

U.S. CPI Preview: Feb 2026

MNI View: Clarity May Again Prove Elusive

Feb 11, 2026 – By Chris Harrison and Tim Cooper

SUMMARY

- Consensus looks for an acceleration in core CPI following recent soft prints, helped by typical start-of-year price resets and the ongoing normalization from the shutdown-distorted Oct/Nov data. Core is seen rising to 0.36% M/M after December's 0.24% (based on unrounded estimates), with headline 0.29% after 0.31%.
- Several technical factors mean any acceleration should be interpreted with caution. January is prone to residual seasonality effects and this report brings new relative-importance CPI weights, both of which may subtly reshape monthly dynamics and make it difficult to make a clean read.
- Indeed, shutdown-related distortions from late 2025 are likely to still complicate interpretation, with delayed data collection, atypical sampling windows, and the reversal of holiday discount effects. These could continue to reverberate in January readings, particularly across categories priced on a bimonthly rotation, which include most non-housing core CPI.
- While the above factors are probably taken into account in analysts' estimates, on balance they still suggest that an upside surprise in particular is likely to be heavily caveated and downplayed, both by analysts and by policymakers, much in the same way as recent downside surprises have been faded.
- Analysts expect firmer goods and services inflation in January, including for supercore, though with wide uncertainty. Used cars, certain core goods categories, and several service components are seen contributing to sequential strength, even as volatile travel categories may moderate.
- Housing inflation is expected to remain on its gradual disinflationary path, with rent and OER readings likely close to December's pace but still influenced by the long lag in normalization.
- With the next FOMC meeting still several weeks away, this report alone is unlikely to meaningfully shift expectations around near-term rate cuts, especially with the latest labor market data appearing to eliminate any lingering impetus to stave off labor market risks. Policymakers will have both February CPI and an additional nonfarm payrolls release available before making decisions at the March meeting.
- Nevertheless, this release remains a key test of whether tariff-related pressures, early-year price adjustments, and lingering category-specific normalization are beginning to exert more persistent influence—an issue several FOMC participants have highlighted as central to judging the underlying inflation trajectory.

CONTENTS

[MNI Point of View](#) | [Recent Inflation Developments](#) | [Analyst Tables and Views](#) | [MNI Policy Team](#)

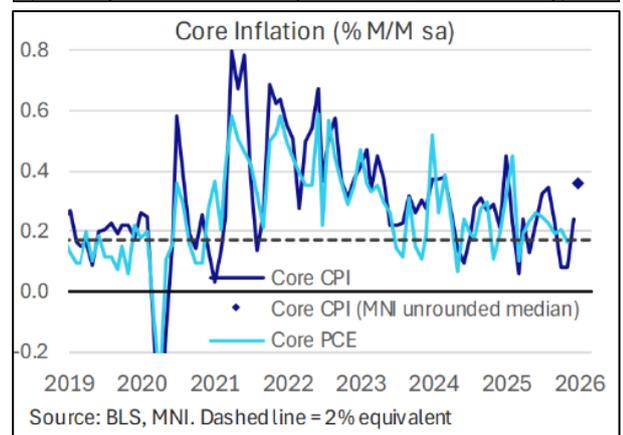
Headline and Core CPI To Pick Up After Recent Softness

Consumer price inflation is set to pick up in January compared with the relatively muted prints seen in the October/November and December reports. MNI's collection of analyst previews suggest a rise to 0.36% M/M core / 0.29% headline (based on unrounded analyst estimates) after increases of 0.24% and 0.31% respectively in December (and 0.08% and 0.10% respectively over November/October).

- If correct, this report would mark the highest monthly sequential core print in a year.
- Y/Y rates are seen decelerating to 2.5% for core (2.6% prior) and 2.5% headline (2.7% prior).
- More details on the next page.

	Dec	Jan MNI consensus*
Core	0.24%	Median 0.36%
Headline	0.31%	Median 0.29%
Core Y/Y	2.64%	Median 2.5%, Av 2.54%
Headline Y/Y	2.68%	Median 2.5%, Av 2.48%

(*M/M only from unrounded analyst estimates, Y/Y more broadly)



Analyst Expectations Of Key Sequential Drivers: Used Cars and Smaller Services Behind Expected Firming

Analysts look for the acceleration in core CPI to come from both goods and services:

- On the **core goods** side, used cars are on balance expected to play a large role in the sequential firming, shifting from -1.1% M/M in December to perhaps a small positive. That's far from a uniform view though with an analyst range of -1.5% to 1.7%.
- Going against this but with a smaller weight, apparel is on balance expected to moderate with a median 0.2% estimate after a strong 0.6% M/M in December.
- On the **core services** side, the sequential firming comes despite relative softening in some of the noisier non-housing categories that can swing broader inflation from month-to-month. In particular, airfares (no feed through to PCE) and lodging away from home (feeds through to PCE) are expected to moderate after strong increases in December.
- Rental inflation is expected to be a touch softer than in December, with an average estimate of 0.27% for OER (range 0.23-0.31) after 0.31% and tenants' rents unchanged at 0.26% (range 0.22-0.31) after 0.26%.
- The gap, with these large service components at similar monthly pace/softer than in December likely reflects a residual seasonality boost expected more broadly.

Away from core CPI, headline inflation is expected to be weighed on by softer food and energy inflation.

- **Food** inflation is expected to moderate heavily after a far stronger than expected 0.7% M/M in December, its strongest monthly increase since Aug 2022 but also a move that looked suspiciously like a reversal of November holiday discounting (with the later than survey period back in November).
- **Energy** prices are also expected to have seen a reasonable seasonally adjusted decline after a modest increase in December. Note the wider than usual range to analyst estimates this month (from -1.6% to 0.2%) which we suspect is down to treatment of differing natural gas and electricity price assumptions.

[A quick reminder that the below table shows median/mean figures across all estimates. The core CPI median of 0.33% M/M would be 0.36% M/M if only taking unrounded estimates per the separate table shown later.]

Summary of Detailed Analyst January 2026 Inflation Expectations

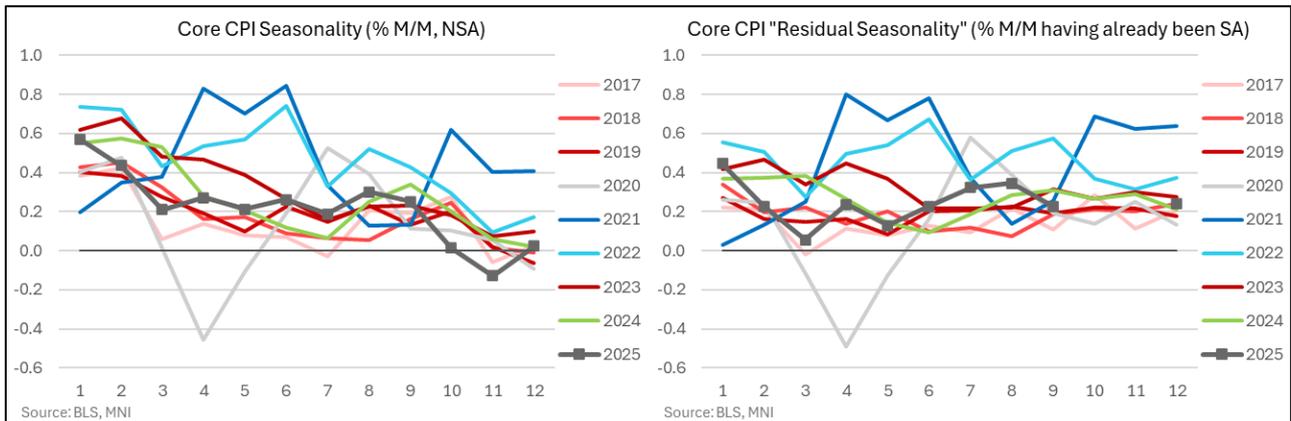
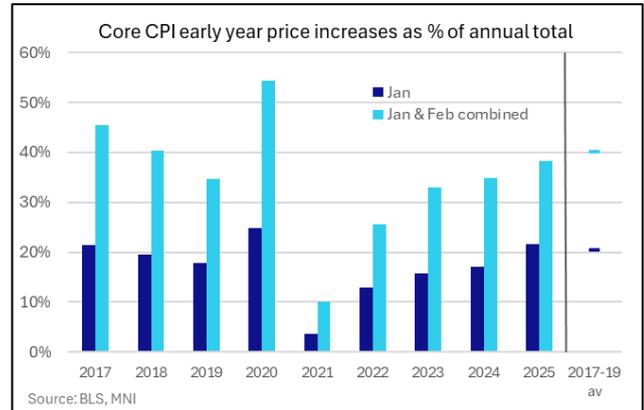
mni	Headline		Core		Headline SA M/M	Core SA M/M	Supercore		Core goods		Core services						Food Energy		
	NSA Index	NSA Y/Y	NSA Y/Y	SA M/M			SA M/M	M/M	M/M	used cars	apparel	OER	rents	lodging	airfares	auto ins.	M/M	M/M	gasoline
December	324.054	2.68	2.64	0.31	0.24	0.29	0.00	-1.1	0.6	0.29	0.31	0.26	2.9	5.2	x	0.7	0.3	-0.5	
Jan (median)	325.531	2.49	2.5	0.30	0.33	0.50	0.33	0.3	0.2	0.40	0.28	0.26	0.9	2.0	0.4	0.3	-0.9	-2.4	
Jan (mean)	325.513	2.48	2.54	0.29	0.33	0.54	0.27	0.0	0.2	0.41	0.27	0.26	1.2	2.4	0.4	0.2	-0.8	-2.5	
Bbg consensus	325.514	2.5	2.5	0.3	0.3														
Jefferies		2.5	2.4	0.3	0.2														
BofA	325.491	2.46	2.5	0.31	0.24	0.24	0.4	0.8	0.2	0.26	0.29	0.26	0.8	1.5		0.3	-0.2		
ABNAMro		2.5	2.5	0.3	0.3														
CIBC		2.5	2.5	0.3	0.3														
Qti	325.384	2.43	2.5	0.2	0.3														
Desjardins		2.5	2.5	0.3	0.3														
ING		2.5	2.5	0.3	0.3														
Lloyds		2.5	2.5	0.3	0.3														
Scotia		2.5	2.5	0.3	0.3														
SEB		2.4	2.5	0.2	0.3														
Goldman Sachs		2.44	2.52	0.24	0.33			-1.5		0.25	0.24	1.0	2.0	0.4		0.4	-1.3		
Wells Fargo	325.408	2.44	2.5	0.25	0.33		0.33		0.33										
ANZ		2.5	2.5	0.3	0.34														
BNP Paribas	325.581	2.49	2.5	0.3	0.34														
Deutsche Bank		2.46	2.55	0.26	0.35													-2.4	
Morgan Stanley	325.554	2.48	2.6	0.26	0.36	0.48	0.36	0.7	0.3	0.36	0.27	0.25	0.9	2.0	0.2	0.2	-0.8		
UBS	325.315	2.41	2.57	0.22	0.38		0.02	-1.2	-0.5	0.49	0.26	0.31	0.7	4.5		0.1	-1.6		
Nomura	325.549	2.48	2.59	0.28	0.39	0.54	0.39	-0.1	1.1	0.39	0.28	0.23	2.5	1.5	0.4	0.2	-0.9	-2.1	
Barclays	325.581	2.49	2.6	0.29	0.39		0.32	0.3	0.3	0.42	0.31	0.28	1.7	1.7	0.3	0.3	-1.2	-3.0	
JP Morgan	325.724	2.54	2.6	0.35	0.39			1.0	0.0	0.30	0.28	0.6				0.3	-0.1		
HSBC	325.529	2.47	2.6	0.3	0.4														
RBC		2.5	2.6	0.3	0.4														
TD Securities	325.531	2.47	2.6	0.30	0.42	0.92	0.07	-1.2	-0.3	0.53	0.23	0.22	0.5	3.7		0.3	-1.4		
NatWest		2.6	2.7	0.37	0.43	0.5	0.3	1.7	0.3	0.5	0.28	0.30	2.0	2.2	0.8	0.1	0.2		

Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

More Residual Seasonality In Store

January is always an important month for CPI inflation as it begins to capture start-of-year price resets. Historically about 20% of net price increases for the core basket over the year come in January and sometimes close to another 20% in February. This share dropped significantly in 2021 and 2022, when price increases were more spread out across the year in a period of high inflation, but we have seen some normalization since with Jan 2025 ultimately accounting for 21.6% of 2025 price increases. Seasonal adjustment processes have struggled with these swings in pricing behavior and appear to have helped see “residual seasonality” in the inflation data where the adjustment process doesn’t fully eradicate early year strength. We suspect that should be less of a factor this year compared to last year’s January release but it’s still likely at play and is noted by various analysts. Expect any modest upside surprises to be flagged in this light.



Seasonal Adjustment Revisions See Added Difficulty From Shutdown Disruption

As for the seasonal adjustment revisions themselves, they will cover the last five years of data for 2021-25, only impacting the seasonally adjusted values. With no impact on the underlying NSA data, published Y/Y changes will remain untouched. Being purely a seasonal adjustment change, they will offset over the course of a year but are more important if they alter latest monthly trends. Of course, there is unusual uncertainty here as this process will have been disrupted by the government shutdown which saw much of the CPI basket left with missing October values (with the next best being a two-month average across both Oct and Nov). For what it’s worth, last year’s revisions were modest with a slightly softer Q4 profile. As for potential magnitude of these revisions, most expect them to be modest. Barclays for example “estimate the annual seasonal factor revisions to be modest, at most 4-5bp in either direction for m/m inflation, and think weight updates are likely to be marginal” whilst Wells Fargo “expect that the updated seasonal factors will still struggle to fully account for early-year price hikes.”

% M/M	Headline			Core		
	Revised	Prior	chg	Revised	Prior	chg
Jan 24	0.34	0.31	0.04	0.37	0.39	-0.02
Feb 24	0.40	0.44	-0.05	0.37	0.36	0.01
Mar 24	0.35	0.38	-0.03	0.38	0.36	0.02
Apr 24	0.29	0.31	-0.02	0.26	0.29	-0.03
May 24	0.04	0.01	0.03	0.14	0.16	-0.02
Jun 24	0.00	-0.06	0.05	0.09	0.06	0.03
Jul 24	0.14	0.15	-0.02	0.19	0.17	0.02
Aug 24	0.18	0.19	-0.01	0.28	0.28	0.00
Sep 24	0.23	0.18	0.05	0.31	0.31	0.00
Oct 24	0.23	0.24	-0.02	0.27	0.28	-0.01
Nov 24	0.28	0.31	-0.03	0.29	0.31	-0.02
Dec 24	0.36	0.39	-0.03	0.21	0.23	-0.02

Source: BLS, MNI. Colour grading on individual scales

Impact Of Relative Weight Changes Expected To Be Limited

The January report also brings the annual update to the BLS’s “Relative Importance and Weight Information” which will provide new weights for categories in the CPI basket. These weights are based on the most recent Consumer Expenditure Survey (CES), which is for 2024. Compared with 2023’s consumption, a few larger categories that stand out that could receive a shift in CPI weighting include shelter, vehicles (both new and used), and household furnishings/equipment. See table below for a few examples.

Selected Consumer Expenditure share by year (% of total)

	2023	2024	Diff (pp)
Shelter	20.1	20.8	0.7
Meats, poultry, fish, and eggs	1.5	1.8	0.3
Cars and trucks, used	3.3	3.6	0.2
Vehicle insurance	2.3	2.5	0.2
Household furnishings and equipment	3.2	3.1	-0.2
Cars and trucks, new	3.7	3.1	-0.6

Source: 2024 Consumer Expenditure Survey, MNI Calculation

Of course most categories won’t change much if at all and the BLS doesn’t directly translate these to the new weights, but it’s possible there are some modest outliers in the January readings stemming from outsized weight changes.

As far as expectations go, **Barclays** “find that the weight of rents, OER and used car prices could marginally increase, while that of new cars could decrease, alongside modest decreases across a few other services categories... On balance, we think these weight changes are unlikely to meaningfully move the scale on our forecasts.” **UBS** notes that, along with seasonal adjustment factors, “we do not anticipate considerable effects from these updates”.

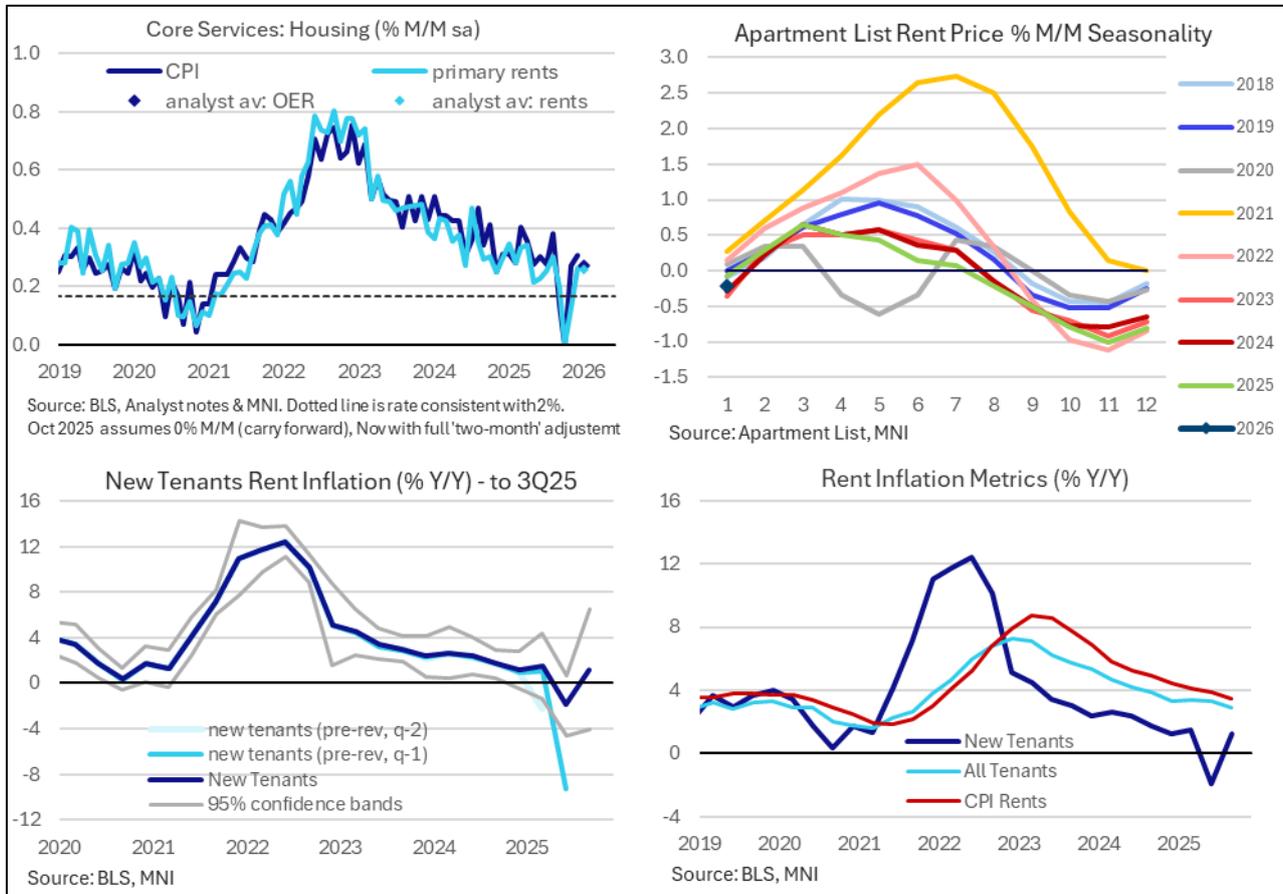
We should point out that the 2024 CES release was delayed from its originally scheduled Sept 23, 2025 date to Oct 30 as the BLS found issues in when compiling the report: “a discrepancy in the tabulation of some of the items impacted by the questionnaire change and is taking additional time to validate the data to ensure a high-quality product”. But then having pushed it back to late October, it then was postponed again due to the federal government shutdown to December 19. That’s obviously much later than usual and we had to question whether this would affect the release of the new weights in the upcoming report, but having heard nothing about a postponement, we will expect to receive the update on Friday.

Rental Inflation Seen On Long-Standing Disinflationary Path With Scope To Continue

CPI rental inflation series have been delivering a path of steady disinflation back to pre-pandemic trends, a gradual path that naturally heavily lags latest leases as they feed into the total pool of rents. The past few months have clearly been distorted by the Oct-Nov 2025 government shutdown, essentially assuming zero monthly inflation in October before a more ‘normal’ increase in November, with some knock-on impact still to come in April due to sampling rotation. However, the 0.27% M/M expected for OER and 0.26% M/M for tenants’ rents in January would be a continuation of the 2H25 return to pre-pandemic trends. Alternative indicators of rental inflation such as Apartment List did continue to come in on the soft side in January having done so throughout 2025, although it just about keeps to recent ranges (it was softer still in mid-2025 compared to typical seasonal trends).

A word of caution when it comes to interpreting the BLS New Tenants Rent series, updated for Q3 since last month’s inflation report. It continues to point to a further moderation in rental inflation in due course, opening the Q3 estimate at 1.2% Y/Y, but has been prone to occasionally extremely large revisions. A particularly notable example is Q2 having been revised to -1.9% from the huge -9.3% first reported. Before that, the -2.2% first reported for Q1 has since turned into 1.0% and now 1.5% in the latest vintage. Still, the trend is clearly one of continued moderation: the NTR increased an average 2.0% Y/Y in 2024, 3.3% in 2023, peaked at 12.5% in 2Q22 and

averaged 3.6% Y/Y through 2019. Note as well that the latest softness could also be more reliable compared to previous first estimates after a change in publication schedule. The BLS previously released the new/all tenant rent series a few days after the final month CPI release for the quarter. However, it now notes: "BLS deferred issuing the 2025 third quarter R-CPI-NTR and R-CPI-ATR data by one quarter due to the lapse in appropriations. BLS now plans to publish subsequent data with a one-quarter lag to utilize a larger amount of rent data included in the calculations. BLS expects to publish 2025 fourth quarter data by the end of April 2026."



Residual Seasonality Concerns Could Limit Hawkish Reaction In Event Of A Beat

This CPI report follows soon after a notably stronger than expected BLS payrolls report with January jobs growth comfortably above recent estimates of the breakeven pace and the unemployment rate pushing lower to 4.28%. The net impact has been to reverse the dovish adjustment on next rate cut expectations seen after last week's suite of soft labor indicators, Tuesday's disappointing retail sales and Trump administration officials' comments ahead of the payrolls report. It doesn't fully reverse the dovish shift for year-end pricing in the past week, however. It leaves a next Fed rate cut priced for July (cumulative 26.5bp vs 18bp for June) and 53bp of cuts to year-end vs 59bp prior to payrolls. Whilst there could be less grounds for residual seasonality issues compared to a year ago, we still suspect that initial reaction to an upside surprise could be faded in due course. A downside surprise on the other hand would be more notable, but unless it's significant, consensus for a near-term rate cut would likely still be lacking considering the recent downward progress seen in the unemployment rate. With the next FOMC meeting not until March 17-18, we should still see February reports for payrolls (Mar 6) and CPI (Mar 11), the latter including a second important month capturing start-of-year price resets.

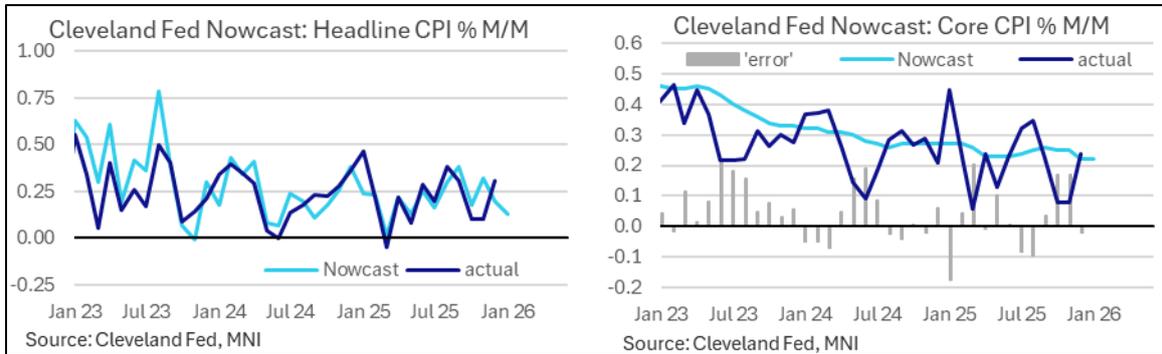
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Feb 11)			chg in rate	pre Challenger (Feb 5)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Mar'26	3.62	-1.6	-1.6	3.59	-5	-5.4	3.8	3.61	-3	-3	1.1
Apr'26	3.58	-4.2	-5.8	3.52	-6	-11.7	5.9	3.57	-4	-7	1.0
Jun'26	3.46	-12.3	-18.1	3.38	-15	-26.4	8.3	3.46	-11	-18	-0.1
Jul'26	3.37	-8.7	-26.8	3.28	-9	-35.7	8.9	3.38	-8	-26	-0.6
Sep'26	3.24	-12.8	-39.6	3.17	-11	-46.8	7.2	3.26	-12	-38	-1.5
Oct'26	3.18	-6.6	-46.2	3.11	-6	-52.8	6.6	3.20	-6	-44	-1.9
Dec'26	3.11	-7.0	-53.2	3.05	-6	-59.0	5.8	3.14	-6	-50	-3.3

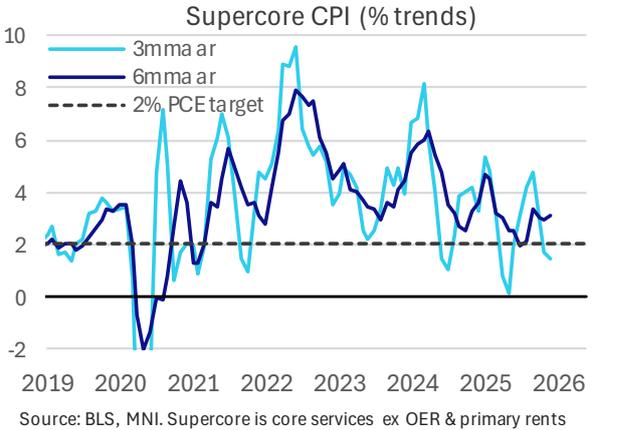
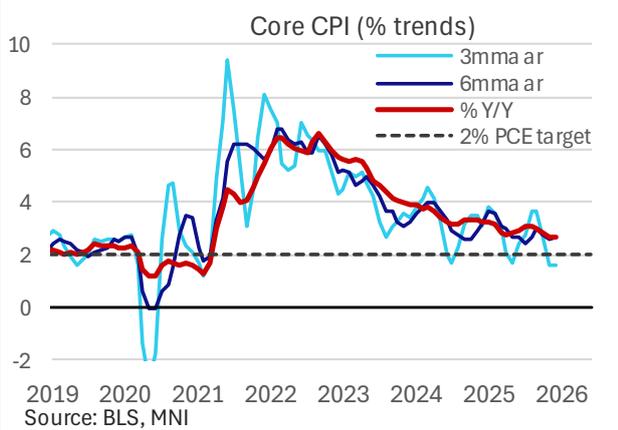
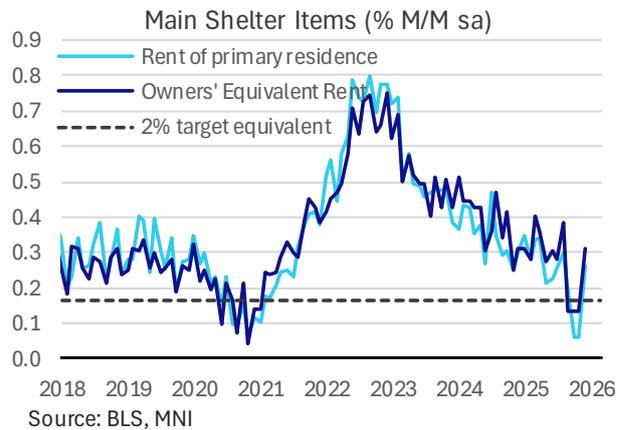
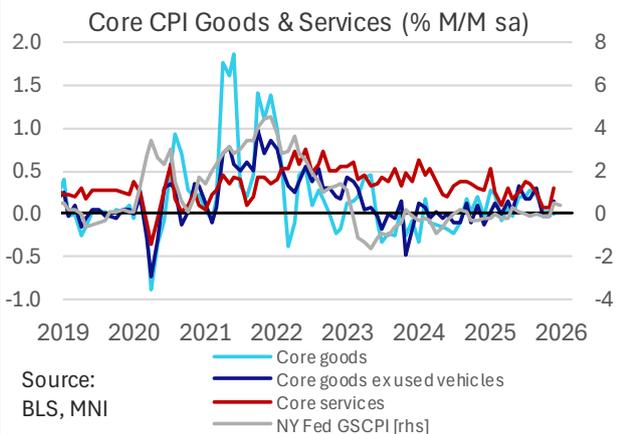
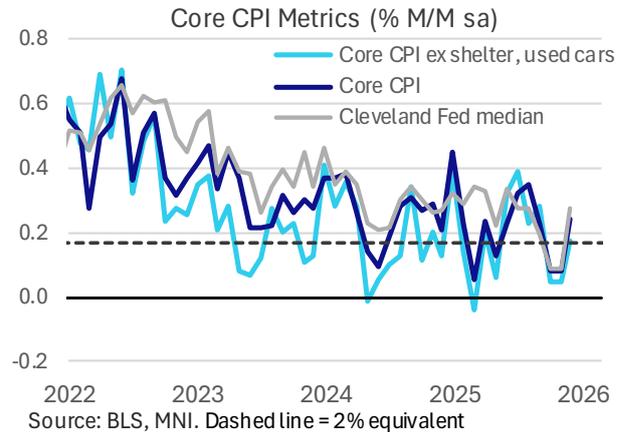
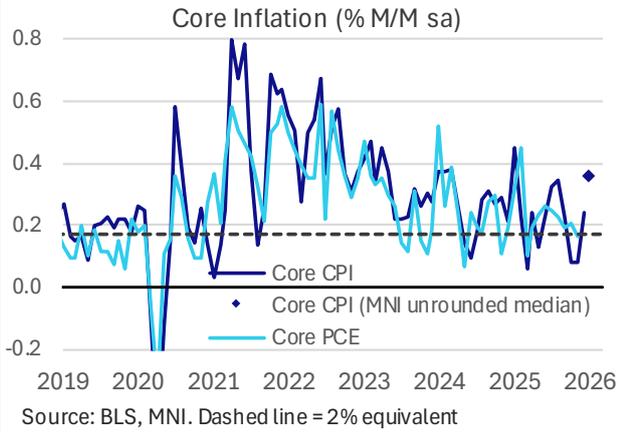
Source: Bloomberg Finance L.P., MNI. Assuming same EFRR-target lower bound spread from latest fix going ahead

Recent Inflation Developments

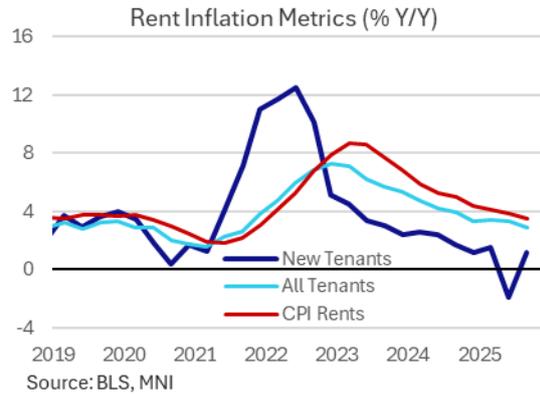
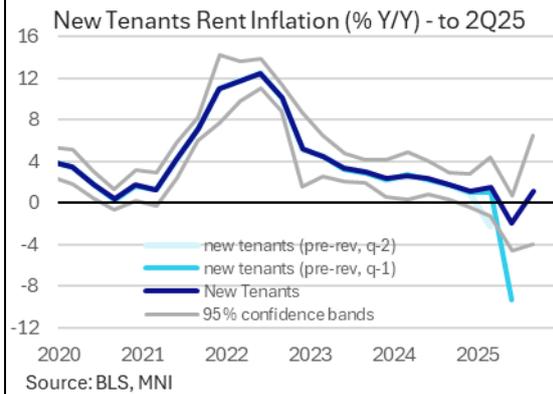
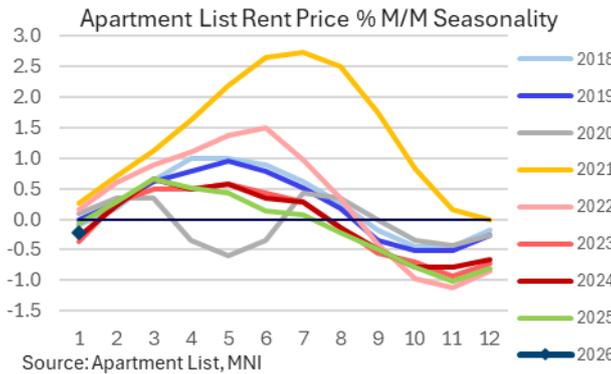
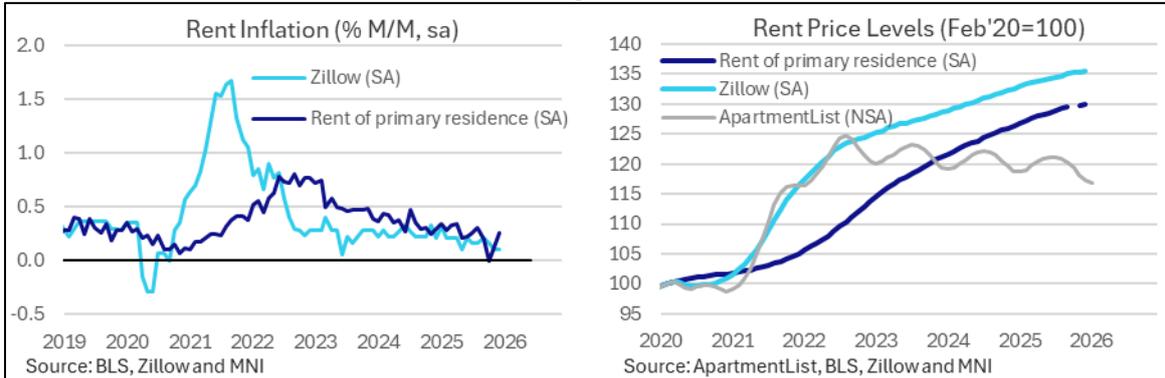
The Cleveland Fed nowcast has headline CPI at 0.13% M/M in January and core CPI at 0.22% M/M. It's core CPI nowcast outperformed analysts last month with 0.22% vs a realized 0.24%, but it did follow a large overshoot when it pointed to 0.25% M/M in both Oct and Nov vs the average 0.08% M/M realized (with a large shutdown distortion shaped caveat).



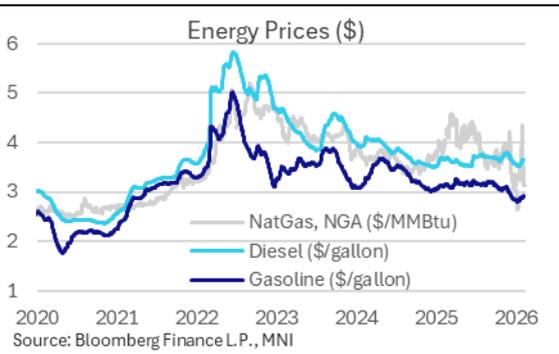
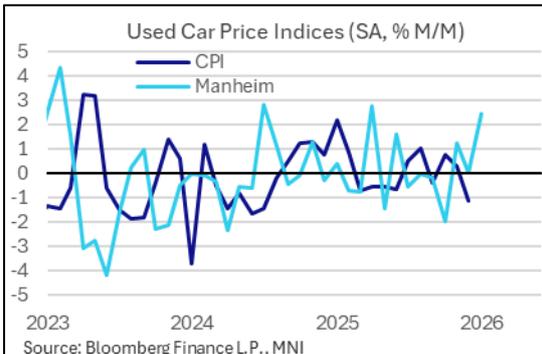
[Reminder: The below charts show two-month averages calculated from cumulative changes across Sep-Nov 2025]



Housing Inflation



Notable Goods Prices



Full recap of the prior CPI report here, with our report titled "Almost Normal": https://media.marketnews.com/US_Inflation_Insight_Jan2026_e48f62c22e.pdf

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

mni	Headline		Core		Headline		Core		Core PCE	
	NSA	NSA	NSA	NSA	SA	SA	SA	SA	SA M/M	
	Index	Y/Y	Y/Y	Y/Y	M/M	M/M	M/M	M/M	Dec	Jan
December	324.054	2.68	2.64		0.31	0.24			Both estimates	
Jan (median)	325.549	2.48	2.6		0.29	0.36			0.39	0.38
Bbg consensus	325.514	2.5	2.5		0.3	0.3				
BofA	325.491	2.46	2.5		0.31	0.24			0.39	0.29
Goldman Sachs		2.44	2.52		0.24	0.33			0.37	
Wells Fargo	325.408	2.44	2.5		0.25	0.33				
ANZ		2.5	2.5		0.3	0.34				
BNP Paribas	325.581	2.49	2.5		0.3	0.34				
Deutsche Bank		2.46	2.55		0.26	0.35				
Morgan Stanley	325.554	2.48	2.6		0.26	0.36			0.39	0.38
UBS	325.315	2.41	2.57		0.22	0.38			0.36	0.39
Nomura	325.549	2.48	2.59		0.28	0.39			0.40	0.48
Barclays	325.581	2.49	2.6		0.29	0.39			0.40	0.37
JP Morgan	325.724	2.54	2.6		0.35	0.39			0.38	
TD Securities	325.531	2.47	2.6		0.30	0.42			0.25	
NatWest		2.6	2.7		0.37	0.43				

Source: Analyst previews, Bloomberg Finance L.P., MNI

Summary of Detailed Analyst January 2026 Inflation Expectations

mni	Headline		Core		Headline	Core	Supercore		Core goods		Core services						Food Energy		
	NSA	NSA	NSA	NSA			SA	SA	used cars	apparel	OER	rents	lodging	airfares	auto ins.	M/M	M/M	M/M	gasoline
	Index	Y/Y	Y/Y	Y/Y			M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M
December	324.054	2.68	2.64	0.31	0.24	0.29	0.00	-1.1	0.6	0.29	0.31	0.26	2.9	5.2	x	0.7	0.3	-0.5	
Jan (median)	325.531	2.49	2.5	0.30	0.33	0.50	0.33	0.3	0.2	0.40	0.28	0.26	0.9	2.0	0.4	0.3	-0.9	-2.4	
Jan (mean)	325.513	2.48	2.54	0.29	0.33	0.54	0.27	0.0	0.2	0.41	0.27	0.26	1.2	2.4	0.4	0.2	-0.8	-2.5	
Bbg consensus	325.514	2.5	2.5	0.3	0.3														
Jefferies		2.5	2.4	0.3	0.2														
BofA	325.491	2.46	2.5	0.31	0.24	0.24	0.4	0.8	0.2	0.26	0.29	0.26	0.8	1.5		0.3	-0.2		
ABNAmro		2.5	2.5	0.3	0.3														
CIBC		2.5	2.5	0.3	0.3														
Qti	325.384	2.43	2.5	0.2	0.3														
Desjardins		2.5	2.5	0.3	0.3														
ING		2.5	2.5	0.3	0.3														
Lloyds		2.5	2.5	0.3	0.3														
Scotia		2.5	2.5	0.3	0.3														
SEB		2.4	2.5	0.2	0.3														
Goldman Sachs		2.44	2.52	0.24	0.33			-1.5		0.25	0.24	1.0	2.0	0.4		0.4	-1.3		
Wells Fargo	325.408	2.44	2.5	0.25	0.33		0.33		0.33										
ANZ		2.5	2.5	0.3	0.34														
BNP Paribas	325.581	2.49	2.5	0.3	0.34														
Deutsche Bank		2.46	2.55	0.26	0.35													-2.4	
Morgan Stanley	325.554	2.48	2.6	0.26	0.36	0.48	0.36	0.7	0.3	0.36	0.27	0.25	0.9	2.0	0.2	0.2	-0.8		
UBS	325.315	2.41	2.57	0.22	0.38		0.02	-1.2	-0.5	0.49	0.26	0.31	0.7	4.5		0.1	-1.6		
Nomura	325.549	2.48	2.59	0.28	0.39	0.54	0.39	-0.1	1.1	0.39	0.28	0.23	2.5	1.5	0.4	0.2	-0.9	-2.1	
Barclays	325.581	2.49	2.6	0.29	0.39		0.32	0.3	0.3	0.42	0.31	0.28	1.7	1.7	0.3	0.3	-1.2	-3.0	
JP Morgan	325.724	2.54	2.6	0.35	0.39			1.0	0.0	0.30	0.28	0.6				0.3	-0.1		
HSBC	325.529	2.47	2.6	0.3	0.4														
RBC		2.5	2.6	0.3	0.4														
TD Securities	325.531	2.47	2.6	0.30	0.42	0.92	0.07	-1.2	-0.3	0.53	0.23	0.22	0.5	3.7		0.3	-1.4		
NatWest		2.6	2.7	0.37	0.43	0.5	0.3	1.7	0.3	0.5	0.28	0.30	2.0	2.2	0.8	0.1	0.2		

Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

Analyst Previews for CPI Report

(In order of strongest to weakest M/M core inflation forecasts, shown on SA basis for M/M and NSA basis for Y/Y unless stated otherwise):

NatWest: Combination Of Factors To Boost Core

- Core CPI seen at 0.43% M/M and 2.7% Y/Y in January, headline at 0.37% M/M and 2.6% Y/Y
- “We estimate consumer prices quickened in January, reflecting a combination of continued tariff trickle through, start-of-the-year price increases (also a source of “residual seasonality”) and a bounce back from the surprisingly low December reading.”
- “On the core goods side we see two factors at play in January. The timing of the government shutdown may have repressed core goods prices in the last two months of 2025, especially as data collection resumed in the later heavy discounting periods of late November. Additionally, some of that holiday season discounting could have also been captured in the December data since the CPI sample prices certain regions every other month. Those regions not priced in December could still show discounted prices relative to the prior data point that was collected (i.e. August since no data was collected in October). That weakness could have reversed in January.”
- “Moreover, it is worth noting that the months of January and February typically show the largest gains in a given year as many businesses reset prices alongside contract renewals and amidst implementation of tax changes. It’s not hard to imagine that businesses which so far have been hesitant to pass on rising costs from higher input costs due to tariffs to start passing on those prices at this time of the year.”
- “Residual seasonality or the tendency to print higher in January and February is even more pronounced on the core services side than on the core goods side and is more apparent for core services ex rent prices than it is for the rent measures. We expect core services ex rent prices to advance by 0.5% in January led by a rebound in communication services (after a 3.3% drop in December) and positive contributions from fares, lodging away from home, motor vehicle and tenants’/household insurance as well as recreation and medical care services. Meanwhile, the two rent measures i.e. rent of primary residence and owners’ equivalent rent could have maintained their December clips at 0.3% each.”

TD: Core Goods to Stay Mild, But Services Likely To Jump

- Core CPI seen at 0.42% M/M and 2.47% Y/Y in January, headline at 0.30% M/M and 2.47% Y/Y
- “Meaningful strength in the core segment, owing to a combination of start-of-the-year price hikes, residual post-shutdown normalization, and tariff passthrough. As has been the case in the post-pandemic period, we look for robust January inflation to be driven by a firmer services segment rather than through meaningfully higher goods prices.. risks to our forecasts skewed to the downside since the recent core CPI prints have tended to come in below our projections of firmer inflation”.
- “As was the case in December, the core goods ex-vehicles segment should provide the bulk of the increase in prices, with strong gains in medical care, vehicle parts and recreation goods acting as key drivers. A new sharp decline in used vehicle prices likely acted as an offset.”
- “The services segment is expected to accelerate in January to 0.5%; its fastest monthly pace since March 2024. While OER/rents should recede to a more normal m/m increase at 0.2%, strength in hospital, transportation and education & communication services should have lifted prices higher in January. Lodging away from home inflation likely cooled after posting a firm 3% m/m increase in December.”

Barclays: No Evidence Of Residual Seasonality But 10 of Past 11 Jan CPIs Have Surprised To Upside

- Core CPI seen at 0.39% M/M and 2.6% Y/Y in January, headline at 0.29% M/M and 2.5% Y/Y
- “We expect January CPI estimates to look elevated after a string of subdued readings. While we found no statistical evidence of residual seasonality in the data, 10 out of the past 11 January CPI estimates have surprised inflation markets to the upside.”
- “We expect core goods CPI to accelerate to 0.3% m/m, aided by a rebound in used car prices, and higher inflation in the remaining categories, partly reflecting higher tariff pass-through. We look for core services prices to have also increased, partly led by volatile categories such as airline fares and lodging, and firm inflation across other components including rents and OER.”
- “We estimate the annual seasonal factor revisions to be modest, at most 4-5bp in either direction for m/m inflation, and think weight updates are likely to be marginal.”
- Core PCE seen rising 0.37% M/M in January. “The inflation wedge between the PCE and the CPI (PCE y/y less CPI y/y), which has historically tracked -0.3 to -0.4pp, turned positive to +0.1pp in November, partly due to the amplification of core goods inflation in the PCE basket due to category weight differences. If

outcomes are in line with our forecast, it implies a further widening of that wedge in January, to about +0.4pp. The realized January CPI and PPI data should help refine these estimates.”

- For the updated relative importance weights, “We find that the weight of rents, OER and used car prices could marginally increase, while that of new cars could decrease, alongside modest decreases across a few other services categories. However, we lack the CES microdata that the BLS has access to that would enable us to accurately translate these expenditure share changes to changes in CPI relative importance. On balance, we think these weight changes are unlikely to meaningfully move the scale on our forecasts.”

JPMorgan: Residual Seasonality Could Pressure Prices Higher, Especially For Services

- Core CPI seen at 0.39% M/M and 2.6% Y/Y in January, headline at 0.35% M/M and 2.5% Y/Y
- “Residual seasonality is likely to pressure prices higher, particularly for services, relative to December. [...] December CPI prints tend to be among the lowest across any given year (and the apparent seasonal distortions between December and January are not unrelated). We caution against taking too strong of a signal for slowing inflation from the December report, particularly as the recent run rate is biased down due to the government shutdown back in October. Weak December readings have tended to have been followed by stronger January readings for some time.”
- “[W]e expect shelter-related prices to remain firm.” Both OER and tenants’ rent should remain close to their December values “and modestly below their readings last year, averaging around 0.3% m/m.” They expect “some cooling” in the annual pace of rental inflation as the year goes on but it’s likely to be a “gradual process with the annual pace of rental inflation remaining around 3% oya early in the year”.
- “After a sizable surge in December’s price growth for lodging away from home, we look for some moderation to a still firm print (0.6%) in January. Another important (and volatile) travel-related component is airfares. Industry data point to around a 2% m/m rise in airfares in January – after a sharp jump in December – and imply around a 1.6% rise in public transportation prices last month.”
- “Firm prices for medical services are also likely to support overall medical care price growth at a similar pace as in December (0.4%).”
- “On the core goods side, the potential understatement of price gains in the November CPI – possibly held down by the shutdown-delayed start to price collection later in that month that may have over-sampled holiday sales – could result in more upward pressure on those prices that are collected bimonthly.”
- “Vehicle prices are collected each month, and our tracking of industry data points to another soft monthly reading for new vehicle prices but a rebound in the prices of used cars and trucks after a big decline in December.”
- “Information about online sales for other goods also point to prices firming in January; however, in some instances those regular seasonal swings are captured by the adjustment process”, citing apparel.

Nomura: Both Technical and Fundamental Factors To Drive Acceleration

- Core CPI seen at 0.387% M/M and 2.6% Y/Y in January, headline at 0.279% M/M and 2.48% Y/Y
- The acceleration is “driven by positive residual seasonality, delayed tariff pass-through, and lingering effects of the 2025 government shutdown.”
- “Core goods price inflation likely picked up in January after a flat reading in December. Although volatile used vehicle prices appeared not to increase, pent-up price pressures from past tariff increases on non-core goods prices likely materialized in January.”
- “We expect inflation of regular rent and owners’ equivalent rent (OER) ticked down, but remained resilient. Increased weighting of single-family homes will likely lead to more stickiness in OER inflation.”
- “Our forecast for supercore CPI inflation is 0.5% m-o-m, the highest since July 2025. Anticipated increases in certain service prices which are prone to positive residual seasonality, as well as lingering effects of last year’s government shutdown, likely boosted supercore CPI inflation.”
- Seasonal adjustment revisions: “It is uncertain how the BLS will update CPI’s seasonal adjustment factors given their treatment of October and November data, which were heavily distorted by the 2025 government shutdown and resulting data imputation. That being said, past annual revisions had only a modest impact on monthly core CPI inflation, as seasonal adjustments tend to be slow in catching up with newly emerging seasonality.”
- Nomura currently forecast core PCE inflation at 0.48% M/M in January after 0.40% in December.

UBS: Uncertainty And Upside Risks

- Core CPI seen at 0.38% M/M and 2.57% Y/Y in Jan, headline at 0.22% M/M and 2.41% Y/Y

- UBS notes “January core CPI increases tend to be elevated”, and “With online prices in January rising strongly according to both the Adobe DPI and Harvard Pricing Lab, we could see another very strong January CPI increase this year.”
- “risks are tilted toward the upside of our [] projection with a very wide range of possible outcomes. We would not be surprised to see a January core CPI increase anywhere between 0.28% and 0.56%.”
- “we expect core goods prices to see little price change as price declines for new and used vehicles (based on JD Power data) are largely offset by strong price increases for core non-transportation goods (based on Adobe and Nielsen data and some reversal of the late start to CPI sampling in November).”
- “Core non-rent services are projected to see a very large increase in January that is similar to the increase in January of last year and a little below the increase in January two years ago. There are upside risks to this component from a potential reversal of some of the odd price changes last month.”
- On top of the usual category-by-category considerations, UBS sees an upside risk skew due to various measurement issues. One is that “Annual updates of the seasonal adjustment factors and item relative importance weights are both incorporated at the time of the January CPI release. While we do not anticipate considerable effects from these updates, revised seasonal adjustment factors could take a few basis points off of the seasonally-adjusted monthly CPI change in January and redistribute that increase to the May-June time period”.
- Another: “The late start of the November CPI collection pushed sampling more heavily into holiday sales and likely led to some weakness in the November CPI. Some of the effects of that late start should have been reversed in last month's December reading. This month the late start effects will be reversed for location/item combinations on a bimonthly rotation (which includes the majority of the non-rent core CPI). Airfares, core goods, and recreational services could all be impacted, and could add around 5bp to the monthly CPI change in January.”

Deutsche: Tariff-Related Strength In Core Goods Vs Rental Disinflation

- Core CPI seen at 0.35% M/M and 2.55% Y/Y in January, headline at 0.26% M/M and 2.46% Y/Y
- “One note of caution is that, as usual with the January release, the BLS will update relative importances and seasonal factors. While the latter should have limited impact on year-over-year rates, it could affect individual prints, as well as short-run trends through last year. Looking at double-seasonally adjusted data, inflation over the second half of 2025 has the potential to be upgraded some. This could cause some Fed officials to re-evaluate their views on the near-term trajectory of inflation.”
- “We continue to look for tariff-related strength in core goods, particularly apparel. In addition, recent gains in wholesale used car prices have the potential to begin adding to price pressures over the next couple months.
- “On the services side, we continue to expect rental disinflation, though recent upward revisions to leading indicators suggest caution around the speed at which that can occur. Outside of rents, December's outlier moves in relatively small categories, like wireless services and video rental, increase our uncertainty around January's data.”

Goldman Sachs: Seasonal Distortions and Firm Travel Services Inflation Vs Softer Used Autos

- Core CPI seen at 0.33% M/M and 2.52% Y/Y in Jan, headline at 0.24% M/M and 2.44% Y/Y
- “Our forecast reflects upward pressure from seasonal distortions on the communications (GS forecast: +0.4%) and private transportation (+1.5%) categories. We expect a modest boost from start of the year price resets in categories like medical care commodities (GS forecast: +0.7%), and upward pressure from tariffs on categories that are particularly exposed (such as recreation) worth +0.07pp. We expect firm travel services inflation (airfares: +2%; hotels: +1%), reflecting signals from alternative price data.”
- “We expect softer autos inflation, reflecting a 1.5% decline in used car prices, unchanged new car prices, and a moderate increase in the car insurance category (+0.4%). We forecast a slight slowdown in the shelter categories (rent: +0.24%, OER: +0.25%), reflecting a continued slowdown in their underlying trend.”
- “We expect unchanged medical services prices, reflecting a continued decline in medical insurance prices (-0.7%) but increases in other medical care services categories.”
- Recalculated seasonal factors “could reduce the impact of seasonal distortions that explained some of the month-to-month variation in core inflation last year—as well as updated weights.”
- “The annual seasonal factor revisions tend to cause monthly inflation readings to be revised toward the annual average. In other words, higher inflation readings for the year tend to be revised lower and lower readings tend to be revised higher. On average over the last decade, about 20% of the relative strength of a month's initial core inflation vintage has been revised away in its first annual revision. Last year, monthly

core CPI inflation was particularly elevated in January (23bp above the 2024 average) and particularly low in March-May (8bp below)."

Wells Fargo: Solid Core CPI Inflation Unlikely To Be Entirely A Statistical Mirage

- Core CPI seen at 0.33% M/M and 2.5% Y/Y in Jan, headline at 0.25% M/M and 2.4% Y/Y
- "We expect a somewhat cleaner read on price growth from the January CPI report as the ripple effects from last fall's record-long government shutdown fade."
- "With the BLS able to collect and process data as usual in each of the past two months, January's monthly change in prices should be largely free from shutdown-related quirks."
- "New seasonal adjustment factors will be incorporated with this release and leave the past five years' data subject to revision. We expect that the updated seasonal factors will still to struggle to fully account for early-year price hikes. Last January's jump in prices should lead the new seasonal factors to "expect" a bit more strength the first month of this year, but we are concerned that the pandemic period is still causing seasonal distortions in the data."
- "A solid rise [in core CPI] in January is unlikely to be entirely a statistical mirage. Rather, we believe it will reflect some delayed pass-through of tariff costs to consumers as suppliers renegotiate contracts, businesses restock inventory and companies test pricing power."
- They look for core goods inflation at 0.33% M/M. "Used vehicles should underpin the pickup, but we also look for broad strength outside vehicles that would leave the core goods index up 1.4% year-over-year."
- "Core services prices also have been prone to pop in January, but we look for a 0.33% increase that would be only moderately above the recent pace. Market-based rents are still pointing to primary shelter receding on trend, and travel-related prices have less scope to jump after a big rebound in December. While price growth among remaining "other" services is likely to pick up in January, we expect the increase to be tempered by outright declines in health and motor vehicle insurance prices."

BofA: Tariff Pass-Through And "January Effect" Should Support Firmer Readings

- Core CPI seen at 0.24% M/M and 2.5% Y/Y in Jan, headline at 0.31% M/M and 2.5% Y/Y
- "We forecast core goods prices to rise 0.40% m/m (or 0.35% ex-used cars), an acceleration from December. This reflects a combination of increased tariff pass-through and the typical tendency for January inflation to run hotter than the rest of the year."
- "One risk to this view is that updated seasonal factors could further correct for this start-of-year bias. That said, indicators like the Adobe Digital Price Index suggest goods inflation strengthened to start the year."
- "Core services inflation should cool modestly relative to December. We expect a 0.26% m/m increase, driven largely by an anticipated moderation in lodging away from home and airfares after very strong prints in December. We expect rents and owners' equivalent rent (OER) to remain broadly in line with recent trends."
- "After incorporating December PPI data, we are tracking 0.39% m/m for core PCE and 3.0% y/y for December. Based on our January CPI forecasts, we initiate our January core PCE tracking estimate at 0.29% m/m, which would keep the y/y pace at roughly 3.0%."
- "[W]e think inflation will continue to have limited influence on the Federal Reserve's near-term stance. Inflation has taken a back seat to labor-market data despite remaining above the Fed's 2% target for nearly five years. Unless demand-driven inflation shows clear signs of re-acceleration or inflation expectations become unanchored to the upside, the Fed is likely to remain more focused on labor-market dynamics."

MNI Policy Team Insights

MNI INTERVIEW: ISM Services Set To Grow With Little Hiring

By Evan Ryser (Feb 4, 2026)

WASHINGTON - U.S. service sector growth will persist this year, supported by AI investments and a fiscal boost from the Trump administration, but that will probably not lead to a lot of job growth and could be accompanied by fresh inflation pressures, Institute for Supply Management services chair Steve Miller told MNI.

"We have a continued positive trend on the services sector in terms of growth. We've been on a direct positive trend since March," Miller said in an interview. "It's actually watching the curve shift up. I think that's a real positive sign."

The January ISM services survey remained at 53.8. The ISM improvement came as the new order index fell 3.4pt to 53.1 and new export orders plunged 9.2pt to 45.0. The employment index eased 1.4pt to 50.3 and the prices index increased 1.5pt to 66.6.

Miller is expecting demand to tick higher, portending faster growth overall for the services PMI. "I'm expecting to see new orders go up another percentage point going into the summer. It seems like there's generally positive commentary."

"We've been an expansion in the services sector for 19 straight months, and over the last two months we actually shifted to a positive trend in the 12-month average for the PMI," he said. (See: MNI INTERVIEW: US Manufacturing Rebound Not Yet A Trend - ISM)

LITTLE HIRING

While the employment outlook has improved, it looks like overall hiring hasn't picked up much, Miller said. "The employment index has continued on a positive trend that started back in the July timeframe, from 46.9 up into the 50s," he said. "It's been a very weak increase but its going in the right direction." A level at 50 represents the breakeven point dividing expansion and contraction.

Miller said there will be jobless growth through the year. "The short answer is, yes, the longer answer is, there's winners and losers, which I think are going to be offsetting each other."

PRICES PERKY

The prices index continued to creep up, now 0.2pt above its 12-month seasonally adjusted average of 66.4, Miller said. "But if you look back just to April when the 'Liberation Day' stuff started, it's flat."

Still, there is a risk of some increased price pressures this year. "If we start injecting money like it seems the Trump administration is on a tear to make sure happens, I think that's a big risk on inflation."

He added that "the last time we saw a string of 60s was back in 2023. If we see that to start accelerating, and we see backlog start to increase, I think we can say there's a supply chain impact that's driving some of the economic behavior. But business activity is very high."

MNI INTERVIEW: Fed To Keep Cutting On Jobs Weakness - Tilley

By Pedro Nicolaci da Costa (Feb 2, 2026)

WASHINGTON - A weak labor market and improving inflation will prompt the Federal Reserve to keep cutting interest rates at its next few meetings, former Philadelphia Fed officer and economic adviser Luke Tilley told MNI.

Tilley said the nomination of Kevin Warsh to take over as Fed chair from Jerome Powell when his term ends in May was a victory for central bank independence, but will not drastically alter the course of monetary policy.

"We don't have inflation pressure, I think the labor market is going to get worse, so we've got three cuts before the middle of the year – two of them I guess would be with Powell," Tilley said in an interview Monday. (See MNI INTERVIEW: Fed's Miran Sees Substantial Rate Cuts This Year)

Warsh would be inclined to continue easing but only if economic data call for it, not because he is somehow beholden to President Donald Trump, Tilley said.

"The president has chosen an independent thinker. Of the candidates that were being considered it's one of the better ones in terms of markets and to preserve Fed independence," said Tilley, now chief economist at Wilmington Trust. "I don't think that he's going to come in and push for lower rates because of the administration. He could do it because he believes that the way things should go."

INSTITUTIONAL CONSTRAINS

Tilley said it remains unclear how much Warsh will be able to overhaul the policy framework on everything from economic modeling and rates policy to the balance sheet given institutional constraints within the Fed.

"It opens up the question of, are we going to get wholesale changes to the way the policy is being done? It's a lot easier to think and speak outside the box when you are outside of the box. When, when you get there, it's much harder to push and implement that change," Tilley said. (See MNI POLICY: Regional Fed Banks Could Face Revamp Under Warsh)

"It is a committee and there's a very large, entrenched research staff, I think it's lost on the public sometimes how much influence the staff has in terms of guiding policy and the discussion. So I think there could be some larger changes to how policy is carried out over the course of years, but I don't see it being a whiplash moment of, 'oh my goodness, we have this new chair, and everything is going to change right away.'"

That will be true even for balance sheet policy, of which Warsh is a long-time skeptic and critic. "I think that is a tough, uphill climb to make immediate changes to the way that the balance sheet is run," Tilley said.

Warsh has also expressed skepticism about things like forward guidance and the Summary of Economic Projections, which Tilley said could be candidates for medium-term reform.

"I wouldn't be surprised if there is a long-term review into the Fed's monetary policy and you end up getting less communication at some point than you have now," he said, adding this would not come without its own dangers. "If you're going to pull back on communication, you know you could have more market volatility."

MNI INTERVIEW: US Manufacturing Rebound Not Yet A Trend - ISM

By Evan Ryser (Feb 2, 2026)

WASHINGTON - U.S. manufacturing activity is still on shaky ground despite the first month of expansion in a year and a sharp rebound in new orders that could be temporary, Institute for Supply Management manufacturing chair Susan Spence told MNI.

"A fair number of comments said customers are restocking the shelves after the holiday, and then there was a little bit about avoiding the next round of tariff threats and tariff circus," Spence said. "If it really is a replenishment thing and post holiday ordering customer inventory is so low, then maybe what we're going to see is you have this nice uptick but that's it. And it gets weeded down."

The ISM manufacturing chief said that despite the strong January report, she does not have confidence that the PMI will remain above 50 in coming months. "In any other time it would, but it doesn't yet," she said, wanting to see a couple more months of increased demand. "The commentary, the sentiment, and the confidence has been so consistently bad that this report doesn't yet give me confidence."

The ISM manufacturing index increased by 4.7pt to 52.6 in January, well above consensus expectations for a smaller increase, returning to expansionary territory for the first time in 12 months. The composition of the report was strong, with gains in the new orders, production, and employment components.

WEATHERING DISRUPTIONS

Survey respondents' commentary however were somewhat at odds with the improvement in the index. There are positive signs for the start of the year, but they are tempered by indications that January is a reorder month after the holidays, Spence said.

"There's arguments to be made for both sides," she said. But "I am glad we have an underlying strong economy because we're weathering" trade disruptions.

New orders surged 9.7pt to 57.1, the highest since February 2022. Production jumped 5.2pts to 55.9, and the backlog of orders increased 5.8 points to 51.6. The new export orders component increased 3.4pts to 50.2. The prices paid measure increased 0.5pts to 59.0.

The employment subindex rose 3.3pt to 48.1, still in contraction territory. "Companies not hiring, holding with who they have -- that's worrisome, too. Does it mean that we're going to have a huge uptick in the unemployment? I don't think so. But the longer term decisions in these companies to hire more people, that's not yet happening because they're not confident."

Of the six largest manufacturing industries, five expanded in January, said Spence.

MNI: Warsh Credible Pick, Needs To Earn FOMC Support: Ex-Offs

By Jean Yung and Pedro Nicolaci da Costa (Jan 30, 2026)

WASHINGTON - Former Fed officials Friday welcomed the nomination of Kevin Warsh as Federal Reserve Chair, telling MNI he is a seasoned central banker who knows the institution but he will need to work to persuade the FOMC on his policy ideas and earn the institution's trust as a leader.

Warsh's argument that "we can lower interest rates a lot" to help bring down mortgage rates and revive the housing market would be a minority view among current policymakers, while his preference for a smaller Fed balance sheet would require a number of regulatory changes and could end up disrupting market functioning, former officials said.

"Kevin Warsh is an experienced central banker having served as a Fed governor during normal economic times as well as during the Global Financial Crisis," former Cleveland Fed President Loretta Mester told MNI, noting his knowledge of both financial markets and academic debate as a partner and advisor at Duquesne Family Office and Hoover Institution visiting fellow.

"As with any new chair, he will have to establish his credibility and show that he is making monetary policy decisions independently of any political influence and basing those decisions on sound economic reasoning in pursuit of price stability and maximum employment for the American public."

MARKET SAVVY

Former Atlanta Fed President Dennis Lockhart hailed Warsh as "a fine choice," lauding his significant experience as a policymaker during the treacherous financial crisis. Warsh became the youngest person ever to join the central bank, as a Fed governor from 2006 to 2011.

"He is very market savvy and will communicate well with Wall Street. He is an excellent communicator overall and will be adept at translating economic and policy information to diverse audiences," Lockhart told MNI.

His nomination comes against the backdrop of significant pressure from President Donald Trump, who has proclaimed his preference for the Fed to slash interest rates to around 1%, down from the range of 3.5% to 3.75% today.

REFORM AGENDA

In recent months, Warsh has argued the Fed's hesitancy to cut rates has hurt its credibility and led to stagflation. He has criticized the Fed's operating framework, its models and staff. Rather than benefiting Wall Street, the Fed should shrink its balance sheet to "redeploy that money to Main Street so that Main Street can have the strong economy that we're seeing in financial markets" and create room for lower interest rates.

Former policymakers said Warsh was likely to push for these reforms over time. "He has clearly laid out his criticisms of the institution in recent years, and I would expect him to act on them over time," Lockhart said.

However, shrinking the balance sheet significantly may be more problematic.

"It's unclear he is going to get to a smaller balance sheet without disrupting funding markets," Donald Kohn, a former vice chair of the Fed who worked with Warsh during the financial crisis, told MNI. "There are ideas around -- lower liquidity requirements for banks, easier use of the discount window, but I don't think we've heard from Kevin how he would implement this."

Kohn is also not sure how a possible Treasury-Fed accord might look like in practice, which Warsh discussed with MNI back in October. "The Treasury should be in charge of debt management most of the time, with rare overrides

by Fed at the zero lower bound. I don't think this requires an accord but he may have other things in mind," Kohn said. (See: MNI: Warsh Wants Fed Out Of U.S. Treasury's Business)

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