

Rising Cost of Living

The rising cost of living is an ongoing issue but towards the end of 2021 and the beginning of 2022 it has received a much greater focus both politically and within the media. The Consumer Price Index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services which may include food, televisions, transport tickets and haircuts. The Office for National Statistics has revealed that the CPI grown by 5.5% in the 12 months to January 2022. An example of inflation could be if the price of a bottle of milk is £1 and it rises by 5p, then milk inflation is 5%.

There are several factors that have contributed to this increase for example the rising cost of energy that manufacturers are experiencing when creating their products which is then being pushed on to the consumer. The COVID-19 pandemic is also an important contributing factor as shutdowns across the world have led to companies struggling to keep up with demand and at times have faced shortages in materials such as plastic, timber and steel. Global shipping companies that are responsible for moving goods around the world have also seen a surge in demand which has meant retailers have had to pay more to get their products into stores and this additional cost has again been passed on to the customer. It is estimated that sending a single 40ft container from Asia to Europe cost around £1000 a year ago but this has now increased to a staggering £12,000.

The Bank of England are responsible for ensuring inflation is low and stable and a target of keeping it at 2% is issued to them by the Government. This figure is more likely to be around 7% by Spring 2022 but it is then expected to decrease during the remainder of this year and into 2023. If the rate of inflation is too high like it currently is or it is moving around a lot, it becomes hard for businesses to set the right prices and for people to plan their spending. The Bank of England has no control over energy prices and logistical issues that are causing inflation to increase but they do have options available to them to help reduce inflation and the main one is to increase interest rates. The idea behind increasing interest rates is that this makes borrowing more expensive and encourages people to save which reduces how much people are spending overall and will hopefully result in inflation staying down. The Bank of England has had to act more than once recently due to the situation we are faced with as they decided to raise the UK's most important interest rate (Bank Rate) from 0.1% to 0.25% in December 2021, and then again to 0.5% in February 2022.



Increase to energy bills from April 2022

Ofgem is the Office of Gas and Electricity Markets and is responsible for regulating and overseeing the companies that operate the UK's gas and electricity networks. On February 3rd they announced that the energy price cap will increase from April 1st for approximately 22 million customers.

- Those on default tariffs paying by direct debit will see an increase of £693 from £1,277 to £1,971 per year. More than 60% of households are on these standard tariffs – you'll be on one

if you've never switched, your fixed deal ended and you didn't switch again, or if your provider is no longer operating and you were moved across to a new supplier.

- Also announced was a £708/year increase to the cap for four million households on prepay tariffs – to £2,017/year for a typical household.

The price cap is in place to stop energy companies from making excessive profits, ensuring customers pay no more than a fair price for their energy and it is updated twice a year with wholesale energy and other costs closely monitored. The price cap was last updated in August and Ofgem have put the sharp increase down to a record rise in global gas prices over the last 6 months, with wholesale prices quadrupling in the last year.

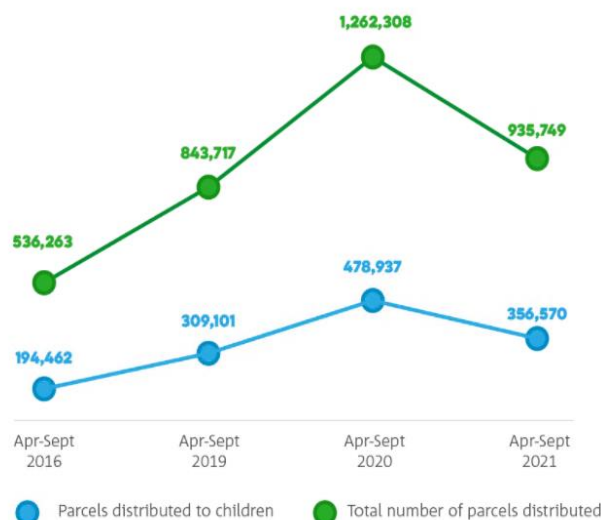
Following the announcement of the increase to the energy price cap the Chancellor of the Exchequer has announced several measures that will be introduced:

- An energy bills rebate will be introduced which will see all domestic electricity customers receive an upfront discount on their bills worth £200. The discount will then be automatically recovered from people's bills in equal £40 instalments over the next five years starting in 2023.
- A £150 non-repayable council tax rebate for all households that are liable for council tax in bands A to D in England. This is expected to benefit 80% of homes in England.
- Local authorities to receive £144 million of discretionary funding to support those who need help with energy bills but who are not eligible for the council tax rebate.

Cost of Living – Food Insecurity

With the cost of living increasing and the £20 per week Universal Credit uplift being cut many people are struggling to afford the food they need and are becoming increasingly reliant on services such as food banks. The Trussell Trust support a nationwide network of food banks and together they provide emergency food and support to people locked in poverty. They have reported that between 1 April 2021 and 30 September 21 food banks in the Trussell Trust's UK network distributed 5,100 emergency food parcels a day to people in crisis. This is an increase of 11% compared to the same period in 2019.

NUMBER OF EMERGENCY FOOD PARCELS DISTRIBUTED BY FOOD BANKS IN THE TRUSSELL TRUST NETWORK



The Food Foundation carried out a survey between 18th – 20th January 2022 that involved 4,186 UK adults. The figures that have been weighted and are representative of all UK adults 18+ show that food insecurity is a growing issue, compared with July 2021 the figure has risen from 7.3% of UK households to 8.8% (4.7 million adults) in the month leading up to the survey. It also highlighted that 3.6% (1 million) of adults reported that they or someone in their household have had to go a whole day without eating within the month prior to the survey because they couldn't afford or access food. There is also a significant rise in the number of households with children experiencing food insecurity. The figure is now 12.1% which is an increase from 11.0% in July 2021. This represents a total of 2 million children who live in households that do not have access to a healthy and affordable diet.

Some useful links for advice and guidance can be found below:

Information on receiving help from The Trussell Trust can be found at -

<https://www.trusselltrust.org/get-help/find-a-foodbank/>

Information on getting help with energy bills - <https://www.ofgem.gov.uk/information-consumers/energy-advice-households>

Budgeting and Debt help - <https://www.moneysavingexpert.com/budgeting-debt-help/>

NHS – Financial wellbeing support - <https://www.england.nhs.uk/supporting-our-nhs-people/>

Citizens Advice – Struggling with living costs - <https://www.citizensadvice.org.uk/>

Citizens Advice – Using a food bank - <https://www.citizensadvice.org.uk/benefits/help-if-on-a-low-income/using-a-food-bank/>

Citizens Advice – Debt and Money - <https://www.citizensadvice.org.uk/debt-and-money/>