

BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

Sterling vs Euro Exchange Rates

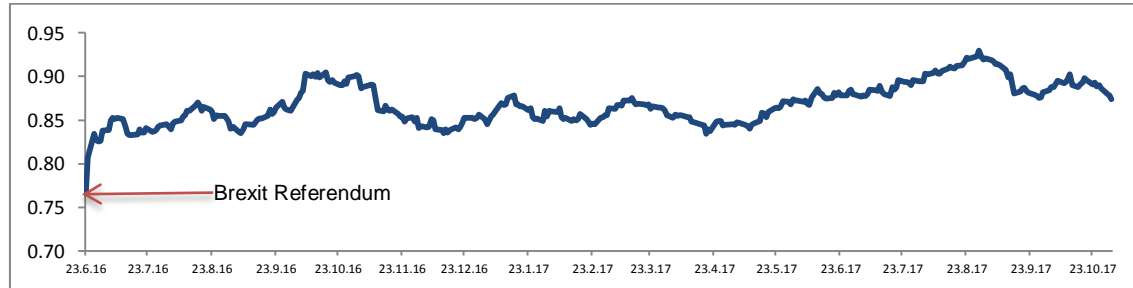


Figure 1: St£:€ daily exchange rate 23rd June 2016 to 1st November 2017¹

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 general trend over the summer was a weakening of Sterling versus the euro. However Sterling rallied slightly in September and October.

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 can be 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 £14 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£						
		April	May	June	July	August	September	October
Exchange Rate	€	0.84824	0.85554	0.87724	0.88618	0.91121	0.89470	0.89071
Accommodation	337	286	288	296	299	307	301	300
2 course meal	23	20	20	20	20	21	20	20
Bottle of house wine	24	20	21	21	21	22	21	21

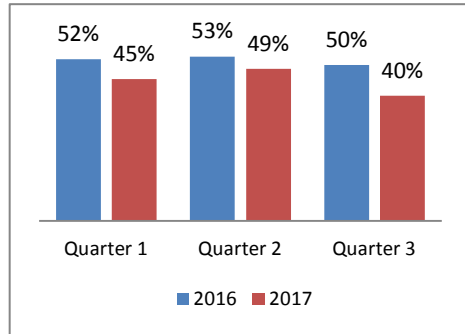
Table 1: Impact of Sterling exchange rates on prices²

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

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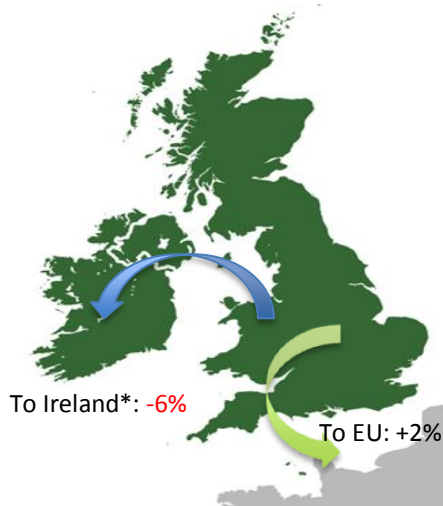
Value for Money



There has been a significant shift in British tourists' perception of value for money pre and post the UK vote to leave the EU. Latest (Q3 unweighted) data show the proportion of British tourists giving value for money in Ireland a "good" rating has dropped by 10 percentage points since last year.

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

UK Outbound Travel



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

UK outbound travel to EU 28 countries is slightly below average at +2%. However, British travel to Ireland fell by -6% 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-August 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

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Impact on the sector

Based on the most recent performance data from the CSO (January-September), 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

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⁵ Fáilte Ireland estimates