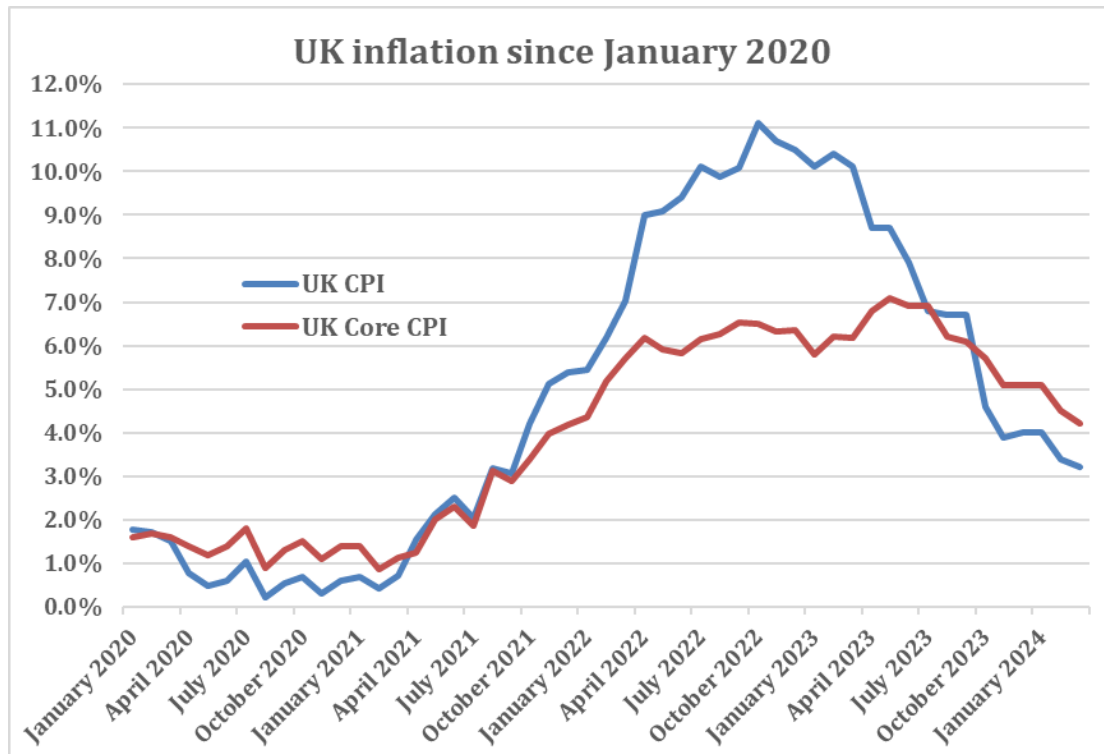


## March inflation numbers

Synopsis: The UK CPI inflation rate for the March 2024, which was 3.2%, 0.2% down from February.

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The CPI annual rate for March was down 0.2% from February at 3.2%, 0.1% above the Reuters consensus forecast of 3.1%. Eurozone annual CPI inflation saw a 0.2% fall for March, leaving its annual rate at 2.4%, while the USA's annual CPI inflation was up by a higher than expected 0.3% at 3.5%.

March 2024's monthly UK CPI reading was up 0.6% from February's. The CPI/RPI gap was unchanged at 1.1%, with the RPI annual rate also falling by 0.2% to 4.3%. Over the month, the RPI index rose by 0.5%.

The Office for National Statistics (ONS)'s favoured CPIH index was unchanged from February at an annual 3.8%. It is notable that, in March 2023, the CPIH was 1.2% below the CPI (8.9% against 10.1%) whereas now it is 0.6% above the CPI. A large part of that is down to the owner occupiers housing (OOH) category, which is up 6.3% over the past year and has a 16.5% weighting in the CPIH but is absent from the CPI.

The ONS attributed the reduced level of CPIH inflation to a combination of counterbalancing factors...

### **Main downward drivers**

*Food and non-alcoholic beverages.* Prices for this division rose by 4.0% in the year to March 2024, down from 5.0% in February. The March figure is the lowest annual rate since November 2021. The rate has eased for the 12th consecutive month from a recent high of 19.2% in March 2023, the highest annual rate seen for over 45 years.

Prices rose by 0.2% between February and March 2024, compared with a monthly rise of 1.1% a year ago. Since early summer 2023 prices have been relatively high but stable, rising by less than 2% between May 2023 and March 2024. This compares with a sharp rise of around 22% seen between March 2022 and May 2023.

Overall, the annual rate eased in eight of the 11 food and non-alcoholic beverages classes, the exceptions being vegetables, hot beverages, and soft drinks.

*Furniture and household goods.* Prices fell by 0.9% in the year to March 2024, compared with a small rise of 0.1% to February. This is the largest annual fall in prices since September 2016 and the first negative rate since December 2020. On a monthly basis, prices rose by 0.3% between February and March 2024, compared with a rise of 1.3% a year ago.

*Clothing and footwear.* Prices rose by 3.9% in the year to March 2024, down from 5.0% the previous month. The rate in March was the lowest since November 2021. On a monthly basis, prices rose by 0.6% between February and March 2024, compared with a rise of 1.6% a year ago. This reflects the incidence of discounting, which fell by less this year than a year ago. Prices tend to rise between February and March as new season stock continues to enter the shops but the rise in 2024 was less than in most recent years.

The downward effect came principally from women's clothing and footwear, with prices rising on the month but by less than a year ago.

### **Main upward drivers**

*Housing and household services.* The overall easing in the inflation rate was partially offset by an upward effect from housing and household services, whose annual rate was 3.1% in March 2024, up from 2.9% to February. This compares with a recent annual peak of 11.8% seen in January and February 2023.

The increase in the annual rate reflected an upward effect from OOH costs which, as mentioned above, rose by 6.3% in the year to March 2024, compared with a rise of 6.0% to February. The OOH annual rate was the highest since July 1992.

*Transport.* Prices in the transport division fell by 0.1% in the year to March 2024, compared with a fall of 0.4% to February. The annual rate has been negative for the last five months.

The small overall change in the annual rate masks offsetting movements in some of the transport categories, with a large upward effect from motor fuels partially offset by smaller downward effects from second-hand cars, rail fares and air fares.

The average price of petrol rose by 2.6 pence per litre between February and March 2024 to stand at 144.8 pence per litre, down from 146.8 pence per litre in March 2023. Diesel prices rose by 2.8 pence per litre in March to stand at 154.1 pence per litre, down from 166.5 pence per litre in March 2023. These movements resulted in overall motor fuel prices falling by 3.7% in the year to March 2024, compared with a fall of 6.5% in February.

Second-hand car prices fell by 0.5% between February and March 2024, compared with a rise of 1.1% between the same two months a year ago. On an annual basis, prices fell by 7.3% in the year to March 2024, compared with a fall of 5.9% in February, the seventh consecutive month of falls.

The small downward effects from rail fares and air fares resulted from prices rising on the month this year by less than a year ago.

Six of the twelve broad CPI divisions saw annual inflation decrease, while five rose and one was unchanged. The category with the highest annual inflation rate was alcoholic beverages and tobacco (3.9% of the Index) which recorded a 12.1% annual increase. Seven divisions (Food and non-alcoholic drinks; Clothing and footwear; Housing, water, electricity, gas and other fuels; Furniture, Household Equipment and Maintenance; Transport and Education; Miscellaneous goods and services), accounting in total for 62% of the Index, posted an annual inflation rate below 5.0%.

Core CPI inflation (CPI excluding energy, food, alcohol and tobacco) fell 0.3% to 4.2% against market expectations of 4.1%. Goods inflation in the UK fell 0.3% to 0.8%, while services inflation was down 0.1% at 6.0%.

Producer Price Inflation input prices fell by 2.5% in the 12 months to March 2024, against a revised fall of 2.2% in the year to February 2023. The corresponding output (factory gate) figures saw a 0.6% annual rise against a previous 0.4% rise. The ONS notes that 'Input and output price levels have been relatively stable since mid-2022 but remain substantially higher than their 2021 levels.'

## Comment

These figures suggest that the Bank of England may be reluctant to cut rates in June, contrary to what some commentators had been expecting. The Bank will also be concerned by Tuesday's [data](#) showing annual growth in employees' average regular earnings (excluding bonuses) being up 6.0% in December 2023 to February 2024, (total earnings including bonuses 5.6%).

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