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Chart of the week: UK unemployment falling only slowly [1]

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Summary: UK unemployment is slowly heading down ? but fall likely to speed up

What the chart shows: The chart shows the UK rate of unemployment as a three-month centred moving average

Why is the chart important: Following the lead of a number of other central banks (most recently the Federal Reserve), the Bank of England has now embarked on a course of ?forward guidance?. This is an attempt to lay out the future course of current monetary policy over a longer period of time. The new Governor of the BoE, Mark Carney, has said that Bank Rate will remain unchanged until unemployment falls to 7% from its current 7.8% level (June 2013). The Bank says this will occur in 2016. In contrast to developments in the United States, UK unemployment has been slow to fall; perhaps because it did not rise by as much during the Great Recession. However, the UK economy is now giving all signs of surprising on the upside. This means that unemployment (which is a lagging, not a leading indicator of activity) is likely to start falling faster. Given that inflation is already above the Bank of England?s target, Bank Rate will almost certainly rise well before 2016.

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