

The prices of food and non-alcoholic drinks rose at the fastest rate in more than 45 years in the 12 months to March 2023. The annual inflation rate in this category was 19.2%, up from 18.2% in the year to February 2023.

The largest contributor to the rise in food inflation was bread and cereals, for which average prices rose by 19.4%

Inflation rate for food and non-alcoholic beverages rose to 19.2% in March 2023

Food and non-alcoholic beverages annual CPIH inflation rates, UK



Source: Office for National Statistics

Food inflation is being driven by soaring energy costs and the invasion of Ukraine. In addition rising labour costs, bad weather affecting harvests, and Brexit trade barriers are all contributing.

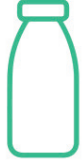
There have been improvements within the gas prices, halving within the year, and logistical performances have improved however the labour and transportation shortages still deem an issue.

There has also been a drop in global wholesale prices costs which will enable prices to fall later in the year, however there is a three to nine-month lag as producers buy and sell in long term contracts.

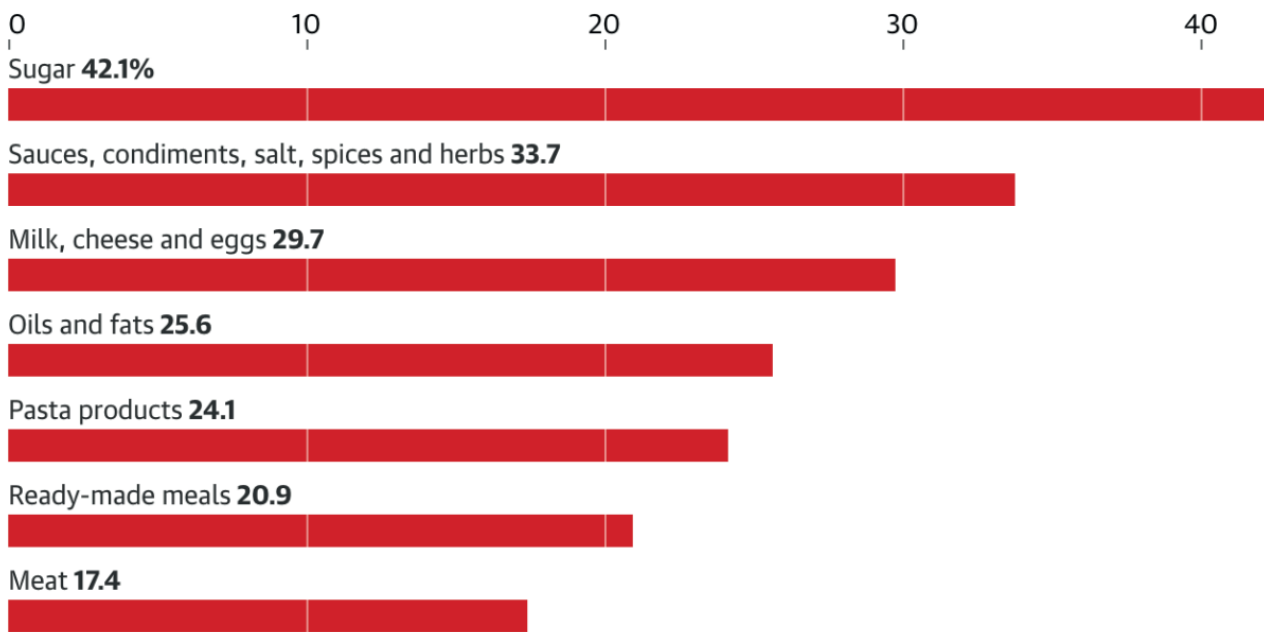
The office for National Statistics (ONS) says, **“You would expect to see [global food price falls] reflected in supermarkets but we’re not there yet.”** It is predicted that we will continue to see these high food prices with a slow and gradual come down. These high prices are remaining due to poor harvest and weather across Europe and North Africa, with some of the priciest items being fruits, vegetables, and sugar.



Typical food staples have increased dramatically within the past year as, according to the ONS, the average cost of cheddar cheese has risen to 49%, while milk was at 40% and sugar 32% more expensive. The increased cost in dairy products is due to the higher milk farmgate prices.



Annual CPI inflation rate, %



“Wider inflation will continue to ease” according to Helen Dickinson, the chief executive of the British Retail Consortium says as the growing season will begin to arise within the UK.

Lead economist at the Food and Drink Federation, Dr Liliana Danila states **“our modelling suggests it will remain in double-digit territory throughout 2023,”** as the lag continues to slowly make its way towards consumer prices.