


ARTICLE

# PUBLIC CONFIDENCE IN THE BANK OF ENGLAND

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## Abstract

This article analyses the correlates of public confidence in the Bank of England (BoE) both at the aggregate and individual levels to answer the following two questions: What are the correlates of trust in the BoE? Is the inflation surge associated with a structural shift in attitudes towards the BoE? Data from the BoE's Inflation Attitudes survey (2001–2023) suggest that although inflation performance and public trust seem associated at the aggregate level, at the individual level this correlation is weaker. Further analyses suggest some changes in the correlates of public confidence since the inflation surge.

**Keywords:** Bank of England; inflation; public confidence; survey data

**JEL codes:** E58; E59

## 1. Introduction

In tandem with increasing inflation, public confidence in the Bank England dropped dramatically. While the net satisfaction with the Bank<sup>1</sup> averaged 23.9% points between 2009 and 2021, it became negative in the second quarter of 2022. The British public manifested the lowest historical levels of confidence in August 2023, contrasting with improvements in inflation control in the months before the survey, and it seems to have “reacted” slowly to improvements in inflation performance (see Figure 1).

Why does satisfaction with the Bank of England matter? Satisfaction with the Bank's performance is important because it is a key determinant of public confidence or trust in the institution. Many argue that trust is a rational assessment of the performance of a political institution (Hudson, 2006). Therefore, “institutions that perform well generate trust; untrustworthy institutions generate scepticism and distrust” (Mishler and Rose, 2001, p. 31).

In the case of central banks, two additional factors further complicate this relationship between performance and trust. First, for monetary policy to be effective, central banks need to anchor inflation expectations (Blinder *et al.*, 2008; Christelis *et al.*, 2020; Coibion *et al.*, 2020; De Haan and Sturm, 2019). Therefore, lack of trust may undermine the central bank's performance. Second, poor(er) performance and low public confidence undermine central banks' “output” legitimacy (Baerg and Cross, 2022; Burgoon *et al.*, 2012). This exposes the Bank to public or political pressures that can potentially challenge their independence (Binder, 2021a, 2021b; Bodea and Garriga, 2023; Goodhart and Lastra, 2018).

<sup>1</sup>Net satisfaction equals the percentage of satisfied minus the percentage dissatisfied respondents to the question “Overall, how satisfied or dissatisfied are you with the way the Bank of England is doing its job to set interest rates in order to control inflation?”

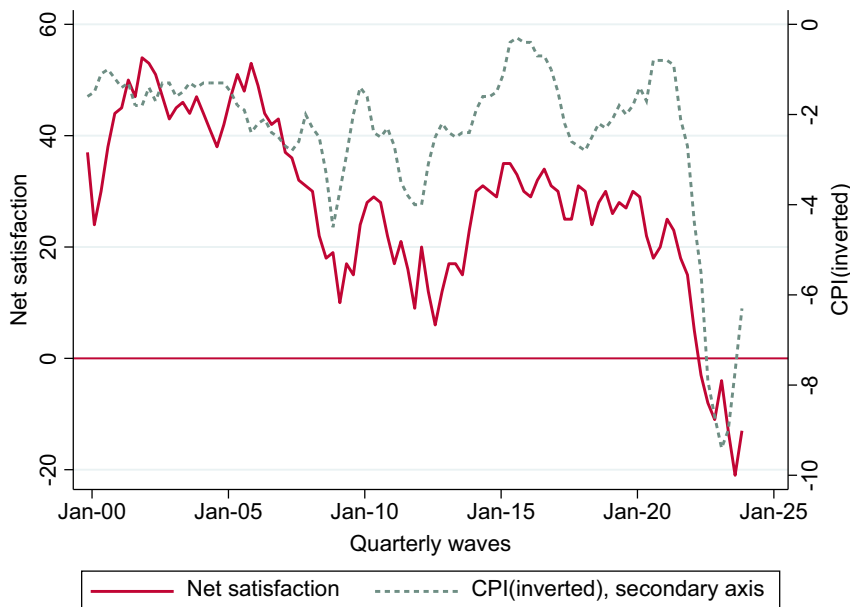


Figure 1. Net satisfaction balance and CPI (inverted). Quarterly data.

Sources: Garriga (2023), updated with data from Bank of England/Ipsos Inflation Attitudes survey (<https://www.bankofengland.co.uk/inflation-attitudes-survey/2023/november-2023>) and ONS Data.

Acknowledging the rational roots of trust in institutions does not deny the likely influence of other historic or cultural factors on trust (Angino *et al.*, 2022). It does not imply that trust perfectly maps satisfaction either. However, for the purposes of this article, satisfaction is considered a proxy for public confidence in the Bank of England, as is normally used in the press and communications to broader audiences<sup>2</sup>—holding other factors constant.

The importance of public confidence for the Bank of England's own operations and legitimacy justifies a closer look at the correlates of satisfaction with the Bank—or trust on the Bank's ability to fulfil one of its main mandates, price stability. The aim of this article is to provide a detailed description of the individual characteristics that are associated with higher trust or public confidence in the Bank of England, using data from the Inflation Attitudes survey (2001–2023) on satisfaction with the Bank's performance.<sup>3</sup> Although the use of observational data limits the ability of making causal claims, it allows us to look at persistent trends and to identify eventual changes through time. Therefore, the second goal of this article is to explore eventual shifts in the correlates of trust in the aftermath of the Global Financial Crisis, and during the period of inflation surge.

The rest of this article proceeds as follows. The next section describes the data and methods used. Section 3 presents the findings for the correlates of satisfaction and lack of opinion on the Bank of England, and examines these correlates in different time periods. The last section discusses the findings and proposes avenues for future research.

<sup>2</sup>For example, in the Financial Times (<https://www.ft.com/content/f70dc1b8-97ed-4522-9da8-718a7c5127ae>) and other specialized outlets (<https://www.investorchronicle.co.uk/news/2023/10/13/the-bank-of-england-s-next-battle-will-be-to-restore-public-trust/> and <https://www.thisismoney.co.uk/money/markets/article-12523679/Confidence-Bank-England-plum-mets-time-low.html>).

<sup>3</sup>In this article, *trust* and *public confidence* in the Bank are used exchangeably. *Satisfaction* is the variable I use to proxy the concept of public confidence in the institution.

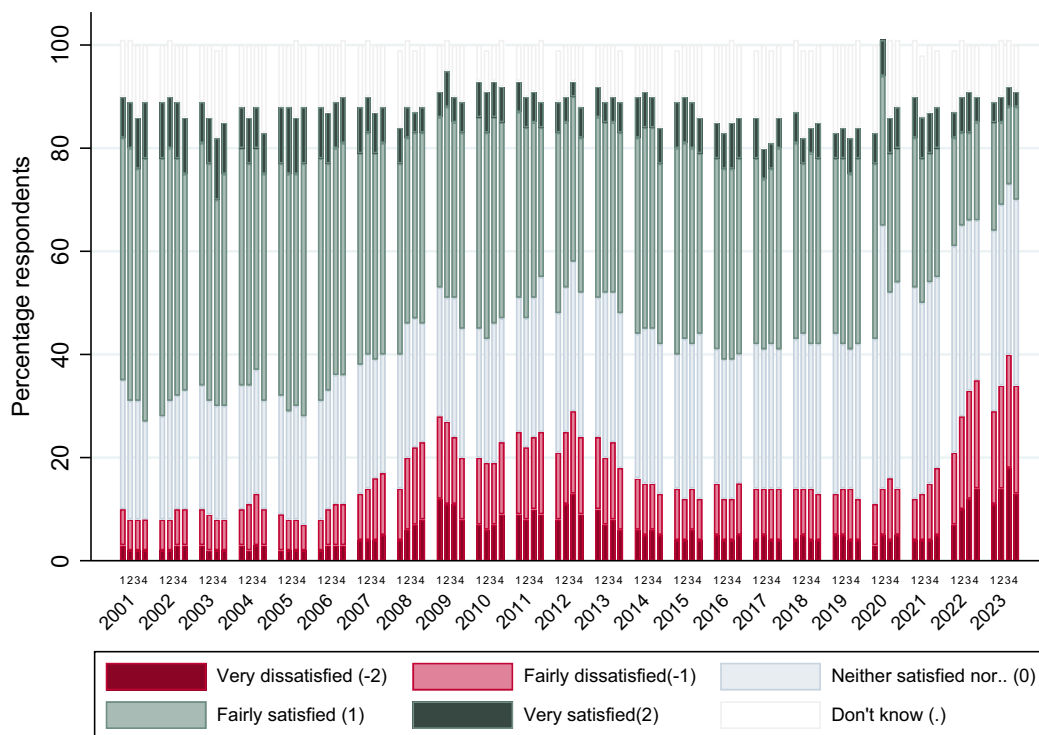


Figure 2. Distribution of variable *Satisfaction*, per quarterly wave.

Note: Responses to “Overall, how satisfied or dissatisfied are you with the way the Bank of England is doing its job to set interest rates in order to control inflation?”

## 2. Data and methods

For this article, I use data from the Bank of England’s quarterly Inflation Attitudes survey (2001–2023),<sup>4</sup> on a quota sample of people aged 16–75 across the United Kingdom. The dependent variable is *Satisfaction* with the Bank of England, an ordered index measured with the answers to the question “Overall, how satisfied or dissatisfied are you with the way the Bank of England is doing its job to set interest rates in order to control inflation?” This variable ranges from  $-2$  (very dissatisfied) to  $2$  (very satisfied).<sup>5</sup> The mean for this variable in the full sample is  $0.31$ , and the median is  $0$ . Although the full sample includes 224,991 responses for most questions, only 194,831 respondents answered the question about satisfaction. Further analyses look at the characteristics of those who answered “Don’t know” to this question. In those models, the variable *Opinion* is coded 1 if the respondent expressed an opinion about the Bank’s performance, and 0 otherwise. Figure 2 shows the distribution of this variable through time, and Figure 3 plots the mean values, omitting the “do not know” responses. Although net satisfaction became negative for the first time in the second quarter of 2022, the sample mean satisfaction was also negative in the third quarter of 2012.

<sup>4</sup>Although surveys have been fielded quarterly, for 2 years (2001 and 2002) data at the individual level is only available for the first quarter of these years. Each year, the number of respondents in the first quarter normally doubles the number of respondents in the following three quarters (see Table A1 in the appendix for the number of respondents in each wave). Until 2021, the survey was conducted by Kantar. Since February 2022, the survey is conducted by Ipsos.

<sup>5</sup>Respondents had six choices: *very/fairly satisfied*, coded as 2 and 1, respectively, *neither satisfied nor dissatisfied*, coded as 0, and *fairly/very dissatisfied*, coded as  $-1$  and  $-2$ , respectively. A sixth option, “Don’t know” was not included in the coding of the five-category ordered variable, and it is not modelled unless otherwise indicated.

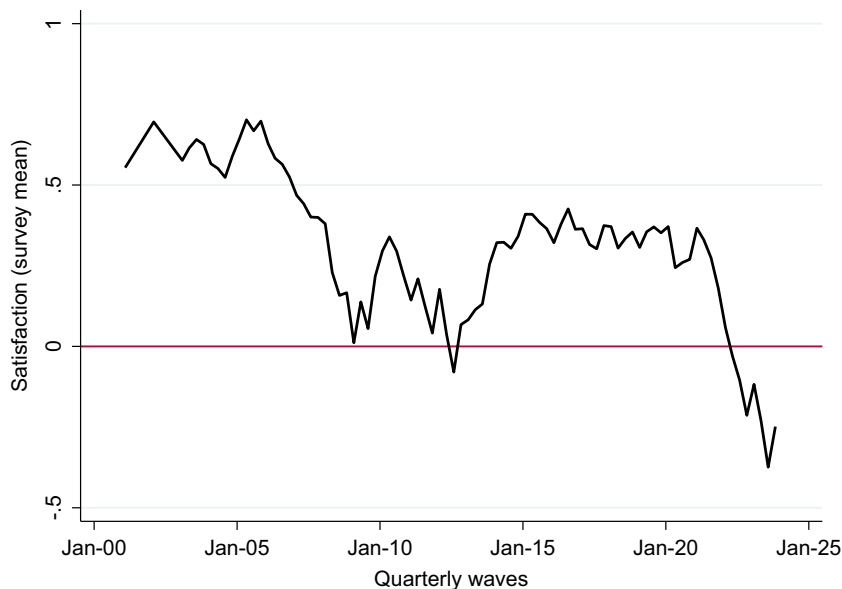


Figure 3. Mean value of variable *Satisfaction*, per quarterly wave.

Unless specified otherwise, most independent variables are directly taken from the answers to the survey with the following exceptions. *Inflation perception* is coded by combining the answers to the questions phrased as “Which of these options best describes how prices have changed over the last 12 months?” The options for the answer are discrete numbers, with 1% point interval increases and decreases (see Table A2.1 in the appendix). A caveat for this variable is that respondents do not have the choice to estimate a number below  $-5\%$  or above  $16\%$ , which constrains their answers. Because 13% of respondents answered “No idea” when asked about inflation in the past 12 months, a variable *Inflation perception (no idea)* is coded 1 for these responses, and 0 otherwise.

The variable *Knowledge* about the Bank is an additive index of the correct answers to questions regarding who sets the interest rate, including the independence of the Monetary Policy Committee from the government (see Table A2.2 for coding). A caveat regarding the *Knowledge* variable: the questions used to build this variable were only asked in the first quarter of each year. Therefore, models including this variable are estimated using responses obtained in the first survey each year.

The variable *Sex* in the survey has four options for gender identification (male, female, in another way, prefer not to answer). I recoded the last two options (included in surveys since February 2022) as *Other/NA*. *Age*, coded in the survey as a discrete variable in 10-year groups from 15–24 years to 65 and up, is recoded as a series of dichotomous variables for the first set of models, and included as a 0–5 variable in other specifications.<sup>6</sup> *Class* ranges from 0 to 3 (3 = AB, 2 = C1, 1 = C2, 0 = DE). *Working* indicates whether the respondent is working full of part-time, and 0 otherwise. *Education* is a categorical variable ranging from 0 (low, GCSE), to 2 (high, degree). The survey identifies the respondents’ housing tenure. These data have been recoded as a series of dichotomous variables identifying outright owners (*Owner*), mortgage holders (*Mortgage*), renting from the council (*Council rent*) and “other”—people letting or living in other people’s houses— as 1, and 0 otherwise. *Inflation (observed)* is the last 12-month inflation recorded in the quarter of the survey, and comes from the ONS. Appendix 3 shows the descriptive statistics for the full sample and for the first quarter-only sample, and the correlation matrix.

<sup>6</sup>Users of the surveys should be aware that the coding of age in the survey is not consistent. Whereas until quarter 4, 2021 age is coded from 1 to 6, in decade increments, since the first quarter of 2022 it is coded 2–5 and 7–8.

The data series need to be compared with caution because of a shift to online surveys in May 2020.<sup>7</sup> The use of wave-fixed effects and re-estimation of analyses in subsamples may help dealing with this issue. Unless otherwise specified, linear regression models are estimated in Stata using the *svy* prefix for complex survey data, using the weights stated in the data to make the sample UK representative, and including wave (year-quarter) fixed effects.

### 3. Findings

#### 3.1 The correlates of public confidence in the Bank of England

##### 3.1.1 Actual and perceived inflation

Table 1 shows the correlates of trust in the Bank of England using responses from the first quarter of each year. The first column includes the measures of observed inflation. Column (2) includes the respondent's perceived inflation—observed inflation is highly correlated with perception (0.44), so they are not included together. Column (3) includes all measures of inflation—despite the correlation between two of the inflation variables—to show that the association between inflation perception and satisfaction is independent from the actual level of inflation.

As one might expect, higher levels of CPI inflation are associated with lower satisfaction with the work of the Bank. Substantively, a standard deviation increase in *Inflation (observed)* is associated with a 0.24 standard deviation decrease in *Satisfaction*. This effect is smaller than what the data in Figure 1 would suggest. Holding inflation constant, quarterly increases in CPI inflation are associated with further decreases in *Satisfaction*. However, the substantive magnitude of this effect is very small (7% of a standard deviation in the dependent variable).

Column (2) focuses on the perceived inflation, which is likely to be relevant for individuals' assessment of the Bank's performance. Although perception of inflation is highly correlated with actual inflation, the correlation is far from perfect,<sup>8</sup> non-linear, and the respondents tend to overestimate inflation. As Figure 4 (left-side panel) shows, the mean perceived inflation maps quite closely actual CPI inflation. The right-side panel shows that variance at the individual level is important. Unsurprisingly, higher perceived inflation in the past 12 months is associated with lower levels of satisfaction. Substantively, a standard deviation increase in *Inflation perception* is associated with a 0.149 standard deviation in *Satisfaction*. The magnitude of this coefficient does not change if additional controls for observed inflation and inflation change are included in the model (see column (3)). In contrast, the coefficient associated with observed inflation is smaller once *Inflation perception* is included in the model.

Given that 11% of the individuals who manifested an opinion on the Bank's performance responded "No idea" when asked about inflation in the past 12 months, I re-estimate model (3) replacing the variable *Inflation perception* that ranges between  $-6$  and  $16$ , for a dichotomous variable indicating whether the respondent had no idea regarding inflation in the past year. The coefficient in column (4) indicates that individuals who report no idea about inflation express lower levels of satisfaction with the Bank. The magnitude of this effect, however, is quite small.

##### 3.1.2 Knowledge about the Bank and education

As found in other studies, there is a positive relationship between trust and knowledge about the Bank of England (Dräger and Nghiem, 2023; Haldane and McMahon, 2018; Hayo and Neuenkirch, 2014; van der

<sup>7</sup>Additionally, the unusually low share of "Do not know/No idea" answers in May 2020 can be attributed to the online implementation of that wave. <https://www.bankofengland.co.uk/inflation-attitudes-survey/2023/november-2023>. The question on satisfaction about the Bank of England was answered for all respondents (on average, 12% respondents answer do not know/no idea to this question).

<sup>8</sup>The estimates from regressing *Inflation perception* on observed CPI suggest that CPI explains 20% of the variance in perception. At low levels of observed inflation, respondents' perceived inflation is about 2% points higher than the perceived inflation. This gap between perception and actual inflation gets smaller at higher levels of inflation.

**Table 1.** Correlates of *Satisfaction* and having an opinion on the Bank of England's performance

Dependent variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Opinion</i>	<i>Opinion</i>	<i>Opinion</i>
Inflation (observed)	-0.098*** (0.004)		-0.059*** (0.004)	-0.099*** (0.004)	-0.003*** (0.001)		
Δ Inflation (observed)	-0.116*** (0.014)		-0.116*** (0.015)	-0.115*** (0.014)	-0.015*** (0.004)		
Inflation perception		-0.046*** (0.002)	-0.046*** (0.002)			-0.000 (0.000)	
Inflation perception (no idea)				-0.034*** (0.013)			-0.175*** (0.006)
Knowledge	0.135*** (0.005)	0.137*** (0.006)	0.137*** (0.006)	0.134*** (0.005)	0.066*** (0.002)	0.046*** (0.001)	0.058*** (0.001)
Education	0.041*** (0.007)	0.039*** (0.007)	0.039*** (0.007)	0.041*** (0.007)	0.007*** (0.002)	0.007*** (0.002)	0.005** (0.002)
Class	0.050*** (0.004)	0.048*** (0.004)	0.048*** (0.004)	0.050*** (0.004)	0.005*** (0.001)	0.005*** (0.001)	0.005*** (0.001)
Working	0.024** (0.010)	0.023** (0.010)	0.023** (0.010)	0.023** (0.010)	0.020*** (0.003)	0.013*** (0.003)	0.016*** (0.003)
<i>Housing tenure</i>							
Owner	0.064*** (0.015)	0.077*** (0.015)	0.077*** (0.015)	0.064*** (0.015)	0.031*** (0.005)	0.024*** (0.005)	0.029*** (0.005)

(Continued)

Table 1. Continued

Dependent variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Opinion</i>	<i>Opinion</i>	<i>Opinion</i>
Mortgage	0.134*** (0.013)	0.141*** (0.013)	0.141*** (0.013)	0.133*** (0.013)	0.039*** (0.004)	0.032*** (0.004)	0.036*** (0.004)
Council rent	-0.015 (0.015)	0.006 (0.017)	0.006 (0.017)	-0.015 (0.015)	-0.001 (0.007)	-0.002 (0.006)	-0.002 (0.007)
<i>Other demographics and controls</i>							
Female	-0.140*** (0.007)	-0.137*** (0.007)	-0.137*** (0.007)	-0.139*** (0.007)	-0.030*** (0.002)	-0.027*** (0.002)	-0.027*** (0.002)
Age25_34	-0.005 (0.015)	0.021 (0.016)	0.021 (0.016)	-0.006 (0.015)	0.020*** (0.006)	0.011* (0.006)	0.014** (0.005)
Age35_44	0.039** (0.015)	0.080*** (0.016)	0.080*** (0.016)	0.037** (0.015)	0.031*** (0.006)	0.019*** (0.005)	0.023*** (0.006)
Age45_54	0.100*** (0.014)	0.154*** (0.015)	0.154*** (0.015)	0.098*** (0.014)	0.040*** (0.006)	0.027*** (0.006)	0.029*** (0.006)
Age55_64	0.116*** (0.016)	0.151*** (0.017)	0.151*** (0.017)	0.115*** (0.016)	0.060*** (0.006)	0.043*** (0.005)	0.049*** (0.006)
Age65plus	0.175*** (0.013)	0.205*** (0.014)	0.205*** (0.014)	0.173*** (0.013)	0.054*** (0.006)	0.038*** (0.006)	0.045*** (0.006)
Scotland	-0.193*** (0.018)	-0.195*** (0.017)	-0.195*** (0.017)	-0.194*** (0.018)	-0.011* (0.006)	-0.013** (0.006)	-0.013** (0.006)

(Continued)

Table 1. *Continued*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Satisfaction</i>	<i>Opinion</i>	<i>Opinion</i>	<i>Opinion</i>
Wales	−0.058*** (0.015)	−0.054*** (0.017)	−0.054*** (0.017)	−0.057*** (0.015)	−0.002 (0.005)	−0.005 (0.004)	−0.001 (0.005)
Constant	0.283*** (0.030)	0.242*** (0.027)	0.308*** (0.030)	0.290*** (0.030)	0.735*** (0.009)	0.807*** (0.009)	0.778*** (0.008)
Wave FE	YES	YES	YES	YES	YES	YES	YES
Observations	81,464	72,739	72,739	81,464	92,096	79,467	92,096
R-squared	0.104	0.122	0.122	0.104	0.093	0.066	0.126

Notes: Standard errors in parentheses. Statistical significance indicated as follows: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .



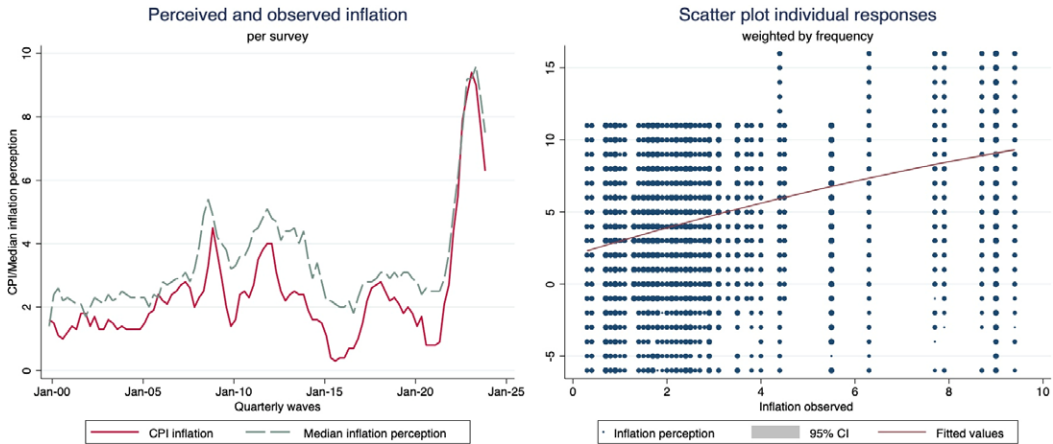


Figure 4. CPI and perceived inflation at the aggregate (per survey), and individual levels.

Crujisen and Samarina, 2023). The magnitude of this association is substantively large: a standard deviation increase in *Knowledge* is associated with a 0.151 standard deviation increase in *Satisfaction*. This effect is marginally larger than the one associated with *Inflation perception*. This association is surprisingly strong given that these models control for education, which is also positively associated with *Satisfaction*, but it is not highly correlated with *Knowledge* (the correlation between *Knowledge* and *Education* is 0.21). This finding needs to be read in the light of generally low levels of financial literacy (Van der Crujisen *et al.*, 2018), and a recent literature indicating that knowledge about the (European) central bank's policy instruments affect inflation expectations but not trust (Brouwer and de Haan, 2022). Although the surveys reveal a significant association between knowledge and trust even controlling for inflation, these data do not allow to assert causality.

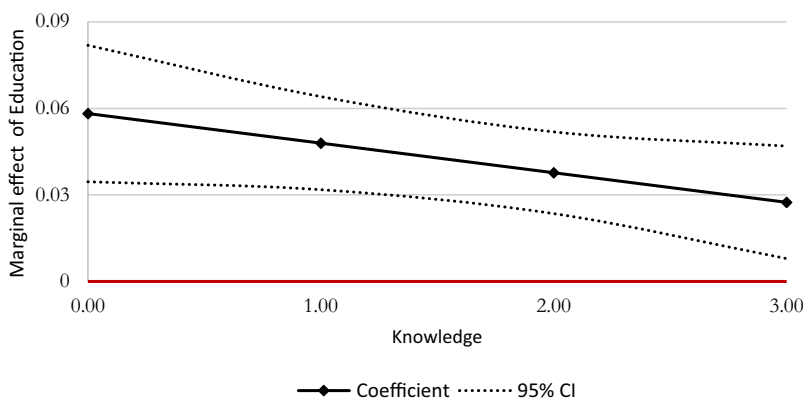
More educated individuals (measured as a three-category variable of schooling) tend to express higher satisfaction, as in other studies (van der Crujisen and Samarina, 2023). The substantive effect of *Education* however is quite small (a standard deviation of *Education* is associated with 0.03 standard deviation in *Satisfaction*). Not only the association between *Education* and *Satisfaction* is weak, but it also becomes weaker at higher levels of knowledge about the Bank of England (see Figure 5).

### 3.1.3 Other correlates

Several socio-economic indicators are also associated with *Satisfaction*. Higher class (AB) respondents express more satisfaction than those classified as C1, C2 or DE. The substantive magnitude of this variable's association is quite small, but almost doubles the standardised effect of *Education*. Those working full- or part-time express also more satisfaction with the work of the Bank than those who are not currently employed.

The surveys allow classifying housing tenure as outright owners, mortgage holders, renting from the council and "other"—people letting or living in other people's houses—which is the baseline category for housing tenure in these models. Holding everything else constant, outright owners and mortgage holders express more satisfaction than other categories of housing tenure. In the whole sample, mortgage holders express more satisfaction with the Bank than outright owners. The difference between *Owner* and *Mortgage* is statistically significant, but the difference in satisfaction between the baseline "other" and *Council rent* is not.

There is a marked gender difference in *Satisfaction*, as reported for other central banks (Brouwer and de Haan, 2022; Hayo and Neuenkirch, 2014; van der Crujisen and Samarina, 2023). Male respondents



**Figure 5.** Association between *Education* and *Satisfaction* at different levels of knowledge about the Bank of England. *Note:* These estimates come from re-estimating column 2, including an interaction between *Education* and *Knowledge*. Models not reported for space considerations.

express higher satisfaction than those who identify as female and “other/NA.” There is no statistically significant difference between female and other identifications in reported satisfaction.<sup>9</sup> Older respondents tend to express higher satisfaction. This is interesting because these estimates control for variables that are normally associated with age (particularly, housing tenure, education and status). In this sample, there are no statistically significant differences between those aged 15–24, and those aged 25–34 years, or among respondents, those aged 45–54, and those aged 55–64 years. In other words, there are four identifiable groups or cohorts with increasing levels of reported satisfaction: 15–34, 35–44, 45–65 and those over 65. Finally, respondents in Wales and Scotland tend to express lower levels of dissatisfaction than those surveyed in England.

### 3.1.4 Understanding the “Don’t know”

Columns (6) to (9) explore the correlates of having an opinion about the Bank of England’s performance. These models estimate the linear probability of responding to the question on satisfaction with the working of the Bank versus responding “do not know.”<sup>10</sup>

The variables associated with higher trust generally correlate with the likelihood of expressing an opinion. Inflation and changes in inflation are negatively associated with having an opinion on the Bank’s performance—in other words, high inflation is associated with a higher probability of responding “do not know.” Those who know less about the Bank, those who do not have an idea regarding past inflation, less educated and lower-class respondents, younger and female respondents and residents in Scotland are more likely to not have or express an opinion about the Bank’s performance.

There are two differences between the correlates of public confidence and those of the higher likelihood of having an opinion. First, *Inflation perception* does not correlate with the likelihood of expressing an opinion. Second, Welsh respondents do not have a different likelihood of having an opinion than those surveyed in England.

<sup>9</sup>Because the Other/NA category was included only in the last 2 years of the sample, models presented here do not include this variable.

<sup>10</sup>Logistic estimations produce similar results. OLS models reported here for simplicity.

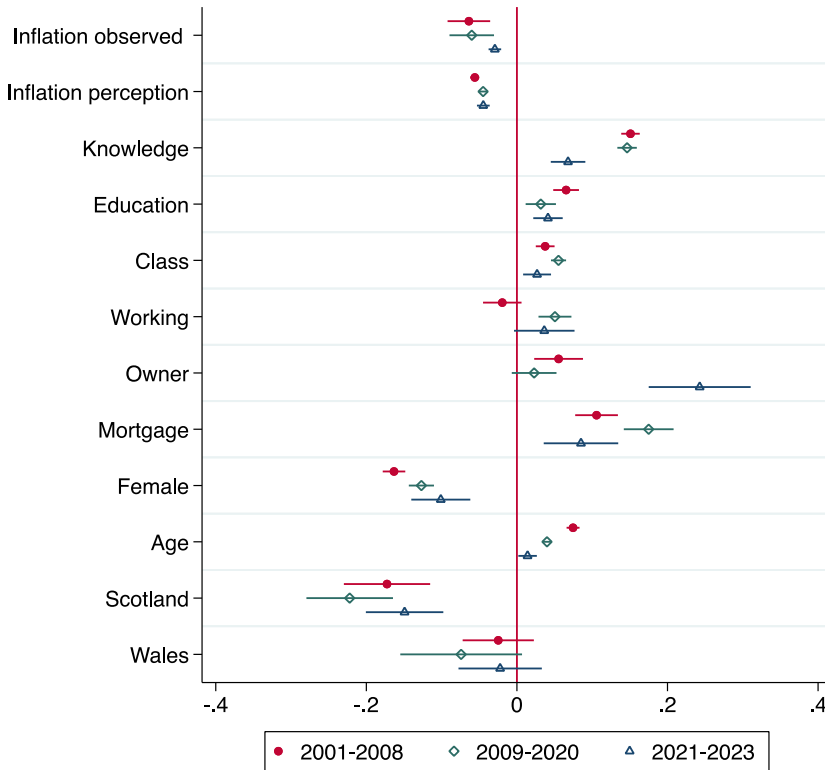


Figure 6. Correlates of trust. Different periods.

### 3.2 Have the correlates of trust changed?

One of the advantages of a series of comparable observational data is the possibility in exploring dynamics in the correlates of satisfaction. Although the models described in the previous section include wave- (effectively, year-) fixed effects, this section explores the hypothesis that both the Global Financial Crisis and the inflation surge may be linked to structural shifts in the correlates of trust.

Figure 6 plots the estimates of a simplified model<sup>11</sup> interacting all variables with the period they are observed (full table in Appendix 4). The three periods are defined as before and after the Global Financial crisis (2001–2008, and 2009–2021, respectively), and the 2 years of inflation surge (2022–2023).<sup>12</sup> Although the comparison of estimates needs to be done with caution, the figure provides interesting information regarding what characteristics may affect trust in the Bank of England in different periods.

The dichotomous variables for post-GFC (2009–2021) and inflation surge (2022–2023) are negative and statistically significant, reflecting a decline in trust in the Bank of England, as reported for other central banks. Although the coefficient for post-GFC is smaller than the one associated with inflation surge, the difference between them is not statistically significant.

Some correlates do not change across periods. In particular, the coefficients associated with *Inflation (observed)*, *Inflation perception*, *Education*, *Class*, gender, *Scotland* and *Wales* are substantively similar

<sup>11</sup>For parsimony reasons, in these estimations, *Age* replaces dichotomous variables used in the previous section. Council rent, a category not statistically significantly different from “other” is also omitted, making the baseline for *Owner* and *Mortgage* all non-owners.

<sup>12</sup>Almost identical estimates are obtained if models are estimated in subsamples defined as the periods prior and after the Global Financial crisis, and the 2 years of inflation surge.

across periods.<sup>13</sup> Although the association between *Age* and *Satisfaction* remains positive and significant, it gets substantively weaker through time.

There are a few interesting differences across periods. First, this model suggests that *Working* is only statistically significant and positive in the post-GFC period. Given how the question is phrased—whether the respondent works part- or full-time—the interpretation of this variable is not straightforward: the baseline category includes both unemployed respondents, people who may not be seeking a job and retirees. These two groups might have been generally negatively affected during the post-GFC, but affected differently during the inflation surge, driving the non-statistically significant difference in satisfaction with those who are working.

There are two additional differences regarding housing tenure and knowledge about the Bank. Across subsamples, outright owners and owners with mortgage generally express more satisfaction than non-owners. During the post-GFC period, however, there is no statistically significant difference between outright owners and non-owners. Not surprisingly, given the effect of higher interest rates on mortgage holders, satisfaction for this group dropped significantly during the inflation surge to the pre-GFC levels. Although the mean level of satisfaction among owners did not increase in the past years, the difference between these respondents and those who report other forms of housing tenure became much larger in the last period—in other words, this result is driven by a large drop in satisfaction in the baseline category (non-owners).

Finally, the association between *Knowledge* and *Satisfaction* is weaker during the inflation surge, about half the magnitude of the coefficient for previous periods, and this difference is statistically significant. This is remarkable because the analyses on the full sample show that knowledge about the Bank was substantively the strongest predictor of trust. Because this association between knowledge about the central bank and trust has motivated research on how central bank communications could be used to enhance trust in the institution, further research should determine whether this result is due to less variance in knowledge among respondents through, or whether the questions used to measure knowledge are becoming less useful to proxy knowledge about the Bank of England.

#### 4. Final remarks

Since the Global Financial Crisis, trust in central banks has declined across countries (Roth *et al.*, 2014). Although this decline in confidence mirrors a more general decline in trust in political institutions (Foster and Frieden, 2017; Levi and Stoker, 2000), public confidence is not only a result of the performance of central banks, but key for central banks to fulfil their mission via anchoring inflation expectations, and to justify their own autonomous decision-making. The analyses presented here show that public sentiment with the Bank of England depends in part on the Bank's actual performance—the level of inflation is associated with satisfaction with the Bank—but objective performance and perception of this performance explain about a quarter of the variance in public confidence.

One of the key factors associated with trust in the Bank is knowledge about the institution. This finding, consistent with the literature (Dräger and Nghiem, 2023; Haldane and McMahon, 2018; Hayo and Neuenkirch, 2014; van der Crujssen and Samarina, 2023), has driven interest on improving our understanding on the effects of financial literacy and central bank communications on public opinion both among academics and practitioners. Central banks have tried to improve their communication and engagement with different audiences. For example, research shows that simpler, more engaging communications improve public understanding, which can enhance the effectiveness of monetary policy (Haldane and McMahon, 2018). However, the association between knowledge and trust seems to be weaker during the inflation surge, and this does not seem to be a result of a significant increase of financial literacy in the population that would make improvements in specific knowledge about the Bank less significant. Further research should explore whether some kinds of information—or even, some

<sup>13</sup>Models omitting *Inflation (observed)* produce very similar results.

sources of information—mediate the effect of knowledge on satisfaction with, and potentially trust in, the Bank of England.

Other data in this article suggest that beyond being clearer in their communications, the Bank of England could target communication to individuals that are more likely to express little trust in the Bank. Further research could explore the effect of targeting communications to women and younger citizens. Some work already shows gendered differences in who presents the information (Bisbee *et al.*, 2024; Bodea *et al.*, 2021; Bodea and Kerner, 2022a, 2022b), but I am unaware of work exploring communications content or styles targeting younger cohorts of citizens.

Finally, although not addressed in this article, it seems likely that the relationship between trust, inflation perception and knowledge is far more complex. Indeed, financial literacy and trust are likely to affect inflation perceptions and expectations (Christelis *et al.*, 2020). This is another avenue for future research that exceeds the purposes of this study.

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## Appendix 1

Table A1 Number of respondents per survey wave

Year	Q1	Q2	Q3	Q4	Total
2001	3,901	0	0	0	3,901
2002	3,981	0	0	0	3,981
2003	3,999	1,980	2,077	1,961	10,017
2004	3,960	1,974	2,190	2,034	10,158
2005	3,842	1,971	2,061	2,132	10,006
2006	3,939	1,961	2,092	2,094	10,086
2007	3,967	1,997	2,050	2,054	10,068
2008	3,985	2,011	2,115	2,065	10,176
2009	3,921	2,099	2,075	1,955	10,050
2010	4,142	2,055	2,049	2,057	10,303
2011	3,929	2,045	2,054	1,853	9,881
2012	3,789	1,966	1,929	2,012	9,696
2013	3,896	1,964	2,050	1,984	9,894
2014	3,949	1,986	2,016	1,914	9,865
2015	4,112	2,002	2,051	1,963	10,128
2016	4,166	2,143	2,117	2,095	10,521
2017	4,243	2,151	2,096	2,097	10,587
2018	4,254	2,159	2,134	2,197	10,744
2019	4,332	2,150	2,110	2,078	10,670
2020	4,185	2,448	2,114	2,196	10,943
2021	4,593	2,269	2,258	2,242	11,362
2022	4,503	2,221	2,238	2,111	11,073
2023	4,472	2,264	2,042	2,103	10,881
Total	94,060	43,816	43,918	43,197	224,991

## Appendix 2. Variables constructed from the survey. Questions, answer options and coding

Table A2.1 Variable *Inflation perception*

Question	Description	Answer options	Inflation perception	Notes
q1	Which of these options best describes how prices have changed over the last 12 months?	Gone down		See q1a2
		Not changed	0	
		Up by 1% or less	1	
		Up by 1% but less than 2%	2	
		Up by 2% but less than 3%	3	
		Up by 3% but less than 4%	4	
		Up by 4% but less than 5%	5	
		Up by 5% or more		See q1a
q1a	You say that prices have gone up by 5% or more over the last 12 months. By how much do you think they have risen?	Up by 5% but less than 6%	6	
		Up by 6% but less than 7%	7	
		Up by 7% but less than 8%	8	
		Up by 8% but less than 9%	9	
		Up by 9% but less than 10%	10	
		Up by 10% or more		See q1a4
q1a4	You say that prices have gone up by 10% or more over the last 12 months. By how much do you think they have risen?	Up by 10% but less than 11%	11	
		Up by 11% but less than 12%	12	
		Up by 12% but less than 13%	13	
		Up by 13% but less than 14%	14	
		Up by 14% but less than 15%	15	
		Up by 15% or more	16	
q1a2	You say that prices have gone down over the last 12 months. By how much do you think they have gone down?	Down by 1% or less	-1	
		Down by 1% but less than 2%	-2	
		Down by 2% but less than 3%	-3	
		Down by 3% but less than 4%	-4	
		Down by 4% but less than 5%	-5	
		Down by 5% or more	-6	

Table A2.2 Variable *knowledge*

Question	Description	Answer options	Knowledge	Knowledge
q11	Each month a group of people meets to set Britain's basic interest rate level. Do you know what this group is?	Monetary Policy Committee	+2	
		Bank of England	+1	
		The Government	0	
		The Treasury	0	
		Parliament	0	
		Other	0	
		Don't know	0	
q12	Which of these groups do you think sets the interest rates?	Government ministers	0	
		Civil Servants	0	
		Bank of England	+1	
		High street banks	0	
		European Central Bank	0	
		Don't know	0	
q13	In fact, the decisions are taken by the Monetary Policy Committee of the Bank of England. Which of these do you think best describes the Monetary Policy Committee?	Part of the Government	0	
		A quango, wholly appointed by the government	0	
		An independent body, partly appointed by the government	+1	
		A completely independent body	0	
		Don't know	0	

Table A2.3 Variables *age*

Options	Age (until quarter 4, 2021 in dataset)	Age (from quarter 1, 2022 in dataset)	Age
16–24	1	2	0
25–34	2	3	1
35–44	3	4	2
45–54	4	5	3
55–64	5	7	4
65+	6	8	5



## Appendix 3. Descriptive statistics

Table A3.1 Descriptive statistics. Full sample

Variable	Observations	Mean	Std. dev.	Min	Max
Question 14	224,991	3.093737	1.440068	1	6
Satisfaction	197,787	.3059958	1.018581	-2	2
Satisfaction (Opinion)	224,991	.8790885	.3260251	0	1
Inflation perception	194,831	4.337143	3.402615	-6	16
Inflation (do not know)	224,991	.1340498	.3407066	0	1
Inflation (observed)	224,991	2.545091	1.870622	.3	9.4
Knowledge	100,213	1.473362	1.10037	0	4
Education	220,913	1.046779	.7237618	0	2
Class	224,991	1.393402	1.148004	0	3
Work	224,991	.4977666	.4999961	0	1
Female	224,991	.5288834	.4991662	0	1
Other/NA	224,991	.0005378	.0231843	0	1
Owner	224,991	.3163638	.4650577	0	1
Mortgage	224,991	.2896027	.453579	0	1
Council rent	224,991	.1652777	.3714318	0	1
Age	224,991	2.698904	1.723807	0	5
Age15_24	224,991	.1285074	.3346546	0	1
Age25_34	224,991	.1711091	.3766051	0	1
Age35_44	224,991	.1700779	.3757021	0	1
Age45_54	224,991	.160762	.3673121	0	1
Age55_64	224,991	.1423657	.3494256	0	1
Age65plus	224,991	.227178	.4190095	0	1
Scotland	224,991	.0836611	.2768795	0	1
Wales	224,991	.1340987	.3407591	0	1
Quarter	224,991	2.161126	1.164166	1	4
Time trend	224,991	43.48329	25.29091	1	86

**Table A3.2** Descriptive statistics. First quarter only

Variable	Observations	Mean	Std. dev.	Min	Max
Question 14	94,060	3.049522	1.429695	1	6
Satisfaction	83,029	.3424707	1.002675	-2	2
Satisfaction (opinion)	94,060	.8827238	.3217508	0	1
Inflation perception	81,015	4.114349	3.245466	-6	16
Inflation (do not know)	94,060	.1386881	.3456226	0	1
Inflation (observed)	94,060	2.452706	1.808771	.4	9
Knowledge	94,060	1.472007	1.102674	0	4
Education	92,096	1.033791	.7229558	0	2
Class	94,060	1.385233	1.14411	0	3
Work	94,060	.4907825	.4999177	0	1
Female	94,060	.5289921	.4991614	0	1
Other/NA	94,060	.0006273	.0250374	0	1
Owner	94,060	.3124601	.4634987	0	1
Mortgage	94,060	.2964384	.4566891	0	1
Council rent	94,060	.1697427	.3754086	0	1
Age	94,060	2.690251	1.725801	0	5
Age15_24	94,060	.1299702	.3362725	0	1
Age25_34	94,060	.1713693	.3768334	0	1
Age35_44	94,060	.1715075	.3769539	0	1
Age45_54	94,060	.1593345	.3659896	0	1
Age55_64	94,060	.141229	.3482595	0	1
Age65plus	94,060	.2265894	.4186269	0	1
Scotland	94,060	.0853285	.2793714	0	1
Wales	94,060	.1333829	.3399899	0	1
Time trend	94,060	40.49106	26.18871	1	83

**Table A3.3** Correlation matrix

	Satisfaction	Satisfaction (Opinion)	Inflation perception	Inflation (do not know)	Inflation (observed)	Knowledge	Education	Class	Work	Female	Other/NA
Satisfaction	1.0000										
Satisfaction (opinion)		1.0000									
Inflation perception	-0.2197	0.0038	1.0000								
Inflation (do not know)	-0.0202	-0.2400		1.0000							
Inflation (observed)	-0.1513	0.0248	0.4403	-0.0548	1.0000						
Knowledge	0.1849	0.2692	0.0276	-0.1840	0.0962	1.0000					
Education	0.0507	0.0770	0.0185	-0.0695	0.0895	0.2108	1.0000				
Class	0.0949	0.1180	0.0210	-0.0833	0.1453	0.2898	0.4465	1.0000			
Work	0.0424	0.0653	-0.0135	-0.0608	0.0279	0.0967	0.2908	0.2324	1.0000		
Female	-0.0935	-0.1005	0.0080	0.0545	-0.0098	-0.1812	-0.0191	-0.0477	-0.0942	1.0000	
Other/NA	-0.0136	-0.0055	0.0225	0.0055	0.0560	0.0000	0.0143	0.0136	-0.0020	-0.0246	1.0000
Owner	0.0549	0.0783	0.0111	-0.0405	0.0181	0.1664	-0.0533	0.1264	-0.2368	-0.0412	-0.0092
Mortgage	0.0716	0.0678	-0.0190	-0.0477	0.0110	0.1314	0.1860	0.2303	0.3452	0.0053	-0.0004
Council rent	-0.0719	-0.0949	0.0032	0.0534	-0.0606	-0.1999	-0.2005	-0.3139	-0.1447	0.0374	-0.0041
Age	0.0678	0.0849	0.0207	-0.0528	-0.0689	0.1758	-0.2698	-0.0317	-0.3496	-0.0290	-0.0095
Age15_24	-0.0559	-0.0864	-0.0377	0.0789	0.0437	-0.1789	0.0518	-0.0237	-0.0205	-0.0126	0.0066
Age25_34	-0.0319	-0.0341	-0.0326	0.0183	0.0027	-0.0881	0.1616	0.0139	0.1881	0.0312	0.0047
Age35_44	0.0042	0.0077	0.0247	-0.0230	0.0217	0.0346	0.1172	0.0429	0.2096	0.0266	-0.0018
Age45_54	0.0138	0.0349	0.0643	-0.0436	0.0221	0.0894	0.0286	0.0304	0.1695	-0.0013	-0.0039
Age55_64	0.0199	0.0433	-0.0046	-0.0309	0.0025	0.0709	-0.0591	0.0074	-0.0207	-0.0141	0.0092

(Continued)

Table A3.3. *Continued*

	Satisfaction	Satisfaction (Opinion)	Inflation perception	Inflation (do not know)	Inflation (observed)	Knowledge	Education	Class	Work	Female	Other/NA
Age65plus	0.0383	0.0259	-0.0175	0.0051	-0.0782	0.0539	-0.2658	-0.0649	-0.4720	-0.0290	-0.0121
Scotland	-0.0502	-0.0257	0.0027	-0.0045	-0.0004	-0.0157	-0.0033	-0.0099	-0.0150	0.0006	-0.0001
Wales	0.0024	0.0014	0.0045	-0.0006	0.0002	0.0155	0.0013	0.0184	-0.0166	0.0030	0.0010
Quarter	-0.0281	-0.0130	0.0546	-0.0015	0.0374	0.0026	0.0127	0.0012	0.0064	0.0010	-0.0039
Time trend	-0.1414	-0.0099	0.2476	0.0061	0.3827	0.0160	0.1600	0.1028	0.0043	-0.0225	0.0355

**Table A3.3.** Correlation matrix (cont)

	Owner	Mortgage	Council rent	Age	Age15_24	Age25_34	Age35_44	Age45_54	Age55_64	Age65plus
Owner	1.0000									
Mortgage	-0.4343	1.0000								
Council rent	-0.3027	-0.2841	1.0000							
Age	0.4848	-0.2231	-0.0266	1.0000						
Age15_24	-0.1705	-0.0124	0.0263	-0.6012	1.0000					
Age25_34	-0.2251	0.0801	0.0088	-0.4478	-0.1745	1.0000				
Age35_44	-0.1935	0.1912	-0.0008	-0.1835	-0.1738	-0.2057	1.0000			
Age45_54	-0.0559	0.1281	-0.0072	0.0764	-0.1681	-0.1989	-0.1981	1.0000		
Age55_64	0.1366	-0.0714	-0.0150	0.3075	-0.1565	-0.1851	-0.1844	-0.1783	1.0000	
Age65plus	0.4470	-0.2863	-0.0094	0.7238	-0.2082	-0.2463	-0.2454	-0.2373	-0.2209	1.0000
Scotland	-0.0093	-0.0019	0.0497	0.0161	-0.0066	-0.0103	-0.0052	0.0037	0.0056	0.0113
Wales	0.0408	0.0010	-0.0340	0.0392	-0.0119	-0.0241	-0.0118	-0.0016	0.0089	0.0357
Quarter	0.0052	-0.0144	-0.0088	0.0020	-0.0019	0.0016	-0.0040	0.0019	0.0008	0.0013
Time trend	0.0556	-0.1196	0.0021	0.0007	0.0160	-0.0039	-0.0280	0.0107	0.0045	0.0027

**Table A3.3** Correlation matrix (cont)

	Scotland	Wales	Quarter	Time trend
Scotland	1.0000			
Wales	0.1189	1.0000		
Quarter	0.0039	0.0007	1.0000	
Time trend	0.0045	-0.0180	0.0934	1.0000

**Appendix 4. Correlates of Satisfaction, by period**

Period	(1)	(2)	(3)
	Pre-GFC	Post-GFC	Inflation surge
Inflation (observed)	-0.064*** (0.017)	-0.060*** (0.018)	-0.029*** (0.005)
Inflation perception	-0.056*** (0.004)	-0.045*** (0.003)	-0.045*** (0.005)
Knowledge	0.151*** (0.007)	0.146*** (0.008)	0.068*** (0.013)
Education	0.066*** (0.010)	0.032*** (0.012)	0.041*** (0.011)
Class	0.038*** (0.007)	0.055*** (0.006)	0.027*** (0.010)
Working	-0.020 (0.015)	0.051*** (0.013)	0.036 (0.023)
Owner	0.055*** (0.019)	0.023 (0.018)	0.243*** (0.038)
Mortgage	0.106*** (0.017)	0.175*** (0.020)	0.085*** (0.028)
Female	-0.163*** (0.009)	-0.127*** (0.010)	-0.101*** (0.022)
Age	0.074*** (0.005)	0.040*** (0.004)	0.014** (0.007)
Scotland	-0.172*** (0.034)	-0.222*** (0.034)	-0.149*** (0.029)
Wales	-0.025 (0.028)	-0.074 (0.048)	-0.022 (0.031)

(Continued)

Continued

Period	(1)	(2)	(3)
	Pre-GFC	Post-GFC	Inflation surge
Post-GFC	-0.123*** (0.036)		
Surge	-0.111*** (0.059)		
Constant	0.348*** (0.035)		
Year fixed effects	YES		
Observations	72,739		
R-squared	0.127		

Notes: Columns (2) and (3) report the joint effect (lincom) of the variable coefficient and the interaction with the time period. Standard errors in parentheses \*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1.

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