The BHA Travel Monitor
January 2017

Inbound holiday passenger numbers in January increased by 19% year on year, continuing the strong growth seen at the end of 2016. Inbound business passenger growth has also rebounded strongly, up 21% year on year, albeit against weak comps. Inbound passengers visiting friends and family was flat, although up 15% on a 2-year view. Overseas spend in the UK was up 15% year on year, ahead of the total inbound passenger numbers growth of 11% - likely aided by the weaker currency. Outbound holiday passengers continue to grow (+7% year on year), as does UK resident spend overseas (+5% y/y)

Fig 1: Summary Table – January 2017

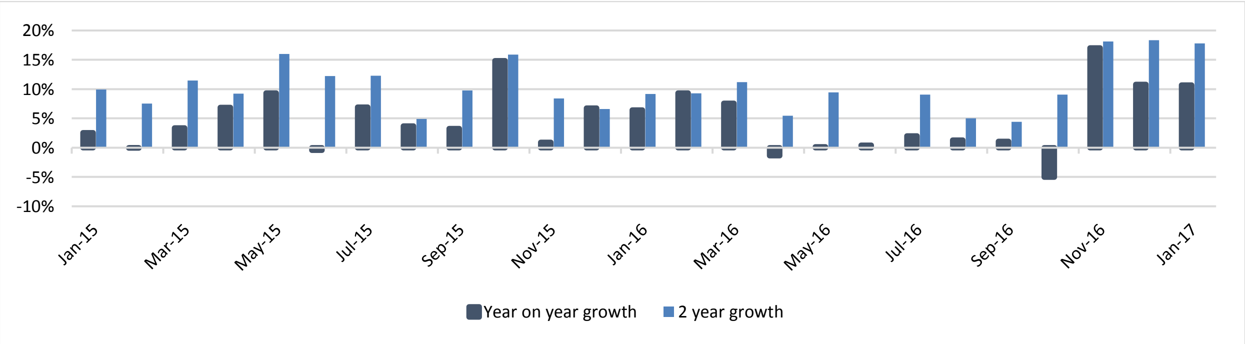
	Inbound				Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives		
January y/y growth	10.7%	19.1%	20.6%	-0.2%	7.0%	14.9%
January 2-yr growth	17.8%	37.4%	0.2%	14.6%	7.6%	11.5%
2016 growth	3.4%	-0.3%	2.4%	9.9%	6.3%	0.4%
Rolling 3 months	12.9%	22.2%	5.1%	12.6%	7.7%	7.9%
Rolling 12 months	3.7%	0.0%	5.1%	8.5%	6.5%	1.4%

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

Key conclusions and what this means for the British hospitality sector

- January 2017 inbound travel grew +10.7%, with particularly strong growth coming from EU-15 countries (+18% y/y). A return to growth in inbound business passengers should benefit corporate-facing businesses – although we note that this is against weak comps.
- Inbound tourism in January has shown a continuation of the very strong growth seen towards the end of 2016, after a poor summer period. 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 continue to grow, suggesting a slowdown in the UK staycation market; while this is likely being more than offset by the growth in inbound holiday passengers, it could be having a regional impact on certain businesses
- Visiting friends or relatives (VFR) travel was the main driver of inbound passenger growth in 2016, but is now against tough comps. 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 grew 15% year on year, ahead of the total inbound passenger numbers growth of 11% - likely aided by the weaker currency encouraging inbound travellers to spend more once they're in the UK. Overseas spend by UK residents grew by 5% year on year.

Fig 2: Year on year inbound passenger growth



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

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Summary:

- **January 2017 inbound travel:** *Inbound travel to the UK in January increased +11% year on year; inbound travel grew by +18% versus January 2015.*
- **Rolling 3 months:** *Over the past 3 months, inbound travel has increased by +13% versus the same period 12 months ago, with January continuing the strong growth seen at the end of 2016*
- **Country of Origin:** *For 2016, inbound travel from North America was up 7%, Europe +4% (driven by non-EU15 countries), but down -3% from other countries. However, January has seen European inbound travel growth of +13%, with EU-15 countries growing +18%*
- **Holiday Travel:** *Holiday inbound travel to the UK is up +19% in January (+146,000 passengers), and up 37% versus January 2015. Outbound holiday travel is up +7% in January (+135,000 passengers).*
- **Business Travel:** *Business inbound travel to the UK grew by +20% in January, but that was against weak comps, and is flat versus January 2015. Outbound business travel grew +8% y/y in January*
- **Inbound Spend:** *Overseas residents' spend in the UK grew +15% in January, albeit against weak comps, with 2 year growth of +11%. UK spend overseas was up +5% in January, and +9% on a 2 year basis*

Holiday Passengers

- Holiday inbound travel to the UK in January has shown a continuation of the very strong growth (+19% / +146k 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. 2 year growth of more than 25% in both November and December has been followed by January 2 year growth of over 35%, which is very encouraging

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

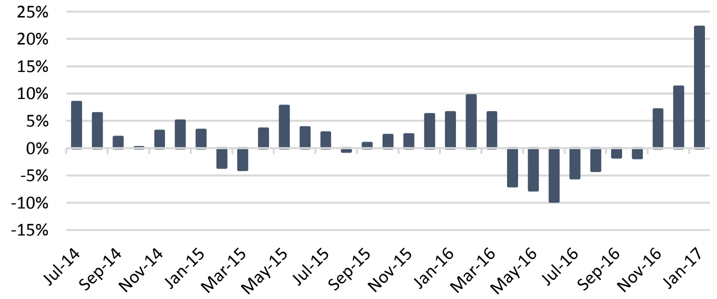
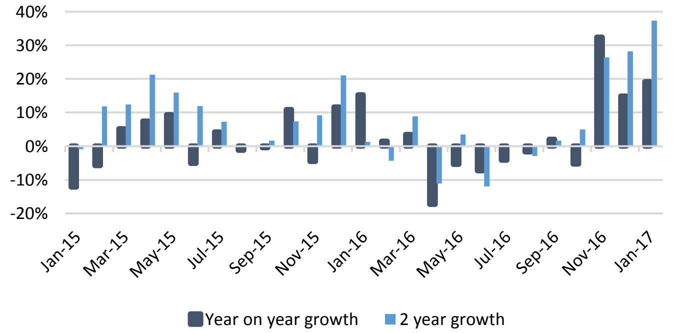


Fig 4: Inbound Holiday Passengers – year on year and 2-year growth

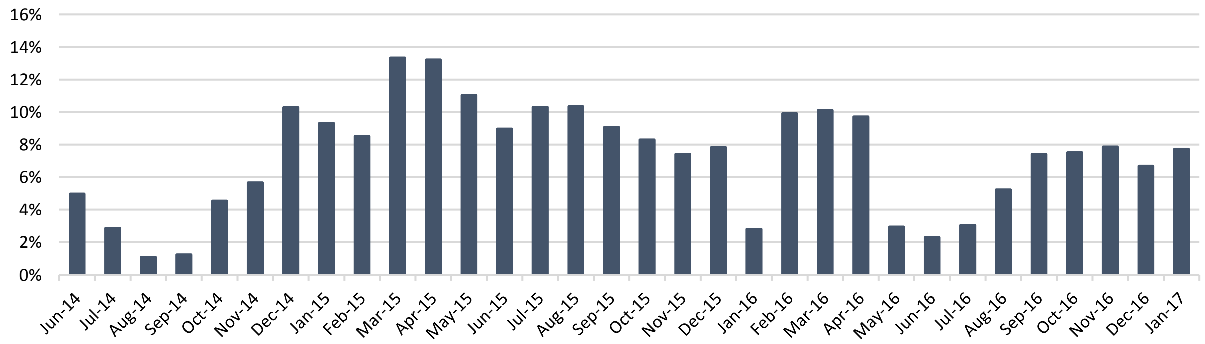


Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- 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. 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 continue to grow (+7% / +135k passengers y/y), suggesting a slowdown in the UK staycation market; while this is likely being more than offset by the growth in inbound holiday passengers, it could be having a regional impact on certain businesses

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, January 2017 saw passenger number growth of +21% versus January 2016, which equates to 118,000 more inbound passengers.
- January business inbound passenger numbers were flat on a 2-year view versus January 2015, although we note that January 2015 was very strong (+41% vs Jan 2014)
- 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

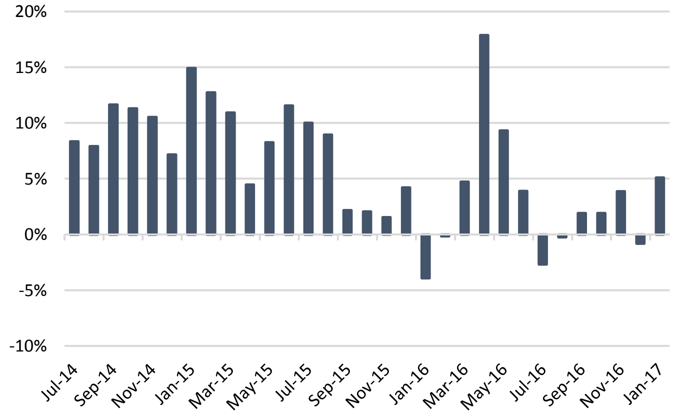
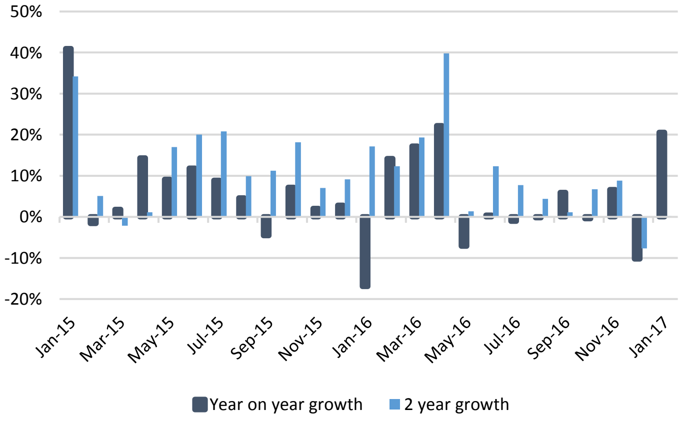


Fig 7: Inbound Business Passengers – year on year and 2-year growth



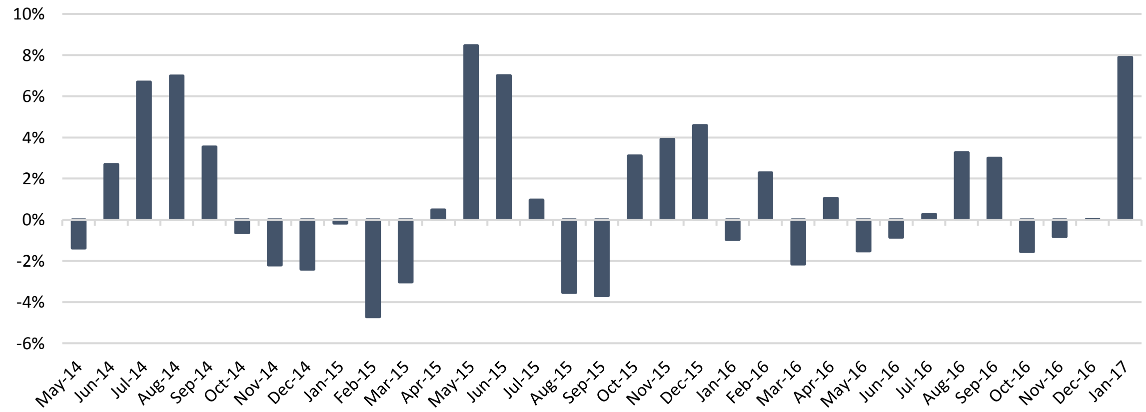
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel in January was up +8% year on year, although only up slightly (+3%) versus January 2015. Outbound business travel was flat for 2016 as a whole.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK grew by +15% year on year in January (albeit against weaker comps), compared to less than 1% growth for 2016 as a whole. On a 2-year view, overseas spend in the UK grew by +11% versus January 2015.
- UK spend overseas was up +5% in January, and +9% on a 2-year basis. This compares to +11% growth in 2016 overall.

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
January y/y growth	10.7%	19.1%	20.6%	-0.2%	6.7%
January 2-yr growth	17.8%	37.4%	0.2%	14.6%	30.6%
2016 growth	3.4%	-0.3%	2.4%	9.9%	0.1%
Rolling 3 months	12.9%	22.2%	5.1%	12.6%	3.5%
Rolling 12 months	3.7%	0.0%	5.1%	8.5%	-0.7%

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)

Inbound Passenger numbers ('000s)	All Visits	Holiday	Business	Visiting friends or relatives	Miscellaneous	Outbound holiday passengers
January 2017	2,850	910	690	1,030	220	2,070
January 2016	2,574	764	572	1,032	206	1,935
Difference	276	146	118	- 2	14	135
Difference (%)	10.7%	19.1%	20.6%	-0.2%	6.7%	7.0%

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
January y/y growth	10.7%	6.5%	12.6%	6.7%
January 2-yr growth	17.8%	11.0%	21.6%	7.8%
2016 growth	3.4%	7.0%	4.2%	-2.7%
Rolling 3 months	12.9%	19.0%	13.0%	9.4%
Rolling 12 months	3.7%	7.1%	4.5%	-2.3%

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
January y/y growth	12.6%	13.9%	0.1%	17.9%	-1.7%
January 2-yr growth	21.6%	22.5%	12.2%	29.0%	-2.4%
2016 growth	4.2%	4.5%	0.8%	3.4%	9.7%
Rolling 3 months	13.0%	14.7%	-3.1%	15.5%	11.3%
Rolling 12 months	4.5%	4.9%	-0.1%	4.0%	9.6%

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
January y/y growth	9.0%	7.0%	7.6%	11.9%	6.4%
2016 growth	7.2%	6.3%	-0.1%	11.8%	21.4%

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
January y/y growth	9.0%	-16.6%	11.7%	7.9%
2016 growth	7.2%	4.4%	8.4%	1.9%

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