

Inflation will be tumbling this week

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I [posted this video](#) on YouTube this morning. In it I suggest that this week's inflation data will show what I have predicted for a long time — that without any help from the Bank of England, Rishi Sunak, or Jeremy Hunt, inflation is going to be back down to 2 per cent.

The inflationary shocks resulting from the start of the Ukraine war two years ago have worked through the system, and price increases have returned to a normal level.

But the question that begs is why do we use such a stupid target over which we have almost no control to manage the economy when there are so many better ones - like full employment, rising real wages, reducing inequality and real investment rates instead?

<https://www.youtube.com/watch?v=4UTsKYkLNZQ>

A [link is available here](#).

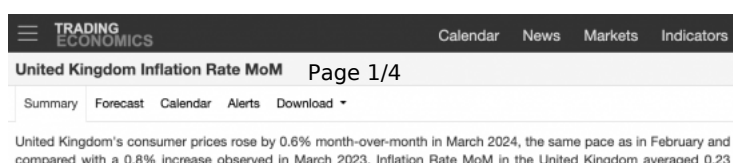
The transcript is:

The UK inflation rate is going to tumble this week. New data on Wednesday will show that the rate might have fallen as low as 2 per cent over the last year.

Now, let's be clear, that does not mean that prices have fallen. It does mean that the rate of price increases will have fallen to the target rate set by the Bank of England.

How do I know this is going to happen? Because it is a virtual mathematical certainty that the rate will reduce from the current one.

Let's just look at the data that shows this. This chart shows the monthly changes in the rate of inflation over the last year.



It comes from an organization called Trading Economics, but the data comes from the Office for National Statistics. And as you will see, the figure for April 2023 is the high blue line. It was 1.2%, a very large increase in the inflation rate for one month.

There's no way on earth that the inflation rate for this April will be anything like 1.2 per cent. It could well be lower than the 0.6 percent seen in the last two months because the rate of inflation with regard to household energy costs has fallen.

The consequence is that the figure for April 2023 is going to fall out of these calculations, that for April 2024, which is very much lower, is going to come into these calculations and as a result, the overall rate of inflation will fall.

If we look at the last 11 months, i. e., the data on that chart excluding April 2023, the average rate of inflation over that period is already 2%. We don't know what the April 2024 figure is yet, but given that it is going to probably be lower than the last couple of months, overall, the rate of inflation might, when rounded to the nearest decimal point, come to 2 per cent when we get new data this week.

And this is an inevitability. It didn't require the Bank of England to make any further changes. It didn't require any action by Jeremy Hunt as Chancellor of the Exchequer. It did not require miracle working. It is simply the straightforward consequence of the way in which this figure is calculated.

Nothing is surprising about it. It's been known that this will happen for ages. But the important point about this, and it is a really important point, is why in that case have the Bank of England been talking about the difficulty of the remaining inflation inside the UK economy and how we have to continue to battle inflation and what they've got to do to keep prices down and why wage restraint is necessary?

As a matter of simple, straightforward fact, the inflation figure was going to fall whatever they did.

They have not been telling us the truth for many months now about what is going on in the UK economy. Inflation has already effectively returned to a perfectly normal and acceptable rate, but they haven't been honest about that, and they haven't been honest about that when they've been talking about when setting their base rate - currently 5.25 percent - which sets the overall rate of interest charge in the economy, where most people are now earning on their deposits way above the inflation rate, and of course most mortgage holders and other people who are borrowing money are paying an interest rate which again is way above the inflation rate, which means they're paying what are called positive real interest that we haven't really known in this country for a decade and a half.

All of that is deeply dangerous.

First of all, because of the dishonesty, which creates a lack of trust.

** Secondly, because that dishonesty is in place to make sure that the Bank of England can maintain interest rates, which are putting a burden on real people and increasing inequality in this country.*

But what it really says is that we need to do something else entirely, and that is to question whether we need an inflation target to be the thing that is actually driving economic policy in this country.

** Why are we doing that, when it's so basic, so crude, so raw?*

** Why aren't we targeting full employment?*

** Why aren't we targeting real wage increases, which after all, is what most people want?*

** Why aren't we targeting sustainability?*

** Why aren't we targeting growth, which some politicians still want, even though it's an absurdity in a finite world?*

All of those things would. So, perhaps would investment as real rates of investment are obviously what, in the long term, drives our well-

But none of those things come into that calculation.

We just target inflation.

It's an absurd target to use.

It isn't complicated, but the Bank of England turned it into a great form of mythology about how clever they are.

Rishi Sunak claims that he's done wondrous things when he hasn't. The whole world has experienced the same broad pattern of change with regard to inflation rates, wherever you are in the world, whatever the policy has been, because we've got over the impact of the start of the war in Ukraine, and as a result we need to do something very much better.

I've just suggested some alternatives.

My great fear is Rachel Reeves, who:

** worked for the Bank of England,*

** believes in the Bank of England,*

- * *thinks that the Bank of England walks on water, and*
- * *will let it get its way.*

And that is deeply dangerous because that means we'll carry on with this absurd policy of targeting inflation above all else, and we won't target well-being, which is what matters to 99 per cent of the people of this country.