Unemployment and the conduct of monetary policy in the UK- Charts
Overview Panel: Labor markets and monetary policy, 23 August 2014 by Ben Broadbent.

Chart 1 No discernable Phillips curve even on an “expectations adjusted” basis

Chart 2 Close correlation between short-term rates and economic growth under inflation targeting

Chart 3 Stable wage Phillips curve during 1993-2012, close to that during gold standard

Chart 4 Cyclical movements in output predate those in employment

Note: NIESR inflation expectations before 1985 and 3 year implied forward inflation after.

Source: ONS, CBI, Markit Economics, Bank calculations

Source: ONS, Boyer and Hatton(2002) and Hills, Thomas, Dimsdale (2010)
Note: AEI until 2010 and AWE since; inflation expectations as implied by indexed gilt market.

Source: ONS and bank calculations
Chart 5 Supply growth stable before crisis, non-existent since

Source: ONS

* Consumer prices/ output prices, average rate of decline.

Chart 6 Pre-crisis economy more stable under inflation targeting

Source: ONS, Eurostat and Bank of England

Chart 7 Greater uncertainty about supply means unemployment a more valuable indicator for policy, output growth less so

Source: Broadbent (2013)

Chart 8 Recent wage growth much weaker than expected


Note: AEI until 2010 and AWE since; inflation expectations as implied by indexed gilt market; 2014 diamond is for H1.