UK Inflation Insight: October 2025

20 November 2025, by Tim Davis

October UK CPI versus Forecasts

	Headline	Core	Services	Core goods (NEIG)	Energy	Food, alcohol, tobacco	Food and Non-alc bevs	Alc bevs and tobacco
Actual October	3.56	3.38	4.49	1.47	1.84	5.16	4.91	5.88
BOE Aug MPR forecast	3.60		4.6		1.7*		5.0	
Surprise for BOE	-0.04		-0.1		0.1*		-0.1	
MNI Median	3.5	3.4	4.59	1.4	1.9	4.77	4.74	
MNI Mean	3.54	3.43	4.58	1.43	1.86	4.81	4.69	
Bloomberg Consensus	3.5	3.4	4.6					
September	3.78	3.52*	4.69	1.49	4.34*	4.86*	4.53	5.81
Sep BOE Surprise	-0.21	-0.25*	-0.36	-0.06	0.63*	-0.23*	-0.48	0.00

Source: MNI, ONS, BOE

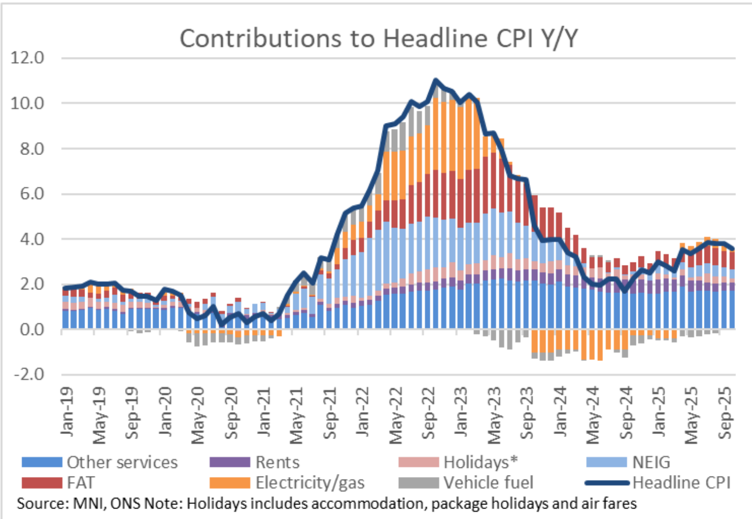
Note: BOE forecast for Energy calculated by MNI

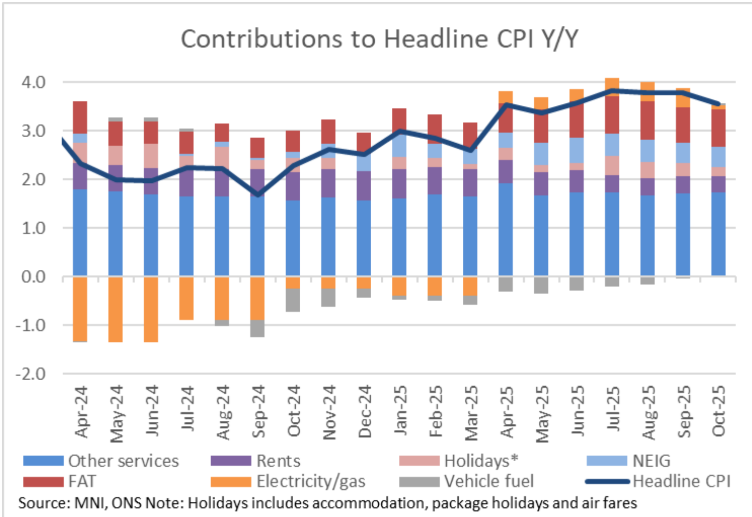
Headline CPI at 3.56% in October was very close to the Bank of England forecast, coming in only 4 hundredths below BOE's forecast. The MNI median (and Bloomberg consensus) had been looking for a 3.5%Y/Y print (rounded to 1dp), so there was a very marginal upside surprise here (but of course note that at 3.56%Y/Y, the print was close to rounding down and coming in line with consensus expectations).

Hurdle to December cut removed

Is this data enough for Bailey to vote for a December cut? Headline, services and food all saw marginal downside surprises to the BOE's forecast and as we have noted since the November MPC meeting, we think that if data comes broadly in line with Bank projections and we don't get an inflationary Budget we will likely see Bailey support a cut. This also follows softer labour market data last week (for more on that see our Labour Market Insight piece here). There is still uncertainty over next week's Budget but this data does remove another potential hurdle to a December cut.

Note that the MPC will receive both an additional labour market report and CPI report the Monday morning of their MPC meeting week, so will have plenty of time to digest another print.



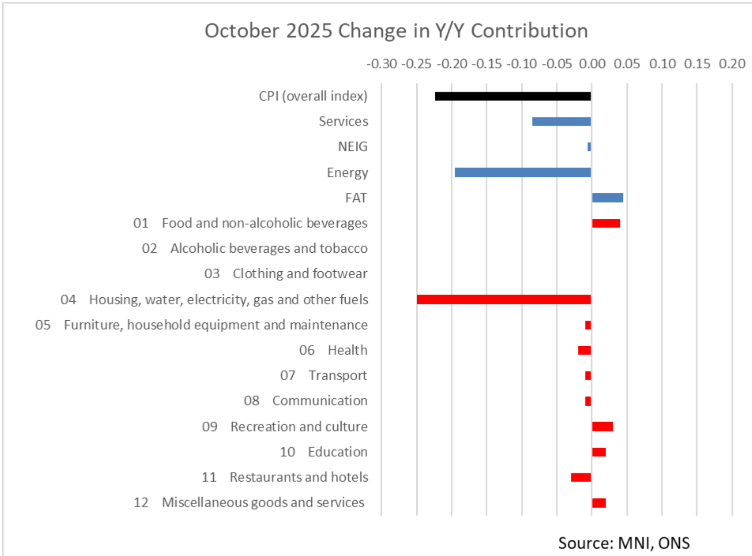


Market pricing yesterday saw pricing for a rate cut increase from around 18.8bp pre-data to 20.9bp by the end of the day. But pricing for Nov26 saw cut pricing peak around 63.7bp before ending the day at 58.5bp (pricing around 1.0bp less than pre-data but with a number of other global developments in the mix – such as the Oct/Nov US payrolls reports coming out until after the December FOMC meeting).

Note that following the CPI report Berenberg pulled its next expected cut to December (from February). JP Morgan also brought forward its expectation to December after last week's labour market data. These are the only BOE view changes we have seen since we published our BOE Review (see the table of analyst views on page 6).

Biggest contributor to headline change was household energy bills – surprise in line with our expectations

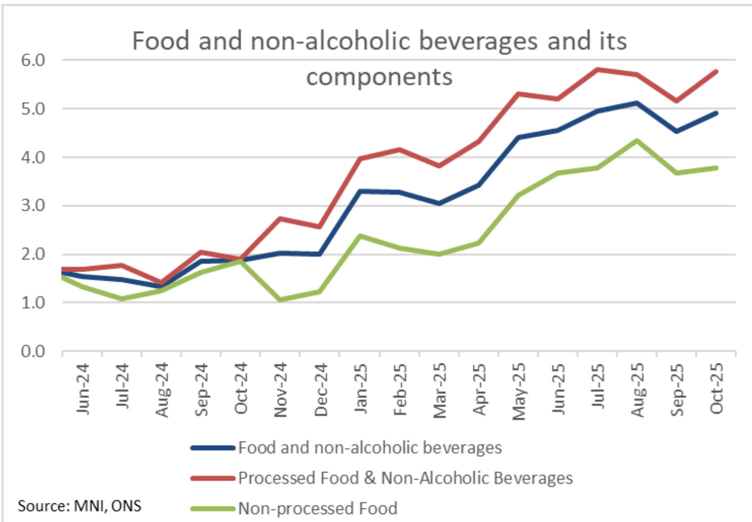
The headline CPI print was down from the 3.78%Y/Y print seen in September with the biggest driver of the change being a 0.23ppt contribution from household energy bills. Indeed, with the headline print down 0.22ppt all other factors broadly cancelled each other out this month – but there were a lot more moving parts beneath the surface.



Also note that the 0.23ppt downside contribution from energy bills was very minorly less of a downside contribution than the 0.25ppt downside contribution that had been expected by both the sellside previews that we had read and in the BOE's forecasts. Indeed, we wrote in our preview "with some consumers having already locked in energy prices before the price cap change, we think there can be a tendency for analysts to look for slightly softer electricity and gas price changes on the quarterly update months." So this small upside surprise should not have been unforeseen in our view.

Food prices a tenth below BOE forecasts, 2 tenths above sellside expectations (who still look for softer food prints through the remainder of the year than the BOE)

Food and non-alcoholic beverages came in at 4.91%Y/Y. This was broadly back to levels seen in July (which printed 4.95%) and below the recent peak of 5.12%Y/Y seen in August. After surprising to the downside and printing 4.53%Y/Y in September, the BOE had pencilled in a rebound to 5.0%Y/Y but analyst expectations had looked for a smaller rebound to around 4.7%. So the outturn was a downside surprise of around a tenth to the BOE's forecast but around 2 tenths higher than median analyst expectations. The category contributed 0.04ppt to the change in Y/Y headline CPI. Looking across the details of the category.



As can be seen by the adjacent chart, the Y/Y increase in "processed food and non-alcoholic beverages" rebounded back to similar levels seen in both July and August – and has now printed at 5.7-5.8%Y/Y in three of the past four months making September's 5.17%Y/Y look possibly a bit like a blip lower. However, the Y/Y increase in “non-processed food” has printed at 3.7-3.8%Y/Y in four out of the past five months with August’s 4.35%Y/Y look like the outlier (which was then normalised in September). If taken at an aggregate level its hard to really make the argument that the Y/Y rate in the overall food and non-alcoholic beverages category is moving lower. Indeed, looking at the BOE’s forecasts, they saw both October and November prints coming in around 5.0%Y/Y with a peak of 5.3%Y/Y in December. Based on the latest data alone, it is hard to see much evidence that food prices are showing any meaningful slowdown and we don’t think that MPC members will see the October food print as a meaningful surprise to their forecast. From the sellside reviews that we have read there is still scepticism that we will see the peak to 5.3%Y/Y in December, however, and analysts are still generally of the opinion that risks are skewed to lower food prices than the BOE forecasts assume.

Services CPI was a tenth lower than the BOE forecast and sellside expectations – but how much due to air fares?

Services CPI at 4.49%Y/Y was a tenth lower than both the BOE’s (rounded) forecast and the MNI median but we note that air fares were only 1.68%M/M - that's at the bottom end of expectations which ranged from around flat to as high as 20-25%M/M. So for some analysts there will have been surprises within the broader services category while for others the main surprise was likely driven by air fares. Overall passenger transport by sea and railway fares were also softer which meant the wider transport services knocked 0.07ppt from headline CPI (of which 0.03ppt was air fares). We wrote in our September Inflation Insight that due to the softness of air fares in September that we estimated for transport services alone “0.02-0.04ppt of the downside contribution to headline CPI could be reversed in October”. Since then airfares picked up a lot more within the Eurozone data (leading to some analysts to expect a similar phenomenon in UK data). Overall, based on our prior views from September, we think that up to 0.05ppt of the downside seen from transport services in the October print could be reversed in November (around double that for services CPI). And indeed, without this services CPI would have printed broadly in line with consensus expectations.

Accommodation softens, tuition fees increase, cultural services reverse weakness

There were some other movements within services worth noting, however. Accommodation services had been expected to soften - and they did knock 0.06ppt off headline CPI. We think that this was broadly as expected overall. Education contributed +0.02ppt to headline CPI. This was due to domestic university tuition fees increasing by 3.1%Y/Y this year but seeing no increase last year. Again, we think this was broadly in line with expectations (but note that this will be persistent in the data for a whole year now). Cultural services contributed 0.04ppt positively to headline CPI. Within this category "cinemas, theatres, concerts" rose 4.7%Y/Y up from 0.1%Y/Y in September and around 1ppt above the average seen over the prior 12 months.

Restaurants and cafes finally see the Y/Y price growth rate increase above 4.2%, focus on party season

Potentially significantly, “restaurants and cafes” picked up above their 3.9-4.2%Y/Y range they had been in since February to 4.4%Y/Y. This contributed +0.03ppt to headline CPI. The wider “catering services” category has picked up recently but has been solely driven by canteen prices which rose cumulatively by 8.7% between June and September to 9.4%Y/Y. The October print saw canteen inflation remain broadly unchanged at 9.3%Y/Y. We have been focused on the lack of pick up in “restaurant and café” prices and lack of passthrough from wholesale food prices (and other employment costs) as suggesting that there was very weak pricing power by restaurants. There had been arguments that after resisting increasing prices before, restaurants had been concerned that they would put customers off if increasing prices across the summer holidays and September. We will be watching this category in particular going forward to determine whether there will be any further acceleration of the yearly rate over the next couple of months as we enter the busy Christmas party season.