

DA Intelligence - Northern Ireland (1/4)		OFFICIAL-SENSITIVE	Last update: 06/10 Next update: 03/11	Name Redacted
Sector	Impacts to Date			
Economy -wide	<ul style="list-style-type: none"> <li>Local independent economic forecasters have all predicted a significant decline in economic growth in 2020 due to the impact of COVID-19, with expected contractions in the economy ranging from around -9% to -13%.</li> <li>The unemployment rate for June-August 2020 was 3.7%, an increase of 1.2pps over the quarter and by 0.8pps over the year. The quarterly rise is the largest since 2012. The number of people on the claimant count was 62,000 (6.7% of the workforce) in September 2020. This is the fifth month that the claimant count was above 60,000; levels previously seen in 2012 and 2013.</li> <li>The latest 2020 Ulster Bank Purchasing Managers' Index suggests the local private sector grew for the 3<sup>rd</sup> month running, with all the key indicators improving relative to August. The headline Business Activity Index was 51.9 in September, slightly up from 51.7 in August, but down compared to 54.5 in July (first full month of after lockdown) and the 3<sup>rd</sup> lowest of the 12 UK regions.</li> <li>The latest NI Composite Economic Index for Q2 2020 (covering most of the lockdown period) showed that economic output decreased by 13.6% over the quarter and by 17.8% over the year. On an annualised average basis, activity fell by 5.1% over the last four quarters to Q2 2020 compared to the previous four quarters. The Index has fallen to a series low and is currently 20.8% below the maximum value recorded in Q2 2007.</li> <li>The latest release of construction output statistics shows that the total volume of construction output in the Q2 2020 decreased by 30.0% compared with Q1 2020, was 30.0% lower than the same quarter in 2019 and 9.3% lower on a rolling four quarter basis. The total volume of construction output in Northern Ireland has now reached a series low, with both the quarterly and annual decreases the largest on record.</li> <li>NI Chamber &amp; BDO Quarterly Economic Survey (QES) highlights some recovery in business activity in Q3 2020 after the severe collapse experienced in Q2 following the onset of the COVID-19 crisis and effective lock down of the NI economy. All key indicators have improved in Q3 2020 but all remain negative meaning more members are reporting worsening business conditions than those reporting an improvement. The majority of members have been negatively affected by the fall out of the COVID-19 pandemic with 2 in 5 seeing little to no signs of improvement in business performance since its onset. Furlough has helped but 1 in 2 members have/plan to reduce staff. One in five members express concern about ability to pay back COVID-19 loans.</li> <li>Invest NI has been made aware of over 43k workers having been furloughed and c5.2k redundancies from client companies. Almost 750 businesses have indicated the potential return to work of c29k staff (67% of total furloughed) - 29% of businesses have yet to indicate any potential return to work for their furloughed workers. In regard to Invest NI's client base, Advanced Engineering &amp; Manufacturing and Construction have been the most severely impacted sectors with c21k manufacturing workers originally furloughed (with 70% potentially returning) and 10k construction workers originally furloughed (with 69% potentially returning).</li> <li>Belfast Chamber of Commerce and business organisations from across NI believe that the Executive's 4 week lockdown will result in significant job losses and major damage to our economy classing it as "An economy breaker, not a circuit breaker".</li> <li>Another lockdown across Northern Ireland is not an option without proper financial support for the business sector, a major coalition warned last night. Trade NI, an alliance of Hospitality Ulster, Manufacturing NI and Retail NI, last night warned the Executive to avoid a lockdown scenario, saying that it will cripple Northern Ireland's economy and potentially set it back decades.</li> </ul>			
Tourism	<ul style="list-style-type: none"> <li>The industry employs 65,000 in NI and generates £1billion revenue p.a. It has been estimated that up to 16,000 individuals employed within the hospitality sector could be at risk of losing their jobs with ¼ hospitality businesses expected to never reopen. A study carried out by Hospitality Ulster, the NI Hotels Federation and BDO has warned that more than 15,000 jobs in hospitality are at risk. This has been highlighted by the recent announcement from the ownership of the Duke of York and Harp Bar pubs in Belfast announcing up to 100 job losses. There is further uncertainty over the end of the Furlough Scheme at the end of October potentially leading to more job losses in the sector.</li> <li>Non-food pubs were re-opened on 23 September subject to restrictions e.g. table size. Under current restrictions all pubs and restaurants are closed from 16th October for a 4 week period unless a takeaway service is offered. Customers are not able to sit in. Further measures to support businesses impacted by the pandemic include grant schemes with Furlough due to finish end October.</li> <li>The NI Executive also announced from 16th October at 6pm that hotels are to close for the same time period with exemptions such as offering rooms to key workers and customers who were already resident in the hotel at the time but bars are not allowed to be open.</li> <li>The NI Executive has announced a package of more than £29 million for "cultural recovery" – this will include support for the tourism industry and a holiday voucher scheme; no specifics yet.</li> <li>Business leaders in Retail, Hospitality and close contact sectors, in partnership with the Executive, have been asked to reinforce the public health messages to members in an effort to stop the spread of Coronavirus.</li> <li>NI hotels will sell a million fewer rooms this year, losing out on £500m in revenue as a result, according to a report from the NI Hotels Federation.</li> </ul>			



## DA Intelligence - Northern Ireland (2/4)

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Travel	<ul style="list-style-type: none"> <li>Travel data has broadly plateaued to almost reach pre-lockdown levels and are beginning to show signs of slight dips. This includes: HGV and LGV traffic at a number of key border crossings; HGV movements on key travel routes throughout NI; and shipping traffic. Further declines expected in the coming weeks with the imposition of further restrictions on 16/10/2020.</li> <li>The first flights from Belfast City Airport to East Midlands Airport and Leeds Bradford Airport took off on 1 October. Both routes, operated by Aer Lingus, will fly up to three times per day.</li> <li>Belfast City Airport has announced a new service to Cardiff starting in January 2021. Eastern Airways is taking over the route following the collapse of Flybe. There will be up to six flights a week, with increased capacity also on the way for the Southampton and Teesside International Airport routes.</li> <li>Public transport use in NI dropped by more than 90% at the height of the coronavirus pandemic. Currently, those using public transport are around 60% lower than before the pandemic according to Translink.</li> </ul>
Agri Food	<ul style="list-style-type: none"> <li>Food processing firms have raised concerns regarding mixed messaging and the impact some policies are creating such as eat out –help out, Schools and Universities returning etc. at a time when the transmission of the virus is rising.</li> <li>Concerns have been raised regarding testing access and capacity due to a rise in demand for Covid-19 testing. Processors are seeking clarity on the cost burden of testing within the industry.</li> <li>There are concerns about haulage and in particular the issue of drivers absenteeism following testing and the impact this may have on food supplies.</li> <li>Sector has expressed the need for food processors to be a priority grouping for testing especially for any newly developed tests or vaccines.</li> <li>Increasing cost pressures of Covid mitigations. Costs being absorbed by factories is unsustainable.</li> <li>Food processors are concerned about the risk of some plants closing due to the availability of workers and production capacity with the new restrictions. Absenteeism has increased owing to those who have tested positive and those isolating because of the test and trace process.</li> </ul>
Retail	<ul style="list-style-type: none"> <li>Following the initial post lockdown substantial drop, the number of people entering Belfast City Centre continues to remain relatively steady. For the week ending 11th October footfall has fallen slightly but remains 39% above pre-lockdown volumes. However, footfall is around 37% below 2019 levels.</li> <li>There have been some reports of increased stockpiling by consumers, similar to that observed at the start of the pandemic lockdown. A number of larger supermarkets have introduced 'per customer quotas' on popular stockpile goods such as pasta, tinned products and toilet roll to alleviate stock issues caused by stockpiling.</li> <li>A local economist has claimed that COVID-19 will cost Northern Ireland's economy well over a third of a billion pounds this Christmas, relating to a steep reduction in overall spending this festive season compared to last. This impact will also be felt throughout the hospitality sector due to the loss of Christmas events this year.</li> <li>Retail remains open amidst the new set of restrictions that came into force on 16<sup>th</sup> October.</li> <li>Business leaders in Retail, Hospitality and Close contact sectors, in partnership with the Executive, have been asked to reinforce the public health messages to members in an effort to stop the spread of Coronavirus.</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>Around 1,800 jobs in NI's aerospace sector are at risk because of the pandemic, trade union Unite has warned. Stormont's First and deputy First Minister and the union collectively called on Boris Johnson to urgently establish an aerospace taskforce. In a letter to Mr Johnson, Arlene Foster, Michelle O'Neill, and Unite, along with the first ministers for Scotland and Wales, say urgent intervention is needed. It has been suggested the sector's recovery is expected to take three to five years.</li> <li>SME firms have exhausted cash reserves and have taken on considerable debt through BB Loans and CBILS; as Covid impacts continue debt levels will only get worse.</li> </ul>
Hair and Beauty	<ul style="list-style-type: none"> <li>Almost a third of those polled in the hair and beauty sector said they expected to cut staff in the next three months, with 44% unable to guarantee job security.</li> <li>With more than 1,500 hair and beauty businesses in Northern Ireland, this would be a huge blow in terms of significant unemployment and its impact on the high street, with salons and barbers linked to increases in footfall in town centres.</li> <li>The sector has called for the introduction of 'high street vouchers' similar to that of the 'eat out to help out' hospitality initiative to help drive extra consumption in areas such as the hair and beauty sector, as well as retail, leisure and hospitality struggling to recover due to the impact of social distancing restrictions.</li> </ul>



Sector	Issues to Note
Sectors reopening/Safer Workplaces	<ul style="list-style-type: none"> <li>Digital, ICT, Financial and Professional service sector firms have reported a lack of appeal by staff for socially distant offices and wearing masks. With these sectors well equipped to WfH some offices are only planning a phased return of some staff from September with other firms not anticipating a return until at least January 2021.</li> <li>Firms suggested the following additional requirements to operate safely; more signage (incl distance markings), sanitizers for staff and customers, longer working hours to accommodate clients (fewer clients will be allowed on premises at same time - appointments only) and clear guidance to be provided on group sizes, social distancing and requirements for insurance cover. Firms believe these new ways of operating will reduce profit whilst increasing labour demands - not sustainable long term.</li> <li>Covid-19 restrictions are no longer postcode based but have been extended to all of Northern Ireland from 18:00 Tuesday 22<sup>nd</sup> Sept. There will be no mixing of households indoors with some exceptions, and no more than six people from two households can meet in a garden.</li> <li>Theatres and concert halls have been told they cannot now reopen to audiences.</li> <li>Soft play areas were allowed to reopen on Monday 14 September.</li> <li>The use of face coverings in certain indoor settings, which includes retail stores, was made mandatory from Monday August 10. On 8<sup>th</sup> October it was announced this is to be expanded to when boarding a plane, in taxis and private buses, visiting government offices such as benefit offices, banks and building societies, and for both driving instructors and their clients.</li> <li>Chief medical officers in both NI and RoI have appealed for people to avoid all but necessary cross-border travel.</li> <li>A new regime of penalties for breaches of Covid-19 rules was agreed on 8th October which includes people caught breaching coronavirus regulations now facing a minimum fine of £200.</li> <li>Concern continues to grow at the number of new cases being recorded. The Department of Health has now recorded 28,040 positive cases – 7,056 of them in the last week (as of Monday 19th October); 1,490 positives per 100k population.</li> <li>Health Minister has formally agreed to re-establish NI's Nightingale hospital. In May the regional facility was temporarily stood down as cases of COVID-19 began to decrease.</li> <li>There will be a pause on giving the flu vaccine to people under 65 in NI until more stock is received, the Public Health Agency has said. It said that following "phenomenal" demand, NI and the rest of the UK was "now reaching full uptake of the allocated stock".</li> <li>In a bid to stem cases of Covid-19 Pubs, restaurants and cafes across NI closed their doors to sit-in customers at 6pm on Friday 16<sup>th</sup> October under stricter Covid-19 restrictions. Hair and beauty salons also have to shut and gyms face additional measures for the next four weeks too. Hospitality businesses will be limited to takeaway and delivery services but premise must close at 11pm.</li> <li>The executive has agreed schools will close for two weeks, including the half-term holiday, until Monday 2 November, when their closure will be reviewed.</li> <li>NI Education Minister Peter Weir has said almost 1,500 positive cases of coronavirus have been recorded in Northern Ireland schools since their August reopening, a cumulative figure from 24 August to 13 October. There are about 333,000 students at schools in Northern Ireland and about 19,000 staff.</li> <li>The following measures are also in place for four weeks from Friday 16<sup>th</sup> October: Off-licences and supermarkets not to sell alcohol after 8pm; No indoor sport or organised contact sport involving mixing of households, other than at elite level; No mass events involving more than 15 people (except for allowed outdoor sporting events where the relevant number for that will continue to apply); Places of worship are to remain open but face coverings mandatory when entering and exiting.</li> <li>Under new restrictions weddings, civil ceremonies and funerals, will be limited to 25 people from Monday 19<sup>th</sup> October with no receptions permitted.</li> <li>A number of firms have reported a pickup in absenteeism again, with some are seeing employees test positively for Covid (the first time) resulting in close colleagues having to self-isolate.</li> <li>There is also concern that employees may not be self-isolating if a family member has tested positive if they are worried it will impact on their employment or their pay.</li> <li>Small businesses owners have expressed concern that a return to full lockdown as seen in April this year would be fatal to many businesses.</li> </ul>
NI-wide 16/10/2020 Restrictions	<ul style="list-style-type: none"> <li>In response to the latest restrictions announced by the NI Executive, CBI NI have called for further clarity on the evidence base for this package of measures, what these additional measures are expected to achieve and how their impact will be measured. They stated, "While firms recognise that controlling the virus is key to economic recovery, these restrictions will put more jobs at serious risk. We urgently need to see a strategy for living with COVID-19 to protect both lives &amp; livelihoods across NI."</li> <li>Retail NI, Belfast Chamber, FSB and others have already said support is not sufficient with warnings of significant job losses and major damage to the NI economy. Manufacturing NI raised that there is no support for supply chain.</li> </ul>



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NI-specific measures	<ul style="list-style-type: none"> <li>Businesses intelligence engagements suggest that more interventions will be required going forward. These include: tapered return to full rates, a targeted furlough scheme which will can only be used in areas returned to local lockdown, a review of retail rents, and support for the continuation of apprentice schemes (including flexibility in how existing INI training grants can be spent). Businesses are also calling for clear concise messaging from Government.</li> <li>Economy Minister announces 3,000 free online training places for people whose employment has been disrupted by COVID-19, an investment of £4.6m - the courses will focus on digital skills.</li> <li>NI Finance Minister has joined his Welsh and Scottish counterparts in repeating a call for increased spending powers for the devolved nations. NI Minister has said "more fiscal flexibility" was needed to manage the impact of Covid-19. He expressed concerns about the autumn budget being cancelled and lack of clarity for an upcoming UK Spending Review.</li> <li>NI Economy Minister has said that a 'circuit-breaker lockdown' will only be viable if extra financial support is provided from the UK Government.</li> <li>Economy Minister has announced two new schemes to support Northern Ireland businesses plan for recovery. The schemes - Invest NI's £2m Covid-19 Business and Financial Planning Grant; and Tourism NI's Business and Financial Planning Support Programme - have been developed to help SMEs assess the impacts of Covid-19 and develop a strategic recovery plan for the business. Both schemes, opened on October 7<sup>th</sup>, will provide up to £8,000 to eligible businesses to undertake a business and financial review to plan for recovery.</li> <li>NI Finance Minister has opened a financial support scheme for businesses subject to the latest restrictions under the Health Protection Regulations. Under the scheme businesses will receive either £800, £1,200 or £1,600 (broadly determined by business Net Annual Value) for every week the latest restrictions apply.</li> <li>Almost £3m of funding has been granted to individual artists as part of a support scheme operated by Communities Minister. It is the first distributed portion of £29m of funding approved by the executive to help venues and the arts.</li> </ul>
Winter Economic Plan	<ul style="list-style-type: none"> <li>While the JSS scheme has been welcomed by some as a measure to maintain viable jobs, available to both SMEs &amp; larger businesses only when turnover has fallen, with the grant amount capped businesses will need to understand the mechanisms of claiming the scheme, particularly if also claiming the Job Retention Bonus scheme simultaneously.</li> <li>The JSS has allowed the retail to secure jobs in the medium term. However with footfall continuing to be low as well as the further restrictions the retail industry is still going to need govt support in the medium term.</li> <li>In contrast the manufacturing sector has commented that the JSS fails the test about protecting jobs currently on furlough and as demand is reduced through further lockdowns it is likely to be difficult for employers to fund the 55% pay requirement to access the JSS. There is added concern about the reduction on the JSS support, particularly at a time when footfall and revenue is reducing due to the current restrictions.</li> <li>Feedback from small businesses has indicated the JSS is a more costly way of doing business than reducing the hours of those workers for whom their role is no longer needed on a full time basis, even when factoring in the Job Retention Bonus. . Some also feel that JSS payments being made in arrears could cause cash flow problems for small to medium sized businesses.</li> <li>Feedback from the National Hair and Beauty Federation (NHBf) on the JSS has indicated that it will give little support to those in the sector. In covering half the costs of the support to workers for hours not worked to get someone working 33 per cent of previous hours a business would have to pay 55 per cent of a workers' previous wages. NHBf's most recent data shows one in four businesses cannot even meet their current financial obligations, so asking them to pay more and get less is completely unviable. The NHBf is calling for a more generous package to the 20% offered for those sectors hardest hit by the pandemic that better reflects the operational restrictions and loss of earnings they continue to encounter.</li> <li>In comparison to the German 'Kurzarbeit' scheme employers pay zero towards the hours employees do not work. NHBf had said that zero contribution is crucial to the key objective of helping firms and workers cut hours rather than jobs. In contrast, the JSS gives firms the opposite incentive because the high employer contribution makes it more expensive for a firm to employ two workers half time than one full time.</li> <li>Some sectors such as hospitality, tourism, retail and entertainment sectors are still suffering massively and WEP schemes are reportedly not addressing the future. There is concern that the new schemes do not safeguard employees whose activities have ceased completely.</li> <li>The self-employed have welcomed the extension of the SEISS, although there are concerns that individuals will still be excluded from the scheme and again very young businesses fall through the cracks as they did not have a full set of yearly accounts. Others that appear to be excluded are those whose earnings before the current crisis and recession were over £50k but which may have plummeted, and those whose businesses were legitimately constructed so that they were paid in a mixture of earnings and dividends.</li> <li>The temporary VAT reduction for the tourism and hospitality sectors will provide a relief to such businesses until end of March 2021, however they have asked for an extension to be considered dependant on the economy at that time, particularly if further restrictions are enforced. Small businesses have called for an increase in the VAT threshold and a reduction in the VAT rate to 5%.</li> <li>Pay As You Grow Loans will assist with cashflow in short term and the interest free period is welcomed but there is apprehension over ability for future repayment if future trading conditions worsen. Businesses have asked for capped interest rates and for HMRC to only recover funding once businesses return to trading at a profit.</li> <li>Stakeholders have observed loan rates ranging between 1.8% -7.4% APR. They had asked that as government can access lower rates for their loans that these rates are then shared by the business community.</li> <li>Businesses are asking for a clear indication of what supports will be put in place for any further lockdowns. Without supports, the fear is that viable businesses will not be able to sustain continued losses and that jobs will inevitably be lost.</li> </ul>