

BCC comments on inflation figures for February 2018

Head of Economics Suren Thiru comments on the fall in inflation to 2.7%.

The drop-in price growth in February was more than expected and supports our view that inflation remains on a downward trajectory. The largest downward pressure on inflation in the month came from transport and food prices, which rose by less than a year ago.

It is increasingly likely that the UK is now past the peak of the recent spike in inflation, and price growth will ease further over the coming months as the impact of the post-EU referendum decline in sterling drops out of the calculation. However, upward pressure from rising global commodity prices could well mean that it will be some time before inflation returns to the Bank of England's 2% target.

Nonetheless, with the latest inflation data suggesting that underlying price pressures are weakening, this should give the Bank of England sufficient scope to shift its focus a little from tackling inflation to supporting a weakening economy. While the prospect of a single rise in interest rates this year remains on the table, the probability of multiple rate hikes looks unlikely at this stage.

With economic conditions likely to become more subdued, the MPC should opt for a prolonged period of monetary stability and keep interest rates steady over the near term. More also needs to be done to boost business investment, including tackling the high upfront cost of doing business in the UK.

Ends

Notes to editors:

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