

Tourism Industry Performance Review (January to August 2007)

Author: Nicola Rogers, Market Intelligence Manager

Summary:

- Both overseas visits and spending within the UK over the first six months of this year were up by 3%.
- Results from the UKTS suggest an encouraging performance for domestic tourism over the first four months of this year compared with the same four months in 2006.
- Chain hotel occupancy rates over the first half of 2007 were strong compared with 2006, but the growth rate has slowed down.
- Visitor attraction figures suggest a positive start to the year for South East and England attractions.
- Regional serviced accommodation occupancy rates remain static compared with the same period in 2006.
- South East tourism businesses reported a good first half of 2007 compared with 2006.
- The South East tourism sector is expecting a better overall performance for 2007, although confidence has dipped since the last quarter.

The National Picture:

Overseas Visitors:

The number of overseas residents visiting the UK during the first six months of 2007 was 3% up compared with the same period in 2006. Visitor spending in the first six months of this year also increased by 3% compared with 2006.

Notably visits from North America were down by 5% over this period compared with 2006. Visits from the EU15 countries (those nations who were members of the EU before the 2004 expansion) increased by 2% in the first six months of this year. Visits from the Accession countries continue to be a key driver of growth in inbound visits, up 20% in the period January to June. Visits from non EU countries and the remaining parts of the world were up 10% and 7% respectively.

Overseas visitors to UK, January – June 2007/2006

	VISITS		SPEND	
	(000)	% change 07/06	£m	% change 07/06
January – June 2007	15,320	+3	6,960	+3
January – June 2006	14,870	-	6,610	-

Source: *International Passenger Survey, Office for National Statistics*

Domestic Visitors:

According to the January – April 2007 figures from the United Kingdom Tourism Survey for England there was a total of 27.4m overnight trips made by UK residents in England, an increase of 3% compared with the same four months in 2006. Visitor spending for this period was £4.2 billion, up 10%. By comparison, the number of outbound visits from the UK by UK residents over this period fell slightly (down 0.5%) compared with 2006, and outbound spend increased only slightly, up by 1%.

Domestic Tourism (England) January – April 2007/2006

	TRIPS		SPEND	
	(Mn)	% change 07/06	£m	% change 07/06
January - April 2007	27.4	+3.1	4,208	+10.3
January - April 2006	26.6	-	3,816	-

Source: *United Kingdom Tourism Survey, VisitBritain*

The Hotel Sector:

TRI UK Chain Hotels Performance – The first seven months to July 2007

		2007	2006	Difference 07/06 % Points
London Hotels				
Occupancy	%	81.7	82.3	-0.6
Hotels Outside London				
Occupancy	%	70.0	69.7	+0.3
UK Hotels				
Occupancy	%	74.1	74.0	-

Source: TRI Hospitality Consulting

Recent results from the TRI Hospitality Consulting chain hotel survey (3 and 4 star hotels) indicate that occupancy rates at the start of 2007 were strong compared with 2006, but the growth rate had slowed down.

The Attractions Sector: January – March 2007

The first quarter of 2007 saw 56% of England attractions reporting an increase in visitor volumes over this period on the equivalent quarter in 2006, reflecting the warmer weather experienced over the first three months of 2007. However, a quarter of attractions reported a decline in visitor numbers.

The Regional Picture:

Regional Serviced Accommodation Occupancy:

Data for the two halves of the region has now been merged to form an overall South East Region. The *provisional* regional occupancy data for all serviced accommodation for the first six months of 2007 indicates that room occupancy in the region remained static compared with the same period in 2006. Hampshire saw an overall improvement in occupancy over this period compared with last year, but other sub-regions either saw slight increases or decreases in average room occupancy over this period.

South East & Sub-Regional Serviced Accommodation Occupancy Rates. January to June 2007

	2007 Room Occupancy (%)	2006 Room Occupancy (%)	Difference 07/06 (% Point)
South East Region	54.1	54.0	+0.1
Berks, Bucks, Oxon	55.1	56.5	-1.4
Hampshire	61.1	56.4	+4.7
IOW	42.2	41.3	+0.9
Surrey & West Sussex	58.3	63.8	-5.5
Kent	50.8	50.4	+0.4
East Sussex & Brighton	45.0	45.6	-0.6

Source: TSE Regional Serviced Accommodation Occupancy Survey 2007

Regional Non Serviced Accommodation Occupancy:

Results for 2007 (compared with the equivalent period in 2006) will be reported in the November Market Intelligence Report.

The Attractions Sector: January to March 2007

Despite a slight fall in visitor numbers at the start of the year, visitor attractions in the South East reported a 9% increase in visits over the first three months of this year compared with the same period in 2006.

	Total Qtr 1 Change (%)	January change (%)	February change (%)	March change (%)
South East	9	-2	6	19
England	13	5	12	20

Source: TSE VisitBritain England Attractions Monitor

Regional Business Confidence:

South East businesses reported a greatly improved first six months of 2007 compared with last year. Exactly half reported better overall performance for the year, including nearly a third (32%) who reported an improvement of at least 5%. 25% reported performance as 'about the same' and a further quarter had fared worse, although only 11% reported that this was a significant downturn (down 5% or more). This was a noteworthy overall improvement on the snapshot taken 12 months ago when 43% of businesses reported better overall performance for the first half of 2006 (compared with 2005).

Just over three quarters of businesses (76%) reported that the weather had the most significant impact on business performance during the first half of this year. Temperatures in the first quarter of the year were above average for the time of year, April saw particularly warm weather, but May and June saw parts of the region experiencing one of the wettest periods in a long time. Other issues claimed to have affected performance included the UK's overall economic climate, competition from overseas holidays, the strength of the pound (and in particular the pound/dollar exchange rate), local competition and over-regulation.

Performance across the BBO, Hampshire, Kent and West Sussex sub-regions was better overall during the first half of 2007 compared with the same time last year. Businesses in IOW, East Sussex & Brighton and Surrey were more likely to report a mixed performance.

Businesses in rural, coastal and urban locations generally reported improved performance over the January – June 2007 period, although at least a quarter of businesses in each location reported worse overall performance. Visitor attractions, serviced accommodation and caravan and camping businesses were more likely to report a significant improvement in performance over this period compared with last year. Self catering businesses on the other hand were more likely to report a mixed performance compared with 2006.

Impact of July Flooding and August Foot & Mouth Outbreak:

Flooding in the Thames region covering Oxfordshire, Reading, Newbury and West Berkshire impacted on businesses in those areas. The worst affected area was thought to be West Oxfordshire. Whilst only a small percentage of tourism businesses were physically affected by the flooding, the region suffered more due to negative media reports portraying the message that 'all of Oxfordshire is underwater'. As a result there was a reported drop in bed bookings and cancellations of reservations.

News of an outbreak of FMD on a farm near Pirbright, Guildford in Surrey was reported in the national press on 3rd August. This was followed by news of a second suspected outbreak in the same area. Both cases were confirmed relatively quickly. Tests on two other farms, one in Surrey and one in Kent and on animals at Chessington World of Adventures in Surrey all proved negative.

Fortunately this recent outbreak was not of the scale witnessed in 2001, mainly as a result of the lessons learnt. The disease was therefore contained quickly and was limited to an area in Surrey. The outbreak is thought to have had a direct impact on only a small number of the region's tourism businesses. Monitoring by TSE suggests that 88% of tourism businesses in and around the Surveillance Zones enjoyed business as usual. Only a few accommodation businesses reported cancellations or a fall in forward bookings, but these were in the minority. Animal based attractions and events such as agricultural shows or farmers markets were mainly affected. For some businesses it was felt that the recent wet weather and floods had had more of an impact on trade than FMD. August is also a quieter period for those hotels and B&Bs relying more on the business and conference markets. Feedback from VisitBritain's overseas offices suggested that this latest outbreak will not have had the impact seen during the 2001 outbreak on key overseas markets.

Outlook for 2007:

South East business operators are, however, more optimistic about the remainder of the year, with 54% expecting better overall performance for the year ahead compared with last year and just over a quarter expecting performance to be about the same, while 18% were predicting a worse year overall. Confidence has fallen since the start of the year when 64% were expecting better overall performance, but remains higher than that reported twelve months ago when 49% of businesses expected 2006 to finish better overall compared with 2005.

Evidence suggests a positive first half of the year for 2007 for tourism generally with overseas visits and spend continuing to rise year on year, an improvement in domestic visits and spending, occupancy rates remaining strong for chain hotels and improved performance for visitor attractions. However, the recent poor May and June weather, July flooding and recent FMD outbreak may dampen performance, with 2007 proving to be a challenging year overall for the industry.