

News in Review

22 February 2023

"The peak may have started to pass but prices have settled at a much higher level than two years ago"



Last Wednesday, the Office for National Statistics (ONS) released its latest UK inflation figures, which revealed the Consumer Prices Index (CPI) rose by 10.1% in the year to January.

This increase is below the figure of 10.5% recorded in December 2022 and also represents a monthly fall of 0.6% (compared with a fall of 0.1% in January 2022). Although slowing, therefore, CPI remains significantly above the Bank of England's target of 2%. Before 2022, the last time inflation rose above 10% was in February 1982.

Food inflation is at a 45-year high, up 16.7% on the year to January. Specifically, olive oil, sugar and low-fat milk prices have all soared by more than 40%.

Commenting on the figures, David Bharier, Head of Research at the British Chambers of Commerce said, *"A further easing in the rate of inflation to 10.1% continues a very slow move out of the peak. The stubbornly high rate means that we are now seeing a compounding effect on what was already a spiking inflation rate this time last year. The peak may have started to pass but prices have settled at a much higher level than two years ago."*

UK shop sales rise

UK retail sales volumes rose by 0.5% in January, according to figures released on Friday by ONS, providing an unexpected boost for the sector.

Despite ongoing inflationary and cost-of-living pressures, shoppers spent

more than expected in January, with many taking advantage of post-Christmas discounts. Online shops were also boosted by sales promotions, the figures show.

In the same release, however, it was revealed that December's retail sales were even weaker than previously estimated. Darren Morgan Director of Economic Statistics at ONS said, *"After December's steep fall, retail sales picked up slightly in January, although the general trend remains one of decline"*.

Nicola Sturgeon resigns

The Scottish National Party leader has resigned as Scotland's first minister after more than eight years in the role, saying that she knew *"in my head and in my heart"* this was the right time to step down *"for me, for my party and for the country"*. Ms Sturgeon is the longest serving first minister and the first woman to hold the position. She intends to remain in office until her successor is elected.

Contactless payments take off in 2022

The total value of contactless payments jumped by almost 50% in 2022, with the average user making 220 'touch and go' transactions throughout the year, according to newly released data compiled from billions of Barclays debit and credit card transactions.

The average annual contactless spend was £3,327 per person, with 91.2% of all eligible transactions made using the technology. Contactless payments were given a boost in the past year thanks to the transaction limit rising to £100

and the easing of all coronavirus restrictions.

Northern Ireland and Scotland are the fastest growing regions for contactless usage, Barclays noted, while the hotels, resorts & accommodation category (+101.4%), electronics (+97.5%) and bars, pubs & clubs (+91.9%) were the biggest growth sectors.

UK housing market stays steady

The latest government UK House Price Index for December shows that average UK house prices rose by 9.8% in the year to December 2022, compared to 10.6% in the 12 months to November 2022.

The average house price was £294,329, only slightly below November's record. In England, average prices increased to £315,000 (+10.3%); in Wales, they reached £222,000 (+10.3%); in Scotland £187,000 (+5.7%) and in Northern Ireland £175,000 (+10.2%).

Markets

After hitting the 8,000 milestone for the first time last week, the FTSE 100 closed lower on Tuesday to finish on 7,977.75. This was despite an announcement from HM Treasury of an unexpected budget surplus of £5.4bn in January, boosted by the highest self-assessment tax receipts since records began in 1999. This was against consensus expectations of a £7.8bn deficit.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.