It has been something of a blockbuster summer for cinemas, with the release of Barbenheimer (i.e. Barbie and Oppenheimer) coinciding with the wettest July on record to drive people to their local movie theatres. Something similar has been happening with Bingo halls; another area that had previously been so badly affected by the pandemic. But it hasn't been a blockbuster summer for the economy overall, with conditions in the private sector, like the weather, taking a turn for the worse. So what's going on?

Whether it's a perfect Barbie World economy or an Oppenheimer economy where demand is destroyed – or something in between – probably depends on who you're talking to. Indeed, in my experience, there has never been a bigger divergence between the experiences of sectors and businesses. There are sectors that are doing well but contain businesses that are struggling and sectors that are doing badly but have businesses that are prospering… and every shade in between.

The Covid-19 pandemic dropped a metaphorical atomic bomb on the economy, with lockdowns and social distancing wiping out demand for activities that depended on travel and close contact – everything from tourism, hospitality, and entertainment to tattoo parlours, beauty treatments, and cosmetic procedures. As always, in the most challenging of economic circumstances, there are always winners alongside the losers. The inability to spend money in restaurants or to go on holiday meant that pandemic savings mounted and went on things like home improvements, ranging from garden furniture to sofas and extensions, as well as gym equipment such as dumbbells. Though this splurge in demand led to a logjam in normally hyper-efficient global supply chains. Arguably, the Russian invasion of Ukraine dropped another bomb on supply chains, contributing to a mushroom cloud of inflationary pressures. Supply chains are now correcting but there are still a whole series of aftershocks happening from both the pandemic and Ukraine.

With consumer spending accounting for over two-thirds of an economy, how households are adapting to all of this is creating the varied and uneven economic picture referred to above.

A lot of the consumer behaviour seen during the pandemic has been reversed with the reopening of the economy. Households are now splurging on holidays, out-of-home entertainment (something else that has been contributing to the Barbenheimer success) and beauty treatments. Some are even combining their holidays with beauty treatments by heading off to get a new ‘Turkish smile’. Meanwhile, decorators, garden furniture providers and sofa retailers are feeling the effects of the huge post-pandemic downturn in spend in these areas. It’s therefore not surprising that DFS (who I hear might have a sale on at the minute) issued a profit warning last month due to the ‘adverse economic climate’. This adverse economic climate is both the reversal of pandemic spending patterns, but increasingly the cost-of-living crisis as well, which also has its roots in the pandemic of course. Demand for Pawnbrokers in the UK has also apparently hit a record high which is perhaps another barometer of where we are.

The latest Asda Income Tracker highlights the severe impact of the cost-of-living crisis on Northern Ireland households. What it shows is that household discretionary spending has been falling for almost two years. After all utility bills, mortgage/rent, tax, and food has been paid for, the average NI household has just £95 per week left over. This compares to £272 in London.

The intense squeeze on households on certain fronts is easing. Consumer Price Inflation has been falling with July's 6.8 percent representing the lowest annual inflation rate since Russian tanks rolled across the Ukrainian border in February 2022. Significantly, inflation has now fallen below the rate of wage growth. Recent figures show that average wages in Northern Ireland increased by 7.5% year-on-year. Inflationary pressures may be easing but the Bank of England, which has raised interest for 14 consecutive meetings, looks set to raise them at least one more time to a peak of 5.5%.

Casualties of the cost-of-living crisis to date have predominantly been the most vulnerable and those on the lowest incomes – however, almost everybody has felt it in some shape or form. But with interest rates rising so swiftly people have been talking about an upcoming mortgage timebomb that will impact those with the biggest mortgage most – i.e. higher income households. For those rolling off a fixed rate deal that was agreed in recent years, it could be said that they face a big shock over the next few years. You could have got a 2% fixed rate deal a couple of years ago. Today, you'd be looking at around 6%, three times the amount. That equates to a very large slice of disposable income each month. So we are now in a phase where middle-income households who own a house and have a mortgage are arguably facing the biggest squeeze being at the frontline of the fall-out from the mortgage timebomb. The fact that a number of recent studies show the percentage of affluent shoppers moving to cheaper options at supermarkets is perhaps not a surprise. The little-known Rolex Index (an indicator of second-hand Rolex prices) has been falling in the last three months, seen as a sign that the affluent are feeling the squeeze.

If you don’t have a mortgage, timebomb won’t affect you but in case you hadn’t noticed, the current and previous chancellors have been lobbing tax grenades and this will further erode everyone’s standard of living. And if the NI Secretary of State has his way, Northern Ireland’s unrealistic Barbie World scenario of no water charges and an assortment of devolutionary goodies not available elsewhere in the UK will also meet reality.

It could be said that in some respects we were previously in a perfect Barbie World economy, where food and energy prices were low, interest rates were low and government spending was plentiful in the form of pandemic support. For some, things continue to be a beach, despite the wide range of challenges, particularly if they don’t have a mortgage. But for others, including the increasing number of people forced to rely on foodbanks, they are most definitely not in Barbie’s dream house. If tensions in the Pacific relating to China and Taiwan increase further, all of the current uncertainties for consumers could be significantly exacerbated. That could drag everyone into an Oppenheimer economy.

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