

UK inflation falls in January compared to December. Core inflation holds steady.

The CPI index fell 0.5% in January compared to December. Food prices also fell 0.5% over the same time period, despite the bad weather effects on vegetables.

Core inflation over the last twelve months stayed at the same level as in December, at 1.6%.

Overall the CPI rose by 1.8% over the last twelve months. This was a higher annual rate than December owing to the fall out of a very good month a year ago. The main factor, accounting for half the annual increase came from higher oil prices affecting transport. The UK inflation rate is mirroring the German and US rates, affected by the same world oil price rise. The other most buoyant item was the increase over the last year in restaurant and hotel bills, reflecting higher wages.

January's figures were helped by falls in clothing and footwear prices, and by the intense supermarket competition which kept food prices down.