

UK cost of living crisis worsens

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The cost-of-living crisis facing workers after two years of the COVID-19 pandemic and over a decade of crushing austerity will be made much worse by the war in Ukraine.

A Centre for Economics and Business Research report forecasts the biggest fall in living standards in nearly 70 years, with households suffering a £2,500 cut in spending power.

The economic consultancy stated, “We estimate that disposable incomes will fall in 2022 by 4.8% with a further fall of 1.4% in 2023. The forecast fall in living standards this year is an estimated £71bn—which amounts to £2,553 per household... the largest since records started in 1955.”

Sanctions against Russia are fuelling the surge in the cost of everyday items of food and fuel to their highest rate in 30 years. The UK is only dependent on Russia for a small percentage of its gas and oil imports, but the Brent crude benchmark international price for oil recently reached a high of \$139.13 per barrel before dropping back.

Natural gas prices have recently risen 10 to 15 times, meaning a therm of gas costing more than £6. According to a March 8 *BBC News* report, if the cost per therm averaged £3.20 up until June then households on dual domestic fuel supplies (gas and electric) would face annual bills of £3,000 (£250 a month) from October. One therm is equal to 100 cubic feet of natural gas.

A March 7 UK House of Commons briefing on the cost of living noted that in February the Bank of England forecast the Consumer Prices Index (CPI) measure of inflation to reach 7.25 percent in April before easing, but the Ukraine conflict will heighten and prolong inflationary trends. The briefing predicted CPI could reach 8.1 percent in the third quarter, with some economists predicting 10 percent. The CPI measure does not include housing costs whereas the

Retail Prices Index does. RPI was already at 7.8 percent in the year to January, up from 7.5 percent the month before.

A Resolution Foundation report published March 8 said the Ukraine conflict would push inflation to a 40-year high. It noted, “Inflation could peak at 8.3 percent this spring or even exceed the 8.4 percent rate in April 1991 that is the highest seen since 1982. Inflation across 2022-23 as a whole could be 7.6 percent—significantly above the 6.2 percent forecast by the Bank of England just last month.” It would mean households seeing a £1,000 a year fall in real terms income, the sharpest since the mid-1970s.

Resolution Foundation principal economist Adam Corlett explained, “Britain has stepped out of a global pandemic, and straight into a cost-of-living crisis. The tragic conflict in Ukraine is likely to further drive up the price of energy and other goods and worsen the squeeze on incomes... Inflation may even exceed the peak seen during the early 1990s, and household incomes are set for falls not seen outside of recessions.”

The Trussell Trust, the UK’s largest foodbank charity, has teamed up with the Post Office to raise cash. The Post Office has pledged to give 1 penny for each cash withdrawal to raise money for the Trust’s 1,300 foodbanks. The campaign notes that 14 million people are already living in poverty in the UK, of which 4.5 million are children.

Even prior to the Ukraine invasion, domestic energy prices were already set to surge in April as the price cap on charges by energy utility companies goes up by £693 with a further increase in the autumn. Conservative government Chancellor Rishi Sunak has announced a lump sum payable to council taxpayers of just £200 to partially cover the surging cost of energy this year. But this is in the form of a loan which must be paid back over five years.

Housing costs are rising, with rents up by an average

2 percent in 2021, the fastest rate in the last five years. According to the *Big Issue* homeless charity magazine, private renting is now unaffordable for the poorest, with only two areas remaining in England where the cost of rent amounts to less than 30 percent of incomes.

Council tax, payable by all households, is likely to increase in around 2 thirds of local authorities with many increasing it by 2.99 percent. This is the maximum increase local authorities can impose without holding a referendum.

More pain faces homeowners with a standard variable rate mortgage, who are expected to pay an average £15 a month more from April.

Food prices are skyrocketing, with market analysts Kantar recording a food price inflation rate in February of 4.3 percent, its steepest in nearly nine years.

Last week, food poverty campaigner Jack Monroe gave evidence to a House of Commons Works and Pensions Select Committee. She said, “millions of children living in poverty in Britain today” whose families’ financial situation have become “increasingly untenable” over the past decade. “The impact of the cost-of-living crisis on those households is going to be, in some cases, fatal and that’s not a term that I use lightly.”

Monroe said of the choices financially strapped families now face: “And that’s not people deciding not to go to the theatre or not have legs of lamb or bottles of champagne; that is people deciding: ‘We won’t eat on Tuesday or Thursday this week’ or ‘we’ll turn the heating off’ or ‘we’ll skip meals’... In my experience of 10 years on the coalface of anti-poverty work, I can tell you that people are just eating less or skipping meals or having less nutritious food.”

Workers also face a 1.25 percent increase in national insurance rates in April (a 10 percent rise) meaning a worker on £30,000 paying an extra £251 a year.

The cost of running a car is becoming prohibitive. The *Independent* March 11 reported that average petrol prices were greater than £1.60 a litre and that in some London services stations had reached £2 a litre. Rail fares are to rise by 3.8 percent in March.

The *Sunday People* March 6 published, “Inside district on frontline of cost-of-living crisis where a third live in fuel poverty.” Its report was based on the parliamentary constituency of Hodge Hill near Birmingham. With a population of around 120,000 it is

classed as the worst affected area in the country for fuel poverty. Department of Business, Energy and Industrial Strategy figures for 2019 indicated 18 percent of West Midlands households experienced fuel poverty.

Keith Crawford, a volunteer at the Aston and Nechells foodbank, explained, “Week in, week out we are seeing broken people come through our doors. We see the whole cross-section of society... we have had starving people coming through the doors who we have had to offer a biscuit and a drink to.

“It’s never been this bad. We had so many people through the doors one day over Christmas that we gave out 300 meals and stayed open longer.

“One man who came in had to choose between eating and showering. How can people live in dignity and how can people go to job interviews in an area of already high unemployment when they can’t afford to shower? It becomes a vicious circle of poverty.”

An *Independent* article March 6 was headlined, “Cost of living crisis: Snapshot of how biggest squeeze in 60 years is set to batter millions of Britons.” Sarah Coles, a senior personal finance analyst at Hargreaves Lansdown, said she expects by April millions will become desperate. “Over time, we’ll see the impact spread increasingly to people who have tended to think of themselves as relatively comfortable, as they start to find it increasingly difficult to make ends meet.”

With the war in Ukraine just three weeks old, the UK has already sent hundreds of millions of pounds in military equipment to Kiev. UK defence spending is set to surge with Sunak’s expected to announce a substantial increase in his March 23 spring statement. Every single penny spent on the military will be clawed out of the backs of workers.



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