



## Tourism Sector Sentiment Softens On Brexit Concerns



Tourism sector sentiment remains upbeat but there is evidence of some softening which can be attributed to concerns about the British market according to our latest [Tourism Barometer Survey](#), which was published today.

While business sentiment across the tourism sector remains generally upbeat, one in four businesses (26%) surveyed report experiencing a Brexit or Sterling exchange rate impact on their business so far this year and 30% say that Northern Ireland has under performed while 35% have seen a fall-off in demand from Great Britain.

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### Tourism Business Sentiment 2008-2017

%	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Up	14	15	29	39	52	46	62	61	63	55
Same	18	11	25	31	23	26	23	24	25	28
Down	68	74	47	30	25	27	15	15	12	18

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Nevertheless, our 'Tourism Business Sentiment Index' (reflecting year to date performance and 2017 expectations) shows that the business sentiment for the majority of tourism businesses remains positive (55%) or neutral (28%). For most tourism businesses, the year has got off to a good start and continued confidence, which has been built over recent years, is being bolstered by a good performance over Easter particularly helped by European and American markets.

Commenting today, Minister of State for Tourism, Patrick O'Donovan said:

***“I am pleased to note that there is still great confidence within the tourism sector. However, concerns over the British market are starting to come to the fore and making an impact. The challenge facing our nearest market means that nobody in the industry can be complacent and it is vital that we keep a sharp focus on our competitiveness.”***

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### **How is 2017 shaping up?**

So far this year, most (85%) hotels are reporting that their average room yield is up or on a par compared to the same period in 2016. However, 15% of hotels report that yields are down, compared to just 5% at the same point in time last year.

Looking to the rest of 2017, tourism enterprises are optimistic with 60% expecting business to be ahead of last year and a further 29% expecting it to stay the same. One in ten (11%) are expecting a downturn in their business compared to just 5% at the same time in 2016.

Speaking to the findings, Fáilte Ireland CEO Paul Kelly emphasised:

***“Clearly, despite some softening in the British market, tourism operators remain upbeat – thanks in large part to business from North American and other long haul markets as well as the continued strong performance of the domestic market. The crucial focus now for every business must be on getting their market mix right. An over-reliance on one market can leave any enterprise dangerously exposed to unexpected external events such as Brexit. Diversification is the key to minimising that risk.”***

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### **How are the markets performing?**

Most (85%) businesses say that business is up (41%) or the same (44%) from North America and they are bullish about this market for the coming season with more than half (53%) expecting to welcome more North American visitors than last year. One in four (23%) businesses say that Dollar/Euro exchange rates are positive factors in their business this year.

However, Northern Ireland and mainland Britain have been relatively poor performers so far this year with 30% of tourism operators reporting that NI has underperformed and 35% have seen a fall-off in demand from Great Britain. Almost a quarter (23%) of tourism businesses expect less business from Northern Ireland during the rest of the year and a greater number ( 34%) expect a downturn in British visitors in the coming months.

### **What about Brexit?**

The post-referendum environment and associated currency volatility is clearly worrying some tourism businesses with one third (34%) saying that Sterling/Euro exchange rates are one of their main concerns in 2017 - this rises to above 40% for hoteliers and restaurateurs.

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However, during 2017 so far, only one in four businesses (26%) have experienced a Brexit or Sterling exchange rate impact on their business with a further 19% unable to say whether they had or not at this stage. Responses varied widely by type of business with just one in ten (10%) B&B's reporting any influence while 44% of restaurateurs said they had experienced an impact.

From interviews with tourism operators, while there is an acceptance in the sector that the UK may not be as strong as it has been, it is widely believed that other high performing markets will make up for any drop in UK visitors.

### **How are the regions performing?**

The North (in this case, the North Western and border counties of Cavan, Donegal, Leitrim, Longford, Louth, Mayo, Monaghan and Sligo) has not performed as well as the rest of the country to date this year. On balance, less Northern accommodation providers have experienced growth in the first four months of the year compared to the rest of the country. Northern enterprises are particularly reliant on traffic from their close neighbours in Northern Ireland and more businesses have seen a drop in volume from this market so far this year.

This negative performance has fed into accommodation providers' expectation for the rest of the year. A higher proportion of these businesses expect a decline from Northern Ireland, while the sentiment is more positive overall from businesses in the rest of the country.

The difference between the North and the rest of the country appears to be down to the impact of Brexit and the Sterling exchange rate, particularly on cross-border traffic from Northern Ireland with 62% of accommodation providers in the region citing the Sterling exchange rate as an issue of concern, compared to a much lower proportion (34%) of PSA businesses in the rest of the country.

About half (52%) of accommodation providers in the North region say they have been affected by Brexit or the Sterling exchange rate to date. This compares to a lower proportion (29%) of accommodation providers outside the North.

Looking at the survey strictly in terms of Dublin versus the rest of the country, Brexit has had more of an impact on businesses in Dublin, especially in terms of British visitors compared to businesses beyond the capital. On balance, more Dublin PSA providers have seen a downturn from Britain compared to the rest of the country. Brexit and the Sterling exchange rate have affected half (50%) of Dublin PSA businesses to date compared to a lower proportion (30%) of all the other PSA businesses in the country.

Speaking to these regional variations, Mr Kelly said:

***“The weakening of Sterling is inevitably having an impact on those regions – particularly in the north west and along the border counties – which have a greater reliance on Northern Irish visitors as well as British tourists. The key here will be for local operators to diversify their target markets and seek trade in***

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**Europe and from the US in order to reduce their exposure to Sterling's current softness.**

***“In the case of Dublin, the fall in British visitors may be linked to greater price sensitivity due to Sterling's weakness. This underscores the importance for businesses in the capital to maintain a rigorous focus on competitiveness despite the current high demand in the city.”***

### **Other Tourism Sector Issues**

While other European destinations have suffered from perceptions relating to security, 61% of Irish tourism businesses mention the perception of Ireland as a safe destination as one of the most positive factors influencing business. Other positive drivers of business include repeat visitors, the domestic market and (in the west) the Wild Atlantic Way.

In terms of challenges, two in five (41%) tourism businesses said that they were concerned about an over-concentration of tourists in Dublin and other cities – using them as touring bases rather than staying locally in rural areas. Other challenges include the above mentioned Sterling exchange rates as well as business costs. Interestingly, the proportion (now 28%) citing concerns about Ireland's value for money perception have grown since this time last year.

In interviews, some tourism operators have raised concerns over capacity levels in Dublin and other major cities, a problem which has been increasing in recent years. There is a particular worry that a lack of accommodation is driving up prices in the capital and Ireland will start to lose the competitive edge it once had.

Commenting particularly on the challenge posed by Brexit, Mr Kelly said:

***“Fáilte Ireland has established a new Enterprise Business Unit which is currently developing a new Brexit Response Programme which will focus on building capability in the tourism industry. The programme will aim to ensure that the relevant skills and insights are available to identify and exploit existing opportunities out of Great Britain and Northern Ireland, and also identify new sales and business opportunities in continental Europe and the US. The programme will evolve and adapt, as the Brexit implications are realized over the coming years, and will provide a range of practical supports to hundreds of tourism businesses.”***

You can read the full version of the latest Fáilte Ireland Tourism Barometer [here](#).

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