

# BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

## Sterling vs Euro Exchange Rates

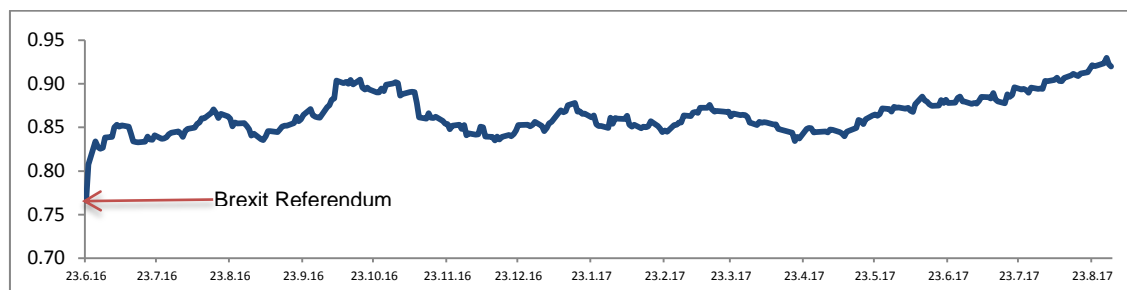


Figure 1: St£:€ daily exchange rate 23<sup>rd</sup> June 2016 to 31<sup>st</sup> August 2017<sup>1</sup>

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. However, the general trend in recent months has been a steady weakening of Sterling versus the euro.

## 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.

In just five months, based on exchange rates alone, the cost of accommodation for a British tourist has increased by £21 or 7%. This 7% 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
Exchange Rate		0.84824	0.85554	0.87724	0.88618	0.91121
Accommodation	337	286	288	296	299	307
2 course meal	23	20	20	20	20	21
Bottle of house wine	24	20	21	21	21	22

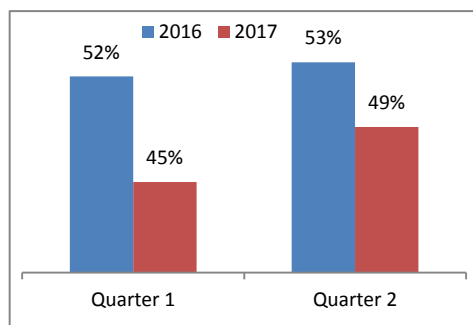
Table 1: Impact of Sterling exchange rates on prices<sup>2</sup>

<sup>1</sup> Source: Central Bank of Ireland

<sup>2</sup> 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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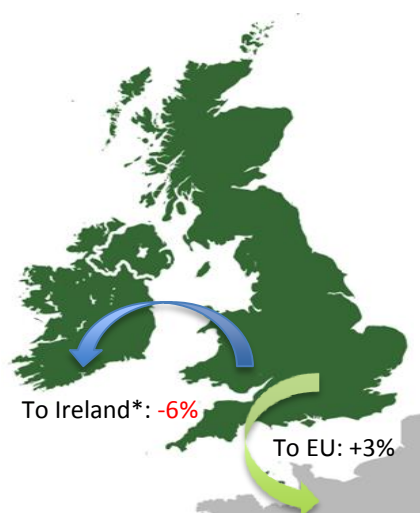
## Value for Money



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 (Q2 unweighted) data show the proportion of British tourists giving value for money in Ireland a "good" rating has dropped by 4 percentage points since last year.

Figure 2: British Tourists' Good Rating of Value for Money by Quarter<sup>3</sup>

## UK Outbound Travel



Latest figures from the UK for the January-June period indicate a relatively strong outbound performance of +4%, so UK residents are still travelling abroad.

UK outbound travel to EU 28 countries is slightly below average at +3%. 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-June 2017 vs 2016<sup>4</sup>

<sup>3</sup> Source: Fáilte Ireland, unweighted data from Survey of Overseas Travellers

<sup>4</sup> 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-July), trips from Britain to Ireland are down 6.2%.

Table 2 illustrates the impact that a fall in trips would have on a full year basis. It shows that earnings would be down by €88mn and an estimated 1,900 tourism jobs would be lost if the anticipated shortfall is not balanced by growth from elsewhere.

Key Stats	Value
Fall in GB visits to Ireland	-6.2%
<i>Annualised estimated fall in</i>	
- Trips	-302,000
- Export earnings (€mn)	-88
- Tax earnings (€mn)	-19
- Employment	-1,900

Table 2: Annualised Impact of Lost UK Business on Irish Tourism<sup>5</sup>

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<sup>5</sup> Fáilte Ireland estimates