

# Hospitality Exchange 2019

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# Agenda

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1. Tougher global climate
2. Headwinds picking up
3. Brexit disruption and maybe long term change
4. Trends shaping the industry



# Tougher global climate

# Global conditions appear to be deteriorating

Are we headed for a global recession?

## Can Anyone Hold the Global Economy Together?

We are trapped between an erratic Trump, a dysfunctional Europe and an authoritarian China.

**UK construction slump worsens as Brexit uncertainty deepens - PMI**

US tariffs to hit aircraft, French wine and cheese, and Spanish olive oil

**India May Have Entered 'Quasi-Recession' as Growth Plummetts**

Q Search

Bloomberg

Economics

**More Than a Whiff of 1970s Gloom in Brexit-Hobbled Britain**

**Australia**

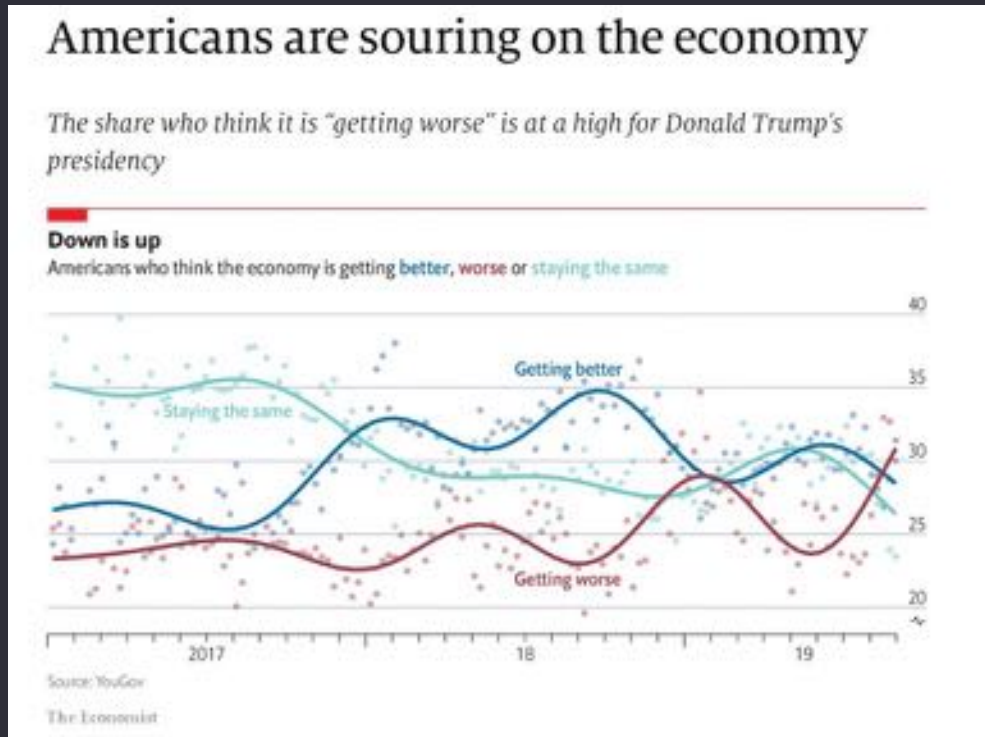
Australian economy growth is slowest in a decade

Markets

**Yield Curve Blares Loudest U.S. Recession Warning Since 2007**

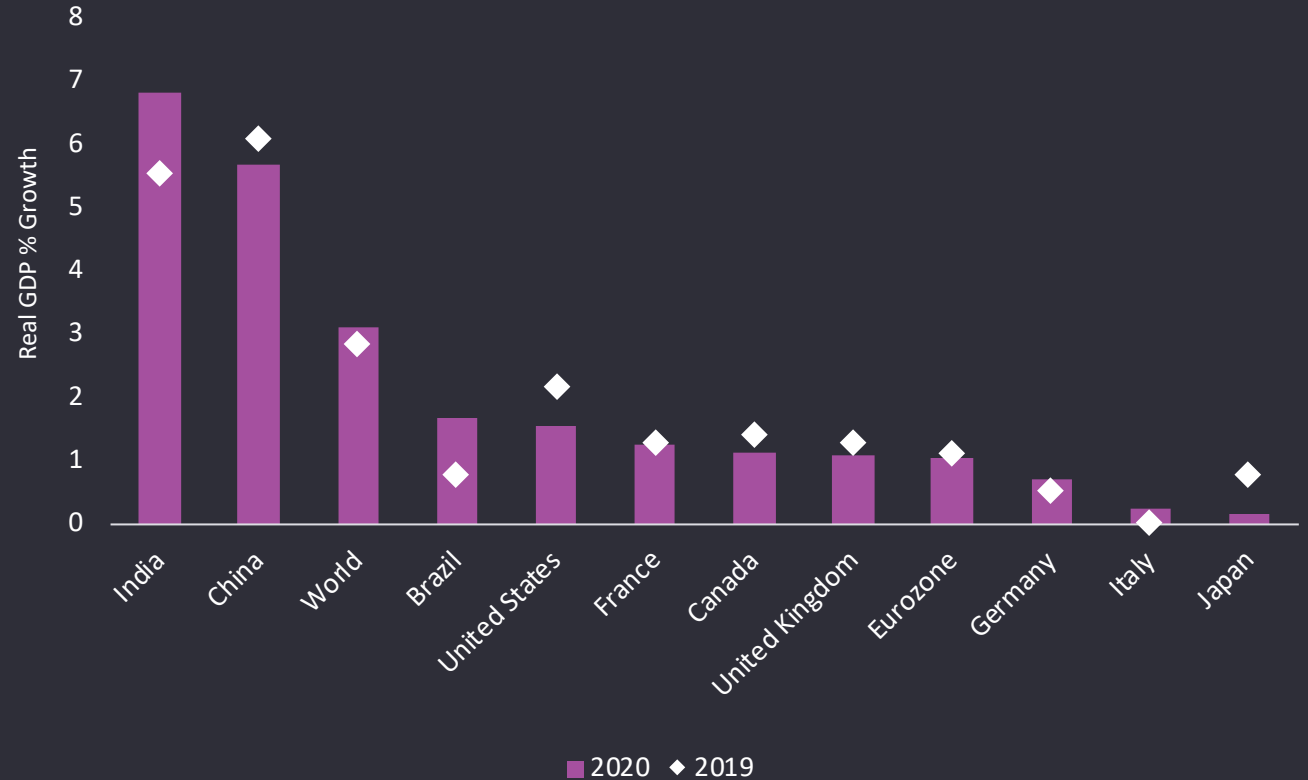
# Even the US is increasingly nervous

Share of Americans who think the economy is "getting worse" at a high for Trump's presidency



Source: YouGov

## Global growth forecasts



Source: Oxford Economics October 2019

# Headwinds picking up



# Forecasts – edging lower

## EY growth forecasts

	2019	2020	2021	2022	2023
ROI	3.7%	3.0%	2.8%	2.7%	2.4%
NI	1.0%	1.1%	1.6%	1.6%	1.9%
UK	1.3%	1.5%	1.8%	1.9%	2.0%

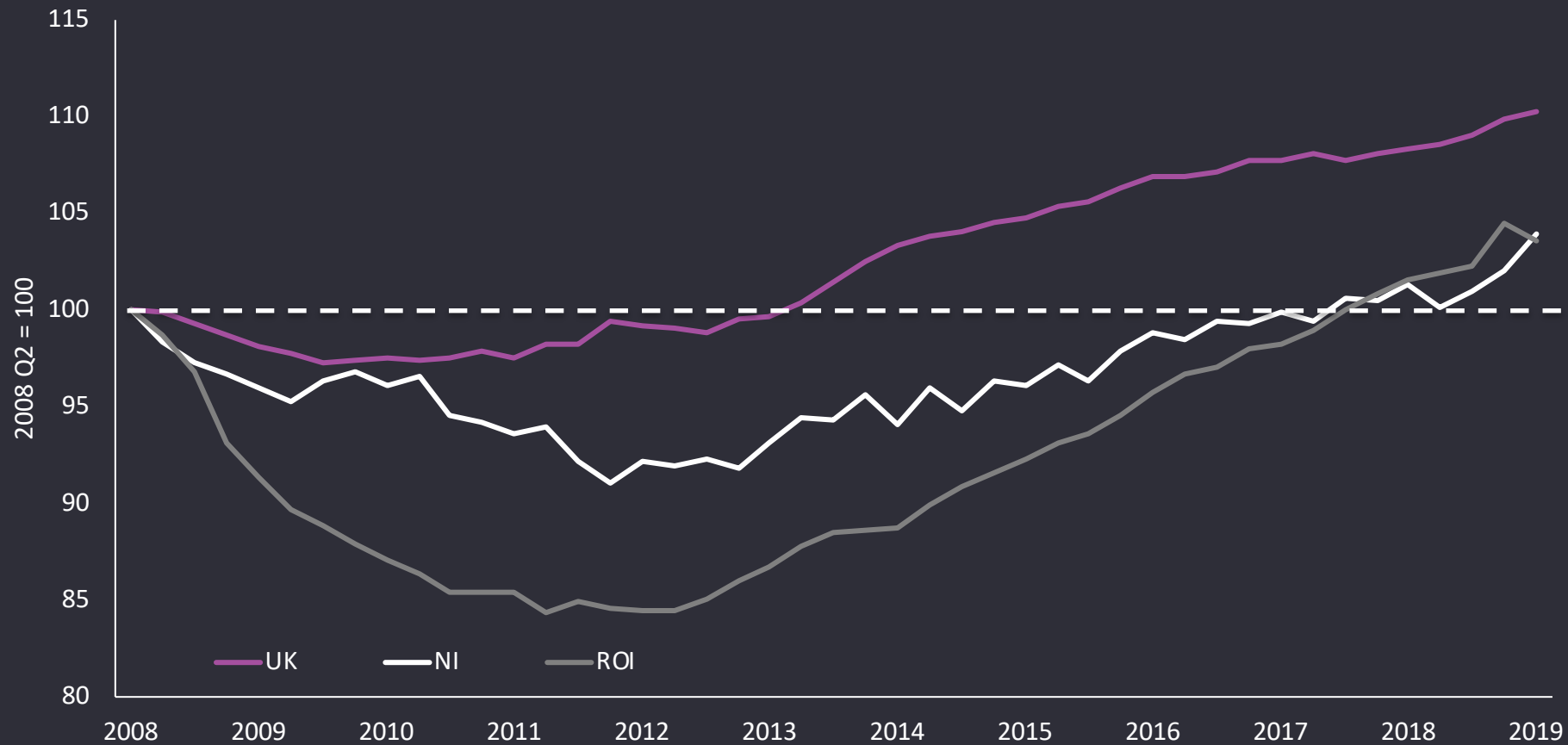
## EY job forecasts

	2019	2020	2021	2022	2023
ROI	2.2%	1.8%	1.6%	1.5%	1.4%
NI	0.0%	-0.3%	0.4%	0.6%	0.4%
UK	1.0%	0.6%	0.7%	0.5%	0.5%

Source: EY Economic Eye

# Job creation has been impressive (and sustained)

Quarterly employment (2008 Q2 = 100), NI, UK & ROI, 2008-2019



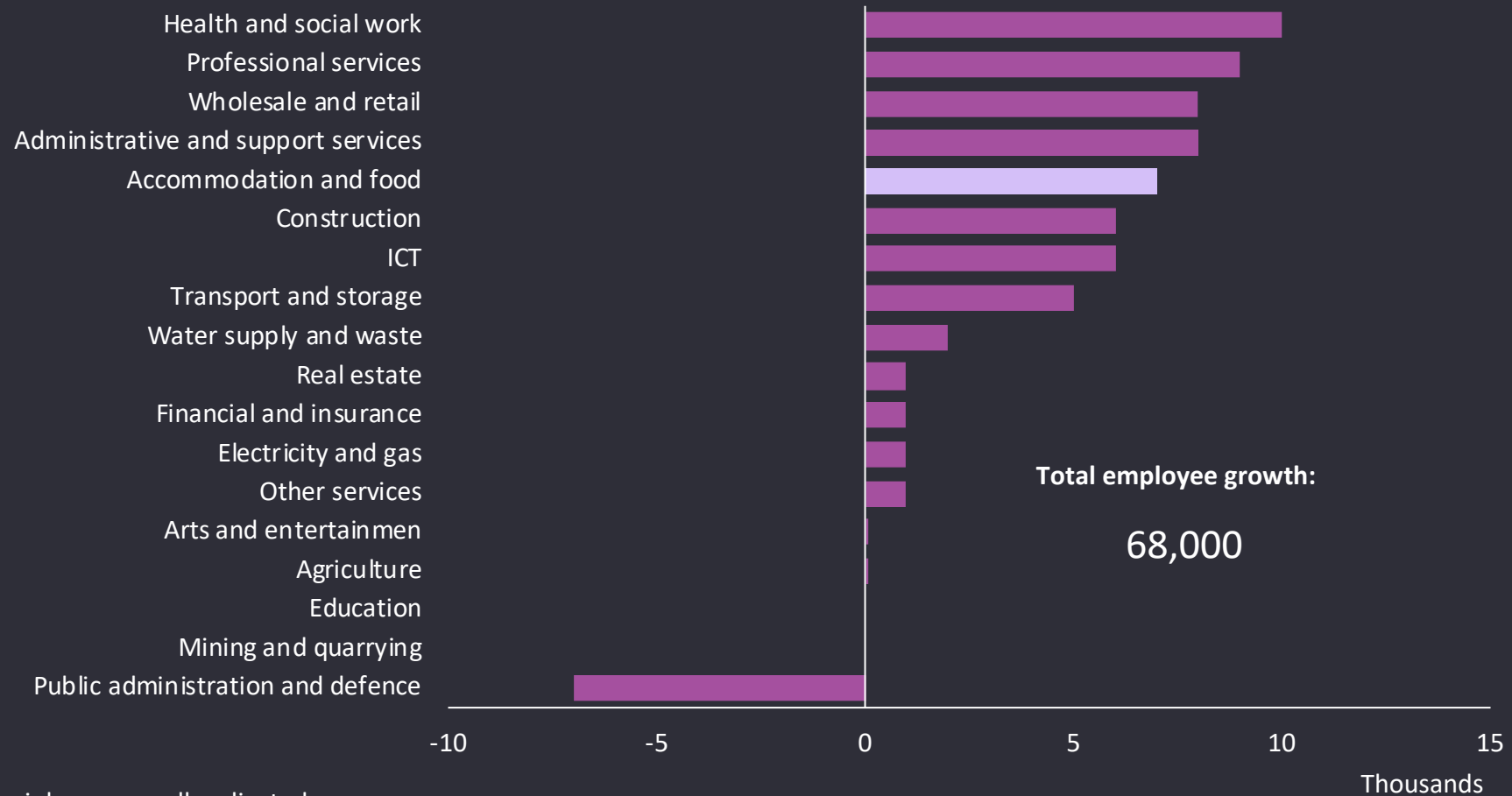
NI: +86,800  
jobs since Q2  
2014

Source: ONS Workforce jobs (UK & NI), CSO (15+ in employment ROI)



# With a mix that has offered regional and skills mix of opportunities

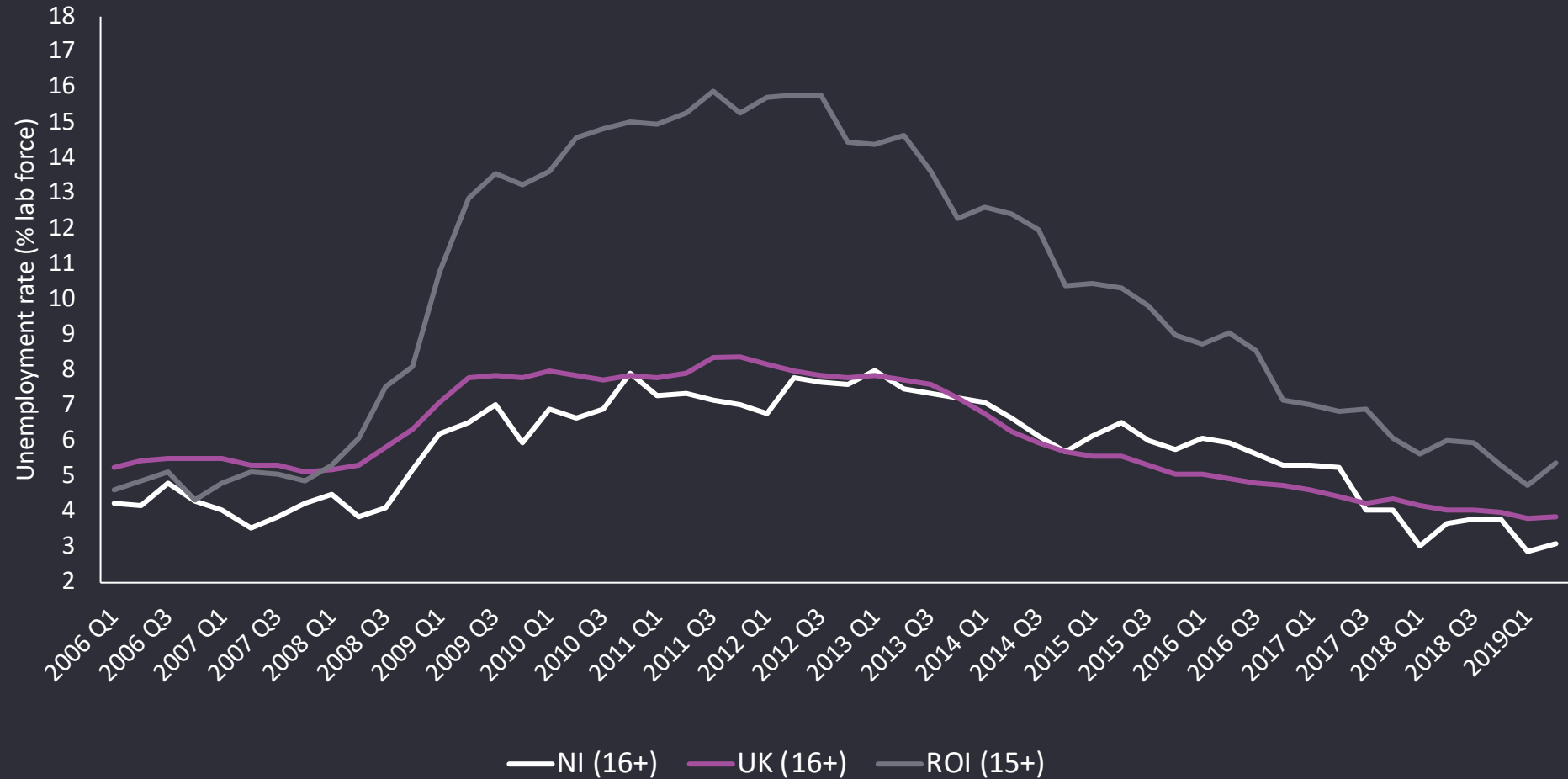
Employment by sector (employees only), NI, Q2 2014 - Q2 2019



Source: NOMIS employee jobs, seasonally adjusted

# Supply of labour becoming a major issue

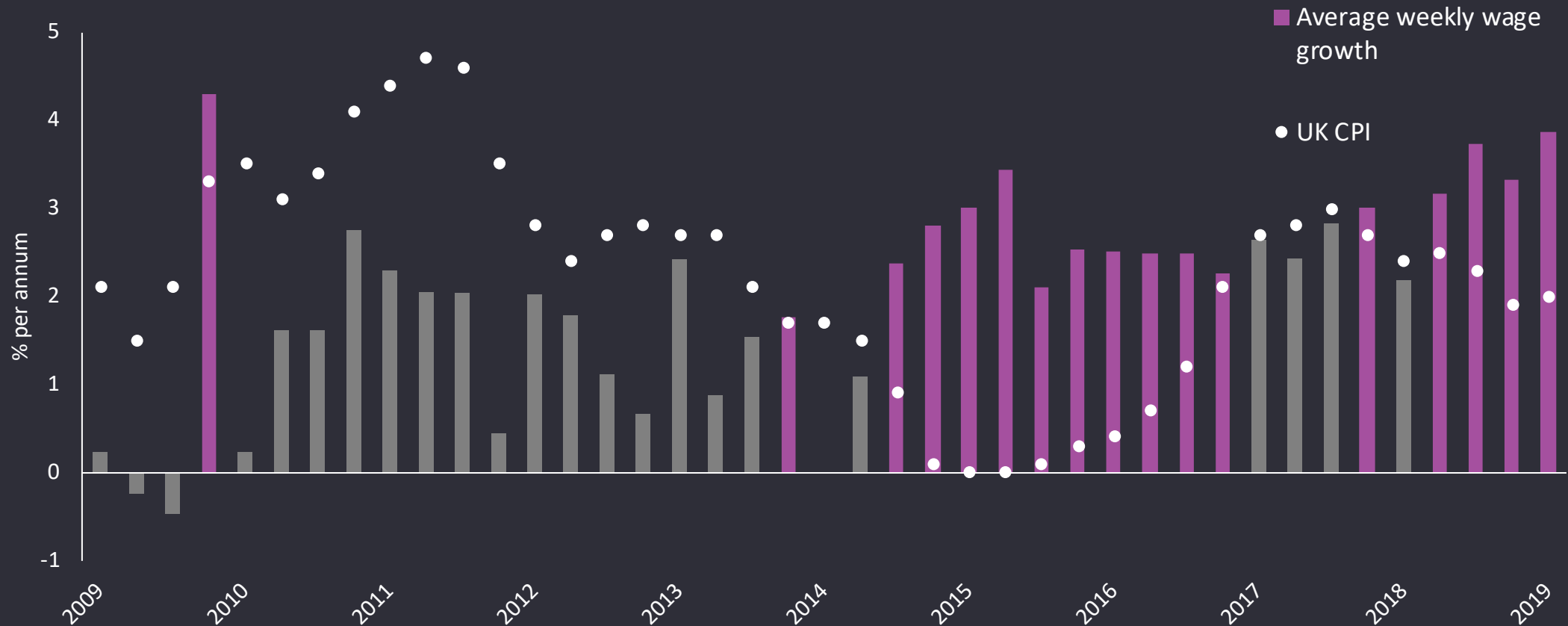
Unemployment rates, (% lab force) UK NI & ROI, Q1 2006 – Q2 2019



Source: CSO, OECD, ONS

# Domestic economy strength has returned after challenging period

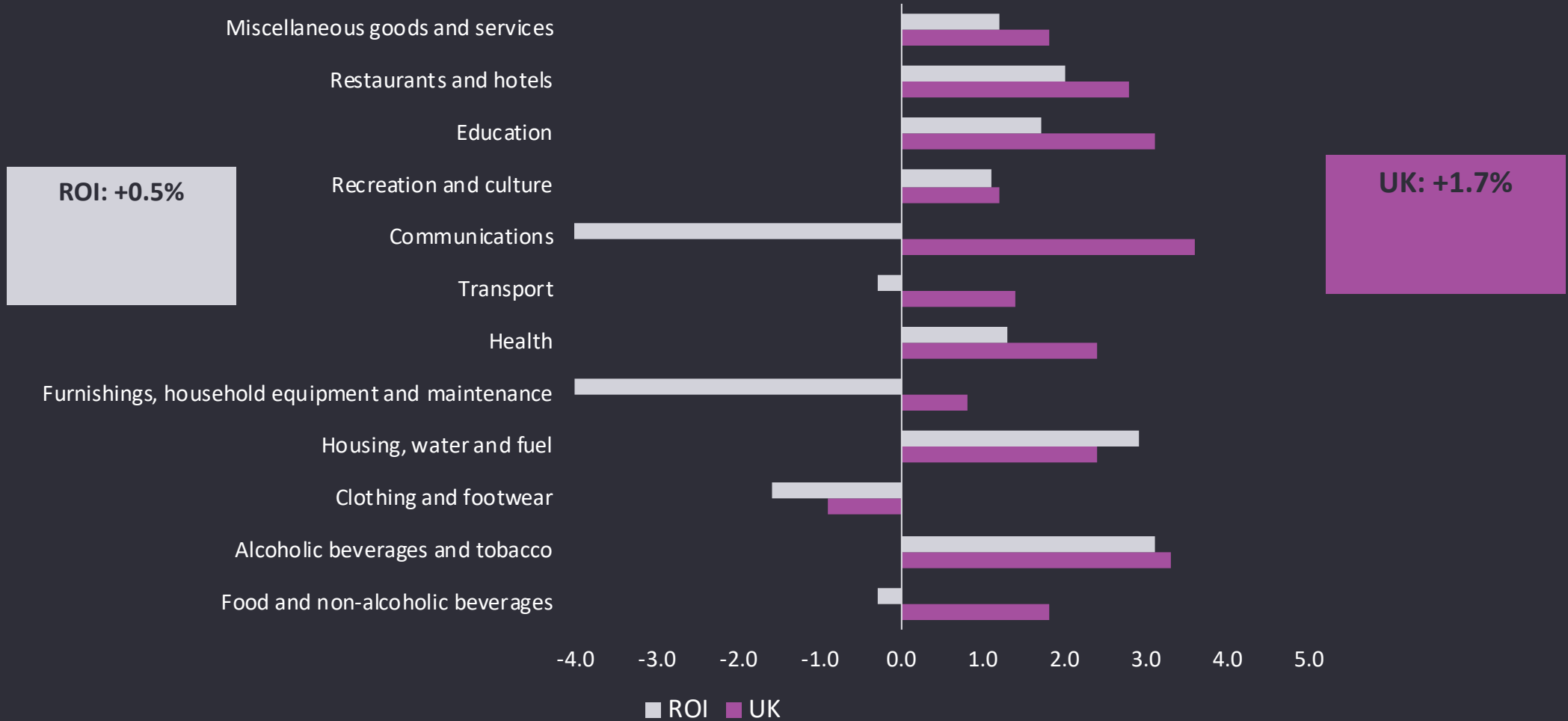
CPI inflation (% pa), UK, Q2 2009 – Q2 2019



Source: ONS

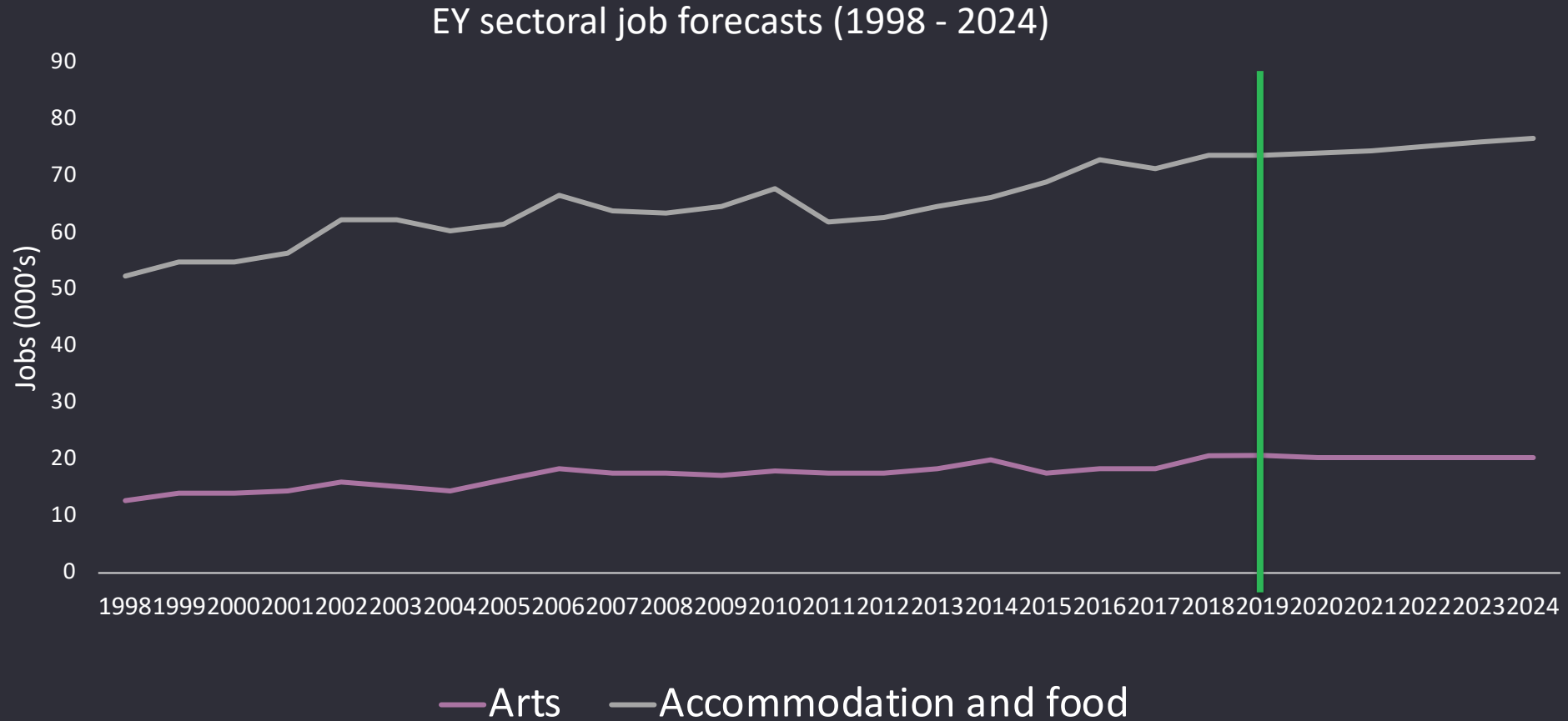
# Inflation is important to monitor (esp. if currency is volatile)

Inflation (CPI) by subcategory, % change year to Aug 2019, UK and ROI



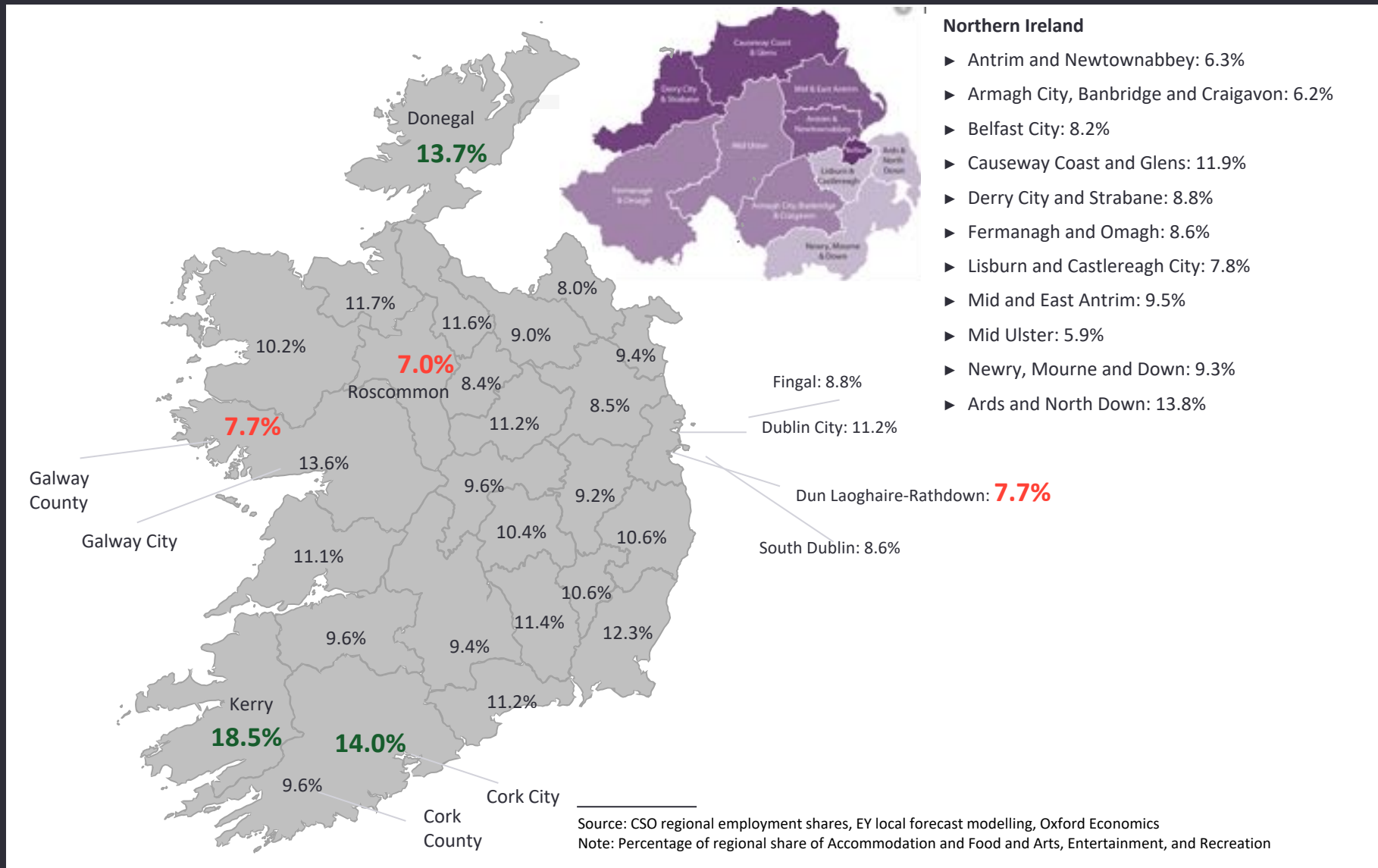
Source: CSO, ONS

# The 'tourist' employment record has been impressive



Source: EY Economic Eye

# A critical part of regional employment story



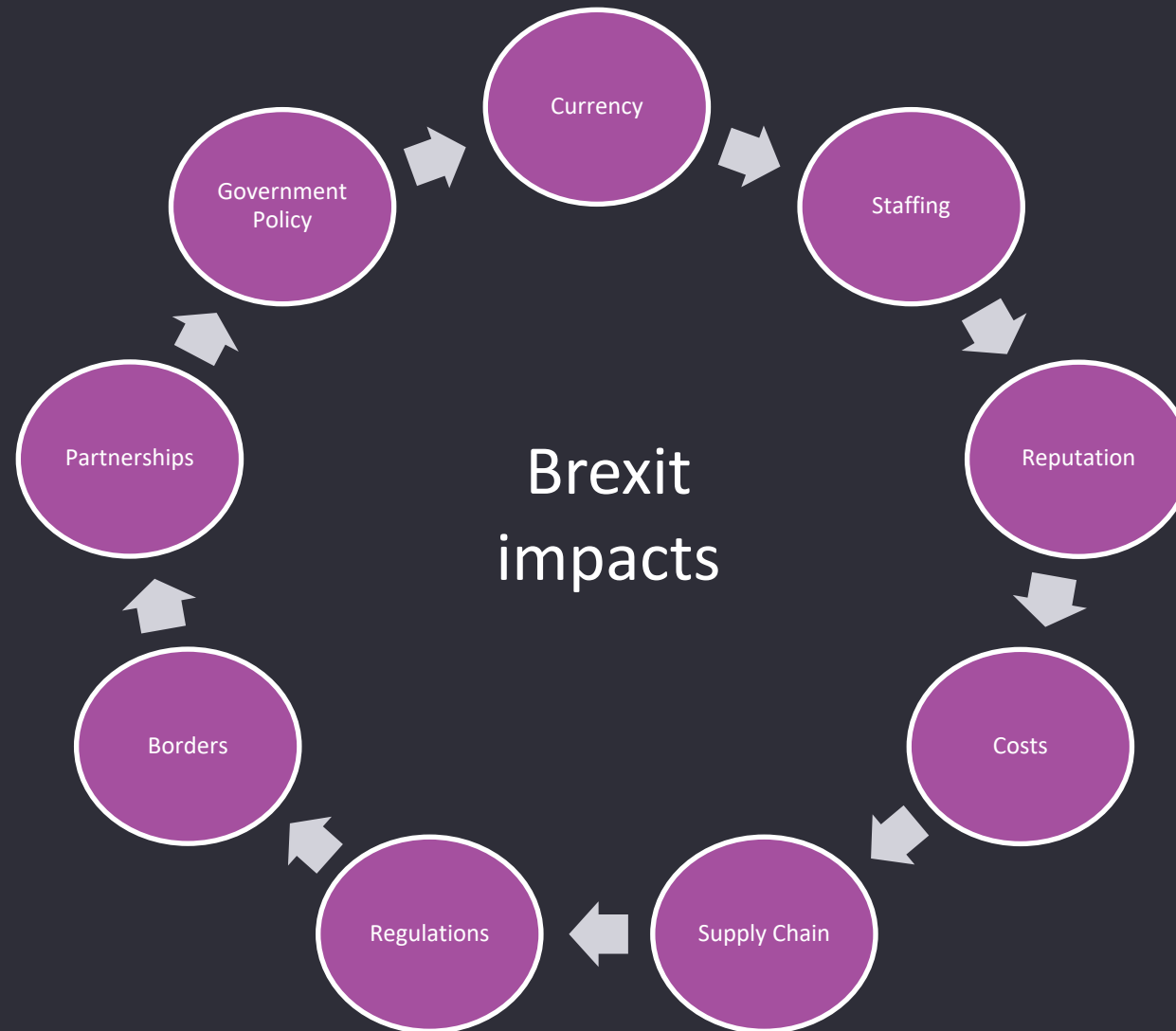
Source: CSO regional employment shares, EY local forecast modelling, Oxford Economics  
 Note: Percentage of regional share of Accommodation and Food and Arts, Entertainment, and Recreation

Brexit brings disruption and  
maybe long term change



# Brexit will challenge every sector and every business

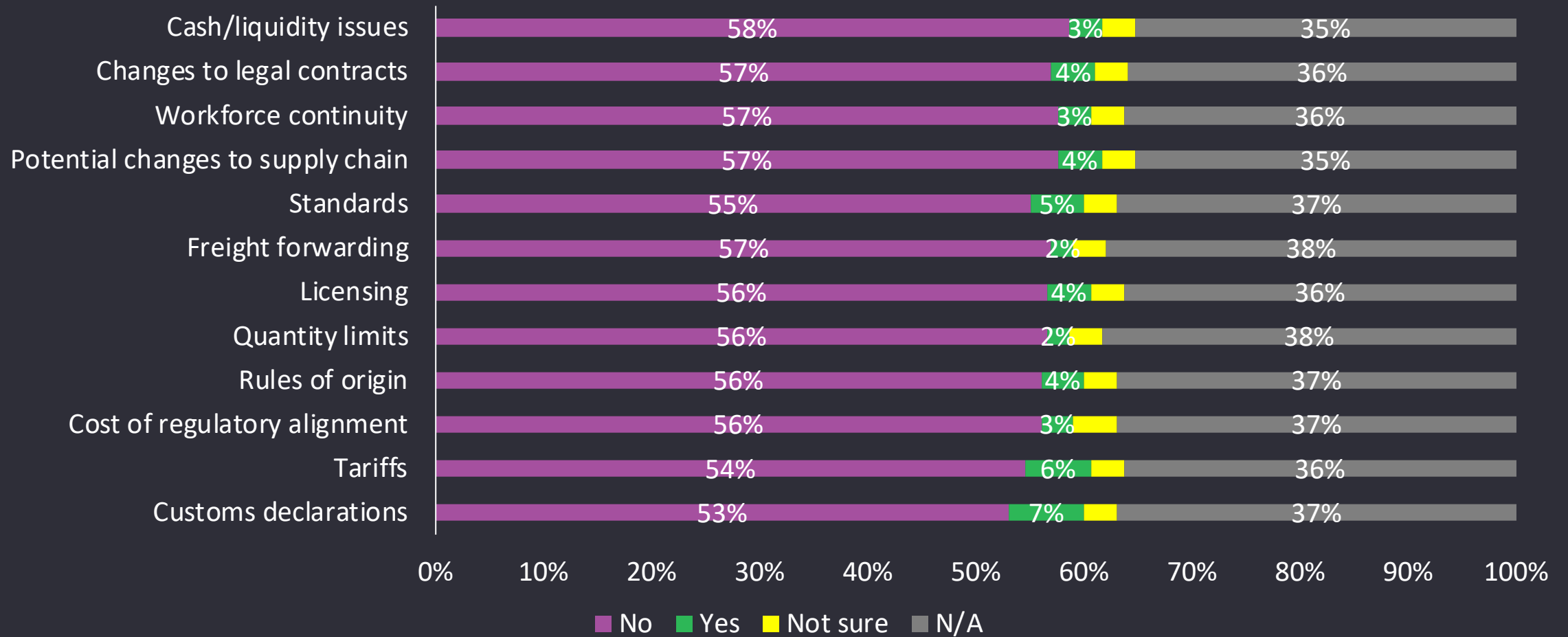
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# Even if they do not know it

In the event of a 'no deal' Brexit, is your business prepared for different arrangements surrounding...?

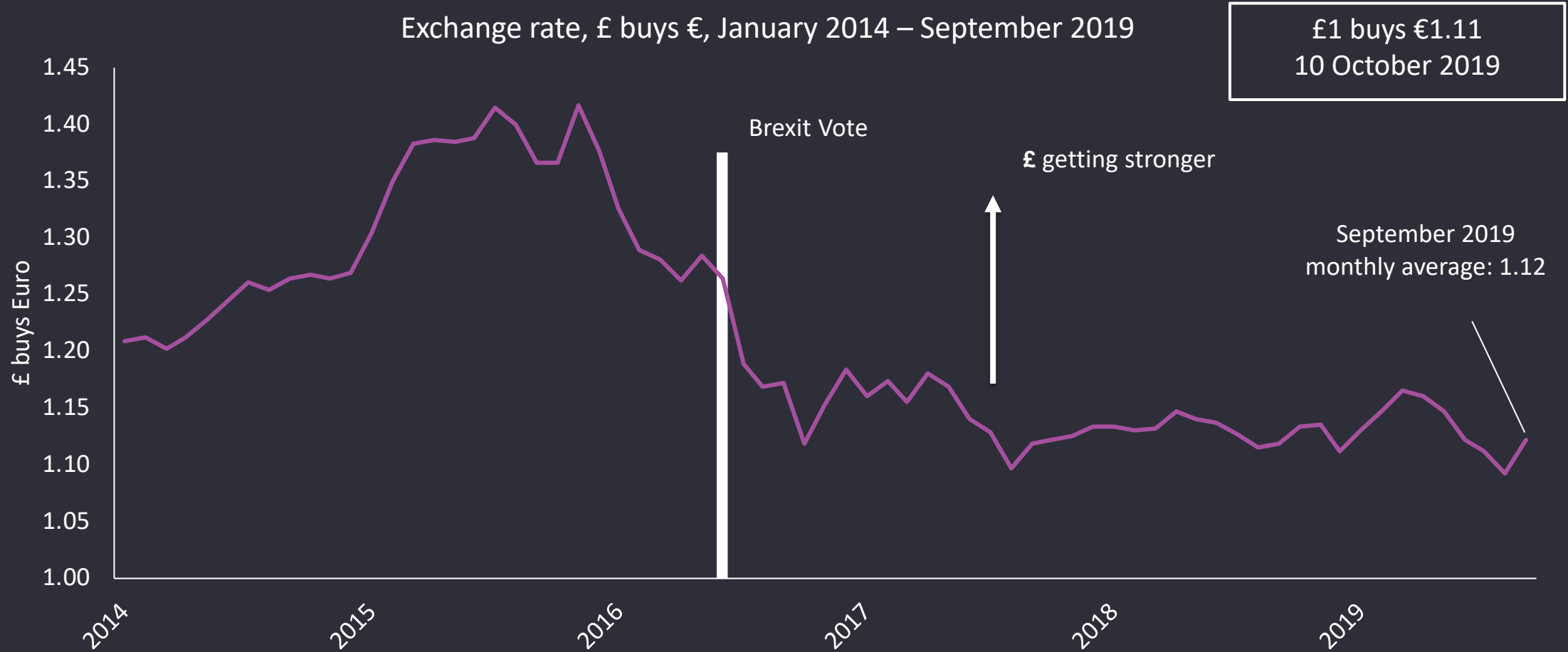


Source: Intertradelreland

Hospitality Exchange, October 2019



# Parity a possibility?



Source: Bank of England  
Latest Data: September 2019

# Brexit and the hotel industry

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- Uncertainty
  - Currency and price
  - Labour supply
  - Produce and supply chain
  - Short term volatile – long term??
  - Business impact
  - Perception (labour supply, conferences)
- 
- But – government support likely, what will NI lobby for?
  - The VAT journey is very difficult if the headline numbers are strong

# Trends shaping the industry



# Product offer and consumer choice changing rapidly

There is a big shift in values and approach – if you're worried about where your pork comes from at home, why wouldn't you worry about that when on holiday?

(Professor Harold Goodwin, International Centre of Responsible Tourism)

## Game of Thrones® experience filter

### Enter the Game of Thrones

Immerse yourself in Westeros by visiting the locations of Winterfell, the Kingsroad or Riverrun.

### Immersive experiences

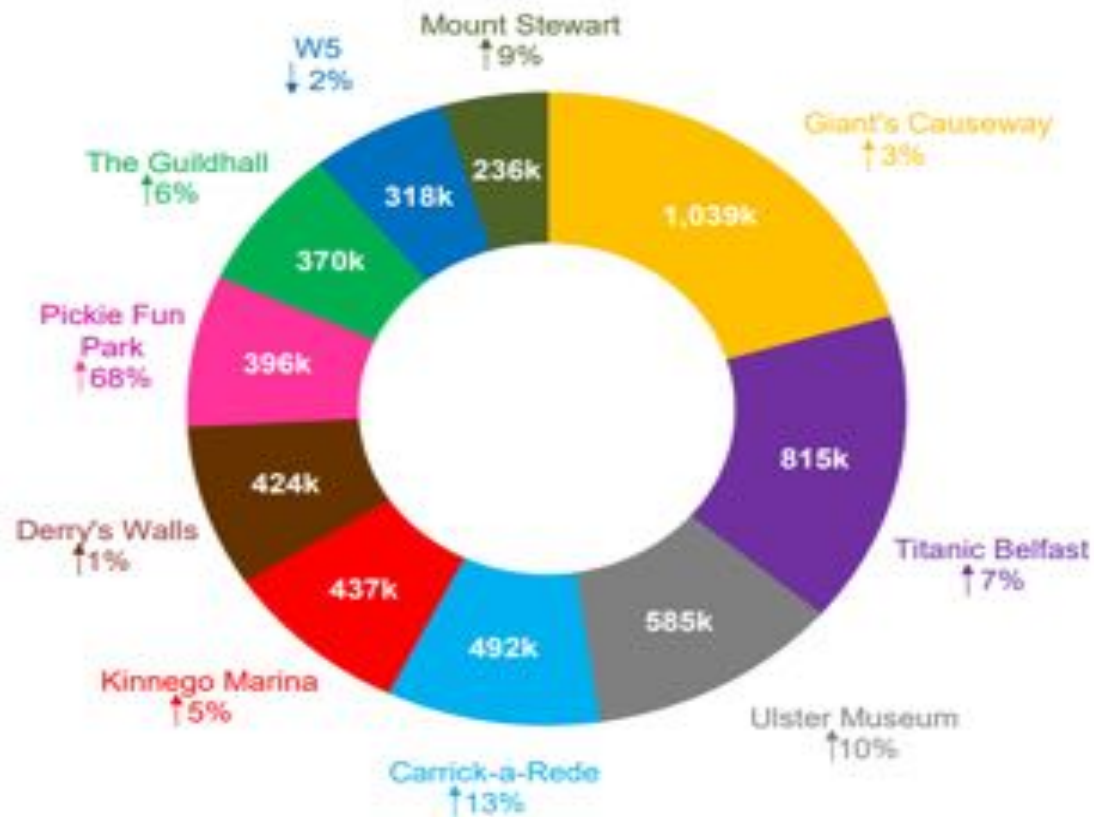


“If NI's tourism industry is to remain internationally competitive we must develop the capacity to position the use of digital applications as an integral part of NI's product development, marketing and visitor servicing programmes.”

(Dave Vincent, Tourism NI)

# But... let's not forget the tourist offer (not forget the hotel offer)

Figure 3: Top ten visitor attractions 2018 (excluding country parks/parks/forests/gardens)



Excluding country parks/parks/forests and gardens, there were a reported 11.5 million visits to attractions in Northern Ireland during 2018.

Within this group the Giant's Causeway World Heritage Site attracted the highest number of visits (1 million). This was a 3% increase on 2017.

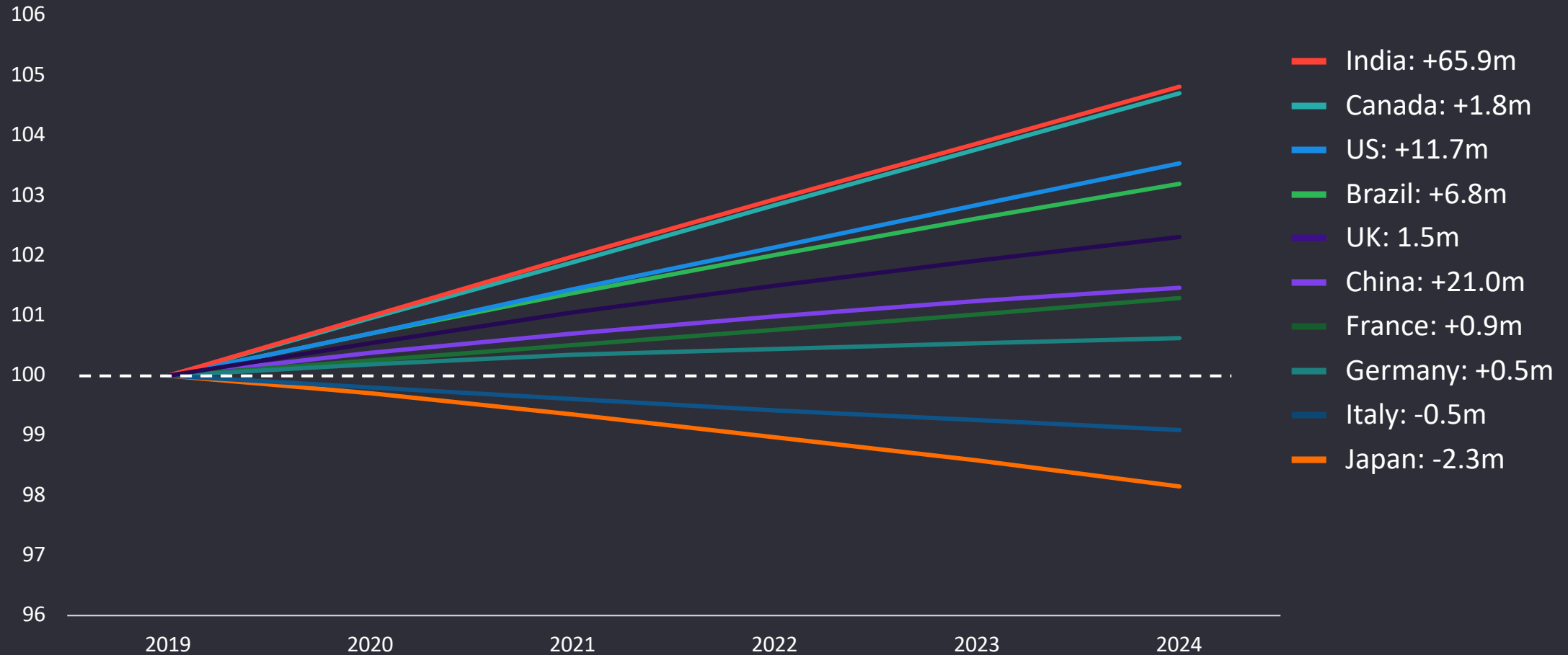
Titanic Belfast attracted the second highest number (0.82 million visits). This was a 7% increase on 2017.

In total the top ten attractions had a reported 5.1 million visits in 2018 accounting for 24% of the total visits to all attractions during 2018.

\*Arrow indicates increase/decrease between 2017 and 2018

# And a world of potential new customers awaits!

Annual population growth, 2019 = 100, (2019 – 2024)



# Reflections

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- It has been a strong period for consumer spending in UK, and particularly ROI
- Brexit uncertainty makes all forecasts open to question
- A chaotic period would ensue from a no-deal outcome, currency could hit parity and confidence may finally be effected. Migrant labour pool will be severely affected (for a period)
- Having said that – nervous times keep people closer to home, a weak Sterling makes UK a cheaper location and the shift to experiential living is not likely to abate
- The diversification in the product mix is perhaps a more systemic change. How will tax evolve (for all products) and what do consumers want?
  
- Be ready to tackle mis-information on product, price, safety, all-island offer etc.
- Be proactive on the staffing front – labour supply likely to remain an issue (what other cohorts are available – retirees, part time hours, return of the student?)
- Respond to the new market needs and attitudinal change
- Keep things simple in pricing and promotion / reward
- Possibly make better use of estate for complementary offerings (arts / culture etc.)



Thank you

**EY**

Building a better  
working world