

Provided by: RS Risk Solutions Ltd

# Inflation Eases, yet Cost-of-Living Crisis Persists

The Consumer Prices Index (CPI) shows that the inflation rate has eased to 8.7%, according to recent figures released by the Office for National Statistics (ONS). Although well above the Bank of England’s (BoE) ideal inflation target of 2%, April’s CPI figure is the first time inflation has fallen to single digits in eight months, down from 10.1% in March 2023 and October 2022’s peak of 11.1%.

While the drop in inflation may be encouraging for households and businesses experiencing financial pressures, there is still a long road ahead. Indeed, much of April’s decrease can be attributed to falling energy prices. Specifically, gas and electric bills spiked sharply last year following the initial invasion of Ukraine by major oil and gas producer Russia. Now, energy prices are beginning to slow, contributing greatly to the recent inflation ease. In fact, electricity and gas prices contributed 1.42 percentage points to the recent fall in annual inflation, according to the ONS.

In contrast to the overall inflation trend, food inflation remains high. In fact, the annual inflation for food and non-alcoholic beverages increased 19.1% year-on-year in April. According to the ONS, this represents the second-highest annual rate in more than 24 years.

Making matters worse, core inflation—a measure that excludes energy and food—increased from 6.2% in March 2023 to 6.8% in April 2023, indicating that the cost-of-living crisis is far from over.

**Next Steps**

Economists report the rate of inflation is predicted to ease further to 7.3% in June and 3.3% by December 2023. In the meantime, the BoE may feel compelled to raise interest rates once again in response to the high core inflation. If so, mortgages and loans could become more costly, only adding to the financial pressures felt by many. Therefore, it remains critical for both individuals and businesses to monitor the current economic position and consider cost-cutting measures as needed.

Contact us today for further cost-of-living resources and insurance solutions.