

Covid-19 and the NI economy

Richard Johnston
Deputy Director

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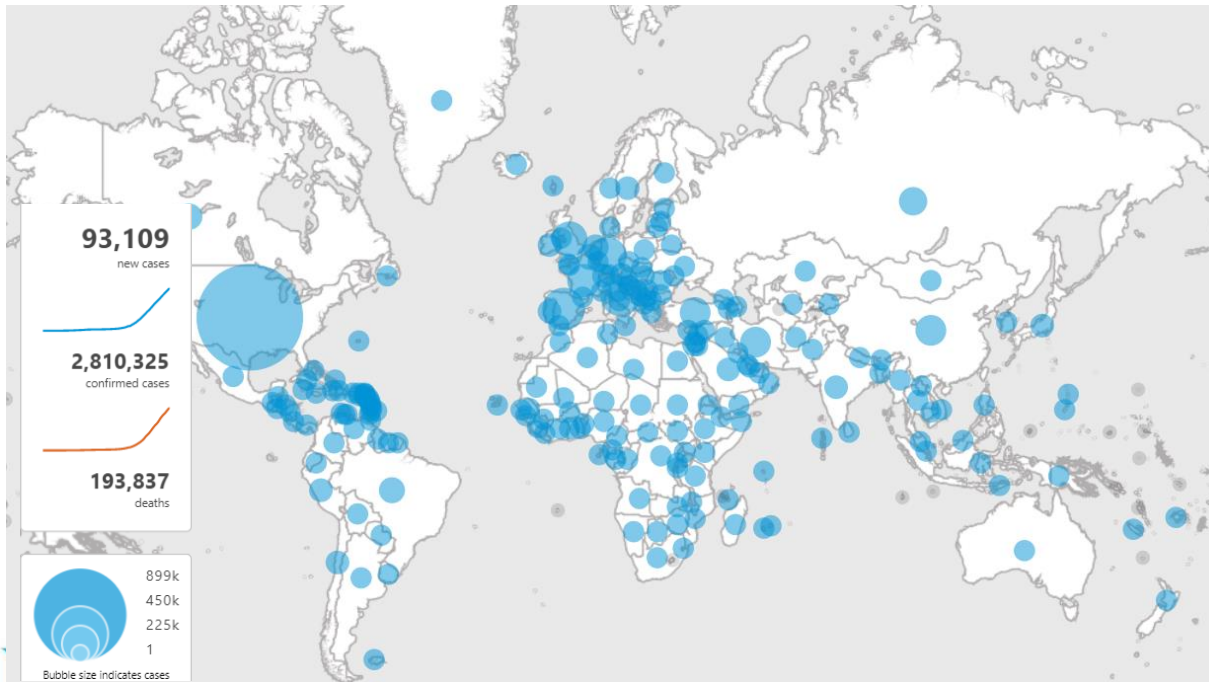


The humanitarian impact

Primarily a humanitarian crisis

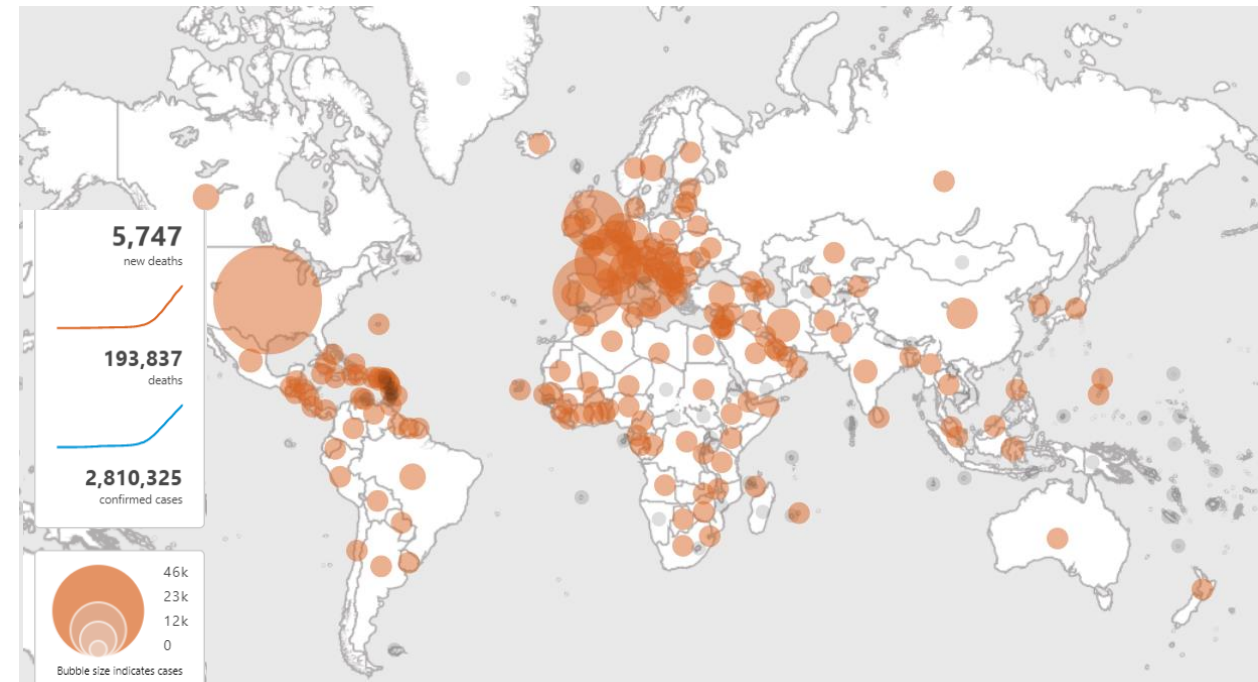
- Global pandemic
- 2.8m confirmed cases
- 194,000 deaths to date
- Europe & the USA most impacted

Recorded Covid-19 cases, 26 April 2020



Source: World Health Organisation

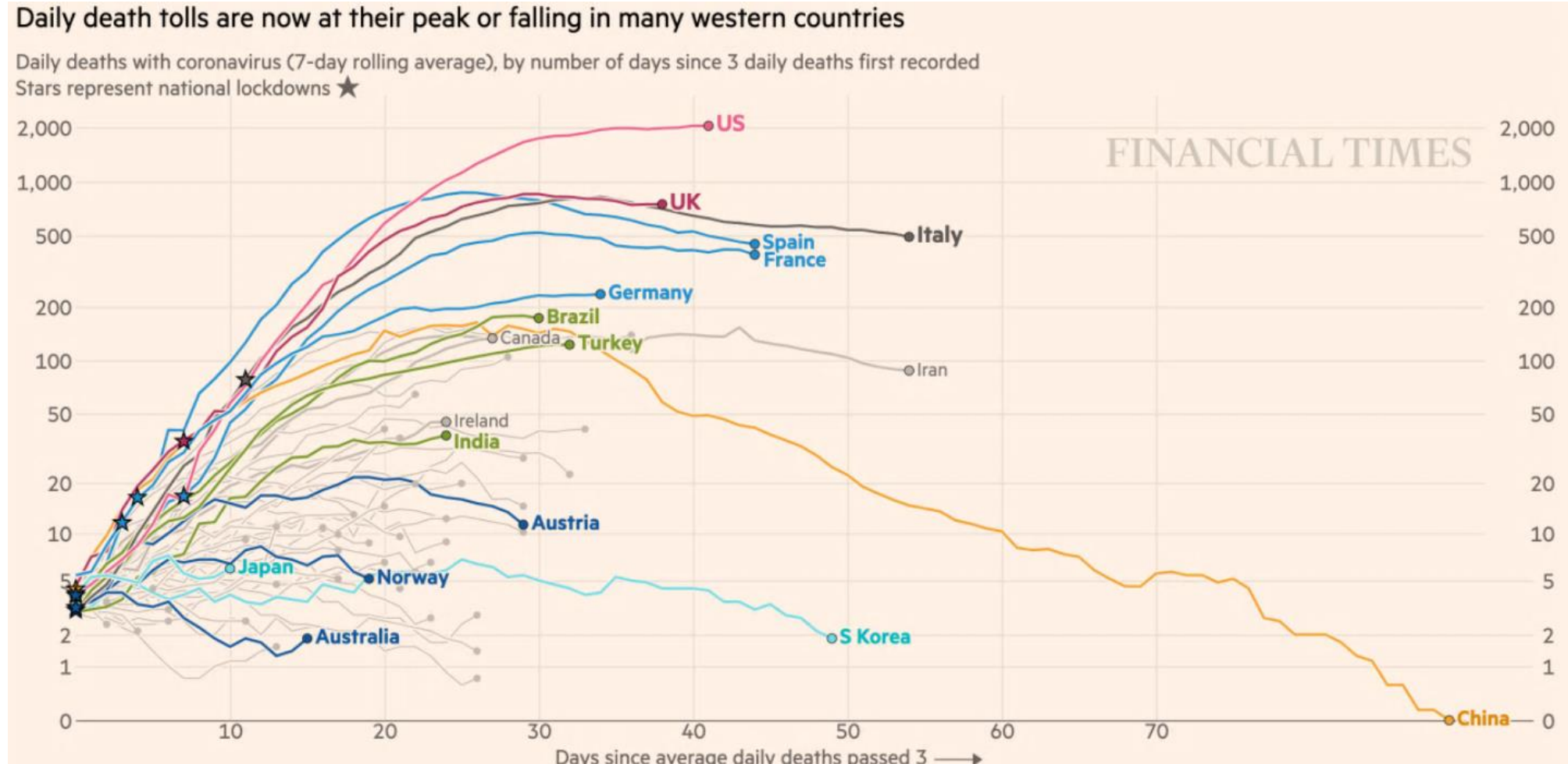
Recorded deaths due to Covid-19, 26 April 2020



Source: World Health Organisation

An ongoing crisis

For at least a few months in this current phase



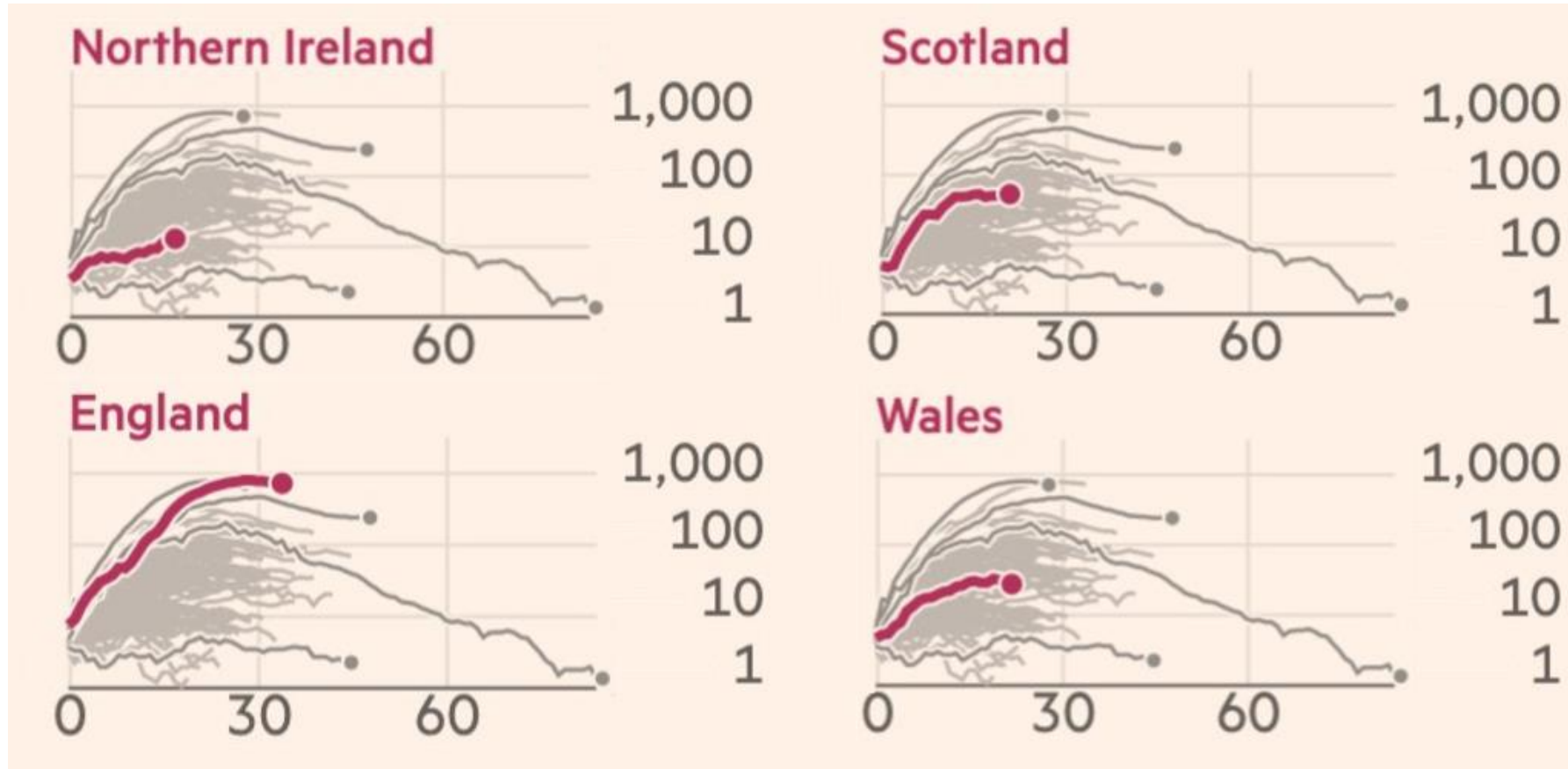
FINANCIAL TIMES

Source: Financial Times

NI less impacted than other parts of the UK

For at least a few months in this current phase

Recorded Covid-19 deaths by UK country, 23 April 2020

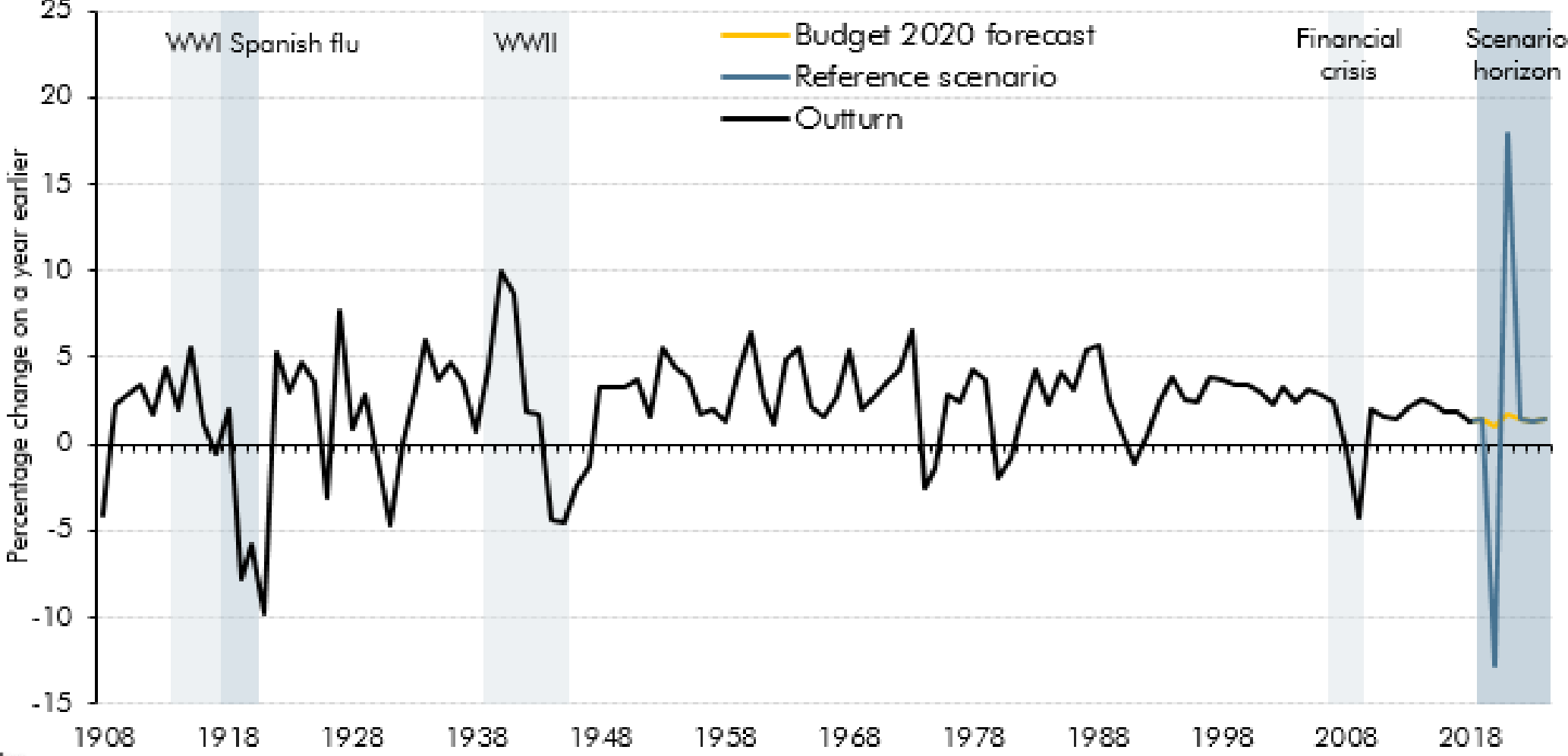


Source: Financial Times

A peculiar recession

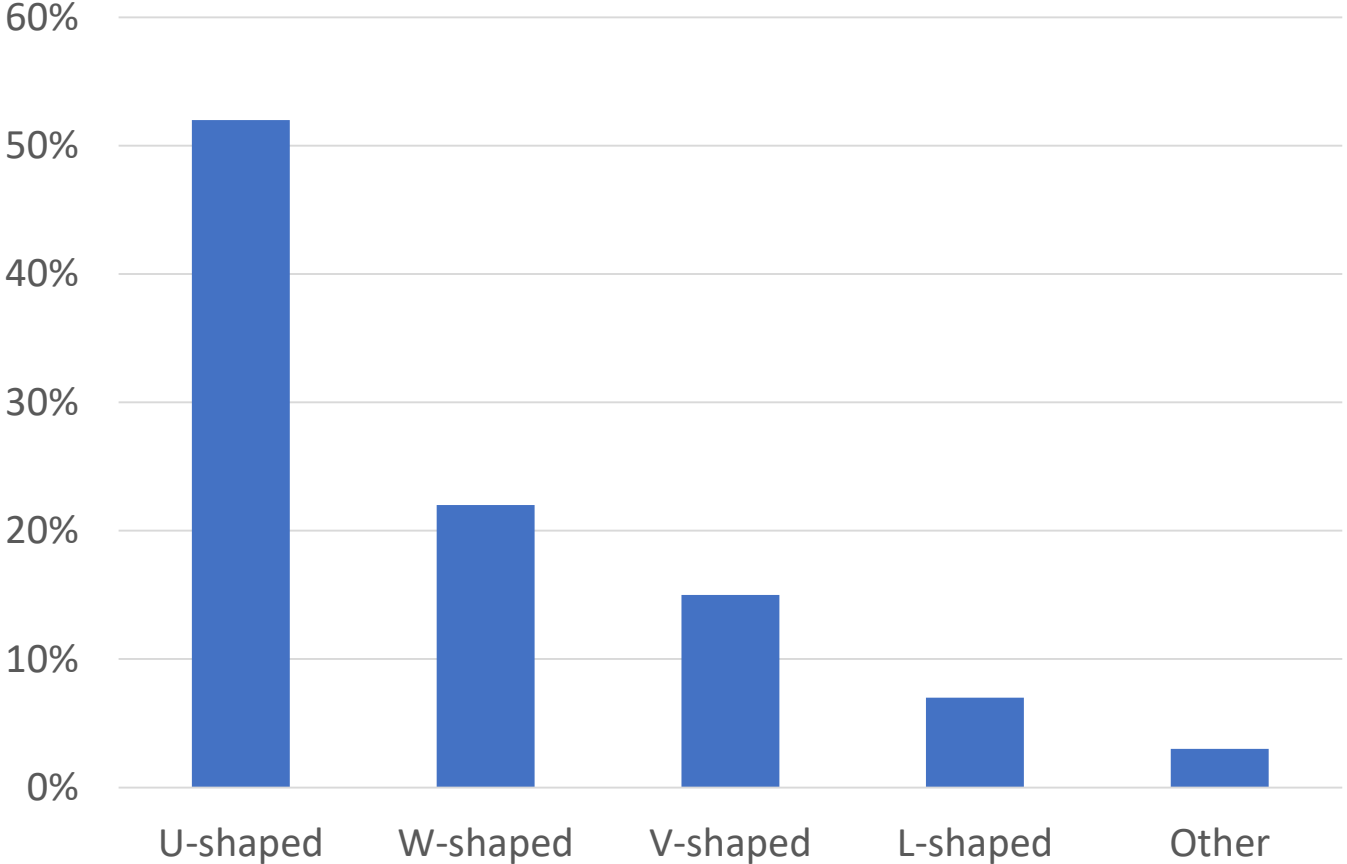
Rapid and relatively deep contraction

UK quarterly GDP decline in a historical perspective, April 2020



Source: Office of Budget Responsibility

Investors expect a U shaped recovery

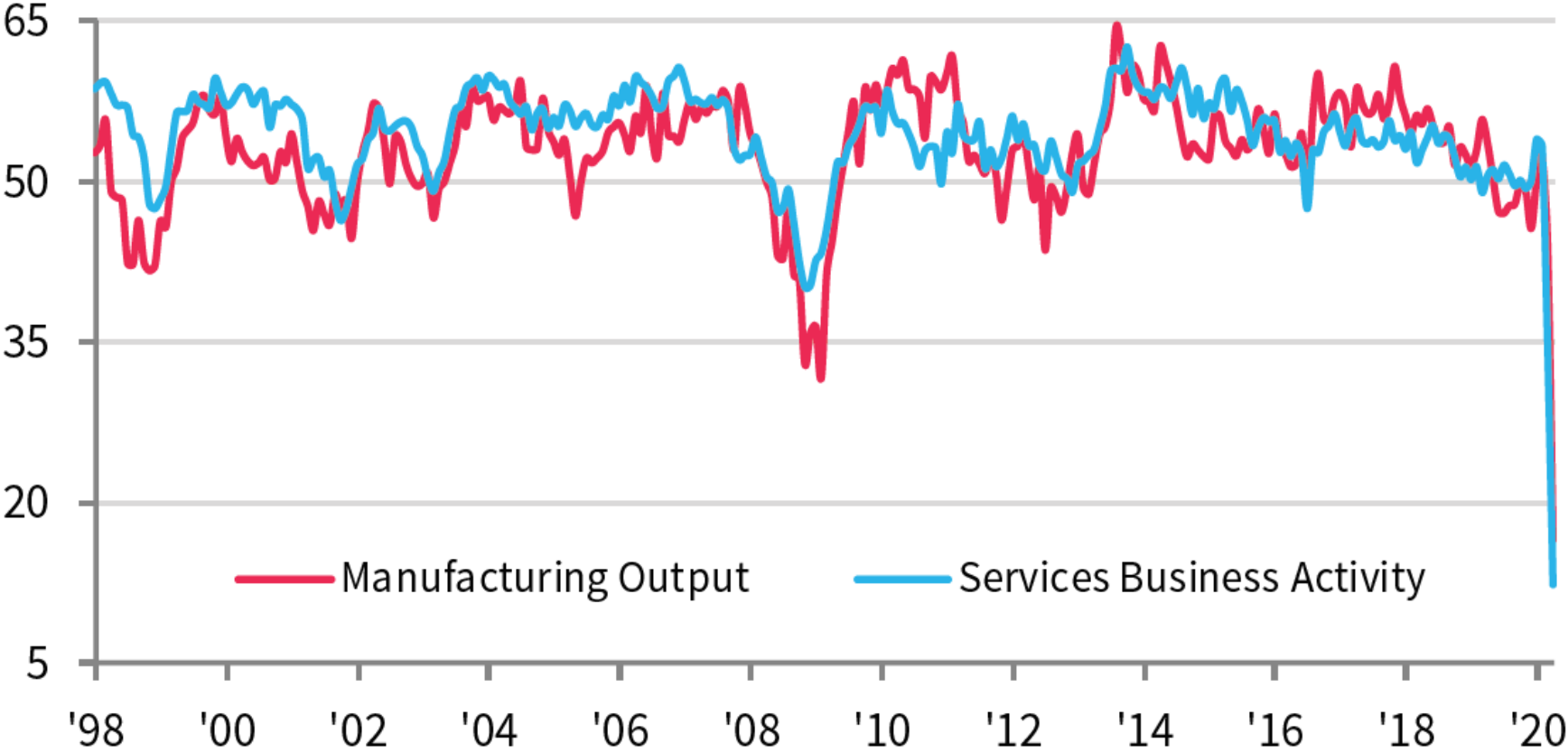


Bank of America Global Fund manager survey

UK Output has plummeted

Record low in UK Purchasing Managers Index of 12.9

UK PMI output index for Manufacturing and Services, April 2020

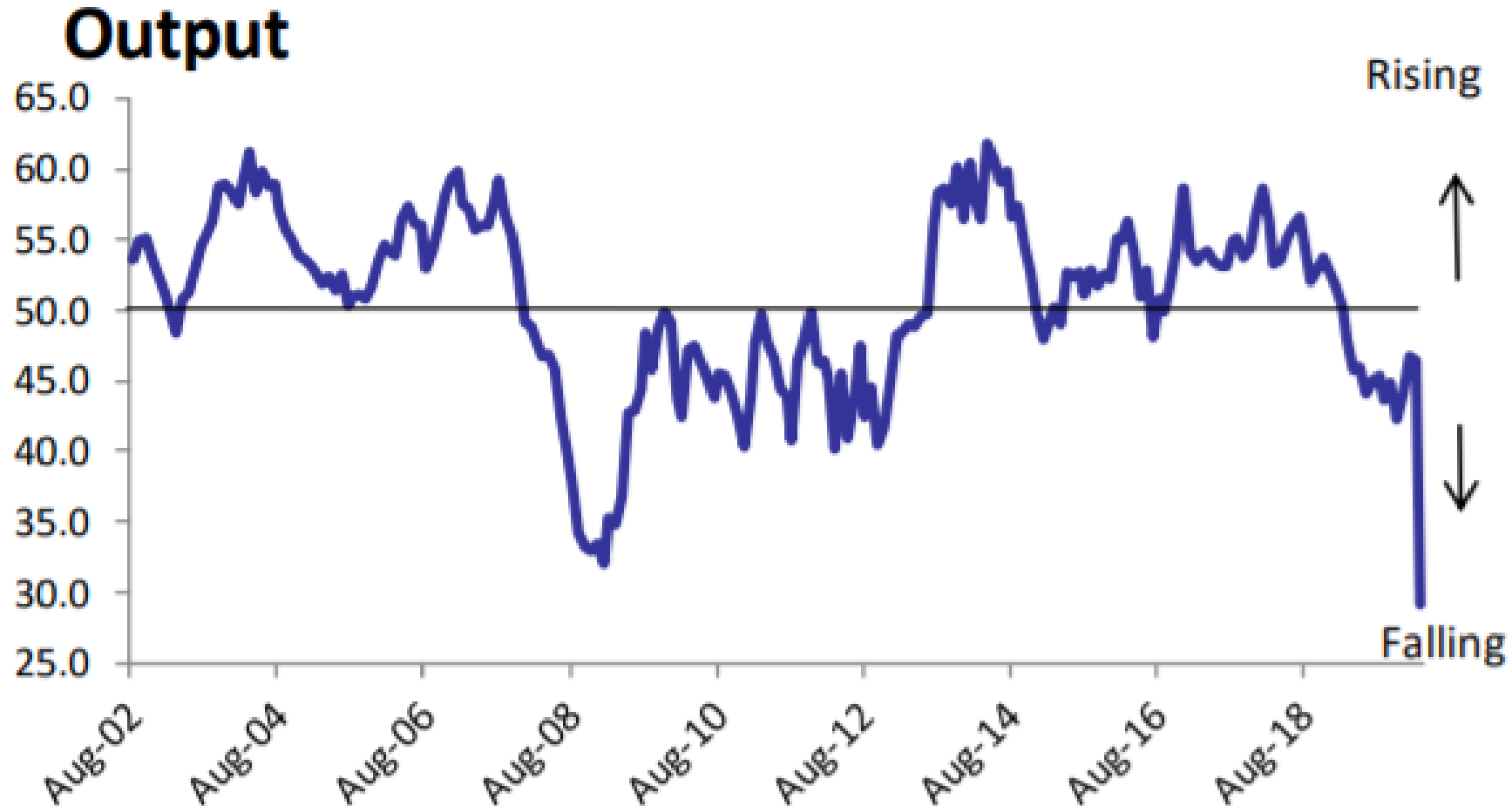


Source: HIS Markit
Note: sa, >50 = growth since previous month

NI output has plummeted too

Record falls in business activity

NI Business Output, March 2020



Source: IHS Markit, Ulster Bank

Covid-19 scenarios for NI

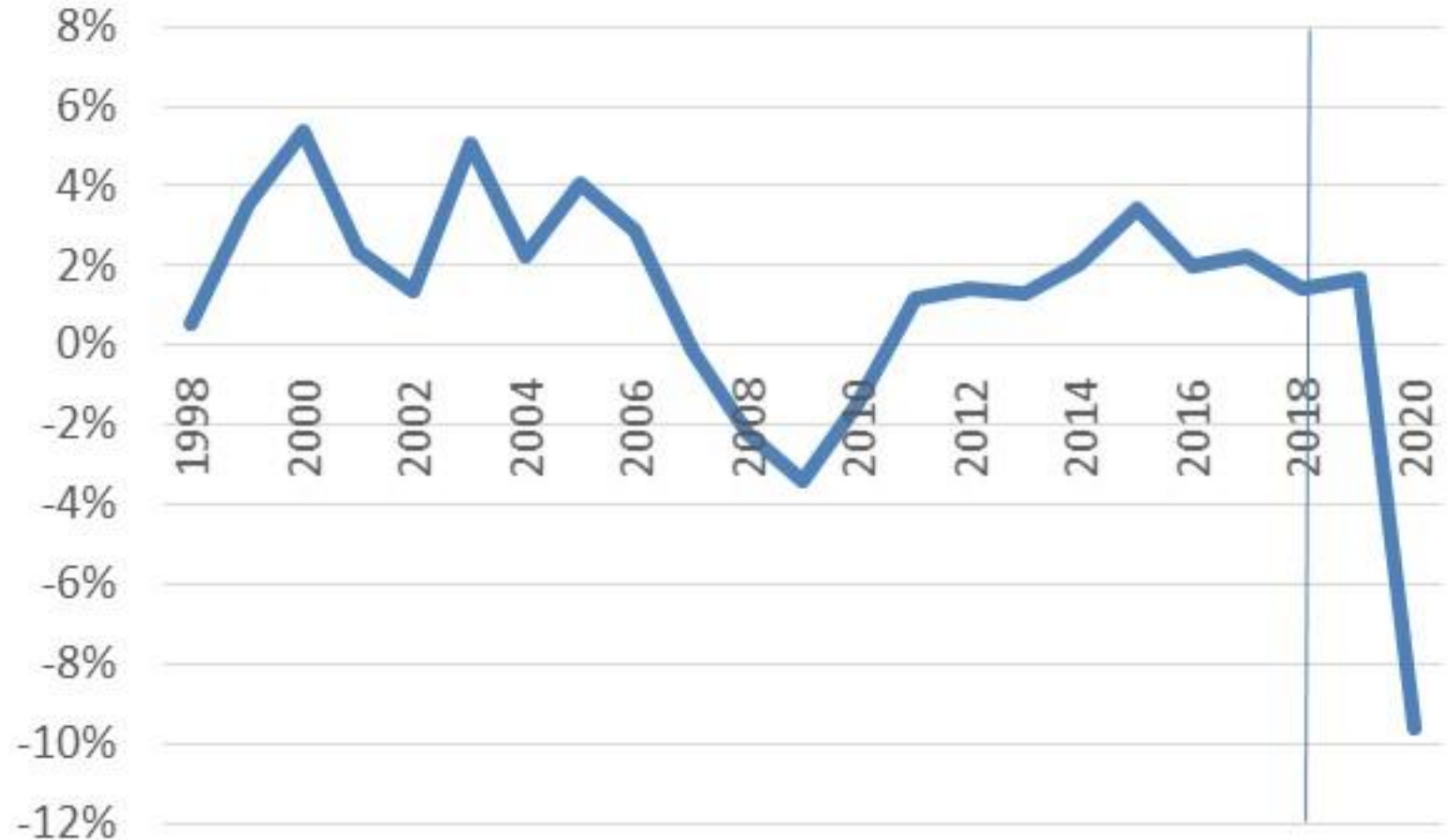
UUEPC

- **-9.6%** contraction in GVA during 2020
- More than 80% of the reduction as a result of consumption declines.

EY

- **-6.7% to -10%** contraction in GVA during 2020
- 78,000 to 132,000 job losses

Annual change in real GDP, NI, 1998 - 2020



Source UUEPC

Summary of surveys

Turnover

- 3 in 4 businesses highlight a serious decline in sales / income

Workforce

- 38% of businesses have seen significant decrease in the size of their workforce
- 47% of businesses saw a significant decrease in the number of contractors / agency workers

Redundancies

- 28% of construction firms have made redundancies, another 48% consider this to be likely in the next three months

Furlough

- 80% of firms likely to furlough some staff
- 30% intend to furlough all staff
- 100% of construction firms intend to, 81% of Manufacturing firms have furloughed staff,

Summary of surveys

Using cash reserves

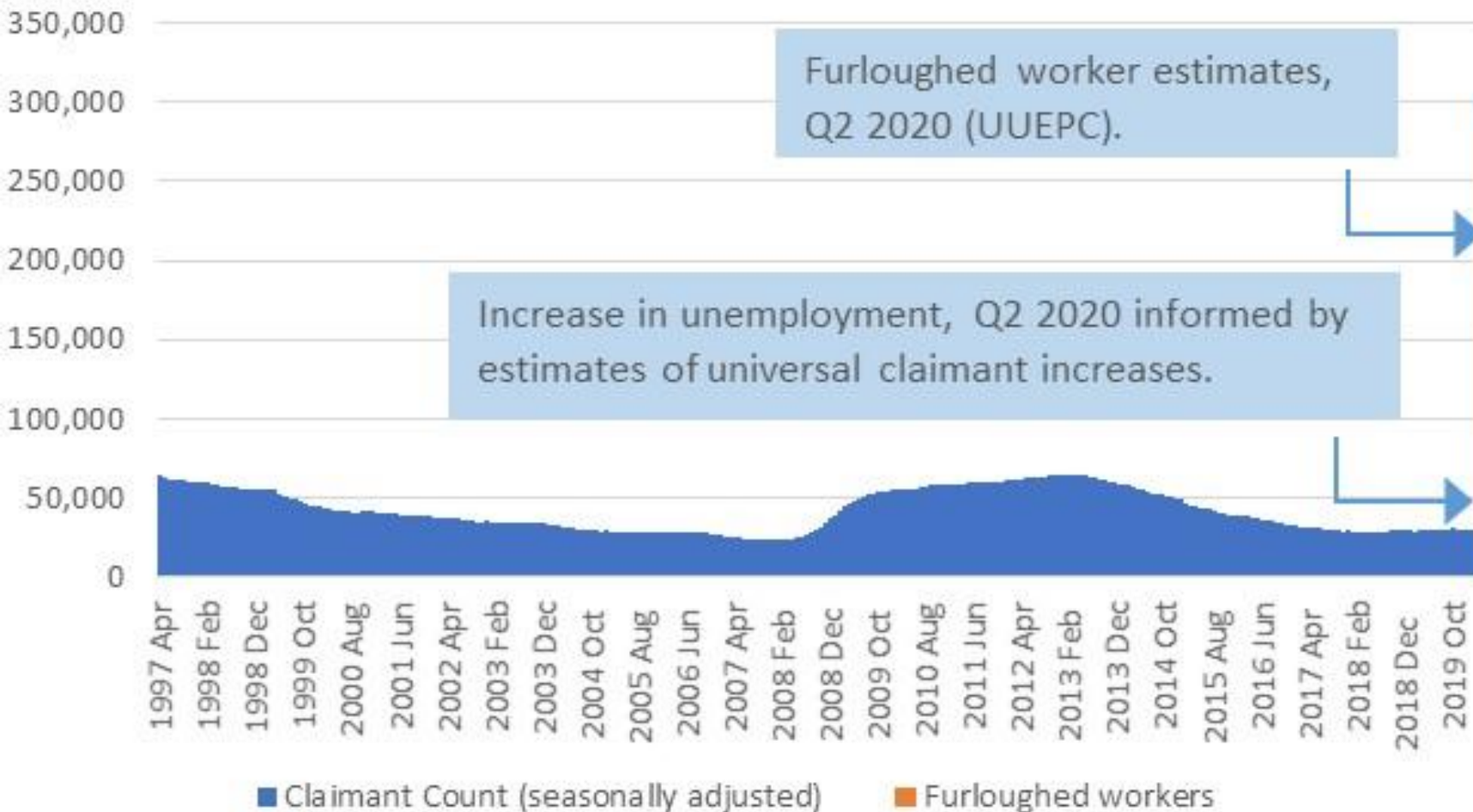
- 1 in 10 have no cash reserves;
- 63% of firms have three months of reserves remaining
- 78% of manufacturing companies using cash reserves

Repurposing

- 12% of manufacturers have repurposed production or are working collaboratively with the NHS to tackle the virus
- Around one in seven have made changes to their product / service and / or moved to online platforms

Around 300,000 people could be furloughed or unemployed

Unemployment level (claimant count) and furloughed employee estimates,
NI, April 1997 – April 2020



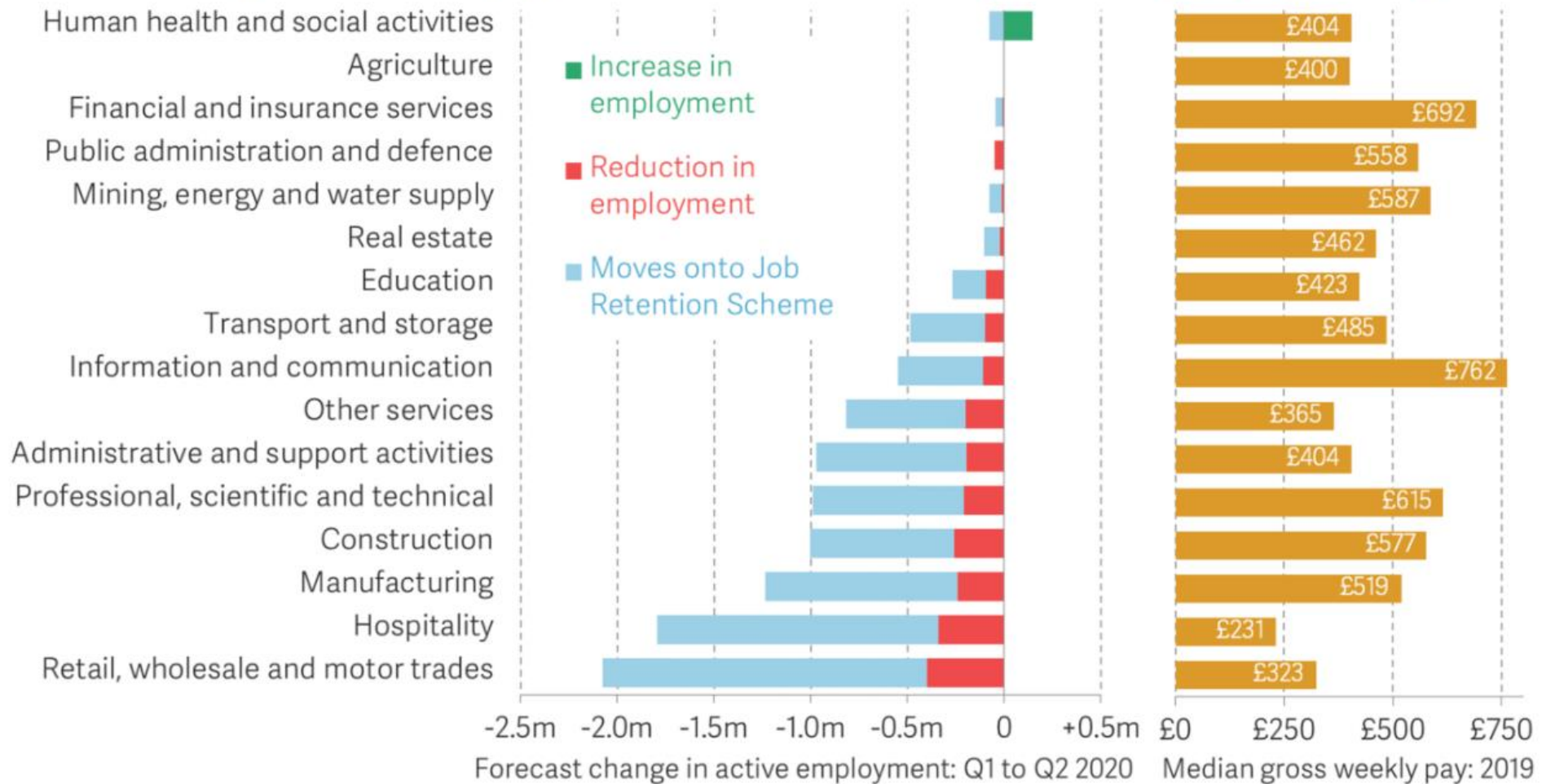
- These are estimates of unemployment and numbers of furloughed staff in April 2020.
- This is an illustration of the potential scale of support available via the Coronavirus job retention scheme.

Distributional impacts

Most vulnerable groups are hardest hit

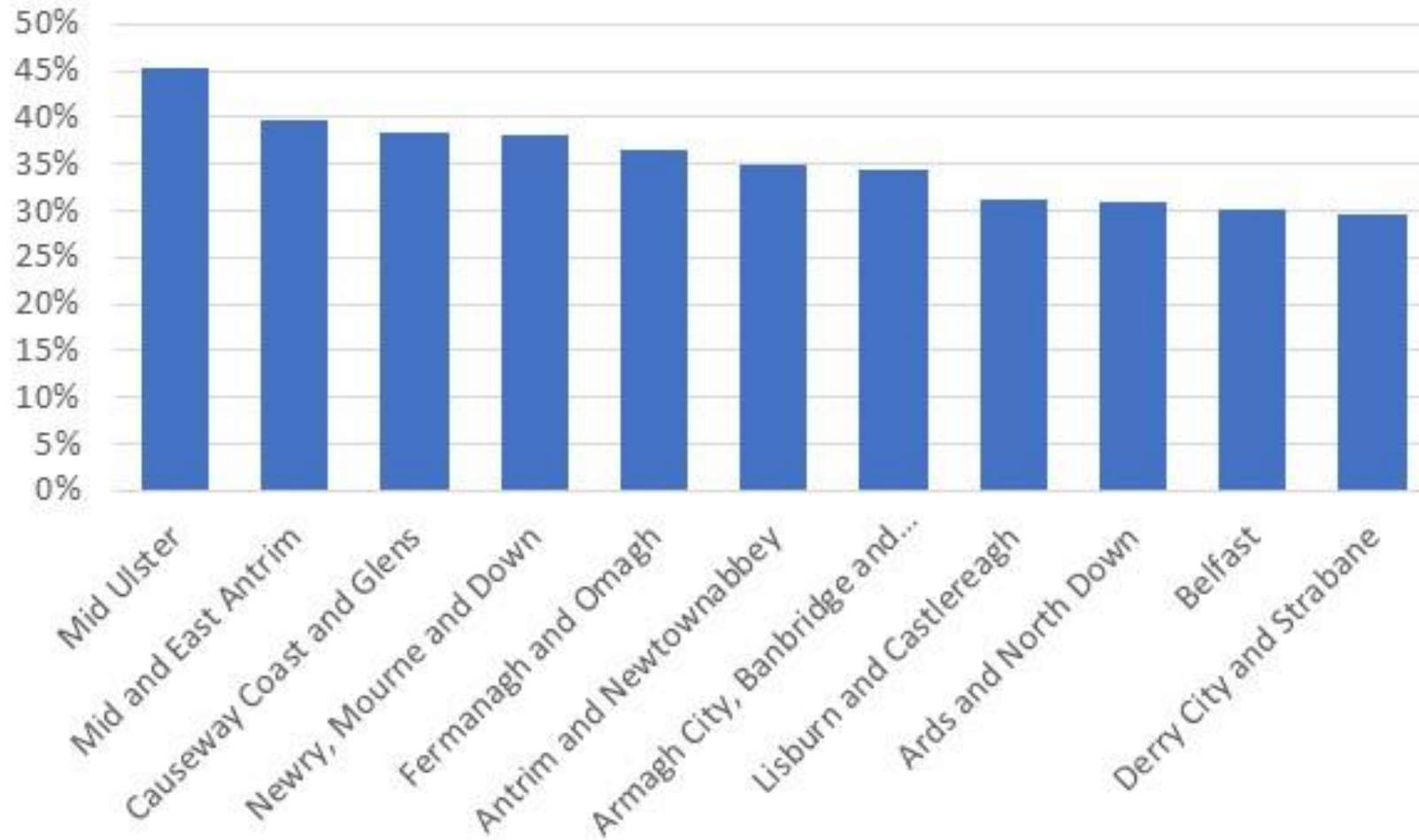


Forecast change in active employment and level of median gross weekly pay, by industry: UK



Sub-regional perspective

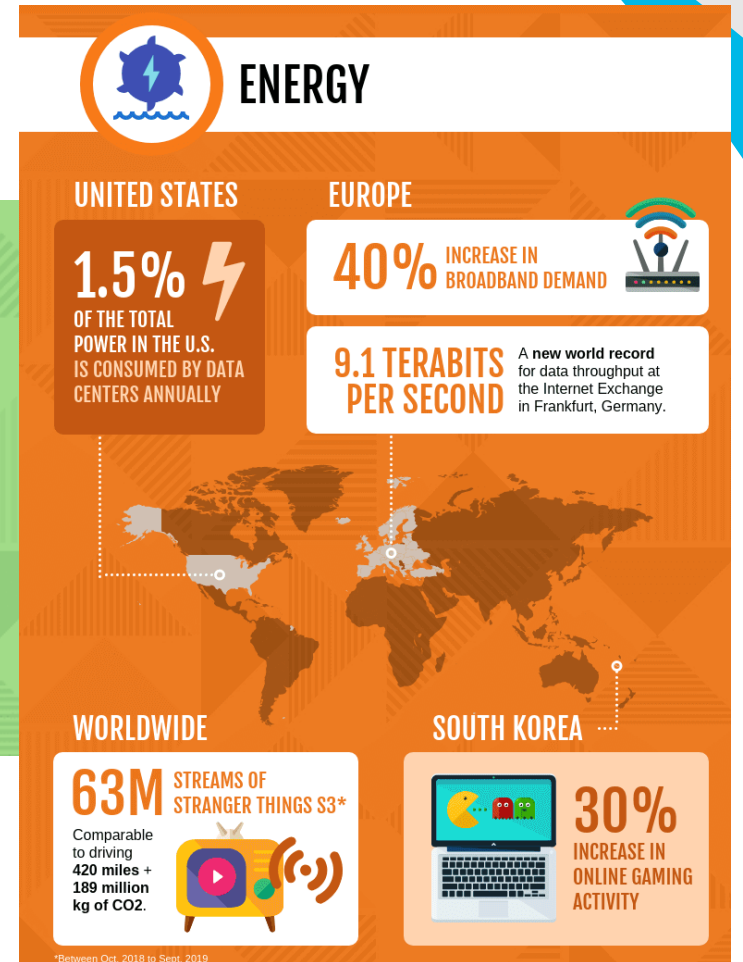
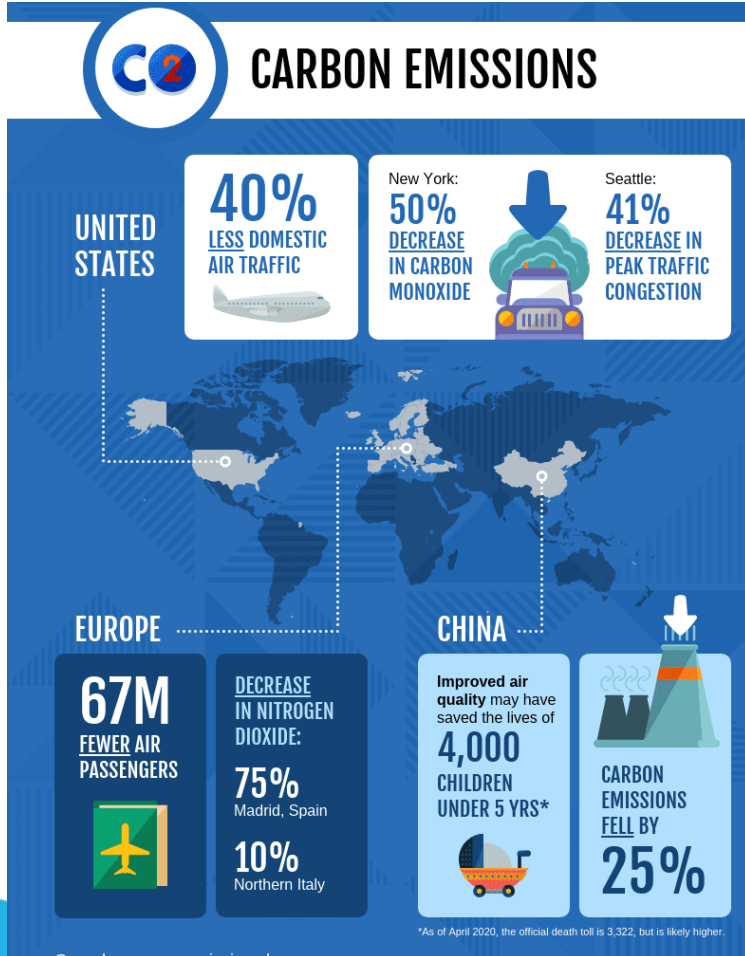
Estimated reduction in GDP, Q2, by Council area, NI



Source: Centre for Progressive Policy

Environmental impacts are positive

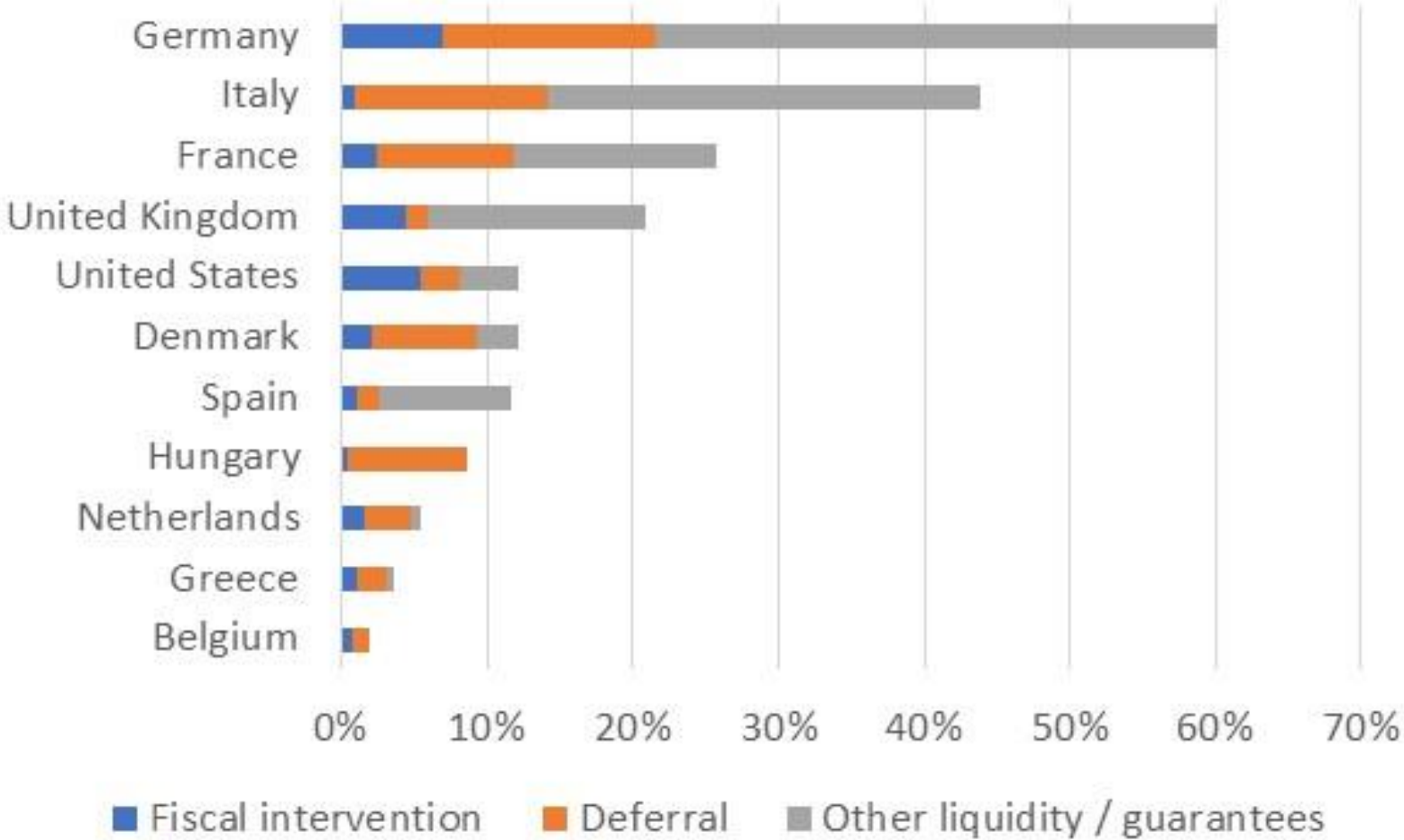
Although energy for data use and storage increased



Government support to ameliorate the impact of Covid-19

Unprecedented government intervention

Discretionary 2020 fiscal measures adopted in response to coronavirus by 16 April 2020*, % of 2019 GDP



Source: Breugel.org

Policies in place in the UK & NI

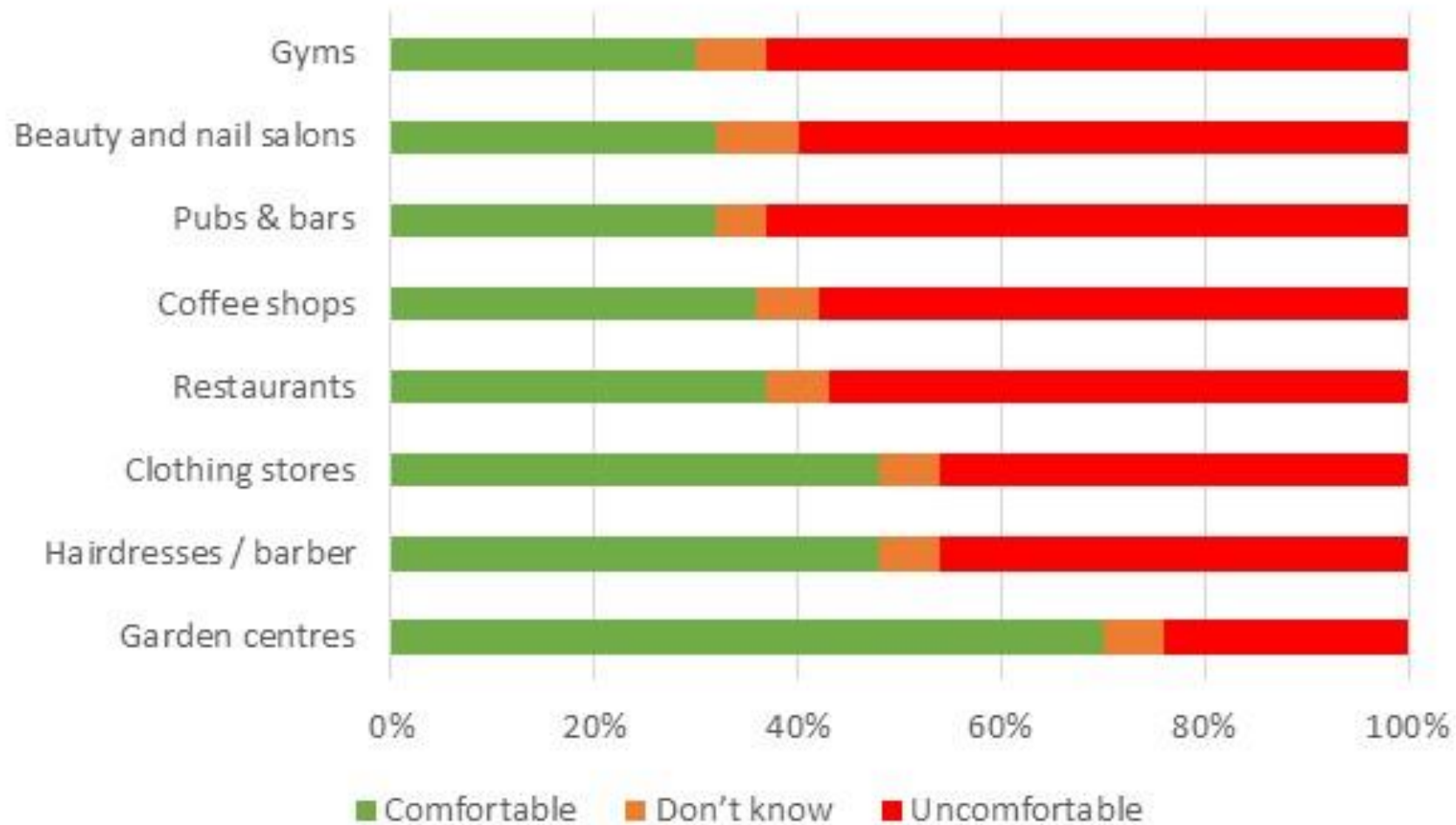
Enterprises	Individuals	Other support
Covid Business Interruption Loan Scheme	Covid Job Retention Scheme (Furlough)	R&D support (UKRI)
Large Covid Business Interruption Loan Scheme	Self Employed Income Support Scheme	Sports Hardship Fund
Band of England Covid Finance Facility		NI Hardship fund (lauching soon)
VAT & income Tax deferral		
Band of England Covid Finance Facility		
£10k grant for all Small NAV Commercial Ratepayers		
£25k grant for retail, hospitality & Tourism (NAV £15k - £50k)		

Note: those in bold are NI only policies

Yearning for “normality”

Where would we be comfortable going?

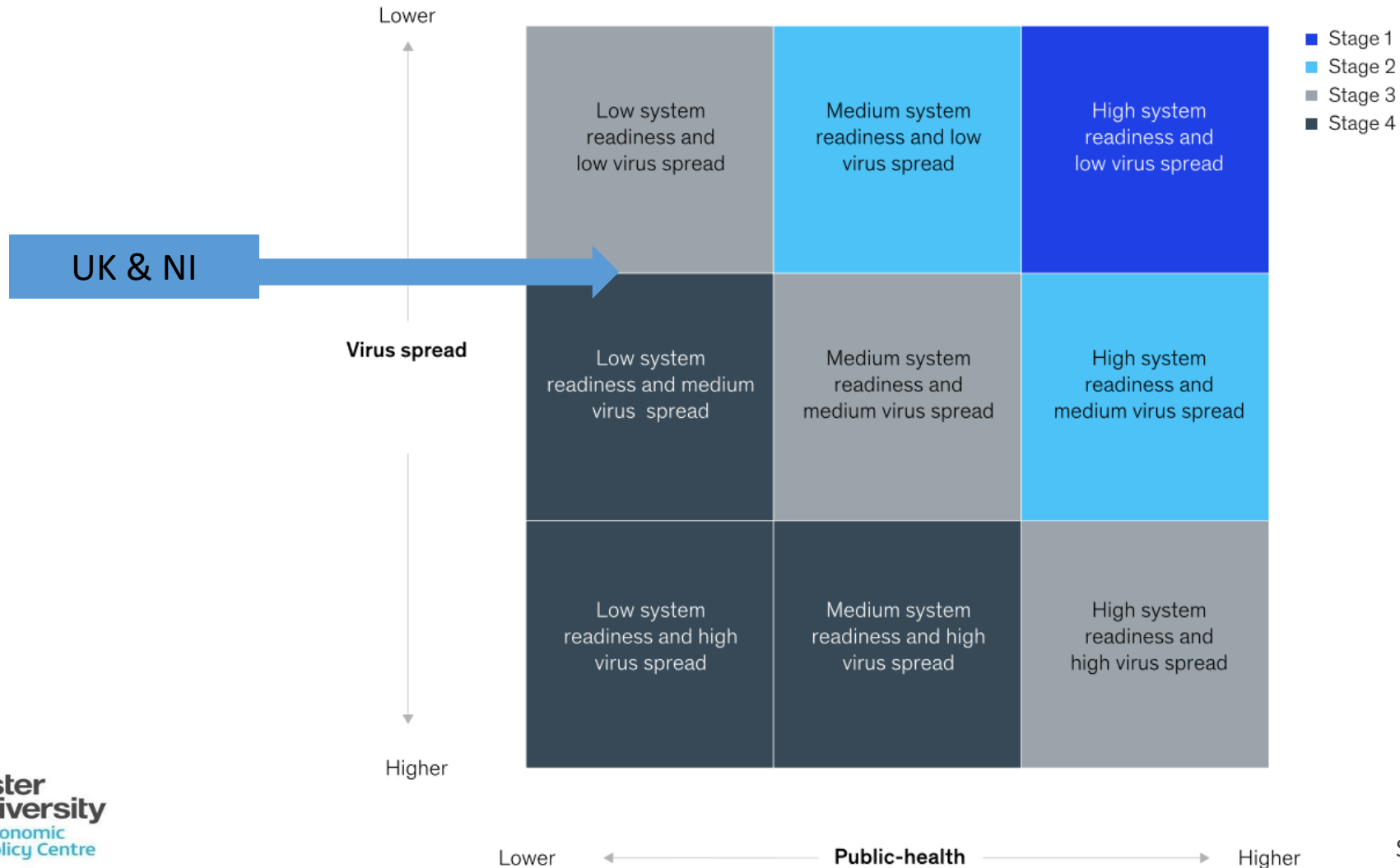
Social distance will be maintained



Source: YouGov

Readiness to restart economies

But only when the virus spread reduces and the public health system can deal with transmission or re-emergence



Source McKinsey

Round up

The “big gun” response to the pandemic

Serious impacts across the globe

- The most significant pandemic to hit the world since the Spanish Flu
- The policy of lockdown for parts of the economy and on individual freedoms has been necessary in order to reduce transmission and save lives
- Covid-19 has brought grief to many families. Although thankfully, the impact in NI is lower than initial estimates
- We can expect the restrictions on the economy and individuals to be in place for at least several more months, then tapering down

Necessary policy intervention

- Broad-ranging, immediate and expensive policy supports were necessary to ameliorate the immediate impacts of the restrictions

Conclusions

Immediate economic impact

- Sharpest recession in NI's history

Acceleration of existing trends

- Increase online commerce
- Speed automation & digitisation
- Composition of the high street
- Valuing environmental impacts more highly

Impacts are uneven across society

- Vulnerable groups will need additional support
 - Those with limited digital skills or online access,
 - Lower qualified groups,
 - The young,
 - Areas that rely on tourism and / or manufacturing

Will we prioritise differently in the future?

There are a range of potential positive impacts

How we raise and spend public monies

- A different social contract?
- Expansion of government services to protect citizens & ability to mobilise at speed
- Taxation – more focus on taxing environmental costs
- Spending – more on healthcare, resilience, security

How we work and learn

- From present in the office to present online
- Blurring of working hours and home:work boundaries

How we support businesses

- Rates post July / hardship funds
- Financial resilience
- Shorter, more local supply chains
- Digital survivors – helping them thrive and grow
- Help developing Leaders
- Community focus?

Contact Details

Richard Johnston

Deputy Director

Email:

richard.johnston@ulster.ac.uk

Mobile:

07715 039 956

Gillian McCausland

Assistant Economist

Email:

g.mccausland@ulster.ac.uk

Ryan Hogg

Assistant Economist

Email:

r.hogg@ulster.ac.uk