

15th February 2023

UK inflation at 10.1%yy for Jan-23

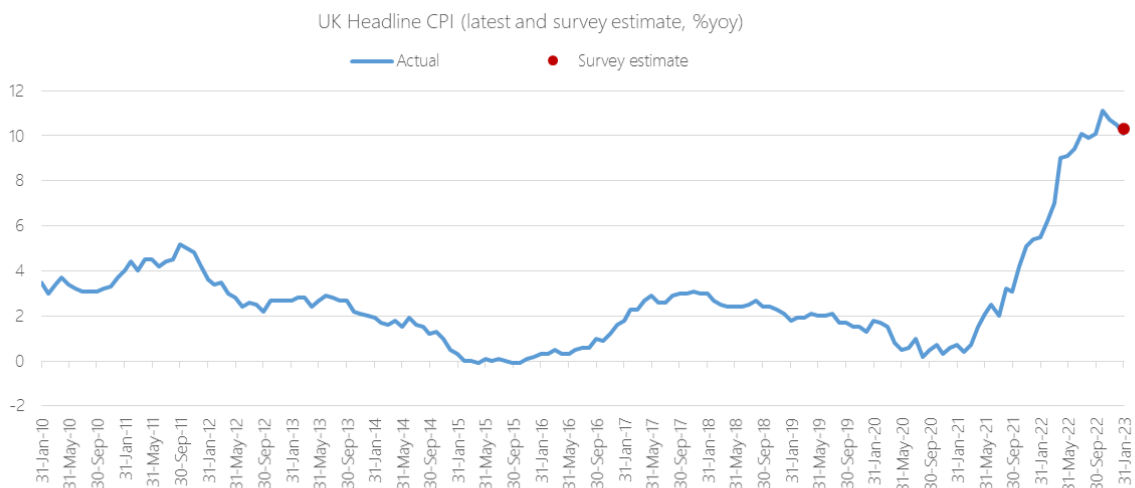
- This is lower than the survey estimate...
- ... and an decrease from 10.5%yy last month
- Represents falling inflationary pressures

Latest UK inflation figure

The latest UK inflation came in at 10.1%yy for December 2022, compared to 10.3%yy survey estimate. This is down from 10.5%yy last month and is lower than the expectations.

Core inflation fell to 5.8% compared to 6.3% from December, whilst inflation in the services sector slowed down to 6% and fuel prices were down from December, whilst alcoholic beverages and tobacco saw a jump in prices.

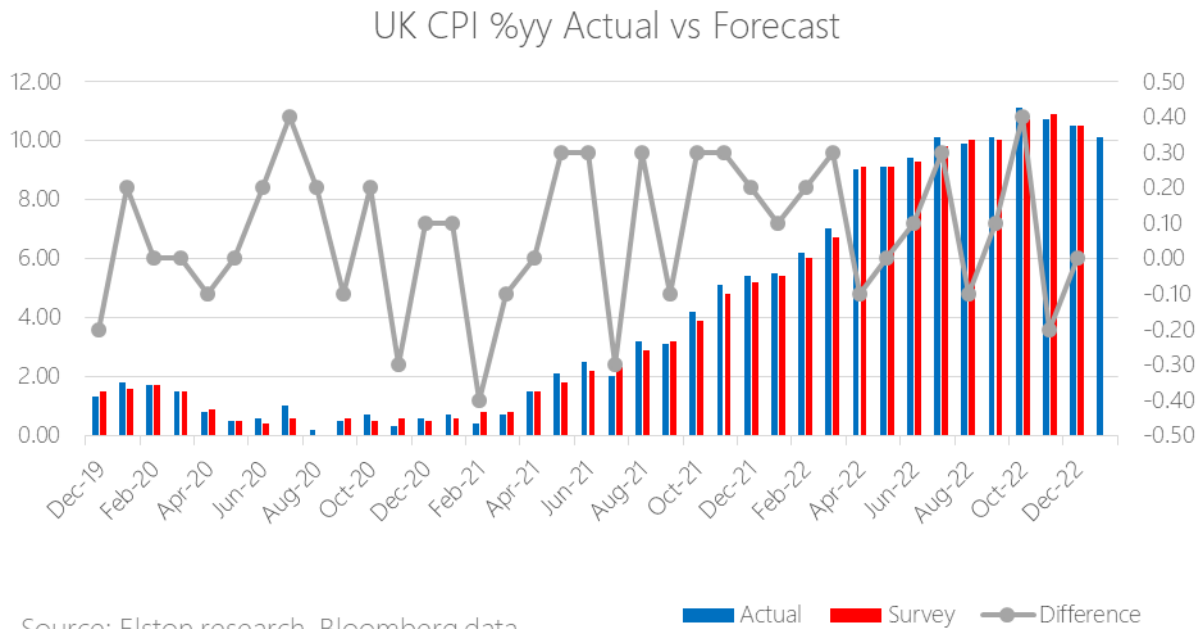
Fig.1. UK CPI inflation rate (%yy)



Source: Elston research, Bloomberg data

In the chart below we show how UK inflation has typically been ahead of estimates..

Fig.2. UK CPI figures vs survey estimates

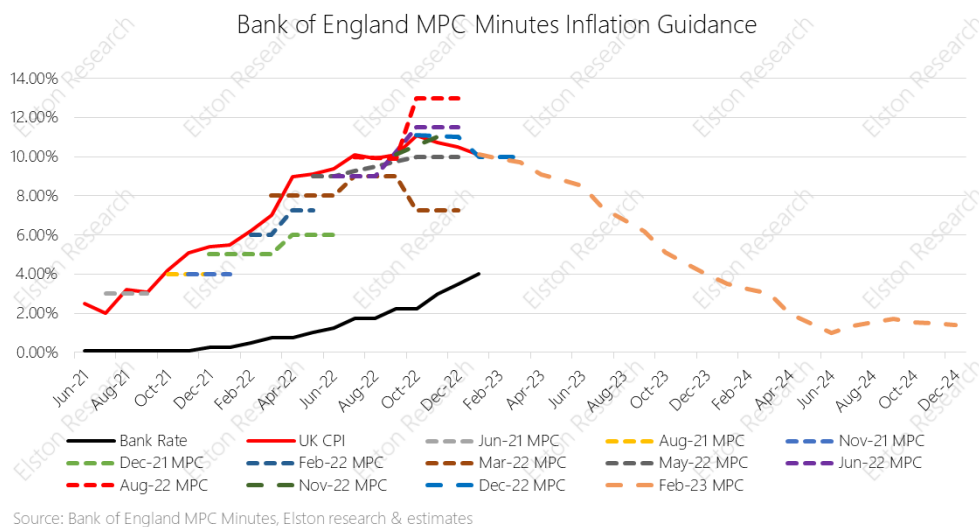


Source: Elston research, Bloomberg data

In the chart below we show how the Bank of England has been behind the curve on inflation expectations. Inflation is expected to decline gradually in the first quarter of 2023. BoE cites a 4.5% interest rate peak based on market expectations.

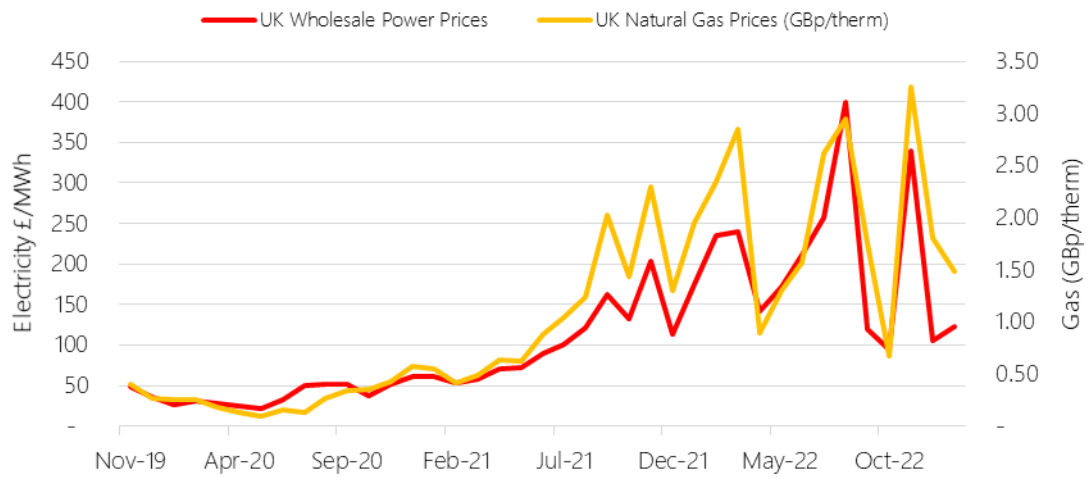
Fig.3. Bank of England MPC Minutes Inflation Guidance

In the chart below we show how the UK Wholesale Electricity & Gas Prices.



Source: Bank of England MPC Minutes, Elston research & estimates

UK Wholesale Electricity & Gas Prices



Source: Elston research, Bloomberg data

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