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# **Inflation pledge met, but what's next?**



**Mike Hardy** DipFA  
Director  
Abacus Advice

# Foreward

Abacus Advice helps you to look ahead, preparing and planning for a better future.

Most of you reading this will know me but hopefully this and subsequent articles will reach a wider audience if I can persuade you to pass this on to family, friends and colleagues.

Abacus Advice is a small firm of financial advisers directly authorised by the Financial Conduct Authority, providing quality financial advice to individuals, companies and trusts.

Financial advice can be complex, so I do my best to make it as digestible as possible.

Call me on **01892 320449** or email **mike@aalttd.co.uk** if you have any questions.

**The Prime Minister has met his pledge of halving inflation in a bid to ease the cost of living, but 4.6% does not mean that prices across the board are falling.**



# Inflation pledge met, but what's next?

The Prime Minister has met his pledge of halving inflation, but we're not out of the woods yet.

In the first week of 2023, the then still new Prime Minister, Rishi Sunak, set out "five immediate priorities" for his government. The first of these was: "We will halve inflation this year to ease the cost of living and give people financial security." At the time, the latest published inflation figure was for November 2022, which showed the annual CPI figure at 10.7%. The December 2022 figure, published in mid-January, dropped slightly to 10.5%. Whether Mr Sunak's goal was 5.35%, 5.25% or some other similar number, the target appeared a strange choice for pole position because:

- The government has little control over inflation, a task that it primarily delegates to the Bank of England; and
- The Treasury's own comparison of independent economic forecasts showed the average forecast for the inflation in the final quarter of 2023 to be 5.0%, making the pledge seem little more an agreement with consensus opinion.

The notion that the pledge was a slam dunk initially faded as price (and earnings) inflation proved more tenacious than expected. However, by late summer, major help arrived in the decision of Ofgem, the energy regulator, to pitch the October to December 2023 utility price cap

at £1,834. For the final quarter of 2022, the cap was supplanted by the Energy Price Guarantee of £2,500. The 27% fall year-on-year in October 2023 compares with a 106% increase in the year to October 2022, a major contributor to that year's double digit inflation rate.

However, inflation falling to 4.6% does not mean that prices generally are falling – the drop in energy costs over the last twelve months is the exception that proves the rule. Overall, prices in October 2023 are now more than a fifth above the level in January 2021. That is a significant jump in less than three years and one that needs to be borne in mind as 2024 gets underway.

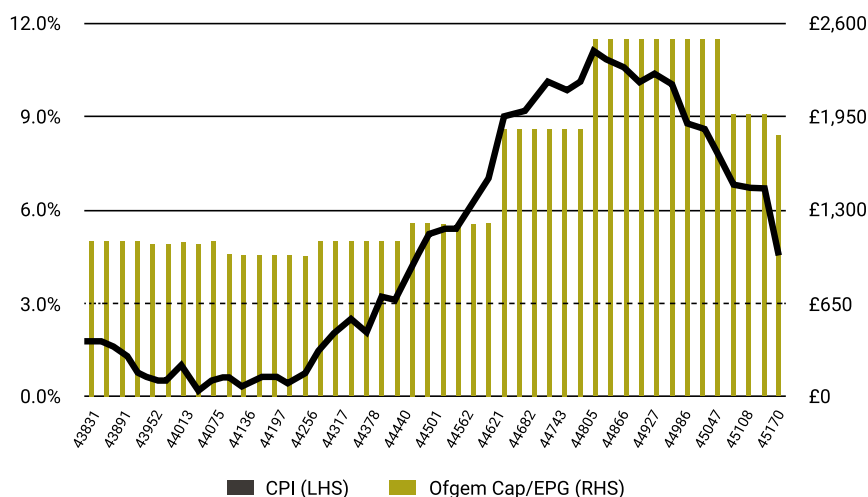
Unless you have reviewed your financial planning very recently, your plans will almost certainly need adjustment to account for current price levels. ■

## Inflation pledge met, but what's next?

**The Prime Minister has met his pledge of halving inflation, but we're not out of the woods yet.**

If you would like to discuss how Inflation may effect your finances, please contact us on **01892 320 449** or email **info@aaltld.co.uk** for more information.

## UK inflation feels the heat



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**We look forward to hearing from you.**



**Abacus Advice,**

Pluto House, 6 Vale Avenue,

Tunbridge Wells, Kent, TN1 1DJ

**Tel:** 01892 320 449 **Email:** [info@aaltld.co.uk](mailto:info@aaltld.co.uk)

**[www.aaltld.co.uk](http://www.aaltld.co.uk)**

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