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Commenting on UK inflation data released today, Neil Williams, Chief Economist at Hermes Fund Managers, said:

“Today’s UK inflation data are further proof that markets may have taken governor Carney’s forward guidance too much to the letter, rather than just the spirit, with predominantly cost, not demand factors, still pushing the RPI, and CPI inflation back to target.

“In the detail, December’s RPI had three main drivers: utility price hikes, which look slightly more front- loaded than last year; higher travel fares, which may have cunningly been squeezed in before the traditional New Year uplift; and seasonal food. These look like one-offs, and their absence should now give a steeper RPI decline into spring 2014. Admittedly, the rise in household-goods prices is a welcome plus for the growth bulls, but the headline is CPI, ‘back to its 2% target’. I expect CPI inflation to now stay below 2% into spring, suggesting Carney at his third Inflation Report press conference next month will have to keep all his options open - regardless of how close to a 7% unemployment rate we are!”

-ENDS-

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Notes to Editors:

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