



BNY Mellon's Hoey: Expect 'Inflationary Surprise Around Late 2017, 2018'

By Dan Weil

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Not too many economists are willing to make forecasts for three years from now, but Richard Hoey, chief economist of BNY Mellon, is one who will.

That's when we will pay the piper in terms of inflation, he says. The consumer price index is rising at only a 1.4 percent annual rate now.

"I'm worried about 2018," [Hoey tells CNBC](#). "I think by that time everything will all come due. We'll have wage inflation. The Fed will have to tighten hard," he said. Average hourly wages climbed only 2.1 percent in the 12 months through November.

"I'm not worried about 2015. I'm not worried about 2016, not too much about 2017. I think the bill comes due in 2018, but that's too far in the future to worry about now."

The plunge of oil prices will spark a rise in demand and a downtrend in supply that will lead to a surge upward in oil prices three years from now, Hoey explains.

"That's kind of what we've seen over history. When you way overdo it on the downside on oil prices, give it a couple years. You'll way overdo it on upside."

Bottom line: "I expect an upside inflationary surprise around late 2017, 2018," Hoey notes.

Meanwhile, Richard Rahn, a senior fellow at the Cato Institute, warns that you should take economists' predictions with a big grain of salt.

"Economists have little to crow about when it comes to forecasting," he writes in [The Washington Times](#).

"Most of them missed calling the Great Recession. The Federal Reserve, which employs hundreds of economists, kept predicting 4 percent-plus economic growth each year after the recession bottomed in 2009. In fact, actual growth has been about half of [that.]"

To be sure, that doesn't mean "it is not useful to attempt to forecast, but merely that it is not scientific in the way that we can precisely predict the boiling point of water at a specific atmospheric pressure," Rahn says.