

UK Inflation Eases, However Core Pressures Persist

UK inflation eased to 2.5% in December, down slightly from 2.6% in November, as energy and transport costs continued to decline. However, core inflation held firm at 2.7%, reflecting persistent pressures in services and wage growth. The Bank of England is expected to adopt a cautious stance, with policymakers balancing moderating headline inflation against underlying risks that remain above the 2% target. Despite cooling from last year's peaks, structural price drivers and business cost pressures pose challenges to sustained disinflation. The pound edged 0.1% lower to $1.26 following the release, as markets weighed the potential for a slower shift in monetary policy.

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