

The case for large interest rate cuts is overwhelming

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

- * *The Consumer Prices Index (CPI) rose by 2.2% in the 12 months to August 2024, unchanged from July.*
- * *On a monthly basis, CPI rose by 0.3% in August 2024, the same rate as in August 2023.*
- * *The largest upward contribution to the monthly change in both CPIH and CPI annual rates came from air fares, which rose this year but fell a year ago; the largest offsetting downward contributions came from motor fuels, and restaurants and hotels.*
- * *Core CPI (excluding energy, food, alcohol and tobacco) rose by 3.6% in the 12 months to August 2024, up from 3.3% in July; the CPI goods annual rate fell from negative 0.6% to negative 0.9%, while the CPI services annual rate rose from 5.2% to 5.6%.*

So, we can conclude that:

- * Inflation is stable.
- * The real core of inflation (energy, food, etc) is stable: it is on the periphery, like airfares, where there is inflation.
- * The obsession with this issue is now unjustified.

Therefore, the Bank of England urgently needs to cut interest rates and heavily to:

- * Prevent recession
- * To meet Rachel Reeves' demand for growth
- * To prevent the hardship and misery high rates are causing to those who borrow most in proportion to income - whether they be small employers or younger homeowners.

The required direction of travel - to base rates of three per cent or less - is now so obvious that the case hardly need be argued.

I do, however, very much doubt that the Bank of England, geared as it is to the interests of the cash-based saver who likes to deposit their funds in a bank, will see things that way. As a result, the misery will continue.