

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Sterling vs Euro Exchange Rates

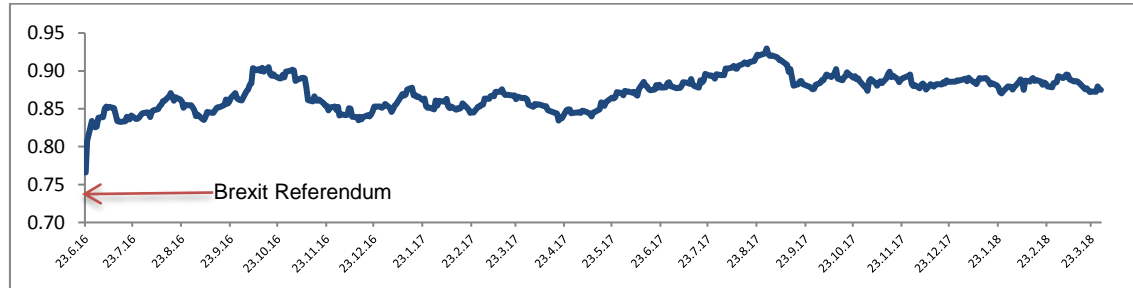


Figure 1: St£:€ daily exchange rate 23rd June 2016 to 29th March 2018

There is some evidence that the markets have adapted to some extent to the cut and thrust of Brexit negotiations as the exchange rate has maintained a certain amount of stability in recent months.

Impact of Exchange Rates on Tourism Goods

However, for the British tourist, Sterling's weakness has had a negative impact on the cost of their holiday in Ireland. This is demonstrated by tracking the cost of tourist items over time.

Since April 2017, based on exchange rates alone, the cost of accommodation for a British tourist has increased by £11 or 4%. It should be noted this 4% cost increase does not factor in any accommodation price inflation.

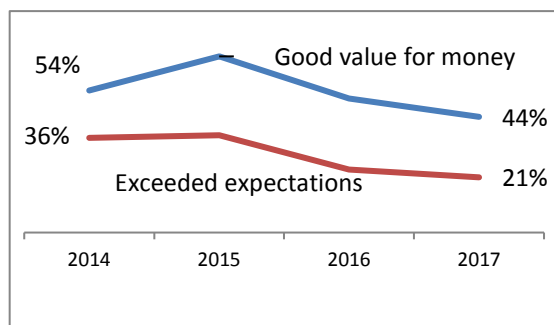
Month	Average Cost	What it costs the British Tourist St£									
		Apr	Jun	Aug	Sept	Oct	Nov	Dec	Jan 18	Feb 18	Mar 18
Exchange Rate	€	0.85	0.88	0.91	0.89	0.89	0.89	0.88	0.88	0.88	0.88
Accommodation	337	286	296	307	301	300	299	297	297	298	297
2 course meal	23	20	20	21	20	20	20	20	20	20	20
Bottle of house wine	24	20	21	22	21	21	21	21	21	21	21

Table 1: Impact of Sterling exchange rates on prices¹

¹ Source: Fáilte Ireland, Accommodation = weekend in 3*Hotel for 2 adults(2nights including breakfast), 2 course meal(dinner) –set menu/early bird (€€/€€€ on TripAdvisor), Bottle of wine - house or cheapest

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Value for Money

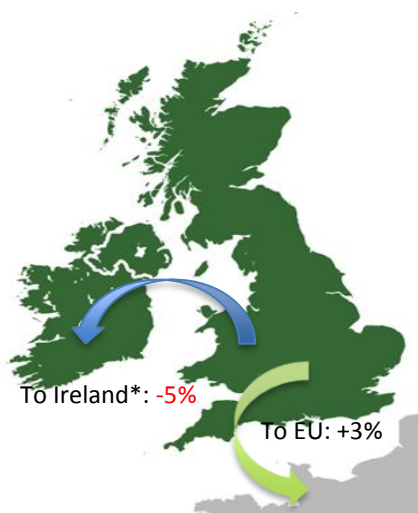


For British holidaymakers, value for money appears to be a driver of satisfaction with evidence of a decline in both since 2015.

The most frequently mentioned items considered poor value for money are eating out, drink and the cost of living generally.

Figure 2: British Holidaymakers' Good Rating of Value for Money vs Holiday Exceeded Expectations²

UK Outbound Travel



Latest figures from the UK for the January-December period indicate growth in outbound performance of +2%, so UK residents are still travelling abroad.

UK outbound travel to EU 28 countries was slightly ahead of trend at +3%. However, British travel to Ireland fell by -5% over the same period, significantly behind the European average.

Ireland's weak performance relative to Europe might indicate that exchange rate volatility is not the sole factor at play in the drop in British travel to Ireland.

Figure 3: UK outbound travel January-December 2017 vs 2016³

² Source: Fáilte Ireland, Tourist Experience (Port Survey 2018)

³ Source: UK International Passenger Survey and CSO Overseas Travel. *From Great Britain

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Impact on the sector

Based on annual performance data from the CSO (January-December 2018), trips from Britain to Ireland are down 5%.

Table 2 illustrates the impact that a fall in trips from the UK would have on a full year basis (assuming that trips from Northern Ireland fall at the same rate). It shows that earnings would have been down by €71mn and an estimated 2,000 tourism jobs would have been lost if the anticipated shortfall had not been balanced by growth from elsewhere.

Key Stats	Value
Fall in UK visits to Ireland	-5%
<i>Annualised estimated fall in</i>	
- Trips	-244,000
- Export earnings (€mn)	-71
- Tax earnings (€mn)	-16
- Employment	-2,000

Table 2: Annualised Impact of Lost UK Business on Irish Tourism⁴

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⁴ Fáilte Ireland estimates