

Inflation - up again - and yet we still don't read read...

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As [the BBC report](#):

The UK Consumer Prices Index (CPI) annual inflation rate rose to 4% in January, up from 3.7% in December.

Retail Prices Index (RPI) inflation - which includes mortgage interest payments - rose to 5.1% from 4.8%.

The CPI figure is the highest since November 2008, and will put pressure on the Bank of England to lift interest rates to curb accelerating inflation.

"Two of the main factors that had an impact on the January data are the increase in the standard rate of Value Added Tax (VAT) to 20% and the continued increase in the price of crude oil," the ONS said in a statement.

This is going to be extraordinarily painful for people suffering pay freezes.

But let's be clear: this inflation is the result of government policy and something we're going to have to get our heads round - and that is increasing costs of carbon energy.

How significant is the latter going to be? I was at a seminar yesterday and it was forecast that whereas we now import 20% of our energy by the end of the decade we will import 80% and this will be in a market where peak oil has happened and price changes will be dramatic, and upward only as a result.

We are taking no action to address this fundamental issue in our economy.

All that is suggested is that we increase interest rates to enforce recession as a mechanism for dealing with the inflation which such action will not impact, but which it could make worse through reducing our capacity to create export earnings - something we have ignored for far too long, and for which Thatcher is to blame.

Such is the poverty of our economic thinking.