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@TheIFS

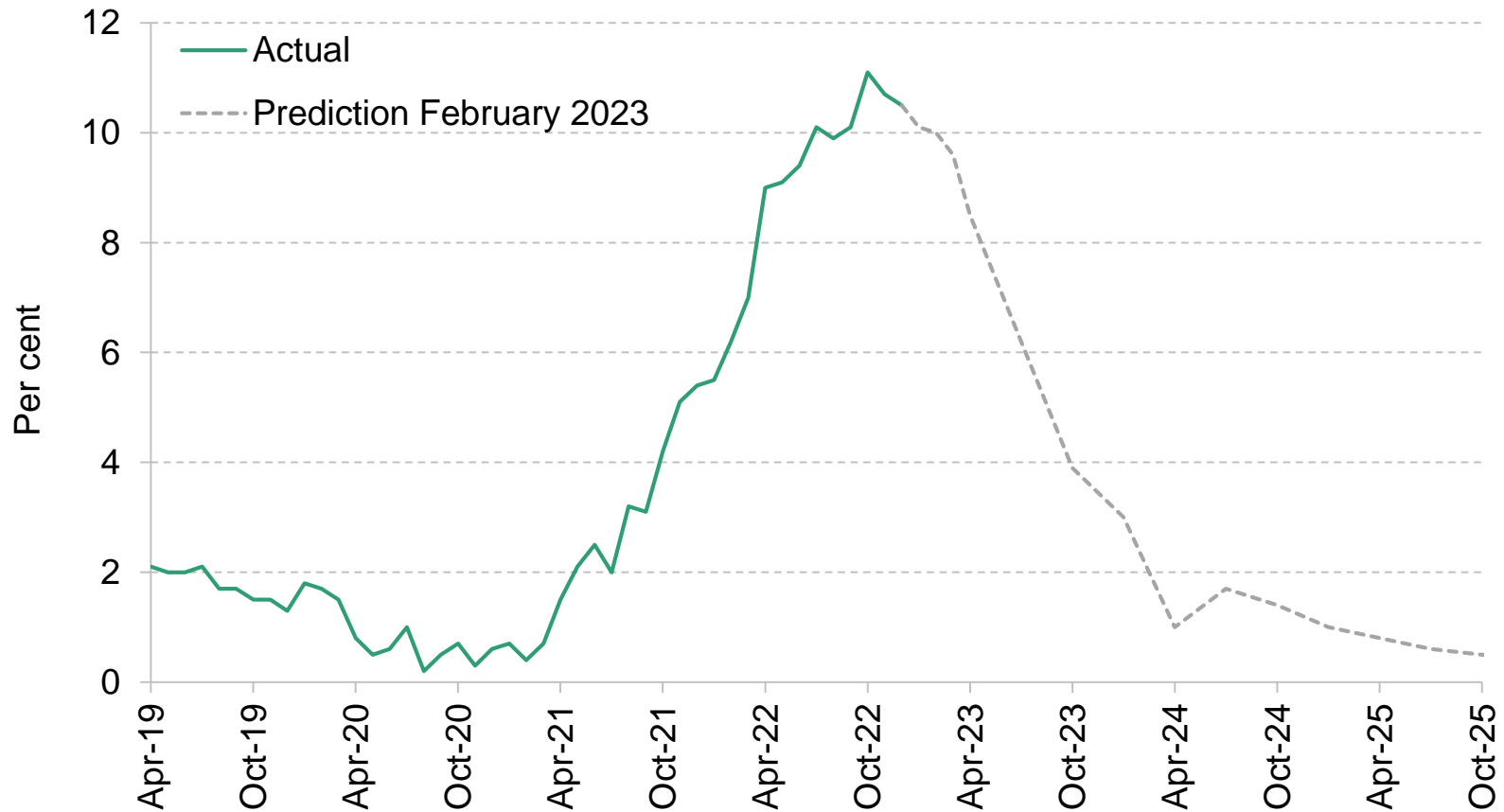
# The cost of living crisis



Economic  
and Social  
Research Council

# Inflation has been rising rapidly but likely to have peaked

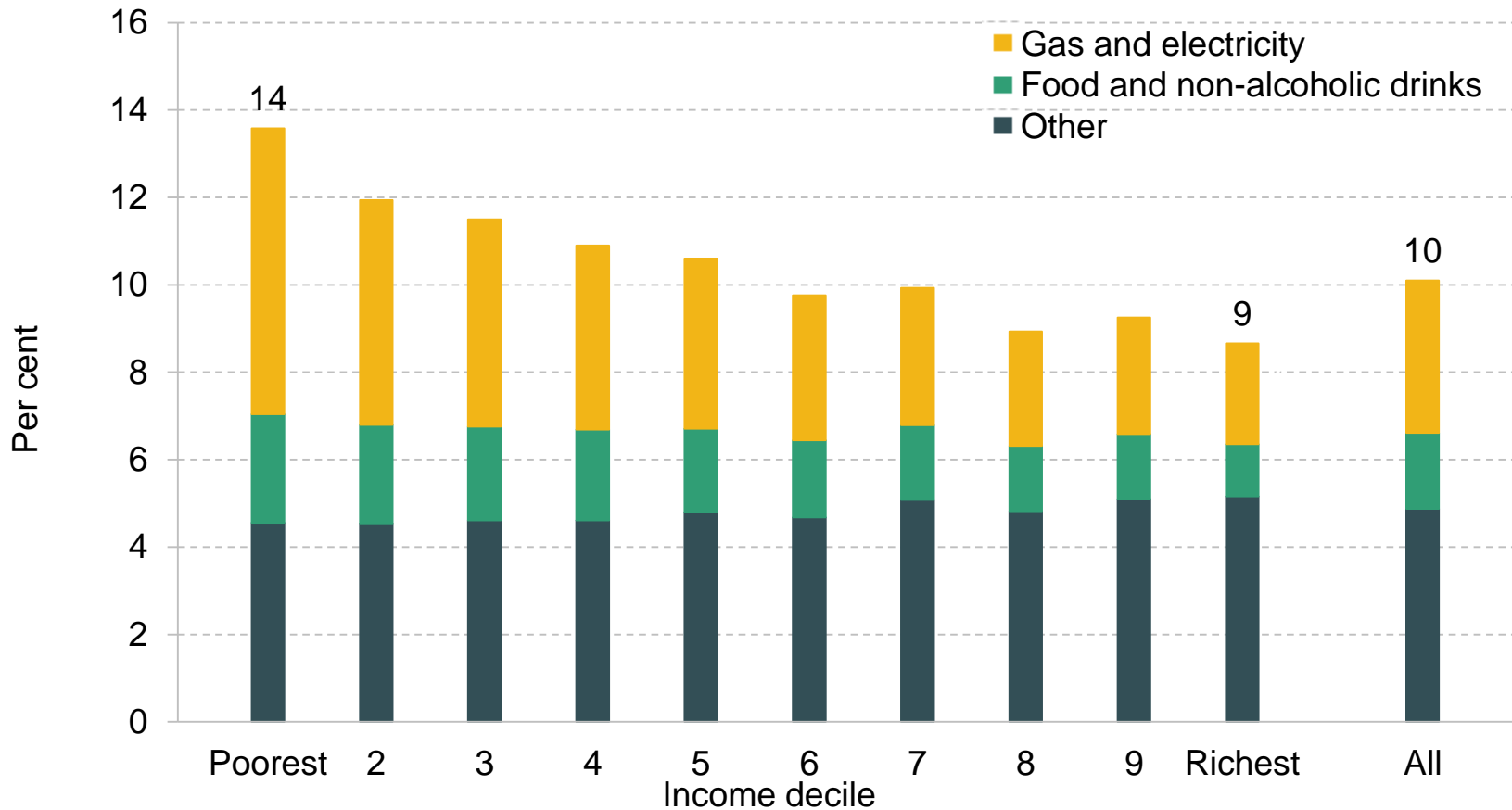
## CPI inflation over time



Source: Figure 1 from Cribb et al. (2023).

# Large differences in rates of inflation remain between groups

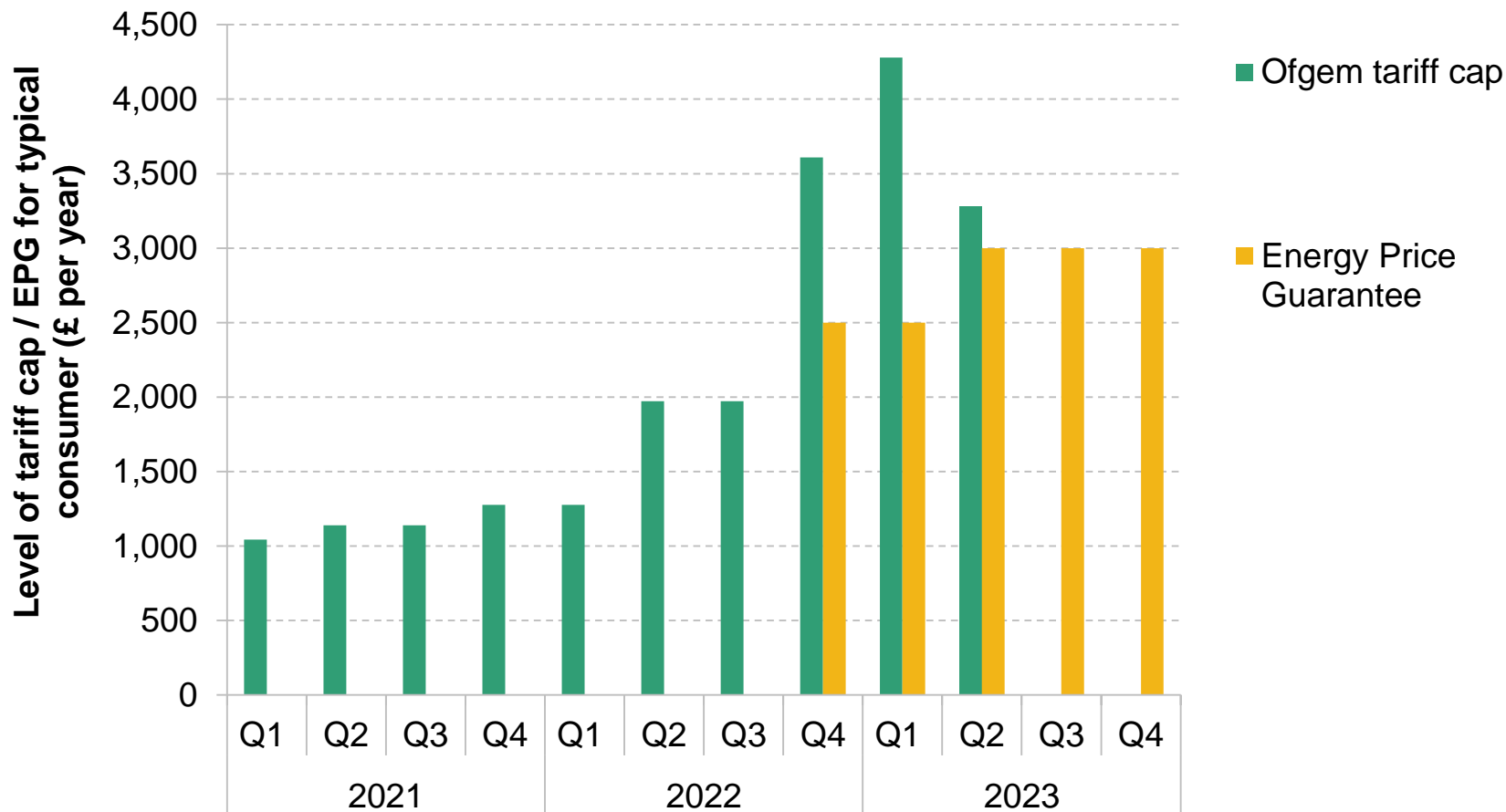
## Inflation by income decile, January 2023



Source: Figure 3 from Cribb et al. (2023).

# Energy prices have increased rapidly, even with support...

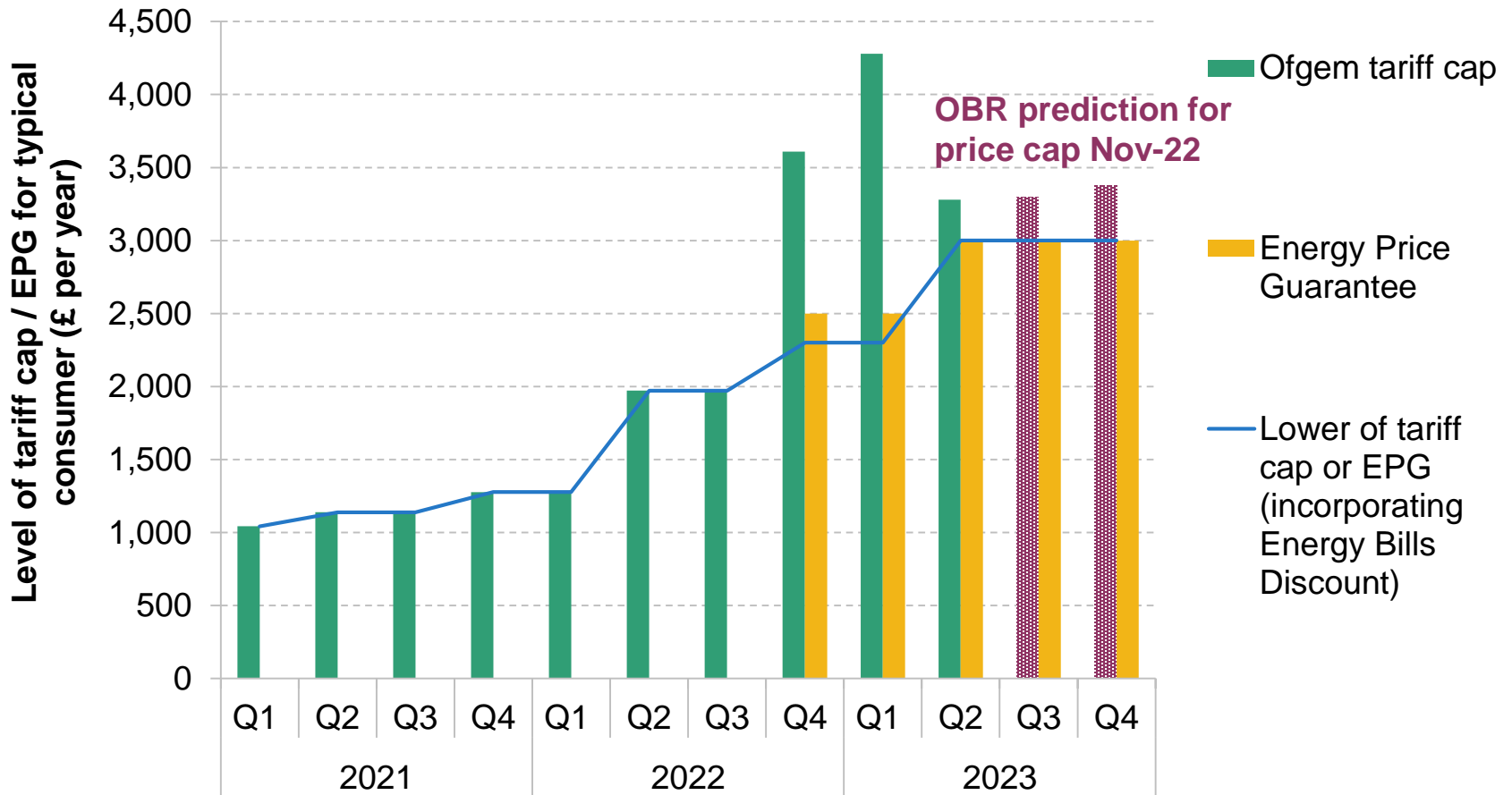
Level of tariff cap and EPG for a typical consumer, over time



Source: Updated from Figure 5 from Cribb et al. (2023).

# Energy prices have increased rapidly, even with support...

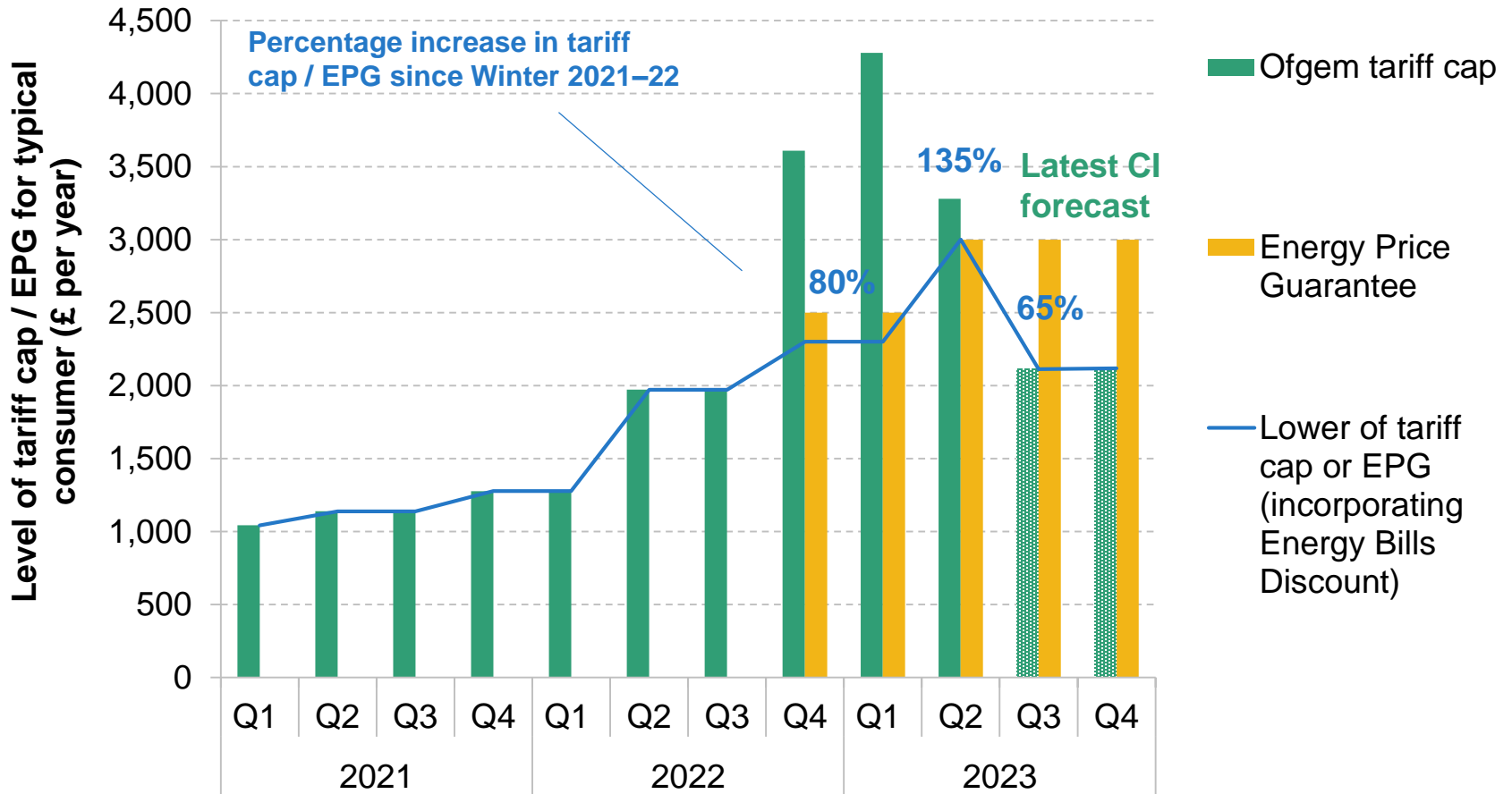
Level of tariff cap and EPG for a typical consumer, over time



Source: Updated from Figure 5 from Cribb et al. (2023).

# ... but are predicted to fall from current levels from Q3 2023

Level of tariff cap and EPG for a typical consumer, over time



Source: Updated from Figure 5 from Cribb et al. (2023). Cornwall Insight predictions from 27 February 2023.

# Accounting for seasonal usage, we are at around peak energy spend now

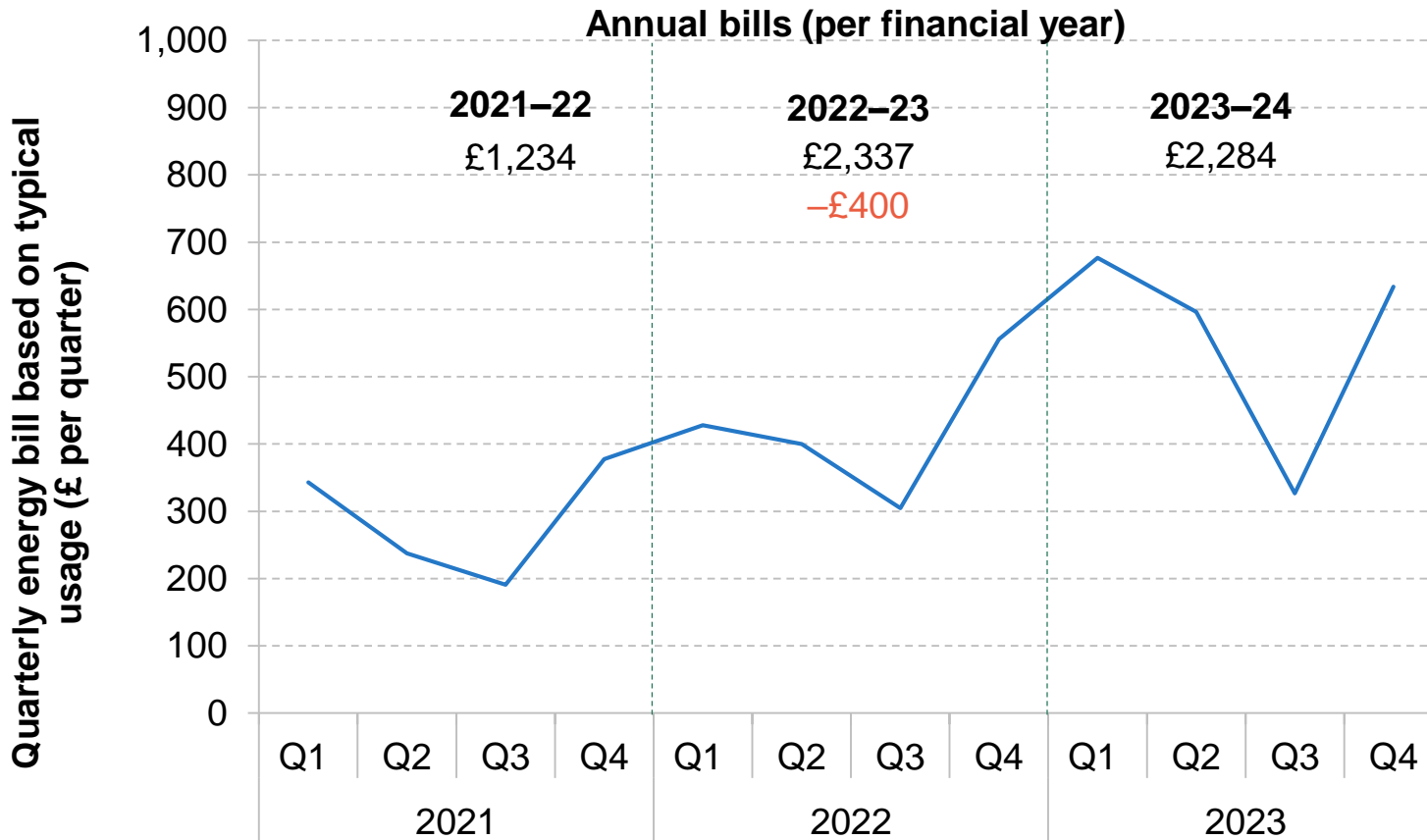
Quarterly energy bills based on typical usage, over time



Source: Updated and adapted from Figure 6 from Cribb et al. (2023).

# Annual bills still significantly higher in 2023–24 than this financial year

Quarterly energy bills based on typical usage, over time

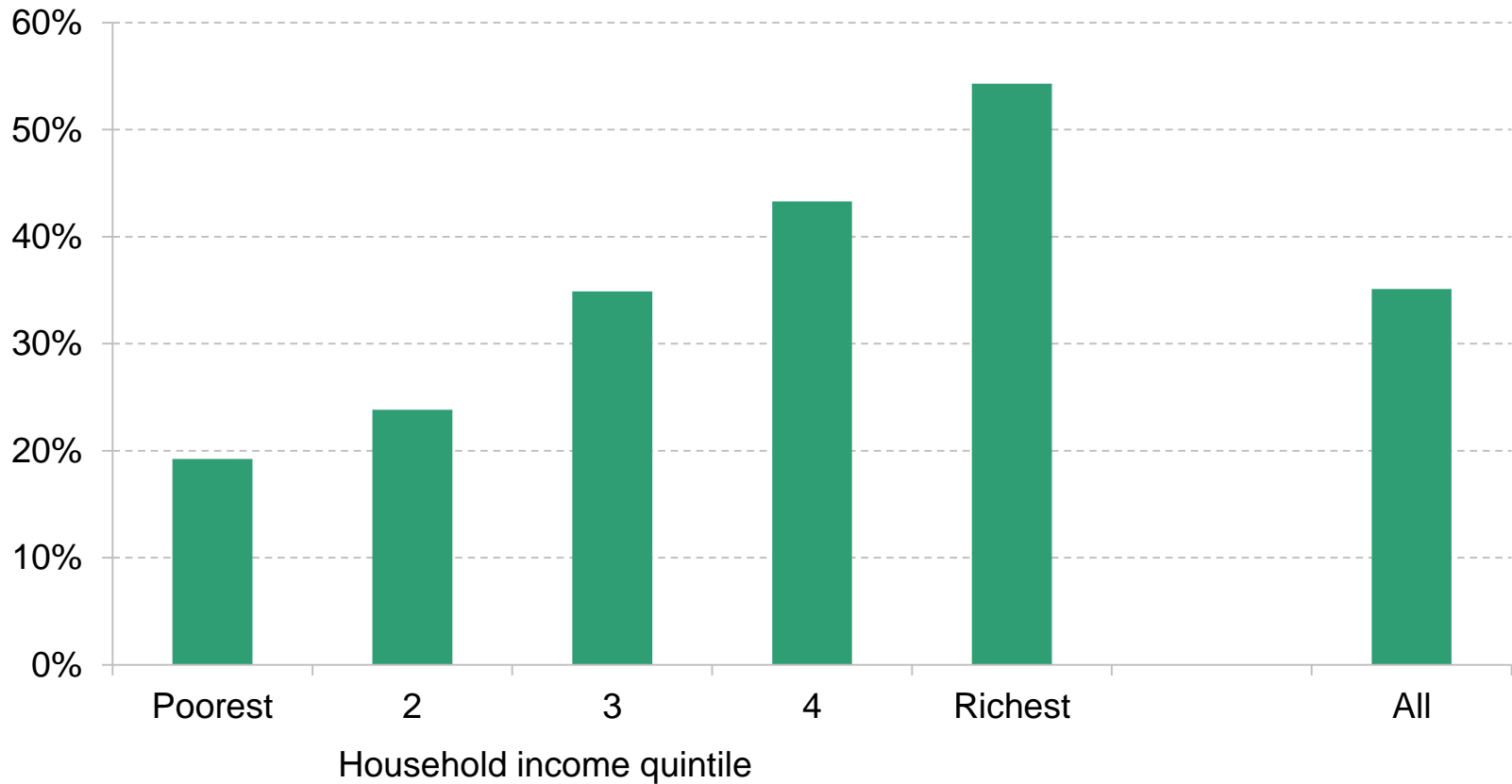


Source: Updated and adapted from Figure 6 from Cribb et al. (2023).



# Rising mortgage rates will affect better off households more

## Percentage of households with a mortgage



Source: Adapted from Figure 7 from Cribb et al. (2023).

# Some households will face large decreases in disposable incomes

- An increase of interest rates from 2% to 5.8% would on average reduce incomes after mortgage payments by:
  - 7.5% across all households with a mortgage
  - 10% across households aged under 45 with a mortgage
- This cost shock will be rolled out gradually due to prevalence of fixed-rate deals
  - But around 1.4 million households will come to the end of a fixed-rate deal during 2023

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