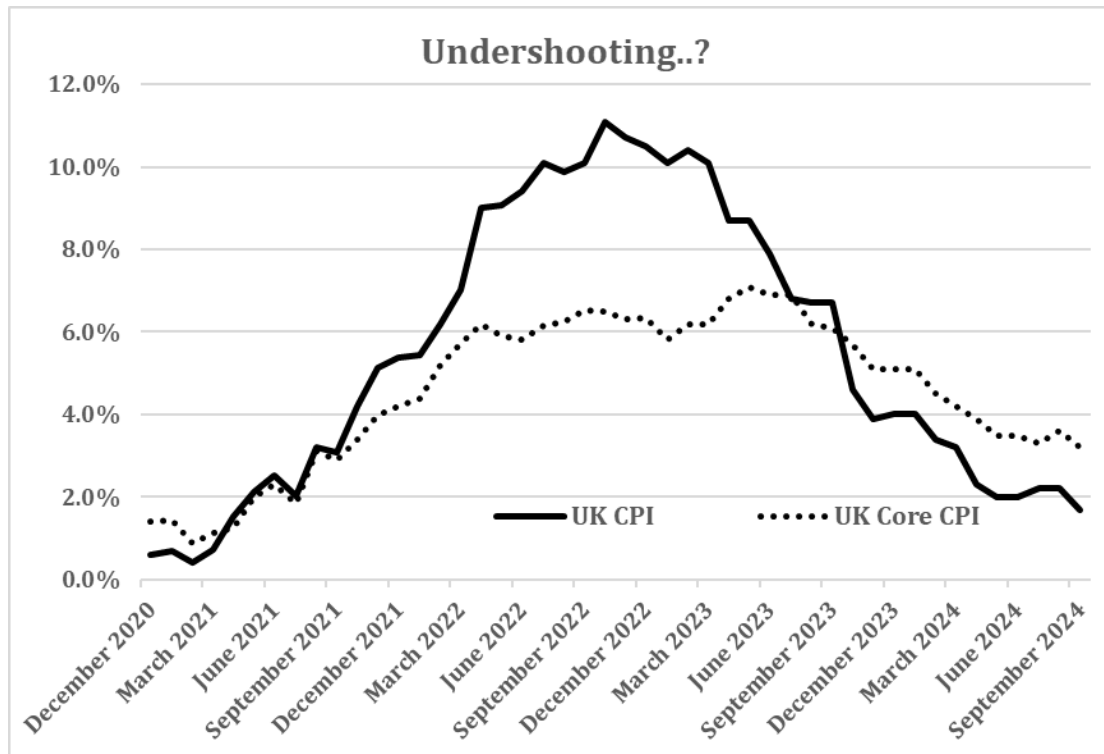


September inflation numbers

Synopsis: The UK CPI inflation rate for September 2024, which was 1.7%, down 0.5% from August.

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Source: ONS

The [CPI](#) annual rate for September was 1.7%, down 0.5% from August and 0.2% below the Reuters consensus forecast. It was the first time the figure has fallen below the Bank of England’s target 2% since April 2021.

The monthly UK CPI reading was down 0.1% from August. The CPI/RPI gap narrowed 0.3% to 1.0%, with the RPI annual rate falling by 0.8% to 2.7%. Over the month, the RPI index fell by 0.8%.

The Office for National Statistics (ONS)’s favoured CPIH index fell by 0.5% to an annual 2.6%, maintaining its unusually high margin above the CPI. As we have said in recent months, a large part of that excess is due to the owner occupiers’ housing (OOH) category, which has a 16.5% weighting in the CPIH but is absent from the CPI. The OOH is up 7.2% over the past year, 0.1% higher than last month.

The ONS attributed the fall in CPIH inflation primarily to three main factors pulling in opposite directions...

Main downward drivers

Transport. in the transport fell by 2.4% in the year to September 2024, compared with a rise of 1.2% in the year to August. This is the largest annual price fall since

October 2015, when the rate was negative 2.7%. On a monthly basis, prices fell by 3.7% in September 2024 compared with a fall of 0.2% a year ago.

The fall in the annual rate was mainly the result of downward effects from air fares and from motor fuels...

- The combination of a large rise in the air fares index between August 2023 and August 2024, and a notable fall in the air fares index between September 2023 and September 2024, led to the second largest downward contribution to the change in the 12-month rate for air fares since at least 2002.
- The average price of petrol fell by 5.5p/litre between August and September 2024 to 136.8p, down from 153.6p in September 2023. Diesel prices fell by 6.0p in September 2024 to stand at 141.8p, down from 157.4p in September 2023. These movements resulted in overall motor fuel prices falling by 10.4% in the year to September 2024, compared with a fall of 3.4% in the year to August.

Clothing and footwear. Prices in the clothing and footwear division rose by 0.8% in the year to September 2024, compared with a rise of 1.6% in the year to August. On a monthly basis, prices rose by 2.1% compared with a 2.9% rise a year ago. The fall in the annual rate was the result of downward effects from garments for women, garments for men, and other articles of clothing. However, these categories were counteracted slightly by a positive contribution from footwear for infants and children.

Main downward driver

Food and non-alcoholic beverages. Food and non-alcoholic beverage prices rose by 1.8% in the year to September, up from 1.3% in August 2024. This is the first time since March 2023 that the annual rate of inflation for food and non-alcoholic beverages has strengthened. Prices for this division rose by 0.4% between August and September 2024, compared with a fall of 0.1% a year ago.

Nine of the twelve broad CPI divisions saw annual inflation decrease, while two rose and one was unchanged. The categories with highest annual inflation rate have changed, with both Health and Communications recording 5.2% annual rises. Three divisions (Housing, Water, Electricity, Gas and Other Fuel; Furniture; Household Equipment and Maintenance; and Transport), accounting in total for 32.9% of the Index, posted an annual *deflation*.

Core CPI inflation (CPI excluding energy, food, alcohol and tobacco) fell 0.4% to 3.2%. Goods inflation in the UK fell 0.5% to -1.4%, while services inflation dropped 0.7% to 4.9%.

[Producer Price Inflation](#) input prices fell by 2.3% in the 12 months to September 2024, against a revised figure of -1.0% in the year to August 2024. The corresponding output (factory gate) figures saw a 0.7% annual fall against a previous revised 0.3% increase.

Comment

These inflation numbers are good news for the Bank of England ahead of its next interest rate decision, due on 7 November, even if four fifths of the fall is accounted for by the Transport category alone. Taken with yesterday's earnings [data](#) showing annual growth of pay (excluding bonuses) of 4.9%, down from 5.1%, the Bank now looks set to be in cutting mode once again. Large tax rises in the Budget - £40bn is now being mentioned – will add to the momentum to cut interest rates.

However, the headline CPI is likely to trend up for the remainder of the year, as October will see the new utility price cap enter the figures.

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