

Your Health and Inflation: Understanding the Impact

You may not have experienced it before, but you've probably noticed a hit to your back pocket as a result of 'rising inflation' over the last few months. If you feel like your dollar is not going as far as before, you're not imagining it – expensive groceries, higher interest rates and falling wages are only a few of the things putting pressure on our financial (and personal) health.

Inflation is what drives up the price of common household goods and services. As a rule, the price of everyday necessities rise and fall with time, but the current rise in inflation is the result of some very unusual events. The impact of COVID-19 and global supply chain issues saw a fall in consumer spending, productivity, and an overall slowdown.

Post-COVID, the larger economy is back in full swing, but so is demand – for goods, necessities, profits, workers, and wages – meaning higher prices and cost of living pressures.

BUT WHAT DOES IT MEAN FOR YOU?

The inflation rate reached 7.8% in January - the highest level since 1990.

One way to see how this translates into everyday spending is to look at the Consumer Price Index (or CPI), which measures the percentage change in the price of household goods and services. This covers everything from food prices, rent, utilities and education and insurance costs.

The CPI rose by 7.1% over the last 12 months, meaning that the cost of food, rent, petrol and other necessities has increased:

- Gas prices have risen from 22.8% to 35% over the December – March quarter, driven by demand in major cities.
- The cost of food has soared in recent months, with an average 9.2% increase across the board in the December quarter. Food inflation is expected to continue to mid-2023.
- Rents in Australian capital cities have risen 11.7% over the last 12 months, equivalent to \$63 a week, or \$3,200 a year. **(Source - The Guardian)**

To make everything more complicated, rising inflation and CPI are linked to rising interest rates. Interest rates are used by central banks to control very high inflation, but this can create added financial strain for those of us borrowing money for mortgages and other necessities.



HOW CAN YOU MANAGE THE IMPACT OF INFLATION?

In reality, rising inflation, CPI and other measures don't help account for how the changes to our cost-of-living pressures can impact us in our daily lives. Inflationary pressures can affect everyone, but the impact is often not just financial: our mental health can suffer when we worry about the basics, like food, housing and healthcare.

It's not great for our physical wellbeing, either. Constant financial stress can create feelings of chronic anxiety, exhaustion, and strain our relationships with others because of stress.

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If you're feeling financially stressed or you're worrying about your financial situation, there are practical measures you can take:

- **Create a budget:** Creating a budget is necessary in periods of uncertainty, and making sense of your expenses can help you manage your finances more effectively. It's also a way to put money aside for unplanned expenses or emergencies.
- **Stay informed:** You don't have to watch the news 24/7 and make yourself feel worse, but it helps to stay informed about what is happening around inflation. Understanding how factors like inflation can affect your spending is a proactive way to plan ahead.
- **Take care of your physical and mental wellbeing:** Taking care of your health is one thing you can control in uncertain times like this. In the same way that managing your finances can give you confidence about the future, managing your health through good sleep, eating well and staying connected with friends and family can help ease stress and anxiety. It can also be beneficial to speak to a health provider if you need extra support.

If you're struggling with any of the issues raised in this article, your EAP is here to help. Money Assist is one way your EAP can give you support and guidance on all matters financial. Contact Converge at 1300 687 327.

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