The charts and tables in this document show the MPC’s fan charts as described in Section 5 of the November 2017 Inflation Report. They are based on a number of conditioning assumptions that are set out in more detail in the ‘Conditioning assumptions, MPC key judgements, and indicative projections’ document.

The charts and tables showing the November 2017 projections have been conditioned on the assumptions that the stock of purchased gilts remains at £435 billion and the stock of purchased corporate bonds remains at £10 billion throughout the forecast period, and on the Term Funding Scheme (TFS); all three of which are financed by the issuance of central bank reserves. They have also been conditioned on market interest rates, unless otherwise stated. The August 2017 projections were conditioned on the same asset purchase and TFS assumptions and market interest rates.

The data behind the distributions in November 2017 are available at www.bankofengland.co.uk/publications/Documents/inflationreport/ir17novprob.xlsx.

The data behind the distributions in August 2017 are available at www.bankofengland.co.uk/publications/Documents/inflationreport/ir17augprob.xlsx.

The market interest rate paths underlying some of these projections are available at www.bankofengland.co.uk/publications/Documents/inflationreport/market_profiles.xlsx.

Projected probabilities of GDP growth in 2018 Q4 (central 90% of the distribution)\(^{(a)(d)}\)

![Graph showing probability density per cent for November and August for 2018 Q4 GDP growth](Image)

Projected cumulative probabilities of four-quarter GDP growth in 2019 Q4\(^{(e)}\)

![Graph showing probability per cent for November and August for 2019 Q4 GDP growth](Image)

Percentiles of the four-quarter GDP growth distribution\(^{(e)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>10%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>90%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Q4</td>
<td>-0.1</td>
<td>0.7</td>
<td>1.5</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td>2018 Q4</td>
<td>-0.2</td>
<td>0.7</td>
<td>1.7</td>
<td>2.7</td>
<td>3.7</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>-0.7</td>
<td>0.4</td>
<td>1.7</td>
<td>2.9</td>
<td>4.1</td>
</tr>
<tr>
<td>2020 Q4</td>
<td>-0.9</td>
<td>0.4</td>
<td>1.7</td>
<td>3.1</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Percentiles of the four-quarter GDP growth distribution in August\(^{(e)}\)

<table>
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<tr>
<th>Year</th>
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<td>3.0</td>
</tr>
<tr>
<td>2018 Q4</td>
<td>-0.3</td>
<td>0.7</td>
<td>1.8</td>
<td>2.8</td>
<td>3.8</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>-0.8</td>
<td>0.4</td>
<td>1.7</td>
<td>2.9</td>
<td>4.1</td>
</tr>
</tbody>
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Calendar-year GDP growth rates of the modal, median and mean paths\(^{(g)}\)

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<tr>
<th>Year</th>
<th>Mode</th>
<th>Median</th>
<th>Mean</th>
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<tbody>
<tr>
<td>2017</td>
<td>1.6</td>
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Calendar-year GDP growth rates of the modal, median and mean paths in August\(^{(g)}\)

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</table>
Projected probabilities of CPI inflation in 2019 Q4 (central 90% of the distribution)\(^{(a)(d)}\)

- Probability density, per cent

Projected probabilities of CPI inflation in 2018 Q4 (central 90% of the distribution)\(^{(a)(d)}\)

- Probability density, per cent

CPI inflation projection based on constant nominal interest rates at 0.5% (narrow bands)\(^{(a)}\)

- Percentage increase in prices on a year earlier

CPI inflation projection based on constant nominal interest rates at 0.5% (wide bands)\(^{(a)}\)

- Percentage increase in prices on a year earlier

CPI inflation projection (narrow bands)\(^{(a)}\)

- Percentage increase in prices on a year earlier

CPI inflation projection (wide bands)\(^{(a)}\)

- Percentage increase in prices on a year earlier

Projected probabilities of CPI inflation in 2018 Q4 (central 90% of the distribution)\(^{(a)(d)}\)

- Probability density, per cent

Projected probabilities of CPI inflation in 2019 Q4 (central 90% of the distribution)\(^{(a)(d)}\)

- Probability density, per cent
Inflation Report

Fan charts

Probability of inflation at or below the target, inverted (per cent)

Probability of inflation above the target (per cent)

Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

November August

Inflation probabilities relative to the target

Probability, per cent

0 10 20 30 40 50 60 70 80 90 100


Probability that two year ahead inflation will be above the target from successive Inflation Report projections

Probability, per cent

0 10 20 30 40 50 60 70 80 90 100

Projected cumulative probabilities of CPI inflation in 2019 Q4

Probability, per cent

0 10 20 30 40 50 60 70 80 90 100

Percentiles of projected CPI inflation distribution

Probability 10% 25% 50% 75% 90%

2017 Q4 2.2 2.6 3.0 3.4 3.8
2018 Q4 0.7 1.5 2.4 3.3 4.1
2019 Q4 0.3 1.2 2.2 3.2 4.1
2020 Q4 0.2 1.1 2.1 3.2 4.1

Percentiles of projected CPI inflation distribution in August

Probability 10% 25% 50% 75% 90%

2017 Q4 1.6 2.2 2.8 3.3 3.9
2018 Q4 0.7 1.5 2.5 3.4 4.2
2019 Q4 0.3 1.2 2.2 3.3 4.2

Q4 CPI inflation

Mode Median Mean

2017 Q4 3.0 3.0 3.0
2018 Q4 2.4 2.4 2.4
2019 Q4 2.2 2.2 2.2
2020 Q4 2.1 2.1 2.1

Q4 CPI inflation in August

Mode Median Mean

2017 Q4 2.8 2.8 2.8
2018 Q4 2.5 2.5 2.5
2019 Q4 2.2 2.2 2.2
Unemployment rate projection\(^{(a)(b)(c)}\)

Unemployment rate projection based on constant nominal interest rates at 0.5\%\(^{(a)(b)(c)}\)
Endnotes

(a) The fan charts and associated cross-sections depict the probability of various outcomes for GDP growth, CPI inflation or the unemployment rate. In the GDP fan chart, the distribution to the left of the vertical dashed line reflects the likelihood of revisions to the data over the past. Over the forecast period, the distribution reflects uncertainty over the evolution of GDP growth, CPI inflation or the unemployment rate in the future. If economic circumstances identical to today’s were to prevail on 100 occasions, the MPC’s best collective judgement is that CPI inflation, the unemployment rate or the mature estimate of GDP growth would lie within the darkest central band on only 10 of those occasions in the narrow-band fan charts and 30 of those occasions in the wide-band fan charts. The fan chart is constructed so that outturns are also expected to lie within each pair of the lighter coloured areas on 10 (narrow bands) and 30 (wide bands) occasions. In any particular quarter of the forecast period, GDP growth, CPI inflation or the unemployment rate are therefore expected to lie somewhere within the fan on 90 out of 100 occasions. And on the remaining 10 out of 100 occasions they can fall anywhere outside the coloured area of the fan chart. Over the forecast period, this has been depicted by the light grey background. In any quarter of the forecast period, the probability mass in each pair of identically coloured bands sums to 10% (narrow bands) and 30% (wide bands). See the box on pages 48–49 of the May 2002 Inflation Report for a fuller description of the fan chart and what it represents.

(b) The dashed vertical lines in the GDP and unemployment fan charts show the start of the forecast period.

(c) Chained-volume measure (reference year 2015). The width of this fan over the past has been calibrated to be consistent with the four-quarter growth fan chart, under the assumption that revisions to quarterly growth are independent of the revisions to previous quarters. Over the forecast, the mean and modal paths for the level of GDP are consistent with Chart 5.1 on page 35 of the November Inflation Report. So the skews for the level fan chart have been constructed from the skews in the four-quarter growth fan chart at the one, two and three-year horizons. This calibration also takes account of the likely path dependency of the economy, where, for example, it is judged that shocks to GDP growth in one quarter will continue to have some effect on GDP growth in successive quarters. This assumption of path dependency serves to widen the fan chart.

(d) Cross-sections of the fan charts. The figures on the y-axis indicate the probability of GDP growth or CPI inflation being within ±0.05 percentage points of any given growth rate, specified to one decimal place; figures are average probability within each band.

(e) Probability of GDP growth or CPI inflation being at or below different rates. The bands have been coloured to match the equivalent fan chart bands. In order to construct the chart, the probability mass allocated to each of the upper and lower tails is assumed to be in line with the skew assumed for the central 90% of the distribution.

(f) Probabilities of above-average growth or above-target inflation at the respective two-year points of each Inflation Report forecast based on successive market rate projections with the exception of August 2013 which shows the constant rate projection. Since May 2009 these forecasts have been conditioned on paths for purchased assets as described in each Report. The historical average GDP growth rate is currently estimated at 2½% based on data from 1955.

(g) The table shows the projections for calendar-year growth of real GDP consistent with the modal, median and mean projections for four-quarter growth of real GDP implied by the fan chart. Where growth rates depend in part on the MPC’s backcast, revisions to quarterly growth are assumed to be independent of the revisions to previous quarters.

(h) Assessed probabilities of inflation relative to the target in each quarter of the forecast period. The 5 percentage points width of the swathes reflects the fact that there is uncertainty about the precise probability in any given quarter, but they should not be interpreted as a confidence interval.

(i) LFS measure. The calibration of this projection takes account of the likely path dependency of the economy, where, for example, it is judged that shocks to unemployment in one quarter will continue to have some effect on unemployment in successive quarters. 2017 Q3 is a staff projection for the unemployment rate, based in part on data for July and August.

(j) In the later part of the forecast period, a significant proportion of this distribution lies below Bank staff’s current estimate of the long-term equilibrium unemployment rate. There is therefore uncertainty about the precise calibration of this fan chart.