

## The Economy

NICEI **-5.7%**

UK GDP **-7.6%**



Source: NISRA & ONS

Annualised Economic Activity

## Businesses

Index of  
Production

Index of  
Services

Output **down**

Output **down**



**-3.6%**

over the  
year



**-3.9%**

over the  
year

Source: NISRA

## Rest of World



NI Exports  
Value  
**£1.95bn**  
in Q3 2020

**-7.0%**  
exports  
to  
Republic  
of  
Ireland



Source: HMRC

Annual Change

## Households

Employment  
Rate

Unemployment  
Rate

Inactivity  
Rate

**69.4%**

**3.6%**

**28.0%**



**Down** over quarter,  
**Down** over year

**Unchanged** over quarter,  
**Up** over year

**Up** over quarter,  
**Up** over year

Source: NISRA

## Government



**+0.5%**

Total Public  
Sector Jobs

**+3.6%**

NHS  
Employment

**+0.1%**

NICS  
Employment

Source: NISRA

Annual Change

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# The Economy

COVID-19 has had a profound impact on the local economy. While Q3 2020 saw improvements, the need for further restrictions compounded earlier losses. Ongoing government support means this has not been fully reflected in employee job figures to date. Local economic commentators predict our economy will return to growth this year of around 4.5%.



## Economic Activity

The latest NI Composite Economic Index (NICEI) estimates economic activity increased substantially in Q3 2020, by 15.5% compared to the previous quarter. This was driven by increased activity in the Services, Production and Construction sectors, which had positive contributions of 10.8 percentage points (pps), 2.8pps and 2.0pps respectively. This was partially offset by a reduction in the Public sector (-0.1pps).

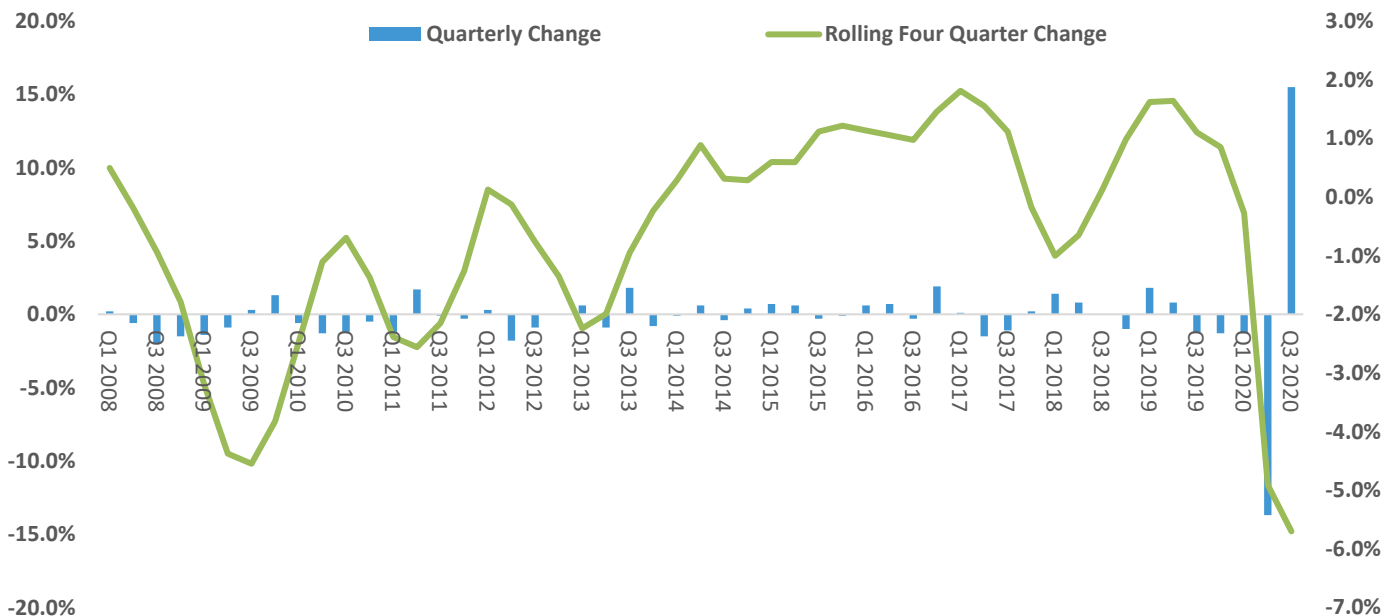
However, there was an annualised decrease of -5.7% (average of the four quarters to Q3 2020 compared with the previous four quarters). This was driven by decreases in the Service (-4.3pps), Production (-1.2pps) and Construction (-0.5pps) sectors, in contrast to the Public sector contribution increasing slightly (+0.3pps).

Although the measures are not produced on a fully equivalent basis, results from the ONS show that UK Gross Domestic Product (GDP) increased by 16.0% over the quarter and decreased by 8.6% over the year to Q3 2020.

Over the last ten years, the NICEI has reported growth in less than half (18) of the last 40 quarters and is currently 8.3% below the maximum value recorded in Q2 2007. The UK, however, reported growth in 34 of the last 40 quarters, and UK GDP is estimated to be 3.7% higher than its pre-economic downturn peak of Quarter 1 2008.

More recently, growth has been slowing and over the last 2 years, NI has experienced 'negative growth' in 5 of the last 8 quarters. Over the same period the UK experienced 2 quarters of 'negative growth'.

Figure 1 - NI Composite Economic Index



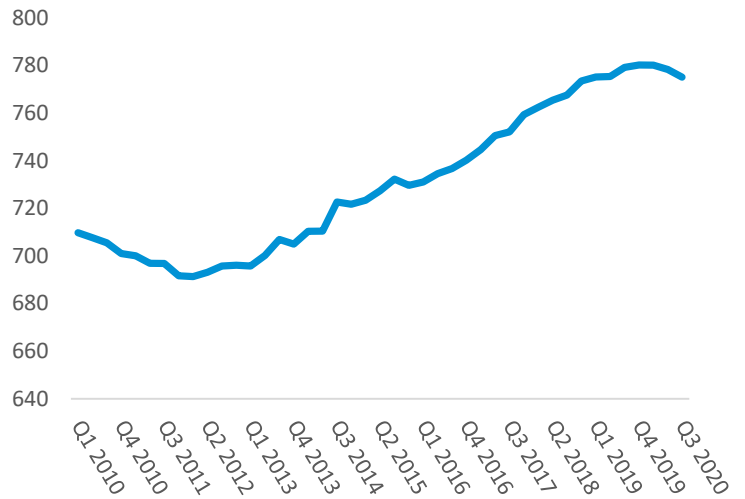
## Employee Jobs

The latest NISRA figures show the number of employee jobs in the local economy decreased over the quarter (-0.4%) and over the year (-0.5%) to 775,020 in September 2020. The UK reported a larger fall in employee jobs over the year (-1.9%).

Employee jobs decreased by 3,260 over the year to September 2020. This was driven by losses for manufacturing (-2,930 jobs or -3.3%) and services (-2,760 jobs or -0.4%). Construction was the only broad industry sector to record a rise in employee jobs over the year (+970 jobs or +2.8%).

As at 31 January there were 106,200 employments furloughed in NI. A survey by NI Chamber in January found 40% of firms stated they would make staff redundant if government support schemes such as the Job Retention Scheme were to end. Last week the Chancellor announced an extension to the Scheme until September, with employers contributing more from July.

Figure 2 - Employee Jobs (000's)



## Private Sector

Approximately 3,000 employee jobs from registered housing associations in NI were reclassified from the public sector to the private sector from Q3 2020. Even with this, private sector jobs decreased over the quarter and the year by 0.4% and 0.9% respectively. The private sector accounts for 73% of all employee jobs in NI, compared to 83% across the UK.

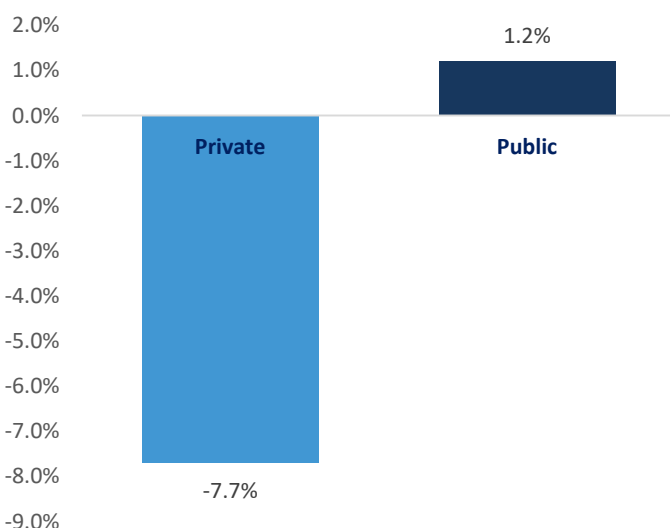
Following an easing of restrictions the private sector saw a large increase in activity over the third quarter of 2020 - economic output was up by 21.4% on the previous quarter, recovering to a similar level recorded in Q1 2020. However economic activity was down by 7.7% over the year.

The Ulster Bank PMI reported further contractions in the local private sector at the start of 2021 due to the ongoing COVID-19 restrictions. Steep falls in business activity, new orders, backlogs of work and employment were recorded with the end of the EU Exit transition period also noted as having an impact.

Table 1 - Latest NI Growth Forecasts

GVA	2021
PWC (published February 2021)	4.0%
Danske Bank (published January 2021)	4.0%
EY (published November 2020)	5.5%
<b>Average</b>	<b>4.5%</b>

Figure 3 - Economic Activity (Rolling four quarters to Q3 2020)

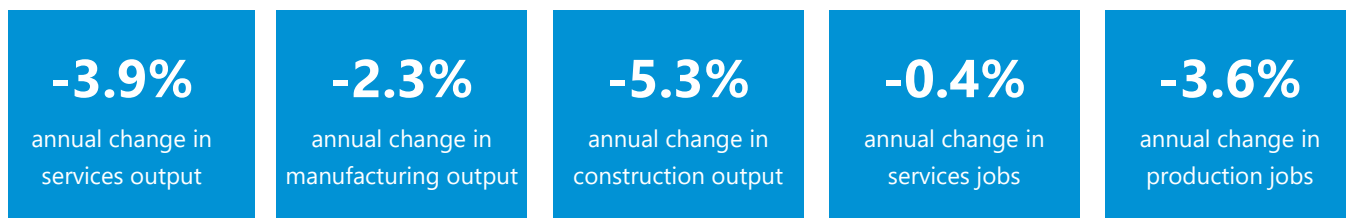


## Outlook

- **PWC** predicts that economic growth in 2021 will lag the rest of UK due to pressure from additional non-tariff barriers under the new UK-EU trading arrangement.
- **Danske Bank** expects the NI economy to experience a small expansion in 2021 as a result of the pandemic. With the easing of restrictions the economy is expected to return to positive growth from Q2 2021. It also predicts a rise in the annual average unemployment rate to 6.7%.
- **EY** noted that the NI labour market has shown remarkable resilience throughout the pandemic. In its estimates of GDP for 2021 the Republic of Ireland is predicted to have smaller growth of 3.5% compared to expansions of 5.5% in NI and 6.0% in the UK.

# Businesses

COVID-19 has significantly affected business output, however some jobs have been retained with government support. Output in Services, Production and Construction have all increased over the quarter but decreased over the year to Q3 2020. At the same time, jobs in the Services and Production sectors decreased over both the quarter and the year. Employment in Construction grew over the quarter and year.

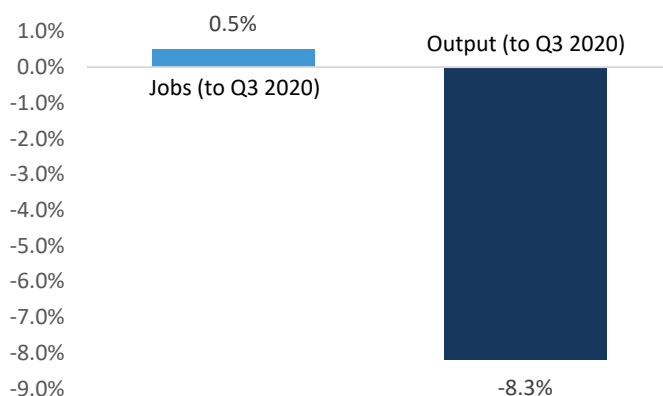


## Services

Services output increased by 22.5% over the quarter but decreased by 3.9% over the year to Q3 2020. This follows a quarterly decrease of 18.0% in Q2 2020, the lowest point since the Index of Services began. NI Services output is 7.0% lower than the peak output level recorded in Q4 2006. This quarterly increase is the largest quarterly change recorded since the Index began.

The Services sector saw a decrease of 2,680 jobs (-0.4%) over the quarter and 2,760 jobs (-0.4%) over the year to September 2020. Over the last five years, the number of employee jobs in the Services sector has increased by 30,500. It accounts for 81.2% of all employee jobs.

Figure 4 - Rolling four quarter % change in service output and jobs



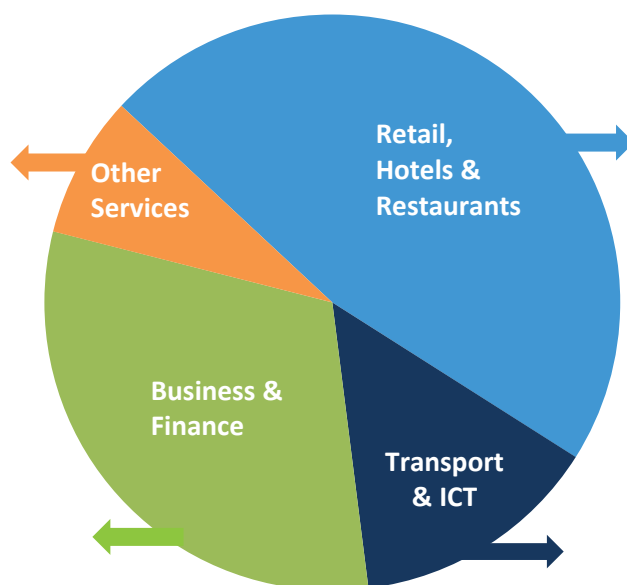
### Other Services

Output increased (50.4%) over the quarter but decreased (-18.2%) over the year. Unadjusted employment figures decreased over the year by 3.9% (-1,200 jobs), driven by households as employers of domestic personnel (-490 jobs).

### Business and Finance

Output in this sector fell by 9.0% over the year. The sector saw employment fall by 3,520 jobs with management consultancy activities and legal and accounting activities driving the decrease in jobs in the sector over the year.

Figure 5 - Relative size of private services



### Retail, Hotels & Restaurants

Output in this sector increased by 0.3% over the year. Jobs decreased by 3,700 over the year, driven by a fall in employment in wholesale trade, with some of the decline offset by a rise in jobs within food and beverage service activities.

### Transport and ICT

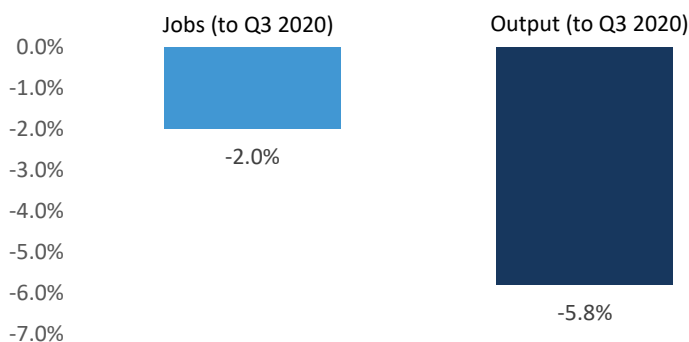
Output in this sector decreased by 6.6% over the year but employment increased by 1,210 jobs, mainly due to rises in land transport jobs, as well as increases in computer programming & IT consultancy activities and postal & courier activities.

## Production

The NI Index of Production for Q3 2020 showed an increase of 16.2% over the quarter but a decrease of 3.6% over the year. This large quarterly increase followed a large quarterly decrease of 14.1% (Q2 compared to Q1). The four main sectors all reported increases over the quarter, the largest was in the mining and quarrying (50.0%), followed by manufacturing (18.0%). In terms of employment, the sector dropped by 1.2% (-1,030 jobs) over the quarter and 3.3% (-2,930 jobs) over the year.

Over half (51.3%) of the 355 manufacturing firms surveyed by ManufacturingNI at the start of February were struggling significantly with the new processes caused by NI Protocol. However, only 23.4% thought these issues are likely to persist.

Figure 6 - Rolling four quarter change in manufacturing output and jobs

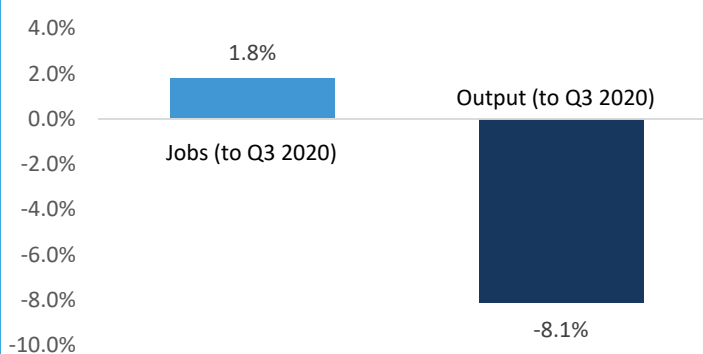


## Construction

The latest NI Construction Bulletin shows output in Q3 2020 increased by 36.0% from the series low in Q2 2020. However, this was 5.3% lower than in Q3 2019 and also decreased by 8.1% on a rolling four quarter basis. While the total volume of construction output in NI has been on an upward trend between Q4 2013 to Q3 2018, recent quarters have shown decreases in 5 of the last 6 quarters.

Even so construction was the only broad sector to report an increase in employment over the latest quarter, estimated to have increased by 1.3% (470 jobs) and over the year by 2.8% (970 jobs) to an estimated 35,760 jobs in September 2020.

Figure 7 - Rolling four quarter change in construction output and jobs



## Financial Services

The latest figures from UK Finance show lenders approved 6,741 new loans for SMEs in Northern Ireland with a total value of £575m in Q3 2020. This represented a 193% increase in the number approved and a 48% increase in the value approved compared to the same quarter in 2019. The increases over the year occurred predominantly in Q2 2020 and were the result of the various loan schemes introduced by the UK Government to support businesses impacted by COVID-19.

## Other Business Surveys

### Ulster Bank PMI – January 2021

- The latest results from the Ulster Bank PMI reported the private sector had moved deeper into contraction in January due to COVID-19 restrictions, with each of the four broad sectors contracting. Inflationary pressures continue to rise, largely due to higher transportation costs. Increased input costs have been reflected in higher output prices. Inflation in both is the highest in NI of the 12 UK regions. Despite this businesses surveyed were cautiously optimistic that output will increase over the next 12 months.

### ONS Business Impact of COVID-19 Survey

- The most recent results of the Business Impact of COVID-19 Survey show 81% of businesses in NI were continuing to trade (86% in the UK), however 39% of local firms surveyed reported a decline in turnover (45% in the UK). Of the NI businesses surveyed 41% said their financial performance had not been affected, while 7% reported an increase in turnover. Just over half (51%) of local businesses surveyed reported a high confidence they will still be operating in 3 months (57% in the UK), while 3% have little or no confidence of surviving the next 3 months (5% in the UK).

### NI Chamber Quarterly Economic Survey Q4 2020

- The latest survey found business activity slowed in NI in the last quarter of 2020, with only a marginal improvement on Q3. There are still more businesses in NI reporting worsening business conditions than those reporting and improvement. In Q4 half of businesses (49%) experienced a fall in domestic sales over the last 3 months and only 19% saw an increase. A third (32%) of businesses believed their business was prepared for the transition to EU Exit. However, only 20% believe NI will grow this year.

### InterTradeIreland Business Monitor Q4 2020

- The latest Business Monitor found 55% of NI and 47% of RoI businesses surveyed were in decline during Q4 2020. This compares to 11% and 14% respectively before the pandemic. Businesses that are cross border traders and exporters are more likely to be fully operational. Most businesses (61%) cited COVID-19 as the main source of impact on their business, but of the cross border traders 10% cited the UK's exit from EU as the main issue with 44% responding that both issues had a major impact on their business.

# Engagement with the Rest of the World

The COVID-19 pandemic significantly impacted trade and tourism around the world during 2020 and is expected to dampen global growth in 2021. The latest data shows exports fell in each of the UK nations compared to the previous year. While the third quarter of 2020 saw a resurgence in exports, the reintroduction of restrictions at the end of the year is likely to further impact exports.



## Exports

The latest HMRC Regional Trade Statistics (which cover goods only) show that NI exports rose by 18.2% to £1.95bn over the third quarter of 2020 but fell by 13.5% over the year. All other UK countries saw decreases in exports over the year: exports from Wales decreased by 20%; Scottish exports fell by 19%; and exports from England decreased by 14%.

The Republic of Ireland remains Northern Ireland's largest exporting trading partner with total exports of £3.0bn, although this is down 7% on the previous year. Over a third of NI's exports go to RoI. Compared to the same quarter last year, the markets that have seen the largest value increases were Switzerland (up £7m) and Thailand (up £5m). The markets with the largest value decreases were United States (down £42m) and Germany (down £25m).

Furthermore, the latest available data from HMRC continues to show that the majority (61%) of Northern Ireland's exports are destined for the EU. Over the year to September 2020 NI exports to the EU decreased by 10.9% to £4.9bn whilst exports to non EU countries decreased by 17.2% to £3.2bn.

Northern Ireland exports continued to be dominated by goods in the machinery and transport sector, accounting for over a third (35%) of NI exports in Q3 2020.

Over the latest 12 month rolling period to September 2020, all sectors saw a decrease. The largest value decrease in NI exports was in the machinery and transport sector (down £1.05bn) while the largest relative decrease was seen in the commodities (down 28%).

Figure 8i - RTS Goods Exports from NI

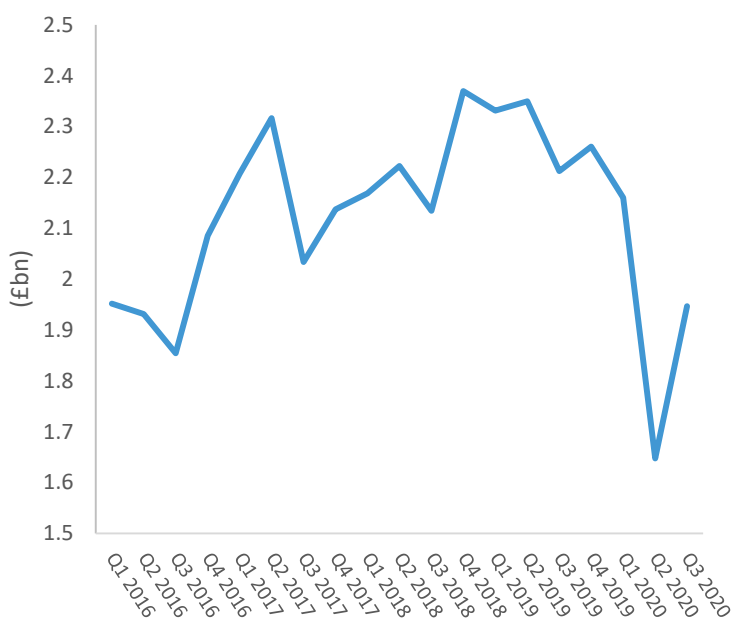
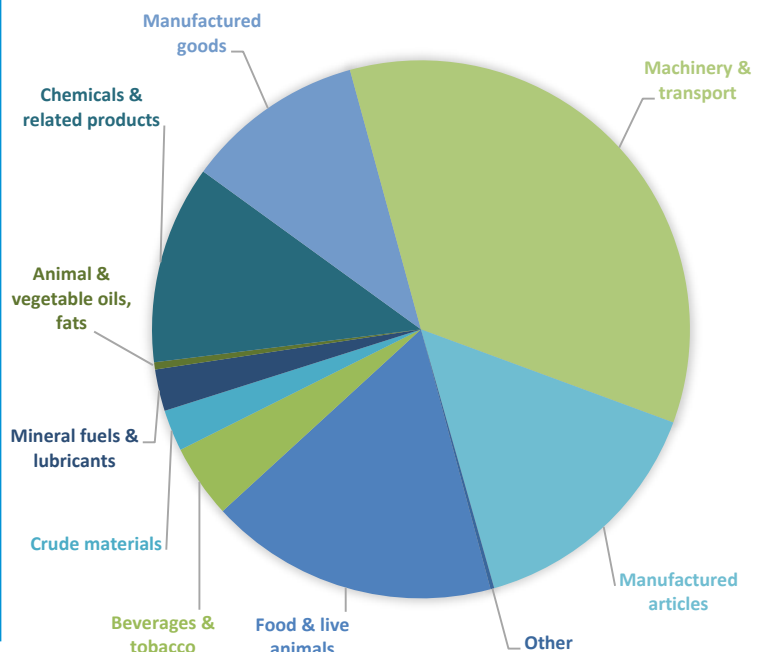


Figure 8ii – RTS Goods Exports by Sector





## Examples of Inward Investment

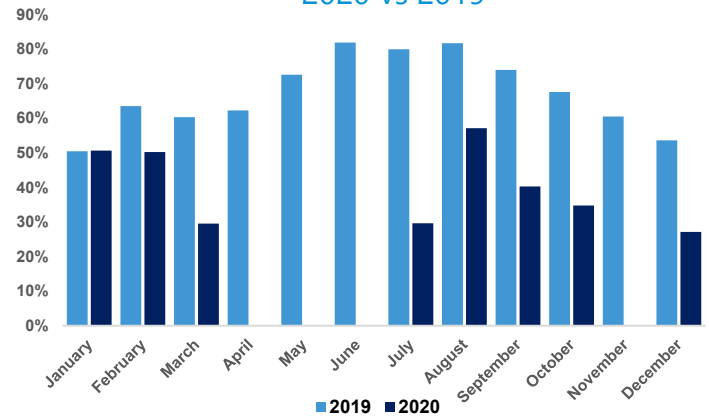
Throughout the pandemic Invest NI has continued to provide support to businesses to help them grow and stimulate further investment in the economy. During 2020 and the start of 2021 Invest NI has had success in attracting foreign investment, for example:

- Sensée Holding Ltd. supplies home based contact centre agents (HomeAgents) to contact centres on an outsourced basis, either as an overflow resource to handle peaks in demand or as a complete service. The employee mix is very different than a standard contact centre, with the average age being 41 years old; 18% of their staff being registered disabled; 8% are carers to people with need; and 30% live in rural areas.
- PEAK6 is a private investment and technology firm which began by applying technology to make the US listed stock options market operate more efficiently and to realise financial returns in the process. Support was approved toward a Technology Centre of Excellence to lead innovation, improve performance and drive technological transformation.
- Gateley provides legal services to over 5,000 clients across Banking & Financial Services, Corporate, Business Services, Employment & Pensions and Property.
- EverQuote Inc. operates an online insurance marketplace in auto, home and life policies, but has recently diversified into the health, renters and commercial policies. Their platform matches consumers with policies from the company's 8,000 insurance carriers/agencies, including 19 of the top 20 auto insurance companies across the US.
- Cygilant is primarily a Cyber Security as a Service provider with its headquarters in Boston. This project is for a Security Operations Centre in Belfast to support US operations.

Table 2 – Selected Inward Investments

March 20 – Jan 21	Assistance	Investment	Jobs
Sensée Holding Limited	£900k	£11.5m	300
Peak6 NI Limited	£1m	£17.2m	160
Gateley (Holdings) PLC	£438k	£5.0m	73
EverQuote, Inc.	£420k	£7.4m	70
Cygilant, Inc.	£455k	£5.5m	65

Figure 9 – Accommodation Occupancy 2020 vs 2019



## Tourism

The Tourism Sector has been severely impacted throughout the pandemic. The various restrictions resulted in hotels and B&Bs having to close to the majority of customers for most of the last year. When restrictions were lifted in NI on 3 July 2020, 24% of accommodation providers did not reopen, 20% of these said it was due to there not being enough interest from customers. A further 17% stated they could not put social distancing measures in place and so remained closed.

Table 3 – Key Market Growth Forecasts (World Bank)

GDP	2021	2022
World	4.0%	3.8%
Euro Area	3.6%	4.0%
US	3.5%	3.3%
China	7.9%	5.2%

## Key Markets Outlook

The January Global Economic Prospects by the World Bank predicted a subdued recovery with global economic output only expected to expand by 4% in 2021, more than 5% below its pre-pandemic trend.

The relative strength in manufacturing, alongside persistent weakness in services, reflects the unusual nature of this recession, as consumption patterns shift towards goods and away from services requiring face-to-face interactions.

The fall in global investment is pronounced. Debt levels have reached historic highs, making the global economy particularly vulnerable to financial market stress. The pandemic is likely to steepen the expected slowdown in potential growth over the next decade, leaving long-lasting adverse effects on global economic activity and per capita incomes. So while global economic activity is growing again, it is not likely to return to business as usual for the foreseeable future.

# Households

NI Households continue to face strain in the midst of the ongoing pandemic, although house prices have increased, likely assisted by the Stamp Duty holiday. While unemployment remains relatively low and employment remains relatively high, even with the furlough scheme there was a substantial spike in the claimant count, which peaked in May 2020 before falling relatively slowly since.

**+27,100**

annual change in claimant count

**+1.2pps**

annual change in unemployment rate

**+6.9%**

annual change in real median monthly pay

**+5.3%**

annual change in house prices

**0.7%**

annual UK CPI inflation rate

## Unemployment

The latest Labour Force Survey estimates the unemployment rate (16+) for the period October-December 2020 at 3.6% for Northern Ireland. While this is above pre-COVID levels, it is significantly lower than the last peak unemployment rate for November 2012-January 2013 (8.3%). The latest unemployment rate is also below the UK (5.1%), Republic of Ireland (5.8%) and EU 27 (7.5%) rates and has remained below the UK rate since mid-2017.

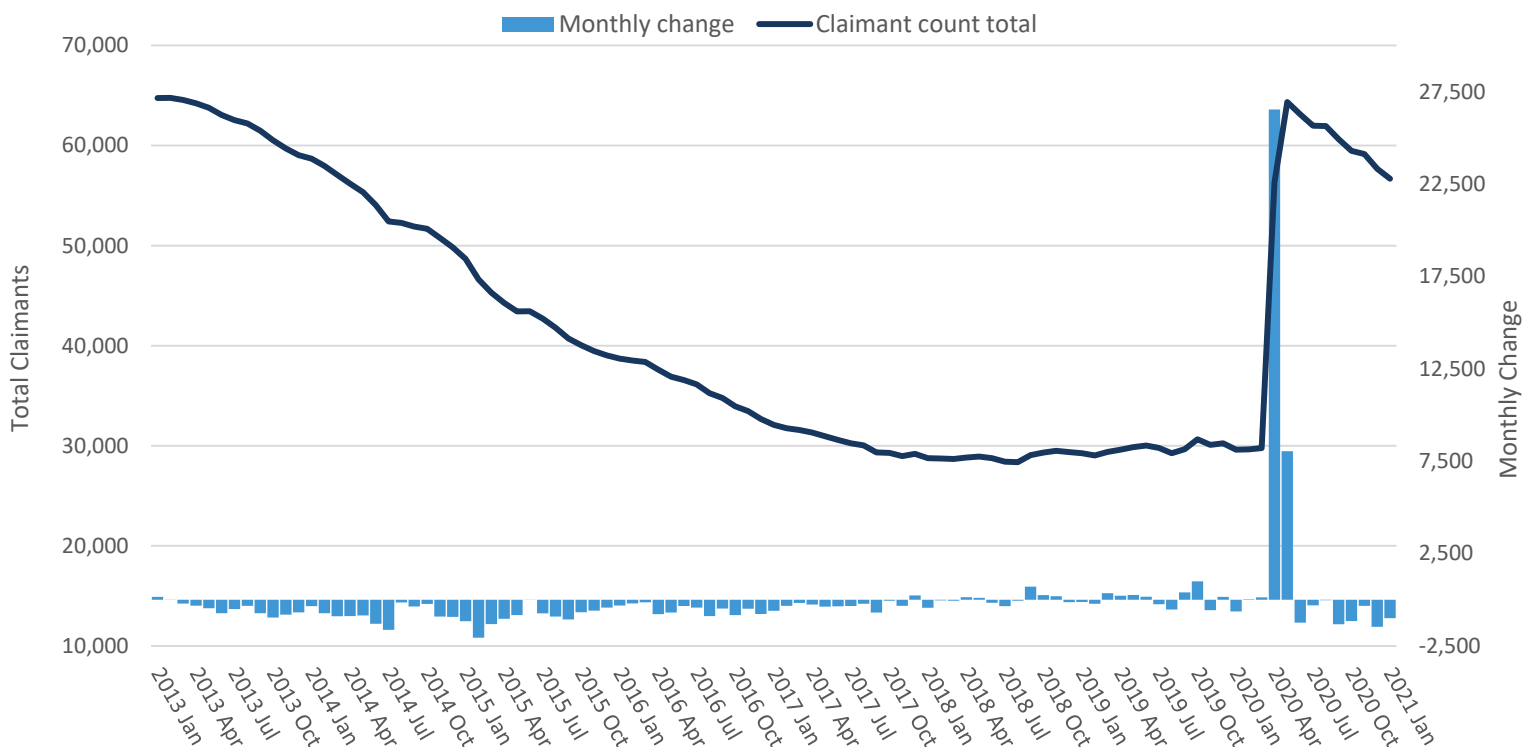
The effects of the pandemic on employment have been tempered by the Coronavirus Job Retention Scheme. At the start of July the scheme was adjusted to give businesses the opportunity to bring furloughed employees back to work part time. While this has helped to increase average weekly hours worked to 30.0 hours in October-December 2020 (up from the series low of 27.0 hours for April-June 2020) it remains below the comparable figure for 2019 (34.3 hrs).

The number of people claiming unemployment benefits decreased by 1.7% over the month to 56,700 (6.1% of the workforce) for January 2021. This is almost 7,600 lower than the peak in May 2020. However, over the year the claimant count increased by an estimated 27,100 persons, almost doubling. Over the year the claimant count increased most for 16-24 year olds (rising by 102%), closely followed by 25-49 year olds (up by 94%). While those aged 50 and over rose by relatively less, it was also a significant increase of 67%.

As at January 2021, the claimant count was made up of 36,300 males, significantly higher than the amount of females at 20,400. This represents around 7.4% and 4.7% of the male and female workforce respectively. The number of male and female claimants almost doubled increasing by 96% and 83% respectively over the year.

The economic inactivity rate remains high in Northern Ireland, rising over the quarter and year to 28.0%, this is significantly above the UK rate of 20.9%.

Figure 10 - Unemployment Benefit Claimants



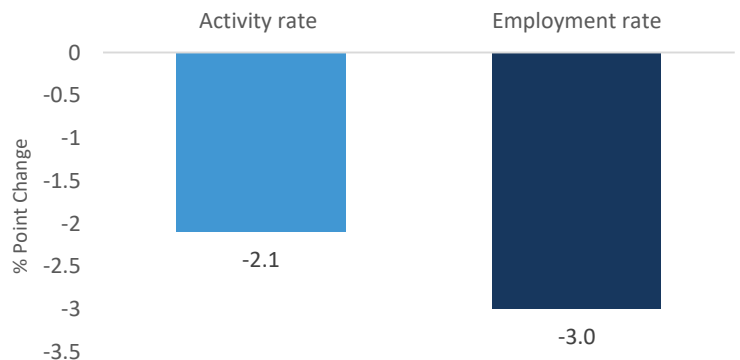


## Employment

The number of people in employment (16+) in the period October-December 2020 was estimated at 841,000, a decrease of 35,000 over the year. The overall employment rate is estimated at 69.4%, decreasing by 1.1pps over the quarter and by 3.0pps over the year. The male employment rate decreased by 2.8pps over the year to 73.2% while the female employment rate decreased by 3.2pps to 65.6%.

At 69.4% the employment rate in Northern Ireland is significantly above rates in late 2017. However it is below the UK average (75.0%) and the lowest of the 12 UK regions.

Figure 11 - Participation rates (annual percentage point change)

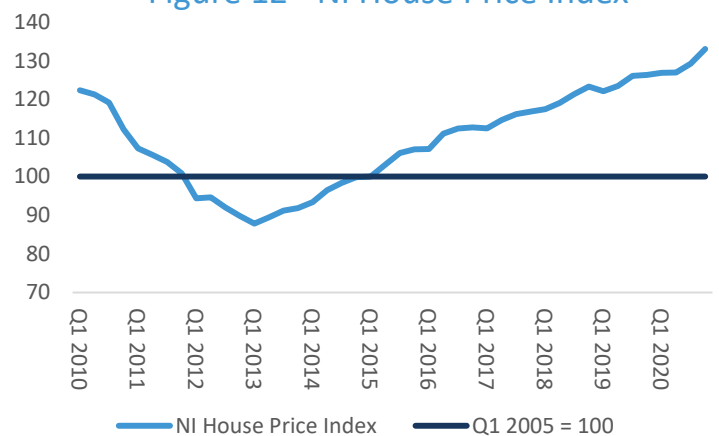


## Housing Market

According to NISRA's latest House Price Index, local house prices rose by 3.0% in Q4 2020 and by 5.3% over the year. The average house price is now £147,593, almost £7,500 more than in the last quarter of 2019. Average house prices rose by 8.5% for the UK as a whole over the year to December 2020.

The pandemic essentially paused the housing market between 23 March and 15 June 2020. The number of sales for Q2 2020 was around a third of the usual volume. The Stamp Duty Holiday, which came into effect on 8 July 2020, has aided sales in the second half of 2020 and last week was extended to the end of June for properties up to £500,000 and to end of September for properties up to £250,000.

Figure 12 - NI House Price Index



## Consumer Spending & Pay

Recent signals across some household indicators display the ongoing impact of the pandemic, as illustrated below:

### HMRC PAYE Real Time Information

- Median monthly pay for NI employees in December 2020 was £1,789, increasing by 0.7% over the month and 6.9% higher than the same period last year.
- NI has the lowest median monthly pay of the 12 UK regions (UK average is £1,931). Between March and December earnings in NI increased by 2.1%, while all other regions saw an increase of at least 4% (4.6% whole UK).

### Consumer Confidence

- The Danske Bank Consumer Confidence Index rose to 124 in Q4 2020, up from 119 in Q3 2020, but significantly below the Q4 2019 reading of 129.
- The COVID-19 pandemic continues to be the key driver of consumer sentiment, however positivity around vaccines (44%) has been the largest positive factor in the increase in consumer confidence over the quarter.
- Rises were recorded over the quarter in all parts of the Index, except current and expected finances, as well as spend on high value items.
- Over the quarter, consumers were more pessimistic about their job security and saving expectations.

## Prices

Consumers have faced rising prices over the year. Inflation as measured by the Consumer Price Index (CPI) rose 0.7% in the year to January, up from 0.6% to December 2020. The CPIH (which includes owner occupiers' housing costs) rose 0.9% in the year to January 2021, up from 0.8% to December 2020.

The largest contribution to the 12 month inflation rate came from recreation and culture (0.35pps). After this, furniture and household goods, restaurants and hotels, food and transport had the largest upward contributions to the 12 month rate, while falling clothing and footwear prices had a downward effect.

Figure 13 - CPI Annual inflation rate (%)



# Government

Although the number of jobs within the local public sector has been following a downward trend over the past number of years, there was a small rise in public sector employment last year driven by the need to respond to the pandemic. However the rise is at a lower rate compared to the UK. There was a small increase in the number of jobs in the Northern Ireland Civil Service over the year.



## Jobs

Since September 2009 the number of jobs within the local public sector has generally been trending downwards, with the sector now 7.2% smaller and with around 16,500 fewer jobs in September 2020. In contrast, the private sector has grown by over 17%, with an additional 84,490 jobs - most of this increase has come from the services sector.

Public sector jobs in Northern Ireland as a proportion of the local population was 11%, which compares to 8% in the UK.

Partially due to a reclassification of approximately 3,000 Registered Housing Association employee jobs from the public to the private sector, public sector jobs decreased by 0.4% over the quarter but increased by 0.5% over the year. UK public sector jobs rose over the quarter (0.1%) and over the year (2.6%).

Local jobs in NI Central Government and employment in local NHS Trusts rose by 2.7% and 3.6% respectively whereas local jobs in Local Government and UK Central Government fell by 2.1% and 0.6% respectively over the year.

Table 4 – NI Selected Public Sector Jobs Breakdown

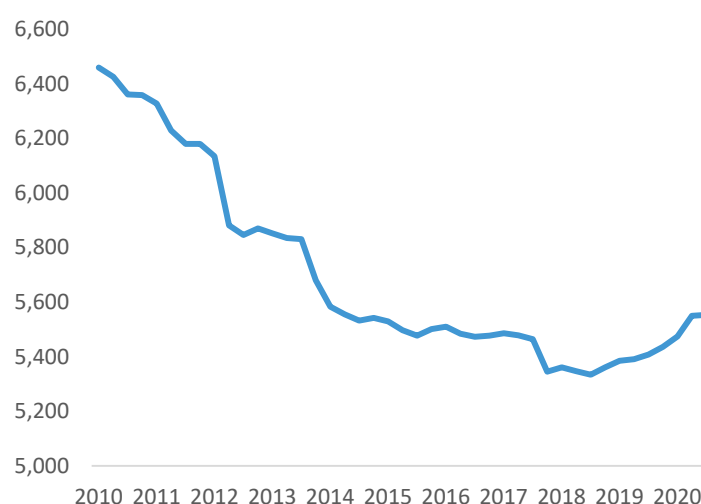
	Jobs		Annual Change	
	Sept 20	No.	%	
Total Public Sector Jobs	209,455	1,030	0.5%	
NI Central Government*	112,712	2,910	2.7%	
Northern Ireland Civil Service (NICS)**	22,975	22	0.1%	
UK Central Government	3,700	-21	-0.6%	
Local Government	11,746	-249	-2.1%	
NHS Trusts	76,028	2,636	3.6%	

\*totals include NICS, Health and Education etc. \*\* 1 Oct 2020

Figure 14 - NI Public Sector Jobs (000's)



Figure 15 - UK Public Sector Jobs (000's)



# FOCUS: Impact of COVID-19 on Young People

This section briefly examines the potentially long lasting, negative economic impacts of the pandemic on young people. The latest data from the Labour Force Survey and other sources are utilised to illustrate the current local position. This focus piece also draws on research around youth unemployment which forecast the potential long term impacts.

## COVID-19 & Young People

While healthy young people are much less likely to lose their lives from COVID-19, it is evident that they have been relatively more impacted by the measures introduced to slow its spread and save lives. These impacts range from missing face-to-face school/college/university education through to a higher likelihood of younger people being placed on furlough or made redundant than the rest of the working population. The number of 16-24 year olds in NI on the claimant count has soared, from 5,940 in March, peaking at 14,395 in July 2020 and still almost double the March figure in January 2021 (11,620). Figures 16, 17 and 18 show that the employment status of 16-24 year olds has been more negatively affected than any other working age group.

A report by the Institute for Employment Studies (IES) found sharp falls in the numbers of young people able to combine work and study. This may have financial consequences for those on low incomes and not eligible for other forms of financial support. It also means fewer young people gaining early work experience and workplace skills.

## IFS Research of the first UK Lockdown

Research by the Institute for Fiscal Studies (IFS) into the first UK national lockdown from March 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.

## The Lasting Impact of Youth Unemployment

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%. However, unemployment after that age has no long term effect.

Research by the Resolution Foundation in May 2020 stated that the employment rate of today's graduates is projected to be 13% lower 3 years down the line than it would have been in the absence of the pandemic. Employment rates for mid- and low-skilled workers were projected to fall even further. The study estimated the likelihood of wage-scarring for those who do manage to find work, estimating a 7% reduction in hourly pay 2 years after leaving education.

Furthermore, the IFS recently estimated the cost of lost in-person schooling to be between £90 billion and £350 billion. They found evidence already suggesting lower educational progress and skills, particularly for disadvantaged pupils.

The International Labour Organization (ILO) states this crisis has exacerbated young people's disconnection from the labour market, highlighting the all too real risk of a lost generation.

The World Economic Forum encourages those in power to steward a global effort to open pathways for youth to acquire the necessary tools, skills and rights for a more sustainable post-pandemic world.

Figure 16 - Unemployment Rate by Age

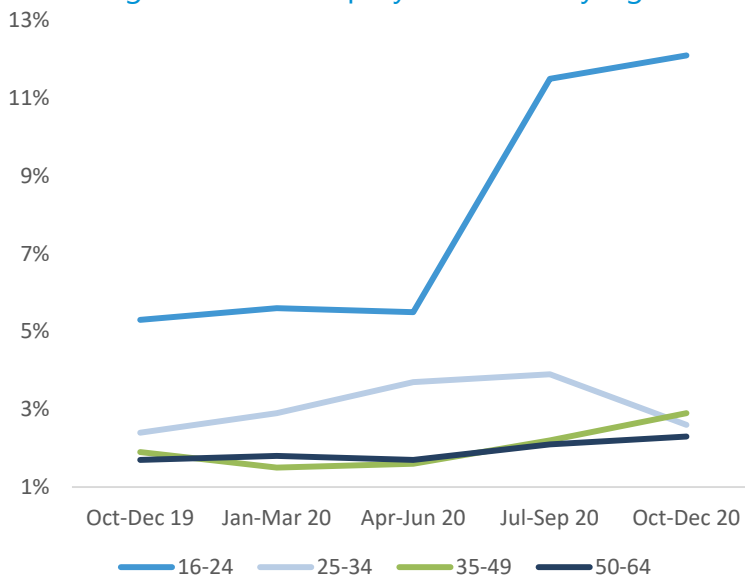
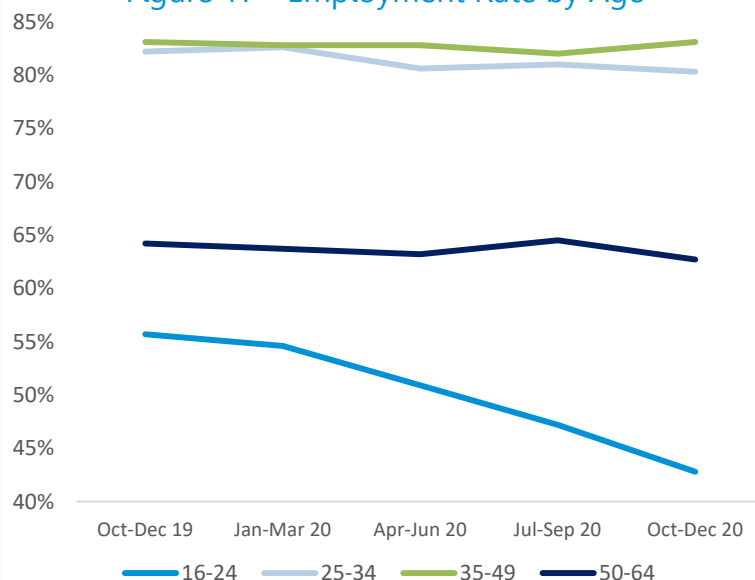


Figure 17 - Employment Rate by Age



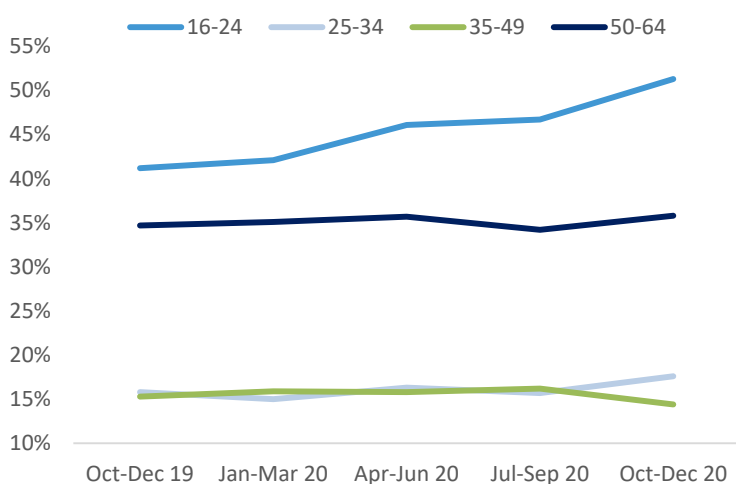
## Impact in the UK

A study on the impact of the pandemic on the youth labour market published by IES in February found young people have been particularly hit by the general slowdown in hiring since last year – with employment falling most for young people at ‘transition’ points in their late teens and early twenties, while remaining broadly stable for those closer to their mid-twenties.

Young people are significantly over-represented in the jobs most disrupted by this crisis, and the employment impacts for young people would likely have been far worse without the Coronavirus Job Retention Scheme.

The report also found that while employment has fallen significantly for young people, participation in education has increased – meaning that the overall number of young people outside education or work is broadly unchanged overall. There is also evidence to suggest that many young people will benefit from the recovery, when it comes, as restrictions are eased and as those sectors that employ large numbers of young workers start to reopen more fully.

Figure 18 - Economic Inactivity By Age



A report by UUEPC in 2020 advised an important factor to mitigate against youth unemployment will be from education providers offering attractive flexible options for young people to delay their entry into the labour market and remain in full time study.

Northern Ireland has persistently had the highest rate of economic inactivity of the 12 UK regions. Figure 18 shows that during 2020 the inactivity rate rose most notably for people aged 16-24.

The latest data for NEETs also show a second quarterly increase for October-December 2020, 13.9% of 16-24 year olds are NEET which is 0.7pps higher than in July-September 2020. This is significantly higher than the same rate for October-December 2019 (10.4%). The NI rate is also higher locally than the UK rate (11.3%), although lower than the Welsh rate (15.0%).

## Northern Ireland Plans

When announcing the £500 Covid Disruption Payment on 4 February 2021, the Economy Minister stated “I am acutely aware that students in local higher education institutions have experienced significant disruption since the onset of the pandemic and that this continues to have an impact.”

The NI Executive is also planning to provide additional support for young people. In the Draft Budget for 2021-22 the Department for Economy is seeking to support economic recovery by continuing:

- to deliver Apprenticeship programmes supporting youth employment and improving the NI skills base, by expanding provision, widening access and improving the economic relevance through working with employers to develop pathways, qualifications and curriculum; and
- to deliver and introduce reformed vocational education programmes, Youth Training and Youth Inclusion programmes providing access to vocational education training and employability skills aimed at reducing those not in employment, education or training (NEETs).

Figure 19 - Number of Apprentice starts for first quarter of Academic Year



A policy brief by the ILO found that following the global financial crisis of 2008, when youth unemployment rose significantly, countries with higher shares of apprentices recorded lower youth unemployment.

However, the pandemic has had a negative impact on the number of apprenticeships provided via ApprenticeshipsNI, with around a 30% reduction in Apprenticeships starting in the first quarter of this academic year compared to last year. In October 2020 91% of ApprenticeshipsNI participants were aged under 25. This rolling programme has new entrants throughout the year. The Apprenticeship Recovery Package (announced in September 2020) was introduced to support apprenticeships by encouraging employers to recruit and retain apprentices.

## Conclusion

The COVID-19 pandemic has brought about many challenges for everyone. Governments and businesses have sought to respond in ways to minimise the impacts, even though there are various conflicting impacts which have to be balanced. However, the evidence shows it is vitally important work continues towards keeping young people connected into the labour market.

# FOCUS: Eat Out to Help Out in NI

This section briefly examines the geographical breakdown of the Eat Out to Help Out Scheme statistics published in February 2021. This scheme sought to support the hospitality sector during August 2020 by providing discounted eat-in meals.

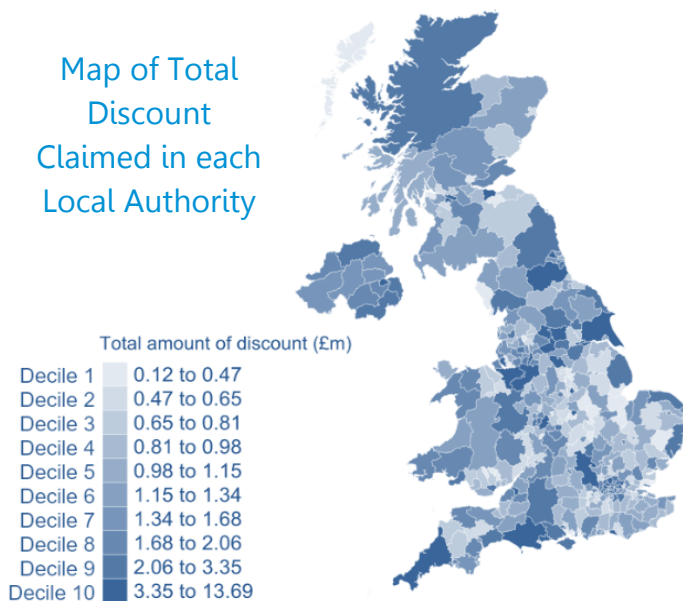
## The Eat Out to Help Out Scheme

The Eat Out to Help Out (EOHO) Scheme, enabled restaurants, cafes, pubs and other eligible establishments to offer a discount to their customers and obtain a reimbursement from HMRC. The scheme offered a 50% discount on the purchase of food and non-alcoholic drinks bought to eat in, up to a maximum of £10 per person. The discount was available all day every Monday, Tuesday and Wednesday between 3 and 31 August (13 days). The data in this ONS publication is only for businesses with less than 25 outlets, which covers 99% of claims from business and 73% of the total discount claimed.

## Total Amount of EOHO Claimed

A total of £25.9 million was claimed by outlets in NI under the EOHO scheme. This is greater than the total claimed in Wales (£25.0m), but less than Scotland (£42.9m) and England (£517.1m). However, if we take population into account (using the ONS mid-2019 population estimates) the total claims per head equates to £13.69 for NI, which is much higher than England (£9.19), Scotland (£7.86) or Wales (£7.92).

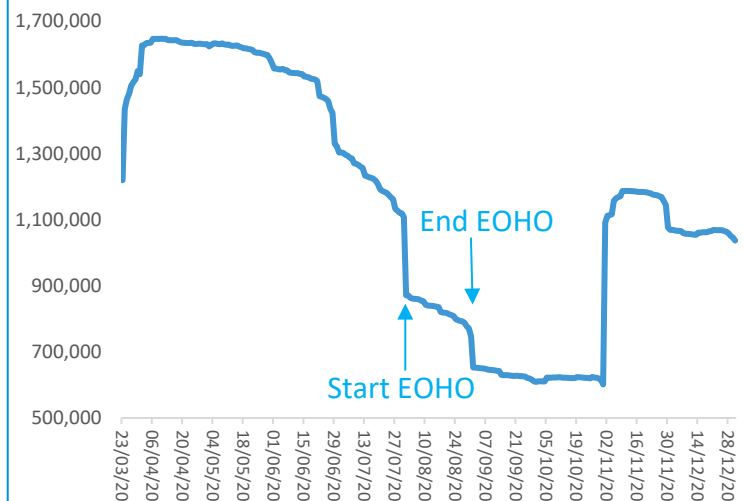
Map of Total Discount Claimed in each Local Authority



## Staff on Furlough

Data on the Jobs Retention Scheme by sector and region is not available for the summer of 2020. However, at a UK level the number of people on furlough in the Accommodation and Food Service sector dropped at the start of EOHO. This trend continued to fall until a sharp rise again at the start of November, due to the re-introduction of restrictions. It is likely that these impacts will have been similar for NI staff in this sector.

Figure 20 – UK Number of Furloughed Jobs in Accommodation and Food Services Sector



## Amount Claimed per Outlet

There were 1,810 outlets in NI who claimed under the EOHO scheme. They claimed an average of £14,300 each. This was significantly higher than for any of the other 12 UK regions. The average amount claimed per outlet in England was £10,200, in Scotland £9,000 and in Wales £9,200.

This means eligible businesses in Northern Ireland benefited on average at a higher rate than their GB counterparts. This is due to a higher uptake by the NI public, with almost two and a half meals (2.4) claimed per person in NI during the 13 days the scheme was available.

## Short Term Boost

The EOHO Scheme provided a welcome boost to the hospitality sector during the summer of 2020. However, this was short lived given the need to reintroduce stricter restrictions in autumn. The latest Danske Bank Quarterly Sectoral Analysis found that the most severely impacted sector in 2020 was the Accommodation and Food Service Sector with an estimated decline of 39.4%.

Given the ongoing need for restrictions and their impact on this sector, the Chancellor has not ruled out the idea of another scheme to provide a short term boost for the hospitality sector. However, it was not mentioned in last week's Budget.

# Notes and Sources

## Notes:

Statistical publications often refer to an annual change when referring to the latest reference period compared with the same period one year earlier. However, results for individual quarters are often highly volatile, and looking at changes just within this specific reference period across years can give a misleading picture as to what trend performance actually is. We generally prefer to look at the latest four quarters compared with the previous four quarters for many variables to give a better overview of actual trend performance, which is particularly relevant when looking at output/activity as this is what annual GDP/GVA relates to. For ease of reference we have used the term 'annual change' to represent a four quarter change for some indicators. However, for indicators such as job numbers, annual change continues to refer to the latest quarter compared to the same quarter one year earlier. Our references to annual change may therefore differ from those in published statistics relating to:

- Economic activity
- Production output
- Services output
- Construction output
- Exports of goods
- Tourism statistics

## Sources:

Sources	
<b>The Economy</b>	Northern Ireland Composite Economic Index (NISRA); Gross Domestic Product (ONS); Quarterly Employment Survey (NISRA); Impact of Coronavirus Survey (NI Chamber of Commerce and Industry); Purchasing Managers Index (Ulster Bank); UK Economic Update (PwC); Quarterly Sectoral Forecasts (Danske Bank); Economic Eye Ireland (EY).
<b>Businesses</b>	Index of Services (NISRA); Index of Production (NISRA); NI Manufacturers and The First Month of the Protocol (ManufacturingNI); NI Construction Bulletin (NISRA); Quarterly Employment Survey (NISRA); UK Finance; Purchasing Managers Index (Ulster Bank); Business Impact of COVID-19 Survey (ONS); Quarterly Economic Survey (NI Chamber of Commerce and Industry); Business Monitor (InterTradelreland).
<b>Engagement with the Rest of the World</b>	Regional Trade Statistics (HMRC); Inward Investment (Invest NI); Tourism Statistics (NISRA); Global Economic Prospects (World Bank).
<b>Households</b>	Labour Force Survey (NISRA); Claimant Count (NISRA); Quarterly Employment Survey (NISRA); NI House Price Index (NISRA); UK House Price Index (ONS); PAYE Real Time Information (HMRC); Consumer Confidence Index (Danske Bank); Consumer Prices Index (ONS).
<b>Government</b>	Quarterly Employment Survey (NISRA); UK Public Sector Employment (ONS).
<b>Focus: Impact of Pandemic on our Youth</b>	Labour Force Survey (NISRA); Claimant Count (NISRA); An Unequal Crisis: The Impact of the Pandemic on the Youth Labour Market (IES); COVID-19 and the Career Prospects of Young People (IFS); Youth and COVID-19: Response, Recovery and Resilience (OECD); The Wounds That Do Not Heal - The Life-time Scar of Youth Unemployment (Centre for Economic Policy Research); Class of 2020 (Resolution Foundation); The Crisis in Lost Learning Calls for a Massive National Policy Response (IFS); COVID-19 and the world of work. Seventh edition (ILO); The Global Risks Report 2021 (World Economic Forum); NI Draft Budget (DoF); Labour Market Implications of COVID-19 (UUEPC); Quality Apprenticeships - Addressing skills mismatch and youth unemployment (ILO); ApprenticeshipsNI Statistics (DoE).
<b>Focus: Eat Out to Help Out in NI</b>	Eat Out to Help Out Statistics – Geographical Breakdown Commentary (ONS); Coronavirus Job Retention Scheme statistics (ONS); Quarterly Sectoral Forecasts (Danske Bank).

## Contact:

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