

BCC: Inflation remains a risk to UK's growth prospects this year

BCC's Head of Economics Suren Thiru comments on the inflation figure of 2.6% in June 2017.

18 July 2017

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

"While the fall in inflation in June will surprise many, consumer price growth is likely to resume its upward trend in the coming months, with the elevated cost of imported raw materials still filtering through supply chains. Falling prices for motor fuels were the main driver behind the fall in the inflation rate last month.

"Inflation remains a major risk to the UK's growth prospects this year, with rising cost pressures for both consumers and businesses likely to dampen overall economic activity.

"However, it remains likely that the current spell of high inflation will be relatively short lived with moderating price growth at the factory gate indicating that inflationary pressures in the supply chain are starting to ease. If this trend continues as we expect, inflation is likely to peak sooner rather than later. While still close to historic highs, the BCC's latest Quarterly Economic Survey revealed that the balance of firms expecting prices to rise over the next year did weaken in Q2.

"We currently expect that inflation will peak at 3.4% by end of the 2017, before easing back in subsequent years as the impact of the post-EU referendum slide in sterling drops out of the calculation.

"With UK economic conditions softening, it is crucial that the MPC holds its nerve on interest rates, particularly during this period of heightened political uncertainty. Raising rates too early could undermine consumer and business confidence, stifling UK growth further. More must also be done to ease the burden of high upfront business costs which continue to impede firm's ability to invest, recruit and grow."

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world.

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