

Subsidies and Businesses in Northern Ireland

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October 2022

Summary

This paper explores the nature and characteristics of businesses that reported receipt of a subsidy each year between 2017 and 2020 as captured by the Northern Ireland Annual Business Inquiry (NIABI)ⁱ. This project is one of a trio of projects exploring data collected by the NIABI in relation to subsidies received by businesses, capital expenditure and types of purchases made by businesses as input pressures.

It focuses on the reporting of subsidies receivable from government sources and the EU as detailed by businesses who complete the NIABI survey. As defined in the NIABI questionnaire, the figure provided should include import and export refunds but exclude grants from non-government or non-EU sources, grants for capital investment and grants to cover historical losses or for cancellation of debt.

The main findings are:

- Total subsidy values received by businesses in 2017, 2018 and 2019 were broadly similar averaging at around 2,300 businesses in receipt of around £110m in subsidies
- There was a major shift in subsidies received in 2020 when over 24,000 businesses declared receipt of subsidies totalling over £1.2bn reflecting the financial support provided in response to Covid-19 and the subsequent restrictions on trading
- In relation to the Legal Status of businesses in receipt of subsidies, 'Businesses classified as 'Companies' are the single largest recipients of subsidies with between 67% and 75% of businesses receiving a subsidy coming from this category
- Between 2017 and 2020, businesses classified as 'Companies' received between 78% and 84% of the total annual value of subsidies
- Businesses in the Standard Industrial Classification sector D 'Electricity, gas, steam and air conditioning supply' had both the highest share and the highest value of total subsidies in each year between 2017 and 2019 at 44% of the 2017 to 2019 average subsidy and a 24% share of the total value of subsidies received in 2020

- Combining business turnover and subsidies to create a total business income value showed that businesses received 0.2% of their total income from subsidies in 2017, 2018 and 2019, rising to 1.8% in 2020
- Non capital grants provided by InvestNI accounted for between 38% and 48% of the total value of all subsidies reported by businesses between 2017 and 2019, falling to 4% in 2020

Introduction

The Northern Ireland '10x Economy – an economic vision' strategy was launched on the 11 May 2021 by the Department for the Economy setting out the vision for Northern Ireland's decade of innovation, to encourage greater collaboration and innovation to deliver a ten times better economy intended to provide inclusive benefits for both people and place.

An area of business income which has yet to be analysed in much detail is subsidies received by businesses as declared on the Northern Ireland Annual Business Inquiry (NIABI) survey questionnaire. Subsidies receivable from government sources and the EU including import and export refunds are included, but grants from non-government or non-EU sources, grants for capital investment and grants to cover historical losses or for cancellation of debt are excluded.

Method

The NIABI collects both financial and employment information from non-financial businesses and other establishments and covers approximately two thirds of the economy. This coverage includes the production, construction, distribution and service industries in Northern Ireland but excludes public sector activity for the most part. The 2020 NIABI sampled approximately 10,000 businesses in Northern Ireland from a population of approximately 56,000 businesses in the sample frame: the Inter-Departmental Business Register (IDBR). The IDBR consists of companies, partnerships, sole proprietors, public authorities, central government departments, local authorities and non-profit making bodies in the UK who are VAT and/or PAYE (Pay As You Earn) registered.

The Economic and Labour Market Statistics Branch of the Northern Ireland Statistics and Research Agency (NISRA) administers the survey and data validation is carried out on the returned forms ensuring internal consistency within the form, checking data falls within expected limits, and by contacting the company for clarification where appropriate. For non-returns above a selected employment threshold, data were imputed using a methodology which takes account of previous returned data and the performance of other similar businesses. This information was then grossed up to the reporting unit population, to ensure that results are representative of the sampled population. Published annual data are on a current prices basis and no adjustment is made for inflation as would be reflected in a constant prices series.

The survey question relating to subsidies has never previously been explored in detail and part of this project was to explore the underpinning data in terms of its robustness and quality. Given the variety of assistance types available to businesses and that no detailed guidance notes exist for this question, it is likely that there may be some variability in interpretation by businesses in relation to what they may record as a subsidy. In addition, businesses are asked for a total amount for subsidies received and it is not possible to disaggregate the different types of subsidies received.

This paper focuses on the reporting of subsidies received from government sources and the EU as detailed by the businesses who complete the NIABI survey. As defined in the questionnaire, the figure provided should include import and export refunds but exclude grants from non-government or non-EU sources; grants for capital investment and grants to cover historical losses or for cancellation of debt.

For this paper, analyses were undertaken using the NIABI data for 2017 to 2020. Businesses with a legal status of 'Public corporation or nationalised body', 'Central Government' or 'Local Authority' were excluded as, following initial exploratory analysis, the values for subsidies reported by such organisations appeared more likely to reflect Central and Local Government contribution to running costs rather than subsidies received and therefore outside scope of this exercise.

Aggregated non-capital business grant data from InvestNIⁱⁱ were also made available and have been included to allow comparisons between it and the NIABI data.

Results

Businesses in Receipt of Subsidies and Value

Table 1 shows the number of businesses in the population and how many of these businesses declared receipt of a subsidy from government sources and/or the EU. The years 2017 to 2019 showed a gradual increase in the number and share of businesses in receipt of a subsidy from 3% in 2017 to 5% in 2018 and 5% in 2019. Over the 3 year period 2017-2019, the lowest subsidy value reported was less than £100, while the highest was over £28m. 2020 saw a large increase in receipt of subsidies, both in the number of businesses and in the value of subsidies received. In the 2020 calendar year, in response to the Covid-19 pandemic, a number of business support funding schemes were made available to businesses to counter the impact of Covid-19 closures and restrictions.

Table 1: Number of businesses receiving subsidies and total value of subsidies received

Year	Total number of businesses	Businesses not in receipt of a subsidy	Businesses in receipt of a subsidy	Total amount received in subsidies from government sources and the EU
2017	54,194	52,808 (97%)	1,386 (3%)	£112m
2018	55,338	52,770 (95%)	2,568 (5%)	£107m
2019	56,300	53,335 (95%)	2,965 (5%)	£108m
2020	57,815	33,729 (58%)	24,086 (42%)	£1,204m

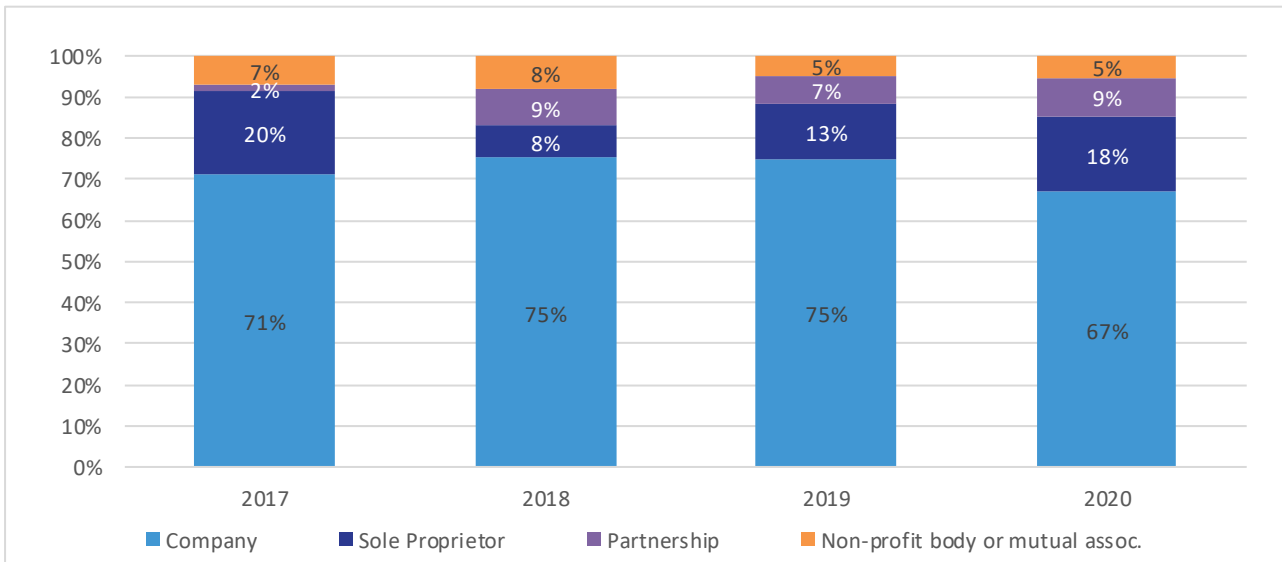
The reported value of subsidies received by businesses was similar between 2017 and 2019 at around £110m, but this increased substantially to £1.2bn in 2020 as Covid related funding became available to businesses. The meanⁱⁱⁱ subsidy value in 2020 was £73,000, while the median^{iv} value was £19,000 and the modal^v value was £10,000. These were all increases from a mean of £54,000, a median of £4,000 and a mode of £3,000 in the previous year.

The Legal Status of Businesses and Subsidies Received

As detailed previously, businesses categorised as ‘Public corporation or nationalised body’, ‘Central Government’ or ‘Local Authority’ legal statuses could report large values each year that could include both central and local government contributions to running costs, as well as subsidies received. Given it was not possible to unpick the overall value reported, and to maintain a focus on government and EU subsidies, these businesses were removed from the analyses.

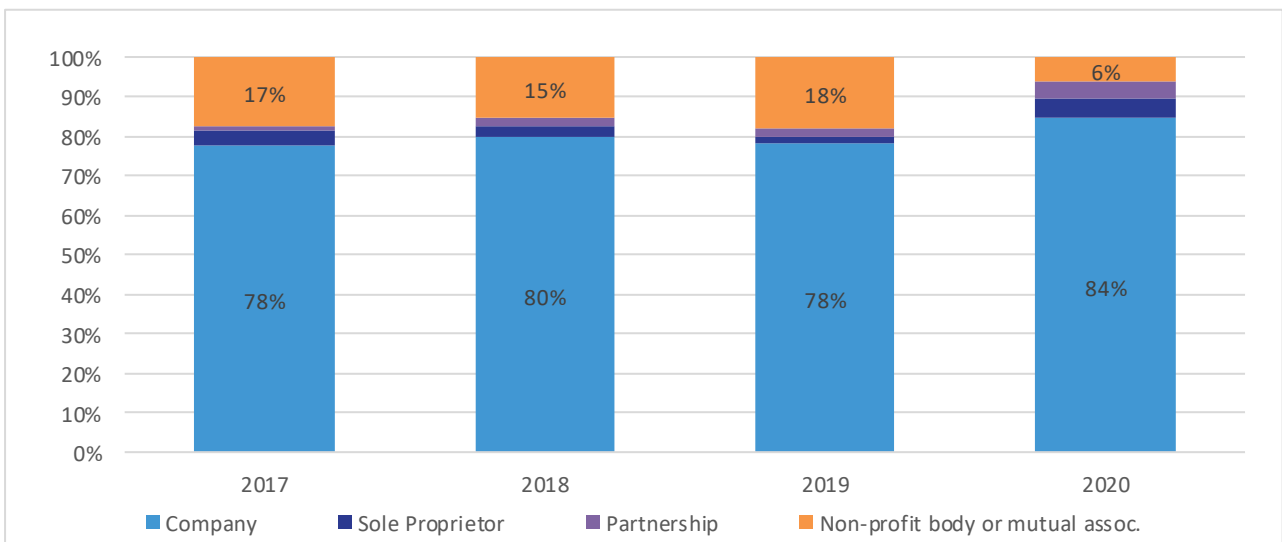
Between 2017 and 2020, the largest single group of businesses in receipt of a subsidy were businesses whose legal status was ‘Company’ with a high of 75% in 2018 and 2019 and a low of 67% in 2020 (Figure 1). Sole proprietor businesses were the second largest group of businesses reporting a subsidy, averaging 15% of businesses between 2017 and 2020.

Figure 1: Share of businesses receiving subsidies by legal status



In relation to the value of subsidy received, businesses who were a 'Company' received the highest value of subsidies with between 78% and 84% of the total reported (Figure 2). Whilst Non-profit or mutual association businesses represent a relatively small percentage of businesses reporting a subsidy, as a group, they were in receipt of between 15% and 18% of the total subsidy value reported for the pre-Covid years of 2017 to 2019, falling to a 6% share of the total value of subsidies reported in 2020.

Figure 2: Share of total subsidy value by legal status



Standard Industrial Classification (SIC) and Subsidies Received

Table 2 shows the share of total subsidies received by Standard Industrial Classification (SIC) category. Based on a 3 year average share for each SIC category, SIC Section D ‘Electricity, gas, steam and air conditioning supply’ is the category with the highest share of total subsidy value accounting for 44% of the value of subsidies received, followed by M ‘Professional, scientific and technical activities’ (11%) and C ‘Manufacturing’ (11%) and R ‘Arts, entertainment and recreation’ (9%).

Table 2: Share of subsidies received by Standard Industrial Classification (SIC) 2017 to 2019 Average and 2020

Standard Industrial Classification (SIC)	Average 2017 to 2019	2020
A Agriculture, Forestry and Fishing	0%	0%
B Mining and quarrying	0%	0%
C Manufacturing	11%	12%
D Electricity, gas, steam and air conditioning supply	44%	24%
E Water supply, sewerage, waste management and remediation	0%	1%
F Construction	1%	8%
G Wholesale and retail trade, repair of motor vehicles and motorcycles	3%	15%
H Transportation and storage	2%	4%
I Accommodation and food service activities	1%	10%
J Information and communication	5%	4%
L Real estate activities	0%	2%
M Professional, scientific and technical activities	11%	6%
N Administrative and support service activities	1%	5%
P Education	2%	1%
Q Human health and social work activities	5%	2%
R Arts, entertainment and recreation	9%	3%
S Other service activities	4%	3%
Total subsidies received (£m)	£109m	£1,204m

In 2020, the established pattern of total subsidy share across SIC sectors seen between 2017 and 2019 changed given the focus of the various support schemes deployed in response to the Covid-19 pandemic.

SIC sector D ‘Electricity, gas, steam and air conditioning supply’, was still the single sector with the highest value of subsidies received in 2020 at £294m although that sector’s share of total subsidies fell to 24% from a 2017 to 2019 average of 44%.

The SIC sectors reporting an increase in shares of total subsidies in 2020 compared to the 2017 to 2019 average included: G 'Wholesale and retail trade, repair of motor vehicles and motorcycles' rising to a 15% share in 2020 from 3% (2017 to 2019 average); I 'Accommodation and food service activities' with a 10% share of subsidies in 2020 rising from 1% in (2017 to 2019 average); and N 'Administrative and support service activities' rising to a 5% share in 2020 from a 1% share of the 2017 to 2019 average.

The jump for sector I (Accommodation and food services) from 1% of total subsidies in the 2017 to 2019 average to 10% of total subsidy value in 2020 reflects the fact that this sector was mostly categorised as non-essential in the Covid regulations, subject to closure and restrictions, and so would have qualified for many interventions such as business support grants, furlough payments and other Covid business support subsidies.

Previous research showed that the highest uptake of the Coronavirus Job Retention Scheme (CJRS) was in the I 'Accommodation and food services', R 'Arts, Entertainment and recreation', and S 'other service activities' sectors^{vi}, which translates to a broadly similar pattern to the increases in share of subsidy value seen in comparing 2020 with the 2017 to 2019 average.

The SIC sectors reporting a decrease in shares of total subsidies in 2020 compared to the 2017 to 2019 average included: M 'Professional, scientific and technical activities' with a 6% share in 2020 compared to an 11% share of the 2017 to 2019 average; Q 'Human health and social work activities' with a 2% share in 2020 compared to 5%; and R 'Arts, entertainment and recreation' with a 3% share in 2020 compared to 9% in the 2017 to 2019 average.

The share shift seen in 2020 amongst these sectors reflects the impacts of the focus of the various business support initiatives deployed during 2020.

Business Size and Subsidies Received

Averaged across the 3 years 2017 to 2019 (Figure 3), the business size group in the economy with the highest rate of receipt of subsidy was the Medium (50-249 employees) size group, with an average of 16% of businesses of this size reporting a subsidy. Micro businesses (0-4 employees) was the business size group in the economy with the lowest rate of subsidy receipt at 2%.

Figure 3: Rate of subsidy receipt (average 2017 to 2019) by business size

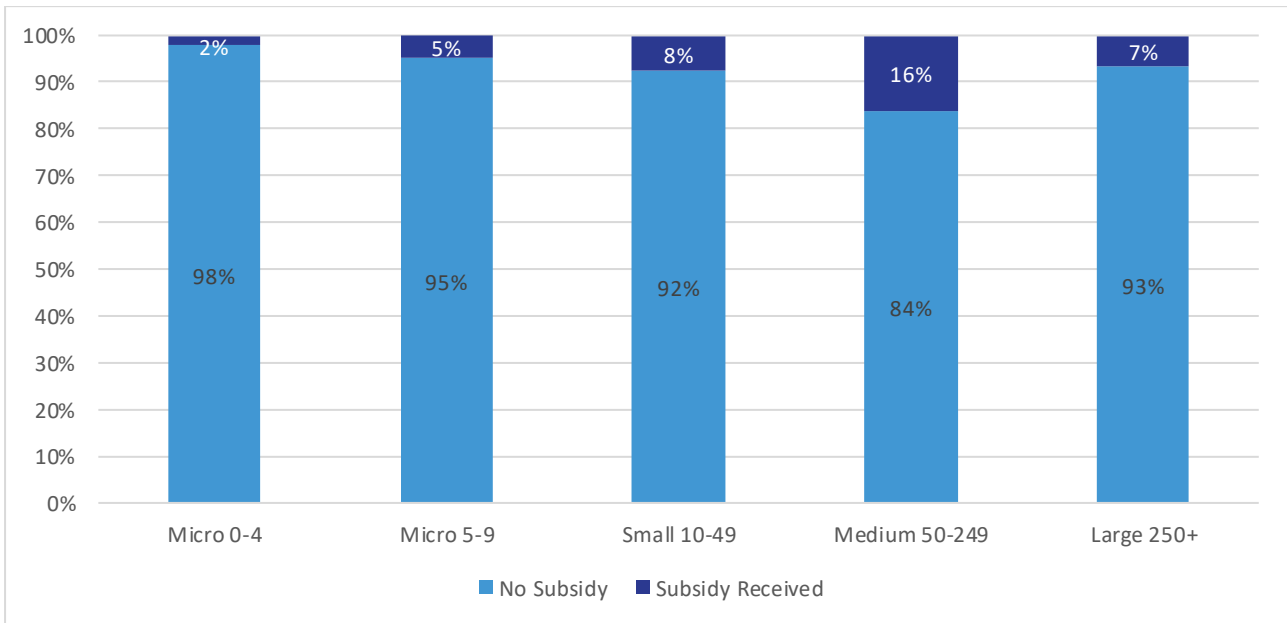


Figure 4 shows the share distribution of those businesses in receipt of a subsidy by business size group. The share distribution over time is somewhat variable particularly when compared to the respective share of business size groups in the economy as a whole (Figure 5) which shows a more consistent pattern over time.

Figure 4: Share of businesses receiving subsidies by business size

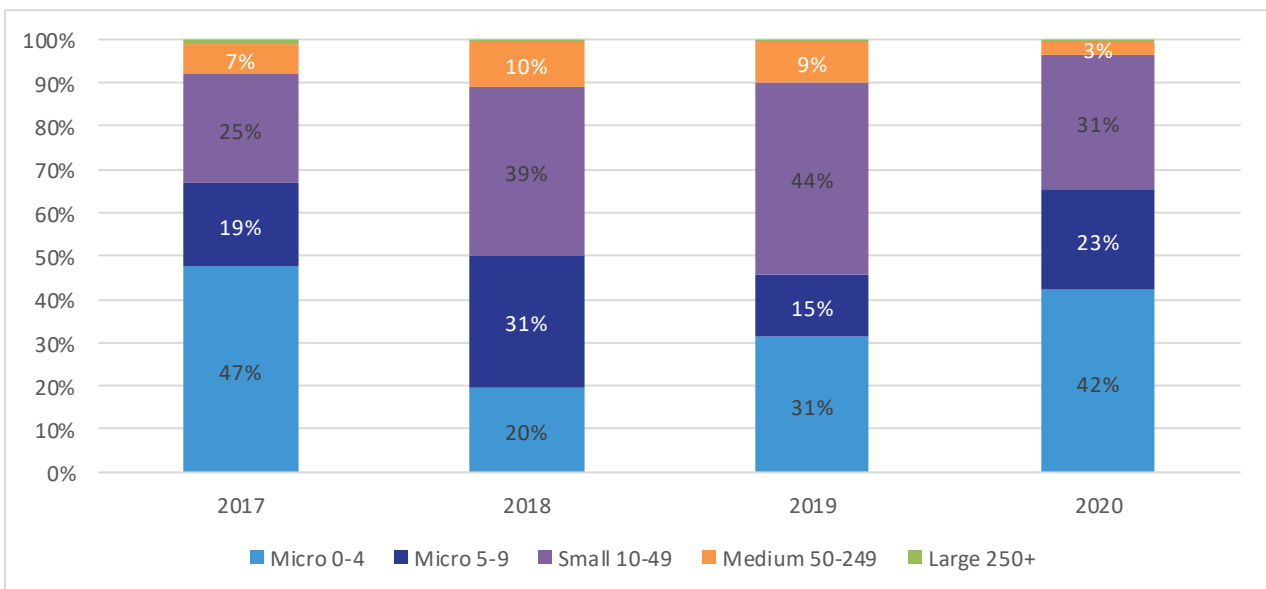
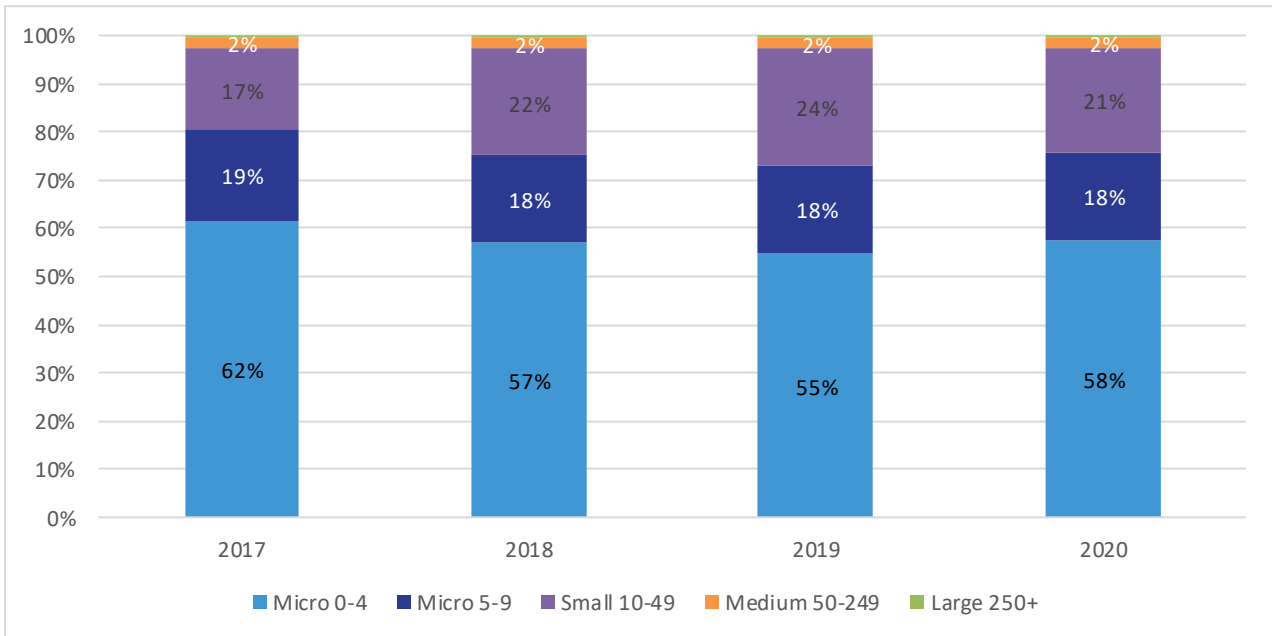


Figure 5: Share of businesses in the full population by business size



Broadly speaking, the share of businesses in receipt of subsidies by Micro (0-4 employees) businesses (Figure 4) is consistently lower than their population share (Figure 5). The share of businesses in receipt of subsidies by Micro (5-9 employees) businesses, whilst variable, tends to be around their population share. The share of businesses in receipt of subsidies by Small (10-49 employees) and Medium (50-249 employees) businesses exceeds their population shares. The share of receipt of subsidies for Large (250+ employees) businesses are equivalent to their population share at 1%.

The variability seen in the business size shares of those receiving a subsidy, is somewhat reflected in the business size share of the total value of subsidies (Table 3).

Table 3: Share of total subsidies by business size group and average 2017 to 2019

Business Size	2017	2018	2019	Average 2017 to 2019
Micro 0-4	35%	40%	31%	35%
Micro 5-9	16%	7%	4%	9%
Small 10-49	13%	16%	22%	17%
Medium 50-249	23%	32%	39%	32%
Large 250+	13%	4%	3%	7%
Total Subsidy	£112m	£107m	£108m	£109m

The share of the total value of subsidy received averaged between 2017 and 2019 shows that around two thirds of the total value of subsidies were received by Micro (0-4 employees) businesses (35%) and Medium (50-249 employees) businesses (32%).

Table 4: Share of total subsidies by business size group and average 2017 to 2019 and 2020

Business Size	Average 2017 to 2019	2020
Micro 0-4	35%	14%
Micro 5-9	9%	11%
Small 10-49	17%	32%
Medium 50-249	32%	22%
Large 250+	7%	22%
Total Subsidy Value	£109m	£1,204m

The business size groups reporting an increase in shares of total subsidies received in 2020 (Table 4) compared to the 2017 to 2019 average included Small (10-49 employees) businesses, with a 32% share of subsidy value in 2020 compared to a 17% share of the 2017 to 2019 average, and Large (250+ employees) with a 22% share of total 2020 subsidies compared to a 7% share of the 2017 to 2019 average.

The business size groups reporting a decrease in shares of total subsidies in 2020 compared to the 2017 to 2019 average included Micro (0-4 employees) businesses with a 14% share of total subsidies in 2020 compared to 35% with the 2017 to 2019 average, and Medium (50-249 employees) businesses with a 22% share in 2020 compared to a 32% share of the 2017 to 2019 average.

Sales Status and Subsidies Received

Across the whole population for the 4 years of data being considered, around one-fifth of businesses in the population were categorised as exporters^{vii} and around one quarter as external sellers^{viii}.

In relation to the number of businesses in receipt of subsidies, the shares of exporting businesses varied somewhat with a high of 63% in 2019 and a low of 28% in 2018.

Table 5: Export sales status of businesses receiving subsidies

Year	Number of businesses receiving subsidies	Of which Exporters	Of which Non Exporters	Total amount received in subsidies from government sources and the EU
2017	1,386	605 (44%)	781 (56%)	£112m
2018	2,568	554 (22%)	2,013 (78%)	£107m
2019	2,965	1,879 (63%)	1,086 (37%)	£108m
2020	24,086	6,658 (28%)	17,427 (72%)	£1,204m

For external sellers (Table 6) a similar level of variability was seen, with a high of 65% of businesses in receipt of subsidies in 2019 being external sellers and a low of 23% in 2018.

Table 6: External Sales status of businesses receiving subsidies

Year	Number of businesses receiving subsidies	Of which External Sellers	Of which Non External Sellers	Total amount received in subsidies from government sources and the EU
2017	1,386	868 (63%)	518 (37%)	£112m
2018	2,568	601 (23%)	1,967 (77%)	£107m
2019	2,965	1,925 (65%)	1,040 (35%)	£108m
2020	24,086	7,986 (33%)	16,100 (67%)	£1,204m

Looking at export status and the value of subsidy received, Table 7 shows a steady pattern of non exporters receiving the majority of subsidy value, with a high of 80% in 2018 and a low of 66% in 2019. The proportion of total subsidy received by exporters ranged from 20% (2018) to 34% (2019).

Table 7: Subsidy values and shares for Exporters and Non Exporters

Year	Total Subsidy received	Subsidy value for Exporters	Subsidy Value for non Exporters
2017	£112m	£33m (30%)	£79m (70%)
2018	£107m	£22m (20%)	£85m (80%)
2019	£108m	£36m (34%)	£71m (66%)
2020	£1,204m	£53m (29%)	£851m (71%)

For external sales status (Table 8), the proportion of total subsidy value associated with external sellers is between 46% (2018) and 58% (2019). For non external sellers, the proportion of total subsidy received ranged from 42% (2019) to 54% (2018).

Table 8: Subsidy values and shares for External Sellers and Non External Sellers (£m)

Year	Total Subsidy received	Subsidy Value for External Sellers	Subsidy Value for non External Sellers
2017	£112m	£64m (57%)	£48m (43%)
2018	£107m	£50m (46%)	£58m (54%)
2019	£108m	£62m (58%)	£46m (42%)
2020	£1,204m	£650m (54%)	£554m (46%)

Contribution of Subsidies to Total Income

To analyse the extent to which businesses are reliant on subsidies to contribute to turnover as income for the business, a total income variable was created by adding business turnover to subsidies received, but excluding any values related to Insurance Claims, Work in Progress and Change in Stock as these represent marginal values by comparison.

Table 9: Subsidies as a proportion of total income

Year	Total amount received in subsidies from government sources and the EU	Total income (turnover plus subsidies)	Subsidies received as a proportion of total income
2017	£112m	£65,118m	0.2%
2018	£107m	£67,297m	0.2%
2019	£108m	£69,732m	0.2%
2020	£1,204m	£66,969m	1.8%

Table 9 shows that in each year from 2017 to 2019, the percentage of total income comprised of subsidies was steady at 0.2%, rising to 1.8% in 2020. This increase in 2020 was driven by both a fall turnover and an increase in subsidies, both Covid-19 related.

As the values of subsidies in the years 2017 to 2019 are quite small in relation to total income, they will not be discussed further. However, the 2020 year shows a large increase in subsidies as a percentage of total business income with some differences reflected by certain business characteristics.

In relation to Standard Industrial Classification (SIC) sectors, four sectors showed notable increases in the proportion of total income accounted for by subsidies. Businesses in 'S other service activities' had the highest proportion of total income accounted for by subsidies in 2020 (12%), followed by 'D Electricity, Gas, Steam and Air conditioning Supply' at 11%, 'I Accommodation and food service activities' (7%) and 'R Arts, entertainment and recreation' at 7% of total income.

In relation to the Legal Status of businesses in 2020, Non-profit or mutual association businesses had the highest percentage of total income accounted for by subsidies at nearly 8%, whilst businesses who were Sole Proprietors had 4% of total income accounted for by subsidies.

InvestNI

Additional data made available by InvestNI in relation to non Capital Grants, shows that between 2017 and 2019, InvestNI grants, excluding capital grants and SIC sector K (Financial and insurance activities) and O (Public administration and defence; compulsory social security), accounted for between 38% and 48% of the total value of subsidies reported (Table 10). While the amount paid in grants by InvestNI in 2020 remained similar to previous years, 2020's sharp rise in 2020 subsidies received due to Covid-19 support offered to businesses meant that the value of InvestNI assistance reduced to 4% of total subsidies for that year.

Table 10: Comparison of value of subsidies in ABI to grants paid by InvestNI

Year	Total subsidies declared in the NIABI	InvestNI non capital grants
2017	£112m	£43m (38%)
2018	£107m	£50m (46%)
2019	£108m	£52m (48%)
2020	£1,204m	£49m (4%)

With the exception of 2020 and the scale of support provided to businesses in response to Covid-19, the results for the years 2017 to 2019 indicate that Invest NI non capital grants comprised a significant proportion of the total value of subsidies received by businesses.

Conclusions

In the years 2017 to 2019, the population share of businesses reporting receipt of a subsidy and the total value of subsidies received were broadly consistent. In 2020, the landscape changed due to Covid-19 and the impacts of the subsequent restrictions and regulations, with businesses both experiencing falls in turnover and becoming eligible for a range of emergency subsidies in relation to business support schemes and furlough payments.

In combining both business turnover and the value of total subsidies received to create a value for total business income, the share of total business income accounted for by subsidies was steady at 0.2% in 2017, 2018 and 2019. Relatively speaking, the share of total business income accounted for by subsidies rose dramatically in 2020 to 1.8% reflecting the out-workings of both a fall in turnover and an increase in subsidies received from Covid-19 related support schemes.

The broadly consistent pattern seen between 2017 and 2019 provides reassurance as to the quality of the underpinning data as does the picture of subsidy receipt in 2020.

Analysis of the subsidy data was limited in that businesses were required to provide a single total value for all subsidies received. It was not possible therefore to examine different types and values of subsidies received nor to examine the extent to which businesses could be recipients of multiple subsidies.

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For further information or queries please contact michelle.duffy@economy-ni.gov.uk

ⁱ For further information on the NIABI see: [Annual Business Inquiry | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](#)

ⁱⁱ Invest NI is the region's business development agency whose role is to grow the local economy by helping new and existing businesses to compete internationally, and by attracting new investment to Northern Ireland.

ⁱⁱⁱ Mean is the total value of subsidies received divided by the number of businesses in receipt of a subsidy

^{iv} Median measures the level of subsidy at which half the population are above and half the population are below.

v Mode is the value that occurs most often in the list of all subsidy values

vi [Research Bulletin 21/3 - Furlough effects in NI \(economy-ni.gov.uk\)](#)

vii An Exporter is a business that has sales outside the United Kingdom, that is sales to Ireland, the Rest of the European Union and the Rest of the World. Non Exporters only sell in the UK.

viii An External Seller is a business that has External Sales which are comprised of those sales made outside Northern Ireland, that is, sales to Great Britain, Ireland, the Rest of the European Union and the Rest of the World. A non External seller only sells within Northern Ireland.