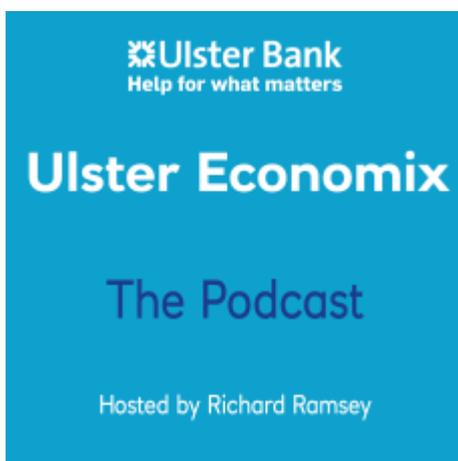


The podcast that keeps you up to date with what is happening economy-wise in Northern Ireland. Telling you what you need to know but not necessarily what you want to hear. It is better to be prepared for the economic environment we are operating in and not the world we would like to be in.



**Featuring Sam McIlveen, General Manager at NI Jobs (NIJobs.com)**

Throughout August we’ve heard lots of comparisons between today and 1976, given the heatwaves and drought that affected both years. 2022 has been the UK’s driest year since and the driest in Europe for 500 years. Europe’s rivers, such as the Rhine, have been drying up with the record drought in China causing similar problems there. The Southwest of China depends on hydroelectric dams for three-quarters of its electricity generation. Rolling blackouts and business closures due to lack of power have become the norm.

While we have been dealing with the impact of the warm weather, it is the cost of heat, light and food for households this winter that should be on all of our minds. We are after all currently experiencing the worst inflation since the late 1970s and the spectre of industrial action has also returned; albeit not on the scale of the 70s.

I've been working as an economist for the last 25 years - for those with long memories they will realise that this period has included the credit crunch / global financial crisis, housing crash, Eurozone debt crisis, Brexit, Covid and a war in mainland Europe - and today is the most concerned and worried I have ever been about the near-term economic outlook from the perspective of its potential impact on people.

For those who weren't worried about how households would fare this winter, the Bank of England's latest economic forecasts should have acted as a wake-up call. The Bank broke convention by proactively stating that the economy is going into recession. Normally the R word is only mentioned by the central bankers after it has happened. Indeed, the Governor said that the UK economy will experience five consecutive quarters of contraction and that inflation, currently at 10.1%, will exceed 13 percent. Household incomes are therefore set to experience the biggest fall in real terms since records began.

In terms of GDP, the Bank expects the UK to contract in 2023 and 2024, which if it comes to pass would mark the first two years that the UK has seen back-to-back economic falls since the 1960s. (My view is that a recession in Northern Ireland is now unavoidable, and we could see the NI economy contract by up to two percent next year; depending on what measures are introduced in an Emergency Budget).

Earlier this month Andrew Bailey also called out that future pricing for gas at the end of 2022 has increased to seven times what it was a year ago, pushing the expected average UK energy bill to over £4,400 per annum next Spring. If we saw these gas price increases in other items we would be paying around £40 for a pint of beer, over £25 for a coffee and over £100 quid for a packet of Marlboro lights.

Fast forward a few weeks and the Bank of England's forecasts look extremely optimistic with the expectation for the average UK energy bill to top £7,000 per annum. That would

mean energy bills alone would swallow up almost three-quarters of the state pension.

This highlights the scale of the crisis that is coming this winter.

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