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Inflation in the UK decreased to 2.3% in April 2024, down from 3.2% in March, according to the Office for National Statistics (ONS). This figure is the lowest since July 2021. Despite the fall, it remained above the Bank of England's (BoE) target of 2% and higher than the 2.1% forecast by city analysts.

The reduction was driven largely by a decline in the energy price cap, which saw lower gas and electricity bills, and a moderation in food and services prices. However, services inflation dipped only slightly from 6% in March to 5.9% in April, exceeding the expected 5.4% rate.

This continued inflationary pressure has weakened hopes of an interest rate cut from the current 5.25% at the Bank of England’s next meeting on June 20. Instead, the likelihood of a reduction may be pushed to August.

Prime Minister Rishi Sunak welcomed the drop as a significant milestone for the economy, though economists remain cautious, suggesting that underlying price pressures are still present. The latest figures have also led markets to move away from earlier bets on a near-term rate cut.

Additionally, separate data revealed that UK public sector borrowing was £20.5 billion in April, exceeding the Office for Budget Responsibility's forecast of £19.3 billion, adding further complexity to the economic outlook.