

# Funding the Future

## Why is UK inflation not falling as fast as it is in Eur...

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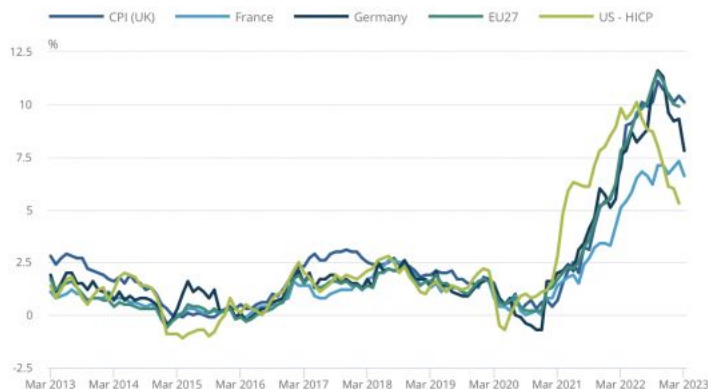
As the [Office for National Statistics](#) has noted this morning:

\* The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to March 2023, down from 10.4% in February.

\* On a monthly basis, CPI rose by 0.8% in March 2023, compared with a rise of 1.1% in March 2022.

That is disappointing. This small decline contrasts markedly with experience in Europe:

CPI compared with selected G7 and EU annual inflation rates, March 2013 to March 2023



Source: Consumer price inflation from the Office for National Statistics, and Harmonised Index of Consumer Prices (HICP) from Eurostat

Rates are tumbling in the way I would expect in France (a bit) and Germany, especially. Why aren't they here? The answer appears to be in the rigidity of our energy pricing, and Brexit (of course).

Dealing with energy pricing first, this chart gives some indication of its significance:

Contributions to the annual CPI inflation rate, UK, March 2021 to March 2023



The large green band is household costs and by far the largest increase in that is energy costs. Since the rigidity in our rigged markets will not let these fall yet we will suffer higher inflation for much longer than Europe. The message is very clear: we need to change energy price regulation.

The other large component, in blue, at the top, is food. This is not entirely down to Brexit, but if we are looking for differences with the European experience, it most definitely is.

None of this changes my argument that inflation will tumble this year. Energy price caps are going to be much lower in the second half of the year. Inflation will fall then.

Nothing also in this data does anything to change the argument that this inflation is all about some companies exploiting inflation for gain. It is not wages driving inflation: they are lagging far behind it. Profits are what are keeping us worse off. Profit taking and the dogmatic refusal of our politicians to address the disaster that is Brexit are what are keeping UK inflation higher than it should be.