

# Economic Activity in Northern Ireland

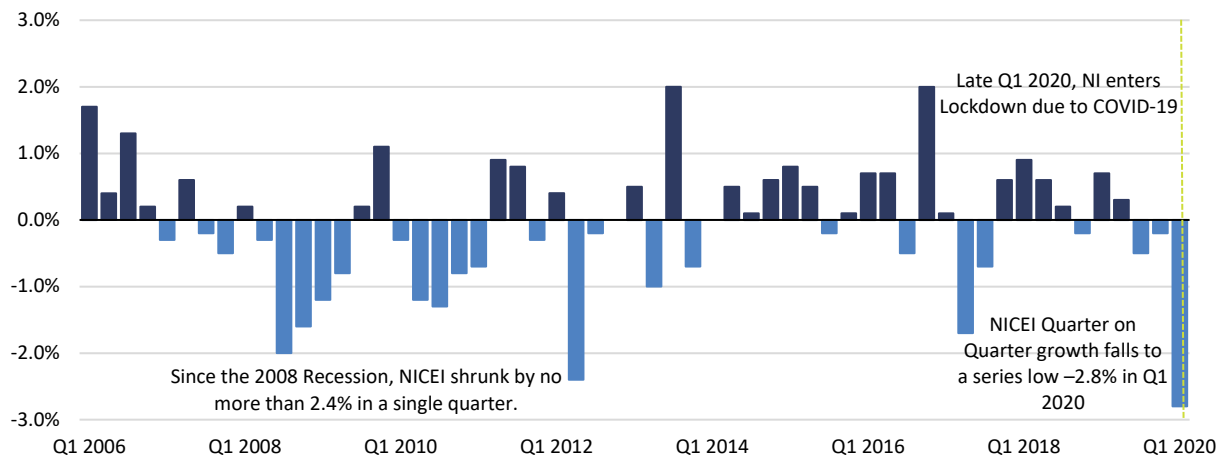
## by quarterly NI Composite Economic Index (NICEI)

Quarter 1 (January – March) 2020

Experimental statistics

**Economic activity decreased in real terms over the Quarter to Quarter 1 2020. Quarterly growth has been negative in 4 of the last 10 quarters.**

Chart 1: Northern Ireland Composite Economic Index (NICEI), Quarter on quarter change (%), Q1 2006 – Q1 2020



<p><b>Quarterly growth</b></p> <p><b>-2.8%</b></p> <p>Q1 2020 compared with Q4 2019</p>	<p><b>Annual growth</b></p> <p><b>-3.2%</b></p> <p>Q1 2020 compared with Q1 2019</p>	<p><b>Annualised growth</b></p> <p><b>-0.4%</b></p> <p>Q2 2019 to Q1 2020 compared with Q2 2018 to Q1 2019</p>	<p><b>Private Sector</b></p> <p>Quarterly <b>-3.5%</b> Annual <b>-4.5%</b></p> <p>Annualised <b>-1.0%</b></p>	<p><b>Public Sector</b></p> <p>Quarterly <b>-0.2%</b> Annual <b>+1.1%</b></p> <p>Annualised <b>+1.3%</b></p>
---	--	--	---	--

The results for the NICEI for Quarter 1 2020 show that economic output in Northern Ireland in real terms, decreased by 2.8% over the quarter and 3.2% over the year to Quarter 1 2020. Annualised average growth (average of the four quarters to Quarter 1 2020 compared with the previous four quarters) equated to -0.4%.

Although the measures are not produced on a fully equivalent basis, [UK Gross Domestic Product \(GDP\)](#) decreased 2.2% over the quarter and 1.7% over the year to Quarter 1 2020. GDP is currently growing at a faster rate in [Ireland](#), where initial estimates indicate an increase of 1.2% over the quarter and by 4.6% over the year to Quarter 1 2020.

## Context

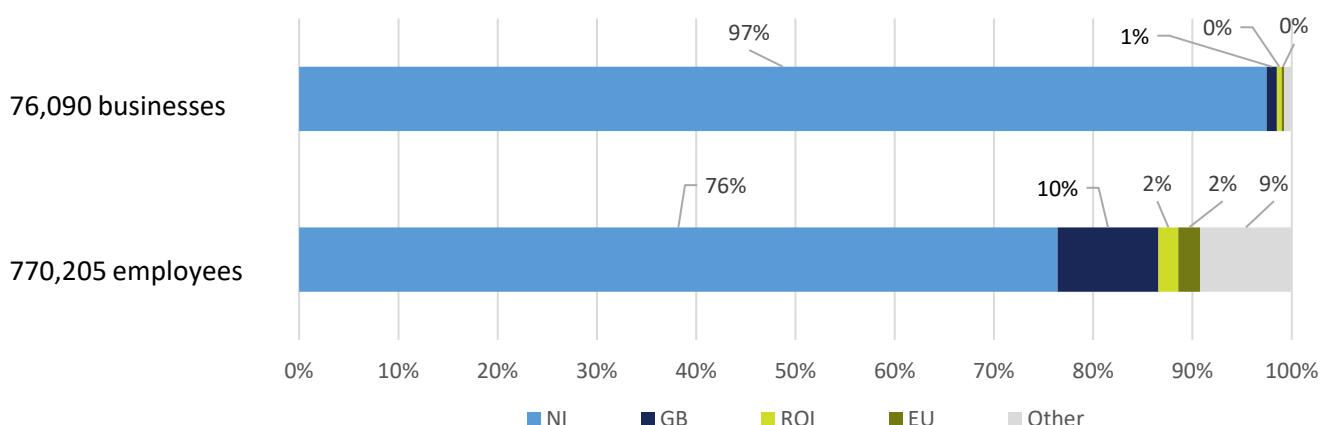
This report covers the period 1st January to 31st March 2020 (Q1 2020), as such it is the first NICEI release to cover the COVID-19 shock to the economy, including the introduction of lockdown on the 23rd March.

The Northern Ireland Composite Economic Index (NICEI) is a quarterly measure of economic activity in NI based on available official statistics<sup>1</sup>. Statistics in this release are experimental statistics.

## Profile of the Northern Ireland Economy

Latest figures from the NISRA [Inter Departmental Business Register](#) (IDBR) show that the number of VAT and/or PAYE registered businesses operating in Northern Ireland in 2020 is estimated to be 76,090; with 1,935 (2.5%) of these businesses having an ownership based outside of Northern Ireland. However despite the small share of the overall number of businesses, these organisations employ 181,740 (23.6%) of all employees in NI as demonstrated below.

Chart 2: Breakdown of NI Businesses & Employees by country of ownership



Source: NISRA [Inter Departmental Business Register](#); June 2020

Furthermore, the Department for Business, Energy and Industrial Strategy (BEIS) estimates that in 2019 there were approximately 53,000 unregistered businesses, employing 58,000 people<sup>2</sup> which is in addition to the figures reported by the IDBR.

In terms of the value of the Northern Ireland economy, the Office for National Statistics (ONS) estimate that in 2018 Gross Value Added (GVA)<sup>3</sup> was £42.2bn. The figure below illustrates the sectoral breakdown of the NI

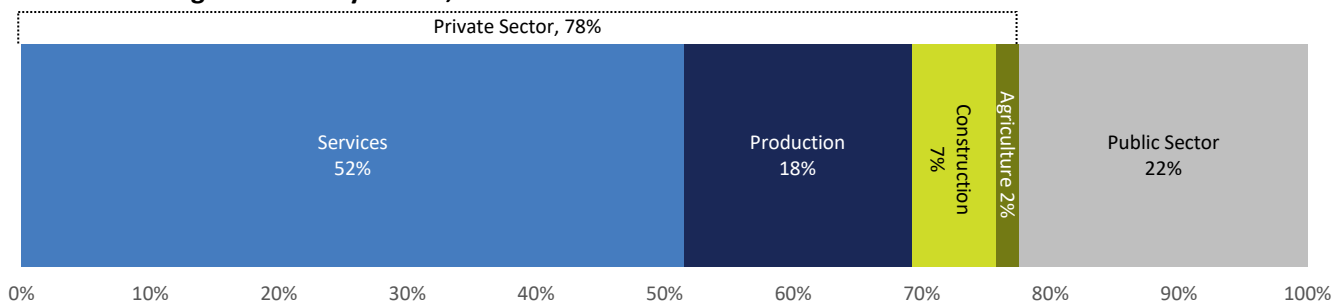
<sup>1</sup> Published quarterly indices (Index of Services, Index of Production, Quarterly Construction Enquiry), public sector employee jobs data from the Quarterly Employment Survey, plus unpublished agricultural output data from the Department of Agriculture, Environment and Rural Affairs, are weighted using the ONS Regional Accounts Gross Value Added (GVA) data and combined to provide a proxy measure of total economic output.

<sup>2</sup> <https://www.gov.uk/government/statistics/business-population-estimates-2019>

<sup>3</sup> As measured using the balanced approach. Further information can be found [here](#).

Economy based on ONS regional GVA data. These figures are used to weight the respective industries' contribution to the overall output calculations for NI.

**Chart 3: NI Regional GVA by Sector, 2018**



### Uses of the NICEI

The NICEI is broadly equivalent to the output measure of Gross Domestic Product (GDP) produced by the Office for National Statistics (ONS) and is used to measure the performance of the NI economy.

The NICEI is used to help monitor progress of a range of key government strategies in NI, notably the draft [Programme for Government](#) and [Industrial Strategy](#). The statistics in this release are also used by a broad range of users with an interest in assessing and reporting on the level of economic activity here, such as the Office for National Statistics (ONS), economists in the public and private sector, academics, media and the general public.

We welcome feedback to help us improve and add value to these statistics. Users with an in-depth interest in the area are also welcome to join our economic accounts user group. Contact [David.Leonard@nisra.gov.uk](mailto:David.Leonard@nisra.gov.uk).

The most up-to-date official statistics on the economy and labour market are available on the [Economic Overview](#) section of the [Economic and Labour Market Statistics \(ELMS\)](#) section of the NISRA website.

#### Draft Programme for Government - Wellbeing Framework

**Outcomes:** *We prosper through a strong, competitive, regionally balanced economy*

**Indicator:** *Private sector NI Composite Economic Index*

Private sector NICEI is a population indicator included in the wellbeing framework overarching the draft Programme for Government. The indicator is updated on an annual basis and is based on the average of the 4 quarters in the relevant calendar year.

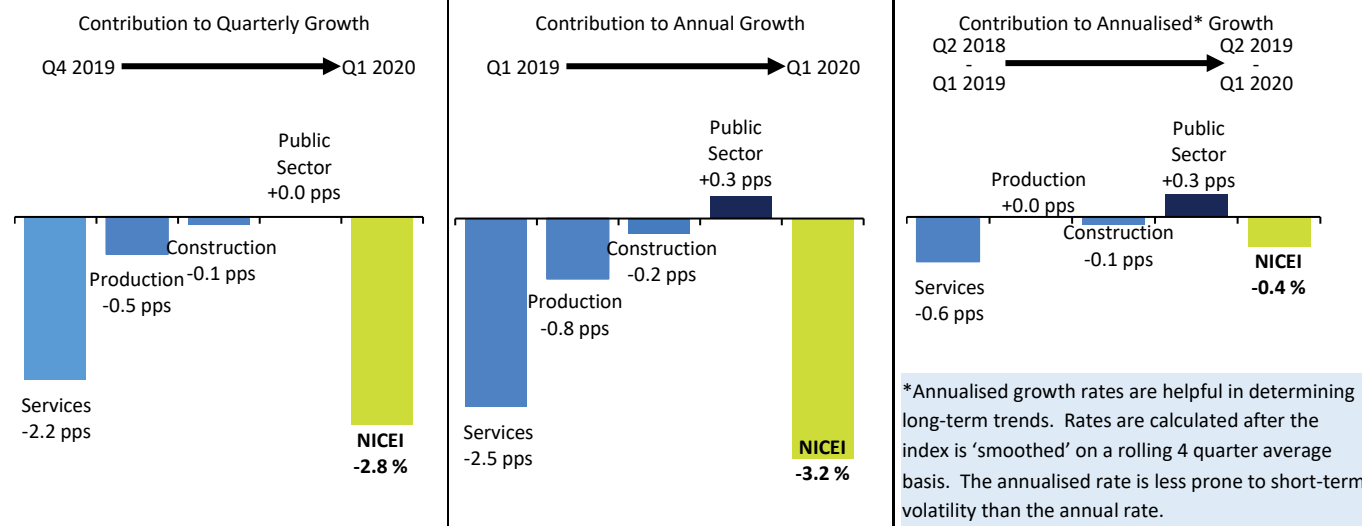
**Latest position:** Following the publication of this statistical bulletin (Q1 2020), Private sector NICEI stood at 101.6 in 2019, 4.3% higher than the position in the 2015 baseline year (97.4).

The latest position in relation to all population indicators in the wellbeing framework is available at this [link](#).

## Contribution of sectors to overall NICEI growth

The fall in economic growth over the quarter, year and rolling annual average to Q1 2020 was driven by the decreases in all the private sector components of the economy. This is not surprising given the current situation.

Chart 4: NICEI, Contribution to quarterly, annual and annualised growth



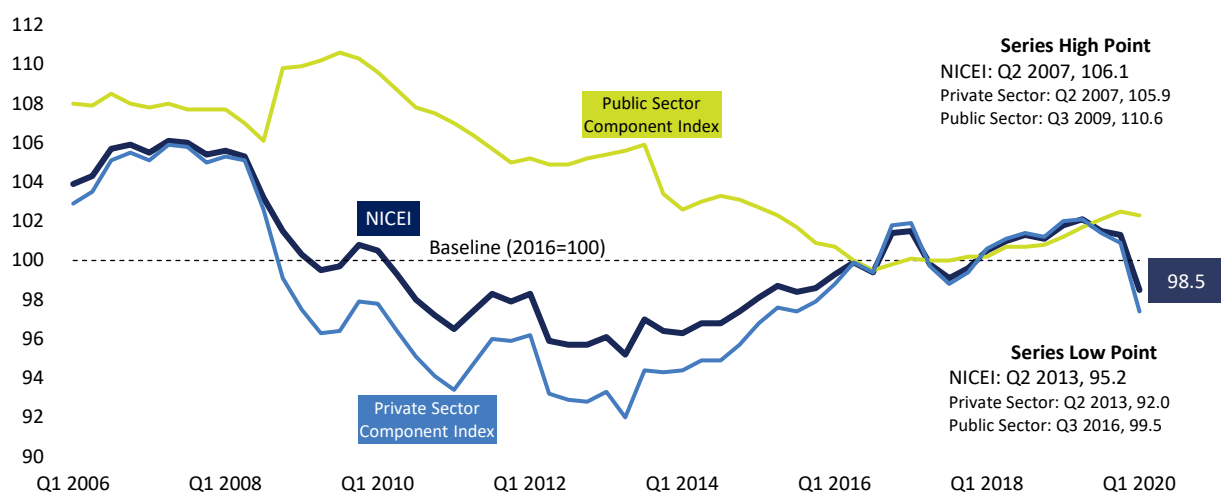
The decrease in the NICEI over the latest quarter (2.8%) was driven by decreased activity in the Services, Production and Construction sectors; which had negative contributions of 2.2 percentage points (pps), 0.5 pps and 0.1 pps respectively. The contribution of the Public sector remained flat over the quarter.

The 0.4% annualised decrease in the NICEI (i.e. average of the four quarters to Quarter 1 2020 compared with the previous four quarters) was driven by decreased activity in the Services (a negative contribution of -0.6 pps) and Construction sectors (a negative contribution of 0.1 pps). This was partially offset by growth in the Public sector (a contribution of 0.3 pps).

## Long-term NICEI trend

Economic activity had increased gradually in recent years, following the prolonged downturn post 2007. In Q1 2020, the NICEI fell to a level last seen at the end of 2015.

Chart 5: Northern Ireland Composite Economic Index (NICEI), Q1 2006 – Q1 2020

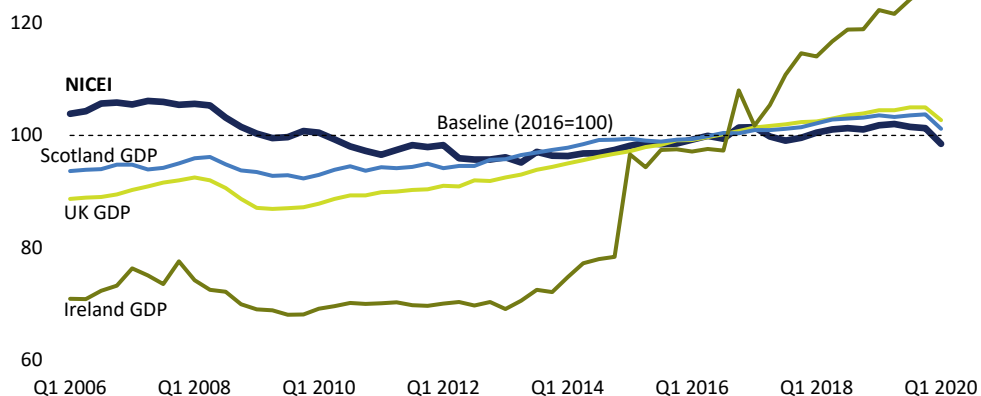


NICEI is currently 7.2% below the maximum value recorded in Quarter 2 2007. Over the last 5 calendar years, annualised growth has ranged between -0.8% and 1.9%, averaging 0.9% annualised growth per annum. The downturn in 2017 was due to reduced output in the food, beverages and tobacco subsector. The NICEI time series is available in Table 1 in Appendix 1 and the accompanying data spreadsheet.

## Comparison with measures of GDP

The level of economic activity in NI remains below the maximum value recorded in Q2 2007. UK GDP is estimated to be 11.0% higher than its pre-economic downturn peak.

Chart 6: NICEI, comparison with selected GDP measures Q1 2006 – Q1 2020

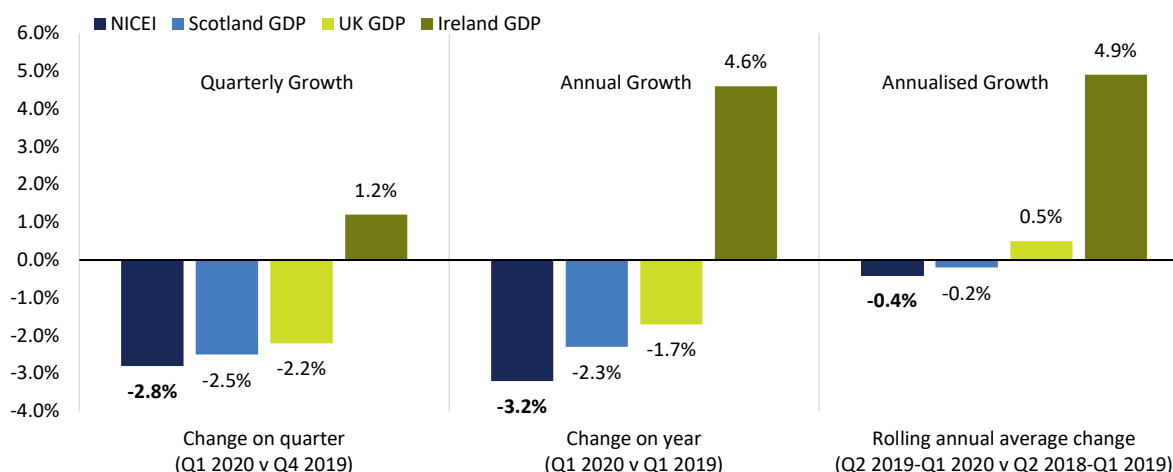


Although the [NICEI methodology](#) has been shown to provide a close short term approximation to the UK GDP series, readers are advised that due to differences in the underlying methodologies the measures presented here should not be considered as precisely like-for-like. The data are provided to give readers an indicative comparison of the levels of economic activity in the relevant countries.

Over the last 10 years, the UK has reported GDP growth in 35 of the last 40 quarters, 3 of the quarters of 'no growth' over that period occurred over the last year. Whereas the NICEI has reported growth in 22 of the last 40 quarters. While NICEI is currently 7.2% below the maximum value recorded in Quarter 2 2007, UK GDP in Quarter 1 2020 is estimated to be 11.0% higher than its pre-economic downturn peak of Quarter 1 2008. This suggests that the UK has had a shorter downturn since the 2008 recession and a faster recovery.

**NI experienced the largest declines in growth over the quarter, year and rolling annual average compared to the other selected GDP measures. Economic activity is currently growing at a faster rate in Ireland.**

Chart 7: Quarterly, annual and annualised change, NICEI compared with selected GDP measures to Q1 2020

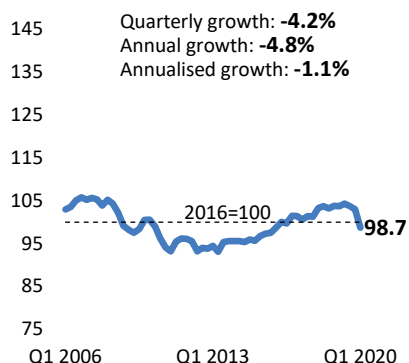


The NICEI indicates NI Economic Activity decreased at a faster rate than UK GDP over the quarter (-2.8% vs -2.2%), the year (-3.2% vs -1.7%) and rolling annual average (-0.4% vs 0.5%). It is evident from Chart 7, NI's growth was consistently below that experienced in Scotland, UK and Ireland. GDP in Ireland is currently growing at a noticeably faster rate across the quarter, year and annualised 4 quarters.

## Economic context to Q1 2020

### Output by sector

#### Index of Services



Growth by Sector	Quarterly	Annual	Annualised
(G,I) Wholesale & retail, motor vehicle repair, accommodation & food	-2.6%	-3.8%	-0.6%
(K-N) Business services & finance	-7.6%	-9.2%	-1.4%
(H,J) Transport, storage, Information & communication	-0.8%	-1.4%	-3.4%
(P-S) Other services	-8.8%	-8.3%	-1.2%

#### Index of Production



Growth by Sector	Quarterly	Annual	Annualised
(C) Manufacturing	-3.1%	-4.1%	+0.5%
(D) Electricity, gas, steam & air conditioning	-2.1%	-5.0%	-4.8%
(E) Water supply, sewerage & waste	-6.6%	-9.8%	-2.9%
(B) Mining & quarrying	+0.3%	-6.6%	-0.9%

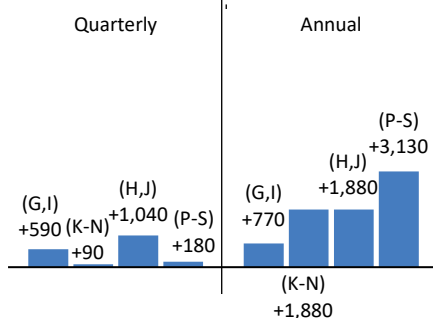
#### Quarterly Construction\*\*



Growth by Sector	Quarterly	Annual	Annualised
New work	+1.1%	+1.2%	+0.5%
Repair & Maintenance	-10.0%	-11.7%	-7.6%

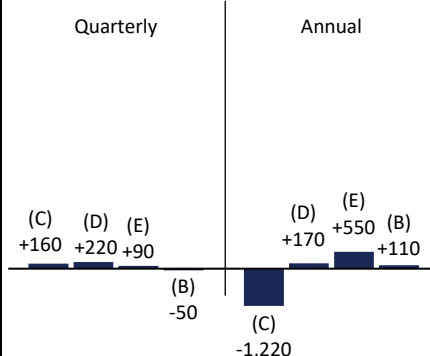
#### Employment

##### Change in Services Jobs (Q1 2020)



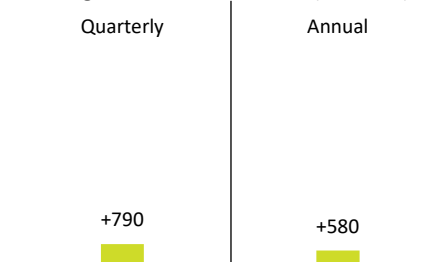
#### Employment

##### Change in Production Jobs (Q1 2020)



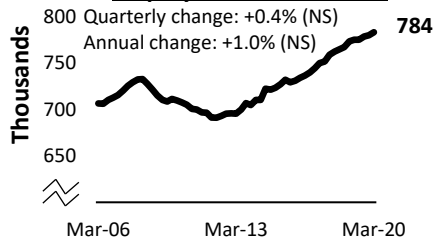
#### Employment

##### Change in Construction Jobs (Q1 2020)

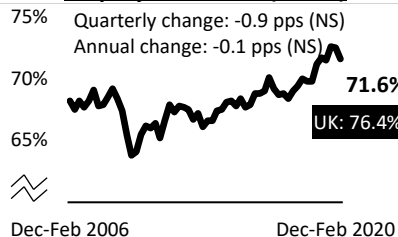


## Key Labour Market Indicators

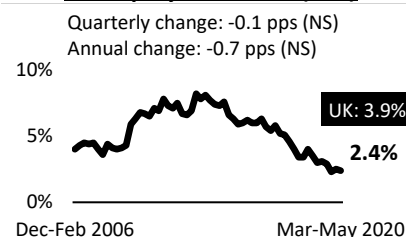
#### Employee Jobs (thousands)



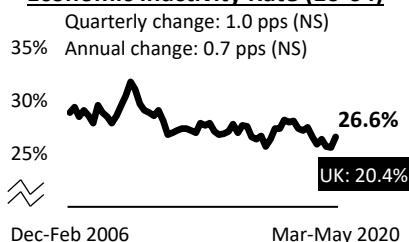
#### Employment Rate (16-64)



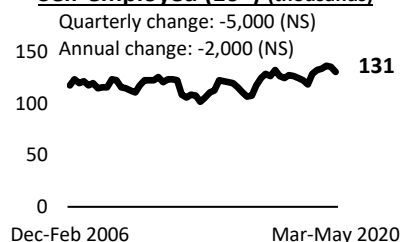
#### Unemployment Rate (16+)



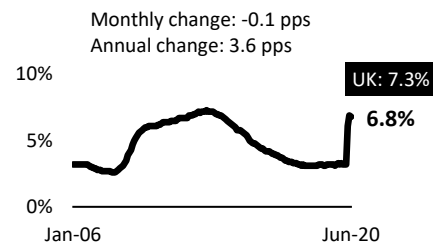
#### Economic Inactivity Rate (16-64)



#### Self-employed (16+) (thousands)



#### NI Claimant Count



\*statistically significant change (NS) not a statistically significant change \*\*All construction i.e. including public sector

## **Economic commentary**

### **Context**

This report covers the period 1<sup>st</sup> January to 31<sup>st</sup> March 2020 (Q1 2020), as such it is the first NICEI release to cover the COVID-19 shock to the economy, including the introduction of government advice on social distancing on the 12<sup>th</sup> March followed by formal lockdown measures on the 23<sup>rd</sup> of March.

Consequently, our input data sources experienced much lower response rates than typically achieved, primarily due to the restrictions in place for businesses. Many of which closed or operated at reduced capacity as a result of COVID-19. As a result, estimates for Quarter 1 (January to March) 2020 are subject to more uncertainty than usual and so are likely to be subject to larger revisions than normal.

Given the timing of events, the current publication only covers a relatively short time period of the COVID-19 shock, which will be more evident in the next NICEI bulletin (Q2 2020, which is due to be released on 8<sup>th</sup> October) and subsequent quarterly reports.

### **NICEI results**

In terms of NI's economic performance to Q1 2020, the NICEI, indicates NI economic output decreased, by 2.8% in real terms over the quarter and to a greater extent over the year (3.2%) to Quarter 1 2020. This is the largest quarter on quarter decrease over the series and the lowest annual growth since Q1 2011.

The annualised rate of growth (i.e. the most recent four quarters compared to the previous four quarters) decreased by 0.4% over the period. The general trend particularly with the annualised rate of growth was indicating that the NI economy was slowing before Q1 2020 (see Chart 5). The recent downward growth trajectory is likely to continue as the economy is adversely impacted by the economic shock of COVID-19.

The implementation of lockdown measures in response to COVID-19 put an immediate halt to life as normal in Northern Ireland. Restrictions on movement reduced economic activity across the board with all types of business activity experiencing significant and unprecedented shocks.

It is evident in Chart 4 that the private sector has been contributing negatively to growth over the quarter, year and rolling four quarter average. With the exception of the production sector over the rolling four quarter average which had a nugatory contribution to growth.

Over the shorter and medium term, (i.e. quarter and annual) negative contribution to growth has been driven by the Services sector (2.2 pps over the quarter and 2.5 pps over the year) and the Production sector (0.5 pps and 0.8 pps respectively).

Looking at the growth in the sub categories of the Index of Services, on the previous page, across all sub categories and time periods there was a decline. Most significantly there was reduction in (P-S) Other Services (-8.8% over the quarter and -8.3% over the year) and (K-N) Business services & finance (-7.6% over the quarter and -9.2% over the year). Meanwhile (H,J) Transport, storage, Information & communication were less adversely impacted over the period, experiencing a decline of only 0.8% over the quarter and 1.4% over the year.

Similarly, in the sub categories of the Index of Production the general trend was a reduction in activity. Most notably in (E) Water supply, sewerage & waste (-6.6% over the quarter and -9.8% over the year) and (C) Manufacturing (-3.1% and -4.1% respectively).

The Construction sector has consistently had a negative contribution (-0.1 pps) to the NICEI over the quarter, and (-0.2 pps) over the year. Looking at the breakdown of the Quarterly Construction Enquiry on the previous page, this decline is driven by the reduction in 'Repair and Maintenance' work which fell over the quarter (-10.0%) and the year (-11.7%).

Furthermore comparisons with the GDP of the UK, Scotland and Ireland (see chart 7) indicates NI experienced the most significant reduction in economic output of the three comparators over the quarter, year and rolling four quarter average. Scotland ranked just above NI and below the UK. Ireland consistently had the highest GDP growth of the four areas and experienced positive growth over all three time periods. Chart 6 indicates the UK has had a shorter downturn and a faster recovery since the 2008 recession compared to NI.

### **Wider NI Context**

In terms of the key labour market indicators, there has been no statistically significant change across employment rate, unemployment rate, economic activity rate or the Self Employed to March – May 2020. Or Employee Jobs to March 2020.

That said looking at the recent trends from the latest [labour market statistics](#) published by NISRA today, the most notable change is in the NI Claimant Count which includes Jobseeker's Allowance claimants and those claimants of Universal Credit who were claiming principally for the reason of being unemployed. There has been a steep increase in the series since March, increasing to 6.8% in June, a level last seen in October 2013.

The Labour Market report also notes that the employment rate (16-64) declined over the quarter (0.9 pps) and over the year (0.1 pps) to 71.6%. While economic inactivity (16-64) increased over the quarter (1.0 pps) and over the year (0.7 pps) to 26.6%. The NI Unemployment rate (16+) decreased over the quarter (0.1 pps) and over the year (0.7 pps) to one of the lowest rates on record (2.4%) in March-May 2020.

The full effects of COVID-19 on the local economy aren't known at this stage, the recent government interventions particularly around the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) discussed later in this section would mitigate the impacts of the COVID-19 shock on the Labour Market over this period.



## Impact on Mobility

One of the key features of the lockdown restrictions put in place has been the impact on mobility, people movement and transportation. There has been large reductions in the volume of traffic around the NI and Ireland border, air traffic and footfall on high streets. All of this reduced activity has ultimately contributed to reduced consumer spending, tourism and general business activity, contributing to the fall in economic output.

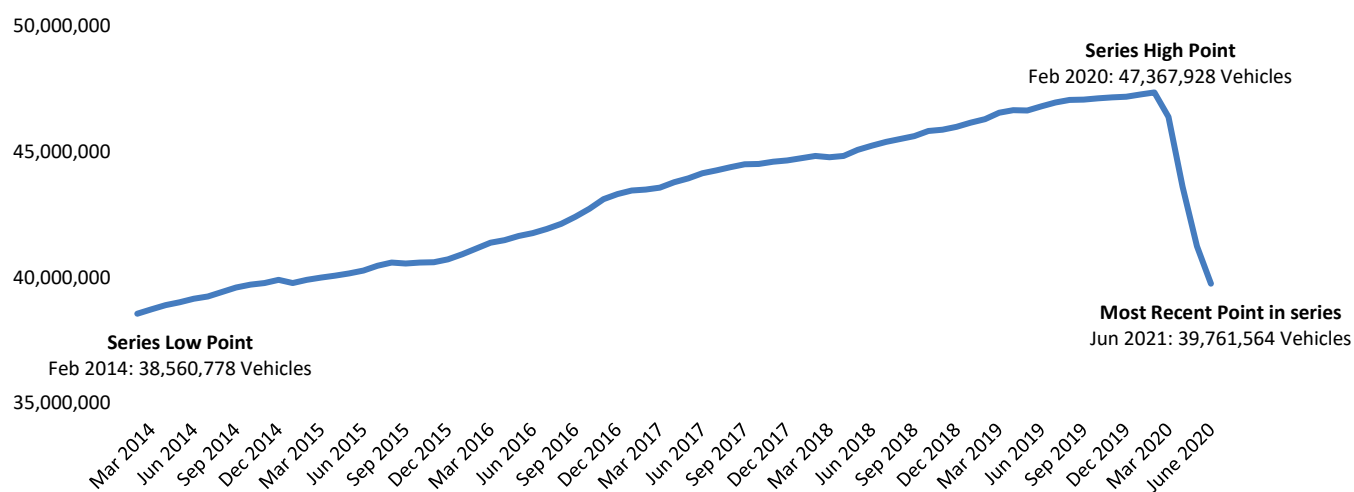
Latest figures from the Transport Infrastructure Ireland (TII) Traffic Data website which is collected from 15 traffic counters at border locations<sup>4</sup> on the National Road Network of Ireland show a sharp decline in all traffic at these border locations between February and June 2020.

The chart below shows the rolling 12 month volumes for all traffic from March 2014; the impact of the pandemic and associated lockdown measures can be clearly seen from March 2020. Further NISRA analysis of the data<sup>5</sup> shows that in March 2020 the volume of traffic dropped from 2.9m vehicles in March to 1.1m in April, a decrease of 61.3%. Over the year to April 2020, the volume of traffic has reduced by 71.2%.

More recent figures show that traffic volumes are beginning to pick up again, with 2.7m vehicles recorded in June 2020; however this still represents a 35.8% reduction compared to June 2019.

**There has been a sharp 19.1% reduction in all vehicle traffic at border locations on the National Road Network of Ireland between February and June 2020 as measured by the rolling 12 month counts.**

Chart 8: Transport Infrastructure Ireland (TII) traffic count of all vehicles at the fifteen NI-IE border sites; rolling 12 months Feb 2014 onwards



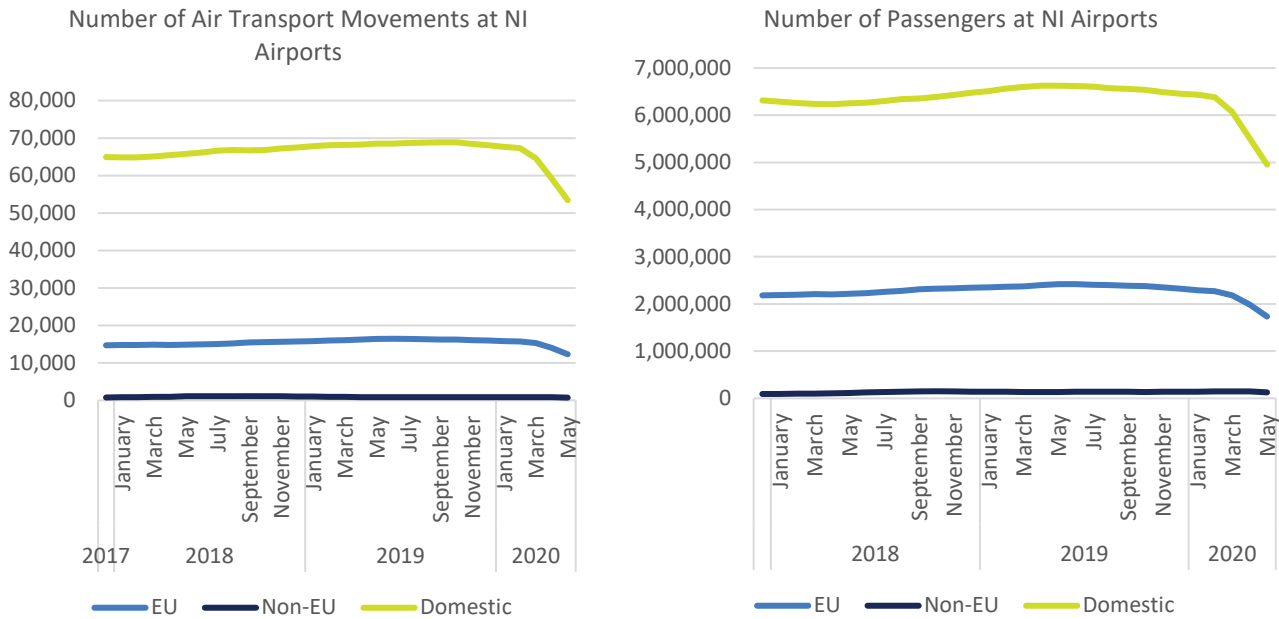
<sup>4</sup> Users should note that the data is collected at fifteen border locations, and are therefore a subset of all border crossings and would not present full coverage of all vehicle border crossings. Due to the location of the traffic counters, it is possible that vehicles captured in the data do not cross the Northern Ireland-Ireland border.

<sup>5</sup> More detailed analysis by vehicle types and month can be found [here](#).

Similarly, Civil Aviation Authority (CAA) data shows a sharp decline in the number of air transport movements at NI airports since February. Air travel has dropped significantly since lockdown was introduced. In February 2020 there were 559,123 passengers moving through NI airports; this fell to 296,860 in March, a 46.9% reduction. The numbers have continued to fall and during May 2020 there were only 6,078 passengers recorded across all three of NI's airports. This represents a reduction of 99.3% compared to May 2019.

**There has been a notable reduction in air transport movements and the number of passengers at NI Airports since March. Falling 17.6% and 18.8% respectively between March and May 2020 as measured by the rolling 12 month figure**

Chart 9: Civil Aviation Authority (CAA) number of transport movements and air passengers at NI airports, December 2017 – May 2020



Source: [Airport Data, Civil Aviation Authority](#)

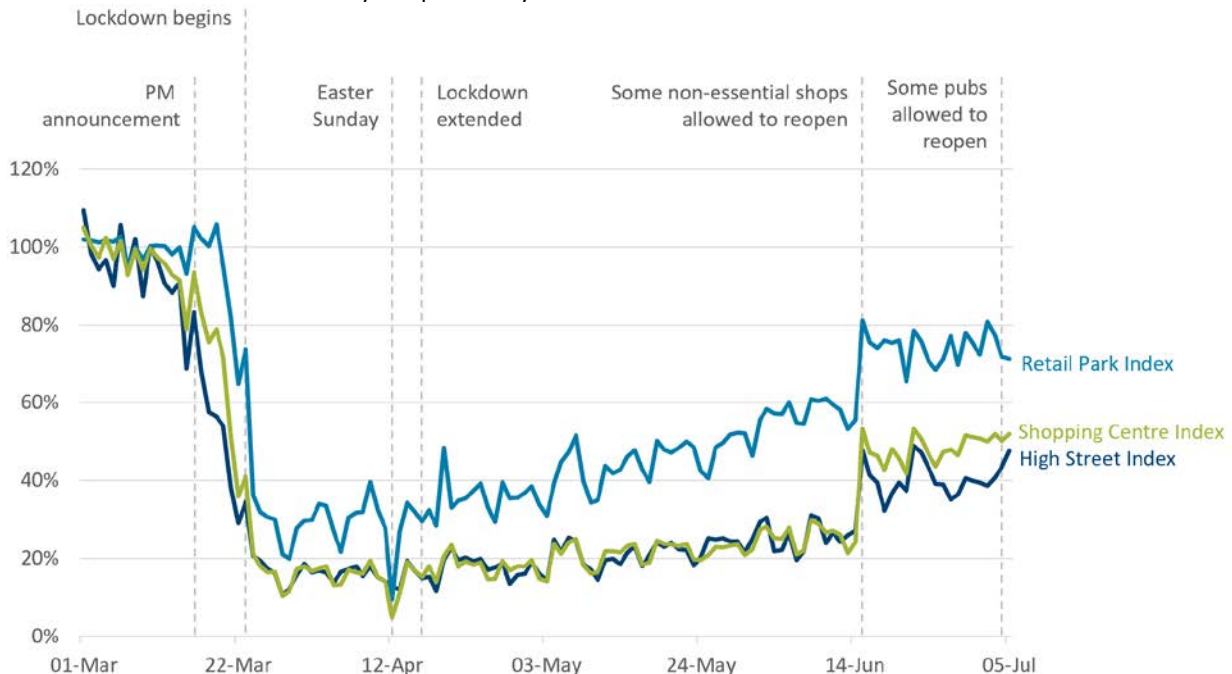
At the UK level, the ONS report<sup>6</sup> that between 28<sup>th</sup> June and 5<sup>th</sup> July, high streets saw a moderate increase in footfall to just under 50% of their level the same day a year ago, while shopping centres and retail parks saw smaller increases. The chart overleaf shows the dramatic fall in footfall as a result of lockdown measures being imposed.

6

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukereconomyandsocietyfasterindicators/9july2020>

## Footfall in Retail Parks, Shopping Centres and High Streets remain significantly less than the same time last year

Chart 10: Office for National Statistics (ONS) Volume of footfall, UK, 1 March to 5 July, year-on-year percentage change between footfall on the same day the previous year



Source: Office for National Statistics

### Notes:

1. Many essential shops were allowed to open on 15 June 2020 in England, 12 June 2020 in Northern Ireland and 22 June in Wales. In Scotland, some non-essential shops were allowed to reopen from 29 June, and more from 13 to 15 July.
2. "Prime Minister's announcement" refers to the advisory announcement on 16 March 2020 to avoid non-essential travel, bars, restaurants and other indoor leisure venues, and to work from home if possible.

## **Reduced household income & Consumer spending**

Uncertainty around job security combined with the restrictions on people movement and business operations has meant that consumer spending has been significantly affected over this quarter. This is apparent in the 2.6% decrease over the quarter to Q1 2020 experienced by the wholesale and retail trade sector results reported by the NISRA [Index of Services](#).

Danske Bank report that consumer confidence in the first quarter of 2020 experienced a sharp decline as a result of the pandemic. The Danske Bank Northern Ireland Consumer Confidence Index<sup>7</sup> fell to 119 in Q1 2020, down from 129 in Q4 2019 and significantly below the value of 139 for Q1 2019.

Other salient points from the report include a reported fall in consumers' expectations regarding their financial position over the next 12 months with 36% of respondents reporting that they expected their finances to worsen over the next twelve months. This compares to 20% reporting that they expected their financial position to improve. It was also reported that 20% of respondents expect their job security to worsen over the next 12 months.

<sup>7</sup> <https://danskebank.co.uk/business/economic-analysis/consumer-confidence-index/consumer-confidence-index-2020-q1> Note that the survey was carried out during March and only partly captures the impact of the lockdown measures on sentiment levels.

In addition, ONS recently reported<sup>8</sup> that more than one-fifth of usual household spending has been largely prevented during lockdown. ONS estimates that in the financial year ending March 2019, UK households spent an average of £182 per week on activities that have since been largely prevented by government guidelines (such as travel, holidays and meals out).

At the Northern Ireland level ONS estimates that 23.3% of household spending has been prevented by lockdown measures. As the restrictions on movements ease and businesses begin to reopen, albeit in a different way than what we have been used to, spending on these activities is expected to recommence. Further analysis of the types of goods and services that households typically spend their money on can be found [here](#).

According to [The Society of Motor Manufacturers and Traders](#) there has been a notable reduction in new car registrations at the UK level. To the end of June 2020 there has been a 48.5% reduction in new car registrations over the year to date (653,502), compared with the same period last year (1,269,245).

### **Overview of Measures in response to COVID-19**

Although the full effects of COVID-19 on the local economy aren't known at this stage, the impact is likely to be significant. Government has been implementing a range of measures to support struggling businesses and workers to help mitigate the economic shock. An overview is provided below.

#### **UK Government Measures**

In response to the pandemic the UK government has implemented a range of support packages to help businesses to survive the sudden shock to the economy. The uptake of these schemes also provides a further indication of the scale of the downturn in economic activity.

The UK government implemented the Coronavirus Job Retention Scheme (CJRS)<sup>9</sup> on 20 March 2020 in order to support employers who have been unable to undertake their normal activities through the COVID-19 period<sup>10</sup>. The CJRS is scheduled to close on 31<sup>st</sup> October 2020. The Job Retention Bonus<sup>11</sup> was announced on the 8<sup>th</sup> July – The government will introduce a one-off payment of £1,000 to UK employers for every furloughed employee, earning more than £520 per month who remains continuously employed through to the end of January 2021.

In addition, the government also introduced the Self-Employment Income Support Scheme (SEISS) which provides support for self-employed individuals whose business has been adversely affected by COVID-19. From 13 May eligible self-employed individuals could claim a grant worth 80% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profits, and capped at £7,500 in total. The

---

8

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/morethanonefifthofusualhouseholdspendinghasbeenlargelypreventedduringlockdown/2020-06-11>

<sup>9</sup> <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-june-2020>

<sup>10</sup> Under CJRS, employers are able to claim support from the period starting 1 March 2020, where employees have already been furloughed from that date. The scheme currently provides employers with financial support up to 80% of salary, up to a maximum of £2,500 per month per employee, plus the associated Employer National Insurance contributions and pension contributions (up to the level of the minimum automatic enrolment employer pension contribution) on that subsidised furlough pay. From August the government intends to reduce the level of subvention of the scheme each month until it ends on the 31<sup>st</sup> October 2020, in the last month, the government will pay 60% of wages up to a cap of £1,875 for the hours the employee is on furlough. Employers will pay ER NICs and pension contributions and top up employees' wages to ensure they receive 80% of their wages up to a cap of £2,500, for time they are furloughed employees. Employers will have to pay their employees for the hours worked. Further detail on the scheme is available [here](#).

<sup>11</sup> Further detail is available [here](#).

scheme will be extended<sup>12</sup> and a second and final grant is available for those who have been adversely affected on or after the 14<sup>th</sup> July, claims can be made from the 17<sup>th</sup> August 2020.

HMRC report that up to the 30<sup>th</sup> June 240,200 staff in Northern Ireland (out of 791,000 eligible employments, a up take rate of 30%) were furloughed through the CJRS. To the same date, an additional 76,000 claims were made (out of 96,000 potentially eligible population, an up take rate of 79%) to the Self-Employment Income Support Scheme (SEISS); these claims totalled £216m<sup>13</sup>.

## NI Government Measures

At the Northern Ireland level, the Executive introduced a further suite of support packages specifically aimed at NI businesses, namely:

- Microbusiness Hardship Fund;
- £10,000 Small Business Grant Scheme; and
- £25,000 Retail, Hospitality, Tourism and Leisure Grant Scheme.

An overview of the uptake of these schemes is presented below:

Scheme	Claims awarded	Value of payments
Microbusiness Hardship Fund	Circa 2,900	£15.1m (as at 10 <sup>th</sup> July)
£10,000 Small Business Grant Scheme	23,909	£239.1m (as at 6 <sup>th</sup> July)
£25,000 Retail, Hospitality, Tourism and Leisure Grant Scheme	2,946	£72.4m (as at 10 <sup>th</sup> July) <sup>14</sup>

Source: Department for the Economy, Department of Finance

Furthermore, the DoF announced on the 19<sup>th</sup> May 2020 a rates support package which includes the following:

- 100% Relief for Hospitality, Tourism, Leisure and Retail properties (with the exception of large food stores and off-licences) to 31<sup>st</sup> March 2021.
- 100% rates relief for Belfast International, Belfast City & City of Derry until 31<sup>st</sup> March 2021.
- 100% rates relief for Childcare Establishments until 31<sup>st</sup> March 2021

## Bank of England

In response to COVID-19 the Bank of England [base rate](#) was reduced from 0.75% to 0.25% on the 11<sup>th</sup> March and fell again to 0.1% on the 19<sup>th</sup> March to its lowest level in its 325 year history. In addition, on the 17<sup>th</sup> June the [Monetary Policy Committee](#) voted for the Bank of England to continue with the existing Quantitative Easing programme of £200 billion of UK government bond and sterling non-financial investment-grade corporate bond purchases, and to increase the target stock of purchased UK government bonds, financed by the issuance of central bank reserves, by an additional £100 billion, to take the total stock of asset purchases to £745 billion.

## Financial Conduct Authority

The Financial Conduct Authority (FCA) has introduced a [number of measures](#) to assist consumers facing short-term cash flow problems due to the Coronavirus.

These largely relate to payment freezes, i.e. a period of time, agreed with a lender, where you do not have to make any payments for a period of typically 3 months. These are available on personal loans and credit cards,

<sup>12</sup> Further detail is available [here](#).

<sup>13</sup> <https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-june-2020>

<sup>14</sup> <https://www.nibusinessinfo.co.uk/content/coronavirus-%C2%A325000-retail-hospitality-tourism-and-leisure-grant>

motor finance, rent-to-own, buy-now pay-later and pawn broking. A one month payment freeze is available on High-cost short-term credit (including payday loans).

Consumers can request (until the 31<sup>st</sup> October 2020) their main current account provider for up to £500 of overdraft borrowing with no interest for 3 months.

## **Trade**

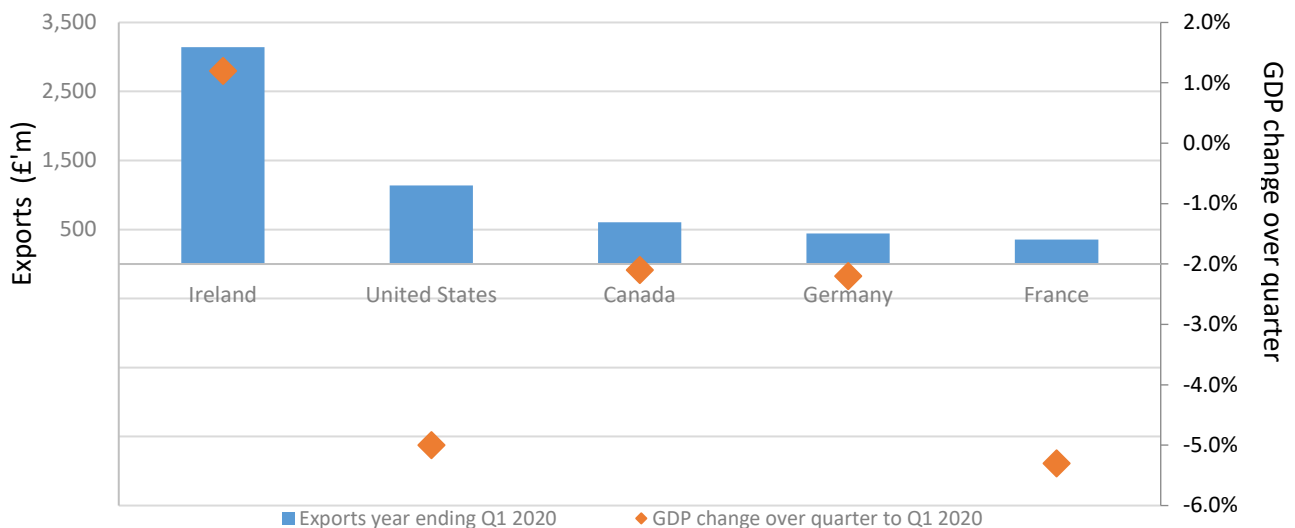
The trading conditions for NI businesses are also impacted by the situation in trading partner countries. The NISRA [Broad Economy Sales and Exports Statistics \(BESES\)](#) show that in 2018, total external sales (sales to all markets outside NI) by NI businesses were worth £21.7bn, 70% (£15.2bn) of which were goods. Total external purchases were worth £21.3bn, with goods accounting for 81% (£17.3bn) of this figure.

From the BESES we know that Great Britain and Ireland are NI's two largest trading partners for both sales/exports and purchases/imports. Therefore the performance of these two economies, along with our other trading partners, will have implications for the demand for goods and services provided by NI businesses.

More recent figures from the [HMRC Regional Trade Statistics](#)<sup>15</sup> show that in the year up to Q1 2020 NI's top 5 exporting destinations (for goods) were Ireland, USA, Canada, Germany and France. All of these countries have felt the impact of the global pandemic and experienced reductions in GDP (with the exception of Ireland) over the year to Q1 2020 as demonstrated below.

### **NI's top 5 export destinations for goods (with the exception of Ireland) have each experienced declines in GDP over the quarter to Q1 2020.**

Chart 11: NI's top 5 exporting destinations for goods for the year ending Q1 2020 vs quarterly GDP change to Q1 2020



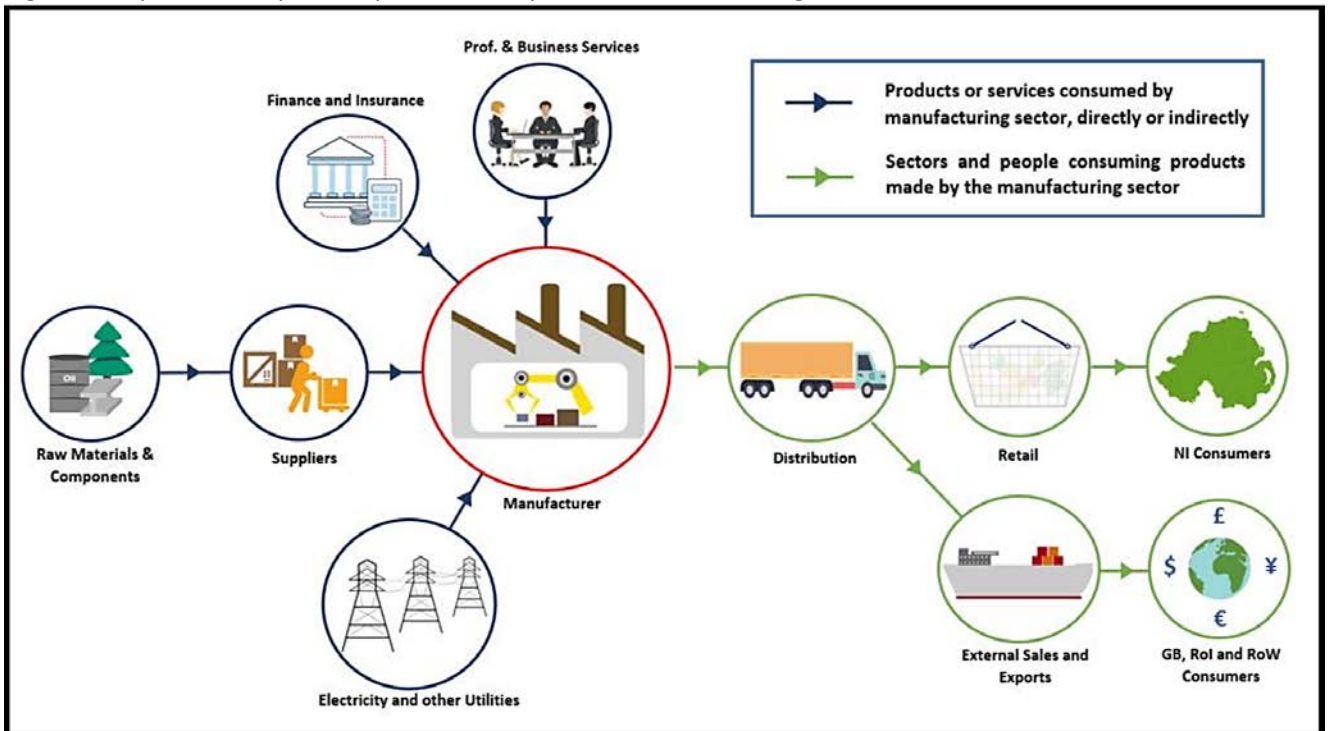
Sources: HMRC Regional Trade Statistics; Eurostat; Statistics Canada; Bureau of Economic Analysis, U.S. Department of Commerce

The rate at which other economies begin to relax restrictions and work towards getting back to more normal business operations will also impact on the availability of externally sourced goods (raw materials, components and finished goods bought for resale) and services that NI businesses rely upon in order to deliver their operations.

<sup>15</sup> Note that HMRC do not collect any data on trade between NI and GB

The figure below from the DfE “*Charting a course for the economy, Economic evidence pack*”<sup>16</sup> aptly demonstrates the multifaceted supply chain for a manufacturing business. The ability to sell products not only depends on the improvement of conditions in Northern Ireland, but also the improvement of economic activity globally. Businesses need supplies, many of which are sourced outside of NI and they also need buyers for their products and as previously demonstrated, NI businesses need export markets to pick up in order to sell their goods and services to external markets.

Figure 1: Stylised Example of Inputs and Outputs for Manufacturing



Source: Department for the Economy

The DfE report further notes that “*lack of demand globally with existing orders potentially cancelled or delivery dates extended are seen as significant challenges for production firms. New orders will take time to build, operational efficiency will be low, overheads may be disproportionate relative to output and there may be supply chain issues/difficulties. Cash flow has been a substantial issue for firms throughout the lockdown period and will continue to be a challenge. The message from business is very much that recovery will take time.*”

### Looking forward....

The Q1 2020 figures represent a huge shock to the economy, the index is at its lowest point since Q3 2015. These figures only cover the start of lockdown being implemented. The Q2 2020 results which will cover April-June with the severest lockdown restrictions in place for the majority of the quarter will likely exhibit further contractions.

Indeed, the DfE state in their recently published plan for rebuilding the economy<sup>17</sup> that “*it is now inevitable that we are facing a deep and prolonged economic downturn*”. DfE further note that “*falling retail sales and forecasts that social distancing measures, more precautionary consumer behaviours and subdued confidence levels will lead to further falls in consumer spending*”.

<sup>16</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/economic-evidence-pack-charting-course-economy.pdf>; figure 5; May 2020

<sup>17</sup> Rebuilding a stronger economy – the medium term recovery: <https://www.economy-ni.gov.uk/publications/rebuilding-stronger-economy-medium-term-recovery>

More recently, the DfE report that the Department has been allocated £410m in totality (£225m in 2019/20:£185m in 2020/21) to assist, by way of grants, businesses in managing the immediate impact of COVID-19. Businesses in Northern Ireland could access a number of schemes as outlined above (further information on the schemes is available on the [NI Business Info website](#))<sup>18</sup>.

Adapting to the new landscape created by COVID-19 on a global scale in addition to the uncertainties and complexities posed by EU Exit means that NI businesses are faced with a challenging time ahead.

However, over the last few months there have been some relaxations in the lockdown measures meaning that businesses have started to get back to operation after months of closures.

- **May** - lockdown measures began to ease with garden centres and recycling centres reopening with restrictions on people movement being eased;
- **June** - further relaxation of regulations including inter alia, groups of up to 10 people being allowed to meet whilst maintaining social distancing, up to 6 people being allowed to meet indoors, the reopening of outdoor sports facilities, retail facilities reopening and the recommencement of housing market transactions;
- **July** - restaurants, cafes and coffee shops permitted to open from the 3<sup>rd</sup> July and beauty salons, hairdressers and barbers reopening on the 6<sup>th</sup> July, gyms 10<sup>th</sup> and relaxations to travel to the UK including the rules around quarantine being relaxed for arrivals from more than 70 countries and British overseas territories.

Whilst the easing of restrictions to people movement and business operations is a positive step, there remains significant challenges ahead. The extent of the full impact of the pandemic will become clearer as more data becomes available in the future.

#### **Recent ELMS publications you may have missed...**

<a href="#">Broad Economy Sales and Export Statistics (BESES): Purchases and Imports Results 2018</a> - 21/05
<a href="#">Facts and Figures from the Inter-Departmental Business Register</a> - 11/06

#### **Recent DfE publications you may have missed...**

<a href="#">Charting a course for the economy</a> – 29/05
<a href="#">Rebuilding a stronger economy – the medium term recovery</a> – 17/06
<a href="#">Coronavirus and the NI Economy</a> – 30/06

#### **Recent ONS publications you may have missed...**

<a href="#">Regional Gross Disposable Household Income, UK: 1997 to 2018</a> – 04/06
<a href="#">Quarterly economic commentary: January to March 2020</a> – 30/06
<a href="#">Economic review: July 2020</a> – 08/07
<a href="#">Coronavirus and the latest indicators for the UK economy and society</a> - 09/07

#### **Recent HMRC publications you may have missed...**

<a href="#">HMRC coronavirus (COVID-19) statistics</a> - 07/07
<a href="#">Self-Employment Income Support Scheme statistics: June 2020</a> - 11/07

#### **Upcoming ELMS releases**

<a href="#">Labour Market Review</a> - 11/08	<a href="#">Index of Services &amp; Index of Production</a> - 17/09	<a href="#">Quarterly Construction Enquiry &amp; NICEI</a> – 08/10
---	---	--

David Leonard,  
Economist, NISRA Economic & Labour Market Statistics  
[David.leonard@nisra.gov.uk](mailto:David.leonard@nisra.gov.uk)

<sup>18</sup> COVID-19 and the Northern Ireland Economy Macroeconomic & Sectoral Assessment, as of 30 June 2020:  
<https://www.economy-ni.gov.uk/sites/default/files/publications/economy/COVID-19-and-ni-economy-report.pdf>



## Quality and methodology

### Uncertainty

All estimates are subject to statistical uncertainty and for many well-established statistics we measure and publish the sampling error and non-sampling error associated with the estimate, using this as an indicator of accuracy.

Unlike many indicators that NISRA publish, there is no simple way of measuring the accuracy of the NICEI. The NICEI is constructed from a variety of data sources, some of which are not based on random samples or do not have published sampling and non-sampling errors available. As such it is very difficult to measure both error aspects and their impact on the NICEI. As a result we don't publish a measure of the sampling error or non-sampling error associated with the NICEI.

One dimension of measuring accuracy is reliability, which can be measured using evidence from analyses of revisions to assess the closeness of earlier to subsequent estimates. Revisions are an inevitable consequence of the trade-off between timeliness and accuracy. It is our role to produce the best possible estimate of the NICEI using all of the available information at that time. Therefore, the only way to avoid subsequent revisions would be to either delay publication until all the relevant information has been received, or to publish an estimate and then ignore any subsequent new data and any methodological improvements. So, revisions should be treated as generally a good thing, as long as we document the reasons for them and communicate this to users.

All NICEI estimates are provisional and subject to revision in light of:

- Ongoing data validation and clarification of responses from individual businesses and late responses to surveys and administrative sources which form input to the Index.
- Revisions to seasonal adjustment factors, which are re-estimated every month and reviewed annually.
- Changes to the methodological processes used to gather and process the data and other revisions and developments implemented by the input sources.
- Incorporating new annual GVA data from the ONS.

The NICEI back series is calculated each quarter, typically the revisions to the NICEI are reasonably minor. That said comparing the Q1 2020 NICEI back series with the Q4 2019 back series, revisions to each quarter of the index ranged between -0.6 and 0.4 index points between Q1 2018 and the latest quarter. Prior to Q1 2018, each quarter of the index was revised between -0.1 to 0.1 index points. A full comparison of the NICEI Series at Q1 2020 and Q4 2019 is available in Table 13 of the [NICEI spreadsheet](#).

### Comparability with ONS regional annual GDP

ONS released [balanced estimates of Gross Value Added \(GVA \(B\)\) and GDP for the countries and regions of the UK](#) on 19<sup>th</sup> December 2019. This is the first annual estimate of GDP published by ONS at this level of disaggregation. Users should be aware that NISRA acknowledge that the trends presented by the NICEI do not align with these new experimental Regional GDP figures from ONS. This is due to methodological differences. NISRA statistics are produced on a bottom-up basis whereas the ONS figures are produced on a top-down basis, where UK level GVA and GDP figures are apportioned to regions using various apportionment methods. NISRA are engaging with ONS to better understand the differences and the drivers behind their figures.

### NICEI component data

**Agricultural Output Index:** The agricultural output index is an unpublished dataset based on survey and administrative sources held by the Department of Agriculture, Environment and Rural Affairs (DAERA).

**HMF:** The number of Her Majesty's Forces (HMF) stationed in Northern Ireland is included in the NICEI. This data is published by the Ministry of Defence (MoD) and further information can be found [here](#).

**IOP:** The quarterly NI Index of Production (IOP) is currently based on a sample of around 1,100 businesses out of a population of c. 5,000. This covers approximately 93% of the turnover of the population at the time of selection and a response rate of around 85%. This includes a census of all companies employing 40 or more employees as well as those employing 0 to 39 employees and having a turnover of £10 million or more. The new sample has been designed to have a minimum precision of 10% for each of the production subsectors.

**IOS:** The quarterly NI Index of Services (IOS) is currently based on a sample of around 3,400 businesses out of a population of c. 39,000. The sample consists of a census of dominant companies and a Neyman stratified random sample of the remaining companies and covers approximately 70% of turnover. The census element consists of all companies employing 100 or more employees as well as those employing 0 to 99 employees and having a turnover of £10 million or more.

**LFS:** The Labour Force Survey (LFS) is a quarterly sample survey carried out by interviewing people about their personal circumstances and work. Each quarter's LFS sample of around 4,500 households in NI is made up of 5 waves with around 1,300 private households selected for the first time in wave 1 and the remaining 3,200 private households spread across waves 2 to 5. This results in a total of around 7,000 individuals included each quarter. Self-employed estimates from the LFS are incorporated into the NICEI.

**QCE:** From a sampling universe of approximately 10,000 firms, a disproportionate sample of 700 construction firms is randomly selected to take part in the NI Quarterly Construction Enquiry (QCE). The sample is disproportionately stratified (into six strata) using Inter Departmental Business Register (IDBR) turnover as the stratification variable. This includes a census of all companies with a turnover of £5.25m or greater. Further information on the QCE sample coverage and methodology can be found [here](#). NICEI includes private sector construction only.

**QES:** The Quarterly Employment Survey (QES) provides short-term employee jobs estimates for Northern Ireland. It has a sample size of approximately 6,000 and covers all private sector firms with 25 or more employees, all public sector employers and a representative sample of smaller firms. The QES excludes the self-employed, HM Armed Forces, private domestic servants, homeworkers and training for success trainees without a contract of employment (non-employed status). The number of jobs are counted rather than the number of persons with jobs. For example, a person holding both a full-time job and part-time job, or someone with two part-time jobs, will be counted twice.

### **Weighting the components**

Weights are based on the balanced estimate of Gross Value Added (GVA (B)) by industry obtained from [Regional Accounts produced by ONS](#). The latest available GVA by industry published in December 2019 includes provisional figures for 2018. The NICEI calculations are based on GVA balanced figures up to and including the 2018 year.

### **Annual chain-linking**

Annual chain-linking is a method for aggregating volume measures on a yearly basis - it can be thought of as rebasing every year rather than having a fixed base year to which all subsequent years are weighted. In this way dynamic changes in the structure of the economy are better reflected in the index. Instead of referring back to value shares from a base year, volume measures for each year are produced in prices of the previous year. These volume measures are then "chain-linked" together to produce a continuous time series, preserving the growth rates of the underlying component series. The use of annual chain-linking is standard National Accounts practice. Using chained volume measures makes use of more up-to-date weights and is therefore more relevant. Rebasings will affect the relative movements between periods.

### **Re-referencing**

The reference year for the index is currently 2016 (i.e. 2016=100). NISRA changes the NICEI reference period (a process known as re-referencing) from time to time, but not frequently. This is because frequently changing the

reference base is inconvenient for users. Re-referencing should not be confused with rebasing. Re-referencing does not change the relative movements between periods

### Seasonal adjustment

The indirect method of seasonal adjustment was employed. Seasonally adjusted figures were input (where possible) and when the combined output series were tested for seasonality there was no residual seasonality found, therefore no seasonal adjustment was required.

### Experimental Statistics

These statistics are experimental statistics which are still undergoing evaluation and are subject to revision. NISRA is currently working to develop a quarterly measure of GDP for NI which builds upon the NICEI. It is our goal that the new quarterly measure of GDP will undergo assessment by the Office for Statistics Regulation to ensure compliance with the standards of the [Code of Practice for Statistics](#).

Please refer to the [NICEI Methodology report](#) for further information.

## Appendix 1

Table 1: NICEI and component indices by quarter, Q1 2006 – Q1 2020

Year	Quarter	NICEI	Component Indices				
			Private Sector	Public Sector	Services	Production	Construction
2006	1	<b>103.9</b>	102.9	108.0	103.0	94.1	139.4
	2	<b>104.3</b>	103.5	107.9	103.6	95.5	139.3
	3	<b>105.7</b>	105.1	108.5	105.1	95.4	147.6
	4	<b>105.9</b>	105.5	108.0	105.8	94.9	147.7
2007	1	<b>105.5</b>	105.1	107.8	105.2	96.1	142.2
	2	<b>106.1</b>	105.9	108.0	105.7	96.7	147.8
	3	<b>106.0</b>	105.8	107.7	105.3	99.7	141.5
	4	<b>105.4</b>	105.0	107.7	103.9	101.7	135.8
2008	1	<b>105.6</b>	105.3	107.7	105.2	100.8	131.8
	2	<b>105.3</b>	105.1	107.0	104.3	101.3	135.7
	3	<b>103.2</b>	102.6	106.1	102.2	100.4	126.2
	4	<b>101.5</b>	99.1	109.8	99.2	94.4	122.8
2009	1	<b>100.3</b>	97.5	109.9	98.2	90.9	120.8
	2	<b>99.5</b>	96.3	110.2	97.5	88.8	118.9
	3	<b>99.7</b>	96.4	110.6	98.4	87.6	118.1
	4	<b>100.8</b>	97.9	110.3	100.5	88.5	115.9
2010	1	<b>100.5</b>	97.8	109.6	100.6	89.3	110.3
	2	<b>99.3</b>	96.4	108.7	99.0	89.6	105.6
	3	<b>98.0</b>	95.1	107.8	96.3	91.1	106.0
	4	<b>97.2</b>	94.1	107.5	94.1	93.9	99.4
2011	1	<b>96.5</b>	93.4	107.0	93.2	94.2	95.6
	2	<b>97.4</b>	94.7	106.4	95.5	96.4	88.3
	3	<b>98.3</b>	96.0	105.7	96.2	99.5	90.2
	4	<b>97.9</b>	95.9	105.0	96.1	98.6	91.0
2012	1	<b>98.3</b>	96.2	105.2	95.6	98.7	97.3
	2	<b>95.9</b>	93.2	104.9	93.2	97.0	85.8
	3	<b>95.7</b>	92.9	104.9	94.0	94.6	83.6

	4	<b>95.7</b>	92.8	105.2	93.8	94.5	83.2
2013	1	<b>96.1</b>	93.3	105.4	94.5	94.5	82.6
	2	<b>95.2</b>	92.0	105.6	93.1	95.2	76.6
	3	<b>97.0</b>	94.4	105.9	95.4	98.4	79.3
	4	<b>96.4</b>	94.3	103.4	95.6	98.4	74.6
2014	1	<b>96.3</b>	94.4	102.6	95.6	97.0	78.7
	2	<b>96.8</b>	94.9	103.0	95.6	99.1	79.0
	3	<b>96.8</b>	94.9	103.3	95.4	99.6	80.5
	4	<b>97.4</b>	95.7	103.1	96.0	99.1	85.0
2015	1	<b>98.1</b>	96.8	102.7	95.7	100.1	94.4
	2	<b>98.7</b>	97.6	102.3	96.8	100.8	95.1
	3	<b>98.4</b>	97.4	101.7	97.3	100.4	91.2
	4	<b>98.6</b>	97.9	100.9	97.5	99.9	94.3
2016	1	<b>99.3</b>	98.8	100.7	98.7	99.7	95.9
	2	<b>99.9</b>	99.9	100.0	100.1	99.5	100.2
	3	<b>99.4</b>	99.4	99.5	99.7	99.5	98.4
	4	<b>101.4</b>	101.8	99.8	101.5	101.3	105.5
2017	1	<b>101.5</b>	101.9	100.1	101.4	101.7	104.7
	2	<b>99.8</b>	99.7	100.0	100.6	94.6	107.6
	3	<b>99.1</b>	98.8	100.0	101.4	89.3	106.1
	4	<b>99.6</b>	99.4	100.2	101.3	91.7	105.6
2018	1	<b>100.5</b>	100.6	100.2	103.3	93.2	97.4
	2	<b>101.0</b>	101.1	100.7	103.7	93.7	102.4
	3	<b>101.3</b>	101.4	100.7	103.2	94.7	108.1
	4	<b>101.1</b>	101.2	100.8	103.8	93.3	102.4
2019	1	<b>101.8</b>	102.0	101.2	103.7	96.0	103.5
	2	<b>102.1</b>	102.1	101.7	104.3	96.6	101.0
	3	<b>101.5</b>	101.4	102.1	103.7	94.4	103.4
	4	<b>101.3</b>	100.9	102.5	103.0	94.5	102.4
2019	1	<b>98.5</b>	97.4	102.3	98.7	91.5	100.5

Table 2: NICEI and component indices by year, 2006 – 2019

Year	NICEI	Component Indices				
		Private Sector	Public Sector	Services	Production	Construction
2006	<b>104.9</b>	104.2	108.1	104.4	95.0	143.5
2007	<b>105.8</b>	105.5	107.8	105.0	98.5	141.8
2008	<b>103.9</b>	103.0	107.6	102.7	99.2	129.1
2009	<b>100.1</b>	97.0	110.3	98.7	88.9	118.5
2010	<b>98.8</b>	95.9	108.4	97.5	91.0	105.3
2011	<b>97.5</b>	95.0	106.0	95.3	97.2	91.2
2012	<b>96.4</b>	93.8	105.1	94.1	96.2	87.5
2013	<b>96.2</b>	93.5	105.1	94.7	96.6	78.3
2014	<b>96.8</b>	95.0	103.0	95.6	98.7	80.8
2015	<b>98.4</b>	97.4	101.9	96.8	100.3	93.7
2016	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
2017	<b>100.0</b>	100.0	100.1	101.2	94.3	106.0
2018	<b>101.0</b>	101.1	100.6	103.5	93.7	102.6
2019	<b>101.7</b>	101.6	101.9	103.7	95.4	102.6

## List of Tables

Data accompanying this bulletin are available from the [NISRA website](#) in both Open Document and Excel formats. The spreadsheet includes the following tables.

Table 1: NICEI and component indices by quarter, Q1 2006 – Q1 2020

Table 2: NICEI and component indices by year, 2006 – 2019 (2016=100)

Table 3: Data for Chart 1: Northern Ireland Composite Economic Index (NICEI), Quarter on quarter change (%), Q1 2006 – Q1 2020

Table 4: Data for Chart 2: Breakdown of NI Businesses & Employees by country of ownership, 2020

Table 5: Data for Chart 3: Proportion of NI Regional GVA by Sector, 2018

Table 6: Data for Chart 4: NICEI, Contribution to quarterly, annual and annualized growth

Table 7: Data for Chart 5: Northern Ireland Composite Economic Index (NICEI), Q1 2006 – Q1 2020

Table 8: Data for Chart 6: NICEI, comparison with selected GDP measures Q1 2006 – Q1 2020

Table 9: Data for Chart 7: Quarterly, annual and annualised change, NICEI compared with selected GDP measures, Q1 2019 – Q1 2020

Table 10: Data for Chart 8: Transport Infrastructure Ireland (TII) traffic count of all vehicles at the fifteen NI-IE border sites; rolling 12 months Feb 2014 onwards

Table 11: Data for Chart 9: Civil Aviation Authority (CAA) number of transport movements and air passengers at NI airports, December 2017 – May 2020

Table 12: Data for Chart 11: NI's top 5 exporting destinations for goods for the year ending Q1 2020 vs quarterly GDP change to Q1 2020

Table 13: Comparison of the NICEI Series at Q1 2020 and Q4 2020, Q1 2006 – Q1 2020

## Contact Details

Economic and Labour Market Statistics,  
Northern Ireland Statistics and Research Agency,  
Colby House,  
Stranmillis Court,  
Belfast BT9 5RR

Email: [economicstats@nisra.gov.uk](mailto:economicstats@nisra.gov.uk)

Twitter: @NISRA

<https://www.nisra.gov.uk/statistics>

**Next NICEI publication: 8th October 2020**

Statistics Contact: User's comments and feedback are welcome and can be provided to:

David Leonard ([David.Leonard@nisra.gov.uk](mailto:David.Leonard@nisra.gov.uk)), Tel: 028 9052 9385)

