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## Inflation Jumps as Fuel and Food Prices Climb, Casting Doubt Over Interest Rate Cut

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UK inflation rose unexpectedly in June, with the Consumer Prices Index (CPI) increasing to 3.6 per cent from 3.3 per cent in May, according to new figures from the Office for National Statistics (ONS). The rise was driven largely by climbing fuel and food costs, highlighting the continued difficulty of bringing inflation back under control and adding complexity to the Bank of England's upcoming interest rate decision.

The Consumer Prices Index (CPI) is the UK's official measure of inflation, tracking changes in the cost of a basket of everyday goods and services. A rise to 3.6 per cent puts the CPI well above the Bank of England's 2 per cent target and suggests inflationary pressures remain embedded in the economy, despite earlier signs of easing.

Fuel prices rose moderately over the past month, driven by supply constraints and a rebound in global oil prices, though the increase was less severe than in previous energy spikes. Food costs also remain stubbornly high, exacerbated by lingering supply chain disruptions and production issues. These increases hit households directly, with essentials such as transport and groceries becoming noticeably more expensive.

The Bank of England (BoE) now faces a critical judgment ahead of its August rate-setting meeting. A growing number of analysts believe this latest inflation data may delay the widely expected interest rate cut. With inflation still running well above target, the BoE will need strong justification to ease borrowing costs without risking further price instability.

Business groups are watching closely. The British Chambers of Commerce (BCC) called the latest figures "a reminder that cost pressures haven't gone away," while small businesses continue to express concern over energy bills and supply costs.

In the political sphere, Chancellor Rachel Reeves delivered her Mansion House speech last night, outlining a set of proposals aimed at reinvigorating the UK economy. The Chancellor pledged to streamline regulation, improve access to mortgage lending, and unlock private investment. Her pitch to the financial sector was clear: Britain must become a more attractive and agile place to do business.

The Chancellor's emphasis on reducing bureaucratic hurdles and stimulating capital markets was welcomed in some quarters. City of London Corporation Policy Chairman Chris Hayward said the reforms "reflect a renewed focus on competitiveness and growth," but others stressed the importance of translating speeches into action quickly, particularly in areas like housing and business investment.

Meanwhile, the FTSE 100, the UK's leading stock market index, briefly surpassed the 8,500-point mark this week for the first time, before slipping back on Monday. Market sentiment remains fragile amid global trade uncertainty, especially surrounding European Union–United States negotiations and potential tariffs that could impact British exports.

Despite signs of resilience in jobs and consumer spending, persistent inflation and cautious central bank policy continue to weigh on economic optimism. For households and businesses alike, the prospect of rate relief now hinges on whether the latest inflation surge is seen as a temporary blip or the start of a renewed upward trend.

As the BoE prepares for its next decision, all eyes will be on further data releases. Stability and fiscal prudence must remain at the heart of any future monetary or political moves if the UK is to safeguard its recovery and restore cost-of-living confidence.