

NIESR

Monthly CPI Tracker

UK inflation in April surged to 9 per cent, marking the highest monthly increase since the 1980s

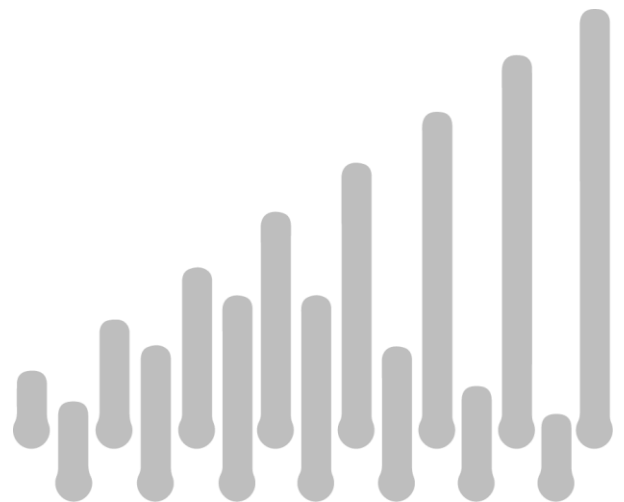
Urvish Patel

18th May 2022

“Annual headline CPI inflation increased to 9.0 per cent in April from 7.0 per cent in March. This marks the largest monthly increase since the 1980s due to the ongoing impacts of the war in Ukraine. On the other hand, our measure of underlying inflation, which excludes extreme price movements, only increased by 0.1 percentage point to 5.7 per cent in April from 5.6 per cent in March. As the war continues to drive international energy and food prices higher, NIESR forecasts annual consumer price inflation will peak in the fourth quarter of 2022 and remain above target through 2023. Persistently high inflation and a forecasted shallow recession at the end of 2022 means The Bank of England continues to sail in treacherous seas with a risk of potentially deepening the recession if rates are hiked rigorously.”

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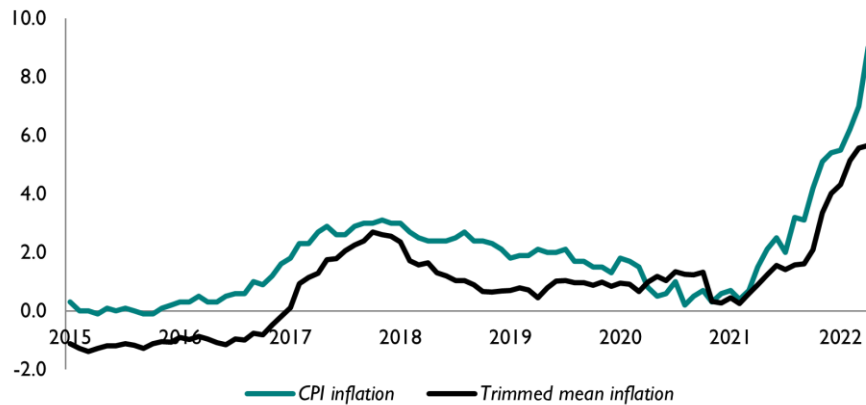
Economist, Macroeconomic Modelling and Forecasting



Main points

- Headline consumer price inflation increased to 9.0 per cent in April 2022 from 7.0 per cent in March. Our measure of underlying inflation which excludes 5 per cent of the highest and lowest price changes, increased to 5.7 per cent in April from 5.6 per cent in March.
- Between March and April, the Housing, water, electricity, gas, and other fuels contributed 1.59 percentage points to the headline figure.
- In April, 28.3 per cent of goods and services prices changed, with above 16,000 items recording price increases, while 4.8 per cent of prices were reduced due to sales and 3.9 per cent fell for other reasons.
- Underlying inflation increased in 7 of the 12 UK regions in April. London's underlying annual inflation rate remained the highest at 6.7 per cent, compared to Wales which had the lowest rate again at 4.6 per cent in April.
- As the war continues to drive international energy and food prices higher, NIESR forecasts inflation to peak in the fourth quarter of 2022 and remain above target through 2023.
- Consumers will continue to be battered by the storm of a higher cost of living during a time when real wages are being significantly eroded. We continue to expect the Bank of England to raise interest rates through 2022, however there are significant risks that the Monetary Policy Committee may deepen the recession NIESR expects at the end of 2022 if rates are hiked rigorously.

Figure 1 – CPI and trimmed mean inflation (per cent)



Commentary

Annual headline consumer price inflation (CPI) increased to 9.0 per cent in the year to April 2022, up from 7.0 per cent in March. This was the largest month-on-month increase in inflation since the 1980s! The largest contributor to the headline figure between March and April was unsurprisingly housing, water, electricity, gas, and other fuels which contributed 1.59 percentage points to the headline figure. In April, [OFGEM increased the energy price cap by 54 per cent](#) in response to surging international energy prices because of the impacts of the war in Ukraine.

On the other hand, NIESR's measure of underlying inflation increased by only 0.1 percentage points month-on-month to 5.7 per cent in April. At the regional level, in April annual trimmed mean inflation increased in 7 of the 12 UK regions. Yet again, London recorded the highest annual inflation rate of 6.7 per cent, compared to Wales which had the lowest at 4.6 per cent.

The war in Ukraine continues to drive international energy and food prices higher, which increases the probability that inflation will continue to rise further, especially given the likelihood of another hike in the energy price cap in October 2022. NIESR forecasts annual CPI will peak in the fourth quarter of 2022 and remain above target through 2023. Persistently high inflation means the Bank of England continues to sail in treacherous seas with a risk of potentially deepening the recession NIESR forecasts for the end of 2022 if rates are hiked rigorously. At the same time, consumers will be battered by the storm of a higher cost of living during a time when [real disposable incomes are forecast by NIESR to decline by 2.4 per cent this year](#) and growth is not forecast to return sustainably above zero until inflation is under control. In 2022-23 we estimate that about [1.5 million households across the UK face food and energy bills greater than their disposable income](#), with the highest incidence in London and Scotland.

Figure 2 – Price decreases due to sales, decreases due to other reasons, and increases (per cent)



Table 1 – Regional trimmed mean inflation (per cent)

Region	2022				Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
	Mar	Apr	May	June										
London	0.7	2.2	3.3	3.7	3.9	2.7	2.5	2.9	4.3	5.0	5.2	6.1	6.4	6.7
South East	0.2	0.7	1.2	1.6	1.5	1.7	1.3	1.8	3.2	3.8	4.1	5.0	5.2	5.4
South West	0.2	0.9	0.9	1.6	1.3	1.8	1.5	2.1	3.4	4.3	4.3	5.1	5.7	5.7
East Anglia	0.0	0.2	0.4	0.9	0.6	1.4	1.3	1.8	3.5	3.9	4.3	5.3	5.7	5.6
East Midlands	1.5	0.9	0.9	1.2	0.8	2.1	1.9	2.4	3.6	4.4	4.6	5.3	5.7	5.9
West Midlands	0.5	0.8	1.4	1.7	1.6	2.2	2.2	2.6	4.0	4.6	5.3	6.0	6.3	6.7
Yorkshire and the Humber	0.8	0.9	1.0	1.1	1.0	1.4	1.4	2.1	3.1	3.8	4.0	5.0	5.4	5.6
North West	-0.1	0.4	0.8	0.9	0.6	1.5	1.5	1.7	2.9	3.8	4.1	5.0	5.6	5.5
North	1.2	0.7	0.6	1.3	1.1	1.8	1.8	2.4	3.4	3.8	4.4	4.6	5.1	4.9
Wales	2.2	1.3	1.2	1.7	1.8	1.8	1.7	2.3	3.0	3.4	3.4	4.2	4.9	4.6
Scotland	0.2	0.9	1.2	1.4	1.2	1.1	1.2	1.9	3.4	4.1	4.6	5.3	5.7	5.7
Northern Ireland	1.5	1.2	1.7	1.7	1.5	1.7	1.4	1.5	2.4	3.0	3.6	4.4	5.1	5.0
United Kingdom	0.6	0.9	1.2	1.6	1.4	1.6	1.6	2.1	3.4	4.0	4.3	5.1	5.6	5.7

Note: Our measure of trimmed mean inflation excludes 5 per cent of the highest and lowest price changes. The level of trimmed mean inflation is typically lower than CPI inflation due to differences in how the largest price changes are treated and to how the prices are weighted. Source: ONS, NIESR calculations.

Notes for Editors

This analysis builds on the work presented in the [National Institute Economic Review](#), which constructs a measure of trimmed mean inflation based on the goods and services prices that underlie the consumer price index.

Our next analysis of consumer prices will be published on 22 June.

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