

Snap | 6 November 2025

UNITED KINGDOM

## December Bank of England cut more likely after latest decision

The Bank may have left rates on hold, but its latest decision leaves us more convinced that a rate cut is coming in December. Everything hinges on Governor Andrew Bailey's vote – and his comments make it abundantly clear that he is siding with the doves



Governor of the Bank of England, Andrew Bailey

### Everything depends on Governor Bailey

If you take one thing away from the Bank of England's decision to keep rates on hold this month, it's that the prospect of a December rate cut hinges on Governor Andrew Bailey – and him alone.

The backdrop is that the Bank voted to keep rates at 4% by a narrow 5-4 margin. Reading through the meeting minutes, which now include a paragraph from each official outlining their views, it's clear that the four dissenters are resolutely convinced that more easing is needed. And four out of the five who voted for "no change" think the polar opposite. It feels unlikely that either of these camps will shift between now and December.

But Bailey was visibly torn. His view boils down to: yes, September's inflation was encouraging, but it's still only one data point. But it's also clear that he is much more sympathetic to the

view of the doves, which is that the downside risks to inflation are more obvious than the upside. That was reflected in the key sentence in the Bank's latest statement, which said the risks surrounding inflation are now more balanced.

Barring any major upsets in the two inflation releases between now and December's meeting – and assuming no surprises in the Autumn Budget – then it sounds like Bailey will vote for a cut at that meeting. That's our base case – and we're more convinced of that following the latest decision.

### **Inflation data and Autumn Budget to help cement December cut**

On the data, we think the next two inflation reports will show headline CPI down a touch, at 3.5% from 3.8% in September. But interestingly, the Bank thinks food inflation will move back above 5% into year-end. That's despite September's data showing a sharp pullback to 4.5% – and eurozone data hinting that price pressures in the supermarket have peaked. This is an obvious potential source of downside to the Bank's inflation forecasts in the short term.

On the budget, we struggle to see an outcome now where it isn't net-dovish for the Bank. The vibe coming from the Treasury suggests material, front-loaded tax hikes – perhaps in the region of £15bn/year – are likely. And while there's little it can do to actively lower inflation, it's clear that Chancellor Rachel Reeves won't be doing anything that could reignite it in the short term.

The Bank can only act on government policy as it stands today, so delivery of those expectations later this month should help cement a vote for a cut before Christmas. And we expect two more cuts by next summer, taking Bank Rate down to 3.25%. Markets are more or less pricing that too now, and Bailey himself confirmed this is broadly in line with his current thinking.

### **Rates and pound soften**

Financial markets have taken today's MPC communication as slightly dovish. This is presumably because of the read on Andrew Bailey's position as leaning towards a December cut.

Looking at the money market strip, the moves at the shorter end of the curve look a bit more muted compared to the 4-5bp rally in Sonia interest rate futures for next summer. Sterling is modestly lower, and the Gilt curve has actually bullishly steepened a little, perhaps reflecting greater confidence in the short-end of the curve and ongoing concerns about the long end.

Actually, in an audience poll of our [UK webinar yesterday](#), 59% of respondents felt Gilt yields were more likely to rise than fall in the aftermath of the budget. Presumably, this represents ongoing scepticism that the Chancellor can deliver later this month, plus a recognition that most of the recent rally in Gilts has been driven by a more dovish read of the BoE.

Looking ahead, we see sterling staying soft but not necessarily needing to fall a lot more from here. The BoE cycle is now better priced at a terminal rate of 3.25% next summer. And barring dramatic fiscal tightening in the budget, which could reprice the BoE cycle even lower, a credible budget might just be enough to take a little more risk premium out of Gilts and the pound.

We think EUR/GBP can hang around these 0.88 levels into the budget rather than pushing much further ahead.

### Author

#### James Smith

Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

#### Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE  
[chris.turner@ing.com](mailto:chris.turner@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](http://www.ing.com).