ESSENTIAL READING

Benchmark meeting: the outlook for inflation

SEAD, CAPD, IRAID

At the Benchmark meeting, we plan to assess the inflation profile and the risks around it, particularly from wages and import prices. The central narrative is that a strong recovery in domestic labour costs offsets the continued drag from the appreciation of sterling, such that inflation returns to target by year 2. This note looks at the key judgements underlying that narrative, and highlights how alternative assumptions might affect the inflation profile. The aim is to facilitate a discussion at Benchmark on whether the Committee is content with the central projection for inflation and whether it would like to take forward any alternative judgements to the draft forecast.

KEY POINTS:

- In the benchmark projection, CPI inflation is expected to bounce back from close to zero in the near-term to 2% by 2017Q3. The two key drivers of the medium-term profile are labour costs and import prices. In particular, strong labour cost growth is needed to offset the persistent drag from weak import prices.
- Pay growth has picked up sharply in recent months, and we have had upside news since the May Report (although much of that news was in bonuses). That was broadly offset by upside news on productivity.
- We have locked in the higher level of pay in the benchmark, boosting annual growth over the next few quarters, but taken no signal about stronger pay growth beyond that. The near-term profile was pushed down in May, reflecting the persistent weakness of wages, and recent outturns now look more in line with our suite of wage equations (and the profile in the February Report).
- Private sector pay growth reaches 4½% at years 2 and 3. There are risks on both sides of this projection. Our suite of wage equations suggests medium-term pay growth could be around 0.2pp higher or lower. It is also possible that there is less slack in the labour market than we are assuming. Set against that, pay growth was already quite strong in the May Report. In the benchmark forecast, private sector unit labour costs in the medium-term are around 0.3pp above their pre-crisis average, despite slack in the labour being close to zero.
- Recent news on exchange rates and import prices mean that there are two specific issues on import prices that we think the Committee should discuss, even if there is not scope for a fuller discussion of pass-through until the November round.
- We have been surprised by the strength of import prices in recent quarters. Between 2013Q1 and 2015Q1 (non-fuel) import prices have only fallen by a little over 4%, despite an 11% appreciation in the sterling ERI over that period. It is increasingly difficult to expect further falls to come through over the forecast, given that pass-through to import prices tends to be quite quick, and so we have pushed up on the import price profile by 1¾%.
- More generally, the empirical mapping between changes in world export prices in sterling terms and UK import prices suggests a smaller impact on import prices than we have assumed recently based on microdata evidence. To reflect this, we have incorporated a smaller fall in import prices in the forecast from the 3½% sterling appreciation since May. These two judgements offset the downward pressure on import prices from the further appreciation of sterling, leaving the profile for non-fuel import prices, and the assumed drag on CPI from import prices, little changed relative to the May Report.
- A further upside risk to CPI inflation that we have <u>not</u> incorporated into the benchmark comes from the disaggregated movements in import prices for different items. Import prices for finished consumer goods, which are likely to be particularly important within the CPI basket, have risen over the past year, while other import prices have fallen. That could imply slightly less of a drag from import prices on CPI inflation.
- Taken together, these alternative judgements on labour costs and import prices could leave CPI inflation up to 0.2pp higher or 0.3 lower at year 2, and up to 0.1pp higher or 0.3pp lower at year 3. Should you wish to incorporate some of these alternative judgements into the central projections, they could lead to a material change in the message sent by the forecast

INTRODUCTION / MOTIVATION

- In the benchmark projection conditioned on market rates, CPI inflation is expected to bounce back from close to zero in the near-term to 1¼% by the middle of next year, and 2% by 2017Q3. Inflation is slightly above target, at 2.1% by the end of the forecast period. The near-term pickup in inflation is driven by the recent falls in food and energy prices dropping out of the annual rate. Further out, the increase in inflation represents the recovery in domestic labour costs and the gradual unwinding of the persistent drag from weak import prices due to the appreciation of sterling. But where inflation settles depends on the relative strength of those offsetting forces from labour costs and import prices.

- Given the recent news on both labour costs and import prices, the aim of the discussion in the second part of the benchmark meeting will be to discuss the following questions:

  - **Are you content with the path for labour costs in the benchmark forecast?** The interpretation of recent news in pay growth could lead to different judgements on the medium-term profile for labour costs.

  - **Do you wish to make any alternative judgements on the impact of the appreciation on inflation?** The staff has incorporated new judgements on the impact of the appreciation of sterling (both over the past and since the May Report) to reflect the unexpected strength we have seen in import prices. There is also an upside risk to inflation from the composition of import prices that you may wish to incorporate into the central projection.

SECTION 1: DECOMPOSING THE DIFFERENT FACTORS AFFECTING INFLATION

- There are a number of ways of thinking about the drivers of inflation. One simple approach is to look at the evolution of costs (labour costs, imports fuel and indirect taxes and inflation) and the changes in margins that implies. Margins often act as a shock absorber when costs move sharply. For example, in this framework margins were initially squeezed following the cost shocks in the late 2000s, and then gradually rebuilt (Chart 1). We are seeing the same effect in reverse at the moment with lower import costs only gradually feeding through to prices.

Chart 1
Costs and margins accounting framework for inflation

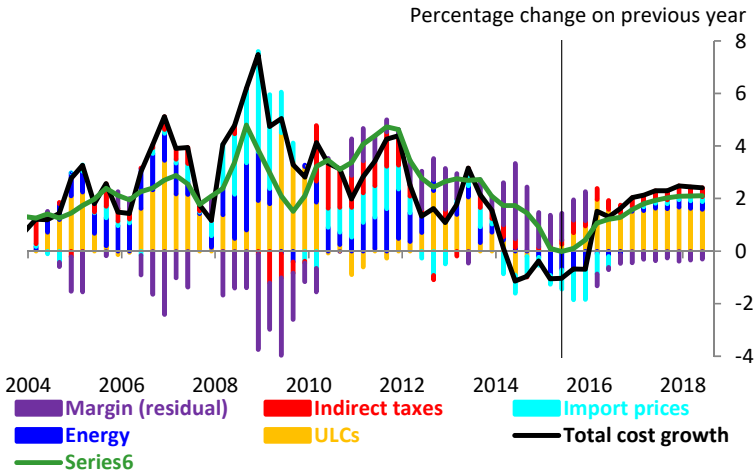
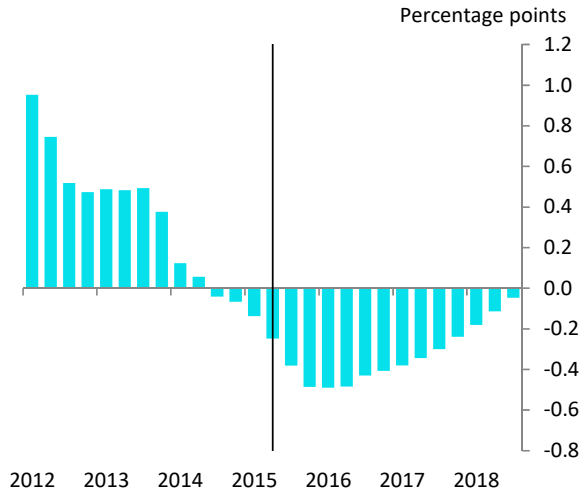


Chart 2
Import price contributions in the August bmk



- The evolution of labour costs and the pass-through of lower import prices are the two key drivers of the medium-term profile for inflation. Growth in private sector unit labour costs is projected to increase to a little over 3% in the medium-term. That strong growth in labour costs is needed to offset the continued drag from import prices in order for inflation to return to target by year 2. We assume that changes in import prices feed through slowly to consumer prices. In the benchmark forecast, import prices are assumed to be dragging on inflation by

0.3pp at year 2 and zero at year 3 (Chart 2 – this chart captures both the import price changes and the associated movements in margins, which are shown separately in Chart 1). The note looks at each of these key drivers in turn.

SECTION 2: LABOUR COSTS

- Pay growth has picked up sharply recently. Even excluding bonuses, which can be volatile, annual growth in regular pay has increased by around one percentage point over the past three months (Chart 3). Pay growth has increased more sharply than we had expected in the May Report.

Chart 3
Whole economy and private sector regular pay

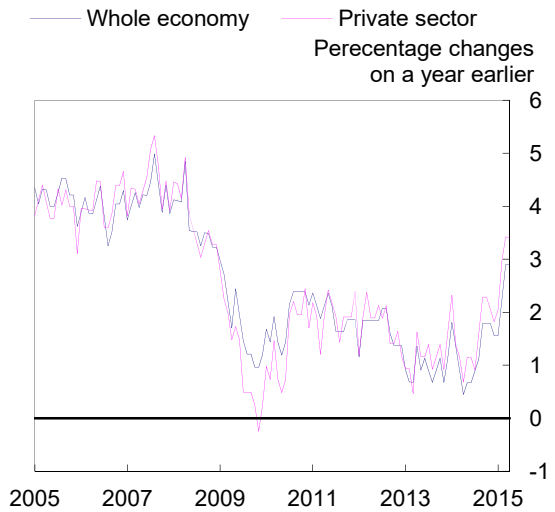


Table A
News in key labour cost variables

% oya	May IR		Aug bmk[(a)]		News	
	Q2	Q3	Q2	Q3	Q2	Q3
Whole economy						
AWE	2.1	2.8	2.8	3.3	+0.7	+0.5
Productivity (heads)	0.6	0.7	1.5	1.4	+0.9	+0.7
AWE / productivity	1.5	2.1	1.3	1.9	-0.1	-0.2
ULC (Nat Accounts)	1.4	1.4	1.3	1.7	-0.1	+0.3
Private sector						
AWE	2.5	2.8	3.1	3.7	+0.6	+0.9
Productivity (heads)	0.9	0.8	1.9	1.7	+1.0	+0.9
AWE / productivity	1.5	2.0	1.2	2.0	-0.3	0.0
ULC (Nat Accounts)	1.1	1.5	0.5	1.4	-0.6	-0.1

(a) Q2 numbers are forecasts.

Section 2a: News in the latest wage data

- Annual whole economy pay growth in May was 1.1pp higher than we had expected at the time of the May Report (although 0.3pp of that reflects base effects from downward revisions to pay in March and April last year). Most of the 0.8% news in the current level of pay was in bonuses – regular pay was 0.1% stronger.

- There has also been substantial news on productivity. Annual productivity growth (in hours) was ½pp stronger than expected in Q1 at 0.8%, mainly due to the upward revisions to GDP. In addition, weaker labour market quantities data in April and May mean that we now expect annual productivity growth in Q2 to be 1.2pp stronger than in the May Report. The news in productivity in heads, which is relevant for comparing to AWE in terms of unit wage costs, is a little smaller at 0.9pp (Table A). There is little news, therefore, in a measure of unit wage costs based on AWE relative to productivity.[1]

- This measure of unit wage costs rose by 1.3% in the year to 2015Q1 for the whole economy and 1.7% for the private sector. The annual growth rates for both series have picked up quite sharply over the past two quarters, but remain subdued relative to their pre-crisis averages of around 2½%.

- There are two further issues to consider when interpreting the news on pay and productivity. First, to the extent that bonuses are a less good signal of labour cost pressures on prices – either because they are volatile or because they do not represent a marginal cost of production – the news on unit wage costs would be to the downside, given that the upside news on regular pay was small relative to the news on productivity. Second, the fact that we have interpreted some of the strength in productivity in Q2 as reflecting increased factor intensity (higher

[1] The news in our usual measures of unit labour costs is less straightforward. It uses wages and salaries from the National Accounts rather than AWE. What we had previously interpreted as a base effect from a weak 2014Q1 outturn for wages and salaries left us with a forecast in May of a very strong annual growth rate of 1.8% in 2015Q1. It now seems that there is a seasonal pattern in the wages and salaries data, relative to the AWE data, such that 2015Q1 was also weak, with unit labour costs rising by 0.6% on a year earlier. This does not affect the news in our projections for Q2 as the seasonal difference between wages and salaries and AWE is expected to unwind.

capacity utilisation), in order to keep the output gap close to where it was in the May Report, means that the news to structural productivity in the benchmark is smaller. As the assumed cyclical pickup in productivity unwinds, unit wages costs will increase (unless pay also falls back, for example due to reduced overtime payments), so the news on unit wage costs may be less benign than it appears at face value. Overall, the interpretation in the benchmark forecast is that the net news to unit wages costs has been small.

Section 2b: The August benchmark forecast for wages

- Our updated constraints largely lock in the levels news in pay, leaving the annual growth rate higher for the next few quarters, but we have not taken a signal that the pickup in quarterly growth in subsequent quarters will be stronger than we previously thought. The profile for whole economy pay growth over the medium term in the benchmark forecast is little changed relative to the May Report. That is consistent with the offsetting news on pay and productivity, but there are a number of other reasons why the latest upside news may contain little signal about medium-term wage pressures.

- We leaned down on the near-term profile in the May Report, reflecting the persistent weakness in wages we had seen. The sharper pickup in the latest data is more in line with what our suite of wages equations would have predicted. The residuals from those equations for Q1 and our Q2 constraint our now around zero (Chart 4). The near-term profile in the August benchmark is also very similar to that in the February Report before we leaned down in May (Chart 5).

Chart 4
Residuals from suite of private sector wage equations

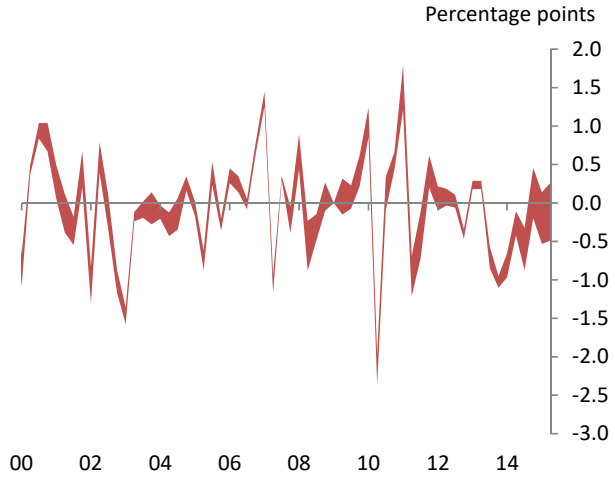
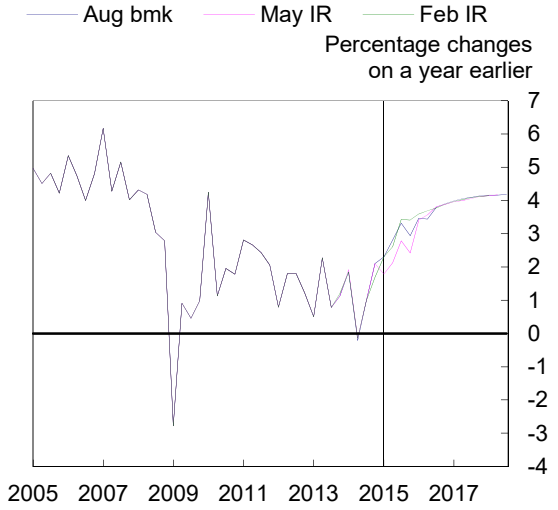


Chart 5
Forecasts for whole economy AWE growth

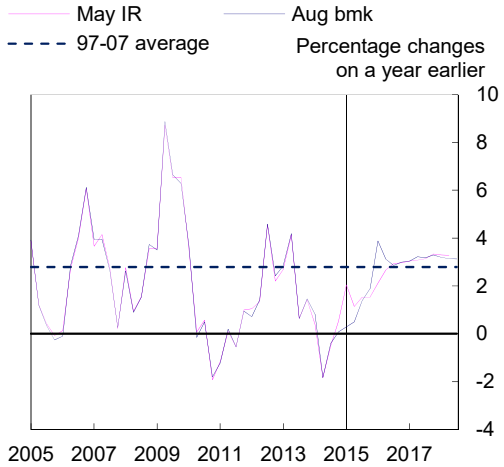


- In addition, we already had a fairly strong profile for private sector pay in the medium-term in May. Private sector unit labour costs were projected to rise by just over 3% a year by the middle of 2017 (Chart 6). That is above the pre-crisis average of 2.8%. With slack close to zero over the latter part of the forecast, it is not clear why pay growth should be much higher (unless we were to change the judgement on the amount of slack).

- More generally it is worth remembering that the pay data can be volatile, even excluding bonuses. In October and November last year, the three-month on three-month annualised growth rate of private sector regular pay rose to 4½%, higher than the 3.8% in the latest data for May. Subsequent pay figures were more subdued and the annual growth rate flattened off again at around 2% for a few months.

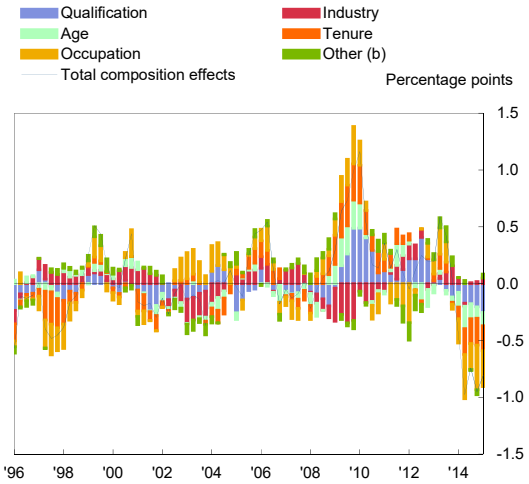
- There is considerable uncertainty about why pay growth may have started to pick up at this point. In the May round, some weight was attached to the idea that compositional effects had been holding down pay growth.[2] As the mix of employment shifted towards lower paid workers with fewer qualifications, in lower-skilled occupations, and with relatively short tenure, it seemed likely that this would have reduced average aggregate pay growth. The Q1 estimate of the drag from these effects eased off slightly (Chart 7), but unfortunately we will not get an estimate for Q2 (which would reflect the further pickup in pay in April and May) until after the August Report is published. The upside news to both pay and productivity would be consistent with an easing in the drag from compositional effects. If that is the case, this is less likely to have implications for our medium-term forecast.

Chart 6
Private sector unit labour costs[(a)]



(a) The spike in 2016Q1 is a base effect from a weak 2015Q1.

Chart 7
Composition effects on pay growth[(a)]

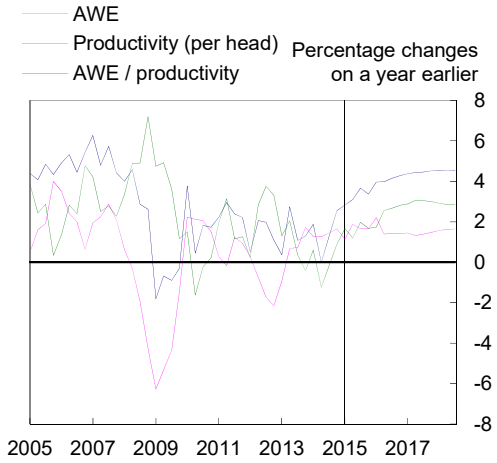


- In terms of the absolute profile for pay in the August benchmark, whole economy pay growth is assumed to reach 3½% by early 2016 (the annual growth rate in 2015 Q4 is depressed by a bonus-related base effect), and 4% by early 2017. It drifts up very slightly thereafter to 4.2% by the end of the forecast period.

- The evolution of private sector labour costs is likely to be most relevant for CPI inflation, and private sector pay follows a slightly stronger path, reaching 4.5% by the end of the forecast.[3] That leads to an increase in unit wage costs, as measured by AWE relative to productivity in heads (Chart 8), as private sector productivity growth remains fairly flat at around 1½%.[4] This measure of unit wage cost growth reaches 3.0% by mid-2017, above its pre-crisis average of 2.4%.

- We have made a very small adjustment to pay growth in the August benchmark to take into account the announcement of the new National Living Wage in the Budget. Detailed analysis of the distribution of pay by the OBR suggests that this will add 0.3% to the paybill by 2020 (including allowing for some spillover to pay further up the distribution). That amounts to an increase in annual pay growth of less than 0.1pp.

Chart 8
Private sector pay and productivity



[2] See the Key Issues note for more details.
[3] Public sector pay is expected to be weaker than assumed in the May Report due to the Budget announcement of 1% pay increases in the public sector from 2016-17 to 2019-20, increasing the gap between whole economy and private sector pay growth.
[4] There is more of a pickup in productivity growth in hours because growth in average hours falls back.

Section 2c: Risks to the wage profile

- There are risks on both sides of the benchmark projection for wages. On the upside, we may not have taken enough of a signal from the recent pickup in pay growth. In the benchmark forecast, the increases in annual pay growth slow beyond 2015Q3. If the recent momentum were to be maintained, that could imply a stronger profile. One reason for further upward pressure could be if there is less slack in the labour market than we current assume. The supply stocktake last round highlighted risks in both directions On the upside, for example, survey indicators of recruitment difficulties and skills shortages are around pre-crisis levels, as is the vacancy rate to unemployment rate ratio (a standard measure of labour market tightness in search and matching models of the labour market). So it is possible that there is less slack. If the recent pickup in pay did not reflect an easing of the drag from composition effects, that could point to more of a pickup in pay still to come.

Chart 9
Forecasts for private sector pay growth from our suite of wage equations

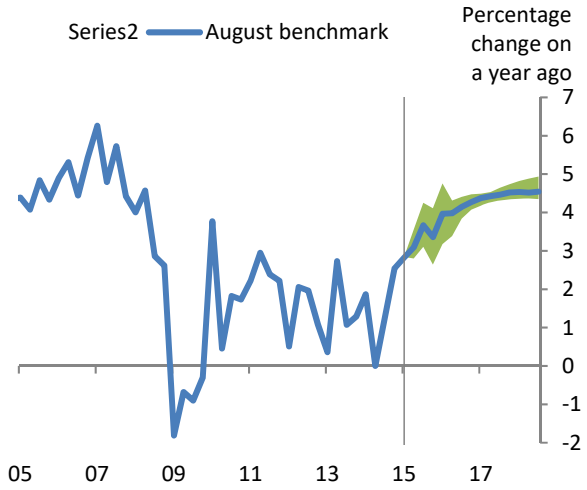
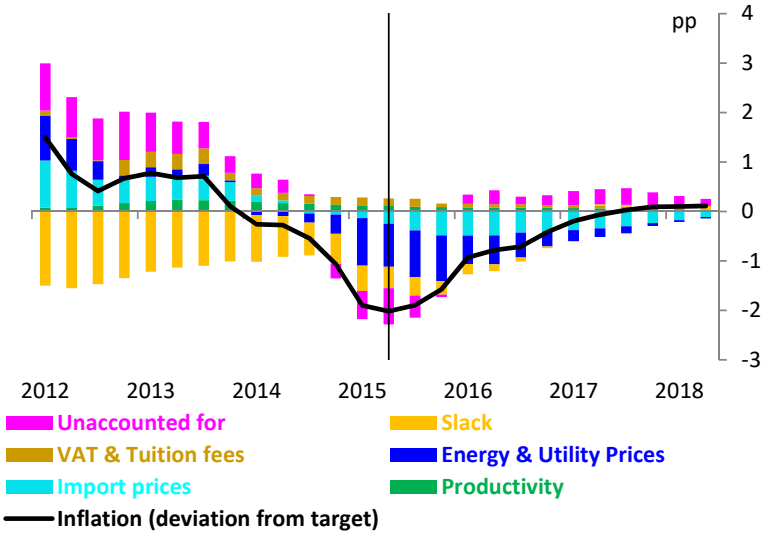


Chart 10
Simple inflation decomposition based on key drivers of inflation



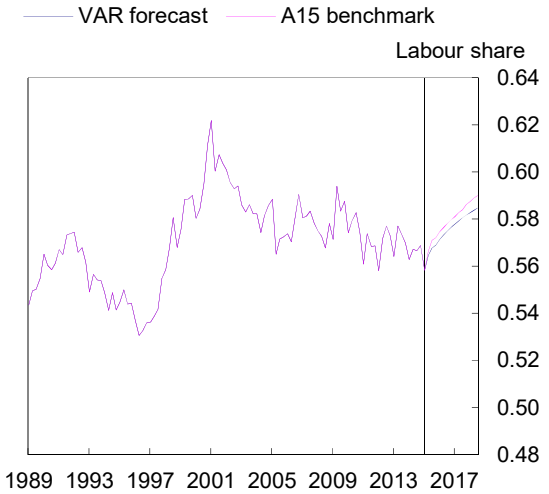
- It is also possible that pay growth could be a little stronger than we are assuming in the benchmark forecast, particularly in the near-term, even if our assumed level of slack is about right. Some of the equations in our suite of private sector wage equations would point to higher pay growth. The top of the swathe is around 0.2pp above the benchmark forecast in 2017 and 2018 as well (Chart 9).

- On the downside, as noted earlier, the May forecast already incorporated a fairly strong path for pay growth, and that has been maintained in the benchmark. Despite slack being close to zero over most of the forecast, unit labour cost growth is above its pre-crisis average (Chart 6). The strength of pay in the forecast is also brought out by a simple decomposition of inflation that we have often used in the past, which attempts to identify the impacts on inflation of the key drivers, such as slack, import prices, and energy prices, using various rules-of-thumb. Inflation close to target in years 2 and 3 in the benchmark forecast is difficult to reconcile in this simple framework given the drag from import prices and little impact from slack (Chart 10). We are left with positive 'unexplained' bars.

- One reason for labour cost growth being slightly stronger than its pre-crisis average is that the level of real wages needs to recover, having been weak relative to productivity recently. The labour share is projected to rise over the forecast. As highlighted at pre-MPC, that profile seems broadly consistent with the dynamics from a simple VAR (Chart 11), but that adjustment could take place through lower prices rather than higher nominal wages, implying a lower profile for both pay growth and inflation.

- Given these risks on both sides, pay growth could plausibly be a little higher or lower than in the Benchmark forecast. Taking the top and bottom of our swathe of forecasts from the suite models could lead to pay growth being around 0.2pp higher or lower in the medium-term. That could lead to inflation being 0.1pp higher or lower at years 1, 2 and 3.

Chart 11
Private sector labour share and projection based on dynamics from a simple VAR[(a)]



(a) VAR includes the labour share, unemployment and productivity. The forecast is conditional on benchmark forecasts for unemployment and productivity.

SECTION 3: IMPORT PRICES

- The second key factor determining the path of inflation over the forecast is the pass-through of the appreciation of sterling. The speed and extent of exchange rate pass-through is difficult to identify and the MPC has discussed the assumptions used in the forecast on many occasions, most recently in the February round.[5] A fuller discussion of the evidence on pass-through may be better left to the November round, but there are two specific issues that we think it is important for the Committee to discuss this round as they have an important bearing on the inflation projection, particularly given the 3½% appreciation of sterling since the May Report. We would appreciate your views on whether you are content with the assumptions incorporated in the benchmark forecast.

Section 3a: Pass-through from exchange rate to import prices (first stage)

- We often think of the direct impact of changes in exchange rates on CPI inflation in two stages of pass-through – from exchange rates to import prices, and then from import prices to CPI inflation. Our standard assumption for the first stage in recent rounds has been that around 85% of a change in the sterling ERI feeds through to imports prices, and does so quite quickly (within a year). That was based on micro-data analysis which showed that for large movements in bilateral exchange rates, the pass-through tended to be high.[6]

- In recent quarters, we have been surprised by the strength of import prices. Despite an increase in the sterling ERI of around 11% between 2013Q1 and 2015Q1, which pushed down the price of world exports in sterling terms by a similar amount, import prices (excluding fuel) have only fallen by a little over 4% (Chart 12). Given that we would expect import prices to fall fairly soon after the appreciation took place, it is becoming increasingly difficult to assume that further falls will come through over the forecast, even taking into account potential lags from hedging activity. Furthermore, our suite import price equation, which includes a long-run equilibrium relationship (or ECM) between import prices and sterling world export prices would suggest that import prices are currently close to their equilibrium (before the appreciation since the May IR kicks in), which also points to little further downward pressure to come from the earlier appreciation (Chart 13). The equation suggests that import prices hadn't fully adjusted to the depreciation during the crisis, so there was less need for import prices to fall as some of that depreciation was

[5] for more details.

reversed. Taken together, this has led us to revise up the import price profile by 1¾% by the end of the forecast. If we had not done this, inflation would be 0.1pp lower at year 2, and 0.2pp lower at year 3.

Chart 12
Sterling world export prices and UK import prices

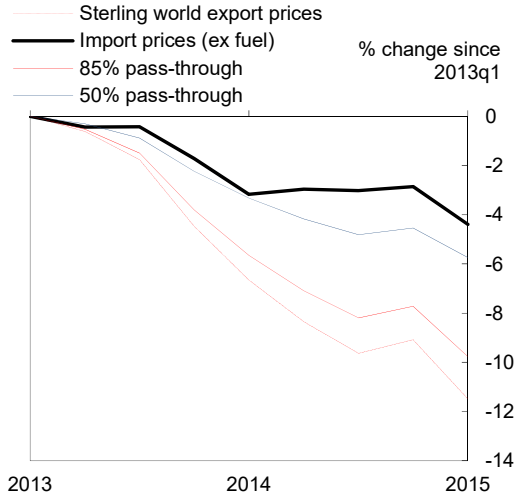
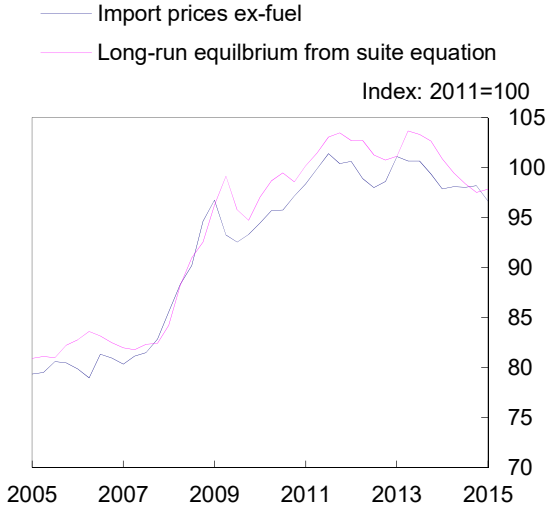


Chart 13
Import prices and equilibrium from ECM equation



- The appreciation of sterling since the May Report means that we also need to decide how we expect import prices to respond to this additional news. While we might expect pass-through to be high, based on microdata, it is notable that the time series relationship between import prices and sterling world export prices suggests a weaker link. Our suite equation would suggest that import prices only move by around 60% of the change in sterling world export prices, rather than the 85% we have previously assumed.[7]

- This does not necessarily mean that pass-through, in an economic sense, is lower. It may just mean that there is measurement error in the aggregate series that we are using. For example, our measure of world export prices is only a proxy for the export prices of the specific goods and services that the UK imports. Differences in the composition of UK imports relative to the average world trade basket could mean that the prices facing UK importers are different to those captured in our world measure. Similarly, the sterling ERI may not provide a perfect guide to the exchange rates facing UK importers. Some countries may price their exports in a non-domestic currency, such as the dollar, for example. And the weights in the ERI reflect more than just UK import weights. They also take into account the importance of different countries for our exports, and third country competition effects.

Chart 14
Dynamic forecast from of import prices from suite equation starting in 2012Q1

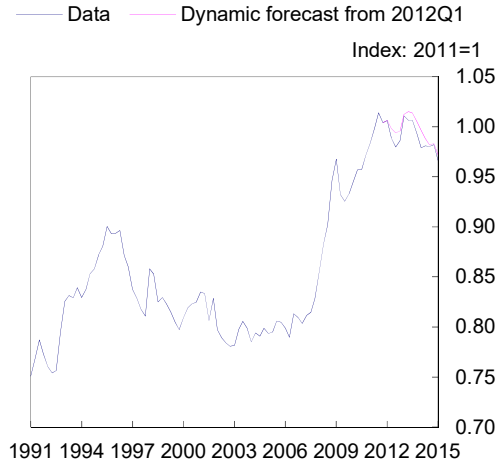
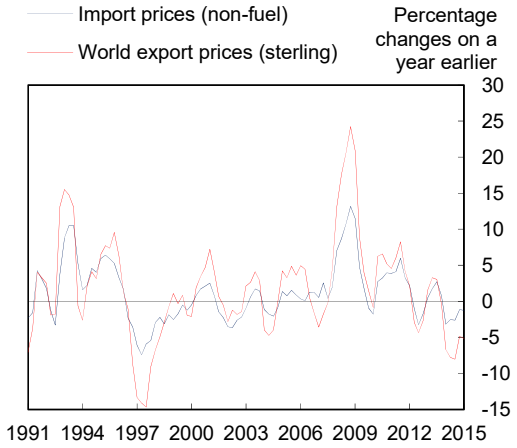


Chart 15
Import prices and sterling world export prices



[7] For details of the specification of the equation see

- These factors mean that even if the true pass-through at an item-by-item level is in line with our 85% assumption (or even higher), the observed relationship in the aggregate data may be different. And in the absence of detailed forecasts for more disaggregated components of our import basket, we may over-estimate the impact of news in sterling world export prices using such a high pass-through assumption.

- Our suite model is effectively a mapping equation that seeks to identify the best (reduced form) empirical relationship between the aggregate series we use in the forecast. It should not necessarily be seen as a behavioural pricing equation. But it does do a reasonable job of explaining movements in (non-fuel) import prices by assuming that only around 60% of changes in sterling world export prices feed through to import prices. Chart 14, for example, shows a dynamic forecast for import prices from 2012Q1, and it tracks the actual profile pretty well. It is reasonably clear that the relationship is typically less than 85% just by looking at the behaviour of the two variables in past episodes of large changes in sterling world export prices (Chart 15).

- Taken together, this evidence suggested to us that a more neutral assumption to apply to the latest appreciation of sterling (at least until the Committee is able to have a fuller discussion of pass-through) might be that around 60% of the movement in the sterling ERI would feed through into (non-fuel) import prices, and that has been incorporated into the benchmark. That leaves import prices just over 1% higher than they would otherwise have been. You may wish to incorporate a larger fall in import prices, consistent with our previous assumptions. That would imply a larger drag on CPI inflation, reducing it by 0.1pp at year 2 and year 3.

- The combined effect of the two judgements outlined in this section is to increase import prices by a little under 3%. That offsets the additional downward pressure on import prices from the further appreciation of sterling since May, leaving the import profile little changed from the May IR (Chart 16). As a result, the assumed drag on CPI inflation from import prices is similar to May, at 0.3pp at year 2 and zero at year 3 (Chart 2 above).

Chart 16
Impact of judgements on import prices

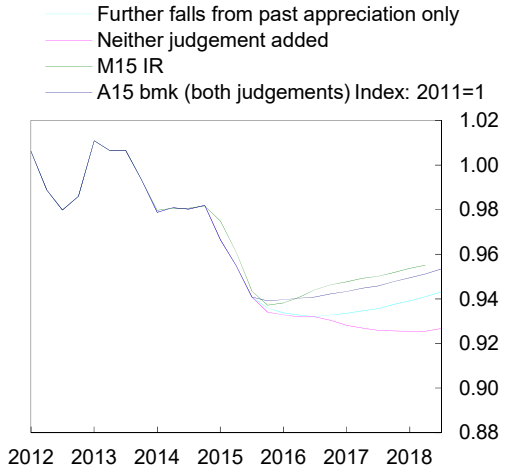
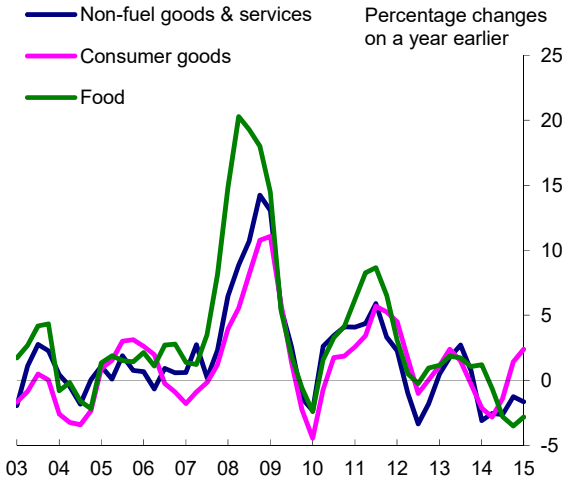


Chart 17
Import prices for food and finished consumer goods



Section 3b: Pass-through from import prices to CPI inflation (second stage)

- The impact of a given movement in aggregate (non-fuel) import prices on CPI inflation will depend on its composition. Some imported goods and services are likely to be much more important for the CPI than others. For example, some imported items will be used to produce exports, and therefore have little bearing on consumer prices. The prices of imported finished consumer goods are likely to be particular important within the CPI basket. Around three-quarters of the import content of the core goods basket within the CPI is estimated to be made up of finished products (with the remainder reflecting indirect content from imported goods and services used as inputs in the production process).

- Ordinarily, this distinction does not matter much as the prices of different types of imports tend to move quite closely, but recently the prices of imported finished consumer goods have risen while the prices of other items have fallen (Chart 17). Our aggregate import price series may therefore imply too much of a drag on CPI inflation.

- It is not entirely clear why the prices of imported consumer goods have behaved so differently to other goods and services. One potential reason is that their prices are more affected by the sterling-dollar exchange rate than other components. In the year to 2015Q1, sterling depreciated against the dollar while appreciating against the euro. This may be particularly true to the extent that countries beyond the US price their exports in dollars.

- We have not incorporated any judgements for this in the benchmark forecast. Disaggregated import price data are of relatively low quality, and are also prone to revision, so it is difficult to know how much weight to place on these data. But the apparent strength of imported consumer goods clearly represents an upside risk, and you might wish to consider including an adjustment to the central projection to take this into account.

- In order to assess how much difference the strength in imported consumer goods price might make, we estimated some simple disaggregated regressions to judge the likely impact on core goods (and food), with services responding in a similar (scaled) way to our standard pass-through assumptions. Changes in imported food prices tend to feed through quite quickly while changes in imported consumer goods tend to feed through more slowly. In aggregate though, the disaggregated approach generates a similar response to our standard treatment when all import prices are moving by the same amount. Applying these responses to the recent movements in import prices for the various components implies that inflation would be around 0.1pp higher at year 2, but little changed by year 3 (Chart 18).[8]

Chart 18
Impact of stronger consumer good import prices on CPI inflation forecast

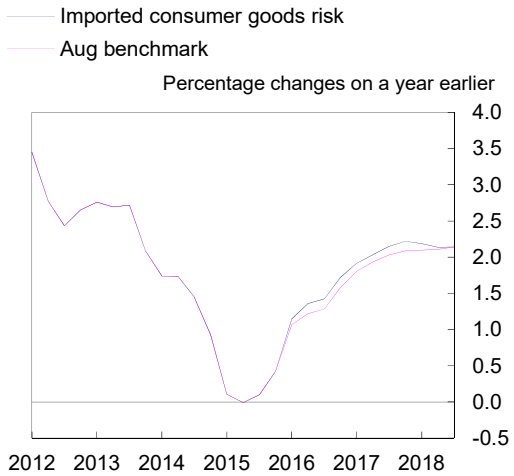


Table B
Impact of alternative judgements on CPI forecast

	Year 1	Year 2	Year 3
Stronger pay growth (top of wage equation swathe)	+0.1	+0.1	+0.1
Weaker pay growth (bottom of equation swathe)	-0.1	-0.1	-0.1
Restore fall in import prices from May IR for past appreciation	0.0	-0.1	-0.1
Larger falls in import prices from appreciation since the May IR	-0.1	-0.1	-0.1
Lower drag due to increase in consumer goods import prices	+0.1	+0.1	0.0
Memo: CPI inflation in the benchmark forecast	*1.3*	*2.0*	*2.1*

Section 3c: The impact of alternative assumptions on labour costs and exchange rate pass-through

- This note has set out a number of potential alternative assumptions on labour costs and import prices. The impact of the different assumptions outlined in this note is summarised in Table B. These judgements on both labour costs and the treatment of news in exchange rates and import prices could lead to differences in the CPI profile that would have important implications for the message your forecast would send. Taken together, they could leave inflation up to 0.2pp higher or 0.3pp lower at year 2, and up to 0.1pp higher or 0.3pp lower at year 3.

[8] Beyond 2015Q1 (the latest data for import prices at a disaggregated level) we assume that all the components move in line with our forecast for aggregate (non-fuel) import prices.

SECTION 4: CONCLUSION

- There are two key judgements driving the profile for CPI inflation in the benchmark forecast. First, import prices are assumed to continue to drag on inflation, but they fall less rapidly than our previous treatment of movements in sterling might have suggested.
- Second, pay growth is assumed to pick up further, to around 4½% in the private sector, leaving unit labour costs above their pre-crisis average, despite slack in the labour market being close to zero. This strong growth in private sector unit labour costs is needed to offset the drag from imports and leave inflation marginally above target at years 2 and 3.
- Recent news on both labour costs and import prices has highlighted the uncertainty around these judgements, and reasonable alternatives could lead to a material change in the message sent by the forecast.
- We would welcome your views on what judgements you might like to revisit as part of the overall assessment of the forecast in the draft forecast meetings.