

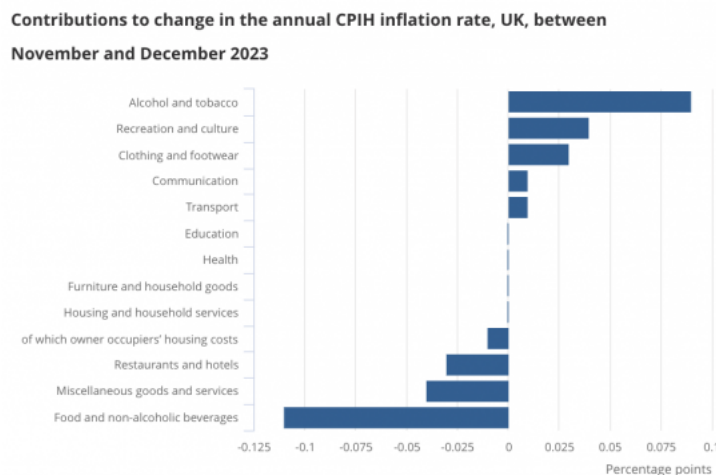
Inflation always goes away, and a little profiteering a...

Published: January 13, 2026, 1:42 am

I have seen the most extraordinary, verging on stupid, reactions this morning to the [Office for National Statistics announcement](#) that inflation increased from 3.9% to 4% in December.

Suggestions are being made that the war on inflation is being lost. Alternatively, we are in for a long, hard grind with high-interest rates. And, of course, wages must be kept down.

The reality is that none of these comments is true. These are the contribution by sector towards inflation at Christmas:



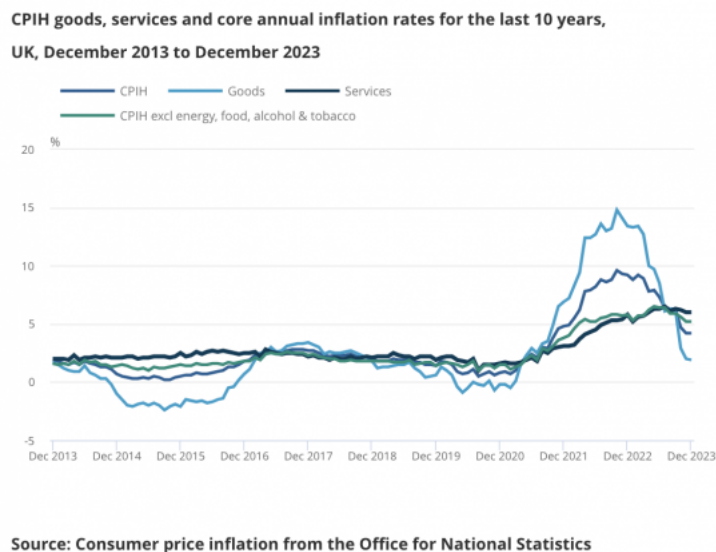
Source: Consumer price inflation from the Office for National Statistics

Food fell because supermarkets discount a lot of it at Christmas - it is a great time to buy cheap vegetables.

In contrast, there was profit taking on alcohol and tobacco, recreation and leisure, and clothing and footwear. All of these are related to just one thing: that this is the time of the year when retailers know most people cannot resist the social demand that people

go out, and so they took a little profit where they could find it as a result. The consequence was a slight upward swing of almost no statistical significance in inflation.

Overall, this is the trend in inflation (there isn't a CPI chart, this CPIH one will do):



Inflation is falling.

It will continue to fall, overall.

When energy prices fall in April, that will become very apparent.

The actual risk is deflation, which China already has.

As Danny Blanchflower and I have long said, inflation always goes away. It has over 500 years. Nothing has changed this time. No war was needed. No interest rate rises were required. It just took a couple of years to work through the system. Everything else said about it is pretty close to nonsense.