

Pubs & Restaurants

2020 H1 Insights

The provision of on-site food and drink is a lively trade that has long been a symbol of Irish hospitality; visits to pubs in particular are one of the highlights for international visitors and is often cited as a key component of the Irish tourism offer. The wider tourism sector encompassing accommodation, food and beverage service and visitor attractions is a key component of the economy, providing employment to around 260,000 Irish residents accounting for almost 8% of employment. Over the last decade, changes in consumer behaviour and competitive landscape have led to an accelerated churn in the restaurant sector, and forced a number of publicans to cease trade altogether; however a number of restaurants and pub groups have efficiently adapted their operating models and managed to expand during this time. The Covid-19 pandemic forced the closure of the vast majority of pubs and restaurants for a total of 15 weeks (21 weeks for drink only pubs).

Hospitality Sector 2020 H1 Review

- After a strong January and February footfall collapsed soon after the first Covid-19 case was reported on Feb 29th and two weeks later in an unprecedented move pubs were mandated to close.
- Over 90% of pubs and restaurants had closed by the end of March, leaving the majority of the industry's employees either laid off temporarily or on short time. The reopening of restaurants and pubs serving food was brought forward by the government to June 29th however licensed premises offering no food were asked to remain closed until August 10th (phase 4).
- A number of pubs and restaurants resumed operations prior to phase 3 offering delivery and collection of food and beverage products which presented some challenges in menu engineering and packaging as well as logistics.
- Overseas visitor numbers nosedived in March as governments around the world issued advice on "non-essential" travel. Travel restrictions were later introduced by a number of countries trying to contain the spread. Ireland's mandatory quarantine is still in place at the time of writing of this article which negates the appeal of Ireland as a tourism destination. The CSO ceased the reporting of international visitor numbers last March (last update released by the CSO for Feb 2019) and although passenger numbers are available the same level of detail is not; as visitors are not able to travel or engage in any tourism activity the records are not relevant.
 - Dublin airport recorded 2,319 flights, a 89.4% decrease on May 2019; (Source: thejournal.ie)

- Cork airport traffic saw 260 movements, down 95.3%; (Source: thejournal.ie)
- The positive trend in the labour market over the last few years had supported a sustained increase in discretionary spend essential for the sector. The pandemic has disrupted the positive employment trend leading to a rise in unemployment which stands at 5.3% for the end of June compared to 4.8% four months prior at the end of February. (Source CSO)
- Transaction activity has been very limited with only but a handful sold primarily for redevelopment. .

Demand for Food services in Ireland

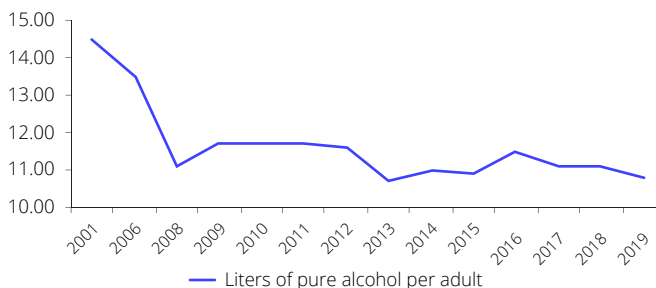
- Irish consumers spend an estimated €8.55bn on out of home food and non-alcoholic beverage in 2019, up 4.5% on previous year.

	2016	2017	2018	2019	2019 vs 2016
Limited Service & Restaurants	2624	2715	2856	2995	14%
Hotels & Accommodation	1344	1353	1386	1531	14%
Pubs	1274	1343	1445	1415	11%
Full Service Restaurants	913	943	994	1039	14%
Coffee Shops & Cafes	397	424	456	482	21%
Other Commercial	276	291	311	330	20%
Institutional	712	717	738	763	7%
	€7.5bn	€7.8bn	€8.2bn	€8.55bn	14%

Source: Bord Bia Irish Foodservice Market and Consumer Insights

Alcohol Consumption in Ireland

- Ireland's drinkers consume 68% more than the global average rate of alcohol consumption, and about 45% above Ireland's low risk drinking guidelines.
- Alcohol consumption by Irish people dropped slightly last year.



Source: Alcohol Action Ireland

Government supports

- The Department of Employment Affairs and Social Protection launched a total of 3 programs to support employers and employees: The Pandemic Unemployment Plan (PUP), the Wage Subsidy Scheme (WSS) and the Covid-19 enhanced Illness benefit payment. (Source Gov.ie)
- The Department of Business Enterprise and Innovation launched a €10k "restart grant" for micro and small businesses based on a rates waiver/rebate from 2019.
- The Minister of Finance announced a €2bn Pandemic Stabilisation and Recovery Fund to be made available via Ireland Strategic Investment Fund (ISIF) to support medium and large enterprises in Ireland affected by Covid-19.
- The Department of Business Enterprise and Innovation announced a €2bn COVID-19 Credit Guarantee Scheme to support lending to SMEs for terms ranging from 3 months to 6 years, which will be below market interest rates.
- Commercial rates have been waived by County Councils for a 3 month period beginning on 27 March 2020 for businesses that have been forced to close due to public health requirements.
- Warehousing of tax liabilities for up to twelve months after recommencement of trading during which time there will be no debt enforcement action taken by Revenue.

Regulatory

- Mandated closure of hospitality establishments at the end of Q1 2020.
- Reopening guidelines issued by Fáilte Ireland for all subsectors in the Hospitality Industry in early June after the government announced the revised plan for the lifting of lockdown restrictions. (Source Fáilte Ireland)
- On 29 May 2020, the Government decided to extend the suspension of redundancy provisions relating to temporary lay-off and short-time work which arose as a result of Covid-19 until August 10th.

Pubs & Restaurants

2020 H2 Outlook

The reopening of pubs and restaurants for H2 2020 is expected to be the first step in the road leading to the recovery of the sector. Operators looking to resume trade had to consider a number of extraordinary expenses including investment in health and safety equipment and training whilst also reviewing procedures for the provision of service to their customers. Uncertainty prevails about the long term impact of the pandemic in consumer sentiment and behaviour, publicans and restaurateurs are focusing their efforts on reassuring staff and clientele that they are doing everything they can to guarantee their safety while on their premises. Prevailing social distancing guidelines dictate a minimum distance of 1m between customers from different households and a maximum seating time of 105 minutes which will impact businesses ability to capitalise on periods of high demand (Fri/Sat night) for as long as they remain in place.

Hospitality Sector 2020 H2 Outlook

- Bars and restaurants in tourism destinations favoured by international visitors could experience a slower recovery.
 - Limited numbers of overseas visitors expected for the rest of the year due to prevailing travel disruption and restrictions limiting people's appetite for international travel.
 - International seat capacity has taken a big hit. Data firm OAG stated "it could take until 2022 or 2023 before the volume of fliers returns to the levels that had been expected for 2020". (reuters.com)
- Reduced footfall around office buildings due to prevailing "work from home" guidelines will impact trade for cafes, bars and restaurants in a number of locations particularly around Dublin.
 - Corporate demand at an individual and group level unlikely to return to any meaningful levels in 2020; a number of multinationals have already indicated staff are not expected back to their offices until 2021.
- Strong expectations for the domestic market in particular the domestic leisure market which is anticipated to replace some of the international demand for the rest of the year.
- The lack of scheduled entertainment and sporting events will impact demand for bars and restaurants in large urban areas during the second half of the year.
- Industry bodies; Restaurants Association of Ireland (RAI), Vintners Federation of Ireland (VFI) and the Licensed Vintners

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Association (LVA) have all expressed concern for the sector and indicated that government supports need to remain in place at the risk of a number of bars and restaurants going out of business.

Social distancing impact on capacity

- A report on the impact of social distancing on the licensed premises was jointly commissioned by the LVA and the VFI. The report suggests the 1m social distancing could reduce capacity by 50%.

	100m2 Bar/ Lounge Standing	100m2 Bar/ Lounge Seating with tables
Existing Capacity permitted under Fire Safety Regulations	200 persons	100 persons
Capacity after applying WHO 1m physical distancing requirements	100 persons	65 persons
Resulting capacity as percentage of existing permitter capacity (WHO)	50%	65%
Capacity after applying 2m HSE physical distancing requirements	25 persons	34 persons
Resulting Capacity as percentage of existing permitted capacity (HSE)	12.50%	34%

Source: Knapton Consulting Engineers, Report on impact of occupancy numbers on licensed premises as a result of Covid-19)

Trends

- Innovative approach to take-away/delivery services; there is now an abundant offer of meal and beverage kits by a number of leading bars and restaurants across the country.
- Bars and restaurants across the country have revised their menus to protect their profit margins as they reopen to uncertain levels of demand. Pubs reopening on phase 3 also had to consider the government's €9 food spend requirement on their pricing strategy.
- **Covid-19 proofing:** Perspex screens, sanitation stations and software upgrades to allow customers to pay at the table (already embraced by most restaurants but not bars) all widely embraced by the sector.
- Focus on electronic payments, the last few cash-only bars like Grogan's in Dublin are moving to card payments.

Potential Tailwinds

The Government's July stimulus could prove crucial for the sector as it is expected to include provisions to the wage subsidy scheme as well as an extended waiver on commercial rates among other measures to support the sector.

Bank of Ireland

Bank of Ireland understands the challenges faced by the hospitality sector as a consequence of the Covid-19 outbreak. We are a strong supporter of the sector and will continue to work closely with our customers and communities to enable them to thrive in the coming year as they adapt to the "New Normal".



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Gerardo joined the Bank in 2012 after more than 15 years working in a number of roles in the hospitality sector. His wealth of experience includes hotels and restaurants in Mexico, Switzerland and Ireland where he spent 7 years with the Rezidor Hospitality Group (Radisson Hotels). He also spent 4 years with Dalata reviewing the financial performance of a number of hotels in Dublin and regionally. Gerardo is a Qualified Financial Advisor and holds an Associate Degree in Restaurant Management from CESSA, Mexico and a BBA Hospitality from Les Roches International Hotel Management.

Sources: thejournal.ie, Central Statistics Office (CSO), Bord Bia Irish Foodservice Market and Consumer Insights, Alcohol Action Ireland, Govt.ie, Fáilte Ireland, Knapton Consulting Engineers, Reuters.com