

Inflation falls to 2.5% in surprise dip as fuel costs rise

In a surprise move, the UK's inflation took a downward turn last month as lower hotel prices helped balance out an increase in fuel costs, newly released official statistics indicate. The Consumer Prices Index inflation rate dropped to 2.5% in December, down from November's 2.6%, per the Office for National Statistics (ONS).

Forecasts had largely expected the inflation rate to hold steady at 2.6% for the last month. Despite the unexpected decrease, December's inflation remains over the [Bank of England's](#) target of 2%, leading to concerns among economists and policymakers during a time of standstill [economic](#) growth.

Chancellor of the Exchequer Rachel Reeves expressed her dedication to bettering people's living standards, stating: "There is still work to be done to help families across the country with the cost of living," and "I will fight every day to deliver that growth and improve living standards in every part of the UK."

Offering insight into the political reaction, former Bank of England policymaker Michael Saunders noted that the drop in December's inflation figures would likely have been met with a "sigh of relief" at [Downing](#) Street.

The release of the latest figures occurs amidst considerable volatility within UK's financial markets; the past week alone has seen a stark fall in the pound's value, alongside a surge to decade-high levels in borrowing costs. According to the ONS, a 1.9% decline in hotel prices coupled with moderate rises in restaurant and cafe prices exerted the greatest dampening effect on overall inflation, while airfare costs

also saw a notably reduced rate of escalation during the month.

Services inflation, a key indicator monitored by the Bank of England, fell to 4.4% in December from 5% in November. However, petrol and diesel prices saw an increase in December compared to November.

Grant Fitzner, Chief Economist at the ONS, commented: "Inflation eased very slightly as hotel prices dipped this month, but rose a year ago."

He added: "The cost of tobacco was another downward driver, as prices increased by less than this time last year."

Fitzner also noted that this was partly offset by the cost of fuel and second-hand cars, which experienced their first annual growth since July 2023.

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