

News in Review

26 April 2023

"With food price inflation likely to slow in the coming months as we enter the UK growing season, we expect wider inflation will continue to ease"



The latest figures from the Office for National Statistics (ONS) highlight that the Consumer Prices Index (CPI) increased by 10.1% in the 12-month period to March 2023, down from 10.4% in the year to February. A poll of economists had predicted that inflation would fall below 10% in the month, but soaring food and drink prices meant the fall was only 0.3%.

Although lower than the peak of 11.1% last October, double-digit inflation is persisting. Among the most notable upward contributor to CPI was the food and non-alcoholic beverages sector, where prices rose by 19.2% in the year to March. This annual rate is the highest seen in over 45 years. Products with the largest price jumps included olive oil (49%), milk (38%) and ready meals (21%).

Chief Executive of the British Retail Consortium, Helen Dickinson, predicts that food price inflation is likely to slow in the coming months, *"While households will be pleased to see that inflation may have passed its peak, prices are still high... With food price inflation likely to slow in the coming months as we enter the UK growing season, we expect wider inflation will continue to ease."*

She continued, *"Prices for consumers will remain high, especially as household bill support is lifted. Retailers remain committed to helping their customers and keeping prices as low as possible, by expanding value ranges and offering discounts for vulnerable groups."*

Following the latest inflation figures there are expectations that the Bank of England

will look to raise Bank Rate again in May as inflationary pressures persist.

UK inflation is higher than in many other western countries, including France, Germany, Italy and the US. Official data released last week showed eurozone headline annualised inflation had eased to 6.9% from 8.5%. It is reported that persistently high core readings indicate European Central Bank policymakers will look to raise interest rates again at their next meeting in early May.

Retail sales impacted by the weather

UK retail sales data released by ONS on Friday show a higher decline in sales volumes than expected, with early estimates registering a 0.9% fall in March, following a 1.1% rise the previous month. Volumes were impacted by soaring inflation, food availability and the wet weather dampening shopping activity, with people choosing to stay at home. The data release goes on to state, *"Looking at the broader picture, sales volumes rose by 0.6% in the three months to March 2023 when compared with the previous three months; the first three-month on three-month rise since August 2021."*

Consumer confidence – a "sudden flow of optimism"

According to the latest consumer confidence measure on Friday from GfK, despite cost-of-living pressures, British consumers were their most upbeat in over a year this month as they took a more positive view of the health of the economy and their own financial circumstances. The rebound in April was clear, with the index rising six points

to -30 in April, the highest level since February 2022. In addition, a measure regarding personal finances over the forthcoming year rose eight points to -13, and expectations for the UK economy in general rose six points to -34.

Client Strategy Director at GfK, Joe Staton commented on the findings, *"As food and energy prices continue to rise, and inflation eats into wages, the cost-of-living crisis is a painful day-to-day reality for many. But are all consumers buckling under the pressure? On the evidence of April's confidence figures, the answer is no. Instead, there's a sudden flowering of optimism with big improvements across the board."* Mr Staton continued, *"The brighter views on what the general economy has in store for us, with April's six-point rise cementing a 20-point improvement since January, could even be seen as the proverbial 'green shoots of recovery.'"*

Private sector growth

Business activity has grown for the third consecutive month, the latest purchasing managers' index (PMI) has shown. In April, service sector growth underpinned the fastest rise in UK private sector output for a year, with firms reporting resilient consumer spending, according to the latest survey results. The index registered a score of 53.9 this month, up from 52.2 in March, and above analysts' consensus forecasts of 52.5.

Here to help

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