

Bank of England stays on hold, but a dovish front is building

Bank of England rates were maintained at 4.75% today, in line with expectations. However, the 6-3 vote split sent a moderately dovish signal to markets, prompting some dovish repricing and a weaker pound. We remain more dovish than market pricing for 2025



Bank of England
Governor Andrew
Bailey

The Bank of England kept the Bank Rate at 4.75% today, as widely expected. Forward guidance remained very cautious and data-dependent, and the Monetary Policy Committee is explicitly refusing to commit to the size and timing of rate cuts in 2025. This follows the latest slew of data, which showed an [acceleration in wage growth](#) and [sticky services inflation](#).

What slightly surprised markets was the close MPC vote split: six in favour of a hold, three for a 25bp cut. Our expectations – and probably that of the market – was that only arch-dove Swati Dhingra would have voted for a cut, but she was instead joined by Dave Ramsden and Alan Taylor. The latter is an external member whose term only started in September 2024.

According to the BoE's statement, the three dissenters judged the current policy stance as too restrictive, and it "risked deviating unsustainably from the 2% inflation target and opening an unduly large output gap".

Markets saw the closer vote margin as modestly dovish and the two-year GBP swap curve shifted around 5bp lower after the announcement. Markets are now pricing in over a 50% (17bp) probability of a cut at the next meeting on 6 February.

The apparent growing dovish front within the MPC in spite of the latest hawkish wage data potentially suggests a greater focus on slowing activity. That reinforces our dovish view on the Bank of England for next year – we expect 150bp of cuts, against market expectations for around 55bp.

In the FX market, the pound traded on the weak side following the BoE's hold, with Cable erasing daily gains and moving back to 1.2600 at the time of writing. We expect any GBP weakness in the near term to be mostly channelled via GBP/USD, as EUR/GBP may still struggle to find its way back above 0.8300 given the euro's domestic bearish factors.

Author

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.