

*“Key challenges and/or opportunities facing the
Irish economy as a small open economy operating
in a globalised trading environment”.*

Irish Economy_Short project

The key challenges faced by the Irish tourism sector due to COVID-19

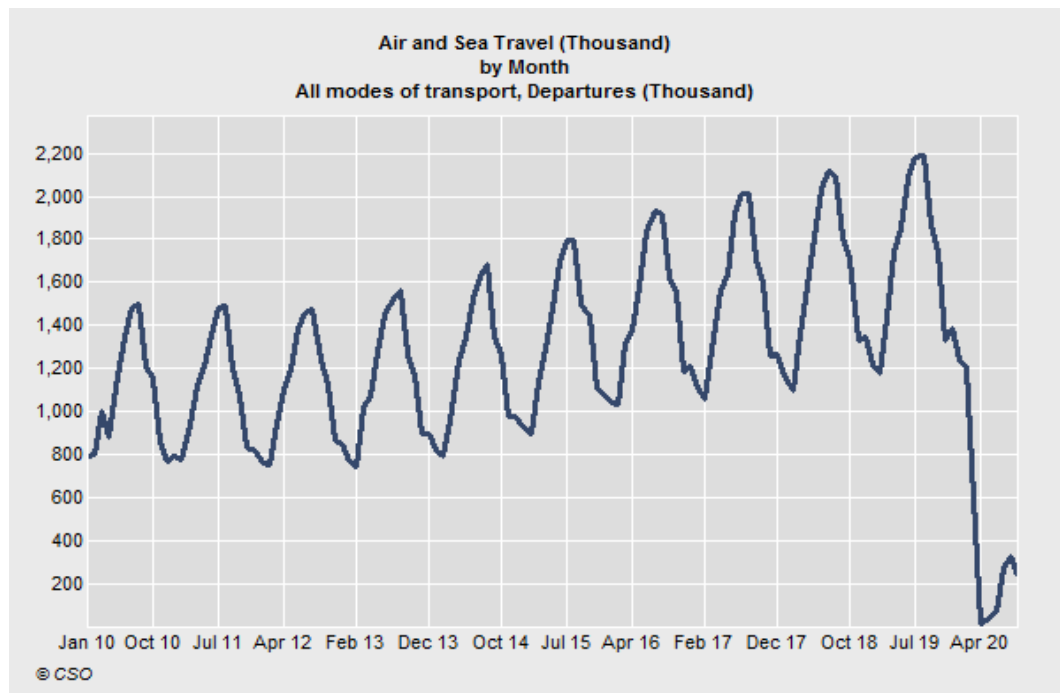
Tourism is one of the most important economic sectors of Ireland. The government seeks to have a vibrant and competitive tourism sector that makes a significant contribution to the economy, portrays a positive image of Ireland overseas, and helps Irish locals to grow and prosper. This positive image of Ireland that is highlighted in tourism marketing supports the government's activities in other areas of economic development. This sector supports many other businesses that are the pillars of our economy such as restaurants, hotels, bars, and pubs, B&Bs, festivals and business conferences. It is a sector that helps people to explore Ireland and experience everything that it has to offer. A fall in this sector could knock many others as well.

Irish tourism sector before and after COVID-19

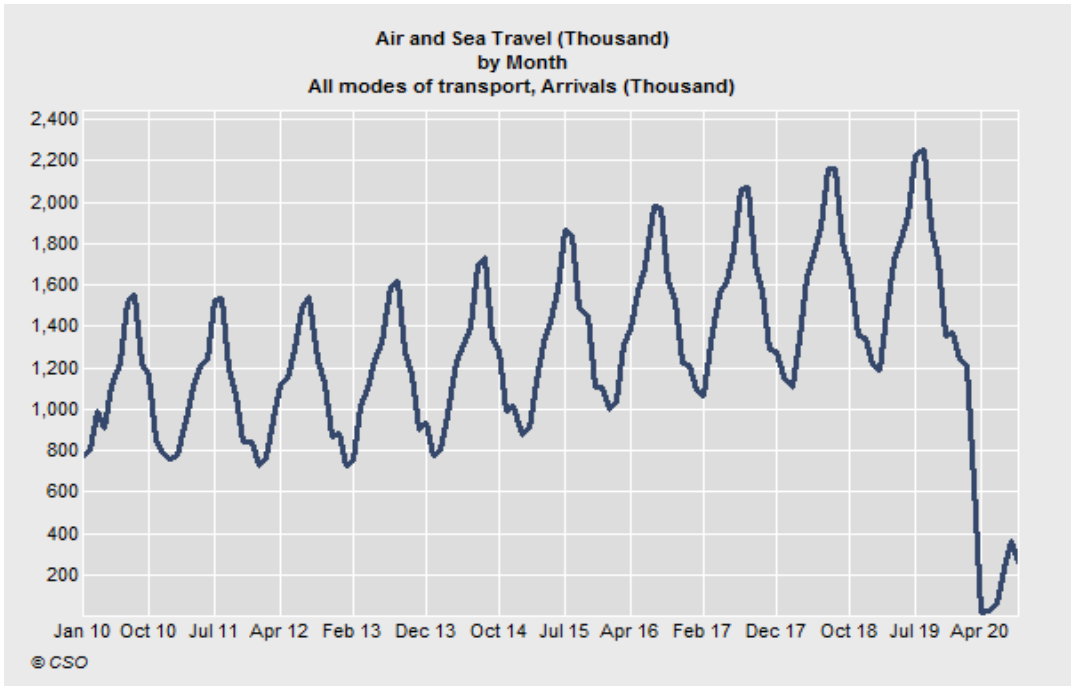
In 2018, Overseas and Northern Ireland tourists generated a revenue of €5.6 billion for the Irish economy. This number rises to €7.3 billion upon including the fare receipts to Irish carriers. Domestic tourism is the bedrock for the tourism industry of Ireland. Domestic tourism contributed €2 billion to the economy. Altogether, Tourism sector contributed €9.4 billion to the economy (Department of Tourism, July 2019). COVID-19 has hit the tourism industry harder than any other sector of the economy and is likely to be very challenging to recover in full. According to a report from Fáilte Ireland (June 2020), following a total Government-enforced shutdown since mid-March 2020, aggregate tourism earnings went down by about 75% this year, a massive shortfall of €7 billion. Ireland's inward tourism collapse this year represented a loss of €27 million every day to the Irish economy over the summer months due to the travel restrictions.

The two graphs below show the number of tourists coming to and from Ireland in the last decade. We can see a huge drop in the arrivals and the departures during April 2020, which was right after the outbreak of COVID-19 in Ireland.

Graph 1



Graph 2



The table below shows the number of tourists that visited Ireland between 2015 and 2019 and where did they come from. It shows the number of International and domestic trips.

Table 1

Tourist Numbers (000s)	2015	2016	2017	2018	2019(p)	Change 19 vs 18
Britain	3,346	3,632	3,445	3,480	3,493	0.4%
Mainland Europe	2,880	3,102	3,256	3,512	3,608	2.7%
France	471	494	512	525	533	1.6%
Germany	609	624	644	763	731	-4.1%
Italy	304	326	343	376	366	-2.6%
Spain	322	370	411	404	412	1.8%
Netherlands	174	222	230	229	231	0.8%
Belgium	121	127	123	128	122	-4.1%
Denmark	66	64	70	68	72	5.6%
Sweden	64	59	75	75	78	3.3%
Switzerland	105	107	104	111	121	8.8%
Austria	53	58	60	68	77	12.5%
Norway	58	50	54	53	49	-7.5%
Poland	161	176	171	188	214	14.3%
All Other Europe	373	427	458	524	602	14.9%
North America	1,294	1,477	1,715	1,963	1,905	-3.0%
USA	1,129	1,294	1,511	1,739	1,681	-3.3%
Canada	165	183	204	224	224	-0.1%
Rest of World	516	531	607	654	685	4.7%
Australia, New Zealand & Other Oceania	204	206	208	226	221	-2.3%
Other Areas	312	325	399	428	463	8.2%
Total Overseas	8,036	8,742	9,023	9,609	9,691	0.9%
Northern Ireland	1,492	1,358	1,315	1,338	n/a	
Total out-of-state	9,528	10,100	10,338	10,947	n/a	
Domestic trips ^{1,2}	9,125	9,359	9,626	10,919	n/a	

Source: CSO/Fáilte Ireland/TSB, NISRA

These huge numbers of tourists show how tourism exports help Ireland generate a significant amount of revenue. The table below shows the total expenditure done by these visitors.

Table 2

Revenue (€m)	2015	2016	2017	2018	2019(p)	Change 19 vs 18
Britain	1,017.9	1,109.8	1,046.5	1,024.8	1,022.8	-0.2%
Mainland Europe	1,555.3	1,657.5	1,763.0	1,845.8	1,853.5	0.4%
North America	1,199.7	1,337.4	1,525.5	1,746.7	1,699.9	-2.7%
Other Overseas	492.6	533.3	588.9	599.9	593.9	-1.0%
TOTAL OVERSEAS	4,265.3	4,638.0	4,923.9	5,217.3	5,170.1	-0.9%
Northern Ireland ³	338.2	366.9	371.3	394.6	n/a	
TOTAL OUT-OF-STATE	4,603.5	5,004.9	5,295.2	5,611.9	n/a	
Carrier receipts ⁴	1,322.0	1,487.0	1,611.0	1,725.0	1,766.0	2.4%
Overseas same-day visits	38.0	48.0	53.0	47.0	44.0	-6.4%
TOTAL FOREIGN EXCHANGE EARNINGS	5,963.5	6,539.9	6,959.2	7,383.9	n/a	
Domestic trips ^{5,6}	1,725.3	1,797.7	1,879.1	2,006.0	n/a	
TOTAL TOURISM REVENUE	7,688.8	8,337.6	8,838.3	9,389.9	n/a	
<i>TOURISM REVENUE EXCLUDING CARRIER RECEIPTS</i>	<i>6,366.8</i>	<i>6,850.6</i>	<i>7,227.3</i>	<i>7,664.9</i>	<i>n/a</i>	

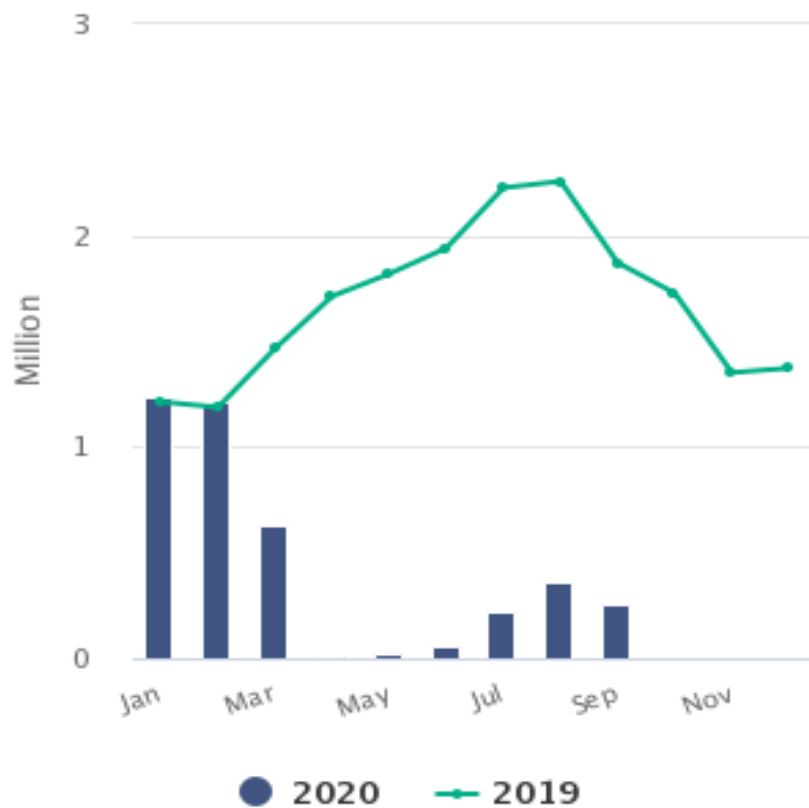
Source: CSO/Fáilte Ireland/TSB NISRA/Central Bank of Ireland

The table accounts for both International trips and domestic trips. Since Ireland is a small open economy and depends hugely on trade, Tourism exports make a significant contribution to our GDP. In 2019, contribution of travel and tourism to GDP (% of GDP) for Ireland was 6.3 %.

However, due to the sudden COVID-19 crisis, March 2020 saw a substantial fall in overseas travel both to and from Ireland. There were 602,100 departures and 635,000 arrivals in March 2020. These trips were more than 1.4 million in each direction in March 2019 (as shown in the graph below). Arrivals in March 2020 went down by 56.7% in comparison to March 2019 and departures were down by 58.1% (CSO). This reduction has caused Ireland a huge loss since tourism and hospitality services are a substantial part of our GDP.

Graph 3

Figure 1 Overseas arrivals September 2020.



Source: CSO Ireland

The above figure shows the tourist arrivals for 2019 and 2020. We can see a huge drop in tourist arrivals between March and July. However, there was an increase in the arrivals after the first lockdown was lifted. But, once again, there are no tourist arrivals since October. This fall in tourism has affected the hospitality sector as well and increased unemployment rate across this sector.

Tourism Employment

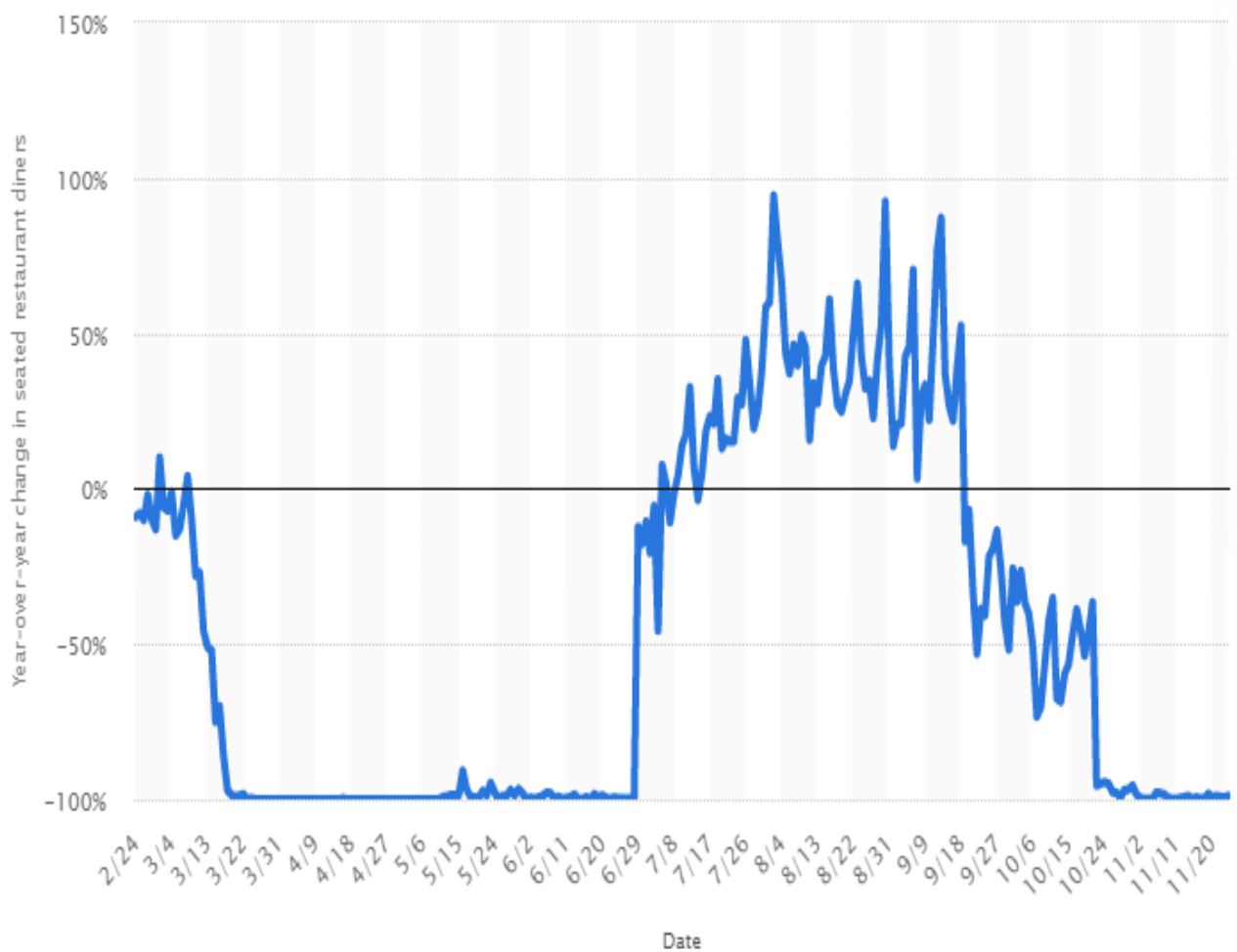
COVID-19 has severely affected the employment in this sector. According to Department of Tourism (2019), the tourism sector is an essential component of Ireland's employment base as it supports about 325,000 jobs in Ireland. Around 18% of jobs in Kerry and 13% jobs in Donegal depend directly on the success of the tourism and hospitality sector, this compares to 10% jobs in this sector in the capital. Due to COVID-19 the workers in these sectors were only dependent on unemployment subsidies provided by the government. According to an Irish job website 'Indeed.com', Job posts and searches with keywords "tourism" and "hospitality" dropped by 25 percent in Ireland in 2020 as compared to 2019. Government in recent months acknowledged that up to 200,000 jobs could be lost in the sector over the next year due to anti-virus restrictions. Study shows that 75 percent of the sector is "deeply dependent" on overseas visitors with only a proportion of this expected to be improved by a rise in domestic tourism.

Effects on Hospitality sector and Businesses

A survey from the Irish Hotels Federation (IHF) discovered that since the announcement of the second lockdown on September 15th, the weekly rate of new bookings for hotels has dropped by 67 per cent. The hotel room occupancy rates all over Ireland were 40 percent for September, 23 percent for October and only 12 percent for November based on business currently booked. The numbers were way higher last year at rates of 89 percent last September, 81 percent October and 82 percent last November. Accommodation and Food Service Activities are the sectors with the highest number of people receiving the Pandemic Unemployment Payment (PUP). On 3rd November, there were 98,233 recipients in this sector, followed by Retail Trade (51,921). Furthermore, 11,400 employees in the Arts, entertainment and recreation are also currently living off PUP supports. Based on the official data, it is

recorded that up to 150,000 people across a range of businesses dependent on tourism are currently in receipt of Government wage support. There are severe negative impacts in the Dublin area and west of Ireland, including all key tourism destinations and employers (Irish Tourism Industry Confederation, November 2020). The graph below shows the huge decline in restaurant visits over the past few months.

Year-over-year daily change in seated restaurant diners due to the coronavirus (COVID-19) pandemic in Ireland from February 24 to November 24, 2020



Measures for the survival and recovery of tourism sector

. Among several measures taken by the Tourism Recovery Taskforce (October 2020) are:

- Measures in Budget 2021 including the **reduced Vat rate**, the standard rate of VAT has been reduced from 23% to 21% for six months from September, to boost beverage sales. Reduced VAT rate for tourism and hospitality sector from 13.5% to 9%.
- The Temporary Wage Subsidy Scheme replaced by a new **Employment Wages Support Scheme** from September 2020 to April 2021. This will help businesses that have seen a 30% reduction in turnover.
- Revised **PUP allowances** and €55 million business continuity fund to be administered by Fáilte Ireland to help tourism and hospitality businesses survive.
- **Business continuity grants** of €120 million to enable strategic tourism businesses survive the crisis, focusing on those with the greatest reduction in turnover in 2020.
- Extend the **COVID-19 Adaptation Fund** by €30 million to allow flexibility, e.g., increased outdoor dining capacity, in the context of the Living with COVID-19 Plan.
- Increase domestic demand for holidays by varying the timing of school holidays in different areas of the country to take advantage of capacity in peak seasons.
- **COVID-19 Credit Guarantee Scheme** – Loans available to SMEs from €10,000 to a maximum of €1,000,000 for terms of 3 months up to 5 and a half years. Available from AIB, Bank of Ireland and Ulster Bank. Available up to 31st December 2020 (RTE NEWS, 23 Sep 2020)

Conclusion

The barriers in the tourism led exports as discussed above have severely affected Ireland's economy which is deeply dependent on trade. If Ireland wants to maintain its image as an

attractive tourist destination than it needs to work on the measures mentioned above. It needs to invest in both domestic and international tourism, this will boost the economy and help the tourism revenue to reach at the same level as 2019.

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Data published by jobs website Indeed to mark UN World Tourism Day

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<https://www.gov.ie/en/policy/3fcc3a-tourism/#:~:text=11%20December%202019.-,Tourism%20Marketing,to%20Irish%20carriers%20are%20included>

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Up to 88 per cent of hotel rooms expected to lie empty in November, survey finds

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Year-over-year daily change in seated restaurant diners due to the coronavirus (COVID-19) pandemic in Ireland from February 24 to November 29, 2020

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**Tourism Recovery Plan 2020 - 2023 Prepared by the Tourism Recovery Taskforce
October 2020**

file:///C:/Users/Maria/Downloads/90006_80801fc3-a69b-4faf-843b-be9bff4d6a0f.pdf