MNI Inflation Preview: September 2025

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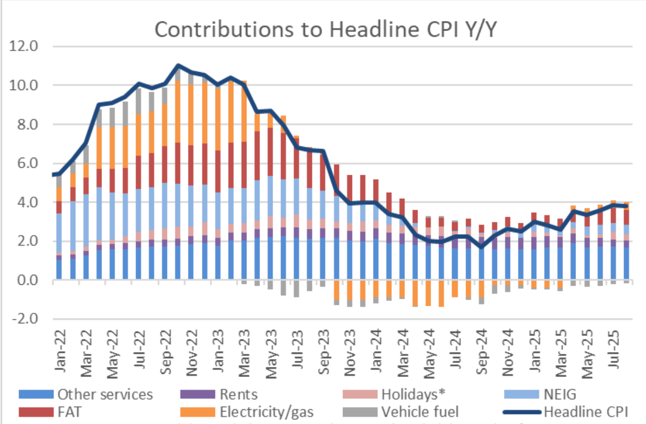
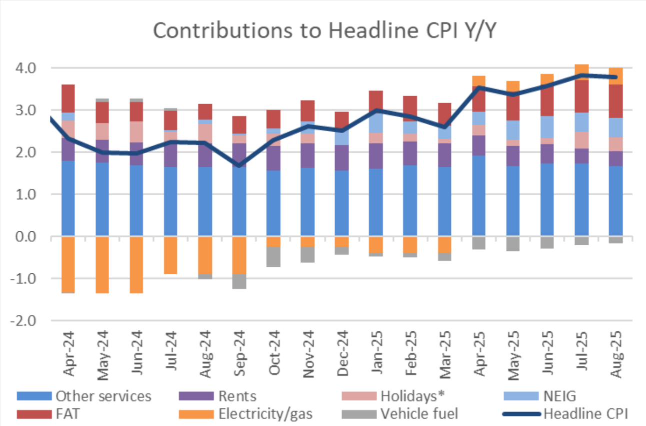
September CPI data on Wednesday should be significant as it is expected to mark the peak in CPI as it is boosted largely by base effects. The median of the previews that we have read look for a 4.0%Y/Y headline print which is almost exactly in line with the BOE's 3.99%Y/Y projection. Note that this follows the BOE's August projection coming within a hundredth at 3.79%Y/Y.

Last week's labour market data saw disappointing wage numbers (see our full review here). We think that this will have kept the door open to a cut from Governor Bailey who said of the data "I've been saying for some time that I think we're seeing some softening of the labour markets...and that broadly is the story that I pick up. I think we saw it in the numbers… On the other hand, balancing that off, we've got inflation above target...so balancing these two things is the thing that we're having to do." Despite other MPC members appearing to have more entrenched views, we think that this data release will have huge importance for the prospects for a Q4 cut. We think that markets continue to underprice the possibility of a November cut (only 2.6bp priced at writing) with 9.1bp priced by December.



Source: MNI, ONS Note: Holidays includes accommodation, package holidays and air fares



Source: MNI, ONS Note: Holidays includes accommodation, package holidays and air fares

Petrol price and air fare base effects expected to boost headline Y/Y CPI by 7-9 hundredths

Two major drivers to the Y/Y rate are expected to be petrol prices and air fares. "Fuels and lubricants" fell 3.88%M/M in September last year but this year price falls have been much smaller. The median expectation from the sellside previews that we have read look for this to translate to energy rising to around 4.4%Y/Y (although with risks of 4.3%Y/Y). Other energy components are broadly flat (with electricity and gas bills not due their quarterly reset and hence only expected to see marginal moves). We estimate that the BOE's projections are consistent a 3.7% energy forecast, and so this would be a 0.6-0.7ppt upside surprise to the projections which equates to around 3-4 hundredths for headline CPI.

Air fares fell 34.8%M/M in September last year and we have seen sellside estimates ranging from -21%M/M to -31%M/M with most estimates around the mid -20% area. This means that air fares would add around 1.5-8 hundredths to headline CPI (and around double that to services CPI). If we take the midpoint it would be around 4-5 hundredths to headline CPI and 8-10 hundredths to services CPI.

So, between energy and air fare base effects alone that is expected to boost headline CPI by 7-9 hundredths.

Other services: Index date and tube strike, accommodation, catering and tuition fees in focus

There is some discussion over whether the ONS will have chosen 9 September or 16 September. Most analysts lean slightly towards a 9 September index date, but TD Securities sees a 16 September date as more likely. The impact of the date is also debated with some analysts pointing to the tube strikes occurring on 9 September potentially pushing up accommodation or taxi prices but TD Securities seeing hotel prices higher on 16 September.

Also within services, catering services will be in focus. We noted in our Inflation Insight last month that every month there are expectations that restaurants, cages and takeaways will pass on the higher food wholesale costs and more impacts of the higher minimum wage and employer NIC contributions. Looking at the breakdown, however, restaurants, cafes and takeaways have seen their Y/Y price growth remain fairly stable since around February (in rounded terms printing between 3.9-4.2%Y/Y consistently). It has been canteens that have shown an increase in costs with prices 5.3%Y/Y in August from 2.2%Y/Y in July (which had been the first positive print since August 2023). Given that canteens tends to work on low margins the passthrough from wholesale food costs would be very likely to be seen here. The lack of passthrough to restaurants, cafes and takeaways suggests that despite the increase in costs these businesses have thus far have decided to take lower profit margins – which may suggest that they are concerned that consumers would not stomach further price increases. We will be watching closely to see whether there will be increases to restaurant and café prices.

University tuition fees will be increased and these are likely to filter into the September and October CPI prints. This follows three years of freezes to undergraduate fees and sees fees increasing 3.1%. Private school fee increases are likely to increase, too, possibly by more than usual if not all of the VAT increase was previously passed through.

Altogether this sees the median increase in services CPI at 4.9%Y/Y in September (up from 4.72%Y/Y in August). This would be below the BOE's forecast of 5.04%Y/Y. Note that August CPI was 0.08ppt below the BOE's projections. Sellside forecasts do range from 4.8% to 5.0%, however.

Core goods prices expected broadly unchanged

Core goods prices are expected by the median to remain broadly unchanged at 1.6%Y/Y in September (1.61%Y/Y in August). The BOE saw a very minor upside surprise 0.04ppt in August and forecast September at 1.55%Y/Y – in line with the median expectation. The range of forecasts we have seen is from 1.5%Y/Y to 1.8%Y/Y.

Core CPI expected a little softer than BOE projection

This puts core inflation at 3.7%Y/Y according to the median expectation (3.58-3.8% range). Our estimate of the BOE's projection is 3.77%Y/Y. We estimate there was a 0.03ppt downside surprise to the BOE in August.

Food risks skewed to the downside, alcohol and tobacco to the upside

The median expectation for the "food and non-alcoholic beverages" category is 5.01%Y/Y – which is exactly in line with the BOE's September forecast, but the skew seems to be to the downside. This is a slight slowdown from the 5.12%Y/Y print seen in August (which surprised to Bank's projections 9 hundredths to the downside). However, alcohol and tobacco prices are expected to remain robust. We estimate there was no surprise to the FAT (food, alcohol and tobacco) category for the BOE – which means that alcohol and tobacco must have upwardly contributed given the small downside surprise in food. Although its only based on five analyst expectations, FAT is expected to only fall back from 5.33%Y/Y in August to 5.29% (median) in September. This would be around 0.2ppt above our estimate of the BOE's projection. This would increase headline CPI by around 3 hundredths.

Summary Forecast Table

Summary of Analyst September Inflation Expectations

	Headline	Core	Services	Core Goods	Energy	FAT*	Food	RPI (Y/Y)	RPI (Index)
August	3.79	3.59	4.72	1.61	2.47	5.33	5.12	4.60	407.7
September (median)	4.0	3.7	4.9	1.6	4.39	5.29	5.01	4.70	406.9
September (mean)	3.98	3.68	4.87	1.63	4.37	5.21	4.98	4.75	407.28
September (BOE)	3.99	3.77	5.04	1.55	3.7	5.1	5.01		
August BOE surprise (Aug MPR)	0.00	-0.03	-0.08	0.04	0.4	0.0	-0.09		
Bbg consensus	4.0	3.7	4.9						
Santander	4.1	3.8	5.0					4.74	
Nomura	4.1	3.8	4.9	1.8				4.7	406.9
TD Securities	4.03	3.74	4.95	1.6	4.4	5.3			
JP Morgan	4.0	3.7	5.0					5.1	408.5
Lloyds	4.0	3.7	5.0						
Barclays	4.0	3.7	4.9	1.6	4.4	5.0		4.7	406.9
NatWest Markets	4.0	3.7	4.9	1.7			5.1	4.8	
Daiwa	4.0	3.7	4.8						
UBS	4.0	3.7	4.8	1.6	4.3	5.3			
Deutsche Bank	3.97	3.68	4.84	1.66	4.37	5.29	5.01	4.60	
Goldman Sachs	3.95	3.67	4.79	1.73	4.33	5.18	4.88		
Bank of America	3.92	3.6	4.9	1.5	4.4		4.9	4.69	406.8
Societe Generale	3.9	3.6	4.8				5.0		
ING	3.9	3.6	4.6						
Morgan Stanley	3.89	3.58	4.84	1.50			5.01	4.68	

*FAT: Food, alcohol and tobacco

Source: Analyst previews, Bloomberg (consensus), MNI

Sell Side Inflation Preview Highlights (A-Z)

Bank of America

- Headline: 3.92% Y/Y
- Core: 3.6% Y/Y
- Services: 4.9% Y/Y – “driven by base effects from airfares (which saw a large fall in September last year) and a rise in university fees.” Also, “we could see some small reversal of the strength in accommodation in August.”
- Core goods: 1.5% Y/Y
- Energy: 4.4% Y/Y – “driven by a potentially smaller fall in petrol prices relative to previous September.”
- Food: 4.9% Y/Y – “driven by base effects in seasonal food.”

Barclays

- Headline: 4.0% Y/Y – “our expectation suggests that headline CPI will print in line with the MPC’s August forecast, with marginal downside news on services inflation. We think this would be enough to keep the Governor, and therefore a majority of the committee, on course to cut in November.”
- Core: 3.7% Y/Y
- Services: 4.9% Y/Y
- Core goods: 1.6% Y/Y
- Energy: 4.4% Y/Y
- Food, alcohol and tobacco: 5.0% Y/Y

Daiwa

- Headline: 4.0% Y/Y – "principally as the lull in petrol prices one-year ago increases the contribution of energy inflation (also evident in the euro area print)."
- Core: 3.7% Y/Y – expected to "edge slightly higher reflecting slight increases in the goods and services components."
- Services: 4.8% Y/Y
- "Food price inflation should begin to show signs of stabilisation."

Deutsche Bank

- Headline: 3.97% Y/Y
- Core: 3.68% Y/Y
- Services: 4.84% Y/Y – "we see private rents up 0.36% m-o-m. Other housing costs, we think, will remain unchanged." For transport and travel services, "the most important driver will be airfares … we pencil in a slightly larger drop than suggested by our models (31% m-o-m fall) … As an offset, we pencil in some upside on taxi fares from the London tube strikes."
    - "On recreation and personal services, we expect seasonal upward momentum – but not as much as we saw last year." Catering inflation 0.1% m-o-m, package holidays 0.5% m-o-m, accommodation 2.85% m-o-m. For health services, "we pencil in a pretty meagre increase (0.05% m-o-m)." Education to rise by 1.4% m-o-m, "reflecting the remainder of the price increase due to added VAT."
- Core goods: 1.66% Y/Y – "we see health goods up a mere 0.2% m-o-m … a little positive payback for clothing (2.1% m-o-m), with other semi-durable goods seeing a bounce back (particularly sports equipment and travel accessories)." Furniture prices to rise 2.1% m-o-m, car prices to rise 0.3% m-o-m. "Some discounting in new cars, we expect, will start to fade too."
- Energy: 4.37% Y/Y – "positive base effects will push inflation higher … Our trackers point to 0.3% m-o-m fall in oil prices. This, we estimate, will pull the energy basket down by 0.1% m-o-m."
- Food: 5.01% Y/Y: "we're not expecting any upside surprises, survey data has mostly come in on the weaker side … We pencil in a 0.2% m-o-m rise in processed food and a 0.25% m-o-m rise in unprocessed food."
- Food, alcohol and tobacco: 5.29% Y/Y "we expect alcohol and tobacco prices to rise in September", including "large increases across the board with spirits, beer, and wine all seeing monthly rises. We pencil in a 0.4% m-o-m increase." For tobacco, a modest rise (0.35% m-o-m).
- Index date: 9 September, coinciding with London Tube strikes – "potentially impacting hotel and taxi prices, raising some upside risks to our services projections."
- Looking ahead, "we see CPI tracking at 3.4% y-o-y before slowing to 2.6% in 2026. We expect CPI to land around target in 2027."

Goldman Sachs

- Headline: 3.95% Y/Y
- Core: 3.67% Y/Y
- Services: 4.79% Y/Y – "largely driven by base effects from the large drop in airfares in September 2024 … This year we expect a somewhat smaller 25% M/M decline … We see scope for one night hotel prices in Scotland to normalise given the high level seen at the last two prints, though hotel prices are likely to rise in other regions." The impact of VAT on private school fees should have been already largely captured by the re-measurement in January.
    - "Looking ahead, we expect services inflation to remain elevated throughout the rest of 2025, but continue to undershoot the BoE's projections … Looking into 2026, we expect a notable drop-off in

services inflation as the impact of the introduction of VAT on private school fees and large increases in vehicle excise duty and sewerage prices drop out of the annual comparison."

- Core goods: 1.73% Y/Y – expected to continue to moderate in the coming months "given slowing wage pressures and reduced import price inflation on the back of trade redirection", noting upside risks given that the BRC shop price index "showed a notable sequential increase in non-food prices."
- Energy: 4.33% Y/Y – "driven by a modest decline in road fuel prices", though base effects will push up on the annual rate.
    - "Energy inflation is likely to turn negative in 2026Q1 but then rise back into positive territory in 2026H2. Although recent declines in oil prices have pushed down on our forecast, and we continue to expect a fuel duty freeze in April, we now expect a larger increase in the Ofgem price cap in 2026Q2 on the back of increased policy costs and network charges."
- Food: 4.88% Y/Y – "partly reflects base effects as the stronger September 2024 figures drop out of the annual rate. But we also expect the sequential pace to moderate somewhat compared to the levels seen over the summer given that the latest print from the BRC food price index was softer."
- Food, alcohol and tobacco: 5.18% Y/Y
    - Looking ahead, "food inflation should fall back as the impact of the 2025 increases in the National Living Wage, employer National Insurance Contributions, and packaging regulation fade."
- "Our projections imply headline inflation declining to 2.2% in 2026Q4, below the BoE's projection of 2.5%."

ING

- Headline: 3.9% Y/Y – "mainly because the sharp fall in petrol prices this time last year wasn't matched to the same degree this September … This release should mark the peak in headline inflation, even if it's unlikely to fall materially before year-end."
- Core: 3.6% Y/Y
- Services: 4.6% Y/Y – "In theory, that should move the dial towards further cuts, though for now officials are more focused on rising food inflation. We think that limits the chances of further BoE easing before February next year."

Jefferies

- "Inflation is expected to rise to 4.0% YoY … largely driven by base effects in energy: while fuel prices eased by 0.3% this month, last year saw a much sharper 3.9% decline."
- "Airfares are also contributing to the rise. We expect a 25% MoM decline, in line with usual seasonal moves, compared to a 35% drop last year."
- "We believe the real risk lies in a slightly softer-than-expected reading … This month's figure is strong relative to seasonal norms, but there are signs that inflation in problem areas – such as food – is beginning to slow."

JP Morgan

- Headline: 4.0% Y/Y – "petrol prices were broadly steady in September and so last year's decline will put upward pressure on the headline rate."
- Core: 3.7% Y/Y
- Services: 5.0% Y/Y – "as transport services prices are unlikely to show the same monthly drop as reported last year … We expect a firm seasonally-adjusted gain of 0.4% m/m, a step up from August and broadly matching the same pattern last year. But there may be some downside risk if communications prices and rents come in softer, more in line with their recent monthly run rate"
- "But aside from where headline prints, the behaviour of underlying services (i.e. excluding transport) will also be key for the BoE."

Lloyds

- Headline: 4.0% Y/Y – “base effects are the main driver”, particularly in petrol prices and airfares.
- Core: 3.7% Y/Y – “led by services.”
- Services: 5.0% Y/Y
- “Such an outturn would do little to ease fears of inflation persistence for now … [we] forecast headline inflation moving back to target by mid-2026.”

Morgan Stanley

- Headline: 3.89% Y/Y
- Core: 3.58% Y/Y – “A later index date (vs 9 September assumed) could see core inflation rounding down to 3.5%.”
- Services: 4.84% Y/Y – “This past September saw the increase in free childcare hours from 15 to 30 per week … free hours might instead be captured via a lower weight of childcare in the basket next year … we are more worried about upside risks, given surveys of childcare providers earlier this year suggested that listed prices would rise by up to 10%, due to under-funding for free hours and the NICs hike. However, the April print was not that robust. We forecast “Child Care Services” at 1.0%M, with balanced risks … Private school fees might have risen anew after the VAT hike sampled earlier in the year. We peg inflation in the Education category at 1.8%M matching last year’s print.”
    - “Both tracking and the euro area data suggest a soft air fares print, albeit the index day matters, -27%M is our base case, and we do see downside risks here.” London hotel prices could provide a boost should prices be collected on the 9th, “but in any index day scenario, the post-Oasis normalisation in Scottish hotel prices should provide a strong drag. We settle at 1.6%M as our central forecast for accommodation services.”
    - “We forecast restaurant & cafes inflation at 0.2%M, with flat canteen prices. Per the ONS, "Staff Restaurant Hot Snack Item" prices have risen by 20% year to date, with the bulk of the increase concentrated in July and August. We assume this seemingly hyperbolic rise won't continue, but it is hard to have much conviction in a possible correction … In 2023 and 2024, the expansion of free primary school meals across the UK meant canteen prices actually saw meaningful monthly declines in September, but we can’t find much evidence of any additional increase in coverage of free school meals this year beyond the government-funded trial of breakfast clubs, which we assume won’t be sampled.”
- Core goods: 1.50% Y/Y – “risks skewed to the upside, in case of an earlier index day in particular … We have an increasing degree of confidence, in particular following the latest round of earnings and guidance from the UK retail sector, that core goods inflation is due to slow by ~1pp over the coming year.”
- Food: 5.01% Y/Y – “The end zone for core goods and food inflation is approaching, even if there are upside risks in the next couple of years.”
- Index date: 9 September (with 60% probability) – when London tube strikes cause a spike in hotel prices and taxi fares – or 16 September (as has been the case in recent years, though 2014 index dates [which have been correct for all 2025 prints] would suggest the former).
    - “An earlier index date would likely mean a slightly firmer clothing print, stronger hotel prices and less of a correction in air fares.”

NatWest Markets

- Headline: 4.0% Y/Y – “with modest upside risks.”
- Core: 3.7% Y/Y – “upside risks to 3.8% … principally on softer base effects but with some lingering price stickiness in domestic components.”
- Services: 4.9% Y/Y – a rebound, mainly in transportation.

- Core goods: 1.7% Y/Y
- Energy: “Although auto fuel prices are forecast to edge down by -0.3% m/m in September, strong base effects (a -3.9% m/m fall in September 2024) will push the y/y rate up to -1.3% from -4.9%, adding 0.1%-points to headline CPI.”
- Food: 5.1% Y/Y – “closer to, but not quite at, its peak on our forecast … expected to have a broadly neutral impact in September.”

Nomura

- Headline: 4.1% Y/Y – “base effects are likely to push headline inflation up, particularly due to transportation services on the services side and petrol prices on the goods side.”
- Core: 3.8% Y/Y
- Services: 4.9% Y/Y
- Core goods: 1.8% Y/Y
- “As base effects unwind we believe that September will be the local peak in headline, services and core inflation, and see headline drifting back to target by late spring/early summer 2026.”

RBC

- “The September ‘peak’ to some extent reflects base effects – in September 2024, relatively large m/m falls in fuel prices and airfares saw an inflation print at 1.7% y/y.”
- “This year however, fuel prices were little changed between August and September while the m/m increase in airfares in August was considerably below seasonal averages for the month as most of the impact of school holidays on airfares was captured in the July sampling period … we would expect the fall in airfares in September to be similarly muted.”

Santander

- Headline: 4.1% Y/Y – “main driver is a 27bp upward contribution from transport, topped up by a 4bp boost from furniture and household goods … The bump from transport is due primarily to petrol and diesel prices and airfares, driven by weak base effects.”
- Core: 3.8% Y/Y
- Services: 5.0% Y/Y
- “The absence of clear disinflationary forces across the rest of the basket is concerning. So too is the risk that double-target inflation risks pushing inflation and wage expectations higher again.”
- “Our forecast sees inflation hold above 3% all the way to next summer.”

Societe Generale

- Headline: 3.9% Y/Y – “almost all driven by a positive base effect in the fuel component … the undershoot [relative to BOE forecast] is unlikely to be significant enough to persuade the majority of MPC members to cut rates in November.”
- Core: 3.6% Y/Y
- Services: 4.8% Y/Y – “driven by an increase in university tuition fees and positive base effects in airfares and catering.”
- Food: 5.0% Y/Y – “the food component of the BRC’s shop price index remained steady at 4.2% yoy in September.”

TD Securities

- Headline: 4.03% Y/Y
- Core: 3.74% Y/Y
- Services: 4.95% Y/Y – "we're looking for airfares to unwind considerably … Our tracking indicates strong negative price pressures on all three airfares route sub-indices – especially on long-haul flights … we are forecasting a -21% m/m print. However, last year's September's larger-than-usual correction creates a base effect that ultimately contributes to a positive 17% y/y and drags the service forecast upwards."
  - Six consecutive months of accommodation services increases came to a stop in August with a 2.2% decrease in prices, primarily driven by London. "We see September's m/m prices increasing at 1.5% for accommodation services."
  - "We expect continuing upward pressures stemming from food, rent, and labour costs to drive inflation in the catering subsector. We expect to see a 0.4% m/m increase, and a sizeable contribution given catering's prominence in the CPI services measure."
  - "If we're wrong on the index day (16th assumed), this would likely bring services inflation down to 4.9% y/y… a change in collection date would reduce m/m growth in accommodation prices."
- Core goods: 1.6% Y/Y – "BRC data for the month suggests that this year's usual back-to-school sales were muted", noting upside risks: "if these materialise to their full seasonal potential, it would pull core goods up to 1.8% y/y and with it, core inflation to 3.8% y/y and headline to 4.1% y/y."
- Energy: 4.4% Y/Y – "There will be no Ofgem adjustments to electricity and gas prices in September, making fuel prices the only pertinent story this month. There, we see deflation of -1.23% y/y", driven by both base effects and a monthly slowdown.
- Food, alcohol and tobacco: 5.3% Y/Y – "corroborated by BRC reports that grocery prices remain elevated."
- "Both headline and core inflation are likely to remain above 3% for the remainder of the year and above target throughout 2026 … We see grocery pressures persisting for the remainder of the year, and with food being one of the most salient components of consumer behaviour, inflation expectations increases could follow."

UBS

- Headline: 4.0% Y/Y – "which we think should be the peak", largely driven by higher energy and to a smaller extent core inflation.
- Core: 3.7% Y/Y
- Services: 4.8% Y/Y
- Core goods: 1.6% Y/Y
- Energy: 4.3% Y/Y – "predominantly due to base effects"
- Food, alcohol and tobacco: 5.3% Y/Y
- "Looking beyond September, we forecast a moderation to 3.4% y/y by Dec-25 and 2.1% y/y by Dec-26 with the annual averages at 3.4% in 2025 and 2.2% in 2026", acknowledging that the balance of risks is skewed to the upside.