Economics transition tasks – inflation and the cost of living

This transition workbook will take you through a sequence of activities on the key macroeconomic issues around high inflation. You will explore:

- what we mean by inflation and how we measure it
- how inflation is caused by both demand and supply side pressures in the economy
- the consequences of inflation, particularly in relation to the cost of living
- how governments can respond to control inflation

The tasks are organised around a set of notes - a modified version of those you will be given next year when you study inflation in Term 3/4. The tasks use recently published data, all of which were published over the last 12 months. The big ideas in economics are live!

What is inflation?

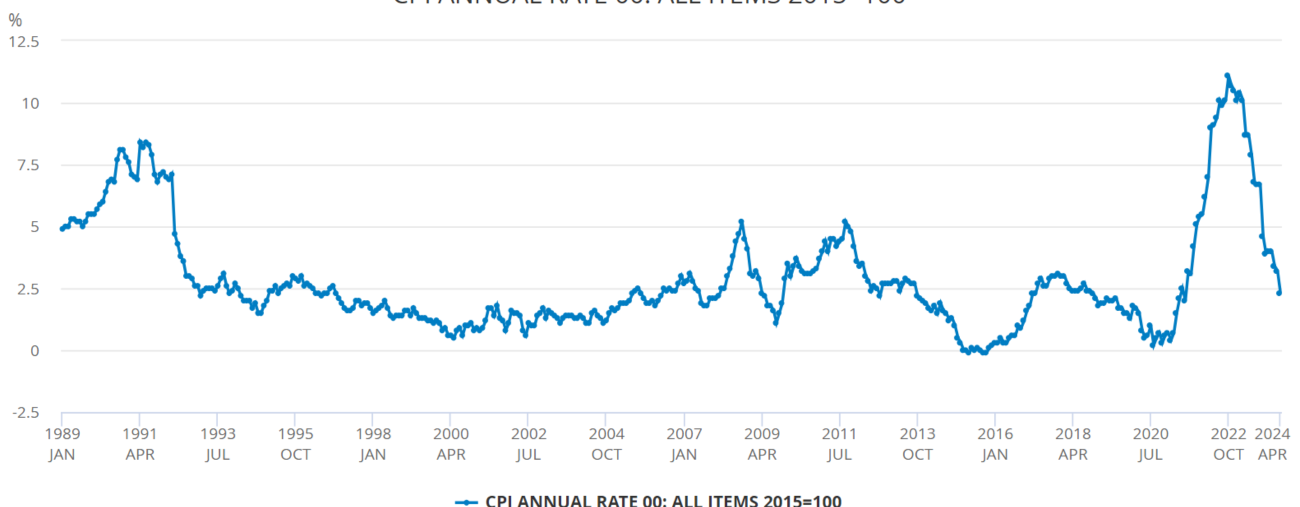
Inflation is a **sustained increase in the general price level across the economy** leading to a fall in the **purchasing power of money**.

The Bank of England has a simple inflation calculator. It shows for example that £10 worth of goods and services in 2007, when many of you were born, would now cost £16.32 (April 2024 data).

How is the rate of inflation measured?

- The **rate of inflation** is measured by the annual percentage change in consumer prices.
- The British government has an **inflation target** of 2% using the **Consumer Price Index** (CPI)
- It is the job of the Bank of England to set interest rates so that aggregate demand is controlled, inflationary pressures are stable and low and the inflation target is reached
- The Bank is independent of the government with control of interest rates and it is free from political intervention. *The Bank is also concerned to avoid **price deflation**.*

As you will have clearly seen for yourself over the last couple of years, the UK in common with many countries has an issue with high inflation – price levels are rising, generally faster than wages and this is creating a range of challenges for households, employers and the government.



Task 1. The most recently published value, for April 2024 is 3%. Use the chart to estimate the inflation rate in April 1991. Annotate the chart to show your method.

Up to 20% of the marks in Economics are earned for *Quantitative Skills* - being able to read, commentate on, interpret and make calculations from data is an important part of being an A Level Economist.

Remember that a ***fall in the rate of inflation*** is not the same thing as a ***fall in prices***! Have a look at the chart above which measures the rate of consumer price inflation for the. Note after the peak in October 2022 at 11.1%, there was a steep drop in inflation to 2.3 per cent in the year to April 2024. Inflation was falling ***(disinflation)*** – but the rate remained positive – meaning that prices were rising but at a slower rate. A slowdown in inflation is not the same as deflation. For this to happen, inflation would have to be negative.

How is the rate of inflation calculated?

The **cost of living** is a measure of changes in the average cost of buying a basket of different goods and services for a typical household. In the UK there are two key measures used, the **Retail Price Index** (RPI) & the **Consumer Price Index** (CPI).

The CPI is a **weighted price index**. Changes in weights reflect shifts in the spending patterns of households. For example, in Feb 2023 e-bikes and a surveillance camera were added to the list of products used in the sample for the index.

The following hypothetical example shows how to calculate a weighted price index.

Category	Price Index	Weighting	Price x Weight
Food	104	19	1976
Alcohol & Tobacco	110	5	550
Clothing	96	12	1152
Transport	108	14	1512
Housing	106	23	2438
Leisure Services	102	9	918
Household Goods	95	10	950
Other Items	114	8	912
		100	10408

The price index for this year is: **the sum of (price** x **weight) / sum of the weights.**
The price index for this year is 104.1 (one d.p.)

Task 2. The rate of inflation is the % change in the price index from one year to another. So if in one year the price index is 104.1 and a year later the price index has risen to 112.5, what was the annual inflation rate? *(show your working)*

Task 3. Try this question and show your working:

The table below shows details for a weighted price index which contains only two products, X and Y.

Product	Year 1 price (£)	Year 2 price (£)	Weight
X	10	12	2
Y	20	18	1

If Year 1 is the base year, what is the value of the weighted index in Year 2?

A 100

B 105

C 110

D 120

Consumer Prices Index including owner occupiers' housing costs (CPIH)

CPIH is the most comprehensive measure of inflation. It extends the Consumer Prices Index (CPI) to include a measure of the costs associated with owning, maintaining and living in one's own home, known as owner occupiers' housing costs (OOH), along with Council Tax. Both are significant expenses for many households and are not included in the CPI.

CPIH annual inflation rate by division UK May 2023	**May 2023**
CPIH All items	**7.9**
Food and non-alcoholic beverages	18.4
Alcohol and tobacco	9.2
Clothing and footwear	7.0
Housing and household services	7.3
of which owner occupiers' housing costs	4.2
Furniture and household goods	7.5
Health	8.5
Transport	1.3
Communication	9.0
Recreation and culture	6.8
All goods	**9.7**
All services	**6.3**

Task 4. Using the data above, what is the main driver of inflation, according to the categories given? What does an economist mean by *driver*?

Did transport costs fall over the year? How do you know? What do you think is the likely most important determinant of whether transport costs rise or fall?

Task 5 - What is your personal inflation rate?

The headline rate of inflation is an average, based on a typical household's pattern of expenditure and how the prices of goods and services that they consume change.

Either for yourself or for your household (more useful) calculate your personal inflation rate using this tool on the website of the Office for National Statistics, the government agency which is responsible for most of our national data. The website will produce a short summary report, which will show the cost of living in your household will have increased over the last year.

Use this report to create a summary (one-side of A4 in a word document) of the key issues as you see them. Use data and screenshots of the material to help you to flesh this out.

Limitations of the Consumer Price Index as a measure of inflation

When we use data in economics, as well as understanding how the data can be used, we also need to appreciate its limitations. The CPI has the following limitations, one of which is explored in task 5:

1. **The CPI is not fully representative**:
    - The CPI represents the expenditure of the 'average' household, inevitably it will be inaccurate for the 'non-typical' household, for example, 14% of the index is devoted to motoring expenses - inapplicable for non-car owners.
    - Single people have different spending patterns from households that include children, young from old, male from female, rich from poor and minority groups.
    - We all have our own 'weighting' for goods and services that does not coincide with that assigned for the consumer price index.
2. **Housing costs:** Housing costs vary greatly from person to person, so these will greatly affect a person's personal inflation rate.
3. **Changing quality of goods and services**: Although the price of a good or service may rise, this may also be accompanied by an improvement in quality as the product. It is hard to make price comparisons of, for example, electrical goods over the last 20 years because new audio-visual equipment is so different from its predecessors. In this respect, the CPI may over-estimate inflation.
4. The CPI is slow to respond to the emergence of new products and services.

Other key terms

Inflation relates to changes in prices. When we talk about inflation, we use other terms to describe specific patterns:

- **Deflation** happens when the **rate of inflation becomes negative**- i.e. the general price level is falling
- **Disinflation** refers to a falling but still positive rate of inflation – the general level of prices is rising across the economy, but at a slower rate as is currently the case in the UK.

- **Hyperinflation** is extremely rare. Recent examples include Yugoslavia, Argentina, Brazil, Georgia and Turkey (where inflation reached 70% in 1999)
- **Stagflation.** For Britain the worst inflation experienced in modern times was during the mid to late 1970s when prices were rising at an annual rate of over twenty per cent. At the same time the economy was suffering from slow growth and rising unemployment and this gave rise to the idea of **stagflation.**

Real and nominal values

The distinction between real and nominal values is important to us as economists. The **nominal value** of money is what call its **face value** or **money value**. The face value of money generally doesn't change.

However, inflation erodes the purchasing power of money – causing the real value of money to fall. The £1 coin was introduced in 1983. Ten years later it was worth the equivalent of 63p (compared to 1983 prices) due to inflation across that period. We call this the **real value**, which takes the nominal value of adjusts it to show the effects of inflation. For example, **real income** refers to a person's income after accounting for the effects of inflation. Most people's real incomes have fallen over the last year as inflation has generally been higher than wage growth.

Causes of Inflation

Economists distinguish between two different types of cause of inflation:

- **Demand-pull inflation** – where too much demand pulls up prices
- **Cost-push inflation** – where costs force suppliers to try to pass on higher prices to consumers

We also consider that it is important where inflation is coming from – in other words, are the causes:

External to the UK - factors/events overseas, for example:
- the current war in the Ukraine has pushed up the prices of commodities such as gas and wheat – these now cost more to import
- recent decisions by oil-producing countries to restrict supply may push up the oil price

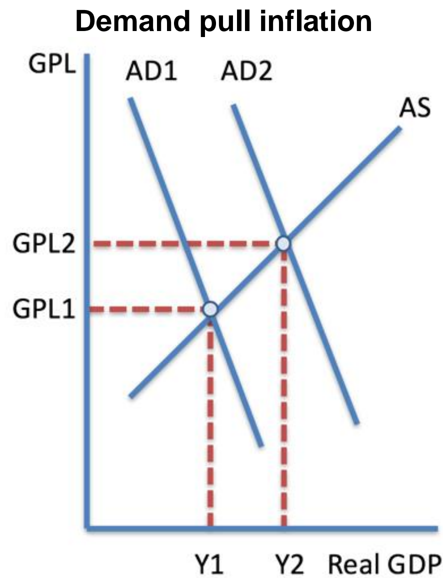
Internal - resulting from changes or pressures in the UK, for example:
- domestic producers deciding to raise prices to increase profits
- the pricing strategies of the food retailers based on the strength of demand and competitive pressure in their markets.
- a rise in the rate of VAT would also be a cause of increased domestic inflation in the short term because it increases a firm's costs.

Fluctuations in the exchange rate can also affect inflation – for example a fall of approximately 15% in the external value of the pound against the Euro in 2016-17, following the Brexit referendum, caused **higher import prices** for items such as foodstuffs from Western Europe which feeds through directly or indirectly into the CPI. Economists sometimes refer to this as **imported inflation**.

Demand-Pull Inflation

Task 6. Economists use aggregate supply and demand analysis to model what happens in in the macroeconomy. Annotate the diagram below, based on our discussion in class and the bullet points below the chart:

Demand pull inflation



- Demand pull inflation occurs when aggregate demand is growing at an unsustainable rate leading to increased pressure on scarce resources
- When there is **excess demand**, producers are able to raise their prices and achieve bigger **profit margins** because demand is running ahead of supply
- Demand-pull inflation becomes a threat when an economy has experienced a boom with GDP rising faster than the long-run trend growth of potential GDP (the capacity of the economy to produce more goods

Task 7. Demand-pull inflation is likely when there is full employment of resources/less spare capacity in the economy. What do you think this means – how does this lead to rising inflation?

Causes of Demand-Pull Inflation

1. A **depreciation of the exchange rate** increases the price of imports and reduces the foreign price of a country's exports. If consumers buy fewer imports, while exports grow, AD in will rise
2. **Higher demand from expansionary fiscal policy -** lower taxes or higher government spending. If direct taxes are reduced, consumers have more disposable income causing demand to rise. Higher government spending and increased borrowing creates extra demand in the economy
3. **Monetary policy.** A fall in interest rates may stimulate too much demand – for example in raising demand for loans or in leading to house price inflation. Monetarist economists believe that inflation is caused by "too much money chasing too few goods" and that governments can lose control of inflation if the money supply grows too quickly.
4. **Fast growth in other countries** – providing a boost to UK exports overseas. Export sales provide an extra flow of income and spending into the UK circular flow – so what is happening in the economic cycles of other countries definitely affects the UK

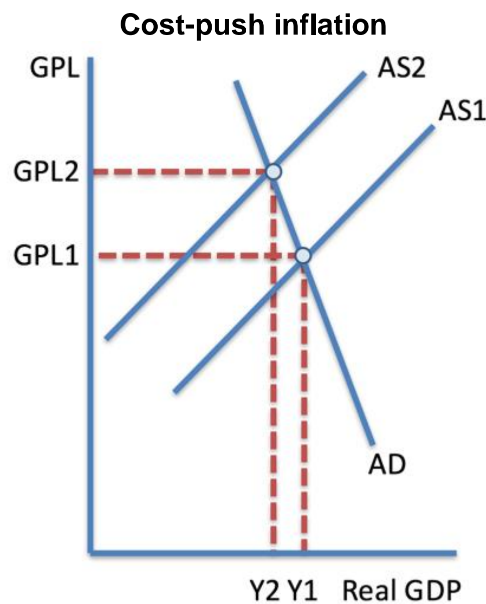
Cost-Push Inflation

Cost-push inflation occurs when firms respond to **rising costs**, by increasing prices to **protect their profit margins**.

1. **Component costs:** e.g. an increase in the prices of raw materials and other components. This might be because of a rise in commodity prices such as oil, copper and agricultural products used in food processing. A recent example has been a surge in the world price of wheat.
2. **Rising labour costs** - caused by wage increases, which are greater than improvements in productivity. Wage costs often rise when unemployment is low because skilled workers become scarce and this can drive pay levels higher. Wages might increase when people **expect higher inflation** so they ask for more pay in order to protect their real incomes. Trade unions may use their bargaining power to bid for and achieve increasing wages, this could be a cause of cost-push inflation
3. **Expectations of inflation** are important in shaping what actually happens to inflation. When people see prices are rising for everyday items they get concerned about the effects of inflation on their real standard of living. One of the dangers of a pick-up in inflation is what the Bank of England calls "**second-round effects**" i.e. an initial rise in prices triggers a burst of higher pay claims as workers look to protect their real wages. This is known as a **wage-price spiral.**
4. **Higher indirect taxes** – for example a rise in the duty on alcohol, fuels and cigarettes, or a rise in Value Added Tax.
5. **A fall in the exchange rate** – this can cause cost push inflation because it leads to an increase in the prices of imported products such as essential raw materials, components and finished products – this can be referred to as **imported inflation.**
6. **Profit-push inflation** – where dominants firms in a market use their market power (at whatever level of demand) to increase prices well above costs. Some have accused the UK supermarkets of raising prices more than they need to.

Cost-push inflation such as that caused by a large and persistent rise in the world price of crude oil can be shown in a diagram by an **inward shift of the aggregate supply curve**. The fall in SRAS leads to a contraction of national output together with a rise in the level of prices. This is shown in the next diagram.

Task 8. Annotate the diagram below, based on our discussion in class:



The Main Consequences of Inflation

The current inflation rate in the UK is higher than it has been for many years. Economists are generally very concerned about the effects of inflation because it can cause a number of problems which are difficult to tackle.

1. **Income redistribution**: One risk of higher inflation is that it has a regressive effect on lower-income families and older people in society. This happen when prices for food and domestic utilities such as water and heating rises at a rapid rate
2. **Falling real incomes**: With millions of people facing pay rises which are behind the rate of inflation
3. **Negative real interest rates:** If interest rates on savings accounts are lower than the rate of inflation, then people who rely on interest from their savings will be poorer. Real interest rates for millions of savers in the UK and many other countries have been negative for years.
4. **Cost of borrowing:** High inflation may also lead to higher borrowing costs for businesses and people needing loans and mortgages as financial markets protect themselves against rising prices and increase the cost of borrowing on short and longer-term debt. This leads to pressure on the government to increase the value of the state pension and unemployment benefits and other welfare payments as the cost of living climbs higher.
5. **Risks of wage inflation:** High inflation can lead to an increase in pay claims as people look to protect their real incomes.
6. **Business competitiveness:** If one country has a much higher rate of inflation than others for a considerable period of time, this will make its exports less price competitive in world markets. Eventually this may show through in reduced export orders, lower profits and fewer jobs, and also in a worsening of a country's trade balance. A fall in exports can trigger negative multiplier and accelerator effects on national income and employment.
7. **Business uncertainty:** High and volatile inflation is not good for business confidence partly because they cannot be sure of what their costs and prices are likely to be. This uncertainty might lead to a lower level of capital investment spending.

How important is the cost of living according to public opinion?

The Government gathers information about what the public think is important through the Opinions and Lifestyle Survey (OPN). The following information is for the latest survey period, 22 May to 2 June 2024, based on adults in Great Britain.

- The most commonly reported issues were the cost of living (87%), the NHS (85%), the economy (68%), crime (60%), housing (57%), and climate change and the environment (56%).
- Immigration (52%), international conflict (48%) and education (46%) were other commonly reported issues facing the UK today.

Among the 54% of adults who told us that their cost of living had increased over the last month:

- rises in the price of their food shopping (91%), fuel (58%) or their gas and electricity bills (50%) continue to be the most commonly reported reasons for an increase in their cost of living
- the proportion reporting that the price of their gas or electricity bills had increased was 50%, a fall from the height at the start of 2024 (85% in the period 4 to 14 January 2024)
- the proportion reporting that the price of their fuel had increased was 58%, this has been rising since the start of 2024 (41% in the period 4 to 14 January 2024)

Controlling inflation – macroeconomic policies

Inflation can be reduced by policies that (i) slow down the growth of AD or (ii) boost the rate of growth of aggregate supply (AS)

1. **Fiscal policy**:
   a. Controlling aggregate demand is important if inflation is to be controlled. If the government believes that AD is too high, it may choose to 'tighten fiscal policy' by reducing its own spending on public and merit goods or welfare payments
   b. It can choose to raise direct taxes, leading to a reduction in real disposable income
   c. The consequence may be that demand and output are lower which has a negative effect on jobs and real economic growth in the short-term
2. **Monetary policy**:
   a. A '**tightening of monetary policy'** involves the central bank introducing a period of higher interest rates to reduce consumer and investment spending
   b. Higher interest rates may cause the **exchange rate** to appreciate in value bringing about a fall in the cost of imported goods and services and also a fall in demand for exports
3. **Supply side economic policies:**
   a. Supply side policies seek to increase **productivity**, **competition and innovation** – all of which can maintain lower prices. These are ways of controlling inflation in the medium term
      i. A reduction in company taxes to encourage greater investment
      ii. A reduction in taxes which increases risk-taking and incentives to work – a cut in income taxes can be considered both a fiscal and a supply-side policy
      iii. Policies to open a market to competition to increase supply and lower prices
   b. Rising productivity will cause an outward shift of aggregate supply
4. **Direct controls** - a government might choose to introduce direct controls on some prices and wages
   a. Public sector pay awards – the annual increase in government sector pay might be tightly controlled or even frozen (this means a real wage decrease).
   b. The prices of some utilities, such as the current energy price cap (EPC) – if the price capping regime changes, this can have a short-term effect on the rate of inflation

Evaluation points – how best can inflation be controlled?

- The most appropriate way to control inflation in the short term is for the government and the central bank to keep control of aggregate demand to a level consistent with our productive capacity
- AD is probably better controlled through the use of monetary policy rather than an over-reliance on using fiscal policy as an instrument of **demand-management**
- Controlling demand to limit inflation is likely to be ineffective in the short run if the main causes are due to external shocks such as high world food and energy prices
- The UK is an open economy in which inflation is strongly affected by events in the rest of the world
- If inflation is being caused by rising prices (supply pressure) is raising interest rates likely to be effective?
- Is it ethical to make households poorer to control rising prices?

In the long run, it is the growth of a country's supply-side and its productive capacity that gives an economy the flexibility to grow without suffering from acceleration in cost and price inflation.

Task 9 - Extended task:

You have been appointed as a Special Advisor to the Chair of the Treasury Committee, a select committee of the House of Commons – *this is an actual job, responsible for briefing committee members on upcoming enquiries*.

You will be required to contribute to a report on inflation and current government policy towards inflation, to contribute to a Treasury Committee inquiry into the Cost of Living. *This was a live enquiry, which was only ended by the general election taking place.*

Choose one theme which is affecting the cost of living of households, for example the cost of food, energy (your choice) and have a good think about it. Using the information in the notes, the House of Commons Research Briefing and any journalistic sources you come across to consider the following:

- How can you illustrate the issue?
- What are the main causes of the rising prices? Which are demand-side and which are supply-side?
- What are some of the consequences?
- What are some ways in which the government might respond?

You will produce a report on your findings in the first two weeks of Term 1. Over the summer you need to collect your ideas, ready to put them to good use. It may also help you to annotate the notes with comments and questions that relate to the topic you have chosen to look at. This a good way to develop your thinking without having to write too much.

Remember we will be working on this further in class, so try not to get too preoccupied on presenting your work or worried about anything that you don't understand. This is a challenging task, but its designed to get you to think like an economist.

Authentic sources

In Economics we make a great of use of current resources alongside the notes and other course materials. This ensures that our curriculum is relevant and challenging. As an economist you need to be tackling the tricky issues of our time. Here is an example of a research briefing published at the beginning of June 2023 for MPs. This report is to support your work on the extended task above.

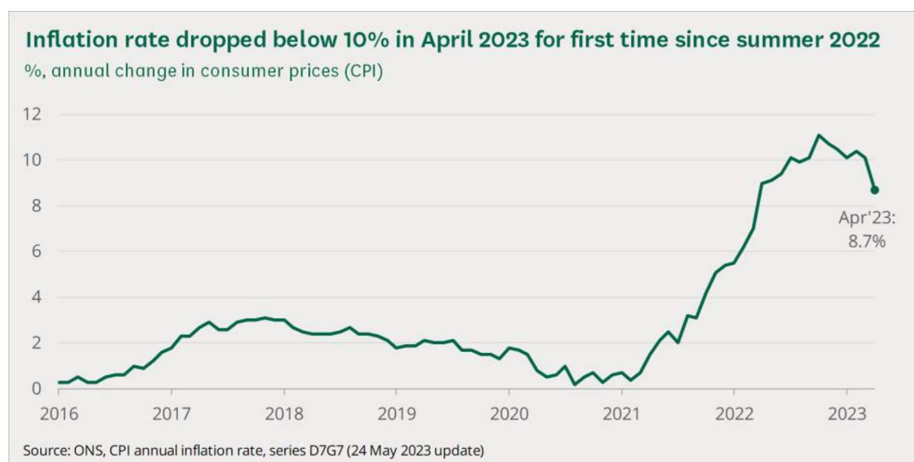
Rising Cost of Living

Source: House of Commons Library 02 June 2023

The cost of living increased sharply across the UK during 2021 and 2022. The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before easing in subsequent months. It was 8.7% in April 2023. High inflation affects the affordability of goods and services for households.

Inflation fell below 10% in April 2023.

Consumer prices, as measured by the Consumer Prices Index (CPI), were 8.7% higher in April 2023 than a year before. This compares with 10.1% in March 2023. Most of the decline was due to last year's sharp increase in household energy bills not being repeated this April.
The April outturn follows seven consecutive months where double-digit inflation has been recorded. However, this drop in the inflation rate was not as large as expected. Economists surveyed by Reuters expected inflation to fall to 8.2%, while the Bank of England expected it to fall to 8.4%.



Measures of underlying inflation in the economy rose in April 2023. "Core inflation", which excludes energy and food, rose from 6.2% in March to 6.8% in April, its highest rate since 1992. The annual rate of inflation for services increased from 6.6% in March to 6.9% in April, also the highest since 1992.

Figures for inflation in May 2023 are scheduled to be published by ONS on 21 June.

Inflation rate expected to fall in 2023

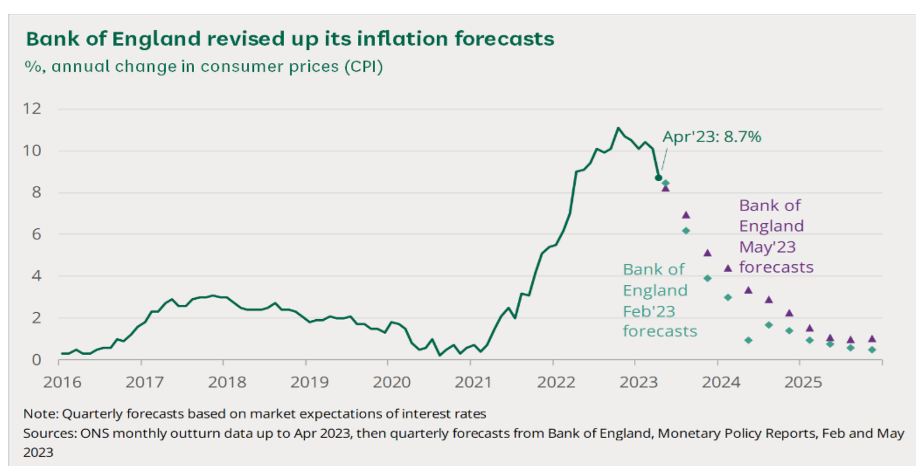
The inflation rate is typically expressed as the percentage change in consumer prices compared with one year before. For example, the most recent data compares prices in April 2023 with prices in April 2022.

This means that changes to prices that occurred more than a year ago, before April 2022 in this example, "drop out" of the annual inflation rate. Economists expect this effect to lead to the inflation rate generally falling during 2023, as some past price increases "drop out" of the annual comparison.

Global supply pressures have subsided. For instance, supply bottlenecks have eased and wholesale gas prices have fallen on financial markets (though this takes time to pass through to bills for households and businesses).

The average forecast among economists surveyed by the Treasury in the first half of May 2023 was for the annual inflation rate to be 3.9% in the final quarter of 2023 and 2.5% in the final quarter of 2024.

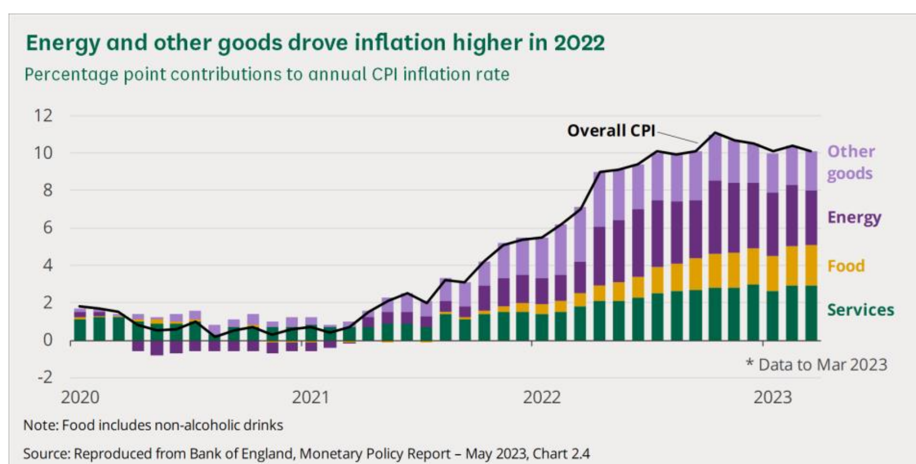
The Bank of England expects inflation to ease in 2023. In its latest set of forecasts published in May 2023, it forecast an inflation rate of 5.1% in the final quarter of 2023, higher than its previous forecast of 3.9% made in February.



A slowing or falling inflation rate means that prices are rising more slowly than before; it does not mean that price levels are actually falling. For example, if the annual inflation rate drops from 10% to 5%, this means prices are still 5% higher compared with a year before.

Consumer goods and energy prices pushed inflation higher.

Increases in the costs of consumer goods, underpinned by strong demand from consumers and supply chain bottlenecks, have been factors causing rising inflation in 2021 and 2022. Food prices have also been rising sharply over the past year and were 19.0% higher in April 2023 compared with a year before, just below the 45-year high of 19.1% set in March 2023.



Another important driver of inflation is energy prices, with household energy tariffs and road fuel costs increasing. Gas prices increased to record levels after Russia launched its full-scale invasion of Ukraine and continued to rise during much of 2022 due to cuts in Russian supply. Electricity prices are linked to gas prices and have followed a similar trend. The largest jump in prices was in April 2022 and this annual increase has now "" dropped out" of the inflation figures. Prices have risen since then, but at a slower rate. From April 2022 to April 2023, domestic gas prices increased by 36% and domestic electricity prices by 17%.

On 8 September 2022 the then Prime Minister announced a new Energy Price Guarantee would be introduced on 1 October, to cap typical consumption at £2,500 a year. It was initially intended to last for two years, but the Chancellor announced on 17 October that it would only last sixth months. In the Autumn Statement 2022 he announced that the EPG would be increased in April 2023 to £3,000 for typical annual consumption and last to the end of March 2024. In the Spring Budget 2023 The Chancellor said that the increase to £3,000 would be put back from April to July 2023.

As well as the humanitarian, military and political impact of Russia's invasion of Ukraine, there are implications for the world economy. For the UK, a key economic effect of the conflict is higher energy prices. After rising following the invasion, gas prices on international markets have fallen steadily, and oil prices (in US dollars) have been falling since June 2022.

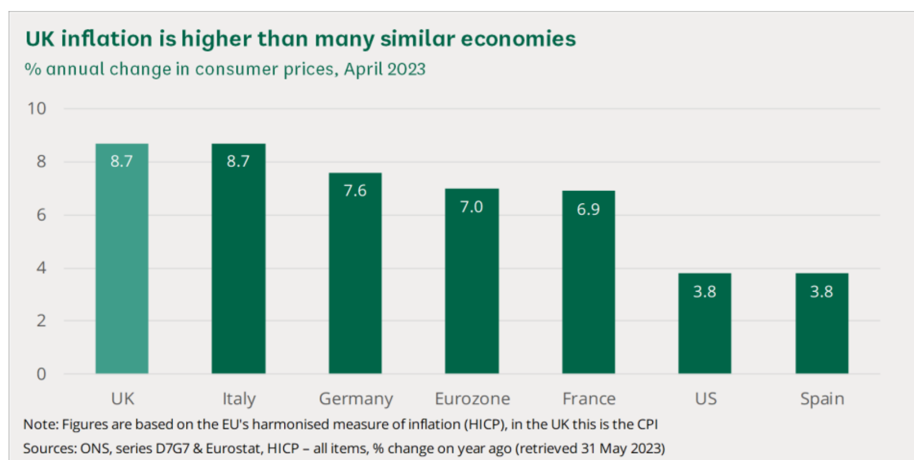
As a result, road fuel prices and household energy bills in the UK have increased. Energy bills for businesses have also increased and are expected to continue to rise. Details of new Government support for businesses, the Energy Bill Relief Scheme, were announced on 21 September 2022.

Russia and Ukraine are also large producers and exporters of agricultural products, such as wheat, and some metals. These products became more expensive on international markets, leading to increases in food and materials prices in the UK, although global commodity prices have eased in recent months.

Inflation around the world

Consumer price inflation rose in many countries during 2021 and 2022. Pandemic-related supply shortages were a major factor. As the global economy recovered from its pandemic-related recession, there was increased demand for products and materials. The conflict in Ukraine also led to higher commodity prices (mainly in the first half of 2022), pushing up inflation around the world.

Inflation rates seem to have peaked in many economies in late 2022, with a decline in the annual rate of inflation evident in 2023. In April 2023, the UK's annual inflation rate of 8.7% was higher than in most comparable economies such as the Eurozone (7.0%), France (6.9%) and the US (3.8%), but the same as in Italy.



Government policies for households

The Energy Price Guarantee (EPG) caps the unit of cost of energy for households. A household's bill will continue to be influenced by how much energy they use, but a typical household could save around £1,500 between October 2022 and June 2023, according to the Government. The EPG is estimated to cost around £27 billion across 2022/23 and 2023/24.

During 2023/24, the Government is also providing cost of living payments of varying size to different recipients. Those eligible include:

- households on means tested benefits who will receive payments totalling £900
- pensioner households who will receive a £300 payment
- people on non-means-tested disability benefits who will receive a £150 payment

Support provided during 2022/23 included:

- £400 off energy bills for all households
- cost of living payments of varying size to different recipients. £650 for households receiving means-tested benefits. £300 for pensioner households and £150 for people receiving disability payments
- a £150 council tax rebate for households in council tax band A to D
- a 5p cut to fuel duty, which has been extended into 2023/24
- a permanent increase to the amount someone can earn before National Insurance Contributions (NICs) are charged

Impact on households

According to the Office for National Statistics, 95% of adults in Great Britain reported an increase in their cost of living in May 2023.

The OBR expects real post-tax household income to fall by 4.3% in 2022-23, the biggest fall since comparable records began in 1956.

The OBR forecasted in March 2023 that real household disposable income per person will fall by 3.2% in 2023, after a 3.1% fall in 2022. Food bank charities are reporting an increase in demand: the Trussell Trust reported that in the year to March 2023 they provided nearly 3 million emergency food parcels, a record number, more than during the pandemic and more than double the number in the same period five years before.

The Bank of England has been raising interest rates to try and lower the inflation rate below its 2% target. They have been raised from 0.1% in December 2021 to 4.5% as of early June 2023.

This has led to higher borrowing costs for households, notably on mortgage interest rates. The reaction on financial markets to the mini Budget of 23 September 2022 led mortgage providers to further increase interest rates on the mortgages they offer. Since then, mortgage rates have come down again, though they remain well above their levels of prior to 2022.