

Shop prices fall again

In the year to March 2018 UK shop prices fell by 1% according to the British Retail Consortium. They tell us that “shop prices have been deflationary for 59 months now, and this is the deepest deflation since February 2017”. I haven’t heard the usual voices scrambling to tell us this is all because of Brexit. There has been far less comment on this than the rush to get it wrong when general prices were briefly going up a bit faster last year, when many came forward to tell us it was the result of sterling which in turn they thought was related to Brexit. I explained then that their forecasts of much higher inflation to come were likely to prove wrong, and explained how they had misunderstood the movements of sterling and their likely impact on prices.

Sterling has been rising gently for some time as we move closer to Brexit, and shop prices have fallen again. Sterling fell a lot in the year and a half before the vote for unrelated reasons. It had fallen from \$1.71 to \$1.42 before the referendum. This did not stop shop prices falling. It is around \$1.40 today. The Euro was strong last year against all comers. Shop prices have always had more to do with world output, internet competition to retailers and the hugely competitive market for things like clothing and electrical appliances that the world market has provided. The Retail Price Index has been more volatile thanks to rising international energy prices and domestic price pressures like Council Tax and the EU/UK move to dearer electricity for policy reasons.