

NIESR Monthly CPI Tracker

UK inflation marginally increased to 9.1 per cent in May, predominately due to surging food prices

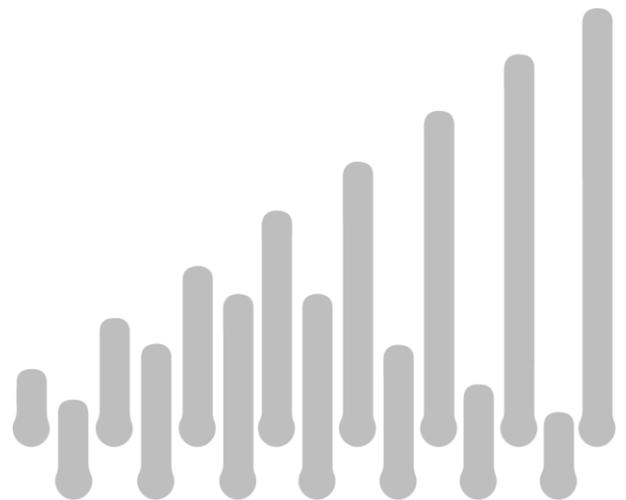
Urvish Patel

22nd June 2022

“Annual headline CPI inflation marginally increased to 9.1 per cent in May from 9.0 per cent in April. Meanwhile, our measure of underlying inflation, which excludes extreme price movements remained at 5.7 per cent in May. UK inflation is now being driven predominately by surging food prices instead of higher energy prices, with food and non-alcoholic beverages adding some 0.2 percentage points to the headline figure in May. NIESR forecasts annual consumer price inflation will rise to double-digits towards the end of 2022, particularly because of the hike in the energy price cap in October 2022 and remain above target through 2023. Despite the Chancellors additional support to households announced recently, NIESR still estimates approximately 1.2 million households will face food and energy bills higher than their incomes. Persistently high inflation and a forecasted shallow recession at the end of 2022 means The Monetary Policy Committee continue to walk on thin ice, with heightened risks of deepening the recession if rates are hiked rigorously.”

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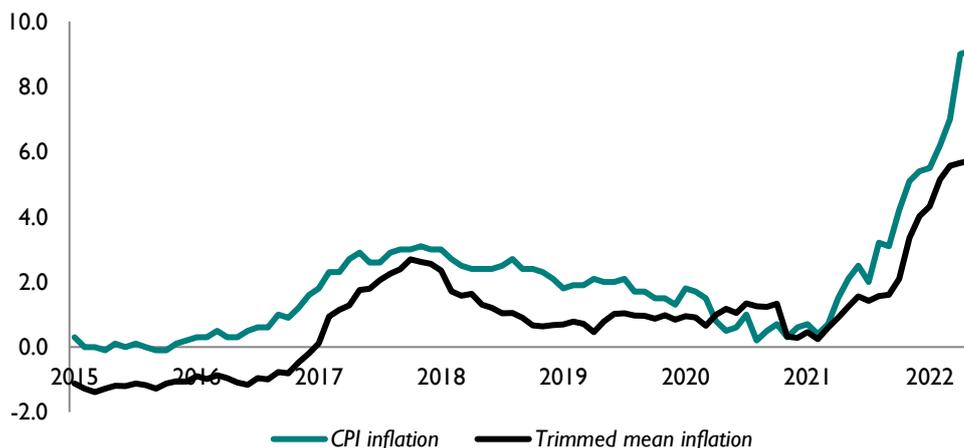
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Main points

- Headline consumer price inflation increased to 9.1 per cent in May 2022 from 9.0 per cent in April. Our measure of underlying inflation which excludes 5 per cent of the highest and lowest price changes, remained at 5.7 per cent in May.
- Between April and May, food and non-alcoholic beverages contributed 0.22 percentage points to the change in the headline figure.
- Our analysis suggests that in May, 30 per cent of goods and services prices changed with almost 18,400 items recording price increases, while 3.6 per cent of prices were reduced due to sales and 4.4 per cent fell for other reasons.
- Underlying inflation increased in 9 of the 12 UK regions in May. Underlying inflation in the West Midlands was the highest at 6.5 per cent, compared to the South East of England which had the lowest rate at 5.2 per cent in May.
- **NIESR forecasts consumer price inflation to rise to double-digits towards the end of the year, particularly because of the hike in the energy price cap, and remain above target through 2023.**
- **Despite the Chancellors additional support to households announced recently, NIESR still estimates approximately 1.2 million households are facing food and energy bills higher than their income.**
- **The Monetary Policy Committee continues to walk on thin ice with heightened risks of deepening the recession NIESR forecasts at the end of 2022, if rates are hiked too rigorously.**

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



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.

Commentary

Annual headline consumer price inflation (CPI) increased slightly to 9.1 per cent in the year to May 2022, up from 9.0 per cent in April. **The main driver behind the change in inflation is now surging food prices instead of energy prices**, with food and non-alcoholic beverages contributing slightly above 0.2 percentage points to the increase in the headline figure between April and May.

On the other hand, NIESR’s measure of underlying inflation which excludes 5 per cent of the highest and lowest price changes, remained at 5.7 per cent in May. At the regional level, in May annual trimmed mean inflation increased in 9 of the 12 UK regions. Annual trimmed mean inflation was the highest in West Midlands at 6.5 per cent, compared to the South East of England which had the lowest at 5.2 per cent.

The outlook for UK growth and inflation is worrying. NIESR forecasts annual CPI inflation will rise to double-digits towards the end of this year, mainly because of the next hike in the energy price cap in October 2022, and remain above target through 2023. Despite the Chancellors additional support to households announced recently, **NIESR still estimates approximately 1.2 million households facing food and energy bills higher than their income**. With a total of [11.3 million households struggling to make ends meet](#) because their budgets are being squeezed by wages and benefits not keeping pace with accelerating inflation and higher taxes. Latest data on earnings for April, **suggested that spending power of UK households is falling at its fastest rate in over two decades – when adjusted for inflation, average regular earnings were about 3.5 per cent lower than a year earlier**. As for economic activity, **we now expect GDP growth to stagnate in May and June, leading to an overall decline of 0.4 per cent in the second quarter of 2022**. The Monetary Policy Committee continues to walk on thin ice with heightened risks of deepening the recession at the end of the year if rates are hiked too rigorously.

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

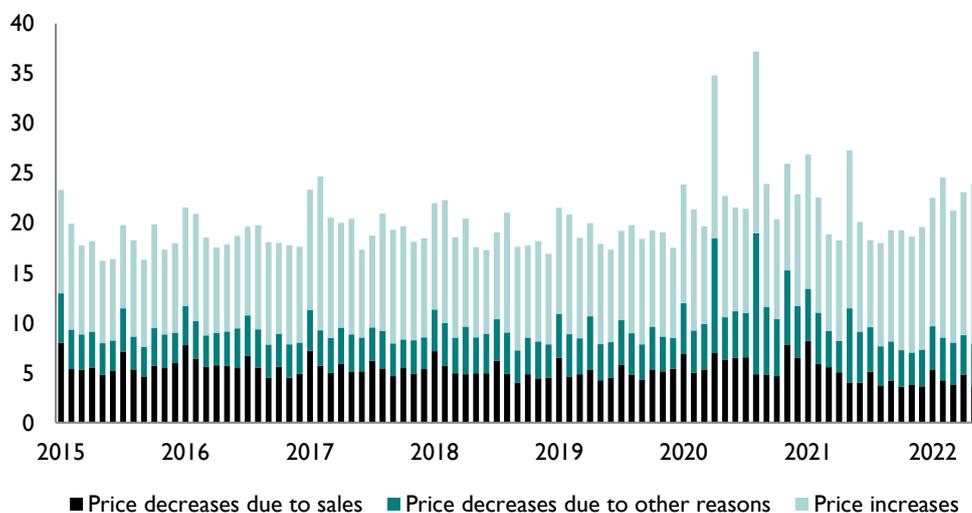


Table 1 – Regional trimmed mean inflation (per cent)

Region	2021									2022				
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
London	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	5.8
South East	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	5.2
South West	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	6.1
East Anglia	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	5.8
East Midlands	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	6.3
West Midlands	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	6.5
Yorkshire and the Humber	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	5.6
North West	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	5.6
North	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	5.8
Wales	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	5.3
Scotland	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	5.8
Northern Ireland	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	5.5
United Kingdom	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	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 20 July.

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