



VisitBritain™

Foresight


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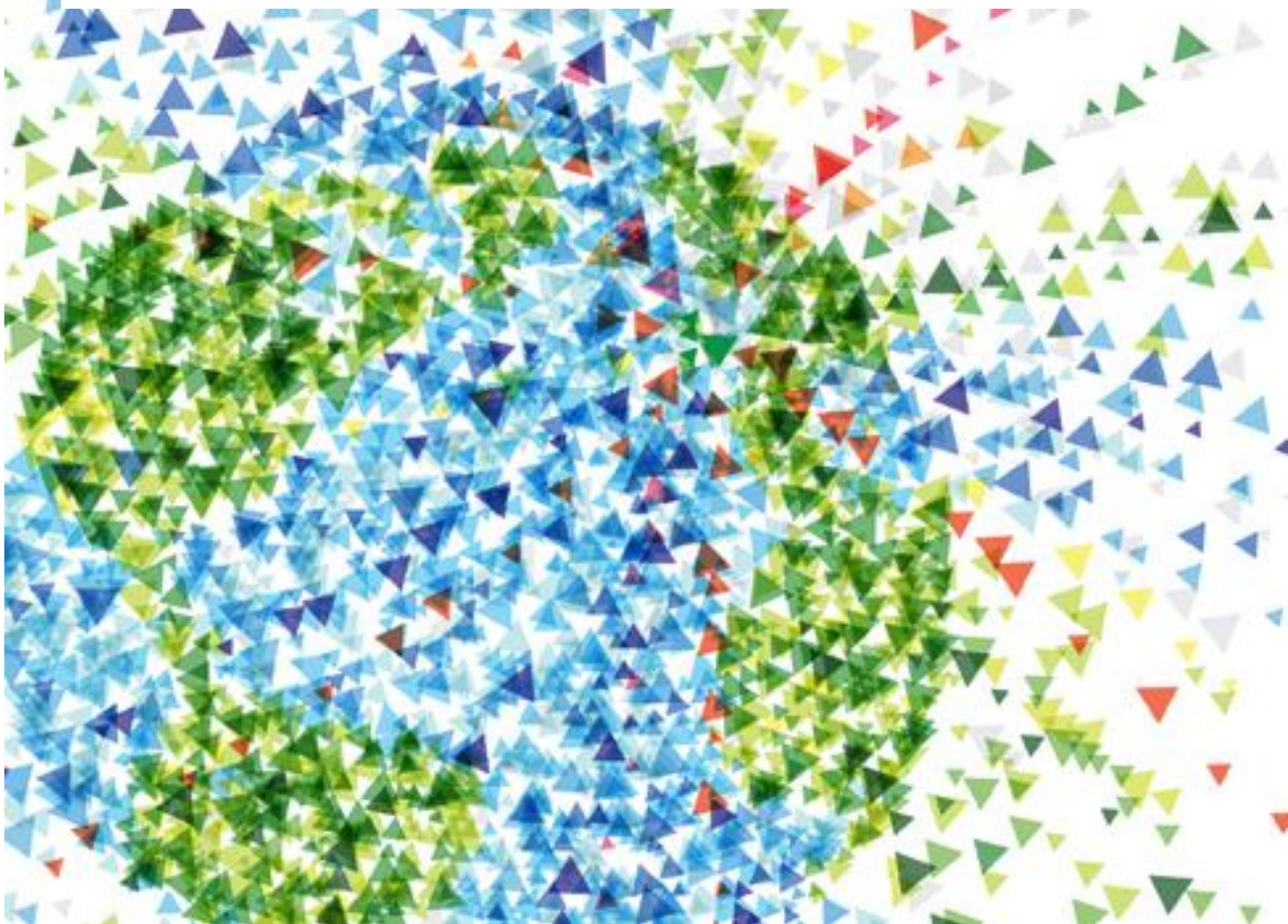
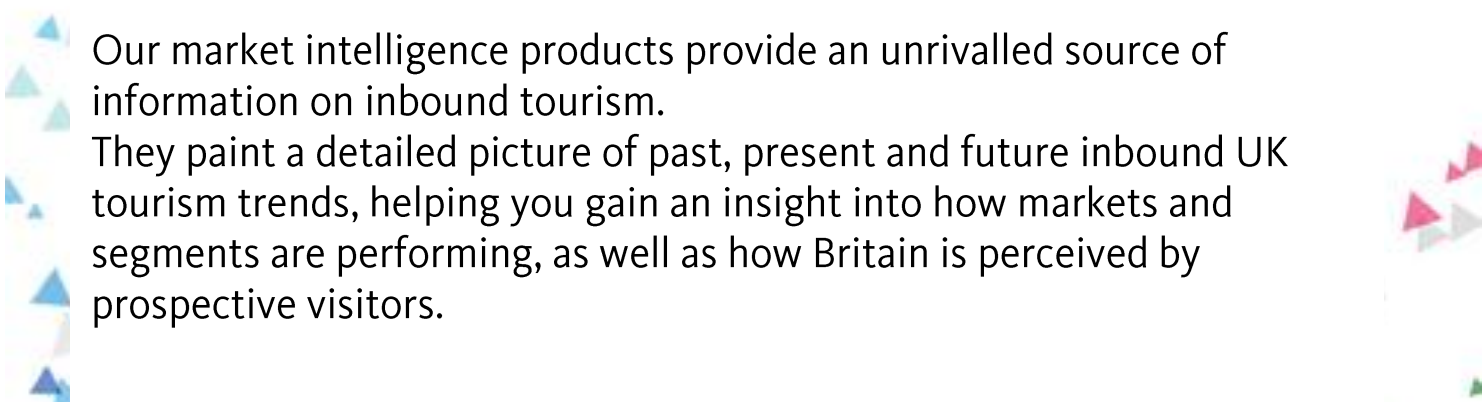
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Our market intelligence products provide an unrivalled source of information on inbound tourism. They paint a detailed picture of past, present and future inbound UK tourism trends, helping you gain an insight into how markets and segments are performing, as well as how Britain is perceived by prospective visitors.



Inbound Business Tourism

Trends

For much of the 1990s the volume and value of inbound business tourism was on the rise (Chart 1) before a pause in this trend around the turn of the century. With the expansion of the European Union in 2004 an upward momentum set in once more taking business visits to a high-water mark of 9 million in 2006, worth £5.7bn at today's prices.

Then came the credit crunch and subsequent global financial crisis and, in many parts of the world, double-dip recession. These global events led to a steep decline in the amount of international business trips destined for Britain as companies cut back on travel, or in some cases ceased trading. The nadir came in 2009 with fewer than 6.6 million trips worth £4.1bn at 2012 prices, since when a very gradual recovery ensued. Despite moving in the right direction the volume and, in real terms, value of inbound business tourism remains roughly one-fifth lower than it was six years ago.

Chart 1: Trends in the volume and value of inbound business tourism

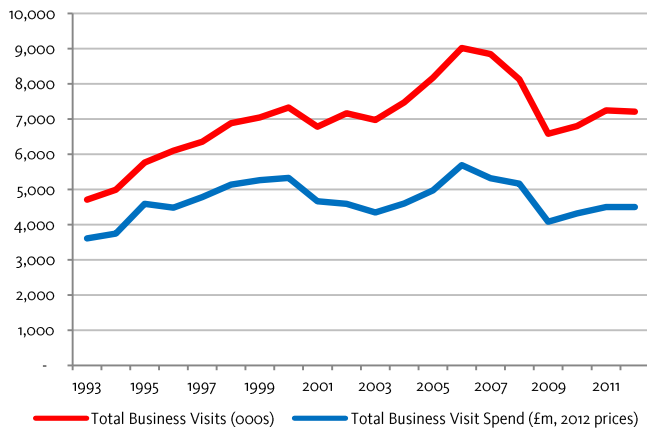


Table 1 illustrates the fact that not only has the amount of business tourism taking place declined, so too has its relative share of the overall inbound tourism market, having seen its share of visits fall from 28% in 2006 to about 23.5% in 2012, while in terms of spending the decline has been from 30% to 24%. This indicates that other segments of the market, such as holiday trips, have been more resilient than has business tourism since the global financial crisis took hold.

Table 1: Relative importance of inbound business tourism (% share of visits and spend)

	% of visits	% of spend
2006	27.6%	29.7%
2012 (estimate)	23.5%	24.4%

Trip types

The International Passenger Survey records journey purpose information in a little more detail than simply 'business' tourism and the results for 2011 can be seen in Table 2.

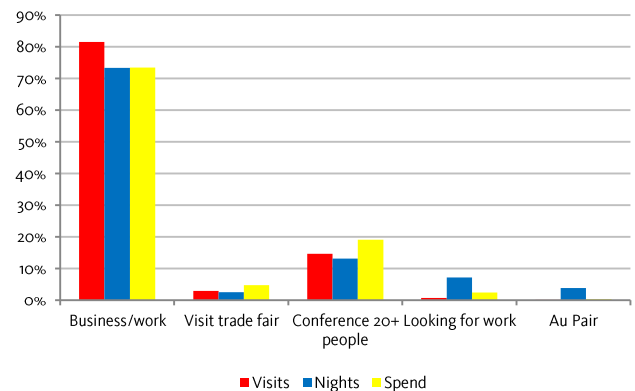
Almost six million visits were for routine 'business/work', with such trips generating £3.3bn in spending. The numbers visiting a trade fair were far smaller in comparison, but nonetheless accounted for more than £200m of spending in 2011.

More than one million visits were made to Britain in 2011 in order to attend a conference or large meeting involving 20+ people, resulting in some 4.6 million visitor nights. The remaining 'business' related categories of 'looking for work' and 'au pair' generate low volumes of visits and visitor spend.

Table 2: Visits, visitor nights and spending by trip type

	Visits (000s)	Nights (000s)	Spend (£m)
Business/work	5,954	25,642	3,315
Visit trade fair	215	875	214
Conference 20+ people	1,069	4,601	862
Looking for work	55	2,506	111
Au Pair	11	1,336	13

Chart 2: Inbound business tourism by purpose of trip (% of total)



More than four-fifths of all business visits are for routine 'business/work' (Chart 2), while 15% of visits are to attend a conference. By comparison when looking at visitor spending less than three-quarters accrues courtesy of 'business/work' trips but one-fifth comes from those in Britain to attend a conference.

As can be seen from Table 3 all the major categories within the inbound business tourism market result in trips that typically last around four nights, but that those looking for work or working as an au pair stay for considerably longer.

The highest spend per night is by those who are visiting a trade fair, but both those making 'business/work' trips and attending conferences also spend much more (on average) per night than does the typical inbound leisure visitor.

Table 3: Trip metrics

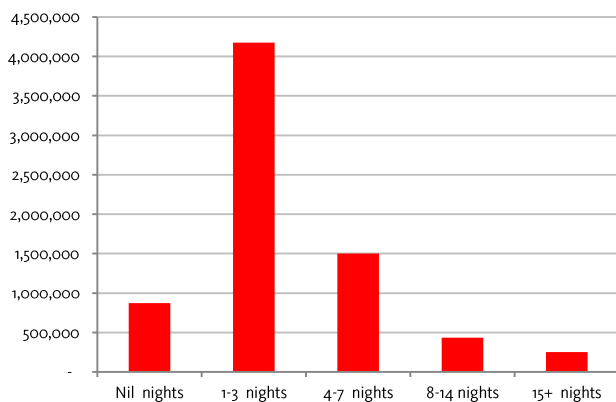
	Nights per visit	Spend per night (£)	Spend per visit (£)
Business/work	4.3	£129	£557
Visit trade fair	4.1	£245	£996
Conference 20+ people	4.3	£187	£806
Looking for work	46.0	£44	£2,026
Au Pair	119.1	£10	£1,160

Trip duration

Having established that the average length of stay is about four nights for the bulk of business trips it is helpful to look at the distribution of trip length underpinning this arithmetic average and this is done in Chart 3. Almost 4.2 million business visits lasted for between 1 and three nights, while 1.5 million fell into the 4-7 nights category.

Of note is the fact that in 2011 there were just fewer than 900,000 'nil night' business trips from overseas to Britain.

Chart 3: Duration of stay (number of visits)

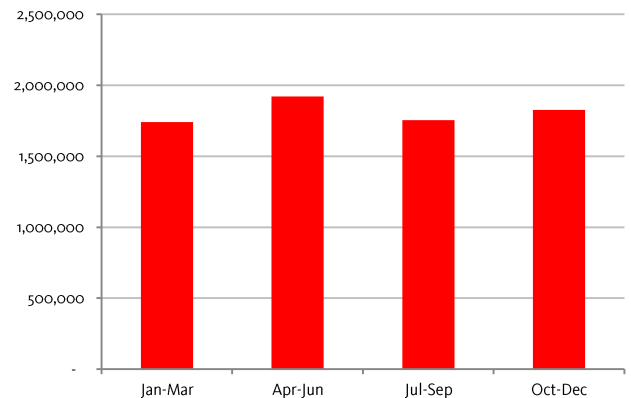


Seasonality

One of the many benefits of having an inflow of business visits from overseas is that this ensures demand for tourism related businesses throughout the year, with there being only modest amounts of seasonality in the volume of business trips as is clear

from Chart 4.

Chart 4: Seasonality (number of visits)



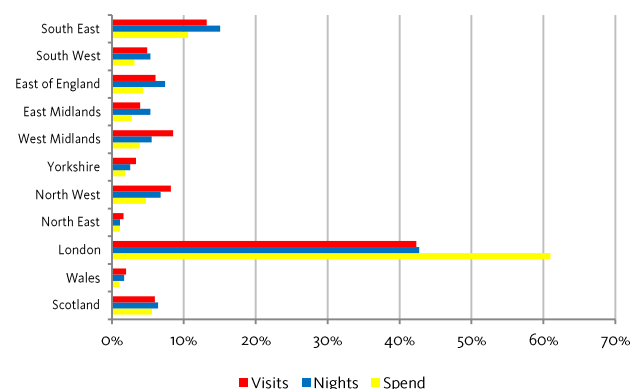
Regional spread

There are different ways of looking at statistics, and the following brace of charts examine inbound business tourism in relation to different areas of Britain.

Firstly Chart 5 presents the distribution of business visits, visitor nights and visitor spending, so for example showing that 42% of all inbound business visits to Britain are those destined for London, with the capital accounting for 61% of all inbound business visitor spending.

The South East of England is the only other area to break through the 10% barrier on all three measures.

Chart 5: Regional distribution of inbound business tourism (% share of visits, nights and spend)

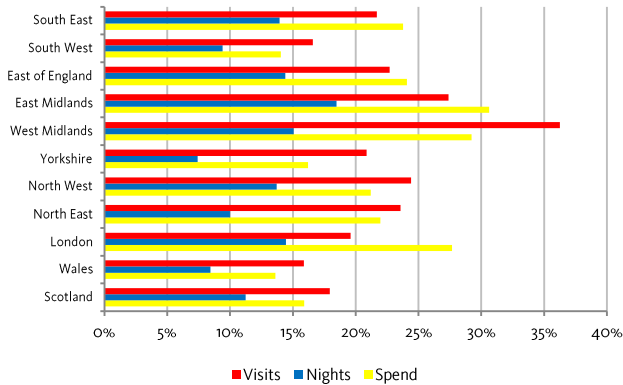


An alternative approach is to explore the relative importance of inbound tourism within each area. This is done in Chart 6 revealing that it is in fact in the West Midlands that business tourism is of the greatest relative importance in terms of visits, accounting for 36% of all inbound visits to the region, and when looking at visitor spending it is the East Midlands that has the

greatest reliance on inbound business tourism at 31%.

Relative to inbound tourism for other purposes business trips are of least significance in Wales and the South West of England, accounting for around one-sixth of all inbound visits to each of these areas and a little more than one-eighth of inbound visitor spending.

Chart 6: Relative importance of inbound business tourism by area (% total visits, nights and spend)



Markets

Britain attracts inbound business visits from right around the globe with the following three tables presenting the top ten markets in terms of visits for each of the main three types of business visit. Starting with 'business/work' it is apparent that European source markets dominate with the exception of the USA which held third position in 2011.

Table 4: Top markets for 'business/work' trips (000s of visits)

Market	Visits (000s)
Germany	705
France	656
USA	545
Netherlands	436
Poland	417
Irish Republic	414
Italy	264
Spain	257
Belgium	210
Switzerland	190

Turning to visits to trade fairs (Table 5) there are some subtle differences with Table 4, but once again Europe dominates, though with this time the Irish Republic leading the way. Although only generating a small volume of visits it is encouraging to see Russia

among the top ten.

Table 5: Top markets for 'visit trade fair' trips (000s of visits)

Market	Visits (000s)
Irish Republic	33
France	20
Germany	19
USA	19
Italy	15
Spain	13
Netherlands	12
Denmark	7
Sweden	7
Russia	6

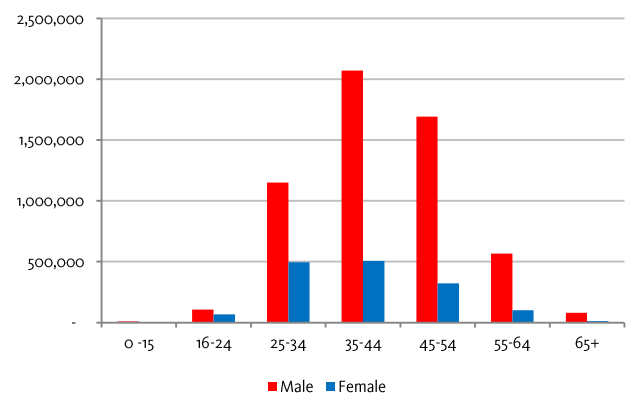
Finally Table 6 deals with visits to conferences involving 20+ people and for these types of trip there are more visits from the USA than there are from any other source market, with the remainder of the top ten all being in Western Europe.

Table 6: Top markets for 'visit conference 20+ people' trips (000s of visits)

Market	Visits (000s)
USA	168
Germany	125
France	88
Irish Republic	63
Netherlands	59
Italy	41
Belgium	40
Spain	38
Denmark	34
Switzerland	32

Demographics

Chart 7: Demographics of inbound business visitors



There is little doubt from the data presented in Chart 7 that the majority of those making a business trip to Britain are male rather than female and that most are aged between 35 and 54.

Truckers

Inbound business tourism is not all about activity that will take place in an office, conference centre or exhibition hall. The International Passenger Survey collects information on any overseas resident who is making a trip to Britain for work related purposes and that includes those who are coming to Britain in order to collect or deliver goods.

As such in 2011 the survey found that among the 7.2 million inbound business visits no fewer than 967,000, or 13% of all business visits, were by those driving a lorry.

Trade and Investment

The amount of trade that Britain does with the rest of the world depends on how many goods and services we produce as a nation that match the demands of overseas nations and our own demand for goods and services that are produced overseas.

Clearly it is not quite that simple, there's the small matter of price competitiveness, influenced both by the costs associated with production but also prevailing exchange rates, whether or not taxes are charged on the import or export of different goods and services and the broader macroeconomic backdrop.

From Chart 8 it is evident that Britain imports a greater value of goods and services than it exports and that the vast majority of trade is done with our near neighbours within the European Union, though with a considerable value of imports from the Asia and Oceania region.

The trend in the value of both exports and imports is one of growth, but with a very notable exception in 2009 at the height of the global financial crisis when there was a sharp decline in both exports and imports.

In addition to the routine export and import of goods and services is so-called 'foreign direct investment' whereby companies from one nation invest in another. Table 7 shows the value of direct investment in the UK as at the end of 2011 based on the book value of net liabilities, alongside the value of direct investment abroad by UK companies based on the book value of net assets. In each case the top twenty countries investing in the UK or being the destination of foreign direct investment from the UK are shown.

In both cases the USA joins a cluster of countries from just across the English Channel as being the major source and destination of foreign direct investment flows. Of note is the fact that while Hong Kong scrapes into the top ten for both inward and outward

foreign direct investment mainland China does not feature in the top twenty.

Chart 8: UK trade by region of world (£m)

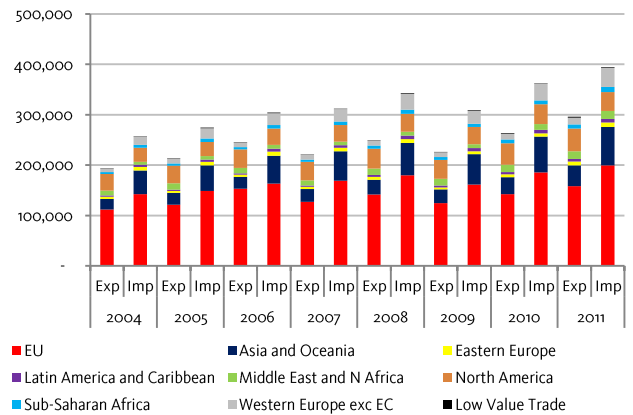


Table 7: Stock of inward and outward foreign direct investment (£m at end 2011)

Source of FDI in UK	£m book value at end 2011	Destination of FDI from UK	£m book value at end 2011
USA	203,828	USA	210,356
Netherlands	123,164	Netherlands	142,811
France	58,904	Luxembourg	137,152
Germany	49,166	France	54,297
Luxembourg	48,519	Irish Republic	44,708
Spain	39,742	UK Offshore Is	40,073
Switzerland	35,270	Belgium	38,189
UK offshore Is	31,847	Spain	37,578
Japan	31,444	Australia	36,144
Hong Kong	20,504	Hong Kong	33,289
Canada	17,867	Canada	27,493
Belgium	16,582	Sweden	23,358
Australia	11,645	Germany	20,871
Irish Republic	11,157	Gulf Countries	20,828
Near & ME	4,913	Switzerland	19,926
Sweden	4,894	Bermuda	15,628
Singapore	3,829	Brazil	14,297
Denmark	3,575	India	13,627
India	2,831	Italy	11,428
Cyprus	2,463	South Africa	10,699

One thing that is fairly certain is that if trade or investment is taking place between two nations there will be an amount of business tourism that automatically follows as deals are done and new supply chains or markets researched. Testimony to this is the decline in inbound business tourism following the global economic crisis of 2008 and 2009.

The dominance of the European Union in Chart 8 and the US and

European countries in Table 7 provides a concise explanation as to why the leading inbound business tourism source markets set out in Tables 4-6 are, if not the USA, predominantly to be found in Western Europe.

Outlook

In the November 2012 edition of Foresight it was shown that the International Monetary Fund expects the global economy to expand by 3.6% in 2013 and at a rate of more than 4% annually from 2014 onwards.

While this is encouraging the above analysis has shown that for inbound business tourism to Britain we perhaps need to focus more on the economic prognosis for Britain and our leading trading partners.

In his Autumn Statement the Chancellor announced that the latest projections are for the UK economy to contract 0.1% in 2012 before growing by 1.2% in 2013.

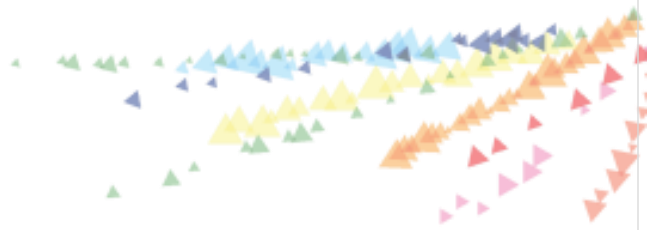
Key Eurozone economies are expected to see lacklustre growth in 2013, while there is still uncertainty as to whether or not the US will avoid the so-called fiscal cliff at the start of 2013.

In short then the outlook is far from certain, but there are some encouraging pointers with the value of imports and exports flowing between Britain and China growing at a healthy pace over the past two years, and Britain being set to hold the presidency of the G8 during 2013 with the G8 Summit taking place in Northern Ireland in June of next year.

Data Sources

Table 8: Data sources

Source	Charts/Tables
Office for National Statistics International Passenger Survey	Charts 1-7, Tables 1-6
HM Revenue & Customs	Chart 8
Office for National Statistics Business Monitor MA4	Table 7





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