

# United Kingdom

## Bank of England sees no need for further stimulus

- **Monetary Policy Committee makes no changes to interest rates or quantitative easing**
- **Signs of economy gaining momentum and still-high inflation point to no change in June**
- **More action may follow Mark Carney's appointment as new Bank Governor**

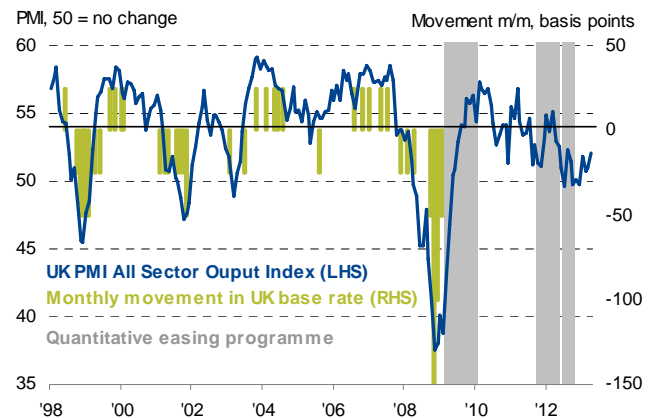
The Bank of England's Monetary Policy Committee voted to keep policy unchanged at its May meeting, with interest rates held at 0.5% and its asset purchase programme steady at £375bn. With the economic data flow improving in recent weeks, no change is likely at its June meeting either, but new initiatives may follow the appointment of Mark Carney as new Bank governor in July.

Policymakers will have been reassured by the stronger-than-expected 0.3% increase in GDP in the first quarter, but perhaps more importantly will have been encouraged to see signs of the upturn gathering momentum at the start of the second quarter. The April PMIs showed the strongest growth in business activity since the Olympics-related upturn last autumn and goods exports are improving as producers benefit from the weaker pound.

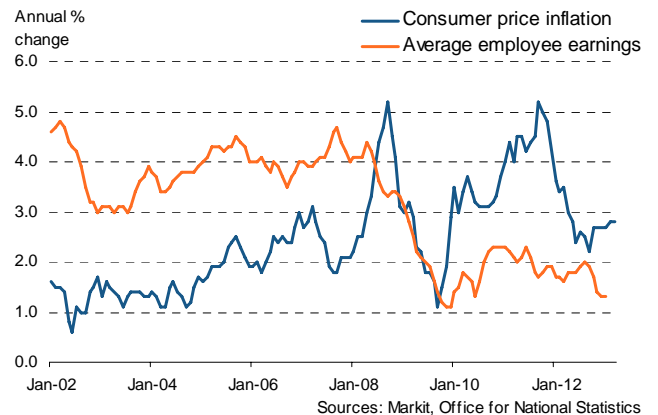
At the same time that the economy is gaining some momentum, inflation remains stubbornly above target at 2.8%, further discouraging any calls for renewed stimulus.

However, the recovery is by no means on a solid footing yet. The pace of economic growth remains only modest, high inflation continues to erode consumer spending power, the global economy is showing signs of weakening again and levels of bank lending are still unsatisfactory to help drive a strong upturn. Further action from the Bank is therefore possible in coming months, but only following the appointment of new Bank governor Mark Carney in July. Until then, policy will most likely be on hold.

### Bank of England policy decisions and the PMI



### Inflation and employee earnings



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