

BCC: Inflation weakening UK growth

BCC's Head of Economics, Suren Thiru, comments on the inflation statistics for March 2017.

11th April 2017

Commenting on the inflation statistics for March 2017, released today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

"Although the inflation rate was unchanged in March it is still above the Bank of England's 2% target. The continued elevation in costs at the factory gate suggests that consumer prices are likely to resume their upward trend in the coming months.

"Businesses say they are facing an uphill struggle to absorb the increasing cost of imports – a task made more difficult by the raft of additional upfront costs imposed on businesses at the start of the new tax year. As a result, the rising price of imported raw materials are expected to increasingly filter through into higher prices, stifling consumer spending, a key driver of UK growth.

"It is probable that rising inflation helped weaken UK GDP growth in the first quarter of 2017, with growth likely to have slowed to 0.4%, from 0.7% in the previous quarter. The UK's growth prospects are expected to remain subdued over the near term, as higher inflation continues to squeeze consumers and businesses.

"Against this backdrop, it is vital that government does more to ease the cost pressures facing firms by tackling the burden of upfront costs and taxes associated with doing business in the UK. The MPC must also continue to 'look through' the expected rises in inflation and opt for an extended period of monetary stability. This will help businesses to continue to invest, recruit and support the wider economy."

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. For more information, visit: www.britishchambers.org.uk

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