

UK Retail Inflation

Monthly report

Consumer Prices

1.8%

The Consumer Price Index rose by 1.8% in January, year-on-year, up from the 1.3% rise in the previous month.

CPIH Inflation

1.8%

The Consumer Price Index, including owner occupiers' housing costs, rose by 1.8% in January, year-on-year.

Food Prices

1.4%

Food and Non-alcoholic beverages inflation rose by 1.4% in January, year-on-year.

Producer Prices

1.1%

The Producer Price Index for outputs rose by 1.1% in January, year-on-year, rising on the previous month.

Shop Price Inflation

-0.3%

The BRC-Nielsen Shop Price Index reported prices fell 0.3% year-on-year in January.

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What you get from our UK Retail Inflation reports

- ✓ **Key economic trends from the latest available data to inform your decisions**
- ✓ **Insight on the impact of inflation on households**
- ✓ **Analysis on the key drivers of inflation to support your strategy**
- ✓ **A comprehensive view of different measures of inflation affecting retail**
- ✓ **Insight on where inflationary pressures are within the supply chain**
- ✓ **Learn about the cost pressures retailers are facing and how they are reacting**
- ✓ **Covid-19 related insights to assist your forward planning**



COVID-19 Service

We conduct extensive research and analysis on the impact of coronavirus (COVID-19) on the UK retail and leisure industry. Our service consists of frequent, timely analysis and updates in a variety of formats so you can absorb the information quickly in a way that best suits you.

What you get

1. Impact assessment reports for UK retail and leisure

These reports provide an in-depth analysis of the COVID-19 impact on the UK retail and leisure industry including consumer panel surveys, economics analysis, forecasts and other insights.

2. COVID-19 Quick Responses

Get the latest updates from retailers and the wider industry on the impact of COVID-19 as an when it happens - delivered directly to your inbox.

3. Consumer panel research

For the critical duration, we conduct fortnightly surveys using a panel of over 2,000 households to measure: 1) Behavioural shifts 2) Confidence 3) Sentiment These extensive surveys have proved to be a very accurate indicator of future trading vulnerabilities for the industry.

4. Weekly newsletter

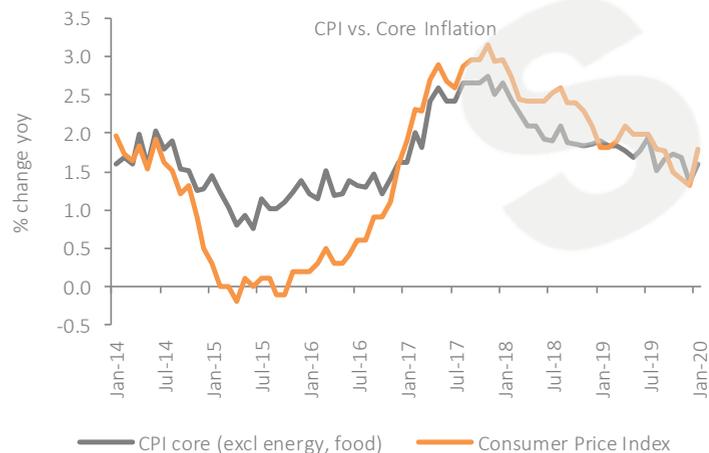
Every week we produce a summary of all the 'need-to-know facts and stats' related to the impact of coronavirus on the retail and leisure industry broken down by sector (e.g. clothing & footwear, food, home and more) and by channel.

5. Economic chartbook

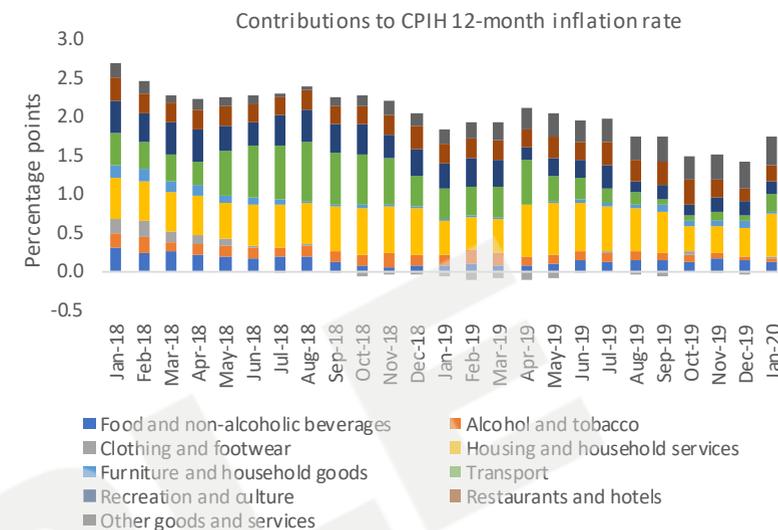
Produced monthly, a summary of all the critical macroeconomic data and trends in an easily digestible chartbook format. Ideal for identifying trends.

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- The headline Consumer Price Index (CPI) rose by 1.8% year-on-year, in January, rising from the 1.3% uplift in the previous month. This was a six-month high and ahead of the consensus view of an 1.6% rise.
- That said, it was in line with the Bank of England’s forecast in their recent Monetary Policy Report and thus we are unlikely to see any movement in Bank Rate when the Monetary Policy Committee (MPC) meet next month, given the markets response to today’s better than expected rise in inflation.
- The Consumer Price Index including owner occupiers’ housing costs (CPIH) 12-month inflation also rose, rising to 1.8% year-on-year. Similarly, the Retail Price Index (RPI) and RPI (excluding mortgage payments, RPIX) rose to 2.7% and 2.8% respectively.
- The largest upward contribution to the change in the 12-month CPI rate came from housing and household services (0.19 percentage points, pp), driven by gas and electricity prices which were unchanged this January, but fell a year earlier as a result of the introduction of the energy price cap on 1 January 2019.
- Transport (0.14pp) made the second-largest upward contribution driven by higher prices at the pump this year compared with last. Indeed, petrol prices increased by 2.3 pence per litre (ppl) to 126.9ppl while diesel prices rose 2.6ppl to 132.5ppl. Further upward pressure within the category was exerted by airfares which rose 17.9% between December 2019 and January 2020 compared with a 25.5% fall between the same two months a year earlier.
- Clothing & Footwear (0.07pp) also made a large upward contribution, driven by women’s clothing. Prices for clothing fell 3.3% between December 2019 and January 2020 compared with a larger decline of 4.6% between the same two months a year earlier.



Source: ONS

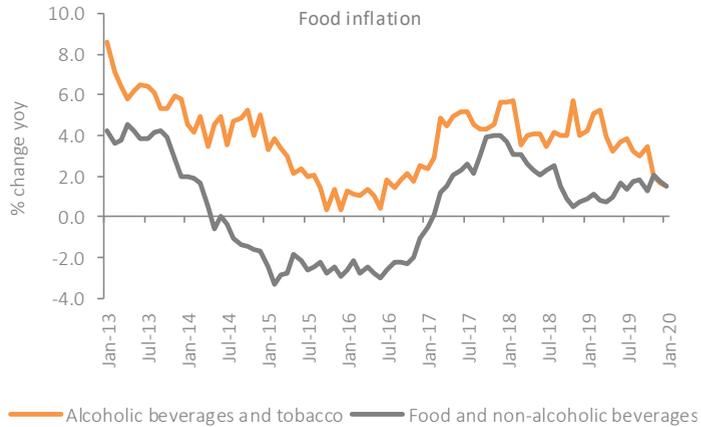


Source: ONS

- A large downward contribution came from the furniture, household equipment and maintenance sub-category where prices fell at a sharper rate this year compared with last, driven by furniture and furnishings (notably double beds and settees).
- Elsewhere, a small downward contribution came from Food & Non-Alcoholic Beverages (0.02pp) with prices falling marginally this year compared with a small rise a year earlier. Downward pressure was exerted by margarine and low-fat spreads, fish, fruit and fruit squash which was somewhat offset by upward pressure from breads and cereals and the category which contains sugar, jam and chocolate.
- Rising pressure from some core basket components pushed up the core inflation rate (which excludes food and energy prices) to 1.6% year-on-year.
- A further pick up in input prices in January suggests that pressure in the supply chain is building which could exert upward pressure on consumer prices in coming months. Indeed Input Price Inflation rose 2.1% year-on-year, from 0.9% in the previous month – the sharpest rise since April 2019. Five out of nine components of the input PPI rate made positive contributions, notably crude oil and imported metals. Output Price inflation also rose, up 0.2 percentage points to 1.1% year-on-year.
- Looking ahead, we expect inflation to fall back next month and to remain at modest levels during the first half of 2020 as a number of regulatory measures come into effect. Indeed, inflation is expected to fall to as low as 1.2% by mid-2020.

Food & Non-alcoholic Beverages

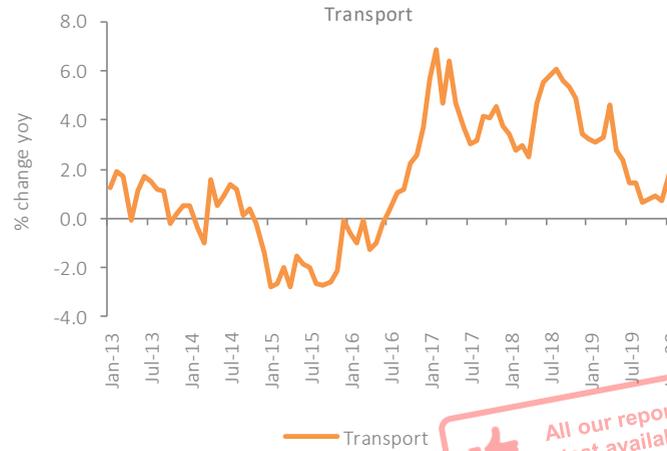
Overall Food & Non-Alcoholic Beverages inflation continued to slow in January, up 1.4% year-on-year, from 1.7% in December. Downward pressure was exerted by margarine and low-fat spreads, fish, fruit and fruit squash while breads and cereals and the category which contains sugar, jam and chocolate exerted upward pressure.



Source: ONS

Transport

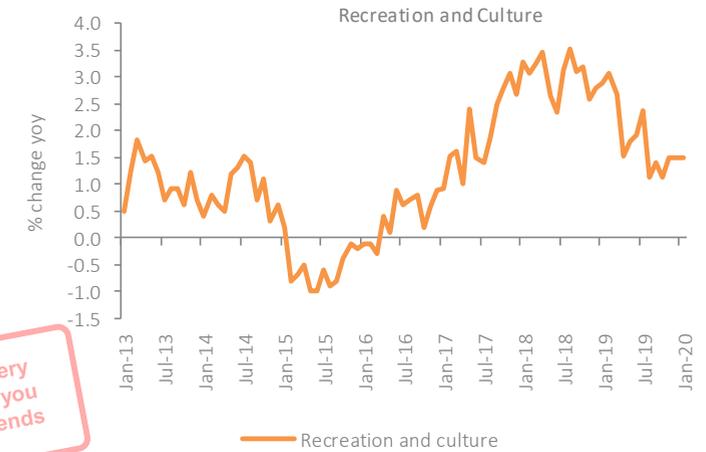
As expected, inflation in the Transport category rose in January to 1.8% year-on-year. Upward pressure was provided by rising prices at the pumps while airfares also exerted upward pressure, which rose 17.9% between December 2019 and January 2020 compared with a 25.5% fall a year ago.



Source: ONS

Recreation & Culture

Annual inflation for Recreation & Culture rose by 1.5% year-on-year in January, unchanged for the third consecutive month. Within the category, the recreational and cultural services component continued to demonstrate slowing inflation while audio-visual equipment and related products remained deep in deflationary territory.

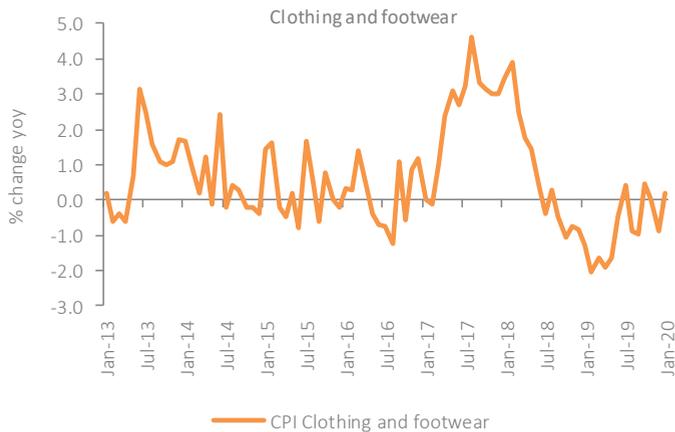


Source: ONS

All our reports draw on the very latest available data keeping you abreast of the most recent trends

Clothing & Footwear

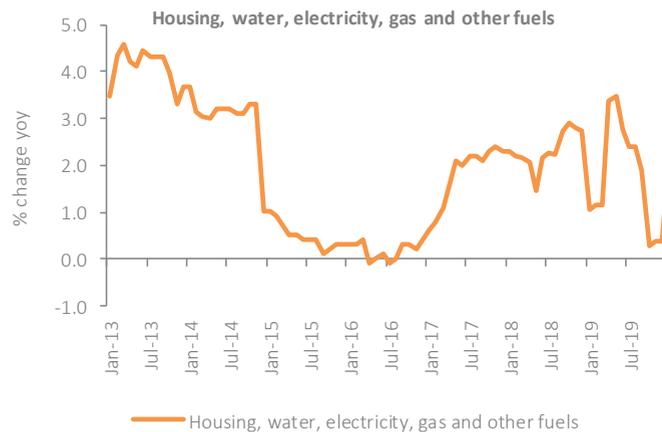
The Clothing & Footwear category returned to inflationary territory in January, rising 0.2% year-on-year. Upward pressure was exerted by women's clothing, with prices falling at a shallower rate this year (-3.3%) compared with a year ago (-4.6% in 2019).



Source: ONS

Housing, Water, Electricity, Gas & Other fuels

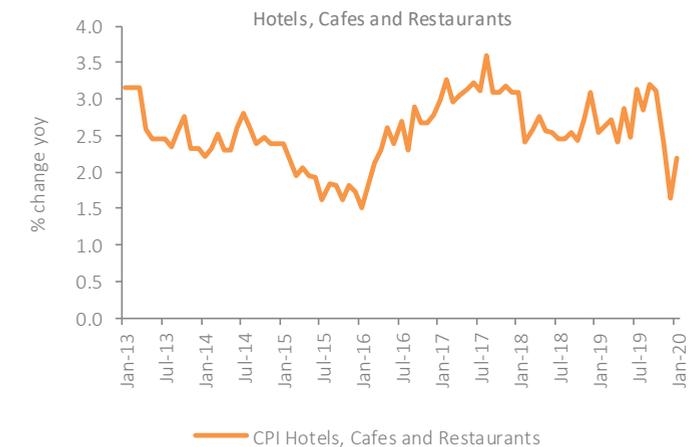
Inflation in the Housing, Water, Electricity, Gas & Other Fuels category rose sharply in January up 2.0% year-on-year. This was driven by prices of gas and electricity being unchanged this year, but falling a year ago as a result of the introduction of the energy price cap on 1 January 2019.



Source: ONS

Restaurants & Hotels

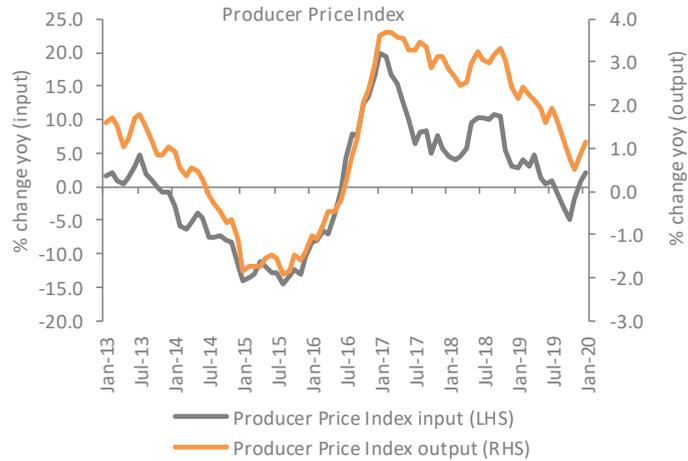
Inflation across Restaurants & Hotels picked up in January, up 2.2% year-on-year, from 1.6% in the previous month. Upward pressure was exerted by catering services which reported a marginal rise in its inflation rate. Furthermore, accommodation services reported a deceleration in its deflation rate.



Source: ONS

Producer Prices

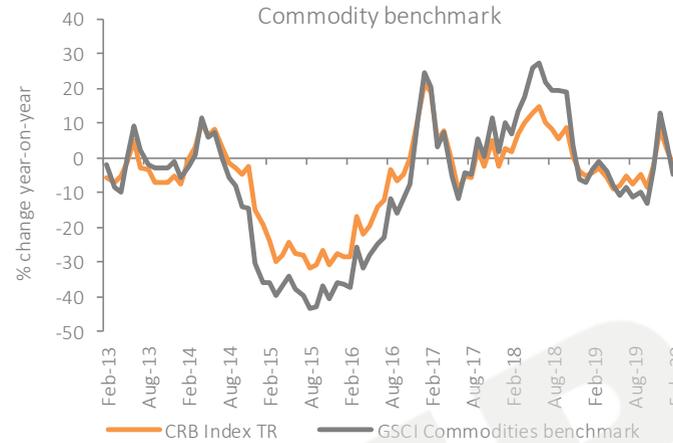
Pressure in the supply chain accelerated in January with input price inflation rising to 2.1% year-on-year, the sharpest rise since April 2019. Factory gate inflation also rose, up 1.1% year-on-year. This could exert upward pressure on consumer prices in coming months.



Source: Datastream

Commodities

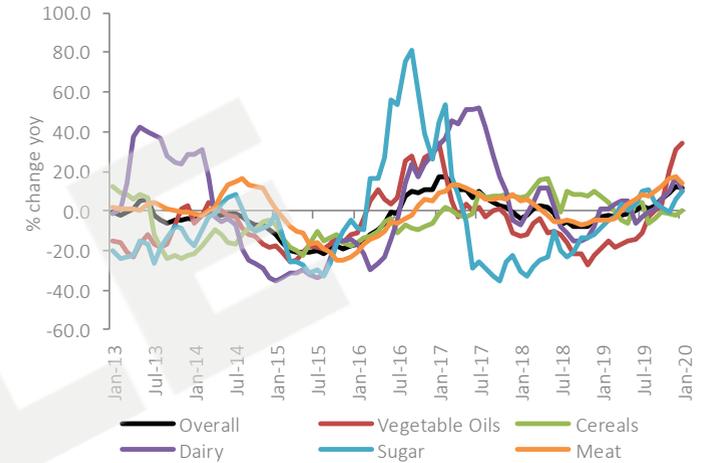
Both commodity benchmarks we follow fell back in February. Indeed, the Thomson Reuters CRB Index fell 2.2% year-on-year, compared with a 4.9% fall in the GSCI Commodities benchmark.



Source: Datastream

UN-FAO Food Price Index

Global food prices rose 11.3% year-on-year in January and 0.7% on the previous month — the fourth consecutive month to report a rise. Rising prices of vegetable oils, sugar, cereals and dairy exerted upward pressure, outweighing declining meat prices.



Source: UN-FAO Food Price Index

Exchange Rates

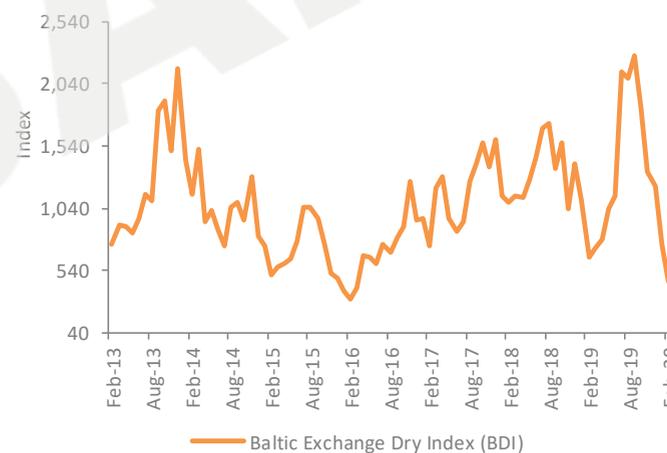
Sterling's trade weighted index rose 3.3% year-on-year in January, but fell 0.3% on the month. The better than expected rise in inflation in January resulted in an uplift in Sterling (against other currencies). That said, it remains vulnerable to ongoing EU-UK trade negotiations.



Source: Datastream

Baltic Dry Index

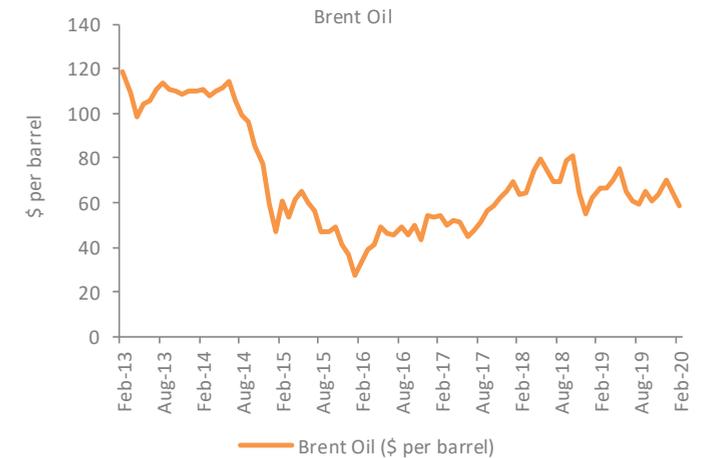
The Baltic Dry Index (indicative of shipping costs) continued to decline in February, down 40% on the previous month and 30% year-on-year (as of 19 February 2020). Falling rates of both capsize and panama segments exerted downward pressure on the index as demand continued to falter.



Source: Datastream

Oil Prices

The average price of a barrel of oil stood at \$58 (as of 19 February), falling 9.6% on the month, and down 13.0% year-on-year. Concerns over the impact of the coronavirus outbreak on oil demand has weighed on prices in recent weeks.



Source: Datastream

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Food & Grocery retail sales index
Bespoke sector specific economic analysis
Food online sales and penetration rates
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Clothing & Footwear retail sales index
Bespoke sector specific economic analysis
Clothing online sales and penetration rates
Consumer trends for online shopping
Spend on clothing by region and more. [More info >](#)



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Homewares retail sales index
Bespoke sector specific economic analysis
Homewares region spending data
Analysis of key economic drivers such as house moves, personal finances etc.
Weather data and more. [More info >](#)



Furniture & Flooring

Furniture & Flooring retail sales index
Bespoke sector specific economic analysis
Consumer trends for online shopping
Analysis of key economic drivers such as consumer confidence, credit and lending
Regional footfall statistics and more. [More info >](#)



DIY & Gardening

DIY & Gardening retail sales index
Bespoke sector specific economic analysis
DIY & Gardening region spending data
Analysis of key economic drivers such as weather data, 'improve not move' trends
Executive summary and more. [More info >](#)



Electricals

Electricals retail sales index
Bespoke sector specific economic analysis
Consumer trends for online shopping
Analysis of key economic drivers such as disposable income growth, product launches etc.
Electricals inflation and more. [More info >](#)



Health & Beauty

Health & Beauty retail sales index
Bespoke sector specific economic analysis
Health & Beauty shopper trends such as 'lipstick effect', own-brand cosmetics etc.
Impact of digital and social media
Household spend by region and more. [More info >](#)

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Get the personal touch from senior staff members — Richard Lim (CEO) & Stephen Robertson (Chairman) being in popular demand.



Retail Cost Base Index

Essential for improving your financial planning strategy
Gain a deeper understanding of your operating costs in order to manage risk. Learn how macroeconomic factors might affect your supply chain. Producer Price Index (inputs and outputs) data. Understand the impact of labour costs, business rates etc.



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Get the precise data you're looking for and accurately answer key retail questions. It cuts through the noise and enables us to deliver bespoke reporting tools which are relied on by executive teams to identify the need-to-know economic indicators and to interpret what they mean for your business.



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Secure the attention your work deserves and achieve its intended impact. We assist and advise on: campaign creation and planning, media engagement, messaging, propositioning, events, trends, insight analysis, thought leadership and influencer targeting.



COVID-19 Service

Better assess the impact of the coronavirus crisis; essential to inform critical decisions, mitigate risk and to plan ahead in such challenging times.

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Using industry standard methodology and best practices, we provide bespoke proprietary data and benchmarking services allowing you to accurately measure and monitor performance.

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Better understand how your key industry variables affect your organisation: demography, socio-economic profiles, regional, sector, policy, industry and skills etc.

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We work with multiple retailers, institutional investors and government departments using robust data and expert advice on: business plans, propositioning, funding, marketing and strategy. We can also conduct market research for more informed planning.



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Brexit is affecting many industries above and beyond retail. Our specialist Brexit advisors can help you navigate the policy implications, bringing clarity to your planning strategies and ensure you are best placed going forward.

Get in touch



Retail Economics
4th Floor
86-90 Paul Street
London
EC2A 4NE

+44 (0)20 3633 3698
www.retaileconomics.co.uk
amy.yates@retaileconomics.co.uk
[@retaileconomics](https://twitter.com/retaileconomics)

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