

## News in Review

28 May 2025

*"April's rise in inflation was widely expected"*



The latest inflation data from the Office for National Statistics (ONS) shows the Consumer Prices Index (CPI) rose by 3.5% in the 12 months to April 2025, a sharp increase from the 2.6% reading in the 12 months to March. This uptick was higher than expectations, with a Reuters poll of economists predicting 3.3% and the Bank of England (BoE) 3.4%. It marks the highest rate in over a year.

During the month (April), CPI rose by 1.2%, compared with a rise of 0.3% the previous April. The pickup in the rate can be attributed to increases in household bills, with electricity, water and gas prices increasing on 1 April. Service price inflation also leapt 5.4% in the 12 months to April, outpacing expectations of between 4.8-5.0%. In April, service prices elevated 2.2%, representing the largest increase in 34 years.

Air fares also contributed to the increase. ONS noted that the timing of the Easter holiday, which fell in April this year, likely contributed to the sharp rise in fares - up 27.5% from March - marking the second-largest monthly increase for April ever recorded.

The BoE expects inflation to peak at 3.7% between July and September.

Principal Economist at the CBI Martin Sartorius said, "April's rise in inflation was widely expected, driven by a perfect storm of price pressures such as higher employer National Insurance contributions, the National Living Wage increase, and a hike in the Ofgem price cap. Looking ahead, the

Bank of England expects that inflation will stay above 3% this year, as these pressures continue to impact household's cost of living. This suggests that the Monetary Policy Committee is likely to hold rates in its next meeting, especially after May's finely balanced decision to cut. Beyond then, the MPC will reduce borrowing costs at a gradual pace, as it assesses how price pressures are developing in the economy."

### ISA allowance to be preserved

Last week, Rachel Reeves confirmed the £20,000 annual limit on ISAs (Individual Savings Accounts) will not be reduced, as widely speculated. However, she did not directly rule out the idea of cutting the cash ISA allowance while retaining the overall limit.

Some have speculated that the cash allowance could be cut to encourage people to invest instead and kickstart economic growth, one of the government's primary objectives. The Chancellor commented, "I'm not going to reduce the limit of what people can put into an ISA, but I do want people to get better returns on their savings, whether that's in a pension or in their day-to-day savings."

She continued, "At the moment, a lot of money is put into cash or bonds when it could be invested in equities, in stock markets, and earn a better return for people. But I absolutely want to preserve that £20,000 tax-free investment that people can make every year."

The Chancellor is expected to announce a consultation seeking views from across the City of London on potential reforms

to the ISA market. The upcoming Mansion House speech in July is widely anticipated as the platform for launching the consultation.

### Winter fuel payment U-turn

At the start of Prime Minister's questions last week, Keir Starmer announced a U-turn on the winter fuel payment for pensioners. He said that more pensioners will be eligible for payments, adding that the government will make decisions based on affordability. Last year, the government made the benefit means-tested, which eliminated over nine million people from the payment (of up to £300). After the changes, only pensioners with annual incomes below £11,500 were eligible for the payment. The revised eligibility criteria are expected to be outlined in the Autumn Budget. Downing Street has not confirmed when the changes will be implemented.

A spokesperson for the End Fuel Poverty Coalition commented, "Any U-turn is welcome, but what matters now is the detail, especially if Winter Fuel Payments are not restored to all pensioners. Any dilution of the proposals will mean fewer older people can be helped to reduce their energy use in a safe way. Pensioner fuel poverty is often hidden away behind closed doors and ultimately pensioners need warm, energy-efficient homes, not more sticking plasters."

### Here to help

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