

Shop prices down again, disposable income up

Yesterday the BRC published its latest shop prices index. Over the last year prices are down by 1%. This is a smaller fall than recent figures, but shows there is still fierce competition on the High Street and on the internet, with the overall balance of prices under good control.

Asda also published its latest disposable income tracker. This showed disposable income up by 3.5% over the last year. All this has happened at a time when oil prices have risen sharply, with a big effect on domestic fuel and vehicle fuel. Fuels are up 17% over the last year, and are the main force behind the rises in the CPI and the RPI.

I was expecting further rises in inflation as the rise in world commodity prices flows through, and as we get further rises in electricity, services with a large wage component, and the usual local and national government increases in fees and charges. So far UK inflation has been running in parallel to German and US inflation, which have also risen rapidly from a very low base mainly owing to fuel prices.

Lots of forecasters are still refusing to look at the figures that are coming out. Many still say there will be a sharp rise in prices from lower sterling, which they wrongly think has mainly occurred after the referendum vote instead of before. This they think will then remove all real growth in incomes and weaken the economy. They are overdoing the gloom.

The property valuers have some explaining to do. They have been warning of immediate post referendum declines in City offices. Yesterday British Land announced it has sold the Cheesegrater, a large modern well let City office block, for £1.15bn, which is 25% above the September 2016 valuation! The yield is only 3.4% on the good rents signed up. Will we have some apologies over all that red ink they spilled last summer?