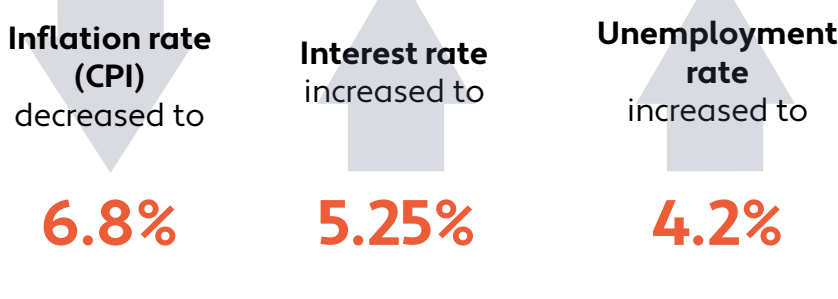


Our clients have been reporting a positive peak summer season, with wet UK weather providing a welcome boost to late bookings. There is evidence of concerned consumers continuing to cut back, though some more than others. And the air traffic control disruption provided an unwelcome reminder that some operational challenges still remain. Welcome to our September Travel Fundamentals.



Consumer backdrop



Next MPC meeting 21 September

A drop in energy prices and the easing of food price growth led to a sharp drop in the Consumer Price Index (CPI), bringing inflation below the rate of annual wage growth. Nevertheless, Nationwide reported more than 6 in 10 consumers are still worried about their finances. The wet UK weather may have dampened retail sales, but Barclays and Nationwide data pointed to a boost in last minute spend on travel as well as other experience categories.

Nationwide Building Society

NON-ESSENTIAL SPEND (July 2023)						
Spend category	Total spend July 2023	% change vs June 2023	% change vs July 2022	Total transactions July 2023	% change vs June 2023	% change vs July 2022
Airline travel	79,211,816	2%	33%	512,537	0%	34%
Charities	50,663,371	0%	4%	2,415,214	-1%	5%
Clothing/Shoes	245,597,411	-3%	-3%	5,975,770	0%	-2%
Dating	1,265,304	9%	-6%	48,271	9%	-5%
Digital Goods	62,505,096	7%	26%	7,161,074	9%	25%
DIY/home Improvements	252,232,762	-2%	-8%	3,673,698	-13%	-10%
Eating/Drinking	582,956,633	9%	8%	40,642,266	4%	5%
Gambling	194,318,142	4%	-3%	8,521,850	4%	-1%
Gardening/Garden Centres	23,414,103	-24%	3%	815,978	-14%	13%
General retail/dept stores	304,888,821	5%	-2%	11,900,829	4%	11%
Health/Beauty	206,630,288	-2%	6%	6,218,878	-2%	2%
Holidays	392,942,995	3%	6%	2,556,561	6%	4%
Leisure/recreation	194,456,423	16%	11%	6,829,545	25%	12%
Other shops & catalogues	680,582,758	5%	16%	11,870,365	3%	-1%
Subscriptions	20,063,436	10%	0%	1,590,813	5%	-3%
TOTAL	3,291,729,359	4%	6%	110,733,649	4%	5%

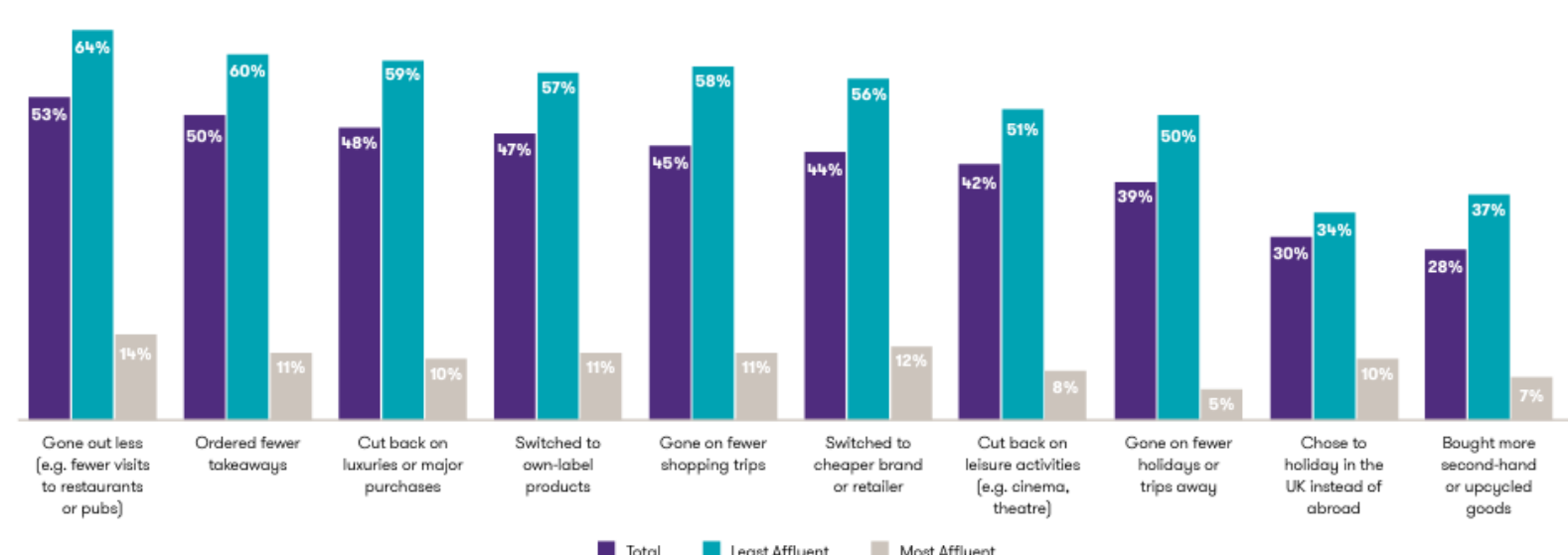
BARCLAYS

	Spend growth	Transaction growth
Hospitality & Leisure	10.9%	5.6%
Digital Content & Subscription	9.9%	3.1%
Eating & Drinking	9.2%	4.2%
Restaurants	-2.5%	-9.2%
Bars, Pubs & Clubs	7.6%	4.5%
Takeaways and Fast Food	9.2%	4.4%
Other Food & Drink	13.0%	5.2%
Entertainment	15.8%	9.0%
Hotels, Resorts & Accommodation	5.6%	0.4%
Travel	14.3%	12.5%
Travel Agents	7.8%	11.0%
Airlines	39.1%	35.4%
Public Transport	11.3%	12.2%
Other Travel	6.1%	10.3%
Other	-2.4%	1.2%
Fuel	-22.5%	-6.9%
Motoring	3.4%	4.7%
Other Services	10.8%	12.4%
Insperience	9.0%	3.6%

Research from Grant Thornton and Retail Economics shows a tale of two consumers with a "clear polarisation between the least affluent and most affluent" when it comes to cutting back on spending.

Fig 10: Polarisation in cut back behaviours by household income

Since the start of the year, have you done any of the following in response to the increased cost of living?



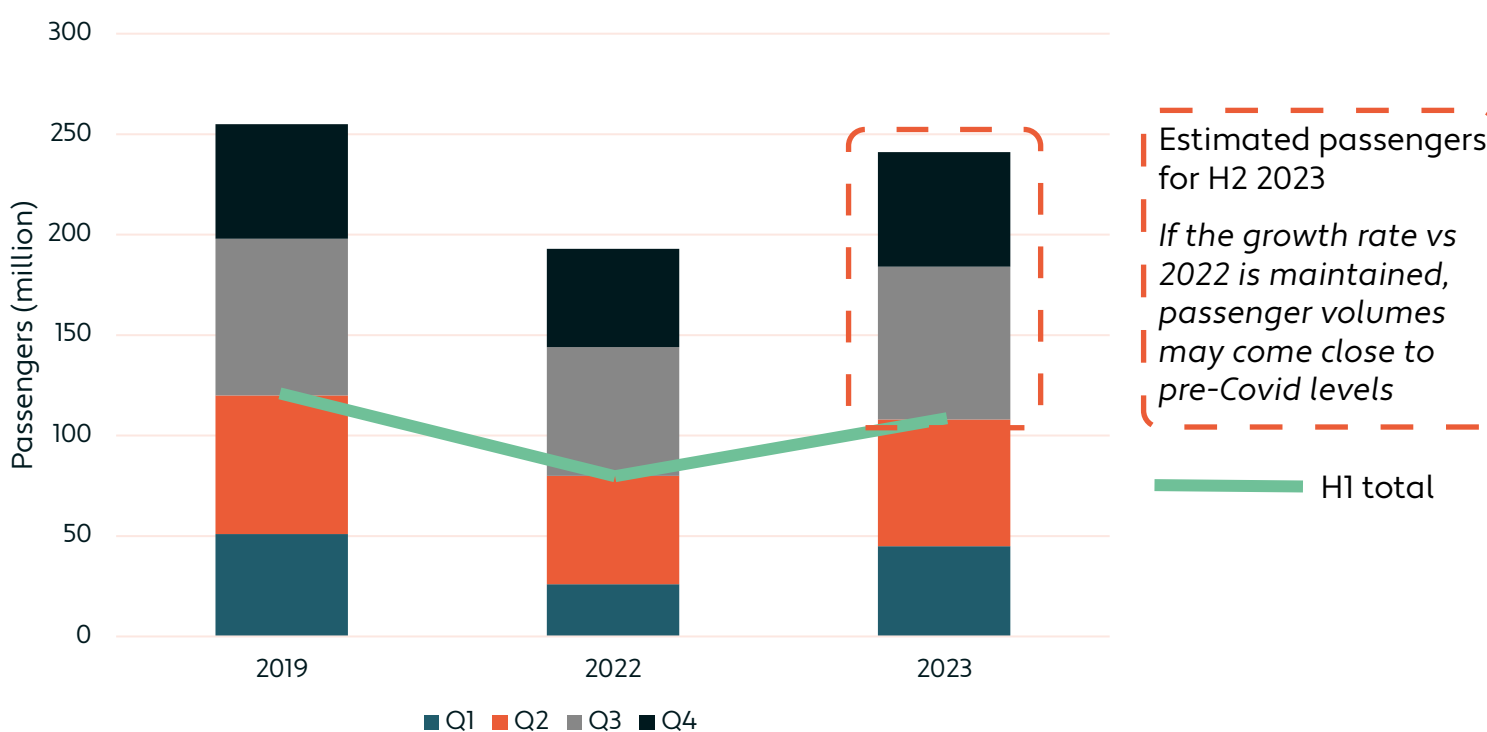
Source: Retail Economics, Grant Thornton



Trading environment

Buoyant summer trading is the silver lining of the disappointing UK weather. July spending data echoes the chatter amongst our clients, with many reporting a busy booking period. Operators are continuing to increase capacity to meet the unwavering net demand, with data from the CAA showing air passenger numbers for the first half of the year up significantly vs. 2022.

CAA international air passenger numbers



Source: CAA UK Airport Data, Table 12.1 International Air Passenger Traffic Route Analysis

The air traffic control fault continues to disrupt flights, so many businesses are focused on assisting affected customers and reassuring those experiencing doubts over their booking.



Source: Sky News and The Independent



Company announcements

We've been all ears for recent company announcements to understand how trading is going for the travel sector. Here are a few things we found interesting this month.



Passenger increases have been "supported by higher capacity year-on-year and continued strong demand for air travel" but Wizz Air is mindful of "continued infrastructure and supply chain limitations facing the industry."



"In terms of booking windows, booking trends, they're moving around a little bit. But by and large, they're normalizing to what, I would call, generally pre-pandemic patterns."



"For the [year ending 31 March 23], seat capacity increased 13% against 2020 and buoyant customer demand resulted in the company achieving an average load factor of 90.5%."



"Booking levels remain strong for Summer 2023, confirming customers continue to prioritise holidays."

Regulatory horizon

- ABTA and ATOL renewal deadline on 30 September

Dates for your diary

- September 2023
- 13: ABTA Essential Guide to the Package Travel Regulations
 - 14: TTC Insights Travelcast
 - 26: TGT and PwC Autumn breakfast

Accounting corner

- September 2023
- 7: Deadline for VAT returns and payments for accounting quarter ending 31 July
 - 30: Deadline for filing accounts for accounting period ending 31 December 2022
 - Deadline for Corporation Tax returns for accounting period ending 30 September 2022