

CONSUMER PRICE INFLATION: May 2015

[ONS CPI release](#)

Percentage changes (n.s.a)	Month ago		Year ago	
	April	May	April	May
CPI	0.2	0.2	-0.1	0.1
CPI Goods	-0.1	0.2	-2.0	-1.8
CPI Services	0.6	0.2	2.0	2.3
CPIY (excl. indirect taxes)	0.3	0.2	-0.3	0.0
CPIH	0.2	0.2	0.2	0.4

Chart 1: CPI, CPI Goods and CPI Services inflation

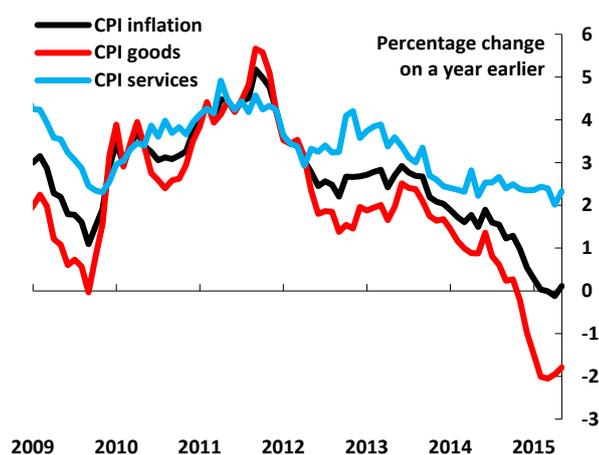


Chart 2: Contribution to change in annual CPI

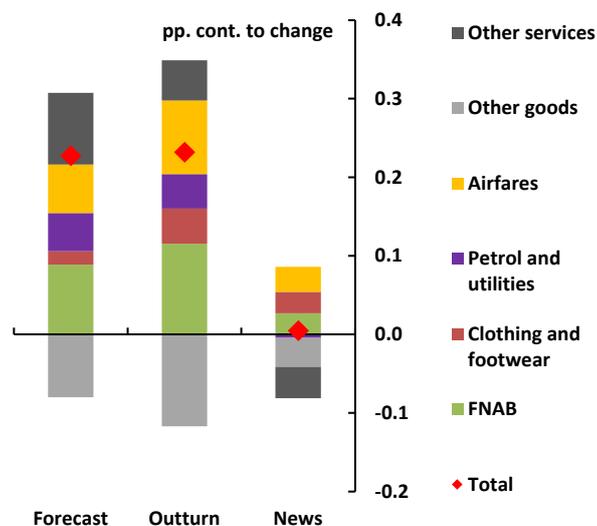
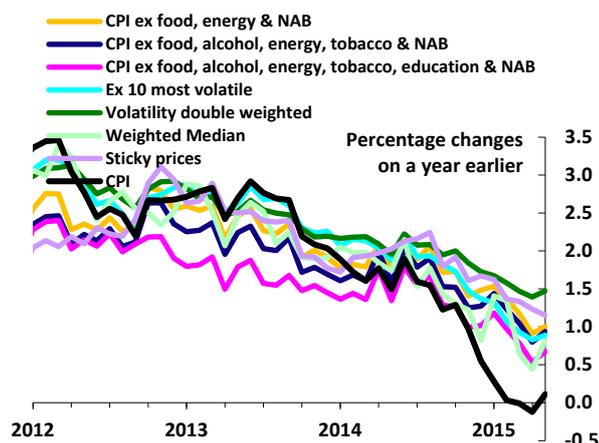


Chart 3: Measures of core inflation



Annual CPI inflation was 0.1% in May, in line with our forecast and the market median forecast.

Goods and services inflation were -1.8% and 2.3% respectively (**Chart 1**). Driving the change in inflation on the month, transport components recovered from an Easter timing effect which had pushed down on inflation last month. Increases in the sterling oil price were reflected in petrol and diesel price rises of 2.5 and 1.5 pence per litre respectively. Some offsetting downward pressure was provided by recreational goods, with prices falling on the month compared to a rise last year.

There was relatively little news to our forecast at the component level. Upside news was concentrated in airfares, clothing and footwear and food and non-alcoholic beverages – particularly in prices of non-seasonal food (**Chart 2**). The twelve-month comparison for airfares was affected last month by the timing of Easter and this was reversed in May, but with a larger increase than expected.

Clothing and footwear prices rose on the month by slightly more than we were expecting, with price collection data from the ONS showing that a lower proportion of clothing items were on sale in May 2015 compared to this time last year. Prices of non-seasonal food were flat on the month against our expectation of a continuing fall.

On the downside, news to the forecast was concentrated in audio-visual goods and catering services. It is possible that both of these components could be reflecting the effects of past sterling appreciation that continues to drag on overall goods inflation (food, energy and other goods account for around three-quarters of the deviation of CPI inflation from the 2% target). However, audio-visual goods inflation is a volatile series.

Measures of core inflation increased in May and now range between 0.8% and 1.5% (**Chart 3**). Excluding food and energy prices, the proportion of CPI components with positive inflation rates rose from 55% in April to 64% in May, higher than the proportion with positive inflation rates in March (62%) and closer to the 1997-2007 average of 67%.