

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Sterling vs Euro Exchange Rates

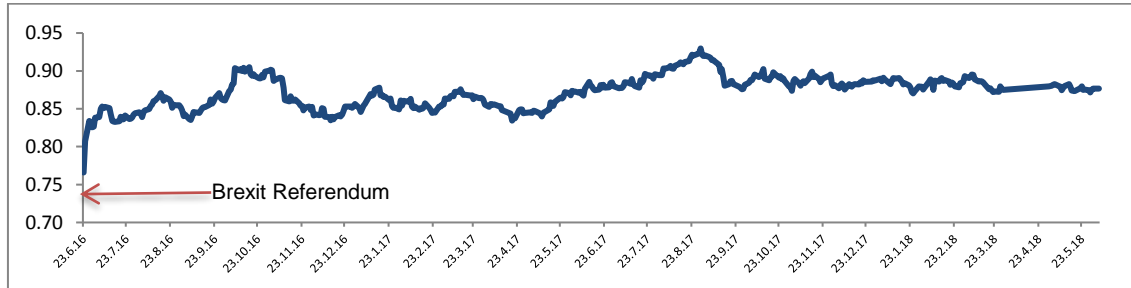


Figure 1: St£:€ daily exchange rate 23rd June 2016 to 4th June 2018

There is 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 £10 or 3%. It should be noted this 3% cost increase does not factor in any accommodation price inflation.

Month	Average Cost	What it costs the British Tourist St£									
		Apr	Jun	Aug	Sept	Nov	Dec	Feb 18	Mar	April	May
Exchange Rate	€	0.85	0.88	0.91	0.89	0.89	0.88	0.88	0.88	0.87	0.88
Accommodation	337	286	296	307	301	299	297	298	297	294	296
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

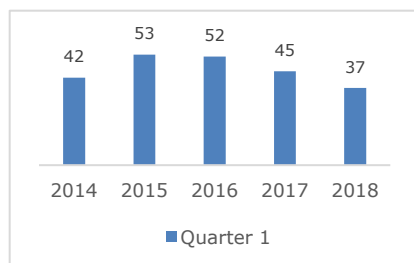
Table 1: Impact of Sterling exchange rates on prices¹

Factoring in *price* inflation, in May 2018, British tourists, on average, paid 12% more for accommodation than they did in April 2017.

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

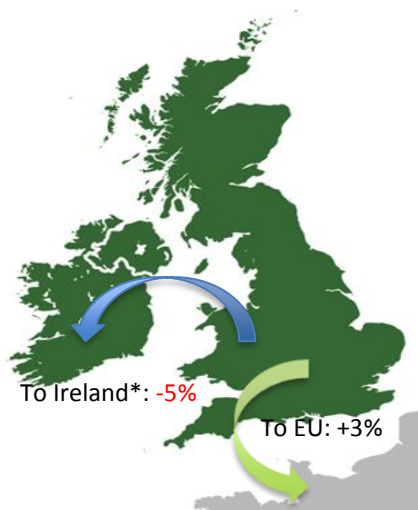


In the first quarter, British tourists' rating of good value for money has dropped for the third successive year.

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 by quarter (unweighted data)

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 indicates 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 2016²

Note: UK 2018 Q1 data due for publication on 2nd August 2018.

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Prepared by Fáilte Ireland's Research Unit

² Source: UK International Passenger Survey and CSO Overseas Travel. *From Great Britain