

Funding the Future

Our Chancellor really does not understand inflation - b...

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The right wing media, and even the Chancellor, are totally confused about how to report this morning's news from the Office for National Statistics on the latest wage data.

The Sun's headline is:



THE Sun

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Money > News Money

GOING UP Wages rise AGAIN for millions of workers – what it means for you

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The angry AGAIN makes it sound as if this is terrible news - which of course is exactly what the Bank of England and the Chancellor want us to think it is.

But then they have to admit:

The [UK's current rate of inflation remains high at 8.7%](#).

After taking inflation into account, average pay including bonuses fell by 1.2% in the year to March to May 2023, or 0.8% excluding bonuses.

Page 1/2
That means people's pay packets have fallen in real-terms, when factoring in other living costs such as [food](#) and [energy](#).

The [Bank of England](#) (BoE) has blamed rising wages for keeping inflation

In other words, there was no real wage rise at all, which completely undermines the Bank of England's claim that it is wages that are driving inflation.

For the record, price rises are driving inflation and it is profiteering and the increasing cost of borrowing that are driving them up, which the Sun fails to mention.

They do however note:

Darren Morgan, director of economic statistics at the ONS, said: "Pay excluding bonuses has again risen at record levels in cash terms.

"Due to high inflation, however, the real value of weekly earnings are still falling, although now at its slowest rate since the end of 2021."

Meanwhile, the unemployment rate for March to May increased by 0.2 percentage points on the quarter to 4% from 3.8%.

They add:

There were 1,034,000 million job vacancies on average across April to June - down 85,000 on the previous three months.

Chancellor [Jeremy Hunt](#) said: "Our jobs market is strong with unemployment low by historical standards.

"But we still have around one million job vacancies, pushing up inflation even further.

Which is quite amusing because this really makes no sense whatsoever.

Falling job vacancies implies reduced wage pressure, not an increase. People are taking jobs at the pay rate on offer is what the data implies. How that can be inflationary is hard to see, most especially when the whole purpose of raising rates is to reduce the number of employment opportunities in the economy by creating a recessionary environment, which is exactly what seems to be happening. But it might be a bit much for our Chancellor to get his head around that.

But what is really interesting is that the right wing media has now lost the ability to frame what the Bank of England is doing precisely because it is so illogical that even they can't work it out.