# UK Inbound Tourism Prospects

David Edwards
Scattered Clouds

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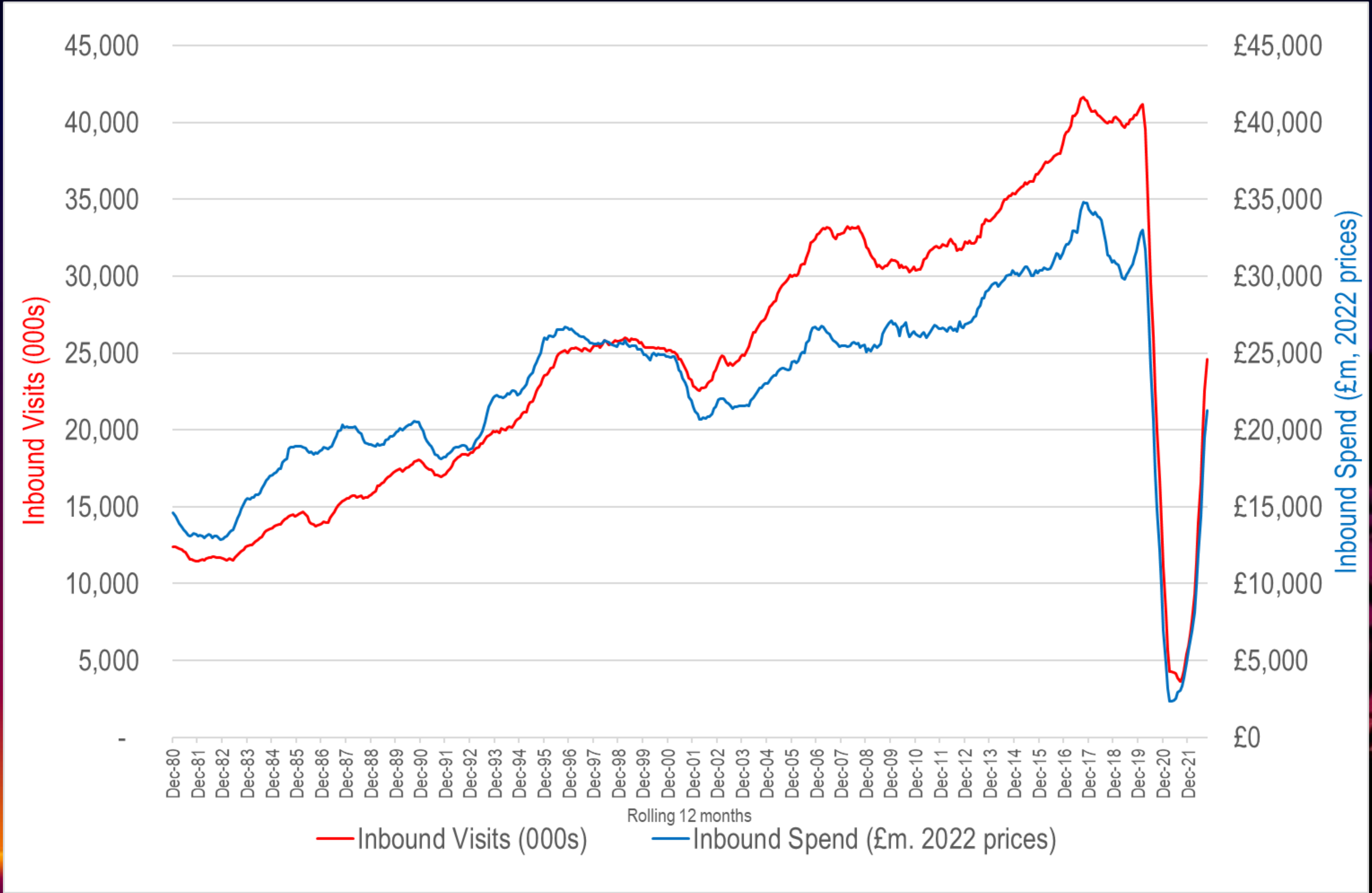
# Coming up…

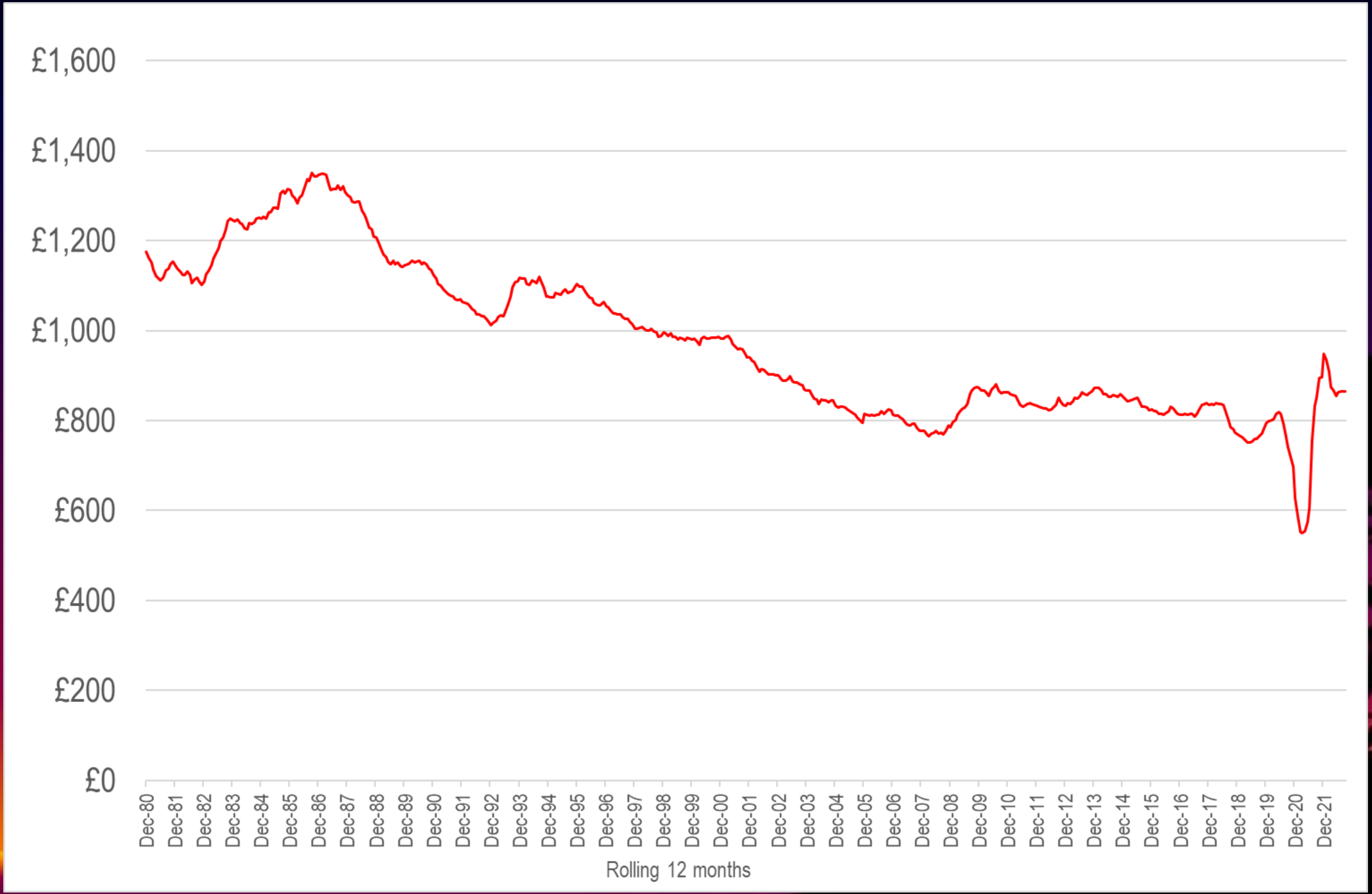
- Inbound trends
- Geopolitical backdrop
- Economic landscape
- Connectivity
- Motivators and barriers
- How the world rates the UK
- Prospects
- Questions

# Inbound trends

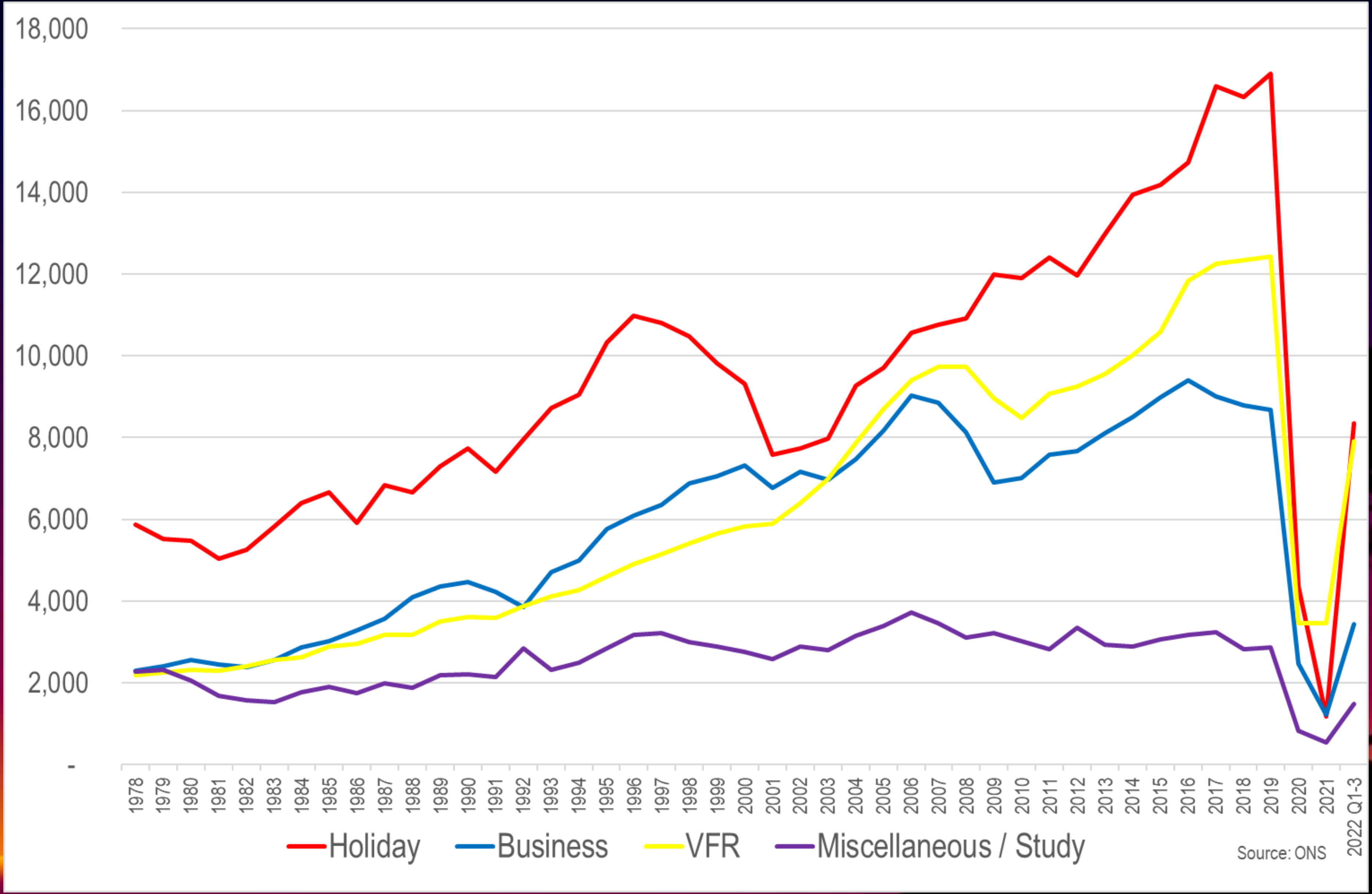
# Volume and value (at 2022 prices) trends since 1980



# Average spend per visit (at 2022 prices)



# Inbound visits by journey purpose since 1978 (000s)

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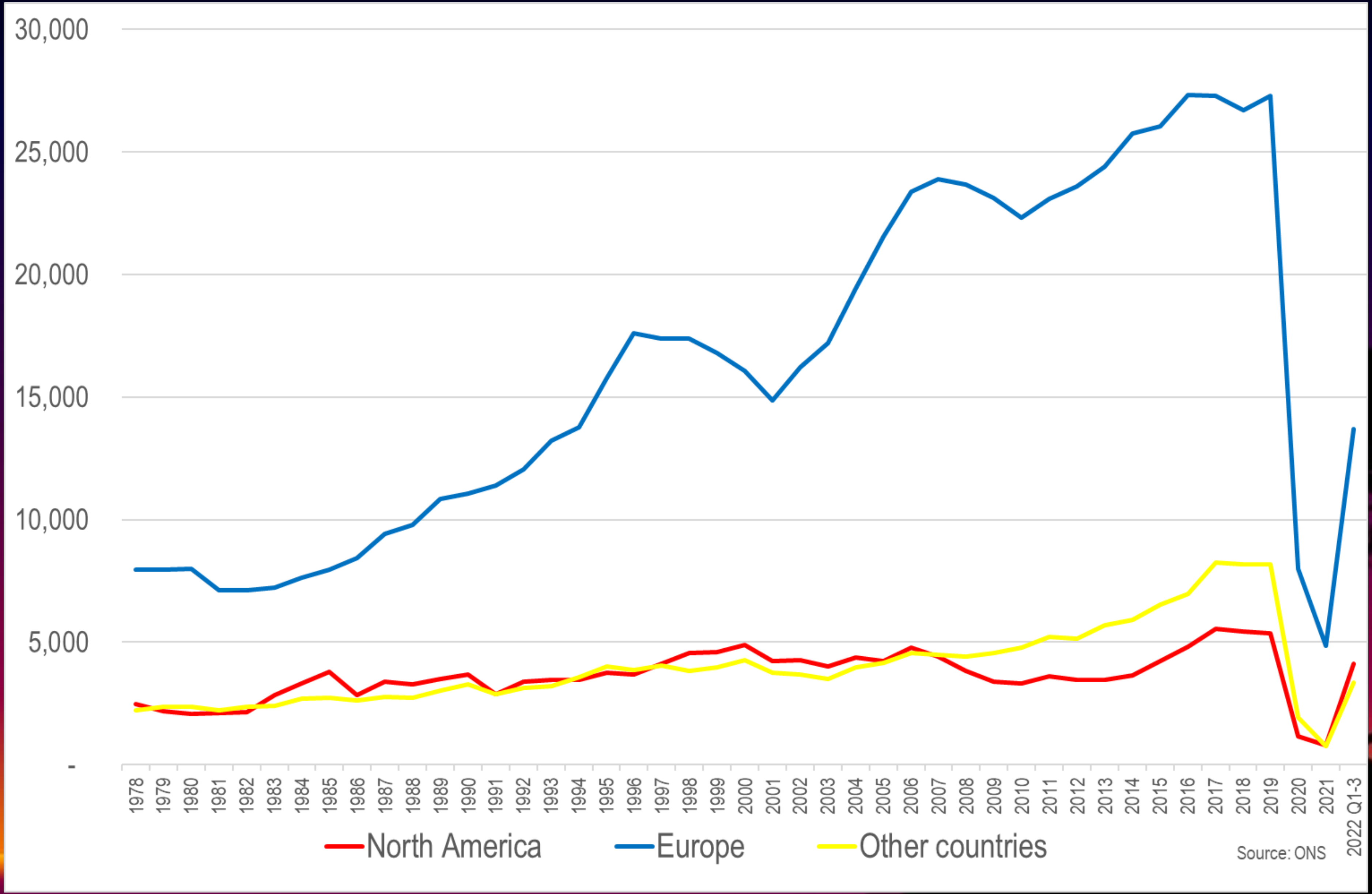
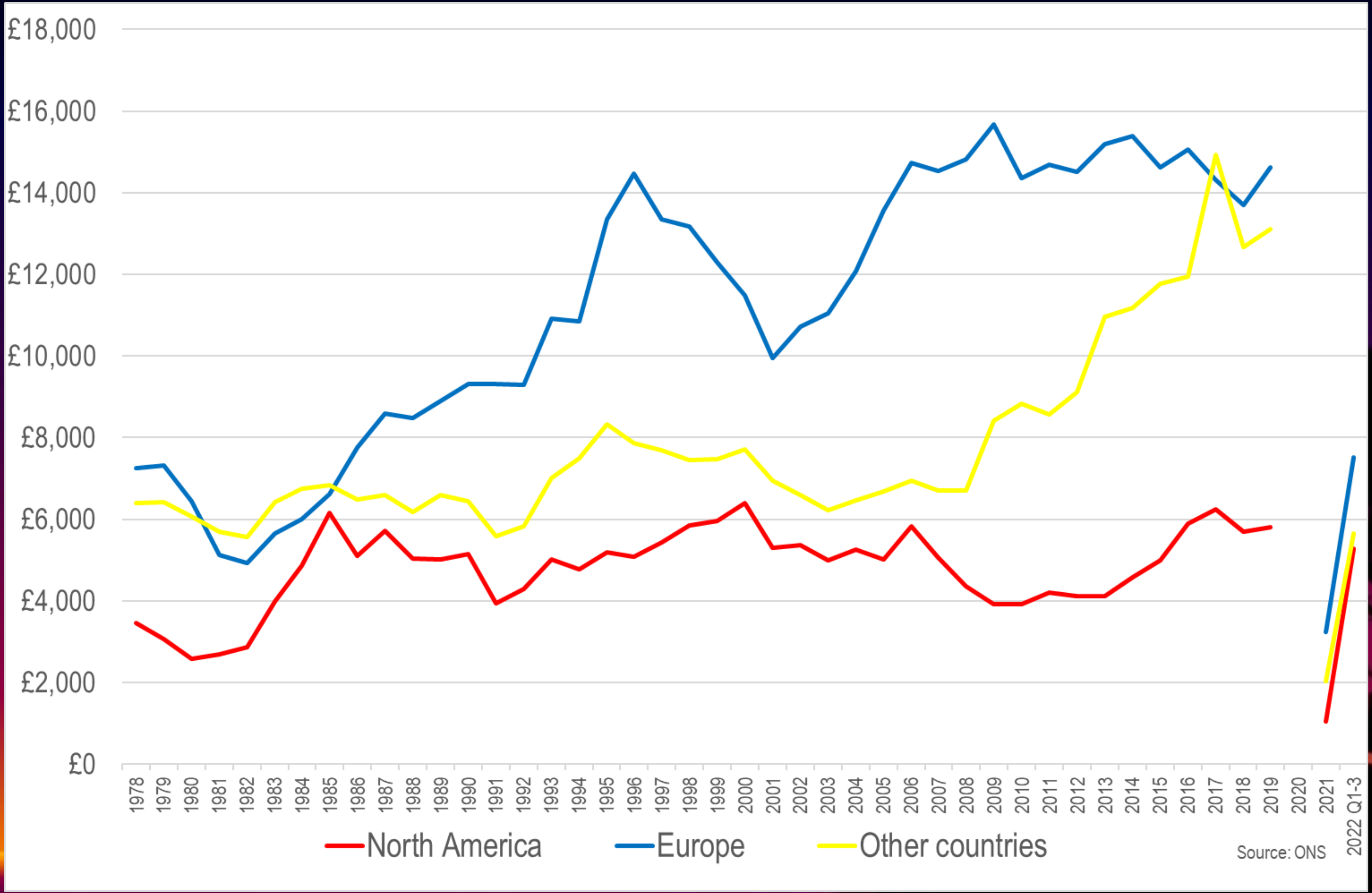
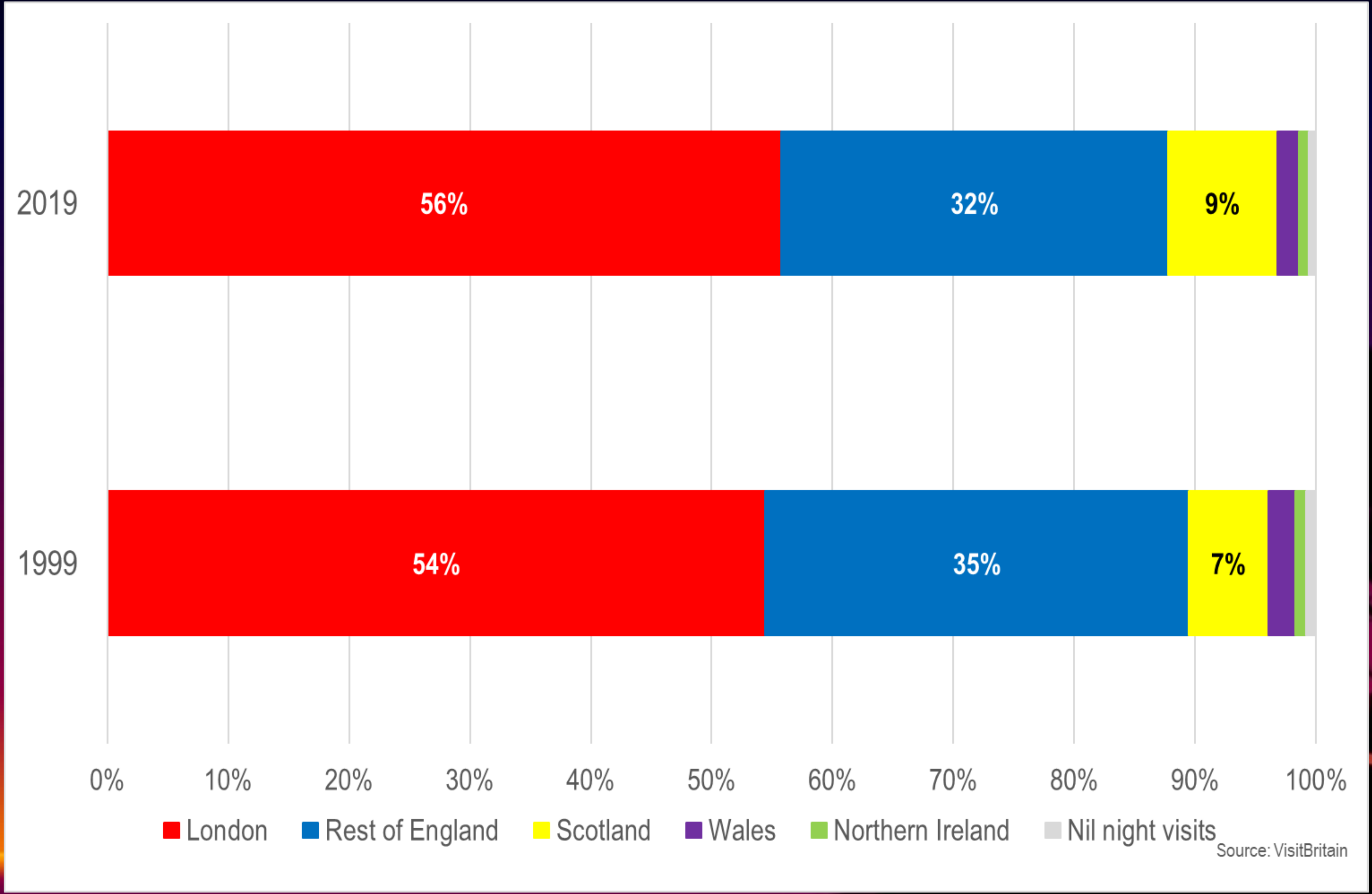
# Inbound visits by world region (000s) since 1978



# Inbound spend by world region (£m, 2022 prices) since 1978



# Inbound visitor spend by area of the UK 1999 and 2019 compared



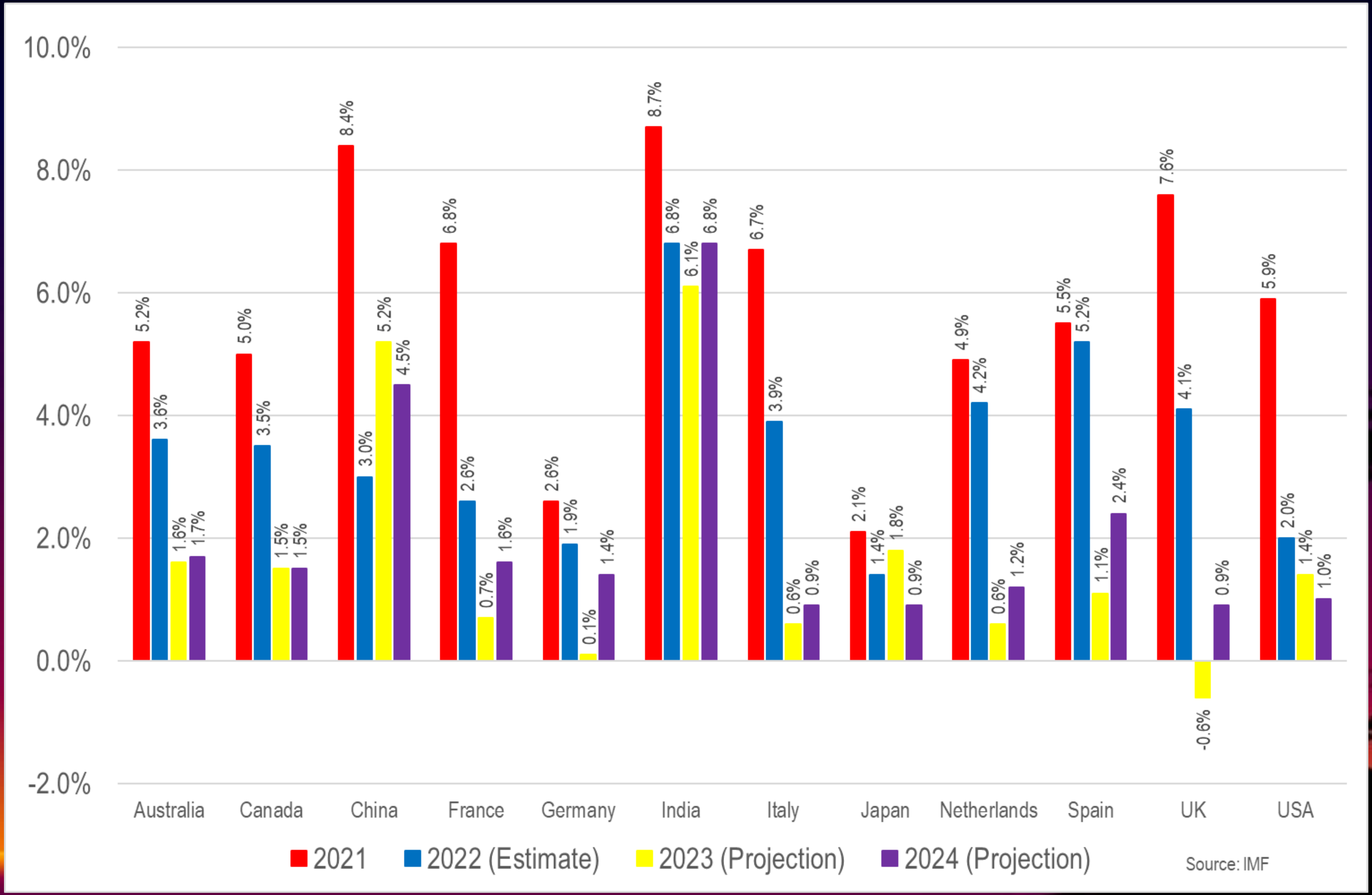
# Geopolitical backdrop

# Had you just awoken from an 8-year sleep, there’d be lots to catch up on

- Britain no longer in the EU
- Five Prime Ministers
- A global pandemic
- A land war in Europe
- The US shooting down Chinese balloons and other objects
- Free trade losing ground to protectionism
- A growing realization that climate change will require behavioural change
- In short, the geopolitical backdrop for international tourism is discordant rather than harmonious

# Economic landscape

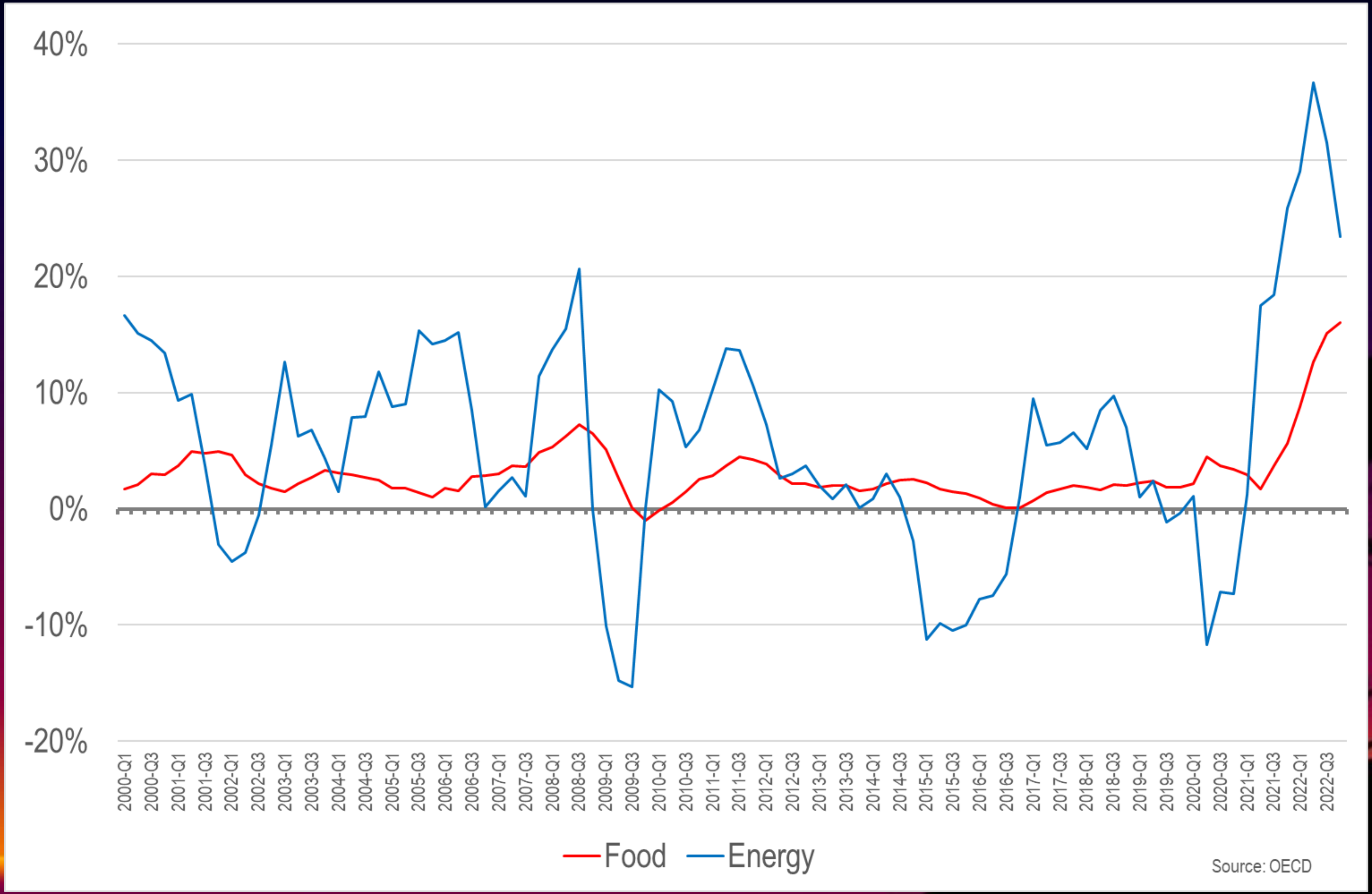
# Recent and projected real GDP growth



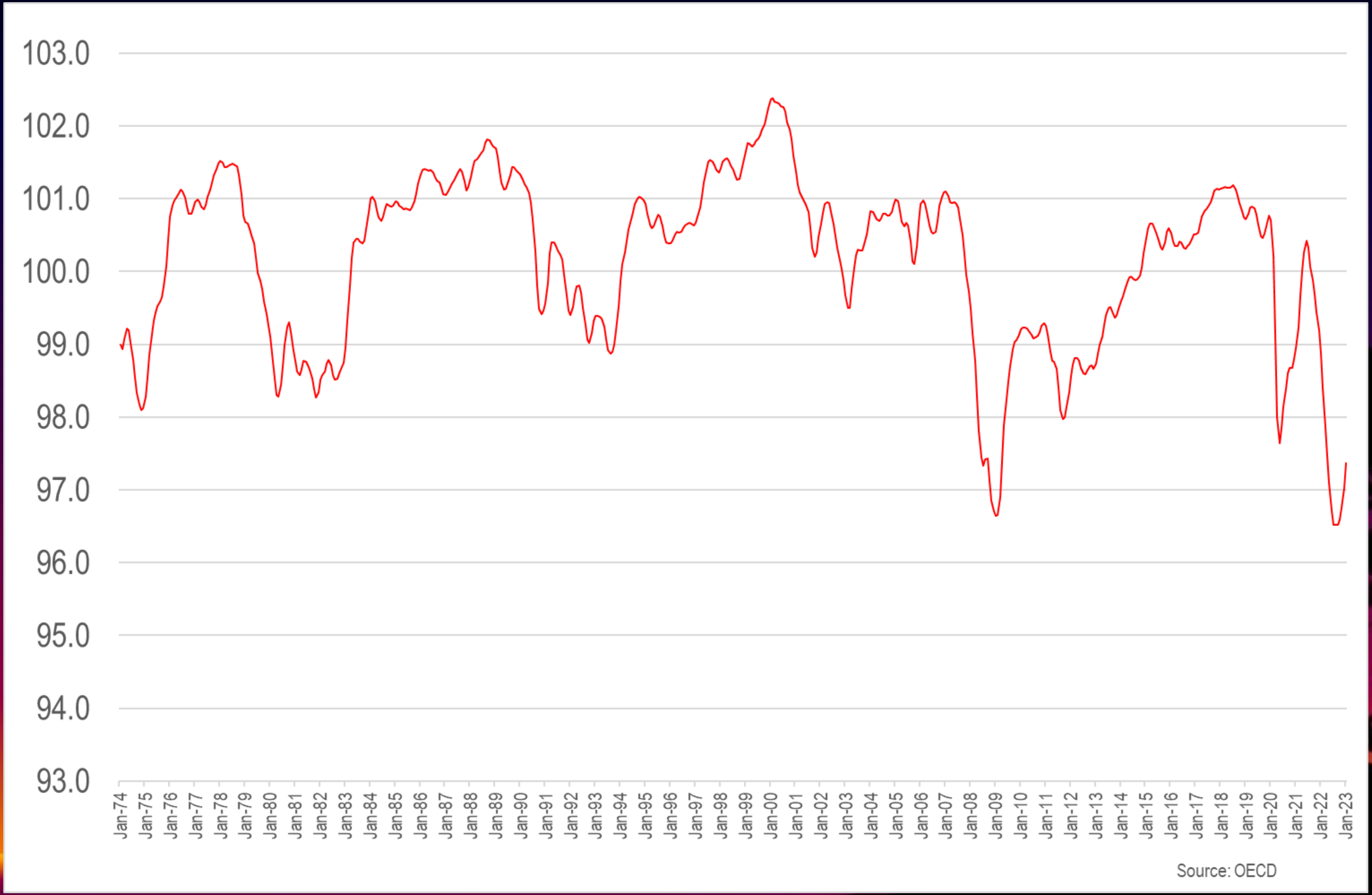

The fact that in Warsaw on New Year's Day it was 18.9°C helps explain an uptick in projections compared with the autumn…

…but concerns are mounting over the US debt ceiling.

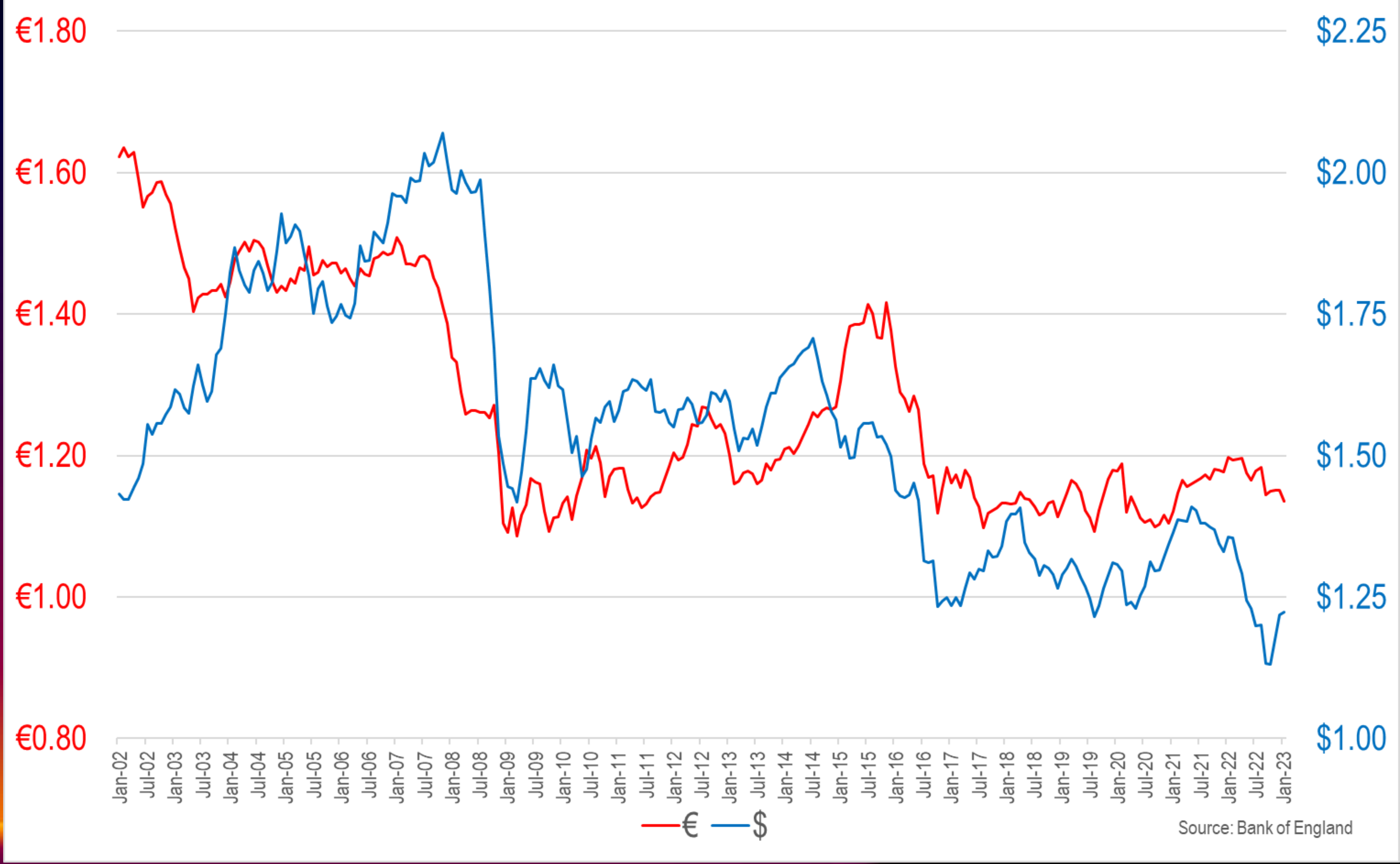
# Annual food and energy price inflation across the OECD since 2000



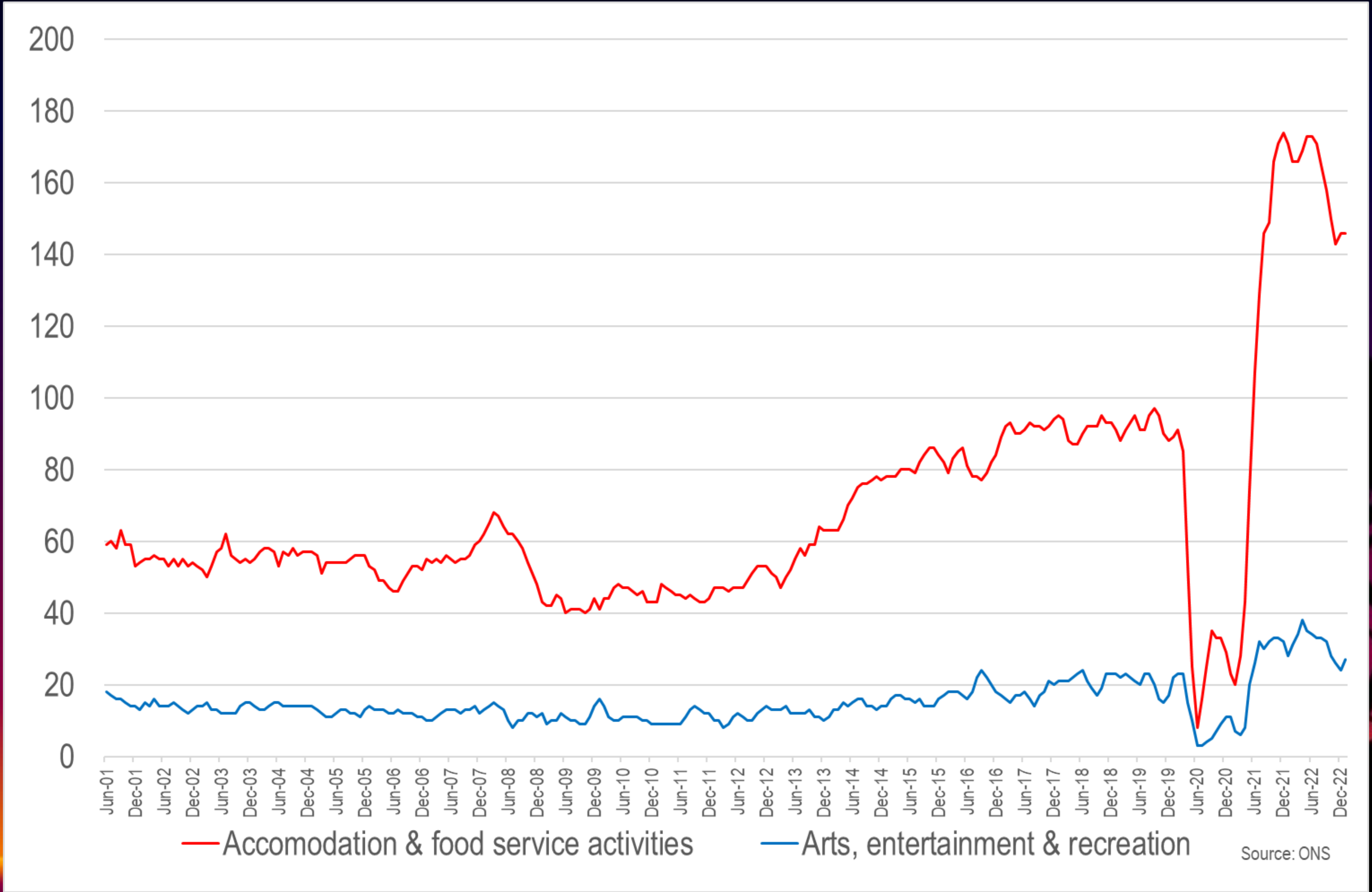
# Trends in OECD consumer confidence since 1974



# The cost of sterling



# Trends in the number of vacancies since 2001 (000s, seasonally adjusted)



# Business challenges abound

- A less generous energy bills support scheme
- Covid loans needing to be repaid
- Higher interest rates
- Higher input costs
- Corporation tax set to increase
- Difficulty in recruiting and retaining staff
- Supply chain volatility
- Industrial action
- Weak consumer confidence
- Declining consumer disposable income
- While less awful than feared, the economic headwinds remain significant

# Connectivity

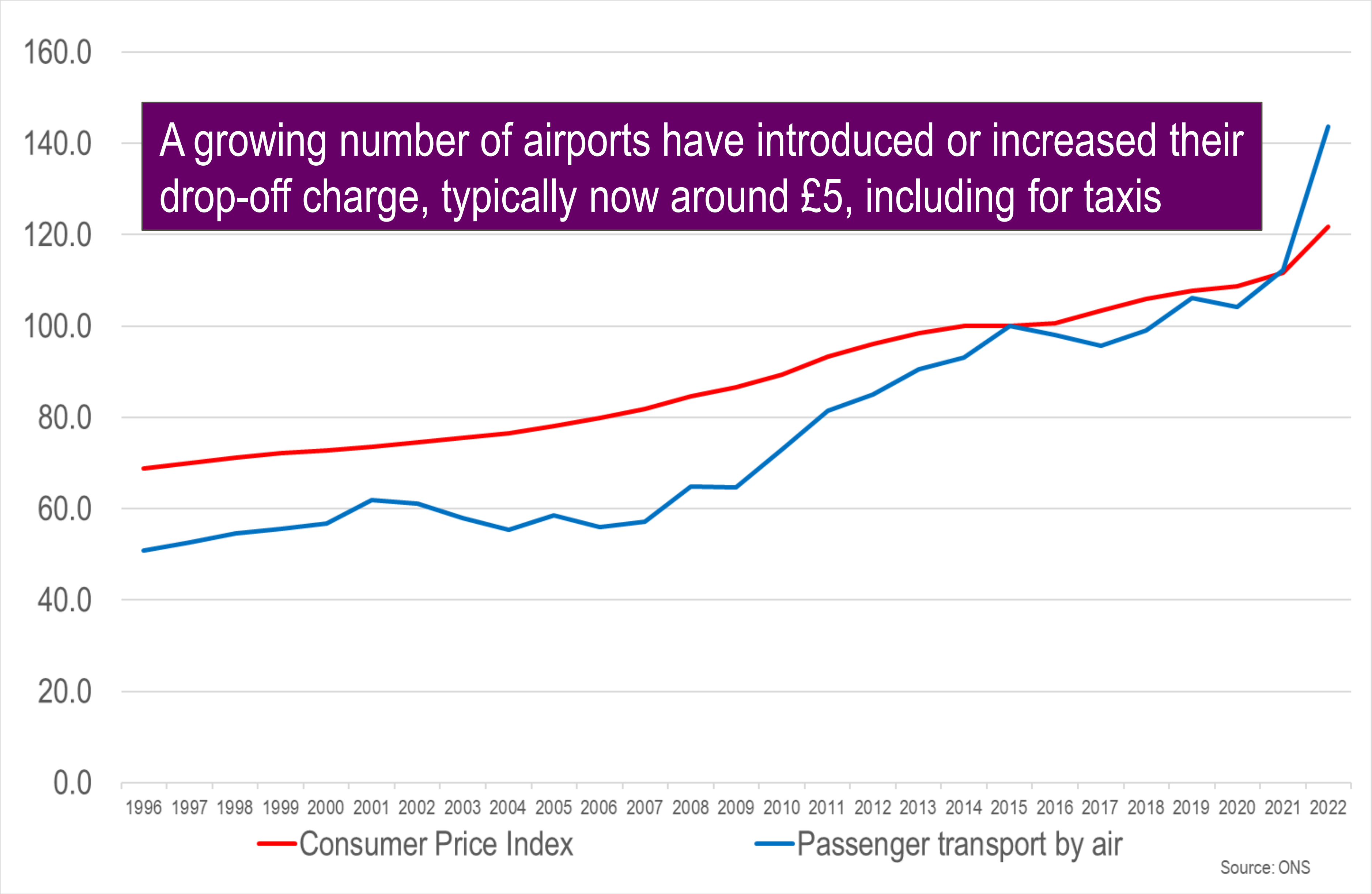
# Sea and rail

- The number of passengers travelling to/from the UK on international short sea routes in 2022 remained 34% down on the equivalent figure for 2019
- Eurostar passenger numbers increased five-fold in 2022 compared with 2021 and additional direct services from Amsterdam are planned…
- …but compared with 2019 volumes remain 25% down, and post-Brexit border procedures have placed a ceiling on supply due to space constraints at terminals
- The number of passenger shuttles transported through the Channel Tunnel in 2022 was 18% below the 2019 tally, but more than double that of 2021

# The cost of flying

- From April the rate of Air Passenger Duty on domestic flights will be halved from £13 to £6.50, although this won’t impact the rate charged on an outbound journey that includes a domestic connection (eg EDI-LHR-SFO)
- The rate for short-haul outbound flights will be £13, for flights of between 2,001 and 5,500 miles £87, and those over 5,500 miles £91
- According to EUROCONTROL air ticket prices for travel to / from / within the EU27 were 7% more expensive in real terms during 2022 than in 2019
- …meanwhile ONS data on the price of passenger travel by air from the UK reveals that…

# Price indices for passenger transport by air and overall consumer prices (2015 = 100)



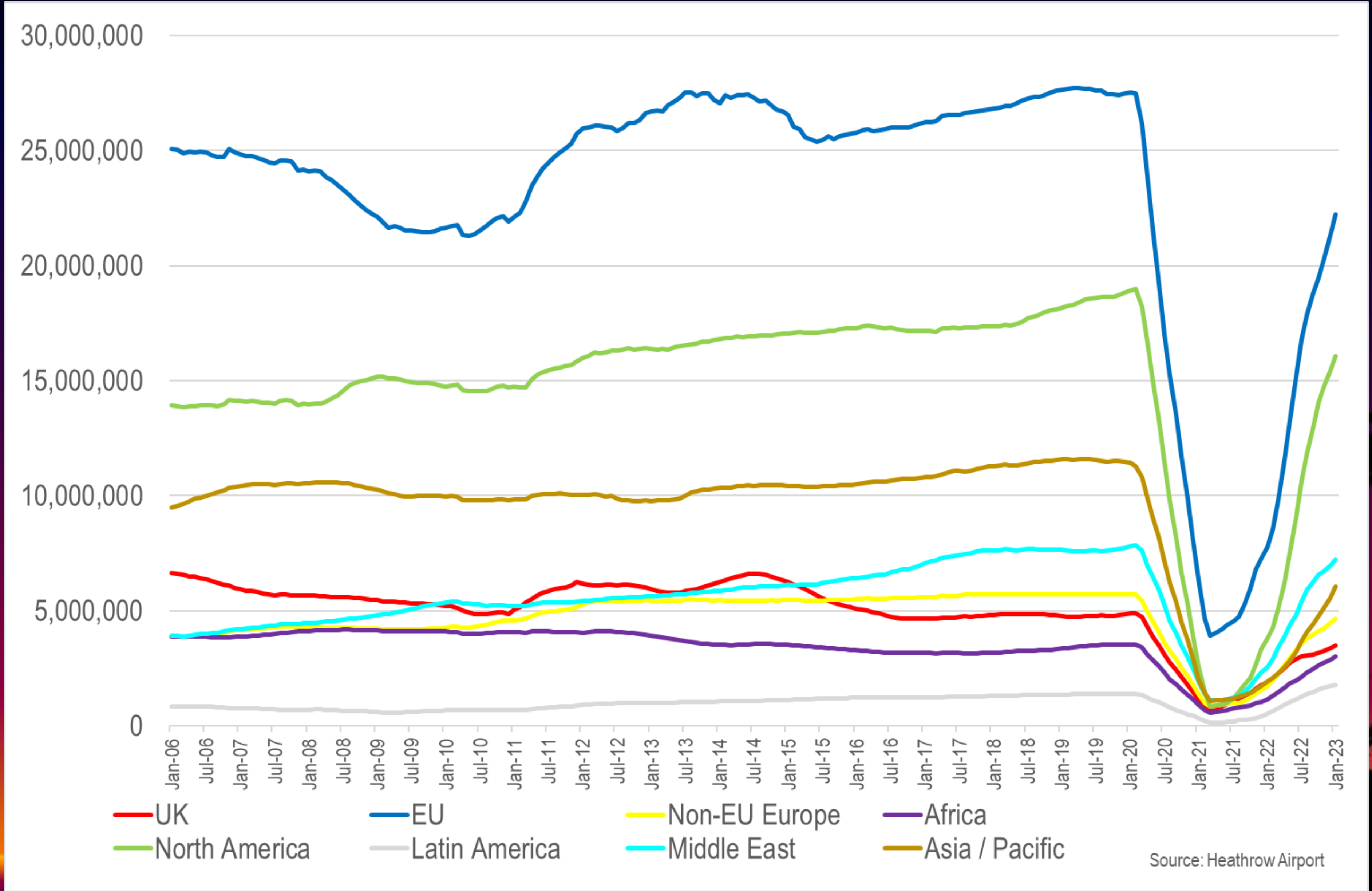

A growing number of airports have introduced or increased their drop-off charge, typically now around £5, including for taxis

The price of oil has fallen back from the highs of last spring, but analysts forecast that reduced supply from Russia and an uptick in Chinese economic activity will push prices over $100 a barrel later this year

# The air travel experience

- Analysis by EUROCONTROL indicates that on the flight punctuality league table for Europe's 20 busiest airports in 2022 Heathrow and Gatwick came 16th and 17th respectively
- At Heathrow 74.8% of flights arrived within 15 minutes of their scheduled time but only 60.8% departed punctually
- At Gatwick the equivalent figures were 62.6% for arrivals and 57.5% for departures
- Meanwhile queues at security (departures) and the border (arrivals) made headlines during peak summer periods, although the UK was not alone in this regard

# Heathrow passenger traffic by route segment (rolling 12 months)




The average number of daily flight movements at LHR in 2022 was 1,042, down 20% on 2019, but during w/c 2nd February it had climbed to 1,141 per day, just 6% below the equivalent week of 2019.

# Motivators and barriers

# % that would consider visiting the UK for a holiday or short-break in next 5 years

| | |
|---|---|
| Ireland | 82% |
| Norway | 68% |
| Italy | 66% |
| Spain | 64% |
| Denmark | 59% |
| Poland | 59% |
| Netherlands | 56% |

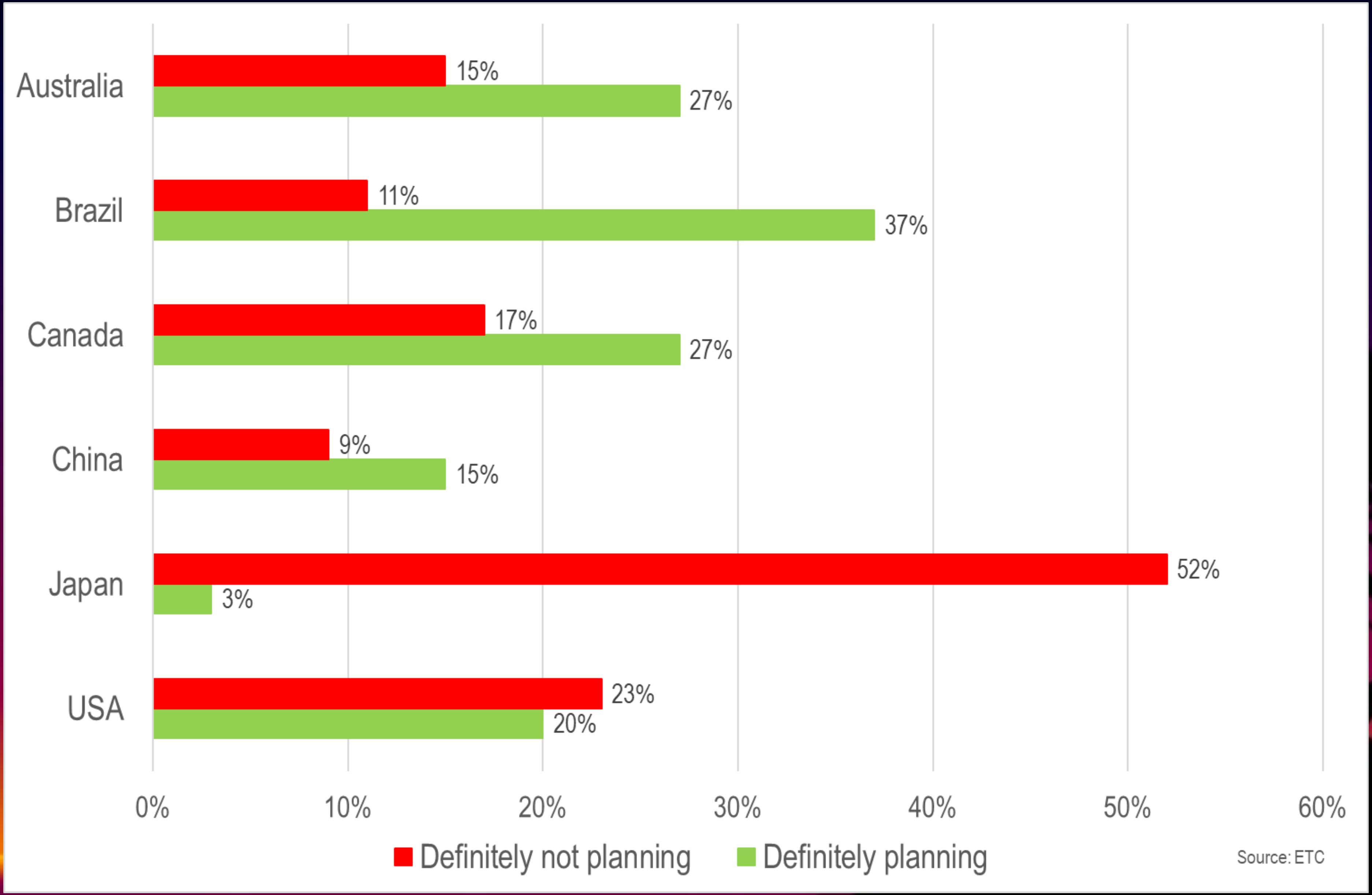
| | |
|---|---|
| Sweden | 54% |
| Switzerland | 51% |
| Austria | 50% |
| Germany | 47% |
| Belgium | 44% |
| France | 43% |

| | |
|---|---|
| USA | 66% |
| Canada | 65% |
| Brazil | 37% |

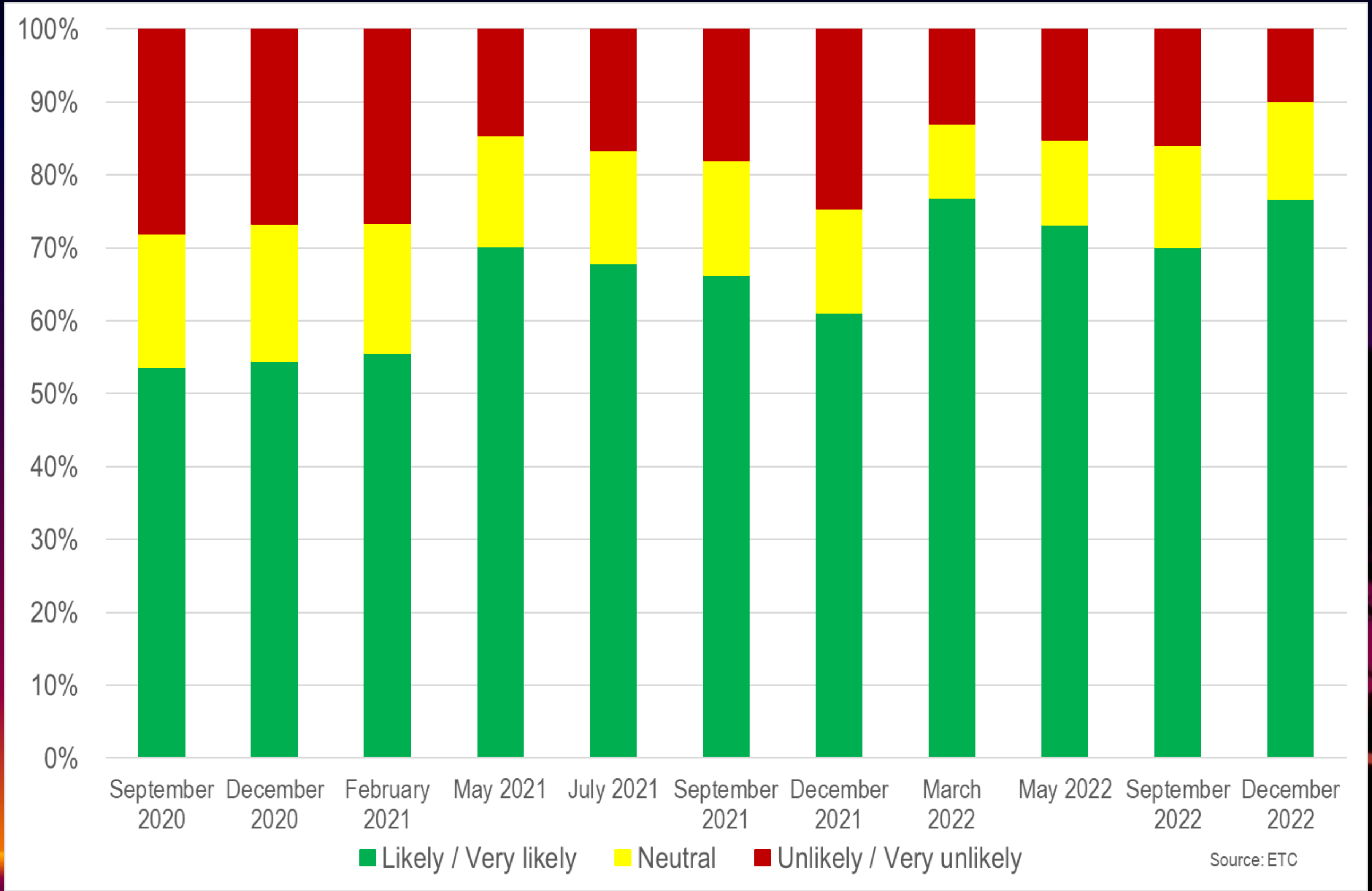
| | |
|---|---|
| Israel | 85% |
| Saudi Arabia | 65% |
| UAE | 62% |
| India | 53% |

| | |
|---|---|
| China | 81% |
| Hong Kong | 77% |
| Australia | 68% |
| New Zealand | 66% |
| SE Asia | 64% |
| Japan | 42% |
| South Korea | 41% |

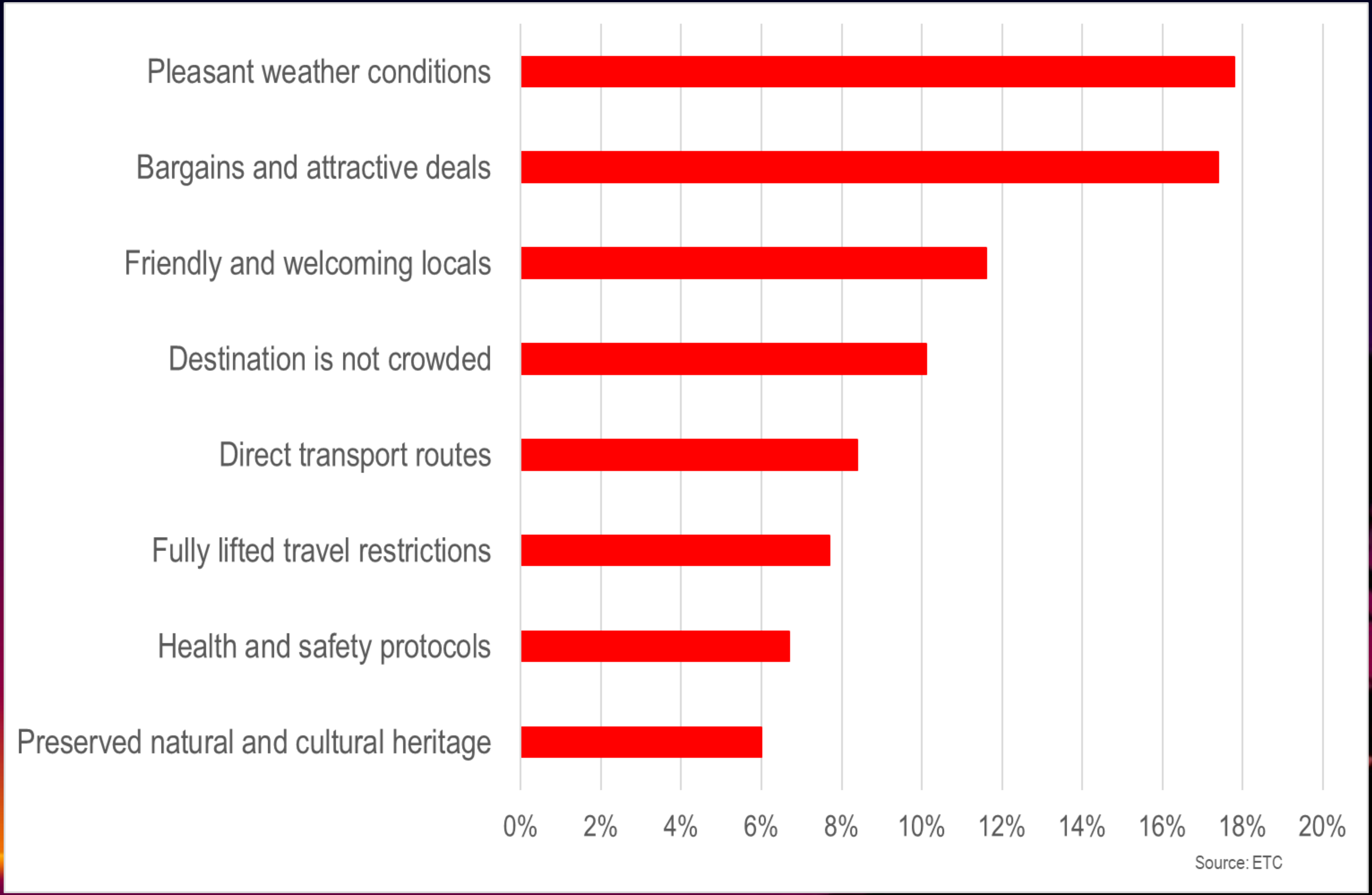
# Long-haul trip intentions for 2023 by market



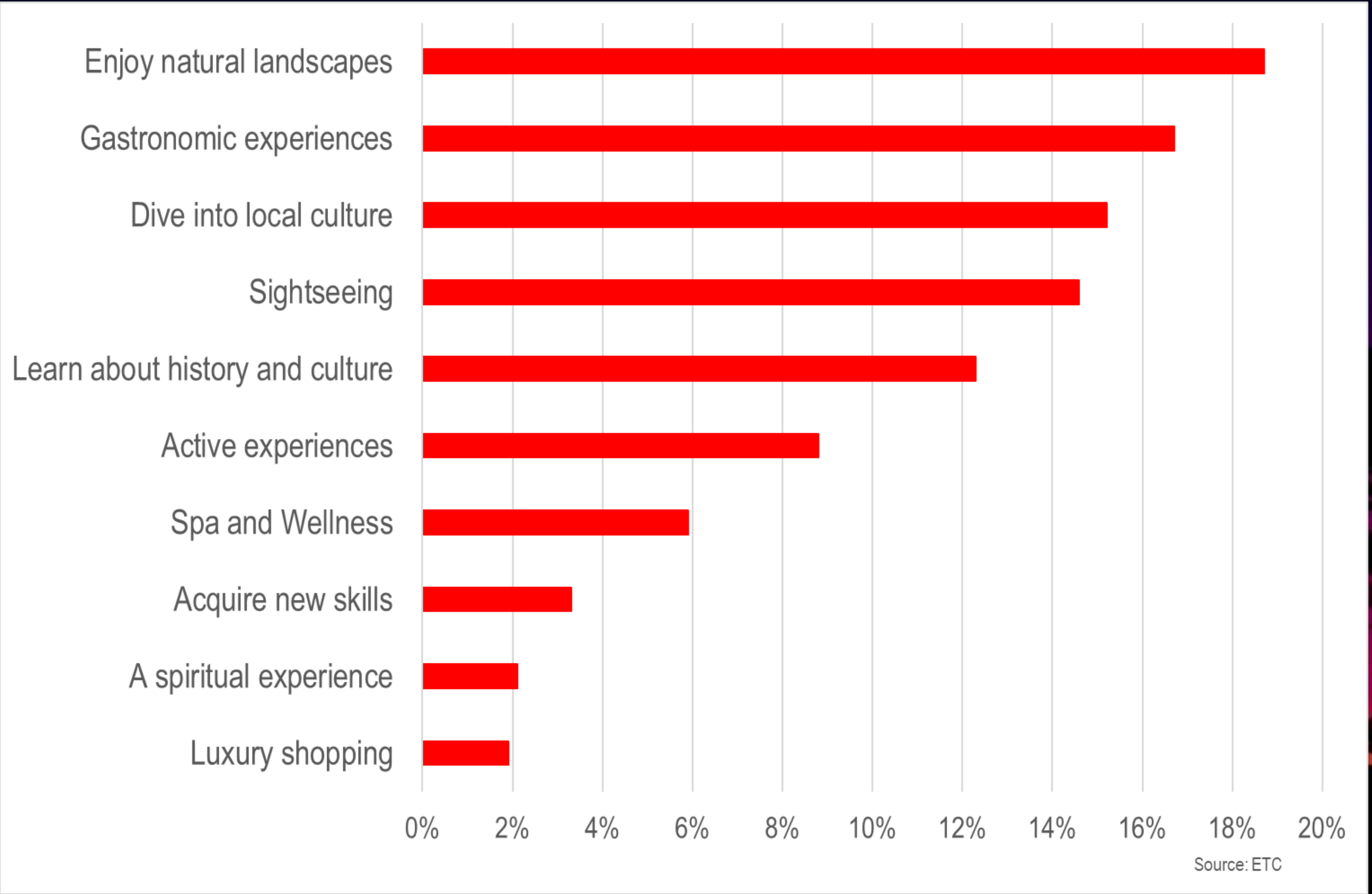
# Europeans' intention to travel within Europe during next six months



# Europeans' most important criteria for choosing next holiday destination

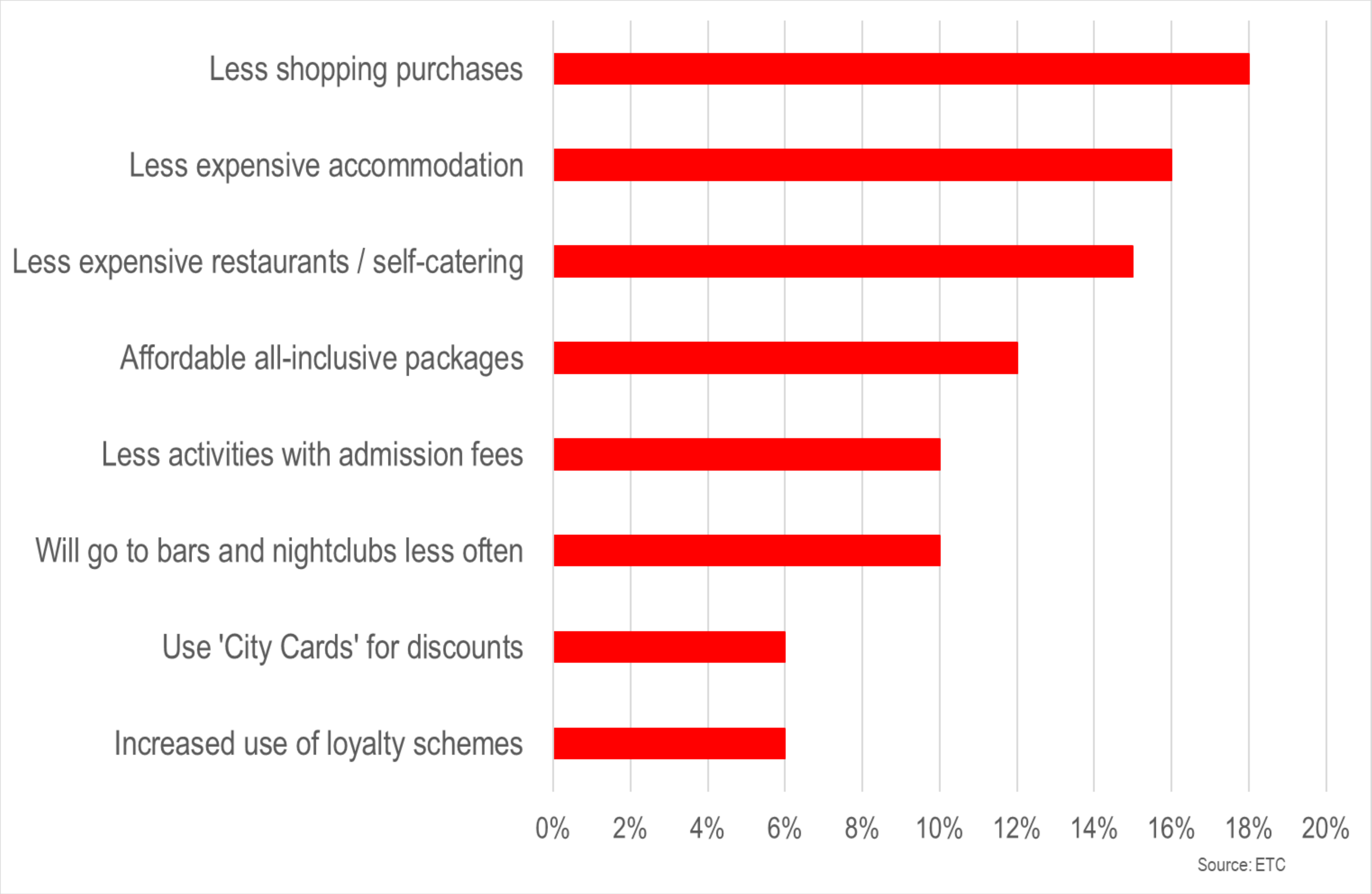


# Europeans' preferred types of travel experience in next six months



# Top concerns for Europeans most likely to travel in next six months

# Travel behaviours Europeans most likely to adopt to manage expenditure



# How the world rates the UK

# The UK's Nations Brand Index rankings: 2015 and 2022 compared

| | 2015 |
|---|---|
| **OVERALL NBI** | 3 |
| **Tourism** | 4 |
| Is rich in historic buildings and monuments | 5 |
| Has a vibrant city life and urban attractions | 4 |
| Would like to visit if money was no object | 6 |
| Is rich in natural beauty | 18 |
| **Culture** | 5 |
| Interesting & exciting contemporary culture | 3 |
| Excels at sport | 4 |
| Has a rich cultural heritage | 6 |
| **People** | 5 |
| If visited, people would make me feel very welcome | 11 |

# The UK's Nations Brand Index rankings: 2015 and 2022 compared

| | 2015 | 2022 |
|---|---|---|
| **OVERALL NBI** | 3 | 6 |
| **Tourism** | 4 | 6 |
| Is rich in historic buildings and monuments | 5 | 5 |
| Has a vibrant city life and urban attractions | 4 | 5 |
| Would like to visit if money was no object | 6 | 7 |
| Is rich in natural beauty | 18 | 31 |
| **Culture** | 5 | 3 |
| Interesting & exciting contemporary culture | 3 | 4 |
| Excels at sport | 4 | 5 |
| Has a rich cultural heritage | 6 | 8 |
| **People** | 5 | 8 |
| If visited, people would make me feel very welcome | 11 | 16 |

# The UK's key 2022 NBI rankings by market

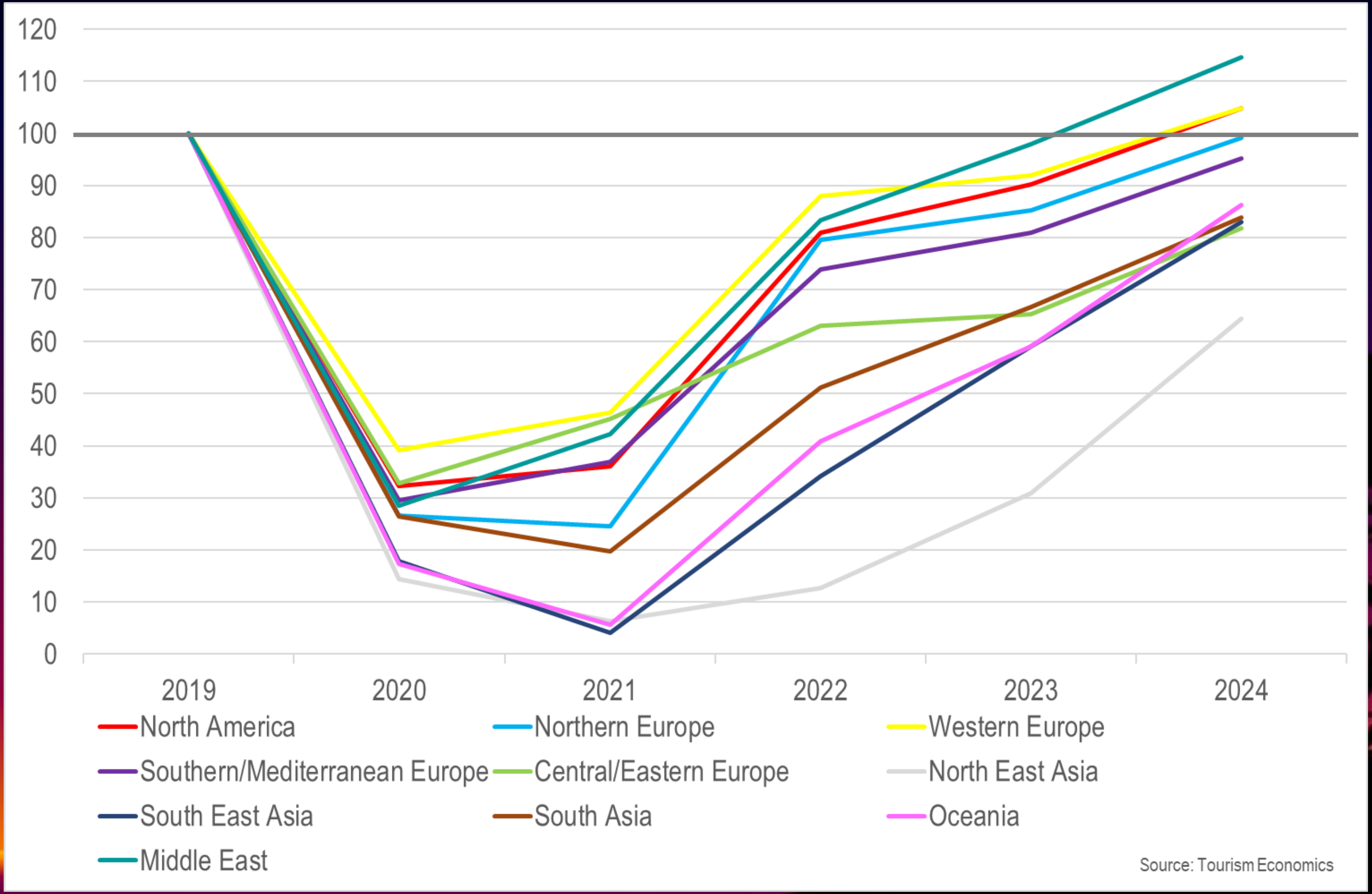
| | Tourism | Culture | People |
|---|---|---|---|
| Australia | 2 | 2 | 5 |
| Brazil | 12 | 9 | 10 |
| Canada | 7 | 5 | 12 |
| China | 5 | 7 | 14 |
| France | 14 | 3 | 21 |
| Germany | 15 | 4 | 19 |
| India | 6 | 4 | 5 |
| Italy | 6 | 4 | 11 |
| Japan | 6 | 4 | 9 |
| Netherlands | 6 | 3 | 12 |
| Saudi Arabia | 13 | 8 | 12 |
| South Africa | 6 | 9 | 1 |
| Spain | 3 | 4 | 8 |
| Sweden | 6 | 1 | 5 |
| USA | 3 | 6 | 5 |

# Prospects

# Forecasts for 2023

- The UNWTO is forecasting that at a global level international tourist arrivals in 2023 will sit between 80% and 95% of those achieved in 2019
- Some destinations in Europe and the Middle East look set to match or exceed their 2019 tally in the coming year
- In its most recent forecast VisitBritain reckoned that international arrivals in the UK would reach 86% of their 2019 tally in 2023, but since publication (13th December) we have seen rapid easing of travel restrictions in China
- It may be that supply-side rather than demand-side issues are (at an aggregate level) the major concern in the months ahead

# Outbound forecasts (2019 = 100)



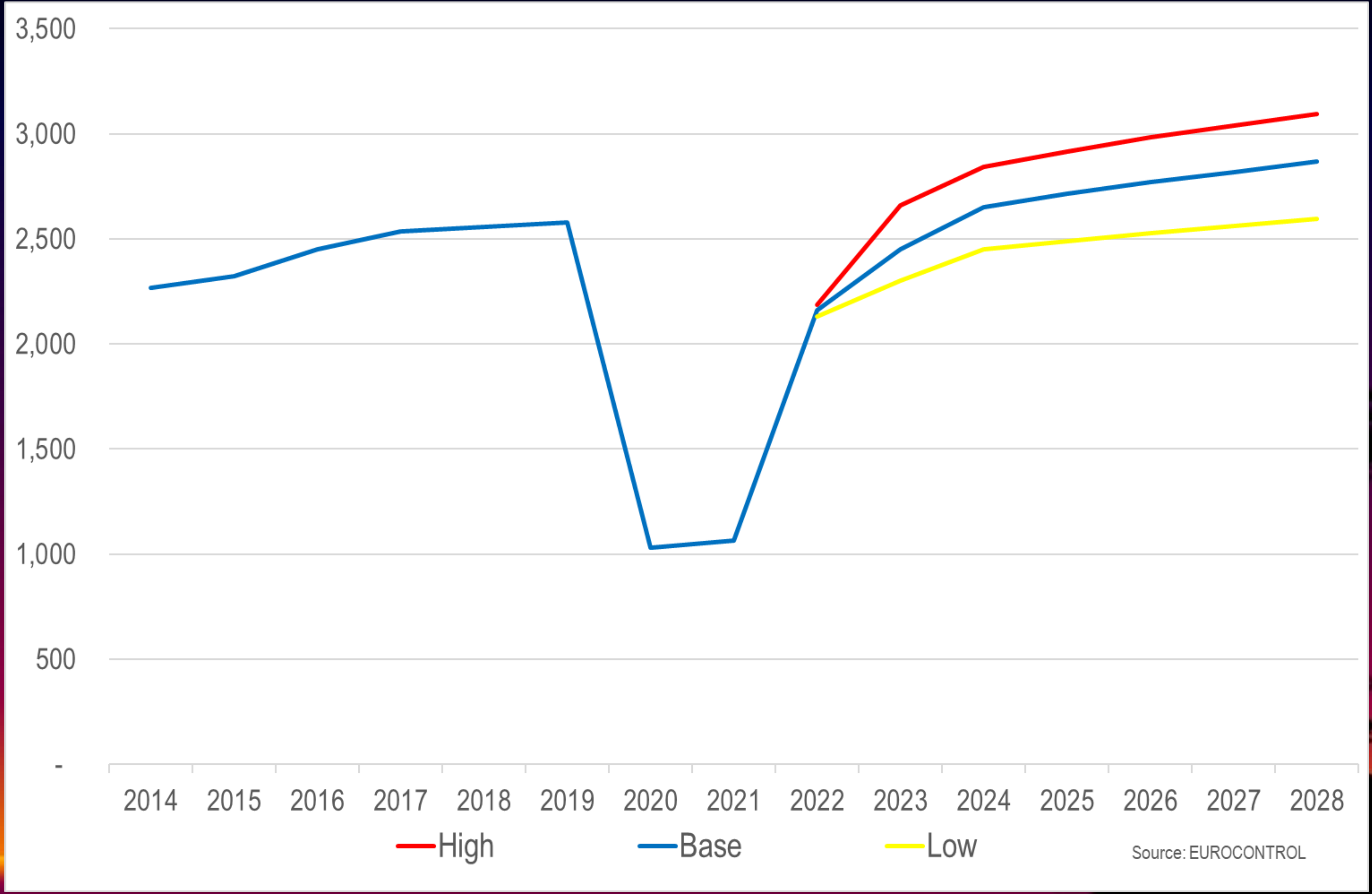
# PwC Hotel Forecast for 2023

- PwC is more optimistic about prospects for the London hotel market than for UK regional hotels
- This reflects an expectation that inbound tourism (benefiting London) will continue to recover, while a lacklustre domestic economy will inhibit prospects for regional hotels

**PwC 2023 forecast annual change**

| | London | Regional UK |
|---|---|---|
| Occupancy | +8.1 pp | +2.1 pp |
| Average Daily Rate (real terms) | +11.0% | -1.8% |
| Revenue per Available Room (real terms) | +17.9% | -0.6% |

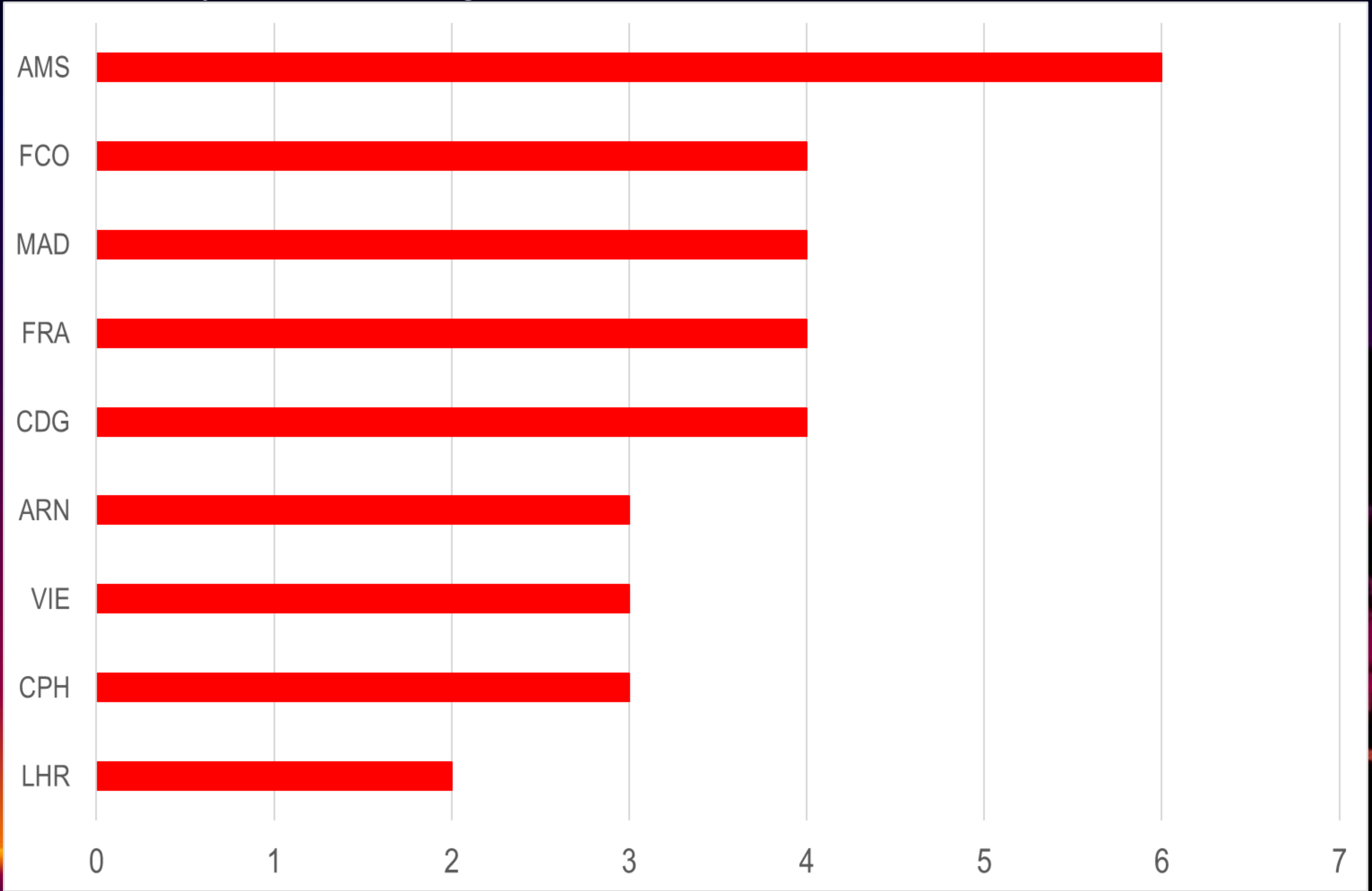
# Actual and forecast IFR movements with landing/take-off in UK air space (000s)




These projections were made in October 2022, but one month into 2023 actual IFR movements are broadly in line with the 'Base' scenario (92% of 2019 levels)

IFR: operating under 'Instrument Flight Rules'

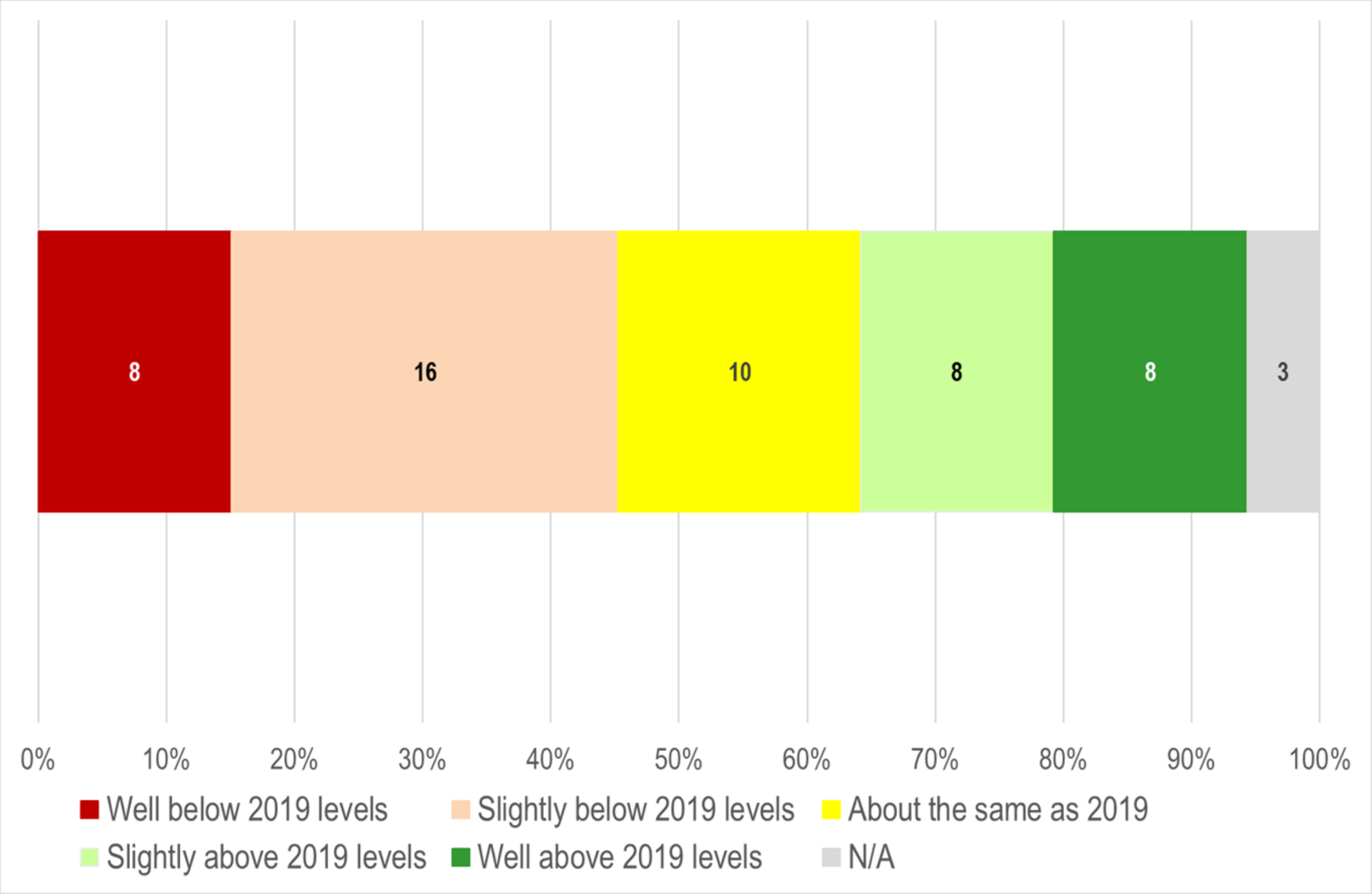
# Number of runways at leading European airports



# VFR prospects

- For much of the last two decades immigration from the EU was the main locomotive powering inbound VFR growth
- But the pandemic and Brexit (and potentially other factors) mean that in the year to June 2022 immigration from the EU stood at 224,000, while 275,000 EU nationals emigrated from the UK, leading to a net outflow of 51,000
- However, long-term immigration to the UK from non-EU markets has been increasing, reaching 704,000 in the year ending June 2022
- Few if any VFR visits will be generated by the 89,000 arriving from Ukraine, 21,000 from Afghanistan or 76,000 issued with a BN(O) visa in Hong Kong
- With most pent-up VFR demand having taken place the VFR market is unlikely to see strong growth in the next year

# BETA Members' expectations for youth visits to the UK in 2023 compared to 2019




## Net score

(% saying "above 2019" minus % saying "below 2019" multiplied by 100). The net score from the previous wave of the survey is shown in parenthesis.

**-16 (-17)**

# Business Visits and Events prospects

- Many changes brought about by the pandemic were temporary, but there has been a step change in business use of virtual meeting technology
- Environmental, social and governance (ESG) considerations will increasingly lead businesses to scrutinise their use of aviation
- Businesses in the EU now have additional barriers to trading with their UK equivalents and little progress has been made on free trade agreements with nations elsewhere
- Despite these challenges the UK is a major global economy and has excellent international connectivity and event facilities, but any growth in inbound business visits looks set to be modest at best

# Prospects for the inbound Holiday market

- Culture and heritage are major motivating factors for international holiday tourism, and Britain hasn't lost any of its lustre in this regard due to the pandemic
- The Coronation in May will be another opportunity to showcase Britain to potential visitors
- The cost-of-living crisis is not unique to Britain, but the exchange rate helps lessen our long-standing value for money challenge somewhat
- While prospects for Holiday visits from China rebounding are far rosier than three months ago, it will likely be 2024 before volumes match those of 2019
- The US, Canada and Australia look set to be strong performers in 2023

# Looking ahead to 2024…

- It is expected that the UK will introduce an Electronic Travel Authorisation scheme by the end of 2024, meaning that all visitors who don’t need a visa will have to apply for (and pay an as yet undisclosed fee) for an ETA
- Meanwhile Brits going to the EU will have to apply for and purchase an European Travel Information and Authorisation System (ETIAS) by 2024 at a cost of €7 (free to under 18s and over 70s)
- There are potential displacement opportunities on offer from Paris hosting the Olympic and Paralympic Games and Germany hosting the Men’s Euros
- And we can expect a UK general election…

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