

Is inflation going to rise again?

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We have put out this short video on social media:

Trump bombed Iran. Iran is threatening to close the Strait of Hormuz. Oil markets are panicking. Prices are rising. So are we facing inflation again? And how will the Bank of England react?

https://youtube.com/shorts/K_g5jl6ToOI?si=enK77A4XyDGR3Od9

There is no audio version:

This is the transcript:

Oil prices are about to jump around the world.

On Saturday night, Trump bombed Iran.

Iran is now threatening to block the Strait of Hormuz, and 20% of the world's oil flows through there.

The consequence is that oil markets are going to go into panic.

Prices have already risen by \$5 a barrel at the time that we're recording this video, and they could go up by more than \$25 a barrel, bringing them to the significant, in emotional terms, \$100 a barrel or more.

That's not because there's an oil shortage, though.

There isn't, and there won't be. But there will be intense profiteering around the

possibility that there could be.

The consequence is obvious. Energy prices are going to rise. Whether that be the fuel you put in your car, the gas we burn to generate electricity or to use in your home, or anything else. Businesses are going to pass on these costs to customers, and so inflation will follow.

But this isn't a normal inflation. This isn't caused by wage growth in the UK, and it isn't caused by excess demand. In fact, we are going to have falling demand because prices will have risen. This inflation will be caused by profiteering. But if the Bank of England reacts, as normal, by tightening its monetary policy and increasing interest rates, things will get worse.

The Bank should not blame households for this because it isn't our fault.

The cause is international, not domestic.

Interest rate rises will punish the wrong people.

We need some smart policy at the moment. We don't need reflex panic, but will we get it? Or is the Bank of England about to make the inflation that's going to be created by oil price increases very much worse?