

Inflation is on target and the Bank of England is still...

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Published: January 12, 2026, 8:07 pm

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

- * The Consumer Prices Index (CPI) rose by 2.0% in the 12 months to May 2024, down from 2.3% in the 12 months to April.
- * On a monthly basis, CPI rose by 0.3% in May 2024, compared with a rise of 0.7% in May 2023.
- * The largest downward contribution to the monthly change in CPI annual rates came from food, with prices falling this year but rising a year ago; the largest upward contribution came from motor fuels, with prices rising slightly this year but falling a year ago.
- * Core CPI (excluding energy, food, alcohol and tobacco) rose by 3.5% in the 12 months to May 2024, down from 3.9% in April; the CPI goods annual rate fell from negative 0.8% to negative 1.3%, while the CPI services annual rate eased from 5.9% to 5.7%.

So, the inflation target has been met.

Admittedly, as certainly as it has fallen, it will also rise a little later this year. It is possible that inflation will be back at nearly 3 per cent before the year is out but within a stable overall trajectory. What this means are three things.

First of all, the impact of the reopening from Covid and the absurd market overreaction to the onset of the war in Ukraine has now worked its way through markets and disappeared as price increases have returned to their normal rate. This is, of course, something I have long predicted since evidence from 800 years of history says that this is what always happens.

Second, no intervention from any central bank was required to do this. In fact, they have made matters worse by suppressing markets, creating cost-of-living crises,

boosting rents and increasing inequality whilst reducing investment and increasing unemployment.

Third, the wholly unnecessary interest rate rises that the Bank of England imposed on our economy to control inflation are still in place and no politician is talking about them in this election campaign, which is quite shocking. It is as if democratic control of the economy has been abandoned to an institution run by people remote from the realities of life in the UK who only have the interests of the banking sector at heart.

What should the next government be doing in response? Three things.

First, they should tell the Bank to cut rates, immediately.

Second, they should over-rule the Bank if they refuse to do so.

Third, they should reconsider the Bank of England's independence because the policy of letting it run monetary policy while the Treasury runs fiscal policy has so very obviously failed to deliver anything for this country.

I do not think there is the slightest chance of that happening with Rachel Reeves as Chancellor. As a result, the failures will continue, as will the misery for the people of the UK, who will suffer wholly unnecessary interest rates for some time to come, just to satisfy the egos of central bankers.