Tourism Barometer

December 2018

Contents

Page

1. Headline Findings ... 2
2. Qualitative Findings ... 4
3. Overall Visitor Volumes in 2018 and Expectations ... 7
4. Hotels ... 9
5. Guesthouses ... 13
6. B&Bs ... 15
7. Self-catering ... 17
8. Hostels ... 19
9. Attractions ... 21
10. Restaurants ... 23
11. Staff Employment ... 25
12. Positive Factors for 2019 ... 27
13. Issues of Concern for 2019 ... 29
14. Impact of Brexit in 2019 ... 31
15. Performance by Failte Ireland's Regional Experience Brands ... 33
16. Significant Differences by Broad Region ... 34
17. Appendix 1 – Background and Methodology ... 36

1. Headline Findings

What is the Tourism Barometer?

The Fáilte Ireland Tourism Barometer is a survey of tourism businesses providing insight into performance for the year to date and prospects for the remainder of the year / the following year. It is conducted on Fáilte Ireland's behalf by Strategic Research and Insight, an independent market research agency.

How have we conducted it?

We have received 301 responses to an online survey with tourism businesses in November & December 2018 and have conducted 201 top-up telephone interviews. We have also conducted eight qualitative interviews with senior industry executives.

2018 – another year of growth for the industry

The industry has performed strongly in 2018. In the PSA (paid serviced accommodation) sector, three in five (60%) businesses have welcomed more visitors in 2018 compared to 2017, and a further 30% have had a similar number.

The domestic market has performed well thanks to fine summer weather, and the strength of the North American and German markets has alleviated effects of the flatlining British market.

The findings echo the *CSO's Survey of Overseas Travellers*. Overseas visitors to Ireland increased by 6.8% between January and November 2018 with visitors from Britain up just 1%.

Extended season

The results for 2018 as a whole are more positive than the YTD results recorded in the early September barometer, suggesting that the autumn season has performed well. This is supported by some depth interview comments (see Section 2) and CSO figures showing that overseas visitors increased by 7.3% in October (vs Oct 2017).

The successful year has helped to calm some of the nerves about the impending challenges…

Brexit more of a concern for restaurants and in the northern counties

Brexit is the most frequently mentioned concern for 2019 across all businesses, cited by 69% of respondents. The concern is significantly higher in the restaurant sector compared to other sectors – 90% are worried about Brexit. Restaurants have been hit by a decline in British visitors in 2018.

Apprehension about Brexit is also stronger in the northern counties. Most (80%) PSA businesses in the northern counties cite Brexit as a concern, compared to 67% in the rest of the country.

VAT increase – nervous hotels and guesthouses

This month's increase in VAT to 13.5% is the most frequently mentioned concern for 2019 among guesthouses (80%) and hotels (73%).

Dublin hotels are bucking the trend of flatlining British visitors

According to the CSO Survey of Overseas Travellers, British visitors only increased by 1% YTD to November 2018.

This is not the experience of many Dublin hotels – half (49%) of them reported an increase in British visitors in 2018, compared to only 26% reporting a decrease.

Business Sentiment Index

	2009	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Up	15	28	39	48	68	75	80	76	64	57
Same	11	25	31	26	21	17	16	19	26	30
Down	74	47	30	26	11	8	4	5	10	11

Base: All Accommodation Providers *(weighted to available rooms)*

Sentiment level has slipped, but is still positive overall	Sentiment in the industry has slipped each year since its high point in 2015. Nevertheless, it is still positive on balance. Those reliant on overseas visitors have looked to the US and mainland European markets to offset the decline in UK visitors.
2019 expected to be strong for PSA sector	Following a good year overall, the PSA sector expects further growth in 2019. About three in five (59%) PSA operators expect more visitors this year, compared to just a small minority (8%) who predict lower demand than in 2018. Hotels remain the driving force behind PSA performance, with 63% expecting visitor numbers to be up. The strength of the North American market remains a significant factor. Guesthouses are also positive, with about half (46%) expecting increased visitors in 2019. The North American and German markets are forecast to perform particularly well. B&Bs have experienced a more challenging year than hotels and guesthouses, and as such, expectations for 2019 are more muted. Nevertheless, a quarter (25%) expect increased visitors, and two thirds (65%) anticipate no change.
Attractions buoyed by own marketing and local events	Attractions are the most positive sector, with about two thirds (68%) expecting more visitors in 2019 and only 4% presuming a decrease. Their own marketing combined with local festivals and events are drivers of this optimism.
Self-catering hoping for visitors to return in 2019	Close to half (44%) of self-catering operators expect to receive more visitors in 2019, and the same proportion (44%) anticipate a similar level. Repeat business is the main reason behind the optimistic outlook.
French and Germans making up for British shortfall in hostels	Well over half (57%) of hostels say they are likely to be busier in 2019, and only a small minority (9%) expect to be quieter. The predicted shortfall in British visitors is likely to be offset by other overseas markets.
Restaurants have continued hope in American customers	About half (48%) of restaurants expect more tourist customers in 2019 compared to 2018. Restaurants have been hit by declining levels of British visitors in 2018, but Americans have helped to offset this. The trend is expected to continue in 2019.

2. Qualitative Findings

We have conducted depth interviews with key industry leaders (see appendix 1 for more details). The main findings from these interviews are discussed below.

Business blossomed in 2018

2.1 Many stakeholders report a year of strong performance overall. No doubt the performance over the summer months will have contributed to 2018's success.

"We've had a very good year – the sector has done very well"

"Our members are reporting an increased activity, somewhere between 1-10% increases. 50-60% of our members are showing that increase in activity"

"I think everybody will continue to say that the year has been better than last year"

2.2 Additionally, a few stakeholders credit the year's overall performance to a somewhat better than expected shoulder period too.

"Business was up for autumn. There were more overseas visitors, which our members normally wouldn't have seen in the past."

"Autumn has been good – people continue to be busy"

"We've had a very good shoulder season"

The US market continues to boost performance

2.3 For many operators, the US market makes up a sizeable proportion of business. Industry leaders note that the visitor levels from the USA continue to grow.

"The US market continues at a stronger pace than European business"

"The US market is significantly up for our members"

Continental Europe remains strong

2.4 Germany and German speaking markets appear to outperform other European markets, with some stakeholders reporting growths in visitor numbers. This coincides with CSO reports that trips from Germany were up 18% in the first eleven months of the year.

"Germany was up 18%, which we're very pleased about"

"Germany and German speaking markets are still our main markets – it's where 60% of our business comes from"

"Germany is performing reasonably"

2.5 A few industry leaders also report that visitor volumes from France are of similar levels to 2017.

"France is just about ok this year"

"France is holding for us"

Brexit to impact on performance in 2019

2.6 For some stakeholders, the British market is not a crucial driver for business, and any losses in the market this year will be quickly recovered by the performance of stronger markets.

"We can't afford to ignore Brexit, but with the growth in the continental market, it's more than made up for any loss of business we might have had. Other markets are increasing because there's an increase in capacity with access to Ireland."

"Because the US market is so good at the moment, it's masking some of the problems with Brexit"

2.7 Some industry leaders believe that a fall in the sterling exchange rate will encourage European tourists to go to Britain for their holidays instead of choosing Ireland. This is because Britain may be considered better value for money.

"Brexit will have an impact on other markets. We know that from talking to some of our members, people are already choosing to go to Britain because of the currency and the value … the pound will devalue further and that will make Britain more attractive [to Europeans]."

"If sterling decreases it will attract the likes of the Germans and the French to spend more time in the UK rather than coming to Ireland"

"It will have an impact as Britain is better value for money, and therefore it heightens the competitiveness of the UK versus Ireland right now … there's a much stronger appetite for Britain, simply down to pricing"

It is worth noting that a weak pound may or may not materialise in increased visitors to Britain this year. Mid-year 2018 results from Britain's *International Passenger Survey* suggest that overseas tourism to Britain was falling compared to 2017.

2.8 Despite the various predictions, stakeholders are aware of the uncertainty that surrounds Brexit, and if or how it will impact business in 2019.

"Brexit is the elephant in the room and it's the continued uncertainty"

"It's too early to tell yet, but there are issues that will come out of it depending on how Brexit will go"

"Brexit is the drastic unknown – there are so many possibilities with it. We believe Brexit to be a serious threat."

Increased VAT rate raises concerns

2.9 With the VAT rate having increased to 13.5% in January 2019, industry leaders are concerned about the implications this will have on business.

2.10 In particular, a common theme to emerge is the competitiveness of Ireland as a holiday destination. Stakeholders are concerned that increasing prices to accommodate the increased VAT will have consequences on how Ireland compares to other holiday destinations.

"The biggest concern with the VAT is the competitiveness, so we're now more expensive than most countries in Europe, and we now have to fight for visitors every year. There are only about 5 or 6 countries now that are more expensive than us in relation to the VAT, and that does have an impact"

"Our competitiveness was very good this year, but we're probably going to see it eroding next year because of the VAT increase"

"The concern will be competitiveness going forward. That is the big elephant in the room. The big concern is that Ireland is losing competitiveness year on year and we're losing it at a pace where we'll become uncompetitive by comparison to other destinations."

2.11 Some expect the VAT increase to have an impact on next year's profitability. This is because, in addition to the increase in VAT rates, the cost of running businesses continues to rise.

"We're seeing some of our members going up in price in 2019 to counter-balance the VAT increase, and also the cost of labour is going to be a huge issue probably going forward"

"Our members most likely will have to absorb 75% of the price hike. That is not good for our members and it will impact their performance in 2019 in terms of their profitability, because their margins have been squeezed"

"You've already taken possibly a 3-5% increase year on year in rates before 2019, and now you add the 4.5%. Members will still be looking for increases because the cost of running businesses isn't getting cheaper."

2.12 One industry leader notes there has already been some price resistance from European markets in response to the increase in VAT. They also describe experiencing difficulty with European tour operators to renegotiate prices.

"We're getting significant negativity from the European market, as they tend to be quite price sensitive … it won't impact the North Americans as much in the same way. That market is still so buoyant that people are less price-resistant, but the Europeans are a lot more value-conscious."

"The difficulty for our members is that it's a case of making decisions while you can attempt to pass that onto your tour operating and travel agent community inside Europe. Their simple answer is, 'Sorry, too late. The prices are set, they're in brochures and they've been put out into the marketplace. And if you attempt to change the price upwards, then we won't be selling Ireland.'"

Stakeholders are cautiously optimistic for 2019

2.13 With many challenges facing the tourism industry in 2019, particularly Brexit and the increase in VAT, industry leaders consider themselves to have a positive outlook on performance, but they are aware of the troubles that lie ahead.

"We're facing significant challenges in 2019, but the outlook is positive. We've now had about 7 years of steady growth, and there's been great level of air access … so, we're positive"

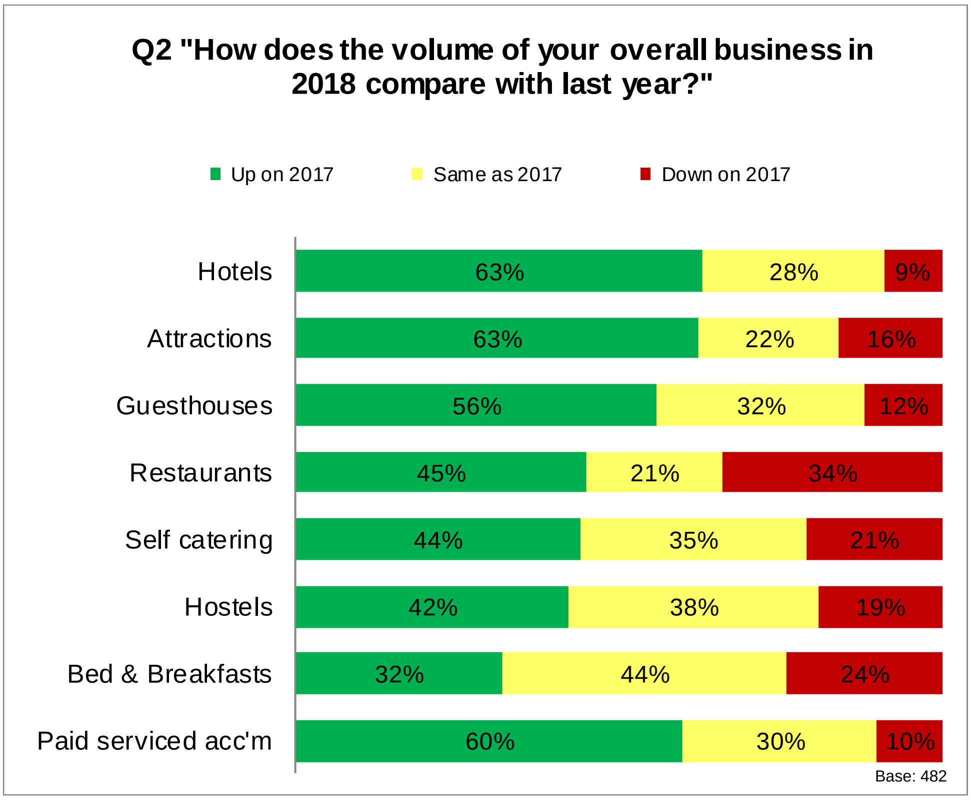
"It's still early days, but the indicators from most of our main markets are relatively positive … [however] I think Irish tourism needs to be conscientious in terms of competitiveness going forward, because that will have the biggest impact on our future prosperity"

"Overall, we'd be positive for 2019, but there's always caution. You could be positive at this stage, but a lot of things could change last minute"

3. Overall Visitor Volumes in 2018 and Expectations

In this section we discuss the performance in 2018 and expectations for the industry overall. More detailed results by market for each individual sector are discussed in subsequent chapters.

Overall visitor volumes in 2018



In all charts, 'don't know' or 'not applicable' answers to the question have been excluded and the percentages re-based. Results are split by sector and ordered by proportion answering an increase in numbers (shown in green).

In addition to the individual sector results, the last bar on each chart in this section shows weighted results for the paid serviced accommodation sector (PSA); these figures have been derived from the hotel, guesthouse and B&B results, with weightings applied in accordance with each sector's share of total bedrooms within paid serviced accommodation.

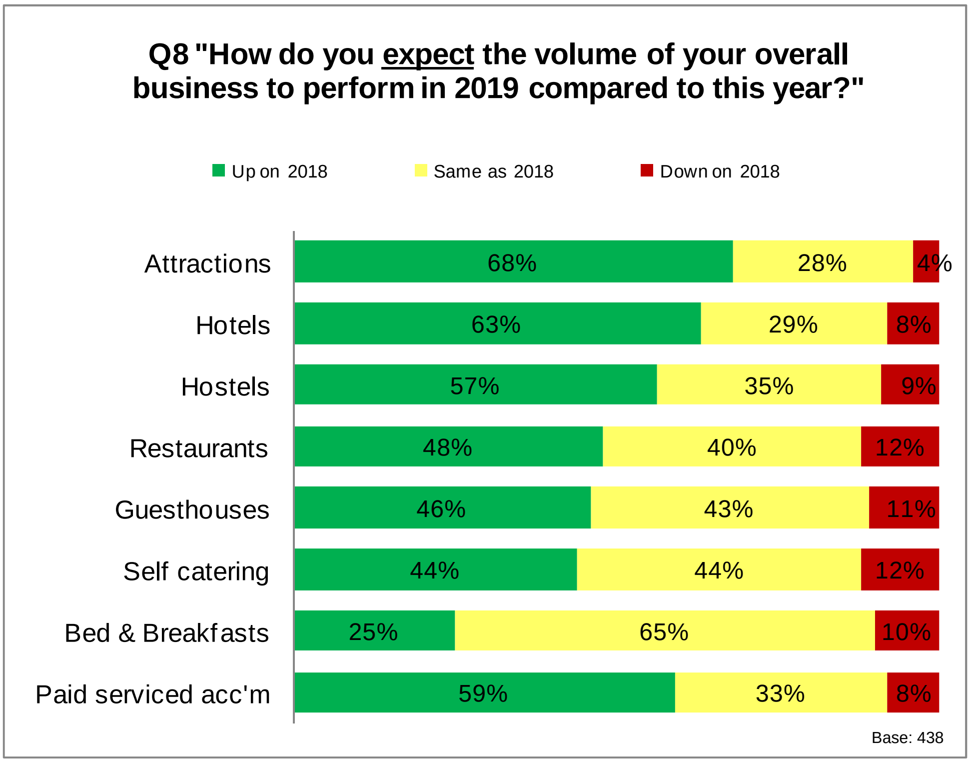
A promising year for the industry

3.1 The tourist industry reported 2018 was a prosperous year overall, with many sectors reporting a stronger performance compared to 2017.

3.2 Hotels, attractions and guesthouses seem to have had the most success in 2018, with their visitor levels improving significantly when compared to 2017.

3.3 Restaurants have had a more mixed year, with a third (34%) experiencing fewer customers. However, close to half (45%) have seen higher visitor volumes.

Expectations for 2019



Tourism operators are very optimistic for 2019

3.4 Despite many concerns going into 2019 (Q15, discussed later), many sectors are still confident that demand will continue to grow. Attractions, hotels and hostels are particularly optimistic.

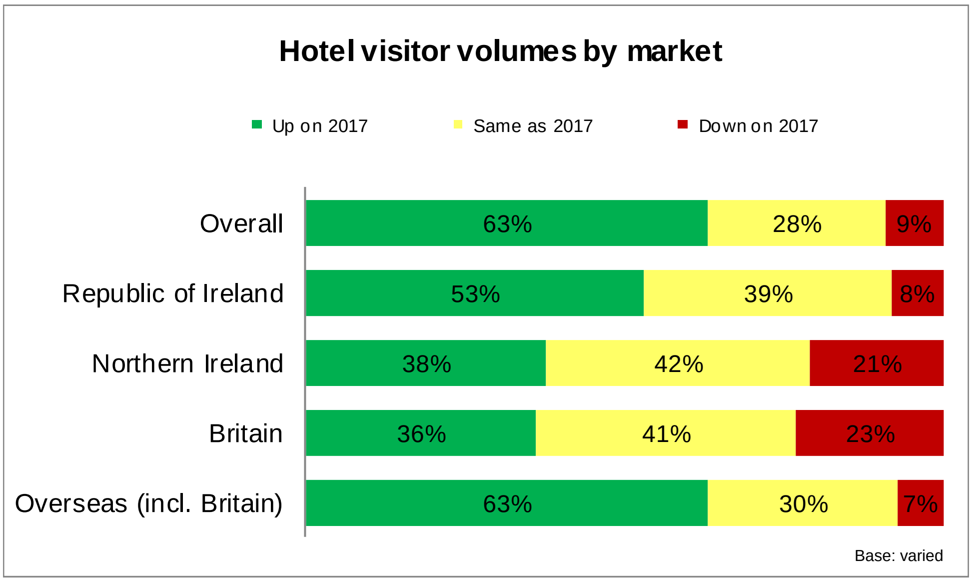
3.5 Bed and Breakfasts however are a little more cautious compared to other sectors, with two thirds (65%) expecting similar visitor levels in 2019 rather than any significant growth.

3.6 On the whole, it seems that optimism for 2019 stems from having enjoyed a good year in 2018, and this helps to distract from some of the challenges which may lie ahead.

4. Hotels

In this and the following sections we discuss each sector in turn in terms of performance and expectations, starting with hotels.

Hotel visitor volumes 2018



Another good year for hotels

4.1 Hotels outperformed many other sectors again in 2018. About two thirds (63%) of hotel operators experienced an increase in guests compared to 2017.

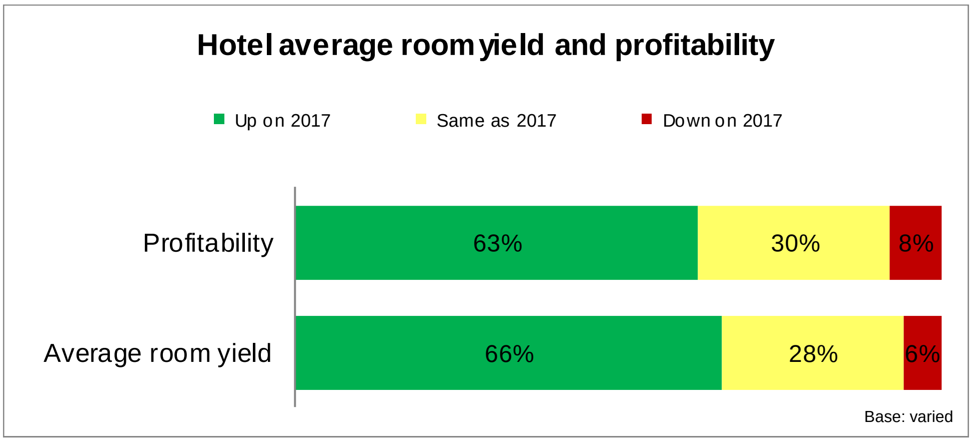
"We have a new kitchen team and head chef who are doing well. People are talking about how good they are in town."

"The weather for us is usually wet and horrible, but it was very nice this year, so people were able to sit out and eat and drink in the sun"

4.2 Hotels have identified two markets in particular which have generated increased business

- The North American market (55% of hotels are up)
- The Domestic market (53% are up)

Hotel average room yield and profitability

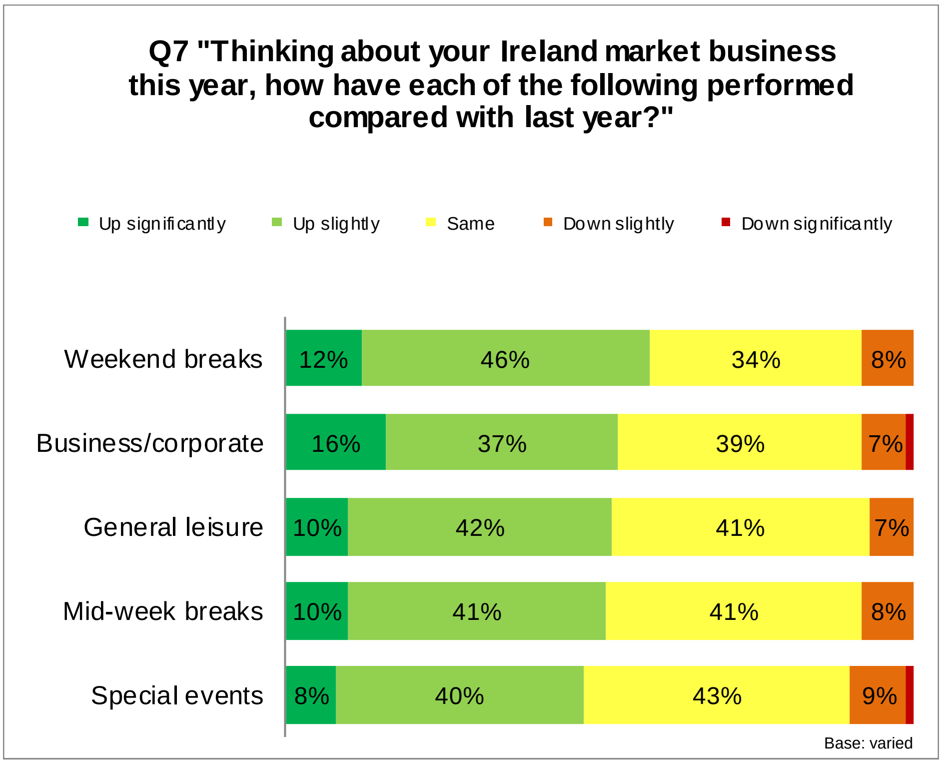


Another strong year for hotel profitability and room yield

4.3 The hotel sector continued to improve its profitability, with almost two thirds (63%) of hotels reporting their profitability to be up on 2017

4.4 Average room yield is up for two thirds (66%) of hotels. This is consistent with reports of increased Revenue per Average Room from STR Global and *trending.ie* – suggesting that hotels have generally not needed to discount their rates in order to attract more visitors.

Hotel visitor types (Ireland market)



Weekend breaks and business bookings continue to grow

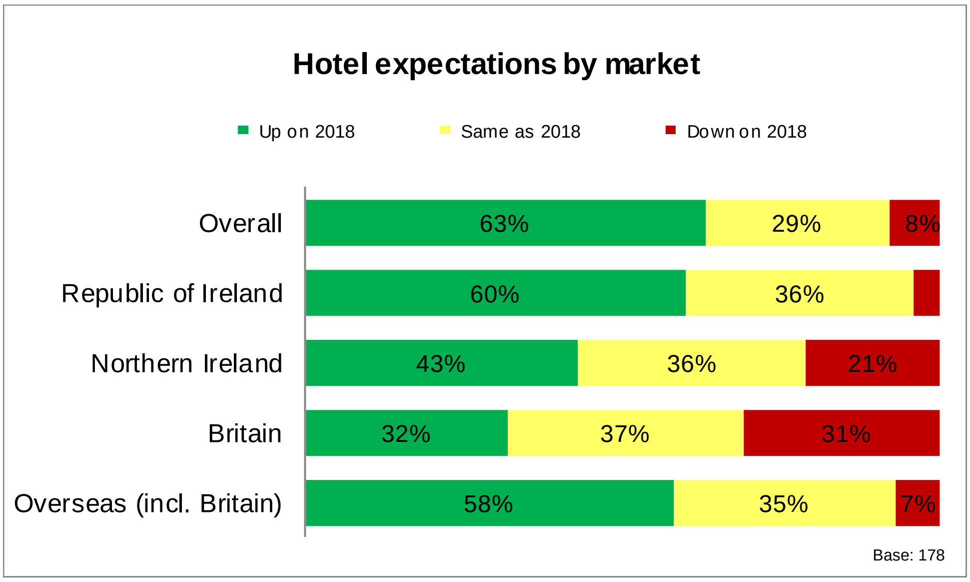
4.5 Irish guests on weekend breaks continue to grow year on year. Around three fifths (58%) of hotels say they saw an increase in weekend domestic business in 2018.

4.6 Additionally, just over half (53%) of hotels reported an increase in their business/corporate visitors this year, with one in six (16%) saying their business/corporate market was up significantly.

"Business events held locally help with visitor numbers"

"We cater for business people travelling, and that market seems to be increasing"

Hotel expectations for 2019



Looking onwards and upwards for 2019

4.7 After a strong performance in 2018, hotels are expecting to see the upward trend continue this year. Sixty-three percent are expecting to welcome more guests compared to last year.

4.8 The markets anticipated to have the biggest increases according to hotel operators are the domestic market (60% expect to be up) and the North American market (53%).

Continued turbulence in the British market

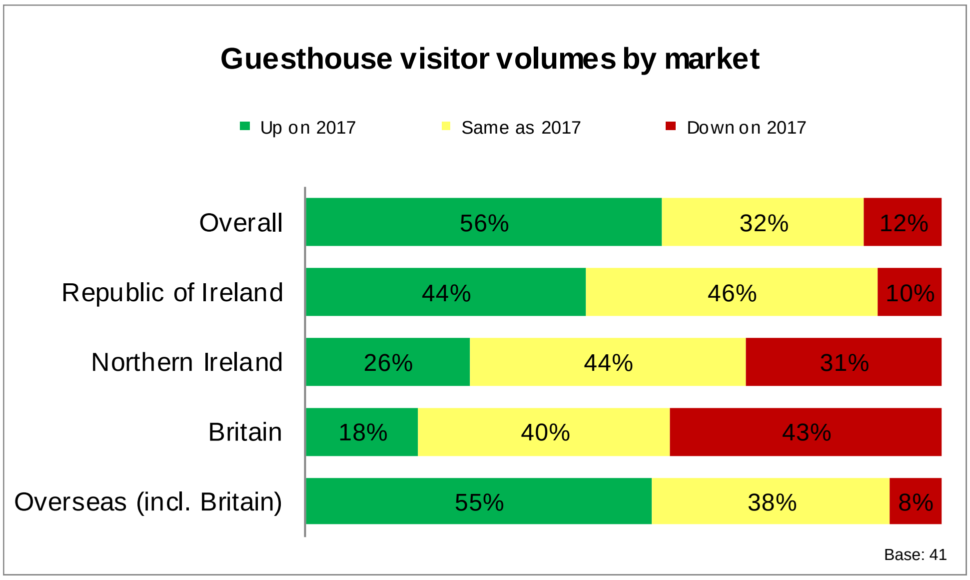
4.9 With Britain exiting the European Union in March 2019, the forecast for the British market is rather unsettled.

4.10 A third (32%) of hotels are expecting the British market to increase, but 31% are expecting to see fewer visitors from Britain this year. Brexit is quoted as having a potentially damaging impact on the market.

"We're worried because most of our guests are English, so Brexit could have a massive effect"

5. Guesthouses

Guesthouse visitor volumes 2018



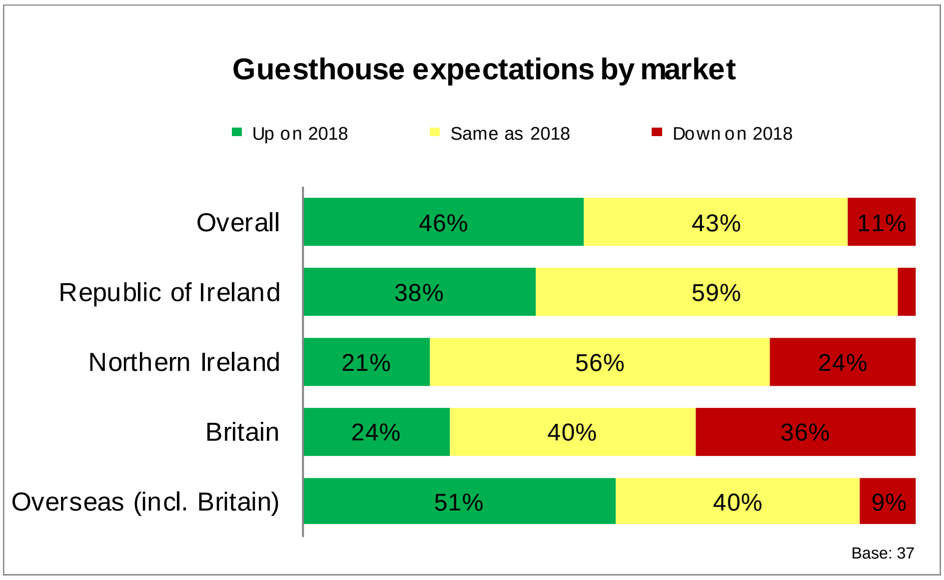
North American market is the biggest overseas climber

5.1 For guesthouses, North America continued to be the strength behind the overseas market performance. In 2018, the North American market grew for two fifths (39%) of guesthouse operators.

Continued growth in the domestic market

5.2 2018 was a particularly good year for the domestic market, with close to half (44%) of guesthouse operators seeing an increase compared to 2017.

Guesthouse expectations for 2019



Strong performance on the cards for this year

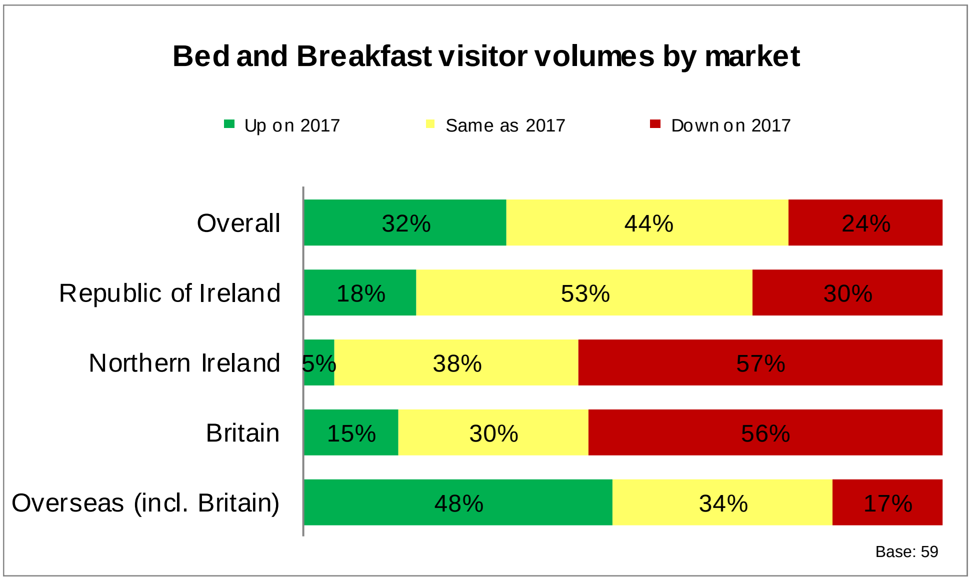
5.3 Guesthouse operators predict 2019 to be a good year, with 46% anticipating a growth in visitor volumes and a further 43% expecting to see similar levels to 2018.

5.4 Overseas markets are expected to contribute to growth, particularly the North American (47% expect to be up) and German (44%) markets.

"The airport being close by helps bring in overseas visitors"

6. B&Bs

B&B visitor volumes 2018



Overall visitor figures fairly stable compared to 2017

6.1 Overall B&B performance in 2018 was relatively well balanced compared to 2017. A third (32%) of operators saw an increase in their visitor volumes, and a further 44% saw no change on 2017.

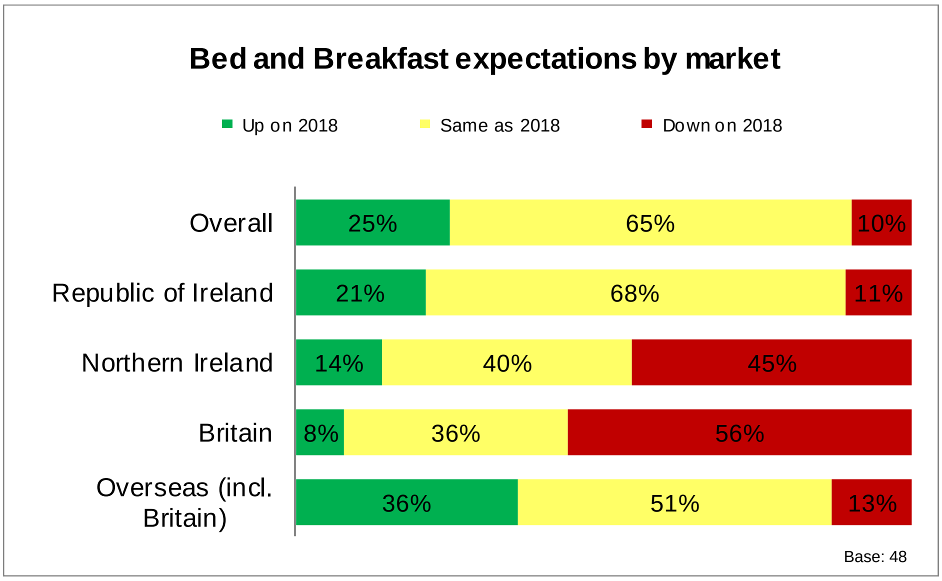
"We're a B&B close to the local airport, so depending on the flights scheduled to arrive, that will be where our guests come from"

6.2 The Chinese (43% are up) and North American (41%) markets were growth markets for many B&B's in 2018.

Continued downward trend for British and Northern Irish markets

6.3 Similar to the September 2018 results, the markets taking the biggest hits for B&Bs were the Northern Irish (57% are down) and British (56%) markets. To some extent this decline was cushioned by growth from other overseas markets.

B&B expectations for 2019



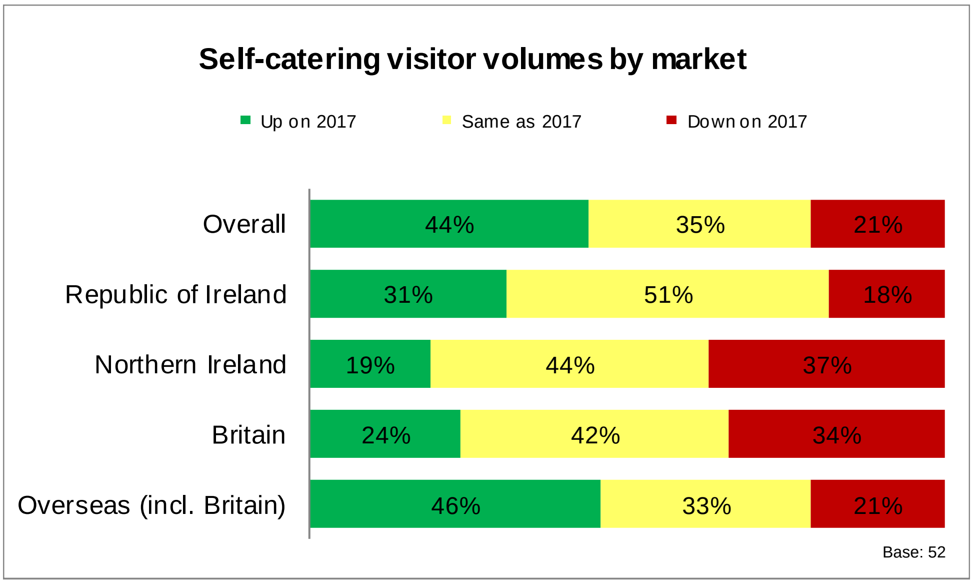
This year's expectations reflect last year's performance

6.4 After a reasonably stable year, B&Bs anticipate that their performance in 2019 will replicate 2018. Around two thirds (65%) of operators expect this year's overall visitor levels to be maintained in 2018.

6.5 Most (65%) B&B operators believe Brexit is an issue of concern likely to impact business this year. In particular, British and Northern Irish visitor levels are expected to drop.

7. Self-catering

Self-catering visitor volumes 2018

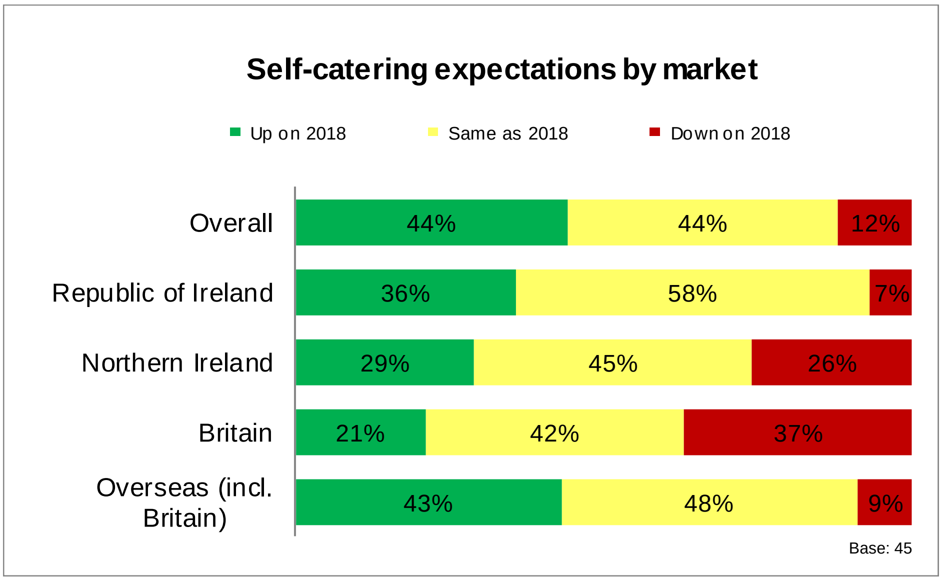


The American market continues to power ahead for self-caterers

7.1 While many overseas markets seem fairly stable, the North American market continues to grow. Half (50%) of self-catering operators reported an increase in visitors from the USA in 2018. The European markets appear to be holding steady.

"We have great reviews on online agencies, and we're improving our business all the time"

Self-catering expectations for 2019



Many stable markets with room for growth

7.2 Overall, operators are split between whether visitor volumes will rise or stay the same this year. Either way, self-catering operators feel confident. Repeat visitors are key to this – 64% of self-catering operators cite this as a positive factor in 2019.

"We have had lots of compliments this year, which will help"

Will the UK market be ok?

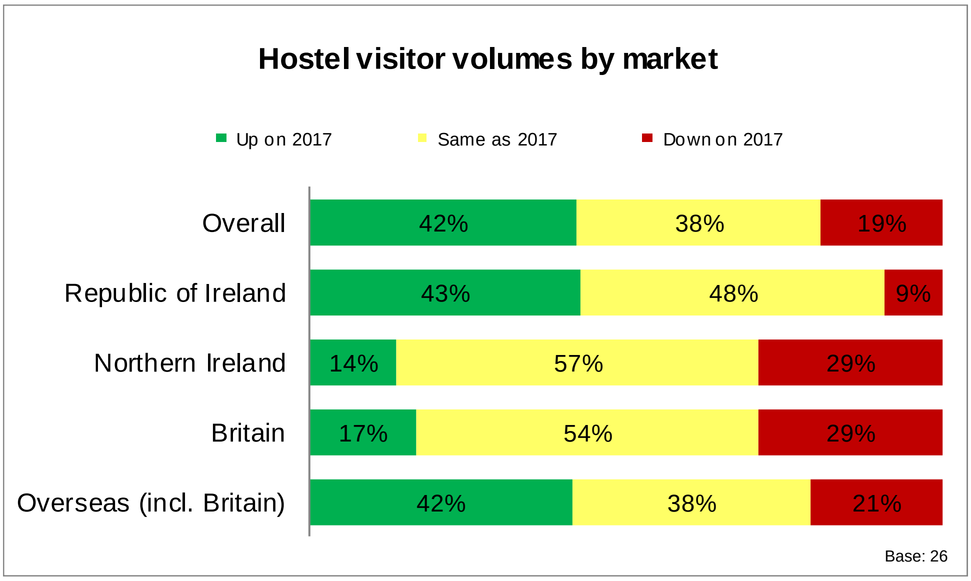
7.3 Despite many (64%) self-catering operators being concerned about Brexit's impact on business this year, the outlook for the Northern Ireland market seems quite balanced.

7.4 There is uncertainty about the British market, however, with 37% predicting a decline.

"I'm concerned about Brexit because our agents are UK agents"

8. Hostels

Hostel visitor volumes 2018

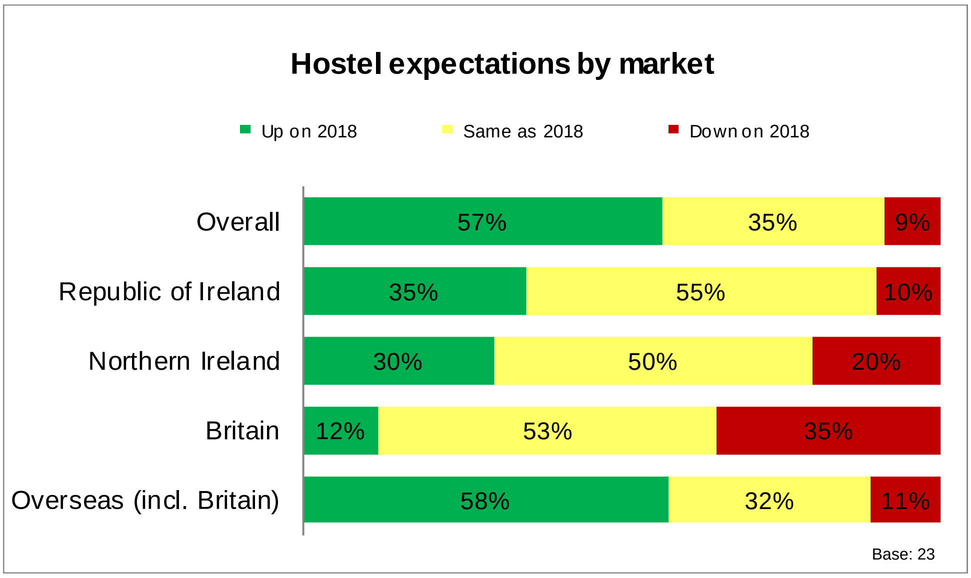


N.B. The base size is low (26)

High occupancy in hostels in 2018

8.1 The Fáilte Ireland occupancy survey revealed that hostels enjoyed average occupancy of 73% between January and September 2018 – up from 69% in the same period in 2017. While the domestic market only accounted for around a quarter of hostel guests, results here suggest that domestic demand for hostels is growing. Close to half (43%) of hostels welcomed more domestic guests in 2018 than in 2017.

Hostel expectations for 2019



N.B. The base size is low (23)

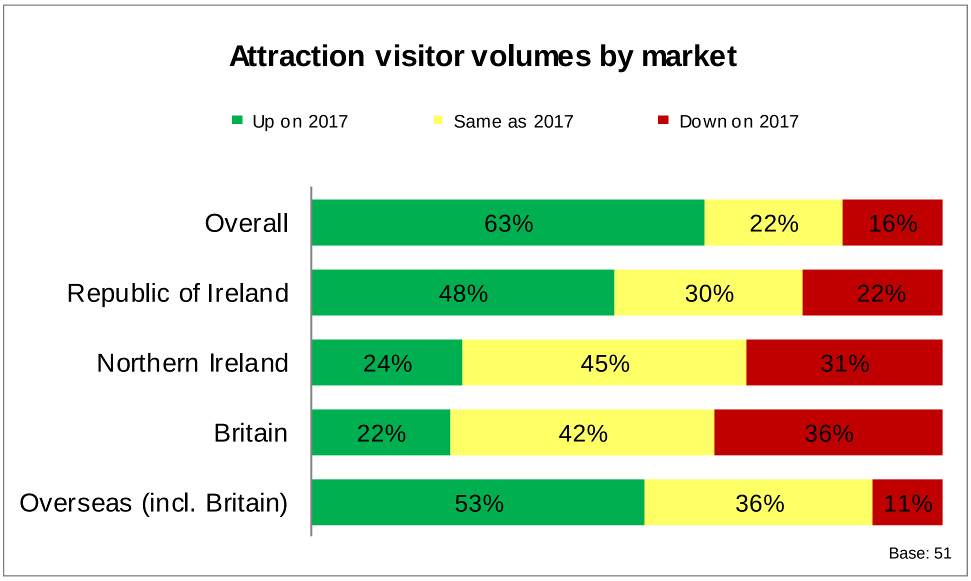
Overall performance in 2019 to depend on overseas markets

8.2 Many hostels expect demand to grow in 2019. These expectations are based largely on growth in certain markets, including France, Germany, North America and China.

8.3 It seems that the expected growth from these markets will offset the expected decline from Britain.

9. Attractions

Attraction visitor volumes 2018



Another year of growth for attraction operators

9.1 2018 was an excellent year for attractions, with around two thirds (63%) welcoming more visitors than in 2017. Events and the fine weather in the early summer appear to have been significant factors.

"Our own events have had a positive effect this year"

"The weather in June was great, which had a huge impact"

9.2 This is the second year in a row where visitor volumes have grown significantly. This time last year[1], 63% of attraction operators saw an increase in visitor figures compared to 2016.

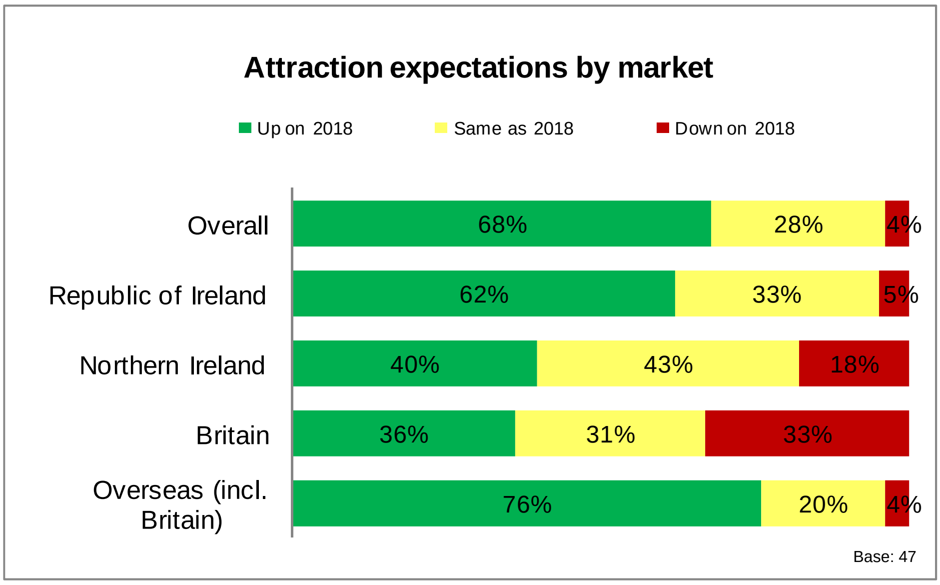
North American market performed very well

9.3 North American visitors contributed significantly to the success of the attractions sector in 2018. Around two thirds (64%) of attractions saw an increase from this market.

9.4 The domestic market also played a part, with about half (48%) of attractions welcoming more home-grown visitors.

[1] Fáilte Ireland Tourism Barometer December 2017

Attraction expectations for 2019



Attractions buoyed by own marketing and local events

9.5 Following an excellent year in 2018, the majority (68%) of attraction operators anticipate more growth in 2019. This is the highest proportion in any sector to say this.

9.6 Own marketing is expected to have the most positive influence on business, with half (51%) of operators mentioning it as a positive factor for this year. Local festivals and events are also cited by 49% of attractions as driver of demand in 2019.

9.7 The attractions sector is in the happy position of anticipating growth across a range of markets, including: North America (70% expect to be up), Germany (63%) France (55%) and the domestic market (62%).

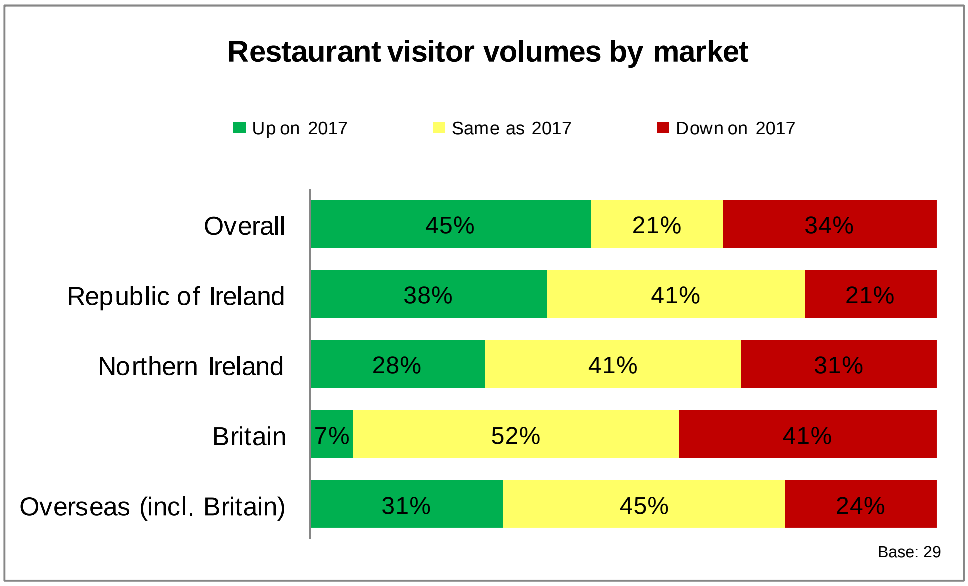
Mixed feelings about the British market

9.8 Around three quarters (72%) of attractions cite Brexit as an issue of concern this year, and 38% anticipate that Brexit will have a very negative effect on the British market. Nonetheless, it would appear their demand projections do not fully reflect these concerns. Thirty-six of operators predict the British market will increase next year, while a third (33%) predict visitor figures to fall.

"Our overall UK business is less than 5%, so any fluctuations will be minimal"

10. Restaurants

Restaurant visitor volumes 2018



Restaurants invited to take part in the Barometer are in areas of high tourism footfall, and respondents have been asked to answer questions in the context of their tourism, i.e. non-local, business

N.B. The base size is low (29)

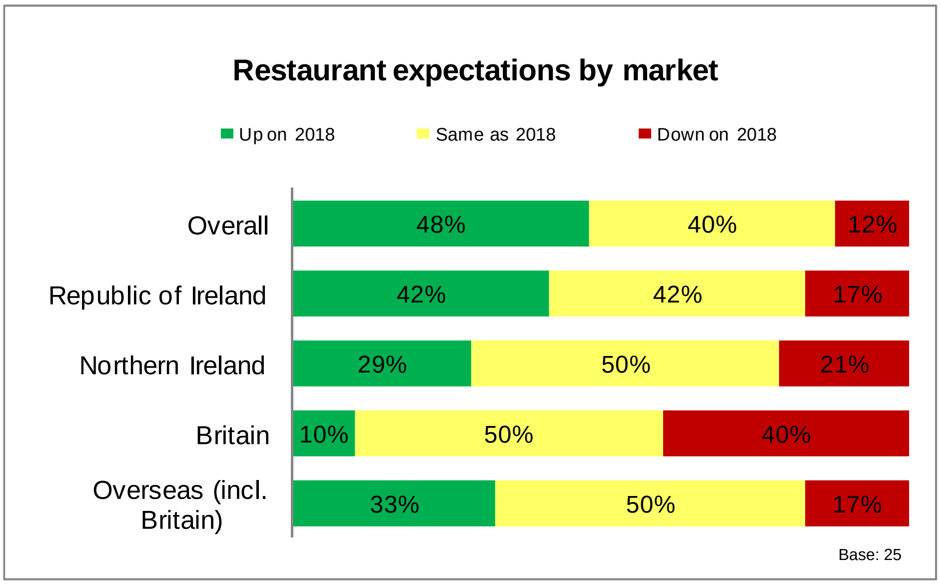
An interesting year for restaurants

10.1 Although 45% of restaurants reported an increase in tourist customers in 2018, a third (34%) appeared to struggle, serving fewer tourists than they did in 2017.

10.2 The British market took the biggest hit for restaurants in 2018, with two in five (41%) of restaurants seeing fewer British visitors than they did in 2017. A buoyant North American market helped to offset this to some degree.

“We always had good business from the UK but now it’s down”

Restaurant expectations 2019



N.B. The base size is low (25)

A stronger year ahead, with continued hopes for North American visitors

10.3 Following a mixed year, about half (48%) of restaurants anticipate better performance in 2019. Repeat business and local festivals or events taking place are key reasons to be optimistic – each cited by 57% of respondents.

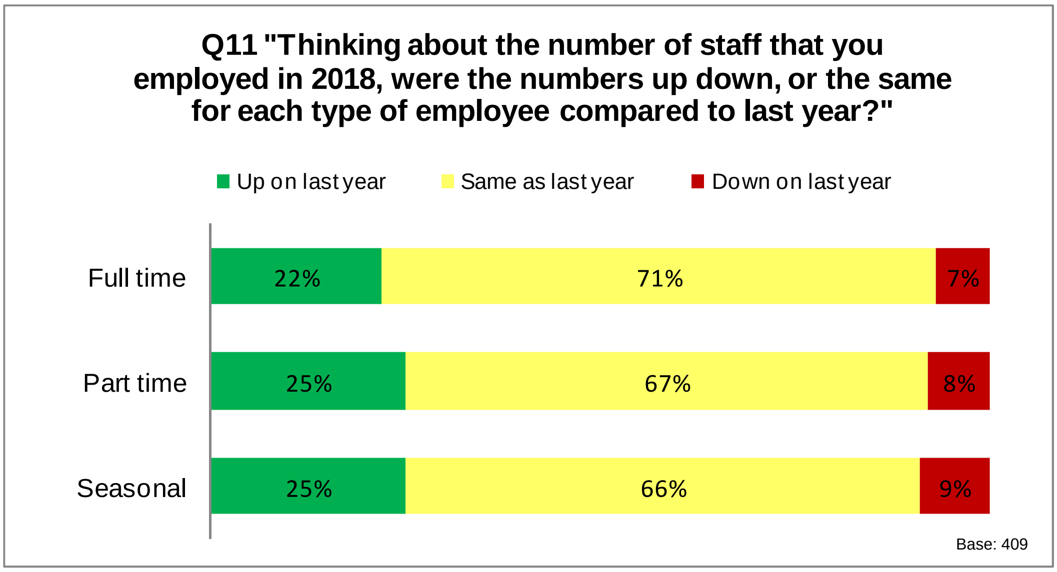
10.4 Two in five (40%) operators predict an increase in North American customers which may mitigate the expected continued decline in British visitors.

10.5 Brexit is a greater concern for restaurants than any other sector, with the vast majority (90%) mentioning this as an issue. However, some are more dependent on British visitors than others.

"The British market is not as important in our region"

11. Staff Employment

Employment of staff by type



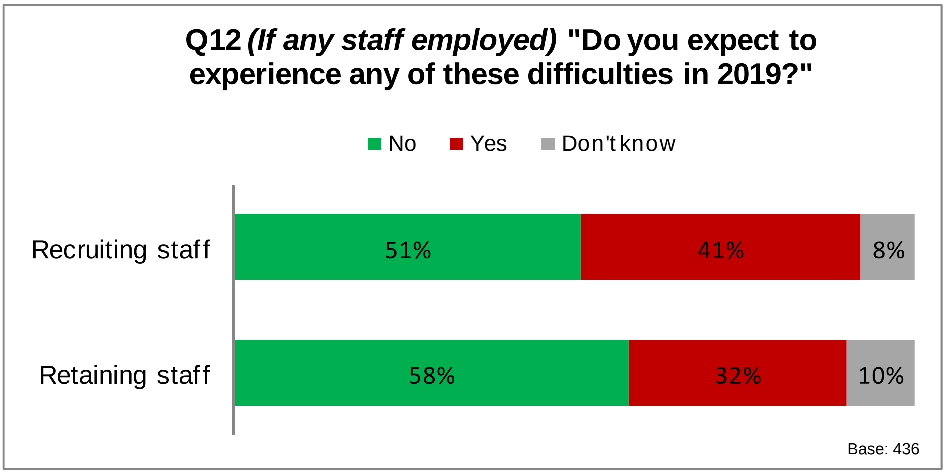
Some increases in staff employment in 2018

11.1 Among operators who employ staff (other than the proprietors), there appears to have been some increase in employment in the industry.

11.2 People looking for a full time job in the industry may well have found it in a hotel or a restaurant. 30% of restaurants and 29% of hotels recruited more full time employees in 2018.

11.3 Meanwhile, attractions are a good place to look for seasonal work. 36% of attractions employed more seasonal staff in 2018 compared to 2017.

Recruiting and retaining staff in 2019



Mixed feelings over recruiting and retaining staff in 2019

11.4 Although half (51%) of operators believe they will have no difficulty recruiting staff in 2019, two in five anticipate that recruitment may have some challenges.

11.5 Half (50%) of hotels and just under half (47%) of restaurants are expecting to face some difficulty with recruitment this year – the highest proportions of any sector.

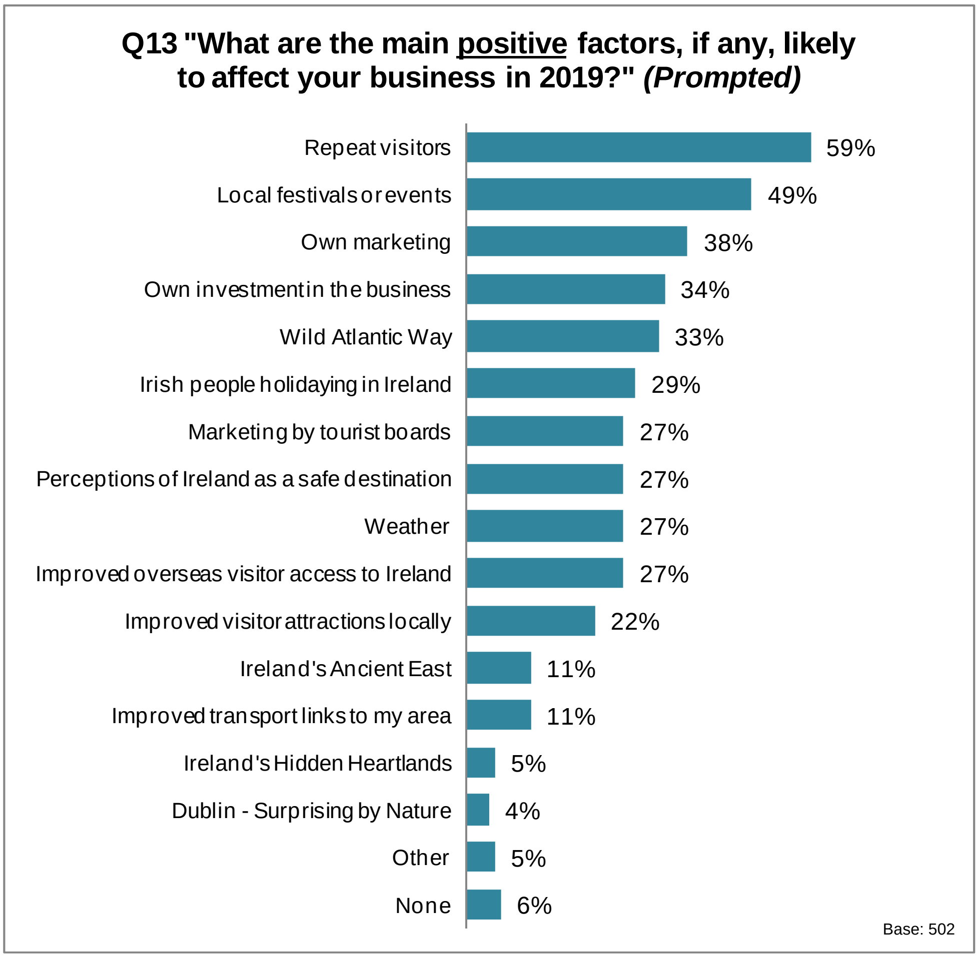
Some issues in retaining staff

11.6 Three fifths (58%) of operators are confident that there will be no issues with retaining current staff members this year, but some (32%) expect difficulties.

11.7 B&B operators are the most optimistic, with 79% of operators expecting no difficulties.

11.8 Hotels though as well as finding it hard to recruit suitable staff, may then struggle to retain them. About two in five (42%) hotels expect some difficulty retaining staff members in 2019.

12. Positive Factors for 2019



Repeat visitors

12.1 Repeat visitors are normally the most positive influencing factor on business for many sectors in the tourism industry. Three fifths (59%) of operators cite is as a positive factor likely to impact business in 2019. It is mostly frequently mentioned as a positive among the following sectors:

- B&Bs (69%)
- Self-catering (64%)
- Hotels (62%)

Local festivals and events will be good for business

12.2 Half (49%) of tourism operators are expecting local festivals and events to help business thrive in 2019. A few operators are looking forward to the Irish Open, and others are looking forward to other events in their area.

"The Irish Golf Open will have a significant impact [on business in] 2019 and onwards"
Restaurant

"The Irish Open should help boost peak season numbers this summer"
B&B

"There are a lot of concerts coming to Dublin next year which we're already taking bookings for"
Hotel

"Several music festivals and Christmas markets bring in a lot of custom"
Hotel

Own marketing and investments will positively impact business

12.3 About two fifths (38%) of operators are pinning their hopes on their marketing efforts to continue driving business this year, after half (51%) of operators have benefitted from these efforts this year[2].

"Advertisements and marketing do have an impact"
Guesthouse

"We are working closely with other attractions to market and promote our full offerings in the wider area"
Attraction

12.4 Additionally, a third (34%) of businesses believe their own investments should help to improve performance this year.

Wild Atlantic Way the way forwards in the west

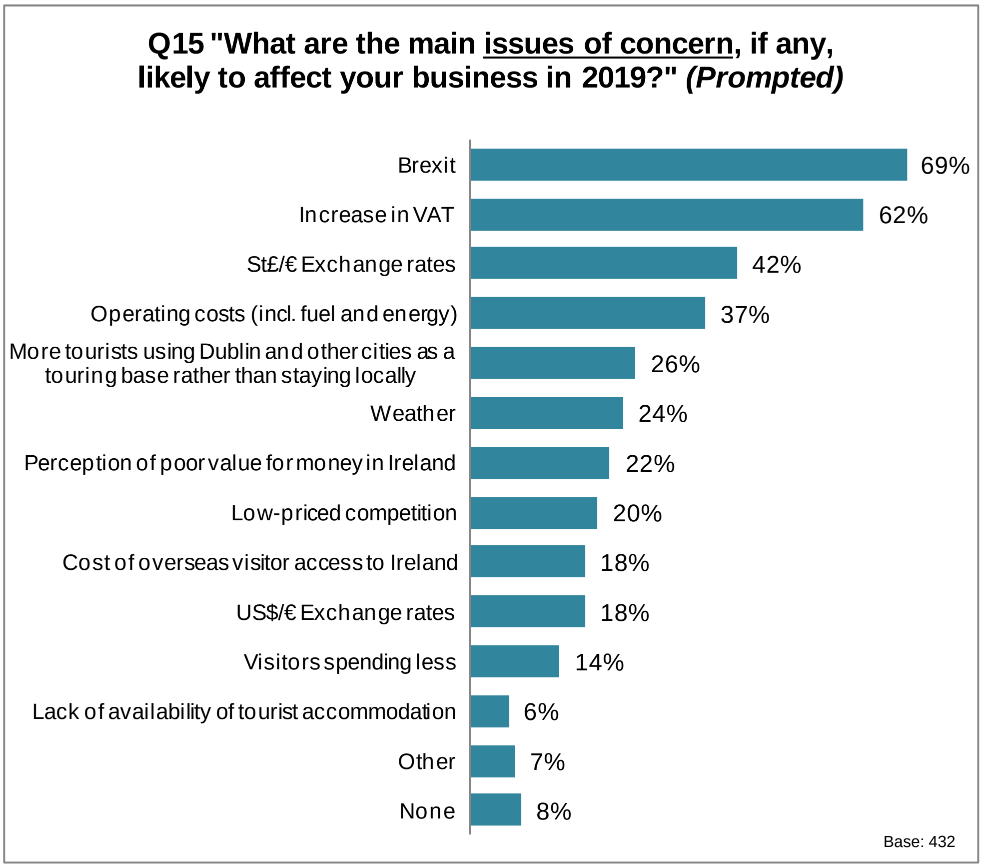
12.5 For operators in the Wild Atlantic Way region, the initiative is expected to boost business even further this year. A third (33%) of respondents mention the initiative as a positive factor likely to affect business.

"Wild Atlantic way is a great way of getting people to head out more rurally away from Dublin"
Hotel

"Wild Atlantic Way has just brought our area to a whole new level of tourism"
B&B

[2] Fáilte Ireland Tourism Barometer September 2018

13. Issues of Concern for 2019



Brexit is the top issue of concern for this year

13.1 Brexit is the biggest concern operators have for this year's business, with the majority (69%) of operators mentioning it as a potential issue. We discuss this in more detail in the Section 14.

"Brexit is worrying everyone – it's the uncertainty"
B&B

"Brexit will no doubt have an effect on us and whilst our overall profit has been up this year, I think it will go down in 2019"
Hotel

"Brexit is a concern for our online shop and incoming visitors"
Attraction

"Brexit will affect the number of British and Northern Irish guests"
B&B

Increase in VAT is an increasing concern

13.2 With the 4.5%pts increase in VAT coming into force this January, three fifths (61%) of tourism operators are concerned about its impact on performance. The VAT increase is expected to affect prices and competitiveness.

"The increase in VAT will hit me hard as I am one of the few businesses in the area charging VAT, so I have had to increase prices while my competitors haven't"
Self-catering

"The VAT rate increase has resulted in many cancellations and tour operators choosing other destinations outside of Ireland"
Hotel

"We have lost business or have had it deferred because of the VAT increase"
Guesthouse

"VAT is going to have a detrimental effect as we are going to have to raise prices which customers will not be willing to pay"
Restaurant

Operators are apprehensive about the sterling exchange rates

13.3 Despite the majority (57%) of operators experiencing no impact from the sterling exchange rate in September[3], two in five (42%) operators are concerned about the implications it may have on this year's business and its effects on other markets.

13.4 The concerns are two-fold: a weak pound makes the UK a more price-competitive destination while at the same time weakening the spending power of UK consumers considering where to go on holiday.

"Brexit will make Northern Ireland and Britain more attractive to European visitors as prices are lower and better value for money"
B&B

"The main impact to tourism will be the pound to euro exchange rates. A weaker pound will make the UK more attractive to the international visitor and conversely will make the UK holidaymaker less likely to spend more in euro economies."
Attraction

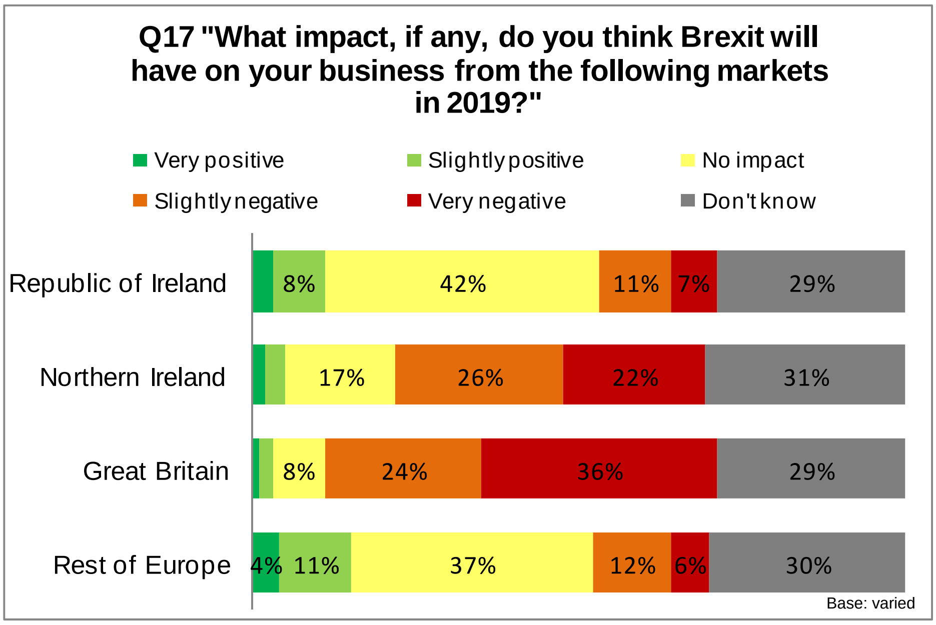
"It will be an issue for UK visitors as regards value for their pound. Ireland is considered expensive for them."
B&B

13.5 It is worth noting however that in reality, a weak pound may or may not result in increased visitors to Britain this year. Mid-year 2018 results from Britain's *International Passenger Survey* suggest that overseas tourism to Britain was falling compared to 2017.

[3] Fáilte Ireland Tourism Barometer September 2018

14. Impact of Brexit in 2019

Impact of Brexit on Individual Markets



Impact of Brexit is a rather grey area

14.1 Despite the majority (69%) of operators citing Brexit as an issue of concern for this year, some are unsure how it will impact business from individual markets.

"The unpredictability of Brexit is worrying for us"
Guesthouse

"We do not know what the long-term effects will be"
Hostel

"Brexit impact is still uncertain and therefore difficult to quantify"
Attraction

"We are very much in the dark and nobody knows what might happen"
B&B

British and Northern Irish markets to take a hit

14.2 The British market is expected to see the most negative impact from Brexit, having already been affected significantly to date. Over a third (36%) of operators expect the impact to be very negative.

14.3 In addition, about half (48%) of operators are expecting a negative effect on the Northern Irish market, with 22% expecting a very negative impact on their business.

"It's a big worry as we depend on the Northern Irish and British customers a lot"
B&B

"I think it will have a bad effect on people coming over from the UK"
Guesthouse

Domestic market and the rest of Europe may see some impact

14.4 The impact of Brexit is not necessarily limited just to the British and Northern Irish markets. As mentioned, some holidaymakers travelling from the eurozone may find the UK attractive due to more competitive prices. However, travel complications getting into the UK – if this happens – may put some tourists off visiting there. Either way, there is a possible knock-on effect for tourism to the Republic of Ireland.

However, many are unfazed by potential negative impacts

14.5 When asked about other potential impacts Brexit may have on business, many operators seem to be unfazed by any negative impact on the British market. This is because for some, the British market is not a key driver for business.

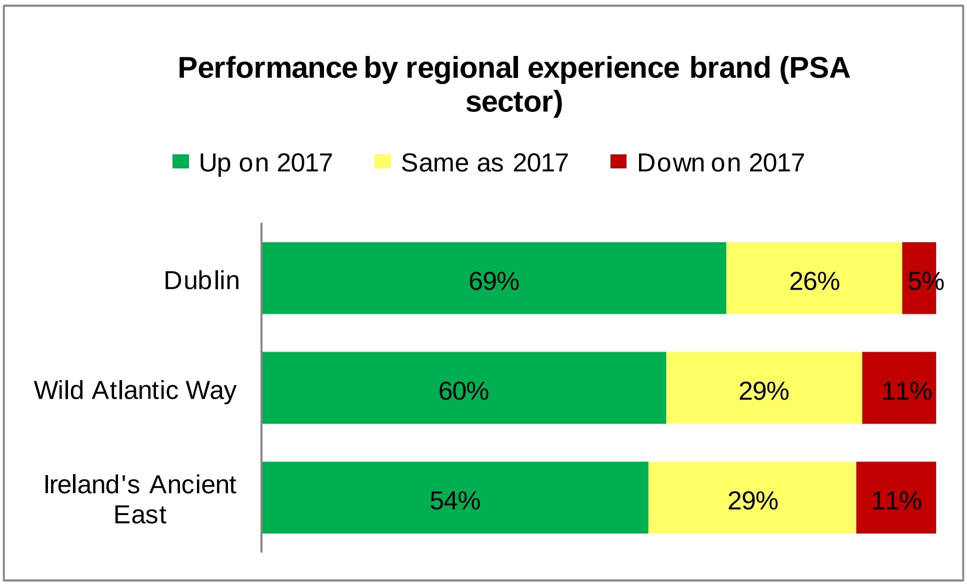
"I can't see Brexit having much of an impact on us. We attract a lot of French and German guests, so Brexit won't affect us"
Hostel

"Business from the UK collapsed for me many years ago, so I don't expect Brexit to have much of an impact"
Self-catering

"The British market is not as important for us"
Restaurant

15. Performance by Fáilte Ireland's Regional Experience Brands

Here we discuss the performance by Fáilte Ireland's regional experience brands for the PSA sector



The sample size of businesses in the 'Ireland's Hidden Heartlands' marketing area is not sufficiently robust for analysis

Good performance in all Fáilte Ireland's regional experience brands areas

15.1 Developing tourism in all regions of the country is a key part of Fáilte Ireland's remit. Dublin has been a strong tourism destination for a long time, whereas the Wild Atlantic Way and Ireland's Ancient East initiatives have helped to disperse tourism beyond the capital.

15.2 The PSA sector has performed well in all regions in 2018. The above chart showing Dublin performing very well, and Wild Atlantic Way and Ireland's Ancient East a short way behind but becoming stronger, a trend reflected in the 2018 Occupancy Survey.

16. Significant Differences by Broad Region

16.1 Here we highlight significant differences in results in the PSA sector between two pairs of broad regions:

- Northern counties[4] vs Rest of the country
- Dublin vs Rest of the country

Northern Counties vs Rest of the country

Measurement	North	Rest of the country
Overall visitor volume year to date Net*	+46	+51
Northern Ireland visitor volume year to date Net*	+3	+12
Overall expectations Net*	+33	+54

**% of Paid Serviced Accommodation (PSA) providers reporting business to be up minus % of those reporting business down*

Brexit is the biggest concern in northern counties

16.2 Northern counties appear to be the most concerned about the impact Brexit will have on performance compared to the rest of the Republic of Ireland, with 80% of operators citing it as a concern for 2019.

16.3 Despite seeing a marginal growth (+3pts) in visitors from Northern Ireland in 2018, half (50%) of operators in northern counties anticipate a negative impact on the Northern Irish market after Brexit.

16.4 However, 2018 was a good year for these counties and for the rest of the country, with both regions reporting increased demand. The strong overall performance is being driven by an upturn in the domestic and US markets.

[4] The ‘North’ includes the following counties: Cavan, Donegal, Leitrim, Longford, Louth, Mayo, Monaghan, Sligo

Dublin vs Rest of the country

Measurement	Dublin	Rest of the country
Overall visitor volume year to date Net*	+64	+45
GB visitor volume year to date Net*	+21	+3

Dublin outperformed the rest of the country in 2018

16.5 Dublin remains a very strong tourist destination, evidenced by its significant increase in visitors in 2018, although the rest of the country also performed well.

16.6 Dublin even bucked the trend of a flat British market in 2018 by seeing healthy growth.

**% of Paid Serviced Accommodation (PSA) providers reporting business to be up minus % of those reporting business down*

17. Appendix 1 – Background and Methodology

Background and Objectives

17.1 The Fáilte Ireland Tourism Barometer is a survey of tourism businesses designed to provide insight into tourism performance for the year to date and prospects for the remainder of the season or coming year. It has been conducted regularly since 1999.

17.2 In March 2016, Strategic Research and Insight, an independent research agency previously called Strategic Marketing, was commissioned to continue conducting the survey for the next three years.

17.3 Fieldwork for this third wave in 2018 took place in November and December. The objectives were to measure:

- Overall business performance in 2018 in terms of visitor volume – overall and by key markets – and profitability
- Average room yield (hotels)
- Visitor volume expectations for 2019
- Staffing patterns
- Positive factors and issues of concern likely to affect business in 2019
- Impact of Brexit

Methodology

17.4 The methodology used was a combination of an online survey and telephone interviews.

17.5 Fáilte Ireland and Strategic Research and Insight worked together to produce a questionnaire for online and telephone interviewing.

17.6 Fáilte Ireland provided a database of 2,429 usable contacts (i.e. not opted out) for the survey spread across nine industry sectors (discussed under 'sampling' below). An email was sent to all contacts on the database containing a link to the online survey and an explanation of the survey objectives. Two subsequent reminder emails were sent to non-responders.

17.7 A total of 301 responses were received to the online survey – a response rate of 12%.

17.8 Following this, we conducted 201 'top-up' interviews by telephone with non-responders in order to improve the robustness of their individual sample sizes so that results can be reported by sector. Interviews were conducted in daytime and evening hours with business owners or managers.

Sampling

17.9 The table below shows the sample split by sector and interview methodology:

Sector	Online responses	Telephone top-ups	Total sample size
Hotels	104	129	233
Guesthouses	23	18	41
Bed & Breakfast	60	2	62
Self-catering	45	10	55
Hostels	15	13	28
Attractions	42	11	53
Restaurants	12	18	30
Total	**301**	**201**	**502**

Interviews for Contextual Background

17.10 In a separate exercise, we conducted qualitative telephone interviews with senior executives in key organisations. The purpose of these interviews was to provide a contextual background to the quantitative findings, and this is given in section 2 before the findings to the main quantitative survey.