mni

All Signal, No Noise

MARKET ANALYSIS

MNI UK Data Preview: September 2025 Release

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Contents

Both labour market data and CPI data will have already been released to MPC members this morning, and both data releases are important for future monetary policy despite markets pricing in only around a 1/3 probability of a rate cut this year (and not fully pricing a 25bp cut until April 2026). In contrast to some of the recent releases, there are less easily identifiable flash points ahead of the releases.

We think that both Governor Bailey and Deputy Governor Ramsden are very much focused on the labour market print (probably a little more so than inflation). We have less of a read on where Breeden's focus is at present, but all three members are likely needed on board in order for another rate cut this year to materialize. We are less concerned that either Taylor or Dhingra would change their view away from voting for cuts without a notable surprise (particularly at quarterly meetings) but we think the bar to any of the four hawkish dissenters from August favouring a vote for a cut before December (when we will have more clarity on the Budget and will have had three more CPI prints – two of which after the expected September peak).

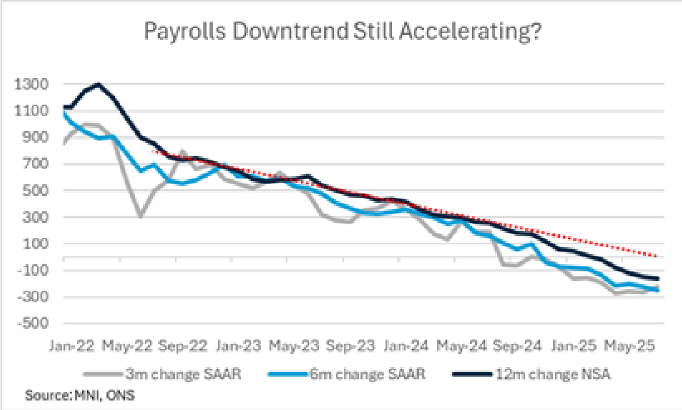
Labour market preview

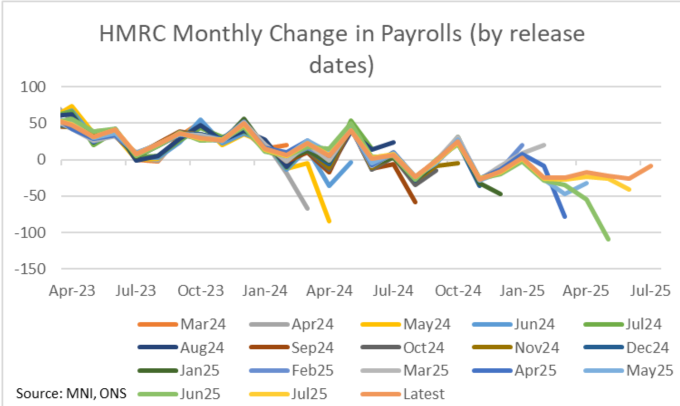
After revisions to payrolls data showed a shallower descent, we think that the market focus will switch back to AWE private regular pay data. Both the median and mean estimate from the previews that we have read is that this will fall to 4.65%Y/Y in the 3-months to July (slightly below the Bloomberg consensus of 4.7%). This would be a fall from 4.79%Y/Y in the 3-months to June – which came in 41bp below the BOE's May MPR forecast and the wage data coming in below the Bank's forecast was cited by Governor Bailey as one of the reasons that he decided to vote for a 25bp cut in August. The Bank's Q3 forecast is for a fall to 4.62%Y/Y – so if the data comes in broadly in line or a little lower than the previews that we have read, it will already have reached or moved below the Q3 forecast. As noted, analysts are generally split between 4.6% and 4.7%.

The Bank does not forecast the total AWE numbers but from the previews that we have read whole economy ex-bonus AWE is expected to fall from 4.97%Y/Y to 4.8%Y/Y in the 3-months to July while inc-bonus is expected to increase a little from 4.62% to 4.7%.

3m/3m employment is expected to increase by over 200k again in the 3-months to July; the median from the previews that we have read looks for 220k, only a small slow down from 238k in the 3-months to June. Most analysts expect the unemployment rate to continue to round to 4.7% in the 3-months to July (it was 4.66% unrounded in the 3-months to June) while a few expect a tick up to 4.8%. Some of those expecting a 4.7% look for the single month print to pick up, however.

The flash monthly payrolls print is expected to modestly decline by around 15k in August (slightly more than the 8k flash reading seen in July). We have seen only a couple of views surrounding revisions to the July print despite the volatility seen in this data release and the size of revisions seen in the past.

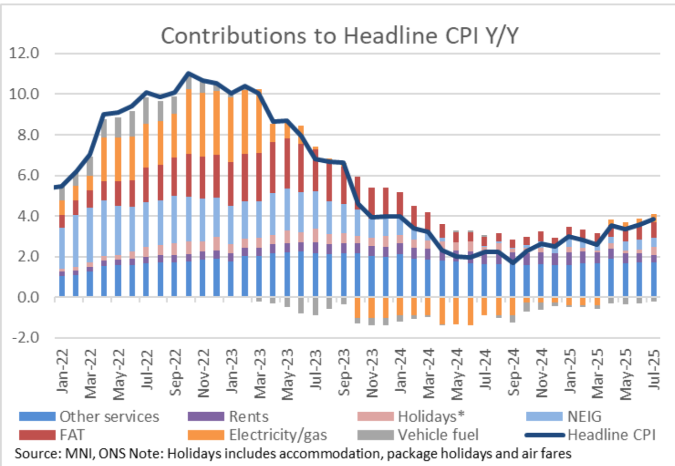


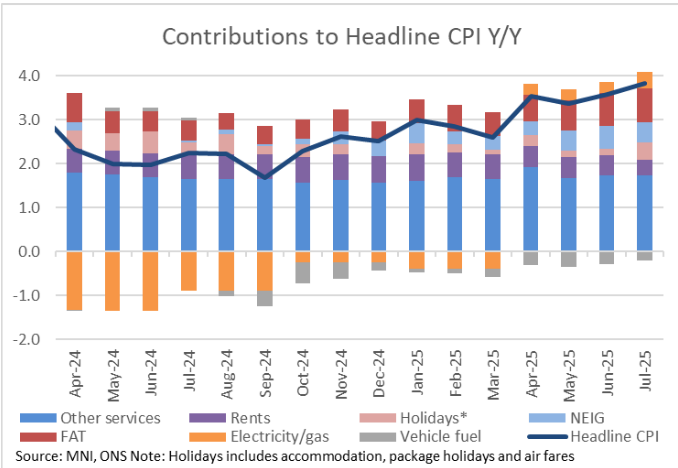


CPI preview

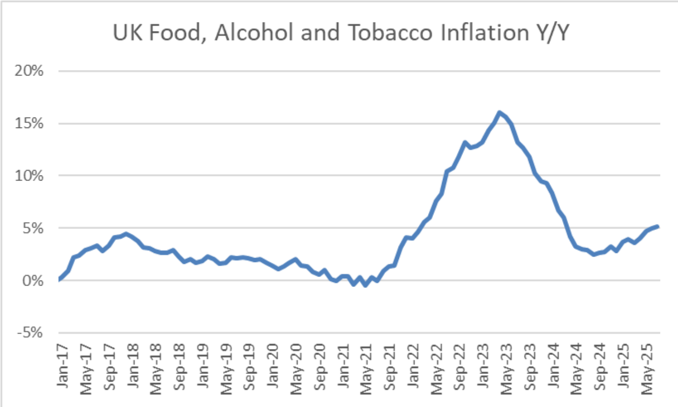
Headline CPI is expected to remain unchanged on a rounded basis at 3.8%Y/Y (from 3.83%Y/Y in July). The BOE's August MPR forecast is for 3.79%Y/Y while the median of the previews that we have read also looks for a 3.8% print. The BOE's unrounded July forecast was only 7 hundredths below the outturn with services and food the more notable upside contributors (with the former expected to unwind as air fares normalise). The analyst previews that we have read look for the major aggregates to broadly come in line with the BOE's forecasts (albeit with petrol prices a bit higher). We noted following the July CPI print that we didn't think there was anything (other than food) that would change views surrounding the peak of CPI which is expected in next month's September release.

Services CPI is expected to decelerate driven by a pullback in travel services (particularly air fares which were very high in the July print due to the later index date). Analysts look for services CPI to fall around two tenths to around 4.8%Y/Y from 4.98%Y/Y. However, there are divergent views here with Morgan Stanley looking for a soft





4.53%Y/Y services print while HSBC looks for a 5.0% print. Accommodation and catering are seen as potentially surprising in either direction in this print, with the Oasis concert around the likely survey date potentially skewing Scottish hotel prices and concerns that wholesale food price increases could filter through to catering prices more widely.



Food inflation is expected to increase to varying degrees, but the Y/Y rate is expected to accelerate to a smaller degree than in recent months but to move to 5% or above for the first time. However, there aren't really any forecasts more than a tenth above the BOE's projections for either "good and non-alcoholic beverages" or for "food, alcohol and tobacco".

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Summary Forecast Tables

Summary of Analyst August Inflation Expectations

	Headline	Core	Services	Core Goods	Energy	FAT*	Food	RPI (Y/Y)	RPI (Index)
July	3.83	3.76	4.98	1.63	1.45	5.14	4.95		
August (median)	3.8	3.60	4.8	1.62	2.50	5.4	5.0	4.6	408.1
August (mean)	3.81	3.62	4.78	1.60	2.48	5.40	5.07	4.62	408.04
August (BOE)	3.79	3.62	4.80	1.57	2.0	5.3	5.22		
July BOE surprise (Aug MPR)	0.07	0.06	0.10	-0.05	0.1	0.2	0.21		
Bbg consensus	3.8	3.6	4.8					4.7	
HSBC	4.0		5.0						
Santander	3.93	3.80	4.94				5.0	4.76	408.5
ING	3.9	3.7	4.9						
Daiwa	3.9								
TD Securities	3.85	3.64	4.75	1.7	2.5	5.5			
Barclays	3.82	3.61	4.80	1.5	2.5	5.4		4.6	407.7
RBC	3.8		4.8						
JP Morgan	3.8	3.6	4.7					4.6	407.7
NatWest Markets	3.80	3.64	4.80	1.6	2.5		5.1	4.7	408.2
Lloyds	3.8	3.6	4.8						
UBS	3.8	3.7	4.8	1.7	2.5		5.2		
Nomura	3.8	3.6	4.8					4.7	408.1
Societe Generale	3.8	3.7	4.8				4.9	4.7	
Deutsche Bank	3.79	3.60	4.69	1.72	2.51	5.24	5.01	4.46	
Goldman Sachs	3.76	3.53	4.67	1.54	2.38	5.45	5.26		
SEB	3.7	3.6							
Bank of America	3.7	3.5	4.7	1.4			5.0	4.6	
Morgan Stanley	3.69	3.48	4.53	1.63			5.07	4.53	

*FAT: Food, alcohol and tobacco

Source: Analyst previews, Bloomberg (consensus), MNI

Summary of Analyst UK Labour Market Expectations (September Release)

	AWE ex bonus	Total AWE	Private AWE ex bonus	Unemployment	Employment (3m change)	HMRC Payrolls M/M
Apr-Jun	4.97	4.62	4.79	4.66	238	-8 (July)
May-Jul (median)	4.8	4.7	4.65	4.7	220	-15 (August)
May-Jul (mean)	4.80	4.72	4.65	4.72	214	-14 (August)
BOE Q3 forecast			4.62	4.76		
BOE Q4 forecast			3.66			
Bbg consensus	4.8	4.7	4.7	4.7	220	-12 (August)
Bank of America	4.8		4.7	4.7	150	-20
Barclays	4.6	4.7	4.6	4.7		
Deutsche Bank	4.8	4.7	4.6	4.7		-10
Goldman Sachs	4.8	4.7	4.65	4.7		-20
ING	4.9	4.9	4.7	4.7	230	-20
JP Morgan	4.9	4.7	4.7	4.7	239	-15
Lloyds	4.8		4.6	4.7	215	
Morgan Stanley	4.8	4.7	4.64	4.8	200	-5
NatWest Markets	4.7	4.8	4.7	4.8	220	-12
Nomura	4.9	4.7		4.7	225	-20
RBC			4.7	4.7		
Santander	4.8	4.6	4.6	4.7		-5
Societe Generale	4.8	4.7	4.6	4.8	204	
TD Securities	4.8	4.7	4.7	4.7	242	

*AWE: Average weekly earnings

Source: Analyst previews, Bloomberg (consensus), MNI

Sell Side Inflation Preview Highlights (A-Z)

Bank of America

- Headline: 3.7% Y/Y
- Core: 3.5% Y/Y
- Services: 4.7% Y/Y – reversing the “erratic airfares strength seen in July … airfares saw a 30.2% M/M rise, the largest monthly July rise, driven by the timing of school summer holidays. Return flights were collected during school holidays, which made them expensive.”
- Core goods: 1.4% Y/Y
- Energy: 2.5% Y/Y – “driven by the rise in weekly petrol prices.”
- Food: 5.0% Y/Y – “reflecting the impact of higher employment/packaging costs and hot weather.”

Barclays

- Headline: 3.82% Y/Y
- Core: 3.61% Y/Y
- Services: 4.8% Y/Y – contraction in hotels, partial unwind of airfares July strength (due to school holidays). “German regional data, which has been a reasonable leading indicator on UK fares, suggests a reduction of around 8.7% M/M. However, based on our experimental alt data trackers, we see an upside risk … As a result, we assume flat airfares on the month.”
- Core goods: 1.5% Y/Y – “Autotrader data for August suggests some downside risk to our assumption on car prices, but on balance the larger effect on durable goods is the implied strength from the durable components of the August BRC Shop Price Index.”
- Energy: 2.5% Y/Y – “as the weak pump prices and liquid fuels outturns last August drive a base effect.”
- Food, alcohol and tobacco: 5.4% Y/Y – “Food price inflation should accelerate further by c.0.3pp from July.”

Daiwa

- Headline: 3.9% Y/Y – “the increase might principally reflect unfavourable energy base effects.”

Deutsche Bank

- Headline: 3.79% Y/Y
- Core: 3.60% Y/Y
- Services: 4.69% Y/Y – Expect some pullback after a shockingly strong July print, including some moderation in airfares (only the third time airfares have contracted in August since 2003). Other travel prices will also come in weaker as the July premium unwinds. Elsewhere, slight contraction in communication prices, stable catering and a drop in accommodation prices.
- Core goods: 1.72% Y/Y – Latest BRC Shop Price Index showed falls in clothing, electrical goods, books, stationery and home entertainment, as well as less price gains in health goods and ‘other non-food’ items compared to last year. However, Deutsche Bank models see rises in clothing, furniture and small reversals in gains for non-durables, given the deeper fall in July. We also expect some pickup in car prices (from the latest AutoTrader Retail Price Index) and rises in IT goods prices, but at a slightly slower pace than last year.
- Energy: 2.51% Y/Y – “After the Ofgem Price Cap reset in July, the only thing moving the energy basked in August will be pump prices”, expected to rise for a second consecutive month.

- Food, alcohol and tobacco: 5.24% Y/Y (Food 5.01% Y/Y) – “After four consecutive increases in food inflation, we’re starting to see some mixed signals … The direction of travel still looks up – but we may be tempering monthly gains going forward.” BRC Shop Price Index showed a 0.4% M/M rise in food prices in August, Kantar’s Grocery Price Inflation slowed from 5.2% to 5.0% Y/Y in August. “Altogether, we see a continued downtrend in the annual inflation rate for alcohol.”
- Index date: 12th August. “Risks are skewed to the following week … the last time the ONS picked the 3rd week of July for price collection, it also settled on the 3rd week of August … A latter index collection day would add some downside to our projections, particularly for seasonal items like travel and recreation services.”
- Looking ahead, September will mark the peak in CPI (3.9% Y/Y, rounded down). Risks are skewed marginally to the upside: fiscal policy announcements could push our forecasts higher, and energy futures prices remain more sticky as geopolitical tensions keep prices elevated.

Goldman Sachs

- Headline: 3,76% Y/Y
- Core: 3.53% Y/Y
- Services: 4.67% Y/Y – Alongside airfares, “we also expect payback in some items within cultural services based on historical patterns, whereas we think payback is less likely in areas that saw more weakness in July (hospital services, health insurance, and private rents).”
    - “Hotel prices are an important source of uncertainty. Prices in Scotland could be affected by the Oasis tour … That said, hotel prices in Scotland were already very elevated in July, reducing the risk of a large incremental impact.” There is also a question of whether enough price quotes could be obtained in August to show this.
- Core goods: 1.54% Y/Y
- Energy: 2.38% Y/Y – “increase in fuels and lubricants prices partly offset by a partial reversal in the strength in liquid fuels in July.”
- Food, alcohol and tobacco: 5.45% Y/Y (Food 5.26% Y/Y) – “the BRC food price index showed a further increase in the annual rate of food inflation in August.”
- Index date: 12th August, close to the 13th August used in 2024. Consequently, see less scope for distortion in the figures and so expect airfares to return closer to their usual seasonal pattern.

HSBC

- Headline: 4.0% Y/Y
- Services: 5.0% Y/Y

ING

- Headline: 3.9% Y/Y
- Core: 3.7% Y/Y
- Services: 4.9% Y/Y
- Food: “The BoE is particularly sensitive to food inflation right now, and this is set to notch above 5%.”

JP Morgan

- Headline: 3.8% Y/Y
- Core: 3.6% Y/Y – "largely due to payback in transport services (i.e. airfares) from the prior month's spike … also exaggerated by a firm transport print last year."
- Services: 4.7% Y/Y – alongside the above, expect some modest rise in other services inflation. "We look for a softer gain in supercore services of 0.3% M/M SA, offset by a slight firming in other services such as rents, transport equipment and package holiday inflation which showed soft monthly SA gains in August."
- Core goods: "a slight slowing in core goods in annual terms."

Lloyds

- Headline: 3.8% Y/Y
- Core: 3.6% Y/Y
- Services: 4.8% Y/Y – "downward contributions from airfares where a partial unwind is expected after July's sharp M/M rise, together with a moderation in private rental inflation"
- Food: "Looks set to move above 5% Y/Y for the first time since early 2024", upward pressure on headline inflation is likely to come from a further pickup in food prices.

Morgan Stanley

- Headline: 3.69% Y/Y
- Core: 3.48% Y/Y
- Services: 4.53% Y/Y – noting the view is reasonably below consensus, three key pillars underpinning this: i) a modest pickup in airfares after July's strength, ii) Oasis-related firmness in Edinburgh prices was more than countered by softer room rates elsewhere (noting balanced risks around hotels and air fares projections), iii) despite strong live music prices last month, we see their usual post-June leg as delayed rather than entirely denied. Elsewhere, some bounceback in private rents, stronger sporting events after a weak July and a weak cultural services print.
    - "The main upside risk to our forecast is a stronger catering print, given that higher wholesale food prices now come on top of the existing hit to corporate margins (NICs, NLW). Overall, we see the risks to our services inflation forecast as balanced."
- Core goods: 1.63% Y/Y – "While we still look for softer autumn readings, in August we expect an unchanged print, in line with BOE projections", noting risks mildly skewed to the upside, considering the category's recent momentum.
- Food: 5.07% Y/Y – "We continue to see somewhat softer food inflation into year-end versus the BOE's August projections."

NatWest Markets

- Headline: 3.8% Y/Y – reflecting a "combination of some downward normalisation in Core CPI inflation alongside higher food and energy inflation."
- Core: 3.64% Y/Y
- Services: 4.8% Y/Y – "still substantially above CPI target-consistent levels (~3%) and continuing to present a major constraint on monetary policy easing."
- Core goods: 1.6% Y/Y
- Energy: 2.5% Y/Y
- Food: 5.1% Y/Y

- “The persistence of the overshoot in UK inflation, especially domestically-generated inflation, alongside growing evidence that inflation expectations are losing their 2% policy anchor [as suggested by BOE DMP data], is troubling.”

Nomura

- Headline: 3.8% Y/Y
- Core: 3.6% Y/Y
- Services: 4.8% Y/Y

RBC

- Headline: 3.8% Y/Y
- Services: 4.8% Y/Y – “Some of the increase in Services CPI in July was attributable to volatile components such as airfares and accommodation” and we expect Services CPI to fall back. “Looking ahead, we continue to see services inflation moving sideways for the rest of the year remaining at around 5% Y/Y.”
- Upward contributions from food and fuel prices should offset this in headline CPI.
- “We would argue, however, that the September release is likely the key release from the perspective of the MPC”, where current projections see inflation peaking at 4.0% Y/Y.

Santander

- Headline: 3.93% Y/Y – highest since January 2024.
- Core: 3.80% Y/Y
- Services: 4.94% Y/Y
- Food: 5.0% Y/Y
- “Our peak CPI forecast (September 2025) is still 4.2% and we see CPI only moderating to 4.0% by year-end.”
- “As such, we argue that the inflation optics will be too ugly for the BOE to ease again for the foreseeable future, despite the easing jobs market”, which is being squeezed by cost pressures.

SEB

- Headline: 3.7% Y/Y
- Core: 3.6% Y/Y

Societe Generale

- Headline: 3.8% Y/Y – Services decline offset by a rise in fuel prices, which, “along with a positive base effect, should leave headline inflation unchanged.”
- Core: 3.7% Y/Y – “We expect the entire easing in core inflation to be driven by services.”
- Services: 4.8% Y/Y – “A mismatch in the timing of school summer holidays compared to last year temporarily boosted airfares in July, which we expect to unwind in August.”
- Food: 4.9% Y/Y – “The major risk to our [headline] forecast is food inflation”, three tenths below the BOE’s forecast.

TD Securities

- Headline: 3.85% Y/Y
- Core: 3.64% Y/Y
- Services: 4.75% Y/Y – reached its peak last month at 5.0%. Several components will normalise, noting airfares (following an exceptionally large M/M increase last month), accommodation (after 6 consecutive M/M increases) and catering (“continuing upward pressures stemming from food, rent and labour costs”).
- Core goods: 1.7% Y/Y – expect core goods to swing back up in August, “summer discounting of July will reverse this month as back to school pricing on clothing and household goods increase … As these are two of the largest subcomponents, and last year’s August showing a smaller surge, we see the uptick driving core goods from 1.6% to 1/7% Y/Y.”
- Energy: 2.5% Y/Y – “With no Ofgem adjustments to electricity and gas prices in August, fuel pricing will be the only contributor to the energy sector M/M changes this month.”
- Food, alcohol and tobacco: 5.5% Y/Y – For food, “we see a further 0.5% M/M gain in August … corroborated by BRC comments that domestic supply pressures affected egg and butter prices, while droughts in Spain and Italy pushed up imported produce costs … The MPC's main concern, as outlined in a box in the August MPR, is the de-anchoring effect food prices might have on inflation expectations given its salience to household expenses.”

UBS

- Headline: 3.8% Y/Y – “further rise in energy and food inflation to be offset by lower core inflation, helped by payback from the rise in volatile services in July.”
- Core: 3.7% Y/Y – “the decline solely driven by a 0.2pp fall in services inflation.”
- Services: 4.8% Y/Y
- Core goods: 1.7% Y/Y
- Energy: 2.5% Y/Y – “largely due to the base effect.”
- Food: 5.2% Y/Y
- “Looking ahead, our baseline foresees inflation peaking at 4% Y/Y in September before declining to 3.3% Y/Y by year-end.”
