

As Summer 23 draws to a close, our leisure travel clients reflect on a successful trading period, thanks to the perfect pairing of higher prices and rebounding volumes. For now, our industry remains largely unscathed by wider consumer concerns, cementing travel's status as a "must-have". The early signs are promising as attention now turns to Winter '24 and beyond. Most of our clients remain optimistic that the positive momentum can be maintained. Find out more in our October Travel Fundamentals.



Consumer backdrop

Inflation rate (CPI) decreased to **6.7%**

Interest rate remained at **5.25%**

Unemployment rate remained at **4.3%**

Next MPC meeting
2 November

August 23 saw year-on-year essential spending grow at its slowest rate since July 2020. Whilst partly driven by easing food and energy price inflation, research from Nationwide revealed nearly seven in ten are concerned about their household finances. Non-essential spending growth is also on the wane. However, according to a Barclaycard survey, spending on luxury items and experiences remains a priority for one in five, with holidays abroad and hotel stays at the top of their list.

Nationwide Building Society						
NON-ESSENTIAL SPEND (August 2023)						
Spend category	Total spend August 2023	% change vs July 2023	% change vs August 2022	Total transactions August 2023	% change vs July 2023	% change vs August 2022
Airline travel	£73,143,583	-8%	23%	492,867	-4%	26%
Charities	£49,805,830	-2%	6%	2,394,683	-1%	6%
Clothing/Shoes	£239,173,945	-3%	3%	5,863,063	-2%	4%
Dating	£1,263,285	0%	-1%	49,385	2%	2%
Digital Goods	£64,339,571	3%	29%	7,117,521	-1%	25%
DIY/home improvements	£247,848,820	-2%	-9%	3,149,329	-14%	-23%
Eating/Drinking	£587,900,033	1%	5%	40,482,218	0%	3%
Gambling	£201,249,015	4%	1%	9,007,317	6%	6%
Gardening/Garden Centres	£21,824,431	-7%	5%	774,385	-5%	10%
General retail/dept stores	£292,110,879	-4%	-1%	11,654,875	-2%	15%
Health/Beauty	£204,983,707	-1%	11%	6,173,980	-1%	8%
Holidays	£369,737,783	-6%	4%	2,658,664	4%	1%
Leisure/recreation	£197,285,121	1%	6%	7,292,816	7%	10%
Other shops & catalogues	£675,384,165	-1%	12%	11,891,744	0%	-2%
Subscriptions	£19,994,988	0%	1%	1,553,226	-2%	0%
TOTAL	£3,246,045,156	-1%	5%	110,556,073	0%	5%

	Spend growth	Transaction growth
Hospitality & Leisure	7.3%	3.5%
Digital Content & Subscription	9.2%	2.8%
Eating & Drinking	5.2%	0.6%
Restaurants	-5.8%	-12.8%
Bars, Pubs & Clubs	2.8%	-0.4%
Takeaways and Fast Food	6.4%	2.0%
Other Food & Drink	8.0%	1.5%
Entertainment	12.0%	16.3%
Hotels, Resorts & Accommodation	1.7%	-4.8%
Travel	10.7%	10.9%
Travel Agents	3.7%	6.7%
Airlines	32.1%	29.5%
Public Transport	11.0%	11.6%
Other Travel	3.5%	7.1%
Other	-2.7%	-0.7%
Fuel	-20.1%	-7.6%
Motoring	2.0%	1.0%
Other Services	8.3%	11.0%
Insurence	7.2%	2.2%



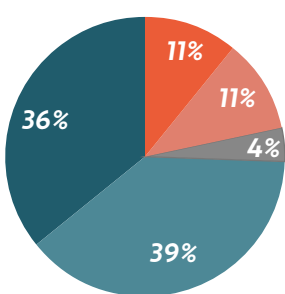
Trading environment

On our latest TTC Insights Travelcast, we asked 100 travel businesses about their summer trading and future bookings.

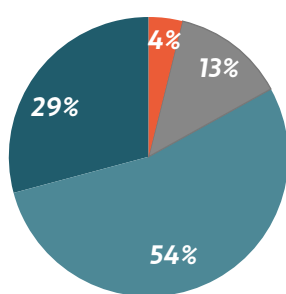
Over 80% of the businesses polled have been able to raise average selling prices, but this hasn't deterred bookings. Results show three-quarters of respondents generated volumes in excess of last summer, with one in three up by at least 10%. Growth looks promising for 2024 departures, too, with more than half of businesses ahead of where they were this time last year. The ATOL data below, also implies that travel businesses are expecting next year to be strong, and the big companies are expecting huge growth.

For departures over this Summer 2023 period, how do they compare with Summer 2022?

Passenger volumes

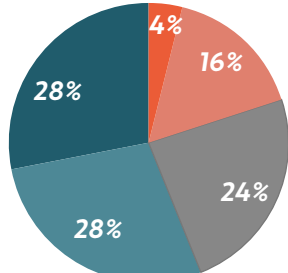


Average prices



Legend:
■ Ahead by 10% or more
■ Ahead by 1 to 9%
■ Broadly flat
■ Behind by 1 to 9%
■ Behind by 10% or more

How are your bookings for 2024 departures compared to 2023?



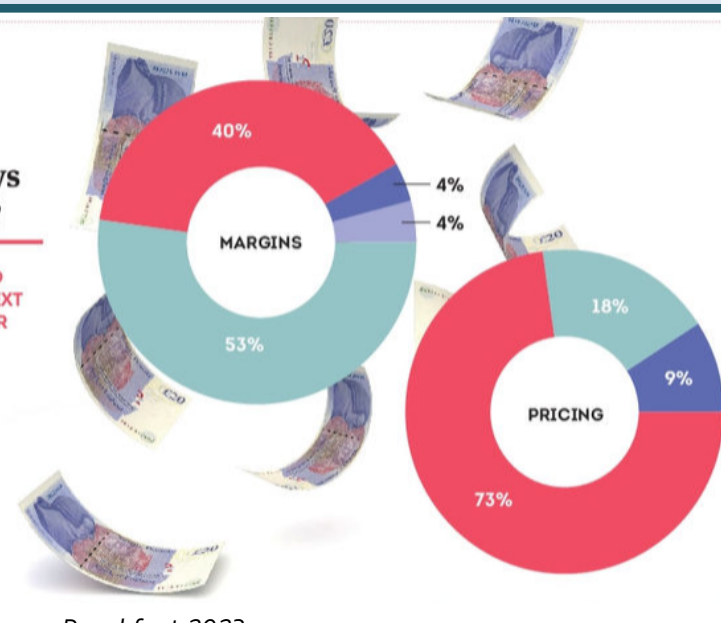
Legend:
■ Ahead by 1 to 9%
■ Ahead by 10% or more
■ Broadly flat
■ Behind by 1 to 9%
■ Behind by 10% or more

What do you expect pricing and margins to be for 2024 holidays compared with 2023?

OPERATORS EXPECT PRICING TO HOLD OR INCREASE FURTHER NEXT YEAR, WITH MARGINS IN LINE OR ABOVE 2023

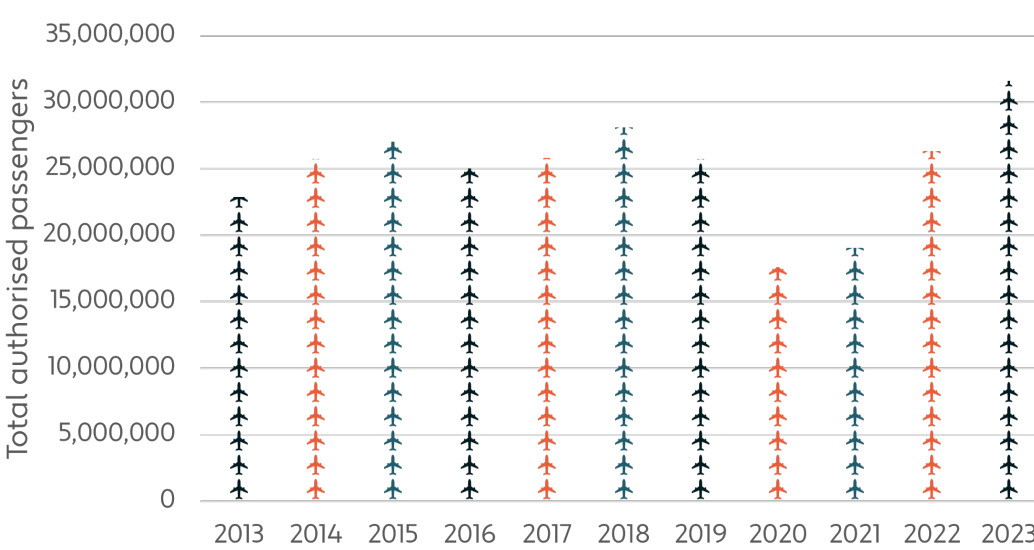
% of respondents

Legend:
■ SIGNIFICANTLY HIGHER
■ SLIGHTLY HIGHER
■ IN LINE
■ SLIGHTLY LOWER
■ SIGNIFICANTLY LOWER



Source: TTG Agenda Autumn Breakfast 2023

A PwC & TTG survey showed almost all of the 55 operators surveyed expect both pricing and margins to hold or increase further next year. Growth forecasts are promising, with over half of companies from our TTC Insights Travelcast poll noting 2024 departures ahead of the current year.



Source: ATOL authorisation data from 1 October 2023

Total ATOL authorised passengers have hit a 10-year high of 31.6m, surpassing the previous high watermark in 2018. This is additional evidence that travel businesses are predicting a strong 2024.



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.



"Notwithstanding that it remains in its early stages, bookings for Summer 24 are also significantly ahead of the prior year."



"The company's cumulative advanced booked position for full year 2024 is well above the high end of the historical range at higher prices (in constant currency) than 2023 levels."



"The robust rebound of travel activities reflects travellers' strong desire to explore the world. We remain optimistic about the enduring demand for travel and the long-term market outlook"



"UK bookings are in line with the prior year summer season and +4% ahead of pre-pandemic levels... We are still at an early booking stage [for winter 23/24], but the increase of +15% in bookings compared to the previous year, is a very encouraging signal."

Regulatory horizon

- March ABTA and ATOL renewal round opens 1 November

Dates for your diary

October 2023

- 5: Travel Weekly People Summit
- 12: TTC Insights Travelcast
- 30 October - 1 November: ABTA Travel Convention

Accounting corner

October 2023

- 7: Deadline for VAT returns and payments for accounting quarter ending 31 August
- 31: Deadline for paper income tax return