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Economic Research Digest
Quarter 2 2023

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:

- Analysis done by ONS shows the first quarterly estimate of UK Real GDP indicates that the economy increased by 0.1% in Quarter 1 (Jan to Mar) 2023. This follows growth of 0.1% in the previous quarter.
- NISRA noted that in May 2023, the number of payrolled employees in NI was unchanged over the month and increased by 1.7% over the previous year. Median monthly pay in NI decreased by 0.2% over the month to £2,054 in May 2023 and increased by 5.5% over the year.
- A report published by KPMG shows that The UK economy has so far avoided a technical recession which was widely expected throughout 2022. The government has provided households and businesses with some support against higher energy prices, including a cap on household utility bills.

** 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

UK Economic Update published by KPMG

- The UK economy has so far avoided a technical recession which was widely expected throughout 2022. The government has provided households and businesses with some support against higher energy prices, including a cap on household utility bills.
- A tight labour market has kept a lid on unemployment, while excess savings accumulated during the pandemic have been gradually used up, alleviating the squeeze on real incomes. Nonetheless, the impact of monetary tightening is yet to fully feed through to the economy, slowed in part by the stock of fixed-rate debt which hasn't reached maturity.
- These headwinds are expected to continue to drag on UK activity throughout this year. GDP is still 0.5% below its pre-pandemic level at the end of 2019, with consumption down by 2.3% and business investment 1.4% lower. This lacklustre performance, if sustained, could lead to annual GDP growth averaging 0.3% in 2023, relatively weak by historical standards(a).
- There are downside risks to this forecast, however, given the ongoing stickiness of UK inflation, recent tensions in the banking system, the uncertain impact of such rapid rise in interest rates on the economy, and worsening geopolitical tensions.
- Global activity has also been mixed. World GDP grew by 0.6% in 2023 Q1, according to the Bank of England's estimate, with growth of 0.3% in the US. Supply chain pressures have eased materially since the start of the year, supported by faster delivery times and a drop in shipping costs.
- The price of Brent crude oil is down by 36% year-on-year. Global trade volumes and manufacturing production, although subdued, have both picked up. Set against that, growth in the Eurozone was negative for two consecutive quarters, with Germany and Ireland falling into a technical recession.
- A higher interest rate environment is set to depress business investment and result in more corporate insolvencies. The Bank of England has raised interest rates for twelve consecutive times, with Bank Rate reaching 4.5% in May. Market interest rates have followed suit. Corporate bond yields are 400 basis points higher than in late 2021, while mortgage rates have risen too.
- The labour market has stayed remarkably resilient, but hiring is now easing. The unemployment rate was 3.8% in April, close to historical lows, and regular pay growth was 7.2%, its highest level outside of the pandemic. While headline indicators could give an impression of a historically tight labour market, they may also reflect more widespread remote working –which could be keeping the structural rate of unemployment lower, as it becomes easier to match workers with jobs.

PRODUCTIVITY AND GROWTH

GDP first quarterly estimate, UK: January to March 2023 published by ONS

- The first quarterly estimate of UK real gross domestic product (GDP) shows that the economy increased by 0.1% in Quarter 1 (Jan to Mar) 2023. This follows growth of 0.1% in the previous quarter. The level of quarterly GDP in Quarter 1 2023 is now 0.5% below its pre-coronavirus (COVID-19) level (Quarter 4 2019).
- The implied price of GDP rose by 0.9% in Quarter 1 2023, which was primarily driven by higher price pressures for household consumption (1.2%). The implied price of GDP was 6.3% higher in Quarter 1 2023 than the same quarter a year ago, an easing from growth of 7.3% in the previous quarter.
- In the year to Quarter 1 2023, growth has been driven by strong rises for the price of household consumption, though there was a slowing in how much these prices increased. There have also been large price movements in internationally traded goods and services, where there was a slight easing in these inflationary pressures.
- Services output rose by 0.1% in Quarter 1 (Jan to Mar) 2023, following a 0.1% increase in Quarter 4 2022. Growth in 7 out of the 14 sub-sectors offset by falls in the other 7. Overall, consumer-facing services detracted from growth in Quarter 1 2023, falling by 0.4% while all other services increased by 0.2%.

- The largest positive contribution to growth was from the information and communication sub-sector, which grew by 1.2%, with increases in computer programming, consultancy and related activities, and telecommunications. The second largest positive contribution to growth was from administrative and support service activities, which increased 1.3%.
- However, these increases were partially offset by declines in education (0.7%), health (0.5%), public administration and defence (0.7%), and transport and storage (1.0%). These are areas that saw industrial action take place across the quarter.
- Production output increased by 0.1% in Quarter 1 2023. This follows no growth in the previous quarter and five consecutive falls before that.
- The increase in production output in the latest quarter was mainly driven by an increase of 0.5% in manufacturing. There were increases in 8 out of the 13 sub-sectors, with the largest positive contribution from the manufacture of basic metals and metal products, and the manufacture of computer, electronic and optical products (Figure 4). These falls were partially offset by decreases in the manufacture of basic pharmaceutical products and pharmaceutical preparations.
- Construction output rose by 0.7% in Quarter 1 2023, the sixth consecutive quarter of positive growth. The growth in Quarter 1 2023 was driven by repair and maintenance, which grew by 4.9% with all three subsectors growing on the quarter. This growth was partially offset by a fall of 1.9% in new work.
- There was a small increase in private consumption in Quarter 1 (Jan to Mar) 2023, while there was also higher gross fixed capital formation on the quarter. However, early estimates show that businesses were destocking their levels of inventories in the first quarter of the year, while there was a decrease in the volume of net trade in Quarter 1 2023.
- In current price terms, household expenditure rose by 1.2% on the quarter, as recent inflationary pressures increased the nominal value of this spending. The implied price of household expenditure increased by 9.4% when compared with Quarter 1 2022. This was an easing in inflationary pressures from the 10.3% in the year to Quarter 4 (Oct to Dec) 2022, although the rate of the price change in household expenditure is still high by historical standards.
- Real government consumption expenditure fell by 2.5% in Quarter 1 2023. This fall reflects declines in nominal spending on public administration and defence in the quarter. There were also falls in the volumes of education and health, where there were weaker volumes as a result of industrial action taking place in this quarter. However, we are not able to isolate the impact of these strikes from other factors across the wider economy.

LIVING STANDARDS, WELLBEING AND PROSPERITY

Quality of life in the UK: May 2023 published by ONS

- The percentage of adults in the UK reporting very high levels of life satisfaction decreased in the latest quarter (Quarter 4, October to December 2022) to 23.3%, compared with 25.2% in the same quarter last year (Quarter 4 2021); while adults reporting very high levels of feeling things they do in life are worthwhile (32.1%), and happiness (29.4%) and very low levels of anxiety (33.8%) remained similar between Quarter 4 2022 and Quarter 4 2021.
- Between 22 March and 16 April 2023, 86.3% of adults in Great Britain reported that they can rely on people in their life if they have a serious problem and 66.8% said that in general, they trust most people.
- Between 22 March and 16 April 2023, 24.5% of adults in Great Britain reported they trust the UK government while 69.3% of adults agreed or strongly agreed that they do not have any say in what the government does.
- When asked between 22 March and 16 April 2023, 34.1% of adults in Great Britain reported giving unpaid help to clubs, groups, charities, or organisations in the last 12 months (of which, 57.4% had volunteered at least once a month) compared with 29.5% between 22 June and 17 July 2022 (this previous period included the ending of the coronavirus (COVID-19) restrictions in 2021).
- Greenhouse gas emissions in the UK fell to 417.08 million tonnes of carbon dioxide equivalent (MtCO2e) in 2022 (provisional estimate), compared with 2021 (426.51 MtCO2e).

- The UK's public sector net debt reached 99.6% of gross domestic product (GDP) at the end of March 2023, and inflation, as measured by Consumer Price Index including owner occupiers' housing costs (CPIH), reached 8.9% in the 12 months to March 2023, down from 9.2% in February 2023.

Labour market overview, UK: July 2023 published by ONS

- The UK employment rate was estimated at 76.0% in March to May 2023, 0.2 percentage points higher than December 2022 to February 2023. The quarterly increase in employment was mainly attributed to part-time employees.
- The estimate of payrolled employees for June 2023 shows a monthly decrease, down 9,000 on the revised May 2023 figure, to 30.0 million. The June 2023 estimate should be treated as a provisional estimate and is likely to be revised when more data are received next month.
- The unemployment rate for March to May 2023 increased by 0.2 percentage points on the quarter to 4.0%. The increase in unemployment was driven by people unemployed for up to 12 months.
- The economic inactivity rate decreased by 0.4 percentage points on the quarter, to 20.8% in March to May 2023. The decrease in economic inactivity during the latest quarter was largely driven by those inactive for other reasons, those looking after family or home, and those who are retired.
- The increases in the employment and unemployment rates and the decrease in the inactivity rate during the latest quarter were attributed to men.
- In April to June 2023, the estimated number of vacancies fell by 85,000 on the quarter to 1,034,000. Vacancies fell on the quarter for the 12th consecutive period.
- Growth in employees' average total pay (including bonuses) was 6.9% and growth in regular pay (excluding bonuses) was 7.3% in March to May 2023. For regular pay, this equals the highest growth rate, which was also seen last month and during the coronavirus (COVID-19) pandemic period for April to June 2021.
- In real terms (adjusted for inflation), growth in total and regular pay fell on the year in March to May 2023, by 1.2% for total pay and 0.8% for regular pay.
- There were 128,000 working days lost because of labour disputes in May 2023, the lowest number of days lost since July 2022.

Monthly Decision Maker Panel data - June 2023 published by BoE is a survey of Chief Financial Officers from small, medium and large UK businesses.

- Realised output price inflation declined to 6.9% in June, down from 7.6% in May. The three-month moving average also fell from 7.6% to 7.3%. Note that the DMP covers own prices from firms across the whole economy, not just consumer-facing firms.
- Looking ahead, businesses expect output price inflation to fall over the next year as the year-ahead output price inflation was expected to be 5.3% in the three months to June, down from 5.4% in the three months to May.
- One-year ahead CPI inflation expectations decreased to 5.7% in June, down from 5.9% in May. However, three-year ahead CPI inflation expectations slightly increased to 3.7% in June, up 0.2 percentage points relative to May. Current CPI perceptions of firms were 8.9% (down from 9.8% in May) which is close to the 8.7% actual CPI inflation rate during the survey window.
- In June, firms reported that annual unit cost growth remained stable at 9.4%, and expectations for year-ahead unit cost growth increased by 0.5 percentage points relative to May. However, the three-month averages were little changed.
- Expected year-ahead wage growth slightly increased to 5.3% on the month in June (up from 5.2% in May) although the three-month moving average decreased by 0.1 percentage points to 5.3%.
- In June, 47% of firms reported that the overall level of uncertainty facing their business was high or very high (down from 54% in May), but the three-month average increased slightly to 50%. This follows a clear downward trend in the series since September. Both sales and price uncertainty increased slightly in the monthly series, although the three-month moving averages decreased for both series. Price uncertainty remains at relatively high levels.

[Left behind - Exploring the prevalence of youth worklessness due to ill health in different parts of the UK](#) published by Resolution Foundation

- There has been a sharp increase in the number of young people who are not working due to ill health. The number of 18-24-year-olds in this category has near-doubled in the last ten years, rising from 94,000 in 2012 to 185,000 in 2022. Today, almost one-in-four (23 per cent) workless young people are not working because of ill health, up from less than one-in-ten (8 per cent) in 2012.
- Across the UK, 2.9 per cent of 18-24-year-olds were not working because they were unwell in the period 2020-2022. But when we look beneath this average, we find considerable range. Just 1.6 per cent of young people in East Anglia, and 1.7 per cent in both Inner London and Merseyside, were too unwell to work in 2020-2022, compared to 5.1 per cent in parts of the North East such as Darlington, Durham and Middlesbrough.
- The most striking spatial difference observed are rates of youth worklessness due to ill health is that between large cities and smaller places. We find that young people living in core cities such as London, Cardiff, Glasgow or Liverpool are the least likely to be workless because they are unwell. In 2020-2022, for example, 1.8 per cent of 18-24-year-olds in London, and 2.0 per cent of 18-24-year-olds in other core cities, were not working due to ill health. This contrasts with 3.4 per cent of 18-24-year-olds living in places dominated by small towns or villages such as Derbyshire, Devon and South Wales.
- Any spell out of the labour market at a young age can have scarring effects on future employment prospects, but young people who are workless due to ill health are especially hard hit. Four-in-five young people (79 per cent) who are workless due to ill health have been workless for at least two years – compared to only a quarter (26 per cent) of young people who are unemployed.

Innovation and Enterprise

INNOVATION

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

RESEARCH AND DEVELOPMENT

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

SECTORS AND TECHNOLOGIES

Northern Ireland Composite Economic Index (NICEI) published by NISRA

- Economic Activity in NI has increased over the quarter, annual, pre-pandemic and rolling annual average to Q1 2023. The largest positive contribution over the quarter came from the Services sector. Whereas previously, the Construction sector had provided the largest positive contribution to economic activity in NI in Q4 2022.
- The increase in the NICEI over the latest quarter (1.2%) was driven by increased activity in the Services sector (1.1 pps) and the Public Sector (0.1 pps). Whilst the production sector had a small negative contribution (0.1pps). The construction sector had no contribution to the most recent quarterly change.
- Over the year, the NICEI increased by 1.7% to Q1 2023. This was driven by positive contributions from the services sector (1.2 pps), the construction sector (0.5 pps) and the public sector (0.3 pps) and was partially offset by a negative contribution from the production sector (0.3 pps).
- In terms of pre-pandemic change, NI economic output has increased by 6.3%, with the growth largely driven by a positive contribution from the services sector (3.8 pps), which has had a strong recovery post pandemic. There were also positive contributions from the public sector (1.3 pps), production sector (0.6 pps) and the construction sector (0.5 pps).
- The 1.1% annualised increase in the NICEI (i.e. average of the four quarters to Quarter 1 2023 compared with the previous four quarters) was driven by increased activity in the Services sector (0.6 pps) and Public sector (0.5pps). The contributions from the Production and Construction sectors were negligible over this period.

ENTREPRENEURSHIP

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

BUSINESS GROWTH

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

- The percentage of businesses that reported they were trading in early July 2023 was 95%, with 86% fully trading and 9% partially trading (for example, trading with reduced hours or staff numbers). Meanwhile, 4% of businesses reported "temporarily paused trading" and 2% "permanently ceased trading" as their business's trading status.
- The proportion of trading businesses that reported that their turnover had decreased compared with the previous month was 24%, broadly stable with May 2023. The accommodation and food service activities industry had the largest proportion of businesses reporting a decrease in turnover, at 39%. Trading businesses within this industry commented they were being affected by the high inflation of food and drink prices and the higher level of Value Added Tax (VAT).
- The proportion of trading businesses that reported their turnover had increased in June 2023, compared with May 2023, was 15%. Most trading businesses in all sectors reported turnover had remained the same, broadly stable with May 2023.
- More than one in six (15%) trading businesses expect turnover to increase in August 2023 down from 19% of businesses that had these expectations for July 2023.
- In comparison, one in six (17%) trading businesses expect their turnover to decrease in August 2023, up from the 13% reported for July 2023. Most trading businesses, however, expect turnover to remain the same (54%), broadly stable with expectations for July 2023.
- The percentage of trading businesses that reported higher prices for goods or services bought in June 2023 compared with May 2023 was 32%, broadly stable with those that reported higher prices in May 2023 compared with April 2023.
- When asked in early July 2023, fewer than one in six (15%) trading businesses expected to raise the prices of goods or services they sell in August 2023, down from the 17% reported for July 2023. In comparison, 59% of businesses expect prices to stay the same in August 2023, this is broadly stable when comparing with expectations of July.
- The most reported reasons for why trading businesses are considering raising their prices in August 2023 were: energy prices (25%), down 2 percentage points from July 2023, labour costs (21%), up 1 percentage point from July 2023 and raw material prices (19%), down 3 percentage points from July 2023
- In contrast, 46% reported they are not considering raising prices, the highest percentage reported since the question was introduced. This percentage dropped from 40% in December 2022, to 33% in January 2023, but has seen a steady increase since January 2023.
- In early July 2023, 18% of businesses reported a decrease in domestic demand for goods and services in June 2023 compared with the previous calendar month, up from the 16% reported for both May and April 2023. There was a small fall in the proportion of businesses who reported increased domestic demand (down three percentage points from May 2023 to 8%).
- When asked in early July 2023, more than a quarter (26%) of businesses were either using a hybrid model of working or working from home in June 2023, broadly stable with May 2023. In contrast, 69% of businesses reported that their workforce was working from a designated workspace in June 2023.

BUSINESS REGULATION

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

Succeeding Globally

TRADE

[UK trade: May 2023] published by ONS

- The value of goods imports increased by £2.0 billion (4.2%) in May 2023 with a rise in imports from both EU and non-EU countries; after removing the effect of inflation, imports of goods increased by 5.9%.
- The value of goods exports decreased by £1.4 billion (4.4%) in May 2023 with a fall in exports to both EU and non-EU countries; after removing the effect of inflation, exports of goods fell by 3.2%.
- The rise in imports from the EU was because of an increase in imports of cars from Germany, likely linked to the easing of supply chain issues; imports from EU countries have been consistently greater than from non-EU countries since late 2022.
- The total trade in goods and services deficit narrowed by £5.9 billion to £18.2 billion in the three months to May 2023 compared with the three months to February 2023, resulting from a larger fall in imports and a rise in exports.
- The trade in goods deficit narrowed by £6.2 billion to £54.7 billion in the three months to May 2023, while the trade in services surplus narrowed slightly by £0.3 billion to £36.5 billion.

Overview of Northern Ireland Trade published by NISRA

- Total sales were estimated to be worth £77.1 billion, an increase of 13.6% (£9.2 billion), While sales within NI increased by £6.1 billion to £52.1 billion, up 13.2% over the year and sales to GB increased by 13.1% (£1.5 billion) to £12.8 billion.
- External sales (sales to all markets outside NI) increased by £3.2 billion (14.5%) to £24.9 billion, and accounted for almost a third (32.4%) of total sales while exports (sales outside the UK) also increased by £1.7 billion (16.0%) to £12.2 billion.
- Exports to IE increased by £968 million (23.0%) to £5.2 billion. Exports to the REU (excluding IE) increased by £374 million (16.8%) to £2.6 billion. Exports to the RoW increased by £336 million (8.3%) to £4.4 billion.

INWARD INVESTMENT

Business investment in the UK: January to March 2023 revised results published by ONS

- Business investment growth in Quarter 1 2023 has been revised upwards by 2.6 percentage points to 3.3%. The main contributor of this revision has been the effect of the "super-deduction" capital asset allowance.
- Business investment is 1.1% above its Quarter 4 (Oct to Dec) 2019 level, the quarter before the coronavirus (COVID-19) pandemic. Contributions to business investment growth have been revised upwards for buildings and structures, transport equipment, intellectual property products (IPP), and information and communication technology (ICT) equipment and other machinery and equipment.
- ICT equipment and other machinery and equipment has revised upwards rising by 3.2 percentage points to 20.8% in the revised estimate of Quarter 1 2023. This revision was driven primarily by later survey data. There was also additional evidence from respondents, reporting that they had increased investment to take advantage of the super-deduction temporary tax relief ahead of its closure.
- Transport was revised upwards by 2.0 percentage points to negative 7.2% in Quarter 1 2023; this revision was driven by later survey data, with the largest revision coming from air transport data. Transport levels remained high in Quarter 1 2023, despite the negative quarter-on-quarter growth and were 2.3% above levels in Quarter 1 2022. Transport investment can be particularly volatile because of the high value of some transport equipment.
- ICT equipment and other machinery equipment provided the largest contribution to business investment growth for Quarter 1 2023; it contributed 2.2 percentage points to headline business investment growth.
- Quarterly whole economy investment growth, technically known as gross fixed capital formation (GFCF) was revised up in Quarter 1 2023 to 2.4% from the provisional estimate by 1.1 percentage

points. The revisions to whole economy investment were driven by upwards revisions in buildings and structures and transfer costs, transport equipment, and information and communication technology (ICT) equipment and other machinery and equipment. This was offset by downwards revisions to intellectual property products (IPP), while dwellings remained broadly unchanged.

- Whole economy investment in the UK increased by 2.4% in Quarter 1 2023, the second largest of the G7 nations, surpassed only by Germany at 3.0%. GFCF in the UK in Quarter 1 2023, as a percentage of gross domestic product (GDP), is the lowest out of all G7 nations at 19.1%.

2023 UK Attractiveness Survey published by EY

- The UK recorded 929 Foreign Direct Investment (FDI) projects in 2022, down 6.4% from 993 in 2021 – France continued to lead Europe with Germany ranked third.
- Total FDI projects in Europe were up just 1.4% in 2022 – with the UK's share of the European inward investment market down to 15.6% from 16.9% in 2021.
- The UK performed well on project value, delivering the highest jobs total in Europe, more jobs per project than Germany or France, a strong R&D performance, and Europe's most 'new' projects.
- UK tech FDI projects were down 32.2% in 2022 – a key factor in the UK's overall project decline – but the UK still led Europe in the tech sector.
- All Northern regions, the East Midlands, the East of England and Wales saw Foreign Direct Investment (FDI) project numbers rise by 10% or more year-on-year in 2022.

  London recorded 299 FDI projects in 2022, down 24% from 394 in 2021, marking the capital's lowest number of projects in the last ten years – although London remained the UK's #1 location for FDI projects.

TOURISM

Overseas travel and tourism: December 2022 provisional results published by ONS

- Visits to the UK in December 2022 (3.0 million) decreased by 7% on the previous month (3.2 million). When compared with pre-coronavirus (COVID-19) pandemic levels, visits in December 2022 (3.0 million) were down 14% on December 2019 (3.4 million). Despite the number of visits falling, spending in the UK by overseas residents increased by 14% between November 2022 (£2.1 billion) and December 2022 (£2.4 billion).
- Although spending increased between November 2022 and December 2022, it was still below pre-pandemic levels. Overseas residents spent £2.7 billion in December 2019 compared with £2.4 billion in December 2022; a fall of 11%.
- For the first time since April 2022, there were more visits to see friends and relatives than for holidays. In December 2022, 1.2 million visits to the UK were made for visiting friends and family (41% of the total), 1.1 million (36%) visits were for holidays.
- The number of UK residents' visits abroad fell between November 2022 and December 2022. There were 4.4 million visits made in November and 4.0 million in December. When compared with pre-coronavirus (COVID-19) pandemic levels, visits abroad are still down. In December 2022, visits are down 21% on the 5.1 million made in December 2019.
- The amount of money spent by UK residents abroad was £3.4 billion in December 2022; the same as November 2022. However, unlike visits, this is a 9% increase from £3.1 billion in December 2019 (pre-coronavirus pandemic).

Economic Infrastructure

ENERGY

Energy Trends June 2023 published by the Department for Energy Security and Net Zero

- In the first quarter of 2023 total primary energy production was 27.3 million tonnes of oil equivalent, 8.0 per cent lower than in the first quarter of 2022. Total primary energy consumption for energy uses fell by 2.8 per cent. When adjusted to take account of weather differences, primary energy consumption fell by 2.4 per cent.

- Total final energy consumption (excluding non-energy use) was 1.6 per cent lower compared to the first quarter of 2022. Transport consumption rose by 8.7 per cent, but domestic consumption fell by 7.4 per cent, despite slightly colder weather than a year earlier.
- Industrial consumption fell by 6.8 per cent, and other final users (mainly from the service sector) consumption fell by 2.4 per cent. On a seasonally and temperature adjusted basis, final energy consumption fell by 1.9 per cent, with a rise in transport, but falls in all other sectors which continues the recent run of lower consumption figures that have accompanied increased energy and other costs.
- Net import dependency was 43.6 per cent in the first quarter of 2023, up 5.0 percentage points on the same quarter of 2022, with imports at the highest level since the fourth quarter of 2019.
- In the first quarter of 2023, demand for coal by electricity generators fell to 468 thousand tonnes, 51 per cent lower than in Quarter 1 2022. Overall coal production for the first quarter of 2023 fell to 95 thousand tonnes, down 52 per cent on the first quarter of 2022. Surface mining production fell to 69 thousand tonnes with a further surface mine closure.
- In Quarter 1 2023, coal imports fell to 1.3 million tonnes, 18 per cent down on last year and far below a decade ago when coal imports in Quarter 1 2012 totalled 10.4 million tonnes. Net imports accounted for 78 per cent of total coal supply in Quarter 1 2023. The largest provider was the USA (46 per cent). This was followed by Australia (28 per cent) and the European Union (9 per cent).
- Indigenous production of primary oils fell 12 per cent in Quarter 1 2023 compared to Quarter 1 2022. Production volumes decreased following extensive maintenance in the Summer of 2022 and have not fully recovered, though they have been relatively stable in recent quarters.
- The UK was a net importer of primary oils by 4.6 million tonnes despite imports remaining stable compared to the same period in 2022 because of a 15 per cent drop in exports that accompanied the drop in the UK's production.
- Production of petroleum products remained stable despite the increase in demand for petroleum products. Imports of petroleum products in Quarter 1 2023 increased by 23 per cent to meet the higher demand.
- Key transport fuels continue to recover from the pandemic with aviation fuel and petrol up by 40 and 7.1 per cent respectively. This increase in transport demand resulted in final consumption increasing by 5.3 per cent compared to Quarter 1 2022.
- In Quarter 1 2023, gas demand fell by 6.1 per cent compared with the same period last year, despite colder temperatures. This reflects lower consumption by households, industry and other final users that is likely to be driven by higher prices. Gas used for generation also fell, due to reduced electricity demand and strong output from renewable sources.
- Exports of gas remained substantial and were up 41 per cent compared to Quarter 1 2022, as the UK continued to support the European move away from Russian gas. Export volumes were facilitated by low demand with total imports stable on the same period last year. Imports were broadly stable on last year, with an increase in imports of Liquified Natural Gas (LNG) offsetting the decrease of gas from Norway.
- Quarter 1 of 2023 saw lower electricity demand and generation compared to Quarter 1 2022. Supply and demand both decreased by 4.5 per cent. In line with this lower demand, generation decreased by 7.4 per cent with a substantial increase in net imports (up 44 per cent) accounting for the difference. Total imports rose to a record 9.0 TWh, with a record 2.3 TWh from Norway across the North Sea Interconnector.
- Demand decreased substantially for domestic and industrial users in Quarter 1 2023, with a small increase for other final users. Domestic (household) consumption of electricity decreased 9.7 per cent, with higher prices reducing consumption despite colder temperatures. Industrial consumption decreased 7.0 per cent but consumption by other final users (including commercial users) increased by 0.3 per cent.
- Renewable's share of total electricity generation reached a record 47.8 per cent in Quarter 1 2023, 1 percentage point higher than the previous record set in Quarter 1 2020, and 2.4 per cent higher than the same period last year.
- Renewable installed capacity increased by 5.1 per cent in Quarter 1 2023, mostly in offshore wind and solar PV. Despite new capacity, renewable generation fell by 2.5 per cent with the effects of additional capacity being offset to some extent by less favourable weather conditions for solar PV and also for wind where wind speeds were below the 20-year mean average.

- New capacity continues to be dominated by offshore wind and solar PV which saw an additional 1.2 GW and 0.9 GW respectively. Over the last 12 months, their shares of total new capacity are 45 per cent and 34 per cent respectively.

TELECOMS

Telecommunications Market Data Update Q4 2022 published by Ofcom

- UK fixed voice service revenues totalled £1.39bn in Q4 2022; a decrease of £28m (2.0%) from the previous quarter and £99m (6.6%) year-on-year. BT's share of these revenues was 49.1%.
- The number of fixed exchange lines (including PSTN, ISDN and managed VoIP connections) fell by 751k (2.5%) during the quarter to 29.8 million. This decline is due to the growing availability and take-up of standalone broadband services. Total fixed-originated call volumes decreased by 176 million minutes (2.2%) during the quarter, to 7.6 billion minutes.
- There were 28.0 million fixed broadband lines at the end of Q4 2022, an increase of 185k (0.7%) year-on-year. There were 19.7 million 'other inc. FTTx' broadband connections (predominantly fibre-to-the cabinet and full fibre connections) at the end of Q4 2022, accounting for 70.5% of all lines. The number of ADSL lines fell by 117k (4.0%) during the quarter, while the number of cable lines increased by 28k (0.5%) and the number of 'other inc. FTTx' lines increased by 175k (0.9%).
- Mobile telephony services generated £3.3bn in retail revenues in Q4 2022, a £161.1m (5.2%) increase from a year previously. Average monthly retail revenue per subscriber was £12.48 in Q4 2022, with post-pay subscribers generating more revenue than pre-pay users (averaging £15.01 compared to £5.28 for pre-pay). The number of active mobile subscriptions (excluding M2M) was 86.8 million at the end of Q4 2022, up 1.8 million (2.2%) from the year before. Over the same period, the number of dedicated mobile broadband subscriptions grew by 39k (0.7%) to 5.3 million.
- The number of mobile-originated voice call minutes decreased by 4.5 billion (9.6%) to 42.0 billion minutes year-on-year, with calls to landlines decreasing by 13.5% to 8.5 billion minutes. The number of mobile messages (including SMS and MMS) saw a year-on-year decline, down 1.7 billion messages (16.2%) to 8.8 billion.

AIR ACCESS

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

Government

NORTHERN IRELAND

Northern Ireland Composite Economic Index (NICEI) published by NISRA

- Economic activity in NI has increased over the quarter, annual, pre-pandemic and rolling annual average to Q1 2023. The largest positive contribution over the quarter came from the Services sector. Whereas previously, the Construction sector had provided the largest positive contribution to economic activity in NI in Q4 2022.
- There was a general upward trend in economic activity in Q1 2023 with NI, Scotland and the UK all recording increased output over the quarter, whilst Ireland's GDP decreased by 4.6%. NI recorded the strongest increase in output of the 4 nations over the quarter. All nations experienced increased output over the rolling annual average period. NI, Scotland and UK increased over the year whilst Ireland decreased by 0.3%.
- Output in NI, Scotland and the UK increased over the quarter, whereas Ireland's GDP decreased by 4.6%. All regions except Ireland experienced growth in output over the year, with all nations recording an increase over the rolling annual average period, however NI recorded the weakest annualised growth.
- The latest statistics show that in May 2023, the number of payrolled employees in NI was unchanged over the month and increased by 1.7% over the year. Median monthly pay in NI decreased by 0.2% over the month to £2,054 in May 2023 and increased by 5.5% over the year.

- Over the month to May 2023, the NI claimant count decreased by 1.4% to 36,200. In May 2023, 3.7% of the NI workforce were recorded on the claimant count. The May 2023 claimant count remains 21.1% higher than the pre-pandemic count in March 2020. The NI unemployment rate for February-April 2023 was unchanged over the quarter and decreased over the year to 2.4%
- The latest figures for consumer price inflation show the Consumer Prices Index including owner occupiers' housing costs (CPIH8) rose by 7.9% in the 12 months to May 2023, up from 7.8% in April. The Consumer Prices Index (CPI) also produced by the ONS rose by 8.7% in the 12 months to May 2023, unchanged from April.
- Rising prices for air travel, recreational and cultural goods and services, and second-hand cars resulted in the largest upward contributions to the monthly change in both the CPIH and CPI annual rates. Falling prices for motor fuel led to the largest downward contribution to the monthly change in CPIH and CPI annual rates, while prices for food and non-alcoholic beverages rose in May 2023 but by less than in May 2022, also leading to an easing in the annual rates.

ENGLAND

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

SCOTLAND

Monthly economic brief: June 2023 published by the Office of the Chief Economic Adviser

- Scottish economic activity recovered from the fall in the second half of 2022, with latest data indicating that economic output remains more resilient than initially forecast. Although the ongoing tightness in the labour market coupled with stronger services sector growth are contributing to a greater degree of persistence in underlying inflationary pressures.
- The Scottish economy grew 0.2% over the three months to April, with growth slowing from the first quarter and output falling over March and April. Weaker growth in the production sector has been a key driver over this period while there has been stronger growth in construction and the service sector. Consumer facing services output grew 1.1% over the three months to April, continuing its recent pattern of growth in the face of ongoing inflationary pressures.
- Inflation is on a downward trend from its recent peak; however the latest data indicates a greater breadth and persistence of inflationary pressures than expected in recent months. Inflation was unchanged over April and May at 8.7%, with the inflation rate for services strengthening and food price inflation remaining elevated at 18.3%. More broadly, core inflation rose to 7.1%, its highest rate since 1992.
- The resilience in economic activity since the start of the year has been underpinned by ongoing low unemployment in Scotland at 3.1%, while the gap between nominal earnings and prices growth has narrowed. That said, there remains significant pressure on household finances with some of the impacts of interest rate rises still to be felt. Furthermore, recruitment activity in the labour market has softened notably in recent months, in part reflecting the uncertain economic outlook, however it's too early to tell whether the recent rise in inactivity reflects a more persistent weakening in the labour market more broadly.
- The rise in core inflation and strength of earnings growth were key factors in the Bank of England's decision for an accelerated 0.5 percentage point increase in the Bank Rate to 5% in June. Strengthening consumer sentiment in May further points to the underlying resilience in consumer demand, however latest PMI business survey data indicates a slight easing in business activity growth, emphasising the ongoing complexity of reducing inflationary pressures amid subdued growth. The fall in producer input price inflation to 0.5% in May should further reduce pressure as it feeds through.
- Looking ahead, the Scottish Fiscal Commission forecast the Scottish economy to grow 0.2% in 2023, revised up from their previous forecast, but remaining subdued overall. The recent easing in output growth is consistent with this forecast, which is at best a low growth environment. However, the risk of more persistent inflation and interest rate rises creates a more uncertain and fragile outlook for growth.

WALES

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

REPUBLIC OF IRELAND (ROI)

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

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