

United Kingdom

Bank of England remains split on policy stance

- **Two members of the Bank of England's MPC again voted to hike interest rates in November**
- **Others have a "material spread" on risks to the outlook, and therefore appropriate policy stance**
- **Wage growth remains key to future policy**

The minutes from the November meeting of the Bank of England's Monetary Policy Committee reveal that policymakers remain split regarding the economic outlook and the appropriate course for policy.

Two of the nine members, Martin Weale and Ian McCafferty, again voted to hike interest rates by 0.25%, as they have done continually since August. However, for the other members, the outlook for inflation in the medium term justified maintaining the current policy of record low interest rates.

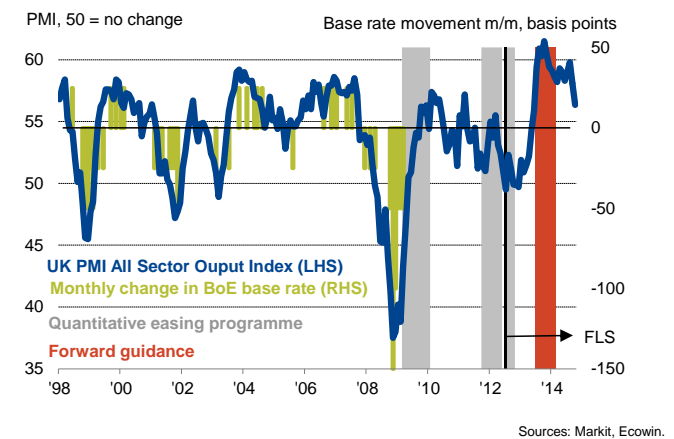
Weale and McCafferty are worried that domestic inflation could pick up sharply due to the amount of slack in the economy being eroded faster than the Bank's forecasts currently suggest, and they also observe that inflation is currently low only because of the stronger exchange rate and lower global commodity prices.

Others, including the Bank's Governor Mark Carney and Chief Economist Andy Haldane, are clearly worried about the economic outlook and concerned about the extent to which inflation could undershoot the Bank's 2% target if growth disappoints. At the same time, the Bank has become more relaxed about the domestic housing market, which had been a source of concern earlier in the year before showing signs of cooling.

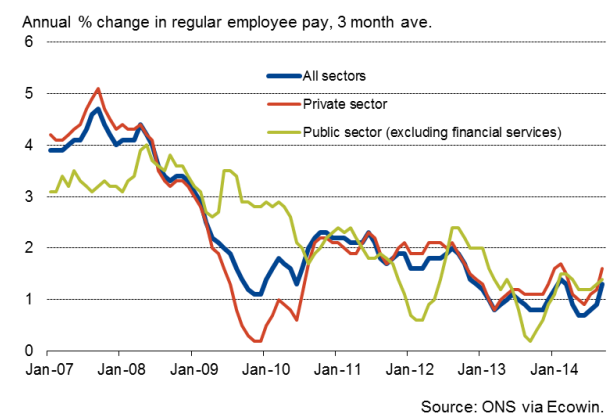
With the minutes stating that there was "a material spread of views on the balance of risks to the outlook" among the other seven that had again voted to keep rates on hold, some could also vote for higher rates soon if the amount of slack in the economy shows signs of falling in coming months. Most important will be the extent to which unemployment falls and wages pick up. However, for now the doves are still ruling the roost at the Bank. With the Bank's projections for the economy to expand 2.9% next year looking somewhat optimistic after business surveys showed the pace of

economic growth sliding to a 16-month low in October, the most likely scenario is that the majority of MPC members will see the need for policy to remain on hold at least until the second half of next year, barring any strong upturn in wage growth in coming months.

BoE policy changes and the PMI



Pay growth



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

[Click here](#) for more PMI and economic commentary.

For further information, please visit www.markit.com