

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Sterling vs Euro Exchange Rates

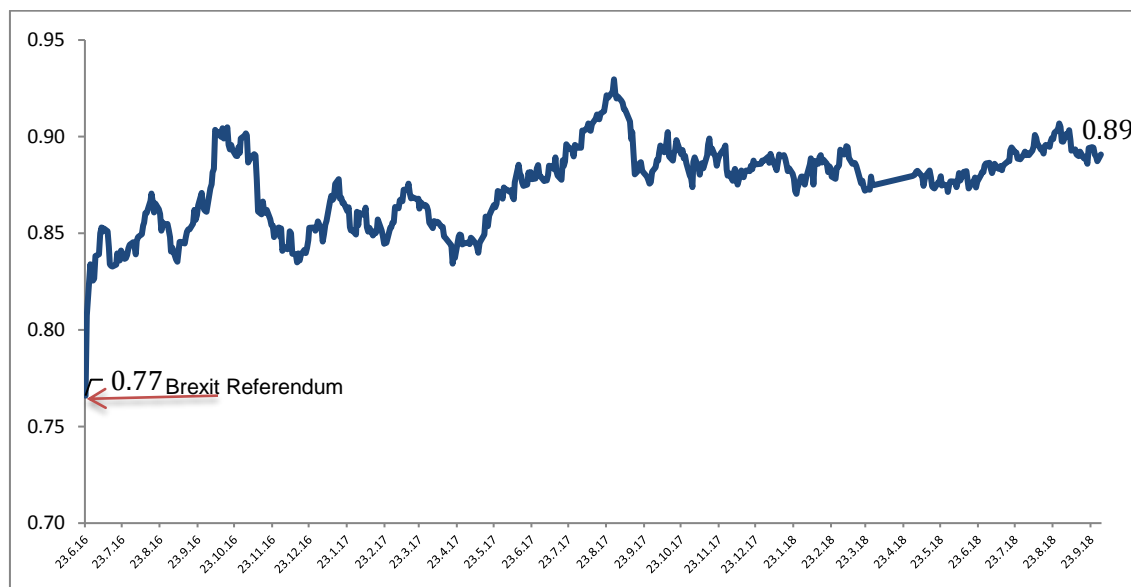


Figure 1: St£:€ daily exchange rate 23rd June 2016 to 1st October 2018

The lack of progress in Brexit negotiations and the extension of the deadline for completion of the withdrawal agreement from October to November has raised fears of a “No Deal Brexit”. In September, Mark Carney, Governor of the Bank of England, reportedly warned the British cabinet of the negative impacts of a No Deal Brexit, i.e., a dive in the value of Sterling and a steep rise in inflation, compounded by higher trade tariffs. Carney also predicted a housing price crash of up to 35% and a doubling in unemployment rates from 4% to 8%.

Furthermore, the re-emergence of those supporting a “hard Brexit” and the increasing vocal demands for a referendum on the proposed withdrawal agreement have added to the uncertainty about Britain’s future relationship with Europe.

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Impact of Exchange Rates on Tourism Goods

Sterling's weakness increases the cost of the British tourist's trip in Ireland. This is demonstrated by tracking the cost of tourist items over time.

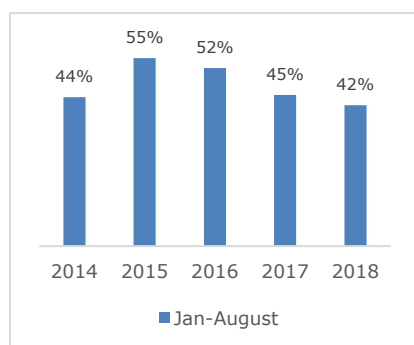
Since April 2017, based on exchange rates alone, the cost of accommodation for a British tourist has increased by £15 or 5%. It should be noted this 5% cost increase does not factor in any accommodation price inflation.

Month	Average Cost	What it costs the British Tourist St£							
		Apr 17	June	August	Sept	April 18	June	August	Sept
Exchange Rate	€	0.85	0.88	0.91	0.89	0.87	0.88	0.90	0.89
Accommodation	337	286	295	307	301	294	296	302	301
2 course meal	23	19	20	21	20	20	20	21	21
Bottle of house wine	24	20	21	22	21	21	21	22	21

Table 1: Impact of Sterling exchange rates on prices¹

Factoring in *price* inflation, in September 2018, British tourists, on average, paid 14% more for accommodation than they did in April 2017.

Value for Money Perceptions among British Tourists



In the year to August, British tourists' rating of good value for money has dropped for the third successive year and is at its lowest point in the last five years.

While exchange rates play a part in the deterioration of the positive rating of value, rising costs of tourist goods and services are no doubt a factor also.

Figure 2: % British tourists rating of Value for Money as good/very good January – August 2014-2018 (unweighted data)

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Prepared by Fáilte Ireland's Research Unit

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