

## Consumer Council - Written evidence (NIP0014)

### **Agri-food and the Protocol – Impacts for NI consumers**

The Consumer Council welcomes the opportunity to make a submission to the EU Environment sub-Committee on the work that they are doing on the Protocol and NI Agri-food. Whilst many of the questions asked by the Committee are more industry-focused there will be knock-on impacts depending on how the protocol is implemented which could affect consumers in Northern Ireland and we are keen to provide some context in this area.

The Northern Ireland economy and Northern Ireland consumers are unique and different to the rest of the UK. Whilst the UK as a whole is reliant on consumer spending, NI is more so, with research from UUEPC<sup>1</sup> (2015) estimating that NI consumer spending accounts for almost three quarters of overall GDP compared to 66% in the UK.

Northern Ireland consumers are however less agile and resilient to deal with price fluctuations than the average UK consumer with lower median weekly earnings of just under £535, around 9% lower than the UK average (£590). Research by ASDA<sup>2</sup> also shows that NI consumers have the lowest weekly household discretionary income of any UK region at £115 in Q1 2020 compared to £216 in the UK as a whole.

Research undertaken by The Consumer Council in conjunction with Cebr shows that in Northern Ireland, the average household spends £397 a week on essential items. Looking at households split according to their gross weekly income, the lowest 25% of earners in Northern Ireland spend £193 a week, while the highest 25% of earners spend £636 a week on average.

The average weekly discretionary income of the lowest 25% of earners in Northern Ireland is -£8.69 a week. These households must therefore take out loans or use overdrafts to pay for essential goods and services, any increase in food prices for these households will be devastating as it will push those households into further debt.

Statistics released by ONS<sup>3</sup> in March 2020 show that 13% of the average weekly household spend for Northern Ireland households is on food and non-alcoholic drinks compared to the UK average of 11%. Of this spend 28% relates to spend on meat (26% is the UK average).

Recent qualitative research carried out by the Consumer Council in the form of focus groups found that declining food standards was a concern for NI consumers alongside the prospect of rising food prices. Most participants considered EU standards of goods and services to be high, particularly in relation

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<sup>1</sup> [https://www.ulster.ac.uk/\\_data/assets/pdf\\_file/0018/181413/Scoping-report\\_Draft-final-report.pdf](https://www.ulster.ac.uk/_data/assets/pdf_file/0018/181413/Scoping-report_Draft-final-report.pdf)

<sup>2</sup> [https://corporate.asda.com/media-library/document/asda-income-tracker-april-2020\\_proxyDocument?id=00000172-a79d-d9d5-ad76-e7dd6b210000](https://corporate.asda.com/media-library/document/asda-income-tracker-april-2020_proxyDocument?id=00000172-a79d-d9d5-ad76-e7dd6b210000)

<sup>3</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familyspendingworkbook3expenditurebyregion>

to food and agricultural products. Many participants were hopeful that such high standards would continue after the end of the transition period.

The ongoing Covid19 pandemic has had a significant impact on the NI economy with consumer confidence<sup>4</sup> falling to 119 in Q1 2020, down from 129 in Q4 2019, significantly below the reading of 139 at the same time last year and the lowest reading since 2013. The survey was carried out during March and therefore only partly captures the impact of the lockdown measures on sentiment levels.

Danske Bank forecast that consumer spending<sup>5</sup> in 2020 will fall sharply by about 8% due to a combination of social distancing measures, more precautionary consumer behaviours and subdued confidence levels. In addition, lower incomes for those who have been furloughed (and are receiving 80% of their usual salary), or who have become unemployed will also depress spending.

Worryingly, in Northern Ireland 16% of households have no cash savings<sup>6</sup> compared to 13% in the UK as a whole, whilst 67% have no cash savings or savings under £5,000 compared to 57% in the UK as a whole.

Much of the research on financial resilience is from the period before the COVID 19 crisis. Therefore, it is likely that the financial position of many consumers/households will have worsened, particularly given the significant increase in Universal Credit claims 65,200 in May 2020, 7.0% of the workforce and up by 35,377 people (119%) since March 2020 alone. Given that the full effects of the pandemic are still unknown there is certain that these numbers will increase and more consumers in NI will be less financially resilient.

In relation to the work that the Committee is carrying out The Consumer Council would like to raise our concerns for consumers in Northern Ireland, It is fair to assume that if businesses experience additional costs as a result of any additional checks or controls on agri-food ingredients and products that they will seek to recover these by increasing prices for consumers. From the consumer landscape set out above The Consumer Council is very concerned that consumers in NI may in the first instance be negatively impacted as a result of higher prices and that those prices may be higher than those experienced by consumers in the rest of the UK.

We are very grateful for the opportunity to feed into piece of work and to represent NI consumers.

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<sup>4</sup> [https://danskebank.co.uk/-/media/danske-bank/uk/business/economic-analysis/consumer-confidence/reports/danske-bank-northern-ireland-consumer-confidence-index-2020-q1\\_final.pdf?rev=5dd5df3458e4448eb6cb19055c14d64f&hash=8B9E2FB83F9C0EEFDD9B76D77FE711B](https://danskebank.co.uk/-/media/danske-bank/uk/business/economic-analysis/consumer-confidence/reports/danske-bank-northern-ireland-consumer-confidence-index-2020-q1_final.pdf?rev=5dd5df3458e4448eb6cb19055c14d64f&hash=8B9E2FB83F9C0EEFDD9B76D77FE711B)

<sup>5</sup> <https://danskebank.co.uk/-/media/danske-bank/uk/business/economic-analysis/quarterly-sectoral/danske-bank-northern-ireland-quarterly-sectoral-forecasts-april-2020-final.pdf?rev=4f8dcebbf7684c87bfcfded0bf21396a&hash=417A65E6D3C38ECDED8620BCDADC7A82>

<sup>6</sup> FCA 2017 – Financial Lives Survey