



**BANK OF ENGLAND**

# Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 31 July 2019

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These are the minutes of the Monetary Policy Committee meeting ending on 31 July 2019.

They are available at <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2019/august-2019>.

The Bank of England Act 1998 gives the Bank of England operational responsibility for setting monetary policy to meet the Government's inflation target. Operational decisions are taken by the Bank's Monetary Policy Committee. The minutes of the Committee meeting ending on 18 September will be published on 19 September 2019.

## Monetary Policy Summary, August 2019

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 31 July 2019, the MPC voted unanimously to maintain Bank Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

Since May, global trade tensions have intensified and global activity has remained soft. This has led to a substantial decline in advanced economies' forward interest rates and a material loosening in financial conditions, including in the United Kingdom. An increase in the perceived likelihood of a no-deal Brexit has further lowered UK interest rates and led to a marked depreciation of the sterling exchange rate.

Brexit-related developments, such as stockbuilding ahead of previous deadlines, are making UK data volatile. After growing by 0.5% in 2019 Q1, GDP is expected to have been flat in Q2, slightly weaker than anticipated in May. Looking through recent volatility, underlying growth appears to have slowed since 2018 to a rate below potential, reflecting both the impact of intensifying Brexit-related uncertainties on business investment and weaker global growth on net trade. Evidence from companies, up to the middle of July, suggests that uncertainty over the United Kingdom's future trading relationship with the European Union has become more entrenched. The labour market remains tight. Annual pay growth has been relatively strong. Consumer spending has remained resilient. CPI inflation was 2.0% in June and core CPI inflation was 1.8%.

The Committee's updated projections are set out in the accompanying August *Inflation Report*. They continue to assume a smooth adjustment to the average of a range of possible outcomes for the United Kingdom's eventual trading relationship with the European Union. In the central projection, conditioned on prevailing asset prices, underlying output growth is subdued in the near term, reflecting more entrenched Brexit uncertainties. This means that a margin of excess supply persists over the first year of the projection. Thereafter, GDP is projected to accelerate to robust growth rates, reflecting a gradual recovery in global growth and firming UK domestic demand growth, driven in large part by a recovery in investment growth as uncertainties dissipate in line with the Brexit conditioning assumption. The acceleration in GDP results in a significant build-up of excess demand, to around 1¾% of potential GDP by the end of the forecast period. After falling in the near term, CPI inflation is projected to rise above the 2% target, as building excess demand leads to firmer domestic inflationary pressures. Conditioned on prevailing asset prices, CPI inflation reaches 2.4% by the end of the three-year forecast period.

These projections are affected by an inconsistency between the smooth Brexit conditioning assumption underpinning the forecast and the prevailing market asset prices on which the forecasts are also conditioned. These asset prices reflect market participants' perceptions of the likelihood and consequences of a no-deal Brexit. If, as assumed, Brexit proceeds smoothly to some form of deal, market interest rates would likely rise and the sterling exchange rate would likely appreciate. A more consistent forecast would therefore have somewhat lower paths for GDP growth and CPI inflation.

Increased uncertainty about the nature of EU withdrawal means that the economy could follow a wide range of paths over coming years. The appropriate path of monetary policy will depend on the balance of the effects of Brexit on demand, supply and the exchange rate. The monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction. In all circumstances, the Committee will set monetary policy appropriately to achieve the 2% inflation target.

The MPC judges at this meeting that the existing stance of monetary policy is appropriate.

Assuming a smooth Brexit and some recovery in global growth, a significant margin of excess demand is likely to build in the medium term. Were that to occur, the Committee judges that increases in interest rates, at a gradual pace and to a limited extent, would be appropriate to return inflation sustainably to the 2% target.

## Minutes of the Monetary Policy Committee meeting ending on 31 July 2019

1 Before turning to its immediate policy decision, and against the backdrop of its latest economic projections, the Committee discussed: monetary and financial conditions; the international economy; demand, output, money and credit; and supply, costs and prices.

### Monetary and financial conditions

2 While movements in asset prices since the Committee's previous meeting had been relatively modest, movements since the *May Inflation Report* had been material and had led to a loosening in global financial conditions. In particular, yields on government bonds had fallen significantly. This reflected a significant decline in forward interest rates in major economies, which appeared to reflect heightened concerns about global trade policy as well as signs of softer growth and inflation. In addition to global factors, a rise in market participants' perceived likelihood of a no-deal Brexit had put further downward pressure on UK forward interest rates and led to a material decline in the sterling effective exchange rate since the *May Report*.

3 Market forward pricing of advanced economies' policy rates had shifted down significantly since the *May Report*. The US instantaneous forward Overnight Index Swap (OIS) curve was now pricing in nearly four 25 basis point rate cuts over the next three years, and forward rates were fully pricing in a 25 basis point rate cut at the FOMC's 30-31 July meeting. These moves reflected heightened concerns about trade, as well as weaker-than-expected activity data, low inflation and the tone of central bank communications. FOMC members had suggested that they would respond in a precautionary manner to risks. In addition, the ECB Governing Council had, at its July meeting, adjusted its forward guidance to include the possibility of lower policy rates and had set work in train to examine the options around deposit tiering, asset purchases and reinforcing forward guidance on rates.

4 US equity prices had ended the period since the *May Report* higher, despite corporate earnings being revised down. Advanced economies' corporate bond spreads were a little lower over that period, and market intelligence suggested that the ECB potentially restarting corporate bond purchases had been a source of downward pressure.

5 In the United Kingdom, market forward pricing for Bank Rate had fallen markedly since the *May Report*. That appeared to have been driven by concerns about global growth risks and a rise in the perceived likelihood of a no-deal Brexit. The UK instantaneous forward OIS curve was now fully pricing in a 25 basis point rate cut during the first half of 2020. The fall in market forward pricing for Bank Rate was broadly consistent with responses to the regular Reuters survey of economists in which the mean expectation for policy rates had fallen since the time of the *May Report* and the Committee's June meeting. Market intelligence had also emphasised the sensitivity of expectations for Bank Rate to changes in the perceived likelihood of different Brexit outcomes.

6 Sterling had fallen by 4% between the 15-day averages underpinning the *May* and *August Reports*, and by a further 2% thereafter. The most important driver of these falls had been a rise in market participants' perceived likelihood of a no-deal Brexit. The latest betting odds suggested that the perceived probability of a no-deal outcome had risen significantly since May. A Reuters survey, which asked respondents about the

probability of a disorderly Brexit, also suggested that this probability had risen over the period. Sterling implied volatilities had increased considerably relative to other currencies. And six-month sterling-dollar risk reversals had become more negative, indicating that market participants viewed the risks around sterling as more skewed to the downside than previously.

7 Five-year inflation swap rates, five years forward, in the United Kingdom had been broadly unchanged since the *May Report*. The equivalent measures in the United States and euro area had fallen, although they had been supported by central bank communications more recently.

8 UK banks' senior unsecured funding spreads had increased since the *May Report* and by more than for the equivalent instruments for euro-area banks. UK banks' secured funding spreads, which tended to have a greater influence on the pricing of loans, had been broadly flat, however, as had the pricing of new mortgages and unsecured lending to households by banks. The Bank's latest Credit Conditions Survey suggested that the tightening in unsecured credit conditions seen over the past two years had continued in 2019 Q2. UK corporate credit conditions were little changed since the *May Report*.

### **The international economy**

9 Since the MPC's previous meeting, global activity indicators had continued to be relatively soft. The global composite output PMI had been flat in June. The global services PMI had picked up a little, but the global manufacturing PMI had fallen further below 50, to its lowest level since 2012. World goods trade appeared to be stabilising at low levels, registering zero growth in the three months to May compared to the previous three months. Trade tensions had remained elevated relative to the period prior to the *May Inflation Report*, although they had eased somewhat following United States and China agreeing to re-start trade talks.

10 Based on the flash estimate, euro-area GDP had grown by 0.2% in 2019 Q2, compared with growth of 0.4% in Q1. This was slightly weaker than expected at the time of the *May Report* but in line with expectations at the Committee's June meeting. The euro-area flash composite output PMI had fallen in July, driven by the manufacturing index, which remained well below 50. The euro-area services PMI was a little stronger than it had been at the time of the Committee's previous meeting, but had remained below its pre-crisis average. Bank staff expected euro-area GDP growth to remain subdued, at 0.3% in Q3.

11 The advance estimate of US GDP growth in 2019 Q2 had been 0.5%. This was in line with the *May Report* projection but slightly stronger than expected at the time of the Committee's June meeting. Non-farm payroll employment had rebounded strongly in June, increasing by 224,000, after a weak outturn in May. Taken together, a range of forward-looking survey measures suggested that US GDP growth would remain around 0.5% in Q3. The flash reading for the US composite output PMI had edged up in July, driven by an improvement in the services sector. The manufacturing index had fallen to 50, however.

12 Headline GDP in China was reported to have grown by 6.2% on a year earlier in 2019 Q2, down from 6.4% in Q1. Chinese activity indicators had improved a little in June. Annual growth in industrial production, fixed-asset investment and retail sales had all picked up, but more forward-looking indicators had continued to be subdued. The NBS manufacturing PMI had remained below 50 in July, as had the new export orders index,

perhaps reflecting continued concerns around trade tensions with the United States. The Caixin services PMI had fallen to around its average over recent years.

13 There had been a slowdown in GDP growth in a number of emerging market economies in 2019 Q1, and growth had been slower than expected at the time of the *May Report*. In addition, the weighted average of manufacturing PMIs for the seven major non-China emerging market economies had fallen between Q1 and Q2, as had the weighted average of services PMIs for India, Russia, and Brazil over the same period. Financial conditions across these economies had eased a little in June, however, following a slight tightening in May.

14 Although oil prices had increased a little since the Committee's previous meeting, they had fallen by 9% since the *May Report*, to \$65 per barrel. Prices of industrial metals had increased since the Committee's previous meeting.

15 In the euro area, the flash estimate suggested that headline and core HICP inflation had fallen in July, to 1.1% and 0.9% respectively. US headline and core PCE inflation had been 1.4% and 1.6% respectively in June.

16 The Committee discussed developments in core inflation in the United States and the euro area. Some of the recent softness in the United States appeared to have been driven by transitory factors, but this was less clearly the case in the euro area. Although market-based indicators of inflation expectations for the United States and euro area had fallen materially since the end of 2018, they were higher in the United States than in the euro area.

#### **Demand, output, money and credit**

17 UK GDP had increased by 0.3% in the three months to May, unchanged from the previous three months. Monthly GDP had continued to be volatile, however, with output rising by 0.3% in May, following a 0.4% fall in April. Around half of those recent monthly movements had reflected the bringing forward of annual shutdowns by several major car manufacturers, from the summer to April, as part of their Brexit contingency plans. Weakness in the business services and finance sectors had persisted into May. After 0.5% GDP growth in 2019 Q1, Bank staff now expected growth of zero in Q2. This projection was unchanged from the previous MPC meeting but lower than expected in the *May Inflation Report*.

18 The pattern of quarterly GDP growth through 2019 H1 had been affected by a number of potentially erratic factors including, most significantly, the build-up of inventories by some companies in the United Kingdom and the European Union ahead of previous Brexit deadlines. That had probably boosted UK Q1 growth by around 0.1 to 0.2 percentage points. Based on the latest evidence from the Decision Maker Panel (DMP), a large majority of UK companies who had increased stocks in Q1 had maintained those levels so far in Q2, although a small proportion had started to run them down. Assuming similar behaviour by companies in the rest of the European Union, that suggested that the negative contribution to Q2 GDP growth from stockbuilding would be marginally larger than the positive impact assumed to have occurred in Q1.

19 Looking through recent movements in volatile components of GDP, underlying growth appeared to have slowed below potential during the first half of the year, to around 0.2%, relative to the 0.4% quarterly rates recorded on average during 2017-18. The Committee discussed the reasons for this slowing in underlying growth, and the extent to which it reflected global or domestic factors, in particular rising Brexit uncertainties.

20 Surveys of export orders had weakened further and official data on goods exports had fallen sharply so far during 2019 Q2. These trends probably reflected the weakness in global demand and the unwinding of stockbuilding in other European countries observed in Q1.

21 Indicators of companies' investment intentions had fallen further, including the Bank Agents' investment score, which had reached its lowest level since 2010. That was likely to have reflected the recent downturn in the global investment cycle, as well as intensifying Brexit uncertainties. The latest Brexit survey conducted by the Bank's Agents, between 17 June and 5 July, had reported an increase in uncertainty about the economic outlook following the extension of the EU withdrawal deadline. In addition, after having fallen back somewhat in recent months, a higher proportion of companies responding to the latest DMP, between 5 and 19 July, had viewed Brexit as one of their top three sources of uncertainty. Fewer than 20% of respondents to the DMP had reported that they expected Brexit uncertainty to be resolved by the end of this year, down sharply from 40% three months earlier. In the latest DMP, around 30% of respondents were expecting Brexit uncertainty to persist until at least 2021. Respondents to the Agents' Brexit survey had also expected investment in the UK to remain weak over the next twelve months even if there was some form of Brexit deal, and they expected investment to fall significantly if there was no deal.

22 In contrast to corporate sector developments, consumer spending had continued to grow at a solid pace. Official retail sales volumes data had risen strongly in June and by 0.7% in 2019 Q2 as a whole. That stood in contrast to recent weakness in most survey indicators of retail spending, although these surveys had smaller sample sizes than the ONS data and might not reflect fully smaller or online retailers. Consumer confidence had remained broadly stable during H1, and strengthened in July, although there had continued to be a wedge between households' relatively positive views on their own personal finances and their more negative views on the general economic outlook. House prices had been less weak than expected recently, although indicators of mortgage activity had remained flat and housing transactions had fallen markedly in June. Consumer spending had continued to be driven by strong real income growth rather than rising debt. Consumer credit had grown by 5½% in June compared with a year earlier, the lowest growth rate since 2014.

23 Overall, the recent slowdown in underlying growth appeared to reflect both global factors and the impact of intensifying Brexit uncertainties on the corporate sector. The Committee judged that underlying growth would remain subdued. This was consistent with the steer from business surveys, although these surveys had also tended to underestimate growth of late. Headline GDP growth was expected to pick up to 0.3% in Q3, however, assuming no further drag from stockbuilding and a boost from car production.

### **Supply, costs and prices**

24 Twelve-month CPI inflation had been 2.0% in June. That was unchanged from the May CPI release, and in line with both the Committee's target and the May *Inflation Report* projection. Twelve-month core CPI

inflation had increased slightly to 1.8%. Core services CPI inflation had been unchanged at 2.3%, and had continued to be depressed by weak housing rental price inflation.

25 The near-term profile for CPI inflation was expected to be slightly weaker than in the *May Report*: it was projected to fall in the coming months and then to remain below the MPC's 2% target over the remainder of the year. That reduction in inflation partly reflected expected developments in energy prices, and in particular the fall in wholesale prices passing through to a reduction in Ofgem's energy price cap. Core CPI inflation was expected to fall back slightly in July and August, in part due to a base effect, but then to edge up to around 1¼% by the end of the year.

26 The Committee discussed developments in pay growth. Private-sector regular pay had grown by 3.7% in the three months to May, stronger than expected and its highest rate since June 2008. Whole-economy unit labour cost growth in the first quarter of 2019 had fallen to 2.1%, from 3.1% in the final quarter of 2018, but some of that dip had reflected volatility in the quarterly path of GDP generated by Brexit-related stockbuilding. Both unit labour and unit wage cost growth were expected to have risen in 2019 Q2, towards the upper end of their ranges consistent with meeting the inflation target in the medium term.

27 Other available indicators suggested that pay growth was stabilising. The REC index for permanent employees was consistent with end-year private-sector regular pay growth of around 3¼%. Companies responding to a labour market survey conducted by the Bank's Agents had reported that they expected wage growth in 2019 to be the same as in 2018. Based on early data from the Bank's pay settlements database, the median private-sector settlement had fallen to 2.5% in the twelve months to June, from 2.8% a year earlier.

28 The labour market had remained tight, but did not appear to be tightening further. Unemployment and employment rate outturns in the three months to May had both been broadly in line with the *May Report*, at 3.8% and 61.5% respectively. The breakdown of the employment data had suggested some softening in the demand for staff, with the number of employees falling by 85,000 but self-employment rising by 123,000 of which 104,000 of the increase had been in part-time work. Vacancies had continued to fall in the three months to June, although the vacancies-to-unemployment ratio had remained elevated and pointed to little slack in the labour market.

29 Developments in household and corporate inflation expectations had been mixed, but these measures had remained relatively close to their post-crisis averages. The Barclays Basix survey of households had shown little change in inflation expectations in either the first or second quarter of 2019 across all time horizons, in contrast to the pickup in the five-year ahead Bank/TNS Q2 figure that had been released ahead of the Committee's previous meeting. The Citi measure of households' inflation expectations at both the one- and five-to-ten year ahead horizons had risen slightly in June. The CBI Distributive Trades survey of corporate inflation expectations had risen by around 20 basis points at the one-year horizon, but had fallen by a similar amount at the two-year horizon.



## The immediate policy decision

30 The MPC sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. In pursuing that objective, the main challenges the Committee faced had been to assess the economic implications of the United Kingdom withdrawing from the European Union and to identify the appropriate policy response to that changing outlook. That outlook depended significantly on the nature and timing of EU withdrawal, in particular: the form of new trading arrangements between the European Union and the United Kingdom; whether the transition to them was abrupt or smooth; and how households, businesses and financial markets responded. The implications for the appropriate path of monetary policy would depend on the balance of the effects on demand, supply and the exchange rate. The MPC judged that the monetary policy response to Brexit, whatever form it took, would not be automatic and could be in either direction.

31 The Committee's updated projections for activity and inflation were set out in the accompanying August *Inflation Report*. In line with the Committee's approach since the EU referendum, they continued to be based on an assumption of a smooth adjustment to the average of a range of possible outcomes for the United Kingdom's eventual trading relationship with the European Union.

32 Global activity had continued to be relatively soft, and the quality of growth had deteriorated given that the softness was primarily apparent in investment indicators. Trade tensions had remained elevated. US GDP growth in 2019 Q2 had been in line with expectations at the time of the *May Report*, while euro-area GDP growth had been slightly weaker than anticipated then. There had also been weakness in growth in a number of emerging market economies during the first half of the year. Core inflation in the United States and the euro area had been relatively subdued.

33 Global economic and trade policy developments had led to a substantial decline in advanced economies' forward interest rates and a material loosening in global financial conditions since the *May Report*. The fall in US forward interest rates appeared large relative to the news in the data and the estimated impact of the trade tariffs implemented to date. US equity prices had risen despite a weaker outlook for corporate earnings.

34 In the MPC's central forecast, the recent easing in global financial conditions supported a gradual pickup in world GDP growth to its potential rate by the end of the forecast period. Those projections were a little lower than three months ago, partly reflecting a greater drag from trade tensions.

35 In addition to global factors, an increase in the perceived likelihood of a no-deal Brexit had put additional downward pressure on UK forward interest rates and led to a marked depreciation of the sterling effective exchange rate since the *May Report*. The instantaneous forward OIS curve was now fully pricing in a 25 basis point rate cut during the first half of 2020. Sterling had fallen by 4% between the 15-day averages underpinning the *May* and *August Reports*, and by a further 2% thereafter. Sterling risk reversals had also become more negative in recent weeks, and sterling implied volatilities had risen considerably relative to other currencies.

36 Brexit-related developments, such as stockbuilding ahead of previous deadlines, were making UK data volatile. After growing by 0.5% in 2019 Q1, GDP was expected to have been flat in Q2, slightly weaker than anticipated in May. Looking through recent volatility, underlying growth appeared to have slowed since 2018 to

a rate below potential, reflecting both the impact of intensifying Brexit-related uncertainties on business investment and weaker global growth on net trade. Underlying GDP growth was projected to remain subdued in the near term, weaker than expected in the *May Report*. Headline output growth might continue to be volatile around that underlying path while Brexit-related uncertainties remained elevated. A margin of excess supply was likely to persist over the first year of the projection.

37 Evidence from companies, up to the middle of July, including from surveys conducted by the Bank's Agents and the Decision Maker Panel (DMP), suggested that uncertainty over the United Kingdom's future trading relationship with the European Union had become more entrenched and the Committee judged that business investment was likely to remain weak until that uncertainty dissipated. In particular, fewer than 20% of respondents to the DMP had reported that they expected Brexit uncertainty to be resolved by the end of this year, compared with 40% in the equivalent survey three months earlier. The persistence of those uncertainties about the nature of the transition and the United Kingdom's eventual trading relationship with the European Union, and therefore the economy's future path, were likely to weigh on companies' spending. For example, respondents to the Agents' survey had expected investment to remain weak over the next twelve months even if there was some form of Brexit deal.

38 Consumer spending had remained resilient. Retail sales had risen in 2019 Q2 and consumer confidence had remained broadly stable during the first half of the year and increased in July. House prices had been less weak than expected recently, although the Committee did not expect that news to boost consumption significantly as indicators of housing activity had remained flat or had fallen.

39 The labour market remained tight, but did not appear to be tightening further. Unemployment and employment data had been broadly in line with expectations at the time of the *May Report*, although the latest rise in employment had been accounted for by a sharp increase in self-employment. The number of job vacancies had continued to fall back, though remained at historically high levels relative to unemployment.

40 CPI inflation had been 2.0% in June and core CPI inflation had been 1.8%. The near-term profile for CPI inflation was expected to be slightly weaker than in the *May Report*, partly reflecting developments in energy prices. Annual pay growth had been relatively strong, but other indicators suggested that earnings growth was stabilising. Recent developments in household and corporate inflation expectations had been mixed, but these measures had remained relatively close to their post-crisis averages.

41 In the MPC's central projection conditioned on prevailing asset prices and a smooth Brexit, GDP was projected to accelerate to robust growth rates from the second half of 2020, reflecting a gradual recovery in global growth and firming UK domestic demand growth, driven in large part by a recovery in investment growth as uncertainties dissipated in line with the Brexit conditioning assumption. The projected acceleration in GDP was likely to result in a significant build-up of excess demand, to around 1¾% of potential GDP by the end of the forecast period. The unemployment rate was projected to fall to 3.3%, well below the MPC's estimate of its equilibrium rate of 4¼%. Conditioned on prevailing asset prices, CPI inflation was expected to increase to 2.4% by the end of the three-year forecast period, as building excess demand led to firmer domestic inflationary pressures.

42 The MPC's projections for growth, excess demand and inflation were affected by an inconsistency between the smooth Brexit conditioning assumption underpinning the forecast and the prevailing market asset prices on which the forecasts were also conditioned. These asset prices reflected market participants' perceptions of the likelihood and consequences of a no-deal Brexit.

43 As a way of highlighting the growing tension between asset prices and the smooth Brexit conditioning assumption, the Committee was publishing stylised sensitivities of its latest projections to changes in asset prices that were likely to be more consistent with that assumption. If Brexit proceeded smoothly to some form of deal, market interest rates would likely rise and the sterling exchange rate would likely appreciate from their current levels. Illustrations suggested that the combined effect of stylised changes in asset prices would be to reduce the MPC's projections for GDP growth and inflation. Even in those illustrations, there would be a significant margin of excess demand in the economy towards the end of the forecast period, which would boost inflation further ahead.

44 The Committee turned to its immediate policy decision.

45 Increased uncertainty about the nature of EU withdrawal meant that the economy could follow a wide range of paths over coming years. The appropriate path of monetary policy would depend on the balance of the effects of Brexit on demand, supply and the exchange rate. The monetary policy response to Brexit, whatever form it took, would not be automatic and could be in either direction. In all circumstances, the Committee would set monetary policy appropriately to achieve the 2% inflation target.

46 The MPC judged at this meeting that the existing stance of monetary policy was appropriate.

47 Assuming a smooth Brexit and some recovery in global growth, a significant margin of excess demand was likely to build in the medium term. Were that to occur, the Committee judged that increases in interest rates, at a gradual pace and to a limited extent, would be appropriate to return inflation sustainably to the 2% target.

48 In the event of a no-deal Brexit, the sterling exchange rate would probably fall, CPI inflation rise and GDP growth slow. The Committee's interest rate decision would need to balance the upward pressure on inflation, from the likely fall in sterling and any reduction in supply capacity, with the downward pressure from any reduction in demand.

49 The Governor invited the Committee to vote on the propositions that:

Bank Rate should be maintained at 0.75%;

The Bank of England should maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion;

The Bank of England should maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

The Committee voted unanimously in favour of all three propositions.

50 As agreed at the MPC meeting ending on 19 June 2019, the Bank would reinvest the cash flows associated with reductions in the stock of sterling non-financial corporate bond purchases held by the Asset Purchase Facility back into eligible corporate bonds, commencing in September 2019. A market notice accompanying these minutes provided further details on this reinvestment programme.

51 Consistent with the Committee's previous guidance, and as described in the market notice accompanying these minutes, the MPC agreed to reinvest £15.2 billion of cash flows associated with the redemption of the September 2019 gilt held by the Asset Purchase Facility.

52 The following members of the Committee were present:

Mark Carney, Chair  
Ben Broadbent  
Jon Cunliffe  
Andrew Haldane  
Jonathan Haskel  
Dave Ramsden  
Michael Saunders  
Silvana Tenreyro  
Gertjan Vlieghe

Clare Lombardelli was present as the Treasury representative.

As permitted under the Bank of England Act 1998, as amended by the Bank of England and Financial Services Act 2016, Anne Glover was present on 25 July, and Dido Harding was present on 25 and 29 July, as observers for the purpose of exercising oversight functions in their role as members of the Bank's Court of Directors.