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Hospitality Sector and the Wider Economy in NI: Key estimated initial impacts of COVID-19 and related government responses

Introduction

This paper supplements information and data to be contained in a forthcoming Bill Paper prepared by the Assembly's Research and Information Service (RaISe), which will be entitled "Licensing and Registration of Clubs (Amendment) Bill Paper" (NIAR 66-2020). This paper includes an analysis of the estimated impacts of COVID-19 and government related responses. The pandemic presents an ever-changing, ongoing situation. As such, the latest data included in this paper provides an initial look - a snapshot - of currently identified impact of COVID-19 on the sector. For example, the available data does not include the NI COVID-19 related restrictions that commenced on 16 October 2020, or government decisions taken thereafter, at central or devolved levels. Furthermore, the paper was written prior to any changes to those 16 October 2020 restrictions were announced and does not include an analysis of those changes.

This paper provides additional context for that forthcoming Bill Paper. It first examines key impacts of the hospitality sector on the wider Northern Ireland (NI) economy pre-COVID-19. Thereafter, it outlines key estimated initial impacts of COVID-19 and related government responses at both central and devolved levels on that sector, generally and in relation to footfall in particular.

The paper has three main sections:

- **Section 1** uses official statistics and analyses commissioned by representative bodies in the hospitality sector, to provide context and highlight the hospitality sector's impact on the NI economy;
- **Section 2** relies on official statistics, novel data sources and analyses commissioned by sectoral representative bodies, to provide insight into key estimated initial impacts of COVID-19 and related government responses on that sector generally, and in the context of footfall in particular; and,
- **Section 3** provides some concluding remarks, drawing on evidence presented in the previous sections.

1 Key economic impacts of the hospitality sector in NI

This section provides a brief look at key economic impacts of the hospitality sector in NI. It draws from official government data and the Hospitality Ulster (HU)/NI Hotel Federation (NIHF) report entitled, "The Hospitality Sector in Northern Ireland: the road to recovery" (May 2020), to examine the sector's economic output and job impact. The findings of this section are summarised in an infographic below, at Figure 1.

The HU/NIHF report updates a 2015 Oxford Economics "*Economic impact assessment of Northern Ireland's hospitality sector*"¹, which was prepared for HU. That economic impact assessment examined a number of key economic impacts of that sector, including:

- Gross value added (GVA) generated by the sector – which is a measure of economic output. It is equivalent to Gross Domestic Product (GDP), plus subsidies, minus taxes. GVA is used as proxy for GDP, when looking at regional economy (e.g. NI), rather than a national one (e.g. UK);
- Employment associated with the sector;
- Wages supported by the sector;
- Turnover supported by the sector; and,
- Tax revenue generated by the sector.

¹ Oxford Economic, Economic impact assessment of Northern Ireland's hospitality sector (May 2015)
<https://hospitalityulster.org/download/files/Hospitality%20Ulster%202015%20Report.docx>

The 2015 Oxford Economics study defined the sector as one encompassing businesses found in the following four-digit Standard Industrial Classification (SIC) Codes² (see SIC explanation below):

- Beverages serving activities (SIC 5630);
- Hotels and other short stay accommodation (SIC 5510);
- Holiday and other short stay accommodation (SIC 5520);
- Camping grounds, recreational vehicle parks and trailer parks (SIC 5630)
- Other accommodation (SIC 5690);
- Restaurants and mobile food service activities (SIC5610);
- Event catering activities (SIC 5621);
- Other food services (SIC 5629); and,
- Convention and trade show organisers (SIC 8230).³

The 2015 Oxford Economics study also examined key economic impacts of the sector, at three different levels - namely:

- Direct impacts – the economic impact of the NI hospitality sector itself, including the profit and wages directly generated by the sector;
- Indirect impacts – the economic activity supported as a result of the sector’s “supply chain”, e.g., expenditure on input goods and services from suppliers used within the hospitality industry; and,
- Induced impacts – the economic activity resulting from wage spending consumer groups and services provided by those directly and indirectly employed in the sector.⁴

A fuller, practical example to illustrate the three above impacts is included in Box 1 below.

² The Oxford Economic SIC code definition of the hospitality sector is based on four digit SIC codes. Note licensed clubs, including social clubs and night clubs, are captured by the SIC code structure at the five digit level and are included in this definition as a subset of SIC Code 5630 Beverages and serving activities. https://onsdigital.github.io/dp-classification-tools/standard-industrial-classification/ONS_SIC_hierarchy_view.html

³ Oxford Economic, Economic impact assessment of Northern Ireland’s hospitality sector (May 2015) <https://hospitalityulster.org/download/files/Hospitality%20Ulster%202015%20Report.docx>

⁴ *Ibid*

Box 1: Example of direct, indirect and induced impacts

Using a restaurant as an illustrative example of these channels of economic impact:

- **Direct impacts** include the employees directly employed by the restaurant, such as the chefs, waiting staff, and porters; the wages of those employees directly employed by the restaurant; and, the GVA generated by the restaurant, which is essentially the sum of the restaurant's profit and wages.
- **Indirect impacts** arise when the restaurant buys goods and services from its supply chain, which is spread across multiple sectors, such as: food and drink from the agriculture and manufacturing sectors; furniture from the wholesale & retail sector; and, accountancy services from the financial services sector. Those businesses, in turn, make purchases from their own supply chain, e.g. the accountants buy stationary and farmers buy fertiliser.
- **Induced impacts** arise from, e.g.: spending based on the wages of those restaurant staff members, and the wages of people whose jobs are in businesses supported in the restaurant's supply chain; on items like entertainment, retail shopping, home improvements, etc.; which in turn helps to support jobs and activity in consumer-serving businesses.

Figure 1: Infographic summarising economic impact of hospitality in NI

Economic impact of hospitality in NI



Hospitality was estimated to contribute

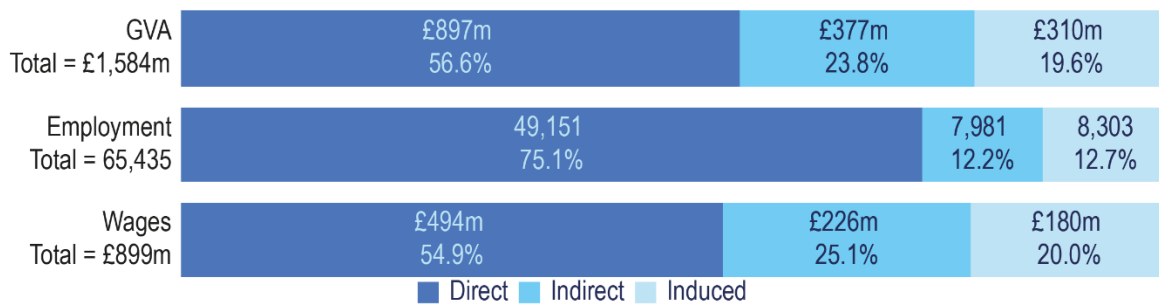
4%
NI
GVA
(2017)

8.7%
NI
Jobs
(2017)

£88.4m
Tax
Revenue
(2013)

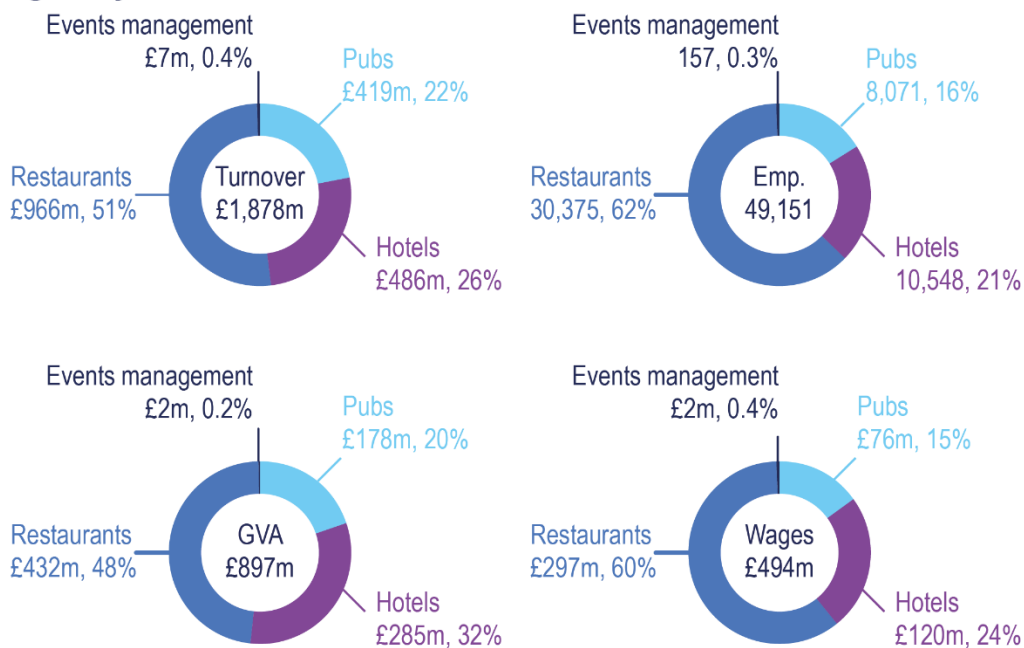
Sources: Hospitality Ulster (2020, 2015), ONS (2019), NISRA (2018)

Direct, indirect and induced impact of hospitality on Gross Value Added (GVA), Employment and Wages, 2017



Source: Hospitality Ulster (2020)

Direct impact of hospitality on Turnover, GVA, Employment (Emp.) and Wages by subsector, 2017



Source: Hospitality Ulster (2020)

1.1 Gross value added (GVA)

The 2020 HU and NIHF report estimated the total GVA⁵ generated by the sector in 2017 was £1.6 billion (bn).⁶ This was equivalent to approximately 4% of NI GVA in 2017, based on a total GVA of £40.5bn in the same year.⁷

The sector's overall GVA contribution in 2017 can be broken down into its direct, indirect and induced elements, as follows:

- The direct GVA contribution was estimated to be £897 million (m), equivalent to 56.6% of the sector's total GVA contribution;
- The indirect GVA contribution was estimated to be £377m, or 23.8% of the sector's total GVA contribution; and,
- The induced GVA contribution was estimated to be £310m, or 19.6% of the sector's total GVA contribution.⁸

The 2020 HU and NIHF report also examined the contribution that hospitality's subsectors made to its overall direct £897m GVA contribution. On this, the 2020 report concluded that in 2017:

- The restaurant sector generated the largest proportion – 48% – of direct GVA, with an estimated £432m of GVA attributable to that sector;
- Hotels generated £285m in GVA, equivalent to 32% of the sector's total direct GVA;
- Pubs generated £178m in GVA, equivalent to 20% of the sector's total direct GVA; and,
- Events management generated £2m in GVA, or 0.2% of the sector's total direct GVA.⁹

1.2 Employment

The 2020 HU and NIHF report also examined total employment associated with the hospitality sector. As of 2017, the total employment associated with the sector was

⁵ GVA is a measure of economic output. It is equivalent to Gross Domestic Product (GDP) plus subsidies, minus taxes. GVA is used as proxy for GDP, when looking at regional economy (e.g. NI), rather than a national one (e.g. UK).

⁶ BDO, Hospitality Ulster and NI Hotels Federation, The Hospitality Sector in Northern Ireland: the road to recovery (11 May 2020) <https://www.bdoni.com/getattachment/Insights/Featured-Insights/The-Hospitality-Sector-in-NI-The-Road-to-Recovery/FINAL-Hospitality-Sector.pdf.aspx?lang=en-GB>

⁷ ONS, Regional gross value added (balance) by industry: all NUTS level regions (19 December 2019) <https://www.ons.gov.uk/file?uri=%2feconomy%2fgrossvalueaddedgva%2fdatasets%2fnominalandrealregionalgrossvalueaddedbalancedbyindustry%2fcurrent/regionalgrossvalueaddedbalancedbyindustryallnutslevelregions.xlsx>

⁸ BDO, Hospitality Ulster and NI Hotels Federation, The Hospitality Sector in Northern Ireland: the road to recovery (11 May 2020) <https://www.bdoni.com/getattachment/Insights/Featured-Insights/The-Hospitality-Sector-in-NI-The-Road-to-Recovery/FINAL-Hospitality-Sector.pdf.aspx?lang=en-GB>

⁹ *Ibid*

estimated to be 65,435.¹⁰ This was equivalent to 8.7% of total NI employment in the same year, based on a total employment figure 756,365 in 2017.¹¹

This overall figure of 65,435 included the direct, indirect and induced employment associated with the hospitality sector. The contribution of each in 2017 was as follows:

- 49,151 individuals were directly employed in the hospitality sector, equivalent to 75.1% of overall employment in the sector, and 6.5% of total NI employment;
- 7,981 jobs were estimated to result from the indirect impacts of the hospitality industry, equivalent to 12.2% of total employment associated with the sector and approximately 1% of total NI employment; and,
- 8,303 jobs were estimated to result from the induced impacts of the hospitality industry, equivalent to 12.7% of total employment associated with the sector and approximately 1% of total NI employment.¹²

The 2020 HU and NIHF report also disaggregated the sector's direct employment impact into subsectors. Based on this, in 2017:

- Restaurants were responsible for 30,375 jobs, equivalent to 62% of direct employment in the hospitality sector;
- Hotels accounted for 10,548 jobs, or 21% of direct employment in the sector;
- Pubs accounted for 8,071 jobs, or 16% of direct employment in the sector; and,
- Events management accounted for 157 jobs, or 0.3% of direct employment in the sector.¹³

1.3 Wages

In 2017, the hospitality sector was estimated to support £899m in wages to the NI economy. This was split between direct, indirect and induced wages (see Box 1 above), as follows:

- £494m in wages was attributable to direct employment in the sector, equivalent to 54.9% of the total;
- £226m, or 25.1% of the total, was attributable to indirect wages; and,
- £180m, or 20% of the total, was attributable to induced wages.¹⁴

Looking at the contribution made by the various hospitality subsectors to overall direct wages, the restaurant sector was again the largest contributor. In 2017:

¹⁰ *Ibid*

¹¹ NISRA, NI Business Register and Employment Survey (September 2017) <https://www.nisra.gov.uk/news/business-register-and-employment-survey-2017>

¹² BDO, Hospitality Ulster and NI Hotels Federation, The Hospitality Sector in Northern Ireland: the road to recovery (11 May 2020) <https://www.bdoni.com/getattachment/Insights/Featured-Insights/The-Hospitality-Sector-in-NI-The-Road-to-Recovery/FINAL-Hospitality-Sector.pdf.aspx?lang=en-GB>

¹³ *Ibid*

¹⁴ *Ibid*

- Restaurants were responsible for £297m in wages, equivalent to 60% of total direct wages;
- Hotels accounted for £120m, or 24% of total direct wages;
- Pubs accounted for £76m, or 16% of total direct wages; and,
- Events management accounted for £287m, or 0.4% of total wages.¹⁵

1.4 Turnover

The 2020 HU and NIHF report provided an estimate of only the direct turnover of the hospitality sector. As of 2017, it estimated this to be £1.9bn; the contribution made by various subsectors in the same year was:

- Restaurants had a turnover of £966m, or 51% of total direct turnover;
- Hotels had a turnover of £486m, or 26% of total direct turnover;
- Pubs had a turnover of £419m, or 22% of total direct turnover; and,
- Events management has a turnover of £7m, or 0.4% of total direct turnover.¹⁶

1.5 Businesses

The 2020 HU/NIHF report included an estimate of the number of licenced businesses in NI. The report's estimate used 2018 Department for Communities on the number of licenced premises operating in NI to conclude that there were 1,936 such premises operating in NI as that year. These premises included:

- 1,236 pubs and bars;
- 555 restaurants; and,
- 145 hotels.

An alternative source of information on business numbers in NI is the Northern Ireland Statistic Agency's (NISRA) "Interdepartmental Business Register" (IDBR). The IDBR provides data on the number of business in Value Added Tax (VAT) and/or Pay as You Earn (PAYE) registered in NI. Using the latest available IDBR data and Oxford Economics' SIC code definition of the hospitality sector outlined in the introduction of this section, leads to a much higher number of businesses operating in the hospitality sector. According the latest IDBR, as of 2020, there were 4,280¹⁷ hospitality businesses operating in NI (although note that not all are directly related to the licensing trade). This is equivalent to 5.6% of all NI businesses in the same year.

Table 1 summarises how these 4,280 businesses were spread across the various SIC

¹⁵ *Ibid*

¹⁶ *Ibid*

¹⁷ Business count figures in the Interdepartmental Business Register have been rounded to the nearest 5, therefore subsector totals do not add to overall total

codes that formed Oxford Economics' definition of the sector (figures in Table 1 are rounded to the nearest 5 in original dataset, and therefore do not add to total).

Table 1: VAT and PAYE registered businesses in hospitality SIC Codes 2020¹⁸

SIC (4-Digit)	Description	Number of businesses	% of Sector
5510	Hotels and similar accommodation	185	4.32%
5520	Holiday and other short stay accommodation	120	2.80%
5530	Camping grounds, recreational vehicle parks and trailer parks	45	1.05%
5590	Other accommodation	25	0.58%
5610	Restaurants and mobile food activities	2,680	62.62%
5621	Event catering activities	195	4.56%
5629	Other food service	35	0.82%
5630	Beverage serving activities	945	22.08%
8230	Convention and trade show organisers	50	1.17%
All SIC Codes	Hospitality Sector	4,280	-

Source: NISRA (2020)

1.6 Tax revenue

In 2015, Oxford Economics produced an “Economic impact assessment of Northern Ireland’s hospitality sector” for HU. That assessment included an estimate of the sector’s fiscal contribution. It estimated that the sector generated a total tax revenue of £88.4m in 2013; comprising direct, indirect and induced tax revenue. Oxford Economics estimate the corporation tax component in that year to be £70.6m, and the business rates component at £17.9m.¹⁹

The same 2015 study estimated direct tax revenue associated with the sector in that year (i.e. excluding indirect and induced revenue) at £58.4m. This estimate comprised £40.6m in corporation tax in 2013, and £17.9m in business rates.²⁰

The noted Oxford Economics’ figures are the most recent estimate of the hospitality sector’s tax impact, which RaISe could locate when compiling this paper. Those figures are included here for illustrative purposes. It, however, is important to understand that the sector has experienced growth since 2013, and that this is likely to have impacted the amount of tax revenue generated by that sector. For example, the 2015 Oxford Economic study estimated that the sector’s direct turnover was £1.4bn in 2013. As of

¹⁸ NISRA, Inter-Departmental Business Register (June 2020) <https://www.nisra.gov.uk/system/files/statistics/IDBR-Publication-June-2020.xlsx>

¹⁹ Oxford Economics, Economic impact assessment of Northern Ireland’s hospitality sector (May 2015) <https://hospitalityulster.org/download/files/Hospitality%20Ulster%202015%20Report.docx>

²⁰ *Ibid*

2017, relying on the 2020 HU/NIHF Report, that figure had grown to £1.9bn,²¹ equivalent to an increase of 36%. Given the sector's economic growth in that period, it is reasonable to assume that the tax revenue associated with that sector also may have grown in that period. Further study would need to be undertaken to establish whether this actually did occur. Although the sector has experience growth, the following section demonstrates that it has been acutely impacted by the COVID-19 pandemic and measures taken at central and devolved government levels to control the spread of the virus.

2 Key estimated initial impacts of COVID-19 and related government responses on the hospitality sector

This section uses information from official government data and other sources, to examine key estimated initial impacts of COVID-19 and associated government responses – health and economic related - at central and devolved levels. Importantly, it should be noted that the pandemic presents an ever-changing, ongoing situation. As such, the latest data provide an initial look - a snapshot - of the currently identified impact of COVID-19 on the sector. For example, the available data does not include NI the COVID-19 related restrictions that commenced on 16 October 2020, or government decisions taken thereafter, at central or devolved levels.

This section examines:

- The 2020 HU and NIHF's forecast of key estimated initial COVID-19 impacts on the NI hospitality sector;
- Key estimated initial impacts of COVID-19 and related government responses on the sector's output;
- Take up of the Furlough Scheme within the hospitality sector; and,
- Key estimated initial impact of COVID-19 on footfall in the sector.

2.1 HU and NIHF's forecast of key estimated initial impact of COVID-19 on NI hospitality sector

The 2020 HU and NIHF report "The Hospitality Sector in Northern Ireland: the road to recovery" included a credit risk analysis, which estimated the potential failure rate of NI hospitality businesses from the start of the lockdown in NI in March 2020, to May 2020. This risk analysis provided an estimate of the rate at which businesses were likely to fail four weeks from the date of a businesses' closure. According to that report, business closures were likely to occur when businesses' "outgoings exceeded available Government support" at that time.

²¹ BDO, Hospitality Ulster and NI Hotels Federation, The Hospitality Sector in Northern Ireland: the road to recovery (11 May 2020) <https://www.bdoni.com/getattachment/Insights/Featured-Insights/The-Hospitality-Sector-in-NI-The-Road-to-Recovery/FINAL-Hospitality-Sector.pdf.aspx?lang=en-GB>

The report's risk analysis findings, including the estimated number of businesses that could be impacted, is summarised in Table 2 below. That particular analysis – at that time – estimated that between 227 and 440 licenced businesses were at risk of closure due to lockdown restrictions. This was equivalent to between 14% and 23% of NI's total licenced business base.

It should be noted that this analysis does not include the impact on certain businesses, including coffee shops and catering, where a lack of data has prevented the authors of the 2020 HU/NIHF reports from modelling the risk level.

Furthermore, it should be noted that the 2020 HU/NIHF report relies on Department for Communities licenced business data, compiled in 2018, to determine the number of businesses. Based on that data, the report's authors estimate that there are 1,936 licenced businesses currently operating in NI.²² As subsection 1.5 noted, according to NISRA's 2020 IDBR there were 4,280 business operating in NI in the areas included in Oxford Economics' SIC Code definition of the hospitality sector.²³ This suggests the potential for higher businesses closure across the hospitality sector in general.

Additionally, the authors noted that:

This should be regarded as an indicative figure due to the methodology used and challenges in comparing different data sources and timelines.²⁴

Furthermore, it the HU/NIHF estimated business failure figure is a projection, based upon the authors' analysis of impact of the first COVID-19 lockdown on the hospitality sector. NISRA publish data on business failures as part of its "Business Demography" data series.²⁵ The most recent publication of this data series was January 2020. This included annual data up to 2018. As such, official figures on the rate of business failure during 2020 are not yet available.

Table 2: May 2020 HU/NIHF Assessment of Business closures²⁶

Type	No. of businesses	% closure risk	Potential business closures
Pubs/Bars	1,236	10% to 15%	124-185
Hotels	145	10% to 26%	15-38
Restaurants	555	25% to 39%	139-216
Total	1,936	-	277-440

Source: HU/NIHF (2020)

²² *Ibid*

²³ NISRA, Inter-Departmental Business Register (June 2020) <https://www.nisra.gov.uk/system/files/statistics/IDBR-Publication-June-2020.xlsx>

²⁴ BDO, Hospitality Ulster and NI Hotels Federation, The Hospitality Sector in Northern Ireland: the road to recovery (11 May 2020) <https://www.bdoni.com/getattachment/Insights/Featured-Insights/The-Hospitality-Sector-in-NI-The-Road-to-Recovery/FINAL-Hospitality-Sector.pdf.aspx?lang=en-GB>

²⁵ NISRA, Business Demography in 2018 (16 January 2020) <https://www.nisra.gov.uk/system/files/statistics/IDBR-Business-Demography-2018.xlsx>

²⁶ *Ibid*

The 2020 HU/NIHF report also estimated the potential business closure impact on employment, as summarised in Table 3. That report concluded that in the upper risk scenario, the lockdown measures that began in March 2020 could result in a projected 15,799 jobs could be lost, equivalent to one in three of the jobs, directly supported by the hospitality sector. In the lower risk scenario, a projected 9,456 jobs could be lost, equivalent to one in five jobs directly support by the sector.²⁷

Table 3: May 2020 HU/NIHF assessment of job losses associated with business closures²⁸

Type	Direct jobs	% closure risk	Potential job losses
Pubs/Bars	8,071	10% to 15%	807-1,211
Hotels	10,548	10% to 26%	1,055-2,742
Restaurants	30,375	25% to 39%	7,549-11,846
Total	48,994	-	9,456-15,799

Source: HU/NIHF (2020)

²⁷ *Ibid*

²⁸ *Ibid*

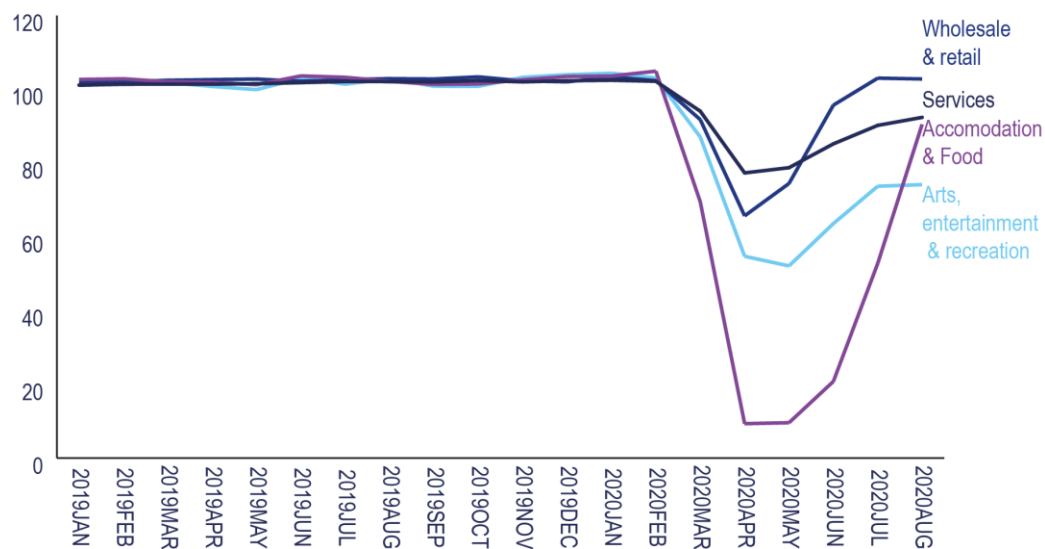
2.2 Key estimated initial impact of COVID-19 on Food and Accommodation services' output

Figure 2, which is sourced from the Office for National Statistics (ONS) Index of Services²⁹, shows fluctuations in output across the UK's service sector throughout 2019 and 2020. Two things to note about this Figure are:

- First, this information is unavailable at sub-regional level. As such, the Figure shows to service sector output at a UK level only.
- Second, this information is available only at Broad Industry Classification level. The information is not available at four digit SIC code level. This means it has not been possible to calculate the precise impact on the hospitality sector using the 2015 Oxford Economics' definition outlined in Section 1 of this paper above. The broad industry classification of "Accommodation and Food Services" includes all of the subsectors that feature as part of that Oxford Economics' definition, with the exception of SIC Code 8230 "Convention and trade show organisers".

For these reasons, the information contained in Figure 2 should be viewed only as the indicative impact of the COVID-19 on the hospitality sector in NI.

Figure 2: Accommodation and food services output January 2019 to August 2020 (seasonally adjusted, indexed to 2018)³⁰



Source: ONS (2020)

Figure 2 shows output changes in services from January 2019 to August 2020, including: accommodation and food services; wholesale and retails; and, arts,

²⁹ ONS, Index of Services, main components and sectors to four decimal places (09 October 2020)

<https://www.ons.gov.uk/file?uri=%2feconomy%2feconomicoutputandproductivity%2foutput%2fdatasets%2findexofservicesandmaincomponentsto4dp%2faugust2020/ds4iosandmaincomponentsto4dp.xlsx>

³⁰ ONS, Index of Services, main components and sectors to four decimal places (09 October 2020)

<https://www.ons.gov.uk/file?uri=%2feconomy%2feconomicoutputandproductivity%2foutput%2fdatasets%2findexofservicesandmaincomponentsto4dp%2faugust2020/ds4iosandmaincomponentsto4dp.xlsx>

entertainment and recreation sectors. This is presented in the form of an index, which measures changes relative to a specified reference point; in this case 2018. The 2018 reference point is given the value 100, so if the level of service output in a particular month is 110, this means that output was 10% higher than the reference period.³¹

For comparative purposes, Figure 2 also shows variations in: overall services output over this period; and, two other sectors that have been vulnerable to the pandemic: wholesale and retail; and, arts, entertainment and recreation. As can be seen from that Figure, output across the services sector and the three sub-sectors was relatively flat until March 2020, when it began to show a significant decline. The Figure shows that the decline in output was most acutely felt in accommodation and food services. At its lowest point – April 2020, output in this subsector was 90.7% lower than the reference period. Overall, output across services was 22.7% lower than the reference period in the same month. Output in wholesale and retail was 34.3% lower and output in arts, entertainment and recreation was 45.3% lower than the reference period. Overall, the accommodation and food sector demonstrated the largest decrease in output of all service subsectors over this period.

The Figure also shows that the accommodation and food sector had shown signs of recovery. As of August 2020, the output in the subsector was 9.5% lower than the reference point. The ONS notes that the subsector's growth in August was "boosted by the impact of the Eat Out to Help Out Scheme".³² Overall, service output was 7.6% lower than the reference period. In the same month, output in the wholesale and retail subsector was 2.8% higher than the reference period; whereas output in the arts, entertainment and recreation subsector was 25.9% lower than the reference period. Again, it is important to note that Figure 2 does not show the impact of events after August 2020, including the NI restrictions announced on 16 October 2020.

2.3 Take up of the Furlough Scheme in the accommodation and food services subsector

Figure 3, which is sourced from Her Majesty's Revenue and Customs (HMRC) shows the proportion of eligible jobs, which had made claims for wages through the Coronavirus Job Retention Scheme (CJRS) (also known as the Furlough Scheme) across a range of sectors in NI, as of 31 July 2020.^{33,34} As such, the Figure does not include data on changes to CJRS uptake after this date. It notably excludes changes that occurred following the announcement of further NI restrictions on 16 October 2020

³¹ <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/methodologies/indexofservicesgmi>

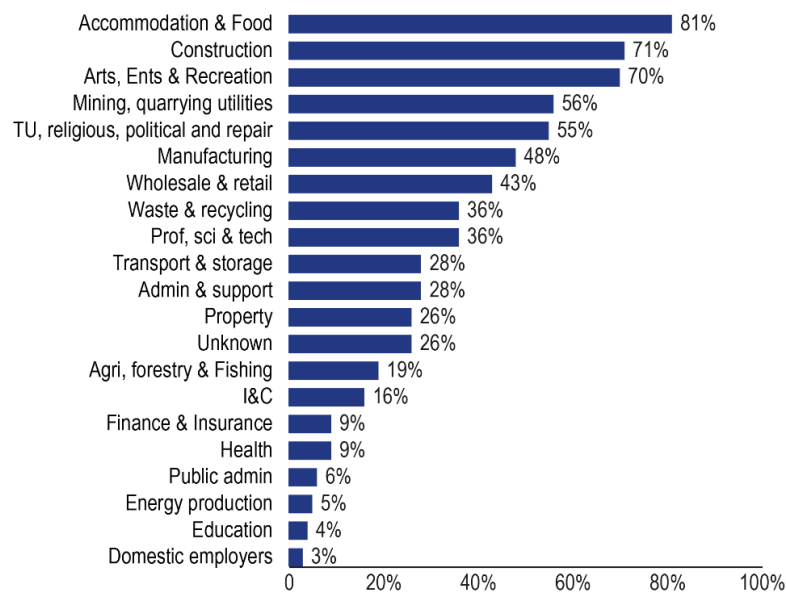
³² <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/august2020>

³³ The most recent date for which disaggregated data by subsector was available at the time of writing.

³⁴ HM Revenue and Customs, Coronavirus Job Retention Scheme statistics: August 2020 (21 August 2020)
<https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-august-2020>

and changes following the UK Government's announcement extending the CRJS on 5 November 2020.³⁵

Figure 3: Uptake of the CJRS in NI by sector 31 July 2020³⁶



Source: HMRC (August 2020)

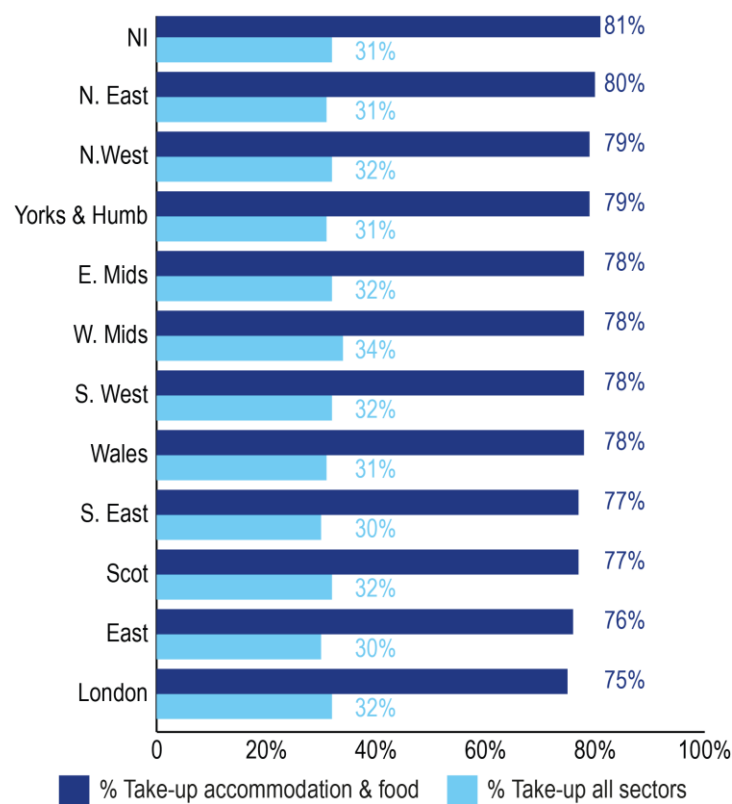
As can be seen from the Figure, the accommodation and food sector had the highest rate of uptake of all sectors in NI; with 81% of eligible employees taking part in the Scheme. This suggests that the sector is amongst the most vulnerable to jobs losses, in the absence of any support scheme.

As of 31 July 2020, Figure 4 compares the proportion of eligible employees in NI accommodation and food services availing of the CJRS, with other UK regions. For illustrative purposes, overall uptake in the Scheme across all sectors is also compared. As can be seen from the Figure, NI had the highest uptake in the accommodation and food services sector, but overall uptake across all sectors was lower in NI than a number of regions.

³⁵ HM Revenue and Customs, Government extends Furlough to March and increases self-employed support (05 November 2020) <https://www.gov.uk/government/news/government-extends-furlough-to-march-and-increases-self-employed-support>

³⁶ *Ibid*

Figure 4: UK Regional comparison of overall uptake in CJRS and accommodation and food services uptake 31 July 2020³⁷



Source: HMRC (August 2020)

2.4 Google Community Mobility Reports: changes in footfall in the “retail and recreation” sectors

Given particular interest in footfall changes and key impacts arising therefrom on the hospitality sector, this subsection uses Google Community Mobility Reports data to provide indication of how COVID-19 restrictions reduced the number of visits to “retail and recreation” establishments from 01 March to the 09 October 2020. The Google data is included here *in lieu* of official government data on the impact of COVID-19 restrictions on footfall. The Google data has a number of shortcomings, outlined below. Due to the novel nature of the data used and these shortcomings, the findings of this subsection are indicative.

Google has published Community Mobility Reports since March 2020. These reports use mobility data to show:

³⁷ *Ibid*

...how visits and length of stay at different places change compared to a baseline. We calculate these changes using the same kind of aggregated and anonymised data used to show popular times for places in Google Maps.³⁸

These data have been published with the intention of providing:

...insights into what has changed in response to policies aimed at combating COVID-19. The reports chart movement trends over time by geography, across different categories of places such as retail and recreation, groceries and pharmacies, parks, transit stations, workplaces, and residential.³⁹

Anonymous mobility data is collected from Google Maps users. This section focuses on the mobility data categorised as “retail and a recreation” (R&R), which captures:

Mobility trends for places such as restaurants, cafés, shopping centres, theme parks, museums libraries and cinemas.⁴⁰

The R&R category does not capture visits to trips to groceries and pharmacies, which are captured in a separate category (“groceries and pharmacies”).

Figure 5 below uses Google’s mobility data⁴¹ to show changes in footfall at R&R establishments during 2020 across NI Local Government Districts (LGD). The baseline is the median value for the corresponding day of the week, during the five-week period 3 January to the 6 February 2020.

It is important to note that the Google data is not an official source. It, however, does provide a close to real time estimate of impact of COVID-19 restrictions on visits to retail and recreation establishments. Also, note that the available Google data is not disaggregated to a sufficient degree to enable analysis of the precise impact on the licensing trade specifically or hospitality sector in general. Rather trends in that sector feature as part of broader trends in the R&R category. Additionally, mobility data is collected from Google Maps users who have turned on their location history. As such, these do not capture visits to R&R establishments by individuals who do not use Google Maps and those Google Maps users who do not activate location history. For these reasons, trends shown in Figure 5 should be viewed only as indicative.

Figure 5 shows mobility trends in the R&R from 1 March to the 9 October 2020. As can be seen from that Figure, all NI LGDs demonstrated similar trends. Each LGD

³⁸ Google COVID-19 Community Mobility Reports, Belfast (27 October 2020) https://www.gstatic.com/covid19/mobility/2020-10-27_GB_Belfast_Mobility_Report_en-GB.pdf

³⁹ Google Community Mobility Reports (accessed 03 October 2020) <https://www.google.com/covid19/mobility/>

⁴⁰ *Ibid*

⁴¹ Google COVID-19 Community Mobility Reports <https://www.google.com/covid19/mobility/?hl=en> UK Regional Data extracted 11 October 2020

experienced the lowest points, relative to the baseline on the 12 April 2020. On that date, the mobility data shows that footfall at R&R establishments was:

- 91% lower than the baseline in Antrim and Newtownabbey;
- 92% lower in Ards and North Down;
- 91% lower in Armagh City, Banbridge and Craigavon;
- 93% lower in Belfast;
- 92% lower in Causeway Coast and Glens;
- 90% lower in Derry and Strabane;
- 94% lower in Fermanagh and Omagh;
- 94% lower in Lisburn and Castlereagh;
- 91% lower in Mid and East Antrim
- 91% lower in Mid Ulster; and,
- 93% lower in Newry, Mourne and Down.⁴²

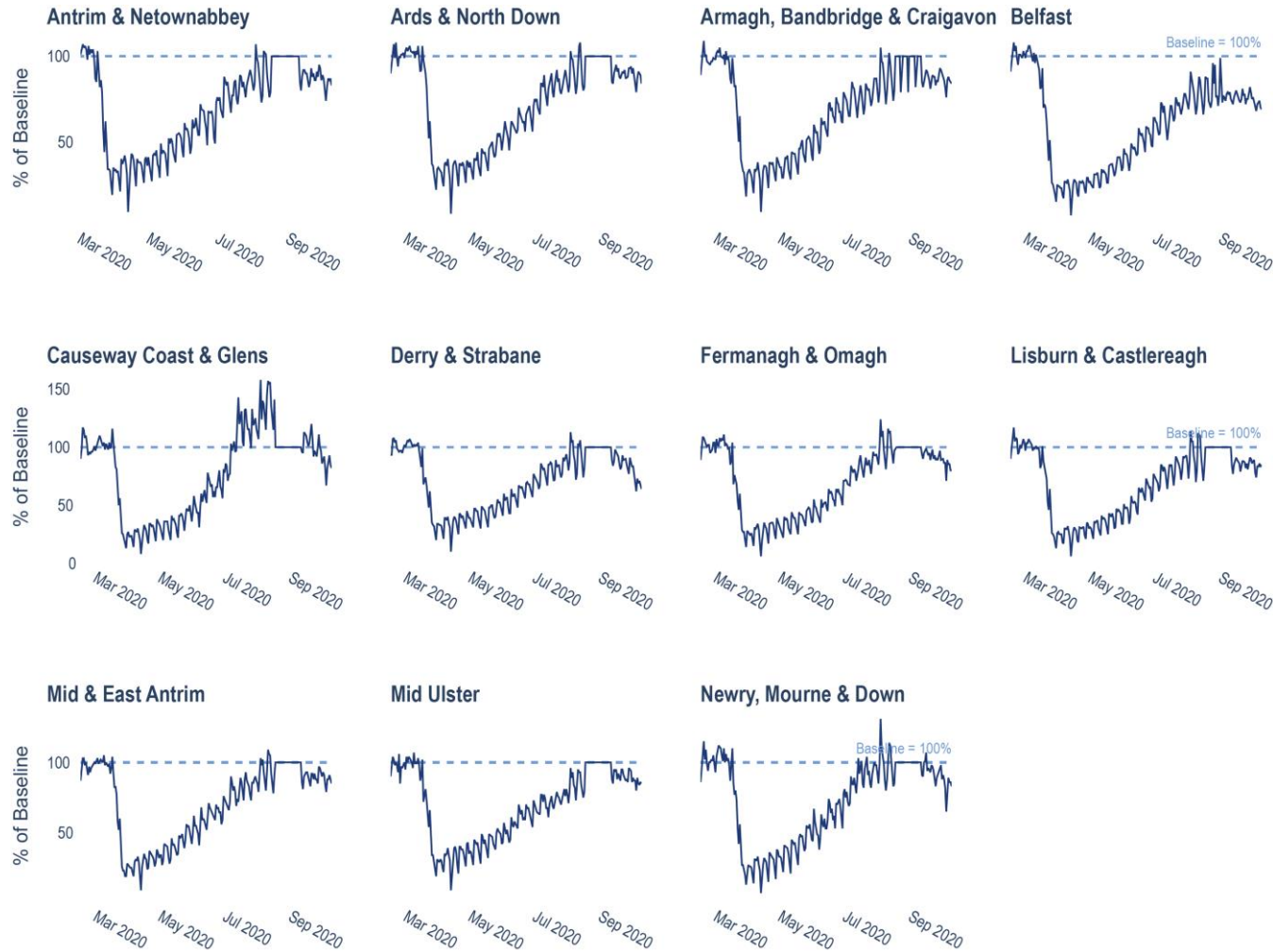
The Figure shows that the each LGD demonstrated some recovery during the summer months. This is most noticeable in the Causeway Coast and Glens, where footfall peaked at 58% higher than the baseline on 3 August 2020. As of the most recent data included in Figure 5 – 9 October 2020, each LDG is currently below the baseline. This ranged from 15% below the baseline in Lisburn and Castlereagh, Mid and East Antrim, and Mid Ulster to 36% below the baseline in Derry and Strabane.⁴³ Please note, this data does not show the impact of current NI wide restrictions to control COVID-19 cases, which commenced on 16 October 2020,⁴⁴ along with the caveats noted earlier in this subsection.

⁴² Google COVID-19 Community Mobility Reports <https://www.google.com/covid19/mobility/?hl=en> UK Regional Data extracted 11 October 2020

⁴³ *Ibid*

⁴⁴ <https://www.nidirect.gov.uk/articles/coronavirus-covid-19-regulations-guidance-what-restrictions-mean-you>

Figure 5: Google Mobility data - changes in NI retail and recreation establishments by LGD, 1 March 2020 to 9 October 2020⁴⁵



Source: Google (data extracted 11 October 2020)

⁴⁵ Google COVID-19 Community Mobility Reports <https://www.google.com/covid19/mobility/?hl=en> UK Regional Data extracted 11 October 2020

3 Concluding remarks

This paper examined the impact of hospitality on the NI economy and the effect of COVID-19 restrictions on the sector. COVID-19 presents ever-changing, ongoing situation. As such, the analyses included in this paper that address the effect those restrictions have had upon the hospitality sector are based on the latest data and provide an initial look - a snapshot - of currently identified impact of COVID-19 on the sector. Due to the ongoing nature of the pandemic and the response at central and devolved government level, more data is likely to become available in time. Revisiting this subject at a later date may provide greater clarity.

On the pre-COVID impact of the hospitality sector on the NI economy, the paper found that:

- The direct, indirect and induced impacts of the sector combined contributed an estimated £1.6bn to NI GVA, approximately 4% of total GVA in 2017. These impacts also accounted for 8.7% of all jobs in NI and supported £899m in wages in the same year.
- Estimated annual total tax revenue generated *via* the sector's direct, indirect and induced impacts was £73m as of 2013. This is likely to have increased in line with higher economic activity in the sector since 2013.
- With regard to the sector's direct impact, it is clear that restaurants have been the largest hospitality subsector, generating the largest proportion of the sector's GVA and turnover, and supporting the largest proportion of sector jobs and wages in 2017. Hotels were the second largest subsector across all four measures in the same year, followed by pubs. The events management subsector made a smaller contribution to the sector's overall impact than the other subsectors examined.

The analysis of the impacts of COVID-19 restrictions on the hospitality sector found that:

- Research commissioned by Hospitality Ulster and the NI Hotel Federation and published in May 2020 projected that 277 to 440 licenced premises could fail due to the lockdown restrictions introduced in March 2020. The same analysis projected business failures could lead to the loss of between 9,456 and 15,799. These figures rely upon estimates of the number of licenced premises operating in the hospitality sector. This does not capture the total number of businesses in the sector.⁴⁶ Additionally, the estimates do not include the potential impact on certain business types such as coffee shops and catering. Official data showing the rate of business failure in NI during 2020 are not yet available.

⁴⁶ The HU/NIHF estimates are based upon Department for Communities data on the number of licensed premises operating in NI. These data estimate that 1,936 such premises operate in NI. NI Statistics and Research Agency's "Inter Departmental Business Register", which provides data on the number Value Added Tax (VAT) and/or "Pay as You Earn" (PAYE) registered businesses operating in NI. Using this data, and Oxford Economics' definition of the hospitality sector, results in a much higher figure for businesses in the sector – 4,280.

- The ONS's Index of Services output shows that the accommodation and food sector across the UK was 90.7% lower than the baseline at lowest point during April 2020. This was most significant decline in output across all service sectors. As of August 2020, the sector was 9.5% lower than the baseline.
- As of 31 July 2020, the accommodation and food sector has the highest proportion of eligible employees – 81%, availing of the Corona Virus Retention Scheme (also known as the Furlough Scheme) of any sector in NI. On the same date, the proportion of employees in the sector availing of the scheme was the highest of any UK region.
- Google mobility data (albeit with the noted limitations highlighted earlier) shows that visits to retail and recreation establishments decreased by over 90% on the 12 April 2020 relative to the baseline across all NI Local Government Districts (LGD). This was the lowest point for each LGD. The same data shows that all LGDs showed signs of recovery during the summer months of 2020.