

Bank of England

Recent experiences in macroeconomic forecasting

2023 ECB Forum on Central Banking

Sintra, Portugal

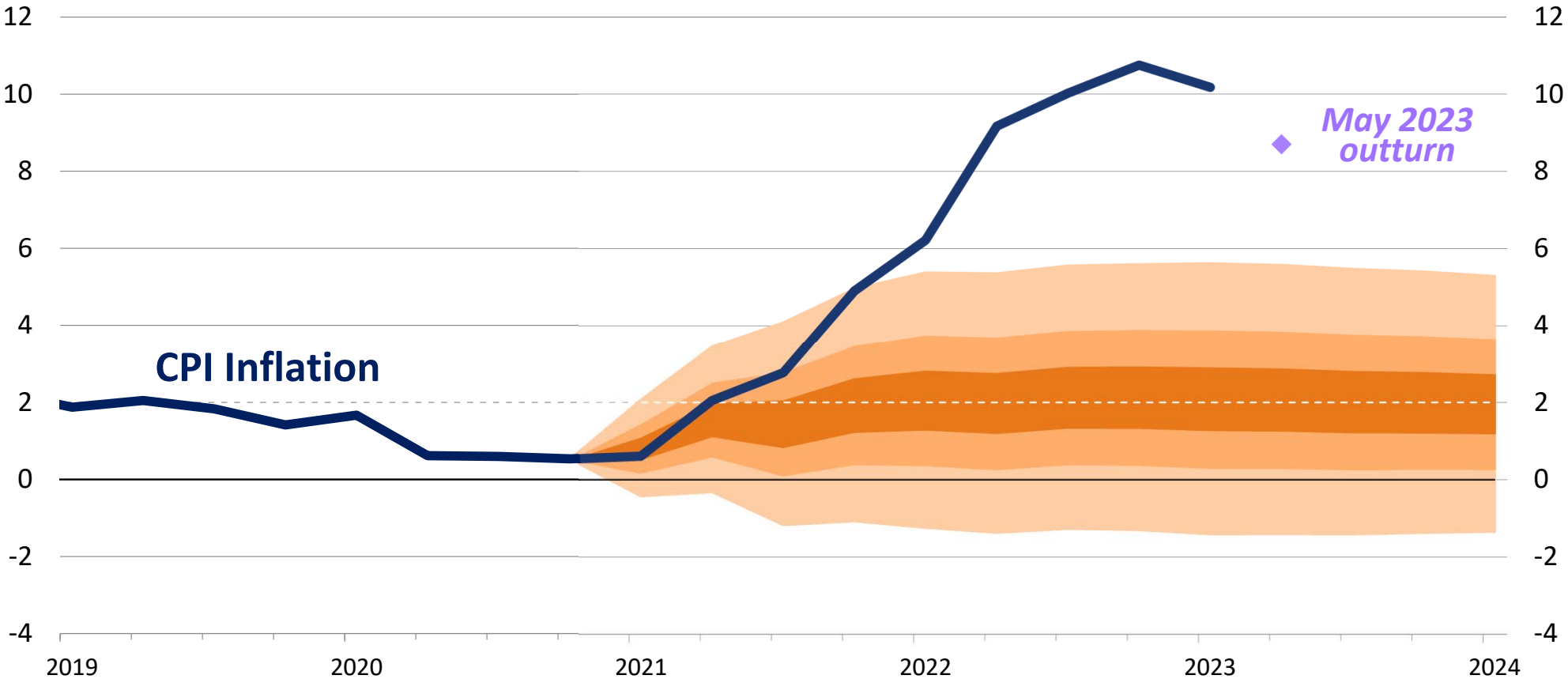
Huw Pill

Wednesday 28 June 2023



CPI inflation projection in the February 2021 MPR

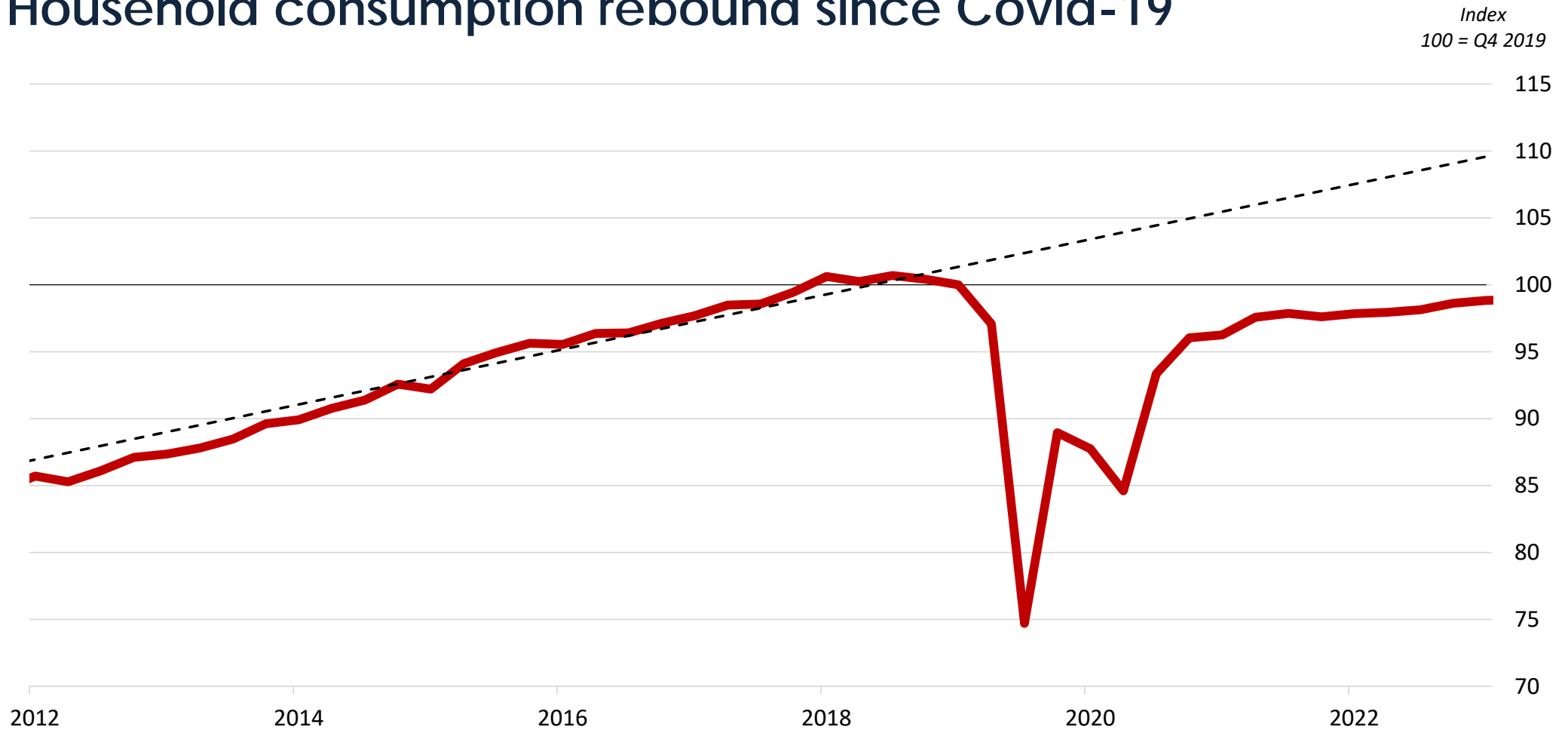
Percentage increase in prices on a year earlier



Sources: ONS and Bank calculations

(a) For the conditioning assumptions on which the February 2021 projections were based, see the footnotes to Table 1.A of the February 2021 MPR.

Household consumption rebound since Covid-19

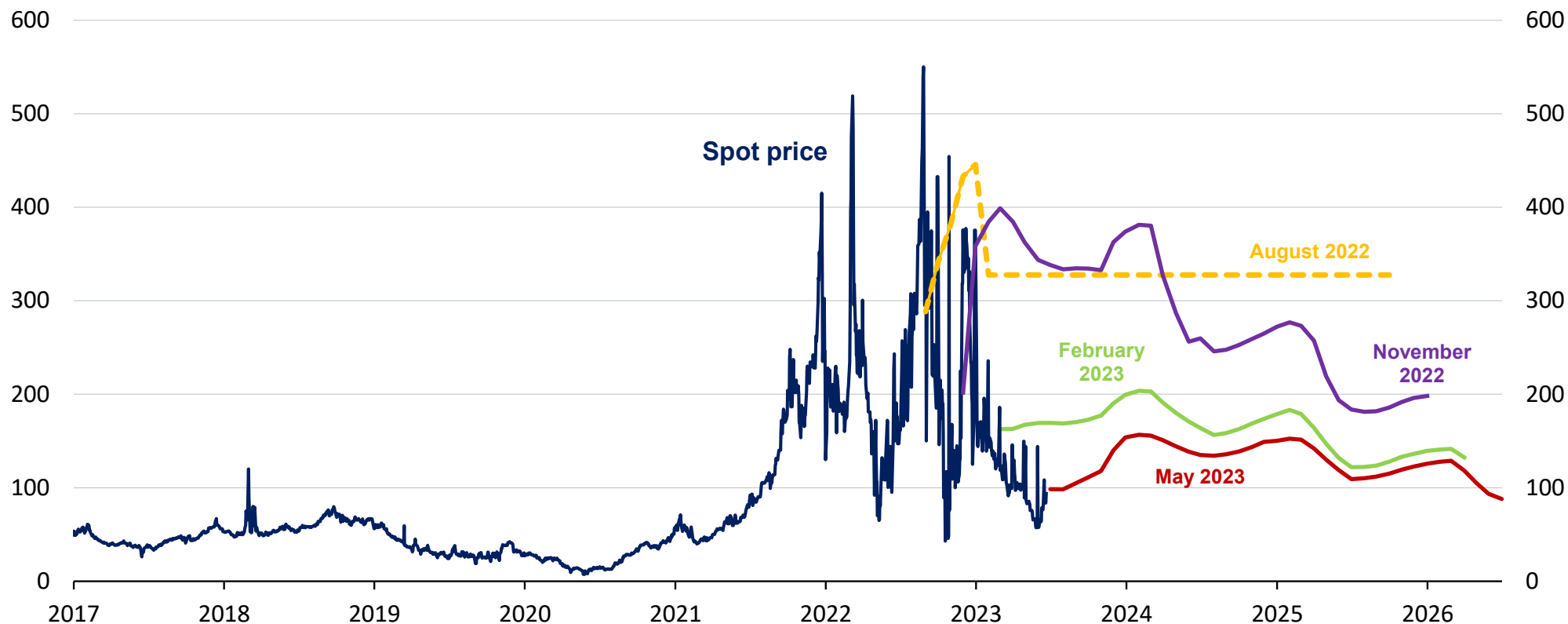


Sources: ONS, US Bureau of Labor Statistics, Eurostat and Bank calculations.

Note: For the UK we use a chained-volume measure defined as households' final consumption expenditure and final consumption expenditure of non-profit institutions serving households. For the US we use PCE (Personal Consumption Expenditure.) For the euro area we use final consumption expenditure for household and non-profit institutions serving households. Trend line estimated using 2012-2019 data.

Wholesale natural gas prices and conditioning assumptions

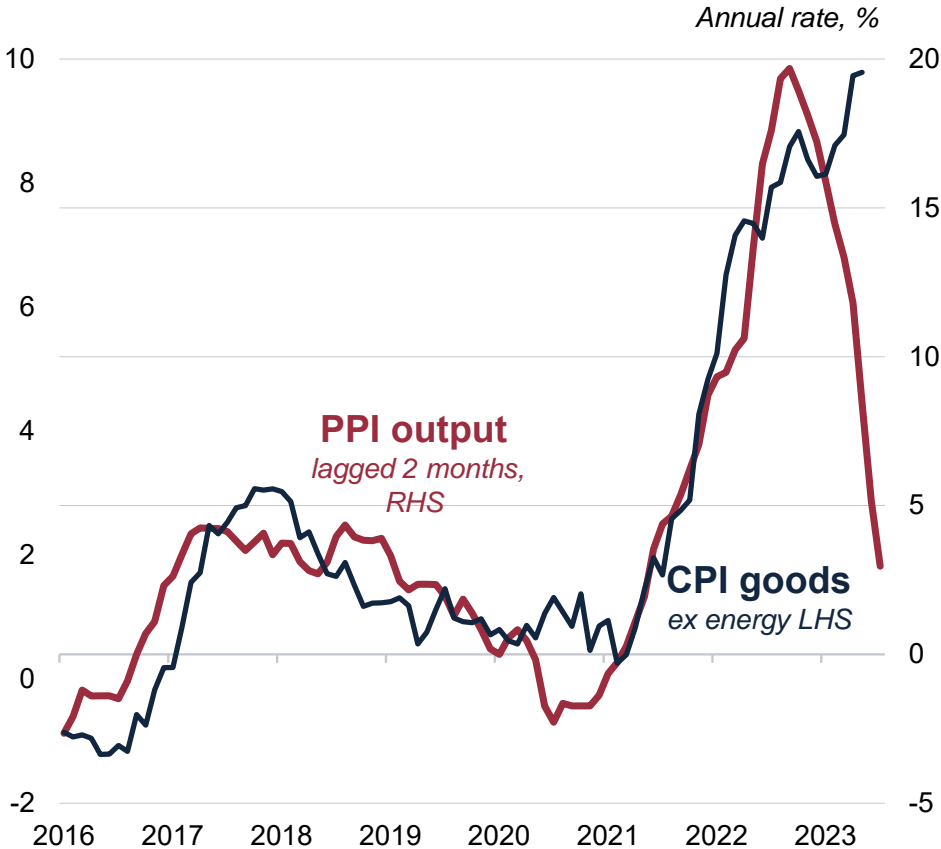
Pence per therm



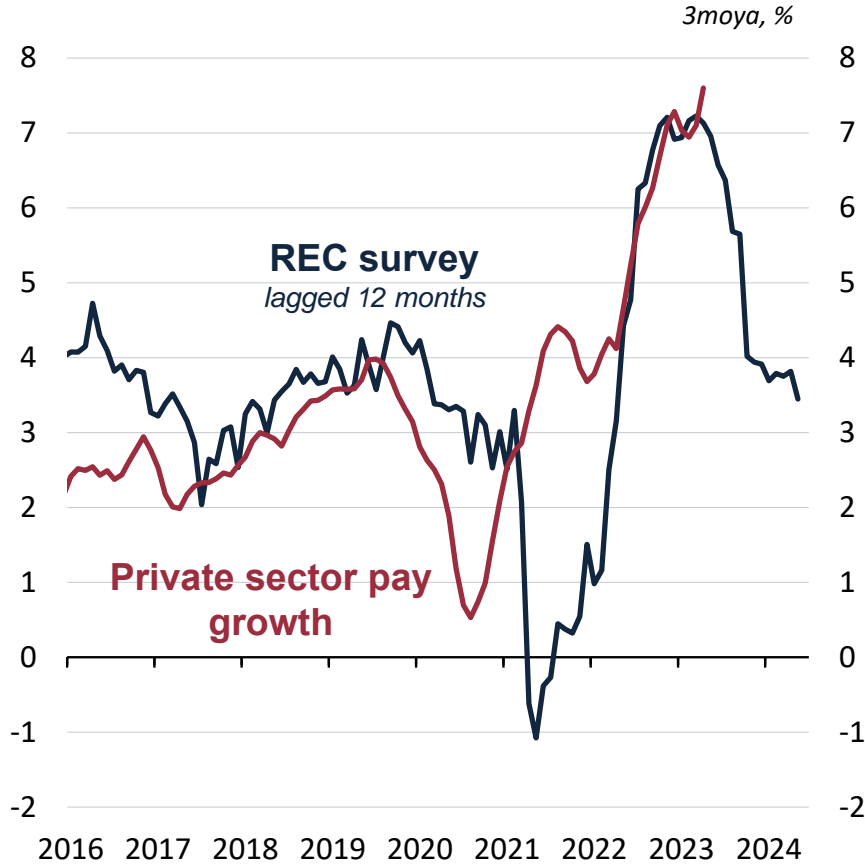
Sources: Bloomberg Finance L.P. and Bank calculations.

(a) Spot price is the one-day forward price of UK natural gas, as of 21 June 2023. The projections in May 2023, February 2023 and November 2022 are conditioned on wholesale gas prices following futures curves. These futures curves were the 15 working day averages to 28 April 2023 and 24 January respectively for May and February 2023 and the seven working day average to 25 October 2022 for November 2022. The projections in August 2022 were conditioned on wholesale gas prices following the futures curve in the 15 working days to 26 July for the first six months and then remaining constant.

Changing behaviour and forward looking indicators



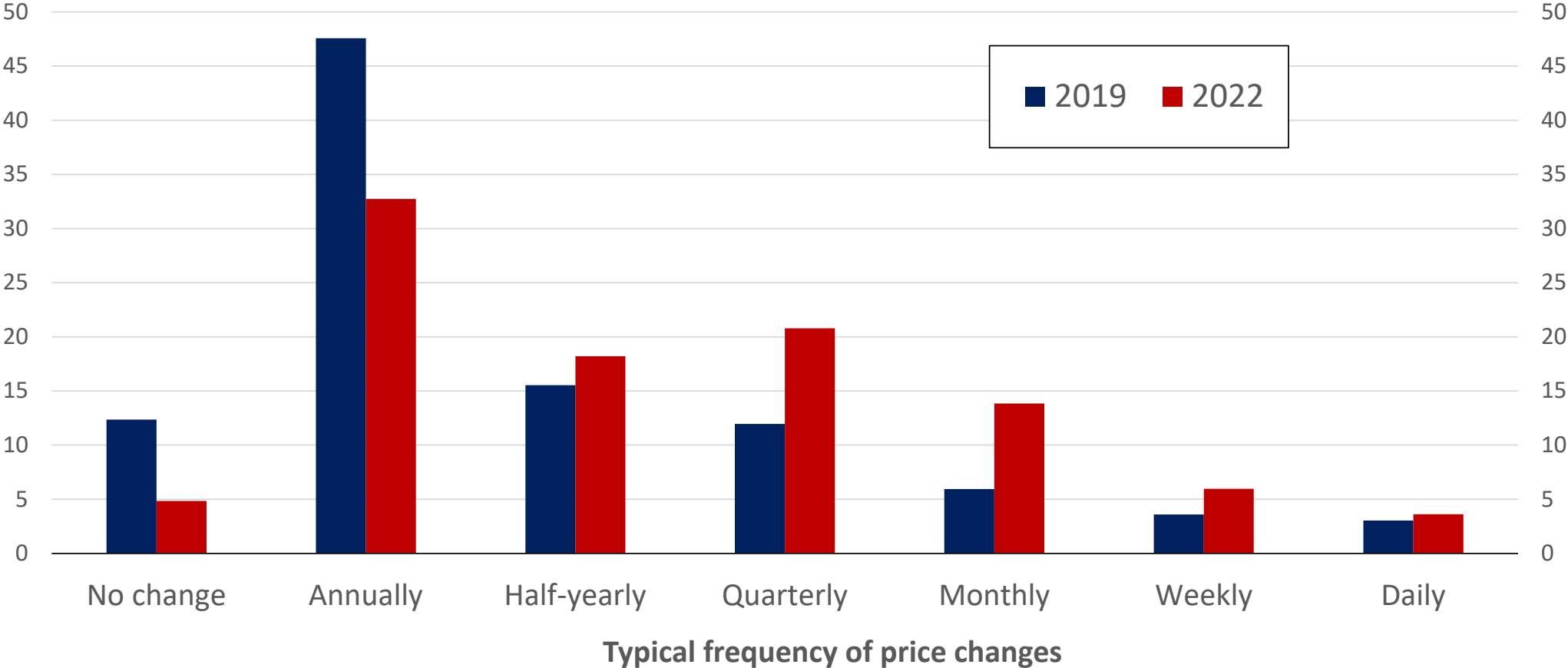
Sources: ONS and Bank calculations. PPI series refers to annual manufacturing rates.



Sources: KPMG/REC UK Report on Jobs, ONS and Bank calculations.

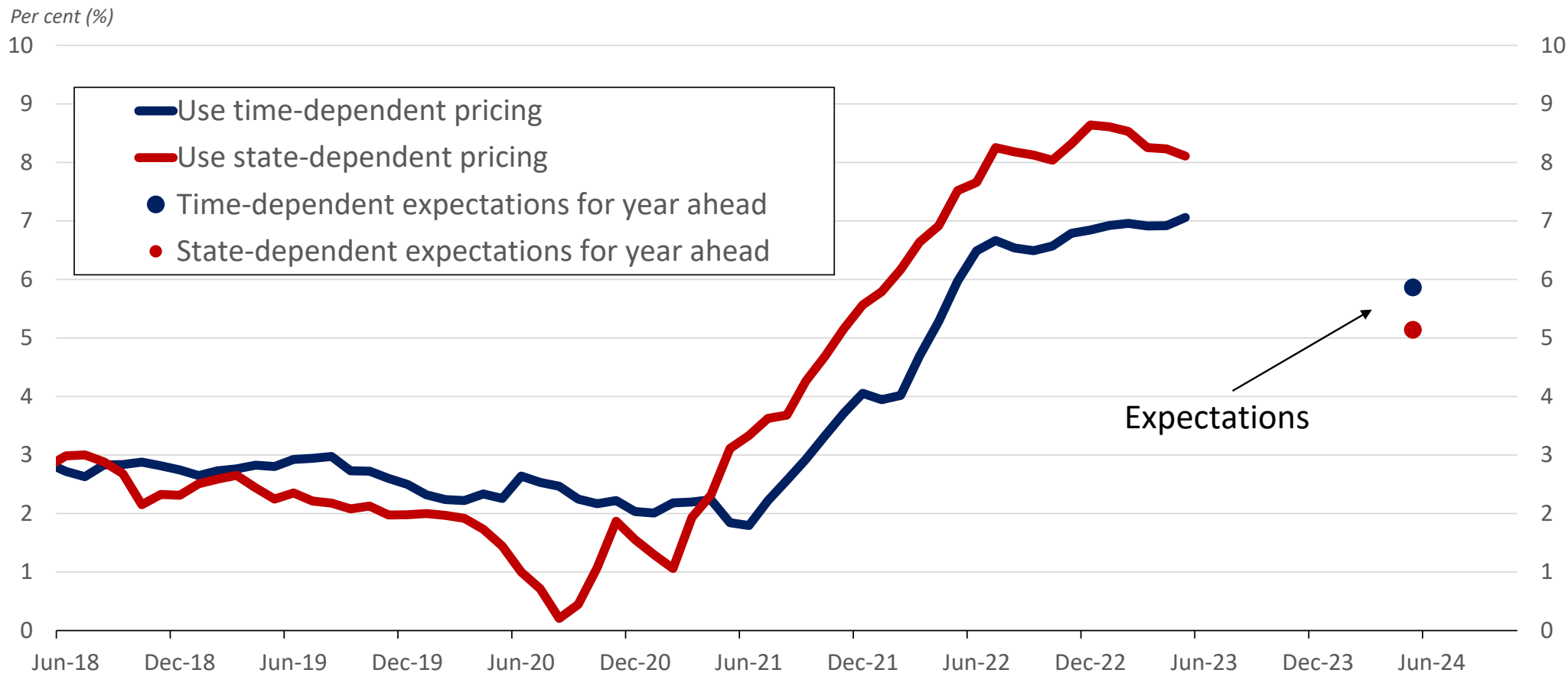
DMP evidence on frequency of firm pricing decisions

Percentage of *businesses* (%)



Sources: DMP Survey and Bank calculations. The latest data are from the May 2023 Survey. The results on frequency of price changes are based on the question: 'Approximately how often did your prices change in each of the following years?'. Respondents were then asked to choose one of the following options for both year 2019 and 2022: daily, weekly, monthly, quarterly, half-yearly, annually, and prices did not change.

DMP evidence points to change in firm pricing expectations



Sources: DMP Survey and Bank calculations. Three-month moving averages. Realised price growth (lines) are responses to the question: 'Looking back, from 12 months ago to now, what was the approximate % change in the average price you charge, considering all products and services?'. The latest data are from the May 2023 Survey. Expected price growth (diamonds) are responses to the question: 'Looking ahead, from now to 12 months from now, what approximate % change in your average price would you expect in each of the following scenarios: lowest, low, middle, high and highest?', and respondents are asked to assign a probability to each scenario which is used to create a weighted average expectation of price growth..

