



BANK OF ENGLAND

NOVEMBER 2020

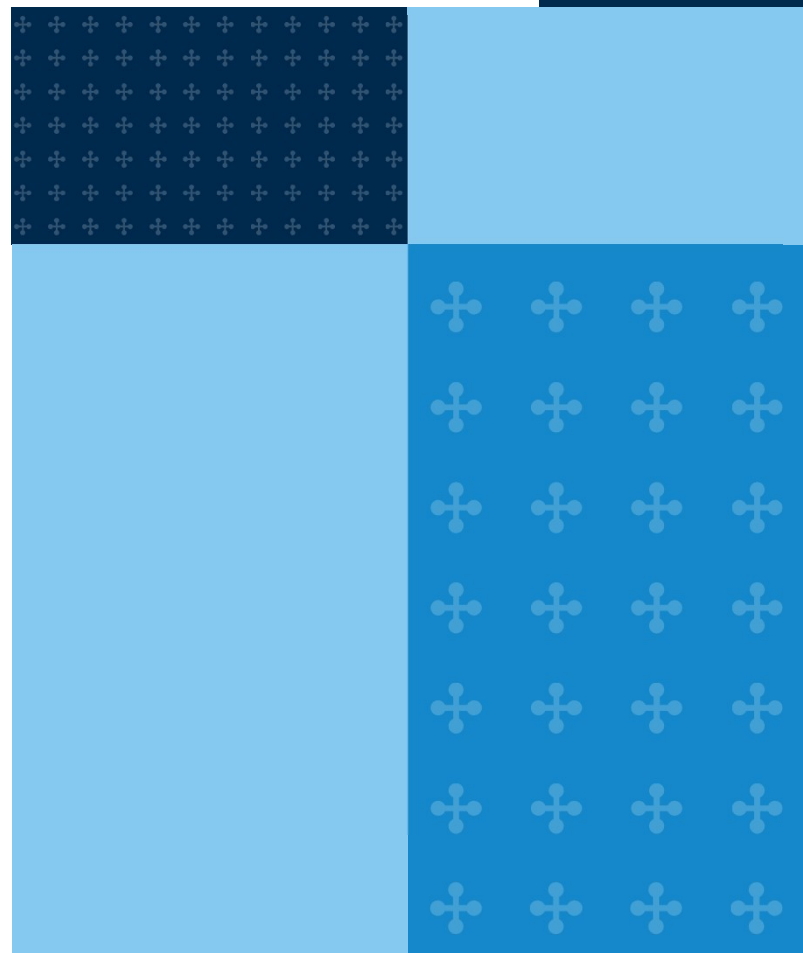
# *Monetary Policy Report*

Ben Broadbent

Dave Ramsden

Rosie Smith

Friday 6 November 2020





## Plan for the session

### Welcome

- *quick poll on your sector*

Ben will give you an overview of the latest *Monetary Policy Report*

- *quick poll on your expectations*

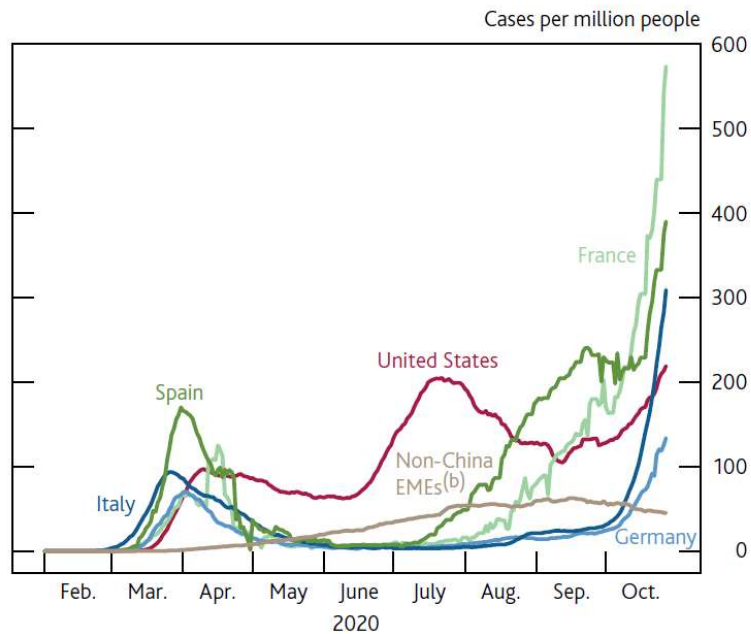
### Q&A session with Ben and Dave

- Please submit questions into the chat box as the talk progresses
  - Rosie will put questions anonymously to Ben & Dave, grouped by theme
  - We will answer as many questions as possible before 13:30
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# GDP in the near term

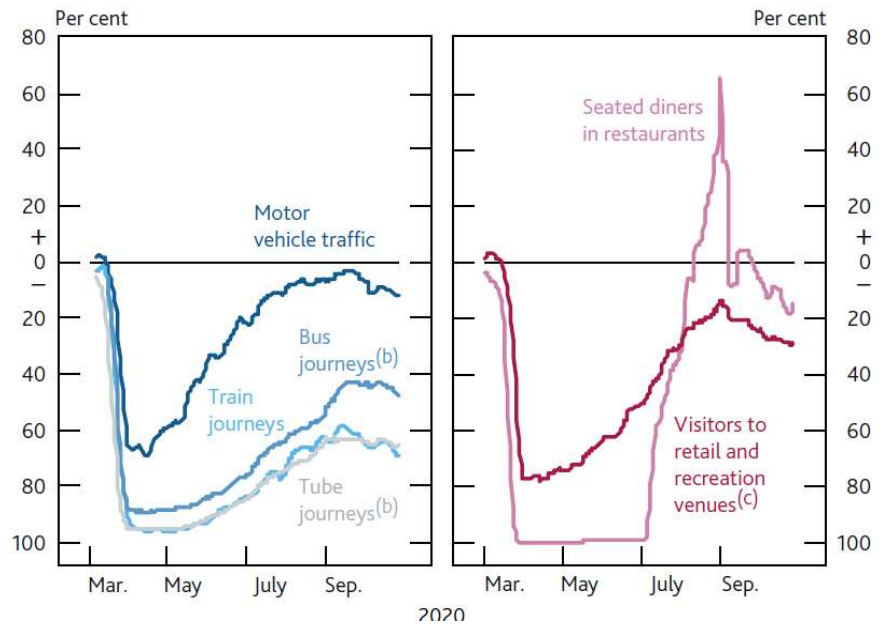
**Chart 2.3** Covid cases are rising again in the US and large European countries

Daily new confirmed Covid-19 cases in selected countries<sup>(a)</sup>



**Chart 2.23:** Some high-frequency indicators show a decline in activity since September

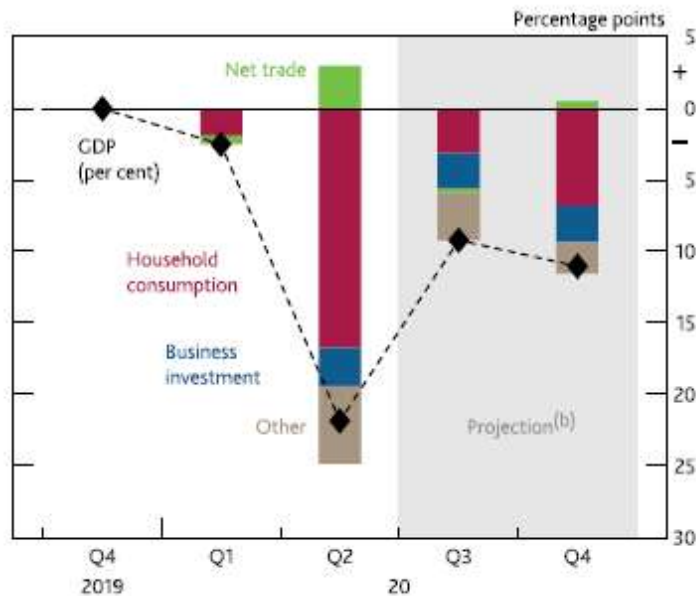
High-frequency indicators of economic activity<sup>(a)</sup> [TBU]



# GDP in the near term

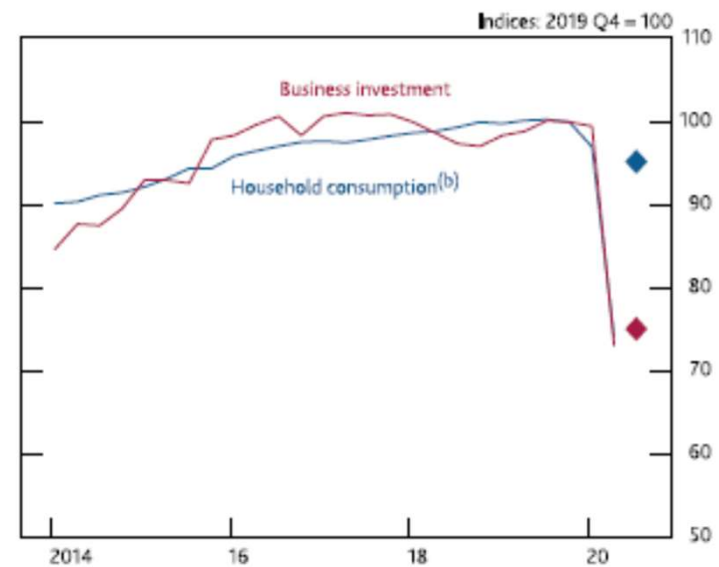
**Chart 2.16: The recovery was driven by a sharp pickup in consumption**

Contributions to change in GDP since 2019 Q4<sup>(a)</sup>



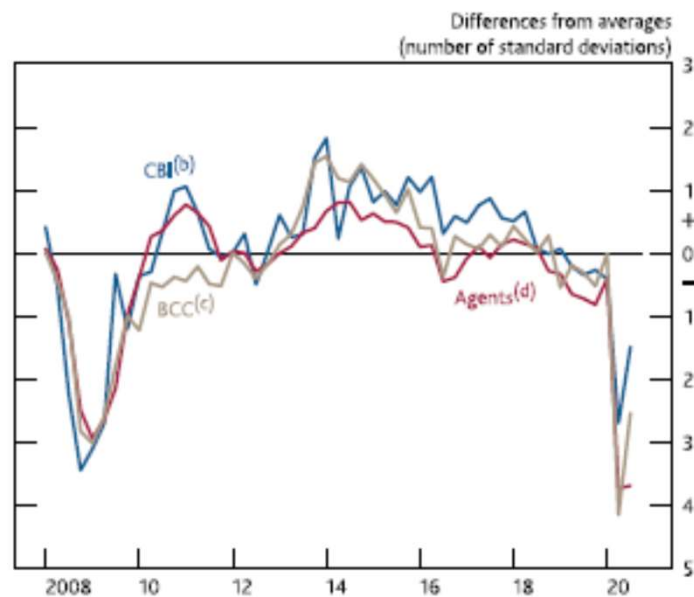
**Chart 2.21: Business investment is expected to have recovered by much less than consumption in Q3**

Business investment and household consumption<sup>(a)</sup>

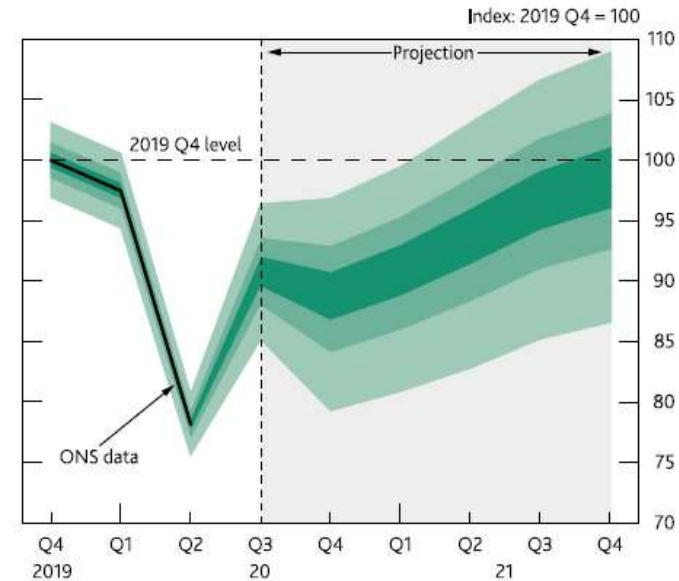


# GDP in the near term

**Chart 2.22: Investment intentions remained subdued**  
Selected survey indicators of investment intentions<sup>(a)</sup>



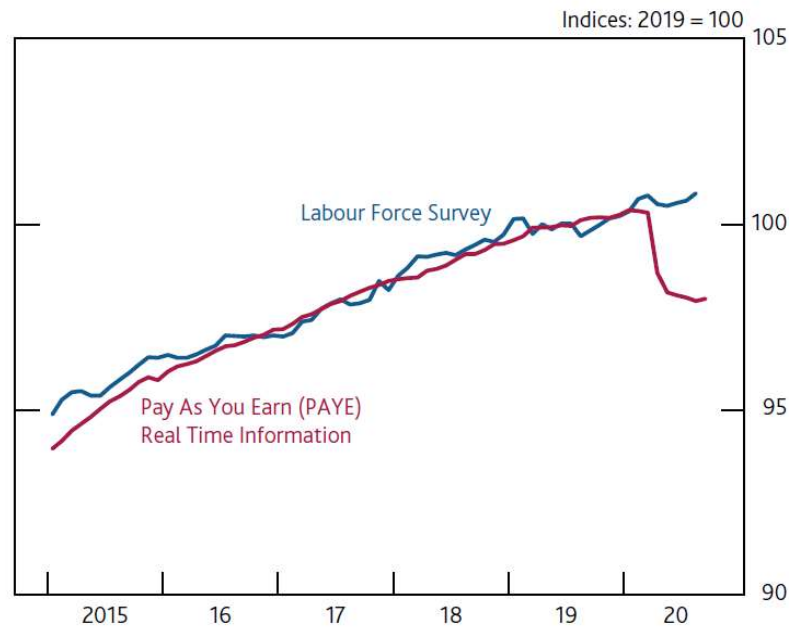
**Chart 1.1: Near-term GDP projection based on market interest rate expectations, other policy measures as announced**



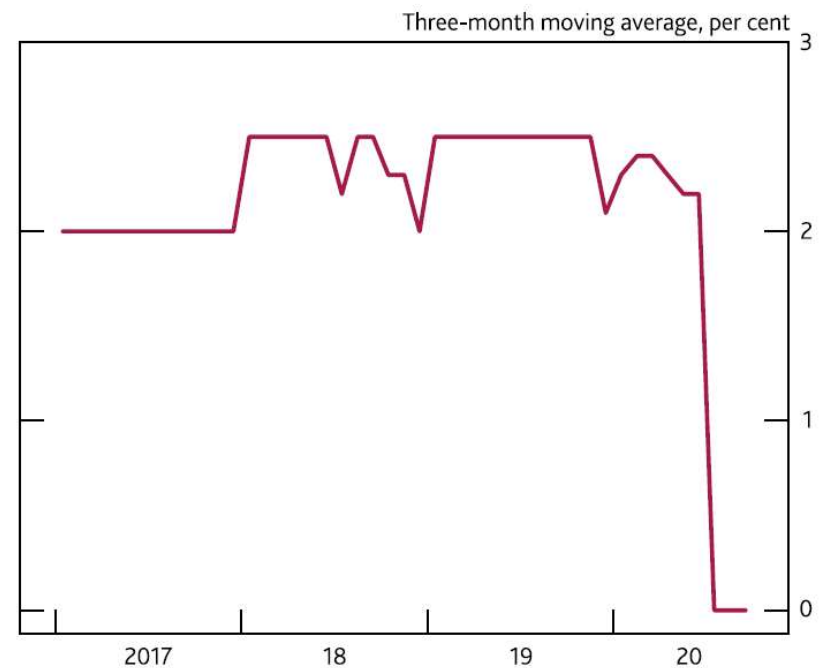
# Labour market

**Chart 2.26:** Income tax data suggest that there has been a significant fall in the number of paid employees

Number of employees

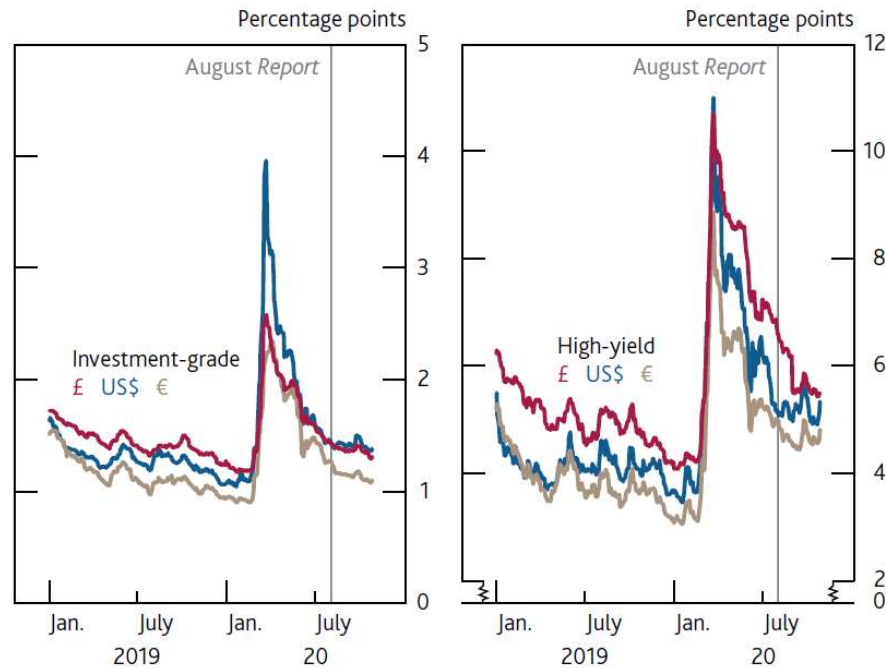


**Chart 2.30:** Median pay settlements have fallen to zero  
Median pay settlements<sup>(a)</sup>

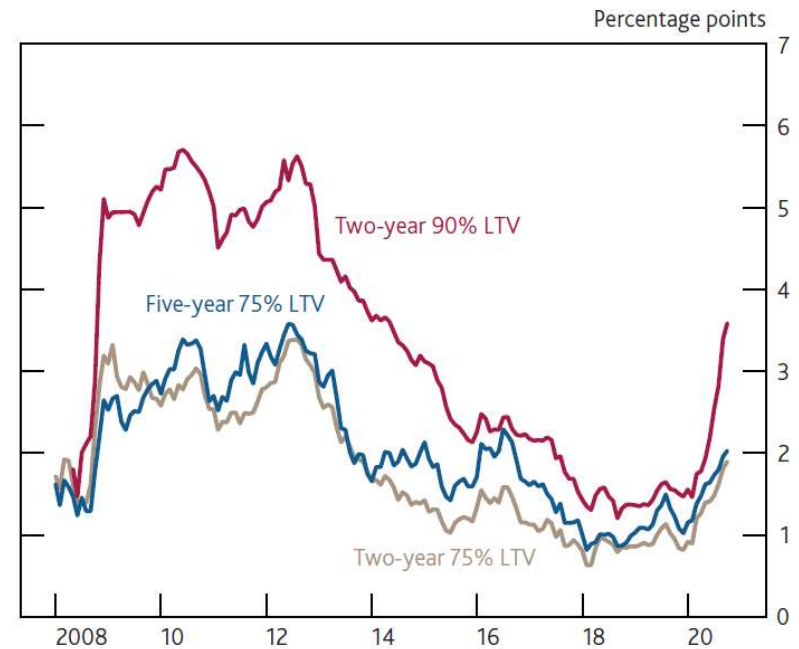


# Credit conditions

**Chart 2.9** Investment-grade corporate bond spreads have recovered most of the way to pre-Covid levels  
International non-financial corporate bond spreads<sup>(a)</sup>



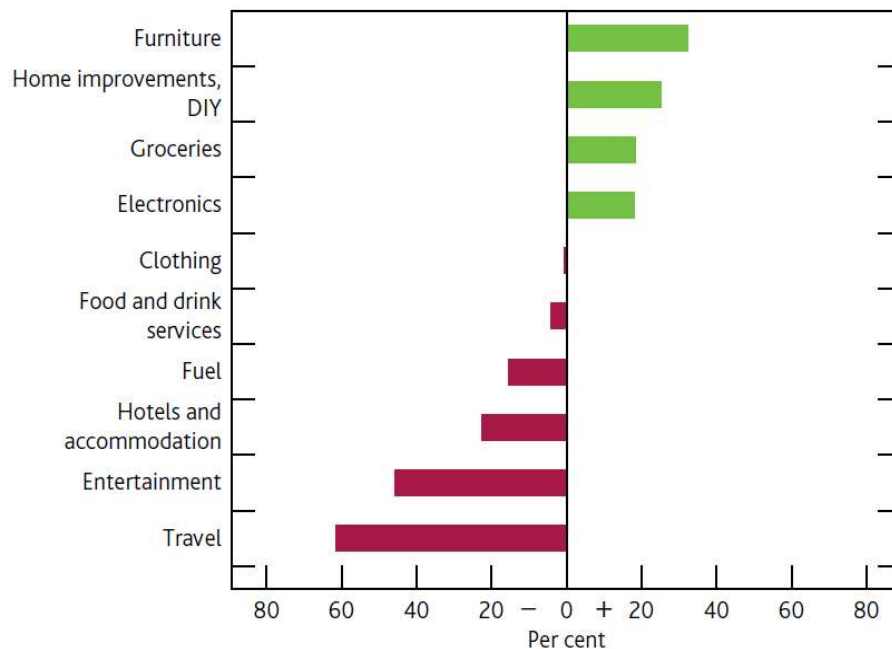
**Chart 2.12** Mortgage spreads have increased, particularly at high LTVs  
Spreads on selected fixed-rate mortgages<sup>(a)</sup>



# Longer term supply effects

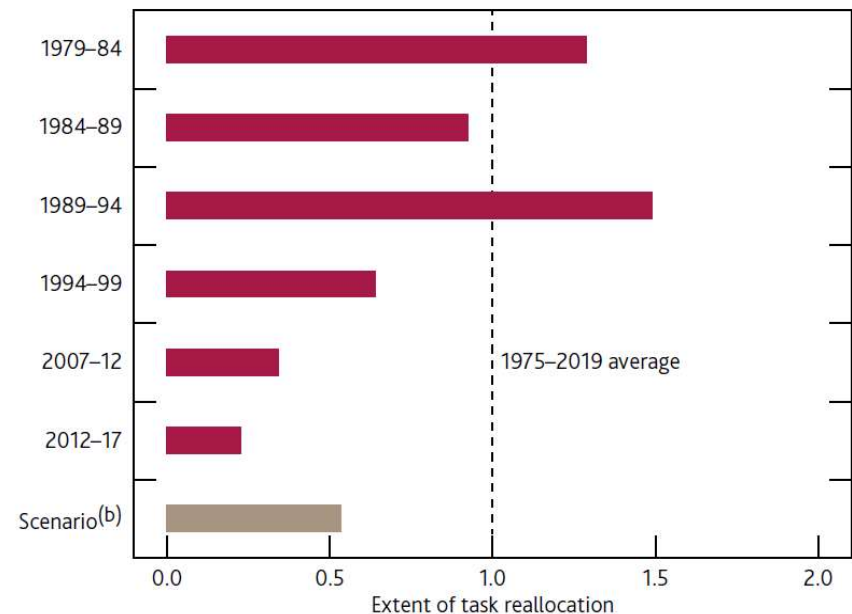
**Chart 3.1:** Spending on services has been lower recently, but spending on some goods has been higher

Annual growth in spending in selected categories, 2020 Q3



**Chart 3.5:** Even in a relatively extreme scenario there would be less task reallocation than in the 1980s

Task reallocation over selected five-year periods and in a scenario based on the pattern of consumer spending in 2020 Q3<sup>(a)</sup>

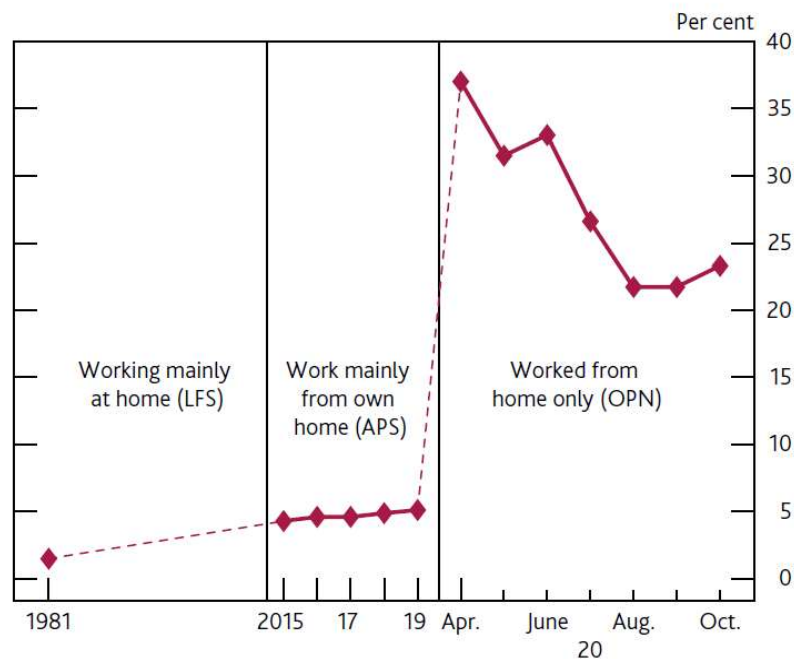




# Longer term supply effects

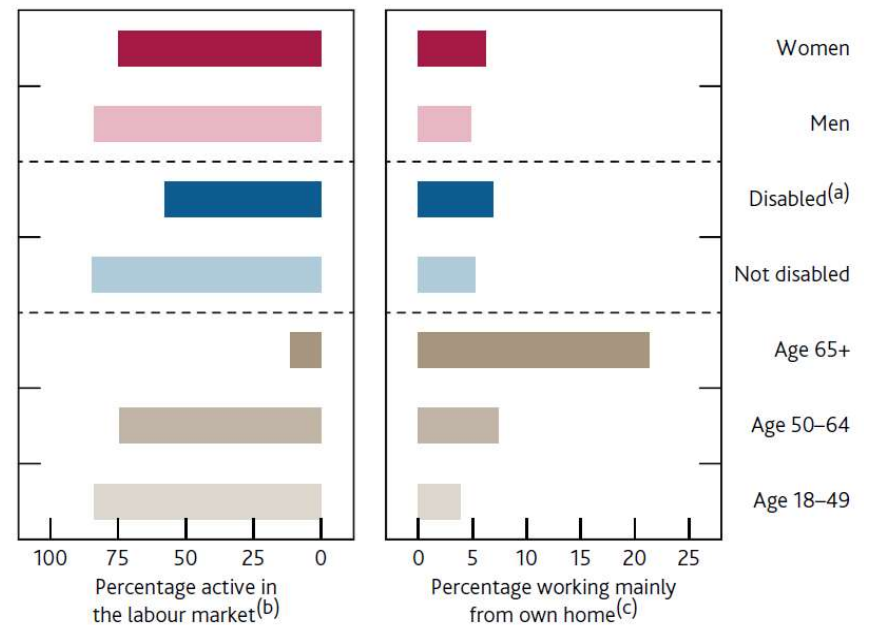
**Chart 3.7:** Working from home has become much more widespread as a result of Covid

Proportion of workers working from home<sup>(a)</sup>



**Chart 3.8:** Groups that have worked from home more have been less likely to participate in the labour market in the past

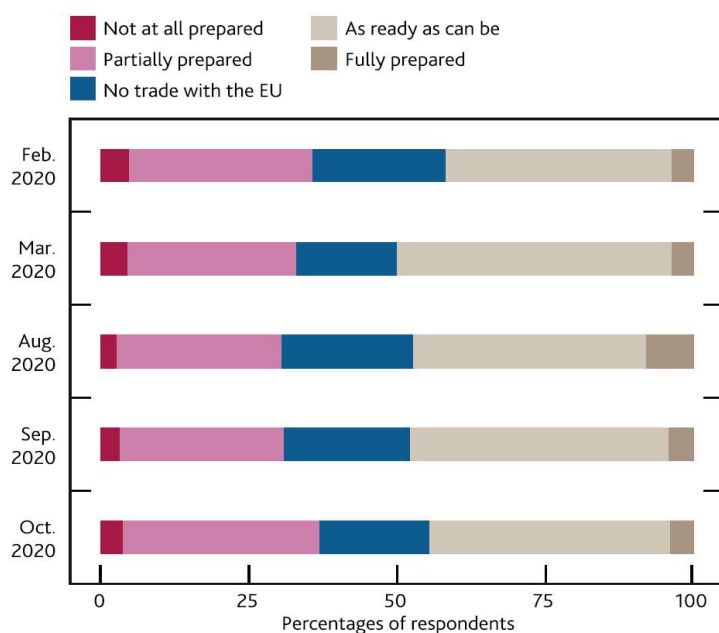
Participation rates and percentages of homeworkers in 2019



# Brexit

**Chart 4.1:** Around a third of respondents were partially prepared for new UK-EU trading arrangements in the October DMP Survey

Preparedness for new trading arrangements<sup>(a)</sup>

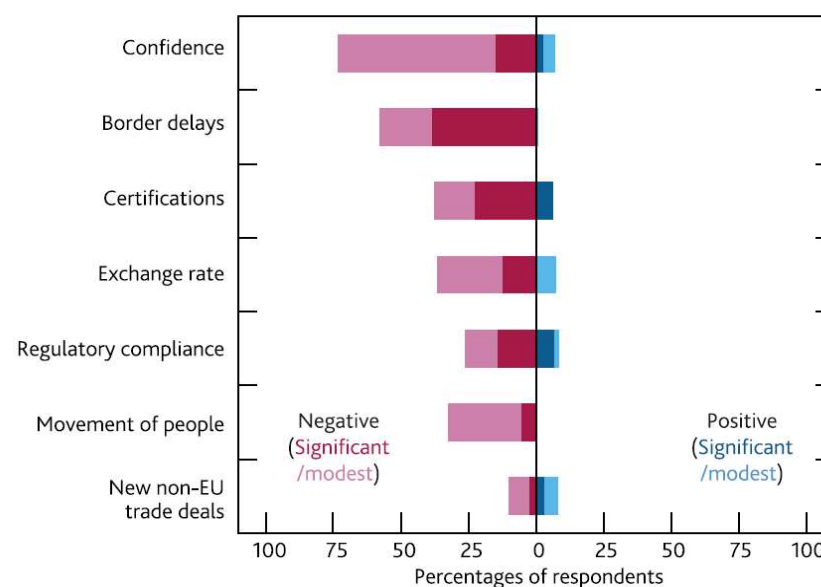


Sources: DMP Survey and Bank calculations.

(a) Question: 'Do you think your business is prepared for the potential extra requirements for trading with the EU once the current transition period comes to an end?'.

**Chart 4.6:** Moving to a new trading relationship with the EU will affect businesses via a number of channels

Expected channels by which EU exit will affect businesses<sup>(a)</sup>

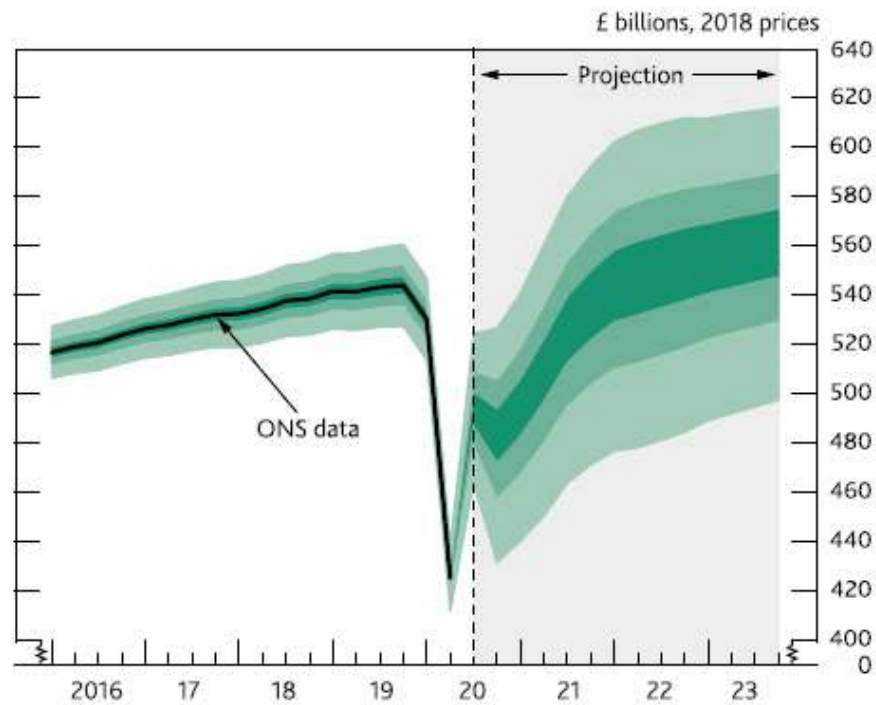


Source: Agents' survey on preparations for EU withdrawal.

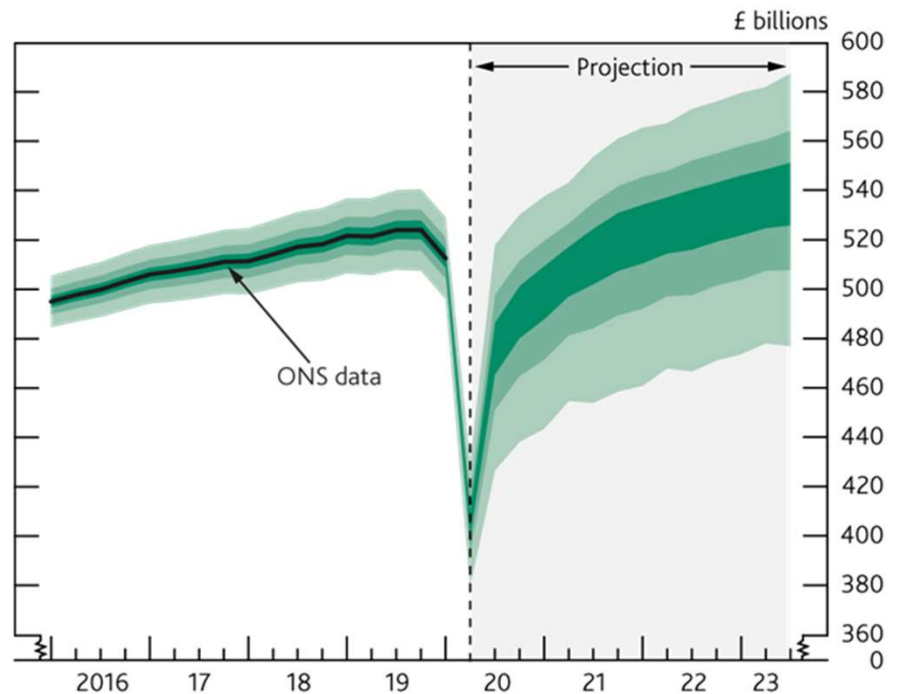
(a) Question: 'What are the main channels for any impact of EU exit on your company?'.

# GDP fancharts

November

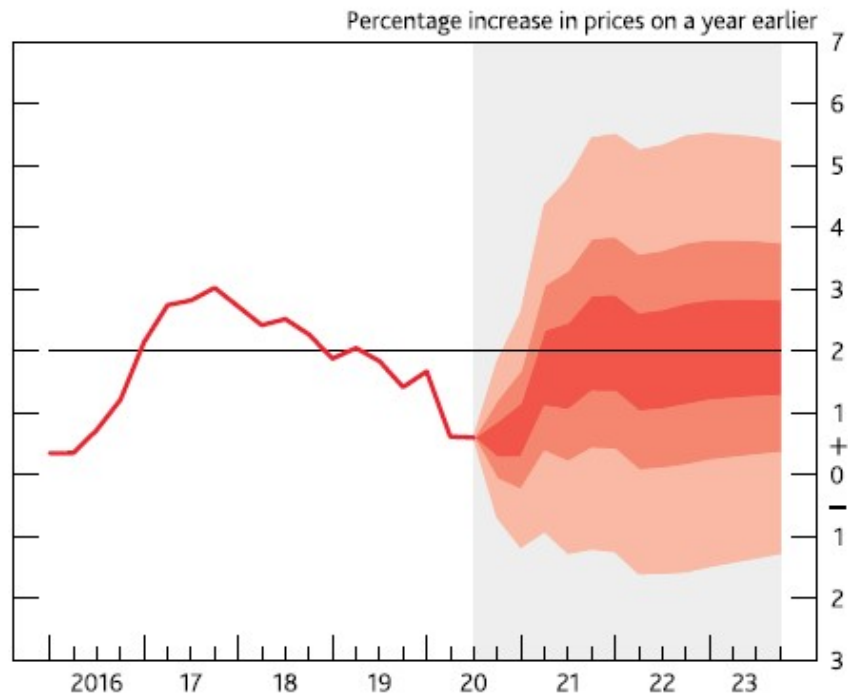


August

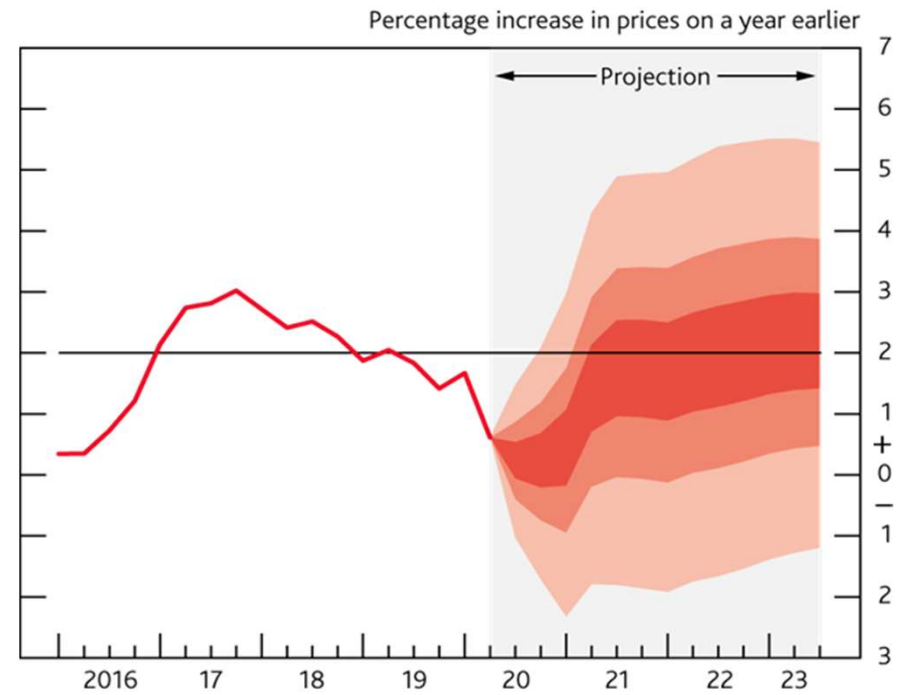


# CPI inflation fancharts

November

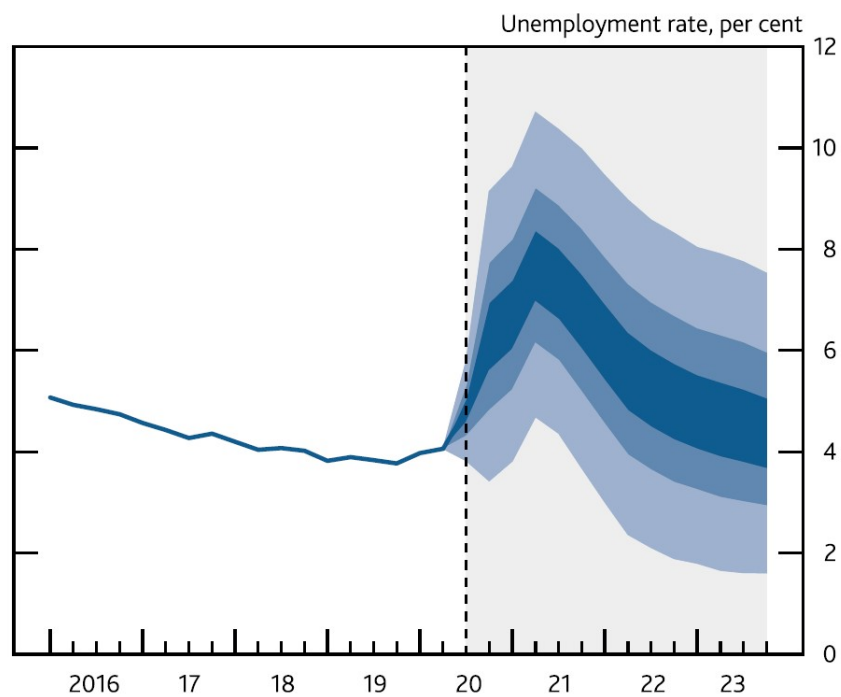


August

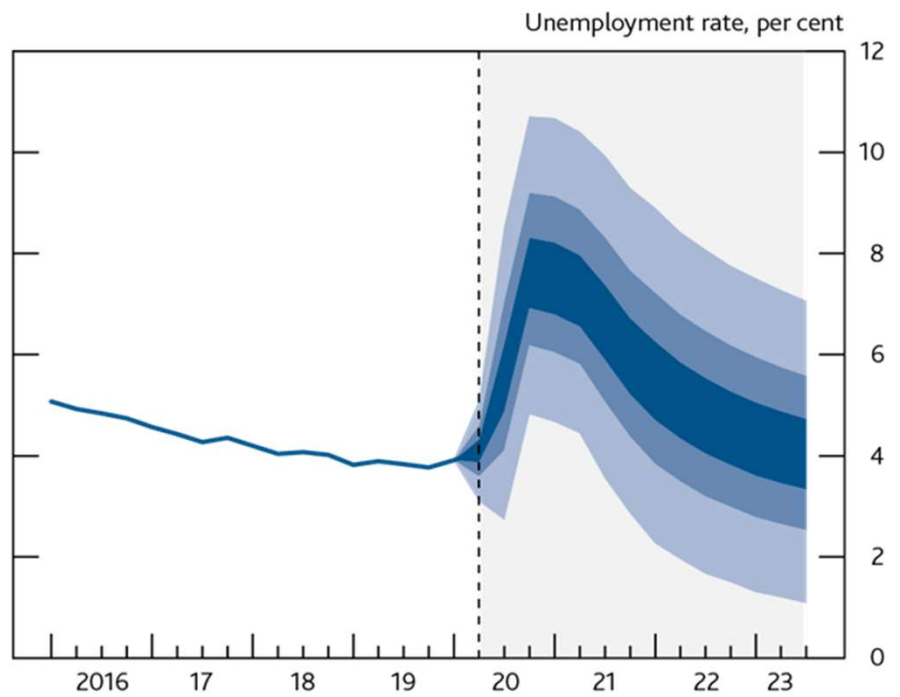


# Unemployment fancharts

November



August





# Policy

*“The MPC would continue to monitor the situation closely. If the outlook for inflation weakened, the Committee stood ready to take whatever additional action was necessary to achieve its remit. The Committee did not intend to tighten monetary policy at least until there was clear evidence that significant progress was being made in eliminating spare capacity and achieving the 2% inflation target sustainably.”*



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