Behind the Headlines – a look at January to June CSO data

(Overseas visitors H1 2014 compared to same period 2013)

The Headlines

- Numbers up 10% = 325,000 extra visitors to 3,470,000
- Spend up 9% = €125 million more spent in the country for a total of €1.5 billion

Behind the numbers – some insights

An analysis of the CSO data for the first 6 months of the year yields some interesting findings, most notably:

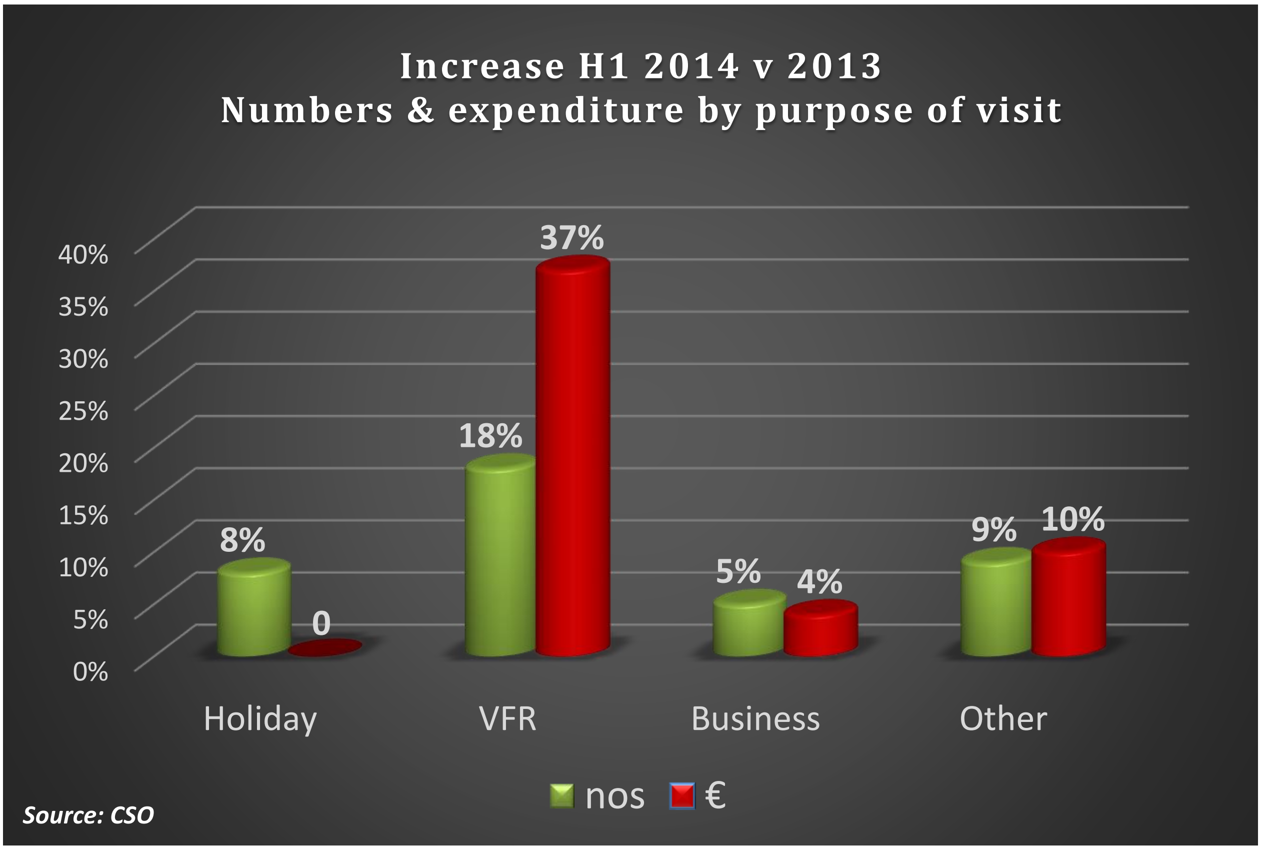
- The growth has been driven mainly by VFR visitors – accounting for over 80% of the increase in receipts and more than half of the growth in volume.
- Holiday visitors, while up 8% in number, spent less per visit resulting in no growth in revenue from this important 'promotable' segment.
- Britain and long haul markets outperformed demand from mainland Europe, with revenue from the New Developing Markets, a relatively small share of total demand, up a whopping 60%.
- The aggregate average length of stay showed little change, with the average for VFR trips increasing and the average length of holiday trips slipping marginally.
- A marked increase in the number of nights spent in homes of friends and relatives, saw hotels losing share and catering to a fewer holiday visit nights, reversing a trend of recent years.

The above findings, albeit for the first half of the year in advance of the peak tourist demand months, and in some instances based on small sample sizes, clearly points to the challenge of growing receipts from 'promotable' demand. This is especially relevant as the draft Tourism Policy Statement defines growth targets in real term revenue receipts and Tourism Ireland's Corporate Plan specifies revenue from 'promotables' as the key measure of performance for the organisation. If tourism expenditure is to become the prime measure of performance, as it should, there will be a need to ensure that more comprehensive, robust, and timely data on tourism receipts is available to the sector in order to monitor performance of the higher yielding 'promotable' source markets and segments.

A more detailed analysis of the latest data is presented below.

Changing profile of demand by purpose of visit

The bulk of the growth in volume and receipts appears to have been driven by a very buoyant VFR sector. The numbers visiting friends or relatives was up 18%, to just over 1 million and accounting for half of the incremental increase in visitors. More surprisingly their spend in the country is estimated at more than one third up on the same period in 2013, reaching €365m and accounting for 80% of the increased earnings from overseas visitors. This after the year of The Gathering!
The number of visitors coming for holiday or leisure grew by 8% over the first half of the year – just over 100,000 more visits to a total of 1.443m. However, the estimated spend by holiday visitors at €696m is almost unchanged from the same period a year earlier. This would suggest that the overall average spend per visit declined by approximately 10% in real terms.
Business visits were up 5% to 651,000, with the corresponding expenditure up 4% to just under €300m.



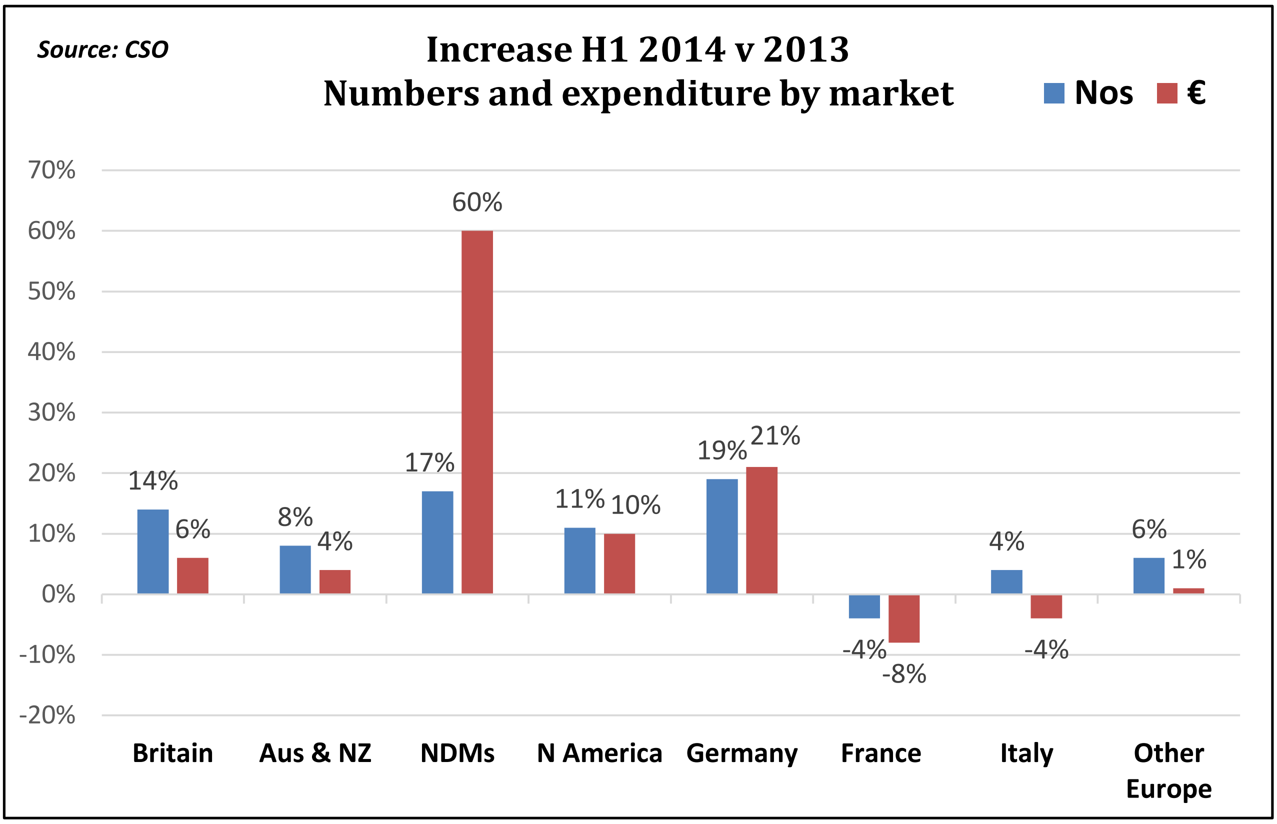
How did the source markets perform?

Visits from Britain grew by 14% in volume and 6% in value compared to the same period in 2013. The 176,000 British additional visitors accounted for more than half (55%) of the aggregate increase in visitor volume for the period. British visitors spent an estimated €394 million in the country, an increase of 6% in current terms, suggesting that the average spend per visit declined despite a stronger pound sterling. Estimated bed night demand increased by 10%, with the two thirds of the increase being stays in private homes. The average length of stay slipped marginally to 4.3 nights.

The number of arrivals from North American grew by 11%, an additional 55,000 visitors to a total of 575,000. They spent an estimated €374 million in the country, a 10% increase on the previous year, a slight decrease in expenditure per visit. Despite the increase in the number of visitors the estimate of bed nights shows only marginal change, including a drop in hotel nights, reflecting a shortening of the average stay this year down from an average 7.7 to 7.1 nights.

Demand from mainland Europe was mixed with a 19% increase in visitors from Germany, a 4% decline in French visitors, a 4% increase from Italy and from the rest of Europe. Aggregate visitor numbers from mainland Europe were up 6%, with revenue up 3%. Germany was a strong performer with expenditure growth keeping pace with volume growth, in contrast to all other European source markets where growth in spend lagged volume increases and in the case of France and Italy was in decline. A 10% growth in bed night demand appears to have outpaced volume increase, with an upturn in stays with friends and relatives. The average length of stay appears to have increased from 8.5 to 8.7 nights.

Long haul markets outside of North America returned a strong performance. Arrivals from around the world were up 13% to just over 200,000 and spending up 32% to €189m. The bulk of the growth came from the new developing markets with a 17% increase in volume and a most impressive 60% increase in value. The increase in expenditure reflects 28% more bed nights, although very little of this growth appears to have benefitted the hotel sector. Visitors from the new developing markets tended to stay longer, with the average stay this year at 14.9 nights, suggesting perhaps a strong performance from the VFR sector.



How long did they stay?

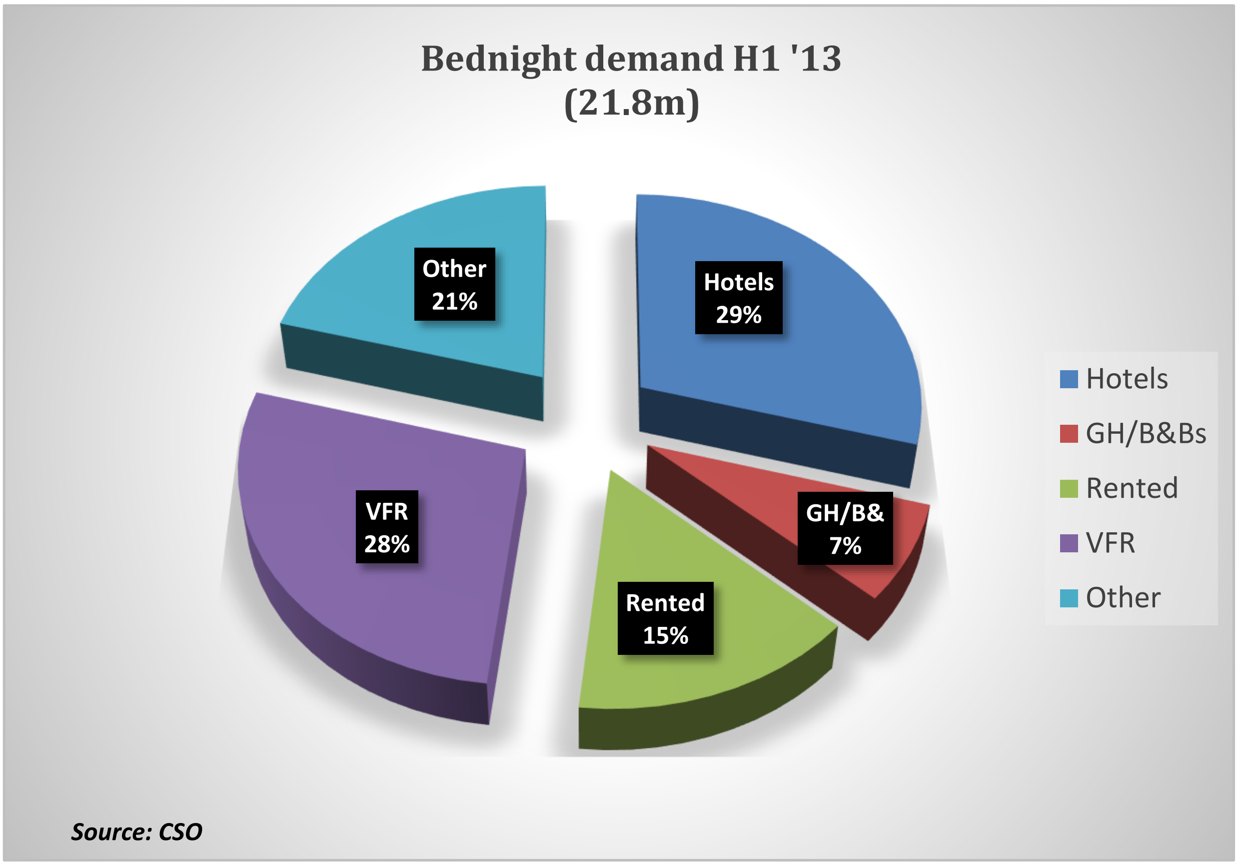
The average stay for VFR visitors increased from 7.0 to 7.2 nights over the period, while the average stay for holiday visits slipped marginally to 5.9 nights and the average business trip remained unchanged at 5 nights.

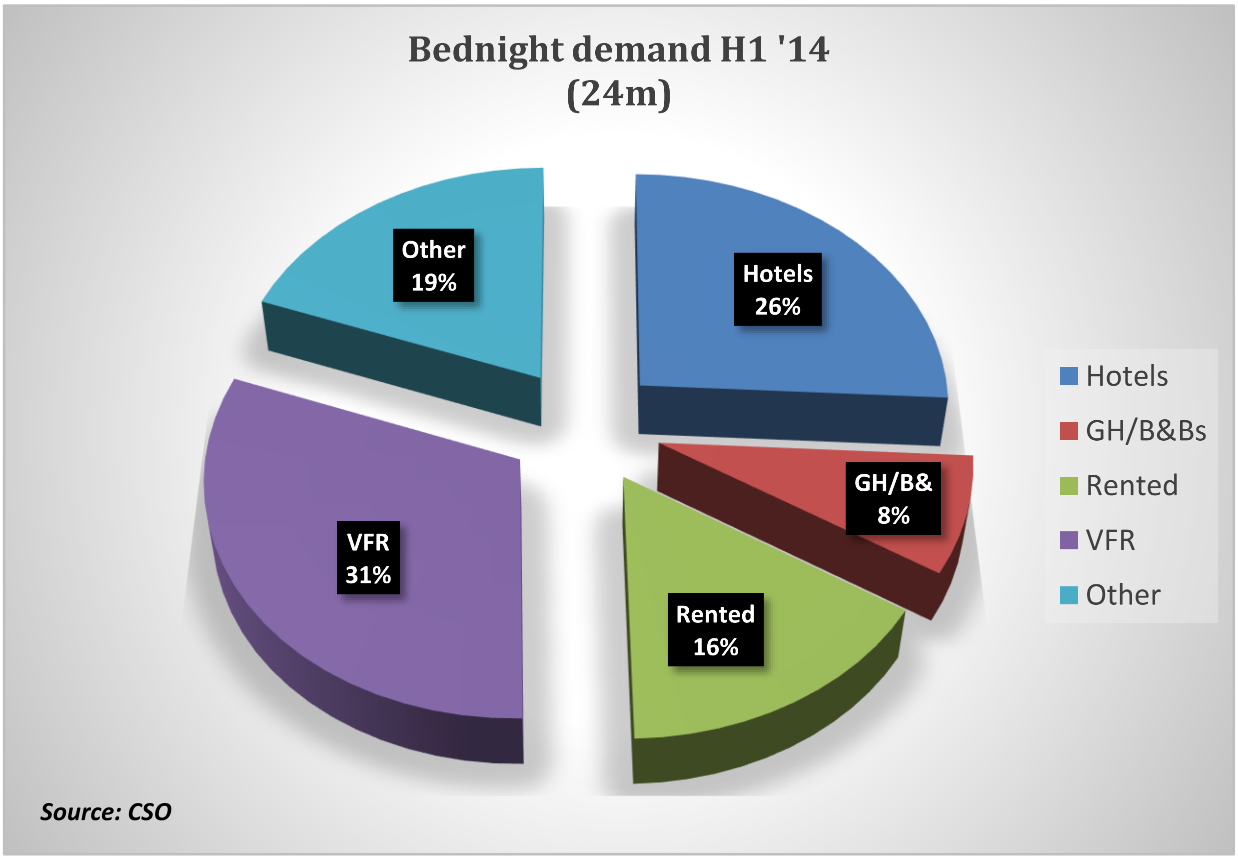
Where did visitors stay?

The aggregate number of bed nights grew in line with the volume of visitors at +10% over the first half year, with a marginal increase in length of stay in Q2. However, demand patterns in 2014 showed a significant shift from 2013.

The increase in VFR visits is reflected in a 24% increase in the number of nights spent in homes of friends and relatives. With Guesthouse/B&Bs experiencing a 20% increase and rented accommodation a 16% increase, bed nights demand for hotels dropped by 3%. The hotel sector share for the first half of the year dropped from 29% to 26%, as demand shifted to other categories of accommodation.

The number of bed nights spent by holiday visitors in hotels dropped by 8%, despite an 8% increase in the number of holiday visitors to the country. Hotel bed night demand from business visitors grew by 12%, and hotels attracted more nights from VFR visitors.





Footnote:
The above analysis is based on the following releases from the CSO
Tourism & Travel Quarter 1, 2014 (published June 12, 2014) and Tourism & Travel Quarter 2, 2014 (published September 12, 2014).