

Chancellor sees 'challenging times ahead' amid record disposable income squeeze

Chancellor Rishi Sunak has admitted there are "challenging times ahead of us", hours after official figures charted the longest period for falling disposable income because of soaring inflation.

Data from the Office for National Statistics (ONS) covering the first three months of the year revealed that real disposable income had fallen for four quarters in a row for the first time since records began.

It reported a decline of 0.2% between January and March as income growth of 1.5% was outstripped by household inflation of 1.7%.

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The dire [cost of living](#) squeeze on family finances is unlikely to have improved since as the rate of inflation has continued to soar by more than wage growth, according to more recent ONS data.

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The consumer prices index measure of inflation hit a [fresh 40-year high](#) of 9.1% in May and the Bank of England has warned of worse to come, especially in October when the energy price cap is predicted to cross the £3,000 barrier.

The raft of rising prices in the economy has prompted Mr Sunak to deliver targeted support – with a fresh £15bn package of wider aid announced in May being widely welcomed though critics have argued he must go further.

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DISPOSABLE INCOME STATS A RED WALL WORRY FOR SUNAK



[Helen-Ann Smith](#)

Business correspondent

[@HelenAnnSmith0](#)

There is barely a statistic out there at the moment which doesn't ram home just how grim things have become for people.

But disposable income is important because it is arguably one of the best measures we have for economic well-being.

Indeed, real household disposable income dropped 0.2% between January and March. In essence household inflation outstripped income growth.

A similar picture has been playing out with wages, in fact regular pay (which is pay not including bonuses) fell in real terms by 2.2% in February – April when compared with the same period last year.

It all continues to validate the reality laid out earlier this year by the Office for Budget Responsibility – that people in this country are experiencing the biggest drop in living standards since the 1950s.

And the Chancellor will be concerned. He knows that despite generous packages of help, things are set to get worse before they get better. Inflation alone is now forecast to exceed 11% later this year, and political pressure to do more is mounting.

But with a huge and mounting deficit in the public finances, his wriggle room to act is getting tighter.

That is not a message 2019 Tory voters in traditional Labour seats will want to hear.

Separate ONS figures on Tuesday also raised pressure on the chancellor after it was revealed that the country racked up a record shortfall in its current account in the first three months of this year, as the deficit ballooned to 51.7 billion pounds or 8.3% of gross domestic product.

The gap between the value of the goods and services that the UK imports compared to exports was at its highest since 1955, the ONS said, though it placed a big health warning on the deficit figure due to a lack of information on data collection since Brexit.

In remarks to the annual conference of the British Chambers of Commerce (BCC), the chancellor praised the resilience that business had shown since the pandemic but gave nothing away in terms of any possible future support.

The business lobby group urged him to adopt a five-point plan to address rising cost challenges for business – costs which are adding to the inflation problem as they are passed on in the economy.

The wish list includes a temporary energy price cap for small businesses and the extension of the financial support announced for households last week to include small firms.

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BCC pleads for more foreign workers and cost aid

The BCC said the wealth of problems, including wage demands, amounted to an “impending cost of doing business crisis”.

Its director general, Shevaun Haviland, told Sky’s Ian King Live that firms were hamstrung by rising costs and post-Brexit labour shortages which were hampering growth and investment.

“What we have... called for today is for the chancellor to have another look at the shortage occupation list.

“Its a framework that already exists... It allows the government to use very controlled measures to bring people back into our economy in certain sectors and we think that would make a difference to the really tight labour market.”