

Inflation is down but that's only good news if intere...

Published: January 13, 2026, 1:17 am

According to the [Office for National Statistics](#) this morning:

- * The Consumer Prices Index (CPI) rose by 6.7% in the 12 months to August 2023, down from 6.8% in July.
- * On a monthly basis, CPI rose by 0.3% in August 2023, compared with a rise of 0.5% in August 2022.
- * The largest downward contributions to the monthly change in CPI annual rates came from food, where prices rose by less in August 2023 than a year ago, and accommodation services, where prices can be volatile and fell in August 2023.
- * Rising prices for motor fuel led to the largest upward contribution to the change in the annual rates.
- * Core CPI (excluding energy, food, alcohol and tobacco) rose by 6.2% in the 12 months to August 2023, down from 6.9% in July; the CPI goods annual rate rose slightly from 6.1% to 6.3%, while the CPI services annual rate slowed from 7.4% to 6.8%.

There had been a great deal of speculation about inflation taking an upward turn this month as a result of rising road fuel costs. Other factors overwhelmed them and the fall in inflation continued instead. The downward trend, which I long predicted, is now very obvious:

Figure 1: Annual CPIH and CPI inflation rates eased slightly in August 2023

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, August 2013 to August 2023



CPI is the only really important measure noted in the chart.

So, what now?

First, this gives the Tories a small boost: that is inevitable. It does not disguise their otherwise disastrous performance, but they will claim credit for this.

Second, as should be obvious, the need now is for interest rates to fall given that they are now one of the biggest causes of remaining inflation. That, however, is very unlikely: the Bank of England remains dedicated to a programme of high interest rates and I still expect a rate rise this week.

Third, those who have lost out on pay need to have above inflation pay rises now or purchasing power is going to be permanently impaired by this inflation, creating long term impacts which will otherwise take years to eliminate, if they ever are.

Of these three only the first is likely. The other two are unlikely. It seems much more likely that it is the combined Tory/Labour/Bank of England plan to ensure that the upward redistribution of income resulting from this inflationary period will survive in the long term. Why they would wish for that, except to appease the media, is hard to tell. But this would seem to be their plan now and it is profoundly unjust.