

Shop prices fall again – but how long will it last?

With large price hikes on the horizon, shoppers are being encouraged to splurge now while costs remain low.

The British Retail Consortium (BRC), the trade group representing shop owners, said on Tuesday that although shop prices continued to fall in May, the drop was the slowest since February 2020, indicating that depressed costs due to the economic uncertainty surrounding the pandemic were coming to an end.

And with global food prices currently at their highest in seven years, commodity prices on the rise, and shipping costs three times more expensive than in 2019, the BRC is warning that the second half of this year is likely to see a surge in shop prices.

“Cost pressures are bearing down,” said Helen Dickinson, the BRC’s chief executive. “We will likely see these costs filter through in the second half of this year, and with the additional Brexit red-tape this Autumn, retailers may be forced to pass on some of these costs onto their customers.”

“Government can help to ease the burden on British consumers by finding ways to minimise the impact of new checks and documentation required from October.”

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The data for the past month shows that electronics and furniture prices are already on the rise due to supply chain disruptions, even while clothing and footwear prices continued to fall.

Supermarkets, meanwhile, have “fought hard to maintain market share and please thrifty customers by keeping prices low,” Ms

Dickinson said.

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Shop prices fell by 0.6% year-on-year in May, a slower decline than April's decrease of 1.3%. This is below the 12- and 6-

month average price decreases of 1.7% and 1.8%, respectively, and the slowest rate of decline in more than 14 months.

And with household bills on the rise, consumers should be glad that it is still relatively cheap to shop, analyst Mike Watkins said.

“Consumers will be seeing the impact of higher energy and fuel costs in household bills and whilst some cost price increases are coming through the supply chain, this is not yet enough for shop price inflation to return,” said Watkins, head of retailer and business insight at market research group NielsenIQ.

“With high street retailers continuing to offer price reductions and supermarkets promoting seasonal food and drink, this is helping to offset cost of living increases.”

While fresh food prices fell for the sixth consecutive month in May, the drop was slower than in April, and below the 12-month average price growth rate.

“It was another good month for consumers looking for bargains as prices fell again, albeit at a slower pace than last month,” said Ms Dickinson.