

# MNI UK Data Preview: February 2026 Release

16 February, Tim Davis and Jonathan Nazari

It's a huge week for UK data with labour market data (Tuesday), inflation data (Wednesday) as well as flash PMIs, retail sales and public finance data on Friday.

In terms of market reaction, we think the easiest read is likely to come from labour market data where consensus expectations are aligned with the expectations from the February MPR. There will be one more labour market print ahead of the March MPC decision, but a print in line with expectations keeps a March cut very much in play.

Things are trickier on the inflation side. The Bank's updated staff forecasts put January headline CPI at 2.90%Y/Y which is a full tenth below consensus expectations of 3.0%Y/Y, and it seems as though this is pretty broad-based across categories. It is also important to note that this is the last inflation print ahead of the March MPC meeting. Assuming we get a 2.9%Y/Y print or lower that should keep a March cut in play, and a lower print should increase market pricing of a cut further. A print of 3.1%Y/Y or higher is likely to make it harder for Governor Bailey to vote for a cut but we think that Mann will be more focused on the consumer discretionary components than just headline (either way pricing for March will be reduced). We are less sure of the reaction to a 3.0%Y/Y print, however: this would be higher than the BOE staff forecast but in line with consensus expectations. However, that consensus represents economists' views which doesn't necessarily fully align with traders' expectations. So we think this could create a bit of a confused market reaction.

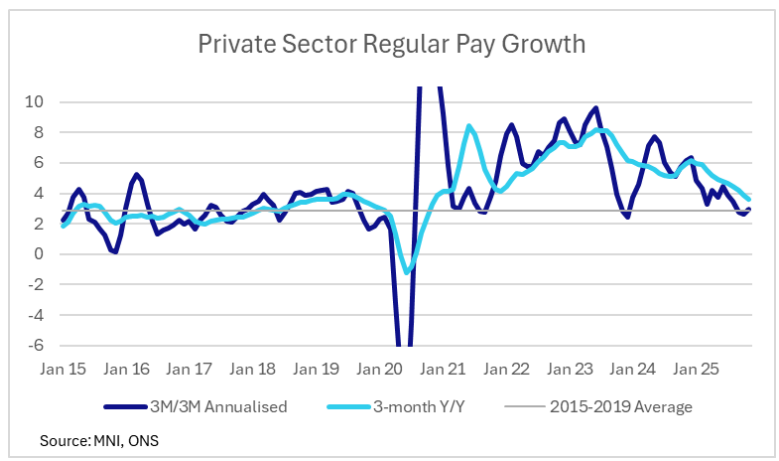
Looking to the flash PMIs, the January data saw notable upside surprises to both output and prices. If we see more of the same, that could also have an impact on March pricing. Earlier in the day on Friday we will receive retail sales data (notoriously noisy but Mann has stated that she is particularly interested in consumer discretionary pricing) as well as public finance data. We think that all of these data are likely to come too late to be included in the OBR's updated EFO forecasts to be presented at the Spring Statement on 3 March (two weeks' time).

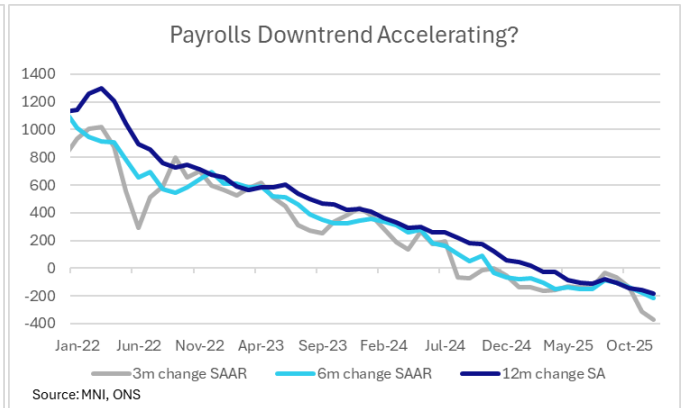
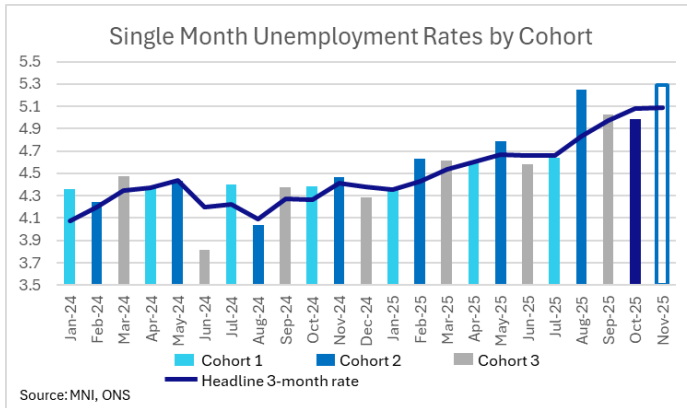
## Labour Market Preview

On the labour market data, private regular wage growth is expected to moderate further with the updated BOE forecast at 3.43%Y/Y for the 3-months to December (down from the 3.51%Y/Y forecast that was published in November). Sellside analysts have coalesced around this figure with all but one of the 12 previews that we have read either looking for the same 3.43%Y/Y unrounded number of 3.4%Y/Y (rounded). As a reminder only a third of the cohort is surveyed each month and the first two months of the quarter averaged 3.50%Y/Y. This means that to get to 3.43%Y/Y without any revisions to past data would require a December single month print around 3.3%Y/Y (around a 0.6ppt deceleration from September versus decelerations of 1.0ppt in Oct vs Jul and 0.8ppt in Nov vs Aug). We don't think the whole economy or including bonus numbers are particularly important for the MPC at present.

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For the unemployment rate, the February MPR forecast is for 5.11% in the 3-months to December while the median of the 13 previews we have read looks for 5.1% with a mean of 5.15%. Another negative payrolls print is expected, with the median expectation at -20k for the flash January print although there are some expectations for December's -43k to be revised up to between -30k and -20k.

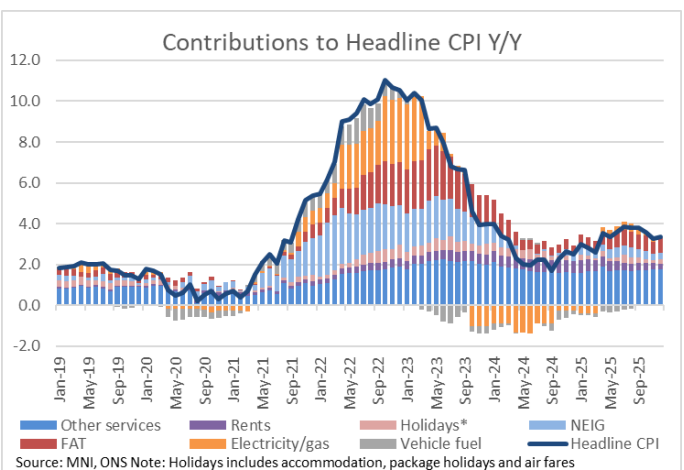
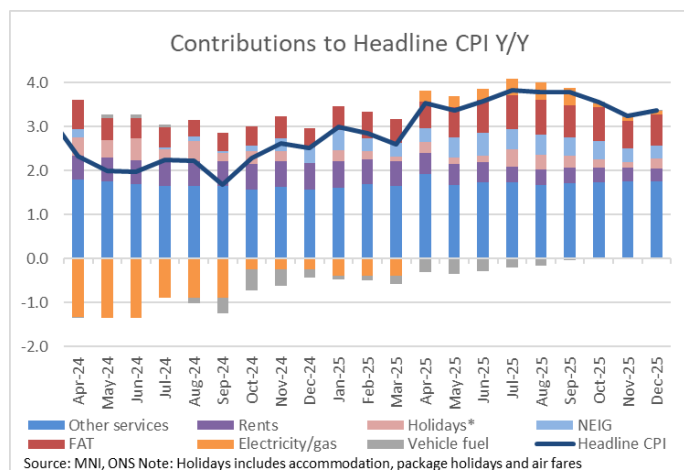
CPI Preview

UK CPI is expected to move lower in January, with the February MPR looking for a print of 2.90%Y/Y and consensus looking for 3.0%Y/Y (down from 3.37%Y/Y in December). Looking through the expected changes, education and air fares are expected to bring services CPI lower while fuel and gas / electricity prices are also expected to fall and (not in line with all analysts) the BOE's forecasts also expect food prices to fall.

Starting with services, a base effect will be removed from education as the VAT that was added to private school fees in January 2025 will fall out of the Y/Y rate. This alone is expected to reduce headline CPI by around 0.15ppt. The other expected factor is a reversal in the strength of air fares that was seen in the December print. We have seen analyst views range from -26%M/M to -20%M/M (which equate to about 1.5%Y/Y to 10%Y/Y increases versus the 11.0% increase seen in December). Depending on which end of analyst expectations air fares fall, they would be expected to reduce headline CPI by 0.01-0.05ppt (and services CPI by about double that). The Bank's February forecast looks for services CPI at 4.14%Y/Y while the median expectation from the previews we have read looks for 4.23%Y/Y (lower than the Bloomberg consensus of 4.3%Y/Y).

The Bank of England also looks for slower core goods inflation of 0.75%Y/Y. The median from the previews we read look for closer to 0.9% (but it is hard to see where the discrepancy is here).

Energy is largely expected to fall due to the quarterly electricity and gas price cap as well as softer petrol prices.



For food, the Agents' survey in February noted that food prices appear to have peaked (although there was a strong showing for food prices in the BRC Shop Price Index albeit the survey dates don't align). There is some variation in analyst forecasts for the food and non-alcoholic beverages category which range from 3.9%Y/Y to 4.2%Y/Y. The key point, however, is that the BOE forecast looks for a much softer 3.70%Y/Y print.

The CPI print will also see the introduction of new weights, but these aren't really expected to show huge changes. This will be the last CPI print to be released ahead of the March MPC meeting.

The last point, as we outlined above, is that although we think that Governor Bailey is very much focused on headline CPI for his next decision, we think that Mann will be looking a lot more at the consumer discretionary categories (such as restaurant prices that we had been highlighting a lot last year as were sort through the first  $\frac{3}{4}$  of the year before accelerating a little into year-end).

## Summary Forecast Tables

Summary of Analyst UK Labour Market Expectations (February Release)							<b>mni</b>
	AWE ex bonus	Total AWE	Private AWE ex bonus	Unemployment	Employment (3m change)	HMRC Payrolls M/M	
Sep-Nov	4.46	4.68	3.63	5.09	82	-43 (Dec)	
Oct-Dec (median)	4.2	4.6	3.4	5.1	90	-20 (Jan)	
Oct-Dec (mean)	4.20	4.62	3.41	5.15	86	-19 (Jan)	
BOE Q4 forecast			3.43	5.11			
Bbg consensus	4.2	4.6	3.4	5.1	108	-20 (Jan)	
Bank of America	4.2		3.4	5.1	60	-20	
Barclays	4.2	4.6	3.4	5.2			
Daiwa			3.4				
Deutsche Bank	4.2	4.7	3.4	5.2		-19	
Goldman Sachs	4.2	4.6	3.43	5.2		-20	
ING	4.2	4.6		5.1	105		
Jefferies			3.4	5.1			
JP Morgan	4.2	4.6	3.4	5.2		-20	
Lloyds	4.2	4.7		5.1	75		
Morgan Stanley	4.21	4.62	3.43	5.2	55	0	
NatWest Markets	4.2	4.6	3.4	5.1	120	-26	
Nomura	4.2	4.6		5.1	125	-30	
RBC	4.2		3.5				
Societe Generale		4.6	3.4	5.2	34		
TD Securities	4.2	4.6	3.4	5.1	113		

\*AWE: Average weekly earnings  
Source: Analyst previews, Bloomberg (consensus), MNI

Summary of Analyst January Inflation Expectations									<b>mni</b>
	Headline	Core	Services	Core Goods	Energy	FAT*	Food	RPI (Y/Y)	RPI (Index)
December	3.37	3.25	4.53	1.02	1.75	4.70	4.54	4.18	408.5
January (median)	3.0	3.0	4.23	0.88	-0.2	4.1	4.06	3.8	406.7
January (mean)	3.00	3.04	4.24	0.89	-0.22	4.15	4.04	3.80	406.62
January (BOE Feb MPR)	2.90	2.90	4.14	0.75	-0.3	4.2	3.70		
December BOE surprise (Nov MPR)	-0.16		-0.1		0.5		-0.8		
Bbg consensus	3.0	3.0	4.3					3.8	406.8
Santander	3.19	3.21	4.43					3.87	406.9
TD Securities	3.09	3.19	4.42	1.0	0.0	3.9			
UBS	3.02	3.05	4.26	0.9	-0.2	4.3			
Goldman Sachs	3.01	3.03	4.28	0.85	-0.54	4.37			
Deutsche Bank	3.01	3.03	4.26	0.87	0.0	4.1	3.92		
Lloyds	3.0	3.1	4.3						
Daiwa	3.0	3.1							
Nomura	3.0	3.0	4.3					3.8	406.8
Bank of America	3.0	3.0	4.2	1.0	-0.2		3.9	3.72	406.3
ING	3.0	3.0	4.2						
Societe Generale	3.0	3.0	4.2				4.2	3.8	
RBC	3.0		4.1						
Morgan Stanley	2.98	3.00	4.22	0.88			4.01	3.83	
Barclays	2.94	2.98	4.23	0.76	-0.41	4.09		3.78	406.5
JP Morgan	2.9	3.0	4.2					3.7	406.2
Jefferies	2.9	3.0	4.2						
NatWest Markets	2.9	2.9	4.1		-0.2		4.1	3.9	407.0

\*FAT: Food, alcohol and tobacco  
Source: Analyst previews, Bloomberg (consensus), MNI

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

### Bank of America

- Headline: 3.0% Y/Y
- Core: 3.0% Y/Y
- Services: 4.2% Y/Y – “Education, airfares, food and energy are likely to contribute to the fall in [headline] inflation. We are likely to get favourable base effects from the VAT rise for private schools in January last year.”
  - “The fall in airfares last January was lower than average, and this January we expect airfares to fall by 33% m/m, causing a decline in annual airfares inflation.”
- Core goods: 1.0% Y/Y
- Energy: -0.2% Y/Y – “Gas prices are likely to rise 0.2% m/m vs. 1.2% m/m rise in previous Jan. Moreover, weekly fuel prices likely fell in January vs a rise last Jan.”
- Food and non-alcoholic beverages: 3.9% Y/Y – “driven by base effects. But the strength in the BRC shop price index poses upside risks to our forecast.”

### Barclays

- Headline: 2.94% Y/Y
- Core: 2.98% Y/Y
- Services: 4.23% Y/Y – “we track airfares inflation at -21% m/m in January, expecting an index day of 13 January. Our tracking would be consistent with the strong historical relationship between December and January airfares, which would imply a contraction of 20-25% m/m based on December airfares. For transport services as a whole, we expect a monthly contraction of 2.8%.”
  - “The introduction of VAT on school fees last year is set to fall out of the annual inflation calculation in January, leading to a fall in education inflation of 2.5pp to 5.1% y/y. This alone is set to slow annual services inflation by roughly 15bp.”
- Core goods: 0.76% Y/Y – “durables to disinflate by 0.1pp to 0.7% y/y, semi-durables to slow last January, relative to an average of -2.8% m/m over the last 15 years. Autotrader data for used cars was strong in January, and may indicate some upside risk to durables.”
- Energy: -0.41% Y/Y – “Ofgem price cap increased by 0.2% in January, but will lead to a fall in the annual inflation rates of electricity and gas by roughly a percentage point on average, as the cap rose by 1.2% in Q1 of last year. We also update our tracking of pump prices to a contraction of 2.3% m/m after accounting for complete January data, down from our previous forecast of -2%. The combination of these changes lead to energy prices moving into contraction on a year-on-year basis.”
- Food, alcohol and tobacco: 4.09% Y/Y – “We track food and non-alcoholic beverages prices growing by 0.1% m/m in January, higher than our last published forecast (-0.1% m/m), due to upwards strength in the BRC shop price food index. Although the BRC data signal would imply stronger food price growth than our updated nowcast ... we believe there may be some catch up taking place in the BRC indicator.”
- Weights: “We expect the weight of services to increase, at the expense of energy and core goods. The food, alcohol and tobacco (FAT) weight should increase marginally ... The BoE may also have different estimates for 2026 weights, which it acknowledged were accounted for in their forecast.”
- Index date: 13 January.

## Daiwa

- **Headline:** 3.0% Y/Y
- **Core:** 3.1% Y/Y – “noting the stubbornness of some forward looking indicators, we see core inflation easing to 3.1%Y/Y, down just 0.1ppt, albeit with the risks skewed to the downside”

## Deutsche Bank

- **Headline:** 3.01% Y/Y
- **Core:** 3.03% Y/Y
- **Services:** 4.26% Y/Y – “There will be a lot of focus on travel and transport prices - given how volatile they have been all of last year. Given the December print, and likely choice of index day [13 January], we expect a sizeable 23% m-o-m pull back in airfares. Other travel prices, we think, will be supported modestly by stronger seafares.”
  - “On housing, we expect private rents to have picked up by 0.2% m-o-m, with social rents up 0.6% m-o-m. This would see the overall rents basket up 0.3% m-o-m.”
  - For recreational and personal services, “we expect overall price cuts to feature in the January data. Catering prices, we think, will have fallen 0.5% m-o-m.”
  - “Accommodation prices, as per our dbDIG Hotel Price Tracker, will have likely moved down sizeably - with the overall basket shrinking by 3.9% m-o-m. Package holiday prices, we expect, will move broadly sideways. And other recreational and personal services - including horseracing, cinema admissions, live music tickets, and theatre prices - will see prices drop in January. We expect the basket to drop 0.7% m-o-m.”
- **Core goods:** 0.87% Y/Y – “Health goods prices, we expect, will rise 0.7% m-o-m. Clothing prices, we expect, will shrink 3.7% m-o-m. Furniture prices, on our models, are expected to have fallen by 4.2% m-o-m. Car prices, we expect, will have picked up 0.1% m-o-m. The latest AutoTrade Retail Price Index showed a slight increase from 0% to 0.2% on like-for-like prices.”
- **Energy:** 0.0% Y/Y – “Looking at non-oil prices, electricity prices we think will have risen 3.8% m-o-m (using a weighted average across fixed and variable tariffs), while gas prices we estimate will have fallen 3.7% m-o-m. Moving the other way will likely be pump prices. Pump prices were down 2.1% m-o-m on our trackers.”
- **Food, alcohol and tobacco:** 4.1% Y/Y – “We see alcohol and tobacco prices also on the rise to start the year. On the former, our webscrapes point to 2.1% m-o-m increase, driven by big gains in spirits and beer prices. On the latter, our dbDIG Tobacco Price Tracker points to a 1% m-o-m increase.”
  - **Food and non-alcoholic beverages:** 3.92% Y/Y – “Incorporating the recent wave of survey data, our models point to a 0.3% m-o-m rise in processed food, with unprocessed food prices up 0.2% m-o-m.”
- **Index date:** 13 January.
- Looking ahead, “as some of the big price rises drop out of the annual rate calculation, slower administrative price rises by and large will see inflation (particularly services) drop lower through Q2-26, settling just around target.”
- “We expect small upward gyrations through the year but see price momentum staying range bound between 2.2% y-o-y and 2.5% y-o-y.” – noting risks of stickier services prices and trade diversion pushing prices up, as well as downside risks to food price momentum and oil and gas prices (despite ongoing geopolitical volatility).

## Goldman Sachs

- Headline: 3.01% Y/Y
- Core: 3.03% Y/Y
- Services: 4.28% Y/Y – “Rate of inflation in the education category is set to decline as the January 2025 increase – which resulted from the introduction of VAT on private school fees – drops out of the year-on-year numbers. This print should also see a larger sequential decrease in airfares than last year, given that the seasonal increase in December was larger than a year ago. Private and non-private rents are also likely to increase by less than in January 2025.”
  - “Within underlying services inflation, we do expect the figures to show a sequential decline in catering services prices on a non-seasonally adjusted basis driven by January discounting. However, discounting also affected the January figures last year, and so we expect the annual rate of inflation in this component to be relatively little changed.”
- Core goods: 0.85% Y/Y – “partly driven by base effects ... we continue to expect the trend to moderate in the coming months, but the notable increase in the non-food component of the BRC shop price index does point to some upside risk at this print.”
- Energy: -0.54% Y/Y – “should show a sequential decrease driven by a fall in petrol prices.”
- Food, alcohol and tobacco: 4.37% Y/Y – “given strong base effects ... [although] the latest BRC data point to a firmer sequential food inflation print in January.”

## ING

- Headline: 3.0% Y/Y
- Core: 3.0% Y/Y
- Services: 4.2% Y/Y – “Headline inflation set to dip back on airfare noise ... and the fading of last year’s private school tax hike. But we aren’t expecting any drastic changes in “core services” inflation, the Bank of England’s main preoccupation.”
- Food: “Headline inflation set to dip back on ... lower food price pressure”
- Looking ahead, “the bigger fall in inflation will come in April, when we expect headline CPI to dip back to 1.8%.”

## Jefferies

- Headline: 2.9% Y/Y
- Core: 3.0% Y/Y
- Services: 4.2% Y/Y – “Downward pressure should come from ... education prices, with last year’s VAT increase on private school fees dropping out of the annual comparison.”
- Energy: Downward pressure from fuel.
- Food: “Downward pressure should come from food.”
- Weights: “January prints typically carry additional uncertainty due to annual CPI basket reweighting, but this year we expect a more balanced adjustment than the large shifts seen during and immediately after the pandemic”
- “This should mark the start of a relatively rapid disinflation phase over the first few months of the year, driven by base effects and government policy, with headline inflation likely moving close to 2% by April.”

## JP Morgan

- **Headline:** 2.9% Y/Y – “There is some risk of upward price-setting effects in the month, although we expect they will be small outside of recreational goods and services, and clothing.”
- **Core:** 3.0% Y/Y
- **Services:** 4.2% Y/Y – “step down in the annual rate helped by ... core services, transport services ... We expect rental inflation will continue to slow, based on lettings data from the RICS.”
- **Core goods:** “step down in the annual rate helped by core goods.”
- **Food, alcohol and tobacco:** “step down in the annual rate helped by ... food, alcohol.”

## Lloyds

- **Headline:** 3.0% Y/Y – “driven by slower inflation in food, energy, education and transport.”
- **Core:** 3.1% Y/Y
- **Services:** 4.3% Y/Y – “following December’s seasonal rise, airfares are likely to have dropped by ~23% more than they did last year.”
- **Core goods:** “However, our forecast also takes on board information from the BRC Shop Price index, that suggests that there was less-than-usual seasonal discounting at clothing & footwear and furniture stores this January.”
- **Energy:** “petrol prices fell 2.2% last month relative to a 0.8% rise in January 2025”
- **Looking ahead,** “we still expect CPI to drop sharply around the 2% mark in the second quarter.”

## Morgan Stanley

- **Headline:** 2.98% Y/Y
- **Core:** 3.00% Y/Y
- **Services:** 4.22% Y/Y – “Categories where we have some more certainty: We model a 3.9%M drop in hotel prices, on the back of high-frequency tracking around January 13, which we think will be the index day. We forecast a relatively seasonal 25%M drop in air fares.”
  - “In terms of administrative price changes in January, given the social rents cap at 2.7% between April 2025 and March 2026, we peg the January %M change to 0.5%M, which leaves the annual inflation rate at precisely 2.7%Y. Private education and bus fares should provide decent base effects given no change in these in 2026, versus government mandated hikes in 2025. We model hospital services – where prices change at the start of the quarter – at 0.8%M, but see modest downside risks to this estimate.”
  - “Catering discounts in the UK’s largest pub chain seem reasonably comparable to last year’s. There is a question of breadth versus width – sales in this particular chain, where the ONS, we think, samples ~25% of all beverage prices, were more targeted but a bit more aggressive last year. We assume there is a chance that last year’s weak print came as a result of the ONS concentrating its sampling on those items that were particularly steeply discounted. As we read it, however, last January’s - 0.3%M print was due to more widespread sales in the hospitality sector. Online resources and anecdotal data suggest that sales were even more widespread last month. Tallying all this up, we model a 0.3%M decline in catering prices, but with downside risks around this print.”
- **Core goods:** 0.88% Y/Y – “We model a 1.1%M drop in core goods prices, which is a robust seasonally adjusted print. Part of our upward bias is to do with weak prices in November and December – it is hard to pencil in steep additional winter discounting, when the bulk of it happened around Black Friday already. Looking at core goods prices between October 2025 and January 2026, our forecast implies a total 1.1%M price correction. This is not as aggressive as in winter 2023/24, but it is steeper than at the turn of last year, and broadly in line with pre-Covid norms for the period .. We see mild downside risks to this print.”

- Energy: “Fuel prices have fallen by 2.3%M, while the utility bills cap in January rose by 0.2%M. Correcting for fixed tariff customers, our forecast is for a 0.1%M pick-up in electricity and gas prices.”
- Food and non-alcoholic beverages: 4.01% Y/Y – “Combining higher-frequency data ... and correcting for some unusually large upticks in the December data, we get to an estimate of a 0.3%M pick-up in food prices ... risks to our number are probably skewed to the downside.”

### NatWest Markets

- Headline: 2.9% Y/Y
- Core: 2.09% Y/Y – “partly base effect-driven [airfares, VAT on private school fees, less generous post-Christmas discounting in 2025].”
- Services: 4.1% Y/Y – “We look for airfares to fall by -26% m/m in January, reversing much of December’s rise. Base effects here would see airfare inflation falling back to 1.3% y/y from 11.0%.”
- Core goods: “Recent trends in retail expenditure have been somewhat soft and our forecast assumes that this weaker demand prompts more extensive price cutting.”
- Energy: -0.2% Y/Y – “Auto fuel prices are forecast to fall by -2.2% m/m in January, lowering the y/y rate to -2.1% from +0.9%, thereby reducing CPI inflation by ~8bp. We expect broadly unchanged domestic gas & electricity prices in January, with base effects pushing the y/y rate down to 1.2% from 2.5%, subtracting ~4bp from CPI inflation in the month.”
- Food and non-alcoholic beverages: 4.1% Y/Y

### Nomura

- Headline: 3.0% Y/Y – “Base effects should be largely responsible for January’s decline.”
- Core: 3.0% Y/Y
- Services: 4.3% Y/Y – “more normal rises in ... rent and recreation prices relative to January 2025 ... and the school VAT increase from January 2025 dropping out of the annual comparison ... If hotel prices revert to their pre-2019 seasonal pattern then that could contribute on the upside to headline CPI.”
- Energy: “a small decline in petrol prices.”

### RBC

- Headline: 3.0% Y/Y
- Services: 4.1% Y/Y – “should slow markedly with the reversal of the previous month’s air fares effect, last year’ imposition of VAT on private school fees falling out of the y/y calculation and the decision to extend the current bus fare cap to March 2027 all contributing to a slowing to 4.1%.”
- Energy: “The new Ofgem price cap period commenced on January 1st and though the price cap rose slightly in vs. the October to December 2025 period y/y the increase has slowed to 1.2% y/y compared to 2.2% in the previous three-month period shaving around half a percentage point off the headline annual rate.”
  - “Motor fuels should also make a sizeable downward contribution of 0.1ppt – petrol and diesel prices fell by a little over 4p per litre between December and January compared to an increase in the same period last year.”
- Food and non-alcoholic beverages: “Where we differ slightly from the MPR forecasts is in respect of food prices – the latest projections show a sharp slowing in food price inflation, subtracting 0.1ppts from headline CPI inflation but in our estimate, we see the annual rate of food inflation unchanged.”

## Santander

- **Headline:** 3.19% Y/Y – “driven strongly by the transport and education divisions, with the latter thanks to the base effect of the robust rise in private school fees from the introduction of VAT in the same month of 2025”, with smaller negative contributions from energy, recreation and culture, food, alcohol and tobacco.
- **Core:** 3.21% Y/Y
- **Services:** 4.43% Y/Y – positive contributions: **restaurants and hotels:** “We forecast -0.1% MoM for Catering Services, implying a 2bp acceleration for annual CPI. This includes a larger 0.25% MoM fall in restaurants etc., where prices steadily accelerated towards the end of last year... Accommodation Services is the opposite story, with very weak base pricing from January 2025 and throughout H2. We assume -2% MoM for hotels, which is below average even for this weak time of year but much stronger than January 2025's -4.6% MoM. That drives a +6bp contribution to total CPI.”
  - **Negative contributions: airfares:** “we assume a -25% MoM change, slightly above average for the time of year. Risks are probably to the downside here.”
  - **Education:** “January is normally a non-event for this area of the inflation basket, flatlining on the month, but 2025 was an exception thanks to the introduction of VAT on private school fees. We do not expect the ONS to even sample school fees again in January 2026, so we think this category will be a 7bp drag on headline CPI thanks to the VAT base effect dropping out.”
- **Food, alcohol and tobacco:** both subdivisions to have a negative influence: “Signals for January are mixed. The BRC index — which has been a particularly poor guide to ONS data lately — points to a very strong month for food prices. We are inclined to place limited weight on this and instead focus on other indicators, including the grocery price index, Kantar data and Eurostat as a guide. Based on these, we pencil in a 0.6% MoM rise in January, which would not be atypical. This would still be smaller than the 0.9% MoM increase seen last January and would imply a small negative contribution.”
  - For tobacco “we pencil in a 0.2% MoM increase. Compared with last January, this would imply a small negative contribution from tobacco to the change in the 12-month CPI rate. Alcohol prices look to have risen, as is often the case in January. This time, we expect a 1.8% MoM increase, which would be smaller than the 2.6% MoM rise seen last January and would also result in a further small negative impact.”
- Looking ahead, “our forecasts see headline CPI easing from 3.4% in December to 3.2% in January 2026, before ticking slightly higher through 1Q. The more pronounced moderation comes in the spring, with CPI falling sharply to 2.2% in April — the low point for the year ... From there, inflation remains relatively contained through the summer, running in a 2.2–2.3% range, before edging higher into the autumn. Even with that late-year firming, 2026 represents a far more comfortable inflation backdrop than recent years, with sustained prints close to target for much of the year.”
- “Core CPI follows a similar pattern. It holds around 3.2–3.4% in 1Q before dropping to 2.7% in April. Through the middle of the year, core inflation stays below 3.0%, before rising modestly to 3.2% by December.”

## Societe Generale

- **Headline:** 3.0% Y/Y – “decline is likely to be broad-based across components.”
- **Core:** 3.0% Y/Y
- **Services:** 4.2% Y/Y – “should benefit from last year’s VAT increase on private schools not being repeated, a negative base effect in airfares, and the absence of last year’s large jump in rents.”
- **Energy:** “1.9% mom decline in fuel prices, combined with a negative base effect, should shave 0.1pp off headline CPI. Similarly, energy utilities should also benefit from a favourable base effect.”
- **Food and non-alcoholic beverages:** 4.2% Y/Y – “The BRC shop price index rose by 0.6pp to 3.9% yoy in January, pointing to a more modest decline [than forecast by the BOE].”

## TD Securities

- **Headline:** 3.09% Y/Y
- **Core:** 3.19% Y/Y
- **Services:** 4.42% Y/Y – “Following November's -19% m/m decrease in airfares, December saw a large rebound of +28%. This same pattern was observed in 2024 (-19% & +16%). Looking to January 2026, we see an unwind that matches the one observed in 2025. January 2025 saw a -19% m/m decrease in airfares, while our tracked indicates a -20% for January 2026. All sub-indices contributed to the downwards pressure on flight prices, with long-haul being the major culprit.”
  - “Hotel prices have seen three consecutive months of m/m decreases in price levels. The rate of decrease slowed in December (vs. -2.2% and -2.1% in October and November, respectively); however, we see it re-accelerating as our tracking suggests January hotel prices falling another 2%. No regional patterns emerged, as lower prices were observed across the UK.”
  - “Education fees usually follow an annual trend of adjustments in September and October. January 2025, however, saw a one-off increase to higher education costs as VAT was introduced on private school fees. This will not be repeated this year, creating a slowdown in this component's inflation from 7.6% y/y in December to 5.1% y/y this month.”
- **Core goods:** 1.0% Y/Y – “The two largest components of Clothing and Household Goods showed seasonal weakness in the BRC price index, which we anticipate also to show up in the CPI. However, the weakness is not as pronounced as it was in January 2025, leading to positive 1.1% y/y and 0.1% growth, respectively. Other goods, such as Cars and Recreation would help balance out the above, leaving core goods flat to December at 1.0% y/y.”
- **Energy:** 0.0% Y/Y – “January marks a quarterly Ofgem adjustment to electricity and gas prices. The former will likely see a 4.4% m/m increase, while the latter is a flip at -4.4%. This translates to opposing narratives on an annual basis as well, with electricity rising 6.0% y/y and gas dropping at -3.7% y/y. Overall fuel prices are likely to tick down to deliver a 2.2% y/y decrease and bring energy to an aggregate 0.0% y/y.”
- **Food, alcohol and tobacco:** 3.9% Y/Y – “We see food inflation decelerating markedly to 3.9% y/y (from 4.7%). Though BRC signals point to food price strength in January, we moderate our expectations due to early signals from EU food inflation. Ultimately, food should begin its disinflationary process in 2026 as labour cost base effects drop off and supply constraints ease. Leading signals from the food PPI support this view.”
- **Weights:** “Effect of weight changes on the final CPI number should be marginal.”
- **Index date:** 13 January, noting no other options.
- “Looking ahead to April, inflation is projected to fall even further as the impact of last year's administered price hikes (such as changes in regulated utility tariffs) drop out of the annual comparison. Additionally, our outlook for energy prices in the second quarter of 2026 is pointing downwards following the extension of the fuel price freeze in the Autumn Budget and Ofgem's anticipated downward adjustment in electricity and gas cap prices in April. Services will also continue to ease as wages come down. All in, we see inflation coming closer to the Bank of England's target in Q2.”

## UBS

- **Headline:** 3.02% Y/Y
- **Core:** 3.05% Y/Y – rounding down to 3.0%, “declines in both [core] goods and services.”
- **Services:** 4.26% Y/Y – “[lower on] the dropping out of some of the administrative price increases introduced in January 2024 (e.g. bus fares and VAT on private schools).”
- **Core goods:** 0.9% Y/Y
- **Energy:** -0.2% Y/Y – on base effects.
- **Food, alcohol and tobacco:** 4.3% Y/Y

- Weights: “we see two-sided risks around the January estimate related to the annual CPI weight revisions.”

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