Inflation - don't be confused by the data

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The UK inflation rate did not rise in May. It remains at 2.8%.

But, and I have made this point very many times before, one-month inflation data is always a little unreliable. In fact, just about everything from the Office for National Statistics now is a little unreliable, as they themselves would admit. Nonetheless, this is also a little surprising.

Fuel prices have increased dramatically in the last month, and they are a component of inflation, so an increase might have been expected. They did not, though. The message from this would appear to be clear, because it is impossible that those increases will not work through into inflation indices. The result is that the impact of the war in the Gulf, temporary ceasefire or not, is most definitely ongoing, and we have not, as yet, seen anything approximating the last of it.

Traders might be reducing spot prices for oil right now, but we know from experience that there is a significant lag between spot prices falling and retail prices following suit, and meanwhile, the impact of higher prices, and continuing global uncertainty, is going to continue to work through the economy for some considerable time to come, even if this peace holds good, and my doubts on that remain.