

## Benign UK inflation likely to keep BoE on hold in 2019

While a few one-off factors might see headline UK inflation rebound a touch in the short-term, the overall outlook is benign and we do not expect a rate hike from the Bank of England this year



Source: iStock

UK inflation came in slightly below consensus in March, keeping headline CPI below target for the third month running. While petrol prices rose by 1% on the month, helping to boost the year-on-year rate of inflation, food prices rose by less than what might have been expected. The British Retail Consortium had suggested that wholesale food costs had risen, on the back of adverse weather and higher global commodity prices. On that basis, overall inflation could receive some extra impetus next month, which when combined with the increase in the household energy cap, could see headline CPI nudge back to the 2% target.

**1.9%** Headline CPI  
(YoY%)

Lower than expected

Whatever happens, the rest of this year looks set to be a fairly benign period for consumer price inflation, and in principle, this gives the Bank of England another reason to keep rates on hold for the time being. However, as [we noted on Tuesday](#), wage growth has been a larger consideration for policymakers and has continued to perform strongly. Regular pay is growing close to its fastest rate since the crisis as skill shortages intensify, albeit there are some subtle signs that momentum has eased slightly in the more recent readings.

Either way, this makes for a better fundamental backdrop for consumer spending. Household confidence has been depressed amid ongoing Brexit uncertainty, but the temporary reduction in noise over the next few weeks may help unlock some spending in bigger-ticket items – particularly given the warm weather expected over the critical Easter trading period.

However, the outlook for investment remains very challenging, with firms having to continue their preparations for a possible ‘no deal’ later in the year. That is likely to keep a lid on economic growth over the summer, and we, therefore, do not expect a Bank of England rate hike this year – unless a deal is approved much earlier than people are currently expecting.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.