



14 December 2006

Bank of England/GfK NOP Inflation Attitudes Survey

This news release describes the results of the Bank of England's latest quarterly survey of public attitudes to inflation, undertaken in November 2006.

Highlights from the survey

Question 1: Asked to give the current rate of inflation, respondents gave a median answer of 2.9%, compared with 2.8% in the August survey. This was the highest outturn since the survey began in 1999.

Question 2: Median expectations of the rate of inflation over the coming year were 2.7%, compared with 2.5% in August. This is equal to the previous series high in February 2006.

Question 3: By a margin of 55% to 9%, survey respondents believed that the economy would end up weaker rather than stronger if prices started to rise faster. These outturns are in line with responses since November 2005.

Question 4: 54% of respondents thought the inflation target was 'about right', while the proportions saying the target was 'too high' or 'too low' were 22% and 13% respectively. These outturns are broadly in line with those of recent years.

Question 5: 68% of respondents said that interest rates had risen over the past 12 months – the survey was undertaken after the 25 basis point increase in November. This compared with 55% in the August survey, which was undertaken after the 25 basis point rise on 3rd August. 2% of respondents thought that interest rates had fallen in the past 12 months, compared with 5% in the August survey. The net balance of respondents saying interest rates had risen, at 66%, was the highest since August 2004 when the net balance was also 66%.

Question 6: When asked about the future path of interest rates, 72% expected rates to rise in the next 12 months, compared with 65% in August. This was the highest response since August 2004, when it was 73%. 2% of respondents thought interest rates might fall in the next 12 months, the same proportion as in August 2006 and the lowest response since the survey began.

Question 7: Asked what would be ‘best for the economy’ – higher interest rates, lower rates or no change – 14% thought rates should ‘go up’, compared with 15% in August. 26% of respondents thought interest rates should ‘go down’, compared with 24% in August. 36% thought interest rates should ‘stay where they are’, compared with 37% in August.

Question 8: When asked what would be ‘best for you personally’, 19% said interest rates should ‘go up’, similar to responses over the past few years. 41% of respondents said it would be better for them if interest rates were to ‘go down’, compared with 36% in August. This was the highest response since the survey began.

Questions 9-13 are only asked once a year in February*.

Question 14: Respondents were asked to assess the way the Bank of England is ‘doing its job to set interest rates to control inflation’. The net satisfaction index – the proportion satisfied minus the proportion dissatisfied – was 43%, compared with 42% in August.

GfK NOP interviewed a quota sample of 2,094 people aged 15 and over in 175 randomly-selected enumeration districts throughout Great Britain between 16 and 21 November 2006. The raw data were weighted to match the demographic profile of Great Britain as a whole.

*Although the main survey is conducted quarterly, the February survey each year includes five extra questions, the answers to which have been shown to change slowly over time, and is double the sample size of the other surveys. An article in the summer 2006 Quarterly Bulletin examined the trends seen in the previous five surveys up to and including the February and included the responses to the five annual questions.