

Inflation is on target to fall: we need a rate cut now

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I am aware that the [Office for National Statistics says](#) that consumer price inflation rose in February in data announced this morning.

The increase is 0.4%. This is not a lot, but it is not the expected direction of travel.

I am aware I have confidently stated that inflation will tumble this year. I remain entirely of that opinion now. The reason is straightforward. As a matter of fact, all of the UK's inflation indices are calculated by comparing the price of a bundle of goods in the current month with the equivalent bundle of goods 12 months previously. There is nothing more sophisticated to the process than that.

The biggest cause of inflation in the U.K. of late has been the external economic shock created by war in Ukraine. This began in February 2022. That means that from March onwards price comparisons are between events after war started with other events after that war started. That means that in the next month or so we should begin to see bigger falls in the rate of inflation as the impact of the war in Ukraine begins to diminish with regard to the calculation of this index.

Is today's data indication of a case for concern in that case? No, in my opinion. It is just an indication that this effect has yet to get going.

I remain quite sure inflation will tumble. We need a 1.5% rate cut now.