In practically every economy, bar perhaps the likes of China, consumer spending is the dominant factor in driving economic growth. In recent years, the pandemic and lockdown restrictions turned consumer spending habits on their head. When it wasn't possible to spend money on certain things such as holidays and hospitality, we doubled down on our online spending on garden furniture, home entertainment, fitness products and all manner of other things. Indeed, we saw a dramatic change in spending habits in a matter of weeks that under normal circumstances would have happened over many years.

If back at the start of 2020, you knew what was coming, you would have been investing in areas like telemedicine, digital transformation, streaming services, online fitness, and online shopping. In your portfolio, you would have had the likes of Zoom, Peloton, Teledoc, and Netflix. In some respects, things are now going full circle, and the impact on many large businesses is significant. Some of these brands have now seen their share price fall by 80 or

90 percent as a result of the ending of restrictions and the return to more normality. Zoom fatigue led people to migrate back to more face-to-face meetings. By late April, even Netflix shares were down almost half from their late 2021 peak. Though this one is perhaps even more to do with current pressures on consumer spending than it is to do with pandemic related changes.

As lockdown's eased, we saw consumers open up their wallets to spend money that they hadn't been able to spend during the pandemic. As a results, until recently, consumer spending had been very strong. Indeed, leading economists such as Duncan Weldon have been saying that 90 percent of the expected growth in the UK economy this year had been predicated on consumer spending as people depleted these lockdown savings. But the red warning lights are now on as energy prices and other cost increases are fueling a cost-of-living crisis. Indeed, the OBR has warned us that 2022 will see the biggest fall in household living standards since data began in 1956. As household fuel bills have risen, Netflix subscriptions have fallen. Meaning the heat is not just being turned down in households, there is also a chill in many firms' earnings forecasts.

There are also shivers running down the spines of businesspeople in other consumer sensitive sectors. In the hospitality sector for instance, they would have hoped for a full circle return to pre-pandemic demand. However, instead they are now facing with the twin pressures of their own business costs rising rapidly and their customers' ability to spend being hit as hard as it has been in many decades.

They will look on in envy at some sectors such as ICT and pharmaceuticals which boomed through the pandemic and there has been little sign of that abating – albeit that they are not without their challenges such as finding the skills to support their ongoing growth. At a local level, had you been picking stocks and companies to invest in at the start of the pandemic with the benefit of hindsight, you might have opted for the likes of Kainos shares, or a stake in firms such as Learning Pool, Totalmobile, Almac or Randox.

From a global perspective, many though have been looking closely at the Amazon share price. It used to be said that when the US economy sneezes, the rest of the world catches a cold. In the case of Amazon, it could be said that when consumers sneeze, Amazon catches the cold. In that respect, the Amazon share price is a bit of a bell weather regarding consumer spending and worth watching. Amazon reported its first loss in Q1 2022 since 2015. A return to pre-pandemic norms and soaring costs were the main drivers of this. This highlights that it's not just a cost-living-crisis at present but also a cost of doing business crisis.

The conflict in Ukraine and Russia has made a bad situation worse. The cost of living and the cost of doing business have already increased strongly and this is set to continue in the year ahead. At the time of writing, consumer confidence has already taken a hit. One UK survey reported that consumer sentiment had plunged in April to its second lowest reading in almost 50 years. Only July 2008, whenever global banks were teetering on the edge, was there a lower reading. In Northern Ireland, the Asda Regional Income Tracker saw an annual contraction in discretionary consumer income of 13.3% in Q1 2022. This was the largest contraction of any region, as was also the case in Q4 2021. Meanwhile, retailers' optimism has done a 180 degree turn between March and April according to the Ulster Bank NI PMI survey. In February, retailers had been anticipating strong sales in the year ahead but one month on, they now expect sales to fall.

Looking ahead, inflation is likely to hit around nine percent in early Autumn meaning that the cost-of-living crisis will intensify until then, and whilst inflation will peak at that stage, price rises will still remain strong. This means that the cost-of-living crisis will continue well into 2023. While consumers can cancel their Netflix subscriptions and turn down the heating to help cope with price rises, there is little they can do about rising food prices, such is the scale of the crisis that is unfolding. Global food prices were already at record highs before the conflict in Ukraine. Now that the ‘breadbasket of Europe’ is a warzone, the disruption to food supply chains will have severe implications – not just rapid price rises, but also potential global hunger and social unrest. Disruption to the supply of cars and garden furniture is one thing; disruption to the supply of food is an entirely different matter. Appeasing this rising discontent will be the primary challenge of governments at home and abroad for the foreseeable future.

This article appeared in the Belfast Telegraph’s Top 100 magazine 2022.