BANK OF ENGLAND

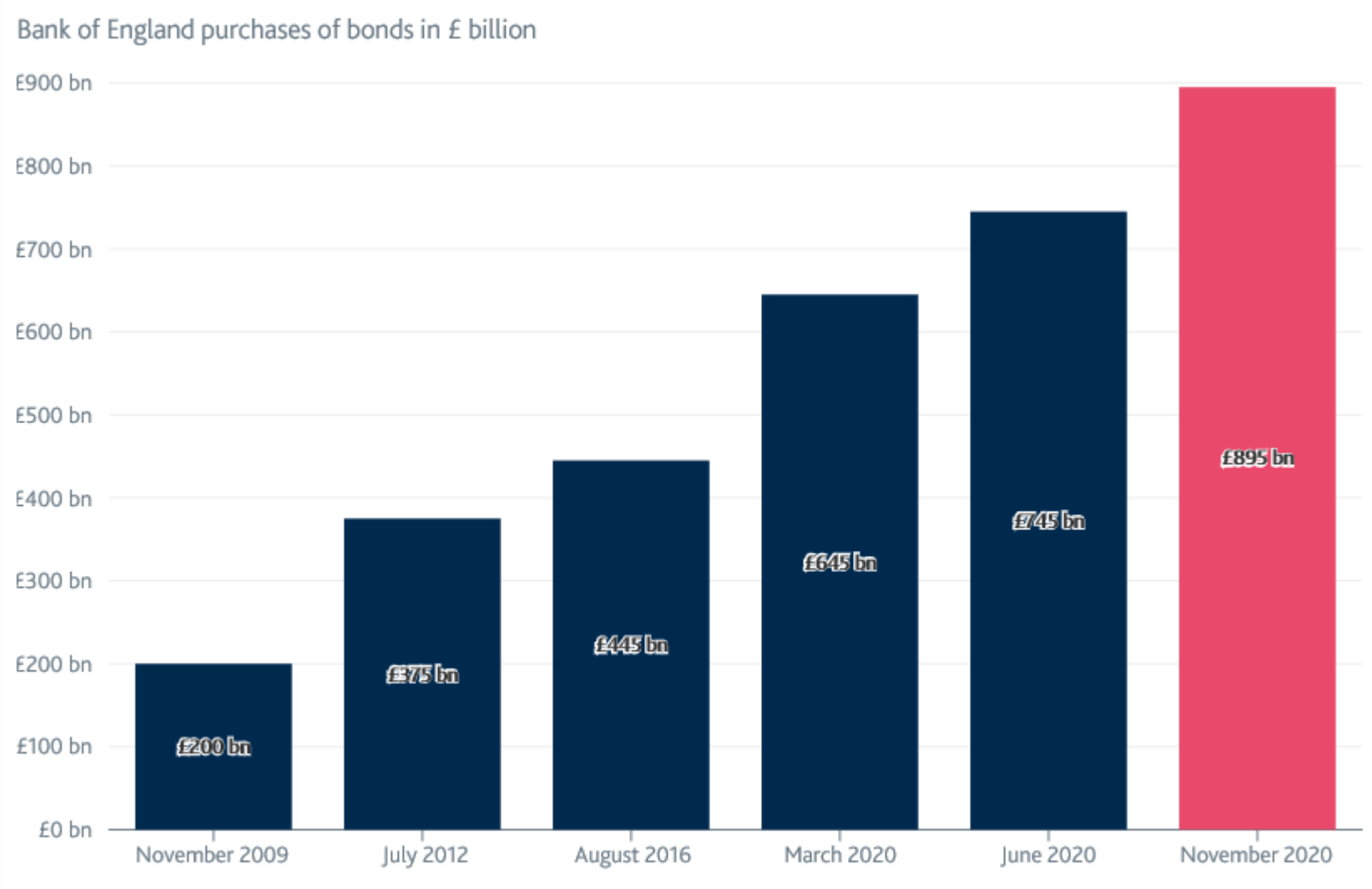
Monetary Policy Report

November 2020

Graeme Chaplin

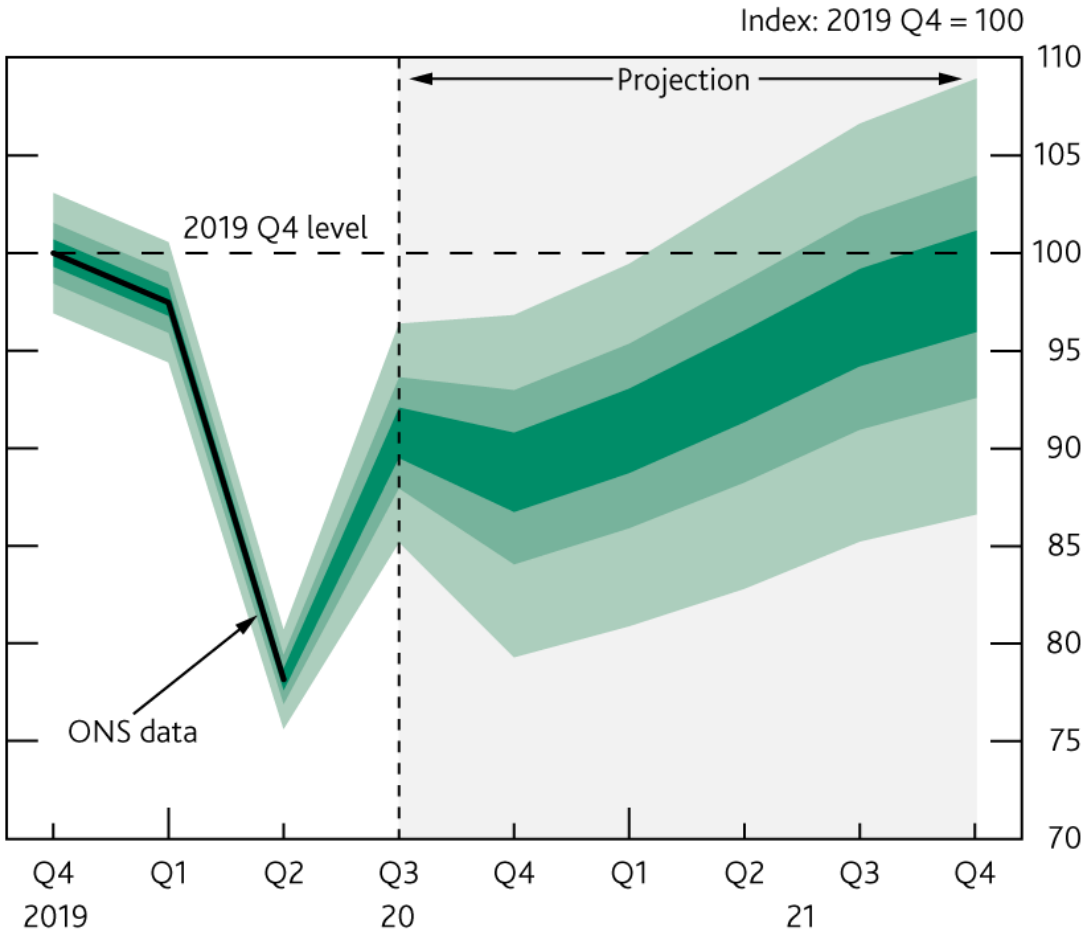
West Midlands Agency

The MPC increased the target stock of UK government bonds by £150bn, taking the total stock of gilt purchases to £875bn

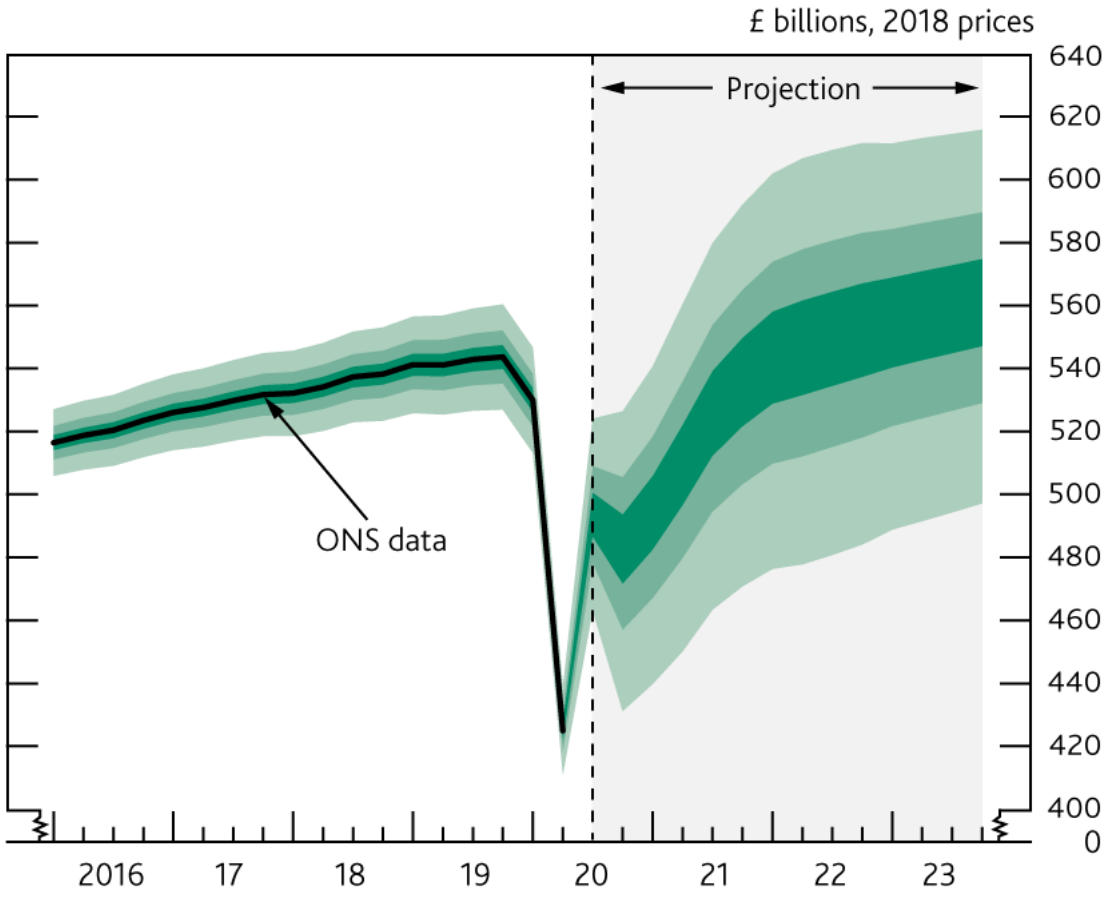


November projection of the level of GDP[(a)]

Near term

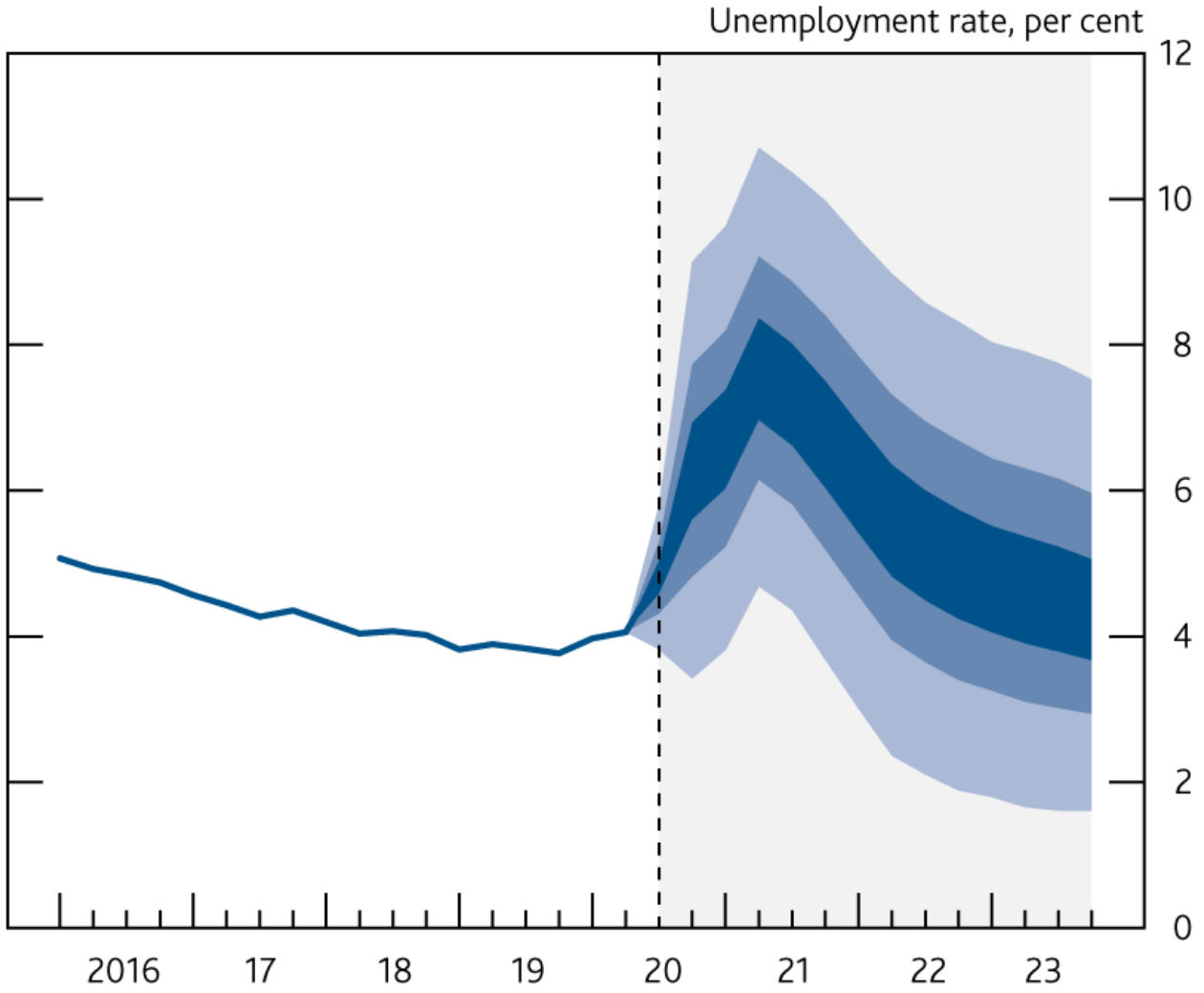


Three years



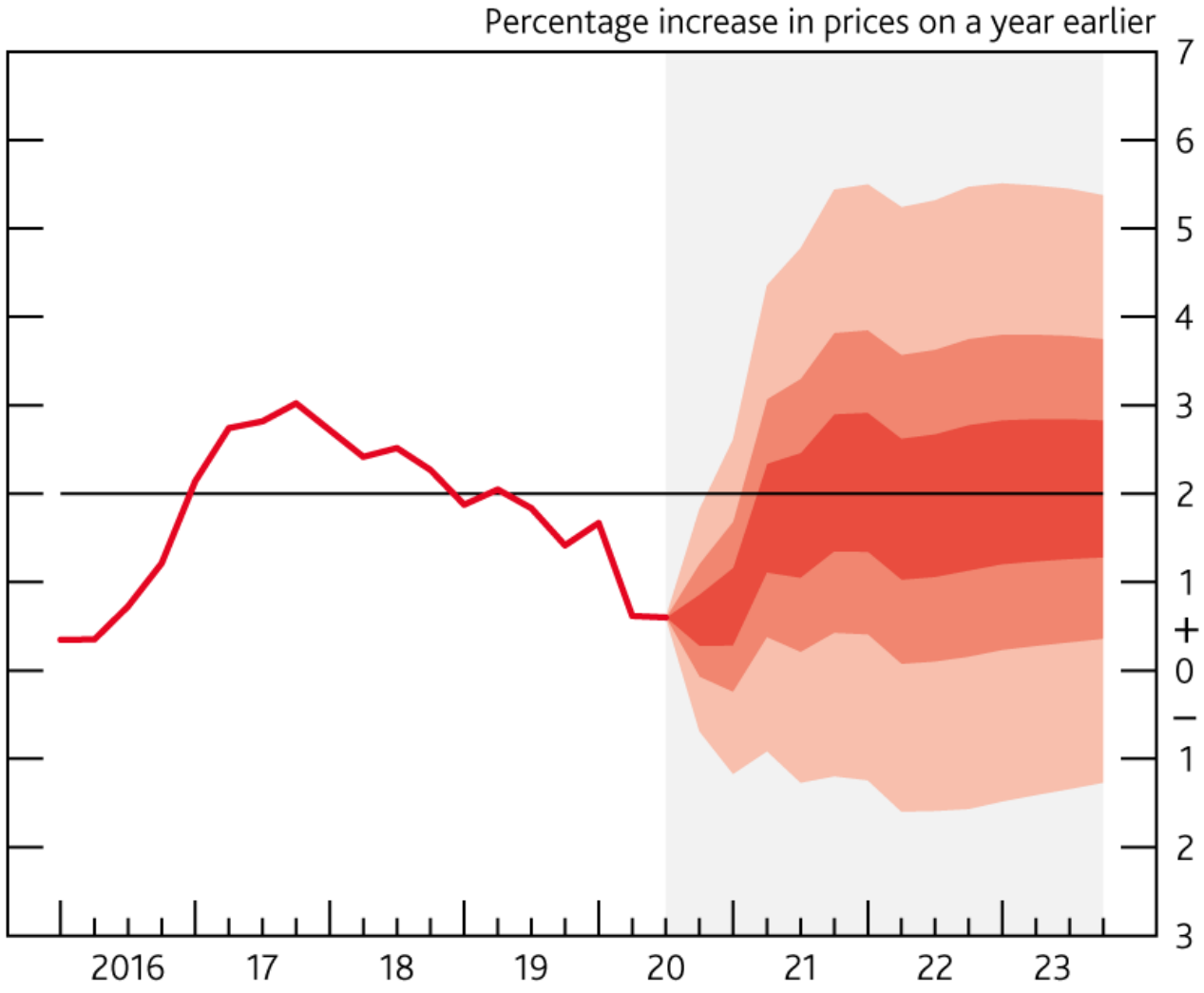
(a) based on market interest rate expectations, other policy measures as announced

November unemployment rate projection[(a)]



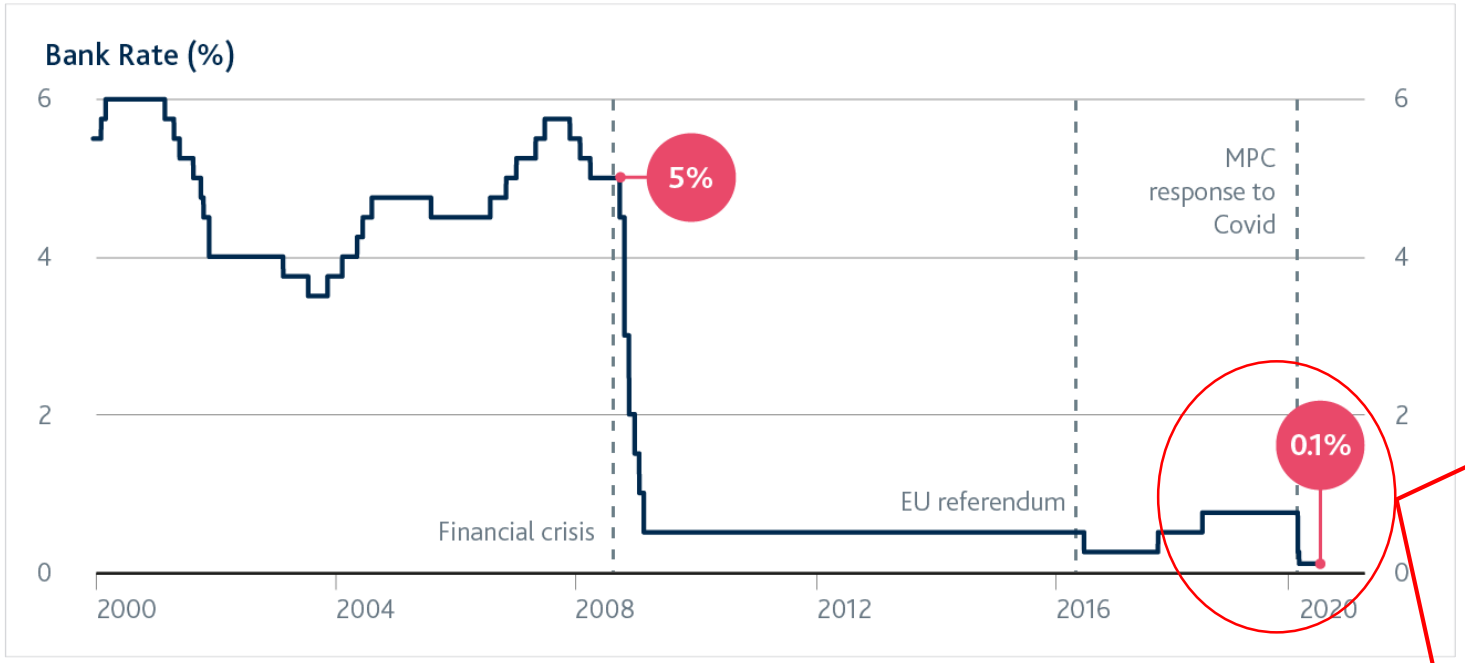
(a) based on market interest rate expectations, other policy measures as announced

November CPI inflation projection[(a)]

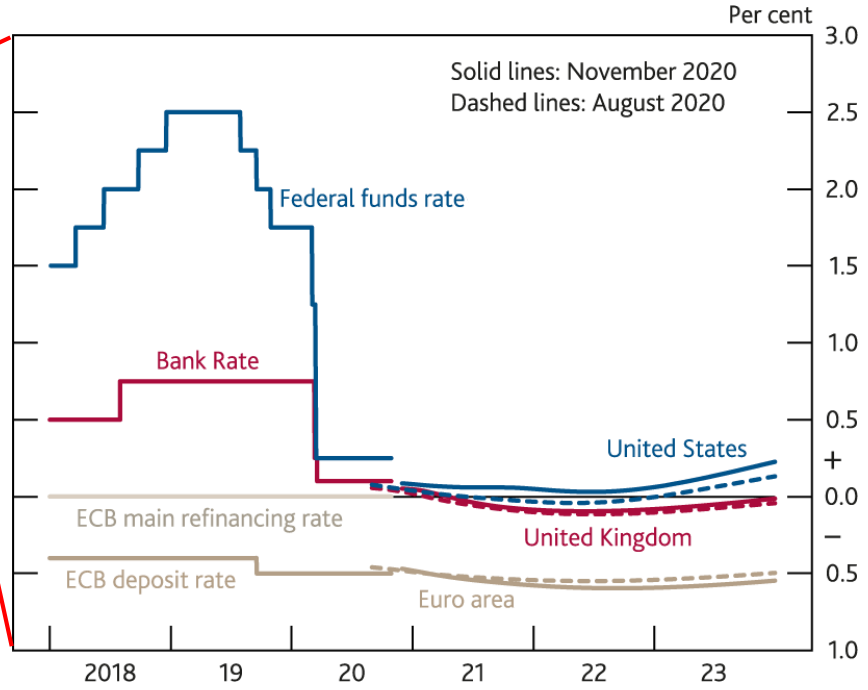


(a) based on market interest rate expectations, other policy measures as announced

Market-implied paths for future policy rates remain subdued

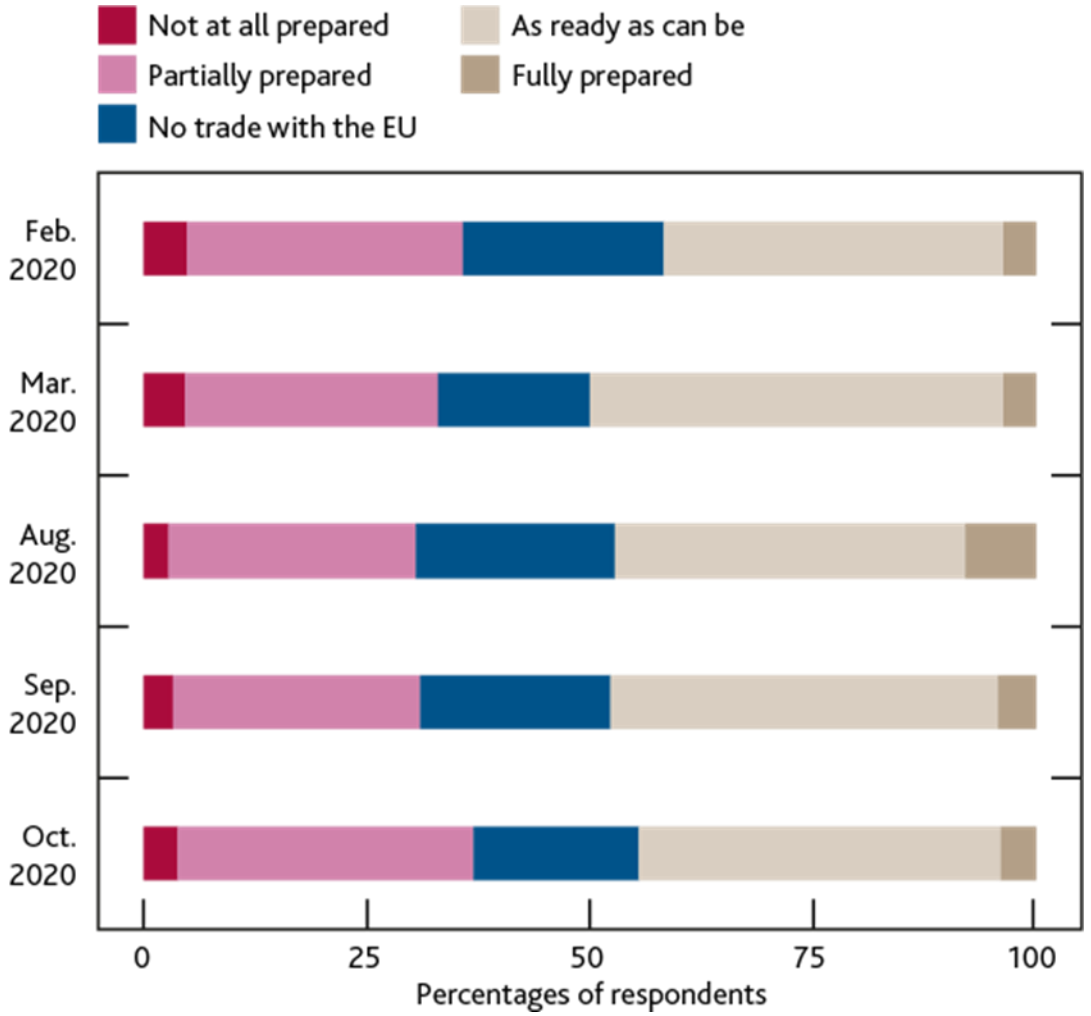


International forward interest rates



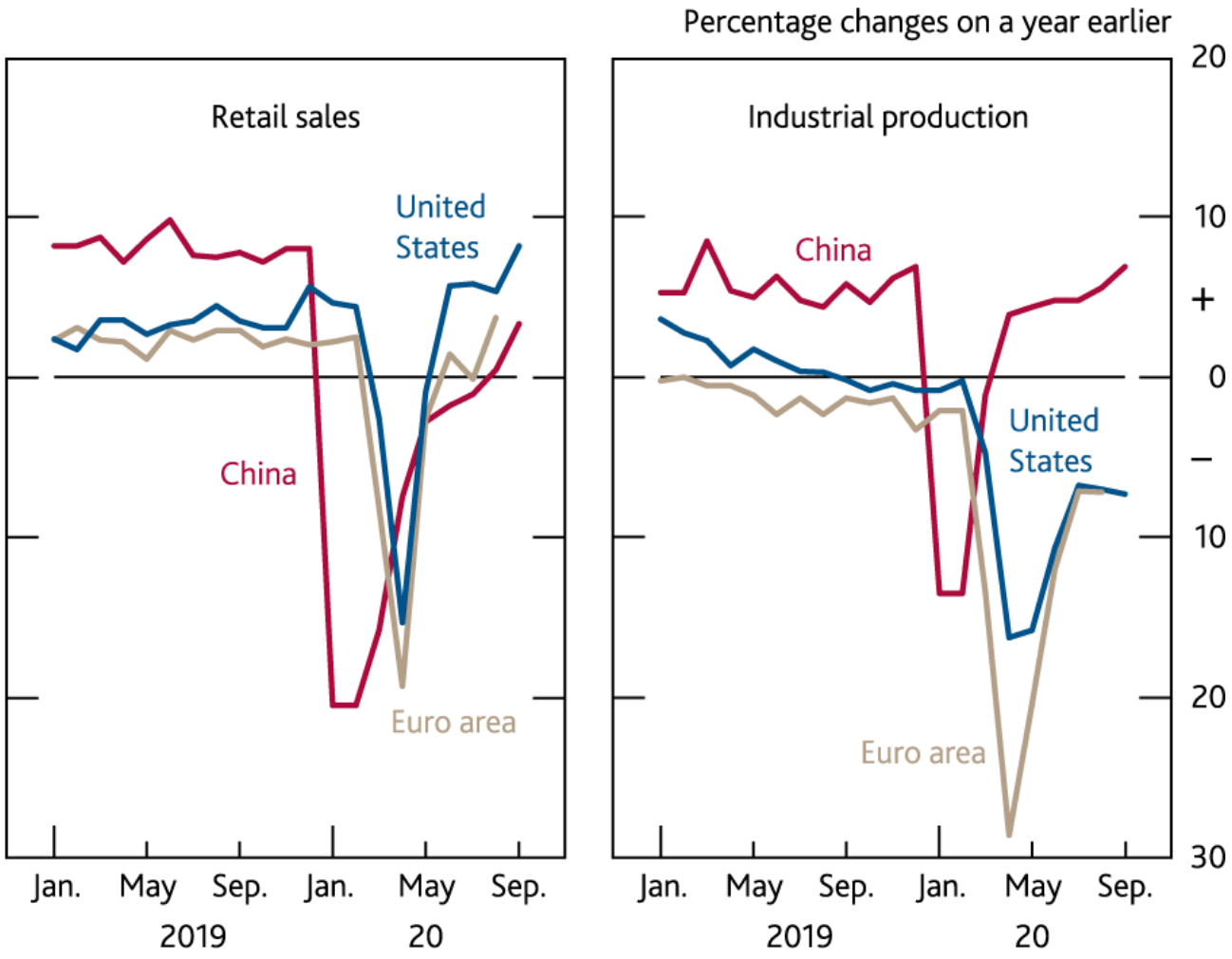
Trade and activity are assumed to be lower temporarily as firms adjust to the new, post-transition trading arrangements

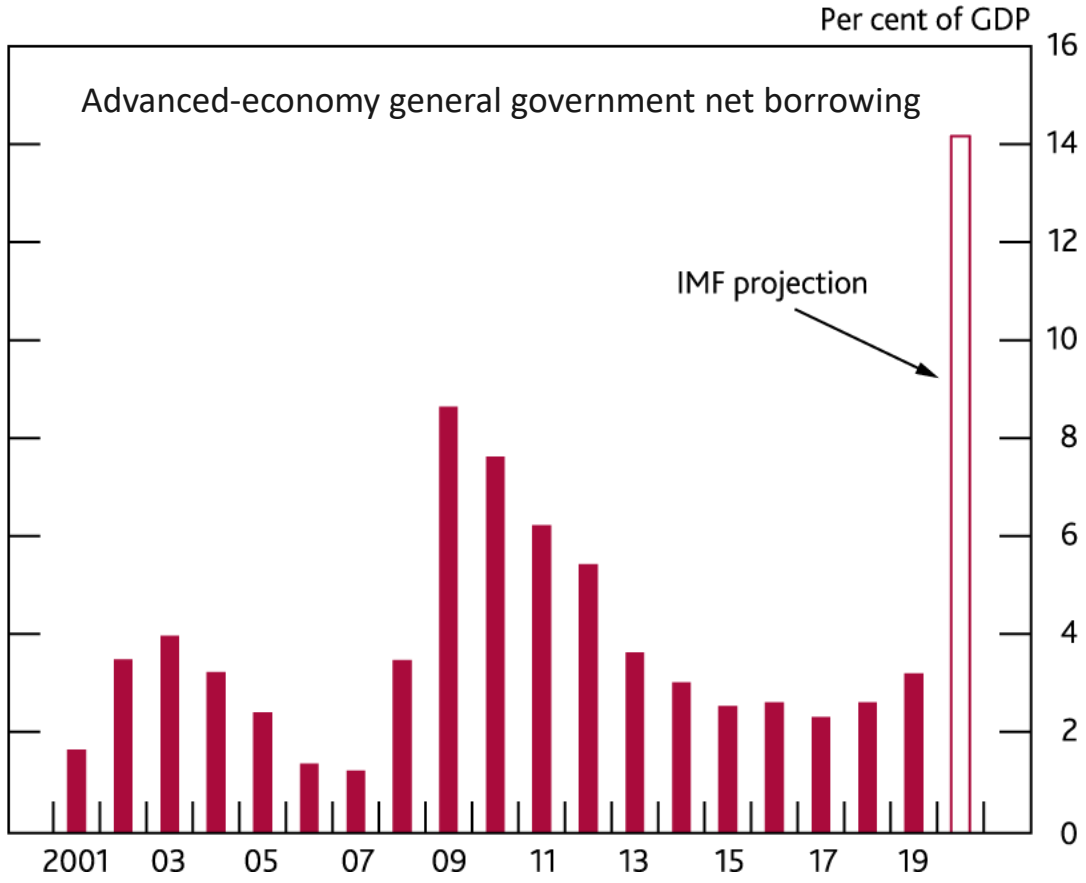
Business preparedness for EU trading post-transition



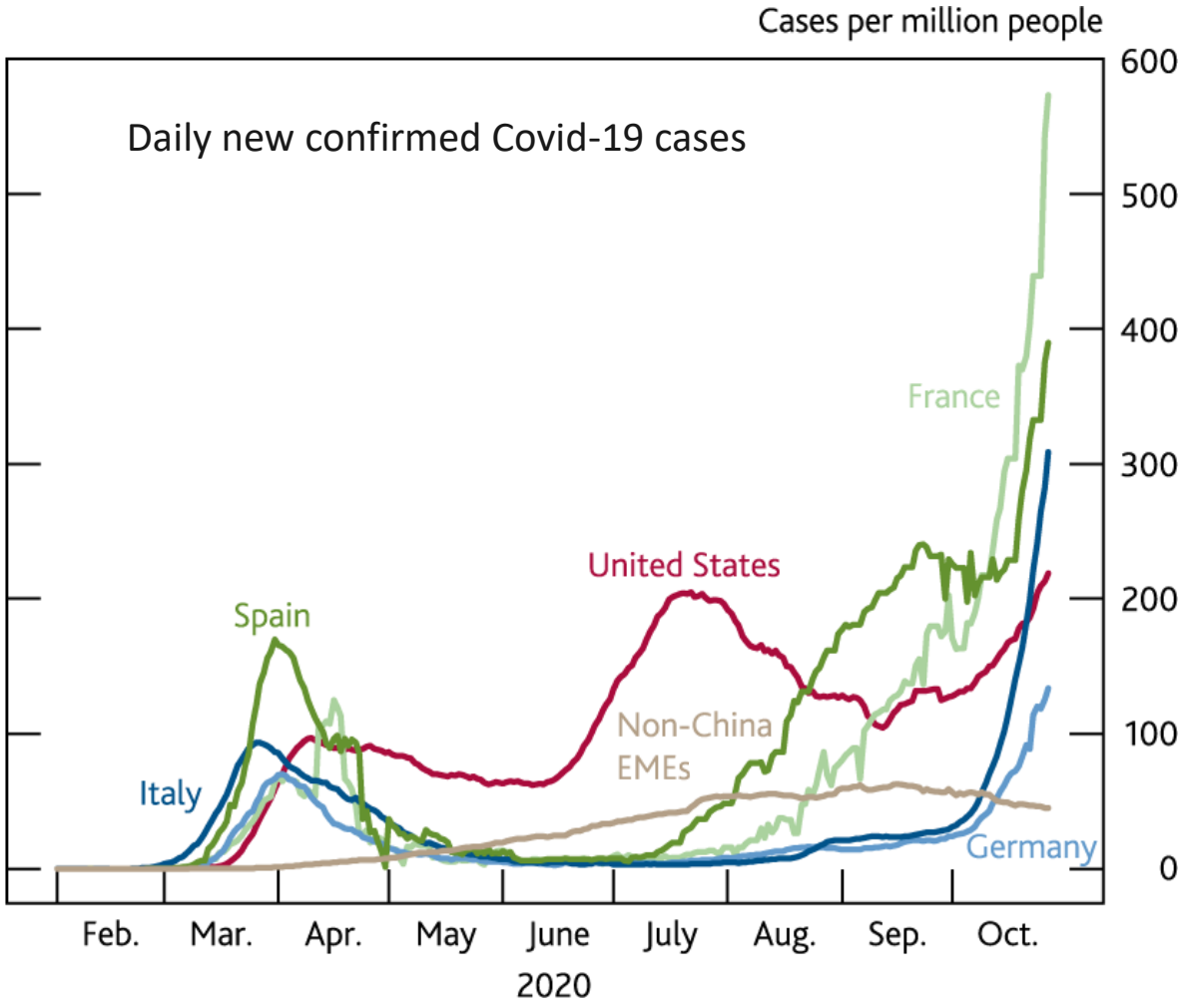
Global economy

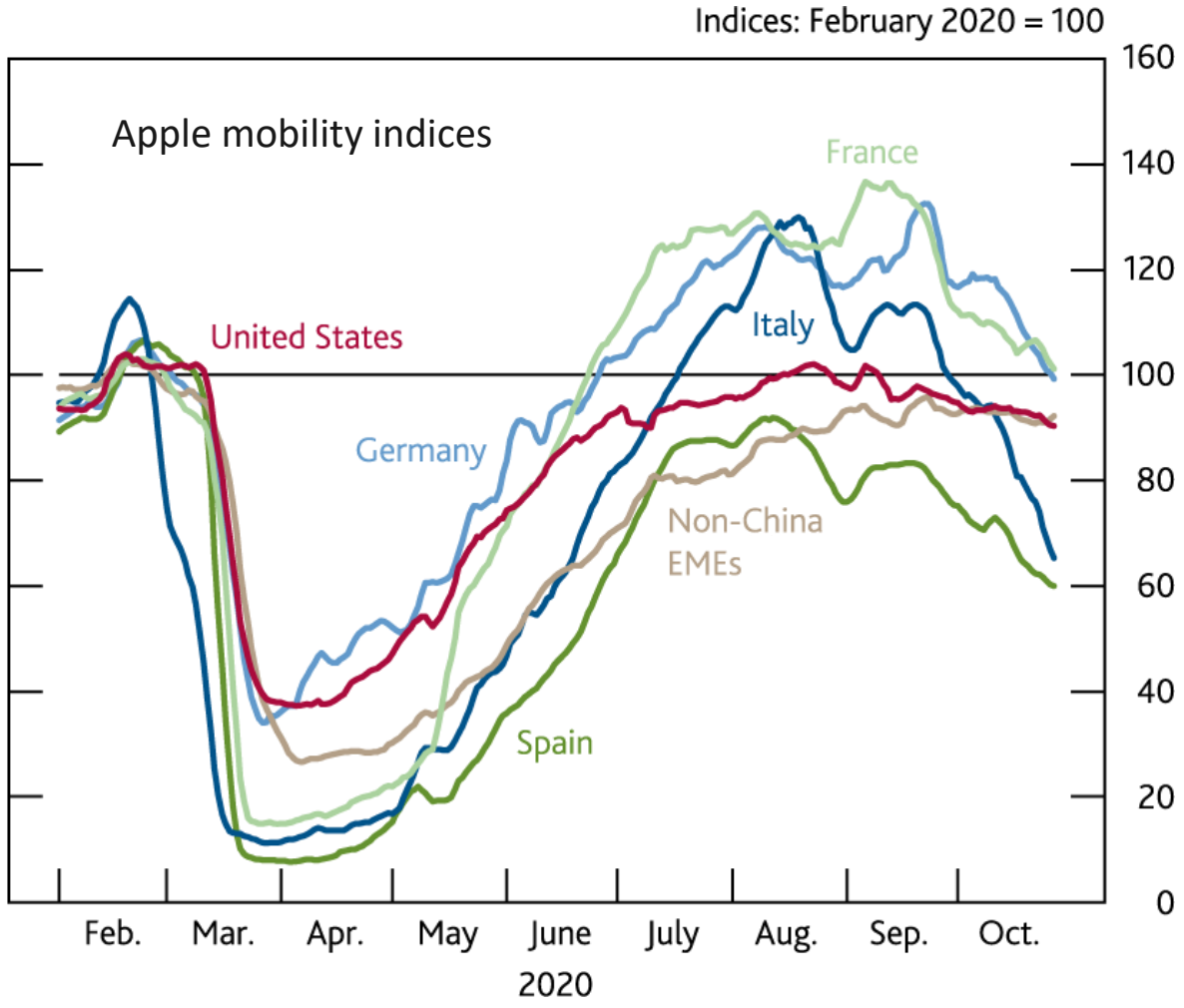
Global growth recovered in Q3 supported by fiscal stimulus…





…but growth is expected to slow in Q4, as Covid-19 cases rise and restrictions tighten

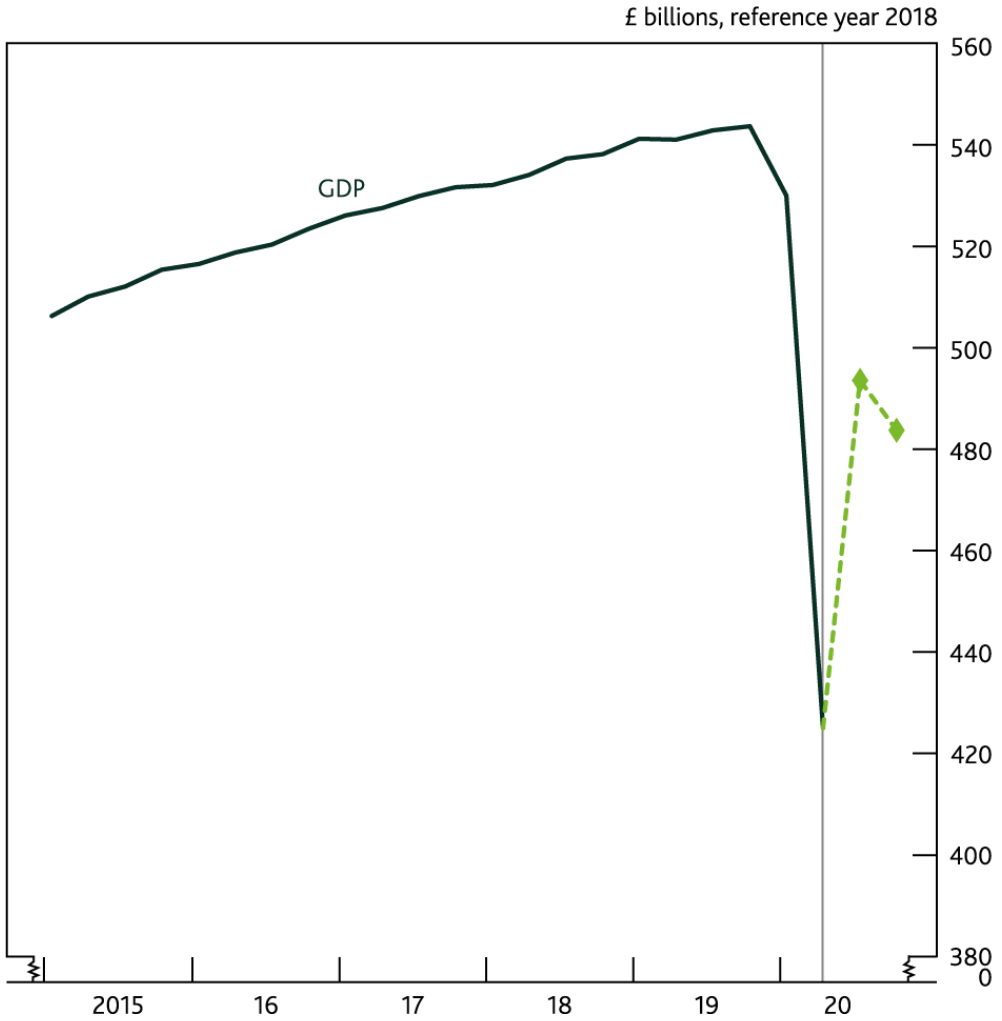




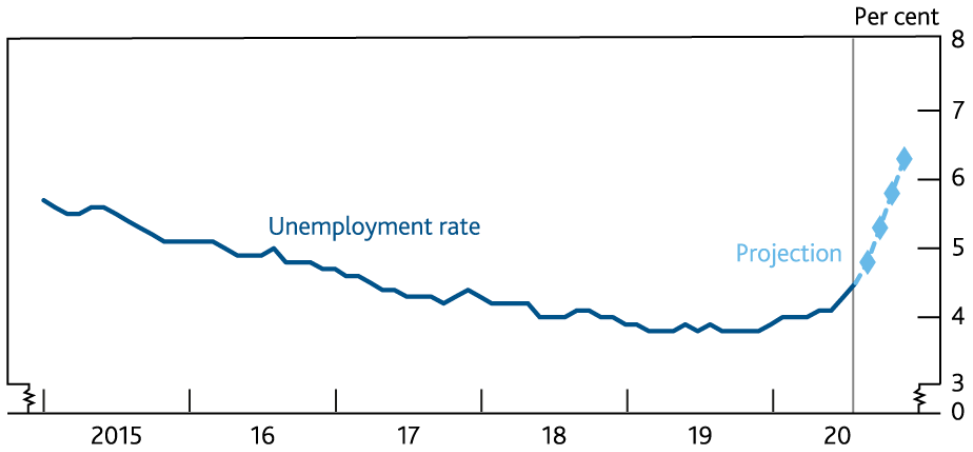
UK outlook

Near-term projections

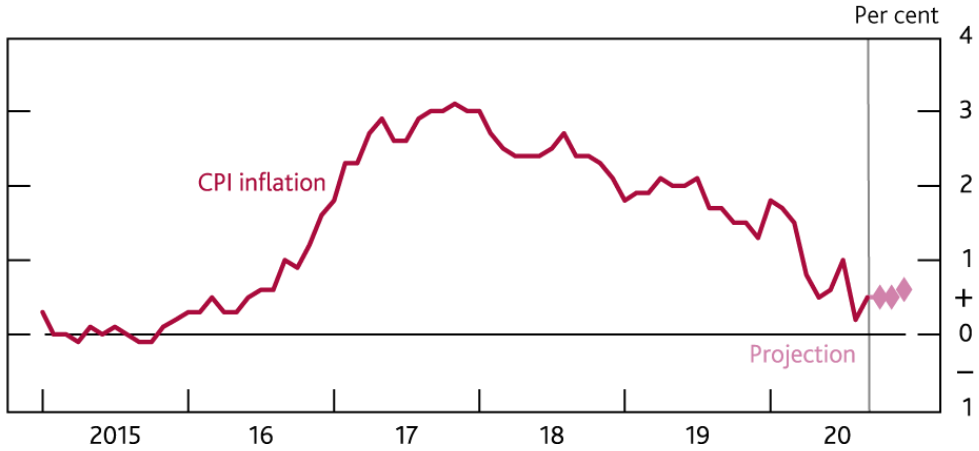
2020 Q3[(a)]: **+16.1%** 2020 Q4: **-2.0%**



2020 Q3[(a)]: **4.8%** 2020 Q4: **6.3%**



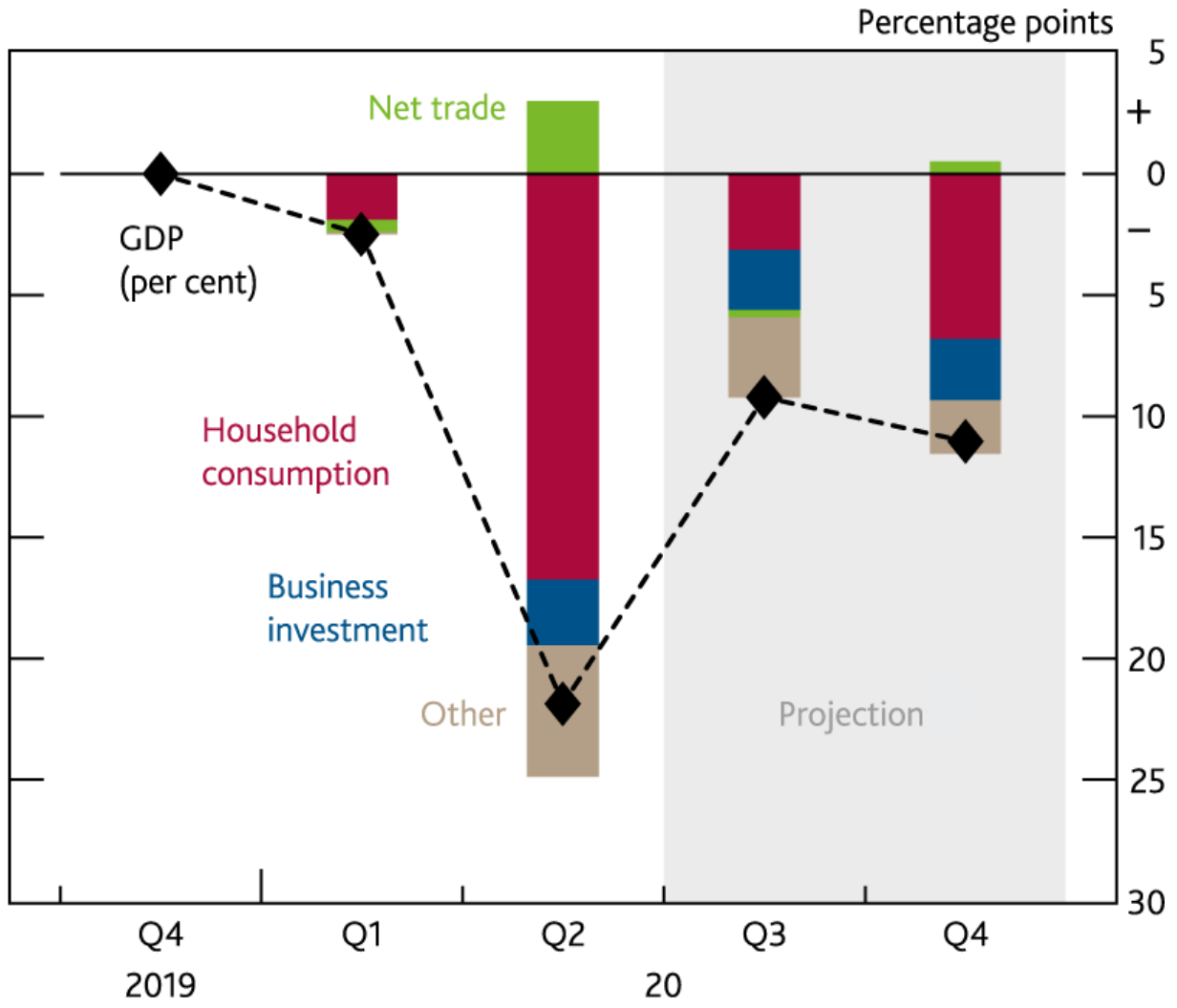
2020 Q3[(a)]: **0.6%** 2020 Q4: **0.6%**



(a) GDP and unemployment projections are based on official data to August. CPI inflation figure is an outturn.

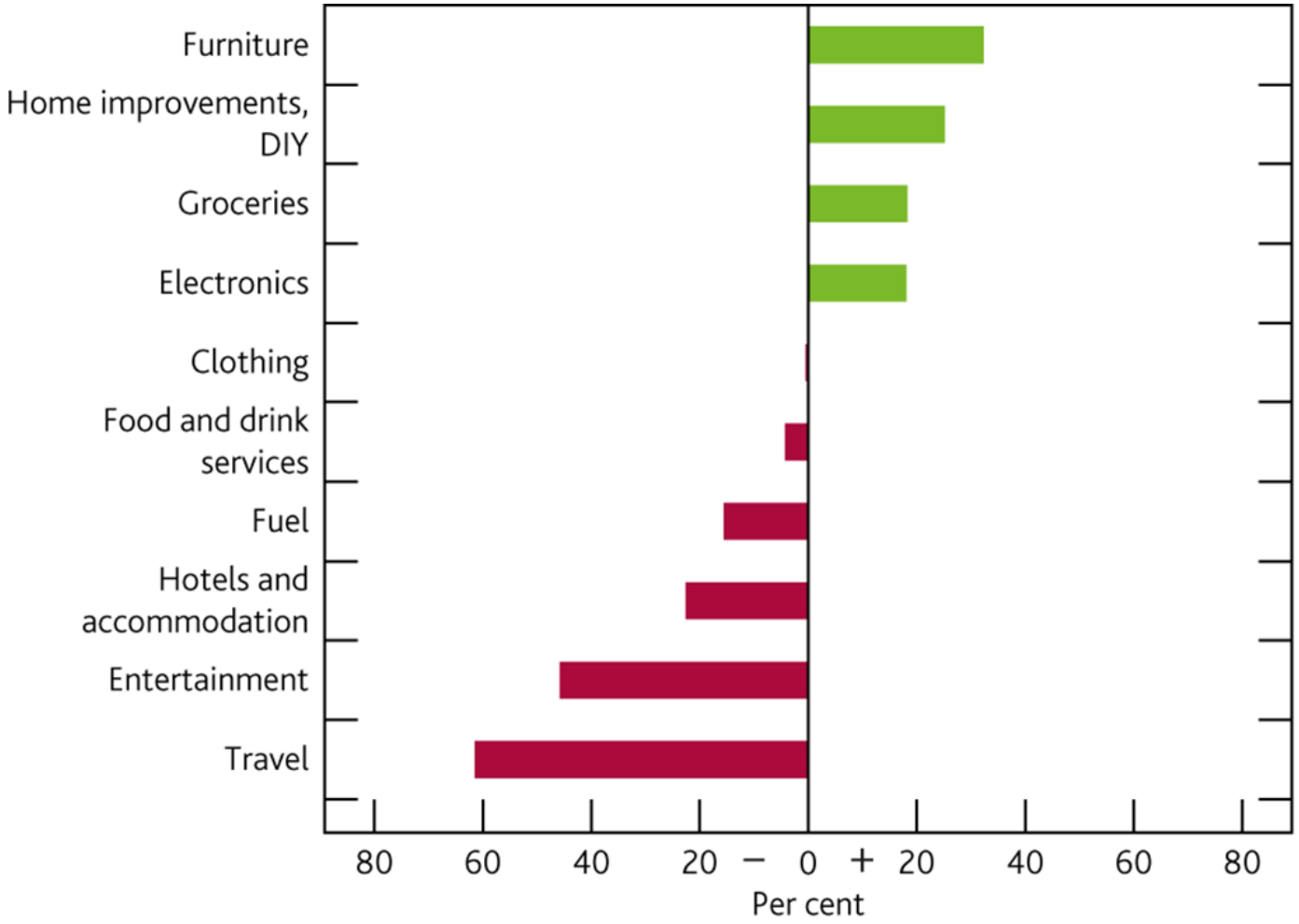
Recovery has been driven by a sharp pickup in household spending..

Contributions to change in GDP since 2019 Q4

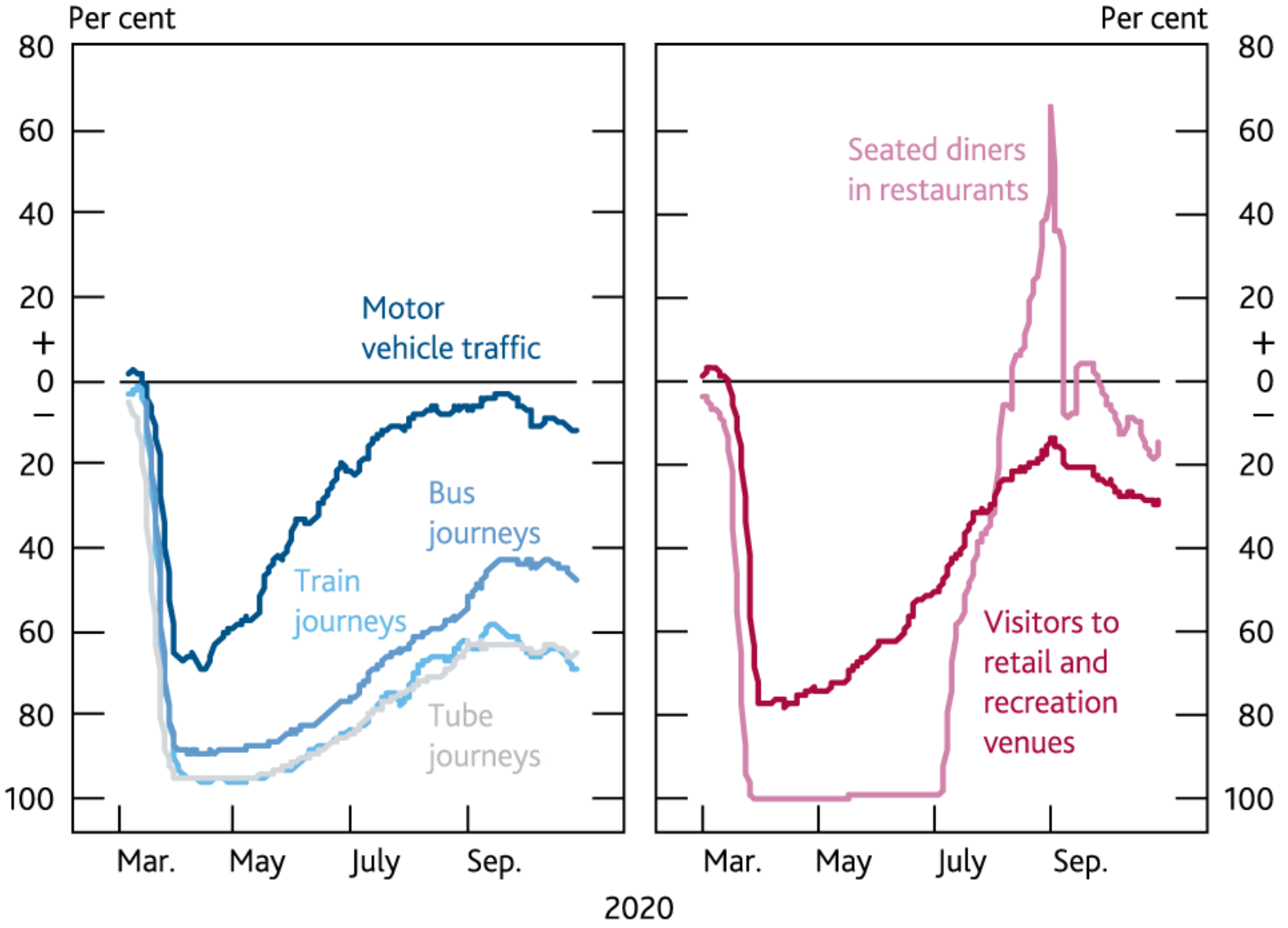


..with evidence of substitution between types of spending

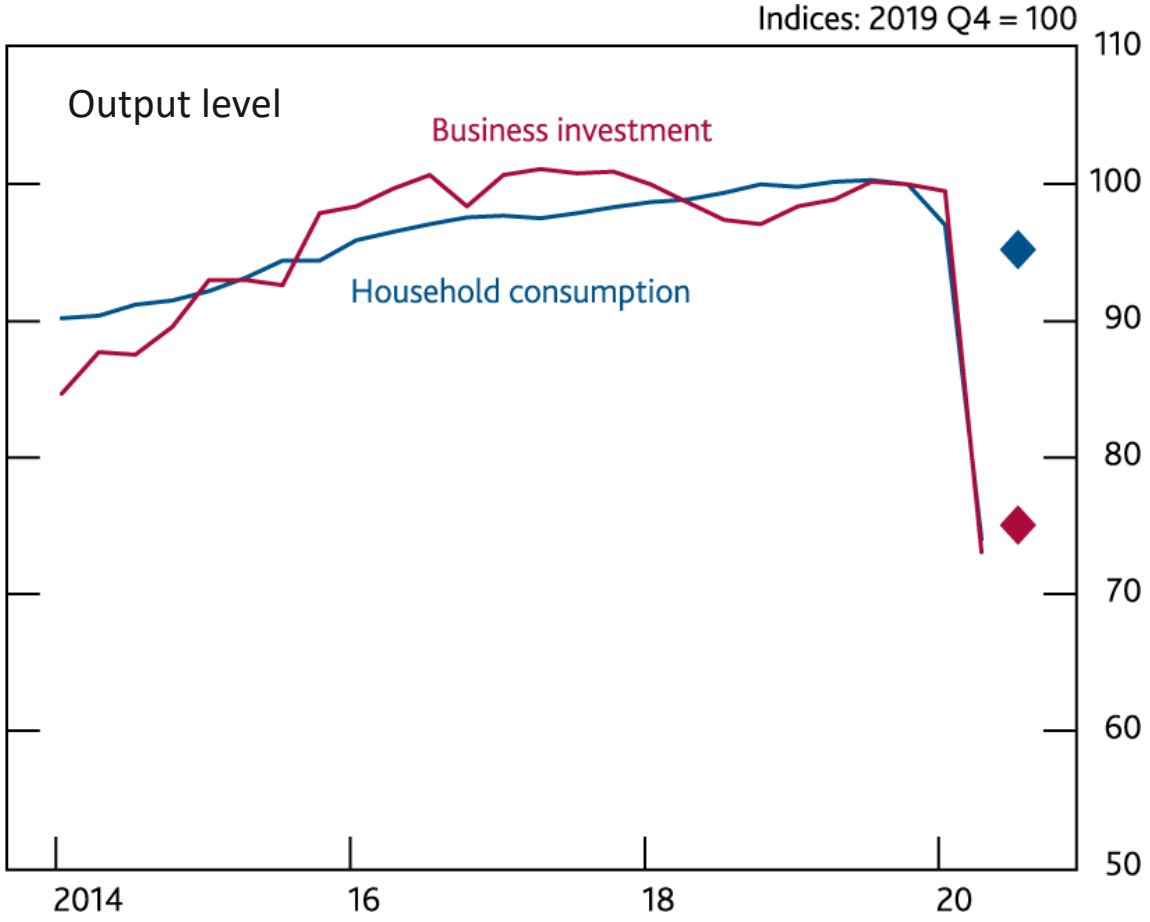
Annual growth in spending in selected categories, 2020 Q3

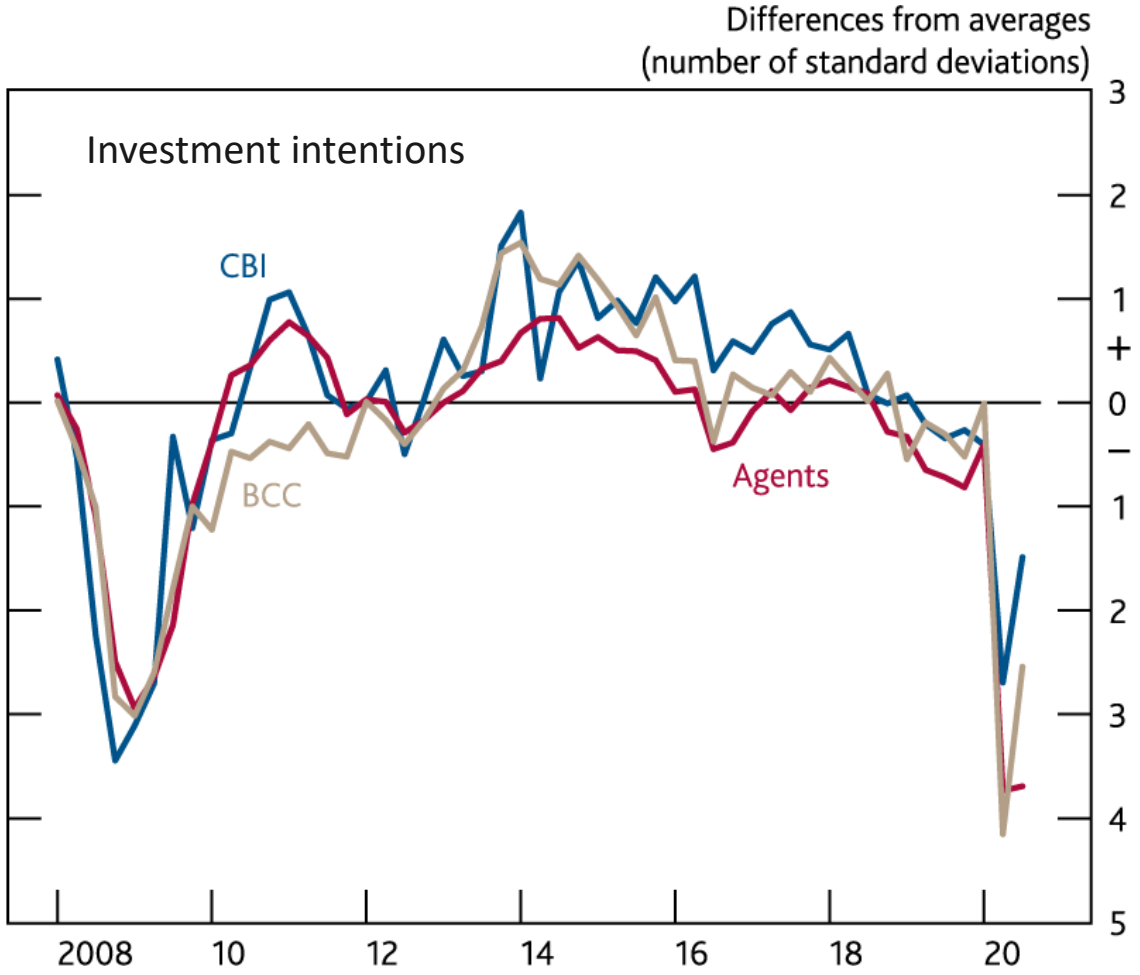


But some high-frequency indicators show a decline since September



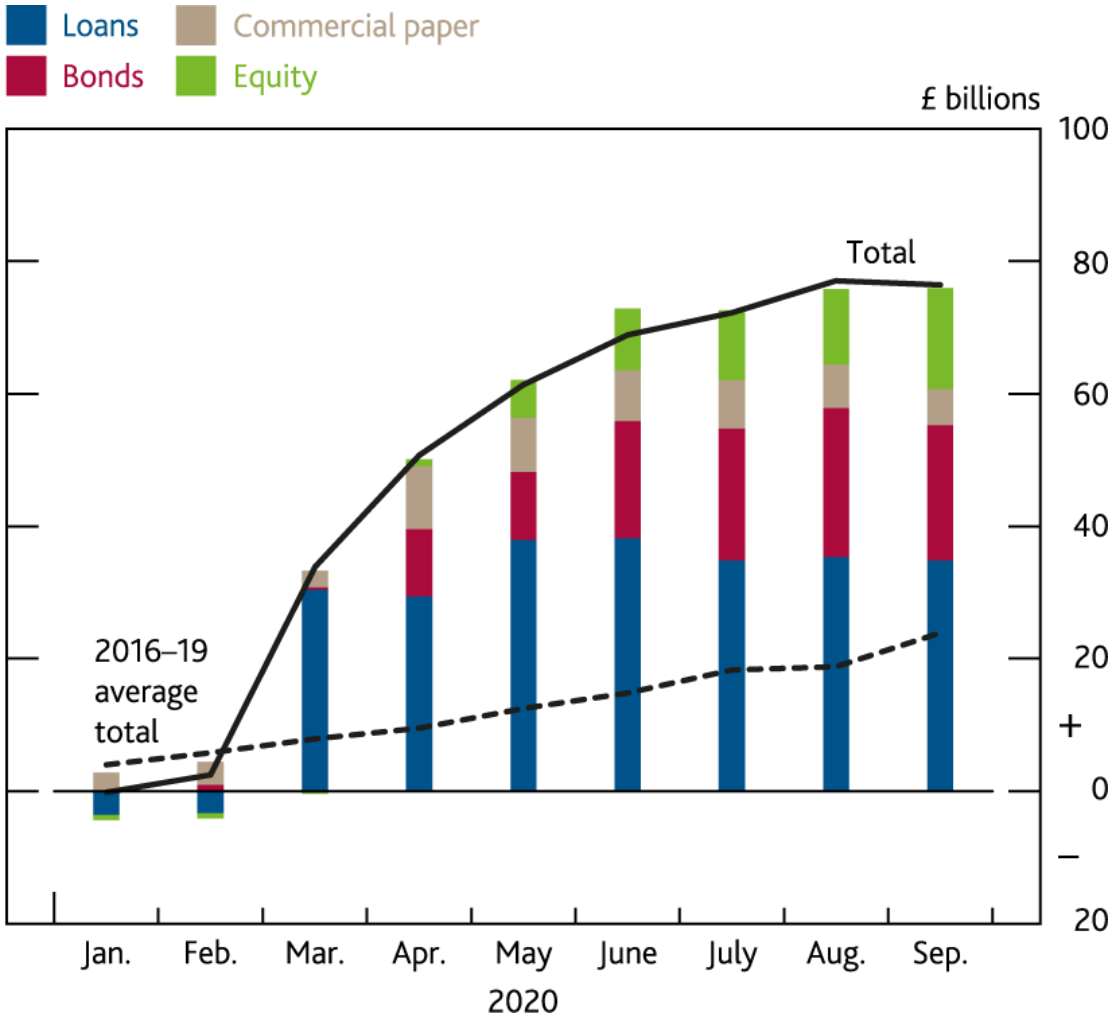
The outlook for business investment is subdued



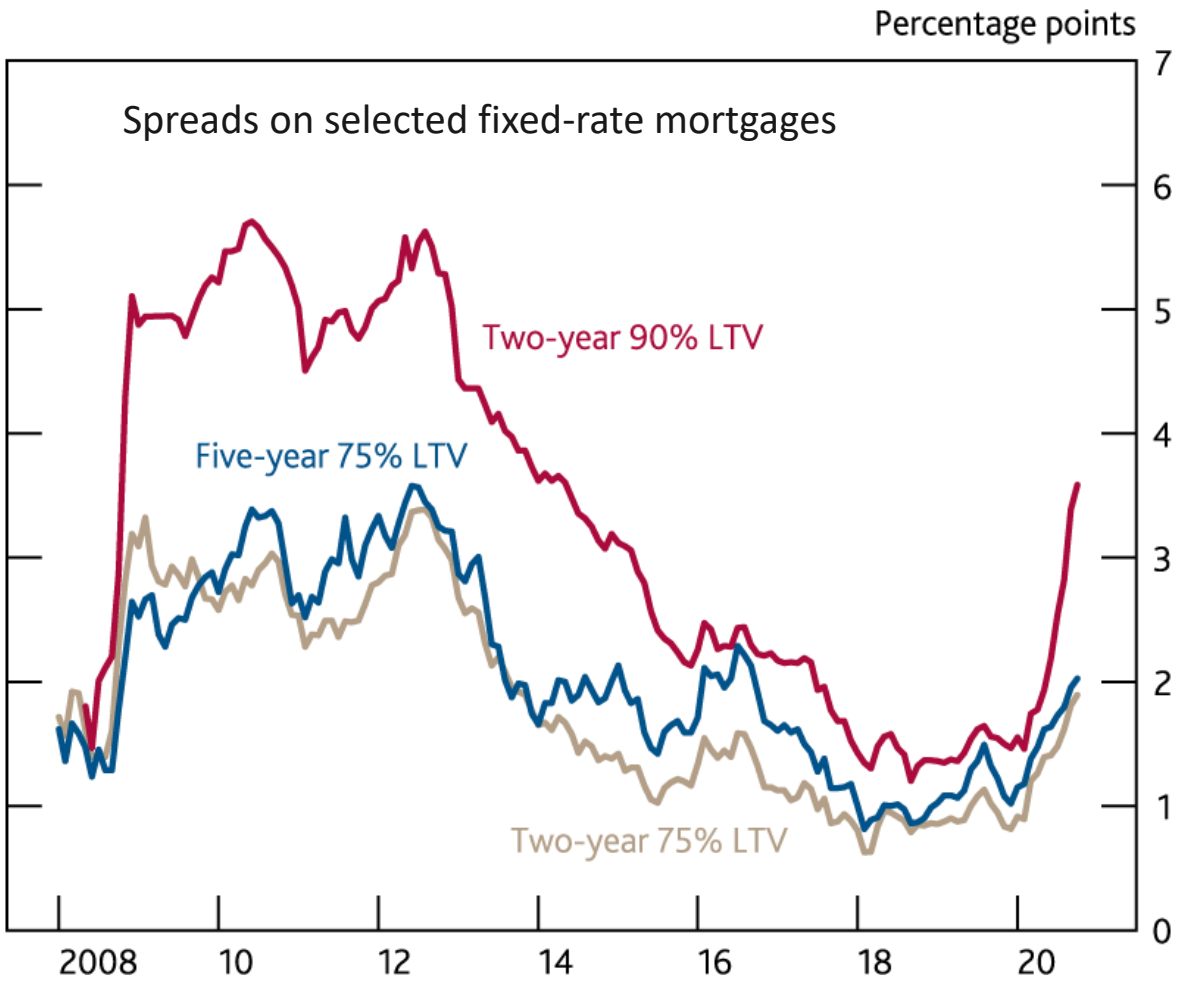


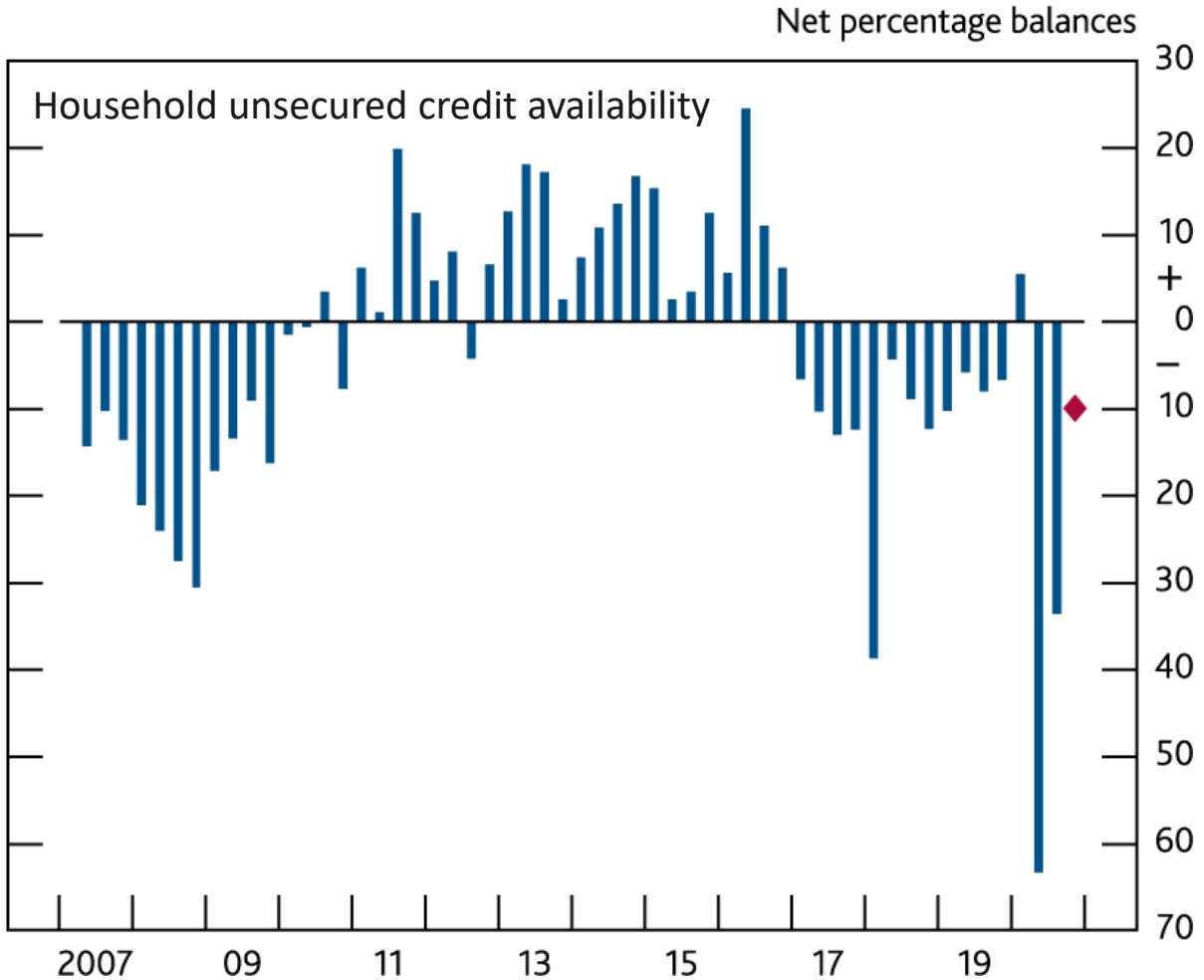
Firms have raised more finance in 2020 than in previous years

Cumulative net finance raised by private non-financial corporations since January

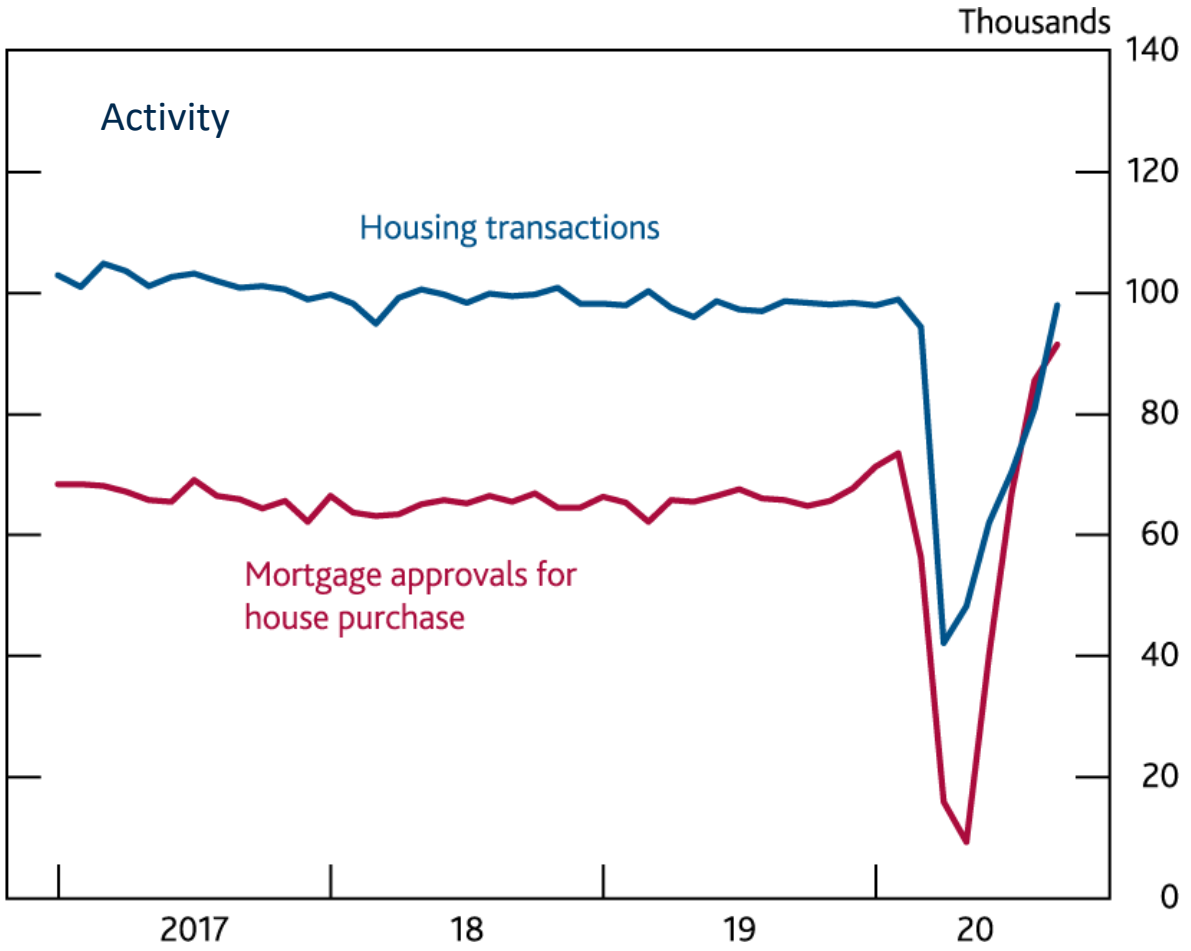


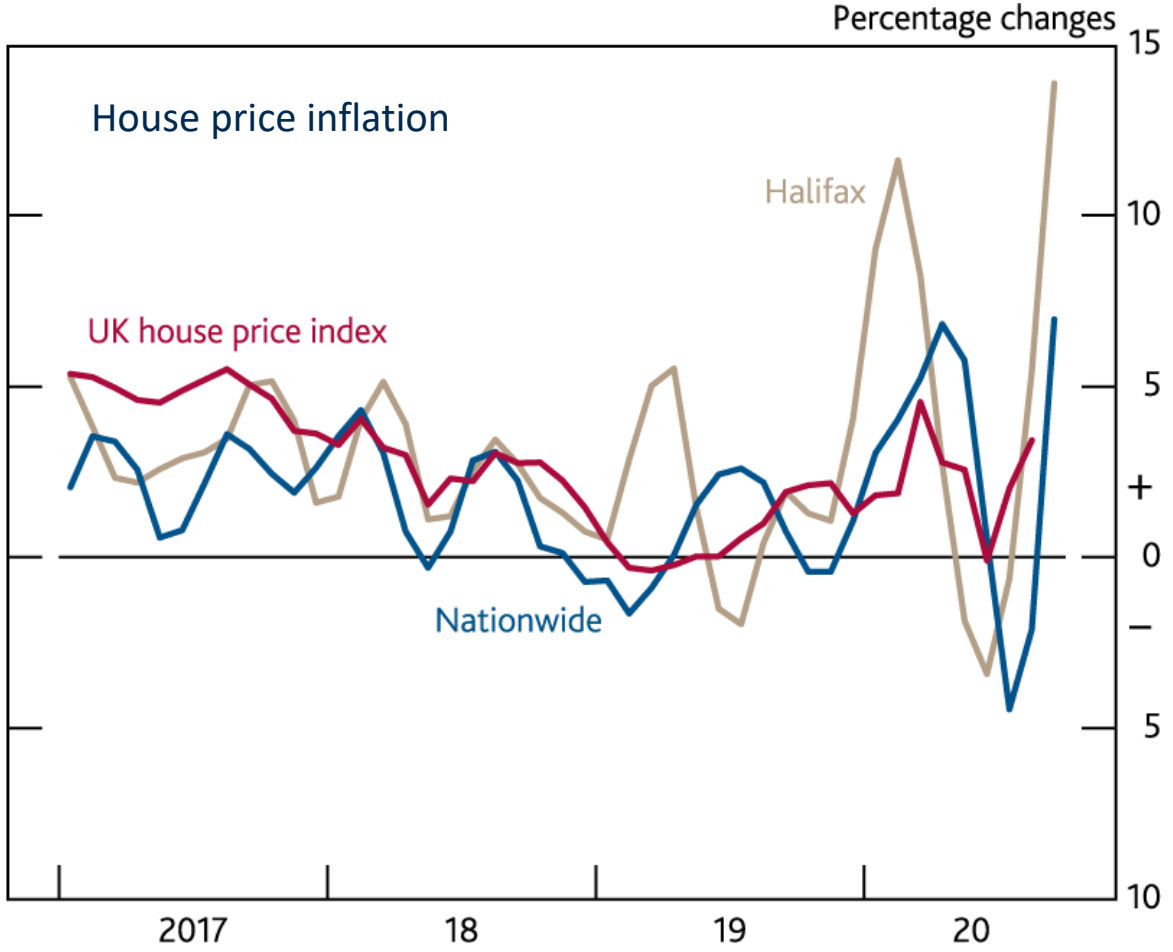
Some signs of tighter conditions for household borrowing



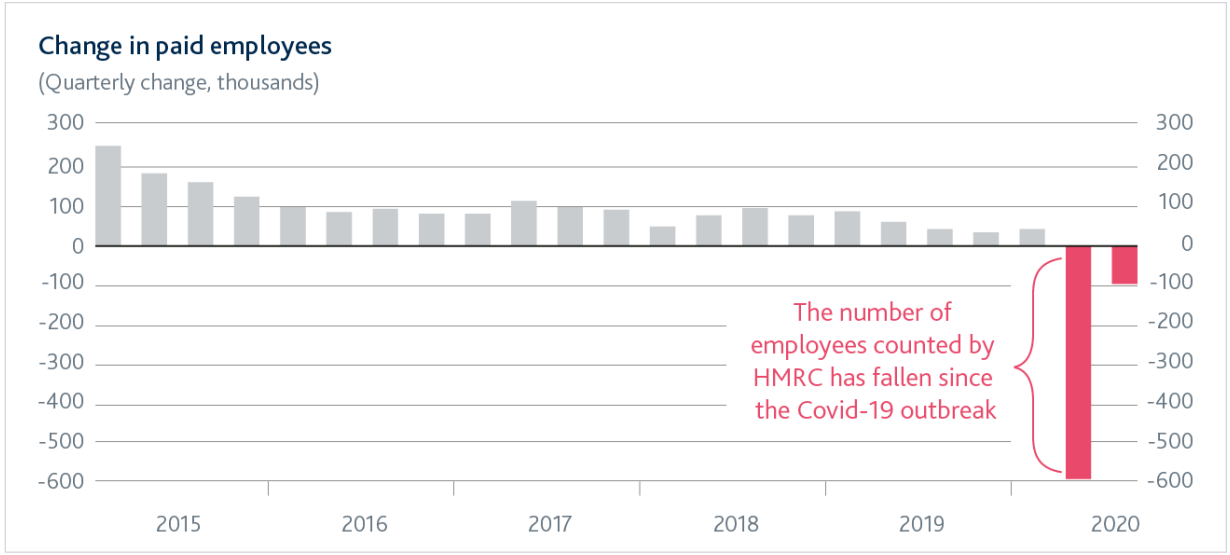


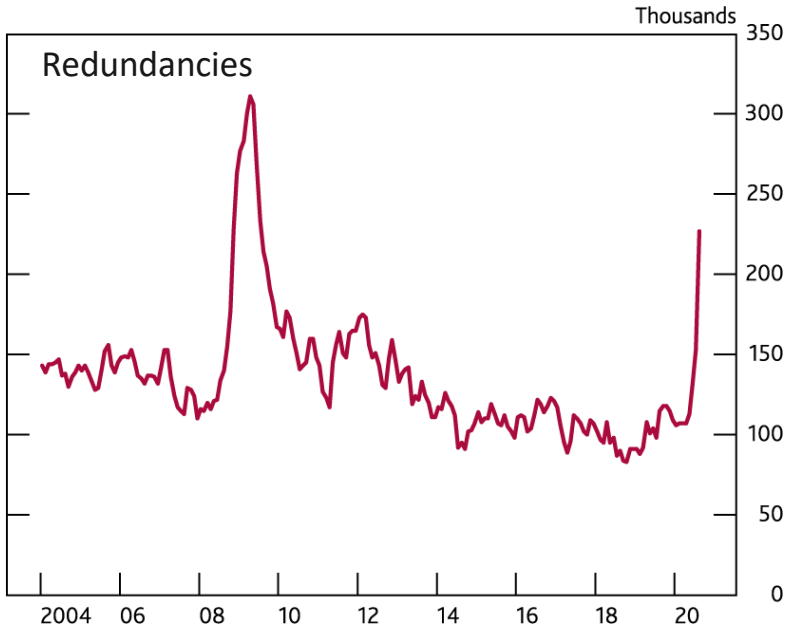
The housing market has recovered strongly since the summer

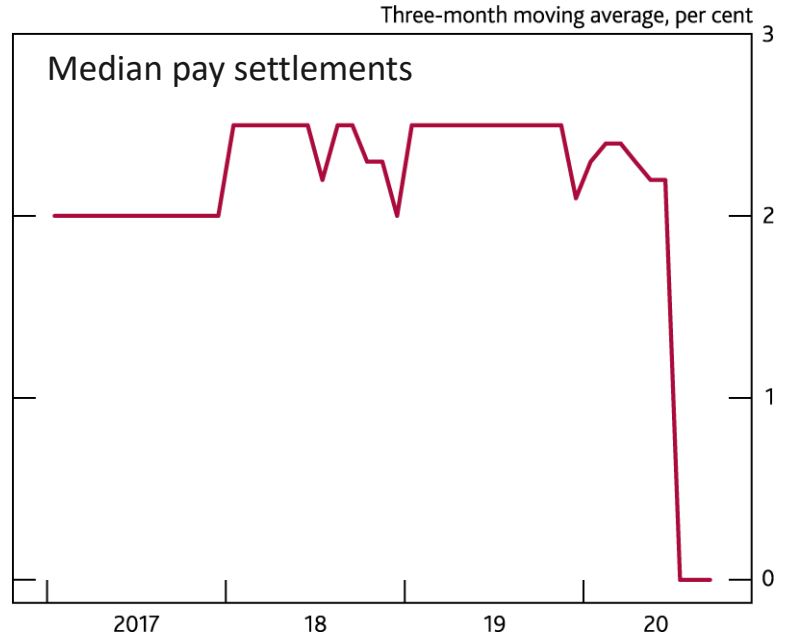




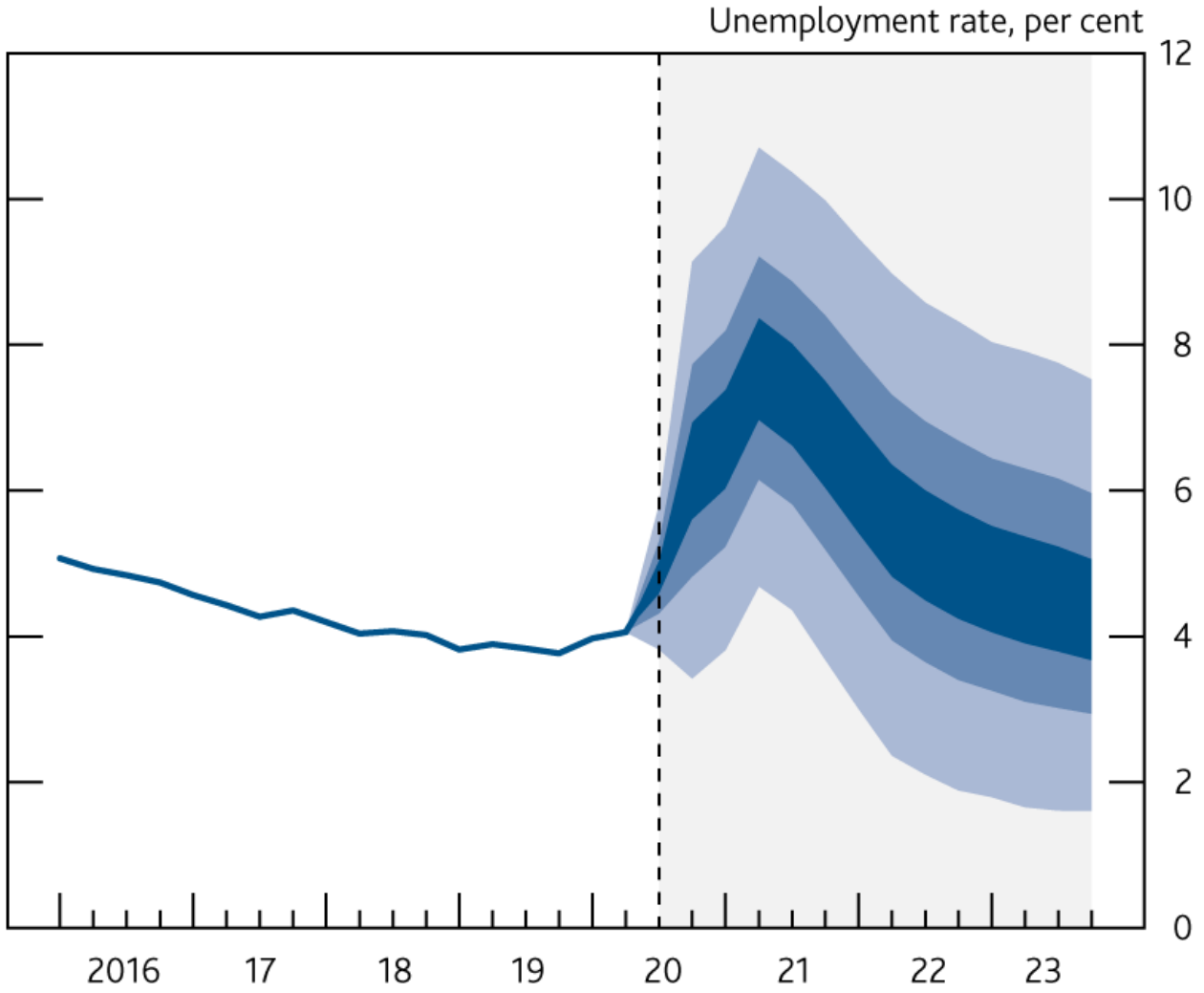
The employment level is declining and pay pressures are muted







November unemployment rate projection[(a)]



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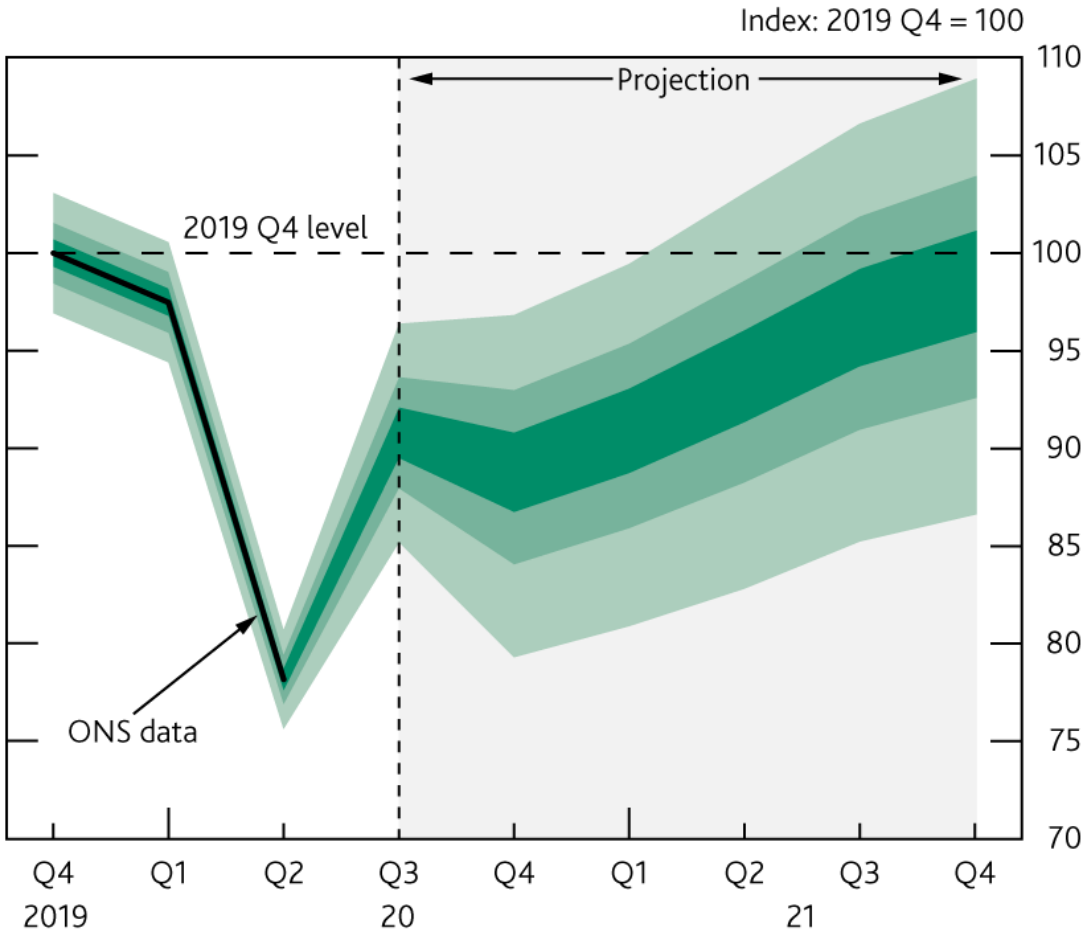
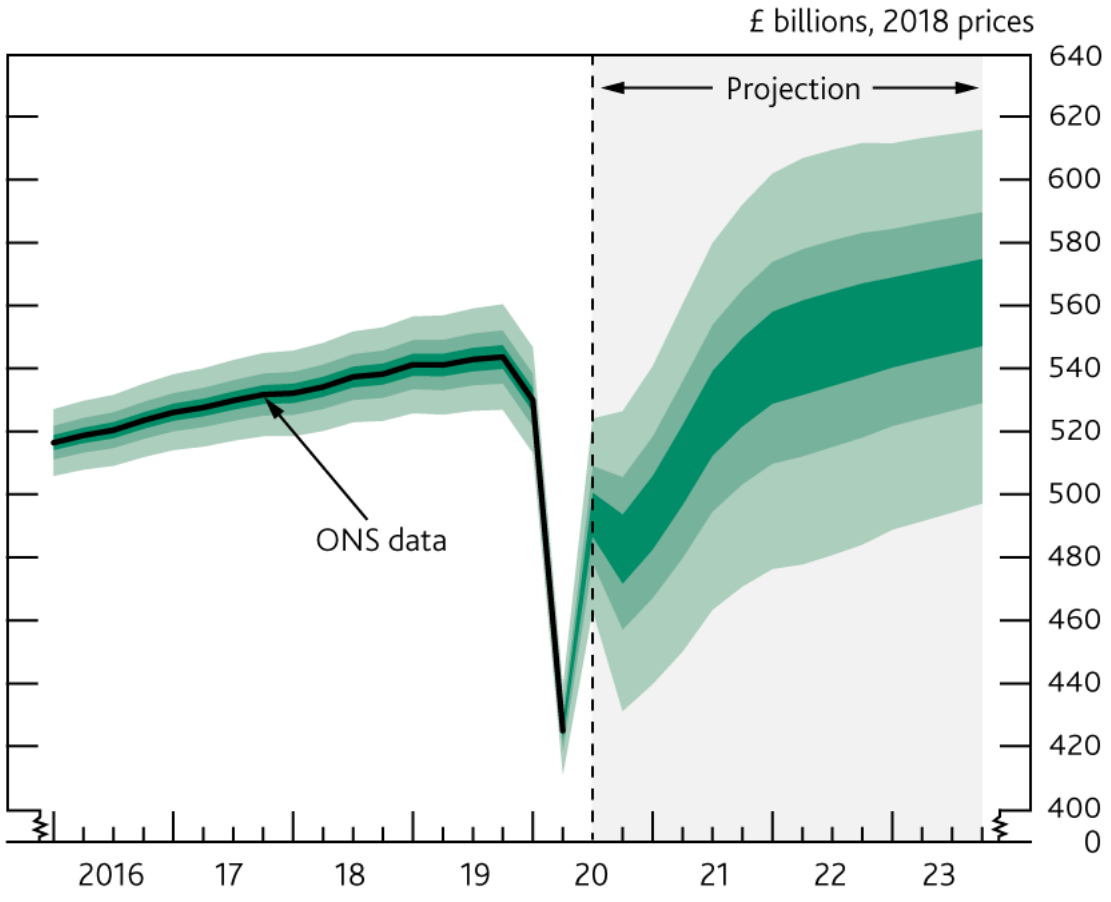
Near term



Three years



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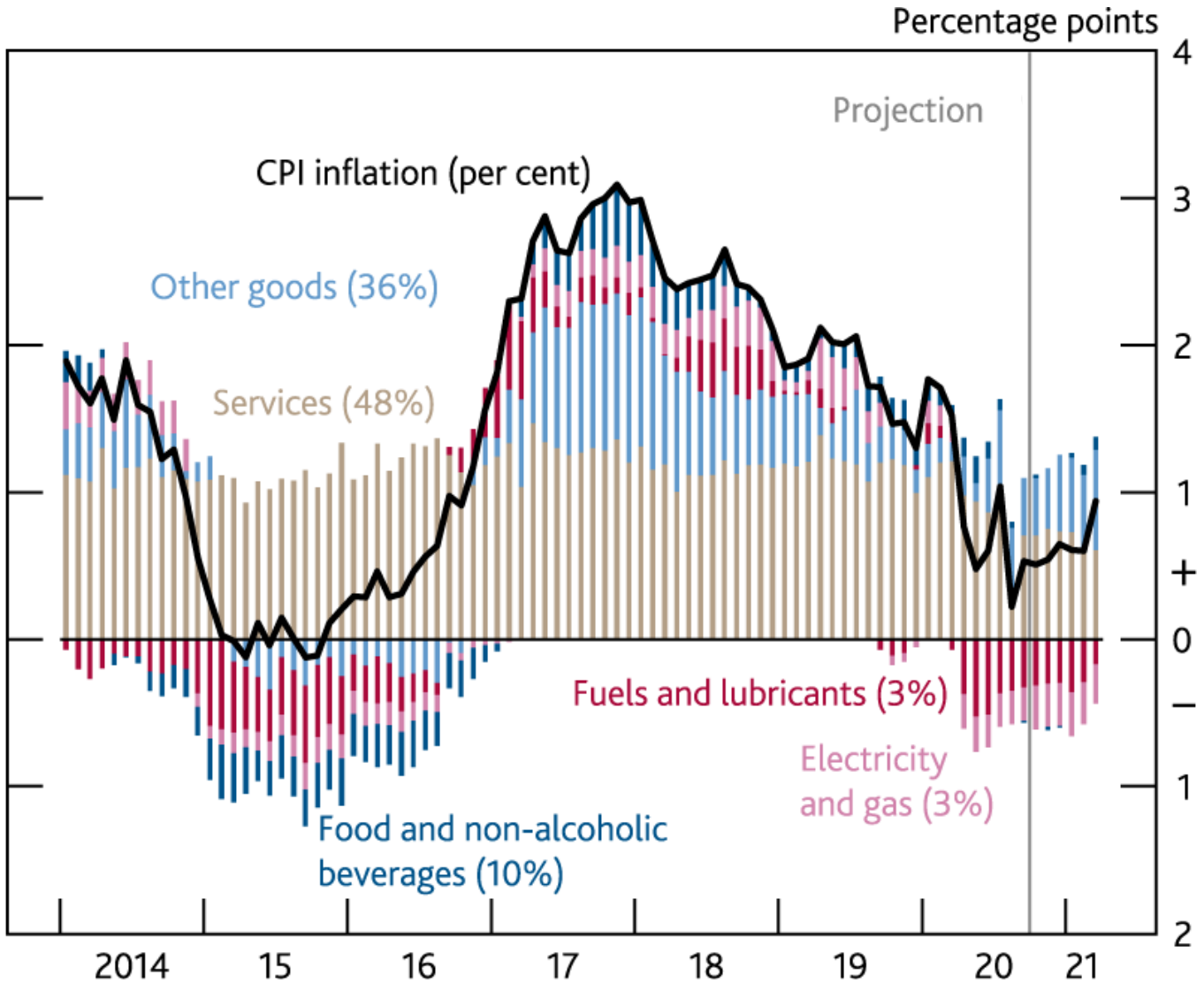
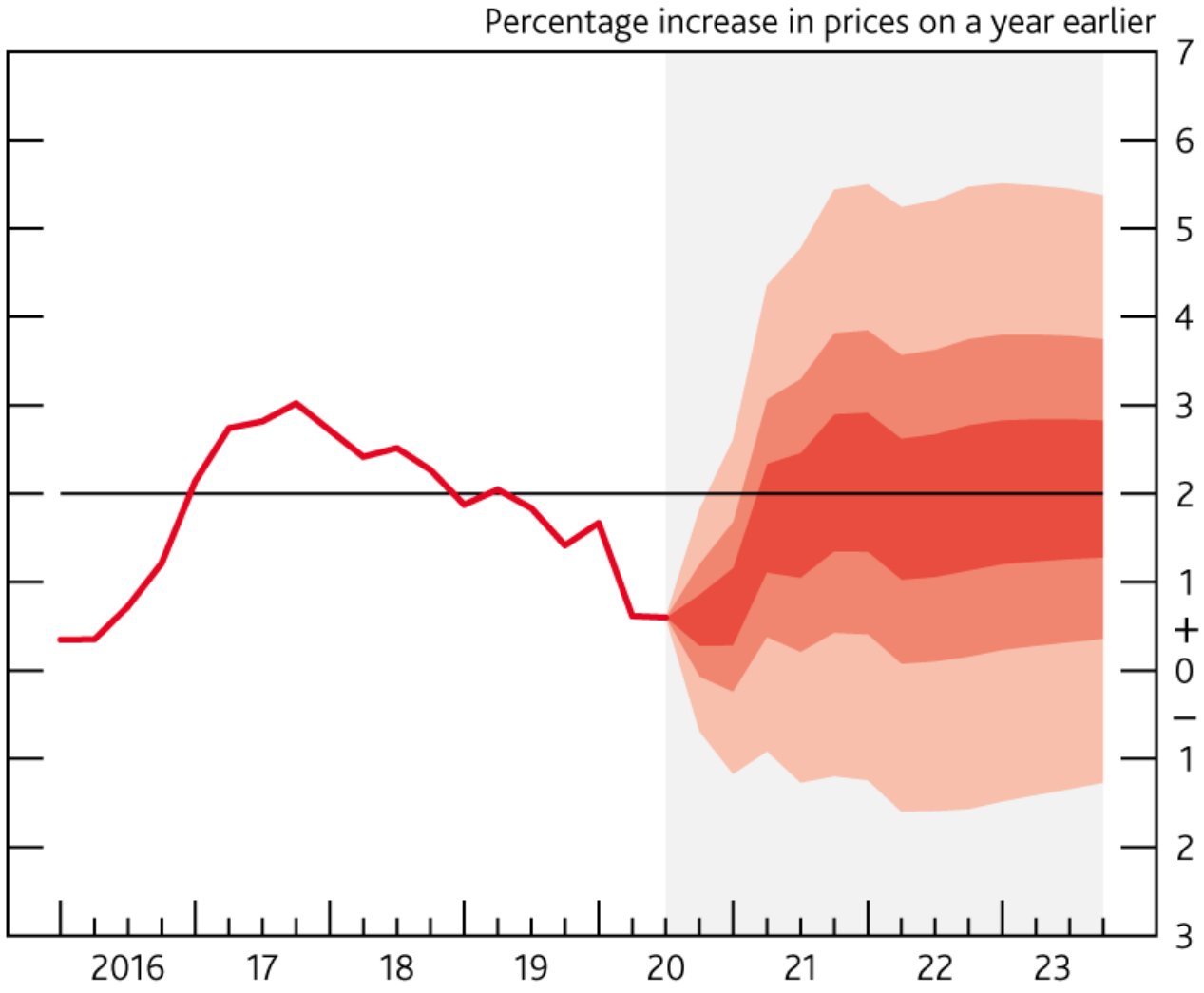
Near term CPI inflation is expected to remain below the 2% target



November CPI inflation projection[(a)]



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Any questions?

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