

The December inflation figure is just fodder to let the...

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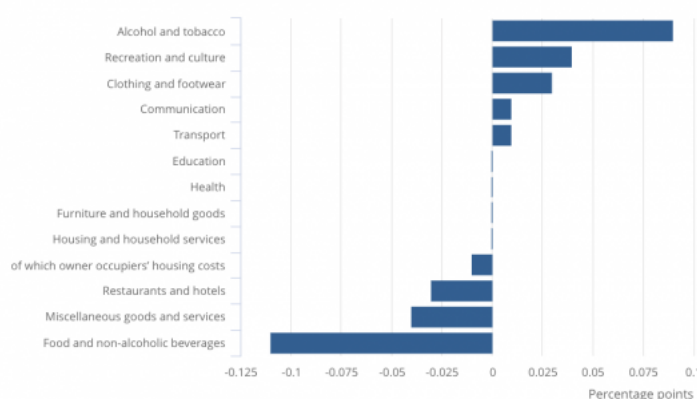
As the Office for National Statistics [has reported this morning](#):

- * The Consumer Prices Index (CPI) rose by 4.0% in the 12 months to December 2023, up from 3.9% in November, and the first time the rate has increased since February 2023.
- * On a monthly basis, CPI rose by 0.4% in December 2023, the same rate as in December 2022.
- * The largest upward contribution to the monthly change in both CPIH and CPI annual rates came from alcohol and tobacco while the largest downward contribution came from food and non-alcoholic beverages.
- * Core CPI (excluding energy, food, alcohol and tobacco) rose by 5.1% in the 12 months to December 2023, the same rate as in November; the CPI goods annual rate slowed from 2.0% to 1.9%, while the CPI services annual rate increased from 6.3% to 6.4%.

Let's put this in context. The main contributors to inflation in the month were:

Figure 6: Food and non-alcoholic beverages leads the downward contributions to the change in the annual CPIH inflation rate

Contributions to change in the annual CPIH inflation rate, UK, between November and December 2023



Source: Consumer price inflation from the Office for National Statistics

The rise in tobacco prices is still related to a change in the law deliberately pushing prices up. Everything else nets out to zero. And no one expected another significant fall in inflation until the energy price cap falls in a couple of months' time.

The media will be all over this saying the battle on inflation has not been won as yet and that catch up wage rises are threatening a wage price spiral. All of that is nonsense. By mid-year inflation will be near 2%. That will be hard to avoid now. Everything else in the media on this issue is just fodder to let the Bank of England keep interest rates high.