TAFTALKS FOODSERVICES & INFLATION IN 2022

YOUR POST PANDEMIC GUIDE & QUESTIONS ANSWERED | FRIDAY 7 JANUARY

In December 2021, new figures revealed the cost of living rose by 5.1% in 12 months to November, its highest rate in 10 years; the jump, driven largely by rising fuel and energy costs, puts further pressure on both households and businesses (trying to feed their people at work and home). **TAF's catering consultants explain the basics of inflation and what it might mean to you.**

1. WHY ARE PRICES RISING?

In a nutshell: Demand for oil/gas is pushing up **ENERGY PRICES** worldwide meaning higher bills for householders and businesses, many of whom will pass on some or all of the extra energy costs to customers, **SHORTAGES** of many goods (inc. building materials) are causing supply problems & pushing up prices, **GOVERNMENT SUPPORT** to businesses during the pandemic - like reduced VAT for hospitality - has ended and businesses are struggling to recruit **HOSPITALITY STAFF AND LORRY DRIVERS**, partly due to the pandemic but compounded by the aftermath of Brexit.

2. WHAT IS INFLATION?

1. Inflation is the rate at which prices rise. So, if a £1 jar of honey rises by 5p, honey inflation is 5%.
2. It applies to services too, like outsourcing your foodservices or having your meeting rooms cleaned (if you're in facilities).
3. You may not notice low levels of inflation month to month, but long term, these price rises can have a big impact on how much you can buy - referred to as the "cost of living".

3. HOW WILL INFLATION AFFECT ME?

1. We're all affected by rising prices, but those on low incomes or those who don't have savings are likely to feel the impact.
2. If your pay is rising by less than inflation, you'll see a fall in the "real" value of your wages; what you earn buys less.
3. Some people will see their income rising at the same rate as prices – e.g. wages for lorry drivers have risen to attract people into these jobs. Whilst they might notice inflation, they shouldn't be worse off.

   Examples of items increasing in price:

   i. ***Restaurant refurbishment:*** The cost of timber has doubled compared to a year ago and plastics used in doors and windows has gone up by c.13%.

   ii. ***Uber fares:*** The app recently increased its base fare in London by 10%.

   iii. ***Savoury snacks:*** Popular brands like Pringles, Doritos and Hula Hoops went up by 7.6% in the 12 weeks to the end of October 2021.

4. HOW IS INFLATION MEASURED?

1. The Office for National Statistics (ONS) notes the prices of hundreds of everyday items, from cinema tickets to smart speakers.
2. These items are called the "basket of goods", and they're being constantly updated.
3. This year (reflecting the pandemic), the ONS added hand sanitiser but took out sandwiches bought in restaurants.

   NB. The ONS releases its measure of inflation each month - showing how much these prices have risen since the same date last year. This is known as the Consumer Prices Index or CPI.

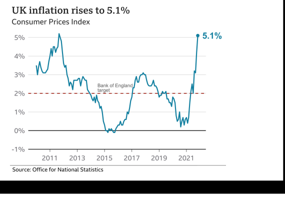
5. WHAT IS THE INFLATION RATE USED FOR?

1. Government bodies use the inflation rate to decide a whole range of things, from how much pensions should rise to the price of train fares.
2. It's keenly watched by economists too, since inflation is a sign of what's going on in the economy.
3. A bit of inflation is actually considered a good thing. If prices are falling, people might delay buying non-essential items, hoping to get them cheaper.
4. But if prices are rising too sharply, it could mean the economy is running into difficulties.
5. So, the Bank of England aims to keep inflation at around 2%.

6. WHAT CAN THE BANK OF ENGLAND DO TO TACKLE INFLATION?

If inflation rises quickly, the Bank of England can tackle it by raising interest rates.

1. That means anyone who has borrowed money could see their monthly payments go up, especially on mortgages that may be tied to the Bank of England's rates.
2. The Bank of England works on the principle that when borrowing is more expensive, people will have to spend less money, so will buy fewer things, and prices will go down in response.
3. However, if inflation is caused by external forces - such as the global squeeze on energy prices - then raising interest rates may not solve the problem.



EMAIL US TODAY IF YOU NEED SUPPORT TO CONTROL YOUR POST PANDEMIC FOODSERVICES IN 2022:

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