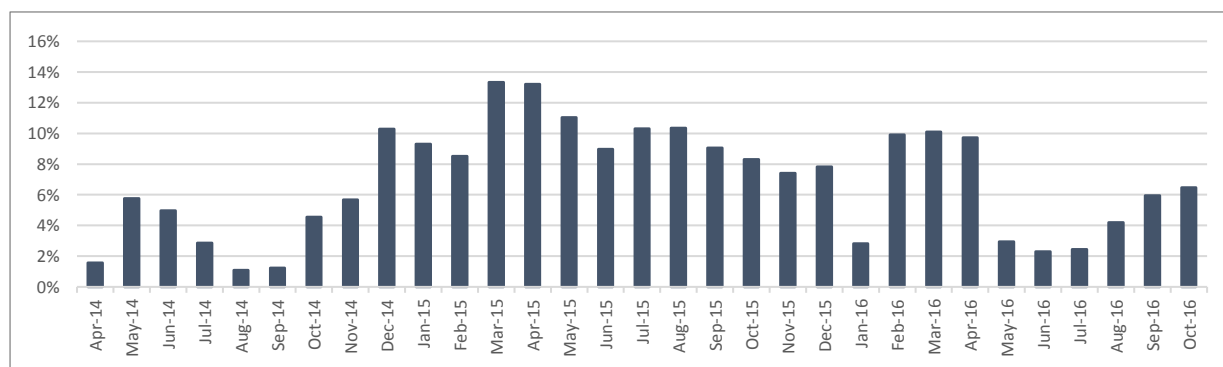
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

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



- 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, and therefore focus on the rolling 3 month and YTD data.
- By contrast, outbound holiday passenger numbers continue to grow strongly year on year, implying a decline in 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 +2.3 year on year, and year to date business passenger numbers are up +3.3% versus the same period in 2015.
- October business inbound passenger numbers are down -0.5% versus October 2015, but up +6.7% versus October 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

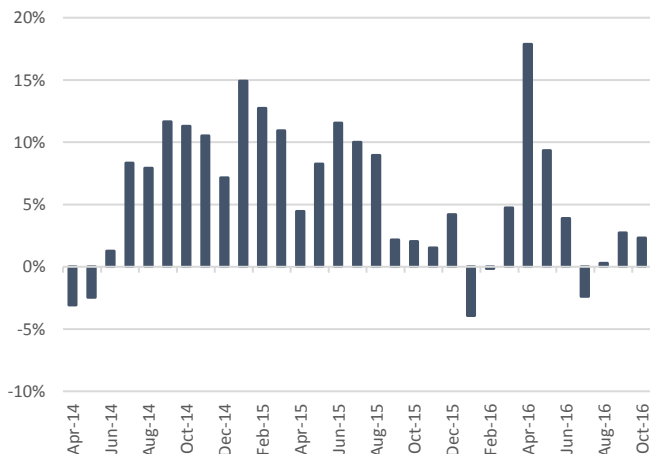


Fig 7: Inbound Business Passengers – year on year and 2-year growth



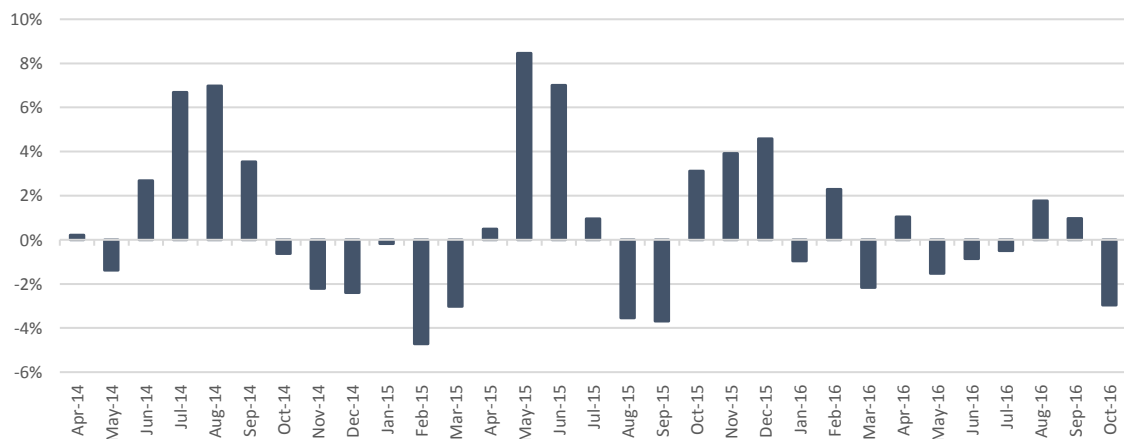
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel was up strongly in October (+8.2% year on year), following on from a strong September (+20%), and is up +2.6% year to date. September and October's strong performances could be explained by some latent demand post the Brexit referendum, with businesses putting off travel prior to this.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK declined -8.3% in October, but is up +3.9% on a 2-year view versus October 2014. On a rolling 3-month view, overseas spend in the UK is down -3.0%, and year to date remains negative at -1.2% versus the same period last year. By contrast, overseas spend by UK residents has grown +10.7% 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
October y/y growth	-5.1%	-5.3%	-0.5%	5.4%	-42.8%
October 2-yr growth	9.0%	5.0%	6.7%	18.5%	1.2%
Year to date	1.7%	-3.7%	3.3%	7.9%	1.2%
Rolling 3 months	-0.7%	-2.2%	2.3%	4.3%	-17.8%
Rolling 12 months	2.0%	-2.9%	3.1%	7.4%	2.0%

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	31,413	11,781	7,663	9,505	2,453
Year to date 2015	30,886	12,231	7,421	8,810	2,424
Difference	527	-450	243	695	29
Difference (%)	1.7%	-3.7%	3.3%	7.9%	1.2%

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
October y/y growth	-5.1%	1.6%	-2.4%	-22.7%
October 2-yr growth	9.0%	7.3%	12.2%	-6.4%
Year to date	1.7%	3.6%	2.3%	-2.8%
Rolling 3 months	-0.7%	7.9%	-0.9%	-5.5%
Rolling 12 months	2.0%	5.2%	2.1%	-0.8%

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:	
		European Union	Non-EU	EU-15	Other EU
October y/y growth	-2.4%	-3.0%	3.9%	-2.5%	-5.0%
October 2-yr growth	12.2%	12.4%	10.3%	11.5%	16.5%
Year to date	2.3%	2.4%	1.9%	1.4%	7.6%
Rolling 3 months	-0.9%	-1.2%	2.8%	-0.3%	-4.3%
Rolling 12 months	2.1%	2.3%	-0.1%	1.3%	7.2%

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
October y/y growth	9.9%	5.2%	8.2%	29.4%	3.4%
Year to date	7.1%	5.4%	2.6%	12.7%	19.6%

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
October y/y growth	9.9%	1.4%	9.3%	18.0%
Year to date	7.1%	4.6%	8.0%	2.9%

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