

UK

YouGov Report Inflation Expectations Edge Down

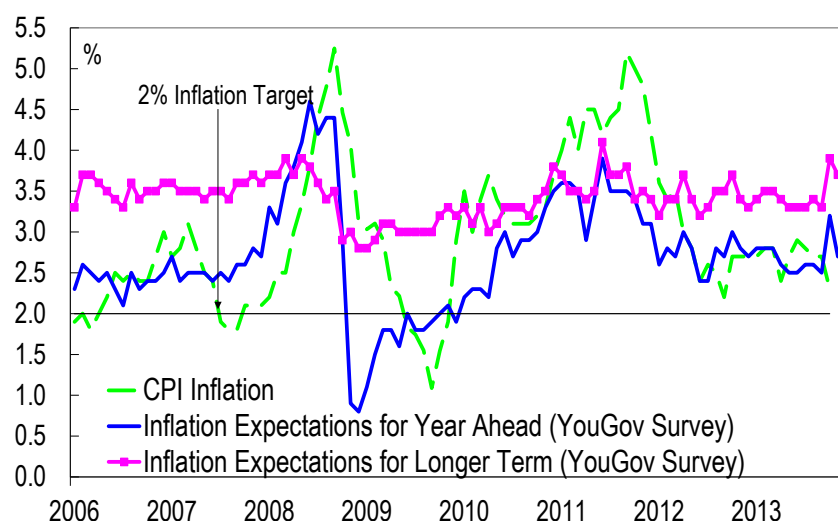
- We report here the results of the November YouGov survey of inflation expectations among the general public. The survey was carried out during 20-22 November with a sample size of 2,023 people. The median for inflation expectations in the year ahead fell back to 2.7% in November from 3.2% in October and 2.5% in September. The median for inflation expectations in the longer term (next 5-10 years) fell to 3.7% YoY in November from 3.9% in October and 3.3% in September.
- The MPC may be reassured to an extent by the evidence that inflation expectations have fallen back in November, and this adds support to their view that the surge in October mainly reflected the large energy price hikes announced in that month. However, we suspect these results will not totally remove the MPC's worries over inflation expectations. In particular, whereas inflation expectations for the year ahead fell by 0.5pp in November and are now just 0.2pp above the October level, longer-term expectations fell by only 0.2pp and remain 0.4pp above the October level. In other words, the shock to inflation expectations from energy prices (if that is what we saw in October) seems to be lingering to an extent in longer-term inflation expectations. Trends in inflation expectations will not greatly affect actual inflation in the coming year – and we expect CPI inflation to be subdued in 2014 – but are influential in shaping the economy's longer-term growth/inflation mix and warrant continued close monitoring in coming months.

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Figure 1. UK — CPI Inflation and Household Inflation Expectations, 2006-13



Sources: YouGov, ONS and Citi Research

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Appendix A-1

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