Does June’s unexpected fall in the rate of inflation herald the start of a retreat? It seems unlikely. The fall in sterling that has helped push inflation higher is still filtering through into consumer prices. And even at the lower rate inflation remains uncomfortably above wage growth. That’s a considerable headwind for the economy.

Pause for breath. Inflation has risen further and faster than expected earlier this year so it is particularly welcome that it fell from 2.9% to 2.6% in June. Cheaper petrol provided the most relief as the lower oil price was passed on at the pumps. The squeeze is far from over though. Prices are still rising faster than wages and it’s likely that inflation will head back towards 3% later in the year. In the meantime this result will at least quieten some of the calls for interest rate rises.

Summer splash. The good weather tempted consumers to forget their financial woes and spend a little more freely in June. UK retail sales for Q2 were up 1.5% on the first three months of the year, which had been particularly slow. The high street will welcome the extra business but consumers will need to be more careful with their cash later this year. Spending is now 5.6% higher than a year ago, far outstripping income growth, so households are currently saving less now than at any time. A lack of restraint now is likely to mean a more sudden stop later.

Work in progress. The nearest indicator Northern Ireland has to GDP is the Northern Ireland Composite Economic Index (NICEI). According to this measure the local economy expanded by 0.3% q/q and 2.4% y/y. While the public sector component (jobs) contracted, private sector output increased by 0.4% q/q and 3.4% y/y. Despite the ongoing expansion in the economy, it should be noted that Northern Ireland's recovery remains a work in progress. In just over four years, the local private sector has recovered two-thirds of the output it lost during the downturn. Output in Q1 2017 was still almost 4% below the corresponding level a decade ago and is back at where it was prior to the 2006/07 'bubble' (i.e. late-2005).

Dip under construction? Northern Ireland construction workloads have fallen for the first time in four years. That's according to the latest Construction & Infrastructure Market Survey by RICS and Tughans. The decline in workloads in Q2 was marginal following a soft first quarter and broadly mirrors the Ulster Bank's PMI survey for the same period. A lack of public sector spending and infrastructure investment are cited as factors by surveyors. Additional money announced from Westminster will provide a much-needed fiscal boost in this area in due course. Private sector housebuilding was the only construction related activity to post growth in Q2. Commercial and industrial activity was flat. A slowing UK economy and Brexit-related uncertainty won’t help that.

Steady. Between Brexit, elections and tax changes there have been plenty of events battering the UK housing market in the last three years but price growth remains stable, according to the official index. The ONS reported that house prices rose 4.5% in the year to May. That’s cooler than the 8% recorded this time last year, but still substantially faster than income growth. There’s been a change in the where the growth is coming from though. 12 months ago it was London leading the pack but now growth in the capital has slowed to 3%, below the UK average. Surveyors are most pessimistic about London’s price prospects, so a further slowdown is likely.

Taxing. At this stage of the financial year the public finance data tells us more about what’s happening in the UK economy than whether the chancellor will meet his budget or not. Strong employment growth and weak pay rises combined to generate a reasonable income tax haul, up 3.6% on last year. A nearly 5% rise in national insurance contributions, as well as fairly static benefit payments support the strong labour market picture, too. That should all be good for balancing the Government’s books, but faster spending means that the deficit is actually £2bn higher already so far this year.

We’re not there yet. A better than expected growth performance from the Eurozone has prompted talk of the European Central Bank ‘tapering’ its quantitative easing programme. Last week’s ECB meeting did not yield any changes, just an indication to expect an announcement in the Autumn. The problem the ECB has is despite the improving economic picture inflation remains stubbornly low. A survey released last week of inflation expectations in the Eurozone showed a downgrade of forecasts and a predicted rate of just 1.6% in 2019 (it’s currently 1.3%). In the US there’s a similar story of inflation falling short of expectations. So, too, Japan. It had been hoped the world had escaped ‘lowflation’. The data suggest otherwise.

Fruitful. Of the 2m+ non-financial businesses in the UK only 24,141 (1.1%) are owned by businesses outside the UK. But they contribute almost 30% of the country’s gross value added. They’ve also made an outsized contribution to growth with their GVA expanding 32% between 2008 and 2015 (23% for UK owned businesses). The big contribtuer has been the non-financial services sector where GVA has grown a staggering 67% since the crisis. 4% of foreign-owned business are from Oceania and Africa, 10% are from Asia, 30% are from The Americas. The remaining 55% are from Europe.

Falling. The Institute for Fiscal Studies’ latest report on inequality underlined a point made elsewhere in recent years. Contrary to popular opinion, inequality across the majority of the population has fallen over the last 25 years. This is due to a number of trends, particularly tax and benefit changes, falls in worklessness and the catch-up of pensioner incomes. Granted, the decline has yet to reverse the sharp rise that took place during the 1980s. And therefore income inequality remains higher than it was during the 1960s and 1970s.

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