

BCC comments on inflation figures for September 2017

Commenting on the Consumer Price Index for September 2017, published today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“Inflation rose for the second successive month, confirming that price growth remains on an upward trajectory. The rise in September mostly reflects increasing prices for food and recreational goods, along with transport costs, which fell by less than they did a year ago.

“Higher inflation remains a concern for business as it increases the pressure on firms cost base and weakens investment intentions.

“The MPC is facing a tricky trade-off between rising inflation and a weakening economy. However, it remains likely that the current spike in inflation is temporary with little evidence that rising consumer prices is driving materially stronger pay growth. The BCC’s latest Quarterly Economic Survey confirms that the percentage of firms citing pay settlements as the key driver behind price pressures remains well below the historic average. We expect that inflation is likely to peak shortly, before easing back in 2018 as the impact of the post-EU referendum slide in sterling drops out of the calculation.

“The MPC should resist the temptation to raise interest rates, particularly during this period of heightened political uncertainty. Raising rates before the UK economy is ready risks undermining consumer and business confidence, weakening the UK growth prospects further. Next month’s Autumn Budget must also be used to boost confidence and growth, including addressing the escalating burden of up-front taxes and costs associated with doing business in the UK.”

Ends

Notes to editors:

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