

Economic indicators at a glance – September 2012

Contact: Richard Ramsey
Chief Economist, Northern Ireland
02890 276354 or 07881 930955

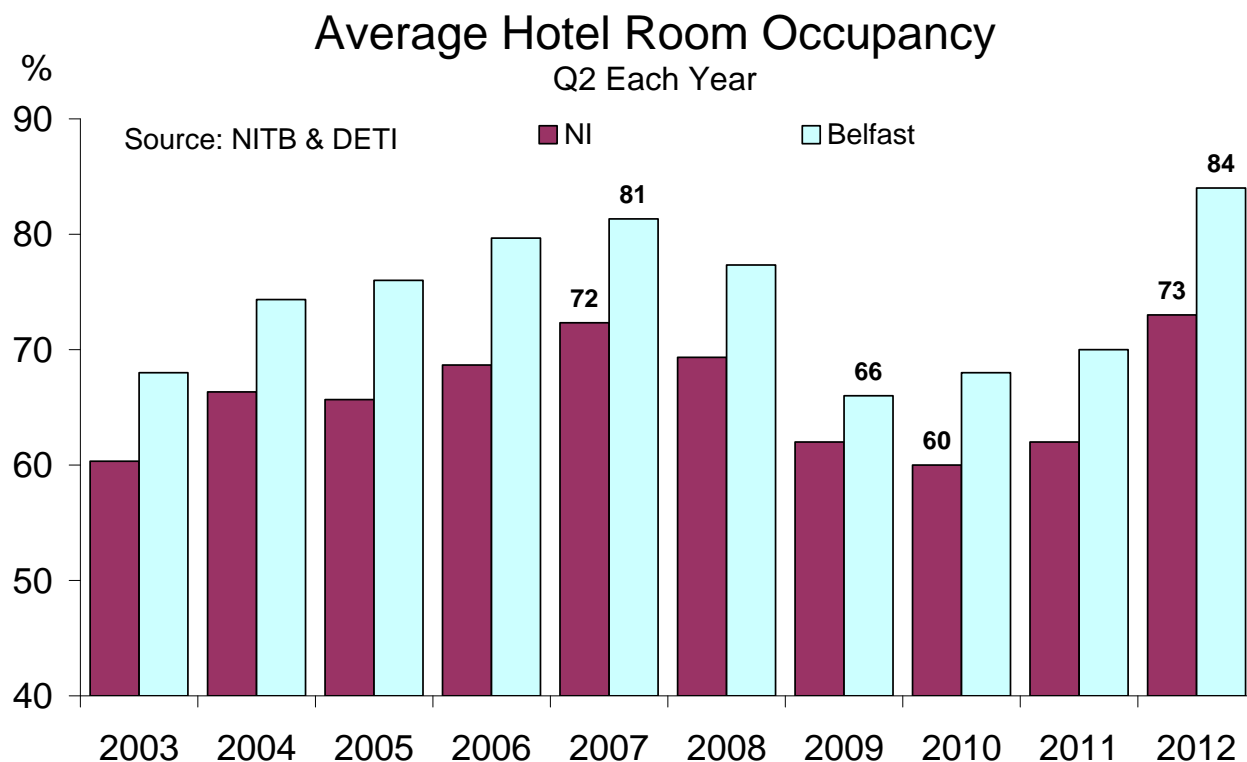
Richard.ramsey@ulsterbankcm.com

www.ulsterbank.com/economics

Appears in Belfast Telegraph Business Month published 3rd September 2012

Chart of the Month – ‘Our Time Our Place’: Hotel occupancy rates at record highs

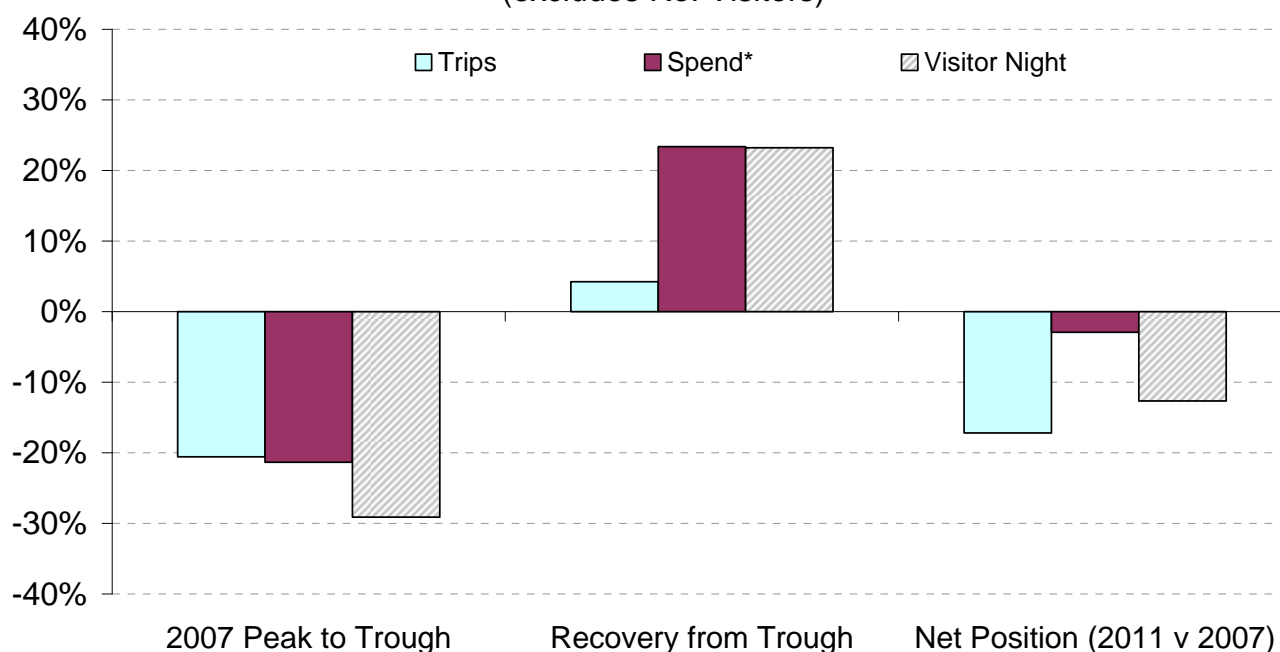
Given the challenging economic conditions record highs of the positive variety remain in short supply. However, it is noted that the record hotel occupancy rates back in 2007 have recently been exceeded. Sales in hotel rooms have been booming in recent months with Belfast and Northern Ireland benefiting from the Irish Open Golf tournament and the opening of the iconic Titanic building. Soaring hotel room sales have seen both Belfast (84%) and Northern Ireland (71%) witness record highs in average hotel room occupancy rates in Q2 2012. These figures compare with 70% and 62% respectively in Q2 2011. The impressive Q2 figures follows a disappointing Q1 performance. Nevertheless, the 857,000 rooms sold during January-June 2012 represent an increase of 12% y/y. Despite this rise in hotel room sales, the number of overseas visitors fell by 5% over the same period. This suggests the growing importance of the ‘staycation’ market. Meanwhile the latest estimates of tourism expenditure, by overseas visitors, has fallen by 16% during the first 6 months of 2012 relative to the corresponding period last year. Next year should be a bumper year for Northern Ireland’s tourism sector and related industries. The pinnacle will be the World Police & Fire Games (WPFG) from 1st-10th August 2013. Northern Ireland will be only the third European host in the Games’ history which were last held in New York in 2011. The event is the world’s third largest multi-sport event and has more competitors than the Commonwealth Games. Some 25,000 visitors are anticipated including 10,000 competitors from 70 countries participating in 66 sports held in 41 venues across Northern Ireland.



Tourism industry has rebounded strongly from the recession

Prior to the downturn, 2007 proved to be a record year for Northern Ireland's tourism industry. The recession subsequently saw steep falls in visitor numbers and spend both of which plunged by 21% and 29% respectively between 2007 and 2009. The actual number of visitors also fell by 21% and has rebounded only modestly (+4%) between 2009 and 2011. However, those overseas visitors who have arrived have spent more money and stayed for longer. According to figures produced by DETI & NITB, both visitor nights and visitor spend (*after inflation*) increased by over 23% during 2009-2011. As a result, over 55% of the decline in visitor nights and 85% of the fall in visitor spend have been recouped. 2013 provides a golden opportunity for Northern Ireland's tourism industry to post record highs in terms of both tourism spend and visitor numbers.

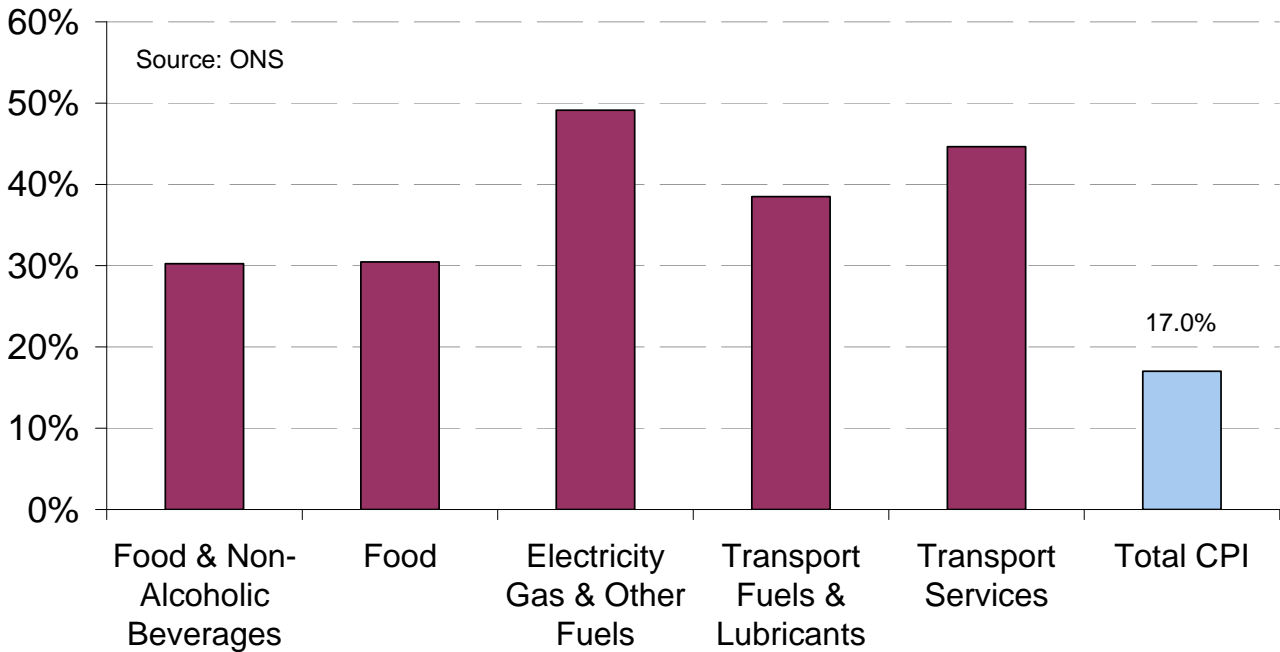
Out of State Visitors to Northern Ireland (excludes RoI Visitors)



Challenges remain particularly with inflationary pressures

Like all other sectors, inflation has been a major challenge for the tourism industry. Whilst hotel occupancy rates are at higher levels than 2007, so too is the cost base. Food price inflation has risen by 30% during the last 5-years with utility prices (*e.g. energy*) around 50% higher than they were in August 2007. Therefore the tourist industry's cost base has been rising significantly and profit margins have been squeezed. Meanwhile the ability to pass on prices to customers is limited. On a positive note, sterling is much weaker now than it was back in 2007 making Northern Ireland a much more price competitive tourist destination. Back in August 2007 sterling was worth \$2 as opposed to \$1.56 today. This 22% depreciation in sterling against the dollar is good news in trying to grow the North American market. Meanwhile in euro zone markets, Northern Ireland may not be as price competitive as it was in 2009-2011. Nevertheless, the single currency is still worth around 14% more against sterling in August 2012 relative to August 2007.

Cumulative % Change in UK Consumer Prices since Credit Crunch began (Aug 07 to Jul 12)



Richard Ramsey,
20th August 2012

This document is intended for clients of Ulster Bank Limited and Ulster Bank Ireland Limited (together and separately, "Ulster Bank") and is not intended for any other person. It does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any of the instruments mentioned.

The information including any opinions expressed and the pricing given, is indicative, and constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such.

This publication provides only a brief review of the complex issues discussed and recipients should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information.

Over-the-counter (OTC) derivatives can involve a number of significant and complex risks which are dependent on the terms of the particular transaction and your circumstances. In the event the market has moved against the transaction you have undertaken, you may incur substantial costs if you wish to close out your position.

*Ulster Bank Ireland Limited. A private company limited by shares, trading as Ulster Bank, Ulster Bank Group and Banc Uladh. Registered in Republic of Ireland. Registered No 25766. Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2.
Member of The Royal Bank of Scotland Group.
Ulster Bank Ireland Limited is regulated by the Central Bank of Ireland*

*Ulster Bank Limited. Registered in Northern Ireland. Registration Number R733 Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.
Authorised and regulated by the Financial Services Authority and entered on the FSA Register (Registration Number 122315) except in respect of our consumer credit products for which
Member of The Royal Bank of Scotland Group.
Ulster Bank Ltd is licensed and regulated by the Office of Fair Trading.*

Calls may be recorded.