

Economic Recovery from Covid-19 and Restrictions

Covid-19 has taken a huge toll on people's lives, whether directly for those who have lost loved ones, or are suffering from the aftermath of illness, or also as a consequence of the restrictions that were introduced to contain its spread.

This paper focuses specifically on the economic impacts of Covid-19 and our recovery from those impacts. The associated restrictions have greatly affected our economy and our way of life. What began in March 2020 as an unprecedented lockdown of businesses, schools and everyday life has now led to over 16 months of economic disruption. A rapid policy response and considerable financial support from the UK Government and the NI Executive has avoided a much more severe situation for businesses and workers. Notwithstanding, quite exceptional economic consequences still occurred, and are still being felt today.

This paper aims to document these consequences – in monetary costs, labour market impacts, societal impacts, as well as scope for recovery. The findings are summarised below.

Impact on Businesses and Output

- **The Centre for Economics & Business Research (CEBR) has estimated that lost economic activity due to Covid-19, from March 2020 to March 2021 for Northern Ireland amounted to £6.1bn.**
- **Output fluctuated throughout the year, especially as restrictions changed, but on average this works out at over £100m, per week, of lost output.**
- **Over 10,000 businesses were closed / impacted by the Covid-19 restrictions from 26 December 2020, to April / May 2021 reopening.**
- **NI Executive support for businesses included a two-year rates holiday, as well as numerous grant schemes.**
- **Despite the severe turbulence, a number of sectors have recovered / are recovering and many businesses have adapted their business model.**
- **Some industries remain in difficulty. For example, air travel has been severely disrupted, major events have been cancelled, and remaining restrictions continue to constrain how many businesses function.**

Impact on Labour Market

- **The Claimant Count doubled during 2020, to around 60,000 people. This has fallen slightly, but slowly thus far.**
- **Unemployment would have been much higher, but for the Coronavirus Job Retention Scheme (CJRS) & Self-Employment Income Support Scheme (SEISS).**
- **Over 200,000 employments were furloughed in Spring 2020. Despite thousands returning to jobs in Summer 2020, many were re-furloughed in late 2020 and early 2021. In some good news, furlough numbers fell considerably in May and June 2021.**
- **Tens of thousands claimed grants for the self-employed.**
- **Impacts on workers were widespread, but closures have most adversely impacted younger workers and those who are lower paid.**
- **Overall, research suggests that females were more adversely impacted than males, both in terms of those businesses impacted by regulations, but also in terms of working from home / juggling childcare etc.**

Impact on Sectors

- Despite recent growth in consumer-facing services in the last few months as restrictions have been eased, it is travel, transport and other personal services that continue to contribute to output remaining below pre-pandemic levels.
- Restrictions have accelerated industry disruption. Online sales accounted for around 28% of total retail spending in 2020, rising from just 19% in the previous year.
- Tourism, including hospitality and air travel has been severely disrupted.

Scarring and Other Recovery Risks

- Despite a strong rebound across a range of economic indicators, risks remain.
- A key risk to sustained recovery includes the maintenance of restrictions on businesses for longer than is necessary or the imposition of further restrictions.
- Another associated risk is a risk of 'scarring'. Scarring is when physical and human capital is damaged by recessions and reduces the ability for an economy to grow and get back to its pre-crisis growth path.
- Even as companies are trading again, there are still worries over debt repayments, cash flows and possible future tax rises. For example, firms in Northern Ireland have borrowed over £2bn in two Government loans schemes since Covid-19 struck (Bounce Back Loan Scheme (BBLs) & Coronavirus Business Interruption Loan Scheme (CBILs)).

Wider Societal Impacts

- Increased levels of acuity / intensity presenting to mental health services.
- The closure of schools, universities and workplaces has had an adverse impact on our young people.
- Many events in the past 16 months have been cancelled or severely restricted. This will have a financial cost, but also an impact on community life.
- Northern Ireland experienced a net fall in migration levels, which Covid-19 may have played a part.
- According to one charity, the number of food parcels provided increased by over 75% in 2020-21 in Northern Ireland, compared to 2019-20.

Scope for Recovery

- A return to normality and getting 'back to business' provides our best opportunity for economic recovery and renewal.
- The Department for the Economy has led the way in the reopening of our economy and has set out its vision for the future.
- Recent forecasts by local organisations show optimism for the remainder of 2021 and beyond, but a full recovery will take time.
- The CJRS (furlough) scheme and the SEISS scheme are due to end on 30 September 2021. This, in tandem with the continued operation of restrictions / mitigations in many sectors and the possibility of further restrictions in the future represents the greatest risk to unemployment in the second half of 2021 and into 2022.

Severity of Restrictions

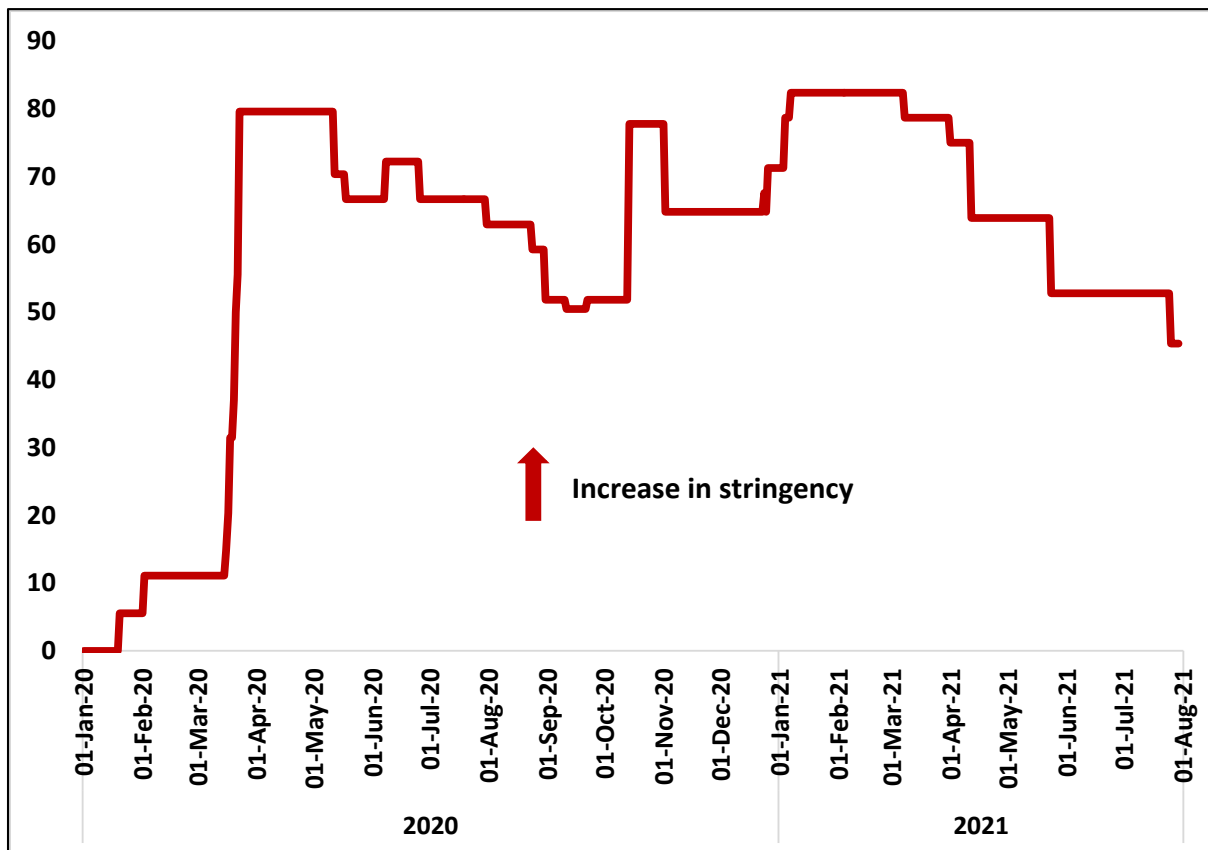
A full national lockdown began on 23 March 2020 and restrictions have varied in severity during the following 16 months. In general terms, as restrictions on business increased, output decreased and furloughing increased. Over 10,000 businesses in NI were closed / impacted under the Regulations since 26 December 2020 until April / May 2021, mainly those in:

- Arts, Entertainment & Recreation;
- Accommodation & Food;
- Other Services (incl. Close Contact Services); and
- Certain aspects of Retail.

Annex A provides more details of the business closures. Many thousands of these businesses reopened in April and May 2021, but staff and customers who work in or visit these premises are expected to comply with mitigations (social distancing and masks, etc).

Even at its least severe point over 2020 and the first half of 2021, Northern Ireland had a level of measures in place which would have been unprecedented pre-March 2020. According to research by University of Oxford,ⁱ at the start of 2021, Covid-19 measures in the UK were amongst the strictest in the world - stricter than Japan, Finland, France and Germany for example. **Annex B** provides further details. Out of 180 countries, the UK was living under the sixth strictest lockdown in the world and second harshest in Europe (on this metric).ⁱⁱ

Stringency Index for Northern Ireland over Time



Source: Oxford Covid-19 Government Response Tracker.

Notes: The Oxford Covid-19 Government Response Tracker (OxCGRT) provides a systematic way to measure and compare government responses to Covid-19. This is a composite index and takes into account workplace closures, school closures, restrictions on public events, restrictions on gatherings, restrictions on movement etc. The index number varies between 0 and 100, with 100 being the most stringent restrictions.

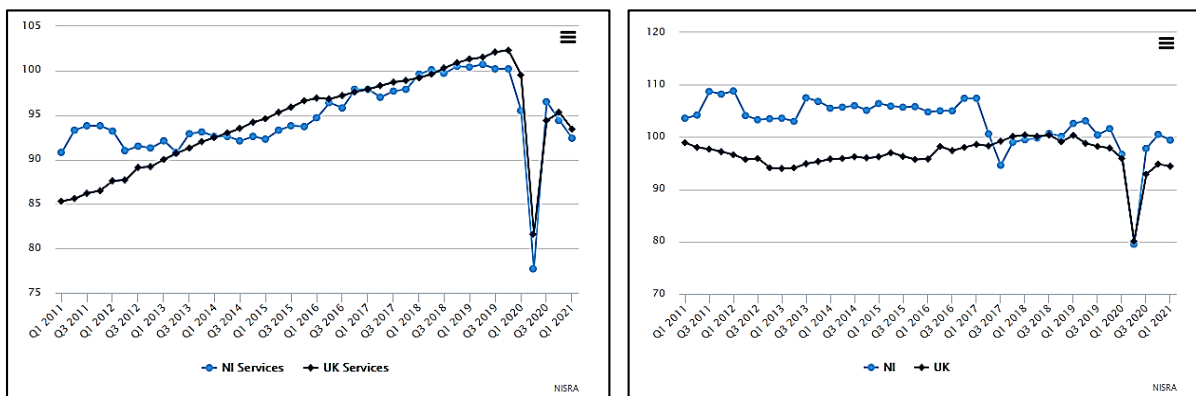
Impact on Output

Northern Ireland's pre-pandemic Gross Domestic Product (GDP) was around £48.9bn per annumⁱⁱⁱ, or £940m per week. Outturn data from ONS on 2020 Gross Value Added (GVA) and GDP for Northern Ireland are not yet available. However, output has been estimated to have been around 25% below normal, during the height of Spring 2020 lockdown.^{iv} There was an estimated fall in economic output of 10% in 2020 overall.^{1 v}

The Centre for Economics & Business Research (CEBR) has estimated that lost economic activity due to Covid-19, from March 2020 to March 2021 for Northern Ireland amounted to £6.1bn in GVA terms.^{vi} Output foregone varied throughout the year, especially as restrictions changed, but on average this works out at over £100m, per week, of lost output. The weekly lost output in Q1 2021 is likely have been less than this, as manufacturing and construction for example were not as affected as Q2 2020. In addition, businesses and customers adapted (for example online retailing, or restaurants temporarily switching to take-away sales, which were permitted under the Regulations).

The results for the Northern Ireland Composite Economic Index (NICEI) for Q1 2021 show that economic output in Northern Ireland in real terms decreased by 1.6% over the quarter.^{vii} Services output was significantly lower than pre-Covid-19 levels in Q1 2021, with a decline coming after a strong Q3 2020 'bounce'. The services sector is the largest sector in Northern Ireland. Output in the production sector was slightly below pre-Covid-19 levels in the first three months of 2021. The total volume of construction output in Q1 2021 decreased by 5.3% over the quarter, after a strong Q4 2020.^{viii}

NI Index of Services^{ix} (Left Graph) and Index of Production^x (Right Graph)



Source: NISRA

In a general sense, as restrictions were made more stringent, economic activity tended to slow and savings increased. There tended to be an inverse relationship between the severity / duration of restrictions and economic output. Furloughing increased as restrictions increased. Actions by UK Government and the NI Executive (job support schemes, rates holidays, stimulus and grant schemes, etc.) have avoided mass unemployment, a more severe drop in economic output and kept many businesses from administration.

A strong 'bounce-back' is expected. Mobility / activity has gradually been increasing in retail & recreation since the start of the 2021, but particularly since the start of May with the re-opening of all 'non-essential' retail. On 6 August 2021 people movements within Retail & Recreation were only 3% below normal levels.^{xi} Footfall in towns and cities has recovered well also, but is still below pre-March 2020 levels. **Annex C** provides further details.

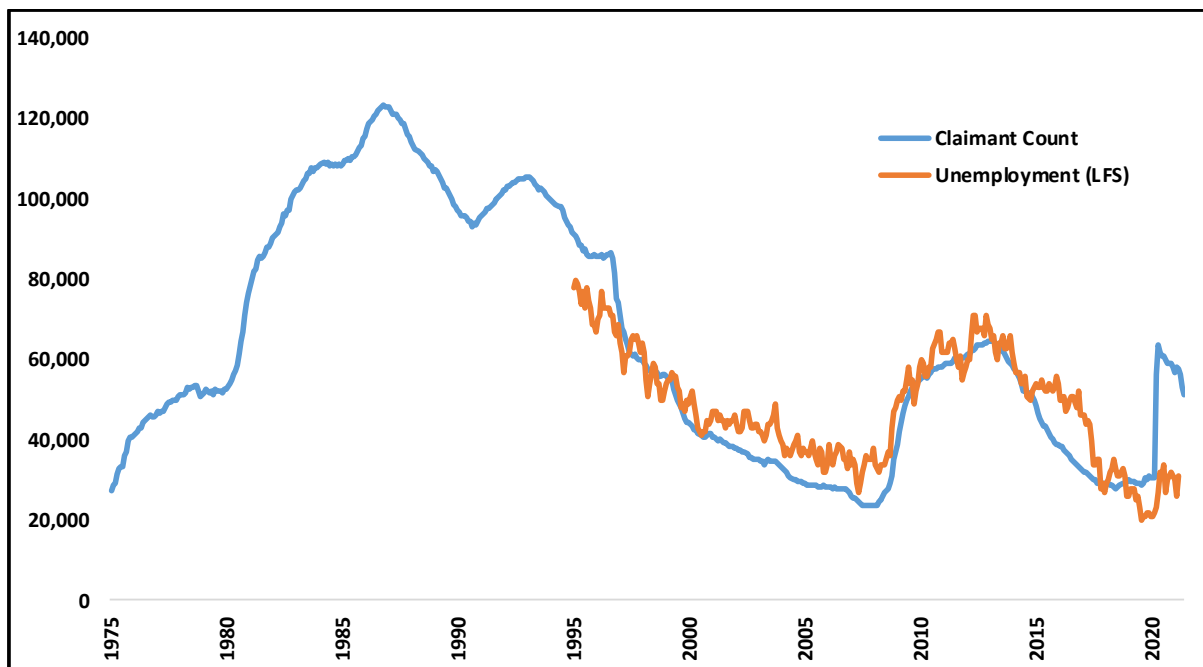
¹ GVA / GDP quantify production of final goods & services and are not a measure of wider well-being.

Impact on Labour Market

The consequences for the labour market from Covid-19 and associated restrictions have been severe. UK Government support measures (such as CJRS and SEISS) and NI Executive measures (such as business rates holidays and grants) have undoubtedly saved thousands of jobs however.

Nevertheless, it is important that we are not complacent about having avoided a much worse outcome and lose sight of the consequences that have already occurred (or the recovery that is necessary from these consequences). The Claimant Count doubled during 2020, to around 60,000 people. This has fallen slightly, but slowly thus far.

Northern Ireland Claimant Count and Unemployment (LFS) Numbers



Source: NISRA

Notes: Users should note that revisions are to be expected while the Claimant Count series is experimental and improvements are being made to the process. NISRA stated in July 2020 that although there is a large degree of overlap between Claimant Count and LFS unemployment, it is possible for a person to be within the definition of one measure but not the other. The Claimant Count does not meet the internationally agreed definition of unemployment specified by the International Labour Organisation (ILO). Some people recorded in the Claimant Count would not be counted as unemployed. For example, in certain circumstances people can claim Jobseeker's Allowance or Universal Credit while they have relatively low earnings from part-time work.^{xii}

Research by the Ulster University Economic Policy Centre (UUEPC) published in March 2021 notes the unequal nature of the crisis. The self-employed accounted for a disproportionate share of the year-on-year decline in employment. The young have been squeezed on two fronts. Firstly, with job losses in sectors that have a relatively youthful workforce and secondly, a lack of opportunities for new entrants such as education leavers. Professional and associate professional occupations have recorded annual growth, while occupations that typically provide opportunities to those with lower level qualifications have experienced a decline.^{xiii}

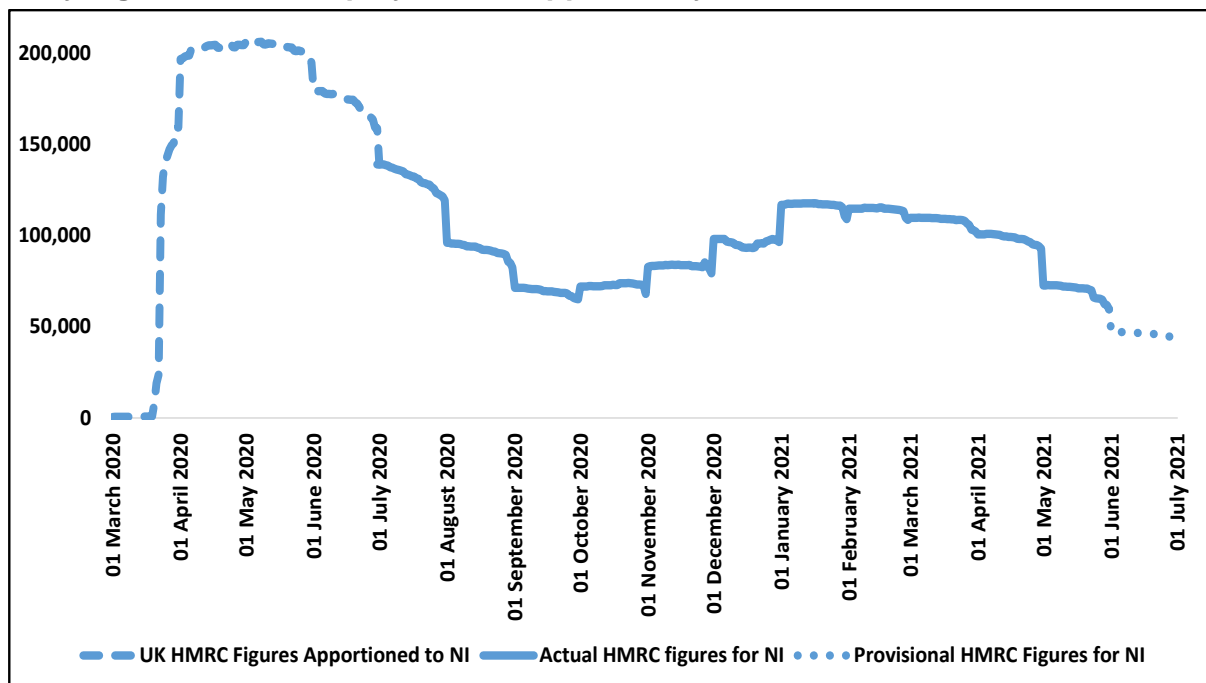
Analysis suggests that females and lower paid workers tend to have been affected by the Regulations more than men, as females employees tend to be in a majority in sectors such as hairdressing, beauticians, clothing retail, etc. Researchers from the universities of Oxford, Cambridge and Zurich during March and April 2020 showed that working women in the UK, Germany and the US undertook more childcare and home-schooling across all wage brackets,

compared to men with similar earnings. The difference was amplified in couples where the man worked outside the household. Analysis by the CEBR, has found that with respect to pension contributions, the gender divide worsened during lockdowns, with women now facing working years later to enjoy the same retirement.^{xiv} A recent United Nations study warned that Covid-19 could dilute decades of advancement on gender equality.^{xv}

The reopening of the economy in April / May 2021 in Northern Ireland helps those who lost employment now find work. In addition, thousands of jobs / employments recently made use of job support schemes in those sectors most directly affected by the Regulations (from 26 December 2020). According to HMRC data, some 44,000 workers in Northern Ireland were furloughed (including partial / flexible furlough) using the Coronavirus Job Retention Scheme (CJRS) at 30 June 2021 (provisional figures). Northern Ireland had 22,300 jobs on flexible furlough, meaning there are more employees flexibly furloughed than those on full furlough (51% of furloughed employments as at 30 June 2021).

Just under 50,000 were taken off furlough between 30 April 2021 and 30 June 2021 (from 92,900 to 44,000 respectively). This shows the positive impact of the reopening of the Northern Ireland economy in the last few months, with many of those 'un-furloughed' within sectors such as retail and hospitality. Younger workers were heavily affected by the imposition of restrictions, but are now benefitting considerably from the subsequent lifting of these restrictions.

Daily Figures for NI Employments Supported by CJRS



Source: HMRC

HMRC data on the Self-Employment Income Support Scheme (SEISS) shows around 53,000 self-employed individuals in Northern Ireland had claimed the fourth SEISS grant up to 6 June 2021 (56% of eligible self-employed workers).

Self-Employed Income Support Scheme (SEISS) Claims in Northern Ireland

	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant
Date	Figures up to 31 Jul 2020	Figures up to 31 Oct 2020	Figures up to 31 Jan 2021	Figures up to 6 Jun 2021
Claims	78,000	70,000	62,000	53,000

Source: HMRC

Despite encouraging signs, a risk of an increase in unemployment remains, especially as CJRS and SEISS are due to end on 30 September 2021. Workers across a number of sectors are considered at risk from an end to job support. Customer facing industries have seen many workers return in recent months, but still have thousands furloughed. Sectors such as manufacturing, have been impacted by demand and supply chain issues and seem to be experiencing a slower ‘unfurloughing’ process than other industries. An analysis of sectors at risk is provided in **Annex D**, and a detailed sectoral breakdown of CJRS and SEISS claims for Northern Ireland is provided in **Annexes E and F**. Further analysis is also provided in **DfE’s Assessment of HMRC’s Furlough Statistics document**.

There is also a risk from changes to the furlough scheme during the summer, putting more of a burden on companies. In June 2021 the Government paid 80% of wages under CJRS. In July, the Government paid 70% of furloughed wages with employers required to pay 10%. In August and September, the Government contribution falls to 60%, with employers required to pay 20%. This may have had a role in the recent increases in proposed redundancies here.^{xvi}

On a more optimistic note, according to analysis by the Department for the Economy, almost 10,600 online job postings were made in July 2021. Although a 13% decrease in postings compared to June 2021, postings were 12% higher than the 3-year average and 68% higher than July 2020. Manufacturing continues to be the largest industry by number of postings, representing 18% of postings that specified an industry, followed by Health and Social Work (17%). Around 500 jobs were advertised for software development professionals.^{xvii}

2020-21 was the final year of Invest NI’s four-year business plan. While the global pandemic significantly disrupted the final year priorities, they still met four of five final outturn targets so far, with good progress towards the Research and Development (R&D) investment target.^{xviii} Indeed, although 2020 and 2021 were incredibly challenging, Invest NI and the Department for the Economy continued to announce significant job creation. For example:

- In July 2020, the Department for the Economy announced how Belfast based AquaQ Analytics was creating 123 new jobs as part of a £8.3m investment. The firm provides Big Data expertise to blue-chip clients across multiple industries, including specialist data management, data analytics and data mining services.^{xix}
- In August 2020, Belfast based digital solutions company, Neueda, said it will create 230 jobs in a £20m investment.^{xx}
- In November 2020, a major £5.8m investment by Fermanagh based bakery, Crust and Crumb was announced, with the investment to allow the company to create 88 jobs.^{xxi}
- In March 2021, it was announced that US payment processing company Payroc is investing for the first time in Northern Ireland, creating 75 jobs.^{xxii}
- In June 2021, representatives from Hinduja Global Solutions UK announced the company’s plans to create 565 new jobs. The jobs, all of which can be home-based, will provide employment opportunities across the whole of Northern Ireland.^{xxiii}
- In June 2021 the Department for the Economy announced 180 new IT jobs with Version 1. Delivering IT consulting, solutions and managed services, Version 1 is investing more than £1m in its Belfast operations.^{xxiv}

Impact on Sectors

Despite considerable turbulence, a number of sectors have recovered / are recovering and many businesses have adapted. Many workers who traditionally worked in offices have been able to work from home. Some industries remain in difficulty, but now have scope for recovery

after the reopening of close contact services, accommodation & food, arts, entertainment & recreation and ‘non-essential’ retail in April and May 2021.

Customer facing industries have been impacted greatly. **Annex G** shows the volatility of those sectors that have been closed and/or severely hampered by restrictions. Despite recent growth in consumer-facing services in the last few months as restrictions have been eased, it is travel, transport and other personal services that continue to contribute to output remaining below pre-pandemic levels.

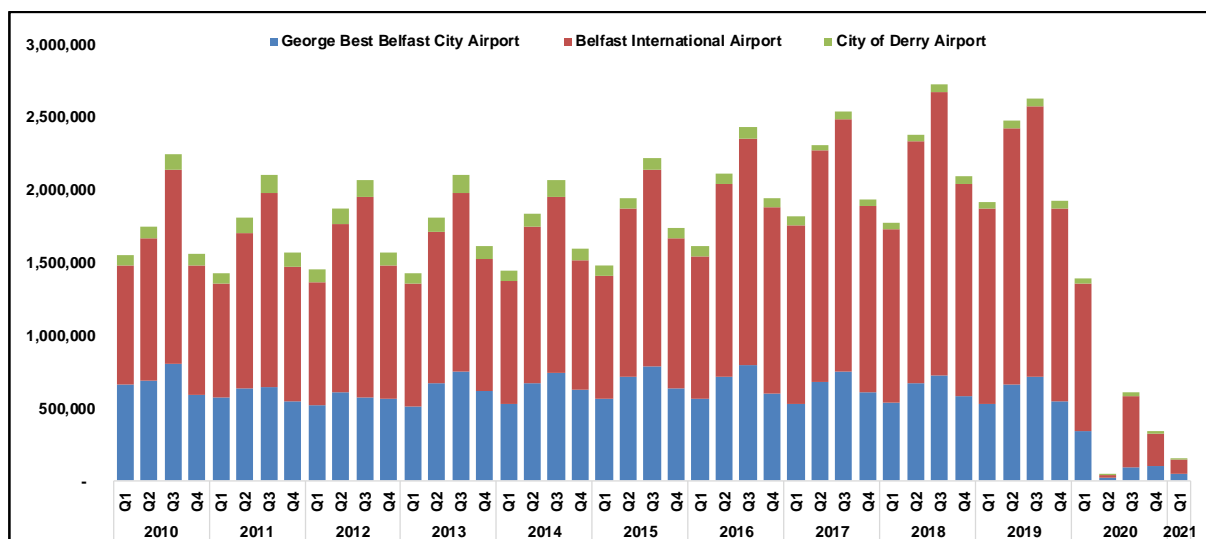
Restrictions have accelerated industry disruption. Online sales accounted for around 28% of total retail spending in 2020, rising from just 19% in the previous year. ^{xxv} The Chief Executive of Retail NI Glyn Roberts has described the increasing number of retailers moving online as a “*disturbing trend*” but is “*optimistic that the future of the high street can be restored.*” Mr Roberts said:

“I’m reasonably confident that the empty units in the city centre will be picked up again [by] other retailers or businesses and I think we just need to focus on the recovery and what we can do to get people back to our high streets.” ^{xxvi}

Tourism, including hospitality, is an industry that has arguably experienced the greatest impact from Covid-19 and restrictions. Where 2019 was a record year for the sector, the industry was ‘effectively decimated’ overnight in Spring 2020. ^{xxvii} In the year to April 2021, there were an estimated 471,915 hotel rooms sold in NI. This was a 77% decrease compared to the year to April 2020. There were an estimated 66,892 rooms sold in B&Bs/guesthouses and guest accommodation across NI. This was an 83% decrease on the estimated rooms sold for the same period a year earlier.

Air travel has been severely disrupted (as shown below). Figures show that local airports had less than 150,000 passengers in Q1 2021, compared to over 1,900,000 in Q1 2019 – i.e. less than 10% of normal levels. The Managing Director of Belfast International Airport considers that July 2021 will have seen some improvement - to operate around 40% of 2019 levels. ^{xxviii}

Total Air Passenger Flows at Northern Ireland Airports ^{xxix}



Source: NISRA

On 28 May 2021, the Department for the Economy published its Tourism Recovery Action Plan. This identified the agreed actions to be taken to assist the recovery and regrowth of the Northern Ireland tourism and hospitality sector. ^{xxx}

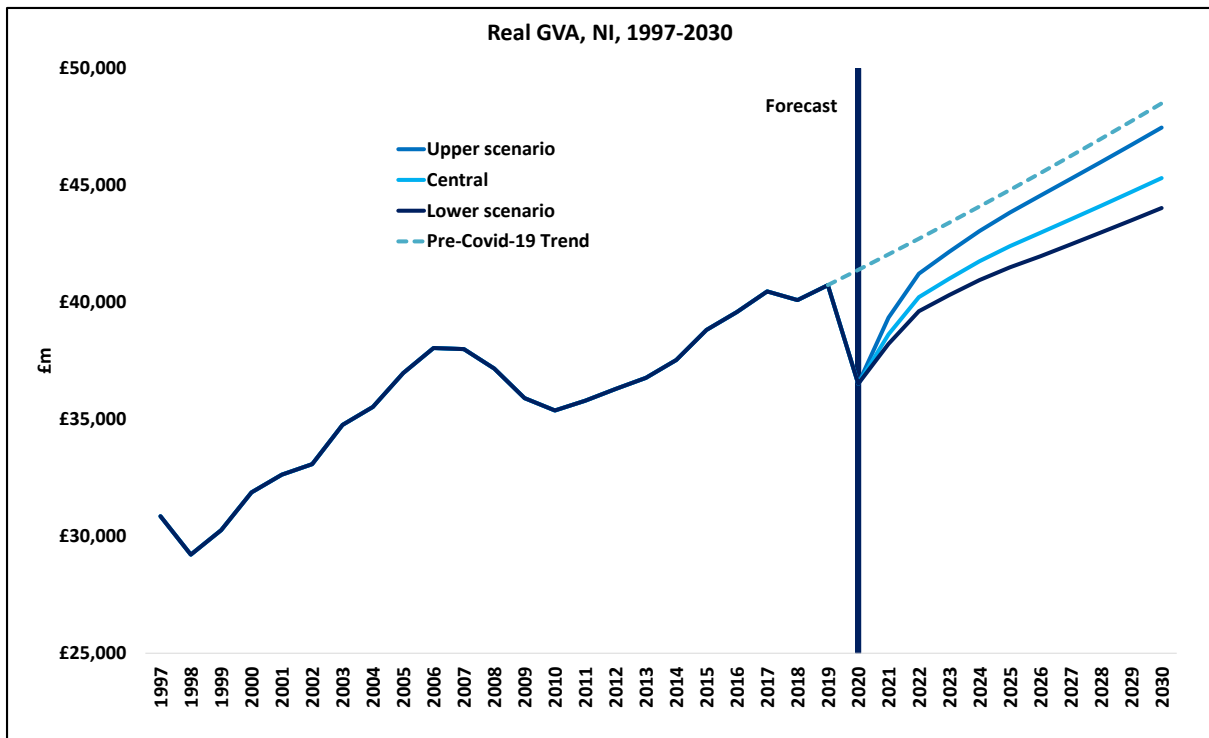
Scarring and Other Recovery Risks

The Northern Ireland economy has been affected in a profound way; however, it has also shown remarkable resilience. Despite the difficulties in the past 16 months, investment has been committed and job opportunities have been created, including those facilitated by DfE and Invest NI. Encouragingly, hiring for new staff in the last few months has been strong.^{xxxix}

Despite a strong rebound across a range of economic indicators, risks remain. A key risk to sustained recovery includes the maintenance of restrictions on businesses for longer than is necessary or the imposition of further restrictions. Another associated risk is a risk of ‘scarring’. Scarring is when physical and human capital is damaged by recessions and reduces the ability for an economy to grow and get back to its pre-crisis growth path.

The graph below, (slightly adapted) from UUEPC illustrates the scarring potential across three scenarios. At the present time, the economy still has much distance to travel before sustained year-on-year growth occurs. It should be noted however, that significant uncertainty exists as to the pace and the sustainability of the recovery – at the moment signs are looking promising, but that could change as the situation develops.

Potential Recovery Scenarios from UUEPC’s June 2021 Economic Outlook ^{xxxix}



Source: UUEPC.

Note: Pre-Covid-19 Trend added by DfE for illustrative purposes. This will differ from a pre-crisis forecast.

Any uncertainty over the outlook may also dampen businesses’ inclination to invest. The Bank of England estimates that Covid-19 has had a large impact on UK investment, lowering investment by up to 35% in 2020 Q2 and by an average of 25% over the year to 2021 Q1. The effect of Covid-19 on investment is expected to ease in the near term, and a marginal increase in investment is expected in 2022 and beyond.^{xxxix}

On a more optimistic note, the impact of Covid-19 may have been a catalyst to accelerate digitalisation.^{xxxix} According to research by QUB, 2020 saw significant progress in the adoption and implementation of digital technologies among Northern Ireland’s Small & Medium-Sized Enterprises (SMEs), as traditional face-to-face business operations were curtailed.^{xxxv}

The closure of schools, universities and workplaces has had an adverse impact on our young people. Pupils across the UK have lost a significant amount of their learning time, even once learning at home is taken into account, according to new research. Researchers from the London School of Economics and Political Science (LSE) and the University of Exeter, found that disruption to schooling between March 2020 and April 2021 was unprecedented in its scale, with most pupils missing over half of their expected days in the classroom. Based on the UK nations' attendance policies, the following **maximum** number of classroom days² were lost over one calendar year:

- 110 days for England;
- 119 days for Northern Ireland;
- 119 days for Scotland; and
- 124 days for Wales.

These compare to a full year during normal times of 190 classroom days. The analysis also showed that in each of the four nations of the UK, poorest pupils lost more learning time than their richer peers.^{xxxvi} Any impairment of human capital in the form of skills and qualifications will be a concern – as this is a key determinant of future economic growth.

Research by QUB for the Department for the Economy found that the effect of Covid-19 seems to have been more severe for small and medium-sized enterprises than larger businesses. Higher proportions of SMEs were reporting very limited cash reserves as well as low confidence in survival in the near future.^{xxxvii} The IMF has recently warned about the increasing dominance of large firms.^{xxxviii}

Furthermore, even as companies are trading again, there are still worries over debt repayments, cash flows and possible future tax rises. For example, firms in Northern Ireland have borrowed over £2bn in two Government loans schemes since Covid-19 struck (Bounce Back Loan Scheme (BBS) & Coronavirus Business Interruption Loan Scheme (CBILS)).^{xxxix}

Some sectors face more of a burden of debt repayments than others. The July 2021 Hospitality Strategy^{xl} from UK Government highlights how susceptible businesses in accommodation & food services are in the current environment:

“Although many hospitality businesses were thriving and expanding before the COVID-19 pandemic, the sector faced some underlying challenges. Growth was fuelled by an influx of investment, but against a backdrop of a general decline in high street footfall. Businesses tended to operate on very small margins and with low cash holdings, partly due to a high level of fixed costs. As a result, hospitality businesses were, and remain, more vulnerable to income disruption than other parts of the UK economy.... Even once revenues bounce back to pre-COVID levels, in many cases hospitality businesses will struggle to immediately repay the high levels of debt accrued during the pandemic”

As noted above, Covid-19 has accelerated already existing trends such as online shopping, with the proportion of sales made online having surged in the past year. The High Street Scheme is being rolled out to act as a local stimulus. Even as the economy continues to recover, there may be higher numbers of office staff working days from home than before the crisis. There could be consequences for our towns and cities and for regional growth. An article by Philip Hubbard, Professor of Urban Studies at King's College London warns of how Covid-19 could turn cities into 'doughnuts', with empty centres but vibrant suburbs.^{xli}

² Even when considering learning undertaken at home **and** in the classroom, pupils in England, Scotland, Wales, and Northern Ireland all experienced very large learning losses over the course of the year. On average, pupils in England and Northern Ireland lost 61 days of schooling, while those in Scotland and Wales lost more.

Wider Societal Impacts

Economic output is not a measure of overall wellbeing. However, it is fair to say that a well-functioning and inclusive economy will generally mean less poverty, deprivation and other economic problems for the population. Jobs and steady wages / income help individuals and families across Northern Ireland buy property^{xliii}, establish roots, avoid personal debt^{xliiii}, fulfil their life goals and improve self-esteem^{xliiv}. Below, we briefly document just some of the wider societal impacts of Covid-19 and the associated restrictions.

Younger Workers

As noted above, the closure of schools, universities and workplaces has had an adverse impact on our young people.

Research by the Institute for Fiscal Studies (IFS) into the first UK national lockdown (Spring 2020) found employees under the age of 25 were around two and a half times more likely to work in sectors that were shut down compared with other employees. The research suggest that the pandemic has severely dented the career prospects of young people, threatening to have a prolonged negative economic impact on them. Sharp contractions in sectors that had to close made it harder for young people to take their first step onto the career ladder, while reduced job opportunities will make it harder for them to move into higher-paying occupations.

An OECD paper published in 2016 found young people with a history of unemployment face fewer career development opportunities, lower wage levels, poorer prospects for better jobs, and ultimately lower pensions.

A paper in 2017 by the Centre for Economic Policy Research found evidence that unemployment shocks affect young workers for the rest of their lives. This scar of youth unemployment is concentrated in the first few years after entry in the labour market: one month of unemployment at age 18-20 causes a permanent income loss of 2%.^{xlv}

In addition, there is emerging thinking that working from home creates issues for staff development^{xlvi}, and this may be particularly problematic for younger workers.^{xlvii}

Mental Health

Covid-19 and ongoing restrictions is likely to have had an impact on mental health. According to the Department of Health's draft Consultation on the Mental Health Strategy 2021-30:

“The advent of the global Covid-19 pandemic has also significantly impacted mental health in Northern Ireland. Lockdown, shielding and social distancing, the closure of schools, working from home, increased deaths, reduction in face to face services, as well as the restrictions on funeral rites during the pandemic have had an impact on the emotional wellbeing of many, including those with existing mental health conditions. In addition, evidence has shown increased levels of acuity presenting to acute mental health services. It is highly likely that we will see increased levels of need for a number of years due to the ongoing impact of the pandemic on our society's mental health.”^{xlviii}

This increased demand for services will have a cost, and an opportunity cost (as money could be spent elsewhere). The cost will not just be to the NHS. Research has suggested that mental health problems in the UK workforce cost employers £34.9bn in 2017, meaning that mental health problems cost £1,300 for every employee in the UK economy. The research found that the major costs to employers is the reduction in productivity they face as a result of mental health driven absenteeism.^{xlix}

Events and Way of Life Disrupted

Many events in the past 16 months have been cancelled or severely restricted. This can have a financial impact, but also an impact on the morale of those who live in Northern Ireland and an effect on community life. For example:

- The North West Motorbike Race was cancelled for a second year. Official figures show the North West annually generates £12m in revenue.ⁱ
- One-off events can also be lucrative and can put 'Northern Ireland on the map'. For example, the 2019 British Open may have generated £100m in economic benefits.ⁱⁱ
- St Patrick's Day was cancelled in 2020 and held virtually in 2021.
- Smaller scale local community and agricultural events have been cancelled.ⁱⁱⁱ
- Many family events, such as weddings, have been postponed.

Rather than a 'new normal' there may be an argument for describing lengthy restrictions as a 'new abnormal'. Lockdown left many children and young people "*feeling like they were in limbo*", according to research carried out for the Education Committee. The interim mental health champion Professor Siobhan O'Neill said that things that "*made life meaningful*" were taken from children and young people due to lockdowns and the pandemic.ⁱⁱⁱ

Fortunately, the situation appears to be becoming more hopeful. As noted above, restrictions have been relaxed gradually over the past few months. The NI Executive has confirmed live music in Northern Ireland can resume. Theatres and concert halls have reopened. In relation to retail and shopping centres, the regulations have moved from a requirement for two metres to one metre distancing.^{iv} The Balmoral Show is set to take place in September 2021 following last year's cancellation and a delay in May 2021.^{lv} The Belfast City Marathon is now expected to take place in October 2021.^{lvi}

Population Growth in Northern Ireland

In 2020, population growth in Northern Ireland was at its lowest level since 1999. Natural change (births minus deaths) accounted for the total population growth over the last year. Net migration for Northern Ireland was negative (-3,300) for the first time since mid-2013.

Three Local Government Districts experienced population decline over the year. Fermanagh & Omagh, Derry City & Strabane and Belfast all experienced population decline. Negative net migration was the driver of this population decrease. It is thought that Covid-19 and the resulting economic consequences may have played a part in this.^{lvii}

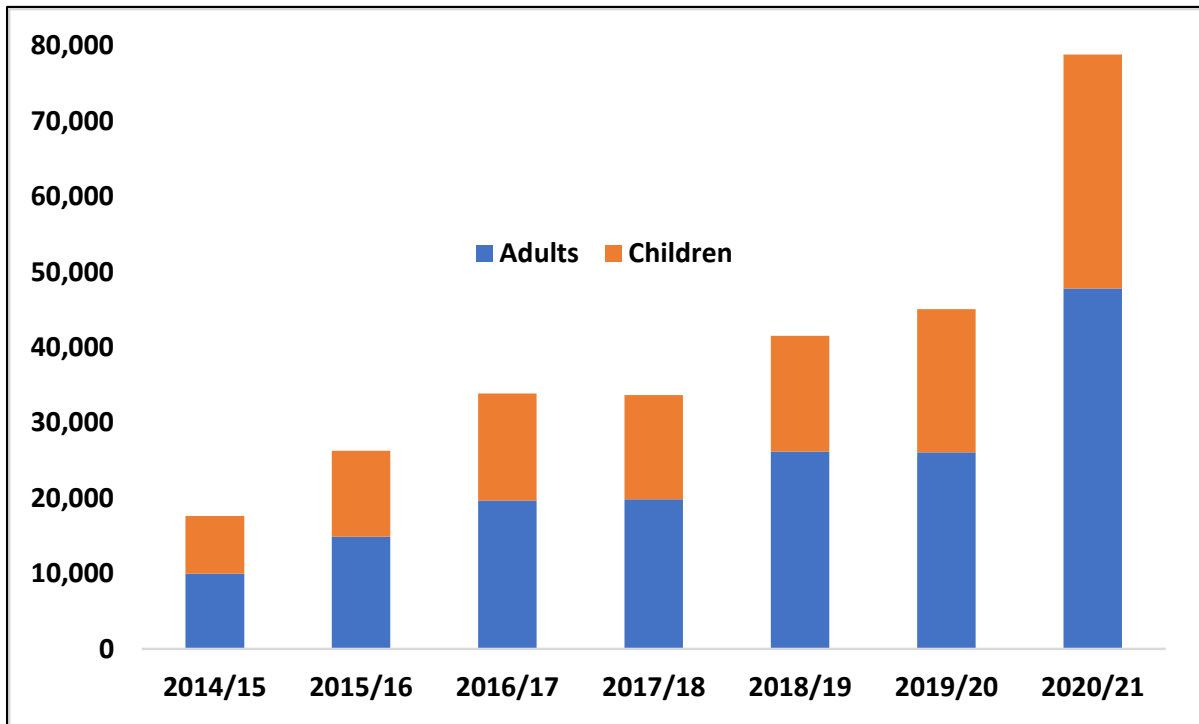
Food Banks

According to one data source, the Trussell Trust estimates that between 1 April 2020 and 31 March 2021, food banks in the Trussell Trust's network distributed 2.5 million emergency food parcels to people in crisis across the UK.

Emma Revie, Chief Executive of the Trussell Trust, stated that the impact of the pandemic was "*instantaneous and profound*", most notably with an increase in demand, including the number of children receiving food. Insufficient income was cited as the primary reason for this increased demand.^{lviii} It should be noted however, that food bank statistics should not be used as a proxy for the measurement of poverty. The comprehensiveness and accuracy of food bank data, and the number of food aid outlets in existence, will affect food bank figures regardless of any changes in poverty levels.

The number of emergency food parcels provided in Northern Ireland increased from 45,134 in 2019/20 to 78,827 in 2020/21. This represents an increase of 75%.

Food Bank Parcels Provided in Northern Ireland (Trussell Trust)³



Source: Trussell Trust.

Some Local Government Districts in Northern Ireland experienced quite substantial growth in food parcels provided over the past year. ^{lix}

Scope for Recovery

A return to normality and getting ‘back to business’ provides our best opportunity for economic recovery and renewal. The Department for the Economy has led the way in the reopening of our economy and has set out its vision for the future. In the first half of 2021, the Department for the Economy has set out:

- An Economic Recovery Action Plan^{lx}
- 10X Economy: An Economic Vision for a Decade of Innovation^{lxi}

³ It should be noted that Trussell Trust figures cannot be used to fully explain the scale of food bank use across the UK, because the figures relate to food banks in their network and not to the hundreds of independent food aid providers and community-groups also providing support. There are more than 1,300 food bank centres in the Trussell Trust’s UK wide network. The Independent Food Aid Network (IFAN) represents more than 500 independent food banks operating across the UK. IFAN has identified at least 1,034 independent food banks across the UK in addition to food banks in the Trussell Trust network, Salvation Army, and school-based food banks. Note that these statistics are a measure of volume rather than unique users, the available data indicates that people received around 2.4 food bank referrals in the last year. The data is collected using an online system into which food banks enter data from each food bank voucher, and the number of emergency food supplies is recorded. For example, if a family of three were referred to a food bank twice in one year, this would count as six supplies on the system because it would reflect six instances of a supply going to someone in the household. However, if a family of three were only referred to a food bank once, this would count as three supplies.

- Skills Strategy Consultation for a 10X Economy^{lxii}
- Tourism Recovery Action Plan^{lxiii}
- Energy Strategy Consultation Document.^{lxiv}

Recent forecasts by local organisations show hopefulness for the remainder of 2021 and beyond, but a full recovery will take time:

- UUEPC consider that the local economy should return to pre-Covid-19 levels of GVA in mid-2023 and pre-Covid-19 levels of employment in 2024.^{lxv}
- EY consider that Northern Ireland is expected to take until 2023 to recover to 2019 output levels and 2024 to recover to 2019 employment levels.^{lxvi}
- More optimistically, Danske Bank expect economic activity in Northern Ireland to return to its pre-pandemic level in the first half of 2022.^{lxvii}

As noted above, the CJRS (furlough) scheme and the SEISS scheme are due to end on 30 September 2021. This, in tandem with the continued operation of restrictions / mitigations in many sectors and the possibility of further restrictions in the future represents the greatest risk to unemployment in the second half of 2021 and into 2022.

There is also a risk from changes to the furlough scheme over the summer, putting more of a burden on companies. Other risks include recent inflationary pressures. Some companies have highlighted issues with tier supply chains, both in terms of availability and increases in price. Also, even with the Claimant Count being much higher since the crisis, firms have reported difficulties in the recruitment of staff, particularly those in the manufacturing, logistics and food processing. There may be a mismatch between labour demand and labour supply, and some organisations consider that the furlough scheme may be affecting recruitment.^{lxviii}

A number of businesses may have taken on new debt in the last 16 months, with over £2bn in loans offered in Northern Ireland via the BBLs and CBILs schemes. These businesses now face debt repayments.

In addition, the special provision which protects businesses unable to pay rent due to Covid-19 lasts until 30 September 2021. Commercial tenants are protected from eviction if they are unable to pay rent, however, this is not a rental holiday and all commercial tenants are still be liable for the rent.^{lxix}

According to the latest PMI Survey from Ulster Bank, firms in all parts of the UK remained upbeat about the year-ahead outlook for activity. Sentiment was weakest in Northern Ireland, where it dipped to a five-month low.

Across many industries, the continued safe lifting of restrictions and mitigations will make an important contribution to cementing recovery.

Overall, it is clear the Northern Ireland economy has shown a high level of resilience, but there is still some way to go. By continuing the forward momentum that has been achieved in the past few months, there is a distinct hope for a positive impact on our economic, societal and environmental wellbeing.

Annex A - Impact on Businesses

Analysis by the Department for the Economy suggests that, at a conservative estimate, there could have been over 10,000 businesses in Northern Ireland directly impacted by the restrictions which were introduced from 26 December 2020 and largely kept in place until April/ May 2021. This makes up a substantial portion of the 77,000 businesses in Northern Ireland. For example, according to the Inter-Departmental Business Register (IDBR):

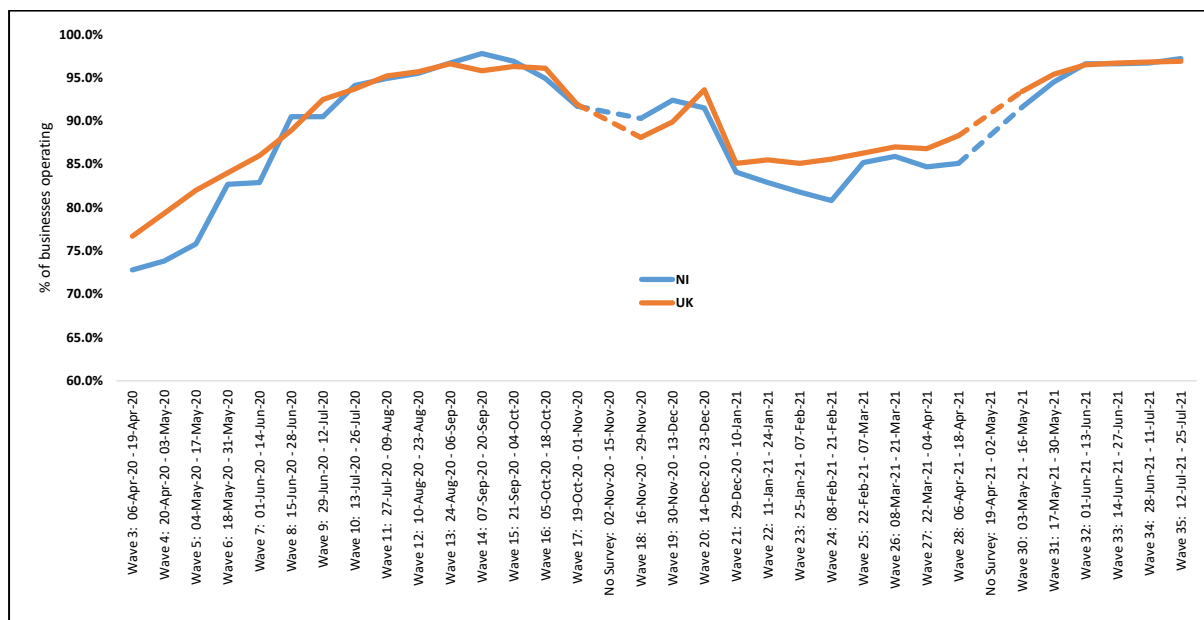
- Around 2,000 businesses related to hairdressing & other personal service activities;
- Approximately 700 businesses related to sports and fitness activities;
- Over 400 businesses related to arts, leisure, museums and amusement activities;
- There were up to 4,000 wholesale and retail businesses in categories directly impacted by Regulations⁴, however, this estimate is subject to some uncertainty.

According to data held by the Food Standards Agency, there are the following number of premises in Northern Ireland:

- Around 3,500 restaurants / cafes (IDBR figure 1,210 businesses);
- Approximately 1,000 pubs / bars that serve food (IDBR figure 945 businesses);
- Over 650 hotels / bed & breakfasts (IDBR figure 375 businesses).^{lxx}

This analysis tallies well with ONS survey data that shows approximately 10% to 20% of businesses were not operating here in early 2021. However, many reopened again after restrictions lifted in April and May 2021.

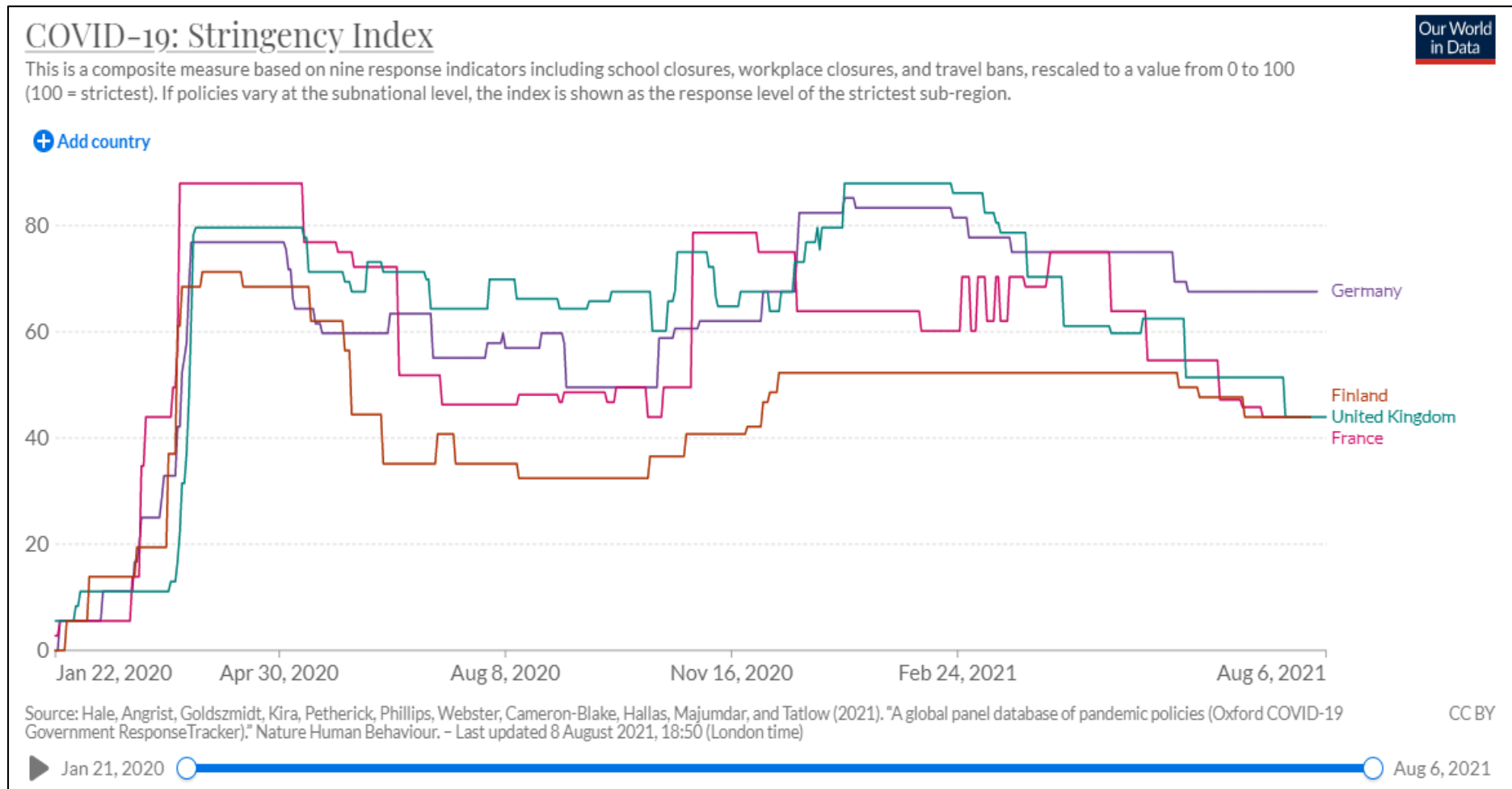
ONS Business Insights and Conditions Survey (BICS) Subnational Data: Trading Status - % of Businesses Trading in UK and NI ^{lxxi}



Source: ONS.

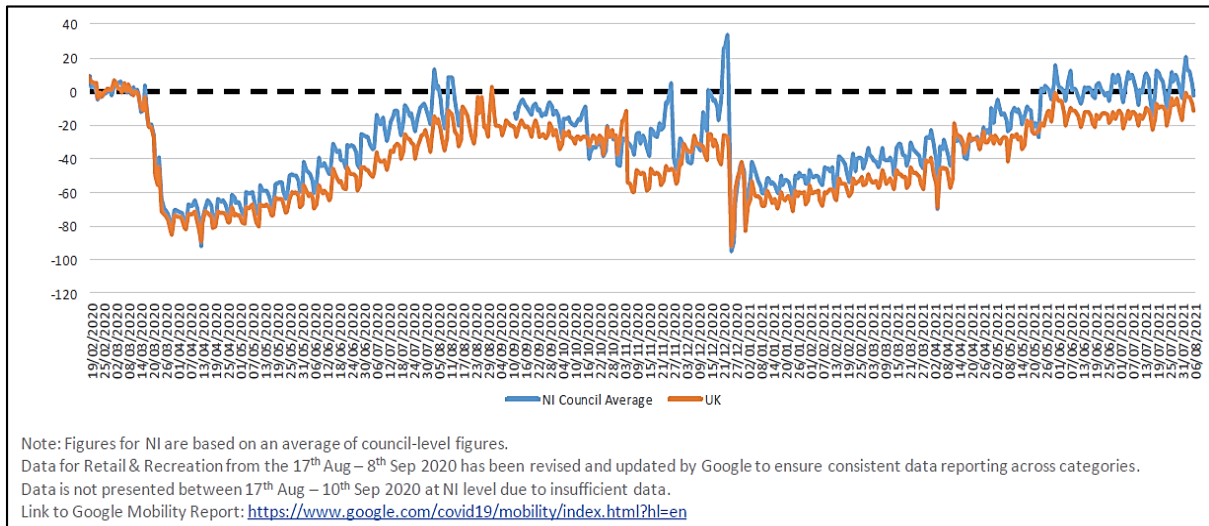
⁴ Other retail businesses were still permitted to open.

Annex B – University of Oxford Covid-19 Government Response Tracker ^{lxxii}



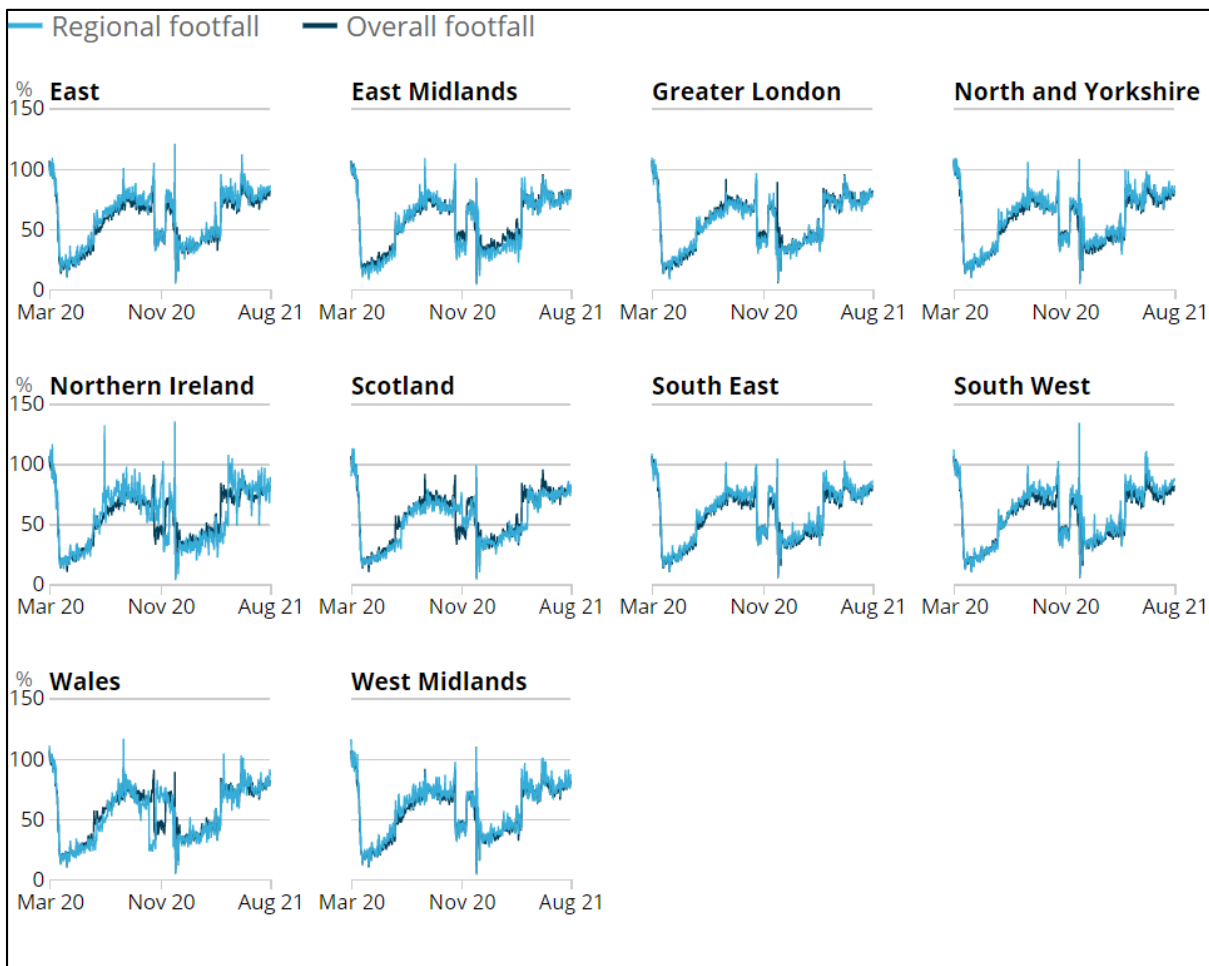
Annex C – Economic Indicators

Google Mobility Levels within Retail & Recreation in Northern Ireland^{lxxiii}



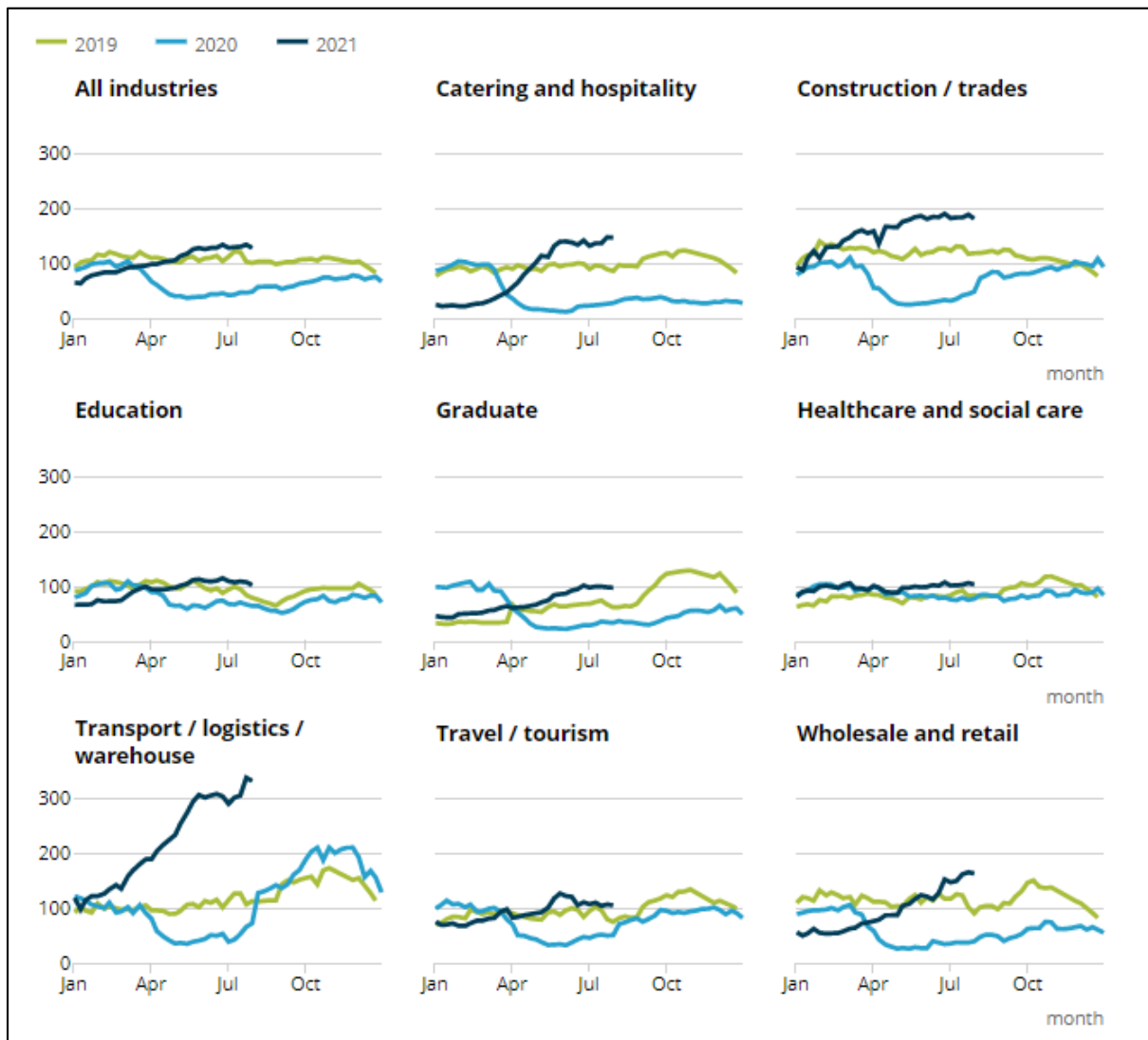
Source: DoH.

Footfall Levels across the UK^{lxxiv}



Source: ONS / Springboard / Department for Business, Energy and Industrial Strategy.

Volume of Online Job Adverts by Category, for UK, Index February 2020 = 100 ^{Ixxv}



Source: ONS / Adzuna.

Notes: 4 January 2019 to 6 August 2021, non-seasonally adjusted.

Annex D: Furlough Risks

Sectoral Return to Work Potential when Covid-19 Support Ends ^{lxxvi}

Sector	% of total jobs (NI,2019) ⁵	Return to employment potential
Agriculture	3.3%	H
Mining & quarrying	0.2%	L
Manufacturing	10.5%	M
Utilities	1.0%	H
Construction	6.5%	H
Retail	15.9%	L
Transport & storage	4.0%	M
Accommodation & food	5.9%	L
ICT	2.8%	H
Finance	2.2%	H
Real estate	1.2%	H
Professional services	4.9%	M
Admin services	6.7%	L
Public admin	5.8%	H
Education	8.5%	H
Health	15.1%	H
Arts	2.2%	L
Other services	3.2%	L

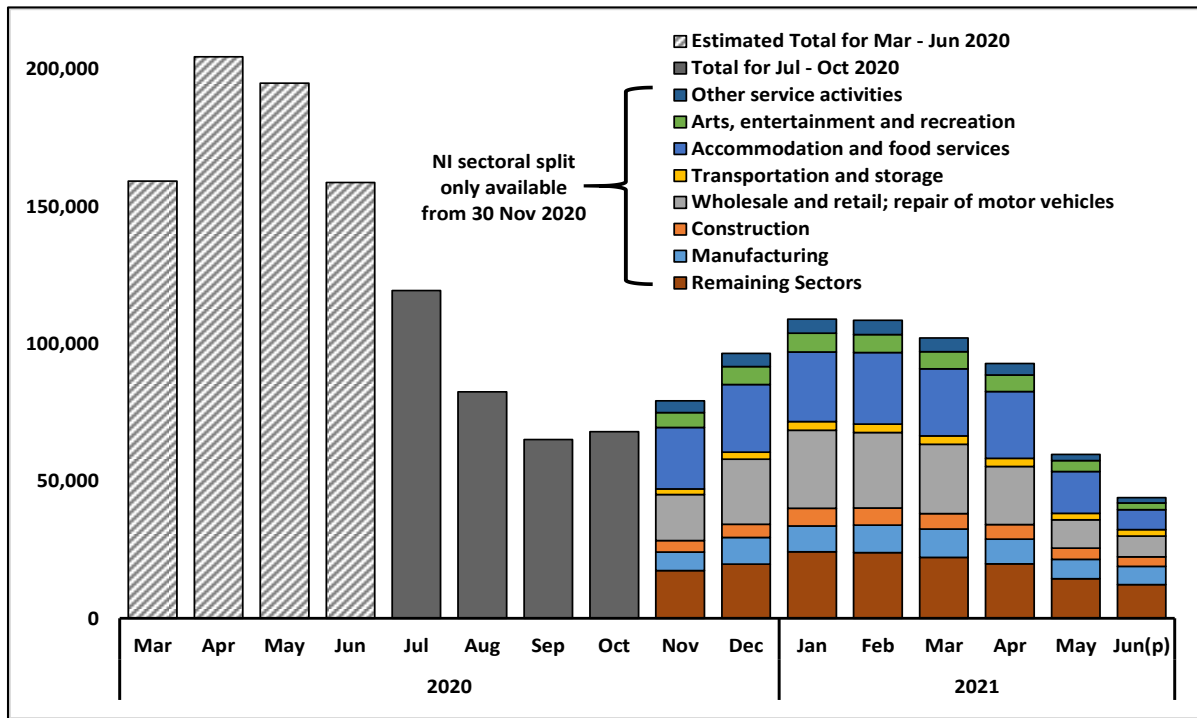
Source: EY analysis, from March 2021.

Notes: H=Highest Potential, M=Medium Potential, L=Low est Potential.

⁵ Seasonally adjusted workforce jobs, average of 2019 Q1-Q4 figures.

Annex E – Sectoral Analysis of HMRC’s Job Support Schemes in Northern Ireland lxxvii

Graph of CJRS Figures for Northern Ireland, at end of each Month, by Sector



Source: HMRC.

Notes: Regional figures for Mar to Jun 2020 are not provided by HMRC, therefore for Mar to Jun 2020 DfE apportioned by estimate of Northern Ireland’s share of the UK figure. Disaggregated / sectoral data for NI only available from 30 Nov 2020 onwards. 30 June 2021 figures are provisional.

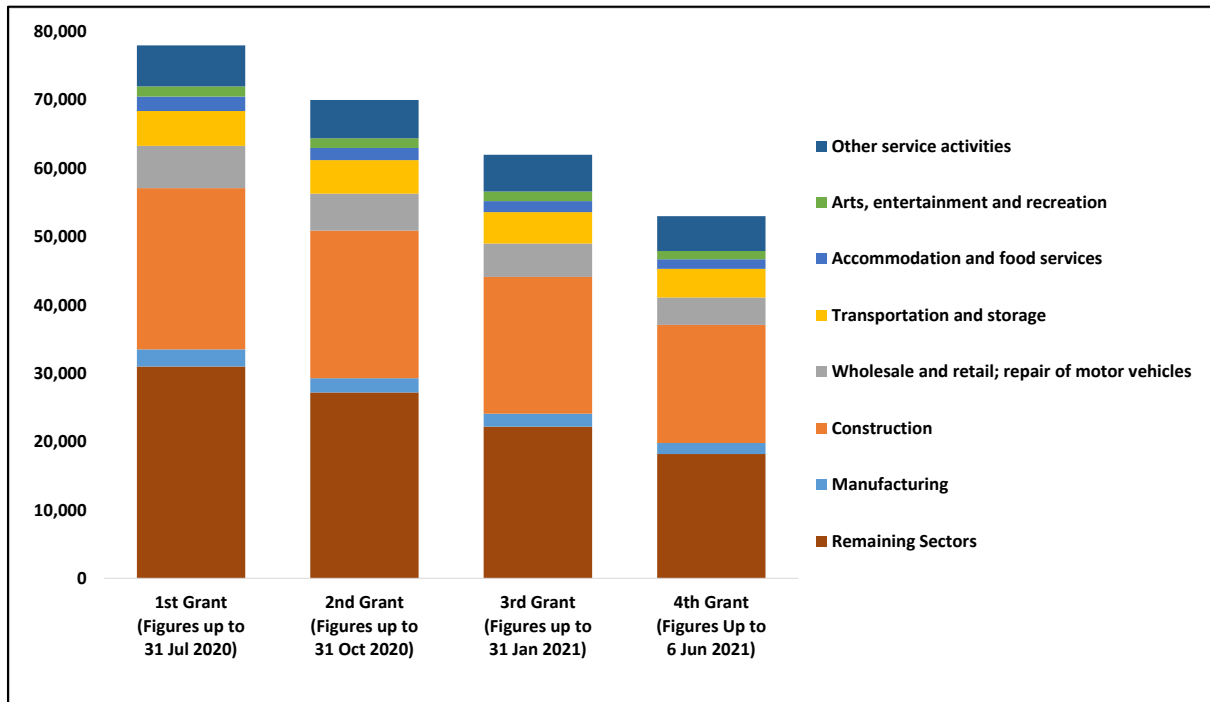
Table of CJRS Figures for Northern Ireland, at end of each Month, by Sector

		Manufacturing	Construction	Wholesale and retail; repair of motor vehicles	Transportation and storage	Accommodation and food services	Arts, entertainment and recreation	Other service activities	Remaining Sectors	Total
2020	Nov	6,800	4,200	16,700	2,100	22,300	5,500	4,300	17,400	79,300
	Dec	9,700	4,800	23,700	2,500	24,700	6,500	4,800	19,800	96,500
2021	Jan	9,440	6,440	28,370	3,140	25,430	6,770	5,140	24,270	109,000
	Feb	10,010	6,260	27,470	3,150	25,990	6,590	5,210	23,920	108,600
	Mar	10,300	5,700	25,200	3,100	24,400	6,200	5,100	22,200	102,200
	Apr	9,000	5,300	21,100	3,000	24,300	6,100	4,200	19,900	92,900
	May	7,000	4,100	10,300	2,400	15,200	4,000	2,200	14,500	59,700
	Jun(p)	6,600	3,500	7,600	2,300	7,300	2,400	2,000	12,300	44,000

Source: HMRC

Difference Jun vs Apr 2021	-2,400	-1,800	-13,500	-700	-17,000	-3,700	-2,200	-7,600	-48,900
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Graph of SEISS Grant Claims in Northern Ireland, by Sector



Source: HMRC.

Table of SEISS Grant Claims in Northern Ireland, by Sector

	Manufacturing	Construction	Wholesale and retail; repair of motor vehicles	Transportation and storage	Accommodation and food services	Arts, entertainment and recreation	Other service activities	Remaining Sectors	Total
1st Grant (Figures up to 31 Jul 2020)	2,500	23,600	6,200	5,100	2,100	1,500	6,000	31,000	78,000
2nd Grant (Figures up to 31 Oct 2020)	2,100	21,600	5,400	4,900	1,800	1,400	5,600	27,200	70,000
3rd Grant (Figures up to 31 Jan 2021)	1,900	20,000	4,900	4,600	1,600	1,400	5,400	22,200	62,000
4th Grant (Figures Up to 6 Jun 2021)	1,600	17,300	4,000	4,200	1,400	1,200	5,100	18,200	53,000

Source: HMRC.

Annex F – Estimating a 3-Digit SIC Breakdown of HMRC CJRS Figures for NI

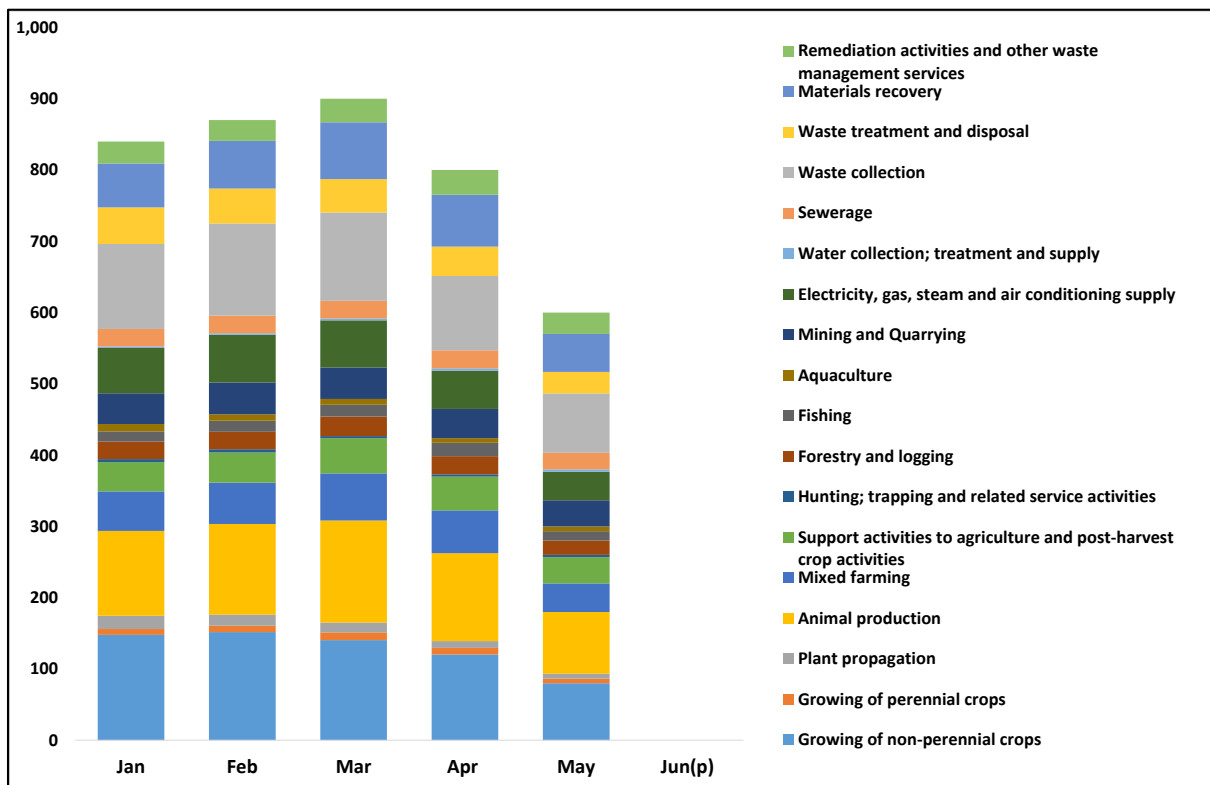
As shown above, HMRC provides CJRS data for Northern Ireland on a sectoral basis. While more disaggregated data exists for UK-wide figures at 3-Digit SIC breakdown, this is not provided for UK regions.

However, using the actual NI data at sectoral level provided by HMRC, we can split this further by applying the UK proportions (at 3-Digit SIC) in that sector, for the month in question. As this data is constructed for illustrative purposes only, it should only be used as a guide. It should be noted that the y-axis varies for each sector shown. June 2021 figures are provisional. Figures are for end of each month.

Although Northern Ireland is broadly in line with UK furlough rates, etc., differences may exist at a sub-sectoral level (aerospace, agri-food, etc.) due to the composition of the sectors in each region. There are also differences in timing and severity of restrictions across the UK nations, as well as differences when these restrictions were/are relaxed. Nonetheless, these figures should be still be informative, when used with the appropriate caveats.

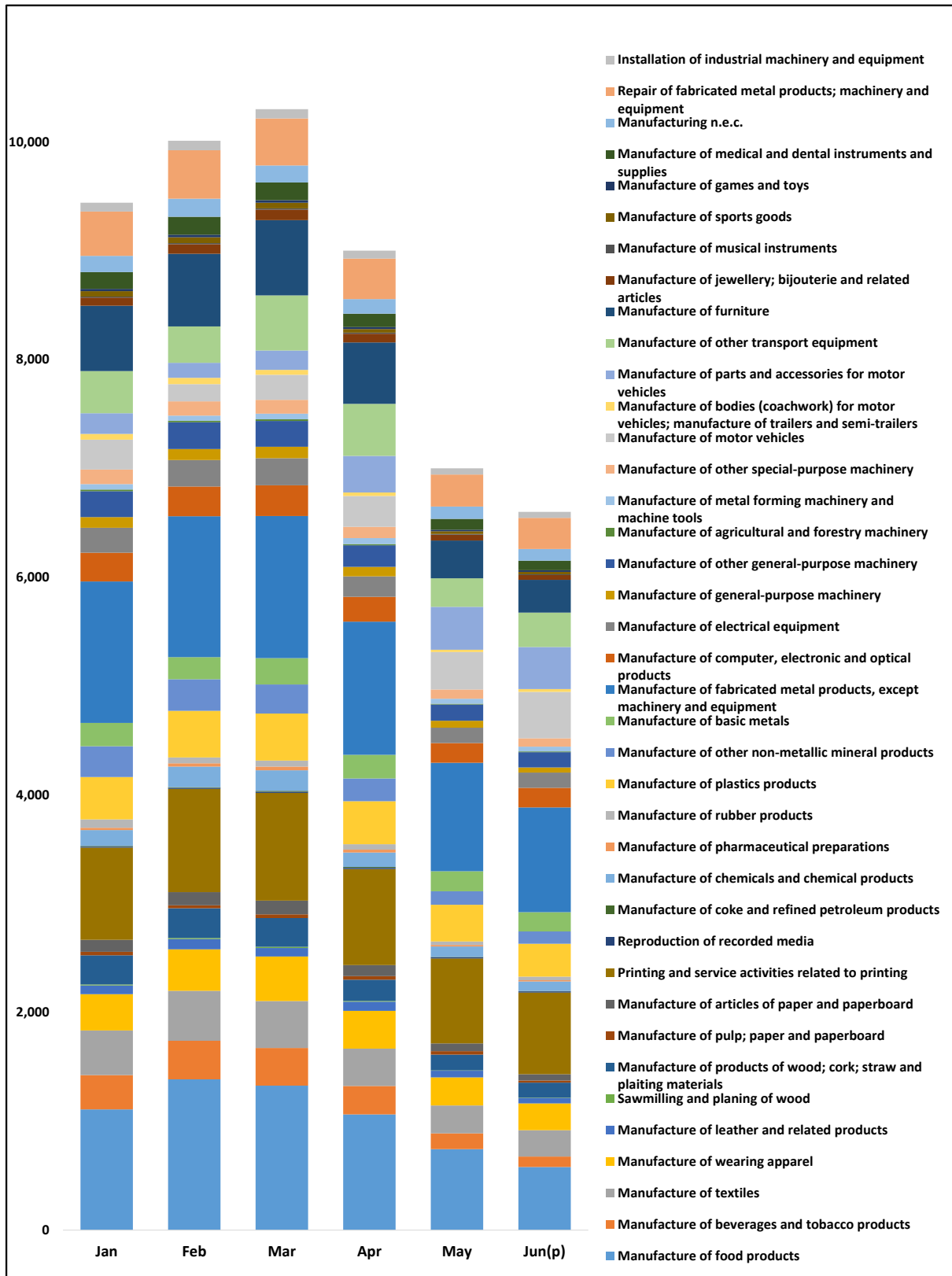
It can be seen below that the sectors most affected by the restrictions from 26 December 2020 have benefitted from steps taken to reopen the economy from April 2021 to the present day. However, other sectors (manufacturing, construction, etc.) have experienced demand and supply chain impacts, etc. from lockdown measures and are showing falls in furlough numbers, but perhaps less pronounced.

Estimated Numbers in NI Furloughed (CJRS) in 2021 within Agriculture, forestry and fishing, Mining and quarrying, Energy production and supply & Water supply, sewerage and waste

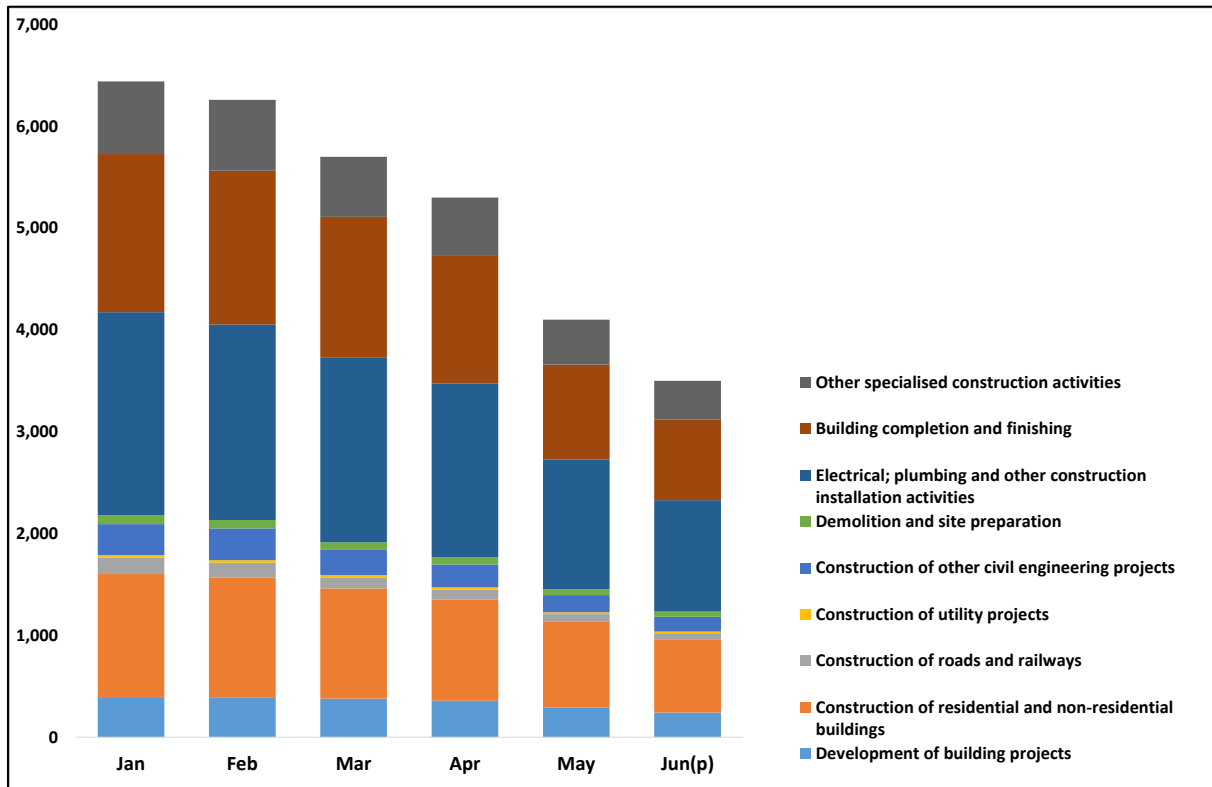


Note: Figures for June 2021 not provided by HMRC for NI on this category.

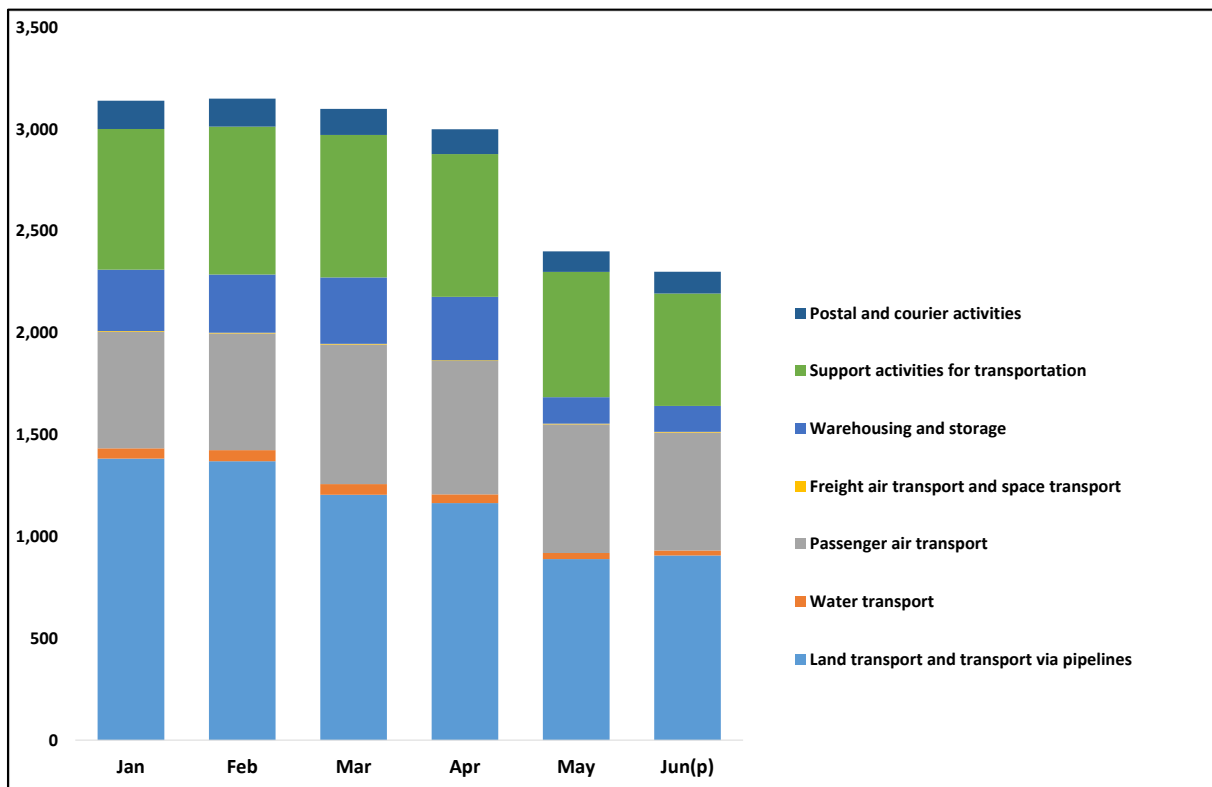
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Manufacturing



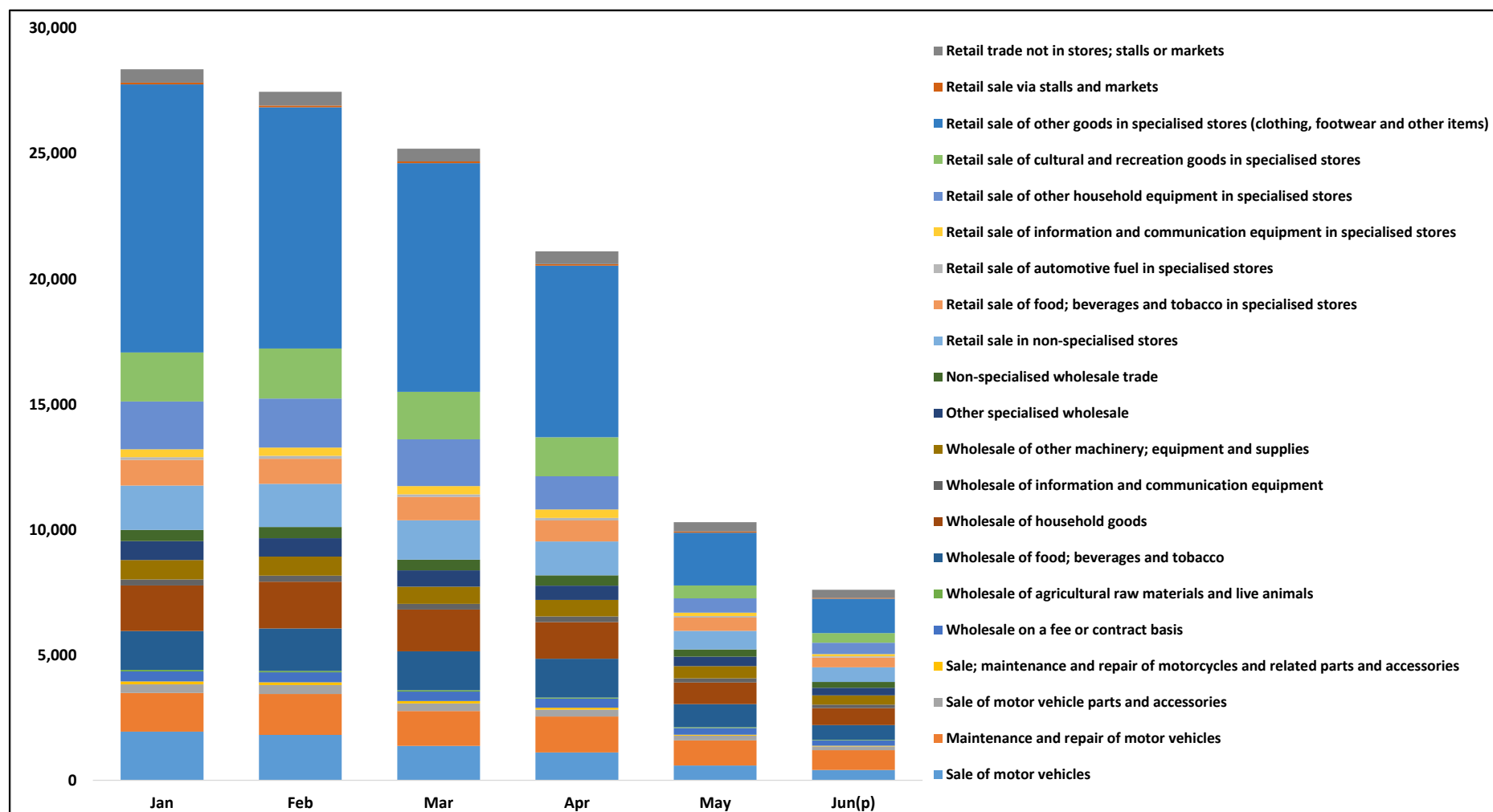
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Construction



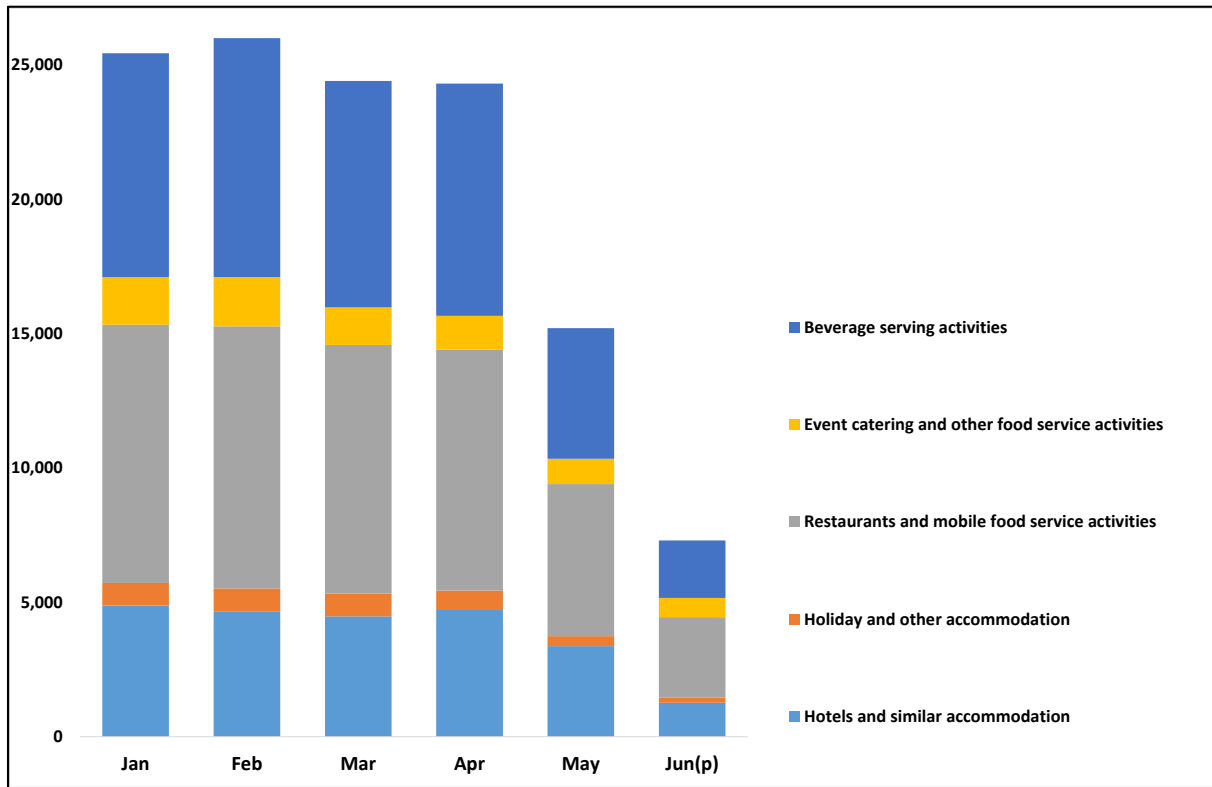
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Transportation & Storage



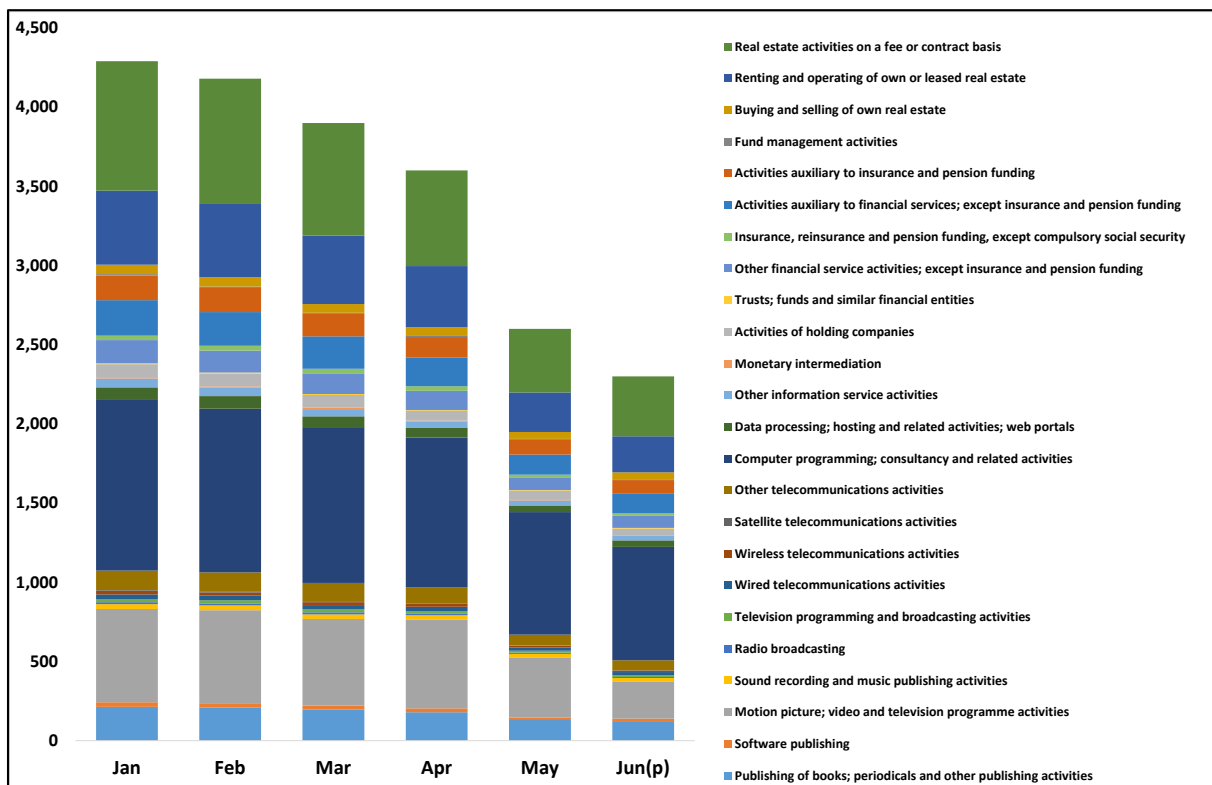
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Wholesale & Retail Trade



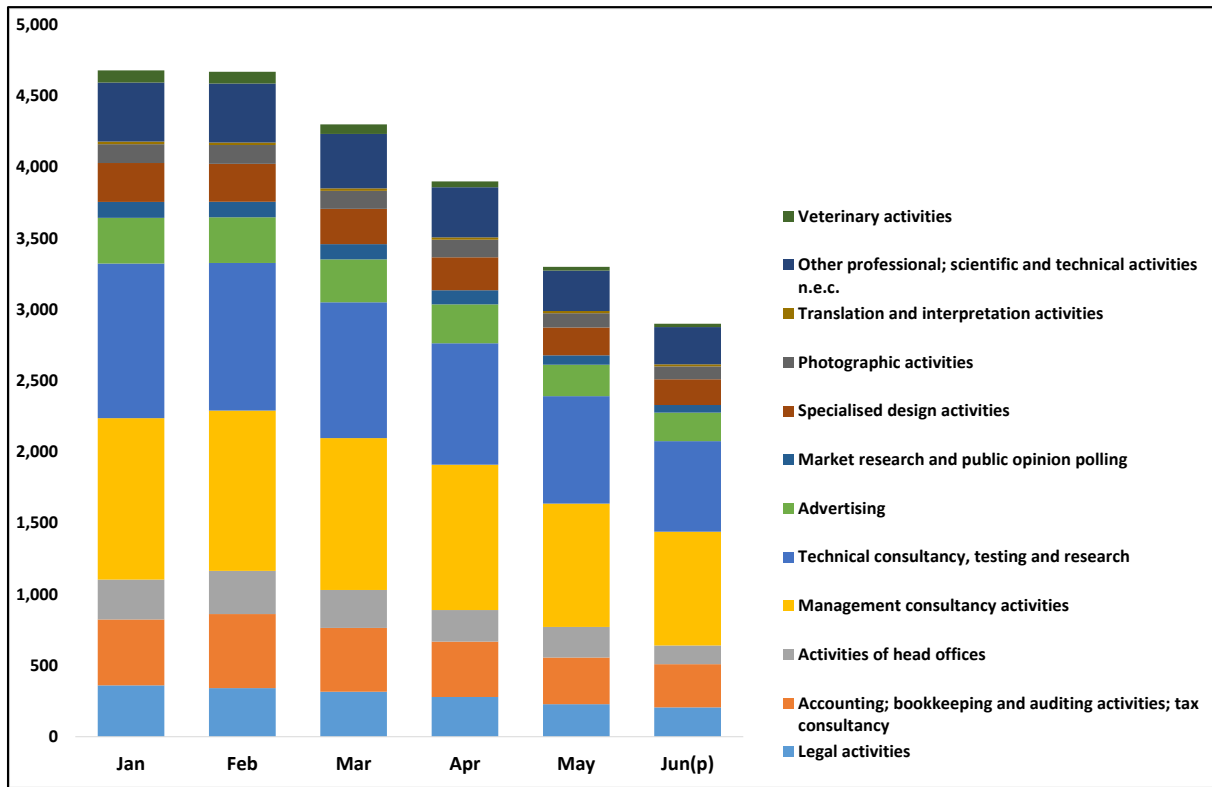
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Accommodation & Food



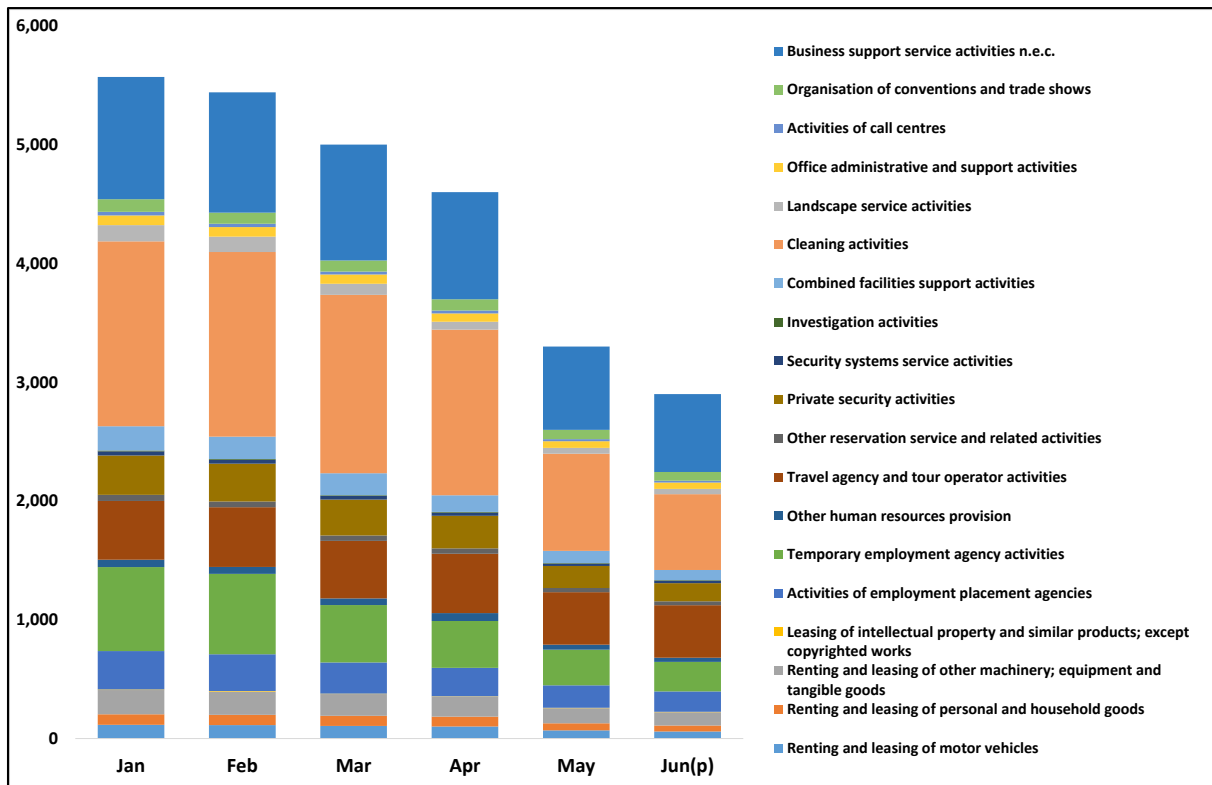
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Information and Communication, Financial and Insurance & Real Estate



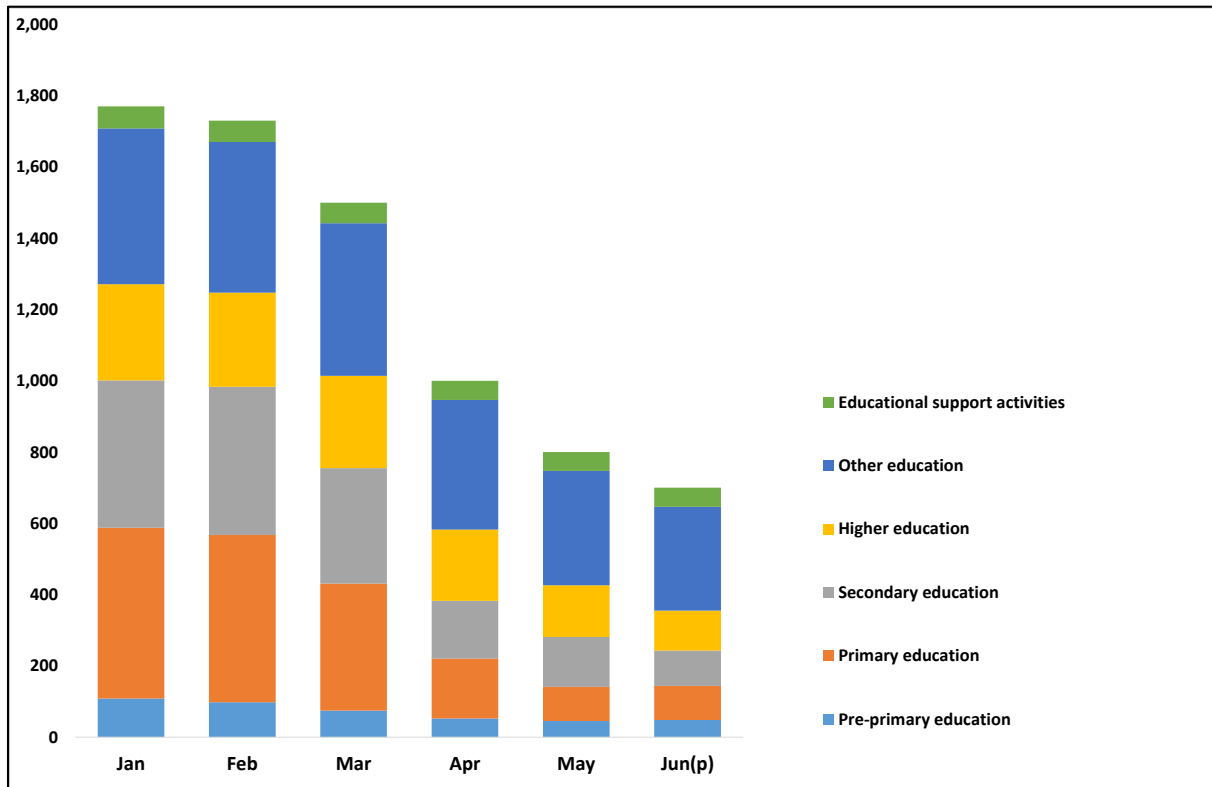
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Professional, Scientific & Technical



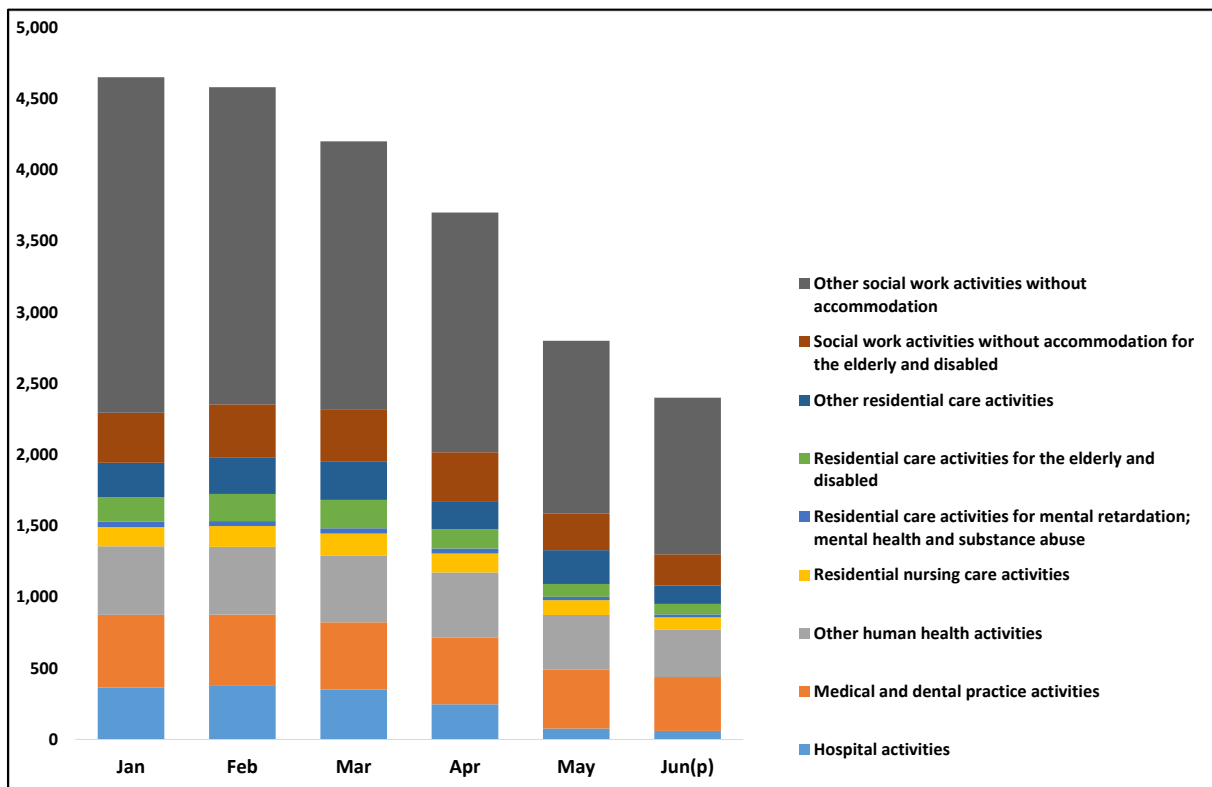
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Admin & Support



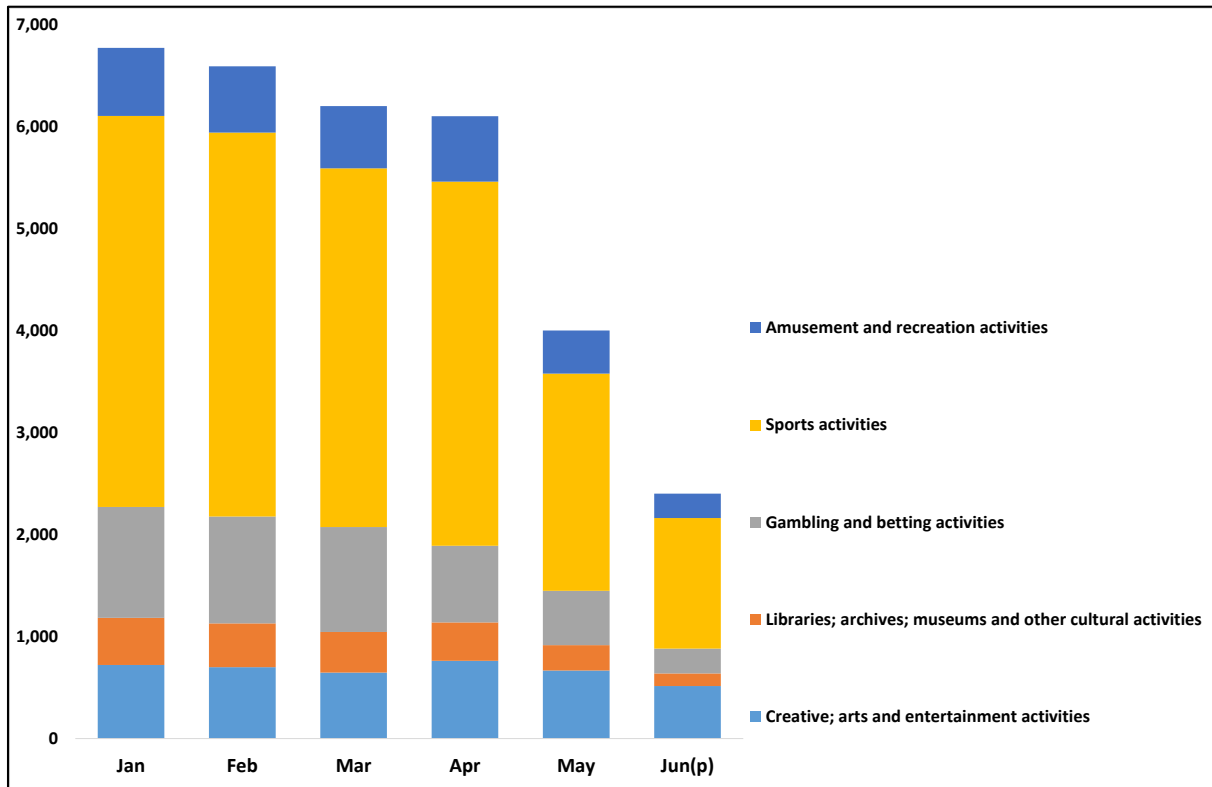
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Education



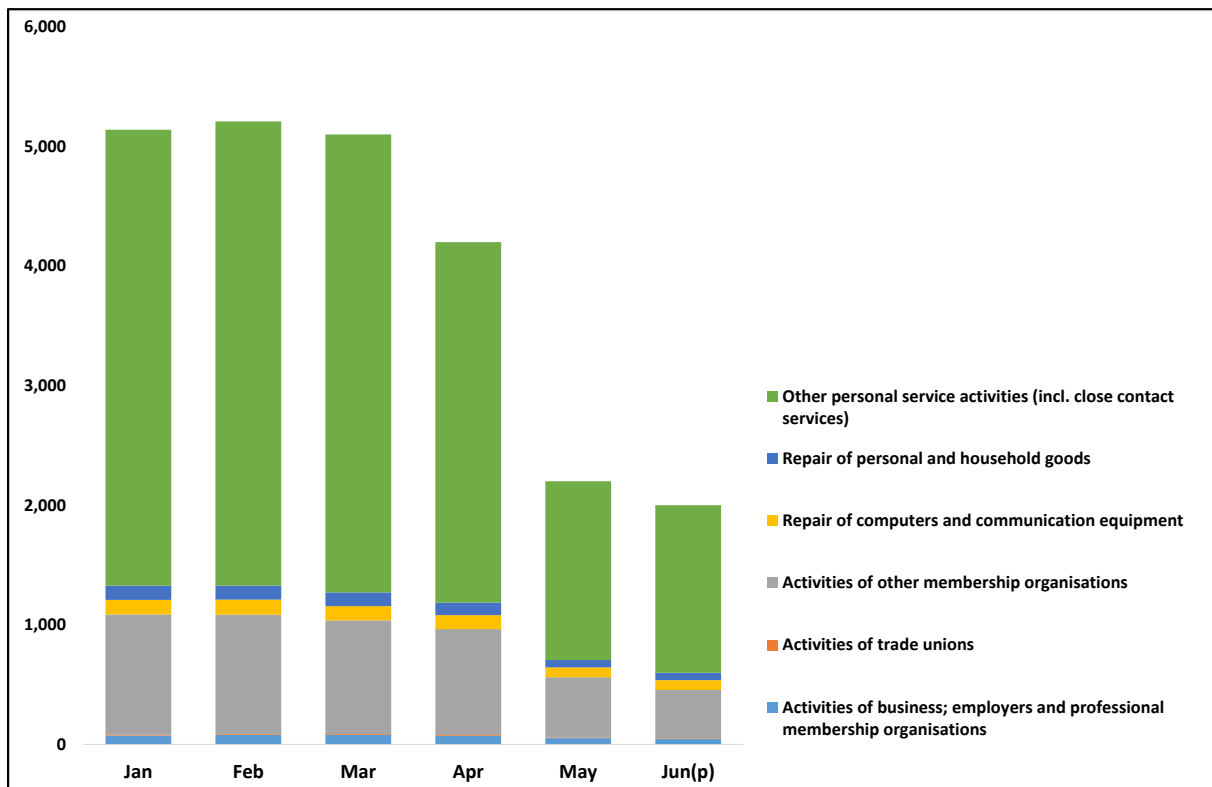
Estimated Numbers in NI Furloughed (CJRS) in 2021 within Health & Social Work



Estimated Numbers in NI Furloughed (CJRS) in 2021 within Arts, Ent. & Recreation



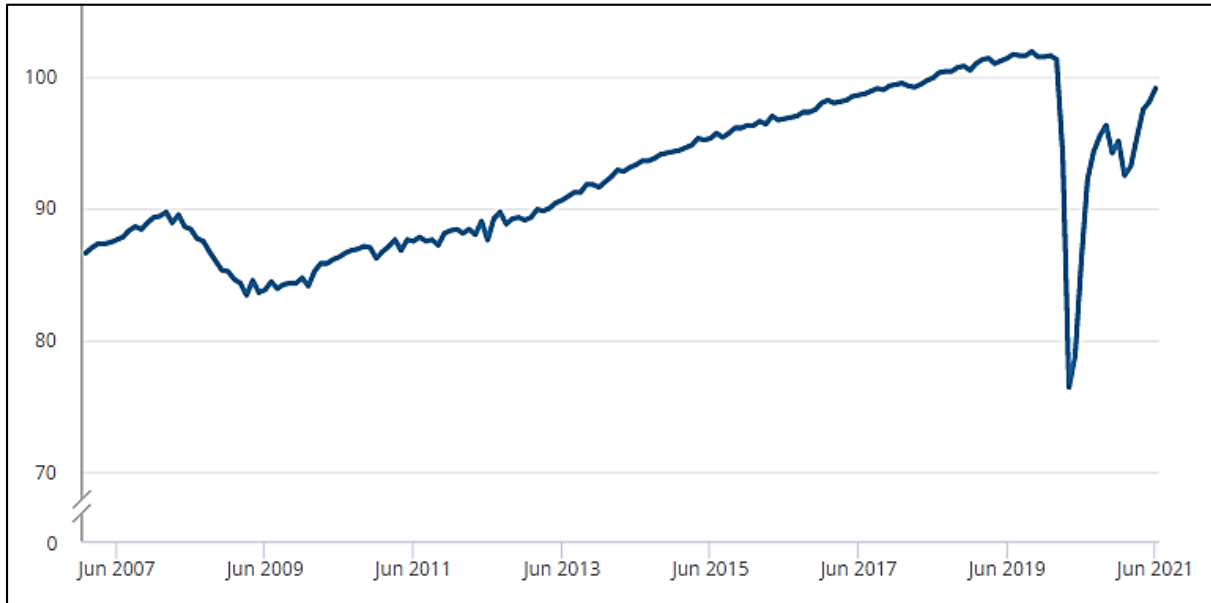
Estimated Numbers in NI Furloughed in 2021 (CJRS) within Other Services



ANNEX G – UK GDP & MONTHLY INDEX OF SERVICES Ixxviii

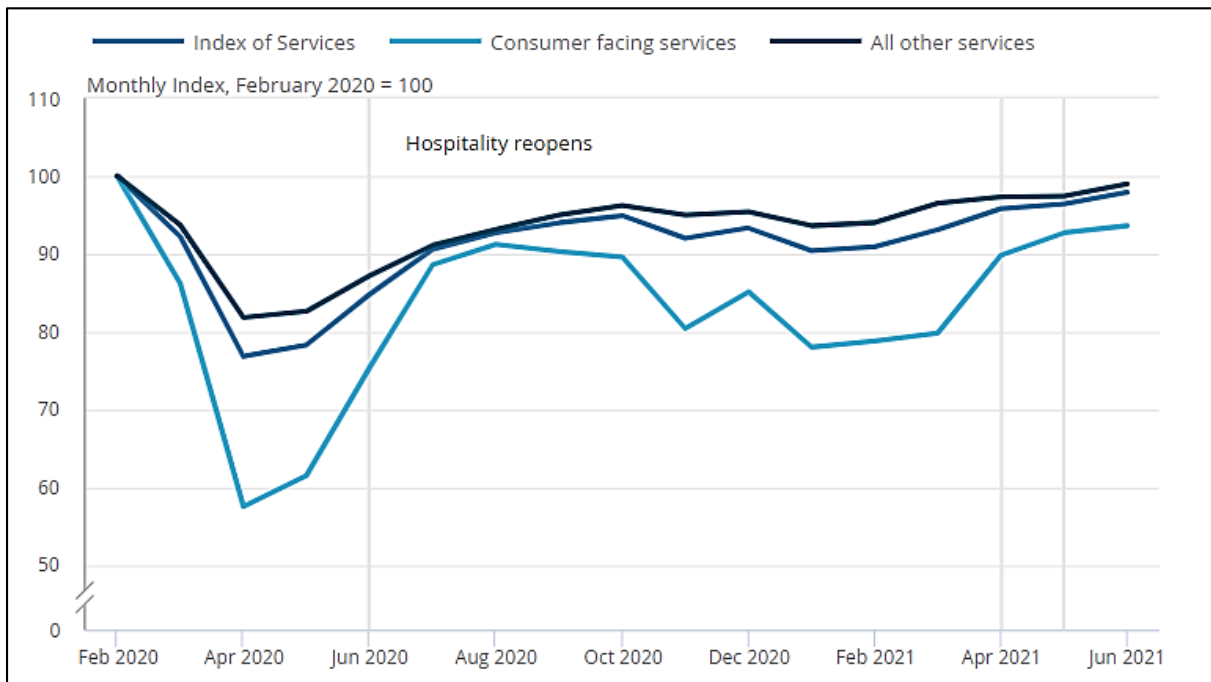
According to ONS, UK GDP is estimated to have grown for a fifth consecutive month in June 2021, by 1.0%, but remains 2.2% below its pre-pandemic level (February 2020). Services output grew by 1.5% in June 2021 but remained 2.1% below its pre-Covid-19 level.

UK GDP Monthly Index, January 2007 until June 2021, 2018 = 100



Source: ONS.

Monthly Index of Services, February 2020 to June 2021, February 2020 = 100



Source: ONS.

Consumer-facing services grew by 1.0% as restrictions continued to ease throughout June 2021, although output levels remained 6.4% below their pre-pandemic level (February 2020). Despite growth in consumer-facing services, it is travel, transport and other personal services that continue to be the main contributors to output remaining below pre-pandemic levels.

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- vii [NISRA - NICEL publication and tables Q1 2021](#)
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- xvii [DfE - Online job posting trends 2021](#)
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- xxxv [DfE - The effects of digital adoption due to Covid-19 on Northern Ireland SMEs performance: new empirical results](#)
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- I [Belfast Telegraph - New £12m blow to economy as North West 200 is forced off road](#)
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 - lxi [DfE - 10X Economy - an economic vision for a decade of innovation](#)
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