

Table 1: Dynamic Fixed Effects (DFE) Error Correction Model

| | Baseline | | + Covid | | + Scarring | |
|-------------------------------------------|---------------------|-------------------------|---------------------|-------------------------|--------------------|-----------------------|
| | Long Run | Short Run | Long Run | Short Run | Long Run | Short Run |
| Panel A. Long-Run Relationship | | | | | | |
| ln_ntl | 0.332*** (0.114) | | -0.0617 (0.181) | | 0.589** (0.283) | |
| covid | | | -0.0668 (0.0947) | | | |
| scarring | | | | | -0.100 (0.186) | |
| Panel B. Error Correction Term | | | | | | |
| ECT | | -0.0374*** (0.00851) | | -0.0332*** (0.00955) | | -0.0169* (0.00939) |
| Panel C. Short-Run Dynamics | | | | | | |
| <i>Lagged Δ ln_pdrb</i> | | | | | | |
| L1. | | -0.602*** | | -0.605*** | | -0.654*** |
| L2. | | -0.551*** | | -0.549*** | | -0.583*** |
| L3. | | -0.507*** | | -0.500*** | | -0.544*** |
| L4. | | 0.264*** | | 0.267*** | | 0.270*** |
| <i>Lagged Δ ln_ntl</i> | | | | | | |
| D | | 0.0130** | | 0.0128** | | 0.00275 |
| L1. | | 0.0101* | | 0.00918* | | 0.000825 |
| L2. | | 0.0170*** | | 0.0121** | | 0.00564 |
| L3. | | 0.00425 | | -0.00369 | | -0.00491 |
| L4. | | -0.00271 | | -0.00343 | | -0.00439 |
| <i>Covid dynamics</i> | | | | | | |
| D | | | | -0.0346*** | | |
| L1. | | | | 0.00367 | | |
| L2. | | | | -0.0365*** | | |
| L3. | | | | -0.0223*** | | |
| L4. | | | | 0.0458*** | | |
| <i>Scarring dynamics</i> | | | | | | |
| D | | | | | | -0.0563*** |
| L1. | | | | | | -0.000834 |
| L2. | | | | | | -0.0707*** |
| L3. | | | | | | -0.0407*** |
| L4. | | | | | | 0.0380*** |
| Constant | | 0.438*** (0.0959) | | 0.372*** (0.105) | | 0.224** (0.103) |
| Observations | | | | | | |

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1