

UK headline inflation rate drops sharply to 6.8% in July

AGENCIES

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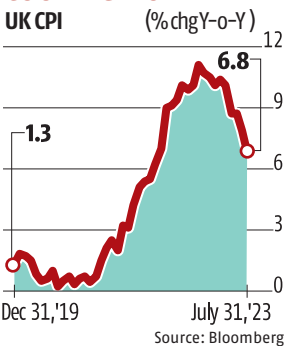
The rate of inflation in the UK fell sharply in July to a 17-month low largely on the back of lower energy prices, official figures showed on Wednesday, a welcome development for hard-pressed households struggling during the cost of living crisis.

The Office for National Statistics said the annual rate of inflation, as measured by the consumer price index, was 6.8 per cent in July, its lowest level since February 2022, the month Russia invaded Ukraine and sent energy prices surging. The decline from June's 7.9 per cent rate was in line with economists' expectations.

The statistics agency said the fall was largely driven by a lower energy prices as last year's sharp increases fell out of the annual comparison. It also said that food price inflation, which also spiked sharply in the wake of Russia's invasion of Ukraine, eased too.

Though the decline in the headline rate of inflation will be welcome news for hard-pressed households, it's unlikely to derail market expectations that the Bank of England will raise interest rates again next month, especially as wages are rising at a

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record high.

Earlier this month, the bank, which is tasked with achieving a 2 per cent inflation rate, raised its benchmark interest rate to a fresh 15-year high of 5.25 per cent and hinted that it would stay high for some time to bring down persistently high inflation.

Central banks around the world have been raising borrowing costs to combat inflation unleashed by higher energy prices after Russia invaded Ukraine and supply chain backups as the global economy recovered from the coronavirus pandemic. The BoE is watching core inflation - which strips out volatile food and energy prices - and consumer services prices closely.

Core inflation remained at 6.9 per cent in July, flat versus the June reading