

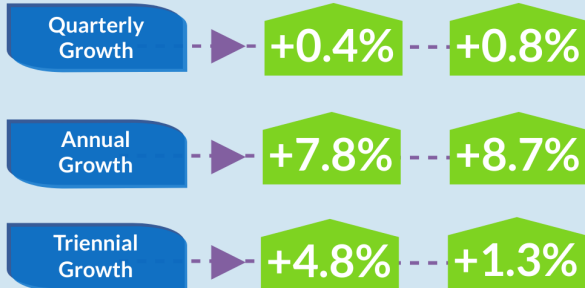
# DfE Economic Commentary

Summer 2022

## Economic Growth

Q1 2022

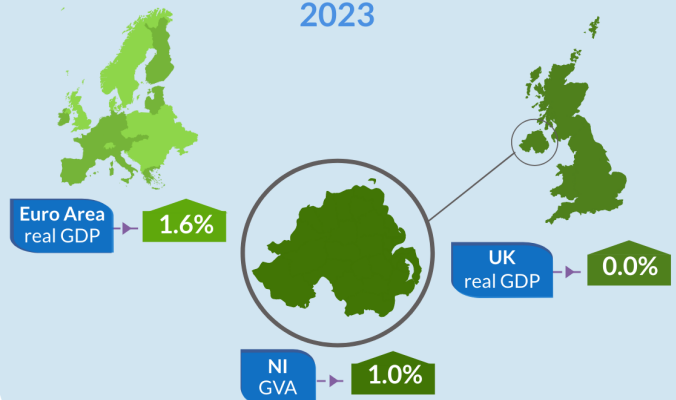
NICEI UK GDP



Source: NISRA

## Growth Forecasts

2023



Sources: OECD (Euro Area and UK), Danske Bank (NI)

## Labour Market

Mar-May 2022

Employment Rate **70.1%**    Unemployment Rate **2.6%**    Inactivity Rate **28.0%**



Up over quarter



Down over the year

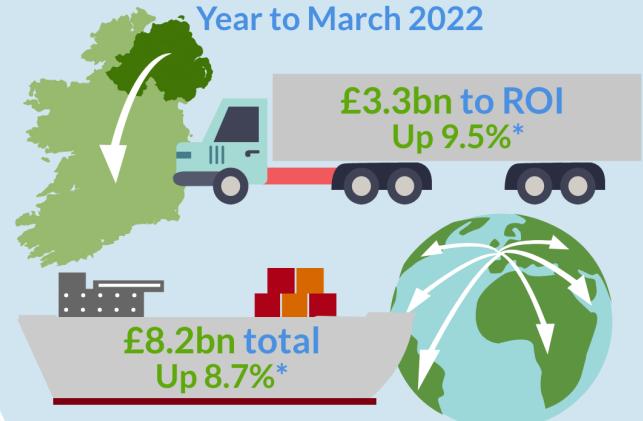


No statistically significant change

Source: NISRA

## Goods Exports

Year to March 2022

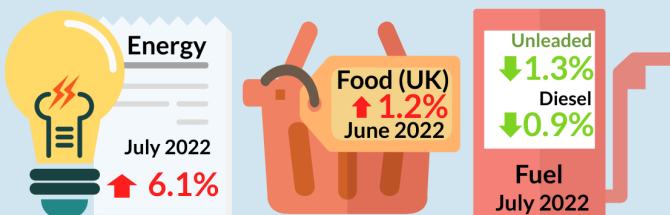


Source: HMRC

\* change from previous 12 months

## Prices

Monthly Change



Sources: Consumer Council HEI (energy), The AA (fuel), ONS CPIH (food)

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# The Economy

The beginning of 2022 was marked by continued growth in NI economic output and further signs of recovery in the labour market, though rising inflation was beginning to negatively affect businesses and individuals. This was further exacerbated by the Russian invasion of Ukraine which has fuelled rapid inflation, supply chain disruptions and general global uncertainty. The Bank of England expects inflation to peak at just over 13% in Q4 this year and forecasters have by and large downgraded their predictions on economic growth.



## Economic Activity

The latest results from the Northern Ireland Composite Economic Index (NICEI) estimate that economic activity in NI increased by 0.4% in Quarter 1 2022. The NICEI has experienced positive quarterly growth in 6 of the last 8 quarters, reaching a near 15-year series high in Q1 2022 and achieving a level of NI economic output last exceeded in Q2 2007.

Economic activity grew over the year to Q1 2022 by 7.8% and the annualised increase in economic activity was 10.0%. When compared on a pre-pandemic basis (Q1 2019), economic activity grew by 4.8%.

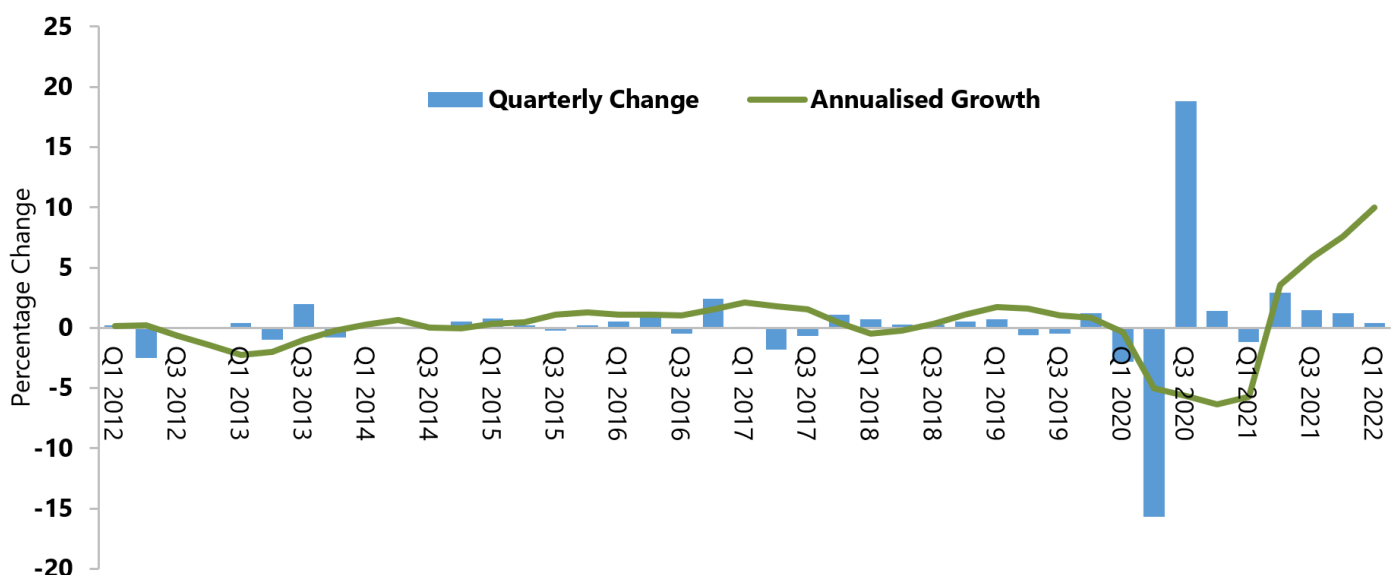
The increase in economic growth over the quarter, year, triennial and rolling annual average to Q1 2022 was largely driven by the positive contributions of the services sector,

which reached its series high in Q1 2022. There have also been positive contributions from the Public sector (+1.2ppps) and Production sector (+0.6ppps) over the last three years, while the Construction sector has remained flat.

Although the measures are not produced on a fully equivalent basis, UK GDP increased by 0.8% in Q1 2022 and by 8.7% over the year, reaching a 19-year high.

Over the last 10 years, the NICEI has reported growth in 25 of the last 40 quarters while the UK has reported GDP growth in 34 of the last 40 quarters. Growth for both the UK and NI have been following similar trends over the last 2 years, with positive growth reported in 6 of the last 8 quarters.

Figure 1 - NI Composite Economic Index



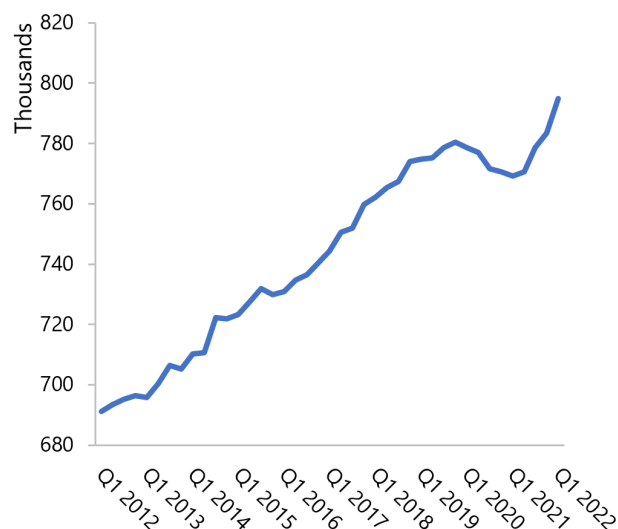
## Employee Jobs

The latest figures from NISRA show that in March 2022, the number of employee jobs in the local economy increased over the quarter and over the year, to a series high of 794,880. This represents an increase of 1.5% over the quarter, 3.3% over the year (March 2021 representing the low point in employee jobs over the COVID-19 pandemic) and 2.1% over the last two years.

Quarterly increases in employee jobs were seen within the services (+9,050 jobs), manufacturing (+2,370 jobs), and other industries (+140 jobs) sectors. The construction industry reported a decrease over the quarter (-90 jobs). In March 2022 the services sector (645,690 jobs) and manufacturing sector (89,430 jobs) both reached new series highs.

March 2022 estimates showed that employee jobs are now above the pre-pandemic level of December 2019 (+1.9% or +14,510 jobs).

### Figure 2 - Employee Jobs



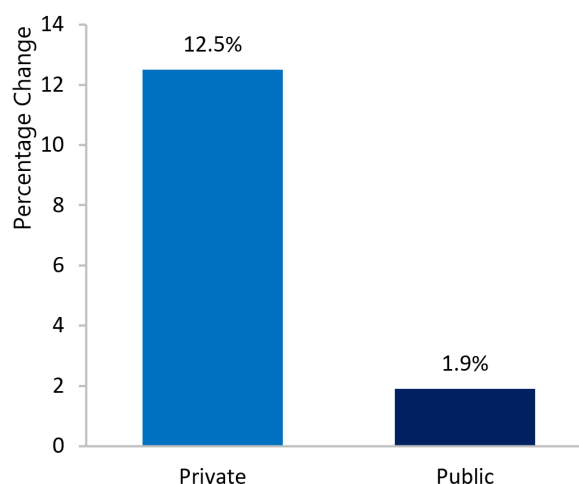
## Private Sector

Private sector jobs reached a series high in March 2022, increasing over both the quarter (+1.7% or +9,540 jobs) and the year (+3.5% or +19,540 jobs) to 574,720 jobs.

Private sector activity grew by 0.3% in Q1 2022 and by 9.2% over the year, marking a higher rate of growth compared to the triennial growth (4.5%) reported between Q1 2022 and Q1 2019.

The Ulster Bank PMI reported a sharp drop in NI private sector business activity, falling to 42.9 in June, from 49.0 in May on the back of steep inflationary pressures hitting demand. This represents the steepest fall in output since February 2021. Northern Ireland was the only region of the UK where businesses were overtly pessimistic about the next 12 months. Growth in employment remained encouraging however, with the rate of job creation reaching a six-month high.

### Figure 3 - Annualised Change in Economic Activity, Q1 2022



## NI Economic Outlook

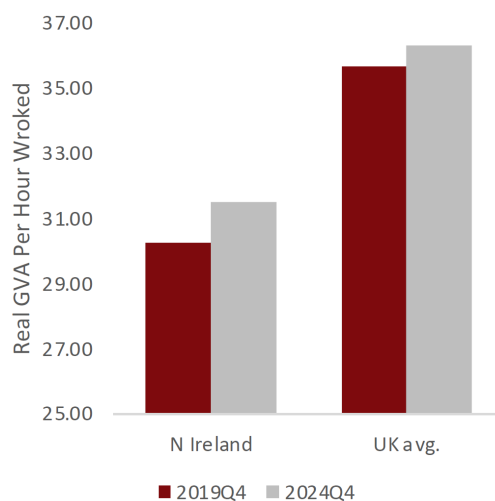
The latest Danske Bank Quarterly Sectoral Forecast (Q2 2022) warns of slowing economic growth in NI, with 3.6% gross value added (GVA) growth forecast for 2022, down from the estimated 6.8% growth in 2021. Furthermore, recent developments have led Danske Bank to reduce its 2023 forecast to 1.0%, a 0.7ppps downgrade.

The main factor behind these restrained growth expectations was inflation reducing consumer spending as real incomes become strained. The fiscal and monetary policy challenges arising from high inflation, in addition to ongoing Brexit trade frictions, further tilted the outlook downward.

The latest NEISR UK Economic Outlook forecasts NI GVA growth to be similar to that of the UK overall, but strong compared with the other devolved nations.

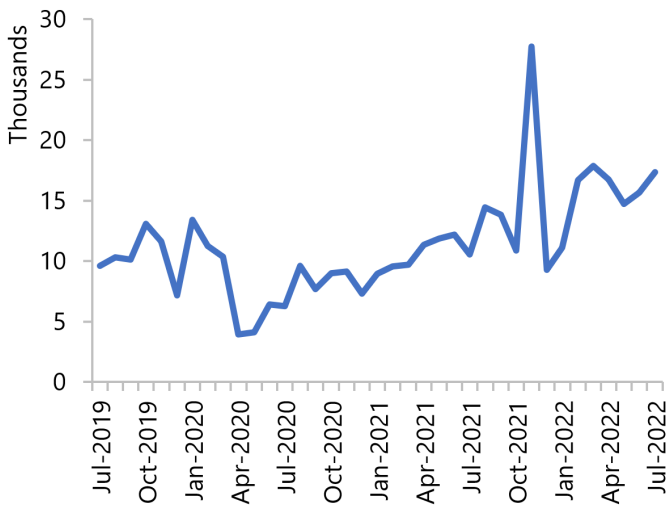
NEISR notes that while the pandemic, the rising cost of living and the Protocol dominate concerns for NI's economy, there remains the long-standing problem of productivity, of which NI has the lowest out of all UK regions. However, NI productivity is projected to grow at a faster pace than the UK overall due to increasing GVA and lower employment relative to the rest of the UK.

### Figure 4 - Projected Productivity Growth



Source: NEISR UK Economic Outlook (Summer 2022)

Figure 5 - Online Job Postings



## Online Job Postings

Information gathered using Burning Glass Labour Insights reveals that there were 17,340 job postings in July 2022, an increase of 10.8% on the previous month and 64.3% higher than July 2021. Meanwhile, the UK overall experienced a 3.8% decrease in online job postings over the month to June.

Human health activities was the largest industry advertised in NI and the UK overall in July 2022, accounting for 12.9% of NI postings where a sector was specified. This was a decrease of 1.6pps (49 postings) over the month.

The NI Chamber & BDO QES noted that in Q2 2022, 73% of manufacturers and 58% of service providers were trying to recruit. This represents a decline in recruitment intentions over the quarter, with the share of service sector businesses trying to recruit falling since Q3 2021.

## Prices

Prices continue to rise with CPIH rising by 8.2% in the 12 months to June 2022, CPI rising by 9.4% and RPI by 11.8%. This is the highest CPI 12-month inflation rate in the National Statistic series, which began in January 1997. Indicative modelled consumer price inflation estimates suggest that this is the highest CPI in 40 years.

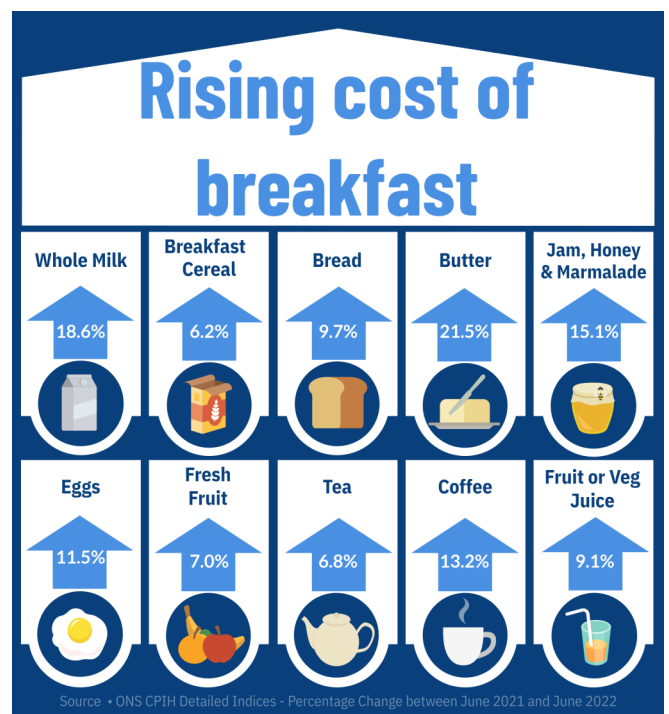
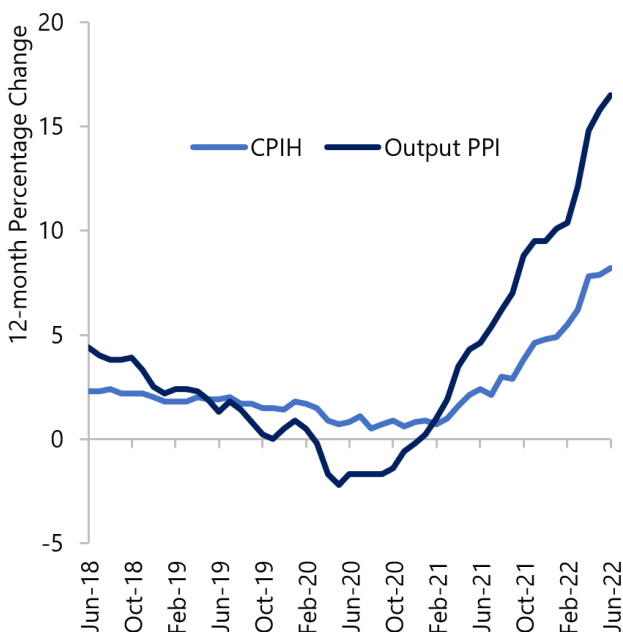
High levels of inflation continue to be experienced globally with inflation reaching 9.1% for both Ireland and the US in June 2022; and 8.6% for the Eurozone in June 2022. Part of the reason the UK is experiencing higher inflation, which is forecasted to persist for longer, is due to the depreciation of Sterling against other currencies. This has led to energy imports becoming more expensive than they were previously. Additionally, the UK is suffering from acute labour shortages which diminish its productive capacity and reduce competition for jobs resulting in less downward pressure on wages.

The Bank of England anticipates that UK inflation will rise to over 13% over the next few months. This is mainly due to higher energy prices. They attribute this to the way in which the energy price cap system in the UK interacts with energy prices – forecasting further increases to the energy price cap later this year.

Initial Bank of England analysis of the Government’s recent Cost of Living Support package suggests that, all else equal, it could boost GDP by around 0.3% and raise CPI inflation by 0.1pps in the first year, with some upside risks around these estimates given the targeted and front-loaded nature of some of the measures.

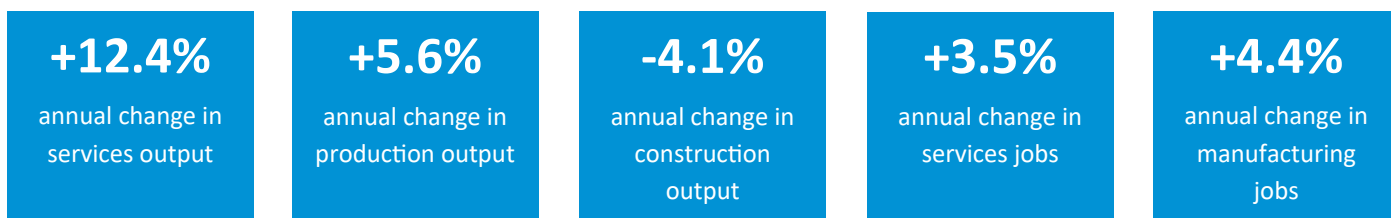
The infographic in the section below shows the annual price increase of some everyday breakfast items across the UK.

Figure 6 - CPIH and Output PPI Inflation



# Businesses

The Index of Services exceeded pre-pandemic levels in Q1 2022, surpassing the series high, while Production output was also above its pre-pandemic level. Manufacturing output rose 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 both the quarter and year.



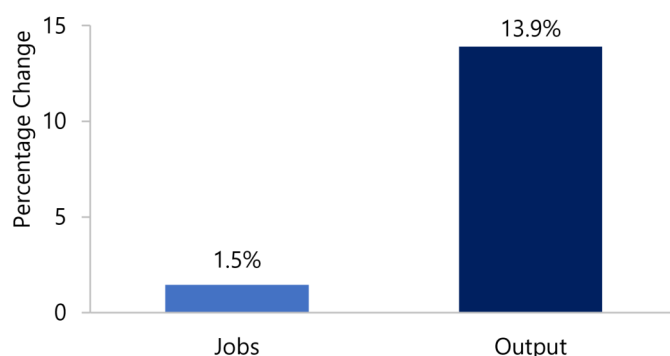
## Services

The Index of Services in Northern Ireland has continued to recover from the pandemic and in the first quarter of 2022 it surpassed the series high of Q4 2006.

The Index of Services for Q1 2022 was 4.9% higher than the pre-pandemic level of Q4 2019. UK services output was above the pre-pandemic level by 1.4%.

Over the year, Services output increased by 12.4% in NI and by 13.9% on a rolling average of four quarters, with all four subsectors contributing to these increases. There has been an increase in service jobs over the year (3.5%) and an increase when compared on a rolling four quarters (1.5%).

Figure 7 - Annualised change in service output and jobs, Q1 2022



## Retail, Hotels & Restaurants

NI output in this subsector was 3.9% below the series high recorded in Q3 2021, following the easing of restrictions. Growth rates over the quarter declined by 1.3%, while over the year and on an annualised basis were 10.3% & 11.7% respectively.

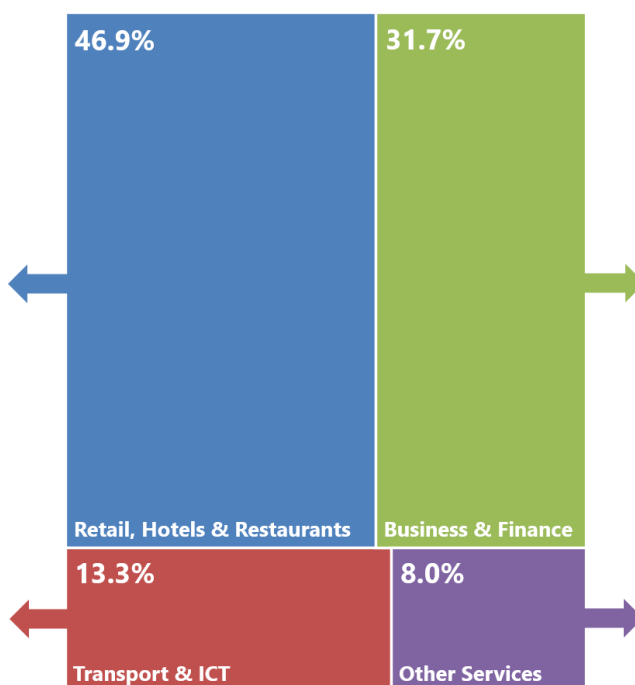
Output is now 1.2% above the pre-pandemic level of Q4 2019.

## Transport & ICT

NI output in this subsector increased over the quarter, year and on a rolling basis (3.4%, 14.6% & 15.3% respectively).

This subsector is now 11.5% above the pre-Covid level and is at a series high.

Figure 8 - Relative Size of Private Services by Employee Jobs Numbers, Q1 2022



## Business & Finance

NI output in this subsector reached a 10 year high in Q1 2022, 11.1% above the pre-pandemic level of Q4 2019. There was growth in output from Business services and the finance sector over the quarter, year and on a rolling four quarter basis (0.3%, 7.0% & 15.6% respectively).

## 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 (0.5%, 40.4% & 27.9% respectively). Output is now 0.4% above the pre-Covid level of Q4 2019.

## Production

NI's Index of Production for Q1 2022 grew over the year and on a rolling four quarter basis (by 5.6% and 9.8% respectively) and grew by 0.6% over the quarter. Production output is now 5.2% above its pre-pandemic level in Q4 2019. Manufacturing contributes four fifths of Production GVA with Manufacturing output in Q1 2022 3.8% above Q4 2019.

Three of the four subsectors grew over the year, while Mining and Quarrying contracted by 13.4%. Water supply, sewerage and waste management grew the most (36.3%). Mining and Quarrying was the only subsector to contract over the quarter.

Employment in manufacturing increased over the year (4.4%) and on a rolling four quarter basis (1.4%).

## Construction

The latest NI Construction Bulletin shows that the total volume of construction output in Q1 2022 decreased over the quarter (-3.4%), decreased over the year (-4.1%) and increased on a rolling four quarter basis (8.4%). Construction output was 0.1% below the pre-pandemic level of Q4 2019.

Construction Output comprises around two thirds New Work, and one third Repair & Maintenance. The decrease in output in Q1 2022 was driven by decreases in both Repair & Maintenance (-1.7%) and New Work (-3.2%), with the decrease over the year also driven by both subsectors (-4.2% for New Work and -3.8% for Repair & Maintenance).

In Q1 2022, employment in the sector fell over the quarter and on a rolling four quarter basis (-0.3% and -1.6% respectively) but increased over the year by 0.9%.

## Other Business Surveys

### Ulster Bank PMI – June 2022

- The June 2022 Ulster Bank PMI indicated the sharpest decrease in business activity since February 2021, with new orders also falling at accelerated pace. Anecdotally, this was caused by a weakening of demand due to rising prices.
- Business confidence reached a 20-month low due to expectations that rising prices will further diminish demand.
- Input costs and selling prices increased at near-record levels, mainly attributable to higher costs of fuel, shipping and wages.
- Firms increased staffing levels at the fastest pace in six months.

### Intertrade Ireland Business Monitor - Q1 2022

- The survey found that 42% of NI firms were in growth, with a further 40% stable, while 17% were in decline. In comparison, 41% of ROI firms were in growth, 45% were stable and 12% were in decline.
- The main issue raised by firms on both sides of the border was the rising costs of energy and other overheads. 65% of larger SMEs reported recruitment difficulties and 59% a lack of appropriate skills in their workforce.
- In NI, 78% of firms reported having adapted by some extent to post-Brexit trading conditions, while 6% had not adapted at all and 16% were unimpacted.

Figure 9 - Annualised change in manufacturing output and jobs, Q1 2022

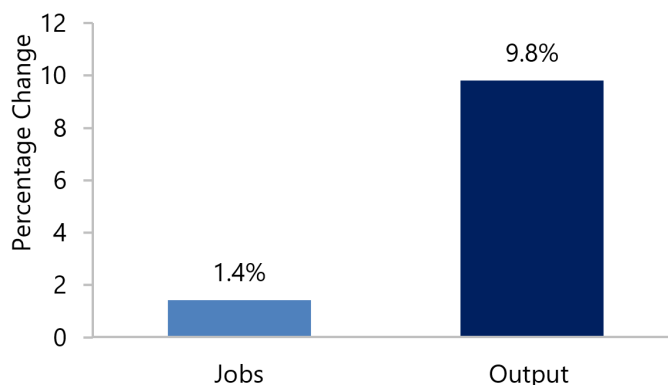
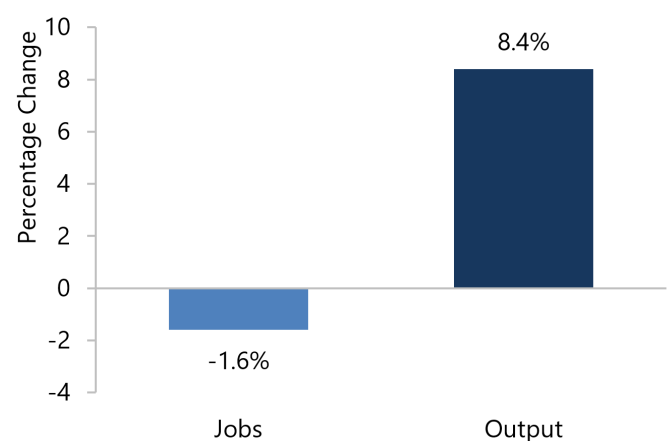


Figure 10 - Annualised change in construction output and jobs, Q1 2022



### NI Chamber Quarterly Economic Survey - Q2 2022

- Almost all key indicators were positive, the reverse of the Q1 2021 findings. However, 50% of business are still operating below capacity. Confidence has fallen over the latest quarter, with 60% expecting turnover growth in 2022 (down from 70% in Q4 2021).
- A record-high 77% of respondents expected to raise prices in the next three months as cost pressures weakened cash flow and profitability. Manufacturers were particularly affected, largely due to raw material costs.
- Almost nine in ten (89%) businesses were experiencing recruitment difficulties, and 38% reported that wage pressures influenced the expectations to raise prices.
- Around 29% reported that post EU Exit trading arrangements remained an issue, and 54% reported that EU Exit had increased costs.

### CEF Construction Survey - July 2022

- 68% of respondents felt that rising material costs/inflation could have a serious or critical impact on their ability to deliver on contracts/projects.
- In addition, 62% of firms surveyed feel there will be reduced opportunities for NI public sector work in the year ahead, with 70% foreseeing a reduction in opportunities for NI commercial work.

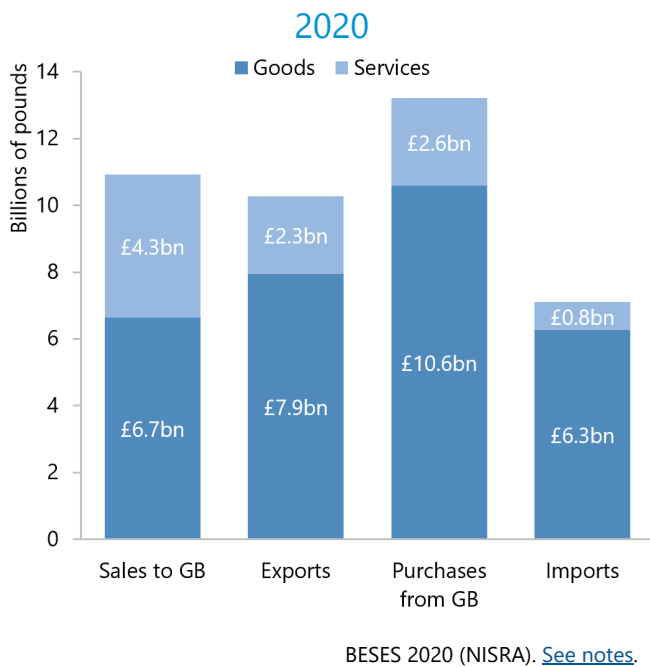


# Engagement with the Rest of the World

Slowing growth and high inflation are forecast for the global economy, as supply disruption from the ongoing war in Ukraine and China’s zero-Covid policy create an uncertain outlook. Despite following a trajectory of recovery since the lows of the pandemic, NI faces the risks posed by a deteriorating global economic situation in addition to domestic issues.

<b>+9.5%</b> annualised change in goods exports, Q1 2022	<b>+22.0%</b> annualised change in goods imports, Q1 2022	<b>+3.0%</b> world economic growth forecast 2022	<b>-1.5pps</b> change in 2022 world economic growth forecast	<b>58.1%</b> of total NI external trade was with GB in 2020
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Figure 11 - NI External Sales and Purchases, 2020



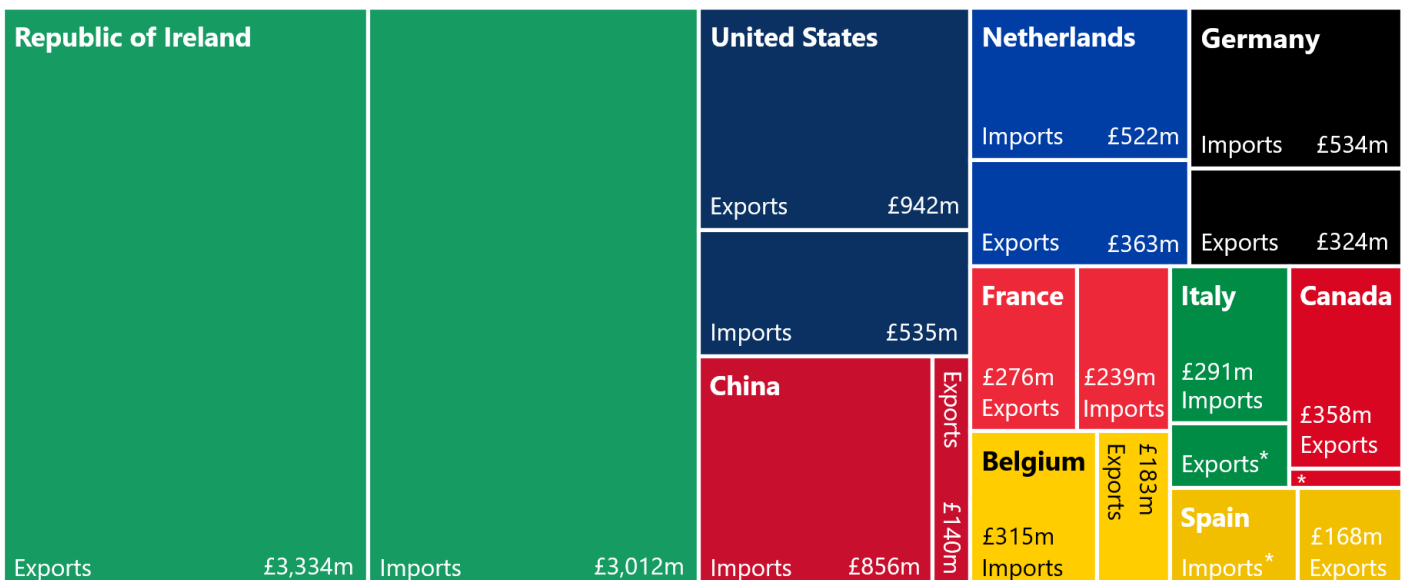
## International Trade in Goods

The latest HMRC Regional Trade Statistics show that in the year to March 2022, NI exported £8.2bn of goods internationally, and imported £8.3bn. This represents increases of 9.5% in exports and 22.0% in imports compared with the previous 12 months.

The top-ten international trading partners of NI, shown in Figure 12, accounted for 77.0% of the total trade in goods. Imports from ROI increased significantly in the year to March 2022, rising by 724m (31.6%), as did those from non-EU countries which increased by £468m (22.2%) overall. The largest increase in exports was also to ROI, up by £289m (9.5%). Figure 12 shows NI’s ten most significant categories of export commodities, which accounted for 54% of total goods exported.

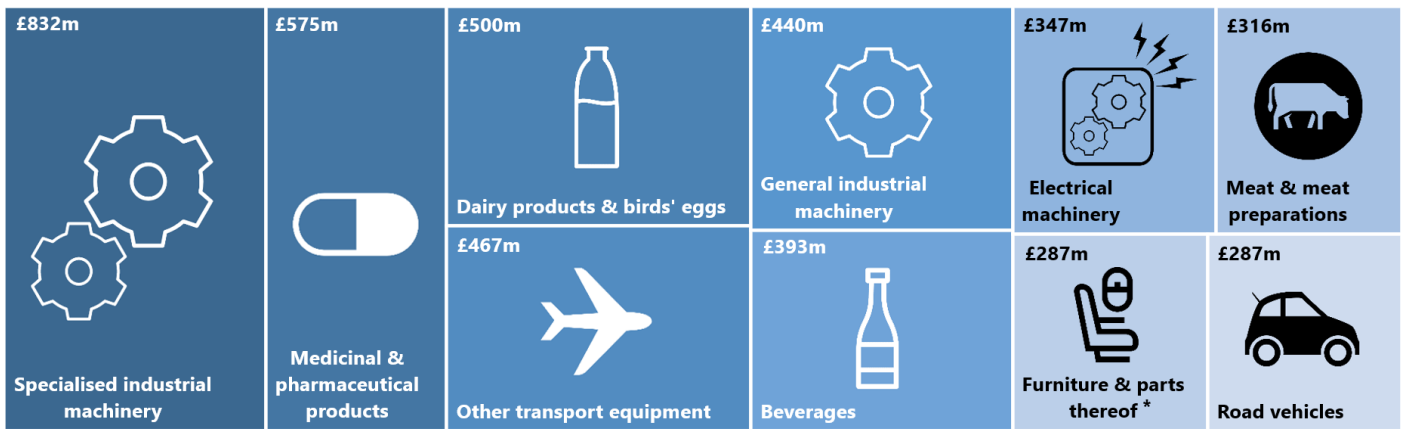
Figure 13 shows NI’s ten most significant categories of export commodities, representing 54% of goods exported in the year to March 2022. Machinery & transport equipment, NI’s most traded commodity type, accounted for 32% of goods exports and 23% of goods imports.

Figure 12 - NI’s Top Trading Partners by International Trade in Goods, year to March 2022



\* Exports to Italy = £120m, Imports from Spain = £206m, Imports from Canada = £34m.

Figure 13 - NI's Top Commodity Exports, year to March 2022



\* Icon in section made by [Freepik](https://www.flaticon.com) from [www.flaticon.com](https://www.flaticon.com)

## Global Outlook

Worldwide economic growth projections have been revised downward by both the OECD (Table 1) and the IMF.

Key factors in the increasingly negative outlook include global supply chain disruption caused by the war in Ukraine and economic shutdowns in China. These, in addition to the associated inflationary burdens and subsequent tightening of monetary policy, are contributing to widespread cost-of-living pressures and a slowing of economic growth.

The OECD projects that in the UK, inflation will peak at over 10% in 2022 reducing private consumption as real incomes fall, and that this decline in consumer demand will lead to stagnation in 2023. Unemployment is expected to remain low due to the tightness of the labour market.

Table 1 - World Growth Forecasts

Region	2022		2023	
	forecast	revision	forecast	revision
NI (GVA)	3.6	0.0	1.0	-0.7
UK	3.6	-1.1	0.0	-2.1
Euro Area	2.6	-1.7	1.6	-0.9
US	2.5	-1.2	1.2	-1.2
China	4.4	-0.7	4.9	-0.2
World	3.0	-1.5	2.8	-0.4

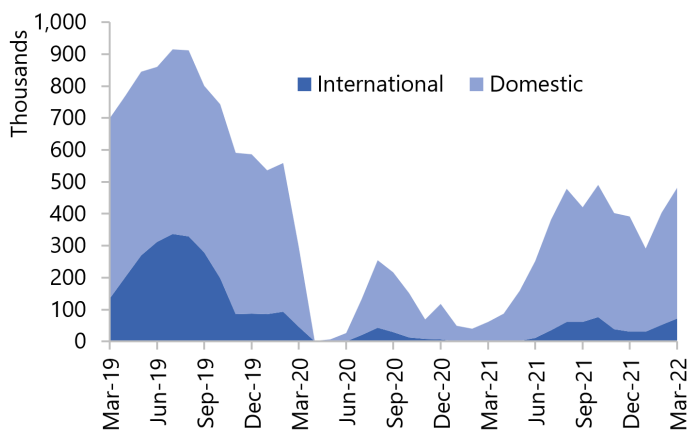
Note: Percentage terms. NI GVA growth forecast (Danske Bank Q2 2022) is provided for indicative purposes. All other forecasts are in real GDP terms (OECD June 2022).

## Tourism

Year to date performance for 2022 is mixed, with some key indicators not achieving 2019 levels whereas hotel rates, for example, continue to exceed 2019. However, the outlook for 2022 remains positive, with consumers displaying pent up demand and improved confidence. Research suggests continued strong demand from neighbouring markets for summer 2022 but global reopening brings greater competition.

The sector continues to face challenges such as, the recent increase in COVID-19 cases, staffing issues and the rising cost of living. Staffing issues in airports are causing long travel delays which may adversely impact foreign arrivals, but this could also result in an increase in staycations over the coming months.

Figure 14 - NI Airport Passenger Flows

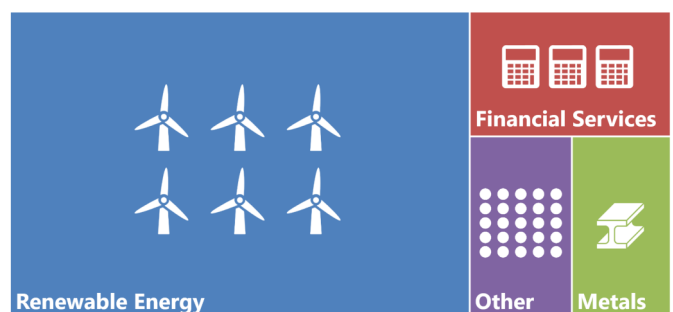


## Foreign Direct Investment

According to fDi Markets, 31 companies invested in a total of 35 greenfield foreign direct investment (FDI) projects (including expansions) in the year to June 2022, in comparison to 32 projects by 32 companies in the previous year.

Notable companies investing in the year to June 2022 included Simply Blue Group, Amazon, and Citigroup. Almost half (15) of FDI projects were sourced from US companies, and 7 from ROI. Figure 14 shows a breakdown of FDI projects by industry.

Figure 15 - FDI to NI by Industry, year to June 2022



Note: Area indicates relative size of total estimated Capex by industry, as reported by fDi Markets. One icon equals one project.



# Households

The rising cost of living is having a significant impact on consumer confidence with demand beginning to show signs of strain and the Bank of England forecasting a 1.75% reduction in real disposable incomes this year. While they have not yet recovered to pre-pandemic levels, there have been welcome improvements in employment, unemployment and inactivity figures and house prices continue to rise at significant rates.



## Unemployment

Businesses have reported difficulties in employing and retaining enough staff which has affected their ability to meet new orders or grow. While this has helped to reduce local unemployment and the claimant count over the year, the rates of both remain below the UK average.

The Labour Force Survey (LFS) unemployment rate (16+) for March-May 2022 was estimated at 2.6%. This fell over the quarter (0.4pps) and year (1.6pps), bringing NI's unemployment rate 1.2pps below the overall UK rate (3.8%). NI's unemployment rate is the second-lowest of the 12 UK regions. However, it remains 0.1pps above the pre-pandemic figure in December 2019-February 2020.

The long-term unemployment rate (percentage of unemployed who have been unemployed for 1 year or more) was up 1.2pps over the year at 42.8%. The youth unemployment rate (aged 16 to 24) fell by 4.2pps over the year to 6.1%.

The number of people claiming unemployment benefits stood at 36,100 in June (3.8% of the workforce) which was an increase of 0.1% on the May figures. However, this remains 21% higher

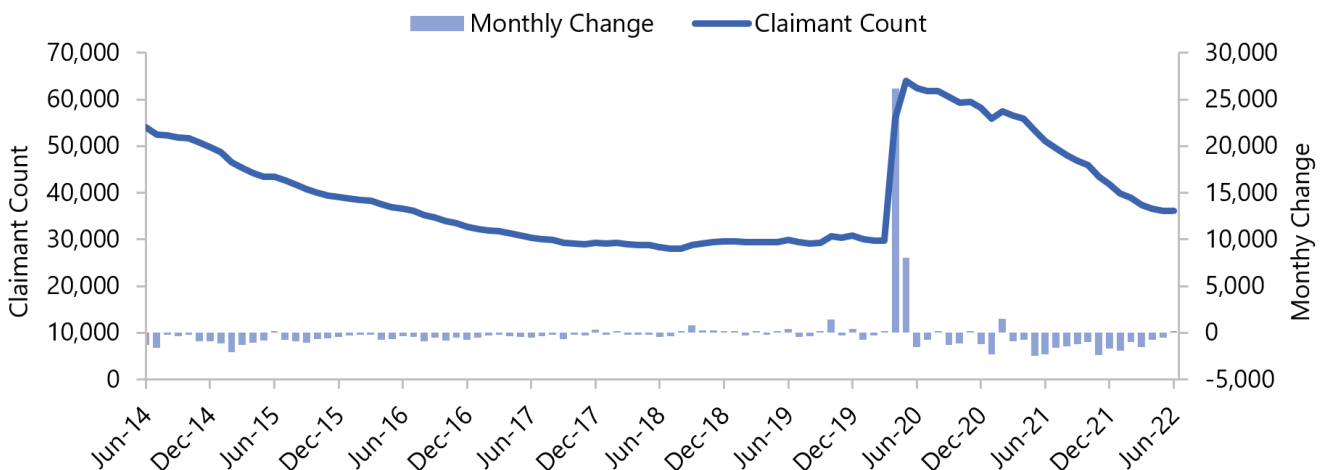
than the pre-pandemic count of March 2020. The claimant count for the UK in June was marginally higher than NI at 3.9% of the workforce.

The total weekly hours worked in NI increased by 9.9% over the year to March-May 2022, to an estimated 28.0 million hours. This remains 0.7 million hours (or 2.6%) below pre-pandemic levels. By comparison, the UK figure for total weekly hours worked was 0.6% below pre-pandemic levels.

NI's economic inactivity rate for March to May 2022 fell over the quarter and year to 28.0% but continues to be the highest of the UK regions (UK rate 21.1%). Both NI and the UK economic inactivity rates remain above their pre-pandemic levels by +2.4pps and +0.9pps respectively.

The number of young people (aged 16-24) in Northern Ireland who were not in employment, education, or training (NEET) during January to March 2022 was 15,000. This fell by 5,000 over the quarter and year and equates to a NEET rate for NI of 7.5%, which is below the UK rate of 9.5%.

Figure 16 - Unemployment Benefit Claimants



## Employment

The number of people aged 16+ in employment during March-May 2022 was estimated at 855,000, an increase of 44,000 over the year. The overall employment rate (for 16-64 year olds) was 70.1%, up over the quarter (0.7pps) and year (2.7pps). NI has the lowest employment rate of the 12 UK regions (UK 75.9%). NI's employment rate remains 2.4pps below the pre-pandemic position.

The annual increase in NI's employment rate was driven by a rise in male employment (+5.3pps) with a small increase in female employment (+0.1pps). The male employment rate stands at 73.9% while the rate for women is 66.3%.

HMRC PAYE shows the number of payrolled employees in NI in was 775,400 in June 2022 – this 2.8% higher than June 2021 and represents the highest number on record.

## Home Energy Costs

NI had the highest weekly household expenditure on energy of the 12 UK regions for 2018-20, 18.4% higher than UK average. However, NI has had the lowest unit cost of domestic electricity of the 12 regions since 2016 (For 2021 it is 9% below UK average).

The NI Consumer Council's (NICC) Home Energy Index rose to a historic high over the month to July 2022 due to electricity and gas price increases. NICC 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 has nearly doubled over the last year, although it has fallen from the March 2022 peak of £662.86.

## Pay and Consumer Confidence

The Bank of England Monetary Policy Report in May predicted a reduction in real household incomes this year of 1.75%.

### HMRC PAYE Real Time Information

- The median monthly pay in NI for June 2022 was £1,960 - an increase of £16 over the month and £123 over the year. NI had the sixth-highest annual increase of the 12 UK regions but the third lowest median pay (UK median £2,108).

### Danske Bank Consumer Confidence (CCI) Q2 2022

- The CCI decreased sharply to 103 in Q2 2022, down from 117 in the previous quarter and 149 the previous year as high inflation, global risks and post-Brexit trading arrangements continued to drive confidence levels downward.

### Asda Income Tracker

- The latest ASDA Income Tracker reported discretionary incomes experienced an annual contraction of 32.3% (a series record drop) in Northern Ireland as household spending power weakened to levels last observed in 2018 and CPI inflation accelerated to its highest rate since February 1982.

### SMMT New Car Sales

- Sales of new cars in NI in June totalled 3,539, 13% lower than June 2021 and 32% lower than June 2019. A shortage of semiconductor microchips is reducing vehicle availability.

Figure 17 - NI Working Age Labour Market Participation

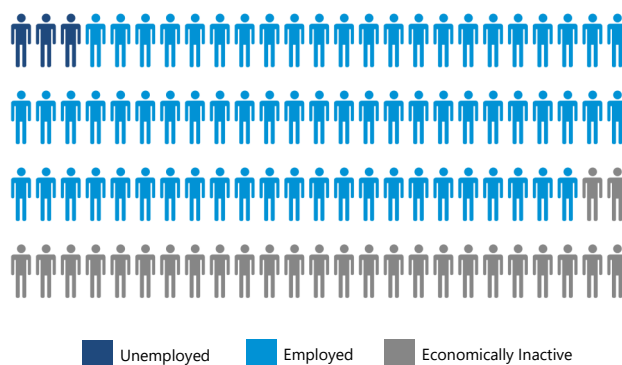
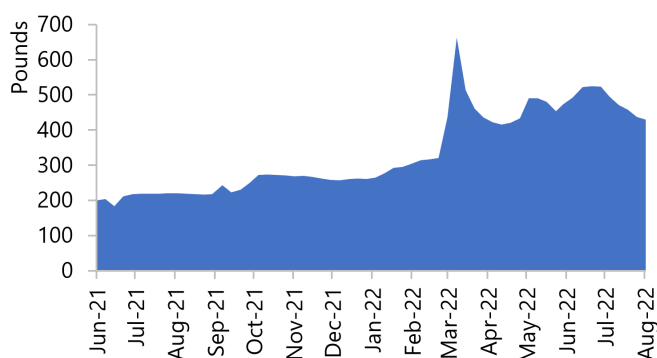


Figure 18 - NICC Cost of 500L Home Heating Oil



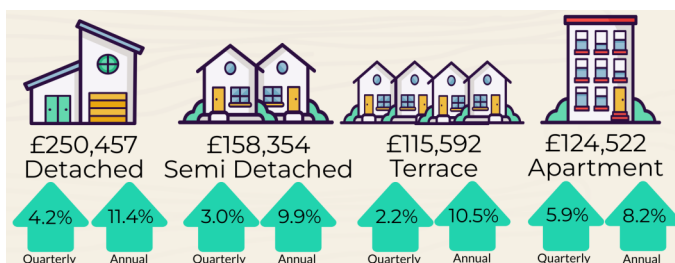
## House Prices

Average house prices in NI rose sharply in the first quarter of 2022, up 3.4% over the quarter and 10.4% over the year. All council areas saw quarterly and yearly increases in average prices.

The average house price in NI is £164,590, almost £60,000 more than in Q1 2012. There are regional variations with average house prices of £145,741 in Derry City & Strabane and £189,968 in Lisburn & Castlereagh. There are also variances by property type as shown below. The largest annual increase has been for detached properties while the largest quarterly increase is for apartments.

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.

Figure 19 - Average NI House Prices, Q1 2022



# Government

Public Sector employment has been increasing since mid 2017 and is now at an 11 year high. There were large increases in Teaching and Non-Teaching staff as well as in bodies under the Department of Health. Within the NI Civil Service, over half of the jobs created over the last year were in the Department for Communities. District Councils continued their trend of reducing employment.

<b>+6,130</b> annual change in number of public sector jobs	<b>+2.9%</b> annual change in public sector jobs	<b>+4.7%</b> annual change in NICS	<b>-1.9%</b> annual change in District Council jobs	<b>+0.4%</b> annual change in NHS Trusts jobs
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## Jobs

The most recent data for March 2022 shows an annual increase in total Public Sector employment of 2.9% or 6,130 jobs. This marks a high point in Public Sector employment not seen since March 2011.

Over the year, the largest increase in employment has been in bodies under NI Central Government. This was driven by increases in bodies under the Department of Health (DoH, +1,425 or 31.6%) and increases in Teaching and Non-Teaching Staff (+3,018 or 4.5%). District Councils were the only area to experience annual falls in employment.

Within the NI Civil Service (NICS), the largest percentage increase was for the DoH (+14.3% or 72 jobs). Over half of the jobs created in the NICS over the year were within the Department for Communities (591 jobs or +8.5%).

NHS Trusts experienced a small annual increase in employment of 304 jobs or 0.4%. When compared with 2 years ago there are 2,544 more NHS jobs (+3.4%). Whereas the Fire Service has reduced employment marginally over the year (-9 jobs or -0.4%).

Table 2 - NI Public Sector Jobs Breakdown

	Jobs		Annual Change	
	Mar 2022	No.	%	
Total Public Sector Jobs	220,915	6,130	2.9%	
NI Central Government*	115,415	1,453	1.3%	
Of which NICS	24,366	1,092	4.7%	
Of which NHS Trusts	77,237	304	0.4%	
UK Central Government	3,995	199	5.2%	
Local Government (District Councils)	11,274	-214	-1.9%	
Public Corporations	6,384	10	0.2%	
Bodies under NI Central Government**	83,847	4,682	5.9%	

\* totals include NICS, Health, Education, Fire Service, BBC etc.  
 \*\* includes Teaching and Non-Teaching Staff in Schools, Colleges and Education Authority

Figure 20 - NI Public Sector Jobs

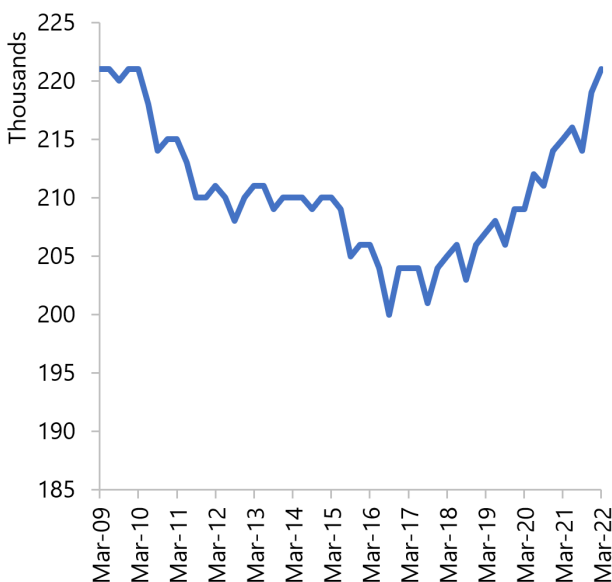
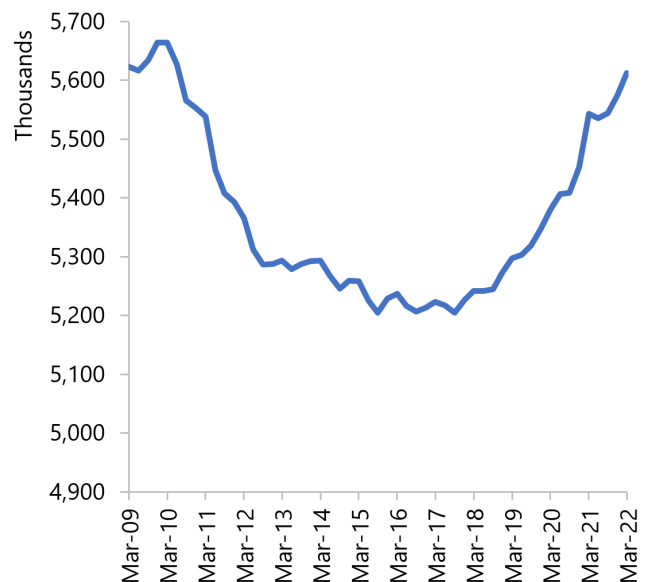


Figure 21 - UK Public Sector Jobs



# FOCUS: Rising Cost of Living

What is meant by the cost of living, why it is rising, how this is affecting businesses, what the outlook for inflation is and how this will affect growth.

## What is meant by 'the Cost of Living' and why it is rising

The rising cost of living refers to a decline in people's real disposable incomes. Real disposable incomes are incomes minus inflation and after taxes and benefits.

Currently prices in the UK are forecast by the Bank of England to rise to their highest level in 40 years. When wages are unable to adjust to rising prices, this will increase the cost of living - effectively making people poorer. At the same time, the tax increases announced in 2021 were larger than any previously announced since 1993 – further squeezing people's incomes. The rate at which benefits increased in April 2022 was less than the expected level of inflation – effectively reducing the size of these benefits.

The convergence of these forces has led to a significant increase in the cost of living.

## Why is inflation so high?

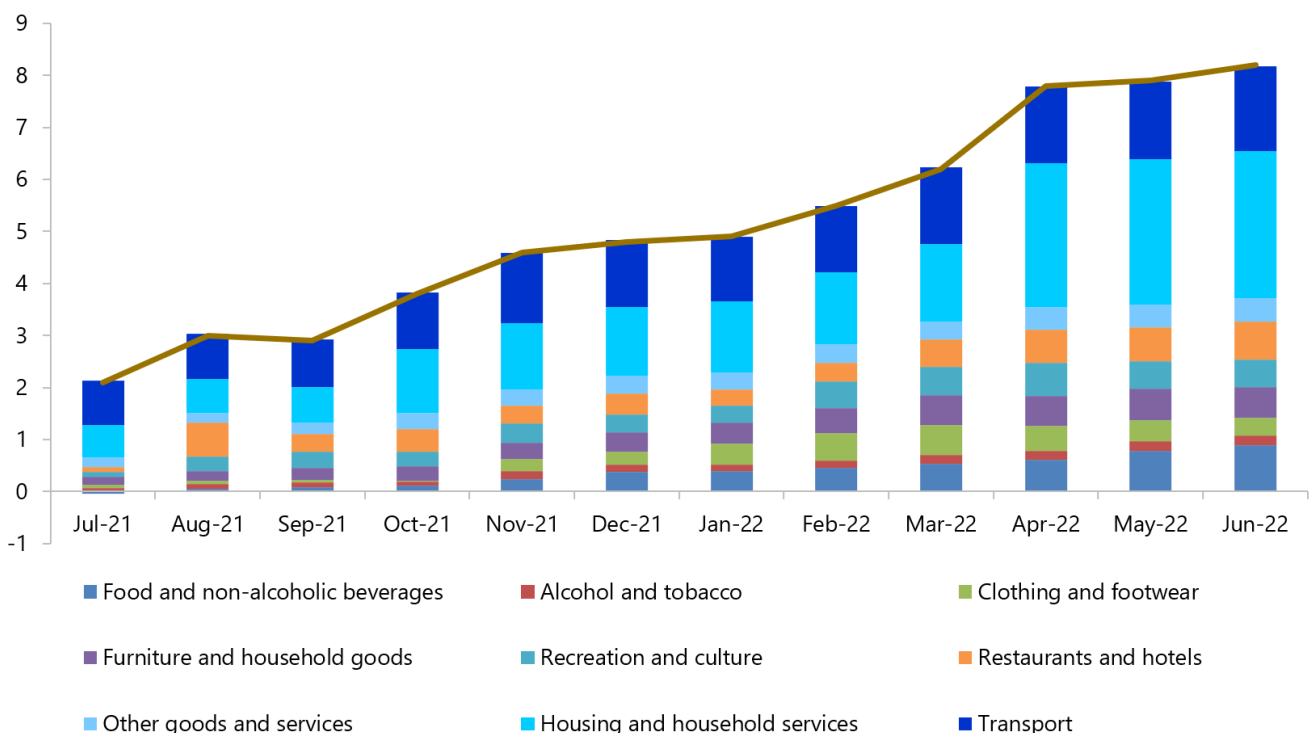
Prices are rising for a variety of reasons. The tightening and then loosening of restrictions globally due to the COVID-19 pandemic has led to supply constraints coupled with pent up demand, which has driven up inflation. The UK is also a very large importer of goods which makes it sensitive to the relative weakening of Sterling against currencies such as the US Dollar and Chinese Yuan. One of the most salient reasons for inflation is Russia's invasion of Ukraine, which has had ramifications for the UK's energy supply, food supply and supply of migrant workers.

China is currently experiencing waves of lockdowns which, along with the Russian invasion of Ukraine, is making it harder to import goods into the UK. The NI Protocol has also increased some transaction costs for goods entering NI from Great Britain which has contributed to increasing prices in NI. Additionally, the income tax personal allowance and higher threshold rate will be frozen for four years rather than move in line with inflation. This amounts to an effective tax rise because in real terms people will need to earn less for these taxes to apply to them.

## Components driving up the cost of living

The Consumer Price Index including owner occupiers' housing costs (CPIH) rose by 8.2% in the 12 months to June 2022, up from 7.9% in May. The largest upward contributions to the annual CPIH inflation rate in June 2022 came from housing and household services (2.82pps, principally from electricity, gas and other fuels, and owner occupiers' housing costs) and transport (1.64pps, principally from motor fuels).

Figure 22 - Breakdown of monthly CPIH 12-month inflation rate



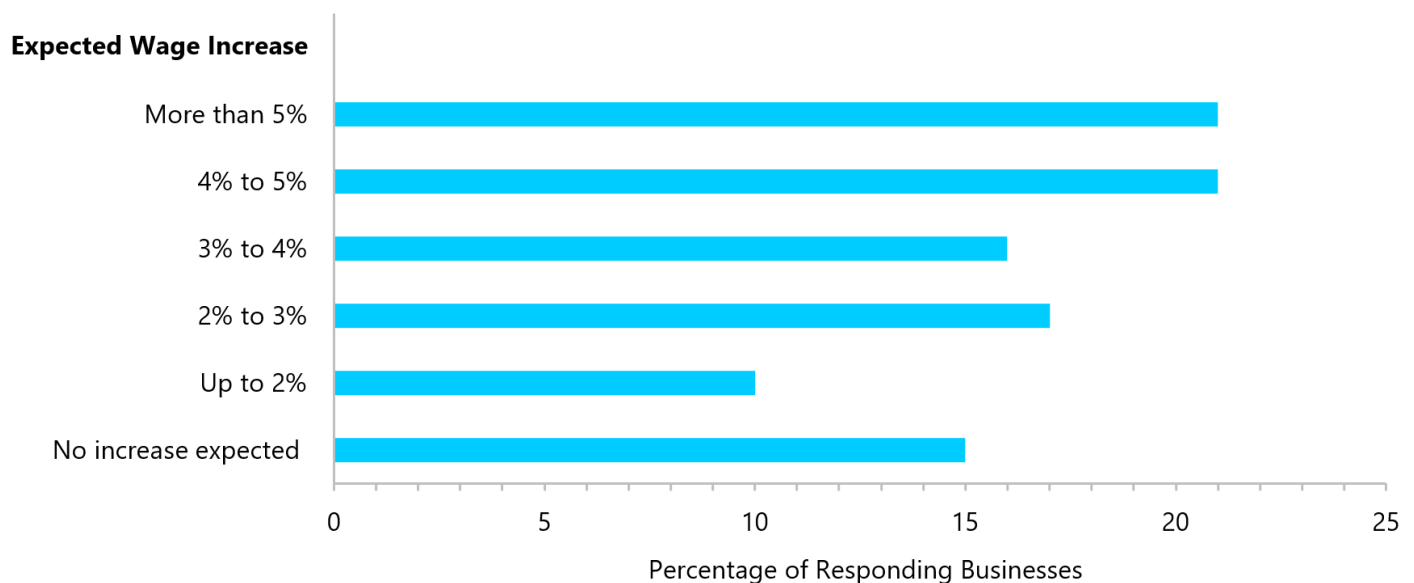
## Inflation outlook

The Chancellor announced that a £400 discount on energy bills would be made available to every household in the UK and payments of £650 would be made to those receiving state benefits. The University of York Social Policy Research Unit predict that by January 2023 NI will have 71.7% of households in fuel poverty, the highest share of the UK's regions. This research also takes into account the impact on bills of the £400 energy rebate. The Bank of England anticipates that UK inflation will rise to over 13% over the next few months, mainly due to higher energy prices and expects inflation to be close to their 2% target in around two years.

## How households have reacted

In March 2022 almost 9 in 10 (87%) of adults reported an increase in their cost of living over the previous month according to the ONS. The Danske Bank Northern Ireland Consumer Confidence Index declined to 103 in 2022 Q2, down from 117 in the first quarter of 2022, and below the reading of 149 posted in the second quarter of 2021. The impact of higher prices on household finances had the largest negative impact on confidence (47%), followed by global risk e.g. Ukraine (13%), then post-Brexit trading arrangements (12%). Nineteen percent of people expected their financial position to improve over the next year, compared with 55% who thought their finances would worsen.

Figure 23 - Average expected wage increases in 2022 (NI Chamber of Commerce and Industry)



## Cost of doing business

It is not only households experiencing increases in costs. According to the Ulster Bank PMI, businesses in NI have seen the fastest rises in input costs (such as raw materials) in the UK. As a result, NI businesses have had to pass on these charges at a higher rate too. This has led to increases in output charges and new orders being subdued due to substantial inflationary pressures. Additionally, the rising cost of living has hit demand, with shortages of materials and staff also limiting growth. The Q2 2022 Quarterly Economic Survey from the NI Chamber of Commerce and Industry reports that 79% of respondents expect to raise prices in the next 3 months driven in large part by high raw material costs (for manufacturers) whilst labour costs have recently emerged as a strong driver along with increasing utility and fuel costs. Figure 23 also shows that about three out of four firms expect to increase wages by 2% or more. Most forecasters expect the increased cost of living to lead to slower overall growth in the UK economy with the OECD forecasting 0.0% growth for the UK in 2023, mainly due to inflation and the increase in taxes. Danske Bank still expects NI to grow by 3.6% in 2022 but have reduced their forecast for 2023 from 1.7% to 1.0%.

# Notes and Sources

## Notes:

'Pps' refers to percentage points.

Annualised change: Also referred to as rolling annual average change, is a medium-term measure of growth that compares the latest four quarters (or twelve months) to the previous, reducing the impact of quarterly (or monthly) shocks.

Figures 11, 12 & 13: Broad Economy Sales and Exports Statistics (BESES), as reported by NISRA, cover NI external sales and purchases of goods and services and includes trade with GB and the rest of the world. HMRC Regional Trade Statistics only cover trade in goods with countries outside the UK. Figures 12 and 13 therefore exclude NI trade with GB and also trade in services.

## Sources:

Section	Sources
<b>Infographic</b>	<a href="#">NICEI (NISRA)</a> ; <a href="#">Quarterly Sectoral Forecasts (Danske Bank)</a> ; <a href="#">Economic Outlook (OECD)</a> ; <a href="#">Labour Force Survey (NISRA)</a> ; <a href="#">Regional Trade Statistics (HMRC)</a> ; <a href="#">HEI (NICC)</a> ; <a href="#">Fuel Prices July 2022 (The AA)</a> ; <a href="#">Consumer Prices Index (ONS)</a>
<b>The Economy</b>	<a href="#">NICEI (NISRA)</a> ; <a href="#">Quarterly Employment Survey (NISRA)</a> ; <a href="#">Purchasing Managers Index (Ulster Bank)</a> ; <a href="#">Quarterly Sectoral Forecasts (Danske Bank)</a> ; <a href="#">UK Economic Outlook (NEISR)</a> ; <a href="#">Labour Insight (Burning Glass)</a> ; <a href="#">Quarterly Economic Survey (NI Chamber of Commerce &amp; BDO)</a> ; <a href="#">Consumer Prices Index (ONS)</a> ; <a href="#">Monetary Policy Report (BoE)</a> ; <a href="#">Producer Price Inflation (ONS)</a> .
<b>Businesses</b>	<a href="#">Index of Services (NISRA)</a> ; <a href="#">Index of Production (NISRA)</a> ; <a href="#">NI Construction Bulletin (NISRA)</a> ; <a href="#">Quarterly Employment Survey (NISRA)</a> ; <a href="#">Purchasing Managers Index (Ulster Bank)</a> ; <a href="#">Quarterly Economic Survey (NI Chamber of Commerce &amp; BDO)</a> ; <a href="#">All-Island Business Monitor (InterTradeIreland)</a> ; <a href="#">Construction Survey (CEF)</a> .
<b>Engagement with the Rest of the World</b>	<a href="#">BESES 2020 (NISRA)</a> ; <a href="#">Regional Trade Statistics (HMRC)</a> ; <a href="#">Economic Outlook (OECD)</a> ; <a href="#">NI Hotel Occupancy Statistics (NISRA)</a> ; <a href="#">NI Air Passenger Flows (NISRA)</a> ; <a href="#">World Economic Outlook (IMF)</a> ; <a href="#">fDi Markets (Financial Times)</a> .
<b>Households</b>	<a href="#">Labour Force Survey (NISRA)</a> ; <a href="#">Quarterly Employment Survey (NISRA)</a> ; <a href="#">NEET (NISRA)</a> ; <a href="#">HEI (NICC)</a> ; <a href="#">Home Heating Oil Price (NICC)</a> ; <a href="#">NI House Price Index (NISRA)</a> ; <a href="#">Home truths: Rising cost of living forces first-time buyers to put plans on ice for now (Nationwide Building Society)</a> ; <a href="#">Consumer Confidence Index (Danske Bank)</a> ; <a href="#">Asda Income Tracker (CEBR)</a> ; <a href="#">NI New Car Registrations Data (SMMT)</a> , reported by the <a href="#">Irish Times</a> .
<b>Government</b>	<a href="#">Quarterly Employment Survey (NISRA)</a> ; <a href="#">UK Public Sector Employment (ONS)</a> .
<b>Focus: Cost of Living</b>	<a href="#">Monetary Policy Report (BoE)</a> ; <a href="#">Consumer Prices Index (ONS)</a> ; <a href="#">The rising cost of living and its impact on individuals in Great Britain (ONS)</a> ; <a href="#">Purchasing Managers Index (Ulster Bank)</a> ; <a href="#">Fuel Poverty: Estimates for the UK (University of York)</a> ; <a href="#">The war in Ukraine has caused a labour crunch on Britain's farms (The Economist)</a> ; <a href="#">The British should stop being so relaxed about the weak pound (Financial Times)</a> ; <a href="#">Consumer Confidence Index (Danske Bank)</a> ; <a href="#">Economic Outlook (OECD)</a> ; <a href="#">Quarterly Sectoral Forecasts (Danske Bank)</a> .

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