

UK Watch

Inflation forecast update: hard yards ahead

Inflation holds at 6.7% as services strengthen

Although headline inflation held at 6.7% in September data published today, surprising consensus on the upside, we still expect it to drop below 5% next month as utility price inflation drops. Getting inflation below 5% will have been the easy part. If our forecast for October CPI inflation turns out to be right almost all of the 620bp inflation drop from the peak last October will have been driven by utilities, petrol and food (-420bp, -60bp, -90bp), as last year's commodity shocks faded from the inflation figures. The hard yards lie ahead. Core inflation of 6.1% is only 43bp down since October.

Goods inflation over, services stickier

CPI inflation surprised consensus 10bp on the upside but was in-line with our call of 6.7%. Core slowed to 6.1%, surprising consensus 10bp on the upside and us 10bp on the downside. The surprise for us came in non-energy industrial goods inflation (19bp weaker than expected), specifically audio-visual and household goods. Services inflation rose 10bp to 6.9%, surprising consensus, but was very close to our forecast (3bp below). A clear dichotomy between goods and services inflation has emerged. Monthly non-energy goods fell close to zero from June. The 6-month annualised rate of inflation is down to 3.4% now (Exhibit 20). Further falls are likely given weak input price inflation. Services inflation remains altogether stickier. At 8.6% the latest seasonally adjusted monthly services inflation figure is higher than 6.9% yoy rate of services inflation. Six-month annualised services rose slightly to 8% (Exhibit 21). This reflects the different shocks. Goods driven more by global supply chain disruptions that faded some time ago, services more by wage growth and energy, where the former remains elevated.

BoE on track to hold... for the long haul

The BoE set a high bar to react to data surprises in our view. Neither today's data or yesterday's labour market numbers breach that bar. The BoE, in our view, is likely to hold rates at next month's policy meeting. Despite the surprise to consensus, headline core and services inflation remains below the BoE's call. The BoE expects services inflation to remain stubbornly high this year. **(Continued on next page.)**

Exhibit 1: BofA and BoE inflation forecasts

Updated forecasts

	Headline		Services		
	BoEf	Data/BofAf	BoEf	Data/BofAf	
Jun-23		7.9	7.9	7.2	7.2
Jul-23		6.8	6.8	7.3	7.4
Aug-23		7.1	6.7	7.2	6.8
Sep-23		6.9	6.7	7.0	6.9
Oct-23		5.0	4.9	6.8	6.8
Nov-23		4.8	4.7	6.8	6.8
Dec-23		5.0	4.6	6.9	6.8

Source: BofA Global Research, ONS, BoE

BofA GLOBAL RESEARCH

18 October 2023

Economics
United Kingdom

Robert Wood
UK Economist
MLI (UK)
+44 20 7996 7415
robert.d.wood@bofa.com

See Team Page for List of Analysts

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 11 to 12.

12613525

Timestamp: 18 October 2023 09:23AM EDT

We expect the BoE to keep rates on hold at 5.25% through next year. Slowing goods inflation should cut headline inflation further and services inflation will likely ease as energy passthrough fades. The question is not whether inflation eases further, absent more shocks of course, but where it settles.

In our view the hard yards of getting inflation sustainably back to 2% lie ahead. While wage growth seems to be easing it remains very strong. The labour market seems to remain tight, with vacancies down but still elevated relative to pre-Covid for instance. And returning real wage growth should help growth, meaning labour market easing is gradual. We see some evidence that inflation expectations are somewhat less well anchored now and think there is decent evidence that the NAIRU (inflation neutral unemployment rate) has risen. Cutting inflation this year was about hoping for no further energy shocks. From this point cutting inflation is more about easing domestic pressures. At present these remain elevated.

Tweak forecasts

In response to today's data and changes in commodity prices and currencies we tweak our inflation forecasts. We leave 2023 unchanged but raise headline CPI inflation 20bp for 2024 to 3.4% and 10bp for 2025 to 2.5%. The 2024 increase reflects stronger food inflation, driven in part by the currency. For 2025 the increase reflects 10bp stronger core as the currency feeds through to goods inflation.

Exhibit 2: BofA inflation forecasts

Updated forecasts

	CPI		CPIH		RPI	Headline % yoy
	Headline %yoy	Core %yoy	% yoy	Index		
Jun-23	7.95	6.89	7.30	376.4		10.70
Jul-23	6.83	6.90	6.38	374.1		9.02
Aug-23	6.66	6.23	6.28	376.6		9.10
Sep-23	6.65	6.06	6.33	378.4		8.85
Oct-23	4.85	5.95	4.94	378.6		6.29
Nov-23	4.65	5.88	4.79	379.5		5.91
Dec-23	4.58	5.69	4.68	381.3		5.80
Jan-24	4.66	5.85	4.84	380.1		5.49
Feb-24	4.07	5.36	4.36	383.5		5.22
Mar-24	3.72	5.08	4.07	385.0		4.85
Apr-24	3.17	4.31	3.63	389.6		4.51
May-24	2.96	4.10	3.49	391.1		4.22
Jun-24	2.86	3.95	3.39	391.5		4.02
Jul-24	3.41	3.85	3.88	391.2		4.55
Aug-24	3.35	3.99	3.79	393.3		4.43
Sep-24	3.05	3.83	3.58	393.9		4.11
Oct-24	3.05	3.64	3.64	394.6		4.23
Nov-24	3.05	3.61	3.62	395.4		4.19
Dec-24	3.01	3.57	3.56	397.0		4.12
Jan-25	2.99	3.50	3.67	395.7		4.12
Feb-25	2.89	3.35	3.62	399.0		4.05
Mar-25	2.77	3.19	3.66	400.3		3.95
Apr-25	2.37	2.95	3.46	403.2		3.47
May-25	2.35	2.90	3.39	404.5		3.41
Jun-25	2.42	2.97	3.53	405.0		3.44
Jul-25	2.44	2.93	3.55	404.7		3.45
Aug-25	2.45	2.92	3.51	406.8		3.42
Sep-25	2.46	2.92	3.60	407.3		3.39
Oct-25	2.41	2.79	3.54	407.9		3.36
Nov-25	2.39	2.75	3.55	408.4		3.30
Dec-25	2.37	2.71	3.53	409.9		3.24

Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 3: BofA inflation forecasts

Updated forecasts

	CPI, % yoy					
	Goods	Services	FNAB	NEIG	Liquid fuels	Core services
Jun-23	8.45	7.18	17.31	6.42	-22.69	7.27
Jul-23	6.07	7.44	14.83	5.91	-24.92	7.34
Aug-23	6.28	6.83	13.57	5.19	-16.38	6.82
Sep-23	6.24	6.91	12.13	4.75	-9.70	6.98
Oct-23	3.18	6.79	10.25	4.63	-7.36	6.75
Nov-23	2.81	6.83	9.02	4.44	-8.36	6.80
Dec-23	2.66	6.76	7.75	3.99	-3.59	6.53
Jan-24	2.28	7.39	6.94	3.43	0.17	6.88
Feb-24	1.61	6.90	4.88	2.93	1.21	6.36
Mar-24	1.03	6.83	3.56	2.33	2.21	6.24
Apr-24	0.46	6.30	2.00	1.20	3.36	5.83
May-24	0.26	6.08	1.13	0.99	5.72	5.69
Jun-24	0.25	5.88	0.60	0.93	8.38	5.50
Jul-24	1.50	5.60	0.31	1.08	8.17	5.36
Aug-24	1.31	5.70	0.44	1.28	3.99	5.38
Sep-24	0.81	5.61	0.12	1.02	0.10	5.34
Oct-24	0.96	5.45	-0.08	0.79	-2.13	5.27
Nov-24	0.98	5.42	0.08	0.76	-2.12	5.22
Dec-24	1.00	5.33	0.15	0.79	-2.40	5.15
Jan-25	0.98	5.31	0.23	0.66	-2.56	5.13
Feb-25	0.82	5.26	0.32	0.33	-2.62	5.08
Mar-25	0.66	5.21	0.41	0.01	-2.62	5.03
Apr-25	0.08	5.00	0.48	-0.29	-2.61	4.79
May-25	0.06	4.99	0.56	-0.37	-2.42	4.77
Jun-25	0.16	5.02	0.66	-0.25	-2.21	4.81
Jul-25	0.28	4.92	0.75	-0.22	-1.99	4.70
Aug-25	0.34	4.88	0.82	-0.16	-1.77	4.65
Sep-25	0.45	4.77	0.87	0.00	-1.55	4.59
Oct-25	0.57	4.53	0.93	0.05	-1.32	4.47
Nov-25	0.61	4.44	0.96	0.08	-1.10	4.38
Dec-25	0.65	4.35	1.00	0.13	-0.90	4.30

Source: FNAB = Food and non-alcoholic beverages. NEIG = Non-energy industrial goods. The BoE refers to NEIG as 'core goods'. NEIG/Core goods = Goods excluding energy, food, non-alcoholic beverages, alcoholic beverages and tobacco. Core services = services excluding air fares, package holidays and education. Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 4: BofA and BoE inflation forecasts

Updated forecasts

Headline		Services	
BoEf	Data/BofAf	BoEf	Data/BofAf
Jun-23	7.9	7.9	7.2
Jul-23	6.8	6.8	7.3
Aug-23	7.1	6.7	7.2
Sep-23	6.9	6.7	7.0
Oct-23	5.0	4.9	6.8
Nov-23	4.8	4.7	6.8
Dec-23	5.0	4.6	6.9

Source: BofA Global Research, ONS, BoE

BofA GLOBAL RESEARCH

Exhibit 5: BofAf RPI-CPI wedge

Updated forecasts

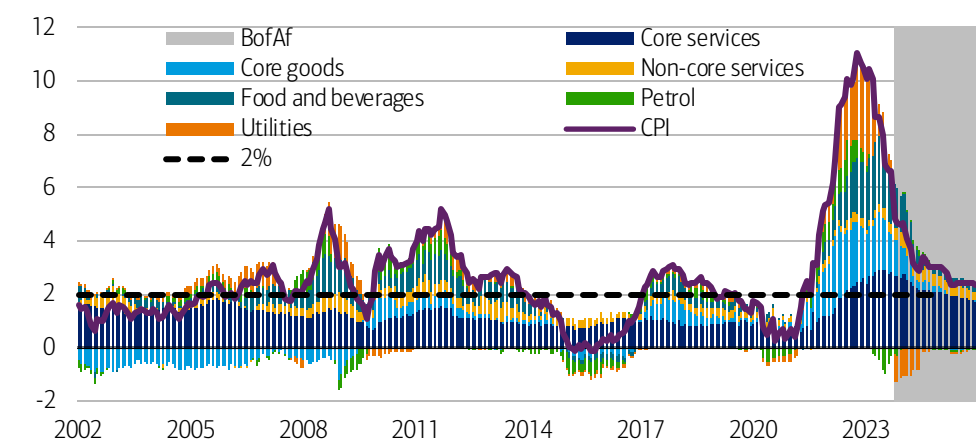
	RPI-CPI	Housing	Coverage		Formula	Other inc. weights	NB House prices, % yoy	Housing depreciation
			o/w MIPS	other housing				
Jun-23	2.75	1.98	1.35	0.63	-0.10	0.76	0.11	1.75
Jul-23	2.19	1.93	1.35	0.58	-0.10	0.76	-0.40	0.73
Aug-23	2.44	1.97	1.50	0.47	-0.09	0.74	-0.18	0.13
Sep-23	2.20	1.79	1.45	0.34	-0.09	0.78	-0.28	-1.38
Oct-23	1.44	1.64	1.41	0.23	-0.09	0.78	-0.89	-2.46
Nov-23	1.26	1.53	1.38	0.15	-0.09	0.78	-0.96	-3.43
Dec-23	1.22	1.45	1.37	0.09	-0.09	0.78	-0.93	-3.38
Jan-24	0.83	1.09	1.03	0.06	-0.09	0.78	-0.95	-3.23
Feb-24	1.15	1.34	1.30	0.04	-0.09	0.78	-0.88	-3.11
Mar-24	1.13	1.27	1.24	0.03	-0.09	0.78	-0.84	-2.24
Apr-24	1.35	1.32	1.28	0.03	-0.09	0.78	-0.66	-1.46
May-24	1.26	1.21	1.15	0.06	-0.09	0.78	-0.64	-1.70
Jun-24	1.16	1.15	1.08	0.08	-0.09	0.78	-0.69	-2.78
Jul-24	1.14	1.04	1.00	0.04	-0.09	0.78	-0.59	-2.92
Aug-24	1.08	0.93	0.90	0.03	-0.09	0.78	-0.54	-3.13
Sep-24	1.07	0.89	0.88	0.02	-0.09	0.78	-0.52	-2.63
Oct-24	1.18	0.84	0.81	0.03	-0.09	0.78	-0.35	-2.03
Nov-24	1.14	0.79	0.74	0.05	-0.09	0.78	-0.34	-1.44
Dec-24	1.11	0.76	0.67	0.09	-0.09	0.78	-0.34	-0.85
Jan-25	1.12	0.75	0.63	0.12	-0.09	0.78	-0.32	-0.50
Feb-25	1.16	0.78	0.62	0.16	-0.09	0.78	-0.31	-0.15
Mar-25	1.18	0.79	0.60	0.19	-0.09	0.78	-0.30	0.20
Apr-25	1.11	0.83	0.61	0.21	-0.09	0.78	-0.41	0.55
May-25	1.06	0.80	0.56	0.24	-0.09	0.78	-0.43	0.90
Jun-25	1.02	0.80	0.53	0.27	-0.09	0.78	-0.46	1.26
Jul-25	1.01	0.80	0.50	0.30	-0.09	0.78	-0.47	1.41
Aug-25	0.97	0.79	0.47	0.32	-0.09	0.78	-0.50	1.56
Sep-25	0.93	0.77	0.44	0.33	-0.09	0.78	-0.54	1.71
Oct-25	0.95	0.76	0.41	0.34	-0.09	0.78	-0.50	1.86
Nov-25	0.91	0.74	0.39	0.36	-0.09	0.78	-0.53	2.02
Dec-25	0.87	0.73	0.36	0.37	-0.09	0.78	-0.55	2.17

Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 6: Contributions to CPI inflation

Inflation to fall sharply

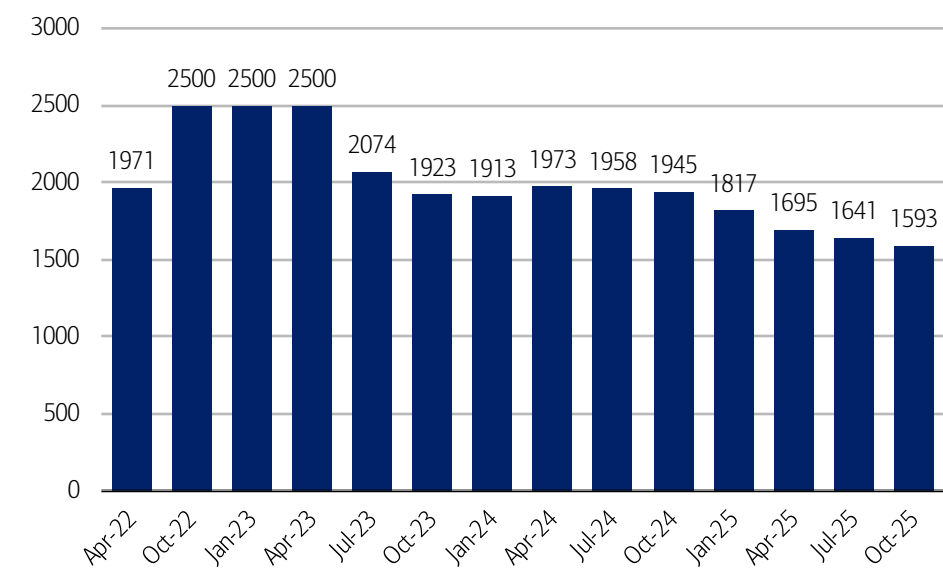


Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 7: BofAf typical household energy bill

Utility prices likely broadly stable until 2025



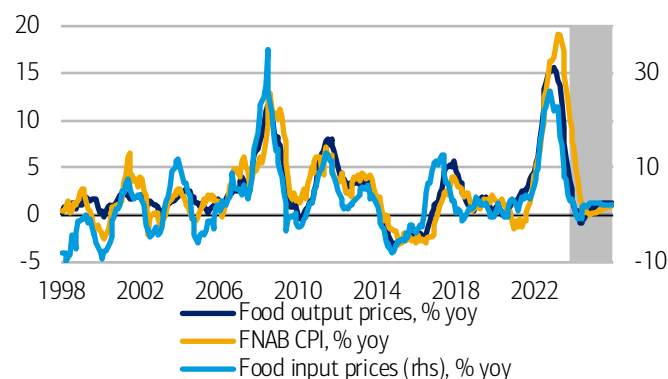
Source: BofA Global Research, OfGem.

BofA GLOBAL RESEARCH



Exhibit 8: Food input and output prices and food CPI, % yoy

Food output price inflation dropped sharply, 3-month average annualised = -1.2%, food inflation following supply chain pressures down

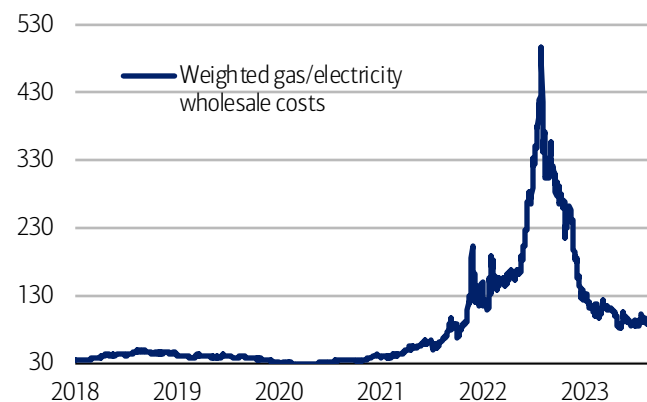


Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 9: Wholesale energy costs

Recent falls cut utility price outlook

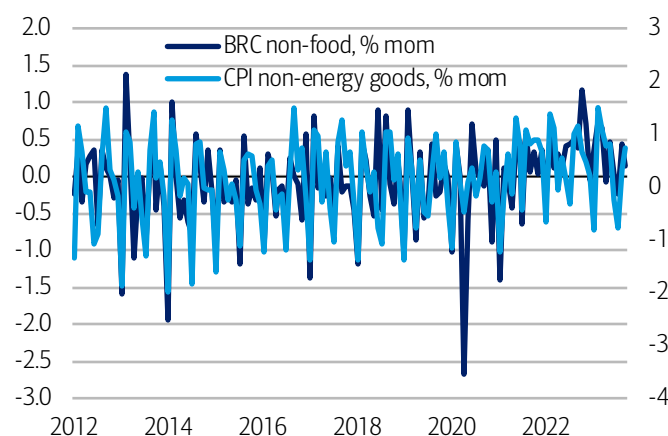


Source: BofA Global Research, Bloomberg.

BofA GLOBAL RESEARCH

Exhibit 10: BRC non-food inflation vs CPI

Goods inflation stronger than BRC in September

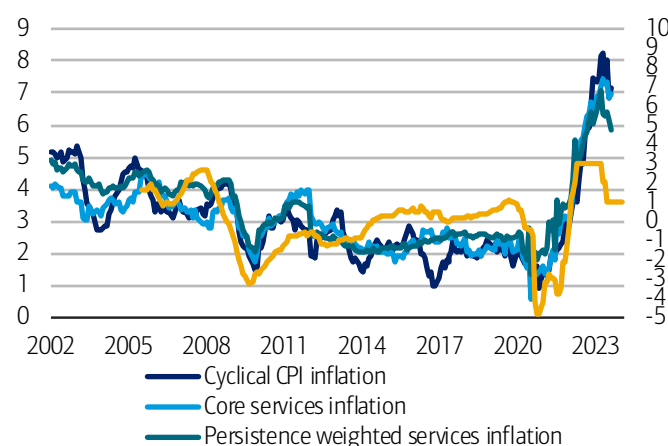


Source: BofA Global Research, British Retail Consortium (BRC)

BofA GLOBAL RESEARCH

Exhibit 11: Cyclical CPI inflation and spare capacity

Persistent inflation signals ease, remain high

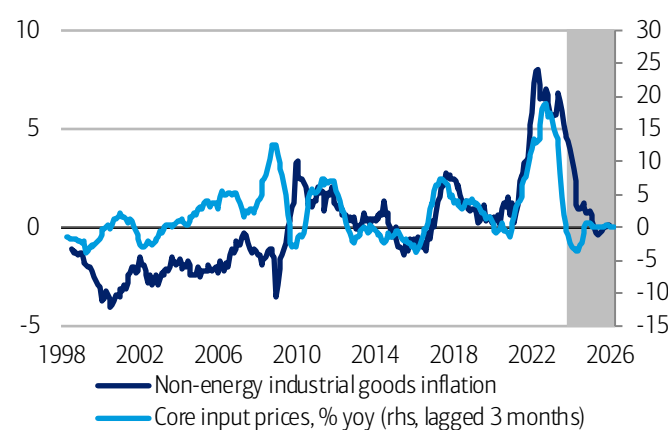


Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 12: Core input prices and goods inflation

Core input prices falling, goods inflation following it down

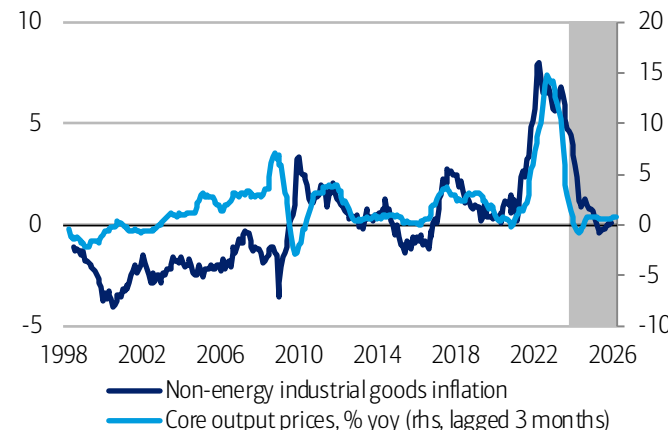


Shaded area shows BofA forecasts. Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 13: Core output prices and goods inflation

Output price inflation fallen sharply, goods following

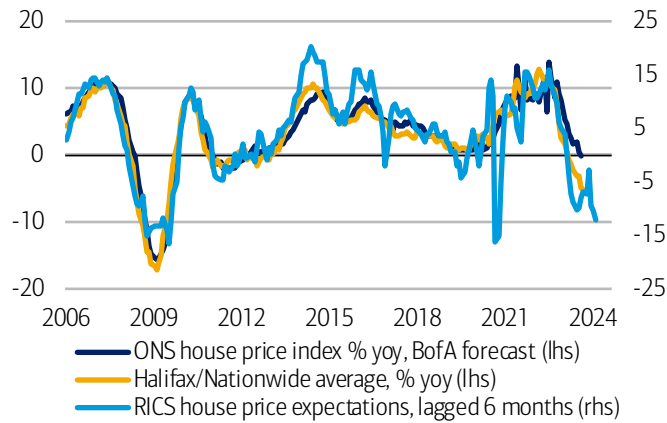


Shaded area shows BofA forecasts. Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 14: House price inflation and RICS price expectations

RICS housing survey suggests house prices falls reaccelerate

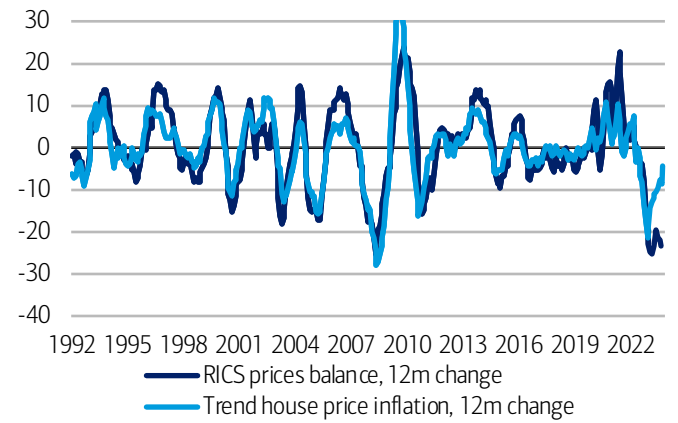


Source: BofA Global Research, RICS

BofA GLOBAL RESEARCH

Exhibit 15: Change in house price inflation and RICS price balance

Hard data on house prices improved faster than RICS

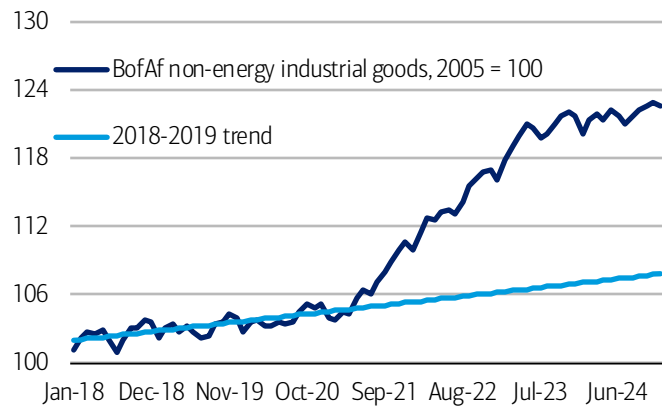


Source: BofA Global Research, RICS

BofA GLOBAL RESEARCH

Exhibit 16: BofAf non-energy industrial goods, level, 2005 = 100

We assume goods prices remain elevated...

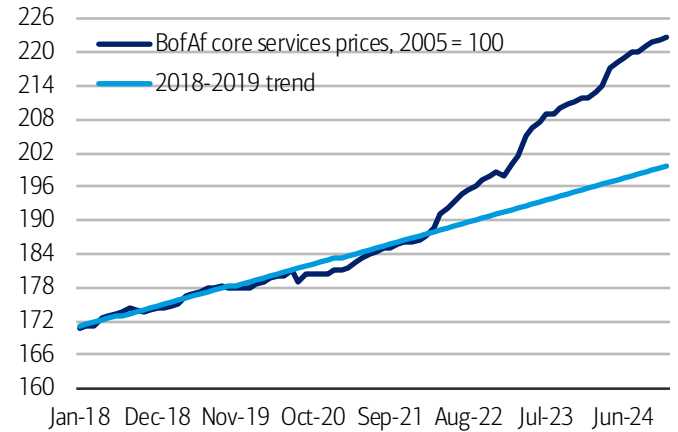


Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 17: BofAf core services prices, level, 2005 = 100

... while services inflation continues to rise faster than previous trend

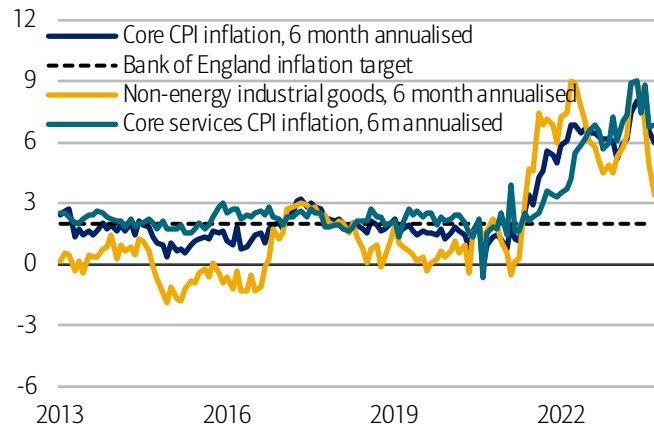


Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 18: 6 month annualised seasonally adjusted inflation

Goods inflation surge over, services much stickier

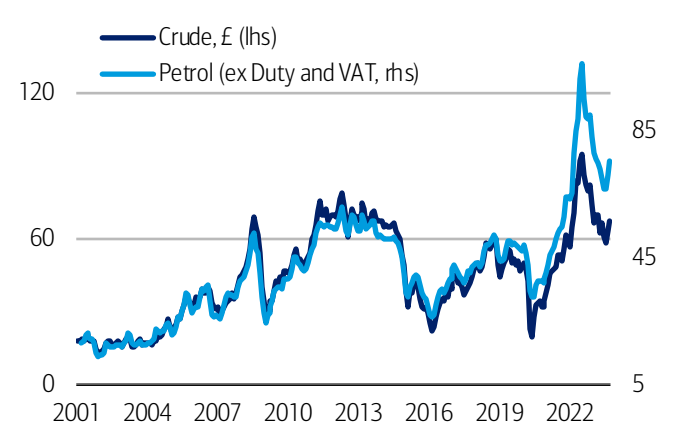


Seasonally adjusted with X12. Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Exhibit 19: Petrol and crude oil prices

Petrol prices fall but remain elevated relative to crude

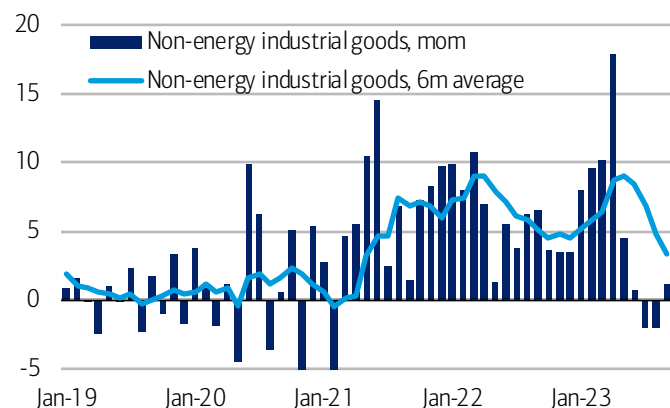


Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 20: Goods inflation over

Seasonally adjusted annualised non-energy industrial goods inflation

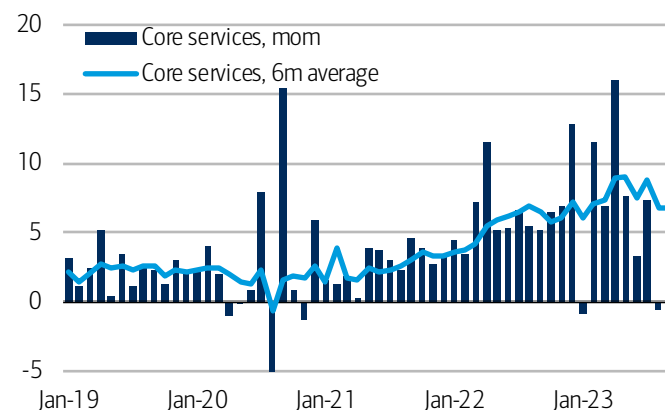


Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 21: Services inflation stickier

Seasonally adjusted annualised services inflation

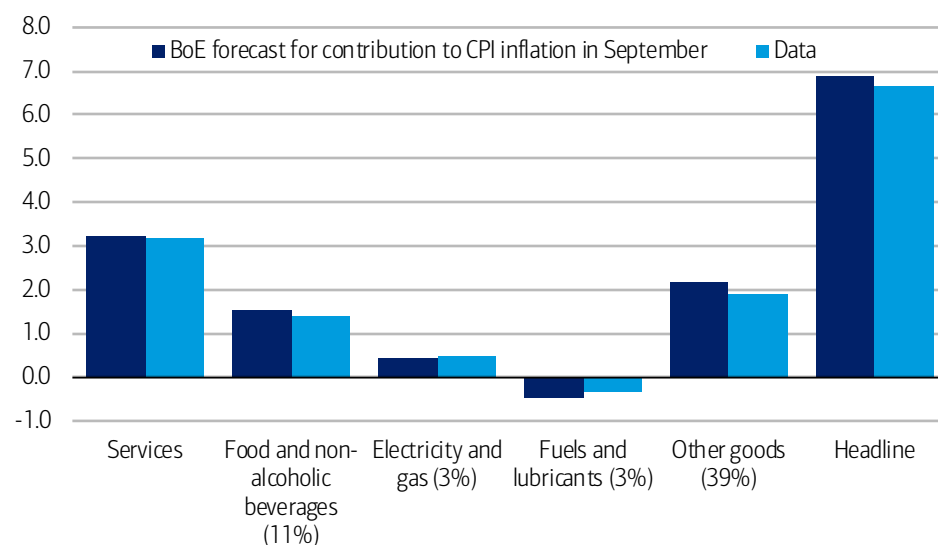


Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 22: Contributions to inflation compared to BoE forecast

Headline inflation weaker than BoE expected, as goods increasingly undershoots BoE forecast



Source: BofA Global Research, Bank of England, ONS

BofA GLOBAL RESEARCH

Exhibit 23: CPI inflation heatmap, yoy

Goods slowing more clearly, services remain hot

		Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Headline CPI	1000	10.1	11.1	10.7	10.5	10.1	10.4	10.1	8.7	8.7	7.9	6.8	6.7	6.7
Seasonal food	30	12.2	13.8	13.3	12.7	12.3	14.1	15.9	15.9	16.4	15.1	13.3	10.9	10.7
Non-seasonal food	77	15.9	17.7	18.0	18.6	18.8	20.1	21.2	20.8	19.7	18.3	15.5	14.4	12.9
Alcohol and tobacco	42	5.5	6.1	4.1	3.7	5.1	5.7	5.3	9.1	9.3	9.2	9.4	10.5	11.2
Electricity & gas	47	70.4	91.8	91.6	91.6	92.6	92.6	92.6	25.9	25.9	25.9	5.8	5.8	5.8
Solid & liquid fuels	2	65.9	52.9	45.6	39.3	36.6	25.4	-3.5	-6.4	-15.8	-22.2	-18.5	-5.3	-9.3
Fuels and lubricants	31	26.5	22.2	17.2	11.5	7.7	4.6	-5.9	-8.9	-13.1	-22.7	-24.9	-16.4	-9.7
Non-alcoholic beverages	12	12.6	13.7	14.9	16.8	15.3	16.0	14.6	16.5	14.3	16.9	14.4	15.0	11.1
Core CPI	759	6.5	6.5	6.3	6.4	5.8	6.2	6.2	6.8	7.1	6.9	6.9	6.2	6.1
Core goods	293	7.0	6.7	6.3	5.8	5.6	5.7	5.7	6.6	6.8	6.4	5.9	5.2	4.7
Clothing and footwear	57	8.5	8.5	7.5	6.4	6.2	8.0	7.1	6.7	7.0	7.2	6.5	7.0	6.9
Household goods	64	11.2	10.9	11.1	10.1	9.5	8.9	8.2	7.6	7.7	6.6	6.3	5.0	3.6
Water supply	6	6.6	6.2	6.3	6.7	6.3	6.2	6.0	8.7	8.3	7.9	7.7	7.3	6.9
Medical products	11	3.0	3.6	4.4	4.8	6.7	7.6	8.3	8.1	9.6	9.2	10.7	10.2	10.4
Cars	51	4.1	2.0	0.8	0.6	-0.3	0.4	0.9	3.5	4.3	4.2	3.1	1.9	1.4
AV goods	14	-3.2	-0.4	0.4	0.6	-0.6	-2.7	-1.7	2.6	-0.1	2.2	2.7	1.8	2.2
Other rec goods	59	7.7	7.3	6.5	5.2	6.3	5.2	5.9	7.5	8.3	7.5	6.6	6.1	5.8
Misc goods	31	8.3	8.0	7.9	8.3	8.4	9.7	9.1	8.5	8.5	7.1	6.8	5.8	5.3
Services	466	6.1	6.3	6.3	6.8	6.0	6.6	6.6	6.9	7.4	7.2	7.4	6.8	6.9
Air fares	4	35.7	29.6	24.3	44.1	18.4	16.8	24.2	12.6	31.4	26.7	29.8	12.0	14.9
Package holidays	31	10.1	10.2	10.4	10.5	10.8	11.6	11.9	12.7	13.1	12.5	12.4	10.5	10.7
Education	29	4.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	4.1
Core services	402	6.0	6.3	6.4	6.7	6.2	6.9	6.9	7.2	7.4	7.3	7.3	6.8	7.0
Rents	79	4.2	4.3	4.5	4.6	4.6	4.7	4.8	5.5	5.6	5.5	6.5	6.4	6.4
Housing services	12	6.5	7.2	7.2	5.6	3.6	4.0	4.3	5.9	5.8	6.0	5.8	5.9	5.6
Services for personal transport	31	7.4	7.5	7.3	7.0	6.2	6.2	5.7	9.3	8.5	7.9	8.7	7.8	8.6
Transport services ex air	20	7.6	7.9	6.8	9.1	6.5	7.0	7.7	5.6	7.0	6.9	6.9	6.3	6.7
Transport insurance	3	16.9	20.6	28.6	29.8	26.9	33.2	36.7	38.5	40.7	47.9	49.5	49.2	48.1
Accommodation services	29	14.9	16.1	12.0	16.3	16.4	15.2	15.2	13.7	14.4	11.3	12.2	7.0	8.3
Catering	109	8.2	7.8	9.7	10.0	9.3	11.3	10.3	9.3	9.2	9.0	8.9	8.7	8.7
Non-catering recreation	41	3.8	5.1	4.3	4.9	3.5	3.7	4.1	3.7	4.7	4.6	4.7	4.1	4.3
Communication	23	2.4	3.2	2.6	2.0	2.4	3.7	3.7	7.9	9.1	9.5	7.1	8.2	8.1
Misc services	42	1.8	1.8	1.9	2.0	3.4	3.5	3.8	4.4	4.2	4.2	3.1	2.9	2.8
Medical services	13	4.6	5.6	5.8	5.9	5.9	5.8	5.7	5.6	6.2	6.3	6.3	6.2	5.8

Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 24: CPI inflation by component, % mom, data and BofAf

Updated forecasts

% mom	weight	2023	
		September	October
Seasonal food	30	0.4	2.2
Non-seasonal food	77	-0.1	-0.4
NAB	12	-1.7	0.0
Alcohol and tobacco	42	0.9	0.0
Electricity and gas	47	0.0	-7.3
Solid and liquid fuels	2	3.7	1.4
Fuels and lubricants	31	3.6	2.0
Clothing and footwear	57	2.9	1.1
Household goods	64	0.1	0.3
Water supply, maintenance and repair	6	0.4	0.0
Medical products	11	1.0	0.3
Cars	51	0.0	-0.4
AV goods	14	-1.2	0.4
Other rec goods	59	0.6	1.0
Misc goods	31	0.1	0.9
Rents	79	0.4	0.8
Housing services	12	0.1	0.3
Services for personal transport equipment	31	1.2	0.4
Transport services ex air	20	-0.9	0.0
Air fares	4	-23.2	3.2
Transport insurance	3	1.8	-0.2
Package holidays	31	1.1	0.5
Accommodation services	29	3.4	-0.3
Catering	109	0.1	0.7
Non-catering recreation	41	0.9	-0.1
Communication	23	0.0	0.1
Misc services	42	0.1	0.1
Medical services	13	0.1	-0.4
Education	29	1.8	3.5

Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 25: CPI inflation by component, % yoy, data and BofAf

Updated forecasts

% yoy	weight	2023	
		September	October
Seasonal food	30	10.7	10.0
Non-seasonal food	77	12.9	10.5
NAB	12	11.1	9.3
Alcohol and tobacco	42	11.2	11.1
Electricity and gas	47	5.8	-22.1
Solid and liquid fuels	2	-9.3	-9.8
Fuels and lubricants	31	-9.7	-7.4
Clothing and footwear	57	6.9	6.4
Household goods	64	3.6	3.3
Water supply, maintenance and repair	6	6.9	6.9
Medical products	11	10.4	10.2
Cars	51	1.4	1.0
AV goods	14	2.2	1.2
Other rec goods	59	5.8	6.8
Misc goods	31	5.3	5.0
Rents	79	6.4	6.7
Housing services	12	5.6	5.2
Services for personal transport equipment	31	8.6	8.5
Transport services ex air	20	6.7	6.7
Air fares	4	14.9	17.7
Transport insurance	3	48.1	46.5
Package holidays	31	10.7	10.6
Accommodation services	29	8.3	6.6
Catering	109	8.7	8.4
Non-catering recreation	41	4.3	3.8
Communication	23	8.1	7.5

Exhibit 25: CPI inflation by component, % yoy, data and BofAf

Updated forecasts

% yoy		2023	
Misc services	42	2.8	2.9
Medical services	13	5.8	5.3
Education	29	4.1	5.4

Source: BofA Global Research, ONS

BofA GLOBAL RESEARCH

Exhibit 26: News to BofAf by component, %

Goods inflation surprised on the downside in July, helped by used cars

	weight	September	
Seasonal food	30	0.2	
Non-seasonal food	77	0.7	
NAB	12	-2.4	
Alcohol and tobacco	42	0.7	
Electricity and gas	47	0.0	
Solid and liquid fuels	2	1.0	
Fuels and lubricants	31	0.0	
Clothing and footwear	57	0.2	
Household goods	64	-1.5	
Water supply, maintenance and repair	6	0.1	
Medical products	11	1.1	
Cars	51	0.1	
AV goods	14	-1.3	
Other rec goods	59	0.4	
Misc goods	31	0.3	
Rents	79	0.0	
Housing services	12	-0.3	
Services for personal transport equipment	31	0.8	
Transport services ex air	20	0.1	
Air fares	4	-1.1	
Transport insurance	3	1.6	
Package holidays	31	0.3	
Accommodation services	29	0.4	
Catering	109	-0.7	
Non-catering recreation	41	0.6	
Communication	23	-0.1	
Misc services	42	-0.3	
Medical services	13	-0.1	
Education	29	0.3	

Source: BofA Global Research, ONS.

BofA GLOBAL RESEARCH

Disclosures

Important Disclosures

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Individuals identified as economists do not function as research analysts under U.S. law and reports prepared by them are not research reports under applicable U.S. rules and regulations.

Macroeconomic analysis is considered investment research for purposes of distribution in the U.K. under the rules of the Financial Conduct Authority.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no. 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdiscclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Investment Industry Regulatory Organization of Canada; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives,



financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Copyright 2023 Bank of America Corporation. All rights reserved. iQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

Research Analysts

Ruben Segura-Cayuela

Europe Economist

BofA Europe (Madrid)

ruben.segura-cayuela@bofa.com