

17th August 2022

UK inflation at 10.1%yy for Jul-22, a 40 year high

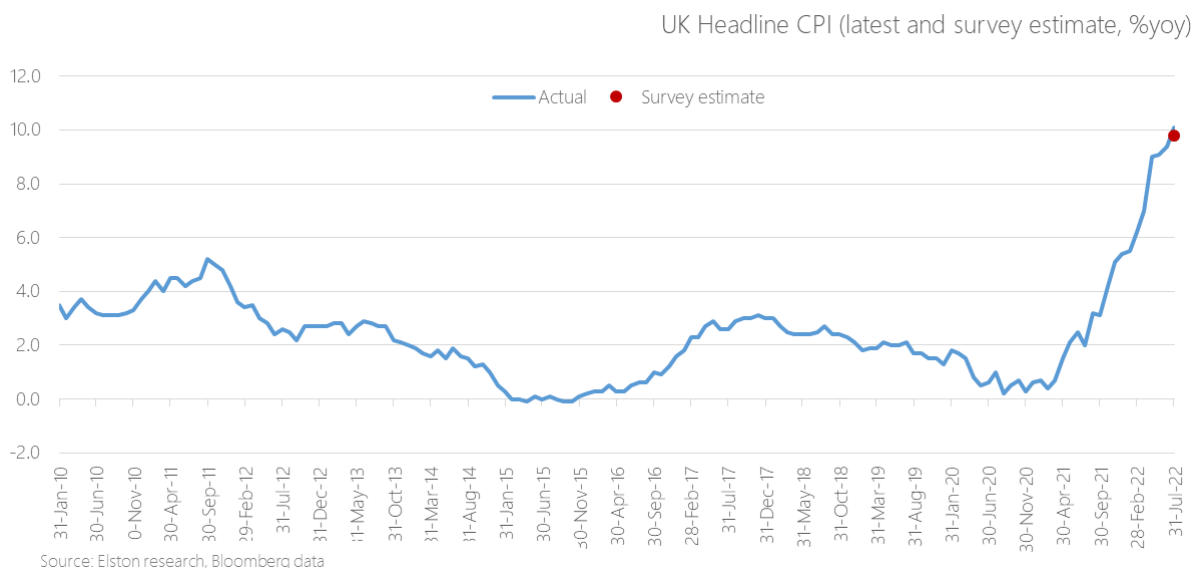
- This is higher than 9.3%yy survey estimate...
- ... and an increase from 9.4%yy last month
- Represents a move to double-digits and a new 40-year high

Latest UK inflation figure

The latest UK inflation came in at 10.1%yy for June 2022, compared to 9.3%yy survey estimate. This is up from 9.4%yy last month and is above expectations.

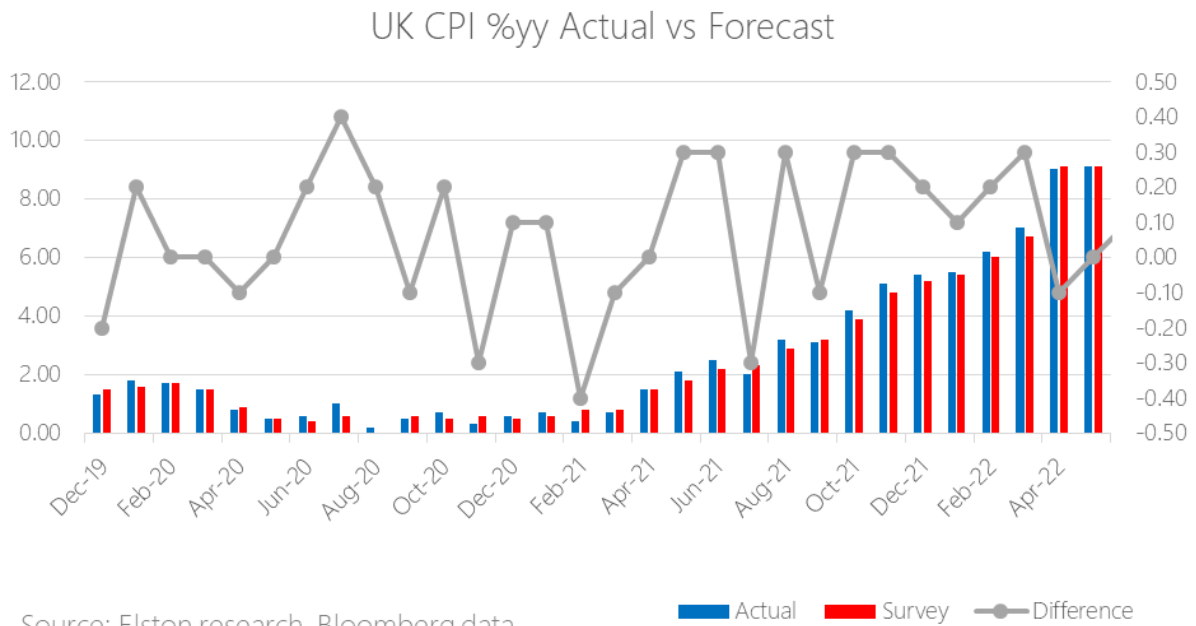
This is the highest UK inflation rate in 40 years, and now in double digits. Food prices rose meaningfully, especially bakery products, dairy, meat and vegetables, and this was also reflected in higher takeaway-food prices. Inflation pressure has not yet peaked with Bank of England expecting 13% in 4q22 (from 11%) and a further step-up in the retail energy price cap. The BoE remains behind the curve, in our view.

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



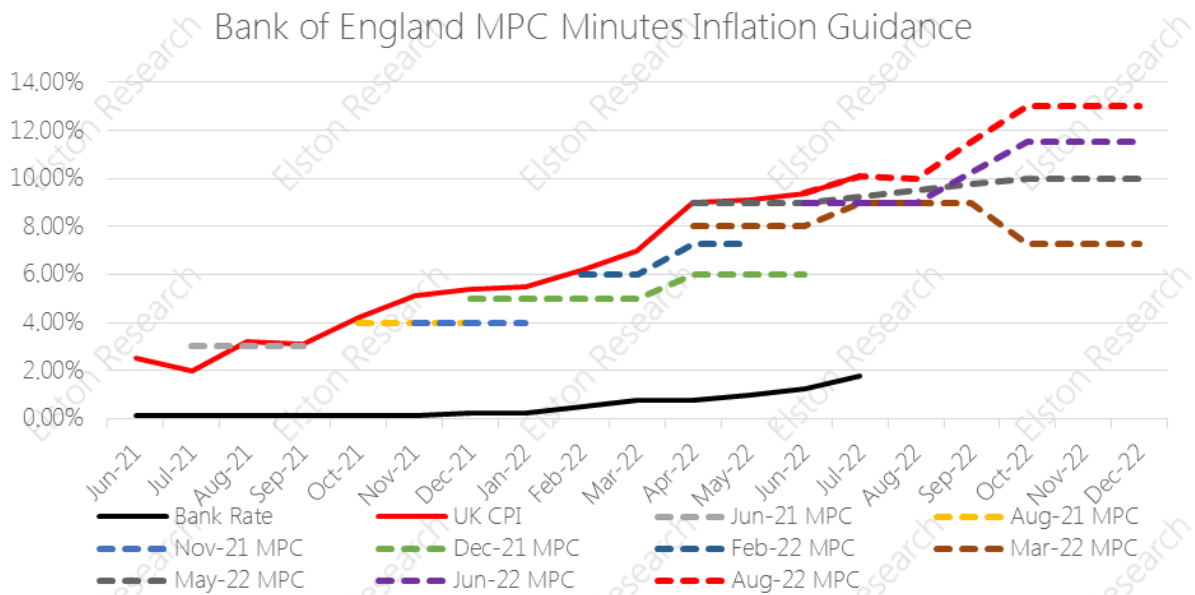
In the chart below we show how UK inflation has consistently surprised on the upside.

Fig.2. UK CPI figures vs survey estimates



In the chart below we show how the Bank of England has been behind the curve on inflation expectations.

Fig.3. Bank of England MPC Minutes Inflation Guidance



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