

Hunt: Inflation plan working but households still feeling cost-of-living pain

Chancellor [Jeremy Hunt](#) has welcomed a surprise fall in inflation but warned it will not mean a pre-election “borrowing binge”, in a blow to Conservatives demanding tax cuts.

Consumer Prices Index (CPI) inflation was 6.7% in August, down from 6.8% in July despite widespread expectation that it could increase due to rising oil prices feeding into higher costs at the pumps.

Mr Hunt, who had warned of a potential “blip” in inflation, seized on the fall as a sign that the Government’s plan to halve inflation by the end of the year is working.

But he acknowledged there is “still immense pressure on family budgets” and “that means no borrowing binge, which would simply keep interest rates higher for longer”.

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Mr Hunt has repeatedly sought to play down the prospect of major giveaways in his autumn statement, due on November 22, despite pressure from some Tories – including former prime minister [Liz Truss](#) – to cut taxes.

But he was bullish about the latest CPI figures from the Office for National Statistics (ONS), saying: “Today’s news shows the plan to deal with inflation is working – plain and simple.”

The Bank of England will announce its latest decision on interest rates on Thursday, with most economists predicting another rise, although the fall in inflation could make the choice facing policymakers less clear cut.

[Prime Minister Rishi Sunak](#) has made halving inflation this year – down to a level of around 5.3% – one of his key policy priorities.

Mr Sunak said the fall was “good news for hardworking families across the country” adding: “Halving inflation is my top priority because inflation eats into the pounds in your pockets and makes everyone poorer.”

The Organisation for Economic Co-operation and Development (OECD) forecast this week that the UK economy is set to witness the highest inflation rate of any G7 advanced economy.

The OECD said it expects UK inflation to be 7.2% in 2023, which would be the fastest rate across the G7 and the third fastest across the G20.

Wednesday’s ONS data underlined the cost-of-living pressures still facing households.

Food prices increased 13.6% in August against the same month last year, although this eased back from 14.9% growth in July, while the average price of petrol rose by 5.3p per litre between July and August.

Mr Hunt said inflation was 40% lower than its peak last autumn but acknowledged there is still “a lot of pain for ordinary families”.

Liberal Democrat Treasury spokeswoman Sarah Olney said the fall in CPI “will be of cold comfort for families across the country still struggling with sky high prices and mortgages because the Conservatives have crashed the economy”.

Shadow chancellor Rachel Reeves said: “The UK is forecast to have the highest inflation of any major economy this year.

“The Prime Minister is too weak to turn things around, while his predecessor Liz Truss continues to call for the same policies that crashed the economy this time last year.

“The Conservatives have wreaked havoc and working people are paying the price.”

She claimed a Labour government would “grow our economy so we can increase living standards, bring down bills and make working people in all parts of the country better off”.