Inflation picks up – just a little

The March inflation number was the highest since December 2014.

UK inflation picked up in March, reaching the dizzy heights of 0.5% on the Consumer Price Index (CPI) and 1.6% on the Retail Prices Index (RPI - which is no longer an official statistic, despite being widely used by government). The CPI figure is still well short of the Bank of England's central target of 2.0% which, as the graph shows, was last seen in December 2013.

Last year the CPI spent more time at or below zero than in positive territory, so the March 2016 number looks to be significant. Taken in isolation, this is less likely. Naturally enough, annual inflation statistics look across a 12-month period. In March this was a problem because of the timing of Easter, which was early. As a result, the March 2016 inflation data included the Easter bump in air fares, which rose by 22.9% between February and March 2016. There was no such jump in 2015 because Easter fell at a different point in April. In the next couple of months the process will unwind.

However, there are other straws in the wind which suggest inflation could pick up. National Statistics' data show that while the price of goods fell by 1.6% in the year to March, the cost of services *rose* by 2.8%. Sterling's recent Brexit-inspired fall and the recovery in oil prices could both push up goods inflation, while the arrival of the National Living Wage may have a similar effect on services.

The message is that if you are investing, inflation cannot be ignored, even at current levels.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.