

Inflation rises to fresh 40-year high of 9.4%

Inflation hit a fresh 40-year high in June when it rose to 9.4 per cent, official figures have revealed.

Soaring energy and food bills and the rising cost of filling up the car with fuel were once again largely responsible for the rise in the headline measure of the cost of living in June, the Consumer Prices Index (CPI).

The increase from 9.1 per cent in May was slightly ahead of City expectations.

The data from the Office for National Statistics (ONS) showed prices rising faster than at any time since early 1982.

Transport costs – mainly fuel – rose 15.2 per cent. Food and non-alcoholic beverage prices rose by 9.8 per cent in the year to June, up from 8.7 per cent in May, and the highest annual rate since March 2009.

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ONS Chief Economist Grant Fitzner said: “Annual inflation again rose to stand at its highest rate for over 40 years. The

increase was driven by rising fuel and food prices, these were only slightly offset by falling second-hand car prices.

“The cost of both raw materials and goods leaving factories continued to rise, driven by higher metal and food prices respectively. These increases saw raw materials post their highest annual increase on record, with manufactured goods at a 45-year high.”

The latest 40-year high will increase concerns that inflation will peak well above the 11 per cent level forecast by the Bank of England.

That is expected to be reached in October, the month when the cap on energy bills is next due to go up and is likely to hit £3000 a year on average. Some City forecasters say the CPI could go as high as 12 per cent.

Chancellor of the Exchequer, Nadhim Zahawi said: “Countries around the world are battling higher prices and I know how difficult that is for people right here in the UK, so we are working alongside the Bank of England to bear down on inflation.

“We’ve introduced £37 billion worth of help for households, including at least £1,200 for 8 million of the most vulnerable families and lifting over 2 million more of the lowest paid out of paying personal tax.”

With prices outstripping pay increases so rapidly currently real wages are falling at their fastest rate on record for workers who do not receive bonuses with public sector workers worst affected.

It also hugely increases the risk of the first half point rise in interest rates for 30 years when the Bank of England’s Monetary Policy Committee meets early next month.

The June increase in the Retail Prices Index will be regarded

with alarm by commuters as January fare rises are pegged to that measure of inflation in July.