Budget 2027
Tourism's submission

Supporting Ireland's largest indigenous industry and biggest regional employer in a time of continued geopolitical and macroeconomic uncertainty

July 2026

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Tourism's 4 Key Budget Asks

The Irish Tourism Industry Confederation (ITIC), representing the leading tourism and hospitality stakeholders in Ireland, is calling for the following 4 outcomes in Budget 2027 to support a key indigenous industry and the country's most significant rural employer.

List of ITIC members: *Aer Lingus, Association of Irish Professional Conference Organisers (AIPCO), Approved Tourist Guides of Ireland (ATGI), Association of Visitor Experiences and Attractions (AVEA), B&B Ireland, Car Rental Council of Ireland, CHQ, CIE Tours International, Coach Tourism & Transport Council (CTTC), Convention Centre Dublin, Do Dublin-Dublin Bus, Dublin Airport Authority, Emirates, Guinness Storehouse, Incoming Tour Operators Association-Ireland (ITOA), Inland Fisheries Ireland, Ireland's Association for Adventure Tourism (IAAT), Ireland's Blue Book, IGTOA, Irish Boat Rental Association (IBRA), Irish Caravan & Camping Council, Irish Ferries, Irish Heritage Trust, Irish Hotel Federation (IHF), Irish Rail, Irish Self Catering Federation (ISCF), Jameson Distillery Bow St, Kildare Village, Kerry Tourism Industry Federation, Office of Public Works (OPW), Restaurants Association of Ireland (RAI), Shannon Group plc, Staycity, Stena Line, Trinity College Dublin, TU Dublin, Vintners' Federation of Ireland.*

Strategic Partners: *Fáilte Ireland, Tourism Ireland, Dun Laoghaire Rathdown County Council, South Dublin County Council, Dublin City Council, Limerick City & County Council*

Economic Context

Budget 2027, expected to take place on October 6th, is of particular importance to Ireland's tourism and hospitality industry. With continuing macroeconomic uncertainty and geopolitical upheaval, Ireland as a small open economy is particularly exposed. Tourism is predominately an export sector with the bulk of revenue coming from international visitation. A mixed demand outlook, allied to cost of business pressures and capacity constraints, means that Irish tourism is at a vulnerable point. Budget 2027 needs to underpin competitiveness, incentivise capacity, improve connectivity, and support tourism with appropriate investment.

With circa 70% of tourism employment outside of Dublin, the sector is of fundamental importance to rural Ireland as well as the national economy. This budget submission from the Irish Tourism Industry Confederation (ITIC) looks at the opportunities and challenges for the sector and proposes how policy decisions in the upcoming Budget should be made. Crucially this submission sets out a number of strategic recommendations as to how Irish tourism's performance can be sustainably supported.

Late last year Government published a new national tourism policy – *A New Era* – which outlines ambitious growth targets for Irish tourism including revenue targets of +50% out to 2031. Over this same period tourism employment is to increase to 250,000 and environmental emissions are to be reduced by 45%. Meanwhile 9 out of 10 tourism SMEs will be using advanced digital and AI tools.

Industry supports such ambition and will work hard to deliver on the extra visitors and associated spend. However such growth can only be predicated on pro-tourism and pro-enterprise Government policies. Crucially Irish tourism's success depends on the robust health of both the national and global economy. In that regard Government's Summer Economic Statement (SES) published on July 22nd sets out the parameters for Budget 2027. It provides for an €8.5bn budget package comprising €7bn in additional public spending and €1.5bn in new taxation measures. Public expenditure is set to increase by 5.9% in 2027, bringing the overall expenditure ceiling to €125.5bn, comprising €105.2bn (up €5.9bn) in current expenditure and €20.3bn (up €1.1bn) in capital expenditure.

The SES also points to the highly imbalanced nature of the revenue base for the State. Just 10 companies account for nearly 20% of total tax revenues, while the top 5 per cent of income taxpayers account for one euro in every six collected across all tax headings.

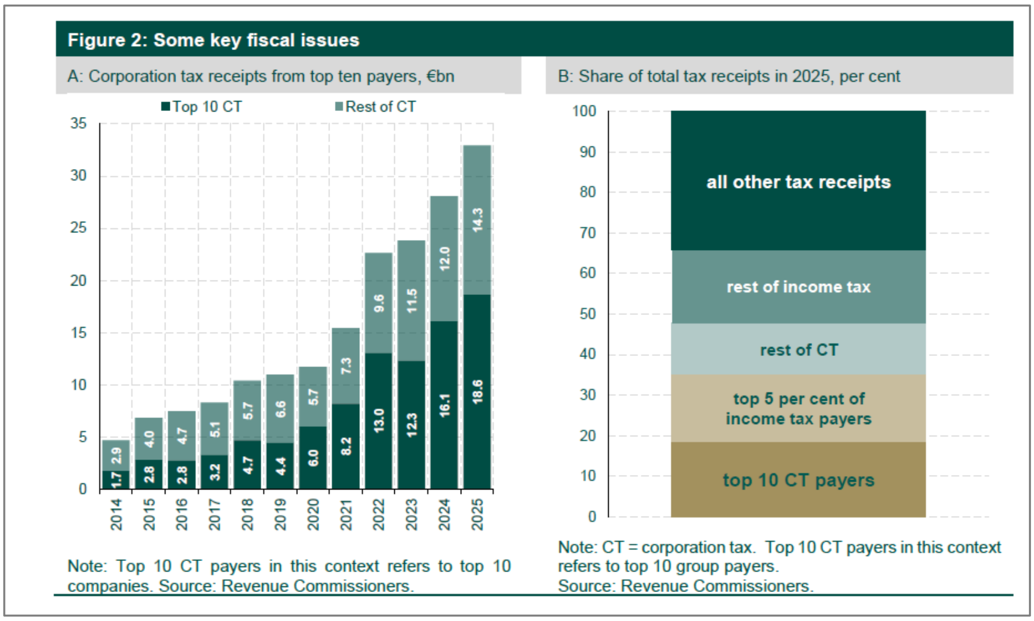


Figure 2: Some key fiscal issues

Note: Top 10 CT payers in this context refers to top 10 companies. Source: Revenue Commissioners.

Note: CT = corporation tax. Top 10 CT payers in this context refers to top 10 group payers. Source: Revenue Commissioners.

The Summer Economic Statement, contains an up-to-date economic assessment, saying that the Irish economy remains in a healthy position, with threats diminishing somewhat since the previous update in the spring. Latest forecasts for the Irish economy show modified domestic demand growth for the current year ranging from +2.1% (Central Bank) to +2.8% (Department of Finance).

Table 1.2: Latest Forecasts for Growth in Irish Modified Domestic Demand[16] (%)

	2025	2026
Central Bank of Ireland[17] (June 2025)	2.0	2.1
ESRI[18] (June 2025)	2.3	2.8
Department of Finance[19] (May 2025)	2.5	2.8

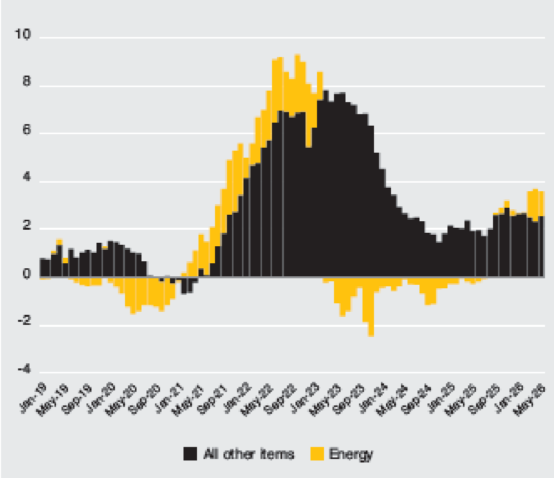
Source: Central Bank of Ireland Quarterly Bulletin, ESRI Quarterly Economic Commentary, Department of Finance Annual Progress Report 2025.

Meanwhile IBEC, the main business representative group of which ITIC is a key member organisation, has a number of relevant data points pertaining to the Irish economic outlook. It estimates lower GDP growth of 0.8% and inflation averaging for the year at +3.5% (below left). Inflation continues to be heavily affected by energy fluctuations (below right), a source of difficulty since the war in Ukraine and now the USA-Iran conflict.

Key indicators

Annual % change	2025	2026	2027
Consumer spending	2.6	2.2	2.4
Domestic investment	11.5	6.8	8.0
Exports	7.5	0.4	4.0
Imports	9.5	2.4	2.0
GDP	8.1	0.9	4.1
Domestic demand	4.8	3.3	3.7
Inflation	2.2	3.5	2.4
Employment	2.2	1.5	1.3

Figure 4: Sources of inflation



Looking further afield geopolitical and macroeconomic uncertainty continue to cause jitters as shown in the OECD Uncertainty Index and Consumer Confidence index.

Figure 1.1a: Policy Uncertainty Indices

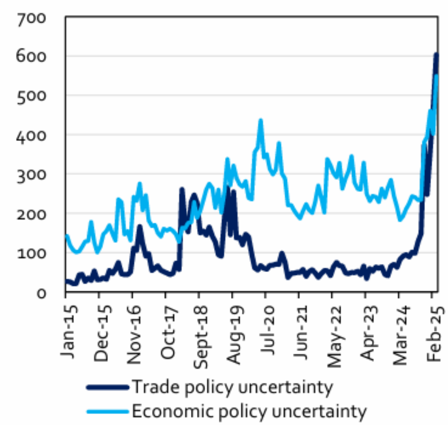
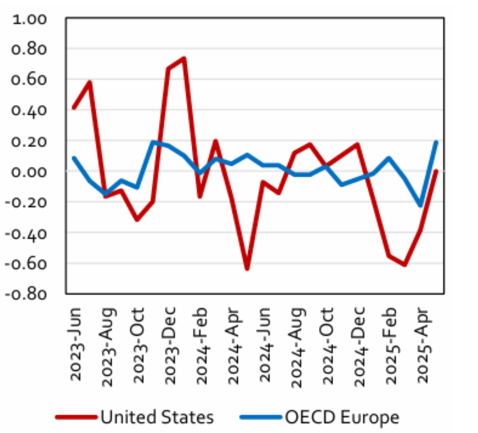


Figure 1.1b: Consumer Confidence Index



All economists agree that the outlook is dominated by uncertainty. The key risks identified by the IMF and others, apart from the war in the Gulf, include geopolitical tensions; shocks to the supply of essential raw materials, trade disruption; a tightening of monetary policy in response to the inflationary impact of higher energy costs; disappointment in the profitability of AI investment; prolonged fiscal deficits and the accumulation of public debt; damage to crucial institutions such as central banks and the consequent destabilisation of inflation expectations; and longer-term shifts in global economic leadership. Despite these myriad of risks the OECD forecasts global growth of 3.1% next year.

Table 3: OECD Economic Outlook (June 2026)

Country/Region	2025	2026f	2027f
World	3.4%	2.8%	3.1%
Euro Zone	1.4%	0.8%	1.2%
Germany	0.3%	0.7%	1.1%
France	0.9%	0.7%	0.8%
Italy	0.5%	0.5%	0.6%
Spain	2.8%	2.2%	1.7%
United Kingdom	1.4%	0.9%	1.1%
United States	2.1%	2.0%	1.8%
Australia	2.0%	1.9%	1.8%
Canada	1.7%	1.2%	1.7%
China	5.0%	4.5%	4.3%
Japan	1.1%	0.6%	0.8%

Source: OECD Economic Outlook, Volume 2026 Issue 1: Preliminary Version.

Undoubtedly the Irish economy is in a solid position yet our dependence on corporation tax from a handful of large multi-nationals leaves us exposed. Budget 2027 needs to be carefully managed, supporting enterprise and ensuring that national finances are prudently harnessed. Ireland's tourism and hospitality industry has experienced a challenging year on a number of fronts. The CSO data for the first half of the year may point to double-digit increases in tourism revenue but industry intelligence does not suggest anything of this nature. Cost of business continue to be the primary concern for enterprises and ITIC is of the view that Budget 2027 presents a unique opportunity to support a domestic SME sector such as tourism.

ITIC argues that Budget 2027 needs to underpin competitiveness, capacity and connectivity. Investing productively whilst maintaining fiscal stability has never been more important. This budget submission is based on feedback from ITIC members throughout the country and reflects their priorities and policies,

Industry Performance & Outlook

CSO survey data and Irish tourism industry statistics remain seriously misaligned. As evidenced by ITIC's latest monthly dashboard below for May the former is pointing to double digit increases while the latter is reporting more modest growth. Businesses are citing that all markets, with the exception of North America, are proving soft and it is undeniable that the mixed demand picture, allied to continuing escalating costs of business, pose a challenging environment for Irish tourism.

The CSO also record data on domestic tourism and latest data is for Q1 when domestic overnight trips are reported to have increased by 6% in 2026 compared to the same period last year. Visits to friends or relatives accounted for the largest share of domestic nights at 39%, followed closely by holiday purposes at 38% while business travel represented 5% of all overnight stays.

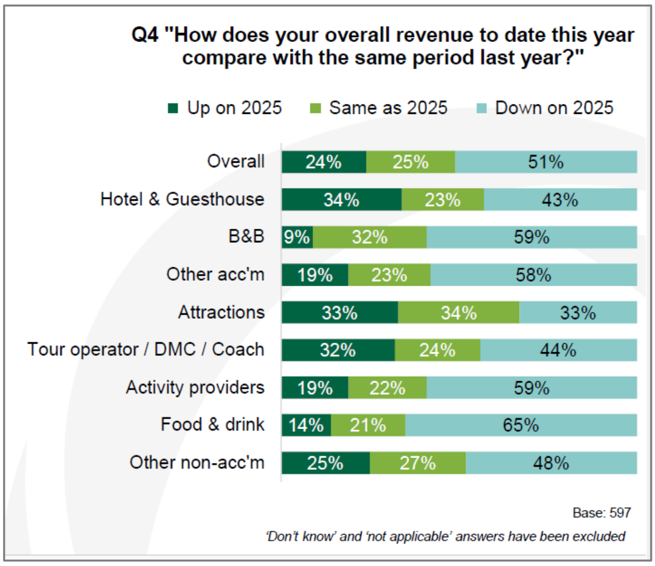
Industry surveys show that cost of business pressures are proving a significant burden on enterprises. The reduction in the 9% VAT rate for food services from 1st July has helped but all other costs from insurance to labour to energy continue to squeeze already-tight margins. Employment data from the CSO points a more realistic picture of the tourism and hospitality sector and it shows a worrying decline of 16,300 jobs in Q1 2026 vs Q1 2025 (note Accommodation and Food services is an accepted proxy for the tourism sector). This decline is the 2nd highest after only tech job losses.

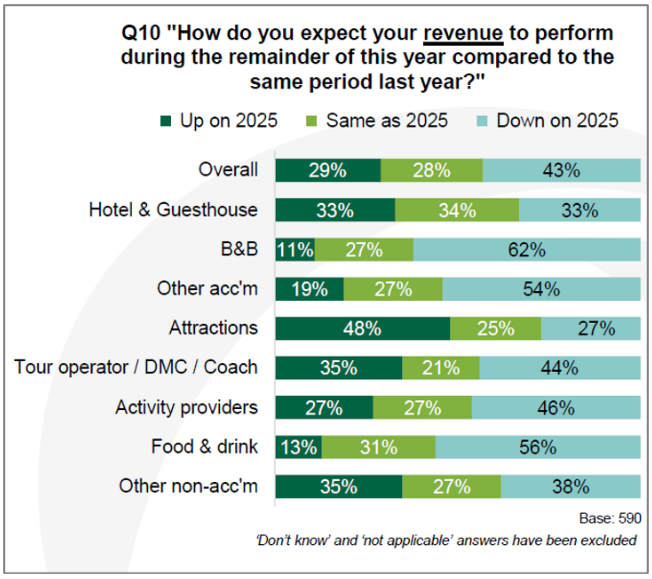
Table 5: Labour Market Composition & Change (Q1 2026)

Sector	Q1 2025	Q1 2026	Change
Agriculture, forestry & fishing	107,600	105,500	- 2,100
Construction	177,800	195,600	17,800
Wholesale & retail trade	320,700	321,400	700
Transportation & storage	111,800	132,000	20,200
Accommodation & food service activities	186,200	169,900	- 16,300
Information & communication	189,700	169,500	- 20,200
Professional, scientific & technical activities	197,500	184,200	- 13,300
Administrative & support service activities	111,300	99,400	- 11,900
Public administration & defence; compulsory social security	151,600	147,600	- 4,000
Education	252,500	260,700	8,200
Human health & social work activities	368,500	381,700	13,200
Industry	332,600	349,700	17,100
Financial, insurance & real estate activities	152,100	150,500	- 1,600
Other NACE activities	128,000	119,000	- 9,000
Not stated	6,500	7,900	1,400
Total	2,794,100	2,794,500	400

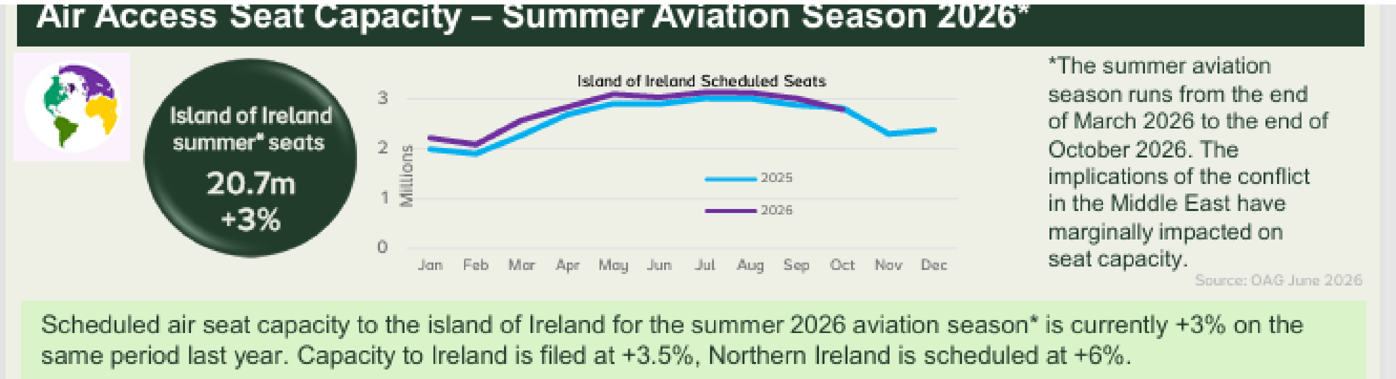
Source: CSO PxStat

The latest Fáilte Ireland barometer (June) capturing industry mood across nearly 600 tourism and hospitality business also points to a somewhat downbeat picture with 51% of respondents reporting revenue down year to date while 43% expect revenue to be down for the remainder of the year.

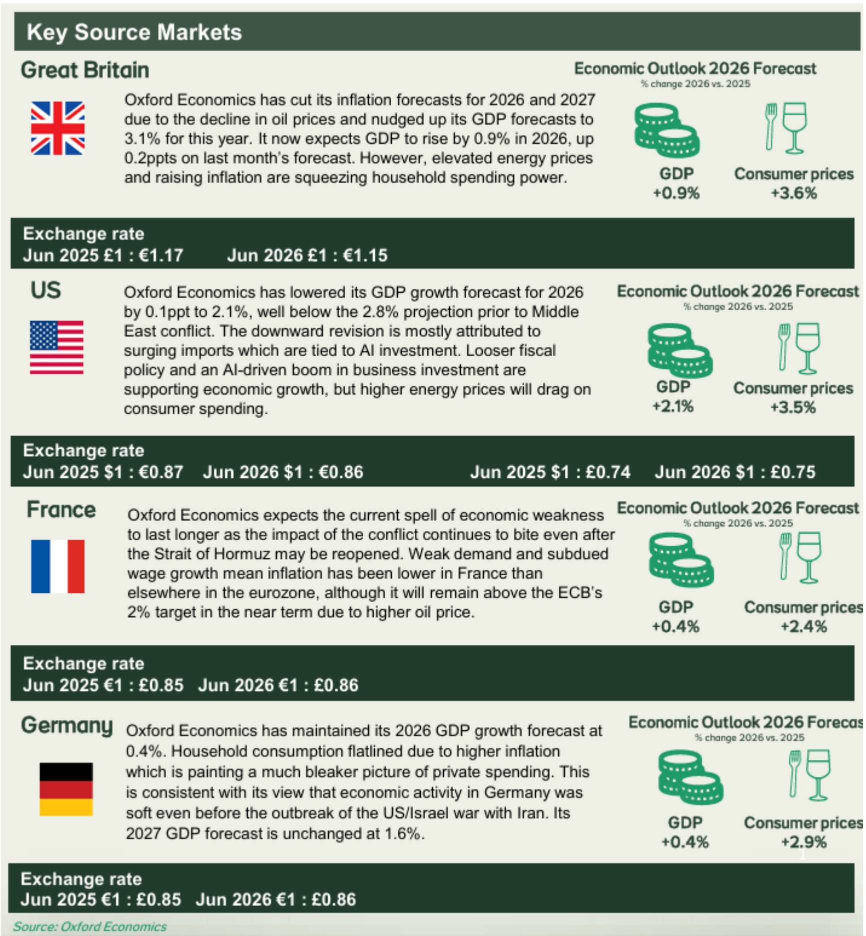




Looking to the rest of this summer, air access - a key determinant of tourism flows into Ireland - remains healthy with Republic of Ireland air access +3% year on year. it should be noted that Aer Lingus, the main transatlantic carrier, has recently announced that it is cutting capacity by 6% next year which will undoubtedly affect tourism flows in 2027.



The economic outlook looks weak for the key tourism source markets of Britain, France and Germany although thankfully growth forecasts in the USA, Irish tourism's largest revenue market, are stronger.



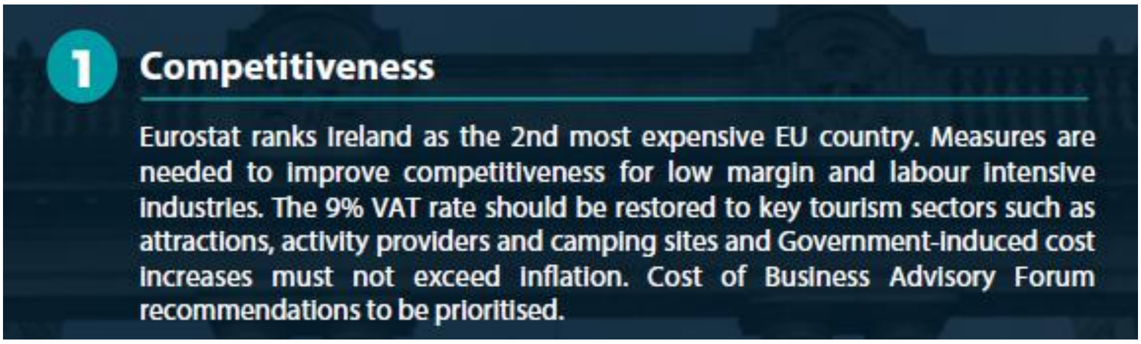
Competitiveness, Capacity, Connectivity & Investment

ITIC's budget submission is derived from a survey of its members and focusses on the following areas.

- ***Competitiveness***

Competitiveness is critical to the sustainable performance of Ireland's tourism industry. It is evident across a number of metrics that due to high costs and capacity constraints, Irish competitiveness is under significant pressure.

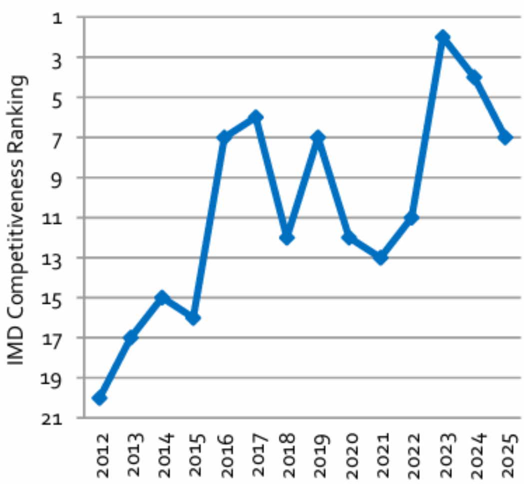
Key Budget 2027 recommendation:



In terms of competitiveness all evidence points to a worrying erosion in our standings compared to international peers. Eurostat figures rank Ireland as the second most expensive country in the EU, with prices 38% higher than the average. The high cost economy feeds its way through to the bills tourists pay for accommodation, restaurants and pubs. Thankfully latest available data from Fáilte Ireland, who carry out annual surveys with tourists as they are holidaying here, find that despite high costs the majority of holidaymakers still find Ireland good value for money. These scores have eroded over time though and will continue to do so as costs are heaped on businesses.

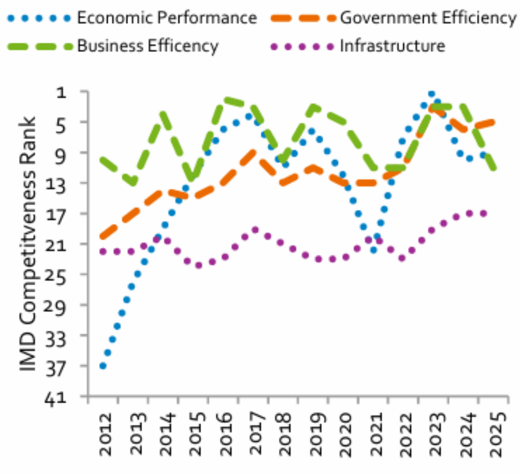
Recent IMD World Competitiveness Rankings show Ireland has slipped vs our peers.

Figure 1.5a: Ireland's Overall Competitiveness Rankings 2012-2025



Source: IMD

Figure 1.5b: Ireland's Ranking across Four Pillars 2012-2025



Source: IMD

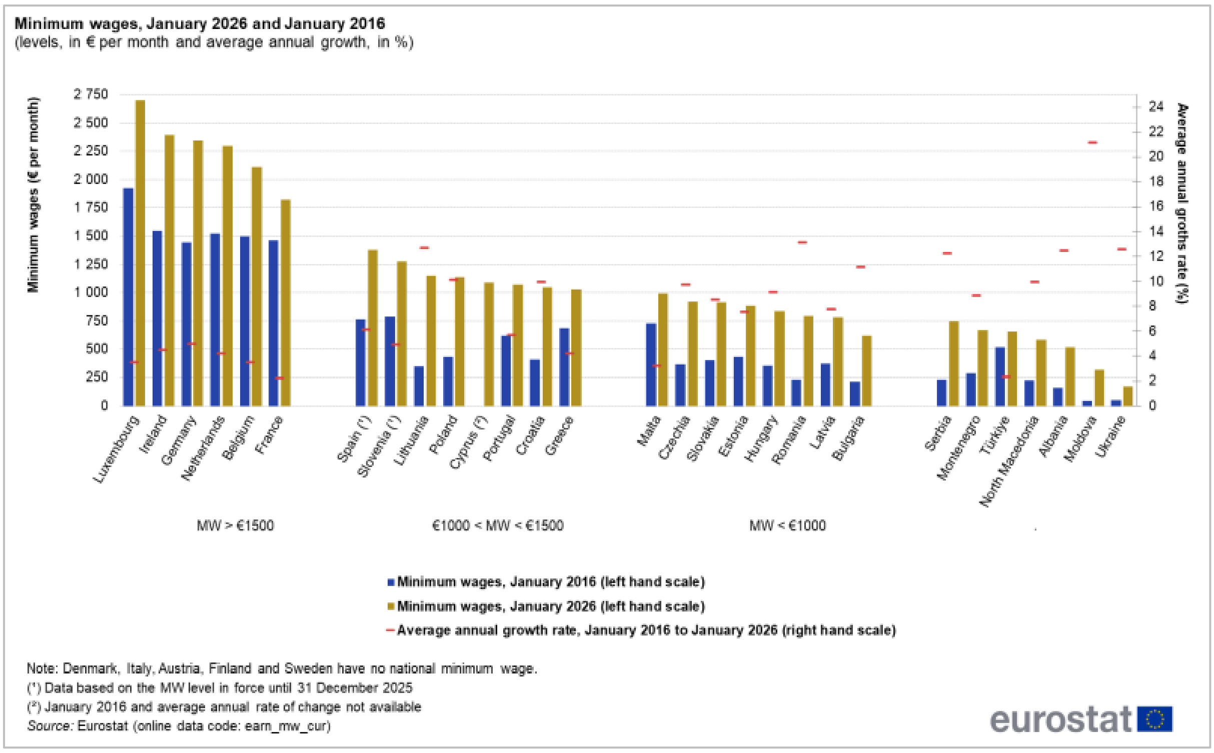
Furthermore, the following matrix from IBEC points to an inconsistent picture relating to Irish competitiveness with improvements needed on a number of fronts.

Table 2: Top-level benchmarks of Ireland's competitiveness

Skills	Source	AUT	DNK	FIN	FRA	DE	IRL	NL	SE	UK	US
Government spending on higher ed per student, $ PPP	OECD						9th				
Average PISA score for science, maths, reading	PISA						1st				
Working age adults with 3rd level education, %	OECD						1st				
Adult participation in formal job related learning, %	OECD						7th				
QS university ranking, top 3	IPO						8th				
Taxation											
Composite Effective Average Corporate Tax Rate, %	OECD						1st				
Tax support for R&D expenditure or income, % GDP/GNI	OECD						1st				
Taxation complexity	TCP						4th				
Taxation of workers at 250% of average wage	OECD						6th				
Employer payroll and social security taxes, % of gross wage	OECD						3rd				
Marginal effective tax rate on average earnings	OECD						8th				
Infrastructure and energy											
OECD better life ranking	OECD						6th				
Public capital stock per capita, $ PPP	IMF (2019)						9th				
Index of governance of critical infrastructure resilience	OECD						5th				
Industrial electricity costs, cent per kwh	UK DESNZ						9th				
Basic infrastructure quality	IMD						10th				
Productivity and innovation											
GDP/GNI per hour worked	OECD						7th				
Direct state funding of R&D, % GDP/GNI	OECD						10th				
Venture capital (VC) received, deal count/bn PPP$ GDP	IPO						6th				
High-tech exports, % total trade	OECD						1st				
AI Preparedness Index (AIPI)	IMF						10th				

Ireland's costs are well out of line with EU norms. Energy is 17% above the EU average and ITIC has made a number of recommendations within Government's Cost of Business Advisory Forum which should be implemented. One of the chief recommendations is to review all non-market-based energy charges with a view to consolidation, transparency, and reduction. Further pass-through charges should be paused until an independent cost-benefit analysis is completed.

In terms of the other obvious cost pressures Ireland has the 2nd highest minimum wage rate across Europe. These Government-induced costs have ratchetted up in the last 10 years as evidenced by the below graphic.



It is concerning that as of July 2026 the Low Pay Commission (LPC) has recommended a further increase of 5.6% in the minimum wage for 2027, well above the current inflation rate. This puts significant pressure on employers and businesses. ITIC strongly recommends that any minimum wage increase for next year should not exceed inflation and that there should be targeted action on employer PRSI for labour intensive SMEs. The LPC would be strengthened by having hospitality SME representation.

It must be kept in mind that the tourism and hospitality sector is a labour-intensive, low-margin industry where wage costs have a disproportionate impact compared to many other sectors of the economy. Continued increases above inflation are placing significant pressure on businesses, particularly small and medium-sized operators. A hike in the minimum wage about inflation has a disproportionate impact on hospitality due to the structure of the sector which is characterised by:

- A labour-intensive operating model.
- A significant provider of part-time employment and first-time employment opportunities for younger workers, students and new entrants to the workforce.
- High labour costs as a share of overall business costs.
- Limited ability to offset labour cost increases through productivity gains.
- Significant exposure to knock-on wage pressures across wider pay structures.

From January 2022 to January 2026, the National Minimum Wage increased from €10.50 to €14.15, an increase of 38.7%. Over the same period, the Consumer Price Index increased by 21.6%. For tourism and hospitality businesses, increases in the National Minimum Wage have a wider impact than the direct increase alone. Increases at minimum wage level create upward pressure across the wider pay structure as businesses seek to maintain pay relativities between roles, experience levels and supervisory positions. This significantly increases the overall labour cost burden on businesses throughout the sector. There is a limited ability to absorb continuing labour cost increases.
Findings from the Restaurants Association of Ireland April 2026 member survey further demonstrate the scale of pressure facing the sector:

- 72% of businesses reduced staff hours due to rising labour costs.
- 81% stated that recent labour cost increases reduced their ability to hire entry-level staff.
- 58% reduced staffing levels.

The most recent Labour Force Survey from the CSO proves that this is a reality, with a drop of 14.7% in food services employment from Q1 2025 to Q1 2026.

The National Competitiveness and Productivity Council in its recent report notes that preserving any competitive advantage that Ireland has will require "*sustained policy action, strategic investment and a forward-looking approach that anticipates emerging risks while positioning the economy to seize new opportunities. A competitive economy is one that enables businesses of all sizes to innovate, invest and grow; equips workers with the skills needed to thrive in a changing economy; delivers modern, efficient public services; provides the infrastructure and secure, affordable energy systems needed to support enterprise; and creates the conditions for sustained productivity growth and rising living standards.*"

The cost of doing business in Ireland remains a key competitiveness challenge, particularly for Irish tourism and hospitality businesses. The establishment of the Cost of Business Advisory Forum is a welcome development and ITIC was pleased to be an active participant. However, the Forum's success will depend on implementation of its recommendations by Government and ITIC advocates that these are acted upon with haste.

Ireland's EU Presidency also presents a strategic opportunity to influence the European policy agenda in support of competitiveness, resilience, and the functioning of the Single Market. As competitiveness becomes an increasingly important priority across the EU, the Presidency provides Ireland with a valuable opportunity to shape discussions on innovation, investment, regulatory simplification and economic security, while promoting an open, outward-looking and competitive European economy. The Irish Presidency also offers the opportunity to put pragmatic policies in place – as an example the Irish Presidency should modify the proposed Clean Corporate Vehicle legislation. In its current form this is hugely problematic for the car rental sector in Ireland and in turn for Irish tourism.

The EU had been working towards a 2035 deadline for the transition to zero emission cars rather than the now-proposed 2030 date and the car rental sector had been working towards the later date by which time it is hoped that Ireland's EV infrastructure has been rolled out. Making SMEs take EVs when Ireland is not yet ready for them will obviously be counter-productive and hit Irish tourism particularly hard due to the high usage of car rentals by visitors to the regions.

As previously stated Irish tourism leaders have welcomed the Programme for Government commitment to 9% for the food services sector. ITIC recommends that this be extended to key tourism sectors of attractions, activity providers and camping sites. Jim Power Economics in a report for ITIC has estimated that this measure would cost the exchequer €17.6 million in a full year, a very modest summer for the benefit it would give key tourism assets which are predominately based in regional Ireland. This economic report has been provided to relevant Ministers and Departments.

Other insights from ITIC members pertaining to competitiveness include:

- There is a compelling reason to look at an alcohol excise reduction in light of Ireland having the 2nd highest taxes across Europe. There should also be reform to the cost of Special Exemption Orders. within the survey point to the need

- The switch to HVO by Ireland's boat rental sector, now in our 3rd season, is being put at jeopardy due to the high cost of the product, 8 cent to 14 cent more expensive per litre than road diesel. HVO attracts the same 'Mineral Oil Tax' rate as a litre of road diesel. Currently this stands at 37 cent per litre for MOT and 15 cent per litre for Carbon Tax. HVO is now costing €1.83 per litre and road diesel is approx. €1.69 per litre. Customers are beginning to ask why they cannot use road diesel rather than HVO as it would be substantially cheaper for them. HVO is a vegetable oil and is not a mineral oil yet it is still subject to the same tax as if it were a fossil fuel. Furthermore, it also attracts the same carbon tax as a litre of diesel although HVO is cutting its CO2 carbon foot print by 90+%. If Government is serious about sustainable tourism measures, there should least be some financial encouragement for its use rather than extra taxation.

- The escalating cost of insurance continues to have a negative impact on tourism and hospitality businesses. This is despite many positive reforms of the insurance sector in recent years. It is a source of ongoing concern that premiums continue to rise and that savings generated by recent reforms are not being passed on by insurers. Insurance reforms are needed including the enhanced role of PIAB to ensure that liability premiums are reduced to affordable levels and provide assistance for organisations with limited or no access to affordable cover. Insurance reform recommendations within the Cost of Business Advisory Forum must be acted upon with urgency.

- Ensure Ireland remains a cost-competitive aviation market, particularly around airport charges and taxation to sustain and grow long-haul services.

- Modernise the VAT71 scheme by addressing vehicle design constraints, introducing faster repayment timeframes, and align VAT treatment with Northern Ireland to increase competitiveness whilst ensuring fare equity across PSO services by extending concessionary schemes to commercial operators and providing appropriate NTA funding support.

- Red Tape Reduction: Ensure all future labour policy changes are put through an SME "stress test" before implementation.

- Introducing a no-tax policy on customer tips and gratuities and reform Employment Permit rules.

- Create a tax-free allowance for micro registered self-catering businesses and extend investment tax relief for same.

- Review the wider VAT treatment of conference-related costs. The business events sector is of enormous value to Ireland with rich potential. From an international organiser's perspective, the total cost of hosting in Ireland determines destination choice. If Ireland's VAT structure makes conferences more expensive, difficult to administer or less recoverable than in competing destinations, it will weaken bid conversion. ITIC recommends that Government benchmark Ireland's VAT position against comparable European conference destinations including those offering more favourable VAT recovery mechanisms for international agencies, associations and businesses. A more competitive and clearly communicated VAT framework would support affordability, reduce organiser risk and strengthen Ireland's ability to win high-value international conferences.

- ***Capacity***

Ireland's ability to cope with increased demand is vital if the tourism sector is to grow in future years and continue to offer a compelling, value-for-money offering.

Key Budget 2027 recommendation:

2 Capacity

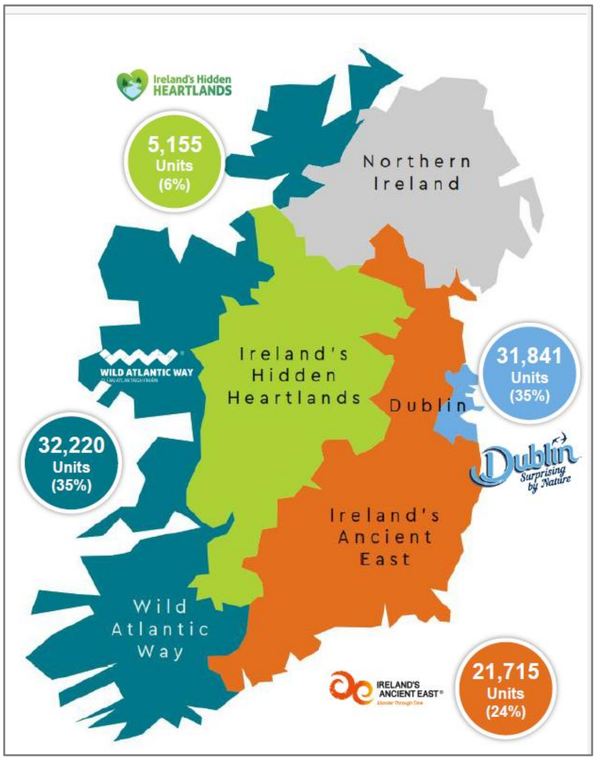
Government's new national policy aims for 50% revenue growth by 2031. However research by ITIC points to a significant hotel shortage particularly in regional Ireland. This will be compounded by restrictions on short-term tourism rentals. Irish tourism capacity needs to be increased and measures will need to be deployed in Budget 2027.

A recent report for ITIC, in conjunction with the ITOA, by Crowe highlighted that there is a shortage of 10,000-15,000 hotel rooms nationwide if we are to meet projected tourism demand. This is a fundamental handbrake on growth. The report has been sent to relevant Ministers and Departments and needs to be acted upon with haste.

As the Crowe report states:

"Ireland's tourism sector is facing a structural accommodation shortfall driven by a clear market failure in the delivery of new supply. While national policy targets material growth in tourism revenue from €9.6bn in 2024 to €14.8bn by 2031, the current development model is not well positioned to deliver the scale or regional distribution of accommodation required to support this ambition.

Demand is materially outpacing supply. Tourism activity reached 85.9 million bednights in 2024 and is projected to grow by almost 20% by 2031. Meeting this demand would require a significant expansion in accommodation capacity, including an estimated requirement for 10,000 to 15,000 additional hotel bedrooms. The current accommodation system is operating at or near capacity. Hotel occupancy levels are consistently high, particularly in urban markets, with Dublin operating at approximately 84% annual occupancy and frequently exceeding 90% during peak periods. This indicates limited headroom to absorb further demand, particularly in peak season. A structural imbalance exists between demand and regional supply. Accommodation is unevenly distributed, with capacity concentrated in Dublin and along the Wild Atlantic Way, while regions such as Ireland's Hidden Heartlands remain underdeveloped. At the same time, demand is highly seasonal and increasingly dispersed geographically, creating acute regional and peak-period shortages."



The core issue is a failure of supply delivery, not demand. Despite strong and growing tourism demand, the Crowe report argues that the delivery of new accommodation is constrained by high construction and financing costs, planning complexity, and weaker viability in regional markets. This has resulted in a systemic market failure, with private sector investment insufficient to meet national and regional accommodation needs.

Put simply Ireland's tourism growth ambitions are at risk of being constrained by accommodation capacity. Addressing this gap will require targeted, coordinated intervention to accelerate accommodation delivery, particularly in regional markets, and to ensure that supply aligns with the location, seasonality and type of demand anticipated to 2031. Without early and sustained development, particularly in regional markets, projected demand growth cannot be fully accommodated.

Report excerpt

ACCOMMODATION IMPLICATIONS 2031

Projected bednight demand is estimated to increase from approximately 85.9m in 2024 to 100.6m by 2031, representing **growth of 14.7m bednights** (c.17.1%).

Hotels currently account for approximately 27% of total bednights. However, private accommodation, which represents the largest share of demand, is unlikely to expand at the same pace. As a result, incremental growth in bednights is expected to be disproportionately accommodated within commercially operated tourism accommodation.

For the purpose of this analysis, it is assumed that **hotels will accommodate 42.5% to 57.5% of incremental bednight demand**, noting that this could be higher given the role of hotels in supporting promotable tourism and group travel, which require scale and consistent accommodation provision.

Applying this range results in **demand** for an estimated **6.3m to 8.5m additional hotel bednights**.

Using an average sleepers-per-room assumption, this translates to an occupied room demand of approximately 3.8m to 5.1m room nights. This reflects lower occupancy densities in urban hotels relative to regional and resort locations.

Applying a **blended national occupancy assumption (c.70%)**, recognising higher occupancy in urban markets and lower levels in regional locations due to seasonality, results in a gross additional supply requirement of approximately 14,800 to 19,900 rooms.

This reflects the practical reality that **hotels do not operate at full capacity year-round**, with seasonal demand patterns and natural fluctuations requiring a balanced occupancy level in a normal operating market.

Adjustments are subsequently applied to reflect committed pipeline supply, returning stock and expected market exits. This analysis considers only schemes that are currently under construction and excludes projects that have received planning permission but may be delivered between now and 2031, **resulting in a net requirement of approximately 10,000 to 15,000 additional hotel rooms by 2031.**

The analysis does not incorporate any potential contraction in STL supply arising from the introduction of new regulatory measures, which may further reduce overall accommodation availability.

Hotel Bedroom Capacity Need to 2031		
Hotel Percentage of Bednights	42.5%	57.5%
Hotel Bednight Demand	6.3m	8.5m
Sleepers per Room	1.67	1.67
Occupied Room Demand	3.8m	5.1m
Hotel Occupancy	70%	70%
Supply Requirement (Gross)	**14,800**	**19,900**
Adjustments (estimates)		
Delivered 2025 (Q1/Q2)	(500)	(500)
Under Construction (Q3 2025)	(3,650)	(3,650)
Returning from Non-Tourism Use	(2,000)	(2,000)
Departures for Alternative Use	1,650	1,650
Impact of STL Changes	-	-
Supply Requirement (Net)	10,300	15,400
Hotel Capacity Gap (Rounded)	**10,000**	**15,000**

It is important to note that the delivery of new hotel capacity is subject to significant lead times, with analysis by Fáilte Ireland indicating **a typical development timeline of 2.5 to 3 years from planning application**. This highlights the need for early and sustained investment to ensure capacity is delivered.

EVIDENCE OF MARKET FAILURE

A 2025 report prepared by Grant Thornton for Fáilte Ireland concluded that there is a **systemic market failure in the delivery of new tourist accommodation**, particularly outside major urban centres.

The report identified the following core drivers:

- **High upfront capital costs**, with construction and development costs exceeding achievable market values in many locations.
- **Operational risk and seasonality**, particularly in regional markets, reducing income stability and investor appetite.
- **Financing constraints**, with more conservative lending terms and limited access to debt for non-urban projects.
- **Lower pricing power and yields in regional markets**, limiting development feasibility relative to city locations.
- **Planning complexity**, with long, uncertain planning timelines increasing delivery risk and cost exposure.
- **Positive spillovers not reflected in private returns**, resulting in under-investment despite clear strategic and regional benefits.

The report identifies the need for additional hotel accommodation. It notes that, despite strong and growing visitor demand, new accommodation supply has remained heavily concentrated in Dublin, with limited delivery in regional markets. This reinforces capacity constraints and undermines national and regional tourism objectives.

The report concludes that private market dynamics alone are insufficient to deliver the scale and geographic spread of accommodation required, supporting a clear rationale for targeted public-sector intervention.

Further capacity issues that need to be addressed as part of Budget 2027:

- Prioritising investment and planning certainty at Dublin Airport to ensure the infrastructure can accommodate future growth in passengers and wide-body operations.
- Infrastructure investment in tourism amenities in line with today's consumer requirements, with workforce education to be prioritised. EV charging infrastructure outside the large urban centres. Support for specific festivals and other tourism-attracting initiatives in the smaller centres to encourage availability of SME's over a 12-month season.
- Hotel Development: Measures to support hotel development including capital grants, reduced development levies, targeted time-limited tax incentives and state-backed financing.
- Hospitality Staff Accommodation: Carry out a review of options for assisting hotels to develop employer-led staff accommodation across the sector.
- Government should create a capital and feasibility support programme for regional conference infrastructure, focused on venues capable of hosting 400+ delegates with exhibition space, breakout capacity, poster areas, catering circulation and nearby accommodation.

- ***Connectivity***

As an island nation it is self-evident that there are no bridges, tunnels or roads connecting Ireland to other markets. Aviation and sea access is absolutely fundamental and connectivity around the island is of equal importance.

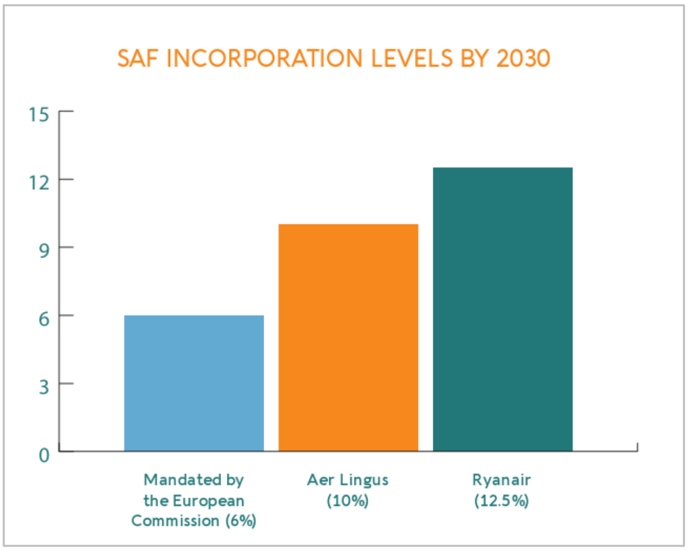
Key Budget 2027 recommendation:

3 Connectivity

It is welcome that the Dublin Airport passenger cap is being lifted. This process needs to be expedited. In parallel Cork and Shannon airports must be supported in line with maximum EU state aid limits. Air and sea access must be supported and connectivity within the island must be prioritised within the national development plan.

As well as the obvious importance of Dublin Airport to the Irish tourism economy, Ireland's other state airports - Shannon Airport and Cork Airport – must be supported to grow. Both airports are vital in terms of the regional spread of tourism and are uniquely positioned to support development along the Wild Atlantic Way, Ireland's Hidden Heartlands and Ireland's Ancient East. These airports play a central role in enabling sustainable tourism, expanding regional reach, and fostering inclusive economic growth within local communities. Aligning with commitments in the Programme for Government to develop a new Regional Airports Programme (RAP) for 2026–2030 and to strengthen the National Aviation Policy, Budget 2027 should allow for direct capital funding for State-owned regional airports. Including Shannon and Cork Airports in the RAP (supporting airports with up to 5 million passengers per annum as allowed by EU regulation) would empower them to upgrade essential infrastructure, implement green initiatives, and improve passenger services—all of which are essential to attracting tourists, extending their stay, and ensuring repeat visits.

It is accepted that aviation accounts for 2%-3% of global greenhouse gas emissions, It is worth noting that Irish aviation is taking its sustainability obligations very seriously. On the ground Dublin, Cork and Shannon airports are taking dramatic decarbonisation steps while Irish airlines lead the way in their purchase of, and commitment to, Sustainable Aviation Fuels (SAF). There is a real opportunity to develop Ireland as an R&D hub for SAF should there be a political will.



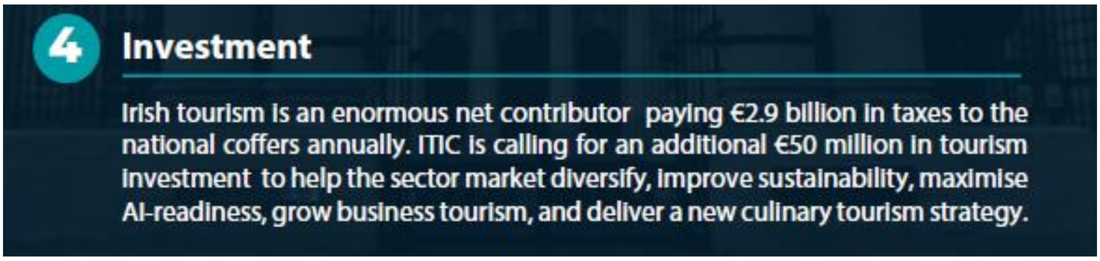
Tourism and aviation are intrinsically linked and mutually inter-dependent: tourism relies on aviation to bring in visitors and airlines rely on tourism to fill seats.

As well as air connectivity, sea access must be supported. This facilitates 'slow tourism' with visitors tending to stay longer and explore the country. Connectivity throughout Ireland is also of fundamental importance to ITIC who have long advocated for an improved taxi market and an intensive and extensive rollout of EV infrastructure. The Metro North line to Dublin Airport needs to be finally delivered and the proposed Cork Light Rail to Cork Airport must be addressed as well as securing a mainline rail link to Shannon Airport. Enhancing public transport to State Airports will by its nature reduce dependency on cars and provide faster, greener, more efficient connectivity for visitors & locals alike.

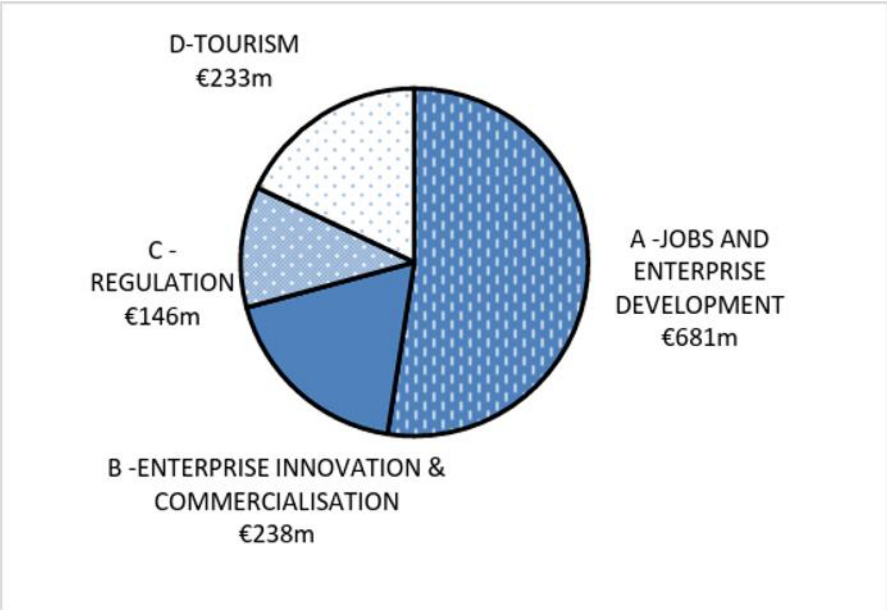
- ***Investment***

Irish tourism needs a step-change in funding if it is to achieve its 2031 policy goals.

Key Budget 2027 recommendation:



The new national tourism policy – A New Era – is rightly ambitious and has a number of metrics. One metric that is missing is Government funding for a sector that gives such a positive return to the exchequer. Currently (as per below graphic outlining the budget of the Department of Enterprise, Tourism and Employment) tourism only receives €233m in annual funding. ITIC recommends that an additional €50m is allocated to tourism to future-proof it and enable sustainable industry growth.



With an over-dependence on the US market and a need to de-risk and diversify business sources there is a very strong case for a step-change in tourism investment in the coming budget. As well as an increase in overseas marketing funds and cooperative market access funds, additional investment is needed to secure the regional spread of visitation, sustainability initiatives, industry supports, business tourism, AI-readiness, a food tourism strategy, and key event funding particularly that of St Patrick's Festival.

The case for investment in tourism services in Budget 2027 is indisputable. Research by Indecon Economic Consultants for Fáilte Ireland outlines that 29c of every €1 spent by a visitor is returned to the exchequer in tourism-related taxes. That means the tourism industry contributed a massive €2.9 billion to the exchequer last year.

In parallel to tourism funding, Government has built up a surplus of nearly €2 billion in the National Training Fund (NTF), which is funded by annual contributions by employers worth 1% of payroll. This has the potential to deliver material industry-led skills development and incentivise industry to scale investment and engagement with the education sector. There was a modest release of this announced in last year's budget and ITIC advocate that further funding is earmarked for labour-intensive sectors such as the tourism and hospitality.

Other ITIC member insights relating to the theme of investment include:

- An increase in grants for tourism providers to improve and increase their use of sustainable practices including retrofitting and green energy.

- Funding to step up efforts to support recruitment pipeline into industry be that via paid training programs or via making visas easier to acquire for certain professions where there are distinct shortages.

- Introduce Tax Free shopping enhancements — including drop-off and checkpoint facilities at ferry ports — to facilitate and incentivise tax free uptake across sea traffic (GB and international).

- Capital funding & digital/sustainability investment: Access to larger-scale capital grants for product development and upgrading experiences is essential. Alongside this, support for digital (AI, data, systems) and sustainability investments would make a real difference in improving efficiency, reporting and overall visitor offering,

- As well as a regional focus, Dublin needs appropriate resources in terms of transport infrastructure, product development, public realm, cleanliness and perceptions of safety.

- Establish a dedicated Association Conference Competitiveness Fund: Government should introduce a targeted fund to support international association conferences that deliver measurable economic, social and environmental value. This fund should help offset destination cost gaps where Ireland is competing with comparable international cities.

- Increase investment in conference bidding, destination subvention and ambassador conversion: Ireland should increase resources for bid support, site inspections, destination subvention and international association sales activity. The current supports are valuable but need to be scaled significantly if Ireland is serious about achieving growth under Business Events 2030. A much higher level of dedicated resource is also required to identify, engage and convert conference ambassadors within universities across Ireland's main cities, including Dublin, Cork, Galway and Limerick. Academic, medical, scientific and professional leaders based in these institutions are often directly connected to international associations and are critical to bringing major congresses to Ireland. They need structured support, clear bid pathways, practical resources and ongoing engagement if engagement if Ireland is to convert more ambassador-led opportunities into confirmed international conferences. This investment should be seen as economic development, not simply tourism marketing. International conferences generate delegate spend, supplier revenue, tax return, knowledge exchange, professional development, sectoral reputation and repeat visitation.

- Support the sustainable transition of the private coach and bus sector through research funding, enhanced passenger incentives and equitable access to decarbonisation supports.

Concluding Comments

The continued recovery of Irish tourism is of immense importance to the Irish economy. This has been a difficult year on a number of fronts for the Irish tourism industry and Budget 2027 comes at a key time.

Ireland's largest indigenous industry and biggest regional employer has proven resilient over the years and continues to be of critical national importance. Industry fully supports the Government's 5-year national tourism policy and is ambitious for the sector's future. However to achieve growth requires measures in Budget 2027 around competitiveness, capacity, connectivity and investment.

Sustainable growth can only be enabled by pro-tourism and pro-enterprise policies. Budget 2027 can set a clear roadmap for tourism's success in the coming years. This would be a positive development for the visitor, the tourism industry, local communities and the national exchequer.

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