

## BRC SHOP PRICE INDEX MARCH 2005

For Immediate Release

# SHOP PRICES LOW BUT CONSUMER SPENDING STILL SLOW

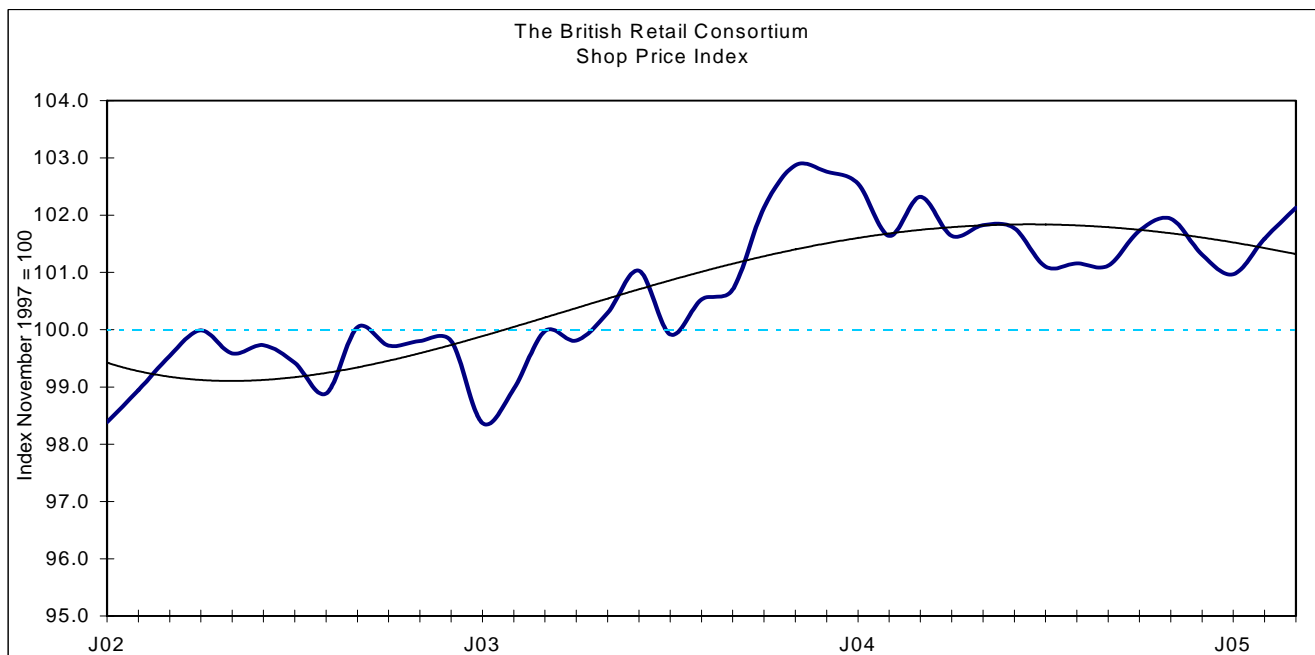
The BRC Shop Price Index (SPI) for March showed that overall shop prices were 0.18% lower than in 2004. Compared to a year ago, the price of food items are 1.34% higher, compared to non-food item, which are 1.10% lower.

Overall shop prices in March were 0.53% higher than in February, mainly as a result of the price of non-food items rising by 1.20%. During March food items showed a decrease for the first time in 2005, falling by 0.59%, compared to February.

### Kevin Hawkins, Director General, BRC comments:

“March saw a slight rise in shop prices, following the introduction of new seasonal collections and ranges. Despite this, retailers have still managed to keep prices lower than last year and food prices also fell for the first time this year.

“Despite continued pressures on margins, retailers are making every effort to keep prices low to stimulate much needed sales growth, but consumer confidence is still weak and the Bank of England have themselves admitted that the pace of consumer spending has slowed much more than it anticipated. The last thing the high street needs is a rise in interest rates and the argument for a gradual reduction is becoming ever more persuasive”.



## BRC Comments:

### Overall Index

The Shop Price index in March increased for the third consecutive month rising to 102.13, the highest it has been since March 2004. Despite this increase in prices, the annual inflation rate shows a decrease of 0.18%, compared to decrease of 0.15% seen in February.

### Food Index

The price of food items fell by 0.59% compared to February, the first decrease seen since January. The main contributing factor for this decrease was the fall in the cost of wines and fortified wines. The price of fresh produce also fell as seasonal supply and demand became less of an issue. The high price of meat produce seen in the last two months ended, with a small decline in prices. However, despite these decreases, the price of food remains higher than a year ago, with the food index showing an annual increase of 1.34%.

### Non – Food Index

The price of non-food items showed an increase for the second month in a row, rising by 1.20%. However, despite this increase, prices remain lower than a year ago, with the non-food index showing a decrease of 1.10%.

The price of clothing and footwear increased as a result of new collections and spring/summers ranges being introduced. There was evidence of end of season and one day sales, but the widespread promotions seen in recent months were not as prolific.

Price promotions on electrical goods continued in March, with the focus remaining on “White Goods” & “New Technology” items. Other home improvements items, such as Kitchens, Bathrooms and household textiles and furnishings, saw price reductions and widespread promotions. There was also evidence of discounting on DIY and gardening items such as lawnmowers and garden furniture, with the start of spring promotions in the run up to Easter.

### Shop Price Index & Inflation Rate

	2002		2003		2004		2005	
	Index	Inflation Rate	Index	Inflation Rate	Index	Inflation Rate	Index	Inflation Rate
January	98.39	0.90%	98.37	-0.01%	102.55	4.24%	100.97	-1.54%
<b>February</b>	<b>98.94</b>	<b>0.83%</b>	<b>98.97</b>	<b>0.02%</b>	<b>101.64</b>	<b>2.70%</b>	<b>101.59</b>	<b>- 0.05%</b>
<b>March</b>	<b>99.54</b>	<b>0.69%</b>	<b>99.98</b>	<b>0.44%</b>	<b>102.32</b>	<b>2.34%</b>	<b>102.13</b>	<b>-0.18%</b>
April	99.99	1.07%	99.81	-0.18%	101.64	1.84%		
May	99.58	0.56%	100.29	0.71%	101.83	1.53%		
June	99.73	0.25%	101.03	1.30%	101.77	0.74%		
July	99.42	1.01%	99.92	0.50%	101.10	1.18%		
August	98.89	0.62%	100.53	1.66%	101.17	0.63%		
September	100.04	1.02%	100.70	0.66%	101.12	0.41%		
October	99.72	0.79%	102.13	2.41%	100.73	-1.37%		
November	99.80	1.00%	102.87	3.07%	101.93	-0.94%		
December	99.80	0.99%	102.76	2.97%	101.31	-1.41%		

**Notes:**

*The SPI provides an indicator of the direction of price changes in retail outlets. The BRC launched the Shop Price Index to give an accurate picture of the inflation faced by shoppers on 250 of the most commonly bought items in shops which are representative of the most commonly shopped in stores.*

*As the Index is designed to reflect changes in shop prices, the sampling points chosen are five large urban areas, spread nationally. Not all sample stores are in city centres; they have been selected to reflect local shopping habits. Therefore, the sample includes superstores on out-of-town sites, town centre department stores, local parade stores, and shopping centres. In each location, a leading market research agency, collect and process the data for the BRC, visit stores of differing types, e.g. grocery, confectionery, DIY, department stores - including small and large multiples and independents. Data collection is monthly and always in the same stores to maintain consistency.*

*The items for which prices are collected reflect standard consumer purchasing patterns in terms of branded/own label split and price distribution. The Index is constructed of five main sectors of purchase: food, household goods, furniture, clothing, and personal goods. In total there are 250 items representing the five main sectors, there are around 2500-3000 price points collected each period. Each product class category has an individual weighting based on the "All households" expenditure measured in the Family Expenditure Survey. This data is also used to weight the Office for National Statistics Retail Price Index (RPI).*

*Although it is a proxy measure of inflation, the Shop Price Index is more focused than the Retail Price Index, and demonstrates the extent to which retailers contribute to inflation through their pricing of a range of commonly bought goods.*

**ENQUIRIES****Press Calls:**

**Kate Ison**, 020 7854 8924  
[kate.ison@brc.org.uk](mailto:kate.ison@brc.org.uk)

**Further Information:**

**Malcolm Pinkerton**, 020 7854 8962  
[Malcolm.pinkerton@brc.org.uk](mailto:Malcolm.pinkerton@brc.org.uk)  
[www.shoppriceindex.com](http://www.shoppriceindex.com)