

Inflation is mainly down to profiteering. Any other sug...

Published: January 13, 2026, 3:58 am

I [mentioned a couple of days ago](#) that the International Monetary Fund (IMF) has concluded that the biggest contributor to inflation is profiteering by the world's larger companies and that if inflation is to come down then this must stop, with wages being permitted to catch up.

Now there is more opinion to support this view. [As the Guardian](#) has noted:

Christine Lagarde says without a shift in corporate behaviour, interest rates will need to stay higher for longer.

They add that she said:

During previous [financial] shocks in the euro area, firms had tended to absorb rising costs in profit margins, as slower growth made consumers less willing to tolerate price hikes. But the special conditions we experienced last year turned this regularity on its head.

The sheer scale of input cost growth made it harder for consumers to judge whether price hikes were caused by higher costs or higher profits, fuelling a faster and stronger pass-through.

At the same time, pent-up demand in reopening sectors, excess savings, expansionary [government] policies and supply restrictions brought on by bottlenecks gave firms more scope to test consumer demand with higher prices.

They then note this:

She said corporate profits accounted for about two-thirds of inflation in 2022 compared with the average over the previous 20 years of one-third.

She suggested:

This in turn led to the shocks feeding into inflation [last year] much more quickly and

forcefully than in the past," she said. To keep inflation low, "we need to ensure that firms absorb rising labour costs in margins.

Without a shift in corporate behaviour, interest rates would need to stay higher for a longer period than previously forecast, Lagarde said.

So, profiteering is to blame and it is this activity within the economy that is forcing interest rates up, but very oddly it is those who have already suffered real pay cuts who are being hit the hardest.

But I think the debate over the cause of inflation can now be laid to rest. It is corporate profiteering - and the impact of excessive interest rates is a part of that as banks are a major profit centre within the economy.

But this morning the government minister on the news round is claiming that inflation is caused by public sector wage increases, monetary policy (they are now blaming QE) and supply chain disruption. It's time they stopped the nonsense and started talking about why we still have inflation, and those are not relevant. To claim they are is just misinformation in pursuit of class warfare.