

[Letter](#) to *The Times*, 16 JUNE 2023.

BANK OF ENGLAND'S CREDIBILITY

Sir, Juliet Samuel ([“Malaise at the Bank should trouble Sunak”](#), Jun 15) correctly flags up the Bank of England’s “foundering credibility”. In other words, is the Bank credible enough to get the job done? If not, inflation will remain stubbornly high and, consequently, interest rates will keep rising. The Bank’s policymakers have failed to predict UK inflation accurately because their forecasting models are still trying to figure out how large versus small economic shocks can be accounted for. More worryingly, however, public expectations of inflation are consistently higher than those of the Bank. At present, the public expects inflation to remain at 3 per cent next year and beyond, according to a recent Bank of England/Ipsos survey. That is, the public does not trust the Bank to hit the 2 per cent inflation target. Consequently workers, and rightly so, will keep pushing for higher wages because of the Bank’s foundering credibility.

Professor Costas Milas, Management School, University of Liverpool