National Institute of Economic and Social Research

Annual Research Report

2022

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Officers of the Institute

The National Institute of Economic and Social Research (NIESR) is an independent research institute, founded in 1938. The vision of our founders was to carry out research to improve understanding of the economic and social forces that affect people's lives, and the ways in which policy can bring about change. And this remains central to NIESR's ethos. We continue to apply our expertise in both quantitative and qualitative methods and our understanding of economic and social issues to current debates and to influence policy. The Institute is independent of all party political interests.

President
SIR PAUL TUCKER

Chair of Council
PROFESSOR NICHOLAS CRAFTS CBE

Kofi Adjepong-Boateng CBE

Alex Baker

Jenny Bates

Professor Phillip Brown
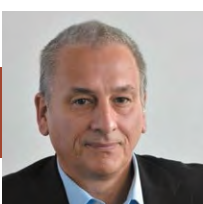
Director
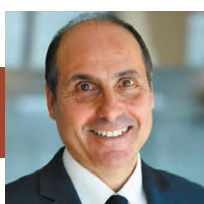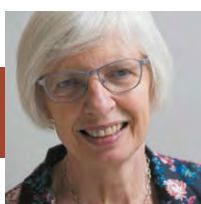Professor Jagjit S Chadha OBE

Neil Gaskell

Stephen King

Keith Mackrell

Neville Manuel

Peter C Oppenheimer

Professor Jill Rubery

Romesh Vaitilingam MBE

Our Vision

To understand the economic and social
issues that most affect people's lives
and to propose better policy responses.

Welcome from the Chair of Council

NIESR has a long and distinguished history of incisive commentary on current policy issues. At a profoundly difficult time in 2022, its insights based on high-quality independent research have been more valuable than ever. The Institute's modelling of the impact of higher energy and food prices proved especially valuable in helping government policy re-calibrate after Covid and for monetary policy to commence normalisation of Bank Rate.

The Annual Research Report records the output and impact generated by NIESR in the calendar year of 2022 and documents a major contribution to our knowledge in the past year. The Institute also continues to play a critical role in enhancing the UK's research capacity and many of our staff go on to important policy-related jobs in academe, government or central banking. The energy and expertise of the institute's research staff shine brightly in this account which is a great summary of their highly successful endeavours.

Professor Nicholas Crafts CBE
Chair of the Council of Management

Overview from the Director

The National Institute of Economic and Social Research entered its 85th year of continuous commentary in 2022 and I am delighted to report that we contributed so effectively to the domestic and international policy arena at a time of great stress.

Just as the world was emerging from the Covid cloud and re-engaging with normality, the Russian invasion of Ukraine changed many basic economic facts. Food and energy security became an important issue, once again, and many households felt a sharp material fall in their standards of living. Following so quickly after the slow puncture of Brexit and the vicissitudes of the pandemic, the new objective for economic policy was that of securing economic growth and an improvement in well-being. And this was certainly the objective of our fourth prime minster since our referendum on membership of the EU in 2016. The rapidity of that government's failure does not tell us so much about the error of the objective but more the incongruity of the methods adopted.

The collective memory of the Institute provides a bulwark against bad policy choices, which may be driven by either or both limited experience and short-term horizons. We will continue to build capacity for applied policy research and galvanise the resources of academe in the direction of improving understanding of complex forces.

In every sense, 2022 was a good year and I thank my colleagues for their dedication.

Professor Jagjit S. Chadha OBE
Director

Our Impact

186
mentions in parliamentary debates since 2010, 19 in 2022
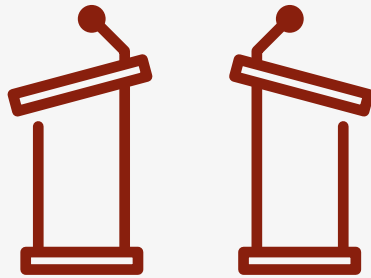
9,032
mentions in media

169
citations of NIESR research in Government publications since 2010, 4 in 2022

7.12%
average engagement on Twitter in 2022
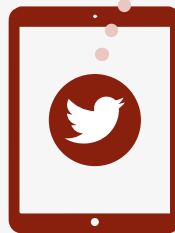
6.88%
average engagement on LinkedIn in 2022

53,596
Website visitors,

www.ni

7,472
PDF downloads

4 appearances before the Treasury Select Committee – 28/02, 14/03, 08/06, 12/10
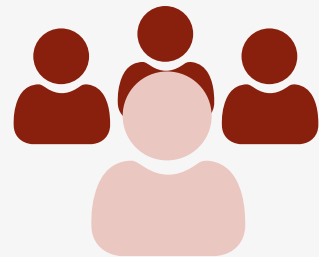
Media coverage of our analysis includes:

BBC PARLIAMENT

BBC WORLD SERVICE

BBC RADIO 4

BBC NEWS

sky news

The Daily Telegraph

itv NEWS

The Critic

FT FINANCIAL TIMES

THE TIMES THE SUNDAY TIMES

The Guardian The Observer

NEWSNIGHT

THE NEW STATESMAN

Bloomberg

INDEPENDENT

The Economist

Prospect

The New York Times

SPECTATOR

tes

Impact Case Study:

The Economic Impacts of Russia's Invasion of Ukraine

What we did

Russia's invasion of Ukraine on 24 February 2022 resulted in an immediate response from the United Kingdom, the European Union, the United States of America and other Western allies. While initially a humanitarian and geopolitical crisis, there were clearly also going to be implications for the global economy due to the war and sanctions.

By using its global econometric model (NiGEM), NIESR could quickly assess the likely impact and understand the range of potential scenarios. A policy report with these findings was released within the first week (2 March), and a webinar held on 3 March. A follow-up blog was published on 7 March.

What we found

Primarily, we estimated that the conflict in Ukraine could reduce the level of global GDP by 1 per cent by 2023 (approximately a US$1 trillion reduction) and add up to 3 percentage points to global inflation in 2022 and a further 2 percentage points in 2023.

We highlighted that Europe would be the region affected most, given trade links and reliance on Russian energy and food supplies, with higher public spending to support a massive inflow of asylum-seekers from Ukraine and to bolster military spending.

For Russia's economy, we estimated that inflation would soar above 20 per cent this year and, although the sanctions costs would be partly offset by higher prices for oil and gas exports, Russian GDP would be expected to contract by 1.5 per cent this year and more than 2.5 per cent by the end of 2023.

What happened next

Our policy report received widespread media coverage with a dedicated piece appearing on Bloomberg (and reposted by a multitude of foreign outlets) and the analysis mentioned in all the major broadsheet newspapers. Separately we were quoted in pieces by *The Financial Times*, *The New Statesman*, *The Independent* and *The Times*. The publication, and subsequent webinar, also prompted an invitation to give evidence before the Treasury Select Committee on this topic and drove wider engagement with specialist briefings to government departments. In April, we convened a special session for the Royal Economic Society annual conference, with the papers being subsequently published in *The World Economy*.

Impact Case Study:

The Mini-Budget of 23 September 2022

What we did

On 23 September 2022 the Chancellor of the Exchequer, Kwasi Kwarteng, delivered a 'mini-Budget' against the backdrop of a cost-of-living crisis driven particularly by fast-rising energy prices. Prior to the statement, the Office for Budget Responsibility (OBR) offered to produce a forecast to accompany the mini-Budget, but this was turned down by the government.

Ahead of the mini-Budget, NIESR was critical of the decision to bypass the OBR and other independent economic experts. We also released our recommendations for a Variable Price Cap for energy, which we argue would offer a more sustainable solution while also supporting those households most in need.

On the day of the mini-Budget, NIESR produced an independent assessment of the measures, publishing our analysis on its website and hosting an online event to share our findings. Follow-up analysis continued as the situation developed, with the fallout in currency and bond markets.

What we found

The analysis predicted that while there would be a short-term positive effect on GDP, the consequences of the measures announced would be broadly negative. Not only would the inflationary effects of the government interventions mean that the Bank of England would need to raise rates more aggressively than previously expected, but also the combination of extra spending, and tax cuts would increase public sector net borrowing to 8 per cent of GDP in 2022-23.

On energy bills, we questioned whether the chosen policy of universal support represented the best solution and anticipated that, as a consequence of the mini-Budget, overall disparities within the UK would deepen. Our assessment highlighted that, given the combined measures, the main beneficiaries were those households in the top income deciles rather than those who are most in need of support.

What happened next

Our analysis received significant and sustained media coverage with mentions across all major outlets, including *The Economist*, *The Financial Times*, *The Guardian*, *The Telegraph*, *The Times*, Reuters and Bloomberg. Internationally, we received coverage from Die Welt, Les Echos and The New York Times. Interviews were conducted with Sky News, BBC News, CNN and Times Radio, as well as across the BBC radio channels (including BBC Radio 4, BBC Radio 2 and regional outlets).

Our dedicated event, which took place in the afternoon of 23 September, had 184 registrations in less than a 24-hour period, and was watched by 166 people. A further 103 views of the video occurred in the first week. The document containing our analysis was published on our website and downloaded 410 times in the first week.

The analysis was further cited by the House of Commons Library, by the Chair of Petitions Committee - Catherine McKinnell MP - during a parliamentary debate, and on BBC Question Time by former Chancellor of the Exchequer Nadhim Zahawi MP. Additionally, on 12 October we were invited to provide evidence before the Treasury Select Committee and continued, over the following weeks, to provide commentary and analysis. On 17 November 2022, following a change of Prime Minister and Chancellor, the majority of the measures that had been announced were withdrawn in the Autumn Statement.

Summary
of Research
2022
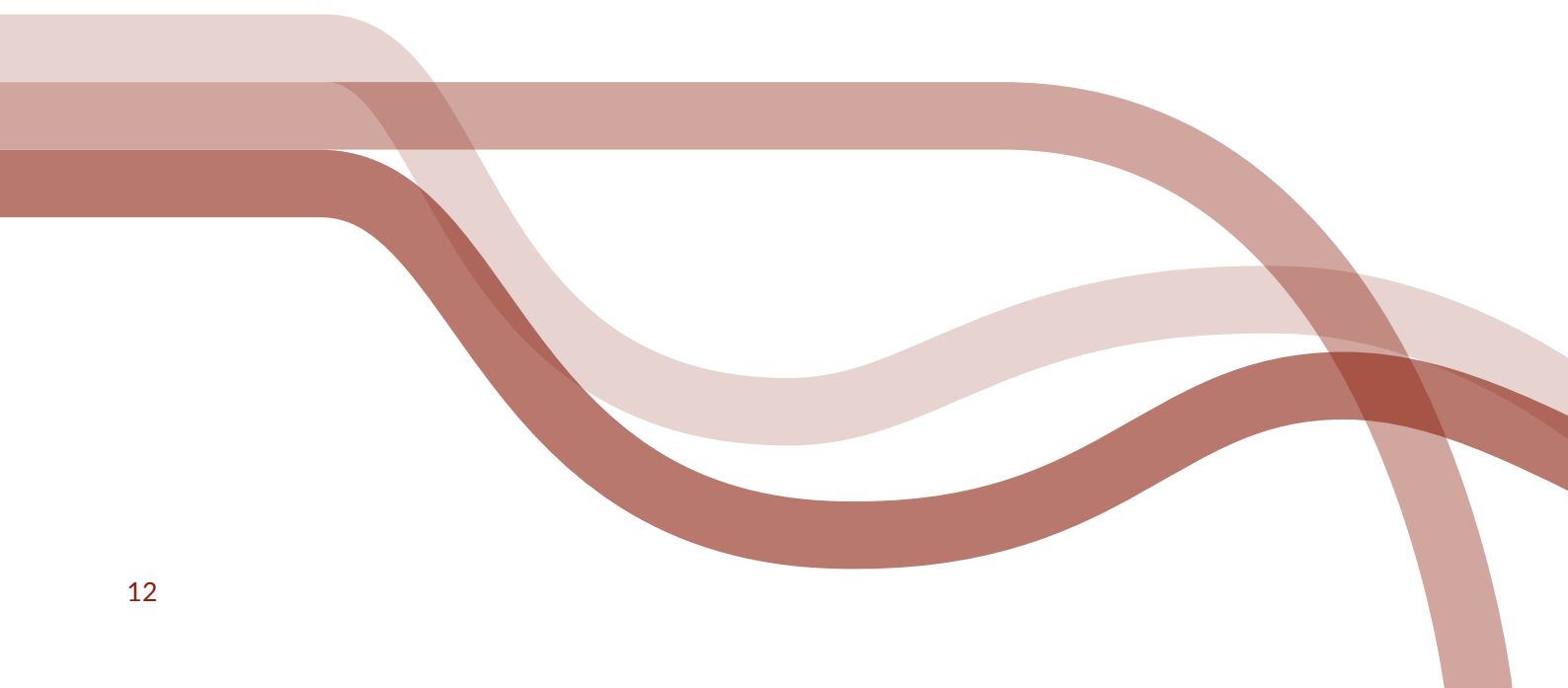
Destitution, Exclusion and Strategies for Well-being

There is widespread evidence that the fruits of economic growth have not been widely shared, and that the impact of recent events such as the Global Financial Crisis, Brexit and the Covid-19 pandemic has widened the gap between high- and low-income households.

This research theme brings together our work on poverty, inequality and strategies for well-being to provide a greater understanding of the economic and social policy drivers. Our quantitative research explores the evolution in the number of destitute households and where they are concentrated across the country. Our qualitative research offers insights into the experiences of those groups at risk of exclusion and assesses the effectiveness of government policies that are designed to improving living standards and well-being.

Our analysis in each of our quarterly issues of the *UK Economic Outlook* demonstrated the scale of the challenge facing the country. We showed that destitution rose from 1.2 million to over 1.5 million people, and we projected that without further targeted intervention, the number of destitute households could grow to between 1.8 million and 2 million by the end of 2024. From this analysis, and the evidence submitted to the Treasury Select Committee, the policy proposals we recommended for more targeted assistance were in part adopted by the government in May 2022 and the Autumn Statement on 17 November 2022.

Separately, we commenced an investigation into the benefits and costs of gambling, with a focus on the costs of gambling-related harm, and we also concluded a study of a range of barriers faced by women over 50 in the workplace in Scotland. This found that the need for flexible work can shape women's capacity not only to pursue promotions, but also to take up training or other additional responsibilities, especially where these are time- or travel-intensive.

Additionally, our investigations into a progressive consumption taxation revealed many benefits, such as an enhancement of lifetime consumption, an allowance for flexibility of work and an encouragement across all elements of society to save and accumulate wealth. This report was launched with the participation of leading academics and policymakers.

Main Theme Outputs

Research Reports and Working Papers

Bhattacharjee, A, Pabst, A, da Silva Marioni, L, Aitken, A, Lisauskaite, E. and van de Ven, J (2022), "Fairer Taxation? The Case For and Against More Progressive Consumption Taxes in the UK", https://www.niesr.ac.uk/wp-content/uploads/2022/10/NIESR-Fairer-Taxation.pdf

Mosley, M (2022) "Projecting the Effect of Peak Bank Rate on Mortgage Holders" https://www.niesr.ac.uk/publications/projecting-effect-peak-bank-rate-mortgage-holders

Fetzer, T (2022) "Beyond the Energy Price Guarantee. With or Without?" https://www.niesr.ac.uk/publications/beyond-energy-price-guarantee-with-without

Tcuente, G (2022) "Profits, Pandemics and Lockdown Effectiveness in Nursing Home Networks" https://www.niesr.ac.uk/publications/profits-pandemics-lockdown

Milne, A (2022) "The Energy Crisis: Manage Quantities and Avoid Burdening the Tax-Payer" https://www.niesr.ac.uk/publications/energy-crisis-manage-quantities

Bhattacharjee, A, Mosley, M & Pabst, A (2022) "A Variable Energy Price Cap to Help Solve the Cost-of-Living-Crisis" https://www.niesr.ac.uk/publications/variable-energy-price-cap-help-solve-cost-living-crisis

Education and Skills

This is a well-established and broad reaching programme of research into education, training and skills from Early Years provision via primary and secondary school education, through to further education, vocational training and university-level programmes. A key strand of our work includes evaluating interventions in schools and other education settings that aim to improve outcomes for children and young people.

We seek to enhance our understanding, and ultimately help improve, education and skills policy by evaluating the impact of policy options compared to a range of alternatives. By linking data from a variety of sources, including administrative and survey data, and using both quantitative and qualitative research methodologies, we ensure our work is based in a real-world context.

Through the award of a Nuffield Foundation research grant, we are conducting an in-depth study to examine the impact that the Covid-19 school closures and lockdowns will have on children's language development, social and emotional skills and ultimate educational outcomes. It combines qualitative and quantitative analysis, collecting data on children's development as well as teacher and parent perspectives on what the impact of the pandemic has been. This builds on an earlier study – ICICLES – whose preliminary findings showed that, as a group, most children were achieving the scores expected for children their age in a language and a socioemotional assessment. In contrast, results from interviews with teachers and headteachers indicated that schools saw a significant negative impact of the pandemic and school disruption on children's language and socioemotional skills. These findings were presented to the schools involved in the project in July 2022.

Additionally, we completed a number of evaluations of programmes. These include an evaluation of the tips by text programme, which found no statistically significant impact of the programme on children's socio-emotional outcomes although as an initiative it was well received by the parents involved, as well as an evaluation of a Careers and Enterprise Fund that adopted innovative approaches to careers guidance with young people from disadvantaged groups. This identified that the most widely reported positive outcome across all projects was increased confidence and self-esteem with young people who were encouraged to collaborate, share their views, and adopt discrete roles.

Our analysis of the Healthy Minds programme, developed and delivered by Bounce Forward, found no impact of the programme on academic attainment, as measured by Attainment 8 scores at the end of Key Stage 4. However, the evaluation found some evidence of lower levels of absence, especially among Year 7 pupils, in schools that had received the programme. A previous evaluation of the programme by the LSE had found positive impacts on some health-related outcomes. Taken together, the programme may therefore represent a promising approach for improving some health-related outcomes without adversely affecting academic achievement, despite potentially diverting time away from traditional lessons.

Main Theme Outputs

Research Reports and Working Papers

Anders, J., Foliano, F., Bursnall, M., Dorsett, R., Hudson, N., Runge, J. & Speckesser, S. (2022) The Effect of Embedding Formative Assessment on Pupil Attainment, Journal of Research on Educational Effectiveness

Stokes, L., Dawson, A., Williams, C., Alexander, K., Akehurst, G., Manzoni, C., Runge, J. & Xu, L. (2022) Evaluation Report: Tips by Text, EEF, NIESR and IES.

Stokes, L., Runge, J., Wilkinson, D., Rolfe, H., Rienzo, C., Buzzeo, J. & Bursnall, M. (2022) Evaluation Report: Healthy Minds, EEF, NIESR.

Young, G & Hantzsche, A (2022) "Financing Higher Education in England: The Fiscal Implications of Reform" https://www.niesr.ac.uk/publications/financing-higher-education-england-fiscal-implications-reform

Journal Articles

Bryson, A., Stokes, L., & Wilkinson, D. (2022, published online). Is Pupil Attainment Higher in Well-managed Schools?. Education Economics. https://doi.org/10.1080/09645292.2022.2042202

Labour, Employment and Wages

The world of work is undergoing a massive transformation, driven by technological innovation, globalisation, and demographic changes. The changing labour market is affecting the nature of work, types of jobs and contracting arrangements, with implications for how we address inequalities and social mobility. Covid-19 has hit some sectors and workers disproportionately, while also accelerating the take-up of remote working across the office-based and service sectors

In early 2022, the 2019 Employers' Pension Provision (EPP) survey report for the Department of Work and Pensions, conducted by NIESR together with Kantar Public was published The EPP survey series has been tracking pension provision among private sector employers since the mid-1990s, and has an important role in understanding how pension provision among private sector employers has been changing following the workplace pension reforms. The 2019 report maps the state of provision prior to the Covid-19 pandemic, finding that more than 60 per cent of private sector employers were offering a workplace pension scheme. Provision was almost universal among small, medium and large employers; non-providers were concentrated among micro employers (those with fewer than five employees).

Through our work as a partner in the Wage and Dynamics (WED) project, we have enriched the core Annual Survey of Hours and Earnings (ASHE) dataset, as well as linked it to the 2011 Census (ASHE- 2011 Census linked dataset). These datasets are now available for researchers to apply to use via the Office for National Statistics (ONS) Secure Research Service. Having found that employee jobs in larger firms are over-represented in ASHE, compared with the profile we would expect based on the Business Structure Database, we developed additional sets of weights that aim to reduce the non-response bias. This work on non-response was noted in the 2022 Low Pay Commission Report.

Additionally, our work in this area was presented at the annual research retreat of the Low Pay Commission, providing evidence on labour market dynamics and how the minimum wage and living wage rates should evolve in the face of the cost-of-living crisis.

Main Theme Outputs

Research Reports and Working Papers

Stockland, K., Rostron, J. & Runge, J. (2022) A qualitative investigation into the experiences of workers in the hospitality sector in Scotland, Fair Work Convention, Scottish Government.

Runge, J., Cathro, C., Stockland, K., Shaw, L. & Broughton, N. (2022): Improving media reporting of labour market statistics to the general public, NIESR/BIT, ONS.

Cathro, C., Runge, J., Whitwell-Mak, J., Stockland, K., Shaw, L., Broughton, N. & Rostron, J. (2022): Improving ONS communication of labour market statistics to the general public, NIESR/BIT, ONS.

Stockland, K., Runge, J. & Rostron, J. (2022) Exploration of the pay and career progression of women aged over 50 in Scotland, Fair Work Convention, Scottish Government.

Forth, J., Manzoni, C., Stokes, L., Grant, C., Bolling, K., Jouahri, S. , von Hinten, F. (2022) Employers' Pension Provision Survey 2019, Report to the Department for Work and Pensions: https://www.gov.uk/government/publications/employers-pension-provision-survey-2019

de Coulon, A., Marioni, L. D. S., & O'Mahony, M. (2022). "Transition Probabilities, Wages and Regional Human Capital Stock". ESCoE DP 2022-28, 24 Nov 2022. https://www.escoe.ac.uk/publications/transition-probabilities-wages-and-regional-human-capital-stocks/

Stokes, L, Forth, J., Ritchie, F., Singleton, C., Phan, V., Bryson, A., Whittard, D. and McKenzie, A. (2022), Weighting for employer non-response in ASHE, Methodology paper, Wage and Employment Dynamics project: http://www.wagedynamics.com/wp-content/uploads/2022/06/Note-on-ASHE-cross-sectional-weights-May2022-final2.pdf

Forth, J., Phan, V. and Stokes, L. (2022) Longitudinal attrition in ASHE, Methodology paper, Wage and Employment Dynamics project: http://www.wagedynamics.com/wp-content/uploads/2022/04/Longitudinal-attrition-in-ASHE-Version-1-13.04.22.pdf

Macro-Economic Modelling and Forecasting

To understand how the economy works, and where it might be going, you need to construct, solve and simulate macroeconomic models.

Using our National Institute Global Econometric Model (NiGEM), one of the most well-known and successful large-scale structural macroeconomic models in the world, we produce quarterly economic forecasts for both the UK and global economies. In doing so, throughout 2022 we have evaluated the impact of government policies – namely the Spring Budget, the September Mini-Budget and the Autumn Statement – as well as provided a monthly commentary and forecast on key economic indicators, such as GDP, CPI and wages.

Our analysis highlighted the combined effects that inflation and a tighter fiscal policy was likely to have on households as the cost-of-living crisis started to be felt. We calculated in May 2022 that, as a result of Russia's invasion in the Ukraine, global GDP would be over 1 per cent lower (approximately US$1.5 trillion) by the end of 2022. Domestically we predicted there would be a real income decline of 2.4 per cent in 2022 and called – successfully – for the Chancellor to provide additional support to households. In the autumn, we accurately predicted that there would not be a UK recession in 2022 and recommended that the Autumn Statement be used to introduce a variable price cap for energy bills. We have continued to call for this, alongside an increase in capital investment to support growth and the 'Levelling-Up' policy programme.

Additionally, by modelling the impact of the cuts to the UK aid budget, we concluded that there would be negligible direct savings for the UK, but the consequences would be significant in terms of both humanitarian and social costs for many poor countries.

Main Theme Outputs

Research Reports and Working Papers

Liadze, I, Macchiarelli, C, Mortimer-Lee, P & Sánchez Juanino, P (2022) "The Economic Costs of the Russia-Ukraine Conflict" https://www.niesr.ac.uk/publications/economic-costs-russia-ukraine-conflict

Holland, D & te Velde, D.W (2022) "The Macro-Economic Effects of UK Aid Returning to 0.7% of GNI" https://www.niesr.ac.uk/publications/macro-economic-effects-uk-aid-returning-0-07-gni

Bhattacharjee, A & Kohns, D (2022) "Nowcasting Growth using Google Trends Data: A Bayesian Structural Time Series Model" https://www.niesr.ac.uk/publications/nowcasting-growth-google-trends-data

Garratt, A, Petrella, I & Zhang, Y (2022) "Asymmetry and Interdependence when Evaluating U.S. Energy Information Administration Forecasts" https://www.niesr.ac.uk/publications/asymmetry-and-interdependence-when-evaluating-u-s-energy-information-agency-forecasts

Millard, S & Jackson, N (2022) "Financial Stocks and Flows in the Time of Covid-19" https://www.niesr.ac.uk/publications/financial-shocks-flows-time-covid

Bougheas, S, Commendatore, P, Gardini, L & Kubin, I (2022) "Financial Development, Cycles and Income Inequality in a Model with Good and Bad Projects" https://www.niesr.ac.uk/publications/financial-development-cycles-income-inequality-model-good-bad-projects

Macro-Economics of Climate Change

Climate change represents the major challenge facing the global economy in the coming decades. The aim of this research theme is to assess the effects of climate change and climate policy on the macro-economy.

One of the major challenges of thinking about the macroeconomics of climate change is the magnitude of risks and uncertainties. How will temperatures evolve, and how will the climate react? How will this affect productivity and growth? How will climate policies change? How will individuals and the economy as a whole respond to these policies? What about central banks? Will the transition be orderly or disorderly?

The bespoke climate model within NiGEM continues to be instrumental to this work, both as part of the Network for the Greening of the Financial System (NGFS), and in its wider role to offer insights into the macro-economic implications of these areas of uncertainty. Our work in helping to develop the NGFS climate scenarios enables an increasing number of public and private-sector players to carry out detailed analysis of the financial risks posed by climate change, as well as demonstrates how macroeconomic models can be used to assess the implications of various climate risks. As part of this work, in May 2022 we launched a report with the UN Environmental Programme on the economic impacts of climate change.

Separately, we commenced an investigation into the effects the move towards net zero would have on productivity within the United Kingdom. By assessing the behaviour of productivity and other macro-variables across each of the three separate time-horizons - the short run, the medium run, and the long run – the focus of this project is to produce some plausible paths for UK productivity over the next twenty years.

Main Theme Outputs

Research Reports and Working Papers

Arshad, M, Carlin, D, Holland, D, Hurst, I and Liadze, I (2022), "Economic impacts of climate change: Exploring short-term climate related shocks for financial actors with macroeconomic models" https://www.unepfi.org/themes/climate-change/economic-impacts-of-climate-change-exploring-short-term-climate-related-shocks-with-macroeconomic-models

Bhattacharjee, A, Aravena, C, Castillo, N, Ehrlich, M, Taou, N & Wagner, T (2022) "Agroforestry Programs in the Colombian Amazon: Selection, Treatment and Exposure Effects on Deforestation" https://www.niesr.ac.uk/publications/agroforestry-programs-colombian-amazon-selection-treatment-and-exposure-effects-deforestation

Doyle, P (2022) "Is Development the Price of 1.5°C and Net Zero for 2050?" https://www.niesr.ac.uk/publications/development-price-net-zero

Doyle, P (2022) "Global Warming Status Ante Redress: 2021 Outturn and Assessment" https://www.niesr.ac.uk/publications/global-warming-status-ante-redress-2021-outturn-and-assessment

Macroeconomic Policy

Monetary policy is the most flexible, and most frequently used official economic lever. There is hardly a corner of the economy monetary policy fails to reach, influencing growth, employment, inflation, mortgage costs, the exchange rate, and other financial markets. But monetary policy has faced unprecedented challenges since the Global Financial Crisis, with policy interest rates close to rock bottom for a decade. Central banks have innovated with new instruments, such as Quantitative Easing, and macroprudential policy tools have been both introduced and used.

In March 2022 we commemorated the silver anniversary of the independence of the Bank of England, and the formation of the Monetary Policy Committee (MPC), with a celebratory event at Gresham College. With an opening keynote speech from Ben Broadbent, Deputy Governor of the Bank of England, and contributions from both current and former members of the MPC, the discussion centred around a constructive examination of some of the emergent issues in the design of central bank practice and policy.

Separately, our investigation into consumption taxes found that a direct consumption tax could be implemented without a loss of tax revenue and in such a way as to reduce inequality if that is a desired policy outcome. We have also continued to work on what fiscal policy measures should be adopted in response to the cost-of-living crisis, arguing for a new fiscal framework that improves the welfare of UK households, rather than one which is designed to meet arbitrary fiscal targets.

Main Theme Outputs

Research Reports and Working Papers

Giraldo, I & Turner, P (2022) "The Dollar Debt of Companies in Latin America: the warning signs" https://www.niesr.ac.uk/blog/dollar-debt-companies-latin-america-warning-signs

Millard, S (2022) "Central Bank Communication: Never Excuse, Never Explain" https://www.niesr.ac.uk/publications/central-bank-communication

Chadha, J, Turner, P & Allen, W (2022) "From QE to QT: The Policy Framework" https://www.niesr.ac.uk/publications/qe-qt-policy-framework

Whyte, K & Yifei, C (2022) "Corporate Tax Shields and Capital Structure: Levelling the Playing Field in Debt vs Equity Finance" https://www.niesr.ac.uk/publications/corporate-tax-shields-and-capital-structure-levelling-playing-field-debt-vs-equity-finance

Allen, W (2022) "Models of Central Banking and the Organisation of the Bank of England" https://www.niesr.ac.uk/publications/models-central-banking-and-organisation-bank-england

Bougheas, S (2022) "Fire Sales and Ex Ante Valuation of Systemic Risk: A Financial Equilibrium Networks Approach" https://www.niesr.ac.uk/publications/fire-sales-ex-ante-valuation-systemic-risk

Political Economy

Focusing on ideas and institutions to support inclusive, sustainable growth and shared prosperity across the whole of the UK, this research area links new monetary, fiscal, and financial frameworks developed by the macroeconomic research team to the regions, sectors and households developed by the public policy team.

Using our regional, sectoral, and household-level models, we generate real-time data, analyse economic and social trends, and devise transformative policies. This includes regional regeneration and a more granular understanding of the Welsh, Scottish and Northern Irish economies, tackling particular policy problems such as gambling-related harms, how to measure price elasticities, and how to enhance the public understanding of economics.

Through two special issues of the *National Institute Economic Review* (NIER) our research explored the drivers and implications of populism and analysed the dynamics towards greater devolution in, or secession from, the United Kingdom. We concluded a research project into estimating food and drink elasticities which found that on luxury goods, such as alcohol, increases in price significantly reduce purchases and when income increases the demand increases disproportionally. Frozen confectionery, savoury home cooking and take-home savouries are highly sensitive to changes in prices. It concluded that, although stable pre-pandemic, recent supply chain shocks have led to unpredictable changes in consumer behaviour, and it is uncertain whether this stability will be sustained. These results are of high relevance for tax policy, and public health, as it enables policymakers to anticipate the likely impact of food price inflation on patterns of consumption and overall nutrition intake of UK consumers.

Our work on the public understanding of economics we found mis-perceptions and a lack of knowledge about economic statistics among the public, but they also have insightful and nuanced understandings, simply coming from a different and more personal perspective. In light of this, we developed alternative versions of the ONS labour market release that was designed to be easier-to-read which, when tested, improved comprehension, engagement and trust. We also recommended bringing economists and statisticians together with members of public, to listen to their perspectives and learn more about public perceptions. This provided insights to economists about how to explain economic concepts better in their area.

Main Theme Outputs

Research Reports and Working Papers

Da Silva Marioni, L, Rincon-Aznar, A, Aitken, A, Kapur, S, Smith R and Beckert, W (2022), Estimating Food and Drink Demand Elasticities, report for Defra, April, https://www.niesr.ac.uk/wp-content/uploads/2021/11/Estimating-Food-and-Drink-Demand-Elasticities.pdf

Pabst, A, 'Democratic Corporatism: Building a Pluralist Polity', American Affairs, Vol. VI, no. 1 (Spring), pp. 107–123.

Pabst, A, Beyond Binaries: Technocracy, Populism, and Public Policy', National Institute Economic Review, no. 259 (May), pp. 67–80, https://doi:10.1017/nie.2022.10

Allen, W., Ahlstrom-Vij, K, Rolfe, H. and Runge, J. (2023) Communicating Economic Evidence about Immigration Changes Attitudes and Policy Preferences, International Migration Review. https://journals.sagepub.com/doi/10.1177/01979183221142779

Runge, J., Cathro, C., Stockland, K., Shaw, L. and Broughton, N. (2022): Improving media reporting of labour market statistics to the general public, NIESR/BIT, ONS. https://www.escoe.ac.uk/publications/improving-public-understanding-of-economic-statistics-media-reporting-labour-market-statistics/

Cathro, C., Runge, J., Whitwell-Mak, J., Stockland, K., Shaw, L., Broughton, N. and Rostron, J. (2022): Improving ONS communication of labour market statistics to the general public, NIESR/BIT, ONS. https://www.escoe.ac.uk/publications/improving-public-understanding-of-economic-statistics-presenting-labour-market-statistics-to-the-public/

Productivity, Trade and Regional Economies

Why has UK productivity slowed down, both in absolute terms and relative to similarly advanced economies? What can be done about it? Where does trade fit into this picture and to what extent had Brexit affected productivity? How are the gains from economic growth distributed and why does this matter? How can the increasing regional disparities be addressed to prevent the widening gap between the different component parts of the United Kingdom?

Working with partners within the devolved nations, as well as with other major research centres including The Productivity Institute (TPI) and the Economic Statistics Centre of Excellence (ESCoE), we focus our research on improving the measurement of productivity, understanding the drivers of firm behaviour, and assessing how policy affects households at a regional level. We have constructed new measures of wellbeing from household-level data, showing that subjective wellbeing has seen a decline in the UK at least since 2015.

Through our Productivity Commission, established through TPI with funding from the Economic and Social Research Council (ESRC), we investigated the causes behind the United Kingdom's poor productivity and published a scoping paper on Macroeconomics and Productivity. Our findings in this area have been widely quoted across media, as well as in government publications such as the Levelling Up White Paper. We found that in the last ten to fifteen years, Scotland has slightly outperformed many regions in the United Kingdom in terms of labour productivity growth, partly due to a greater investment effort. However, we find that Scotland's underperformance relative to many European regions with similar levels of development is due to less innovation and worse Total Factor Productivity growth.

The work we completed on sectoral growth drivers for international countries highlights a pattern of structural shifts from manufacturing to services in many large economies, except in China and to a lesser extent in Germany. In the United Kingdom structural change reduces the overall rate of labour productivity growth by -0.2 percentage points per year. Manufacturing continues to be a key driver of national productivity growth in economies where manufacturing represents at least a fifth of value added, such as China, Korea, and Taiwan as well as Germany.

Main Theme Outputs

Research Reports and Working Papers

Mortimer-Lee, P & Pabst, A (eds) (2022) "Covid-19 and Productivity: Impact and Implications" https://www.niesr.ac.uk/publications/covid-19-and-productivity-impact-and-implications

Davis, E.P & Abdilahi, R.A (2022) "Econometric Analysis of the Determinants of Bank Profitability in Three Major African Counties" https://www.niesr.ac.uk/publications/econometric-analysis-determinants-bank-profitability-three-major-african-counties-kenya-nigeria-and-south-africa

McCann, P (2022) "The Fiscal Implications of Levelling Up & UK Governance Devolution" https://www.niesr.ac.uk/publications/fiscal-implications-levelling

Rincon-Aznar, A, Marioni, L, Venturini, F, Robinson, C (2022) Investigating the factors driving Scotland's productivity gap with international countries, NIESR Report for the Scottish Government

Publication of collaborative piece with the Policy Links Institute at the Institute for Manufacturing: "Understanding sectoral sources of aggregate productivity growth: A cross-country analysis", Cambridge Industrial Innovation Policy, University of Cambridge, 2002.

The Productivity Commission

Established with the objective of producing a set of policy proposals that address the significant shortfall in national economic underperformance, and the accompanying levels of regional fragmentation, in its first year the Commission held three evidence sessions.

The first assessed the scale of the problem internationally, nationally, regionally, and sectorally. It then moved on to understand better how far the United Kingdom is from the international best practice frontier and the third evidence session examined potential policy solutions. In total, it received over 20 pieces of written evidence and took oral evidence from 10 witnesses across the three sessions.

Over the course of these sessions numerous policies were suggested to improve the United Kingdom's poor productivity performance by tackling structural problems, which include overcentralisation, weak and ineffective institutions and policy churn, institutional and policy silos, as well as short-termism and poor policy coordination. There were also questions raised in the evidence concerning the precision of productivity statistics.

In June 2022, it published its first report to summarise the oral and written evidence from its first year. Based on some of the recommendations, and the evidence amassed, work on a second report began. This report focused on some of the policy recommendations and established the Commission's priorities for the second year.

THE
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NIER

The National Institute Economic Review

Across three special issues, during 2022 the *National Institute Economic Review* (NIER) examined two fundamental topics relating to the UK policy environment: "The Political Economy of Populism" and "The Political Economy of Devolution in, and Secession from, the United Kingdom".

Papers focused on exploring the drivers behind populist support, recommending that policy should target the people who live in places with particular high levels of economic and social deprivation. Besides investment in education and infrastructure, such communities require direct assistance such retraining and upskilling programmes, as well as the power and resources to create decent jobs, set up businesses and provide better public services.

Our issues on devolution and secession noted that devolution is often seen as the panacea for secession, but the more fundamental question is whether over-centralisation has been the main driving force for independence movements and whether devolving power and resources to national levels is sufficient, or whether devolution should extend to regions, localities and perhaps even communities and neighbourhoods.

Some highlights from 2022 include:
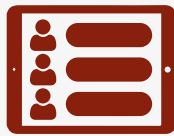
Contact Acquisition	Full text articles read	Page view on Cambridge Core
Increase 23.5%	**Increase 17.8%**	**Increase 62.6%**
Target 15%	54,658 Full text articles read in 2022	134,302 Page views on Cambridge Core

Conferences attended	Email Campaigns	Author Engagement
7	**Increase to OR rate: 34.80%**	**Increase 62%**
The Journal featured in promotions for 7 conferences	Target: email open rate (20%)	Target: Increase Core Share link clicks by 20%

	2020	2021	2022
CoreShare views	18	401	152
JSTOR	22,697	24,370	24,166
Cambridge	27,731	41,445	48,409
Cambridge (Engaged)	27,325	32,156	38,742
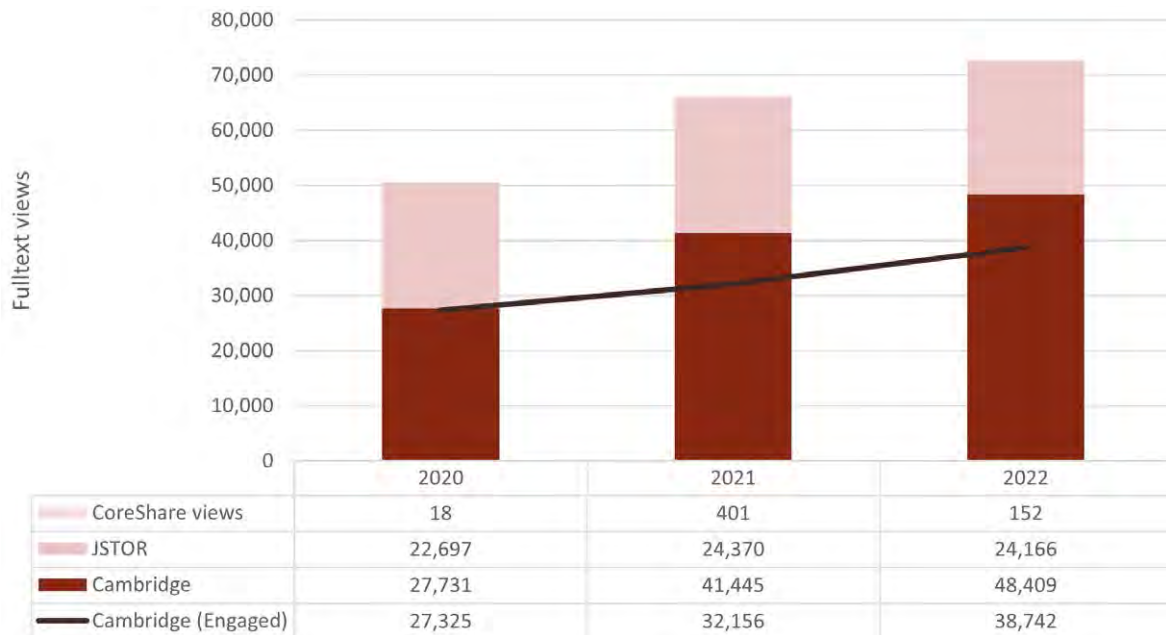
Our online usage has continued to grow, with over 54,658 full-text views. Additionally, our engaged users, that is, those who scroll past the first paragraph of the body-text, is also up by 20 per cent on the previous year to nearly 39,000.

We have also had representation at the following conferences:

- Allied Social Sciences Association 7-Jan-22 Boston, MA, USA

- Society for Benefit-Cost Analysis 17-Mar-22 Virtual

- Royal Economic Society Annual Conference 12-Apr-22 Virtual

- Scottish Economic Society Annual Conference 25-Apr-22 Glasgow, UK

- Economic Statistics Centre of Excellence Annual Conference 25-May-22 Glasgow, UK

- Euroframe Annual Conference 3-Jun-22 Helsinki, Finland

- European Association of Environmental and Resource Economists Annual Conference 28-Jun-22 Italy, Rimini, Italy

- European Economic Association 22-Aug-22 Milan, Italy

- Money, Macro and Finance Society Annual Conference 7-Sep-22 Canterbury, UK

- Annual 1st International Behavioural Public Policy 8-Sep-22 London, UK

- Kieler Konjunkturgespraeche 10-Oct-22 Berlin, Germany

- Financial Management Association 19-Oct-22 Atlanta, GA, USA

Our Wider Contribution

In addition to our work with the Productivity Commission, NIESR actively contributes as one of the key partners in the wider Productivity Institute. Represented on the Executive Team and contributing to research themes "Geography and Place"; "Institutions & Governance" and "Macroeconomic Trends & Policy", NIESR is leading on two research projects to explore the "productivity implications of the move to net zero" and an understanding of the patterns of investments across UK regions, particularly in relation to business response to the Covid-19 crisis and prospects for recovery.

With TPI assistance we have, this year, published two occasional papers that explore questions of productivity, as well as a working paper, outlining the key macroeconomic issues and questions. The latter highlights the need for a sustained research effort to understand the idiosyncrasies of productivity trends in the UK and possible ways to improve outcomes.

Followed the recommendations of the Independent Review of UK Economic Statistics by Professor Sir Charles Bean, ESCoE was founded in 2017 as the United Kingdom's first-ever dedicated academic centre of expertise for economic measurement. It is hosted by NIESR and was established with the support of the UK Office for National Statistics.

NIESR researchers have, since its inception, significantly contributed to its body of knowledge through the publication of papers, undertaking research projects and presenting their findings at conferences or through journal articles. In 2022, we completed eight projects for ESCoE across their main research themes of "communicating and valuing economic statistics"; "productivity and the modern economy"; "national accounts and beyond GDP" and "regional and labour market statistics". Our researchers actively participated in the annual conference at the University of Strathclyde and have separately published discussion papers through the ESCoE website.

University Partnerships

Supported by our university partners – the University of Glasgow and Cardiff University – and ESRI, we have undertaken to develop models of the Scottish, Welsh, and Northern Irish economies, which we can subsequently use in our research. Findings from these models have been published each quarter as part of our *UK Economic Outlook*. They have been presented locally as part of dedicated events with the universities, received media coverage both regionally and nationally, and enabled us to critically assess the impact of central government policies on the devolved nations.

Engagement with the Business Community

Our quarterly Business Conditions Forum continued to offer the wider business community a platform for discussing their experiences within the wider economy, and issues pertinent to our eventual forecasts.

Participants include business lobbying and membership organisations, financial services firms, other research institutes and think-tanks, government bodies and regulators. Discussions have mainly been focused around global inflationary pressures with a specific focus on the impacts of Russia's invasion of Ukraine, the UK labour market, regional regeneration, the housing market, and productivity.

The Economic Observatory

Designed to bridge the gap between academic research, government policy and the general public, NIESR is one of the founding organisations of the Economics Observatory and contributes through holding Lead Editor positions as well as a number of subject experts.

In 2022, we contributed 12 articles to the Observatory, each receiving an average of 3,191 page views, with the most popular topics being "prices and interest rates", "public spending and taxes" and "banks and financial markets". Additionally, articles were contributed on communicating, energy and climate, jobs and pay, transport and infrastructure and families and households.

Public Lectures

In honour of former prominent economists and senior members of staff, NIESR held five public lectures as part of its established series. Each one of them focused on a different area of research:

The Dow Lecture on Macroeconomic Policy was delivered by Professor Silvana Tenreyro and focused on the trade-offs monetary policymakers faced during the pandemic when judging how best to bring inflation back to target.

The Deane-Stone Lecture on Economic Measurement was delivered by Stian Westlake, with an entertaining and informative talk on the uses and abuses of economic statistics.

Two lectures were delivered as part of the **Anglo-German Lecture Series**, due to the previous year's being postponed because of the pandemic. Established to commemorate the work of the Anglo-German Foundation for the Study of Modern Industrial Society, we first heard from Professor Jutta Allmendinger on what constitutes a good job and how digitalisation, decarbonisation, demographic change and globalisation affects our jobs. Our second event in this series was delivered by Professor Volker Wieland, who spoke on what economic policy is needed, and how central banks can respond, to address the energy crisis and ongoing European inflation.

The Prais Lecture on Productivity focused on policies for inclusive growth, with Dame Rachel Griffith drawing on her own work and that of many other economists to discuss some of the ways that policy can support the creation of good jobs.

Royal Economic Society Annual Conference

Bringing together a number of high-profile economists, NIESR curated and chaired a special session at the Royal Economic Society's annual conference on the economic effects of the Russia-Ukraine conflict. Drawing on our previous research work, as well as externally commissioned pieces, this session explored whether Europe could live without Russian gas and the options for Europe's energy supply.

Royal Economic Society Annual Public Lecture

In June 2022, we were invited by the Royal Economic Society to deliver their prestigious annual public lecture on the subject of monetary policy and the role that governments and institutions such as central banks have within policymaking. This was delivered to audiences at both the University of Reading and the University of Glasgow, as well as saved online and shared through the Royal Economic Society website.

Fellows, Honorary Fellows and Visitors

Fellows

Kristoffer Ahlstrom-Vij
Facundo Albornoz
Richard Barwell
Harjoat Singh Bhamra
Arnab Bhattacharjee
Rhys Bidder
Claudine Bowyer-Crane
Alex Bryson
Carol Corrado
E Philip Davis
Richard Dorsett
Thiemo Fetzer
John Forth
Prasanna Gai
Ana Galvao
Anthony Garratt
Graham Hacche

Andrew Harvey
Dawn Holland
Sean Holly
Simon Kirby
John Kirkland
Kevin Lee
Miguel Leon-Ledesma
Sandra McNally
Giordano Mion
James Mitchell
Paul Mortimer-Lee
Abhinay Muthoo
Mary O'Mahony
Nick Oulton
Richard Pierse
Huw Pill
Rebecca Riley

Catherine Robinson
Yael Selfin
Richard J Smith
Ron Smith
Solomos Solomou
Stefan Speckesser
Guy Tchuente
Jonathan Temple
Konstantinos Theodorids
Ryland Thomas
Shaun Vahey
Bart Van Ark
Justin van de Ven
Tony Venables
Francesco Venturini
David Wilkinson

Honorary Fellows

Kate Barker
Ray Barrell
Charles Bean
Tim Besley
Andrew Britton
Willem Buiter

Terence Burns
Frances Cairncross
Diane Coyle
Roger Farmer
Charles Goodhart
DeAnne Julius

Steve Nickell
Lorna Unwin
Sushil Wadhwani
Martin Weale

Visitors

William Allen
Andrew Benito
Spiros Bougheas
Hector Calvo-Pardo
Luisa Corrado
Shouro Dasgupta
Peter Doyle
John Driffill

Renato Giacon
Iader Giraldo
Michael Grady
Bronwyn Hall
Michael Kumhof
David Miles
Alistair Milne
Richhild Moessner

Max Nathan
Elisa Newby
Brendan Rynne
James Sefton
Andrew Sentance
Philip Turner
Michela Vecchi
Bill Wells