

# Economic Indicators at a glance – November 2013

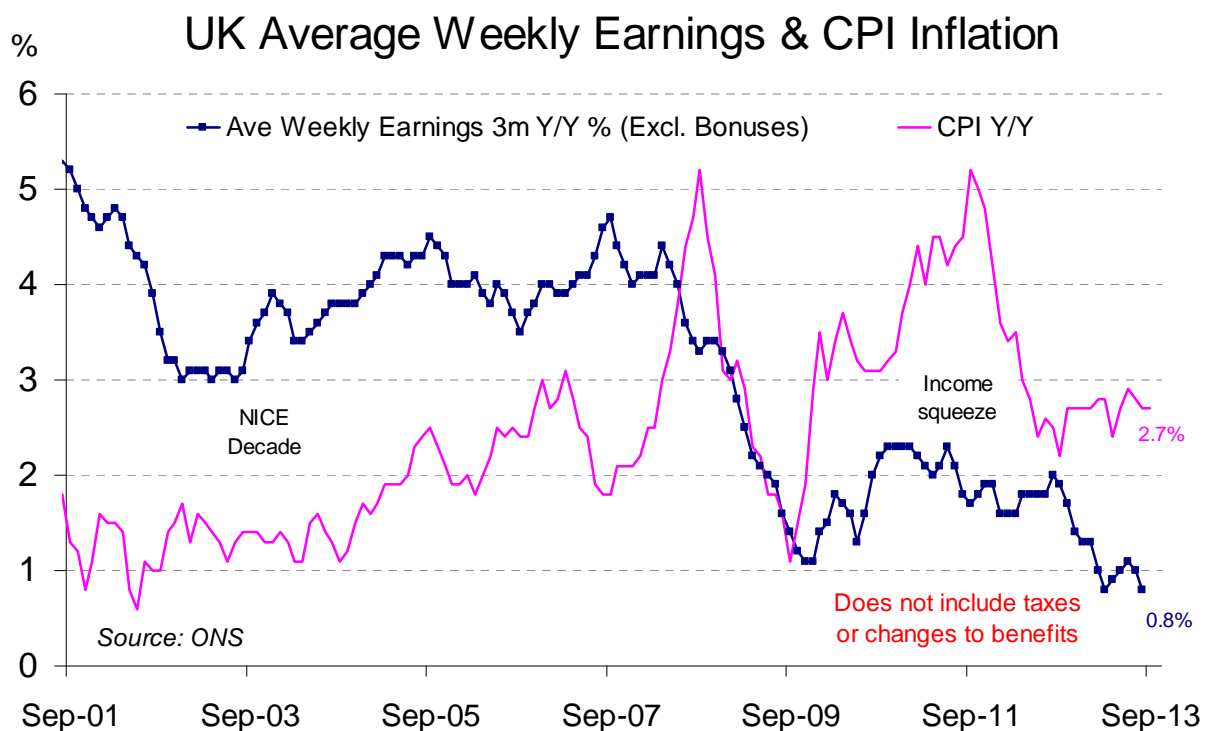
Contact: Richard Ramsey  
Chief Economist, Northern Ireland  
02890 276354 or 07881 930955

[Richard.ramsey@ulsterbankcm.com](mailto:Richard.ramsey@ulsterbankcm.com)  
[www.ulsterbank.com/economics](http://www.ulsterbank.com/economics)  
Twitter @UB\_Economics

**Appears in Belfast Telegraph Business Month published 4<sup>th</sup> November 2013**

## Cost of living squeeze shows no sign of easing

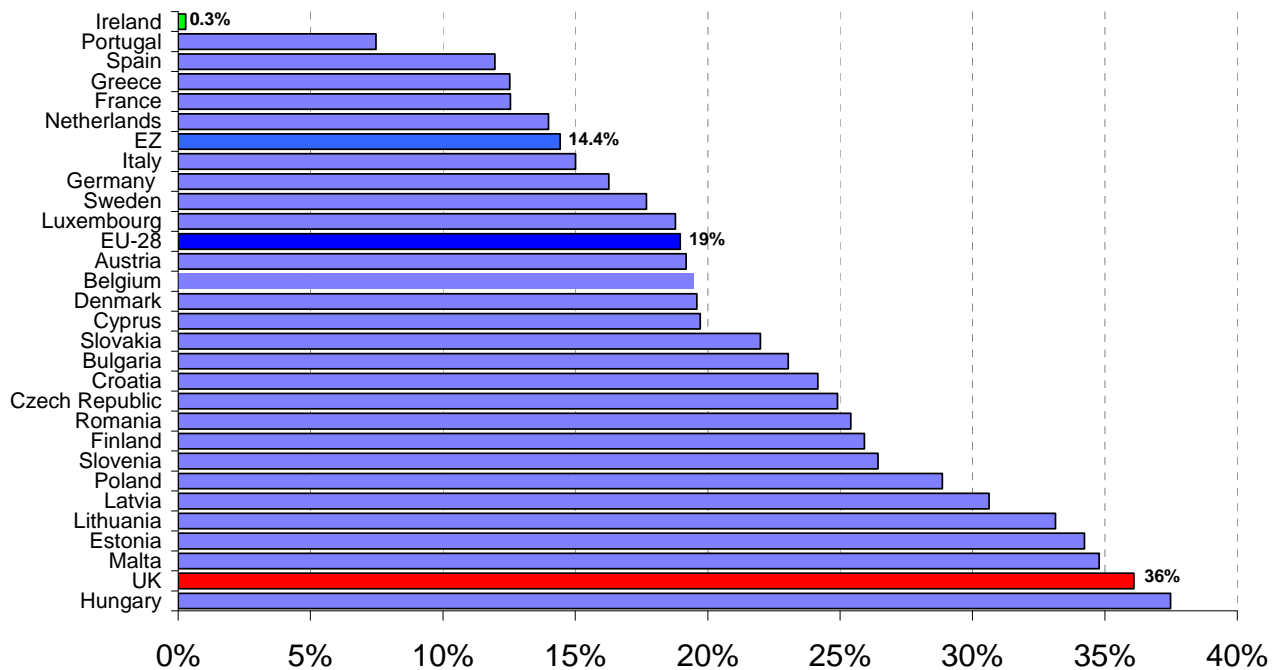
Whilst indicators pointing to an economic recovery continue to come in thick and fast, inflation remains public enemy number one as far as consumers are concerned. Not only has the UK consumer endured a sustained period of above target inflation, they have also experienced a prolonged period of extremely subdued wage growth. The net result has been a severe squeeze on household incomes for the last 4 years. Recently the lack of a household recovery, or the 'cost of living recession', has become the centrepiece in the changing UK political narrative and should feature prominently in the run up to the next General Election. In September 2013 the annual rate of UK consumer prices index (CPI) stood at 2.7%. This represented the 66<sup>th</sup> month out of the last 73 months that inflation remained above the Bank of England Monetary Policy Committee's 2% target. Meanwhile, average UK weekly earnings (*excluding bonuses*) in the three months to August increased by a paltry 0.8% y/y and by less than 11% since the credit crunch officially began in August 2007. Headline inflation has now been rising at a faster rate than incomes for the last 4 years. Since August 2007, UK CPI inflation has risen cumulatively by 21% which compares unfavourably with most of its EU-28 competitors. For example, 15% for the EU-28 economies average, 13% for the Eurozone and just 3% for the Republic of Ireland (RoI). Indeed, the RoI has experienced the lowest cumulative rise in consumer prices of any EU-28 economy since the credit crunch began. While most of the EU-28 economies would swap their unemployment rates for the relatively low rate prevailing in the UK, the UK consumer would happily swap the UK inflation rate with the equivalent rate in the Eurozone and the RoI in particular.



**UK food & drink prices have increased by 36% since August 2007**

The Bank of England’s monetary policy has had a significant bearing on the cost of the weekly shop. The depreciation in sterling, largely triggered by the Bank of England’s interest rate stance and quantitative easing programme, has led to import price inflation. The annual rate of UK food & non-alcoholic beverages inflation currently stands at 4.3%. However, since the credit crunch began (August 2007), UK food and drink prices have soared by 36%. This rise was almost double the EU-28 average and compared with just over 14% for the Eurozone. Within the EU-28 countries, only Hungary experienced a higher rise in prices than the UK over this period. Meanwhile, food and drink prices within the Republic of Ireland in September 2013 were largely the same as they were over 6 years ago. Indeed, the Republic of Ireland (RoI) has enjoyed the lowest food and drink inflation of any EU-28 Member State since the credit crunch began and by quite some margin. The severity of the RoI’s recession, alongside healthy profit margins that were not evident in other economies, has kept food and drink inflation to a minimum.

**EU-28 Cumulative % Rise in Food & Drink Prices**  
August 2007 to September 2013 (HICP)

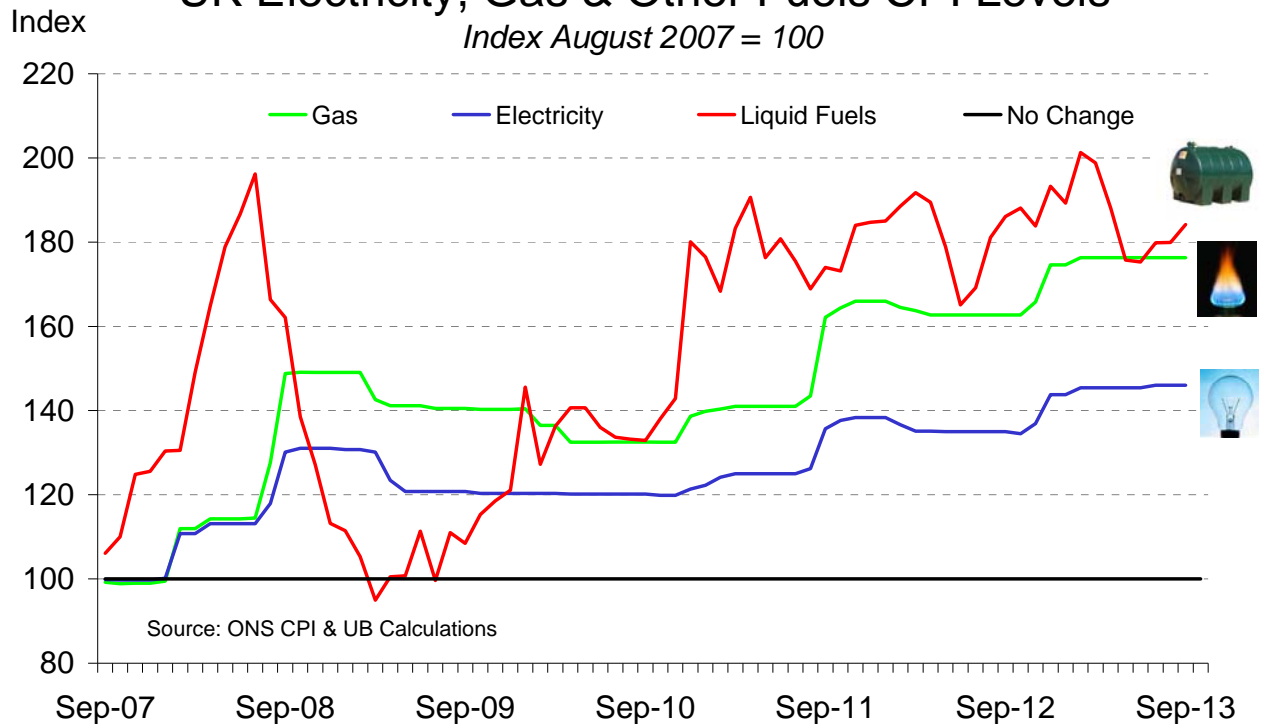


**Inflationary pressures within energy set to intensify**

In recent weeks, electricity price hikes have hit the headlines within the UK. In response, politicians, past and present, have suggested a number of policies such as scrapping green measures, introducing price caps, promoting greater competition and imposing a windfall profits tax on energy companies. Undoubtedly, energy costs and policies will be hotly debated in advance of the next UK general election. Since the credit crunch officially began, in August 2007, the UK Electricity, Gas and Other Fuels consumer prices index (CPI) has risen by 61% (over 5.5 times the increase in average UK earnings). This rise compares with 29% for Ireland and 38% for the EU-28. Only five other EU-28 countries had higher increases than the UK. Within the EU-28, the Netherlands posted the smallest rise (12%). Since August 2007, UK electricity prices have risen by 46%, gas prices have increased by 76% and the price of home heating oil is up 84%. With the annual inflation rate of gas and electricity already running at over 8%, before the recently announced price rises take effect, the squeeze on household incomes is set to continue.

## UK Electricity, Gas & Other Fuels CPI Levels

Index August 2007 = 100



Richard Ramsey,  
24<sup>th</sup> October 2013

This document is issued for information purposes only for clients of Ulster Bank Group who are eligible counterparties or professional customers, and does not constitute an offer or invitation to purchase or sell any instrument or to provide any service in any jurisdiction where the required authorisation is not held. Ulster Bank and/or its associates and/or its employees may have a position or engage in transactions in any of the instruments mentioned.

The information including any opinions expressed and the pricing given, is indicative, and constitute our judgement at time of publication and are subject to change without notice. The information contained herein should not be construed as advice, and is not intended to be construed as such. This publication provides only a brief review of the complex issues discussed and readers should not rely on information contained here without seeking specific advice on matters that concern them. Ulster Bank make no representations or warranties with respect to the information and disclaim all liability for use the recipient or their advisors make of the information. Over-the-counter (OTC) derivatives can involve a number of significant and complex risks which are dependent on the terms of the particular transaction and your circumstances. In the event the market has moved against the transaction you have undertaken, you may incur substantial costs if you wish to close out your position.

Ulster Bank Limited Registered Number: R733 Northern Ireland. Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Member of The Royal Bank of Scotland Group.

Ulster Bank Ireland Limited . A private company limited by shares , trading as Ulster Bank , Ulster Bank Group and Bank Uladh. Registered in Republic of Ireland. Registered No. 25766. Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2. Member of the Royal Bank of Scotland Group. Ulster Bank Ireland Limited is regulated by the Central Bank of Ireland.

Calls may be recorded.



**Ulster Bank Limited accepts no liability for the outcome of any actions taken arising from the use of this article**