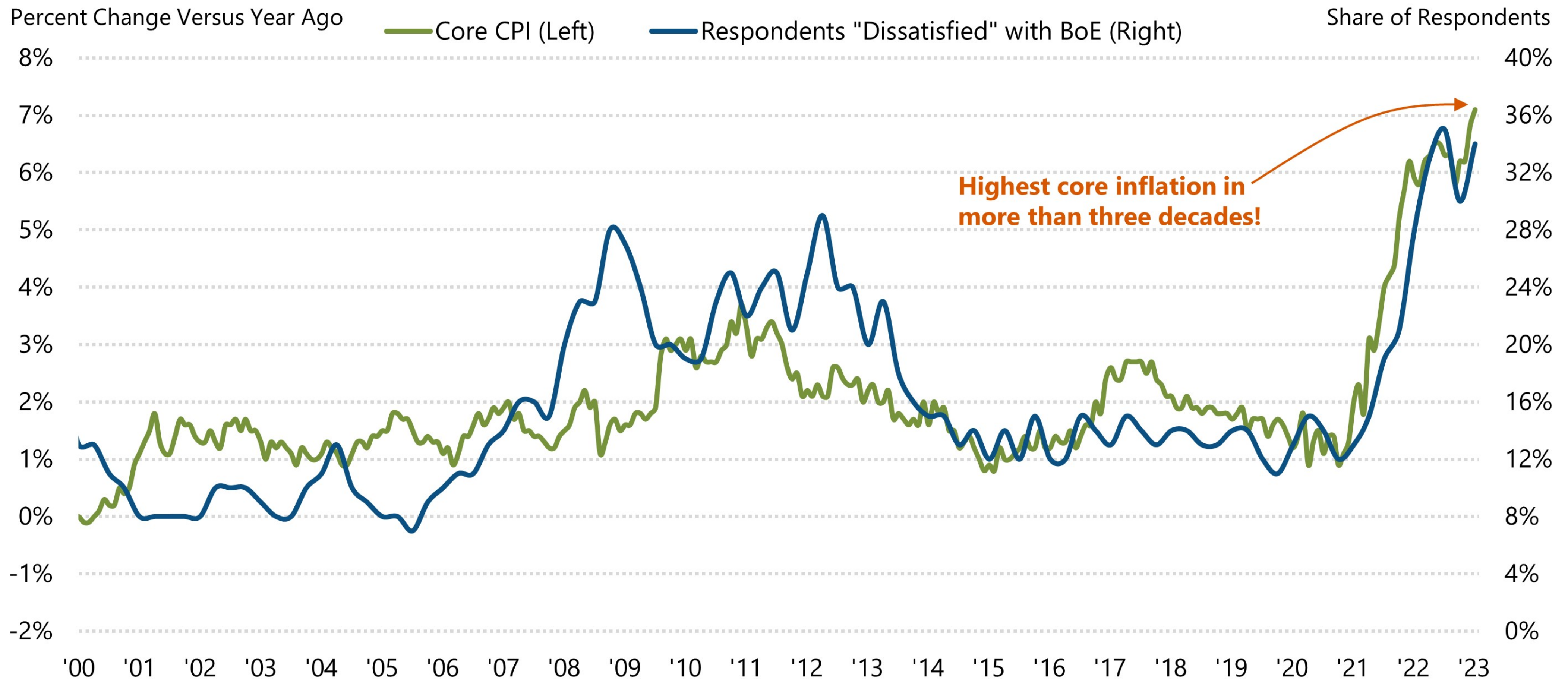


## Credibility Crisis

### U.K. Core Inflation\* Versus Inflation Attitudes Survey

For The Week Ending 06/23/2023



Source: Bank of England, U.K. Office for National Statistics

\*Consumer price index ex. food, energy, alcohol, and tobacco

U.K. price pressures remain problematic. Core CPI jumped 7.1% versus a year ago—a 31-year high. Consequently, the Bank of England (BoE) hiked another 50 basis points this week, bringing the bank rate to 5.00%. And, with inflation expectations creeping up, a worrisome sign for any central banker, the bond market now implies the BoE has 100 basis points of additional tightening to do by year-end. But a record-high share of people are already "dissatisfied" with the BoE's performance. Inflation is ravaging fixed-income earners' spending power, and nearly 2 million U.K. households face a mortgage rate reset this year. What will improve morale? Well, conquering inflation would be a good start, but maybe we're being too hard on the BoE. After all, the U.K. faces a litany of problems, from Brexit to currency woes to energy shortages, that other economies escaped. Still, regardless of where the blame lies, the last time core CPI breached 7%, it took over two years to achieve price stability (2%). In other words, it could be a while.