

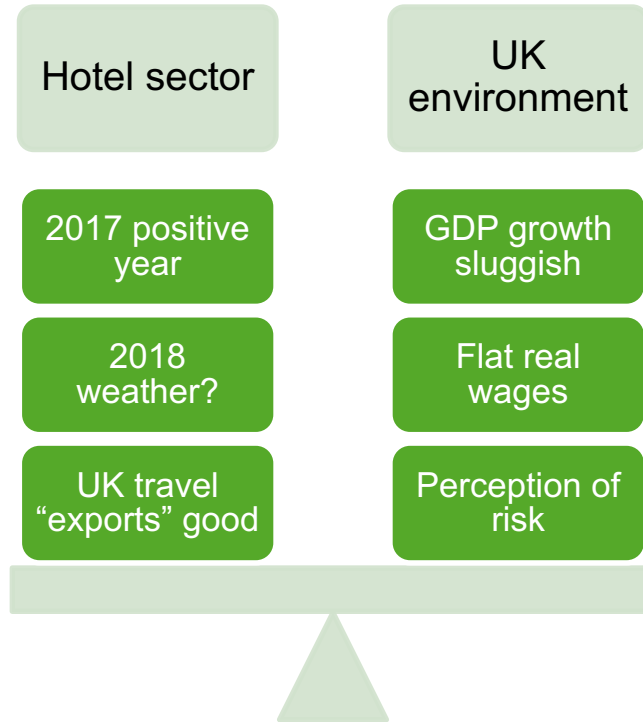
Dr. Rebecca Harding

Annual Hotel Conference

Manchester, 10th October 2018

UK Hotels – a sector in the balance

Will competitiveness trump economics?



Why might there be issues for the sector?

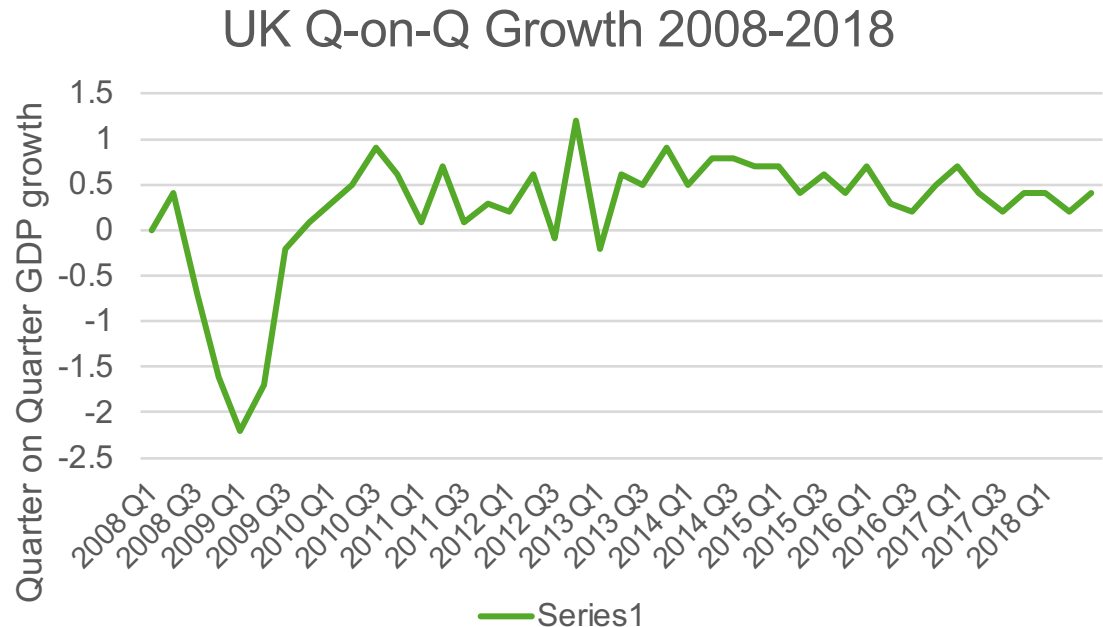
2018 not as strong as 2017



How robust is growth?

You can prove anything at the moment...

- UK economic growth has been higher than expected in Q1 and Q2
- Trend growth has been downwards since Q4 2013
- Trend growth has been flat since financial crisis
- There is not necessarily a Brexit effect



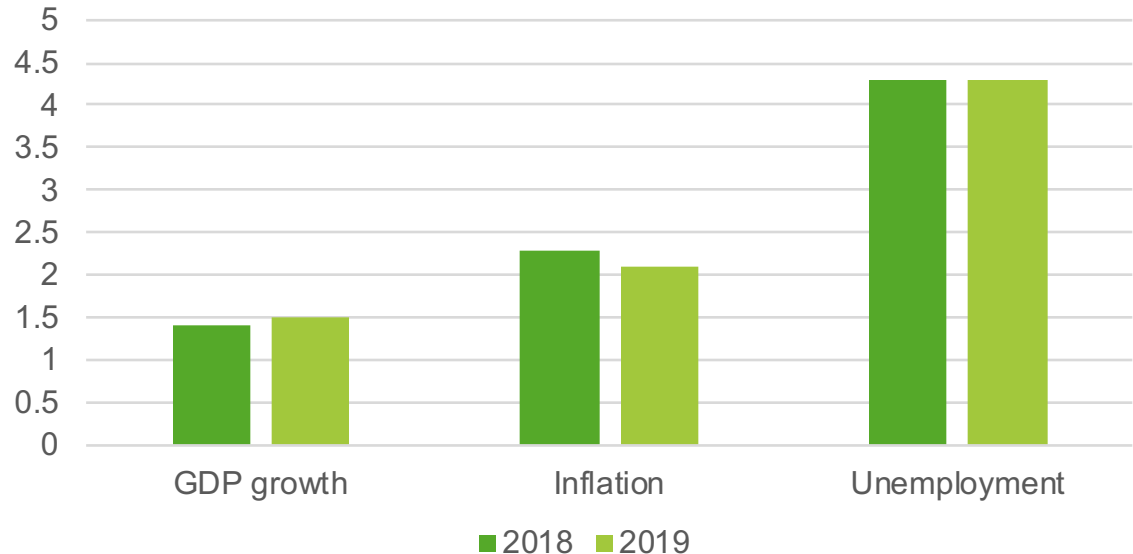
Source: Office of National Statistics, 2018

What does growth look like next year

Brexit boom or bust?

- Most economists think growth is slowing
- And next year looks similar
- Trade will depend on exchange rates but long term picture is steady
- And we just don't know the Brexit effect
- Which creates uncertainty

Summary of independent forecasts

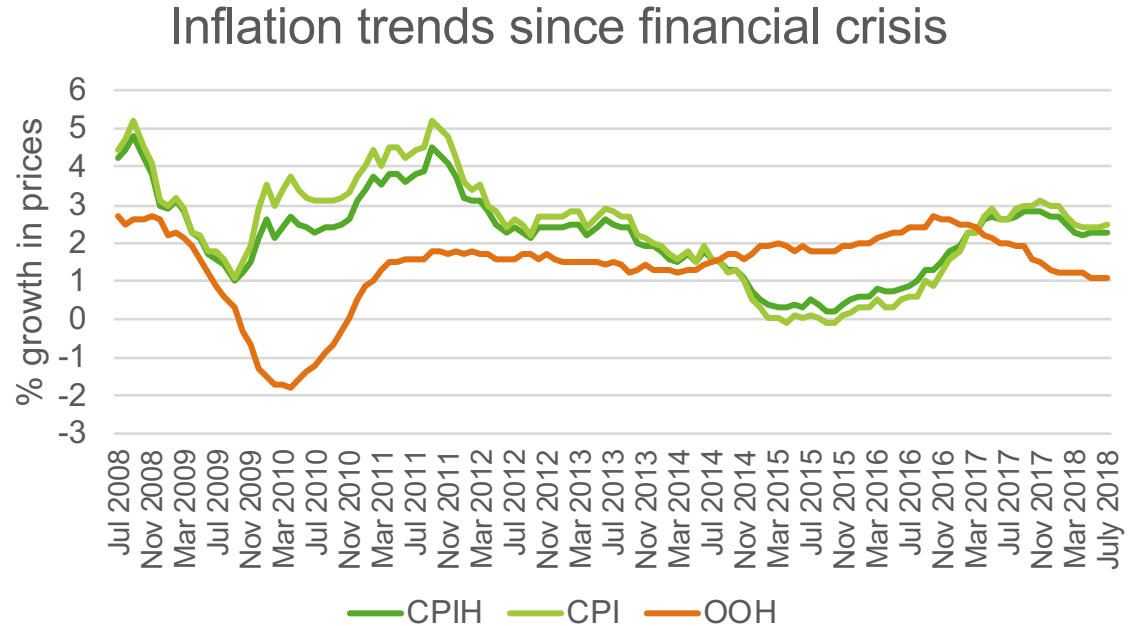


Source: HM Treasury, 2018

Inflation and house prices variable

Which helps to explain why interest rates stayed so low

- If we buy leisure because we can afford it, then things have looked good for the last year
- Owner-occupied house inflation has fallen...
- ...Although this could be because of changes in the housing market
- Again no Brexit effect

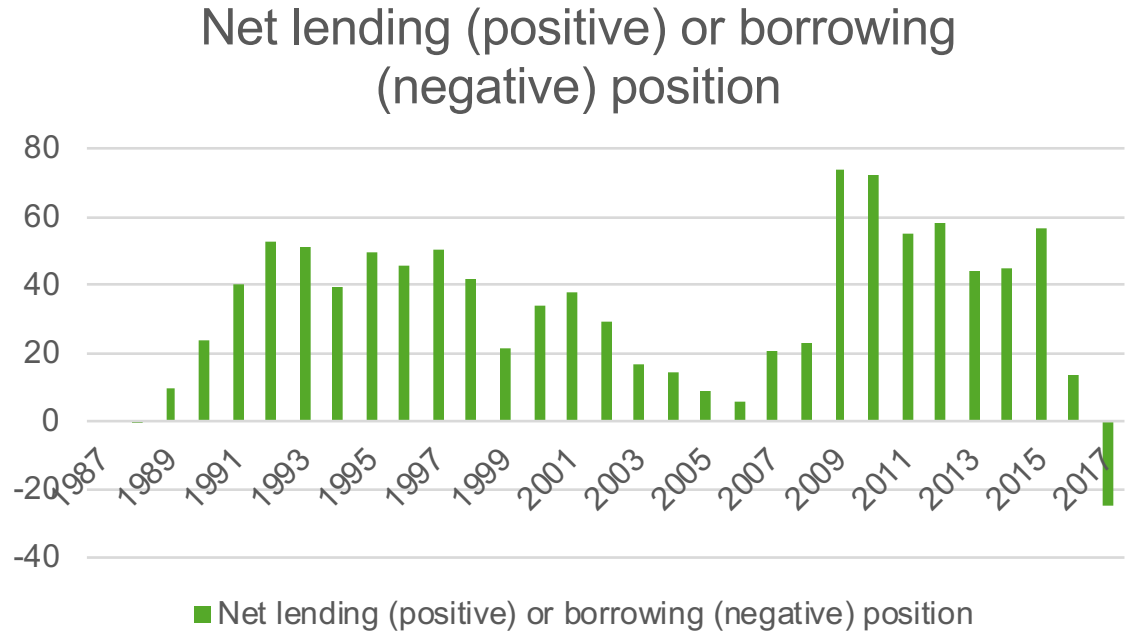


Source: Office of National Statistics, 2018

Helping to explain why we are borrowing

Mostly on credit cards

- Unsecured lending is growing faster than wages
- Lowest income groups have less disposable income relative to expenditure
- But those with high credit scores are borrowing the most



Source: Office of National Statistics, 2018

Which is associated with low real wage growth

Prices are rising, but wages are not

- Immediately after the crisis, real wages grew faster than nominal wages
- Since 2014 and the Eurozone crisis this has reversed
- Yet demand has stayed strong
- So people have borrowed

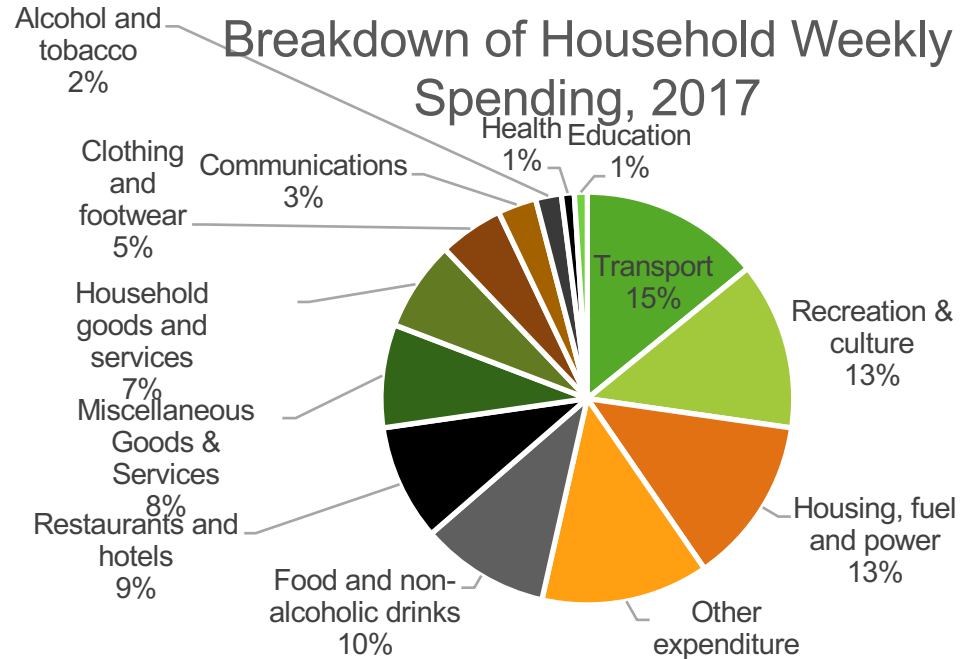


Source: Office of National Statistics, 2018

And spending around £554.20 a week

Proportions of £554.20 a week

- This is £28,818 a year which grossed up equates to an annual income of around £40,000
- Average income is around £27,000
- Which makes borrowing untenable if rates rise
- Which dampens demand

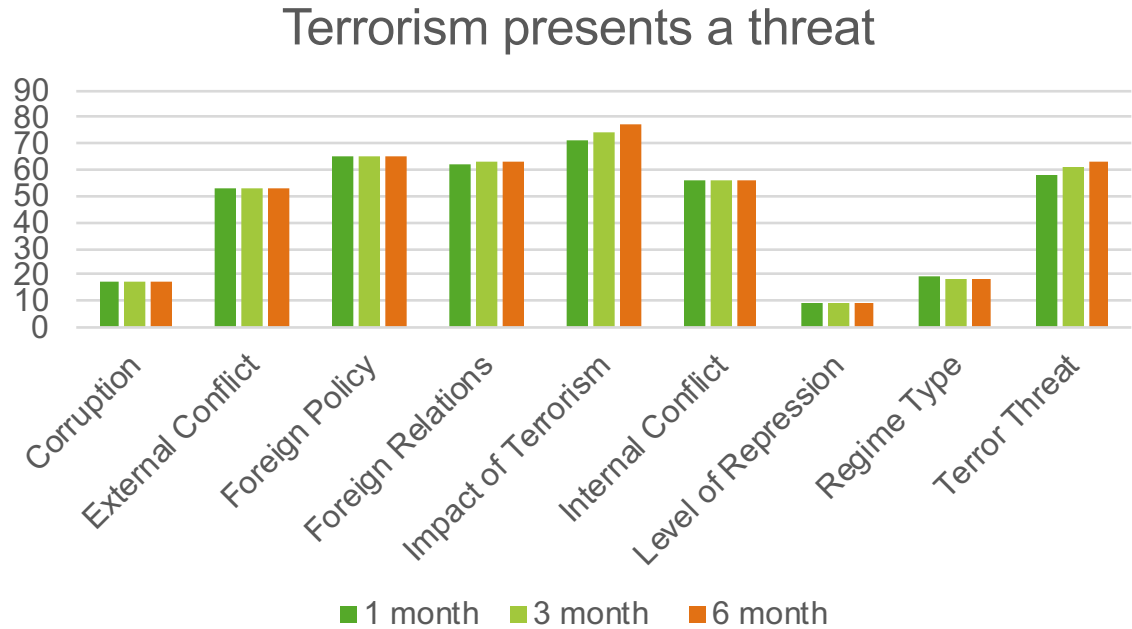


Source: Office of National Statistics, 2018

Add to this political uncertainty

Perceptions of a terror threat will not help tourism

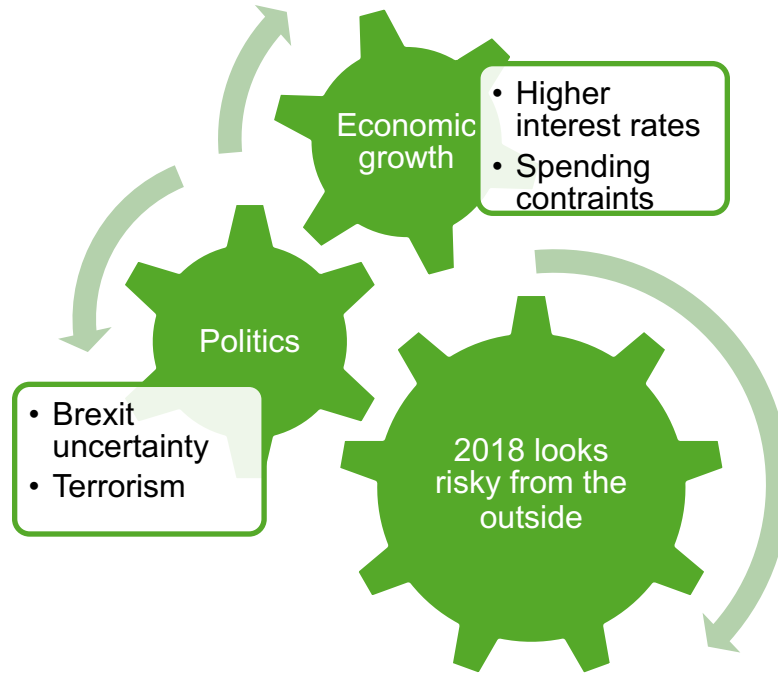
- Model built on social media and data feeds
- Model has track record
- Looks at risks now and in the future
- The UK's terror threat is constant and rising
- More importantly, so has the impact of terrorism on our lives
- May affect perceptions



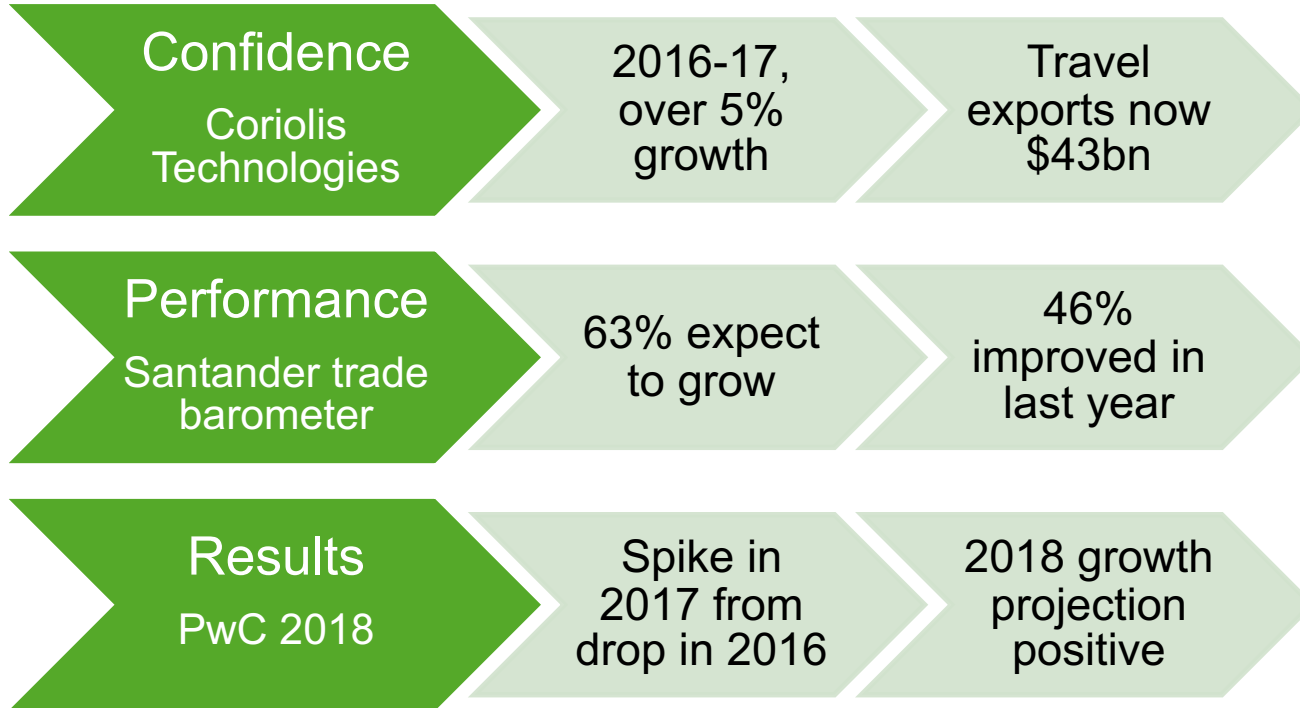
Source: Coriolis Technologies, 2018

In short

Economists are miserable and might conclude....



So let's look on the bright side of life



Concluding remarks

Don't worry too much about the data

- There is a sense across the UK that “businesses are getting on with it”
- The hotel sector undoubtedly has challenges ahead:
 - Workforce and skills in run up to Brexit
 - Perceptions that the UK has become more risky
 - Potential for consumer demand to slow
- But businesses are confident and expect to grow
- And risks can always be managed