

The BHA Travel Monitor

June 2017

Inbound passenger numbers in June returned to growth, +7% year on year, a significant improvement on the -2% in May, but still below the +13% growth seen in Jan-April. Inbound growth continues to be driven by North America (+34% y/y), while short-haul travel remains subdued, with Europe growth of only +2% (albeit a marked improvement on the -10% seen in May). Holiday inbound passengers grew strongly at +21% y/y, although inbound business travellers continue to decline, -7% y/y and -3% year to date. Overseas spend in the UK grew +2% y/y, which is at a slower rate than the growth in visitor numbers. Outbound holiday passengers increased +7% in June – rebounding from the -5% decline in May.

Fig 1: Summary Table – June 2017

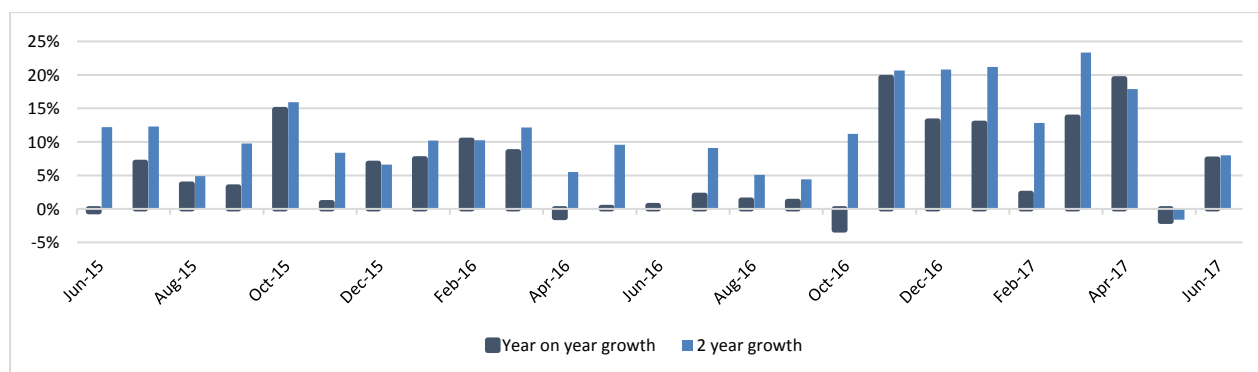
	Inbound					Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives	Misc.		
June y/y growth	7.4%	20.9%	-6.5%	1.8%	6.0%	7.1%	1.8%
June 2-yr growth	8.0%	12.2%	-6.0%	11.9%	21.1%	11.9%	-1.6%
Year to date	8.7%	20.4%	-2.8%	4.0%	13.1%	3.8%	11.0%
Rolling 3 months	7.8%	20.0%	-3.6%	1.5%	5.8%	2.7%	8.0%
Rolling 12 months	6.6%	11.6%	-0.3%	7.5%	1.8%	6.0%	7.3%

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

Key conclusions and what this means for the British hospitality sector

- June 2017 inbound travel increased +7% year on year, driven by a +34% increase in passengers from North America, partially offset by continued weakness from Europe. Inbound business passengers declined -7% in June, and YTD business inbound passenger number growth remains negative
- Inbound holiday passenger growth in May of +21% is a significant rebound in growth compared to the +2% seen in May, and is closer to the +28% seen in the first four months of the year. However, we note the easy comps, with inbound holiday passengers down -7% y/y in June 2016; holiday inbound passengers are therefore up +12% in June 2017 vs June 2015
- Outbound holiday passenger numbers have returned to growth (+7%) after a decline in May, this implies a potentially weaker domestic staycation market in the UK
- Visiting friends or relatives (VFR) travel remains subdued – however, this is against tough comps in 2016, and passenger numbers are +12% on a 2-year view versus June 2015
- Overall UK spend by overseas residents grew 2% year on year, which is below the overall growth in visitor numbers; this is surprising, given the positive 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:

- **June 2017 inbound travel:** Inbound travel to the UK in June increased +7% year on year, a significant improvement on the -2% in May, but still below 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 +12% versus the same period in 2015
- **Country of Origin:** Inbound travel from North America was the main driver of growth (+34% y/y). Europe rebounded from -10% in May to +2% in June, although this compares to +8% in Jan-April
- **Holiday Travel:** Holiday inbound travel to the UK is up +21% in June (+268,000 passengers), and up 20% year to date (+1.3m passengers). Outbound holiday travel is +4% year to date (+733,000 passengers)
- **Business Travel:** Business inbound travel to the UK declined -7% y/y in June, and -6% versus June 2015; and YTD business inbound passenger number growth remains negative at -3%
- **Inbound Spend:** Overseas residents' spend in the UK grew +2% in June, which is below the growth in passenger numbers, and a slowdown on the YTD growth of +11%. UK spend overseas grew +15% in June, and is +6% YTD

Holiday Passengers

- Holiday inbound travel to the UK in June of +21% is a significant improvement on the weak growth in May, and a return to the positive trend that we have seen since the end of 2016. Inbound holiday passenger numbers were up +12% compared to June 2015

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

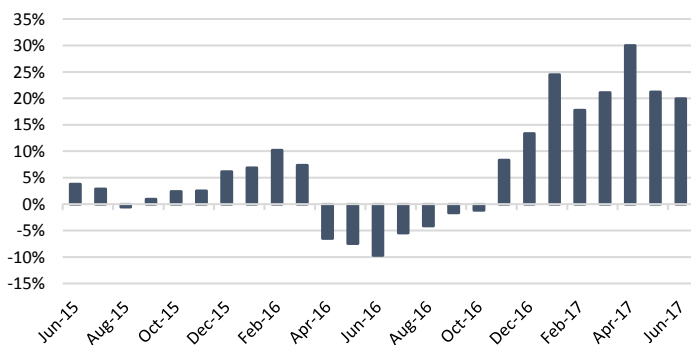
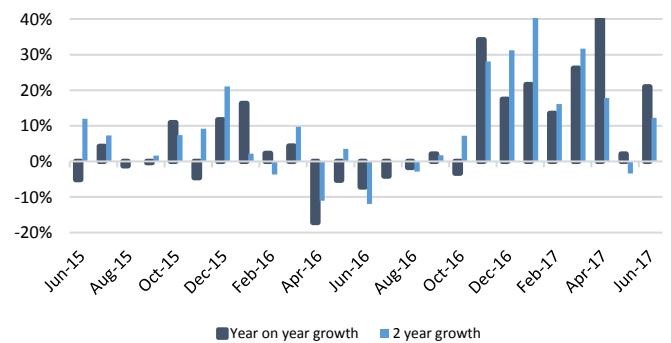


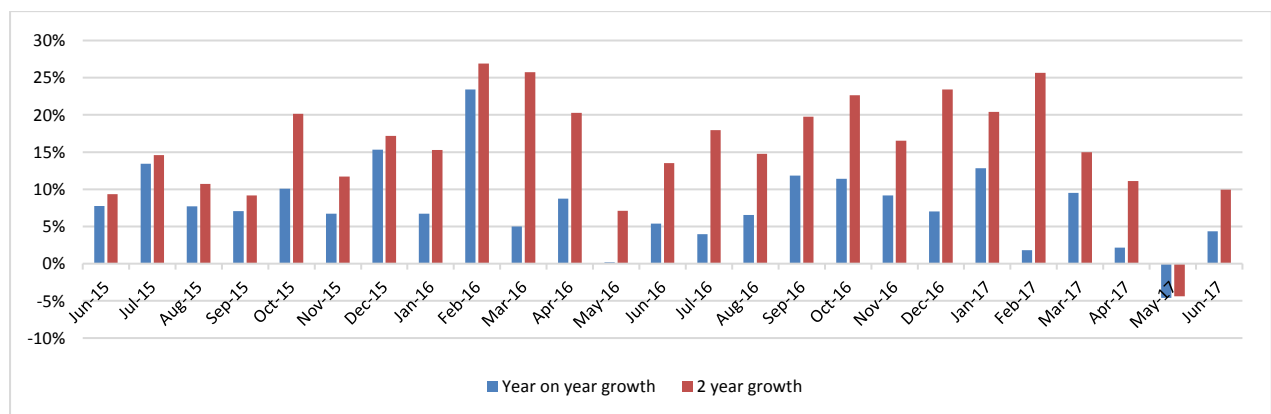
Fig 4: Inbound Holiday Passengers – year on year and 2-year growth



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 rebounded to +7% y/y growth in June, after May's -5% decline

Fig 5: Year on year and 2-year growth in outbound holiday passenger growth



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

Business Passengers

- In terms of inbound business passengers, June 2017 saw passenger numbers decline -7%, with 56,000 fewer inbound passengers. Inbound business passengers are down -2.8% year to date (129,000 fewer passengers).
- June business inbound passenger numbers declined -6% on a 2-year view versus June 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

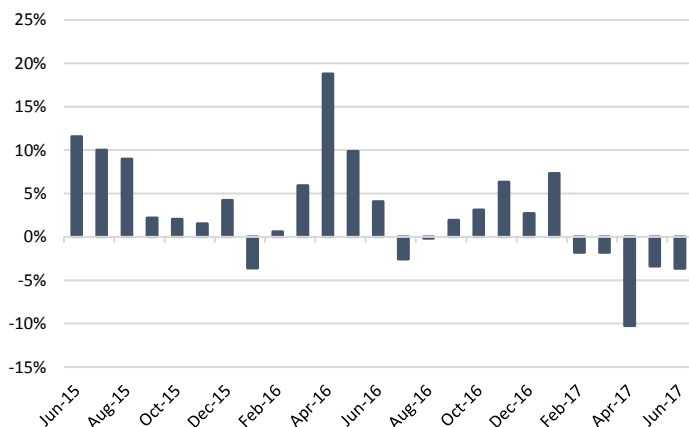
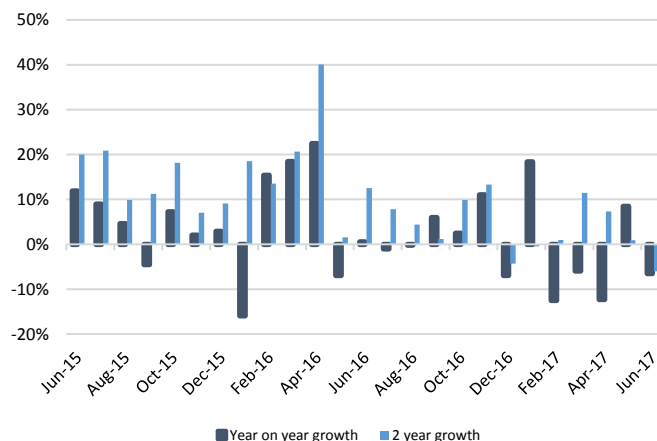


Fig 7: Inbound Business Passengers – year on year and 2-year growth



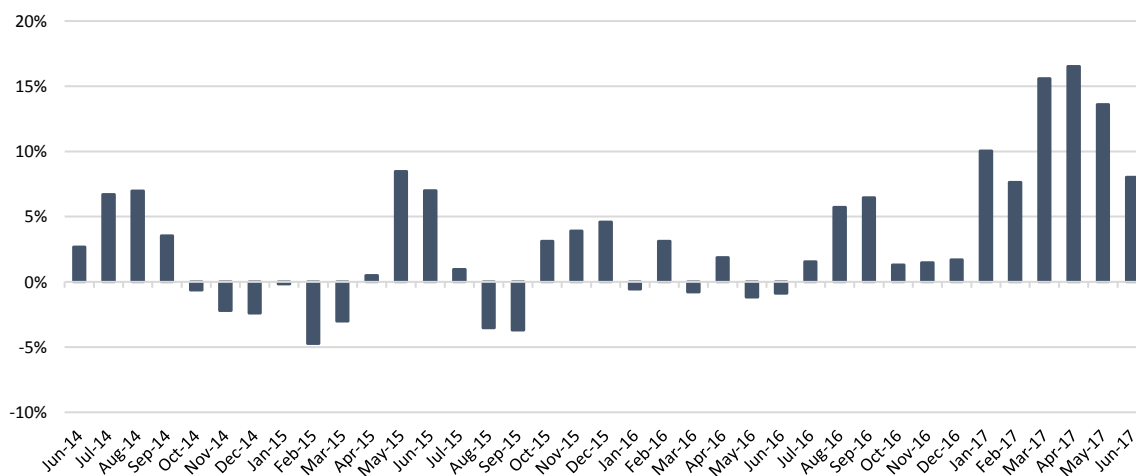
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Outbound business travel increased +3% in June, although this was against very weak comps; on a 2 year view, outbound business travellers declined -16% versus June 2015. Outbound business travel was flat for 2016, and is -1% year to date.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK grew by +2% year on year in June, compared to inbound visitor numbers +7%. This is surprising, given the positive mix effect of proportionately more visitors from N. America and lower VFRs.
- UK spend overseas grew +15% in June, by +24% on a 2-year basis, and by +6% 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
June y/y growth	7.4%	20.9%	-6.5%	1.8%	6.0%
June 2-yr growth	8.0%	12.2%	-6.0%	11.9%	21.1%
Year to date	8.7%	20.4%	-2.8%	4.0%	13.1%
Rolling 3 months	7.8%	20.0%	-3.6%	1.5%	5.8%
Rolling 12 months	6.6%	11.6%	-0.3%	7.5%	1.8%

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	19,047	7,526	4,532	5,507	1,481	20,118
Year to date 2016	17,519	6,252	4,661	5,295	1,310	19,385
Difference	1,529	1,275	- 129	212	171	733
Difference (%)	8.7%	20.4%	- 2.8%	4.0%	13.1%	3.8%

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
June y/y growth	7.4%	34.5%	2.2%	5.0%
June 2-yr growth	8.0%	37.8%	1.4%	9.6%
Year to date	8.7%	25.4%	4.5%	20.4%
Rolling 3 months	7.8%	29.3%	2.6%	19.4%
Rolling 12 months	6.6%	18.6%	4.8%	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
June y/y growth	2.2%	1.8%	6.5%	-1.3%	14.1%
June 2-yr growth	1.4%	1.0%	6.5%	-5.7%	39.5%
Year to date	4.5%	3.8%	12.1%	4.2%	2.0%
Rolling 3 months	2.6%	1.5%	14.4%	0.1%	8.1%
Rolling 12 months	4.8%	4.9%	3.2%	4.5%	6.5%

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
June y/y growth	4.3%	7.1%	3.4%	4.0%	-38.4%
Year to date	3.8%	3.8%	-1.0%	8.1%	-11.1%

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
June y/y growth	4.3%	-7.0%	2.8%	22.7%
Year to date	3.8%	-3.9%	2.5%	12.9%

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