TTC Travel Trade Consultancy

Travel Fundamentals

6 February 2024

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It's been a generally strong start to 2024 for many in the travel sector. Consumers, operators, agents and airlines report feeling more optimistic, with reports aplenty of record January "peaks" sales and a robust outlook. But the good times aren't universal. Some specialist operators report being more quiet than expected. And with turbulent political and macroeconomic times ahead, many remain vigilant. Find out more in February's Travel Fundamentals.

Consumer backdrop

Inflation rate (CPI) increased to **4.0%**

Interest rate remained at **5.25%**

Unemployment rate remained at **4.2%**

As inflation eased in late 2023, consumers were at their most optimistic about the UK economy since Q2 2021, according to the latest Deloitte's Consumer Tracker. Nevertheless, Barclays' January 2024 spending data showed only modest growth in essential and non-essential spending and consumers are expected to remain cautious in the coming months. In both surveys' the travel and airline spending categories continued to perform ahead of most other categories.

BARCLAYS

	Spend growth	Transaction growth
Hospitality & Leisure	6.6%	6.0%
Digital Content & Subscription	11.4%	7.0%
Eating & Drinking	5.3%	3.3%
Restaurants	-11.6%	-14.0%
Bars, Pubs & Clubs	6.5%	5.3%
Takeaways and Fast Food	5.5%	2.4%
Other Food & Drink	9.1%	5.2%
Entertainment	5.3%	7.4%
Hotels, Resorts & Accomodation	0.6%	3.0%
Travel	8.9%	12.7%
Travel Agents	8.0%	10.8%
Airlines	9.3%	17.7%
Public Transport	10.8%	10.6%
Other Travel	8.6%	16.4%
Other	2.2%	2.7%
Fuel	-9.7%	-3.2%
Motoring	1.2%	2.9%
Other Services	9.6%	11.7%
Insperience	6.8%	4.4%

Source: Barclays UK Consumer Spending Report, January 2024

Consumer spending in the next three months by category	Q4 2023 net balances	% point change quarter on quarter	% point change year on year	% point change vs Q4 2019
Discretionary	-13.4%	-2.0	+3.6	-1.1
Holidays and hotels	-0.7%	+8.5	+6.3	+0.0
Alcoholic beverages and tobacco	-20.8%	-12.8	-0.7	+2.6
Major household appliances	-10.2%	-0.8	+0.3	-0.1
Clothing and footwear	-14.3%	-1.6	+6.2	+2.1
Electrical equipment	-12.0%	-2.3	+3.9	-0.1
Furniture and homeware	-11.5%	+0.3	+3.7	-2.7
Restaurants	-19.5%	-4.0	+4.1	-3.7
Going out	-18.4%	-3.4	+5.2	-7.3

Source: The Deloitte Consumer Tracker Q3

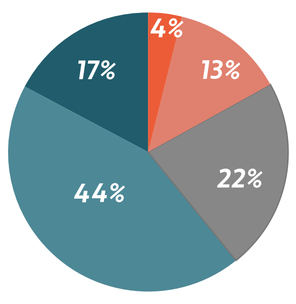
Trading environment

In our latest Travelcast poll, 60% of our clients reported average prices for January 2024 bookings are up versus 2023, with 17% reporting increases of more than 10%. Half of our clients also reported volume growth, while a third were flat. Around 17% of our clients reported pricing and volumes behind last year, signalling that the strong January trading has been unevenly distributed.

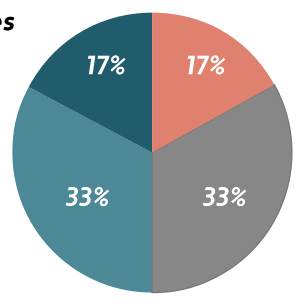
The CAA's January 2024 UK Aviation Consumer Survey reported passenger volumes returned to pre-pandemic levels, with airlines and tour operators increasing their capacity to meet higher demand.

For new bookings taken so far in January 2024, how do they compare with January 2023?

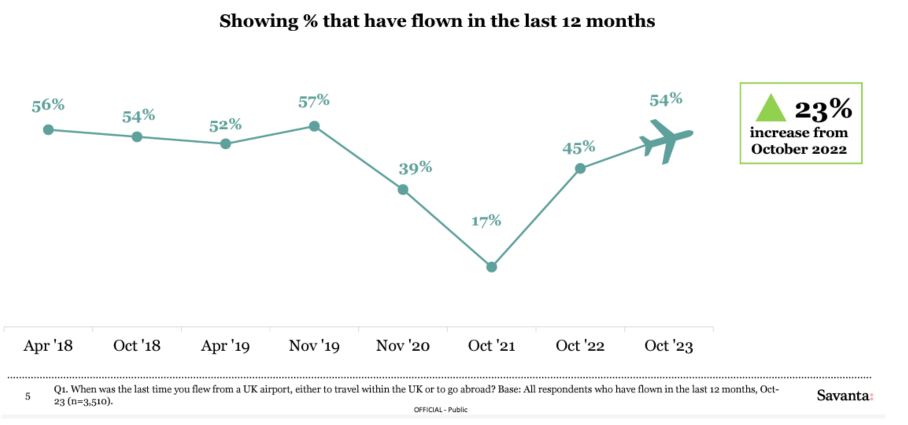
Average prices



Passenger volumes



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



Source: CAA UK Aviation Consumer Survey

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.

easyJet

"Bookings for summer 2024 are building well, with the turn of the year bookings period showing an increase in both volume and pricing compared to the same period last year."

SAGA

"Our cruise and travel businesses have had an outstanding year, having taken around 120k passengers on holiday... bookings for the new seasons in cruise and travel are robust."

On the Beach

"Consumers [are] continuing to prioritise holidays, viewing it as non-discretionary expenditure... current trends continue to give the Board confidence that Summer '24 will be significantly ahead of Summer '23."

RYANAIR

"While we will benefit from the first half of Easter traffic falling in late March, this is unlikely to fully offset the weaker than previously expected load factors and yields in late Q3 and early Q4."

Regulatory horizon

- IATA recently made a minor change to the financial criteria applying to UK-accredited agents. Find out more here.
- The March ATOL renewal round has kicked off. Here are some tips if you're going through the process.

Dates for your diary

February 2024

22: TTC Insights Travelcast

27: Travolution European Summit

28-29: ABTA Travel Finance Conference

TTC Travel Trade Consultancy

We've spent years helping travel companies do their best work. Some of the biggest travel businesses in the world trust us to solve their regulatory, strategic or financial problems. We've helped travel start-ups get started, and tour operators improve operations. We've even helped airlines get off the ground. Plus, our 57 years spent working for the UK travel regulator the Civil Aviation Authority means we bring a unique perspective to the table along with our know-how.

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