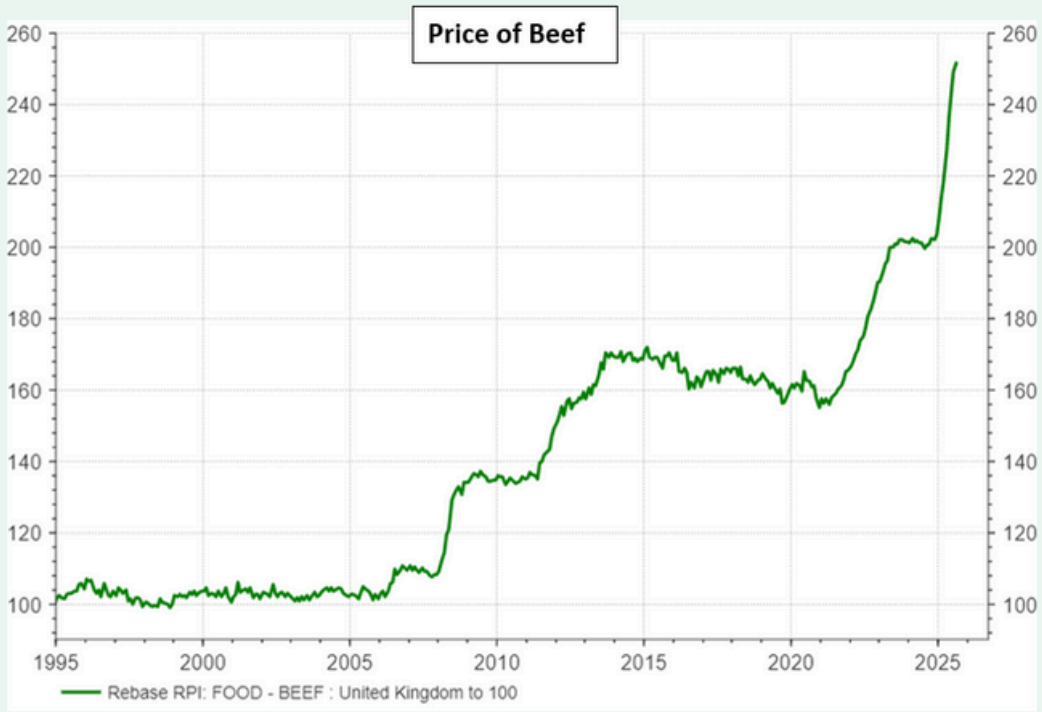
Inflation continues to weigh on consumers, and the market.

Key points:

- UK food inflation is currently running close to 5%, and for such a significant and regular purchase, it's something consumers are acutely attuned to, as is the Bank of England.
- Yet this is just the average rate for food inflation, masking a wider dispersion of inflationary pressure that occurs at the till for some consumers. Year on year, beef is up an eye-watering 25%, so it's probably no wonder that supermarket steaks now come served with their own security tags.
- The reasons for this are complex, but viewers of 'Clarkson's Farm' will be familiar with the challenges that British farmers face. A slump in UK beef production is behind the price surge, as more and more cattle farmers have exited a troubled industry – faced with higher costs, more red tape, fewer abattoirs, and declining demand. For some, the inheritance tax increase was the final straw.
- But this isn't merely about your supermarket or restaurant visits costing more – it's also yet another headache for the chancellor.
- An increase in grocery costs soaks up additional disposable income, and much of this is zero VAT rated. Pre-Covid, VAT revenues were running at around 2%-5% in real terms, but now they are close to -1%, due in part to a greater spend on zero rated items, such as food.
- That VAT shortfall is yet another factor adding to the budget black hole, which creates pressure on the Gilt market.

Where's the Beef?

22 Sept 2025



Data Source: LSEG Datastream

Timeframe: January 1995 – August 2025

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK.

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