

# Travel industry market report

## Overview

According to ABTA Over the past year, ABTA research shows that more British holidaymakers have taken more holidays than at any point in the last five years.

However, a savvier breed of holidaymaker has emerged, with people responding to challenging market conditions by planning further ahead to get the holiday they want, and by managing their holiday budgets more carefully.

## Recent industry figures

In 2017, the summer overseas package holiday market was up by 8% year on year. However, as with 2016, there were destination winners and losers, with the Western Mediterranean continuing to be the biggest draw.

Spain (including mainland Spain, the Balearics and the Canaries) saw an increase of 11%, Italy 10%, Greece 7% and Portugal 6%.<sup>3</sup> With restrictions on flights to Sharm el Sheikh airport still in place, travel companies responded by promoting trips to other parts of Egypt – in particular the Red Sea resort of Hurghada and the tourist destinations along the Nile – resulting in a significant increase of 66% in visitor numbers year on year to the country.

Holidaymakers were also prepared to travel further afield, with Africa, Asia and the Caribbean all seeing an increase in bookings.

By contrast, bookings to the USA decreased by 3% in summer 2017, most likely as a result of the fall in the value of the pound against the dollar. Domestic tourism enjoyed another very strong year, with 72% of people taking a UK break in the last 12 months. City breaks continued to be the nation's favourite holiday type in 2017, with over half the population having taken one, according to ABTA research. Beach holidays remain the second most popular holiday type and they saw an increase of 3% on 2016, following a dip the previous year, as travel companies sought to add capacity in popular destinations.

## Factors

Global political and economic uncertainty, a heightened terror threat and natural disasters impacting some well-known tourist destinations were never far from the headlines.

We saw terrorist attacks in Manchester, London and Barcelona, political unrest in The Gambia, a devastating earthquake in Mexico and Hurricanes Harvey, Irma and Maria tearing through Texas, Florida and the Caribbean.

Several travel companies collapsed, including the Monarch Travel Group – the largest British airline failure in history.

With the travel industry and Government stepping in to bring home all 110,000 people stranded overseas, the whole issue of consumer financial protection was thrown into the spotlight and is now being reviewed by the Government.

The Brexit negotiations continued to dominate the news, but the fall in the value of the pound did not appear to put people off holidaying in Europe in 2017. The EU remains the UK's largest travel destination and consumer confidence in travel to EU destinations has held up well.

*Sources - ABTA Holiday Habits report 2017 & GfK – Travel Leisure Monitor October 2017*

## What lies ahead

While there are some encouraging signs in the market pointing to a positive year ahead, there are concerns around the squeeze on consumer disposable income, as well as the great unknowns around the outcome of Brexit negotiations.

The positive sentiment seen in the market earlier in 2017 has held up well as we move into 2018, despite uncertainty created by world events, political upheaval and economic pressures.

Although there is continued pressure on consumer spending power, ABTA research shows a notable increase in people planning to spend more on their holidays in the next 12 months. Over three in ten people (31%) plan to spend more, compared to 24% who stated this in 2016, with only 14% of people planning to spend less.

As 2017 draws to a close, early bookings for overseas holidays also appear strong for 2018, with industry figures showing bookings for next summer tracking 5% above last year. This may be a reflection of the growing trend for early booking, with people keen to secure their preferred resort or destination in an increasingly competitive market.

City breaks and beach holidays are expected to remain the top holiday choices for 2018. Over half of all holidaymakers (51%) are planning to take a city break and 47% are planning to take a beach holiday, an increase on numbers in the past 12 months. All-inclusive packages are expected to perform particularly well as holidaymakers look to manage their budgets in light of the continuing uncertainty around Brexit and a volatile GBP.

Almost a quarter of people (23%) are thinking of taking an all-inclusive holiday in 2018, with young families particularly attracted to this type of holiday, 34% of whom expect to take one in 2018.

Whilst the Western Mediterranean has been the big draw for the past two years, early indications are that holidaymakers will start travelling back to destinations in the Eastern Mediterranean. In particular, bookings for Turkey saw a significant increase of 69% for summer 2018, whilst Egypt is continuing on its road to recovery with a 24% increase in bookings. With Tunisia also back on the radar after the Foreign Office changed its travel advice warning against all but essential travel in July 2017, several tour operators are starting to sell holidays there again in 2018.

With March 2018 heralding the one year countdown until the UK leaves the EU, ABTA is urging Brexit negotiators to prioritise a deal on travel, and to safeguard air routes as a matter of urgency, not least because the EU is the UK's largest travel destination.

Our research shows that 36% of people are confused about how Brexit will affect their holiday plans, with only 19% feeling well informed about the implications of Brexit.

In spite of this, nearly two-thirds of people still intend to travel to Europe in the next 12 months, suggesting that British holidaymakers remain committed to Europe as a holiday destination.

*Source GfK – Travel Leisure Monitor October 2017*

## Cruise

The interest in cruising is growing at a rapid rate; 14% of UK holidaymakers plan on taking a cruise in the next 12 months, almost double the number that went on one in the past 12 months.

In particular, the growth in European river cruising looks set to continue in 2018, with river cruises becoming more active and responding to the fast developing millennial market. River cruising is the fastest-growing sector of the worldwide cruise market with many new vessels being introduced, together with new facilities to rival ocean liners. The majority of growth comes from European cruises, with the Rhine/Moselle followed by the Danube leading the way as the most popular routes.

A popular new development within this sector is the growth of more active trips, where holidaymakers can combine taking in the scenery with activities such as hiking along smugglers' routes, sampling local specialities or rock climbing. As river cruises move away from the perception of a sedentary type of holiday, several exciting new initiatives are being launched which are designed to appeal specifically to Millennials and Generation X. For example, the new U by Uniworld River Cruises offers a different type of experience for the next generation along the "Instagram and Snapchat-worthy" rivers of Europe. Sunrise yoga, rooftop bars, international DJs and farm-to-table cuisine are just some elements of the new cruise experience for the younger market.

Millennials are showing significant interest in cruise holidays, with more than one in ten holidaymakers between the ages of 18-24 planning a cruise for next year, according to ABTA research. The wider cruise industry is investing in tech upgrades to appeal to the next generation of holidaymakers, with Royal Caribbean, Carnival and MSC among those capitalising on new technology and lightning fast Wi-Fi across their fleets.

Further afield than Europe, new, more exotic cruise destinations are opening up in 2018. For example, on Fred Olsen's latest routes, passengers can discover the souks and castle of the Omani city of Khasab, visit the birthplace of Gandhi in Porbandar, India or stop to witness amazing wildlife along the stunning coastline of South Africa. Thanks to new direct flights from Manchester to Seattle, new cruise routes are becoming available to Alaska. With a variety of new routes on offer, British cruisers will have a wealth of scenic destinations to choose from in 2018.

ABTA Members report that passengers are looking for more flexibility and choice in 2018. For example, TUI's newly-branded Marella Cruises have seen an increase in its 'Cruise and Stay' bookings, where customers can opt to stay in a TUI hotel or resort as part of their trip. In addition, more customers than ever are choosing to depart from the UK and these numbers look set to rise in the next year.

Finally, all-inclusive cruises are expected to be an appealing option for holidaymakers in 2018. With the likelihood of continued currency fluctuations amidst Brexit negotiations, they eliminate the stress of additional and unexpected costs once on holiday.

*Sources - ABTA Holiday Habits 2017 & [uk-amp-ireland-cruise-review-2016.pdf?sfvrsn=0](#)*