

Bank Rate Held Steady at 5% as Inflation Concerns Persist

September 20, 2024



The Monetary Policy Committee (MPC) of the Bank of England has decided to maintain the Bank Rate at 5%, a decision that reflects ongoing concerns about inflation pressures.

In its September meeting, the MPC voted by a majority of 8-1 to keep the Bank Rate unchanged. One member advocated for a rate reduction of 0.25 percentage points to 4.75%. Additionally, the Committee voted unanimously to reduce the stock of UK government bond purchases by £100 billion over the next 12 months.

The MPC's decision was guided by the need to address persistent inflationary pressures and ensure that inflation expectations remain well anchored. The Committee considered various scenarios, including the potential for a period of economic slack and the possibility of structural shifts in wage and price-setting.

While global economic activity has continued at a steady pace, there are signs of increasing uncertainty in the near-term outlook. Oil prices have declined, and market-implied paths for policy rates in major advanced economies have decreased.

In the UK, headline GDP growth is expected to return to its underlying pace of around 0.3% per quarter in the second half of the year. Twelve-month CPI inflation is projected to increase to approximately 2.5% by the end of this year, driven by the fading impact of last year's energy price declines. Services consumer price inflation remains elevated, and private sector regular average weekly earnings growth has slowed.

The MPC's decision to maintain the Bank Rate at 5% reflects its assessment that a gradual approach to removing policy restraint remains appropriate. The Committee will continue to monitor inflation risks

closely and adjust monetary policy as needed to ensure that inflation returns sustainably to the 2% target.