mni

All Signal, No Noise

MARKET ANALYSIS

MNI UK Data Preview: January 2026 Release

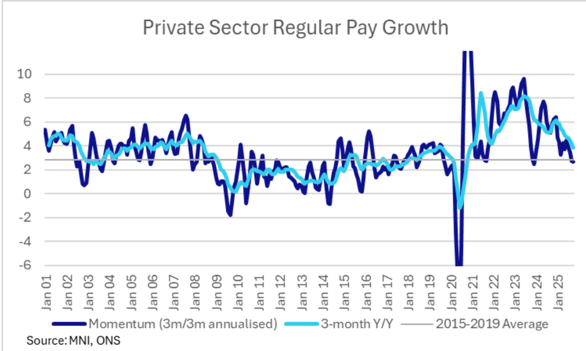
19 January, Tim Davis and Jonathan Nazar

Contents

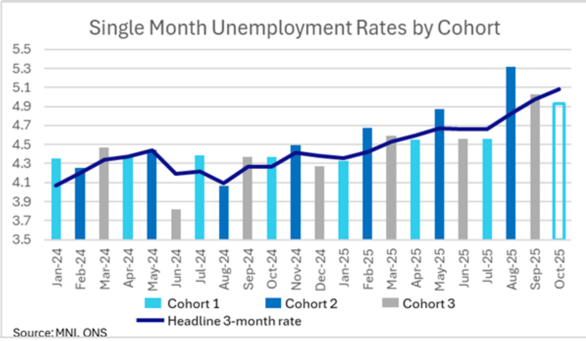
Both labour market data (Tuesday) and inflation data (Wednesday) are due for release this week. Unless we saw something substantial in both prints, we don't think there will be any impact on the February MPC decision.

Labour Market Preview: Downside risks to private wages

On the labour market data, private regular wage growth is expected to continue to moderate and the MNI median sees it at 3.7%Y/Y in the 3-months to November (with a skew towards a lower number). This would be a deceleration from 3.87%Y/Y in the 3-months to October and on the way to the BOE's Q4 forecast of 3.51%. Assuming no revisions, this would imply a single month number for November of 3.55%Y/Y and 3.88%Y/Y – hence either slightly above the 3.48%Y/Y seen in October or as much as four tenths higher. Of course, the expectation could also be that there is an upward revision to October data and then the Y/Y rate in November is similar. To us risks seems skewed towards a softer print than 3.7%.

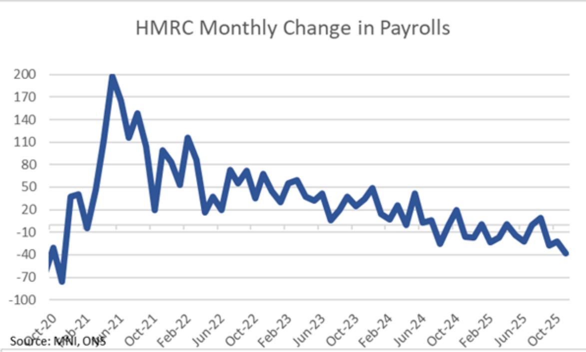


Quantities data is expected to show further payrolls deterioration but at a slower pace than November's -38k. The MNI median looks for December payrolls at -20k but some analysts have also noted that they look for upward revisions to November's data (Goldman Sachs putting the most optimistic number of -15k for November's revisions that we have seen).



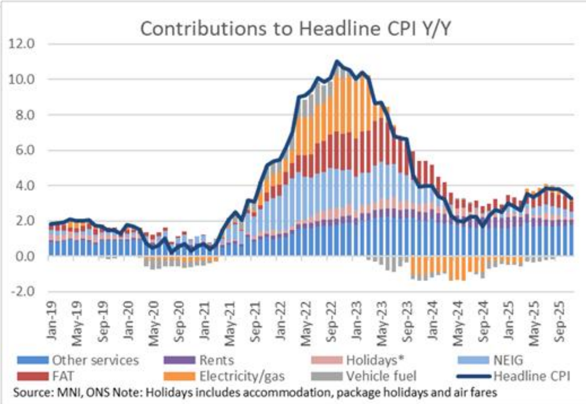
For the unemployment rate, analysts are generally split between it continuing to round to 5.1% or fall back to 5.0%. The MNI median looks for 5.1% but the mean is 5.06%. Only one analyst preview that we have seen (Morgan Stanley) looks for an increase in the rounded rate to 5.2%.

There will also be focus on the redundancy rates after these picked up in the last report.

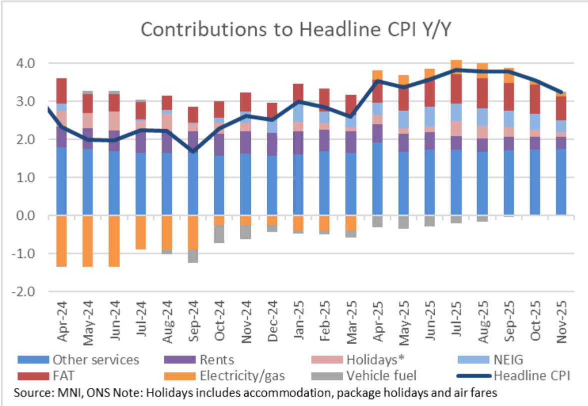


CPI Preview: Where Will Air Fares Land?

Regarding CPI, there are a number of question marks this month the most pressing are 1) when will the survey date be (and what is the impact on air fares) and 2) how much of a rebound there will be from some of the early Black Friday Discounts. In addition to these, accommodation base effects are expected to increase headline CPI (due to weakness in December 2024) while headline CPI is widely expected to see a 0.05ppt contribution from tobacco.



Tobacco is the easiest to explain: the 2025 Budget later than in 2024, so tobacco duty increased by RPI+2% on 26 November 2025 with the previous increase on 30 October 2024. This means that there wasn't the an annual increase in tobacco duty in the November CPI print, so November CPI saw tobacco contribute -0.06ppt to headline CPI. This base effect will be largely unwound in December where a +0.05ppt contribution is generally expected.



Turning to the survey date, collection will have been on 9 December or 16 December. This means that the data will have been collected relatively early or relatively late in the month. Last year's collection date was 10 December and generally the closer to Christmas and the holiday period, the higher prices are generally expected to be. Out of seven analysts, four expect 9 December as the index date while three expect 16 December – thus there is a relatively even split. The most obvious aspect this will impact will be air fares, and here expectations vary wildly . Analyst expectations are for an increase of between around 14-30%M/M if the index date was 9 December and if it is 16 December expectations range from 30-60%M/M. Remember that CPI data is not seasonally adjusted. To put this into context, December 2024 saw a 16.241%M/M increase. So expectations range from around a 1.6%Y/Y decrease change to around a 38%Y/Y increase. Contributions to headline CPI could therefore be from around -0.01ppt to +0.19ppt (or around -0.02ppt to +0.38ppt to services CPI). The median expectations seems to be around 30%M/M (which is around 12%Y/Y and contributing around 0.06ppt to headline CPI and around 0.12ppt to services CPI). There is therefore scope for a two-way surprise here.

In the November data, we estimate that core goods (NEIG) contributed -0.11ppt to headline CPI: -0.06ppt from clothing and footwear, -0.05ppt from recreation items, -0.04ppt from furniture and household equipment and -0.02ppt from vehicle purchases but offset by 0.07ppt from equipment for recording, data processing and photography. It does appear that quite a bit of the negativity here could be attributed to early Black Friday sales. This led to core goods inflation falling to 1.08%Y/Y in November against a 1.4%Y/Y median.

The MNI median does not really look for a notable core goods rebound, however, with the median looking for the same unrounded 1.1%Y/Y print as in November. Most analyst expectations are in the 0.9-1.2%Y/Y range while UBS looks for 1.5%Y/Y (back to October levels) and SocGen looks for 1.3%Y/Y.

Summary Forecast Tables

Summary of Analyst UK Labour Market Expectations (January Release)

	AWE ex bonus	Total AWE	Private AWE ex bonus	Unemployment	Employment (3m change)	HMRC Payrolls M/M
Aug-Oct	4.60	4.72	3.87	5.08	-16	-38 (Nov)
Sep-Nov (median)	4.5	4.6	3.7	5.1	32	-20 (Dec)
Sep-Nov (mean)	4.49	4.57	3.67	5.06	29	-19 (Dec)
BOE Q3 forecast			4.23	4.87		
BOE Q4 forecast			3.51	4.97		
Bbg consensus	4.5	4.6	3.7	5.1	31	-20 (Dec)
Bank of America			3.7	5.1		-20
Barclays	4.5	4.5	3.6	5.0		
Berenberg			3.7			
Deutsche Bank	4.5	4.6	3.6	5.1		-11
Goldman Sachs	4.5	4.6	3.66	5.1		-20
ING	4.4	4.6		5.0	60	
JP Morgan	4.5	4.6	3.7	5.1		-20
Lloyds	4.5	4.6		5.0	60	
Morgan Stanley	4.48	4.48	3.66	5.2	0	-20
NatWest Markets	4.5	4.6	3.7	5.1	15	-16
Nomura	4.5	4.6		5.1	0	-25
RBC	4.5		3.7	5.0		
Societe Generale	4.5	4.5	3.7	5.0	35	
TD Securities	4.5	4.6		5.0	32	

*AWE: Average weekly earnings

Source: Analyst previews, Bloomberg (consensus), MNI

Summary of Analyst December Inflation Expectations

	Headline	Core	Services	Core Goods	Energy	FAT*	Food	RPI (Y/Y)	RPI (Index)
November	3.25	3.18	4.39	1.08	1.85	4.16	4.23	3.76	405.6
December (median)	3.3	3.3	4.6	1.1	1.64	4.55	4.19	4.1	408.3
December (mean)	3.33	3.28	4.57	1.10	1.57	4.48	4.21	4.07	408.08
December (BOE)	3.46		4.6		0.6		5.3		
November BOE surprise (Aug MPR)	-0.16		-0.1		0.5		-0.8		
Bbg consensus	3.3	3.3	4.6					4.1	
UBS	3.43	3.53	4.7	1.5	1.1		3.9		
Societe Generale	3.4	3.4	4.6	1.3				4.1	
Deutsche Bank	3.4	3.3	4.6	1.2	1.67	4.60	4.2	4.2	408.5
Bank of America	3.4	3.3	4.6	1.1	1.6		4.4	4.14	
NatWest Markets	3.4	3.2	4.4	1.2			4.5	3.9	407.5
Santander	3.38	3.33	4.69					4.11	408.2
Goldman Sachs	3.34	3.24	4.53	0.98	1.55	4.61			
Morgan Stanley	3.33	3.27	4.64	0.96			4.18	4.02	
Nomura	3.3	3.3	4.7					4.1	408.3
ING	3.3	3.3	4.6						
Lloyds	3.3	3.3	4.5						
SEB	3.3	3.3						4.0	
JP Morgan	3.3	3.2	4.5					3.9	407.5
Daiwa	3.3	3.2							
Berenberg	3.3								
TD Securities	3.27	3.17	4.47	0.9	1.8	4.5			
Barclays	3.21	3.14	4.51	0.78	1.72	4.2		4.18	408.5

*FAT: Food, alcohol and tobacco

Source: Analyst previews, Bloomberg (consensus), MNI

Sell Side Inflation Preview Highlights (A-Z)

Bank of America

- Headline: 3.4% Y/Y
- Core: 3.3% Y/Y
- Services: 4.6% Y/Y – "In November, accommodation explained ~10bps of the fall in services … we expect some reversal in December. Moreover, we are likely to get favourable base effects in airfares due to [last year's] return collection day for flights falling on Christmas day. We expect airfares inflation to rise from 0.3% to 19.4% in December."
- Core goods: 1.1% Y/Y – "The fall we expect in core goods ex clothing offset by a rise in clothing inflation. Clothing prices fell in November … which reflected an increase in proportion of discounted prices ahead of Black Friday. This is likely to reverse in December."
- Energy: 1.6% Y/Y – "While weekly petrol prices likely rose in December by 0.9%m/m, the rise was smaller than a year ago."
- Food: 4.4% Y/Y – implied by "the pickup in BRC food inflation."
- Alcohol and tobacco: "Rise in tobacco duty should add 4-5bps to headline inflation."

Barclays

- Headline: 3.21% Y/Y
- Core: 3.14% Y/Y
- Services: 4.51% Y/Y – "Transport services to inflate 3.5% m/m, with holiday travel demand leading to airfares inflation of 30% m/m … North Rhine-Westphalia airfares (which have correlated with UK data in recent years) expanded 23% in December."
- Core goods: 0.78% Y/Y – "Our expectation of a 0.1% m/m contraction aligns with the BRC shop price index for non-food components … However, semi-durables subcomponents were stronger than expected, most notably clothing and footwear, so we track semi-durables at -0.3% m/m … Autotrader data for car sales was weaker than we had expected … We subsequently nowcast durables monthly inflation at 0.3% m/m."
- Energy: 1.72% Y/Y – "Takes account of pump prices growing by 1.1% m/m in December, leading to an energy forecast of 0.5% m/m."
- Food, alcohol and tobacco: 4.2% Y/Y – "Expect food and non-alcoholic beverages prices to grow 0.4% m/m, broadly in line with the BRC shop price food index growing 0.3% m/m. We estimate increases in excises will inflate tobacco prices by 2.4% m/m, but this is to be offset by alcoholic drinks contracting 1.9% m/m, consistent with the usually weak seasonal pattern."
    - Food and non-alcoholic beverages forecast at 0.4% M/M.
- Index date: Expect 9th December – "a key determinant of December airfares is the timing of the return legs of flights."

Berenberg

- Headline: 3.3% Y/Y – "A tick up in food and core goods price increases will be the culprits."
- "Slower global agricultural commodity price increases more recently and survey measures of manufacturers input prices easing point to a decline in food and core goods inflation ahead."
- "Inflation is likely to hover around 3% until April when we expect it to fall decisively to 2.2% as large administered price increases in April 2025 are not repeated, the government's energy bill subsidy kicks in, and slower unit labour cost growth pares back cost-push services inflation."

Daiwa

- Headline: 3.3% Y/Y
- Core: 3.2% Y/Y – "We see risks to our estimate of core inflation as finely balanced to the upside."
- Energy: "Despite an uptick in petrol prices, energy inflation should soften a touch on base effects."
- Food, alcohol and tobacco: "While the later Budget timing provided some circumstantial relief to inflation in tobacco products, new duties are likely to restore its higher contribution. The BRC also signalled broader upside risks to food prices."

Deutsche Bank

- Headline: 3.4% Y/Y
- Core: 3.3% Y/Y
- Services: 4.6% Y/Y – "We see private rents up 0.3% m-o-m. Our survey trackers continue to point to a slowdown in the rental market."
    - "We expect travel prices to take a big step up … [For airfares] pencilling in a near 28% m-o-m rise, acknowledging some meaningful uncertainty … Looking at observed prices within the ONS' CPI data, airfares could tick up as much as 45-50% m-o-m if prices were collected in the third week of December."
    - "Other travel services will also see a larger rise than last year on account of stronger coach fares, Eurotunnel fares, and sea-fares. We see this bucket up 0.9% m-o-m."
    - "We see big gains in both communication and recreational and personal services… For catering, 0.2% m-o-m. Accommodation prices will also rise … 0.3% m-o-m … Other recreational and cultural services will edge up 0.1% m-o-m, driven by some gains in horse-racing admissions, playgroup fees, exercise classes, live music, photographic services, and hairdressing."
- Core goods: 1.2% Y/Y – "Weaker discretionary spending – as evidenced by weaker retail sales – has likely limited price momentum. And increasing promotions and discounting suggest more sluggishness in the months to come"
- Energy: 1.67% Y/Y – "Our pump price model points to a 1.2% m-o-m rise … Heating oil prices, we expect, will retreat meaningfully following the November bounce. And we expect no change in gas and electricity prices."
- Food, alcohol and tobacco: 4.60% Y/Y – "Our own models point to processed food prices up 0.6% m-o-m with seasonal food prices up 0.4% m-o-m and meat up 0.2% m-o-m. We think there may be some downside given how sticky food prices have been in the ONS data."
    - Food: 4.2% Y/Y
    - Alcohol and tobacco: "we see alcohol and tobacco prices moving in opposite directions."
- Index date: Expect 16th December – "if we're right, this would put some upward pressure on the more volatile items in the services basket."

Goldman Sachs

- Headline: 3.34% Y/Y
- Core: 3.24% Y/Y
- Services: 4.53% Y/Y – "Base effects are likely to push up on the annual rate of accommodation services given weakness in December 2024."
    - "Airfares also see a strong base effect … But next week's figures could also be impacted by timing effects … December 9th has only once been used as an index date in 2014, and that year also saw a smaller than average [month-on-month] increase in airfares of 19%. We expect a slightly larger 22% increase given the likelihood of payback on November weakness, but this would still be below the December historical average … Uncertainty is very high both because there is only one

historical example where the index date fell on the 9th and because a later date would likely lead to a significantly larger rise in airfares.”

- Core goods: 0.98% Y/Y – “While an increase in sales is naturally strongly associated with lower core goods inflation [in November], we find that the following month tends to see a partial reversal in the number of sales and so slightly higher inflation. Nonetheless, we still expect the annual rate to drop slightly given this print sees a strong base effect and we think that the overall trend in core goods inflation is slowing.”
- Energy: 1.55% Y/Y – “Likely to show a sequential increase, driven by higher road fuel prices. Nonetheless, the annual rate is set to drop further given base effects.”
- Food, alcohol and tobacco: 4.61% Y/Y – “December should see a partial rebound due to 1) the increase in tobacco duty [which in 2024 instead affected November data] and 2) BRC data pointed to a firmer sequential increase in food prices.”
- Index date: Expect 9th December – “In recent years the two dates have been used with a similar frequency, and so we think that this is a close call … The timing of price collection in December has tended to be earlier on average than in other months.”

ING

- Headline: 3.3% Y/Y
- Core: 3.3% Y/Y
- Services: 4.6% Y/Y – “On a more "normal" rise in ticket prices in late 2025.”
- Food: “We're also watching if food inflation temporarily rebounds, though evidence from elsewhere in Europe suggests the trend is downwards.”

JP Morgan

- Headline: 3.3% Y/Y – “Close to rounding to a 3.2%.”
- Core: 3.2% Y/Y
- Services: 4.5% Y/Y – “Supercore services inflation has moderated over recent months, helped by a slowing in recreational services. Catering has been stickier and we expect this will remain the case in December.”
- Core goods: “Higher petrol prices create some modest upward pressure in December, but we expect core goods inflation will continue its softer trend. That rests partly on a view that November’s spike in audiovisual goods will be partly unwound.”

Lloyds

- Headline: 3.3% Y/Y
- Core: 3.3% Y/Y
- Services: 4.5% Y/Y

Morgan Stanley

- Headline: 3.33% Y/Y – “Entirely dependent on the index date … Our degree of conviction is not particularly high – but our base case is December 9 … If prices were sampled on December 16 instead, our headline forecast would be 3.5%Y, with core at 3.5%Y too.”
- Core: 3.27% Y/Y – Later index date would put core at 3.5% Y/Y.
- Services: 4.64% Y/Y – “Hotel prices and air fares were very soft in December 2024, resulting in very unflattering base effects. The index day plays a crucial role … In our base case, we see accommodation prices up 1.7%M, and air fares up 25%M. Services prices rise by 0.5%M … We see the underlying services inflation rate unchanged at 4.0%Y, with the next step down likely in the February and March readings.”

- “If the ONS sampled prices on December 16, this would be the latest December index day on record … Air fares close to 60%M. We would likely see similar dynamics in other modes of travel. However, our tracking suggests weaker hotel prices in the week ending December 21 … We estimate accommodation services inflation at -1%M with a later index day. All in all, if sampled on December 16, services prices would likely rise by 0.75%, leaving inflation at 4.9%Y.”

- Core goods: 0.96% Y/Y – “As clothing fails to reverse its Black Friday discounts, and recreational goods provide a decent drag … Used car prices look to have declined in December too … A later index day would mean more of a Black Friday reversal … Our base case is 0.1%M, 1.0%Y”, with a later index day we would look for an unchanged 1.1%Y.
- Energy: “Fuel prices rose by 1.1%M in December. In late December, the CMA stated that fuel retailers’ profit margins remain at “persistently high levels”, as the competition in the sector is “weak”. As of January 13, pump prices are down by 1.6%M.
- Food: 4.18% Y/Y – “Not impacted by the ONS’ methodological choices … We estimate a 0.4%M uptick … We see risks skewed a touch to the downside, as CEE data suggest some scope for a softer fresh foods print … We look for a relatively sharp deceleration in food inflation from January.
  - Alcohol and tobacco: “The Budget uprating of the tobacco duty has likely filtered through to retail prices in December. We pencil in a 3%M pick-up.”
- Index date: Expect 9 December – upside risks to forecast, particularly services, if December 16 (which would be the latest December index date on record).

NatWest Markets

- Headline: 3.4% Y/Y – “Borderline 3.3 / 3.4% on our forecast … Reflects a combination of stable core CPI and modest upside influences from food and tobacco.”
- Core: 3.2% Y/Y
- Services: 4.4% Y/Y
- Core goods: 1.2% Y/Y
- Energy: “Auto fuel prices to rise 1.1% m/m in December, though base effects mean the y/y rate would be little altered at 0.8% from 1.0% … the impact on CPI inflation would be marginal.”
- Food: 4.5% Y/Y – “We look for a partial reversal in December … As ever, the months around Christmas can bring some variations in pricing patterns in food and consumer goods.”
  - Alcohol and tobacco: “Modest upside influence from tobacco (7.0% from 4.2%)”

Nomura

- Headline: 3.3% Y/Y
- Core: 3.3% Y/Y
- Services: 4.7% Y/Y – “A return to more normal (larger) monthly price increases [for air fares] should push the annual rate up sharply, but then subsequently pull it down sharply in January 2026.”
- Further ahead, “we see headline and services inflation falling in the first few months of 2026, first in January, but more significantly in April as past increases in administered prices fall out of the annual comparison.”

RBC

- Food: 4.1% Y/Y – “given the extent of the increase in food prices between November and December 2024 … with the contribution to headline CPI remaining stable around 0.5ppts.”
- “The next significant move in UK CPI inflation will come in April when, combined with a number of administered price changes dropping out of the year-on-year calculation, the changes to domestic utility bills announced at Budget 2025 also come into effect.”

Santander

- Headline: 3.38% Y/Y – “driven strongly by the transport division, where the index day is key … Additionally, tobacco is a further upward influence.”
- Core: 3.33% Y/Y
- Services: 4.69% Y/Y – “Transport services prices in December are likely to be driven by pronounced seasonal dynamics in air travel. We now expect the index day to fall on 16 December rather than 9 December … On this basis, and following the sharp discounting seen in November, we are forecasting a 42% month-on-month increase in airfares” (13bp contribution to headline CPI).
    - “We expect both sides of restaurants and hotels to make positive contributions, chiefly +6bp from accommodation services. We assume a modest 1% MoM rebound in hotel prices … Risks are firmly to the downside here, if the weaker-than-average pricing seen for most of 2H25 continues rather than bottoming out … Catering services are likely to see similar price rises to last December, although we think restaurants, cafes and dancing establishments are likely to be a bit stronger than 2024 (0.3% versus 0.2% MoM).”
- Core goods: “Clothing and footwear inflation is expected to rise to -0.2% YoY. Following earlier-than-usual Black Friday discounting in November, we expect some unwinding in December … Signals from the BRC Shop Price Index reinforce our view.”
- Energy: “Liquid fuel prices dipped in December, we assume a 3% MoM fall which would take about 1bp off total CPI.”
- Food: “We face a mixed set of signals for UK food prices in December. The Grocery Price Index points to a broadly flat outcome, while BRC data suggest a slightly stronger increase. A cross-check against the Eurostat series implies an outcome somewhere between the two. Our forecast ultimately sits toward the upper end of this range, with a 0.2% MoM increase … excluding 2020, it would be the softest December outcome in a decade.”
- Index date: Expect 16 December – implies a higher headline rate due to higher airfares.

SEB

- Headline: 3.3% Y/Y – “Sticky wage inflation is an uncertain factor, partly because of a larger increase in the minimum wage in 2026. There are signs that wages have slowed more markedly over the last 2-3 months.”
- Core: 3.3% Y/Y
- “Base effects from higher indirect taxes and administrative prices will lower the inflation rate in the first half of next year.”

Societe Generale

- Headline: 3.4% Y/Y
- Core: 3.4% Y/Y
- Services: 4.6% Y/Y – “largely driven by airfares … highly dependent on the ONS collection date. We assume 16 December, which would imply airfares rising around +40% mom versus +16% mom in December 2024 … If the collection date instead falls on the 9th, the monthly increase would be closer to the 2024 profile, reducing our services forecast by roughly 0.25pp. Furthermore, if our assumption of a 16 December collection is correct, this statistical anomaly should unwind in the January print, lowering services by 0.25pp.”
- Core goods: 1.3% Y/Y – “November’s commentary noted heavier-than-usual discounting, which weighed on clothing and other prices. We expect this effect to unwind in December.”
- Food, alcohol and tobacco: “Increase in tobacco duty likely to add around 0.05pp to headline CPI.”
- Index date: Expect 16 December – implies stronger airfares, if prices collected on the 9th instead, services inflation down by roughly 0.25pp from forecast.

TD Securities

- Headline: 3.27% Y/Y – a later index date would bring headline up to 3.4% y/y.
- Core: 3.17% Y/Y
- Services: 4.47% Y/Y – "Looking to December, we look for airfare price pressures to swing back with a +14% m/m increase – lower than December 2024's +16%, creating a downward contribution on an annual basis. Upward price pressure m/m was overwhelmingly driven by the long-haul index, with the short-haul seeing modest upward pressure, and domestic seeing flat-to-downwards pressure on prices compared to the previous months."
    - Hotel prices: "our tracking suggest a modest +0.1% m/m increase. This is in contrast with the -1.08% m/m in December 2024, creating an upward drag on annual contribution."
    - "We see the rent category increasing by 0.2% m/m – its slowest pace this year."
    - "We do see fair upside risks [to services inflation]. For December, an index collection date of the 16th [vs 9th assumed] would bring airfares up to +31% m/m, and services up to 4.6% y/y."
- Core goods: 0.9% Y/Y – "We see a much more mixed picture in December [vs November] as continued discounting in clothing, auto, and recreational goods prices is partially offset by strength in household goods. Ultimately, we don't expect a full rebound of November discounts."
- Energy: 1.8% Y/Y – "Base effects bring fuel inflation to 0.8% y/y – down from 1.0% in November."
- Food, alcohol and tobacco: 4.5% Y/Y – "Early signals from EU food HICP and BRC reports point to a 0.3% m/m growth in grocery prices, though this is largely in-line with the seasonal pick-up seen this time last year."
- Index date: Expect 9 December – if prices were collected on the 16th, airfares would strengthen considerably to 31% m/m, which could bring services inflation up to 4.6% y/y, and headline to 3.4%.

UBS

- Headline: 3.43% Y/Y – "solely driven by the bounce back in core inflation, while food and energy inflation are likely to ease."
- Core: 3.53% Y/Y – "with increases in both goods and services inflation."
- Services: 4.7% Y/Y – "predominantly due to transport (airfares) and accommodation services."
- Core goods: 1.5% Y/Y – "largely due to a reversal of the Black Friday sales in November."
- Energy: 1.1% Y/Y
- Food: 3.9% Y/Y
