

# CORK CHAMBER Economic Bulletin

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## Call for Increased Tourism Budget to minimise Brexit fallout

Members of the Cork business community are overwhelmingly in favour of increased support for the tourism sector as a challenge to imminent Brexit threats. The latest Cork Chamber quarterly economic survey has indicated that 77% of business respondents favour the allocation of increased support to market Irish tourism.

This is in light of warnings that the tourism industry in Cork and around the country are expected to face a substantial reduction in visitor revenue from the UK this year in the wake of Brexit. Having celebrated a record year for tourism in 2016 with revenues in excess of €8 billion, early reports from the Central Statistics Office suggest a decline of almost 8% of British spending in Ireland for the first quarter of 2017, and a further drop of UK visitors to Ireland by 6.4% during the second quarter. A subsequent drop of 4.1% in the number of nights spent in Ireland by overseas travellers was recorded for the first 3 months of the year.

The Irish Tourist Industry Confederation (ITIC) have warned that Britain's exit from the EU could trigger a loss of more than €100 million for Ireland's tourism industry in 2017 alone. Brexit is the greatest challenge to face Irish tourism since the global economic recession of 2008, where the value of the UK market fell by 23% in the space of 12 months. As the country's largest indigenous employment industry, the tourism and hospitality sector employs on average 1 out of every 9 people in Ireland.



Despite a sizable growth of 14% from the North American Market, in large part due to the increasing presence of transatlantic routes in Ireland, the decline of the British market has diluted these gains, with the Brexit effect yielding a 1% drop in tourism revenues overall for the state this year. These regressions are anticipated to continue and have been directly linked to Brexit. In particular, the sharp drop of the sterling against the euro and the dollar has made the UK a more competitive destination for tourists.

Amidst the ambiguity of Brexit negotiations, an accurate forecast cannot be made as to what kind of exit deal Britain will negotiate with the EU and what this will mean for Ireland. This provokes the urgent need to plan for the implications of Brexit. Furthermore, the impact of a hard Brexit could include restrictions on the movement of people, revision of common aviation policies, and new regulations governing the conduct of business between Ireland and Britain.

While trade export sectors such as agri-food, FDI and manufacturing have remained a focal point in government strategic Brexit planning, a strategy for tourism has yet to be implemented in order to mitigate the consequences of our closest neighbour's exit from the EU.

Recent speculation that the special reduced VAT rate of 9% on goods and services in the hospitality industry could be increased to 13.5% poses yet another risk to tourism. In addition, the aviation sector faces upheaval, with Brexit likely to pose inherent risks to the aviation market. In response to the volume of threats to tourism, ITIC have highlighted the necessity of a support structure, comparable to other export sectors, to assist businesses most susceptible to a downturn. They are calling for a €12 million annual Brexit fund with a view to consolidating market share in Britain, diversifying into new markets, and supporting vulnerable tourism enterprises.

The UK market is fundamental to the success of the tourism sector, which is in critical need of financial support to minimise the impacts of Brexit. It is evident from the findings of the latest Q2 survey that the importance of protecting our vital tourism sector from the vulnerabilities of Brexit is at the heart of the Cork business community, and thus Cork Chamber echoes the call for additional funding and planning towards minimising risks post-Brexit.



# Economic Trends Survey Results

## Executive Summary

The Cork Chamber Q2 Economic Bulletin is published at a time of unprecedented opportunity for the region and for Ireland. Optimism abounds and member confidence in their businesses increases from 91% in Q1 to 96% in Q2. Overall confidence in the Irish economy is also improved with 33% stating an increase compared to three months ago and 61% unchanged.

With Brexit unfolding in a piecemeal manner, business is becoming fatigued by the lack of clarity and is focussing on what can be managed in-house. As such, the relative precision of cost competitiveness is of heightened relevance. It swaps places with Brexit to lead our list of threats showing that the strong optimism in Cork is in no way reflective of complacency.

The Q2 Bulletin is also published immediately in advance of a series of significant Government documents that will define the immediate and long-term future of state investment from now until 2040. We await our 2018 budget, a first glimpse of the National Planning Framework 2040 and the mid-term review of the Capital Plan which is set to reinforce the vision for 2040.

The endorsement of capital spending as a budgetary priority is a complement to ongoing Chamber lobbying and formal submissions. It highlights the appetite for releasing the potential of the region and the complements signals from Government in advance of the budget and Capital Plan review.

In taking the time to complete the Q2 survey members provided opinion and insight that will continue to guide and enhance our advocacy activity:

“Capital investment is the most important as the budget will not be able to accommodate all areas and rather than spreading the investment too thin across too many areas, better to focus on one area that can have a lasting impact on the economy and society.”

“Greater long-term vision and strategic investment in items such as broadband, road networks, public transport. Areas that will help drive future economic growth. Help struggling middle class who are being squeezed.”

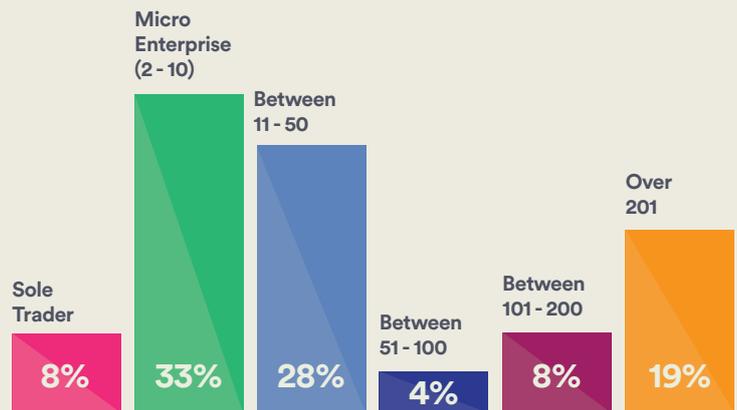
“Travel Infrastructure to Cork, is holding back the area.”

“Infrastructure, housing and tax restructuring are required as priority items.”

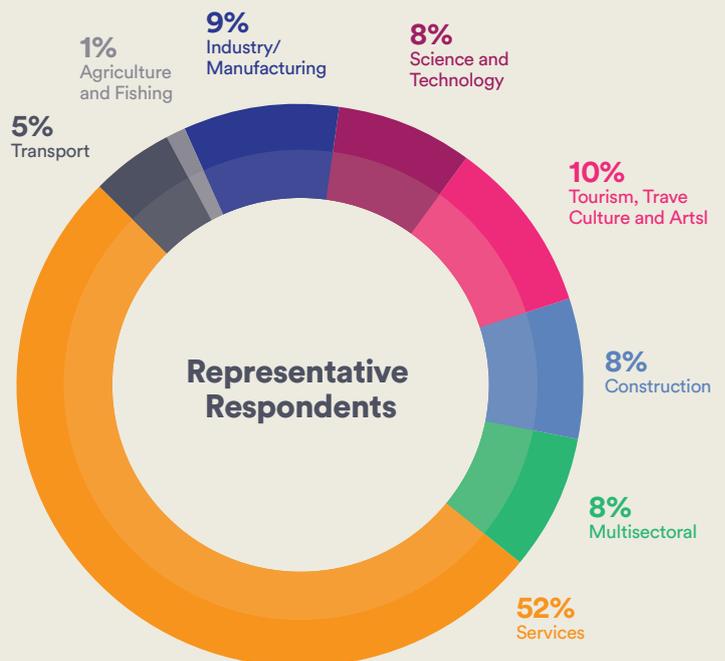
“The supply of affordable housing needs to be addressed as a matter of urgency across the private owned, and private and social rented sectors.”

## Responding Businesses

The responding businesses are representative of a broad cross-section of business sizes.



Respondents are also representative of a broad range of sectors



# TOP 5 Threats to Business Growth

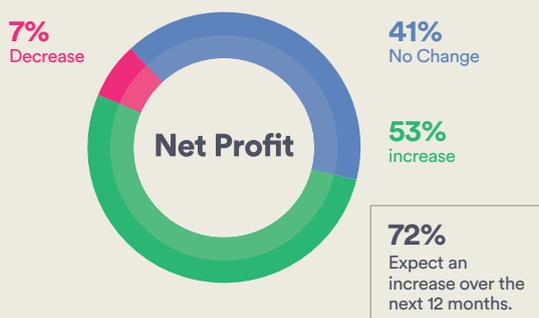
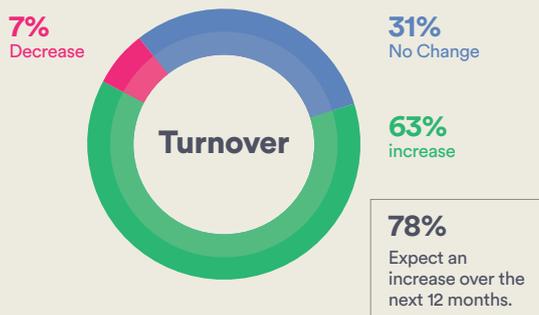
1. Cost Competitiveness
2. Availability of Housing/Rental Accommodation for Employees
3. Brexit
4. Skills availability
5. Managing cashflow

The above are closely followed by changing consumer spending/reduced orders, Government stability and over regulation. Cost competitiveness and Brexit swap place in comparison with Q1. In commentary, US foreign policy in relation to trade is raised as a threat for the third consecutive quarter.

## Business Confidence

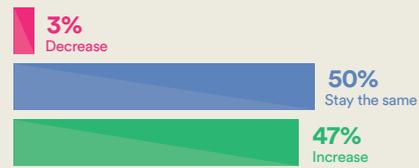


## Turnover and Net Profit estimations and 12-month predictions



## Employment Outlook

Change to employee numbers over Q2 2017



Expected changes to employee numbers over the next 12 months



Percentage of businesses with vacancies advertised currently



Among the roles rated as hardest to fill include chefs, customer services, sales and marketing, engineering, software, fund accountants and medical professionals from admin to consultants.

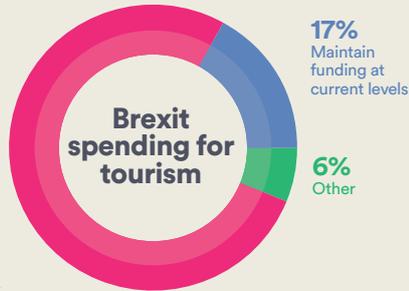
## Priority Areas for Budget 2018

1. Capital investment
2. Tax reforms
3. Improved financial supports for SMEs
4. Health investment
5. Social Housing
6. Education & childcare investments

Respondents ranked the above areas of priority for Budget 2018. In comparison to Q2 survey data from 2016, the identification of capital investment and tax reforms as number 1 and 2 priorities remain unchanged, while the need for increased funding to support SMEs was raised from seventh priority to third in Q2 2017 findings. Investment in health, social housing supports and the further investment in education and childcare were previously prioritised in 2016 and have again ranked highly in 2017 reflecting their strong importance as priorities amongst respondents. This data and the qualitative feedback provided will inform the Cork Chamber budgetary submission.

## Supporting Tourism

2016 was a record year for Irish tourism, valued at €8 billion to the Irish economy and is Ireland's largest indigenous employment sector. In 2017, visitor numbers from the UK are down for the second quarter in a row, linked to the Brexit currency effect. The Irish Tourism Industry Confederation have advocated for a €12 million per annum booster for the sector. We asked members whether there should be heightened investment in supports and marketing to offset the negative implications of Brexit.

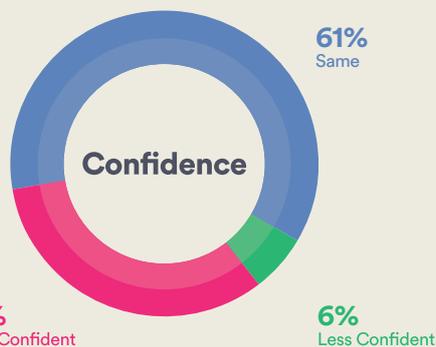


**77%**  
Favour the allocation of increased support to market Irish tourism

Increase funding for international marketing for organisation such as Tourism Ireland: **57%**

Increase funding to further develop domestic tourism offering: **20%**

## Confidence in the Irish Economy



**33%**  
More Confident

**6%**  
Less Confident

# Majority of Irish CEOs see disruption as opportunity for their business, says KPMG

A recent survey by KPMG has found that the majority of Irish CEOs (90 per cent) see disruption as an opportunity, not a threat, to their business. While just four in ten Irish CEOs are confident about growth in the global economy, 84 per cent say they are confident about growth in the domestic economy and 93 per cent are confident of growth in their industry, according to KPMG's Irish CEO Outlook for 2017.

In addition, the study found that 60 per cent of Irish CEOs believe geopolitical uncertainties are having a greater impact on their business than previously seen. Separately, CEOs in the Republic of Ireland are significantly more optimistic about economic growth (84 per cent) than those in Northern Ireland (40 per cent). The number of Irish CEOs who expect to increase headcount over the next three years has also risen from 32 to 43 per cent in comparison with data from last year.

Commenting on the survey results, Barrie O'Connell, Partner in Charge with KPMG in Cork said: "This year's survey shows that many Irish CEOs are optimistic about the future of their own business, despite ongoing doubts about the global economy. From the uncertainty of Brexit, the threat of protectionism and the challenges of new technology, Irish CEOs are becoming increasingly accustomed to risk and in many cases are using it to create new opportunities."

From an Irish perspective, new technology is noted by respondents as having the biggest potential impact on company growth over the next three years. Meanwhile attracting new talent is cited by over a third of respondents (37 per cent) as the biggest tech challenge they face.

According to Barrie O'Connell: "Operating in a more complex and rapidly changing environment is challenging CEOs like never before, with an expanding breadth of skills and expertise needed to lead their organisations. Amongst the challenges highlighted by CEOs is the need to stimulate innovation, oversee new types of customer relationships, manage heightened reputational risks and make major decisions about their investments in technology."

For more information on the KPMG CEO Outlook 2017 see [www.kpmg.ie](http://www.kpmg.ie)



# Disrupt and grow

## Irish CEO Outlook 2017



90% of Irish CEOs see disruption as an opportunity – not a threat.

Learn more at [kpmg.ie](http://kpmg.ie)  
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