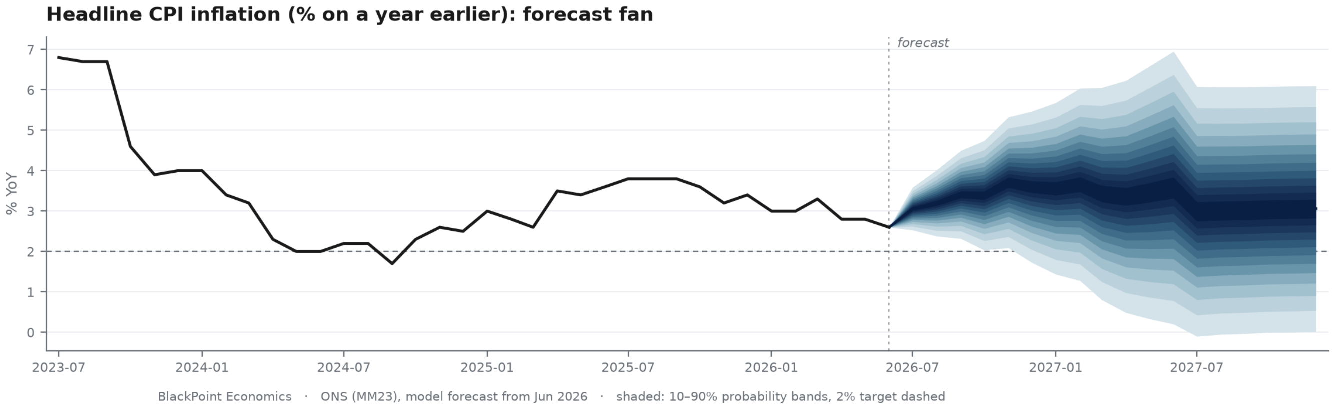
The BlackPoint Inflation View · The Month Ahead in UK Inflation

July 2026 edition · following the June CPI release · published 22 Jul 2026

Energy Does the Heavy Lifting

Our view. With the June CPI print released today (2.6%), this edition sets out where headline inflation goes next. We expect it to rise to about **3.1%** in Jul 2026, then climb to roughly **3.4%** by Sep 2026 and **3.6%** by Dec 2026, holding near **3.6%** through Jun 2027. The reacceleration is almost entirely an **energy story** — the announced July Ofgem cap reset and elevated motor fuels — not a broad-based pickup. Core (2.6%) and services (3.6%) remain calmer, so we read the climb as a known, largely one-off step in the price level rather than renewed underlying pressure.

LATEST	NOWCAST	+3 MONTHS	+6 MONTHS	+12 MONTHS
Jun 2026	Jul 2026	Sep 2026	Dec 2026	Jun 2027
2.6%	**3.1%**	**3.4%**	**3.6%**	**3.6%**
ONS actual	80%: 2.6–3.5	model	model	central path



Headline CPI: central projection with 10–90% probability bands; 2% target dashed. Source: ONS (MM23), BlackPoint model.
Forecast run 22 Jul 2026 · Last ONS actual Jun 2026 (CPI 2.6%) · Next ONS release: monthly

What is driving the forecast

Regulated energy (the cap). The Ofgem price cap rises **13% from 1 July 2026** (£1,641→£1,862 for a typical bill), lifting the regulated electricity and gas prices inside division 04 (housing, water, electricity & gas). This is the single largest force on the profile: it steps the energy cut from ~7.5% to ~16% from Sep 2026 and feeds headline through div04's weight. Because it is announced, we model it as near-certainty over the cap window rather than guessing.

Motor fuels. The second leg is petrol and diesel in division 07 (transport), motor fuels contributing about +0.7pp at the nowcast. Unlike the cap, this is **not** regulated — it tracks Brent in sterling through the model's bridge, and remains elevated on Middle East supply risk. Between capped elec/gas and oil-driven fuels, energy in the broad sense accounts for most of the rise to year-end.

Underlying pressure is steadier. Core sits at 2.6% and services at 3.6%; both drift only modestly over the year (3.4% and 4.4% at +12m). The bottom-up build across all twelve COICOP divisions cross-checks the headline at 3.1%. The implication for policy: much of the 3.6% year-end print is a mechanical energy base effect that rolls off in mid-2027, not a signal of entrenched inflation.

Market cut	Latest	+12m
Headline CPI	2.6%	3.6%
Core (ex EFAT)	2.6%	3.4%
Services	3.6%	4.4%

Largest contributors (nowcast)	pp
04 Housing, water, electricity & gas	+0.80
07 Transport	+0.68
11 Restaurants & hotels	+0.52

Risks & what we are watching

Energy cap path (two-sided). The profile assumes no cap change beyond July. The October cap is announced ~26 Aug; current expectation is a small further rise, which would lift the year-end print and smooth the 2027 base-effect decline. A renewed Brent spike on Middle East disruption is the main upside (a sustained shock could add an estimated 0.3–0.7pp to CPI); a faster oil unwind is the downside.

Services and pay persistence. Services at 3.6% and regular pay near 3.4% are the second-round risk: if they prove stickier than the calm core suggests, the Bank looks through the energy step less readily. A faster labour-market loosening would pull the other way.

Sterling & commodities. The bridge runs on Brent-in-sterling, the effective exchange rate and global food prices; a weaker pound or a food-price spike feeds goods and food inflation within two to three months.

Watching: next ONS CPI print · 26 Aug Ofgem cap announcement · Brent & sterling · services and AWE regular pay. *Latest figures are ONS published rates; forecasts are the BlackPoint model.*

Next edition published on the next ONS CPI release, expected **19 August 2026** — our forward view for the months ahead.

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22 July 2026

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