

Cost of living in Oxfordshire 2022

Presentation for Oxfordshire Community Foundation

Mark Fransham

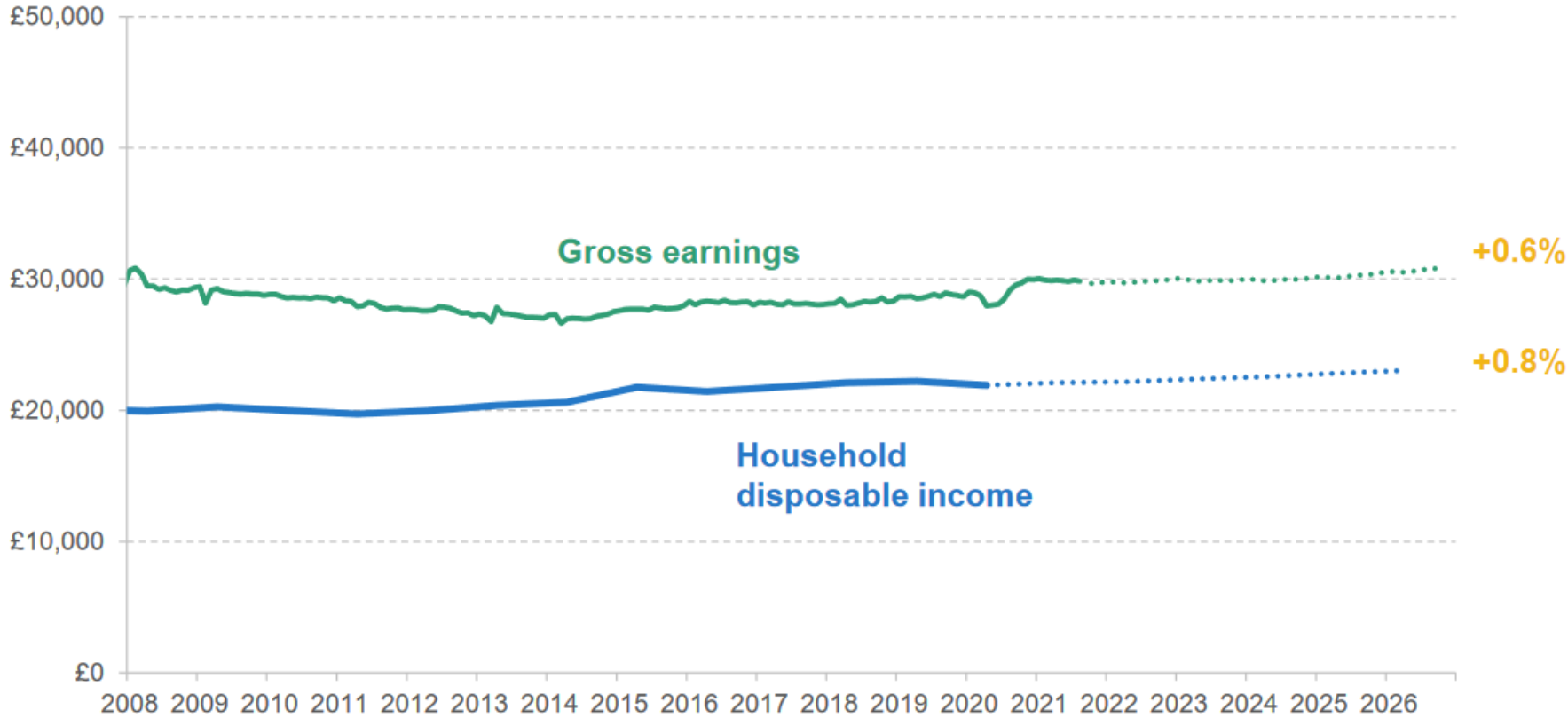
Department of Social Policy & Intervention

University of Oxford

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15 years of constant economic crisis

Average (mean) annual gross earnings and household disposable income, current prices



15 years of slow growth in living standards: credit crunch, austerity, Brexit, coronavirus, and now the cost of living crisis

Source: ONS AWE, ONS RHDI, OBR EFO

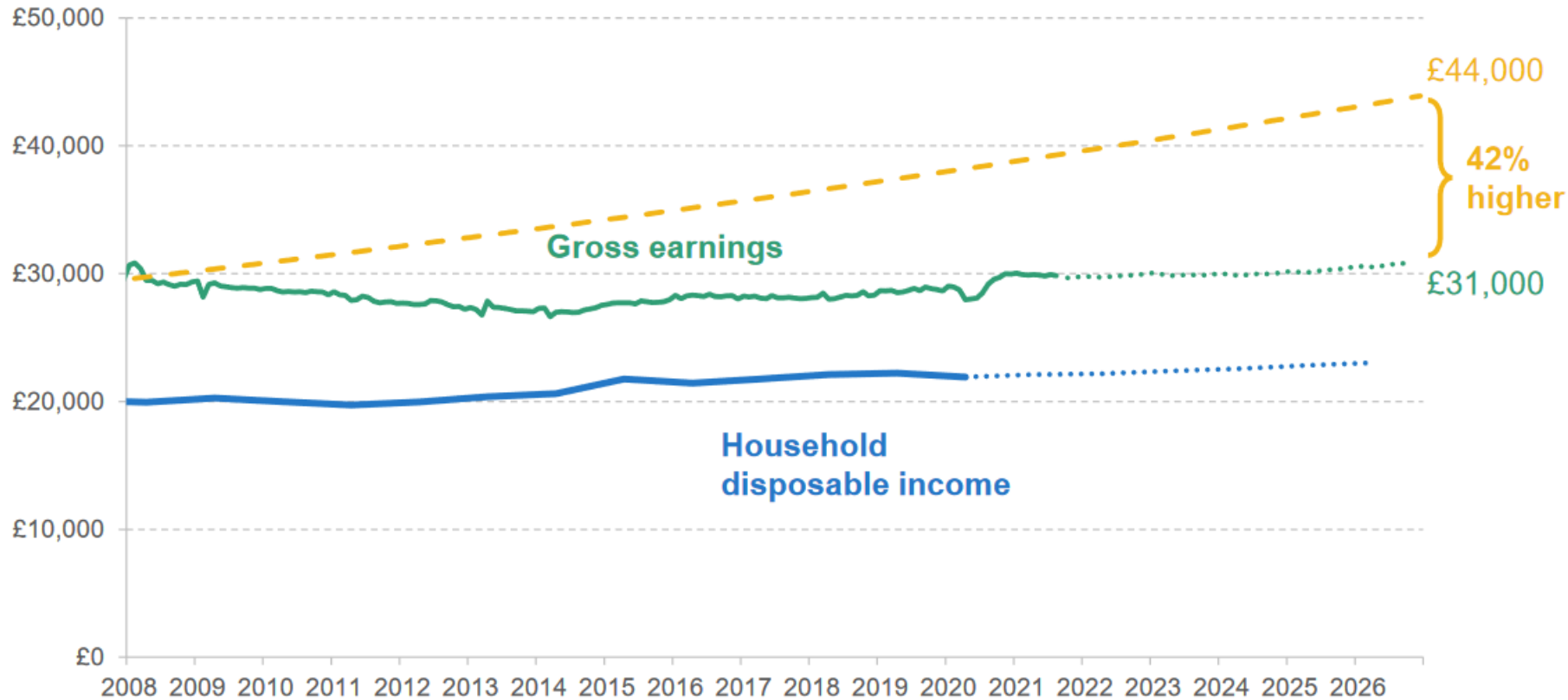
Notes: Historical series deflated using CPIH. Forecasts deflated using CPI. AWE before 2000 not seasonally adjusted.

Budget 2021: Living standards

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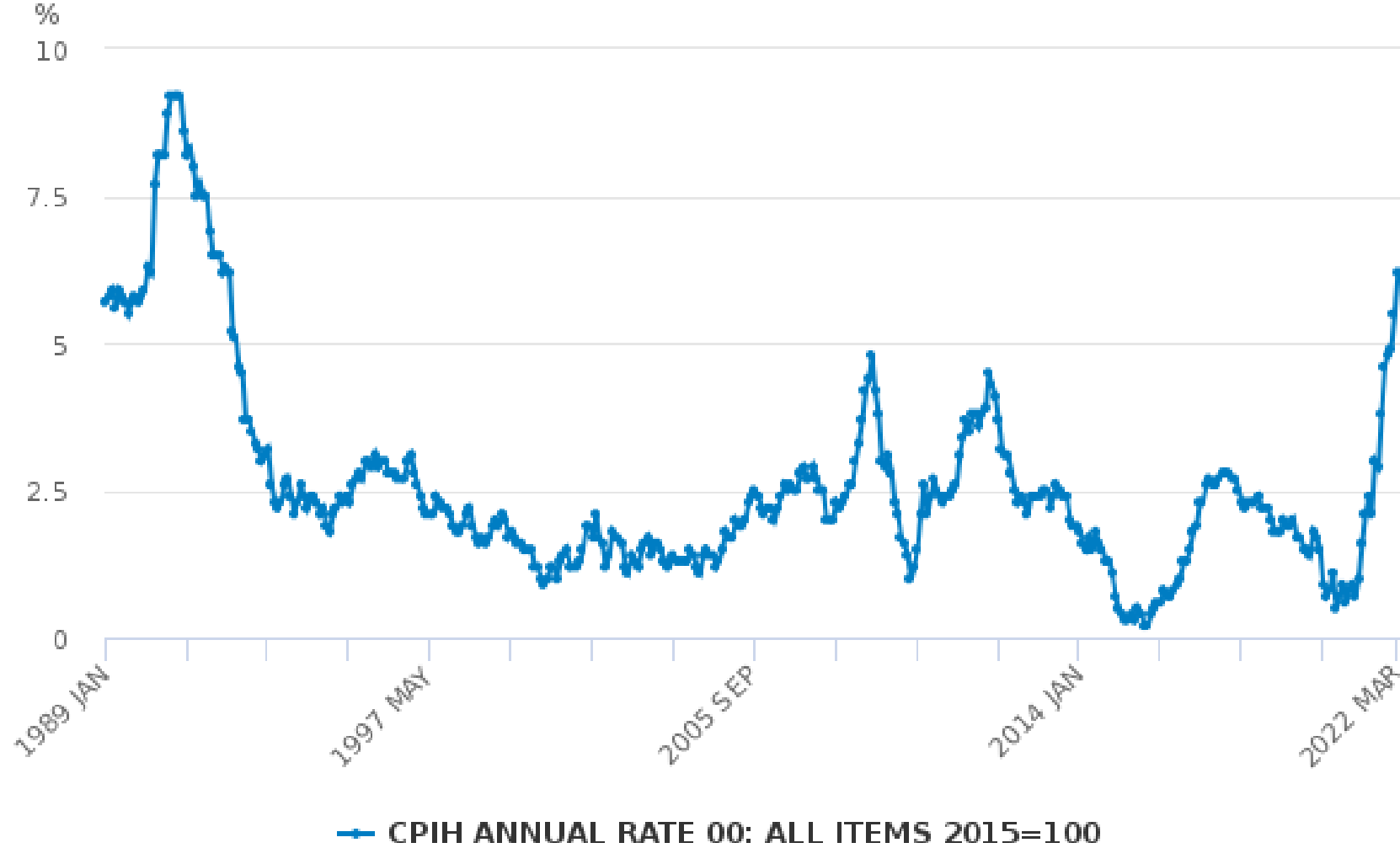


For people on low incomes: social security benefits frozen, Benefit Cap, two child limit, sanctions, Universal Credit wait period, loss of £20 uplift – increase in depth of poverty with rise of food banks

Source: ONS AWE, ONS RHDI, OBR EFO
Notes: Historical series deflated using CPIH. Forecasts deflated using CPI. AWE before 2000 not seasonally adjusted.

And now: steep rises in inflation

CPIH ANNUAL RATE 00: ALL ITEMS 2015=100



March 2021: 1.0%

March 2022: 6.2%

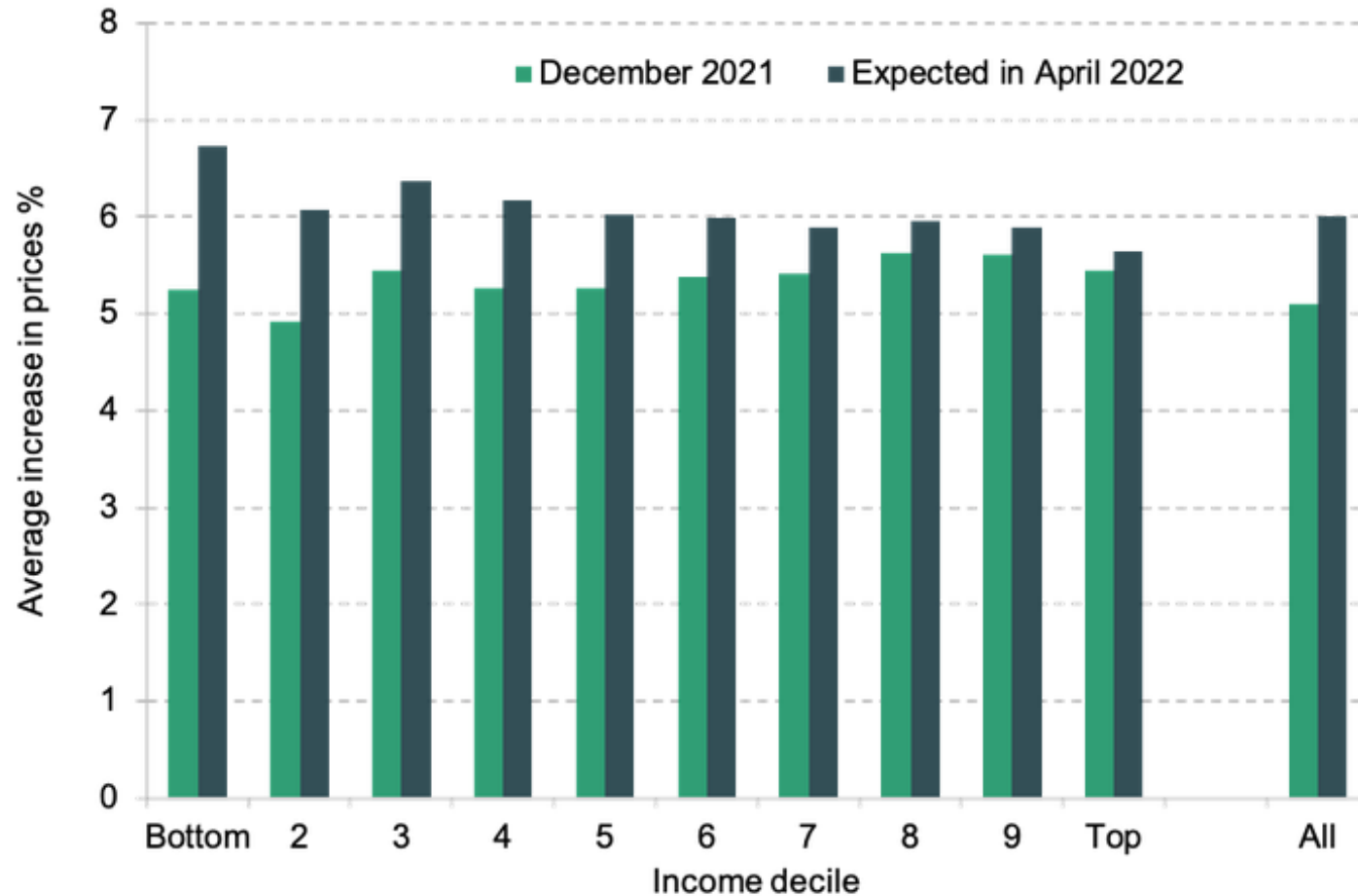
Source:

And now: steep rises in inflation

- Domestic energy price cap rise in October 2021 resulted in 12-month inflation rates of 18.8% for electricity and 28.1% for gas in October 2021
 - Average petrol prices stood at 160.2 pence per litre in March 2022, compared with 123.7 pence per litre a year earlier
 - Higher prices for second hand cars
 - Clothing and footwear prices rose by 9.7% in the year to March 2022
 - Prices for furniture, household equipment and maintenance rose by 10.4%
 - Prices for food and non-alcoholic beverages rose by 5.9% on the year, the highest 12-month rate since 2011
- Price rises affect households differently according to patterns of expenditure
- Food: lowest income decile 14% expenditure, 9% highest income decile
 - Clothing 3% v 4%
 - Housing and fuel 23% v 10%
 - Transport 9% v 15%

Hitting lowest income households hardest

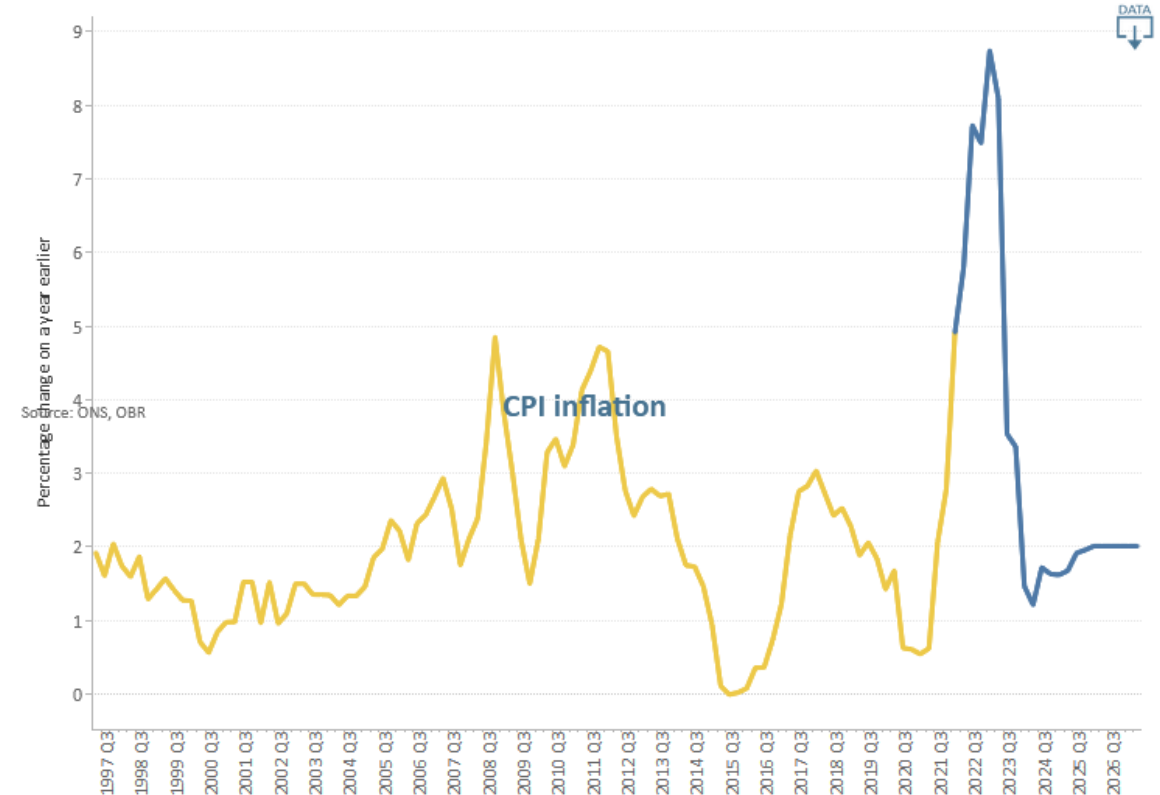
Figure 1: Average annual rates of inflation to December 2021 and April 2022, by household income decile



Domestic energy costs rose 54% in April

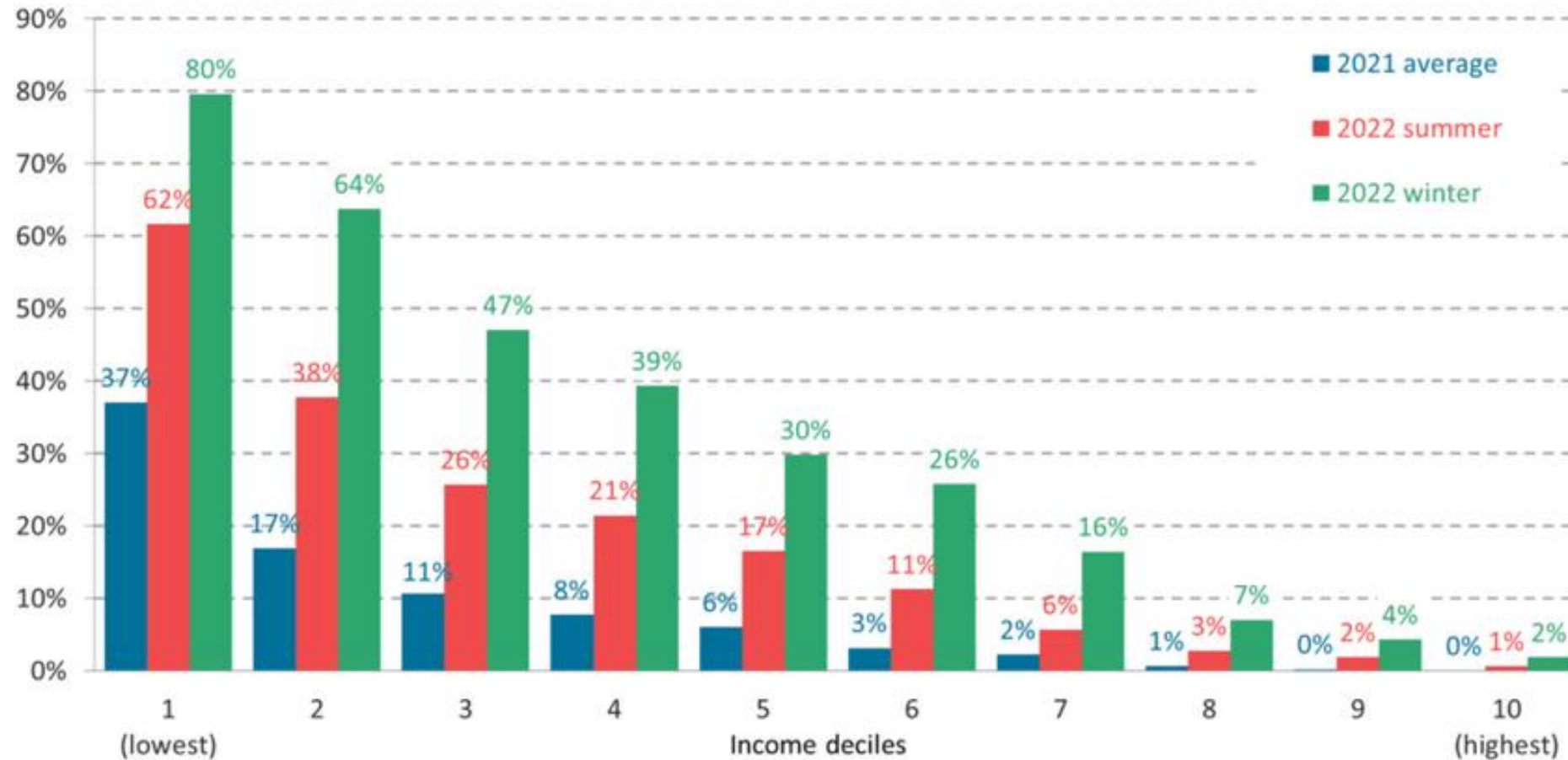
- From 1 April to 30 September 2022, price cap rise of 54%
- Direct debit increase of £693 from £1,277 to £1,971 per year
- Prepayment customers increase of £708 from £1,309 to £2,017.
- Not yet reflected in inflation figures
- Number of households in 'fuel stress' estimated to have doubled to 5 million (RF)
- In April, 40% of adults said it was "very or somewhat difficult to afford their energy bills"; 40% said they were buying less food (ONS)
- More energy rises in October 2022?

OBR Inflation Forecast to 2026



Lowest income households under greatest strain

Share of households in fuel stress at different energy price cap levels, by equivalised after housing costs income deciles: England



Notes: Fuel stress is defined as spending 10 per cent or more of after housing cost expenditure on domestic gas and electricity bills. 2022 winter figures in line with a Default Tariff Cap of £2,500 for a typical household, i.e. one with annual gas consumption of 12,000 kWh and electricity consumption of 2,900 kWh.
Source: RF analysis of English Housing Survey Fuel Poverty dataset, Ofgem, BEIS data.

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Policy responses and their effects

- Universal £200 rebate / loan (to be repaid) on electricity bills; plus £150 rebate to Council Tax bills for properties in Bands A-to-D; and expansion of Warm Homes Discount (£150/year)
 - Spring Statement included raising the National Insurance threshold from £9,880 to £12,570 in July, a 5p cut to Fuel Duty rates, and a £500 million increase to the Household Support Fund
 - Spring Statement poorly targeted: Households in the top half gain an average of £475, compared to just £136 for the poorest fifth of households
 - Social security benefits, including state pension, uprated by 3.1%, compared to a current inflation rate of 6.2%
 - Support for private rental housing costs frozen
- Projected outcomes:
- Real wages projected to fall by 3.6% over 2022
 - Real incomes among lowest income quarter of households will drop by 6%
 - 1.3 million people projected to fall into “absolute” poverty next year including 500,000 children

The Oxfordshire context

- After housing costs, 26% of children living in Oxford were estimated to be living in poverty in 2018-19
- Child poverty rate was 21% across Oxfordshire as a whole, compared to 31% in England
- Children from some minority ethnic groups, children in homes where someone is disabled, and children in lone parent families are more likely to be living in poverty
- Families can move in and out of poverty quite rapidly as their circumstances change
- 28,500 households claiming Universal Credit in November 2021 (of 220,000 households in total)
- 9.6% of working age households are classed as 'workless' in Oxfordshire, compared to 13.6% in England
- 10,500 people in Oxfordshire claiming out of work benefits, 2.4% compared to 4.2% national average (March 2022)
- Housing is expensive in Oxford and Oxfordshire, and much housing stock is old and energy inefficient
- Transport costs high for people living in rural areas

Summary

- Cost of living rises will be very challenging for everyone, with energy bills perhaps almost doubling in six months
- Costs are rising across all types of expenditure, not just domestic energy
- Earnings from wages are projected to not keep pace with price rises, meaning a fall in real average earnings
- Lower income households will be hit hardest, as
 - Lower incomes, so less room to absorb higher costs
 - Higher proportion of income spent on energy
 - Income from social security benefits not keeping pace with price rises
- Out of work households hit particularly hard
- Oxfordshire is relatively affluent on average, but has a large number of households living at or near the poverty line who will struggle to cope with these price rises