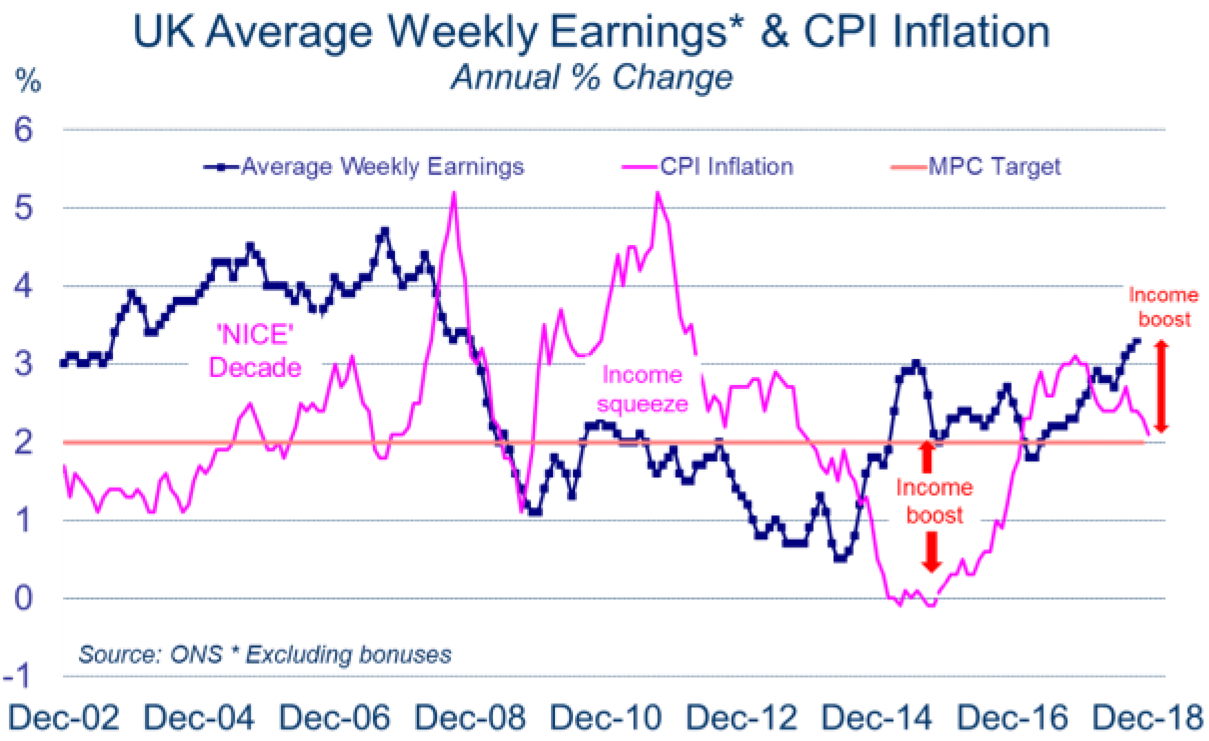
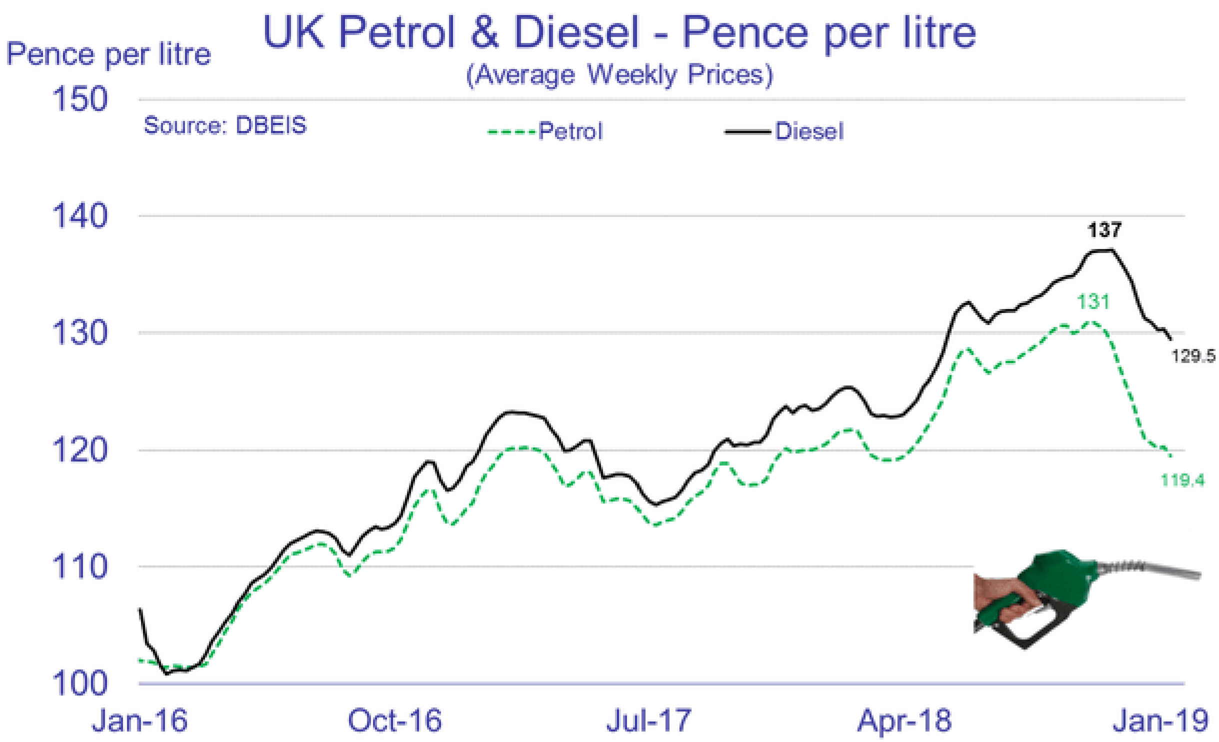
Consumer confidence both nationally and locally is not in a great place. Clearly the ongoing "political recession" isn't helping the mood either. The good news, however, is that inflationary pressures continue to ease with the headline Consumer Price Index rising by 2.1% y/y in December. That marks the weakest rate of consumer price inflation in almost two-years. Significantly this welcomed move is coinciding with wages rising at their fastest rate in a decade.



Falling petrol prices were a key driver behind the latest downward move. Petrol price inflation slowed from 7.6% y/y in November to 1.5% y/y last month. Back in October prices were rising at 11.5%. This trend is set to continue with an easing in energy related inflationary pressures both in utility bills and petrol / diesel costs.



Significant price cuts to gas and electricity bills are expected to be announced later this month. Similarly, home-heating oil customers should see further significant falls in the coming weeks and months. Petrol and diesel prices have already fallen by around 2% in the first two weeks of January. Food price inflation also slowed dramatically during 2018. Having started the year at 3.9%, annual food price inflation eased to 0.4% in December. What does or doesn't happen with Brexit (supply disruptions etc) could have a major bearing on food prices in 2019.

In the near-term, CPI inflation looks set to fall below the MPC's 2% target in January with the annual pace of consumer price rises set to slow to 1.3% / 1.4% by Q4 2019. Against this backdrop and given the growing risks of a global slowdown coupled with the near-term concerns surrounding Brexit, the Bank of England isn't going to be in a hurry to raise interest rates. 2019 could well see the Monetary Policy Committee sit on its hands and keep its Bank Rate at 0.75%.

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