



## Labour Market

### Employment Rate



71.3%

Up over the year

### Unemployment Rate



2.8%

No statistically significant change

### Economic Inactivity Rate



26.6%

Down over the year

Sep-Nov 2022. Source: NISRA LMR

## Pay and Prices



NI Employee Median Pay

+6.3%



UK Employee Median Pay

+7.8%



UK Inflation Rate (CPIH)

+9.2%

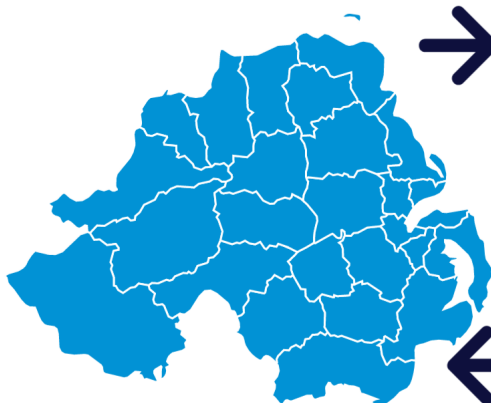
Annual changes to December 2022. Sources: NISRA LMR & ONS CPIH

## Economic Growth



Source: NISRA NICEI Q3 2022

## Exports and Imports of Goods



Total Exports

£8.8 bn

Up 11%

in year to Q3 2022

Total Imports

£9.1 bn

Up 20%

in year to Q3 2022

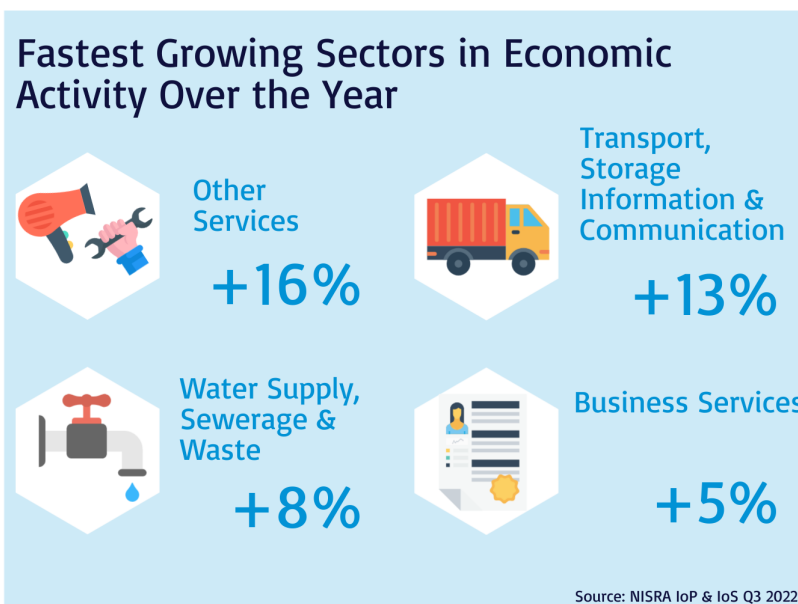
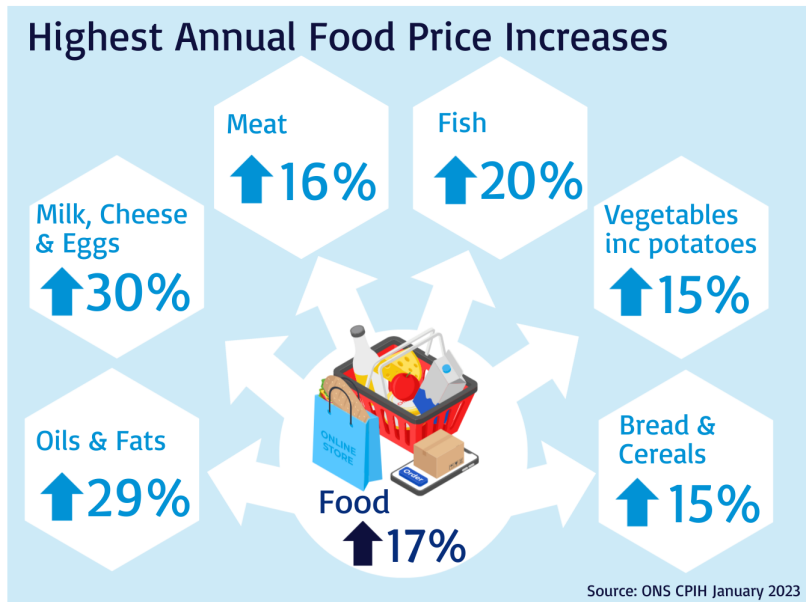
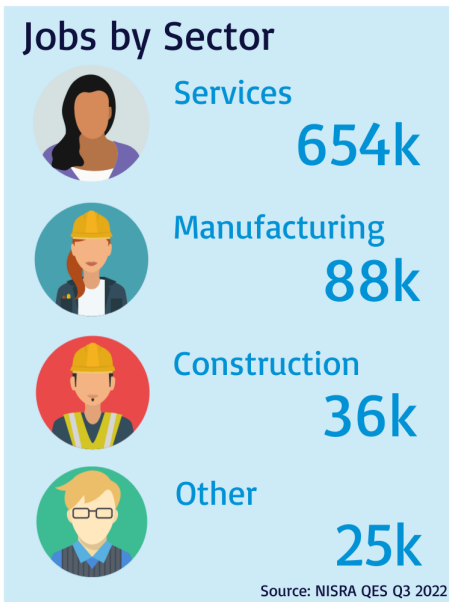
Source: HMRC Regional Trade Statistics Q3 2022

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# The Economy

Negative economic growth in the third quarter of 2022, following negative growth in the previous quarter, means that NI entered a technical recession. This has been widely attributed to the sustained economic headwinds NI has faced regarding high inflation, declining consumer sentiment and demand, global uncertainty, and a generally downbeat economic outlook. Despite this, the NI labour market has remained relatively robust.



### Economic Activity

The latest Northern Ireland Composite Economic Index (NICEI) shows that NI economic activity fell by 0.3% over Q3 2022 – having recorded a similar 0.3% decline in Q2, this equates to a technical recession in Northern Ireland. Q3 output was however 0.5% higher over the year, and is now 4.1% above the pre-pandemic level of Q3 2019.

While not produced on a fully equivalent basis, UK GDP fell by 0.3% in Q3 2022, but increased by 1.9% over the year. UK GDP is now 0.8% below pre-pandemic level of Q3 2019.

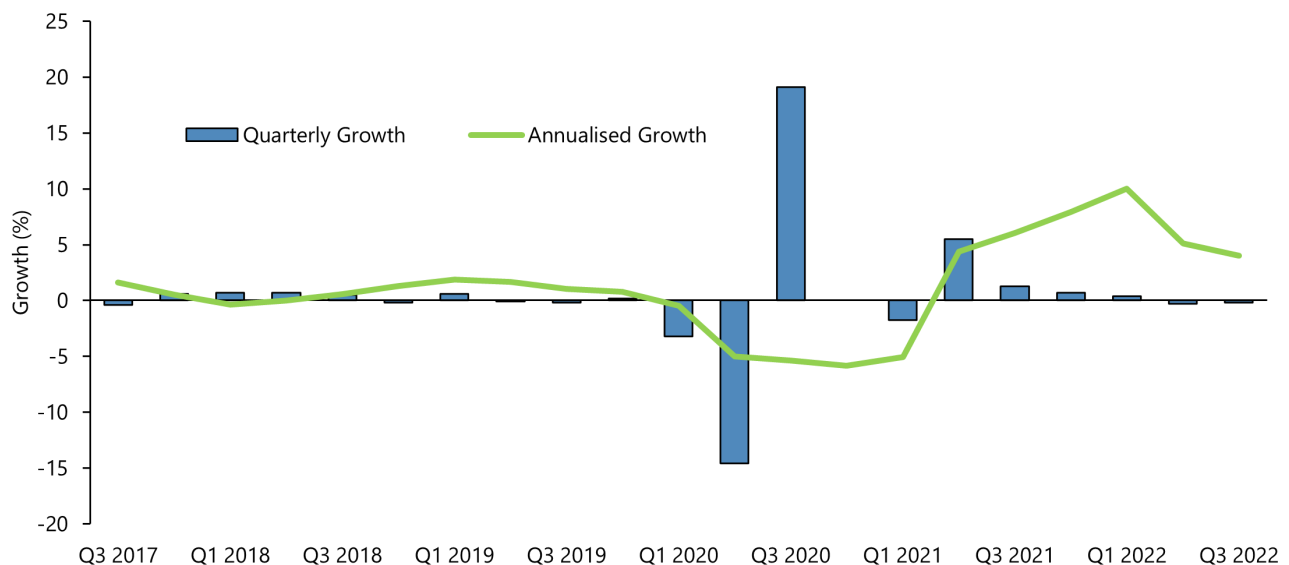
The largest contribution to the change in NI’s output over the quarter came from decreased activity in the private Construction sector which contributed to 0.4 pps of the overall NICEI decrease. The Public Sector (0.1 pps) and the Production sector (0.1 pps) had small positive contributions and the contribution from the Services sector remained unchanged.

Growth in the Republic of Ireland (ROI), as measured by GNP (a more reliable measure for ROI growth than GDP), decreased by 2.2% over the quarter but increased by 2.2% over the year and 20.7% over three years to Q3 2022.

Following the prolonged downturn post 2007, NI’s economic activity had increased gradually between 2013 and 2019 until the onset of Covid-19. During the pandemic, the NICEI reached a series low in Q2 2020, however economic activity post pandemic has recovered substantially and is now 25.7% above this series low point. More recently, the post pandemic recovery has diminished somewhat with the index recording negative quarterly change in 3 out of the last 8 quarters.

Figure 1: Economic Growth

The quarterly and annualised changes in the NICEI over time.

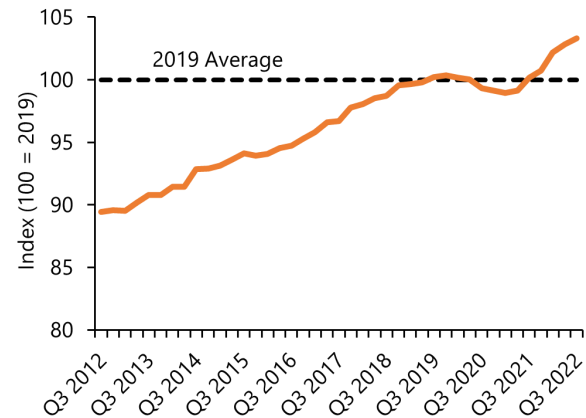


### Employee Jobs

The latest estimates from NISRA show employee jobs reached a series high in September 2022 (802,960). This marked the sixth consecutive quarterly increase in employee jobs, following five previous quarters of decline. Employee jobs increased over the quarter (+0.5%) and year (+3.1%) compared to September 2021.

Figure 2: Employee Jobs

The number of employee jobs in NI over the last ten years, seasonally adjusted and indexed to 2019.



Private sector jobs reached a new series high in September 2022. Both private sector and public sector jobs increased over both the quarter (+0.5%; +0.4%) and year (+3.4%; +2.5%).

High levels of employee jobs have been partly attributed to workers seeking more secure forms of employment due to the COVID-19 pandemic. Additionally, there has

been sustained demand for workers in the labour market with firms consistently reporting recruitment difficulties.

Quarterly increases in employee jobs were seen within the services (+4,330 jobs), construction (+140 jobs) & other industry (+210 jobs) sectors to September 2022. The manufacturing sector (-980 jobs) reported a decrease over the quarter.

### The Private Sector

Private sector jobs reached a new series high in September 2022 (581,320), increasing both over the quarter (+0.5%) and the year (+3.4%).

Private sector activity decreased by 0.4% over Q3 2022 and was unchanged over the year. On an annualised basis (Q3 2022 to Q4 2021 compared to Q3 2021 to Q4 2020) it grew by 4.4%. Compared to Q3 2019 (pre-pandemic) it increased by 3.8%.

The Business Activity Index in the Ulster Bank PMI fell sharply to 41.6 in December from 46.0 in November, the steepest decline since February 2021 with the cost-of-living crisis cited as a key factor behind the decline in activity as new orders continued to fall sharply. Northern Ireland ranked 12th out of the 12 UK regions' headline figures, reporting a sharp and accelerated fall in output. Staffing levels were unchanged over the month – ending a 21-month sequence of job creation. While some firms were able to fill vacancies, others reported voluntary resignations and difficulties finding suitable staff.

### Vacancies

Information gathered using Lightcast Labour Insights reveals that there were 10,800 new job postings in December 2022. This was an increase of 18.9% over the year but a 16.9% decline on the previous month, and the second consecutive monthly fall following a spike in postings in October 2022.

Administrative and Support Service Activities was the largest industry by number of postings, with 3,400 online job advertisements during December.

The NI Chamber & BDO Quarterly Employment Survey (QES) for Q4 2022 reported that recruitment difficulties persist, with 90% of manufacturers and 86% of services finding it difficult to get staff. Additionally, rising labour costs have become much more significant concern with 79% of respondents reporting they expected to raise prices as a result.

### Prices and the Cost of Living

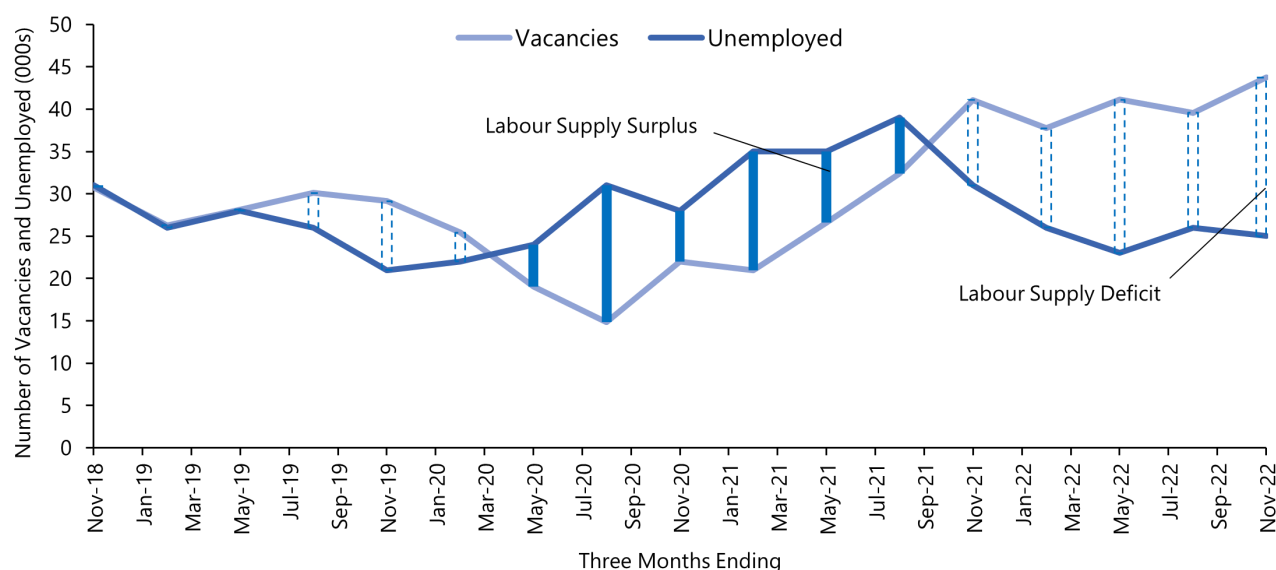
2022 was a year marked by global economic volatility, with inflation perhaps the most visible manifestation of this.

As economies around the globe emerged from the stark Covid downturn, prices began to tick upward, due to pent up demand, supply chain issues, shortages of some goods and materials and increasing fuel costs.

As UK inflation rose, the Bank of England's 2% target was breached in May 2021 and prices continued to tick upward, with the Bank beginning to cautiously increase

Figure 3: The Labour Supply Gap

The difference between the number of vacancies (online job postings) and the estimated number of unemployed people in NI.



its base rate from previous historic lows.

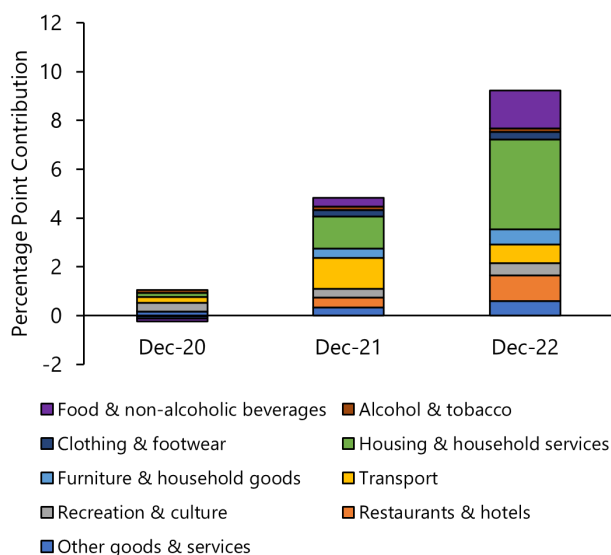
In February 2022 however, the Russian invasion of Ukraine set in motion a chain of events that saw wholesale energy markets sent into turmoil and prices soaring to levels not seen since the early 1980's.

The subsequent spikes in energy costs caused the cost of production, provision and transportation of goods and services to rise significantly, resulting in the highest levels of inflation in 40 years.

Rises in food prices have been particularly significant, with some essential foods rising rapidly over the last year such as milk, butter, margarine, pasta, cheese, olive oil and flour which have all increased by between 25% and 50% in price.

Figure 4: The Drivers of Consumer Price Inflation

Percentage point contributions to the 12-month change in the UK Consumer Price Index incl. owner occupier housing costs (CPIH).



PwC's Economic Outlook (Sept 2022) noted "three of the top four Consumer Price Index measures make up a much bigger proportion of NI household spend, than the UK average; meaning that rapid price rises in things like heating oil, electricity, food, and motor fuels have a bigger impact on households here than across the UK."

With household incomes being squeezed, employees are facing a reduction in real wages, as the same income buys less and many are therefore demanding higher wages to compensate. This has led many commentators, including most recently UUEPC, to warn of the dangers of a potential wage - price spiral.

In a bid to curb inflation, the Bank of England has increased the base rate nine times since December 2021 and it now sits at 3.5%, with further increases expected. This has led to increased borrowing costs for both

businesses and households, but it is hoped that it will begin to cool down demand – while there remains a high degree of uncertainty in forecasts at present, the OBR expects that the base rate will peak at around 5% in 2023.

## Productivity

In economic terms, productivity measures the rate at which a business or country produces goods and services based on the amount of inputs such as labour, capital, energy etc. A recent study by ESRI comparing productivity levels in NI and ROI over the last 20 years found that while productivity levels were broadly equivalent in 2000, productivity levels since then have trended slightly upwards in ROI with productivity in NI trending downwards. This has led to a large gap, which was cited as being due to differences in investment, skills (including high skilled immigration), exporting levels and sectoral distribution. Of the 17 sectors which have comparable data, ROI productivity noticeably exceeded NI in 14 sectors with NI only having higher productivity in Electricity & Gas Supply and Construction.

In their Economic Outlook (September 2022), PwC noted, "the only way we will achieve real, sustained improvements in our economy is to improve our regional productivity which, if it were to catch up to the UK-wide sectoral medians, could add £7bn to NI's economy in 2023."

## NI Economic Outlook

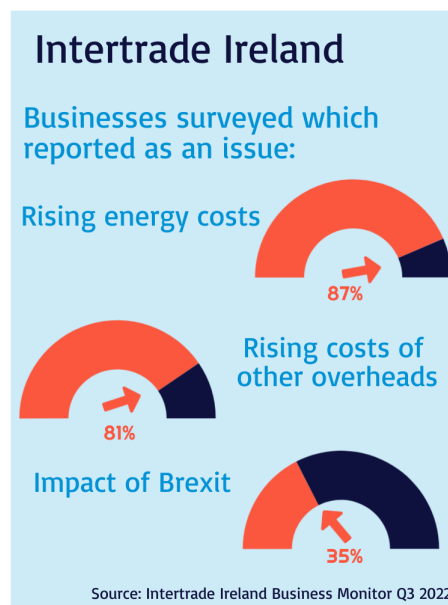
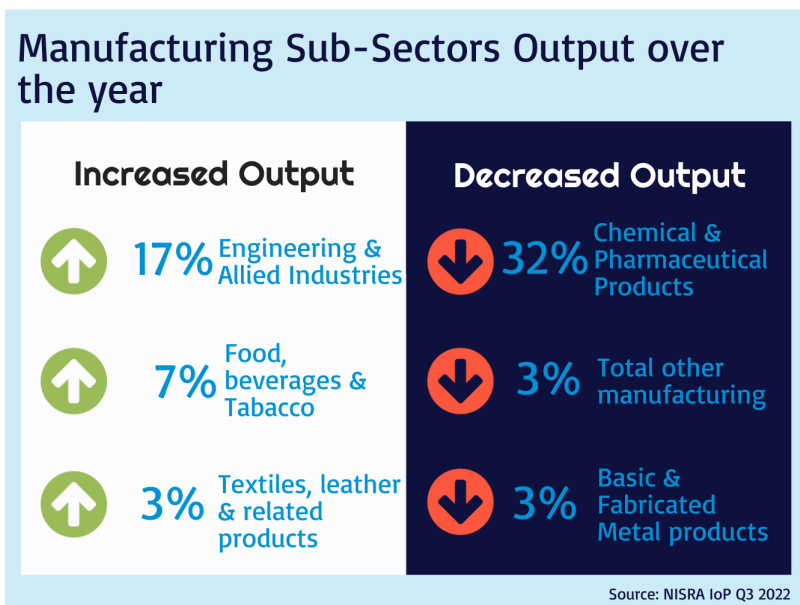
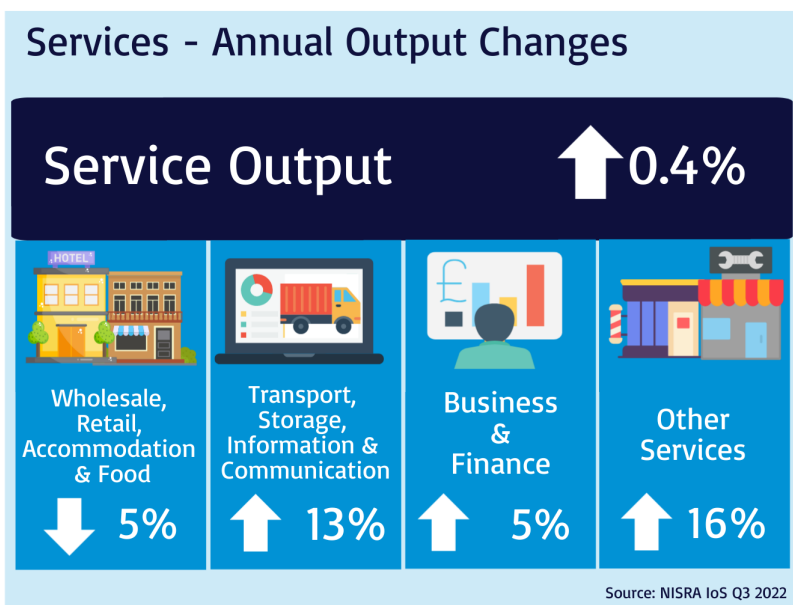
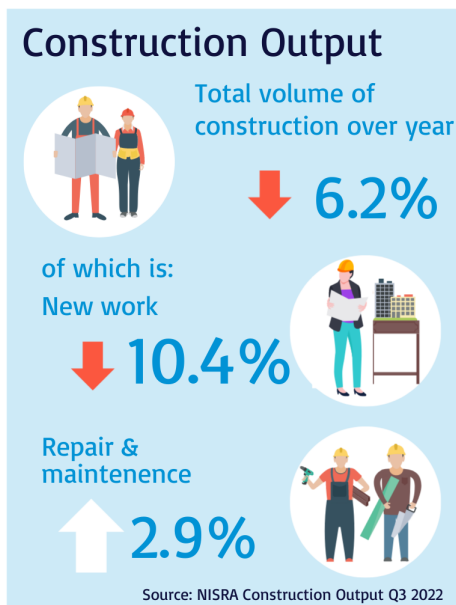
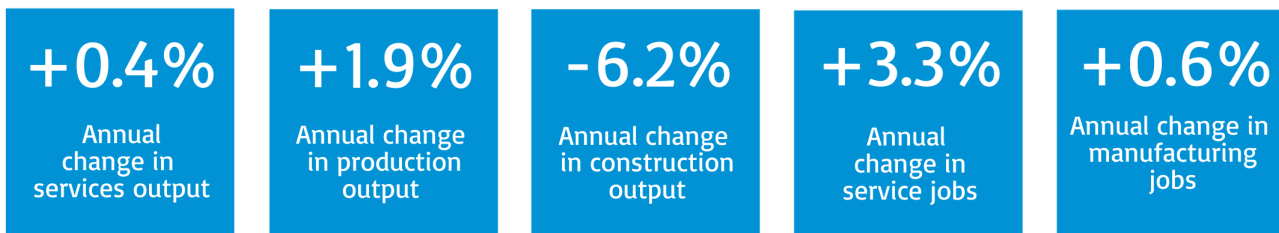
The outlook for the NI economy has been consistently revised downwards as the cost-of-living crisis has persisted. Danske Bank's latest Quarterly Sectoral Forecast (Q4 2022) estimates that output in NI will contract by about 1.0% in 2023. It acknowledges that there is considerable uncertainty around the outlook due to uncertainties around inflation and associated indicators such as the Bank of England's Base Rate.

The Ulster University Economic Policy Centre (UUEPC) also forecast that the NI economy will contract in 2023, with negative growth of 1.2%. Like Danske Bank's forecast, UUEPC believes the economy will contract due to high energy costs linked to the Russian invasion of Ukraine.

Danske Bank forecasts the unemployment rate for NI in 2022 at 2.9% and at 3.9% in 2023. UUEPC forecasts NI's unemployment rate for the end of 2022 at 3.9% and for 2023 at 4.3%. As discussed in this commentary, the unemployment rate for NI towards the end of 2022 currently sits at 2.8% as employers face continued recruitment difficulties.

# Businesses

The Index of Services continued to exceed pre-pandemic levels in Q3 2022, as did Production output. Manufacturing output remains above its Q4 2019 level, with Mining & Quarrying the only production subsector to contract. Construction output again fell below pre-pandemic levels, experiencing a decline over the quarter, year and rolling four quarter average.



### Services

The Index of Services in Northern Ireland has continued to recover post pandemic, increasing marginally in Q3 2022. This however remains 0.3% below the series high recorded in Q1 2022.

The Index of Services for Q3 2022 was 4.8% higher than the pre-pandemic level of Q4 2019, while UK services output was 0.9% below the pre-pandemic level.

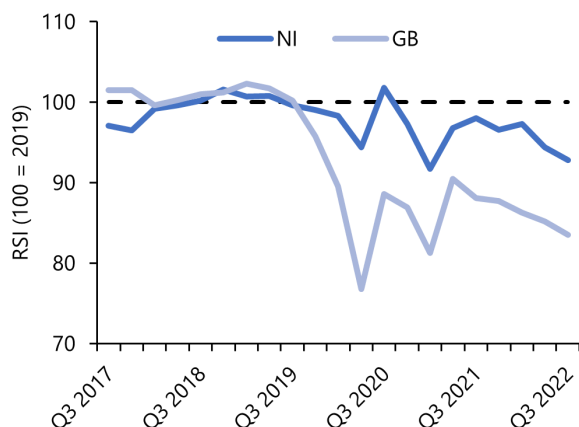
Over the year, Services output increased by 0.4% in NI and by 6.2% on a rolling average of four quarters, with increases in all subsectors except Wholesale and retail trade; repair of motor vehicles and motorcycles and the accommodation and food service sector. There has been an increase in service jobs over the year (3.4%) and an increase when compared on a rolling four quarter basis (3.1%).

### Retail and Hospitality

NI output in this subsector was 4.9% below the series high recorded in Q3 2021, following the easing of restrictions. Output decreased over the quarter and over the year by 0.3% and 4.9% respectively, whilst it increased on a rolling four quarter basis by 2.2%. Output is now 0.7% above the pre-pandemic level of Q4 2019.

Figure 5: Retail Sales

Private retail output in NI and GB over time, as measured by the Retail Sales Index (RSI).



### Business and Finance

NI output in this subsector reached a 10 year high in Q3 2022, 12.8% above the pre-pandemic level of Q4 2019. There was growth in this subsector over the quarter, year and on a rolling four quarter basis (1.6%, 4.5% & 8.1% respectively).

### Transport and ICT

NI output in this subsector increased over the quarter,

year and on a rolling four quarter basis (3.5%, 12.8% & 12.4% respectively). This subsector is now 16.7% above the pre-Covid level and is at a series high.

### Other Services

This subsector includes education, health & social work, arts, entertainment, and recreation. NI output in this subsector grew over the quarter, year and on a rolling four quarter basis (2.9%, 16.3% & 25.7% respectively). Output is now 13.6% above the pre-Covid level of Q4 2019

### Production

NI's Index of Production for Q3 2022 grew over the quarter, year and on a rolling four quarter basis (by 0.5%, 1.9%, and 3.6% respectively). Production output is now 5.6% above its pre-pandemic level in Q4 2019. Manufacturing accounts for approximately 80.7% of Production GVA, with Manufacturing output in Q3 2022 4.5% above Q4 2019.

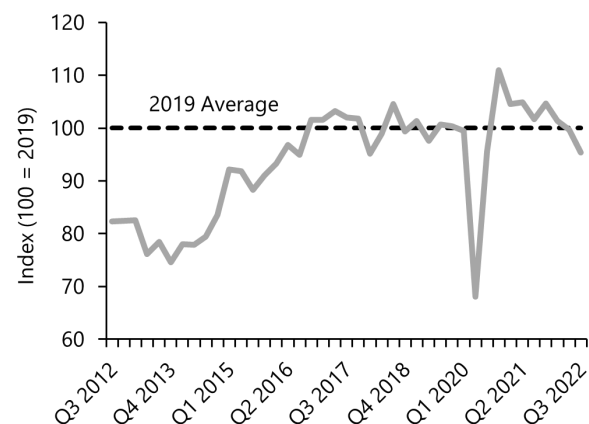
Three of the four subsectors grew over the year, with Mining and Quarrying the only subsector to contract over the quarter (19.3%). Water supply, sewerage and waste management experienced the largest increase (8.0%).

Employment in manufacturing increased marginally over the year (0.6%) and on a rolling four quarter basis (2.3%).

### Construction

Figure 6: Construction Output

The volume of construction output in NI over time, measured by Chained Volume Measure Prices.



The latest NI Construction Bulletin shows that the total volume of construction output decreased over Q3 2022 (-4.2%), decreased over the year (-6.2%), and decreased over the medium term (-5.0%, comparing the most

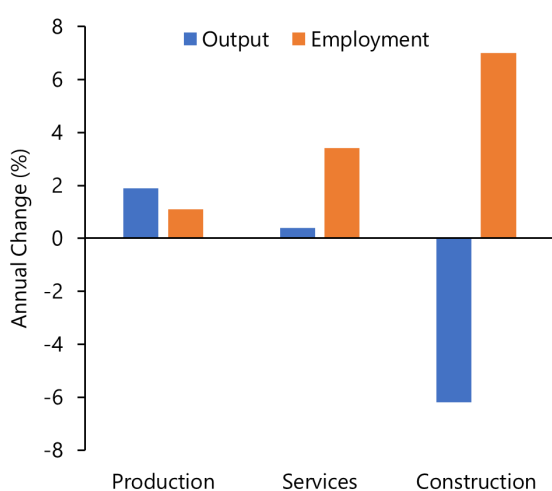
recent four quarters to the previous four quarters).

The decrease in overall output over Q3 2022 was driven by a decrease within New Work (6.7%), slightly offset by an increase in Repair and Maintenance (1.0%). In Q3 2022, both the Housing (9.3%) and Other Work (1.7%) subsectors decreased over the quarter, offset by an increase within the Infrastructure (4.8%) subsector.

However, the sector did record an increase in employment over the quarter (+140 jobs) and over the year (+2,390) to Q3 2022.

Figure 7: Broad Sector Employment and Output Growth

The annual growth in output and employment in the main three broad sectors in NI, Q3 2022.



## Business Survey Summaries

### Ulster Bank PMI - December 2022

- The December 2022 Ulster Bank PMI indicated the steepest decline in business activity since February 2021, with new orders continuing to fall sharply due to cost-of-living pressures and falling demand.
- Northern Ireland ranked 12th out of the 12 UK regions' business activity figures, having seen a sharp and accelerated fall in output.
- Activity declined across all four sectors, with the steepest drop reported in the construction sector.
- Input and output costs continued to rise, albeit at the softest pace since early 2021. Where prices increased, respondents reported higher costs for energy and transportation.
- Staffing levels were unchanged over the month – ending a 21-month sequence of job creation.

### Intertrade Ireland Business Monitor - Q3 2022

- The Q3 2022 survey found that 36% of NI firms were in growth, with a further 43% stable, while 19% were in decline. In comparison, 33% of ROI firms were in growth, 45% were stable and 21% were in decline.
- The main issue raised by firms on both sides of the border was the rising cost of energy (87%) and other overheads (81%), which was a much greater concern than in Q3 2021. The impacts of Covid and Brexit and difficulties in recruiting appropriate skills for business were all considerably less of a concern than in Q3 2021.
- In NI, 35% of businesses remain impacted by Brexit, but 50% of business overall (NI & ROI) have now adapted either to a large extent or in full.

### CEF Construction Survey - Q4 2022

- 62% of respondents do not expect their annual turnover to increase in 2023, with 63% of firms claiming that inflationary pressures continue to pose serious financial concern.
- In addition, four main challenges are highlighted in the following order: Increased cost of materials, Inflation, Access to skilled labour, and political uncertainty/no functioning NI executive.

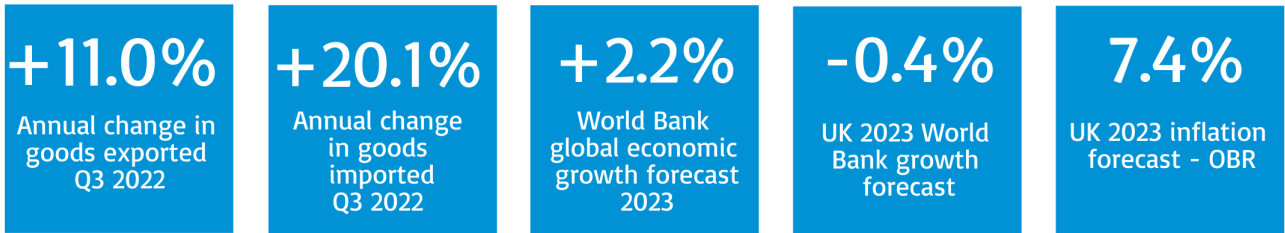
### NI Chamber & BDO QES - Q4 2022

- Following significant declines in Q3 2022, most key indicators held steady in Q4 2022, albeit at a very weak level. However, 55% of businesses are now operating below capacity. More businesses are optimistic than pessimistic about turnover growth in 2023 (47% vs 27%). However, optimism has declined over the year (down from 70% in Q4 2021).
- Inflation remains the top concern for businesses as 75% of respondents expected to raise prices in the next three months. Businesses reported significant cost pressures from utilities, labour and fuel costs with Manufacturers particularly affected by raw material costs.
- Recruitment difficulties were reported by 87% of businesses, and 79% reported that wage pressures influenced their expectations to raise prices.
- 36% of respondents reported coping well with new post EU Exit trading arrangements while 14% are still experiencing difficulties.
- Economic growth was also a concern with 68% expecting the NI economy to contract in 2023.

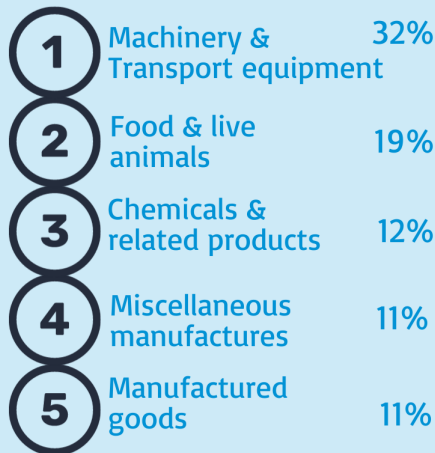


# World Engagement

Downside risks for the global economy remain elevated, with nearly two-thirds of economists surveyed by the World Economic Forum expecting a recession in 2023. Multiple headwinds are affecting global growth including the ongoing conflict in Ukraine, inflationary pressures, weakened consumer confidence and subdued business investment. Subsequently, there is broad consensus that the NI economy is likely to face a challenging external environment for the year ahead.

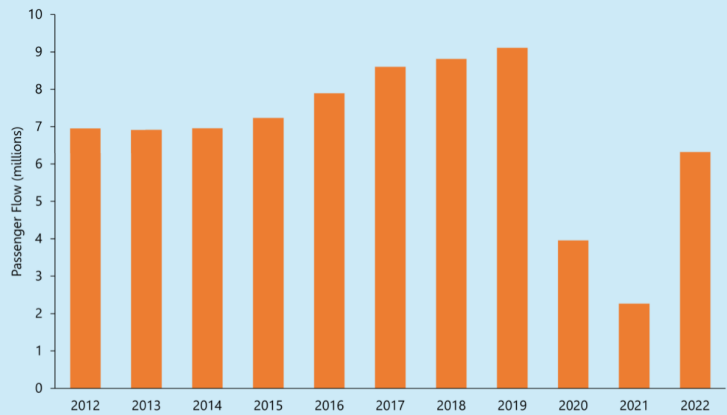


## NI's Top 5 Exporting Commodities



Percentage of all exports. Source: HMRC RTS 2022 Q3

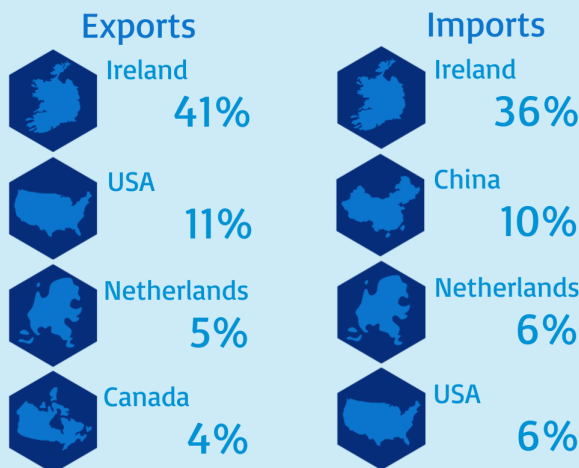
## NI Airport Passenger Flow in year ending Q3



Source: NISRA NI Air Passenger Flow Statistics

## NI's Top Trading Partners

as a proportion of total NI trade in goods



Source: HMRC RTS 2022 Q3

## Nation Brands Index<sup>SM</sup> 2022



No change from 2021

Source: The Anholt Ipsos Nation Brands Index 2022

### International Trade

The latest HMRC Regional Trade Statistics show that in the year to September 2022, NI exported £8.8bn of goods internationally, and imported £9.1bn.

The top-five international trading partners of NI, shown in Figure 9, accounted for 64% of total trade in goods in the year to September 2022. The ROI remained the top trading partner for Northern Ireland, while the US was the second largest export market and China was the second largest import market.

Figure 10 shows NI’s ten most significant categories of export commodities, representing 55% of goods exported in the year to September 2022. Machinery & transport equipment was NI’s most traded commodity type, accounting for almost a third of exports. Food & live animals and Chemicals & related products were the second and third largest commodity categories for Northern Irish exports.

The NI Economic Trade Statistics reports that the value of total sales in NI in 2021 were the largest on survey record at £77.1 billion. Sales of services accounted for

around a third of total sales, while goods represented two-thirds. In the year following the NI Protocol’s implementation, sales to GB increased while the ROI remained NI’s single largest export market.

Figure 8: External Trade

The value of NI’s external sales and purchases (including both goods and services) by destination in 2021.

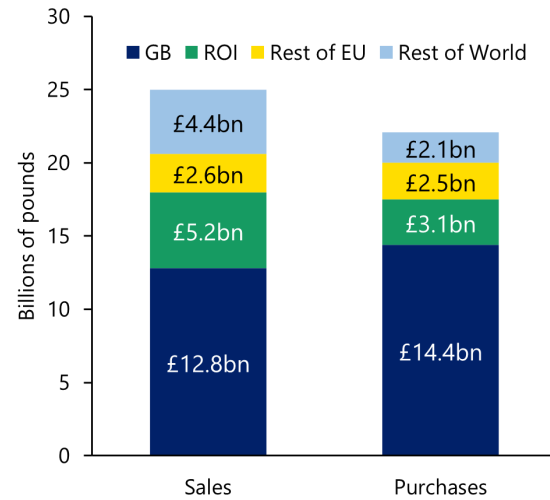


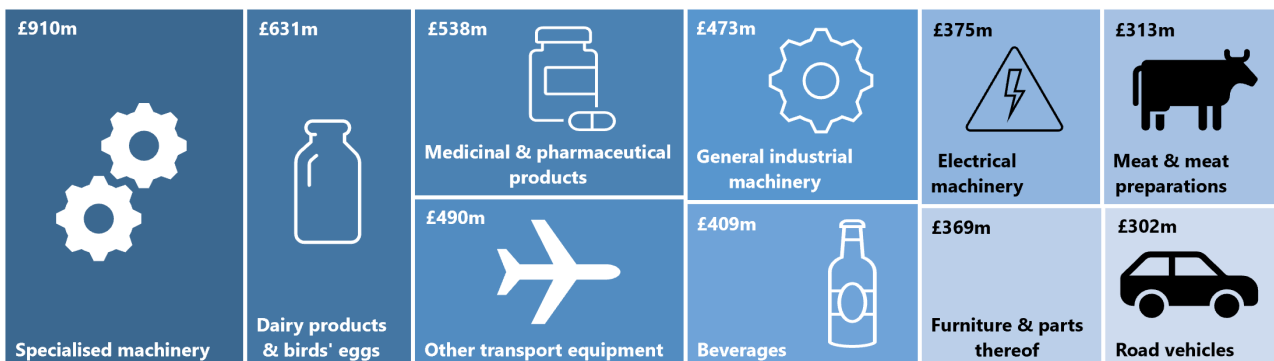
Figure 9: NI’s Top Five International Trade Partners

Export and import values of NI’s top five trading partners (in international trade in goods) in the year to Q3 2022. These countries accounted for around 64% of NI’s international trade in goods value.



Figure 10: NI’s Top Ten Commodity Exports

The ten most valuable commodity groups exported from NI in the year to Q3 2022.



## Global Outlook

The OECD reports that worldwide growth prospects are being adversely impacted by tighter monetary policy and higher real interest rates, while persistently high energy prices and negative real household income growth are dampening confidence. It currently forecasts that UK economic activity in 2023 will be the lowest in the G7, declining by 0.4% (Table 1).

Inflationary pressures remain high, with the Russian invasion of Ukraine pushing up energy and food prices. UK inflation peaked at 11.1% in October 2022 – a 41 year high, though the OECD expects a softening in price increases to 4.5% by the end of 2023.

Business investment will remain subdued in the near-term while labour market tightness is expected to push up wages (though at a lower rate than inflation), while the OECD expects weakened demand to lead to UK unemployment of 5% by the end of 2024.

**Table 1: International Economic Growth Forecasts**

The OECD's latest economic growth (in Real GDP) forecasts for selected countries in 2022 and 2023, in percentage terms.

Region	2022	2023
UK	4.4	-0.4
ROI	10.1	3.8
Euro Area	3.3	0.5
US	1.8	0.5
China	3.3	4.6
World	3.1	2.2

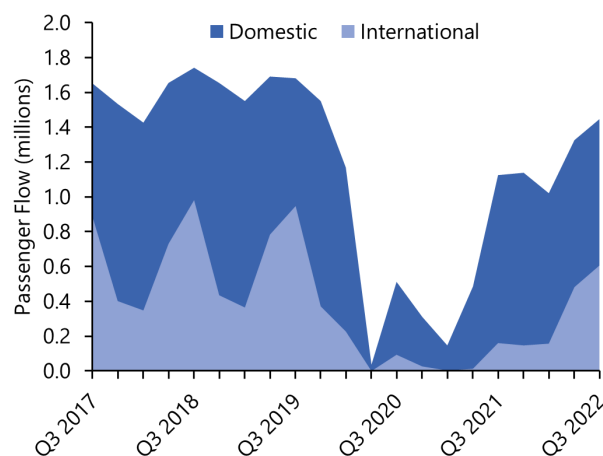
## Tourism

Total NI air passenger flows still remain below pre-pandemic levels, however, hotel occupancy rates have returned to similar pre-pandemic levels.

The ongoing rebound of international arrivals and the continued success of repeat visitors were highlighted in TourismNI's Industry Barometer Survey as reasons for optimism in 2023. While Tourism NI's Consumer Sentiment Analysis reported that NI and ROI consumers' travel intentions indicate a generally steady performance for short breaks into early-2023, concerns remain regarding the rising cost of living, with half of NI and ROI residents now expecting to be adversely affected. Analysis suggests however, that only a minority expect to rule out holidays completely.

**Figure 11: NI Airport Passenger Flows**

The number of people travelling through NI airports to and from both domestic and international locations.



## Foreign Direct Investment

According to fDi Markets, 36 foreign direct investment (FDI) projects to Northern Ireland were announced by 30 companies from January to November 2022.

The US (14 projects) was the dominant source market for investment, accounting for nearly 40% of the total projects, followed by Ireland (10 projects) and Spain (3 projects). Software & IT Services (11 projects) was the main industry sector receiving investment, followed by Business Services and Renewable Energy (both 5 projects).

Among the sampled businesses that announced investments during 2022, skilled workforce availability was cited as the main motivation listed for investing in NI.

**Figure 12: Top Four Inward FDI Industry Sectors**

The number of announced inward FDI projects to NI between January to November 2022 (top four industry sectors only).



# Households

Households continue to encounter major challenges, with inflation and rising interest rates putting pressure on household budgets. Alongside this, continuing geo-political uncertainty around issues such as Brexit and the war in Ukraine continue to dampen consumer sentiment. House prices have continued to rise though the rate of growth is easing while NI's labour market has remained robust despite the economic headwinds.

**-4,900**

Annual change in claimant count

**-0.8pps**

Annual change in unemployment rate

**+10.7%**

Annual change in house prices

**6.3%**

Annual change in median monthly PAYE pay

**-27.6%**

Annual change in discretionary income (ASDA)

## Pay - April 2022

### Annual Change in Median Gross Weekly Earnings

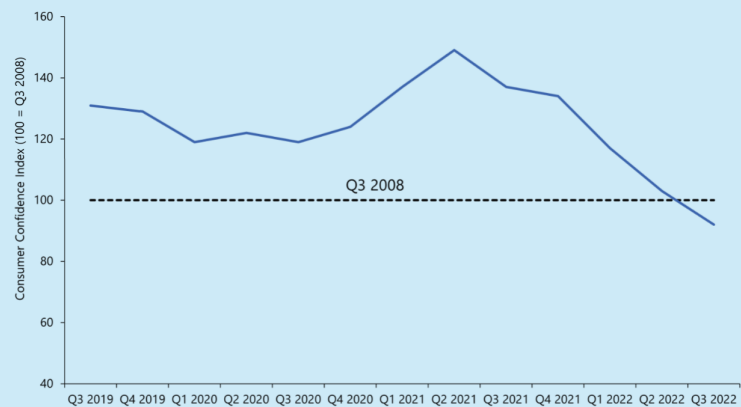
NI **↑ 2.9%**      UK **↑ 5.0%**

### Annual Change in Real Gross Weekly Earnings

NI **↓ 4.5%**      UK **↓ 2.6%**

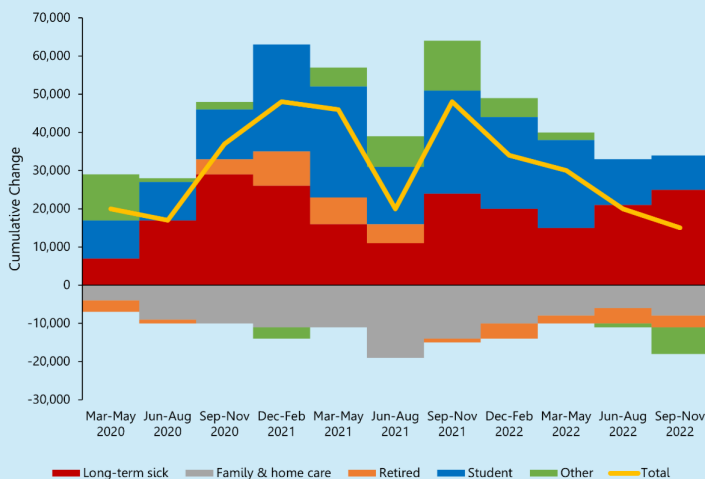
Source: NISRA ASHE 2022

## Consumer Confidence in NI



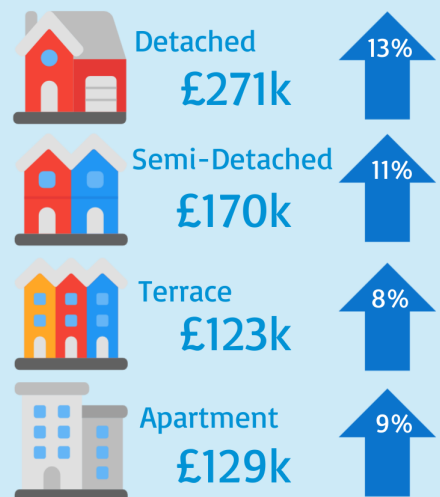
Source: Danske Bank NI Consumer Confidence Index

## Economic Inactivity by Reason



Source: NISRA LMR

## House Prices



Source: NISRA House Price Index Q3 2022 - Annual Change

## Unemployment and Inactivity

Recruitment difficulties remain a lingering concern affecting NI businesses, with many reporting issues with recruiting and retaining staff. Most businesses remain active in some level of recruitment despite weakening demand, subsequently helping to facilitate a steady reduction in the local unemployment rate.

The Labour Force Survey (LFS) unemployment rate (16+) for September - November 2022 was estimated at 2.8%, falling over both the quarter and year. While the UK's unemployment rate remains below the pre-pandemic level, NI's unemployment is above its December-February 2020 rate of 2.5%.

The long-term unemployment rate (percentage of unemployed who have been unemployed for 1 year or more) decreased over the year by 3.6pps to 43.2%.

The number of people claiming unemployment benefits stood at 36,900 in December (3.9% of the workforce), increasing for the fourth consecutive month. While the claimant count is significantly below the recent peak in May 2020, it remains almost 24% higher than the pre-pandemic count of March 2020. In December, the claimant count for the UK was marginally higher than NI at 4.0% of the workforce.

NI's economic inactivity rate for September to November 2022 fell over the quarter and year to 26.6% though continues to be the highest of the UK regions with the overall UK rate sitting at 21.5%. Although both NI and UK rates remain higher than the pre-pandemic period, NI has seen a decrease of 2.8pps over the year whilst the UK rate has increased by 0.2pps over the year.

The number of young people (aged 16-24) in Northern

Ireland who were not in employment, education, or training (NEET) during July to September 2022 was 17,000. This was equivalent to a NEET rate for NI of 8.8%, which is below the UK rate of 11.9%.

## Employment

NI's labour market remained solid in Q3 2022, despite the economy entering a technical recession during the same period.

The number of people aged 16+ in employment during September - November 2022 was estimated at 866,000, an increase of 39,000 over the year. The overall NI employment rate (for 16-64-year-olds) was 71.3%. While this is an increase over both the quarter and year, it remains below the UK employment rate of 75.6%, and is the lowest among the 12 UK regions. Both the UK and NI employment rates remain below their pre-pandemic levels.

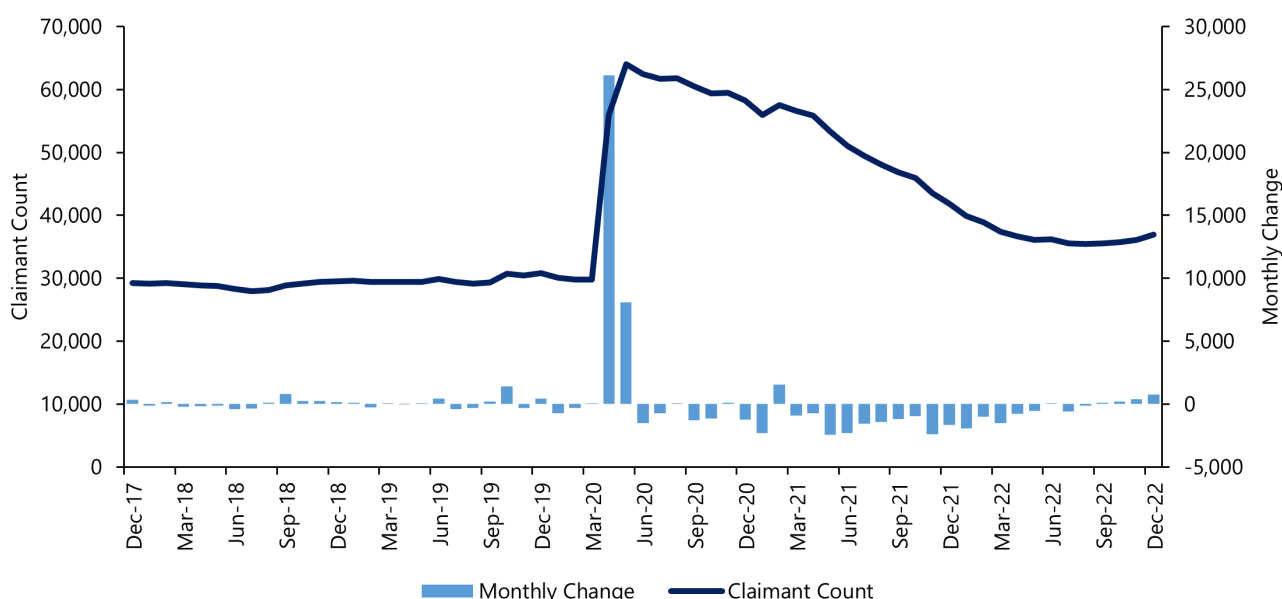
The annual increase in employment rate was driven by a 5.6pps rise in male employment with a smaller 1.0pps increase in female employment.

HMRC PAYE shows the number of payrolled employees in NI was 783,800 in December 2022 – 2.0% higher than December 2021. Between March 2020 and December 2022, NI recorded the largest increase in payrolled employees among the UK regions.

The total weekly hours worked in NI increased by 4.3% over the year to September-November 2022, to an estimated 28.5 million hours per week. While in recent months, there has been a general increasing trend for hours worked, it remains below pre-pandemic levels.

Figure 13: The Claimant Count

The number of people (and monthly change in people) claiming unemployment related benefits in NI, seasonally adjusted.



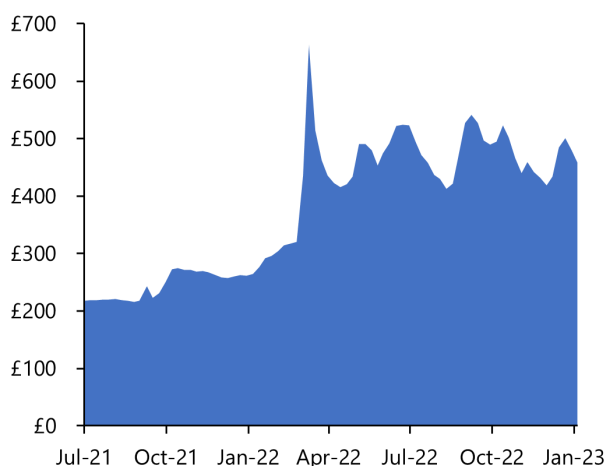
## Home Energy Costs

NI households are more exposed to high energy prices than the rest of the UK due to NI's lower household disposable income – meaning: a higher proportion of their non-discretionary expenditure is spent on fuel and energy (NI=16% vs 10% for UK); higher levels of food insecurity and fuel poverty; and higher levels of financial vulnerability.

The Consumer Council's Home Energy Index rose to 235.69 at the end of December 2022, relative to the base period of January 2016, and by 5.14 points (2.23%) over the month, due to a slight increase in home heating oil prices, while gas and electricity prices remained the same. The Consumer Council estimate 34% of NI households are in fuel poverty - spending more than 10% of net annual household income on energy. The cost of 500 litres of home heating oil is up by 48.2% over the last year (£433.04, Jan 2023) although it has fallen from the March 2022 peak of £662.86.

Figure 14: Home Heating Oil

The cost of 500L of home heating oil in NI over time.



## Pay and Consumer Confidence

### HMRC PAYE Real Time Information

- The median monthly pay in NI for December 2022 was £2,021 - an increase of £7 over the month and £119 over the year. NI had the smallest annual increase of the 12 UK regions and has the lowest median earnings (UK median £2,194).

### SMMT New Car Sales

- Sales of new cars in NI in December 2022 totalled 1,682, 33% higher than December 2021. A shortage of semiconductor microchips and other global supply chain issues continue to reduce vehicle availability.

### Danske Bank CCI - Q3 2022

- The Consumer Confidence Index (CCI) decreased sharply to 92 in Q3 2022, down from 103 in the previous quarter and from 137 in Q3 2021, as higher prices, global risks, and post-Brexit uncertainty continued to exert downward pressure on consumer sentiment. Confidence is now lower than the base index period of Q3 2008.

### ASDA Income Tracker

- The ASDA Income Tracker reported that discretionary incomes in Northern Ireland in Q4 2022 experienced an annual contraction of 27.6%. This was the largest annual fall of any region and is similar to the fall in income for NI in Q3 2022 (28.7%). NI Discretionary income averaged £93/week in Q4 2022, the lowest value since Q2 2015, with family spending power across the UK down by £23.18/week year-on-year in December 2022.

## House Prices

Average house prices in NI continued to rise in the Q3 2022, up 4.1% over the quarter and 10.7% over the year. All council areas saw quarterly and yearly increases in average prices.

The average house price in NI was £176,131, just over £70,000 more than in Q1 2012. Average house prices by Local Government District ranged from £155,593 in Derry City & Strabane to £206,569 in Lisburn & Castlereagh. There were also variances by property type as shown below. The largest annual increase was for detached properties while the largest quarterly increase was for semi-detached, although, detached and terrace houses saw similar quarterly increases.

Research by Nationwide Building Society has shown that, across the UK, 70% of first-time buyers are delaying buying a home, on average by almost 2 years, due to the rising cost of living. In the survey 98% of NI first-time buyers stated their ability to save for a deposit was impacted by the rising costs. Similarly, ONS suggest that increased interest rates will affect those whose fixed mortgages are coming to an end this year, with more than 1.4 million households in the UK facing the prospect of interest rate rises when they renew their fixed rate mortgages in 2023.

# Public Sector

Public Sector employment expanded in Q3 2022. This extended the run of growth in public sector jobs observed since mid-2017, with figures reaching a 12-year high, though it remains below the peak public sector employment levels of the Global Financial Crisis. Private sector pay increased significantly over the year while public sector pay growth was more subdued.

**+2.5%**

Annual change in NI public sector jobs

**1.3%**

Annual change in UK public sector jobs

**+2.3%**

Annual change in public sector pay

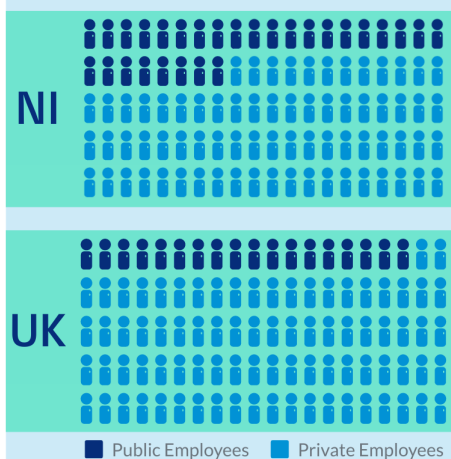
**+2.1%**

Annual change in NI Civil Service jobs

**+0.5%**

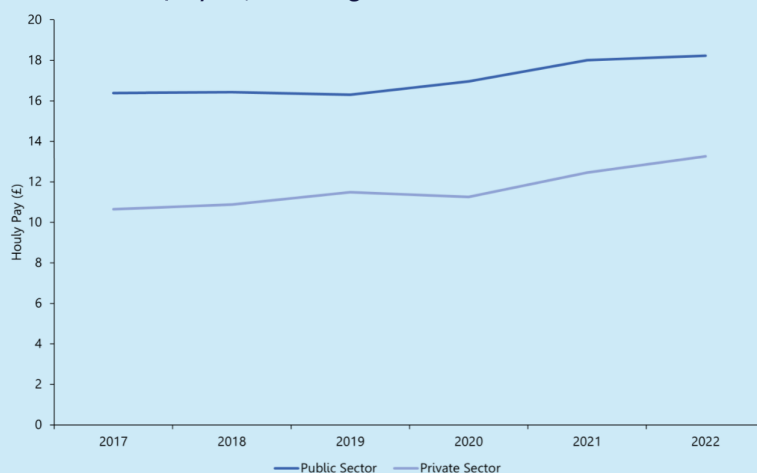
Annual change in NHS Trusts jobs

## Public & Private Jobs



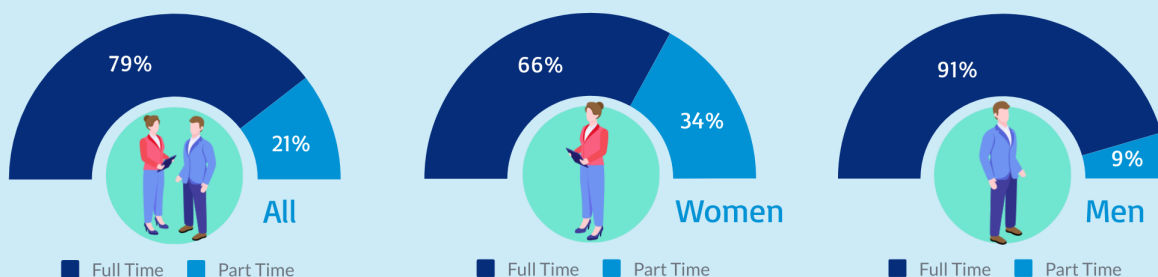
Source: NISRA QES & ONS Public Sector Employment Q3 2022

## Public Sector & Private Sector Pay of full-time employees, excluding overtime



Source: NISRA ASHE 2022 - Data is for April each year

## NICS Full & Part Time Employment



Source: NISRA NICS Personnel Statistics 2022

## Public Sector Employment

In the year to Q3 2022, growth in the number of NI public sector jobs (2.5%) was slightly outpaced by that of the private sector (3.4%), causing the public sector’s share of total employee jobs to fall marginally to around 27.6%. Historically, the public sector has accounted for a relatively large proportion of employment in NI compared with the UK overall, where around 18% of the workforce are public servants.

Of the approximately 5,300 net recruitment in the public sector over the year, around 62% were staff in education institutions (or in the Education and Library boards).

The Northern Ireland Civil Service (NICS) expanded by around 500 personnel (or 2%), of which half went to the Department for Communities (DfC), the largest of the nine NI government departments (Figure 15). A significant increase of around 10% was also recorded in UK Central Government employees based in NI.

Figure 15: Departmental Employment Structure

Employment structure of the nine NI government departments, excluding Arm’s Length Bodies (ALBs) and partner organisations. These departments account for 97% of employment in the NICS and 11% of the NI public sector.



Figure 16: Public vs. Private Sector Employee Jobs

Public and private sector employee jobs in NI over time.

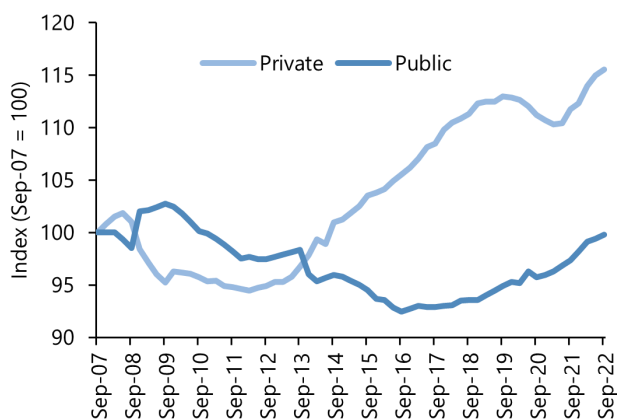


Table 2: Public Sector Employment

A breakdown of the NI public sector employment structure, with annual changes, in September 2022.

	Jobs		Annual Change	
	Sep-22	No.	No.	%
<b>NI Central Government</b>	<b>115,223</b>	824	0.7%	
of which NICS	24,414	508	2.1%	
of which NHS Trusts	77,195	377	0.5%	
other NI Central Government*	13,614	-61	-0.4%	
<b>UK Central Government</b>	<b>4,235</b>	391	10.2%	
<b>Local Government (District Councils)</b>	<b>11,388</b>	62	0.5%	
<b>Public Corporations</b>	<b>6,429</b>	84	1.3%	
<b>Bodies under Aegis of NI Central Government</b>	<b>81,739</b>	3,921	5.0%	
of which education staff**	68,232	3,296	5.1%	
other Bodies under Aegis***	13,508	625	4.9%	
<b>Total</b>	<b>219,015</b>	5,283	2.5%	

\*Includes Fire Service, NI Audit Office, NI Assembly, Police Service NI, BBC and Agri-Food & Bioscience Institute. \*\*Teaching and Non Teaching staff in Schools, Colleges and Education and Library boards. \*\*\*Arm’s Length Bodies and Partners of the nine government departments.

## Public Sector Pay

Public sector wages, in nominal terms, remained higher than those of the private sector by around £5 per hour in April 2022. However, the gap in real pay between the sectors has significantly narrowed.

Over the year to April 2022, during which time inflation increased by 9% (ONS CPI), the median earner in the NI private sector experienced a wage increase (excluding overtime) of around 9% compared to 2% for their public sector counterpart (ASHE).

The difference in pay rises could be partially explained by high consumer demand following the pandemic, leading in turn to strong competition for labour in the private sector. Increased employee bargaining power resulting from the tight labour market, combined with the higher prices faced by households, is also likely to have put significant upward pressure on private sector wages.



# How are food and grocery prices changing?

Alex Mackey, Analytical Services Division

This section briefly sets out the price movements in the UK grocery and food market. National statistics are used to examine the annual rate of inflation across the UK, with a particular focus on food inflation. Data from Kantar are used to examine the price movement of grocery items in Northern Ireland and Great Britain and how changes are impacting consumers.

## How are prices changing?

The most common measure of price movements in the UK is the annual inflation rate. Consumer price inflation (CPI) is the rate at which the prices of the goods and services bought by households rise or fall. In any given month, the rate is determined by the balance between upward and downward price movements across a wide range of prices included in the Consumer Price Index. According to the Office for National Statistics, CPI rose by 10.5% in the 12 months to December 2022. The data indicates that the rate of change is down slightly from the 11.1% figure in October, a 40-year high, as consumers continue to face a squeeze on household finances. Inflationary pressures are also being observed globally. Figure 17 shows the upward movement in the inflation rates across the G7 countries since January 2021. There are some differences in the definition and methodology used by the European countries in the G7 compared to the others which may limit comparison.

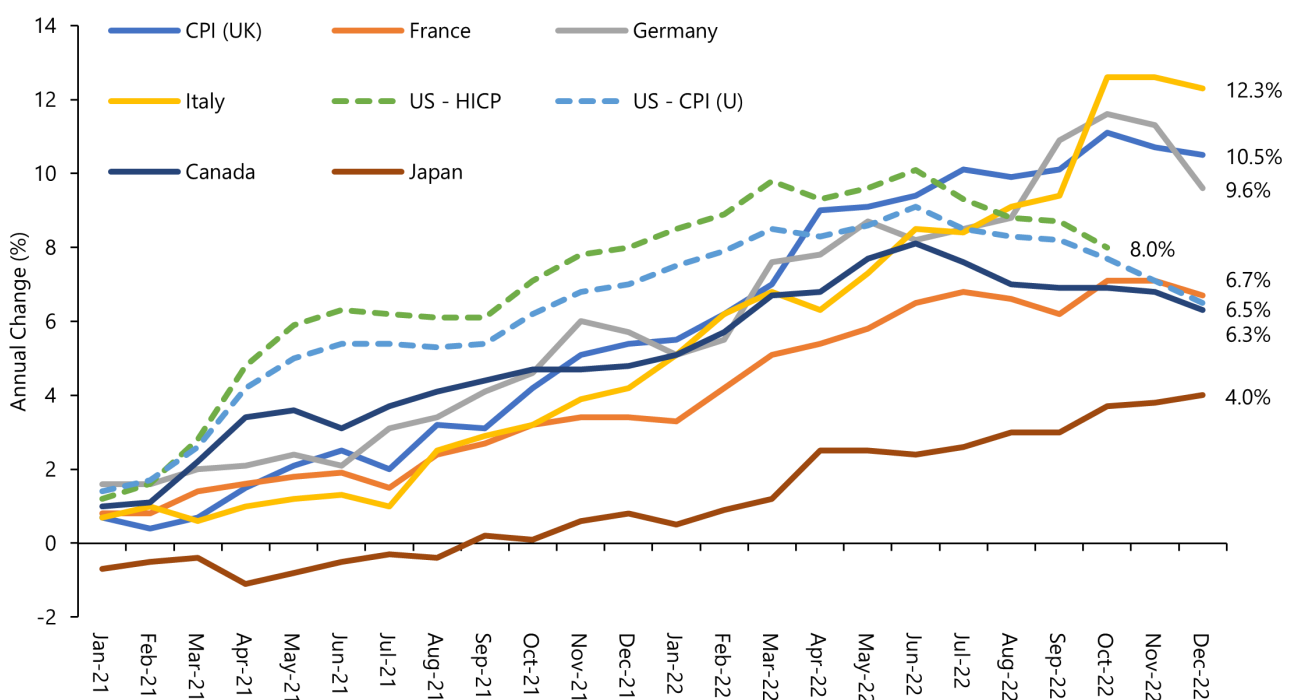
Across the G7, higher global food prices were identified as an upward contributor to inflation rates. In the UK, ONS statistics are available at a divisional level for food and non-alcoholic beverages which can be used to examine these movements.

## Food and non-alcoholic beverages

**Food and non-alcoholic beverage** prices made the second largest upward contribution to the annual rate in December 2022. Food and non-alcoholic beverage prices rose by 16.8% in the 12 months to December, marking a continued rise for the last 17 consecutive months. The increase in the annual rate for food and non-alcoholic beverages between November and December 2022 was driven by price movements across 5 of the 11 detailed classes with the largest upward effect coming from sugar, jam, syrups, chocolate and

Figure 17: G7 Inflation Rates

UK CPI compared with selected G7 annual inflation rates from January 2021 to December 2022



confectionery. These findings are supported by the British Retail Consortium’s Shop Price Index for December. The findings suggest that the Shop Price annual inflation rate sits at 7.3% in December, down from 7.4% in November. Despite the slight downturn, food inflation grew to 13.3% in December which is the highest rate in the food category on record.

### Kantar Basket of Goods

The ONS statistics report price movements for the UK and currently there are no regional breakdowns available. However, data produced by the market analysts Kantar provides a breakdown of take-home grocery items purchased by Kantar panelists in Great Britain and Northern Ireland on a four-week basis. This data provides a breakdown of aggregate price movements in Great Britain and Northern Ireland. Unlike the National Statistics, the aggregate price provided by Kantar only includes those goods purchased by the panelist as opposed to the retail price used in the Consumer Price Index. The data gives an indication of price movements in the Great Britain and Northern

Ireland grocery markets, but care should be taken when drawing conclusions from this data due to the relatively small number of panelists in Northern Ireland and the aggregate nature of the data provided i.e. prices are reported at a category level.

In their latest release, Kantar indicated a 14.4% rise in grocery prices across Great Britain in the four-weeks ending 25 December 2022 when compared to the same period in 2021. Similarly, grocery prices in Northern Ireland rose by 10.3% over the same period. In Great Britain, all product categories seen an increase in the 12 weeks ending 25th December when compared to the same period in 2021, with the largest rises in Vegetables and Salads, Chilled Convenience and Beverages excl. Alcohol. In Northern Ireland, all product categories (excluding fresh meat, fish and poultry) saw an increase over the comparative period. The largest rises were in Dairy Products, Ambient Goods and Household & Cleaning Products. As illustrated in Figure 19, prices recorded by Kantar rose higher in Great Britain than in Northern Ireland, however both were lower than the CPI rate for food and non-alcoholic beverages.

Figure 18: Food Price inflation in the UK

UK CPI Food & non-alcoholic beverage component inflation compared with overall CPI inflation over time.

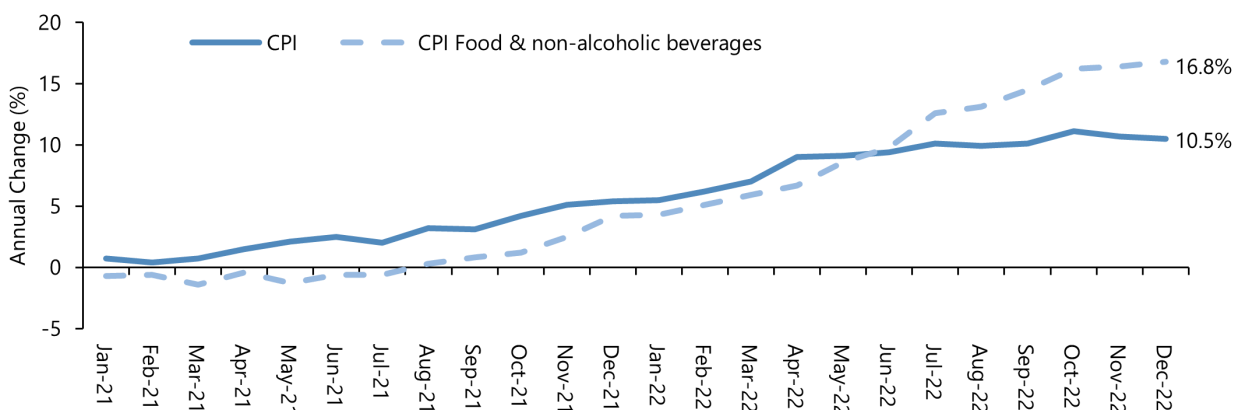
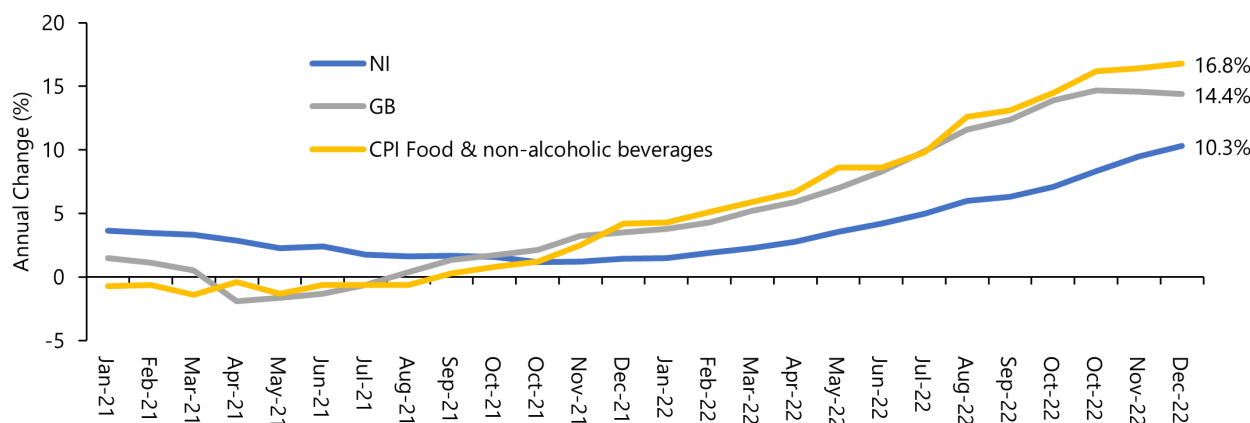


Figure 19: Grocery Prices vs. Food Price Inflation Rate

A comparison of grocery prices changes in NI and GB with changes in the UK food inflation rate (CPI food and non-alcoholic beverages) from January 2021 to December 2022.



## How are prices changes impacting consumers?

Across the UK, shoppers are adopting different strategies to manage their tightening budgets. The latest findings from Kantar acknowledge the non-discretionary nature of food and drink spending while showing that consumers are shifting from branded products to the cheaper Own Brand products to reduce costs, with sales rising by 13.3%.

In Northern Ireland, shoppers are also adapting to reduce costs. Kantar notes that the average price of

food and drink prices rose by 6.4% compared to the same period last year. In response, despite shoppers spending more per trip compared to December 2021, shoppers are buying 7.4% less volume per trip over the period. On the other side, retailers are all feeling the pinch. Prior to the festive lift in December, all major retailers in Northern Ireland had seen a decline in sales compared to last year in November, with discount stores experiencing a slower rate of decline.

### Note

#### Kantar – Basket of Goods

Kantar provides data on a four-week period across a series of broad product categories in Northern Ireland and Great Britain. Kantar samples a panel of households in both locations to capture the price and quantity of items purchased in each category. The information provides useful insight into what is happening in terms of grocery price movements in both markets at a high level. Caution must be used when comparing the NI and GB prices as the panel size used to capture the data differs in each location – a panel of 650 households scan their items in NI while 30,000 scan their items in GB. Furthermore, the broad product categories are not identical in each location which limits the usefulness of direct comparisons.

# Sources

Section	Sources
<b>Cover Page</b>	<a href="#">Labour Market Report (NISRA) - January 2023</a> ; <a href="#">Consumer Price Inflation (ONS) - December 2022</a> ; <a href="#">Regional Trade in Goods Statistics (HMRC) - Q3 2022</a> .
<b>The Economy</b>	<a href="#">NI Composite Economic Index (NISRA) - Q3 2022</a> ; <a href="#">Consumer Price Inflation (ONS) - December 2022</a> ; <a href="#">Index of Production (NISRA) - Q3 2022</a> ; <a href="#">Index of Services (NISRA) - Q3 2022</a> ; <a href="#">Regional Gross Domestic Product (ONS)</a> ; <a href="#">Quarterly National Accounts (CSO) - Q3 2022</a> ; <a href="#">Quarterly Employment Survey (NISRA) - Q3 2022</a> ; <a href="#">Ulster Bank PMI - December 2022</a> ; <a href="#">Lightcast Labour Insight: NI Chamber &amp; BDO Quarterly Economic Survey - (Q4 2022)</a> ; <a href="#">NI Economic Outlook (PwC) - September 2022</a> ; <a href="#">Monetary Policy Report (Bank of England) - November 2022</a> ; <a href="#">Economic and Fiscal Outlook (OBR) - November 2022</a> ; <a href="#">Modelling productivity levels in Ireland and Northern Ireland (ESRI) - November 2022</a> ; <a href="#">Quarterly Sectoral Forecast (Danske Bank) - Q4 2022</a> ; <a href="#">UUEPC Outlook - Winter 2022</a> .
<b>Businesses</b>	<a href="#">Index of Services (NISRA) - Q3 2022</a> ; <a href="#">Index of Production (NISRA) - Q3 2022</a> ; <a href="#">Construction Output Statistics (NISRA) - Q3 2022</a> ; <a href="#">Quarterly Employment Survey (NISRA) - Q3 2022</a> ; <a href="#">All-Island Business Monitor (InterTradeIreland) - Q3 2022</a> ; <a href="#">Retail Sales Index (NISRA) - Q3 2022</a> ; <a href="#">Ulster Bank PMI - December 2022</a> ; <a href="#">CEF Construction Survey - July-September 2022</a> ; <a href="#">NI Chamber &amp; BDO Quarterly Economic Survey - (Q4 2022)</a> .
<b>World Engagement</b>	<a href="#">Chief Economists Outlook (WEF) - January 2023</a> ; <a href="#">Regional Trade in Goods Statistics (HMRC) - Q3 2022</a> ; <a href="#">Global Economic Prospects (The World Bank) - January 2023</a> ; <a href="#">Economic and Fiscal Outlook (OBR) - November 2022</a> ; <a href="#">NI Air Passenger Flow Statistics (NISRA) - Q3 2022</a> ; <a href="#">The Anholt Ipsos Nation Brands Index 2022 report for NI</a> ; <a href="#">NI Economic Trade Statistics (NISRA) - 2021</a> ; <a href="#">Economic Outlook (OECD) - November 2022</a> ; <a href="#">Tourism Industry Barometer (Tourism NI) - October 2022</a> ; <a href="#">Consumer Sentiment Analysis (Tourism NI) - January 2023</a> ; <a href="#">fDi Markets</a> .
<b>Households</b>	<a href="#">Labour Market Report (NISRA) - January 2023</a> ; <a href="#">NI House Price Index (NISRA) - Q3 2022</a> ; <a href="#">ASDA Income Tracker - January 2023</a> ; <a href="#">Annual Survey of Hours and Earnings (NISRA) - April 2022</a> ; <a href="#">Consumer Confidence Index (Danske Bank) - Q3 2022</a> ; <a href="#">NEET statistics from Quarterly LFS (NISRA) - Q3 2022</a> ; <a href="#">Northern Ireland household energy expenditure: income differences and non-discretionary impacts (DfE) - March 2022</a> ; <a href="#">Home Energy Index (The Consumer Council)</a> ; <a href="#">Home Heating Oil Price Checker (The Consumer Council)</a> ; <a href="#">A Review of Fuel Poverty Levels in Northern Ireland (The Consumer Council) - May 2022</a> ; <a href="#">Energy in Northern Ireland 2022 (NISRA)</a> ; <a href="#">NI New Car Registration Data (SMMT)</a> , reported by the Irish News; <a href="#">Home Truths: Rising cost of living forces first-time buyers to put plans on ice for now (Nationwide Business Society) - May 2022</a> ; <a href="#">How increases in housing costs impact households (ONS) - January 2023</a> ; <a href="#">Residential Market Survey (RICS) - December 2022</a> .
<b>Public Sector</b>	<a href="#">Quarterly Employment Survey (NISRA) - Q3 2022</a> ; <a href="#">UK Public Sector Employment (ONS) - September 2022</a> ; <a href="#">Annual Survey of Hours and Earnings (NISRA) - April 2022</a> ; <a href="#">Personnel Statistics for the NICS - 2022 (NISRA)</a> ; <a href="#">Consumer Price Inflation (ONS) - December 2022</a> .
<b>Focus Piece</b>	<a href="#">Consumer price indices, a brief guide (ONS)</a> ; <a href="#">Consumer Price Inflation (ONS) - December 2022</a> ; <a href="#">The Harmonised Index of Consumer Prices (ECB)</a> ; <a href="#">Consumer Price Index, Canada (Statistics Canada)</a> ; <a href="#">Consumer Price Index, Japan (Site of Official Statistics of Japan)</a> ; <a href="#">Comparing US and European inflation: the CPI and the HICP (BLS)</a> ; <a href="#">BRC inflation report - January 2023</a> ; <a href="#">Boosting the Northern Ireland price sample for the Consumer Price Index (ONS) - September 2022</a> ; <a href="#">Kantar Price Data for Northern Ireland and Great Britain</a> ; <a href="#">UK grocery price inflation fuels first ever £12 billion Christmas (Kantar)</a> ; <a href="#">Kantar insight reported by The Irish News</a> ; <a href="#">Kantar's insight on NI Market (The Irish News)</a> .

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