

BCC: Inflation continues to bite as price pressures mount

BCC comments on the inflation statistics for April 2017.

16th May 2017

Commenting on the inflation statistics for April 2017, released today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“As expected, inflation resumed its upward trend in April, after holding steady in March. April’s increase was largely due to higher air fares, which were pushed up by the timing of Easter falling during the month.

“While factory gate costs have moderated a little in recent months, businesses continue to report that the substantial increases in the cost of raw materials and other overheads over the past year are still filtering through the supply chain, and are therefore likely to lift consumer prices higher in the coming months. Our own Quarterly Economic Survey confirms that the pressure on firms to raise prices remains significant. Higher inflation is likely to be a drag on UK GDP growth over the coming quarters, as it erodes consumer spending power and dampens business activity and investment.

“However, it remains probable that the current period of above target inflation is transitory in nature, with little evidence that higher price growth is becoming entrenched in higher pay growth. This should give the Bank of England sufficient scope to keep interest rates on hold for some time yet, despite their recent warning.

“Nonetheless, with the UK economy entering a weaker period as inflation continues to bite, more must be done to support growth and investment, including addressing the mounting burden of up-front taxes and costs faced by firms.”

Ends

Notes to editors:

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