

Andrew Bailey admits inflation is going to tumble but s...

Published: January 13, 2026, 12:08 am

The [Guardian](#) has a rather useful write-up of what Andrew Bailey, Governor of the Bank of England, had to say to the Treasury Committee of the House of Commons yesterday.

As they note, he said:

The biggest single reason inflation has risen to that level is the war in Ukraine. It is also the most likely reason that we're going to see a rapid fall in inflation in the year ahead, because we are not seeing energy prices rising further. In fact, they're coming down.

I have, of course, already noted this phenomenon.

As a result the Guardian noted:

Bailey told MPs on the Commons Treasury committee that the UK's rate of inflation could fall back substantially this year.

Again, there is no surprise here: anyone with the bank of an envelope could work this out for themselves. However, the reason is not falling energy prices: stable energy prices would be enough to deliver this phenomenon. Falling prices might well lead to deflation in 2024.

But what the report does not address is why, as a result, interest rates are still expected to go up. It seems that issue was not on the agenda.

I will be explaining that in a report coming very soon, but as a teaser, simply think quantitative tightening and get to work on the back of that same envelope.