

The geography of the cost of living crisis

18th October 2022

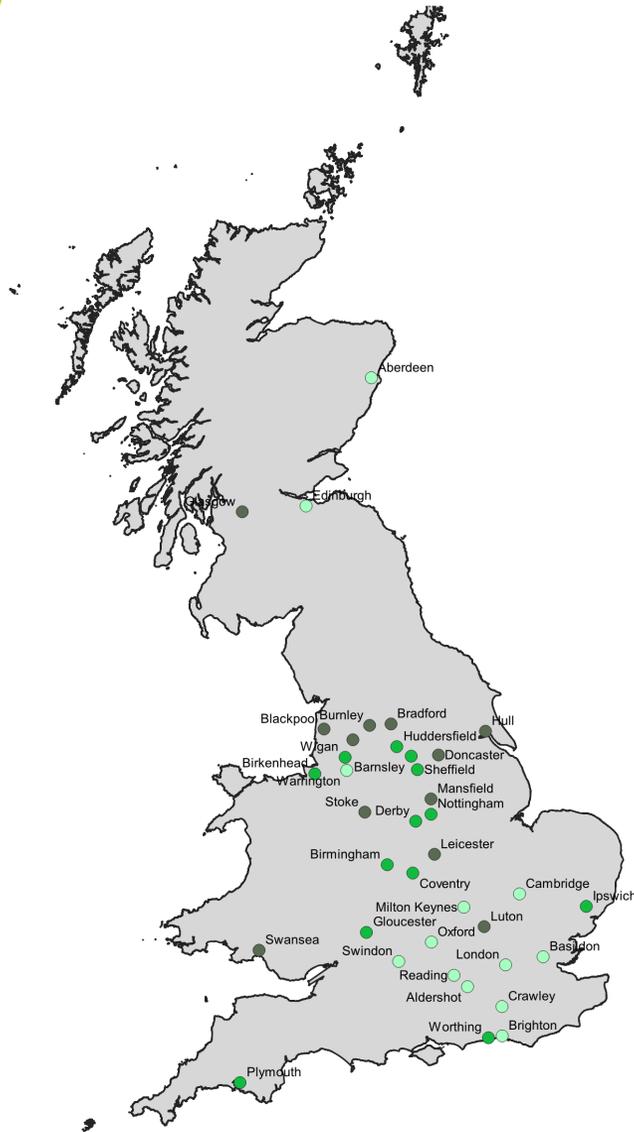
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#Costofliving

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Cities in North are particularly affected by the cost of living crisis



Inflation August (yoy)

- 8.7 - 9.8
- 9.9 - 10.4
- 10.5 - 11.2

Top 5

	Jan-22	Aug-22
Burnley	6.1%	11.2%
Blackpool	5.8%	10.8%
Glasgow	5.8%	10.7%
Bradford	5.8%	10.7%
Blackburn	6.0%	10.7%

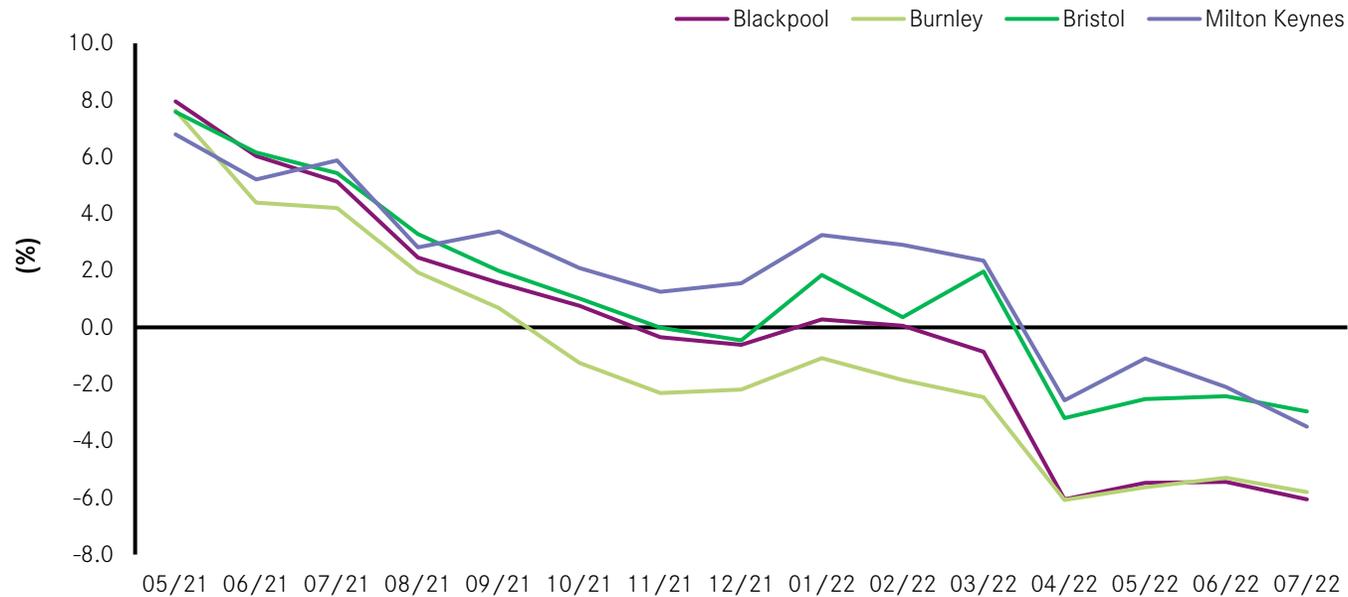
Bottom 5

	Jan-22	Aug-22
Milton Keynes	5.6%	9.4%
Oxford	5.2%	9.3%
Reading	5.4%	9.2%
Cambridge	5.1%	8.8%
London	5.1%	8.7%

Source: ONS; Beaclair; EPC Certificate, HMRC (PAYE), Centre for Cities' calculations

And wages are not keeping up with inflation anywhere

Real Wage Growth (yoy)



City	Monthly loss (£), July 2022 vs. July 2021
Blackpool	£129
Burnley	£117
Bristol	£103
Milton Keynes	£97

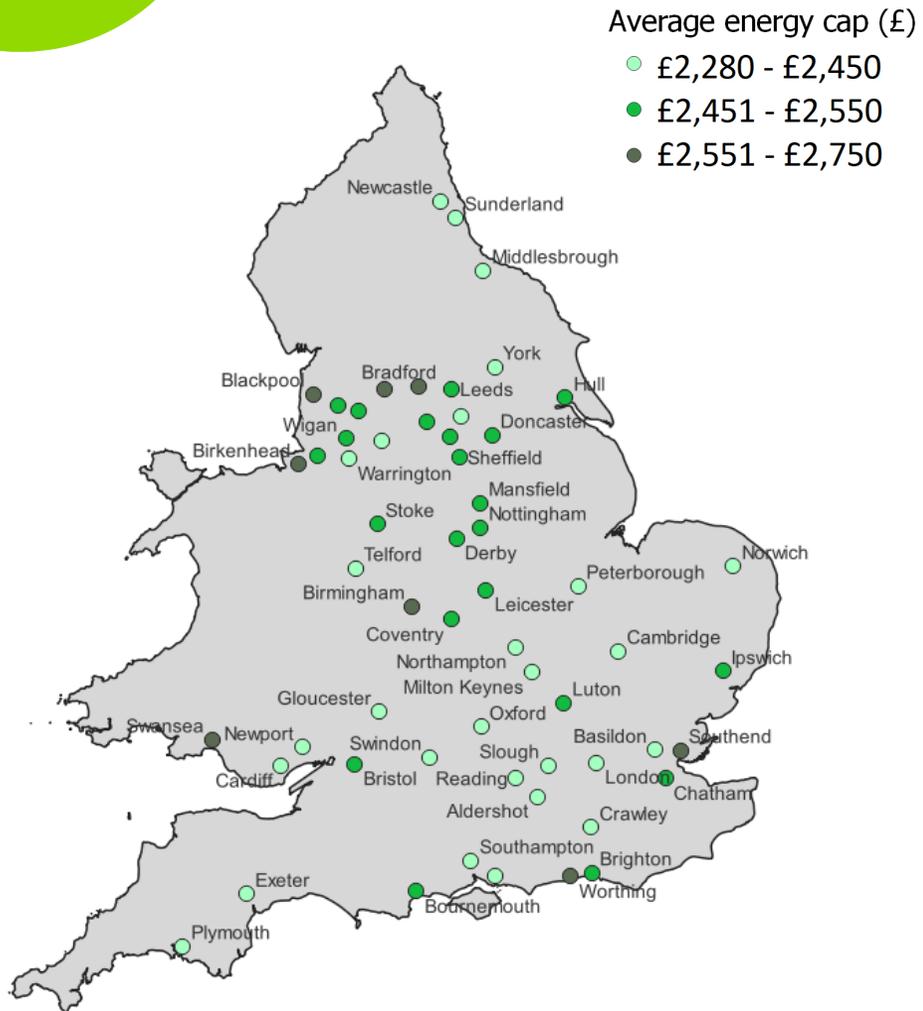
Source: ONS; Beauclair; EPC Certificate, HMRC (PAYE), Centre for Cities' calculations



The cost of living crisis is expected to get worse

- Bank of England, as of September, forecasts inflation reaching 11 per cent in October.
- Energy prices will be on average £2,500 a year, significantly higher than last winter.
- Some projections expect gas prices to be comparatively high until 2025-2026.

EPG: Welcome measures but not all cities are evenly sheltered

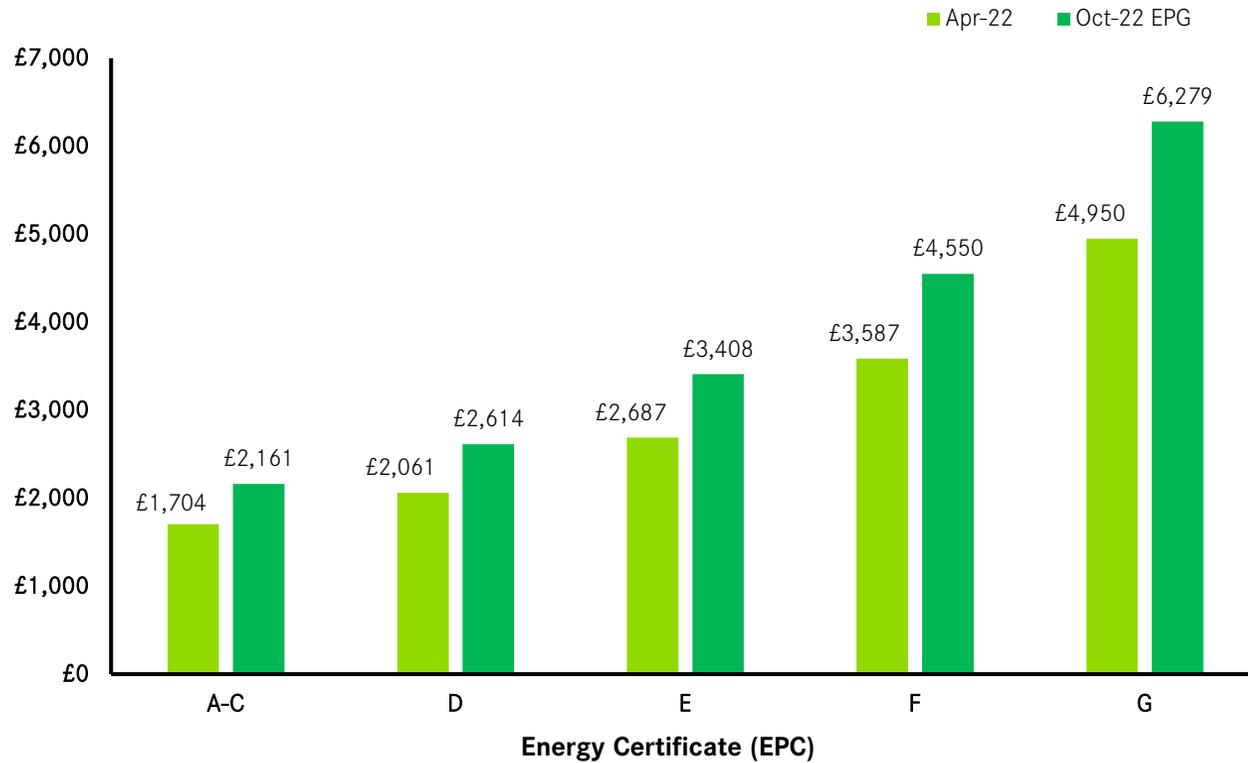


Top 5	Average energy bill, with EPG price cap (£)	Average EPG impact (£)
Burnley	£2,714	£1,139
Blackpool	£2,680	£1,125
Bradford	£2,640	£1,108
Southend	£2,617	£1,098
Swansea	£2,574	£1,080

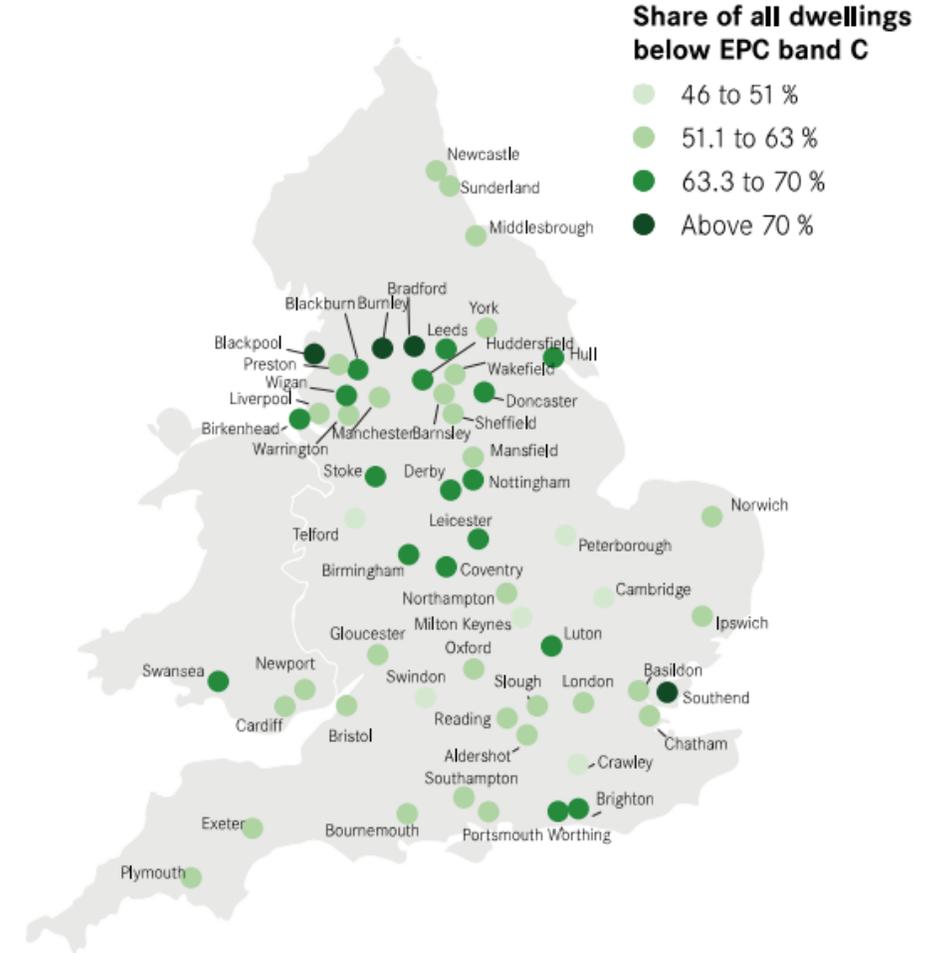
Bottom 5	Average energy bill, with EPG price cap (£)	Average EPG impact (£)
Peterborough	£2,372	£995
Telford	£2,358	£989
Swindon	£2,337	£981
Crawley	£2,331	£978
Milton Keynes	£2,291	£961

The observed North-South divide is mostly driven by differences in energy efficiency

Energy price cap: before and after October



Source: ONS; Ofgem; JLL Research; EPC domestic register, 2019. Centre for Cities calculations.



Source: EPC Domestic Register, 2019.



Immediate priority: support lower income households

- Government should reintroduce permanently the Universal Credit uplift and increase benefits in line with inflation immediately.
- Government should give a one-off payment, as it previously did, for households living in inefficient dwellings.
- Their bills will be higher and retrofitting takes time.



Medium to long-term priorities: supply and demand reforms

- So far, the government has been very much focused on the supply side of the energy markets:
 - Increasing oil production in the North Sea;
 - Possibility of fracking for shale gas and investment in nuclear energy;
 - Energy market reforms ('break the link between green power and gas prices').
- But the demand efficiency is equally important:
 - **Housing:** Making the housing stock more efficient. Retrofitting and planning reform that boosts construction of efficient new homes;
 - Expand the recently announced Help to Heat funding.
 - **Transport:** Reduce the number of car journeys by supporting public transport in cities (both capital and revenue support); active travel infrastructure and schemes.

Cities play a disproportional role in this part.