The BHA Travel Monitor

September 2016

Despite a return to growth in September, inbound holiday passenger numbers remain down -3.5% year to date versus the same period in 2015. Overall inbound passenger numbers grew +1.3% in September, and are up +2.6% year to date. However, 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 385,000 fewer holiday passengers year to date versus the same period in 2015.

Fig 1: Summary Table – September 2016

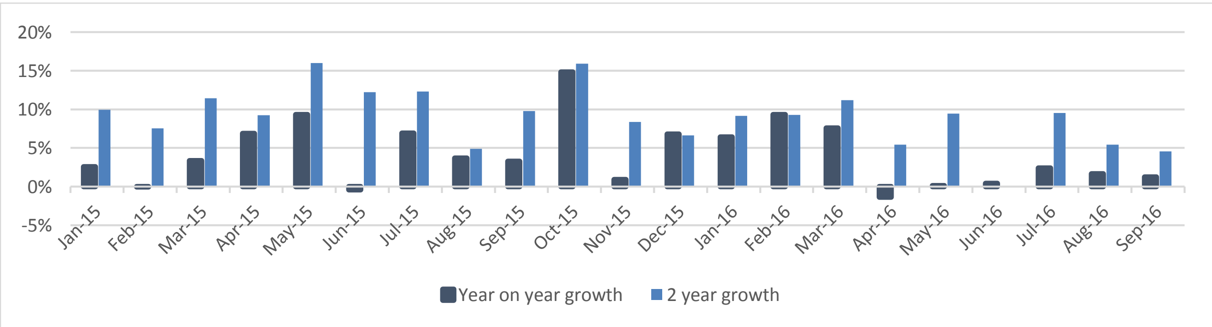
	Inbound					
	All visits	**Holiday**	**Business**	**Visiting friends or relatives**	**Outbound Holiday Passengers**	**Overseas spend in the UK**
September y/y growth	1.3%	1.1%	6.6%	1.9%	10.1%	-5.8%
September 2-yr	4.6%	0.7%	1.8%	6.6%	17.3%	-3.1%
Year to date	2.6%	-3.5%	3.8%	8.2%	5.5%	-0.4%
Rolling 3 months	1.8%	-2.2%	2.7%	5.3%	5.9%	1.0%
Rolling 12 months	3.8%	-1.6%	3.9%	8.0%	5.9%	0.8%

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 +2.6%, with 702,000 more people visiting the UK than the in same period last year. However, we note that this has been driven by business travel growth, which should benefit corporate-facing businesses
- Inbound tourism remains weak, with 385,000 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 643,000 year to date (+8.2%). 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 -5.8% in September; 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
- We note that following the Q2 review, inbound passenger numbers have been revised upwards slightly for April, May and June versus previous estimates.

Fig 2: Year on year inbound passenger growth



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

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Summary:

- **September 2016 inbound travel:** *Inbound travel to the UK in September grew 1.3% year on year, and +4.6% versus September 2014.*
- **Year to date:** *Over the past 3 months, inbound travel has grown 1.8% versus the same period 12 months ago, and has grown +2.6% year to date*
- **Country of Origin:** *Year to date, inbound travel from North America is up 3.9%, Europe +3.0% (driven by non-EU15 countries), but down -0.4% from other countries.*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +1.1% in September, but down -3.5% year to date. By contrast, outbound holiday travel is up +10.1% in August, and +5.5% year to date.*
- **Business Travel:** *Business inbound travel to the UK was up strongly year in September (+6.6%), and up +3.8% year to date. Outbound business travel was also up strongly in September (+20%), and up +1.9% year to date*
- **Inbound Spend:** *Overseas residents' spend in the UK was down -5.8% in September, and is slightly negative (-0.4%) year to date. However, UK spend overseas is up +16.6% in September, and +10.0% year to date*

Holiday Passengers

➢ However, this positive overall picture hides the fact that holiday inbound passengers are down -3.5% year to date versus the same period last year, and on a rolling 3-month basis (over the peak season summer period) -2.2% versus the same period last year.

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

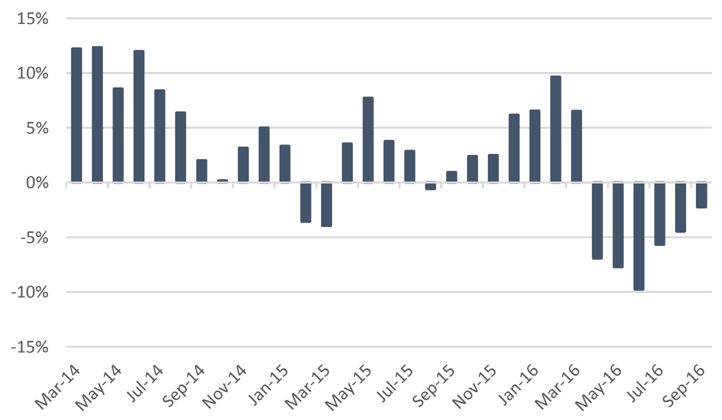


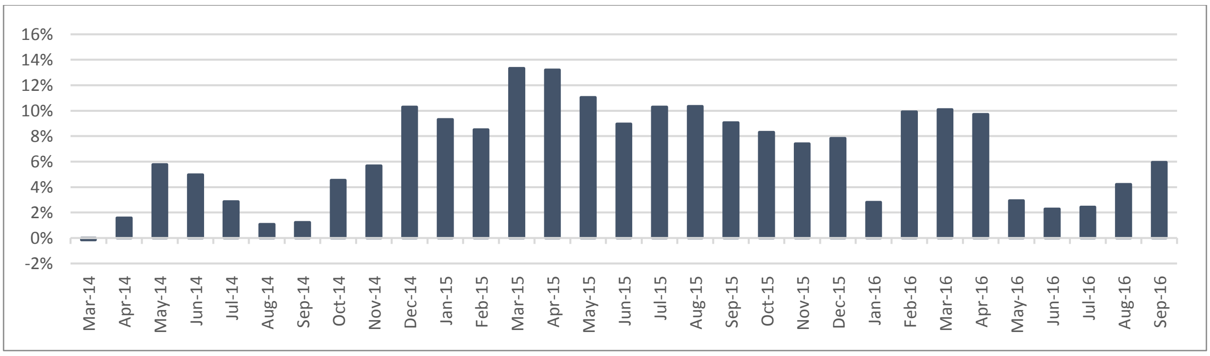
Fig 4: Inbound Holiday Passengers – year on year and 2-year growth

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

➢ There were particularly poor months in April and June, 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.

➢ By contrast, outbound holiday passenger numbers continue to grow 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

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Business Passengers

- In terms of inbound business passengers, growth remains strong. On a rolling 3-month basis business passengers are +2.7 year on year, and year to date business passenger numbers are up +3.8% versus the same period in 2015.

- September business inbound passenger numbers are up +6.6% versus September 2015, although only up +1.8% versus September 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

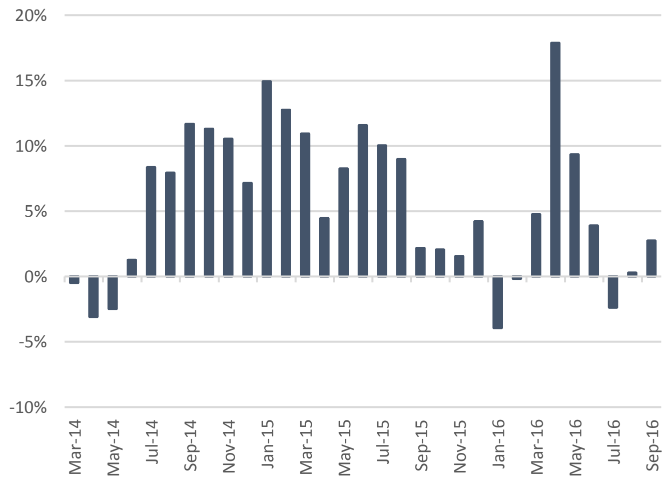
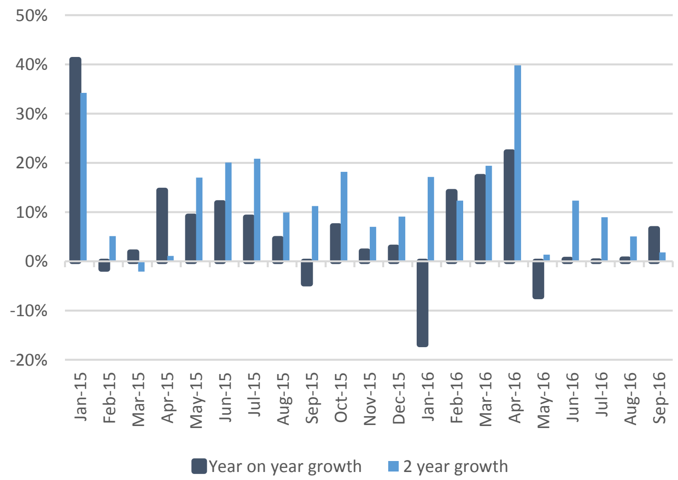


Fig 7: Inbound Business Passengers – year on year and 2-year growth



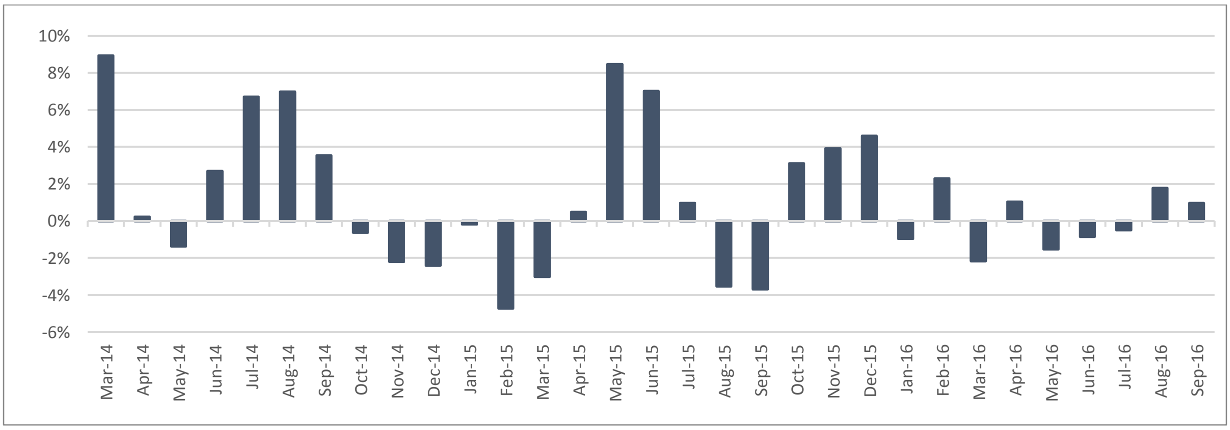
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel was up strongly in September (+20% year on year), and is up +1.9% year to date. September's strong performance 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 -5.8% in September, or -3.1% on a 2-year view versus September 2014. On a rolling 3-month view, overseas spend in the UK is now positive (+1.0%), but year to date remains negative at -0.4% versus the same period last year. By contrast, overseas spend by UK residents has grown +10% 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
September y/y growth	1.3%	1.1%	6.6%	1.9%	-13.8%
September 2-yr growth	4.6%	0.7%	1.8%	6.6%	28.6%
Year to date	2.6%	-3.5%	3.8%	8.2%	9.0%
Rolling 3 months	1.8%	-2.2%	2.7%	5.3%	7.1%
Rolling 12 months	3.8%	-1.6%	3.9%	8.0%	13.7%

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	28,133	10,621	6,763	8,495	2,243
Year to date 2015	27,432	11,006	6,516	7,852	2,057
Difference	702	-385	247	643	186
Difference (%)	2.6%	-3.5%	3.8%	8.2%	9.0%

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
September y/y growth	1.3%	7.4%	0.4%	2.1%
September 2-yr growth	4.6%	1.6%	5.7%	4.4%
Year to date	2.6%	3.9%	3.0%	-0.4%
Rolling 3 months	1.8%	8.1%	0.1%	2.8%
Rolling 12 months	3.8%	5.5%	3.6%	3.0%

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
September y/y growth	0.4%	-0.2%	5.1%	1.0%	-4.4%
September 2-yr growth	5.7%	5.5%	7.7%	1.0%	28.9%
Year to date	3.0%	3.1%	1.7%	1.9%	9.4%
Rolling 3 months	0.1%	0.9%	-8.0%	1.2%	1.7%
Rolling 12 months	3.6%	4.0%	0.0%	2.8%	10.0%

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
September y/y growth	11.4%	10.1%	19.9%	13.3%	8.4%
Year to date	6.8%	5.5%	1.9%	11.2%	21.5%

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
September y/y growth	11.4%	-1.5%	11.9%	15.1%
Year to date	6.8%	5.0%	7.9%	1.5%

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