

## Depreciating euro boosts export and tourism sectors

By Charlie Taylor

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Ireland's recovery is set for a boost as the declining value of the euro against sterling and the dollar delivers a sizeable benefit to exporters and the tourism sector.

As the European Central Bank buys up sovereign bonds this week at the outset of its 19-month campaign to boost the euro-zone economy, the

single currency is at its lowest value for 12 years against the dollar and its lowest level for seven years against sterling.

Market participants said the developments were already leading Irish exporters and importers of goods from outside the euro zone, who face higher costs as the single currency declines, to reappraise their business plans.

The euro's weakness provides a big advantage to big Irish food exporters, who are strong in the British market, and it provides additional strength to big pharmaceutical companies here to sell into the US.

Chief executive of the Irish Exporters' Association Simon McKeever said there was evidence to suggest small and mid-sized firms were also seeking to tap new opportunities in the British market.

"What we are seeing in particular from our members is that they're a lot busier than they were. The smaller exporters, they're definitely busier, and they seem to be flying a bit more," said Mr McKeever.

He cautioned, however, that economic weakness in mainland Europe still represented a big risk factor.

### ***Weakness in Europe***

"It's certainly good for exports to the UK and the US, but it obviously reflects weakness in Europe. We're worried about Europe because 40 per cent of our exports go there. Where the euro is actually going is a reflection of the situation."

The euro's ongoing decline heralds big opportunities for the Irish tourism sector as it increases the purchasing power of visitors from Britain and the US. In a report on Wednesday, Savills property consultants said there was already evidence to suggest the hotel market in Dublin advanced last year at a faster rate than other big European cities.

Savills said the performance reflected the 9 per cent rise in foreign visitor trips to Ireland last year, the euro's decline and the upturn in the local economy which is being driven by domestic demand.

"Tourism is just like any other service export. As the euro weakens we become more competitive, so that's driving tourist numbers. That is helping and the swing on the dollar has been even greater than sterling," said economist John McCartney, director of research at Savills.

"In general, this will turbo-charge exports and that will percolate through the economy." Currency traders now predicting the euro will soon drop to parity against the dollar from \$1.059 last night, already a 12 per cent reduction since the start of the year.

The pound appreciated 0.3 per cent to 70.82 pence per euro, down some 10 per cent since January . However, analysts believe the British currency could yet fall ahead of the general election in May.

Garret Grogan, associate director at Bank of Ireland Global Markets, attributed the currency movements to the European Central Bank's quantitative easing (QE) programme.

"This is QE working. The euro is falling, falling hard. On the sterling side the macroeconomic picture is just so much better than we've seen in Europe," he said.

"You've got a boom for exporters. Importers are getting hurt and their problem is with the speed of this move if they can't reprice quickly enough. Importers are now looking to source goods from Europe or locally. That's QE at work.

"On the whole, this is a boon for Ireland."

<http://www.irishtimes.com/business/economy/exports-down-5-in-january-but-up-15-on-annual-basis-1.2138453>