

Inflation tumbles, and still we wait for signs that the...

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As the Office for National Statistics reported at 7.00 this morning:

- * The Consumer Prices Index (CPI) rose by 3.4% in the 12 months to February 2024, down from 4.0% in January.
- * On a monthly basis, CPI rose by 0.6% in February 2024, compared with a rise of 1.1% in February 2023.
- * The largest downward contributions to the monthly change in CPI came from food, and restaurants and cafes, while the largest upward contributions came from housing and household services, and motor fuels.
- * Core CPI (excluding energy, food, alcohol and tobacco) rose by 4.5% in the 12 months to February 2024, down from 5.1% in January; the CPI goods annual rate slowed from 1.8% to 1.1%, while the CPI services annual rate eased from 6.5% to 6.1%.

In other words, as I always said would happen, inflation continues to fall quite rapidly. That was inevitable: the way in which inflation is measured guaranteed it. Now, once wages have caught up this inflationary episode will be over, having passed quite quickly, as almost all such periods in the UK have always done without requiring intervention from anyone to make that happen.

There is, however, one consequence of this inflation that does remain, and that is high interest rates.

Inflation never required interest rates to be increased. Their increase has done nothing to tackle inflation. But their increase has undoubtedly fuelled an increase in the cost of living. In particular, they have fuelled rent increases and increases in mortgage costs, both of which have considerably increased economic vulnerability in the UK. They have also fuelled inflation in a perverse cycle of harm.

There are at present no signs that the new era of excessive interest rates - now running at rates well ahead of inflation - will end. That means the active upward redistribution of

wealth in the UK. will continue. And that is a disaster in the making.