

UKHospitality Travel Monitor

December 2017

Inbound passenger numbers in December declined -11% year on year, a significant reversal compared to growth of +9% in the first half of the year. Inbound growth had been driven by North America, which was +28% in the first half of the year, but has fallen by -8% in August, September and October, and -17% in December. Short-haul travel has also declined, with inbound passengers from Europe down -11% year on year in December. Holiday inbound passengers declined -8% y/y, albeit against tough comps, with passenger numbers +9% on a 2-year view, while inbound business travellers continue to decline (-10% y/y, and -16% on a 2-year view). Outbound holiday passengers were up 6% in December, and is now +3% YTD.

Fig 1: Summary Table – December 2017

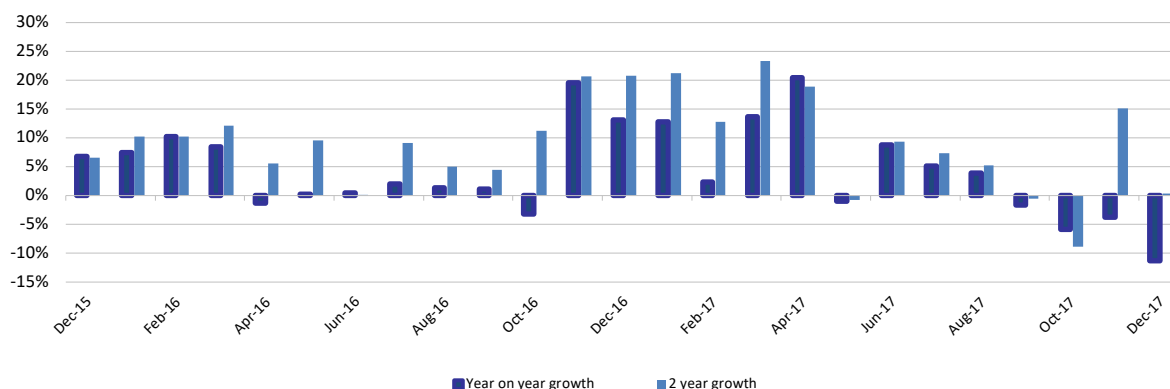
	Inbound					Outbound Holiday Passengers	Overseas spend in the UK
	All visits	Holiday	Business	Visiting friends or relatives	Misc.		
December y/y growth	-11.3%	-7.5%	-10.1%	-7.8%	-36.5%	6.3%	-12.8%
December 2-yr growth	0.4%	8.7%	-16.3%	16.8%	-31.4%	21.7%	-13.4%
Year to date	3.4%	9.4%	-4.8%	3.1%	2.0%	3.2%	7.8%
Rolling 3 months	-6.8%	-8.4%	-9.2%	-3.4%	-6.1%	1.3%	-2.6%
Rolling 12 months	3.4%	9.4%	-4.8%	3.1%	2.0%	3.2%	7.8%

Source: International Passenger Survey, ONS data, UKHospitality analysis

Key conclusions and what this means for the British hospitality sector

- December 2017 inbound travel declined -11% year on year, driven by a -17% decline in passengers from North America, and -11% from Europe. Inbound business passengers declined -10% in December, and YTD business inbound passenger number growth is now -5%
- Inbound holiday passenger numbers continued its recent decline, with a fall of -8% being a significant deterioration on the +20% seen in the first half of the year. However, this is against tough comps, and on a 2-year view, holiday inbound passengers are up +9% in December 2017 vs December 2015
- Outbound holiday passenger numbers continue to be volatile, up +6% in December, and +3% YTD
- Visiting friends or relatives (VFR) travel declined -8% in December, but is up +17% on a 2-yr view. However the 'Miscellaneous' category has seen the largest fall, -37% year on year.
- Overall UK spend by overseas residents declined -13% year on year, compared to 8% growth for 2017 as a whole. However, we note that the ONS has cautioned against focusing on overseas spend, due to a change in data collection methodology which may lead to inconsistencies in the reported spend data.

Fig 2: Year on year inbound passenger growth



Source: International Passenger Survey, ONS data, UKHospitality analysis

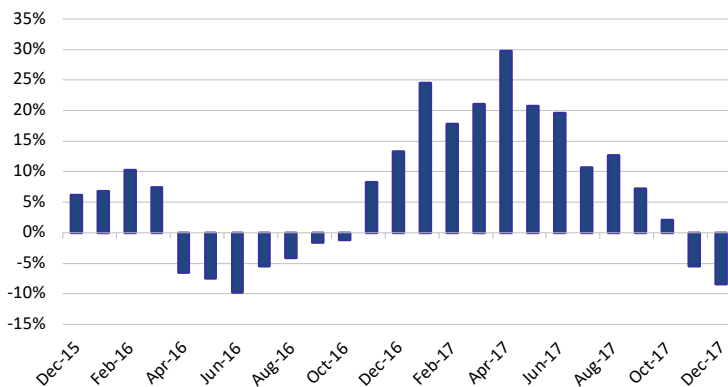
Summary:

- **December 2017 inbound travel:** Inbound travel to the UK in December declined -11% year on year, a significant slowdown on the +9% growth seen in the first half of the year
- **Year to date:** For 2017 as a whole, inbound travel has increased by +3.4% versus the same period 12 months ago, and is +8% versus 2015
- **Country of Origin:** Inbound travel from North America has been the main driver of growth (+28% y/y in the first half of the year) but has seen declines in the second half of the year, with December visitor numbers falling by -17%. The positive trend in short-haul inbound travel has also ceased, with December declines of -11% from Europe
- **Holiday Travel:** Holiday inbound travel to the UK is down -7.5% in December (-71,000 passengers) but +9% for 2017 as a whole (+1.3m passengers). Outbound holiday travel is +3% for 2017 (+1.5m passengers)
- **Business Travel:** Business inbound travel to the UK declined -10% y/y in December, and -16% versus December 2015; 2017 business inbound passenger number growth is negative at -5% (-438,000 passengers)
- **Inbound Spend:** Overseas residents' spend in the UK declined -13% in December, which is a significant reversal on the 2017 total growth of +8%. UK spend overseas grew +1.5% in December, and +2% for 2017

Holiday Passengers

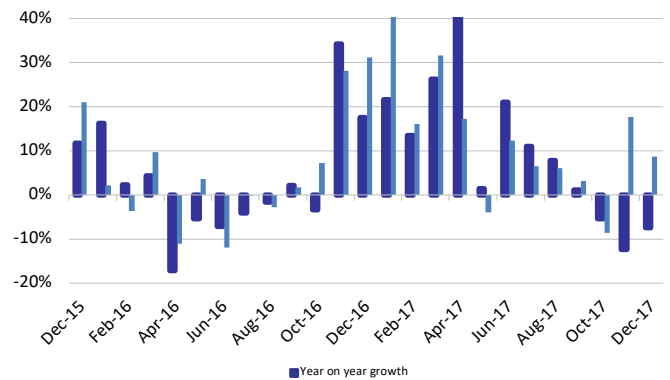
- Holiday inbound travel to the UK in December of -7.5% is a reversal of the positive trend that we have seen since the end of 2016, and a significant reversal on the YTD growth of +9%. However, inbound holiday passenger numbers increased +9% compared to December 2015

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



Source: International Passenger Survey, ONS data, UKHospitality analysis

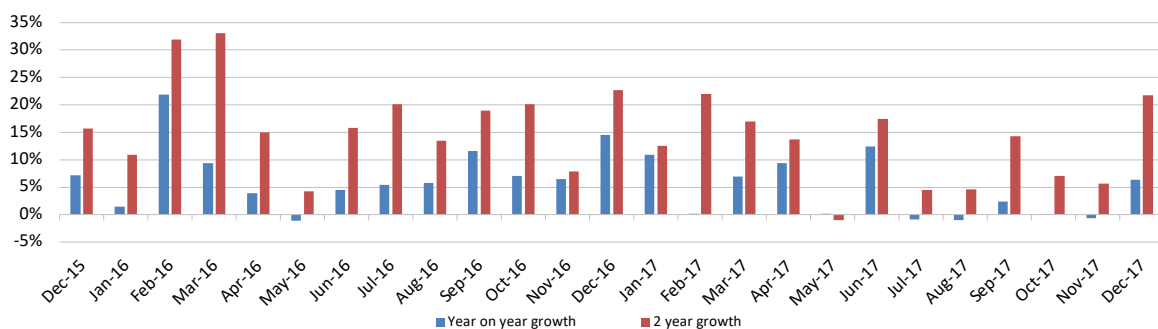
Fig 4: Inbound Holiday Passengers – year on year and 2-year growth



- In terms of monthly fluctuations, there were particularly poor months in April and June 2016, with inbound holiday passengers down significantly on both a 1-year and 2-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. May 2017's data was impacted by the terror attacks in London and Manchester.

- Outbound holiday passengers were up +6% y/y in December, and +22% versus December 2015

Fig 5: Year on year outbound holiday passenger growth



Source: International Passenger Survey, ONS data, UKHospitality analysis

Business Passengers

- In terms of inbound business passengers, December 2017 saw passenger numbers decline -10%, with 61,000 fewer inbound passengers. Inbound business passengers are down -4.8% for 2017 as a whole (438,000 fewer passengers).
- December business inbound passenger numbers declined -16% on a 2-yr view versus December 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

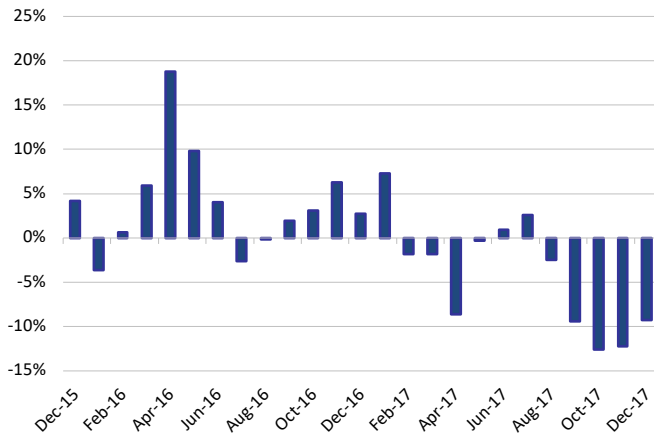
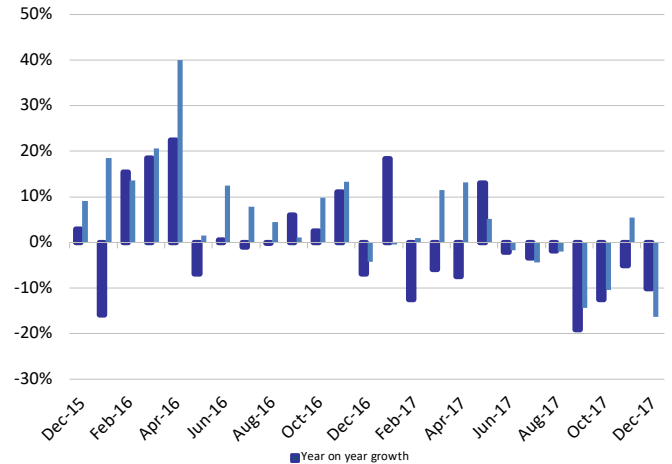


Fig 7: Inbound Business Passengers – year on year and 2-year growth



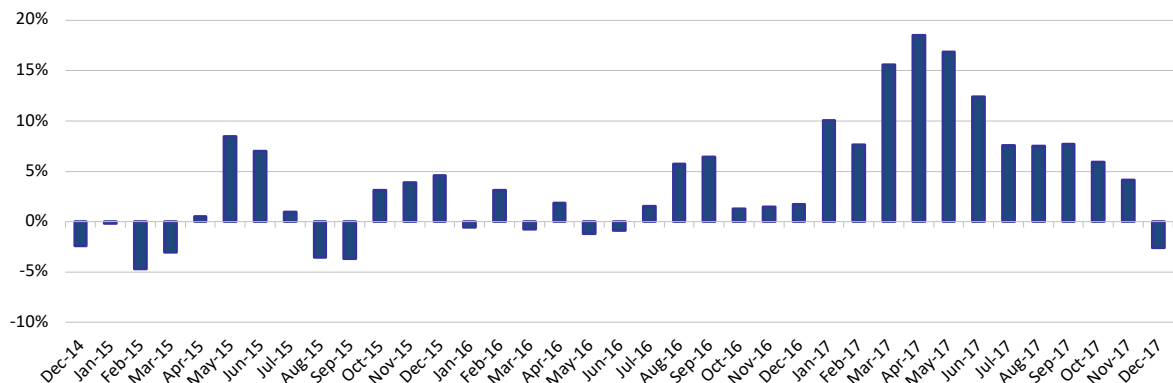
Source: International Passenger Survey, ONS data, UKHospitality analysis

- Outbound business travel decreased by -12% in December, and on a 2 year view, outbound business travellers declined by -32% versus December 2015. Outbound business travel was flat for 2016 and down -5.5% for 2017 as a whole.

Overseas residents' spend in the UK

- Overseas residents' expenditure while in the UK declined by -13% year on year in December.
- However, we note that the ONS has cautioned against focusing on overseas spend, due to a change in data collection methodology which may lead to inconsistencies in the reported spend data.
- UK spend overseas increased +1.5% in December, although this was against tough comps; spend overseas is up +12% versus December 2015. Spend is up +2% for 2017 as a whole; 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, UKHospitality 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
December y/y growth	-11.3%	-7.5%	-10.1%	-7.8%	-36.5%
December 2-yr growth	0.4%	8.7%	-16.3%	16.8%	-31.4%
Year to date	3.4%	9.4%	-4.8%	3.1%	2.0%
Rolling 3 months	-6.8%	-8.4%	-9.2%	-3.4%	-6.1%
Rolling 12 months	3.4%	9.4%	-4.8%	3.1%	2.0%

Source: International Passenger Survey, ONS data, UKHospitality 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	38,895	15,209	8,749	11,919	3,017	46,482
Year to date 2016	37,609	13,899	9,188	11,565	2,958	45,023
Difference	1,286	1,311	-438	353	59	1,460
Difference (%)	3.4%	9.4%	-4.8%	3.1%	2.0%	3.2%

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
December y/y growth	-11.3%	-16.6%	-11.2%	-8.1%
December 2-yr growth	0.4%	4.4%	-2.0%	10.3%
Year to date	3.4%	8.1%	0.8%	12.9%
Rolling 3 months	-6.8%	-7.5%	-9.0%	8.0%
Rolling 12 months	3.4%	8.1%	0.8%	12.9%

Source: International Passenger Survey, ONS data, UKHospitality 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
December y/y growth	-11.2%	-13.6%	24.4%	-10.6%	-25.4%
December 2-yr growth	-2.0%	-2.2%	0.2%	-1.2%	-6.7%
Year to date	0.8%	-0.1%	10.9%	0.0%	-0.5%
Rolling 3 months	-9.0%	-11.6%	20.9%	-9.1%	-21.3%
Rolling 12 months	0.8%	-0.1%	10.9%	0.0%	-0.5%

Source: International Passenger Survey, ONS data, UKHospitality 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
December y/y growth	-0.9%	6.3%	-11.9%	-2.0%	-40.2%
Year to date	2.1%	3.2%	-5.5%	4.0%	-11.7%

Source: International Passenger Survey, ONS data, UKHospitality analysis

Fig 14: Year on year UK Outbound Passenger Growth – Destination

	All visits	North America	Europe	Other Countries
December y/y growth	-0.9%	-14.4%	-3.1%	13.0%
Year to date	2.1%	-4.6%	2.7%	1.4%

Source: International Passenger Survey, ONS data, UKHospitality analysis