

**BRC SHOP PRICE INDEX  
DECEMBER 2004**

For Immediate Release

**DECEMBER DISCOUNTING CUTS  
INFLATION RATE TO NEW LOW**

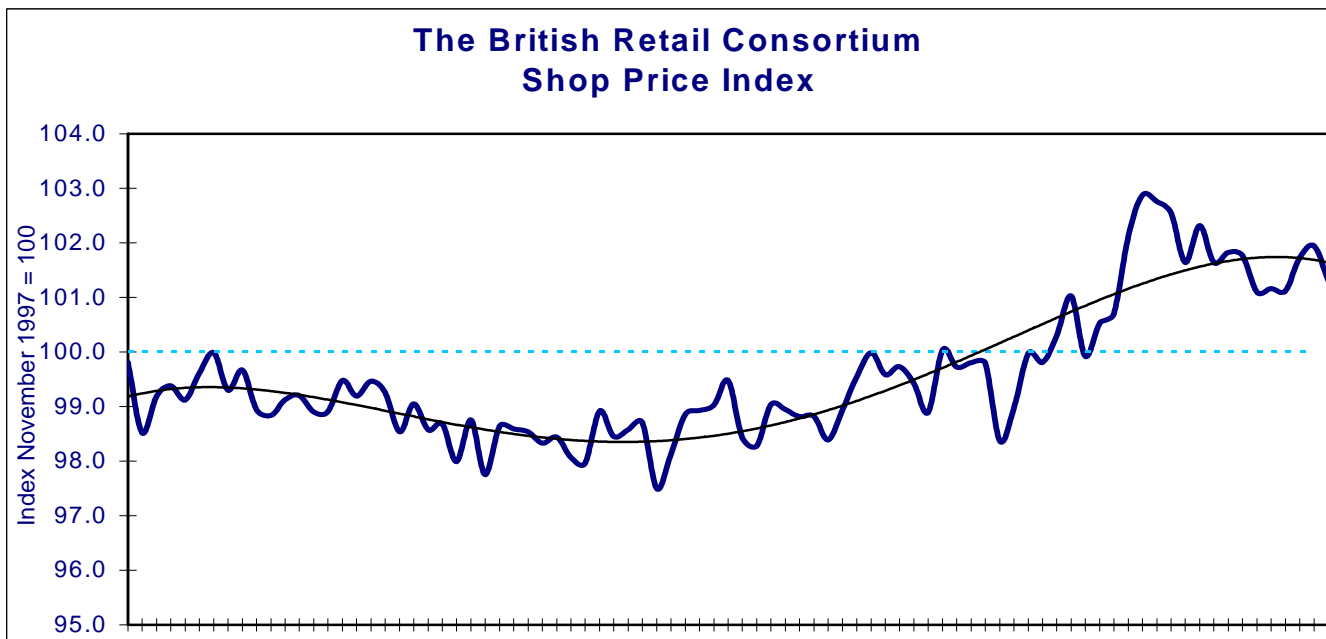
The BRC Shop Price Index (SPI) showed prices in December were 1.41% lower than a year ago. This was a decline from the annual inflation rate of -0.9% in November and the previous low of -1.37% in October.

Compared with November, shop prices fell by 0.62% during December, compared with a 1.20% increase in November.

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

"The disappointing Christmas sales figures released earlier this week by the BRC indicated high levels of promotional activity throughout December as many retailers were forced to cut prices to boost trading. This tough trading environment has sent the annual high street inflation rate to a record low.

"The Bank of England cannot ignore the fact that the weak level of consumer demand and inflation on the high street is not a problem for the economy. With retail price inflation at such low levels and consumer confidence so fragile, dodging the issue of cutting interest rates to help ease consumer's blues is no longer viable."



## BRC Comments:

Shop prices fell 0.62% in December, bringing the Index down to 101.31. The annual inflation rate also decreased, to -1.41% from 0.90% in December. It was thus just below the record low rate of -1.37% reached in October. However, widespread one-day and 'flash' price promotions on selected goods in December meant it was difficult for any overall price measure to cover all the price cutting activity during the month.

Both food and non-food prices fell in December. Prices of many non-food items, especially clothing and footwear, were cut sharply in pre-Christmas sales. There were also numerous price promotions, especially on big-ticket items where demand has been hit by consumer caution in the face of interest rate rises and the slowing housing market. 'New technology' electrical goods such as large TVs, DVD players, personal computers, digital cameras and mobile phones have become much cheaper over the past year and this continued in December.

Food prices fell back after a small increase in November. Christmas promotions on beer, wines and spirits, meat, fruit and prepared vegetables also contributed to the overall reduction.

	2002		2003		2004	
	Index	Inflation Rate	Index	Inflation Rate	Index	Inflation Rate
January	98.39	0.90%	98.37	-0.01%	102.55	4.24%
February	98.94	0.83%	98.97	0.02%	101.64	2.70%
March	99.54	0.69%	99.98	0.44%	102.32	2.34%
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.*

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