

Opportunities and Challenges for Tourism in An Era of Full Employment

Alan Ahearne

Whitaker Institute, NUI Galway

Presentation at the 8th Annual Tourism Policy Workshop

17 November 2017



NUI Galway
OÉ Gaillimh



Whitaker
Institute

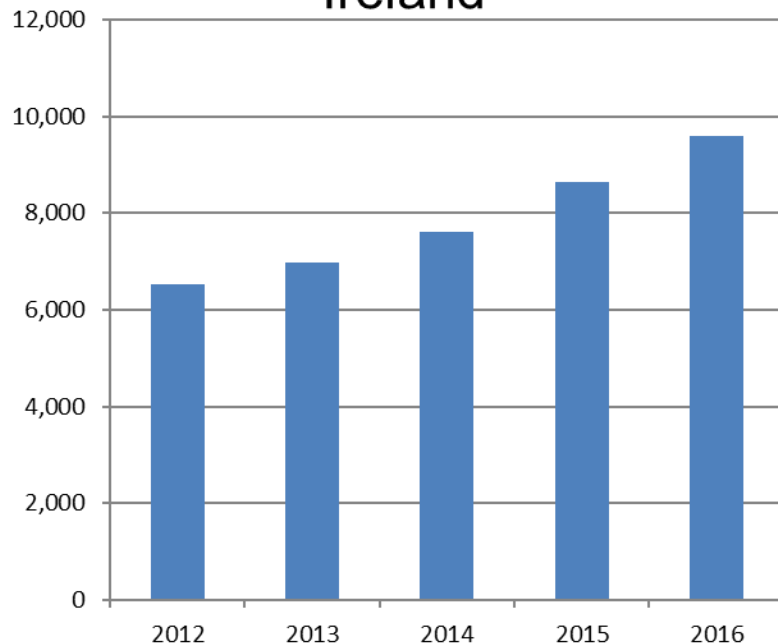
Economy is approaching full employment

- 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

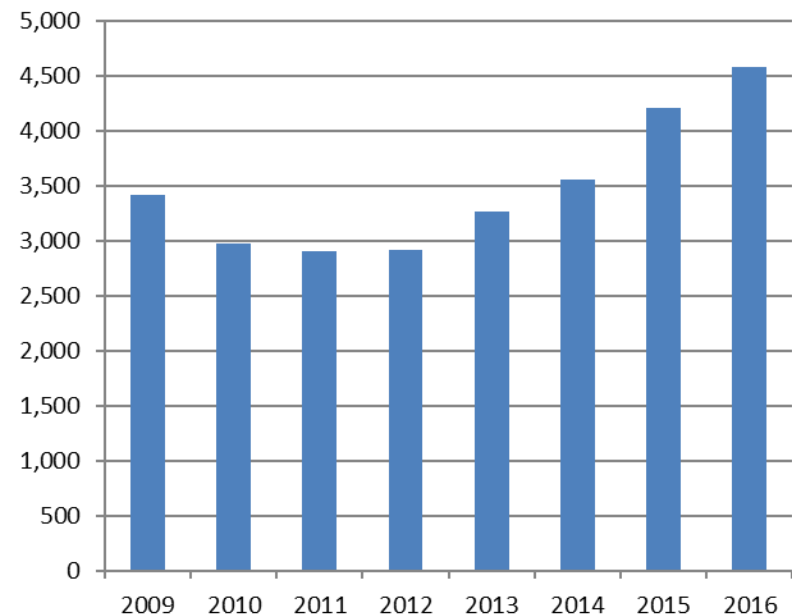


Tourism has been a major driver of Ireland's remarkable recovery

Overseas visitors arrivals in Ireland



Tourism revenue from overseas visitors (€million)



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



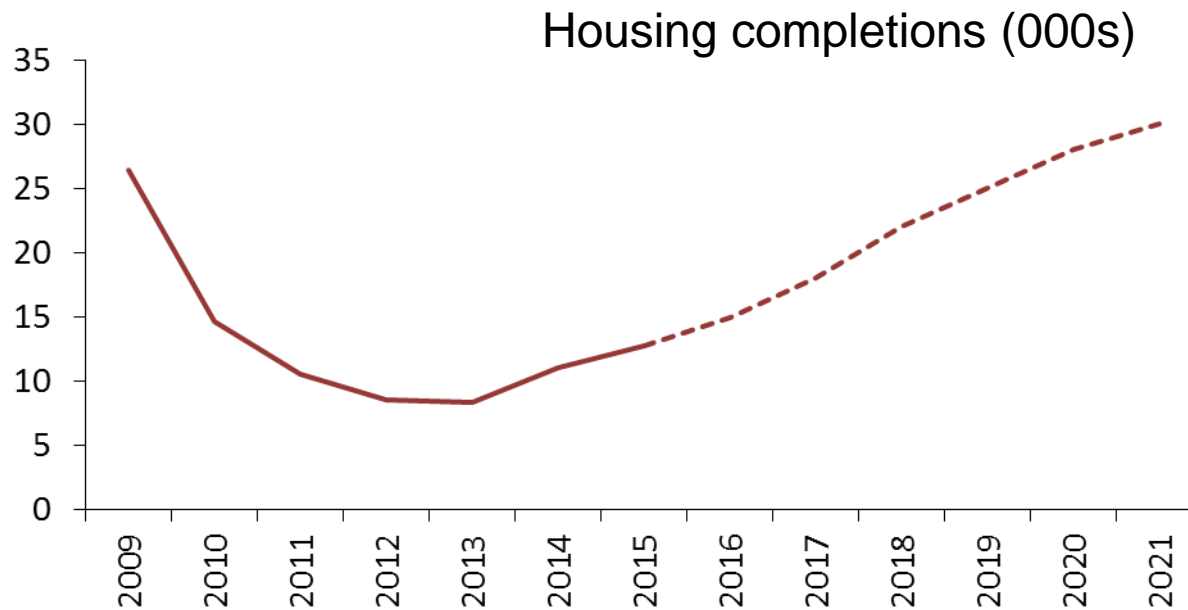
NUI Galway
OÉ Gaillimh



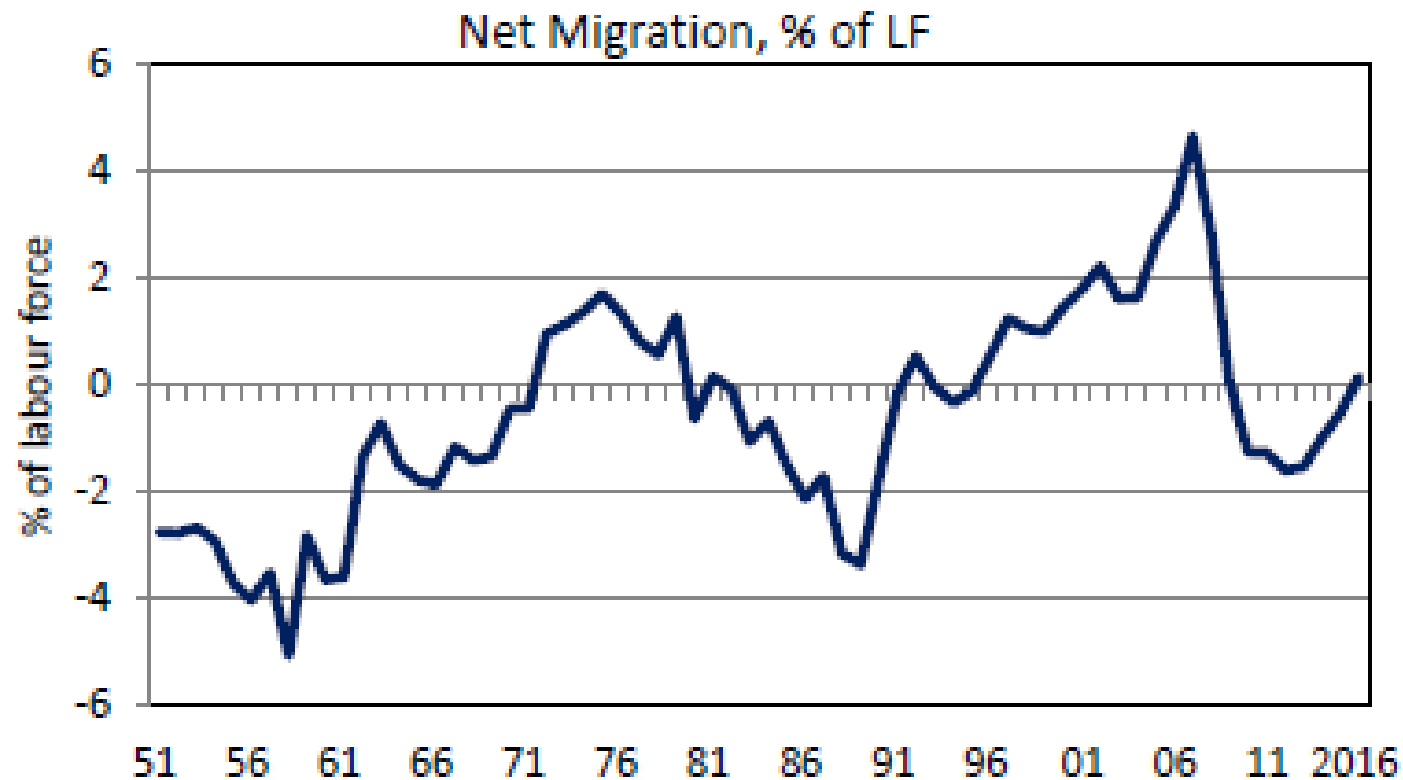
Whitaker
Institute

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



NUI Galway
OÉ Gaillimh



Whitaker
Institute