

BCC comments on inflation statistics for July 2017

Suren Thiru, Head of Economics at the BCC, comments on the release of the statistics which show inflation holding at 2.6% in July.

15 August 2017

"Inflation was unchanged in July, as falling fuel prices continue to put a check on price growth.

"Inflation is likely to resume its upward trend in the short term, as the sizable increases in the cost of imported raw materials over the past year continue to pass through supply chains. That said, it remains likely that inflation is close to peaking, with input prices slowing for the sixth successive month – an indication that inflationary pressures further down the supply chain are starting to ease. There also remains little evidence that higher inflation is becoming embedded in higher pay settlements, with a weakening in economic conditions over the first half of the year helping to keep a lid on inflation expectations.

"Against this backdrop, inflation is likely to peak at around 3% by the end of the year, before dropping back in subsequent years. Such a scenario should give the MPC sufficient scope to keep interest rates on hold over the near term, particularly given a slowing economy and heightened political uncertainty.

"With the UK's economic outlook becoming more uncertain, there needs to be a greater focus on measures to boost confidence and growth, including addressing the escalating burden of up-front taxes and costs associated with doing business in the UK."

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Notes to editors:

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Media contacts:

Allan Williams – Senior Press Manager

020 7654 5812 / 07920583381

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812