BHA Quarterly Inbound Travel Analysis Q3 2017

Overseas spend in the UK grew by 7.7% in Q3 2017 – lower than the 14% seen in H1, but a significant improvement compared to a relatively weak 2016. Growth in inbound holiday spend has been the main driver, although again, at a lower rate than seen in H1. Spend by business passengers declined substantially (-20% y/y) in Q3, in line with the continued weakness in passenger numbers. Overall inbound spend was strongly positive in London, and positive in Scotland, but strongly negative in the England regions and slightly negative in Wales. Overnight visits to Scotland were particularly strong (+15% y/y).

Fig 1: Q3 2017 year on year growth in spend from abroad – by purpose of visit

£ million	Q3 17	Q3 16	Change (£m)	Change (%)	H1 17	H1 16	Change (£m)	Change (%)	FY 16	FY 15	Change (£m)	Change (%)
Holiday	4,068	3,420	648	18.9%	4,558	3,472	1,086	31.3%	8,732	8,602	130	1.5%
Business	1,191	1,483	-292	-19.7%	2,648	2,470	178	7.2%	5,452	5,403	50	0.9%
Visit friends or relatives	1,986	1,654	332	20.1%	2,459	2,167	292	13.5%	5,053	4,796	257	5.4%
Miscellaneous	936	1,036	-100	-9.6%	1,154	1,409	-254	-18.1%	3,277	3,241	36	1.1%
All visits	**8,189**	**7,603**	**586**	**7.7%**	**10,833**	**9,531**	**1,302**	**13.7%**	**22,543**	**22,072**	**471**	**2.1%**

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

What does this mean for the British Hospitality Sector?

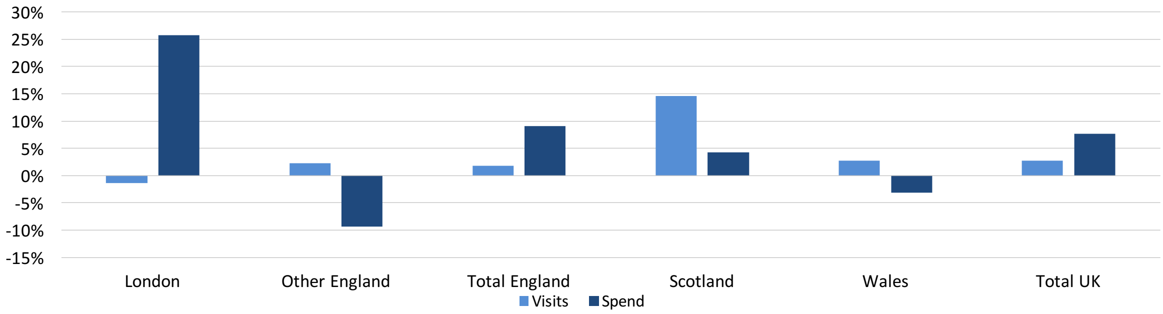
- Q3's growth in spend by overseas visitors was a continuation of the recovery seen in H1 2017, albeit at a significantly lower growth rate. The growth has been driven by holiday passengers, which would imply a boost to tourist-facing businesses in the hospitality sector. However, we note that this is not consistent with what operators have been seeing. This suggests that the incremental spend has been focused on other areas such as the retail sector (rather than the hospitality sector) and / or the weakness in domestic demand has more than offset the benefit of higher visitor spend

- Spend by business passengers declined by -20% in Q3, after showing growth in H1. This suggests that companies exposed to business travellers are yet to experience a significant recovery

- The recovery in spend has been strongest in London (+26% y/y), despite the number of overnight visits being down slightly. By contrast, English Regions has seen a -9% decline in spend, despite a 2% growth in overnight visits.

- Hospitality businesses in Scotland should continue to benefit from the growth in spend (+4% y/y in Q3), although this is a significant slowdown in spend compared to the 35% growth in H1 2017. Wales has seen a -3% decline in spend in Q3, which is a significant improvement compared to the -23% decline in Q2 17.

Fig 2: Q3 2017 year on year growth in overnight visits and spend from abroad – by region



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

British Hospitality Association, Augustine House, 6a Austin Friars, London EC2N 2HA
Registered in England as British Hospitality Association. A company limited by guarantee. Registration No. 109030
bha@bha.org.uk, www.bha.org.uk, @BHAtweets

Summary:

- **Spend from abroad by purpose of visit:** *There has been a continued strong recovery in spend by holiday travellers in Q3 17 – albeit at a slower rate than that seen in H1 17 – while business spend continues to lag. Overall inbound spend in the UK has increased by 11% YTD in 2017, an increase of £1.9bn – this compares to an increase of £471m for the whole of 2016*
- **Overnight visits to the UK by region:** *Q3 saw 3% growth in overnight visits in the UK, with strong growth in Scotland in particular (+15% y/y). Wales' Q3 growth of +3% was against very tough comps, and overnight visits grew +12% compared to Q3 2015*
- **Spend from abroad by region:** *Spend in London was exceptionally strong in Q3, on both a one year (+26% y/y) and two-year (+22% vs Q3 2015) basis. By contrast, Regional England saw spend declines of -9% y/y, although it was +6% versus Q3 2015. Wales saw spend decline by -3% year on year – a significant improvement on the -23% seen in Q2, while Scotland returned +4% y/y growth against tough comps, with 2 year growth of +19%*

Spend from abroad by purpose of visit

- There has been a continued strong recovery in spend by holiday travellers in Q3 17 – albeit at a slower rate than that seen in H1 17 – while business spend continues to lag. Overall inbound spend in the UK has increased by 11% YTD in 2017, an increase of £1.9bn – this compares to an increase of £471m for the whole of 2016

- Spend by inbound holiday passengers increased by an estimated £1.7bn (+25%) YTD in 2017 compared the same period in 2016; on a 2-year view the growth rate is also very strong (+24%)

Fig 3: Year on year growth in spend from abroad – holiday passengers

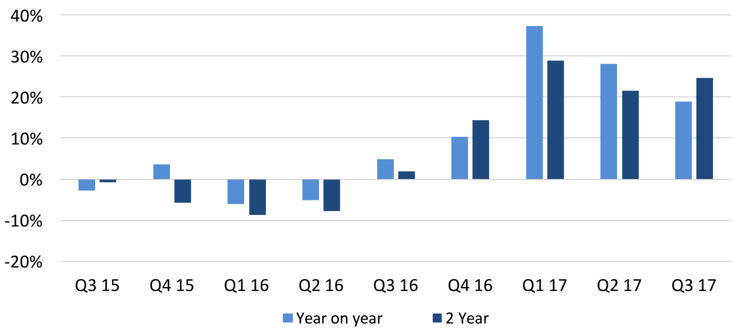
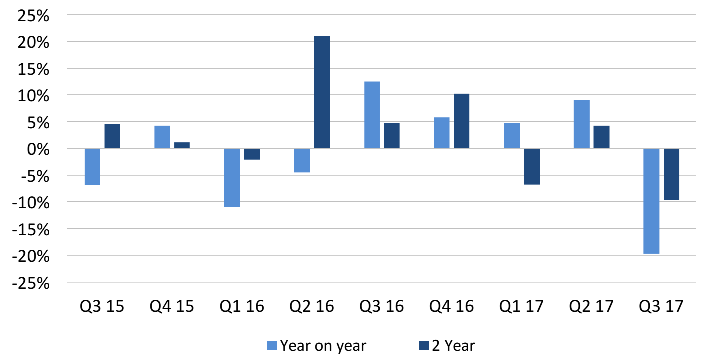


Fig 4: Year on year growth in spend from abroad – business passengers



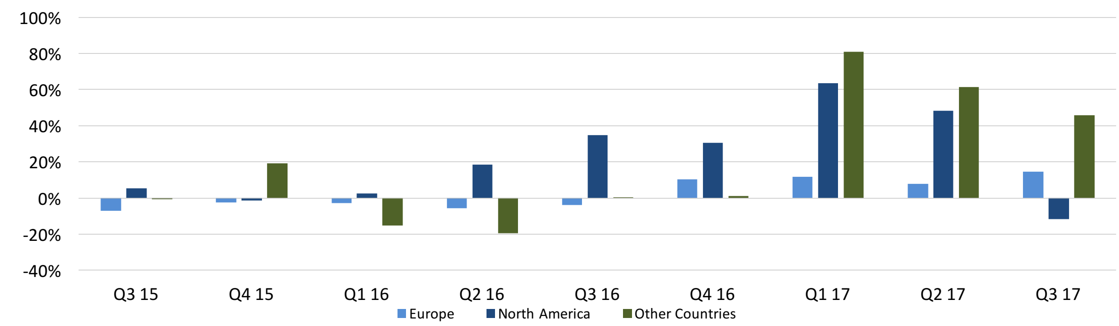
Source: International Passenger Survey, ONS data, British Hospitality Association analysis

- Spend by inbound business passengers has declined by an estimated £114m (-3%) year to date

Holiday passenger spend by source region

- We have broken down the holiday spend by the source region. The recovery in H2 16 and H1 17 holiday spend was driven by inbound passengers from North America. However, this trend reversed in Q3 2017, which is consistent with the change in visitor numbers. 'Other Countries' continues to return strong growth, up +46% year on year.

Fig 5: Q3 2017 year on year growth in holiday spend from abroad – by source region



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

Overnight visits by region

- Q3 saw 3% growth in overnight visits in the UK, with strong growth in Scotland in particular (+15% y/y). Wales' Q3 growth of +3% was against very tough comps, and overnight visits grew +12% compared to Q3 2015

Fig 6: Year on year growth in overnight visits – by region

Thousands	Q3 17	Q3 16	Change ('000s)	Change (%)	H1 17	H1 16	Change ('000s)	Change (%)	FY 16	FY 15	Change ('000s)	Change (%)
London	5,125	5,200	-74	-1.4%	9,983	8,855	1,128	12.7%	19,060	18,581	478	2.6%
Other England	5,013	4,900	113	2.3%	7,715	7,295	419	5.7%	15,979	15,169	810	5.3%
Total England	9,440	9,279	161	1.7%	16,805	15,330	1,475	9.6%	32,970	31,820	1,150	3.6%
Scotland	1,260	1,099	161	14.6%	1,291	1,132	159	14.0%	2,747	2,592	155	6.0%
Wales	417	406	11	2.7%	493	451	41	9.1%	1,074	970	105	10.8%
Total UK	**10,950**	**10,659**	**291**	**2.7%**	**19,155**	**17,519**	**1,637**	**9.3%**	**37,609**	**36,115**	**1,494**	**4.1%**

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

Fig 7: Year on year growth in overnight visits – London

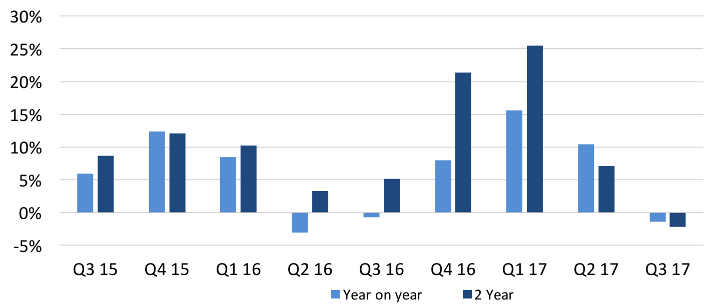
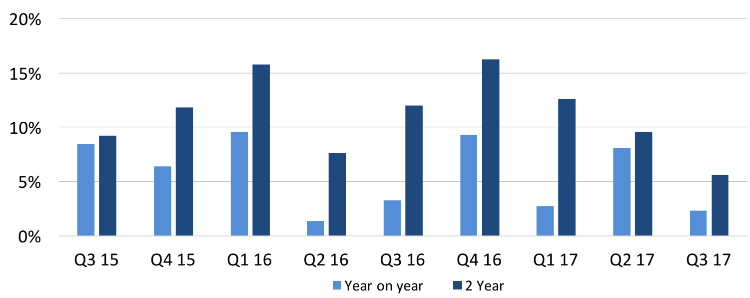


Fig 8: Year on year growth in overnight visits – England ex-London



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

Fig 9: Year on year growth in overnight visits – Total England

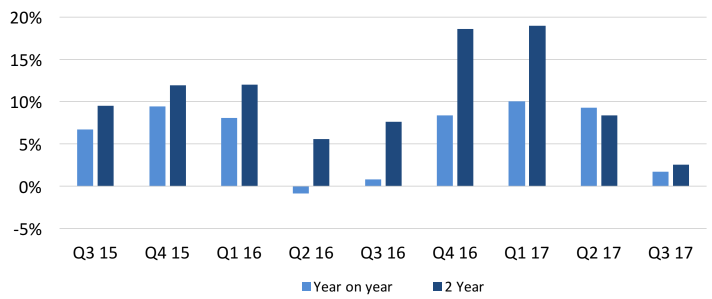
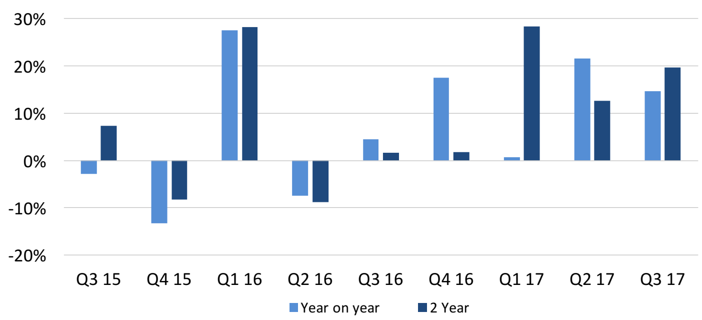


Fig 10: Year on year growth in overnight visits – Scotland



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

Fig 11: Year on year growth in overnight visits – Wales

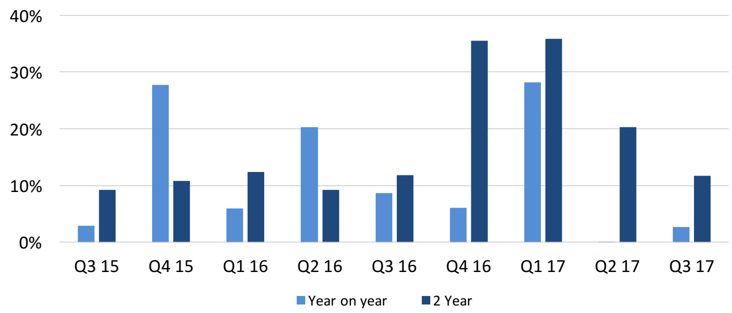
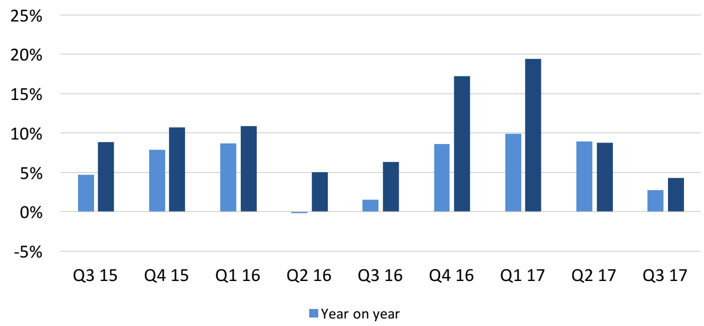


Fig 12: Year on year growth in overnight visits – Total UK



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

Spend from abroad by region

- Spend in London was exceptionally strong in Q3, on both a one year (+26% y/y) and two-year (+22% vs Q3 2015) basis. By contrast, Regional England saw spend declines of -9% y/y, although it was +6% versus Q3 2015. Wales saw spend decline by -3% year on year – a significant improvement on the -23% seen in Q2, while Scotland returned +4% y/y growth against tough comps, with 2-year growth of +19%

Fig 13: Year on year growth in spend – by region

£ million	Q3 17	Q3 16	Change (£m)	Change (%)	H1 17	H1 16	Change (£m)	Change (%)	FY 16	FY 15	Change (£m)	Change (%)
London	4,230	3,364	866	25.8%	6,128	5,272	856	16.2%	11,869	11,919	-51	-0.4%
Other England	2,751	3,037	-285	-9.4%	3,312	3,079	233	7.6%	7,818	7,508	310	4.1%
Total England	6,981	6,400	581	9.1%	9,439	8,351	1,089	13.0%	19,686	19,427	259	1.3%
Scotland	890	854	36	4.3%	956	708	248	35.1%	1,850	1,695	154	9.1%
Wales	178	183	-6	-3.1%	159	185	-25	-13.6%	444	410	34	8.3%
Total UK	**8,189**	**7,603**	**586**	**7.7%**	**10,833**	**9,531**	**1,302**	**13.7%**	**22,543**	**22,072**	**471**	**2.1%**

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

Fig 14: Year on year growth in spend – London

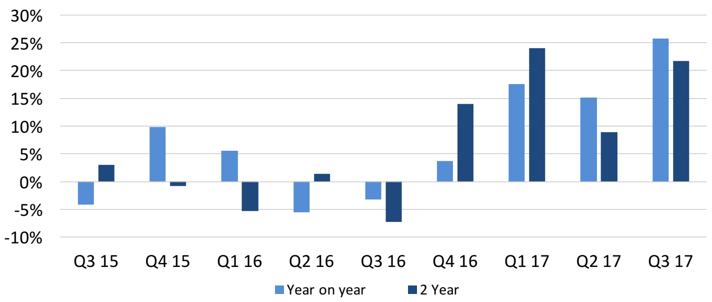
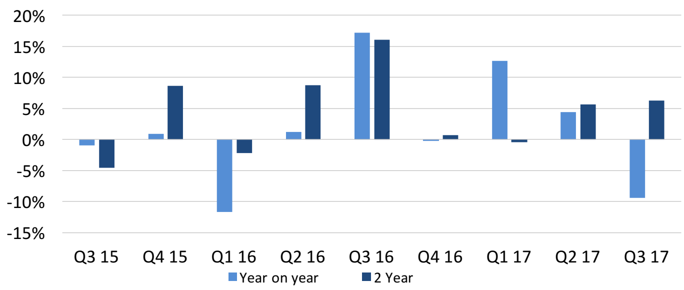


Fig 15: Year on year growth in spend – England ex-London



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

Fig 16: Year on year growth in spend – Total England

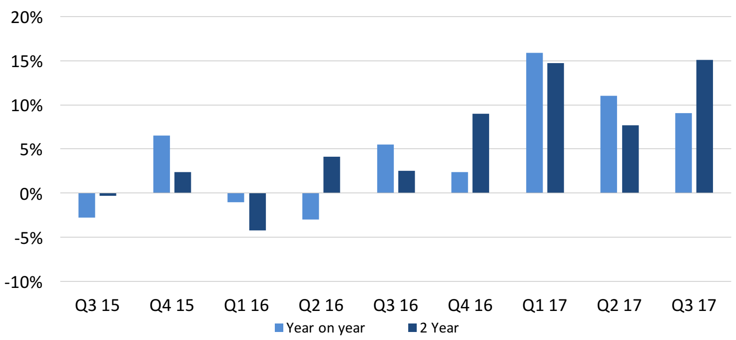
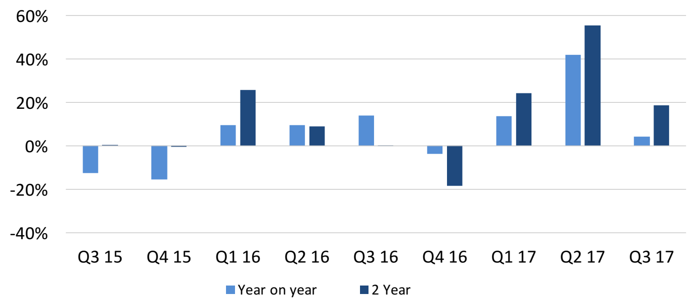


Fig 17: Year on year growth in spend – Scotland



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

Fig 18: Year on year growth in spend – Wales

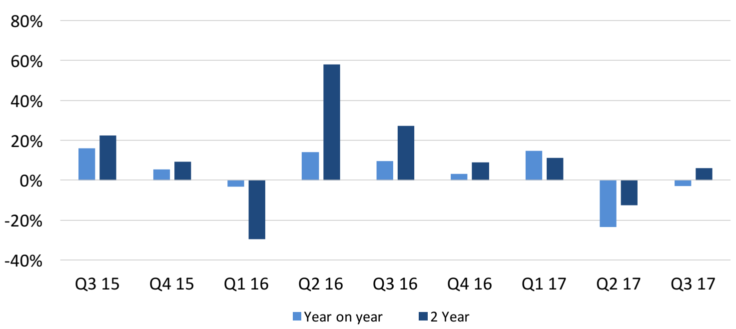
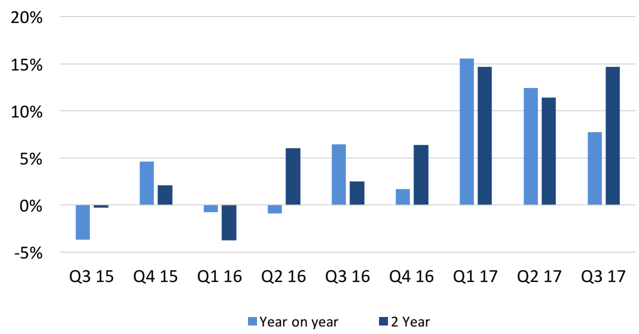


Fig 19: Year on year growth in spend – Total UK



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