BANK OF ENGLAND

News release

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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 between 6th and 18th of February 2014. In this survey we asked some additional questions which are reported in the detailed spreadsheet published on the Bank's web site. Of potential interest is question 21 on expectations of interest rates, and question 22 on expectations of house price rises which are also summarised below:

Highlights from the survey

Question 1: Asked to give the current rate of inflation, respondents gave a median answer of 3.5%, compared with 4.4% in November.

Question 2a: Median expectations of the rate of inflation over the coming year were 2.8%, compared with 3.6% in November.

Question 2b: Asked about expected inflation in the twelve months after that, respondents gave a median answer of 2.8%, compared with 3.4% in November.

Question 2c: Asked about expectations of inflation in the longer term, say in five year's time, respondents gave a median answer of 3.2%, compared with 3.7% in November.

Question 3: By a margin of 57% to 8%, survey respondents believed that the economy would end up weaker rather than stronger if prices started to rise faster, compared with 62% to 7% in November.

Question 4: 48% of respondents thought the inflation target was 'about right', unchanged from November, while the proportions saying the target was 'too high' or 'too low' were 22% and 12% respectively.

Question 5: 13% of respondents thought that interest rates had fallen over the past 12 months, compared with 14% in November, while 23% of respondents said that interest rates had risen over the past 12 months, compared with 22% in November.

Question 6: When asked about the future path of interest rates, 37% said rates might stay about the same over the next twelve months, down from 43% in November. 40% of respondents expected rates to rise over the next 12 months, up from 34% in November.

Question 7: Asked what would be 'best for the economy' – higher interest rates, lower rates or no change – 16% thought rates should 'go up', compared with 18% in November. 16% of respondents thought that interest rates should 'go down', compared with 18% in November. 40% thought interest rates should 'stay where they are', compared to 38% in November.

Question 8: When asked what would be 'best for you personally', 21% of respondents said interest rates should 'go up', the same as in November. 23% of respondents said it would be better for them if interest rates were to 'go down', compared with 26% in November.

Question 9a: When asked if they agreed that a rise in interest rates would make prices in the high street rise more slowly in the short term, 28% agreed and 23% disagreed, similar figures to a year ago.

Question 9b: When asked if they agreed that a rise in interest rates would make prices in the high street rise more slowly in the medium term, 32% agreed and 18% disagreed, again similar figures to a year ago.

Question 10: When asked if they would prefer a rise in interest rates, or allowing prices in shops to rise faster, 58% preferred interest rates to rise, similar to last year.

Questions 11-13*: The responses to these questions – which ask respondents about which organisation is responsible for setting interest rates – are broadly similar to the responses given in previous surveys. 7% of respondents identified the Monetary Policy Committee as the body that meets each month to set Britain's basic interest rate. 65% of people said that it is the Bank of England that sets the interest rate.

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 balance – the proportion satisfied minus the proportion dissatisfied – was +30%, compared with +23% in November.

Question 15*: Asked which actions they were likely to take in light of their expectations of inflation over the next twelve months: 49% of respondents said they would shop around for better value goods and services, compared with 65% in February 2013. 34% said they would cut back on spending and save more; 13% said they would look for a different or second job, or work more hours; 7% said they would move savings out of banks and building societies and into other assets; 7% said they would push for increased pay in their current jobs; and 4% said they would bring forward major purchases. 32% said they would take no action.

Question 21:** Asked about their expectation for Bank rate, looking forward one year, 50% of respondents expected it to be between 0 and 1%; 35% expected between 1-2%; and 8% expected between 2-3%. Looking two years forward, 28% of respondents expected Bank rate to be between 0 and 1%, 43% expected between 1-2% and 18% expected between 2-3%. Looking five years forward, 17% of respondents expected Bank rate to be between 0 and 1%, 29% expected between 1-2% and 26% expected between 2-3%.

Question 22:** Asked about how much they expected house prices to rise over the coming twelve months in their area, 18% of respondents expected no change, 31% expected a rise of between 0-5%, 21% expected a rise of between 5-10%, 11% expected a rise of more than 10%, and the remaining 20% either expected prices to fall or said they had no idea. Of respondents from the South East, including London, 11% expected no change, 29% expected a rise of between 0-5%, 27% expected a rise of between 5-10%, 15% expected a rise of more than 10%, and the remaining 18% either expected prices to fall or said they had no idea.

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Note to Editors

GfK NOP interviewed a quota sample of 3949 people aged 16 and over in 175 randomly selected output areas throughout the United Kingdom between 6 and 18 February 2014. The raw data were weighted to match the demographic profile of the UK 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.

** This question was asked for the first time in this survey.