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Economic Research Digest Quarter 4 2022

The **Economic Research Digest** monitors recently published research across a number of economic areas relevant to the work of the Department for the Economy such as competitiveness, innovation, enterprise, trade, FDI, tourism and infrastructure. The Skills Research Digest deals separately with recently published skills and labour market research.

In each case, we provide a short summary of the key points and web links to the full article or report*. A full list of sources can be found at the end of the publication.

Highlights this quarter include:

- The BoE noted that annual private sector output price inflation was 7.4% in the three months to November. This is 0.2 percentage points lower than in the three months to October. The single month figure for November was 7.2%, down from 7.8% in October.
- Analysis done by ONS shows that approximately one in six (16%) businesses in the UK had been affected because of industrial action; more than a quarter (28%) of those businesses reported they were unable to obtain necessary goods for their business
- A report published by Resolution Foundation shows that absolute poverty is set to rise in the short run, from 17.2 per cent in 2021-22 to 18.3 per cent in 2023-24 (or an additional 800,000 people in poverty)

** Links are correct at the time of publication; however, it is likely that some will break over time. The list of sources has more general links, which should help the reader to track down the original report.*

Contents

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Economic Outcomes

COMPETITIVENESS

Northern Ireland Economic Output Statistics published by NISRA

- Output in the services sector increased by 0.1 per cent in real terms over the third quarter of 2022 and increased by 0.4 per cent over the year.
- The production sector output increased by 0.5 per cent over the third quarter of 2022 and by 1.9 per cent over the year.
- Retail output in NI saw a quarterly decrease of 1.7 per cent in Quarter 3 2022 and a decrease of 5.3 per cent over the year.
- When comparing current output with the pre-Coronavirus pandemic levels seen in Quarter 4 2019, Northern Ireland production output is 5.6 per cent above its pre-pandemic level and Northern Ireland service output is 4.8 per cent above its pre-pandemic level. In contrast, Northern Ireland Retail output remains 6.2 per cent below the pre-pandemic level seen in Quarter 4 2019.
- The NI IOS (Index of services) increased by 0.1 per cent over the quarter and by 0.4 per cent over the year. The UK IOS remained unchanged over the quarter and increased by 3.3 per cent over the year.
- NI services output in Quarter 3 2022 is 0.3 per cent below the series high shown in the revised Quarter 1 2022 estimate.
- NI services output is now 4.8 per cent above the pre-Coronavirus pandemic level seen in Quarter 4 2019 while UK Service output is 0.9 per cent below its pre-pandemic level.
- The quarterly increase in NI production output of 0.5 per cent was driven by an increase in electricity, gas, steam, and air conditioning supply (5.8 per cent). This was offset by decreases in Manufacturing (0.1 per cent) and Water supply, sewerage, and waste management (Inc. recycling) (4.8 per cent). There has been no change over the quarter in the Mining and quarrying sector (0.0 per cent).

PRODUCTIVITY AND GROWTH

GDP first quarterly estimate, UK: July to September 2022 published by ONS

- The first quarterly estimate of UK gross domestic product (GDP) shows an estimated fall of 0.2% in Quarter 3 2022. This follows a rise of 0.2% in the previous quarter. The level of quarterly GDP in Quarter 3 2022 is now 0.4% below its pre-coronavirus (COVID-19) level (Quarter 4 (Oct to Dec) 2019).
- GDP is estimated to have fallen by 0.6% in September 2022. It is important to note that data for September 2022 are affected by the bank holiday for the State Funeral of Her Majesty Queen Elizabeth II, where some businesses closed or operated differently on this day. As this is a one-off event, this impact does not get removed from our seasonally adjusted estimates. This should be considered when interpreting the seasonally adjusted movements involving September 2022 and to a lesser extent the Quarter 3 2022 estimates.
- Production output fell by 1.5% in Quarter 3 2022, which is the fifth consecutive quarter of contraction. The latest quarterly fall in production output was driven mostly by a fall in manufacturing output of 2.3%. All 13 of the manufacturing sub-sectors saw falls in quarterly output. The largest negative contribution came from the manufactures of basic metals and metal products and manufactures of chemicals and chemical products.
- Within private consumption, real household expenditure fell by 0.5% in Quarter 3 2022, which was driven by falls in clothing and footwear, household goods and services, household furniture and equipment, communication, and food and transport. In current price terms, household expenditure rose by 1.7% in Quarter 3 2022, highlighting the recent inflationary pressures on the value of this spending. The implied price of household expenditure increased by 9.1% when compared with Quarter 3 last year.
- Within gross capital formation, gross fixed capital formation (GFCF) increased by 2.5% in Quarter 3 2022, rebounding from a 1.4% fall in Quarter 2 2022. The increase was mainly driven by a boost

in government investment of 7.6% in Quarter 3 2022. Business investment fell by 0.5% in Quarter 3 2022 and remains below its pre-coronavirus pandemic level.

- Nominal gross domestic product (GDP) rose by 1.0% in Quarter 3 (July to Sept) 2022 and increased by 8.4% relative to the same quarter last year. The quarterly rise was driven by growth in compensation of employees as well as contributions from taxes less subsidies and other income.

LIVING STANDARDS, WELLBEING AND PROSPERITY

Decision Maker Panel - November 2022 published by BoE is a survey of Chief Financial Officers from small, medium, and large UK businesses.

- Annual private sector output price inflation in the DMP was 7.4% in the three months to November, 0.2 percentage points lower than in the three months to October. The single month figure for November was 7.2%, down from 7.8% in October.
- Expected year-ahead annual output price inflation was 6.2% in the three months to November, down from 6.4% the previous month (the single month data was 5.7%, 0.5 percentage points lower than in October).
- Perceptions of annual CPI inflation in November averaged 10.3%. Looking ahead, DMP members expected CPI inflation to be 7.2% one-year ahead, down from 7.6% in the October survey, and 3.9% in three years' time.
- Over the 12 months to November, average unit costs were estimated to have increased by 10.8%. Over the next 12 months, firms expected unit cost growth to be 8.6%, on average. Average wage growth was reported to have been 6.1% over the 12 months to November and was expected to be 5.8% over the next 12 months.
- Recruitment difficulties are reported to have begun to ease. In November, 78% of firms reported they were finding it harder to recruit new employees compared with normal. Of those, 46% reported that it was 'much harder', 8 percentage points lower than in October.
- Expected year-ahead employment growth was 1.5% in the three months to October, down from 1.8% in the previous month and continuing the decline seen since April.
- The level of overall business uncertainty was slightly down in November. 60% of respondents reported that uncertainty for their business was 'high' or 'very high' at the moment, 5 percentage points lower than in October.
- Businesses expect higher interest rates to lead to lower investment and employment over the next year. On average, businesses estimated that higher rates will lower their investment by 8.4% and employment by 2.3%, relative to what would have otherwise happened.

Labour market overview, UK: December 2022 published by ONS

- The UK employment rate for August to October 2022 increased by 0.2 percentage points on the quarter to 75.6% but is still below pre-coronavirus (COVID-19) pandemic levels. Over the latest three-month period, the number of employees increased, while self-employed workers decreased.
- The most timely estimate of payrolled employees for November 2022 shows another monthly increase, up 107,000 on the revised October 2022 figures, to a record 29.9 million.
- The unemployment rate for August to October 2022 increased by 0.1 percentage points on the quarter to 3.7%. In the latest three-month period, the number of people unemployed for up to six months increased, and this increase was seen across all age groups.
- The economic inactivity rate decreased by 0.2 percentage points on the quarter to 21.5% in August to October 2022. The decrease in economic inactivity during the latest three-month period was driven by those aged 50 to 64 years. Looking at economic inactivity by reason, the quarterly decrease was driven by those inactive because they are retired.
- In September to November 2022, the estimated number of vacancies fell by 65,000 on the quarter to 1,187,000. Despite five consecutive quarterly falls, the number of vacancies remains at historically high levels. The fall in the number of vacancies reflects uncertainty across industries, as respondents continue to cite economic pressures as a factor in holding back on recruitment.
- Growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was the same at 6.1% in August to October 2022; for regular pay, this is the strongest growth rate seen outside of the coronavirus pandemic period.

- Average regular pay growth for the private sector was 6.9% in August to October 2022, and 2.7% for the public sector; outside of the height of the pandemic period, this is the largest growth rate seen for the private sector and is among the largest differences between the private sector and public sector growth rates we have seen.
- In real terms (adjusted for inflation) over the year, total and regular pay both fell by 2.7%; this is slightly smaller than the record fall in real regular pay we saw in April to June 2022 (3.0%) but remains among the largest falls in growth since comparable records began in 2001.
- There were 417,000 working days lost because of labour disputes in October 2022, which is the highest since November 2011.

The Living Standards Outlook 2023 published by Resolution Foundation

- Three-quarters of UK adults reported in November that they were trying to cut back on overall spending. 45 per cent of respondents, or 24 million people, are quite worried or very worried about their energy bills over the winter months, but this rises to 63 per cent of workers in the bottom income quintile, and 62 per cent of those paying their energy bills using a pre-payment meter (PPM) (compared with 43 per cent of people who pay energy bills using direct debit).
- Almost one-in-five (19 per cent) of people in the survey – or 10 million – are not confident about their finances over the next few months, but for workers in the bottom income quintile, this rises to 32 per cent, and to 43 per cent for those not working and on benefits.
- In November 2022, 11 per cent of respondents said that their debts had increased moderately or substantially in the past three months, rising to 20 per cent amongst workers in low-income families. This compares with 7 per cent of adults, and 12 per cent of low-income adults, who saw debts rise during the pandemic (comparing February 2020 to May 2021). People are also falling behind on bills: 10 per cent of people – and a quarter of workers in poorer households – have missed at least one payment of a priority bill over the past three months.
- The percentage of people facing emotional distress has increased from 40 per cent in October 2021 to 47 per cent in November 2022. Those receiving state benefits (excluding Child Benefit or the state pension) are increasingly in emotional distress, with 64 per cent affected, compared to 42 per cent for those who do not receive any benefits.
- The typical after housing costs income of non-pensioner households is set to fall by 3 per cent in 2022-23 and fall by an even larger 4 per cent in 2023-24. A fall of that scale in 2023-24 would be the largest single-year fall since 1975, and the two-year fall of 7 per cent (or £2,100 for a typical household) is bigger than in the financial crisis. This will take typical real-terms incomes in 2023-24 back to where they were in 2018-19.
- Rising interest rates boost savings and investment incomes so that incomes of the top 5 per cent are on course to rise by 4 per cent between 2021-22 and 2023-24. Although income inequality across the bulk of the distribution will fall during 2022-23 and 2023-24, this rapid growth in investment income means that the Gini coefficient is projected to reach a record high of 40.8 per cent in 2027-28.
- The cost-of-living crisis should ease in 2024, but real wages are not expected to return to their Q1 2022 level until the end of 2027. Typical incomes are set to be below their real-terms pre-pandemic (2019-20) level even in 2027-28.
- Absolute poverty is set to rise in the short run, from 17.2 per cent in 2021-22 to 18.3 per cent in 2023-24 (or an additional 800,000 people in poverty). Relative poverty is set to fall considerably in 2022-23 and 2023-24, as typical income falls by more than that of low-income households but will then trend upwards. Child poverty in 2027-28 is forecast to be the highest since 1998-99, with 170,000 more children in poverty than in 2021-22.

Innovation and Enterprise

INNOVATION

[No relevant material sourced for this quarter's release.]

RESEARCH AND DEVELOPMENT

Reforms to R&D tax reliefs published by HM Revenue and Customs

- In response to reports of abuse and fraud in the SME (small and medium-sized enterprises) scheme, the chancellor of the exchequer has announced a cut in the enhancement rate to 86% (from 130%) and the tax credit rate to 10% (from 14.5%). For the RDEC (R&D expenditure credit) scheme, the rate will increase from 13% to 20%.
- This reform ensures that taxpayer support is as effective as possible, improves the competitiveness of the RDEC scheme, and is a step towards a simplified, single RDEC-like scheme for all.
- The government will consult on the design of a single scheme, and ahead of Budget work with industry to understand whether further support is necessary for R&D intensive SMEs, without significant change to the overall cost envelope for supporting R&D.
- The Office for Budget Responsibility (OBR) have certified this reform has a net neutral impact on R&D expenditure. The reliefs are forecast to support £60 billion of R&D by businesses in 2027/28, a 60% increase from 2020/21. The OBR also expect the reform to save £1.3bn per year by 2027/28 and to reduce error and fraud.

SECTORS AND TECHNOLOGIES

Northern Ireland Economic Output Statistics published by NISRA

- The 0.1 per cent quarterly increase in NI services output was driven by increases in three of the four subsectors: the Business services and finance sector (1.6 per cent), the Other services sector (2.9 per cent) and the Transport, storage, information, and communications sector (3.5 per cent). These increases were partially offset by a decrease in the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector (0.3 per cent).
- The 0.4 per cent increase seen in NI services output over the year was driven by increases in three of the four subsectors, with increases in the Business services and finance sector (4.5 per cent); the Other services sector (16.3 per cent); and the Transport, storage, information, and communications sector (12.8 per cent). These increases were partially offset by a decrease in the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector (4.9 per cent). Note that in Quarter 3 2021 some restrictions on businesses due to the coronavirus (COVID-19) pandemic were still in place.
- Looking at the longer-term trend, when the most recent four quarters are compared to the previous four quarters, NI services output increased by 6.2 per cent. This was driven by all four subsectors, with increases in the Wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service sector (2.2 per cent); the Business services and finance sector (8.1 per cent); the Other services sector (25.7 per cent); and the Transport, storage, information, and communications sector (12.4 per cent). Note that the large increase on the rolling quarter measure is impacted by the notable lows in 2020.

Construction output in Great Britain: October 2022 published by ONS

- Monthly construction output is estimated to have increased 0.8% in volume terms in October 2022; this is the fourth consecutive monthly growth, with October 2022 being the highest level of construction output (£15.25 billion) since records began in January 2010.
- Anecdotal evidence continues the narrative around the increased prices for certain construction products, however annual price growth is starting to ease from the high level in mid-2022; despite the current high prices, the construction industry is maintaining growth, and new orders books remain strong (see detail about these data in Section 2: Construction in Great Britain data)
- The increase in monthly construction output in October 2022 came from increases in both new work (0.5%) and repair and maintenance (1.3%) on the month.
- At the sector level, five out of the nine sectors saw a rise in October 2022, with the main contributors to the monthly increase seen in private new housing, and non-housing repair and maintenance, which increased 2.9% and 1.7%, respectively.
- The level of construction output in October 2022 was 4.8% (£698 million) above the February 2020 pre-coronavirus (COVID-19) pandemic level; new work was 0.2% (£21 million) above its February

2020 level, while repair and maintenance work was 13.5% (£677 million) above the February 2020 level.

- Alongside the monthly increase, construction output saw an increase of 1.1% in the three months to October 2022; this is the twelfth consecutive period of growth in the three-month-on-three-month series, and the increase came solely from growth in new work (3.1%) as repair and maintenance saw a decrease (2.1% fall).

Retail sales, Great Britain: November 2022 published by ONS

- Retail sales volumes are estimated to have fallen by 0.4% in November 2022 following a rise of 0.9% in October (revised from a rise of 0.6%) when there was a bounce back from the impact of the additional Bank Holiday in September for the State Funeral.
- Non-store retailing (predominantly online retailers) sales volumes fell by 2.8% in November 2022, continuing a downward trend seen since early 2021, as the wider economy reopened, and people could return to shopping in store; they are still 18.2% higher than their pre-coronavirus (COVID-19) February 2020 levels.
- Automotive fuel sales volumes fell by 1.7% in November 2022, following a rise of 3.2% in October; these were 8.7% below their February 2020 levels.
- Non-food stores sales volumes fell by 0.6% in November 2022 and were 1.8% below February 2020 levels.
- Food store sales volumes rose by 0.9% in November 2022 with anecdotal evidence from retailers suggesting that customers stocked up early for Christmas.

ENTREPRENEURSHIP

[No relevant material sourced for this quarter's release.]

BUSINESS GROWTH

Business insights and impact on the UK economy: January 2023 published by ONS

- In November 2022, approximately one in six (16%) businesses had been affected as a result of industrial action; more than a quarter (28%) of those businesses reported they were unable to obtain necessary goods for their business.
- In late December 2022, 5% of businesses with 10 or more employees expected to make redundancies over the next three months; the largest reported reasons for doing so were to reduce staff costs (69%) and certain job roles no longer being required (29%).
- Almost a third (32%) of businesses with 10 or more employees reported they were experiencing a shortage of workers, with the human health and social work activities industry (private sector businesses only) reporting the highest proportion of businesses affected, at 51%.
- When looking ahead to January 2023, more than one in five (22%) businesses reported energy prices were their main concern, followed by input price inflation (15%) and falling demand of goods and services (14%).
- More than a third (35%) of trading businesses with 10 or more employees that had imported in November 2022 reported they had experienced an increase in transportation cost changes compared with October 2022; this was 29% for exporting businesses.

BUSINESS REGULATION

New rules and regulations small business owners by Enterprise Nation

- To help businesses during the COVID-19 pandemic, the government relaxed rules around checking employees' right to work and allowed businesses to do the checks via a video call with scans of documents.
- That concession was removed on 1 October and businesses now need to return to carrying out manual in-person checks on original documents or use the Home Office online service.

- From 1 April 2022, a new tax of £200 per tonne applies to plastic packaging manufactured in, or imported into the UK, that does not contain at least 30% recycled plastic.
- The tax affects UK manufacturers of plastic packaging, importers of plastic packaging, business customers of manufacturers and importers of plastic packaging, and consumers who buy plastic packaging or goods in plastic packaging in the UK.
- The temporary 12.5% VAT rate for goods and services provided by businesses in the hospitality, holiday accommodation and attractions sectors, that was introduced due to the impact of coronavirus, returned to the pre-pandemic rate of 20% on 1 April 2022.

Succeeding Globally

TRADE

Broad Economy Sales and Export Statistics published by NISRA provides annual estimates of the sales & purchases generated by Northern Ireland businesses.

- In 2021, total sales by companies in Northern Ireland (NI) were estimated to be worth £77.1 billion. Sales within NI amounted to £52.1 billion, accounting for 67.6% of total sales.
- The remainder of sales were evenly split between those to GB (£12.8 billion) and sales to markets outside the UK (i.e., exports) of £12.2 billion, accounting for 16.6% and 15.8% of total sales respectively in 2021.
- Total sales of goods were estimated to be worth £51.3 billion in 2021, an increase of 13.8% (£6.2 billion) over the year. Total goods represented 66.6% of total sales in 2021.
- Sales of services represented 33.4% of total sales in 2021 and were estimated to be worth £25.8 billion. Sales of services increased by 13.3% over the year (£3.0 billion).
- Exports of goods were estimated to be worth £9.2 billion in 2021, an increase of 13.7% (£1.1 billion). Exports of goods represented 75.8% of all exports sales.
- Exports of services represented 24.2% of all export sales in 2021 and were estimated to be worth £3.0 billion. Exports of services increased by 23.6% (£0.6 billion) over the year.
- Total purchases by NI businesses were estimated to be £48.7 billion in 2021, with the purchase of goods accounting for 79.6% of this amount (£38.8 billion). Purchases of goods increased by 13.6% (£4.6 billion) over the year.
- In terms of the balance of trade, NI businesses exported more goods and services (£12.2 billion) than it imported (£7.7 billion), resulting in a trade surplus of £4.5 billion. The reverse was the case with our trade with GB, with purchases exceeding sales (£14.4 billion and £12.8 billion respectively), resulting in a trade deficit of £1.7 billion.

UK trade: November 2022 published by ONS shows total value of UK exports and imports of goods and services in current prices, chained volume measures and implied deflators.

- The value of goods imports increased by £1.8 billion (3.5%) in November 2022; after removing the effect of inflation, imports of goods increased by £2.5 billion (6.1%).
- Goods imports from EU countries increased by £1.2 billion (4.7%) and imports from non-EU countries rose by £0.6 billion (2.2%), both driven by rising imports of machinery and transport equipment.
- Gas prices continued to decrease in November 2022, leading to the third consecutive month of decreases in the value of fuel imports from non-EU countries.
- The value of goods exports increased slightly by £0.2 billion (0.7%) in November 2022, rising by a smaller amount when compared with imports.
- The trade in goods and services deficit, excluding precious metals, narrowed by £6.5 billion to £20.2 billion in the three months to November 2022, driven by a decrease in goods imports from non-EU countries which is linked to falling fuel prices.

INWARD INVESTMENT

Business investment in the UK: July to September 2022 revised results published by ONS

- Business investment in Quarter 3 (July to Sept) 2022 remains below pre-coronavirus (COVID-19) levels at negative 8.1%, an upwards revision from the provisional estimate of negative 8.4%. Though business investment levels increased in Quarter 3 2022, business investment growth in this period was revised downwards by 2 percentage points, because of an upwards revision in Quarter 2 (Apr to June) 2022 business investment levels.
- The main cause of these upwards revisions in the previous quarter was other buildings and structures because of later survey data. Purchased software, hardware and other machinery also contributed positively to the revisions.
- Whole economy investment (technically labelled Gross Fixed Capital Formation) remained above pre-coronavirus levels in Quarter 3 2022, despite a downward revision of 0.6 ppt to 0.2%. Dwellings investment continued to grow but at a slower rate. This was because of both a downward revision for Quarter 3 2022 and an upwards revision in Quarter 2 2022, meaning the total fall in dwellings growth in Quarter 3 2022 was 3.2 percentage points.
- Transport investment has been revised from a 4.2% decline to a 5.4% increase in Quarter 3 2022, driven by a large negative revision to Quarter 2 2022. While the levels of Quarter 3 2022 transport investment have been revised downwards, they remain above their pre-coronavirus pandemic levels.
- The UK has experienced strong GFCF growth relative to the other G7 nations. Since Quarter 1 2021, UK growth was the largest out of the G7 nations in four out of seven quarters, including Quarter 3 2022. In this most recent quarter, UK growth was 1.6 percentage points ahead of France, which had the second highest growth.
- Most of the G7 nations saw an increase in growth in Quarter 3 2022 relative to the previous quarter except Japan, which saw a slight decrease, and Italy, which saw a larger fall. Notably, these two nations had the highest growth in Quarter 2 2022.

TOURISM

Consumer Sentiment Analysis published by Tourism Northern Ireland gives in depth analysis on consumer confidence, propensity to travel and consumer concerns.

- The analysis suggests that there is to continued high levels of ROI and domestic visitor volumes in 2022, in NI, with over half of ROI visitors enjoying their first NI holiday/short break.
- NI and ROI consumers' travel intentions point to a generally steady performance for short breaks over the remainder of the year and the early months of 2023.
- Increased market competition is also evident however, with significant increases in the proportion of NI and ROI consumers considering taking a break abroad in the next six months. Competition from ROI also remains strong.
- Value for money (VFM) perceptions for NI as a tourist destination are down among both NI and ROI residents. By comparison, however, VFM ratings remain significantly above perceptions for ROI.
- There has been a notable increase in concerns about cost-of-living increases, with half of NI and ROI residents now expecting to be significantly negatively affected.
- While findings indicate that NI and ROI consumers are likely to reduce spend on holidays (both at home and abroad), only a minority (less than one fifth) anticipate giving up their holidays completely due to cost-of-living increases.
- Booking behaviours point to continued short lead in times for island of Ireland trips.

Economic Infrastructure

ENERGY

Electricity consumption and renewable generation in Northern Ireland: Year Ending September 2022 published by Northern Ireland Statistics and Research Agency (NISRA)

- For the 12 month period October 2021 to September 2022, 49.3 per cent of total electricity consumption in Northern Ireland was generated from renewable sources located in Northern Ireland. This represents an increase of 7.2 percentage points on the previous 12 month period (October 2020 to September 2021) and is the second highest rolling 12 month proportion on record.
- In terms of the volume of electricity consumption between October 2021 and September 2022, some 7,550 Gigawatt hours (GWh) of total electricity was consumed in Northern Ireland. Over the same period, some 3,725 GWh was generated from renewable sources located in Northern Ireland. This is the highest rolling 12 month renewables generation volume on record.
- Of all renewable electricity generated within Northern Ireland over the 12 month period October 2021 and September 2022, 84.9 per cent was generated from wind. This compares to 82.4 per cent for the previous 12 month period (October 2020 to September 2021).
- In February 2022, 76.5 per cent of electricity consumption was generated from renewable sources. This is the highest monthly proportion on record.
- For the 12 month period ending September 2022, non-wind renewable electricity generation in Northern Ireland was 561.7 GWh.

Energy Trends December 2022 published by ONS shows information on energy production, trade, and consumption in the UK for total energy and by specific fuels.

- In the third quarter of 2022 total production was 25.0 million tonnes of oil equivalent, largely unchanged compared to the third quarter of 2021. Oil production fell markedly on last year and is notably below pre-pandemic levels, whilst gas output increased and has recovered to pre-pandemic levels. Favourable weather conditions saw an increase in the output of renewable technologies.
- Total primary energy consumption for energy uses rose by 4.0 per cent, with gas used for power generation in the UK increasing to support the export of electricity to France. When adjusted to take account of weather differences, primary energy consumption rose by 1.5 per cent on the same period last year.
- Total final energy consumption was 4.1 per cent higher compared to the third quarter of 2021. Transport consumption rose by 15 per cent as international travel restrictions were eased, but industrial consumption fell by 5.9 per cent and consumption from other final users (mainly from the service sector) fell by just 0.1 per cent.
- In the third quarter of 2022, demand for coal by electricity generators fell 2.3 per cent. Production favoured gas, nuclear energy, and renewables. With the Drax coal units mothballed at the end of March 2021, just three coal plants remain operational in the UK, with coal use for electricity generation expected to cease completely by October 2024.
- Overall coal production for the third quarter of 2022 fell to a new record low of 139 thousand tonnes, down 44 per cent on the third quarter of 2021. Demand for coal remains low due to declining demand from electricity generators, and UK production over the last year has been further affected by mine closures
- Planned maintenance meant that production of crude oil and NGLs was down 16 per cent in quarter 3 2022 compared to the same period in the previous year. Production remains low compared to pre-pandemic levels, down 31 per cent on Quarter 3 2019 close to a record low. Exports fell by 21 per cent to a new record low.
- In Quarter 3 2022, exports reached a record high as the UK supported European efforts to move away from Russian gas. Low domestic demand meant that the UK acted as a land-bridge for increased global exports to European markets. Liquefied Natural Gas (LNG) imports were almost six times higher than in Quarter 3 2021, as the UK's substantial regasification infrastructure was used to increase supply to European markets.
- Demand for natural gas increased by 4.0 per cent in comparison with Quarter 3 2021. This was primarily driven by a 15 per cent increase in gas use for electricity generation. Domestic gas

consumption fell by 12 per cent, following warmer average temperatures during the summer months.

TELECOMS

Telecommunications Market Data Update Q2 2022 published by Ofcom

- UK fixed voice service revenues totalled £1.44bn in Q2 2022; a decrease of £11m (0.8%) from the previous quarter and £106m (6.9%) year-on-year. BT's share of these revenues was 48.9%. The number of fixed exchange lines including PSTN (Public switched telephone network), ISDN (Integrated Services Digital Network) and managed VoIP (Voice over Internet Protocol connections) fell by 412k (1.3%) during the quarter to 31.0 million. Total fixed-originated call volumes decreased by 833 million minutes (9.5%) during the quarter, to 7.9 billion minutes.
- There were 27.8 million fixed broadband lines at the end of Q2 2022, an increase of 228k (0.8%) year-on-year. There were 19.3 million 'other inc. FTTx' broadband connections (predominantly fibre-to-the cabinet and full fibre connections) at the end of Q2 2022, accounting for 69.2% of all lines. The number of ADSL lines fell by 204k (6.1%) during the quarter, while the number of cable lines increased by 16k (0.6%) and the number of 'other inc. FTTx' lines increased by 180k (0.9%)
- Mobile telephony services generated £3.25bn in retail revenues in Q2 2022, a £191m (6.3%) increase from a year previously. Average monthly retail revenue per subscriber was £12.65 in Q2 2022, with post-pay subscribers generating more revenue than pre-pay users (averaging £15.23 compared to £5.26 for pre-pay).
- The number of active mobile subscriptions (excluding M2M) was 86.1 million at the end of Q2 2022, up 2.2 million (2.6%) from the year before. Over the same period, the number of dedicated mobile broadband subscriptions increased by 0.1 million (2.1%) to 5.2 million.
- The number of mobile messages (including SMS and MMS) saw a year-on-year decline, down 1.0 billion messages (10.3%) to 9.1 billion. The number of mobile-originated voice call minutes decreased by 4.0 billion (8.6%) to 42.3 billion minutes year-on-year, with calls to landlines decreasing by 11.7% to 8.7 billion minutes.

AIR ACCESS

Overseas travel and tourism: July and August 2022 provisional results published by the ONS shows Visits to the UK by overseas residents, visits abroad by UK residents and spending by travellers, using provisional passenger traffic data.

- There were 3.5 million visits to the UK by overseas visitors in August 2022, an increase from 3.4 million visits in July 2022.
- Overseas visitors' visits to the UK in August 2022 are still lower than pre-coronavirus (COVID-19) pandemic levels, down 21% from 4.4 million in August 2019.
- Overseas residents spent £3.0 billion in the UK in August 2022, and £3.1 billion in the UK in July 2022. UK residents made 9.0 million visits overseas in August 2022, up 31% from the previous month.
- UK residents' visits overseas in August 2022 were down 22% from August 2019, when there were 11.6 million visits overseas by UK residents. UK residents spent £8.1 billion while overseas in August 2022, and £6.2 billion on visits overseas in July 2022.

Government

Northern Ireland

[No relevant material sourced for this quarter's release.]

ENGLAND

[No relevant material sourced for this quarter's release.]

SCOTLAND

Monthly Economic Brief December 2022 published by the Office of the Chief Economic Adviser

- Scotland's GDP fell 0.2% in the third quarter of the year, in line with the UK, following flat growth in the second quarter. The extra bank holiday in September impacted output, however, flat growth in the services sector across the quarter, in part driven by a fall in consumer facing services, indicates that the increasing cost of living is negatively impacting spending in the economy.
- Part of the fall in output in September (and therefore over the third quarter) was due to the additional bank holiday for Her Majesty The Queen's funeral, during which many businesses closed or operated differently. The Office for National Statistics estimate that at least half of the UK GDP fall in September was due to the bank holiday.
- However, the fall in output also reflects the wider economic challenges from the increasing cost of living caused by energy and food price rises affecting household disposable income. Services growth was flat (0.0%) over the quarter in which consumer facing services fell 0.1%.
- UK CPI inflation rose to 11.1% in October, up from 10.1% in September, and is at its highest rate since 1981 The increase over the month was particularly driven by an increase in gas and electricity prices, despite the introduction of the Energy Price Guarantee, and food prices, while motor fuels and second-hand car prices made the largest, partially offsetting, downward contribution to the rate change.
- The Purchasing Managers Index (PMI) business survey indicates that business activity in Scotland's private sector continued to contract in October (45.8), with sharpening falls in activity across the manufacturing and services sectors. This has partly been driven by further falls in inflows of new business and orders (44.1) which contracted for a fourth consecutive month and at its fastest rate since February 2021. The fall in new business has been broad based across the sectors but has been most prominent in manufacturing which saw a sixth month of contraction.
- Unemployment increased slightly over the third quarter to 3.5%, however remains low overall and labour market conditions remain tight with many businesses continuing to report shortages. However, there are indications that the overall pace of recruitment activity has slowed, partly reflecting that demand for staff has become increasingly tentative given the level of uncertainty in the economic outlook.

WALES

Economic Intelligence Wales Quarterly Report November 2022 published by Economic Intelligence Wales

- In Wales the number of payroll employees grew by nearly 3,000 between June and August 2022 to just under 1.3m, a lower growth rate compared with the last period (April to June 2022). The UK unemployment rate for the three-months to July 2022 was an estimated 3.6%, 0.2 percentage points lower than the previous three-month period, and 0.3 points below the pre-Covid-19 level.
- The small business confidence index dropped sharply in 2022 Q2. The wholesale and retail confidence index saw the largest quarterly decrease plunging by 57.0 points to -65.2. The fall in retail and wholesale confidence is of particular concern signalling that consumer spending patterns are changing in expectation of higher amounts of household income being directed towards higher energy costs.
- The Federation of Small Businesses reported that SME confidence decreased across all UK regions in 2022 Q2. The index for Wales decreased from 14 to -24.
- According to the ONS, UK business births fell in the year to 2022 Q2, decreasing 31.4% to 93,500. The number of business closures also decreased from 137,210 in 2022 Q1 to 113,700 in 2022 Q2.
- Analysis of Welsh SME financial accounts on the FAME database in September 2022 revealed that close to 51% of these SMEs had a Caution credit category and with 4.7% being rated as High risk. The SME Finance Monitor findings for the 3-month period to the end of July 2022 revealed that 37% of SMEs were using external finance, lower than the 45% in 2021 Q2. The proportion of survey respondents who were permanent non- borrowers increased to 47% in the 3 months to July. In 2021 Q2 the comparable figure was 45%.
- In the opening quarter of 2022/23, the Development Bank of Wales made a total of 122 investment transactions, connected with 211 new jobs, and 650 safeguarded jobs. There was a decline in the number of investment transactions in the first quarter of the 2022/23 financial year, compared with the final quarter of 2021/22.

- The construction industry accounted for over half of investments made in 2022/23 Q1 by value. A proportion of these investments are from property-related funds (where jobs are not a key performance indicator), hence the relatively low numbers of new and safeguarded jobs in comparison to the value of investment. In the manufacturing sector, the less than £1m of Development Bank investment safeguarded 193 jobs, the most jobs safeguarded of any sector in 2022/23 Q1.

REPUBLIC OF IRELAND (ROI)

[No relevant material sourced for this quarter's release.]

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