

# BREXIT: THE IMPACT OF EXCHANGE RATE VOLATILITY

## Sterling vs Euro Exchange Rates

While a Brexit Deal was presented to Parliament in December 2018, it did not result in any certainty with regard to Britain's future relationship with the EU as the vote was deferred until January. As a result, movements in Sterling were particularly erratic in the last month of the year and 2018 ended with Sterling on a weakening trajectory. At the time of writing, the Deal has been rejected by a historic vote against the government and talks are ongoing in an effort to find a solution which is acceptable to all sides.

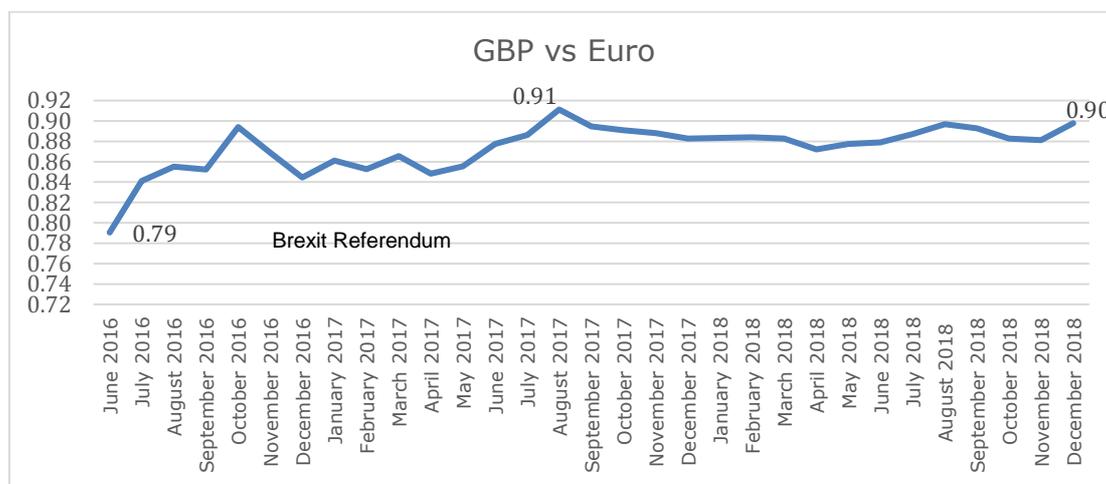


Figure 1: Stf:€ monthly exchange rate June 2016 to December 2018

## Impact of Exchange Rates on Tourism Goods

Sterling's weakness increases the cost of the British tourist's trip in Ireland. This is demonstrated by tracking the cost of tourist items over time.

Since April 2017, based on exchange rates alone, the cost of accommodation for a British tourist has increased by £17 or 6%. It should be noted this 6% cost increase does not factor in any accommodation price inflation.

## What it costs the British Tourist Stf

Month	2017				2018			
	Average Cost	April	June	Dec	Average Cost	April	June	Dec
Exchange Rate	€	0.85	0.88	0.88	€	0.87	0.88	0.90
Accommodation	337	286	295	297	366	319	321	328
2 course meal	23	19	20	20	23	20	20	21
Bottle of house wine	24	20	21	21	24	21	21	22

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

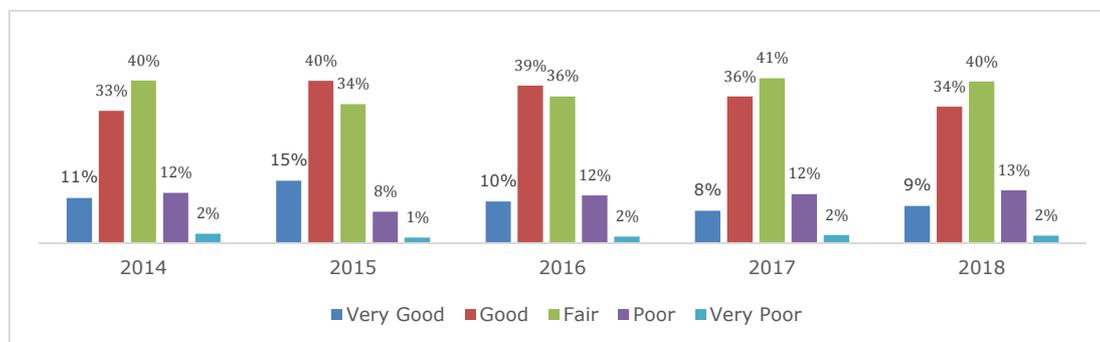
Factoring in *price* inflation, in December 2018, British tourists, on average, paid 15% more for accommodation than they did in April 2017.

<sup>1</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 Perceptions among British Tourists

Figure 2: % British tourists rating of Value for Money: January – December 2014-2018 (unweighted data)



British tourists' rating of good value for money is significantly below that recorded in 2015 and 2016, however it has been relatively stable between 2017 and 2018.

While exchange rates play a part in the deterioration of the positive rating of value, rising costs of tourist goods and services are no doubt a factor also.

## UK Travel Performance – Inbound and Outbound

Inbound tourism to the UK fell by 5% in the first nine months of 2018. Demand fell from all of its key markets with trips from Europe down 6% and from North America down 1%.

In contrast, the Republic of Ireland recorded double-digit growth from these markets over the same period (Mainland Europe +10% and North America +13%). A number of factors may be at play, including the fact that 2017 was a record year for UK inbound tourism and therefore, there may be a certain amount of correction in the data.

UK resident trips abroad were relatively static in the first nine months of the year, down -1% on the previous year, only visits to North America grew marginally, +1% with UK resident trips down slightly (-1%) to Eurozone destinations. According to the CSO, British<sup>i</sup> arrivals to the Republic of Ireland for the first 11 months of 2018 were up 1%.

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Economic and Industry Analysis

<sup>i</sup> Note CSO data does not include arrivals from Northern Ireland.