

Consumer price inflation

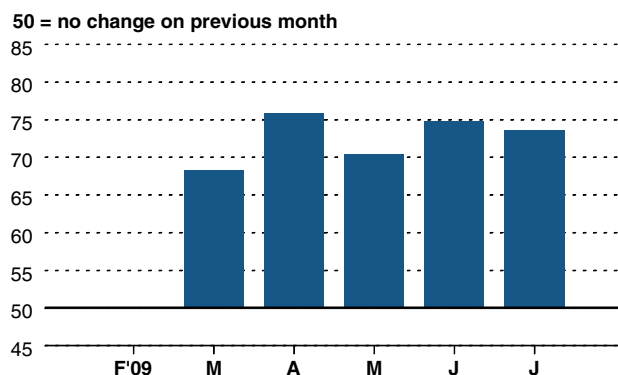
UK households recorded further rise in average prices in July. Higher rates of inflation foretold.

- **Perceived price pressures rose at slower pace in July...**
- **...although inflation expectations remained at highest since series began in March.**
- **Lower income households hit hardest by inflation.**

July data from the Markit/YouGov Household Finance Index (HFI) pointed to a further steep rise in the average prices paid for goods and services as perceived by UK households. Subsequently, participants' inflation expectations held steady on June's four-month peak.

Highlighting the strength of the latest rise in consumer prices, approximately 57% of survey participants reported higher perceived purchase costs during July. This was six times the proportion of respondents which saw average prices fall over the month. At 73.7, the resultant index was nonetheless marginally below that recorded in June (74.8), signalling a mild easing of current inflationary pressures.

Prices

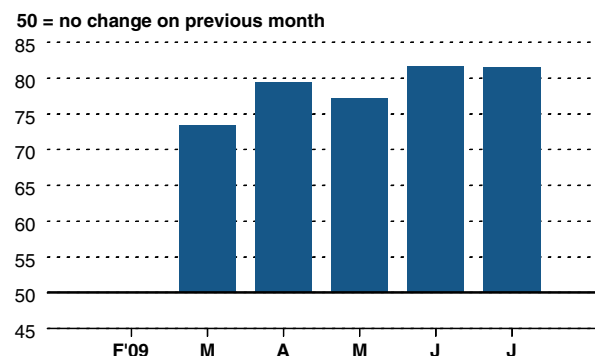


Households in the West Midlands saw perceived prices inflate at the fastest rate of all twelve UK regions during July. Survey participants in London recorded the weakest perceived price rises over the month.

As has been the case throughout the short five-month series history, perceptions of current inflation were highest in the low income bracket – those households

with a combined income below £15,000. Meanwhile, the highest earners (those with a combined income above £57,751) reported the weakest perceived rate of inflation.

Price outlook



Despite a slight easing in the perceived rate of inflation, UK households are confident that (in general) prices will be higher in twelve months' time that at present. The index monitoring inflation expectations was unchanged from June's series high of 81.6 in July (illustrated by the chart above). Nonetheless, a marginally lower proportion of households (70.3%) foresee higher prices than in the previous survey period (71.6%).

By age group, older workers (those aged 55+) are most secure in the belief that prices will rise over the proceeding year. For the second straight month, the youngest (aged 18-24) recorded the lowest inflation expectations.

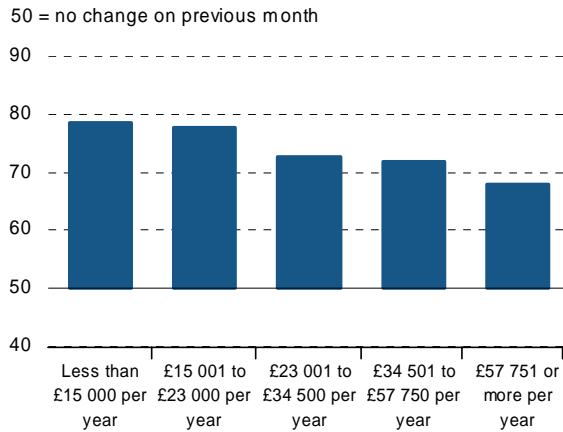
Reflecting higher price rises in July, households in the West Midlands recorded the strongest prices outlook. This marked a considerable turnaround of inflation expectations in the region, which were broadly in line with the UK average in June. For the second month in a row, households in London expect prices to rise at the slowest pace of the twelve UK regions.

Poorer households are again most-pessimistic regarding future pricing trends, with just over 75% expecting higher prices. Conversely, those with household incomes greater than £57,751 recorded the weakest inflation expectations. Even so, almost 65% of the highest earners expect average prices paid for goods and services to rise over the coming twelve months.

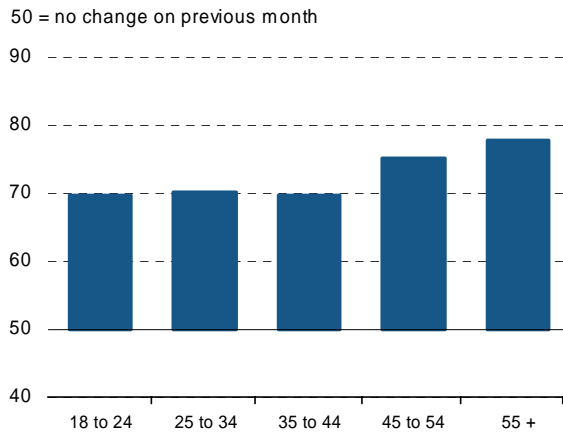
Current perceptions of inflation

July data: Compared to one month ago, how do you think prices generally for goods and services that you buy have changed?

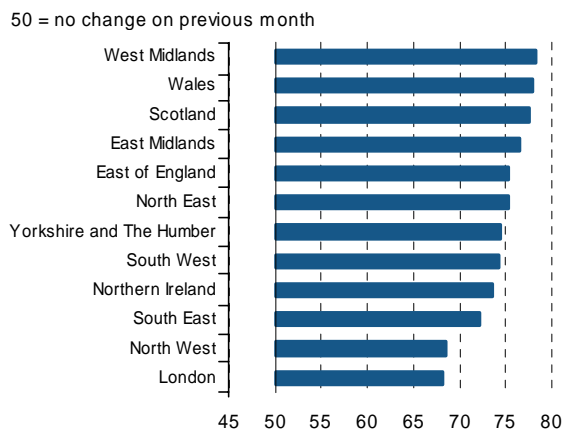
By income



By age



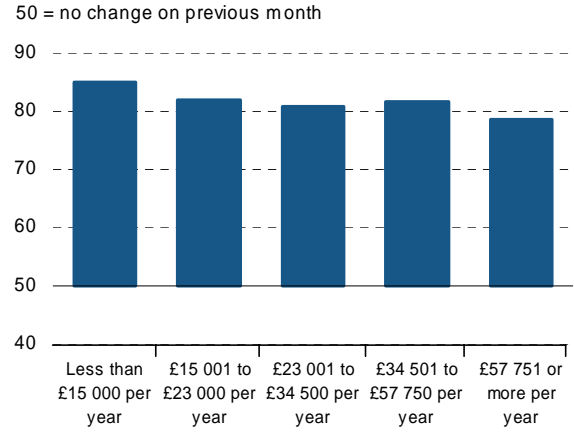
By region



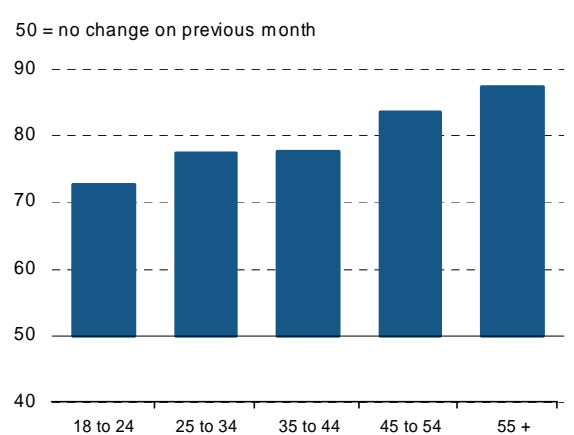
Inflation expectations

July data: How do you think prices generally for goods and services that you buy will have changed 12 months from now?

By income



By age



By region

