



Northern Ireland Household Expenditure Tracker

Q1 2023
January to March

[consumer council.org.uk](https://www.consumer council.org.uk)



Northern Ireland's lowest earning households

Discretionary income per week



This is a marginal increase of £0.46 per week (2.4%) compared to Q4 2022 (October to December).

Gross household income per week

NI = £244.83 **UK = £279.22**

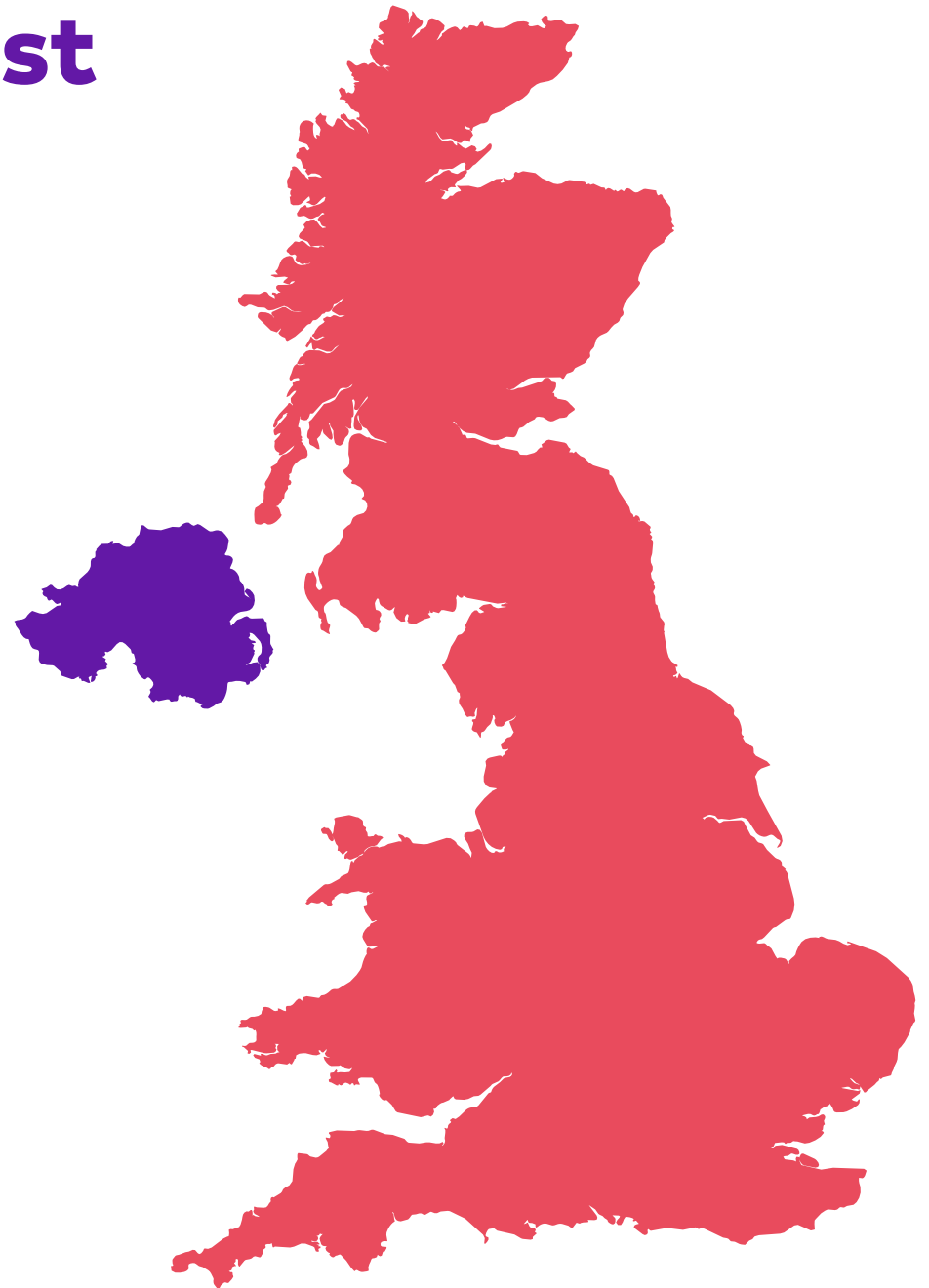
12% lower than the UK

Income from social securities (benefits)

NI
74%

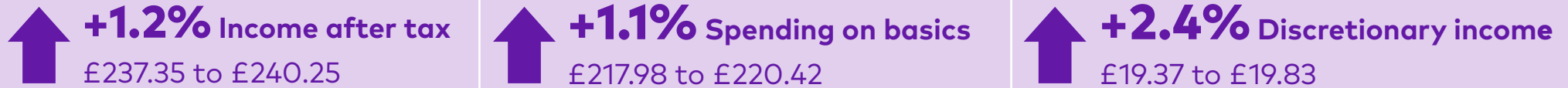


UK
60%



Northern Ireland's lowest earning households

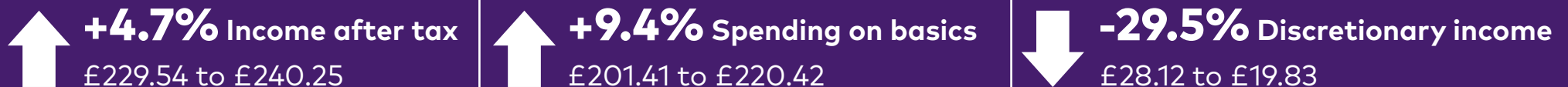
Quarterly change: Q4 2022 to Q1 2023



Six-month change: Q3 2022 to Q1 2023



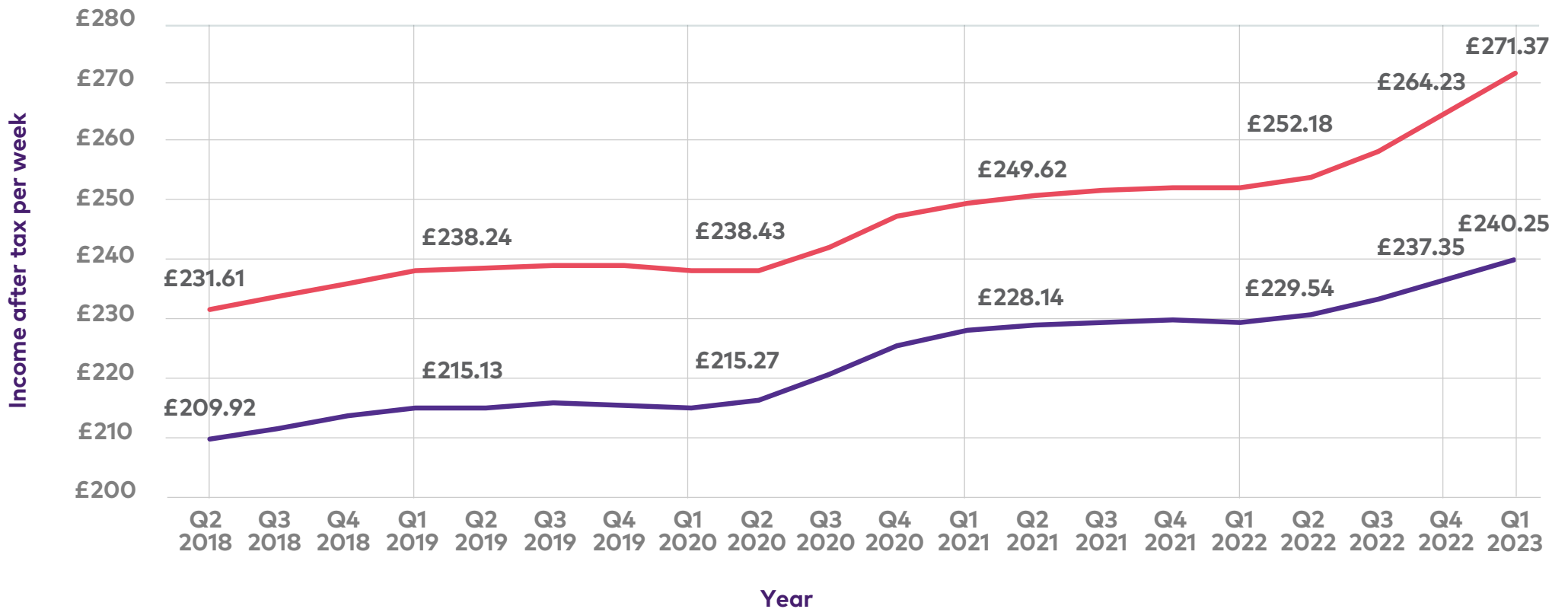
Yearly change: Q1 2022 to Q1 2023



All of the above figures are per week

Lowest earning households

NI vs UK: Income after tax



UK vs NI, Q2 2018 to Q1 2023

— NI — UK

Lowest earning households NI vs UK: **Income after tax**

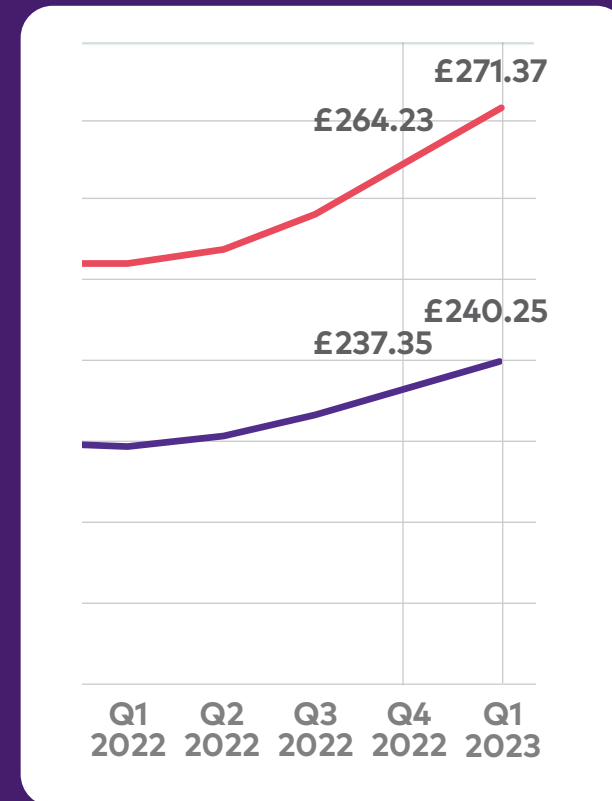
Income after tax for the lowest earning households is

11.5%

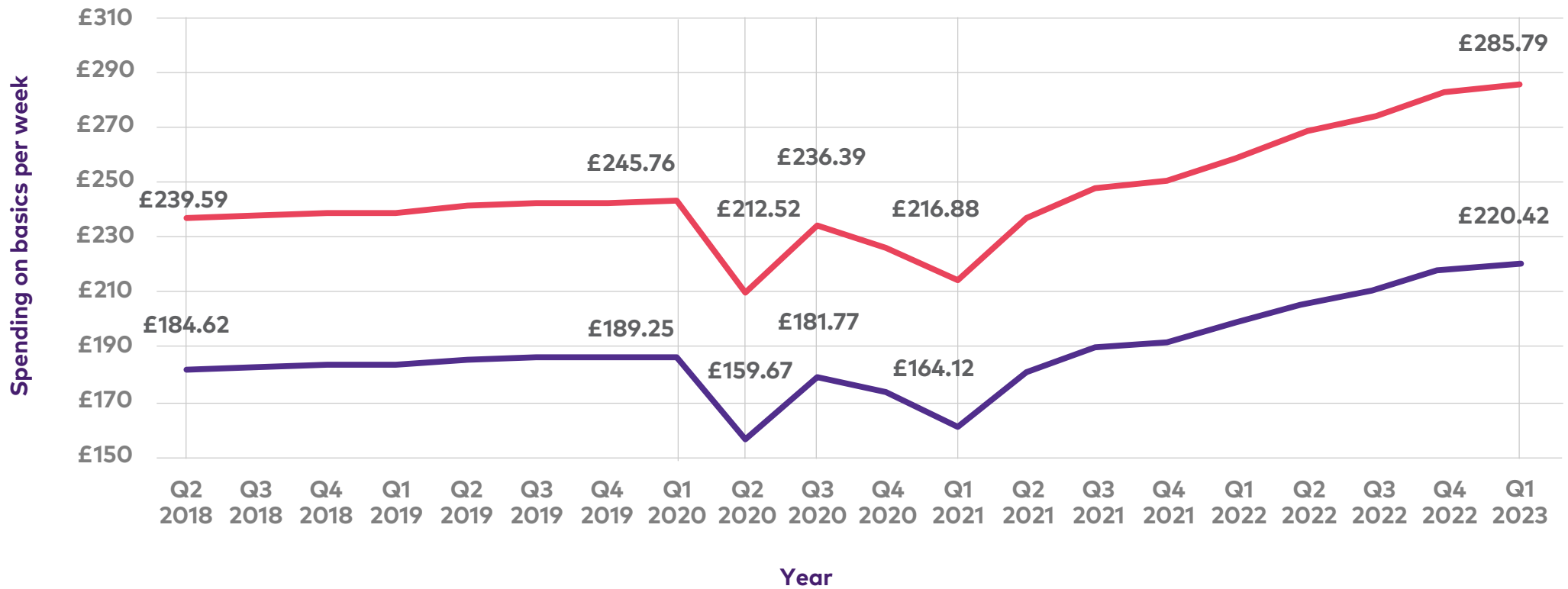
lower in NI compared to the UK.

Last quarter (Q4 2022): 10.2%

- Income after tax for the lowest earning households has been increasing on a mostly upwards trend for both NI and the UK since Q2 2018, with incomes rising higher in the UK (17.2%) vs NI (14.4%) across the almost five year period.
- Over the last quarter (Q4 2022 to Q1 2023), income after tax for the lowest earning households in the UK (2.7% - £264.23 to £271.37) has proportionately risen at over double the rate compared to their NI equivalents (1.2% - £237.35 to £240.25).



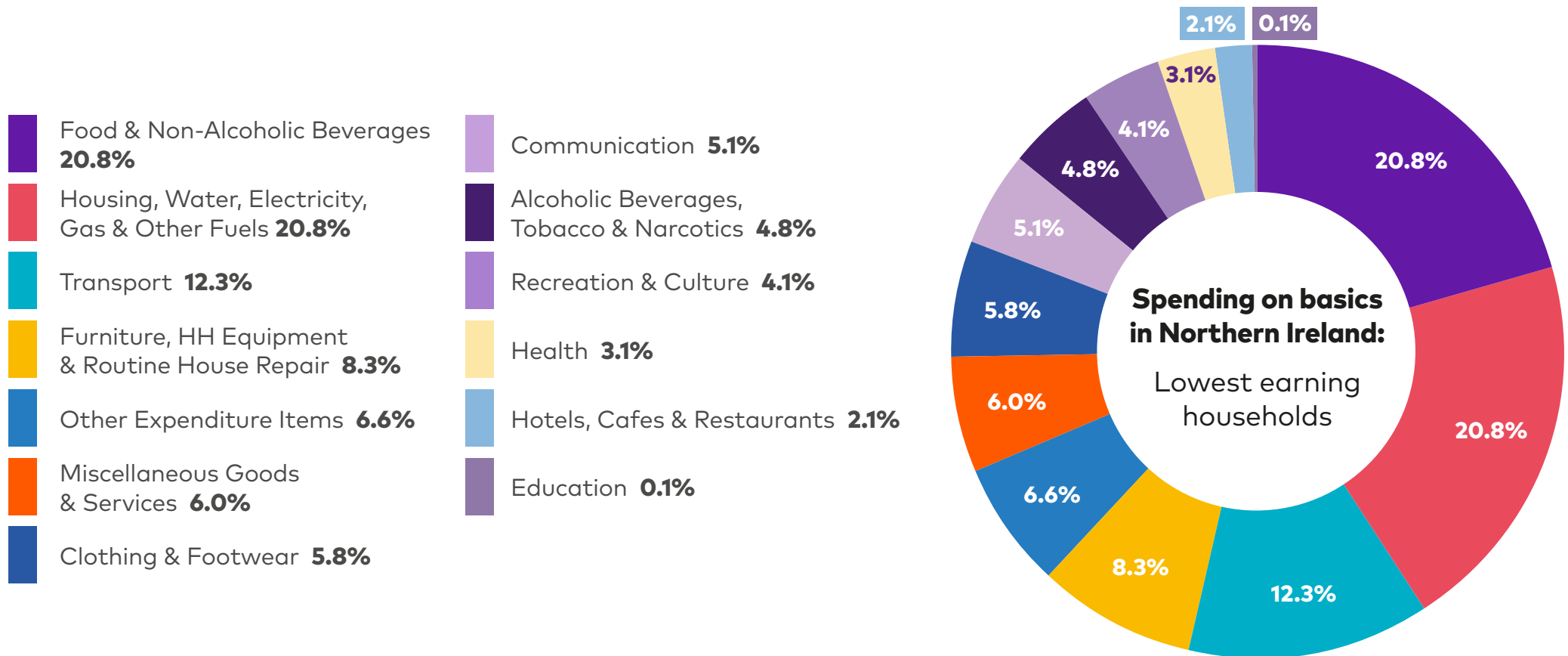
Lowest earning households NI vs UK: Spending on basics



UK vs NI, Q2 2018 to Q1 2023

— NI — UK

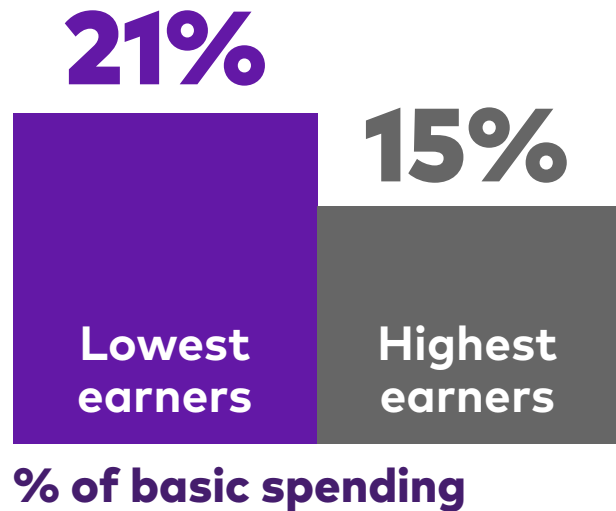
Lowest earning households NI vs UK: Spending on basics



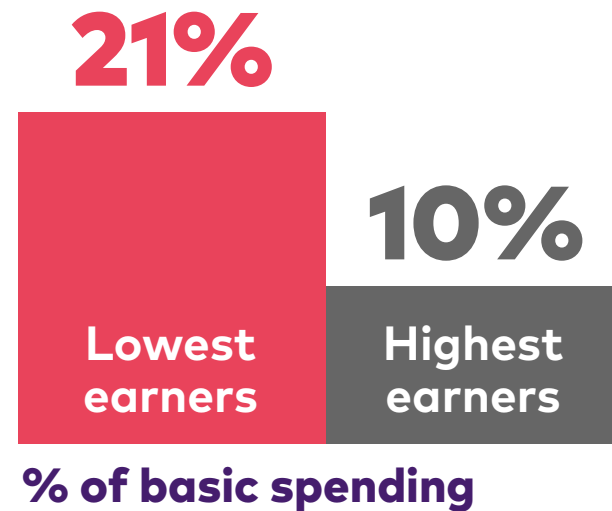
Lowest earning households NI vs UK: Spending on basics

Top three areas of basic spending for NI's lowest earning households compared to the highest earning households:

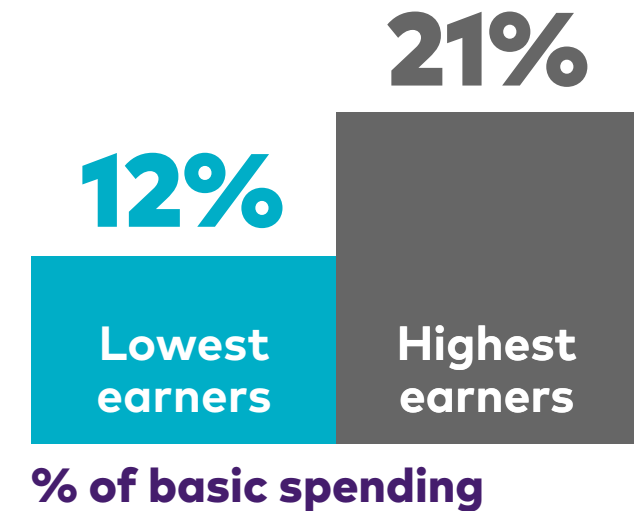
Food & non-alcoholic
beverages



Housing, water, electricity,
gas & other fuels

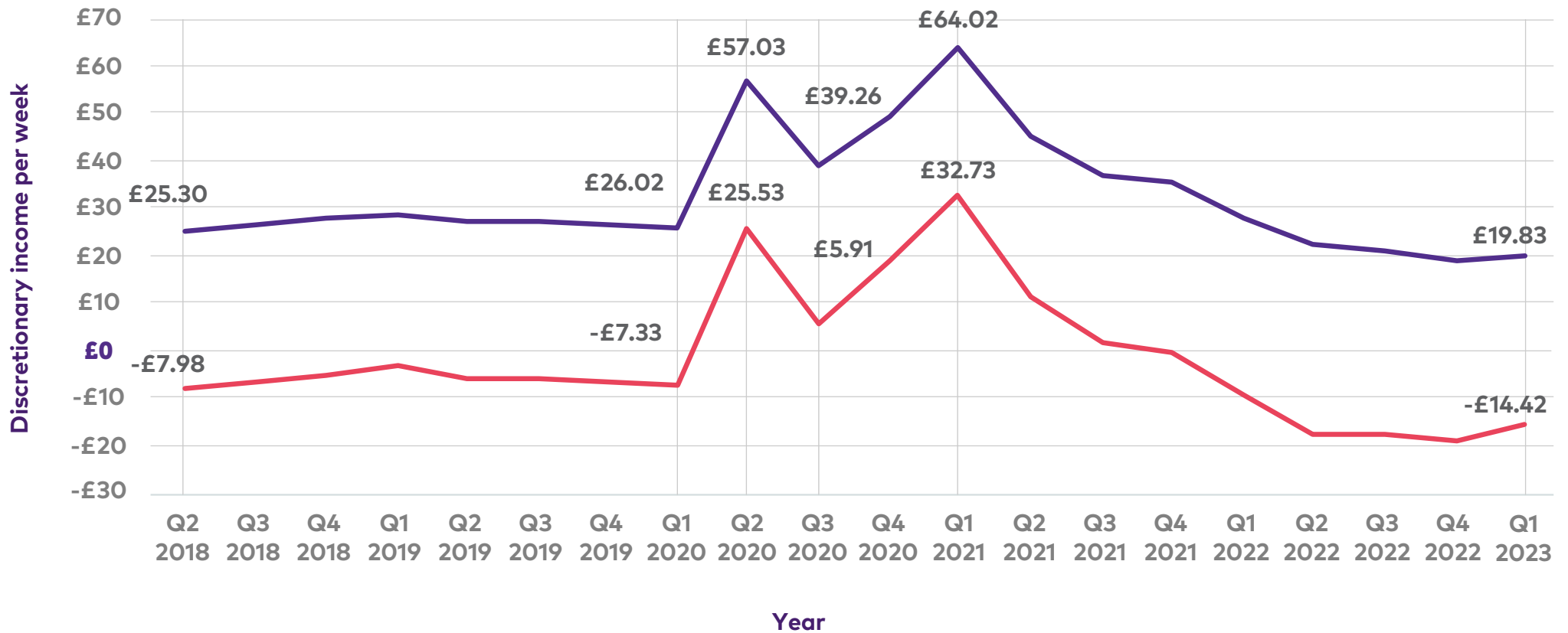


Transport



Lowest earning households

NI vs UK: Discretionary income



UK vs NI, Q2 2018 to Q1 2023

— NI — UK

Lowest earning households

NI vs UK: Discretionary income

- This is the first quarter in two years where discretionary income has risen for the lowest earning households. It is important to note that this increase is marginal and follows seven quarters where it fell consecutively.
- Although the UK's lowest earning households earn more compared to NI's, the basic spending basket is also more expensive and this outweighs the difference in income between the two groups and means that the lowest earning households in the UK currently have a negative discretionary income (where their outgoings exceed their income).

Discretionary income **rose** marginally for NI's lowest earning households but is still over **3 times lower than the peak seen in Q1 2021**

Q1 2021: £64.02



Q1 2023: £19.83

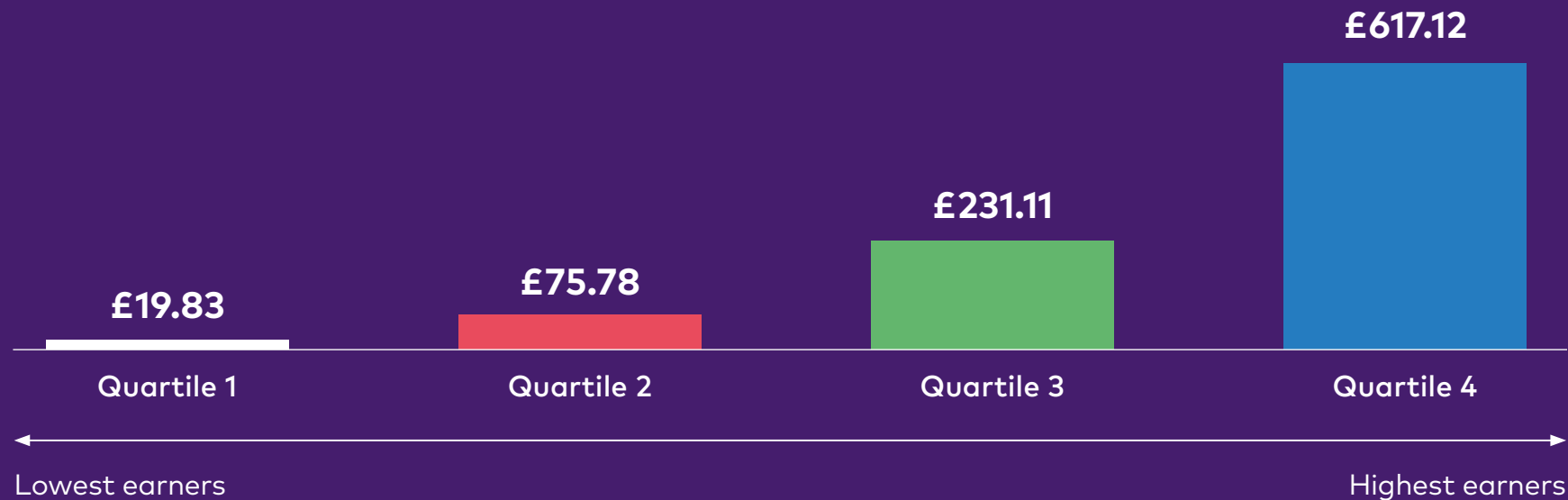
These improvements to discretionary income were driven by the slight easing of inflation relative to the end of 2022 and continued growth in earnings. If inflation continues to subside throughout 2023, then further improvements to discretionary income are possible.



Northern Ireland comparisons by income quartile

Discretionary income per week: Q1 2023 (January to March)

- NI's highest earning households have over 31 times more discretionary income left to spend every week compared to the lowest earning households.
- When looking at the middle 50% of households in NI, Quartile 3 households have over three times more discretionary income than Quartile 2.



- Q1 2023 (January-March) saw a rise in discretionary income for all income quartiles in NI, with the smallest rise for the lowest earning households. Despite the rise of 2.4%, these households still have less than £20 to spend per week after essential outgoings.

Northern Ireland comparisons by income quartile **(continued)**

Quarterly change: Q4 2022 to Q1 2023

Income after tax per week



Spending on basics per week



Discretionary income per week

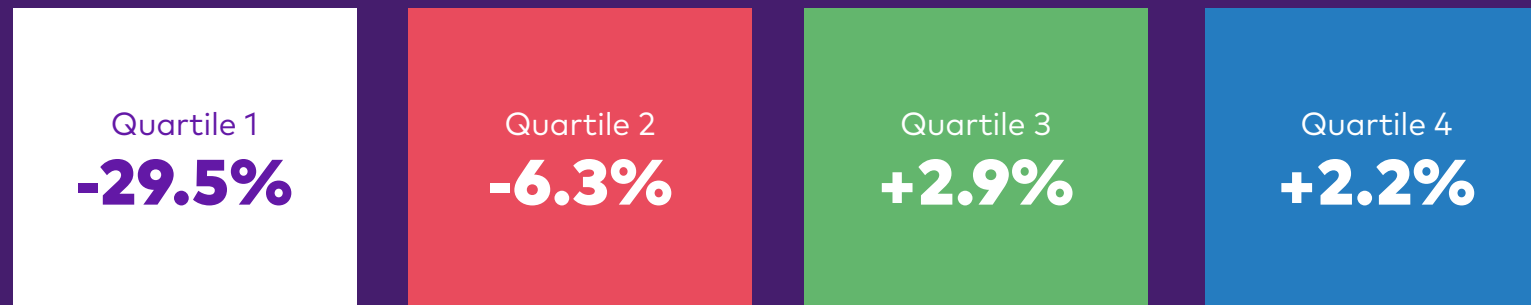


Northern Ireland comparisons by income quartile **(continued)**

Explanation of quarterly changes (see page 11 & 12)

- Across all quartiles, nominal wage growth improved the levels of income after tax, with those in Quartiles 2, 3 and 4 seeing the biggest benefits due to the higher levels of people in employment.
- It was the middle two quartiles (2 and 3) that experienced the highest proportionate increase in discretionary income. This was driven by the income after tax improvements outweighing the rise in the cost of basics.
- Compared to a year ago (Q1 2022 to Q1 2023), there has been a sharp divergence between discretionary income for the lowest and highest earners. The top 50% of NI households are in a better position versus a year ago, whilst the bottom 50% are worse off.

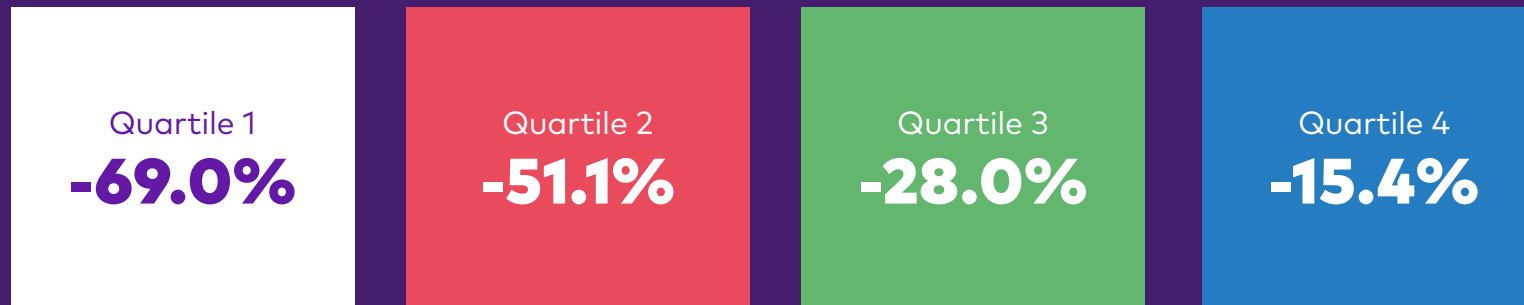
Discretionary income by quartile (Q1 2022 to Q1 2023)



Northern Ireland comparisons by income quartile **(continued)**

- When looking at discretionary income in NI over the last two years (Q1 2021 to Q1 2023), all quartiles are still considerably worse off, with the sharpest decreases for the lowest earners. This is because Q1 2021 coincided with the period when many forms of COVID-19 supports were still in place to boost incomes. At the same time, lockdowns limited the spending opportunities and commuting costs households had to face.

Discretionary income by quartile (Q1 2021 to Q1 2023)



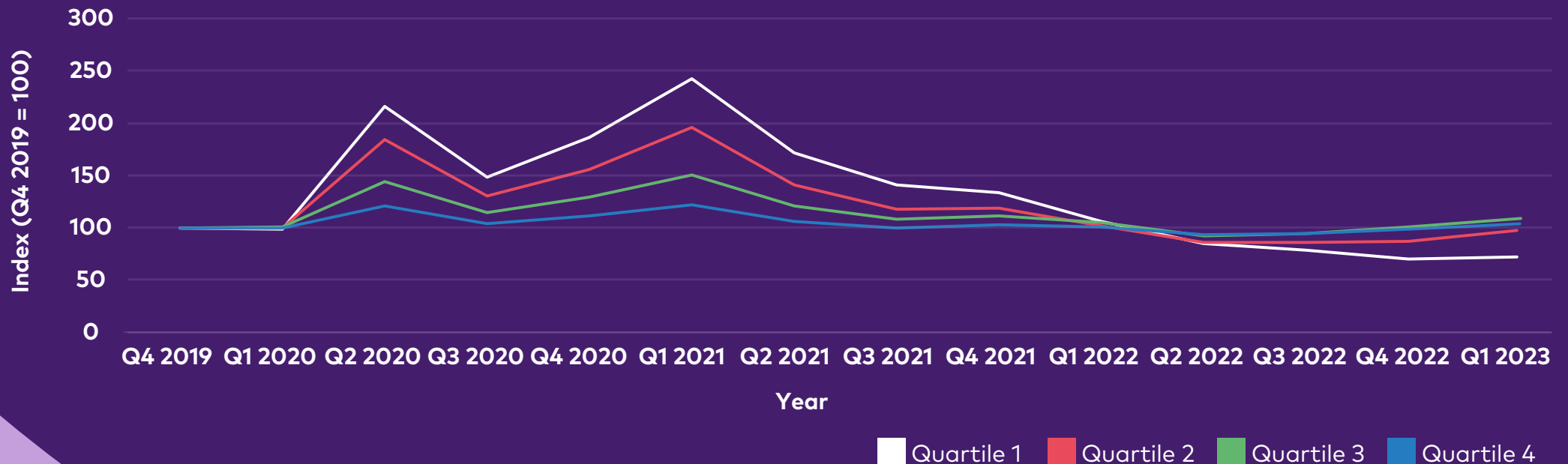
Northern Ireland comparisons by income quartile **(continued)**

Trends in discretionary income since the COVID-19 pandemic

The chart shows the trend in discretionary incomes relative to the level of the last quarter before the COVID-19 pandemic (Q4 2019). For example, if the number is below 100 then it shows that the level of discretionary income is lower than before the pandemic.

- As of Q1 2023 (January-March), only those in Quartiles 3 and 4 are seeing their current spending power exceed pre-pandemic levels.
- Quartile 2 is on a steady rise back to pre-pandemic levels but still remains below those levels. Quartile 1 saw a marginal improvement this quarter but is lagging behind and remains much below the pre-pandemic levels.

Index of discretionary income (Q4 2019 = 100)

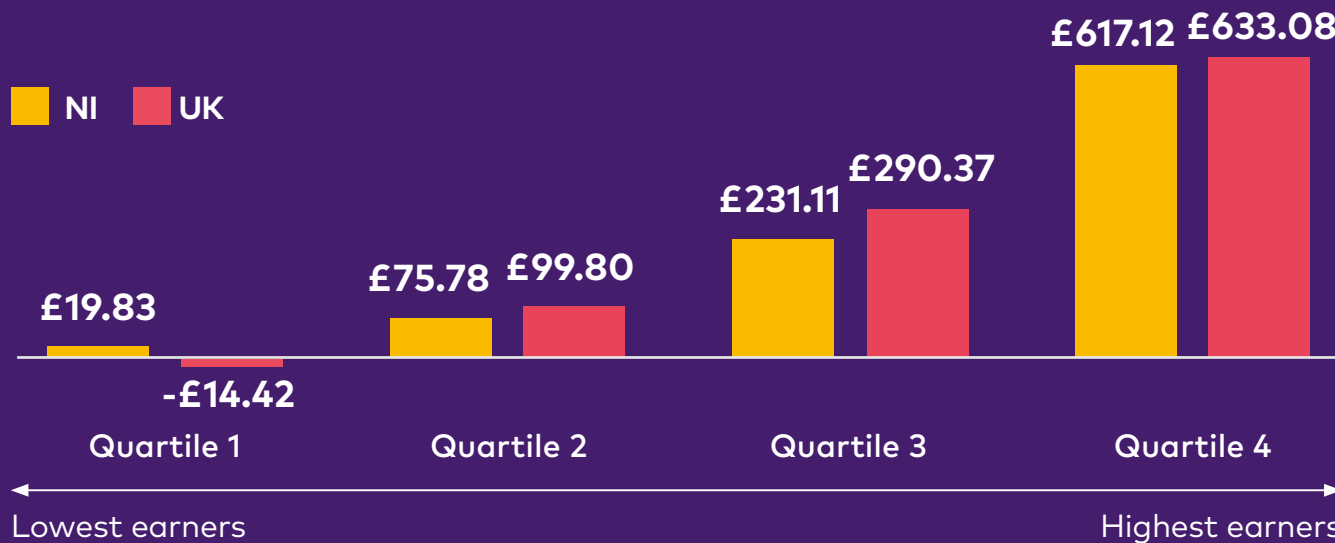


The position of Quartile 2 and Quartile 3 households: Q1 2023 Income (January to March)

Whilst Quartile 1 is the lowest earning households and Quartile 4 is the highest earning households, Quartiles 2 and 3 represent the middle 50% of households.

- The average gross NI household income in Quartile 2 is **£27,291.77** per year.
- The average gross NI household income in Quartile 3 is **£48,274.06** per year.

Discretionary income per week: Q1 2023 (January to March)



- For the lowest earning households (Quartile 1), discretionary income is higher in NI than the UK. This is not the case with Quartiles 2 and 3, where households in NI are worse off.

The position of Quartile 2 and Quartile 3 households: Q1 2023 Income (January to March)

Quartile 2: NI vs UK

NI

$$\begin{array}{rcl} \text{£486.02} & - & \text{£410.24} & = & \text{£75.78} \\ \text{Income after tax} & & \text{Spending on basics} & & \text{Discretionary income} \end{array}$$

UK

$$\begin{array}{rcl} \text{£555.18} & - & \text{£455.38} & = & \text{£99.80} \\ \text{Income after tax} & & \text{Spending on basics} & & \text{Discretionary income} \end{array}$$

12.5% lower in NI

9.9% lower in NI

24.1% lower in NI

Quartile 3: NI vs UK

NI

$$\begin{array}{rcl} \text{£788.09} & - & \text{£556.98} & = & \text{£231.11} \\ \text{Income after tax} & & \text{Spending on basics} & & \text{Discretionary income} \end{array}$$

UK

$$\begin{array}{rcl} \text{£895.77} & - & \text{£605.40} & = & \text{£290.37} \\ \text{Income after tax} & & \text{Spending on basics} & & \text{Discretionary income} \end{array}$$

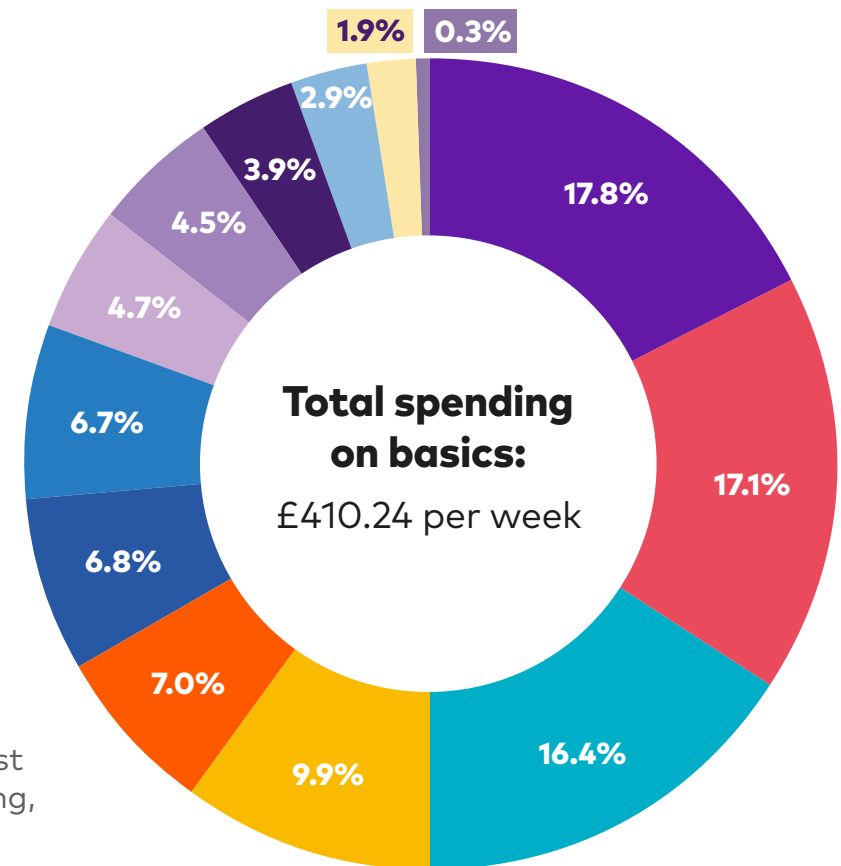
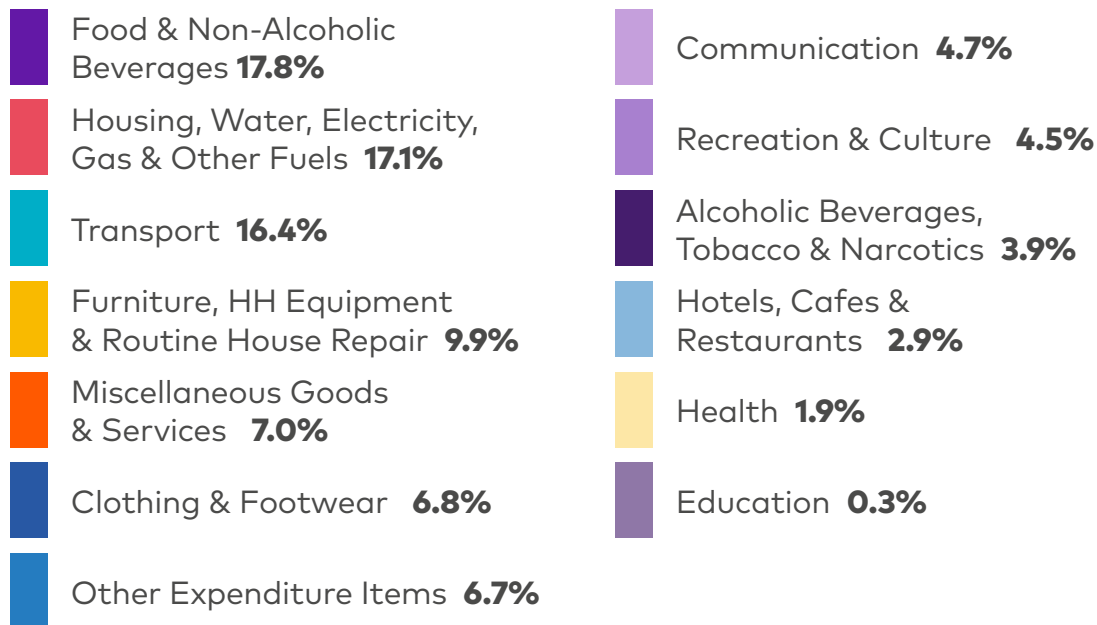
12.0% lower in NI

8.0% lower in NI

20.4% lower in NI

The position of Quartile 2 households: Q1 2023 Expenditure (January to March)

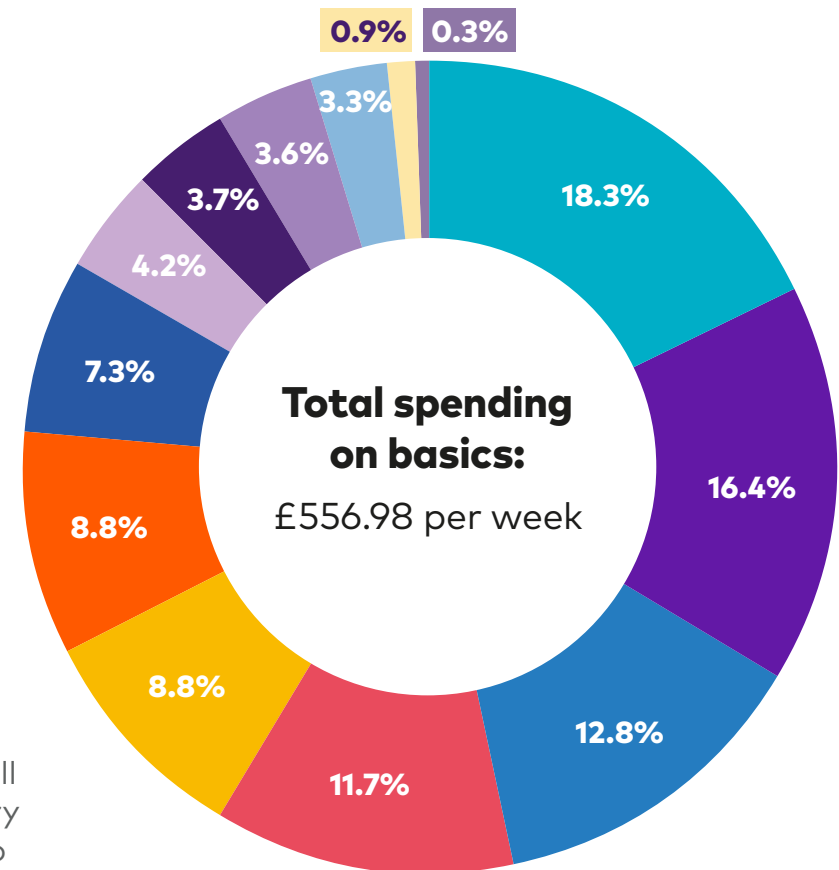
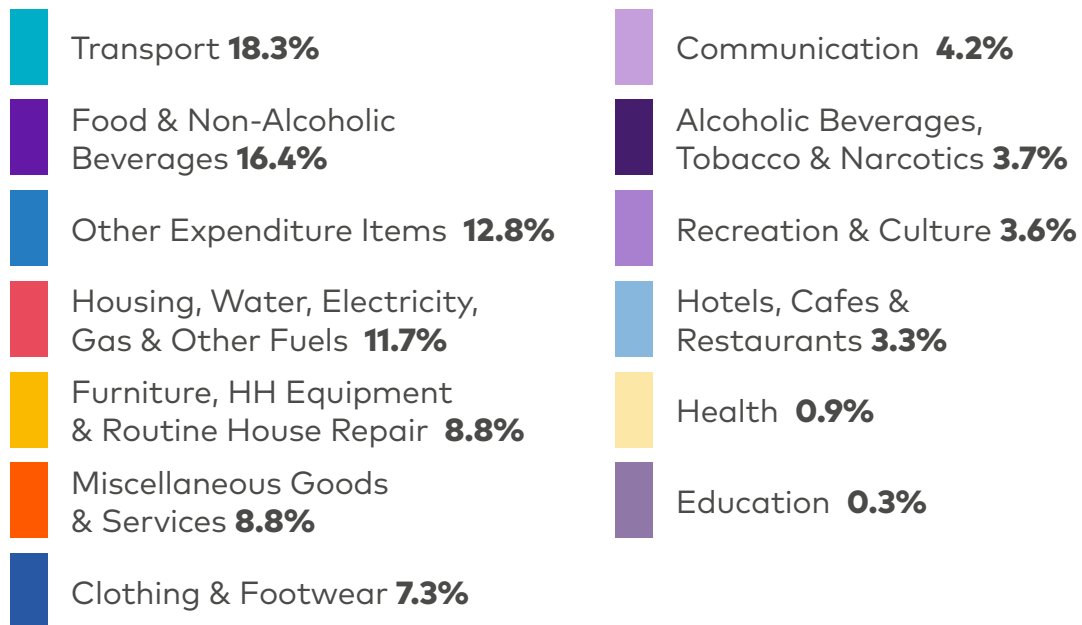
Spending on basics in NI (Quartile 2)



- Quartile 2's top three areas of basic spending are the same as the lowest earning households (Quartile 1): Food & non-alcoholic beverages, Housing, water, electricity, gas & other fuels, and Transport.
- Quartile 2 households spend 51% of their total basic spending on these categories, which is similar to Quartile 1's 54%. These households are almost equally exposed to the same potential economic issues that will impact their level of spend, such as heightened food and electricity prices.

The position of Quartile 3 households: Q1 2023 Expenditure (January to March)

Spending on basics in NI (Quartile 3)



- Quartile 3 households spend 46% of their basic spending on these same categories and so are exposed to a similar level of risk. However, after all essential spending these households are left with £231.11 of discretionary income to spend each week putting them in a much stronger position to absorb higher prices.
- This is not the case for Quartile 1 and 2 households. These NI households are left with less than £80 per week after all essential spending, meaning that there is not much room for any further economic developments that push prices higher.

Notes to readers

To create this bulletin, we use data from the Centre for Economics and Business Research (Cebr) that calculates how the discretionary income of households in Northern Ireland and each of the other nations and regions of the UK have been affected by the COVID-19 crisis, with the results also broken down by income quartiles.

'Lowest earning households' definition:

Income quartiles are a measure that divide the population into four income groups (from lowest income to highest income). 'Lowest earning households', also known as Quartile 1, are the bottom 25 per cent of the income distribution.

Discretionary income definition:

Discretionary income = Gross household income – Taxes – Spending on basics.

Number of households in each quartile:

It is estimated that there are 768,810 households in NI and 28,081,000 in the UK – meaning that each quartile contains c. 192,202 households in NI and c. 7,020,250 in the UK.

Impacts of COVID-19 on household incomes:

This data is based on the latest Living Costs and Food Survey from the UK Data Service and gives a detailed picture of after-tax household incomes in Northern Ireland and the rest of the UK.

However, the latest available data only covers the period up to the financial year ending March 2019. To model what has happened to household incomes in the period since the beginning of the COVID-19 pandemic, a so-called nowcast is applied to the data.

Notes to readers **(continued)**

For this, the data is firstly broken down by household incomes by source:

- a. wages & salaries
- b. self-employment
- c. investments
- d. annuities & pensions
- e. social securities
- f. and other sources

Then the latest available data is used to uprate each of these income sources based on the growth they have exhibited in recent months and years, in order to see where the figures for each UK region and nation are in 2020 and 2021.

Impacts of coronavirus on the cost of basic spending:

The 'spending on basics' or 'basic spending' is defined as the expenditure on a pre-defined consumption basket that represents basic goods and services for a household. This includes expenditure on food, housing, clothes, health, transport and education.

The list of basic spending items is consistent with that used for the ASDA Income Tracker, also produced by Cebr. It includes items and services from all major consumption categories, excluding certain recreational goods and services, restaurants and hotel stays, holidays and other leisure spending.

Notes to readers **(continued)**

Please note that the 'other expenditure items' category includes certain housing costs such as council tax and mortgage payments as well as licenses, fines and transfers.

Also note that an increase in online shopping over the course of the pandemic has been incorporated into the modelling for clothing expenditure.

To show how much discretionary incomes have been affected by limited spending opportunities during lockdown, discretionary incomes are first calculated in a counter-factual scenario under the assumption that spending has not changed since before the first lockdown. In order to ensure that the data is expressed in current prices, cost of basics is raised by inflation between March 2019 and the latest figures.

Then an actual estimate of the cost of basic spending is calculated, taking into account the limited spending opportunities during lockdown. Where relevant, we incorporate regional variations into our methodology, such as different lockdown timeframes in Wales, England, Northern Ireland and Scotland.

To understand how the spending element of the equation has changed, a new dataset is utilised that categorises household expenditure items according to whether or not spending on these items has been prevented due to the lockdown.

The difference between the spending figures under the counterfactual scenario and the actual estimates thus show the size of the COVID-19 effect on basic spending and thereby on discretionary income levels.

Notes to readers **(continued)**

Assumptions regarding 'spending on basics' or 'cost of basics':

In order to estimate the impact of restriction measures on basic spending levels throughout the pandemic, a number of assumptions have been made regarding the extent to which certain spending categories were unavailable at different points of the COVID-19 crisis.

In modelling Q1, we have assumed that all spending categories were completely available to consumers. This reflects the relaxation of all COVID-19 restrictions.

Changes to historic data:

Data is correct at the time of publishing and is subject to change based on revisions in the original data sources over time.

Between publications there may be changes in the historic figures for gross household income, income after tax, spending on basics, and discretionary income. These changes to the historic figures are due to some revisions to the source data. This often takes place in the immediate months after a data release but can also be applied to figures earlier in the back history.

The model captures the latest available data across all of the inputs, so any changes made by the original data publishers could lead to some small changes.

Publication:

The Consumer Council will publish the next Northern Ireland Household Expenditure Tracker in October to December 2023.



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