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News in Review

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"Shop price inflation eased to the lowest level since December 2021"



New data from the British Retail Consortium (BRC) has revealed that shop price inflation has reduced to its lowest level in over three years. Recordings for the first week of March show an easing in annual price growth to 1.3%, a considerable reduction on the February reading of 2.5%, and well below the three-month average rate of 2.2%.

It's lowest reading since January 2022, non-food inflation registered 0.2%, while food inflation tempered from 5% in February to 3.7% in March, it's tenth consecutive monthly decline.

Chief Executive of the BRC, Helen Dickinson, commented on the latest data set, *"Shop price inflation eased to the lowest level since December 2021 last month as retailers continued to compete fiercely to bring prices down for their customers. While Easter treats were more expensive than in previous years due to high global cocoa and sugar prices, retailers provided cracking deals on popular chocolates, which led to price falls compared to the previous month."*

Referencing a new raft of challenges for retailers, as the threat of inflation recedes, Mrs Dickinson continued, *"While these figures are good news for consumers, from this month, retailers face significant increased cost pressures that could put progress on bringing down inflation at risk. These costs include a 6.7% business rates rise, ill-thought-out recycling proposals, and new border checks – all at the same time as the largest rise to the National Living Wage on record. The industry needs pro-growth government policy that supports investment*

and helps keep down prices for households up and down the country."

Brexit import charges revealed

Following this news from the BRC, concerns were raised last week about how much companies will be paying to import foods from the EU. The Department for Environment, Food and Rural Affairs (DEFRA) has revealed that from the end of April small imports of products including cheese, yoghurt, fish and sausages, will be subject to fees of £29 on individual products and up to £145 for mixed consignments. This fee, which the government plans will pay for 'world-class border facilities' is referred to as the 'common user charge,' and is scheduled to be levied on plants and plant products and animal products, which will be entering the UK from the EU via the Eurotunnel at Folkestone and the Port of Dover. It is anticipated that the fee will finance new facilities in Kent to prevent the import of animal and plant disease into the country.

Chief Executive of the Cold Chain Federation, Phil Pluck, said the fee will impact food prices and have to be passed on to *"either the EU importer, the smaller UK retailer, or the UK consumer."* He added, *"Ultimately, this will increase business costs and food prices and potentially lower choices for the shopper."*

Criticising the timing of the new measures, Mr Pluck said that the government had *"announced the charges at the last minute, leaving affected*

businesses little time to revise their commercial arrangements."

Mortgage approvals on the up

The Bank of England's latest Money and Credit report has highlighted some positive trends in the mortgage market in February. Net approvals for house purchases reached their highest levels since September 2022 (65,300). A prime indicator of future borrowing, net approvals elevated to 60,400 in February, an increase on the 56,100 recorded the previous month. In the month, remortgaging net approvals also saw an uptick, recording 37,700 approvals, compared with 30,900 in January.

And FTBs snapping up homes

According to Hamptons, first time buyers (FTBs) are very active in the market, with the share of homes being purchased by this group reaching a new record. The latest research shows a third (33%) of properties sold in the UK so far this year were bought by FTBs, up from 29% in 2023 and 17% ten years ago. It seems the increase has been driven by purchases by FTBs in southern England, with 51% of all first timers favouring one or two-bedroom properties, something not seen since 2011. With higher mortgage rates impacting buyers ability to borrow, Head of Research at Hamptons, Aneisha Beveridge commented, *"The market continues to be dominated by those who can afford to buy, rather than those who want to."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

All details are correct at time of writing (10 April 2024)