
UK Consumer Price Inflation

November 2012 Update

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UK Consumer Prices: CPI Inflation

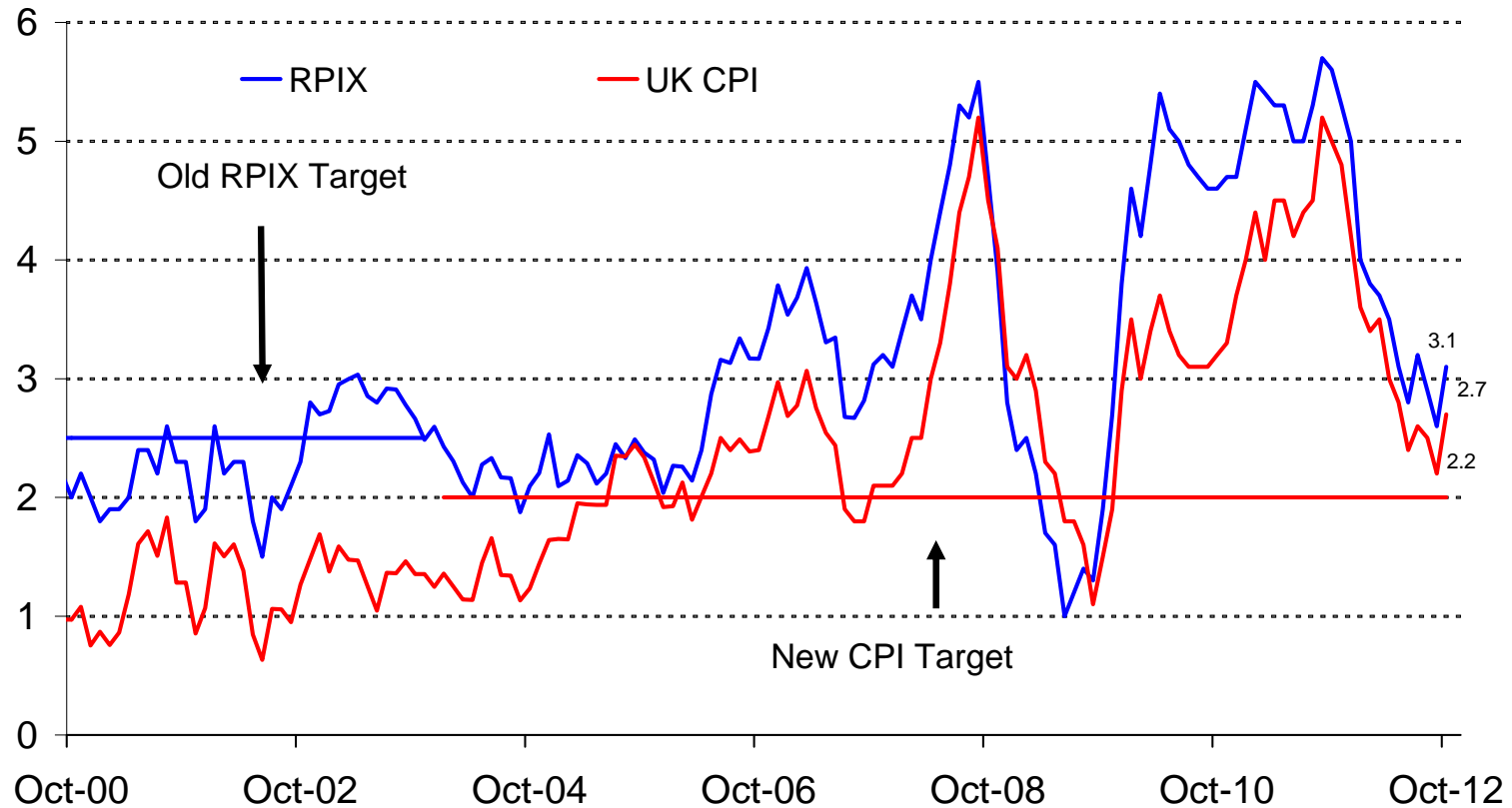
UK CPI Inflation by Sub-Category

CPI by main categories	October 2012 % Y/Y	October 2012 % M/M	% Change Since August 2007
Food & non-alcoholic beverages	3.4	0.5	31.1
Alcohol & Tobacco	6.5	0.4	34.0
Clothing & Footwear	-0.1	1.2	-8.0
Housing & household services <i>(includes water & fuel)</i>	1.7	0.1	27.0
Furniture & Household Equipment	1.7	-0.6	18.1
Health	2.5	0.2	16.1
Transport	3.1	-0.1	24.6
Communication	3.7	0.2	12.1
Recreation & Culture	0.8	0.4	3.8
Education	19.7	19.1	71.1
Restaurants & Hotels	2.9	0.0	18.1
Miscellaneous Goods & Services	1.9	0.0	13.5
Overall CPI	2.7	0.5	18.6

Source: ONS

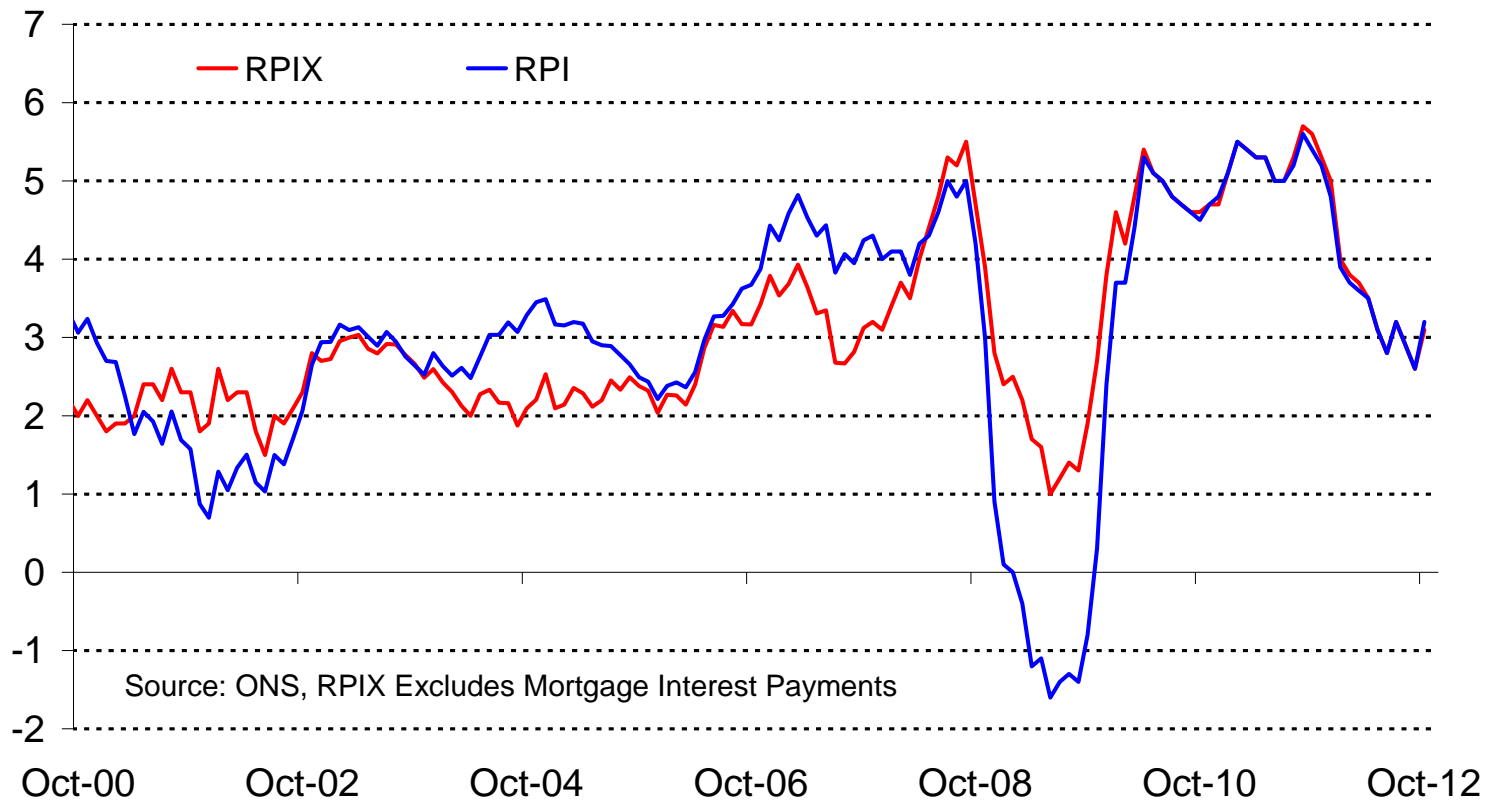
UK CPI has exceeded the MPC's 2% target in 55 out of 62 months since the credit crunch began (*August 2007*)

UK CPI vs RPIX

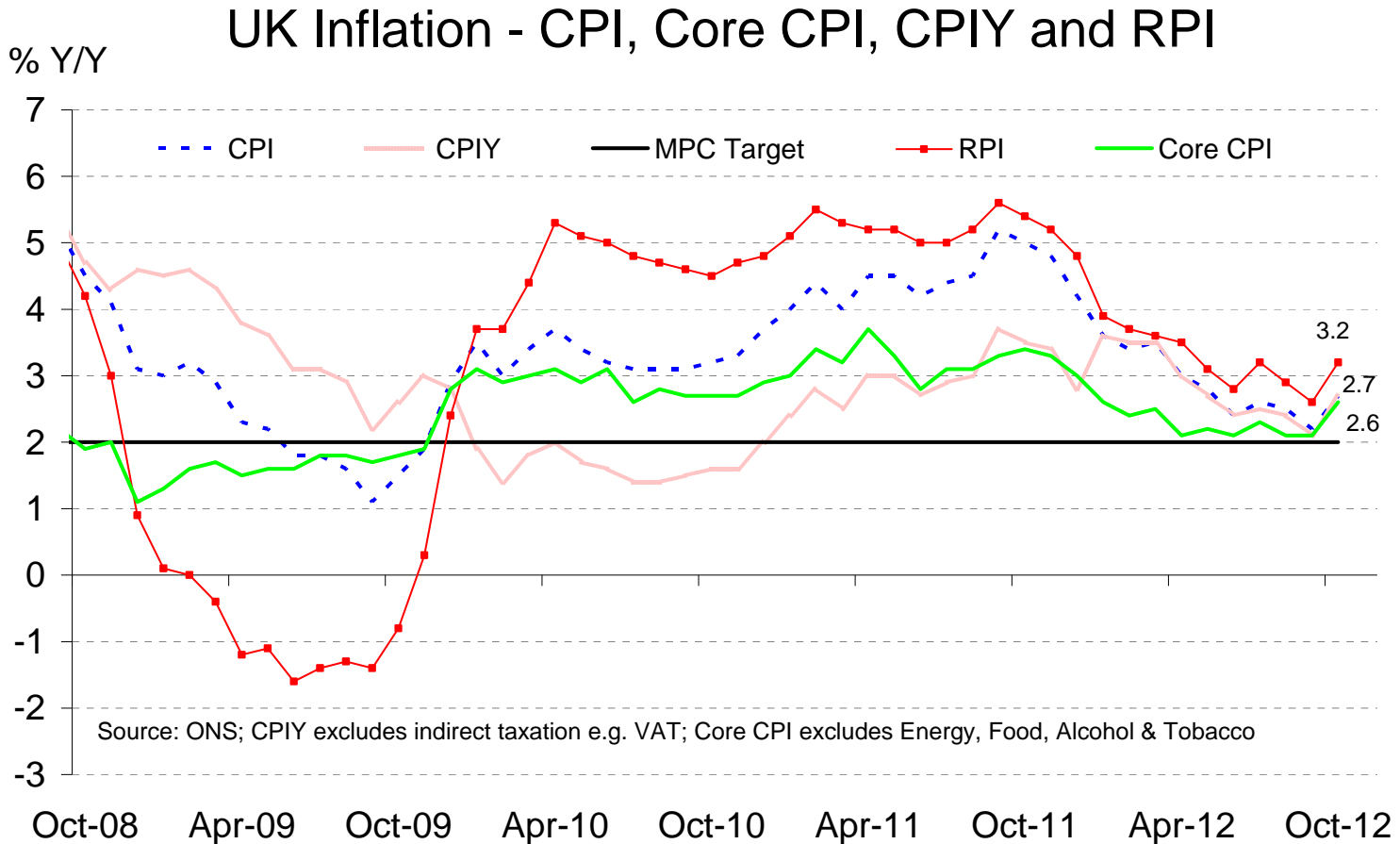


RPI back above 3% rising from 2.6% in September to 3.2% in October

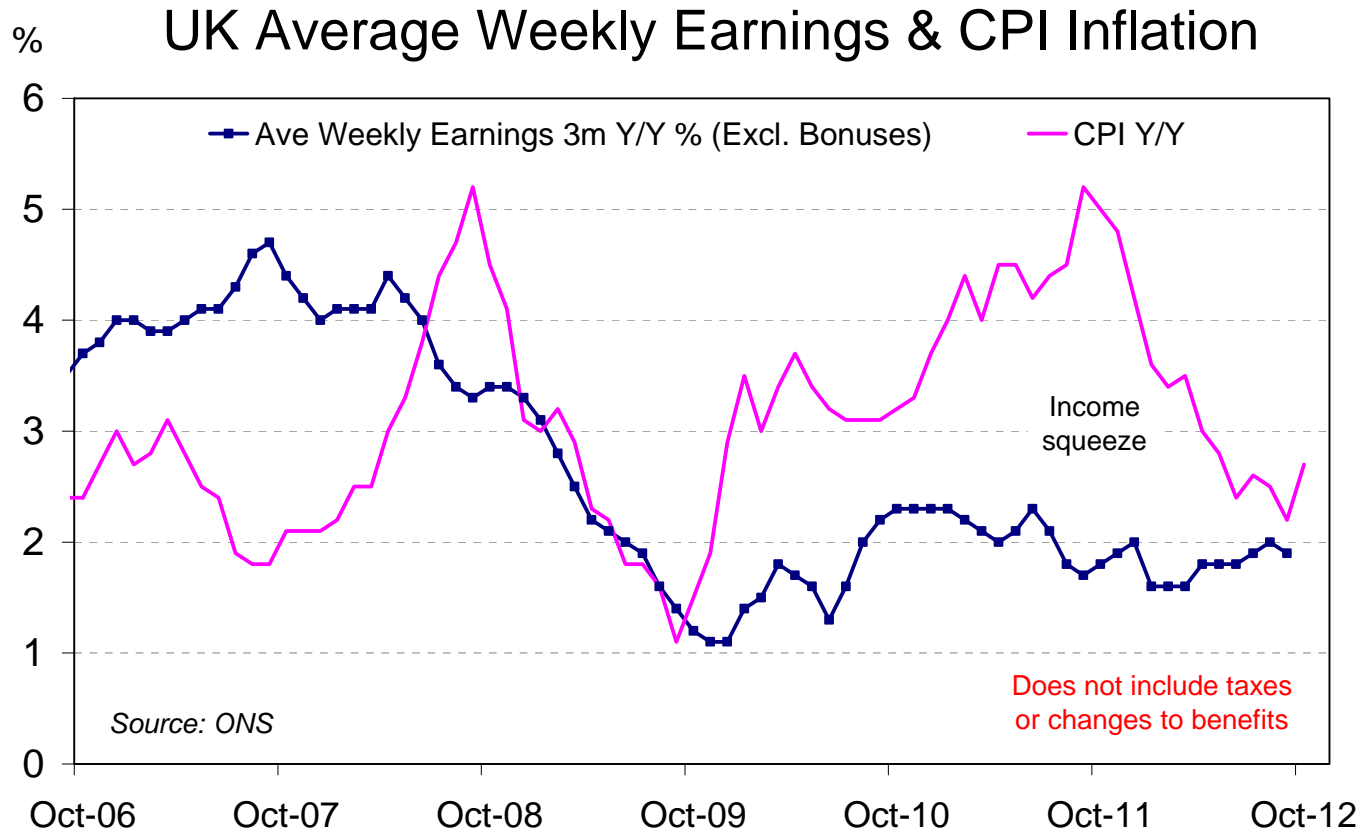
UK RPI vs RPIX



All key indices saw inflation accelerate in October with rise in university tuition fees adding 0.3pp to headline CPI rate

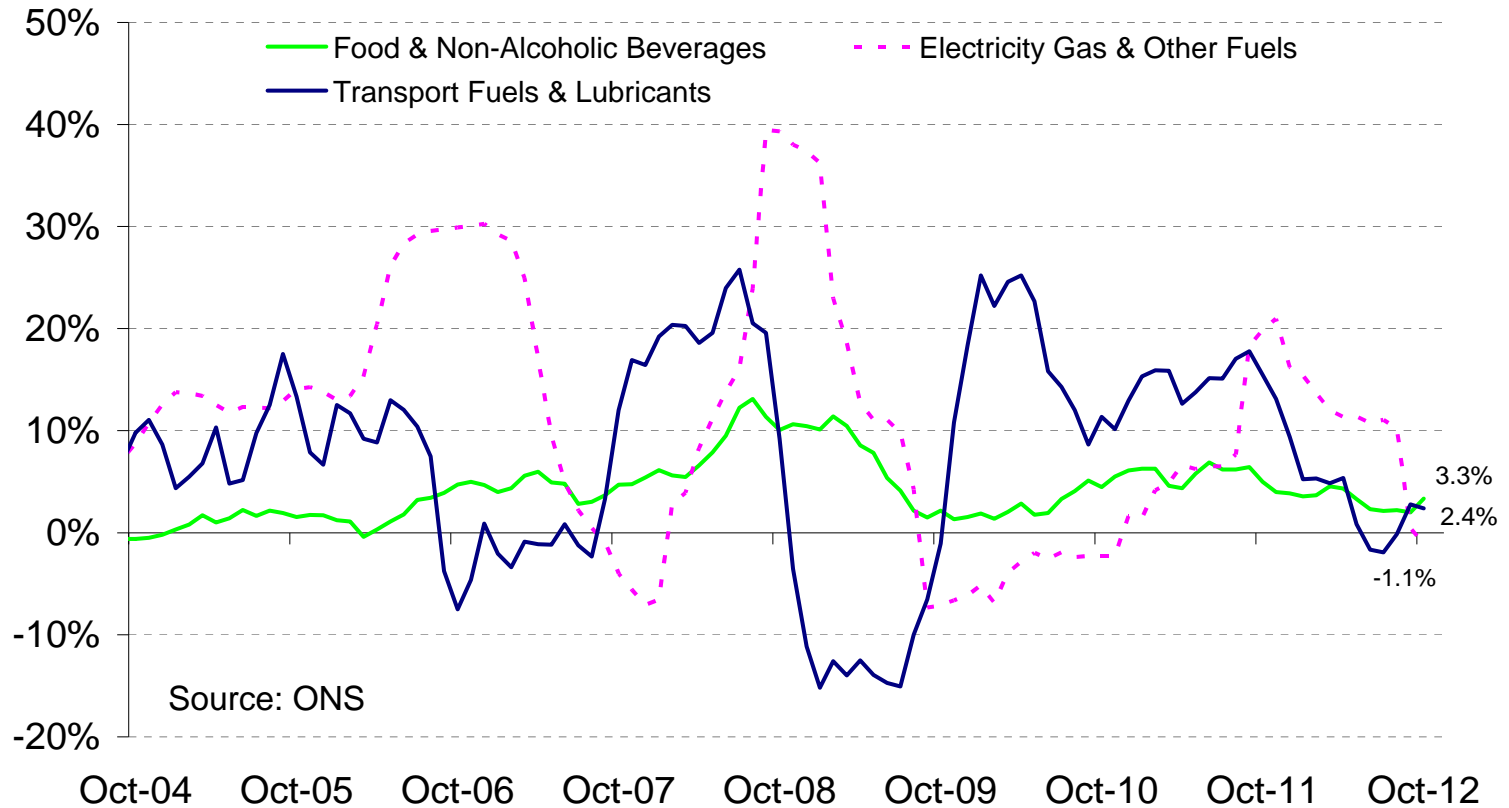


UK inflation still rising at a faster rate than earnings and prolonging the income squeeze



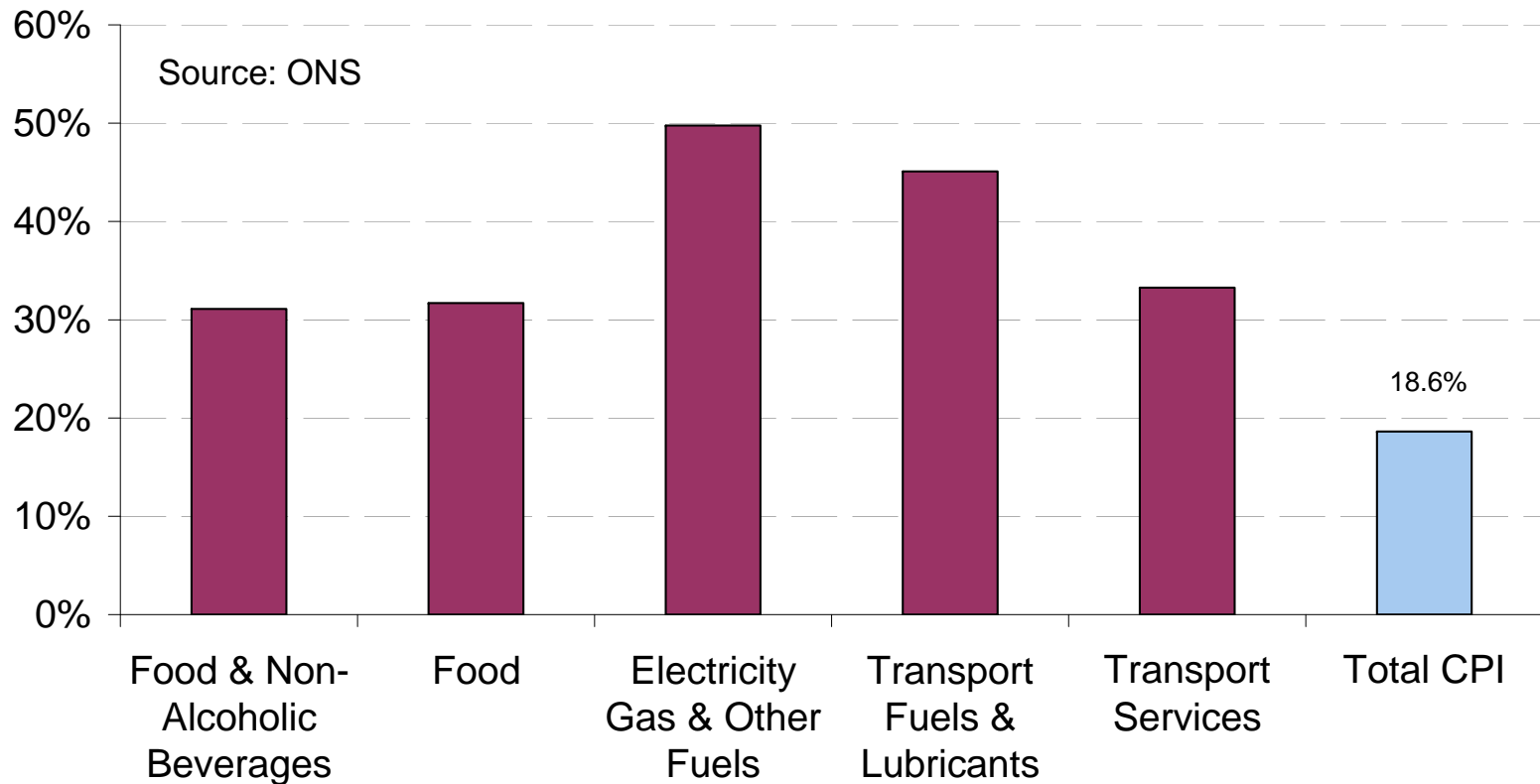
The annual rate of energy & food inflation has eased markedly since peaks in 2008 & 2009 but it's the cumulative impact

UK CPI Inflation Year-on-Year



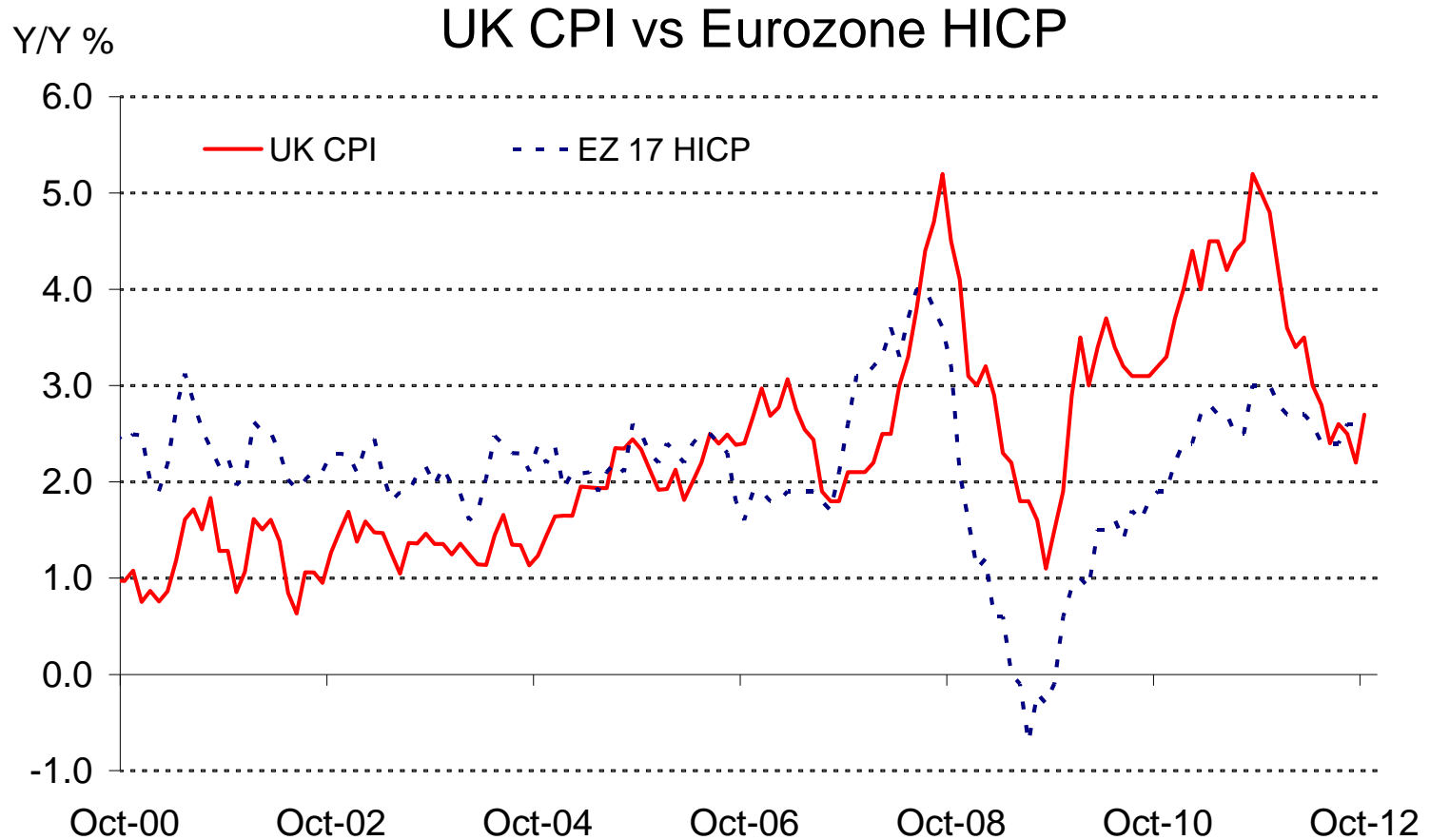
Since Aug-07 CPI has risen by almost 19% which compares with a rise in average earnings of less than 11%

Cumulative % Change in UK Consumer Prices since Credit Crunch began (Aug 07 to Oct 12)

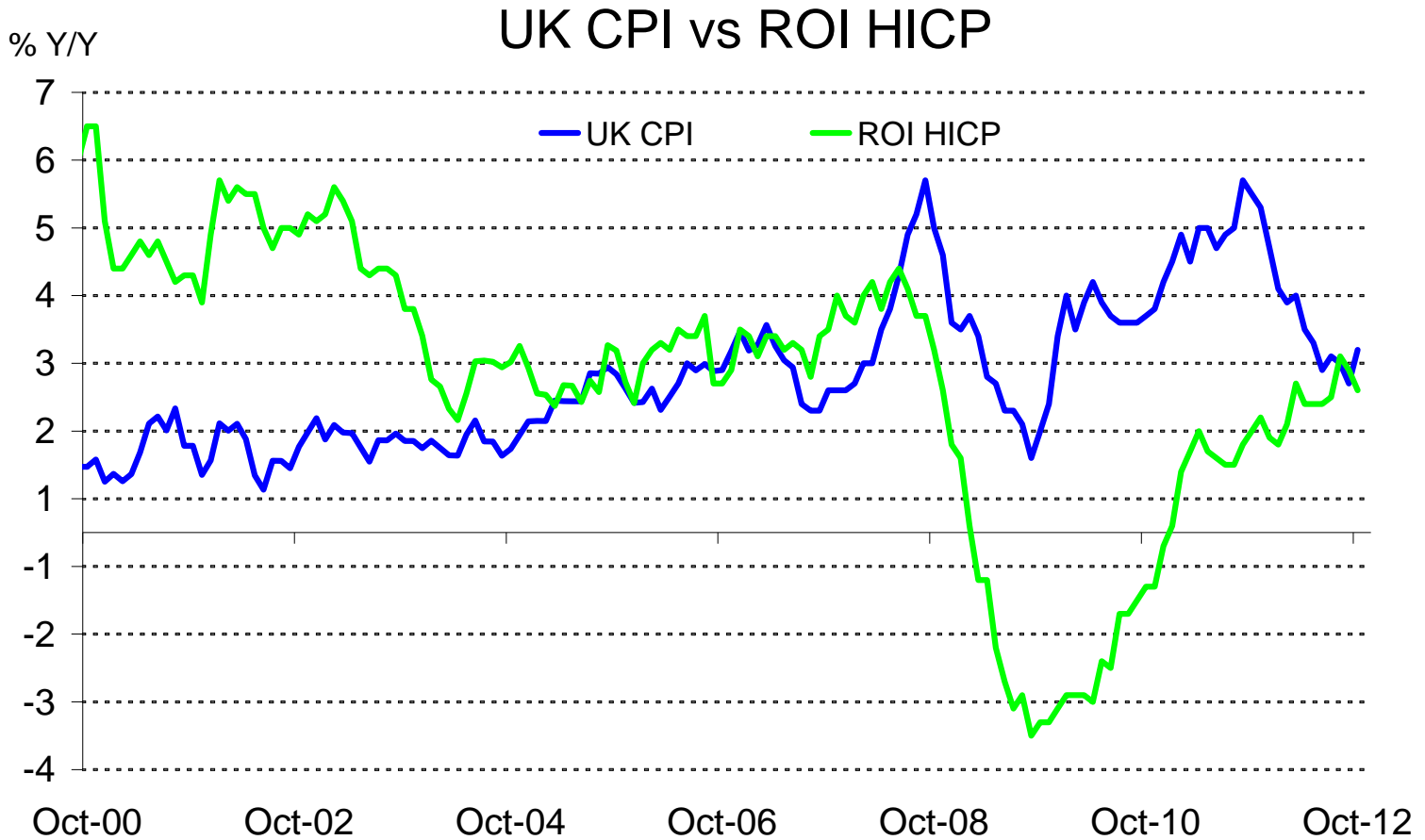


*International
Consumer Price Inflation
Comparisons*

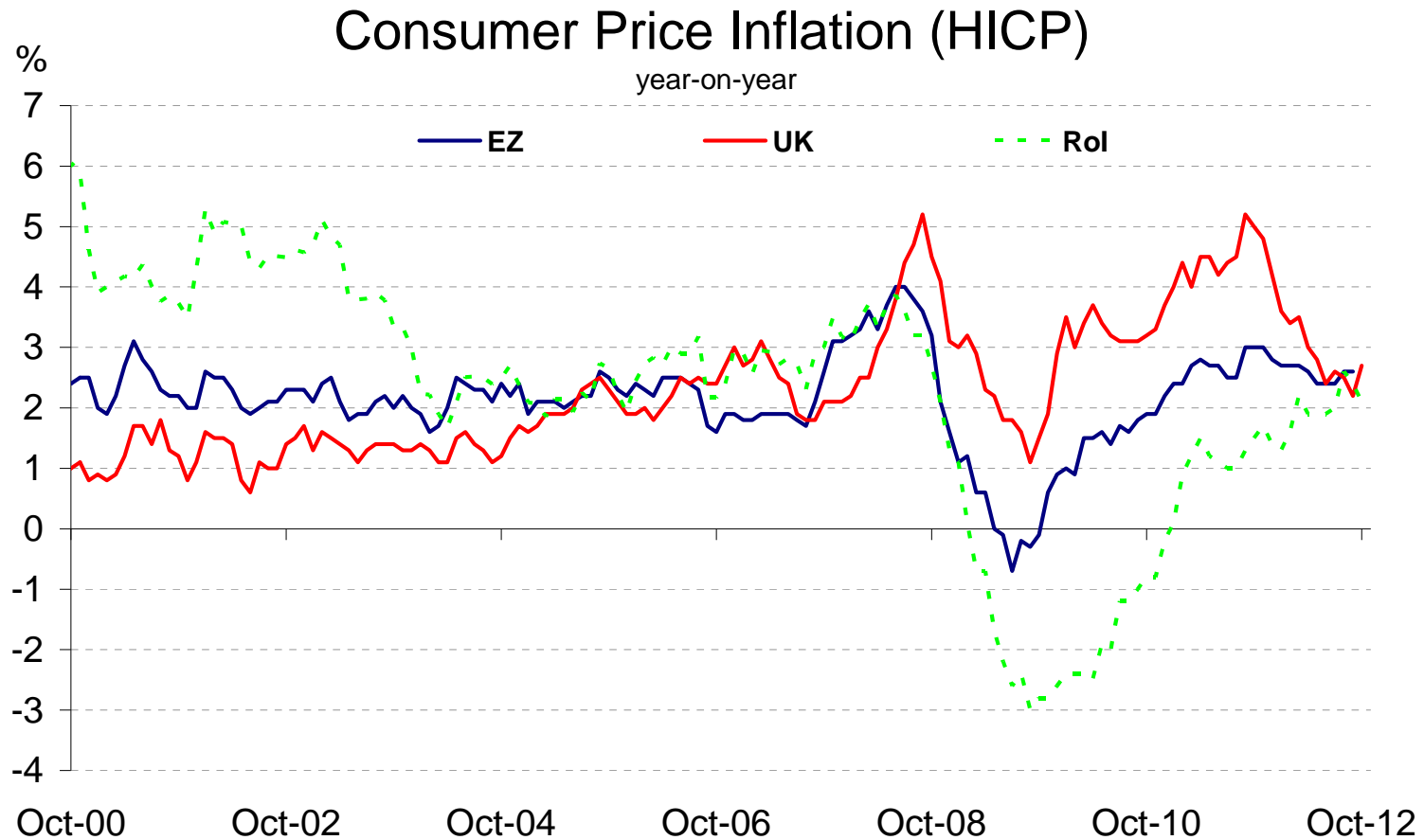
Inflation has been more pronounced in the UK than in the Eurozone...



...and even more pronounced relative to the Republic of Ireland



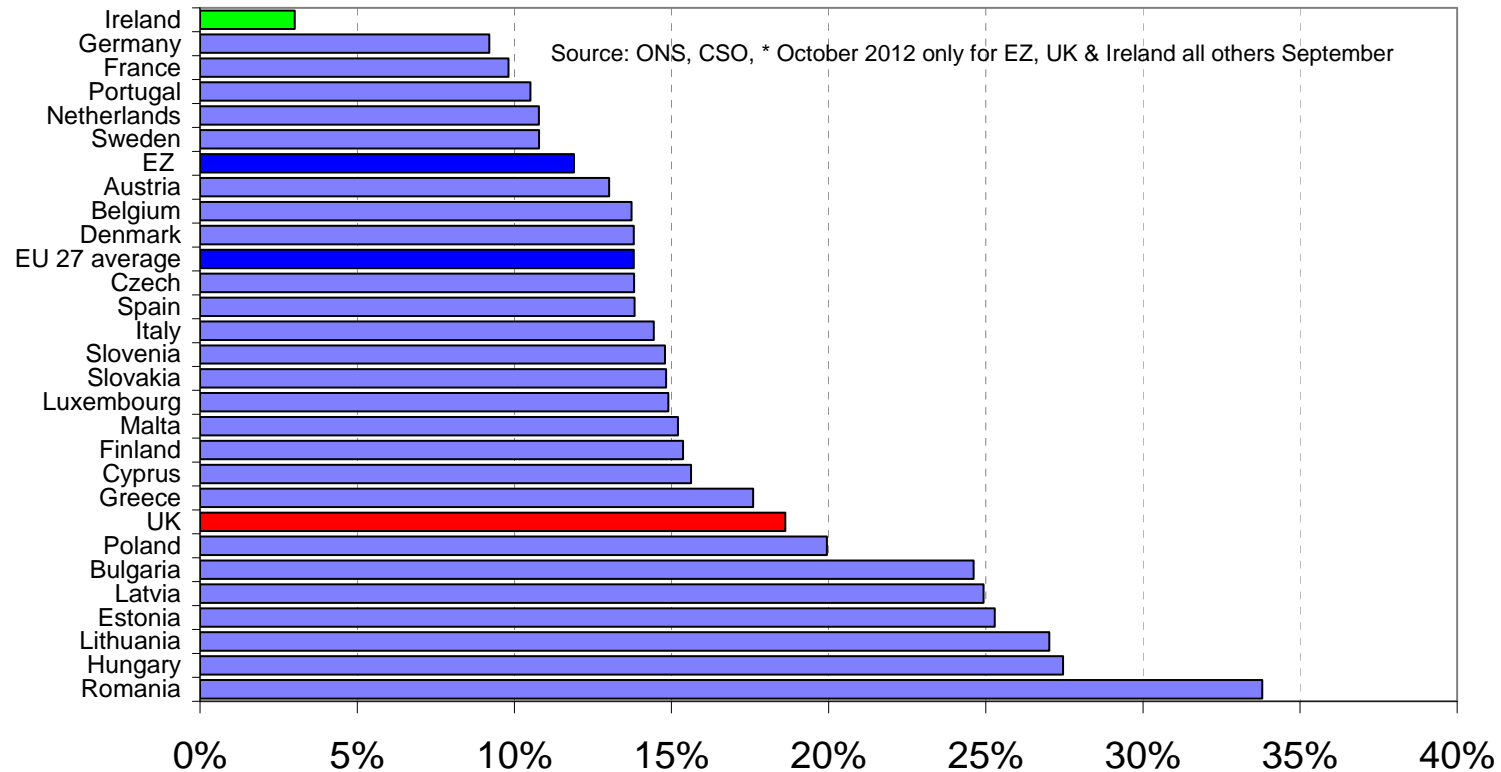
The RoI has gone from having the highest annual rates of inflation to the lowest



Ireland has become the poster child of low inflation with the UK experiencing the highest rises outside of Eastern Europe

Cumulative % Rise in Consumer Prices (HICP)

since August 2007 to September / October 2012*



The UK has experienced a cumulative rise in consumer prices 6 X greater than the RoI since August 2007

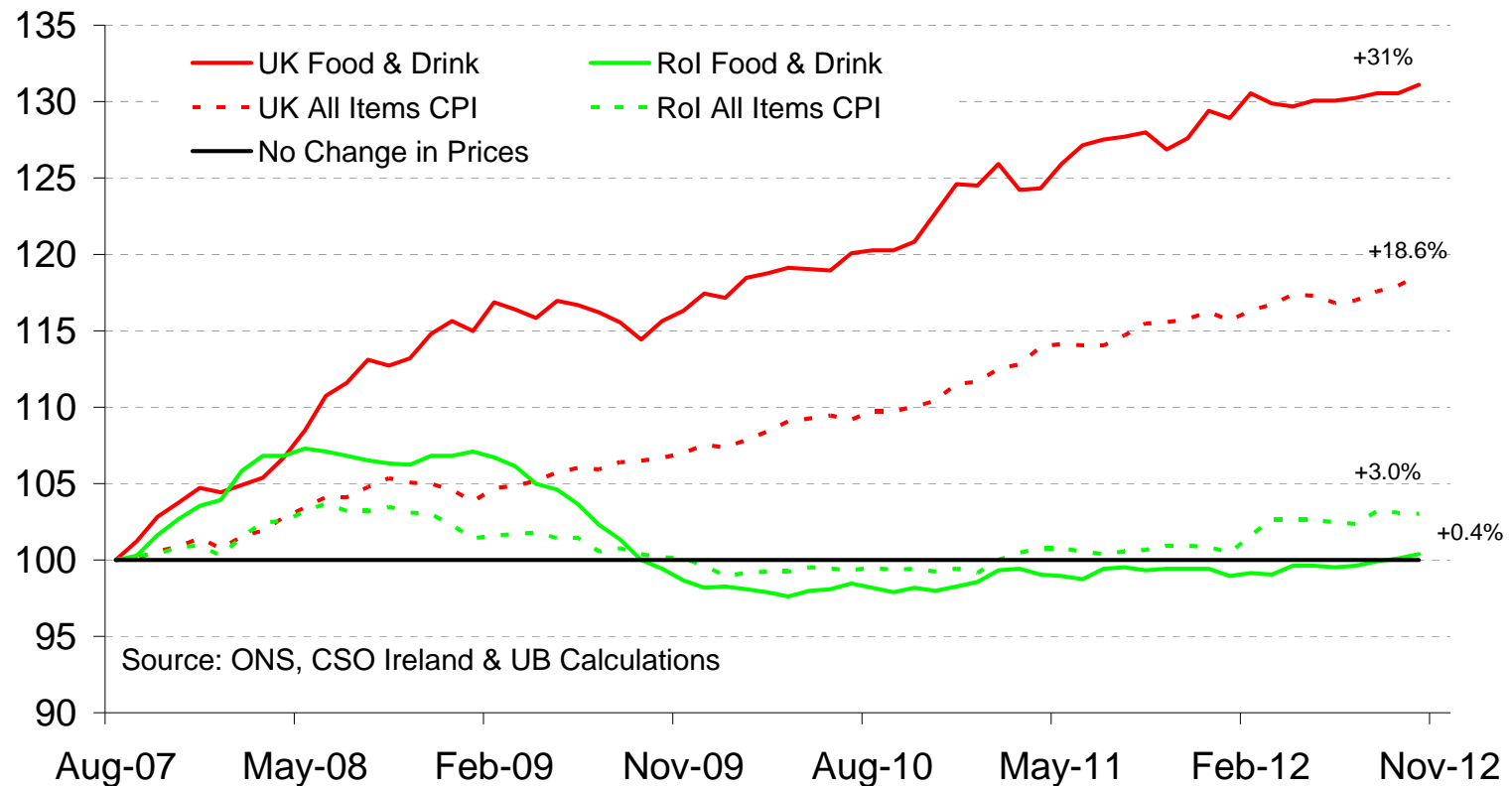
UK & RoI CPI Inflation by Sub-Category

CPI by main categories	UK October 2012 % Y/Y	RoI October 2012 % Y/Y	UK % Change Since August 2007	RoI % Change Since August 2007
Food & non-alcoholic beverages	3.4	1.0	31.1	0.4
Alcohol & Tobacco	6.5	3.4	34.0	12.4
Clothing & Footwear	-0.1	1.0	-8.0	-21.1
Housing & household services <i>(includes water & fuel)</i>	1.7	4.7	27.0	5.8
Furniture & Household Equipment	1.7	-2.7	18.1	-13.1
Health	2.5	0.4	16.1	13.7
Transport	3.1	5.4	24.6	9.1
Communication	3.7	-3.4	12.1	1.0
Recreation & Culture	0.8	-1.1	3.8	-2.8
Education	19.7	6.7	71.1	36.8
Restaurants & Hotels	2.9	1.0	18.1	-1.2
Miscellaneous Goods & Services	1.9	3.3	13.5	15.5
Overall CPI	2.7	2.1	18.6	3.0

Source: ONS & CSO using HICP measure

With the divergence particularly stark when it comes to Food & Drink

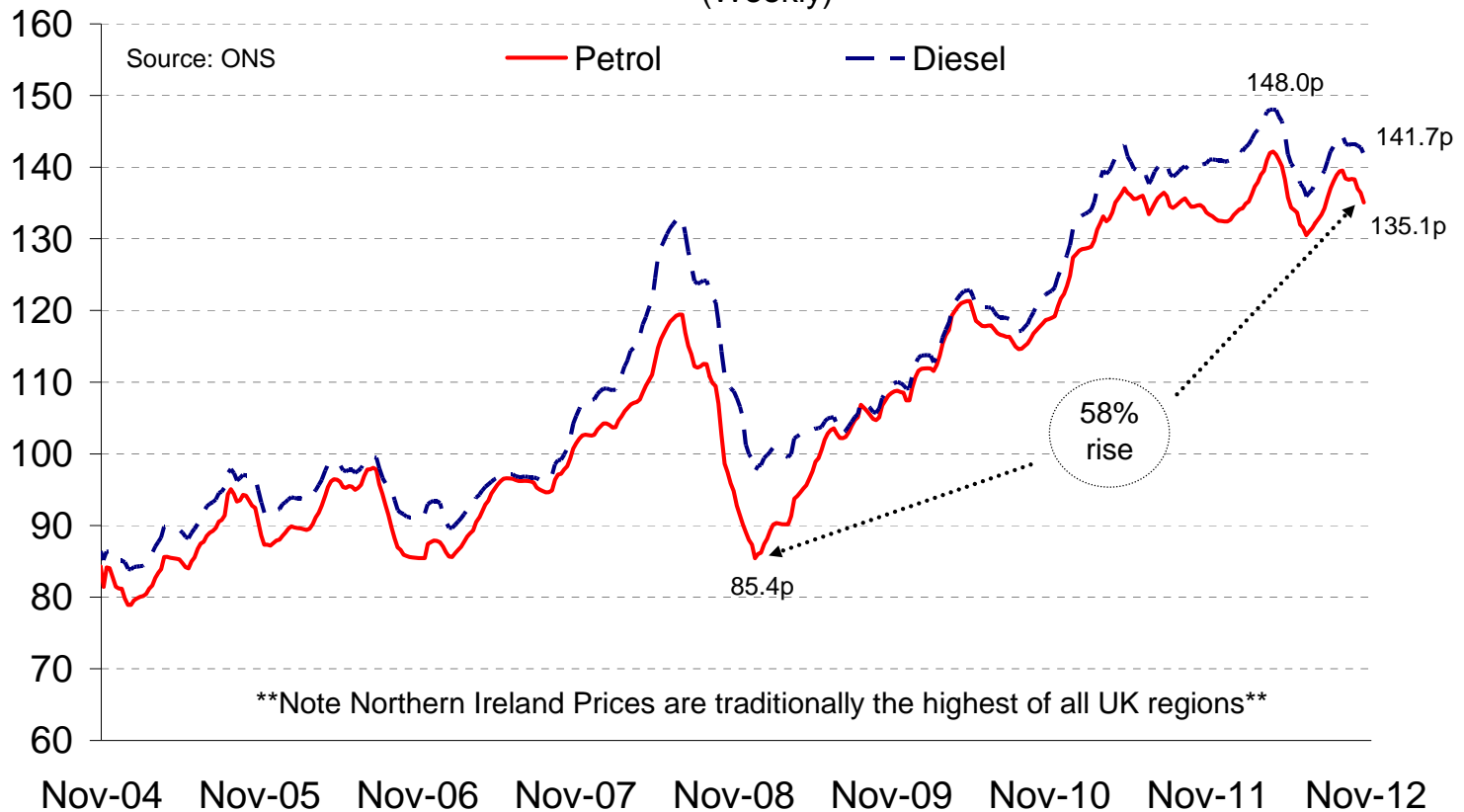
UK (NI) & RoI CPI Inflation Levels (HICP) (August 2007 = 100)



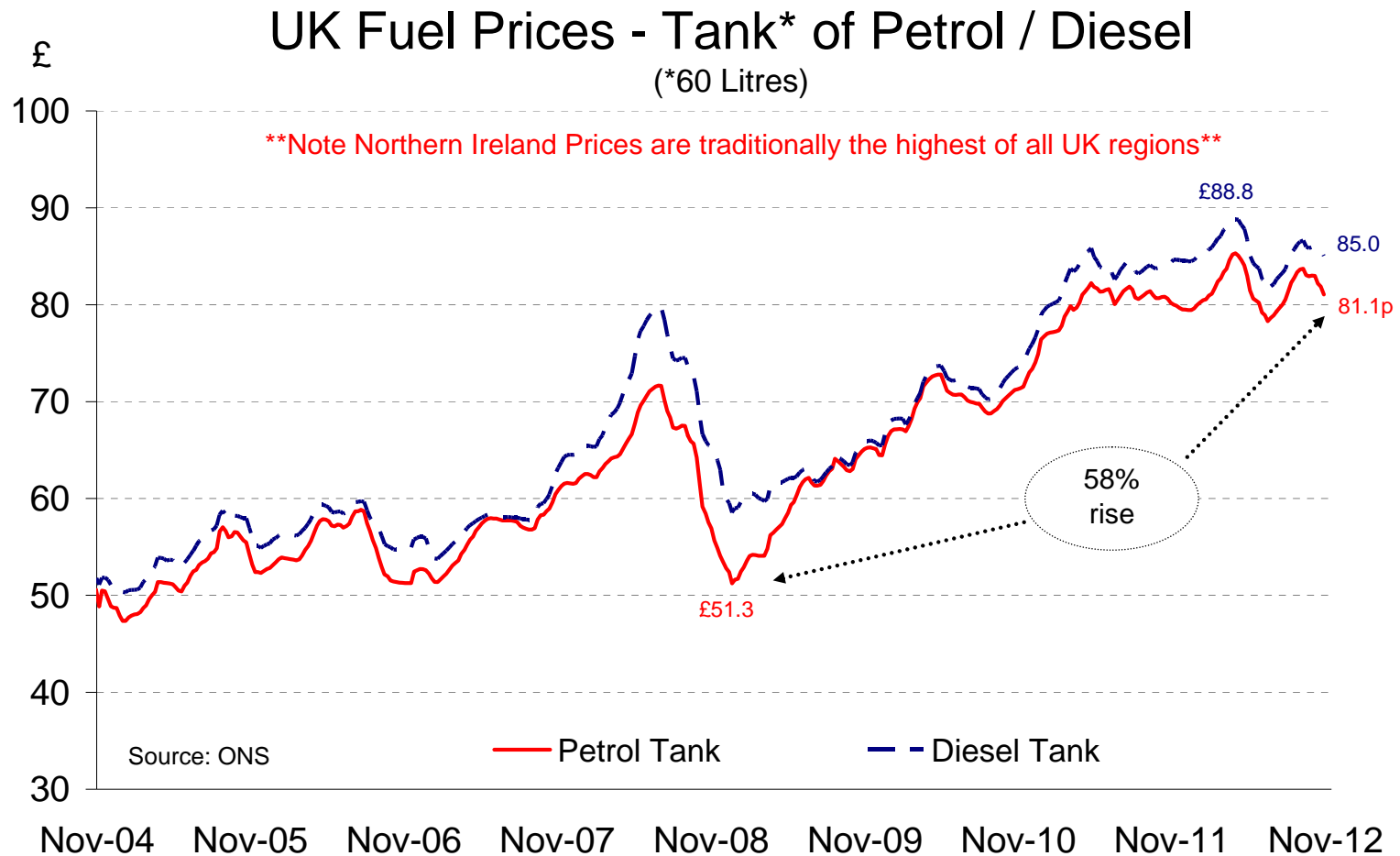
*UK Oil, Petrol
& Diesel Prices*

The rise in petrol prices is squeezing disposable incomes

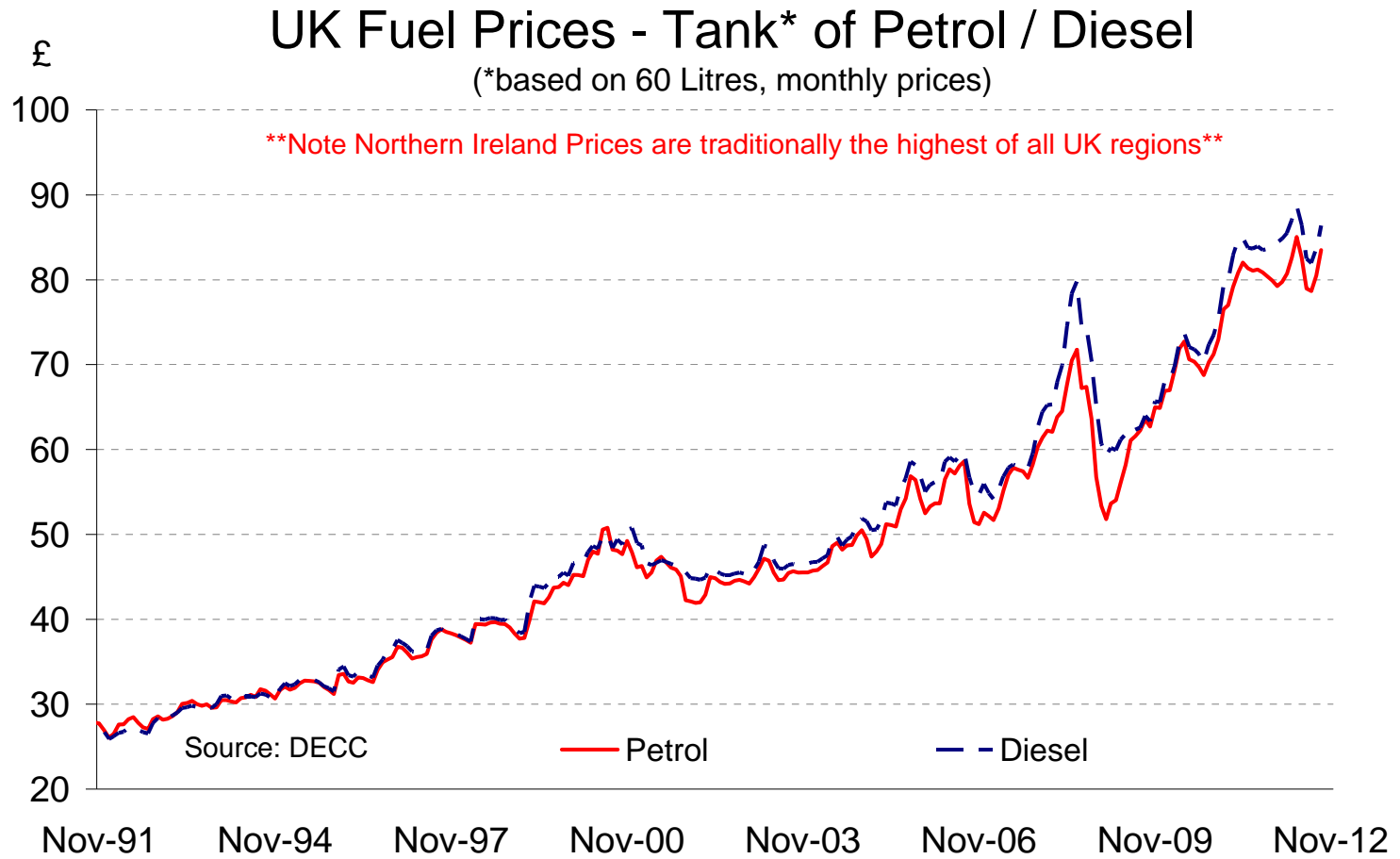
UK Fuel Prices - Pence per litre (Weekly)



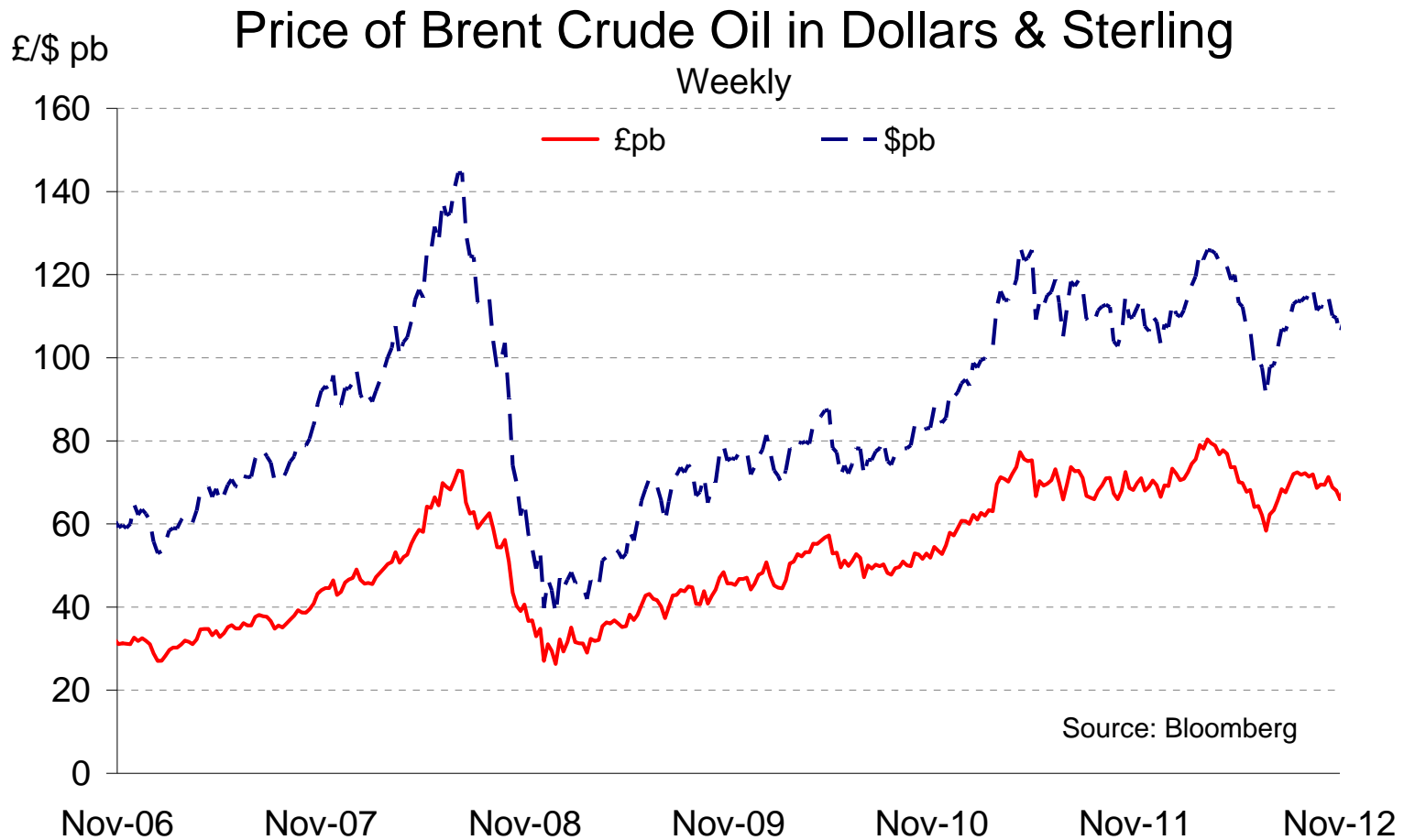
Filling up an average family car now costs over £80 with a further 3p per litre rise in duty due in January 2013



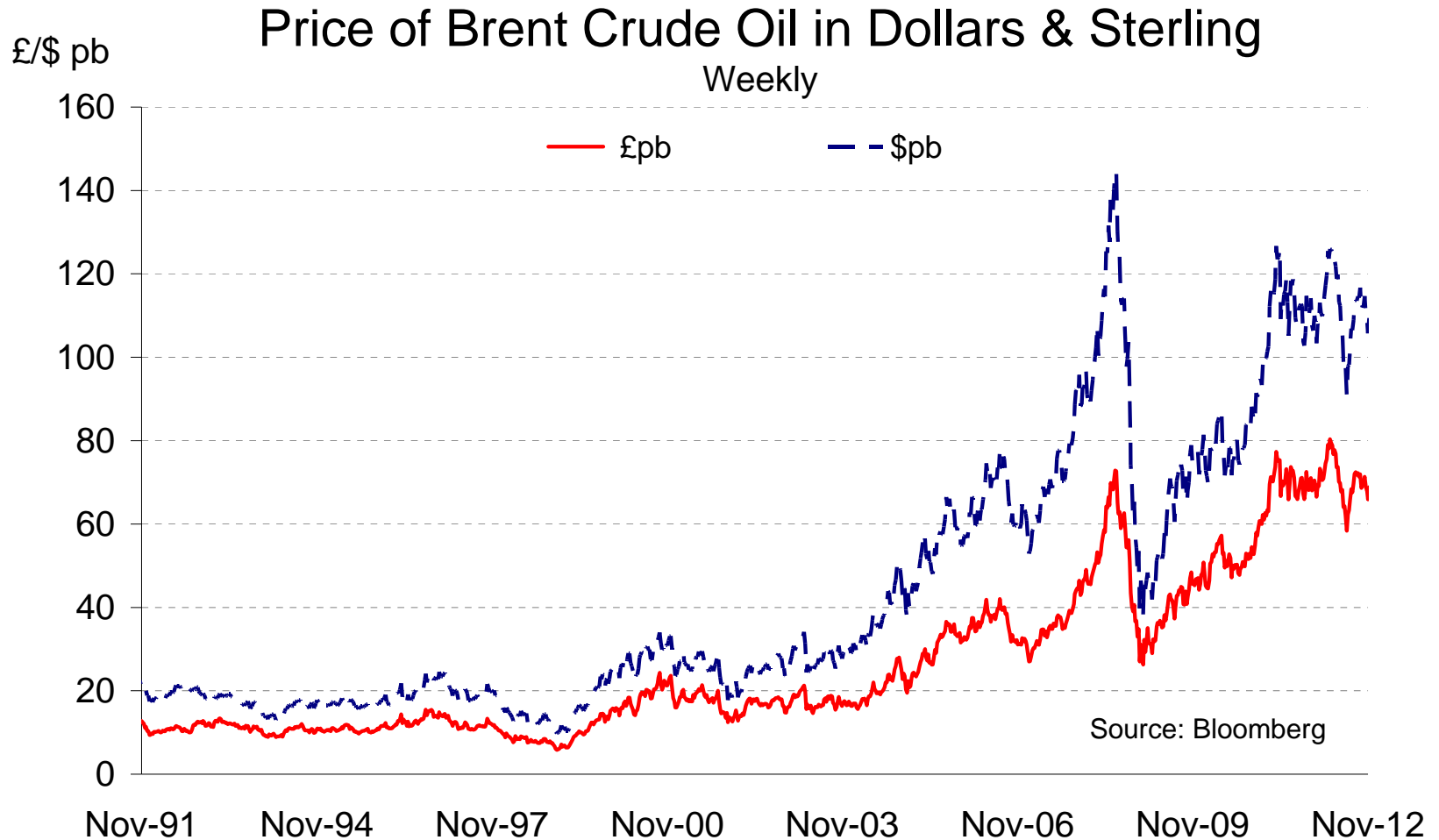
It cost just £28 for a tank of fuel 20 years ago



Remember it is the price of oil in sterling that matters

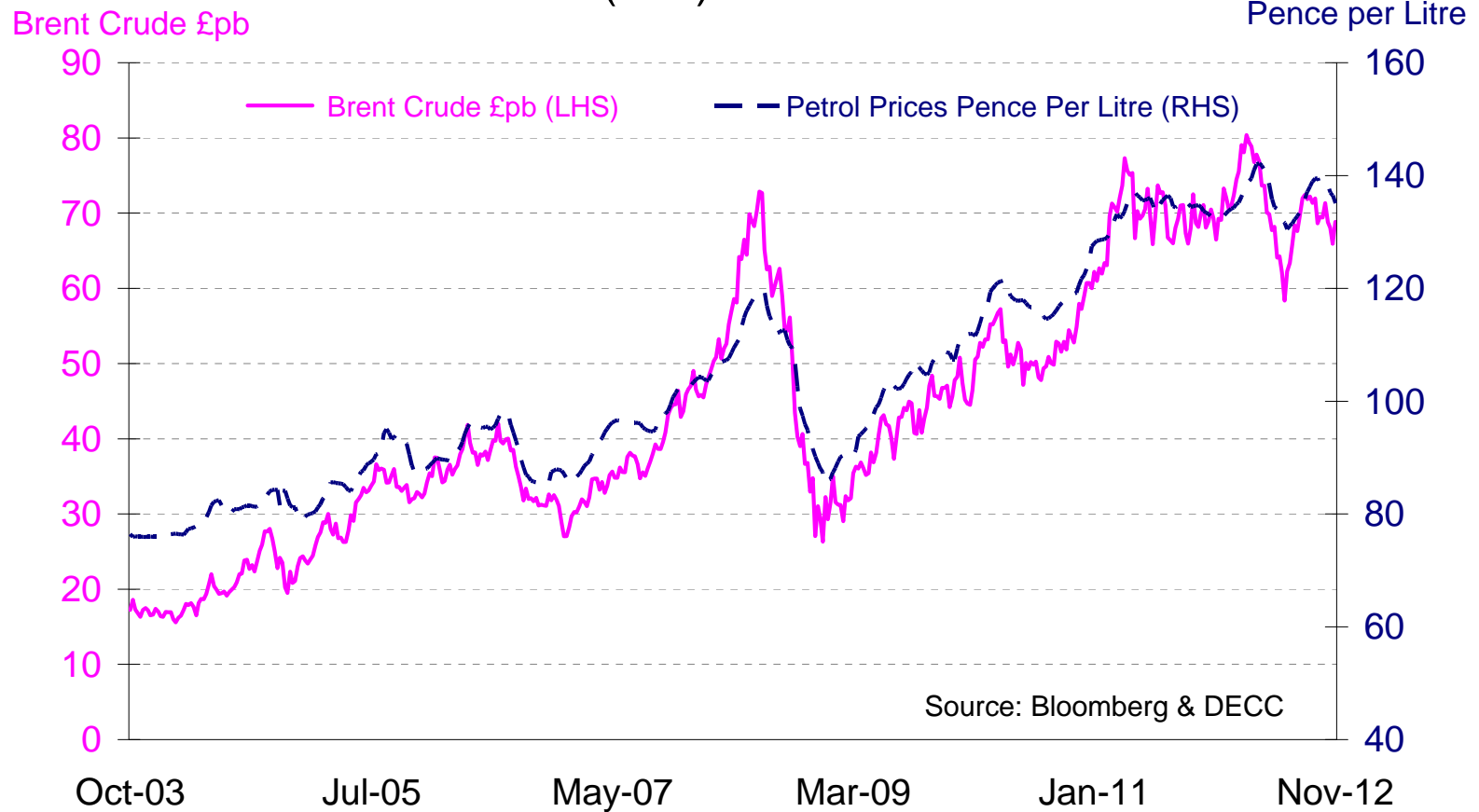


It was £12.50 for a barrel of Brent crude 20 years ago.
Now it is £69pb



Forecourt petrol prices will broadly follow oil price (in £)

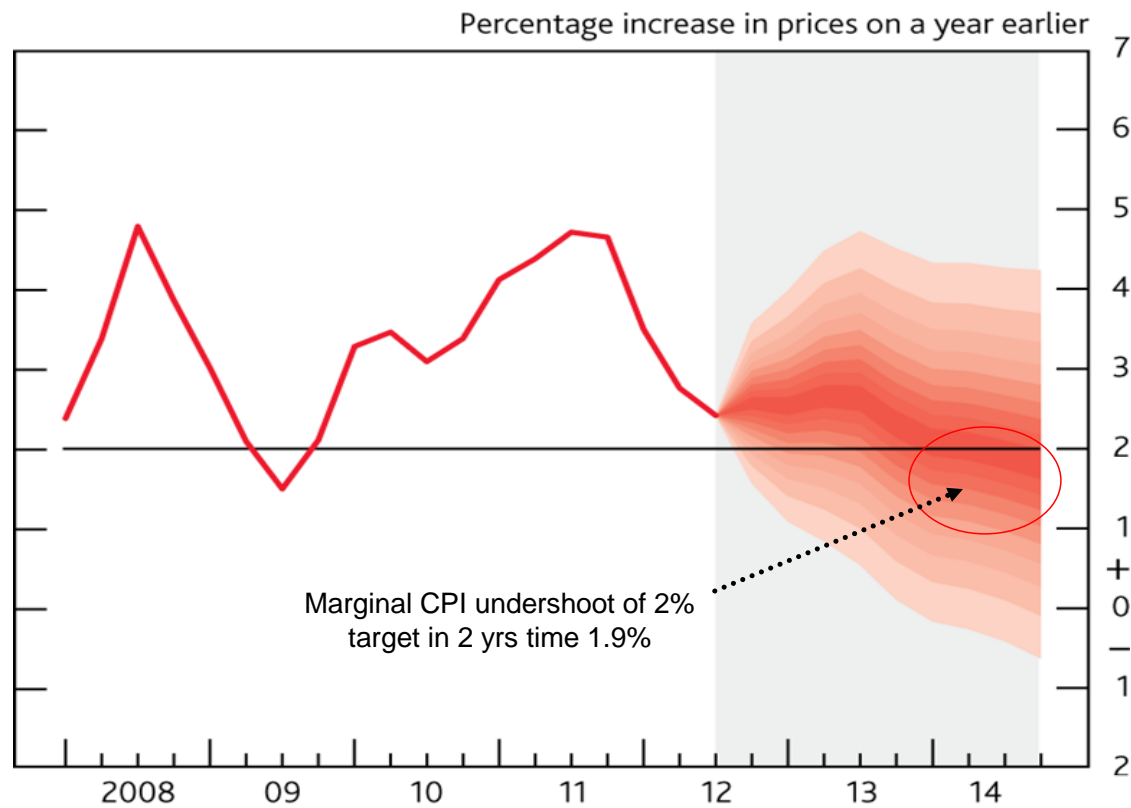
Brent Crude Oil (in £) versus UK Petrol Prices



*UK Inflation
Forecasts*

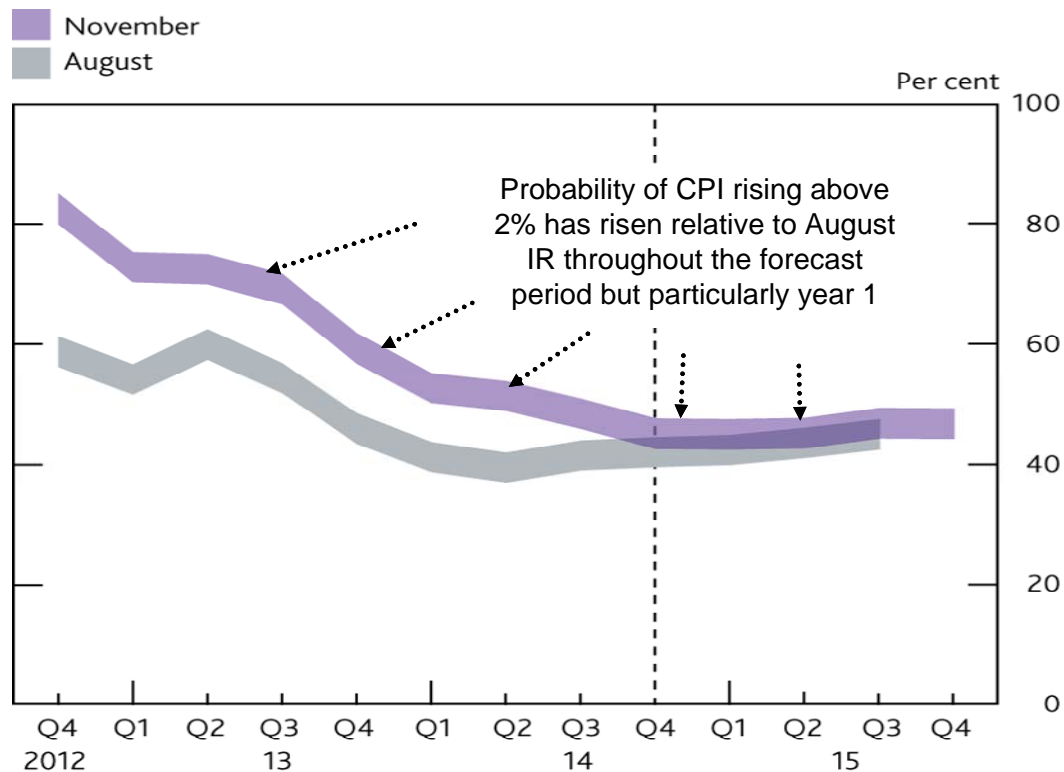
Bank of England expects UK inflation to remain above its 2% target until the end of the forecast period

CPI inflation projection based on constant nominal interest rates at 0.5% and £375 billion asset purchases (November 2012)



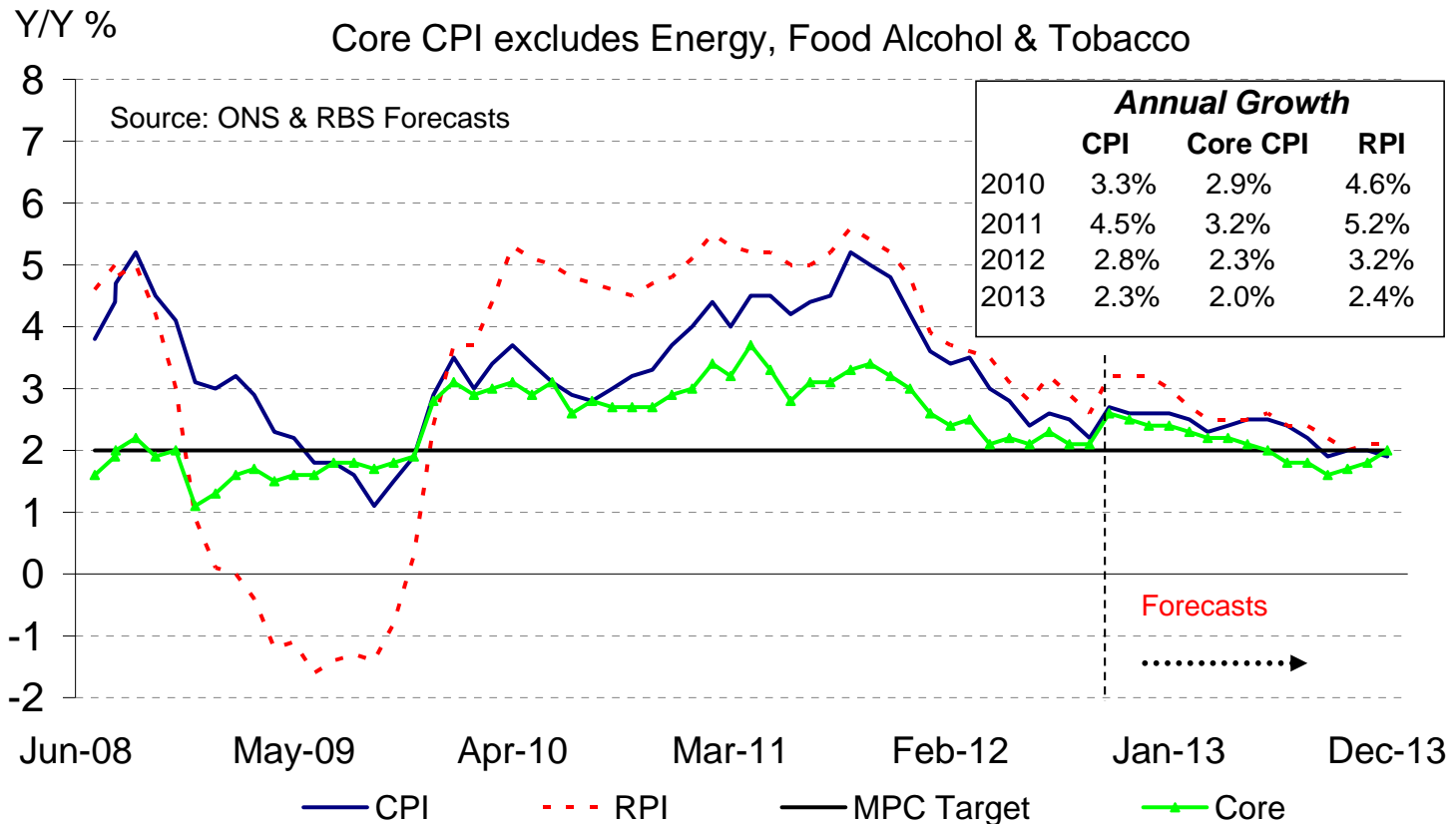
The probability of an inflation overshoot has risen since the BoE's last Quarterly Inflation Report (Aug 2012)

Probability of an inflation overshoot based on market interest rate expectations has risen particularly in the near term



UK inflation rates to ease but all will average 2% or higher for 2013 as a whole...

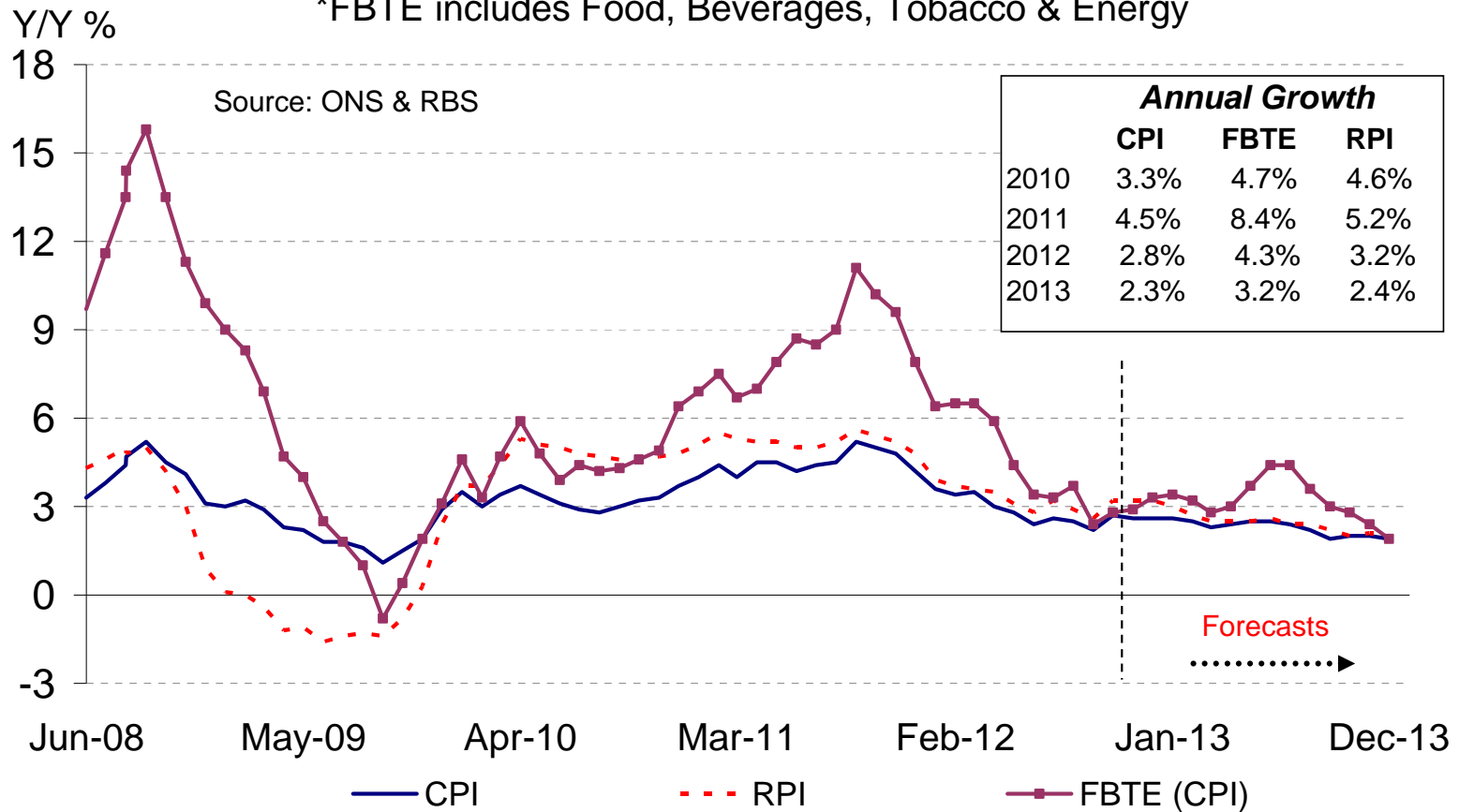
UK Consumer Price Inflation



...with FBTE inflation averaging over 3% in 2013

UK Consumer Price Inflation

*FBTE includes Food, Beverages, Tobacco & Energy



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