

# The Spring Statement 2022

March 2022

The Chancellor set out [additional measures](#) to tackle the cost of living in [The Spring Statement](#) (23rd March). There were very few new announcements.

All measures to date at a UK level can be read in this cost of living [factsheet](#).

**On inflation:** The Office for Budget Responsibility (OBR) forecasts annual inflation to reach 7.4% in 2022, but peak inflation to reach 8.7% in Q4 2022. It forecasts a decrease to 4.0% in 2023 and 1.5% in 2024. Inflation is then forecast to be 1.9% in 2025 and 2.0% in 2026.

However, the OBR also emphasised there is significant economic risk and that, if energy prices remain as they are by June 2023, the UK may face a “more persistent increase in the price level and fall in real household incomes.”

In addition, [it expects](#) real living standards to fall by 2.2% in 2022-23 due to high inflation and net tax increases from April. It says this will be the “largest financial year fall on record – and not recover their pre-pandemic level until 2024-25.” (para 1.2).

The UK Government has stressed that the war between Russia and Ukraine will prolong existing increased supply chain pressures faced by firms, which could affect UK growth and inflation in the short term.

## Relevant measures announced today are:

**Fuel duty** will be cut by 5 pence per litre, from 18.00 on March 23<sup>rd</sup>, for one year. The UK Government says this will save the average UK car driver around £100, van driver around £200 and haulier around £1,500, based on average fuel consumption

**The Household Support Fund** will increase by £500 million, from April 2022, to £1 billion. The Fund is designed to help with the cost of essentials such as food, clothing and utilities. It isn't yet clear how the Welsh Government will spend any additional funding. Devolved administrations will receive an additional £79 million in funding through the Barnett formula.

**The National Insurance threshold** will increase by £3000 this July (instead of only £300). People won't pay any national insurance or Income Tax until earning £12,570.

**Eligible small businesses and charities** will benefit from an increase to the [Employer's Allowance](#), from £4,000 to £5,000 per year.