Permutable

GLOBAL MACRO SENTIMENT INDICES | RESEARCH NOTE

UK inflation, 2022 to 2026: what two energy shocks taught us

> Russia's invasion of Ukraine and the closure of the Strait of Hormuz pushed energy to almost exactly the same share of Britain's inflation signal. What followed was very different. In 2022 the shock spread through the basket. In 2026 it has remained concentrated - although food manufacturers warn that some pass-through may have been delayed rather than avoided.

42.1%	-26	+0.67 SD	5.18%
Energy share of the UK inflation signal	Latest 90-day food signal	Latest 30-day headline signal	Ten-year gilt yield

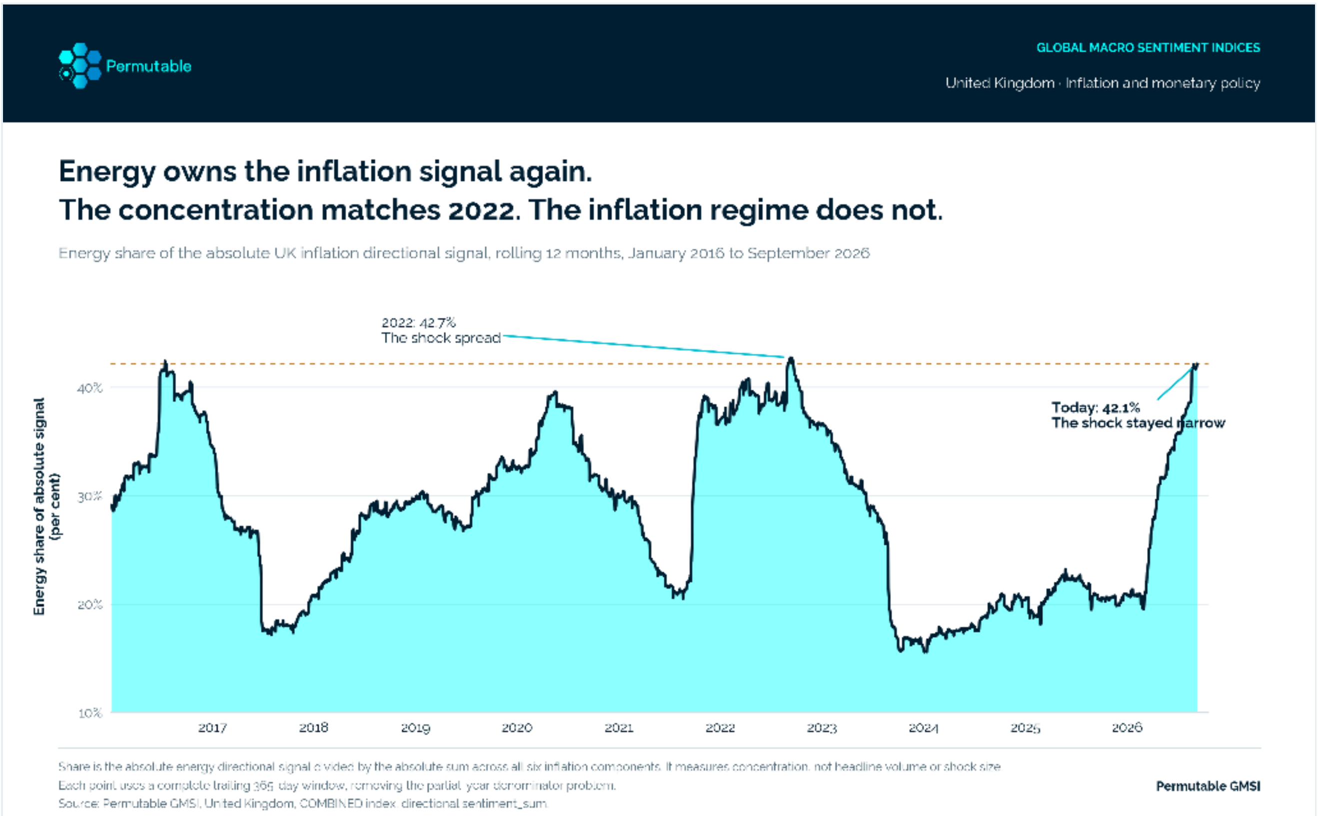
Permutable GMSI

United Kingdom | Inflation and monetary policy | 9 September 2026

In brief

- Energy represented **42.7%** of the absolute UK inflation signal on 9 September 2022 and **42.1%** four years later. The similarity is in concentration, not shock size.
- The 2022 shock broadened quickly. In the third quarter, energy scored 2,947, food 713 and services 213. In the second quarter of 2026, the equivalent scores were 1,201, 134 and 190.
- The latest 90-day food signal is **-26**, in the 14th percentile of its history, while services is **+49**, in the 34th. ONS food and drink inflation slowed to 1.3% in July, and the Food and Drink Federation cut its December forecast from almost 10% to 3.9%.
- September looks more like a meeting for watching than moving. The risk is delayed pass-through: producers may eventually recover energy, packaging and logistics costs currently absorbed in margins.
- Gilts appear to be pricing more than this energy shock. The ten-year yield is 5.18%, but sterling remains near 1.35. That combination looks more like term-premium and fiscal risk than a repeat of the 2022 credibility crisis.

The same concentration, four years apart



Energy share of the UK inflation directional signal

On 9 September 2022, energy accounted for 42.7% of Britain's absolute inflation signal. On 9 September 2026, it accounted for 42.1%. On the headline measure, the two episodes look like twins.

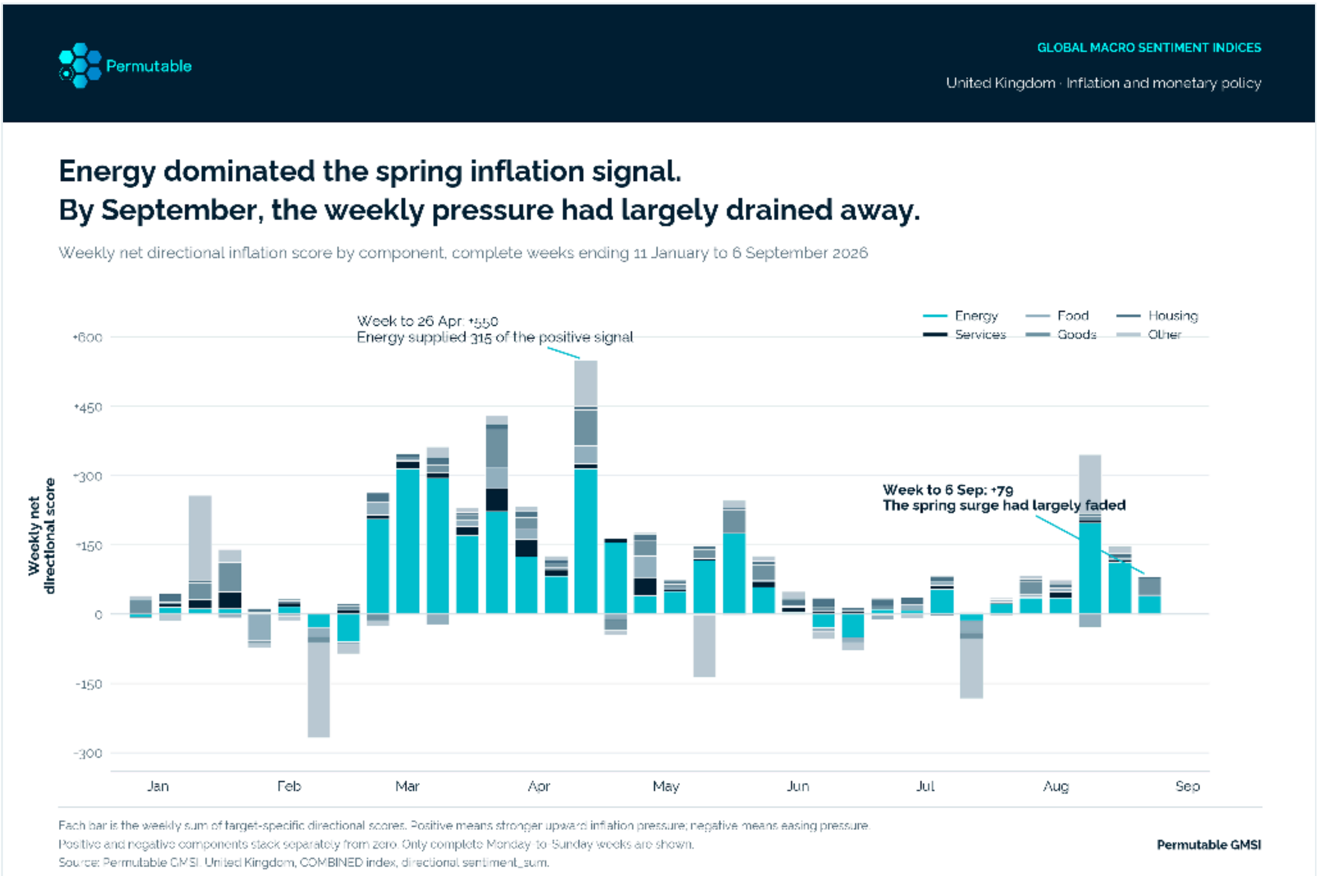
They are not. The measure shows **where the directional signal is concentrated**, not how large the underlying price shock is. Each qualifying item is scored against a specific target: +1 means stronger upward price pressure and -1 means easing pressure. The aggregate is the signed sum of those calls, not a headline count or a measure of general media tone.

A narrow shock can therefore produce the same energy share as a much larger one. The economically important question is whether it lasts long enough, and spreads far enough, to change firms' prices, workers' wage demands and inflation expectations.

Two shocks, two clocks

Russia's invasion created an open-ended break in Europe's energy supply. Gas flows were curtailed and there was no credible date on which the old price structure would return. Firms rewrote contracts, passed on input costs and responded to a lasting loss of real income. A change in one relative price became a broader inflation process.

The 2026 shock has so far run on a shorter clock. Geopolitical risk rose sharply in March, with Brent near $110, before the 7 April ceasefire provided an identifiable off-ramp. On the standardised UK measure, the energy signal exceeded four standard deviations for only three days, from 23 to 25 April.



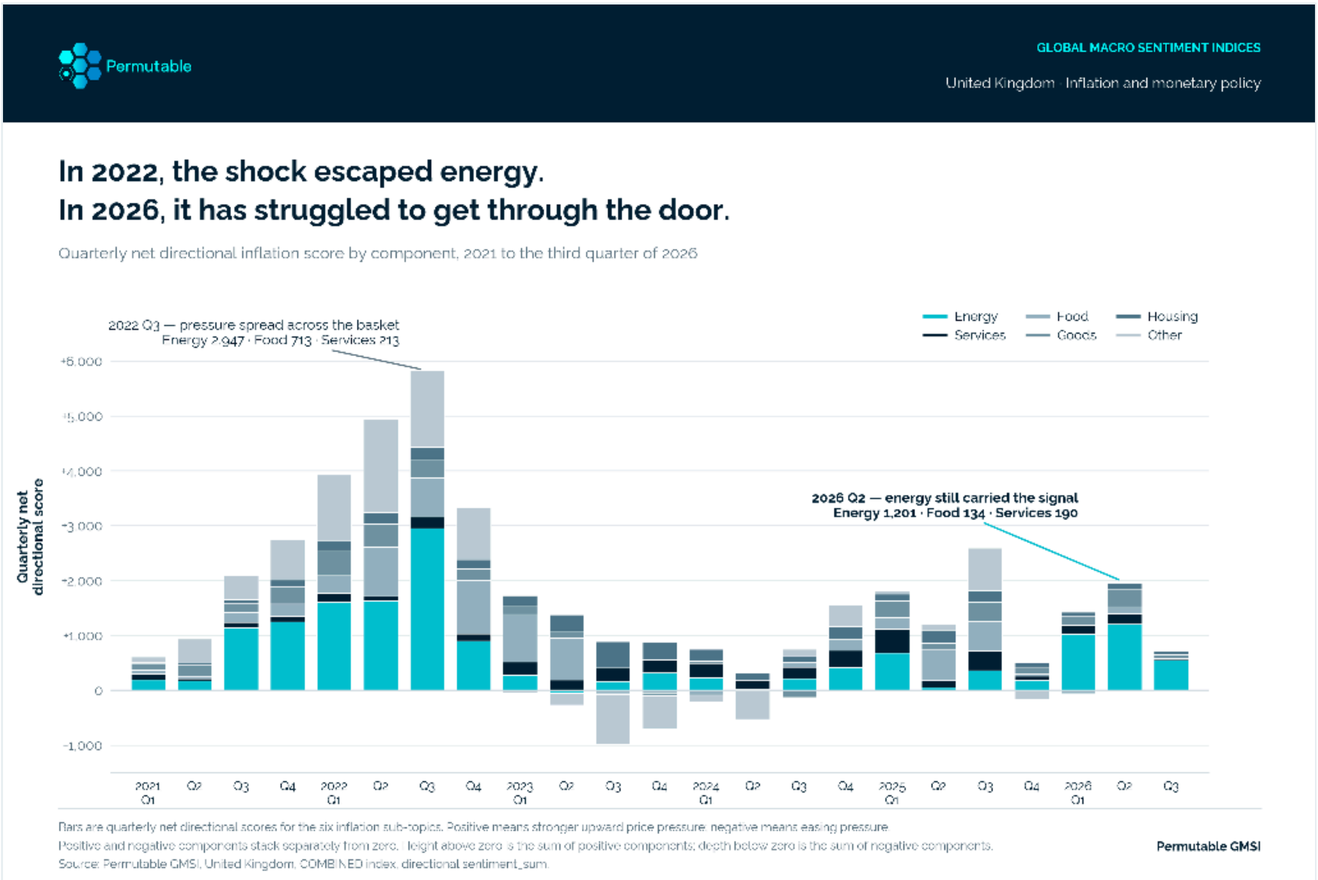
Weekly UK directional inflation score by component

The weekly component data shows the impulse clearly. The positive score peaked at 550 in the week to 26 April, of which energy supplied 315. Pressure then fell sharply through June and briefly moved below zero in July. A late-August rise is a reason to keep watching, but the latest complete week is far below the spring peak.

The three peak dates describe different views of the same shock. The z-score was most unusual relative to its prior history on 23 April; the weekly flow peaked in the week to 26 April; and the raw 90-day total kept accumulating earlier pressure until 30 May. They are not competing dates.

This does not mean the cost shock has disappeared. Hormuz remains closed and energy prices are above their pre-conflict levels. It means the flow of new directional information has cooled. A rolling signal is designed to detect changes in pressure and transmission; it is not an index of the price level.

Where the episodes parted



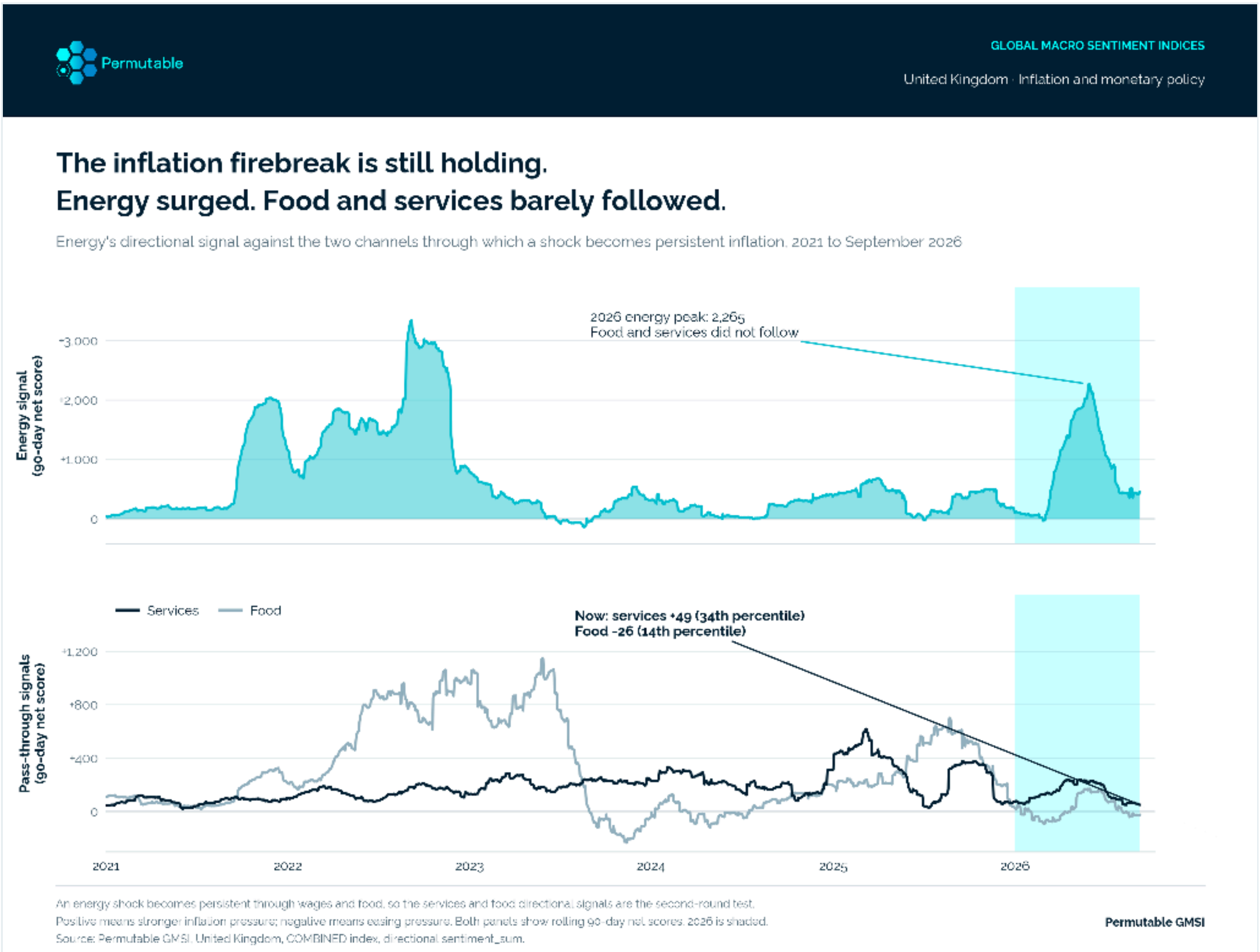
Quarterly UK directional inflation score by component

In the third quarter of 2022, energy scored 2,947. Food added 713, while goods, housing and the residual category also contributed. The bar is tall and broad: the shock had moved beyond energy.

In the second quarter of 2026, energy scored 1,201 and food only 134. Services, at 190, was close to its 2022 reading. That qualification matters: services alone does not distinguish the two snapshots. Food does, and the absence of any subsequent services acceleration strengthens the contrast.

The 2026 bar is less than half the height of its 2022 counterpart and much more concentrated. For the Bank of England, that difference is central. The MPC cannot produce oil or gas. Its job is to stop a one-off rise in the price level from becoming a persistent rise in the inflation rate.

The second-round test



Energy directional signal against food and services

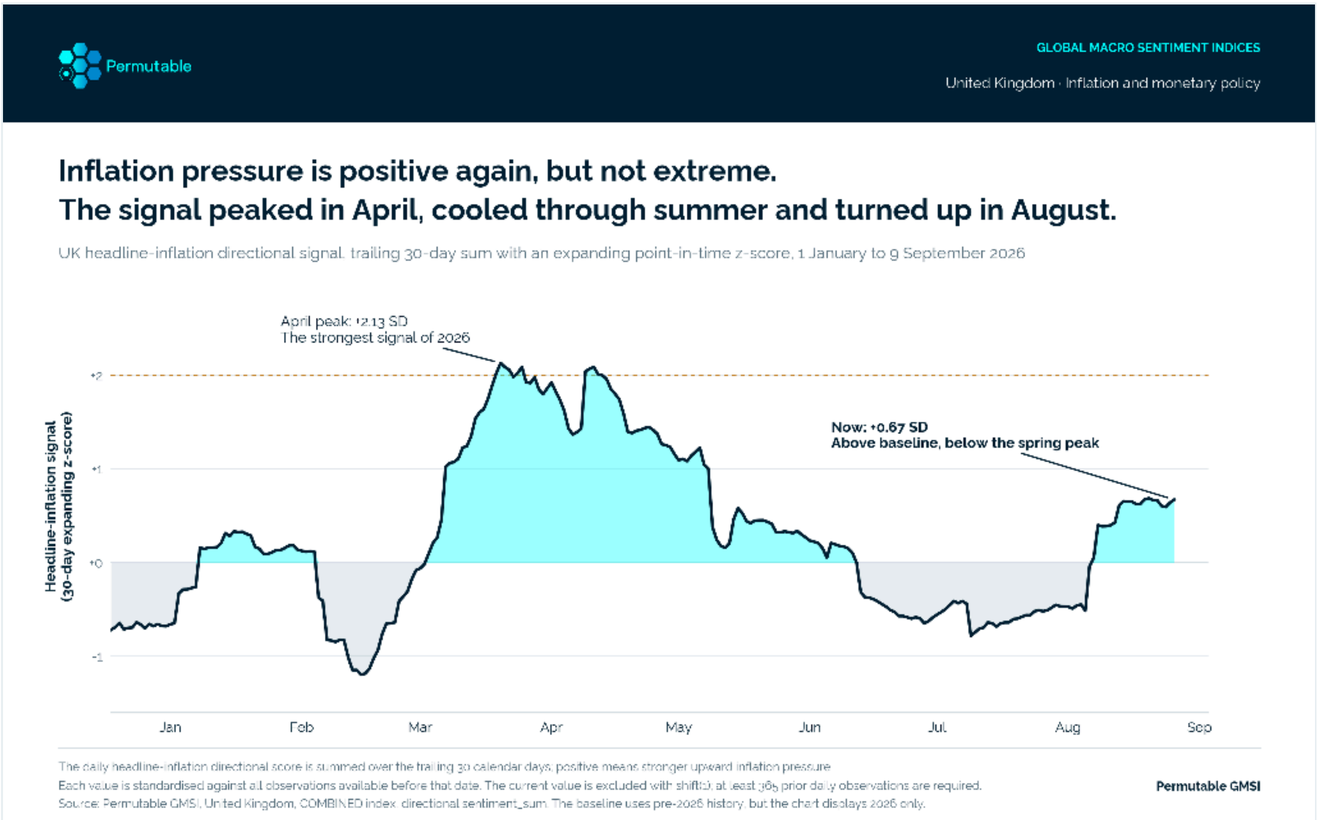
There are two main routes from an energy shock to lasting inflation. One runs through input costs into food and goods. The other runs through wages and expectations into services.

Neither has produced a sustained signal. The 90-day energy score peaked at 2,265 on 30 May. By 9 September, food was -26, in the 14th percentile of its history, and services was +49, in the 34th. The negative food reading means the balance of target-specific information points toward easing food inflation.

The official data and the industry forecast now point in the same direction. ONS food and drink inflation fell to 1.3% in July, its lowest since August 2024. The Food and Drink Federation, which in April expected food inflation to approach 10%, now forecasts 3.9% by December.

That is evidence of limited pass-through so far, not proof that it will never arrive. Manufacturers report absorbing higher energy, packaging and logistics costs in margins. They cannot do so indefinitely, and the FDF still expects food inflation to peak at 6.4% in mid-2027. The principal risk is therefore **deferral rather than absence**.

The latest headline signal captures that balance:



UK headline-inflation directional signal in 2026

The 30-day headline score is now **+0.67 standard deviations**. Inflation pressure has turned positive again, but remains well below the April peak of +2.13. The signal warrants attention; it does not yet describe a new inflation regime.

That is the thesis in today's data: the 30-day aggregate is rising primarily because energy has strengthened again, while the 90-day food and services signals remain weak at -26 and +49. The headline has turned; the breadth has not.

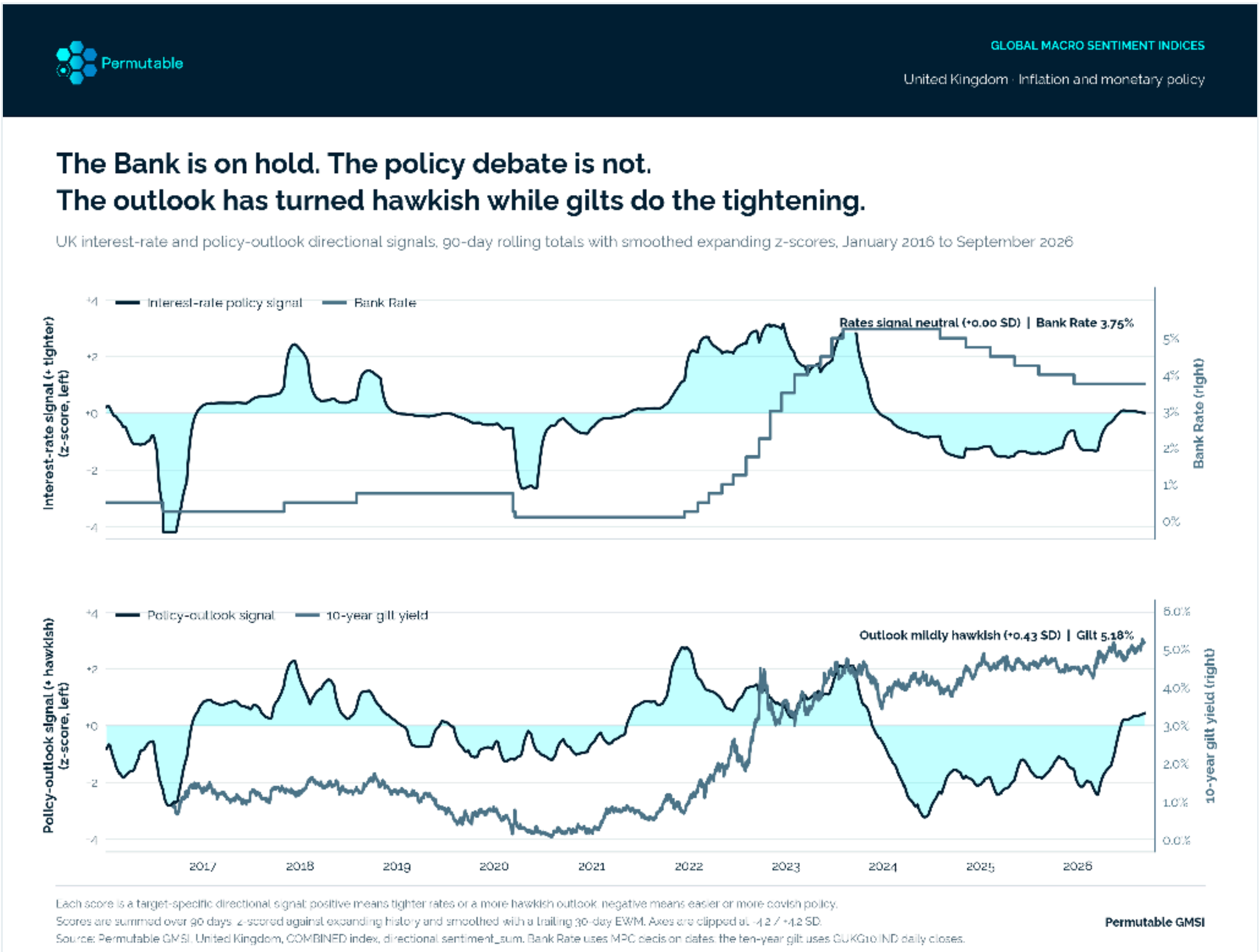
What the data adds

The first lesson is that concentration is not breadth. Anyone watching only the energy share would have concluded that 2022 had returned. The components rejected that conclusion within weeks.

The second is that size and duration work together. The 2022 shock was large and open-ended. The 2026 news impulse was smaller and had an early off-ramp. The pass-through channels behaved accordingly.

The third is about timing. The food signal weakened before the official data and industry forecast were revised down. That does not make directional data a substitute for CPI or business surveys. Its value is narrower: it provides a daily, unrevised and historically comparable reading during the gap between formal releases.

The Bank is on hold. The debate is not



Policy directional signals against Bank Rate and the ten-year gilt

The interest-rate signal is approximately neutral at **0.00 standard deviations**, while the policy-outlook signal is modestly hawkish at **+0.43**. The quarterly data tells the same story: the interest-rate score turned positive in the second quarter after nine negative quarters, and the outlook score followed in the third.

This is a regime indicator, not a forecast for a particular meeting. The series shows where the argument is moving; gilt markets determine the timing. Public debate turned hawkish before the 2021-22 tightening cycle and dovish before the easing cycle had finished, but short-horizon correlations with subsequent gilt moves remain weak.

The MPC's disagreement is therefore testable. The dovish case rests on weak second-round effects, slower pay growth and a soft labour market. The hawkish case is that a prolonged cost level will eventually reach wages and shelves even after the news impulse has faded. Food and services are the variables that can decide between them.

Gilts and sterling

The ten-year gilt yield has risen from 4.54% at the start of 2026 to 5.18%, while Bank Rate has remained at 3.75%. Governor Bailey has described the curve as containing a risk premium above the likely policy-rate path. With an Autumn Budget approaching, a new Chancellor and a large gilt programme to fund, supply and fiscal uncertainty can keep long yields high even if the energy shock does not spread.

Sterling offers a useful negative test. GBP/USD is near 1.35 and slightly higher on the year. In September 2022, gilt yields surged as the pound fell towards 1.07. Higher yields without a comparable currency decline do not prove confidence, but they are inconsistent with the most disorderly version of a UK credibility shock.

The warning signal would be gilts and sterling falling together: higher yields alongside a weaker pound would indicate fiscal or credibility stress and add imported inflation to the MPC's problem.

The September decision

The case for waiting has the stronger current evidence. The 2026 shock was smaller and shorter in its news impulse than the 2022 episode, neither pass-through channel has accelerated, and both the ONS release and FDF forecast have moved towards the directional signal.

The case for tightening has not disappeared. Energy costs remain high, producers have absorbed rather than eliminated part of the shock, and delayed food pass-through is plausible. But that risk is not yet visible in the components.

September therefore looks more like a meeting for watching than moving. The trigger is not another oil-price headline. It is food or services turning decisively positive and staying there.

Until then, the basket and the long end are describing different problems. The basket says the energy shock has not spread. The gilt market says the price of lending to Britain for ten years has risen. The MPC should not assume they are the same thing.

Each qualifying item is scored against a specific target: +1 for stronger upward price pressure and -1 for easing pressure; for interest rates and policy outlook, +1 means tighter or more hawkish and -1 means easier or more dovish. `sentiment_sum` *is the signed sum of those classifications, not a headline count or a measure of general tone. Inflation signals are summed over trailing windows and standardised point-in-time against observations available before each date; no lookahead is used. The policy chart uses an expanding baseline requiring at least 365 prior daily observations and a trailing 30-day exponentially weighted average. Energy share is the absolute energy signal divided by the absolute sum across all six inflation components over a complete trailing 365-day window.*

Sources: Permutable GMSI, United Kingdom and geopolitical risk indices; Bank of England Monetary Policy Summary and minutes, July 2026; Treasury Committee oral evidence, 8 September 2026; Food and Drink Federation forecast; ONS food and drink inflation. Bank Rate uses MPC decision dates and the ten-year gilt uses GUKG10:IND daily closes. Sentiment data runs to 9 September 2026.