

The impact of sterling depreciation on holiday spending for a group of 4 people

The impact of depreciation

1.1 The recent publication 'HM Treasury analysis: the immediate economic impact of leaving the EU' shows that, in the event of a vote to leave the EU, sterling would be expected to fall by 12%¹, which is in line with the average sterling depreciation across external studies. This would affect all holiday expenditure abroad, paid for after a vote to leave the EU. As a result, the average cost of a foreign holiday by UK residents, as measured in pounds, would increase. This note estimates the impact that the depreciation would have on the average spend abroad on a foreign holiday by UK residents.

1.2 Analysis of ONS data² on holiday spending abroad by UK residents, shown in Table 1.A, shows that a 12% depreciation would increase the average holiday spending abroad for a UK travel party of 4 individuals by £230 for an 8 night holiday in the EU based on 2015 figures.

Table 1.A: Impact of depreciation on the most popular³ travel destinations (2015)

Country visited	Length of stay (nights)	Total average spend per visit	Total average spend per visit (£)	Total average spend per visit following a depreciation (£)	Difference (£)
EU ⁴ average	8	€2321	1685	1915	230
Spain	9	€2303	1672	1900	228
France	8	€2114	1535	1744	209
USA	15	\$7018	4591	5218	626
Portugal	10	€3279	2381	2705	325

Source: ONS (2015 figures); HM Treasury calculations

The difference presented in the final column is the difference between the pound-equivalent of the holiday spend before and after the depreciation assuming the holiday spend in the foreign currency remains constant.

¹ The depreciation is based on the trade-weighted Sterling index, which is a weighted average of all the UK's trade partners' bilateral exchange rates.

² Figures from the International Passenger Survey, ONS

³ These countries were selected as they were the most visited countries by UK residents (for at least 1 night) in 2015 according to the ONS. There is insufficient data for ONS to provide robust data on a 4 person holiday for the average number of nights in a 4 person visit to Italy and Ireland. The EU average is robust.

⁴ The figure for the average spend per visit to the EU was calculated in Euros.

Data sources

- data on the average holiday spending abroad of a UK travel party of 4 individuals by destination and length of holiday comes from [the ONS](#)
- the selected length of a visit to each country is the average length of a visit for all four person holiday visits to that country, rounded to the nearest whole number
- data on bilateral exchange rates comes from Bloomberg, and is an average of the exchange rate over the whole of 2015, the year the holiday spend data was collected, when £1 = \$1.529 and £1 = €1.377
- the countries used were selected on the basis that they were the most visited by UK residents for at least one night in 2015⁵

⁵ ONS publication, 'Travel trends: 2015' <http://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/articles/traveltrends/2015#travel-trends-2015>