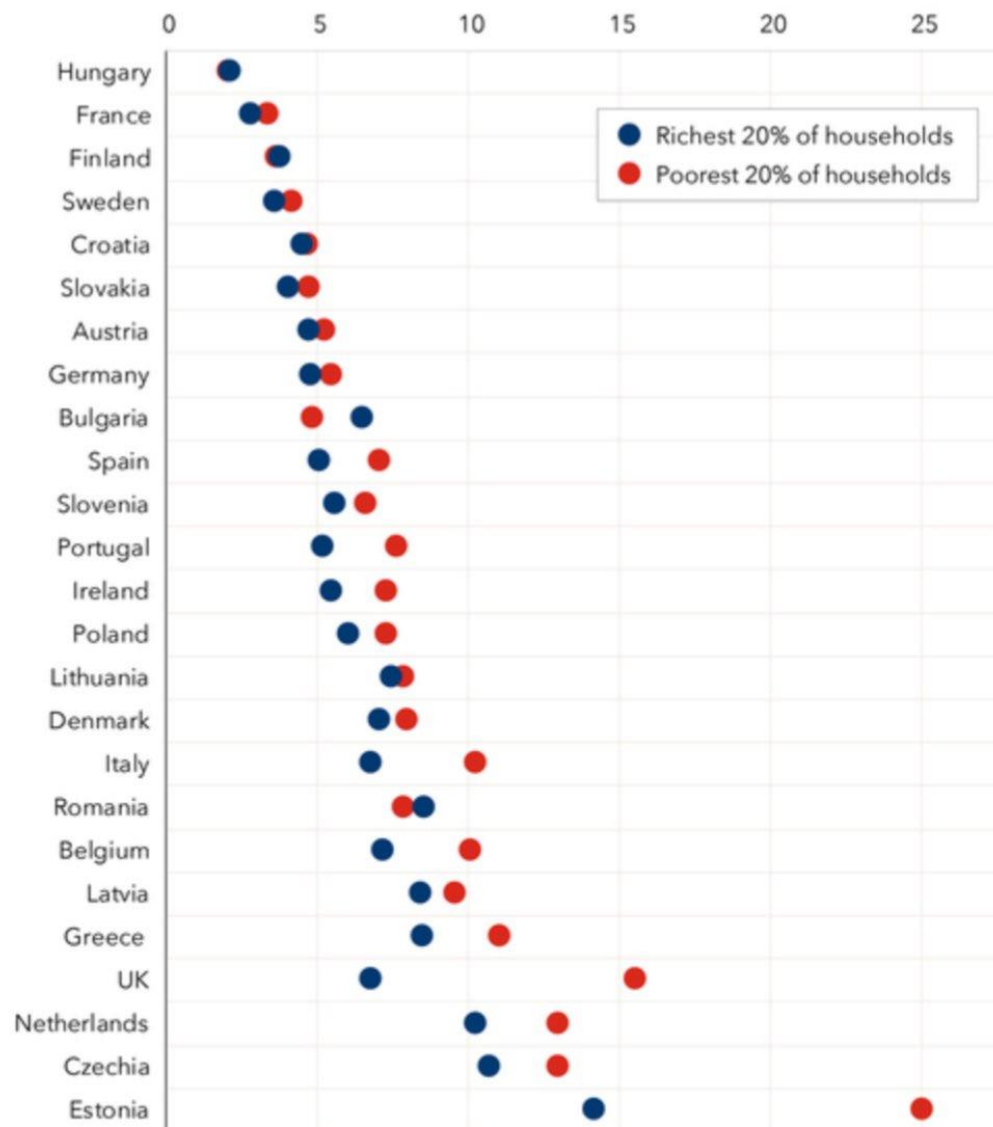


## Poorest under pressure

The cost-of-living increase is larger for lower-income households.

(cost of living increase from higher energy prices, in percent of total household spending)



Comment on  
the graph

Sources: Bloomberg Finance L.P., Eurostat, and IMF staff estimates using CPAT.  
Note: Price increases compare the current projected prices for 2022 based on May 2022 futures prices, with those based on January 2021 futures prices.

# What The Graph 22: teacher notes

## Notes/comments

- This comes from the (IMF) International Monetary Fund's blog.
- There is a lot to understand here! (It is a good representation of the data, but complicated!)
- It focuses on the increase in energy prices and uses this as a proxy for "the cost-of-living". (There are other things to factor into cost-of-living too, such as rent/mortgage, food, council tax, etc)
- What does "energy" mean? Electricity, gas and heating oil? Anything else?
- The increase in energy prices is shown as a percentage of household spending. So for Estonia (last country), does the red dot mean the increased cost of energy is 25% of household spending?
- Are some of the differences between countries caused by the different energy types they use? Eg if one country generates more electricity from wind turbines while another does so from gas, then a massive increase in gas prices will affect the second country more than the first because wind is still free (though it does cost money to make, put up and maintain the windmills).
- The blue dot shows the figures for the richest 1/5 of households. (What does that mean? Biggest salary per household, or largest amount of money or ...? Or highest salary on average per person in the household?) the red dot is for the poorest 1/5 of households.
- If energy costs are going up the same for everyone in a country, how can this graph be different for the blue and for the red dots? If rich and poor families generally spend the same amount on energy then an increase of £100 will be a bigger percentage of the poor families' income.
- Presumably richer people have bigger houses and spend more on energy as a result, but this is still cancelled out by their much greater wealth.
- Are richer people more likely to have solar panels, thereby getting cheaper energy?
- I guess the graph is in order of average increase across each country.
- This shows the danger of using averages, because the increase is so much bigger for poorer people.
- How is it possible that for a few countries the rich have a bigger increase than the poor? (Maybe their houses are vastly bigger, or perhaps there is welfare support for the energy bills of the poorest, say, 10% of society?)
- Which country has the biggest multiplier to turn the blue into the red? (The UK: 7 for blue and 16 for red – it's the only country where it's more than double the amount.)
- What effect might this have on families? Presumably poorer families might have to go without other vital things (less food?).

Source: <https://blogs.imf.org/2022/08/03/how-europe-can-protect-the-poor-from-surging-energy-prices/>