

UK inflation: Cost of living blow as prices surge

Millions of [families](#) were today warned of a “painful” cost of living squeeze over the winter after the rate of [inflation surged to its highest level for a decade](#).

The Consumer [Prices](#) Index – the headline measure of inflation – jumped from 3.1 per cent to 4.2 per cent in October, more than twice the [Bank of England](#)’s two per cent target.

Soaring [energy bills](#), and the sharply rising price of [petrol](#), second hand cars and eating out were all blamed for the steeper than expected increase. The CPI has not been higher since November 2011 when it hit 4.8 per cent.

Combined with Tuesday’s sharp fall in unemployment and record levels of vacancies, the City now believes a Christmas interest rate rise next month to rein in rising prices is inevitable.

The Bank surprised some in the City by keeping the official cost of borrowing at the emergency low rate of 0.1 per cent two weeks ago. But a rise to 0.25 per cent is now widely expected when its monetary policy committee makes its next decision on rates on December 16.

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Analysts warned that families must be prepared for a third prolonged squeeze on living standards since the financial crisis in 2008 with inflation expected to rise even further over the coming months and stay high until well into next year.

Jack Leslie, senior economist at the Resolution Foundation think tank, said with pay growth slowing to 3.4 per cent in September families face at least six months of falling real incomes.

He said: "The global economic recovery has caused a rapid rise in inflation that families are feeling at the petrol pump, in their energy bills, and in their pay packets. With inflation forecast to hit five per cent by next spring, we could be set for a sustained period of shrinking pay packets."

TUC general secretary Frances O'Grady said: "With prices rising faster than pay, many families will struggle to keep up with basic living costs, let alone Christmas celebrations. The Chancellor must fully fund real pay rises for public sector workers. The minimum wage should go up to £10 immediately."

Chancellor Rishi Sunak said: "Many countries are experiencing higher inflation as we recover from Covid, and we know people are facing pressures with the cost of living, which is why we are taking action worth more than £4.2 billion to help them. We're helping people get into work, progress and keep more of what they earn, through our Plan for Jobs and by effectively cutting taxes for workers receiving universal credit. We are also providing more immediate support, including through the £500 million Household Support Fund for the most vulnerable families, fuel and alcohol duty freezes, and energy price

cap.”

The CPI is now accelerating at its fastest rate since comparable records began, as a global supply chain crisis pushes the cost of goods and raw materials ever higher. It stood at just 0.7 per cent in October 2020. The biggest contribution to the rise in the CPI, which was only expected to go up to 3.9 per cent last month, came from energy bill. In October energy regulator Ofgem ordered a 12 per cent rise in the cap that suppliers can charge customers on variable rate tariffs, adding £139 to the average bill.

Wholesale energy prices surged again this week partly due to calm weather that limited wind power generation. An even bigger rise in household gas and electricity bills is feared in April.

Petrol prices reached 138.6p a litre in October compared with 113.2p a litre a year before. This week unleaded petrol was 146.60p.