

## Economic indicators at a glance – September 2012

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

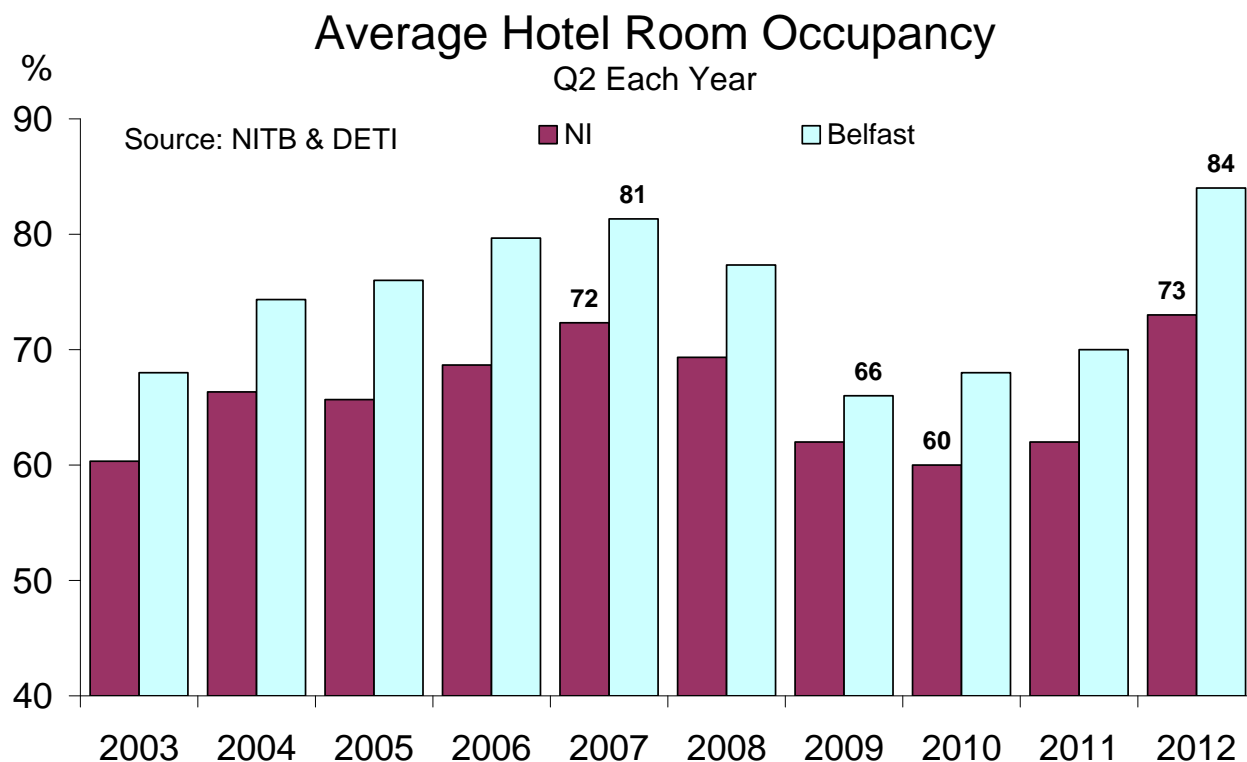
[Richard.ramsey@ulsterbankcm.com](mailto:Richard.ramsey@ulsterbankcm.com)

[www.ulsterbank.com/economics](http://www.ulsterbank.com/economics)

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### 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 1<sup>st</sup>-10<sup>th</sup> 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.

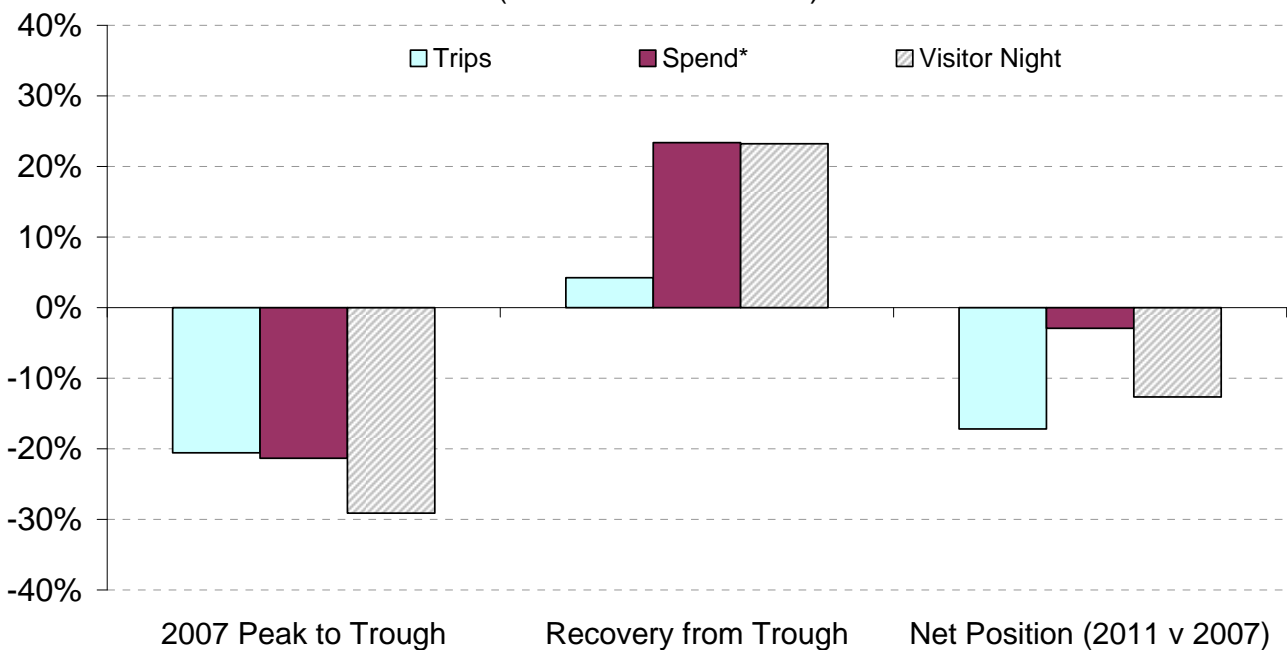


**Tourism industry has rebounded strongly from the recession**

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

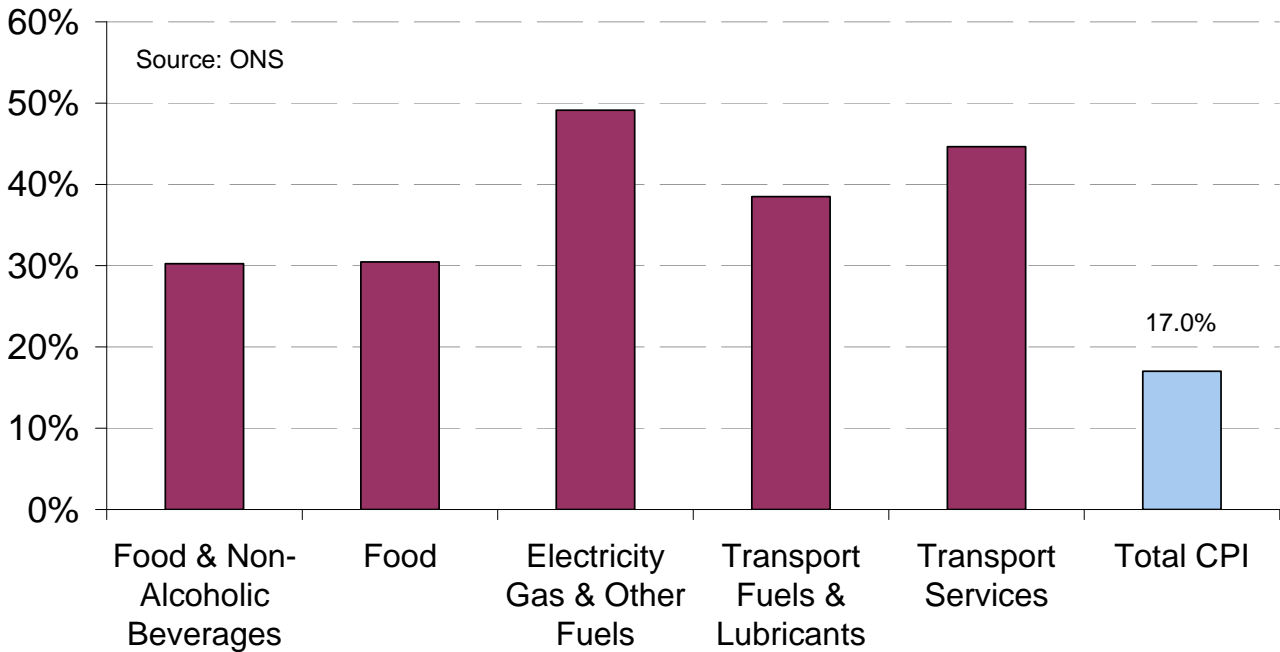
(excludes RoI Visitors)



**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,  
20<sup>th</sup> August 2012

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