

News in Review

23 August 2023

"Inflation has fallen rapidly over the past six months"



The latest inflation data from the Office for National Statistics (ONS) has shown that the Consumer Prices Index (CPI) measured 6.8% in the 12 months to July 2023, down from 7.9% in June, the lowest rate since early 2022.

Prime downward contributors during the month derived from the housing and household service division, specifically lower gas and electricity prices. Food and non-alcoholic beverages, including milk, bread and cereals also helped temper the rate; while flight and hotel prices, the cost of eating out, alcohol and tobacco prices continued to rise.

Although considerably lower than its peak last autumn, if you exclude food and energy prices, core inflation increased at an unchanged annual rate of 6.9%; prices in the services sector increased at a faster pace, recording 7.4% in July, from 7.2% in June.

Looking over a six-month period to July 2023, the monthly reduction from 7.9% to 6.8% was the sharpest six-month fall in inflation since September 1992. Research Director at the Resolution Foundation, James Smith commented on the new dataset, *"Inflation has fallen rapidly over the past six months, but the UK still has the highest rate in the G7 and the Bank faces a daunting task in further taming price pressures... The UK has experienced the third largest price pressures of any advanced economy since the pandemic. This highlights just how painful this cost-of-living crisis continues to be and how unwise it would be to meddle with policies like benefits uprating*

that are designed to protect families from price pressures like this that are beyond their control."

Looking ahead, Suren Thiru, Economics Director at ICAEW thinks that although *"another interest rate rise in September looks inescapable, this drop in inflation may drive a more notable voting split in the Monetary Policy Committee next month, particularly as worries over the UK economy grow."*

Weather dampens retail sales in July

The soggy summer weather took its toll on retail sales last month, new statistics from ONS have highlighted. Estimates show that retail sales fell by 1.2% in July, following a rise of 0.6% in the previous month. Economists polled by Reuters had forecast a 0.5% fall in volumes. It was a poor month for supermarket sales, demonstrating the impact of interest rate hikes, combined with wet weather, resulting in reduced footfall. The 2.6% fall in retail sales volumes at food shops can be partly attributed to a reduction in food sales, but a large proportion was due to a tailing off in clothing sales at supermarkets.

However, with people avoiding the weather, choosing to shop from the comfort of home, online promotions meant the proportion of sales made via the internet increased from 26% in June to 27.4% in July, the highest level since February 2022.

Card use on the rise

Newly released card spending data from UK Finance has shown that both

credit and debit card transactions have increased year-on-year to May 2023. In addition, outstanding balances on credit card accounts grew by 8.8%. Transactions have been dominated by contactless payments for both debit cards (76%) and credit cards (63%). The report highlighted, *'The total value of contactless transactions was £24.5bn in May, a 11.5% increase on £22bn in May 2022... the number of contactless credit card transactions was 10.2% higher than May 2022, the number of contactless debit card transactions was 7.1% higher than May 2022.'*

Q2 savers confidence on the up

An uptick in savers confidence was noted during Q2 in a survey by Paragon Bank, which showed almost two thirds of savers (62% of 1,750 surveyed) felt confident in their financial position, an increase from 44% recorded in Q1 2023. Almost one fifth (18%) of respondents lacked confidence in the quarter, versus 25% in Q1. Levels of confidence varied by age groups, with 69% of those aged 65 to 74 declaring confidence in their financial position, versus 61% of those aged 55 to 64 and 56% of 45 to 54 year olds. Although there is an improvement in confidence, savers are continuing to adjust their spending by cutting back on food shopping, dining out, holidays and home energy usage, to cope with inflationary pressures, according to the survey.

Here to help

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