

## BoE: Steady course in stormy waters

After hiking rates in August, the Bank of England kept its policy stance unchanged at its September meeting. We continue to expect that the BoE will remain in a holding pattern until after Brexit



Source: Source: Bank of England

As widely expected, the Bank of England left its policy stance unchanged at its September meeting. After a series of dissenting votes at previous meetings, the MPC voted unanimously to keep rates on hold this time. The statement reads largely unchanged from August, with the committee anticipating "an ongoing tightening of monetary policy over the forecast period would be appropriate" and that "further increases in Bank Rate are likely to be at a gradual pace and to a limited extent".

The statement and minutes suggest the MPC judges recent data to have been largely in line with its August forecast. If anything, the latest month has seen the UK data come in a touch stronger than anticipated. The solid wage growth (2.9% year-on-year) reported for the three months to July will have been particularly positive for the MPC, given the importance policy-makers have long attached to UK wages picking up. With the labour market showing more and more signs of tightening, one source of concern for the Bank appears to be gradually fading.

More importantly, the committee's language on Brexit also appears to signal an increase in concern, noting that since the August meeting there have been signs of greater uncertainty around the withdrawal process, especially in financial markets. With Governor Mark Carney having extended his term again in order to see out the period of likely peak uncertainty around Brexit (and Deputy Governor Jon Cunliffe, the Bank's point person on Brexit, also extending

his term), there is little doubt that this issue remains the key to the BoE's outlook over the coming months.

The minutes also convey some worries about turmoil in some emerging markets this summer and the increasing trade tensions between the US and China. While not yet rising to a level that would materially affect the BoE's policy stance, the MPC hardly needs another source of external uncertainty to make its job harder. The continued strong performance of the US economy provides limited comfort.

Overall, we see little news in today's policy announcement, and nothing to change our view that the BoE is likely to remain in a holding pattern until Brexit uncertainty passes. That means a rate hike is unlikely until May 2019, at the earliest. The BoE outlook continues to depend in large part on the UK and EU achieving a smooth withdrawal process.