

Tourism Barometer

Strategic Research and Insight

December 2022



Headline Findings (1)

Good year compared to 2021

- 68% of businesses have had more visitors in 2022 compared to last year, and 11% have had the same level; 21% report being down
- The highest proportions reporting to be up on last year are found among: Dublin businesses (91%), tour / coach operators & DMCs (89%) and hotels & guesthouses (88%)

Accommodation is up on pre-Covid, but non-accommodation sectors are down

- 46% of accommodation operators have had more guests this year compared to pre-Covid norms; 29% have had fewer
- 34% of non-accommodation operators are up on visitors in 2022 vs pre-Covid, but 50% are down
- The domestic market continues to play an important part in recovery this year for accommodation operators, whereby 48% are up vs pre-Covid and a further 31% are level
- For hotels, the domestic market has performed particularly well for weekend breaks rather than long stays

Headline Findings (2)

Overseas visitor levels not yet back to where they were, but getting there

- 53% cite 'return of overseas visitors' as a reason to be positive this year
- 36% of businesses have more overseas visitors than pre-Covid, but 47% are down
- The North American market is returning faster with its strong dollar; European markets are quite flat

The domestic market remains key

- The domestic market became much more prominent during times of international travel restrictions, and it has remained important in 2022
- For example, the hotel results show that short domestic breaks are key:
 - 51% are up on a normal pre-Covid year for weekend breaks and
 - 57% cite 'domestic leisure individuals & couples' in their top two sources of business

Headline Findings (3)

Rising costs dominate concerns

- The top concerns are all about rising costs, whether to businesses or consumers: energy (82% are concerned), other operating costs (75%), and people lacking disposable income (62%)
- Operators face the dilemma of covering rising costs, whilst many consumers lack spending power to pay more

What is this research about?

Background

- The key aims of this research are to understand:
 - Visitor volumes in 2022 compared to 2021 and pre-Covid years
 - Reasons to be positive or concerned about business in 2023

Method

- Fáilte Ireland designed a questionnaire which was set up online by SRI (Strategic Research and Insight), an independent research agency
- Fáilte Ireland distributed the survey link to its trade database on 22nd November 2022

Sample

Accommodation sector	Sample size
B&Bs	75
Hotels	65
Self catering	40
Caravan & campsites	18
Guesthouses	18
Other accommodation	17

- **553 responses in total after de-duping by business**

Non-accommodation sector	Sample size
Attractions	80
Pubs and bars	77
Activity providers	42
Restaurants	26
Cafés	20
Inbound operators and DMCs*	13
Golf clubs	11
Chauffeur service	10
Tour guides	8
Other non-accommodation	33

Performance



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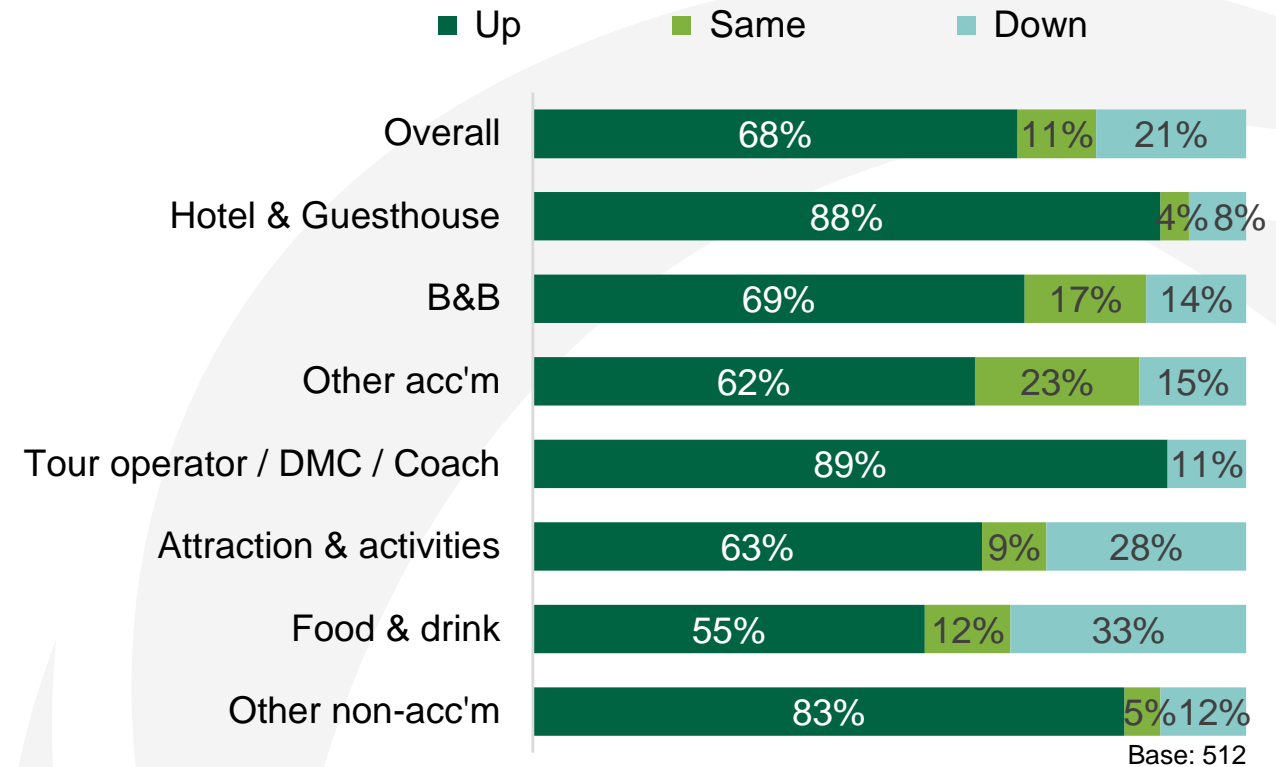
Performance vs Last Year



Much improved year

- Visitor volumes are well up on balance in every sector and region
- Highest proportions reporting to be up on last year are found among:
 - Dublin businesses (91%)
 - Tour / coach operators & DMCs (89%)
 - Hotels & guesthouses (88%)
- Apparent buoyancy of B&B sector however needs to be viewed in the context that some B&Bs have closed permanently or have not yet reopened since Covid, as reported in the accommodation occupancy survey

Q4 "How does the volume of your overall business to date this year compare to last year (2021)?"



'Don't know' and 'not applicable' answers have been excluded

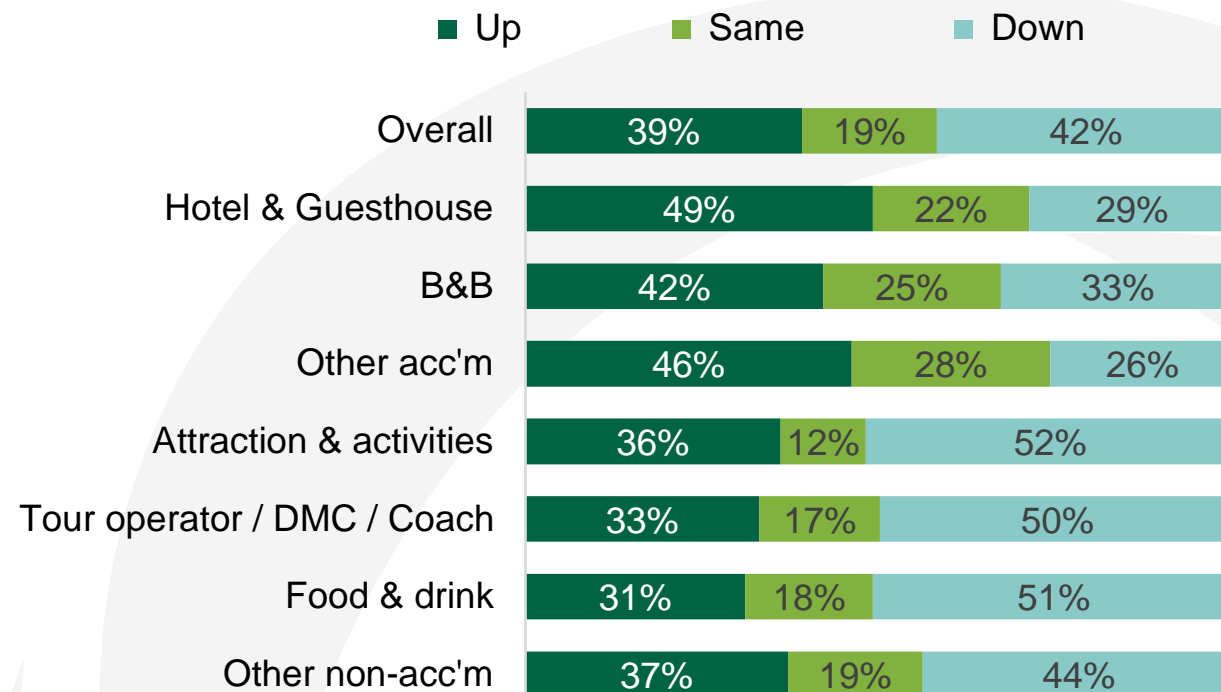
Performance vs Pre-Covid

Accommodation exceeding pre-Covid levels

- Visitor volumes in the accommodation sectors have now recovered and in many cases surpassed pre-Covid norms
- Non-accommodation sectors are largely down on pre-Covid norms
- However, there is no longer a geographical divide in results, as was the case in the August barometer – performance vs pre-Covid does not vary significantly by region
- One cited reason for performing well in 2022 vs pre-Covid is pent-up demand from the lockdown years

"We are benefitting from pent-up demand post-pandemic"
Golf club, Dublin

Q5 "How does the volume of your overall business to date this year compare to a normal pre-Covid year?"



Base: 516

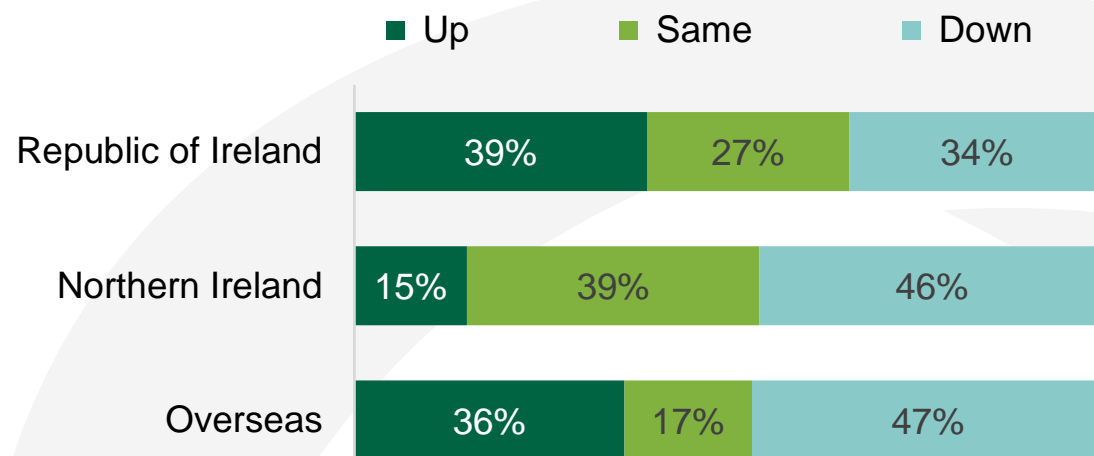
'Don't know' and 'not applicable' answers have been excluded

Performance by Market

Domestic market still important for recovery

- The domestic market became much more prominent during times of international travel restrictions and it has remained important in 2022
- This is especially the case for accommodation operators, whereby 48% are up on domestic guests vs pre-Covid, compared to 21% who are down
- Overseas visitor levels are improving, most notably from North America (discussed on next slide)
- 6 out of 11 inbound tour operators / DMCs are up on overseas visitors vs pre-Covid

Q6 "How does your volume of visitors to date this year compare to a normal pre-Covid year from each of the following markets?"



Base: variable

Performance by Overseas Market

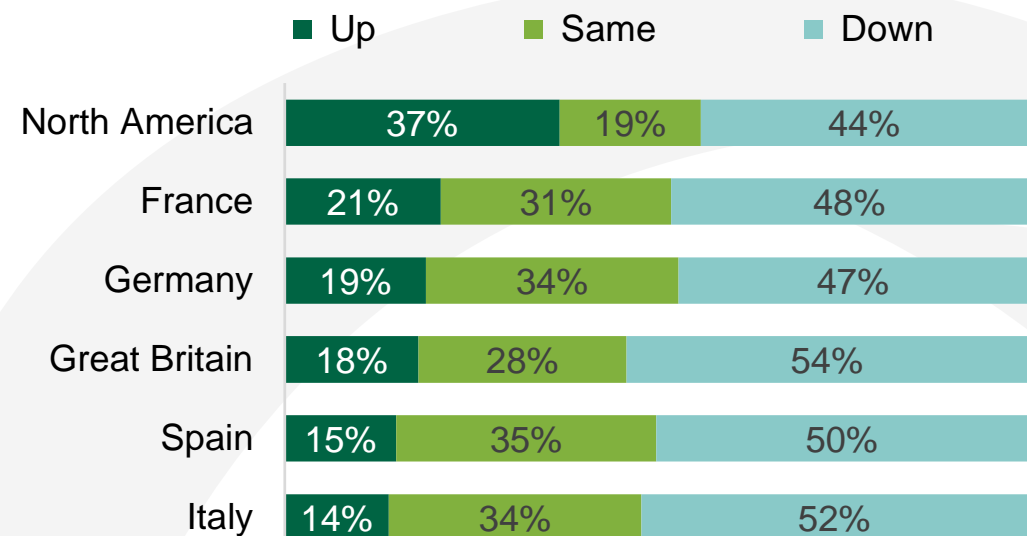
North American market recovering fastest

- Reasons to be positive, discussed in full later, show that many operators are excited about the return of overseas visitors this year, especially Americans
- The strength of the dollar is thought to be a significant factor
- Great Britain and mainland European markets are slower in recovering to pre-Covid levels
- With recessions looming, most notably in Great Britain, recovery could take some time yet

"The increase in North American visitors has benefited us as a golf business. The strong US dollar has helped."
Golf club, Sligo

"We are benefiting from a very strong dollar"
Golf club, Sligo

Q7 "How does the volume of your business to date this year compare to a normal pre-Covid year from each of the following markets?"



Base: variable

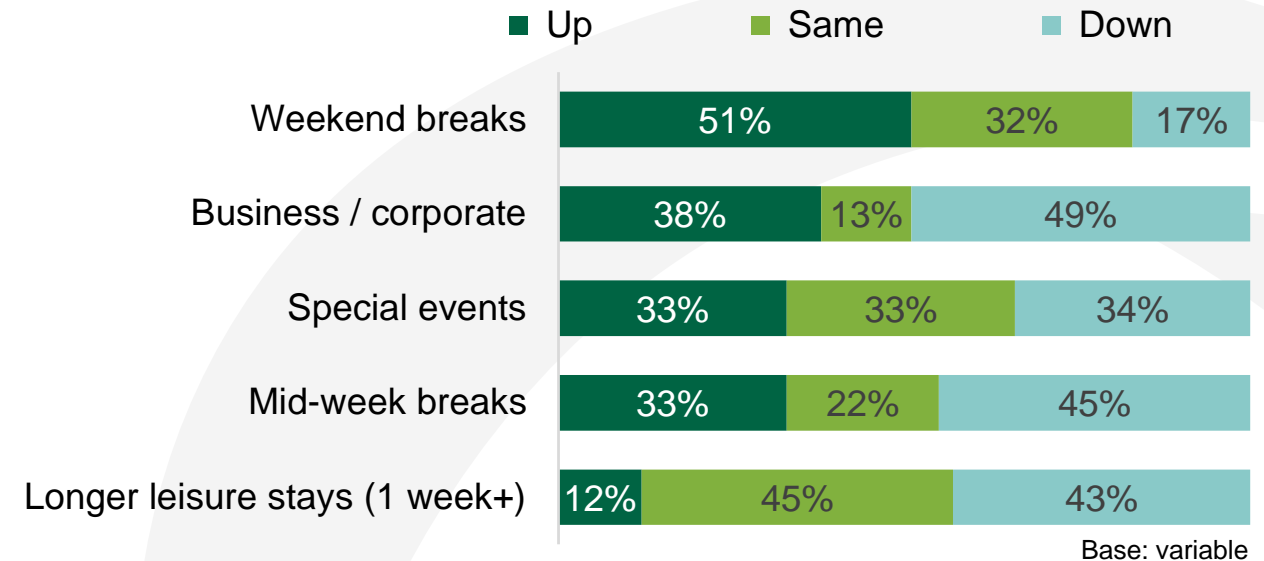
Hotels – Ireland Market



Shorter stays compared to pre-Covid

- Weekend breaks are going very well for hotels – up on pre-Covid norms
- But the market for longer leisure stays is still down compared to pre-Covid levels
- Regional sample sizes are small, but the indication is that shorter stays are a consistent trend across regions
- The markets for special events and corporate business were both hit particularly hard during Covid but are now getting back to close to pre-Covid norms

Q8 "Thinking about your Ireland market business this year, how have each of the following performed compared to a normal pre-Covid year?"

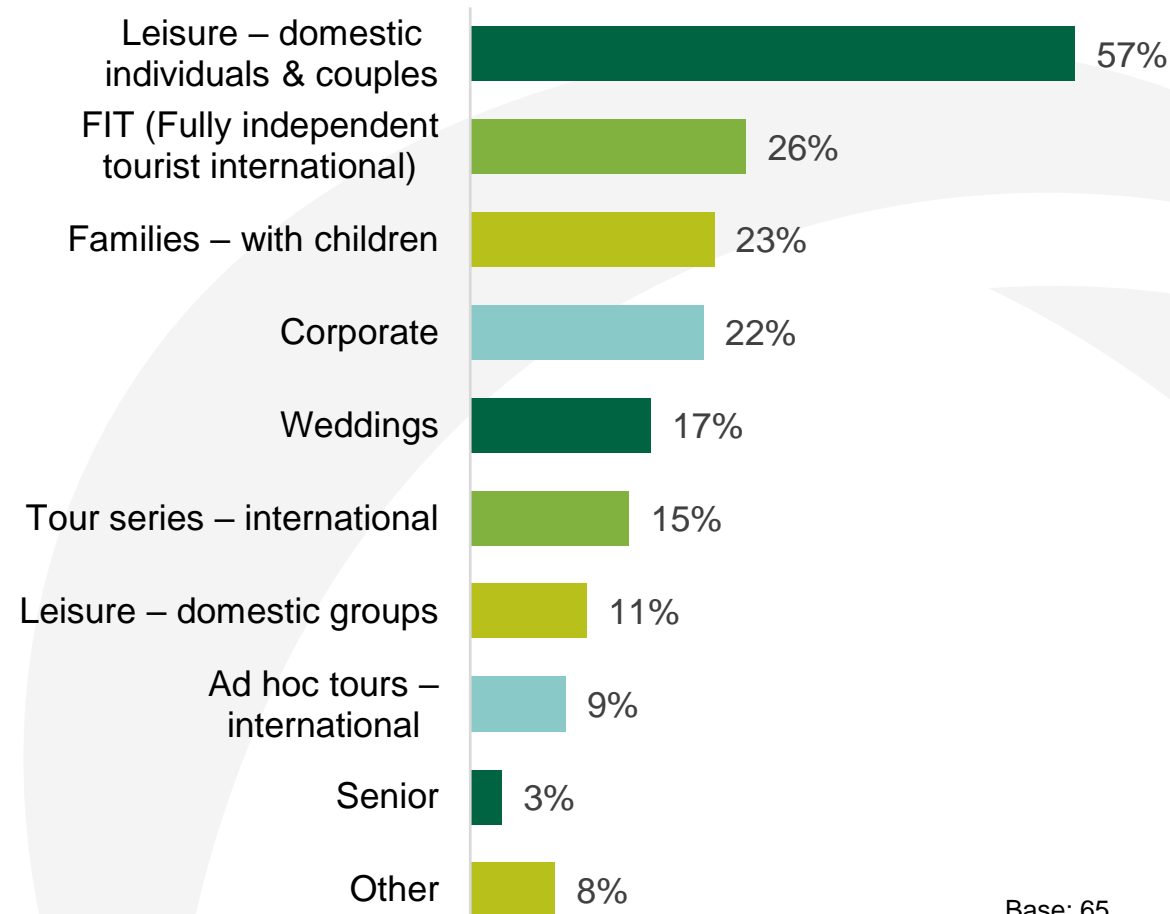


Hotels – Sources of Business

Domestic individuals and couples a key source

- Hotels serve a number of different markets but the domestic leisure market for individuals and couples stands out well above the other sources in importance this year
- Some source markets are only mentioned in tourism hot spots*:
 - FIT (32% of hotels in tourism hot spots)
 - International tour series (19%)
 - Ad hoc international tours (11%)

Q9 "Which are your two main sources of business this year?"



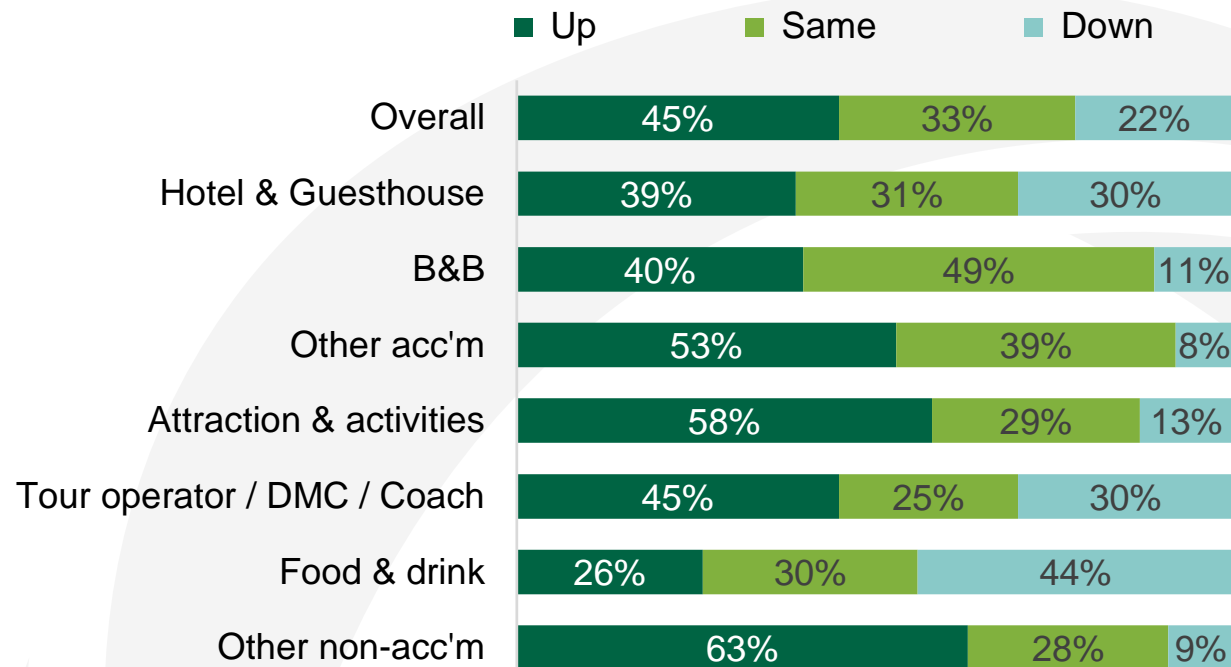
*Hotspot areas are defined as Clare, Cork, Donegal, Dublin, Galway, Kerry, Kilkenny and Wexford

Overall Expectations

Better year ahead

- On balance, operators in most sectors expect visitor volumes in 2023 to be up on this year
- Food & drink establishments are the exception
- Dublin looks promising, with 54% of businesses expecting to be up, compared to just 14% down
- But all regions on balance expect to be up
- *Volume* of business however is not the main concern for some – rather how they can make ends meet with rising costs (discussed in full later under issues of concern)

Q10 "How do you expect the volume of your overall business to perform in 2023 compared to 2022?"



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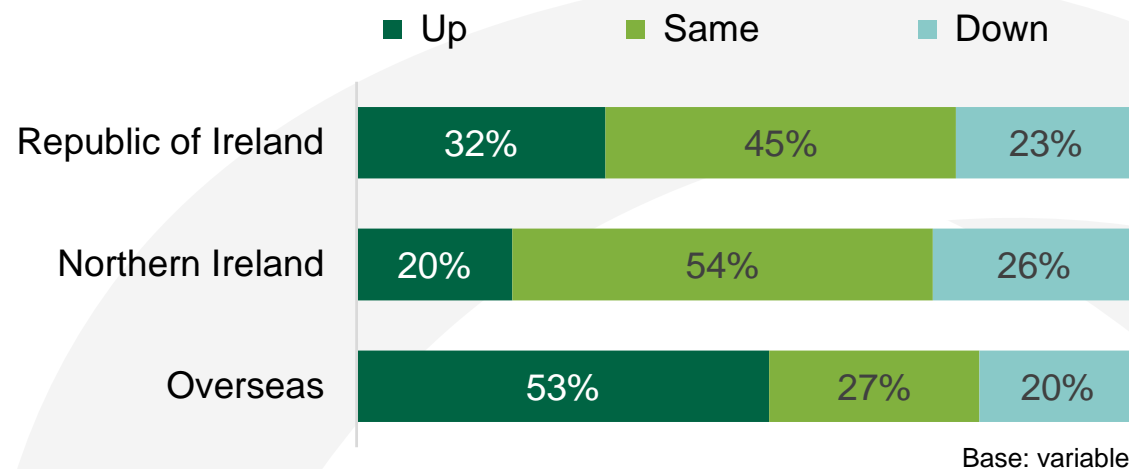
'Don't know' and 'not applicable' answers have been excluded

Expectations by Market

Hopes for 2023 growth lie with overseas visitors

- If 2023 is to outperform 2022, it is primarily the overseas market which is expected to deliver this growth
- All sectors expect to be significantly up on overseas visitors next year except food & drink establishments, whereby the outlook is mixed (33% expect to be up and 40% expect to be down)
- All regions are positive about the overseas market, especially Dublin, where 69% expect the market to be up (vs 11% down)

Q11 "How do you expect the volume of your business to perform in 2023 compared to 2022 from each of the following markets?"



Expectations by Overseas Market

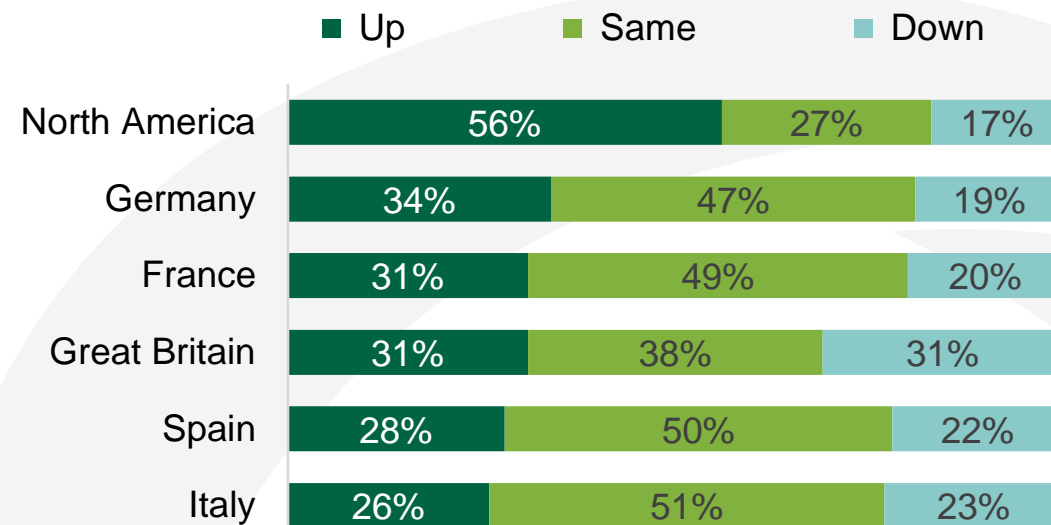
North American market

- North America stands out as the most promising overseas market, with its strong dollar and less challenging economic issues compared to Europe
- European markets are expected to perform reasonably well compared to 2022, but 2022 has not been a great year
- Much therefore depends on the North American market continuing to grow

"European markets are particularly soft so we would like to ensure that we are all marketing to core European and UK markets in addition to the US."
Attraction, Dublin

"Happy with the way the future bookings are coming in"
B&B, Mayo

Q12 "How do you expect the volume of your business to perform in 2023 compared 2022 from each of the following markets?"



Base: variable

Section 2

Reasons to be Positive or Concerned



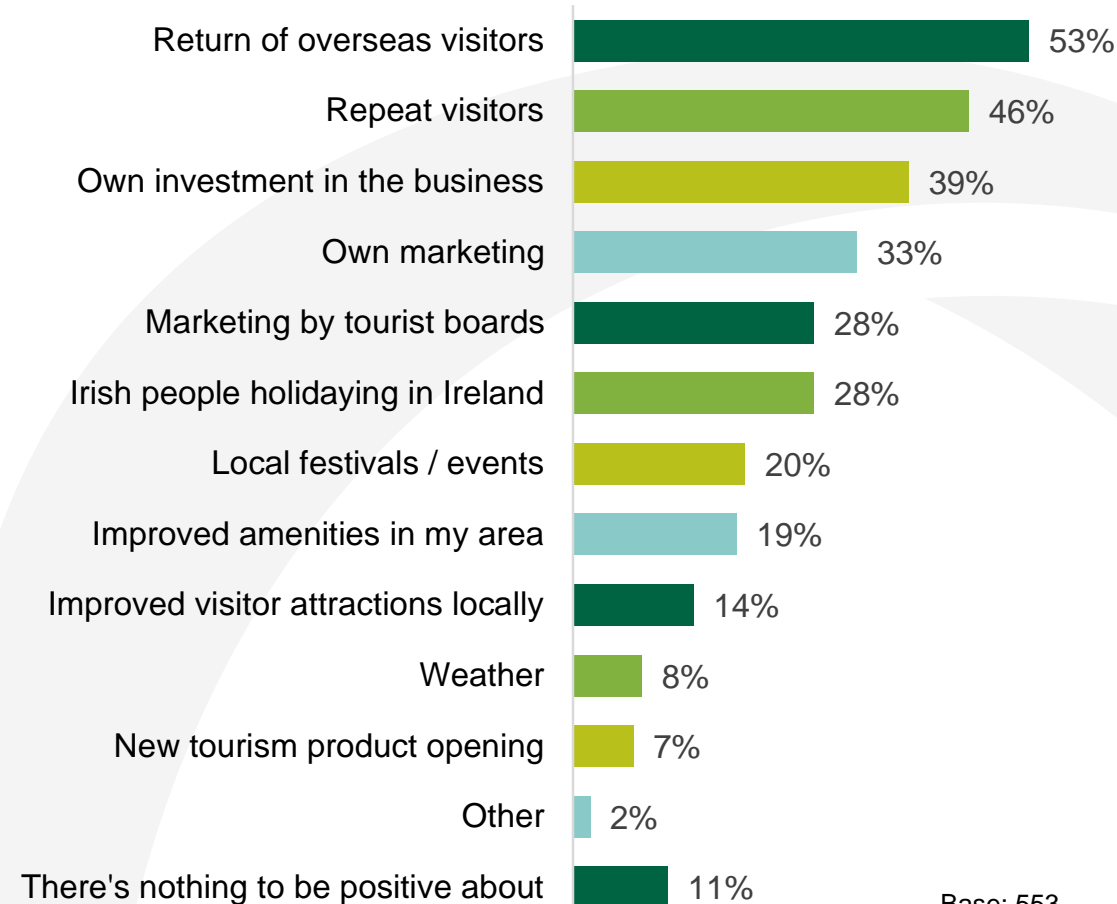
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Reasons to Be Positive

Return of overseas visitors

- The return of overseas visitors is once again the most frequently cited positive factor affecting business – this market is expected to build on 2022, especially North America
- The relatively high (46%) proportion citing 'repeat visitors' to some extent recognises the role that the domestic market has played during the recovery period and may still play next year
- 'Repeat visitors' is the top answer in self catering (75%) and caravan parks (14 out of 18 respondents)

Q19 "Are there any particular reasons to be positive about business next year?"



Reasons to Be Positive – Open Comments

Optimistic comments buck the trend

- Although many of the survey results are positive, open comments on outlook comprise a significant number of concerns about the future
- Operators commenting optimistically about the future go against the trend with their positive attitude

“Brilliant support by Fáilte Ireland – has been a great help in 2022”
Tour guide, Dublin

“We had fulsome praise and generous long entries in our guestbook from all our guests this year and trust that this will all bring word of mouth future bookings”
Guesthouse, Clare

Sustainable tourism

- Some operators say they support sustainable tourism initiatives and comment positively about it
- Others comment on the potential threat of the changing public attitudes towards flying and how this could impact incoming tourism to Ireland

“Sustainable tourism is on the rise and we are part of that initiative”
Attraction, Clare

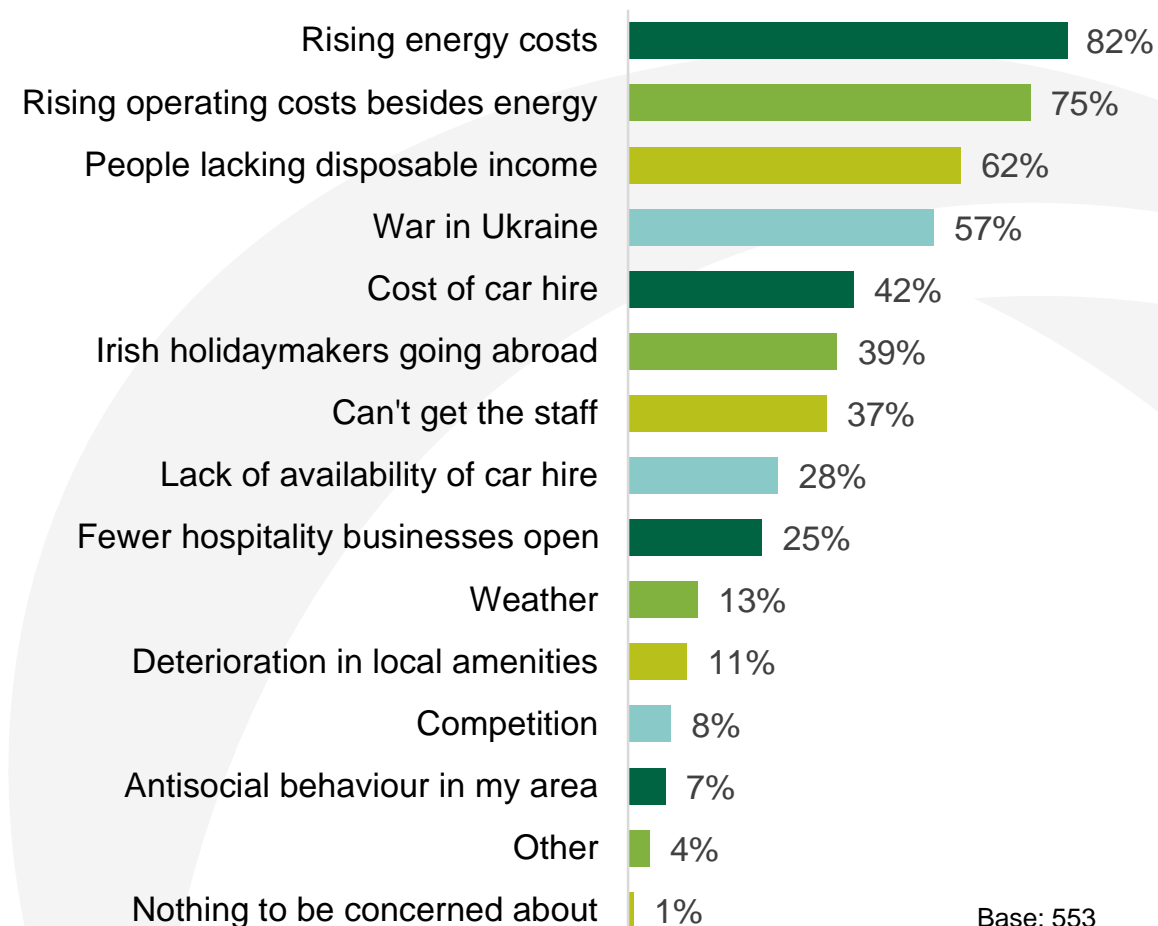
“In the longer term, the possibility / probability of a reduction in air travel due to a need to comply with binding GHG emission targets is perhaps the biggest threat to the industry”
Attraction, Dublin

Reasons to Be Concerned

Rising costs continue to dominate concerns

- Rising costs (to businesses or consumers) form four of the top five concerns
- Energy costs are the top concern in nearly every sector and this is most frequently mentioned by food & drink establishments (94%)
- The war in Ukraine is the most frequently mentioned concern that is not just related to rising costs, but also the lack of available accommodation for tourists (*discussed later with open comments*)

Q20 "Are there any particular causes for concern regarding business next year?"



Reasons to Be Concerned – Open Comments (1)



Operating margins under pressure at both ends

- Whilst visitor volume figures generally look quite healthy through the results, this masks the high level of pressure that businesses are under to operate profitably
- At one end of their operating margin, costs are escalating
- At the other end, lack of consumer disposable income makes it difficult to raise prices
- This puts a lot of pressure on business owners – as they feel they are working harder for less

“I think the high cost of living and the increases in everything is eating more and more into our profit margins. We are working harder and earning less and less. It is bad for morale and can lead to real job dissatisfaction. We lose the will to improve and continue.”

Hostel, Clare

“Rising wage costs energy costs and overall increases from suppliers are other issues and a reluctance on our part to increase our costs as there has been a fall-off in trade due to lack of disposable income, which leaves us wedged in the middle”

Activity provider, Cork

“Rising costs are the biggest threat to our business. People have less disposable income and our prices have to go up as we are already operating on very slim margins. It is starting to look like the perfect storm of negativity.”

B&B, Cork

Reasons to Be Concerned – Open Comments (2)



Effects of accommodating Ukrainians

- Many accommodation operators in Ireland have responded to calls to give a temporary home to Ukrainians fleeing the war in their home country
- The importance of doing this is well understood across the industry
- Unfortunately, the knock-on effect on tourism is a lack of available accommodation for tourists in some areas and therefore other tourism service providers suffer from lack of footfall
- The effect of accommodation supply falling short of demand is that prices rise

Other reasons for lack of accommodation

- As well as contracts to accommodate Ukrainian citizens taking supply out of the tourist accommodation stock, some operators have not reopened since Covid, putting further pressure on supply in some areas and therefore prices go up

“There will be fewer tourists due to lack of accommodation”
Café, Galway

“We definitely need more competitive accommodation in the Cork area as this is the top reason why groups from specific countries cannot travel to our event (particularly, Southern & Eastern Europe, which used to attend our festival in the past)”
Festival organiser, Cork

Reasons to Be Concerned – Open Comments (3)



Quality might suffer

- With all the pressure that business owners are under to cover costs, investment in the product may decline, resulting in reduced quality and eventually customer experience

"It's so important to keep up the renovations and maintenance of our businesses every year – but the cost of paint, building materials, bed linen, towels, etc have soared and will put a lot of pressure on us to keep up our standards"

B&B, Kerry

"There is going to be very little money left for capital expenditure so the danger is that the quality of the product will get worse"

Hotel, Cork

Business closure

- The ultimate negative outcome of current pressures is for a business to cease trading – some already have

"Rising energy costs could close the business"

Attraction, Kerry

Individual Sectors



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Hotels

Bounce-back year – short domestic breaks

- 90% of hotels have had more guests this year than last year – among the highest proportions of any sector to say this
- 50% have had more guests than in a normal pre-Covid year, and 22% have had the same level
- Short domestic breaks are key – 51% are up on a normal pre-Covid year for weekend breaks and 57% cite ‘domestic leisure individuals & couples’ in their top two sources of business

“We are hopeful, but we don't know. The reality that the Irish consumer will have less disposable income will bite”
Hotel, Galway

Hopes for 2023 rest on domestic and US visitors

- 42% expect to receive more guests in 2023 than 2022, and 31% expect the same level
- A strong domestic market is expected to continue, with 39% predicting it to be up, and 37% predicting the same level
- 58% expect the US market to be up

“I think there is a lot of uncertainty in this industry for now, but I try to stay positive and encourage my staff to do the same”
Hotel, Dublin

B&Bs

B&Bs are doing well – those which are open

- 69% of B&Bs have had more guests in 2022 than last year
- 42% have had more guests than in a normal pre-Covid year, and 25% have had the same level
- The overseas market has performed well, with 48% of B&Bs reporting to be up, and 56% cite 'return of overseas visitors' as a reason to be positive – the most frequently cited positive factor

Added context

- Apparent buoyancy of B&B sector should be viewed in the context that some B&Bs have closed permanently or have not yet reopened since Covid
- The most recent accommodation occupancy survey reported that of B&Bs contacted, around 40% had still not reopened in September

“Bookings are looking good for 2023 at present. The expected downturn in the European economy is a little worrying though”
B&B, Mayo

“The outlook is good in that Ireland is good value for money for US tourists. Europeans are taking the ferry and bringing their own transport so we will get more from northern Europe – a new customer.”
B&B, Dublin

“We look forward to sharing our little slice of paradise and all that Kilkenny and surrounding counties have to offer with newcomers and referral and repeat guests.”
B&B, Kilkenny

Self-Catering

Repeat visitors vital for self-catering

- 56% of self catering operators have had more guests this year than last year, and 23% have had the same level
- 49% have had more guests than in a normal pre-Covid year, compared to only 24% reporting to be down
- 75% cite repeat visitors as a reason to be positive – among the highest proportions of any sector to say this

Overseas market is key to growth next year

- If self catering operators have a better year in 2023, growth is likely to come from overseas
- 48% expect overseas business to be up next year, and 42% expect the same level

"We hope to stay steady – even through a recession. I hope that by focusing on making our customers feel special and appreciated, they will wish to return."

Self catering, Mayo

"We are already very booked up for all our properties between April and September 2023, so reasons to be positive!"

Self catering, Kerry

"As long as we have US visitors, Ireland will be doing ok"

Self catering, Galway

Activity Providers

A very mixed year – still well short of pre-Covid norms

- 45% of activity providers are up on last year, but 48% are down
- 29% have had more customers than in a normal pre-Covid year, but 53% have had fewer
- All markets remain down on balance compared to pre-Covid
- Activity providers were hit particularly hard during Covid because of complications in maintaining social distancing whilst remaining viable – many are still on the long road to recovery

“Our insurance has doubled each year. We can’t sustain paying high insurance costs and high fuel and electricity costs with poor customer numbers. Few overseas and American tourists are travelling north to this area during shoulder seasons.”

Activity provider, Donegal

Next year looks more promising

- 50% expect next year to outperform 2022, compared to 24% who expect to be quieter
- The overseas market is key to expectations, with 46% expecting it to be up, compared to 26% foreseeing a decline

“Business for 2023 is looking good – nowhere near 2019 levels but I feel strong enough to rebuild and expand. Only concerns are the war and the accommodation issues in the country.”

Activity provider, Dublin

Attractions

Up on last year, but not compared to pre-Covid

- 70% of attractions have had more visitors this year than in 2021
- However, the sector is still down on pre-Covid norms – 35% are up, but 57% are down
- Attractions seem to be missing overseas visitors still, even though 63% cite ‘return of overseas visitors’ as a positive – 30% are up for this market compared to pre-Covid, but 59% are down

“We had a fantastic year in 2022. The Púca festival was a big help to Meath. Our own Halloween event had 54,000 paying customers – up 5,000 from 2021 and up 13,000 from 2019. We are rebranding our summer event, which should increase customers by 10,000 at least.”
Attraction, Meath

Affected by issues in other sectors

- Some attractions feel frustrated by the issues in other sectors affecting them, including car rental and tourist accommodation availability constraints
- If tourism is hampered by issues in other sectors, then the attractions suffer too

“We put everything we had into bouncing back from Covid, only to bounce right into something worse. Very few tourists are coming in, locals going away, no disposal income, every single cost to our business has increased while visitors have decreased.”
Attraction, Clare

Pubs and Bars

Up on last year, but not pre-Covid

- 51% of pubs & bars have had more customers than last year, whereas 36% have had fewer
- However, 37% have had more customers than pre-Covid, but 51% have had fewer
- All markets are down vs pre-Covid, especially GB & Europe

Not a positive outlook

- 22% expect a better 2023 than 2022, but 49% predict being down – the only sector apart from cafes to expect being down on balance
- Rising energy costs are a major concern in every sector, but particularly for pubs & bars – 94% cite this
- 22% say there is ‘nothing to be positive about’ – rising costs and squeezed consumer spending power combine to make it hard for operators to remain a viable business

“There is nothing to show at end of the month”
Pub, Louth

“We sold the business a few weeks ago at a massive loss due to all that we have been through. Could not see it as a viable business for the future.”
Pub, Limerick

Restaurants

Better year, but still down on pre-Covid norms

- 15 out of the 25 restaurants responding about visitor volumes say they have had more customers this year
- But only 4 out of 23 restaurants are up compared to pre-Covid; 13 are down
- Every market is significantly down, especially overseas

Similar issues to pubs, bars & cafes

- Restaurants are particularly concerned about energy & other operating costs and lack of staff compared to other sectors
- 24 out of 26 are concerned about energy costs, and 25 are concerned about other operating costs
- 17 out of 26 say they can't get the staff they need

"It's very difficult to know what the future will bring. The war, high cost of goods, the rising cost of wages, people do not want to work in the restaurants, unsociable hours, etc. I think next year will bring great changes in the restaurant business."
Restaurant, Galway

"VAT should remain at 9% period. Food is a high cost, labor intensive, energy intensive, liability insurance nightmare, food and regulation heavy industry. High failure rate of new food businesses testifies to the difficulties involved."
Restaurant, Galway

DMCs and Inbound Operators

Overseas visitors are back

- 11 of the 12 DMCs & inbound tour operators giving figures on visitor volumes say they have had more visitors than in 2021
- 5 have had more visitors than pre-Covid, 2 have had the same level, and 5 are still down
- 9 out of 13 respondents cite 'return of overseas visitors' as a positive this year

Promising 2023, but planning is hard

- 8 out of 13 respondents expect to be up next year on this year
- International travel trade business is often booked a long time in advance – high inflation and possible recessions are making planning difficult
- Some operators say they are being hampered by Ireland's competitiveness with its high hotel prices

"Enquiries and bookings for 2024 are already coming in – means we have currently a much earlier booking pattern than pre-Covid"
Inbound tour operator, Kerry

"POSITIVE – Relative strong US\$ is positive for outlook. NEGATIVE – 2022 increased volume was pent up demand post Covid. Hotel prices are rising to deter visitors."
Inbound tour operator

"Lack of hotel accommodation is keeping rates artificially high, which means overseas groups stay away, resulting in lack of growth and undermining local businesses that rely on tourism"
Inbound tour operator, Dublin