

Northern Ireland Household Expenditure Tracker Q4 2021



Northern Ireland's lowest earning households

Discretionary income per week

£230.28 - **£194.59** = **£35.69**
 Income after tax Spending on basics Discretionary income

This is a reduction of £2/week (4.3%) compared to Q3 2021.

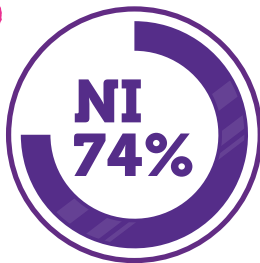


Gross household income per week

NI **UK**
£234.83 **£260.27**

10% lower than the UK.

Income from social securities (benefits)



Quarterly change: Q3 2021 to Q4 2021



Six-month change: Q2 2021 to Q4 2021

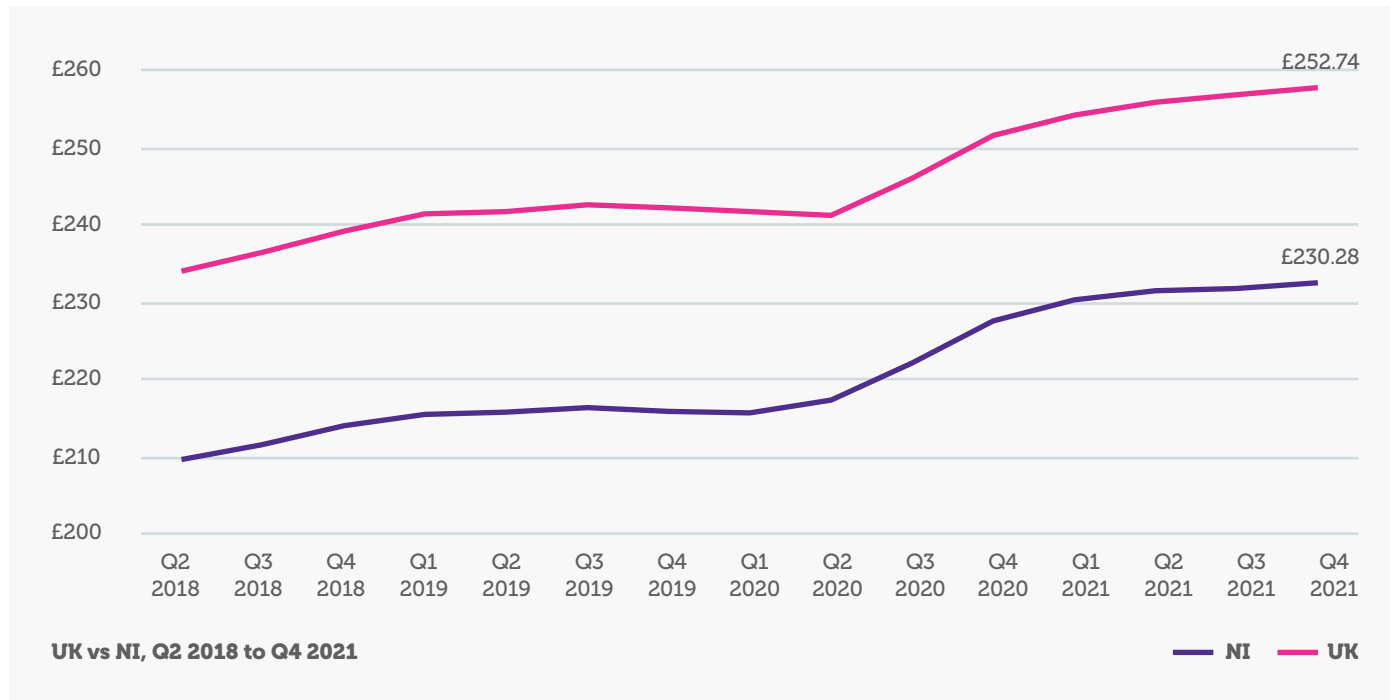


Yearly change: Q4 2020 to Q4 2021

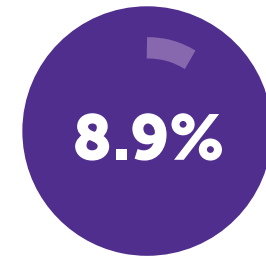


Lowest earning households NI vs UK: Income after tax

Lowest earning households: Income after tax



Income after tax for the lowest earning households remains



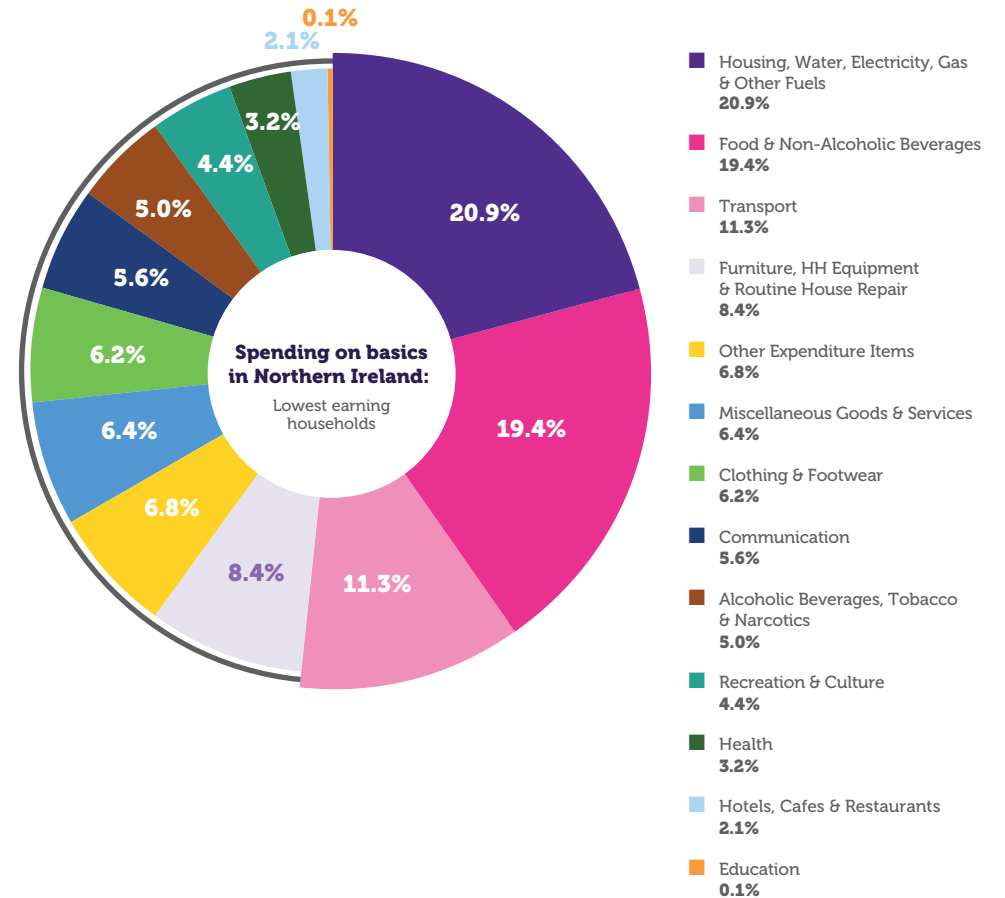
lower in NI compared to the UK.

With lower average incomes than across the UK, tax payments tend to also be lower in NI.

- Income after tax for the lowest earning households has been increasing steadily for both NI and the UK since Q2 2018, rising 9.7% in NI versus 9.1% in the UK.

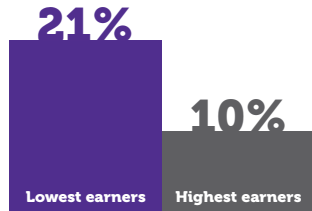
Lowest earning households NI vs UK: Spending on basics

Lowest earning households: Spending on basics



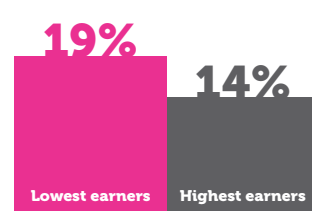
Top three areas of basic spending for NI's lowest earning households:

Housing, water, electricity, gas & other fuels



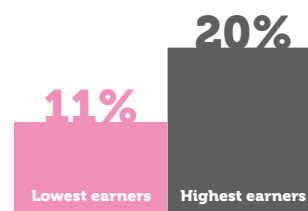
% of basic spending

Food & non-alcoholic beverages



% of basic spending

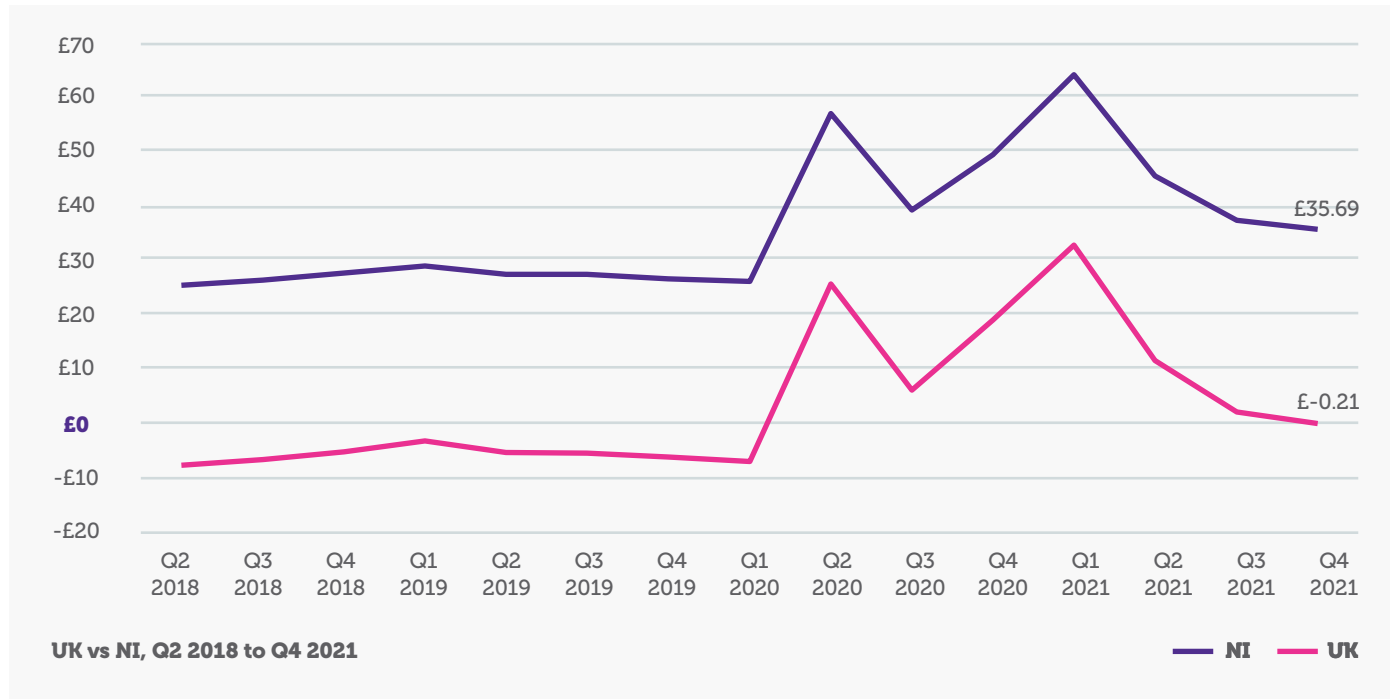
Transport



% of basic spending

Lowest earning households NI vs UK: Discretionary income

Lowest earning households: Discretionary income



Discretionary income has **fallen** for NI's lowest earning households for **3 consecutive quarters.**



- As a result of the basic spending basket being more expensive for the UK's lowest earning households compared to NI, this outweighs the difference in income between the two groups and means that the lowest earning households in the UK have a lower discretionary income.

Discretionary income for the lowest earning households **fell between Q3 and Q4 2021, driven by poor growth in incomes.** This is likely to reflect the reversal of the Universal Credit uplift at the start of the quarter. Looking ahead, further downward pressure on discretionary incomes is expected, driven by the cost-of-living crisis.

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 families in each quartile:

For 2021, it’s estimated that there were 520,000 families in NI – meaning each quartile contains c. 130,000 families. In the UK, the equivalent figure is 19,286,000 families in total, giving c. 4,820,000 families per quartile.

Impacts of COVID-19 on household incomes:

This data is based on the latest Living Costs and Food Survey (LFS) 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.

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

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.

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 Q4, 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 Q2 2022.

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