

NI CHAMBER & BDO

**QUARTERLY ECONOMIC  
SURVEY & COVID-19  
BUSINESS IMPACT TRACKER**

# COVID-19 BUSINESS IMPACT TRACKER SUMMARY /

The COVID-19 survey fieldwork took place between 1-3 April 2020. The World Health Organisation (WHO) declared the outbreak a pandemic on the 10th March. The Chancellor announced the first package of support measures to business on the 17th March and on the 20th March the Job Retention Scheme was announced.

## BUSINESS PERFORMANCE

- There has been an immediate and significant fall in revenue for many members with 3 in 4 highlighting a serious decline in sales/income over a very short time frame
- Cash reserves have also been severely affected with over 80% having cash reserves hit in some way
- In fact, 1 in 10 members responding to the survey have no cash reserves and a further 63% have less than 3 months cash reserves suggesting little money in many businesses to meet the emergency situation many face

## WORKFORCE AND JOBS

- The most significant impact on jobs to date has been a reduction in hours worked by staff (76%)
- Although, 2 in 5 have already seen a significant reduction in staff numbers and a reduction in use of contract/agency workers (47%)
- 6% have seen hours worked increase

## BUSINESS RESPONSE

- Almost all businesses have made some change to their business in the immediate aftermath of the pandemic
- To date, over one third of businesses (36%) have closed operations temporarily
- Businesses have been responding through remote working (50%) and use of videoconferencing (39%). Around 1 in 7 have made changes to their product/service and/or moved to online platforms

## GOVERNMENT COVID-19 SUPPORT MEASURES

- The Corona Virus Job Retention (Furlough) Scheme<sup>1</sup> is the most prominent measure in terms of both access to and awareness of by members
- 80% of members intend to furlough some or all of their employees over the next week
- 30% of members intend to furlough all of their employees – this rises to 46% of microenterprises
- There are 17% that don't intend to furlough any employees
- Awareness was lowest of the Upscaled HMRC Time to Pay scheme – 15% had never heard of it and 11% knew the name only
- 18% had planned to use the Grant to Small Business but were unsuccessful – the main reason was because they did not meet the criteria
- Where schemes could not be accessed it was largely because businesses did not meet the criteria although there were issues around access to the Coronavirus Business Interruption Loan Scheme

<sup>1</sup>NOTE: Businesses do not seem entirely clear that the Job Retention Scheme is the same as the Furlough Scheme

# QES SURVEY /

## ECONOMY WATCH

- Some signs of confidence filtering back into the economy, particularly with the restoration of the Executive
- Still some recruitment activity happening with an average of 54% of members trying to recruit in Q1 2020

However,

- The overall trade performance remains weak in both domestic and export markets
- There has been a lot of lost ground in Northern Ireland's post recovery performance for key trading measures following the EU referendum
- Many members have a poor cash flow position – this has been deteriorating in both manufacturing and services

231 members responded to the NI Chamber of Commerce & Industry. The Quarterly Economic Survey (QES) fieldwork took place between mid-February and mid-March 2020. It received 231 responses from members who together account for over 40,000 jobs.

Note: The 'balance' refers to the difference between the % of firms reporting an increase in a key indicator minus the % reporting a decrease.

## BREXIT WATCH

- 3 in 5 members have been making preparations for Brexit although a quarter have made no preparations
- Members are most concerned about potentially different trading arrangements between Northern Ireland and Great Britain
- 2 in 5 believe a 'No Deal' exit from the EU is still possible

## INFRASTRUCTURE

- The condition of Northern Ireland's infrastructure is viewed as poor (40%) or 'ok' (42%) by members
- Particular issues around local transport links
- Members believe planning and funding are key issues negatively impacting on infrastructure investment in the region
- 43% state that the condition of local infrastructure has a negative impact on business investment plans

# PERSPECTIVES /

## NI CHAMBER PERSPECTIVE

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The COVID-19 pandemic is a public health crisis that has huge consequences for everyone in society, and the health and wellbeing of our people is our primary concern.

As a business representative body this survey has highlighted that there is also a startling negative impact on business and the economy which is significant for our future when we emerge from the crisis.

The main issue is cash flow and it is alarming to see that one in ten businesses who responded to the survey have no reserves set aside and a further 63% have less than 3 months cash reserves left. For manufacturers, 'Just in Time' processes mean cash flow can be tight in normal times.

This cash flow issue is being exasperated by slow or non-payments and difficulty accessing the various funds. Even where there is some activity on order books, businesses are finding that customers are becoming increasingly reluctant to pay quickly, worsening the cash flow problem. Firms may be able to avail of rates relief and furlough staff but they can't survive without income and in this challenging time are anxious about increasing their debt. They also cannot afford to wait weeks or months for reimbursement from the various support schemes to arrive.

Banks have a range of products available and have collectively pledged their support to business in this crisis - this is welcome as businesses require this support urgently. Unfortunately, many are struggling with the preparation of cash flows and other requirements and it is important that they liaise with business advisors such as BDO to consider a "5 Point Plan" as a guide in the preparation of their funding requests. Consideration of a grant based resilience fund would also be welcome to aid recovery.

**Ann McGregor, Chief Executive**

# PERSPECTIVES /

## BDO PERSPECTIVE

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The Business community has had to react in a rapid and dramatic way to the truly dreadful circumstances caused by COVID-19. It has created a severely challenging and unpredictable environment which has forced difficult decisions to be made. Few sectors have been unaffected by COVID-19; with the hospitality, manufacturing and services sectors in particular, feeling a huge impact on their operations, employees and supply chains.

As our business community has demonstrated in the past, it is resilient and where possible, businesses have restructured their operations and working environments to protect their employees and their trading. We at BDO and many of our clients have also responded through home working, the use of technology to continue communications with colleagues and customers and in some cases, by altering product and service offerings.

However, it is no surprise that there has been a significant fall in revenue in a very short space of time, something which many companies simply could not have planned for. This drop has been made even more difficult by the fact that many companies do not have cash reserves to see them through.

There have already been businesses who have taken the difficult decision to close their doors, with 36% closing temporarily. It is vital that these and indeed all businesses and their employees are supported in the short, medium and long terms to ensure our local economy is sustained.

We have seen a range of vital Government interventions announced over the last 2 weeks, which will provide a degree of security to businesses and their employees. There is however, much work still to be done for those businesses who fall outside eligibility criteria for these schemes.

In order to survive it is critical that businesses assess the immediate consequences of COVID-19 on their operations and take independent and objective advice to develop a plan to get through the coming months. Open and transparent communication with your bank and all stakeholders is key and by working together in partnership, we at BDO have already seen that solutions can be found. To support businesses in this regard, we have developed a "5 Point Plan" in conjunction with the main banks, this plan is focused on securing funding and planning for what happens next. This can be found at the BDO Northern Ireland Covid-19 Hub.

**Brian Murphy, Managing Partner, BDO NI**

# FULL FINDINGS / INTRODUCTION

# 283

Almost 300 (283) members responded to the COVID-19 Business Impact Tracker between Wednesday 1 April and Friday 3 April 2020.

## BUSINESS BACKGROUND

Almost 300 (283) members responded to the COVID-19 Business Impact Tracker between Wednesday 1 April and Friday 3 April 2020. This is just over 3 weeks after the WHO declared the outbreak a pandemic and around 2 weeks after the Chancellor announced new support measures including loans, grants and furloughing schemes.

Largely micro (46%) and small (27%) enterprises, but also including sole traders (13%) and medium/larger firms (14%)

Responses spread across all sectors. Key sectors represented include professional services (law, accountancy), Manufacturing, Wholesale/Retail

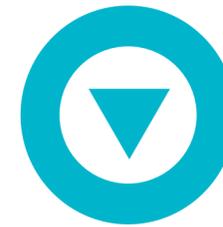
Around half export goods/services outside the UK (51%) and a similar share import (48%)

Almost half of those responding have seen a significant/slight fall in their ability to access credit while almost 1 in 10 have seen an increase in the ability to access finance/credit.

NOTE: Micro (<10 employees), Small (10 - 49 employees), Medium (50-249 employees), Large (250+ employees).

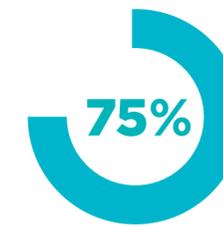
# KEY FINDINGS /

Compared to the week commencing 23 March, has your business seen a change in any of the following?



## OVERALL REVENUE

Immediate and significant **fall in revenue** for most members.



## REVENUE FROM UK

75%, 3 in 4 members, have seen a **significant decrease in revenue** from UK customers, a further 13% have seen a slight decrease.



## CASH RESERVES

Cash reserves have also been hit straight away - **53% have seen cash reserves fall** significantly and 29% fall slightly.



## ACCESSING FINANCE/CREDIT

While almost half of those responding had seen a significant/**slight fall in their ability to access credit**, almost 1 in 10 had seen an increase in the ability to access finance/credit.

# KEY FINDINGS /

Thinking about your business's cash reserves, approximately what period of time are you currently covered for?

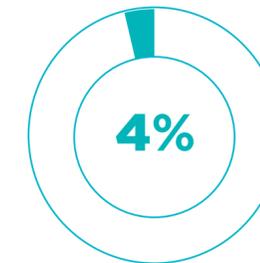
## CASH RESERVES



73% **have less than 3 months** cash reserves



1 in 10 members **do not have** any cash reserves



Just 4% **have more than 12 months** cash reserves

# KEY FINDINGS /

Thinking about your workforce, compared to the previous week commencing 23 March, has your business seen a change in any of the following?



## HOURS WORKED

3 in 4 have seen a **reduction in hours** worked by staff, for 62% hours worked has reduced significantly – although 6% have seen hours worked increase.



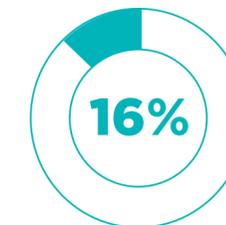
## DECREASE IN WORKFORCE

38% had already seen a **significant decrease in their workforce** with a further 15% seeing a slight decrease.



## CONTRACT/AGENCY WORKERS

The **use of Contract/Agency workers has also decreased** significantly for 47% of respondents

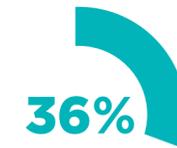


## UNPAID LEAVE

16% have seen an **increase in unpaid leave** taken by staff

# KEY FINDINGS /

In what ways, if any, has your business sought to maintain continuity during this period?



## TEMPORARY CLOSURE

At this point, over one third of businesses (36%) have **closed operations temporarily**



## REMOTE WORKING

50% have used **remote working**



## VIDEO CONFERENCING

39% have used **videoconferencing**



## PRODUCTS/SERVICES

15% have **changed products/services**



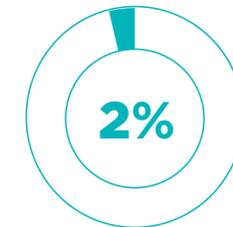
## ONLINE SALES

12% have used an **online sale** platform



## OTHER

Other changes made have included **staff training** and use of **delivery services**



## NO CHANGES

Just 2% of businesses said they had made **no changes**

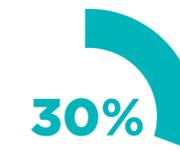
# KEY FINDINGS /

The UK Government has pledged to cover 80 per cent of a 'furloughed' employee's salary up to £2,500 per month. Over the next week, what percentage of your workforce, if any, do you intend to furlough?



## FURLOUGH SOME

80% of members **intend to furlough some** or all of their employees over the next week



## FURLOUGH ALL

30%, 3 in 10 members, intend to **furlough all** of their employees



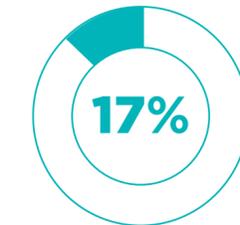
## MICRO ENTERPRISES

The uptake of the furlough scheme is stronger among micro enterprises with 44% of microenterprises intending to furlough all employees compared to 24% of small business and 3% of medium sized businesses



## KNOW ABOUT FURLOUGH

**All members are aware of the furlough scheme** and almost all know how they are going to proceed with it



## WILL NOT FURLOUGH

There are 17% that **don't intend to furlough** any employees at present

# KEY FINDINGS /

Please indicate your level of awareness OR whether your business has used the following support measures?



## JOB RETENTION SCHEME

**The Corona Virus Job Retention (Furlough) Scheme is the key measure** in terms of both access and awareness by members



## VAT DEFERRAL

The next most commonly used/planned to use scheme is the **3-month VAT deferral** on payments due between 20th March and 30th June 2020



## HMRC TIME TO PAY

Awareness is lowest of the Upscaled **HMRC Time to Pay** which is a scheme to support businesses/the self-employed with their tax affairs and extra time to pay tax bills - 15% had never heard of it and 11% knew the name only



## GRANT TO SMALL BUSINESS

18% had planned to use the **Grant to Small Business** but were unsuccessful - the main reason was because they did not meet the criteria



## MEETING CRITERIA

Where schemes could not be accessed it was largely because **businesses did not meet the criteria**



## LOAN SCHEME

There were issues for a number of businesses attempting to access the **Coronavirus Business Interruption Loan Scheme (CBILS)** because there was a slow/no response from the relevant body and/or the process was too complicated/time consuming

## ABOUT NI CHAMBER

### Helping businesses grow locally and internationally

Northern Ireland Chamber of Commerce and Industry (NI Chamber) is an award winning, quality assured business support organisation with over 235 years commitment to the Northern Ireland economy. It is a well-known network for business with a membership of 1,200 businesses representing over 105,000 employees.

The organisation's membership spans corporates, SMEs and micro businesses across all sectors, from manufacturing to agri-foods, to ICT and the professions.

NI Chamber supports businesses through networking and events; growth initiatives and export support; articulating the views of business to Government; sharing best practice and knowledge; and providing a number of promotional opportunities for business via the NI Chamber website and Ambition magazine.

Accredited by British Chambers of Commerce, NI Chamber is also part of a global network of Chambers, enabling it to directly support export development. NI Chamber also works on an all-island basis with the Chamber network in the Republic of Ireland to develop all-island trade.

Visit the NI Chamber website at [www.northernirelandchamber.com](http://www.northernirelandchamber.com) or its new COVID-19 hub at: <https://www.nichamber-covid19.com>

## ABOUT BDO

Based in Belfast city centre, BDO Northern Ireland has been in operation for 30 years.

Whilst part of the BDO international network, BDO Northern Ireland is an independently owned partnership who specialises in helping businesses, whether start-ups or multinationals, to grow.

As a member of the BDO network, BDO NI is part of the largest European led Audit, Tax and Advisory practice.

Visit the BDO NI website at [www.bdoni.com](http://www.bdoni.com) or its new COVID-19 hub at: <https://www.bdoni.com/en-gb/services/managing-the-impact-of-covid-19>

Northern Ireland Chamber  
of Commerce and Industry  
40 Linenhall Street  
Belfast BT2 8BA

T +44 (0)28 9024 4113  
[mail@northernirelandchamber.com](mailto:mail@northernirelandchamber.com)  
[www.northernirelandchamber.com](http://www.northernirelandchamber.com)  
 

