

Thursday 1 October 2020 / 11am - 12.30pm

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Danske Bank

The outlook for the economy and what Brexit means for businesses in NI



Hosted by

Robert McCullough

Head of Business Sector
Engagement



Housekeeping

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The Outlook for the Northern Ireland Economy & Brexit

Conor Lambe is the Chief Economist at Danske Bank, acting as the Bank's spokesperson and a trusted subject matter expert on all UK and Northern Ireland economic and related matters.

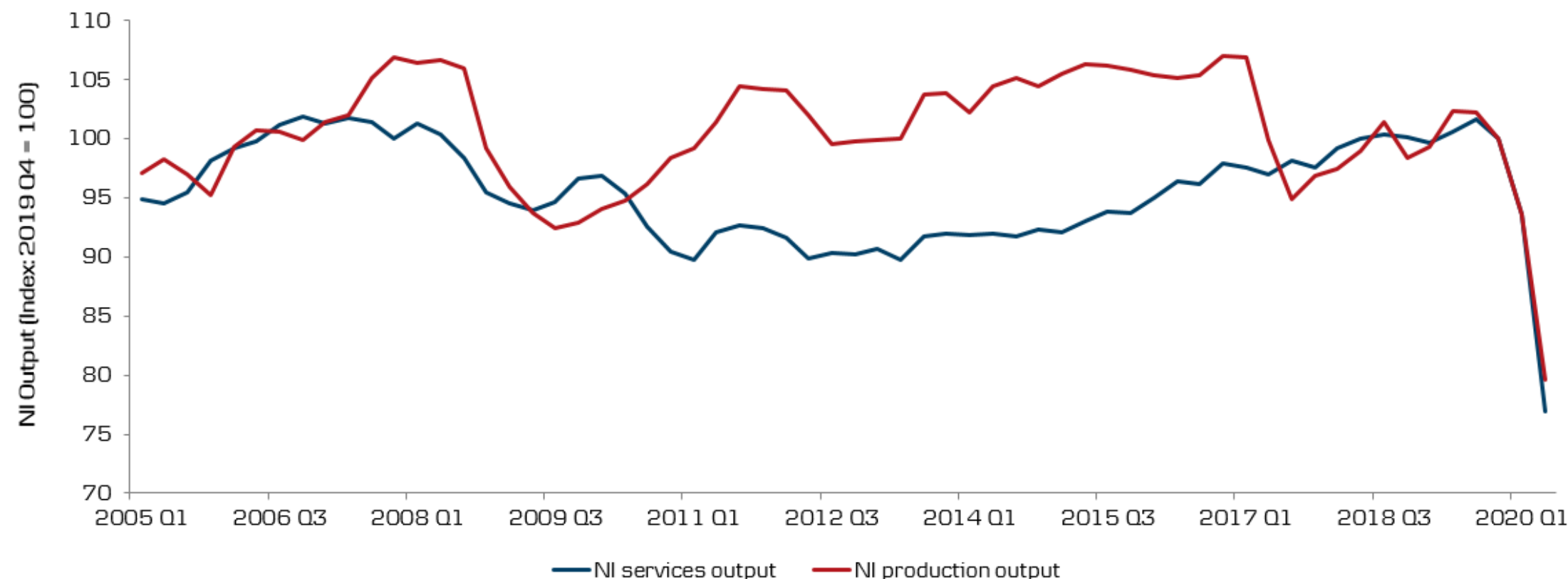
Conor is responsible for Danske Bank's Quarterly Sectoral Forecasts and Consumer Confidence Index

Conor Lambe, Danske Bank
Chief Economist

 @ConorLambe



The coronavirus pandemic led to a sharp fall in economic activity in Northern Ireland in the first half of 2020...



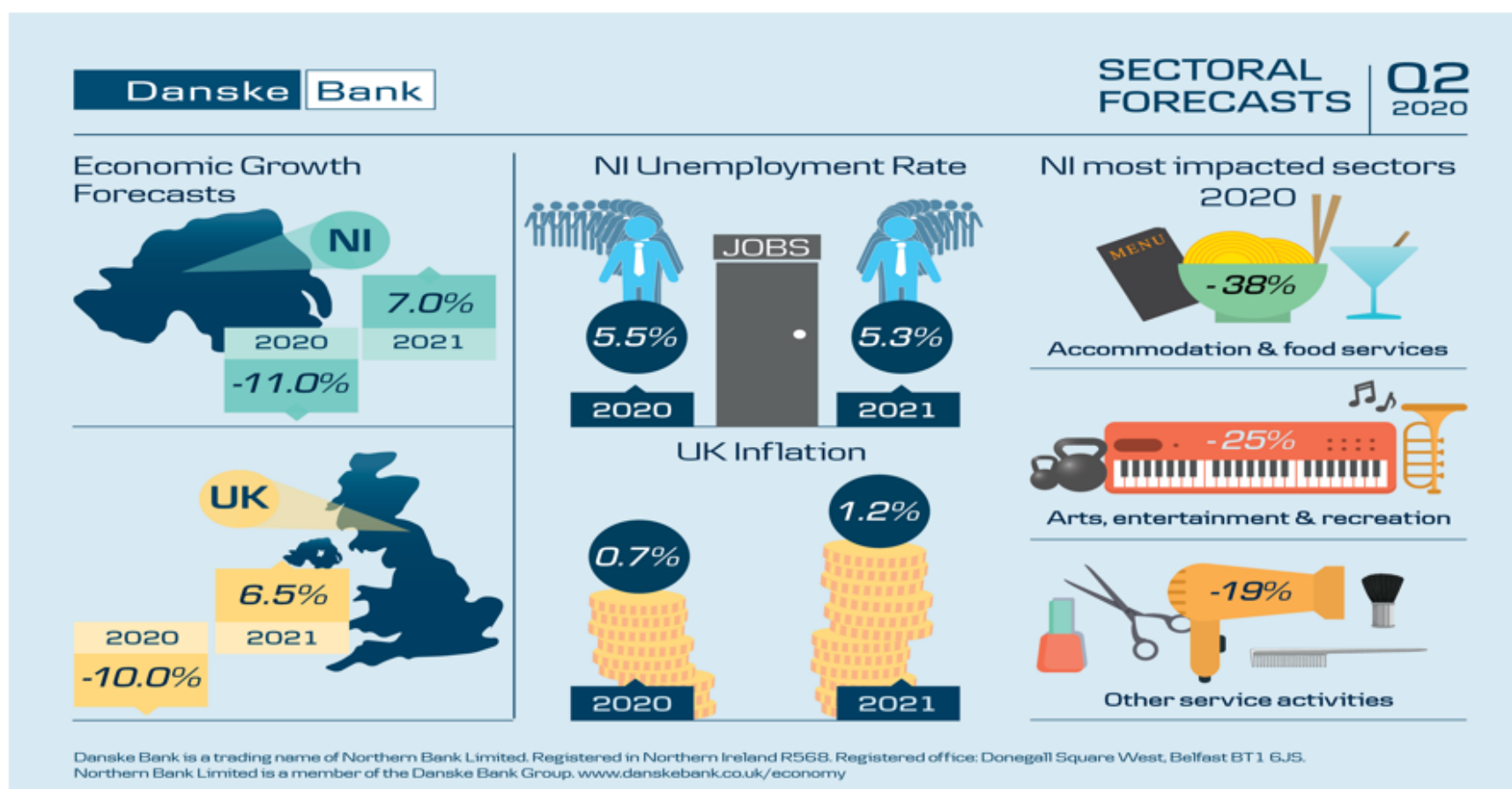
...and a number of factors look set to impact the performance of the economy over the rest of this year and into 2021

Government policy initiatives providing support to businesses and employees

Loose monetary policy facilitating a return to economic growth

More cautionary consumer and business behaviours

We are forecasting that the local economy will contract by around 11% in 2020 and then grow by about 7% in 2021

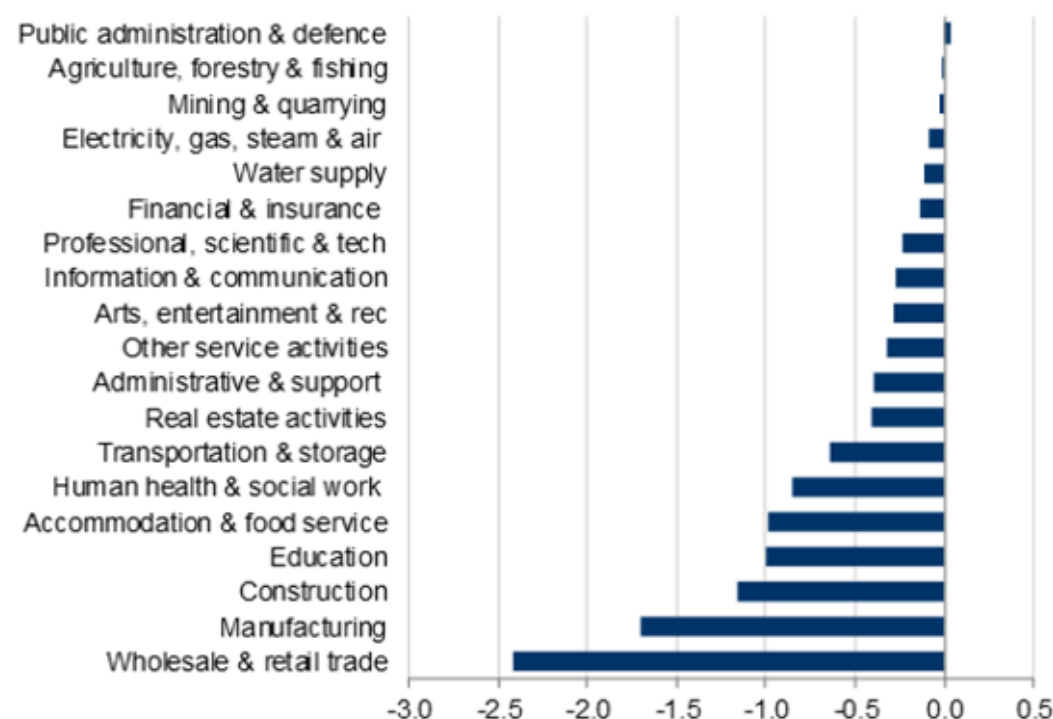


The consumer-focused sectors are expected to experience the largest falls in output this year

GVA (%)	2020	2021
Public administration & defence	0.4	0.2
Agriculture, forestry & fishing	-0.8	0.3
Financial & insurance	-3.5	0.5
Real estate activities	-3.6	1.1
Professional, scientific & tech	-5.6	3.4
Water supply	-6.7	4.2
Information & communication	-7.6	5.5
Electricity, gas, steam & air	-7.9	5.1
Human health & social work	-8.2	6.3
Mining & quarrying	-8.2	5.0
Manufacturing	-11.9	7.2
Administrative & support	-12.6	8.5
Construction	-16.4	9.9
Transportation & storage	-16.6	13.4
Wholesale & retail trade	-17.1	13.6
Education	-18.4	12.1
Other service activities	-18.9	10.6
Arts, entertainment & rec	-25.2	16.7
Accommodation & food service	-38.2	26.7
Total	-11.0	7.0

Source: Oxford Economics, Danske Bank Analysis

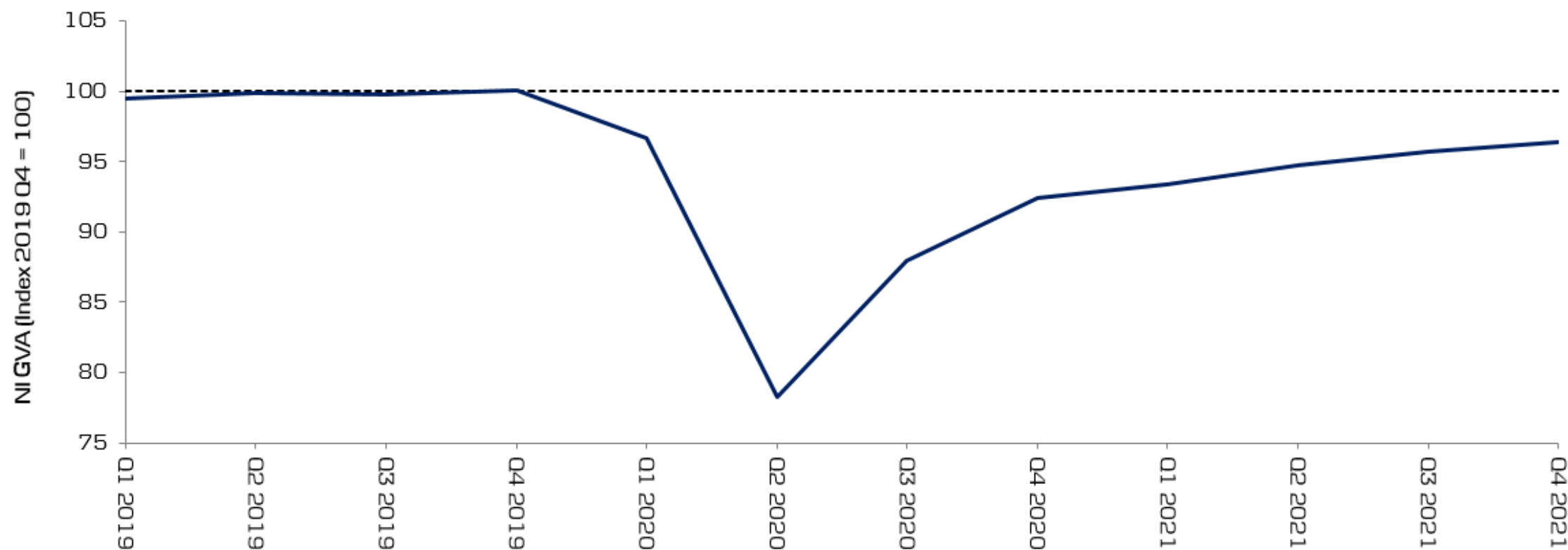
Sector contributions to GVA growth in 2020



Source: Oxford Economics, Danske Bank Analysis

% annual contribution to GVA growth

Economic output is still expected to be around 3% - 4% below its pre-coronavirus level in the final quarter of 2021



The Brexit process remains highly uncertain but businesses need to be prepared for the end of the transition period

The Brexit negotiations are ongoing with state aid and fisheries among the unresolved issues

Time is running short – the next key Brexit milestone is the European Council meeting on 15/16 October

We expect the UK and the EU to reach a free trade agreement, but a 'no trade deal' Brexit is still possible

Thank you

Conor Lambe

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Conor Lambe

Reports available at
www.danskebank.co.uk/economy



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Introduction

The Outlook for the Economy & what Brexit means for businesses in Northern Ireland

John-Paul Coleman is Head of Treasury & Markets, managing the Bank's funding, liquidity, Foreign Exchange (FX) and interest rate risk and leading a team of specialists in hedging (FX) and interest rate risk. John-Paul is a Chartered Financial Analyst with over 20 years' experience in national and international banks working in Dublin, London and Belfast.

John-Paul Coleman, Danske Bank
Head of Treasury & Markets

 @PaulcolemanJohn

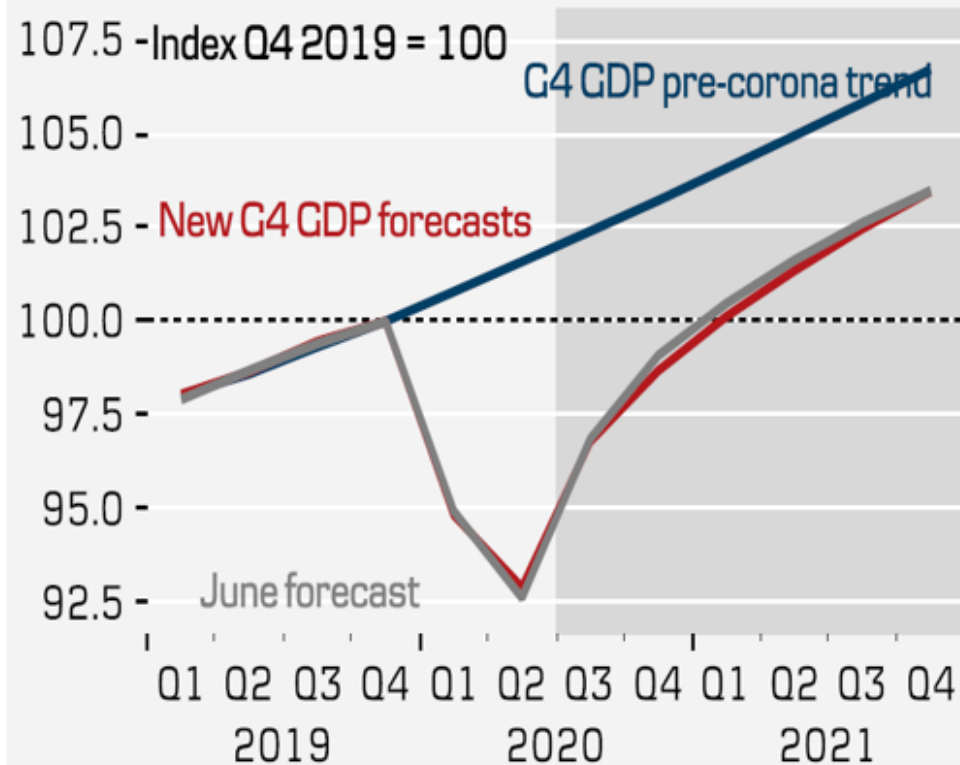


Global Recovery on Track

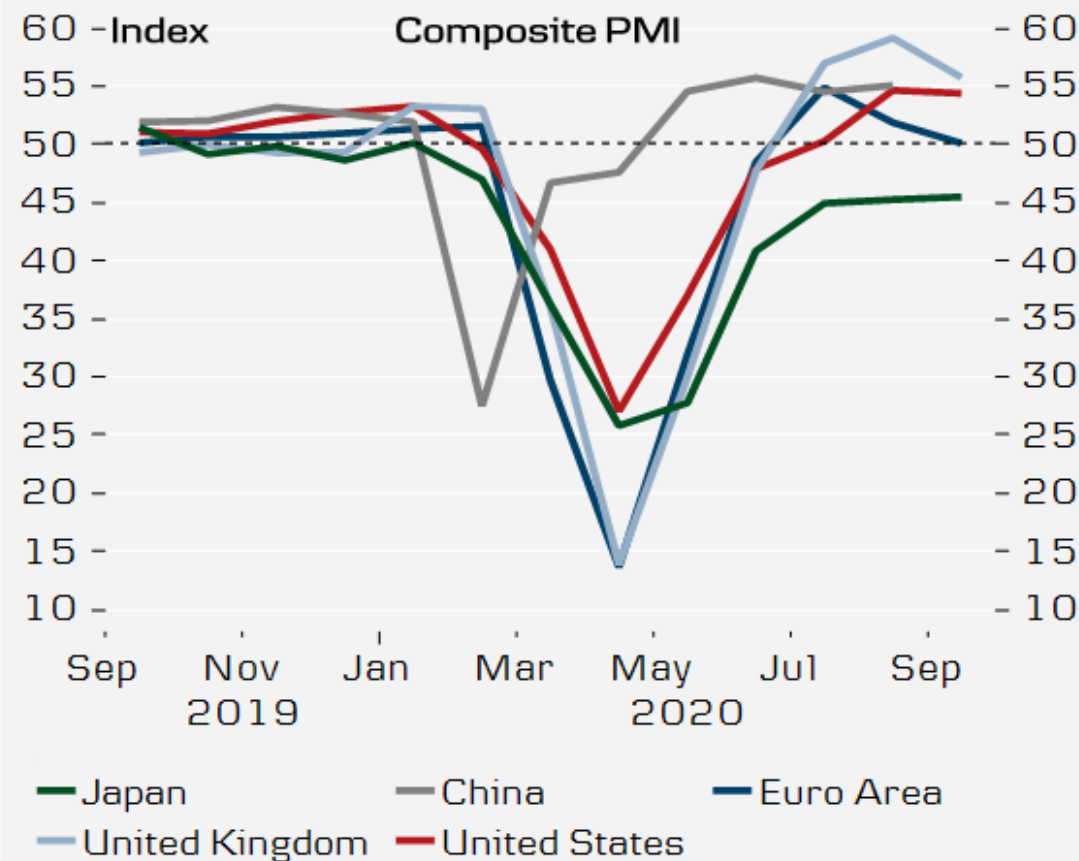
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Rebound in the global economy starting Q3.



Source: Macrobond Financials and Danske Bank



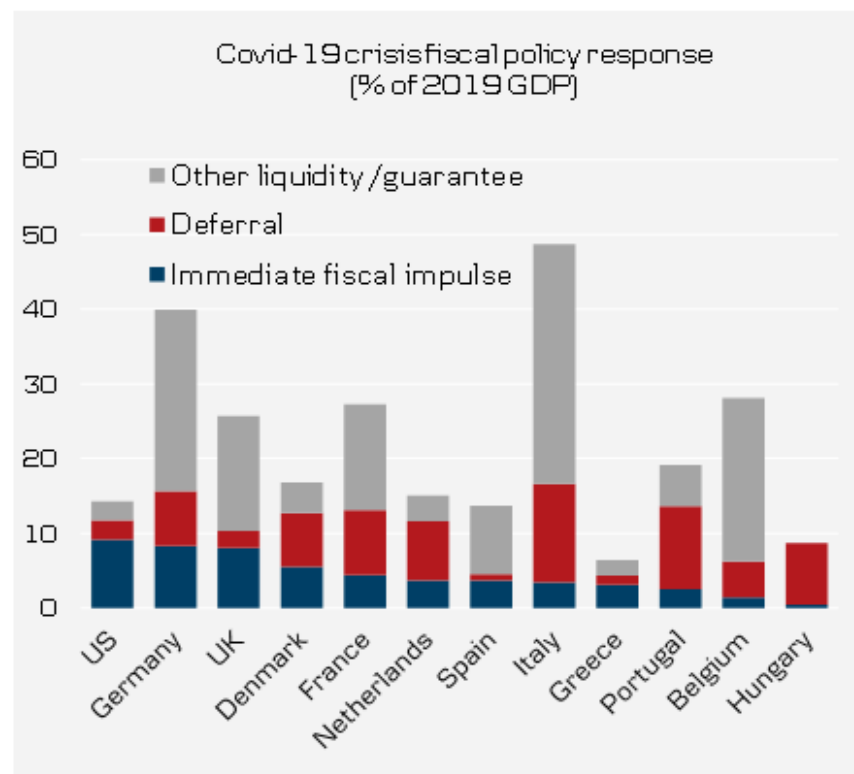
Source: Markit, Macrobond Financial, Danske Bank

Fiscal and monetary policy are still supporting the global economy

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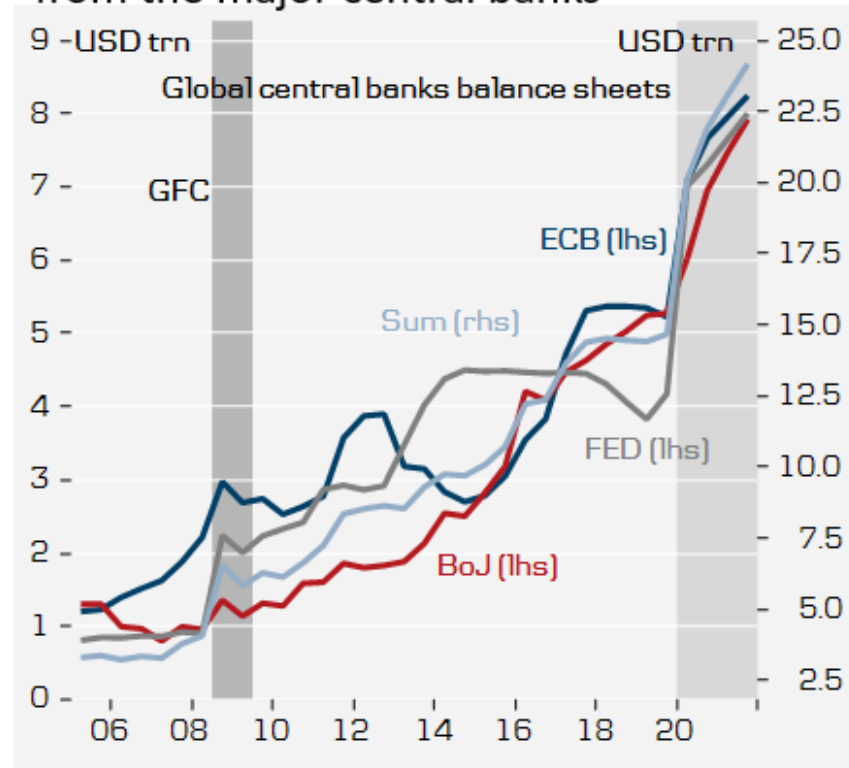
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Sizable fiscal response to Covid-19



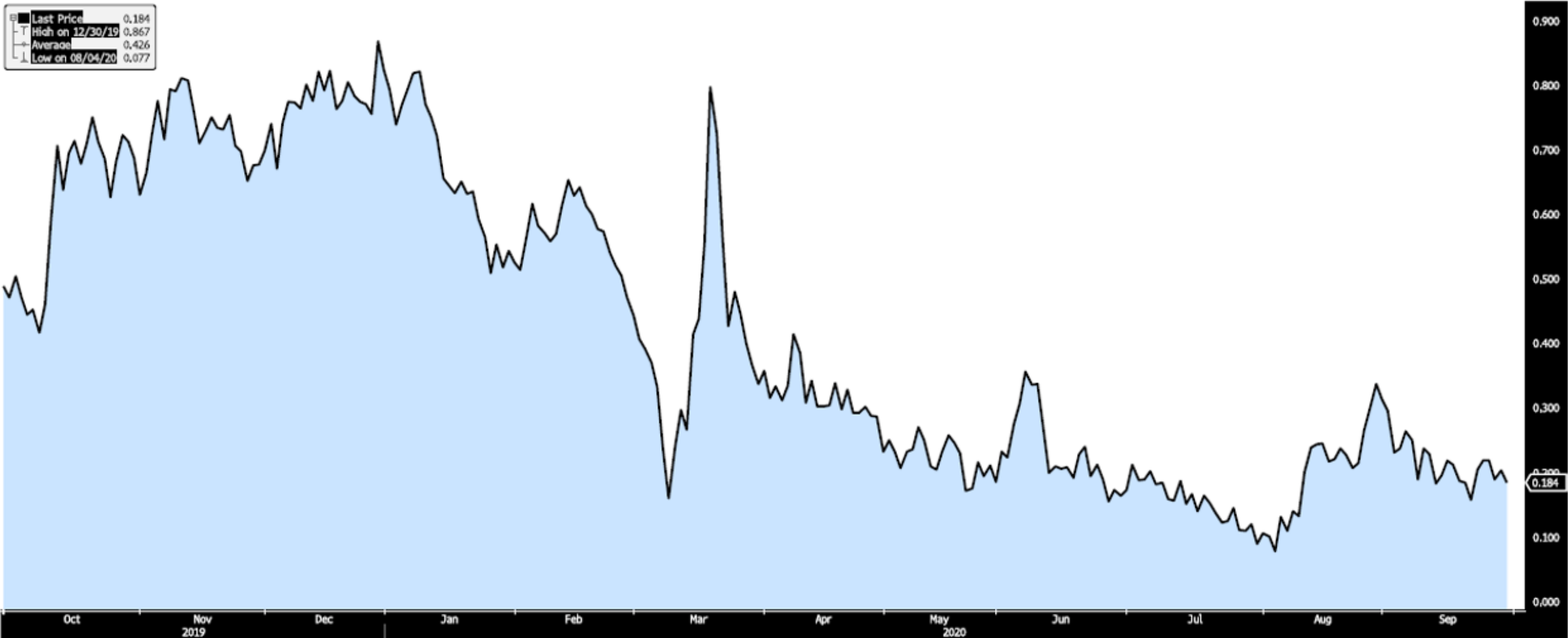
Source: [Bruegel](#)

Balance sheet expansion set to continue from the major central banks



Source: Macrobond Financial, Danske Bank

QE Beats Supply Every Day- 10 year UK Gilt Yield



Source: Bloomberg

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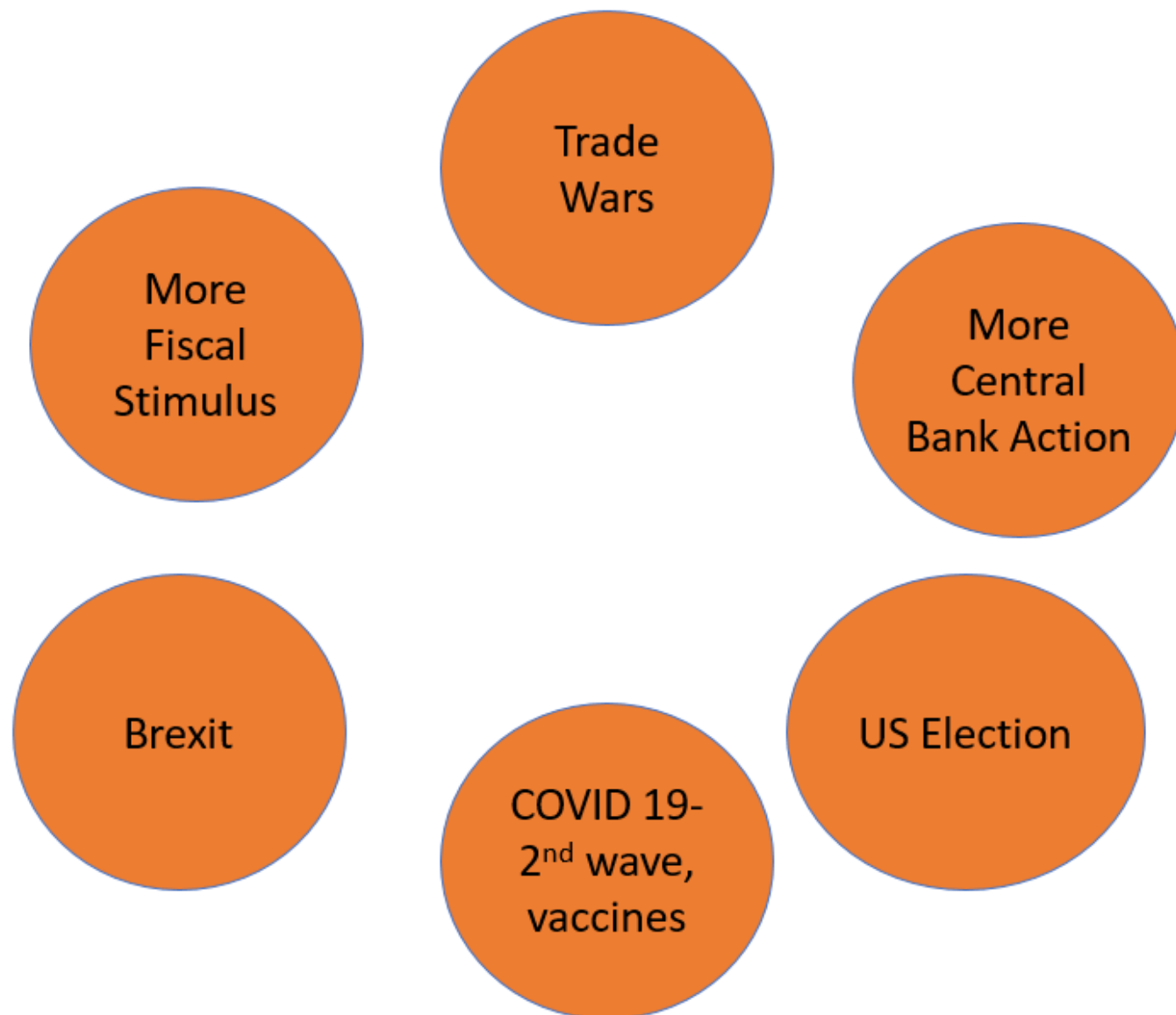
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FX Currency Risk

Factors Impacting Exchange Rates

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GBP/EUR Forecast

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Currency	GBP/EUR - forecast				
As of	29 th September 2020				
	Q4 20	Q1 21	Q2 21	Q3 21	
Low	1.05	1.03	1.02	1.00	
High	1.18	1.20	1.22	1.22	
Mean	1.10	1.11	1.11	1.11	
Forward	1.10	1.09	1.09	1.09	
Source: Bloomberg					

Please note that these forecasts reflect the consensus view of a number of Market participants at a point in time ,

are not a recommendation to transact and may not reflect actual rates at the various future dates.

GBP/EUR FX Movements

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Last Price	1.0953
High on 02/14/20	1.2046
Average	1.1389
Low on 03/18/20	1.0643



Source: Bloomberg:

GBP/USD Forecast

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Currency	GBP/USD - forecast				
As of	29 th September 2020				
	Q4 20	Q1 21	Q2 21	Q3 21	
Low	1.2	1.22	1.23	1.22	
High	1.41	1.47	1.51	1.52	
Mean	1.31	1.32	1.33	1.35	
Forward	1.29	1.29	1.29	1.29	
Source: Bloomberg					

Please note that these forecasts reflect the consensus view of a number of Market participants at a point in time ,

are not a recommendation to transact and may not reflect actual rates at the various future dates.

GBP/USD FX Movements

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Last Price	1.2854
High on 09/01/20	1.3384
Average	1.2751
Low on 03/19/20	1.1485



Source: Bloomberg:

What should we do? Decisions still need to be made

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- We still recommend you hope for the best but plan for the worst
- What is my **Objective** when managing currency risk?
 - **Exposure**- 'Do I have one, and if so, what is it and over what period?'
- How important is the exchange rate? **Budget vs Aspiration**
 - Risk of Complacency, 'it's going my way' or
 - Head in the sand approach, 'It will get better'
 - Do I have a business continuity plan?
- **Ask yourself, 'What if I am wrong?'**
 - If you cant make it move should you play with it??
 - Hindsight isn't always what is cracked up to be!!
- **Is doing nothing a strategy?? Is this a risk you are willing to take?**

That's all

Thank you

John-Paul Coleman

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John Paul Coleman

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Introduction

The Outlook for the Economy & what Brexit means for businesses in Northern Ireland

Lee leads Grant Thornton's VAT and indirect tax practice in Northern Ireland. He advises clients in a number of industry sectors on a wide range of VAT issues, as well as customs duties and stamp taxes, with a particular recent focus on advising clients on the impact of Brexit on the VAT and customs treatment of their cross-border trade. He also has extensive experience in resolving disputes and litigation with HMRC.

Lee Squires, Grant Thornton
Director – Indirect Tax



Danske Advantage Webinar - What Brexit means for Northern Ireland

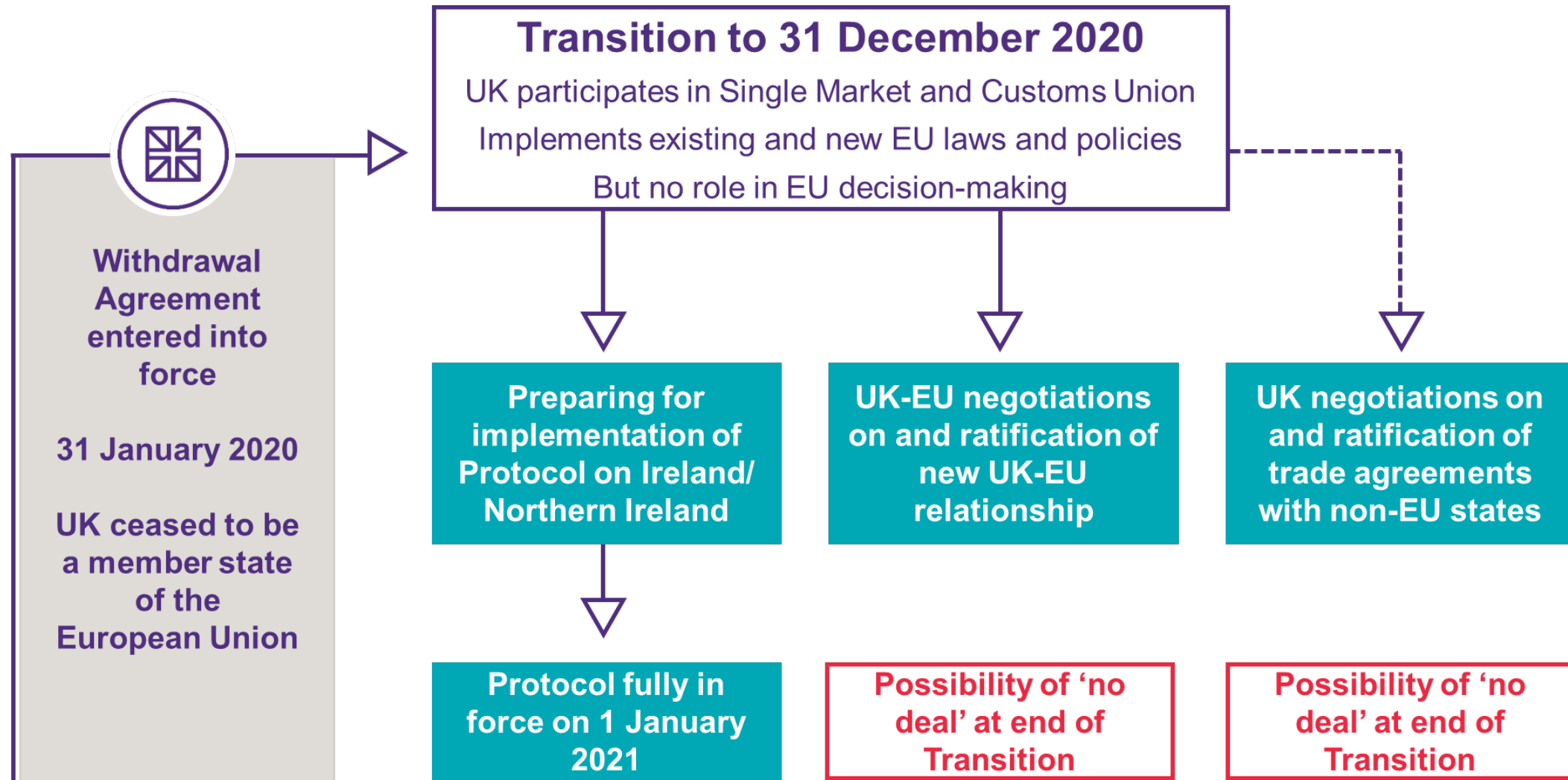
Peter Legge

Lee Squires

1 October 2020



Brexit now the UK has left the EU



The new UK-EU relationship

Possible scenarios

Orderly Brexit/FTA

Free trade agreement
with EU after transition
period

No deal/Hard Brexit

No agreement reached
between EU and UK -
trade on WTO terms

Something in between

Australia type
agreement?
Temporary continuation
of zero-tariffs?

Northern Ireland Protocol

NI Protocol applies regardless of whether wider free trade agreement between EU and UK

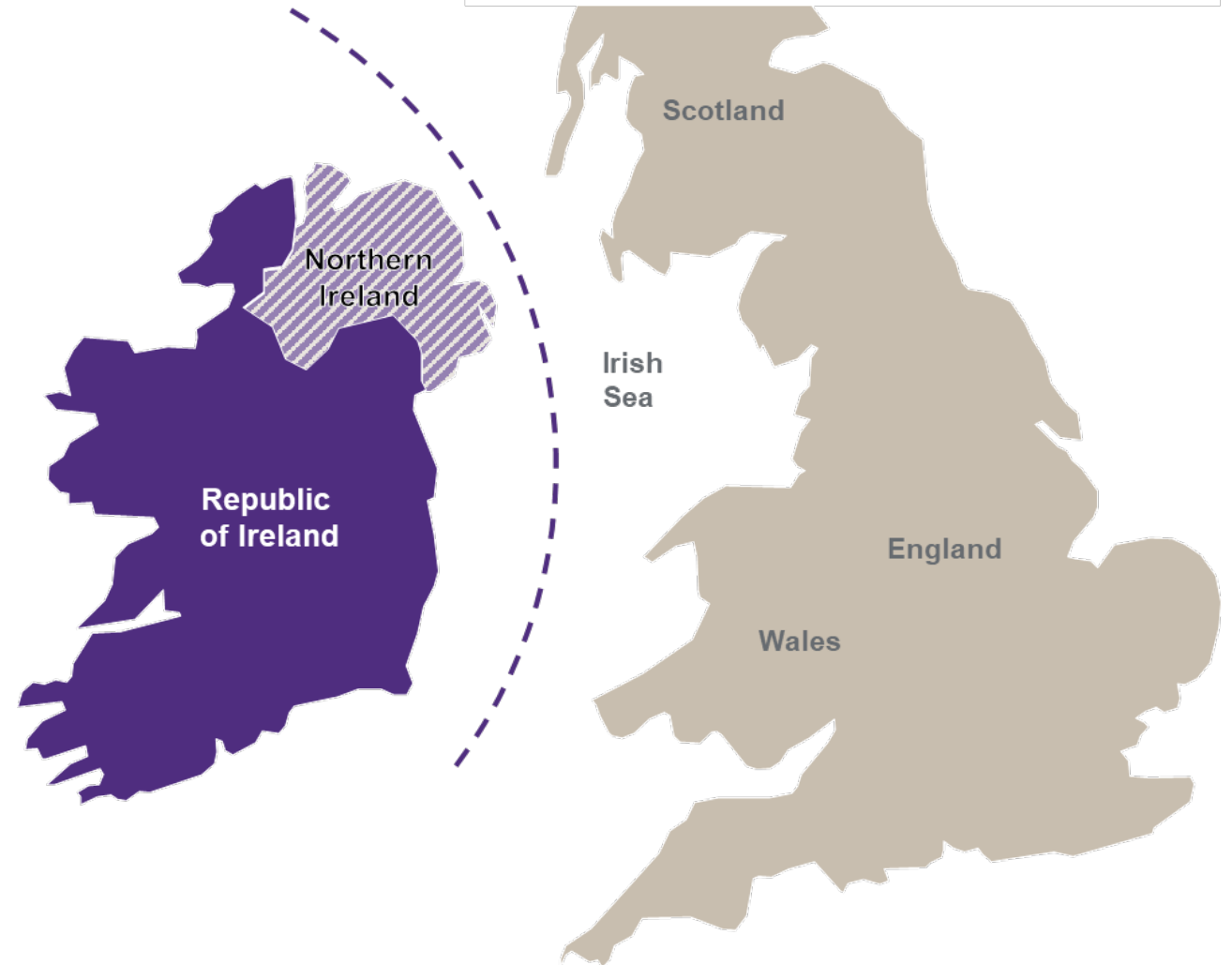
NI remains in EU Single Market for goods, so harmonisation on goods standards with ROI and no regulatory checks

But some regulatory checks, including SPS controls, for goods moving from GB to NI

NI part of UK customs territory, but imposes EU customs duties in some cases and follows EU customs rules

NI follows EU VAT rules in relation to goods (but not services)

Subject to democratic consent of NI Assembly after 4 years from end of transition period; if not, ends 2 years later



NI Protocol

VAT

- Most EU VAT rules (inc future amendments) in relation to goods and excise duty rules continue to apply in NI
- Means NI could have different VAT rules to GB
- Potentially 3 UK VAT regimes:
 - GB rules for goods
 - NI rules for goods (reflecting EU law)
 - UK-wide rules for services

NI Protocol

Trade in goods

- Consider 4 scenarios for goods trade:
 - Northern Ireland/EU (inc ROI)
 - Northern Ireland/Great Britain
 - Northern Ireland/RoW
 - Great Britain/EU (inc ROI)
- Some operational aspects still to be agreed
- Difference of opinion between EU and UK – uncertainty remains

Goods trade: Northern Ireland/EU (inc ROI)

VAT

- Current VAT treatment should apply to trade in goods
 - B2B supplies treated as zero-rated intra-EU dispatches
 - B2C supplies will use distance selling rules
- European Commission proposal to introduce special VAT ID number for NI businesses
- NI businesses may continue to use EU VAT refund system for VAT incurred on goods
- NI will need to apply new EU 2021 changes from July 2021

Goods trade: Northern Ireland/EU (inc ROI)

Customs

- EU customs rules apply in NI, so no tariffs, customs controls or declarations required
- Frictionless border with ROI should be maintained
- Transit declarations probably needed where goods from NI transit through GB and onto EU (or vice versa)

Goods trade: Northern Ireland/Great Britain

VAT

- TBC – Supplies of goods probably treated as imports/exports, but postponed import VAT accounting may be available

Customs

NI to GB

- Unfettered access for NI goods with no import declarations, tariffs or customs checks
- But may need special rules for goods without NI “qualifying status”
- Export declarations not required except where specific international obligations binding on UK or EU
- UK Government – exit summary declarations not required
- Issues for goods moving to GB via ROI

Goods trade: Northern Ireland/Great Britain

Customs

GB to NI

- Import declarations and entry summary declarations required
- No new physical customs infrastructure – light touch approach
- Port and terminal operators in NI may operate a “pre-lodgement model”
 - Customs declarations lodged prior to arrival, to minimise waiting time for goods
 - “Goods Vehicle Movement Service” (GVMS) – a new system to support this and track movement of goods across Irish Sea
- New “Trader Support Service”
 - Guidance on customs processes and support customs declarations for traders

Goods trade: Northern Ireland/Great Britain

Customs

GB to NI (continued)

- Goods subject to EU external tariff if “at risk” of moving into EU (whether by themselves or forming part of other goods following processing)
- Goods considered “at risk” of subsequent movement into EU unless:
 - Will not be subject to commercial processing in NI, and
 - Fulfil criteria established by UK-EU Joint Committee
- Subject to state aid rules, UK may reimburse or waive duties, or compensate businesses to offset impact
- Position also depends on whether UK and EU agree a zero-tariff FTA

Goods trade: Northern Ireland/Great Britain

Regulatory issues

NI to GB

- No new restrictions or regulatory checks for NI goods
- No additional approvals required for placing goods on GB market

GB to NI

- Agri-food products will subject to sanitary and phytosanitary (SPS) processes
 - Entry to NI via a designated point of entry (locations subject to EU approval)
 - Pre-notification in advance of arrival on online system, IPAFFS
 - Export Health Certificates required for movements of animal products and live animals, and phytosanitary certificates for movements of plants and plant products
- Manufactured products

Goods trade: Northern Ireland/Great Britain

Certification of manufactured goods

Dual recognition for 'harmonised' goods: Any conformity mark held by a NI business which validates goods for sale on the NI market will be valid for whole of UK market

Mark	Additional mark	Third-party conformity assessment?	Can be sold in NI	Can be sold in GB	Can be sold in EU
CE		Self-certification	√	√	√
CE		By an EU notified body	√	√	√
CE	UK(NI)	By a UK notified body	√	√	<i>[Results of conformity assessments by UK bodies won't be recognised in the EU]</i>
UKCA		Self-certification / UK notified body		√	

Goods trade: Northern Ireland/RoW

VAT

- Supplies of goods treated as imports/exports, but postponed import VAT accounting may be available

Customs

- UK tariffs under UK's Global Tariff will apply to imports unless goods “at risk” of moving into EU, when EU tariffs will apply
- NI goods may benefit from UK FTAs with third countries
- Traders importing third country goods also eligible to use TSS

Summary of new customs arrangements

Note:

- Does not cover every combination of movements and some exceptions will apply
- Only addresses simple movements of goods and not cases where manufacturing or processing occurs in intermediate territory
- Does not take into account impact of transit relief (or other customs special procedures), which could mitigate duties

Goods moving from	Going via	Ending up in	What duty is paid and where?	Can duties be reclaimed from UK?
Rest of UK	Northern Ireland	Northern Ireland	None, provided not "at risk" of moving into EU	Yes, if EU duty paid because "at risk" of moving into EU
Rest of UK	Northern Ireland	Ireland/EU	EU rate by importer into NI	Potentially although TBC
Rest of UK	Ireland/EU	Northern Ireland	EU rate by importer into Ireland	No
Northern Ireland	Rest of UK	Rest of UK	None	N/A
Northern Ireland	Ireland/EU	Ireland/EU	None	N/A
Northern Ireland	Rest of UK	Ireland/EU	EU rate by importer into EU	No
Ireland/EU	Northern Ireland	Northern Ireland	None	N/A
Ireland/EU	Northern Ireland	Rest of UK	UK rate under UKGT by importer into GB, if not NI "qualifying" status (subject to any UK/EU FTA)	No
Ireland/EU	Rest of UK	Northern Ireland	UK rate under UKGT by importer into GB (subject to any UK/EU FTA)	No
Rest of world	Rest of UK	Rest of UK	UK rate under UKGT by importer (subject to any FTA)	No
Rest of world	Northern Ireland	Rest of UK	UK rate under UKGT by importer (subject to any FTA), provided not "at risk" of moving into EU	Yes, if EU duty paid because "at risk" of moving into EU – likely difference could be claimed if UK rate lower
Rest of world	Northern Ireland	Ireland/EU	EU rate by importer into NI	Potentially although TBC

VAT on services

- NI subject to UK VAT rules on services
- Likely to mean difference between services/goods provided to GB customers
 - Goods: imports/exports
 - Services: domestic sale with VAT charged on invoice
- No immediate change to most services provided to EU or RoW customers
- UK no longer part of Mini One Stop Shop (MOSS) system for digital services

What should NI businesses do now to prepare?

Businesses trading in or with NI should consider:

- How they will submit import declarations where goods move from GB to NI
- Applying for an EORI number if they don't already have one
- Commodity codes/tariffs on products under EU Common External Tariff and UK Global Tariff
- Whether goods imported from GB/RoW will be “at risk” of moving to EU, and potential for reimbursement/waiver/compensation
- How to obtain “qualifying status” to show goods are NI origin
- Which party is responsible for import formalities / duties in supply chains

What should NI businesses do now to prepare?

- What procedures need to be followed when goods move through GB to EU countries (and vice versa), or when NI goods move through ROI to reach GB
- Whether any customs special procedures/reliefs could mitigate impacts
- What the “origin” of goods will be for the purposes of UK and EU’s FTAs
- VAT changes, particularly for GB/NI trade

Introduction

The Outlook for the Economy & what Brexit means for businesses in Northern Ireland

Peter joined Grant Thornton in 2005 and leads the delivery of UK tax services within the Grant Thornton Ireland partnership. Peter chairs the firms Brexit Committee and leads the delivery of Brexit Advisory services. Peter is also an Executive Board Member of the Belfast Chamber of Trade & Commerce and was elected Honorary Treasurer in 2018.

Peter Legge, Grant Thornton
Partner - Tax

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Consider wider business impacts

Through 9 lenses...



Customers and markets



Legal, data and regulation



Core operations



Funding and ownership



People



Suppliers and supply chain



Location



Future growth



Tax and customs

Brexit

Hotspot analysis: Advanced Manufacturing

	Risks							Opportunities			
Customers and markets	M1 Transport disruption (NI to GB)	C1 Transport disruption (NI to ROI)	C2 Transport to EU	M2 Loss of EU FTAs	C5 Customer reactions for Brexit	M3 Anti Dumping	M4 EU Public procurement	O1 Stock Pile demand from retailers	O5 UK Public procurement	O3 Supply to GB markets	O4 Competitor ROI sales in NI
Suppliers & supply chain	C8 Cross border disruption	C9 Increased cost to supply chain	M10 Continuity of suppliers	C10 JIT supply requirements	C11 Freight forwarders / logistics unprepared			O12 Ability to stockpile			
Location	M12 No Deal impacts security in N. Ireland	C13 Relocation of NI businesses	C14 ROI businesses reduce expansion in NI								
Legal, data & regulation	C16 Ending of Mutual Recognition	C19 GDPR	C20 Product Standard testing	M13 Clauses/terminati on within contracts	M15 Chemical 'REACH' Directive	C18 Intellectual Property					
Funding and ownership	C21 Reduction of EU grant funding	C22 Forex fluctuation	C24 Restriction on external financing					O14 Competitiveness in other markets	O15 EU state Aid		
Tax and customs	C25 WTO Tariffs on Imports	C26 WTO Tariffs arising for Customers in EU	M17 WHT	C27 Customs Processes	M18 Cash flow impact due to Import VAT for EU customers			O16 Potential NI CT Rate	O17 Potential Reduction in UK CT rate post-Brexit	O18 Increase Patent Box / R&D reliefs	
Core operations	M20 Energy rationing	C29 IT systems for Brexit	M21 Admin/Mgt time preparing/dealin g with Brexit	C25 Inability to stock pile				O19 Increase in R&D/innovations			
People	C30 Retention of workforce	C31 Recruitment of workforce	C32 Mobility of staff across border	M23 Increase skills set for new Brexit processes				O20 Communication to staff	O22 Common travel area to access staff		
	C6 Reduction of demand with downturn	M25 Reduction in investment	C33 Reduction in M&A deals					O24 Diversify into new markets			



What have other local businesses been doing?



Customers and markets

- Diversification of markets
- Assess Brexit impact on your competitors – competitive advantages
- Expand to new markets outside EU
- Prepare for paperwork in EU markets
- Communication plan - customers



Suppliers and supply chain

- Review and map supply chain
- Assess risk of EU/UK customers reducing UK/EU supplier dependency
- Communication plan - suppliers



Location

- Review HQ location
- EU/UK split of operations. EU subsidiary



Legal, data and regulation

- Review standard legal contracts
- Apply for new UK and/or EU regulatory approvals
- Assess legal redress for cross border disputes
- Assess cross border data risks
- Identify systems that will need software updates for Brexit
- Review sectoral/professional regulatory requirements
- Assess intellectual property requirements in EU
- Communication plan - customers



Funding and ownership

- Communication plan for investors/lenders
- Review FX hedging: assess any natural hedging opportunity or FX collaboration in supply chain
- Assess finance needs for next 24 months and timing impact of Brexit
- Assess grant funding and EU programme impact
- Review investment portfolio
- Review asset base



Tax and customs

- Tax structure
- Assess indirect tax impact
- Review customs management
- Assess withholding tax implications
- Future proof Brexit tax planning (future rules eg EU Common Corporate Tax Base)
- Consider Transfer Pricing implications of decisions



Core operations

- Assess organisational agility, programme management and governance
- Review operational efficiency including logistics
- Review operating model (UK, EU, 3rd country)
- Review working capital and financial forecasting



People

- Map EU nationals in current workforce
- Communication, engagement and support plan for EU nationals
- Plan for new visa requirements
- Review mobility process – for cross border assignments and services inc. social security
- Maximise draw down of apprenticeship levy funding
- Plan to recruit UK workforce inc. schools outreach and review of recruitment barriers to local people
- Assess options for automation
- Review reward and remuneration



Future growth

- Exit markets
- Assess opportunities for mergers or acquisitions
- Identify product innovations to meet Brexit needs/opportunities
- Contingency plan for UK downturn



Q&A

We will endeavor to answer as many questions as we can in connection with today's presentations.

A secure link to today's recording, presentations and information will be sent out later today.