

## Contents

|  |           |
|--|-----------|
| <b>Overview</b>  | <b>5</b>  |
| <hr/>  |           |
| <b>1 Money and asset prices</b>  | <b>9</b>  |
| <hr/>  |           |
| 1.1 Money and monetary policy  | 9         |
| 1.2 Banks and credit conditions  | 12        |
| 1.3 Equity prices and exchange rates   | 19        |
| Box Monetary policy since the February <i>Report</i>                               | 10        |
| Box Broad money  | 13        |
| Box Monetary policy and asset purchases  | 16        |
| <b>2 Demand</b>  | <b>21</b> |
| <hr/>  |           |
| 2.1 External demand and UK trade   | 21        |
| 2.2 Domestic demand  | 24        |
| Box What has driven the sharp fall in world trade?                                 | 22        |
| Box The implications of the recent fall in stocks for the near-term growth outlook | 26        |
| <b>3 Output and supply</b>   | <b>29</b> |
| <hr/>  |           |
| 3.1 Output   | 29        |
| 3.2 Capacity utilisation   | 30        |
| 3.3 Labour market developments   | 31        |
| <b>4 Costs and prices</b>  | <b>34</b> |
| <hr/>  |           |
| 4.1 The exchange rate and inflation  | 34        |
| 4.2 Labour costs and companies' pricing intentions                                 | 36        |
| 4.3 The near-term inflation outlook and changes in inflation expectations          | 37        |
| <b>5 Prospects for inflation</b>   | <b>40</b> |
| <hr/>  |           |
| 5.1 The projections for demand and inflation                                       | 40        |
| 5.2 Key risks to demand  | 42        |
| 5.3 Key risks to inflation   | 46        |
| 5.4 Summary and the policy decision  | 47        |
| Box Financial and energy market assumptions  | 43        |
| Box Other forecasters' expectations  | 49        |
| <hr/>  |           |
| Index of charts and tables   | 50        |
| Press Notices  | 52        |
| Glossary and other information   | 54        |