



# HOSPITALITY & TOURISM OUTLOOK



OPW Kilkenny Castle

## CHALLENGING BUT POSITIVE

While storm clouds remain overhead, there is still light shining through. Tourism in Ireland contributed over €9bn to the Irish economy in 2018 (that's approx 3% of GDP or 4.9% of GNI) and the sector creates employment in communities right across the country. While 2019 has many challenges the national performance appears to be at similar levels to 2018.



**David McCarthy**  
Head of Hospitality  
& Tourism, AIB  
Business Banking.

**T**he Irish hospitality industry has enjoyed strong growth over the last seven years following a period of contraction during the recession. Now Fáilte Ireland estimates that the industry accounts for 11% of national employment and delivers €7.6bn in expenditure and €1.7bn in exchequer revenue.

Following this period of substantial growth, however, there are signs that the environment is a lot more challenging for all the component sectors within the wider hospitality industry, according to **David McCarthy, Head of Hospitality & Tourism, AIB Business Banking.**

"This year appears to be a much more challenging year for all in the hospitality world as revenues are softening and cost pressures are mounting. However, there is still a lot to be positive about. 2018 was a record year for the industry with the highest levels of international visitors and corresponding spend in Ireland's history. The standards of Irish hospitality offerings are also at their highest levels in history with huge investment gone into the stock over the past decade," he says.

*"There is still a huge amount to be positive about. 2018 was a record year for the industry with the highest levels of international visitors and corresponding spend in Ireland's history. The standards of Irish hospitality offerings are also at their highest levels in history with huge investment gone into the stock over the past decade."*



**Paul Kelly,**  
CEO,  
Fáilte Ireland



We've experienced exceptional growth over the last 5 years of 7.2% on average per annum, but this growth is now slowing, recent data would even show it at risk of stalling as economic and political uncertainty grows in Europe and the US. That message is reflected in this report's insights.

We are very conscious of the need to support and help the industry to grow and remain competitive. At Fáilte Ireland, we take a comprehensive strategic approach to support the industry in achieving growth, our two key levers for growth are regionality and seasonality.

If we can help the industry to achieve a better spread of demand across the year that delivers more sustainable businesses and more sustained employment. Likewise, a more even spread of demand across all regions takes pressure off the current hotspots and delivers balanced regional development. ■



**Niall Gibbons,**  
CEO,  
Tourism Ireland



*Sustainability has been our watchword for some time, as we focus increasingly on driving growth to less visited attractions and locations, and on driving business in the off-peak and shoulder seasons. This is vital if Ireland is to continue to punch above its weight in the highly competitive global travel market. We must ensure that we continue to deliver outstanding holiday experiences, value for money as well as our famed genuine, warm welcome. ■*

"Attempts to grow regions which have traditionally been underdeveloped, began a number of years back and are starting to pay off. Fáilte Ireland has recently announced its 'Platforms for Growth' fund which aims to support new visitor attraction developments, as well as expansion of existing developments over the coming years. The investment, including required match funding, will amount to €300m, which will significantly benefit all hospitality operators, and continue to add reasons for international visitors to come to Ireland," says David.

He points out that the industry faces many challenges, not least the uncertainty surrounding Brexit, and the ongoing volatility and devaluation of Sterling.

"This is particularly impacting on border areas as well as Dublin and Cork, where historically there have been high volumes of UK visitors. Payroll is an ongoing challenge as Ireland is in full employment and it can be challenging for many firms within the industry to attract and retain good employees," he adds.

"Rising insurance costs have become a huge burden to the industry, not only with the high insurance premium costs, but also with the level of time required by businesses to manage and try to prevent insurance claims from occurring," says David.

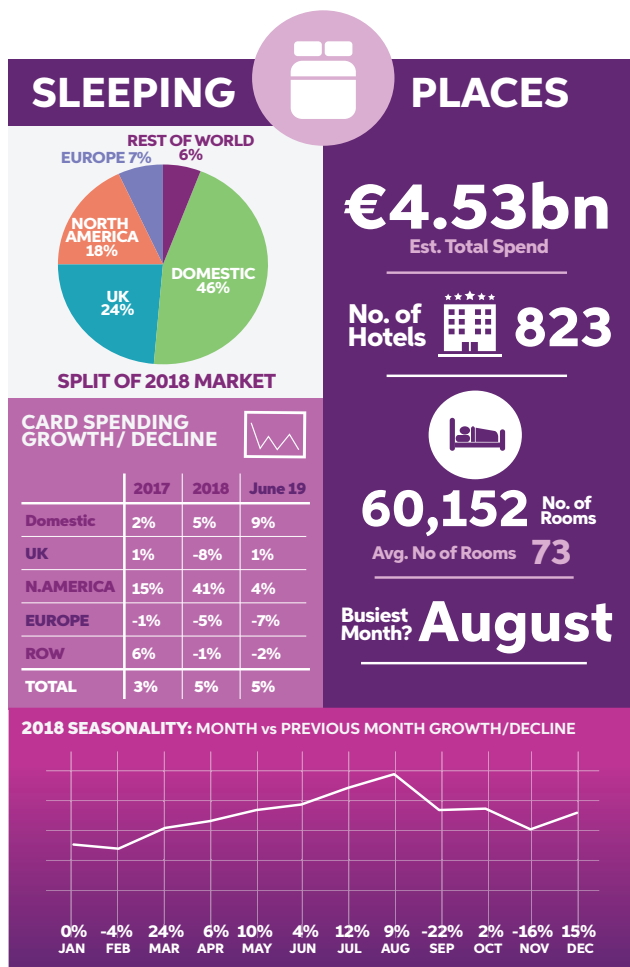
Research carried out by AIB Merchant Services, which is featured throughout this report, highlights some of the underlying trends within the wider hospitality industry and further underline some of the potential challenges facing it.

"The research takes a holistic view of the Hospitality and Tourism sector and evaluates the four primary subsectors: sleeping, drinking, eating places and visitor attractions," says David.

## SLEEPING PLACES

According to David, the sleeping sector, which based on Fáilte Ireland-registered operators, is made up of 823 hotels, 155 guesthouses, 925 B&Bs, 379 self-catering units, 88 caravan and camping sites, 86 holiday hostels, and 301 welcome-standard properties.

*"At a national level, the research from AIB Merchant Services' card spending insights tell us that the domestic economy accounts for 46% of the overall spend and is the biggest source market, followed by UK at 24% and North America at 18%."*



Source: AIB Merchant Services for Data Insights / Fáilte Ireland for Hotel Stock Data. Assumptions have been made to calculate the 'Estimated Total Spend'. Assumptions include AIBMS Market Share and Cash v's Card estimates of market and electronic & cheque payments.



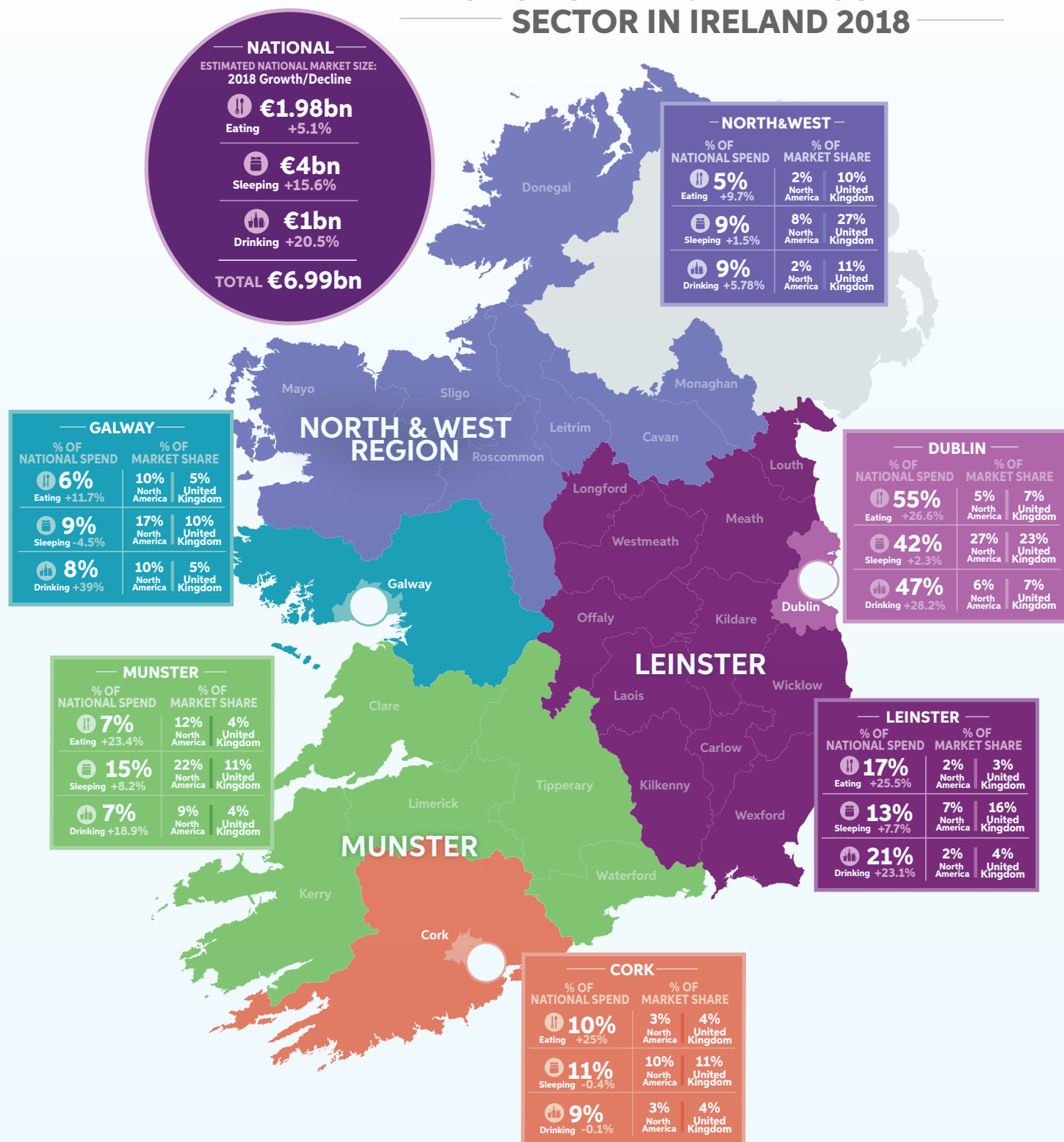
**Michael Lennon,**  
President,  
Irish Hotels  
Federation



*While our industry has traditionally relied heavily on tourism from Britain and the Island of Ireland, Brexit has prompted a renewed focus on market*

*diversification and a widening of our tourism offering. This goes hand in hand with increased efforts to attract more visitors to the regions and to extend the tourism season as part of the long-term sustainable development of our industry. Working with local communities and tourism partners, there are many parts of the country where significant opportunities exist for us to increase visitor numbers and tourism activity given the right investment. This is a major priority for our sector, ensuring that economic and social benefits of tourism are delivered in a balanced and sustainable way throughout the entire country. ■*

# A HOLISTIC VIEW OF THE HOSPITALITY SECTOR IN IRELAND 2018



The insights included in this report relate only to card spending in the hospitality sectors. They are intended to provide insight in terms of card usage, consumer card spending activity, and how this is split by nationality. We are not attempting to estimate the national or regional performances of the sector, but rather illustrate how card spend revenues are growing or declining year on year and the source markets that make up this spend in the various parts of the country. It is important to note that the insights are not necessarily reflective of the sector's national performance. The insights contained in this report have been provided by AIB Merchant Services.

Refer to end of this report for further regional insights.

Source: AIB Merchant Services for Data Insights / Fáilte Ireland for Hotel Stock Data. Assumptions have been made to calculate the 'Estimated Total Spend'. Assumptions include AIBMS Market Share and Cash v's Card estimates of market and electronic & cheque payments. Leinster region defined; Carlow, Kildare, Kilkenny, Laois, Longford, Louth, Meath, Offaly, Westmeath, Wexford and Wicklow. Meath and Westmeath. Excludes Dublin. Munster region defined; Clare, Kerry, Limerick, Tipperary and Waterford. Excludes Cork. North & West region defined; Leitrim, Mayo, Roscommon, Sligo, Cavan, Monaghan, Donegal. Excludes Galway.



"As such, the sector is very diverse and the operating environment can vary significantly based on location of the county. At a national level, the research from AIB Merchant Services' card spending insights tell us that the domestic economy accounts for 46% of the overall spend and is the biggest source market, followed by UK at 24% and North America at 18%.

"While we say that the hospitality sector has enjoyed 7-8 years of growth, not all areas have benefited," he adds.

"Areas that are much more reliant upon local communities for their business, and which generally have a higher percentage of food & beverage trade than room trade, were slower to recover from the last recession, and therefore have not had the same opportunities to reinvest in their assets and stay ahead of the national competition."

"However, overall, standards have risen and high demand is evident in the levels of national occupancy and room rates in hotels.\* We can see that the UK market has declined in a number of areas of the country. At a national level the North American spend has to date replaced the decline in UK spend, however not all regions have benefited from this increase in North American visitors," says David.

"Nationally, our insights say that card spending from UK markets declined in 2018 by 8%, with UK

spend in Dublin declining by 20% in 2018 and replaced by a 53% increase in card spending from North American markets. There was a similar situation in Cork and Galway."

Not surprisingly, he adds, the Dublin market has had to deal with additional stock coming on board in 2018 and 2019 as well as the VAT increase from January 2019 which has created a difficult trading environment in the first half of 2019.

"Despite this, Dublin operators, for the most part, believe their 2019 performance will be closely in line with 2018 which was a record year: Dublin has had one of the highest levels of occupancy in Europe for the past few years, so the new stock is clearly needed. The biggest worry is how Brexit will pan out and the impact it will have overall on the sector," says David.

"In the meantime, Ireland is putting a focus on competitiveness and sustainability. It will always be hard to compete with the highest levels of hospitality that Irish people can offer the world," he adds.

## DRINKING

While the number of pubs nationally has declined over the last number of years, David says the outlook is mixed with Dublin pubs performing well while at the other end of the scale, the outlook for small rural pubs is uncertain.



**Padraig Cribbin,**  
CEO, Vintners  
Federation  
of Ireland



*Overall tourism numbers are up but, critically, spend is down. This is particularly true of British tourists and the British tourist has a much higher impact on the pub sector than other*

*tourists. The British tourist is much more attuned to a pub culture than their European or North American counterparts. The combined impact of both the budget VAT increase and new drink driving legislation can be seen across the regions. Regional pubs continue to innovate, enhance the offering and improve the service but it is in a challenging environment.* ■



**Donall O'Keeffe,**  
CEO, Vintners  
Association



*Although somewhat softer than last year, 2019 is proving to be another decent year for the Dublin licensed*

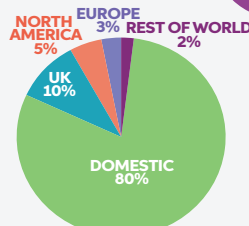
*trade, thanks to a strong domestic economy in the greater Dublin region and excellent tourist numbers. The Dublin trade has recovered strongly since the depths of the recession and is well-positioned to grow further, on the assumption that Brexit does not de-rail either the wider economy or our UK tourist business.*

*As we look to the future it is impossible to predict how Brexit will pan out. In that context, the trade can only do what it has always done – focus on improving its offer, its service and the pubs themselves. We remain optimistic because Dublin pubs are the best pubs in the world.* ■

## DRINKING



## PLACES



**SPLIT OF 2018 MARKET**

## CARD SPENDING GROWTH/ DECLINE



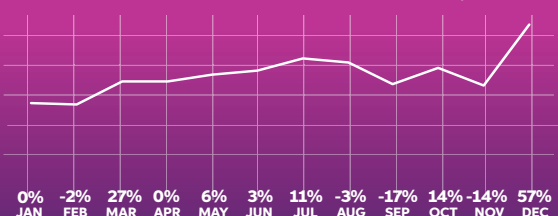
	2017	2018	June 19
Domestic	7%	20%	22%
UK	-1%	24%	52%
N.AMERICA	12%	23%	19%
EUROPE	4%	25%	43%
ROW	8%	25%	38%
TOTAL	7%	21%	26%

**€1.01bn**  
Est. Total Spend



**Busiest Month?**  
**December**

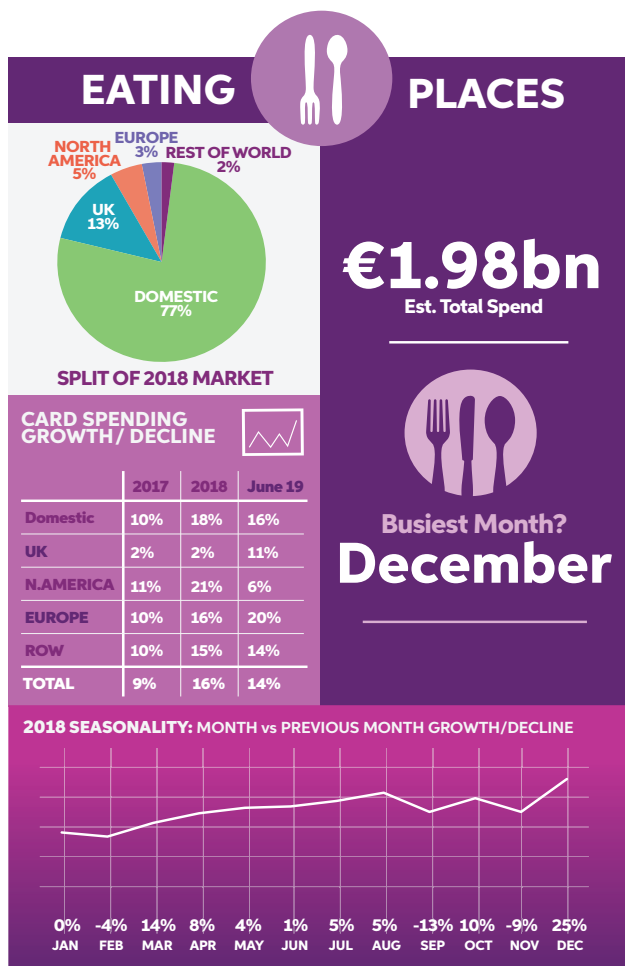
## 2018 SEASONALITY: MONTH vs PREVIOUS MONTH GROWTH/DECLINE



Source: AIB Merchant Services for Data Insights / Fáilte Ireland for Hotel Stock Data. Assumptions have been made to calculate the 'Estimated Total Spend'. Assumptions include AIBMS Market Share and Cash v's Card estimates of market and electronic & cheque payments.

\*Our insights, which are based on card spending only, are not fully representative of the hotel sector performance, as the dataset will not include the likes of wedding and conference business, tour operator business, Online Travel Agent business, American Express payments and other cheque and cash payments business.





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**Adrian Cummins,**  
CEO, Restaurant  
Association of Ireland



*The operating environment for the restaurant sector is very challenging. The VAT increase from 9% - 13.5% is*

*having a negative effect on restaurants across the country. The still-stretched Irish personal sector is very resistant to higher prices; cost pressures continue to increase on all fronts; labour shortages are becoming a significant challenge; visitor numbers from the UK are under pressure due to combination of sterling weakness, Brexit uncertainty and a slower UK economy; and the growth in overseas tourist numbers is coming from a cohort of visitors who tend to spend more sparingly than UK visitors.*

"Dublin pubs have performed really well over the past number of years, and despite the rising challenges appear to be sustaining and growing revenues further. The quality and range of offering in Dublin is top class and the city's pubs are regarded as some of the best in the world. Ireland's other cities and tourism hotspots also continue to perform well," he says.

"The trading environment across rural or regional Ireland, however, is not always the same story and the trend of rural pubs closing their doors has continued as it becomes unsustainable for small rural villages to keep a number of pubs in operation," he adds.

"Regional pubs have also had to work harder than ever to make themselves a destination for people to travel to and with drink driving laws, the main shift has been towards the gastro-pub offering as well as entertainment offerings to provide great reasons for people to make the journeys required," he says.

*"With rent and rates being large costs on the business before anybody even enters the restaurant, it is a highly volatile and high-risk sector to operate in."*

For food businesses to be successful they generally require a highly skilled labour force that can provide quality customer service and Irish hospitality and there are so many examples across the country of operators doing this really well," he adds.

"Again, regional operators have the additional challenges of shoulder seasons, lower footfall, and high level of competition, and with food trends that change so quickly operators need to be able to change their business models fast to stay relevant."

## ATTRACTIONS

Following the recent establishment of a number of high-profile attractions around the country, David says that the attraction sector now strongly complements existing offerings within the wider hospitality industry.

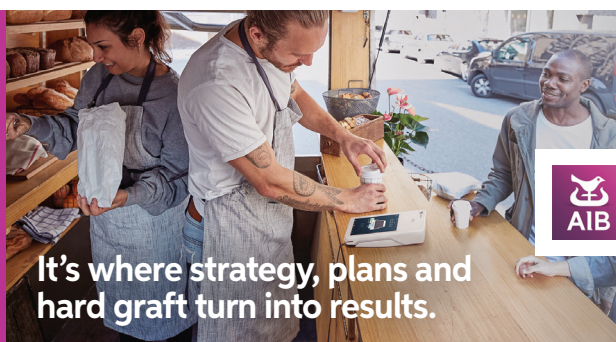
"The attractions sector is a really exciting one that has developed and matured greatly over the past decade. As the sector relies much more heavily upon international visitor markets, it has benefited and grown with the strong growth of international tourism to Ireland and the medium to long term view of international tourism is very strong, so I expect to see continued developments in this area," he says.

## EATING

With the introduction of the gastro-pub and high quality hotel food offerings, the restaurant sector has raised the bar in terms of the quality of offering, says David.

"There are now more Irish food suppliers than ever and using local and organic ingredients from Irish suppliers has really caught on in the industry. A huge volume of eating places are operated from leasehold properties, the costs of which have risen strongly over the past number of years. With rent and rates being large costs on the business before anybody even enters the restaurant, it is a highly volatile and high-risk sector to operate in.

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**Niall O'Callaghan,**  
MD, Shannon  
Heritage /  
Board Member  
Association of  
Visitor Experiences  
& Attractions

*The visitor experience and attractions (VEA) sector in Ireland is one that is operationally complex and fragmented in its various ownership models, but one which epitomises the success of regional Ireland.*

*Despite national and international challenges, there have never been more attractions in Ireland, opened longer beyond peak season, and so widely dispersed. The marketing of Tourism Ireland internationally, and the capital grant support from Fáilte Ireland nationally – are proof of the significance this sector plays in the tourism economy. There are few sectors which can boast an equal contribution from the best of both public and private businesses all working towards a common goal of world class experiences for tourists, domestic and international alike. Despite the varied sizes, target markets and experiences offered, the sector has demonstrated a great degree of innovation and resilience since Ireland's first mass market experience, the world famous Bunratty Medieval Banquet, opened its doors in 1962. ■*

"Fáilte Ireland has also identified this sector as having high potential to address some of the regionality issues and its €150m capital grant scheme should strongly boost the sector over the coming years, with an aim to create more tourism hotspots where tourism has traditionally been at much lower levels. The impact this can have on local economies is vast, providing employment, and giving reasons for other hospitality businesses to set up nearby," he adds.

With many national and regional initiatives aimed at creating a more sustainable environment for hospitality companies, he says that it is imperative that business owners and operators also ensure that sustainability remains a key area of focus in each of their businesses.

"Our insights show us the spread of spend across the Republic of Ireland. There are large variances based on location as well as several months during

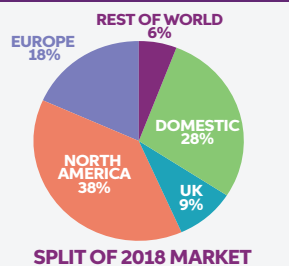
the year when activity is low in certain areas," he says.

"Tourism Ireland has worked hard to assist businesses with diversification and create new markets for Irish hospitality operators to attract. It has also made targeted efforts to attract nationalities that are more inclined to visit Ireland during off-peak times. Fáilte Ireland, meanwhile, has developed new festivals and events in times of low activity in the sector in order to extend seasons. These initiatives are proving successful, but there is still more potential," adds David.

"If businesses can implement measures to address social, economic and environmental responsibility then the country will continue to benefit and be seen as the green Ireland that has for so long attracted visitors to our island. AIB will continue to support our customers to achieve their dreams and ambitions," he concludes. ■

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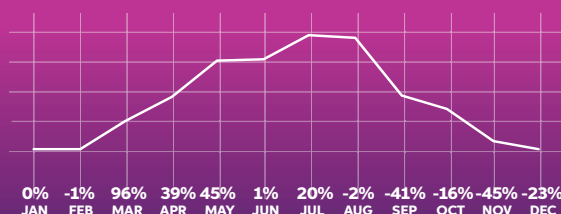
## ATTRACTIONS



### CARD SPENDING GROWTH/ DECLINE

	2017	2018	June 19
Domestic	-19%	18%	41%
UK	13%	17%	5%
N.AMERICA	47%	23%	-8%
EUROPE	46%	16%	-7%
ROW	49%	25%	0%
TOTAL	16%	20%	7%

### 2018 SEASONALITY: MONTH vs PREVIOUS MONTH GROWTH/DECLINE



Source: AIB Merchant Services for Data Insights / Fáilte Ireland for Hotel Stock Data. Assumptions have been made to calculate the 'Estimated Total Spend'. Assumptions include AIBMS Market Share and Cash v's Card estimates of market and electronic & cheque payments.



**Ruth Andrews,**  
Chairperson, Irish  
Tourism Industry  
Confederation

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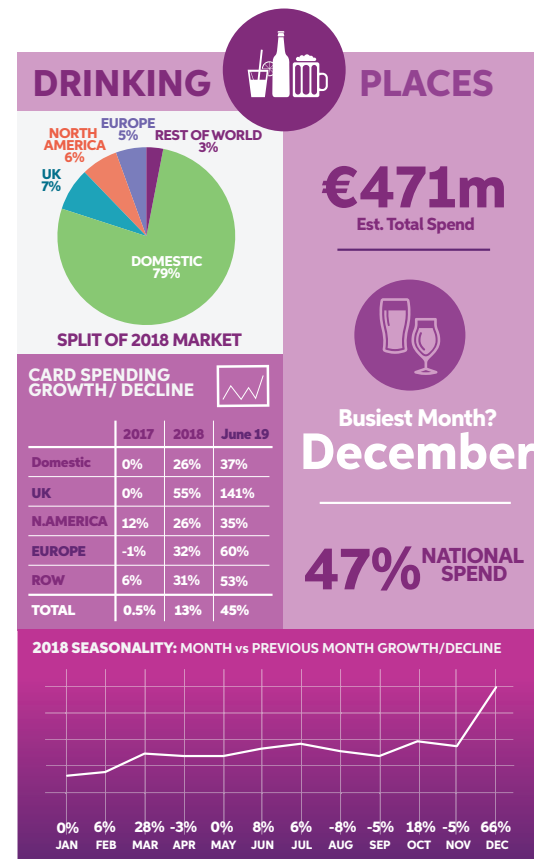
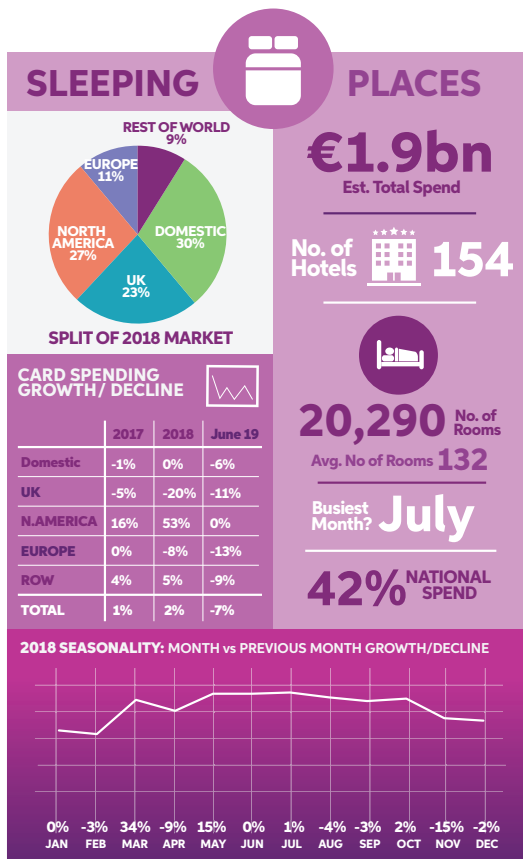
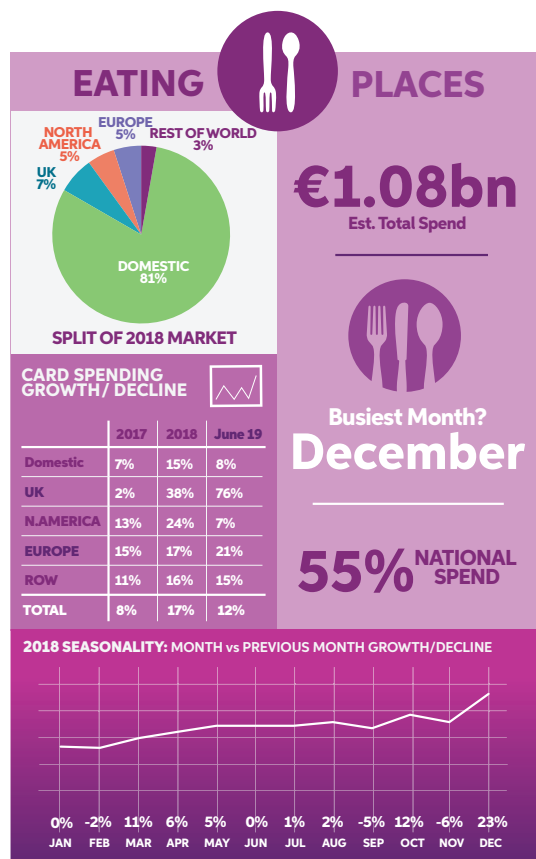
*Tourism and hospitality is Ireland's largest indigenous industry and biggest regional employer.*

*270,000 people work in the sector up and down the country of Ireland and it is a key economic driver of growth and regional development. Data and statistics are critically important to businesses to inform them and help them make the right strategic and tactical decisions.*

*To that end we welcome AIB's commitment to this area, as good data makes for better decisions at individual, company and Government level. 2019 is a much more challenging year for the Irish tourism and hospitality industry as is borne out by the data – the results of Brexit pressures, the VAT hike and increasing costs of business. Brexit, in whatever form, is a massive challenge for the industry with Britain the single biggest overseas market by volume. Weakened competitiveness is also causing an additional strain. Not only is the tourism VAT rate in Ireland now the highest in the Eurozone but other business costs such as insurance, commercial water rates, labour and credit are all out of kilter with our competitors. ■*

## FURTHER REGIONAL STATISTICS OF THE HOSPITALITY SECTOR IN IRELAND 2018

### DUBLIN

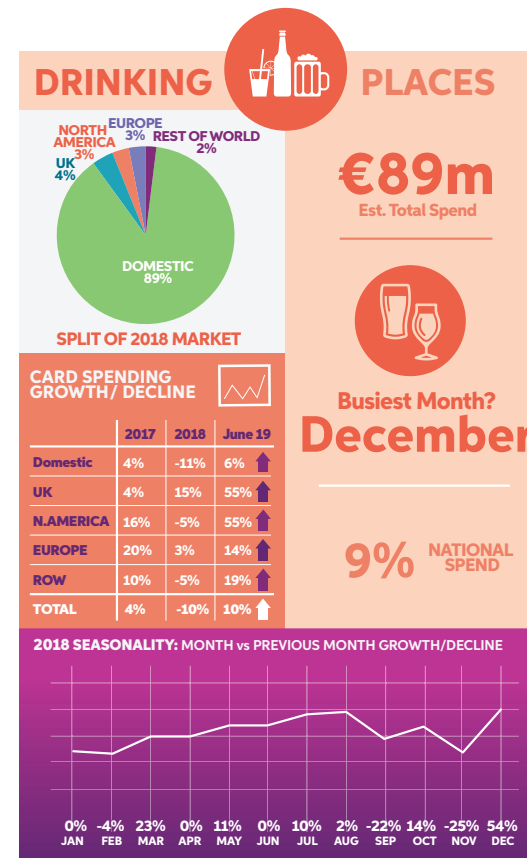
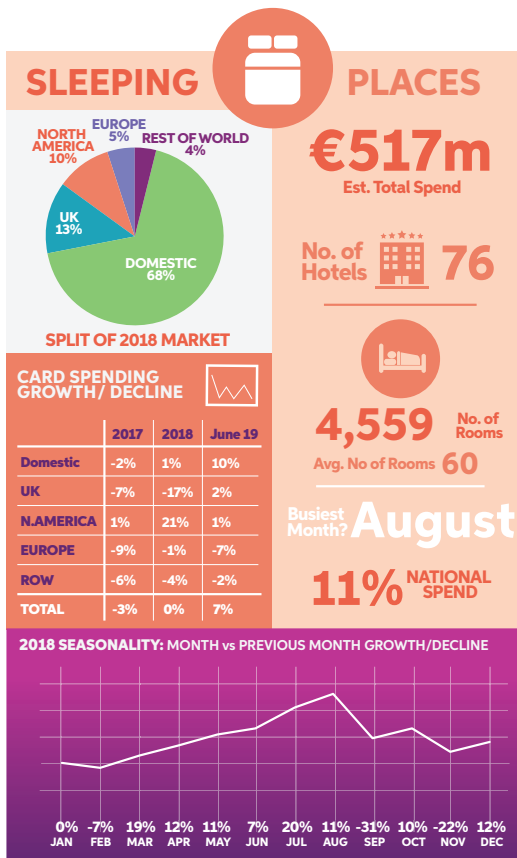
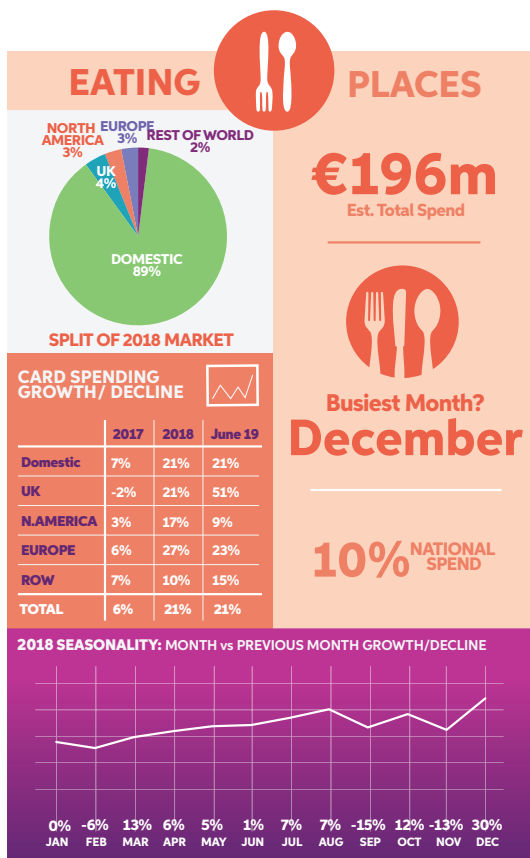


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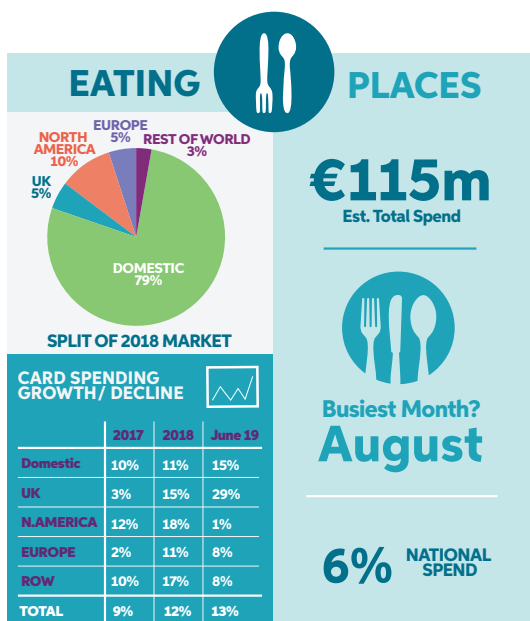
## CORK



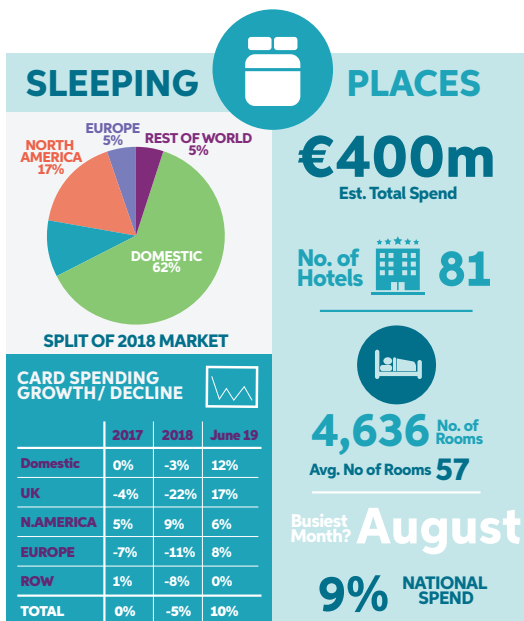
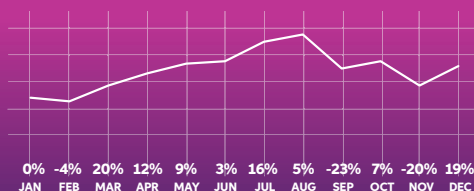
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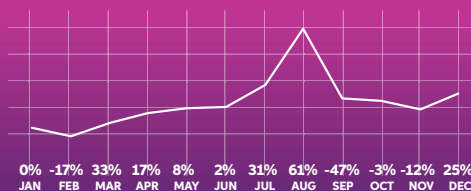
### GALWAY



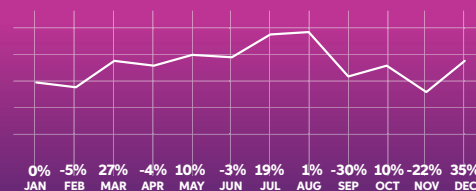
2018 SEASONALITY: MONTH vs PREVIOUS MONTH GROWTH/DECLINE



2018 SEASONALITY: MONTH vs PREVIOUS MONTH GROWTH/DECLINE



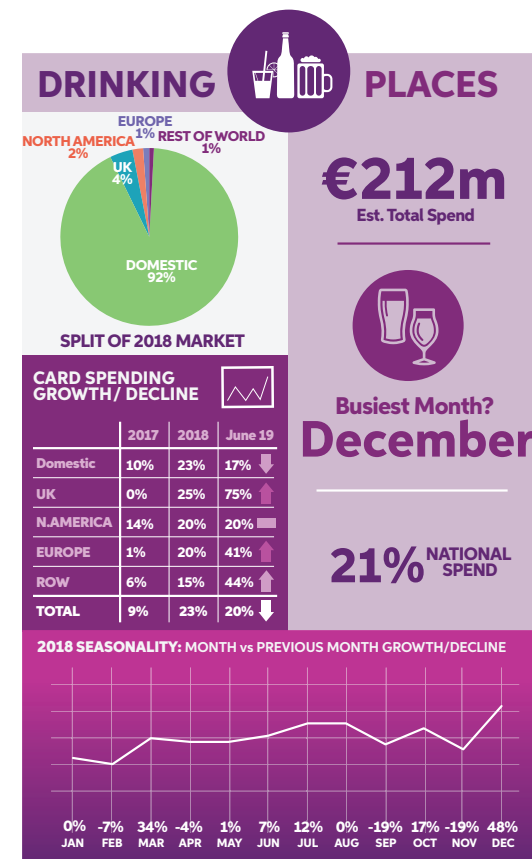
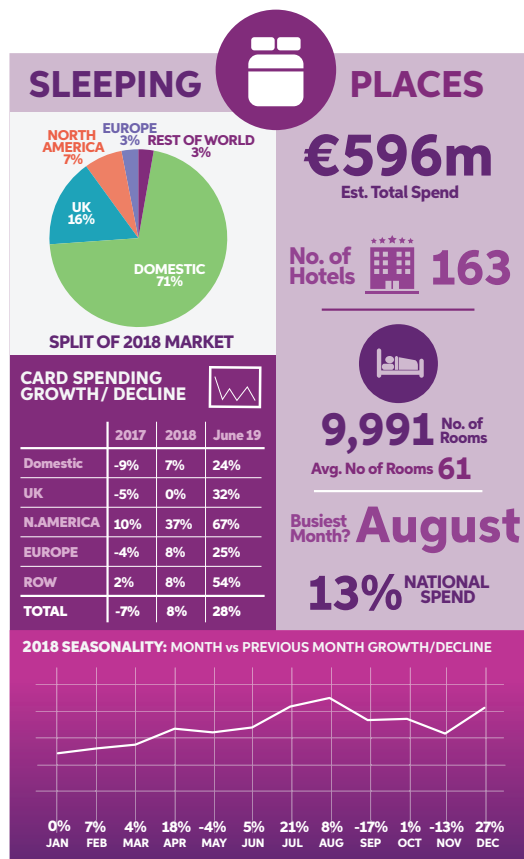
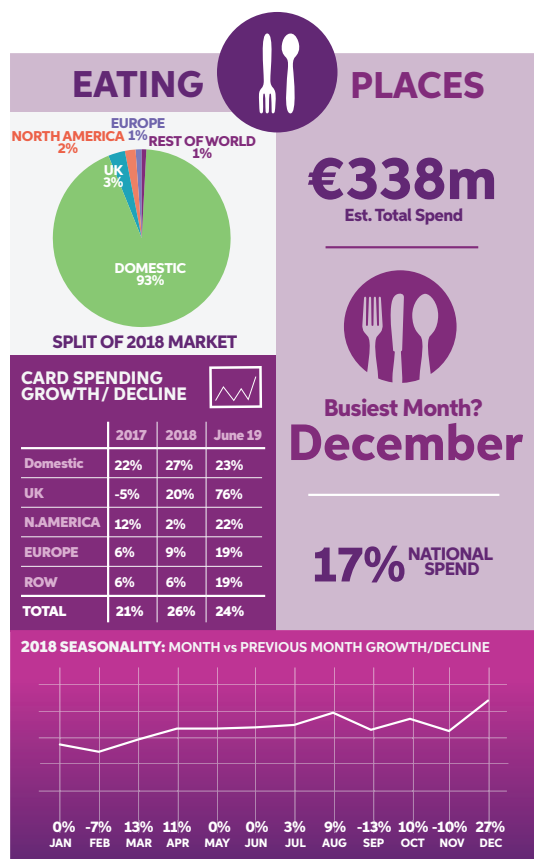
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# FURTHER REGIONAL STATISTICS OF THE HOSPITALITY SECTOR IN IRELAND 2018

## LEINSTER

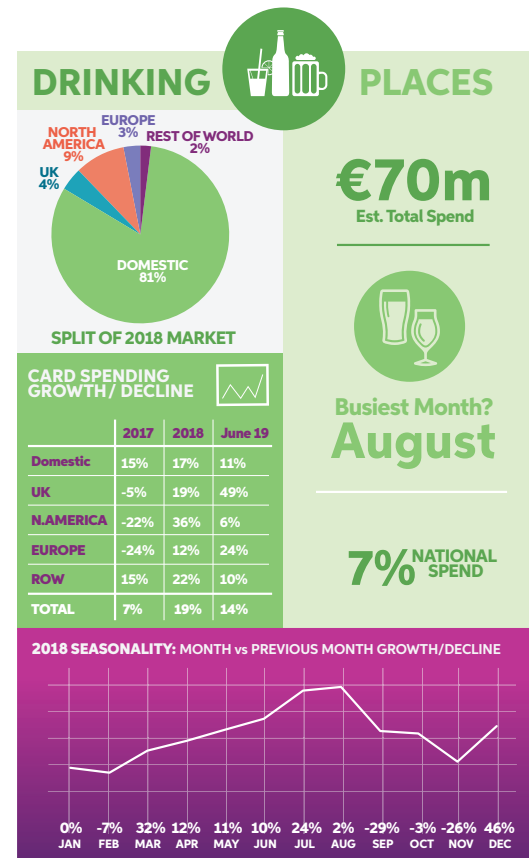
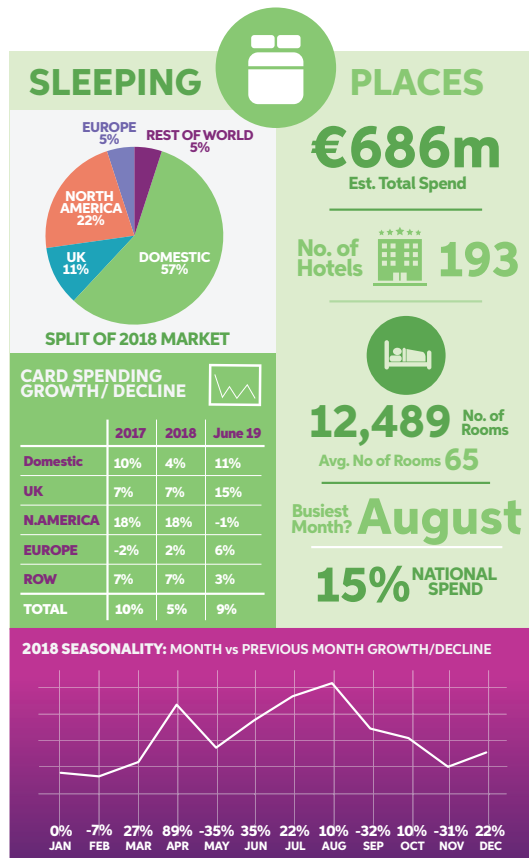
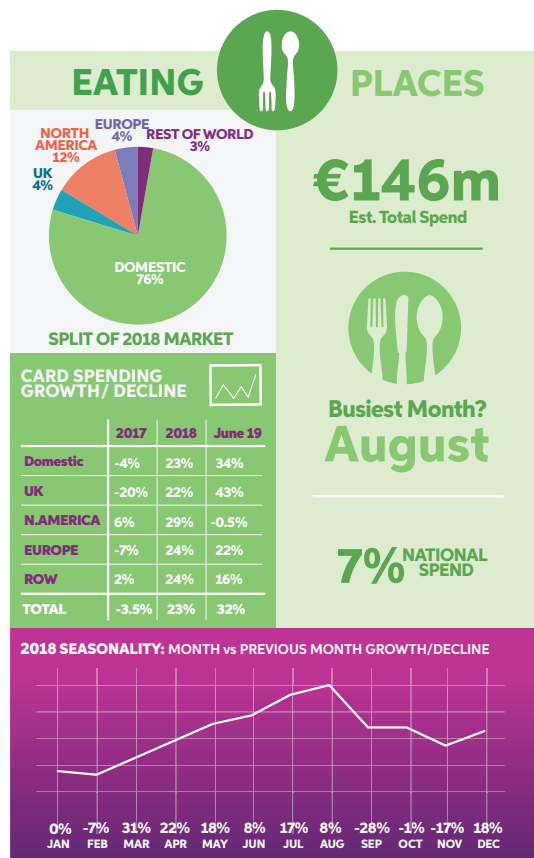


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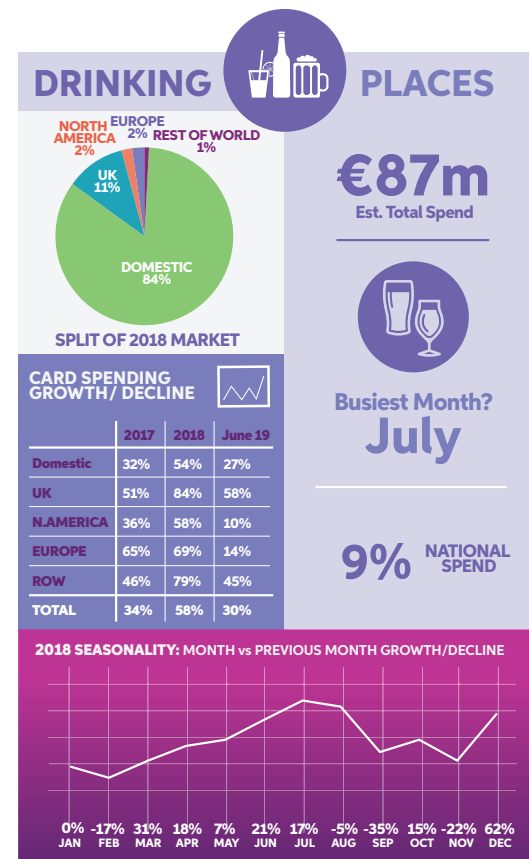
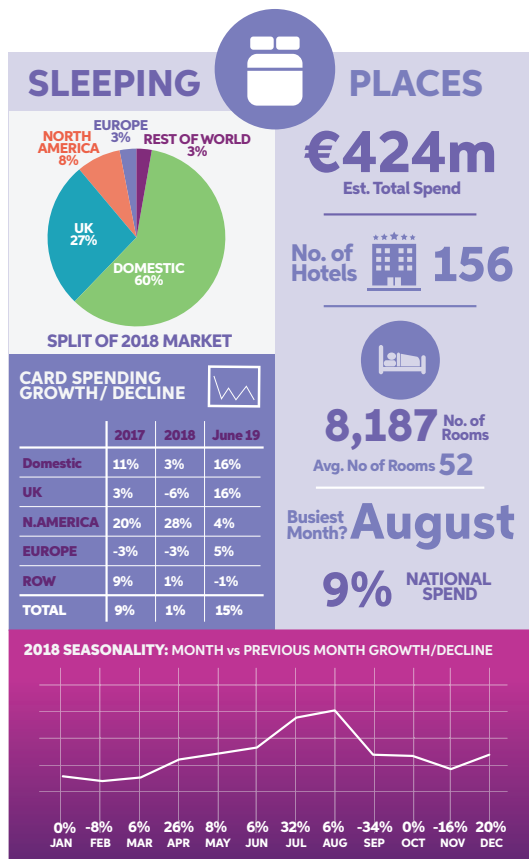
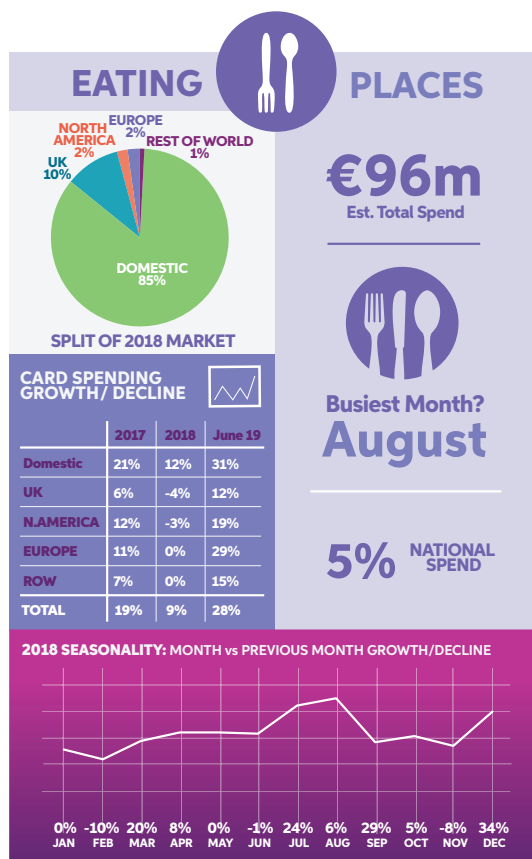
### MUNSTER



Source: AIB Merchant Services for Data Insights / Fáilte Ireland for Hotel Stock Data. Assumptions have been made to calculate the 'Estimated Total Spend'. Assumptions include AIBMS Market Share and Cash v's Card estimates of market and electronic & cheque payments. Munster region defined: Clare, Kerry, Limerick, Tipperary and Waterford. Excludes Cork.

# FURTHER REGIONAL STATISTICS OF THE HOSPITALITY SECTOR IN IRELAND 2018

## NORTH & WEST



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