

Consumer price inflation

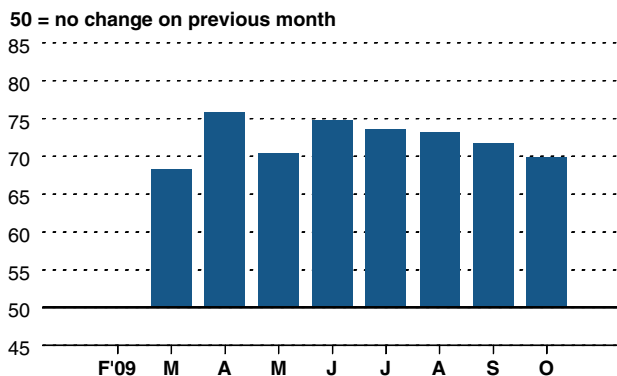
16 October 2009

Perceived price inflation eased further, although inflation expectations remained strong

- **Inflation perceptions rose again, albeit at weaker rate.**
- **Inflation expectations remained strong.**
- **Older households faced steepest increase in costs, and have highest inflation expectations.**

UK households reported a further rise in average prices paid for goods and services during October. Nonetheless, survey respondents registered the weakest perceived rate of current price inflation for seven months. Despite adjudging a slower pace of current price rises, UK households' inflation expectations for the year ahead rose in October.

Prices



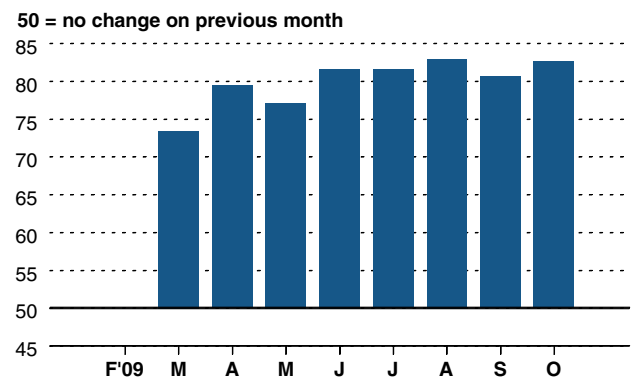
Of the 2,000 UK households questioned in the Markit/YouGov survey, approximately 47% reported a rise in average prices paid for goods and services in October. This was the lowest proportion of households signalling an increase in prices in the short survey history, and the first time that less than half of the survey panel have recorded rising prices. This suggests that official consumer price inflation, which fell to a near five-year low of 1.1% in August, will continue ease over the coming months.

Participants aged between 18 and 24 recorded by far the weakest current inflationary pressures during October. By way of contrast, the oldest survey participants (55+) adjudged current inflation to be running at a markedly faster pace, and the sharpest of the monitored age groups.

By region, households in the South West recorded the sharpest perceived price rises during the latest survey period, while households in Northern Ireland registered the weakest monthly pace of inflation.

Those households with a combined income of less than £15,000 reported the steepest monthly rise in perceived prices in October, while those in the highest income bracket (over £57,751) adjudged current price inflation to be slowest.

Price Outlook



Inflation expectations remained firmly positive during October, with over 70% of the survey panel expecting prices to be higher in 12 months' time than at present. This compares to less than 6% which expect prices to be lower this time next year.

Reflecting the trend seen in current price perceptions, those panellists aged over 55 expect prices to rise at the steepest pace over the coming 12 months, while those in the youngest age category (18-24) foresee the weakest rate of inflation.

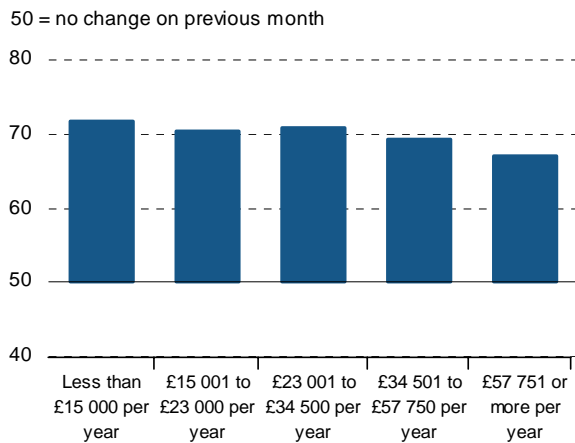
The most marked inflation expectations were in the lower-middle income households (those which have a combined income of £15,001-£23,000), where over three-quarters of those surveyed expect prices to rise over the coming year.

Geographically, Welsh households expect the average price paid for goods and services to rise at the fastest pace, whereas households in the capital foresee the slowest pace of inflation.

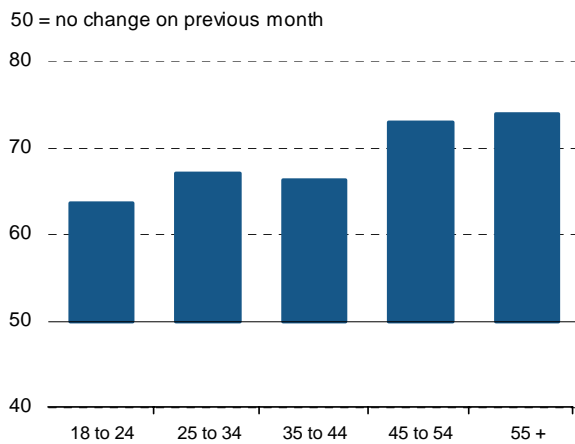
Current perceptions of inflation

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

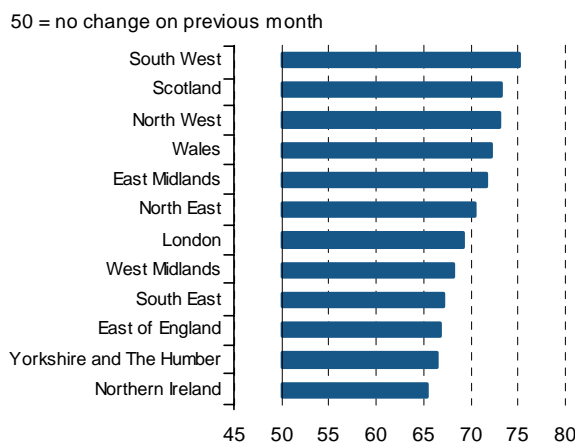
By income



By age



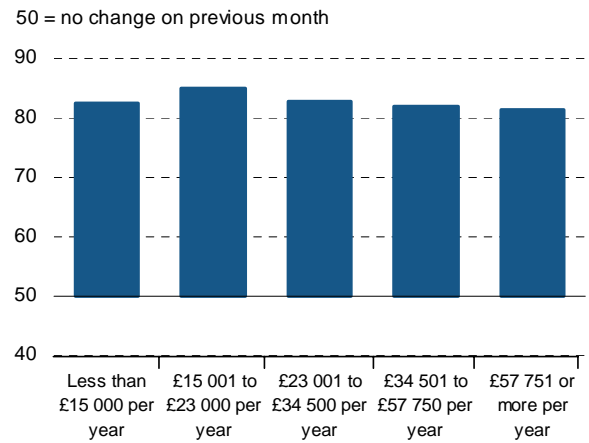
By region



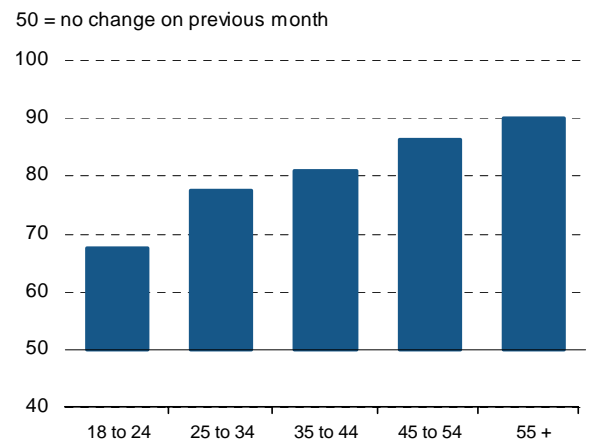
Inflation expectations

October 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

