

Analysis of Tourist Accommodation in Dublin 2018-20



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Executive Summary

Introduction

In late 2015 Fáilte Ireland commissioned Fitzpatrick Associates Economic Consultants to examine the future supply of visitor accommodation in Dublin, and to assess any potential shortfall in supply in the context of growing tourist numbers and anticipated further growth up to 2020. The subsequent report was published in June 2016. A number of updates of the analysis have been reported subsequently, and this report presents an analysis of the accommodation outlook up to and including 2020, as at end-May 2018.

Industry Context

Although growth was still strong year-on-year, nationally there was a deceleration in the rate of overseas tourist growth to Ireland in 2017 following annual growth that averaged circa. 7% per annum over the years 2012-2016. The 9.0m trips in 2017 represented 3.2% annual growth on the previous year.

While formal statistics for 2017 are not yet published at regional level, the finalised 2016 figures show that Dublin experienced robust growth in combined overseas and domestic visitors in 2016, higher than previous estimates had suggested. While the data show the number of domestic trips to Dublin fell slightly, annual growth in overseas tourists in 2016 was 15.2%, resulting in a total increase of 9% over the previous year. The capital is likely to have experienced solid growth in 2017 also.

The 2018 total of Fáilte Ireland registered accommodation capacity in Dublin is approximately 51,000 bedspaces. When compared to the register as at 2015, the data show growth in hotel bedspaces of 2,861 although a slightly declining number of hotel establishments, as well as net growth of approximately 300 bedspaces in other categories, with increases in self-catering and caravan and camping capacity along with declines in capacity in the other categories.

Operating conditions in the Dublin hotel market remained very strong in 2017, albeit with decelerated annual growth in average daily rates (ADR) and revenues per available room (RevPAR), over the previous two years.

According to annual figures provided to Fáilte Ireland by STR, hotel occupancy grew by 0.8% to a level of 83% in 2017, while ADR and RevPAR grew by 7% and almost 8% respectively over the year, both to historically unprecedented levels. Such high levels of occupancy place Ireland at the top of the occupancy scale compared to competitor cities, and effectively mean full capacity and unmet demand in a range of specific contexts. Despite such high occupancy however, Dublin remains a medium-priced city destination by European standards with lower ADR than cities such as Amsterdam, Barcelona, Copenhagen, London, Paris and Rome.

The STR compression analysis supports much anecdotal evidence concerning the sheer non-availability of accommodation at peak periods in Dublin for numbers of tourists that might seek it, beyond those for whom it may be available but too expensive or unaffordable. Fáilte Ireland has committed to this issue of suppressed demand being investigated further in future updates of the Dublin accommodation analysis.

New Accommodation Supply

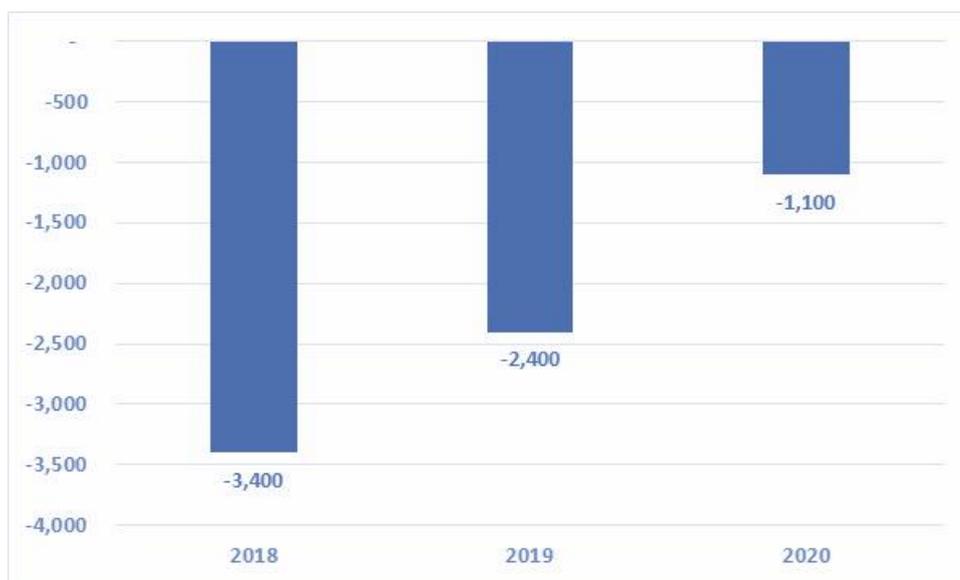
The anticipated new supply pipeline remains very strong. Fitzpatrick Associates’ current estimate is that there will be in the region of 5,435 new hotel rooms on-stream by the end of 2020, although the net addition to the Dublin stock will be just over 4,900 because of hotel closures over the next two years. The pipeline post 2020 also looks strong although any external shocks that adversely affect the Irish tourism sector may alter this picture. With over 3,000 “on-site” at the moment, and more expected to follow before the end of 2018, the shortage of rooms on peak nights will be considerably addressed by 2020. In addition, close to 1,700 rooms/suites are expected to be added in serviced accommodation and guesthouses in Dublin over the three years to 2020 further alleviating capacity constraints.

Two out of three of the additional rooms expected will be in new hotels, over 40% will be in the Dublin 2 and 4 area, and one in seven in the Dublin 1 Prime area (the North Docks and along the route of the Luas extension in O’Connell Street and Parnell Square). The rest of Dublin 1 and Dublin 8 account for over 1,500 of the projected new rooms with 460 expected at or close to the airport (which experienced the highest levels of occupancy across the entire Dublin region in 2017).

Supply Sufficiency

Our May-2017 analysis projected a shortfall in visitor accommodation in Dublin in the years 2017 and 2018, but a declining one moving into surplus in 2020. The updated analysis as of end-May 2018 is shown in Figure 1. It shows that the shortfall continues until 2020. The ongoing shortfall is due to stronger than anticipated demand for trip to Dublin by overseas tourists.

FIGURE 1: ESTIMATED ACCOMMODATION SHORTFALL/SURPLUS (BEDROOMS) – APRIL 2018



SOURCE: FITZPATRICK ASSOCIATES

Note: This estimate does not factor in suppressed demand.

The updated projection does not take into account suppressed demand as it is not possible yet to quantify the scale of business lost due to the sheer non-availability of accommodation at peak periods. This is something that, data allowing, future updates will address.

1. Introduction

1.1 Introduction

In late 2015 Fáilte Ireland commissioned Fitzpatrick Associates Economic Consultants to examine the future supply of visitor accommodation in Dublin, and to assess any potential shortfall in supply in the context of growing tourist numbers and anticipated further growth up to 2020. The subsequent report was published in June 2016¹. A number of updates of the analysis have been reported since, and this report presents an analysis of the accommodation outlook up to and including 2020, as at June 2018.

1.2 Analysis and Projections from Earlier Reports

The initial report, completed in June 2016, explained the background context, including the macro-economy, recent tourism trends and performance, and the strategic and policy environment for tourism nationally and in Dublin. It described the existing market for visitor accommodation, set out a number of future accommodation demand scenarios and identified the key macro-economic determinants of future demand growth. The report outlined the existing visitor accommodation base, described factors likely to affect future supply and presented estimates of growth in accommodation supply. Finally, the report presented overall conclusions and a range of potential public policy responses.

Key findings of the first report were that:

- after almost ten years of inactivity, a strong pipeline of new accommodation stock was expected to come on stream as the cost of providing new accommodation aligned with its earnings potential;
- as of late March 2016, 80 prospective projects to develop additional hotel capacity in the city were identified, of which 65 were considered likely to open for business by 2020;
- this was anticipated to generate an estimated 5,550 additional bedrooms, split between new hotels (3,800 or 68%) and existing hotel extensions (1,750 or 32%);
- most of this new accommodation stock would not however come on stream until 2018 or later and there would be an on-going stock shortage between 2016 and 2018. Unsatisfied demand could lead to high occupancies and high average room rates in those years.

The two updates generally confirmed the findings of the June 2016 report. They indicated more and more new hotels, and extensions to existing hotels were going “on site” or entering the planning process. Furthermore, with tourist numbers to Dublin rising even more rapidly than anticipated there was ample

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http://www.failteireland.ie/Failteireland/media/WebsiteStructure/Documents/3_Research_Insights/2_Regional_SurveysReports/Analysis-of-Visitor-Accommodation-in-Dublin-2015-20.pdf?ext=.pdf

evidence of room supply shortages as occupancy rates and average room rates both rose to historically high levels.

1.3 Terms of Reference

The overall aims of the initial research assignment were to:

- identify the scale (if any) of the additional tourist accommodation stock required to meet anticipated levels of demand in Dublin between now and 2020;
- in the event of identifying the need for additional tourist accommodation, develop policy and related solutions to address the challenge.

For the updated analyses, the Terms of Reference have been as follows:

1. Quantify, to the fullest possible extent, the paid accommodation stock (by location and type) likely to come on-stream in Dublin city and county in the 2018-2020 period;
2. Provide interpretative commentary as appropriate.

1.4 Method

1.4.1 Overall Method

The methodology has comprised:

- a review of relevant documents and literature;
- a desk-based review and analysis of secondary data sources;
- collation and examination of planning data on new visitor accommodation capacity from Dublin local authorities;
- a programme of consultations with key stakeholders and informants; and
- maintenance of an evolving database of new and anticipated hotel and non-hotel accommodation.

1.4.2 Scope and Definitions

In relation to the scope and definitions used in the analysis, it should be noted that:

- the report and analysis deals with visitor accommodation approved by Fáilte Ireland, which includes hotels, guest houses, youth and holiday hostels, Irish Home B&Bs, self-catering, Fáilte Ireland's Welcome Standard, and caravan and camping. It does not include accommodation informally provided through web-based tools enabling listing, sharing, renting and letting of lodging for short or longer-term durations (the sector of activity in which Airbnb is perhaps the best-known name);

- “Dublin” is taken to mean the city and wider county, together comprising the areas of Dublin City Council as well as Fingal, South Dublin and Dun Laoghaire Rathdown County Councils;
- the report uses the terms tourist and visitor interchangeably. That said there are differences between visitor and tourist statistics. Tourist statistics relate solely to those who stay overnight. Visitor statistics include tourists and those on day trips;
- the analysis focuses on “paid” bednights and bed capacity, and non-paid capacity (e.g. home swapping or staying with friends/relatives) is not considered.

1.5 Report Structure

The report is structured as follows:

- Section 2 re-examines the industry context, examining up to date national regional visitor trends, the level of registered visitor accommodation, and developments in the Dublin hotel market;
- Section 3 presents our updated projections for new accommodation supply; and
- Section 4 presents updated analysis of the sufficiency of supply over the period to 2020.

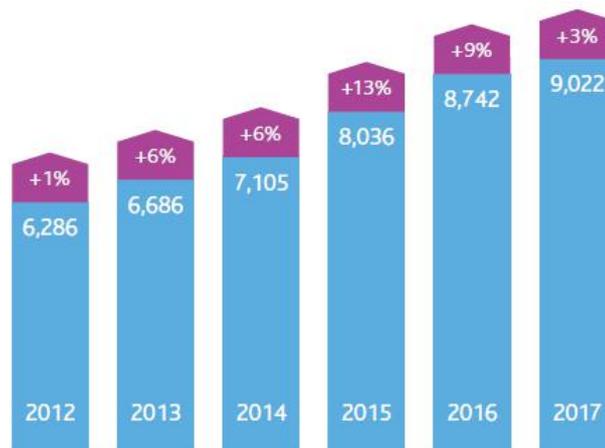
2. Industry Context

2.1 National and Regional Tourism Trends

Although growth was still strong year-on-year, nationally there was a deceleration in the rate of overseas tourist growth to Ireland in 2017 following annual growth that averaged circa. 7% per annum over the years 2012-2016 (Figure 2.1). The 9.0m trips in 2017 represented 3.2% annual growth on the previous year.

While more trips originate in Great Britain than in any other major market, its share is falling. North America accounted for nearly half the increase in trips and its market share grew.

FIGURE 2.1: OVERSEAS TOURISTS TO IRELAND, 2012-2017 (000)



SOURCE: FÁILTE IRELAND

The evidence of the first quarter of 2018 suggests a continuation of strong growth, with the total number of overseas trips 7% higher in Q1 2018 than Q1 2017. Growth rates were particularly high from the US and mainland Europe, and while marginally up in absolute terms, the British share continued to fall.

While formal statistics for 2017 are not yet published at regional level, the finalised 2016 figures show that Dublin experienced robust growth in combined overseas and domestic trips in 2016 (Figure 2.2), higher than previous estimates had suggested. While the data show the number of domestic trips to Dublin fell slightly, annual growth in overseas tourists in 2016 was 15.2%, resulting in a total increase of 9% over the previous year.

Barring a dramatic decline in regional share, the capital is likely to have experienced solid growth in 2017 also.

FIGURE 2.2: OVERSEAS AND DOMESTIC TOURISTS TO DUBLIN, 2011-2017 (000)


2.2 Registered Accommodation Supply in Dublin

Table 2.1 shows the breakdown of Fáilte Ireland registered accommodation capacity in Dublin at the beginning of 2018.

TABLE 2.1 SUPPLY OF DUBLIN ACCOMMODATION REGISTERED WITH FÁILTE IRELAND AT START 2018

	<u>Establishments</u>	<u>Bedspaces</u>
Hotels		
5 star	10	3,853
4 star	57	26,138
3 star	58	13,147
2 star	13	1,230
1 star	5	309
total	143	44,677
Guest Houses	26	1,157
B&B	50	404
Self-Catering	15	405
Youth and Holiday Hostels	15	3,027
Caravan and Camping	2	1,662
Irish Welcome Standard	12	637
Total		51,969

SOURCE: FÁILTE IRELAND

The precision of the register varies slightly depending on the room configuration of each establishment when registering, as well as the timing of any new or extended facilities coming into operation or stock ceasing operation. It serves nevertheless as a strong baseline for estimating aggregate accommodation supply.

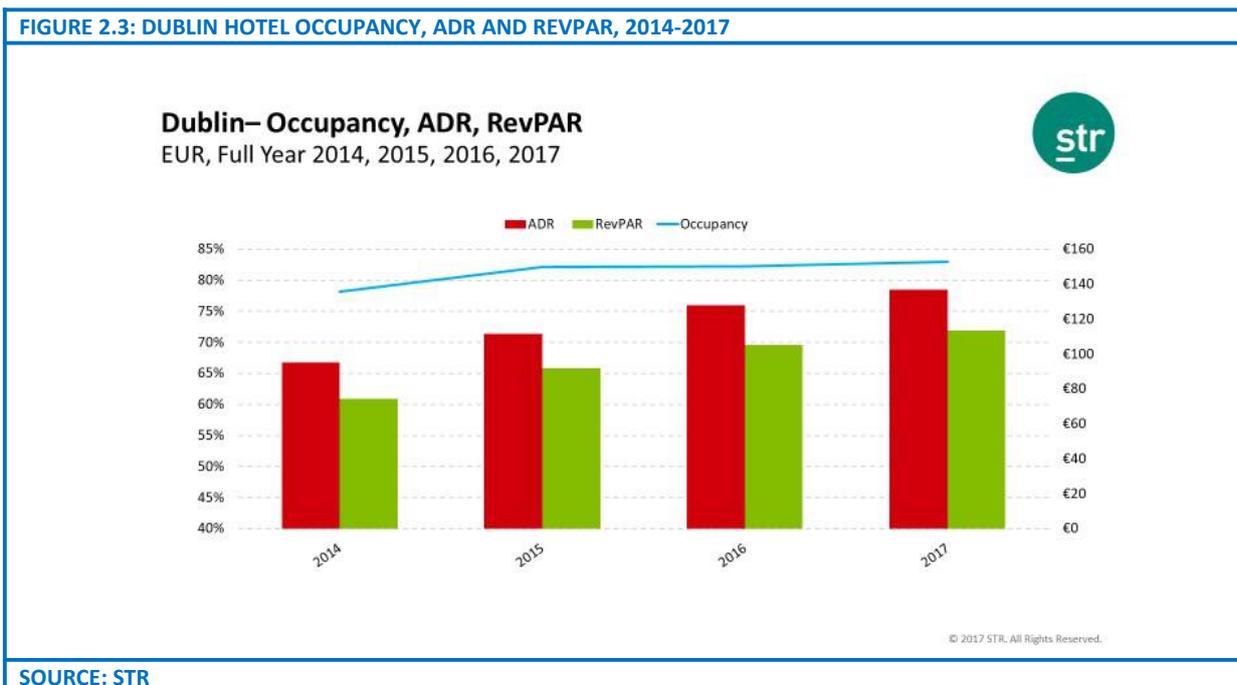
When compared to the register as at 2015, the data show growth in hotel bedspaces of 2,861 (+6.8%), although a slightly declining number of hotel establishments, as well as net growth of approximately 300 bedspaces in other categories, with increases in self-catering and caravan and camping capacity along with declines in capacity in the other categories.

2.3 Dublin Hotel Market

Operating conditions in the Dublin hotel market remained very strong in 2017, albeit with decelerated annual growth in average daily rates (ADR) and revenues per available room (RevPAR), over the previous two years.

According to annual figures provided to Fáilte Ireland by STR, hotel occupancy grew by 0.8% to a level of 83% in 2017, while ADR and RevPAR grew by 7% and almost 8% respectively over the year, both to historically unprecedented levels (Figure 2.3).

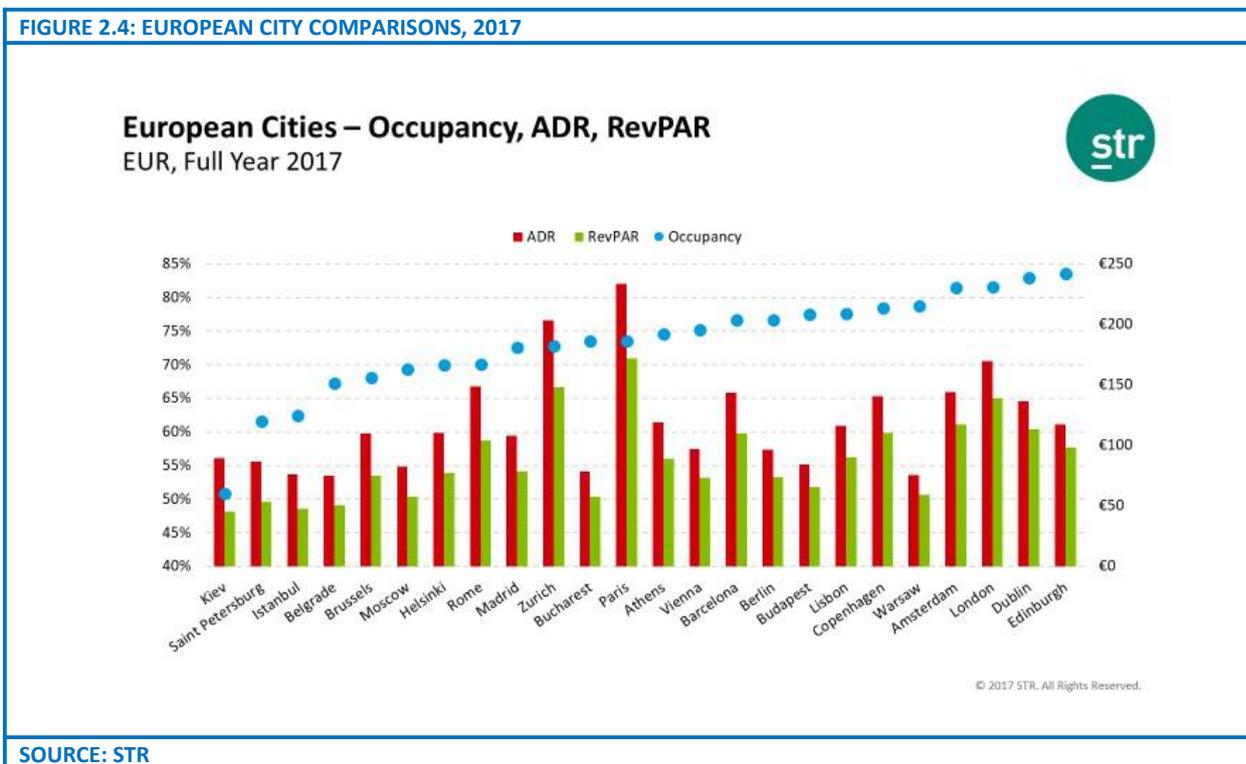
FIGURE 2.3: DUBLIN HOTEL OCCUPANCY, ADR AND REVPAR, 2014-2017



Room occupancy of 83% is indicative of capacity constraints. This is an average annual figure and masks the shortages that occur on peak nights. In this context, STR also analyse “compression” i.e. the amount of nights when city centre hotels experience occupancy in excess of 90%. There were 157 such nights in Dublin in the year to Oct 2017. On such nights, visitors experience difficulty in finding accommodation when (and where)

they want it most. Not surprisingly STR analysis indicates that ADRs peak on such nights, deterring some visitors from coming to Dublin and adding to perceptions that Dublin is an expensive destination. However, despite sharp rises in ADR in recent years, Dublin remains a medium-priced city destination by European standards with lower ADR than cities such as Amsterdam, Barcelona, Copenhagen, London, Paris and Rome (albeit with very high occupancy levels relative to competitor cities, Figure 2.4).

FIGURE 2.4: EUROPEAN CITY COMPARISONS, 2017



SOURCE: STR

2.4 Suppressed Demand

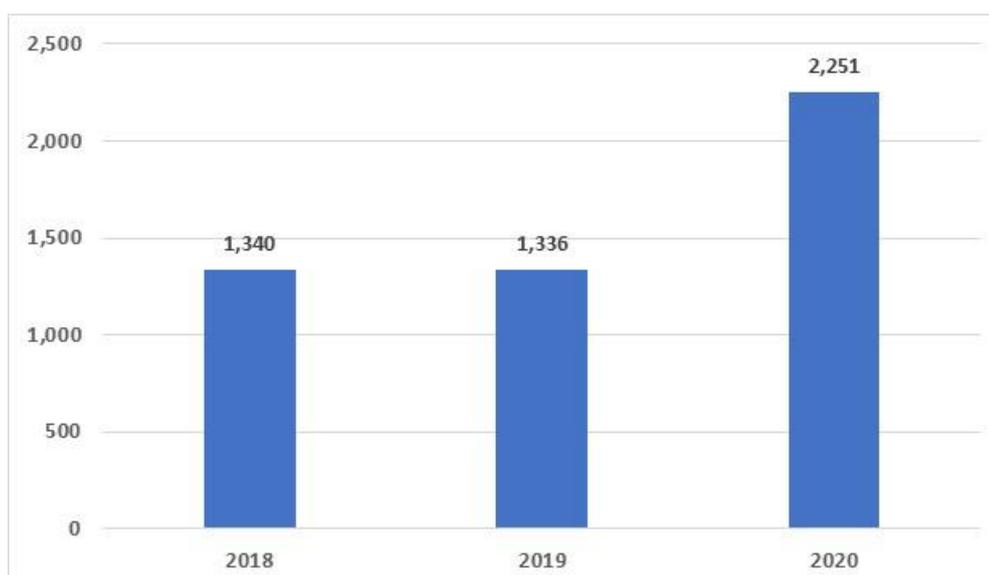
The STR compression analysis supports much anecdotal evidence concerning the sheer non-availability of accommodation at peak periods in Dublin for numbers of visitors that might seek it, beyond those for whom it may be available but too expensive or unaffordable. Tour operators have reported being unable to find the necessary available accommodation for some of their needs in Dublin, while event and conference organisers are felt by some to be dismissing Dublin amongst their location options due to a low likelihood of there being the requisite accommodation available irrespective of its price. The absence of a single “big box” hotel in the city centre (e.g. one with perhaps 800 rooms or more) capable of accommodating all delegates for large conferences is also noted as a constraint in this regard. Fáilte Ireland will investigate how best to incorporate the issue of suppressed demand into future updates of the Dublin accommodation analysis.

3. Supply Pipeline – Update

3.1 The Pipeline of Hotel Investments

Back in March 2016, the first of this series of reports projected that around 4,200 hotel bedrooms would come on stream in the period 2018-2020. Many of this tranche of hotels are currently “on site” around the city, others have gone from the design phase into the planning process and a few have disappeared or had their completion date extended beyond 2020. More new projects are also in prospect for 2018-20 - the sharp rise in ARR and occupancy, contributing to higher profit levels and increased confidence in the sector among both investors and financiers. Fitzpatrick Associate’s current estimate is that there will be over 4,900 net additional rooms on-stream by the end of 2020. This allows for the loss of around 500 rooms in two hotels which are expected to close – both will be replaced within two years by new hotels on nearby sites.

FIGURE 3.1: DUBLIN HOTEL NET SUPPLY GROWTH, 2018-2020 (Rooms)



SOURCE: FITZPATRICK ASSOCIATES

There are 34 hotel projects “on site” at the moment accounting for over 3,000 new rooms and an additional 200 new rooms were already added earlier in 2018. More projects are expected to go on site before the end of this year – ten are already either out for tender or have had a contract awarded - and the shortage of rooms on peak nights will be considerably addressed by 2020. The larger hotels currently “on-site” are shown in Table 3.1 below.

TABLE 3.1 LARGE HOTELS (OVER 50 ROOMS) "ON SITE" - JUNE 2018 (Rooms)

	<u>New</u>	<u>Extension</u>
ALoft Blackpitts/Mill Street	202	
Bow Lane (Marlin)	311	
Clayton, Charlemont Street	189	
Clayton, Dublin Airport		141
Coombe Hotel (Hyatt Centric Liberites Hotel)	234	
Hendrick Street (Dublin Loft Co)	175	
Heritage Hotel (Spencer Dock)	212	
Hilton Garden Inn		85
Holiday Inn Express Santry		100
Maldron Dorset Street		65
Maldron Myra Glass	139	
North Wall Quay - The Mason	58	
Ormond Quay Hotel	120	
Parliament Hotel (Hard Rock Hotel)		77
Plaza on the Square (Irish Lights)	108	
Premier Inn, Dublin Airport		58
Radisson Golden Lane		91
Sackville (Moxy)	158	
Ship Street	136	
Total in Larger Hotel Developments	2,042	617
Others with less than 50 rooms	120	306
Total Hotels Rooms "On Site" May 2018	2,162	923

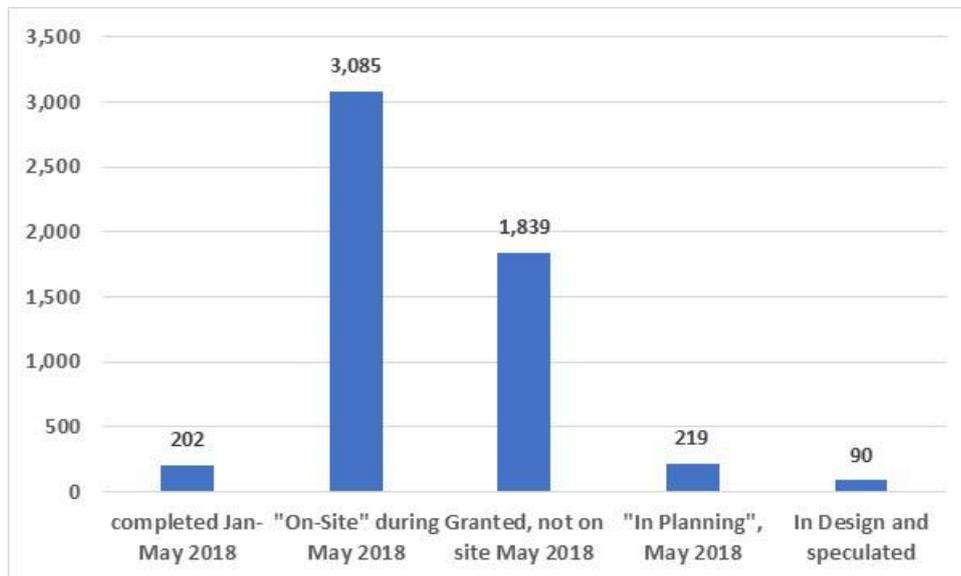
SOURCE: FITZPATRICK ASSOCIATES

With considerably more rooms entering the market, the demand-supply imbalance which is driving hotel profitability at present will gradually be eliminated. As well as the hotels already "on site" there are a further 60 projects (new hotels and extensions) already granted planning permission that could potentially go "on site" over the next three years. However, not all of these projects will come to fruition – Fitzpatrick Associates estimates at least one in three of these potential developments will not progress, some will be completed after 2020 and there are also question marks against a number of others. On the other hand, as noted, ten projects (accounting for about 1,100 additional rooms) have awarded construction contracts or requested tenders in the last two months. Alongside these, ten more hotel projects were granted planning permission or had an initial grant upheld by An Bord Pleanála during 2018 to date. We expect at least half of these "recent grants" to progress in the near future.

There are a further twelve hotel projects which are currently in the planning process. Four of these are with An Bord Pleanála – three of them granted by the Local Authority and one refused and appealed by the developer. Six of those with the Local Authorities are recently submitted projects and the other two were submitted in 2017 but have been granted an extension of time while further information is sought by the planners. Finally, we are aware of six major projects "in design" or pre-planning but expect just one of these

to be potentially completed by 2020. Figure 3.2 show our projections for additional rooms coming on stream by 2020 classified by the stage of each projects' development.

FIGURE 3.2 DUBLIN HOTEL NET SUPPLY GROWTH BY DEVELOPMENT PHASE, 2018-2020 (Rooms)



SOURCE: FITZPATRICK ASSOCIATES

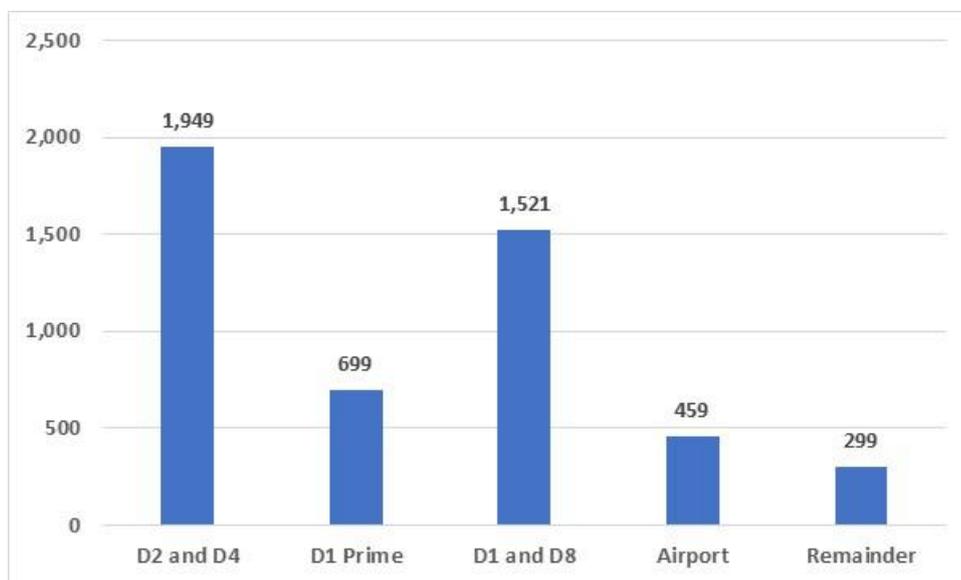
In summary, over the 2018-2020 period 5,435 additional rooms are expected to open. Adjusting for the expected closure of the Ballsbridge and Tara Towers the net addition to the hotel room stock will be just over 4,900 rooms. With a strong pipeline of projects behind the 3,085 already on site, in the absence of a major external shock to the Irish tourism sector (and economy) the outlook for additional rooms beyond 2020 also looks positive. However, there are fewer hotels at the design/pre-planning stage in mid-2018 than at the time of our first report in 2016. Additionally, most of the existing hotels have exhausted their capacity to extend, suggesting the number of new projects being developed is tapering off.

Almost two out of three of the additional rooms expected will be in new hotels. This contrasts with recent gross additions to the hotel room stock. We estimate just over 800 new rooms were added during 2016 and 2017 with one in three in new hotels and the majority extensions to existing premises.

Dublin 2 and 4 postal districts, which already has the highest density of hotels, is also the area where the most additional rooms are expected to come on stream in the three years to 2020 (2,349). However, allowing for the closure of the Ballsbridge Hotel, in net terms this falls to 1,949 or 40% of the total (Figure 3.3). The Dublin 1 Prime area (the North Docks and along the route of the Luas extension in O'Connell Street and Parnell Square) is projected to account for 14% (699). The rest of Dublin 1 and Dublin 8 are expected to account for 1,521 new rooms with 459 projected close to the airport – during 2017 the area around Dublin airport had the highest occupancy of all the city's sub-regions. The planned 400-bedroom hotel at Terminal 2,

Dublin Airport is not included in this projection –given the history of delays with this project we have taken a conservative approach that any further slight delays may push completion into 2021.

FIGURE 3.3 DUBLIN HOTEL NET SUPPLY GROWTH BY LOCATION, 2018-2020 (Rooms)

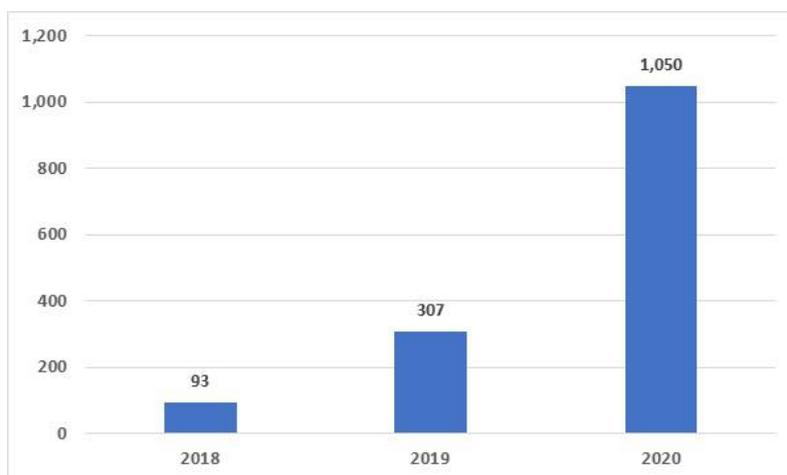


SOURCE: FITZPATRICK ASSOCIATES

3.2 Other Approved Accommodation

Over the last year there was a rise in planning applications for serviced accommodation developments. We now estimate that there will be 1,450 additional self-catering suites on stream by the end of the 2018 to 2020 period (Figure 3.4). Only a fifth of the planned new suites, however, are on site at present because the bulk of applications are relatively recent. All except one (48 suites) of the proposed developments are new accommodation.

FIGURE 3.4: DUBLIN SERVICED APARTMENTS NET SUPPLY GROWTH, 2018-2020 (Rooms)



SOURCE: FITZPATRICK ASSOCIATES

These new serviced apartment investments are in different development phases in accordance with their likely completion date. All additional 2018 rooms are currently “on-site”, while the majority expected to enter service in 2019 have been granted planning permission but are not yet under construction. Of the large number expected in 2020, most (63%) have also been granted planning permission.

The prospective increase in serviced accommodation is characterised by the expansion of the StayCity (three of the new developments and a fourth is in the pipeline) brand and SACO Serviced Apartments (Table 3.2).

TABLE 3.2 LARGE SERVICED ACCOMMODATION (OVER 50 SUITES) LIKELY TO PROCEED, MAY 2018

	<u>D2 and D4</u>	<u>D1 Prime</u>	<u>D1 and D8</u>	<u>Remainder</u>
North Wall Quay 91-94 (SACO Apartments)		241		
Mark Street, StayCity	159			
Tivoli Theatre			298	
Glebe House, Rathcoole				69
St James Aparthotel (Mullins Investments)			100	
Zanzibar (SACO Apartments)			165	
Townsend Street (Tetrarch) StayCity	136			
Bride Street, StayCity	50			
Total in Larger Developments	345	241	563	69
Others with less than 50 rooms	86	0	21	125
Total Suites	431	241	584	194

SOURCE: FITZPATRICK ASSOCIATES

There is no additional hostel capacity currently on site but three planning applications for new hostels have been granted in the last six months. However, in terms of additional capacity these developments equate to

slightly under 300 bed-spaces. Around 230 guesthouse rooms are also in the pipeline for completion by 2020, with the biggest of them – a 42 room guesthouse at Adelaide Road/Harcourt Terrace junction – likely to be completed during 2018.

4. Accommodation Supply/Demand Outlook

4.1 Updated Projection

As in the May 2017 analysis, the sufficiency of the accommodation supply outlook is considered against a central assumption regarding prospective demand, specified in terms of annual visitors to Dublin and the bednights they require. For the present report, demand expectations for the period 2018-2020 adopt Fáilte Ireland's national projections for growth in overseas visitors and domestic trips. These anticipate growth is assumed to be:

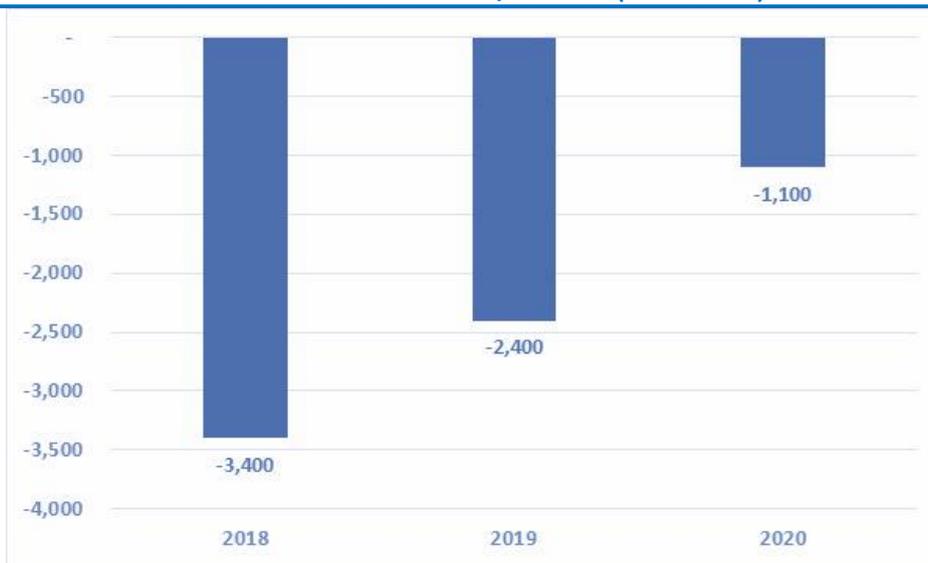
- For 2018, 5.0% growth in overseas tourist trips and 2.0% growth in domestic demand;
- For 2019 and 2020, 3.3% growth in overseas tourist trips and 2.0% growth domestically.

As in previous analyses, supply sufficiency is judged against the 2014 demand/supply ratio, when it is considered to have been in a sustainable relationship. More specifically, in 2014 it was previously shown that total accommodation supply, total visitors to Dublin and their average length of stay, gave rise to a bednights-per-bedspace ratio of 187.8 for the year. This measure of total occupancy is obviously closely correlated to hotel occupancy given the latter's dominance of accommodation supply.

Taking the 2014 bednights-per-bedpace ratio as the appropriate benchmark, our May-2017 analysis projected a shortfall in visitor accommodation in Dublin in the years 2017 and 2018, but a declining one moving into surplus in 2020.

The updated analysis is shown in Figure 4.1. The updated projection does not take into account suppressed demand as it is not possible yet to quantify the scale of business lost due to the sheer non-availability of accommodation at peak periods. This is something that, data allowing, future updates will address.

FIGURE 4.1: ESTIMATED ACCOMMODATION SHORTFALL/SURPLUS (BEDROOMS) – JUNE 2018



SOURCE: FITZPATRICK ASSOCIATES

Note: This estimate does not factor in suppressed demand.

The updated analysis continues to see an accommodation deficit move toward surplus over the short to medium term. Key findings in this update are:

- in the context of modest demand growth expectations, the very strong pipeline of new hotel accommodation will bring the accommodation deficit towards balance and perhaps surplus from 2020 onwards;
- the baseline demand level has increased due to final Fáilte Ireland regional figures. This results in the 2018-2020 deficit being more marked than in our previous analysis;
- the supply outlook has also strengthened since the previous analysis, hence the emergence from a supply deficit towards surplus

