

# UK

## No Change from the BoE

- As expected, the MPC left Bank Rate and QE unchanged at today's meeting. They issued a technical statement, noting that policy is being set under the forward guidance framework announced last month and that the maturing gilt will be reinvested (in line with the statement released last month). The MPC chose not to make any form of rate protest at the recent rise in market rate expectations. By contrast, the MPC did make a rate protest at the July meeting, and repeated that rate protest in the forward guidance announcements in early August.
- The MPC probably do not intend to give a running commentary on the state of the economy and markets every month, leaving this for the *Inflation Report*. Nevertheless, there was some uncertainty as to whether the MPC would make a rate protest statement this month in light of the sharp rise in market rates in recent weeks. Some might interpret the lack of any such statement this month as a sign that the MPC are no longer worried at the rise in market rate expectations, given the rapid improvement in recent surveys. In this sense, the MPC's silence could signal acquiescence. More likely, in our view, is that the MPC believe the rise in market rates is not justified and they would prefer market rates to be lower. MPC members may well use speeches to stress that markets price in tightening too early. But, the MPC probably is reluctant to micro-manage the yield curve through asset purchases. We suspect the MPC will only put their money where their mouth is -- ie resume asset purchases to drive market rates lower -- if the rise in market rates threatens to hit growth quite severely and push growth below trend. With the recent string of upside surprises in data, that pain threshold has probably not yet been reached. Markets may seek to test exactly where it is.

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