

BRC SHOP PRICE INDEX JANUARY 2005

For Immediate Release

JANUARY INFLATION RATE: NEW YEAR, NEW LOW

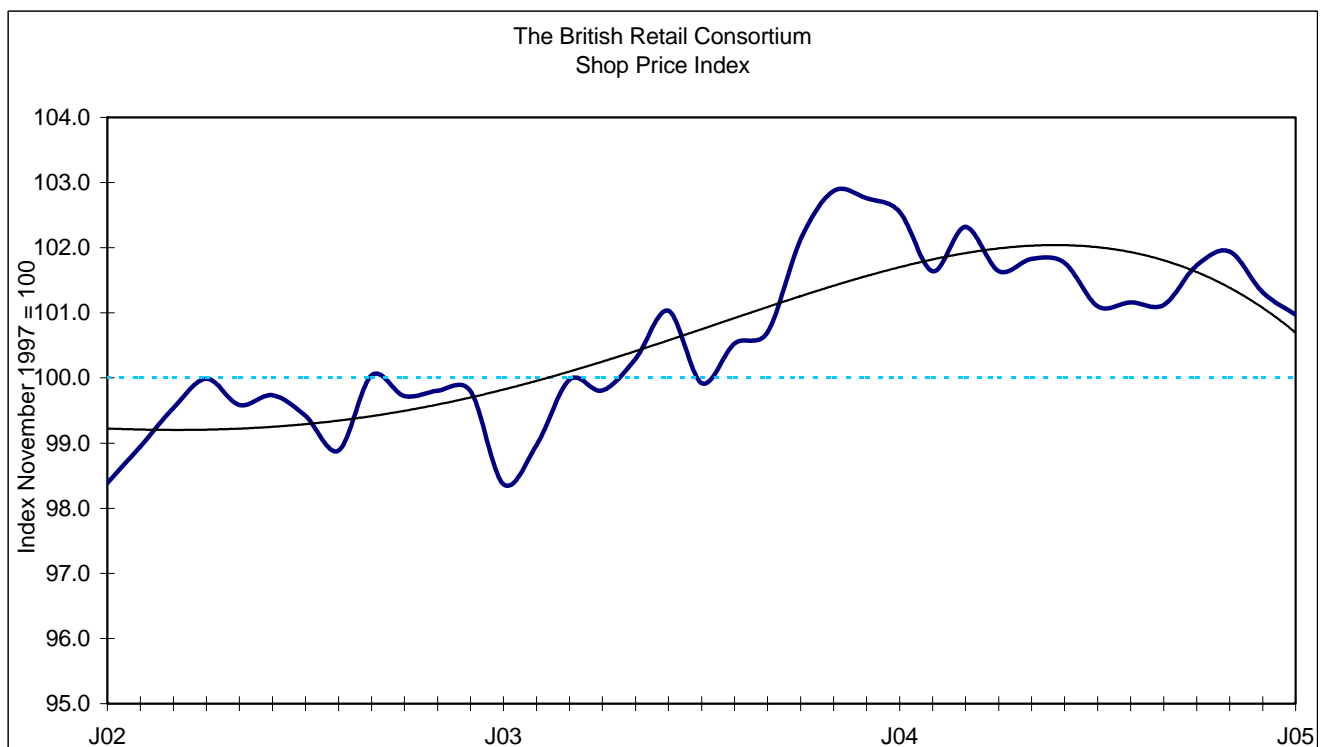
The BRC Shop Price Index (SPI) showed prices in January were 1.54% lower than a year ago.

Overall shop prices were 0.34% lower in January than December. The largest decreases were seen within non - food items, which have fallen by 1.33% since last month.

Kevin Hawkins, Director General, BRC comments:

“The heavy discounting seen at the beginning of December became more aggressive throughout the January sales, with many retailers making further reductions and sharp price cuts in the hope of compensating for the disappointing Christmas. As a result, the annual rate of high street inflation starts the year at an all time low.

“This is the fourth consecutive month in which retail prices have fallen. However, consumer confidence remains weak and the Bank of England must seriously consider a gradual reduction in interest rates - any further increases simply cannot be justified.”



BRC Comments:

Shop prices fell 0.34% in January, bringing the Index down to 100.97. The annual inflation rate also decreased to -1.54% from -1.41% in December, meaning the rate has fallen significantly from the previous record level seen last month, to start the year at an all time low.

This new rate was reached as a result of the aggressive discounting seen in December continuing into January with the start of the annual sales. Widespread promotions meant that despite being able to make good comparisons to December, it remained difficult for any overall price measure to cover all the price cutting activity in January.

The price of clothing and footwear, cut sharply in pre-Christmas sales, saw further reductions in the January sales. Additional discounting occurred for end of season items to make way for the launch of new ranges. Big - ticket items, sales of which have been adversely affected by recent interest rate rises and the slowing housing market, saw numerous price promotions, most notably within kitchenware and furniture and furnishings. The price of Electrical goods, already cheaper than this time last year, saw further reductions with discounting focused on "New Technology" items, especially TVs, DVD players, digital cameras and mobile phones.

Despite heavy discounting on non-food items, January saw an increase of 1.34% in the price of food items. The majority of this increase was due to Christmas promotions on beer, wines and spirits coming to an end. Further price increases were evident in meat products, such as bacon, beef and veal.

	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%
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.

ENQUIRIES

Press Calls:

David Southwell, 020 7854 8924
press@brc.org.uk

Further Information:

Malcolm Pinkerton, 020 7854 8962
Malcolm.pinkerton@brc.org.uk