

Is there any light at the end of the tunnel?

Unless you have been living on the moon, the 'global economic crisis' will not be alien to you (pun intended!).

Almost a year has passed since this crisis, which has affected all of us to some degree, hit the headlines. Certainly, the tourism industry was not immune to its impact. So, now seems like a good time to take stock of what has happened and what may happen in the next 12 months (although no one can be absolutely sure, of course).

Evidence suggests that there have been winners and losers. For instance, it is well charted that the border towns and cities have experienced an influx of day visitors and in some cases short break visitors, whereas in other rural locations and in Belfast, business is not as robust as it was 12 months previously. Even the budget hotels sector, which has traditionally argued that an economic downturn is 'good news' for its business model, is feeling the chill.

But is the current situation all down to the "credit crunch" and, can matters get any worse?

Firstly, I do not believe that all of the blame rests with the current economic situation. In the case of Belfast, I am of the view that it is experiencing the unfortunate convergence of a number of factors. Clearly, the corporate market has been dented by the need for businesses to reconsider their travel requirements and this has led to fewer trips, the scaling back of expenses for those that do travel and the renegotiation of corporate contracted rates in many cases. This situation has been exacerbated by a sudden increase in bedroom supply over the past 6 months.

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At the same time, Belfast has also experienced a significant reduction in the number of inbound conferences and delegates. In the year to March 2009, we estimate the number of overnight stays to be around 50,000 less than was the case 2 years previously. Large scale inbound events tend to have long lead times and there is often the need to offer a subvention to attract the headline conferences. The withdrawal of subsidy and the cyclical nature of the market mean that it was always going to be difficult to maintain year on year growth. It was evident 2 years ago that this market would not be as strong in 2009 and 2010 as had been the case in the preceding years. It is simply unfortunate that this 'dip' coincided with a reduction in demand from the corporate sector.

Businesses outside Belfast will be reliant on meeting and conference trade from the domestic market, leisure breaks from out of state and domestic markets and special events such as weddings. While there is evidence to suggest a reduction in demand from locally sourced conference and meeting organisers, the leisure and special events markets appear to be holding up relatively well.

The weakening of Sterling against the Euro has made Northern Ireland a much more attractive proposition and this has boosted the number of leisure visitors from Euro zone markets. In Belfast the short break market has, to some extent, mitigated the effects of the downturn in corporate and conference demand. The net effect of this shift in market dynamics is that Belfast continues to face a reduction in high value business and an increase in lower value business. In turn, while this has had some impact on bedroom occupancy rates, it is more evident in the reduction in achieved room rates.

Where will it end?

No one knows when the current economic climate will improve. Even economists cannot agree on this topic. However, there are some encouraging signs that the United States may have "bottomed out". If this is the case, it has important consequences for Europe and for Northern Ireland. As the world's largest economy, any significant improvement in consumer and business confidence in the US could be a real kick start for Europe.

For example, inter bank lending in the US and the UK is showing signs of normalisation, US banks have begun the process of repaying government loans and there are indications that the US and UK housing markets may be showing the first signs of recovery. Locally, Northern Ireland remains one of the lowest jobless regions in the UK (although unemployment rates continue to climb and will probably do so for most of this year) and overall we have been less affected by the current economic crisis than other regions. Of course, these are only early indicators and conditions are likely to remain tough for the remainder of 2009 and into the early part of 2010.

But, there are positives. Northern Ireland is welcoming an increasing number of out of state visitors, the domestic market is likely to consider holidays and short breaks at home because of the weakness of sterling and the same will be true of the Great Britain market. In the short term, these are the key prospects.

Be sensible about pricing, creative in your marketing, maintain quality standards and target the closer to home and domestic markets.