

Text of Bank of England press notice of 10 September 2009

Bank of England maintains Bank Rate at 0.5% and continues with £175 billion Asset Purchase Programme

The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £175 billion financed by the issuance of central bank reserves.

The Committee expects the announced programme to take another two months to complete. The scale of the programme will be kept under review.

The minutes of the meeting will be published at 9.30 am on Wednesday 23 September.

Text of Bank of England press notice of 8 October 2009

Bank of England maintains Bank Rate at 0.5% and continues with £175 billion Asset Purchase Programme

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The Committee expects the announced programme to take another month to complete. The scale of the programme will be kept under review.

The minutes of the meeting will be published at 9.30 am on Wednesday 21 October.

Text of Bank of England press notice of 5 November 2009

Bank of England maintains Bank Rate at 0.5% and increases size of Asset Purchase Programme by £25 billion to £200 billion

The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also voted to continue with its programme of asset purchases financed by the issuance of central bank reserves and to increase its size by £25 billion to £200 billion.

The world economy has shown signs of recovery, with a number of emerging market economies experiencing a strong rebound in growth, although global activity as a whole remains significantly depressed. Asset prices have risen internationally since the spring, reflecting both the gradual improvement in the economic climate and accommodative monetary policies. And banks' funding conditions have improved, though financial conditions remain fragile.

In the United Kingdom, output has fallen by almost 6% since the start of 2008. Households have reduced their spending substantially and business investment has fallen especially sharply. GDP continued to fall in the third quarter. A number of indicators of spending and confidence, however, suggest that a pickup in economic activity may soon be evident.

CPI inflation fell to 1.1% in September, having been 5.2% a year earlier. Inflation is likely to rise sharply to above the 2% target in the near term, reflecting higher petrol price inflation and the reversal of last year's reduction in VAT.

The medium-term prospects for output and inflation continue to be determined by the balance between two opposing sets of forces. On the one hand, there is a considerable stimulus still working through from the substantial easing in monetary and fiscal policy. The Bank's asset purchases have helped to boost asset prices and improve access to capital markets. The sterling effective exchange rate lies around a quarter below its mid-2007 level, improving the competitiveness of UK producers. On the other hand, the need for banks to continue the process of balance sheet repair is likely to limit the availability of credit. And high levels of debt will weigh on spending. On balance, the Committee believes that the prospect is for a slow recovery in the level of economic activity, so that a substantial margin of underutilised resources persists. That will continue to bear down on inflation for some time to come, offset in the short run by the impact of the past depreciation of sterling.

In the light of the Committee's latest *Inflation Report* projections and in order to keep inflation on track to meet the 2% inflation target over the medium term, the Committee judged that maintaining Bank Rate at 0.5% was appropriate. The Committee also agreed that it should extend its programme of purchases of government and corporate debt by £25 billion to a total of £200 billion, financed by the issuance of central bank reserves. The Committee expects the announced programme to take three months to complete. The scale of the programme will be kept under review.

The Committee's latest inflation and output projections will appear in the *Inflation Report* to be published at 10.30 am on Wednesday 11 November.

The minutes of the meeting will be published at 9.30 am on Wednesday 18 November.

Following today's meeting of the MPC, the Governor and the Chancellor exchanged letters about the expansion of the Asset Purchase Facility.