

Fuel and food fire highest inflation rate for 40 years

Steep rises in food and fuel prices drove inflation to a 40-year high on Wednesday, sparking fresh calls for ministers to do more to help ease the cost of living crisis.

Official figures from the Office for National Statistics showed inflation hit a rate of 9.1 per cent in the 12 months to May – up from nine per cent in April and its highest level since 1982. But with the Bank of England warning that inflation could hit 11 per cent later this year, the Government is under growing pressure to offer more support now for millions of struggling households.

Asda chairman Stuart Rose urged ministers to rethink and floated the idea of a VAT cut to bring down spiralling prices being driven by the post-Covid supply crunch and the Russian invasion of Ukraine. “I know the Government is very reluctant to put its hand in its pocket again, because it’s built up a huge amount of debt following Covid,” Lord Rose told the BBC.

“But this is a crisis of similar proportions, and people could be affected for very much longer than Covid affected us.

“So this is the time to rethink. I would urge them to do more and I would urge them to do more for those people at the bottom end of the earnings income scale.”

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The ONS said the latest rise in inflation was largely driven by food prices which rose by 8.7 per cent in the year to May. The largest contributions were from bread, cereals, and meat.

But it added that the leap in the cost of fuel was also behind the inflationary surge with average petrol prices at 165.9p per litre in May 2022, compared with 127.2p per litre a year earlier.

With the price of diesel and petrol hitting record highs in May, the ONS said the 12-month rate for motor fuels was 32.8 per cent, the highest since January 1989.

The war in Ukraine is likely to add to price pressures in the coming months, and in a further blow today the RAC said that petrol and diesel prices had both hit new highs yesterday.

ONS chief economist Grant Fitzner noted the “continued steep food price rises and record high petrol prices” but also highlighted “the price of goods leaving factories” which he said “rose at their fastest rate in 45 years”.

The rising cost of raw materials and factory prices has led to new fears that inflation may stay higher for longer, leading to more calls for increased wages from workers in the public and private sectors.

Former Treasury minister Lord O’Neill said the UK economy was in a “very fragile position”, adding on BBC Radio 4’s Today programme that more persistent inflation could lead to a “1970s horrific vicious circle” forcing the Bank of England to take even tougher action to tame rising prices.

Last week it raised interest rates by 0.25 percentage points to 1.25 per cent.

Chancellor Rishi Sunak is resisting calls from some Cabinet colleagues and Tory MPs to cut income taxes to ease the crisis.

The rate of [inflation](#) rose again in May, remaining at 40-year highs, the [Office for National Statistics](#) has said.

The rate of consumer prices index (CPI) inflation rose from 9 per cent in April to 9.1 per cent in May, the statisticians said.

The increase matches what analysts had expected.

“Though still at historically high levels, the annual inflation rate was little changed in May,” said ONS chief economist Grant Fitzner.

“Continued steep food price rises and record high petrol prices were offset by clothing costs rising by less than this time last year, and a drop in often fluctuating computer games prices.

“The price of goods leaving factories rose at their fastest rate in 45 years, driven by widespread food price rises, while the cost of raw materials leapt at their fastest rate on record.”

Press Association Images

The change was in large part driven by the increase in food prices, which added more than 0.2 percentage points to the inflation number, the ONS said.

Clothing and footwear prices helped keep a lid on inflation, while recreation and culture prices also pulled it downwards.

The news will add to the difficulties faced by many people across the UK. Energy bills rose by 54% for the average

household at the beginning of April and will remain at this level until October.

But forecasts released this week predict that the Government cap on energy bills could rise again from an already record high £1,971 to £2,980 in the autumn.

The Bank of England has predicted that inflation will spike at more than 11% in October after the price cap is changed again.

Shadow chancellor Rachel Reeves said: "Today's rising inflation is another milestone for people watching wages, growth and living standards continue to plummet.

"Though rapid inflation is pushing family finances to the brink, the low wage spiral faced by many in Britain isn't new.

"Over the last decade, Tory mismanagement of our economy has meant living standards and real wages have failed to grow."

Chancellor Rishi Sunak said: "I know that people are worried about the rising cost of living, which is why we have taken targeted action to help families, getting £1,200 to the eight million most vulnerable households.

"We are using all the tools at our disposal to bring inflation down and combat rising prices – we can build a stronger economy through independent monetary policy, responsible fiscal policy which doesn't add to inflationary pressures, and by boosting our long-term productivity and growth."

The price of energy is not just feeding through to household energy bills.

Gas, oil and other fossil fuels are needed to make and transport many of the goods that households buy every month.

When the price of the fuel goes up, so does the price of the end product.

Energy prices have spiked over the last year. To begin with they started rising as the global economy started to reopen and demand for energy rose after the pandemic.

The prices later worsened, especially in Europe, when Russia launched a full-scale invasion of Ukraine in February.

Russia is one of the world's largest energy producers.