

Opportunities and Challenges for Tourism in An Era of Full Employment

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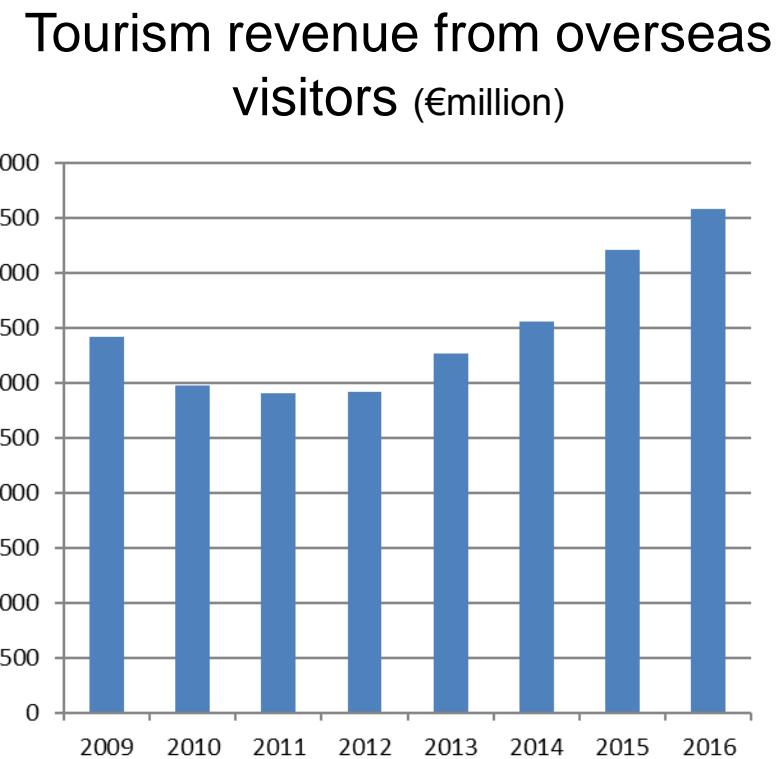
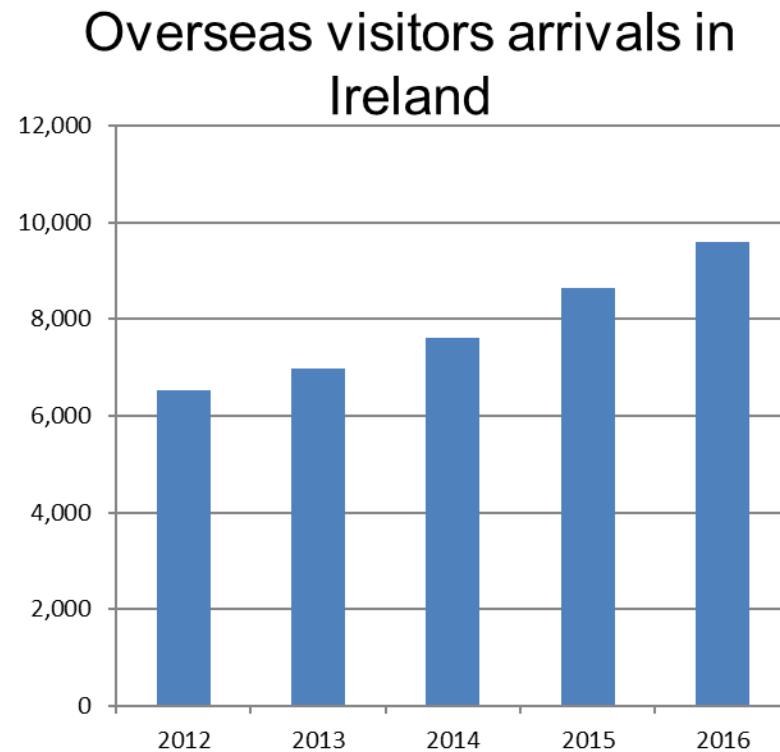
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Economy is approaching full employment

- Unemployment rate 6.0% (Oct)
- Employment growth 2.4% (Q2)
 - 48,100 net jobs annually.
 - f-t v. p-t.
 - more than 2 million employed.
- Medium-term risks, but near-term outlook bright



Tourism has been a major driver of Ireland's remarkable recovery



Macro policies expected to remain supportive

- ECB not expected to raise interest rates until 2019/2020 and then very gradually.
- Euro area economy recovering.
- FDI inflows remain strong.
- Strong momentum in domestic demand.
- Pro-cyclical fiscal policy.



Little scope for giveaways in Budget 2018 due to Fiscal Rules, but significant scope in future

- Budget 2018
 - €320 million in fiscal space (ex-ante).
- Budget 2019/20/21
 - Medium-term budgetary objective (MTO) achieved so much larger fiscal space available.





Neymar
€222m



Kylian
Mbappe
€180m



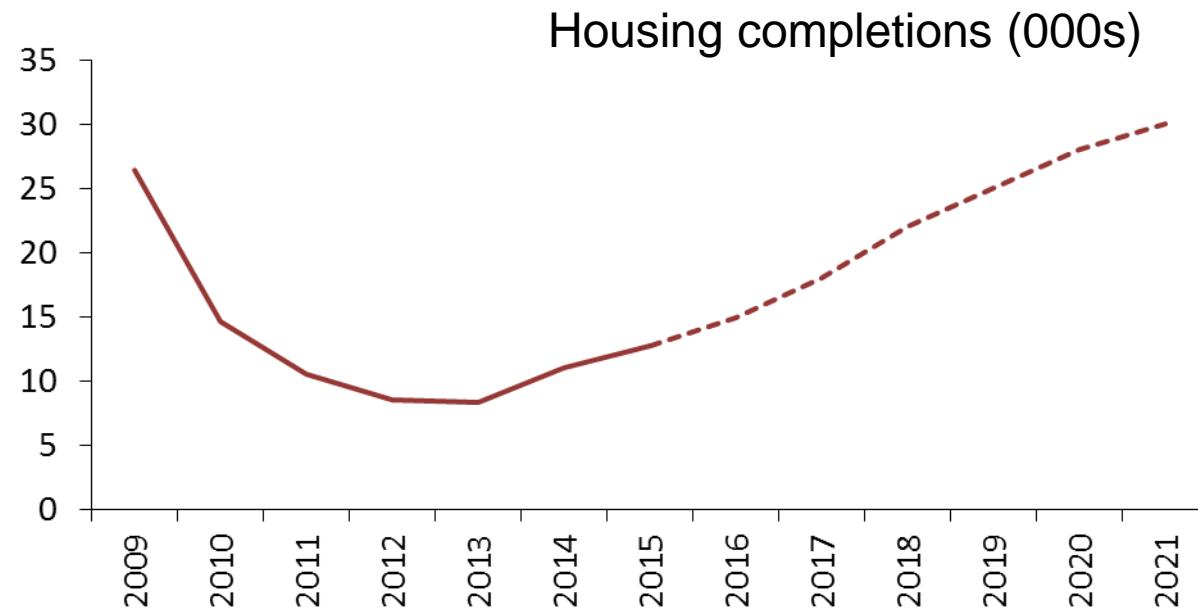
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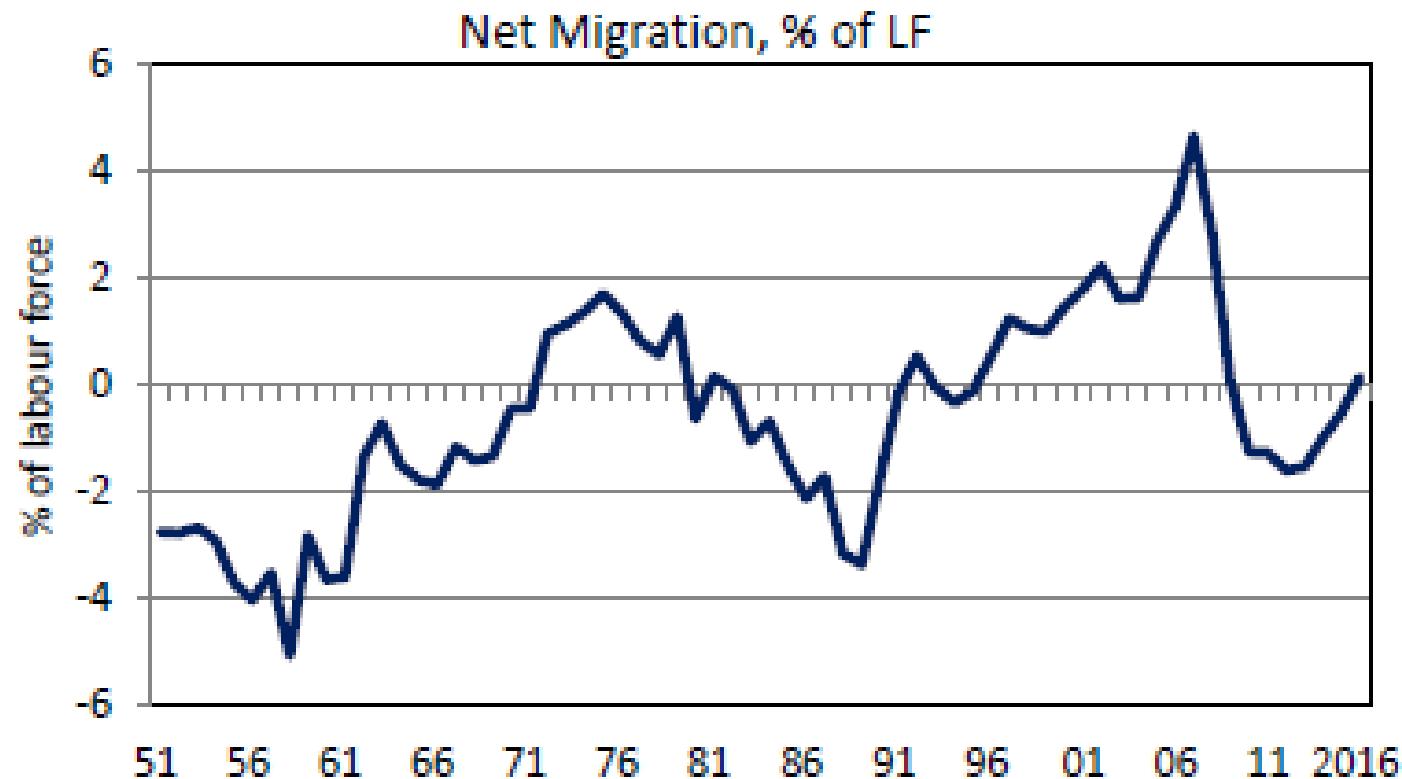
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Accommodating a construction boom?

- Economy approaching full employment despite low level of housing construction.

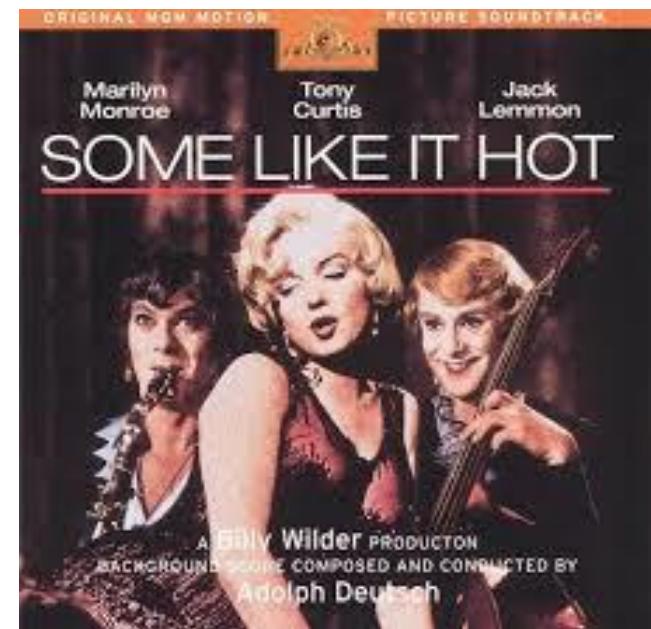


Inward migration won't solve the housing shortage



Risk of overheating in the real economy

- Shortage of labour would push up wage costs and depress exports, rendering economy vulnerable to medium-term risks.



Implications of full employment for tourism

- Opportunities:
 - Positive outlook for domestic consumer spending.
 - Euro area recovery an opportunity to diversify markets.
- Challenges:
 - Attracting and retaining staff.
 - Price and wage competitiveness.



Significant medium-term risks

- Brexit.
- Increased global trade protection.
- International corporate tax reform.
- Faster-than-expected monetary tightening.



UK economic growth expected to remain sluggish

- Bank of England projecting 1.6% growth in UK GDP this year, 1.6% in 2018 and 1.7% in 2019.
 - Assumes “smooth Brexit”
- Other forecasters most pessimistic, pencilling in 1% growth next year.
- Household spending has held up, but under pressure from inflation and low savings rate.
- Brexit-related uncertainty a risk for investment.
- What will happen to sterling?



How should tourism policy respond?

- Emphasis on productivity and labour-saving technologies.
- Need to attract more tourists from mainland Europe (and beyond).
 - Market entry strategies.
 - Continental European languages.
 - Access and connectivity (UK-Ireland air links).
- Growth in tourism can counter rising regional imbalances.



Thank you for your attention



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