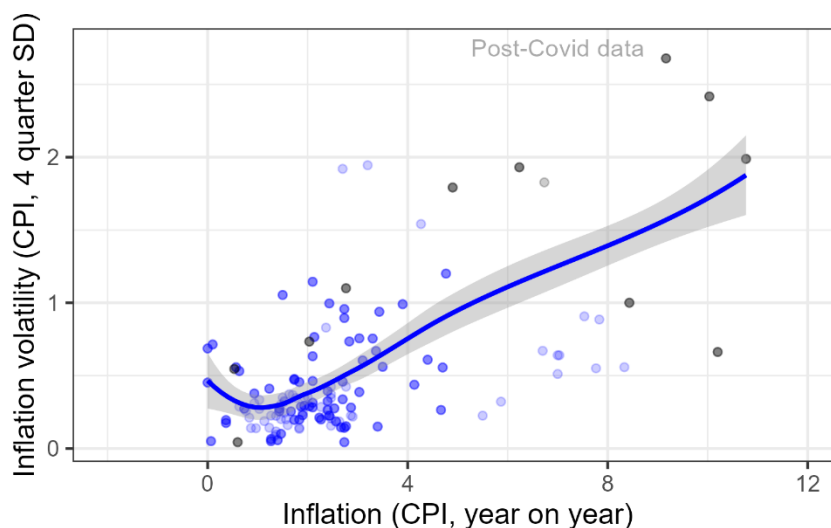


Annex: Monetary policy as engineering? – Sarah Breen

Chart 1: When inflation is high, inflation volatility tends to be high – and this holds for UK CPI inflation (since 1992), UK RPI inflation (since 1955) and CPI inflation in a panel of advanced economies (since 1870)

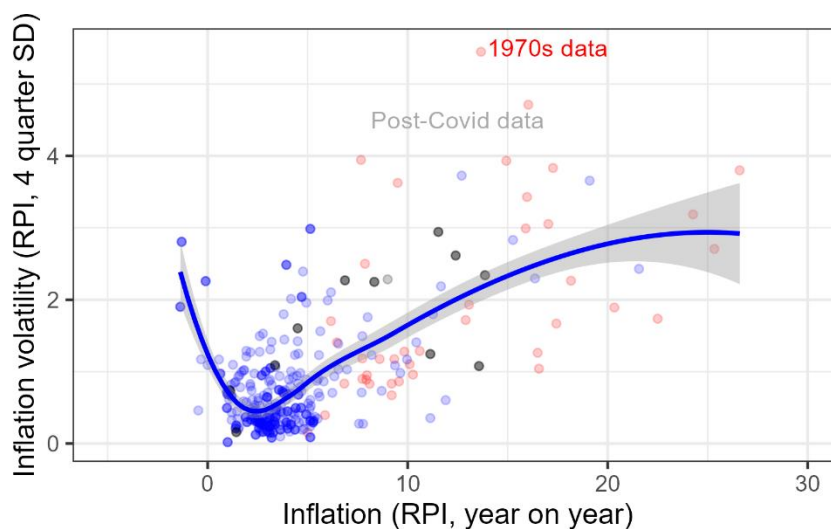
UK CPI inflation (since 1992) ^(a)



Source: Bank of England, ONS

(a) Scatter plot with non-linear line of best fit estimated using LOESS (locally estimated scatterplot smoothing). The grey area is a 95% confidence interval. Grey dots are data since 2021.

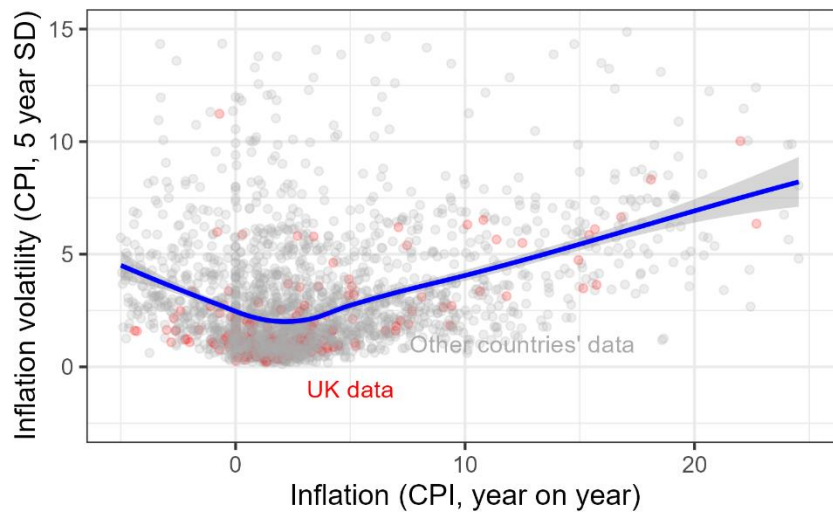
UK RPI inflation (since 1955) ^(a)



Source: Bank of England, ONS

(a) Scatter plot with non-linear line of best fit estimated using LOESS (locally estimated scatterplot smoothing). The grey area is a 95% confidence interval. Grey dots are data since 2021. Red are 1970s.

CPI inflation in a panel of advanced economies (a)

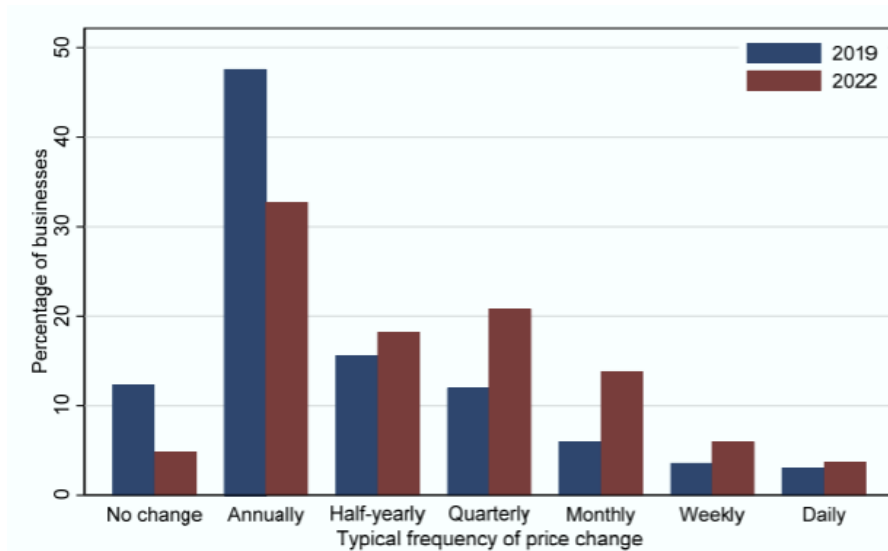


Source: Bank of England, Òscar Jordà, Moritz Schularick, and Alan M. Taylor. 2017, “Macrofinancial History and the New Business Cycle Facts.”

(a) Scatter plot with non-linear line of best fit estimated using LOESS (locally estimated scatterplot smoothing). The grey area is a 95% confidence interval. Grey dots are non-UK countries.

Chart 2: When inflation is high in the UK, price changes are more frequent

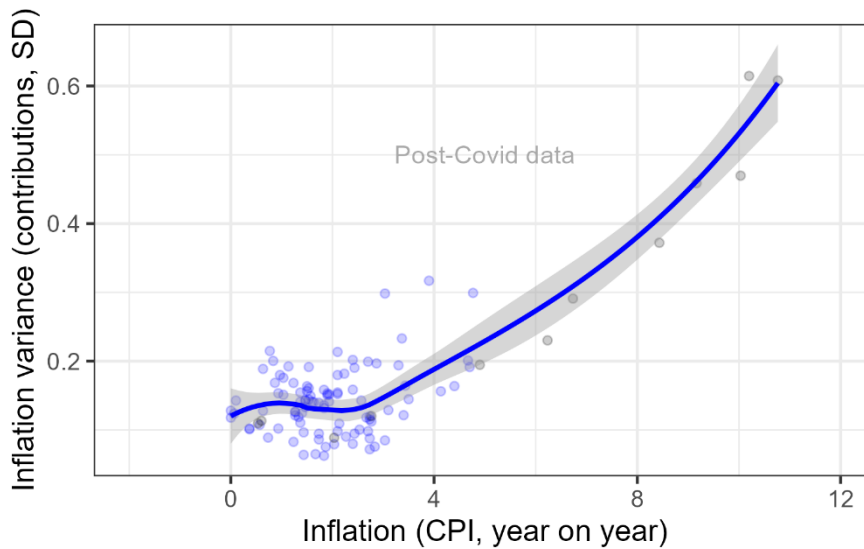
Frequency of price changes reported by UK firms in 2019 and 2022



Source: Bank of England, Decision Maker Panel survey

Chart 3: When inflation is high, relative price changes are larger – as proxied by the variation in UK CPI contributions across the basket as a whole

Variation across UK CPI inflation contributions (since 1992) ^(a)

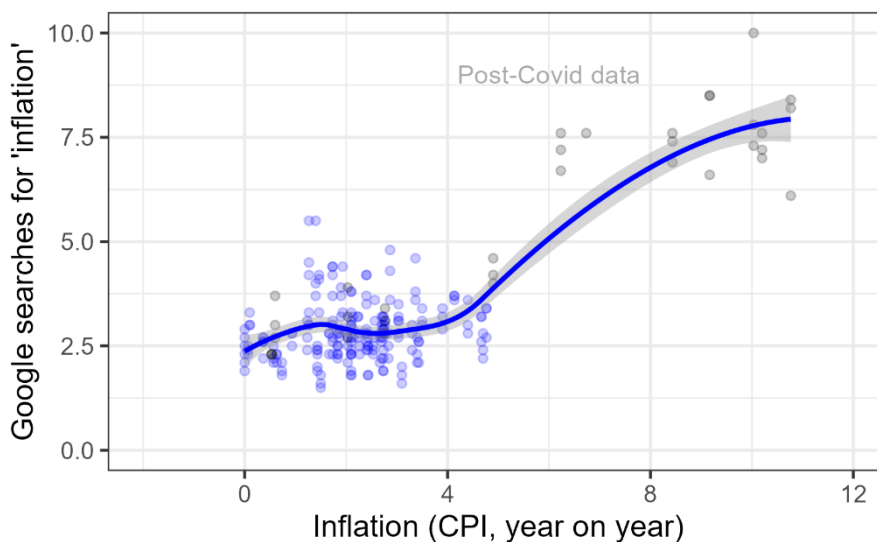


Source: Bank of England, ONS

(a) Scatter plot with non-linear line of best fit estimated using LOESS (locally estimated scatterplot smoothing). The grey area is a 95% confidence interval. Grey dots are data since 2021.

Chart 4: When inflation is high, people pay more attention to inflation – as proxied by google search intensity in the UK

UK CPI inflation and google searches ^(a)



Source: Bank of England, ONS

(a) Scaled time series of google searches in the United Kingdom mentioning the word 'inflation'. Peak value is scaled to be equal to 10. Scatter plot with non-linear line of best fit estimated using LOESS (locally estimated scatterplot smoothing). The grey area is a 95% confidence interval. Grey dots are data since 2021.