

# MNI UK Data Preview: July 2025 Release

15 July, Tim Davis

This week's labour market and inflation data has taken on added significance after Governor Bailey's interview with The Times at the weekend in which he noted that more easing could be needed if the labour market weakens more than expected. As we noted at the time, it wasn't clear whether Bailey was alluding to a faster pace of easing than quarterly or whether he was hinting at a lower terminal rate. We assume the latter given that he also said that the reason "gradual and careful" remained in the guidance language was because he was frequently asked why the Bank was cutting while inflation was so high.

## Key Factors to Watch

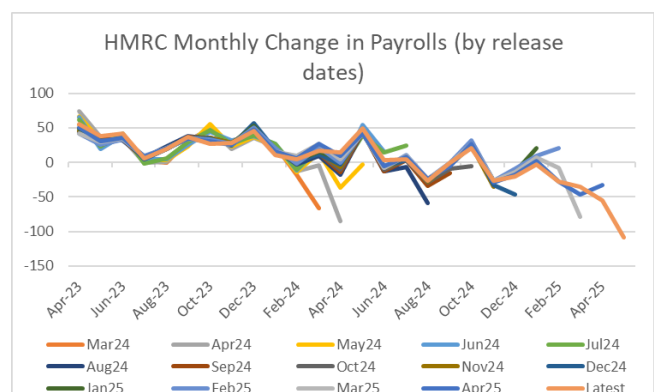
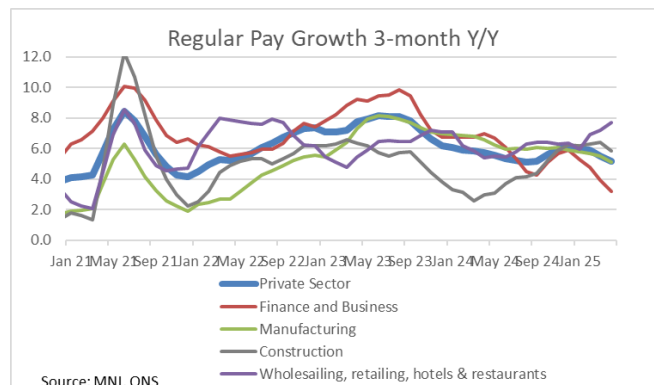
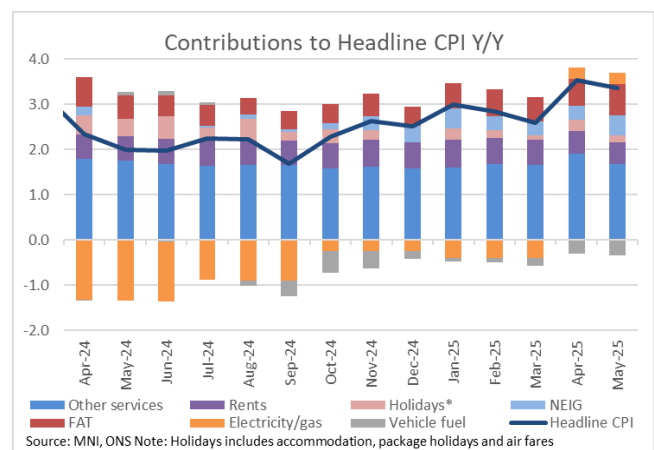
There will therefore be three factors we will be closely watching this week. First, headline inflation: we think that this is more important than core or services inflation at present. A number of MPC members have pointed to the nonlinearities of inflation expectations and with CPI expected to remain stubbornly above 3% and perhaps even move to the high 3% consumer inflation expectations (and the baseline for wage negotiations into 2026) could remain uncomfortably sticky for the MPC. In this sense the biggest risk to this month's print seems to be food inflation continuing to surprise to the upside – with both employer NIC passthrough and packaging taxes which are due to come in later this year expected to be contributing to the increase. The median from the previews that we have read looks for headline inflation at 3.4%Y/Y, with the mean at 3.39%Y/Y, broadly in line with the BOE's forecast from its May MPR of 3.35%Y/Y.

Second, wage growth as this is expected to continue to decelerate faster than the BOE's forecast. The BOE forecast Q2 private regular wage growth at 5.20%Y/Y and the 3-months to April already moved below this at 5.14%Y/Y. Further deceleration is expected this month with the median from the previews that we have read looking for a slowdown to 4.76%Y/Y in the 3-months to May.

Third, payrolls data has shown a significant and sharp drop in employee numbers. The flash May print showed a fall of 109k and followed a (revised) April print of a fall of 55k. The payrolls print was mentioned in the June MPC Minutes, albeit with a caveat about the magnitude of revisions (which can be huge for this dataset, particularly for the flash data). Since mid-2014 when the data began, we have only seen larger falls in the two "peak Covid" months of April 2020 and May 2020. From the previews that we have read, the

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median estimate is that the May print is revised from -109k to -55k (albeit estimates here are widely spread) while the flash June print is expected at -35k. If we do not see this upside revision and/or see a notably worse June flash print than expected, then markets are likely to remain spooked – particularly if combined with a lower-than-expected CPI print.

### CPI: The details

The biggest uncertainty surrounds food pricing at present. The “food and non-alcoholic beverages” category surprised the BOE’s May forecast by 0.94ppt to the upside, and things like the BRC shop price index since have pointed to this trend continuing. Food prices are edging higher in the Eurozone but not to the extent seen in the UK. There are some idiosyncratic reasons for this such as employers’ NIC (most supermarket workers are relatively low paid and total cost of employment for supermarkets will have increased notably). Also there are changes to packaging taxes, some of which have already taken effect and some of which will take effect later in the year. As we noted in our overview section and we have been discussing for a long time, the MPC have referred to evidence that consumers place more emphasis on the price of their weekly supermarket shop, the price of a tank of petrol and the price of energy bills when thinking about how high inflation is.

Looking elsewhere, the other main foreseeable risk seems to stem from the ONS’ choice of index date. The base case for all the sellside previews that we have read expect 10 June, but there is also a risk of 17 June. A later index day would be accompanied by upside risks, particularly to air fares, but also for things like accommodation and package holidays (so mainly services).

Services overall are expected to decelerate just under 2 tenths of a percentage point in June, with both the median and mean expectations from the previews that we have read at 4.50%Y/Y. Some of this drop is due to a base effect from last year’s Taylor Swift concerts (and the knock on effects on accommodation), but the rest is likely to be relatively broad-based easing in services inflation pressures. Note that the BOE’s forecast for May was only 0.05ppt higher than the outturn, and consensus is effectively expecting that difference to continue (the BOE forecast 4.57%Y/Y for June).

Core goods don’t really have any special factors that are expected this month. The median of the previews that we have read look for 1.66%Y/Y, which would be 0.22ppt below the BOE’s June forecast. So a marginally smaller deviation than the 0.28ppt deviation seen in May.

Energy is expected to pick up on base effects (remember that petrol prices are collected across the month not just on index day). This is expected at -0.65%Y/Y by the median of the previews that we have read. There should only be small changes to utilities prices (from fixed price contracts as the quarterly default prices are unchanged).

### Labour market data: The details

As we noted above in the overview section the main focus this month will be on a combination of private regular average earnings and the notoriously revised payrolls numbers. See page 1 for more on these.

Whole economy average earnings ex bonus are expected to fall around 0.3ppt to 4.9%Y/Y while inc bonus is also expected to fall to a similar level. The unemployment rate is generally expected to remain at 4.6%, but there are upside risks to 4.7% (the BOE’s Q2 forecast is 4.57%).

## Summary Forecast Tables

Summary of Analyst June Inflation Expectations								mni	
	Headline	Core	Services	Core Goods	Energy	FAT*	Food	RPI (Y/Y)	
May	3.36	3.54	4.68	1.57	-1.68	4.68	4.42		
June (median)	3.4	3.42	4.5	1.66	-0.65	5.1	4.6	4.3	
June (mean)	3.39	3.44	4.50	1.64	-0.81	5.04	4.60	4.26	
June (BOE)	3.35	3.58	4.57	1.88	-0.3	4.0	3.43		
May BOE surprise (published)	0.00	-0.13	-0.05	-0.28	-0.5	0.7	0.94		
Bbg consensus	3.4	3.5	4.5					4.3	
Deutsche Bank	3.48	3.52	4.59	1.66	-0.7	5.1	4.86	4.32	
TD Securities	3.44	3.46	4.48	1.70	-1.7	5.2			
Morgan Stanley	3.41	3.44	4.46	1.66	-0.57	4.92	4.66	4.27	
Bank of America	3.4	3.5	4.6	1.7	-0.6		4.4	4.3	
ING	3.4	3.5	4.5						
JP Morgan	3.4	3.5	4.5					4.2	
NatWest Markets	3.4	3.4	4.6		-0.8		4.5	4.2	
Lloyds	3.4	3.4	4.4					4.3	
Daiwa	3.4	3.4							
RBC	3.4		4.5						
Goldman Sachs	3.37	3.41	4.47	1.58	-0.6	4.92			
Barclays	3.37	3.38	4.42	1.59	-0.6	5.08		4.31	
UBS	3.35	3.42	4.5	1.6	-0.9		4.8		
Nomura	3.3	3.4	4.5					4.3	
Societe Generale	3.3	3.4	4.5				4.4	4.1	

\*FAT: Food, alcohol and tobacco

Source: Analyst previews, Bloomberg (consensus), MNI

## Summary of Analyst UK Labour Market Expectations (July Release)

	AWE ex bonus	Total AWE	Private AWE		Employment (3m change)	HMRC Payrolls Revision	HMRC Payrolls M/M
			ex bonus	Unemployment			
Feb-Apr	5.23	5.32	5.14	4.60	89		-109 (May)
Mar-May (median)	4.9	4.92	4.8	4.6	45	-55 (May)	-35 (June)
Mar-May (mean)	4.91	4.94	4.76	4.63	50	-55 (May)	-46 (June)
BOE forecast (Q2)			5.20	4.57			
Bbg consensus	4.9	5.0	4.8	4.6	46		-35
Bank of America	4.9		4.8	4.7	48	-65	-70
Barclays		4.9	4.7	4.6			
Deutsche Bank	4.9		4.8	4.6		-30 to -50	-15
Goldman Sachs	4.9	4.9	4.75	4.6		-45	-30
JP Morgan	4.9	5.0	4.8	4.6	89	-50	-30
Lloyds	4.9	4.9		4.6	70		
Morgan Stanley	4.88	4.93	4.76	4.70	30	-60	-80
NatWest Markets	4.9	5.0	4.8	4.7	35	-70 to -80	-35
Nomura	4.9	4.9		4.6	45		-75
RBC	4.9	4.9	4.7				
Societe Generale	5.0	5.0	4.7	4.6	34		-35
TD Securities	4.9	5.0		4.6			

\*AWE: Average weekly earnings

Source: Analyst previews, Bloomberg (consensus), MNI

## Sell Side Inflation Preview Highlights (A-Z)

### Bank of America

- Headline: 3.4% Y/Y
- Core CPI 3.5% Y/Y
- Services 4.6% Y/Y - "Favourable base effects for accommodation services (which rose notably last June) can help in moderating services inflation."
- Core goods 1.7% Y/Y - "warm June potentially boosting clothing inflation."
- Energy -0.6% Y/Y - "a smaller fall in petrol prices in June vs last year."
- Food 4.4% Y/Y - "driven by rise in employment costs, packaging regulation and hot weather"

### Barclays

- Headline: 3.37% Y/Y – "A combination of FAT and energy inflation is overshooting the MPC's expectation. This is notable as households pay particular attention to both categories when forming their inflation expectations. That said, we think the BoE's assessment of this data would be broadly in line with its expectation and would not be sufficient to lead the MPC to deviate from a quarterly rate cutting path."
- Core CPI 3.38% Y/Y. "This would leave core inflation 0.2pp below the BoE's implicit forecast based on the May MPR, with undershoots in core goods and services"
- Services 4.42% Y/Y – "The signal on airfares from German regional data from North Rhine-Westphalia (NRW) suggests flat to slightly positive growth on the month. We assume a 3% m/m increase... factor in growth in package holidays and hotels of 0.3% m/m."
- Core goods 1.59% Y/Y: "Semi-durables goods prices grew firmly in May, and we expect some of this to reverse in June. The signal from the BRC clothing and footwear price index suggests a limited retrenchment, but across the category as a whole, we expect a -0.9% m/m contraction."
- Food, alcohol and tobacco (FAT) 5.08% Y/Y -
- Energy -0.6% Y/Y – "Despite the energy price shock in the middle of June, data on pump prices suggest that this only fed through to pump prices in the final week or so of the month... pump prices are taken across the whole month."
- Index day: "We assume that index day is 17 June as there have been more index days historically that have been greater or equal to the 17th than there have been less than or equal to the 10th in June CPI (by a count of 4:2 over the past 24 years)."
- RPI: 4.31% Y/Y

### Daiwa

- Headline: 3.4% Y/Y "With the uptick in fuel prices late last month bound to decrease the drag from energy, the BoE may not be surprised by a slight surprise on the upside. We also note the upside risks from food."
- Core 3.4% Y/Y - "See more downside risks in the services categories to underpin our expectations for June's sidestep in the headline CPI rate despite the possibility of a slight uptick in core goods inflation."

### Deutsche Bank

- Headline: 3.48% Y/Y -
- Core CPI 3.52% Y/Y
- Services CPI 4.59% Y/Y – "2.8% m-o-m rise in airfares in June, a slightly softer print than what we saw in May-24 but accompanied by a likely bigger increase in July (14.7% m-o-m)... catering prices up 0.4%



m-o-m... accommodation prices up 1.8% m-o-m... recreation and cultural services up 0.5% m-o-m, driven by rises in live music events.”

- Core goods CPI 1.66% Y/Y -
- Food, alcohol and tobacco (FAT) 5.1% Y/Y; food and non-alcoholic beverages 4.86% Y/Y
- Energy -0.7% Y/Y –
- RPI 4.32% Y/Y
- Index day: “Nowcasts are conditioned on an index collection day of 10 June 2025. But we see a non-negligible risk that the ONS takes a later index collection day (17 June). This would add some upside to our forecasts, particularly for seasonal services such as airfares and accommodation prices.”

## Goldman Sachs

- Headline: 3.37% Y/Y – “driven by both a more moderate 0.28% mom seasonally adjusted pace and partly because of base effects stemming from the sharp sequential increase in hotel prices last June.”
- Core CPI: 3.41% Y/Y
- Services CPI 4.47% Y/Y -
- Core goods 1.58% -
- Food, alcohol and tobacco 4.92%
- Energy -0.57%

## ING

- Headline 3.4% Y/Y -
- Core CPI 3.5% Y/Y
- Services 4.5% Y/Y

## JP Morgan

- Headline: 3.4% Y/Y – “Core goods has turned out firm for the past couple of months. We don’t expect much of this to carry over into June. We assume food prices will revert back to a slower gain after two strong prints in April and May, but the risk here is upwards and the BoE has highlighted the role that agricultural commodity price increases and changes to food packaging regulations may have played in this. Another strong food price gain similar to May would be enough to lift headline inflation up to 3.5%.”
- Core CPI: 3.5% Y/Y
- Services CPI 4.5% Y/Y –
- RPI: 4.2% Y/Y

## Lloyds

- Headline 3.4% Y/Y -
- Core CPI 3.4% Y/Y
- Services 4.4% Y/Y – “Moderating 0.3% points to 4.4% y/y driven by softer inflation in rents and accommodation services (note, the Taylor Swift effect skewed these higher last summer).”

### Morgan Stanley

- Headline: 3.41% Y/Y – “Food and base effects in fuel prices counter the mild drag from core”
- Core CPI 3.44% Y/Y
- Services CPI 4.46% Y/Y – “Forecast a 1%M rise in hotel prices, on the back of high-frequency tracking. Given last year's pick-up in onenight hotel stays in June, hotels are the biggest drag on our headline services inflation forecast... We estimate another relatively soft 0.25%M catering print, and see some scope for a modest downshift in private rents, to 0.25%M too. We model a firm 0.35%M package holidays print, with culture at 1.2%M... see air fares at 7%M, with mild downside risks.”
- Core goods 1.66% Y/Y – “Earlier index day might mean a bit firmer clothing prices... see downside risks to our -1.2%M estimate”
- Food and non-alcoholic beverages 4.66% Y/Y
- RPI 4.27% Y/Y
- Index day: “We assume the index day was on June 10, with some uncertainty around that assumption.”

### NatWest Markets

- Headline: 3.4% Y/Y
- Core CPI 3.4% Y/Y – “Underlying gradual moderation in core”
- Services CPI 4.6% Y/Y
- Food and non-alcoholic beverages 4.5% Y/Y – “Underpinned by retailers' higher labour costs / taxes.”
- Energy -0.8% Y/Y- “Principally base effects”

### Nomura

- Headline: 3.3% Y/Y
- Core 3.4% Y/Y
- Services 4.5% Y/Y
- RPI: 4.3% Y/Y

### RBC

- Headline: 3.4% Y/Y
- Services CPI 4.5% Y/Y

### Societe Generale

- Headline: 3.3% Y/Y
- Core 3.4% Y/Y
- Services 4.5% Y/Y – “There is no single component driving this decline; rather, we believe it is likely a broad-based fall due to a combination of firms diminishing pricing power against the backdrop of softening consumption and gradually easing wage growth due to rising unemployment.”
- Food and non-alcoholic beverages 4.4% Y/Y – “Risks tilted to the upside.”

## TD Securities

- Headline: 3.44% Y/Y
- Core CPI 3.46% Y/Y
- Services 4.48% - "Disinflationary pressures of transport services are balanced out by price increases in other subsectors... airfares coming in 3% lower compared to May... hotel prices rising 1% on the month... Continuing upward pressures stemming from food, rent, and labour costs will drive inflation in the catering subsector. We expect to see a 0.5% m/m increase."
- Core goods 1.70% Y/Y
- Energy -1.7% Y/Y
- Food, alcohol and tobacco 5.2% Y/Y – "Prices of fresh produce were impacted by increasing wholesale prices and more expensive labour costs."
- Index day: "Important in airfares this month, where our monitoring shows a directional difference in June airfares inflation depending on the index date chosen. Historical patterns suggest that [10 June] is more likely. If we're wrong and the ONS collects prices later in the month, this would create an upward risk to our forecasts, bringing services inflation to 4.6% y/y and headline inflation to 3.5% y/y in June instead."

## UBS

- Headline: 3.4% Y/Y
- Core 3.4% Y/Y
- Services 4.5% Y/Y
- Core goods 1.6% Y/Y
- Energy -0.9% Y/Y
- Food and non-alcoholic beverages 4.3% Y/Y

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