

BCC: Inflation a key risk to UK growth prospects

BCC comments on the inflation and public sector finances for February 2017.

21st March 2017

Commenting on the inflation and public sector finance statistics for February 2017, published today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce, said:

“With inflation now surpassing the Bank of England’s 2% target for the first time since 2013, there is further confirmation that UK price growth is firmly on an upward trajectory.

“The decline in the value of Sterling, together with rising oil and other commodity prices, is likely to maintain the upward pressure on consumer prices in the coming months. We currently forecast that inflation will remain persistently above the Bank of England’s 2% target over the near term, peaking at close to 3% in the second half of 2018.

“Rising inflation is a key risk to the UK’s growth prospects. Businesses continue to report that the rising cost of raw materials are squeezing margins, forcing many firms to raise their prices. Higher inflation is also likely to materially squeeze consumer spending in the coming months as price growth increasingly outpaces earnings growth.

“While government has little direct influence on currency movements or global commodity prices, it must do more to ease the burden of up-front costs and taxes faced by businesses, which is weighing heavily on investment decisions and growth.

On the Public finances, Suren Thiru added:

“The latest public finances data show that the government remains on course to meet the Office for Budget Responsibilities forecast for 2016/17 made in the Spring Budget, with public borrowing declining again in February. However, if UK economic growth becomes more subdued as we expect, the UK is likely to face an uphill struggle to achieve meaningful deficit reduction in the coming years as the government’s ability to generate tax receipts comes under greater pressure.”

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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Media contacts:

Allan Williams – Senior Press Manager

020 7654 5812 / 07920583381

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812