

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Sterling vs Euro Exchange Rates

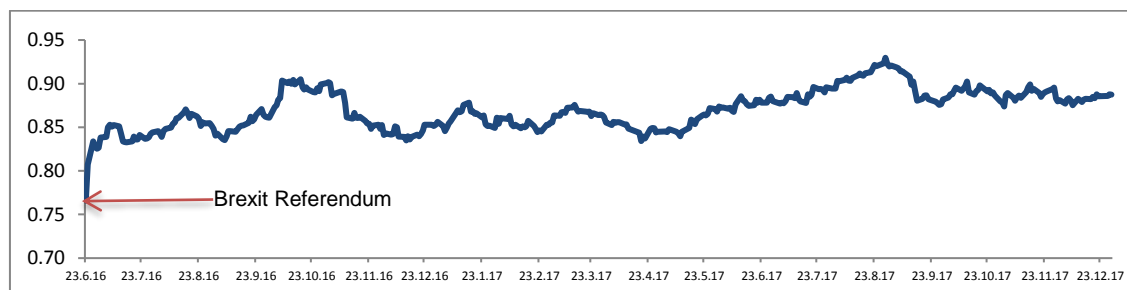


Figure 1: Stf:€ daily exchange rate 23rd June 2016 to 29th December 2017¹

The volatile performance of Sterling since the vote to leave the EU is a reflection of the uncertainty surrounding the future relationship between the UK and the rest of Europe. The exchange rate has been relatively stable in the last four months. No doubt, further volatility is possible as the terms of Brexit take shape over the next twelve months.

Impact of Exchange Rates on Tourism Goods

For the British tourist, Sterling's weakness has 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, 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£								
		April	May	June	July	August	Sept	Oct	Nov	Dec
Exchange Rate	€	0.84824	0.85554	0.87724	0.88618	0.91121	0.89470	0.89071	0.887945	0.882649
Accommodation	337	286	288	296	299	307	301	300	299	297
2 course meal	23	20	20	20	20	21	20	20	20	20
Bottle of house wine	24	20	21	21	21	22	21	21	21	21

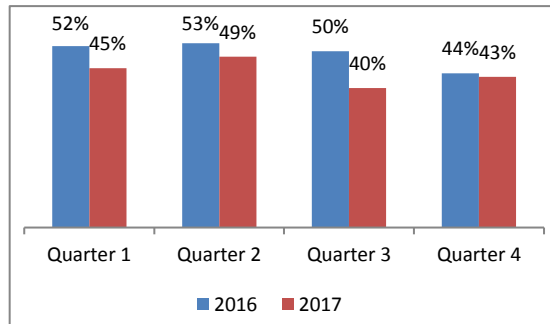
Table 1: Impact of Sterling exchange rates on prices²

¹ Source: Central Bank of Ireland

² 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

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Value for Money

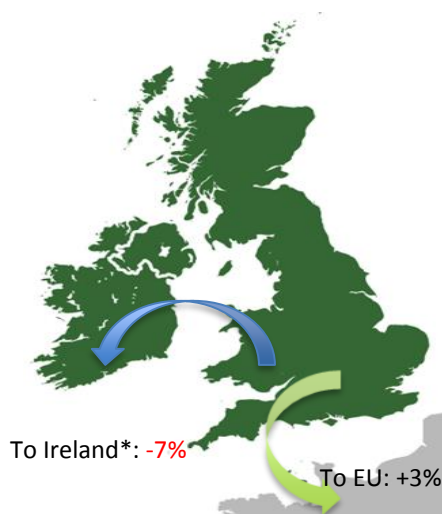


For the first nine months of the year, there was a significant shift in British tourists' perception of value for money. However, latest (Q4 unweighted) data show the proportion of British tourists giving value for money in Ireland a "good" rating shows little change since last year. This may be due to the relative stability of the currency in

recent months as well as a higher proportion visiting friends/relatives and on business than on holiday in the last quarter.

Figure 2: British Tourists' Good Rating of Value for Money by Quarter³

UK Outbound Travel



Latest figures from the UK for the January-September period indicate growth in outbound performance of +3%, so UK residents are still travelling abroad.

UK outbound travel to EU 28 countries follows the average at +3%. However, British travel to Ireland fell by -7% 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-September 2017 vs 2016⁴

³ Source: Fáilte Ireland, unweighted data from Survey of Overseas Travellers

⁴ Source: UK International Passenger Survey and CSO Overseas Travel. *From Great Britain

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Impact on the sector

Based on the most recent performance data from the CSO (January-December), trips from Britain to Ireland are down 6.7%.

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 be down by €95mn and an estimated 2,700 tourism jobs would be lost if the anticipated shortfall is not balanced by growth from elsewhere.

Key Stats	Value
Fall in UK visits to Ireland	-6.7%
<i>Annualised estimated fall in</i>	
- Trips	-326,000
- Export earnings (€mn)	-95
- Tax earnings (€mn)	-21
- Employment	-2,700

Table 2: Annualised Impact of Lost UK Business on Irish Tourism⁵

Published: 10th January 2017

⁵ Fáilte Ireland estimates