UK’s slowing headline inflation rate does nothing to ease social crisis

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The much-vaunted slowing of the UK’s inflation rate only highlights the devastating economic and social crisis confronting the British working class.

In April, the Consumer Price Index (CPI) measure of inflation fell to 8.7 percent, its first dip below 10 percent since last August. The following month it fell again to 7.8 percent.

The Retail Price Index (RPI) gives a better idea of the effects of inflation, however, as it includes household costs otherwise excluded from consideration, like council tax and mortgage interest payments. In April, when the government was talking up a small fall in inflation, RPI still stood at 13.5 percent. Last month this had only fallen to 11.4 percent.

The slowing rate of inflation is largely attributable to decelerating energy price rises after last year’s sharp hike following the outbreak of war in Ukraine. Actual prices, it is important to note, are not dropping. As commentators explained, a lower rate of inflation does not mean prices are coming down, only that they are rising less quickly than they were.

Office for National Statistics figures show that wage increases are not keeping pace. Annual wage growth to February-April 2023 was 7.2 percent, versus 12.9 percent annual RPI inflation across the same months—fully 5.7 points behind.

Slightly lower headline rates, still forecast to be the highest of any leading economy this year, disguise much higher price rises for basic household goods—above all food. The Resolution Foundation thinktank warned last month in a report, *Food for thought*, that “The food price shock is about to overtake the energy price shock as the biggest threat to family finances.”

Although energy prices have risen faster, food makes up a larger proportion of a typical household’s consumption—13 versus five percent in 2019-20. The Resolution Foundation points to an even larger average increase in food costs since 2019-20 (£1,000) than energy (c.£900). It notes that this will be the case for the majority of households—56 percent (16 million).

In the 12 months to April this year, the price of food and non-alcoholic beverages rose a staggering 19.1 percent, its sharpest rise in 40 years. Of the G7 countries, only Germany showed a higher rate (21.2 percent) over the same period. Overall, food prices are up more than a quarter on pre-pandemic levels. Annual grocery inflation was running at 16.5 percent in June.

A BBC comparison of some foodstuffs by price between April 2022 and April 2023 showed the painful reality for households. The cost of sliced white bread had risen 28 percent, two pints of milk by 33 percent, and a dozen eggs now cost 37 percent more than 12 months previously. The price of 1kg of sugar has risen by 47 percent.

Analysis by *Which?* consumer magazine of April prices found that some meat, yoghurt and vegetables have doubled in price since last year.

This is having a devastating impact, with the Joseph Rowntree Foundation charity noting how its cost-of-living tracker found that 5.7 million low-income households are having to cut down or skip meals due to high food inflation.

ONS figures show people buying less but spending more due to food price increases. Sales volumes in April were three percent down on the previous year, while the amount spent by shoppers was up 4.7 percent.

The consequences are felt right across the working class. Headteachers in England have voiced concerns that if school dinner costs rise, children from poorer households that do not qualify for free meals will be priced out. Several told the *i* newspaper that they had been using school funds to keep the costs down to £2.20 a meal, but this has also become "very challenging" because of their own funding, which has been pared to the bone.

School caterers estimate that average meal prices will need to rise to between £2.70 and £3 in September, putting schools in an impossible position. Providing smaller, less substantial meals has already been suggested.

Independent Age, a charity supporting older people, has reported "more and more calls every day" from people who "really don't have any idea how they're going to pay their bills." Pensioners have even told them they are turning their fridges off overnight to save money.

With the state pension rising in April by 10.1 percent, to £10,600—after a below-inflation rise of 3.1 percent the previous year—even a couple receiving the full pension would see the increase wiped out by rising costs.

The increase, for a full pension, amounted to an additional £972 a year (£19 a week), under conditions where average food bills had risen by £837 and average gas and electricity bills by £1,223. Many pensioners do not receive the full state pension amount, and those who claimed their state pension before April 2016 only benefited by an extra £14 a week, or £746 a year.

The government's central concern is to ensure that there is no threat to operation of the profit system. Supermarkets turning massive profits have denied accusations that they are cashing in. Shevaun Haviland, director general of the British Chambers of Commerce (BCC), said firms were "not profiteering" but dealing with pressures elsewhere in the supply line. The Competition and Markets Authority (CMA) said it has found no evidence "at this stage" of competition concerns.

The government has meekly suggested that supermarkets consider a voluntary price cap on specific items of their choice. Trade body the British Retail Consortium dismissed it out of hand, saying it would "not make a jot of difference to prices." They called instead for cutting "the muddle of new regulation coming from government," blaming rising prices on "the soaring cost of energy, transport, and labour."

The Tory government feels compelled to make noises about price caps because it recognises the explosive social consequences of spiralling prices. In January Conservative government Prime Minister Rishi Sunak led a series of New Year pledges with a commitment to halving inflation this year. But forecasted sharp falls are already being revised upward.

Last week, the Organisation for Economic Co-operation and Development (OECD) projected an average UK headline rate of 6.9 percent inflation for 2023, the highest in any leading economy. Core inflation, stripping out the most volatile price rises and indicating how "sticky" overall inflation is likely to be, has risen to a 31-year high of 6.8 percent. The International Monetary Fund, which had earlier downgraded its projection of a British recession, warned against "premature celebration".

Given the crises affecting British and world capitalism, this is an understatement. According to analysis from the Centre for Economic Performance at the London School of Economics, post-Brexit trade barriers have cost an additional £6.95 billion in food prices—an extra cost of £250 per household in food bills alone.

Other factors are global in scope. The ONS pointed to supply disruptions caused by the Ukraine war, "labour shortages, which left some crops unharvested," and bad weather spells which led to higher imported food prices. With the NATO-Russia war in Ukraine escalating, Covid-19 or new pandemics threatening and the effects of climate change becoming more intense, the drivers of inflation and economic crisis are not going away.