

# ANTICIPATING THE BREXIT EFFECT

There's no doubting the ingenuity and energy of the hospitality sector where a resurgence is very much in evidence. Yet Brexit looms ever closer on the horizon. How will it affect your business and what can you do now to prepare? **Brian Murphy** from business advisors, BDO Northern Ireland looks at what we know so far...



The demand for - and quality of - the Northern Ireland hospitality product has never been as strong, with the sector claiming its rightful place as a key economic driver for the region. Figures released this month by Tourism NI celebrated a record year for tourism, with almost five million visitors contributing £2.5m to the economy - positive signs for the future of our growing and diverse hospitality offering.

This looks set to continue into 2018/19 with latest tourism performance statistics signifying a positive first quarter of 2018 for local tourism. Visitor spend reached record levels of £180m from January to March this year, an increase of £13m on the same period in 2017.

As a region, Northern Ireland is usually modest when it comes to its achievements but these figures should

be celebrated. We have worked hard to create Northern Ireland as a destination. With the growth in the number of hotels and an array of new restaurants and bars opening around NI, we have an offering to be proud of.

We have supported a wide range of hoteliers, publicans and restaurateurs for more than a quarter of a century and can say with confidence that the demand and quality of the product has never been this strong. Yet, despite the rapid success and to the sector's credit, there's no hint of complacency. Businesses are growth-focused, continuing to invest and develop an understanding of new customer bases and to capitalise on upcoming world-class events.

The industry, however, cannot continue to flourish on its own and its businesses need support to ensure this growth continues.

The elephant in the room is, of course, Brexit, which will have an impact on the hospitality sector going forward. How much of an impact will be determined by a number of factors, specifically the details of any deal between the EU and UK on key issues including the Irish border, trade and immigration. We have read in recent days about the possibility of a 'no deal' scenario. but the fact is, whatever the end result, we need to be ready to take advantage of the situation, to plan and prepare as best we can.

The hospitality sector employs 60,000 people in Northern Ireland, contributing approximately £1.1bn to the economy annually. With nearly 25 per cent of that total workforce coming from outside the UK, uncertainty around immigration controls in a post-Brexit UK need to be addressed. The number of EU nationals from outside



the UK employed in Northern Ireland has fallen by more than a quarter (26 per cent) since the Brexit referendum.

Given the growth of the industry as a whole, it is thought that there will be a requirement for 30,000 vacancies by 2024 and we simply don't have the local people to fill these roles. It is essential that access to skilled and soft-skilled labour forms part of any Brexit deal. This is not just important for attracting the much-needed workforce for the sector but it will ensure Northern Ireland continues to be an attractive option for those looking for somewhere to live as well as work.

As part of Brexit Planning, we at BDO NI advise businesses to be proactive in mitigating risk. Simple practical steps



include carrying out a wage review and assessing if pay increases are necessary to maintain key staff; reviewing and implementing training plans for existing staff and assisting foreign workers with any relevant visa/permit paperwork can all make a difference.

The EU remains a vital source of visitors to Northern Ireland, with overnight trips reaching 2,500 from mainland Europe and 1,000 from the RoI in 2017. The prospect of a restricted border with the Republic remains a concern for local businesses. Latest statistics show that six per cent more visitors from the Republic took overnight trips to Northern Ireland in 2017 with RoI expenditure increasing to £90m, up 29 per cent on the previous year. Recent Brexit developments have demonstrated a commitment by Ireland, the EU and the UK to protecting north-south cooperation regarding trade as well as maintaining regulatory alignment.

The hospitality sector has benefitted from a relatively positive impact on the exchange rate as a result of Brexit with sterling depreciation against the Euro. This has made coming to Northern Ireland a more attractive option, leading to strong occupancy levels supporting a high quality tourism product.

There are a couple of key dates to note in your diary, which will shape these important details ahead of so-called 'Brexit Day' on March 29, the official start of Brexit. The EU summit will take place in October and is the most likely opportunity for a final agreement between the UK and EU.

As of March 29 next year, the UK's longstanding membership of the EU will end with a transition period taking us to the end of 2019, when a new economic and political relationship between the UK and EU will commence.

**Brian Murphy FCA is managing partner and head of advisory for BDO NI**

## THE BREXIT TIMELINE...

### OCTOBER 18/19

EU summit: The October summit had been seen in the past as the most likely opportunity for a final agreement on the UK divorce from the bloc and a statement on future relations.

### DECEMBER 13/14

Final European Council of 2018: This is widely seen as the last practical date for an Article 50 divorce deal to be signed off by

Britain and the EU. The summit comes a little over three months before the UK's scheduled departure.

### JANUARY/FEBRUARY 2019

Commons approval: By now, the House of Commons must approve whatever Brexit deal Mrs May agrees in Brussels. Parliament must also pass an Implementation and Withdrawal Bill that sets out the terms of Brexit in fuller detail.

### 29 MARCH

Brexit Day: To take effect, the withdrawal agreement needs to be backed at an EU summit by a supermajority of leaders of member states. Regardless, the UK ends its membership of the European Union at 23:00GMT and enters a transition period.

### 31 DECEMBER 2020

The transition period is due to end and the new economic and political relationship between the UK and the EU will begin.