

MONETARY POLICY PRESS CONFERENCE

Thursday 6 November 2025

Opening Remarks by Andrew Bailey, Governor

Today, we are presenting a new and improved package of communication reflecting the progress we have made in response to the Bernanke Review. In our minutes, the Monetary Policy Summary is shorter and more focused, while individual paragraphs set out the views of individual members of the Monetary Policy Committee. In the Monetary Policy Report, a Monetary Policy Overview sets out the main economic narrative underpinning our decision, while a range of boxes presents the key pieces of analysis that have informed it. And the Report now presents detailed scenarios with illustrative monetary policy responses in addition to our central projection.

Together, the new Report and minutes are designed to allow us to adapt and respond in a world of greater uncertainty – putting greater weight on the key judgements behind our decisions, emphasising the underlying economics as much as precise numbers, drawing on a wider range of analysis and framing our discussions within a broader discussion of risks.

This is a milestone in our response to the Bernanke review, one that is testament to the hard work and dedication of our excellent staff.

But it is also a time of great sadness for us. During the preparations for the November meetings, we have lost a much loved and respected colleague, Pavandeep Dhami, who was a mainstay of supporting the MPC for a long time and whose insight and commitment helped shape the documents we publish today. So we dedicate this edition of the Monetary Policy Report to Pav.

The new material presents more information about individual views on the Committee, but I should say at the outset that we are here at the press conference today to speak to the collective decision made by the MPC, and not to our individual paragraphs.

Today, we have held Bank Rate at 4%.

The stance of monetary policy has supported disinflation over the past nearly three years. That progress has allowed us to cut Bank Rate five times, gradually making monetary policy less restrictive, while still seeking to ensure that inflation falls back to our 2% target and stays there.

Headline inflation was 3.8% in August and September, partly reflecting developments in food and administered prices. We expect this to be the peak. Beneath the headline numbers, underlying price and wage pressures have continued to ease. We expect headline inflation to fall to close to 3% by early next year before gradually returning to the 2% target over the subsequent year.

But risks to disinflation remain and we need to wait and see that the downward path of inflation becomes more established before we can cut Bank Rate again.

Where monetary policy goes from here depends on how two big forces play out.

On the one hand, inflation is still well above the 2% target. It is possible that it could be sticky, for example if increases in administered prices were repeated or if labour cost pressures continued to be elevated. There is a risk that the inflationary shocks we have had could have affected inflation expectations and the way wages and prices are determined in the economy. That could lead to more inflationary pressure. A scenario in the Report illustrates that the path of Bank Rate might have to be higher than otherwise in response.

On the other hand, activity in the economy is below its potential. We see this most clearly in the labour market, where the number of vacancies has fallen and employment growth has stalled. There is a risk that households and businesses remain cautious about spending and investment, holding back demand and weighing on job prospects further. That could lead to inflation falling below our target. A scenario in the Report illustrates that the path of Bank Rate might have to be lower than otherwise in response.

Monetary policy is being set to balance these risks in order to meet the 2% target sustainably, so that Bank Rate is neither too low nor too high.

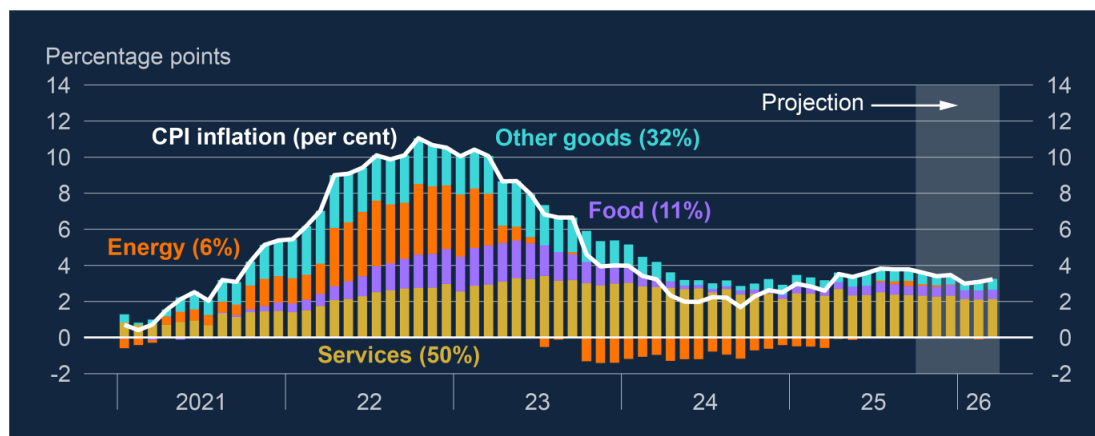
Today's decision is based on two key judgements.

The first key judgement is that underlying domestic price and wage pressures are continuing to ease. Recent data suggest that the risk from greater inflation persistence has become less pronounced, and the risk to medium-term inflation from weaker demand more apparent, such that overall risks are now more balanced.

As the central projection in the Report illustrates, and as reflected in the market curve, this means that we are likely to continue to be on a gradual downward path for Bank Rate.

Chart 1: Inflation is expected to have peaked at 3.8% in September

Contributions to CPI inflation (with CPI basket weights)



Sources: Bloomberg Finance L.P., Department for Energy Security and Net Zero, ONS and Bank calculations

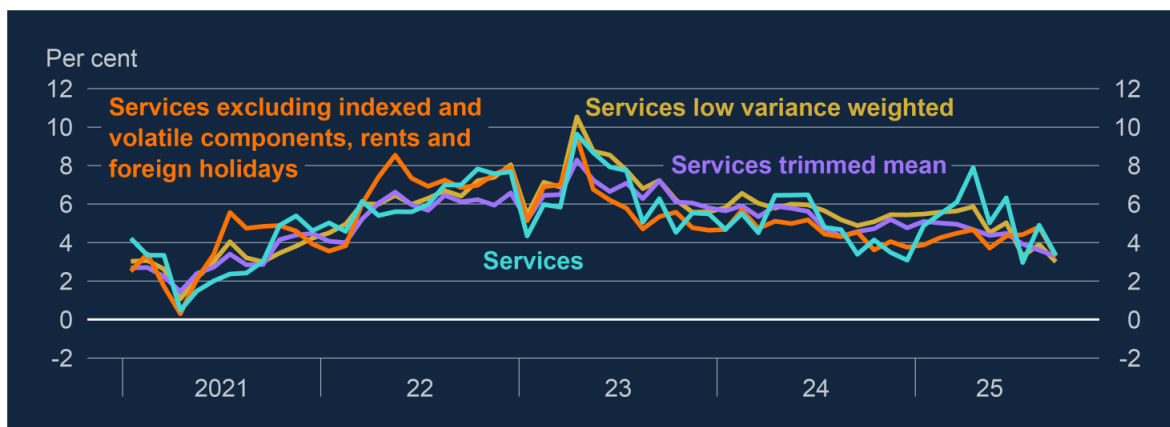
Chart 1 shows twelve-month inflation in the Consumer Price Index since 2021 (white line) along with its components (coloured bars). The increase in inflation over the past year has been driven in large parts by the contributions from energy prices (orange bars), which are no longer pulling inflation down, and higher food prices (purple bars) as well as increases in a number of administered prices that have held up the contributions from services prices (yellow bars). The shaded area shows how we expect headline inflation to ease again in the coming months as lower domestic cost growth passes through to lower services price inflation.

As we look beyond the next six months, the effect of past increases in administered prices should also drop out. Provided they are not repeated next year, that should shave off another half a percentage point or so from services price inflation in the second quarter of next year.

As **Chart 2** shows, disinflation in underlying services price inflation has continued. Although progress had slowed in recent months, high-frequency measures moved lower in September. We expect the pass-through of non-wage labour costs – including from the increase in National Insurance contributions – to continue to limit declines in services price inflation in the next few months. But we expect progress to resume next year.

Chart 2: Underlying services disinflation has continued

Measures of three-month average monthly annualised services price inflation



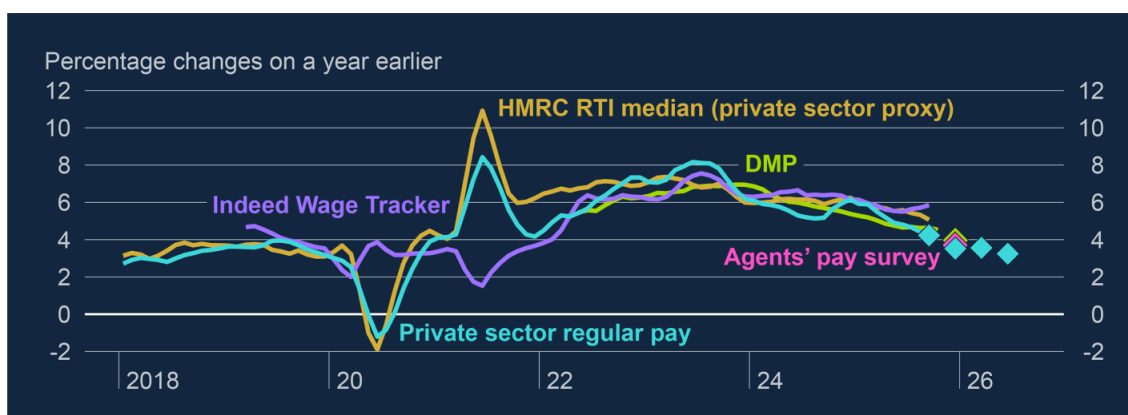
Sources: ONS and Bank calculations

The decline in services price inflation is supported by a gradual normalisation of wage growth.

As **Chart 3** shows, annual private sector pay growth slowed to 4.4% in the three months to August (blue line), down from 4.9% in the three months to May and below the projection in the August Report. This recent slowdown is consistent with the signals from a range of other pay indicators. And we expect wage growth to ease further into next year (blue diamonds).

Chart 3: Indicators of wage growth have declined over 2025

Measures of private sector wage growth



Sources: Bank Agents, DMP Survey, HMRC, Indeed, ONS and Bank calculations

These are signs that disinflation is on track.

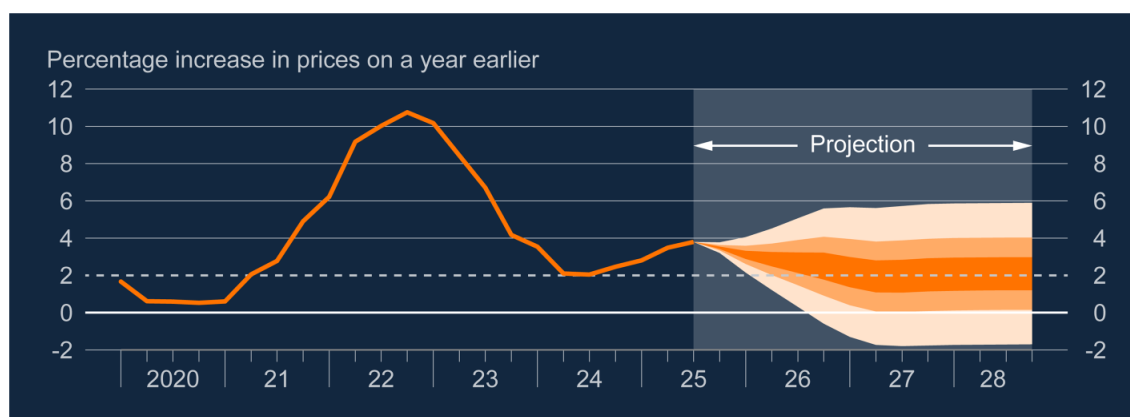
That is not to say that the risk that the recent rise in prices could feed into more inflation through second-round effects has gone away. The recent pick-up in inflation has been driven in part by food and energy prices. These are salient to consumers and often affect inflation expectations. We have to remain careful that this does not lead to any additional second-round effects on wage and price setting in the UK economy.

But while it is only one data point, it is encouraging that the peak in inflation in September was about 0.2 percentage points lower than we had expected in our August projection.

Looking ahead over the whole of our forecast period, as in **Chart 4**, our November projection – which is conditional on the market-implied path for Bank Rate – suggests that CPI inflation will fall to close to 3% early next year and then decline gradually towards the 2% target after that.

Chart 4: Inflation is projected to return to the 2% target

CPI inflation projection conditional on market-implied path for Bank Rate



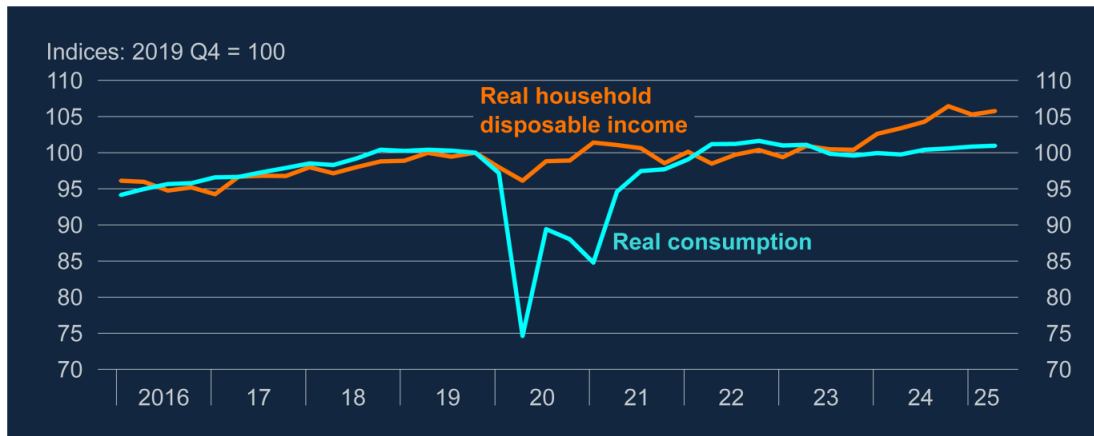
Sources: ONS and Bank calc.

Further disinflation is being underpinned by subdued economic growth. Some economic slack is needed to squeeze out the remaining stickiness of inflation. A looser labour market eases the pressure on wages. And moderate demand conditions, combined with spare capacity within firms, limits the scope for firms to pass on higher costs to prices.

As disinflation progresses, however, there is a risk that activity cools too much or for too long. In our central projection, we expect growth to pick up gradually – to solid quarterly growth rates of about half a per cent towards the end of the forecast period.

Chart 5: Real consumption growth has been very weak

Real household consumption and disposable income

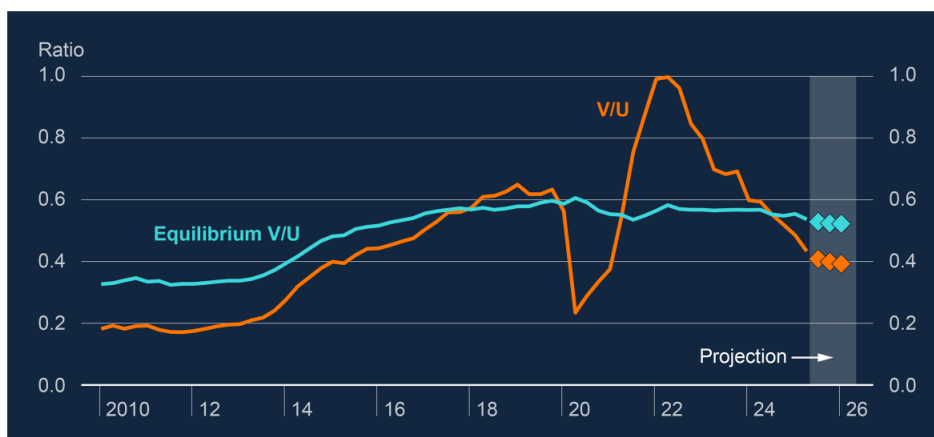


Sources: ONS and Bank calc.

As **Chart 5** shows, while consumption growth has remained subdued, real household disposable income has recovered. That should support a recovery in consumption growth in coming quarters. But the pick-up in growth may prove harder to achieve if consumers remain cautious about spending in the face of high uncertainty and a weakening labour market.

Chart 6: Labour market conditions have continued to ease

The ratio of vacancies to unemployment and its equilibrium level



Sources: Advertising association/World Advertising Research Centre Expenditure Report, ONS and Bank calculations

And it has become clearer when I have been on the road with our Agents in recent months that the labour market is slowing down. We see this in the data too. As measured by the ratio of vacancies to unemployment, shown in **Chart 6**, further slack has emerged – not just through a reduction in unfilled job vacancies, as over the past year, but also through an increase in unemployment.

This takes me to the **second key judgement** that – if disinflation continues – Bank Rate is likely to continue on a gradual downward path.

The restrictiveness of monetary policy has fallen as Bank Rate has been reduced. So the extent of further reductions will depend on the outlook for inflation. A gradual approach allows us to assess the balance of risks to inflation – on the upside from more inflation persistence, and the downside from weaker activity – as the evidence evolves.

As you can see from the vote today, and from the Committee members' new individual paragraphs in the minutes, making this assessment involves weighing the evidence on both sides. Different members of the Committee have reached different conclusions on the balance of risks. Some members think something like the upside scenario is more likely than others, with the policy implications that come with that. Other members put more weight on something like the downside scenario, with implications for their views on policy. And with every cut in Bank Rate, how much further to go becomes a closer call.

At this meeting, rather than cutting Bank Rate now, there was also an argument to wait and see that the downward path in inflation becomes more established. The latest data point for inflation was encouraging. But it was only one data point. Leading up to our December meeting, we will get more data on inflation and cost pressures in the economy to help us make the right decision – and we will be able to analyse how this year's Budget might affect the economy and the outlook for inflation.

As always, the MPC remains squarely focused on our remit to return inflation to our 2% target.

I will add a few words on quantitative tightening as this is the first press conference since our decision in September to reduce the stock of UK government bond purchases held for monetary policy purposes by £70bn over the year from October 2025 to September 2026.

On 11 November, the Bank will publish its next quarterly assessment of transactions in the Asset Purchase Facility where the bond purchases are held. Along with a summary and projection of cash flows associated with quantitative easing and tightening under the indemnity to the Bank, the upcoming APF Quarterly Report will

include a new measure which will take into account wider implications for government debt issuance and servicing costs, including continuing savings resulting from quantitative easing. This will show a somewhat different picture of the costs.

Looking ahead, the Bank's policy is to meet the demand of the financial system for liquidity. Our approach is to transition to a demand-driven framework under which reserves will primarily be supplied by repo operations. This allows the Bank to reduce the Asset Purchase Facility in line with its monetary policy objectives and thereby reduce the exposure of the Bank and the wider public sector to interest rate risk, whilst the Bank provides the reserves through lending operations needed to maintain monetary and financial stability. This is important both in supporting the operation of financial markets, including the gilt market, and in reducing the future exposure to interest rate risk.

And with that, Clare, Dave and I will be happy to answer your questions.